DoD 7000.14 - R

DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

VOLUME 1-16

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

"INTRODUCTION"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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

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

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

The previous version dated June 2011 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
Volumes Page I-3	Corrected the table to accurately reflect all volume names. Deleted the name for Volume 7C (all Volume 7C chapters are archived). Added the name for Volume 16, "Department of Defense Debt Management," established in January 2016.	Revision
Information Requirements Page I-4	Corrected the Department of Defense Financial Management Regulation web page address.	Revision

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INTRODUCTION

The Department of Defense (DoD) 7000.14-R, DoD Financial Management Regulation (FMR) is issued under the authority of DoD Instruction 7000.14, "DoD Financial Management Policy and Procedures." The DoD FMR directs statutory and regulatory financial management requirements, systems, and functions for all appropriated and non-appropriated, working capital, revolving, and trust fund activities.

*VOLUMES

1	General Financial Management Information, Systems, and Requirements
2A	Budget Formulation and Presentation (Chapters 1-3)
2B	Budget Formulation and Presentation (Chapters 4-19)
3	Budget Execution – Availability and Use of Budgetary Resources
4	Accounting Policy
5	Disbursing Policy
6A	Reporting Policy
6B	Form and Content of the Department of Defense Audited Financial Statements
7A	Military Pay Policy – Active Duty and Reserve Pay
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8	Civilian Pay Policy
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10	Contract Payment Policy
11A	Reimbursable Operations Policy
11B	Reimbursable Operations Policy – Working Capital Funds (WCF)
12	Special Accounts, Funds and Programs
13	Nonappropriated Funds Policy
14	Administrative Control of Funds and Antideficiency Act Violations
15	Security Cooperation Policy
16	Department of Defense Debt Management
	Glossary

APPLICABILITY

The DoD FMR applies to the Office of the Secretary of Defense, the Military Departments, the Office of the Chairman of the Joint Chiefs of Staff and the Joint Staff, the Combatant Commands, the DoD Office of the Inspector General, the Defense Agencies, the DoD Field Activities, and all other organizational entities within the DoD (hereinafter referred to collectively as "DoD Components").

PARAGRAPH NUMBERING SYSTEM

The paragraph numbering system is consistent across the Regulation. The 6 digit paragraph number (e.g., 010101) and its subparagraph designators are formulated as follows:

01	**01**	**01**	**A. 1. A. (1) (a)**
CHAPTER 1	SECTION 1	PARAGRAPH 1	SUBPARAGRAPHS

*INFORMATION REQUIREMENTS

DoD Components should forward recommended changes to this Regulation through appropriate channels to the Office of the Under Secretary of Defense (Comptroller) (OUSD(C)), Office of the Deputy Chief Financial Officer (ODCFO). Requests for deviations from or exceptions to this Regulation must be submitted with justification to the OUSD(C), ODCFO:

OUSD(C), ODCFO
Accounting and Finance Policy
1100 Defense Pentagon
Washington, DC 20301-1100

The DoD FMR is available online at: ***http://comptroller.defense.gov/FMR.aspx***.

DoD 7000.14 - R

DEPARTMENT OF DEFENSE
FINANCIAL MANAGEMENT REGULATION

VOLUME 1: "GENERAL FINANCIAL MANAGEMENT INFORMATION, SYSTEMS AND REQUIREMENTS"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

VOLUME 1, CHAPTER 1: "CHIEF FINANCIAL OFFICER (CFO) OF THE DEPARTMENT OF DEFENSE"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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

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

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The previous version dated June 2008 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Inserted and updated hyperlinks.	Update
010602.D	Added Business Integration Directorate responsibilities.	Add
Figure 1-1	Updated the DoD Chief Financial Officer Structure.	Update

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CHAPTER 1

CHIEF FINANCIAL OFFICER OF THE DEPARTMENT OF DEFENSE

0101 GENERAL

010101. Purpose

This chapter describes the responsibilities of the Department of Defense (DoD) Chief Financial Officer (CFO) as established by the Chief Financial Officers Act of 1990 (sections ***901***, ***902***, and ***903*** of title 31, United States Code (U.S.C.)—herein referred to as the CFO Act) and ***DoD Directive (DoDD) 5118.03***, "Under Secretary of Defense (Comptroller (USD(C))/Chief Financial Officer (CFO), Department of Defense."

010102. Overview

The DoD USD(C)/CFO is the Principal Staff Assistant and advisor to the Secretary of Defense for budgetary and fiscal matters (including financial management, accounting policy and systems, managers' internal control systems, budget formulation and execution, and contract audit administration and organization) and general management improvement programs. The DoD USD(C)/CFO shall manage all functions and responsibilities prescribed in section 902 and section ***3515 of title 31, U.S.C.*** See Figure 1-1 for the DoD Chief Financial Officer Structure.

0102 APPOINTMENT OF CHIEF FINANCIAL OFFICER OF THE DEPARTMENT OF DEFENSE

The CFO Act designates DoD as an agency whose CFO is either appointed by the President, by and with the advice and consent of the U.S. Senate; or designated by the President, in consultation with the head of the agency, from among officials of the agency who are required by law to be so appointed. The USD(C), who is appointed by the President and confirmed by the U.S. Senate, is the DoD CFO.

0103 AUTHORITIES AND FUNCTIONS

The DoD USD(C)/CFO is charged with the responsibility of developing and implementing DoD-wide financial management systems and overseeing financial management activities relating to the CFO programs and operations of the DoD. In that capacity, and consistent with the CFO Act, the following authorities and functions are assigned to the DoD USD(C)/CFO:

010301. Reporting

Report directly to the Secretary of Defense regarding financial management matters.

010302. Oversight

Oversee all financial management activities relating to the programs and operations of the DoD. To carry out this responsibility, the DoD USD(C)/CFO has the authority to:

A. Establish financial management policies for the DoD including its component parts.

B. Ensure compliance throughout the DoD with applicable accounting policy, standards and principles, as well as financial information and systems functional standards.

C. Establish, review and enforce internal control policies, standards and compliance guidelines involving financial management.

D. Provide oversight of financial management activities and operations including: (a) preparation and annual revision of the Financial Improvement and Audit Readiness (FIAR) plan and (b) development of financial management budgets.

E. Ensure adequate controls over real property, equipment and inventories.

F. Ensure complete, reliable, consistent, timely and accurate information on disbursements is available in financial management systems.

010303. Financial Management Systems

Develop and maintain an integrated agency accounting and financial management system, including financial reporting and internal controls, and inform the Business Transformation Agency as to the adequacy of their actions where applicable on systems transformation. Refer to Chapter 3 for financial management systems requirements. Ensure system:

A. Complies with applicable accounting principles, standards and requirements, and internal control standards;

B. Complies with such policies and requirements as may be prescribed by the Director of the Office of Management and Budget (OMB);

C. Complies with any other requirements applicable to such systems; and

D. Provides for:

1. Complete, reliable, consistent and timely information which is prepared on a uniform basis and which is responsive to the financial information needs of DoD management;

2. The development and reporting of cost information;

3. The integration of accounting and budgeting information; and

4. The systematic measurement of performance.

010304. Recommendations

Make recommendations to the Secretary of Defense regarding the selection of the DoD Deputy CFO.

010305. Management

Direct, manage and provide policy guidance and oversight of DoD financial management activities, personnel, and operations, including:

A. The preparation and annual revision of a DoD plan to implement the 5-year financial management plan prepared by the Director of OMB and to comply with the audited financial statements provisions of the CFO Act.

B. The development of DoD financial management budgets.

C. The recruitment, selection and training of personnel to carry out DoD financial management functions.

D. The approval and management of DoD financial management systems design or enhancement projects.

E. The implementation of DoD asset management systems, including systems for cash management, credit management, debt collection and property inventory management and control.

F. To direct, manage and provide policy guidance and oversight, the DoD USD(C)/CFO, has authority to:

1. Manage directly, and/or monitor, evaluate and approve, the design, budget, development, implementation, operation and enhancement of DoD-wide accounting, financial and asset management systems.

2. Coordinate on the design for other information systems that provide, at least in part, financial and/or program performance data used in budget development and financial statements, to ensure that the DoD USD(C)/CFO needs are met.

3. Ensure that program information systems provide financial and programmatic data (including program performance measures) on a reliable, consistent and timely basis to DoD financial management systems.

4. Evaluate, where appropriate, the installation and operation of such systems.

010306. Performance and Accountability Report (PAR)

As required by ***OMB Circular A-136*** (see Volume 6B for information on the preparation requirements of this report), activities must prepare and transmit an annual report to the Secretary of Defense and the Director of OMB, which shall include:

A. A description and analysis of the status of financial management within the Department;

B. Annual financial statements;

C. Audit reports submitted to the Secretary of Defense addressing financial statements;

D. A summary of reports on the internal accounting and administrative control systems submitted under the Federal Managers' Financial Integrity Act; and

E. Other information the Secretary of Defense considers appropriate to fully inform the President and the Congress concerning the financial management of the DoD.

010307. Budget Execution

Monitor the financial execution of the DoD budget in relation to actual expenditures, and prepare and submit to the Secretary of Defense timely performance reports. To enable the DoD USD(C)/CFO, to prepare and submit timely performance reports, the DoD USD(C)/CFO has authority to:

A. Mandate DoD-wide data and reporting format requirements.

B. Review and approve financial reports and statements prepared by DoD components for transmittal to the Secretary of Defense, OMB, the President, the Congress or external groups.

C. Prepare consolidated and/or combined financial statements and work with the Inspector General, DoD and other auditors to improve the statements' independent review and auditability.

D. Develop, in coordination with program managers, financial and programmatic performance indicators for inclusion in financial systems and financial reports and statements.

E. Ensure that data included in financial reporting (including program performance measures) is auditable.

F. Advise program managers on financial management matters when requested.

010208. Biennial Review

Review, on a biennial basis, the fees, royalties, rents and other charges imposed by the Department for services and things of value it provides, and make recommendations on revising those charges to reflect costs incurred in providing those services and things of value.

0104 CHIEF FINANCIAL OFFICERS COUNCIL

The DoD CFO is a member of the Chief Financial Officers Council (CFOC) consisting of the Deputy Director for Management of OMB, the Controller of the Office of Federal Financial Management of OMB, the Fiscal Assistant Secretary of the Treasury and agency CFOs. The CFOC meets periodically to advise and coordinate the activities of its agency members on such matters as consolidation and modernization of financial systems, improved quality of financial information, financial data and information standards, internal controls, legislation affecting financial operations and organizations, and other financial management matters.

0105 DEPUTY CHIEF FINANCIAL OFFICER OF THE DEPARTMENT OF DEFENSE

The CFO Act requires that each of the specified agencies shall have a Deputy CFO who shall report directly to the Agency CFO on financial management matters. The position of Deputy CFO shall be a career-reserved position in the Senior Executive Service. Consistent with qualification standards developed by, and in consultation with, the Agency CFO and the Director of OMB, each Agency head shall appoint as Deputy CFO an individual with demonstrated ability and experience in accounting, budget execution, financial and management analysis, systems development, and not less than 6 years practical experience in financial management at large governmental entities.

0106 DOD STAFF ORGANIZATIONS RESPONSIBLE FOR IMPLEMENTING CFO FUNCTIONAL REQUIREMENTS

010601. Deputy Comptroller (Program/Budget)

The Deputy Comptroller (Program/Budget) is responsible for overseeing and implementing budgetary functions within the DoD on a day-to-day basis.

A. The Directorate for Program and Financial Control is responsible for budget review tracking, the submission of the automated defense budget for the President's budget, maintenance of the budget data bases, apportionment of funds, reprogramming and transfer of funds, obligation and outlay forecasting and tracking, budget concepts and scorekeeping, and information system support.

B. The Directorate for Investment is responsible for advising the Deputy Comptroller (Program/Budget) on all matters pertaining to: Procurement; Research, Development, Test, and Evaluation; the National Foreign Intelligence Program; and for the Defense Acquisition Board program.

C. The Directorate for Military Personnel and Construction is responsible for advising the Deputy Comptroller (Program/Budget) on all matters pertaining to operating and maintaining the U.S. military force structure to include active, reserve, and retired military; Defense Health Program; military construction; family housing; homeowners assistance; North Atlantic Treaty Organization infrastructure; Base Realignment and Closure; and Real Property Maintenance.

D. The Directorate for Operations is responsible for advising the Deputy Comptroller (Program/Budget) on all matters pertaining to operating and maintaining the U.S. military force structure to include active and reserve military personnel and civilian personnel.

E. The Directorate for Revolving Funds is responsible for advising the Deputy Comptroller (Program/Budget) on all matters pertaining to Defense-wide Working Capital Funds, the Pentagon Reservation Maintenance Revolving Fund, the Building Maintenance Fund, the Conventional Ammunition Working Capital Fund, the National Defense Stockpile Transaction Fund, and the Military Services' Management and Trust Funds.

010602. Deputy Chief Financial Officer

The Deputy CFO is responsible for overseeing and implementing accounting policy, improvements in financial management, as well as other financial management functions for the DoD on a day-to-day basis.

A. The Directorate for Accounting and Finance Policy is responsible for developing, publishing, implementing, and interpreting DoD-wide accounting and finance policies; providing direct support to the DoD USD(C)/CFO and Deputy CFO on various interagency forums; advocates for the DoD USD(C)/CFO on various interagency organizations and representing the DoD USD(C)/CFO on various internal DoD councils, boards and committees pertaining to policy; and providing oversight of, and performing liaison functions with, the DoD Components with respect to financial management operations, systems, responses to audit reports, policy clarifications, and other matters related to financial management; and administering the 15-volume DoD Financial Management Regulation.

B. The Directorate for Financial Improvement and Audit Readiness (FIAR) is responsible for oversight, management, performing liaison functions and partnering with the DoD Components on the Financial Improvement and Audit Readiness Plan, which identifies financial process, system and statement deficiencies and provides detailed corrective actions to address those deficiencies; implementation of the Federal Manager's Financial Integrity Act program for the DoD, to include Management's Responsibility for Internal Control ***(OMB Circular A-123, Appendix A)*** for the Secretary of Defense; management of the Improving Financial Performance

Initiative of the President's Management Agenda; and advocates for the DoD USD(C)/CFO on various interagency forums and internal DoD councils, boards, and committees pertaining to audit readiness.

C. The Directorate for Financial Reporting and Analysis is responsible for financial reporting for the Department. These responsibilities include preparation of the Department's Annual Report (Performance and Accountability Report). In addition, the Directorate maintains oversight of other significant financial reporting requirements such as the Report on Reliability, the Statement of Accountability, and Management Representation Letters; advocates for the DoD USD(C)/CFO on interagency organizations and committees, various internal DoD councils, boards and committees pertaining to financial reporting; provides oversight of, and performs liaison functions with, the DoD Components with respect to financial management operations, systems, and other matters related to financial management; and develops and maintains Departmental financial performance metrics and associated automated tools, facilitates the development and operation of government-wide financial indicators.

* D. The Directorate for Business Integration leads the integration and coordination of business and financial systems and processes within the Office of the Under Secretary of Defense (Comptroller) and on a Defense-wide basis; works with Program/Budget through business integration initiatives to ensure that budget execution metrics properly reflect DoD spending, projections, and execution trends for informed decision making by the DoD USD(C)/CFO; provides representation and advice on business and financial management forums and other relevant boards and committees; represents the DoD USD(C)/CFO ***Title 10, U.S.C.*** role in the development of enterprise business and financial systems across DoD; leads the planning, control and implementation of DoD financial management transformation and modernization activities; leads the Defense-wide Financial Improvement and Audit Readiness efforts to ensure that the Department achieves an unqualified opinion on its financial statement as required by the CFO Act; and manages the Defense-wide Statement of Assurance process by monitoring and reporting the status of auditor and manager identified material weaknesses and corrective action plans.

010603 Director, Defense Finance and Accounting Service (DFAS)

The Director of the Defense Finance and Accounting Service (DFAS) is the principal DoD executive for finance and accounting requirements, systems, and functions under the authority and direction of the USD(C). In accordance with ***DoDD 5118.03*** and ***DoDD 5118.5, "Defense Finance and Accounting Service,"*** the Director, DFAS shall:

A. Direct finance and accounting requirements, systems, and functions for all appropriated, nonappropriated, working capital, revolving, and trust fund activities, including security assistance.

B. Establish and enforce requirements, principles, standards, systems, procedures, and practices necessary to comply with finance and accounting statutory and regulatory requirements applicable to the Department of Defense.

C. Provide professional finance and accounting services for DoD Components and other Federal agencies.

D. Direct the consolidation, standardization, and integration of finance and accounting requirements, functions, procedures, operations, and systems and ensure their proper relationship with other DoD functional areas (e.g., budget, personnel, logistics, acquisition, civil engineering, etc.)

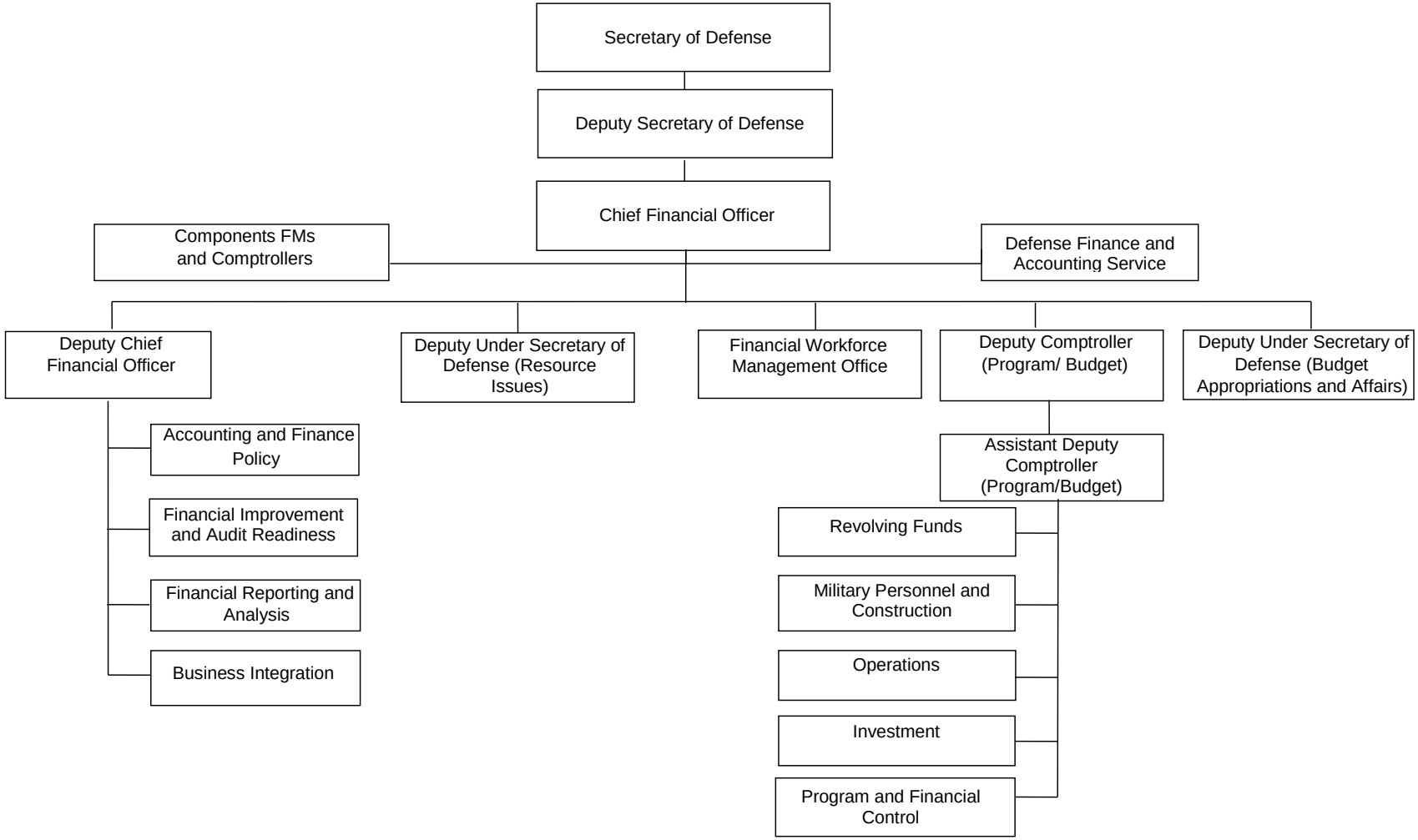
E. Execute statutory and regulatory financial reporting requirements and render financial statements.

F. Approve the establishment or maintenance of all finance and accounting activities independent of DFAS.

0107 RESPONSIBILITIES OF THE HEADS OF DOD COMPONENTS FOR IMPLEMENTING CFO FUNCTIONAL REQUIREMENTS

The Heads of the DoD Components shall direct and manage financial management activities within their respective Components, consistent with the policies, requirements, principles, standards, procedures, and practices prescribed by the DoD USD(C)/CFO and DFAS, and other policies as prescribed by the Heads of the other DoD Components.

*Figure 1-1: DOD CHIEF FINANCIAL OFFICER STRUCTURE



VOLUME 1, CHAPTER 2: "FEDERAL ACCOUNTING STANDARDS HIERARCHY"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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The previous version dated January 2011 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
020201	Added an Overview section to explain Federal Accounting Standards Advisory Board (FASAB)'s role in setting the federal accounting standard hierarchy.	Addition
020203	Added an Authoritative Guidance section listing all applicable laws and regulations.	Addition
020301	Assigned responsibilities to the Financial Improvement and Audit Readiness (FIAR) Directorate for clarification, technical guidance, implementation guidance or other information regarding federal accounting standards.	Addition
020302	Added a requirement for Department of Defense intelligence agencies to coordinate with the Office of the Deputy Chief Financial Officer any input into the Office of the Director of National Intelligence correspondence with accounting standards-setting bodies.	Addition
020303	Required Task Force sponsored by FASAB and the Accounting and Auditing Policy Committee participants to notify the FIAR Directorate of membership in FASAB and AAPC Task Forces.	Addition
All	Verified and corrected, where applicable, all references and hyperlinks.	Revision
Multiple	Minor editorial corrections and reworded chapter for clarity.	Revision

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CHAPTER 2

FEDERAL ACCOUNTING STANDARDS HIERARCHY

*0201 GENERAL

*020101. Overview

A. The Federal Accounting Standards Advisory Board (FASAB) promulgates accounting standards after considering financial and budgetary information needs of Congress, executive agencies, and other users of federal financial information. FASAB considers comments from the public on its proposed Statements, which are widely distributed as "exposure drafts." FASAB publishes adopted statements as Statement of Federal Financial Accounting Standard (SFFAS) and become generally accepted accounting principles (GAAP) for federal government entities.

B. A listing of FASAB Standards and other FASAB authoritative publications, including FASAB Interpretations, Technical Bulletins, and Technical Releases, is located at ***http://www.fasab.gov***. Documents recently issued and not yet codified are also presented at this location.

020102. Purpose

A. This chapter includes the FASAB hierarchy of accounting principles and standards. These standards are used to promulgate accounting and financial reporting policy within the Department of Defense (DoD) ***Financial Management Regulation*** (FMR). The purpose of these principles and standards is to improve the usefulness of federal financial reports.

B. The provisions of this chapter apply to all DoD Components, including the Defense Working Capital Fund activities. However, this chapter does not apply to Nonappropriated Fund (NAF) accounting. NAF accounting policies are in Volume 13.

C. Interim policies and guidance issued by the Office of the Under Secretary of Defense (Comptroller) (OUSD(C)) through various memoranda can be found on the OUSD(C) DoD FMR website. Such interim guidance will be incorporated into the DoD FMR once it is finalized.

*020103. Authoritative Guidance

A. ***Chief Financial Officers (CFO) Act of 1990***, as amended, requires federal financial managers, accountants and auditors to apply appropriate accounting principles and standards.

B. ***FASAB*** develops accounting standards and principles for the United States Government.

B. The American Institute of Certified Public Accountants (AICPA)'s Code of Professional Conduct ***1.320.020*** recognized FASAB as the board that promulgates GAAP for federal entities.

C. SFFAS 34, "The Hierarchy of Generally Accepted Accounting Principles, Including the Application of Standards Issued by the Financial Accounting Standards Board" identifies the GAAP hierarchy for federal reporting entities.

*0202 HIERARCHY

020201. Hierarchy of Accounting Standards

A. The SFFASs are GAAP applicable to the federal government and shall be followed by all federal agencies in reporting under the Government Management Reform Act of 1994 ***(GMRA).*** DoD Components shall adhere to the GAAP hierarchy prescribed in SFFAS 34. The sources of accounting principles that are generally accepted are categorized in descending order of authority as follows:

1. FASAB SFFAS and Interpretations;

2. FASAB Technical Bulletins and, if specifically made applicable to federal reporting entities by the AICPA and cleared by FASAB, AICPA Industry Audit and Accounting Guides. Such pronouncements specifically made applicable to federal reporting entities are presumed to have been cleared by FASAB, unless the pronouncement indicates otherwise;

3. Technical Releases of the Accounting and Auditing Policy Committee (AAPC) of the FASAB; and

4. Implementation guides published by FASAB staff, as well as practices that are widely recognized and prevalent in the federal government.

B. If the accounting treatment for a transaction or event is not specified by a pronouncement or established in practice as described in paragraph 020201.A, a federal reporting entity should first consider accounting principles for similar transactions or events within categories in subparagraphs 020201.A before considering Other Accounting Literature discussed in paragraph 020202.

C. A federal reporting entity should not follow the accounting treatment specified in accounting principles for similar transactions or events in cases in which those accounting principles either, (a) specifically prohibit the application of the accounting treatment to the particular transaction or event or (b) indicate that the accounting treatment should not be applied to other transactions or events by analogy.

020202. Other Pronouncements and Practices

A. Other Accounting Literature includes

1. FASAB Concepts Statements,

2. AICPA Industry Audit and Accounting Guides that have not specifically been made applicable to federal reporting entities by FASAB,

3. Pronouncements of other accounting and financial reporting standards-setting bodies, such as Financial Accounting Standards Board, Governmental Accounting Standards Board, the International Accounting Standards Board, and the International Public Sector Accounting Standards Board,

4. Publications of professional associations or regulatory agencies, and

5. Accounting textbooks, handbooks, and articles.

B. The appropriateness of other accounting literature depends on its relevance to particular circumstances, the specificity of the guidance, and the general recognition of the issuer or author as an authority. FASAB Concepts Statements would normally be more influential than other sources in this category.

0203 COMMUNICATION AND COORDINATION

*020301. Guidance and Clarification

To ensure the consistent application of SFFAS throughout DoD, the Office of the Deputy Chief Financial Officer (DCFO), Directorate for Financial Improvement and Audit Readiness (FIAR), OUSD(C) shall be contacted when clarification, technical guidance, implementation guidance or other information regarding federal accounting standards is needed.

*020302. Correspondence

A. Formal and informal requests addressed to FASAB or the AAPC for an interpretation, clarification, technical guidance, implementation guidance or other information regarding SFFAS shall be submitted through the Office of the DCFO, FIAR Directorate, OUSD(C).

B. All correspondence presenting a DoD position on FASAB Exposure Drafts and on any other matters before FASAB or the AAPC will be signed by either the DoD CFO or DoD DCFO.

C. Individuals submitting responses to exposure drafts will clearly indicate in the correspondence that the opinions expressed are those of the individual and do not represent the official position of DoD.

* D. The Office of the Director of National Intelligence (ODNI) is not a component of DoD and, accordingly, may communicate with accounting standards-setting bodies in the same manner as other federal agencies. DoD components, including the Defense Intelligence Agency, the National Geospatial-Intelligence Agency, and the National Security Agency, provide input into ODNI correspondence with accounting standards-setting bodies. DoD components should ensure that ODNI communications are not presented as official DoD positions. Further, to ensure the completeness of DoD communications, any DoD component input into ODNI correspondence with accounting standards-setting bodies should be coordinated with the Office of the DCFO.

*020303. Task Force Participation

A. Full participation by DoD in Task Forces sponsored by FASAB and the AAPC is critical to ensuring that DoD's views are considered as accounting standards and guidance are formulated. This participation includes Task Force membership, meeting attendance, participation in group discussions, preparing draft documents, and commenting on draft Task Force documents.

* B. To ensure complete coverage by DoD, Task Force participants should notify the Office of the DCFO, FIAR, OUSD(C) of membership in FASAB and AAPC Task Forces. Task Force participants should also remain alert to the fact that many issues will impact multiple DoD components. Coordination with A&FP and other DoD components will ensure that DoD is properly represented as government-wide accounting standards are formulated.

VOLUME 1, CHAPTER 3: "FEDERAL FINANCIAL MANAGEMENT IMPROVEMENT ACT COMPLIANCE"

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PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Major rewrite to align Federal Financial Management Improvement Act (FFMIA) compliance with the Office of Management and Budget (OMB) Circular A-123, Appendix D (rescinds OMB Circular A-127); and related efforts to achieve auditability.	Revision
Chapter Title	Changed the chapter title. FFMIA compliance includes evaluation and reporting as defined in this chapter (redundant to restate).	Revision
Policy Memorandum	Incorporated and cancelled the Deputy Chief Financial Officer's memorandum, "Internal Controls and Audit Trails for System Database Changes," dated August 27, 2013.	Cancellation

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CHAPTER 3

*FEDERAL FINANCIAL MANAGEMENT IMPROVEMENT ACT COMPLIANCE

0301 GENERAL

030101. Purpose

This chapter prescribes Department of Defense (DoD) policy for achieving compliance with the Federal Financial Management Improvement Act (FFMIA) of 1996. The FFMIA provides the basis for the development and implementation of financial management systems in order for the Department to provide accurate, reliable, and timely financial management information.

030102. Authoritative Guidance

The ***FFMIA (Public Law (Pub. L.) 104-208)***, Title 31, United States Code, section 3512 (31 U.S.C. § 3512) note, provides specific requirements. The Office of Management and Budget ***(OMB) Circular A-123***, "Management's Responsibility for Internal Control;" and ***Appendix D*** of this Circular, "Compliance with the Federal Financial Management Improvement Act of 1996" provides implementing guidance. Additional authorities:

A. Budget and Accounting Procedures Act of 1950 (31 U.S.C. §§ 3512 and 3513).

B. Federal Managers' Financial Integrity Act of 1982 (Pub. L. 97-255), 31 U.S.C. § 3512(c)(d).

C. Chief Financial Officers Act of 1990 (Pub. L. 101-576), 31 U.S.C. Chapter 11.

D. Clinger-Cohen Act (Information Technology Management Reform Act of 1996 (Pub. L. 104-106, Division E).

E. Federal Information Security Management Act of 2002 (Pub. L. 104-347), 44 U.S.C. § 3541 et seq.

0302 DEFINITIONS

This paragraph defines financial and non-financial systems for purposes of FFMIA compliance.

A. Financial Management System. A financial management system includes the overall financial operation, reflecting the people, processes, and technology to capture, classify, summarize, and report data in a meaningful manner to support business decisions.

It includes hardware and system software applications, personnel, procedures, data, and reporting functions. The financial management system can be fully integrated with other management information systems (i.e., mixed systems) where transactions automatically interface with accounting general ledger.

B. Financial System. The financial system is an information system or set of applications that comprise the accounting portion of the financial management system that maintains all summary or detailed transactions resulting from budgetary and proprietary financial activity. The financial system encompasses processes and records that:

1. Identify and record all valid transactions;

2. Provide timely transactions in sufficient detail to permit proper classification of transactions for financial reporting;

3. Measure the value of transactions in a manner that permits recording their proper monetary value in the financial statements; and

4. Determine the time period in which transactions occurred to permit recording of transactions in the proper accounting period.

C. Mixed System. A mixed system is a hybrid of financial and non-financial portions of the overall financial management system. Examples of mixed systems are payment and invoice systems, procurement systems, receivable systems, loan systems, grants systems, payroll systems, budget formulation systems, billing systems, property management systems, travel systems, or other mission operational systems that impact a financial system.

D. Non-Financial System. A non-financial information system supports non-financial functions of DoD Components. Any financial data included in a non-financial system is insignificant to the Department or Component's financial management. The data is not required for preparation of financial statements or other financial management reporting.

0303 STANDARDS

030301. Accounts

The U.S. Department of the Treasury (Treasury) provides the requirements for the United States Standard General Ledger (***USSGL***). For DoD, general ledger accounts and transactions are defined in the DoD Standard Chart of Accounts and the DoD USSGL Transaction Library. These documents are available on the ***Standard Financial Information Structure*** web page. The Federal Accounting Standard Advisory Board (FASAB) is the authoritative source for the development and issuance of generally accepted accounting principles for the Federal Government. FASAB publishes these accounting principles in the "FASAB Handbook of Accounting Standards and Other Procurements, As Amended" (***FASAB Handbook***). DoD financial management systems must adhere to FASAB standards for the preparation of financial statements and audits.

030302. Reporting Entities

DoD Component reporting entities are identified in Volume 6B, Chapter 1, section 0105. These reporting entities must report their FFMIA compliance as part of their Annual Statement of Assurance submitted to the Office of the Under Secretary of Defense (Comptroller) (OUSD(C)). DoD financial systems and mixed systems must be identified in the DoD Information Technology Portfolio Repository (DITPR) as part of the annual review process for Defense business systems in accordance with ***10 U.S.C. § 2222***.

A. The Head of each DoD reporting entity is responsible for planning, testing, evaluation, remediating, and reporting remediation action progress and results. The Head of the reporting entity may delegate these responsibilities.

B. The reporting entity or delegate may rely on independent internal or external resources for FFMIA testing and evaluation (e.g., Service Audit Agency, DoD Inspector General, or independent public accounting firms). The reporting entity must ensure that resources employed are objective and sufficiently qualified to perform the evaluation. The Government Accountability Office (GAO) provides guidance regarding qualifications for performing program and financial statement audits in their "Generally Accepted Government Auditing Standards" (Yellow Book).

030303. FFMIA Compliance

The DoD strategy for FFMIA compliance is integrated with related efforts to achieve auditability and maintain effective internal controls over financial reporting (ICOFR). Documentation that supports these related requirements also support FFMIA compliance and may be used to avoid duplication of efforts. In accordance with the FFMIA and OMB Circular A-123, Appendix D, DoD financial management systems must meet Federal Financial Management System Requirements, applicable Federal accounting standards, and implement the USSGL at the transaction level.

A. The Federal Financial Management System Requirements consist of reliable financial reporting, effective and efficient operations, and compliance with applicable laws and regulations.

1. Reliable financial reporting includes reliable, timely, and accurate financial information for managing day-to-day operations and reporting on the Department's financial condition. Reliable financial reporting also includes maintaining ICOFR and financial system security. System security includes adjustments to system data and databases as outlined in OMB Circular A-123. It is management's responsibility to ensure the appropriate internal controls that direct and guide system operations are integrated into each system's change process.

2. Effective and efficient operations includes maintaining cost effective financial operations and ensuring resources are safeguarded against waste, loss, and misuse.

3. Financial transactions must be consistent with laws, the DoD Financial Management Regulation, and other guidance applicable to DoD.

B. DoD accounting standards consist of the FASAB hierarchy of accounting principles and standards prescribed in Chapter 2, "Federal Accounting Standards Hierarchy."

C. USSGL transactions defined in the DoD USSGL Transaction Library.

D. The OUSD(C) Financial Improvement and Audit Readiness (FIAR) Plan for development and preparation of management assertion packages and independent segment validations. The FIAR plan includes requirements for:

1. Documentation and evaluation for each reporting entity.

2. Testing and assessment of material/significant segments and segment components. At a minimum, areas tested, evaluated, and documented must include existing software applications; software application acquisitions; third-party software provided as a service; and processes, procedures, controls, and data standards.

030304. Compliance Framework

OMB developed the "FFMIA Compliance Determination Framework" (see Table 3-1) to assist agencies in determining whether they are compliant with FFMIA requirements specified in section 803(a) of Pub. L. 104-208 (31 U.S.C. 3512 note). This framework is a risk and evidence-based assessment model that leverages existing audit tests, evaluations, and reviews that auditors, agency management, and others already perform. The work may include the external audit report and internal reports that provide any assurances over the financial statements. The major elements of the framework are as follows:

A. A series of financial management goals common to all Federal agencies and agreed upon by the financial management community

B. One or more compliance indicator(s) is associated with each financial management goal. The indicators specify the recommended evidence agencies should consider when determining whether it meets each goal. Each compliance indicator corresponds to one or more of the section 803(a) requirements.

C. Each compliance indicator has recommended risk (or performance) levels agencies should consider when evaluating whether it meets the goal. Reporting entity compliance indicators may consist of a mix of risk levels (i.e., some indicators may be at low risk while others at a medium or high level of risk). In making the compliance determination, the reporting entity will need to assess the relative importance or weight of the financial management goals for the agency and apply judgment when making the final compliance determination. Note: A reporting entity does not have to be at low risk for each compliance indicator to be in compliance with FFMIA.

D. For reporting entities that use shared service organizations, the service organizations are required to provide customer agencies with a "Report on Controls at a Service Organization Relevant to User Entities' Internal Control over Financial Reporting." This is an important tool for agency management and auditors to evaluate the effect of the controls at the service organization on the user entities' controls for financial reporting. Testing the service provider's controls could take the form of input/output controls, performance monitoring, or process controls.

E. Organization and Content

1. The framework consists of two federal financial management categories. Category 1 is "Financial Information Management and Reporting;" and category 2 is "Financial Management and Internal Controls." Within each category there is a group of related goals. For each goal, there are compliance indicators and a risk or performance level rating of low, medium, or high. Each goal is identified by a two-digit reference identification (ID) number. For example, category 1, goal 1 is numbered 1.1.

2. The goals articulate clear statements of what the agency wants to achieve to advance its mission and address relevant problems, needs, and challenges. The first two digits of a goal's reference ID corresponds to the first two digits of each requirement's ID number from the "Federal Financial Management System Requirements" contained in the Treasury Financial Manual (***TFM***) (see TFM Volume 1, Chapter 9500). For example, the Framework goal 1.1, "Consistently, completely, and accurately record and account for Federal funds, assets, liabilities, revenues, expenditures, and costs" corresponds to the TFM requirement 1.1.1.1, "Provide GL account classifications." In addition, each TFM requirement has a reference to the associated financial management regulatory guidance that promulgates the three requirements of section 803 (a) of the FFMIA. Achievement of goals must be assessed to determine whether an agency is in compliance with the FFMIA.

3. The compliance indicators are quantifiable or otherwise observable characteristics used to measure progress towards goals and demonstrate how well or at what level a goal has been achieved. Indicators are a subset of the information already being produced by agencies and auditors.

4. The risk levels identify the degree of risk that the agency is not in compliance with FFMIA.

030305. Maintaining Compliance

The FIAR Plan guidance defines mandatory practices for maintaining auditability subsequent to assertion and validation. These same practices must be applied to maintain compliance with FFMIA requirements.

0304 RESPONSIBILITIES

The responsibilities identified in this section are limited to those specific to FFMIA compliance and are not meant to be an exhaustive list of all of the responsibilities of these entities. This includes the authorities and framework that the Department employs to monitor, analyze, validate, integrate, and control FFMIA compliance requirements.

030401. Office of the Under Secretary of Defense (Comptroller)

OUSD(C) has overall responsibility for FFMIA compliance oversight and direction and is supported by the FIAR and Business Integration Office (BIO) Directorates.

A. The FIAR Directorate:

1. Publishes the FIAR Plan semiannually; and develops and issues detailed financial improvement audit strategy/methodologies and implementation guidance.

2. Maintains the FIAR Planning Tool used by DoD Components to manage their Financial Improvement Plans (FIPs) and submit assertion work products.

3. Monitors reporting entity FFMIA assertions made and provides internal control training to reporting entities on improving compliance with FFMIA.

4. Supports and monitors the progress of reporting entity testing and remediation plans; and develops metrics for monitoring and reporting progress.

5. Defines practices for maintaining auditability subsequent to FFMIA compliance assertion and validation.

B. The BIO Directorate:

1. Monitors, analyzes, and measures the progress of DoD reporting entities in achieving FFMIA compliance.

2. Issues and updates FFMIA compliance policy.

030402. Office of the Deputy Chief Management Officer

The Office of the Deputy Chief Management Officer (DCMO) is the principal management office for the Secretary of Defense responsible for optimizing the business environment across the DoD enterprise. The Office of the DCMO:

A. Oversees development, modernization, and sustainment of the Department's portfolio of business systems through the Defense Business Council which also serves as the Department's Investment Review Board.

B. Develops and issues the Integrated Business Framework, the Business Enterprise Architecture requirements, the DoD Enterprise Transition Plan (ETP), and investment review process compliance guidance.

030403. DoD Components

The DoD Component reporting entities must:

A. Develop, maintain, and execute FIPs that also include their FFMIA compliance remediation plan in accordance with the FIAR Guidance.

B. Develop a plan in accordance with OMB Circular A-130, "Management of Federal Information Resources," ***Appendix III***.

C. Ensure the system portfolio and remediation plans are consistent with modernization priorities identified in the DoD ETP.

D. Ensure their system portfolio is consistent with the systems reported in DITPR.

E. Conduct FFMIA certification testing using the GAO Financial Audit Manual and FIAR Plan guidance, leveraging existing system development life-cycle activities where appropriate.

F. Address FFMIA compliance status and remediation plan in the Annual Statement of Assurance.

G. Ensure that annual updates to the ETP are in alignment with the FIAR Plan.

030404. Defense Finance and Accounting Service

The Defense Finance and Accounting Service (DFAS) must develop and maintain a DFAS system FFMIA compliance remediation plan in coordination with DoD Components. For each financial system and mixed system managed by DFAS, this includes:

A. Establishment of a Memorandum of Agreement (MOA) with each DoD reporting entity supported by each DFAS system.

B. Conducting compliance testing, as required per the MOA.

C. Supporting reporting entity end-to-end business process testing (in accordance with the MOA).

030405. DoD Inspector General

The Office of the Inspector General is responsible for:

A. Performing system audits (e.g., general and application control and FFMIA) based on reporting entity FIPs and the FIAR Plan.

B. Performing FFMIA compliance evaluations as part of financial statement audits and/or oversees evaluations performed by independent public accounting firms during financial statement audits. This includes identifying in writing the nature and extent of non-compliance when appropriate.

030406. Defense Information Systems Agency

The Defense Information Systems Agency (DISA) is responsible for evaluating FFMIA requirements related to information technology controls and security for significant financial management systems administered by DISA.

*Table 3-1. FFMIA Compliance Determination Framework

Goal	Compliance Indicator	Risk (or Performance) Level		
		Low Risk	Medium Risk	High Risk
1. Federal Financial Information Management and Reporting				
1.1. Consistently, completely, and accurately record and account for Federal funds, assets, liabilities, revenues, expenditures, and costs.	1.1.a. Current / prior year's agency-reported material weaknesses, reportable conditions, or non-conformances, or auditor-reported material weaknesses, or significant deficiencies related to accounting for and recording Federal funds, assets, liabilities, revenues, expenditures, and costs.	Agency- or auditor-reported control deficiencies that individually or collectively are not considered significant.	Agency-reported reportable conditions or non-conformances. OR Auditor-reported significant deficiencies.	Agency- or auditor-reported material weaknesses.
1.2. Provide timely and reliable Federal financial management information of appropriate form and content to agency program managers for managing current Government programs and activities.	1.2.a. Current / prior year's agency-reported material weaknesses, reportable conditions, or non-conformances related to internal reporting of financial management information used for managing current Government programs and activities.	Agency-reported-control deficiencies that individually or collectively are not considered significant.	Agency-reported reportable conditions or non- conformances.	Agency-reported material weaknesses.

Table 3-1. FFMIA Compliance Determination Framework (Continued)

Goal	Compliance Indicator	Risk (or Performance) Level		
		Low Risk	Medium Risk	High Risk
1.3. Provide timely and reliable Federal financial management information of appropriate form and content for continuing use by stakeholders external to the agency, including the President, Congress, and the public.	1.3.a. Audit opinion on agency financial statements.	Unmodified (Unqualified).	N/A	Modified (Qualified), Disclaimer, or Adverse.
	1.3.b. Unaudited interim agency financial statements submitted to OMB within 21 calendar days after the end of the first three quarters of the fiscal year.	On time.	Not on time for current quarter.	Not on time for current and prior quarter(s).
	1.3.c. Agency financial reports submitted to OMB, GAO, and Congress by November.	On time.	Not on time for current year.	Not on time for current and prior year(s).

Table 3-1. FFMIA Compliance Determination Framework (Continued)

Goal	Compliance Indicator	Risk (or Performance) Level		
		Low Risk	Medium Risk	High Risk
1.4. Provide timely and reliable Federal financial management information of appropriate form and content that can be linked to strategic goals and performance information.	1.4.a. Agency costs, as presented in the Statement of Net Cost, in accordance with OMB Circular A-136, are clearly linked to agency strategic goals and are free from agency-reported material weaknesses, reportable conditions, or non-conformances, or auditor-reported material weaknesses or significant deficiencies.	Agency- or auditor-reported control deficiencies that individually or collectively are not considered significant.	Agency-reported reportable conditions or non-conformances. OR Auditor-reported significant deficiencies.	Agency- or auditor-reported material weaknesses.
	1.4.b. Financial and performance information, as presented in the performance section of the Agency Financial Report or Performance & Accountability report, is free from agency-reported material weaknesses, reportable conditions, or non-conformances.	Agency-reported-control deficiencies that individually or collectively are not considered significant.	Agency-reported reportable conditions or non- conformances.	Agency-reported material weaknesses.

Table 3-1. FFMIA Compliance Determination Framework (Continued)

Goal	Compliance Indicator	Risk (or Performance) Level		
		Low Risk	Medium Risk	High Risk
2. Financial Management and Internal Controls				
2.1. Provide internal control to restrict Federal obligations and outlays to those authorized by law and within the amount available.	2.1.a. Current / prior year's agency-reported material weaknesses, reportable conditions, or non-conformances, or auditor-reported material weaknesses or significant deficiencies related to restricting agency obligations and outlays to those authorized by law and within the amount available.	Agency- or auditor-reported control deficiencies that individually or collectively are not considered significant.	Agency-reported reportable conditions or non-conformances. OR Auditor-reported significant deficiencies.	Agency- or auditor-reported material weaknesses.
	2.1.b. Antideficiency Act violation report required to be submitted.	None required within the last 2 fiscal years preceding the current fiscal year.	Required within the last 2 fiscal years preceding the current fiscal year.	Required for the current fiscal year.
2.2. Perform Federal financial management operations effectively within resources available.	2.2.a. Current / prior year's instances of non-compliance with laws and regulations related to prompt payments or debts owed to the Federal Government.	No reported instances.	Instances reported in current year.	Instances reported in current and prior year(s).

Table 3-1. FFMIA Compliance Determination Framework (Continued)

Goal	Compliance Indicator	Risk (or Performance) Level		
		Low Risk	Medium Risk	High Risk
2.3. Minimize waste, loss, unauthorized use, or misappropriation of Federal funds, property and other asses within resources available.	2.3.a. Current / prior year's agency- reported material weaknesses, reportable conditions, or non-conformances, or auditor-reported material weaknesses or significant deficiencies related to minimizing waste, loss, unauthorized use, or misappropriation of Federal funds, property and other assets.	Agency- or auditor-reported control deficiencies that individually or collectively are not considered significant.	Agency-reported reportable conditions or non-conformances. OR Auditor-reported significant deficiencies.	Agency- or auditor-reported material weaknesses.
2.4. Minimize Federal financial management system security risks to an acceptable level.	2.4.a. FISMA or other (for example, National Institute of Standards and Technology-related) significant deficiencies impacting financial management systems in the agency Security Certification and Accreditation of Federal Information Systems.	Agency- or auditor-reported control deficiencies that individually or collectively are not considered significant.	Agency-reported reportable conditions or non-conformances. OR Auditor-reported significant deficiencies.	Agency- or auditor-reported material weaknesses.

VOLUME 1, CHAPTER 4: "STANDARD FINANCIAL INFORMATION STRUCTURE"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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

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

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

The previous version dated June 2009 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
0401	Created a General section to include the "Purpose" and "Authoritative Guidance" paragraphs in accordance with the Department of Defense Financial Management Regulation Revision Standard Operating Procedures.	Revision
0402	Reorganized definitions alphabetically; and added definitions for Standard Financial Information Structure (SFIS) compliance resources/tools.	Addition
0403	Added the Standard Line of Accounting/Accounting Classification, data interoperability between systems, and the Defense Departmental Reporting System SFIS Trial Balance requirements.	Addition
0404	Added the role of the Office of the Deputy Chief Management Officer.	Addition
0404	Deleted outdated information including references to the former Business Transformation Agency.	Deletion
Table 4-1	Created a table to summarize SFIS compliance requirements by financial management system type.	Addition
Policy Memo	Incorporated and cancelled the Under Secretary of Defense (Comptroller) memorandum, "Department of Defense Standard Line of Accounting/Accounting Classification," dated September 14, 2012.	Cancellation

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*CHAPTER 4

STANDARD FINANCIAL INFORMATION STRUCTURE

*0401 GENERAL

040101. Overview

The ***Standard Financial Information Structure*** (SFIS) is a comprehensive data structure that supports requirements for budgeting, financial accounting, cost/performance, interoperability, and external reporting needs across the Department of Defense (DoD) enterprise. It is a common business language that enables budgeting, performance-based management, and the generation of financial statements. SFIS standardizes financial reporting across DoD and allows revenues and expenses to be reported by programs that align with major goals, rather than basing reporting primarily on appropriation categories. It also enables decision-makers to efficiently compare programs and their associated activities and costs across DoD and provides a basis for common valuation of DoD programs, assets, and liabilities. The SFIS matrix that defines each data element is available on the SFIS resources web page.

040102. Purpose

This chapter prescribes the requirements for SFIS and Standard Line of Accounting (SLOA)/Accounting Classification compliance for DoD business systems. SFIS and SLOA/Accounting Classification compliance provides a means for DoD business systems to meet statutory requirements and additional requirements implemented by the Office of Management and Budget (OMB), and the United States Department of the Treasury (Treasury).

040103. Authoritative Guidance

A. Title 10, United States Code (U.S.C.), section 2222(d)(1) (***10 U.S.C. § 2222(d)(1)***) requires that the DoD ***Business Enterprise Architecture (BEA)*** include an information infrastructure that, at a minimum, enables DoD to:

1. Comply with all Federal accounting, financial management, and reporting requirements;

2. Routinely produce timely, accurate, and reliable business and financial information for management purposes;

3. Integrate budget, accounting, and program information and systems; and

4. Provide for the systematic measurement of performance to include the ability to produce timely, relevant, and reliable cost information.

B. 10 U.S.C. § 2222(d)(2) requires establishment of policies, procedures, data standards, performance measures, and system interface requirements that are applied uniformly throughout DoD.

C. Section 902a.3 of the ***Chief Financial Officers Act of 1990***, as amended by the Government Management Reform Act of 1994, requires agencies to develop and maintain an integrated agency accounting and financial management system, including financial reporting and internal controls that:

1. Complies with applicable accounting principles standards and requirements, and internal control standards;

2. Complies with such policies and requirements as may be prescribed by the Director of OMB;

3. Complies with any other requirements applicable to such systems; and

4. Provides for:

a. Complete, reliable, consistent, and timely information which is prepared on a uniform basis and which is responsive to the financial information needs of agency management;

b. Development and reporting of cost information;

c. The integration of accounting and budgeting information; and

d. Systematic measurement of performance.

D. The ***Federal Financial Management Improvement Act of 1996*** (FFMIA) requires agencies to incorporate accounting standards and reporting objectives established for the Federal Government into their financial management systems so that all the assets and liabilities, revenues, expenditures or expenses, and the full costs of programs and activities of the Federal Government can be consistently and accurately recorded, monitored, and uniformly reported throughout the Federal Government.

E. The ***Government Performance and Results Act of 1993*** requires annual performance reporting that links performance planned to performance achieved.

F. The ***OMB Circular A-123, Appendix D***, provides FFMIA compliance guidance including the requirement for agencies' financial management systems to reflect an agency-wide financial information classification structure that is consistent with the United States Standard General Ledger (USSGL). Application of the USSGL at the transaction level means that each time an approved transaction is recorded in a financial management system, it must generate the appropriate general ledger accounts for posting the transaction according to the rules defined in the USSGL guidance. OMB Circular 123, Appendix D was incorporated into Chapter 3.

G. The OMB, ***Office of Federal Financial Management*** requires, within each department or agency, accounting classification elements and definitions to be standardized to ensure uniform and efficient accounting treatment, classification, and reporting.

H. The Treasury, Bureau of the Fiscal Service publishes the Treasury Financial Manual (TFM) and is updated annually with USSGL guidance. Under the Governmentwide Treasury Account Symbol Adjusted Trial Balance System (GTAS), the USSGL TFM Supplement contains seven major sections that comprise the Treasury USSGL guidance: (I) Chart of Accounts, (II) Accounts and Definitions, (III) Account Transactions, (IV) Account Attributes for USSGL Proprietary Account and Budgetary Account Reporting, (V) Crosswalks to Standard External Reports, (VI) Crosswalks – Reclassified Statements, and (VII) GTAS Edits and Validations. The USSGL standardizes federal agency accounting and supports the preparation of standard external reports required by the OMB and Treasury

*0402 DEFINITIONS

040201. Business Enterprise Architecture

The BEA is the enterprise architecture for the DoD business mission area. The BEA defines the DoD business transformation priorities, the business capabilities required to support those priorities, and the combinations of enterprise systems and initiatives that enable those capabilities. It is used to determine compliance for systems reviewed by the Defense Business Council (DBC) and includes the SFIS requirements. The BEA structure/framework was developed using a set of integrated DoD Architecture Framework products to include the All View, Operational View, Systems and Services View, and Technical Standards View. It includes activities, processes, data, information exchanges, business rules, system functions, system data exchanges, terms, and linkages to laws, regulations, and policies.

040202. Financial Management System Types

This paragraph defines DoD financial management system types in the current environment for purposes of SFIS and SLOA/Accounting Classification compliance. See Chapter 3 for a complete definition of a financial management system, a financial system, a mixed system, and a non-financial system.

A. Target Accounting System. A target accounting system is configured to post transactions to an internal USSGL compliant subsidiary or general ledger and does not have a system retirement plan and date.

B. Target Financial Business Feeder System. A target financial business feeder system does not qualify as a target accounting system and does not have a retirement plan and date. The system creates or processes transactions with financial impacts and exchanges accounting data with another business feeder system(s) and/or accounting system(s).

C. Legacy Accounting System. A legacy accounting system is configured to post transactions to an internal subsidiary or general ledger and has a retirement plan and date.

D. Legacy Financial Business Feeder System. A legacy financial business feeder system does not qualify as an accounting system and has a retirement plan and date. The system creates or processes transactions with financial impacts and exchanges accounting data with another business feeder system(s) and/or accounting system(s).

040203. Investment Review Process

DoD implemented a business systems investment review process through the DBC. The Deputy Chief Management Officer (DCMO) established the DBC as the principal subsidiary governance body to the Deputy's Management Action Group / Defense Business Systems Management Committee (DBSMC) for defense business operations and it serves as the Department's Investment Review Board (IRB) for Defense business systems. A primary goal of the IRB process is to facilitate development and implementation of integrated business systems across DoD business functions and capabilities; thereby providing a framework for effective investment decision-making and enabling the Department's senior leadership to guide investments to maximize the impact to the warfighter. SFIS/SLOA is a critical part of this process. The DBSMC was established pursuant to 10 U.S.C. § 186 and is chaired by the Secretary of Defense. DBSMC membership is comprised of the Under Secretaries of Defense for Acquisition, Technology, and Logistics; Comptroller; and Personnel and Readiness; the DoD Chief Information Officer; the Secretaries of the Military Departments; and the heads of the Defense Agencies pursuant to 10 U.S.C. § 2222.

040204. SFIS Business Rules

The SFIS business rules specify how SFIS data elements must be implemented and are the primary mechanism that drives SFIS compliance. The SFIS business rules dictate compliance requirements such as syntax, storage, derivation and usage.

040205. SFIS Compliance Checklist

The SFIS Compliance Checklist is based on the SFIS business rules and is used to document compliance with the SFIS business rules. The Checklist provides the Office of the Secretary of Defense leadership, DoD Component program managers, and other financial and operations managers with a means for determining whether their accounting and financial business feeder systems comply with SFIS requirements. DoD Components use the Checklist as a tool to assess and gauge the level of a financial system's compliance with SFIS requirements.

040206. SFIS Values Library

The SFIS Values Library houses allowable SFIS values for specific SFIS data elements. Systems must be compliant with the value lists as outlined in the data elements authoritative source. The SFIS Values Library can be located on the SFIS Resource Page.

040207. Standard Data

Standard data relates to information that is transmitted, processed, maintained, and/or accessed in a standard format. It is a structured communication medium that is exchanged within and between entities and other groups for business transactions. The standards describe structures that emulate documents; e.g., purchase orders to automate purchasing. The standard data is also used to refer to the implementation and operation of systems and processes for creating, transmitting, and receiving information. It simplifies the aggregation of data, limiting crosswalks and mapping procedures.

040208. SLOA/Accounting Classification

The DoD SLOA/Accounting Classification is a subset of the SFIS data standard elements. The SLOA/Accounting Classification is comprised of the minimum SFIS data elements that must be exchanged for business events that have an accounting impact at any point from the initial commitment to the final posting in the appropriate general ledger. This includes commitments, obligations, expenditures, and disbursements. The SLOA accommodates Treasury reporting requirements for daily cash reporting.

*0403 COMPLIANCE REQUIREMENTS

040301. SFIS

A. SFIS compliance is required for all target accounting systems and target financial business feeder systems that comprise the target environment, as identified in the ***Enterprise Transition Plan***, that support financial transactions. SFIS is also considered for legacy accounting systems and legacy financial business feeder systems on a case-by-case basis. SFIS provides an enterprise-wide standard for categorizing financial information along several dimensions to support financial management and financial reporting functions; enable decision-makers to efficiently compare similar programs and activities across DoD; and provide a level of detail required for information retrieval and auditability. SFIS is aligned to federal-wide standards, at summary levels, for federal-level financial statements.

B. SFIS compliance means a target system must send, receive, capture, store, and maintain the SFIS data constructed as discrete data. Further, systems must meet all applicable SFIS Business Rules. SFIS data element transactions are required to be posted to the financial accounting system using the required USSGL accounts and accounting standards. DoD Component program managers are required to use the SFIS checklist to determine SFIS compliance and to guide implementation and configuration efforts.

040302. SLOA/Accounting Classification

A. The DoD SLOA/Accounting Classification is a subset of SFIS data elements that is used to ensure accurate accounting transactions and interoperability between systems. The SLOA/Accounting Classification requirement is applicable for all systems that process business events with accounting impacts between the time of commitment through disbursement. This includes, but is not limited to, accounting, contract writing, logistics, civilian pay, military pay, travel, medical, and transportation. Target systems must send, receive, capture, store, and maintain the SLOA/Accounting Classification data constructed as discrete data. Further, systems must meet all applicable SFIS Business Rules.

B. For legacy accounting systems and legacy financial business feeder systems that have a retirement plan and date, the implementation of SFIS and SLOA/Accounting Classification is considered on a case-by-case basis depending upon its impact on audit readiness.

040303. Interoperability of Data between Systems

Systems that support the financial management purchasing process such as contracts, intergovernmental orders, and payroll for audit readiness purposes must be interoperable with SLOA/Accounting Classification data elements. Supporting transactions are required to be posted to the target accounting system using proper USSGL accounts and accounting standards. A transaction broker and translation service may be used for legacy systems with a retirement plan and date to translate non-SFIS data elements to SFIS data elements. A transaction broker may be used to reduce the number of interfaces, thereby reducing the cost to maintain the interfaces and minimizing the number of interfaces subject to changes in interface controls to support auditability.

040304. Defense Departmental Reporting System SFIS Trial Balance

Target accounting systems must interface with the Defense Departmental Reporting System using an SFIS Compliant Trial Balance. The SFIS Compliant Trial Balance must meet all necessary USSGL and DoD financial reporting requirements.

*0404 ROLES AND RESPONSIBILITIES

040401. Office of the Under Secretary of Defense (Comptroller)

The Office of the Secretary of Defense (Comptroller) (OUSD(C)):

A. Serves in a leadership role and establishes policy for the development of DoD enterprise business and financial systems to include SFIS implementation across DoD.

B. Is responsible for providing stewardship for SFIS financial data elements, and serves as a primary representative on the DBSMC and DBC (reference paragraph 040202).

C. Provides business and financial system insight on all issues presented at committee/board meetings and serves as the primary office of responsibility for actions stemming from the DBSMC and the IRB.

040402. Office of the Deputy Chief Management Officer

The Office of the DCMO:

A. Oversees system compliance requirements for all data standards, to include SFIS.

B. Is responsible for publishing and maintaining the SFIS resources repository and works closely with OUSD(C) on coordination of all SFIS Updates.

C. Works with DoD Components and Enterprise Resource Planning (ERP) integration teams to properly implement SFIS.

040403. DoD Components

DoD Components are responsible for implementing SFIS for all applicable systems and ensuring interoperability between systems that have a financial impact. This includes asserting compliance with SFIS by using the Compliance Checklist for SFIS and maintaining their systems consistent with SFIS requirements.

040404. Service Providers

The Defense Finance and Accounting Service (DFAS) and the Defense Logistics Agency (DLA) are service providers. DFAS and DLA must ensure all service provider applications and enterprise systems are compliant with SFIS, where applicable.

0405 SFIS RESOURCES

The SFIS web page contains several resources that define the SFIS requirements and provides tools to assist with compliance including the following:

A. SFIS Matrix (SFIS data elements, definitions, examples, business rules, syntaxes, primary stewards, authoritative sources, required reports, and Extensible Markup Language Schemas).

B. SFIS Compliance Checklist.

C. SFIS Implementation Master Schedule.

D. SFIS/USSGL Validation

E. SFIS SLOA/Accounting Classification Guidance.

F. SFIS Values Library Services.

G. SFIS ERP Standard Configurations.

H. SFIS Online Tutorial.

I. DoD USSGL Transaction Library.

J. DoD Standard Chart of Accounts Implementation Guidance.

*Table 4-1. SFIS Compliance Summary

Financial Management System Type	SFIS Compliance Requirement
Target Accounting System	SFIS DoD SLOA/Accounting Classification DoD USSGL Transaction Library DoD Standard Chart of Accounts
Target Financial Business Feeder System (processes business events with accounting impacts between the time of commitment through disbursement)	SFIS DoD SLOA/Accounting Classification
Legacy Accounting System	SFIS and DoD SLOA/Accounting Classification are considered on a case-by-case basis
Legacy Financial Business Feeder System (creates or processes transactions with financial impacts and exchanges accounting data with other business feeder systems or accounting systems)	SFIS and DoD SLOA/Accounting Classification are considered on a case-by-case basis

VOLUME 1, CHAPTER 6: "UNDER SECRETARY OF DEFENSE (COMPTROLLER) FINANCIAL MANAGEMENT AWARDS PROGRAM"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by a ***** preceding the section, paragraph, table, or figure that includes the revision.

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

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

The previous version dated October 2016 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
060201	Clarified category verbiage	Revision
060402	Included the possibility for DoD Components to include other DoD Components in their nominations	Addition
060403	Implemented a DoD Component level nomination submission restriction	Addition
0605	Updated to reflect new changes to the website	Revision

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CHAPTER 6

UNDER SECRETARY OF DEFENSE (COMPTROLLER) FINANCIAL MANAGEMENT AWARDS PROGRAM

0601 GENERAL

060101. Overview

It is DoD policy that:

A. Military and civilian members who make outstanding contributions to the improvement of Department of Defense (DoD) financial management should be recognized.

B. Recognition for their significant contribution(s) during the preceding calendar year, in the form of an engraved plaque, shall be presented to, and retained by, the individual and team within each of the four award categories. Fourteen awards are conferred:

1. Contributions in budget formulation or execution:
   a. Individual at Headquarters and Major Command Level
   b. Individual below Headquarters and Major Command Level
   c. Team at Headquarters and Major Command Level
   d. Team below Headquarters and Major Command Level
2. Contributions in financial management (excluding budget):
   a. Individual at Headquarters and Major Command Level
   b. Individual below Headquarters and Major Command Level
   c. Team at Headquarters and Major Command Level
   d. Team below Headquarters and Major Command Level
3. Contributions in financial management in a Contingency Operation:
   a. Individual at any level
   b. Team at any level
4. Contributions to financial improvement and audit readiness:

a. Individual at Headquarters and Major Command Level

b. Individual below Headquarters and Major Command Level

c. Team at Headquarters and Major Command Level

d. Team below Headquarters and Major Command Level

C. The Program applies to the Office of the Secretary of Defense, the Military Departments, the Chairman of the Joint Chiefs of Staff, the Combatant Commands, the Office of the Inspector General of the Department of Defense, the Defense Agencies, and the DoD Field Activities, and all other organizational entities within the DoD (hereafter referred to collectively as "the DoD Components"). The individual or team's accomplishment must have occurred within the preceding calendar year.

D. Any military member or DoD civilian employee (to include Reserve Components) is eligible for nomination. General/Flag Officers, Senior Executive Service, and contractors cannot be nominated for individual awards, but can be named and recognized as members of team awards.

060102. Purpose

The purpose of the Under Secretary of Defense (Comptroller) (USD(C)) Financial Management Awards Program is to recognize significant contributions of individuals or teams to financial management improvement.

060103. Authoritative Guidance

The Government Employees Incentive Awards Act at 5 USC § 4503 authorizes agency heads to award an honorary recognition to an employee who contributes to the efficiency, economy, or other improvement of government operations or achieves a significant reduction in paperwork, or performs a special act or service in the public interest in connection with or related to his official employment. 10 USC § 1125 authorizes the Secretary of Defense to award medals, trophies, badges, and similar devices to members, units, or agencies of an armed force under his jurisdiction for excellence in accomplishments.

0602 AWARD CATEGORIES, TYPES, AND LEVELS

*060201. Award Categories

The four award categories in the USD(C) Financial Management Awards Program are:

A. Contributions in Budget Formulation or Execution. This category recognizes one individual and one team, at each of the two award levels, who have made significant contributions in successfully building, defending, or executing DoD budgets. Improved budget building and successfully defending the budget serve to ensure the Department is adequately funded to complete its mission. Improved execution of budgets serves to minimize Anti-Deficiency Act violations and ensures protection of Departmental assets. Examples of appropriate efforts include:

1. Identifying and correcting deficiencies in administrative control of funds.

2. Enhancing the methodology and processes resulting in more accurate budget formulation estimates.

3. Information Technology System improvements that support reliable cost projections for building budgets.

4. Successfully defending crucial budget submissions or reprogramming requests.

B. Contributions to Financial Management (excluding Budget). This category recognizes one individual and one team, at each of the two award levels, who have made significant contributions to modernize and improve financial management in areas other than budget. Improvements may be in areas such as finance, auditing, accounting, cost analysis, payroll, workforce development, or other fields outside of budgeting. Nominating Officials should consider performance, attestation, and operational audits for this category. Examples of appropriate efforts include:

1. Changing or improving an accounting process to eliminate or reduce improper payments.

2. Developing a validated and verified cost or life cycle to model use in economic, cost benefit, or cost effective analysis.

3. Establishing a training program to improve workforce proficiency in a key area of deficiency.

C. Contributions in Financial Management in a Contingency Operation. This category recognizes one individual and one team who have made significant contributions to modernize and improve financial management while in support of a contingency operation. Improvements can be in auditing, accounting, budget, cost analysis, workforce development, and other Financial Management fields. Examples of appropriate efforts include:

1. Implementing controls that improve auditability of funds managed in a contingency operation.

2. Changing and/or reengineering a process or steps of a process to make the process better, faster, and/or less expensive by using technology as an enabler in a contingency operation.

3. Identifying, proposing, and implementing an improvement to a problem, project, or effort using analysis to better utilize resources and improve mission effectiveness in a contingency operation.

D. Contributions to Financial Improvement and Audit Readiness. This category recognizes one individual and one team, at each of the two award levels, who have made significant achievements to improve Financial Improvement and Audit Readiness efforts. Financial Improvement and Audit Readiness help the Department achieve its goal of unmodified financial statement audits by (1) improving the Department's financial management operations, (2) providing our service members with the resources essential for mission success, (3) and improving taxpayer trust in our stewardship of resources. Examples of appropriate efforts include:

1. Implementing end-to-end business process reengineering efforts leading to improved auditability.

2. Executing action plans to correct internal controls deficiencies at a local or command level that are consistent with laws, regulations, and administrative policy.

3. Implementing effective improvements to controls over financial reporting in financial systems at the service or enterprise level.

060202. Award Types

The two award types in the USD(C) Financial Management Awards Program are:

A. Individual awards may be given to one person at the Headquarters and Major Command level and Below Major Command level in the four award categories.

B. One team award may be given to teams at the Headquarters and Major Command level and the Below Major Command level in each of the four award categories. Teams are made up of two to twenty individuals brought together to perform a specific task within a specific time frame. Teams of greater than twenty individuals are not eligible for these awards. The team lead must be one of the twenty members of the team. Contractors cannot comprise more than 20 percent of the team. Contractors cannot use these awards as support for performance clauses in contracts.

060203. Award Levels

The two award levels in the USD(C) Financial Management Awards Program are:

A. Headquarters level and Major Command level.

1. Headquarters level is defined as the headquarters of a Military Service Department, Defense Agency, or Field Activity.

2. Major Command Level is defined as the highest level of command below headquarters level within the Military Department. For the Defense Agencies and Field Activities, Major Command level is based on the organization's structure, not the nature of the work covered by the award. Major Command level refers to the next level of subordinate organizations to the Headquarters location.

B. Below Major Command level includes any organization not meeting the requirements to be considered Headquarters and Major Command level. For Defense Agencies and Field Activities, this includes regional offices or other organizations subordinate to the Headquarters or Major Command level.

Award Level Matrix	
Organizational Level Performing the Work	**Award Level**
Headquarters	Headquarters and Major Command
Military Department Major Command	Headquarters and Major Command
Combatant Command Headquarters	Headquarters and Major Command
Brigade/Afloat Command/Group	Below Major Command
Regional Office	Below Major Command
Examples	
DFAS Headquarters	Headquarters and Major Command
DFAS Major Center (Cleveland, Columbus, Indianapolis)	Headquarters and Major Command
DFAS Other (Rome, Limestone, Japan, Europe, Non-Appropriated Funds)	Below Major Command

0603 RESPONSIBILITIES

060301. The USD(C)

A. Will select awards recipients for each award category, type, and level.

B. Will present awards to each recipient.

C. Will release an annual memorandum announcing any changes to this regulation, call for the submission of nominations for this awards program, and delineate the nomination and review timeline.

060302. The OUSD(C) Human Capital Resource Management Director

A. Will annually convene a Financial Management Awards Program Board to review nominations from the DoD Components.

B. Will make award recommendations to the USD(C).

C. Will appoint a representative from among the Defense Agencies and DoD Field Activities (other than the Defense Finance and Accounting Service (DFAS)) to the FM Awards Program Board.

060303. Heads of the Military Departments and DFAS

A. Will each select a representative to the Financial Management Awards Program Board and notify the Director, Human Capital Resource Management (HCRM) in accordance with the annual USD(C) memorandum, of the representative selected from their Component.

060304. DoD Component Heads

A. Will encourage the nomination of individuals and teams for the Financial Management Awards in accordance with the procedures and criteria in section 0604.

B. Will appoint a Final Reviewer for all nominations submitted by members of their component in accordance with the memorandum.

060305. The Financial Management Awards Program Board

A. Is chaired by the OUSD(C) HCRM Director, or designee.

B. Is comprised of one voting representative from each of the Military Departments, DFAS, and one from the Defense-wide community, which encompasses all other Defense Agencies and DoD Field Activities. Members may not delegate attendance of the Board Member meeting, and may not serve more than two consecutive terms.

C. Is comprised of members of the Senior Executive Service, general/flag officers, and/or E-9s.

D. Members must not be the Nominating Officials for any of the award nominations submitted.

E. Is convened annually to evaluate nominations and make recommendations for winners in each award category based on the criteria in paragraph 060401.

060306. Final Reviewers

A. Are responsible for vetting the nominations prior to submission to the Board. Nominations should be examined for duplications, incomplete submissions, and noncompliance with instructions.

B. May not be Nominating Officials.

C. Are responsible for approving or denying each nomination submitted for their particular component, before all nominations are due to OUSD(C). Only approved nominations will go before the Board.

060307. Nominating Official

A. Will review each one of their nominations ensuring nominee names and contact information are correct and accurate.

B. Will sign to certify compliance with nomination submission instructions in section 0605.

060308. Supervisor

A. Will consider members of their workforce whose achievements merit recognition in the USD(C) FM Awards Program.

B. Will serve as the Nominating Official for appropriate nominations.

060309. Submitter

A. Will input all data into the nomination template for the appropriate nomination in accordance with the procedures and criteria in section 0605 as directed by the Nominating Official.

B. May be the same person as the Nominating Official.

0604 AWARD CRITERIA AND NOMINATION INFORMATION

The criteria and nomination information for the DoD Financial Management Awards are:

060401. Award Criteria

Nominations for DoD Financial Management Awards shall be based on individual or team achievements during the preceding calendar year. Board Members will evaluate nominations,

assigning a numeric score, after considering the following criteria:

A. Scope and Significance, examples include:

1. Cost and/or manpower savings

2. Cost avoidances

3. Magnitude of Impact

B. Improving and standardizing policies, procedures, and systems

*060402. Nomination Information

Refer to section 0605 for specifics on procedures for submitting nominations. Figures 1-1 and 2-1 are examples of individual and team nominations, respectively. Information included in the nominations is used for plaque development. All information must be accurate to ensure plaques properly display nominee information. All acronyms must be spelled out the first time.

A. The first section includes the calendar year of the accomplishment, award category, nominee(s) data, and Nominating Official data.

B. The second section includes the nominee or team name, a brief description of the problem, project, or effort, a summary of the actions performed, and results achieved by the individual or team to warrant consideration for a Financial Management Award.

C. Nominations should be written to a broad and diverse audience. Limit the use of acronyms and excessive superlatives.

D. Nominations should be written in a clear and concise manner.

E. DoD Components may not submit more than one nomination for the same achievements. For example:

1. A DoD Component may not submit a team nomination and an individual nomination for the same achievements.

2. A DoD Component may not submit a nomination, either team or individual, with the same achievements, for different award categories, types, or levels.

F. For Team awards, DoD Components may identify additional personnel from other DoD Components who participated in the actions leading to the recognized achievements. The addition of other DoD Components to an award does not affect the nomination restrictions set in 060403.D.

*060403. Submission of Nominations

A. Heads of DoD Components must submit nominations to the OUSD(C) HCRM Director via the OUSD(C) awards nomination site at ***https://fmonline.ousdc.osd.mil/Professional/Awards-Program/Awards.aspx.*** Specific details are contained in section 0605.

B. OUSD(C) must receive nominations by the date designated in the memorandum sent to the Components. OUSD(C) will not accept nominations after the end of the nomination period.

C. Final Reviewers must review nominations by the date designated in the memorandum sent to the Components. OUSD(C) will not accept nominations edits after the end of the review period.

D. Heads of DoD Components are restricted in the number of nominations they can submit for consideration in each Category, Type, and Level:

1. DoD Components with an FM workforce of at least 1,000 personnel can submit up to two nominations per Category, Type, and Level; allowing a maximum of 28 nominations.

2. DoD Components with an FM workforce of fewer than 1,000 personnel can submit up to one nomination per Category, Type, and Level; allowing a maximum of 14 nominations.

3. Combatant Command Support Agents may submit up to one additional nomination per Category, Type, and Level for personnel serving in the Headquarters of a Unified Combatant Command. These nominations will compete as Combatant Command nominations.

060404. Nomination Responsibilities

A. Responsibility for individual award nominations is vested with the DoD Component owning the position of the person being nominated.

B. Responsibility for team award nominations is vested with the DoD Component owning the position of the team lead.

060405. Individual and Team Awards

Each individual award recipient shall receive an engraved plaque. Each team shall receive a single engraved plaque while team members shall each receive a certificate.

*0605 FM AWARDS WEBSITE INSTRUCTIONS

Utilize the OUSD(C) awards nomination site for all nominating, reviewing, or scoring.

060501. Nominating an Individual

A. To nominate an individual, click the Nominate Individual tab on the right-side of the home page. Acknowledge you have read and will comply with this regulation to continue. Select the Award Category that best fits the actions of the individual being nominated by clicking on the radio button next to the appropriate category:

1. Contributions in budget formulation or execution.

2. Contributions in financial management (excluding budget).

3. Contributions in financial management in a contingency operation.

4. Contributions to financial improvement and audit readiness.

B. Select the Award Level that corresponds to the level of the organization the nominee worked at by clicking on the radio button next to the appropriate level, either Headquarters and Major Command or Below Major Command:

1. Enter the Organization and Component of the Nominee. The Organization should reflect the entity subordinate to the DoD Component to which the nominee was assigned while the nominee completed the actions for which the nominee is being nominated.

2. Acronyms must be spelled out.

3. If the individual was assigned to the Headquarters of a Combatant Command, select “yes,” next to the Combatant Command question, and identify the Combatant Command from the drop-down menu. If the individual was not assigned to the Headquarters of a Combatant Command, select “no.”

C. Fill out the Individual Nominee Data and the Nominating Official Data:

1. Write the nomination in a way best portraying the individual and their contributions in the specific effort.

2. Nominations should not be written like personnel evaluations.

D. Input the name of the problem, project, or effort the individual participated in, concisely providing details about the:

1. Problem the Nominee solved.

2. Actions the Nominee took to solve the problem.

3. Results of the Nominee's actions to solve the problem.

E. To complete the nomination:

1. Acknowledge the nomination has been submitted in compliance with this regulation.

2. Click the save button at the bottom of the form.

3. After clicking the save button, the application will save your nomination. You must next click the submit button to send the nomination to the Nominating Official for review. Failure to click the submit button will halt progress on the nomination.

4. Click the close form button at the bottom of the screen.

060502. Nominating a Team

A. To nominate a Team, click the Nominate Team tab on the right-side of the home page. Acknowledge you have read and will comply with this regulation to continue. Select the Award Category that best fits the actions of the team being nominated by clicking on the radio button next to the appropriate category:

1. Contributions in budget formulation or execution.

2. Contributions in financial management (excluding budget).

3. Contributions in financial management in a contingency operation.

4. Contributions to financial improvement and audit readiness.

B. Select the Award Level that corresponds to the level of the organization the nominated team worked at by clicking on the radio button next to the appropriate level: Headquarters and Major Command, or Below Major Command.

1. Enter the Team Name, Organization, and Component of the Nominee. The Organization should reflect the entity subordinate to the DoD Component to which the team lead was assigned while the team completed the actions for which the team is being nominated.

a. Acronyms must be spelled out.

b. If the team lead was assigned to the Headquarters of a Combatant Command, select "yes," next to the Combatant Command question, and identify the Combatant Command from the drop-down menu. If the team lead was not assigned to the

Headquarters of a Combatant Command, select "no."

c. If any members of the team were assigned to a DoD Component other than the DoD Component the team lead was assigned to, the Nominating Official may recognize the other DoD Components by selecting "yes" to the additional DoD Component question and identify up to three additional DoD Components from the drop down menus.

2. Input the Team's Nominee Data. There can be from 2 to 20 individuals per team, including the team lead.

a. No more than 20 percent of the team can be composed of contractors.

b. Fill in the information of team leader in the Individual Nominee Data Portion.

c. Contractors are not eligible for the team lead position.

C. Fill out the Team Nominee Data and the Nominating Official Data:

1. Write the nomination in a way best portraying the team and its contributions in the specific effort.

2. Nominations should not be written like personnel evaluations.

D. Input the name of the problem, project, or effort the individual participated in, concisely providing details about the:

1. Problem the Team solved.

2. Actions the Team took to solve the problem.

3. Results of the Team's actions to solve the problem.

E. To complete the nomination:

1. Acknowledge the nomination has been submitted in compliance with this regulation.

2. Click the save button at the bottom of the form.

3. After clicking the save button, the application will save your nomination. You must next click the submit button to send the nomination to the Nominating Official for review. Failure to click the submit button will halt progress on the nomination.

4. Click the close form button at the bottom of the screen.

060503. Final Reviewers

A. Click the Final Reviewer Tab to see each individual and team nomination for your DoD Component.

B. Individual nominations will be listed at the top of the page and Team nominations will be listed at the bottom of the page.

C. Final Reviewers must approve or decline nominations before they go to the Board. Refer to the annual USD(C) memorandum for the timeline:

1. Click on the document button in between the name of the Individual or the Team and the Organization of the specific nomination to view the nomination.

2. Ensure the nomination has been submitted in accordance with this regulation.

3. Ensure Nominating Official digital signature belongs to listed nominating official.

4. To approve or decline a nomination, click the approve or decline button.

D. To view a report of all nominations within a certain category, click on the category you are trying to view.

E. To view nominations previously approved or declined:

1. Click the view approved/declined nominations button (in blue) at the top of the screen.

2. Click on the document button in between the name of the Individual or the Team and the Organization of the specific nomination.

3. To change the status of a nomination, click the approve or decline button.

F. Return to nominations that have not been approved or declined yet by clicking the view undecided documents button on the top of the screen.

G. Final Reviewers will be restricted in the number of nominations they can approve to go to the Board as set in 060403.D.

060504. Board Members

Board Members will independently score individual and team nominations based on the established criteria and collectively evaluate and recommend winners in each award category in accordance with this regulation.

A. Click the Board Tab to enter the Board Member Section. The three buttons that Board Members will use throughout the scoring process are:

1. Nominations: produces a printable report with all nominations submitted to the board.

2. Board Detail Report: produces a printable report showing detailed scores for each nomination by criteria.

3. Board Summary Report: produces a printable reporting showing the total score for each nomination.

B. To score nominations:

1. Click the nominations button found on the Board Members site.

2. The nomination list contains four sections, one for each nomination category, each of which has four tabs. Each of these tabs represents the four different types and levels of nominations.

3. Click on the tab to open it. Each row will show the same information (from left to right): Name of Individual or Team, Organization, and Component. Next to each line, Board Members will be able to score nominations and input remarks.

4. Board Members will be able to see the nomination by clicking on the individual or team name for the nomination.

5. After considering the strength of the write-up and how it meets the scoring criteria, indicate a score of 1 to 5 points based on the scoring criteria with 5 being the highest.

6. Click the save button at the top of each tab to save scores for that tab. While working through nominations, save frequently to prevent loss of scoring.

7. There will be a green checkmark next to the row of any scored nomination.

8. Click on the scores report button on the top right-side of the screen to view a compiled report of all scoring you have completed.

C. To view a Board Detail Report, return to the Board Welcome page, click the board detail report button at the bottom of the Board Member welcome screen.

D. To view a Board Summary Report, return to the Board Welcome page:

1. Click the board summary report button at the bottom of the Board Member welcome screen.

2. This report includes sections by Award Category, Type, and Level and provides the summary total of each Board Member's scoring of the established criteria for each nominee.

Figure 1-1: Nomination Form for Individual Awards

UNDER SECRETARY OF DEFENSE (COMPTROLLER)
FINANCIAL MANAGEMENT AWARDS PROGRAM
Nomination Form for INDIVIDUAL Awards

Award Category:
- ☐ Contributions in Budget Formulation or Execution
- ☐ Contributions in Financial Management (excluding Budget)
- ☐ Contributions in Financial Management in a Contingency Operation
- ☐ Contributions to Financial Improvement & Audit Readiness

Award Level:
- ☐ Headquarters and Major Command
- ☐ Below Major Command

Organization:
Component: [DROP DOWN]

Was the Individual in this award assigned to a COCOM? Yes ☐ No ☐
If so, which COCOM? [DROP DOWN]

Individual Nominee Data (contractors are not eligible for individual awards):
Rank/Grade: _____
Name: _____
Duty Title: _____
E-Mail: _____
Office Mailing Address: _____
Commercial Phone: _____

Nominating Official Data:
Rank/Grade: _____
Name: _____
Duty Title: _____
E-Mail: _____
Office Mailing Address: _____
Commercial Phone:

Figure 1-1: Nomination Form for Individual Awards (cont'd)

UNDER SECRETARY OF DEFENSE (COMPTROLLER)
FINANCIAL MANAGEMENT AWARDS PROGRAM
Nomination Form for INDIVIDUAL Awards

* There is a maximum of 700 characters with spaces allowed in the PROBLEM/PROJECT/EFFORT box and 3,300 characters with spaces allowed in the ACTIONS and RESULTS box.

Your nomination will be scored against the following criteria:

A. Scope and Significance, examples include:
   1. Cost and/or manpower savings
   2. Cost avoidances
   3. Magnitude of Impact

B. Improving and standardizing policies, procedures, and systems.

The criteria can be found in the FMR on page 6-9, section 060401.

Describe the PROBLEM/PROJECT/EFFORT (summarize the project in 2-3 sentences):

Summarize the ACTIONS and RESULTS of the individual's activities that warrant an award (What did the individual do to earn this award? What analytics were involved? What benefits or results were realized? Why or how did these benefits significantly improve financial management? Please be specific in terms of cost or time savings and please provide concrete examples):

☐ I have submitted this nomination in accordance with the DoD FMR Volume 1, Chapter 6, "Under Secretary of Defense (Comptroller) Financial Management Awards Program."

Figure 2-1: Nomination Form for Team Awards

UNDER SECRETARY OF DEFENSE (COMPTROLLER)
FINANCIAL MANAGEMENT AWARDS PROGRAM
Nomination Form for TEAM Awards

Award Category:
- ☐ Contributions in Budget Formulation or Execution
- ☐ Contributions in Financial Management (excluding Budget)
- ☐ Contributions in Financial Management in a Contingency Operation
- ☐ Contributions to Financial Improvement & Audit Readiness

Award Level:
- ☐ Headquarters and Major Command
- ☐ Below Major Command

Team Name: _____
Organization: _____
Component: [DROP DOWN]

Were the personnel in this award assigned to a COCOM? Yes ☐ No ☐
If so, which COCOM? [DROP DOWN]

Were the personnel in this award from additional Components? Yes ☐ No ☐
If so, with which Components? [DROP DOWN] [DROP DOWN] [DROP DOWN]

Team Nominee Data (2 to 20 individuals, with no more than 20% contractors)

Grade/Rank	Name	Title	E-mail	Component
				[DROP DOWN]
				[DROP DOWN]
				[DROP DOWN]
				[DROP DOWN]
				[DROP DOWN]

Individual Nominee Data (contractors are not eligible for individual awards):
Rank/Grade: _____
Name: _____
Duty Title: _____
E-Mail: _____
Office Mailing Address: _____
Commercial Phone: _____

Nominating Official Data:
Rank/Grade: _____
Name: _____
Duty Title: _____
E-Mail: _____
Office Mailing Address: _____
Commercial Phone:

Figure 2-1: Nomination Form for Team Awards (cont'd)

UNDER SECRETARY OF DEFENSE (COMPTROLLER)
FINANCIAL MANAGEMENT AWARDS PROGRAM
Nomination Form for TEAM Awards

* There is a maximum of 700 characters with spaces allowed in the PROBLEM/PROJECT/EFFORT box and 3,300 characters with spaces allowed in the ACTIONS and RESULTS box.

Your nomination will be scored against the following criteria:

A. Scope and Significance, examples include:
1. Cost and/or manpower savings
2. Cost avoidances
3. Magnitude of Impact

B. Improving and standardizing policies, procedures, and systems.

The criteria can be found in the FMR on page 6-9, section 060401.

Describe the PROBLEM/PROJECT/EFFORT (summarize the project in 2-3 sentences):

Summarize the ACTIONS and RESULTS of the team's activities that warrant an award (What did the team do to earn this award? What analytics were involved? What benefits or results were realized? Why or how did these benefits significantly improve financial management? Please be specific in terms of cost or time savings and please provide concrete examples):

☐ I have submitted this nomination in accordance with the DoD FMR Volume 1, Chapter 6, "Under Secretary of Defense (Comptroller) Financial Management Awards Program."

VOLUME 1, CHAPTER 7: "UNITED STATES STANDARD GENERAL LEDGER (USSGL)"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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

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

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

The previous version dated June 2008 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
Various	Updated hyperlinks.	Update
070201 0708	Incorporated section 0708 of previous version into paragraph 070201. Clarified that the United States Treasury has responsibility for maintaining the United States Standard General Ledger (USSGL).	Update
070202	Added definition of summary account.	Add
070203	Clarified the USSGL Standard Financial Information Structure (SFIS) Transaction Library are accounting transactions for DoD. Also referenced paragraph 070302 for further details.	Update
070203 070302 070401 070405 070406	The following updates were made to the USSGL SFIS Transaction Library: Updated DoD Descriptions and/or Accounting Entries for DoD Transaction Codes (DTC) A179-001, A446-006, A446-008, A448-004, C646, D114-262, D114-263, D306-003 to 064, D310-001 to 060, D523-003 to 004, D566-001 to 002 and E112-001 and 003. Added DTCs B406-009 and B406-094. Deleted DTCs D306-061, D306-062, D310-057, D310-058, and E606-024 and Library Business Rule 10.	Update
070302	Identified DoD specific transactions codes in the USSGL SFIS Transaction Library.	Add

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
070401	Provided a link to Federal Financial Management Improvement Act of 1996 Compliance, Evaluation, and Reporting chapter for further system requirements.	Add
070406	Paragraph 070406 of previous version was combined with paragraph 070405 of current version. Paragraph 070407 of previous version is paragraph 070406 of current version.	Update
070703 070704 070705	Clarified proprietary accounting entries.	Update
Figure 7-1	Added a step for undelivered orders – obligations unpaid.	Add
Figure 7-2	Incorporated Appendices A and B of the previous version into Figure 7-2. Included reference to the SFIS Transaction Library.	Add
Appendix A Appendix B	Incorporated Appendices A and B of the previous version into Figure 7-2.	Delete

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CHAPTER 7

UNITED STATES STANDARD GENERAL LEDGER

0701 PURPOSE

This chapter prescribes the requirements of the United States Standard General Ledger (USSGL). The USSGL must be used in all Department of Defense (DoD) accounting systems for all appropriations and funds. Additional information on the USSGL may be obtained from the United States Department of the Treasury (Treasury), Financial Management Service (FMS) ***USSGL Document Library*** published by the Treasury FMS.

0702 GENERAL

*070201. Chart of Accounts

The ***Treasury Financial Manual (TFM)***, USSGL Supplement, Section I: Chart of Accounts, along with DoD specified USSGL accounts 4540 through 4580, listed and defined in Figure 7-2, provide the basic structure for the DoD USSGL. The USSGL contains budgetary, proprietary, and memorandum accounts. The budgetary, proprietary, and memorandum sets of general ledger accounts are each self-balancing (the total debits equals the total credits). For accounting related business events, USSGL transactions provide debit and credit entries for budgetary, proprietary, and memorandum accounts. The United States Treasury has responsibility for maintaining the TFM USSGL.

*070202. Summary Accounts

Within the DoD, summary accounts are not used to report balances. A summary account is an account that has been subdivided into subsidiary posting accounts. The USSGL no longer uses summary accounts in the USSGL Chart of Accounts. Section headings in the USSGL display only the organization of the account structure but do not constitute summary accounts.

*070203. Standard Financial Information Structure

The TFM, USSGL Supplement, Section III: Account Transactions, implements the USSGL at a transaction level. The USSGL ***Standard Financial Information Structure (SFIS)*** Transaction Library is a decomposition of the TFM USSGL accounting transactions for DoD and breaks down the generalized TFM USSGL transaction postings containing multiple debits and credits, into appropriate pairings of debits and credits of budgetary, proprietary, and memorandum accounts into individual DoD Transaction Codes (DTC). (See paragraph 070302 for further details.)

0703 DEFINITIONS

070301. TFM USSGL Supplement

The ***TFM USSGL Supplement*** contains the following five major sections that together comprise the USSGL: (I) Chart of Accounts, (II) Accounts and Definitions, (III) Account Transactions, (IV) USSGL Account Attributes for FACTS I and FACTS II Reporting, and (V) Crosswalks to Standard External Reports. The USSGL standardizes federal agency accounting and supports the preparation of standard external reports required by the Office of Management and Budget (OMB) and the Department of Treasury (Treasury). The Chart of Accounts identifies and defines budgetary, proprietary, and memorandum accounts to be used in federal agency accounting systems. At a minimum, the USSGL is updated annually and published by Treasury/FMS.

*070302. USSGL SFIS Transaction Library

The USSGL SFIS Transaction Library contains DTCs that delineate the transactions codes in the TFM USSGL Supplement, Section III: Account Transactions. The Library establishes the DoD enterprise-wide requirement for the implementation of the USSGL through detailed transaction postings for budgetary, proprietary, and memorandum accounts. The DTCs specific to DoD are identified in the USSGL SFIS Transaction Library with a prefix OUSD.

0704 APPLICABILITY AND SCOPE

*070401. Governance

The USSGL must be used in all DoD accounting systems for all appropriations and funds. The ***OMB Circular A-127, Financial Management Systems*** and the ***Federal Financial Management Improvement Act of 1996 (FFMIA)*** require implementation of the USSGL at the transaction level throughout an agency's financial management systems, including both financial and mixed (so-called feeder) system applications. The USSGL applicability does not depend on an application containing a general ledger itself. For example, a payroll system which processes transactions in accordance with USSGL transaction rules sends summarized data to the core financial system for appropriate posting and provides sufficient traceability from the general ledger balances to the source documentation would be considered in compliance with the USSGL at the transaction level. This means that applications are required to process transactions using the USSGL accounts according to the defined uses and posting logic in the USSGL SFIS Transaction Library and TFM USSGL Supplement, Section III: Account Transactions. Compliance with OMB Circular A-127 and FFMIA requires data in financial reports to be consistent with the USSGL, transactions to be recorded consistently with USSGL rules, and supporting transaction detail for USSGL accounts to be readily available. See Chapter 3 for FFMIA compliance, evaluation, and reporting.

070402. Reporting

The USSGL uses a four-digit account numbering system. Within the DoD, the USSGL shall be implemented to accomplish internal and external reporting needs. For external reporting, all data must summarize to the four-digit USSGL accounts and standard attributes required by Treasury/FMS for Federal Agencies' Centralized Trial-Balance System (FACTS I and II).

070403. Structure

The basic four-digit structure of the USSGL consists of:

1000	Assets
2000	Liabilities
3000	Net Position
4000	Budgetary
5000	Revenue and Other Financing Sources
6000	Expenses
7000	Gains/Losses/Miscellaneous Items
8000	Memorandum

070404. Account Attributes

Standard USSGL account attributes required for FACTS reporting of proprietary account information (FACTS I) and budgetary account information (FACTS II) are defined in the TFM USSGL Supplement, Section IV: USSGL Account Attributes.

*070405. USSGL SFIS Transaction Library

The USSGL SFIS Transaction Library provides a DoD accounting framework for existing and emerging financial management systems. The Library uses standard general ledger transactions and posting business rules that support the preparation of external reports required by the OMB and the Treasury. The Library also includes a separate column for each SFIS data element across all DTCs and identifies each individual SFIS element as mandatory, optional, derived, or otherwise not applicable when posting each DoD transaction. The specific values for each SFIS data element are documented on the SFIS Values Library.

*070406. USSGL SFIS Transaction Library Update

The USSGL SFIS Transaction Library is updated in accordance with the USSGL updates by the Treasury/FMS. However, interim updates may be issued to provide Enterprise Resource Planning (ERP) Systems with accurate and updated DoD general ledger and SFIS guidance at the DTC level.

0705 BASIC CONCEPT

070501. Recordation

All resources acquired and used along with valid claims to and against those resources are to be recorded on the basis of financial transactions.

070502. Fund Identification

The USSGL shall be used regardless of the sources of funds. Fund identification of financial resources shall be maintained in order to (1) disclose compliance with financial authorizations and (2) prepare reports on the status of appropriations and funds for Congress, OMB, and Treasury. The USSGL account structure is intended to be the basic structure required for consistent treatment of similar transactions. Not all accounts are needed by all accounting entities.

070503. Account Types

A. The USSGL account structure provides a self-balancing set of budgetary accounts to record the appropriation, apportionment, allocation, commitment, obligation, and expenditure process. Proprietary asset and liability accounts cover the collection and disbursement of funds, the proper classification of assets (e.g., receivables, advances and prepayments, inventory and fixed assets), and the recognition and proper classification of liabilities. Revenue and expense accounts measure the realization of revenues from the sale of goods and services, and the recognition of costs through the use and consumption of assets. Accounting records assist in financial controls over resources and provide managers with a tool to effectively exercise stewardship over the resources.

B. The USSGL account structure also facilitates the accumulation and recording of expenses by major areas of responsibility or activity. By having a single general ledger, managers can ascertain with confidence that the accounting is complete. This will be possible regardless of the appropriation or fund that originally financed the cost and without the need for memorandum accounting records. Consistency in the accounting treatment of similar transactions, through the use of a uniform structure, creates reliable cost data for planning, budgeting, and other management purposes.

0706 OBJECTIVES AND BENEFITS

The combination of the TFM USSGL Supplement, DoD Specified Accounts and Definitions (Figure 7-2), and the USSGL SFIS Transaction Library:

A. Provide a DoD enterprise-wide standard general ledger chart of accounts and detailed transactions that incorporate budgetary, proprietary, and memorandum accounts linked to specific business events.

B. Provide the ability to identify the appropriate transaction to post for a DoD business event.

C. Achieve a uniform treatment of similar transactions by the DoD Components at all levels.

D. Provide detailed transaction postings, which link to specific business and accounting events.

E. Establish the linkage between the USSGL and the SFIS data elements that support detailed DoD general ledger postings.

F. Promote a standard for updating existing DoD systems and deploying new business systems.

G. Facilitate compliance with the OMB requirements; accounting standards developed by the Federal Accounting Standards Advisory Board (FASAB); DoD accounting policies and standards set forth in this Regulation; and other applicable regulations promulgated by the OMB, Treasury, and the Government Accountability Office.

0707 BUDGETARY AND PROPRIETARY ACCOUNTING RELATIONSHIPS

Figure 7-1 provides a basic conceptual relationship between budgetary and proprietary accounting relationships for both direct funds and reimbursable activity. Specifically, in accounting for direct funds:

A. A general ledger transaction to record the receipt of budget authority from appropriations in budgetary accounts requires a corresponding entry to record funds in the Treasury proprietary accounts.

B. A general ledger transaction to record delivered orders unpaid in budgetary accounts requires a corresponding entry to record accounts payable or related liability and expense and/or asset in proprietary accounts.

* C. A general ledger transaction to record delivered orders paid in budgetary accounts requires a corresponding entry to record funds disbursed and a reduction to the related accounts payable or liability in the proprietary accounts.

* D. A general ledger transaction to record reimbursements earned but uncollected in budgetary accounts requires a corresponding entry to record accounts receivable and revenue recognition in the proprietary accounts.

* E. A general ledger transaction to record reimbursements earned and collected in budgetary accounts requires a corresponding entry to record funds collected and a reduction to the related receivable in the proprietary accounts.

*Figure 7-1. Examples of Budgetary and Proprietary Accounting Relationships

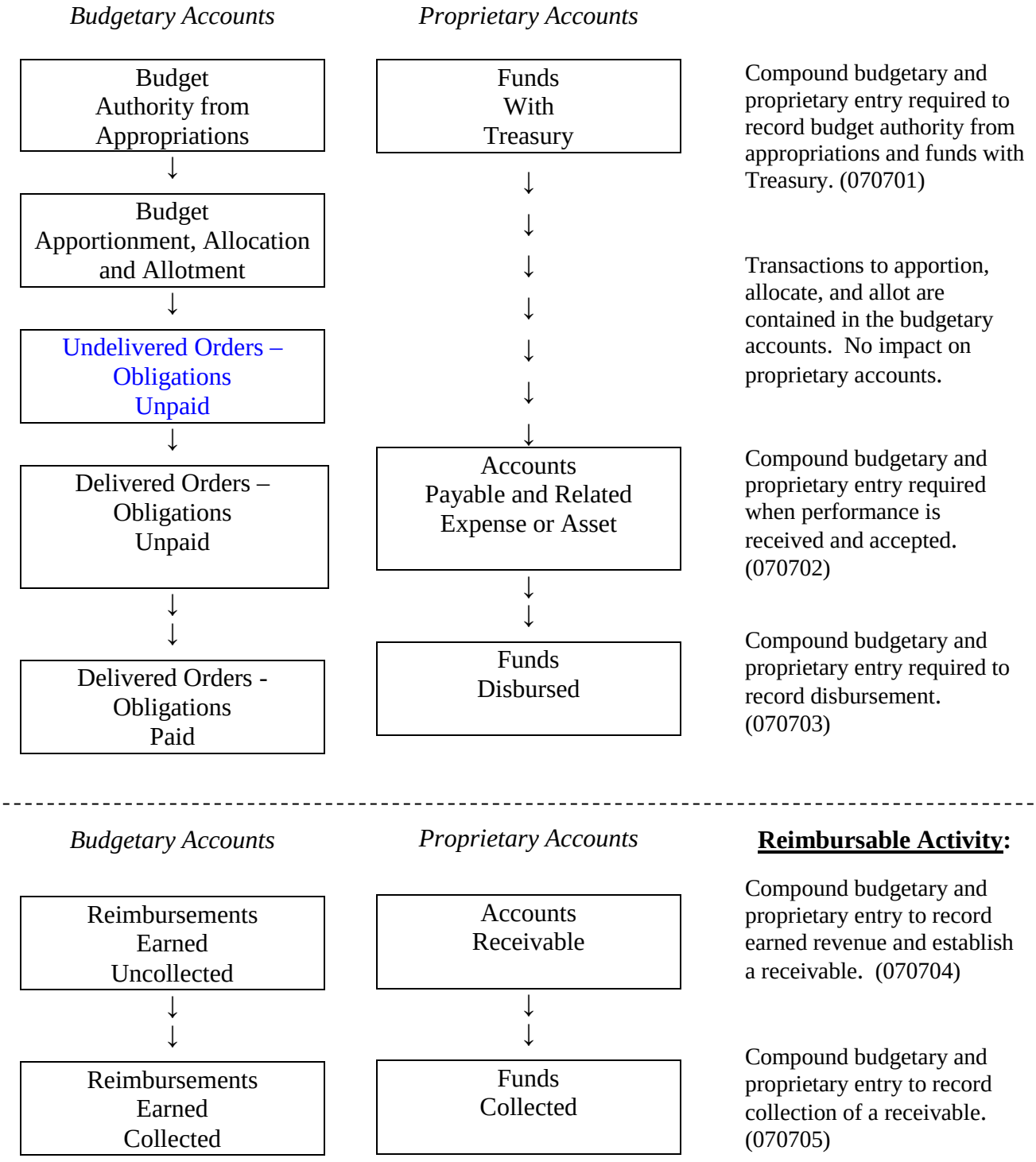

*Figure 7-2. DoD Specified USSGL Accounts and Definitions

Account Title: Internal Fund Distributions Issued
Account Number: 4540
Normal Balance: Credit

Definition: Represents the amount of obligational authority allocated from departmental levels to intermediate levels.

Account Title: Internal Fund Distributions Received
Account Number: 4550
Normal Balance: Debit

Definition: Represents the amount of direct and reimbursable program authority received from departmental level by an intermediate level activity. It can also represent the amount of suballocations received from another intermediate level activity.

Account Title: Funds Available for Allotment
Account Number: 4560
Normal Balance: Credit

Definition: Represents the amount of direct and reimbursable authority available at an intermediate level activity for allotment to installation level activities or suballocation to other intermediate level activities.

Account Title: Allotments Issued
Account Number: 4570
Normal Balance: Credit

Definition: Represents the amount of direct and reimbursable authority allotted by intermediate level activities to installation level activities or suballocated to other intermediate level activities.

Account Title: Allotments Received
Account Number: 4580
Normal Balance: Debit

Definition: Represents the amount of direct program allotments received for the fiscal year.

NOTE: This figure is limited to DoD USSGL accounts 4540 through 4580. The remaining USSGL Accounts and Definitions are in the ***TFM USSGL Supplement***, Section II: Accounts and Definitions. Related DTCs for accounts 4540 through 4580 are in the USSGL ***SFIS*** Transaction Library with a prefix OUSD.

VOLUME 1, CHAPTER 9: "FINANCIAL RECORDS RETENTION"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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

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

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

The previous version dated August 2011 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
Multiple	Updated hyperlinks throughout the document.	Revision
090101	Revised general purpose to specify the accuracy of financial information and supporting audit functions.	Revision
090102	Added an Authoritative Guidance.	Addition
090201	Revised paragraph to include policy on the revised National Archives and Record Administration standards.	Addition
090201.A	Revised definition of records to agree with updated United States Code.	Revision
090202	Defined what information the documentation must contain.	Addition
090203	Deleted paragraph as scope is covered in 090201.	Deletion
090204	Deleted paragraph as scope is covered in 090201.	Deletion
Figure 9-1	Added "Minimum Retention Periods" Figure for assessable units for financial statement audit.	Addition

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CHAPTER 9

*FINANCIAL RECORDS RETENTION

0901 GENERAL

*090101. Purpose

This chapter provides guidance on the proper retention period for financial records. This policy applies only to the records necessary to support financial transactions and financial statement balances or necessary to document evidence of effective internal controls over financial reporting (e.g., reviews and approvals). This policy does not apply to related management records, such as maintenance logs, and other documents important for proper management of Department of Defense (DoD) operations but incidental to the support of financial transactions and balances, unless they are being used as secondary evidence to support financial transactions and balances.

*090102. Authoritative Guidance

A. Within the federal government, the National Archives and Records Administration (NARA) is responsible for promulgating procedures for the disposal of all United States (U.S.) Government records. The NARA Records Management Program provides guidance and assistance for the management and disposition of federal records.

1. NARA general policies for the management and disposal of records are located at Title 36 of the Code of Federal Regulations (CFR), Parts 1220-1238 (***36 CFR 1220-1238***).

2. NARA's disposal authorization guidance for administrative records is located in the ***General Records Schedules (GRS)***.

B. ***Federal Acquisition Regulations, Part 4.805*** provides procedures and schedules for storage, handling, and disposal of contract files.

C. The DoD records management policy and responsibilities are outlined in DoD Directive (DoDD) 5015.02, entitled "***DoD Records Management Program.***"

1. Within DoD, there are 24 Records Management Programs, each with an appointed ***Federal Agency Records Officer***, Records Management Manual, Instruction, or Regulation; and Records Disposition Schedules (RDS). NARA approves all records identified in DoD's RDS, which can contain additional financial records used in DoD business operations that are not listed in the NARA GRS.

2. The ***DoDD 3201.06***, entitled "Defense Grant and Agreement Regulatory System," provides for the collection, retention, and dissemination of management and fiscal data related to grants activities. In addition, NARA GRS 1.2 provides disposal authorization guidance for grant and cooperative agreement records.

3. The ***DoD Guidebook for Miscellaneous Payments*** provides guidance on supporting financial documentation for miscellaneous transactions.

0902 RETENTION REQUIREMENTS

*090201. Record Retention Requirements

A. According to ***Title 44 United States Code Section 3301***, records include all recorded information, regardless of form or characteristics, made or received by a Federal agency under Federal law or in connection with the transaction of public business and preserved or appropriate for preservation by that agency or its legitimate successor as evidence of the organization, functions, policies, decisions, procedures, operations, or other activities of the U.S. Government or because of the informational value of data in them; and does not include library and museum material made or acquired and preserved solely for reference or exhibition purposes; or duplicate copies of records preserved only for convenience. Financial records are a subset of records necessary to support a financial transaction.

B. NARA GRS 1.1, "***Financial Management and Reporting Records***," provides disposition authority for records created and received in the course of carrying out an agency's financial management and reporting responsibilities. Each record noted within GRS 1.1 includes disposition instructions describing the point at which an item can be destroyed. NARA GRS 1.1 includes a qualification, noting that longer retention is authorized if required for "business use." Supporting a financial statement audit is an example of business use. DoD requires documentation to be retained for longer than the NARA requirement if the documentation will be used to support an audit.

C. Figure 9-1 lists the specific minimum retention periods by assessable unit. Note that Figure 9-1 is specific only to records needed in support of the DoD-wide financial statement audit. For any records supporting financial statement audits which are also held for purposes other than a financial statement audit and require a longer retention period, continue to follow appropriate document retention guidance.

D. Consult your DoD appointed Federal Records Officer for additional guidance regarding record retention.

*090202. Documentation Requirements

Documentation of financial transactions must be prepared, maintained, and, at a minimum, support the following aspects of a transaction:

1. Authority. Components must retain evidence that the transaction was approved and/or certified in accordance with established requirements.

2. Amount. Components must retain evidence of the dollar value of the transaction.

3. Date. Components must retain evidence of the date of the transaction, to ensure that the transaction is recorded in the proper accounting period.

*FIGURE 9-1. MINIMUM RETENTION PERIODS

Assessable Unit(s)	Type of Documentation	Minimum retention period
Contract / Vendor Pay / Interfund / Intragovernmental	Financial transaction records related to procuring goods and services, paying bills, collecting debts, and accounting Retain key supporting documents (KSDs) for the following financial statement line items (FSLIs): • Accounts Payable • Accounts Receivable • Uncollected payments, federal sources, brought forward • Unpaid obligations, brought forward • Unobligated balance, brought forward • Other liabilities • Revenue • Gross Cost	Ten years after the final invoice or Intra-Government Payment and Collection or other similar documentation. Note: This is an increase over the NARA six year minimum retention standards for these record types. To support the beginning balances in the Department's Fiscal Year 2018 financial audit, documentation from greater than six years prior will be required. Thus, documentation must be retained for 10 years, the life of our longest lived (non no-year) funding.
Financial Reporting / Accounting	Records supporting compilation of agency financial statements and related audit, and all records of all other reports. Retain KSDs for the following FSLIs: • Financial Reporting • Other Adjustments	Two years after completion of financial statement audit for which the records were initially prepared. Note: The remaining categories are consistent with the NARA minimums. As these documents will not be required to support more than the year under, and subsequent year audit(s), no more than a two-year retention period is necessary.

Assessable Unit(s)	Type of Documentation	Minimum retention period
Property, Plant and Equipment / Inventory / Operating Materials and Supplies	Records supporting the book value, ownership, and any modifications to assets. Retain KSDs for the following FSLIs and/or Notes to the Financial Statements: • General Equipment • Real Property • Internal Use Software • Inventory and Related Property • Other Assets	Two years after asset is disposed of and/or removed from agency's financial statements.
Civilian Pay / Military Pay	Records documenting payroll and benefit disbursements and liabilities. Retain KSDs for the following FSLIs and/or Notes to the Financial Statements: • Other Liabilities • Gross Costs • Military Retirement and Other Federal Employment Benefits	Two years after pay period.
Fund Balance with Treasury (FBWT)	Documentation supporting the reporting and reconciliation of FBWT. Retain KSDs for Fund Balance with Treasury.	Two years after the month of the Reconciliation or Report is prepared.

VOLUME 1, APPENDIX A: "OBJECT CLASSIFICATION"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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

Unless otherwise noted, chapters referenced are contained in this volume. Hyperlinks are denoted by ***bold, italic, blue and underlined font*.**

The previous version dated October 2008 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
Policy Memo	This revision incorporated and cancelled the Deputy Chief Financial Officer memorandum, "Requirement to Record the Office of Management and Budget Object Class Codes and Product Service Codes on All Purchase requests and Commitments," dated February 24, 2015.	Cancellation
1	Added Product Service Code and Object Class Code requirement for Purchase Request and Commitments.	Addition

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APPENDIX A

OBJECT CLASSIFICATION

*1. Purpose

The purpose of this appendix is to provide necessary information on the object classes that are used as a uniform classification for identifying the transactions of the Federal Government by the nature of the goods or services purchased. Every obligation recorded by the Department of Defense (DoD) must be coded with an object class. Every purchase requisition and commitment recorded by the DoD must be coded with an object class code and product service code.

2. Basic Concepts

a. Obligations incurred are the amounts of orders placed, contracts awarded, services received, and similar transactions during an accounting period that will require payment during the same or a future period. Such amounts include payments for which obligations have not been previously recorded, along with adjustments for differences between obligations previously recorded and actual payments to liquidate those obligations. The installation-level budgetary account structure requires that the amount of obligations incurred be segregated into undelivered orders and accrued expenditures - unpaid or paid.

b. Obligations are classified by the initial purpose for which they are incurred, rather than for the end product or service provided. For example, if payments are made directly for personal services or supplies used in the construction of a building, the amounts should be classified as obligations for personnel compensation or supplies rather than for land and structures. Conversely, if contracts are awarded for the construction of a building, the amounts should be classified in the object class for lands and structures rather than in the object class used to report individual types of materials and services required to construct the building.

c. Object class information is incorporated into DoD accounting systems, or derived from applicable expense and asset accounts, to allow for reporting by object class. Object Class Code is a required data element in the DoD ***Standard Financial Information Structure (SFIS)***, as defined in Volume 1, Chapter 4. Based on the Office of Management and Budget (OMB) Circular A-11, the specific values for Object Class Code and all other SFIS data elements are documented in the SFIS Values Library Service on the SFIS web page.

3. Major Object Classifications

All Federal Government object classifications are defined in the ***OMB Circular No. A-11***, Part 2, III, Section 83, Schedule O. The major object classes are:

a. 10 Personnel compensation and benefits
b. 20 Contractual services and supplies
c. 30 Acquisition of assets
d. 40 Grants and fixed charges
e. 90 Other

DoD 7000.14 - R

DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

VOLUME 2A: "BUDGET FORMULATION AND PRESENTATION (CHAPTERS 1-3)"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

Budget Formulation and Presentation

Volume 2 Structure

Chapter	Title
	Volume 2A
1	General Information
2	Military Personnel Appropriations
3	Operation and Maintenance Appropriations
	Volume 2B
4	Procurement Appropriations
5	Research, Development, Test, and Evaluation Appropriations
6	Military Construction/Family Housing Appropriations
7	Base Realignment and Closure Appropriations
8	Facilities Sustainment, Restoration and Modernization
9	Defense Working Capital Funds Activity Group Analysis
10	Public Enterprise, Management and Trust Funds
11	Offsetting Receipts
12	Defense Health Program
13	Defense Environmental Restoration
14	Drug Interdiction and Counter-drug Activities
15	Overseas Cost Report
16	Intelligence Programs/Activities
17	Contingency Operations
18	Information Technology (IT)/National Security Systems (NSS)
19	Other Special Analyses

Volume 2 has been divided into two books for the convenience of the user because of the Volume size. Volume 2A and 2B are both necessary for the formulation and preparation of the budget. Chapter detailed Table of Contents provided at the beginning of each chapter. Chapter page numbers are preceded by the number of the chapter (e.g., 9-2 and 19-5).

VOLUME 2A, CHAPTER 1: "GENERAL INFORMATION"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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

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

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

The previous version dated August 2007 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
Overall	Formatting and room location changes	Update
010107	Section B. Item 28. Expanded explanation of the full funding policy	Update
010202	Expanded explanation of full funding of procurement	Update
010224	Glossary of Terms – Expanded explanation of full funding	Update
010306	Disaster Situations and Management of Disaster/Contingency Supplemental funds	Addition

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CHAPTER 1

GENERAL INFORMATION

0101 GENERAL POLICIES

010101. Purpose

A. Volume 2 of the Financial Management Regulation (FMR) provides general guidance on the formulation and submission of the budget requests to the Office of the Secretary of Defense for the program and budget review submission and the presentation and justification of the budget requests to the Congress. This volume is established under the authority of DoD Instruction 7000.14.

B. Volume 2 is intended as a comprehensive reference book on budget matters of the Department of Defense. Budget policy memoranda issued throughout the year will provide any necessary changes or revisions to this standing document, as well as special instructions and nonrecurring requirements unique to that year's budget cycle.

C. The provisions of Volume 2 apply to all military and specified civil functions of the Department of Defense.

D. An introduction to the total Financial Management Regulation, DoD 7000.14-R can be found in Volume 1.

010102. Organization

Volume 2B is organized into 19 chapters that provide specific guidance, required budget exhibits and formats along with instructions for their preparation, and automated submission requirements.

010103. Changes to Volume 2

A. Changes to Volume 2 will be issued biennially, prior to the program and budget review of the initial biennial budget cycle. Pen and ink changes will not be issued.

B. Generally, significant changes on a page will be indicated by ★ preceding the paragraph or section containing a change and the changed material will be printed in blue ink.

010104. Reports Control Symbol

Data requirements established by this volume are exempt from the requirement for assignment of a Report Control Symbol.

010105. Requests for Exceptions to *OMB Circular A-11*

A. Each year the Office of Management and Budget (***OMB***) issues Circular No. A-11, which addresses the preparation and submission of budget estimates for all Federal agencies.

B. Federal agencies are allowed to request exceptions to the requirements of Circular A-11 by submitting in writing to OMB all required exceptions by August 1. Exceptions approved by OMB are valid only for 1 year.

C. Each year the USD(Comptroller) requests certain exceptions to ***OMB Circular A-11***. Generally, these exceptions concern special situations that are unique to the Department of Defense.

1. Subsequent to the issuance of Circular A-11 by OMB each year, any DoD Component requiring an exception to the requirements of Circular A-11 should submit in writing the specific section for which an exception is required and provide adequate rationale to justify the exception. The memorandum addressing the requested exceptions should be submitted directly to the Office of the USD(Comptroller), Program/Budget, Program and Financial Control Directorate (Room 3C689, telephone (703) 697-0021) no later than July 15 of each year.

2. If the requested exception is acceptable to the USD(Comptroller), these proposals will be consolidated and forwarded to OMB for approval. Components will be advised of any exceptions approved by OMB.

3. All DoD Components are required to comply with any requested exceptions not approved and to properly reflect the information in the budget submissions.

010106. Proposed Changes in Budget Structure and Appropriation Language

A. Under the provisions of OMB Circular A-11, the following types of changes must be cleared with OMB:

1. Changes in the appropriation pattern, including proposed new accounts and changes in the titles and sequence of existing accounts.

2. Changes in the methods of funding a program.

3. Changes in program or budget activity classifications for the program and financing schedules for all appropriation accounts and funds.

B. Any proposed changes on the items listed above must be submitted by memorandum to the Office of the USD(Comptroller) that explains the proposal and the rationale for the changes. If acceptable to the USD(Comptroller), these proposals will be forwarded to OMB for approval.

C. Proposed changes in the wording of appropriation language should be submitted to the Office of the Deputy General Counsel (Fiscal) (Room 3B688, telephone (703) 697-7228) as soon as possible after the passage of the current year's appropriations acts. ODGC(Fiscal) will coordinate changes with OMB.

010107. Budget Terminology/Definitions

A. Standard Government-wide definitions of budget terminology are provided in the Office of Management and Budget's issuances, most notably Circular A-11 (Section 20).

B. For the Department of Defense, some of the more common budget concepts applicable to budget formulation follow:

1. Accrual Basis of Accounting. A method of accounting in which revenues are recognized in the period earned and costs are recognized in the period incurred, regardless of when payment is received or made. There have been many initiatives over the years to convert the Federal Budget to an accrual accounting basis. Although the budget is on a cash basis, DoD accounting is on the accrual basis.

2. Advance Procurement. Authority provided in an appropriations act to obligate and disburse during a fiscal year before that in which the related end item is procured. The funds are added to the budget authority for the fiscal year and deducted from the budget authority of the succeeding fiscal year. Used in major acquisition programs for advance procurement of components whose long-lead-times require purchase early in order to reduce the overall procurement lead-time of the major end item. Advance procurement of long lead components is an exception to the DoD "full funding" policy and must be part of the President's budget request.

3. Appeal. A request for reconsideration of an action taken to adjust, reduce, or delete funding for an item during the congressional review of the Defense budget (authorization and appropriation). This process is discussed in Section 010406.

4. Apportionment. A distribution by the Office of Management and Budget of amounts available for obligation in appropriation or fund accounts of the Executive Branch. The distribution makes amounts available on the basis of specified time periods, programs, activities, projects, or combinations thereof. The apportionment system is intended to achieve an effective and orderly use of funds. The amounts so apportioned limit the obligations that may be incurred.

5. Appropriations. A provision of legal authority by an act of the Congress that permits Federal agencies to incur obligations and to make payments out of the Treasury for specified purposes. An appropriation usually follows enactment of authorizing legislation. An appropriation act is the most common means of providing budget authority (see Budget Authority). Appropriations do not represent cash actually set aside in the Treasury for purposes specified in the appropriation act; they represent limitations of amounts which agencies may obligate during the time period specified in the respective appropriation acts.

6. Authorization (Authorizing Legislation). Basic substantive legislation enacted by the Congress which sets up or continues the legal operation of a Federal program or agency either indefinitely or for a specific period of time or sanctions a particular

type of obligation or expenditure within a program. Such legislation is normally a prerequisite for subsequent appropriations or other kinds of budget authority to be contained in appropriation acts. It may limit the amount of budget authority to be provided subsequently or may authorize the appropriation of "such sums as may be necessary."

7. Biennial Budget. The FY 1986 Department of Defense Authorization Act required the submission of two-year budgets for the Department of Defense and related agencies beginning with FY 1988/FY 1989. The Department has fully institutionalized a biennial cycle for the Planning, Programming, Budgeting and Execution (PPBE) Process, including the Strategic Planning Guidance (SPG), the Program Objective Memorandum (POM), Volume 2 of the Financial Management Regulation (FMR) and budget formulation memoranda. A biennial budget, as currently structured, represents program budget estimates for a two-year period in which fiscal year requirements remain separate and distinct.

8. Budget Activity. Categories within each appropriation and fund account which identify the purposes, projects, or types of activities financed by the appropriation or fund.

9. Budget Amendment. A formal request submitted to the Congress by the President, after his formal budget transmittal but prior to completion of appropriation action by the Congress, that revises previous requests, such as the amount of budget authority.

10. Budget Authority. The authority becoming available during the year to enter into obligations that result in immediate or future outlays of Government funds.

11. Budget Deficit. The amount by which the Government's budget outlays exceed its budget receipts for any given period. Deficits are financed primarily by Treasury borrowing from the public.

12. Budget Receipts. Amounts received by the Federal Government from the public that arise from the exercise of governmental or sovereign power (primarily tax revenues, but also receipts from premiums of compulsory social insurance programs, court fines, license fees, etc.); premiums from voluntary participants in Federal social insurance programs; and gifts and contributions. Excluded from budget receipts are collections resulting from business-type transactions and payments between government accounts as a result of intragovernmental transactions.

13. Change Proposal. Components use this mechanism to revise programs and approved budgets in the second year of the 2-year program and budget cycle, in lieu of submitting a Program Objective Memorandum and a Budget Estimate Submission with complete documentation. A format will be provided with the annual program and budget guidance. See "Two-year Program and Budget Cycle."

14. Closed (Canceled) Appropriations. An appropriation that is no longer available for the adjustment or payment of obligations. Appropriation accounts are closed (canceled) after being in the expired status for five years. A Comptroller General opinion has

provided the DoD with authority to make disbursement adjustments to closed appropriations to correct errors only. (See Expired Appropriation.)

15. Concurrent Resolution. A resolution passed by both Houses of Congress, but not requiring the signature of the President, setting forth, reaffirming, or revising the congressional budget for the United States Government for a fiscal year. A concurrent resolution on the budget, due by April 15, must be adopted before legislation providing new budget authority, new spending authority, new credit authority or changes in revenues or the public debt limit is considered. Other concurrent resolutions for a fiscal year may be adopted at any time following the first required concurrent resolution for that fiscal year.

16. Constant Dollars. A dollar value adjusted for changes in prices. Constant dollar series are derived by dividing current dollar estimates by appropriate price indices, a process generally known as deflating. The result is a time series as it would presumably exist if prices were the same throughout as in the base year - in other words, as if the dollar had constant purchasing power. Any changes in such a series would reflect only changes in the real (physical) volume of output. Constant dollar figures are commonly used for gross national product and its components.

17. Continuing Resolution. Legislation enacted by the Congress to provide budget authority for specific ongoing activities in cases where the regular fiscal year appropriation for such activities has not been enacted by the beginning of the fiscal year. The continuing resolution usually provides formulas which the agency uses to compute amounts available for continuing programs at minimum levels. Formulas typically include obligation rates of the prior year, the President's budget request, or an appropriation bill passed by either or both Houses of the Congress.

18. Current Services Estimates. Estimated budget authority and outlays for the upcoming fiscal year based on continuation of existing levels of service, i.e., assuming that all programs and activities will be carried on at the same level as in the fiscal year in progress and without policy changes in such programs and activities. These estimates of budget authority and outlays, accompanied by the underlying economic and programmatic assumptions upon which they are based (such as the rate of inflation, the rate of real economic growth, pay increases, etc.), are required to be transmitted by the President to the Congress.

19. Deferral of Budget Authority. Any action or inaction by any officer or employee of the United States that withholds, delays, or effectively precludes the obligation or expenditure of budgetary resources, including the establishment of reserves under the Antideficiency Act, as amended by the Impoundment and Control Act. Section 1013 of the Impoundment Control Act of 1974 requires a special message from the President to the Congress reporting a proposed deferral of budget authority. Deferrals may not extend beyond the end of the fiscal year in which the message reporting the deferral is transmitted and may be overturned by the passage of an impoundment resolution by either House of Congress.

20. Disbursements. In budgetary usage, gross disbursements represent the amount of checks issued, cash, or other payments made, less refunds received. Net disbursements represent gross disbursements less income collected and credited to the appropriation or fund account, such as amounts received for goods and services provided.

21. Discretionary Authority. Budgetary resources (except those provided to fund mandatory spending) provided in appropriations acts.

22. Emergency Appropriations. Appropriations that have been designated by the Congress and the President as an emergency requirement under the Balanced Budget and Emergency Deficit Control Act of 1985, as amended.

23. End Strength. In general, strength at the end of a fiscal year. Single point strengths for other points in time must be specified, such as end first-quarter strength.

24. Expenditures/Disbursements. A term generally used interchangeably with outlays (See outlays).

25. Expired Appropriation. An appropriation whose period of availability for incurring new obligations has expired but the appropriation is not closed (canceled). During this period, the appropriation is available for adjustment to, or payment of, existing obligations. Appropriations remain in an expired status for 5-years as shown in the table below. At the end of the five-year expiration period, the appropriation is closed (canceled) and is no longer available for the payment of unliquidated obligations. (See Closed (Canceled) Appropriations.)

Normal Life Cycle of Appropriations:

	Years For		
Approp	New Obligations Unexpired	Obligation Adjust. & Disburse. Expired	Closed End of Year Canceled
MilPers	1	2-6	6
O&M.	1	2-6	6
RDT&E	2	3-7	7
Proc.	3	4-8	8
SCN	5	6-10	*10
Mil. Con.	5	6-10	10

* Extended to 15-years under certain circumstances.

26. Federal Debt. Federal debt consists of public debt and agency debt. Public debt is that portion of the Federal debt incurred when the Treasury Department or Federal Financing Bank (FFB) borrows funds directly from the public or another fund or account. Agency debt is that portion of the Federal debt incurred when a Federal agency authorized by law, other than Treasury or the Federal Financing Bank, borrows funds directly from the public or another fund or account.

27. Fiscal Year. Any yearly accounting period without regard to its relationship to a calendar year. The fiscal year for the Federal Government begins on October 1

and ends on September 30. The fiscal year is designated by the calendar year in which it ends. Fiscal years are further designated as follows:

Past Year-1: Also referred to as Prior Year-1, the fiscal year immediately preceding the past year

Past Year (PY): Also referred to as Prior Year, the fiscal year immediately preceding the current year; the last completed fiscal year.

Current Year (CY): The fiscal year in progress. Immediately precedes the budget year.

Budget Year (BY): The next fiscal year for which estimates are submitted if not a biennial budget.

Budget Year 1 (BY1): In a biennial budget submission (Department of Defense), the first fiscal year of a 2-year period for which the budget is being considered.

Budget Year 2 (BY2): In a biennial budget submission (Department of Defense), the second fiscal year of a 2-year period for which the budget is being considered

Budget Year(s)+1 (BY(s)+1): The fiscal year immediately following the budget year(s). This format continues through Budget Year +5 (BY+5), the fifth fiscal year following the budget year(s).

* 28. Full Funding Policy. The practice of funding the total cost of major procurement and construction projects in the fiscal year in which they will be initiated. The full funding policy requires the total estimated cost of a complete, military useable end item or construction project funded in the year in which the item is procured. If a future year's appropriation is required for delivery of an end item, the end item is not fully funded. It prevents funding programs incrementally and provides a disciplined approach for program managers to execute their programs within cost. See Section 010202 for further information.

29. Full-time Equivalent (FTE). Reflects the total number of regular straight-time hours (i.e., not including overtime or holiday hours) worked by employees divided by the number of compensable hours applicable to each fiscal year. Annual leave, sick leave and compensatory time off and other approved leave categories are considered to be "hours worked" for purposes of defining full-time equivalent employment.

30. Future Years Defense Program (FYDP). The Future Years Defense Program is the program and financial plan for the Department of Defense as approved by the Secretary of Defense. The FYDP arrays cost data, manpower and force structure over a 6-year period (force structure for an additional 3 years), portraying this data by major force program for DoD internal review for the program and budget review submission. It is also provided to the Congress in conjunction with the President's budget.

31. Impoundment. Any action or inaction by an officer or employee of the United States that precludes the obligation or expenditure of budget authority provided by the Congress.

32. Impoundment Resolution. A resolution of the House of Representatives or the Senate disapproving a deferral of budget authority set forth in a special message ordinarily transmitted by the President under section 1013 of the Impoundment Control Act of 1974. Passage of an impoundment resolution by either House of Congress has the effect of overturning the deferral and requires that such budget authority be made available for obligation.

33. Incremental Funding. The phasing of total funding of programs or projects over two or more fiscal years based upon levels and timing of obligational requirements for the funds. Differs from full funding concept where total funds for an end item, program or project are provided in the fiscal year of program or project initiation, regardless of the obligational requirement for the funds.

34. Mandatory Authority. (Also known as Entitlement Authority) Authority controlled by laws other than appropriations.

35. Management Initiative Decision (MID). A decision document similar to a Program Budget Decision, but designed to institutionalize management reform decisions. A MID may be issued at any time during the year. The Comptroller will incorporate any funding adjustments into the next President's Budget.

36. Multiyear Procurement. Procurement of a particular end item or system under a multiyear contract approved by specific provision of law. For the Department of Defense, multiyear procurement contracting of military hardware or systems must generally be specifically, and individually, approved by the Congress (see 10 U.S.C. 2306b(1).

37. Object Classification. A uniform classification identifying the transactions of the Federal Government by the nature of the goods or services purchased without regard to the agency involved or the purpose of the programs for which they are used.

38. Obligations. Binding agreement that will result in outlays immediately or in the future.

39. Offsetting Collections. Payments to the Government that are credited directly to the expenditure account and deducted from gross budget authority and outlays of the expenditure account. They result from business-type or market oriented activities with the public and intragovernmental transactions with other government accounts (commonly called reimbursable transactions).

40. Outlays. The amount of checks issued or other payments made (including advances to others), net of refunds and reimbursements collected. Outlays are net of amounts that are adjustments to obligational authority. The terms "expenditure" and "net

disbursement" are frequently used interchangeably with the term "outlay." Gross outlays are disbursements and net outlays are disbursements (net of refunds) minus reimbursements collected.

41. President's Budget. The budget for a particular fiscal year transmitted to the Congress by the President in accordance with the Budget and Accounting Act of 1921, as amended. Some elements of the budget, such as the estimates for the legislative branch and the judiciary, are required to be included without review by the Office of Management and Budget or approval by the President.

42 Program Budget Decision (PBD). A budget decision document issued during the joint review of Service budget submissions by analysts of the Office of the Secretary of Defense (OSD) and the Office of Management and Budget (***OMB***). PBDs reflect the decisions of the Secretary of Defense as to appropriate program and funding to be included in the annual Defense budget request which, in turn, is included in the President's Budget.

43. Program Decision Memorandum (PDM). A document containing the decisions by the Secretary of Defense reflecting broad strategic trades related to the program and resource levels identified in the Program Objectives Memorandum.

44. Program Objectives Memorandum (POM). The final product of the programming process within the Department of Defense, the Components Program Objectives Memorandum (POM) displays the resource allocation decisions of the Military Departments in response to and in accordance with Strategic Planning Guidance (SPG) and Joint Programming Guidance (JPG).

45. Program Year. The fiscal year in which authorization was provided and in which funds were appropriated for a particular program, regardless of the fiscal year in which funds for that program might be obligated.

46. Reapportionment. A revision by the Office of Management and Budget of a previous apportionment of budgetary resources for an appropriation or fund account. A revision would ordinarily cover the same period, project, or activity covered in the original apportionment.

47. Reappropriation. Congressional action to restore the obligational availability, whether for the same or different purposes, of all or part of the unobligated portion of budget authority that has expired or would otherwise expire in an annual or multi-year account. Obligational authority in a current appropriation may also be extended by a subsequent appropriation act.

48. Reconciliation Process. A process used by the Congress to reconcile amounts determined by tax, spending, and debt legislation for a given fiscal year with the ceilings enacted in the second and required concurrent resolution on the budget for that year. Section 310 of the Congressional Budget and Impoundment Control Act of 1974 provides that the second required concurrent resolution on the budget, which sets binding totals for the budget,

may direct committees to determine and recommend changes to laws, bills, and resolutions, as required to conform with the binding totals for budget authority, revenues, and the public debt.

49. Recovery of Prior Year Obligations. Amounts made available for obligation in no-year and unexpired multi-year accounts through downward adjustment of prior year obligations.

50. Reimbursable Obligation. Obligation financed by offsetting collections credited to an expenditure account in payment for goods and services provided by that account. See Offsetting Collection.

51. Reprogramming. Utilization of funds in an appropriation account for purposes other than those contemplated at the time of appropriation. Reprogramming is generally accomplished pursuant to consultation with and approval by appropriate congressional committees. Instructions are contained in Volume 3.

52. Rescission. The consequence of enacted legislation which cancels budgetary resources previously provided by the Congress prior to the time when the authority would otherwise lapse. Section 1012 of the Impoundment Control Act of 1974 requires a special message from the President to the Congress reporting any proposed rescission of budgetary resources. These proposals may be accepted in whole or in part through the passage of a rescission bill by both Houses of the Congress.

53. Rescission Bill. A bill or joint resolution that provides for cancellation, in whole or in part, of budgetary resources previously granted by the Congress. Under Section 1012 of the Impoundment Control Act of 1974, unless Congress approves a rescission bill within 45 days of continuous session after receipt of the proposal, the budgetary resources must be made available for obligation.

54. Revolving Fund. A fund established to finance a cycle of operations through amounts received by the fund. Within the Department of Defense, such funds include the Defense Working Capital Fund, as well as other working capital funds.

55. Sequestration. The reduction or cancellation of new budget authority; unobligated balances, new loan guarantee commitments or limitations; new direct loan obligations, commitments, or limitations; spending authority; and obligation limitations. OMB Circular A-11, section 20 provides additional information on sequestration rules of the Budget Enforcement Act of 1990 (BEA).

56. Supplemental Appropriation. An act appropriating funds in addition to those in an annual appropriation act. Supplemental appropriations provide additional budget authority beyond original estimates for programs or activities (including new programs authorized after the date of the original appropriation act) for which the need for funds is too urgent to be postponed until enactment of the next regular appropriation act.

57. Total Obligational Authority (TOA) Availability. The sum of (1) all budget authority granted (or requested) from the Congress in a given year, (2) amounts authorized to be credited to a specific fund, (3) budget authority transferred from another appropriation, and (4) unobligated balances of budget authority from previous years which remain available for obligation. In practice, this term is used primarily in discussing the Department of Defense budget, and most often refers to TOA as "direct program" which equates to only (1) and (2) above.

58. Transfer Authorities. Annual authorities provided by the Congress via annual appropriations and authorization acts to transfer budget authority from one appropriation or fund account to another.

59. Two-year Program and Budget Cycle. For the budget review, this cycle coincides with the biennial budget process required by law. It is part of the Department's internal 2-year Planning, Programming, Budgeting, and Execution (PPBE) process. The first year of the cycle includes a full review of the budget for the following two years. Full budget documentation is required. The end result is a budget baseline for the next two years. The second year of the cycle limits changes to the baseline program. It focuses on fact-of-life changes to include congressional action and program execution. Components will request adjustments to the baseline through Change Proposals (CP). However, while the second year of the process will require only limited budget documentation for the internal review, full budget documentation is still required for the President's budget submission.

60. User Fee. A fee, charge, or assessment levied on those directly benefiting from, or subject to regulation by, a Federal government program or activity, to be utilized solely to support the program or activity. Collections from other Federal accounts are not user fees. (See OMB Circular A-11, section 20.7)

010108. Security Classifications

A. General

1. Instructions concerning premature disclosure of budget information prior to presentation to the Congress are contained in OMB Circular A-11.

2. Instructions concerning security classification of the program and budget review submissions to OSD are contained in Section 010305.

3. Paper copies of the P-1 and R-1 exhibits must be submitted by DoD Components with a certification signed by the Security Office confirming that all line items are classified properly.

4. Instructions concerning security classification of congressional justification material are contained in Section 010401.

B. Classification of Military Personnel M-1 line items, Operation and Maintenance O-1 line items, Procurement Exhibit P-1 line items, RDT&E Exhibit R-1 line items, and the Construction Programs (C-1):

1. The Military Personnel Programs (M-1) is designed to be an unclassified document. See Section 010501 for instructions.

2. The Operation and Maintenance Exhibit O-1 line items will be unclassified to the maximum extent possible. Classify only those line items for which the program's Security Classification Guide so dictates or when conditions in paragraph C. (below) apply.

3. Procurement Exhibit P-1 line items: P-1 line items will be unclassified to the maximum extent possible. Classify only those line items for which the program's Security Classification Guide so dictates or when conditions in paragraph C. (below) apply.

4. RDT&E Exhibit R-1 line items: R-1 line items will be unclassified to the maximum extent possible. Classify only those line items for which the program's Security Classification Guide so dictates or when conditions in paragraph C. (below) apply.

5. The Construction Programs (C-1) is designed to be an unclassified document. See Section 010505 for instructions.

C. Security classification instructions for Intelligence Programs/Activities Resource Information are contained in Chapter 16.

010109. Budget and Performance Integration

A. The President's Management Agenda (PMA) targets the most apparent deficiencies in the government where the opportunity to improve performance is the greatest. The Office of Management and Budget (OMB) developed standards for success in the government-wide Budget and Performance Integration Initiative of the PMA. As a result, the OMB requires federal agencies to use performance measures in managing and justifying program resources.

B. Components shall use performance measures to justify 100 percent of the resources requested in the Budget Year. The Components shall comply with the performance measure requirements that are included in other chapters. Additionally, OMB has directed the use of the Program Assessment Rating Tool (PART) for some programs. The PART is a diagnostic tool that formalizes performance evaluation. The Components shall comply with PART taskings and suspense dates. For those programs that have been assessed using the PART, the Components shall include OMB's PART Summary (published in February each year) in congressional budget justification materials, press releases, testimony, and briefings to congressional committee staffs. OMB Circular A-11, section 26 – Summary of Performance Information Requirements, and the OMB PART Web site (***www.whitehouse.gov/omb/part***), provide additional information about the PART and the PART process. Absent a PART or

performance measures prescribed in other chapters, the Components may use existing, or create new, performance measures.

010110. Combatant Command Business Rules (Joint Task Assignment Process (JTAP))

A. The following business rules will be followed to govern the financial management arrangements between Combatant Command Support Agents (CCSAs) and Combatant Commands (COCOM). The CCSA assignments are as follows:

1. Initial funding for new COCOM missions will be established by OSD. Funding for new missions assigned by the Secretary or Deputy Secretary will be established and provided for by OSD as part of the JTAP process and in conjunction with the Planning, Programming, Budgeting and Execution (PPBE) processes.

2. It is the responsibility of the Combatant Command Support Agent (CCSA) to maintain funding for the directed COCOM missions.

a. CCSAs will adjust COCOM accounts across the FYDP consistent with the OSD/OMB approved inflation indices.

b. COCOMs will be subjected to a proportionate share (on a percentage basis) of total CCSA reductions from undistributed congressional and/or OSD general reductions.

3. All Service business and efficiency reductions require prior COCOM or OSD approval to ensure they do not impede the conduct of directed missions.

CCSAs will pre-coordinate any Service-initiated reductions to COCOM resources with the COCOMs during each phase of the PPBE process for all years in the FYDP, and Service-initiated reductions will not be applied to any COCOM funds without the prior approval of the COCOM or the OSD staff.

4. OUSD(C), PA&E, Joint Staff, Combatant Commands and Combatant Command Support Agents will meet annually to validate, and adjudicate as necessary, all adjustments to COCOM resources.

OUSD(C) will review and coordinate CCSA budget exhibits that specifically pertain to COCOM resources with COCOMS prior to approval and publication to ensure that CCSA's have fully complied with Program Budget Decision or Program Decision Memorandum direction.

B. Combatant Command Support Agents must ensure adequate visibility of COCOM directed missions and other costs for each O&M funded COCOM. A minimum of two Sub Activity Groups (SAG)s within each Military Department's active components' Operation and Maintenance Appropriation will be established as follows:

1. Mission Funding (one or more SAGs);

2. Headquarters (HQ) and Headquarters Support Funding: (single SAG)

C. Budget and execution structure for USTRANSCOM will continue to follow the normal Working Capital Fund business area structure.

D. USSOCOM budget structure is not governed by this guidance as USSOCOM resources are already visible in Major Force Program-11 (MPF-11).

0102 FUNDING POLICIES

010201. Criteria for Determining Expense and Investment Costs

A. Appropriation accounts form the structure for the President's budget request and are the basis for congressional action. The appropriations are further organized into budget activities of appropriations with programs, projects or activities of similar purposes. To support management of the Department of Defense's programs, projects or activities, resource requirements should be organized and categorized consistently within the appropriation and budget activity structure. The following sections provide guidance for categorizing resource requirements into the various appropriations.

B. Basic Distinctions Between Expense and Investment Costs. The criteria for cost definitions consider the intrinsic or innate qualities of the item such as durability in the case of an investment cost or consumability in the case of an operating cost and the conditional circumstances under which an item is used or the way it is managed. In all cases where the definitions appear to conflict, the conditional circumstances will prevail. The following guidance is provided to determine whether a cost is either an expense or an investment. All costs are classified as either an expense or an investment.

1. Expenses are the costs incurred to operate and maintain the organization, such as personal services, supplies, and utilities.

2. Investments are the costs that result in the acquisition of, or an addition to, end items. These costs benefit future periods and generally are of a long-term character such as real property and personal property.

C. Policy for Expense and Investment Costs

1. DoD policy requires cost definition criteria that can be used in determining the content of the programs and activities that comprise the Defense budget. The primary reasons for these distinctions are to allow for more informed resource allocation decisions and to establish criteria for determining which costs are appropriate to the various defense appropriations.

2. The cost definition criteria contained in this policy are only applicable to the determination of the appropriation to be used for budgeting and execution. Cost definitions for accounting purposes are contained in Volume 1.

3. Costs budgeted in the Operation and Maintenance (O&M) and Military Personnel appropriations are considered expenses. Costs budgeted in the Procurement and Military Construction appropriations are considered investments. Costs budgeted in the Research, Development, Test and Evaluation (RDT&E), Base Realignment and Closure (BRAC), and Family Housing appropriations include both expenses and investments. Definitions for costs within the Defense Working Capital Funds are provided in Chapter 9 and in Section 010214.

4. Items procured from the Defense Working Capital Funds will be treated as expenses in all cases except when intended for use in weapon system outfitting, government furnished material (GFM) on new procurement contracts, or for installation as part of a weapon system modification, major reactivation, or major service life extension.

D. Procedures for Determining Expenses Versus Investments. The following criteria will be used to distinguish those types of costs to be classified as expenses from those to be classified as investments for budgeting purposes:

1. Expenses. Expenses are costs of resources consumed in operating and maintaining the Department of Defense. When costs generally considered as expenses are included in the production or construction of an investment item, they shall be classified as investment costs. Military personnel costs are an exception to this rule. The following guidelines shall be used to determine expense costs:

a. Labor of civilian, military, or contractor personnel.

b. Rental charges for equipment and facilities.

c. Food, clothing, and fuel.

d. Supplies and materials designated for supply management of the Defense Working Capital Funds.

e. Maintenance, repair, overhaul, rework of equipment.

f. Assemblies, spares and repair parts, and other items of equipment that are not designated for centralized item management and asset control and which have a system unit cost less than the currently approved dollar threshold of $250,000 for expense and investment determinations. This criterion is applied on the basis of the unit cost of a complete system rather than on individual items of equipment or components that, when aggregated, become a system. The concept of a system must be considered in evaluating the procurement of an individual end item. A system is comprised of a number of components that are part of and function within the context of a whole to satisfy a documented requirement. In

this case, system unit cost applies to the aggregate cost of all components being acquired as a new system.

g. Cost of incidental material and items that are not known until the end item is being modified are conditional requirements and are considered expenses because the material is needed to sustain or repair the end item.

h. Engineering efforts to determine what a modification will ultimately be or to determine how to satisfy a deficiency are expenses.

i. Facilities sustainment, O&M-funded restoration and modernization projects. Planning and design costs are excluded from the cost determination for purposes of determining compliance with the amounts established in 10 U.S.C. 2805 for minor construction projects; however, design costs are not excluded from capitalization.

2. Investments. Investments are costs to acquire capital assets such as real property and equipment. The following criteria shall be used to determine those costs to be classified as investments:

a. All items of equipment, including assemblies, ammunition and explosives, modification kits (the components of which are known at the outset of the modification), spares and repair parts not managed by the Defense Working Capital Funds, that are subject to centralized item management and asset control.

b. All equipment items that are not subject to centralized item management and asset control and have a system unit cost equal to or greater than the currently approved expense and investment dollar threshold of $250,000 (for working capital funds investment criteria see Volume 2B Chapter 9 section 090103C). The validated requirement may not be fragmented or acquired in a piecemeal fashion in order to circumvent the expense and investment criteria policy.

c. Construction, including the cost of land and rights therein (other than leasehold). Construction includes real property equipment installed and made an integral part of such facilities, related site preparation, and other land improvements. (See paragraph F below for special guidance concerning real property facilities.)

d. The costs of modification kits, assemblies, equipment, and material for modernization programs, ship conversions, major reactivations, major remanufacture programs, major service life extension programs, and the labor associated with incorporating these efforts into or as part of the end item are considered investments. All items included in the modification kit are considered investment even though some of the individual items may otherwise be considered as an expense. Components that were not part of the modification content at the outset and which are subsequently needed for repair are expenses. The cost of labor for the installation of modification kits and assemblies is an investment.

e. Supply management items of the Defense Working Capital Funds designated for weapon system outfitting, government-furnished material on new procurement contracts, or for installation as part of a weapon system modification or modernization, major reactivation or major service life extension.

f. Also considered as investments are support elements such as data, factory training, support equipment and interim contractor support (ICS), which are required to support the procurement of a new weapon system or modification.

3. Conditional Cases. The following are conditional cases that take precedence over the criteria contained in paragraphs 1 and 2 above:

a. A major service-life extension program, financed in procurement, extends the life of a weapon system beyond its designed service life through large-scale redesign or other alteration of the weapon system.

b. Depot and field level maintenance is the routine, recurring effort conducted to sustain the operational availability of an end item. Depot and field level maintenance includes refurbishment and overhaul of end items, removal and replacement of secondary items and components, as well as repair and remanufacturing of reparable components. The maintenance effort may be performed by a depot maintenance activity in the Defense Working Capital Fund, by a direct funded DoD activity, by another government agency, or by a contractor.

c. Maintenance, repair, overhaul, and rework of equipment are funded in the operation and maintenance appropriations. However, maintenance of equipment used exclusively for research, development, test, and evaluation efforts will be funded by the RDT&E appropriations. Continuous technology refreshment is the intentional, incremental insertion of newer technology to improve reliability, improve maintainability, reduce cost, and/or add minor performance enhancement, typically in conjunction with depot or field level maintenance. The insertion of such technology into end items as part of maintenance is funded by the operation and maintenance appropriations. However, technology refreshment that significantly changes the performance envelope of the end item is considered a modification and, therefore, an investment (See section on “Product Improvement” 010212 C. 7.). This definition applies equally to technology insertion by commercial firms as part of contractor logistics support, prime vendor, and similar arrangements and to technology insertion that is performed internally by the Department.

e. Initial outfitting of an end item of investment equipment, such as a ship or aircraft, with the furnishings, fixtures, and equipment necessary to make it complete and ready to operate is a part of the initial investment cost. Material procured through the Defense Working Capital Funds for initial outfitting will be financed by procurement appropriations when drawn from the supply system. This concept includes changes to the allowance lists of ships, vehicles, and other equipment. Changes to allowance lists will be budgeted as investment costs. Procurement appropriations are not required to satisfy initial

outfitting requirements if assets are available for issue through reuse/redistribution programs, such as the Navy's Consumable Asset Reutilization Program.

f. Initial outfitting of a facility construction project financed by a Military Construction appropriation is financed as either expense or investment based on the general criteria. Collateral equipment and furnishings are not considered construction costs since these items are movable and are not installed as an integral part of the facility.

g. When family housing is initially outfitted with kitchen equipment to include refrigerator, shades, carpeting, etc., these items are considered part of the construction costs.

h. Construction program costs, associated with construction management in general, as distinguished from supervision of specific construction projects, are expenses. Costs incident to the acquisition (i.e., design, direct engineering, technical specifications) and construction of a specific project are investments. The cost of administering the facilities sustainment program is an expense at all levels.

i. Costs of facilities restoration and modernization projects, not financed by Military Construction appropriations, meeting the current criterion for funding from appropriations available for operation and maintenance are considered expenses. However, this definition does not abrogate the prohibition against the planned acquisition of, or improvements to, a real property facility through a series of minor construction projects (i.e., incremental construction).

j. The cost of civilian personnel compensation and other direct *costs* (i.e., travel, office equipment leasing, maintenance, printing and reproduction) incurred in support of procurement and/or production programs by departmental headquarters staff, contracting offices, contract audit offices, system project offices, and acquisition managers are expenses. Procurement and/or production direct support costs such as production testing, quality assurance, production engineering, and equipment assembly, whether performed under contract or by in-house personnel funded on a reimbursable basis are investments.

k. When investment equipment is to be installed in a real property facility, the costs of both the equipment and its installation are considered investments.

E. Special Guidance Concerning Real Property Facilities

1. Construction includes real property equipment (often called installed equipment) which is affixed and built into a facility as an integral part of a facility. The cost of this equipment and its installation is part of the construction cost.

2. Items of equipment that are movable in nature and not affixed as an integral part of a facility are not normally considered construction costs, except for initial outfitting of family housing, as detailed in paragraph D3 above. This equipment includes all types of production, processing, technical, information systems, communications, training,

servicing and RDT&E equipment. The cost of this equipment is an expense or an investment according to the policy criteria above. In addition, modifications to an existing facility required to support the installation of movable equipment, such as the installation of false floors or platforms, prefabricated clean rooms, or utilities, will be considered an integral part of the equipment costs. As such, the costs are either expense or investment, as long as the modifications do not include structural changes to the building. If the modifications include structural changes, they will be considered investment costs and budgeted as construction.

F. Expense/Investment Cost Determination

<table>
<tr><th colspan="6">Expense/Investment Cost Determination</th></tr>
<tr><th>Is the item a</th><th>If</th><th>Then</th><th>If</th><th>Then</th><th>If</th><th>Then</th></tr>
<tr><td rowspan="3">Centrally Managed/Asset Controlled Item?</td><td rowspan="3">Yes</td><td rowspan="3">Is the item purchased from DWCF?</td><td rowspan="2">Yes</td><td rowspan="2">Is the item part of a full funding effort? *</td><td>Yes</td><td>Classify as Investment</td></tr>
<tr><td>No</td><td>Classify as Expense</td></tr>
<tr><td>No</td><td>Classify as Investment</td><td colspan="2" rowspan="3"></td></tr>
<tr><td rowspan="2"></td><td rowspan="2">No</td><td rowspan="2">Is the unit cost more than $250,000?</td><td>Yes</td><td>Classify as Investment</td></tr>
<tr><td>No</td><td>Classify as Expense</td></tr>
<tr><td colspan="7">* When intended for use in weapon system outfitting, government furnished material on new procurement contracts or for installation as part of a weapon as part of a weapon system modification, major reactivation or major service life extension.</td></tr>
</table>

*010202. Full Funding of Procurement Programs

A. General. A budgeting rule that requires the total estimated cost of a, military useable end item, be funded in the fiscal year in which the item is procured. Under the full funding policy, the entire procurement cost of a weapon or piece of military equipment is to be funded in the year in which the item is budgeted. An end item budgeted in a fiscal year cannot depend upon a future years funding to complete the procurement. Regulations governing the full funding policy are found in Office of Management and Budget (OMB) Circular A-11 and DoD Directive 7000.14-R

1. The full funding policy is intended to prevent the use of incremental funding, under which the cost of a weapon system is divided into two or more annual portions or increments. Thus, full funding provides disciplined approach for program managers to execute their programs within cost and available funding.

2. There are two general exceptions to the full funding policy: one permits the use of Advance Procurement (AP) funding for components or parts of an item that have long production lead times; the other permits advance procurement funding for economic order quantity (EOQ) procurement, which normally occurs in programs that have been approved for multiyear procurements (MYP). Advance Procurement funding is used routinely and

extensively in the procurement of components for major end items due to manufacturing and production lead times. The use of MYP has to be approved by the Congress on a program-by-program basis. Congressional approval permits DoD to use a single contract to procure multiple copies of a given item that are scheduled to be procured across a series of years. MYP arrangements are governed by 10 USC 2306(b). EOQ procurement involves procuring multiple copies of a key component of a weapon covered by an MYP at the start of the MYP period in order to achieve significantly reduced costs on that component.

B. Policy for Full Funding. The total estimated cost of a complete, military useable end item or construction project must be fully funded in the year it is procured. There are 2 basic policies concerning full funding.

1. To provide funds in the budget for the total estimated cost of a complete, military usable end item to document the dimensions and cost of a program.

2. Exceptions to this policy are advance procurement for long lead-time items and advance economic order quantity (EOQ) procurement. EOQ may be used only in connection with multiyear procurements. Both efforts must be identified in an Exhibit P-10, Advance Procurement, for the Budget Estimate Submission and the President's Budget request.

C. Procedures for Full Funding

1. Cost Estimates. Full funding applies to an initial estimate and can exist only at a point in time because estimates change. However, the Future Years Defense Program (FYDP) shall be a consistently reliable foundation for stating the total cost of acquiring defense systems. Thus, the FYDP shall reflect a DoD Component's best estimate at completion of the program. The estimate should reflect the most likely cost of a procurement. Program estimates shall be kept current and fully financed through the Planning, Programming, Budgeting and Execution (PPBE) System process and established reprogramming procedures.

2. Time-Phased Procurement. Within defense system acquisition programs, nonrecurring costs and costs of certain production items related to, but not integral to, the end item of equipment are considered part of the overall acquisition cost. DoD Components shall plan and budget in a manner to ensure completion of the nonrecurring effort or delivery of such production items consistent with the planned delivery of the associated end items. That is, the programming and budgeting shall be on a time-phased "lead-time away" or "need to commit" basis. The Funded Delivery Period is part of the process to determine the quantities required to be budgeted in a particular fiscal year. DoD Components may not budget funds for obligation for items such as support, trainers, or data before the design or specifications of such items are essentially complete. These items shall be budgeted on an "ability to contract" basis as well as on a "lead-time away" basis.

3. Advance Procurement (Long Lead-time Items). Advance procurement requests for long lead-time items shall be limited to the end items in major procurement appropriations. Long lead-time procurements shall be for components, parts, and material whose lead-times are greater than the life of the appropriation (3-5 years). In some

circumstances, Advance Procurement is also warranted when items have significantly longer lead-times than other components, parts, and material of the same end item or when efforts must be funded in an advance procurement timeframe in order to maintain a planned production schedule. For new development programs, the planned production schedule should be based on a full funding basis without the use of long lead material. Planning the program content this way provides additional flexibility should development delays arise. When advance procurement is part of the program, however, the cost of components, material, parts, and effort budgeted for advance procurement shall be relatively low compared to the remaining portion of the cost of the end item. Each budget request for advance procurement shall represent, at a minimum, the termination liability associated with the total cost of the long lead-time components, material, parts, and effort for which the advance procurement request is being made. The termination liability should not cover the cost of the end item budgeted in the following fiscal year(s). The full cost of components, material, parts, and effort included in the advance procurement request should be budgeted in the FYDP consistent with full funding procedures. The budget requests will properly debit and credit advance procurement budget requests as defined in Exhibits P-1, P-5, P-10 and P-40 instructions.

4. Economic Order Quantity (EOQ) Procurement. EOQ may be used only in connection with multiyear procurement. It is the general policy of the Department of Defense not to create unfunded contract liabilities for EOQ procurements. Rather, funding for EOQ procurements shall be included in advance procurement budget requests unless an exception to the general policy is granted by the USD(Comptroller). The EOQ procurement may satisfy procurement requirements for no more than the number of program years covered by the multiyear procurement contract. Unless it would be more effective to fully fund the EOQ, or the USD(Comptroller) has granted an exception to the general policy to allow inclusion of EOQ costs in a cancellation clause, the advance procurement funding for an EOQ procurement shall cover, at a minimum, the estimated termination liability of the EOQ procurement.

5. Relationship of Budgeting and Contracting. An end item is fully funded only when funds are budgeted, programmed and available to cover the total estimated cost of the item at the time the procurement action is begun. Contracting, on the other hand, is a part of the execution phase or acquisition process within the framework of a program. The number of contracts required to procure a defense system, the type of contract awarded, and the timing of the award have no bearing upon whether or not an item is fully funded. In executing a program, no procurement of material or equipment, or work or services, therefore, shall be directed or implemented unless the full program amount is available, except for authorized economical order quantity (EOQ) and advance procurement. Similarly, the value of existing contracts for the procurement of material or equipment shall not be increased (through contract modifications) unless the funds are available to fully fund the new contract price. Limitations of funds clauses shall not be used as a mean of avoiding the requirement to fully fund procurement programs. (Note that this guidance does not affect the proper use of limitations of funds clauses in incrementally funded development contracts.) For multiyear contracts, the test of full funding does not include the cancellation ceiling associated with items in the FYDP to be procured in fiscal years not yet funded (that is, beyond the budget year). Multiyear contracts may not be awarded unless the contract and the multiyear program are fully funded within the approved FYDP funding.

010203. Multiyear Procurement

A. Multiyear procurement (MYP). This is a generic term describing the process, planning, and contract under which the government may contract for the purchase of supplies or services for more than one, but not more than five, program years. Such a contract may provide that performance during the second and subsequent years of the contract is contingent upon the appropriation of funds, and may provide for a cancellation payment to be made to the contractor if such appropriations are not made. Multiyear procurements are budgeted and funded annually.

B. Statutory Requirements. Section 2306b of title 10 of the United States Code and section 8008 of the annual DoD Appropriations Act, require that approval, initiation, and execution of a multiyear contract follow certain guidelines.

1. MYP approval is predicated on:

a. Substantial Savings. The use of a multiyear contract will result in substantial savings of the total anticipated costs of carrying out the program through annual contracts.

b. Stability of Requirement. The minimum need for the property to be purchased is expected to remain substantially unchanged during the contemplated contract period in terms of production rate, procurement rate, and total quantities.

c. Stability of Funding. There is a reasonable expectation that throughout the contemplated contract period, the head of the agency will request funding for the contract at the level required to avoid contract cancellation.

d. Stable Design. There is a stable design for the property to be acquired and the technical risks associated with such property are not excessive.

e. Realistic Cost Estimates. The estimates of the cost of the contract and the anticipated cost avoidance through the use of a multiyear contract are realistic.

f. National Security. Use of a multiyear contract will promote the national security of the United States.

2. In addition to the approval criteria, Congress requires that:

a. MYP contracts cannot be initiated for any system or component thereof if the value of the MYP contract would exceed $500.0 million unless specifically provided for in an Appropriations Act and an Act other than an Appropriations Act.

b. Proposed legislation and funding must accompany the MYP request in the President's budget submission; or the MYP request must be formally submitted as a budget amendment.

c. Funds appropriated for the purchase of an end item under a multiyear contract may only be used for a complete and usable end item.

d. Funds appropriated for advanced procurement under a multiyear contract may only be used to fund the long lead items necessary for a complete and usable end item planned and budgeted for a subsequent fiscal year. Advanced procurement funds may also be used for economic order quantity procurements in connection with a multi year contract when authorized by law.

e. Congressional defense committees must be notified at least 30 days in advance of a proposed contract award that: employs economic order quantity procurements in excess of $20.0 million in any one year of the contract; employs advance procurement leading to a multiyear procurement contract that employs economic order quantity procurement in excess of $20.0 million in any one year; or includes an unfunded contingent liability in excess of $20.0 million.

f. A multiyear procurement contract cannot be initiated for which the economic order quantity advance procurement is not funded at least to the limits of the government's liability.

g. A multiyear procurement contract must provide for production at not less than the minimum economic rate given the existing tooling and facilities.

h. A present value analysis must be used to determine the present value, or real worth, of the multiyear savings. Comparing the multiyear contracting approach to a conventional annual-buy approach derives the savings (see section 8008 for additional (new) requirements.

i. The Secretary of Defense must certify to the Congress that the support costs associated with the multiyear procurement with a value greater than $500 million are fully funded within the Future Years Defense Program (FYDP). The Secretary of Defense in a March 23, 1998 memorandum delegated this certification to the USD Comptroller. Components must submit the certification letter to the USD Comptroller at least 30 days prior to the anticipated contract award for approval, signature, and transmittal to the congressional defense committees.

j. Multiyear procurement contracts may provide for cancellation provisions to the extent that such provisions are necessary and in the best interests of the United States. The cancellation provisions may include consideration of both recurring and nonrecurring costs of the contractor associated with the production of the items to be delivered under the contract, but may not include recurring costs associated with unfunded units. The Agency Head and the USD(C) must approve the inclusion of recurring costs in a cancellation ceiling (see paragraph C below).

k. Before any multiyear procurement contract that contains a clause setting forth a cancellation ceiling in excess of $100.0 million may be awarded, the head of the agency concerned shall give written notification of the proposed contract and of the proposed cancellation ceiling for that contract to the congressional defense committees. The

contract may not be awarded until the end of a 30-day waiting period beginning on the date of such notification.

l. MYP contracts cannot be terminated without a 10-day prior notification to the congressional defense committees.

C. DoD Requirements.

1. The item should be technically mature, normally having completed RDT&E (including development testing, or equivalent) and Initial Operational, Test and Evaluation (IOT&E), with relatively few changes in item design anticipated. Deliveries of production items will indicate that the underlying technology is stable. This does not mean that changes will not occur but that the estimated cost of such changes is not anticipated to drive total costs beyond the proposed funding profile.

2. Estimates should be based on prior cost history for the same or similar items or proven cost estimating techniques. Normally, production assets should have been delivered in order to obtain actual costs for the comparisons (exceptions include satellites and ships).

3. With the exception of funding for economic order quantity (EOQ) procurement and advance procurement for long lead-time items as defined in section 010202, multiyear procurement contracts will comply with full funding. The full funding policy shall apply to each individual year of the multiyear contract. Multiyear contracts shall not be used as a vehicle for incrementally funding the items across the fiscal years covered by the contract. The production lots on the contract shall be the same as those described in the budget and advance procurement shall not be used to achieve a higher production rate for the end item. Funds shall not be "borrowed" from the amounts budgeted for items in the early fiscal years of a multiyear contract to begin work on items not budgeted until later fiscal years of the contract.

4. The inclusion of recurring costs in cancellation ceilings is an exception to normal contract financing arrangements and requires approval by the Agency Head (FAR 17.106-3(e)) and the USD Comptroller.

5. An exception, to be approved by the USD Comptroller, is needed to structure a contract with an unfunded cancellation ceiling. Justification explaining why an unfunded cancellation ceiling is the chosen acquisition strategy should be provided. This justification should specify what costs comprise the unfunded cancellation ceiling and why these costs are not funded under the full funding policy.

6. In keeping with the DoD policy of not relying upon industry to finance the cost of Defense programs, even on a temporary basis, the use of unfunded cancellation ceilings on multiyear contracts shall be rare and shall not be unreasonably large relative to the total budget for any individual fiscal year.

7. Funds obligated for multiyear contracts must be sufficient to cover any potential termination costs. The costs of cancellation or termination may be paid from (1) appropriations originally available for the performance of the contract concerned; (2) appropriations currently available for procurement of the type of property concerned, and not otherwise obligated; or (3) funds appropriated for those payments.

010204. Buy-to-Budget for Acquisition of End Items

A. In accordance with United States Code Title 10, Section 2308, the head of an agency making the acquisition may acquire a higher quantity of the end item than the quantity specified in applicable Appropriations Acts if the following conditions are met:

1. The agency has an established requirement for the end item that is expected to remain substantially unchanged throughout the period of the acquisition.

2. It is possible to acquire the higher quantity of the end item without additional funding because of production efficiencies or other cost reductions.

3. The amount of the funds used for the acquisition of the higher quantity of the end item will not exceed the amount provided under that law for the acquisition of the end item.

4. The amount provided is sufficient to ensure that each unit of the end item acquired within the higher quantity is fully funded as a complete end item.

B. For noncompetitive acquisitions, the acquisition of additional quantities is limited to not more than 10 percent of the quantity approved in the justification and approval prepared in accordance with United States Code Title 10, Section 2304, and Federal Acquisition Regulation Part 6.

C. The agency head must notify the congressional defense committees of a decision to buy more items than specified in an Appropriations Act not later than 30 days after the date of the decision.

010205. Transportation

A. First Destination Transportation (FDT) is that transportation required to deliver new, an upgraded model, or recapitalized production items from the manufacturer's plant or source of procurement to the first point of delivery where the Military Service or Defense Agency takes possession and/or ownership of that item. The procurement source, as used herein, is any supplier outside the DoD supply system or any DoD industrial activity that fabricates new materiel. The procurement source or the first point of delivery may be in the Continental United States (CONUS) or overseas. FDT is not applicable to components or items reworked by an industrial activity. In the case where the Government accepts the production item at the manufacturer's plant or source of production and legally owns the item, FDT extends to the first point of delivery for either use or storage by the Military Service or Defense Agency. For

shipments destined to overseas locations that will enter the Defense Transportation System, FDT terminates at the port of embarkation (CONUS or overseas).

B. Second Destination Transportation (SDT) is any transportation other than FDT

C. Budgeting Responsibilities for Transportation

1. Transportation of Supply Management Materiel of the Defense Working Capital Funds. Transportation among the 50 states is financed by the supply management business area responsible for the shipment. Transportation of supply management standard items overseas is financed by the appropriation or fund ordering the materiel if within the definition of FDT, otherwise it is financed as SDT. Transportation of DWCF nonstandard items overseas is financed in the same manner as transportation of standard items overseas except for items that are shipped on a free-on-board (FOB) destination basis. In this case, the overseas shipment transportation cost is included in the cost of the nonstandard item and no additional transportation charges should be incurred for the overseas shipment.

2. Transportation of Items Procured by Other Than Procurement and O&M Appropriations, or Defense Working Capital Funds. In general, FDT is financed by the appropriation, which financed acquisition of the item, i.e., RDT&E appropriations for RDT&E materiel and Military Construction appropriations for items that are shipped to support such construction projects. All over-ocean shipment of subsistence items financed by the Military Personnel appropriations is considered as an exception and is financed as SDT.

3. Transportation of Items Procured by Procurement Appropriations. FDT is normally financed by the Procurement appropriation that financed acquisition of the item. SDT is normally financed by the Operation & Maintenance (O&M) appropriations. The following additional guidance applies:

a. Transportation costs integral to production contract price such as FOB destination charges are considered part of the end item unit price and are financed by the procurement appropriation that financed acquisition of the item.

b. All transportation of government furnished equipment (GFE) and government furnished materiel (GFM) prior to installation into an end item is considered FDT and is financed by the procurement appropriation that financed acquisition of the item.

c. The transportation of items that are not owned by DoD - such as nuclear materials and warheads that DOE provides to DoD but DOE retains ownership - is considered FDT and is financed by the procurement appropriation that financed the acquisition of the end item into which the item will be incorporated.

4. Transportation of Items Procured by O&M Appropriations. Transportation is financed by the O&M appropriation according to the FDT and SDT definitions.

010206. Engineering Change Orders

Engineering change orders should be funded commensurate with the level of risk in the program.

010207. Factory Training

Factory training course costs for initial cadre training are considered investment costs and should be budgeted and funded in the investment appropriation and the specific program used to procure the development, acquisition, or modification of the related end item. Temporary Duty (TDY) travel costs of military or civilian personnel attending factory training courses are funded in the Operation and Maintenance appropriations. Factory training courses acquired for end items no longer in production are to be funded in the Operation and Maintenance appropriations.

010208. Interim Contractor Support

Interim contractor support (ICS) is the maintenance and support of a new weapon system provided by a commercial vendor pending transition to organic support. Because ICS is a major component of the initial logistics support of a newly fielded system and integral to program acquisition, ICS funding requirements should be budgeted in the Procurement appropriations. However, ICS is intended to provide support for the brief period between initial item deployment and the permanent organic support. All acquisition strategies should attempt to minimize ICS requirements and duration. ICS will only be funded in Procurement appropriations until the organic support date specified in the acquisition program baseline is achieved. Continued funding of ICS after the baseline support transition date will be approved on an exception basis.

010209. Commercial Off-the-Shelf (COTS) and Non-Developmental Item (NDI) Procurement

Items purchased directly from a commercial source that can be utilized without alteration or modification are classified as COTS or NDI. All COTS and NDIs, including the first article and associated first article acceptance testing should be funded in the Procurement or O&M appropriations, as determined by the Expense and Investment criteria. If an end item requires design and development in order to accept the COTS or NDI, or if Operational Test & Evaluation (OT&E) is required to determine military suitability and effectiveness; or if Live Fire Test & Evaluation (LFT&E) is required to determine whether the COT/NDI possesses survivability and lethality characteristics needed by operational forces, then the entire effort is not COTS or NDI, and funding for that effort should be budgeted in RDT&E. If a COTS or NDI is required for RDT&E test purposes, the cost is funded in RDT&E.

010210. Spares and Repair Parts

A. This Section provides instructions applicable to funding requests for spares and repair parts procured with direct appropriations in the Procurement Title.

1. Initial Spares and Repair Parts. Initial spares and repair parts will include those repairable components, assemblies, and subassemblies required as initial stockage at all levels including the pipeline to permit fielding of new end items. Whole spare engines will be classified as initial spares through the life of system. Funding will be budgeted based on a first year obligation rate of 92 percent.

2. War Reserve Spares and Repair Parts. War reserve material (WRM) spares and repair parts for initial stockage will be budgeted in replenishment except for whole spare engines in accordance with the above definitions. See Section 010215, Defense Working Capital Funds - War Reserve Materiel, for additional budgeting WRM policies.

B. The Operation and Maintenance (O&M) accounts will finance the purchase of depot level reparables (DLRs) and consumable repair parts, primarily through the Defense Working Capital Fund (DWCF), for maintenance of all Class IX equipment (excluding medical peculiar repair parts).

C. Spares budgeting can be aggregated by weapon system except for Selected Acquisition Report (SAR) systems.

010211. Direct and Reimbursable Budget Plans

A. Direct Budget Plan. This plan includes those items of materiel to be purchased for delivery to service inventory and those procurement programs that support the acquisition of materiel for US forces. Financing for the direct budget plan is derived from: new budget authority provided by the Congress, the transfer of resources from other appropriations, and reimbursements. When dealing with reimbursements involving the sale of materiel, three situations can arise:

1. Replacement-in-Kind. In this situation an item of materiel is sold and will require replacement with an item of the identical type, model, and series or modified version of the same basic model (i.e., the sale of C-130E aircraft and purchase of C-130E aircraft). In this situation the reimbursement from the sale will be included in reimbursable financing and the buy-back of the item in the reimbursable program. There will be no reflection of this transaction in the Direct Budget Plan. For an ammunition item, the replacement-in-kind policy permits replacement of a round with any round that provides the same warfighting mission capability, providing the round to be purchased has been previously approved by the Congress for procurement, and the inventory objective presented to the Congress is not exceeded.

2. Replacement. In this situation an item of materiel is sold and will require replacement to compensate DoD inventories for the resultant loss of capability or readiness. Because of one or more circumstances, the replacement item will not be identical to the item sold. It must, however, be a later series or modified version of the same basic model (e.g., sale of a C-130A aircraft and purchase of a C-130E aircraft) or an acceptable substitute item used in the requirements computations (e.g. sale of an M-48 tank and purchase of an M-60 tank). In this situation the reimbursement from the sale will be included under reimbursable

financing but the buy-back of the replacement item must be shown under the Direct Budget Plan and must comply with reprogramming requirements.

a. Items sold from inventory with a unit cost less than $5,000 will be treated as a replacement-in-kind if an improved model of the same end item is being procured, it provides the same warfighting capability, and the inventory objective presented to Congress is not exceeded.

b. If an item is eligible for replacement or replacement-in-kind and is not replaced, the reimbursement should be treated as a "free asset."

3. Free Assets. In this situation an item of materiel is sold and will not require replacement. All free assets from FMS transactions are required to be deposited into the Miscellaneous Receipts of the US Treasury in accordance with 10 U.S.C. 114(c)(2).

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

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

2. Anticipated reimbursement based upon customer orders received or to be received for items common to the procuring service and customer, for direct delivery to the customer.

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

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

5. In "Replacement-in-Kind" situations, the proceeds from the sale will be included under reimbursable financing and the buy-back program will be included in the Reimbursable Budget Plan.

6. In "Replacement" situations, the proceeds from the sale will be included under reimbursable financing but the buy-back program will be included under the Direct Budget Plan (not the Reimbursable Budget Plan).

7. Reimbursements from customer orders for secondary items, because of the nature of such commodities and the way they must be managed, will always be treated as a generic category requiring, by definition, "replacement-in-kind." Accordingly, the proceeds from such transactions will be included under reimbursable financing and the buy-back of an equivalent value of such commodities will be included in the Reimbursable Budget Plan.

010212. Budgeting for Information Technology and Automated Information Systems

A. Information Technology and Automated Information Systems that are not embedded in weapons systems and/or major end item procurements are budgeted according to the investment and expense criteria (see 010201) and the appropriation or fund's purpose.

B. The correct appropriation for budgeting an IT effort is dependent on the activity and the underlying tasks that make up the IT effort. RDT&E activities and Working Capital Fund activities follow unique procedures as noted in the following paragraphs. All other activities budget for IT efforts based solely on the underlying purpose for the IT effort.

1. An IT effort may require funding for more than one appropriation. The underlying purpose for each discrete task within an IT effort determines the correct appropriation for budgeting of that task. An effort that is so broadly defined that it contains separate tasks appropriate to budgeting in different appropriations should be separated into discrete tasks, each of which is budgeted in the correct appropriation.

2. The following guidelines are provided to help determine which appropriation to use:

3. RDT&E appropriations: Development, test and evaluation requirements, including designing prototypes and processes, should be budgeted in the RDT&E appropriations. The RDT&E funds should be used to develop major upgrades increasing the performance envelope of existing systems, purchase test articles, and conduct developmental testing and/or initial operational test and evaluation prior to system acceptance. In general, all developmental activities involved in bringing a program to its objective system are to be budgeted in RDT&E.

a. Reaching the objective system, as defined in the requirements documents, is a critical determinate. Some software programs, particularly those following a spiral or incremental development pattern, may be approved for initial fielding even though the early capability is below the objective system requirements. The follow-on development and test activities required to reach the objective system performance will be budgeted in RDT&E.

b. Commercial-off-the-shelf (COTS) systems that require engineering design, integration, test, and evaluation to achieve the objective performance will be budgeted in RDT&E.

c. The acquisition, operation and maintenance of IT systems that are used exclusively to support RDT&E activities will be budgeted and funded within an RDT&E appropriation.

4. Procurement appropriations: Acquiring and deploying a complete system with a cost of $250,000 or more is an investment and should be budgeted in a Procurement appropriation. Complete system cost is the aggregate cost of all components (e.g.,

equipment, integration, engineering support and software) that are part of, and function together, as a system to meet an approved documented requirement. For modification efforts, only the cost of the upgrade (e.g., new software, hardware, and technical assistance) is counted towards the investment threshold. The total cumulative cost of the system is not considered when deciding what appropriation to use to fund modernization.

a. Procurement of fully developed and tested modification kits and associated installation, including technical assistance is financed from Procurement appropriations. Equipment purchased after successful system testing and a favorable fielding decisions is funded with procurement dollars.

b. Proprietary software carries a copyright from the vendor that prohibits duplication or modification. Essentially, the purchaser is buying a license from the vendor to use the software on a particular system. Proprietary software is an investment, subject to the expense-investment criteria, unless it is financed on an "annual fee" basis. In the latter case, it is an expense item properly financed in RDT&E or O&M.

5. O&M appropriations: Expenses incurred in continuing operations and current services are budgeted in the O&M appropriations. Modernization costs under $250,000 are considered expenses, as are one-time projects such as developing planning documents and studies.

a. Software releases categorized as iterations on the basic release and not involving significant performance improvements or extensive testing are considered a maintenance effort. Minor improvements in software functionality which are accomplished during routine maintenance may also be O&M funded.

b. Items purchased from a commercial source that can be used without modification (e.g., COTS and nondevelopmental items) will be funded in either the Procurement or O&M appropriations, as determined by the expense and investment criterion.

6. The IT systems developed and acquired through the Defense Working Capital fund will be reflected in the Capital Budget if the system is $100,000 or more. Systems costing less than $100,000 are funded through the Operating Budget.

7. Capitalization of Software Cost. For accounting purposes, the total cost of software should be capitalized when the total cost of the system exceeds the Department’s capitalization threshold amount, which is currently $100,000. Capitalization of software is not dependent on the appropriation used to fund its purchase or development. Further information on capitalization may be found in the DoD FMR, Volume 4, Chapter 6, paragraph 060210.

010213. Research, Development, Test and Evaluation (RDT&E) - Definitions and Criteria

A. Definitions. The term "research and development (R&D)" is intended broadly to include the work performed by a government agency or by private individuals or organizations under a contractual or grant arrangement with the government. It includes R&D in all fields, including the physical sciences, engineering, etc.

1. Research is systematic study directed toward fuller scientific knowledge or understanding of the subject studied.

2. Development is systematic use of the knowledge and understanding gained from research, for the production of useful materials, devices, systems, or methods, including the design and development of prototypes and processes.

B. General Criteria. When, after consideration of the following criteria, there is doubt as to the proper assignment of costs between appropriations, the issue should be resolved in favor of using RDT&E funding. In general, the types of costs to be financed by RDT&E and related appropriations are:

1. RDT&E Appropriations

a. RDT&E will finance research, development, test and evaluation efforts performed by contractors and government installations, including procurement of end items, weapons, equipment, components, materials and services required for development of equipment, material, or computer application software; its Development Test and Evaluation (DT&E); and its Operational Test and Evaluation (OT&E) as provided for in paragraph C.5. (Test Articles and Test Support) below.

b. The operation of R&D installations and activities engaged in the conduct of R&D programs, including direct and indirect efforts, expense and investment costs.

c. The acquisition or construction of industrial facilities costing less than $750,000 at government owned, government operated (GOGO) facilities under the criteria of DoD Directive 4275.5 as provided for under 10 U.S.C. 2805 (unspecified minor construction). Use of RDT&E funds for acquisition and construction at contractor owned or contractor operated government facilities is authorized under 10 U.S.C. 2353, Contracts; Acquisition, Construction, or Furnishings of Test Facilities and Equipment.

2. Related Appropriations

a. All construction at R&D installations and activities other than that covered above will be funded in the Military Construction appropriations.

b. Equipment and material approved for production and intended for operational use or inventory upon delivery will be funded in the Procurement appropriations. Product improvement within the current performance envelope on systems in production, will be funded in the Procurement appropriations as long as no development or operational tests by an independent operational test agency are required.

c. Family housing construction, operation and maintenance at R&D installations and activities will be funded in the Family Housing appropriations.

d. Expenses of Headquarters R&D management, organizational management analyses, test and evaluation for system sustainment personnel and command support, and product improvement within the current performance envelope for systems out of production will be funded in the Operation and Maintenance (O&M) appropriations.

C. Specific Determinations. Additional details on the determination of proper funding for specific items or efforts are provided in the following paragraphs.

1. Organizational Funding Criteria

a. The RDT&E appropriation will finance expenses and investments for the operation and maintenance of R&D organizations, equipment (including R&D aircraft, ships and ship-type vehicles), installations and activities (including those operated by contract).

b. Expenses for the support of tenant activities will be funded in accordance with the following:

(1) Expenses for the support of tenant activities at R&D installations and activities will be RDT&E funded by the host activity, pending the establishment of reimbursable arrangements. Subsequent to the establishment of reimbursable arrangements, expenses for the support of the tenant will be funded by the tenant or as mutually agreed with the host.

(2) Where reimbursable arrangements exist, expenses for the support of R&D activities or organizations that are tenant activities at installations having a primary function other than research, development, test and evaluation will be funded by RDT&E.

(3) Expenses for the support of R&D activities or organizations which are tenant activities at installations having a primary function other than R&D will be funded by the host, pending the establishment of reimbursable arrangements.

c. Expenses of R&D management and administrative organizations at major systems commands, headquarters organizations and administrative organizations at DoD component departmental headquarters levels (except for the Defense

Advanced Research Projects Agency and the Missile Defense Agency) will be financed in the Operation and Maintenance (O&M) appropriations.

d. Expenses and investments for the operation and maintenance of major range and test facilities, as defined under DoD Directive 3200.11, that conduct developmental and operational testing as a primary mission as determined by workload, will be financed by the RDT&E appropriation. Major range and test facilities that primarily support testing after system acceptance for operational use or training exercises will be financed in the O&M appropriations.

e. Costs of evaluating organizational structure and distribution of function, administrative operating policies, procedures, methods and systems (management studies) and applications of the management sciences to improve effectiveness in carrying out assigned functions are financed in the O&M appropriations.

f. Expenses of operational military forces having a primary mission other than R&D and not specifically assigned to R&D that may, from time to time, be engaged in or support R&D activities, will be funded in the O&M appropriations.

2. Facilities Construction and Modification. When it is determined that DoD financing of real property projects is required, the projects shall be programmed, budgeted, and financed as follows:

a. Government-Owned, Government-Operated (GOGO) Facility on Government Land. When GOGO property is to be constructed on government-owned land, such construction will normally be financed as a Military Construction project. Construction of facilities for RDT&E costing $750,000 or less may be funded with RDT&E appropriations. Such expenditures are authorized under 10 U.S.C. 2805 (unspecified minor construction). All minor construction must result in a complete and usable facility. In no event are two or more construction projects or minor and major construction projects to be contrived to be a usable facility. Construction projects at R&D installations and activities whose costs are greater than $750,000 will be financed by the Military Construction appropriation in accordance with Chapter 6.

b. Government-Owned, Contractor-Operated (GOCO) Facility

(1) When the GOCO facility is on a military installation (post, camp or station) the primary funding is the Military Construction appropriation. However, if the facilities are contractor-operated, and the contractor is solely responsible for the complete and total operation and maintenance of the facility complex, construction may be financed in Procurement or RDT&E in accordance with DoD Directive (DoDD) 4275.5 and 10 U.S.C. 2353 criteria. New construction or improvements having general utility are not authorized under 10 U.S.C. 2353.

(2) When GOCO facilities are constructed on government property other than a military installation, the Procurement or RDT&E appropriation will finance the construction in accordance with DoDD 4275.5 criteria.

c. Contractor-Owned, Contractor-Operated Facility. Under 10 U.S.C. 2353, a research or development contract may provide for the acquisition, construction, or furnishing of facilities and equipment that are necessary for the performance of the contract to the contractor. Improvements having general utility or new construction are not authorized under 10 U.S.C. 2353. Facilities that would not be readily removable or separable without unreasonable expense may not be installed or constructed on property not owned by the government, unless the contract contains:

(1) A provision to reimburse the government for the fair value of the facilities;

(2) An option for the government to acquire the underlying land; or

(3) An alternative provision that protects the interests of the United States in the facilities.

d. All proposed RDT&E real property facilities will be identified to Congress in accordance with Chapter 5, Section 050402.

e. The Family Housing appropriation will provide for Family Housing construction and Family Housing O&M at R&D installations and activities.

3. Equipment. RDT&E appropriations will finance the development, design, purchase, installation, and acceptance testing of equipment or instrumentation required to support RDT&E activities. Costs of specialized equipment and instrumentation required for the support of research, development, test and evaluation contractor effort at government-owned, contractor-operated (GOCO) activities will be financed in RDT&E. DoD Directive 4275.5 applies. Installation costs include directly related foundations, shielding, environmental control, weather protection, structural adjustments, utilities and assets. Installation costs are excluded from RDT&E financing if the effort is accomplished concurrently with a military construction project, and in these instances, the military construction appropriation finances the installation cost. To the extent that the equipment installation occurs at a government activity and the cost exceeds $500,000, no new facility or physical outer dimension expansion to an existing facility shall result from an RDT&E-funded equipment installation project.

4. Establishment of Pilot Line and Tooling Requirements

a. The costs associated with establishing an initial pilot line, which are necessary to acquire a limited number of representative items for test purposes, including the test items, will be financed by RDT&E. All items and costs associated with

maintaining the initial pilot line beyond the quantity sufficient to test for operational acceptability will be financed from other appropriations.

b. When an end item under development has also been approved for procurement, operational use, or included in the force structure, then hard tooling requirements common to both the development and procurement phases will be financed by Procurement appropriations. When an end item under development has not been approved for procurement, operational use, or included in the force structure, then tooling and other preliminary production facilities required to produce realistic development items for test and evaluation will be financed by RDT&E, even though such tooling and facilities might later be used for production.

5. Test Articles and Test Support

a. As a general rule, the procurement of test articles and test support, including "Special Support" costs and "Command Support" costs (see Glossary), for all RDT&E tests preceding and leading to acceptance for operational use will be RDT&E funded. Test articles and components or materials to be assembled into test articles shall be budgeted in accordance with the need for them in the development and test program. Purchases of fully configured or near fully configured test articles (e.g., off-the shelf drones) should be budgeted in accordance with the need for full units to test.

(1) Development and preproduction prototypes (RDT&E financed) will be used for Developmental Test and Evaluation (DT&E), including scientific, technical and weapons effects tests. DT&E programs must provide complete and reliable data that can be used to estimate the military utility of new items as a basis for considering decisions to continue engineering development. To this end, it is essential to plan, program, budget and fund for an adequate number of R&D articles for development, test and evaluation that will be fabricated, manufactured or produced in a realistic preliminary production manner and thus provide such data.

(2) Development and preproduction prototypes (RDT&E financed) will be used for OT&E. When so used, they must be sufficiently representative of the expected production items' to provide from OT&E a valid estimate of production items operational effectiveness and suitability (including compatibility, interoperability, reliability, maintainability, and logistic and training requirements).

(3) Low Rate Initial Production (LRIP) assets. LRIP, as defined in DoD 5000.2-R, is to provide production configured or representative articles for operational test (RDT&E funded, see paragraph (2)); establish an initial production base for the system (procurement funded); and permit an orderly increase in production rate for the system (procurement funded). If the asset will be used for developmental or operational testing by an independent operational test agency, then it should be procured with RDT&E funds. The LRIP quantity will be determined as part of the Production and Deployment approval (Milestone C). RDT&E funds will be budgeted to procure the items required for operational test to facilitate the testing of LRIP assets. LRIP test articles must be specifically identified in the budget

documentation. Should LRIP items beyond the test quantity be required, they would need to be included in the Milestone C decision and a determination made at that time. Ships and space systems do not have LRIP periods like other systems. Special guidance relating to the transition of ships and space systems from RDT&E to Procurement is provided in paragraph 9 of this section.

b. Conduct of testing that is not associated with RDT&E, or testing conducted after fielding or acceptance for operational use, such as the examples noted below, will be financed in the Procurement or O&M appropriations, as appropriate.

(1) Acceptance, quality control and surveillance testing of articles obtained for other than RDT&E purposes.

(2) Routine testing in connection with logistic support.

(3) Testing related to the operation and maintenance of equipment and material acquired for use under appropriations other than RDT&E.

(4) Testing required to prove the capability of facilities to produce items which have been approved for production will be funded by procurement as part of the initial acquisition cost.

c. The acquisition of commercial or nondevelopmental items for testing and operational evaluation that do not require RDT&E engineering, design or integration effort will be financed by O&M or Procurement appropriations (as determined by the Expense and Investment criteria). O&M appropriations will finance personnel and command support costs for test and evaluation of commercial and nondevelopmental items by field units for doctrine, operational, or organizational purposes. If the commercially available item is modified and requires testing prior to approval for service use or inventory it is to be funded in RDT&E as are all developmental items.

d. Articles (including end items, weapons, equipment, major test vehicles such as ballistic missile boosters or upper stages, components and materials) of types regularly procured to meet established general requirements such as operational training, operational use, or inventory which are assigned or allocated on a priority basis for use in support of approved R&D programs and which are not consumed in testing, may be financed by Procurement or O&M appropriations using the expense and investment criteria. In addition, excess items that can be made available on a priority basis from existing inventory will be reassigned for use in R&D test and evaluation programs without reimbursement. However, all items, expected to be consumed in R&D test and evaluation will be financed by RDT&E appropriations.

e. Consumable rounds of ammunition or rounds of similar tactical missiles otherwise procured in quantity for inventory under existing procedures, may be issued on a priority basis for use in R&D testing without reimbursement.

f. The acquisition of test articles will be financed by O&M or Procurement appropriations (as determined by the Expense and Investment criteria), and personnel and command support costs will be financed by O&M appropriations for all test and evaluation (T&E) subsequent to acceptance for operational use and T&E to demonstrate the operational employment or develop operational tactics (i.e., subsequent to RDT&E efforts).

6. Modification and Refurbishment of Test Articles

a. Costs associated with modifying or reconfiguring an existing item for R&D test purposes will be funded in RDT&E. When an item that has been diverted from another use is not consumed in R&D testing, any costs necessary to return the item to serviceable condition or to its pre-existent configuration will be financed in RDT&E.

b. If an article initially acquired with RDT&E funds as part of an RDT&E test effort is still available at the completion of the test program, it may be reassigned for operational use or inventory. The cost to modify such an article for operational use would be borne by the Procurement and O&M appropriations, as appropriate.

7. Product Improvement

a. "Product improvement" of major end items and major components of major end items currently in production or in the operational inventory, is subject to the following:

(1) Redesign of an item to increase the current performance envelope, including related development, test and evaluation effort, will be financed in RDT&E.

(2) Engineering services or related manufacturing efforts applied to an item currently in production to extend its useful military life within the current performance envelope should be funded by Procurement appropriations as long as no developmental testing (DT) or operational test and evaluation (OT&E) by an independent operational test agency is required. If DT or OT&E by an independent operational test agency is required, RDT&E finances the improvement. The phrase "an item currently in production" implies that the item has end item procurement funding in the year the product improvement effort is to take place.

(3) Engineering services or related manufacturing efforts applied to an out-of-production, but still operational item to extend its useful military life within the current performance envelope should be financed by O&M appropriations as long as no developmental testing (DT) or operational test and evaluation (OT&E) by an independent operational test agency is required. If DT or OT&E is required by an independent operational test agency, RDT&E finances the improvement.

(4) In both cases (2) and (3) above, the determination that the improvement is “within the current performance envelope” and that “no development

testing (DT) or operational test and evaluation (OT&E) by an independent operational test and evaluation agency is required" should be determined after formal coordination with the Director, Operational Test and Evaluation.

b. While existing off-the-shelf equipment may be procured with Procurement funds, items that require engineering design, integration, test, or evaluation effort shall be procured with RDT&E funds in sufficient numbers to support such effort.

c. Costs of fully developed and tested modification kits and associated installation costs should be financed from Procurement appropriations. If DT or OT&E by an independent operational test agency is required, RDT&E finances the RDT&E effort and the kits required for RDT&E testing. Procurement funds would then be used to procure the follow-on kits.

d. Aircraft engine component improvement costs are budgeted in the RDT&E appropriations to provide for continuing improvements in the aircraft engines in the areas of reliability, maintainability, durability, correction of Service-revealed deficiencies, safety of flight, time-between-overhaul, etc. "Component Improvement" is established at the point in time when:

(1) There has been a Government acceptance of the first procurement funded engine, and

(2) The engine has successfully completed stringent qualification or verification testing to demonstrate initial production suitability subject to:

(a) Compliance with contractual specifications, performance guarantees and military specifications, as applicable to individual Service requirements;

(b) Completion of endurance testing representative of the anticipated Service use to include completion of specified post test inspections, certification, and penalty runs;

(c) Demonstration of prescribed performance capability; and

(d) Accomplishment of prescribed durability, reliability, and environmental testing.

8. Ships and Ship-type Vehicles

a. An experimental test bed type of ship or an experimental ship will be financed by RDT&E appropriations. This will include all such experimental ships required to support an approved R&D program or for the purpose of experimenting with new or radical ship concepts or to demonstrate the military usefulness of new ship designs,

configurations or fabrication techniques, when the ship-type test vehicle itself can be predicted to be consumed or expended in testing, or to have little or no operational usefulness in the force structure. Prototype ships, when designated by the Secretary of Defense, are included.

b. A ship of demonstrated, conventional concept and design having a high probability of military usefulness and inclusion in the force structure, even though first of a class, will be constructed using procurement funds. A ship of demonstrated conventional concept and design temporarily or permanently assigned from inventory to support R&D effort will be furnished without reimbursement, but the cost of providing all R&D types of equipment or instrumentation, the cost of "nonstandard" modifications of the ship required to make the ship suitable for R&D support, as well as the cost of any related restoration to conventional or operational ship conditions upon release from assignment to R&D, will be financed by RDT&E appropriations.

c. Preliminary or contract design for new ship construction will be financed by RDT&E appropriations, including contractor and "field activity" effort costs. Detail design for ships appropriate for procurement funding will be funded by procurement accounts.

d. Land-based or sea-based combat system test installations will be financed by RDT&E appropriations.

9. Space Systems. The following guidance describes the circumstances in which RDT&E funds may be used for the acquisition of operational space systems.

a. Expendable launch vehicles. The first rocket of a new design is normally used to launch an operational satellite into orbit. This rocket may be financed with either RDT&E or Procurement appropriations. The second and subsequent expendable launch vehicles shall in all cases be financed with Procurement appropriations. The full funding policy shall apply to all expendable launch vehicles budgeted in Procurement appropriations.

b. Satellites. The first satellite of a new design is normally placed into operational use. For programs in which satellites are launched individually, the first two satellites may be financed with either RDT&E or Procurement appropriations. The third and subsequent satellites shall in all cases be financed with Procurement appropriations. For programs in which multiple satellites are launched with a single rocket, the satellites comprising the first launch may be financed with either RDT&E or Procurement appropriations depending upon which budgetary approach is most consistent with the contract structure. Satellites for the second and subsequent launches shall in all cases be financed with Procurement appropriations. The full funding policy shall apply to all satellites budgeted in Procurement appropriations. It is expected that satellite programs will make frequent use of advance procurement, combined parts buys, and multiyear contracts to efficiently use funds within the context of the full funding policy. To achieve these efficiencies, advance procurement funding may be budgeted two years (and, in rare instances, three years) prior to the year of full funding. The total advance procurement funding for a satellite should not exceed 20 percent of the unit cost of the satellite.

c. Ground Control and Ground Processing Systems. The design and implementation of ground control and ground processing systems is an integral part of the development of new satellite systems. The entire cost of the primary ground system (including off-the-shelf workstations, power supplies, etc., but not including military construction) shall normally be financed with RDT&E appropriations. The cost of backup ground systems shall be financed with Procurement appropriations, and the full funding policy shall apply.

d. User Terminals. User terminals for space systems shall transition from RDT&E to Procurement in the same manner as non-space-related communications and electronics equipment.

10. Training Devices. A training device is composed of components and software that have been designed or modified to demonstrate or illustrate a concept or simulate an operational circumstance or environment. The initial or prototype training device and all its support costs through service acceptance for operational use will be funded in RDT&E. RDT&E will not fund beyond the initial system unless more than one full system is required to demonstrate the training device performance. The initial or prototype training device that employs new or off-the-shelf computers and system components, but has training system unique software and interface components, will be developed and procured with RDT&E funds. Typically, these training devices have small quantity requirements and the initial or prototype device is used for operational training. Modifications or updates to existing training devices will normally be funded in the applicable Procurement or O&M appropriation, subject to the expense and investment criteria. Any necessary development effort for these modifications or updates will be funded in RDT&E.

11. Joint Test and Evaluation

a. The Joint Test and Evaluation (JT&E) program provides quantitative information used for analyses of joint military capabilities and to develop potential options for increasing military effectiveness, The program is complimentary to, rather than part of the acquisition process. A JT&E project brings two or more Military Services or other Components together to: assess Service system interoperability in joint operations; evaluate joint technical and operational concepts, and recommend improvements; increase joint mission capability, using quantitative data for analysis; validate testing methodologies that have joint applications; improve modeling and simulation validity with field exercise data; provide feedback to the acquisition and joint operations communities; and improve joint tactics, techniques, and procedures. JT&E projects focus on improving the warfighter's capability to conduct joint military operations with existing equipment. DOT&E manages the JT&E program and coordinates with Combatant Commanders, the Joint Staff, and the Services to ensure warfighter involvement.

b. The JT&E program is financed in the Operational Test and Evaluation (OT&E), Defense appropriation (program element 0605804D). DOT&E funds the costs incurred for the direction, supervision, and performance of activities that are unique to the needs of the JT&E projects. When directed as Executive Agent for a particular JT&E project,

the Component, Service or COCOM is responsible for ensuring that all resources necessary for the successful accomplishment of the JT&E project are available to the Joint Test Director (JTD). This includes administrative, management and facilities support for the JTD. The Executive Agent support costs (O&M, Procurement, and RDT&E) are to be programmed and budgeted in accordance with established procedures.

12. Manufacturing Technology. The Department of Defense Manufacturing Technology program, which demonstrates factory application of new or improved technology in producing defense items, will be financed in the RDT&E appropriations.

13. Development Efforts Related to Future Leased Services. When the provider of a leased service that will ultimately be financed in O&M requires initial funding in order to design or develop major changes or improvements to meet the government's requirement for that service, then the costs of such development efforts will be financed in RDT&E.

14. Subsystem Integration into Weapon Systems. Research and development necessary for the integration of subsystems into weapon systems should be financed from the weapon system program. For example, the R&D cost of integrating an electronic warfare black box into an aircraft should be borne by the aircraft R&D program.

15. Engineering change orders should be funded commensurate with the level of risk in the program.

010214. RDT&E - Incremental Programming and Budgeting Basis

A. Purpose

This Chapter specifies the principles to be followed, and establishes the criteria and definitions to be used, in the preparation of the annual Research, Development, Test and Evaluation (RDT&E) budget estimates on an incrementally funded basis. The incremental budgeting policy provides that only those funds required for work in a given fiscal year shall be included in the RDT&E budget request for that fiscal year for most classes of effort.

B. Policy

The annual budget estimates for Research, Development, Test and Evaluation (RDT&E) projects and programs, including developmental and operational test and evaluation programs, are to be prepared on an incrementally programmed basis (as opposed to the fully funded program basis used in preparing procurement budget estimates.)

C. Guidance

1. The budget request for DoD projects and programs will be developed and presented in accordance with the following principles:

a. Annual estimates of initial financing needed for new major weapon systems and other development programs and projects requiring several years to complete, and which involve contracts spanning more than one year, should be formulated to cover costs expected to be incurred during each fiscal year. Generally this will represent a 9-month or lesser period for the initial, first year increment of a new start program due to the nature and timing of the congressional budget approval. The second and succeeding increments will be programmed and financed for the entire fiscal year. However, the Service or Defense Agency Comptroller must approve extensions of up to 3 months beyond the end of the fiscal year for which funds are requested. In this regard, DoD components should make every effort to align subsequent years' funding requirements on an annual basis coincident with the fiscal year, although it is recognized that there may be circumstances where this will not be feasible. The estimate of the financing required in the budget year to continue development projects must always take into account any changes (such as slippage's) that have occurred. RDT&E funding requirements should be based on forecasted obligations that consider costs and timelines for each milestone and other programmatic event.

b. There are requirements in which there is no logical way to divide the work; it is clearly unfeasible to limit the contract to a shorter period; or the planned technical effort is such that no responsible contractor can be found who will accept a contract for a less-than-completion increment. For these type efforts that take longer than 12 months but less than 18 months, the Service or Defense Agency Comptroller may approve financing the total requirement in one fiscal year.

c. While it is intended that the foregoing guidelines will be applicable to program execution as well as program formulation, there may be circumstances that could delay the start of an annual increment (such as legal, administrative, or technical problems). The 2-year availability of funds authorized for the Research, Development, Test and Evaluation appropriation provides the necessary flexibility for program execution in those circumstances.

d. Engineering change orders should be funded commensurate with the level of risk in the program.

2. Budgeting for Termination Liability on Incrementally Funded RDT&E Contracts. The legal requirements of the Anti-Deficiency Act and the long-standing policy of not committing a successor Congress to a course of action both make it necessary that the unliquidated obligation for an incrementally-funded, multiple-year contract be sufficient at all times to cover the cost of terminating that contract for the convenience of the Government. Budgeting to cover termination liability will not increase the total amount budgeted for the program. It will require that the distribution of funds by fiscal year be shifted more towards the earlier years of the contract than if funds had been budgeted only to cover the actual bill to be paid in each year. The distribution of funds by fiscal year shall be such that, if a contract is terminated at any point during the fiscal year, all termination costs can be financed from the unliquidated obligation on the contract without recourse to reprogramming of funds, supplemental appropriations, or awaiting the appropriation of funds for the succeeding fiscal

year's funding increment. All programs shall adhere to this policy with the following two exceptions, both of which are to be used rarely.

a. Special Termination Cost Clause (STCC). DoD FAR Parts 249.50170 and 252.249-7000 permit the use of STCC in fixed-price incentive contracts and incrementally funded cost reimbursement contracts. If contracts containing an STCC are terminated before completion, the special termination charges are covered by the unobligated balance of the applicable appropriation, subject to any congressional approval required for reprogramming. The extent to which the STCC can be used is limited to the ability of the Service or Agency to cover expected termination costs from unobligated balances. A recordable obligation under the STCC arises when the contract is actually terminated. If a proposed STCC would require an above threshold reprogramming action when a program is terminated, the approval to use the STCC shall be obtained from the USD (Comptroller) before the contract or contract modification is awarded. All STCCs, regardless of dollar amount, require prior notification of the House and Senate Appropriations Committees.

b. Statutory Waivers. The Department is not required to budget for, or obligate funds sufficient to cover, termination liability in connection with an incrementally-funded RDT&E contract if Congress has expressed exempted the program or contract from that requirement. When this situation arises, however, the budget exhibits for the program shall clearly indicate the value of the unfunded termination liability by year for the current year, budget year, and the outyears covered by the FYDP.

010215. Defense Working Capital Funds - Operating Budget

The operating budget represents the annual operating costs of an Activity or Component, including depreciation and amortization expenses. Detailed requirements and guidance can be found in Chapter 9.

010216. Defense Working Capital Funds - Mobilization/Surge Costs

A. Separate funding is provided for those costs related to mobilization and wartime surge capacity that would not otherwise be incurred to meet peacetime requirements. The prices of services and products provided to peacetime customers exclude these costs to more appropriately reflect consistent pricing between competing activities. Similarly, better visibility of surge or readiness requirements is provided to decision makers at every level. These "mobilization" costs, although funded and justified as direct appropriations to Component budgets, are elements of business area costs and must be fully justified on the SM-3 and/or Fund-30 schedules. Detailed requirements and guidance can be found in Chapter 9, section 090103.

B. Unutilized capacity that is associated with the ability to satisfy a projected surge capability is considered a mobilization requirement that is to be funded by appropriated funds provided by the DoD Component having management responsibility for the Fund activity. Costs applicable to unutilized plant and equipment, such as depreciation, or maintenance, are not to be charged to the customers of the Fund activity.

C. The justification for costs related to mobilization and wartime surge capacity must identify the scenario assumptions or other basis for the requirement under which these costs were calculated. Additionally, a description of how these costs will be collected and accounted for in execution must be provided. The UPC Funding Exhibit Fund-30 will be used to support the request for UPC Funding.

D. Chapter 9 provides additional guidance and instructions associated with mobilization/surge requirements.

010217. Defense Working Capital Funds - War Reserve Materiel

War reserves are procured and maintained to meet wartime requirements as determined by the Strategic Planning Guidance (SPG). These costs will be funded with direct Working Capital Fund appropriations in the Components' budgets, not through customer rates. However, since the war reserve materiel will be under the management of supply management businesses, war reserve requirements will also be described and justified on the SM-3. In addition, exhibit SM-6 War Reserve Material, will be prepared by the Components to justify WRM Requirements. Detailed requirements and guidance can be found in Chapter 9.

010218. Defense Working Capital Funds - Military Personnel Costs

A. Military personnel costs have been included in revolving funds since FY 1991. This change was made to ensure that the total costs of the business were being captured. The cost of military personnel assigned to DWCF activities will be included in the total cost of operations of DWCF activities at civilian equivalent rates and reflected in the stabilized rates charged to customers. This policy is based on the concept of total costing, which is designed to ensure that the total cost of producing products and services is being identified to both DWCF activities and customers.

B. The amount expensed for military personnel by DWCF activities and the amount reimbursed to the appropriate military personnel will be the same as the amount budgeted. The budget amount will equal the average end strength multiplied by the civilian equivalency rate for each grade. The average end strength for the budget year(s) will be calculated using the average fill rate for the three prior years. The fill rate is calculated by dividing actual average strength by the authorized end strength for each grade. No adjustments will be made to the DWCF cost of operations to reflect the actual cost of military personnel employed by DWCF activities.

C. See Chapter 9; section 090103G, for budget formulation, execution, and reimbursement procedures.

010219. Defense Working Capital Funds - Full Recovery of Costs/Setting Prices

A. General Guidelines

1. All business areas in the Fund are required to set their prices based upon full cost recovery, including all general and administrative support provided by others. Prices are established through the budget process. Except for Depot Maintenance Groups, and under special circumstances as specified in Volume 2B Chapter 9 090103H, prices remain fixed during the year of execution; actual costs are evaluated against revenue generated by workload at established prices; and the financial condition of the business assessed accordingly. Volume 2B, Chapter 9, paragraph 090105, specifies pricing guidance for sales by DoD depot maintenance activities to private sector entities as part of depot maintenance public-private partnership agreements. Subparagraph C. below summarizes that guidance. Profits or losses will be determined at the end of the year and will be employed as a basis for evaluating operating efficiency.

2. Prices for every Defense Component business activity are established for each fiscal year. Once established, these prices are held constant (stabilized) through program execution unless fund balances require an out-of-cycle rate change. This stabilized rate policy serves to protect customers from unforeseen inflationary increases and other cost uncertainties and better assures customers that they will not have to reduce programs to pay for potentially higher than anticipated prices. In turn, this policy allows activities to execute the budgeted program level and permits a more effective utilization of Fund resources.

3. Prices for the budget year(s) will be set to recover costs over the long run. This means that prices will be set to achieve an Accumulated Operating Result (AOR) of zero. During budget execution, business areas will have either a positive or negative Net Operating Result. Accordingly, prices in the budget year will be set to either make up actual/projected losses or to give back actual/projected gains in the budget year(s).

4. An activity group may request that AOR *variances* be recovered outside the budget year. This request must be included in the budget submission, and must demonstrate that the delay in the recovery of *variances* will not adversely affect the cash balance of the activity group. A phased recovery schedule must be provided with the budget. The Director for Revolving Funds will provide final approval for any extended AOR *variances* recovery plans.

5. In the supply management businesses, the price setting process will be consistent with the rate changes approved during the budget review.

B. Unplanned Gains/Losses

1. Under Special Circumstances the DWCF rules for pricing and operating loss recovery or gain distribution may be waived if one or more of the following conditions exist.

a. Fund Liquidity. Fund managers are expected to maintain a monthly total fund cash balance between 7-10 days of operations (plus 6 months outlay for capital purchases). However, several factors could cause the Funds to operate outside the target area. Therefore, in order to prevent the build up of excess cash balances, or ensure fund solvency the Director for Revolving Funds or Fund Managers, with the written permission of the Director for Revolving Funds, may direct out of cycle rate adjustments at any time during the fiscal year.

b. Depot Maintenance Additional Requirements. As long as Fund cash balances are within 10% of targeted levels depot maintenance activities will recoup losses and return gains in the budget year. However, if cash balances are outside the target areas the Director for Revolving Funds or Service Fund Managers, with the written permission of the Director for Revolving Funds, may direct out of cycle rate adjustments or surcharges at any time during the fiscal year to restore cash to the targeted levels. Also unplanned depot losses recouped in subsequent years may be financed with prior year funds provided all other criteria associated with prior year upward obligations are met.

c. Contingency or Emergency Operations. DWCF pricing and financing requirements may be waived by Fund managers in order to facilitate Department operations during times of war or other national emergencies. Notification of Fund Managers actions must be provided in writing to the Director for Revolving Funds within 30 days of the event.

C. Public-Private Partnerships at Defense Working Capital Fund Depot Maintenance Activities

1. Pricing guidance for sales of goods and services by DoD depot maintenance activities to private entities engaged in public-private partnerships is set forth in Volume 2B, Chapter 9, paragraph 090105. In general, such prices are subject to the requirements of Chapter 9, with the exception that the prices may be based upon the most recent actual and projected costs applicable to the workload, rather than upon approved stabilized billing rates. Rates and prices to private entity partners may also be tailored to include only those direct and indirect production overhead costs that contribute to the finished product or service. However, full General and Administrative (G&A) costs shall continue to be allocated on the same basis as for DoD customers.

2. Fixed pricing of sales to private party entity partners, including multiyear fixed price agreements, is authorized when production costs can be reasonably predicted and the risk of future operating losses is not significant. Such fixed prices may include provisions for adjustments to accommodate the effect of scope-of-work changes, annual inflation, and specified contingencies. When future production costs or risks cannot be reasonably predicted, cost reimbursable pricing is more appropriate.

D. Detailed requirements and guidance can be found in Chapter 9.

010220. Defense Working Capital Funds - Capital Budgeting

A. Budgetary resources for capital investments will be separately identified in an approved capital budget. Beginning in FY 2007, the Capital Budget will have two thresholds. For Real Property (Land, Buildings, and Minor Construction), capital assets with a useful life of two years or more, the capital threshold is $100,000 and above. For all other capital assets including depreciable plant, equipment, and software developed, manufactured, transferred or acquired during a fiscal year with a useful life of two years or more , the capital threshold is $250,000 or more. Once assets are capitalized by the DWCF activity, they will continue to be reported as a capital asset and depreciated until the book value of the asset reaches zero or its salvage value, as appropriate. Changes in the capitalization threshold will not impact assets already capitalized unless directed by higher authority. These limits are consistent with accounting guidance published in Volume 4, Chapter 6

B. Minor Construction

1. Minor Construction projects costing $100,000 but less than or equal to $750,000 will be funded through the capital budget and depreciated.

2. In the year of execution the Director of OUSD (Comptroller) Revolving Funds may approve a capital investment reprogram request for Minor Construction projects costing up to $1,500,000 if the project is required to correct a deficiency that is life-threatening, health threatening, or safety threatening.

3. Project planning and design costs are considered a capital investment cost that is capitalized by the DWCF activity and financed in the minor construction portion of the capital budget. Planning and design costs are not included as part of the statutory threshold for minor construction projects.

4. See Chapter 9, section 090103, for budget formulation and execution procedures.

C. Depreciation

All capital assets owned by activities in the Fund will be depreciated or amortized by the individual Component business area. Depreciation will be on a straight-line basis and based on the acquisition cost, less residual value when residual value is expected to be 10 percent or more of the acquisition cost, including installation and related costs. Depreciation schedules may be found in Volume 4, Chapter 6, paragraph 060206I.

010221. Defense Working Capital Funds - Base Support

A. Interservice and intragovernmental support, as identified in DoDI 4000.19, is reimbursable by the DWCF activity to the extent that the specified support for the DWCF activity increases the host activity's direct costs (i.e., incremental direct cost). Costs associated with common use infrastructure are non-reimbursable, except for support provided solely for the

benefit of one or more tenants. Support costs that are charged to a tenant DWCF activity (i.e., reimbursable cost) must be measurable and directly attributable to the DWCF activity. Indirect costs will not be included in reimbursement charges, except those included in stabilized rates charged for DWCF mission products and services. Host activities (suppliers of base support) are permitted to waive reimbursement from tenants who use or benefit from available support without appreciably increasing the host activities' costs (i.e., revenues would be less than the anticipated expense of billing and disbursing funds).

B. DWCF activities that use any of the common base support functions identified in DoDI 4000.19 (Interservice and Intragovernmental Support) are to reimburse host activities for this support. Reimbursement for DWCF mission products and services (e.g., depot supply, depot maintenance, public works center services, information processing, communications, and software development) shall be based on the approved stabilized rate. Other support incidental to the DWCF activity's primary mission or purpose is to be budgeted and reimbursed based on direct costs measurable and directly attributable to the DWCF activity. Only the incremental change in cost attributable to the DWCF activity (incremental direct cost) shall be chargeable to the DWCF activity. Indirect costs are not to be included as a cost to the DWCF activity.

C. Chapter 9 provides budget formulation and execution procedures.

010222. Defense Working Capital Funds - Dual Funded Organizations

A. A dual funded organization is an organization that is funded (including reimbursable funding) by both the DWCF and other appropriations or accounts. In those instances where a function is funded with a combination of both DWCF and appropriated funds, the function initially will be funded in its entirety either by the DWCF or by appropriated funds. The determination of whether the particular function initially is to be funded by the DWCF or appropriated funds will be based on the predominance of definable units of measure for the function. Examples of definable units of measure include work load, productive hours, outputs, or ultimate use. The appropriation or account initially funding the function shall be reimbursed by the other account(s) at the same unit of measure as was used to determine the initial funding source. The amount of reimbursement shall be determined based on the relative portion of that unit of measure attributable to each part of the organization (or funding source) involved.

B. This policy does not change the policy for reimbursement for base support services provided by the DWCF to tenant activities. The DoDI 4000.19 and sections 0102021 and 090103K provide guidance for funding base support services.

010223. Defense Working Capital Funds - Customer Mandated Schedule

A. When a job order is canceled or reduced in scope, after a DWCF activity has commenced work or incurred costs on the order, the costs incurred plus the applied overhead (that is indirect and other normally allocated overhead (G&A) costs)) plus costs associated with the cancellation or reduction shall be charged to the customer.

B. Examples of directly associated cancellation or reduction costs to be charged to customers are advance planning costs, non-creditable direct material, special test equipment, necessary preservation and/or shipment effort, and any additional effort necessitated by the cancellation and/or reduction (e.g., salvaging of material). In addition, costs charged to customers should include the costs of salaries payable to employees hired specifically to work on the canceled order until the employees are or could have been separated through a reduction in force or other appropriate action (taking into account appropriate administrative lead time), or reassigned to other direct jobs. Costs which are indirectly associated with the cancellation or reduced customer orders, under-applied overhead costs that may result in a DWCF activity as a whole from a reduced work load base shall not be charged to the customer canceling or reducing their order but shall be recorded against the net operating results of the performing DWCF activity.

010224. Glossary of Terms – Procurement

Term	Meaning/Funding Connotation
Advance Procurement (Long Lead Items)	A pre-approved exception to the full funding policy that allows procurement of long lead-time components, material, parts, and effort in a fiscal year before that in which the related end item is to be procured.
Cancellation	Cancellation means the cancellation (within a contractually specified time) of the total requirements of all remaining program years. Cancellation results when the contracting officer notifies the contractor of nonavailability of funds for contract performance for any subsequent program year or fails to notify the contractor that funds are available for performance of the succeeding program year requirement.
Cancellation Ceiling	The maximum cancellation charge that the contractor can receive in the event of cancellation (reference Federal Acquisition Regulation (FAR) 17.103).
Cancellation Charge	The amount of unrecovered costs that would have been recouped through amortization over the full term of the contract, including the term canceled.
Contingent Liability	As a budgetary term, contingent liability represents variables that cannot be recorded as valid obligations. Such variables include: (1) outstanding fixed price contracts containing escalation, price redetermination, potential liability under incentive clause; or (2) contracts authorizing variations on quantities to be delivered; or (3) contracts where allowable interest may become payable by the U.S. government on contractor claims supported by written appeals pursuant to the DISPUTES clause contained in the contract.

Centralized Item Management and Asset Control	The management in the central supply system or a DoD-wide or Service-wide acquisition and control system in which the manager has the authority for management and procurement of items of equipment. This includes such functions as requirement determination, distribution management, procurement direction, configuration control and disposal direction. Asset control includes the authority to monitor equipment availability and take such actions as necessary to restock to approved stockage levels.
Construction	The erection, installation, or assembly of a new facility; the addition, expansion, extension, alteration, conversion, or replacement of an existing facility; the acquisition of a facility; or the relocation of a facility from one installation to another.
Detail Design Costs	The final design effort on ships normally performed in conjunction with lead ship construction, is called "detail design." This effort is procurement funded (SCN).
Economic Order Quantity (EOQ) Procurement	An exception to the full funding policy that allows the use of advance procurement to purchase more than one fiscal year's program increment of components, materials, and parts in order to obtain the economical advantages, sustain a production line, etc.
Facility Modernization	The alteration or replacement of facilities solely to implement new or higher standards, to accommodate new functions, or to replace building components that typically last more than 50 years (such as the framework or foundation).
Facility Restoration	The restoration of real property to such a condition that it may be used for its designated purpose. Restoration includes repair or replacement work to restore facilities damaged by inadequate sustainment, excessive age, natural disaster, fire accident, or other causes
.	.
Facility Sustainment	The maintenance and repair activities necessary to keep an inventory of facilities in good working order. Examples include regular roof replacement, refinishing of wall surfaces, repair and replacement of heating and cooling systems, and replacement of tile and carpeting.
Full Funding	Requires the total estimated cost of a complete, military useable end item or construction project funded in the year in which the item is procured. If a future year's appropriation is required for delivery of an end item, the end item is not fully funded. It prevents funding programs incrementally and provides a disciplined approach for program managers to execute their programs within cost.
Funded Delivery Period (FDP)	A funded delivery period encompasses a 12-month period that begins when the contractor delivers the first item of a fiscal year procurement. Confusion exists regarding this time period because, in many instances, accurate administrative and production lead-times (ALT/PLT) have not been included in the calculation. The calculation should begin with October 1. From this point in time, the ALT and PLT should be added.

This amount of time plus the next 12 months are included in the funded delivery period. When excessive lead-times are included in the calculation, additional quantities are procured that could have been funded in the following fiscal year with no change in the delivery schedule.

Lead-times — Administrative Lead-time (ALT). This is the amount of time required to complete the administrative actions leading to contract award. In most cases, ALT actions do not require funding and can therefore be accomplished prior to October 1, at which time the next fiscal year's funding is appropriated. The ALT is used to forecast contract awards. Longer lead-times require that a larger quantity be purchased to support yearly requirements. Lead-times should therefore reflect an accurate assessment of the time required to process the administrative actions. Production Lead-time (PLT). This is the amount of time required by a contractor to produce the first item after contract award until deliveries begin. Procurement Lead-time. This is the total of ALT and PLT. When used to determine quantity requirements, calculations should begin when the first ALT action begins.

Modification — The alteration, conversion, or modernization of an end item of investment equipment which changes or improves the original purpose or operational capacity in relation to effectiveness, efficiency, reliability or safety of that item.

Maintenance — The routine, recurring effort conducted to maintain an end item of investment equipment at its intended capability or designed performance level.

Nonrecurring Costs — Nonrecurring costs are generally incurred on a one-time basis. Costs may include: plant or equipment relocation; plant rearrangement; special tooling and test equipment; preproduction engineering; initial spoilage and rework; pilot runs; allocable portions of the costs of facilities acquired or established to conduct the work; costs incurred for the assembly, training, and transportation of a specialized work force to and from the job site; and unrealized labor learning.

Production Rates — Minimum Sustaining Rate is the production rate for each budget year that is necessary to keep production lines open while maintaining a base of responsive vendors and suppliers; the quantity that will preclude start-up costs in the case of a production break; or the quantity that the contractor is willing to accept and produce at a reasonable cost. Economical Production Rate is the most efficient production rate for each budget year at which the item can be produced with existing or planned plant capacity and tooling, with one shift a day running for eight hours a day and five days a week (1-8-5). Maximum Production Rate is the maximum capacity rate that a contractor can produce with extant or prior year funded tooling.

Recurring Costs — Production costs that vary with the quantity being produced, such as labor and materials.

System — The combination of a number of components that are functioning with the context of a whole to satisfy a documented requirement.

Termination	The right of the government to terminate the performance of work in whole or part under a contract as specified by the contract's Termination for Convenience or Default provisions. Unlike cancellation, which is effected between fiscal years and must apply to all subsequent fiscal years' quantities of items, termination may be effected at any time during the life of a contract and may apply to the total quantity or to a partial quantity of items.

010225. Glossary of Terms – RDT&E

Term	**Meaning/Funding Connotation**
Accepted for Service Use	This is the major milestone in a development program that represents the formal acceptance of an item for operational use by the Service. In some instances items are approved for Service use with qualifying restrictions or provisions pending completion of specific development deficiencies. In such instances the appropriation to fund the correction and test must be determined on a case-by-case basis, according to the expense and investment criteria. Typically, all post-Service acceptance effort will be funded in Procurement appropriations.
Command Support Costs	This term also is used in the context of the T&E programs. It refers to the "people-related" costs of the command and operational units providing collateral support to the T&E effort. These are additional costs incurred because of this test support. Examples are per diem pay, travel allowances, overtime, etc.
Contract Design Costs	The contract design phase of shipbuilding programs follows the preliminary design phase and results in a design that carries the equipment specifications necessary to meet the Navy requirements. These costs are RDT&E-funded.
Developmental Test and Evaluation (DT&E)	DT&E is that test and evaluation conducted to assist the engineering design and development process and to verify attainment of technical performance specifications and objectives.
Government Acceptance of the First Procurement-Funded Engine	This term, which is one of the two minimum requirements for initiation of engine component improvement funding, refers to the date the Government formally accepts delivery (DD Form 250) of the first engine funded under procurement appropriations.
Initial Operational Test and Evaluation (IOT&E)	It is DoD policy that there shall be conducted, before commitment of a system to production, at least an initial phase of operational test and evaluation (OT&E) adequate to provide a valid estimate of expected system operational effectiveness and suitability (including compatibility, interoperability, reliability, maintainability, and logistic and training requirements). This early phase of the normally longer, overall OT&E program is known as IOT&E.
Operational Test and Evaluation (OT&E)	OT&E is that test and evaluation conducted to estimate a system's operational suitability, identify needed modifications, and provide information on tactics, doctrine, organization, and personnel requirements.

Performance Envelop	The demonstrated capability of a system, system components, and special purpose software to perform its mission in relation to essential characteristics such as: speed, range, payload, altitude, rate of fire, etc.
Preliminary Design Costs	This term refers to those costs incurred in shipbuilding programs in the early stages of the cycle. They should result in a design that, on a performance or requirement basis, approaches the Navy's goal. These costs are RDT&E funded.
Product Improvement	This term embraces all efforts of a research, development, design, or engineering nature that have the objective of improving major end items or major components of major end items. The improvement may involve expanding the useful life of the end item or component, or it may increase the performance capability.
Prototype	This term connotes an item from an R&D program and also connotes RDT&E financing.
R&D Installation or Activity	This term refers to those installations or activities whose support and operating costs are financed predominantly with RDT&E funds.
Special Support Costs	This term, as used in the context of test and evaluation programs, refers to those acquisition or hardware costs, other than those associated with the item that is the subject of the test, which are incurred in direct support of the T&E effort. A good example would be special range instrumentation costs.
Test Article	A system representative prototype designed to obtain, verify or provide data for the evaluation of research and development or evaluate progress in accomplishing development objectives.
Unique Joint Test and Evaluation (JT&E) Costs	This refers to costs such as: feasibility determinations of proposed joint tests; the provision for test design and planning support for joint tests selected; the development, procurement, installation, and operation of special instrumentation; transportation, travel, and per diem costs for the Test Director's staff; the modification of test articles as surrogates and to permit obtaining test data; transportation of equipment from permanent bases to the test site and return; and the provision for data collection/collectors, data reduction, analysis, and test reporting services. Transportation and per diem of participating personnel and maintenance and supply costs are not considered unique.

010226. Prohibition on Parking of Funds

Section 1053 of the National Defense Authorization Act (NDAA) for Fiscal Year (FY) 2007, to be codified in title 10, United States Code, specifically prohibits an officer or employee of the Department of Defense (DoD) from directing the designation of funds for a particular purpose in the President's budget submission, or in the budget justification materials submitted in support of the budget, with the knowledge or intent that such funds will not be used for the designated purpose. Further, violation of this prohibition will be treated as a violation of the Anti-Deficiency Act (section 1341(a)(1)(A) of title 31, United States Code).

010227. Use of Operation and Maintenance Funds under Contingency Construction Authority (CCA)

The criteria and procedures for the use of O&M funds under CCA (also known as Section 2808 Authority) are listed in Volume 3, Chapter 17, Section 170102(L).

0103 PROGRAM AND BUDGET REVIEW SUBMISSION

010301. General

A. This section provides guidance for the development and submission of the biennial budget estimates to OSD as part of the program and budget review process. The internal 2-year Planning, Programming, Budgeting, and Execution (PPBE) process will guide the Department's strategy development, identification of needs for military capabilities, program planning, resource estimation and allocation, acquisition, and other decision processes. The Quadrennial Defense Review (QDR) will continue to serve as the department's major statement of defense strategy and business policy. It also will continue to be the single link throughout DoD that integrates and influences all internal decision processes.

1. The first year of the 2-year cycle will include the Strategic Planning Guidance (SPG), a Joint programming Guidance (JPG), a Program Objective Memorandum (POM), and a Budget Estimate Submission (BES). Program Decision Memoranda (PDMs) will implement POM decisions; Program Budget Decisions (PBDs) will implement BES decisions.

2. The second year of the internal Defense Department 2-year cycle, or the off-year, will include an SPG, if the Secretary of Defense decides an SPG is necessary. If an off-year SPG is issued, it will not introduce major changes to the defense program, except as specifically directed by the Secretary or Deputy Secretary of Defense. Rather than a POM during the off-year, the Components will submit Change Proposals to accommodate real world changes, and as part of the continuing need to align the defense program with the defense strategy. Instead of full budget documentation, the change proposals will accommodate fact-of-life changes (e.g., cost increases, schedule delays, management reform savings, workload changes, etc.) as well as changes resulting from congressional actions. The off-year also includes execution reviews that will provide the opportunity to make assessments concerning current and previous resource allocations and whether the Department achieved its planned performance goals. Performance metrics will be the analytical underpinning to ascertain whether an appropriate allocation of resources exists in current budgets.

B. The USD(Comptroller) guidance memorandum, transmitted in June of each year will provide specialized instructions such as program basis for the estimates, key assumptions to be used, and special supporting material requirements. In addition, "supplementary instructions" memoranda issued on an "as needed" basis (usually in July/August) will be limited to specific instructions which amplify guidance included in the OUSD

(Comptroller) memorandum and in this volume. The use of other memoranda to transmit program and budget guidance will be restricted to new or nonrecurring requirements.

C. Guidance for development of the National Intelligence Program and budget review submission will be issued by the Director of National Intelligence. Additional detail is found in Chapter 16.

D. The instructions for submitting certain summary schedules are provided in Section 010305. The instructions for back-up material tailored to each appropriation or fund category are provided in subsequent chapters. Materials required by OMB Circular A-11, which are not otherwise required by this manual, will be submitted in accordance with that Circular, unless specific exception is granted by the OMB. This is covered in Section 010105.

E. A budget work schedule will be forwarded by a separate memorandum at the beginning of each budget formulation cycle. This schedule will show the dates to be used for planning the various phases involved in the formulation process.

F. Common Program and Budget Review Exhibits – a number of exhibits will be identified subsequent chapters and in the annual call memorandum that will be common to both the program and budget review. In most cases this will involve Web based input through the Select and Native Programming (SNaP) data Input System. The process is addressed in section 0109.

G. Budget Material

1. As stated in section 010302, limited paper copies of unclassified budget documents will be provided to the primary OUSD (Comptroller) reviewing Directorate and to OMB. This section also provides detailed distribution guidance on classified material as well as certain summary material.

2. All budget material required in a paper format for the budget submission will be prepared in the formats prescribed in this section. Also, while the unclassified material is to be posted on the Internet, the format size/margins described below should be adhered to. Material submitted in accordance with OMB Circular A-11 will follow the format prescribed by that Circular. All material, with the exception of fold-in charts and tables which may be included, will be prepared on 8.5" x 11" paper. Material fulfilling Circular A-11 requirements will be bound on the left side. All exhibit books, except for Military Construction, Family Housing, Base Closure, and Information Technology, will be printed horizontally (landscape) on 11” x 8½” paper. Addressees will reduce all larger pages to the standard 11” x 8.5” size. All pages in each book are to be consistent in size. The following identifies specific requirements:

a. Military Personnel - Material to be printed on both sides of the page with a maximum range of 600-650 pages where possible (300-325 sheets of paper printed on both sides.) Print horizontally (landscape) on 11”x8.5” paper using a 1” margin on the side to be bound and 1/2” for other edges. Use at least font size 10. All material will be

printed head to toe with 3 holes punched across the top margin with staples, screw posts or ACCO fasteners. Use of adhesive binding (glue or tape) is discouraged because it may prevent recycling.

b. Operation and Maintenance (to include the Defense Health Program) - Material to be printed on both sides of the page with a maximum range of 600-650 pages where possible (300-325 sheets of paper printed on both sides.) Print horizontally (landscape) on 11"x8.5" paper using a 1" margin on the side to be bound and 1/2" for other edges. Use at least font size 10. All material will be printed head to toe with 3 holes punched across the top margin with staples, screw posts or ACCO fasteners. Use of adhesive binding (glue or tape) is discouraged because it may prevent recycling.

c. Research, Development, Test and Evaluation - Material to be printed on both sides of the page with a maximum range of 600-650 pages where possible (300-325 sheets of paper printed on both sides.) Begin each program element on a facing page. Print horizontally (landscape) on 11"x8.5" paper using a 1" margin on the side to be bound and 1/2" for other edges. All material will be printed head to toe with 3 holes punched across the top margin with staples, screw posts or ACCO fasteners. Use of adhesive binding (glue or tape) is discouraged because it may prevent recycling.

d. Procurement. Material to be printed on both sides of the page with a maximum range of 600-650 pages where possible (300-325 sheets of paper printed on both sides.) Print horizontally (landscape) on 11"x8.5" paper using a 1" margin on the side to be bound and 1/2" for other edges. All material will be printed head to toe with 3 holes punched across the top margin with staples, screw posts or ACCO fasteners. Use of adhesive binding (glue or tape) is discouraged because it may prevent recycling.

e. Military Construction. The justification material for Military Construction will be provided on 8.5" x 11" paper, typed across the short dimension of the paper (portrait) with 3 holes punched on the left margin and bound with screw posts or Acco fasteners. Material is to be printed on both sides of the page using 1" margins. Use of adhesive binding (glue or tape) is not acceptable because it may prevent recycling.

f. Family Housing. The justification material for Family Housing will be provided on 8.5" x 11" paper, typed across the short dimension of the paper (portrait) with 3 holes punched on the left margin and bound with screw posts or Acco fasteners. Material is to be printed on both sides of the page using 1" margins. Use of adhesive binding (glue or tape) is not acceptable because it may prevent recycling.

g. Base Closure. The justification material for Base Closure will be provided on 8.5" x 11" paper, typed across the short dimension of the paper (portrait) with 3 holes punched on the left margin and bound with screw posts or Acco fasteners. Material is to be printed on both sides of the page using 1" margins. Use of adhesive binding (glue or tape) is not acceptable because it may prevent recycling.

h. Facility Sustainment, Restoration and Modernization (FSRM). Provide justification material in accordance with Chapter 8.

i. Revolving Funds. Material submitted for the budget estimate submission for **revolving funds** is to be submitted by business area on 8.5"x 11" paper, with 3 holes punched along the 11 inch side to fit standard three-hole binders. Capital Investment Program exhibits will be prepared in landscape format. Budget submitting offices should ensure that all narrative type is consistent. Revolving funds justification books prepared by the Components are to be unclassified. Classified exhibits will be submitted under separate cover.

j. Information Technology. Provide justification material in accordance with Chapter 18 Section 180202.

3. Whenever revisions or correction sheets are necessary, the revised pages showing the date of the change will be inserted in each budget book by a staff member of the DoD Component submitting the change. OUSD (Comptroller) Program/Budget staff will instruct the DoD Component's staff member as to the location of the budget books. Corrections should be held to a minimum and are not necessary for minor typographical errors which make no material difference in the analysis and evaluation of the estimates.

H. Second Year of the Department's Two-year Budget Review Cycle - Budget Material. Budget documentation will be limited in the second year of the 2-year cycle. The primary budget document is the Change Proposal. Other budget exhibit requirements will be determined as this review process evolves. The specific requirements will be identified in the annual Program and Budget Review call memorandum.

010302. Distribution

Limited paper copies of unclassified budget documents will be provided to the primary OUSD (Comptroller) reviewing Directorate and to OMB. Additionally, classified budget exhibits, the transmittal memorandum with attachments to the Secretary of Defense, and the budget overview booklets, will be provided in paper format. Submitting Components will also post all unclassified budget material to an access controlled Internet site unless provided for otherwise in the annual budget call memorandum. This will allow all OSD staff offices access to Component budgets while minimizing the need for hard copies of the submissions. Under current procedures, each submitting Component will individually post unclassified budget justification material on an OUSD (Comptroller) hosted NIPRNET site. Additional guidance on accessing this site and content guidance and restrictions will be provided annually. Paper copy distribution of classified/unclassified program and budget review submission material will be made in accordance with the charts on the following pages for the first year of the 2-year budget cycle. Guidance for distribution of paper copies of Component BCPs in the second year of the 2-year budget review cycle will be provided in the annual call memorandum. All required copies will be delivered directly by each Military Department/Defense Agency to the appropriate offices at the room numbers listed on the following page unless guidance elsewhere in this volume or in the annual call memorandum indicates otherwise. However, because of numerous

room changes during the Pentagon Renovation and building access changes at non-Pentagon locations, call the listed office prior to delivery of budget material:

*** Distribution Delivery Points**

SecDef (OSD Correspondence Control)	3A1066	
USD(Comptroller)		
Budget & Appropriations Affairs (BAA)	3D755	(703) 697-1101
Operations	3C710	(703) 697-2609
Investment (INV)	3C749	(703) 695-2235
Military Personnel & Construction (MPC)	3C654	(703) 697-9198
Revolving Funds (REV FUNDS)	3D755	(703) 697-4210
Program & Financial Control (P&FC)	3C689	(703) 697-0021
Office of the Deputy Chief Financial Officer	3C653A	(703) 695-7000
Director, PA&E	2D309	(703) 697-0395
USD(Acquisition, Technology & Logistics) Mail Room	3C136	(703) 695-4060
USD(Policy)	5E635	(703) 571-9248
ASD(NII)/DoD CIO) Resource Program Budget Office	3D228	(703) 695-3937
USD(Intelligence) Requirements and Resources	2E258	(703) 692-5186
USD(Personnel & Readiness)	3D258	(703) 614-5133
ASD(Health Affairs)	3E1082	(703) 697-2111
ASD(Reserve Affairs)	2E195	(703) 693-7495
The Joint Staff (J-8)	1E963	(703) 695-7066

DOT&E
Attn: Resource Manager
4850 Mark Center Dr
Suite 1000
Alexandria, VA 22301 (703) 681-4012/13

OIG, DoD
Attn: Comptroller Room 470 (703) 604-9761 /6
400 Army Navy Drive
Arlington, VA 22202-2884

DARPA
Comptroller (703) 696-2393
3701 North Fairfax Drive., 9th Floor
Arlington, VA 22203-1714

Executive Office of the President
Office of Management and Budget (OMB) (202) 395-3777
National Security Division
NEOB, Room 10001
725 17th St
Washington, D.C. 20503

Office of the Director of National Intelligence (202) 201-1835
Chief Financial Officer (CFO)
Washington, D. C. 20511

Because of numerous room changes during the Pentagon Renovation and building access changes at non-Pentagon locations, call the listed office prior to delivery of budget material.

Because of mail handling procedures, many offices require courier delivery/pickup in lieu of U.S. Postal Service delivery. Please call offices prior to mailing any material to the above organizations.

Table 1. Justification Material Supporting the OSD/OMB Budget Submission Summary

*** JUSTIFICATION MATERIAL SUPPORTING THE OSD/OMB BUDGET SUBMISSION SUMMARY DATA REQUIREMENTS**

		USD(Comptroller)																									
	CHAPTER	BAA	OPS	INV	MPC	REVFUNDS	P&FC					PA&E	OMB	AT&L	USD(P)	NII	P&R	HA	USD(I)		RA	TJS	DOT&E		SECDEF 8	3 A94	TOTAL
Transmittal Memorandum to SecDef with each of the following attachments: **Fiscal Guidance Track- TOA in Millions of Dollars (PB-1A)** **Current Year Reprogrammings/Transfers (PB-3)** **Schedule of Military and Civilian Personnel (PB-4),** **Supplemental Appropriation Requirements (PB-8)**	1	1	1	1	1	1	1					1	1	1	1	1	1	1	1		1	1			6	22
Overview Booklets	1	5	5	1	1	1	1					5	4	1	1	1	5	1	1		1	1	1				36
Additional Budget Submission (PB-10)	1	1	2	2	1	1	1					1	2	1	1	1	1		1		1	1					18
Automation Submission Requirements	1						**																				**

**** See Section 0105 for the Budget Automation Submission requirements.**

Note: Defense Agencies material must be packaged in sets with the originating agency clearly identified on each page of each exhibit.

Based on exhibit requirements, it is expected that all submissions will be unclassified, "For Official Use Only" with the exception of submissions by CIFA, NGA, NSA, and DIA

Table 2. Justification Material Supporting the OSD/OMB Budget Submission Operation and Maintenance, and Military Personnel Budget Material

JUSTIFICATION MATERIAL SUPPORTING THE OSD/OMB BUDGET SUBMISSION
OPERATION AND MAINTENANCE, AND MILITARY PERSONNEL BUDGET MATERIAL

Appropriation	CHAPTER	USD(Comptroller)																						
		BAA	OPS	INV	MPC	REVFUND	P&FC					PA&E	OMB	AT&L	USD(P)	NII	P&R	HA	USD(I)		RA	TJS			TOTAL
MilPers Title Appropriations	***2***																							
Classified budget material		1			2	*1*						*1*	*1*	*1*	*1*	*1*	*1*		*1*		*1*	*1*			*13*
Unclassified budget material					2								*1*												*3*
O&M Title Appropriations	**3/8**																							
Classified budget material		1	2		1	1						1	1	1	1	1	1		1		1	1			14
Unclassified budget material			2		1								1												4
Drug Interdiction & Counterdrug Activities	**14**																							
Classified budget material		1	2	1		1						1	1	1	1	1	1	1	1		1	1			15
Unclassified budget material			2										1												3
Overseas Contingencies Operations Transfer Fund	**17**																							
Classified budget material		1	2	1		1						1	1	1	1	1	1	1	1		1	1			15
Unclassified budget material			2										1												3

Note: Defense Agencies material must be packaged in sets with the originating agency clearly identified on each page of each exhibit.

Classified exhibits should be submitted only when adequate information cannot be provided in an unclassified format to support budget estimates Based on exhibit requirements, it is expected that all submissions will be unclassified, "For Official Use Only" with the exception of submissions for Drug Interdiction and Counterdrug Activities, Overseas Contingencies Operations Transfer Fund, and Defense Agency submissions by CIFA, NGA, NSA, and DIA.

Table 3. Justification Material Supporting the OSD/OMB Budget Submission Procurement Account Budget Material

JUSTIFICATION MATERIAL SUPPORTING THE OSD/OMB BUDGET SUBMISSION PROCUREMENT ACCOUNT BUDGET MATERIAL

Appropriation	CHAPTER	USD(Comptroller)																								TOTAL
		BAA	OPS	INV	MPC	REVFUNDS	P&FC					PA&E	OMB	AT&L	USD(P)	NII	P&R	USD(I)			RA	TJS	DOT&E		
Procurement Title Appropriations	4																									
Classified budget material		1		2								1	1	1	1	1	1	1			1	1	1		13
Unclassified budget material				2									1													3

Classified submissions should include all associated exhibits for an individual P-1 line item whether associated exhibit is classified or unclassified.

Defense Agencies classified material must be packaged in sets with the originating agency clearly identified on each page of each exhibit.

Table 4. Justification Material Supporting the OSD/OMB Budget Submission Research, Development Test & Evaluation Account Budget Material

JUSTIFICATION MATERIAL SUPPORTING THE OSD/OMB BUDGET SUBMISSION RESEARCH, DEVELOPMENT TEST & EVALUATION ACCOUNT BUDGET MATERIAL

Appropriation	CHAPTER	USD(Comptroller)																							TOTAL
		BAA	OPS	INV	MPC	REVFUNDS	P&FC					PA&E	OMB	AT&L	USD(P)	NII	P&R	USD(I)			RA	TJS	DOT&E		
RDT&E Appropriation Title *Classified budget material* *Unclassified budget material*	5	1		23	1	1						1	11	1	1	1	1	1			1	1	1		154

Classified submissions should include all associated exhibits for an individual R-1 line item whether associated exhibit is classified or unclassified.

Defense Agencies material must be packaged in sets with the originating agency clearly identified on each page of each exhibit.

Table 5. Justification Material Supporting the OSD/OMB Budget Submission Revolving and Management Fund Budget Material

JUSTIFICATION MATERIAL SUPPORTING THE OSD/OMB BUDGET SUBMISSION REVOLVING AND MANAGEMENT FUND BUDGET MATERIAL

Appropriation	CHAPTER	USD(Comptroller)																								TOTAL
		BAA	OPS	INV	MPC	REVFUNDS	P&FC					PA&E	OMB	AT&L	USD(P)	NII	P&R	HA	USD(I)		RA	TJS	DOT&E		
Revolving Fund Title *Classified budget material Unclassified budget material*	9					3						1		1												5

Defense Agencies material must be packaged in sets with the originating agency clearly identified on each page of each exhibit.

Table 6. Justification Material Supporting the OSD/OMB Budget Submission Military Construction & Family Housing Account Budget Material

JUSTIFICATION MATERIAL SUPPORTING THE OSD/OMB BUDGET SUBMISSION MILITARY CONSTRUCTION & FAMILY HOUSING ACCOUNT BUDGET MATERIAL

Appropriation	CHAPTER	USD(Comptroller)																								TOTAL
		BAA	OPS	INV	MPC	REVFUNDS	P&FC					PA&E	OMB	AT&L	USD(P)	NII	P&R	HA	USD(I)		RA	TJS	DOT&E			
Revolving Fund Title *Classified budget material*	6	1			22							11	1	1	1	1	1	1	1		1	1				133

Classified submissions should include all associated exhibits for an individual C-1 line item/family Housing Projects whether associated exhibit is classified or unclassified.

Defense Agencies material must be packaged in sets with the originating agency clearly identified on each page of each exhibit.

Table 7. Justification Material Supporting the OSD/OMB Budget Submission Special Interest Requirements Budget Material

JUSTIFICATION MATERIAL SUPPORTING THE OSD/OMB BUDGET SUBMISSION
SPECIAL INTEREST REQUIREMENTS BUDGET MATERIAL

PROGRAM	CHAPTER	USD(Comptroller)																							
		BAA	OPS	INV	MPC	REV FUND	P&FC					PA&E	OMB	AT&L	USD(P)	NII	P&R	HA	USD(I)		RA	TJS	DOT&E		TOTAL
Intelligence Programs (NIP & MIP) (IP-1)	16	1		1	1							1	1	1	1		1		1			1			10
Special Interest Exhibits Chapter 19	19																								
Classified budget material		1	21	21	11	11						1	11	1	1	1	1	1	1		1	1	1		195
Unclassified budget material																									

Note: Defense Agencies material must be packaged in sets with the originating agency clearly identified on each page of each exhibit.

010303. Preparation of the Biennial Budget Estimates

A. General Guidance

1. The Office of the Under Secretary of Defense (Comptroller) (OUSD(C)) will send, in June or July, a budget guidance memorandum establishing submission requirements not included in this volume. Included in this guidance will be budget material due dates and instructions for preparing estimates for the prior year (PY), current year (CY), budget years BY1, and BY2 (in the biennial budget year), and the outyears.

2. Estimates for the biennial budget years and outyears will be based upon the force levels, program decisions, and the TOA levels contained in the Program Objective Memorandums (POMs). The current review schedule provides for concurrent program and budget reviews. If the program review ever precedes the budget review, the TOA levels should reflect the POM levels as modified by any Program Decision Memorandums (PDMs).

3. At various organizational levels throughout the Department of Defense, a systematic cost-benefit analysis of proposed expenditures can be of significant value in program formulation. Investments and expenditures in each appropriation category will normally be supported by an analysis which matches estimated costs with benefits (outputs), subject to the following criteria:

a. Funding is, for the first time, shown as required in the period covered by the fiscal guidance, or

b. Previously established funding requirements in these years are significantly altered by changed program or project plans.

c. The criteria in DoDI 7041.3, "Economic Analysis for Decisionmaking," will apply. Budget submissions will, as a minimum, be accompanied by a statement that (1) the submission is supported by an economic analysis, or (2) an economic analysis is not required, citing the reason. Submission of detailed backup information to OSD will be on "as requested" basis.

4. Transfers of functions between DoD Components will not be reflected in the program and budget review submissions unless they have been approved by the Component Head and the dollar amounts and personnel spaces to be transferred in the current year are fully decided upon by all DoD Components concerned when the estimates are prepared. Under these circumstances, both the gaining and losing Components will reflect the decisions in their estimates with equal and offsetting manpower and dollar amounts. The gaining DoD Component is responsible to confirm that this is the case. If this cannot be confirmed, then neither Component will reflect the transfer in their budget estimates. The exhibit PB-14, Functional Transfers, found in Chapter 19 will identify all functional transfers included in the budget. Each Component will also notify OUSD (Comptroller) Program/Budget of the planned functional transfers not reflected in the budget.

5. Adjustments necessary to properly reflect functional transfers agreed upon by the parties, but not included in the Program and budget review submission, may be accomplished in the budget review process. Functional transfers not submitted in the program and budget review submission or incorporated during the budget review process will be financed by transfer in the current year and the budget year. Necessary exceptions to this general rule will be authorized on a case-by-case basis. Functional transfers during the budget review process should be kept to a minimum.

6. Material should be "Unclassified" and "For Official Use Only" unless contents otherwise require a higher classification. All Program and budget review submission material is subject to DoD 5400.7-R, DoD Freedom of Information Act Program, Chapter II, Exemptions and in particular exemption number 5. Hard copy revised Procurement (P-1 exhibit) and RDT&E Program (R-1 exhibit) must be submitted by the DoD Components with a certification, signed by the Security Officer, confirming that all line items are classified properly.

B. Pricing in the Biennial Budget Estimates

1. It is DoD policy to reflect the most likely or expected full costs (including military and civilian personnel pay) for the current year, the biennial budget years, and outyear estimates for all appropriations.

2. Estimated price level changes will be based on data provided by OUSD (Comptroller). These indices, which will be updated as economic conditions warrant, will be used to (1) determine the amount of price escalation for a procurement line item, major RDT&E system, or construction item over a given time period, and (2) project inflation in other noncompensation areas of all other appropriations.

3. Military and civilian personnel compensation will be fully funded in the biennial budget estimates using the rates provided by the OUSD (Comptroller).

4. Biennial budget estimates for goods and services will in all cases reflect the following considerations:

a. Cost-quantity relationships as they affect unit prices -- e.g., the unit price forecast in the biennial budget estimates will be higher or lower than the unit price current when the estimates are prepared, if differences in the quantities involved are price-significant.

b. The state of development or production and the learning curve.

c. Specific price changes, to take effect at a future date -- e.g., a specific and authoritative rate or tariff schedule to take effect on a definite future date, which may involve higher or lower prices than those in effect at the time estimates are prepared.

d. Predictable cost increases due to risk.

C. Preparation of Biennial Budget Estimates - Multiple Appropriations

1. Section 0110 contains formats for those exhibits applicable to more than one appropriation.

2. In addition to those exhibits identified in Section 0110, there are exhibits required by other chapters which require identification of budget estimates/requirements for more than one appropriation. This is particularly true of requirements discussed in Chapter 19 and personnel exhibits required in Chapter 3. Offices responsible for budget submissions must ensure that all such exhibits reflect total requirements for all appropriations.

D. Preparation of Biennial Budget Estimates - Operations

1. Separate identification and justification (including cost- benefit studies) is required for management actions such as data automation and systems engineering. The development, implementation and expansion of automated data systems will be based on an economic analysis which should show that the proposed management action will produce an early and demonstrably high return on investment or result in substantial increases in mission performance and effectiveness. Savings from previously approved investments and management actions will be separately identified.

2. The Dependents' Education Program in the budget years would be based on the best estimate of student load and planned at the current year program level in accordance with the criteria for the regular school program established by USD(P&R).

E. Preparation of Biennial Budget Estimates - Procurement

1. In development of requirements for procurement of modern equipment to offset consumption or attrition of older items, all assets of the older items, as well as acceptable substitutes, will be applied against gross requirements in determining net procurement requirements.

2. Administrative lead-time requirements in the budget years for any principal item should not exceed the lead-time used in the development of the current year budget program.

3. Production lead-times utilized in preparation of estimates for the budget years should be based on the latest contract experience and current conditions, and generally should not be greater than those used for the same item in the development of the current year budget program. Any increases should be clearly identified and accompanied by an explanation of the reason along with an identification of the pricing components/manufacturers used causing the increase.

4. Use of long lead-time component procurement will be consistent with the full funding policy expressed in OMB Circular A-11. In this regard, long lead-time

component procurement will be limited to those few critical components whose lead-times exceed the obligation availability of the appropriation or are significantly longer than other components of the same end item.

5. Budget estimates will reflect economic production rates, unless there is strong justification (other than funding constraints) for the use of other rates.

F. Preparation of Biennial Budget Estimates - Research, Development, Test and Evaluation

1. In the development and review of RDT&E programs, special attention will be devoted to the numbers of civilian and military personnel required for support of those programs.

2. Increased emphasis will be placed on application of standards and austere limitations to housekeeping and support activities including facilities sustainment, facilities operations, equipment replacement and maintenance, and supply inventory levels.

G. Preparation of Biennial Budget Estimates - Revolving Funds

1. Revolving fund programs and biennial budget estimates will be consistent with, and justified by, related support requirements; that is, program and budget estimates will be based on anticipated customer needs for associated supplies, equipment, and services, loan purchase requirements for production guarantee accounts, scope of operations to be financed through management funds, etc. Biennial budget estimates will be consistent with the anticipated customer needs that can be financed by the related program included in the customers' budget estimates. Increased emphasis should be directed toward assuring that customers are getting maximum value for their appropriated funds.

2. Appropriations funded requirements for the Defense Working Capital Fund will be computed under the same guidance as outlined above for the specific appropriations.

010304. Second Year of the Department's Two-year Budget Review Cycle - Budget Material.

Budget documentation will be limited in the second year of the 2-year cycle. The specific requirements will be identified in the annual Program and Budget Review call memorandum.

010305. Budget Estimates Summaries and Transmittal

A. Budget Estimates Transmittal

1. The budget estimates will be transmitted by memorandum to the Secretary of Defense from the Secretary of each Military Department, the Director of each

Defense Agency, the Under Secretary, Assistant Secretary or Deputy Assistant Secretary of Defense submitting a Defense-wide budget estimate, and the Director, The Joint Staff. While it is mandatory that the exhibits below be submitted in the precise formats specified, any explanations or highlight information that the submitting official considers appropriate may accompany the transmittal. Exhibits PB-1A, PB-3, PB-4, and PB-8 include budget estimates summary data and will be "Unclassified" "For Official Use Only" unless the contents otherwise require a higher classification.

PB-1A. Fiscal Guidance Track – TOA in Millions of Dollars. (FY 20BY1 thru 20BY2+4) [Section 0110]

PB-3. Current Year Reprogramming/Transfers Between Appropriations – TOA in Thousands of Dollars. [Section 0110]

PB-4 FY 20BY1and 20BY2 Budget Estimates – Schedule of Civilian and Military Personnel (FY 20PY through 20BY2+4) [Section 110]

PB-8. FY 20CY Supplemental Appropriation Requirements (Described in Section 010306). [Section 0110]

2. The specified exhibits, transmittal memorandum to the Secretary of Defense, and other explanatory or highlight information will be submitted as follows:

a. Secretary of Defense transmittal memorandum, with exhibits PB-1A, PB-3, PB-4, and PB-8 attached. Deliver six copies to OSD Correspondence Control, Room 3A948. Other copy requirements are identified in Section 010302.

b. Overview booklets, such as the Air Force "Highlights," Navy "Blue Book," etc. Copy requirements are identified in Section 010302.

3. Budget estimates for the Defense portion of the National Intelligence Program will be submitted as prescribed by the Director of National Intelligence (DNI). In addition to budget exhibits specified by the DCI, the Office of the Secretary of Defense requires certain other materials as outlined in Chapter 16.

4. Electronic data will be submitted to support Exhibit PB-4 (see Section 010505). Extreme care must be exercised to assure that the submission and the exhibits are identical in data content. As described in Section 010506, the electronic data submissions are the basis for the OSD budget review.

B. Program and Financing (P&F) Schedules

1. The P&F schedule consists of a budget plan, obligations by object class, and an expenditure tail. For multi-year accounts, the P&F schedule will also include an obligation plan. See Section 010505, CIS Automation Requirements for the Biennial Budget Submission, for guidance on submitting a P&F schedule.

2. Program data will be presented in the Program and Financing schedule on an obligation basis consistent with the presentation in the President's Budget of previous years, unless other directions are transmitted by separate memorandum.

3. Components will not submit prior year data in the program and budget review submission. Components will submit an actual prior year object class and manpower data update when available in accordance with specific update instructions issued separately.

4. Special Program Categories will be shown on Program and Financing schedules in all cases as they appear in the CIS Budget Structure Listing referenced in Section 010506.

5. Special care should be taken to assure that data presented in the object classification schedule (Section 010506) is consistent with information required on special exhibits. For example, object class data provided for advisory and assistance services (CIS Object Class Direct/Reimb. 25110) is the basis for Exhibit PB-15 (Chapter 19).

*010306. Supplemental Appropriations Submissions

A. Budget Estimates Transmittal

1. Supplemental appropriations are normally allowed to meet unforeseen contingencies or national emergencies of a magnitude that cannot be absorbed or accommodated through reprogrammings and transfers. Specific guidance on this will be provided on a case-by-case basis.

2. OMB Circular A-11 provides additional policy guidance on supplemental estimates.

B. Supplemental appropriation requirements will be submitted on a schedule in the format of Exhibit PB-8, provided in Section 0110 or as prescribed in specific or separate guidance. This exhibit will be transmitted in the same manner as the budget estimate summaries (see Section 010305).

C. Material Included for Informational Purposes

1. Under the 41 U.S. Code authorizations (formerly Section 3732 of the revised statute), the law provides that the President may exempt appropriations, funds, and contract authorizations which are available for military functions under the Department of Defense from the antideficiency provisions of 31 U.S. Code 1517 (formerly Section 3679 of the revised statute) whenever he deems such action necessary in the interests of national defense. Upon determination by the President, that such action is necessary, the Secretary of Defense is authorized to provide for the cost as an accepted expense. For example, if the President determines that it is necessary to increase the number of military personnel on active duty beyond the number for which funds are provided in the annual appropriation act, the Secretary of

Defense is authorized to provide for the cost of such increased military personnel as an accepted expense. Obligations are then authorized to be incurred in excess of amounts appropriated. After substantially all obligations have been liquidated, an appropriation is requested to liquidate any unfinanced balances.

2. The law provides essentially that, notwithstanding the balances available, revolving funds may incur obligations to provide for making issues through the production lead-time period (10 U.S.C. 2210(b)). As a technical matter, this constitutes a form of contract authority, and is so displayed in the President's Budget.

D. Disaster Situations and Management of Disaster/Contingency Supplemental Funds

1. In the event of a disaster or emergency situation, Components will notify OUSD(C), as soon as possible, of needs resulting from the event. Components must be able to quantify the need for disaster relief by providing the OUSD(C) with adequate information for determining that funds are needed to protect people, restore facilities, and/or save lives. If required, OUSD(C) will issue specific guidance and instruction for collecting requirements information. OUSD(C) will review cost and requirements data submitted by the Components to determine if the Department requires additional funding and/or if the appropriate spending authorities are available to support the emergency situation.

2. Supplemental appropriations provided to the Department for war-related costs, and/or costs associated with international or domestic disasters will often have unusual periods of availability for a particular appropriation (for example, Operation and Maintenance appropriations may have a period of availability of more than one year). The emergency funds may be provided in a transfer account that would have an extended period of availability (for example, a three year transfer account). Funds control issuing agents and appropriation managers should ensure that the period of availability of the funds is optimized, to include obligating the amounts in a timely manner, and returning unused or unneeded funds to a transfer account immediately upon becoming available. For example, funds transferred from a three year transfer account to an Operation and Maintenance appropriation will take on the period of availability of the account where transferred, which is one year for Operation and Maintenance. If the funds are not used before the end of the period of availability and if statutory transfer authority is available, the Component's funds control agent should initiate a reprogramming action to transer those funds back to the transfer account where they, once again, take on the remainer of three-year period of availability. This practice ensures the funds provided by the Congress are optimized and are available to support the disaster or emergency event in subsequent years in accordance with Congressional intent.

010307. Additional Budget Submissions (ABS)

A. General Guidance. Following the initial program and budget review submission (initial submit), Additional Budget Submissions may be made, where warranted by specific changes in circumstances, within approved TOA control totals established by the USD(Comptroller) and under the following restrictions:

1. Additional Budget Submissions must be submitted as adjustments to, not substitutes for, the initial submit.

2. Unless otherwise directed by the USD(Comptroller), Additional Budget Submissions must be offset with equal or greater cost tradeoffs, and must clearly indicate the areas of increase and decrease consistent with the justifications submitted as part of the initial submit.

3. Proposed decreases may not consist of reductions already effected or imminently planned to be effected as part of the budget review.

4. Additional Budget Submissions may not be used to compensate for incomplete or inadequate initial submits.

5. Additional Budget Submissions may not be used to appeal budget decisions.

6. If an additional budget submission results in an impact on revolving funds, those related requirements must be incorporated in the additional budget submission.

B. Submission Requirements. In order to be considered during the budget review, all additional budget submissions must be received no later than the date specified in the annual guidance. Additional budget estimates for the biennial years 1 and 2 will be accompanied by Exhibit PB-10, provided in Section 011002, plus the necessary justification material. This should take the form of a complete narrative justification and may be included on the transmittal memorandum or as an attachment to Exhibit PB-10. The applicable out-year impact of the Additional Budget Submission will also be shown on Exhibit PB-10. The additional estimates will be transmitted in two copies (plus two additional copies for each appropriation affected) by memorandum to the USD(Comptroller) and signed by the same official who submitted the initial budget estimates or his appointed deputy. All Additional Budget Submissions will be hand carried to the Office of the USD(Comptroller), Directorate for Program and Financial Control, Room 3C689, for OSD processing. The Additional Budget Submission will be addressed in subsequent budget decision document(s).

010308. Major Budget Issues (MBIs)

Near the end of the budget review process, the Secretary of Defense and the Deputy Secretary of Defense may provide for the review of Component major policy or budget issues that have not yet been resolved. Resolution of these issues may displace other programs within the fixed DoD topline. Copy requirements of Component issues will be provided if an MBI review is scheduled. A general format is provided in Section 011002.

010309. Budget Review Procedures

A. Comptroller Information System (CIS). The automated CIS is the official OSD record of the budget estimates as submitted by the DoD Components and adjusted by Secretary of Defense decisions known as Program Decision Memorandums (PDMs) and Program Budget Decisions (PBDs). The data contained in the CIS is the base for data required for the OMB MAX Budget System, as required by OMB Circular No. A-11. CIS data is electronically transmitted to OMB for preparation of the President's Budget. In addition, CIS is used to prepare a comprehensive set of management information summaries to support the budget press release, statements to the Congress and other information requirements. Financial data, military end strength, and civilian full time equivalent (FTE) data are provided. Program and Budget Review Submissions are entered into the system through electronic submissions from the DoD Components or through on-line interaction with the system. During the joint OMB/OSD Program and Budget Review, program and budget decision documents are recorded into CIS and the current status of the program and budget review is readily available soon after the data are processed.

B. Development of Out-year Data During the Program and Budget Review

1. Throughout the Program and Budget Review a continuing update of the out-year TOA and manpower is performed to reflect the extension of CY, BY1, and BY2 decisions made during the budget review.

2. TOA, military end strength and civilian FTE data for the initial out-year database are provided by each of the DoD Components. During the program and budget review, as program and budget decision documents are approved and recorded into CIS, the TOA and manpower out-year impact of each decision is addressed on the decision document and is also entered into CIS. The program and budget decision document will contain one of the following descriptors of out-year impact:

a. The estimated out-year impact for each year in thousands of dollars and full-time equivalents/end strength.

b. Substantive program direction for the out-years as a basis for DoD Component determination of dollar amounts and manpower involved (to be used if out-years are not specifically addressed in a budget decision document).

c. No known out-year impact

3. As with the CY, BY1, and BY2 decisions, the out-year adjustments approved in the Secretary of Defense decisions are entered into the CIS. TOA adjustments are recorded at the appropriation account level, Budget Activity/Special Program Category, and by Program Budget Decision number. Manpower data is recorded at the appropriation account level, by Program Budget Decision number and special program code with active military manpower detailed by officer, enlisted and cadets; selected reserve manpower detailed by officer and enlisted personnel category; and civilian FTE detailed by U.S. direct hire

(direct and reimbursable), foreign national direct hire (direct and reimbursable), and foreign national indirect hire (direct and reimbursable).

4. The CIS produces Out-year Impact Status Reports on a recurring basis throughout the *program and* budget review. These reports, which are *available* to the applicable DoD Components, show TOA & manpower data by appropriation, special program code and personnel category for the budget submission base and all adjustments to the base resulting from decisions made during the budget review. The final reports at the conclusion of the budget review reflect the out-year numbers (TOA and manpower) which are the control numbers for the President's Budget update of the Future Years Defense Program (FYDP). It is essential that the Out-year Impact Status Reports be reviewed by the DoD Components on a recurring basis during the budget review so the out-year numbers are under continuous scrutiny and the President's Budget update for the FYDP may proceed in a timely manner.

C. Printing Schedule for Budget Material

1. OMB Circular No. A-11 prescribes the requirements for materials to be included in the President's Budget document. Annually, the ODC(P/B), OUSD (Comptroller) publishes instructions on the procedures to be followed during the budget review. These instructions detail the sequence of events necessary to finalize the budget review and complete the printing phase of the budget. All actions concerning printing of budget material will be accomplished in accordance with these references and the following paragraphs.

2. Electronic galleys

a. The OMB will provide OUSD (Comptroller) and Office of the Deputy General Counsel (Fiscal) within the OSD, General Counsel with an electronic copy of the galleys based on the previous year's President's Budget document. The OMB electronic galley version is divided into two parts, Appropriation Language and Narrative Language. The OSD, General Counsel is responsible for all Appropriation Language galleys (except for the dollar amounts); the OUSD (Comptroller) is responsible for all Narrative Language galleys. The Narrative Language galleys include any "text tables" such as Active/Reserve End Strength Forces tables and Defense Health Program Eligible Beneficiary Category tables.

b. The dollar amounts contained in the Appropriation Language galleys such as the amount to be appropriated are the responsibility of the OUSD (Comptroller), Program and Financial Control Directorate. In most cases, these dollar amounts are generated electronically from the Comptroller Information System (CIS) and loaded directly into OMB budget system. However, amounts for Emergencies and Extraordinary Expenses need to be posted to the electronic galleys. The Program and Financial Control Directorate (P&FC) will identify these items, coordinate with other OUSD (Comptroller) Directorates, and ensure that accurate dollar amounts are reflected in the OSD, General Counsel version submitted to OMB.

c. Both Appropriation Language and Narrative Language galleys are updated and submitted electronically to OMB. The Appropriation Language galleys

will be electronically updated by the OSD, General Counsel and coordinated with the OUSD (Comptroller) around mid-December. The Narrative Language galleys are updated within OUSD (Comptroller) in the same timeframe. New accounts, accounts with supplementals requiring separate schedules, rescission proposals and other material to be presented in the President's Budget document will also be accomplished electronically. The submission of electronic galleys is intended to fill technical budget preparation needs (i.e., determine that all lines, account titles, text, and appropriation language are correct and that all required schedules are in print). The OMB will post the electronic submission along with OMB-initiated changes for OSD, General Counsel, and OUSD (Comptroller) review until the Department has made the final submission to OMB's MAX system in early January.

0104 CONGRESSIONAL JUSTIFICATION/PRESENTATION

010401. General

A. Purpose

1. This section provides instructions for the preparation of justification material for presentation to congressional committees. Justification material should be developed using the guidelines established herein as the minimum requirements to be included in the Justification Books. Any exception to these minimum requirements must be cleared with OUSD (Comptroller) Program/Budget.

2. Justification of proposed supplemental appropriations and budget amendments are covered in OMB Circular A-11 and Section 010402; however, separate instructions will be issued by OUSD (Comptroller) Program/Budget as the need arises.

3. General preparation and submission instructions pertaining to individual appropriations, Intelligence Programs and Communications, Command and Control (C^3) Programs are contained in Chapters 2 thru 7, 9, 10, 12, 13, 16 and 19.

4. All congressional budget/presentation material is subject to DoD 5400.7-R, DoD Freedom of Information Act (FOIA) Program requirements. Chapter 3, Exemptions, should be reviewed carefully before denial of any FOIA request. Exemptions will generally fall into exemption 5. Use of For Official Use Only (FOUO) must meet the requirements of DoD 5400.7-R, Chapter 4.

B. Preparation of Material

1. Separate Justification Books will be furnished for each appropriation relating to each Military Department. Material prepared by individual Defense Agencies and Office of the Secretary of Defense organizations will be consolidated by OUSD (Comptroller) Program/Budget into a single Justification Book for each appropriation. Material for the Operation and Maintenance, Defense-wide; U.S. Court of Appeals for the Armed Forces, Defense; Environmental Restoration, Defense; Office of the Inspector General; Overseas Humanitarian Disaster and Civic Aid; and other operation and maintenance type appropriations

will be consolidated into a single Justification Book. The OUSD (Comptroller) Program/Budget will also develop an O&M Overview book as well as a consolidated overview of Multiyear Procurement programs based on submissions of the Military Departments and Defense-wide components. Additionally, information technology budget material prepared by the Military Departments and other DoD Components will be consolidated by the Office of the ASD(NII)/DoD CIO Resource Management Directorate into a single Justification Book. Combating Terrorism budget material prepared by DoD Components will be consolidated into a single justification book by the assistant secretary of Defense for Special Operations and Low Intensity Conflict (SO/LIC). The Department of the Army will prepare a justification book for Chemical Demilitarization programs and will consolidate material for the Army Family Housing and Homeowners' Assistance Fund, Defense appropriations into a single Justification Book. Each Department will prepare a Justification Book for each Base Closure Account. In addition, separate Justification Books will be prepared for Intelligence-Related Activities and the Defense portion of the National Intelligence Program, the latter as prescribed by the Director of National Intelligence. All other Justification Books will be annotated as appropriate to indicate items and resources supported in Intelligence Program Justification Books. Also, separate Justification Books will be prepared for NIP/MIP program aggregations as prescribed in Chapter 16.

2. Classified and unclassified data will be included in the single volume or set of volumes for each appropriation with the classified pages bearing the appropriate security classification, except that all materials contained in the Military Personnel and Operation and Maintenance justification books will be unclassified. Classified exhibits will be submitted separately and explanation provided for their being classified. Fiscal data pertaining to explicitly identified portions of the National Intelligence Program shall be classified in accordance with instructions in Chapter 16.

3. The highest security classification of data included in Justification Books will be SECRET. Information requiring a higher classification will be discussed with OUSD (Comptroller) Program/Budget on an individual situation basis. All classified data will be bracketed by pencil [ ] to permit the congressional committees to publish an unclassified version. Data not bracketed will be assumed to be unclassified. In bracketing classified columnar data, each column will be individually bracketed. Care must be taken to assure that unclassified data are not bracketed. Security classification markings should be centered at the top and bottom of applicable pages to assure clarity. The appropriate automatic downgrading notation will be used in accordance with DoD 5200.1-R, Information Security Regulation. The appropriate classification cover sheet must be utilized.

4. Military Departments and Defense Agencies will be responsible for clearing the justification material with the Washington Headquarters Services, Directorate for Freedom of Information and Security Review, prior to transmittal to OMB and the congressional committees.

5. The Program and Financing, Object Classification and Personnel Summary schedules will reflect current year program supplemental appropriation requirements as directed by OMB.

6. Reports of the Program and Financing and Object Classification Schedules will be available from OUSD (Comptroller) Comptroller Information System (CIS) and will be used in the Justification and Backup Books as specified for each appropriation title in the following chapters.

7. Printing of Congressional Budget Material:

a. General. Tabs will be used only where specified by OSD; McCall (edge) indexing will be used as appropriate. Justification material should be printed on both sides of the page wherever feasible. Headings for an appropriation or budget activity will appear on the initial page of the subdivision and will not be repeated on subsequent pages, except RDT&E Program Element Listings. The Components will work with Defense Automation and Production Service (DAPS) to determine the most appropriate and quickest method of printing and fastening each of the books subject to the guidance by appropriation title below.

b. Military Personnel. Material to be printed on both sides of the page with a maximum range of 600-650 pages where possible (300-325 sheets of paper printed on both sides.) Print horizontally (landscape) on 11”x8.5” paper using a 1” margin on the side to be bound and 1/2” for other edges. All material will be printed head to toe with 3 holes punched across the top margin with staples, screw posts or ACCO fasteners. Use of adhesive binding (glue or tape) is discouraged because it may prevent recycling. Font size must be at least size 10.

c. Operation and Maintenance. Material to be printed on both sides of the page with a maximum range of 600-650 pages where possible (300-325 sheets of paper printed on both sides.) Print horizontally (landscape) on 11”x8.5” paper using a 1” margin on the side to be bound and 1/2” for other edges. All material will be printed head to toe with 3 holes punched across the top margin with staples, screw posts or ACCO fasteners. Use of adhesive binding (glue or tape) is discouraged because it may prevent recycling. Font size must be at least size 10.

d. Research, Development, Test and Evaluation. Material is to be printed horizontally (landscape) on both sides of the page on 11" x 8.5" paper using a 1” margin on the side to be bound and 1/2” for other edges. Components will request DAPS to reduce all larger pages to the standard 11" x 8.5" size so that all of the pages in each book are consistent in size. The material will be printed head to toe with 3 holes punched across the top margin. The following is the fastening preference: staples, screw posts, ACCO fasteners, etc.. Use of adhesive binding (glue or tape) is discouraged because it may prevent recycling. Books are to be a maximum range of about 600-650 pages where possible (300-325 sheets of paper printed both sides).

1. Since the justification material is printed double sided, then each PE package must begin on the front side of a new page. When the last page of a PE package does not end on the backside of the paper, then a blank page must be inserted with the wording “This page intentionally left blank” in bold letters, centered on the page. The reason for this is so

that the justification material can be easily broken apart and sorted by PE with all of the pertinent exhibits.

2. For those Components that have a large number of PEs and printing the material all in one volume is impractical, it is preferred that the justification material be submitted by budget activity with the Science and Technology budget activities (BA 1 through BA 3) printed in one volume and the remaining budget activities printed in a separate volume or in individual volumes. Each separate book should include an R-1 listing and a table of content indicating which volume and page the applicable program element can be found.

e. Procurement. Material to be printed on both sides of the page with a maximum range of 600-650 pages where possible (300-325 sheets of paper printed on both sides.) Print horizontally (landscape) on 11"x8.5" paper using a 1" margin on the side to be bound and 1/2" for other edges. All material will be printed head to toe with 3 holes punched across the top margin with staples, screw posts or ACCO fasteners. Use of adhesive binding (glue or tape) is discouraged because it may prevent recycling.

f. Military Construction. The justification material for Military Construction will be provided on 8.5" x 11" paper, typed across the short dimension of the paper (portrait) with 3 holes punched on the left margin and bound with screw posts or Acco fasteners. Material is to be printed on both sides of the page using 1" margins. All exhibits will be printed utilizing white paper. Use of adhesive binding (glue or tape) is not acceptable because it may prevent recycling.

g. Family Housing. The justification material for Family Housing will be provided on 8.5" x 11" paper, typed across the short dimension of the paper (portrait) with 3 holes punched on the left margin and bound with screw posts or Acco fasteners. Material is to be printed on both sides of the page using 1" margins. Use of adhesive binding (glue or tape) is not acceptable because it may prevent recycling.

h. Base Closure. The justification material for Base Closure will be provided on 8.5" x 11" paper, typed across the short dimension of the paper (portrait) with 3 holes punched on the left margin and bound with screw posts or Acco fasteners. Material is to be printed on both sides of the page using 1" margins. Use of adhesive binding (glue or tape) is not acceptable because it may prevent recycling.

i. Revolving Funds. Justification books for revolving funds are to be submitted in one volume with 3 sections: Component Overview; Operating Budget and Capital Budget. Component Overview and Operating Budget sections are to be printed in portrait format (vertically) on 8.5" x 11" paper head to head on 2 sides. Capital budget exhibits are to be printed in landscape format (horizontally) on 11" x 8.5" paper head to toe on 2 sides. Budget submitting offices should ensure that all narrative type is consistent. All justification material will be punched to fit standard three-hole binders. Use of adhesive binding (glue or tape) is not acceptable because it may prevent recycling.

j. Intelligence Programs. Instructions for these books are contained in Chapter 16.

k. Information Technology. Provide material in accordance with guidance contained in Chapter 18.

7. Justification book cover inserts will be 220 index stock using the following colors: **Army - green**; **Navy - buff**; **Air Force - blue**; **Defense-wide justification material (Agencies, Office of the Secretary of Defense, Defense Health Program, and Commander In Chiefs to include the U.S. Special Operations Command) - white**. Covers will bear the appropriate security markings, title of the volume as specified herein, the phrase "Submitted to Congress February 20...," and the appropriations included.

8. The use of acronyms and abbreviations in the justification material should be held to a minimum. However, where acronyms and abbreviations are used, they must be identified on the page on which they appear.

9. The exhibit numbers used in this section are for reference purposes only and should not be used in the Justification Books.

C. Submission of Justification Books for Review

1. Before the justification material can be released to the Congress, it must be reviewed by the appropriate OUSD (Comptroller) or OASD(NII) /DoD CIO to ensure that policies and decisions made by the President and Secretary of Defense are fully reflected. Accordingly, three advance sets of Justification Books will be forwarded to the appropriate OUSD (Comptroller) Directorate for review or for Information Technology exhibits as directed by OASD(NII)/DoD CIO. The following is a list of the directorates:

Directorate for Operations
3C710, 697-2609
Directorate for Investment,
3C749, 695-2235

Directorate for Revolving Funds,
3D755, 697-4210

Directorate for Military Personnel and Construction, 3C654, 697-6359

Office of the ASD(NII)/DoD CIO
Resource Management Directorate,
3D228, 695-3937 (For IT Justification)

a. In addition, one set of the Military Personnel and Operation and Maintenance Justification Books for the Reserve Components will be delivered to OASD(RA), Room 2E195.

b. The Military Departments should also send two copies of advance sets of justification books to Washington Headquarters Services, Directorate for Freedom of Information and Security Review ((703) 696-4538) for clearance. Clearing material through this Directorate should be accomplished piecemeal to expedite the final review.

Clearance by OUSD (Comptroller) P/B will be evidenced by an approval from the applicable Program/Budget Directorate designated official, initialed on one of the advance copies of each Justification Book and returned to the applicable service. The OUSD (Comptroller) Directorate having cognizance over the budget material will obtain any necessary clearance from the Office of Management and Budget (OMB). Upon advice from OUSD (Comptroller) P/B and Washington Headquarters Services, Directorate for Freedom of Information and Security Review that the advance sets of justification books are acceptable, the DoD Components will complete preparation and assembly of Justification Books.

c. Under no circumstances will justification material be released to congressional committees or the public prior to receipt of these clearances.

2. Except as specified herein, submission dates will be provided in separate correspondence from OUSD (Comptroller) Program/Budget.

010402. Supplemental and Amended Appropriations Requests

A. Organization of Supplemental Appropriations Requests Justification Books

1. Justification Books in support of supplemental appropriations requests will be prepared by OUSD (Comptroller) P/B, based on material furnished by the DoD Components. Justification materials will be addressed in separate correspondence from OUSD (Comptroller) P/B.

2. The Justification Book will generally be arranged as follows:

a. Table of Contents and Summaries. These items will be prepared by OUSD (Comptroller), P/B.

b. Section 1 – Narrative Justification. This section will contain narrative justifications, and any special exhibits in support of program supplemental requests. Supplemental appropriation requests related to all program supplementals will be supported by a narrative justification.

c. Section 2 – Appropriation Act language. This section will contain required appropriation act language. The appropriation language will be extracted by OUSD (Comptroller) P/B from the Budget Appendix.

B. Organization of Amended Appropriations Requests Justification Books

1. A separate abbreviated Justification Book will be prepared by OUSD (Comptroller) and/or each Military Department for each affected appropriation title; e.g., Operation and Maintenance; Procurement; RDT&E; etc. (Additional justification materials required of Defense Agencies and for Defense-wide accounts will be identified in separate correspondence from OUSD (Comptroller). Related Justification Books will be prepared by

OUSD (Comptroller) P/B.) Justification books will be organized by supplemental category (e.g., contingencies, natural disasters, etc.) Each Book should be stapled but must contain holes punched to fit existing Justification Book binders. (NOTE: Depending on the magnitude of a particular budget amendment; i.e., number of DoD components and appropriation accounts affected, single Justification Books may be prescribed for each DoD Component, or a single Justification Book may be prepared by OUSD (Comptroller) P/B with input from the affected DoD Components.)

2. Each Justification Book will contain the following, as a minimum:

a. A single Table of Contents

b. By individual appropriation account:

(1) Revised appropriation language (retyped from Budget Appendix to reflect revised request).

(2) Budget Amendment Summary, in the format of Exhibit PB-37R (see Sec 0110), highlighting changes to the pending request.

(3) Program and Financing Schedule (abbreviated) in the format of Exhibit PB-37S (see Section 0110). Both the Budget Plan and Obligation Plan will be shown for multi-year accounts.

(4) Narrative Justification by Budget Activity in the format of Exhibit PB-37T (see Section 0110). Narrative will discuss dollar, quantity, personnel changes, etc., at least at the level of changes indicated on the Budget Amendment Summary (Exhibit PB-37R).

(5) Existing P-1 and R-1 Exhibits will be marked up to indicate changes resulting from the proposed amendment.

(6) Procurement and RDT&E Justification material will be retyped, where applicable, to encompass changes resulting from the proposed amendment.

3. When prepared by a Military department, three advance sets of materials will be forwarded to the Directorate for Budget and Appropriations Affairs, OUSD (Comptroller), Room 3D755. Two copies should also be submitted at that time to Washington Headquarters Services, Directorate for Freedom of Information and Security Review, (703) 696-4538, for security clearance. Other appropriate provisions of Section 010401 pertain. Military Departments will make the same distribution of above Books as for regular congressional justification materials.

C. References. Additional instructions are contained in OMB Circular A-11.

010403. Distribution/Internet Posting of Budget Material

A. Copies of **OSD-generated** justification materials for congressional distribution will be delivered to OUSD (Comptroller), Budget & Appropriations Affairs, Room 3D755 for delivery to the congressional committees.

B. Each Military Department will deliver copies of its justification material to congressional committees, GAO, Library of Congress, CBO, and OMB, etc. The OUSD (Comptroller) (P/B) will distribute copies of the consolidated Defense-wide justification material unless assigned to a Military Department. The Office of the ASD(NII)/DoD CIO Resource Management Directorate will distribute copies of the consolidated Information Technology Justification.

C. Copies of classified material and other backup documentation for OSD will be delivered directly by each Military Department to the offices listed. Total distribution including the number of copies is also provided on the following tables. Advance books (40) are required to be produced by the due dates so that immediate distribution may be made to the congressional committees. The remaining quantities will be delivered/distributed 3 to 5 days thereafter.

D. Internet Posting of Unclassified Budget Justification Material

1. Justification material for the President's budget will have limited paper copy distribution as shown on the distribution charts. No internal DoD distribution will be made of unclassified justification material that is provided to the Congress, OMB and other non-DoD organizations. This justification material will be available solely through posting to Component Internet sites.

2. However, classified budget justification and budget backup material as identified in the distribution tables will be provided in paper copy to the organizations listed. Appropriate OUSD (Comptroller) directors should be consulted prior to distribution of material not listed.

3. Internet posting on Component Web Sites.

(a) Web pages presenting Defense budget documents must be designed to facilitate user discovery of the information. These pages will be used extensively by Congressional staffs, the media, and the public, and the presentation of material reflects upon the organization sponsoring the site. Budget documentation should be logically grouped, and link names should be clear and concise, to allow the user to rapidly navigate to the document of interest. Graphical content should be limited, to allow reasonable download times when accessed via modem. The Military Departments must ensure that established web pages meet these criteria.

(b) Defense Agencies and managers of Defense-wide accounts will be provided separate guidance for the submission of budget justification in an electronic

format. OUSD (Comptroller) will consolidate Defense-wide justification and distribute/post to the Comptroller Internet site.

(c) Posting of justification material on Component web pages should occur no later than 5 working days after delivery of the paper copies to the Congress, but not prior to delivery to the Congress.

(d) As a reminder, for Freedom of Information requests received prior to posting the unclassified budget material on the Internet , it is the responsibility of the DoD component to comply with the request in accordance with DoD 5400.7-R.

E. CD-ROM Production. Upon completion of the posting of budget justification material to the Component Internet site, a CD-ROM containing all of this material will be produced and distributed in accordance with the distribution tables that follow. This CD-ROM should be distributed not later than 45 days after the Budget of the United States Government is presented to the Congress. This process will make budget material available for those that lack Internet access and for historical purposes.

*** Distribution Delivery Points**

SecDef (OSD Correspondence Control)	3A1066	
USD(Comptroller)		
Budget & Appropriations Affairs (BAA)	3D755	(703) 697-1101
Operations	3C710	(703) 697-2609
Investment (INV)	3C749	(703) 695-2235
Military Personnel and Construction (MPC)	3C654	(703) 697-6359
Revolving Funds (REV FUNDS)	3D755	(703) 697-4210
Program & Financial Control (P&FC)	3C689	(703) 697-0021
Office of the Deputy Chief Financial Officer	3C653A	(703) 695-7000
Director, PA&E	2D309	(703) 697-0395
USD(Acquisition, Technology & Logistics) Mail Room	3C136	(703) 695-4060
USD(Policy)	5E635	(703) 571-9248
ASD(NII)/DoD CIO) Resource Program Budget Office	3D228	(703) 695-3937
USD(Intelligence) Requirements and Resources	2E258	(703) 692-5186
USD(Personnel & Readiness)	3D258	(703) 614-5133
ASD(Health Affairs)	3E1082	(703) 697-2111
ASD(Reserve Affairs)	2E195	(703) 693-7495
The Joint Staff (J-8)	1E963	(703) 695-7066

DOT&E
Attn: Resource Manager
4850 Mark Center Dr
Suite 1000
Alexandria, VA 22301 (703) 681-4012/13

OIG, DoD
Attn: Comptroller Room 470 (703) 604-9761/62
400 Army Navy Drive
Arlington, VA 22202-2884

DARPA
Comptroller (703) 696-2393
3701 North Fairfax Drive., 9th Floor
Arlington, VA 22203-1714

Executive Office of the President
Office of Management and Budget (OMB) (202) 395-3777
National Security Division
NEOB, Room 10001
725 17th St
Washington, D.C. 20503

GAO
U.S. Government Accountability Office

NSIAD/TIC
Attn: Nadine Furr (DCM, Room 4035) (Unclassified Material) (202) 512-4361
Backup: Sharon Pickup (DCM Director, Room 4033) (202) 512-9619
US GAO
441 G Street, NW
Washington, DC 20548

NSIAD Document Control Office
Attn: Wanda Beasley (Classified Material) (202) 512-5810
441 G Street, NW --Room 4035
Washington, DC 20548

Congressional Budget Office (CBO)
Ford House Office Building
Rm. 428 (Attn: Sarah Jennings) (202) 226-2840
2nd and D Streets, S.W. (202) 225-3185
(FAX)
Washington D.C. 20515

Library of Congress
Rm. LM-208 (stop 7500) (202) 707-8845
Attn: Bruce Krafte
James Madison Library Bldg.
101 Independence Ave., S.E.
Washington, D.C. 20540

Because of numerous room changes during the Pentagon Renovation, call the listed office prior to delivery of budget material.

Because of mail handling procedures, many offices require courier delivery/pickup in lieu of U.S. Postal Service delivery. Please call offices prior to mailing any material to the above organizations.

Table 8. Justification Material Supporting The President's Budget Request Military Personnel Accounts

JUSTIFICATION MATERIAL SUPPORTING THE PRESIDENT'S BUDGET REQUEST
MILITARY PERSONNEL ACCOUNTS

Appropriation	CHAPTER	USD(Comptroller)																												
		BAA	OPS	INV	MPC	REVFUND	P&FC					PA&E	AT&L	POLICY	NII	P&R	USD(I)			RA	TJS				OIG		DETOFENSAEL
Military Personnel, Active, Guard and Reserve In-house Backup Exhibits (MP/MPR) *Justification Book*	2	1			42							1	1	1	1	4	1			1	1				1		172

JUSTIFICATION MATERIAL SUPPORTING THE PRESIDENT'S BUDGET REQUEST MILITARY PERSONNEL ACCOUNTS (Continued)

JUSTIFICATION MATERIAL SUPPORTING THE PRESIDENT'S BUDGET REQUEST
MILITARY PERSONNEL ACCOUNTS

Appropriation	CHAPTER	OMB		GAO	HAC				SAC				HASC	SASC	HPSCI	SSCI	HBC	SBC	CBO	CLOINBGRAERSYS				TOTAL
					DEF SUB	DEF MIN	QOL SUB	QOL MIN	DEF SUB	DEF MIN	MCN SUB	MCN MIN												
Military Personnel, Army Justification Book	2	2		3	3	1	1	1	2	1			5	6	1	1	2	2	2	1				34
Military Personnel, Navy Justification Book	2	2		3	3	1	1	1	2	1			5	6	1	1	2	2	2	1				34
Military Personnel, MC Justification Book	2	2		3	3	1	1	1	2	1			5	6	1	1	2	2	2	1				34
Military Personnel, AF Justification Book	2	2		3	3	1	1	1	2	1			5	6	1	1	2	2	2	1				34
Reserve Personnel, Army Justification Book	2	2		2	3	1	1	1	2	1			5	6	1	1	2	2	2	1				34
Reserve Personnel, Navy Justification Book	2	2		2	3	1	1	1	2	1			5	6	1	1	2	2	2	1				34
Reserve Personnel, MC Justification Book	2	2		2	3	1	1	1	2	1			5	6	1	1	2	2	2	1				34
Reserve Personnel, AF Justification Book	2	2		2	3	1	1	1	2	1			5	6	1	1	2	2	2	1				34
Nat'l Guard Personnel, Army Justification Book	2	2		2	3	1	1	1	2	1			5	6	1	1	2	2	2	1				34
Nat'l Guard Personnel, AF Justification Book	2	2		2	3	1	1	1	2	1			5	6	1	1	2	2	2	1				34

Table 9. Justification Material Supporting the President's Budget Request Operation and Maintenance Accounts

JUSTIFICATION MATERIAL SUPPORTING THE PRESIDENT'S BUDGET REQUEST
OPERATION AND MAINTENANCE ACCOUNTS

Appropriation	CHAPTER	USD(Comptroller)																									DEFENSE TOTAL
		BAA	OPS	INV	MPC	REVFUND	P&FC					PA&E	AT&L	POLICY	NII	P&R	USD(I)	LA		RA	TJS				OIG		
O&M, Active, Guard & Reserve In-house Exhibits *All Justification Book Volumes (Volumes 1, 2, and 3)*	3	1	52		11							1	1	1	1	3	1				1				1		162
O&M, Defense-wide In-house Exhibits *Classified Justification Book Volumes 1 (Classified DIA/NSA/DISA)***	3	11	33		11							11	11	11	11	33	11	1		1					11		1314

**** Required distribution will be made by USD(Comptroller). Components should provide required exhibits directly to the appropriate USD(Comptroller) Directorate for consolidation and subsequent distribution.**

Justification Material Supporting the President's Budget Request Operation and Maintenance Accounts (Continued)

JUSTIFICATION MATERIAL SUPPORTING THE PRESIDENT'S BUDGET REQUEST
OPERATION AND MAINTENANCE ACCOUNTS

Appropriation	CHAPTER	OMB		GAO	HAC				SAC				HASC	SASC	HPSCI	SSCI	HBC	SBC	CBO	CLIBRARY	CONGRESS				TOTAL
					DEF SUB	DEF MIN	QOL SUB	QOL MIN	DEF SUB	DEF MIN	MCN SUB	MCN MIN													
O&M, Army	3																								
Justification Book (Vol. 1)		2		3	3	1			2	1			10	6	1	1	2	2	2	1					37
Data Book (Vol. 2)		2		3	3	1			2	1			10	6	1	1	2	2	2	1					37
Facilities Sustainment, Restoration and Modernization (Vol. 3)		2		3	3	1	1	1	2	1			10	6	1	1	2	2	2	1					39
O&M, Navy	3																								
Justification Book (Vol. 1)		2		3	3	1			2	1			10	6	1	1	2	2	2	1					37
Data Book (Vol. 2)		2		3	3	1			2	1			10	6	1	1	2	2	2	1					37
Facilities Sustainment, Restoration and Modernization (Vol. 3)		2		3	3	1	1	1	2	1			10	6	1	1	2	2	2	1					39
O&M, Marine Corps	3																								
Justification Book (Vol. 1)		2		3	3	1			2	1			10	6	1	1	2	2	2	1					37
Data Book (Vol. 2)		2		3	3	1			2	1			10	6	1	1	2	2	2	1					37
Facilities Sustainment, Restoration and Modernization (Vol. 3)		2		3	3	1	1	1	2	1			10	6	1	1	2	2	2	1					39
O&M, Air Force	3																								
Justification Book (Vol. 1)		2		3	3	1			2	1			10	6	1	1	2	2	2	1					37
Data Book (Vol. 2)		2		3	3	1			2	1			10	6	1	1	2	2	2	1					37
Facilities Sustainment, Restoration and Modernization (Vol. 3)		2		3	3	1	1	1	2	1			10	6	1	1	2	2	2	1					39

Justification Material Supporting the President's Budget Request Operation and Maintenance Accounts (Continued)

JUSTIFICATION MATERIAL SUPPORTING THE PRESIDENT'S BUDGET REQUEST
OPERATION AND MAINTENANCE ACCOUNTS

Appropriation	CHAPTER	OMB		GAO	HAC				SAC				HASC	SASC	HPSCI	SSCI	HBC	SBC	CBO	CLIBRARY	CONGRESS				TOTAL
					DEF SUB	DEF MIN	QOL SUB	QOL MIN	DEF SUB	DEF MIN	MCN SUB	MCN MIN													
O&M, Defense-wide	3																								
Justification Book (Vol. 1)-Unclassified**		2		3	3	1			2	1			5	4					2	1					24
Justification Book (Vol. 1)-Classified**		2		3	3	1			2	1			5	4					2						23
Data Book (Vol. 2)**		2		3	3	1			2	1			5	4					2	1					24
Facilities Sustainment, Restoration and Modernization (Vol. 3)**		2		3	3	1	1	1	2	1			5	4					2	1					26
O&M, Army Reserve Justification Book	3	2		3	3	1			2	1			10	6	1	1	2	2	2	1					37
O&M, Navy Reserve Justification Book	3	2		3	3	1			2	1			10	6	1	1	2	2	2	1					37
O&M, Marine Corps Reserve Justification Book	3	2		3	3	1			2	1			10	6	1	1	2	2	2	1					37
O&M, Air Force Reserve Justification Book	3	2		3	3	1			2	1			10	6	1	1	2	2	2	1					37
O&M, Army National Guard Justification Book	3	2		3	3	1			2	1			10	6	1	1	2	2	2	1					37
O&M, Air National Guard Justification Book	3	2		3	3	1			2	1			10	6	1	1	2	2	2	1					37
Operation & Maintenance Overview**	3	10		3	5	1			5	1			10	10					1	2					48

**** Required distribution will be made by USD(Comptroller). Components should provide required exhibits directly to the appropriate USD(Comptroller) Directorate for consolidation and subsequent distribution.**

Table 10. Justification Material Supporting the President's Budget Request All Military Department Procurement Accounts

JUSTIFICATION MATERIAL SUPPORTING THE PRESIDENT'S BUDGET REQUEST
ALL MILITARY DEPARTMENT PROCUREMENT ACCOUNTS

		USD(Comptroller)																											
Appropriation	CHAPTER	BAA	OPS	INV	MPC	REVFUND	P&FC					PA&E	AT&L	POLICY	NII	P&R	USD(I)			RA	TJS				OIG		DETOENTSAEL
ALL Procurement Accounts *Unclassified Committee Staff Procurement Backup Book*	4			2																							2

Table 11. Justification Material Supporting the President's Budget Request Procurement Accounts - Army

JUSTIFICATION MATERIAL SUPPORTING THE PRESIDENT'S BUDGET REQUEST
PROCUREMENT ACCOUNTS - ARMY

Appropriation	CHAPTER	OMB		GAO	HAC				SAC				HASC	SASC	HPSCI	SSCI	HBC	SBC	CBO					TOTAL
					DEF SUB	DEF MIN	QOL SUB	QOL MIN	DEF SUB	DEF MIN	MCN SUB	MCN MIN												
Aircraft Procurement, Army Committee Staff Procurement Backup Book	4	2		3	4	1			3	1			6	6			2	2	2					32
Missile Procurement, Army Committee Staff Procurement Backup Book	4	2		3	4	1			3	1			6	6			2	2	2					32
Proc of W&TCV, Army Committee Staff Procurement Backup Book	4	2		3	4	1			3	1			6	6			2	2	2					32
Proc of Ammunition, Army Committee Staff Procurement Backup Book	4	2		3	4	1			3	1			6	6			2	2	2					32
Other Procurement, Army Committee Staff Procurement Backup Book	4	2		3	4	1			3	1			6	6			2	2	2					32

Table 12. Justification Material Supporting the President's Budget Request Classified Procurement Accounts -Navy

JUSTIFICATION MATERIAL SUPPORTING
THE PRESIDENT'S BUDGET REQUEST
CLASSIFIED PROCUREMENT ACCOUNTS -NAVY

Appropriation	CHAPTER	USD(Comptroller)																										DEFENSE TOTAL
		BAA	OPS	INV	MPC	REVFUND	P&FC					PA&E	AT&L	POLICY	NII	P&R	USD(I)	LA	PA*	RA	TJS				OIG		
Aircraft Procurement, Navy Classified Committee Staff Proc. Backup Book	4	1		3								2	2	1	1	1	1	1		1	1				1		16
Other Procurement, Navy Classified Committee Staff Proc. Backup Book	4	1		3								2	2	1	1	1	1	1		1	1				1		16

Table 13 Justification Material Supporting the President's Budget Request Procurement Accounts - Navy.

JUSTIFICATION MATERIAL SUPPORTING THE PRESIDENT'S BUDGET REQUEST
PROCUREMENT ACCOUNTS - NAVY

Appropriation	CHAPTER	OMB		GAO	HAC				SAC				HASC	SASC	HPSCI	SSCI	HBC	SBC	CBO	CLIBRARY				TOTAL
					DEF SUB	DEF MIN	QOL SUB	QOL MIN	DEF SUB	DEF MIN	MCN SUB	MCN MIN								CONGRESS				
Aircraft Procurement, Navy	4																							
Committee Staff Proc. Backup Book		2		3	4	1			3	1			6	6			2	2	2					32
Weapons Procurement, Navy	4																							
Committee Staff Proc. Backup Book		2		3	4	1			3	1			6	6			2	2	2					32
Shipbuilding & Conversion, Navy	4																							
Committee Staff Proc. Backup Book		2		3	4	1			3	1			6	6			2	2	2					32
Proc of Ammunition, Navy and MC	4																							
Committee Staff Proc. Backup Book		2		3	4	1			3	1			6	6			2	2	2					32
Other Procurement, Navy	4																							
Committee Staff Proc. Backup Book		2		3	4	1			3	1			6	6			2	2	2					32
Procurement, MC	4																							
Committee Staff Proc. Backup Book		2		3	4	1			3	1			6	6			2	2	2					32
National Defense Sealift Fund	4	2		3	4	1			3	1			6	6			2	2	2					32
Committee Staff Proc. Backup Book																								

Table 14. Justification Material Supporting the President's Budget Request Procurement Accounts - Air Force

JUSTIFICATION MATERIAL SUPPORTING THE PRESIDENT'S BUDGET REQUEST
PROCUREMENT ACCOUNTS - AIR FORCE

Appropriation	CHAPTER	USD(Comptroller)																									DEFENSE TOTAL
		BAA	OPS	INV	MPC	REVFUND	P&FC					PA&E	AT&L	POLICY	NII	P&R	USD(I)			RA	TJS				OIG		
Aircraft Procurement, AF Classified Committee Staff Proc. Backup Book	4	1		3								2	2	1	1	1	1			1	1				1		15
Missile Procurement, AF Classified Committee Staff Proc. Backup Book	4	1		3								2	2	1	1	1	1			1	1				1		15
Proc of Ammunition, AF Classified Committee Staff Proc. Backup Book	4	1		3								2	2	1	1	1	1			1	1				1		15
Other Procurement, AF Classified Committee Staff Proc. Backup Book	4	1		3								2	2	1	1	2	1			1	1				1		15

Justification Material Supporting The President's Budget Request Procurement Accounts - Air Force (Continued)

JUSTIFICATION MATERIAL SUPPORTING THE PRESIDENT'S BUDGET REQUEST
PROCUREMENT ACCOUNTS - AIR FORCE

Appropriation	CHAPTER	OMB		GAO	HAC				SAC				HASC	SASC	HPSCI	SSCI	HBC	SBC	CBO	CLIBRARY	CONGRESS				TOTAL
					DEF SUB	DEF MIN	QOL SUB	QOL MIN	DEF SUB	DEF MIN	MCN SUB	MCN MIN													
Aircraft Procurement, AF Committee Staff Procurement Backup Book	4	2		3	4	1			3	1			6	6			2	2	2						32
Missile Procurement, AF Committee Staff Procurement Backup Book	4	2		3	4	1			3	1			6	6			2	2	2						32
Proc of Ammunition, AF Committee Staff Procurement Backup Book	4	2		3	4	1			3	1			6	6			2	2	2						32
Other Procurement, AF Committee Staff Procurement Backup Book	4	2		3	4	1			3	1			6	6			2	2	2						32

Table 15. Justification Material Supporting The President's Budget Request Procurement Accounts - Other

JUSTIFICATION MATERIAL SUPPORTING THE PRESIDENT'S BUDGET REQUEST
PROCUREMENT ACCOUNTS - OTHER

Appropriation	CHAPTER	USD(Comptroller)																										DETAIL TO DEFENSE
		BAA	OPS	INV	MPC	REVFUND	P&FC					PA&E	AT&L	POLICY	NII	P&R	USD(I)			RA	TJS	DOT&E			OIG		
Procurement, Def-wide**	4																										
Classified Committee Staff Proc. Backup Book		1																									1
Classified P-1, Procurement Programs**	1	1		17	4							2	2	1	1	1	1			1	1	1			1		34

**** Required distribution will be made by USD(Comptroller). Components should provide required exhibits directly to the appropriate USD(Comptroller) Directorate for consolidation and subsequent distribution.**

Table 16. Justification Material Supporting the President's Budget Request Procurement Accounts - Defense-Wide

JUSTIFICATION MATERIAL SUPPORTING THE PRESIDENT'S BUDGET REQUEST
PROCUREMENT ACCOUNTS - DEFENSE-WIDE

Appropriation	CHAPTER	OMB		GAO	HAC				SAC				HASC	SASC	HPSCI	SSCI	HBC	SBC	CBO	CLIBRARY				TOTAL
					DEF SUB	DEF MIN	QOL SUB	QOL MIN	DEF SUB	DEF MIN	MCN SUB	MCN MIN								CONGRESS				
Procurement, Def-wide Committee Staff Procurement Backup Book**	4	2		3	4	1			4	1			4	4			1	1	1					26
Chemical Agents & Munitions Destruction Committee Staff Procurement Backup Book	4	2		3	4	1			2	1			3	3			2	2	2					25
Nat'l Guard & Reserve Eq Justification Book**	4	2			3	1			3	1									2	1				13
Defense Production Act Justification Book	4	2			2	1			2	1			3	3	1	1	2	2	2	1				23
Multiyear Procurement Justification Book**	4	2		3	5	1			3	1			7	5					2	1				32
P-1, Procurement Programs**	1	6		3	13	1	2	1	10	1	1	1	50	20	2	2	2	2	3	2				122
P-1, Classified **	1	6		3	5	1			5	1			5	5	2	2			3					38
P-1R**	1	6		3	3	1			3	1			10	10	2	2			3	1				45
Program Acquisition Costs by Weapon System **	1				13	1	2	1	10	1	1	1	50	20	2	2	2	2	3	1				112

** Required distribution will be made by USD(Comptroller). Components should provide required exhibits directly to the appropriate USD(Comptroller) Directorate for consolidation and subsequent distribution.

Table 17. Justification Material Supporting the President's Budget Request Research, Development Test & Evaluation Accounts

JUSTIFICATION MATERIAL SUPPORTING THE PRESIDENT'S BUDGET REQUEST
RESEARCH, DEVELOPMENT TEST & EVALUATION ACCOUNTS

Appropriation	CHAPTER	USD(Comptroller)																										DEFENSE-WIDE TOTALS
		BAA	OPS	INV	MPC	REVFUND	P&FC					PA&E	AT&L	POLICY	NII	P&R	USD(I)			RA	TJS	DOT&E			OIG	DARPA	
RDT&E, Army	5																											
Classified Budget Item Justification Book		1		32	1							22	2	1	1	1	1				1	1			1	1	174
Project Listing																												
Unclassified Budget Item Justification Book				2																								2
RDT&E, Navy	5																											
Classified Budget Item Justification Book		1		32	1							22	2	1	1	1	1				1	1			1	1	174
Classified Project Listing																												
Unclassified Budget Item Justification Book				2																								2
RDT&E, AF	5																											
Classified Budget Item Justification Book		1		32	1							22	2	1	1	1	1				1	1			1	1	174
Project Listing																												
Unclassified Budget Item Justification Book				2																								2
RDT&E, Defense Agencies	5																											
Classified Budget Item Justification Book**		1		32	1							22	2	1	1	1	1				1	1			1	1	174
Project Listing																												
Classified R-1, RDT&E Programs**	1	1		17	4							2	2	1	1	1	1				1	1			1	1	34

**** Required distribution will be made by USD(Comptroller). Components should provide required exhibits directly to the appropriate USD(Comptroller) Directorate for consolidation and subsequent distribution.**

Table 18. Justification Material Supporting the President's Budget Request Research, Development Test & Evaluation Accounts

JUSTIFICATION MATERIAL SUPPORTING THE PRESIDENT'S BUDGET REQUEST
RESEARCH, DEVELOPMENT TEST & EVALUATION ACCOUNTS

Appropriation	CHAPTER	OMB		GAO	HAC				SAC				HASC	SASC	HPSCI	SSCI	HBC	SBC	CBO	CLIBRARY	CONGRESS				TOTAL
					DEF SUB	DEF MIN	QOL SUB	QOL MIN	DEF SUB	DEF MIN	MCN SUB	MCN MIN													
RDT&E, Army Budget Item Justification Book	5	3		3	4	1			3	1			10	6	1	1	2	2	3	1					41
RDT&E, Navy Budget Item Justification Book	5	3		3	4	1			3	1			10	6	1	1	2	2	3	1					41
RDT&E, AF Budget Item Justification Book	5	3		3	4	1			3	1			10	6	1	1	2	2	3	1					41
RDT&E, Defense Agencies Budget Item Justification Book**	5	3		3	2	1			2	1			5	4					2	1					24
R-1, RDT&E Programs**	1	6		3	13	1	2	1	10	1	1	1	50	20	2	2	2	2	3	2					122
R-1, Classified	1	6		3	5	1			5	1			5	5	2	2			3						38

**** Required distribution will be made by USD(Comptroller). Components should provide required exhibits directly to the appropriate USD(Comptroller) Directorate for consolidation and subsequent distribution.**

Table 19. Justification Material Supporting the President's Budget Request All Military Department Working Capital Fund Accounts

JUSTIFICATION MATERIAL SUPPORTING THE PRESIDENT'S BUDGET REQUEST
ALL MILITARY DEPARTMENT WORKING CAPITAL FUND ACCOUNTS

		USD(Comptroller)																									
Appropriation	**CHAPTER**	**BAA**	**OPS**	**INV**	**MPC**	**REVFUND**	**P&FC**					**PA&E**	**AT&L**	**POLICY**	**NII**	**P&R**	**USD(I)**			**RA**	**TJS**				**OIG**		**DEFENSE TOTAL**
Defense Working Capital Funds Justification Book -Army, Navy, Air Force	**9**					**3**						**1**	**1**														**5**

Table 20. Justification Material Supporting the President's Request Revolving and Management Funds

JUSTIFICATION MATERIAL SUPPORTING THE PRESIDENT'S REQUEST REVOLVING AND MANAGEMENT FUNDS

Appropriation	CHAPTER	OMB		GAO	HAC				SAC				HASC	SASC	HPSCI	SSCI	HBC	SBC	CBO	LIBRARY CONG.				TOTAL
					DEF SUB	DEF MIN	QOL SUB	QOL MIN	DEF SUB	DEF MIN	MCN SUB	MCN MIN												
Defense Working Capital Funds Justification Book -Army, Navy, Air Force, Defense-wide	9	2		3	3	1			3	1			10	5					3	1				32
Public Enterprise, Management Fund, and Trust Fund Justification Book	10	2		3	2	1			2	1			5	2					2	1				21

Table 21. Justification Material Supporting the President's Budget Request All Military Department Military Construction, Family Housing and BRAC Accounts

JUSTIFICATION MATERIAL SUPPORTING THE PRESIDENT'S BUDGET REQUEST
ALL MILITARY DEPARTMENT MILITARY CONSTRUCTION, FAMILY HOUSING AND BRAC ACCOUNTS

		USD(Comptroller)																											
Appropriation	CHAPTER	BAA	OPS	INV	MPC	REVFUND	P&FC						PA&E	AT&L	POLICY	NII	P&R	USD(I)		RA	TJS				OIG		DETOENTSAEL
Military Construction/Family Housing/BRAC Justification Book -Army, Navy, Air Force	6				2																						2

Table 22. Justification Material Supporting the President's Request Military Construction & Family Housing Accounts

JUSTIFICATION MATERIAL SUPPORTING THE PRESIDENT'S REQUEST
MILITARY CONSTRUCTION & FAMILY HOUSING ACCOUNTS

Appropriation	CHAPTER	OMB		GAO	HAC				SAC				HASC	SASC	HPSCI	SSCI	HBC	SBC	CB0	CONGRESS LIBRARY				TOTAL
					DEF SUB	DEF MIN	QOL SUB	QOL MIN	DEF SUB	DEF MIN	MCN SUB	MCN MIN												
MilCon, Family Hsg, Homeowners Assist, Army - Justification Book	6	2		3			1	1			1	1	7	2	1	1	2	2	2	1				27
Mil Const & Family Housing, N & MC Justification Book	6	2		3			1	1			1	1	7	2	1	1	2	2	2	1				27
Mil Const & Family Housing, AF Justification Book	6	2		3			1	1			1	1	7	2	1	1	2	2	2	1				27
Mil Const & Family Housing, Defense-wide - Justification Book **	6	2		2			2	1			1	1	7	5					2	1				24
Military Construction, Army Reserve Justification Book	6	2		2			1	1			1	1	7	2	1	1	2	2	2	1				26
Military Construction, N & MC Reserve - Justification Book	6	2		2			1	1			1	1	7	2	1	1	2	2	2	1				26
Military Construction, AF Reserve Justification Book	6	2		2			1	1			1	1	7	2	1	1	2	2	2	1				26
Military Const, Army National Guard Justification Book	6	2		2			1	1			1	1	7	2	1	1	2	2	2	1				26
Military Const, Air National Guard Justification Book	6	2		2			1	1			1	1	7	2	1	1	2	2	2	1				26
Chemical Demilitarization Construction, Defense *Justification Book*	*6*	*2*		*2*			*1*	*1*			*1*	*1*	*7*	*2*	*1*	*1*	*2*	*2*	*2*	*1*				*26*
NATO Security Investment Program Justification Book	6						2	1			1	1							3	1				9

Appropriation	CHAPTER	OMB		GAO	HAC				SAC				HASC	SASC	HPSCI	SSCI	HBC	SBC	CB0	CONGRESS LIBRARY				TOTAL
					DEF SUB	DEF MIN	QOL SUB	QOL MIN	DEF SUB	DEF MIN	MCN SUB	MCN MIN												
C-1, Construction Program	1	2		3		1	5	1		1	5	1	15	7					2	1				44

** Required distribution will be made by USD(Comptroller). Components should provide required exhibits to the appropriate USD(Comptroller) Directorate for consolidation and subsequent distribution.

Table 23. Justification Material Supporting the President's Request Base Realignments And Closures (BRAC)

JUSTIFICATION MATERIAL SUPPORTING THE PRESIDENT'S REQUEST
BASE REALIGNMENTS AND CLOSURES (BRAC)

Appropriation	CHAPTER	OMB		GAO	HAC				SAC				HASC	SASC	HPSCI	SSCI	HBC	SBC	CBO	CLIBRARY				TOTAL
					DEF SUB	DEF MIN	QOL SUB	QOL MIN	DEF SUB	DEF MIN	MCN SUB	MCN MIN								CONGRESS				
BRAC - Army Justification Book	7	2			2	1	2	1	2	1	1	1	8	10					3	1				35
BRAC - Navy Justification Book	7	2			2	1	2	1	2	1	1	1	8	10					3	1				35
BRAC - Air Force Justification Book	7	2			2	1	2	1	2	1	1	1	8	10					3	1				35
BRAC - DLA Justification Book	7	2			2	1	2	1	2	1	1	1	8	10					3	1				35
BRAC - DISA Justification Book	7	2			2	1	2	1	2	1	1	1	8	10					3	1				35

Table 24. Justification Material Supporting The President's Request Other Account Requirements

JUSTIFICATION MATERIAL SUPPORTING THE PRESIDENT'S REQUEST
OTHER ACCOUNT REQUIREMENTS

PROGRAM	CHAPTER	USD(Comptroller)																										DEFENSE TOTAL
		BAA	OPS	INV	MPC	REVFUND	P&FC					PA&E	AT&L	POLICY	NII	P&R	USD(I)			RA	TJS				OIG		
Intelligence Programs (NIP/MIP) Classified Justification	16	1		1	2							1	1	1		1	1				1				1		11
Drug Interdict. & Counter-drug Actys Classified Justification Book	14	1	2	1	1							1			1	1	1			1	1				1		12
CD-ROM: All unclassified budget material that has been posted to Internet site	1	1	1	1	1	1	1					1	1	1	1	1	1			1	1				1		15

Table 25. Justification Material Supporting the President's Request Special Interest Requirements

JUSTIFICATION MATERIAL SUPPORTING THE PRESIDENT'S REQUEST
SPECIAL INTEREST REQUIREMENTS

PROGRAM	CHAPTER	OMB		GAO	HAC				SAC				HASC	SASC	HPSCI	SSCI	HBC	SBC	CBO	CLIBRARY	CONGRESS				TOTAL
					DEF SUB	DEF MIN	QOL SUB	QOL MIN	DEF SUB	DEF MIN	MCN SUB	MCN MIN													
Information Technology Distribution made by NII/DOD CIO Justification Book	18	2			1				1				1	1											6
Intelligence Programs (NIP/MIP) (IP-1) Justification Book	16				1	1			1	1			2	2	1	1			1	1					12
Defense Health Programs Justification Book	12	2					2	1	2	1									3	1					12
Drug Interdiction & Counter-drug Actys - Justification Book	14	2			2	1			2	1									3	1					12
Overseas Cost Report (OP-53) Report**	15	2			3	1			3	1			10	5					3	1					29
Overseas Contingency Operations	17	2			2	1			2	1			2	2					3	1					16
Advisory and Assistance Services (PB-15) Exhibit **(incl. in O&M Data Book, Vol. II)**	19																								
Military Department Overview Booklets Army, Navy, and Air Force	1	2			2	1	1	1	2	1	1	1	5	2	1	1	2	2	1	1					27
Combating terrorism Justification Book	19	2			2	1	1	1	2	1	1	1	2	2	1	1	2	2	1						23
CD-ROM: All unclassified budget material that has been posted to Internet site	1	1		1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1					18

**** Required distribution will be made by USD(Comptroller). Components should provide required exhibits to the appropriate USD(Comptroller) Directorate for consolidation and subsequent distribution.**

Table 26. Justification Material Support Justification Material Supporting The President's Request Special Interest Requirements

JUSTIFCATION MATERIAL SUPPORT JUSTIFCATION MATERIAL SUPORTING THE PRESIDENT'S REQUEST SPECIAL INTEREST REQUIREMENTS

PROGRAM	CHAPTER	USD(Comptroller)																											DEFENSE	TOTAL
		BAA	OPS	INV	MPC	REVFUND	P&FC					P&E	AT&L	POLICY	NII	P&R	USD(I)	LA			TJS				OIG					
Functional Transfers (PB-14) In-house Backup Exhibit	19	1	1				1																						3	
Advisory and Assistance Services (PB-15) In-house Backup Exhibit	19	1	1																										2	
Legislative Proposals (PB-16) In-house Backup Exhibit	19	1	1		1											1													4	
Employee Relocation Expenses (PB-17) In-house Backup Exhibit	19	1	2													1													4	
Foreign Currency Exch. Data (PB-18) In-house Backup Exhibit	19	1	2									1				2					2				1				9	
Major DoD HQ Activities (PB-22) In-house Backup Exhibit	19	1	1									1	1			1													5	
AT&L Workforce Transformation Prg. (PB-23) In-house Backup Exhibit	19	1	1									1	1			1													5	
Professional Military Education (PB-24) In-house Backup Exhibit	19	1	1									1	1			1													5	
Host Nation Support Costs (PB-25) In-house Backup Exhibit	19	1	3									1				1					1				1				8	
Environmental Quality/Security/Mgt (PB-28/28A/28B) In-house Backup Exhibit	19	1	1	1								1	1																5	
Competition and Privatization (PB-42) In-house Backup Exhibit	19	1	2									1	1			2					1				1				10	

PROGRAM	CHAPTER	USD(Comptroller)																											DEFENSE	TOTAL
		BAA	OPS	INV	MPC	REVFUND	P&FC					PA&E	AT&L	POLICY	NII	P&R	USD(I)	LA			TJS				OIG					
Administrative Motor Vehicle Operations (PB-41) In-house Backup Exhibit	19	1	2									1	1			1					1				1				9	
Child Dev., School Age Care, Family Centers, and Family Advocacy Programs (PB-50) In-house Backup Exhibit	19	1	2									1				2					1				1				9	
Aeronautical & Space Programs (PB-52A/B) In-house Backup Exhibit	19	1		2								1	1			1					1				1				8	
Budgeted Mil & Civilian Pay Raise (PB-53) In-house Backup Exhibit	19	1	1		1							1				2					1				1				10	
Civilian Personnel Hiring Plan (PB-54) In-house Backup Exhibit	19	1	2													1													4	
International Military Headquarters (PB-55) In-house Backup Exhibit	19	1	1									1	1			1													5	
Combatant Command Direct Funding (PB-58) In-house Backup Exhibit	19	1	1	1								1				1													5	
DoD Overseas Staffing Report (PB-59) In-house Backup Exhibit	19	1	2									1									1								4	

010404. Witness Statements

A. Purpose. This section provides instructions for preparation of witness statements for testimony at hearings before congressional committees.

B. Preparation

1. Each witness statement should contain a cover page that includes the name, grade/rank, and position title of the witness; the full title of the congressional committee or subcommittee before which the witness is to appear; the date the witness is to testify; the subject of the hearing; and an embargo statement "Not for Publication Until Released by the Committee" (or Subcommittee, if applicable).

2. The various congressional committees publish instructions for preparation of witness statements for their committee. These instructions, unique to each committee, are available from the following offices:

a. House and Senate Defense, House Military Quality of Life and Veterans Affairs and Related Agencies, and Senate Military Construction Appropriations Subcommittees – Budget and Appropriations Affairs Directorate, USD(Comptroller) and Service Budget Liaison offices.

b. House and Senate Armed Services Committees and House and Senate Budget Committees - Office of the Assistant Secretary of Defense (Legislative Affairs) and Service Legislative Affairs offices.

c. Other congressional committees - Instructions are normally included in the letter requesting the hearing. First time before the committee.

C. Security Review

1. DoD Directive 5400.4 calls for DoD witnesses to submit their prepared statements to Washington Headquarters Services, Office of Security Review, (703) 696-4538, for clearance.

2. This should be done as far in advance of the required date of transmittal to a congressional committee as possible, usually 5 or more working days prior to the date clearance is desired.

D. Number of Copies

1. Upon completion of the security review process, the originating office should ensure that 75 copies of unclassified statements are delivered to the Directorate for Defense Information, Office of the Assistant to the Secretary of Defense (Public Affairs), Room 2E565, Pentagon. This should be done at least 24 hours in advance of the scheduled appearance

of the witness before the congressional committee. Be prepared to provide additional copies on short notice.

2. These procedures will allow the Office of the Assistant Secretary of Defense (Public Affairs) to meet news media requirements as soon as statements are released by the congressional committee or subcommittee.

3. A chart identifying the various oversight committees' copy requirements for witness statements and the date that the statements are due to the committee is republished periodically by the Budget and Appropriations Affairs Directorate, USD(Comptroller), as committee requirements change. Be careful to use the most recent chart.

4. Special care should be exercised to ensure that specified due dates are met. The committees use the witness statement in preparing for the hearing and so suspense dates are important. Committees will routinely predicate cooperation in discussing or releasing possible hearing questions or topics on the timely delivery of these statements.

5. Offices responsible for arranging the attendance of principal and supporting witnesses at a hearing normally prepare a listing of witnesses known as the Witness List. These offices will contact all involved parties to obtain the names and positions of the witnesses for the Witness List.

010405. Transcript Processing

A. Purpose. This section provides instructions for processing transcripts of witness testimony at hearings before congressional committees.

B. Initial Receipt

1. The House and Senate Appropriations Subcommittees on Defense, the House Subcommittee on Military Quality of Life and Veterans Affairs and Related Agencies, and the Senate Military Construction Appropriations Subcommittee provide hearing transcripts directly to Budget Liaison offices of the Services and to the Director for Budget and Appropriations Affairs, Under Secretary of Defense (Comptroller). All other hearing transcripts are provided directly to the Legislative Affairs office of the Services and to the Office of the Assistant Secretary of Defense (Legislative Affairs).

2. The original copy of the transcript is then provided to the office of the principal witness utilizing DD Form 1587, Record of Congressional Transcript Review, as the transmittal document. To meet committee requirements and allow time for final review by Washington Headquarters Services, Security Review, each element in the review process must give cooperative consideration to the time requirements of all elements in meeting due out dates. DoD Directive 5400.4 provides guidance in utilizing DD Form 1587. Instructions are also printed on DD Form 1587.

3. The various committees publish instructions for processing transcripts for their committee hearings. These instructions, unique to each committee, are available from the following offices:

a. House and Senate Defense, House Military Quality of Life and Veterans Affairs and Related Agencies, and Senate Military Construction Appropriations Subcommittees - Directorate for Budget and Appropriations Affairs, USD(Comptroller) and Service Budget Liaison offices.

b. House and Senate Armed Services Committees and House and Senate Budget Committees - Office of the Assistant Secretary of Defense (Legislative Affairs) and Service Legislative Affairs offices.

c. Other congressional committees - Instructions are normally included in the letter requesting the hearing.

C. Processing Procedures

1. Upon receipt of the transcript in the office of the primary witness, that office will review and edit the transcript and prepare the necessary inserts including questions for the record. At the same time, those staff offices required to provide input to the transcript should be tasked, in writing, for their specific portion. Page and line number/question number should be referenced when tasking inserts for the record.

2. Offices providing input to transcripts should clear their internal security review office prior to providing their input to the principal witness' office. After consolidation of the edit/review of the transcript and inclusion of necessary inserts, the office of the principal witness will then need to obtain the proper security clearance for the transcript and inserts from Washington Headquarters Services, Directorate for Freedom of Information and Security Review. A DD 1790, Prepared Testimony Review must be used. DoD Directive 5400.4 provides instructions to be followed in processing the transcript through the security review process.

3. Plain bond (8.5” x 11.0” with left and right margins of 1.5”) Insert for the Record, will be utilized for all inserts to congressional testimony and questions/answers for the record. Formats for completing these for the four oversight committees are provided in Section 0110.

4. After completing the security review process and required coordination’s, the completed transcript should be returned to the office from which the transcript was received (Transcript Action Monitor) for final review and delivery to the congressional committee.

5. Special care should be exercised to ensure that transcript processing suspense dates are met. The committees emphasize that the deadline dates imposed by them must be met. As the committees approach mark-up, the importance of meeting deadlines becomes even more critical. Transcripts should not be unduly delayed while gathering

information for the record. If a delay is encountered, a note that the data will be furnished at some specified date should accompany the transcript and processing should proceed.

D. Congressional Hearings and Reporting Requirements Tracking System (CHARRTS). CHARRTS is an OUSD (Comptroller) web based application for tasking Hearing transcripts, inserts for the record, and questions for the record. Components will be notified by email for each tasking for which they are responsible to complete. CHARRTS is a controlled site accessed through http://charrts.ousdc.osd.mil and requires an access password for each user. Components will input all responses to both inserts and questions for the record directly into CHARRTS. Formats have been established within CHARRTS for each Committee for these responses and must be used. Input that does not follow the established standards will be rejected by the system. Contact the OUSD (Comptroller), Budget and Appropriations Affairs Directorate at (703) 697-1101 for all questions related to CHARRTS.

E. Page Proofs/Galleys. Often committees allow DoD to review page proof/galleys of congressional testimony to ensure that changes have been incorporated and that if classified data has been included that it be deleted from the version that will be made public. Extreme care must be exercised to ensure that all classified data have been excised.

010406. Appeal Process on Congressional Actions

A. Purpose. Each year the actions taken by congressional committees during consideration of the DoD authorization and appropriation bills are reviewed by DoD components. This Section provides policy guidance and procedures for appealing such congressional actions.

B. Scope of Material

1. DoD appeals to congressional committees may be in the form of a letter to the appropriate committee chairman (or chairmen in the case of appeals to joint conferees), which sets forth the Department's position on the most significant programs/items impacted by congressional actions. This letter is prepared for the signature of the Secretary of Defense. Only the Secretary will provide the Department's position on appeal items.

2. DoD appeals also may be in the form of an appeal package consisting of one page for each action being appealed. This package is submitted to the appropriate committee by the USD(Comptroller). It is not submitted as an enclosure to an appeal letter, but may be referred to in the letter.

3. The submission of appeal material can vary each year and is primarily dependent upon the timing of each committee's actions on the budget request. The preparation of appeal items begins when the actions of the committees become known, usually with release of the committee's report. Normally, appeal material will be modified to reflect final floor action since amendments adopted on the floor can significantly change positions reported out by the committees. In most cases, the process is as follows:

a. To Authorization Conferees. This appeal is based on the actions of both the House and Senate Armed Services Committees, as modified by House and Senate floor action.

b. To Appropriations Conferees. This appeal is based on the actions of both the House and Senate Appropriations Committees, as modified by House and Senate floor actions.

C. Preparation of Appeals

1. Once the actions of an oversight committee become known, DoD components normally will be requested to provide input on high priority items for incorporation into the Secretary's appeal letter or appeal package. Appeal input will be submitted in the general format of Exhibit PB-39A-1 and PB-39A-2 (provided in Section 0110) in both hard copy and by e-mail in Microsoft Word format (with no graphics). Components may be asked to assign a priority to the actions they want appealed.

2. All appeal materials must be unclassified. Verification that materials are entirely unclassified must be obtained by the DoD component from the component's security review prior to submission to OSD. USD(Comptroller) will obtain clearance of the consolidated appeal package from the Washington Headquarters Services, Directorate for Freedom of Information and Security Review, (703) 696-4538.

D. Policy Guidance, Preparation and Coordination of Budget Appeals

1. By memorandum of May 27, 1983, Subject: "Congressional Justification of the President's Annual Defense Budget," the Secretary of Defense charged the Comptroller with the responsibility to coordinate all justification actions for his consideration that may be interpreted as reprogramming, supplementals, amendments, or appeals to the Defense budget. Therefore, in order to ensure that the Department speaks to the Congress in this area with one voice and remains consistent with the Secretary's policy direction, all appeals to congressional committees will be prepared by the USD(Comptroller).

2. The Directorate for Budget and Appropriations Affairs, within the Office of the USD(Comptroller) (Program/Budget), will issue instructions for submission of appeal input. Along with other Comptroller directorates, Budget and Appropriations Affairs will review the input and prepare a draft appeal letter and appeal package. Normally, these drafts will be sent for comments to the appropriate DoD offices. Clearance on all appeal materials will be requested from the Office of Management and Budget.

3. While responsibility for consolidation and coordination of appeal materials resides with the USD(Comptroller), all offices are responsible for ensuring that the materials they submit remain up to date. Submitting components, e.g. The Joint Staff, should provide only one position on each issue submitted.

E. Classified Appeals. Actions of congressional committees documented in classified annexes (such as by the Intelligence Committees) to reports or classified letters may be addressed in classified appeals prepared by the OUSD(I). Further guidance is contained in Chapter 16.

0105 BUDGET AUTOMATION REQUIREMENTS

010501. Automated Military Personnel Programs Database

A. Purpose and Objectives. The purpose of the Military Personnel Programs database is to provide supporting budgetary documentation to the Congress, OMB and the public with each year's President's Budget. Data submission is through the Program Resources Collection Process (PRCP) System. The Military Personnel Programs database supports, and must be consistent with, other budgetary data in the Comptroller Information System (CIS). This section provides for the maintenance of the Military Personnel Programs as an automated database that is the primary structure for budget activity and budget subactivity level of detail. The Military Personnel Programs (M-1) (unclassified) is produced from the Military Personnel Programs database.

B. Applicability. The provisions of this section apply to the Office of the Secretary of Defense (OSD) and the Military Departments.

C. Reporting Requirements. The automated database was established for the FY 2005 President's budget. Subsequent updates will be required coincident with the (1) Program and Budget Review and (2) the President's Budget. Specific guidance relative to approved changes, due dates and special requirements is provided in a memorandum from the Office of the Under Secretary of Defense (Comptroller) announcing each update.

D. General Instructions - Preparing the Detailed Military Personnel Programs (M-1). The Military Personnel Programs provide resources in a budget activity and budget subactivity line item level of detail with appropriation identification consistent with other budgetary data in the CIS database. A detailed description of line item entries is listed in Volume 2A, Chapter 2. The minimum information required in the Military Personnel Programs is as follows:

1. A summary by appropriation account with subtotals for DOD Components.

2. A summary of each appropriation account by budget activity/budget subactivity with budget activity subtotals and an appropriation total.

3. Entries for the individual line items should be on the same basis as that used for program and budget submissions.

4. Costs of prior year programs will be adjusted annually to reflect actual obligations, including deobligations, recoveries of prior year obligations, upward

obligation adjustments, transfers, and rescissions, as appropriate, and must match prior year values in the Comptroller Information System.

5. The OUSD(C) P/B Military Personnel and Construction Directorate will obtain the Security classification review certification.

E. General Instructions - Preparing the Military Personnel Programs (M-1). The M-1 document is derived from and consistent with other budgetary data in the CIS database. The M-1 is provided annually to the DoD oversight committees of the Congress coincident with the transmittal of the President's Budget. The minimum information required in the M-1 is as follows:

1. Identification codes and a detailed description of line item entries are explained in paragraph F below.

2. The line item data provided is PY, CY, BY1 (and BY2 if biennial submission).

3. The security classification will be in accordance with the criteria set forth in Section 010108.

F. Military Personnel Data Elements and Record Formats

1. Appropriation codes, Component codes, and budget activity codes are as specified in the Budget Structure Listing which can be viewed on the SIPRNet home page of the OUSD (Comptroller).

2. Other Military Personnel Data Elements and Record Formats. Components must follow the guidance and use the data elements and record layouts for submission of updates to the Military Personnel Programs database as prescribed in the instructions on the SIPRNet home page of the OUSD (Comptroller).

010502. Automated Operation and Maintenance Programs Databases

A. Purpose and Objectives. The purpose of the Operation and Maintenance Programs databases are to provide supporting budgetary documentation to the Congress, OMB and the public with each year's President's Budget. Data submission is through the Program Resources Collection Process (PRCP) System. The Operation and Maintenance Programs databases support, and must be consistent with, other budgetary data in the Comptroller Information System (CIS). This section provides for the maintenance of the Operation and Maintenance Programs as an automated database that is the primary structure for budget activity and activity group cost at the Program Element and expense aggregate level of detail. The O-1 reports are produced from the Operation and Maintenance Programs database. Operation and Maintenance Programs data extracts are provided to the Office of the Director, Program Analysis and Evaluation (hereafter referred to as "OD,PA&E") to update the Future Years Defense Program database. In addition, the Civilian Personnel Costs and O&M Summary of Price and

Program Changes automated exhibits are processed through this system. The Civilian Personnel Costs exhibit is required for each appropriation/fund, not limited to O&M appropriations, in which civilian personnel are funded. Updates and documents produced include:

1. Operation and Maintenance Programs (O-1) (classified)

2. Operation and Maintenance Programs (O-1) (unclassified)

3. Future Years Defense Program Update Data for OD,PA&E

4. Civilian Personnel Costs (OP-8) (classified)

5. Civilian Personnel Costs (OP-8) (unclassified)

6. Summary of Price and Program Changes (OP-32) (classified)

7. Summary of Price and Program Changes (OP-32) (unclassified)

B. Applicability. The provisions of this section apply to the Office of the Secretary of Defense (OSD), the Military Departments, the Defense Agencies, and any other DoD Component that contribute data to the Operation and Maintenance Programs.

C. Reporting Requirements. The initial Operation and Maintenance Programs automated database was established for the FY 2005 President's budget. Subsequent updates will be required coincident with the (1) Program and Budget Review and (2) the President's Budget. Specific guidance relative to approved changes, due dates and special requirements is provided in a memorandum from the Office of the Under Secretary of Defense (Comptroller) announcing each update.

D. General Instructions - Preparing the Detailed Operation and Maintenance Programs. The Operation and Maintenance Programs provide resources in a budget activity and activity group line item level of detail with appropriation identification consistent with other budgetary data in the CIS database. A detailed description of line item entries is listed in Volume 2B, Chapter 3, Section 030402. The minimum information required in the Operation and Maintenance Programs is as follows:

1. A summary by appropriation account with subtotals for DOD Components.

2. A summary of each appropriation account by budget activity/activity group/sub-activity group with budget activity/activity group subtotals and an appropriation total.

3. A detailed sub-activity group by program element and expense aggregate listing in budget activity/activity group sequence.

4. Entries for the individual line items should be on the same basis as that used for program and budget submissions.

5. Costs of prior year programs will be adjusted annually to reflect actual obligations, including deobligations, recoveries of prior year obligations, upward obligation adjustments, transfers, and rescissions, as appropriate, and must match prior year values in the Comptroller Information System.

6. Security classification of line items is determined by the submitting Component subject to OSD Security review. DoD Components must provide a security classification review certification to OUSD(C) P/B P&FC. Except for information published in the unclassified version of the O-1 Report, data contained in the Operation and Maintenance Programs may not be released outside the DoD without the expressed written consent of the Under Secretary of Defense (Comptroller).

E. General Instructions - Preparing the Operation and Maintenance Programs (O-1). The O-1 document is derived from and consistent with other budgetary data in the CIS database. The O-1 is provided annually to the DoD oversight committees of the Congress coincident with the transmittal of the President's Budget. An unclassified version is provided to OASD(PA) for use by non-DoD activities. The minimum information required in the O-1 is as follows:

1. Identification codes and a detailed description of line item entries are explained in paragraph F below.

2. The line item data provided is PY, CY, BY1 (and BY2 if biennial submission) for the O-1 production, and outyears for the FYDP update.

3. The security classification will be in accordance with the criteria set forth in Section 010108.

F. Operation and Maintenance Data Elements and Record Formats

1. Appropriation codes, Component codes, and budget activity codes are as specified in the Budget Structure Listing which can be viewed on the SIPRNet home page of the OUSD (Comptroller).

2. Program element codes and titles are as prescribed by DoD 7045.7-H (FYDP Program Structure Handbook. This publication is available at http://www.dtic.mil/whs/directives under "Publications," and in approved decision documents posted to the FYDP Resource Structure Management (RSM) web site (see Section 010702) but not yet reflected in DoD 7045.7-H. A listing of expense aggregate codes is available at the SIPRNET home pages of the OUSD (Comptroller) and OD, PA&E.

3. Other Operation and Maintenance Program Data Elements and Record Formats. Components must follow the guidance and use the data elements and record

layouts for submission of updates to the Operation and Maintenance Programs database as prescribed in the instructions on the SIPRNet home page of the OUSD (Comptroller).

G. Instructions on OP-32 and OP-8 are at Section 030201.G. Automated Submission and 0304 Operation and Maintenance Appropriation Submission Formats. Detailed guidance on the automated submission is provided on the OUSD (Comptroller) home page of the SIPRNET at http://cisweb.ousdc.osd.smil.mil.

010503. Automated Procurement Programs Database

A. Purpose and Objectives. The purpose of the Procurement Programs database is to provide supporting budgetary documentation to the Congress, OMB and the public with each year's President's Budget. Data submission is through the Program Resources Collection Process (PRCP) System. The Procurement Programs database supports, and must be consistent with, other budgetary data in the Comptroller Information System (CIS). This section provides for the maintenance of the Procurement Programs as an automated database that is the primary structure for quantity and program cost at the line item and Program Element level of detail for a number of related Procurement Program documents. The following are produced from the Procurement Programs database:

1. Detailed Procurement Programs (classified)

2. Procurement Programs (P-1) (classified)

3. Procurement Programs (P-1/P-1R) (unclassified)

4. Program Acquisition Costs by Weapon System (unclassified)

5. P-1/P-1R database for the Senate Appropriations Committee, the House Appropriations Committee, the Senate Armed Services Committee, and the House Armed Services Committee

6. Future Years Defense Program Update Data for OD,PA&E

7. Data for USD(AT&L), USD(I), ASD(NII)/DoD CIO, Director, PA&E, The Joint Staff, OMB, and GAO.

B. Applicability. The provisions of this section apply to the Office of the Secretary of Defense (OSD), the Military Departments, the Defense Agencies, and any other DoD Component that contribute data to the Procurement Programs.

C. Reporting Requirements. The initial automated database was established consistent with the procurement data submitted to the Congress in support of the FY 1974 Budget. Since that time subsequent updates have been required coincident with submission of the (1) Program and Budget Review and (2) the President's Budget. Specific guidance relative

to approved changes, due dates and special requirements is provided in a memorandum from the Office of the Under Secretary of Defense (Comptroller) announcing each update.

D. General Instructions - Preparing the Detailed Procurement Programs. The Procurement Programs provide resources in a line item level of detail with appropriation identification consistent with other budgetary data in the CIS database. A detailed description of line item entries is listed in Volume 2B, Chapter 4, Section 0402. The minimum information required in the Procurement Programs is as follows:

1. A summary by appropriation account with subtotals for DOD Components.

2. A summary of each appropriation account by budget activity with an appropriation total.

3. A detailed line item listing in budget activity/budget subactivity sequence.

4. Entries for the individual line items should be on the same basis as that used for budget submissions. Multiyear procurements (MYP) are identified for P-1 line items with MYP as defined in Section 010203. Advance procurement entries should be used as specified in Volume 2B, Section 040502. Initial spares listed with the procurement item (post delivery and outfitting costs for Shipbuilding and Conversion, Navy) should be shown immediately following the line as a memorandum entry--non-add to the budget activity total.

5. Costs of prior year programs will be adjusted annually to reflect actual obligations, including deobligations, recoveries of prior year obligations, upward obligation adjustments, transfers, and rescissions, as appropriate.

6. The cost to complete column provides the data necessary to obtain the total procurement cost for acquisition of weapon items. It is necessary to estimate the cost of completing the approved program for major weapon systems included in the Selected Acquisition Report (SAR) reporting system and for multiyear contracts utilizing economic order quantity advance procurement. Such costs will be entered in the “cost to complete” column of the Procurement Programs. Entries in the “cost to complete” column are not required for other procurement line entries. The “cost to complete” estimate will include: (1) the portion of the “approved quantity” to be procured beyond the FYDP, and (2) costs to complete acquisition of units procured in prior years such as outfitting and post delivery requirements for ships which will not deliver during the FYDP.

7. Security classification of line items is determined by the submitting Component subject to OSD Security review. DoD Components must provide a security classification review certification to
OUSD(C) P/B P&FC. Except for information published in the unclassified version of the P-1 Report, data contained in the Procurement Programs may not be released outside the DoD without the expressed written consent of the Under Secretary of Defense (Comptroller).

E. General Instructions - Preparing the Procurement Programs (P-1). The P-1 document is derived from and consistent with other budgetary data in the CIS database. The P-1 is provided annually to the DoD oversight committees of the Congress coincident with the transmittal of the President's Budget. An unclassified version is provided to OASD(PA) for use by non-DoD activities. The minimum information required in the P-1 is as follows:

1. Identification codes and a detailed description of line item entries are explained in paragraph F below.

2. The line item data provided is PY, CY, BY1 (and BY2 if biennial submission).

3. The security classification will be in accordance with the criteria set forth in Section 010108.

F. Procurement Data Elements and Record Formats

1. Appropriation codes, Component codes, and budget activity codes are as specified in the Budget Structure Listing which can be viewed on the SIPRNet home page of the OUSD (Comptroller).

2. Program element codes and titles are as prescribed by DoD 7045.7-H (FYDP Program Structure Handbook. This publication is available at http://www.dtic.mil/whs/directives under "Publications," and in approved decision documents posted to the FYDP Resource Structure Management (RSM) web site (see Section 010702) but not yet reflected in DoD 7045.7-H.

3. Other Procurement Program Data Elements and Record Formats. Components must follow the guidance and use the data elements and record layouts for submission of updates to the Procurement Programs database as prescribed in the instructions on the SIPRNet home page of the OUSD (Comptroller).

010504. Automated RDT&E Programs Database

A. Purpose and Objectives. The purpose of the RDT&E Programs database is to provide supporting budgetary documentation to the Congress, OMB and the public with each year's President's Budget. Data submission is through the Program Resources Collection Process (PRCP) System. The RDT&E Programs database supports, and must be consistent with, other budgetary data in the Comptroller Information System (CIS). This section provides for the maintenance of the RDT&E Programs as an automated database that will be the primary structure for program element and project level detail for a number of related RDT&E Program documents. The following are produced from the RDT&E Programs database:

1. Detailed RDT&E Programs (classified)

2. RDT&E Programs (R-1) (classified)

3. RDT&E Programs (R-1) (unclassified)

4. R-1 database for the Senate Appropriations Committee, the House Appropriations Committee, the Senate Armed Services Committee, and the House Armed Services Committee

5. Future Years Defense Program Update Data for OD,PA&E

6. Data for USD (AT&L), USD(I), ASD (NII)/DoD CIO, Director, PA&E, The Joint Staff, OMB, and GAO.

B. Applicability. The provisions of this section apply to the Office of the Secretary of Defense (OSD), the Military Departments, the Defense Agencies, and any other DoD Component that contribute data to the Procurement Programs.

C. Reporting Requirements. The initial automated database was established consistent with the RDT&E data submitted to the Congress in support of the FY 1976/197T Budget. Since that time subsequent updates have been required coincident with submission of the (1) Program and Budget Review, and (2) President's Budget. Specific guidance relative to approved changes, due dates and special requirements is provided in a memorandum from the Office of the Under Secretary of Defense (Comptroller) announcing each update.

D. General Instructions - Preparing the Detailed RDT&E Programs. The RDT&E Programs is consistent with the program element identification of resources contained in the Future Years Defense Program Summary and Program Element Detail. Data in the RDT&E Programs is summarized by appropriation account with recaps by budget activity and FYDP programs. Security classification of line items is determined by the submitting Component subject to OSD Security review. DoD Components must provide a security classification review certification to OUSD(C) P/B P&FC.

E. General Instructions - Preparing the R-1 Document. The R-1 document is derived from, and consistent with, other budgetary data in the CIS database. The R-1 is provided annually to the DoD Oversight Committees of the Congress coincident with the transmittal of the President's Budget. An unclassified version is provided to OASD(PA) for use by non-DoD activities. The unclassified R-1 is the only document from the RDT&E Programs database available for public distribution. The minimum information required in the R-1 is as follows:

1. The program element line item data provided is PY, CY, BY1 (and BY2 if biennial submission).

2. The security classification shall be in accordance with the criteria set forth in Section 010108.

3. A detailed program element listing in budget activity sequence.

F. RDT&E Data Elements and Record Formats

1. Appropriation codes, Component codes, and budget activity codes are as specified in the Budget Structure Listing which can be viewed on the SIPRNet home page of the OUSD (Comptroller).

2. Other RDT&E Program Data Elements and Record Formats. Components must follow the guidance and use the data elements and record layouts for submission of updates to the RDT&E Programs database as prescribed in the instructions on the SIPRNet home page of the OUSD (Comptroller).

010505. Automated Construction Program Database

A. Purpose and Objectives. This section provides guidelines for the Automated Construction Program Database to supplement the Defense Components' military construction justification materials. Data submission is through the Program Resources Collection Process (PRCP) System. The Construction Program also will be used to track Program Budget Decisions at the project level, track congressional action on the President's Budget submission, and provide the baseline data required for special analysis such as the facilities recapitalization metric.

B. Applicability. The provisions of this section apply to all requirements financed by the Military Construction, NATO Security Investment Program, Base Realignment and Closure, Family Housing, DoD Family Housing Improvement Fund and Homeowners Assistance appropriations of the DoD Components as applicable.

C. Responsibilities. The DoD Components will submit Construction Program data for their Active, Guard and Reserve Forces construction projects, their portions of the Family Housing, DoD Family Housing Improvement Fund and Homeowners Assistance programs. DoD Components will also submit Construction Programs data for multi-service or national level projects for which they are the executive agent as described in Volume 2B, Chapter 6, Section 060301.

D. Reporting Requirements. Update submissions will coincide with the Program and Budget Review submissions and the January budget presentation. Detailed requirements not contained herein will be specified by memorandum for all update submissions. Data will be consistent with budgetary data in the CIS database.

E. Construction Data Elements and Record Formats

1. Appropriation codes, Component codes, and budget activity codes are as specified in the Budget Structure Listing which can be viewed on the SIPRNet home page of the OUSD (Comptroller).

2. Program element codes and titles are as prescribed by DoD 7045.7-H (FYDP Program Structure Handbook. This publication is available at http://www.dtic.mil/whs/directives under "Publications," and in approved decision documents posted to the FYDP Resource Structure Management (RSM) web site (see Section 010702) but not yet reflected in DoD 7045.7-H.

3. Other Construction Program Data Elements and Record Formats. Components must follow the guidance and use the data elements and record layouts for submission of updates to the Construction Programs database as prescribed in the instructions on the SIPRNet home page of the OUSD (Comptroller).

F. Level of Detail

1. Data will be reported at the level specified for the justification material [(DD Form 1391) in Volume 2B, Chapters 6 and 7]. A summary of the levels required follows:

2. Military Construction 1/

a. Major Construction - project detail

b. Minor Construction - lump-sum for exigent minor construction

c. Planning and Design - lump-sum

d. Supporting Activities - project detail

e. Program Element

3. NATO Security Investment Program - lump-sum 1/

4. Base Realignment and Closure - lump-sum 1/

5. Family Housing Construction 1/

a. Construction of new housing - project detail. A separate data element will be used to identify the number of units being constructed for each project.

b. Construction Improvements - lump-sum.

c. Planning and Design - lump-sum.

6. Family Housing, Operation & Maintenance 1/ Lump-sum for each budget activity except the Operating Expenses budget activity will be reported by subaccount. The Family Housing Operation and Maintenance entries are shown below:

a. Management Account

b. Services Account

c. Furnishings Account

d. Miscellaneous Account

e. Utilities Account

f. Leasing

g. Maintenance of Real Property

h. Interest Payments

i. Mortgage Insurance Premiums

j. Housing Privatization Support

7. Homeowners Assistance Fund 1/

a. Payment to Homeowners

b. Other Operating Costs

c. Acquisition of Real Property

d. Mortgages Assumed

8. DoD Family Housing Improvement Fund - lump sum 1/

1/ Nomenclature records for all lump-sum values will be generated by the automated Construction Programs database system; DoD Components should not submit nomenclature records for lump-sum values.

G. Security Classification. A project may be classified due to the nature of the project, the location of the project, or both. Since the Construction Programs (C-1) is an unclassified document generated from an unclassified database, use the conventions provided in the instructions for submission of updates to the Construction Programs database on the SIPRNet home page of the OUSD (Comptroller).

010506. CIS Automation Requirements for the Biennial Program and Budget Review Submission

A. Purpose. Electronic data are the basis for the OSD budget review. Components' program and budget review submission form the baseline from which all Program Budget Decision dollar and manpower deltas are made. The program and budget review submission is entered into Comptroller Information System (CIS) by the Military Departments and Defense Agencies. This chapter outlines the requirements for submission of the data.

B. Requirement for the CIS Budget Structure. DoD must comply with the budget submission requirements in OMB Circular A-11, "Preparation, Submission, and Execution of the Budget," which applies to all Executive Branch agencies. OMB's MAX budget system provides the structure for the data that must be submitted to OMB for each appropriation and receipt account. The data is published annually in the Budget of the United States Government, commonly referred to as the President's Budget. OMB publishes detailed account data for each Federal agency in a separate "Appendix" of the Budget. The OUSD (Comptroller)'s CIS database is designed to satisfy the annual submission of Defense Budget data to OMB's automated MAX budget system. The CIS budget structure for an account is the Program and Financing (P&F) Schedule. The P&F Schedule consists of a budget plan, object class, and expenditure tail for all accounts, except for multi-year accounts that also have a separate obligation plan in addition to the budget plan.

C. Submission Requirements:

1. Submission of Budget Estimates for Budget Years (BY1) and BY2:

a. Budget Submission (Dollars). Military Departments and Defense Agencies, as applicable, will submit budget plan, and object class data entries for all applicable appropriation and receipt accounts which are consistent with and reconcilable to hard copy submission of budget estimates exhibits required by other sections of the Financial Management Regulation. Budget plan data must be submitted for all years by period of obligational availability. Object class entries will be at the summary level (not by period of obligational availability) and exclude the outyears. Detailed data entries only will be submitted since subtotals and summary totals are CIS computer generated. All TOA values by Component by fiscal year will agree with budget submission TOA dollars on Exhibit PB-1A

b. Budget Submission (Personnel Data). Budget submission of on-board year end personnel data entries for military end strength and civilian full-time equivalents (FTEs) will be in exact agreement with the PB-4 exhibit.

c. Budget Submission for Prior Year (PY). The Directorate for Program and Financial Control, OUSD (Comptroller)(P/B) will replicate PY from the CY column of the previous year's budget. Components may make limited changes as part of the program and budget review submission. The PY will be updated once accounting and manpower actuals are available.

d. Obligation Plan Data for Multi-Year Accounts. Obligation plans for the program and budget review submissions will be computer generated in CIS once PY accounting actuals are input and as budget adjustments are recorded in CIS. Components will be asked to review obligations by budget activity after the updated rates have been implemented in CIS.

e. Expenditure Tail Data. Components are not required to submit expenditure tail data. Expenditure tail data for the program and budget review submissions will be computer generated in CIS. Outlay rates used in the previous year's Defense Budget will generate outlays as part of the baseline submission. The Directorate for Program and Financial Control will adjust outlay rates later in the budget review process once PY accounting actuals are available.

2. Submission of Outyear Estimates:

a. Budget Submission (Dollars). The submission of TOA (Direct Program) for appropriation accounts (general fund and revolving fund) and concept obligations for trust revolving fund, trust fund, special fund, and receipt accounts for BY2+1 through BY2+4 will be made at the same time as the budget submission. Input to the database for the outyears will be formatted in accordance with the CIS Budget Structure, by appropriation account at the budget activity/special program category level. Budget plan outyear entries for TOA for applicable appropriation accounts and concept obligations for trust revolving fund, trust fund, special fund, and receipt accounts are the only dollar data to be submitted by Components for the outyears. TOA dollars must agree with Exhibit PB-1A.

b. Budget Submission (Personnel Data). Budget estimates for BY2+1 through BY2+4 military end strength and civilian full-time equivalents (FTEs) will be made coincident with the budget submission. Input to the database for the outyears will be formatted in accordance with the CIS Budget Structure Listing and will be in exact agreement with the PB-4 exhibit.

3. Account Data Elements and Account Structure. Program and budget review submissions will be in thousands of dollars for all data elements for each account's budget plan, obligation plan, and object classification schedules and must be submitted in accordance with the CIS Budget Structure Listing. (Expenditure tail for CY through the outyears will be computer generated in CIS.) Personnel data for applicable accounts will be submitted for all years in accordance with the detail prescribed by the CIS Budget Structure Listing. The Budget Structure Listing may be generated by running the BATF1 through BATF6 reports from the CIS Report Processor subsystem. Questions and changes to the CIS Budget Structure Listing should be directed to the Directorate for Program and Financial Control, OUSD (Comptroller)(P/B), phone 703-697-7564.

4. Data Submission. Guidance is provided on the SIPRNET home page of the OUSD (Comptroller) on "Coding CIS Transactions for FY BY1/BY2 Budget." Components must use the record layouts and file formats prescribed in this guidance.

010507. CIS Budget Structure Listing (BSL)

A. Purpose. The BSL reflects the official Department of Defense budget account structure for Component submission of the budget estimates in machine readable form. The BSL contains the following sections:

1. Appropriation Account Names/Codes. This section lists all the valid and active codes in the CIS database. Appropriation accounts have four-digit to six-digit numeric plus one-digit Treasury agency alpha account code. Receipt accounts have six-digit numeric plus one-digit Treasury agency alpha account code. Account coding in CIS agrees with codes used in OMB's MAX automated budget system for compatibility in the Department's electronic submission of the Defense Budget to OMB.

2. Budget Plan and Obligation Plan Name Codes. This section provides the detailed budget structure for data elements in the budget plan and obligation plan of all appropriation and receipt accounts in CIS. In this section of the BSL, the presence of a "P" and/or "$" in the "PER/$$ Inputs" column indicates those budget activities/special program codes against which resources ($ or personnel) may be entered in the CIS database. Requests to add "P" or a "$" to an existing line may be made to the Directorate for Program and Financial Control, OUSD (Comptroller)(P/B), through the respective Program/Budget Directorate responsible for that appropriation.

3. Financing, Budget Authority, and Expenditure Tail Name/Codes. This section lists the financing (FIN), budget authority breakout (BAB), and expenditure tail (EXP) codes used in the Program and Financing Schedule for each appropriation and receipt account.

4. Object Classification Codes. OMB Circular A-11 requires agencies to report account obligations by object class for PY, CY, BY1 and BY2. This section aligns Program and Financing Schedule obligations with the object class codes in OMB Circular A-11.

B. Input Requirements

1. Input coding for all budget estimates will be entered in accordance with guidance provided on the SIPRNET OUSD (Comptroller) home page. Features that should be considered in the preparation of data are:

a. Military Personnel Accounts:

(1) The Military Departments will prepare and submit the military personnel account data (see Budget Structure Listing on the SIPRNET home page of the OUSD (Comptroller)). Input for military personnel dollars should not be submitted by Defense Agencies.

(2) The Military Departments will prepare and submit end strength data on a Component basis; i.e., Army submits data on personnel assigned to Army

as well as Army personnel assigned to each Defense Agency (see Budget Structure Listing on the SIPRNet home page of the OUSD (Comptroller)). The Defense Agencies must coordinate their end strength requirements with the Military Departments prior to the Military Departments' data submissions.

b. Input coding for Working Capital Fund must include the appropriate three-position special program code assigned to each business area for operating and capital expenses, civilian full-time equivalents (FTEs), and military end strengths.

C. Object Classification Schedules

1. Object class definitions are provided in OMB Circular A-11, Section 83. The major object class categories are:

a. 10 Personnel compensation and benefits

b. 20 Contractual services and supplies

c. 30 Acquisition of assets

d. 40 Grants and fixed charges

e. 90 Other

2. DoD-unique object class major/minor codes include:

a. 12.210 Military – accrued retirement benefits

b. 12.220 Military – other personnel benefits

c. 12.230 Military – accrued health care Military benefit categorization guidance for the three above is provided in Chapter 2, Section 020202.

d. 25.320 Payments to foreign national indirect hire

e. 25.330 Purchases from revolving funds. Obligations for purchases from Defense Working Capital Funds and other DoD revolving and management accounts. Differentiate from object class 25.310 purchases of goods and services from other government agencies (examples include non-revolving fund support agreement obligations)

3. The object classification codes specified in OMB Circular A-11 are augmented in CIS by type that identifies Direct Obligations (type = "1"), Reimbursable Obligations (type = "2"), Allocation Accounts (type = "3"), and Receipt Obligations (type = "4").

4. All revolving and management accounts will be coded in the reimbursable (type = "2") object class series followed by the appropriate object class number.

5. Object class data will be submitted for all accounts (including concept obligations) in the Program and Financing schedules in the PY, CY, BY1 or BY2.

6. Object Class Default Major/Minor Codes. When an obligation adjustment occurs in CIS and an object class is not specified for the obligation change, CIS will automatically make an adjustment in the amount of the obligation to the default object class for the account. For example, if a TOA delta is made to an annual account in a Program Budget Decision (PBD) and if an object class obligation delta is not coded and included as part of the PBD transaction, CIS will automatically generate an object class delta in the default object class code for the account. Components must redistribute obligations by object class for each of their accounts after PY actuals are available, and before the budget review process has been completed, to provide consistent and explainable object class amounts from PY through BY2. A chart displaying CIS object class default Major/Minor code for each account is available on the SIPRNet home page of the OUSD (Comptroller).

D. CIS P&F Schedule Diagnostics Rules and Report. CIS Report 22 has been developed to provide diagnostic and balancing checks for appropriation and receipt accounts. Report 22 provides a listing of balance diagnostic errors and warnings for each appropriation account and supplemental account as well as for each defense agency within a defense-wide account where appropriate. An example of a balancing requirement checked in this report is: Total Direct Program (Total Obligational Authority (TOA)) in the P&F section must equal total Direct Obligations in the Object Classification section for each year within a defense agency or appropriation account (for annual accounts).

E. Update of the PY Column

1. OMB Circular A-11 requires agencies to submit PY data to OMB's MAX budget system which is based on Treasury certified accounting actuals. The update of PY dollars in CIS is accomplished using data from the SF Form 133 and the DD Comp 1002 plus AR 1307 for Revolving Funds. PY amounts must reconcile to Treasury's yearend annual report called the Treasury Alignment Statement

2. Components will be requested to validate budget activity data and update object class obligations and manpower actuals once accounting data has been certified by Treasury for each Defense account. All PY actuals updates for budget plans, obligations plans and expenditure tail data will be done electronically by the Directorate for Program and Financial Control. Business rules used by CIS for updating PY actuals for an account's budget plan, obligation plan and expenditure tail are available on the SIPRNet home page of the OUSD (Comptroller).

0106 UNIFORM BUDGET AND FISCAL ACCOUNTING CLASSIFICATIONS

010601. General

A. This Section establishes the functional title classifications and subdivisions by which appropriation and fund accounts of the Department of Defense are required to be arranged, grouped, or classified in budgetary and fiscal presentations. These classifications are designed to permit consolidation of budget and fiscal data for the several Components of the Department of Defense into over-all Departmental summaries.

B. These instructions cover all appropriation and receipt accounts for military functions of the Department of Defense. Detailed DoD budget account structure used in the Comptroller Information System is displayed in the Budget Structure Listing available on the SIPRNet home page of the
OUSD (Comptroller).

010602. Functional Titles – Military Functions

The following functional titles are to be used in appropriate budgetary and fiscal presentations:

A. Military Personnel

B. Operation and Maintenance

C. Procurement

D. Research, Development, Test, and Evaluation

E. Military Construction

F. Family Housing

G. Revolving and Management Funds

H. Defense-Wide Contingencies

I. Offsetting Receipts

J. Trust and Trust Revolving Funds

K. Interfund Transactions

010603. Definitions of Functional Titles and Subdivisions - Military

This Section lists currently active appropriations within each functional title. Budget activities for Procurement and RDT&E titles are also listed. Budget activities for other

appropriations are displayed in the Budget Structure Listing available on the SIPRNet home page of the OUSD (Comptroller).

A. Functional Title-Military Personnel

1. The functional title "Military Personnel" for military functions is defined as comprising the accounts listed below.

a. Active Forces

21_2010 Military Personnel, Army
21_1004 Medicare-Eligible Retiree Health Fund Contribution, Army
17_1453 Military Personnel, Navy
17_1000 Medicare-Eligible Retiree Health Fund Contribution, Navy
17_1105 Military Personnel, Marine Corps
17_1001 Medicare-Eligible Retiree Health Fund Contribution, Marine Corps
57_3500 Military Personnel, Air Force
57_1007 Medicare-Eligible Retiree Health Fund Contribution, Air Force

b. Reserve and Guard Forces

21_2070 Reserve Personnel, Army
21_1005 Medicare-Eligible Retiree Health Fund Contribution, Reserve Personnel, Army
17_1405 Reserve Personnel, Navy
17_1002 Medicare-Eligible Retiree Health Fund Contribution, Reserve Personnel, Navy
17_1108 Reserve Personnel, Marine Corps
17_1003 Medicare-Eligible Retiree Health Fund Contribution, Reserve Personnel, Marine Corps
57_3700 Reserve Personnel, Air Force
57_1008 Medicare-Eligible Retiree Health Fund Contribution, Reserve Personnel, Air Force
21_2060 National Guard Personnel, Army
21_1006 Medicare-Eligible Retiree Health Fund Contribution, National Guard Personnel, Army
57_3850 National Guard Personnel, Air Force
57_1009 Medicare-Eligible Retiree Health Fund Contribution, National Guard Personnel, Air Force
97 0041 Concurrent Receipt Accrual Payments to the Military Retirement Fund

2. Lower level subdivisions susceptible to consolidation are available under the uniform budget and accounting structure prescribed for these appropriations in Chapter 2 of Volume 2A.

B. FUNCTIONAL TITLE - OPERATION AND MAINTENANCE

The functional title "Operation and Maintenance" for military functions is defined as comprising the accounts listed below:

21_2020	Operation and Maintenance, Army
17_1804	Operation and Maintenance, Navy
17_1106	Operation and Maintenance, Marine Corps
57_3400	Operation and Maintenance, Air Force
97_0100	Operation and Maintenance, Defense-Wide
21_2080	Operation and Maintenance, Army Reserve
17_1806	Operation and Maintenance, Navy Reserve
17_1107	Operation and Maintenance, Marine Corps Reserve
57_3740	Operation and Maintenance, Air Force Reserve
21_2065	Operation and Maintenance, Army National Guard
57_3840	Operation and Maintenance, Air National Guard
97_0104	United States Court of Appeals for the Armed Forces
97_0105	Drug Interdiction and Counter-Drug Activities, Defense
97_/_0107	Office of the Inspector General
97X0118	Overseas Contingency Operations Transfer Fund
97_/_0130	Defense Health Program
97_/_0134	Former Soviet Union Threat Reduction
97_0141	Iraq Freedom Fund
97_/_0143	Strategic Reserve Readiness Fund
97X0801	Foreign Currency Fluctuations, Defense
21X0810	Environmental Restoration, Army
17X0810	Environmental Restoration, Navy
57X0810	Environmental Restoration, Air Force
97X0810	Environmental Restoration, Defense
97X0811	Environmental Restoration, Formerly Used Defense Sites
97_/_0819	Overseas Humanitarian, Disaster and Civil Aid
97X0833	Emergency Response Fund
97X0838	Support for International Sporting Competitions
97_/_0839	Quality of Life Enhancements
97X0840	OPPLAN 34A - 35 P.O.W. Payments
97X0842	Defense Vessels Transfer Program Account
17X1236	Payment to Kaho'olawe Island Conveyance, Remediation, and Environmental Restoration Fund
21_/_2091	Afghanistan Security Forces Fund
21_/_2092	Iraq Security Forces Fund
97X4965	Emergency Response Fund
21X5098	Restoration of the Rocky Mountain Arsenal
17X5185	Kaho'Olawe Island Conveyance Remedediation, and Environmental Restoration Fund
97X5187	Defense Cooperation Account
97X5188	Disposal of Department of Defense Real Property

97X5189	Lease of Department of Defense Real Property
97X5193	Overseas Military Facility Investment Recovery Account
21X5194	DoD 50th Anniversary of World War II Commemoration
97X5195	Use of Proceeds from the Transfer or Disposal of Commissary Facilities
21X5286	National Science Center, Army
97X5394	Use of Proceeds from Cash Equalization Payments from Acquisition of Facilities
97X5441	Burdensharing Contribution

D. FUNCTIONAL TITLE – PROCUREMENT

The functional title "Procurement" for military functions is defined as comprising the following appropriations and budget activities:

21_/_2031 Aircraft Procurement, Army
-Aircraft
-Modification of Aircraft
-Spares and Repair Parts
-Support Equipment and Facilities

21_/_2032 Missile Procurement, Army
-Other Missiles
-Modification of Missiles
-Spares and Repair Parts
-Support Equipment and Facilities

21_/_2033 Procurement of Weapons and Tracked Combat Vehicles, Army
-Tracked Combat Vehicles
-Weapons and Other Combat Vehicles
-Spares and Repair Parts

21_/_2034 Procurement of Ammunition, Army
-Ammunition
-Ammunition Production Base Support

21_/_2035 Other Procurement, Army
-Tactical and Support Vehicles
-Communications and Electronics Equipment
-Other Support Equipment
-Spares and Repair Parts

21_/_2093 Joint Improvised Explosive Device Defeat Fund

17_/_1506 Aircraft Procurement, Navy

-Combat Aircraft
-Airlift Aircraft
-Trainer Aircraft
-Other Aircraft
-Modification of Aircraft
-Aircraft Spares and Repair Parts
-Aircraft Support Equipment and Facilities

17_/_1507 Weapons Procurement, Navy
-Ballistic Missiles
-Other Missiles
-Torpedoes and Related Equipment
-Other Weapons
-Other Ordnance
-Spares and Repair Parts

17_/_1508 Procurement of Ammunition, Navy and Marine Corps
-Procurement of Ammunition, Navy
-Procurement of Ammunition, Marine Corps

E. FUNCTIONAL TITLE – PROCUREMENT (CONTINUED)

17_/_1611 Shipbuilding and Conversion, Navy
-Fleet Ballistic Missile Ships
-Other Warships
-Amphibious Ships
-Mine Warfare and Patrol Ships
-Auxiliaries, Craft and Prior-Year Program Costs

17_/_1810 Other Procurement, Navy
-Ships Support Equipment
-Communications and Electronics Equipment
-Aviation Support Equipment
-Ordnance Support Equipment
-Civil Engineering Support Equipment
-Supply Support Equipment
-Personnel and Command Support Equipment
-Spares and Repair Parts

17_/_0380 Coastal Defense Augmentation
-Coast Guard Support

17_/_1109 Procurement, Marine Corps
-Weapons and Combat Vehicles
-Guided Missiles and Equipment
-Communications and Electronics Equipment

-Support Vehicles
-Engineer and Other Equipment
-Spares and Repair Parts

57_/_3010 Aircraft Procurement, Air Force
-Combat Aircraft
-Airlift Aircraft
-Trainer Aircraft
-Other Aircraft
-Modification of In-Service Aircraft
-Aircraft Spares and Repair Parts
-Aircraft Support Equipment and Facilities

57_/_3011 Procurement of Ammunition, Air Force
-Procurement of Ammunition, Air Force
-Weapons

57_/_3020 Missile Procurement, Air Force
-Ballistic Missiles
-Other Missiles
-Modification of In-Service Missiles
-Spares and Repair Parts
-Other Support
-Munitions and Related Equipment

57_/_3080 Other Procurement, Air Force
-Munitions and Associated Equipment
-Vehicular Equipment
-Electronics and Telecommunications Equipment
-Other Base Maintenance and Support Equipment
-Spares and Repair Parts

97_/_0300 Procurement, Defense-Wide
-Major Equipment
-Special Operations Command
-Chemical/Biological Defense

97_/_0303 Rapid Acquisition Fund

97_/_0350 National Guard and Reserve Equipment
-Reserve Equipment
-National Guard Equipment

97_/_0360 Defense Production Act Purchases

97_/_0390 Chemical Agents and Munitions Destruction, Defense

-Operation and Maintenance
-Research, Development, Test, and Evaluation
-Procurement

F. FUNCTIONAL TITLE - RESEARCH, DEVELOPMENT, TEST AND EVALUATION

The functional title "Research, Development, Test and Evaluation" for military functions is defined as comprising the following accounts and budget activities:

21_/_2040	Research, Development, Test, and Evaluation, Army
17_/_1319	Research, Development, Test, and Evaluation, Navy
57_/_3600	Research, Development, Test, and Evaluation, Air Force
97_/_0400	Research, Development, Test, and Evaluation, Defense-Wide
97_/_0460	Operational Test and Evaluation, Defense
57_/_3024	Tanker Replacement Transfer Fund, Air Force

Budget Activities for RDT&E Accounts

01 - Basic Research
02 - Applied Research
03 - Advanced Technology Development
04 - Advanced Component Development and Prototypes
05 - System Development and Demonstration
06 - RDT&E Management Support
07 - Operational System Development

G. FUNCTIONAL TITLE - MILITARY CONSTRUCTION

1. The functional title "Military Construction" for military functions is defined as comprising the accounts listed below.

21_/_2050	Military Construction, Army
17_/_1205	Military Construction, Navy
57_/_3300	Military Construction, Air Force
97_/_0500	Military Construction, Defense-Wide
97X0510	Base Realignment and Closure Account, Part II, Defense
051001	Base Realignment and Closure Account, Army
051002	Base Realignment and Closure Account, Navy
051003	Base Realignment and Closure Account, Air Force
051004	Base Realignment and Closure Account, Defense
97X0512	Base Realignment and Closure Account, 2005
051201	Base Realignment and Closure Account, 2005, Army
051202	Base Realignment and Closure Account, 2005, Navy
051203	Base Realignment and Closure Account, 2005, Air Force
051204	Base Realignment and Closure Account, 2005, Defense

97X0803 Foreign Currency Fluctuations, Construction, Defense
97X0804 North Atlantic Treaty Organization Security Investment Program
21_/_2085 Military Construction, Army National Guard
57_/_3830 Military Construction, Air National Guard
21_/_2086 Military Construction, Army Reserve
17_/_1235 Military Construction, Naval Reserve
57_/_3730 Military Construction, Air Force Reserve
97_/_0391 Chemical Demilitarization Construction, Defense

2. Lower level subdivisions susceptible to consolidation are available under the uniform accounting classifications prescribed for these appropriations in Chapter 6, Section 0602, and Chapter 7, Section 0702.

FUNCTIONAL TITLE - FAMILY HOUSING

The functional title "Family Housing" for military functions is defined as comprising the accounts listed below:

97X0834 Department of Defense Family Housing Improvement Fund
97X0836 Department of Defense Military Unaccompanied Housing Improvement Fund
21_/_0720 Family Housing, Construction, Army
21_0725 Family Housing, Operation and Maintenance, Army
17_/_0730 Family Housing, Construction, Navy and Marine Corps
17_0735 Family Housing, Operation and Maintenance, Navy and Marine Corps
57_/_0740 Family Housing, Construction, Air Force
57_0745 Family Housing, Operation and Maintenance, Air Force
97_/_0760 Family Housing, Construction, Defense-Wide
97_0765 Family Housing, Operation and Maintenance, Defense-Wide
97X4090 Homeowners' Assistance Fund, Defense
97X4166 Family Housing Improvement Fund, Direct Loan, Financing Account
97X4167 Family Housing Improvement Fund, Guaranteed Loan, Financing Account

FUNCTIONAL TITLE - REVOLVING AND MANAGEMENT FUNDS

The functional title "Revolving and Management Funds" for military functions is defined as comprising the accounts listed below. Since each account, in its entirety, is classified within a single first level subdivision of the functional title, the accounts are grouped by the subdivisions.

Public Enterprise Funds

97X4555 National Defense Stockpile Transaction Fund
97X4950 Pentagon Reservation Maintenance Revolving Fund
17X4557 National Defense Sealift Fund

21X4275	Arms Initiative, Guaranteed Loan Financing Account, Army
97X4282	Defense Coalition Support Fund

Intragovernmental Funds

97X493001	Defense Working Capital Fund, Army
97X493002	Defense Working Capital Fund, Navy
97X493003	Defense Working Capital Fund, Air Force
97X493004	Defense Working Capital Fund, Defense Agencies
97X493005	Defense Working Capital Fund, Defense Commissary Agency
97X4179	Reserve Mobilization Income Insurance Fund
21X4528	Army Conventional Ammunition Working Capital Fund *
97X4931	Buildings Maintenance Fund

* Closing after existing orders are completed

FUNCTIONAL TITLE - DEFENSE-WIDE CONTINGENCIES

The functional title "Defense-Wide Contingencies" for military functions is defined as comprising the accounts listed below:

97 9912	Other Legislation (including Management Improvements)
97 9918	General Transfer Authority Outlay Allowance

FUNCTIONAL TITLE - OFFSETTING RECEIPTS

The functional title "Offsetting Receipts" for military functions is defined as comprising the accounts listed below:

General Fund Proprietary Offsetting Receipts

184000A	Offsetting Receipts, Rent of Equipment and Other Personal Property, Army
184000N	Offsetting Receipts, Rent of Equipment and Other Personal Property, Navy
184000F	Offsetting Receipts, Rent of Equipment and Other Personal Property, Air Force
184000D	Offsetting Receipts, Rent of Equipment and Other Personal Property, Defense
246200A	Offsetting Receipts, Deposits for Survivors Annuity Benefits, Army
246200N	Offsetting Receipts, Deposits for Survivors Annuity Benefits, Navy
246200F	Offsetting Receipts, Deposits for Survivors Annuity Benefits, Air Force

246200D	Offsetting Receipts, Deposits for Survivors Annuity Benefits, Defense
223600D	Sales of Certain Material in National Defense Stockpile
264400D	Defense Vessels Transfer Receipt Account
265100D	Sale of Scrap and Salvaged Materials, Defense
262100D	Sale of Lands, Etc., Mil Post Construction Fund
301900A	Offsetting Receipts, Recoveries for Government Property Lost or Damaged, Army
301900N	Offsetting Receipts, Recoveries for Government Property Lost or Damaged, Navy
301900F	Offsetting Receipts, Recoveries for Government Property Lost or Damaged, Air Force
301900D	Offsetting Receipts, Recoveries for Government Property Lost or Damaged, Defense
304100A	Offsetting Receipts, Recoveries Under FMS Program, Army
304100N	Offsetting Receipts, Recoveries Under FMS Program, Navy
304100F	Offsetting Receipts, Recoveries Under FMS Program, Air Force
304100D	Offsetting Receipts, Recoveries Under FMS Program, Defense
321000A	Offsetting Receipts, General Fund Propriety Receipts, Army
321000N	Offsetting Receipts, General Fund Propriety Receipts, Navy
321000F	Offsetting Receipts, General Fund Propriety Receipts, Air Force
321000D	Offsetting Receipts, General Fund Propriety Receipts, Defense

Special Fund Proprietary Offsetting Receipts

509810A	Rocky Mountain Arsenal Offsetting Receipts
518510N	Offsetting Receipts, Kaho' Olawe Island Fund
518710D	Defense Cooperation Receipts
518720D	Earnings on Investments, Defense Cooperation Account (Non-051)
518821D	Offsetting Receipts, Disposal of DoD Real Property, Army
518817D	Offsetting Receipts, Disposal of DoD Real Property, Navy
518857D	Offsetting Receipts, Disposal of DoD Real Property, Air Force
518897D	Offsetting Receipts, Disposal of DoD Real Property, Defense Agencies
518921D	Offsetting Receipts, Lease of DoD Real Property, Army
518917D	Offsetting Receipts, Lease of DoD Real Property, Navy
518957D	Offsetting Receipts, Lease of DoD Real Property, Air Force
518997D	Offsetting Receipts, Lease of DoD Real Property, Defense Agencies
519321D	Deposits, DoD Overseas Military Facility Investment Recovery Account, Army
519317D	Deposits, DoD Overseas Military Facility Investment Recovery Account, Navy
519357D	Deposits, DoD Overseas Military Facility Investment Recovery Acct, Air Force

519397D Deposits, DoD Overseas Military Facility Investment Recovery Account
519410A Royalties for Use of DoD Military Insignia and Trademarks
519510D Proceeds from the Transfer or Disposition of Commissary Facilities
528610A Fees Collected for the Use of the National Science Center
539421A Cash Equalization Proceeds from Acquisition of Facilities, Army
539417N Cash Equalization Proceeds from Acquisition of Facilities, Navy
539457F Cash Equalization Proceeds from Acquisition of Facilities, Air Force
539497D Cash Equalization Proceeds from Acquisition of Facilities, Defense
544110D Burdensharing Contribution, Defense, Kuwait
544130D Burdensharing Contribution, Defense, Japan
544140D Burdensharing Contribution, Defense, South Korea
544150D Burdensharing Contribution, Defense, Qatar
544210D Proceeds DoD Korean War Commemoration Account
556210N Ford Island Improvement Account, Net Sale of Assets

Trust Fund Receipts (Non-Function 051)

806310A Bequest of Major General Fred C. Ainsworth, Library, Walter Reed General Hospital Trust Fund
806320A Earnings on Investments, Ainsworth Library Trust Fund
817410A Collections for the National Science Center Gift Fund
892710A Deposits, Dept. of the Army General Gift Fund
892720A Earnings on Investments, Dept. of the Army General Gift Fund
873310N Contributions to U.S. Naval Academy Gift and Museum Fund
873320N Earnings on Investments, U.S. Naval Academy Gift and Museum Fund
871610N Deposits, Dept. of the Navy General Gift Fund
871620N Earnings on Investments, Dept. of the Navy General Gift Fund
892810F Deposits, Dept. of Air Force General Gift Fund
892820F Earnings on Investments, Dept. of Air Force General Gift Fund
833710D Contributions from Kuwait, Host Nation Support for U.S. Relocation Activities
833720D Earnings on Investments, Host Nation Support for U.S. Relocation Activities
833730D Contributions from Japan, Host Nation Support for U.S. Relocation Activities
833740D Contributions from S. Korea, Host Nation Support for U.S. Relocation Activities
833750D Contributions from Qatar, Host Nation Support for U.S. Relocation Activities
816310D Contributions to the DoD General Gift Fund

835810D Contributions from Japan, Support for U.S. Relocation to Guam Activities
835820D Earnings on Investments, Support for U.S. Relocation to Guam Activities

FUNCTIONAL TITLE - TRUST AND TRUST REVOLVING FUNDS

The functional title "Trust Funds" for military functions is defined as comprising the accounts listed below:

21X8063 Ainsworth Library (Trust)
97X8335 Voluntary Separation Incentive Fund
21X8927 Army General Gift Fund
17X8733 USN Academy Gift and Museum Fund
17X8716 Navy General Gift Fund
17X8723 Ships Stores Profit, Navy
57X8928 Air Force General Gift Fund
17X8423 Midshipmen's Store, USN Academy (Trust Revolving)
57X8418 Air Force Cadet Fund (Trust Revolving)
97X8164 Surcharge Collections, Sales of Commissary Stores, Defense (Trust Revolving)
97X8165 Foreign National Employees Separation Pay, Defense
97X8168 National Security Education Trust Fund, Defense
21X8174 National Science Center Gift Fund, Army
97X8337 Host Nation Support for U.S. Relocation Activities, Defense
97X8163 Department of Defense General Gift Fund
97X8358 Support for U.S. Relocation to Guam Activities

FUNCTIONAL TITLE - INTERFUND TRANSACTIONS

The functional title "Interfund Transactions" for military functions is defined as comprising the accounts listed below:

872310N Interfund Transactions, Profits from Sales of Ship Stores, Navy
816810D Interfund Transactions, Payment from General Fund, National Security Education Trust Fund, Defense
816820D Interfund Transactions, Earnings on Investments, National Security Education Trust Fund, Defense (Non-051)
816830D Interfund Transactions, Recoveries, National Security Education Trust Fund, Defense
816510D Interfund Transactions, Employing Agency Contributions, Foreign National Employee Separation Pay, Defense
833510D Interfund Transactions, Employing Agency Contributions, Voluntary Separation Incentive, Defense

833520D Interfund Transactions, Earnings on Investments, Voluntary Separation Incentive Trust Fund, Defense (Non-051)

010604. Functional Titles and Definitions – Other Defense Civil Programs

FUNCTIONAL TITLE – OTHER DEFENSE CIVIL PROGRAMS

The function title "Other Defense Civil Programs" is defined as comprising the accounts listed below:

97X8097	Military Retirement Fund
97 0040	Payments to Military Retirement Fund, Defense
97 0041	Concurrent Receipt Accrual Payments to the Military Retirement Fund
97X8098	Education Benefits Fund
97X5472	Uniformed Services Retiree Health Care Fund
97 0850	Payment to DoD Medicare Eligible
21X5095	Wildlife Conservation, etc., Military Reservation, Army
17X5095	Wildlife Conservation, etc., Military Reservation, Navy
57X5095	Wildlife Conservation, etc., Military Reservation, Air Force
21X5285	Department of Defense, Forest Products Program, Army

Trust Fund Receipts and Special Fund Offsetting Receipts include:

809710D	Employing Agency Contributions, DoD Military Retirement Fund
809720D	Earnings on Investments, DoD Military Retirement Fund
809730D	Federal Contribution, DoD Military Retirement Fund
809740D	Offsetting Receipts, Payment to Military Retirement Fund
809810D	Employing Agency Contribution, DoD Education Benefits Fund
809820D	Earnings on Investments, DoD Education Benefits Fund
547210D	Employing Agency Contributions, DoD Retiree Health Care Fund
547220D	Earnings on Investment, DoD Retiree Health Care Fund
547230D	Federal Contribution, DoD Retiree Health Care Fund
509510A	Sale of Hunting and Fishing Permits, Military Reservations, Army
509510N	Sale of Hunting and Fishing Permits, Military Reservations, Navy
509510F	Sale of Hunting and Fishing Permits, Military Reservations, Air Force
528510A	Reserve Account, Department of Defense, Forest Products Program, Army

0107 AUTOMATED FUTURE YEARS DEFENSE PROGRAM (FYDP) DATABASES

010701. Standard Data Collection System (SDCS)

A. Purpose and Objectives

1. This Section provides for the maintenance of the FYDP. The FYDP is a series of reports that record and display resource decisions made during the biennial Planning, Programming, Budgeting and Execution (PPBE) cycle. The FYDP contains defense resources—people, forces (equipment and organizations), and dollars—categorized by programs and related to the budget's appropriation structure. The FYDP provides a record of past decisions that assists senior leaders in deciding on future issues such as operations tempo, force structure size and composition, and investment strategies.

2. Data are entered into the FYDP through the SDCS system. SDCS allows all DoD organizations to submit FYDP data electronically, receiving real-time feedback on their inputs. SDCS is a web-based application hosted on the Secret Internet Protocol Router Network (SIPRNet). It allows users to update, correct, and view their organization's portion of the FYDP.

3. The OUSD (Comptroller) maintains databases consisting of Operation and Maintenance TOA data, Procurement TOA data, RDT&E TOA data and Military Construction TOA data at a more detailed level than used in the FYDP. All DoD organizations reporting FYDP data will submit these appropriations through the OUSD (Comptroller) automated programs databases as outlined in sections 010502, 010503, 010504, and 010505. The SDCS will rollup up these appropriations to the proper level for inclusion in the FYDP report. Formats for Operation and Maintenance TOA, Procurement TOA data, RDT&E TOA data and Military Construction TOA data are the same as required for the automated programs databases, covered in sections 010502, 010503, 010504, and 010505.

4. Amounts entered for TOA, military endstrength, and civilian Full-Time Equivalents (FTE's) by Program Element must agree with the amounts submitted for the budget. POM submissions for TOA must adhere to controls established by Fiscal Guidance or other controls as announced in subsequent guidance.

B. Applicability and Scope

The provisions of this Section apply to the Office of the Secretary of Defense (OSD), the Military Departments, the Combatant Commands and the Defense Agencies/Field Activities (hereafter referred to as "DoD Components") that contribute data to the FYDP. The Office of the Director, Program Analysis and Evaluation (hereafter referred to as "OD, PA&E") administers updating and general management of the FYDP. OD, PA&E controls access to SDCS, for the purpose of providing data.

C. Reporting Requirements

Updates to the FYDP are required coincident with the (1) Program and Budget Review and (2) the President's Budget (PB), and (3) for major restructures of the FYDP itself when directed by the OD, PA&E. Specific guidance relative to approved changes, due dates, and special requirements is provided in a memorandum from OD, PA&E announcing each update. In the Program and Budget Review FYDP submissions, acceptable update years are normally limited to the budget years and programming years (generally six years for TOA and

manpower, and nine years for forces). In the PB FYDP submission, acceptable update years include the most recent prior year of the budget cycle to the end of the programming cycle (generally eight years for TOA and manpower, and 11 years for forces). Since some appropriations—procurement, RDT&E, and military construction—are authorized for obligation over multiple years, it is periodically necessary to update historical years (the years prior to the first year of a PB FYDP update). Historical changes will be accepted once during the PPBE cycle—usually during the President's Budget FYDP update—but only when explicitly directed by OD, PA&E. These updates enable the FYDP to reflect transfers, rescissions, supplemental appropriations, reappropriations, and other authorized adjustments to total obligational authority, which might occur in multiyear appropriations, as well as to reflect actual accounting data. Particular instructions for conducting historical-year updates will be issued by OD, PA&E as required.

D. Publication of FYDP Related-Information

1. Section 221 of Title 10 of the United States Code (U.S.C.) requires that:

2. "The Secretary of Defense shall submit to Congress each year, at or about the time that the President's budget is submitted to Congress that year under section 1105(a) of title 31, a future-years defense program (including associated annexes [now called "programs"]) reflecting the estimated expenditures and proposed appropriations included in that budget."

3. In accordance with the U.S.C., OD, PA&E will prepare the President's Budget FYDP Summary and Program Element Detail for transmission to the Congress. In addition, OD, PA&E will provide FYDP-related information at all other updates for within DoD. Historical updates, if collected at the time of the President's Budget FYDP update, will be issued with the subsequent PPBE cycle.

E. Other Databases Related to the FYDP. Consistent with the FYDP are separate but related databases and documents constituting, the Operation and Maintenance Program, the Procurement Program, the RDT&E Program and the Military Construction Program. These databases produce the Operation and Maintenance programs Report (O-1), the Procurement Programs Report (P-1), the RDT&E Programs Report (R-1) and the Military Construction Programs report (C-1). Detailed information regarding these databases is provided in section 0105. The FYDP Resource Structure Management (RSM) database maintains information about the program elements and other related attributes critical to the production of the FYDP. Detailed information regarding this database is provided in Section 010702.

F. Instructions for Updating the FYDP

1. General

a. FYDP Forces, Manpower, Military Pay Rates, and remaining appropriations data not elsewhere submitted shall be submitted by DoD Components to the Programming and Fiscal Economics Division, OD, PA&E, over the SIPRNet, as directed.

(1) Operation and Maintenance, Procurement, RDT&E, and Military Construction appropriations data included in the FYDP will be submitted to OUSD (Comptroller) and forwarded to OD, PA&E for inclusion in the FYDP. Reference section 0105 for further instructions.

(2) All FYDP data provided directly to OD, PA&E will be input into the SDCS system on the SIPRNet. The following file formats may be used to submit data to SDCS. Specific information and examples of these formats may be found on the SDCS web page located on the SIPRNet at https://dpd.pae.osd.smil.mil.

(a) Standard ASCII text file, fixed record length, with either single year per row or multiple years per row

(b) Excel spreadsheet file with either single year per row or multiple years per row

b. All resource changes to the data file shall be on a net change basis; that is, data currently in the file shall be revised (plus or minus) by an incremental amount to reflect the new approved position.

c. Program element codes and titles, resource identification codes, and DoD Component identifier codes are as prescribed by DoD 7045.7-H (FYDP Program Structure Handbook). This publication is available at http://www.dtic.mil/whs/directives under "Publications," and in approved decision documents posted to the FYDP Resource Structure Management (RSM) web site (see Section 010702) but not yet reflected in DoD 7045.7-H.

2. Submission of Changes. Changes submitted for net change/add record resource data (Data Format as prescribed in Section 010701F1) must provide specific identification of quantitative resource information by program element, resource identification code, and fiscal year.

3. Military Pay Rates. Submission of each FYDP update should include average annual military pay rates which shall include permanent change of station (PCS) data, rounded to the nearest dollar for each fiscal year for each military personnel end-strength category identified in the FYDP. Pay rates are used in updating the FYDP, and are also a FYDP data end-product in their own right. It is the intent of OD, PA&E to reflect the most accurate pay rates available in each update to the FYDP.

010702. FYDP Resource Structure Management (RSM) System

A. Purpose and Objectives. This section provides for the maintenance of the automated database of the FYDP's structure, and describes the procedures used for requesting

changes to the FYDP's structure, such as establishing new program element codes and definitions or changing program element titles and definitions. The primary information resource in the DoD for FYDP structure is the FYDP Resource Structure Management (RSM) web site https://rsm.pae.osd.smil.mil/RSM located on the SIPRNet.

B. Applicability and Scope. The provisions of this section apply to the Office of the Secretary of Defense (OSD), the Military Departments, the Combatant Commands and the Defense Agencies/Field Activities (hereafter referred to as "DoD Components") that contribute data to the FYDP. Updating and general management of the FYDP structure is administered by OD, PA&E.

C. Reporting Requirements. New program elements must be created when PPBE decisions shift resources among DoD Components or fund new programs. It is the responsibility of the DoD Components and the OUSD (Comptroller), Program/Budget to recommend changes to the FYDP structure via the RSM web site as the need arises. In addition, OUSD (Comptroller), Program/Budget will work with OD, PA&E in the establishment of new TOA Resource Identification Codes (RICs) to coincide with new Treasury Codes created by the Office of Management and Budget, or as otherwise required by PPBE decisions.

D. Update and Publication of FYDP Structure Management Handbook, DoD 7045.7-H. DoD 7045.7-H will be revised periodically (typically *two* times a year or with each update of the FYDP), as specified in DoDI 7045.7, Implementation of the Planning, Programming, and Budgeting System (PPBS), May 23, 1984. The RSM and DefenseLink web site will contain the most recent version to 7045.7-H, updated to reflect the Program and Budget Review, and President's Budget phases of the PPBE. FYDP Structure Coordination Documents (which are approved and placed on the RSM web site) should be used to supplement the most recent version of DoD 7045.7-H; they reflect the latest approved changes to the FYDP's structure.

E. Other Databases Related to RSM. The FYDP report, which is managed by OD, PA&E and updated by the components via the SDCS system, is referenced in Section 010701. The Operation and Maintenance Program, the Procurement Program, the RDT&E Program and the Military Construction Program are referenced in Section 0105.

F. Instructions for Making Changes to the FYDP Structure on RSM. Requests for changes to the FYDP's program structure, such as establishing new program element codes and definitions or clarifying program element titles and definitions, shall be submitted to OD, PA&E for coordination with the DoD Components. The primary instrument for submitting change requests is the RSM web site. The RSM web site provides instructions for formatting and submitting change requests. Each DoD Component has a designated representative authorized to submit change requests. Coordination cycles run continually throughout the year. Approved changes are reported periodically in the FYDP Structure Coordination Documents. These documents are posted on the RSM web site, and the approved structure changes are incorporated in the RSM database.

0108 AUTOMATED BUDGET, INTELLIGENCE, AND RELATED DATABASE (BIRD)

The Budget, Intelligence, and Related database (BIRD) maintained by OUSD(I) is the most complete, automated source of resource data for Intelligence and related activities for use by the Office of the Secretary of Defense and the Joint Staff. The BIRD database is essential to the preparation of the Military Intelligence Program (MIP) justification books. It facilitates functional analyses for OSD and the Joint Staff, and is compatible with the NIP resources database used by the Director of National Intelligence. It is also fully consistent with data contained in the FYDP, R&D and Procurement Annexes, and budget databases, and is electronically matched to relevant data in these databases prior to use. OUSD(I) collects MIP narrative data to support Program Budget Review and publication of the MIP Congressional Justification Book (CJB). Specific instructions for the update of the BIRD database are contained in Chapter 16, Volume 2B.

0109 SELECT AND NATIVE PROGRAMMING (SNaP) DATA INPUT SYSTEM

Basic guidance for input through SNaP of programming detail data and selected budget exhibits for joint use of the program and budget review

010901. Select and Native Programming (SNaP) Data Collection System

A. Purpose. This section provides the instructions for electronic submission of all programming detail data; and certain budget data requirements that have been combined with the corollary programming requirement. The combined program/budget requirements are identified in the FMR issued by the OUSD (Comptroller), and the Programming and Budgeting Data Requirements (PBDR) instruction issued by the Office of the Director, Program Analysis and Evaluation, (OD, PA&E). SNaP is a web based data collection and review system designed to collect and validate designated data for the combined Program and Budget review, and in some cases it is used to update the program and budget detail for the President's Budget. SNaP is available on the SIPRNet at https://SNaP.pae.osd.smil.mil; and the unclassified NIPRNet at https://SNaP.pae.osd.mil.

B. Applicability and Scope. The provisions of this section apply to the Office of the Secretary of Defense (OSD), the Military Departments, the Combatant Commands, and the Defense Agencies/Field Activities (here after referred to as "DoD Components") that provide either a POM or a Budget to OSD. Updating and general management of the data collected through SNaP is administered by the OD, PA&E. OD, PA&E, Program Resources and Information Systems Management (PRISM) Division controls access to SNaP, for the purpose of submitting data.

C. Reporting Requirements. Updates to SNaP are required coincident with the Program and Budget Review, and for some requirements the President's Budget (PB). Specific guidance relative to approved changes, due dates, and special requirements is provided in a memorandum announcing each update. In all submissions, acceptable update years may include the two most recent prior years of the budget cycle to the end of the programming cycle (generally nine years for TOA and manpower, and 12 years for forces).

D. Instructions for submitting designated programming and budgeting data in SNaP

1. System and Software Requirements. To interface with SNaP, users must have access to the NIPRNet and the SIPRNet (If the DoD Components' submission is classified). Windows 95 or higher, and either the Microsoft Internet Explorer 4.x or Netscape Communicator 4.x or higher browser. All narrative files must be in Microsoft Word format. Any supporting files such as the cover letter or executive summary must be in Microsoft Word, Excel, or PowerPoint.

2. Submission. SNaP will be available through password and user id to all those designated by the Primary Point of Contact (POC) from your organization. You may submit, edit, and share your data with other members of your organization for a set period of time prior to the Program/Budget due date. Once your data requirements are complete, (or by the due date) the Primary POC for your organization is responsible for making the submission official. This action is completed on-line.

3. Your work-in-progress. Your work-in-progress is only available to your organization. Programming and Budgeting Data requiring edits after the official due date will occur through permission granted by the system administrator.

4. Preparing Data Structure and Format. SNaP provides pre-formatted Microsoft Excel data files and on-line standard formats to assist you in building your data submission. Wherever possible you are given a standard option menu to describe the data you are providing. Each SNaP data requirement outlined in the PBDR and FMR identifies the data elements, and provides data definitions, instructions and business rules that will assist you in filling out the data tables accurately. All required narrative is submitted as Microsoft Word documents, unless an alternative is specified in the specific data requirement

5. Each of the data requirements collected. SNaP has specific formats that will be used throughout this information management process. Use of the pre-formatted data tables and on-line upload minimizes error. Data ownership is created as soon as you log in and upload a file or submit data on-line.

6. Review & Edit. SNaP validates and verifies the information and rejects incorrect records. A transaction summary is available for each batch upload submitted and an instant message is provided for each on-line transaction. Once data is submitted it is instantly available for review in the format in which it will be displayed. This may include any necessary data calculations or regroupings. Users can go back and edit any part of their submission prior to official submission, and other members of the organization can also review it.

7. Final Displays. Official Program/Budget submissions through SNaP are available for the Program and Budget Review in the password protected Defense Programming Database Warehouse (DPD DW).

0110 GENERAL GUIDANCE SUBMISSION FORMATS

011001. Purpose

The formats provided on the following pages reflect guidance presented in previous sections. Unless modified in a submission budget call, these formats should be adhered to.

011002. Exhibits in Support of Section 0103 – Program and Budget Review Submission

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011003. Exhibits in Support of Section 0104 – Congressional Justification/Presentation

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011004. Exhibits in Support of Section 0105

Budget Automation Requirements (See Section 0105)

011005. Exhibits in Support of Section 0107

Automated FYDP Databases Requirements (See Section 0107)

Exhibit PB-1A. Fiscal Guidance Track

Fiscal Guidance Track
(See Note 4)
DoD Component_____

(TOA in millions of dollars)

	FY 20BY1	FY 20BY2	FY 20BY2+1	FY 20BY2+2	FY 20BY2+3	FY 20BY2+4
POM FISCAL GUIDANCE						
FUNCTIONAL TRANSFERS (See Note 1)						
OTHER (See Note 2)						
TOTAL PROGRAM AND BUDGET REVIEW SUBMISSION (See Note 3)						
APPROPRIATION TITLE						
Mil Pers						
Operation and Maintenance						
Procurement						
RDT&E						
Military Construction						
Family Housing						
Revolving Funds						
Total by Appropriation						

Notes:
1. **Must be identified by appropriation and totals must agree with PB-14.**
2. **Use of this entry must be fully explained. Use "Other" to identify Military Personnel Appropriations**
3. **Totals must agree with TOA in PB-1 Exhibit. Totals should be separately displayed by Appropriation.**
4. **This exhibit not required for President's Budget submission.**

Exhibit PB-3. Reprogramming/Transfers Between Appropriations

FY CY REPROGRAMMING/TRANSFERS BETWEEN APPROPRIATIONS
FY BY Program and Budget Review Submission

Component: _____

FY CY

PROPOSED REPROGRAMMING INCREASES*:

Appropriation

Program (Identify each program by P-1, R-1, O-1, M-1, C-1 line item. For Procurement programs identify the applicable quantities; for the RDT&E programs identify the applicable project; for personnel programs include military and civilian end strength, military average strength, and civilian full-time equivalents; for O&M programs include applicable force data, etc.)

Justification for Increase: Provide a detailed explanation as to why the increase is required and include an impact statement on the program if reprogramming is not approved.

Program

Justification for Increase**:**

Total for Appropriation

Appropriation

Program

Justification for Increase**:**

Program

Justification for Increase**:**

Total for Appropriation

TOTAL PROPOSED REPROGRAMMING INCREASES

*** Use financing code 42000 for proposed budget authority transfer to an appropriation (increase)**

Exhibit PB-3. Reprogramming/Transfers Between Appropriations (Continued)

FY CY REPROGRAMMING/TRANSFERS BETWEEN APPROPRIATIONS
FY BY Program and Budget Review Submission

Component: _____

FY CY

PROPOSED REPROGRAMMING DECREASES:**

Appropriation

Program (Identify each program by P-1, R-1, O-1, M-1, C-1 line item. For Procurement programs identify the applicable quantities; for the RDT&E programs identify the applicable project; for personnel programs include military and civilian end strength, military average strength, and civilian full-time equivalents; for O&M programs include applicable force data, flying hours, etc.)

Justification for Decrease: Provide a detailed explanation as to why the reduction is possible.

Program

Justification for Increase:

Total for Appropriation

Appropriation

Program

Justification for Decrease:

Program

Justification for Decrease:

Total for Appropriation

TOTAL PROPOSED REPROGRAMMING DECREASES

For these proposed reprogrammings/transfers, Components must also update the OUSD (Comptroller) automated budget system database with the necessary adjustments to include financing adjustments.

**** Use financing code 41000 for proposed budget authority transfers from an appropriation (decrease)**

Exhibit PB-4. Schedule of Civilian and Military Personnel

(DoD Component - Army is Illustrated)
FY BY Budget Estimates

SCHEDULE OF CIVILIAN AND MILITARY PERSONNEL

	FY PY	FY CY	FY BY1	FY BY2	FY BY2+1	FY BY2+2	FY BY2+3	FY BY2+4
I. CIVILIAN PERSONNEL (Full-time Equivalents (FTEs))								
Operation and Maintenance, Army								
Direct Funded								
U.S. Direct Hire								
Foreign National Direct Hire								
Total Direct Hire								
Foreign National Indirect Hire								
Total, Direct O&M Army								
Reimbursable								
U.S. Direct Hire								
Foreign National Direct Hire								
Total Direct Hire								
Foreign National Indirect Hire								
Total, Reimbursable O&M Army								
O&M Total								
U.S. Direct Hire								
Foreign National Direct Hire								
Total Direct Hire								
Foreign National Indirect Hire								
Total, O&M Army								
RDT&E, Army								
Direct Funded								
U.S. Direct Hire								
Foreign National Direct Hire								
Total Direct Hire								

Exhibit PB-4. Schedule of Civilian and Military Personnel (Continued)

(DoD Component - Army is Illustrated
FY BY Budget Estimates

SCHEDULE OF CIVILIAN AND MILITARY PERSONNEL

	FY PY	FY CY	FY BY1	FY BY2	FY BY2+1	FY BY2+2	FY BY2+3	FY BY2+4
I. CIVILIAN PERSONNEL FTEs (Cont'd)								
Foreign National Indirect Hire								
Total, Direct RDT&E Army								
Reimbursable								
U.S. Direct Hire								
Foreign National Direct Hire								
Total Direct Hire								
Foreign National Indirect Hire								
Total, Reimbursable RDT&E, Army								
RDT&E Total								
U.S. Direct Hire								
Foreign National Direct Hire								
Total Direct Hire								
Foreign National Indirect Hire								
Total, RDT&E Army								

List appropriations/accounts in the normal budget order on the basis of where personnel are budgeted.

ARMY TOTAL CIVILIAN PERSONNEL FTEs								
U.S. Direct Hire								
Foreign National Direct Hire								
Total Direct Hire								
Foreign National Indirect Hire								
Total Army								
II. ACTIVE MILITARY PERSONNEL (End Strength)								
Military Personnel, Army								
Officers								
Enlisted								
Cadets								
Total Military Personnel								

Exhibit PB-4. Schedule of Civilian and Military Personnel (Continued)

(DoD Component - Army is Illustrated)
FY BY Budget Estimates

SCHEDULE OF CIVILIAN AND MILITARY PERSONNEL

	FY PY	FY CY	FY BY1	FY BY2	FY BY2+4
III. SELECTED RESERVE PERSONNEL (End Strength)					
Reserve Personnel, Army					
Trained in Units					
Officers					
Enlisted					
Total Trained in Units					
Individual Mobilized Augmentees					
Officers					
Enlisted					
Total Individual Mobilized Augmentees					
Training Pipeline					
Officers					
Enlisted					
Total Training Pipeline					
Full-time Active Duty					
Officers					
Enlisted					
Total Full-time Active Duty					
TOTAL ARMY RESERVE PERSONNEL					
Officers					
Enlisted					
Total Reserve Personnel, Army					

Exhibit PB-4. Schedule of Civilian and Military Personnel (Continued)

(DoD Component - Army is Illustrated)
FY BY Budget Estimates

SCHEDULE OF CIVILIAN AND MILITARY PERSONNEL

	FY PY	FY CY	FY BY1	FY BY2	FY BY2+1	FBY2+4
III. SELECTED RESERVE PERSONNEL (Cont'd)						
National Guard Personnel, Army						
Trained in Units						
Officers						
Enlisted						
Total Trained in Units						
Training Pipeline						
Officers						
Enlisted						
Total Training Pipeline						
Full-time Active Duty						
Officers						
Enlisted						
Total Full-time Active Duty						
TOTAL ARMY NATIONAL GUARD PERSONNEL						
Officers						
Enlisted						
Total National Guard Personnel, Army						
ARMY TOTAL SELECTED RESERVE						
Officers						
Enlisted						
Total						

(page 4 of 4)

Exhibit PB-8. FY 20CY. Supplemental Appropriation Requirements

(Component)
FY 20CY SUPPLEMENTAL APPROPRIATION REQUIREMENTS
($ Thousands)

Appropriation Account Title	Existing Availability FY 20CY	Supplemental Budget Authority (BA) Requirements			
		Military Pay	Civilian Pay	Other	Total
(1)	(2)	(3)	(4)	(5)	(6)
Mil. Pers., Army					
Budget Authority ($)					
Outlays ($)					
Military E/S					
O&M, Army					
Budget Authority ($)					
Outlays ($)					
Civilian FTE					
RDT&E, Army					
Budget Authority ($)					
Outlays ($)					
Civilian FTE					

INSTRUCTIONS

Column (1): Stub lines will be the same as those on Exhibit PB-1 on a budget basis. Three lines of data (BA, outlays and military/civilian personnel impacts) are required for each account included in the supplemental proposal.

Column (2): The dollar amounts in this column for BA and outlays must agree with FY 20CY amounts submitted in the automated Comptroller Information System (CIS) database for the Program and budget review submission. Likewise, civilian FTE and Military E/S data must agree with amounts reported in the Component's automated CIS for the Program and budget review submission.

(Page 1 of 2)

Exhibit PB-8. FY 20CY Supplemental Appropriation Requirements (Continued)

Columns (3), (4) and (5): ..... Show supplemental requirements (BA, military E/S, and civilian FTE) by program.

Column (6): Represents the sum of Columns (3), (4) and (5). The BA, outlay, military E/S and civilian FTE amounts in these columns represent the total supplemental request impacting FY 20CY.

TOTALS
BA ($)
Outlays ($)
Mil E/S
Civ FTE

Exhibit PB-10. Additional FY 20BY Budget Estimates

(Name of Component)

ADDITIONAL FY 20BY BUDGET ESTIMATES

Date_____
Component Control No._____
USD (Comptroller) Serial No._____

Appropriation / Budget Subactivity Number / Line Items	Change ($000)			Change Personnel										
					20CY Change			20BY1 Change				20BY2Change		
	20CY	20BY1	20BY2	Category	ES	AS/FTE	Rate	ES	AS/FTE	Rate		ES	AS/FTE	Rate
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)		(12)	(13)	(14)
INCREASES														
Military Personnel, Army														
777 Budgeted Amounts (ES & AS)	-	XX	XX	XX	-	-	-	XX	XX	XX		XX	XX	XX
540 Retired Pay Accrual ($)	-	XX	XX											
Operation and Maintenance, Army														
350 Info Security ($ and FTE)														
777 Budgeted Amounts ($ and FTE)														
Total Increases														
DECREASES														
Other Procurement, Army														
777 Budgeted Amounts ($)														
Maintenance Kit, MK-673														
Total Decreases														
Outyear Impact														

	Change $000			
	20BY2+1	20BY2+2	20BY2+3	20BY2+4
INCREASES				
Military Personnel, Army				
777 Budgeted Amounts (ES)				
540 Retired Pay Accrual ($)				
Operation & Maintenance, Army				
350 Info Security ($ and FTE)				
Total Increases				
DECREASES				
Other Procurement, Army				
777 Budgeted Amounts ($)				
Total Decreases				

Notes:
ES = Military end-strengths
FTE = Civilian full time equivalents
$ = Dollars in thousands

(page 1 of 2)

Exhibit PB-10. Additional FY 20BY Budget Estimates (Continued)

INSTRUCTIONS FOR PREPARATION
OF EXHIBIT PB-10

The following instructions apply to all appropriations and funds:

Indicate in the heading the name of the submitting component, subject, date, and component submission control number. Leave "USD (Comptroller) Serial No." blank.

Column (1): List the appropriation or fund and the Budget Subactivity Number. For the procurement appropriations, P-1 line items will be shown. For the RDT&E appropriations, program elements will be shown.

Columns (2), (3) and (4): List the TOA changes. If there are also changes in financing adjustments, show these separately and then show the change in budget authority. The military personnel amount to be used here will be the sum of the products of the workyears/$ rates shown to the right, using the standard rate.

Column (5): List the military or civilian personnel categories affected by the change. Military personnel change will be in end-strength (E/S) and civilian personnel change in full time equivalent (FTE). Use the categories illustrated in Exhibit PB-4.

Columns (6), (7), (9), (l0), (l2) and (l3): List the military end strength and workyear changes, by activity. Likewise, list civilian FTE changes by activity.

Columns (8), (11) and (14): Show the average salary at which these changes were priced.

If there are no personnel changes, Columns (5) through (14) will be left blank.

Show a total for increases and decreases.

The outyear impact of the additional budget submission will be included at the end of Exhibit PB-10. This will show the net change by appropriation budget subactivity number for each of the applicable outyears.

Narrative justification must also accompany Exhibit PB-10.

Major Budget Issue Format

DEPARTMENT/AGENCY _____

MAJOR BUDGET ISSUE

PBD No. _____ **Subject _____**

(BA, $ in Millions)

	FY BY1	FY BY2	FY BY2+1	FY BY2+2	FY BY2+3	FY BY2+4
Component Budget (As Adjusted by PDM)	xx	xx	xx	xx	xx	xx
PBD Adjustment	xx	xx	xx	xx	xx	xx
Amount Approved in PBD	xx	xx	xx	xx	xx	xx
Amount Appealed (Change to amount approved in PBD)	xx	xx	xx	xx	xx	xx

Brief Description of Issue:

(Limit entire issue to one page.)

Component Recommendation:

Exhibit PB-37A. Justification of Supplemental Requirements

Department of the _____
Military Personnel,_____

(Dollars in Thousands)

FY CY Presently Available
FY CY Revised Estimate
FY CY Proposed Supplemental

Budget Activity: Subsistence of Enlisted Personnel

Justification of Supplemental Requirements.

For increased feeding costs resulting from rising food prices. Ration rates increased from $x.xx to $x.xx in CONUS, and from $x.xx to $x.xx Overseas.

Exhibit PB-37R. Budget Amendment Summary

DEPARTMENT OF THE AIR FORCE

WEAPONS PROCUREMENT, AIR FORCE
BUDGET AMENDMENT SUMMARY
(Dollars in Thousands)

FY BY Pending Request

SRAM

ALCM

FY BY Revision _____

FY BY Revised Request

Exhibit PB-37S. Program and Financing Schedule (Abbreviated)

DEPARTMENT OF THE AIR FORCE

WEAPONS PROCUREMENT, AIR FORCE
PROGRAM AND FINANCING SCHEDULE (abbreviated)
(Dollars in thousands)

Program by Activities	BUDGET PLAN			OBLIGATION PLAN		
	FY BY Pending Request	FY BY Proposed Amendment	FY BY Revised Request	FY BY Pending Request	FY BY Proposed Amendment	FY BY Revised Request
Direct:						
1. Ballistic Missiles						
2. Other Missiles						
3. Modification of In-Service Missiles						
4. Spares and Repair Parts						
5. Other Support						
6. Ammunition	_____	_____	_____	_____	_____	_____
TOTAL DIRECT						
Reimbursable (Total)	_____	_____	_____	_____	_____	_____
TOTAL						
Financing (Net)	_____	_____	_____	_____	_____	_____
BUDGET AUTHORITY						
OUTLAYS						

1/ Object Class 31.0: Equipment

Exhibit PB-37T. Narrative Justification

DEPARTMENT OF AIR FORCE
WEAPONS PROCUREMENT, AIR FORCE
NARRATIVE JUSTIFICATION

(Dollars in Thousands)

FY BY Pending Request
FY BY Proposed Amendment
FY BY Revised Request

Budget Activity: Other Missiles

Justification of proposed amendment.

AGM-69B SRAM. Deletes the $xx,xxx,xxx FY BY requirement. Due to the recent evolution of the Air Launch Cruise Missile (ALCM) as an effect weapon system and the continued ability to use the B-52 bomber well into the 1980's, the President directed the B-1 production be halted. With the decision to not deploy the B-1, the Air Force requirement for the SRAM-B which was to be used on the B-1 is no longer valid.

Air Launched Cruise Missile. The Air Launched Cruise Missile (ALCM) is an aerodynamic air-to-ground strategic missile propelled by a turbo-fan engine. It has a high degree of accuracy through the combination of inertial guidance and terrain correlation update. The missile is designed to be carried internally and/or externally on the B-52. The ALCM is to be employed from a stand-off position against a wide variety of pre-selected lightly or undefended ground hard targets. This budget amendment requests an additional $xx,xxx,xxx to accelerate the ALCM Initial Operating Capability (IOC).

Exhibit PB-39A-1. Format - Appeal Input (Program Adjustments)

Department of Defense Appeal
FY ____ Defense (Authorization or Appropriation) Bill
Appeal

Subject:

Appropriation(s):

Summary:

Briefly describe the congressional action and the apparent reasons behind it.

Item	Budget Authority (Dollars in Millions) Request	House	Senate	Appeal

DoD Position:

The Department urges…

Concise description of our rationale for restoration.
Continuations and supplements are not necessary and will not be used.

Comptroller Internal Control Notes
Submitter:
Page/Section References:
Reviewing Directorate/Analyst:
Director's Recommendation:

Exhibit PB-39A-2. Format - Appeal Input (Language Items)

Department of Defense Appeal
FY ____ Defense (Authorization or Appropriation) Bill

Subject:

Language/Provision:

Briefly describe language or general provision and its apparent intent.

DoD Position:

The Department opposes…
The Department urges the exclusion of this provision.

Concise description of our rationale for revision or removal of language/general provision item as proposed.

Comptroller Internal Control Notes
Submitter:
Page/Section References:
Reviewing Directorate/Analyst:
Director's Recommendation:

Exhibit DD 1587. Record of Congressional Transcript Review

RECORD OF CONGRESSIONAL TRANSCRIPT REVIEW

TRANSCRIPT ACTION MONITOR *(Name, agency and telephone number)*	DATE RECEIVED FROM CONGRESS

To: *(In turn)*	DATE ACTION MUST BE COMPLETED
1. _____	1. _____
2. _____	2. _____
3. DIRECTOR, FREEDOM OF INFORMATION AND SECURITY REVIEW	3. _____

DESCRIPTION OF DOCUMENT COMMITTEE/SUBCOMMITTEE	HEARING DATE AND SUBJECT	PAGES _____ THRU _____
		HEARING:
		CLASSIFICATIO

The attached transcript of testimony is forwarded for editorial and security review in accordance with DoD Directive 5400.4. To meet committee requirements and allow time for final review by the Directorate for Freedom of Information and Security Review, OASD(PA), your action must be completed as indicated. Each element in the review process must give cooperative consideration to the time requirements of all elements in meeting due out dates. An advance copy of this DD Form has been sent to DFOISR, OASD(PA).

GUIDELINES

I. SECURITY

A. GENERAL. Review must be accomplished by officials competent to judge the security aspects of the subjects involved and to provide a consistent and defensible security position.

B. MARKING
1. Use black lead pencil.
2. Enclose with brackets [ ] information to be deleted.
3. Make deletions as limited as possible, considering whether the total context may contain clues to the information deleted.

II EDITORIAL

A. GENERAL. Edit to correct inaccuracies.

B. MARKING.
1. Use black lead pencil.
2. Line through all words or figures for which substitute language or figures are entered. Do *not* use brackets.
3. Print or write all entries legibly.
4. Use standard proofreaders markings.
5. Do not change statements by committee members. Note inaccuracies in the margin.

REMARKS

FORWARDING

TO: Director, Freedom of Information and Security Review **Date:** _____

Portions of the attached transcript which require deletion in the interests of national security before publication have been bracketed. This action represents the considered judgement of this department/agency that the information so marked warrants the protection of security classification.

SIGNATURE	OFFICE

DD Form 1587, MAR 78 REPLACES DD FORM 1587, 1 APR 74, WHICH IS OBSOLETE.
DD 1587 Record of Congressional Transcript Review

Exhibit DD 1790. Prepared Testimony Review

PREPARED TESTIMONY REVIEW	
TO: DIRECTOR, FREEDOM OF INFORMATION AND SECURITY REVIEW	**DATE**
The attached document is forwarded for review in accordance with paragraph D.2.a.(2), DoD Directive 5400.4.	
DESCRIPTION OF DOCUMENT	
WITNESS	
COMMITTEE/SUBCOMMITTEE	
HEARING DATE AND SUBJECT	
PAGE COUNT	THIS DOCUMENT IS FOR ☐ CLASSIFIED ☐ UNCLASSIFIED PRESENTATION *(Check applicable term)*
UPON COMPLETION NOTIFY ***(Name, agency and telephone number)***	
DIRECT QUESTIONS TO ***(Name, agency and telephone number)***	
REQUEST CLEARANCE NLT ***(Date)***	
The attached material has department/agency approval for the purpose specified. Any portions requiring security protection have been appropriately marked.	
ATTACHMENT	**SIGNATURE**

DD Form 1790, MAR 78 **REPLACES DD FORM 1790, JAN 71, WHICH IS OBSOLETE**

DD 1790 Prepared Testimony Review

HAC QFR

Committee: HAC Defense Subcommittee
Hearing Date:
Hearing:
Member:
Witness:
Question #:

Subtitle

Question:

Answer:

All input is via CHARRTS

HASC QFR

Committee: House Armed Services
Hearing Date:
Subject:
Member:
Witness
Question #:

Question:

Answer:

All input is via CHARRTS
when tasked by OUSD (Comptroller)

SAC QFR

Committee: SAC, Defense Subcommittee
Hearing Date:
Hearing:
Member:
Witness:
Question #

[Subject]

Question.
Answer.

All input is via CHARRTS

SASC QFR

Committee: Senate Armed Services
Hearing Date:
Subject:
Question #:

Senator:
Witness:

All input is via CHARRTS
when tasked by OUSD (Comptroller)

INSERT - ALL COMMITTEES

Insert - All Committees

Committee:
Hearing Date:
Hearing:
Member:
Witness:
Insert (Page#, Line#):

The information follows:

All input is via CHARRTS

VOLUME 2A, CHAPTER 2: "MILITARY PERSONNEL APPROPRIATIONS"

SUMMARY OF MAJOR CHANGES TO

All changes are denoted by blue font.

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

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

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

The previous version dated September 2014 is archived.

PARA	EXPLANATION OF CHANGE/REVISION	PURPOSE
020204, 020303, 020602 & 020603	The following back-up exhibits are eliminated or replaced: MP-2, Part 1 Dependents, Housing and BAH Estimates; MP-7, Aviation Retention Bonus; MP-14, Selected Officer Occupation Specialties; MPR-1, IADT Program and Prior Service Enlistments; and MPR-9, Selected Officer Occupation Specialties	Delete
020202 thru 020603	Narrative and exhibit updates due to Blended Retirement System	Update

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CHAPTER 2

MILITARY PERSONNEL APPROPRIATIONS

0201 GENERAL

020101. Purpose

A. This Chapter prescribes the justification materials required for the Military Personnel and Medicare-Eligible Retiree Health Fund Contribution appropriations for both the Active and the Reserve Forces to support the program and budget review submission and the presentation of the President's budget submission to the Congress.

B. The following appropriations and accounts are covered:

1. In Section 0202: Active Personnel, Army, Navy, Marine Corps, Air Force and Medicare-Eligible Retiree Health Fund Contribution, Army, Navy, Marine Corps, Air Force.

2. In Section 0203: Reserve Personnel, Army, Navy, Marine Corps, Air Force; National Guard Personnel, Army, Air Force; Medicare-Eligible Retiree Health Fund Contribution, Reserve Personnel, Army, Navy, Marine Corps, Air Force and Medicare-Eligible Retiree Health Fund Contribution, National Guard Personnel, Army, Air Force.

3. In Section 0204: Military Personnel Retirement Requirements.

4. In Section 0205: Military Retirement Fund, Education Benefits Fund, and Retiree Health Care Fund.

C. Fund requirements for the Military Personnel and Medicare-Eligible Retiree Health Fund Contribution appropriations will be presented using the budget and fiscal accounting classifications as set forth below in sections 0202 and 0203. Program and Budget estimates will be based upon approved military personnel/strength programs as contained in the exhibits required in this Chapter, and in accordance with such special instructions as may be issued by the Office of the Under Secretary of Defense (P&R) as part of the call for the services' military strength programs.

D. Budgeting for Inflation. Anticipated inflation will be included in the Program and Budget Review Submission for clothing, subsistence-in-kind, basic allowances for housing and subsistence, the commercial portions of permanent change of station travel, and temporary lodging allowances overseas. The inflation rates to be used will be based upon approved price escalation indices provided as an enclosure to the annual FY 20CY revised and FY 20BY Program and Budget Review Guidance memorandum.

0202 ACTIVE MILITARY PERSONNEL AND MEDICARE-ELIGIBLE RETIREE HEALTH FUND CONTRIBUTION APPROPRIATIONS

020201. General

A. The purpose of this section is to provide general information applicable to the Active Military Personnel and Medicare-Eligible Retiree Health Fund Contribution appropriations including funding policies, classifications, and definitions unique to these accounts. Generic policies and requirements are addressed in Volume 2A, Chapter 1. The Military Components should consult all of the other chapters for exhibit requirements that are not specifically addressed in this chapter including the Other Special Analysis chapter (See Volume 2A, Chapter 1 and Volume 2B, Chapter 19).

B. This section provides the budget and fiscal accounting classifications for the military personnel and Medicare-Eligible Retiree Health Fund Contribution appropriations for uniform application by the Military Departments and the Office of the Secretary of Defense, pursuant to the provisions of Title 10, United States Code (U.S.C.), section 115. The objective is to establish the basis for uniform budget presentations and a standard budget and fiscal accounting classification, which shall be used on a uniform basis for the military personnel and Medicare-Eligible Retiree Health Fund Contribution appropriations throughout the Department of Defense in submitting budget estimates and in accounting and reporting on the status of funds for the Military Personnel and Medicare-Eligible Retiree Health Fund Contribution appropriations.

*020202. Uniform Budget and Fiscal Accounting Classification

A. The budget and accounting classification prescribed herein shall be the official classification for use in preparing budget estimates, accounting for budgetary and financial transactions, and in submitting reports on the applicable appropriation accounts. Individual budget activity and subactivity accounts shall be established as required for the accounts listed in paragraph 020101, above. Variations in the activity and subactivity classification and titles shall not be made, except that additional accounts consistent with this budget and accounting classification may be established in order to meet administration requirements of the various elements of the Military Departments. The scope of each account is described below.

B. Symbol numbers shall be assigned to each of the budget activities and subactivities listed below in the same manner and the same sequence and will be consistent with the fiscal codes for all appropriations and funds, as published in the respective Military Department fiscal code manuals.

C. Chart of Accounts - The chart of accounts that follows represents a summary of the accounting and reporting structure under the Active Military Personnel and Medicare-Eligible Retiree Health Fund Contribution appropriations. However, for purposes of presentation of budget estimates, as distinguished from monthly reporting, additional statistical breakdown will be required as shown in paragraph 020203, below.

CHART OF ACCOUNTS DEFINITIONS/DESCRIPTIONS

Budget Activity (BA) and Budget Subactivity (BSA) [a/]

BA/BSA – Active Military Personnel Appropriations

1	Pay and Allowances of Officers
1-A	Basic Pay
1-B	Retired Pay Accrual
1-C	TSP Matching Contributions
1-D	Incentive Pay for Hazardous Duty
1-E	Special Pay
1-F	Basic Allowance for Housing
1-G	Basic Allowance for Subsistence
1-H	Station Allowances, Overseas
1-I	CONUS COLA
1-J	Clothing Allowances
1-K	Family Separation Allowances
1-L	Separation Payments
1-M	Special Compensation for Assistance with Activities of Daily Living - Officer
1-N	Social Security Tax - Employer's Contribution
2	Pay and Allowances of Enlisted Personnel
2-A	Basic Pay
2-B	Retired Pay Accrual
2-C	TSP Matching Contributions
2-D	Incentive Pay for Hazardous Duty
2-E	Special Pay
2-F	Special Duty Assignment Pay
2-G	Reenlistment Bonus
2-H	Enlistment Bonus
2-I	Education Benefits (College Fund)
2-J	Loan Repayment Program
2-K	Basic Allowance for Housing
2-L	Station Allowances, Overseas
2-M	CONUS COLA
2-N	Clothing Allowances
2-O	Family Separation Allowances
2-P	Separation Payments
2-Q	Special Compensation for Assistance with Activities of Daily Living - Enlisted
2-R	Social Security Tax - Employer's Contribution
3	Pay and Allowances of Cadets and Midshipmen
3-A	Academy Cadets and Midshipmen
4	Subsistence of Enlisted Personnel
4-A	Basic Allowance for Subsistence
4-B	Subsistence in Kind
4-C	Family Subsistence Supplemental Allowance (FSSA)
5	Permanent Change of Station Travel
5-A	Accession Travel
5-B	Training Travel
5-C	Operational Travel Between Duty Stations (within CONUS and within Overseas)
5-D	Rotational Travel to and from Overseas
5-E	Separation Travel

5-F Travel of Organized Units

6 Other Military Personnel Costs
6-A Apprehension of Military Deserters, Absentees, and Escaped Military Prisoners
6-B Interest on Uniformed Services Savings Deposits
6-C Death Gratuities
6-D Unemployment Benefits
6-E Education Benefits
6-F Adoption Expenses
6-G Mass Transportation Benefit
6-H Partial Dislocation Allowance
6-I Reserve Income Replacement
6-J Servicemembers' Group Life Insurance (SGLI)
6-K Reserve Officers Training Corps (ROTC)
6-L Junior Reserve Officers Training Corps (JROTC)

BA/BSA – Medicare-Eligible Retiree Health Fund Contribution Appropriations

1 Officers
2 Enlisted

a/ Proper coding will be assigned to each Military Department in accordance with fiscal codes for all appropriation activities.

D. Chart of Accounts Budget Activities and Subactivities Definitions/Descriptions are provided on the following pages.

E. Object Classification - The object classifications that follow the Chart of Accounts Budget Activities and Subactivities Definitions/Descriptions shall be the official classifications for use in preparing budget estimates, accounting for budgetary and financial transactions, and in submitting reports on the applicable appropriation accounts.

BA/BSA – Active Military Personnel Appropriations

1. Pay and Allowances of Officers - For the pay and allowances authorized by law to be paid to officers, including commissioned and warrant of the Regular Forces and officers of the Reserve Components on extended active duty. In accordance with the provisions of 31 U.S.C. 371(b), officers may not receive a bonus or incentive pay under both subchapter I and subchapter II of Chapter 5 of title 37, USC (37 U.S.C. §§301-330 and 31 U.S.C. §§331-355, respectively) for the same activity, skill, or period of service.

1-A. Basic Pay: For basic compensation of officers, including length of service increments, under provisions of Title 37, United States Code (U.S.C.), sections 201, 203 and 205.

1-B. Retired Pay Accrual: For the Department of Defense's Contribution to its Military Retirement Fund under provisions of 10 U.S.C. 1466. Retired pay accrual amounts will be precisely the specified percent of basic pay. Retired pay accrual does not apply to academy cadets or midshipmen.

1-C. Thrift Savings Plan (TSP) Matching Contributions: For the Department of Defense's contribution to the Thrift Savings Fund for the benefit of the member under provisions of

5 U.S.C. 8432. For those member's participating in the blended retirement plan, the amount contributed shall not be more than 5 percent of the member's basic pay for such pay period.

1-D-1. Incentive Pay for Hazardous Duty: For pay of officers for performance of hazardous duty required by competent authority under provisions of 37 U.S.C. 301 or 37 U.S.C. 351. Includes:

a. Duty as a crew member as determined by the Secretary concerned, involving frequent and regular participation in aerial flight.

b. Duty involving frequent and regular participation in aerial flights not as a crew member pursuant to paragraph a, above.

c. Duty involving parachute jumping as an essential part of military duty.

d. Duty involving the demolition of explosives as a primary duty, including training for such duty.

e. Duty inside a high or low pressure chamber.

f. Duty as a human acceleration or deceleration experimental subject.

g. Duty as human test subject in thermal stress experiments.

h. Duty involving frequent and regular participation in flight operations on the flight deck of an aircraft carrier or of a ship other than an aircraft carrier from which aircraft are launched.

i. Duty involving service as an air weapons controller.

j. Duty involving use of toxic fuel or waste.

k. Duty involving highly toxic pesticides or live, hazardous organisms.

l. Duty involving visit, board, search and seizure.

1-D-2. Incentive and Special Pay for Aviation Career Duty: For pay of officers for performance of aviation duty required by competent authority under provisions of 37 USC 301a, 301b, and 334. Includes:

a. For the frequent and regular performance of operational or proficiency flying duty required by orders.

b. For the written agreement to remain on active duty in aviation service for at least 1 year in an aviation specialty designated as critical.

1-D-3. Incentive Pay for Submarine Duty: For pay of officers for performance of duty required by competent authority under provision of 37 USC 301c. while attached under competent orders to a submarine, while serving as an operator or crew member of an operational submersible (including an undersea exploration or research vehicle), while undergoing training preliminary to assignment to a nuclear-powered submarine, while undergoing rehabilitation after assignment to a nuclear-powered submarine, or, in the case of a member qualified in submarines, while

attached as a member of a submarine operational command staff whose duties require serving on a submarine during underway operations.

1-E. Special Pay: For special and incentive pay to officers on active duty as physicians, dentists, optometrists, pharmacists, veterinarians, nurses and psychologists under the provisions of 37 U.S.C. 301d, 301e, 302, 302a, 302b, 302c, 302c-1, 302d, 302e, 302h, 302i, 302j, 302k, 302l, 303, and 335; certain designated officers in positions of unusual responsibility which are of a critical nature to the Service concerned under provisions of 37 U.S.C. 306; officers on duty subject to hostile fire or imminent danger under provisions of 37 U.S.C. 310 or 37 U.S.C. 351; personal money allowance to certain Generals and Admirals under provisions of 37 U.S.C. 414; for diving duty pay under the provisions of 37 U.S.C. 304; for hardship duty pay while assigned to locations or duties designated by the Secretary of Defense under the provisions of 37 U.S.C. 305; for career sea pay under the provisions of 37 U.S.C. 305a; for nuclear officer incentive pay under the provisions of 37 U.S.C. 312, 312b, 312c, or 333; for members extending duty at designated overseas locations under the provisions of 37 U.S.C. 314; for engineering and scientific duty performed by officers under the provisions of 37 U.S.C. 315; for foreign language proficiency under the provisions of 37 U.S.C. 316 or 353; for special warfare officers extending period of active duty under the provisions of 37 U.S.C.318; for surface warfare continuation pay under the provisions of 37 U.S.C. 319; for judge advocate continuation pay under the provisions of 37 U.S.C. 321; for assignment incentive pay under the provisions of 37 U.S.C. 307a or 352; for skill incentive pay or skill proficiency bonus under the provisions of 37 U.S.C. 353; for retention incentives for members qualified in critical military skills under the provisions of 37 U.S.C. 332 or 355; for accession bonus for new officers in critical skills under the provisions of 37 U.S.C. 324, 330, 332, or 336; for incentive bonuses to transfer between armed forces under the provisions of 37 U.S.C. 327 or 332; for continuation of pays during hospitalization and rehabilitation under the provisions of 37 U.S.C. 372; and for continuation pay authorized under the provisions of 37 U.S.C. 356.

1-F. Basic Allowance for Housing: For housing allowances payable to officers under the provisions of 37 U.S.C. 403. BAH is comprised of BAH-Domestic and BAH-Overseas.

1-G. Basic Allowance for Subsistence: For subsistence allowances payable to officers under the provisions of 37 U.S.C. 402.

1-H. Station Allowances, Overseas: For per diem allowances payable to officers stationed outside the Continental United States or in Hawaii or Alaska based on cost of living for members stationed outside the United States as prescribed by Joint Federal Travel Regulations and authorized under the provisions of 37 U.S.C. 475.

1-I. CONUS Cost of Living Allowance: For payments to eligible officers assigned to high cost areas under the provisions of 37 U.S.C. 403b**.**

1-J. Clothing Allowances: For payments to officers for purchase of required uniform under the provisions of 37 U.S.C. 415 - 419

1-K. Family Separation Allowances: For family separation allowances payable to officers under the provision of 37 U.S.C. 427.

1-L. Separation Payments:

a. For payments to officers for accumulated annual leave under the provisions of 37 U.S.C. 501.

b. For severance pay to officers, including elimination severance pay to officers not eligible for retirement under any provision of law on the date of elimination by promotion list passover, under the provisions of 10 U.S.C. 1174; elimination severance pay for cause under the provisions of 10 U.S.C. 1181; disability severance pay under the provisions of 10 U.S.C. 1212.

c. For lump sum readjustment payments to Reserve officers under the provisions of 10 U.S.C. 12312.

d. Voluntary Separation Incentive (VSI) - For payment of an annuity to officers voluntarily separating from active duty during the drawdown under the provisions of 10 U.S.C. 1175.

e. Voluntary Separation Pay (VSP) – For a lump sum payment to officers who have served on active duty or full-time National Guard duty for more than 6 years but not more than 12 years and voluntarily separate under the provisions of 10 U.S.C. 1175a.

f. Special Separation Benefit (SSB) - For a lump sum payment to officers separating from active duty during the drawdown under the provisions of 10 U.S.C. 1174a.

g. Temporary Early Retirement Authority (TERA) - For payment of retired pay to selected active duty officers who retire with between 15 and 20 years of service under the provisions of 10 U.S.C. 1293, 3911, 3914, 6323, 6330, 8911 and 8914. Section 504(b) of the FY 2012 National Defense Authorization Act (NDAA), P.L. 112-81, reinstates temporary retirement authorities in section 4403 of the FY 1993 NDAA (P.L. 102-484) from fiscal year 2012 to December 31, 2018.

h. $30,000 Lump Sum Bonus – For payment to service members who entered the uniformed service on or after August 1, 1986, who opt to retire under the Redux retirement plan (40 percent retirement benefit at 20 years of service with partial COLA) under the provisions of 37 U.S.C. 354.

1-M. Special Compensation for Assistance with Activities of Daily Living – Officer: For payment of monthly compensation to an officer with catastrophic injuries or illnesses requiring assistance in everyday living under the terms and conditions specified by 37 U.S.C. 439.

1-N. Social Security Tax Employer's Contribution: For payment of tax of employer to Social Security Administration as provided by Federal Insurance Contributions Act (FICA).

2. Pay and Allowances of Enlisted Personnel - For the pay and allowances authorized by law to be paid to enlisted personnel of the Regular forces and enlisted members of the Reserve Components on extended active duty. In accordance with the provisions of 31 U.S.C. 371(b), enlisted members may not receive a bonus or incentive pay under both subchapter I and subchapter II of Chapter 5 of title 37, USC (37 U.S.C. §§301-330 and 31 U.S.C. §§331-355, respectively) for the same activity, skill, or period of service.

2-A. Basic Pay: For basic compensation of enlisted personnel, including length of service increments, under the provisions of 37 U.S.C. 201, 203 and 205.

2-B. Retired Pay Accrual: For the Department of Defense's Contribution to its Military Retirement Fund, under provisions of 10 U.S.C. 1466. Retired pay accrual amounts will be precisely the specified percent of basic pay.

2-C. Thrift Savings Plan (TSP) Matching Contributions: For the Department of Defense's contribution to the Thrift Savings Fund for the benefit of the member under provisions of 5 U.S.C. 8432. For those member's participating in the blended retirement plan, the amount contributed shall not be more than 5 percent of the member's basic pay for such pay period.

2-D-1. Incentive Pay for Hazardous Duty: For pay of enlisted personnel for performance of hazardous duty required by competent authority under the provisions of 37 U.S.C. 301 and 37 U. S.C. 351. Includes:

a. Duty as a crew member as determined by the Secretary concerned, involving frequent and regular participation in aerial flight.

b. Duty involving frequent and regular participation in aerial flights not as a crew member pursuant to paragraph a, above.

c. Duty involving parachute jumping as an essential part of military duty.

d. Duty involving the demolition of explosives as a primary duty, including training for such duty.

e. Duty inside a high or low pressure chamber.

f. Duty as a human acceleration or deceleration experimental subject.

g. Duty as human test subject in thermal stress experiments.

h. Duty involving frequent and regular participation in flight operations on the flight deck of an aircraft carrier or of a ship other than an aircraft carrier from which aircraft are launched.

i. Duty involving service as an air weapons controller.

j. Duty involving use of toxic fuel or waste.

k. Duty involving highly toxic pesticides or live, hazardous organisms.

l. Duty involving Visit, Board, Search and Seizure.

2-D-2. Career Enlisted Flyer Incentive Pay: For career enlisted flyer pay under the provisions of 37 U.S.C. 320. To be paid to an enlisted member of the armed forces who holds an enlisted military occupational specialty or enlisted military rating designated as career enlisted flyer specialty or rating by the Secretary concerned, performs duty as a dropsonde system operator, or is in training leading to qualification and designation of such a specialty or rating or the performance of such duty and meets the other requirements as designated in 37 U.S.C. 320 or 353 outlined in DoD Instruction 7730.67.

2-D-3. Incentive Pay for Submarine Duty: For enlisted submarine pay under provision of 37 USC 301c. for performance of duty while attached under competent orders to a submarine, while serving as an operator or crew member of an operational submersible (including an undersea exploration or research vehicle), while undergoing training preliminary to assignment to a nuclear-powered submarine, while undergoing rehabilitation after assignment to a nuclear-powered submarine, or, in the case of a member qualified in submarines, while attached as a member of a submarine operational command staff whose duties require serving on a submarine during underway operations.

2-E. Special Pay: For hardship duty pay while assigned to locations or duties designated by the Secretary of Defense under the provisions of 37 U.S.C. 305; for career sea pay under the provisions of 37 U.S.C. 305a; for diving duty pay under the provisions of 37 U.S.C. 304; for assignment incentive pay under the provisions of 37 U.S.C. 307a; for duty subject to hostile fire or imminent danger under the provisions of 37 U.S.C. 310 or 37 U.S.C. 351; for nuclear-trained and qualified, and for nuclear career accession and annual incentive bonuses under the provisions of 37 U.S.C. 312b; for qualified enlisted members extending duty at designated locations overseas under the provisions of 37 U.S.C. 314; for foreign language proficiency under the provisions of 37 U.S.C. 316 or 353; for retention incentives for members qualified in a critical military skill under the provisions of 37 U.S.C. 355; for conversion to military occupational specialty to ease personnel shortage under the provisions of 37 U.S.C. 326; for transfer between armed forces under the provisions of 37 U.S.C. 327; for continuation of pays during hospitalization and rehabilitation under the provisions of 37 U.S.C. 372; and for continuation pay authorized under the provisions of 37 U.S.C. 356.

2-F. Special Duty Assignment Pay: For pay to enlisted personnel for possessing special proficiency in a military skill, under the provisions of 37 U.S.C. 307 or 352.

2-G. Reenlistment Bonus: For payment to enlisted personnel of a bonus for reenlistment, under the provisions of 37 U.S.C. 308 or 331.

2-H. Enlistment Bonus: For payment to enlisted personnel of a bonus for enlistment (or extension) in a skill designated as critical, in accordance with the provisions of 37 U.S.C. 309 or 331.

2-I. Education Benefits: For payment to the Department of Defense Education Benefits Fund, a trust fund, in accordance with 38 U.S.C. Chapter 30. This program funds the additional and supplemental benefit payments above a basic benefit (the Montgomery GI Bill) to be budgeted by the Department of Veteran Affairs (DVA). The program is budgeted on an accrual basis by the Department of Defense.

2-J. Loan Repayment Program: For payment to enlisted personnel to repay education loans, in accordance with the provisions of 10 U.S.C. 2171.

2-K. Basic Allowance for Housing: For housing allowances payable to enlisted personnel under the provisions of 37 U.S.C. 403. BAH is comprised of BAH-Domestic and BAH-Overseas.

2-L. Station Allowances, Overseas: For per diem allowances payable to enlisted personnel stationed outside the United States or in Hawaii or Alaska based on cost of living for members stationed outside the Continental United States as prescribed by Joint Federal Travel Regulations and authorized under the provisions of 37 U.S.C. 475.

2-M. CONUS Cost of Living Allowance: For payments to eligible members assigned to high cost areas under the provisions of 37 U.S.C. section 403b**.**

2-N. Clothing Allowances**:** For payment to enlisted personnel of cash allowance for purchase of prescribed clothing, for cost of clothing issued in kind, and for cash payment of maintenance allowances for clothing under the provisions of 37 U.S.C. 418. (Excludes replacement of clothing lost, damaged, or destroyed.)

2-O. Family Separation Allowances: For family separation allowances payable to enlisted personnel under the provisions of 37 U.S.C. 427.

2-P. Separation Payments:

a. For payments to enlisted personnel for accumulated unused annual leave under the provisions of 37 U.S.C. 501.

b. For severance pay to enlisted personnel who are denied retention or continuation for non-disability reasons under the provisions of 10 U.S.C. 1174; for disability severance pay under the provisions of 10 U.S.C. 1212.

c. For authorized donations for discharge under certain conditions under the provisions of 10 U.S.C. 1048.

d. Voluntary Separation Incentive (VSI) - For payment of an annuity to enlisted members voluntarily separating from active duty under the provisions of 10 U.S.C. 1175.

e. Special Separation Benefit (SSB) - For a lump sum payment to enlisted members separating from active duty under the provisions of 10 U.S.C. 1174a.

f. Temporary Early Retirement Authority (TERA) - For payment of retired pay to selected active duty enlisted members who retire with between 15 and 20 years of service under the provisions of 10 U.S.C. 1293, 3911, 3914, 6323, 6330, 8911 and 8914. Section 504(b) of the FY 2012 National Defense Authorization Act (NDAA), P.L. 112-81, reinstates temporary retirement authorities in section 4403 of the FY 1993 NDAA (P.L. 102-484) from fiscal year 2012 to December 31, 2018.

g. $30,000 Lump Sum Bonus – For payment to service members who entered the uniformed service on or after August 1, 1986 who opt to retire under the Redux retirement plan (40 percent retirement benefit at 20 years of service with partial COLA) under the provisions of 37 U.S.C. 354.

2-Q. Special Compensation for Assistance with Activities of Daily Living – Enlisted: For payment of monthly compensation to an enlisted service member with catastrophic injuries or illnesses requiring assistance in everyday living under the terms and conditions specified by 37 U.S.C. 439.

2-R. Social Security Tax - Employer's Contribution: For payment of tax on employer to Social Security Administration as provided by Federal Insurance Contributions Act (FICA).

3. Pay and Allowances of Cadets and Midshipmen - For the pay and allowances of cadets and midshipmen at the United States Military Academy, United States Naval Academy, and the United States Air Force Academy.

3-A. Academy Cadets and Midshipmen: For basic pay, commuted ration allowance, and employer's share of FICA tax for cadets and midshipmen appointed to the United States Military Academy, United States Naval Academy, and United States Air Force Academy, under the provisions of 37 U.S.C. 203 and 422.

a. For payment of nuclear accession bonus under the provisions of 37 U.S.C. 312b.

b. For the difference between the value of the commuted ration allowance and the cost of operational rations.

4. Subsistence of Enlisted Personnel - For the payment of authorized basic allowances for

subsistence to enlisted personnel and for the cost of procuring food and beverage supplies for issue as rations to enlisted personnel on extended active duty, including emergency and operational rations; also includes the payment of meals furnished under contract (when approved by competent authority) at commercial facilities where the payment of commuted rations would create an individual hardship and/or the costs for establishment of a Government mess facility are prohibitive or the contract feeding of enlisted personnel is determined to be more economical or advantageous.

4-A. Basic Allowance for Subsistence: For subsistence allowances payable to enlisted personnel under the provisions of 37 U.S.C. 402.

4-B. Subsistence in Kind: For cost of subsistence issued as rations to enlisted personnel, including emergency and operational rations, and for payment of meals furnished under contract by commercial facilities under the provisions of 10 U.S.C. 4561, 6081 and 9561.

4-C. Family Subsistence Supplemental Allowance (FSSA): For members eligible for food stamps, a supplemental allowance is provided not to exceed $500 per month under the provisions of 37 U.S.C. 402a.

5. Permanent Change of Station (PCS) Travel - For expenses incident to permanent change of station travel of military personnel, individually or as part of organized units. The PCS travel costs include mileage; monetary allowance in lieu of transportation; transportation by common carrier (rail, bus, air, or water, including Air Mobility Command and Military Sealift Command); per diem allowances, actual and necessary expenses and cost of subsistence while in a PCS travel status; issue of meal tickets in lieu of subsistence; temporary lodging expense; travel of dependents and transportation of baggage and household goods, port handling charges for personnel, their household goods, baggage and privately owned automobiles passing through CONUS MTMC terminals; payments of dislocation allowances; authorized transportation of dependents and personal and household effects of deceased military personnel; costs of contract packing, crating, handling and temporary storage of household goods; cost of non-temporary storage of household goods; cost of trailer allowances; travel incident to organizational movements on permanent change of station whether for training or non-training purposes; expenses incident to PCS movement of any military group traveling under one order from the same point of origin to the same destination; minor supplies and services incident to troop or organizational PCS movements; expenses and allowances incident to separation travel, discharge or release. Also included are all authorized Temporary Duty Travel directly related to and an integral part of PCS movement of individuals or organizational units. Excludes Temporary Duty Travel other than that directly related to and an integral part of PCS movements. All authorized PCS travel expenses provided for under this budget program account shall be charged to the same subprogram account cited in PCS travel order of the military member. The term ”CONUS” (Continental United States) referred to herein applies to the United States Territory, ”including the adjacent territorial waters located within the North American Continent between Canada and Mexico.”

5-A. Accession Travel:

a. Officers. Covers PCS movements of (1) officers appointed to a commissioned grade from civil life, military academies or ROTC/NROTC, Reserve and National Guard officers called or recalled to extended active duty from home or a point where orders were received to first permanent duty station or training school of 20 weeks or more duration and (2) officers or warrant officers appointed or recalled from enlisted status from station where they served as enlisted to new permanent duty station or training school of 20 weeks or more duration. (Includes officers appointed from enlisted status upon graduation from Officer Candidate School (OCS), Officer Training School (OTS), or basic flying training.) (Marine Corps basic military training for officers will be a part of an accession move; this is the only exception to the 20-week

rule.)

b. Enlisted. Covers PCS movements of (1) enlistees, reenlistees, and prior service personnel from recruiting station or place of enlistment to first permanent duty station or training school of 20 weeks or more duration and (2) recalled enlisted reservists from home to first permanent duty station or training school of 20 weeks or more.

c. Cadets and Midshipmen. Covers PCS movements of (1) individuals selected as academy cadets or midshipmen upon entry into the academies and (2) individuals who travel to the academies but fail to pass the entrance physical examinations and are required to return home.

5-B. Training Travel:

a. Officers. Covers PCS movements of (1) officers and warrant officers from previous CONUS permanent duty station to formal service or civilian schools, including technical schools, flying training schools, factory training, and other approved courses of instruction of 20 weeks duration or more; and (2) officer and warrant officer school graduates and eliminates from school to their next permanent CONUS duty station. (Excludes academy graduates, OCS or OTC graduates, flying training graduates, ROTC graduates and others chargeable to Accession Travel.)

b. Enlisted. Covers PCS movements of (1) enlisted personnel from previous CONUS permanent duty station to formal service or civilian schools, including technical schools, flying training schools, factory training, and other approved courses of instruction, of 20 weeks duration or more; (2) enlisted school graduates and eliminates from school to their next CONUS permanent duty station; and (3) enlisted personnel ordered to training leading to a commission if such training period is of 20 weeks duration or more.

5-C. Operational Travel: Between Duty Stations (within CONUS and within Overseas):

a. Officers. Covers PCS movements of (1) officers, and warrant officers to and from permanent duty stations located within the United States; (2) officers and warrant officers to and from permanent duty stations located within an overseas area when no transoceanic travel is involved; and (3) dependents, household goods, personal effects and privately owned vehicles of officers and warrant officers who are interned, missing, or captured when no transoceanic travel is involved.

b. Enlisted. Covers PCS movements of (1) enlisted personnel to and from permanent duty stations located within the United States; (2) enlisted personnel to and from permanent duty stations located within an overseas area when no transoceanic travel is involved; and (3) dependents, household goods, personal effects and privately owned vehicles of enlisted personnel who are interned, missing, or captured when no transoceanic travel is involved.

5-D. Rotational Travel to and from Overseas:

a. Officers. Covers PCS movements of (1) officers and warrant officers from permanent duty stations in CONUS, or training of 20 weeks or more duration, to permanent duty stations overseas; (2) officers and warrant officers from permanent duty stations overseas to permanent duty stations in CONUS, or training of 20 weeks or more duration; (3) officers and warrant officers from permanent duty stations in one overseas area to permanent duty stations in another overseas area when transoceanic travel is involved; and (4) dependents, household goods, personal effects and privately owned vehicles of officers and warrant officers who are interned, missing or captured when transoceanic travel is involved.

b. Enlisted. Covers PCS movements of (1) enlisted personnel from permanent duty stations in CONUS, or training of 20 weeks or more duration, to permanent duty stations overseas; (2) enlisted personnel from permanent duty stations overseas to permanent duty stations in CONUS, or training of 20 weeks or more duration; (3) enlisted personnel from permanent duty stations in one overseas area to permanent duty stations in another overseas area when transoceanic travel is involved; and (4) dependents, household goods, personal effects, and privately owned vehicles of enlisted personnel who are interned, missing, or captured when transoceanic travel is involved**.**

5-E. Separation Travel:

a. Officers. Covers PCS movements of (1) officers and warrant officers upon release or separation from the Service from last permanent duty station to home of record or point of entry into service, or to home of selection when authorized by law; and (2) dependents, household goods, trailer allowances, and personal effects of officers and warrant officers who are deceased.

b. Enlisted. Covers PCS movements of (1) enlisted personnel upon release or separation from the Service from last permanent duty station to home of record or point of entry into service or to home of selection when authorized by law; and (2) dependents, household goods, trailer allowances, and personal effects of enlisted personnel who are deceased**.**

c. Cadets and Midshipmen. Covers PCS movements of eliminated academy cadets/midshipmen to home of record or point of entry into service.

5-F. Travel of Organized Units:

a. Officers. Covers PCS movements of (1) officers and warrant officers directed to move as members of an organized unit movement; and (2) officer and warrant officer fillers and replacements directed to move as part of the unit move.

b. Enlisted. Covers PCS movements of (1) enlisted personnel directed to move as members of an organized unit movement; and (2) enlisted fillers and replacements directed to move as part of the unit move.

6. Other Military Personnel Costs - For costs incident to the apprehension of military deserters, absentees, and escaped prisoners; interest on uniformed services savings deposits*;* death gratuities; unemployment benefits; education benefits; adoption expenses; mass transportation benefits; partial dislocation allowance payments; servicemembers' group life insurance; reserve officer training corps; and junior reserve officer training corps.

6-A. Apprehension of Military Deserters, Absentees, and Escaped Military Prisoners: For the expenses of apprehension and delivery of military deserters, absentees, and escaped military prisoners, including the payment for travel of guards; payment of rewards or reimbursement of reasonable and actual expenses to persons or agencies apprehending and detaining or delivering absentees or deserters to military control.

6-B. Interest on Uniformed Services Savings Deposits: For the payment of interest at a rate not to exceed 10 percent per annum on any sum of not less than $5 deposited by members of the uniformed services under the provisions of 10 U.S.C. 1035.

6-C. Death Gratuities: For the payment of death gratuities to beneficiaries of military

personnel under the provisions of 10 U.S.C. 1475-80.

6-D. Unemployment Benefits: For the payment of unemployment benefits to ex-service members who are discharged or released under honorable conditions under the provisions of Title 5, United States Code (U.S.C.), section 8521.

6-E. Education Benefits: For amortization payments to the DoD Education Benefits Fund, a trust fund, as prescribed by 10, U.S.C., 2006. This program is governed by 38 U.S.C. Chapter 30 and is budgeted on an accrual basis by the Department of Defense.

6-F Adoption Expenses: To provide reimbursement for qualifying adoption expenses under the provisions of 10 U.S.C. 1052.

6-G. Mass Transportation Benefit: For payment of mass transportation benefits as required by Executive Order 13150 on federal workforce transportation, dated April 21, 2000.

6-H. Partial Dislocation Allowance: To provide payment for either vacating or moving into quarters for renovation purposes under the provision of the FY 2002 National Defense Authorization Act, Section 636.

6-I. Reserve Income Replacement: For the payment of monthly active-duty income differential of a Reserve Component member when the total monthly military compensation of the member is less than the average monthly civilian income of the member under the provisions of 37 U.S.C 910.

6-J. Servicemembers' Group Life Insurance: To provide Extra Hazard reimbursement for Servicemembers' Group Life Insurance (SGLI) under the provisions of 38 U.S.C. 1969, payment for Traumatic Injury Protection Coverage under the SGLI (T-SGLI) program under the provisions of 37 U.S.C. 437, and payment for SGLI/T-SGLI insurance premium allowance under provisions of 37 U.S.C. 437.

6-K. ROTC: All the military personnel-type costs associated with the Senior Reserve Officers' Training Corps (except the scholarship program) of an armed force, provided for in 10 U.S.C. 2101-2111. All the military personnel costs associated with the financial assistance program for specially selected members of the Senior R.O.T.C. program. This program is intended to offer regular commissions to cadets and midshipmen successfully completing the academic and military requirements of the 4-year program. Authority for the program is contained in 10 U.S.C. 2107. Retired pay accrual does not apply to R.O.T.C. personnel. Costs include the subsistence allowance per month authorized by 37 U.S.C. 209, costs of uniform clothing authorized by 10 U.S.C. 2109-2110, pay and allowances authorized by 37 U.S.C. 209, incentive pay for members of precommisioning programs pursuing foreign language proficiency under the provisions of 37 U.S.C. 316a, and the cost of subsistence issued as rations to enlisted personnel including emergency and operational rations authorized by 10 U.S.C. 2109-2110.

6-L. JROTC: All the military personnel costs associated with the Junior R.O.T.C. units at public and private secondary educational institutions provided for in 10 U.S.C. 2031. Retired pay accrual does not apply to J.R.O.T.C. personnel.

BA/BSA – Medicare-Eligible Retiree Health Fund Contribution Appropriations

1. Officers - For the Department of Defense's contribution to the Medicare-Eligible Retiree Health Care Fund for the future Medicare-Eligible health care costs for current military officers in accordance with 10 U.S.C. Chapter 56. Defense Health Care Accrual amounts are to be paid into the fund based upon approved actuarial rate multiplied by the expected average force strength

for each fiscal year. The Ronald W. Reagan National Defense Authorization Act for Fiscal Year 2005 (P.L. 108-375) provided permanent, indefinite appropriations to finance the cost of accruing TRICARE benefits for uniformed service member. These costs are included in the DoD discretionary total.

2. Enlisted - For the Department of Defense's contribution to the Medicare-Eligible Retiree Health Care Fund for the future Medicare-Eligible health care costs for current military enlisted personnel in accordance with 10 U.S.C. Chapter 56. Defense Health Care Accrual amounts are to be paid into the fund based upon approved actuarial rate multiplied by the expected average force strength for each fiscal year. The Ronald W. Reagan National Defense Authorization Act for Fiscal Year 2005 (P.L. 108-375) provided permanent, indefinite appropriations to finance the cost of accruing TRICARE benefits for uniformed service member. These costs are included in the DoD discretionary total.

OBJECT CLASSIFICATION
ACTIVE MILITARY PERSONNEL APPROPRIATIONS

Budget Subactivity	Object Class
Accrued Retirement Benefits	12.210
Accrued Health Care Benefits (Medicare-Eligible Retiree Health Fund Contributions)	12.230
Adoption Expenses	12.220
Apprehension of Military Deserters, Absentees, and Escaped Military Prisoners: Rewards and Expenses	11.810
Travel of Guards	21.010
Basic Allowance for Housing	11.610
Basic Allowance for Subsistence	11.710
Basic Pay	11.710
CONUS Cost of Living Allowance	11.710
Death Gratuities	42.010
Education Benefits	12.220
Enlistment Bonuses	12.220
Family Separation Allowances	12.220
Family Subsistence Supplemental Allowance	11.710
Incentive Pay for Hazardous Duty (to include Hostile Fire, Hardship Duty, Diving, and Sea Duty Pay)	11.710
Interest on Uniformed Services Savings Deposits	43.010
Loan Repayment Program	12.220
Mass Transit Subsidy	21.010
Permanent Change of Station, Travel:	
Dislocation Allowance	12.220
Global POV Storage	25.710
Non-temporary Storage	25.710
Port Handling Charges	25.710
Trailer Allowances	22.010
Transportation of Household Goods	22.010
Transportation of POVs	22.010
Travel of Military Members and Dependents	21.010
Temporary Lodging Expense	12.220
Monetary Allowance in Lieu of Transportation	21.010
Reenlistment Bonuses	12.220
Separation Payments: Lump Sum Terminal Leave Payments	11.710
All Others	12.220
SGLI (Extra Hazard Payments for survivor claims)	42.010
SGLI/T-SGLI Insurance Premium Allowance	42.010
T-SGLI	42.010
TSP Matching Contributions	12.220
Social Security Tax-Employer's Contribution	12.220
Special Compensation for Assistance with Activities of Daily Living	12.220
Special Duty Assignment Pay	11.710
Special Pay: Medical, Dental, Nurse, Optometrists and Veterinarians Pay, Nuclear Officer Incentive Pay, Nuclear Accession Bonus, Aviation Retention Bonus, Scientific/Engineering Bonus, and Personal Money Allowances for General/Flag Officers, Continuation Pays, etc.	12.220
Station Allowances, Overseas	12.220
Stop Loss Special Pay	13.010
Subsistence Allowance (ROTC)	11.710

OBJECT CLASSIFICATION
ACTIVE MILITARY PERSONNEL APPROPRIATIONS

Budget Subactivity		Object Class
Subsistence: In Kind		11.710
Monetary Allowances		11.710
Unemployment Compensation		13.010
Uniform and Clothing Allowances: In Kind		26.010
	Monetary Allowances	12.220
$30,000 Lump Sum Bonus		11.710

*020203. Budget Presentation Structure Requirements

A. For purposes of preparing certain material for presentation and justification of program and budget estimates, the following budget activities will be used for the Active Military Personnel Appropriations:

1. Pay and Allowances of Officers
2. Pay and Allowances of Enlisted
3. Pay and Allowances of Cadets and Midshipmen
4. Subsistence of Enlisted Personnel
5. Permanent Change of Station Travel
6. Other Military Personnel Costs

B. The following additional breakdown of each budget activity is required to be shown in the applicable justification exhibits:

BA/BSA

1. Pay and Allowances of Officers:

a. Basic Pay
b. Retired Pay Accrual
c. Thrift Savings Plan – Matching Contributions
d. Incentive Pay for Hazardous Duty
(1) Flying Duty
(a) Crew
(b) Noncrew
(c) Aviation Continuation Pay
(d) Crew (Nonrated)
(2) Submarine Duty
(3) Parachute Jumping
(a) Parachute Jumping (regular)
(b) Parachute Jumping (High Altitude/Low Opening)
(c) Other Incentive Pay
(4) Duty inside a high or low pressure chamber inside

observer, human acceleration or deceleration, experimental subject and test subject in thermal stress experiments

(5) Demolition Duty
(6) Flight Deck Duty
(7) Air Weapons Controller Duty
(8) Duty Involving Toxic Fuel/Waste
(9) Duty Involving Live/Hazardous Biological Organisms
(10) Visit, Board, Search and Seizure

e. Special Pay
(1) Medical Pay
(a) Variable Special Pay
(b) Additional Special Pay
(c) Board Certified Pay
(d) Medical Incentive Pay
(e) Multi-Year Retention Bonus
(f) Critically Short Wartime Specialties Accession Bonus
(2) Dental Pay
(a) Variable Special Pay
(b) Additional Special Pay
(c) Board Certified Pay
(d) Accession Bonus
(e) Multi-Year Retention Bonus
(f) Dental Critical Skills Retention Bonus
(3) Nurse Pay
(a) Accession Bonus
(b) Anesthetist Pay
(4) Special Pay for Optometrists
(5) Special Pay for Pharmacists
(a) Accession Bonus
(b) Special Pay
(6) Special Pay for Veterinarians
(7) Board Certified Pay for Non-Physician Health Care Providers
(8) Personal Money Allowances - General/Flag Officers
(9) Responsibility Pay
(10) Diving Duty
(11) Special Pay - Nuclear Officer Incentive Pay
(12) Scientific/Engineering Bonus
(13) Sea Duty Pay
(a) Career Sea Pay
(b) Premium Sea Pay
(14) Overseas Extension Pay
(15) Foreign Language Proficiency Pay
(16a) Hostile Fire Pay
(16b) Imminent Danger Pay
(17) Hardship Duty Pay
(18) Judge Advocate Continuation Pay
(19) Special Warfare Officer Pay (extend period of active duty)
(20) Surface Warfare Officer Continuation Pay
(21) Critical Skills Retention Bonus
(22) New Officers in Critical Skills Accession Bonus

(23) Transfer between Armed Forces Incentive Bonus
(24) Hospitalization and Rehabilitation Pay
(25) Assignment Incentive Pay
(26) Continuation Pay

f. Basic Allowance for Housing
(1) With Dependents – Domestic
(2) Without Dependents – Domestic
(3) Partial Allowance – Bachelor – Domestic
(4) Substandard Housing - Domestic
(5) With Dependents – Overseas
(6) Without Dependents – Overseas

g. Basic Allowance for Subsistence

h. Station Allowances, Overseas
(1) Cost of Living
(2) Temporary Lodging

i. CONUS Cost of Living Allowances

j. Clothing Allowances
(1) Initial Military Allowance
(2) Additional Military Allowance
(3) Civilian Clothing Allowance

k. Family Separation Allowances
(1) On permanent change of station with dependents not authorized, Government quarters not available.
(2) On permanent change of station with dependents not authorized.
(3) On board ship for more than 30 days.
(4) On temporary duty for more than 30 days with dependents not residing near temporary duty station.

l. Separation Payments
(1) Lump sum terminal leave payments.
(2) Lump sum readjustment payments.
(3) Lump sum payments to reservists
(4) Severance pay, failure of promotion.
(5) Severance pay, disability.
(6) Severance pay, non-disability
(7) Voluntary Separation Incentive (VSI)
(8) Voluntary Separation Pay (VSP)
(9) Special Separation Benefit (SSB)
(10) 15 Year Temporary Early Retirement Authority
(11) $30,000 Lump Sum Bonus

m. Special Compensation for Assistance with Activities of Daily Living

n. Social Security Tax - Employer's Contribution

2. Pay and Allowances of Enlisted Personnel:
a. Basic Pay
b. Retired Pay Accrual
c. Thrift Savings Plan – Matching Contribution
d-1. Incentive Pay for Hazardous Duty
(1) Flying Duty
(a) Crew
(b) Noncrew
(2) Submarine Duty
(3) Parachute Jumping

(a) Parachute Jumping (regular)
(b) Parachute Jumping (High Altitude/Low Opening)
(c) Other Incentive Pay

(4) Duty inside a high or low pressure chamber inside observer, human acceleration or deceleration, experimental subject and test subject in thermal stress experiments
(5) Demolition Duty
(6) Flight Deck Duty
(7) Air Weapons Controller Duty
(8) Duty Involving Toxic Fuel/Waste
(9) Duty Involving Live/Hazardous Biological Organisms
(10) Visit, Board, Search, and Seizure

d-2. Career Enlisted Flyer Pay
e. Special Pay
(1) Diving Duty
(2) Sea Duty Pay
(a) Career Sea Pay
(b) Premium Sea Pay
(3) Overseas Extension Pay
(4) Nuclear Accession Bonus
(5) Foreign Language Proficiency Pay
(6a) Hostile Fire Pay
(6b) Imminent Danger Pay
(7) Hardship Duty Pay
(8) Critical Skill Retention Bonus
(9) Conversion to Military Occupational Specialty to ease personnel shortage
(10) Transfer Between Armed Forces Incentive Bonus
(11) Hospitalization and Rehabilitation Pay
(12) Assignment Incentive Pay
(13) Continuation Pay
f. Special Duty Assignment Pay
g. Reenlistment Bonus
h. Enlistment Bonus
(1) New Payments
(2) Residual New
(3) Anniversary
i. Education Benefits (College Fund)
j. Loan Repayment Program
k. Basic Allowance for Housing
(1) With Dependents – Domestic
(2) Without Dependents – Domestic
(3) Partial Allowance – Bachelor – Domestic
(4) Substandard Housing - Domestic
(5) With Dependents – Overseas
(6) Without Dependents - Overseas
l. Station Allowances, Overseas
(1) Cost of Living
(2) Temporary Lodging
m. CONUS Cost of Living Allowances
n. Clothing Allowances

(1) Initial
(a) Military
(b) Civilian
(2) Maintenance Allowances
(a) Basic Allowance
(b) Standard Allowance
(c) Special Allowance
(3) Supplementary Allowances
(4) Other Allowances

o. Family Separation Allowances
(1) FSA-R - On permanent change of station with dependents not authorized.
(2) FSA-S - On board ship for more than 30 days.
(3) FSA-T - On temporary duty for more than 30 days with dependents not residing near temporary duty station.

p. Separation Payments
(1) Lump sum terminal leave payments.
(2) Severance pay, disability
(3) Severance pay, non-disability
(4) Authorized donations
(5) Voluntary Separation Incentive (VSI)
(6) Special Separation Benefit (SSB)
(7) 15 Year Temporary Early Retirement Authority
(8) $30,000 Lump Sum Bonus

q. Special Compensation for Assistance with Activities of Daily Living

r. Social Security Tax - Employer's Contribution

3. Pay and Allowances of Cadets and Midshipmen: Academy Cadets and Midshipmen

a. Basic Pay
b. Subsistence - Commuted Ration
c. Operational rations
d. Social Security Tax - Employer's Contribution
e. Nuclear Accession Bonus

4. Subsistence of Enlisted Personnel:

a. Basic Allowance for Subsistence
(1) When Authorized to Mess Separately
(2) When Rations in Kind Not Available
(3) Augmentation of Commuted Ration Allowance for Meals Taken Separately
(4) Less Collections

b. Subsistence in Kind
(1) Subsistence in Messes
(a) Trainee/NP Status
(b) Members Taking Meals in Mess
(c) Reimbursable
(2) Operational Rations
(a) MREs
(b) Unitized Rations
(c) Other Package of Rations
(d) Reimbursable

(3) Augmentation Rations/Other Programs
(a) Augmented Rations
(b) Other - Region
(c) Other – Messing

c. Family Subsistence Supplemental Allowance

5. Permanent Change of Station Travel:

a. Summary of Move Requirements. For each type of move reflected in c through h below, show the number of moves and the dollar amount for the PY, CY, and BY at the aggregate level (combine officers, enlisted and officer candidates).

b. Summary of Requirements by Types of Costs. Show the number and amount of the following entries for the PY, CY, and BY, regardless of the type of move.

(1) Travel of Military Members (include cadets and midshipmen)
Mileage and Per Diem 1/
AMC 2/
Commercial Air 3/
(2) Travel of Dependents (family)
Mileage 4/
AMC 5/
Commercial Air 6/
(3) Transportation of Household Goods
M Tons - MSC
S Tons - AMC
Other Shipments
(4) Dislocation Allowance
(5) Trailer Allowance
(6) Transportation of POVs
(7) Port Handling Charges
(8) Non-temporary storage
(9) Temporary Lodging Expense
(10) Pet Quarantine Fees
(11) Total Obligations
(12) Less Reimbursements
(13) Total Direct Obligations

c. Accession Travel 7/
(1) Officers
(2) Enlisted
(3) Officer Candidates

d. Training Travel 7/
(1) Officers
(2) Enlisted

e. Operational Travel Between Duty Station 7/
(1) Officers
(2)Enlisted

f. Rotational Travel to and from Overseas 7/
(1)Officers
(2)Enlisted

g. Separation Travel 7/
(1) Officers
(2) Enlisted
(3) Officer Candidates

h. Travel of Organized Units 7/

(1) Officers
(2) Enlisted

1. Mileage and Per Diem - The costs of travel relating to use of privately owned vehicle or commercial modes other than air or sea. Includes per diem paid to the individual member. It excludes movement of mobile trailers even if the trailer is moved by the member. The unit of measurement is number of member moves.

2. Air Mobility Command (AMC) - The costs of travel for movement of an individual member reimbursed to AMC. The unit of measurement is number of member moves.

3. Commercial Air - The costs for movement of an individual member paid directly to a commercial company. (Excludes any costs paid to AMC.) The unit of measurement is number of member moves.

4. Mileage - The costs of travel relating to the use of privately owned vehicles or commercial modes other than air or sea for the dependents of an individual member. Includes per diem paid to dependents. The unit of measurement is number of family moves.

5. Air Mobility Command (AMC) - The costs of travel for movement of dependents reimbursed to AMC. The unit of measurement is number of dependents.

6. Commercial Air - The costs for movement of dependents paid directly to a commercial company (excludes any costs paid to AMC). The unit of measurement is number of dependents.

7. For each permanent change of station travel account, the following data will be shown, as applicable, for officers, enlisted and cadets/midshipmen:

(1) Member Travel - Costs related to the movement of each member of a military service making a permanent change of station move.

(2) Dependent Travel - Costs related to the movement of dependents when authorized as part of a permanent change of station of a member of a military service. The number of dependent moves should reflect the number of families moved as a unit of measure.

(3) Transportation of Household Goods - Costs related to movement of household goods as authorized by Joint Federal Travel Regulations including shipment of unaccompanied baggage.

(a) Land Shipments, CONUS and Overseas - The costs of shipment of goods for the portion in CONUS and overseas of shipments other than International Through Government Bill of Lading (ITGBL). The unit of measurement is member move.

(b) ITGBL - The costs of shipment from point of origin to destination on ITGBL. Includes both land and overwater portion of the movement. The unit of measurement is member move.

(c) Overseas - The costs of shipments, including unaccompanied and excess baggage, either reimbursed to the Military Sealift Command (MSC), Air Mobility Command (AMC), or paid directly to a commercial company.

(4) Dislocation Allowance - The costs of dislocation allowance as authorized in the JTR. The unit of measurement is number of members paid.

(5) Trailer Allowance - The costs of movement of mobile trailers whether moved by commercial contract or moved by the individual member. The unit of measurement is number of trailer moves.

(6) Privately Owned Vehicles (POV) - The costs to the Government of transporting or storing a POV to or from overseas.

(a) Military Sealift Command (MSC) - The cost of shipping POVs reimbursed to MSC. The unit of measurement is number of POVs shipped. If number of POVs shipped is not available, use 11.2 measurement tons per vehicle to convert measurement tons to vehicles.

(b) Military Traffic Management Command (MTMC) – The cost of storing POVs reimbursed to MTMC. The unit of measurement is number of POVs stored.

(c) Port Handling (Military Traffic Management Command) - The cost of port processing of vehicles reimbursed to MTMC. The unit of measurement is number of POVs processed. If number of POVs processed is not available, use 11.2 measurement tons per vehicle to convert measurement tons to vehicles.

(7) Port Handling Costs (HHGs) - The port handling costs for household goods and unaccompanied baggage reimbursed to MTMC. The unit of measure is measurement tons.

(8) Non-temporary Storage - The costs to the government of placing goods in storage or moving them to another specified destination under the provisions of 37 U.S.C. 476 when a member entitled to a PCS move is ordered to a duty station to which the shipment of household goods is not authorized. No unit of measure will be shown for non-temporary storage, only costs.

(9) Temporary Lodging Expense (TLE) - The cost of reimbursing the member for expenses incurred as a result of a PCS move, not to exceed $290 per day for up to 10 days under the provisions of 37 U.S.C. 474a. TLE requirements should reflect members paid as the unit of measure.

(10) Pet Quarantine Fees – The cost of reimbursing the member for mandatory pet quarantine fees incident to a Permanent Change of Station under the provisions of 37 U.S.C. 476(a)(1).

6. Other Military Personnel Costs:

a. Apprehension of Military Deserters, Absentees, and Escaped Military Prisoners

b. Interest on Uniformed Services Savings Deposits

c. Death Gratuities

(1) Officers

(2) Enlisted

(3) Cadets and Midshipmen

d. Unemployment Benefits

e. Education Benefits (Amortization Payments)

f. Adoption Expenses

g. Mass Transportation Benefit

h. Partial Dislocation Allowance

i. Reserve Income Replacement

j. SGLI/T-SGLI

(1) SGLI Extra Hazard Payments

(2) Traumatic Injury Protection Coverage (T-SGLI)

(3) SGLI/T-SGLI Insurance Premium Allowance

k. ROTC

l. JROTC

*020204. Program and Budget Review Submission

A. This section prescribes the justification materials required for the Active Military Personnel appropriations to support budget estimates. Fund requirements for these appropriations will be presented using those budget and accounting classifications set forth in paragraphs 020202 and 020203, above.

B. Exhibits in Support of Program and Budget Estimates - The following justification exhibits will be prepared and submitted in support of the program and budget review for the OSD/OMB program and budget review submission. These exhibits will be organized by Service military personnel account. Examples of the required exhibits are provided in paragraph 020602. The required justification material will be organized in a single unclassified volume with the unclassified data displayed in the sequence shown below:

Table of Contents

Section 1 - Summary of Requirements by Budget Program (PB-30A)

The Summary of Requirements will include a Medicare-Eligible Retiree Health Fund Contribution Appropriation line displaying the total amounts budgeted as shown in section 020602 of this chapter. These amounts will be supported by detailed calculations provided in the MP-13 Exhibit included in the separate backup justification book.

Section 2 – Introduction, Summary of Economic Assumptions, and Performance Measures

1. The Introduction will include an Introductory Statement that should provide the highlights of the budget submission and a general discussion of the relationship of the resources requested to the proposed military strength program. This should include a discussion of the military strength characteristics in terms of gains and losses and promotion and assignments policies. It also should address strength changes in programmatic terms such as force structure gains and losses and other matters of an overall nature as considered appropriate by the Service. For those Services ordering Selected Reserve members to active duty for preplanned missions in support of Combatant Commands (12304b authority), active Military Personnel budget justification material must include a description of the mission for which such units are anticipated to be ordered to active duty and the anticipated length of time of the order of such units to active duty on an involuntary basis. Finally, the Introduction will include the following statement:

> "The Ronald W. Reagan National Defense Authorization Act for Fiscal Year 2005 (P.L. 108-375) provided permanent, indefinite appropriations to finance the cost of TRICARE benefits accrued by uniformed service members. Since these costs are actually borne in support of the Department of Defense, they will be shown as part of the DoD discretionary total. The appropriations requested for the military personnel accounts exclude retiree health accrual funding. Total obligations on behalf of military personnel include both the amounts requested for appropriation and amounts paid from the permanent, indefinite authority."

2. Economic Assumptions will summarize funding projections, end strength, average strength, retired pay accrual (full-time and part-time), military pay raise, and inflation rates assumed for Basic Allowance for Housing (BAH), Basic Allowance for Subsistence (BAS), and non-pay funding items. This summary can be formatted to summarize by fiscal year or by element of expense as preferred by the Service.

3. The Dwell Time Assessment directed by the FY 2013 NDAA should include a statement on the estimated dwell time for both the active and reserve components in the prior year (PY), current year (CY), and budget year (BY). The assessment should identify military occupational specialties and types of units that did not achieve the Service's dwell time goals. In addition, the assessment should include a statement of whether requested reductions in active duty end-strength are reversible within 1 year. This section of the Introductory Statement is required through the FY 2017 President's Budget.

4. Performance Measures and Evaluation Summary (PB-30Y) (example provided in paragraph 020602).

Section 3 - Summary Tables (examples provided in paragraph 020602, below)

1. Personnel Summaries (PB-30B through PB-30F)

2. Summary of Entitlements by Subactivity (PB-30J)

3. Analysis of Appropriation Changes and Supplemental Requirements (PB-30K)

4. Schedule of Increases and Decreases Summary (PB- 30O)

Section 4 - Detail of Military Personnel Entitlements

Justification materials will be provided for each entitlement as prescribed in paragraphs 020202 and 020203, above for each of the following six budget activities for military personnel:

1. Pay and Allowances of Officers
2. Pay and Allowances of Enlisted Personnel
3. Pay and Allowances of Cadets/Midshipmen
4. Subsistence of Enlisted Personnel
5. Permanent Change of Station Travel
6. Other Military Personnel Costs

Each of the military personnel budget activities above will be introduced by a schedule of increases and decreases (PB-30P). The Incentive/Bonus Payment Stream exhibit (PB-30V) will be included in Section 4, Detail of Military Personnel Entitlements (See paragraph 020602, below for format).

Section 5 - Special Analyses (examples provided in paragraph 020602, below)

1. Schedule of Military Assigned Outside DoD (PB-30Q)
2. Reimbursable Programs (PB-30R)
3. Reserve Officer Training Corps Enrollment (PB-30S)
4. Reserve Officer Training Corps Program (PB-30T)
5. Monthly End Strength by Pay Grade (PB-30Z)

A. Justification material for each subactivity will contain a purpose and scope as well as a justification of funds requested. The requirements for each entitlement under each military personnel category will be justified on a gross basis to include total obligations for both direct and reimbursable personnel. For each subactivity/entitlement, include an explanation to justify the requested change. The explanation should be specific with regard to what the increases will provide for (i.e., statutory, program enhancements, solving deficiencies, etc.). Also provide a general explanation for each type of entitlement. The computation for each entitlement will display data for the prior year (PY), current year (CY), and budget year (BY). An example of the exhibit to meet this requirement is Exhibit PB-30X in section 020602.

B. The following exhibits will be provided in a separate backup justification book in support of the budget estimate. Examples of these exhibits are provided in paragraph 020602, below:

MP-2 Basic Allowance for Housing Costs Summary
MP-3 Summary of Outyear Data
MP-4 Military Personnel by Region and Country
MP-6 Education Benefits - Additional Basic Benefits (38, U.S.C. Chapter 30)
MP-9 Summary of Basic Pay and Retired Pay Accrual Costs

MP-11 Gains Phased by Month

MP-12 Pay Raise Data

MP-13 Medicare-Eligible Retiree Health Fund Contributions

For the Department of Defense's contribution to the Medicare-Eligible Retiree Health Care Fund for the future Medicare-Eligible health care costs for current military personnel in accordance with 10 U.S.C. Chapter 56. Defense Health Care Accrual amounts are to be paid into the fund based upon approved actuarial rates.

MP-15 Monthly Obligation Phasing Plan

MP-16 Summary of Recruiting and Retention Data

MP-17 Reimbursable Program (Reimbursing Customers)

PB-16 Legislative Proposals (See Volume 2B, Chapter 19, paragraph 191205 for format)

PB-18 Foreign Currency Exchange Data (See Volume 2B, Chapter 19, paragraph 191205 for format)

A submission is **required** for all components approved to participate in the foreign currency account. These components must submit a PB-18 for all appropriations to include an estimate of military spendable income, COLA and OHA estimates, and troop strength. It is submitted in conjunction with and in support of the OSD Program and Budget Review Submission and the President's Budget submission for the four active military personnel appropriations.

020205. Congressional Justification/Presentation

A. Justification books will be organized by Service military personnel account.

B. Justification Book, other exhibit requirements, and electronic data submissions in support of the congressional submission are identical to what is shown in paragraph 020204, Program and Budget Review Submission. Exhibits provided to OUSD(C), consistent with subparagraph 020204.D, above will **not** be provided to Congress but will be provided under separate cover to OUSD(C) at the time of the President's budget submission.

C. M-1 Exhibit. Since FY 1998, appropriations language has required the submission of an M-1 exhibit in support of the President's budget. The Military Departments are required to submit M-1 data through the Program Resources Collection Process (PRCP) system consistent with paragraph 010501 of Chapter 1.

0203 RESERVE MILITARY PERSONNEL AND MEDICARE-ELIGIBLE RETIREE HEALTH FUND CONTRIBUTION APPROPRIATIONS

020301. General

A. The purpose of this chapter is to provide general information applicable to the Reserve Military Personnel and Medicare-Eligible Retiree Health Fund Contribution appropriations including funding policies, classifications, and definitions unique to these accounts. Generic policies and requirements are addressed in Chapter 1. The Military

Components should consult all of the other chapters for exhibit requirements that are not specifically addressed in this chapter including the Other Special Analysis chapter (See Volume 2B, Chapter 19).

B. This section provides the budget and fiscal accounting classifications for the Reserve and National Guard Personnel and Medicare-Eligible Retiree Health Fund Contribution appropriations for uniform application by the Military Departments and the Office of the Secretary of Defense, pursuant to the provisions of 10 U.S.C. 115. The objective is to establish the basis for uniform budget presentations and a standard budget and fiscal accounting classification, which shall be used on a uniform basis for the Reserve Component personnel and Medicare-Eligible Retiree Health Fund Contribution appropriations throughout the Department of Defense in submitting budget estimates and in accounting and reporting on the status of funds for the Reserve and National Guard Personnel and Medicare-Eligible Retiree Health Fund Contribution appropriations.

*020302. Uniform Budget and Fiscal Accounting Classification

A. The budget and accounting classification prescribed herein shall be the official classification for use in preparing budget estimates, accounting for budgetary and financial transactions, and in submitting reports on the applicable appropriation accounts. Individual budget activity and subactivity accounts shall be established as required for the accounts listed in this section. Variations in the budget program, activity, and subactivity classification and titles shall not be made, except that additional accounts consistent with this budget and accounting classification may be established in order to meet administration requirements of the various elements of the Military Departments. The scope of each account is described below.

B. Symbol numbers shall be assigned to each of the budget activities and subactivities listed below in the same manner and in the same sequence and will be consistent with the fiscal codes for all appropriations and funds, as published in the respective Military Department fiscal code manuals.

C. Chart of Accounts - The chart of accounts represents a summary of the accounting and reporting structure under the Reserve Components' Personnel and Medicare-Eligible Retiree Health Fund Contribution appropriations. Obligations and disbursements for individual clothing and uniform allowances, and for subsistence of enlisted personnel may be allocated by activity on a statistical basis if not reported by the different types of training. Subactivities may be combined in reporting on the status of funds, provided the subactivity is maintained for program and budget review and presentation purposes:

CHART OF ACCOUNTS DEFINITIONS/DESCRIPTIONS
Budget Activity (BA) and Budget Subactivity (BSA)

BA/BSA – Reserve and National Guard Personnel Appropriations

The joint explanatory statement accompanying the DoD Appropriations Act, 2009 (P.L. 110-329, Division C) requested that the DoD make permanent the consolidated budget structure for Reserve and Guard personnel appropriations; therefore, the budget justification material shall reflect only one budget activity.

1. Reserve Component Training and Support

1-A Training - Pay Group A

1-A-1 Basic pay, active duty for training, officers
1-A-2 Other pay and allowances, active duty for training, officers
1-A-3 Basic pay, active duty for training, enlisted
1-A-4 Other pay and allowances, active duty for training, enlisted
1-A-5 Basic pay, inactive duty training, officers
1-A-6 Basic pay, inactive duty training, enlisted
1-A-7 Individual clothing and uniform allowances, officers
1-A-8 Individual clothing and uniform allowances, enlisted
1-A-9 Subsistence of enlisted personnel
1-A-10 Travel, active duty for training, officers
1-A-11 Travel, active duty for training, enlisted
1-A-12 Retired pay accrual, officers
1-A-13 Retired pay accrual, enlisted

1-B Training - Pay Group B

1-B-1 Basic pay, active duty for training, officers
1-B-2 Other pay and allowances, active duty for training, officers
1-B-3 Basic pay, active duty for training, enlisted
1-B-4 Other pay and allowances, active duty for training, enlisted
1-B-5 Basic pay, inactive duty training, officers
1-B-6 Basic pay, inactive duty training, enlisted
1-B-7 Individual clothing and uniform allowances, officers
1-B-8 Individual clothing and uniform allowances, enlisted
1-B-9 Subsistence of enlisted personnel
1-B-10 Travel, active duty for training, officers
1-B-11 Travel, active duty for training, enlisted
1-B-12 Retired pay accrual, officers
1-B-13 Retired pay accrual, enlisted

1-C Training - Pay Group F

1-C-1 Basic pay, active duty for training, enlisted
1-C-2 Other pay and allowances, active duty for training, enlisted
1-C-3 Individual clothing and uniform allowances, enlisted
1-C-4 Subsistence of enlisted personnel
1-C-5 Travel, active duty for training, enlisted
1-C-6 Retired pay accrual, enlisted

1-D Training - Pay Group P

1-D-1 Basic pay, inactive duty training, enlisted
1-D-2 Individual clothing and uniform allowances, enlisted
1-D-3 Subsistence of enlisted personnel
1-D-4 Retired pay accrual, enlisted

1-E Mobilization Training

1-E-1 Basic pay, active duty for training, officers

1-E-2 Other pay and allowances, active duty for training, officers
1-E-3 Basic pay, active duty for training, enlisted
1-E-4 Other pay and allowances, active duty for training, enlisted
1-E-5 Individual clothing and uniform allowances, officers
1-E-6 Individual clothing and uniform allowances, enlisted
1-E-7 Subsistence of enlisted personnel
1-E-8 Travel, active duty for training, officers
1-E-9 Travel, active duty for training, enlisted
1-E-10 Retired pay accrual, officers
1-E-11 Retired pay accrual, enlisted
1-E-12 Muster pay stipend, officers
1-E-13 Muster pay stipend, enlisted

1-F School Training

1-F-1 Basic pay, active duty for training, officers
1-F-2 Other pay and allowances, active duty for training, officers
1-F-3 Basic pay, active duty for training, enlisted
1-F-4 Other pay and allowances, active duty for training, enlisted
1-F-5 Individual clothing and uniform allowances, officers
1-F-6 Individual clothing and uniform allowances, enlisted
1-F-7 Subsistence of enlisted personnel
1-F-8 Travel, active duty for training, officers
1-F-9 Travel, active duty for training, enlisted
1-F-10 Retired pay accrual, officers
1-F-11 Retired pay accrual, enlisted

1-G Special Training

1-G-1 Basic pay, active duty for training, officers
1-G-2 Other pay and allowances, active duty for training, officers
1-G-3 Basic pay, active duty for training, enlisted
1-G-4 Other pay and allowances, active duty for training, enlisted
1-G-5 Individual clothing and uniform allowances, officers
1-G-6 Individual clothing and uniform allowances, enlisted
1-G-7 Subsistence of enlisted personnel
1-G-8 Travel, active duty for training, officers
1-G-9 Travel, active duty for training, enlisted
1-G-10 Retired pay accrual, officers
1-G-11 Retired pay accrual, enlisted

1-H Administration and Support

1-H-1 Basic pay of officers
1-H-2 Other pay and allowances of officers
1-H-3 Basic pay of enlisted
1-H-4 Other pay and allowances of enlisted
1-H-5 Subsistence of enlisted personnel
1-H-6 Permanent change of station travel
1-H-7 Death gratuities, officers
1-H-8 Death gratuities, enlisted
1-H-9 Disability and hospitalization benefits, officers
1-H-10 Disability and hospitalization benefits, enlisted

1-H-11 Reenlistment Bonus
1-H-12 Enlistment Bonus
1-H-13 Educational Assistance (Other than Montgomery G.I. Bill)
1-H-14 Loan Repayment
1-H-15 NROTC Nuclear Bonus
1-H-16 Affiliation Bonus
1-H-17 Individual Ready Reserve Enlistment/Reenlistment Bonus (PS)
1-H-18 Individual Ready Reserve Enlistment Program Bonus (NPS)
1-H-19 Critical Skills Retention Bonus (CSRB)
1-H-20 Health Professionals Stipend (SELRES)
1-H-21 Health Professionals Stipend (IRR)
1-H-22 Health Professionals Loan Repayment
1-H-23 Specialized Training Assistance Program (STRAP)
1-H-24 Health Professionals Medical Officer Recruiting Program (HPMORP)
1-H-25 Retired pay accrual, officers
1-H-26 Retired pay accrual, enlisted
1-H-27 Adoption Expenses
1-H-28 $30,000 Lump Sum Bonus, officers
1-H-29 $30,000 Lump Sum Bonus, enlisted
1-H-30 CONUS Cost of Living Allowances (COLA)
1-H-31 Mass Transportation Benefit, Officer
1-H-32 Mass Transportation Benefit, Enlisted
1-H-33 Continuation Pay, Officer
1-H-34 Continuation Pay, Enlisted

1-I Education Benefits

1-I-1 MGIB-SR (Chap 1606), Per Capita Normal Cost
1-I-2 MGIB-SR (Chap 1606), Critical Skill or Critical Unit Benefit
1-I-3 MGIB-SR (Chap 1606), Amortization
1-I-4 Reserve Educational Assistance Program (REAP) (Chap 1607), Per Capita Normal
1-I-5 REAP (Chap 1607), Amortization

1-J Platoon Leaders Class or Reserve Officer Candidates

1-J-1 Uniforms -- issue in kind
1-J-2 Basic pay (Summer training camp)
1-J-3 Other pay and allowances (Summer training camp)
1-J-4 Subsistence of reserve officer candidates
1-J-5 Travel of reserve officer candidates
1-J-6 Retired pay accrual

1-K Branch Officer Basic Course

1-K-1 Basic pay, active duty for training
1-K-2 Other pay and allowances, active duty for training
1-K-3 Uniform allowances
1-K-4 Travel and per diem
1-K-5 Retired pay accrual

1-L Armed Forces Health Professions Scholarship/Financial Assistance Program

1-L-1 Stipend
1-L-2 Individual clothing and uniform allowances, officers
1-L-3 Basic pay, active duty for training, officers
1-L-4 Other pay and allowances, active duty for training, officers
1-L-5 Travel, active duty for training, officers
1-L-6 Retired pay accrual, officers
1-L-7 Financial Assistance Grant
1-L-8 Nurse Candidate Bonus
1-L-9 Accession Bonus

1-M Chaplain Candidate Program
1-M-1 Basic pay, active duty for training
1-M-2 Other pay and allowances, active duty for training
1-M-3 Uniform allowances
1-M-4 Travel
1-M-5 Retired pay accrual

1-N Thrift Savings Plan (TSP) Matching Contributions
1-N-1 TSP Matching Contributions, Officer
1-N-2 TSP Matching Contributions, Enlisted

BA/BSA – Medicare-Eligible Retiree Health Fund Contribution Appropriations

1. Reserve Component Training and Support

A. Chart of Accounts, Budget Activities, and Subactivities Definitions/Descriptions are provided on the following pages.

B. Object Classification - The object classifications that follow the Chart of Accounts, Budget Activities, and Subactivities Definitions/Descriptions shall be the official classifications for use in preparing budget estimates, accounting for budgetary and financial transactions, and in submitting reports on the applicable appropriation accounts.

CHART OF ACCOUNTS DEFINITIONS/DESCRIPTIONS

A. Budget Program

There will be a separate budget program for each Reserve Component of the Department of Defense and for each military service having those programs listed in paragraph 020302, as appropriate.

B. Budget Activities

The budget activities are established to present all of the military type costs associated with a particular type of training within the unit and individual training or other training and support programs. The following descriptions are for the chart of accounts listed in paragraph 020302.

BA/BSA – Reserve and National Guard Personnel Appropriations

The joint explanatory statement accompanying the DoD Appropriations Act, 2009 (P.L. 110-329, Division C) requested that the DoD make permanent the consolidated budget structure for Reserve and Guard personnel appropriations; therefore, the budget justification material shall reflect only one budget activity.

1. Reserve Component Training and Support

a. Training, Pay Groups A, B, F and P

The Pay Group activities contained in paragraph 020302 are for costs, including retired pay accrual associated with the uniform training/pay categories within the National Guard and Reserve Personnel programs as defined in DoD Instruction 1215.06, "Uniform Reserve, Training and Retirement Categories."

b. Mobilization Training

Costs, including retired pay accrual, associated with the readiness training and mission support training of the Individual Ready Reserve (IRR) and Merchant Marine Training. Also included are costs associated with the allowance for annual muster duty as provided by 37 U.S.C. 433.

c. School Training

Include tours of paid active duty for training as students at regular, refresher and technical courses of service schools, area schools, unit schools, officer candidate schools, and other schools that provide training. Retired pay accrual costs are included.

d. Special Training

Include all authorized paid active duty for training, other than those covered by pay groups, mobilization, and school training. These include the staff and faculty for schools; special field, fleet and joint exercises; indoctrination training; promoting or policy boards; administrative support of training programs; and tours of not more than 45 days for failure to perform reserve training duty satisfactorily. Retired pay accrual costs are included.

e. Administration and Support

Include the costs, including retired pay accrual, of active duty military personnel authorized to be funded in the Reserve Component personnel appropriations, death and disability gratuities for officer and enlisted Reserve Component personnel injured or killed while in a Reserve or Guard training status, continuation pays, and reserve incentive and bonus programs.

f. Platoon Leaders Class (PLC)

All military personnel costs, including retired pay accrual, associated with the Marine Corps Reserve PLC.

g. Branch Officer Basic Course

Costs associated with ROTC graduates designated for Reserve Forces Duty, including retired pay accrual, to attend full-length resident Branch Officer Basic Courses of the active components.

h. Armed Forces Health Profession Scholarship and Financial Assistance Program

All the military personnel costs, including retired pay accrual, associated with the financial assistance program to obtain adequate numbers of officers for the active forces who are qualified in various health professions. Qualifications are that the candidate be a citizen

of the United States, be accepted for or be enrolled in an accredited institution in a course of study designated for a health profession, and meet moral and physical qualifications for an officer. Such recipients are commissioned as a Second Lieutenant and remain in that grade for the duration of the scholarship program. Authority for the program is contained in 10 U.S.C. 2120-2128. In addition to the stipend, also provides for the annual grant authorized under 10 U.S.C. 2121 and financial assistance to nurse officer candidates under 10 U.S.C. 2130a.

i. Chaplain Candidate Program

All military personnel costs, including retired pay accrual, for the Chaplain Officer Basic Course and Chaplain Active Duty for Training Practicum to qualify officers commissioned as Chaplain Candidates for future service as chaplains in either the Active or Reserve Component.

j. Education Benefits (New G.I. Bill)

Includes funds for payment to the DoD Education Benefits Fund, a trust fund, as prescribed by 10 U.S.C. 2006. The program is governed by 10 U.S.C. Chapter 1606 and 1607 and is budgeted on an accrual basis. Also includes payments for vocational/technical training under the Reserve Compensation G.I. Bill as provided by 10 U.S.C. 2131.

k. Thrift Savings Plan (TSP) Matching Contributions

Includes costs associated with the blended retirement system, to include an automatic 1 percent of basic pay government contribution to a member's TSP account beginning 60 days following entry, and Department of Defense's matching contributions up to 4 percent from the 3rd through the 26th year of service. Authority for the program is contained in 5 U.S.C. 8432. For those member's participating in the blended retirement plan, the amount contributed shall not be more than 5 percent of the member's basic pay for such pay period.

C. Budget Subactivities

The budget subactivities are grouped to present all of the military personnel-type costs for the particular activity. Rather than repeat the same definitions for each activity, the descriptions of the subactivities are shown below by their various titles:

1. Pay and Allowances, Active Duty for Training, Officers

For the pay and allowances of commissioned and warrant officers of the Reserve Components on active duty for training. These include:

a. Basic Pay

For basic compensation, including length of service increments, under the provision of 37 U.S.C. 201 and 203-205.

b. Retired Pay Accrual

For the Department of Defense contribution to its Military Retirement Fund, under the provisions of 10 U.S.C. 1466. Retired pay accrual amounts will be precisely the specified percent of basic pay.

c. Incentive Pay for Hazardous Duty

Refer to the descriptions of the subactivities in paragraph 020202, 1-C, as applicable, as well as involving use of ski-equipped aircraft on the ground in Antarctica or the Arctic ice-pack. Also includes incentive pay for hazardous duty for members of a Weapons of Mass Destruction Civil Support Team under the provisions of 37 U.S.C. 305b.

d. Special Pay

Refer to the descriptions of the subactivities in paragraph 020202, 1-D as applicable. Includes selected reserve officers receiving an affiliation bonus under the provisions of 37 U.S.C. 308j and 332; also includes selected reserve health care professionals in critically short wartime specialties under provisions of 37 U.S.C. 302g.

e. Basic Allowance for Housing

For housing allowances payable to officers under the provisions of 37 U.S.C. 403.

f. Family Separation Allowances

For family separation allowances payable to officers under the provisions of 37 U.S.C. 427.

g. Basic Allowance for Subsistence

For subsistence allowances payable to officers under the provisions of 37 U.S.C. 402.

h. Separation Payments

Payments for accumulated annual leave under the provisions of 37 U.S.C. 501.

i. Social Security (FICA Tax) -- Employers' Share

For payment of tax of employer to the Social Security Administration as provided by the Federal Insurance Contributions Act.

2. Pay and Allowances, Active Duty for Training, Enlisted

For the pay and allowances of enlisted personnel of the Reserve Components on active duty for training. These include:

a. Basic Pay

For basic compensation, including length of service increments, under the provision of 37 U.S.C. 203-205.

b. Retired Pay Accrual

For the Department of Defense contribution to its Military Retirement Fund, under the provisions of 10 U.S.C. 1466. Retired pay accrual amounts will be precisely the specified percent of basic pay.

c. Incentive Pay for Hazardous Duty

Refer to the descriptions of the subactivities in paragraph 020202, 2-C-1 and 2-C-2 as applicable as well as involving use of ski-equipped aircraft on the ground in Antarctica or the Arctic ice-pack. Also includes incentive pay for hazardous duty for members of a Weapons of Mass Destruction Civil Support Team under the provisions of 37 U.S.C. 305b.

d. Special Pay

Refer to the descriptions of the subactivities in paragraph 020202, 2-D and 2-E, as applicable. Includes affiliation, enlistment, and reenlistment bonuses for selected reserve enlisted members under the provisions of 37 U.S.C. 308b, 308c, 308d, 308g, 308h, 308i, and 331.

e. Basic Allowance for Housing

For housing allowances payable to enlisted personnel under the provisions of 37 U.S.C. 403.

f. Family Separation Allowances

For family separation allowances payable to enlisted personnel under the provisions of 37 U.S.C. 427.

g. Separation Payments

For accumulated unused annual leave under the provisions of 37 U.S.C. 501.

3. Pay, Inactive Duty Training, Officers

a. Basic Pay

For basic compensation, including length of service increments, under the provisions of 37 U.S.C. 201-203, 205, and 206.

b. Retired Pay Accrual

For the Department of Defense contribution to its Military Retirement Fund, under the provisions of 10 U.S.C. 1466. Retired pay accrual amounts will be precisely the specified percent of basic pay.

c. Incentive Pay for Hazardous Duty

For performance of hazardous duty required by competent authority under the provisions of 37 U.S.C. 301 or 37 U.S.C. 351. Also includes incentive pay for hazardous duty for members of a Weapons of Mass Destruction Civil Support Team under the provisions of 37 U.S.C. 305b.

d. Social Security (FICA Tax) -- Employers' Share

For payment of tax of employer to the Social Security Administration as provided by the Federal Insurance Contributions Act.

4. Pay, Inactive Duty Training, Enlisted

a. Basic Pay

For basic compensation, including length of service increments, under the provisions of 37 U.S.C. 203 and 206.

b. Retired Pay Accrual

For the Department of Defense contribution to its Military Retirement Fund, under the provisions of 10 U.S.C. 1466. Retired pay accrual amounts will be precisely the specified percent of basic pay.

c. Incentive Pay for Hazardous Duty

For performance of hazardous duty required by competent authority under the provisions of 37 U.S.C. 301 or 37 U.S.C. 351. Also includes incentive pay for hazardous duty for members of a Weapons of Mass Destruction Civil Support Team under the provisions of 37 U.S.C. 305b.

d. Social Security (FICA Tax) -- Employers' Share

For payment of tax of employer to the Social Security Administration as provided by the Federal Insurance Contributions Act.

5. Individual Clothing and Uniform Allowances, Officers

Payments of allowances to officers for the purchase of required uniforms under the provisions of 37 U.S.C 415-417.

6. Individual Clothing and Uniform Allowances, Enlisted

For the costs of uniform clothing authorized to be issued in kind to enlisted personnel under the provisions of 37 U.S.C. 418.

7. Subsistence of Enlisted Personnel

For the cost of subsistence issued as rations to enlisted personnel including emergency and operational rations under the provisions of 37 U.S.C. 402.

8. Travel, Active Duty Training, Officers, and Travel, Active Duty for Training, Enlisted

For expenses incident to training travel of Reserve Component officer or enlisted member, individually or as an organized unit. Travel costs include mileage; per diem; transportation by common carrier (rail, bus, air, water including Air Mobility Command and Military Sealift Command); actual and necessary expenses and costs of subsistence while in a travel status; issue of meal tickets; transportation of baggage; port handling charges; and expenses incident to movement of any military group traveling under one order from the same point of origin to the same destination.

9. Pay and Allowances of Officers, Enlisted and Permanent Change of Station Travel

for Active Guard and Reserve (AGR)

These subactivities are to provide for the AGR military personnel expenses financed from the Reserve Components personnel appropriations. The descriptions of these subactivities are identical to those shown for the activities with the same titles in paragraph 020202, above.

10. Death Gratuities, Officers, and Death Gratuities, Enlisted

For the payment of death gratuities to beneficiaries of Reserve Component personnel under the provisions of 10 U.S.C. 1475-1480.

11. Disability and Hospitalization Benefits, Officers, and Disability and Hospitalization Benefits, Enlisted

For payment of disability and hospitalization benefits for Reserve Component personnel, except for costs covered by orders to active duty for training or inactive duty training under the provisions of 37 U.S.C. 204 and 206.

12. Reserve Incentives

For Reenlistment Bonus for Selected Reserves under the provisions of 37 U.S.C. 308b; Affiliation or Enlistment in the Selected Reserves under the provisions of 37 U.S.C. 308c; Non-Prior Service Enlistment Bonus for the Individual Ready Reserve under the provisions of 37 U.S.C. 308g; Individual Ready Reserve Enlistment, Reenlistment or Extension Bonus under the provisions of 37 U.S.C 308h; Prior Service Enlistment Bonus under the provisions of 37 U.S.C 308i; Accession or Affiliation Bonus for New Reserve Component Officers under the provisions of 37 U.S.C. 308j; Continuation Pay for Reserve Component personnel under the provisions of 37 U.S.C. 356; and any other bonus incentive listed in section 020202, as applicable.

13. Other

Items that are not accounted for in numbers 1 through 12.

14. Health Professions Scholarship Program

a. Stipend

For the allowances of commissioned officers while attending school under the Armed Forces Health Professions Scholarship Program under the provisions of 10 U.S.C. 2120-2122. This includes a monthly allowance (stipend) as authorized by 10 U.S.C. 2121 and payment of FICA tax of employer to the Social Security Administration as provided by the Federal Insurance Contributions Act.

b. Financial Assistance Grant

For an annual grant for persons participating in specialized training under the provisions of 10 U.S.C. 2127.

c. Accession Bonus

Bonus to persons entering into an agreement under 10 U.S.C. 2122(a)(2).

d. Nurse Candidate Bonus Program

For an accession bonus paid in periodic installments and a monthly stipend for nurse officer candidates under the provisions of 10 U.S.C. 2130a.

e. Individual Clothing and Uniform Allowances, Officers

Payments of allowances for the purchase of required uniforms under the provisions of 37 U.S.C. 415-417.

f. Pay and Allowances, Active Duty for Training, Officers

For the pay and allowances of commissioned officers of the Reserve Components on active duty for training.

g. Travel, Active Duty Training, Officers

For expenses incident to travel of Reserve Component officers.

BA/BSA – Medicare-Eligible Retiree Health Fund Contribution Appropriations

1. Reserve Component Training and Support - For the Department of Defense's contribution to the Medicare-Eligible Retiree Health Care Fund for the future Medicare-Eligible health care costs for current military personnel in accordance with 10 U.S.C. Chapter 56. Defense Health Care Accrual amounts are to be paid into the fund based upon approved actuarial rate multiplied by the expected average force strength for each fiscal year. The Ronald W. Reagan National Defense Authorization Act for Fiscal Year 2005 (P.L. 108-375) provided permanent, indefinite appropriations to finance the cost of accruing TRICARE benefits for uniformed service member. These costs are included in the DoD discretionary total.

OBJECT CLASSIFICATION
RESERVE PERSONNEL APPROPRIATIONS

In addition to the object classifications prescribed in paragraph 020202, above, the object classifications prescribed herein shall be the official classifications for use in preparing budget estimates, accounting for budgetary and financial transactions, and in submitting reports on the applicable appropriation accounts:

Object Class	
Disability and Hospitalization Benefits (See the various components of this pay, i.e., basic pay, BAH, BAS, etc.)	-
Education Benefits (MGIB-SR and Reserve Education Assistance Program (REAP)	12.220
Financial Assistance Grant	41.010
Inactive Duty Pay (Exclusive of Incentive and Special Pays)	11.710
Reserve Incentives (Reenlistment, Enlistment, Continuation Pays and Educational Bonuses)	12.220
Stipend (Health Professions Scholarship Program)	11.710
Subsistence Allowance (Platoon Leaders Course (PLC), etc.)	11.710
TSP Matching Contributions	12.220
Uniform, Commutations	26.010

*020303. Program and Budget Review Submission

A. This section prescribes the justification materials required for the Reserve Components' Military Personnel appropriations to support budget estimates. Fund requirements for these appropriations will be presented using those budget and accounting classifications set forth in paragraph 020302, above.

B. Exhibits in Support of Budget Estimates - The following justification exhibits will be prepared and submitted in support of program and budget review submission for the OSD/OMB program and budget review. These exhibits will be organized by Service military personnel account. Examples of the required exhibits are provided in paragraph 020602 and 020603, below. The required justification material will be organized in a single unclassified volume with the unclassified data displayed in the sequence shown below:

Table of Contents

Section 1 - Summary of Requirements by Budget Program (PB-30A)

The Summary of Requirements will include a Medicare-Eligible Retiree Health Fund Contribution Appropriation line displaying the total amounts budgeted as shown in section 020602 of this chapter. These amounts will be supported by detailed calculations provided in

the MPR-8 Exhibit included in the separate backup justification book.

Section 2 - Introduction and Performance Measures.

1. The statement should provide the highlights of the budget submission and a general discussion of the relationship of the resources requested to the proposed military strength program. This should include a discussion of the military strength characteristics in terms of gains and losses and promotion and assignment policies. It also should address strength changes in programmatic terms such as force structure and other matters of an overall nature as considered appropriate by the Service.

2. Performance Measures and Evaluation Summary (PB-30Y) (example provided in paragraph 020603)

Section 3 - Summary Tables (examples provided paragraph 020602/3, below)

1. Personnel Summaries (PB-30G, PB-30H, PB-30I, PB-30F)

2. Summary of Entitlements by Subactivity (PB-30J)

3. Analysis of Appropriation Changes and Supplemental Requirements (PB-30K)

4. Summary of Basic Pay and Retired Pay Accrual Costs (Reserve Components Only) (PB-30L)

5. Summary of Basic Allowance for Housing (BAH) Costs (Reserve Components Only) (PB-30M)

6. Summary of Travel Costs (Reserve Components Only) (PB-30N)

7. Schedule of Increases and Decreases (PB-30O)

Section 4 - Detail of Reserve Personnel Entitlements

Justification materials will be provided in support of entitlements for each of the following applicable Reserve Component activities:

1. Training - Pay Group A
2. Training - Pay Group B
3. Training - Pay Group F
4. Training - Pay Group P
5. Mobilization Training
6. School Training
7. Special Training
8. Administration and Support
9. AGR Personnel
10. Death and Disability Gratuities
11. Reserve Incentives and Bonuses
12. Education Benefits
13. Platoon Leaders Class
14. Reserve Officer Candidates
15. Branch Officers Basic Course
16. Health Professions Scholarship
17. Chaplain Candidate Program

18. TSP Matching Contributions

Justification material for each activity will contain a purpose and scope section, a schedule of increases and decreases (PB-30P), as well as data in support of the funds requested. Generally, this data will include appropriate narrative comments relative to program/pricing as well as supporting computational data. For each subactivity/entitlement, include an explanation to justify the requested change. The explanation should be specific with regard to what the increases will provide for (i.e., statutory change, program enhancements, solving deficiencies, etc.) and should also explain decreases programmatically. Also provide a general explanation for each type of entitlement. Data should be shown for the prior year (PY), current year (CY), and budget year (BY). School, Special, and Mobilization Training data will be grouped by similar types of training and will be fully explained and justified. At the end of each section for School, Special, and Mobilization Training provide a total that summarizes the training categories. Within the Administration and Support subactivity, subtotals are required for AGR personnel and for total incentives and bonuses. See paragraph 020603, below for format.

Section 5 - Special Analyses (examples provided in paragraph 020602 and 020603, below)

1. Reimbursable Programs (PB-30R)

2. Selective Reenlistment Bonuses (PB-30V) Use this form for other applicable bonus programs.

3. Full-Time Support Personnel (PB-30W)

C. Justification material for each subactivity will contain a purpose and scope section as well as a justification of funds requested. The requirements for each entitlement under each military personnel category will be justified on a gross basis to include total obligations for both direct and reimbursable personnel. For each subactivity/entitlement, include an explanation to justify the requested change. The explanation should be specific with regard to what the increases will provide for, i.e., statutory, program enhancements, solving deficiencies, etc. and should also explain decreases programmatically. Also provide a general explanation for each type of entitlement. The computation for each entitlement will display data for the prior year (PY), current year (CY), and budget year (BY). An example of the exhibit to meet this requirement is Exhibit PB-30X in section 020603.

D. The following exhibits will be provided in a separate backup justification book in support of the budget estimate. Examples of these exhibits are provided in paragraph 020603, below:

MPR-2	Basic Allowance for Housing Costs
MPR-3	Summary of Outyear Data
MPR-4	Education Benefits (Title 10 USC, Chapter 1606 and 1607)
MPR-5	Retired Pay Accrual Costs
MPR-6	Active Guard and Reserve (AGR) Costs

MPR-7 Pay Raise Data

MPR-8 Medicare-Eligible Retiree Health Fund Contributions

MPR-10 Monthly Obligation Phasing Plan

MPR-11 Summary of Recruiting and Retention Data

MPR-12 Reimbursable Program (Reimbursing Customers)

PB-16 Legislative Proposals (See Volume 2B, Chapter 19, paragraph 191205 for format)

020304. Congressional Justification/Presentation

A. Justification books will be organized by Service military personnel account.

B. Justification Book and other exhibit requirements in support of the congressional submission are identical to those shown above in paragraph 020302 and 020303, Program and Budget Review Submission. Exhibits provided to OUSD(C), consistent with paragraph 020303 D. will **not** be provided to Congress but will be provided under separate cover to OUSD(C) at the time of the President's budget submission.

C. M-1 Exhibit. Since FY 1998, appropriations language has required the submission of an M-1 exhibit in support of the President's budget. The Military Departments are required to submit M-1 data through the Program Resources Collection Process (PRCP) system consistent with paragraph 010501, above.

0204 DoD MILITARY PERSONNEL RETIREMENT REQUIREMENTS

020401. Uniform Budget and Fiscal Accounting Classifications

A. This Section prescribes the budget and fiscal accounting classifications for the Military Retirement Fund for uniform application by the Military Departments and the Office of the Secretary of Defense, pursuant to the provisions of 10 U.S.C. 1461-1467.

B. The objective is to establish the basis for uniform budget presentations and a standard budget and fiscal accounting classification which shall be used on a uniform basis for military retired pay throughout the Department of Defense in submitting budget estimates and in accounting and reporting on the status of funds under this Trust Fund as required by Volume 4, of this Regulation.

C. The budget and accounting classification prescribed herein shall be the official classification for use in preparing budget estimates, accounting for budgetary and financial transactions, and in submitting reports on the applicable accounts. Individual budget activity and subactivity accounts shall be established as required for the accounts listed in paragraph E below. Variations in the activity and subactivity classification and titles shall not be made except that additional accounts consistent with this budget and accounting classification may be established in order to meet administrative requirements of the various elements of the Military Departments. The scope of each account is described in later in this section.

D. Symbol numbers shall be assigned to each of the budget activities and

subactivities listed below in the same manner and in the same sequence as will be consistent with the fiscal codes for all appropriations and funds, as published in the respective Military Department fiscal code manuals.

E. The chart of accounts represents a summary of the accounting and reporting structure under the Military Retirement Fund arranged in the order and in the detail for which reporting in accordance with DoD 7000.14R, Financial Management Regulation, is required.

Budget Activity and Subactivity

1. Nondisability

1-A - Regular Officers
1-B - Regular Enlisted
1-C - Nonregular Officers
1-D - Nonregular Enlisted

2. Temporary Disability

2-A - Regular Officers
2-B - Regular Enlisted
2-C - Nonregular Officers
2-D - Nonregular Enlisted

3. Permanent Disability

3-A - Regular Officers
3-B - Regular Enlisted
3-C - Nonregular Officers
3-D - Nonregular Enlisted

4. Fleet Reserve

4-A - Regular Enlisted
4-B - Nonregular Enlisted

5. Survivors' Benefits

5-A - Old Plan, Retired Servicemen's Family Protection Plan (RSFPP)
5-B - New Plan, Survivor Benefits Plan (SBP)
5-C - Guaranteed Minimum Income
5-D – Dependence and Indemnity Compensation (DIC) Supplemental Payments

BA/BSA

A. Budget Activities. The budget activities are established to present the retirement benefits associated with a particular type of retirement. The following descriptions are for the chart of accounts as listed above.

1. Nondisability retirements, under applicable statutes, are given on the following basis:

a. Voluntarily on or after completion of the required length of service.

b. Involuntarily because of attainment of statutory age or completion of the maximum length of service authorized by law for the several grades.

c. Automatically upon completion of 30 years of combined active service and service in the Fleet Reserve.

2. Temporary Disability retirements, under Title IV of the Career Compensation Act of 1949 (10, U.S.C., 1201-1221), are given on the following basis:

Interim classification in cases where there is doubt as to the degree or permanence of disability. Persons on temporary disability rolls are given periodic physical examinations at least once every 18 months and may be:

a. Restored to active duty.
b. Separated from the service with severance pay.
c. Transferred to permanent disability retired list.
d. Continued on temporary list for another 18-month period.

B. Final determination is required within 5 years of initial classification and temporary disability retirement.

3. Permanent Disability retirements, under Title IV of the Career Compensation Act of 1949 (10, U.S.C., 1201-1221), are given when:

a. There is no doubt as to the degree or permanence of the disability at the time of initial retirement.

b. By periodic examination of temporary disability and Fleet Reserve rolls, it is determined that permanent disability exists.

4. Fleet Reserve status, under Title II of the Naval Reserve Act of 1938, as amended (10 U.S.C., 6330, 6331), is given when: Enlisted personnel of the Navy and Marine Corps having 20 but less than 30 years' service may be transferred to the inactive Fleet Reserve with retainer pay at rates prescribed by law. They remain in the Fleet Reserve until their status is changed by reason of:

a. Completion of 30 years' service.
b. Recall to active duty.
c. Physical unfitness for further military service.
d. Death.

5. Survivors' Benefits payments, under the old Retired Serviceman's Family Protection Plan, and the new Survivor Benefit Plan (SBP), are provided on the following basis:

a. Two of the benefits are contributory: the old Serviceman's Family Protection Plan and the new Survivor Benefit Plan (SBP). Under both of the contributory benefits, a member of the uniformed services may elect to receive a reduced amount of any retired pay that may be awarded him/her in order to provide one or more annuities to his/her survivors, as specified by law. The basic options include the choice of annuities to provide for (1) surviving spouse, (2) surviving children, (3) surviving family, including both spouse and children, or (4)

other persons with insurable interest (under the new plan only).

b. The other two benefits are noncontributory, both the Guaranteed Minimum Income and the Dependency and Indemnity Compensation (DIC) Supplemental Payments. The Guaranteed Minimum Income has a special provision benefiting women who are now widows of deceased members of the Uniformed Services who were receiving, or were entitled to receive, retired pay. The provision that guarantees these widows annual incomes will not fall below a certain amount. The DIC Supplemental Payments provide supplemental payments to widows of retirement-eligible members who die on active duty if DIC payments (by VA) are less than the maximum payments that the widow would have received if the member had been retired. The SBP payments covering the difference between the two will be paid.

B. Budget Subactivities. The budget subactivities are established to show the retirement benefits associated with a particular personnel classification. Subactivities for Regular Officers, Regular Enlisted, Nonregular Officers, and Nonregular Enlisted are used for Budget Activities 1, 2 and 3; Budget Activity 4 has only the two enlisted classifications; and Budget Activity 5 now has four subactivities showing survivors covered under (1) the Old Plan (RSFPP), (2) the New Plan (SBP), (3) Guaranteed Minimum Income (to current widows), and (4) DIC Supplemental Payments (to future widows).

0205 DoD MILITARY PERSONNEL - CIVIL FUNCTIONS

020501. Purpose

This Section prescribes the justification material required for the Military Personnel civil function trust fund accounts.

020502. Military Retirement Fund/Education Benefits Fund/Retiree Health Care Fund

A. Appropriate exhibits and schedules will be prepared by OUSD(C) P/B, Military Personnel and Construction Directorate unless specified otherwise in the annual OUSD(C) guidance memorandum.

B. Unless otherwise specified, exhibit requirements will only include the Program and Financing Schedule and a Status of Fund for the Military Retirement Fund, the Education Benefits Fund, and the Uniformed Services Retiree Health Care Fund.

0206 BASELINE MILITARY PERSONNEL APPROPRIATION SUBMISSION FORMATS

020601. Purpose

The formats provided on the following pages reflect guidance presented in previous sections of this chapter. Unless modified in a submission budget call, these formats should be adhered to.

*020602. Exhibits in Support of Section 0202 - Active Military Personnel Appropriations

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Exhibit PB-30B Summary of Military Personnel Strength (Active) 56
Exhibit PB-30C Military Personnel End Strength by Grade (Active) 58
Exhibit PB-30D Military Personnel Average Strength by Grade (Active) 59
Exhibit PB-30E Active Duty Strengths by Month (Active) 60
Exhibit PB-30F Gains and Losses by Source and Type (Active) 61
Exhibit PB-30J Summary of Entitlements by Subactivity (Active) 63
Exhibit PB-30K Analysis of Appropriation Changes and Supplemental Requirements (Active) 68
Exhibit PB-30O Schedule of Increases and Decreases Summary (Active & Reserve) 72
Exhibit PB-30P Schedule of Increases and Decreases (Active & Reserve) 73
Exhibit PB-30Q Military Personnel Assigned Outside DoD (End Strength) (Active) 74
Exhibit PB-30R Reimbursable Program (Active & Reserve) 76
Exhibit PB-30S Reserve Officer Candidates (ROTC) Enrollment (Active) 77
Exhibit PB-30T Reserve Officer Candidates (ROTC) Program (Active) 78
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Exhibit PB-30X Subactivity Detailed Justification (Active)…… …… .83
Exhibit PB-30Y Performance Measures and Evaluation Summary 82
Exhibit PB-30Z Monthly End Strengths by Pay Grade (Active) 84
Exhibit MP-3 Summary of Outyear Data 88
Exhibit MP-4 Military Personnel by Region and Country (End Strength) 89
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Exhibit MP-17 – Reimbursable Program (Reimbursing Customers) 105
Exhibit OCO-1 – OCO Military Personnel Overview ..... **Error! Bookmark not defined.**
Exhibit OCO-2 – OCO M-1 Exhibit ..... **Error! Bookmark not defined.**
Exhibit OCO-3 – OCO Subactivity Detailed Justification ..... **Error! Bookmark not defined.**

* 020603. Exhibits in Support of Section 0203 – Reserve Military Personnel

Appropriations

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Exhibit PB-30G Summary of Personnel (Reserves) 128
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Exhibit PB-30I Strength by Month (Reserves) 112
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Exhibit MPR-2 Basic Allowance for Housing Costs Summary 134
Exhibit MPR-3 Summary of Outyear Data 135
Exhibit MPR-4 Education Benefits (Title 10 USC, Chapter 1606 & 1607) 137
Exhibit MPR-4 Education Benefits (Title 10 USC, Chapter 1606 & 1607) 139
Exhibit MPR-5 Summary of Basic Pay and Retired Pay Accrual Costs 140
Exhibit MPR-6 Active Reserve/Guard (AGR) Personnel Cost 143
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Exhibit MPR-10 - Monthly Obligation Phasing Plan 160
Exhibit MPR-11 – Recruiting and Retention Data 149
Exhibit MPR-12 – Reimbursable Program (Reimbursing Customers) 151
Exhibit OCO-1 – OCO Military Personnel Overview ..... **Error! Bookmark not defined.**
Exhibit OCO-2 – OCO M-1 Exhibit ..... **Error! Bookmark not defined.**
Exhibit OCO-3 – OCO Subactivity Detailed Justification ..... **Error! Bookmark not defined.**

Exhibit PB-30A Summary of Requirements by Budget Program (Active)

MILITARY PERSONNEL, _____
SUMMARY OF REQUIREMENTS BY BUDGET PROGRAM
($ in Thousands)

	FY 20PY Actual	FY 20CY Estimate	FY 20BY Estimate
DIRECT BASELINE PROGRAM FUNDING			
Pay and Allowances of Officers			
Pay and Allowances of Enlisted Personnel			
Pay and Allowances of Cadets and Midshipmen			
Subsistence of Enlisted Personnel			
Permanent Change of Station Travel			
Other Military Personnel Costs			
Total Direct Baseline Program Funding			
REIMBURSABLE BASELINE PROGRAM FUNDING			
Pay and Allowances of Officers			
Pay and Allowances of Enlisted Personnel			
Subsistence of Enlisted Personnel			
Permanent Change of Station Travel			
Total Reimbursable Baseline Program Funding			
TOTAL BASELINE PROGRAM FUNDING			
Pay and Allowances of Officers			
Pay and Allowances of Enlisted Personnel			
Pay and Allowances of Cadets and Midshipmen			
Subsistence of Enlisted Personnel			
Permanent Change of Station Travel			
Other Military Personnel Costs			
Total Baseline Program Funding			

MILITARY PERSONNEL, _____
SUMMARY OF REQUIREMENTS BY BUDGET PROGRAM
($ in Thousands)

	FY 20PY Actual	FY 20CY Estimate	FY 20BY Estimate
OCO Funding -- FY 200X (P.L. XXX-XXX); FY 200X (P.L. XXX-XXX)			
Pay and Allowances of Officers			
Pay and Allowances of Enlisted Personnel			
Pay and Allowances of Cadets and Midshipmen			
Subsistence of Enlisted Personnel			
Permanent Change of Station Travel			
Other Military Personnel Costs			
Total OCO Program Funding			
TOTAL PROGRAM FUNDING			
Pay and Allowances of Officers			
Pay and Allowances of Enlisted Personnel			
Pay and Allowances of Cadets and Midshipmen			
Subsistence of Enlisted Personnel			
Permanent Change of Station Travel			
Other Military Personnel Costs			
Total Program Funding			
Medicare-Eligible Retiree Health Fund Contribution, (Army, Navy, etc.)			
TOTAL MILITARY PERSONNEL PROGRAM COST			

LEGISLATIVE PROPOSALS:
The following legislative proposals are included in the above estimate and submitted for FY BY consideration.
(List proposals and funding requested.)

Exhibit PB-30A Summary of Requirements by Budget Program (Active) Continued

(Page 2 of 2)

Exhibit PB-30B Summary of Military Personnel Strength (Active)

MILITARY PERSONNEL, _____
SUMMARY OF MILITARY PERSONNEL STRENGTH

	FY 20PY Actual		FY 20CY Planned		FY 20BY Planned	
	Average Strength	End Strength 30 Sep 20PY	Average Strength	End Strength 30 Sep 20CY	Average Strength	End Strength 30 Sep 20BY
DIRECT BASELINE PROGRAM						
Officers						
Enlisted						
Academy (Cadets/Midshipmen)						
Total Direct Program						
REIMBURSABLE PROGRAM						
Officers						
Enlisted						
Total Reimbursable						
TOTAL BASLINE PROGRAM						
Officers						
Enlisted						
Academy (Cadets/Midshipmen)						
Total Program						
OCO PROGRAM [1/ 2/]						
Officers						
Enlisted						
OCO Funded Strength						
REVISED TOTAL PROGRAM						
Officers						
Enlisted						
Academy (Cadets/Midshipmen)						
Revised Total Program						

End strength on this exhibit and in supporting budget exhibits must match the end strength in the Comptroller Information System (CIS) by category of personnel.

/1 FY PY average strength includes # officer and # enlisted mobilized Reserve Component personnel in support of OEF or OND
/2 FY CY (if applicable) average strength includes # officer and # enlisted mobilized Reserve Component personnel in support of OEF or OND

MILITARY PERSONNEL, _____
SUMMARY OF MILITARY PERSONNEL STRENGTH

***The [Service name] is required to document the number of Reserve and National Guard members who have performed operational support duty for the [Service name] for 1) a period greater than 1,095 consecutive days, or 2) cumulatively for 1,095 days out of the previous 1,460 days (and thereby exceed the threshold).**

	FY 20 PY Actuals	FY 20 CY Projected	FY 20 BY Projected
XXXX Reserve			
XXXX Guard			

These totals are/are not part of the end strength figures that are displayed throughout the justification material.

Exhibit PB-30B Summary of Military Personnel Strength (Active) Continued

(Page 2 of 2)

Exhibit PB-30C Military Personnel End Strength by Grade (Active)

MILITARY PERSONNEL, _____
END STRENGTH BY GRADE 1/
TOTAL PROGRAM

	FY 20PY		FY 20CY		FY 20BY	
	Total	Reimb Incl[2/]	Total	Reimb Incl[2/]	Total	Reimb Incl[2/]
Commissioned Officers						
0-10 (enter rank)						
0-9 " "						
0-8 " "						
0-7 " "						
0-6 " "						
0-5 " "						
0-4 " "						
0-3 " "						
0-2 " "						
0-1 " "						
Total						
Warrant Officers						
W-4 (enter rank)						
W-3 " "						
W-2 " "						
W-1 " "						
Total						
Total Officers						
Enlisted Personnel						
E-9 (enter rank)						
E-8 " "						
E-7 " "						
E-6 " "						
E-5 " "						
E-4 " "						
E-3 " "						
E-2 " "						
E-1 " "						
Total Enlisted						
Cadets/Midshipmen						
Total End Strength						

1/ Excludes active duty personnel paid from Civil Functions, Reserve, and Guard appropriations.
2/ Show the total number of reimbursable end strength included in the total end strength.

Exhibit PB-30D Military Personnel Average Strength by Grade (Active)

MILITARY PERSONNEL, _____
AVERAGE STRENGTH BY GRADE 1/
TOTAL PROGRAM

	FY 20PY		FY 20CY		FY 20BY	
	Total	Reimb Incl[2/]	Total	Reimb Incl[2/]	Total	Reimb Incl[2/]
Commissioned Officers						
0-10 (enter rank)						
0-9 " "						
0-8 " "						
0-7 " "						
0-6 " "						
0-5 " "						
0-4 " "						
0-3 " "						
0-2 " "						
0-1 " "						
Total						
Warrant Officers						
W-4 (enter rank)						
W-3 " "						
W-2 " "						
W-1 " "						
Total						
Total Officers						
Enlisted Personnel						
E-9 (enter rank)						
E-8 " "						
E-7 " "						
E-6 " "						
E-5 " "						
E-4 " "						
E-3 " "						
E-2 " "						
E-1 " "						
Total						
Cadets/Midshipmen						
Total Average Strength						

1/ Excludes active duty personnel paid from Civil Functions, Reserve, and Guard appropriations.
2/ Separately display the total number of average strength included in the total average strength.

Exhibit PB-30E Active Duty Strengths by Month (Active)

MILITARY PERSONNEL, _____
ACTIVE DUTY STRENGTHS BY MONTHS 1/

	FY 20PY[2/]				FY		
20CY[2/3/]	FY 20BY[2/3/]						
	Off	Enl	Cadet/Mid	Total	Off	Enl	Cadet/Mid
Total	Off	Enl	Cadet/Mid	Total			
September							
October							
November							
December							
January							
February							
March							
April							
May							
June							
July							
August							
September							
Average End Strength *__Calculation: (PY SEP + (CY OCT through CY AUG)*2 + CY SEP)/24__							

Active Duty for Operational Support (ADOS) **formerly known as Active Duty for Special Work (ADSW), Temporary Tour of Active Duty (TTAD), or Manday Program*
Average Strength
Dollars in Millions

Total Average
Strength ***Average End Strength plus ADOS Average Strength**

Selected Reserve 12304b Authority (if applicable) – Introduction section must include a description of the mission for which such units are anticipated to be ordered to active duty and the anticipated length of time of order.
Average Strength
Dollars in Millions
Total Average Strength *Average End Strength plus ADOS Average Strength plus 12304b Average Strength

*Strength in the FY CY and FY BY Baseline Request
End Strength
Average Strength

1/ Includes reimbursable active duty military pay strengths, but excludes active duty personnel paid from Civil Functions, Reserve, and National Guard Appropriations.
2/ Table must be footnoted to indicate the month through which actual data is contained.
*3/ Table should include OCO funded active duty strength.
Note: Do not round strength figures

Exhibit PB-30F Gains and Losses by Source and Type (Active)

MILITARY PERSONNEL, _____
GAINS AND LOSSES BY SOURCE AND TYPE

OFFICERS

	FY 20PY	FY 20CY	FY 20BY
BEGINNING STRENGTH			
GAINS			
Service Academies			
Reserve Officers Training Corps			
Senior ROTC	( )	( )	( )
Scholarship	( )	( )	( )
Health Professions Scholarships			
Platoon Leaders Class			
Reserve Officer Candidates			
Other Enlisted Commissioning Programs			
Voluntary Active Duty			
Direct Appointments			
Warrant Officer Programs			
Other			
Gain Adjustments			
TOTAL GAINS			
LOSSES			
Expiration of Contract/Obligation			
Normal Early Release			
Disability	( )	( )	( )
Nondisability	( )	( )	( )
Voluntary Separations - VSI			
Voluntary Separations - SSB			
Involuntary Separation - Reserve Officers			
Involuntary Separation - Regular Officers			
15-Year Temporary Early Retirement			
Reduction-in-Force			
Attrition			
Other			
Loss Adjustments			
TOTAL LOSSES			
END STRENGTH			

MILITARY PERSONNEL, _____
GAINS AND LOSSES BY SOURCE AND TYPE

ENLISTED

	FY 20PY	FY 20CY	FY 20BY
BEGINNING STRENGTH			
GAINS			
Non-prior Service Enlistments			
Male ( )	( )	( )	( )
Female ( )	( )	( )	( )
Prior Service Enlistments			
Reenlistments			
Reserves			
Officer Candidate Programs			
Returned from Dropped from Rolls			
Other			
Gain Adjustments			
TOTAL GAINS			
LOSSES			
Expiration of Term of Service (ETS)			
Normal Early Release			
Programmed Early Release			
Separations – VSI			
Separations - VSP			
Separations - SSB			
To Commissioned Officer			
To Warrant Officer			
Reenlistment			
Retirement			
15-Year Temporary Early Retirement			
Dropped from Rolls (Deserters)			
Attrition (Adverse Causes)			
Attrition (Other)			
Reserve Components			
Other			
Loss Adjustments			
TOTAL LOSSES			
END STRENGTH			

CADETS/MIDSHIPMEN

BEGINNING STRENGTH			
GAINS			
Entering Cadets/Midshipmen			
LOSSES			
Attrition			
Graduates			
TOTAL LOSSES			
END STRENGTH			

Exhibit PB-30F Gains and Losses by Source and Type (Active) Continued
(Page 2 of 2)

*Exhibit PB-30J Summary of Entitlements by Subactivity (Active)

MILITARY PERSONNEL, _____
SUMMARY OF ENTITLEMENTS BY SUBACTIVITY
($ in Thousands)

	FY 20PY			FY 20CY			FY 20BY		
	Officers	Enlisted	Total	Officers	Enlisted	Total	Officers	Enlisted	Total
1. Basic Pay									
2. Retired Pay Accrual									
3. TSP Matching Contributions									
4. Basic Allowance for Housing									
a. With Dependents – Domestic									
b. Without Dependents - Domestic									
c. Substandard Family Housing - Domestic									
d. Partial – Domestic									
e. With Dependents – Overseas									
f. Without Dependents – Overseas									
5. Subsistence									
a. Basic Allowance for Subsistence									
1. Authorized to Mess Separately									
2. Leave Rations									
3. BAS II									
4. Augmentation for Separate Meals									
b. Subsistence-In-Kind									
1. Subsistence in Messes									
2. Special Rations									
3. Operational Rations									
4. Augmentation Rations									
5. Other Programs									
6. Less Cash Collections									
c. Family Subsistence Supplemental Allowance									

NOTE: Line items to include both direct and reimbursable costs.

MILITARY PERSONNEL, _____
SUMMARY OF ENTITLEMENTS BY SUBACTIVITY (Continued)
($ in Thousands)

	FY 20PY			FY 20CY			FY 20BY		
	Officers	Enlisted	Total	Officers	Enlisted	Total	Officers	Enlisted	Total
6. Incentive Pay, Hazardous Duty, and Aviation Career									
a. Flying Duty Pay									
1. Aviation Career, Officers									
2. Crew Members, Enlisted									
3. Noncrew Member									
4. Aviation Continuation Pay									
5. Career Enlisted Flyer Pay									
b. Submarine Duty Pay									
c. Parachute Jumping Pay									
d. Demolition Pay									
e. Other Pays									
7. Special Pays									
a. Medical Pay									
b. Dental Pay									
c. Optometrists Pay									
d. Veterinarians Pay									
e. Board Certified Pay for Non-Physician Health Care Providers									
f. Nurses Pay									
g. Nuclear Officer Incentive Pay									
h. Nuclear Accession Bonus									
i. Scientific/Engineering Bonus									
j. Responsibility Pay									
k. Sea and Foreign Duty, Total									
1. Sea Duty									
2. Duty at Certain Places									
3. Overseas Extension Pay									
l. Diving Duty Pay									
m. Foreign Language Proficiency Pay									
n. Hostile Fire Pay									
o. Hardship Duty Pay									
p. Judge Advocate Continuation Pay									
q. Special Warfare Officer Pays (extend period of active duty)									
r. Surface Warfare Officer Continuation Pays									

Exhibit PB-30J Summary of Entitlements by Subactivity (Active) Continued
(Page 2 of 5)

MILITARY PERSONNEL, _____
SUMMARY OF ENTITLEMENTS BY SUBACTIVITY (Continued)
($ in Thousands)

	FY 20PY			FY 20CY			FY 20BY		
	Officers	Enlisted	Total	Officers	Enlisted	Total	Officers	Enlisted	Total

s. Critical Skill Retention Bonus
t. Conversion to Military Occupational Specialty to ease personnel shortage
u. New Officers in Critical Skills Accession Bonus
v. Transfer Between Armed Forces Incentive Bonus
w. Reenlistment Bonus
    1. Regular
    2. Selective
x. Special Duty Assignment Pay
y. Enlistment Bonus
z. Education Benefits (College Fund)
aa. Loan Repayment Program
bb. Assignment Incentive Pay
cc. Continuation Pays
dd. Other Special Pays

7. Allowances
    a. Uniform or Clothing Allowances
        1. Initial Issue
            1. Military
            2. Civilian
        2. Additional
        3. Basic Maintenance
        4. Standard Maintenance
        5. Supplementary
        6. Civilian Clothing Maintenance
    b. Station Allowance Overseas
        1. Cost-of-Living
        2. Temporary Lodging

Exhibit PB-30J Summary of Entitlements by Subactivity (Active) Continued
(Page 3 of 5)

MILITARY PERSONNEL, _____
SUMMARY OF ENTITLEMENTS BY SUBACTIVITY (Continued)
($ in Thousands)

	FY 20PY			FY 20CY			FY 20BY		
	Officers	Enlisted	Total	Officers	Enlisted	Total	Officers	Enlisted	Total
c. Family Separation Allowance									
1. On PCS, Dependents Not Authorized (FSA-R)									
3. Afloat (FSA-S)									
4. On TDY (FSA-T)									
d. Special Comp for Assist with Act of Daily Living (SCAADL)									
e. Personal Money Allowance, General & Flag Officers									
f. CONUS COLA									
8. Separation Payments									
a. Terminal Leave Pay									
b. Lump-Sum Readjustment Pay									
c. Donations									
d. Severance Pay, Disability									
e. Severance Pay, Nonpromotion									
f. Severance Pay, Invol Half (5%)									
g. Severance Pay, Invol Full (10%)									
h. Severance Pay, VSI									
i. Severance Pay, VSP									
j. Severance Pay, SSB									
k. 15-Year Temporary Early Retirement									
l. $30,000 Lump Sum Bonus									
9. Social Security Tax Payment									
10. Permanent Change of Station Travel									
11. Other Military Personnel Costs									
a. Apprehension of Deserters									
b. Interest on Uniformed Services Savings Deposits (MIA)									
c. Death Gratuities									
d. Unemployment Compensation									
e. Education Benefits									
f. Adoption Expenses									

Exhibit PB-30J Summary of Entitlements by Subactivity (Active) Continued
(Page 4 of 5)

MILITARY PERSONNEL, _____
SUMMARY OF ENTITLEMENTS BY SUBACTIVITY (Continued)
($ in Thousands)

	FY 20PY			FY 20CY			FY 20BY		
	Officers	Enlisted	Total	Officers	Enlisted	Total	Officers	Enlisted	Total
g. Mass Transportation Benefit									
h. Partial Dislocation Allowance									
i. SGLI									
j. T-SGLI									
k. ROTC									
l. JROTC									
12. Cadets/Midshipmen									
Military Personnel Appropriation Total									
13. Less Reimbursables: Retired Pay Accrual									
Other									
Military Personnel Appropriation Total, Direct									

Exhibit PB-30J Summary of Entitlements by Subactivity (Active) Continued
(Page 5 of 5)

*Exhibit PB-30K Analysis of Appropriation Changes and Supplemental Requirements (Active)

MILITARY PERSONNEL, _____
ANALYSIS OF APPROPRIATION CHANGES AND SUPPLEMENTAL REQUIREMENTS
FY 20CY
($ in Thousands)

	FY 20CY PRESIDENT'S BUDGET	CONGRES-SIONAL ACTION	APPRO-PRIATION	INTERNAL REALIGNMENT/ REPROGRAMMING	SUBTOTAL	PROPOSED DD 1415 ACTIONS	FY 20CY COLUMN FY 20BY PRES. BUDGET
PAY AND ALLOWANCES OF OFFICERS							
Basic Pay							
Retired Pay Accrual							
TSP Matching Contributions							
Incentive Pay							
Special Pay							
Basic Allowance for Housing							
Basic Allowance for Subsistence							
Station Allowances Overseas							
CONUS Cost of Living Allowances							
Uniform Allowances							
Family Separation Allowances							
SCAADL - Officer							
Separation Payments							
Social Security Tax-Employer's Contribution							
Reimbursables							
Total Obligations							
Less Reimbursements							
Total Direct Obligations							
PAY AND ALLOWANCES OF ENLISTED PERSONNEL							
Basic Pay							
Retired Pay Accrual							
TSP Matching Contributions							
Incentive Pay							
Special Pay							
Special Duty Assignment Pay							
Reenlistment Bonus							
Enlistment Bonus							
Education Benefits (College Fund)							
Loan Repayment Program							
Basic Allowance for Housing							

*Note: Budget Subactivity values reflect **direct** dollars only.*
Reimbursable funding should be reflected as shown on this exhibit as a separate line for each budget activity.

MILITARY PERSONNEL, _____
ANALYSIS OF APPROPRIATION CHANGES AND SUPPLEMENTAL REQUIREMENTS (Continued)
FY 20CY
($ in Thousands)

	FY 20CY PRESIDENT'S BUDGET	CONGRES-SIONAL ACTION	APPRO-PRIATION	INTERNAL REALIGNMENT/ REPROGRAMMING	SUBTOTAL	PROPOSED DD 1415 ACTIONS	FY 20CY COLUMN FY 20BY PRES. BUDGET
Station Allowances Overseas							
CONUS Cost of Living Allowances							
Clothing Allowances							
Family Separation Allowances							
SCAADL - Enlisted							
Separation Payments							
Social Security Tax-Employer's Contribution							
Reimbursables							
Total Obligations							
Less Reimbursements							
Total Direct Obligations							
PAY AND ALLOWANCES OF CADETS/MIDSHIPMEN							
Academy Cadets/Midshipmen							
SUBSISTENCE OF ENLISTED PERSONNEL							
Basic Allowance for Subsistence							
Subsistence-In-Kind							
Family Subsistence Supplemental Allowance							
Reimbursables							
Total Obligations							
Less Reimbursements							
Total Direct Obligations							
PERMANENT CHANGE OF STATION TRAVEL							
Accession Travel							
Training Travel							
Operating Travel							
Rotational Travel							
Separation Travel							

*Note: Budget Subactivity values reflect **direct** dollars only.*
Reimbursable funding should be reflected as shown on this exhibit as a separate line for each budget activity.

Exhibit PB-30K Analysis of Appropriation Changes and Supplemental Requirements (Active) Continued
(Page 2 of 4)

MILITARY PERSONNEL, _____
ANALYSIS OF APPROPRIATION CHANGES AND SUPPLEMENTAL REQUIREMENTS (Continued)
FY 20CY
($ in Thousands)

	FY 20CY PRESIDENT'S BUDGET	CONGRES-SIONAL ACTION	APPRO-PRIATION	INTERNAL REALIGNMENT/ REPROGRAMMING	SUBTOTAL	PROPOSED DD 1415 ACTIONS	FY 20CY COLUMN FY 20BY PRES. BUDGET
Travel of Organized Units							
Non-temporary Storage							
Temporary Lodging Expense							
Reimbursables							
Total Obligations							
Less Reimbursements							
Total Direct Obligation							
OTHER MILITARY PERSONNEL COSTS							
Apprehension of Military Deserters, Absentees and Escaped Military Prisoners							
Interest on Uniform Svcs Savings (MIA)							
Death Gratuities							
Unemployment Compensation							
Education Benefits							
Adoption Expenses							
Mass Transportation Benefit							
Partial Dislocation Allowance							
SGLI/T-SGLI							
ROTC							
JROTC							
Reimbursables							
Total Obligations							
Less Reimbursements							
Total Direct Obligations							
Total Direct Obligations							
Amounts Available to Finance Increased Costs							
Supplemental Request(s)/Transfers							

*Note: Budget Subactivity values reflect **direct** dollars only.*
Reimbursable funding should be reflected as shown on this exhibit as a separate line for each budget activity.

Exhibit PB-30K Analysis of Appropriation Changes and Supplemental Requirements (Active) Continued
(Page 3 of 4)

INSTRUCTIONS FOR COMPLETION OF EXHIBIT
ANALYSIS OF APPROPRIATION CHANGES AND SUPPLEMENTAL REQUIREMENTS

FY 20CY President's Budget - Show costs as included in the original FY 20CY President's Budget request. The total of all such costs should equal the FY 20CY appropriation request.

Congressional Action - Show the delta(s) associated with final congressional action on the FY 20CY appropriations request.
Appropriation – Show the final funding level appropriated by Congress for the FYCY. This value should tie explicitly by budget activity and total to the values reported on the DD 1414 Base for Reprogramming.

Internal Realignment/Reprogramming - Include those adjustments, which are necessary to align the amounts shown in the appropriation column of this exhibit with the FY 20CY column of the FY 20BY President's Budget exclusive of other price/program changes described below.

Subtotal – Should include the appropriated amount plus or minus internal realignments/reprogrammings.

Proposed DD 1415 Actions - Amounts shown in this column would include approved reprogrammings/transfers.

FY 20CY Column of FY 20BY President's Budget - Show amounts as included in the FY 20BY President's Budget request. These amounts should be equal to the sum of the amounts shown in the preceding two columns.

NOTE: An explanation should be provided for each adjustment in excess of $1 million included in the column showing realignments and reprogramming. Such explanation should not be included as part of this exhibit, but rather should be submitted separately to the OUSD(C) (P/B) Military Personnel and Construction Directorate, Room 3C654, Pentagon.

Exhibit PB-30K Analysis of Appropriation Changes and Supplemental Requirements (Active) Continued
(Page 4 of 4)

Exhibit PB-30O Schedule of Increases and Decreases Summary (Active & Reserve)

MILITARY PERSONNEL, _____
SCHEDULE OF INCREASES AND DECREASES - SUMMARY
($ in Thousands)

FY 20CY Direct Program [1/]	BA 1	BA 2	BA 3	BA 4	BA 5	BA 6	Amount $
Increases:							
Pricing Increases (List separately):							
Annualization of CY Pay Raise (Identify rate and effective date)							
BY Pay Raise (Identify rate and effective date)							
Inflation Rate (Identify rate)							
BAH Rates (Identify rate)							
FICA Rates (Identify ceiling and rate changes)							
Other Pricing Increases (List separately)							
Total Pricing Increases							
Program Increases (List separately):							
Strength Related							
New or Projected Increases to Programs/Compensation							
Other (List separately, include grade structure and longevity, if significant)							
Total Program Increases							
Total Increases							
Decreases:							
Pricing Decreases (List separately):							
Retired Pay Accrual (Percentage change)							
Other Pricing Decreases (List separately)							
Total Pricing Decreases							
Program Decreases (List separately):							
Strength Related							
Other (List separately)							
Total Program Decreases							
Total Decreases							
FY 20BY Direct Program							

NOTE: This schedule will address principal pricing and program changes as well as other actions resulting in increases or decreases between the current year and budget year funds in the applicable categories shown above. Show increases and decreases at the Total Direct Program (appropriation) level. Each increase and decrease should be followed by a narrative statement explaining the change.

1/ The funding shown for the FY 20CY Direct Program is the amount included in the FY 20CY column of the FY 20BY President's budget submission.

Exhibit PB-30P Schedule of Increases and Decreases (Active & Reserve)

MILITARY PERSONNEL, _____
SCHEDULE OF INCREASES AND DECREASES – (Budget Activity or Pay Group Summary)
($ in Thousands)

	Amount
FY 20CY Direct Program 1/	$
Increases:	
Pricing Increases (List separately):	
Annualization of CY Pay Raise (Identify rate and effective date)	
BY Pay Raise (Identify rate and effective date)	
Inflation Rate (Identify rate)	
BAH Rates (Identify rate)	
FICA Rates (Identify ceiling and rate changes)	
Other Pricing Increases (List separately)	
Total Pricing Increases	
Program Increases (List separately):	
Strength Related	
New or Projected Increases to Programs/Compensation	
Other (List separately, include grade structure and longevity, if significant)	
Total Program Increases	
Total Increases	
Decreases:	
Pricing Decreases (List separately):	
Retired Pay Accrual (Percentage change)	
Other Pricing Decreases (List separately)	
Total Pricing Decreases	
Program Decreases (List separately):	
Strength Related	
Other (List separately)	
Total Program Decreases	
Total Decreases	
FY 20BY Direct Program	

NOTE: This schedule will address principal pricing and program changes as well as other actions resulting in increases or decreases between the current year and budget year funds in the applicable categories shown above. Show increases and decreases at the Total Direct Program (appropriation) level. Each increase and decrease should be followed by a narrative statement explaining the change.

1/ The funding shown for the FY 20CY Direct Program is the amount included in the FY 20CY column of the FY 20BY President's Budget submission.

Exhibit PB-30Q Military Personnel Assigned Outside DoD (End Strength) (Active)

MILITARY PERSONNEL, _____
MILITARY PERSONNEL ASSIGNED OUTSIDE DoD

	(End Strength)		
	FY 20PY	FY 20CY	FY 20BY
Assigned Outside DoD			
Non-reimbursable Personnel			
Executive Office of the President			
Vice President's Office			
State Department			
State Department (U.N. Truce Supervision)			
Transportation Department			
Commerce Department (NOAA)			
Justice Department			
Interior Department			
Labor Department			
Environmental Protection Agency			
Energy Department			
Federal Emergency Management Agency			
National Aeronautics & Space Administration			
National Oceanic & Atmospheric Administration			
National Intelligence Board			
National Science Council			
National Narcotics Border Interdiction			
Radio Technical Committee on Aeronautics			
Classified Activities			
Subtotal - Non-reimbursable Program			
Reimbursable Personnel			
Executive Office of the President (OMB)			
Agency for International Development			
State Department			
U.S. Arms Control & Disarmament Agency			
Transportation Department			
Commerce Department			
Interior Department			
Energy Department			
Federal Emergency Management Agency			
Justice Department			
National Aeronautics & Space Administration			
Canal Zone Government			
Selective Service System			
American Battle Monuments Commission			
U.S. Soldiers' & Airmen's Home			
Environmental Protection Agency			
Office of the Attending Physician to Congress			
Classified Activities			
Subtotal - Reimbursable Personnel			
Total Outside DoD			

(Page 1 of 2)

MILITARY PERSONNEL, _____
MILITARY PERSONNEL ASSIGNED OUTSIDE DOD (Continued)

	(End Strength)		
	FY 20PY	FY 20CY	FY 20BY
Assigned Outside DoD Activities in Support of			
Non-DoD Functions			
Non-reimbursable Personnel			
State Department			
(Embassy Security Guards)			
Subtotal Non-reimbursable Non-DoD Functions			
Reimbursable Personnel			
State Department			
(Construction Battalions)			
Justice Department (LEAA)			
National Science Foundation			
(Antarctic Program)			
Memorial Affairs			
(Cemeterial Expense, Army)			
General Services Administration (FEDSIM)			
Foreign Military Sales			
Military Assistance Program			
Subtotal Reimbursable Non-DoD Functions			
Total Assigned Outside DoD Activities in Support of Non-DoD Functions			
Assigned to DoD Activities in Support of Non-DoD Functions (Reimbursable)			
NASA			
Foreign Military Sales			
Subtotal Assigned to DoD Activities in Support of Non-DoD Functions			
Assigned to Working Capital Fund Organizational Elements of DoD Activities in Support of DoD Functions (Reimbursable)			
Working Capital Funds (WCF)			
Information Services Activity Group (ISAG)			
HQ US Transportation Command (TRANSCOM)			
Military Traffic Management Command (MTMC)			
Defense Courier Service (DCS)			
Defense Commissary Agency (DeCA)			
Defense Finance & Accounting Service (DFAS)			
Defense Information Systems Agency (DISA)			
Defense Logistics Agency (DLA)			
Depot Maintenance Activity Group (DMAG)			
Joint Logistics Systems Center (JLSC)			
Supply Management Activity Group (SMAG)			
Subtotal Assigned to DoD Activities in Support of DoD Functions			
Grand Total Reimbursable			
Grand Total Non-reimbursable			
Grand Total			

Exhibit PB-30Q Military Personnel Assigned Outside DoD (End Strength) (Active)
(Page 2 of 2)

Exhibit PB-30R Reimbursable Program (Active & Reserve)

MILITARY PERSONNEL, _____
REIMBURSABLE PROGRAM
($ in Thousands)

	FY 20PY	FY 20CY	FY 20BY
SUBSISTENCE			
(Specify source-Reserves, individual, etc.)			
MEDICAL			
FOREIGN MILITARY SALES			
OTHER NON-STRENGTH			
*(Specify source-surcharge, clothing, etc.)			
STRENGTH RELATED			
Officer Basic Pay			
Other Pays and Allowances			
Enlisted Basic Pay			
Other Pays and Allowances			
Retired Pay Accrual (Officer and Enlisted)			
PCS Travel			
SUBTOTAL			
TOTAL PROGRAM			

* Include reimbursements from administrative surcharge, training cases, etc. Exclude Technical Assistance Field Teams (TAFTS) or other programs for which end strength is specifically programmed. These should be included in the strength-related entry.

Exhibit PB-30S Reserve Officer Candidates (ROTC) Enrollment (Active)

MILITARY PERSONNEL, _____

RESERVE OFFICER CANDIDATES (ROTC) ENROLLMENT

	FY 20PY Actual			FY 20CY Estimate			FY 20BY Estimate		
	Begin	Average	End	Begin	Average	End	Begin	Average	End
Senior ROTC (Excluding Scholarship Program)									
First Year									
Second Year									
Total Basic ROTC									
Third Year									
Fourth Year									
Total Advanced ROTC									
Total Senior ROTC Enrollment									
Scholarship Program									
First Year									
Second Year									
Total Basic ROTC									
Third Year									
Fourth Year									
Total Advanced ROTC									
Total Scholarship Enrollment									
Total Enrollment									
First Year									
Second Year									
Total Basic ROTC									
Third Year									
Fourth Year									
Total Advanced ROTC									
Total ROTC Enrollment									
Completed ROTC and Commissioned:									
Completed ROTC Commission Deferred:									

Exhibit PB-30T Reserve Officer Candidates (ROTC) Program (Active)

MILITARY PERSONNEL, _____
RESERVE OFFICER CANDIDATES (ROTC) PROGRAM

Number of schools and the civilian and military personnel associated with the ROTC program follow:

	FY 20PY	FY 20CY	FY 20BY
Schools			
Civilian Personnel (End Strength)			
Military Personnel (End Strength)			

Note: Civilian personnel are funded by Active O&M and military personnel are funded by Active Military Personnel appropriations.

Exhibit PB-30V Incentive/Bonus Payment Stream (Active & Reserve)

MILITARY PERSONNEL, _____

SELECTED REENLISTMENT BONUS (SRB)
($ in Thousands)

	FY 20PY		FY 20CY		FY 20BY		FY 20BY+1		FY 20BY+2 thru 4*	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
Prior Obligations	xxx	300.0	xxx	300.0	xxx	250.0	xxx	250.0	-	-
Accelerated Payments		5.0		5.0		5.0		-		-
Prior Year										
Initial Payments	xxx	40.0	-	-	-	-	-	-	-	-
Anniversary Payments	-	-	xxx	10.0	xxx	10.0	xxx	10.0	xxx	10.0
Current Year										
Initial Payments	-	-	xxx	40.0	-	-	-	-	-	-
Anniversary Payment	-	-	-	-	xxx	10.0	xxx	10.0	xxx	10.0
Budget Year										
Initial Payments	-	-	-	-	xxx	60.0	-	-	-	-
Anniversary Payments	-	-	-	-	-	-	xxx	20.0	xxx	20.0
Total										
Initial Payments	xxx	40.0	xxx	40.0	xxx	60.0	xxx	-0	-	-
Anniversary Payments	xxx	305.0	xxx	315.0	xxx	275.0	xxx	290.0	xxx	40.0
Total SRB		345.0		355.0		335.0		290.0		40.0

- A ***separate*** similar exhibit must be prepared for enlistment bonuses and other incentive/bonuses not covered by other formats (i.e., Active bonuses exceeding $5,000 and Reserve component incentives and bonuses addressed in the Administration and Support subactivity).
  Examples: Enlistment Bonus (EB), Critical Skills Retention Bonus (CSRB), Assignment Incentive Pay (AIP), Loan Repayment Program (LRP)
- This exhibit should be incorporated into the detailed justification material within the appropriate subactivity detail (i.e., Active within BA 2, Pay and Allowances of Enlisted, and Reserve Component within BA 2, Administration and Support subactivity).

* **Additional columns must show thru FY 20BY+4 so that the outyear payment stream of bonus contracts granted in FY 20PY thru FY 20BY is shown.**

(Page 1 of 2)

MILITARY PERSONNEL, _____

SELECTED REENLISTMENT BONUS (SRB)
($ in Thousands)

NOTE: 1. Prior obligations are only anniversary payments associated with contracts entered into during preceding years.
2. Number of bonus recipients (initial or anniversary payments) must be entered in any year funds are entered.
3. Add additional BY columns as required for the total bonus contract period.
4. Initial payments are not to be shown in the outyears.
5. Accelerated payments are the remainder of entitlements due to enlisted personnel when separating early (not due to voluntary reasons or misconduct) and for advance payments related to financial hardship.

Exhibit PB-30V Incentive/Bonus Payment Stream (Active & Reserve) Continued
(Page 2 of 2)

Exhibit PB-30X Subactivity Detailed Justification (Active)

($ in Thousands)

Program: * (e.g., Basic Pay)

FY 20BY Estimate $xxx,xxx
FY 20CY Estimate $xxx,xxx
FY 20PY Estimate $xxx,xxx

***A separate exhibit must be prepared for each M-1 line item reflecting subactivity detail. See sections 020204 C. and 020303 C. for more guidance.**

Part I – Purpose and Scope

Include a description of what the funds requested are for to include any references to legislative authorities.

Part II – Justification of Funds Required

Include an explanation to justify the requested change. The explanation should be specific with regard to what the increases will provide for (i.e., statutory, program enhancements, solving deficiencies, etc.).

	FY 20PY			FY 20CY Est			FY 20BY Est		
	Number	Rate	Amount	Number	Rate	Amount	Number	Rate	Amount
Program (e.g., Basic Pay)									
Total									

Note: Average number may represent the number of workyears or average number of personnel budgeted to receive a particular type of pay.
For the Retired Pay Accrual (RPA) exhibit, each active military personnel account must include a breakout of the RPA costs by Active Duty Component (Full-Time) soldiers and Reserve Component (Part-time) soldiers who are mobilized or on active duty for operational support.

Exhibit PB-30Y Performance Measures and Evaluation Summary

MILITARY PERSONNEL, _____
Performance Measures and Evaluation Summary

Activity: Active Military Personnel

Activity Goal: Maintain the correct Active Military Personnel to execute the National Strategy.

Description of Activity: The Active Military Personnel appropriations provide resources necessary to compensate military personnel required to man approved force structure and support infrastructure, which include pay, allowances, individual clothing, subsistence, and permanent change of station.

PERFORMANCE MEASURES:

	PY Actual	CY Planned	BY Planned
Average Strength	xxx,xxx	xxx,xxx	xxx,xxx
End Strength	xxx,xxx		
xxx,xxx	xxx,xxx		
Authorized End Strength	xxx,xxx		

Include a narrative section after each measure to provide any important information concerning the data reflected, explanations for variances from targets, and a subjective assessment of the program's performance and outlook. The narrative should also explain any differences in how the Services define these items. Include a statement referencing that this display provides the information to meet the Office of Management and Budget requirement for PART - Program Assessment Rating Tool.

Recruiting			
1. Numeric goals	xx,xxx	xx,xxx	xx,xxx
Actual	xx,xxx		
- Total recruiting mission is compared to actual accessions for the fiscal year. The percent of goal accomplished is the measurement.			
2. Quality goals			
a. HSDG percent	xx%	xx%	xx%
Actual	xx%		
b. Test Score Category I-IIIA percent	xx%	xx%	xx%
Actual	xx%		

a. The percent Tier 1 High School Degree Graduate (HSDG) is the measure, which is a measure of educational achievement - Total number of Tier 1 HSDG non-prior service accessions + Delayed Entry Program (DEP) is compared to total number of non-prior service accessions + DEP for the fiscal year. (DoD target is 90%)

b. The percent CAT I-IIIA is the measure - Total number of non-prior service accessions + DEP who scored at or above 50th percentile (CAT I-IIIA) is compared to total number of non-prior service accessions + DEP for the fiscal year. (DoD target is 60%. CAT I-IIIA - scores at or above 50

on the Armed Forces Qualification Test (measure of aptitude). CAT IV - percentages are not shown as the Services historically have no difficulty meeting the 4% limitation.)

The narrative for recruiting should explain that the numeric goals will change between budget and fiscal year completion and why Services resource to quality levels while the DoD benchmarks are lower.

Exhibit PB-30Z Monthly End Strengths by Pay Grade (Active)

MILITARY PERSONNEL, _____
MONTHLY END STRENGTHS BY PAY GRADE
FY 20XX [1/]

	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
Commissioned Officers												
O-10 (enter rank)												
O-9 " "												
O-8 " "												
O-7 " "												
O-6 " "												
O-5 " "												
O-4 " "												
O-3 " "												
O-2 " "												
O-1 " "												
Total												
Warrant Officers												
W-5 (enter rank)												
W-4 " "												
W-3 " "												
W-2 " "												
W-1 " "												
Total												
Total Officers												
Enlisted Personnel												
E-9 (enter rank)												
E-8 " "												
E-7 " "												
E-6 " "												
E-5 " "												
E-4 " "												
E-3 " "												
E-2 " "												
E-1 " "												
Total Enlisted												
Cadets/Midshipmen												
Total End Strength												

[1/] A separate exhibit should be prepared for each fiscal year presented in the Justification Book.

Exhibit MP-2, Basic Allowance for Housing Costs Summary

MILITARY PERSONNEL, _____
BASIC ALLOWANCE FOR HOUSING COSTS SUMMARY

($ in Thousands)

	PY	CY	BY	BY+1	BY+2	BY+3	BY+4
DIRECT BASELINE PROGRAM FUNDING							
Basic Allowance for Housing Officers							
Domestic							
Overseas							
Total Officer							
Basic Allowance for Housing Enlisted							
Domestic							
Overseas							
Total Enlisted							
Basic Allowance for Housing Total							
Domestic							
Overseas							
Grand Total							
REIMBURSABLE BASELINE PROGRAM FUNDING							
Basic Allowance for Housing Officers							
Domestic							
Overseas							
Total Officer							
Basic Allowance for Housing Enlisted							
Domestic							
Overseas							
Total Enlisted							
Basic Allowance for Housing Total							
Domestic							
Overseas							
Grand Total							

MILITARY PERSONNEL, _____
BASIC ALLOWANCE FOR HOUSING ESTIMATES

($ in Thousands)

	PY	CY	BY	BY+1	BY+2	BY+3	BY+4
TOTAL BASELINE PROGRAM FUNDING							
Basic Allowance for Housing Officers							
Domestic							
Overseas							
Total Officer							
Basic Allowance for Housing Enlisted							
Domestic							
Overseas							
Total Enlisted							
Basic Allowance for Housing Total							
Domestic							
Overseas							
Grand Total							
OCO FUNDING							
Basic Allowance for Housing Officers							
Domestic							
Overseas							
Total Officer							
Basic Allowance for Housing Enlisted							
Domestic							
Overseas							
Total Enlisted							
Basic Allowance for Housing Total							
Domestic							
Overseas							
Grand Total							

Exhibit MP-2, Basic Allowance for Housing Costs Summary (Continued)
(Page 2 of 3)

MILITARY PERSONNEL, _____
BASIC ALLOWANCE FOR HOUSING ESTIMATES

($ in Thousands)

	PY	CY	BY	BY+1	BY+2	BY+3	BY+4
TOTAL PROGRAM FUNDING							
Basic Allowance for Housing Officers							
Domestic							
Overseas							
Total Officer							
Basic Allowance for Housing Enlisted							
Domestic							
Overseas							
Total Enlisted							
Basic Allowance for Housing Total							
Domestic							
Overseas							
Grand Total							

Exhibit MP-2, Basic Allowance for Housing Costs Summary (Continued)
(Page 3 of 3)

Exhibit MP-3 Summary of Outyear Data

MILITARY PERSONNEL, _____
SUMMARY OF OUTYEAR DATA

	*PY	*CY	BY	BY+1	BY+2	BY+3	BY+4
End Strength							
Officer							
Enlisted							
Cadets/Midshipmen							
Total							
Average Strength							
Officer							
Enlisted							
Cadets/Midshipmen							
Total							
Gains							
Officer							
Academy							
ROTC							
OCS/OTS							
HPSP							
Other							
Total Officer Gains							
Enlisted							
Non Prior Service							
Prior Service							
Other							
Total Enlisted Gains							
Total Officer and Enlisted Gains							
Losses							
Officer							
Voluntary Separation							
Retirement							
15-Year Temporary Early Retirement							
Other							
Total Officer Losses							
Enlisted							
ETS							
Retirement							
15-Year Temporary Early Retirement							
Attrition							
Other							
Total Enlisted Losses							
Total Officer and Enlisted Losses							
Obligations ($ in Thousands) (Provide by Budget Activity and in total)							
Direct							
Reimbursable							
Total							

Note: "Do not round strength numbers". Strength numbers should agree with request in the applicable budget submission.

Note: Gains and Losses on this exhibit should agree with the Gains and Losses on PB-30F.

Exhibit MP-4 Military Personnel by Region and Country (End Strength)

MILITARY PERSONNEL, _____
MILITARY PERSONNEL BY REGION AND COUNTRY (END STRENGTH)

	FY 20PY			FY 20CY Est			FY 20BY Est		
	Off	Enl	Total	Off	Enl	Total	Off	Enl	Total
Western & Southern Europe									
Austria									
Belgium									
Cyprus									
Denmark									
Finland									
France									
Germany									
Gibraltar									
Greece (including Crete)									
Greenland									
Iceland									
Ireland									
Italy									
Luxemburg									
Malta									
Netherlands									
Norway									
Portugal (including Azores)									
Spain									
Sweden									
Switzerland									
Turkey									
United Kingdom (excluding Ireland)									
Afloat									
Total									
Africa, Near East, & South Asia									
Afghanistan									
Algeria									
Bahrain									
Bangladesh									
Botswana									
Burundi									
British Indian Ocean Territory (Includes Diego Garcia)									
Cameroon									

MILITARY PERSONNEL, _____
MILITARY PERSONNEL BY REGION AND COUNTRY (END STRENGTH)

	FY 20PY			FY 20CY Est			FY 20BY Est		
	Off	Enl	Total	Off	Enl	Total	Off	Enl	Total
Chad									
Congo									
Djibouti									
Egypt									
Eritrea									
Ethiopia									
Gabon									
Ghana									
Guinea									
India									
Israel									
Ivory Coast									
Jordan									
Kenya									
Kuwait									
Lebanon									
Liberia									
Madagascar									
Malawi									
Mali									
Mauritius									
Morocco									
Mozambique									
Nepal									
Niger									
Nigeria									
Oman									
Pakistan									
Qatar									
St. Helena (Includes Ascension Island)									
Saudi Arabia									
Senegal									
Seychelles									
Somalia									
South Africa									
Sri Lanka									
Sudan									

Exhibit MP-4 Military Personnel by Region and Country (End Strength) Continued
(Page 2 of 6)

MILITARY PERSONNEL, _____
MILITARY PERSONNEL BY REGION AND COUNTRY (END STRENGTH)

	FY 20PY			FY 20CY Est			FY 20BY Est		
	Off	Enl	Total	Off	Enl	Total	Off	Enl	Total
Syria									
Tanzania, United Republic of									
Togo									
Tunisia									
Uganda									
United Arab (Emirates)									
Burkina Faso									
Yemen (Sanaa)									
Zaire									
Zambia									
Zimbabwe									
Afloat									
Total									
East Asia & Pacific									
Australia									
Burma									
Cambodia									
China									
Figi									
Hong Kong									
Indonesia									
Japan (Including Okinawa)									
Laos									
Malaysia									
New Zealand									
Philippines									
Republic of Korea									
Singapore									
Thailand									
Tonga									
Vietnam									
Afloat									
Total									

Exhibit MP-4 Military Personnel by Region and Country (End Strength) Continued
(Page 3 of 6)

MILITARY PERSONNEL, _____
MILITARY PERSONNEL BY REGION AND COUNTRY (END STRENGTH)

	FY 20PY			FY 20CY Est			FY 20BY Est		
	Off	Enl	Total	Off	Enl	Total	Off	Enl	Total
Western Hemisphere									
Antigua									
Argentina									
Bahamas, The									
Barbados									
Belize									
Bermuda									
Bolivia									
Brazil									
Canada									
Chile									
Colombia									
Costa Rica									
Cuba (Guantanamo)									
Dominican Republic									
Ecuador									
El Salvador									
Grenada									
Guatemala									
Guyana									
Haiti									
Honduras									
Jamaica									
Mexico									
Nicaragua									
Panama									
Paraguay									
Peru									
St. Christopher-Nevis-Anguilla									
Suriname									
Uruguay									
Venezuela									
Afloat									
Total									

Exhibit MP-4 Military Personnel by Region and Country (End Strength) Continued
(Page 4 of 6)

MILITARY PERSONNEL, _____
MILITARY PERSONNEL BY REGION AND COUNTRY (END STRENGTH)

	FY 20PY			FY 20CY Est			FY 20BY Est		
	Off	Enl	Total	Off	Enl	Total	Off	Enl	Total
Antarctica									
Eastern Europe									
Albania									
Bosnia and Herzegovinia									
Bulgaria									
Croatia									
Czech Republic									
Estonia									
Hungary									
Lithuania									
Macedonia									
Poland									
Romania									
Serbia (includes Kosovo)									
Slovenia									
Total									
Former Soviet Union									
Armenia									
Azerbaijan									
Belarus									
Georgia									
Kazakhstan									
Kyrgyzstan									
Moldova									
Russia									
Tajikistan									
Turkmenistan									
Ukraine									
Uzbekistan									
Total									

Exhibit MP-4 Military Personnel by Region and Country (End Strength) Continued
(Page 5 of 6)

MILITARY PERSONNEL, _____
MILITARY PERSONNEL BY REGION AND COUNTRY (END STRENGTH)

	FY 20PY			FY 20CY Est			FY 20BY Est		
	Off	Enl	Total	Off	Enl	Total	Off	Enl	Total
U. S. Territory and Special Locations									
Continental United States (CONUS)									
Alaska									
Hawaii									
American Samoa									
Guam									
Kwajalein Atoll									
Midway Islands									
Puerto Rico									
Trust Territory of the Pacific Islands									
Virgin Islands of the U.S.									
Wake Island									
Transients, Patients									
Prisoners									
Afloat									
Total									
Total End Strength									
(to include reimbursable end strength)									
- Total End Strength should match PB-30B Exhibit									

Exhibit MP-4 Military Personnel by Region and Country (End Strength) Continued
(Page 6 of 6)

Exhibit MP-6 Education Benefits

MILITARY PERSONNEL, _____
EDUCATION BENEFITS
(Title 38 USC, Chapter 30)
($ in Thousands)

COLLEGE FUND	FY 20PY	FY 20CY	FY 20BY	FY 20BY+1	FY 20BY+2	FY 20BY+3	FY 20BY+4
(Army Specific "X" – Insert "2", "3", "4", "5," or "6" Year Enlistment)							
(Navy Specific "X" – Insert "4" Year Enlistment)							
(Marine Corps Specific "X" – Insert "4" or "5" Year Enlistments)							
"X" Year Enlistment							
# of Participants							
$150 per month							
Amount							
"X" Year Enlistment							
# of Participants							
$250 per month							
Amount							
"X" Year Enlistment							
# of Participants							
$350 per month							
Amount							
"X" Year Enlistment							
# of Participants							
$450 per month							
Amount							
"X" Year Enlistment							
# of Participants							
$550 per month							
Amount							
"X" Year Enlistment							
# of Participants							
$650 per month							
Amount							
"X" Year Enlistment							
# of Participants							
$750 per month							
Amount							

MILITARY PERSONNEL, _____
EDUCATION BENEFITS
(Title 38 USC, Chapter 30)
($ in Thousands)

	FY 20PY	FY 20CY	FY 20BY	FY 20BY+1	FY 20BY+2	FY 20BY+3	FY 20BY+4
"X" Year Enlistment							
# of Participants							
$850 per month							
Amount							
"X" Year Enlistment							
# of Participants							
$950 per month							
Amount							
TOTAL COLLEGE FUND							
# of Participants							
Amount							
Amortization Payment – Unfunded Liability							
Amortization Payment – Involuntary Separatees							
NATIONAL CALL TO SERVICE							
# of Participants							
Rate							
Amount							
TOTAL EDUCATION BENEFITS							
(Total of College Fund, Amortization and National Call to Service)							

NOTE: Per capita cost rates will be provided annually subsequent to approval of the DoD Education Benefits Board of Actuaries. Total program cost must match data provided in PB Exhibits including justification for Budget Activity 2 and Budget Activity 6, Education Benefits. Format may be altered to account for categories not listed.

Exhibit MP-6 Education Benefits (Continued)

(Page 2 of 2)

*Exhibit MP-9 Summary of Basic Pay and Retired Pay Accrual Costs

MILITARY PERSONNEL, _____
SUMMARY OF BASIC PAY AND RETIRED PAY ACCRUAL COSTS
($ in Thousands)

	FY 20PY		FY 20CY		FY 20BY		FY 20BY+1	
	Basic Pay	Retired Pay	Basic Pay	Retired Pay	Basic Pay	Retired Pay	Basic Pay	Retired Pay
Total Direct Program								
Officer								
Enlisted								
Total ADOS Program								
Officer								
Enlisted								
Total Reimbursable Program								
Officer								
Enlisted								
Total Program								
Officer								
Enlisted								

	FY 20PY	FY 20CY	FY 20BY	FY 20BY+1
Blended Retirement Plan Continuation Pay				
TSP Matching Contributions				

	FY 20BY+2		FY 20BY+3		FY 20BY+4	
	Basic Pay	Retired Pay	Basic Pay	Retired Pay	Basic Pay	Retired Pay
Total Direct Program						
Officer						
Enlisted						
Total ADOS Program						
Officer						
Enlisted						

	FY 20BY+2		FY 20BY+3		FY 20BY+4	
	Basic Pay	Retired Pay	Basic Pay	Retired Pay	Basic Pay	Retired Pay
Total Reimbursable Program						
Officer						
Enlisted						
Total Program						
Officer						
Enlisted						

	FY 20BY+2	FY 20BY+3	FY 20BY+4
Blended Retirement Plan			
Continuation Pay			
TSP Matching Contributions			

Note: Retired pay accrual amounts, as a percentage of basic pay, should agree with the Normal Cost Percentages (NCPs) provided in the budget guidance. Beginning in FY 2018, the continuation pays and TSP costs should agree with the anticipated costs resulting from the blended retirement system authorized in the FY 2016 NDAA, P.L. 114-92.

Exhibit MP-11 Gains Phased by Month

MILITARY PERSONNEL, _____

GAINS PHASED BY MONTH
(End Strength)

	FY 20PY	FY 20CY	FY 20BY
OFFICER GAINS PHASED BY MONTH			
September			
October			
November			
December			
January			
February			
March			
April			
May			
June			
July			
August			
September			
Total			
ENLISTED NON-PRIOR SERVICE (NPS) ACCESSIONS PHASED BY MONTH			
September			
October			
November			
December			
January			
February			
March			
April			
May			
June			
July			
August			
September			
Total			

*Exhibit MP-12 Pay Raise Data

MILITARY PERSONNEL, _____
PAY RAISE DATA
($ in Thousands)

	FY 20PY	FY 20CY	FY 20BY
DIRECT AND REIMBURSABLE			
Basic Pay (including Cadets/Midshipmen)			
Retired Pay Accrual			
TSP Matching			
FICA			
Separation Pay **Minus VSI & $30K Bonuses**			
SRB – **New Payments Only**			
Station Allowances –COLA only			
PCS – Dislocation Allowance			
TOTAL			
DIRECT			
Basic Pay (including Cadets/Midshipmen)			
Retired Pay Accrual			
TSP Matching			
FICA			
Separation Pay **Minus VSI & $30K Bonuses**			
SRB – **New Payments Only**			
Station Allowances –COLA only			
PCS – Dislocation Allowance			
TOTAL			
REIMBURSABLE			
Basic Pay			
Retired Pay Accrual			
FICA			
Separation Pay **Minus VSI & $30K Bonuses**			
SRB – **New Payments Only**			
Station Allowances –COLA only			
PCS – Dislocation Allowance			
TOTAL			

NOTE: This exhibit should reflect only the amounts budgeted that are affected by the pay raise. The numbers in this exhibit will be used to develop pay raise estimates. The total should not add to the total appropriation amount.

Exhibit MP-13 - Medicare-Eligible Retiree Health Fund Contributions

Medicare-Eligible Retiree Health Fund Contribution, (Army, Navy, …)_____
(In Thousands of Dollars)

	FY 20PY Actual			FY 20CY Estimate			FY 20BY Estimate		
	Number	Avg. Rate	Amount	Number	Avg. Rate	Amount	Number	Avg. Rate	Amount
Officer									
Enlisted									
Subtotal									
CIS Control									
Delta from CIS									

	FY 20BY+1 Estimate			FY 20BY+2 Estimate			FY 20BY+3 Estimate		
	Number	Avg. Rate	Amount	Number	Avg. Rate	Amount	Number	Avg. Rate	Amount
Officer									
Enlisted									
Total									
CIS Control									
Delta from CIS									

	FY 20BY+4 Estimate		
	Number	Avg. Rate	Amount
Officer			
Enlisted			
Total			
CIS Control			
Delta from CIS			

NOTE: NUMBER SHOULD REFLECT TOTAL AVERAGE STRENGTH MINUS AVERAGE STRENGTH FOR THE MANDAY/ADOS PROGRAM.

Exhibit MP-15 Monthly Obligation Phasing Plan

MONTHLY OBLIGATION PHASING PLAN (FY CY)
Appropriation: _____

(Dollars in Thousands)

Budget Activity	Description	Budget Subactivity (Example)		OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP
01	Pay and Allowances of Officers	**Basic Pay**	Month												
			Cum.												
		Retired Pay Accrual	Month												
			Cum.												
		Total	Month												
			Cum.												
02	Pay and Allowances of Enlisted	Total	Month												
			Cum.												
03	Pay and Allowances of Cadets/ Midshipmen	Total	Month												
			Cum.												
04	Subsistence of Enlisted Personnel	Total	Month												
			Cum.												
05	Permanent Change of Station	Total	Month												
			Cum.												
06	Other Military Personnel Costs	Total	Month												
			Cum.												
Total	Direct Program		Month	____	____	____	____	____	____	____	____	____	____	____	____
			Cum.												
Total	Reimbursable Program		Month												
			Cum.												
Total	Gross Program		Month	____	____	____	____	____	____	____	____	____	____	____	____
			Cum.												

Directions:

For each military personnel appropriation, provide estimated monthly **direct** obligations for the current year **by each budget subactivity**.

Include lines for both incremental monthly obligations and cumulative (Cum.) obligations year-to-date for each budget subactivity.

Include a monthly phasing of reimbursable obligations and a total gross program at the bottom of the phasing.

Budget activity totals must match the current year (CY) amounts reflected in the Comptroller Information System (CIS).

Exhibit MP-16 – Recruiting and Retention Data

MILITARY PERSONNEL, _____
SUMMARY OF RECRUITING AND RETENTION DATA

Recruiting and Retention Goals:

	FY 20PY	FY 20CY	FY20BY	FY20BY+1	FY20BY+2	FY20BY+3	FY20BY+4
Number of Recruiters							
Number of Accessions							
Officer							
Enlisted							
Non-Prior Service							
Prior Service							
Number of Reenlistments							
Initial							
Mid-Career							
Career							

Recruiting and Retention Funding:
(Dollars in Thousands)

Main Category	Appropriation	Officer/ Enlisted	Entitlement	Entitlement Sub-Category	New, Anniversary or Lump Sum Payment	FY 20PY through FY20BY+4 Number	Amount
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)

(1) Main Category: This should list either Recruiting or Retention.
(2) Appropriation: MPA, MPN, MPMC or MPAF
(3) Officer/Enlisted: This should list the applicable personnel receiving the recruiting/retention funding – Officer, Enlisted or Cadets/Midshipmen
(4) Entitlement: The following is a list of recruiting and retention programs previously reported to OUSD(C) Military Personnel and Construction Directorate (MPC). Please use this list and include any additional programs not identified that should be captured under recruiting and retention. These additional items should be highlighted to the OSD analyst for future inclusion.

College First
College Fund
Critical Skills Accession Bonus
Critical Skills Retention Bonus
Enlistment Bonus
Health Profession (HP) Accession Bonus
Health Profession (HP) Retention Bonus
Loan Repayment Program
Matching Thrift Saving Plan
Montgomery GI Bill (MGIB)
National Call to Service
Recruitment Referral Bonus
Selective Reenlistment Bonus

(5) Entitlement Sub-Categories: The following is a list of examples of further breakout of specific entitlements previously reported to OUSD(C) Military Personnel and Construction Directorate (MPC). Please use this list and include any additional breakouts not identified that should be captured under each entitlement.

Critical Skills Accession Bonus
Dentist
Nuclear Accession Bonus
SPECWAR
Warrant Officers, CID
Warrant Officers, Military Intel
Warrant Officers, Special Forces

Critical Skills Retention Bonus
Medical CSRB
Dental CSRB
Physician Asst CSRB
Psych Diplomate & Non-Physician
Company Grade/Captain CSRB
Enlisted Supervisor Retention Pay
EOD/Seal/Master Diver
Intel
NSW

HP Accession Bonus
Dentist Accession Bonus
Nurse Accession Bonus
Pharmacy Accession Bonus
Physician Accession Bonus
Physician – Critical War Skills Accession Bonus
Psychologist Accession Bonus
Public Health Officer Accession Bonus

HP Retention Bonus
Dental Multi-Year Retention Bonus
Optometrist Multi-Year Retention Bonus
Optometry Retention
Physician Multi-Year Special Pay

Additional Instructions: This exhibit is to be included in the backup justification book. Additionally, OSD(C) will provide each Component with their specific MP-16 spreadsheet and each Component must submit it electronically to OUSD(C) Military Personnel and Construction Directorate.

Exhibit MP-16 – Recruiting and Retention Data (Continued)
(Page 2 of 2)

Exhibit MP-17 – Reimbursable Program (Reimbursing Customers)

MILITARY PERSONNEL, _____
Reimbursable Program (Reimbursing Customers)
($ in Thousands)

Category [2/]	Customer Number	Mission Description [1/] Rate	Reimbursing Account Amt	FY 20PY Number	FY 20PY Rate	FY 20PY Amt	FY 20CY Number	FY 20CY Rate	FY 20CY Amt	FY 20BY
Examples										
Pay and Allowances	Army Working Capital Fund	Supply Management	WCF, Army							
Pay and Allowances	DIA	Intelligence Related	O&M, Defense-Wide							
Subsistence-in-Kind	Dept of State	MREs for Humanitarian Mission (specify)	Dept of State							
Total [3/]										

[1/] Mission Description must be unclassified. For intelligence related activities, the mission description should simply state "Intelligence Related".
[2/] Only specify account if within DoD (e.g., Army Working Capital Fund), otherwise specify reimbursing organization.
[3/] Total must match CIS controls and Justification Book amounts for reimbursable authority.

Guidance on Military Personnel Reimbursables.
A direct appropriation is provided for paying military personnel; therefore, the cost of military labor shall not be charged to another DoD entity except for:

- Military personnel assigned to the Defense Working Capital Fund activities;
- If provided in the annual DoD Appropriations Act, National Guard and Reserve members who provide intelligence or counterintelligence support to Combatant Commands, Defense Agencies and Joint Intelligence Activities, including the activities and programs included within the National Intelligence Program and the Military Intelligence Program; and
- National Guard and Reserve personnel conducting military-to-military contacts as authorized in 10 U.S.C. 168 and utilizing funds specifically appropriated for that purpose.

Military labor shall be charged to non-DoD organizations on the basis of the actual hours worked or assigned.

Exhibit PB-30A Summary of Requirements by Budget Program (Reserves)

RESERVE PERSONNEL, _____
SUMMARY OF REQUIREMENTS BY BUDGET PROGRAM
($ in Thousands)

	FY 20PY Actual	FY 20CY Estimate	FY 20BY Estimate
Reserve Component Training and Support			
Direct Program			
Reimbursable Program			
OCO Funding			
Subtotal Reserve Personnel, xxxx			
Medicare-Eligible Retiree Health Fund Contribution, (Army, Navy, etc.)			
TOTAL PROGRAM COST			

LEGISLATIVE PROPOSALS:
The following legislative proposals are included in the above estimate and submitted for FY BY consideration:
(List proposals and funding requested for each fiscal year.)

RESERVE PERSONNEL, _____
TOTAL RESERVE PAY AND BENEFITS FUNDED FROM MILITARY PERSONNEL ACCOUNTS
($ in Thousands)

The following information is submitted in accordance with the FY 2008 Appropriation Conference Report 110-434 and the FY 2008 House appropriation Committee Report 110-279.

	FY 20PY Actual	FY 20CY Estimate	FY 20BY Estimate
RESERVE PERSONNEL, XXX (RPX)			
DIRECT PROGRAM			
REIMBURSABLE PROGRAM			
OCO AND OTHER SUPPLEMENTAL FUNDING 1/			
TOTAL RESERVE PERSONNEL, XXX (RPX)			
MEDICARE-ELIGIBLE RETIREE HEALTH FUND CONTRIBUTION (MERHFC)			
TOTAL RESERVE PERSONNEL, XXX PROGRAM COST			
MILITARY PERSONNEL, XXX (MPX)			
OCO PAY AND ALLOWANCES, MOBILIZATION			
ACTIVE DUTY FOR OPERATIONAL SUPPORT (ADOS) PAY AND ALLOWANCES			
TOTAL FUNDING FROM ACTIVE MILITARY PERSONNEL, XXX			
TOTAL RESERVE PAY AND BENEFITS FUNDED FROM MILITARY PAY ACCOUNTS			

1/ FY 20CY and FY 20BY reflects amounts requested in the FY 20CY OCO request and the FY 20BY OCO request.

Exhibit PB-30F Schedule of Gains and Losses to Selected Reserve Strength

RESERVE PERSONNEL, _____
SCHEDULE OF GAINS AND LOSSES TO SELECTED RESERVE STRENGTH

OFFICERS

	FY 20PY	FY 20CY	FY 20BY
BEGINNING STRENGTH			
GAINS			
Non-prior Service Personnel			
Male			
Female			
Prior Service Personnel			
Civilian Life			
Active Component			
Enlisted Commissioning Programs			
Pay Group B (IMA)			
Other Reserve Status/Component			
All Other			
Full-Time Active Duty			
TOTAL GAINS			
LOSSES			
Civilian Life			
Active Component			
Retired Reserves			
Pay Group B (IMA)			
Other Reserve Status/Component			
All Other			
Full-Time Active Duty			
TOTAL LOSSES			
Accounting Adjustment			
END STRENGTH			

NOTE: This exhibit should include both part-time and full-time personnel.

Exhibit PB-30F Schedule of Gains and Losses to Selected Reserve Strength

RESERVE PERSONNEL, _____
SCHEDULE OF GAINS AND LOSSES TO SELECTED RESERVE STRENGTHS

ENLISTED

	FY 20PY	FY 20CY	FY 20BY
BEGINNING STRENGTH			
GAINS			
Non-prior Service Personnel			
Male			
Female			
Prior Service Personnel			
Civilian Life			
Active Component			
Reenlistments/Extensions			
Pay Group B (IMA)			
Other Reserve Status/Component			
All Other			
Full-Time Active Duty			
TOTAL GAINS			
LOSSES			
Expiration of Selected Reserve Service			
Active Component			
To Officer Status			
Retired Reserves			
Reenlistments/Extensions			
Attrition			
Pay Group B (IMA)			
Other Reserve Status/Component			
All Other			
Full-Time Active Duty			
TOTAL LOSSES			
Accounting Adjustment			
END STRENGTH			

NOTE: This exhibit should include both part-time and full-time personnel.

Exhibit PB-30G Summary of Personnel (Reserves)

RESERVE PERSONNEL, _____
SUMMARY OF PERSONNEL

	No. of Drills	No. of A/D Days Training	(Strength) FY 20PY Begin	FY 20PY Average	FY 20PY End	FY 20CY Begin	FY 20CY Average	FY 20CY End	FY 20BY Begin	FY 20BY Average	FY 20BY End
Paid Drill/Individual Training											
Pay Group A - Officers	48	1/									
Pay Group A - Enlisted	48	1/									
Subtotal Pay Group A											
Pay Group B - Officers	2/	1/									
Pay Group B - Enlisted	2/	1/									
Subtotal Pay Group B											
Pay Group F - Enlisted	--	1/									
Pay Group P - Enlisted- Paid	3/	--									
Pay Group P - Enlisted- Non Paid											
Subtotal Pay Group F/P											
Subtotal Paid Drill/Indiv Tng											
Full-time Active Duty											
Officers											
Enlisted											
Subtotal Full-time											
Total Selected Reserve											
Officers											
Enlisted											
Total											
Individual Ready Reserve/Inactive National Guard											
Officers											
Enlisted											
Total											
GRAND TOTAL											

End strength data must agree by category of personnel with the end strength data reflected in the Comptroller Information System (CIS).

Averages are computed as follows**: (PY SEP + (CY OCT through CY AUG)*2 + CY SEP)/24**

1/ Show average length of training in days for the budget year (BY).
2/ Combine all IMAs into training category B. Components should reflect weighted average of drills performed by all IMAs under "No. of Drills" that support the funds requested.
3/ Show average number of drills for the budget year (BY).

NOTE: Data should reflect total direct and reimbursable funded end strength.

Exhibit PB-30H Reserve On Active Duty - Strength by Grade (Reserves)

RESERVE PERSONNEL, _____
RESERVE COMPONENT PERSONNEL ON TOURS OF FULL-TIME ACTIVE DUTY
STRENGTH BY GRADE

	FY 20PY		FY 20CY		FY 20BY	
	Average	End	Average	End	Average	End
Commissioned Officers						
0-8 (enter rank)						
0-7 " "						
0-6 " "						
0-5 " "						
0-4 " "						
0-3 " "						
0-2 " "						
0-1 " "						
Total						
Warrant Officers						
W-4 (enter rank)						
W-3 " "						
W-2 " "						
W-1 " "						
Total						
Total Officers						
Enlisted Personnel						
E-9 (enter rank)						
E-8 " "						
E-7 " "						
E-6 " "						
E-5 " "						
E-4 " "						
E-3 " "						
E-2 " "						
E-1 " "						
Total Enlisted						
Total Personnel on Active Duty						

Exhibit PB-30I Strength by Month (Reserves)

RESERVE PERSONNEL, _____
FY 20___ STRENGTH

	Pay Group A			Pay Group B (IMA)			Pay	Pay Group P		Total	Full-Time			Total Selected
	Officer	Enlisted	Total	Officer	Enlisted	Total	Group F	Paid	Non-Paid	Drill	Officer	Enlisted	Total	Reserve
September 30, 20__														
October														
November														
December														
January														
February														
March														
April														
May														
June														
July														
August														
September 30, 20__														
Average														

Note: A separate Exhibit will be prepared for the prior year, current year, and budget year. The Exhibit displaying current data will be footnoted to indicate the month through which actual date is reflected.

RESERVE COMPONENT MEMBERS PERFORMING OPERATIONAL SUPPORT DUTY AND EXCEEDING 1,095 DAY THRESHOLD
(ACTUAL, FY 20XX)

AC FUNDED	**RC FUNDED**	**TOTAL**	**Primary Missions Being Performed**
Count Against Active Component End Strength	Count Against Reserve Component (AGR) End Strength	Count Against AD (AC + AGR) End Strength	
-	-	-	1.
-	-	-	2.
-	-	-	3.
-	-	-	4.
-	-	-	5.

Congressional Reporting Requirement

*Exhibit PB-30J Summary of Entitlements by Subactivity (Reserves)

RESERVE PERSONNEL, _____
SUMMARY OF ENTITLEMENTS BY SUBACTIVITY
($ in Thousands)

	FY 20PY			FY 20CY			FY 20BY		
	Officers	Enlisted	Total	Officers	Enlisted	Total	Officers	Enlisted	Total
RESERVE COMPONENT TRAINING AND SUPPORT									
PAY GROUP A									
Active Duty Training									
Inactive Duty Training									
Unit Training Assemblies									
Flight Training									
Training Preparation									
Military Funeral Honors									
Civil Disturbance									
Jump Proficiency									
Clothing									
Subsistence of Enlisted Personnel									
Travel									
TOTAL DIRECT OBLIGATIONS									
PAY GROUP B									
Active Duty Training									
Inactive Duty Training									
Clothing									
Subsistence of Enlisted Personnel									
Travel									
TOTAL DIRECT OBLIGATIONS									
PAY GROUP F									
Active Duty Training									
Clothing									
Subsistence of Enlisted Personnel									
Travel									
TOTAL DIRECT OBLIGATIONS									
PAY GROUP P									
Inactive Duty Training									
Clothing									
Subsistence of Enlisted Personnel									
TOTAL DIRECT OBLIGATIONS									

The PB-30J data, **to include outyear** data, will be submitted via the Select and Native Programming Data Input System (SNaP) located at https://snap.pae.osd.mil. The most current version of this exhibit will be found at this site.

(Page 1 of 5)

RESERVE PERSONNEL, _____
SUMMARY OF ENTITLEMENTS BY SUBACTIVITY
($ in Thousands)

	FY 20PY			FY 20CY			FY 20BY		
	Officers	Enlisted	Total	Officers	Enlisted	Total	Officers	Enlisted	Total
MOBILIZATION TRAINING									
IRR Muster/Screening									
IRR Mission Support									
IRR Readiness Training									
Merchant Marine Training									
TOTAL DIRECT OBLIGATIONS									
SCHOOL TRAINING									
Career Development Training									
Initial Skill Acquisition Training									
Officer Candidate/Training School									
Refresher and Proficiency Training									
Undergraduate Pilot/Navigator Training									
Unit Conversion Training									
TOTAL DIRECT OBLIGATIONS									
SPECIAL TRAINING									
Competitive Events									
Command/Staff Supervision									
Drug Interdiction Activity									
Exercises									
Management Support									
Operational Training									
Recruiting/Retention									
Service Mission/Mission Support									
Unit Conversion Training									
Active Duty for Operational Support (ADOS)									
Active Duty Special Training (ADST)									
TOTAL DIRECT OBLIGATIONS									

Exhibit PB-30J Summary of Entitlements by Subactivity (Reserves) Continued
(Page 2 of 5)

RESERVE PERSONNEL, _____
SUMMARY OF ENTITLEMENTS BY SUBACTIVITY
($ in Thousands)

	FY 20PY			FY 20CY			FY 20BY		
	Officers	Enlisted	Total	Officers	Enlisted	Total	Officers	Enlisted	Total
ADMINISTRATION AND SUPPORT									
Full Time Pay and Allowances									
Clothing									
Subsistence									
Travel/PCS									
Death Gratuities									
Disability and Hospitalization Benefits									
Reserve Incentive Programs									
Transition Benefits									
Adoption Expenses									
$30,000 Lump Sum Bonus									
Continuation Pays									
TOTAL DIRECT OBLIGATIONS									
EDUCATION BENEFITS									
Basic Benefit									
Kicker Program									
Amortization Payment									
TOTAL DIRECT OBLIGATIONS									

Exhibit PB-30J Summary of Entitlements by Subactivity (Reserves) Continued
(Page 3 of 5)

RESERVE PERSONNEL, _____
SUMMARY OF ENTITLEMENTS BY SUBACTIVITY
($ in Thousands)

	FY 20PY			FY 20CY			FY 20BY		
	Officers	Enlisted	Total	Officers	Enlisted	Total	Officers	Enlisted	Total
PLATOON LEADERS' CLASS OR RESERVE OFFICER CANDIDATES									
Subsistence Allowance (Stipend)									
Uniforms									
Commutation									
Issue-In-Kind									
Summer Camp Training									
Subsistence-in-Kind									
Travel									
Tuition Assistance Program									
TOTAL DIRECT OBLIGATIONS									
BRANCH OFFICER BASIC COURSE -RESERVE COMPONENTS									
Active Duty Training									
Uniform Allowance									
Travel									
TOTAL DIRECT OBLIGATIONS									
HEALTH PROFESSIONS SCHOLARSHIP PROGRAM									
Stipend									
Uniform Allowance									
Active Duty Training									
Travel									
TOTAL DIRECT OBLIGATIONS									
MEDICAL FINANCIAL ASSISTANCE PROGRAM (FAP)									
Stipend									
Financial Assistance Grant									
Uniform Allowance									
Active Duty Training									
Travel									
TOTAL DIRECT OBLIGATIONS									

Exhibit PB-30J Summary of Entitlements by Subactivity (Reserves) Continued
(Page 4 of 5)

RESERVE PERSONNEL, _____
SUMMARY OF ENTITLEMENTS BY SUBACTIVITY
($ in Thousands)

	FY 20PY			FY 20CY			FY 20BY		
	Officers	Enlisted	Total	Officers	Enlisted	Total	Officers	Enlisted	Total
NURSE CANDIDATE BONUS PROGRAM									
Nurse Candidate Bonus									
Accession Bonus									
TOTAL DIRECT OBLIGATIONS									
CHAPLAIN CANDIDATE PROGRAM									
Active Duty Training									
Uniform Allowance									
Travel									
TOTAL DIRECT OBLIGATIONS									
TSP MATCHING CONTRIBUTIONS									
TOTAL DIRECT OBLIGATIONS									
TOTAL DIRECT PROGRAM									

Exhibit PB-30J Summary of Entitlements by Subactivity (Reserves) Continued
(Page 5 of 5)

*Exhibit PB-30K Analysis of Appropriation Changes (Reserves)

RESERVE PERSONNEL, _____
ANALYSIS OF APPROPRIATION CHANGES AND SUPPLEMENTAL REQUIREMENTS
FY 20CY ($ in Thousands)

	FY 20CY PRESIDENT'S BUDGET	CONGRES-SIONAL ACTION	APPROPRI-ATION	INTERNAL REALIGNMENT/ REPROGRAMMING	SUB TOTAL	PROPOSED DD 1415 ACTIONS	FY 20CY COL. FY 20BY PRES. BUDGET
RESERVE COMPONENT TRAINING AND SUPPORT							
PAY GROUP A							
Active Duty Training							
Inactive Duty Training							
Unit Training Assemblies							
Flight Training							
Training Preparation							
Military Funeral Honors							
Civil Disturbance							
Jump Proficiency							
Clothing							
Subsistence of Enlisted Personnel							
Travel							
TOTAL DIRECT OBLIGATIONS							
PAY GROUP B							
Active Duty Training							
Inactive Duty Training							
Clothing							
Subsistence of Enlisted Personnel							
Travel							
TOTAL DIRECT OBLIGATIONS							
PAY GROUP F							
Active Duty Training							
Clothing							
Subsistence of Enlisted Personnel							
Travel							
TOTAL DIRECT OBLIGATIONS							
PAY GROUP P							
Inactive Duty Training							
Clothing							
Subsistence of Enlisted Personnel							
TOTAL DIRECT OBLIGATIONS							

(Page 1 of 5)

RESERVE PERSONNEL, _____
ANALYSIS OF APPROPRIATION CHANGES AND SUPPLEMENTAL REQUIREMENTS
FY 20CY ($ in Thousands)

	FY 20CY PRESIDENT'S BUDGET	CONGRES-SIONAL ACTION	APPROPRI-ATION	INTERNAL REALIGNMENT/ REPROGRAMMING	SUB TOTAL	PROPOSED DD 1415 ACTIONS	FY 20CY COL. FY 20BY PRES. BUDGET
MOBILIZATION TRAINING							
IRR Muster/Screening							
IRR Mission Support							
IRR Readiness Training							
Merchant Marine Training							
TOTAL DIRECT OBLIGATIONS							
SCHOOL TRAINING							
Career Development Training							
Initial Skill Acquisition Training							
Officer Candidate/Training School							
Refresher and Proficiency Training							
Undergraduate Pilot/Navigator Training							
Unit Conversion Training							
TOTAL DIRECT OBLIGATIONS							
SPECIAL TRAINING							
Competitive Events							
Command/Staff Supervision							
Drug Interdiction Activity							
Exercises							
Management Support							
Operational Training							
Recruiting/Retention							
Service Mission/Mission Support							
Unit Conversion Training							
Active Duty for Operational Support (ADOS)							
Active Duty Special Training (ADST)							
TOTAL DIRECT OBLIGATIONS							

Exhibit PB-30K Analysis of Appropriation Changes (Reserves) Continued
(Page 2 of 5)

RESERVE PERSONNEL, _____
ANALYSIS OF APPROPRIATION CHANGES AND SUPPLEMENTAL REQUIREMENTS
FY 20CY ($ in Thousands)

	FY 20CY PRESIDENT'S BUDGET	CONGRES-SIONAL ACTION	APPROPRI-ATION	INTERNAL REALIGNMENT/ REPROGRAMMING	SUB TOTAL	PROPOSED DD 1415 ACTIONS	FY 20CY COL. FY 20BY PRES. BUDGET
ADMINISTRATION AND SUPPORT							
Full Time Pay and Allowances							
Clothing							
Subsistence							
Travel/PCS							
Death Gratuities							
Disability and Hospitalization Benefits							
Reserve Incentive Programs							
Transition Benefits							
Adoption Expenses							
$30,000 Lump Sum Bonus							
Continuation Pays							
TOTAL DIRECT OBLIGATIONS							
EDUCATION BENEFITS							
Basic Benefit							
Kicker Program							
Amortization Payment							
TOTAL DIRECT OBLIGATIONS							
PLATOON LEADERS' CLASS OR RESERVE OFFICER CANDIDATES							
Subsistence Allowance (Stipend)							
Uniforms							
Commutation							
Issue-In-Kind							
Summer Camp Training							
Subsistence-in-Kind							
Travel							
Tuition Assistance Program							
TOTAL DIRECT OBLIGATIONS							
BRANCH OFFICER BASIC COURSE -RESERVE COMPONENTS							
Active Duty Training							
Uniform Allowance							
Travel							
TOTAL DIRECT OBLIGATIONS							

Exhibit PB-30K Analysis of Appropriation Changes (Reserves) Continued
(Page 3 of 5)

RESERVE PERSONNEL, _____
ANALYSIS OF APPROPRIATION CHANGES AND SUPPLEMENTAL REQUIREMENTS
FY 20CY ($ in Thousands)

	FY 20CY PRESIDENT'S BUDGET	CONGRES-SIONAL ACTION	APPROPRI-ATION	INTERNAL REALIGNMENT/ REPROGRAMMING	SUB TOTAL	PROPOSED DD 1415 ACTIONS	FY 20CY COL. FY 20BY PRES. BUDGET
HEALTH PROFESSIONS SCHOLARSHIP PROGRAM							
Stipend							
Uniform Allowance							
Active Duty Training							
Travel							
TOTAL DIRECT OBLIGATIONS							
MEDICAL FINANCIAL ASSISTANCE PROGRAM (FAP)							
Stipend							
Financial Assistance Grant							
Uniform Allowance							
Active Duty Training							
Travel							
TOTAL DIRECT OBLIGATIONS							
NURSE CANDIDATE BONUS PROGRAM							
Nurse Candidate Bonus							
Accession Bonus							
TOTAL DIRECT OBLIGATIONS							
CHAPLAIN CANDIDATE PROGRAM							
Active Duty Training							
Uniform Allowance							
Travel							
TOTAL DIRECT OBLIGATIONS							
TSP MATCHING CONTRIBUTIONS							
TOTAL DIRECT OBLIGATIONS							
TOTAL DIRECT PROGRAM							

Exhibit PB-30K Analysis of Appropriation Changes (Reserves) Continued
(Page 4 of 5)

INSTRUCTIONS FOR COMPLETION OF EXHIBIT
ANALYSIS OF APPROPRIATION CHANGES AND SUPPLEMENTAL REQUIREMENTS

FY 20CY President's Budget - Show costs as included in the original FY 20CY President's Budget request. The total of all such costs should equal the FY 20CY appropriation request for each line item.

Congressional Action - Show the delta(s) associated with final congressional action on the FY 20CY appropriations request.

Appropriation – Show the final funding level appropriated by Congress for the FY CY. This value should tie explicitly by budget activity and total to the values reported on the DD 1414 Base for Reprogramming.

Internal Realignment/Reprogramming - Include those adjustments, which are necessary to align the amounts shown in the appropriation column of this exhibit with the FY 20CY column of the FY 20BY President's Budget exclusive of other price/program changes described below.

Subtotal – Should include the appropriated amount plus or minus internal realignments/reprogrammings.

Proposed DD 1415 Actions - Amounts shown in this column would include approved reprogrammings/transfers.

FY 20CY Column of FY 20BY President's Budget - Show amounts as included in the FY 20BY President's Budget request. These amounts should be equal to the sum of the amounts shown in the preceding two columns.

NOTE: An explanation should be provided for each adjustment in excess of $1 million included in the column showing realignments and reprogramming. Such explanation should not be included as part of this exhibit, but rather should be submitted separately to the OUSD(C) (P/B) Military Personnel and Construction Directorate, Room 3C654, Pentagon.

Exhibit PB-30L Summary of Basic Pay and Retired Pay Accrual Costs (Reserves)

RESERVE PERSONNEL, _____
SUMMARY OF BASIC PAY AND RETIRED PAY ACCRUAL COSTS
($ in Thousands)

	FY 20PY		FY 20CY		FY 20BY	
	Basic Pay	Retired Pay	Basic Pay	Retired Pay	Basic Pay	Retired Pay
Pay Group A						
Officers						
Enlisted						
Subtotal						
Pay Group B						
Officers						
Enlisted						
Subtotal						
Pay Group F						
Officers						
Enlisted						
Subtotal						
Pay Group P						
Enlisted						
Mobilization Training						
Officers						
Enlisted						
Subtotal						
School Training						
Officers						
Enlisted						
Subtotal						
Special Training						
Officers						
Enlisted						
Subtotal						
Administration and Support						
Officers						
Enlisted						
Subtotal						

NOTE: Retired pay accrual amounts, as a percentage of basic pay, should agree with the Normal Cost Percentages (NCPs) provided in the budget guidance. Retired and Basic Pay should match the amounts on the MPR-5.

(Page 1 of 2)

RESERVE PERSONNEL, _____
SUMMARY OF BASIC PAY AND RETIRED PAY ACCRUAL COSTS (Continued)
($ in Thousands)

	FY 20PY		FY 20CY		FY 20BY	
	Basic Pay	Retired Pay	Basic Pay	Retired Pay	Basic Pay	Retired Pay
Full-time Support (Non-Add)						
(Officer)						
(Enlisted)						
Subtotal						
Other						
Platoon Leaders Class (Enlisted)						
Branch Officers Basic Course (Officer)						
Health Professions Scholarship (Officer)						
Financial Assistance Program (Officer)						
Chaplain Candidate Program (Officer)						
Subtotal						
Total Direct Program						
Officers						
Enlisted						
Total						
Total Reimbursable Program						
Officers						
Enlisted						
Total						
Total Program						
Officers						
Enlisted						
Total						

NOTE: Accrual costs as a percent of basic pay to be used for each year will be provided separately.

Exhibit PB-30L Summary of Basic Pay and Retired Pay Accrual Costs (Reserves) Continued
(Page 2 of 2)

Exhibit PB-30M Summary of BAH Costs (Reserves)

RESERVE PERSONNEL, _____
SUMMARY OF BASIC ALLOWANCE FOR HOUSING (BAH)
($ in Thousands)

	FY 20PY BAH	FY 20CY BAH	FY 20BY BAH
Pay Group A			
Officers			
Enlisted			
Subtotal			
Pay Group B			
Officers			
Enlisted			
Subtotal			
Pay Group F			
Officers			
Enlisted			
Subtotal			
Pay Group P			
Enlisted			
Mobilization Training			
Officers			
Enlisted			
Subtotal			
School Training			
Officers			
Enlisted			
Subtotal			
Special Training			
Officers			
Enlisted			
Subtotal			
Administration and Support			
Officers			
Enlisted			
Subtotal			

(Page 1 of 2)

RESERVE PERSONNEL, _____
SUMMARY OF BASIC ALLOWANCE FOR HOUSING (BAH) (Continued)
($ in Thousands)

	FY 20PY BAH	FY 20CY BAH	FY 20BY BAH
Other			
Branch Officers Basic Course			
Health Professions Scholarship			
Financial Assistance Program			
Chaplain Candidate Program			
Subtotal			
Total Direct Program			
Officers			
Enlisted			
Other			
Total			
Total Reimbursable Program			
Officers			
Enlisted			
Other			
Total			
Grand Total Program			
Officers			
Enlisted			
Other			
Total			

Exhibit PB-30M Summary of BAH Costs (Reserves) Continued
(Page 2 of 2)

Exhibit PB-30N Summary of Travel Costs (Reserves)

RESERVE PERSONNEL, _____
SUMMARY OF TRAVEL COSTS
($ in Thousands)

	FY 20PY	FY 20CY	FY 20BY
Pay Group A			
Officers			
Enlisted			
Subtotal			
Pay Group B			
Officers			
Enlisted			
Subtotal			
Pay Group F			
Officers			
Enlisted			
Subtotal			
Pay Group P			
Enlisted			
Mobilization Training			
Officers			
Enlisted			
Subtotal			
School Training			
Officers			
Enlisted			
Subtotal			
Special Training			
Officers			
Enlisted			
Subtotal			

RESERVE PERSONNEL, _____
SUMMARY OF TRAVEL COSTS (Continued)
($ in Thousands)

	FY 20PY	FY 20CY	FY 20BY
Administration and Support			
Officers			
Enlisted			
Subtotal			
Other			
Branch Officers Basic Course			
Health Professions Scholarship			
Financial Assistance Program			
Chaplain Candidate Program			
Subtotal			
Total Direct Travel			
Officers			
Enlisted			
Other			
Total			
Total Reimbursable Travel			
Officers			
Enlisted			
Other			
Total			
Grand Total Reimbursable Travel			
Officers			
Enlisted			
Other			
Total			

Exhibit PB-30N Summary of Travel Costs (Reserves) Continued
(Page 2 of 2)

Exhibit PB-30U Summary of BAS AND SIK Costs (Reserves)

RESERVE PERSONNEL, _____
SUMMARY OF BASIC ALLOWANCE FOR SUBSISTENCE (BAS) AND SUBSISTENCE-IN-KIND (SIK)
($ in Thousands)

	FY 20PY BAS	FY 20PY SIK	FY 20CY BAS	FY 20CY SIK	FY 20BY BAS	FY 20BY SIK
Pay Group A						
Officers						
Enlisted						
Subtotal						
Pay Group B						
Officers						
Enlisted						
Subtotal						
Pay Group F						
Officers						
Enlisted						
Subtotal						
Pay Group P						
Enlisted						
Mobilization Training						
Officers						
Enlisted						
Subtotal						
School Training						
Officers						
Enlisted						
Subtotal						
Special Training						
Officers						
Enlisted						
Subtotal						
Administration and Support						
Officers						
Enlisted						
Subtotal						

RESERVE PERSONNEL, _____
SUMMARY OF BASIC ALLOWANCE FOR SUBSISTENCE (BAS) AND SUBSISTENCE-IN-KIND (SIK)
($ in Thousands)

	FY 20PY BAS	FY 20PY SIK	FY 20CY BAS	FY 20CY SIK	FY 20BY BAS	FY 20BY SIK
Other						
Branch Officers Basic Course						
Health Professions Scholarship						
Financial Assistance Program						
Chaplain Candidate Program						
Subtotal						
Total Direct Program						
Officers						
Enlisted						
Other						
Total						
Total Reimbursable Program						
Officers						
Enlisted						
Other						
Total						
Grand Total Program						
Officers						
Enlisted						
Other						
Total						

Exhibit PB-30U Summary of BAS AND SIK Costs (Reserves) Continued

(Page 2 of 2)

Exhibit PB-30W Full-Time Support Personnel (Reserves)

RESERVE PERSONNEL, _____
FULL-TIME SUPPORT PERSONNEL
(End Strength)

FY _____

ASSIGNMENT	AGR/TAR OFFICERS	AGR/TAR ENLISTED	AGR/TAR TOTAL	MILITARY TECHNICIANS*	MILITARY	CIVILIAN	TOTAL
Individuals							
Pay/Personnel Centers							
Recruiting/Retention							
Units:							
Units							
RC Unique Mgmt Hqs							
Unit Spt-Navy RC							
Maint Act (non-unit)							
Subtotal							
Training:							
RC Non-unit Institutions							
RC Schools							
Subtotal							
Headquarters:							
Service Hqs							
AC Hqs							
AC Instal/Activities							
RC Chiefs Staff							
Others							
Subtotal							
Other							
TOTAL							

*Excludes military technicians assigned to USSOCOM who are associated with the Special Operations Forces.

Notes: Exhibit should be provided for each Reserve Component justification book. Data must be provided for prior year (PY), current year (CY), and budget year (BY). Civilian end strength should exclude military technicians.

Exhibit PB-30X Subactivity Detailed Justification (Reserve)

($ in Thousands)

Program: * (e.g., Special Training)

FY 20BY Estimate $xxx,xxx
FY 20CY Estimate $xxx,xxx
FY 20PY Estimate $xxx,xxx

***A separate exhibit must be prepared for each M-1 line item reflecting subactivity detail. See section 020303 C. for more guidance.**

Part I – Purpose and Scope

Include a description of what the funds requested are for to include any references to legislative authorities.

Part II – Justification of Funds Required

Include an explanation to justify the requested change. The explanation should be specific with regard to what the increases will provide for (i.e., statutory, program enhancements, solving deficiencies, etc.).

	FY 20PY			FY 20CY Est			FY 20BY Est		
	Number	Rate	Amount	Number	Rate	Amount	Number	Rate	Amount
Program (e.g., Exercises)									
Program (e.g., Operational Training)									
Program (e.g., Competitive Events)									
Total									

Note: Average number may represent the number of workyears or average number of personnel budgeted to receive a particular type of pay.

Exhibit PB-30Y Performance Measures and Evaluation Summary (Reserves)

RESERVE PERSONNEL, _____
Performance Measures and Evaluation Summary

Activity: Active Reserve/Guard Military Personnel

Activity Goal: Maintain the correct Reserve/Guard Active Military Personnel to execute the National Strategy.

Description of Activity: The Reserve/Guard Active Military Personnel appropriations provide resources necessary to compensate military personnel required to provide trained units and qualified personnel in the Armed Forces in time of war, or national emergency, and at such other times as the national security requires. The Reserve/Guard also fills the needs of the Armed Forces whenever more units and persons are needed than are in the Active component to achieve the planned mobilization.

PERFORMANCE MEASURES:

	FY 20xx Actual	FY 20xx Planned	FY 20xx Planned
Average Strength	xxx,xxx	xxx,xxx	xxx,xxx
End Strength	xxx,xxx	xxx,xxx	xxx,xxx
Authorized End Strength	xxx,xxx		

Include a narrative section after each measure to provide any important information concerning the data reflected, explanations for variances from targets, and a subjective assessment of the program's performance and outlook. The narrative should also explain any differences in how the Services define these items. Include a statement referencing that this display provides the information to meet the Office of Management and Budget requirement for PART - Program Assessment Rating Tool.

Exhibit MPR-2 Basic Allowance for Housing Costs Summary

RESERVE OR NATIONAL GUARD PERSONNEL, _____
BASIC ALLOWANCE FOR HOUSING COSTS SUMMARY

($ in Thousands)

	PY	CY	BY	BY+1	BY+2	BY+3	BY+4
DIRECT BASELINE PROGRAM FUNDING							
Officers							
Enlisted							
Total							
REIMBURSABLE BASELINE PROGRAM FUNDING							
Officers							
Enlisted							
Total							
TOTAL BASELINE PROGRAM FUNDING							
Officers							
Enlisted							
Total							
OCO FUNDING							
Officers							
Enlisted							
Total							
TOTAL PROGRAM FUNDING							
Officers							
Enlisted							
Total							

Exhibit MPR-3 Summary of Outyear Data

RESERVE PERSONNEL, _____
SUMMARY OF OUTYEAR DATA

	PY	CY	BY	BY+1	BY+2	BY+3	BY+4
End Strength							
Pay Group A Officers							
Pay Group A Enlisted							
Subtotal Pay Group A							
Pay Group B Officers							
Pay Group B Enlisted							
Subtotal Pay Group B							
Pay Group F Enlisted							
Pay Group P Enlisted – Paid							
Pay Group P Enlisted – Non Paid							
Subtotal Pay Group F/P							
Subtotal Drill/Individual Training							
Full Time Active Duty							
Officers							
Enlisted							
Subtotal Full-Time							
Total Selected Reserve							
Officers							
Enlisted							
Total							
Individual Ready Reserve/Inactive National Guard							
Officers							
Enlisted							
Total							
GRAND TOTAL							

Note: "Do not round strength numbers". Strength numbers should agree with request in the applicable budget submission.

RESERVE PERSONNEL, _____
SUMMARY OF OUTYEAR DATA

	PY	CY	BY	BY+1	BY+2	BY+3	BY+4
Average Strength							
Pay Group A Officers							
Pay Group A Enlisted							
Subtotal Pay Group A							
Pay Group B Officers							
Pay Group B Enlisted							
Subtotal Pay Group B							
Pay Group F Enlisted							
Pay Group P Enlisted – Paid							
Pay Group P Enlisted – Non Paid							
Subtotal Pay Group F/P							
Subtotal Drill/Individual Training							
Full Time Active Duty							
Officers							
Enlisted							
Subtotal Full-Time							
Total Selected Reserve							
Officers							
Enlisted							
Total							
Individual Ready Reserve/Inactive National Guard							
Officers							
Enlisted							
Total							
GRAND TOTAL							
Obligations ($ in Thousands)							
Direct							
Reimbursable							
Total							

Note: "Do not round strength numbers". Strength numbers should agree with request in the applicable budget submission.

Exhibit MPR-3 Summary of Outyear Data (Continued)
(Page 2 of 2)

Exhibit MPR-4 Education Benefits (Title 10 USC, Chapter 1606 & 1607)

RESERVE PERSONNEL, _____
EDUCATION BENEFITS
(Title 10 USC, Chapter 1606 and 1607)
($ in Thousands)

	PY	CY	BY	BY+1	BY+2	BY+3	BY+4
MGIB-SR (CHAPTER 1606)							
PER CAPITA NORMAL COST							
Enlistments (6-Year Contracts)							
Reenlistments (6-Year Contracts)							
Extensions (6-Year Contracts)							
Total Six Year Commitments							
Per Capita Rate ($)							
Total Per Capita Amount ($000)							
CRITICAL SKILL OR CRITICAL UNIT BENEFIT							
Participants ($100 Kicker)							
Per Capita Rate							
Amount ($000)							
Participants ($200 Kicker)							
Per Capita Rate							
Amount ($000)							
Participants ($350 Kicker)							
Per Capita Rate							
Amount ($000)							
Participants (Total)							
Amount (Total)							
Chapter 1606 Amortization							
Amount ($000)							

RESERVE PERSONNEL, _____
EDUCATION BENEFITS
(Title 10 USC, Chapter 1606 and 1607)
($ in Thousands)

	PY	CY	BY	BY+1	BY+2	BY+3	BY+4
RESERVE EDUCATIONAL ASSISTANCE PROGRAM (REAP) (CHAPTER. 1607)							
Eligibles (Mobilized 90 days)							
Per Capita Rate							
Amount ($000)							
Eligibles (Mobilized 1 Year)							
Per Capita Rate							
Amount ($000)							
Eligibles (Mobilized 2 Years)							
Per Capita Rate							
Amount ($000)							
Chapter 1607 Amortization							
Amount ($000)							

NOTE: Per capita cost rates for the Basic Benefit and Critical Skill/Critical Unit Benefit and the amortization payment amount will be provided annually subsequent to approval of the DoD Education Benefits Board of Actuaries. Total program cost must match data provided in PB Exhibits. Additionally, even if the normal cost per capita rate for a program is zero dollars, Components must still assess and report counts of new eligibles.

Exhibit MPR-4 Education Benefits (Title 10 USC, Chapter 1606 & 1607) Continued

(Page 2 of 2)

*Exhibit MPR-5 Summary of Basic Pay and Retired Pay Accrual Costs

RESERVE PERSONNEL, _____
SUMMARY OF BASIC PAY AND RETIRED PAY ACCRUAL COSTS
($ in Thousands)

	FY 20PY						FY 20CY						FY 20BY					
	Basic Pay			Retired Pay			Basic Pay			Retired Pay			Basic Pay			Retired Pay		FY 20BY+1 Basic Pay
	Off	Enl	Total	Off	Enl	Total	Off	Enl	Total	Off	Enl	Total	Off	Enl				

Total Direct Program	
Full-time	
Part-time	
Total	
Total Reimbursable Program	
Full-time	
Part-time	
Total	
Total Program	
Full-time	
Part-time	
Total	

	FY 20PY	FY 20CY	FY 20BY	FY 20BY+1
Blended Retirement Plan Continuation Pay				
TSP Matching Contributions				

	FY 20BY+2						FY 20BY+3						FY 20BY+4					
	Basic Pay			Retired Pay			Basic Pay			Retired Pay			Basic Pay			Retired Pay		
	Off	Enl	Total	Off	Enl	Total	Off	Enl	Total	Off	Enl	Total	Off	Enl	Total	Off	Enl	Total
Total Direct Program																		
Full-time																		
Part-time																		
Total																		
Total Reimbursable Program																		
Full-time																		
Part-time																		

Total

	FY 20BY+2						FY 20BY+3						FY 20BY+4					
	Basic Pay			Retired Pay			Basic Pay			Retired Pay			Basic Pay			Retired Pay		
	Off	Enl	Total	Off	Enl	Total	Off	Enl	Total	Off	Enl	Total	Off	Enl	Total	Off	Enl	Total
Total Program																		
Full-time																		
Part-time																		
Total																		

	FY 20BY+2	FY 20BY+3	FY 20BY+4
Blended Retirement Plan			
Continuation Pay			
TSP Matching Contributions			

Note: Retired pay accrual amounts, as a percentage of basic pay, should agree with the Normal Cost Percentages (NCPs) provided in the budget guidance. Beginning in FY 2018, the continuation pay and TSP costs should agree with the anticipated costs resulting from the blended retirement system authorized in the FY 2016 NDAA, P.L. 114-92.

Exhibit MPR-6 Active Reserve/Guard (AGR) Personnel Cost

RESERVE PERSONNEL, _____1/
ACTIVE RESERVE/GUARD (AGR) PERSONNEL COSTS
($ in Thousands)
OFFICERS

	PY Actual			CY Estimate			BY Estimate		
	Average Strength	Rate	Amount	Average Strength	Rate	Amount	Strength	Rate	Amount
Basic Pay By Grade									
0-8									
0-7									
0-6									
etc.									
Subtotal									
Retired Pay 2/									
Special/Incentive									
Pay 2/									
Clothing Allowances 2/									
BAS 2/									
BAH 2/									
FICA 2/									
Other (Specify by listing separately) 2/									
Subtotal									
TOTAL DIRECT 3/									
REIMBURSABLE									
TOTAL PROGRAM									

ENLISTED (Same format as for Officers)

1/ Required for Reserve and Guard personnel appropriations.
2/ Composite total. By grade data not required except for basic pay.
3/ Total must be consistent with total Pay and Allowances included in Administration and Support section of justification book.

*Exhibit MPR-7 Pay Raise Data

RESERVE PERSONNEL, _____

PAY RAISE DATA
($ in Thousands)

	FY 20PY	FY 20CY	FY 20BY
DIRECT AND REIMBURSABLE			
Basic Pay			
Retired Pay Accrual			
TSP Matching			
FICA			
Separation Pay			
SRB – New Payments			
Station Allowances –COLA			
PCS – Dislocation Allowance			
Health Profession Scholarship Program (HPSP) Stipend and Financial Assistance Program (FAP) Grant			
TOTAL			
DIRECT			
Basic Pay			
Retired Pay Accrual			
TSP Matching			
FICA			
Separation Pay			
SRB – New Payments			
Station Allowances –COLA			
PCS – Dislocation Allowance			
Health Profession Scholarship Program (HPSP) Stipend and Financial Assistance Program (FAP) Grant and Stipend			
TOTAL			
REIMBURSABLE			
Basic Pay			
Retired Pay Accrual			
FICA			
Separation Pay			
SRB – New Payments			
Station Allowances –COLA			
PCS – Dislocation Allowance			
Health Profession Scholarship Program (HPSP) Stipend and Financial Assistance Program (FAP) Grant and Stipend			
TOTAL			
REIMBURSABLECOUNTERDRUG (MEMO ENTRY ONLY)			
Basic Pay			
Retired Pay Accrual			
FICA			
Separation Pay			
Station Allowances –COLA			
PCS – Dislocation Allowance			
TOTAL			

NOTE: This exhibit should reflect only the amounts budgeted that are affected by the pay raise. The numbers in this exhibit will be used to develop pay raise estimates. The total should not add to the total appropriation amount.

Exhibit MPR-8 Medicare-Eligible Retiree Health Fund Contributions

Medicare-Eligible Retiree Health Fund Contribution, (Army, Navy, …)_____
(In Thousands of Dollars)

	FY 20PY Actual			FY 20CY Estimate			FY 20BY Estimate		
	Number	Avg. Rate	Amount	Number	Avg. Rate	Amount	Number	Avg. Rate	Amount
Pay Group A									
Officer									
Enlisted									
Total									
Pay Group B									
Officer									
Enlisted									
Total									
Pay Group F									
Officer									
Enlisted									
Total									
Pay Group P									
Officer									
Enlisted									
Total									
Part-Time - Summary									
Officer									
Enlisted									
Total									
Full-Time									
Officer									
Enlisted									
Total									
Total									
Officer									
Enlisted									
Total									
CIS Controls									
Delta from Controls									

Medicare-Eligible Retiree Health Fund Contribution, (Army, Navy, …)_____

(In Thousands of Dollars)

	FY 20BY+1 Estimate			FY 20BY+2 Estimate			FY 20BY+3 Estimate		
	Number	Avg. Rate	Amount	Number	Avg. Rate	Amount	Number	Avg. Rate	Amount
Pay Group A									
Officer									
Enlisted									
Total									
Pay Group B									
Officer									
Enlisted									
Total									
Pay Group F									
Officer									
Enlisted									
Total									
Pay Group P									
Officer									
Enlisted									
Total									
Part-Time - Summary									
Officer									
Enlisted									
Total									
Full-Time									
Officer									
Enlisted									
Total									
Total									
Officer									
Enlisted									
Total									
CIS Controls									
Delta from Controls									

Exhibit MPR-8 Medicare-Eligible Retiree Health Fund Contributions (Continued)

(Page 2 of 3)

Medicare-Eligible Retiree Health Fund Contribution, (Army, Navy, …)_____
(In Thousands of Dollars)

	FY 20BY+4 Estimate		
	Number	Avg. Rate	Amount
Pay Group A			
Officer			
Enlisted			
Total			
Pay Group B			
Officer			
Enlisted			
Total			
Pay Group F			
Officer			
Enlisted			
Total			
Pay Group P			
Officer			
Enlisted			
Total			
Part-Time – Summary			
Officer			
Enlisted			
Total			
Full-Time			
Officer			
Enlisted			
Total			
Total			
Officer			
Enlisted			
Total			
CIS Controls			
Delta from Controls			

Exhibit MPR-8 Medicare-Eligible Retiree Health Fund Contributions (Continued)

Exhibit MPR-10- Monthly Obligation Phasing Plan

MONTHLY OBLIGATION PHASING PLAN (FY CY)
Appropriation: _____

(Dollars in Thousands)

Budget Activity	Description	Budget Subactivity (Example)		OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP
01	Reserve Component Training & Support	**Pay Group A**	Month												
			Cum.												
		Pay Group B	Month												
			Cum.												
		Pay Group F	Month												
			Cum.												
		Mob. Training	Month												
			Cum.												
		School Training	Month												
			Cum.												
		Special Training	Month												
			Cum.												
		Admin and Support	Month												
			Cum.												
		Etc.	Month												
		Total	Cum.												
Total	Direct Program		Month												
			Cum.												
Total	Reimbursable Program		Month												
			Cum.												
Total	Gross Program		Month												
			Cum.												

Directions:

For each military personnel appropriation, provide estimated monthly **direct** obligations for the current year **by each budget subactivity**.

Include lines for both incremental monthly obligations and cumulative (Cum.) obligations year-to-date for each budget subactivity.

Include a monthly phasing of reimbursable obligations and a total gross program at the bottom of the phasing.

Budget activity totals must match the current year (CY) amounts reflected in the Comptroller Information System (CIS).

(Page 1 of 1)

Exhibit MPR-11 – Recruiting and Retention Data

RESERVE PERSONNEL, _____
SUMMARY OF RECRUITING AND RETENTION DATA

Recruiting and Retention Goals:

	FY 20PY	FY 20CY	FY20BY	FY20BY+1	FY20BY+2	FY20BY+3	FY20BY+4
Number of Recruiters							
Part-Time							
Full-Time							
Number of Accessions							
Officer							
Non-Prior Service							
Prior Service							
Enlisted							
Non-Prior Service							
Prior Service							
Number of Reenlistments							
Attrition Rate							

Recruiting and Retention Funding:
(Dollars in Thousands)

Main Category	Appropriation	Officer/ Enlisted	Entitlement	Entitlement Sub-Category	New, Anniversary or Lump Sum Payment	FY 20PY through FY20BY+4 Number	FY 20PY through FY20BY+4 Amount
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)

(1) Main Category: This should list either Recruiting or Retention.
(2) Appropriation: RPA, RPN, RPMC, RPAF, NGPA, or NGPAF
(3) Officer/Enlisted: This should list the applicable personnel receiving the recruiting/retention funding – Officer or Enlisted
(4) Entitlement: The following is a list of recruiting and retention programs previously reported to OUSD(C) Military Personnel and Construction Directorate (MPC). Please use this list and include any additional programs not identified that should be captured under recruiting and retention. These additional items should be highlighted to the OSD analyst for future inclusion.

Accession Bonus
Affiliation Bonus
AFHPSP Critical Skills Accession Bonus (CSAB)
College First
College Fund
Critical Skill Retention Bonus (CSRB)
Critically Short Wartime Health Specialist
Reserve Educational Assistance Program (REAP) (Chapter 1607)
Enlistment Bonus (EB)
Health Professional (HP) Cash Bonus
Health Professional (HP) Loan Repayment Program
Health Professional Medical Officer Recruiting Program (HPMORP)
Health Professional (HP) Stipend Bonus
IRR Bonus
Loan Repayment Program
Medical Recruiting Bonus
Medical Stipend/Recruiting Bonus Test
Montgomery GI Bill Selected Reserve (MGIB-SR) (Chapter 1606)
MOS Conversion Bonus
Nurse Candidate Program (Bonus & Stipend)
Nurse Candidate Program Accession Bonus
Officer Deferment Bonus
Prior Service Bonus (new payments)
Prior Service Bonus (anniversary payments)
Recruitment Referral Bonus
Specialized Training Assistance Program
Selective Reenlistment Bonus (SRB)
Tuition Assistance

(5) Entitlement Sub-Categories: The following is a list of examples of further breakout of specific entitlements previously reported to OUSD(C) Military Personnel and Construction Directorate (MPC). Please use this list and include any additional breakouts not identified that should be captured under each entitlement.

Critical Skills Accession Bonus
AGR
Physicians
FTS NSW
FTS SWO – Junior
FTS SWO – LCDR
FTS SWO – Senior
Nurses

Enlistment Bonus
Non-Prior Service
Non-Prior Service (FTS)
Non-Prior Service (SELRES)
Prior Service

Selective Reenlistment Bonus (SRB)
3 yr and 6 yr
AGR
FTS
SELRES
SELRES – Prior Service

Chapter 1606/1607
Basic Benefit
Kickers
Amortization

Additional Instructions: This exhibit is to be included in the backup justification book. Additionally, OSD(C) will provide each Component with their specific MPR-11 spreadsheet and each Component must submit it electronically to OUSD(C) Military Personnel and Construction Directorate.

Exhibit MPR-11 – Recruiting and Retention Data (Continued)
(Page 2 of 2)

Exhibit MPR-12 – Reimbursable Program (Reimbursing Customers)

RESERVE PERSONNEL, _____
Reimbursable Program (Reimbursing Customers)
($ in Thousands)

Category	Customer	Mission Description [1/]	Reimbursing Account [2/]	FY 20PY Mandays	FY 20PY Rate	FY 20PY Amt	FY 20CY Mandays	FY 20CY Rate	FY 20CY Amt	FY 20BY Mandays	FY 20BY Rate	FY 20BY Amt
Examples												
Special Training	FEMA	Disaster Support	FEMA									
Special Training	DIA	Intelligence Related	O&M, Defense-Wide									
Total [3/]												

[1/] Mission Description must be unclassified. For intelligence related activities, the mission description should simply state "Intelligence Related".
[2/] Only specify account if within DoD, otherwise specify reimbursing organization.
[3/] Total must match CIS controls and Justification Book amounts for reimbursable authority.

Guidance on Military Personnel Reimbursables.
A direct appropriation is provided for paying military personnel; therefore, the cost of military labor shall not be charged to another DoD entity except for:

- Military personnel assigned to the Defense Working Capital Fund activities;
- If provided in the annual DoD Appropriations Act, National Guard and Reserve members who provide intelligence or counterintelligence support to Combatant Commands, Defense Agencies and Joint Intelligence Activities, including the activities and programs included within the National Intelligence Program and the Military Intelligence Program; and
- National Guard and Reserve personnel conducting military-to-military contacts as authorized in 10 U.S.C. 168 and utilizing funds specifically appropriated for that purpose.

Military labor shall be charged to non-DoD organizations on the basis of the actual hours worked or assigned.

*0207 OVERSEAS CONTINGENCY OPERATIONS (OCO) MILITARY PERSONNEL APPROPRIATION SUBMISSION FORMATS

020701. Purpose

A. The formats provided on the following pages reflect required exhibits for the Overseas Contingency Operations (OCO) justification book. Unless modified in a submission budget call, these formats should be adhered to. Justification material for the OCO Request is to be submitted under separate cover.

B. In addition to deployed strength, estimates should include required levels of Reserve Component personnel who are called to active duty in support of approved contingency operations, but not deployed OCONUS. This includes not only those preparing for deployment (e.g., training) but personnel in a leave status upon return.

C. Operational changes driving force level changes from the current year budgeted OCO level to the budget year OCO estimate must be fully explained and consistent with the approved troop strength planning assumptions (provided in separate guidance).

D. Each Service is required to provide a single justification book, with sections for the Active, Reserve, and National Guard appropriations. The M-1 exhibits and overview explanations must include all Components (i.e., Active, Reserve, and National Guard).

E. Microsoft Excel tables reflecting all of the tables in the submission must be provided for OSD analysts review. The justification books must include the following:

1. Table of Contents

2. Overview

3. M-1 Detail

4. Detailed exhibits by the following major categories in the order of the M-1 line items.

a. Reserve and Guard Mobilization

b. Active Deployment Costs

c. Overstrength Costs

d. Subsistence-in-Kind

e. Permanent Change of Station (PCS)

f. Casualty and Disability Benefits

g. Additional Mobilization/Deployment Costs

h. Pre and Post Mobilization Training

5. The justification material for the OCO estimate must be presented at the M-1 line item level and further broken down by major category such as mobilization, active deployment, and overstrength. Generally, the exhibits will mirror the regular justification book submission for the Active Components. One exception is that by-grade-level detail will not be required.

6. Costs for mobilization, Active deployment, and overstrength must be separately identified on each exhibit as applicable (e.g., basic pay, retired pay accrual, basic allowance for housing, etc.). All Active special pays will be categorized as active deployment costs in the summary tables.

7. For the Reserve Components, the level of detail is also at the M-1 level. For all budget line items, Part II, Justification of Funds Required, must describe specific details of the OCO requirements and should not be general in nature.

8. Each OCO exhibit will reflect prior year, current year, and budget year. The prior year amount should match projected obligations that will be reported on the Cost of War report for the Program/Budget submission (BES) and actual obligations on the Cost of War report for the President's Budget submission. The current year column will reflect total projected obligations in support of approved contingency operations. The budget year column will reflect the total requested amount for approved contingency operations. The budget year request must display total requirements for approved contingency operations consistent with the Program Resources Collection Process (PRCP) system.

020702. Exhibits in support of Military Personnel OCO Request.

The following exhibit formats are provided for the combined Active Military Personnel and Reserve Component Personnel Appropriations justification book.

Exhibit OCO-1 – OCO Military Personnel Overview 154
Exhibit OCO-2 – OCO M-1 Exhibit 158
Exhibit OCO-3 – OCO Subactivity Detailed Justification..... 161

Exhibit OCO-1 – OCO Military Personnel Overview

MILITARY PERSONNEL OVERVIEW

Introduction

Provide explanation of why this request is necessary.

The FY 20BY request includes $x,xxx million for the (Service) military personnel costs as shown in the following table:

Summary by Appropriation ($ in Thousands)

	FY 20PY Actuals	FY 20CY Estimate	FY 20BY Request
Military Personnel, xxxx			
Reserve Personnel, xxxx			
National Guard Personnel, xxxx			
Total			

Average Strength

	FY 20PY Actuals	FY 20CY Estimate	FY 20BY Request
Active Deployment by IDP Payment			
Reserve Component Deployment by IDP Payment			
Total Imminent Danger Pay			
Reserve Mobilization			
National Guard Mobilization			
Total Reserve Component Mobilization			
Active Overstrength			

FY 20PY Summary by Appropriation by Category ($ in Thousands)

	Active	Reserve	Guard	Total
FY 20PY Actuals				
Reserve & Guard Mobilization				
AC Deployment Costs				
Additional Mobilization/Deployment Costs *				
Active Component Overstrength				
Subsistence-in-Kind (SIK)				
Permanent Change of Station				
Casualty and Disability				
Pre and Post Mobilization Training				
Subtotal				
Stop Loss Special Pay (Note: this is a 2009/XXXX year account)				
Total Military Personnel				

* Includes Unemployment Compensation, Reserve Income Replacement Program (RIRP) and Interest on Uniformed Services Savings Deposits.

FY 20CY Summary by Appropriation by Category ($ in Thousands)

	Active	Reserve	Guard	Total
FY 20CY Estimate				
Reserve & Guard Mobilization				
AC Deployment Costs				
Additional Mobilization/Deployment Costs *				
Active Component Overstrength				
Subsistence-in-Kind (SIK)				
Permanent Change of Station				
Casualty and Disability				
Pre and Post Mobilization Training				
Subtotal				
Stop Loss Special Pay (Note: this is a 2009/XXXX year account)				
Total Military Personnel				

* Includes Unemployment Compensation, Reserve Income Replacement Program (RIRP) and Interest on Uniformed Services Savings Deposits.

Exhibit OCO-1
(Page 2 of 4)

FY 20BY Summary by Appropriation by Category ($ in Thousands)

	Active	Reserve	Guard	Total
FY 20BY Request				
Reserve & Guard Mobilization				
AC Deployment Costs				
Additional Mobilization/Deployment Costs *				
Active Component Overstrength				
Subsistence-in-Kind (SIK)				
Permanent Change of Station				
Casualty and Disability				
Pre and Post Mobilization Training				
Subtotal				
Stop Loss Special Pay (Note: this is a 2009/XXXX year account)				
Total Military Personnel				

* Includes Unemployment Compensation, Reserve Income Replacement Program (RIRP) and Interest on Uniformed Services Savings Deposits.

Exhibit OCO-1
(Page 3 of 4)

FY 20BY Request Summary
The FY BY military personnel request of $x,xxx million is comprised of the following major costs:

Reserve & Guard Mobilization ($x,xxx million)
Provide explanation of why this request is necessary.

AC Deployment Costs ($x,xxx million)
Provide explanation of why this request is necessary.

Other Mobilization and Deployment Costs ($x,xxx million)
Provide explanation of why this request is necessary.

Active Component Overstrength ($x,xxx million)
Provide explanation of why this request is necessary.

Subsistence-in-Kind (SIK) ($x,xxx million)
Provide explanation of why this request is necessary.

Permanent Change of Station ($x,xxx million)
Provide explanation of why this request is necessary.

Casualty and Disability($x,xxx million)
Provide explanation of why this request is necessary.

Pre and Post Mobilization Training($x,xxx million)
Provide explanation of why this request is necessary.

Exhibit OCO-1
(Page 4 of 4)

Exhibit OCO-2 – OCO M-1 Exhibit

M-1 Exhibit

MILITARY PERSONNEL, XXXX

BUDGET ACTIVITY 1: PAY AND ALLOWANCES OF OFFICERS
BASIC PAY
RETIRED PAY ACCRUAL
BASIC ALLOWANCE FOR HOUSING
BASIC ALLOWANCE FOR SUBSISTENCE
INCENTIVE PAYS
SPECIAL PAYS
ALLOWANCES
SEPARATION PAY
SOCIAL SECURITY TAX

TOTAL BUDGET ACTIVITY 1

BUDGET ACTIVITY 2: PAY AND ALLOWANCES OF ENLISTED
BASIC PAY
RETIRED PAY ACCRUAL
BASIC ALLOWANCE FOR HOUSING
BASIC ALLOWANCE FOR SUBSISTENCE
INCENTIVE PAYS
SPECIAL PAYS
ALLOWANCES
SEPARATION PAY
SOCIAL SECURITY TAX

TOTAL BUDGET ACTIVITY 2

BUDGET ACTIVITY 4: SUBSISTENCE OF ENLISTED PERSONNEL
BASIC ALLOWANCE FOR SUBSISTENCE
SUBSISTENCE-IN-KIND
TOTAL BUDGET ACTIVITY 4

BUDGET ACTIVITY 5: PERMANENT CHANGE OF STATION TRAVEL
ACCESSION TRAVEL
OPERATIONAL TRAVEL
SEPARATION TRAVEL
TOTAL BUDGET ACTIVITY 5

BUDGET ACTIVITY 6: OTHER MILITARY PERSONNEL COSTS
RESERVE INCOME REPLACEMENT PROGRAM
UNEMPLOYMENT COMPENSATION
DEATH GRATUITIES
SGLI EXTRA HAZARD PAYMENTS
TRAUMATIC SGLI
STOP-LOSS RETROACTIVE PAY
TOTAL BUDGET ACTIVITY 6

TOTAL MILITARY PERSONNEL, XXXX

RESERVE PERSONNEL, XXXX

BUDGET ACTIVITY 1: RESERVE COMPONENT TRAINING AND SUPPORT
PAY GROUP A TRAINING
SCHOOL TRAINING
SPECIAL TRAINING

TOTAL BUDGET ACTIVITY 1

TOTAL RESERVE PERSONNEL, XXXX

NATIONAL GUARD PERSONNEL, XXXX

BUDGET ACTIVITY 1: RESERVE COMPONENT TRAINING AND SUPPORT
PAY GROUP A TRAINING
SCHOOL TRAINING
SPECIAL TRAINING

TOTAL BUDGET ACTIVITY 1

TOTAL NATIONAL GUARD PERSONNEL, XXXX

GRAND TOTAL XXXX MILITARY PERSONNEL

Exhibit OCO-2
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Exhibit OCO-3 – OCO Subactivity Detailed Justification

Appropriation: **FY 20BY**
Budget Activity x: Title (e.g. Budget Activity 1: Pay and Allowance of Officers) **($ in Thousands)**
Budget Line Item: * (e.g., Basic Pay) **$xxx,xxx**

***A separate exhibit must be prepared for each M-1 line item. See M-1 exhibit (Exhibit OCO-2)**

Part I – Purpose and Scope

Include a description of what the funds requested are for to include any references to legislative authorities.

Part II – Justification of Funds Required

Include an explanation to justify the requested change. The explanation should be specific with regard to what the increases will provide for (i.e., statutory, program enhancements, solving deficiencies, etc.).

	FY 20PY Actual			FY 20CY Estimate			FY 20BY Estimate		
	Number	Rate	Amount	Number	Rate	Amount	Number	Rate	Amount
M-1 line (e.g., Basic Pay)									
Guard/Reserve Mobilization									
Active Component Overstrength									
Total									

Note: Average number may represent the number of workyears or average number of personnel budgeted to receive a particular type of pay.

VOLUME 2A, CHAPTER 3: "OPERATION AND MAINTENANCE APPROPRIATIONS

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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

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

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

The previous version dated June 2007 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
Overall	Formatting and room location changes.	Refresh
*030303	Added Volume III to the Justification Books for the Overseas Contingency Operations request for O-1, OP- 5, and OP-32	Update
*030303	Removed PB-22 from the Volume II – Data Book	Update
*030303	Added PBA-27 Psychological Operations	Update
*030303	Added PBA 28 Body Armor and Other Protective Gear	Update
030403	Updated OP-32 Exhibit Instructions and added Crosswalk of OP-32 Line Items to CIS Object Classes	Update

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CHAPTER 3

OPERATION AND MAINTENANCE APPROPRIATIONS

0301 GENERAL

030101. Purpose

A. This Chapter covers the budget formulation and congressional justification requirements for operation and maintenance appropriations for the baseline and overseas contingency operations (OCO) requirements. Volume 12 chapter 23 section 2309 provides the guidelines for determining war/overseas contingency operations costs

B. The following appropriations and accounts are covered:

Paragraph

030201.

Operation and Maintenance, Army
Operation and Maintenance, Army Reserve
Operation and Maintenance, Army National Guard
Operation and Maintenance, Navy
Operation and Maintenance, Navy Reserve
Operation and Maintenance, Marine Corps
Operation and Maintenance, Marine Corps Reserve
Operation and Maintenance, Air Force
Operation and Maintenance, Air Force Reserve
Operation and Maintenance, Air National Guard
Operation and Maintenance, Defense-Wide
Office of the Inspector General
Defense Health Program
Former Soviet Union Threat Reduction
Overseas Contingency Operations Transfer Fund
Overseas Humanitarian, Disaster Assistance, and Civic Aid
Support of International Sporting Competition, Defense

030202. United States Court of Military Appeals for the Armed Forces

030102. Submission Requirements

A. General guidance with regard to submission requirements is presented in Chapter 1. Chapter 3 covers specific back-up material requirements for the above accounts. The Components should also consult all of the other chapters for exhibit requirements for the above appropriations/accounts that are not specifically addressed in this chapter including Chapter 19 - Other Special Analyses. (See Volume 2A, Chapter 1, and Volume 2B, Chapter 19)

B. For designated exhibits, the Department will collect both POM and budget data through the SNaP (Select & Native Programming Data Input System) process. In addition, the Military Departments and applicable Defense Agencies shall develop and submit to the Comptroller separate narrative justification material (including any program increases and decreases) for their respective programs as part of their Program and Budget Review Submission.

030103. Preparation of Material

General guidance with regard to format and preparation of material is presented in Chapter 1. Chapters 8 (Facilities Sustainment and Restoration/Modernization), 12 (Defense Health Program), and 19 provide additional specific guidance with regard to the back-up material required in this section of the manual. (See Volume 2A, Chapter 1 and Volume 2B, Chapters 8, 12 and 19)

030104. References

Paragraph 010212 provides policies and definitions concerning costs that are to be financed by the O&M appropriations as opposed to other appropriations in the Research, Development, Test and Evaluation (RDT&E) area. Paragraph 010201 provides policies and definitions regarding the application of expense and investment criteria for budgetary purposes.

0302 PROGRAM AND BUDGET REVIEW SUBMISSION

030201. Operations Accounts

A. Purpose. This Section prescribes justification materials required to support the budget estimates for the following operations accounts:

Operation and Maintenance, Army; Army Reserve; and Army National Guard
Operation and Maintenance, Navy and Navy Reserve
Operation and Maintenance, Marine Corps and Marine Corps Reserve
Operation and Maintenance, Air Force; Air Force Reserve; and Air National Guard
Operation and Maintenance, Defense-Wide
Office of the Inspector General
Defense Health Program
Former Soviet Union Threat Reduction
Support for International Sporting Competitions, Defense
U.S. Court of Appeals for the Armed Forces
Overseas Contingency Operations Transfer Fund
Overseas Humanitarian, Disaster Assistance, and Civic Aid

B. Submission Requirements. All Operation and Maintenance appropriations are required to submit the back-up exhibits listed in the following table, if appropriate. An exception is that the OP 50 and OP 78 exhibits will be submitted on an as needed basis. Examples of these exhibits, along with instructions for their preparation, are provided in Section 0304. The Components should also consult all of the other chapters for exhibit requirements which are not specifically addressed in this chapter including Chapter 19 - Other Special Analyses. (See section 0304, below and Chapter 19)

OPERATIONS ACCOUNTS EXHIBITS

Exhibit Number	Exhibit Title	Components Required to Submit *
*O-1	O&M Funding by Budget Activity/Activity Group/Subactivity Group	All including DW, baseline and OCO
OP-5	Detail by Subactivity Group	All
OP-5	Attachment 1 Flying Hours	All
OP-5	Attachment 2 Ship Operations	All
OP-5	Attachment 3 Land Forces	All
OP-5	Attachment 4 Facilities Sustainment and Restoration/ Modernization (Chapter 8)	All
OP-5	Attachment 5 Depot Maintenance	All
OP-5	Attachment 6 Defense Health Program	All
OP-5	Attachment 7 JCS Exercise Program	All
OP-5	Attachment 8 Base Operation Support	All
OP-5	Attachment 9 Transportation Costs	All
OP-5	Attachment 10 Training	All
OP-5	Attachment 11 Navy Shipyards	Navy
*OP-5	Attachment 12 Overseas Contingency Operations	All
OP-8	Civilian Personnel Costs	All**
OP-8	Reimbursable Civilian Personnel Costs, Part 2	All**
OP-9	Analysis of Changes in Full-Time Equivalent (FTE) Costs	All**
OP-14	Individual Training Data (Parts A – F, Attachments 1 & 2)	All
OP-15,A,B	Department of Defense Overseas Dependents' Schools	OUSD(P&R)
OP-16	Department of Defense Section 6 Schools	OUSD(P&R)
OP-20	Analysis of Flying Hour Program	All
OP-24	Emergency and Extraordinary Expense Limitation	All
OP-25	Ground Vehicles Operation	Army/Navy
OP-26	POL Consumption and Costs	All**
OP-30	Depot Maintenance Program	All
OP-30S	Ship Depot Maintenance Program	Navy
OP-31	Spares and Repair Parts	All
*OP-32	Summary of Price and Program Changes, baseline and OCO	All
OP-34	Appropriated Fund Support for Morale, Welfare, & Recreation (MWR) Activities	All
OP-40	Ship Fuel and Operating Tempo Data	Navy
OP-41	Ship Operating Cost Data	Navy
OP-50	Operation and Maintenance, Air Force – Units by Program Element	Air Force
OP-53	Overseas Cost Report for the OSD Program/Budget Estimates Submission	All***
OP-58	Operation and Maintenance, Air Force – Analysis of Air Force POL	Air Force
OP-73	Repair Parts	Army Reserve/Guard
OP-78	Force Structure Data	Air Force
OP-80	Aircraft Repair/Modification and Engine Overhaul	Air Force
OP-81	O&M Monthly Obligation Phasing Plan	All
PB-20	Aircraft Inventory	All
PB-31D	Summary of Increases and Decreases	All
PB-31R	Personnel Summary	All
PB-58	Combatant Command Direct Funding	All****
PBA-7	Facilities Sustainment and Restoration/Modernization and *Demolition Programs*	All

* In instances where a specific component is designated as required to submit, this includes the Reserve Components of that Service. (e.g. The OP-80 should be submitted by Active Air Force, Air Force Reserve and Air National Guard.)
** Also required to be submitted by applicable RDT&E, Military Construction, Family Housing, Defense Working Capital Fund, etc., accounts.
*** Refer to Volume 2B, Chapter 15.
****COCOM should only submit if unable to provide OP-5.

Note: Additional budget exhibit requirements can be found in other chapters to include Chapters 8 and 19. (See Volume 2B, Chapters 8 and 19)

C. Preparation of Material. The following instructions pertain to the back-up material required by this Section.

1. The information will cover the prior year (PY), current year (CY), and budget year (BY), unless otherwise indicated.

2. Operation and Maintenance data will be submitted in terms of obligations.

3. Additional data may be provided by expanding the prescribed formats and exhibits, or by cross-referencing to additional exhibits, where prescribed material is considered inadequate to justify requested programs or estimates. No prescribed material may be omitted unless inapplicable or unless the omission is specifically approved by the OUSD (Comptroller) P/B. The inapplicable stubs and column headings may be omitted but will not be redesignated when completing standard exhibits.

4. The purpose of the back-up exhibits is to describe the program and justify the estimates. If the data collection systems or management systems utilized provide for cost accounts or program units or workload indicators different from those specified in this section, Components should request OUSD (Comptroller) P/B to change the provisions of this regulation.

5. The use of annex exhibits to reduce bulk is encouraged providing the required material is fully covered and presented in a logical manner. Machine printouts of required data will be accepted but should be designed to minimize bulk. Narrative data related to machine printouts should be assembled with the most appropriate page of the printout in a consistent manner.

D. OMB Circular No. A-11

The Components must submit any additional exhibits required by OMB Circular No. A-11. Consult OMB Circular No. A-11 for instructions pertaining to the completion of the required exhibits.

E. Facilities Sustainment and Restoration/Modernization (FSRM) and Demolition

Each Component must ensure that the OP-5, Attachment 4 (Facilities Sustainment and Restoration/Modernization (SRM), and Demolition) and PBA-7 FSRM and

Demolition in section 030402 of this chapter are submitted to the Military Personnel and Construction Directorate (Room 3C654) on the same date as all other submissions required under this chapter. (See Volume 2B, Chapter 8) Each Defense Agency is required to complete these exhibits. Data used to develop estimates should be consistent with data identified in the automated OP-32 for the Facilities Sustainment, Restoration & Modernization subactivity and data contained in the Facilities Data Quality Assurance.

F. Copies of back-up material in support of budget estimates will be submitted as identified in Section 010302. Two additional copies of the OP-5 exhibits for Security Programs will be delivered to Director for Military Personnel and Construction, OUSD (COMPTROLLER) P/B, Room 3C654, Pentagon, on the same date as all other submissions required under this Chapter.

G. Automated Submissions

1. Automated submissions are required for the following exhibits for both the OSD/OMB Budget Estimate Submission and the President's budget request:

O-1 O&M Funding by Budget Activity/Activity Group/Subactivity Group (PRCP)
OP-8 Civilian Personnel Costs (PRCP)
OP-20 Flying Hours Program (SNaP)
OP-30 Depot Maintenance Program (SNaP)
OP-32 Price and Program Growth by Subactivity Group (PRCP)
OP-41 Ship Operating Cost Data (SNaP)
PB-20 Aircraft Inventory (Excel Spreadsheet)

Additional guidance on the automated submission requirements is provided in Chapter 1, sections 010502 and 0109 and in this chapter, section 0304.

2. In addition to the appropriations and accounts listed in paragraph 030201, an OP-32, Price and Program Growth Exhibit for BOTH the OSD/OMB submission and the President's budget request will be submitted for the following appropriations and accounts with the Program Managers annotated in parentheses:

Environmental Restoration, Army (Department of Army)
Environmental Restoration, Navy (Department of Navy)
Environmental Restoration, Air Force (Department of Air Force)
Environmental Restoration, Defense-Wide (ODASD(ES), OUSD(AT&L)
Environmental Restoration, Formerly Used Defense Sites (Department of Army)
Defense Against Weapons of Mass Destruction (OUSD(C)/PB/O&P)
Emergency Response Fund, Defense (OUSD(C)/PB/O&P)
OPPLAN 34 A-35 P.O.W. (OUSD(C)/PB/O&P)
Special Olympics World Games (Department of Army)
Quality-of-Life Enhancements, Defense (OUSD(C)/PB/MILCON)
Drug Interdiction/Counterdrug Activities, Defense

Payment to Kaho'Olawe (Department of Navy)
Pentagon Renovation Transfer Fund (Washington Headquarters Service)

3. The electronic submission will be the official submission of these exhibits. Hard copies of the exhibits should be generated from the PRCP or SNaP electronic database.

030202. U.S. Court of Military Appeals for the Armed Forces

A. Purpose. This Chapter prescribes budget justification backup requirements for the appropriation "United States Court of Appeals for the Armed Forces."

B. Submission Requirements

1. See Chapter 1 for general guidance concerning submission requirements. Submit separate exhibits for each of the following: (See Vol. 2A, Chapter 1)

Appropriation Language. Submit justification for proposed changes.

Purpose and Scope. Describe the missions and functions of the Court of Military Appeals.

Summary of Obligations by Object Classification.

Summary of Personnel by Grades. Show the number of civilian positions in each grade, the number of statutory positions, total permanent positions, lapse, and workyears.

Summary of Price and Program Changes.

Explanation of Estimate. Explain changes in costs and provide a statement of case workload and opinions rendered.

Also include applicable exhibits required by Section 030201 and any of the other chapters of this regulation including Chapter 19 – Other Special Analyses. (See Vol. 2B, Chapter 19)

2. Chapter 1 identifies copies of the above material required.

030203. Civil Functions-Operation and Maintenance

A. Purpose. This Chapter prescribes budget justification backup requirements for the civil functions appropriations.

B. Cemeterial Expenses (Department of the Army).

1. See Chapter 1 for general guidance concerning submission requirements. Submit separate exhibits for each of the following. All data will be provided for the past (PY), current (CY), and budget year (BY) fiscal years. (See Volume 2A, Chapter 1)

a. Appropriation Language. Submit justification for proposed changes.

b. Multiyear Financial Plans. Show budget authority and outlays by budget project and in total for the past (PY), current (CY), and budget year (BY) fiscal years and for 4 subsequent fiscal years. Also show planned end-of-year employment (permanent positions and other positions) by budget project and in total for the same years.

c. Analysis of Budget Authority (BA) and Outlays. Show BA and outlays by budget project and in total. Also show the difference between the budget year (BY) and the current year (CY) and the outlays in the budget year (BY) resulting from BA in the budget year (BY).

d. Program and Performance. Describe the major workload considerations and activity factors on which the estimates for each budget project have been based.

e. Summary of Obligations by Object Classification.

f. Statement Relating Past Year (PY), Current Year (CY), Budget Year (BY) Programs. List the increases and decreases necessary to reconcile the obligations incurred in each year with an analysis by budget project showing the obligations for each year and the related increases and decreases between each year.

g. Project 0861 - Operation and Maintenance. Provide narrative justification and amounts for each project classification within the project. Separately identify yearend employment (end strength) and workyears for supervisory, interment and maintenance categories.

h. Project 0864 - Administration. Provide narrative justification and amounts for each object classification within the project. Separately identify yearend employment (end strength) and workyears for National Cemetery activities, headstone activities, and administrative services and staff planning.

i. Project 0865 - Special Construction, Arlington National Cemetery.

(1) Provide amounts by each object classification within the project. Separately identify yearend employment (end strength) and workyears.

(2) List and provide a narrative justification and amount for each planned construction or development project.

j. Report of Motor Vehicle Data. Provide the following summary:

(1) Fleet as of October 1.

(2) Acquisitions:

(a) New orders placed

(b) By forfeiture

(c) By transfer

(3) Number disposed of (deduct):

(a) Disposals accomplished (carryover)

(b) Disposals accomplished (newly scheduled)

(4) Vehicles replaced (newly scheduled).

(5) Active fleet, September 30 (a + b + c).

(6) Vehicles unused on a term basis (add).

(7) Total vehicles available full-time (e + f).

(8) Obligations for vehicles ordered.

Personnel Justification. Submit Exhibit OP-8 and OP-9 which are described in Section 030201 and an example of which is found in Section 0304 (See section 030201, above and section 0304, below)

2. Chapter 1 identifies copies required of the above material.

C. Wildlife Conservation, Etc., Military Reservations; Forestry Program (Department of Army).

1. In addition to the Program and Financing Schedule and Personnel Summary, submit an Exhibit OP-5 prescribed in Section 030201 and an example of which is provided in Section 0304. (See section 030201, above and section 0304, below)

2. Chapter 1 identifies copies required of the above material.

0303 CONGRESSIONAL JUSTIFICATION/PRESENTATION

030301. Purpose

This Section presents the justification book organization and the exhibit requirements for submission to Congress. Examples of budget exhibits can be found in Section 0304.

030302. Submission Requirements

For designated exhibits, the Military Departments and applicable Defense Agencies will update the SNaP immediately upon completion of the Program Budget Decisions and budget lock by the Department. In addition, the Military Departments and applicable Defense Agencies shall provide the USD(Comptroller) with a revised narrative justification for their respective programs reflecting any changes from the program and budget review. The SNaP system will reformat the data into congressional justification exhibits, which can be printed out by the respective Components and included in their justification materials.

All O&M overview exhibits are to be submitted via email to ***OPSMAIL@osd.mil*** in a MICROSOFT WORD format. Submit each Overview exhibit as a separate file. Embedded Excel Spreadsheets should be used for tables included in the Word document as required.

*030303. Organization of Justification Books

A. Justification Books will be organized into separate books for each appropriation. The only exceptions to organizing justification books into separate books for each appropriation are for the United States Court of Military Appeals for the Armed Forces and the Office of the Inspector General appropriations. These should be included in the same book as the Defense-Wide. The Defense Health Program (DHP) will be a separate justification book. The procurement and RDT&E DHP budget activities will follow the organization prescribed for the procurement and RDT&E appropriations in Chapters 4 and 5, respectively. (See Vol. 2B, Chapters 4 and 5)

B. Justification books for the Active Component of each Military Service should be organized into three volumes (in separate books) as follows:

1. Volume I - “Justification of Estimates”

2. Volume II - “Data Book”

3. Volume III – “Overseas Contingency Operations Request” for Operations Enduing Freedom and Operations New Dawn

4. Reserve and National Guard Components should combine the above volumes into one book for each Component.

C. The justification books for the Operation and Maintenance, Defense-Wide appropriation will include a Volume III classified volume in addition to the volumes for “Justification of Estimates” and “Data Book”.

D. Volume I - Justification of O&M Estimates. The Operation and Maintenance (O&M) Justification Books will be submitted on an operations basis to include active military force personnel strength, Reserve and National Guard personnel strength, and civilian personnel. (Related dollars financed from the active and Reserve military personnel appropriations, however, should not be included.) The content and arrangement of exhibits for the operations accounts are indicated at the end of this section. Applicable exhibits for the Reserve and Guard Component operations accounts will be consistent with the active operations accounts. Exhibit formats are provided in Section 0304. Separate volumes for active and reserve component operation appropriations will be submitted. Funds for the National Intelligence Program (NIP) or Military Intelligence Program (MIP) will be specifically identified. Justification classification will not exceed that required for other operations funds. (See section 0304, below)

E. Volume II - Data Book. The Data Book will include summary and special interest exhibits as well as the Facilities Sustainment and Restoration/Modernization (FSRM), and Demolition exhibits. The content and arrangement of exhibits for the operations accounts are included at the end of this section.

Two copies of the FSRM OP-5 and FSRM PBA-7 exhibits will be submitted to the Directorate for Military Personnel and Construction, OUSD (COMPTROLLER), P/B, Pentagon, Room 3C654 for review and approval.

F. Volume III – Overseas Contingency Operation (OCO). The OCO request will include the O-1 Line Item Summary, the OP-32 Price and Program Growth by Appropriation summary, the OCO OP-5, performance criteria, and the OP-32 Price and Program Growth by Subactivity Group for the operations defined in Volume 12 Chapter 23 Section 2309 or in the budget guidance.

G. Additional Accompanying Exhibits. Although not to be included in any of the Justification Books submitted to Congress, the exhibits at the end of this section are required to be submitted to the OUSD (Comptroller) P/B Directorate for Operations, Pentagon, Room 3C749, simultaneously with the submission of the other budget justification material. THESE EXHIBITS ARE NOT TO BE INCLUDED IN JUSTIFICATION BOOKS SUBMITTED TO THE CONGRESS. Examples are provided in Section 0304 (O&M), Chapter 13 (Defense Environmental Restoration Program), or Chapter 19 (Other Special Analyses). (See Vol. 2B, Chapters 13 and 19) (See section 0304, below)

H. O&M Overview. The Operation and Maintenance Overview exhibits (PBA-xx) are required for submission to the OUSD (Comptroller) P/B Directorate for Operations, Pentagon, Room 3C749, and the OUSD (Comptroller) P/B Military Personnel and Construction Directorate, Pentagon, Room 3C654. Specific suspense dates will be furnished in the annual budget justification call memorandum supporting the President's budget request. The parent service is responsible for ensuring that ALL required data including Reserve Component appropriations are submitted.

1. Exhibit formats are provided in Section 0304. Each exhibit must provide narrative data to explain price and program changes between all fiscal years displayed. In addition, Components are responsible for cross checking data among the exhibits to ensure data provided is consistent among all PBA exhibits and all other exhibits supporting the President's budget request, including the backup exhibits. (See section 0304, below)

2. Two copies of each exhibit are required and will identify the Component, exhibit number and title, date prepared, and name/telephone number of the responsible point of contact for the exhibit. The exhibits will be consolidated at the Operation & Maintenance title level for printing and submission to the Congress. The Defense Agencies should provide as a minimum the PBA-7, PBA-19 and the PBA-20 exhibits and address resource requirements in one or more of the major mission categories as appropriate.

ORGANIZATION/EXHIBIT REQUIREMENTS
(Exhibits should be ordered as shown below)

VOLUME I - JUSTIFICATION OF O&M ESTIMATES

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Introductory Statement (use the PBA 19 exhibit - Appropriation Highlights)

O-1*	O&M Funding by Budget Activity/Activity Group/Subactivity Group
OP-32*	Appropriation Summary of Price/Program Growth
PB-31R	Personnel Summary
PB-31D	Summary of Funding Increases and Decreases
OP-5	Operation and Maintenance Detail by Subactivity Group (Exhibit formats are provided in Section 0304)
PB-58	Combatant Command Direct Funding (Only submit if unable to provide OP-5).

VOLUME II - DATA BOOK

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PB-31Q**	Manpower Changes in FTEs	
PB-55	International Military Headquarters	(CH. 19)
PB-24	Professional Military Education	(CH. 19)
PB-15	Advisory and Assistance Services	(CH. 19)
OP-34	Appropriated Fund Support for MWR Activities (SNaP Budget Years only)	
OP-30*	Depot Maintenance Program (SNaP Summary exhibit only)	
Env-30A-C	Defense Environmental Restoration Program	(CH. 13)
PB-28/28A	Summary of Budgeted Environmental Projects	(CH. 19)
OP-31	Spares and Repair Parts	
PB-34A	Revenue from Leasing Out DoD Assets	(CH. 8)
PB-34B	Proceeds from Transfer or Disposal of DoD Real Property	(CH. 8)

* Automated submission is also required.
** Input from Reserve and Guard organizations are to be consolidated by the parent Component (i.e., Army, Navy, Air Force) for submission to OSD. Guard and Reserve organizations should not include these exhibits in their submission.

*VOLUME III – OVERSEAS CONTINGENCY OPERATIONS REQUEST

Table of Contents

O-1* O&M Funding by Budget Activity/Activity Group/Subactivity Group
OP-32* Price and Program Growth by Appropriation
OP-5 O&M Detail by Overseas Operation, Subactivity Group and Cost Breakdown Structure
OP-32 Price and Program Growth by Subactivity Group

ADDITIONAL ACCOMPANYING EXHIBITS *
(Submission is required in both hard copy and electronic formats)

OP-8**	Civilian Personnel Costs (All Appropriations/Funds)	
OP-9	Analysis of Changes in FTE Costs (All Appropriations/Funds)	
OP-14	Individual Training Data (Parts A – F, Attachments 1 & 2)	
OP-15,A,B	Department of Defense Overseas Dependents' Schools	
OP-16	Department of Defense Section 6 Schools	
OP-20**	Analysis of Flying Hour Program	
OP-24	Emergency and Extraordinary Expense Limitation	
OP-25	Ground Vehicle Operations	
OP-26	POL Consumption and Costs (All Appropriations/Funds)	
OP-30S**	Ship Depot Maintenance Program	
OP-34	Appropriated Fund Support for Morale, Welfare, and Recreation Activities	
OP-40	Ship Fuel Data	
OP-41**	Ship Operating Data	
OP-50	Operation and Maintenance, Air Force – Units by Program Element	
OP-53, 53A	Overseas Cost Report	(CH. 15)
OP-58	Operation and Maintenance, Air Force – Units by Program Element	
OP-73	Repair Parts – Army Reserve	
OP-78	Force Structure Data	
OP-80	Aircraft Repair/Modification & Engine Overhaul	
OP-81	O&M Monthly Obligation Phasing Plan	
PB-14	Functional Transfers	(CH. 19)
PB-16	Legislative Proposals	(CH. 19)
PB-18	Foreign Currency Exchange Data	(CH. 19)
PB-20**	Aircraft Inventory	
PB-23	Acquisition and Technology Work Force	(CH. 19)
PB-25	Host Nation Support	(CH. 19)
PB-28b	Operational Range Sustainment and Environmental Management	(CH. 19)
PB-50	Child Development, School-Age Care (SAC), Family Centers, and Family Advocacy Programs	(CH. 19)
PB-53	Budgeted Military and Civilian Pay Raise	(CH. 19)
PB-54	Civilian Personnel Hiring Plan	(CH. 19)

* To be submitted separately to OUSD (COMPTROLLER) P/B, Operations Directorate (Pentagon, Room 3C749)
** Automated submission is also required.

O&M OVERVIEW

PBA #	TITLE
PBA-2	Air Operations
PBA-3	Ship Operations
PBA-4	Land Forces
PBA-5	Depot Maintenance Program
PBA-7	Facilities Sustainment and Restoration/Modernization (FSRM), and Demolition Programs (Chapter 8)
PBA-8	Training and Education
PBA-9	Defense Health Program
PBA-10	Base Support
PBA-11	Reserve Forces
PBA-12	Command, Control, and Communications
PBA-13	Transportation
PBA-17	Recruiting, Advertising, and Examining
PBA-19*	Appropriation Highlights
PBA-20A	Manpower Data (Civilian)
PBA-22	Mobilization
PBA-26	Special Operations Forces (USSOCOM only)
*PBA-27	Psychological Operations
*PBA-28	Body Armor and Other Protective Gear

* Every Component (Active, Guard, Reserve and Defense Agency) is required to submit.
** All O&M overview exhibits are to be submitted via email to ***OPSMAIL@osd.mil*** in a MICROSOFT WORD format. Embedded Excel Spreadsheets should be used for tables included in the Word document as required. Submit each Overview exhibit as a separate file.

0304 OPERATION AND MAINTENANCE APPROPRIATION SUBMISSION FORMATS

030401. Purpose

The formats provided on the following pages reflect guidance presented in previous sections of this chapter. Unless modified in submission budget call memoranda, these formats should be utilized.

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Exhibit O-1 O&M Funding by Budget Activity/Activity Group/Subactivity Group

FY ___ Budget Estimates
Operation and Maintenance, _____

($ in Thousands)

	FY PY	FY CY	FY BY
Budget Activity 1, Operating Forces			
Activity Group			
Subactivity			
Subactivity			
etc.			
Subtotal			
Total Activity Group			
Activity Group			
Subactivity			
Subactivity			
etc.			
Subtotal			
Total Activity Group			
Budget Activity 2, Mobility Operations			
etc.			
Budget Activity 3, Training and Recruiting			
etc.			
Budget Activity 4, Administration and Servicewide Support			
etc.			
Total Operation and Maintenance, _____			

Provide Budget Activity, Activity Group, and Subactivity subtotals funding levels.

All O&M Components including Defense Agencies must submit an automated O-1 for both the OSD/OMB and congressional submissions through the Program Resources Collection Process (PRCP). Components will submit data that shows the prior year (PY) through budget year +4 (BY+4). Automated submission requirements for the PCRP are provided in Chapter 1, section 010502.

Exhibit OP-5 Instructions

INSTRUCTIONS FOR PREPARATION OF OP-5

1. Agencies/Activities are required to submit this exhibit at the lowest level of their budget structure. The purpose of the OP-5 is to provide a summary of and justification for changes in the level of resources required for each SAG.

2. The Combat Support Agent will submit an OP-5 for the new SAGs created by the Military Service, in accordance with the Joint Task Assignment Process business rules, for its Combatant Commands. Each Combat Support Agent will create two new SAGs, one SAG for Combatant Command Headquarters Functions and one for Combatant Command Missions. These SAGS will include only Combatant Command justification data and will include all Combatant Commands under the purview of the Combat Support Agent. Do not create separate SAGs for each Combatant Command. Price and Program changes will be reported separately by COCOM.

3. Each of the O&M appropriations listed below, will be supported by OP-5 Exhibits.

Operation & Maintenance, Army, Army Reserve, and Army National Guard
Operation & Maintenance, Navy and Navy Reserve
Operation & Maintenance, Marine Corps and Marine Corps Reserve
Operation & Maintenance, Air Force, Air Force Reserve, and Air National Guard
Operation & Maintenance, Defense-Wide
Defense Health Program
Former Soviet Union Threat Reduction
Office of the Inspector General
United States Court of Military Appeals for the Armed Forces
Wildlife Conservation, Etc., Military Reservations
Overseas Humanitarian, Disaster, and Civic Aid
Support of International Sporting Competition, Defense

4. The OP-5 provides essential information for justification of the OSD and President's budget estimates. The "Reconciliation of Increases and Decreases" portions of Section III should identify what changes are occurring and provide programmatic reason for the changes and explain why they are necessary.

5.. The FY PY estimate column of the OSD submit should reflect actual data through the first three quarters plus a realistic projection for the remaining quarter. For the PB submit, the FY PY column will reflect actuals and agree with the data reflected in the certified DD Comp 1002 report for September.

6. The "Reconciliation of Increases and Decreases" section will be included in the OP-5 for both the OSD budget submission and the President's budget submission. Reconciliations will show all changes from fiscal year to fiscal year and, for the current year, a track from the estimate requested in the previous President's budget. Specifically display:

- The FY BY estimate included in the previous President's budget submission to the current FY CY estimate included in this submission,
- The current FY CY estimate to FY BY estimate reflected in this submission.

INSTRUCTIONS FOR PREPARATION OF OP-5

6. Performance criteria must be provided for each OP-5 at the subactivity level and should support the dollar amounts being requested in the subactivity. Performance criteria for some subactivity groups are specified in the attachments to the OP-5 but additional criteria and metrics are encouraged. These data and metrics are critical to the successful defense of the budget request.

7. Personnel summaries are required for each subactivity group and for each Defense Agency.

8. With the exception of selected Defense Agencies, all Components will submit unclassified O&M justification materials.

Exhibit O-1 O&M Funding by Budget Activity/Activity Group/Subactivity Group
(Page 2 of 2)

Exhibit OP-5 Detail by Subactivity Group

COMPONENT NAME *
Operation and Maintenance, _____
Budget Activity_____
Activity Group_____
Detail by Subactivity Group_____

I. Description of Operations Financed: Provide a narrative explanation characterizing the mission and major functions funded in the subactivity group. Include a separate explanation for each subactivity shown in Section IIIA. below. These explanations should address significant program initiatives/actions included in the budget.

II. Force Structure Summary: Provide a narrative explanation and identification of force structure supported by funding in this subactivity group.

III. Financial Summary ($ in Thousand)

		FY CY				
	FY PY	Budget	Congressional Action		Current	FY BY
A. Subactivity Group	**Actuals**	**Request**	**Amount**	**Percent**	**Appropriation**	**Estimate**
Estimate						
1. Subactivity (example, COCOM X)						
2. Subactivity						
3. Etc.						
Total						

B. Reconciliation Summary:	**Change FY CY/FY CY**	**Change FY CY/FY BY**
Baseline Funding		
Congressional Adjustments (Distributed)	**.....**	**n/a**
Congressional Adjustments (Undistributed)		n/a
Adjustments to Meet Congressional Intent		n/a
Congressional Adjustments (General Provisions)		n/a
Subtotal Appropriated Amount		*n/a*
Fact-of-Life Changes (CY to CY Only)		n/a
Subtotal Baseline Funding		n/a
Anticipated Overseas Contingency Operations		n/a
Reprogrammings		n/a
Price Changes		
Functional Transfers	n/a	
Program Changes	n/a	
Current Estimate		

Reconciliation Summary Instructions: For the changes in the Current Fiscal Year (FY CY), provide information from the President's budget request for that fiscal year to the current estimate in this submission for that same fiscal year. For the changes from the FY CY to the FY BY, use the current estimate in this submission.

***** The O&M budget is generally stratified into three levels: Level 1, Budget Activity (BA); Level 2, Budget Activity Group (BAG); and Level 3, Subactivity Group (SAG) (also referred to as O-1 line items). The O&M budget structure for some Defense Agencies/Activities stops at the BA or BAG level. The Defense Agencies/Activities are required to submit this exhibit at the lowest level of their budget structure.

Exhibit OP-5 Detail by Subactivity Group
(Page 1 of 9)

COMPONENT NAME *
Operation and Maintenance, _____
Budget Activity_____
Activity Group_____
Detail by Subactivity Group_____

C. Reconciliation of Increases And Decreases: Provide a trail of changes from the previous President's budget request for the current fiscal year in this submission to the appropriated amount for the current FY CY in this submission to the current estimate for FY CY in this submission; and from the FY CY current estimate to the FY BY estimate. Provide a single entry in each year for price changes. Itemize and justify the major program changes in each year (**provide the baseline in dollars to which the increase or decrease applies**). Such justification should clearly explain **programmatic** changes in resource levels including why increases are required or decreases occur. Additionally, the narrative justification should relate cost to force structure changes, performance criteria, workload and manpower data, as well as identify the impact if requested changes are not funded. The DoD Components should report in thousands.

In the reconciliation of changes from the previous President's budget request for the FY CY to the estimate for FY CY in the current submission, the DoD Components should include the following adjustments:

- Distributed Congressional Adjustments: Adjustments that Congress specifically makes to the President's budget request. These adjustments must match the Appropriation Conference Report table and the FY CY Rebaseline Report (for Active Military Components only) at the subactivity group level.
- Undistributed Congressional Adjustments: Adjustments outlined on the tables contained in the statement of managers accompanying the appropriations conference report. The Components must use discretion as to how these adjustments are applied to minimize negative impacts on force readiness. These adjustments must match the Appropriation Conference Report table and the FY CY Rebaseline Report at the appropriation level and subactivity group level, respectively.
- Adjustments to Meet Congressional Intent: Adjustments that are required in order to align funding for a congressionally approved program into the proper budget activity and subactivity in order to carry out the intent of the Congress. These adjustments must match the FY CY Rebaseline Report at the subactivity group level.
- General Provisions: Adjustments directed by the Congress in appropriations law, the distribution of which is not explicitly stated. The OP-5 should separately display each General Provision adjustment. These adjustments must match the FY CY Rebaseline Report at the subactivity group level.
- Fact-of-Life Changes: The Operation and Maintenance (O&M) fact of life changes are programmatic, intra-appropriation adjustments made by DoD Components to address significant, unforeseen operational readiness issues within the following categories:

  1. Functional Transfers – Funding realignments to reflect a transfer of function, responsibility, or duty from one major command to another within each Military Department or Defense Agency. These adjustments do not change the purpose for which the funds were appropriated.
  2. Technical Adjustments – Accounting adjustments to properly align funding with the appropriate O&M subactivity group (SAG) where costs are actually accrued and executed. These adjustments do not change the purpose for which the funds were appropriated.

Exhibit OP-5 Detail by Subactivity Group
(Page 2 of 9)

3. Emergent Requirements – Adjustments to funding requirements resulting from changes in policy, legal direction, or other unforeseen (e.g., operational readiness, health or safety, etc. related) events that occurred after the submission of the President's Budget.

These adjustments must not change the congressional priorities and are subject to congressional review as reported in the Rebaseline Report. The Rebaseline Report, as amended by any congressional action, will be used to develop the DD 1414, Base for Reprogramming Actions. See Volume 3, Chapter 6 regarding the policies for the reprogramming of O&M funds subsequent to the establishment of the base for reprogramming actions.

COMPONENT NAME *
Operation and Maintenance, _____
Budget Activity_____
Activity Group_____
Detail by Subactivity Group_____

($ in Thousands)

C. Reconciliation of Increases and Decreases: **Amount** **Totals**

FY CY President's Budget Request (Amended, if applicable)

1. Congressional Adjustment (List Items) (Provide the baseline amount for each programmatic change.) (Separate amounts for Combatant Commands.)
   a) Distributed Adjustments (List Items)
   b) Undistributed Adjustments (List Items)
   c) Adjustments to Meet Congressional Intent (List Items)
   d) General Provisions (List Items)

Appropriated Amount (subtotal)

2. Fact-of-Life Changes (Note: Specify each item separately. For each adjustment, identify the sources (at the subactivity group level) from which funds were transferred into that activity, and identify the recipients (at the subactivity group level) of the funds transferred out of that activity. See previous instructions for a definition of the type of changes (emergent requirements, functional transfers, and technical adjustment) included in this section.)
   a) Functional Transfers
      i) Transfers In (List and explain the reason for each functional transfer.)
      ii) Transfers Out (List and explain the reason for each functional transfer.)
   b) Emergent Requirements
      i) One-Time Costs (List and provide complete and sufficiently detailed programmatic justification for each item.)
      ii) Program Growth (List and provide complete and sufficiently detailed programmatic justification for each item.)
      iii) Program Reductions (List and provide complete and sufficiently detailed programmatic justification for each item.)

Baseline Funding (subtotal) (Must agree with the "Revised Baseline" column of the FY CY Rebaseline Report.)

3. Reprogrammings/Overseas Contingency Operations
   a) Anticipated Overseas Contingency Operations
   b) Reprogrammings (Requiring 1415 Actions)
      i) Increases
      ii) Decreases

Revised FY CY Estimate (Must agree with the CY column of the FY BY President's budget.)

Exhibit OP-5 Detail by Subactivity Group
(Page 4 of 9)

COMPONENT NAME *
Operation and Maintenance, _____
Budget Activity_____
Activity Group_____
Detail by Subactivity Group_____

($ in Thousands)

C. Reconciliation of Increases and Decreases: **Amount** **Totals**

4. Price Change
5. Transfers (Note: Must explain the reason for each transfer in and out.)
   a) Transfers In
      i)
      ii)
      iii) etc.
   b) Transfers Out
      i)
      ii)
      iii) etc.
6. Program Increases (Note: Each change must show the CY baseline and include complete and sufficiently detailed, programmatic explanation.)
   a) Annualization of New FY CY Program
      i)
      ii)
      iii) etc.
   b) One-Time FY BY Costs
      i)
      ii)
      iii) etc.
   c) Program Growth in FY BY
      i)
      ii)
      iii) etc.
7. Program Decreases (Note: Each change must show the CY baseline and include complete and sufficiently detailed, programmatic explanation.)
   a) One-Time FY CY Costs
      i)
      ii)
      iii) etc.

Exhibit OP-5 Detail by Subactivity Group
(Page 5 of 9)

COMPONENT NAME *
Operation and Maintenance, _____
Budget Activity_____
Activity Group_____
Detail by Subactivity Group_____

($ in Thousands)

C. Reconciliation of Increases and Decreases:	**Amount**	**Totals**
b) Annualization of FY CY Program Decreases		
i)		
ii)		
iii) etc.		
c) Program Decreases in FY BY		
i)		
ii)		
iii) etc.		

FY BY Budget Request

NOTE: Substitute appropriate fiscal years to show current year (CY) and budget year (BY).

Exhibit OP-5 Detail by Subactivity Group
(Page 6 of 9)

COMPONENT NAME *
Operation and Maintenance, _____
Budget Activity_____
Activity Group_____
Detail by Subactivity Group_____

Performance Criteria and Evaluation Summary: The Performance Criteria and Evaluation Summary (OP-5, Part IV) must provide supporting detail sufficient to demonstrate how the budgeted resources for each subactivity group contribute to the Department's mission. The Components must provide meaningful performance and work load data by SAG for each year FY PY, FY CY, and FY BY, where appropriate. Performance criteria must be displayed for each subactivity group. The goal is for the performance criteria to justify the budget request. If no performance criteria are provided, then a statement must be included explaining why there is no performance criteria.

The House of Representatives Report (Report 108-106, page 303) on the National Defense Authorization Act for Fiscal Year 2004 directed the Office of the Secretary of Defense (Comptroller) and the service's assistant secretaries of financial management to improve the current performance criteria to reflect measurable metrics. In response, the Department modified the performance criteria for some SAGs supporting the O&M and DHP justification materials and reported the improvements in a report to the Congress in January 2004 and the FY 2005 President's Budget submission in February 2004. The Components must continue to report these improved performance measures in the Performance Criteria section of the OP-5 justification book. The following subactivity groups have specific performance criteria required.

Flying Hour Program (Attachment 1)
Ship Operations (Attachment 2)
Land Forces (Attachment 3)
FSRM (Attachment 4)
Depot Maintenance (Attachment 5)
Defense Health Program (Attachment 6)

The following programs also have specific performance criteria required (See attachments 1-4 to the OP-5 in the FMR):

JCS Exercise Program (Attachment 7)

Base Operations Support (Attachment 8)

Transportation (Attachment 9)

Training (includes multiple subactivity groups) (Attachment 10)

Exhibit OP-5 Detail by Subactivity Group
(Page 7 of 9)

COMPONENT NAME *
Operation and Maintenance, _____
Budget Activity_____
Activity Group_____
Detail by Subactivity Group_____

V. Personnel Summary:	FY PY	FY CY	FY BY	Change FY CY/FY BY
Active Military End Strength (E/S) (Total)				
Officer				
Enlisted				
Reserve Drill Strength (E/S) (Total)				
Officer				
Enlisted				
Reservists on Full Time Active Duty (E/S) (Total)				
Officer				
Enlisted				
Active Military Average Strength (A/S) (Total)				
Officer				
Enlisted				
Reserve Drill Strength (A/S) (Total)				
Officer				
Enlisted				

COMPONENT NAME *
Operation and Maintenance, _____
Budget Activity_____
Activity Group_____
Detail by Subactivity Group_____

V. Personnel Summary (Cont'd):	FY PY	FY CY	FY BY	Change FY CY/FY BY
Reservists on Full Time Active Duty (A/S) (Total)				
Officer				
Enlisted				
Civilian FTEs (Total)				
U.S. Direct Hire				
Foreign National Direct Hire				
Total Direct Hire				
Foreign National Indirect Hire				
(Military Technician Included (Memo))				
(Reimbursable Civilians Included Above (Memo))				
*Contractor FTEs (Total)				

VI. Outyear Summary:	FY BY+1	FY BY+2	FY BY+3	FY BY+4
O&M ($ in Thousands)				
Military End Strength				
Reserve Drill End Strength				
Reservists on Full Time Active Duty (E/S)				
Civilian FTEs				
*Contractor FTEs				

(Include Part VI in the OSD/OMB submission only)

VII. OP 32 Line Items as Applicable (Dollars in Thousands):

	Change from FY PY to FY CY				Change from FY CY to FY BY			
FY PY Actuals	Foreign Currency Rate Diff	Price Growth	Program Growth	FY CY Estimate	Foreign Currency Rate Diff	Price Growth	Program Growth	FY BY Estimate

1. List each applicable OP-32 line item number and title.

2. Do not include the percentage of price growth.

To be submitted for both the OSD and President's budget submissions. For the President's budget submission, number the OP-32 section "VI" since the "Outyear Summary" is not provided.

Exhibit OP-5 Detail by Subactivity Group
(Page 9 of 9)

Exhibit OP-5 Flying Hours (Attachment 1)

COMPONENT NAME *
Operation and Maintenance, _____
Budget Activity_____
Activity Group_____
Detail by Subactivity Group_____

(FY PY, FY CY, FY and BY)

IV. Performance Criteria and Evaluation (Flying Hours)

	FY PY		FY CY		FY BY
	Budgeted*	Actual	Budgeted	Estimate	Estimate
Program Data (All Services)	* Information for the Prior Year (FY PY) Budgeted will reflect the amount requested in the President's Budget for that fiscal year, not the updated column reflecting congressional adjustments.				

Total Aircraft Inventory (TAI) (End of FY) [1/] Total of all aircraft in the inventory including Primary Authorized Aircraft, Back-up Aircraft Inventory, and the Attrition Reserve.

Primary Aircraft Authorized (PAA) (End of FY) [1/] Aircraft authorized for the performance of the unit's mission. The PAA forms the basis for allocation of operating resources including manpower, support equipment, and flying hour funding.

Backup Aircraft Inventory (BAI) (End of FY) [1/] Aircraft above the primary aircraft inventory that permits scheduled and unscheduled depot level maintenance, modifications, inspections and repairs, and other circumstances without reduction of aircraft available for the assigned mission.

Attrition Reserve (AR) (End of FY) [1/] Aircraft required to replace anticipated losses of primary authorized aircraft due to peacetime accidents or wartime action. Also includes aircraft stored or on the ramp that are planned for return to the operating forces in the event of mobilization, replacement, or reconstitution

[1/]Memo entry detail should show breakout by major platform.

Flying Hours				
Percent Executed	n/a	n/a	n/a	n/a
Flying Hours				
Percent Executed	n/a	n/a	n/a	n/a

COMPONENT NAME *
Operation and Maintenance, _____
Budget Activity_____
Activity Group_____
Detail by Subactivity Group_____

	FY PY		FY CY		FY BY
	Budgeted*	Actual	Budgeted	Estimate	Estimate
Crew Ratio (Average)					
Bombers					
Fighters					
OPTEMPO (Hrs/Crew/Month)					
Bombers					
Fighters					
Navy Average T-Rating					
ICBM Inventory					
Minuteman I					
Minuteman II					
Peacekeeper					

Crew Ratio: The average number of pilots required to staff an aircraft.

T Rating: T-rating (or C rating) is the training component of SORTS (Status of Resources and Training System). The average required readiness level throughout the year is determined by the number of Prioritized Primary Mission Area (PRMAR) points achieved per training interval.

Army Aviation Battalions [1/]
[1/]Memo entry detail should show breakout by major platform.

Army (Joint Air Ground Center)
Number of Deep Attack Rotations
Combat Maneuver Training Center (CMTC) (Victory Strike-Battalions)
Western Army National Guard Aviation Training Site (WAATS) (Battalions)
National Training Center (NTC) (Battalions)
Joint National Training Capability (JNTC) (Battalions)

Variance Reporting: Describe all variances in quantities and dollars from the original President's Budget submission for both the Prior Year and the Current Year. In addition to the explanations as to the reasons for the variances, this area should also be used to discuss how the variances contributed to/hindered achievement of activity goal.

Exhibit OP-5 Flying Hours (Attachment 1)
(Page 2 of 3)

**COMPONENT NAME *
Operation and Maintenance, _____
Budget Activity_____
Activity Group_____
Detail by Subactivity Group_____**

Explanation of Performance Variances

Prior Year:

Current Year:

Exhibit OP-5 Flying Hours (Attachment 1)
(Page 3 of 3)

Exhibit OP-5 Ship Operations (Attachment 2)

COMPONENT NAME *
Operation and Maintenance, _____
Budget Activity_____
Activity Group_____
Detail by Subactivity Group_____

(FY PY, FY CY, and FY BY)

IV. Performance Criteria and Evaluation (Ship Operations)

	FY PY		FY CY		FY BY
	Budgeted*	Actual	Budgeted	Estimate	Estimate
Ship Years Supported					
OPTEMPO (Days Underway per Quarter)					
Deployed					
Non-Deployed					
Ship Operating Months Supported					
Deployed					
Non-Deployed					
Ship Steaming Days Per Quarter					
Deployed					
Non-Deployed					
Barrels of Fossil Fuel Required (000)					
Nuclear Material Consumption ($000)					
MSC Charter Inventory					
Per Diem Days Chartered					
Full Operating Status					
Reduced Operating Status					

* Information for the Prior Year (FY PY) Budgeted will reflect the amount requested in the President's Budget for that fiscal year, not the updated column reflecting congressional adjustments.

Variance Reporting: Describe all variances in quantities and dollars from the original President's Budget submission for both the Prior Year and the Current Year. In addition to the explanations as to the reasons for the variances, this area should also be used to discuss how the variances contributed to/hindered achievement of activity goal.

Exhibit OP-5 Ship Operations (Attachment 2)
(Page 1 of 2)

COMPONENT NAME *
Operation and Maintenance, _____
Budget Activity_____
Activity Group_____
Detail by Subactivity Group_____

Explanation of Performance Variances

Prior Year:

Current Year:

Exhibit OP-5 Ship Operations (Attachment 2)
(Page 2 of 2)

Exhibit OP-5 Land Forces – Army Ground & Air OPTEMPO (Attachment 3)

COMPONENT NAME *
Operation and Maintenance, _____
Budget Activity_____
Activity Group_____
Detail by Subactivity Group_____

(FY PY, FY CY, and FY BY)

IV. Performance Criteria and Evaluation (Army Ground OPTEMPO)

	FY PY		FY CY		FY BY	
Tactical Unit MTOE Systems	**Qty**	**$000**	**Qty**	**$000**	**Qty**	**$000**
a. Tracked Combat Vehicles (Memo Entry 1/)						
b. Combat Support Pacing Teams (Memo Entry 1/)						
c. Maneuver Battalions/Squadrons (Memo Entry 1/)						
d. Combat Support Battalions (Memo Entry 1/)						

* Information for the Prior Year (FY PY) Budgeted will reflect the amount requested in the President's Budget for that fiscal year, not the updated column reflecting congressional adjustments.

	FY PY	FY CY	FY BY
Ground OPTEMPO Measures			
Average Tank Miles Budgeted			
Average Tank Miles Executed			
Percent of Tank Miles Executed			
Ground OPTEMPO Funds Budgeted ($000)			
Ground OPTEMPO Funds Executed ($000)			
Percent of Ground OPTEMPO Funds Executed			

COMPONENT NAME *
Operation and Maintenance, _____
Budget Activity_____
Activity Group_____
Detail by Subactivity Group_____

(FY PY, FY CY, and FY BY)

IV. Performance Criteria and Evaluation (Army Air OPTEMPO)

	FY PY		FY CY		FY BY	
Aircraft	**Qty**	**$000**	**Qty**	**$000**	**Qty**	**$000**
(Memo Entry 1/)						
Aviation Battalions						
(Memo Entry 1/)						

	FY PY	FY CY	FY BY
Air OPTEMPO Measures			
Flying Hours Budgeted (000)			
Flying Hours Executed (000)			
Percent of Budgeted Hours Executed			
Air OPTEMPO Funds Budgeted ($000)			
Air OPTEMPO Funds Executed ($000)			
Percent of Air OPTEMPO Funds Executed			

1/ Memo entry detail should show the systems under each category.

COMPONENT NAME *
Operation and Maintenance, _____
Budget Activity_____
Activity Group_____
Detail by Subactivity Group_____

(FY PY, FY CY, and FY BY)

IV. Performance Criteria and Evaluation (Army Combat Training Center Training)

	FY PY		FY CY		FY BY	
Combat Training Centers (CTCs)	**Qty**	**$000**	**Qty**	**$000**	**Qty**	**$000**
a. Throughput (Inventory Numbers)						
• BCTP (Divisions/Corps)						
• CMTC (Battalions)						
• JRTC (Battalions)						
• NTC (Battalions)						
• JNTC (Battalions)						
b. Rotations (Number of Rotations)						
• BCTP (Divisions/Corps)						
• CMTC (Battalions)						
• JRTC (Battalions)						
• NTC (Battalions)						
• JNTC (Battalions)						

Notes: BCTP – Battle Command Training Program, CMTC – Combat Maneuver Training Center, JRTC – Joint Readiness Training Center, NTC – National Training Center, JNTC – Joint National Training Capability

Variance Reporting: Describe all variances in quantities and dollars from the original President's Budget submission for both the Prior Year and the Current Year. In addition to the explanations as to the reasons for the variances, this area should also be used to discuss how the variances contributed to/hindered achievement of activity goal.

Explanation of Performance Variances

Prior Year:

Current Year:

Exhibit OP-5 Land Forces – Army Ground & Air OPTEMPO (Attachment 3)
(Page 3 of 4)

COMPONENT NAME *
Operation and Maintenance, _____
Budget Activity_____
Activity Group_____
Detail by Subactivity Group_____

(FY PY, FY CY, and FY BY)

IV. Performance Criteria and Evaluation (Marine Corps Land Forces)

	FY PY		FY CY		FY BY
	Budgeted*	Actual	Budgeted	Estimate	Estimate
Funds Allocated to Training & Equipment Maintenance					
Combat Ready Days (Equipment and Training) CRED-ET					
Cost per CRED-ET					
Total Possible Combat Ready Days					
Percent Achieved					

* Information for the Prior Year (FY PY) Budgeted will reflect the amount requested in the President's Budget for that fiscal year, not the updated column reflecting congressional adjustments.

Variance Reporting: Describe all variances in quantities and dollars from the original President's Budget submission for both the Prior Year and the Current Year. In addition to the explanations as to the reasons for the variances, this area should also be used to discuss how the variances contributed to/hindered achievement of activity goal.

Explanation of Performance Variances

Prior Year:

Current Year:

Exhibit OP-5 Land Forces – Army Ground & Air OPTEMPO (Attachment 3)
(Page 4 of 4)

Exhibit OP-5 Facilities Sustainment and Restoration/Modernization (Attachment 4)

COMPONENT NAME *
Operation and Maintenance, _____
Budget Activity_____
Activity Group_____
Detail by Subactivity Group_____

(FY PY, FY CY, and FY BY)

★IV. Performance Criteria and Evaluation (Facilities Sustainment and Restoration/Modernization)

	FY PY		FY CY		FY BY
	Actual[1]	OCO Funding[2]	Estimate[1]	OCO Funding[2]	Estimate
Funding Levels ($ in thousands)					
Sustainment[3/]					
Narrative justification of sustainment funding; this section should provide a greater level of detail than that provided in the description of operations financed (Part I of the OP-5).					
Restoration/Modernization[3/]					
Narrative justification of restoration/modernization funding; this section should provide a greater level of detail than that provided in the description of operations financed (Part I of the OP-5).					
Demolition					
Narrative justification of demolition funding; this section should provide a greater level of detail than that provided in the description of operations financed (Part I of the OP-5).					
TOTAL O&M FUNDING[4/]	**$**	**$**	**$**	**$**	**$**

[1/]Should exclude Overseas Contingency Operations (OCO) funding and Title IX funds.
[2/]Memo entry which reflects any OCO funding received or requested. Metric data does not need to be provided for this entry, only provide funding levels.
[3/]Must be consistent with information contained within the Facilities Data Quality Assurance application.
[4/]Total funding for Facilities Sustainment and Restoration/Modernization must be consistent with estimates identified for the Facilities Sustainment and Restoration/Modernization subactivity group in the automated OP-32 submit.

NOTE: Information on this exhibit must be consistent with information on the PBA-7 Exhibits, Facilities Sustainment and Restoration/ Modernization, and Demolition Programs, as well as information contained within the Facilities Data Quality Assurance website.

Exhibit OP-5 Facilities Sustainment and Restoration/Modernization (Attachment 4)
(Page 1 of 1)

Exhibit OP-5 Depot Maintenance (Attachment 5)

COMPONENT NAME *
Operation and Maintenance, _____
Budget Activity_____
Activity Group_____
Detail by Subactivity Group_____

(FY PY, FY CY, and FY BY)

IV. Performance Criteria and Evaluation (Depot Maintenance)

	Prior Year (FY PY)						Current Year (FY CY)					FY BY	
	Budget		Actual Inductions		Completions		Budget		Estimated Inductions		Carry-In	Budget	
	Qty	($ in M)	Qty	($ in M)	Prior Yr	Cur Yr	Qty	($ in M)	Qty	($ in M)	Qty	Qty	($ in M)
Type of Maintenance													
Commodity (Aircraft, Combat Vehicles, etc)	**0**	**0**	**0**	**0**	**n/a**	**n/a**	**0**	**0**	**0**	**0**	**n/a**	**0**	
(Memo Entry[2/])	0	0	0	0	0	0	0	0	0	0	0	0	
Commodity	**0**	**0**	**0**	**0**	**n/a**	**n/a**	**0**	**0**	**0**	**0**	**n/a**	**0**	
(Memo Entry[2/])	0	0	0	0	0	0	0	0	0	0	0	0	
Commodity	**0**	**0**	**0**	**0**	**n/a**	**n/a**	**0**	**0**	**0**	**0**	**n/a**	**0**	
(Memo Entry[2/])	0	0	0	0	0	0	0	0	0	0	0	0	
DEPOT MAINTENANCE TOTAL[1/]	**0**	**0**	**0**	**0**	**n/a**	**n/a**	**0**	**0**	**0**	**0**	**n/a**	**0**	**0**

[1/]Commodity totals should match the commodity totals on the service OP-30 exhibit

[2/]Memo entry detail should show the substantial, major systems being repaired under each commodity category, not necessarily EVERY system.

Exhibit OP-5 Depot Maintenance (Attachment 5)
(Page 1 of 2)

COMPONENT NAME *
Operation and Maintenance, _____
Budget Activity_____
Activity Group_____
Detail by Subactivity Group_____
(FY PY, FY CY, and FY BY)

Variance Reporting: Describe all variances in quantities and dollars from the original President's Budget submission for both the Prior Year and the Current Year. In addition to the explanations as to the reasons for the variances, this area should also be used to discuss how the variances contributed to/hindered achievement of activity goal.

Explanation of Performance Variances

Prior Year:

Current Year:

Instructions and Definitions

Exhibit Scope:
Report detailed information only on major end items of equipment. Use the other category for minor items. Fill in only the area for funding for the other category.

Definitions:
Budget Qty (Columns B, H, M and O): The quantities contained in the President's budget submission for the fiscal year indicated. Info for the Prior Year will reflect the amount requested in the President's Budget for that fiscal year, not the updated column reflecting congressional adjustments.
Budget $ (Columns C, I, N and P): The funding requested in the President's Budget submission for the fiscal year indicated. Info for the Prior Year will reflect the amount requested in the President's Budget for that fiscal year, not the updated column reflecting congressional adjustments.
Actual Inductions Qty (Column D): The number of units actually funded for induction during the Prior Year.
Actual Inductions $ (Column E): The cost of the items contained in Column D.
Completions Prior Year (Column F): Items completed during the Prior Year that were funded in a previous fiscal year.
Completions Current Year (Column G): Items in Column D that were completed during the Prior Year.
Estimated Inductions Qty (Column J): Revised Current Year quantity estimate.
Estimated Inductions $ (Column K): The cost of the items contained in Column J.
Carry-In QTY (Column L): The number of items funded in prior years that have not been delivered.

Exhibit OP-5 Depot Maintenance (Attachment 5)
(Page 2 of 2)

Exhibit OP-5 Defense Health Program (Attachment 6)

COMPONENT NAME *
Operation and Maintenance, _____
Budget Activity_____
Activity Group_____
Detail by Subactivity Group_____

(FY PY, FY CY, and FY BY)

IV. Performance Criteria and Evaluation (Defense Health Program)

	FY PY		FY CY	FY BY
	Budgeted*	Actual	Budgeted	Estimate
Beneficiary Satisfaction with Health Plan				
Inpatient Production Targets (Relative Weighted Products) *				
Outpatient Production Targets (Relative Value Units)				
Primary Care Productivity				
Medical Per Member Per Year - Annual Cost Growth*				

Information for the Prior Year (FY PY) Budgeted will reflect the amount requested in the President's Budget for that fiscal year, not the updated column reflecting congressional adjustments

* As compared with private sector health care plan increases

Variance Reporting: Describe all variances in quantities and dollars from the original President's Budget submission for both the Prior Year and the Current Year. In addition to the explanations as to the reasons for the variances, this area should also be used to discuss how the variances contributed to/hindered achievement of activity goal.

Explanation of Performance Variances

Prior Year:

Current Year:

These performance metrics will be used to focus on the overall performance of the health benefit plan offered to DoD beneficiaries. Measuring performance to goals allows the DHP to track internal effectiveness as well as effectiveness relative to other health plan benefits in the private sector. Results of these performance metrics will be reported annually in Defense Health Program O&M Overview Exhibit.

Questions	Ans.	Explanation	Evidence/Data
Is the satisfaction with the TRICARE Health Plan increasing, decreasing, or staying the same?	Increasing = 10, Steady = 5, Decreasing = 0	An increase in the satisfaction with the TRICARE Health Plan indicates that actions being taken are improving the overall functioning of the plan from the beneficiaries perspective. Goal is to improve overall satisfaction level to that of civilian plans using a standardized survey instrument.	Satisfaction with the TRICARE Health Plan is related to two primary functional areas: timeliness of claims adjudication and access to medical services for beneficiaries. Improvements in either of these functions generally improves the measures, where as problems will cause a decline.
Did the DHP achieve its inpatient production targets (number of Relative Weighted Products (RWPs))?	At or above target = 10, = or > 95% target = 5, Below 95% target = 0	Achieving the production targets ensures that the initial plans for allocation of personnel and resources are used appropriately in the production of inpatient workload	Failing to achieve production target suggests that facilities may not be appropriately using their resources and may signal need to align assets to other areas within the facility or other facilities that are not at capacity. Surpassing the target signifies opportunities to achieve saving through recapture of purchased care workload.
Did the DHP achieve its outpatient production targets (number of Relative Value Units (RVU's))?	At or above target = 10, = or > 95% target = 5, Below 95% target = 0	Achieving the production targets ensures that the initial plans for allocation of personnel and resources are used appropriately in the production of outpatient workload	Failing to achieve production target suggests that facilities may not be appropriately using their resources and may signal need to align assets to other areas within the facility or other facilities that are not at capacity. Surpassing the target signifies opportunities to achieve saving through recapture of purchased care workload.

Is the productivity of the Primary Care Providers increasing, decreasing, or staying the same?	Increasing = 10, Steady = 5, Decreasing = 0	In order to run a premier Health Maintenance Organization (HMO), the critical focus area is primary care. The primary care provider frequently represents the first medical interaction between the beneficiary and the HMO. In this role the primary care provider is responsible for the majority of the preventive care to keep beneficiaries healthy and away from more costly specialty care.	This metric looks at the complexity of care and the number of patients seen by the primary care providers each day, with a goal of increasing the complexity and/or number of patients seen each day by the provider. As more care is provided by the direct care facilities, there is better utilization of the assets, and the average cost per encounter will decrease. Goal is to increase productivity to levels comparable to the civilian sector while still maintaining readiness.
Is the Medical Per Member Per Year (PMPY) cost growth rate at or below private sector health care plan rate increases?	At or below Nat'l Rate = 10, Up to 105% of Nat'l Rate = 5, Above 105% of Nat'l Rate = 0	The medical cost per member per year looks at the overall cost of the Prime enrollees for the DHP. This tracks all costs related to care delivered to enrollees. The objective is to keep the rate of cost growth for the treatment of TRICARE enrollees to a level at or below the civilian health care plan rate increases at the national level.	The cost has multiple components that all must be operating properly to effectively deliver the appropriate health care services to the enrollee. This measure incorporates the cost of producing the care in the direct care facilities, as well as issues of utilization for both direct care and purchased care. If the cost to produce the individual units of care in the direct care system is high, then the cost per enrollee will increase. Similarly, if the enrollees receive high numbers of encounters, then the cost will also increase. The objective is to properly manage both the production of care in the direct care facilities, and the utilization of health care services for the enrollees to effectively keep the enrollee healthy.

Exhibit OP-5 CE2T2 Program (Attachment 7)

COMPONENT NAME *
Operation and Maintenance, _____
Budget Activity_____
Activity Group_____
Detail by Subactivity Group_____

(FY PY, FY CY, and FY BY)

IV. Performance Criteria and Evaluation (Combatant Commander's Exercise Engagement and Training Transformation (CE2T2) Program

Exercise Name & Location [1/]	Time Period of Exercise	Work Load Measure [2/]	Cost ($ in Thousands) Transportation	Other	Total [3/]
Directed Exercises (List by exercise) Total					
Coordinated Exercises (List by exercise) Total					
Total Directed and Coordinated Exercises					

1/ Identify each initiative by category, CINC, and exercise name.

2/ Airlift: Reflect C-130, C-141, C-17, or C-5 hours, as appropriate, for transportation costs. Separately identify C-130, C-141, C-17, or C-5 hour requirements, as appropriate, for commercial augmentation effort. Indicate in footnote JCS Exercise rate used for pricing.

Sealift: Express work measurement tons (differentiate between break bulk and containers) to be transported via MSC and MSC per diem ship days as applicable. In footnote indicate rates used for each.

Land Transportation: Express program values, in measurement tons to be transported overland. Indicate rates used in footnote.

Port Operations:

CONUS: Express work load in terms of measurement tons to be transported through CONUS Ports. Indicate rates used in footnote.

Overseas: Express work load in terms of measurement tons to be transported through Overseas Ports. Indicate rates used in footnote.

3/ For FY PY and FY CY: Show by footnote both the amount appropriated for FY PY and the amount requested for the FY CY in the FY CY President's budget. For FY CY, explain the difference between the amount requested in the President's budget and the current estimate.

For FY BY: Briefly describe changes in the program from that of the previous year. To the extent that specific exercises have not been approved at the time of the budget submission, estimate total program levels. Estimated amounts should be distributed between transportation and other costs, as applicable, and should be related to estimated work load. Explanations of changes in both costs and work load are required between the FY CY and FY BY. This information should be provided in sufficient detail to justify the budget estimate.

Exhibit OP-5 CE2T2 Program (Attachment 7)
(Page 1 of 1)

Exhibit OP-5 Base Support Program (Attachment 8)

COMPONENT NAME *
Operation and Maintenance, _____
Budget Activity_____
Activity Group_____
Detail by Subactivity Group_____

IV. Performance Criteria and Evaluation: (Base Operations)

	FY PY	FY CY	FY BY
A. Administration ($000)			
Military Personnel Average Strength			
Civilian Personnel FTEs			
Number of Bases, Total			
(CONUS)			
(Overseas)			
Population Served, Total			
(Military, Average Strength)			
(Civilian, FTEs)			
B. Retail Supply Operations ($000)			
Military Personnel Average Strength			
Civilian Personnel FTEs			
C. Bachelor Housing Ops/Furn. ($000)			
Military Personnel Average Strength			
Civilian FTEs			
No. of Officer Quarters			
No. of Enlisted Quarters			
D. Other Morale, Welfare and Recreation ($000)			
Military Personnel Average Strength			
Civilian FTEs			
Population Served, Total			
(Military, Average Strength)			
(Civilian/Dependents, FTEs)			

Exhibit OP-5 Base Support Program (Attachment 8)
(Page 1 of 3)

COMPONENT NAME *
Operation and Maintenance, _____
Budget Activity_____
Activity Group_____
Detail by Subactivity Group_____

IV. Performance Criteria and Evaluation:	**FY PY**	**FY CY**	**FY BY**
E. Maintenance of Installation Equipment ($000)			
Military Personnel Average Strength			
Civilian Personnel FTEs			
F. Other Base Services ($000)			
Military Personnel Average Strength			
Civilian Personnel FTEs			
Number of Motor Vehicles, Total			
(Owned)			
(Leased)			
G. Other Personnel Support ($000)			
Military Personnel Average Strength			
Civilian Personnel FTEs			
Population Served, Total			
(Military, Average Strength)			
(Civilian, FTEs)			
H. Payments to Defense Finance and Accounting Service ($000)			
I. Payments to GSA ($000)			
Leased Space (000 sq. ft)			
Recurring Reimbursements ($000)			
One-time Reimbursements ($000)			
J. Non-GSA Lease Payments for Space			
Leased Space (000 sq. ft)			
Recurring Reimbursements ($000)			
One-time Reimbursements ($000)			
K. Other Engineering Support ($000)			
Military Personnel Average Strength			
Civilian Personnel FTEs			

Exhibit OP-5 Base Support Program (Attachment 8)
(Page 2 of 3

COMPONENT NAME *
Operation and Maintenance, _____
Budget Activity_____
Activity Group_____
Detail by Subactivity Group_____

IV. Performance Criteria and Evaluation:	**FY PY**	**FY CY**	**FY BY**
L. Operation of Utilities ($000)			
Military Personnel Average Strength			
Civilian Personnel FTEs			
Electricity (MWH)			
Heating (MBTU)			
Water, Plants & Systems (000 gals)			
Sewage & Waste Systems (000 gals)			
Air Conditioning and Refrigeration (Ton)			
M. Environmental Services ($000)			
N. Child and Youth Development Programs			
Number of Child Development Centers			
Number of Family Child Care (FCC) Homes			
Total Number of Children Receiving Care			
Percent of Eligible Children Receiving Care			
Number of Children on Waiting List			
Total Military Child Population (Infant to 12 years)			
Number of Youth Facilities			
Youth Population Serviced (Grades 1 to 12)			

Total Base Support (The sum of A –N amounts must match the Base Support total in O-1, O&M Funding by Budget Activity/Activity Group/Subactivity Group Exhibit.)

ADDITIONAL INSTRUCTIONS

This schedule should exclude those funds supporting maintenance and repair of real property and minor construction (which should be reported on Attachment 4).

- Additional performance criteria and work load indicators may be included for any of the above functional categories as applicable. Additional criteria/indicators are
- Especially encouraged for “Other Base Services” and "Other Personnel Support" categories as they relate to more important or unique support functions.

Include direct Operation and Maintenance funds only. (Exclude amounts funded from Military Personnel appropriations.)

- This format should be followed in preparing an OP-5 Exhibits for Base Support.

NOTE: Information on this exhibit must be consistent with information on Exhibit PBA-10, Base Support.

Exhibit OP-5 Base Support Program (Attachment 8)
(Page 3 of 3)

Exhibit OP-5 Transportation Program (Attachment 9)

COMPONENT NAME *
Operation and Maintenance, _____
Budget Activity_____
Activity Group_____
Detail by Subactivity Group_____

IV. Performance Criteria and Evaluation (Transportation)

	FY PY		FY CY		FY BY	
	Units	($ in 000)	Units	($ in 000)	Units	($ in 000)
First Destination Transportation (FDT) (by Mode of Shipment):						
This should include only FDT supporting O&M purchases.						
Military Traffic Management Command:						
Port Handling (MT)						
Military Sealift Command:						
Regular Routes (MT)						
Per Diem (SD)						
Air Mobility Command:						
Regular Channel (ST)						
SAAM (MSN)						
Commercial:						
Air (ST)						
Surface (ST)						
TOTAL FDT						

NOTE: Abbreviate units of measure as follows:
Short Tons= ST
Measurement Tons = MT
Missions = MSN
Ship Days = SD

Provide subtotals for all modes of shipment (MTMC, MSC, AMC & Commercial)

Amounts should be consistent with amounts shown in applicable OP-5 Exhibits in each Service's/Components budget justification books and agree with amounts provided in PBA-13, Transportation.

COMPONENT NAME *
Operation and Maintenance, _____
Budget Activity_____
Activity Group_____
Detail by Subactivity Group_____

IV. Performance Criteria and Evaluation (continued)	**FY PY**		**FY CY**		**FY BY**	
	Units	**($ in 000)**	**Units**	**($ in 000)**	**Units**	**($ in 000)**
Second Destination Transportation (SDT) (by Mode of Shipment):						
Military Traffic Management Command: Provide subtotals for all modes of shipment (MTMC, MSC, AMC & Commercial)						
Port Handling (MT)						
Military Sealift Command:						
Regular Routes (MT)						
Per Diem (SD)						
Air Mobility Command:						
Regular Channel (ST)						
SAAM (MSN)						
Commercial:						
Air (ST)						
Surface (ST)						
TOTAL SDT						
Second Destination Transportation by Selected Commodities):						
Cargo (Military Supplies and Equipment) For each commodity, show amounts separately by Short Tons (ST),						
Base Exchanges Measurement Tons (MT), Missions (MSN), or Ship Days of Per Diem (SD),						
Subsistence as applicable.						
Overseas Mail						
TOTAL FDT AND SDT						

Exhibit OP-5 Transportation Program (Attachment 9)
(Page 2 of 2)

Exhibit OP-5 Training (Attachment 10)

COMPONENT NAME *
Operation and Maintenance, _____
Budget Activity_____
Activity Group_____
Detail by Subactivity Group_____

IV. Performance Criteria and Evaluation (Training)

	FY PY			FY CY			FY BY		
	Input	Output	Work Load	Input	Output	Work Load	Input	Output	Work Load
Recruit Training:									
Active									
Guard									
Reserve									
Other									
Subtotal									
One Station Unit Training:									
Active									
Guard									
Reserve									
Other									
Subtotal									
Specialized Skill Training:									
Initial Skill									
Active									
Guard									
Reserve									
Other									
Subtotal									
Skill Progression									
Active									
Guard									
Reserve									
Other									
Subtotal									
Functional									
Active									
Guard									
Reserve									
Other									
Subtotal									

For each training category, an explanation of how work load is calculated should be included and an example or explanation should be provided to demonstrate the relevance of the relationship between workload and funding.

COMPONENT NAME *
Operation and Maintenance, _____
Budget Activity_____
Activity Group_____
Detail by Subactivity Group_____

IV. Performance Criteria and Evaluation (continued):

	FY PY			FY CY			FY BY		
	Input	Output	Work Load	Input	Output	Work Load	Input	Output	Work Load
Specialized Skill Training (continued):									
Other									
Active									
Guard									
Reserve									
Other									
Subtotal									
Officer Acquisition:									
Officer Candidate School/ Officer Training School									
Academy Preparatory School									
BOOST (Navy)									
Flight Screening (AF)									
Other College Commissioning Programs									
Senior ROTC:									
Scholarship									
College									

Service Academy:

	FY PY	FY CY	FY BY
Beginning End Strength (1 October)			
Attrition			
Graduates			
Entries			
End Strength (30 September)			
Average Onboard			

COMPONENT NAME *
Operation and Maintenance, _____
Budget Activity_____
Activity Group_____
Detail by Subactivity Group_____

IV. Performance Criteria and Evaluation (continued):

	FY PY			FY CY			FY BY		
	Input	Output	Work Load	Input	Output	Work Load	Input	Output	Work Load
Specialized Skill Training (continued):									
Professional Military Education: (Identify schools separately)									
Active									
Guard									
Reserve									
Other									
Subtotal									
Flight Training:									
Undergraduate Pilot Training - Active									
STRIKE/Jet									
Helicopter									
Maritime									
Subtotal									
Undergraduate Pilot Training - Guard									
STRIKE/Jet									
Helicopter									
Maritime									
Subtotal									
Undergraduate Pilot Training - Reserve									
STRIKE/Jet									
Helicopter									
Maritime									
Subtotal									
Undergraduate NFO/Navigator Training (by type):									

Exhibit OP-5 Training (Attachment 10)
(Page 3 of 4)

COMPONENT NAME *
Operation and Maintenance, _____
Budget Activity_____
Activity Group_____
Detail by Subactivity Group_____

IV. Performance Criteria and Evaluation (continued):

	FY PY			FY CY			FY BY		
	Input	Output	Work Load	Input	Output	Work Load	Input	Output	Work Load
Specialized Skill Training (continued):									
Flight Training (cont):									
Advanced Flight Training									
Active									
Guard									
Reserve									
Other									
Subtotal									
Other Flight Training									
Active									
Guard									
Reserve									
Other									
Subtotal									

	FY PY	FY CY	FY BY
Flying Hours			
Undergraduate Pilot Tng			
STRIKE/Jet			
Helicopter			
Maritime			
Undergraduate NFO/Navigator Tng (by type)			
Other Flying Hours			

NOTE: Information on this exhibit must be consistent with information on Exhibit PBA-8, Training and Education.

Exhibit OP-5 Training (Attachment 10)
(Page 4 of 4)

Exhibit OP-5 Navy Shipyards (Attachment 11)

Navy Shipyards (Direct Funded)
Integrated Intermediate & Depot Level Maintenance

Description
Activity Group Function: Provide a narrative explanation of mission and major functions being performed.

Activity Group Composition: Provide a list of activities and location.

Exhibit OP-5 Navy Shipyards (Attachment 11)
(Page1 of 10)

(Page 1 of 10)

Navy Shipyards (Direct Funded)
Integrated Intermediate & Depot Level Maintenance

Activity

Provide the location of Activity and its function.

1. Funding Summary

SOURCE OF FUNDING ($000)

	FY PY	FY CY	FY BY
Department of the Navy			
Direct			
Operation &Maintenance, Navy (Fleet)			
Reimbursable			
Operation &Maintenance, Navy (NAVSEA)			
Shipbuilding & Conversion, Navy			
Other Procurement, Navy			
Other Department of Navy			
Department of Defense			
Other Orders			
Other Federal Agencies			
Foreign Military Sales			
Other			

Navy Shipyards (Direct Funded)
Integrated Intermediate & Depot Level Maintenance

Performance Metrics (See glossary for definitions)

METRICS

Item	FY PY	FY CY	FY BY
Quality of Work			
Unit Cost ($ per manday)			
Administrative efficiency			
CNO Availabilities Complete			
CNO Availabilities in process at end of FY			
Homeported Aircraft Carriers Supported (non-depot)			
Homeported Submarines Supported (non-depot)			
Homeported Surface Ships Supported (non-depot)			
Capacity Utilization Rate			

3. Performance Information (See glossary for definitions)

Estimates ($ 000)	FY PY	FY CY	FY BY
Direct Civilian Labor			
Direct Military Labor			
Direct Material			
Direct Contracts			
Other Direct Costs			
Overhead Civilian Labor			
Overhead Military Labor			
Overhead Non-Labor			
Total			

Note: Direct Contracts and Other Direct Costs included in Direct Material.

Navy Shipyards (Direct Funded)
Integrated Intermediate & Depot Level Maintenance

4. Workload

Provide a narrative explanation of increases and decreases from fiscal year to fiscal year.

Mandays	**FY PY**	**FY CY**	**FY BY**
Total Direct Mandays			
Shipbuilding and Conversion, Navy (ERO, RCOH, etc…)			
Surface Ship			
Submarines			
Inactivation Work			
Non-CNO availability Depot Work (RA/TA, CM, Emergent Repair, etc…)			
Regional Maintenance Center (Non-Depot)			
Total Indirect Mandays			
Production and General Overhead			
Total Mandays			
Straight Time Mandays			
Overtime Mandays			

Navy Shipyards (Direct Funded)
Integrated Intermediate & Depot Level Maintenance

Workload Schedule											
FY	**Hull**	**Name**	**Planned Start Date**	**Planned End Date**	**Actual Start Date**	**Actual End Date**	**Avail Type**	**Budgeted Mission Direct Labor MD**	**Budgeted Reimb Direct Labor MD**	**Actual Mission Direct Labor MD**	**Actual Reimb Direct Labor MD**
FY PY											
FY CY											
FYBY1											
FYBY2											
	Maximum	Percent Late			Maximum		Percent Over Manday Budget				
	Average	Percent Late			Average		Percent Over Manday Budget				

Exhibit OP-5 Navy Shipyards (Attachment 11)
(Page 5 of 10)

Navy Shipyards (Direct Funded)
Integrated Intermediate & Depot Level Maintenance

5. Workforce
Provide a narrative explanation and identification of workforce.

WORKFORCE

Item	FY PY	FY CY	FY BY
Civilian End Strength			
Military End Strength			
Total Workforce			

Apprentice Program
Provide a narrative explanation.

Item	FY PY	FY CY	FY BY
First year apprentices			
Second year apprentices			
Third year apprentices			
Fourth year apprentices			
Total Workforce			

Apprentice program costs include apprentice salaries while in a training status, tuition, books, and other instructional costs:

$K	FY PY	FY CY	FY BY
Apprentice Program Cost			

Navy Shipyards (Direct Funded)
Integrated Intermediate & Depot Level Maintenance

6. Infrastructure Accounts (See glossary for definitions)

INFRASTRUCTURE SUPPORT ACCOUNT SUMMARY ($K)			
Estimates ($000))	**FY PY**	**FY CY**	**FY BY**
Base Operating Support (OMN)			
Capital Equipment (OPN)			
Facilities Sustainment, Restoration, & Modernization (OMN)			
Military Construction (MILCON)			
Total			

Provide the following information for each Capital Equipment and MILCON project by fiscal year (FY 2006 – 2009):

CAPITAL EQUIPMENT PROJECT SUMMARY ($K)		
Project Title	**FY**	**COST**
	FY TOTAL	

Navy Shipyards (Direct Funded)
Integrated Intermediate & Depot Level Maintenance

MILCON PROJECTS SUMMARY ($K)		
Project Title	**FY**	**COST**
FY TOTAL		

Exhibit OP-5 Navy Shipyards (Attachment 11)
(Page 8 of 10)

Navy Shipyards (Direct Funded)
Integrated Intermediate & Depot Level Maintenance

Glossary

Performance Metrics:
Schedule Adherence: Two metrics, Average Percentage Late and Maximum Percentage Late. The percentage late is calculated by dividing the availability actual duration by the scheduled duration (as stated in the last Presidential Budget).

Manday Budget Performance: Two metrics, Average Percentage Over Manday Budget and Maximum Percentage Over Manday Budget. The percentage over manday budget is calculated by dividing the availability actual mandays by the budgeted mandays (as stated in the last Presidential Budget).

Quality of Work: This metric reports the number of post delivery discrepancies per 1,000 mandays of actual expenditures.

Unit Cost: This metric reports the total cost less direct material, direct contract, other direct, and MILCON per direct labor manday delivered. CY and BY reflect the budgeted values.

Administrative Efficiency: This metric reports the total cost less direct material and direct labor divided by total cost less direct material. CY and BY reflect the budgeted values.

CNO Availabilities Complete: This metric reports the total number of CNO availabilities completed during the PY.

CNO Availabilities in Progress at end of FY**:** The metric reports the number of CNO availabilities in progress at the end of the PY.

Homeported Aircraft Carriers Supported: Number of homeported aircraft carriers supported by activity. Determines activities non-depot workload.

Homeported Submarines Supported: Number of homeported submarines supported by activity. Determines activities non-depot workload.

Homeported Surface Ships Supported: Number of homeported surface ships supported by activity. Determines activities non-depot workload.

Shipyard Capacity Utilization: This metric reports the total workload compared to the modified dry-dock capacity index. CY and BY reflect the budgeted values.

Navy Shipyards (Direct Funded)
Integrated Intermediate & Depot Level Maintenance

Performance Information:
Direct Civilian Labor: Includes actual direct civilian labor cost (accelerated by benefits) plus direct overtime cost.

Direct Military Labor: Total military salary cost times percentage of military mandays spent on direct work.

Direct Material: Actual material (piece-part) costs.

Direct Contracts: Includes all contract labor costs.

Other Direct Costs: Includes direct costs not included in direct material and direct contracts. Examples include travel costs and equipment rental costs.

Overhead Civilian Labor: Includes actual overhead civilian labor cost (accelerated by benefits), overhead overtime, differential costs, bonuses, lump sum leave costs, and transportation incentive program costs. .

Overhead Military Labor: Total military salary cost less that reported as direct military labor.

Overhead Non-Labor: Includes such non-labor costs as overhead travel, telecommunications, office, shop, and furniture purchases less than OPN $250,000 threshold, crane maintenance, and Janitorial services. …

Infrastructure Accounts: These accounts provide the funding for infrastructure operation, maintenance, and replacement as follows:

Base Operating Support (OMN): Base Operating Support finances utilities, maintenance, security, transportation, and port operations costs required to support industrial operations.

Capital Expenditures (OPN): The Capital Budget Authority reflects the financing of essential fleet support equipment and other capital improvements critical to sustaining shipyard operations, improving productivity, meeting health, safety and environmental requirements and lowering production costs.

Facilities Sustainment, Restoration, & Modernization (OMN): The Sustainment, Restoration, and Modernization Budget Authority reflect the financing of essential infrastructure maintenance and modernization.

Military Construction (MILCON): Budget Authority reflects the financing of essential infrastructure replacement critical to sustaining shipyard operations, improving productivity, meeting health, safety and environmental requirements and lowering production costs.

Exhibit OP-5 Overseas Contingency Operations (Attachment 12)

COMPONENT NAME
Summary Information
Overseas Contingency Operation(s): Operation Enduring Freedom (OEF) and Operation Iraqi Freedom/Operation New Dawn (OIF/OND)
Operation and Maintenance, _____

I. Description of Operations Financed: Provide a narrative explanation for each contingency operation (Operation Enduring Freedom (OEF) and Operation Iraqi Freedom/Operation New Dawn (OIF/OND)), characterizing the mission and major functions funded in this appropriation.

II. Force Structure Summary: Provide a narrative explanation and identification of force structure (e.g., quantity number of operational and support units, numbers of Active, Reserve and Guard personnel deployed, or in-training for rotation into theater-of-operation, and other types of assistance) supported by funding in this appropriation.

III. O-1 Line Item Summary: Provide a tabular O-1 line item summary.

IV. OP-32 Summary: Provide a summary OP-32 for the appropriation.

COMPONENT NAME
Overseas Contingency Operation(s): Operation Enduring Freedom (OEF) and Operation Iraqi Freedom/Operation New Dawn (OIF/OND)
Operation and Maintenance, _____
Budget Activity_____
Activity Group_____
Detail by Subactivity Group_____

I. Description of Operations Financed by Subactivity Group: Provide a narrative explanation for each contingency operation (Operation Enduring Freedom (OEF), Operation Iraqi Freedom/Operation New Dawn (OIF/OND)), characterizing the mission and major functions funded in this subactivity group.

II. Financial Summary ($ in Thousand) by Cost Breakdown Structure (CBS)

CBS No.	CBS Title	FY PY Actual	FY CY Total	Delta	FY BY Total
OEF					
1.XX	Personnel	$	$	$	$
2.XX	Personnel Support	$	$	$	$
3.XX	Operating Support	$	$	$	$
4.XX	Transportation	$	$	$	$
	Total	$	$	$	$
OIF/OND	(FY 2010 will be OIF/OND)	$	$	$	$
1.XX	Personnel	$	$	$	$
2.XX	Personnel Support	$	$	$	$
3.XX	Operating Support	$	$	$	$
4.XX0	Transportation	$	$	$	$
	Total	$	$	$	$
	SAG Total	$	$	$	$

COMPONENT NAME
Overseas Contingency Operation(s): Operation Enduring Freedom (OEF) and Operation Iraqi Freedom/Operation New Dawn (OIF/OND)
Operation and Maintenance, _____
Budget Activity_____
Activity Group_____
Detail by Subactivity Group_____

III. Description of Operations Financed by Operation and CBS: Provide a separate narrative explanation by Operation and CBS for each CBS category as shown in Section II. Additionally, these explanations should address significant program initiatives/actions included in the budget.

	FY PY Actual	FY CY Total	Delta	FY BY Total
OEF				
1. Cost Breakdown Structure (CBS) Category/Subcategory 1.XX Personnel	**$**	**$**	**$**	**$**

a. **Narrative Justification**: Explanation of what is purchased. Provide narrative justification in the CBS format detailing what specific activities are supported by funding in this subactivity group, itemizing and justifying major category and subcategory changes within each subactivity group. Provide sufficient narrative justification and other details (comparable to the baseline budget) to fully explain the underlying program dynamics and cost drivers. The narrative justification should relate cost to force structure changes, performance criteria, and workload and manpower data. These force structure changes, performance criteria, workload and manpower data can be extracts from the baseline budget OP-5 exhibit attachments, but tailored to this contingency operation.

b. **Explanation of Change Between FY CY and FY BY**: Explain year to year changes, itemizing and justifying major financial changes within each operation, subactivity group, and CBS.

OND (FY2010 will be OIF/OND)				
2. Cost Breakdown Structure (CBS) Category/Subcategory 1.0 Personnel	**$**	**$**	**$**	**$**

a. **Narrative Justification**: Explanation of what is purchased. Provide narrative justification in the CBS format detailing what specific activities are supported by funding in this subactivity group, itemizing and justifying major category and subcategory changes within each subactivity group. Provide sufficient narrative justification and other details (comparable to the baseline budget) to fully explain the underlying program dynamics and cost drivers. The narrative justification should relate cost to force structure changes, performance criteria, and workload and manpower data. These force structure changes, performance criteria, workload and manpower data can be extracts from the baseline budget OP-5 exhibit attachments, but tailored to this contingency operation.

b. **Explanation of Change Between FY CY and FY BY**: Explain year to year changes, itemizing and justifying major financial changes within each operation, subactivity group, and CBS.

COMPONENT NAME

Overseas Contingency Operation(s): Operation Enduring Freedom (OEF) and Operation Iraqi Freedom/Operation New Dawn (OIF/OND)

Operation and Maintenance, _____

Budget Activity_____

Activity Group_____

Detail by Subactivity Group_____

IV. Performance Criteria:

Overseas Contingency Operations Performance Evaluation

		Base					OCO				Total Force Costs (000,000)
Budget Activity	Platform	# of Flying Hours	Flying Hour Program (000,000)	Inventory	DPEM, CLS, SE & TO (000,000)	Total Base Costs (000,000)	# of Flying Hours	Flying Hour Costs (000,000)	Reconsitution (DPEMs, CLS) (000,000)	Total OCO Costs (000,000)	
BA1											
	A-10										
	XXX										
BA2											
	C-5										
	XXX										
Other											
	ISR										
	Missiles										
	Others										
TOTALS											

		Base						OCO						Total Force Costs (000,000)
		# of Ship Steaming Days Deployed	# of Ship Steaming Days Non-Deployed	Steaming Days Program (000,000)	Inventory	DPEM, CLS, SE & TO (000,000)	Total Base Costs (000,000)	# of Ship Steaming Days Deployed	# of Ship Steaming Days Non-Deployed	Steaming Days Costs (000,000)	Reconsituti on (PDEMs, CLS) (000,000)	Total OCO Costs (000,000)		
BA1														
	Aircraft Carrier													
	XXX													
TOTALS														

Exhibit OP-5 Overseas Contingency Operations (Attachment 12)
(Page 4 of 5)

COMPONENT NAME
Overseas Contingency Operation(s): Operation Enduring Freedom (OEF) and Operation Iraqi Freedom/Operation New Dawn (OIF/OND)
Operation and Maintenance, _____
Budget Activity_____
Activity Group_____
Detail by Subactivity Group_____

V. **Price and Program Changes, OP-32:** Provide an OP-32 by subactivity group.

Exhibit OP-8 Part 1, Civilian Personnel Costs

Appropriation Title **Date: Month Year**

DEPARTMENT OF _____ or _____ AGENCY
CIVILIAN PERSONNEL COSTS
FY BY1/FY BY2 Budget Submit/President's Budget
(FY PY, FY CY, FY BY, FY BY2 as appropriate)

($ in Thousands)

	a Begin Strength	b End Strength	c FTEs	d Basic Comp	e Overtime Pay	f Holiday Pay	g Other O.C.11	e + f + g h Total Variables	d + h i Comp O.C.11	j Benefits O.C.12/13	i + j k Comp & Benefits	Rates d/c l Basic Comp	i/c m Total Comp	k/c n Comp & Benefits	h/d o % BC Variables	j/d p % BC Benefits
Direct Funded Personnel (includes OC 13)	**142,506**	**140,612**	**141,402**	**6,333,785**	**186,733**	**12,222**	**182,829**	**381,784**	**6,715,568**	**1,864,020**	**8,579,588**	***$44,793***	***$47,493***	***$60,675***	***6.0%***	***29.4%***
D1. US Direct Hire (USDH)	**117,401**	**115,904**	**116,505**	**5,830,599**	**176,937**	**11,697**	**180,562**	**369,196**	**6,199,794**	**1,755,851**	**7,955,645**	*$50,046*	*$53,215*	*$68,286*	*6.3%*	*30.1%*
D1a. Senior Executive Schedule	194	191	188	24,719	-	-	4,954	4,954	29,673	4,472	34,145	*$131,484*	*$157,835*	*$181,622*	*20.0%*	*18.1%*
D1b. General Schedule	104,778	104,940	105,369	5,361,835	138,728	9,563	159,360	307,651	5,669,485	1,632,285	7,301,770	*$50,886*	*$53,806*	*$69,297*	*5.7%*	*30.4%*
D1c. Special Schedule	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
D1d. Wage System	12,429	10,773	10,948	444,045	38,209	2,134	16,248	56,591	500,636	119,094	619,730	*$40,559*	*$45,729*	*$56,607*	*12.7%*	*26.8%*
D1e. Highly Qualified Experts								-			-	-	-	-	-	-
D1f. Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
D2. Direct Hire Foreign Nationals (DHFN)	**7,587**	**7,631**	**7,597**	**84,825**	**4,085**	**525**	**2,267**	**6,877**	**91,702**	**20,354**	**112,056**	*$11,166*	*$12,071*	*$14,750*	*8.1%*	*24.0%*
D3. Total Direct Hire	**124,988**	**123,535**	**124,102**	**5,915,424**	**181,022**	**12,222**	**182,829**	**376,073**	**6,291,496**	**1,776,205**	**8,067,701**	*$47,666*	*$50,696*	*$65,009*	*6.4%*	*30.0%*
D4. Indirect Hire Foreign Nationals (IHFN)	**17,518**	**17,077**	**17,300**	**418,361**	**5,711**	**-**	**-**	**5,711**	**424,072**	**-**	**424,072**	*$24,183*	*$24,513*	*$24,513*	*1.4%*	*0.0%*
Subtotal - Direct Funded (excludes OC 13)	***142,506***	***140,612***	***141,402***	***6,333,785***	***186,733***	***12,222***	***182,829***	***381,784***	***6,715,568***	***1,776,205***	***8,491,773***	***$44,793***	***$47,493***	***$60,054***	***6.0%***	***28.0%***
D5. Other Object Class 13 Benefits										**87,815**	**87,815**					
D5a. USDH - Benefits of Former Employees										66,071	66,071					
D5b. DHFN - Benefits of Former Employees										1,586	1,586					
D5c. Voluntary Separation Incentive Pay (VSIP)										-	-					
D5d. Foreign National Separation Liability Accrual										20,158	20,158					
Reimbursable Funded Personnel (includes OC 13)	**41,246**	**45,340**	**45,253**	**2,098,909**	**64,297**	**4,514**	**61,575**	**130,386**	**2,186,606**	**601,907**	**2,788,513**	***$46,382***	***$48,320***	***$61,621***	***6.2%***	***28.7%***
R1. US Direct Hire	**39,400**	**39,565**	**39,615**	**2,000,654**	**61,796**	**4,396**	**61,337**	**127,529**	**2,085,494**	**589,078**	**2,674,572**	*$50,502*	*$52,644*	*$67,514*	*6.4%*	*29.4%*
R1a. Senior Executive Schedule	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
R1b. General Schedule	35,000	35,153	35,200	1,802,595	45,540	3,155	53,102	101,797	1,870,930	538,421	2,409,351	*$51,210*	*$53,151*	*$68,447*	*5.6%*	*29.9%*
R1c. Special Schedule	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
R1d. Wage System	4,400	4,412	4,415	198,059	16,256	1,241	8,235	25,732	214,564	50,657	265,221	*$44,860*	*$48,599*	*$60,073*	*13.0%*	*25.6%*
R1e. Highly Qualified Experts								-			-	-	-	-	-	-
R1f. Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
R2. Direct Hire Foreign Nationals	**587**	**2,064**	**2,042**	**28,535**	**1,889**	**118**	**238**	**2,245**	**30,780**	**5,195**	**35,975**	*$13,974*	*$15,073*	*$17,618*	*7.9%*	*18.2%*
R3. Total Direct Hire	**39,987**	**41,629**	**41,657**	**2,029,189**	**63,685**	**4,514**	**61,575**	**129,774**	**2,116,274**	**594,273**	**2,710,547**	*$48,712*	*$50,802*	*$65,068*	*6.4%*	*29.3%*
R4. Indirect Hire Foreign Nationals	**1,259**	**3,711**	**3,596**	**69,720**	**612**	**-**	**-**	**612**	**70,332**	**-**	**70,332**	*$19,388*	*$19,558*	*$19,558*	*0.9%*	*0.0%*
Subtotal - Reimbursable Funded (excludes OC 13)	*41,246*	*45,340*	*45,253*	*2,098,909*	*64,297*	*4,514*	*61,575*	*130,386*	*2,186,606*	*594,273*	*2,780,879*	*$46,382*	*$48,320*	*$61,452*	*6.2%*	*28.3%*
R5. Other Object Class 13 Benefits										**7,634**	**7,634**					
R5a. USDH - Benefits of Former Employees										7,463	7,463					
R5b. DHFN - Benefits of Former Employees										171	171					
R5c. Voluntary Separation Incentive Pay (VSIP)										-	-					
R5d. Foreign National Separation Liability Accrual																
Total Personnel (includes OC 13)	**183,752**	**185,952**	**186,655**	**8,432,694**	**251,030**	**16,736**	**244,404**	**512,170**	**8,902,174**	**2,465,927**	**11,368,101**	***$45,178***	***$47,693***	***$60,904***	***6.1%***	***29.2%***
T1. US Direct Hire	**156,801**	**155,469**	**156,120**	**7,831,253**	**238,733**	**16,093**	**241,899**	**496,725**	**8,285,288**	**2,344,929**	**10,630,217**	*$50,162*	*$53,070*	*$68,090*	*6.3%*	*29.9%*
T1a. Senior Executive Schedule	194	191	188	24,719	0	0	4,954	4,954	29,673	4,472	34,145	*$131,484*	*$157,835*	*$181,622*	*20.0%*	*18.1%*
T1b. General Schedule	139,778	140,093	140,569	7,164,430	184,268	12,718	212,462	409,448	7,540,415	2,170,706	9,711,121	*$50,967*	*$53,642*	*$69,084*	*5.7%*	*30.3%*
T1c. Special Schedule	0	0	0	0	0	0	0	0	0	0	0	-	-	-	-	-
T1d. Wage System	16,829	15,185	15,363	642,104	54,465	3,375	24,483	82,323	715,200	169,751	884,951	*$41,795*	*$46,553*	*$57,603*	*12.8%*	*26.4%*
T1e. Highly Qualified Experts	0	0	0	0	0	0	0	0	0	0	0	-	-	-	-	-
T1f. Other	0	0	0	0	0	0	0	0	0	0	0	-	-	-	-	-
T2. Direct Hire Foreign Nationals	**8,174**	**9,695**	**9,639**	**113,360**	**5,974**	**643**	**2,505**	**9,122**	**122,482**	**25,549**	**148,031**	*$11,761*	*$12,707*	*$15,358*	*8.0%*	*22.5%*
T3. Total Direct Hire	**164,975**	**165,164**	**165,759**	**7,944,613**	**244,707**	**16,736**	**244,404**	**505,847**	**8,407,770**	**2,370,478**	**10,778,248**	*$47,929*	*$50,723*	*$65,024*	*6.4%*	*29.8%*
T4. Indirect Hire Foreign Nationals	**18,777**	**20,788**	**20,896**	**488,081**	**6,323**	**0**	**0**	**6,323**	**494,404**	**0**	**494,404**	*$23,358*	*$23,660*	*$23,660*	*1.3%*	*0.0%*
Subtotal - Total Funded (excludes OC 13)	***183,752***	***185,952***	***186,655***	***8,432,694***	***251,030***	***16,736***	***244,404***	***512,170***	***8,902,174***	***2,370,478***	***11,272,652***	***$45,178***	***$47,693***	***$60,393***	***6.1%***	***28.1%***
T5. Other Object Class 13 Benefits										**95,449**	**95,449**					
T5a. USDH - Benefits of Former Employees										73,534	73,534					
T5b. DHFN - Benefits of Former Employees										1,757	1,757					
T5c. Voluntary Separation Incentive Pay (VSIP)										0	0					
T5d. Foreign National Separation Liability Accrual										20,158	20,158					

Example

CIVILIAN PERSONNEL COSTS
OP-8 Instructions

All Components, to include the classified components, must submit an automated OP 8 Civilian Personnel Costs exhibit for all appropriations that fund civilian personnel (e.g., RDT&E appropriations, DWCF). For this year's budget submission, funding requirements related to personnel under the National Security Personnel System (NSPS) must be identified. Therefore, separate OP-8 data must be submitted for the NSPS and non-NSPS personnel and the PRCP system will create the Component appropriation total OP-8.

Separate OP-8 exhibits must be prepared for PY, CY, BY for each Military Department in total and for each appropriation/fund in which civilian personnel are funded. Each Defense Agency, including those Defense Agencies that have only RDT&E funded civilian personnel must also provide a separate exhibit. If a Defense Agency has civilian personnel financed in more than one appropriation/fund then a total for the Defense Agency must be provided.

The same level of detail will be reflected for direct funded and reimbursable funded civilian personnel. For each fiscal year covered by the budget submission, a "direct funded" section, a "reimbursable funded" section, and a "total (direct + reimbursable)" funded section will be included.

OP-8 Automated Exhibit. The Program Resources Collection Process (PRCP) System is used as the central collection point for the OP-8. Submission of the OP-8 will be through the PRCP System.

To calculate the required rate data, use the formulas displayed on the OP-8 exhibit. Show the average rates for Basic Compensation, Total Compensation, and Compensation and Benefits. Also show rates reflecting total variables and benefits as a percentage of basic compensation.

End strength onboard as of September 30 vice end strength authorizations will be displayed for all beginning and ending end strengths. The beginning end strength must agree with previous FY's September 30 end strength. For the PY supporting the FY BY President's budget request, the end strength data must agree with the SF-113A, Monthly Report of Federal Civilian Employment, provided to OPM to report military functions employment levels as of September 30.

In accordance with OMB Circular A-11, full-time equivalent (FTE) employment is the total number of hours (worked or to be worked) divided by the number of compensable hours applicable to each fiscal year. FTE is synonymous with workyear.

Total full-time equivalents must agree with the amounts reflected in the Comptroller Information System (CIS).

Include in the OP-8 the category of US Direct Hire personnel for Highly Qualified Experts as authorized in Section 9903 of title 5, United States Code (U.S.C.), as enacted by section 1101 of the National Defense Authorization Act for FY 2004, P.L. 108-136. The total number of highly qualified experts DoD-wide may not exceed 2,500 at any one time. The Deputy Under Secretary of Defense (Civilian Personnel Policy) will manage allocation reserves and approve cross leveling of allocations.

Exhibit OP-8 Part 1, Civilian Personnel Costs
(Page 2 of 6)

CIVILIAN PERSONNEL COSTS
OP-8 Instructions
(Continued)

In accordance with the Federal Employees Part-time Career Employment Act of 1978 (Public Law 95-437), part-time permanent employees are counted on a full time equivalent basis, i.e., an individual working 30 hours a week becomes .75 of an FTE. There is no adjustment for other part-time or intermittent employees - these employees would be counted on an individual basis not on a fractional basis.

All Benefits for Former Employees must be reported under the Object Class 13 sections (D5. for direct funded and R5. for reimbursable funded). Voluntary separation incentives must be reported in Benefits for Former Employees (Object Class 13).

Do not include overtime workyears in FTE totals. The FTEs on the OP-8 are for straight time workyears only.

FTEs (direct and reimbursable) in the OP-8 exhibits must agree with the FTEs reported in the OMB galleys used for the printed budget. (OMB Circular A-11.)

Direct hire end strength data on the OP-8 must agree with data provided on the September 30th supplement to the SF-113A report. This supplement is entitled, Report of Part-Time Permanent Employees on a Fractional Basis. Indirect hire end strength data must agree with the Indirect Hire supplement to the September 30th SF-113A report.

The OP-8, Part 2, Reimbursable Civilian Personnel Costs will provide reimbursable sources by appropriation, and by Component/Agency.

Department of Defense Education Activity (DoDEA) will submit separate OP-8 exhibits for: Department of Defense Dependents Schools (DoDDS) and DoD Domestic Dependent Elementary and secondary Schools (DDESS), in addition to providing a consolidated OP-8 exhibit for the total Department of Defense Dependents Education (DoDDE) program. For the required automated submission, DoDEA is only required to submit the consolidated DoDDE OP-8 exhibit, not individual exhibits for DoDDS and DDESS.

Reimbursable Civilian Personnel Costs, Part 2

Fiscal Year: FY _____ (PY, CY, BY)
Appropriation Account _____

A. SUMMARY OF CIVILIAN PAY: ($ in Thousands)

1. Total Civilian Pay _____

2. Reimbursable Civilian Pay _____

B. REIMBURSABLE CIVILIAN PAY DISTRIBUTION BY SOURCE:

3. INTRA ACCOUNT _____

4. INTRA SERVICE _____
   4a. _____
   4b. _____
   4c. _____

5. INTER SERVICE _____
   5a. _____
   5b. _____
   5c. _____

6. ALL OTHER _____
   6a. _____
   6b. _____

C. CIVILIAN PAY REIMBURSED TO OTHER SERVICES/DEFENSE-WIDE AGENCIES:

7. Civilian Pay REIMBURSED from _____ to _____
   7a. _____
   7b. _____
   7c. _____

Reimbursable Civilian Personnel Costs, Part 2

Instructions for Preparation of the OP-8 Part 2 Reimbursable Pay

This is mandatory for the Military Departments and the Defense Agencies. If a Service shows that civilian pay is to be reimbursed from a Defense Agency that does not submit this form, then the agency coordination must be shown on this form. This is required only for the Program and Budget Review Submission (BES).

Each appropriation account in the prior year (PY), current year (CY), and budget year (BY) for which civilian pay is reimbursed must identify the following in thousands of dollars:

On line 1, total civilian pay *.

On line 2, total reimbursable pay *.

On line 3, the amount of line 2 that is reimbursed within the account.

On line 4, the amount by account of line 2 that is reimbursed from accounts within the Service or Defense Agency. The sum of all accounts must equal the total intra service.

On line 5, the amount by account of line 2 that is reimbursed from other Services or Defense Agency accounts. The sum of all accounts must equal the total inter service.

On line 6, the amount of line 2 that is reimbursed from all other sources. The sum from all accounts must equal the total all other.

On line 7, the total civilian pay that is reimbursed to other Services or Defense Agencies **.

Notes:

* Lines 1 and 2 MUST agree with the totals reported by the Service or Defense Agency on the OP-8 and the sum of lines 3 through 6 of this must equal line 2.

** Any amounts identified on line 5 **MUST** appear on line 7 of the reimbursing Service or Defense Agency submission of this exhibit.

Exhibit OP-8 Part 2, Reimbursable Civilian Personnel Costs (Continued)

Reimbursable Civilian Personnel Costs, Part 2
SAMPLE
Fiscal Year: FY 20XX

Appropriation Account: Operation & Maintenance, Army

A.	SUMMARY OF CIVILIAN PAY:	
	1. Total Civilian Pay	7,599,374
	2. Reimbursable Civilian Pay	2,086,470
B.	REIMBURSABLE CIVILIAN PAY DISTRIBUTION BY SOURCE**:**	
	3. INTRA ACCOUNT	1,500,000
	4. INTRA SERVICE	286,470
	4a. O&M, Army Reserve	136,470
	4b. O&M, Army Guard	50,000
	4c. RDT&E, Army	50,000
	4d. Mil Con, Army	50,000
	5. INTER SERVICE	200,000
	5a. Defense Health Program (DHP)	50,000
	5b. RDT&E, Navy	50,000
	5c. Mil Con, Air Force	50,000
	5d. USSOCOM	50,000
	6. ALL OTHER	100,000
	6a. GSA	50,000
	6b. OPM	50,000
C.	CIVILIAN PAY REIMBURSED TO OTHER SERVICES/DEFENSE AGENCIES:	
	7. Civilian Pay REIMBURSED from O&M Army to	650,000
	7a. O&M, Navy Reserve	200,000
	7b. O&M, Air Force Guard	250,000
	7c. RDT&E, Defense Mapping Agency	150,000
	7d. OMB	50,000

Exhibit OP-8 Part 1, Civilian Personnel Costs
(Page 6 of 6)

Exhibit OP-9 Analysis of Changes in FTE Costs

Appropriation **DEPARTMENT OF _____** **Date: _____**

ANALYSIS OF CHANGES IN FULL-TIME EQUIVALENT (FTE) COSTS

	SES/GS		WS		FNDH	
	Amount	**Rate**	**Amount**	**Rate**	**Amount**	**Rate**
FY PY (No. Compensable Days)						
1. End Strength						
A. Budgeted	XX					
B. Actual	XX					
2. FTEs						
A. Budgeted	XX					
B. Actual	XX					
3. Basic Compensation ($ in Thousands)						
A. Budgeted	XX					
B. Actual	XX					
4. Average Basic Annual Salary (Basic Comp)						
A. Budgeted	XX					
B. Actual	XX					
5. Average Other OC-11 Variables Adjustments						
A. Budgeted	XX	XX 1/				
B. Actual	XX	XX 1/				
6. Overall Average Annual Salary (OC-11)						
A. Budgeted	XX					
B. Actual	XX					
7. Average Benefits						
A. Budgeted	XX	XX 1/				
B. Actual	XX	XX 1/				
8. Average FTE Cost (OC-11 & OC-12)						
A. Budgeted	XX					
B. Actual	XX					
9. Separately identify factors that account for changes in average basic salary, other OC-11 variables, benefits, and workyear cost between the budgeted rates and the actual rates.						

Appropriation **DEPARTMENT OF _____** **Date:_____**

ANALYSIS OF CHANGES IN FULL-TIME EQUIVALENT (FTE) COST

	SES/GS		WS		FNDH	
	Amount	**Rate**	**Amount**	**Rate**	**Amount**	**Rate**
Adjustment to PY Average Salary						
10 + Annualization of PY Pay Raise(s)	XX	XX 2/				
11. +/- Extra Day	XX	XX 3/				
12. Total Other Adjustments (if applicable)	XX	XX 3/				
12a. Within Grade Adjustments	(XX)					
12b. High Grade Reduction	(XX)					
12c. Separately identify other factors that account for changes in the basic average salary from the PY to the CY.	(XX)					
13. Subtotal Adj. to PY Basic Average Salary	XX	(Total of lines 10, 11, and 12)				
14. Adjusted Basic Average Salary for CY	XX	(Total of lines 4B and 13)				
Other Adjustments to Derive FY CY FTE Cost						
15. CY Pay Raise (Basic Comp)	XX	XX 2/	(Rate times line 14)			
16. Other OC-11 Variables Adjustments 4/	XX	XX 1/				
17. Benefits 4/	XX	XX 1/				
17a. Health Insurance Increase	(XX)					
17b. FERS	(XX)					
17c. Separately identify other factors that account for major changes in benefits from the PY to the CY.	(XX)					
18. Change in Foreign Currency Budget Rates	XX					
19. Total CY Adjustments to FTE Cost	XX	(Total of lines 15, 16, 17, and 18)				
20. Average FTE Cost in CY	XX	(Total of lines 8, 13, and 19)				
21. Total FTE Cost in CY (¤ in Thousands) (line 23 x line 20)	XX					
FY CY (No. Compensable Days)						
22. End Strength	XX					
23. FTEs	XX					
24. Average Basic Annual Salary (Basic Comp)	XX	(Total of lines 14 and 15)				
25. Overall Average Annual Salary (OC-11)	XX	(Total of lines 6, 13, 15 and 16)				
26. Average FTE Cost (OC-11 & OC-12)	XX	(Same as line 20)				

Exhibit OP-9 Analysis of Changes in FTE Costs
(Page 2 of 5)

Appropriation

DEPARTMENT OF _____ **Date: _____**

ANALYSIS OF CHANGES IN FULL-TIME EQUIVALENT (FTE) COST

	SES/GS		WS		FNDH	
	Amount	**Rate**	**Amount**	**Rate**	**Amount**	**Rate**
Adjustment to CY Average Salary						
27 + Annualization of CY Pay Raise(s)	XX	XX 2/				
28. +/- Extra Day	XX	XX 3/				
29. Total Other Adjustments (if applicable)	XX	XX 3/				
29a. Within Grade Adjustments	(XX)					
29b. High Grade Reduction	(XX)					
29c. Separately identify other factors that account for changes in the basic average salary from the CY to the BY.	(XX)					
30 Subtotal Adj. to CY Basic Average Salary	XX	(Total of lines 27, 28, and 29)				
31. Adjusted Basic Average Salary for BY	XX	(Total of lines 24 and 30)				
Other Adjustments to Derive FY BY FTE Cost						
32. BY Pay Raise (Basic Comp)	XX	XX 2/	(Rate times line 31)			
33. Other OC-11 Variables Adjustments 4/	XX	XX 1/				
34. Benefits 4/	XX	XX 1/				
34a. Health Insurance Increase	(XX)					
34b. FERS	(XX)					
34c. Separately identify other factors that account for major changes in benefits from the CY to the BY.	(XX)					
35. Change in Foreign Currency Budget Rates	XX					
36. Total BY Adjustments to WY Cost	XX	(Total of lines 32, 33, 34, and 35)				
37. Average FTE Cost	XX	(Total of lines 26, 30, and 36)				
38. Total FTE Cost in BY (¤ in Thousands) (line 37 x line 40)	XX					
FY BY (No. Compensable Days)						
39. End Strength	XX					
40. FTEs	XX					
41. Average Basic Annual Salary (Basic Comp)	XX	(Total of lines 31 and 32)				
42. Overall Average Annual Salary (OC-11)	XX	(Total of lines 25, 30, 32, and 33)				
43. Average FTE Cost	XX	(Same as line 37)				

Exhibit OP-9 Analysis of Changes in FTE Costs
(Page 3 of 5)

Appropriation

DEPARTMENT OF
ANALYSIS OF CHANGES IN FULL-TIME EQUIVALENT (FTE) COST

Date: _____

		SES/GS		WS		FNDH	
		Amount	**Rate**	**Amount**	**Rate**	**Amount**	**Rate**
Adjustment to BY Average Salary							
44	+ Annualization of BY Pay Raise(s)	XX	XX 2/				
45.	+/- Extra Day	XX	XX 3/				
46.	Total Other Adjustments (if applicable)	XX	XX 3/				
46a.	Within Grade Adjustments	(XX)					
46b.	High Grade Reduction	(XX)					
47	Subtotal Adj. to BY Basic Average Salary	XX	(Total of lines 44, 45, and 46)				

Exhibit OP-9 Analysis of Changes in FTE Costs
(Page 4 of 5)

ANALYSIS OF CHANGES IN FULL-TIME EQUIVALENT (FTE) COST
INSTRUCTIONS

1. The intent of the OP-9 is to identify the factors that have an impact on changes in average salary and average FTE cost from fiscal year to fiscal year.
2. Prepare separately for each appropriation and Fund account for U.S. direct hire, classified and wage system, and Foreign National Direct Hire (FNDH). Complete amounts and rates for WS, etc., as in SES/GS column.
3. All end strength will be displayed as actual or planned to be onboard as of September 30. Do not use end strength authorizations.
4. Cost, FTEs, and end strength should be consistent with those shown on OP-8, Analysis of Civilian Personnel Costs.
5. Show each classified pay raise in separate stub.
6. Data is to be reflected at appropriation or account.
7. The "Average Basic Annual Salary" for a FY is computed by dividing the "Basic Compensation" total by the number of straight time workyears.
8. The "Overall Average Annual Salary" for a FY is computed by dividing the "Total Compensation" (Object Class 11) by the number of straight time workyears.
9. The "Average FTE Cost" for a FY is computed by dividing "Total Compensation and Benefits" (Object Class 11 and 12) by the number of straight time FTEs.
10. The OP-9 will be prepared for both the Budget Submission and the President's budget. However, for the latter, the OP-9 will be submitted separately to OSD and will not be included in the congressional justification material.

Footnotes

1/ Reflect as % rate of basic compensation.
2/ Express as decimal to five places. Develop effective pay raise as ratio of No. of applicable days to total compensable days in year times pay raise percentage. Identify computation in footnote.
3/ Show computation - derivation of rate.
4/ Provide an explanation if the rate is different from the previous fiscal year rate, e.g. changes in overtime rate, changes in health benefits, FERS, etc.

Exhibit OP-9 Analysis of Changes in FTE Costs
(Page 5 of 5)

Exhibit OP-14 Part A: Service Academy Attrition by Class

INDIVIDUAL TRAINING DATA FOR FY __ BUDGET (SERVICE
PART A: SERVICE ACADEMY ATTRITION BY CLASS

	PY Actual			CY Estimate			BY Estimate		
	Entrs	Grads	Loads	Entrs	Grads	Loads	Entrs	Grads	Loads
ACADEMY NEW ENTRANTS									
New Entrants Lost Before Autumn Term									
Fourth Class Loss									
Fourth Class Carryover									
Third Class Loss									
Third Class Carryover									
Second Class Loss									
Second Class Carryover									
First Class Loss									
Graduates									
Graduates Commissioned									
Cadet/Midshipman End Strength									
Graduation Load									
Autumn Load									
PREP SCHOOL									
Entrants To Prep School									
Grads Entered Academy									
Prep School Load									
Prep School Grads Attrit As Fourth Classmen									

NOTE: Carryover is to be calculated as of graduation (unless another time is specified uniformly for an academy).
"Graduation Load" is the sum of carryover for each class plus graduates.
"Autumn Load" is the sum of carryover for each class plus net new entrants at the beginning of the autumn term.
Reconcile and explain in footnotes differences between Autumn Load and "Cadet/Midshipman End Strength" reflected here and in the FYDP update.
"Prep School Load" is to be a forecast of average onboard students on a "best estimate" basis (specify formula).
If this table is presented on an academic year basis, so state.

Exhibit OP-14 Part B: Training Manpower
(Page 1 of 16)

Exhibit OP-14 Part B: Training Manpower

INDIVIDUAL TRAINING DATA FOR FY __ BUDGET
(Service) **Page _____**
PART B: TRAINING MANPOWER

Program Element:_____

	Actual (PY)			Estimated (CY)			Estimated (BY)		
	Off.	Enl.	Civ.	Off.	Enl.	Civ.	Off.	Enl.	Civ.
FTEs/AS*									
Instructors									
Trng And Ed Supp									
Total FTEs									

NOTE: A basic Part B format will be submitted for each of the other Program Elements listed at Attachment 1 in Mission Program Elements (Load-Related) and for institutions in Attachment 2.

* Report full-time equivalents (FTEs) for civilians and average strength (AS) for military personnel.

Exhibit OP-14 Part C: Undergraduate Flight Training Requirements

INDIVIDUAL TRAINING DATA FOR FY __ BUDGET (SERVICE)
PART C-1: UNDERGRADUATE FLIGHT TRAINING REQUIREMENTS (End Strength)

	ACTUAL (PY)	ESTIMATE (CY)	ESTIMATE (BY)
Pilot, Navigators/Naval Flight Office (NFO) (Specify)			
Authorized Rated Wartime Requirements (0-5 and below; yearend)			
Force			
Seat factor flying billets 1/			
Other flying billets 2/			
Training 3/			
Supervision/staff 4/			
Individuals			
Students 5/			
Others			
Total Requirement			
Inventories (0-5 and below; end strength basis)			
Active force			
Reserve			
National Guard			
Total Inventory			
Undergraduate Pilot Training (UPT)/Undergraduate Navigator Training (UNT) Graduates of Year Included in Inventory			

1/ Based upon aircraft x pilots per crew x crew ratio.
2/ Other operational flying includes overhead operational flying, miscellaneous support logistics, and research and development (R&D).
3/ Includes instructor and staff positions in undergraduate and advanced flight training.
4/ Includes non-flying billets requiring aviation expertise in administration, command/control and operational supervision/staff above the squadron level.
5/ Include advance flight students only.

INDIVIDUAL TRAINING DATA FOR FY __ BUDGET (SERVICE)
PART C-2: FLIGHT TRAINING

	Syllabus Course Length (In calendar days)	Number of Flight Instructors			Output			
		Mil	Civ	Contractor	Active Duty	Reserve	Guard	Other (Specify)
A. Undergraduate Training								
Jet								
Propeller (including turbo prop)								
Rotary Wing								
TOTAL								
B. Advanced Training								
First Seat (i.e., post-UFT training prior to first operational unit assignment)								
Transition (i.e., conversion from one aircraft type to another or upgrading of skills in the same aircraft type)								
Instructor Training Course								
Other (Specify)								
TOTAL								

Notes:
(1) Display pilot and navigator/NFO training separately.
(2) Submit data for PY, CY, BY.
(3) If instructors for any course are other than U.S. active duty military, so indicate.
(4) Separately indicate output of another Service's personnel or foreign military. For the Navy and Marine Corps, this should be on consolidated undergraduate flight training displays. "Instructor" means instructor pilots and navigator/NFO instructors only.
(5) For advanced training, show a weighted average syllabus course length for each subcategory (first seat, transition, etc.)

INDIVIDUAL TRAINING DATA FOR FY __ BUDGET (SERVICE)
PART C-3: UNDERGRADUATE PILOT TRAINING PHASE FACTORS
(LINE: Specify Jet, Prop, Helo)
(YEAR: Provide data for PY, CY, BY)

	PREFLIGHT	PRIMARY	BASIC	PRIMARY	ADVANCED	TOTAL
Student Calendar Days to Complete						
Student Flight Hours to Complete						
Aircraft (Specify Model)						
Simulator (Specify Model)						
Student Input *						
Student Output *						
Percent Phase Attrition						
Average Load *						
Instructor Pilots *						
Other Officers *						
Enlisted *						
Aircraft Hours*						
O&M Cost/Hour						
Instructor Hours Per Student						

NOTE: Omit phases not applicable.

* Factors per graduate (final completion)

INDIVIDUAL TRAINING DATA FOR FY __ BUDGET (SERVICE)

PART C-4: FLIGHT TRAINING RESOURCE DATA
(LINE)

	ACTUAL (PY)	ESTIMATE (CY)	ESTIMATE (BY)
AIRCRAFT AND FLYING HOURS BY TYPE/MODEL/SERIES			
Authorized			
Assigned			
Flying Hours			
Total Flying Hours			

Exhibit OP-14 Part D: ROTC Program Data

INDIVIDUAL TRAINING DATA FOR FY __ BUDGET (SERVICE)

PART D: ROTC PROGRAM DATA (PE 847230)

ROTC (Note: Parenthetical numbers refer to paragraphs in instructions following this portion of Exhibit.)

	(2)	FY PY Avg. No. ($000)	FY CY Avg. No. ($000)	(1) ROTC FY BY Avg. No. ($000)	
A.	ROTC Unit Staff				
	Officers			(3)	(4)
	Enlisted Personnel			(3)	(4)
	Civilians			(3)	(4)
	Total (3)			(4)	
	Avg. Staff/Cost per Unit			(5)	(5)
B.	ROTC Command Level Staff				
	Officers			(3)	(4)
	Enlisted Personnel			(3)	(4)
	Civilians			(3)	(4)
	Total (3)			(4)	
	Avg. Staff/Cost per Unit			(5)	(5)
C.	Units (6)				
D.	ROTC Program Costs				
	1. O&M				(7)
	a. Scholarships				(8)
	b. Administrative Expense				
	(1) Unit Operating. Expense				
	(2) Unit Texts and Ref.				(9)
	(3) Admin. Travel				(9)
	2. Reserve Personnel				(10)
	a. Scholarships				(11)
	b. Summer Training				(12)
	c. Other				(13)
	3. Other				(14)
	TOTAL				(15)

INDIVIDUAL TRAINING DATA FOR FY __ BUDGET (SERVICE)

PART D: ROTC PROGRAM DATA (PE 847230)

ROTC (Note: Parenthetical numbers refer to paragraphs in instructions following this portion of Exhibit.)

(2)		(1) ROTC FY PY Avg. No. ($000)	FY CY Avg. No. ($000)	FY BY Avg. No. ($000)
E.	Flight Instruction Program		(16)	(16)
F.	Aviation Indoctrination Program		(16)	(16)
G.	Average Enrollment			
	1. Scholarship			(17)
	MS I			(17)
	II			(17)
	III			(17)
	IV			(17)
	Subtotal			(17)
	2. Non-Scholarship			
	MS I			(17)
	II			(17)
	III			(17)
	IV			(17)
	Subtotal			(17)

INDIVIDUAL TRAINING DATA FOR FY __ BUDGET (SERVICE)

PART D: ROTC PROGRAM DATA (PE 847230)
(Continued)

		FY PY		FY CY		FY BY		Avg. No. ($000)	Avg. No.
		($000)	Avg. No.	($000)					
H.	Total Costs					(18)			
I.	Cost Per Graduate								
	Scholarship					(19)			
	Non-Scholarship					(19)			
	Combined					(19)			
J.	Cost Per Grad Commissioned								
	Scholarship					(19)			
	Non-Scholarship					(19)			
	Combined					(19)			

Instructions for Completion of Preceding

1. Enter Army, Navy, or Air Force, as applicable.
2. Enter the appropriate fiscal year (data should be shown for the Prior, Current, and Budget fiscal years).
3. Enter the average number (average strength) of officers, enlisted personnel, civilians (Full-Time Equivalents), and combined total, respectively, assigned to ROTC units and ROTC command level staffs, respectively. The ROTC command level staff should include all personnel up to the departmental level who are associated with the ROTC program but are not assigned to a ROTC unit.
4. Enter the total costs of pay and allowances/salary of military and civilian personnel, as applicable, plus any related O&M support costs. Pay and allowances/salaries will be determined through the use of standard rates for military and civilian personnel, respectively.
5. Enter the average staff and the average cost of the staff per unit. Average staff will be determined by dividing the applicable total staff (unit or command level) by the number of units shown in item C (see paragraph 6, below). The average cost of staff per unit will be arrived at by dividing the applicable total costs for the unit and command level staffs, respectively, by the number of units shown in item C.
6. Enter the applicable number of operating units.
7. Enter the total ROTC costs, other than those shown in A or B, included in the Service's O&M appropriation(s). (This should be equal to the sum of D.1.a and b discussed below in paragraphs 8 and 9.)
8. Show in parenthesis ( ) the total applicable costs of ROTC scholarships (include only tuition, fees, books, and other related student expenses).
9. Show in parenthesis ( ) the applicable O&M administrative costs, by categories shown, related to the ROTC program.

Exhibit OP-14 Part D: ROTC Program Data
(Page 9 of 16)

INDIVIDUAL TRAINING DATA FOR FY __ BUDGET (SERVICE)

PART D: ROTC PROGRAM DATA (PE 847230)
(Continued)

10. Enter the total ROTC costs included in the Service's applicable Reserve Component appropriations. This should be equal to the sum of D.2.a, b, and c, as discussed in paragraphs. 11, 12, and 13 below.

11. Enter in parenthesis ( ) the total costs relative to the monthly subsistence allowance paid to college freshmen and sophomores who are recipients of ROTC scholarships.

12. Enter in parenthesis ( ) the aggregate sum included in the Service's applicable Reserve Component appropriations for ROTC Pay and Allowance (Summer Training), Subsistence of Reserve Officer Candidates (Summer Training), and Travel of Reserve Officer Candidates (Summer Training).

13. Enter in parenthesis ( ) all costs of the ROTC program, other than those discussed in paragraphs. 11 and 12, above, included in the Service's Reserve Component appropriations.

14. Enter and detail by appropriation, and explain by footnote, any costs attributable to the ROTC program which have not been included in either A, B, or D (1 and 2).

15. Enter the total cost data shown in D.1, 2, and 3.

16. Enter in parenthesis ( ) the number of candidates participating in and total costs of Flight Instruction Program and the Aviation Indoctrination Program, respectively, included in the above data.

17. Enter by the scholarship and non-scholarship programs, respectively, the average number of candidates participating in MS I, II, III, IV, and applicable totals, respectively. Leave dollar columns blank.

18. Enter the total costs of the ROTC program. Total costs should be equal to the aggregate sum of A, B, and D, above.

Exhibit OP-14 Part E: Junior ROTC Data

INDIVIDUAL TRAINING DATA FOR FY __ BUDGET (SERVICE)

PART E: JUNIOR ROTC PROGRAM DATA (PE 897210)

(1) JUNIOR ROTC (HIGH SCHOOL) PROGRAM

	(2)	FY PY	FY CY	FY BY
A.	Average Enrollment			
	Freshman		(3)	
	Sophomore			
	Junior			
	Senior			
	Total			
B.	Number of Units		(4)	
C.	Total Program Cost		(5)	
D.	Average Cost/Unit		(6)	

Instructions for Completion of Preceding

1. Enter Army, Navy, Marine Corps, or Air Force, as applicable.
2. Enter the appropriate fiscal year (data should be shown for the Prior-1, Prior, Current, and Budget years).
3. Enter the average enrollment during the year by year (of high school) and in total.
4. Enter the number of JROTC units.
5. Enter by appropriation, and in the total, the costs to DoD of the JROTC program.
6. Enter the average costs per JROTC unit. (Total costs in 5 divided by units in 4.)

Exhibit OP-14 Part F: Off Duty and Voluntary Education

INDIVIDUAL TRAINING DATA FOR FY ___ (SERVICE)
PART F: OFF DUTY AND VOLUNTARY EDUCATION
PROGRAM DATA (PE 897320)

	PY/CY/BY *	
	Number	**Funding ($000)**
Post-Secondary Programs		
Tuition Assistance		
Graduate Level Course Enrollments		
Undergraduate Level Course Enrollments		
Vocational/Technical Course Enrollments		
Totals		
Instructor Hire (Group Study)		
Enrollments	X	
Instructor Funding	X	
Other Funding	X	
Total Funding	X	
Contract Education (e.g., PACE)		
(Detail by program)		
Education Services Personnel (counselors, ESOs, enlisted clerical, etc.)		
Full-time equivalent Civilian		
Average Strength Military		
Testing – DANTES		
CLEP Tests Administered		
DSST Tests Administered		
Other (Specify) Test Administered		
Other Education-Related Supplies and Materials		
Total Post-Secondary Program Funding	X	X
High School Programs		
Tuition Assistance		
Free/Nominal Course Enrollments		
Group Study Course Enrollments		
Other (Specify) Course Enrollments		
GED Tests Administered		
Total		

INDIVIDUAL TRAINING DATA FOR FY ___ (SERVICE)
PART F: OFF DUTY AND VOLUNTARY EDUCATION
PROGRAM DATA (PE 897320)

(Continued)

	PY/CY/BY* Number	PY/CY/BY* Funding ($000)
High School Programs (Continued)		
Basic Skills Development		
Free/Nominal Course Enrollments		
Group Study Course Enrollments		
Other (Specify) Course Enrollments		
Total		
Total High School Program Funding		

New Educational Levels Reported Achieved During Past Year (FY) Through Voluntary Programs	Officer	Enlisted
High School Completion		
Diploma		
GED		
2-Year College		
Baccalaureate Degree		
Masters Degree		
Doctorate Degree		
Professional Degree (e.g., JD)		
Other (Specify)		

* Provide the required data for each fiscal year.

Exhibit OP-14 Part F: Off Duty and Voluntary Education
(Page 13 of 16)

Exhibit OP-14 Attachment 1: Individual Training Program Elements

PROGRAM 8 INDIVIDUAL TRAINING ELEMENTS
Mission Program Elements (Load Related)

08047110	Recruit Training Units
08047210	Service Academies
08047220	Officer Candidate/Training Schools (OCS/OTS)
08047230	Reserve Officers Training Corps (ROTC)
08047240	Other College Commissioning Programs
08047310	General Skill Training
08047330	General Intelligence Skill Training
08047340	Crypto/SIGINT-Related Skill Training
08047350	Undergraduate Space Training
08047410	Undergraduate Pilot Training (UPT)
08047420	Undergraduate Navigator/NFO Training (UNT)
08047430	Other Flight Training
08047440	Euro-NATO Jet Joint Pilot Training
08047450	Undergraduate Pilot Training (UPT) Strike
08047460	Undergraduate Pilot Training (UPT) Maritime
08047470	Undergraduate Pilot Training (UPT) Rotary
08047480	Flight Screening
08047510	Professional Military Education
08047520	Other Professional Education
08047530	Acquisition Training
08047610	Integrated Recruit and Skill Training Units

Submitting Components should refer to the FYDP Structure Management (FSM) System as described in section 010702 of Chapter 1 of this volume to ensure that training program elements listed above are current.

Exhibit OP-14 Attachment 2: DoD Institutions

DOD PROFESSIONAL DEVELOPMENT EDUCATION INSTITUTIONS

Service Institutions

Army

Sergeants Major Academy, Ft Bliss, TX
Command and General Staff College, Ft Leavenworth, KA
War College, Carlisle, PA
Army Management Staff College, Ft Belvoir, VA

Navy

College of Naval Command and Staff, Newport, RI
College of Naval Warfare, Newport, RI
Naval Postgraduate School, Monterey, CA*
Senior Enlisted Academy, Newport, RI

Marine Corps

Staff NCO Academy, Quantico, VA
Command and Staff College, Quantico, VA

Air Force

Senior NCO Academy, Gunter AFS, AL
Air Command and Staff College, Maxwell AFB, AL
Air War College, Maxwell AFB, AL
Air Force Institute of Technology, Dayton, OH*

Other Defense Institutions (Component Providing Budgetary Support)

Africa Center for Security Studies, Arlington, VA
Armed Forces Staff College, Norfolk, VA
Asia-Pacific Center for Security Studies, Honolulu, HI
Center for Civil-Military Relations, Monterey, CA
Center for Hemispheric Defense Studies, Ft McNair, DC
Defense Acquisition University, Alexandria, VA
Defense Contract Audit Institute, Memphis, TN
Defense Equal Opportunity Employment Institute, Patrick AFB, FL
Defense Information School, Ft Meade, MD
Defense Institute of International Legal Studies, Newport RI
Defense Institute of Security Assistance Management, Dayton, OH
Defense Language Institute - English Language Center, Lackland AFB, TX

DOD PROFESSIONAL DEVELOPMENT EDUCATION INSTITUTIONS

Other Defense Institutions (Component Providing Budgetary Support) (continued)

Defense Language Institute - Foreign Language Center, Monterey, CA
Defense Polygraph Institute, Ft Jackson, SC
Defense Resources Management Institute, Monterey, CA
Defense Security Service Academy, Linthicum, MD
George C. Marshall European Center for Security Studies, Germany
Industrial College of the Armed Forces, Ft McNair, DC
Information Resources Management College, Ft. McNair, DC
Institute for National Strategic Studies, Ft. McNair, DC
Interagency Training Center, Ft Washington, MD
Joint Military Intelligence College, Washington DC
Joint Military Intelligence Training Center, Washington DC
Joint Military Packaging Training Center, Aberdeen, MD
National Cryptologic School, Ft Meade, MD
National Geospatial-Intelligence College, Ft Belvoir, VA
National War College, Ft McNair, DC
Near East-South Asia Center for Security Studies, Falls Church, VA
Uniformed Services University of the Health Services, Bethesda, MD

*Prepare separate exhibits for resident and civilian institution programs.

Exhibit OP-15 DoD Dependents Education Cost Summary

DEPARTMENT OF DEFENSE OVERSEAS DEPENDENTS EDUCATION
COST SUMMARY
($ in Thousands)

Administrative Costs	FY PY	FY CY	FY BY	Change FY CY/BY
1. A. Salaries of Personnel Above School Level				
B. Personnel Benefits				
C. Temporary Duty Travel (TDY)				
(1) Per Diem				
(2) Other Travel Costs				
(3) AMC Passenger				
D. Supplies & Materials (non-ADP)				
E. Equipment Purchases (non-ADP)				
(1) Furniture				
(2) All Others				
F. Rental & Contractual Services (non-ADP)				
(1) Rents				
(2) Maintenance Contracts				
(3) Other Service Contracts				
G. ADP-Management Information System				
(1) Supplies & Materials				
(2) Equipment Purchases				
(3) Equipment Rental Contracts				
(4) Maintenance Contracts				
(5) Software Purchases				
(6) Contract Consultants				
(7) Studies & Analysis Contracts				
(8) Professional & Management Services and Contracts				
H. Special Analyses (non-ADP)				
(1) Contract Consultants				
(2) Studies & Analysis Contracts				
(3) Professional & Management Services and Contracts				
I. Other				
(1) Training				
(2) Advertising				
(3) Other				

DEPARTMENT OF DEFENSE OVERSEAS DEPENDENTS EDUCATION
COST SUMMARY
($ in Thousands)

Administrative Costs	FY PY	FY CY	FY BY	Change FY CY/BY
2. A. Salaries of Teaching Personnel				
(1) Teaching Personnel				
(2) Substitutes				
B. Salaries of Principals				
C. Salaries of Clerical Personnel				
(1) Clerical Personnel				
(2) Paraprofessionals				
D. Salaries of Others				
E. Personnel Benefits				
F. Textbooks and Library Books				
(1) Textbooks				
(2) Library Books (Newspaper/Periodicals)				
G. Educational Supplies				
(1) Educational Supplies				
(2) Audiovisual Supplies				
(3) ADP-School Administration				
(4) ADP-Classroom				
H. Educational Equipment				
(1) Educational Equipment				
(a) Equipment Rental				
(b) Equipment Purchases				
(c) Maintenance Contracts				
(2) Audiovisual Equipment				
(a) Equipment Rental				
(b) Equipment Purchases				
(c) Maintenance Contracts				
(3) ADP-School Administration				
(a) Equipment Rental				
(b) Equipment Purchases				
(c) Maintenance Contracts				
(4) ADP-Classroom				
(a) Equipment Rental				
(b) Equipment Purchases				
(c) Maintenance Contracts				

Exhibit OP-15 DoD Dependents Education Cost Summary
(Page 2 of 11)

DEPARTMENT OF DEFENSE OVERSEAS DEPENDENTS EDUCATION
COST SUMMARY
($ in Thousands)

Administrative Costs	FY PY	FY CY	FY BY	Change FY CY/BY
2. I. Contractual Services				
(1) Contract Instructional Services				
(2) Non-Instructional Contract Services				
(a) Contract Consultants				
(b) Studies & Analysis Contracts				
(c) Professional & Management Services				
(d) Contract Engineering & Technical Services Contracts				
(e) Other Contracts (Specify)				
J. Research & Innovation				
(1) TDY				
(a) Per Diem				
(b) Other Travel Costs				
(c) AMC Passenger				
(2) Projects (Specify)				
K. Summer School				
(1) Salaries of Teaching Personnel				
(2) Educational Activities				
L. Other Temporary Duty Travel				
(1) Itinerant Education Services				
(a) Per Diem				
(b) Other Travel Costs				
(c) AMC Passenger				
(2) Recruiting				
(a) Per Diem				
(b) Other Travel Costs				
(c) AMC Passenger				
(3) Accreditation				
(a) Per Diem				
(b) Other Travel Costs				
(c) AMC Passenger				

Exhibit OP-15 DoD Dependents Education Cost Summary
(Page 3 of 11)

DEPARTMENT OF DEFENSE OVERSEAS DEPENDENTS EDUCATION
COST SUMMARY
($ in Thousands)

Administrative Costs	FY PY	FY CY	FY BY	Change FY CY/BY
2. L. (4) Curriculum Review				
(a) Per Diem				
(b) Other Travel Costs				
(c) AMC Passenger				
(5) Union Deliberation/Negotiation				
(a) Per Diem				
(b) Other Travel Costs				
(c) AMC Passenger				
(6) Other				
(a) Per Diem				
(b) Other Travel Costs				
(c) AMC Passenger				
M. In-Service Training				
(1) Temporary Duty Travel				
(a) Per Diem				
(b) Other Travel Cost				
(c) AMC Passenger				
(2) Contracts				
(a) Contract Consultant				
(b) Professional & Management Services Contracts				
(c) Other Contracts (Specify)				
(3) Tuition Assistance				
(4) Other (Specify)				
N. Other Costs & Compensation				
(1) Compensation for Extra-Curricular School Activities				
(2) Cost for Correspondence Courses				
(3) Other (Specify)				

Exhibit OP-15 DoD Dependents Education Cost Summary
(Page 4 of 11)

DEPARTMENT OF DEFENSE OVERSEAS DEPENDENTS EDUCATION
COST SUMMARY
($ in Thousands)

Administrative Costs	FY PY	FY CY	FY BY	Change FY CY/BY
3. A. Salaries				
(1) Salaries of Logistics Personnel				
(2) Benefits				
B. Custodial/Maintenance				
(1) Contracts				
(2) Non-Contract Supplies				
C. Repair and Maintenance				
(1) R&M of School Facilities				
(a) Less than $100,000				
(b) More than $100,000				
(2) Minor Construction Projects				
(b) More than $100,000				
(a) Less than $100,000				
(3) Recurring R&M				
(4) Other (Specify)				
D. Transportation Services				
(1) Transportation of Things				
(a) AMC Cargo				
(b) MSC Cargo				
(c) Commercial Land				
(d) Commercial Ship				
(e) Commercial Air				
(f) Other				
(2) Second Destination Transportation				
(a) AMC Cargo				
(b) MSC Cargo				
(c) Commercial Land				
(d) Commercial Ship				
(e) Commercial Air				
(f) Other				
(3) Transportation of People				
(a) Per Diem				
(b) Other Travel Costs				
(c) AMC Passengers				

Exhibit OP-15 DoD Dependents Education Cost Summary

DEPARTMENT OF DEFENSE OVERSEAS DEPENDENTS EDUCATION
COST SUMMARY
($ in Thousands)

Administrative Costs	FY PY	FY CY	FY BY	Change FY CY/BY
3. D. (4) Daily Student Commuting				
(a) Reimbursable				
(b) Contract				
(5) Bus Monitors				
E. Rents, Communications and Utilities				
(1) Rents & Leases				
(2) Utilities				
(3) Communications				
F. Local Costs and Purchases				
(1) Supplies & Materials				
(2)Equipment				
(a) Furniture				
(b) All Others				
(3) Printing & Reproduction				
(4) Other				
G. Reimbursable for Services Received				
(1) ADP Automated Supply System				
(2) Accounting/Payroll				
(3) Civilian Personnel Services				
(4) Other Base Support				
(5) NATO/SHAPE/AFCENT Contributions				
(6) Furniture Maintenance				
(7) Equipment Maintenance				
(8) Section Six Schools				
4. DoDDS-Unique Costs				
A Salaries for Host Nation Personnel				
(1) Salaries				
(2) Benefits				
B. Allowance				
(1) Cost of Living Allowance				
(2) Housing Allowance				
(3) Area Differentials				

Exhibit OP-15 DoD Dependents Education Cost Summary
(Page 6 of 11)

DEPARTMENT OF DEFENSE OVERSEAS DEPENDENTS EDUCATION
COST SUMMARY
($ in Thousands)

Administrative Costs	FY PY	FY CY	Change FY BY	FY CY/BY
4. C. Permanent Change of Station Costs				
(1) Transportation of People				
(a) Per Diem				
(b) Other Travel Costs				
(c) AMC Passengers				
(2) Transportation of Things				
(a) AMC Cargo				
(b) MSC Cargo				
(c) Commercial Land				
(d) Commercial Ship				
(e) Commercial Air				
(f) Other				
D. DoDDS-Operated Dormitories				
(1) Salaries of Dormitory Personnel				
(a) Dormitory Counselors				
(b) Dormitory Aides				
(c) Compensation for Irregular Hours				
(2) Benefits				
(3) Student Room & Board				
(4) Transportation Services				
(a) Activity Transportation				
(b) To/Fro 5-day Dormitories				
(c) To/From 7-day Dormitories				
(5) Equipment				
(a) Furniture				
(b) All Others				

Exhibit OP-15 DoD Dependents Education Cost Summary
Page 7 of 11)

Exhibit OP-15A DoD Dependents Education: Schools and Enrollment Data

DEPARTMENT OF DEFENSE DEPENDENTS EDUCATION
NUMBER OF SCHOOLS AND ENROLLMENT DATA*

		0 to 124	125 to 349	350 to 499	500 to 749	750 to 999	1,000 to 1,299	1,300 to 1,599	1,600 to 1,899	1,900 to 2,199	TOTAL
Elementary Schools (K-8)											
No. of Schools	FY PY										
	FY CY										
	FY BY										
Total Enrollment	FY PY										
	FY CY										
	FY BY										
Middle Schools (4-8)											
No. of Schools	FY PY										
	FY CY										
FY BY											
Total Enrollment	FY PY										
	FY CY										
FY BY											
Junior High Schools (7-10, must have 9th grade)											
No. of Schools	FY PY										
	FY CY										
FY BY											
Total Enrollment	FY PY										
	FY CY										
	FY BY										

*Excludes Tuition-Fee Schools and Section Six Schools

DEPARTMENT OF DEFENSE DEPENDENTS EDUCATION
NUMBER OF SCHOOLS AND ENROLLMENT DATA*

		0 to 124	125 to 349	350 to 499	500 to 749	750 to 999	1,000 to 1,299	1,300 to 1,599	1,600 to 1,899	1,900 to 2,199	TOTAL
Secondary Schools (7-12)											
No. of Schools	FY PY										
	FY CY										
	FY BY										
Total Enrollment	FY PY										
	FY CY										
	FY BY										
High Schools (9 or 10-12)											
No. of Schools	FY PY										
	FY CY										
	FY BY										
Total Enrollment	FY PY										
	FY CY										
	FY BY										
Combined Schools (K-9, K-10) or K-12)											
No. of Schools	FY PY										
	FY CY										
	FY BY										
Total Enrollment	FY PY										
	FY CY										
	FY BY										

Exhibit OP-15A DoD Dependents Education: Schools and Enrollment Data
(Page 9 of 11)

DEPARTMENT OF DEFENSE DEPENDENTS EDUCATION
NUMBER OF SCHOOLS AND ENROLLMENT DATA*

		0 to 124	125 to 349	350 to 499	500 to 749	750 to 999	1,000 to 1,299	1,300 to 1,599	1,600 to 1,899	1,900 to 2,199	TOTAL
Junior College (Non-Add)											
No. of Locations	FY PY										
	FY CY										
	FY BY										
Total Enrollment*	FY PY										
	FY CY										
	FY BY										
Kindergarten (Memo Entry)											
No. of Locations	FY PY										
	FY CY										
	FY BY										
Total Enrollment	FY PY										
	FY CY										
	FY BY										
Summary											
No. of Locations	FY PY										
	FY CY										
	FY BY										
Total Enrollment	FY PY										
	FY CY										
	FY BY										

* Provide data in terms of Full-Time Equivalents

Exhibit OP-15A DoD Dependents Education: Schools and Enrollment Data
(Page 10 of 11)

Exhibit OP-15B DoD Dependents Education: Pupil/Teacher Ratio

DEPARTMENT OF DEFENSE DEPENDENTS EDUCATION
PUPIL ENROLLMENT TO TEACHER RATIOS
(Full-Time Equivalents (FTEs))

		PY	CY	BY	Change CY/BY
I.	Summary				
	Elementary School (K-8)				
	Middle School (4-8)				
	Jr. High (7-10, must have 9th grade)				
	Secondary Schools (7-12)				
	High Schools (9 or 10-12)				
	Combined (K-9, K-10 or K-12)				
	Special Education Program (Self-Contained)				
	Junior College				
	TOTAL				
II.	Detail of Special Education Classes				
	Self Contained Environment				
	Physically Handicapped				
	Hearing Impaired				
	Mentally Handicapped (Educ./Trainable)				
	Emotionally Handicapped				
	Multi-handicapped (at least two categories)				
	Pre-School Handicapped				
	TOTAL				
	Non-Self Contained Environment				
	Physically Handicapped				
	Hearing Impaired				
	Visually Handicapped				
	Learning Disabled				
	Mildly Handicapped				
	Mentally Handicapped (Educ./Trainable)				
	Emotionally Handicapped				
	Multi-handicapped				
	TOTAL				
III.	Certain Special Programs Teachers				
	Speech Therapist				
	ESL				
	Compensatory Education				
	Talented & Gifted				
	TOTAL				

Exhibit OP-16 DoD Defense Agencies Section 6 Schools

DEPARTMENT OF DEFENSE DEPENDENTS EDUCATION
SECTION 6 SCHOOLS COST SUMMARY
($ in Thousands)

	PY	CY	BY	Change CY/BY
1. ADMINISTRATION COST				
a. Salaries for Administration				
(1) Superintendent				
(2) Associate Superintendent				
(3) Other Administrators				
(4) Secretaries and Clerks				
b. Other Expenses for Administration				
(1) TDY Travel				
(2) Supplies				
2. INSTRUCTION COSTS				
a. Salaries of Principals				
(1) Supervising Principals				
(a) Elementary				
(b) Secondary				
(2) Assistant Principals				
b. Salaries of Teachers				
(1) Elementary				
(a) Kindergarten				
(b) Specialists (Special Subject matter Areas)				
(c) Classroom Teachers				
(2) Secondary				
(3) Special Education Teachers				
(4) Summer School				
c. Salaries of Other Instructional Staff				
(1) Librarian Salaries				
(a) Librarians				
(b) Assistant Librarians				
(2) Counselors				

DEPARTMENT OF DEFENSE DEPENDENTS EDUCATION
SECTION 6 SCHOOLS COST SUMMARY
($ in Thousands)

	PY	CY	BY	Change CY/BY
2. INSTRUCTION COSTS (continued)				
d. Salaries of Secretarial and Clerical Staff				
(1) Principal's Office Secretarial and Clerical Staff				
(2) Library Clerks				
e. Other Salaries for Instruction				
(1) Teacher Aides				
(2) Substitute Teachers				
f. Student Fees				
(1) Special Education (EMR) and Special Education (LD)				
(2) Reading & Motor Perception Program				
g. School Library & Audio Visual Materials				
(1) Library Books				
(a) Replacement				
(b) Rebinding				
(2) Periodicals and Newspapers				
(3) Audio Visual Materials				
(4) Library Supplies				
h. Teaching Supplies				
(1) Kindergarten				
(2) Elementary School				
(3) Secondary School				
(4) Special Education Supplies				

Exhibit OP-16 DoD Defense Agencies Section 6 Schools
(Page 2 of 5)

DEPARTMENT OF DEFENSE DEPENDENTS EDUCATION
SECTION 6 SCHOOLS COST SUMMARY
($ in Thousands)

	PY	CY	BY	Change CY/BY
2. INSTRUCTION COSTS (continued)				
i. Other Expenses for Instruction				
(1) Professional Library				
(2) Supplies (Office Supplies Related to Instruction)				
(3) Workshop				
(4) Outdoor Education Program Supplies				
(5) TDY for Instruction				
3. AUXILIARY				
a. Health Services				
(1) Salaries				
(2) Supplies and expenses				
b. School Lunch Service Salaries (Cafeteria Manager)				
4. PUPIL TRANSPORTATION SERVICES				
a. Salaries for Pupil Transportation				
b. Contracted Services for Pupil Transportation				
5. OPERATION OF PLANT				
a. Salaries for Operation of Plant				
(1) Salary of Head Custodian				
(2) Salaries of Assistant Custodians				
b. Contracted Services for Operation of Plant				

DEPARTMENT OF DEFENSE DEPENDENTS EDUCATION
SECTION 6 SCHOOLS COST SUMMARY
($ in Thousands)

	PY	CY	BY	Change CY/BY
5. OPERATION OF PLANT (continued)				
c. Utilities				
(1) Heat				
(2) Water				
(3) Electricity				
(4) Gas				
(5) Sewage and/or Trash Removal Service				
(6) Phone				
d. Supplies for Operation of Plant				
6. MAINTENANCE OF PLANT				
a. Salaries for Maintenance of School Plant				
b. Contracted Services for Maintenance				
(1) Pest Control				
(2) Rug, Mop, and Linen				
(3) Fire Control				
c. Replacement of Equipment				
(1) Administrative Equipment				
(2) Instructional Equipment				
(3) Non-Instructional Equipment				
(4) Audio Visual Equipment				
d. Supplies for Maintenance of Plant				
(1) Supplies for Building Maintenance				
(2) Supplies for Equipment Maintenance				
7. FIXED CHARGES				
a. Government Contribution to Retirement				
(1) Civil Service Retirement (CSRS and FERS)				
(2) FICA				

Exhibit OP-16 DoD Defense Agencies Section 6 Schools
(Page 4 of 5)

DEPARTMENT OF DEFENSE DEPENDENTS EDUCATION
SECTION 6 SCHOOLS COST SUMMARY
($ in Thousands)

	PY	CY	BY	Change CY/BY
7. FIXED CHARGES (continued)				
b. Government Contribution to Insurance				
(1) FEGLI				
(2) FEHB				
(3) Fidelity Bond Premiums				
c. Workmen's Compensation				
d. Rental of Land and Buildings				
(1) Rent for Instructional Purposes				
(2) Rent for Non-Instructional Purposes				
SUBTOTAL (costs for Section 6 Schools)				
Less reimbursements for non-Section 6 School pupils				
(This Pertains to Puerto Rico Schools Only)				
NET Section 6 Schools Costs				
(Estimated number of pupils in Section 6 Schools)				
(Costs per pupil)				
8. COSTS UNIQUE TO SECTION 6 SCHOOLS (Puerto Rico Schools Only)				
a. Overseas Allowances (cost of living, quarters, and post differential)				
b. Permanent Change of Station (PCS) Costs				
TOTAL SECTION 6 SCHOOLS COSTS				
Estimated Number of Pupils (including Tuition Paying Pupils)				
Per Pupil Cost				

INSTRUCTIONS: Exhibit OP-16 in its entirety will be submitted for both the OSD and the President's budget submissions. This exhibit will be incorporated into the OP-5 Exhibit for the Section 6 Schools.

Exhibit OP-16 DoD Defense Agencies Section 6 Schools
(Page 5 of 5)

Exhibit OP-20 Flying Hours Program

Exhibit OP-20
Flying Hours Program
Operation and Maintenance, Component

	PY-1	PY	CY	BY	BY+1	BY+2	BY+3	BY+4
Component, derived from Treasury Code, Bold								
F-16 Weapon System, Underline								
Quantity Weapon System Detail			sum of all quantities by SAG and PE					
Flying Hours Required Weapon System Detail			sum of all required flying hours by SAG and PE					
Flying Hours Funded Weapon System Detail			sum of all funded flying hours by SAG and PE					
Flying Hour Difference			Required less Programmed +/-, **Bold**					
Flying Hours Funded/Crew/Month Weapon System Detail			sum of all reported by SAG and PE					
Number of Crews Weapon System Detail			sum of all reported by SAG and PE					
Crew Ratio Weapon System Detail			sum of all reported by SAG and PE					
Fuel Funded Weapon System Detail			sum of all fuel funded by SAG and PE					
Reparables Funded Weapon System Detail			sum of all reparables funded by SAG and PE					
Consumables Funded Weapon System Detail			sum of all consumables funded by SAG and PE					
Contract Funded Weapon System Detail			sum of all contracts funded by SAG and PE					
Maintenance Funded Weapon System Detail			sum of all maintenance funded by SAG and PE					
Other Funded Weapon System Detail			sum of all other funded by SAG and PE					
Total Direct Funded			Sum all direct funded types above, **Bold**					
Indirect Funded Weapon System Detail			sum of all indirect funded by SAG and PE					
Total Funded			Sum all funded types above, **Bold**					
Total TOA Required			sum of all reported by SAG and PE, **Bold**					

Instructions for creating the display
The OP-20 data will be **submitted via the Select and Native Programming Data Input System (SNaP) located at https://snap.pae.osd.mil. The most current version of this exhibit will be found at this site**. Once loaded the data will be available in the Operations & Support Data Center. Program/Budget data displays will be produced through the Data Center. Questions regarding the OP-20 should be referred to (703) 697-3248. Questions about the SNaP interface should be referred to the Office of the Director (Program Analysis & Evaluation) Programming and Fiscal Economics Division (703) 693-0223.
1) Display the Organization and Component under the report title
2) For each Weapon System display the weapon system detail as organized above
3) Sum all weapon detail reported by SAG and PE at weapon system level
Data Center: Operations and Support, Program/Budget
Display Variations for Warehouse: In addition to Organization breaks create one Department wide Display including all organizations, no grand totals.
Database Requirement: One XLS of all data for all organizations as provided-- no calculations

Exhibit OP-20 Flying Hours Program
(Page 1 of 3)

OP-20 Flying Hours Summary

Appropriation	SAG	Program Element	Weapon System Type	Weapon System Detail	PY-1	PY	CY	BY	BY+1	BY+2	BY+3	BY+4
Treasury Code List Provided	List Provided		Type/Model/Series	Quantity	#	#	#	#	#	#	#	#
	Add Capability		List Provided with add capability	Flying Hours Required	#	#	#	#	#	#	#	#
				Flying Hours Funded	#	#	#	#	#	#	#	#
				Flying Hours Funded/Crew/Month	#	#	#	#	#	#	#	#
				Number of Crews	#	#	#	#	#	#	#	#
				Crew Ratio	#	#	#	#	#	#	#	#
				Utilization Rate	#	#	#	#	#	#	#	#
				Fuel Funded (Direct)	$	$	$	$	$	$	$	$
				DLRs Funded (Direct)	$	$	$	$	$	$	$	$
				Consumables Funded (Direct)	$	$	$	$	$	$	$	$
				Contract Funded (Indirect)	$	$	$	$	$	$	$	$
				Maintenance Funded (Indirect)	$	$	$	$	$	$	$	$
				Other Funded (Indirect)	$	$	$	$	$	$	$	$
				Total TOA Required	$	$	$	$	$	$	$	$

Instructions for Completing the Weapon Systems Readiness-Flying Hour Summary

1) For Army, Navy and Air Force, provide the funding level--by Active, Reserve, and Guard--for the Flying Hour Program (FHP) by SAG, PE, Treasury Code and weapon system type. The funding levels reported here should be the same as those reported in Budget Exhibit OP-20.
2) Provide Narrative in a Word Document that discusses reasons for cost growth from the PB 03 position for any major weapons systems whose cost per flying hour increased more than 10 percent. Discuss any accounting changes in the flying hour program made since the PB 03 position.
3) For Navy, provide a list of Program Elements included in each of the following: TACAIR/ASW, Fleet Training, and Fleet Air Support

Definitions:
Organization: The Military Departments, All components
Appropriation: Treasury Code, Defined set of four-digit numeric codes from the Comptroller that identifies resources by type, organization and component.

Exhibit OP-20 Flying Hours Program
(Page 2 of 3)

OP-20 Flying Hours Summary (Continued)

SAG: Sub-Activity Group, budget term denoting groupings of resources
Army SAGs: 111, 112, 113, 114, 121, 135, 311, 321, 322, 423, 434, and 441.
Navy SAGs: 1A1A, 1A2A, and 1C1C
Air Force SAGs: By appropriate SAGs.
Program Element: Identify the PE containing the weapon system described by the detail.
Weapon System Type: Provide Type/Model/Series detail for the weapon system described by the detail.
Weapon System Detail:
Quantity-Identify the number of weapon system type used to determine flying hour program funding
Flying Hours: - flying hour per Aircraft per Month, required and funded
Utilization Rate:
Crew Ratio: - number of crews funded per weapon system
Funded: Identify direct funding level for Fuel, DLRs, Consumables, and Indirect funding for Contract, Maintenance and Other OPTEMPO.
Army -- See definition of Indirect OPTEMPO in Notes section below.
Navy--Special Interest Codes
Air Force--Consumables (General Support (GS) + System Support (SS))
Total TOA Required: Provide total TOA required to meet the flying hour requirement

Notes:
1) Indirect OPTEMPO is the portion of the Army's total OPTEMPO that is structure based, or those costs that are based on the number of personnel supported rather than the costs that vary directly with training activities/events (called Direct OPTEMPO). Some examples of Indirect OPTEMPO costs include organizational clothing and equipment, civilian pay, and contract logistic support. If it is not possible to report Indirect OPTEMPO costs by PE and weapon system, report total Indirect OPTEMPO costs for the Army flying hour program and include a narrative in a word document explaining how this number is achieved and what steps will be taken to provide more detailed data in the next POM submission
2) For each PE/Treasury Code/SAG combination, the sum of DLRs and Consumables will be compared with the O&M FYDP Expense Aggregate, Repair Parts, for the same combination.
3) For each PE/Treasury Code/SAG combination, the Fuel entered will be compared with the O&M FYDP Expense Aggregate, Fuel, for the same combination.

Technical Issues: If you are having difficulty with the data collection system—SNaP, contact the SNaP administrators via the email link at the web site.

Exhibit OP-20 Flying Hours Program
(Page 3 of 3)

Exhibit OP-24 Emergency and Extraordinary Expense Limitation

INSTRUCTIONS FOR OP-24

Emergency and Extraordinary Expense Limitation

A. Purpose

1. This section provides guidance for the submission of Exhibit OP-24 (Emergency and Extraordinary Expense Limitation) and the quarterly emergency and extraordinary expenses expenditure report required by section 127 of Title 10, United States Code.

2. This section supersedes OASD(C) memorandum, 14 August 1975, subject: Quarterly Reporting of Emergency and Extraordinary Expenses, and OASD(C) memorandum, 6 August 1976, subject: Quarterly Reporting of Emergency and Extraordinary Expenses.

B. Submission Requirements

1. General. In the annual DoD appropriations acts, Congress provides the Secretary of Defense, secretaries of the military departments, DoD Inspector General, and the US Court of Appeals for the Armed Forces, the authority to make obligations and expenditures for emergency and extraordinary expenses. These authorities are provided in terms of dollar limitations and are available for the fiscal year in which they are provided in the DoD appropriations act. Defense agencies, the office of the Secretary of Defense, the office of the Joint Chiefs of Staff, and Combatant Commands are allocated (usually via a Deputy Secretary of Defense memorandum) a portion of the Secretary of Defense's annual emergency and extraordinary expenses authority.

The use of emergency and extraordinary expenses authority is limited to those expenditures which cannot be anticipated or classified, or are not specifically appropriated for such purposes, and includes expenditures for emergent confidential military requirements and official representation activities.

In order to strengthen the management of, and budgeting for, emergency and extraordinary expense authority, and continue to comply with 10 USC 127 for the submission of required reports to Congress, it is necessary to improve the emergency and extraordinary expense data collection process. Therefore, the following guidance is provided:

2. OP-24

a. This exhibit will be submitted by each military department and Defense activity that require emergency and extraordinary expense authority, or authority to expend funds for official representation activities, for both the OSD budget review and the President's budget submit. In addition to the budgetary data, the OP-24 must include a full and complete narrative justification to support the request.

b. If more space is required, the justification material may be continued on a second page, or additional information may be attached to OP-24, as appropriate.

c. The Defense components that submit an OP-24 with only the budgetary data, but inadequate or no narrative justification risk not receiving any, or significantly reduced, emergency and extraordinary expense authority.

d. For the President's budget submission, the OP-24 should be submitted concurrently but separately to OUSD (Comptroller) Operations Directorate (Pentagon, Room 3C749).

3. Quarterly Reports

a. 10 USC 127 requires the Secretary of Defense to submit an annual report of expenditures made under the authority of this statute. (Although Congress requires an annual submission, quarterly inputs are required for management purposes.)

b. The categories of expenditure for reporting the quarterly emergency and extraordinary expenses were defined in the 14 August 1975 ASD(Comptroller) memorandum, and are shown below (Mapping and Charting Activity has been changed to Geospatial Intelligence):

		Emergency and Extraordinary Expenses Expenditures through _____	
		Obligation	Expenditure
1.	Cryptologic Intelligence	x	x
2.	HUMINT	x	x
3.	Counterintelligence and Investigative Activities	x	x
4.	Scientific and Technical	x	x
5.	Intelligence and Management Support	x	x
6.	Geospatial Intelligence	x	x
7.	Attaché Activities	x	x
8.	Tactical Intelligence	x	x
9.	Other Intelligence *	x	x
10.	Representation Allowance	x	x
11.	Criminal Investigations	x	x
12.	Other Non-Intelligence Activities *	x	x
	Total	xx	xx

* "Other" categories should be specifically identified with their related expenditures in separate lines below lines 9 and/or 12.

c. The quarterly expenditure amounts reported are expenditures made against recorded obligations for the fiscal year being reported. If current fiscal year expenditures being reported are expenditures made against prior year obligations, provide a separate expenditure listing for each fiscal year for which expenditures in the current fiscal year are being reported. The quarterly expenditure amounts will be on a cumulative basis for the fiscal year for which the expenditures are being reported.

Exhibit OP-24 Emergency and Extraordinary Expense Limitation
(Page 2 of 4)

d. In addition, the Defense components shall also report to the Office of the Under Secretary of Defense (Comptroller) the obligation amounts made against the emergency and extraordinary expense authority for the fiscal year being reported.

e. The military departments, DoD Inspector General, and the US Court of Appeals for the Armed Forces shall submit quarterly reports of all emergency and extraordinary expense obligation and expenditures to the Office of the Under Secretary of Defense (Comptroller) no later than 31 days following the close of the quarter being reported.

f. Defense agencies and other DoD activities that receive their emergency and extraordinary expense authority from the Secretary of Defense (usually via a Deputy Secretary of Defense memorandum) shall continue to submit their quarterly expenditure data for official representation activities to the Director of Administration and Management no later than 25 days following the close of the quarter, in accordance with DoD Directive 7250.13 (Official Representation Funds). Defense agencies and DoD activities must also include their obligation data for official representation activities, in addition to the expenditure data, in their quarterly submissions to the Director of Administration and Management.

g. Relative to the emergency and extraordinary expense expenditures for confidential military purposes, Defense agencies and other DoD activities, including the Washington Headquarters Services, that receive their emergency and extraordinary expense authority from the Secretary of Defense, shall submit their quarterly obligation and expenditure report for confidential military purposes directly to the Office of the Under Secretary of Defense (Comptroller) no later than 31 days following the close of the quarter being reported.

Operation and Maintenance, _____

EMERGENCY AND EXTRAORDINARY EXPENSE LIMITATION

Scope: Covers all expenses subject to the congressional limitation on "Emergency and Extraordinary Expenses"

			FY PY	FY CY	FY BY
	1.	Cryptologic Intelligence			
	2.	HUMINT			
	3.	Counterintelligence and Investigative Activities			
	4.	Scientific and Technical			
	5.	Intelligence and Management Support			
	6.	Geospatial Intelligence			
	7.	Attaché Activities			
	8.	Tactical Intelligence			
*	9.	Other Intelligence			
		Subtotal, Intelligence Type			
	10.	Representation Allowance			
	11.	Criminal Investigations			
*	12.	Other Non-Intelligence Activities			
		Total			

* "Other" categories should be specifically identified with their related purpose as a footnote. The DoD Components are invited to provide additional appropriate standard categories in lieu of using "Other" category.

NARRATIVE EXPLANATION OF CHANGE. Provide written explanation/justification for changes from one FY to the next.

Exhibit OP-24 Emergency and Extraordinary Expense Limitation
(Page 4 of 4)

Exhibit OP-25 Ground Vehicle Operations

NEW Exhibit OP-25
Ground Vehicle Operations
Operation and Maintenance, Component

	PY-1	PY	CY	BY	BY+1	BY+2	BY+3	BY+4
Component, derived from Treasury Code, Bold								
M-1 Weapon System, Underline								
Quantity Weapon System Detail		sum of all quantities by SAG and PE						
Barrels of Fuel Weapon System Detail		sum of all quantities by SAG and PE						
Tank Miles Required Weapon System Detail		sum of all reported by SAG and PE						
Tank Miles Funded Weapon System Detail		sum of all reported by SAG and PE						
Tank Miles Difference		Required less Programmed +/-, **Bold**						
Fuel Funded Weapon System Detail		sum of all reported by SAG and PE						
Reparable Parts Funded Weapon System Detail		sum of all reported by SAG and PE						
Consumables Funded Weapon System Detail		sum of all reported by SAG and PE						
Contract/Other Funded Weapon System Detail		sum of all reported by SAG and PE						
Total Direct Funded		Sum all funded types above, **Bold**						
Indirect Funded Weapon System Detail		sum of all indirect funded by SAG and PE						
Total Funded		Sum all funded types above, **Bold**						
Total Requirement		sum of all reported by SAG and PE, **Bold**						

Instructions for creating the display
The OP-25 data will **be submitted via the Select and Native Programming Data Input System (SNaP) located at https://snap.pae.osd.mil. The most current version of this exhibit will be found at this site**. Once loaded the data will be available in the Operations & Support Data Center. Program/Budget data displays will be produced through the Data Center. Questions regarding the OP-20 should be referred to the Operations Directorate at OPSDirectorate@osd.mil. Questions about the SNaP interface should be referred to the Office of the Director (Program Analysis & Evaluation) Programming and Fiscal Economics Division (703) 693-7825. Technical questions regarding SNaP should be referred to the Information Management and Analysis Group (703) 604-6349.
1) Display the Organization and Component under the report title
2) For each Weapon System display the weapon system detail as organized above
3) Sum all weapon detail reported by SAG and PE at weapon system level
Crystal Reports Sort Order: Organization, Component then Weapon System
Data Center: Operations and Support, Program/Budget
Data Source: SNaP
Display Variations for Warehouse: In addition to Organization breaks create one Department wide Display including all organizations, no grand totals.
Database Requirement: One XLS of all data for all organizations as provided-- no calculations

Exhibit OP-25 Ground Vehicle Operations
Page 1 of 3)

Appropriation	SAG	Program Element	Weapon System Type	Weapon System Detail	PY-1	PY	CY	BY	BY+1	BY+2	BY+3	BY+4
Treasury Code List	List Provided		Major Fighting Vehicle	Quantity	#	#	#	#	#	#	#	#
	Add Cap.		List Provided with add capability	Barrels of Fuel	#	#	#	#	#	#	#	#
				OPTEMPO Miles Required	#	#	#	#	#	#	#	#
				OPTEMPO Miles Funded	#	#	#	#	#	#	#	#
				Fuel Funded	$	$	$	$	$	$	$	$
				DLRs Funded	$	$	$	$	$	$	$	$
				Consumables Funded	$	$	$	$	$	$	$	$
				Contract Funded	$	$	$	$	$	$	$	$
				Indirect Funded	$	$	$	$	$	$	$	$
				Total TOA Required	$	$	$	$	$	$	$	$

Instructions for Completing the Weapon Systems Ground Vehicle Operations Summary

1) For Army, Marine Corps and SOCOM, provide the funding level--by Active, Reserve, and Guard--for Ground Vehicle Operations. Provide as much of the PE, Treasury Code, SAG and Weapon System Type information as possible
2) Provide a list of Weapon Systems and the type of OPTEMPO miles (Tank, Battalion, etc.). Include a definition for each type of OPTEMPO mile with the derivation/calculations used. Can be in either Word or Excel.

Definitions:

Organization: The POM reporting entities directed to submit this data requirement. For a complete list of organizations by data requirement see Appendix A of the PDR.
Appropriation: Treasury Code, Defined set of four-digit numeric codes from the Comptroller that identifies resources by type, organization and component.
SAG: Sub-Activity Group, budget term denoting groupings of resources
Program Element: Identify the PE containing the weapon system described by the detail.

Exhibit OP-25 Ground Vehicle Operations
(Page 2 of 3)

Weapon System Type: Provide Major Fighting Vehicles by type for the weapon system described by the detail. For each type of major combat vehicle in an Excel document, provide the average number of annual tank miles budgeted and executed, and cost per average tank mile for Fuel, DLRs and Consumables by the warfighting units in the following training/operational categories:

- Combatants (exclude CCTT, CTCs & Contingency Operations)
- Close Combat Tactical Training (CCTT)
- National Training Center (NTC)
- Other Combat Training Centers (CTCs)
- Contingency Operations (i.e., Bosnia)
- Other (Please specify)
- Total Ground OPTEMPO (should be consistent with Weapon System Readiness total)

Include direct Operation and Maintenance funds only. (Exclude amounts funded from other appropriations or other source of funding (e.g. reimbursement from foreign government).)

Weapon System Detail:

Quantity-Identify the number of major fighting vehicle weapon systems by type used to determine the tank miles program funding
OPTEMPO Miles: -Annual number of OPTEMPO Miles driven for Major Fighting Vehicles, required and funded
Funded: Identify funding level for Fuel, DLRs, Consumables, and Contract Funding and Indirect OPTEMPO costs (Army only).
Total TOA Required: Provide total TOA required to meet the ground vehicle operations requirement

Business Rules:
For Ground Vehicles only, for each PE/Treasury Code/SAG combination, include vehicles not on the starter list or considered major combat vehicles in Weapon System Type = Other Vehicles.

Notes:
1) Indirect OPTEMPO is the portion of the total OPTEMPO that is structure based, or those costs that are based on the number of personnel supported rather than the costs that vary directly with training activities/events (called Direct OPTEMPO). Some examples of Indirect OPTEMPO costs include organizational clothing and equipment, civilian pay, and contract logistic support. If it is not possible to report Indirect OPTEMPO costs by PE and weapon system, report Indirect OPTEMPO costs for the Army ground operations program by cost category and include a narrative in a word document explaining how this number is achieved and what steps will be taken to provide more detailed data in the next POM submission
2) For each PE/Treasury Code/SAG combination, the sum of DLRs and Consumables will be compared with the O&M FYDP Expense Aggregate, Repair Parts, for the same combination.
3) For each PE/Treasury Code/SAG combination, the Fuel entered will be compared with the O&M FYDP Expense Aggregate, Fuel, for the same combination.

Technical Issues: If you are having difficulty with the data collection system – SNAP, contact the SNAP administrators via the email link at the web site.

Exhibit OP-25 Ground Vehicle Operations
(Page 3 of 3)

Exhibit OP-26A POL Consumption and Costs (Flying Hours)

DEPARTMENT of_____
FY BY OSD Submit/President's Budget
POL Consumption and Costs
(Flying Hours, Barrels and $ in Thousands)

Appropriation/Fund

	FY PY Actual			FY CY Estimate			FY BY Estimate		
Activity	**F/H**	**BBLs**	**$**	**F/H**	**BBLs**	**$**	**F/H**	**BBLs**	**$**
Aircraft Operations									
Separately identify each petroleum product									
Ship Operations									
Separately identify each petroleum product									
Vehicle Operations									
Separately identify each petroleum product									
Other (Identify each activity separately)									
Separately identify each petroleum product									
Total									
Separately identify each petroleum product									

Instructions: This exhibit will be submitted by each Military Department and Defense Agency. Complete for each appropriation and fund, including the Defense Working Capital Fund, family housing, and RDT&E accounts. Customer accounts should include direct consumption only and should not include Working Capital Fund (WCF) consumption. Provide for each type of petroleum product consumed (for example: JP-4, MOGAS, Leaded, Navy Reclaim, distillate, etc.). Provide for each of the following appropriations/funds and when more than one appropriation/fund provides a total for the Component.

1. Subtotals
   a. Operation and Maintenance Appropriations
   b. Research, Development, Test and Evaluation Appropriations
   c. Family Housing Appropriations
   d. Defense Working Capital Fund (Provide a breakout for each Working Capital Fund activity group and a total for the Working Capital Fund.)
      (1) Depot Maintenance
      (2) MSC
      (3) Other Working Capital Fund Activities (Separately identify each Defense Working Capital Fund activity group.)
2. Total Military Service or Defense Agency

The OP-26A exhibit will also be submitted by each Military Department and Defense Agency concurrently with the submission of congressional justification materials. The OP-26A exhibit will not be included in justification material forwarded to the Congress.

Exhibit OP-26A POL Consumption and Costs (Flying Hours)

Exhibit OP-26B POL Consumption and Costs (Unit Cost)

Department of _____

FY BY OSD Submit President's Budget
POL Consumption and Costs
(Barrels, Unit Cost and $ in Thousands)

Appropriation/Fund

	FY PY Actual			FY CY Estimate			FY BY Estimate		
Activity	**BBLs**	**Unit Cost**	**$**	**BBLs**	**Unit Cost**	**$**	**BBLs**	**Unit Cost**	**$**
Aircraft Operations									
Separately identify each petroleum product									
Ship Operations									
Separately identify each petroleum product									
Vehicle Operations									
Separately identify each petroleum product									
Other (Identify each activity separately)									
Separately identify each petroleum product									
Total									
Separately identify each petroleum product									

Instructions: This exhibit will be submitted by each Military Department and Defense Agency. Complete for each appropriation and fund, including Defense Working Capital Fund, family housing and RDT&E accounts. Customer accounts should include direct consumption only and should not include Defense Working Capital Fund consumption. Provide for each type of petroleum product consumed (for example: JP-4, MOGAS, Leaded, Navy Reclaim, distillate, etc.). Provide for each of the following appropriations/funds and when more than one appropriation/fund provides a total for the Component.

1. Subtotals
   a. Operation and Maintenance Appropriations
   b. Research, Development, Test and Evaluation Appropriations
   c. Family Housing Appropriations
   d. Defense Working Capital Fund (Provide a breakout for each Defense Working Capital Fund activity group and a total for the Defense Working Capital Fund.)
      (1) Depot Maintenance
      (2) MSC
      (3) Other Defense Working Capital Fund Activities (Separately identify each Defense Working Capital Fund activity group.)
2. Total Military Service or Defense Agency

The OP-26B exhibit will also be submitted by each Military Department and Defense Agency concurrently with the submission of congressional justification materials. The OP-26B exhibit will not be included in justification material forwarded to the Congress.

Exhibit OP-26C Sources of Purchases for POL Consumption

Department of
FY BY OSD Submit/President's Budget
Source of Purchases for POL Consumption
(Barrels in Thousands)

Appropriation/Fund

	FY PY Actual			FY CY Estimate			FY BY Estimate		
Activity	**WCF**	**Local Sources**	**Total**	**`WCF**	**Local Sources**	**Total**	**WCF**	**Local Sources**	**Total**
Aircraft Operations									
Separately identify each petroleum product									
Ship Operations									
Separately identify each petroleum product									
Vehicle Operations									
Separately identify each petroleum product									
Other (Identify each activity separately)									
Separately identify each petroleum product									
Total									
Separately identify each petroleum product									

Instructions: This exhibit will be submitted by each Military Department and Defense Agency for both the OSD Submit and the President's budget submit. Complete for each appropriation and fund, including working capital funds, family housing and RDT&E accounts. Customer accounts should include direct consumption only and should not include industrial fund consumption. Provide for each type of petroleum product consumed (for example: JP-4, MOGAS, Leaded, Navy Reclaim, distillate, etc.). Provide for each of the following appropriations/funds and when more than one appropriation/fund provides a total for the Component. **The total purchases will agree with the barrels consumed or planned for consumption reflected on the OP-26 exhibit.**

1. Subtotals
   a. Operation and Maintenance Appropriations
   b. Research, Development, Test and Evaluation Appropriations
   c. Family Housing Appropriations
   d. Defense Working Capital Fund (Provide a breakout for each Defense Working Capital Fund activity group and a total for the Defense Working Capital Fund.)
      (1) Depot Maintenance
      (2) MSC
      (3) Other Defense Working Capital Fund Activities (Separately identify each Defense Working Capital Fund activity group.
2. Total Military Service or Defense Agency

The OP-26C exhibit will also be submitted by each Military Department and Defense Agency concurrently with the submission of congressional justification materials. The OP-26C exhibit will not be included in justification material forwarded to the Congress. **Include a copy of the Fund 15, Fuel Data, exhibit.**

Exhibit OP-26C Sources of Purchases for POL Consumption

Exhibit OP-30 Depot Maintenance Program

Depot Maintenance Program
Operation and Maintenance, Component

	PY-1	PY	CY	BY	BY+1	BY+2	BY+3	BY+4
Active Component derived from Treasury Code								
Aircraft Maintenance Activity, **Bold**								
F-16 Weapon System, Underline								
Airframe Maintenance Type								
Units				Data provided				
Programmed				Data provided				
Required				Data provided				
Delta				**Calculate: Programmed TOA less Required TOA**				
Engine Maintenance Type								
Units				Data provided				
Programmed				Data provided				
Required				Data provided				
Delta				**Calculate: Programmed TOA less Required TOA**				

Instructions for creating the display
The OP-30 data will be **submitted via the Select and Native Programming Data Input System (SNaP) located at https://snap.pae.osd.mil. The most current version of this exhibit will be found at this site**. Once loaded the data will be available in the Operations & Support Data Center. Program/Budget data displays will be produced through the Data Center. Questions regarding the OP-30 should be referred to (703) 697-3248. Questions about the SNaP interface should be referred to the Office of the Director (Program Analysis & Evaluation) Programming and Fiscal Economics Division (703) 693-0223.

1) Display the Organization and Component under the report title
2) For each Maintenance Activity report Resource Type and Maintenance Types by Weapon System
3) Display Units as reported
4) Display TOA as follows—Programmed then Required, and a delta line (Programmed less Required)
Data Center: Operations and Support, Program/Budget
Data Source: SNaP
Display Variations for Warehouse: In addition to Organization breaks create one Department wide Display, do not break on Organization, no grand totals
Database Requirement: One XLS of all data for all organizations as provided-- no calculations

Exhibit OP-30 Depot Maintenance Program
(Page 1 of 3)

Component	Maintenance Activity	Weapon System	Maintenance Type	Resource Type	PY-1	PY	CY	BY	BY+1	BY+2	BY+3	BY+4
Active	Closed List Provided	List Provided with Add Capability	Closed List Provided	Required	$K	$K	$K	$K	$K	$K	$K	$K
Reserve				Funded	$K	$K	$K	$K	$K	$K	$K	$K
Guard				Units	#	#	#	#	#	#	#	#

Instructions for Completing the Depot Level Maintenance Database

1) For each component provide resource type for each maintenance type within each maintenance activity.

Definitions

Organization: The POM reporting entities directed to submit this data requirement. For a complete list of organizations by data requirement see Appendix A of the PDR.

Component: Identify Active, Guard or Reserve

Resource Level

Required: The portion of the total requirement that could be executed if funds were available. Do not include work that cannot be performed due to operational commitments, capacity constraints, or any other constraints except funding.

Funded: This reflects funding, by appropriation, for work that is programmed to be available. Includes both contract orders and organic maintenance activities.

Units: Number of systems being overhauled

Business Rules:

Where Maintenance Activity = Aircraft, Maintenance Type = Airframe, Engine, Software and Other
Where Maintenance Activity = Combat Vehicles, Maintenance Type = Vehicle, Software and Other
Where Maintenance Activity = Ships, Maintenance Type = Overhauls, Selected Restricted Availability, Phased Maintenance Availability, Software and Other
Where Maintenance Activity = Missiles, Maintenance Type = Strategic Missiles, Tactical Missiles, Software and Other
Where Maintenance Activity = Ordnance, Maintenance Type = Ordnance, Engine, Software and Other
Where Maintenance Activity = Other, Maintenance Type = Other End-item, Software, Other, Missiles, Non-DWCF Exchangeables

Maintenance Activity and Type Relationship Matrix	
Maintenance Activity	**Maintenance Type**
Aircraft	Airframe Engine Software Other
Combat Vehicles	Vehicle Software Other
Ships	Overhauls Selected Restricted Availability Phased Maintenance Availability Software Other
Missiles	Strategic Missile Tactical Missile Software Other
Ordnance	Ordnance Engine Software Other
Other	Other End-Item Other Missiles Non-DWCF Exchangeables Software Other

Exhibit OP-30 Depot Maintenance Program
(Page 3 of 3)

Exhibit OP-30S Ship Depot Maintenance Program

New Exhibit OP-30S

Navy Ship Depot Maintenance
Operation and Maintenance,

Ship Depot Maintenance Detail

Weapon System	Appropriation	SAG	PE	Funding Level	Resource Type		PY	CY	BY	BY+1	BY+2	BY+3	BY+4
Ship Class	Treasury Code List Provided	List Provided	List Provided	Required	Funding	$K	$K	$K	$K	$K	$K	$K	$K
				Programmed	Man Days	$K	$K	$K	$K	$K	$K	$K	$K
					Man Day Rate								
					Labor								
					Material								
					Other Material								
					Advanced Planning								
					Induction Year Requirement								

Ship Detail

Ship Type	Hull Number	Name	Avail Type	Start Date	End Date	Prev Avail End date	Prev Avail Type	Yard	Repair Act'y

Instructions for creating the display

The OP-30S data will be **submitted via the Select and Native Programming Data Input System (SNaP) located at https://snap.pae.osd.mil. The most current version of this exhibit will be found at this site**. Once loaded, the data will be available in the Operations & Support Data Center. Program/Budget data displays will be produced through the Data Center. Questions regarding the OP-30S should be referred to (703) 697-3248. Questions about the SNaP interface should be referred to the Office of the Director (Program Analysis & Evaluation) Programming and Fiscal Economics Division (703) 693-0223.

Exhibit OP-30S Ship Depot Maintenance Program
(Page 1 of 2)

1) Display the Organization and Component under the report title
2) For each Weapon System display the weapon system detail as organized above
3) Sum all weapon detail reported by SAG and PE at weapon system level
Data Center: Operations and Support, Program/Budget
Data Source: SNaP
Display Variations for Warehouse: In addition to Organization breaks create one Department wide Display including all organizations, no grand totals.
Database Requirement: One XLS of all data for all organizations as provided-- no calculations

Definitions
Organization: The POM reporting entities directed to submit this data requirement. For a complete list of organizations by data requirement see Appendix A of the PDR.
Component: Identify Active, Guard or Reserve
Resource Level **Definitions (All funding in $ thousands except Manday Rate in dollars, Manyears in thousands)**
APPN : OMN or OMNR
FY: Fiscal Year of ship induction
Ship Type: Ship class
Hull: Ship hull number
Availability Type: SRA, PMA, PIA, Overhaul, Other (Describe)
Start Date: Induction date
End Date: Completion date
Previous Availability End date:
Previous Availability Type: SRA, PMA, PIA, Overhaul, Other (Describe)
Yard: Public/Private Shipyard where availability is accomplished (Abbreviation)
Repair Activity: As appropriate
Total Mandays: Total number of required mandays (in thousands) to accomplish availability
Unfunded Mandays: Total number of mandays (in thousands) not funded in current request
Funded Mandays: Total Mandays minus Unfunded Mandays
Manday Rate: Budgeted manday rate
Labor Costs: Total Mandays times Manday Rate
Material Costs:
Other Costs:
Advanced Planning: Design and other costs associated with preparations for availability
Total Requirement: Labor Costs + Material Costs + Other Costs + Advanced Planning
PY Funding: Sum of prior year funds expended in support of availability (Including advanced planning)
Induction Year Requirement: Total funding required in induction FY (equals budget request amount)
Unfunded: Total unfunded requirement in induction FY

Exhibit OP-30S Ship Depot Maintenance Program
(Page 2 of 2)

Exhibit OP-31 Spares and Repair Parts

DEPARTMENT OF _____

OPERATION AND MAINTENANCE, _____

SPARES AND REPAIR PARTS

(Dollars in Millions)

	FY PY		FY CY		FY BY		CY-BY CHANGE	
	Qty	($ in M)	Qty	($ in M)	Qty	($ in M)	Qty	($ in M)
DEPOT LEVEL REPARABLES (DLRs)								
COMMODITY: (As appropriate for each Component)								
SHIPS								
AIRFRAMES								
AIRCRAFT ENGINES								
COMBAT VEHICLES								
OTHER								
MISSILES								
COMMUNICATIONS EQUIPMENT								
OTHER MISC.								
TOTAL								
CONSUMABLES								
COMMODITY: (As appropriate for each Component)								
SHIPS								
AIRFRAMES								
AIRCRAFT ENGINES								
COMBAT VEHICLES								
OTHER								
MISSILES								
COMMUNICATIONS EQUIPMENT								
OTHER MISC.								
TOTAL								

The FY PB estimate column of the OSD submit should reflect actual data through the first three quarters plus a realistic projection for the remaining quarter. For the PB submit, the FY PY column will reflect actuals as of September 30th. Include an explanation of changes in quantity and funding between years and deviations between actual and program data.

Provide the quantity and funding for each commodity group within each O&M appropriation used to purchase depot level reparables and consumable supplies from the Defense Working Capital Fund.

Exhibit OP-31 Spares and Repair Parts

Exhibit OP-32 Summary of Price and Program Change

OPERATION AND MAINTENANCE _____ (1)
SUMMARY OF PRICE AND PROGRAM CHANGES
FY ___(2)
($ in Thousands)

		FY ___(3) Program (4)	Foreign Currency Rate Difference (5)	Price Growth Percent (6)	Price Growth Amount (7)	Program Growth (8)	FY ___(3) Program (9)
	CIVILIAN PERSONNEL COMPENSATION						
101	Executive, General and Special Schedules			(11)			
103	Wage Board			(11)			
104	Foreign National Direct Hire (FNDH)			(11)			
106	Benefits to Former Employees			(11)			
107	Voluntary Separation Incentive Pay			(11)			
110	Unemployment Compensation			(11)			
111	Disability Compensation			(11)			
121	Permanent Change of Station (PCS)			(11)			
199	Total Civilian Personnel Compensation			(10)			
	TRAVEL						
308	Travel of Persons			(12)			
399	Total Travel			(10)			
	DEFENSE WORKING CAPITAL FUND SUPPLIES & MATERIALS PURCHASES						
401	DLA Energy (Fuel Products)			(15)			
402	Service Fund Fuel			(15)			
411	Army Managed Supplies & Materials			(16)			
412	Navy Managed Supplies & Materials			(16)			
413	Marine Corps Supply			(16)			
414	Air Force Consolidated Sustainment Activity Group (Supply)			(16)			
415	DLA Managed Supplies & Materials			(16)			
416	GSA Managed Supplies & Materials			(17)			
417	Local Purchase Managed Supplies & Materials			(16)			
418	Air Force Retail Supply			(16)			
499	Total Fund Supplies & Materials Purchases			(10)			

All O&M Components including Defense Agencies must submit an automated OP-32 for both the OSD/OMB and congressional submissions through the Program Resources Collection

Exhibit OP-32 Summary of Price and Program Change
(Page 1 of 13)

OPERATION AND MAINTENANCE _____ (1)
SUMMARY OF PRICE AND PROGRAM CHANGES
FY ___(2)
($ in Thousands)

		FY ___(3) Program (4)	Foreign Currency Rate Difference (5)	Price Growth Percent (6)	Price Growth Amount (7)	Program Growth (8)	FY ___(3) Program (9)
	DEFENSE WORKING CAPITAL FUND EQUIPMENT PURCHASES						
502	Army Fund Equipment			(18)			
503	Navy Fund Equipment			(18)			
505	Air Force Fund Equipment			(18)			
506	DLA Fund Equipment			(18)			
507	GSA Managed Equipment			(19)			
599	Total Fund Equipment Purchases			(10)			
	OTHER FUND PURCHASES (EXCLUDE TRANSPORTATION)			(23), (13)			
601-699	(As applicable/see schedule for Element of Expense for Purchases from DWCF)			(24)			
699	Total Purchases			(10)			
	TRANSPORTATION						
701	AMC Cargo (Fund)			(13)			
702	AMC SAAM (Fund) (Now 703)			(13)			
703	JCS Exercises			(14)			
705	AMC Channel Cargo			(13)			
706	AMC Channel Passenger			(13)			
707	AMC Training			(13)			
708	MSC Chartered Cargo			(13)			

Exhibit OP-32 Summary of Price and Program Change
(Page 2 of 13)

OPERATION AND MAINTENANCE _____ (1)
SUMMARY OF PRICE AND PROGRAM CHANGES
FY ___(2)
($ in Thousands)

		FY ___(3) Program (4)	Foreign Currency Rate Difference (5)	Price Growth Percent (6)	Price Growth Amount (7)	Program Growth (8)	FY ___(3) Program (9)
711	MSC Cargo (Fund)			(13)			
714	MSC POL Tankership			(13)			
715	MSC APF (Army, DLA & Air Force Preposition)			(13)			
716	MSC Surge Sealift (FSS & LMSR)			(13)			
717	SDDC Global POV			(13)			
718	SDDC Liner Ocean Transportation			(13)			
719	SDDC Cargo Operations (Port Handling)			(13)			
720	DSC Pounds Delivered			(13)			
721	SDDC (Port Handling-Fund)			(13)			
725	SDDC (Liner Ocean Transportation)			(22)			
771	Commercial Transportation			(28)			
799	Total Transportation			(10)			
	OTHER PURCHASES						
901	Foreign National Indirect Hire (FNIH)			(29)			
902	Separation Liability (FNIH)			(29)			
912	Rental Payments to GSA (SLUC)			(30)			
913	Purchased Utilities (non-Fund)			(31), (32)			
914	Purchased Communications (Non-Fund)			(31), (33)			
915	Rents (Non-GSA)			(31), (34)			
917	Postal Services (U.S.P.S.)			(31), (35)			
920	Supplies & Materials (Non-Fund)			(36)			
921	Printing & Reproduction			(37)			
922	Equipment Maintenance by Contract			(38)			
923	Facility Sustainment, Restoration, and Modernization by Contract			(39)			
924	Pharmaceutical Drugs			(52)			
925	Equipment Purchases (Non-Fund)			(40)			

Exhibit OP-32 Summary of Price and Program Change
(Page 3 of 13)

OPERATION AND MAINTENANCE _____ (1)
SUMMARY OF PRICE AND PROGRAM CHANGES
FY ___(2)
($ in Thousands)

		FY ___(3) Program (4)	Foreign Currency Rate Difference (5)	Price Growth Percent (6)	Price Growth Amount (7)	Program Growth (8)	FY ___(3) Program (9)
926	Other Overseas Purchases			(41)			
927	Air Defense Contracts & Space Support (AF)			(42)			
928	Ship Maintenance by Contract			(43)			
929	Aircraft Reworks by Contract			(44)			
930	Other Depot Maintenance (Non-Fund)			(45)			
932	Management & Professional Support Services			(46)			
933	Studies, Analysis, & Evaluations			(46)			
934	Engineering & Technical Services			(46)			
937	Locally Purchased Fuel (Non-Fund)			(15), (51)			
940	Defense Security Service			(59)			
955	Other Costs (Medical Care)			(60)			
957	Lands and Structures			(60)			
959	Insurance Claims and Indemnities			(60)			
960	Interest and Dividentds			(60)			
964	Subsistence and Support of Persons			(60)			
984	Equipment Contracts			(40)			
986	Other Contracts (Medical Care)			(57)			
987	Other Intra-government Purchases			(56)			
988	Grants			(47)			
989	Other Services			(48)			
990	IT Contract Support Services			(58)			
991	Foreign Currency Variance			(49)			
998	Other Costs (SOCOM only)			(61)			
999	Total Other Purchases			(10)			
9999	**TOTAL**			(50)			

Note: Include support for value engineering in applicable line item elements of expense.

Exhibit OP-32 Summary of Price and Program Change
Page 4 of 13)

Elements of Expense for Purchases from Defense Working Capital Fund (Fund)*

	Element of Expense
DEPOT MAINTENANCE	
Army Industrial Operations (Armament)	601
Army Industrial Operations (Depot Maintenance)	602
DLA Distribution	603
Naval Fleet Readiness Centers (Aviation)	613
Marine Corps Depot Maintenance	640
Air Force Consolidated Sustainment Activity Group (Maint)	(25) 661
Depot Maintenance (Air Force): Contract	662
BASE SUPPORT	
Navy Base Support (NAVFEC:Utilities & Sanitation)	634
Navy Base Support (NAVFEC: Other Support Services)	635
RESEARCH AND DEVELOPMENT ACTIVITIES	
Naval Air Warfare Center	610
Naval Surface Warfare Center	611
Naval Undersea Warfare Center	612
Space & Naval Warfare Center	614
Naval Research Laboratory	630
Navy Base Support (NFESC)	631
INFORMATION SERVICES	
DISA Telecommuncations/Enterprise Acquisition Services	(53) 671
DISA Enterprise Computing Centers	647
Communication Services (DISA) Tier 2	677

Elements of Expense for Purchases from Defense Working Capital Fund (Fund)*

		Element of Expense
TRANSPORTATION		
Military Sealift Command (MSC):		
Fleet Auxiliary Force (Navy Transportation)		620
Afloat Prepositioning Ships (Navy Transportation)		621
Special Mission Support (Navy Transportation)		623
PRINTING AND PUBLICATION SERVICES		
DLA Document Services		633
FINANCIAL OPERATIONS		
Financial Operations (DFAS)		673
OTHER		
Purchases from Pentagon Reservation Maintenance Revolving Fund	672	
DLA Disposition Services		675
Defense Commissary Operations		676
Industrial Mobilization Capacity	(55)	682
Cost Reimbursable Purchases	(27)	679
Purchases from the Buildings Maintenance Fund	(27)	680
Other Activity Groups (List)		680-689

* These lines should include only Defense Working Capital Fund purchases made at stabilized rates. Cost reimbursable purchases should be included in line 679.

INSTRUCTIONS FOR COMPLETION OF OP-32

(1) Enter the applicable component, i.e., Army, Navy, Marine Corps Reserve, Air National Guard, etc.

(2) Enter the fiscal year for which this exhibit is being prepared.

NOTE: A separate exhibit should be submitted for each O&M appropriation at the total appropriation level for the President's Budget

(3) Enter the prior year (PY), current year (CY), and budget year (BY), as applicable.

(4) For the CY exhibit, amounts entered in this column should agree with the prior year actual costs as shown in the prior year column of the applicable budget submission. For the BY exhibit, these amounts should agree with the far right hand column of the CY exhibit.

(5) This column should show the rate (percent) of price growth for various items. The price escalation indices prescribed by OSD (and rates provided by OMB) should be used for all lines, particularly fuel and civilian pay. Other price growth rates may be used for other items when actual experience supports a rate of increase different from that prescribed for the OSD/OMB submit. In those instances, supporting documentation for the rate used should be provided. If the rate is approved during the budget review, the revised rate may be used in the President's budget. To the extent that a separate rate of increase is used for any portion of a line item, for example, Equipment Maintenance by Contract, the applicable item should be subdivided into appropriate subcategories for each separate rate of increase used. The rate of price change for lines 401, 402, 411-415, 502-506, 601-693, and 701-721 should agree with applicable rates approved by OSD. Applicable rates of price growth, as prescribed by OSD, or as estimated and justified, as appropriate, should be shown for all items where there is a price change. The rate of price growth included in the President's budget will in all instances reflect the rate of increase approved during the OSD budget review.

(6) The amount shown for each appropriate line (exclusive of line 991), the Foreign Currency Rate Difference column will reflect the difference in the budgeted foreign currency exchange rates between the two years. For the prior and current years, the budgeted foreign currency exchange rates are the exchange rates that have been approved for recording obligations during execution. If the current year execution rates have not yet been established by the Congress in time for the budget submission, the foreign currency exchange rates reflected in that fiscal year's President's budget request will be used – unless changed by subsequent guidance from the OUSD (COMPTROLLER). For the biennial budget years, the budgeted foreign currency exchange rates are the exchange rates reflected in the OUSD (C) budget call memorandum for the budget submission or in the PBD issued during the budget review in the formulation of the President's budget request. (Note: Variances from the budgeted rates will be reflected only on line 991. These variances do not enter into the calculation on any of the other lines.) The column total, including line 991, will reflect (1) for the PY to the CY: the difference between prior year actuals and the current year budgeted rates, and (2) for the CY to the BY: the difference between budgeted rates in each year. If transfers are approved for the current year, the column total will reflect (1) for the PY to the CY: the difference between PY actuals and CY anticipated expenditures and (2) for the CY to the BY: the difference between the CY anticipated expenditures and the BY budgeted rates. No foreign currency rate difference will be shown for Defense Working Capital Fund Purchases and Travel or Transportation for AMC, MSC or MTMC. Only in unusual circumstances should an amount for foreign currency rate difference shown for other travel and/or transportation costs. (See end notes for further discussion of foreign currency entries.)

Exhibit OP-32 Summary of Price and Program Change
(Page 7 of 13)

INSTRUCTIONS FOR COMPLETION OF OP-32 (CONTINUED)

(7) The price growth column should show the amount of price growth for various items. **Where a percent increase by line item is shown in column 6, the amount included in column 7 will be the sum/difference of the previous fiscal year's program amount (column 4) and the foreign currency rate difference amount (column 5) times the percent shown in column 6.** The amount of the price growth will be consistent with the rate of change prescribed by OSD. The price increase for all items should be the additional/reduced funds, as a result of price changes, that would be required to accomplish the previous year's program at applicable fiscal year rates.

(8) Enter the amount of program growth for each item. Program growth is to be priced in current year dollars for the current year exhibit, biennial budget year 1 dollars for the biennial budget year 1 exhibit, and biennial budget year 2 dollars for the biennial budget year 2 exhibit.

(9) Enter the sum of (4), (5), (7) and (8) for each item.

(10) Subtotals should be included in (4), (5), (7), (8) and (9) for Civilian Personnel, Travel, Defense Working Capital Fund Supplies and Materials Purchases, Defense Working Capital Fund Equipment Purchases, Other Defense Working Capital Fund Purchases, Transportation, and Other Purchases, as applicable.

(11) Program amounts for Civilian Personnel compensation should be consistent with amounts shown in both the object class distribution reflected in the Program and Financing Schedules for Object Classes 11, 12 and 13 (Direct Obligations only) and in the OP-8 Exhibit, Civilian Personnel Costs (Direct Funded), Chapter 3 of the Financial Management Regulation for the applicable fiscal year. Payments made to the Department of Labor for expenses associated with employee's disability compensation are included in Object Class 12. Change in the number of compensable days per fiscal year will be reflected as program growth, not price growth. The annualization of the prior year's pricing changes (i.e., the previous fiscal year's pay raise), merit pay, bonuses, FERS participation, etc. will be reflected as changes in price growth. (See Vol. 2A, Chapter 3)

(12) Program amounts for travel should be consistent with amounts shown in Object Class 21 (including subclasses), for the applicable fiscal year.

(13) AMC, MSC, and MTMC costs displayed for items; 701, 702, 703, 705, 706, 707, 708, 711, 714, 715, 716, 717, 718, 719, 720, 721, 725, and 771 should include all purchases from these transportation funds. These amounts should exclude all non-Defense Working Capital Fund purchases such as reimbursement to MTMC of non-Defense Working Capital Fund (overseas) port operations.

(14) Line 703 JCS Exercises includes only those services in support of JCS exercises and paid only by The Joint Staff (TJS).

(15) The total of the program amounts for Defense Energy Support Center (DESC) Fuel, Defense Working Capital Fund Fuel, and Locally Procured Fuel (Non-Fund) line items must agree with the amounts shown on the OP-26 Exhibit, POL Consumption and Costs, Chapter 3, Financial Management Regulation.

Exhibit OP-32 Summary of Price and Program Change
(Page 8 of 13)

INSTRUCTIONS FOR COMPLETION OF OP-32 (CONTINUED)

(16) Include Object Class 26 supplies and materials purchased from each Defense Working Capital Fund, including DLA.

(17) Include Object Class 26 supplies and materials purchased from GSA.

(18) Include all equipment (including furniture) purchased from Defense Working Capital Fund, including DLA.

(19) Include all equipment (including furniture) purchased from GSA.

(20) Include amounts to be paid for motor vehicles leased from both commercial services and the General Services Administration (GSA) Interagency Fleet Management System (IFMS). .

(21) Includes centrally managed items procured by the Defense Working Capital Fund from sources other than Defense Working Capital Fund or non-Defense Stock Funds.

(22) Include purchases of MTMC services for non-Fund services such as overseas port terminal operations.

(23) Program amounts should be consistent with Fund purchases included in Object Class 25.3.

(24) Budget year (BY program amounts should reflect stabilized rates as requested by the Service (OSD submission) or as approved by OSD (President's Budget), as applicable, to include the impact of biennial budget years' pay raises. Cost reimbursable purchases should be included on line 679. Separate elements of expense for each Defense Working Capital Fund activity group are shown on page 3. Include only those elements of expense for Defense Working Capital Fund activity groups from which purchases were made or are planned, as applicable.

(25) Includes the Aerospace Maintenance & Regeneration Center (AMARC).

(26) Line 653, Airlift Services, Other AMC Purchases, includes Medical Evacuation Operations, Training, Search and Rescue, and other AMC costs not provided for in lines 701, or 702.

(27) Includes all Defense Working Capital Fund purchases made on a cost reimbursable (rather than stabilized rate) basis.

Exhibit OP-32 Summary of Price and Program Change
(Page 9 of 13)

INSTRUCTIONS FOR COMPLETION OF OP-32 (CONTINUED)

(28) Includes contractual charges for transportation of things via commercial air, sea, or surface mode and payments for commercial port operations and other transportation services exclusive of payments to the Defense Working Capital Fund.

(29) Program amounts should be consistent with direct obligation amounts shown in the OP-8 Exhibit, Civilian Personnel Costs, Chapter 3. (See Vol. 2A, Chapter 3)

(30) Charges for rental of space and related services assessed by GSA as Standard Level User Charge (SLUC) charges. Program amounts will be consistent with the amount shown in Object Class 23.1.

(31) Program amounts included for items 913-915 and 917 will be consistent with the amounts shown in Object Class 23.

(32) Purchases from non-Defense Working Capital Fund sources heat, light, power, water, gas, electricity and other utility services, exclusive of transportation and communication services.

(33) Purchases of communication services from non-Defense Working Capital Fund sources.

(34) Payments for possession and use of land, structures, and equipment (other than transportation equipment) owned by another, except for SLUC charges assessed by GSA.

(35) Purchases from the U.S. Postal Service including postage (other than Parcel Post), rental of post office boxes, postage meter machines and mailing machines. Also includes payments made to the U.S. Postal Service for handling of officially franked mail (i.e., Indicia Mail).

(36) Includes supplies and materials purchased from other than Defense and non-Defense Working Capital Fund.

(37) Program amounts should be consistent with the amounts shown in Object Class 24.

(38) Covers contractual equipment maintenance other than depot level (e.g., ADP/office equipment, etc.) not otherwise covered under IT Contract Support Services.

(39) Includes costs for sustainment and restoration/modernization of buildings, facilities, pavement, airfields and like items when done by contracts with the private sector.

(40) Equipment purchased from the private sector, including equipment included in Federal Supply Group 71, Furniture. Program amounts should be consistent with amounts reported under Object Class 31.01.

Exhibit OP-32 Summary of Price and Program Change
(Page 10 of 13)

INSTRUCTIONS FOR COMPLETION OF OP-32 (CONTINUED)

(41) Covers overseas contractor operated installation costs when covered in a single contractual agreement or when service is provided by a single contractor (excludes separate contracts for specific, limited services such as contract ADP services).

(42) Covers contracted service cost of Air Force Air Defense Systems (e.g., BMEWS, DEW Line, Spacetrack, Thule AFB base maintenance contracts, DSP) and Space Support programs.

(43) Includes the cost of ship related repair and the performance of regularly scheduled ship overhauls at commercial shipyards.

(44) Includes the cost to Depot Maintenance to purchase aircraft maintenance from commercial sources.

(45) Includes payments for all other non-Defense Working Capital Fund depot maintenance costs whether performed in-house or by contracts which have not been reported under lines 928 or 929.

(46) Program amounts should be consistent with Exhibit PB-15, (Advisory and Assistance Services), Chapter 19 of the Financial Management Regulation). The amounts reflected should agree with Object Class 25.1.

(47) Program amounts should be consistent with the amounts shown in Object Class 41.

(48) Charges for contractual services not otherwise reported elsewhere and consistent with amounts shown in Object Class 25.2.

(49) Amounts on line 991 will reflect variances from budgeted rates, as prescribed by OUSD (COMPTROLLER) guidance, which have actually occurred in the prior year or which have been approved (by DD-1415 or PBD) for the current year. There will be no amounts reflected on line 991 in the price and program growth columns. For the President's budget, the amount in the prior year column will be the realized variance on the 30 Sep DD Comp(M) 1506 report. Under no circumstances will there be an entry on line 991 in the biennial budget year. (For a further discussion, see Foreign Currency notes at the end of these instructions).

(50) Total program amounts, in (4) and (9), will be equal to the total direct program for prior year (PY), current year (CY), and budget year (BY), as applicable.

(51) Includes fuel purchased from sources other than the Defense Working Capital Fund.

(52) Includes funds for the purchase of pharmaceutical drugs budgeted in the Defense Health Program.

(53) Usage of long distance communications comparable to commercial services.

(54) Exhibit OP-32 Summary of Price and Program Change

**INSTRUCTIONS FOR COMPLETION OF OP-32 (CONTINUED
)**

(55) Include costs of long distance communications mandated by military readiness, security and interoperability.

(56) Funding supports critical Army production capabilities and maintains essential infrastructure to meet mobilization surge requirements for ammunitions processing, ordnance, and depot maintenance activities during national emergencies.

(57) Other Intra-government purchase includes purchases between other Components not already included in another OP-32 line item.

(58) Program amounts should be consistent with the amounts shown in Object Class 25.6

(59) Program amounts should be consistent with Section 803 of Public Law 111-84 (FY 2010 National Defense Authorization Act).

(60) Program amounts should reflect reimbursements to the Defense Security Service for personal security investigations.

(61) Includes amounts reported, repectively, under Object Classes: 25.6, 25.8; 32.0; 42.0; 43.0; and 91.0.

(62) For use by SOCOM only to record MFP-11 civilian pay reimbursements.

Note: In order to be consistent with the OMB A-11, all Components are required to comply with the Crosswalk of OP-32 Line Items to CIS Object Classes.

INSTRUCTIONS FOR COMPLETION OF OP-32 (CONTINUED)
Foreign Currency Notes

A. The Total for Foreign Currency Rate Difference (Column 2) must reflect the difference between:

1. PY to CY: Prior year actuals and current year budgeted rates or anticipated expenditures in the current year if transfers have also been approved for the Current Year. (For the latter, individual line items in column 2 (except for line 991) will reflect the difference in budgeted rates and line 991 in column 2 will reflect the transfer amount.)

2 .CY to BY: Current year budgeted rates or anticipated expenditures in the current year if transfers have also been approved for the current year, and biennial budget year 1 budgeted rates.

B. Individual line items in Column 2 (except for line 991) must reflect the difference in program costs that are caused only by a difference in budgeted foreign currency exchange rates between fiscal years.

C. Line 991 - Foreign Currency Variance

1. Prior Year (PY) to Current Year (CY)

a. PY column equal Realized variance (DD Comp (M) 1506 Report 30 Sep). Column 2 equal Reverse the realized variance amount in the PY column. CY column equal zero

b. If transfers have been approved in the CY, PY column equal Realized variance (DD Comp (M) 1506 Report 30 Sep). Column 2 equal Reverse the realized variance amount in the PY column and add the transfer amount approved for the CY to determine the total. CY column equal the transfer amount approved for the CY.

2. Current Year (CY) to Budget Year (BY)

a. If the budgeted rates change between the CY and the BY and transfers from the Foreign Currency Fluctuations, Defense (FCF, D) appropriation are not reflected in the budget, then the CY column, Column 2 , and the BY column for line 991 are all zero.

b. If budgeted rates change between the CY and the BY and the FCF,D transfers have been reflected in the budget for the CY, then the CY column for line 991 will reflect the value of the transfers and Column 2 for line 991 will reflect the reversal of the transfers. The BY column for line 991 will be zero.

CROSSWALK OF OP32 LINE ITEMS/CIS OBJECT CLASS

OP32 - Lines		CIS Lines Relationship	
	CIVILIAN PERSONNEL COMPENSATION		
101	Executive, General and Spec. Schedules	11.11	Full-time permanent
101	Executive, General and Spec. Schedules	11.31	Other than full-time permanent
101	Executive, General and Spec. Schedules	11.51	Other personnel compensation
101	Executive, General and Spec. Schedules	11.81	Special personal services payments
101	Executive, General and Spec. Schedules	12.11	Civilian Personnel Benefits
103	Wage Board	11.11	Full-time permanent
103	Wage Board	11.31	Other than full-time permanent
103	Wage Board	11.51	Other personnel compensation
103	Wage Board	12.11	Civilian Personnel Benefits
104	Foreign National Direct Hire (FNDH)	11.11	Full-time permanent
104	Foreign National Direct Hire (FNDH)	11.31	Other than full-time permanent
104	Foreign National Direct Hire (FNDH)	11.51	Other personnel compensation
104	Foreign National Direct Hire (FNDH)	12.11	Civilian Personnel Benefits
106	Benefits to Former Employees	13.01	Benefits for Former Personnel
107	Voluntary Separation Incentive Pay	13.01	Benefits for Former Personnel
110	Unemployment Compensation	13.01	Benefits for Former Personnel
111	Disability Compensation	12.11	Civilian Personnel Benefits
121	Permanent Change of Station (PCS)	12.11	Civilian Personnel Benefits
199	Total Civilian Personnel Compensation		
	TRAVEL		
308	Travel of Persons	21.01	Travel and transportation of persons
399	Total Travel		

CROSSWALK OF OP32 LINE ITEMS/CIS OBJECT CLASS (Continued)

OP32 - Lines		CIS Lines Relationship	
	DEFENSE WORKING CAPITAL FUND (WCF) SUPPLIES & MATERIALS PURCHASES		
401	DLA Energy (Fuel Products)	26.01	Supplies and Materials
402	Service Fund Fuel	26.01	Supplies and Materials
411	Army Managed Supplies & Materials	26.01	Supplies and Materials
412	Navy Managed Supplies & Materials	26.01	Supplies and Materials
413	Marine Corps Supply	26.01	Supplies and Materials
418	Air Force Retail Supply	26.01	Supplies and Materials
414	Air Force Consolidated Sustainment Activity Group (Supply)	26.01	Supplies and Materials
415	DLA Managed Supplies and Materials	26.01	Supplies and Materials
416	GSA Managed Supplies & Materials	26.01	Supplies and Materials
417	Locally Purchased Managed Supplies and Materials	26.01	Supplies and Materials
499	Total Fund Supplies & Materials Purchases		
	DEFENSE WCF EQUIPMENT PURCHASES		
502	Army Fund Equipment	31.01	Equipment
503	Navy Fund Equipment	31.01	Equipment
505	Air Force Fund Equipment	31.01	Equipment
506	DLA Fund Equipment	31.01	Equipment
507	GSA Managed Equipment	31.01	Equipment
599	Total Fund Equipment Purchases		
	OTHER FUND PURCHASES (EXCLUDE TRANSPORTATION)		
	DEPOT MAINTENANCE		
601	Army Industrial Operations (Armament)	25.33	Purchases from revolving funds (WCF)
602	Army Industrial Operations (Depot Maintenance)	25.33	Purchases from revolving funds (WCF)

CROSSWALK OF OP32 LINE ITEMS/CIS OBJECT CLASS *(Continued)*

OP32 - Lines		CIS Lines Relationship	
603	DLA Distribution	25.33	Purchases from revolving funds (WCF)
613	Naval Fleet Readiness Centers (Aviation)	25.33	Purchases from revolving funds (WCF)
640	Marine Corps Depot Maintenance	25.33	Purchases from revolving funds (WCF)
661	Air Force Consolidated Sustainment Activity Group (Maint)	25.33	Purchases from revolving funds (WCF)
662	Air Force Contract Depot Maintenance	25.33	Purchases from revolving funds (WCF)
	BASE SUPPORT		
634	Navy Base Support (NAVFEC:Utilities & Sanitation)	25.33	Purchases from revolving funds (WCF)
635	Navy Base Support (NAVFEC:Other Services)	25.33	Purchases from revolving funds (WCF)
	RESEARCH AND DEVELOPMENT ACTIVITIES		
610	Naval Air Warfare Center	25.33	Purchases from revolving funds (WCF)
611	Naval Surface Warfare Center	25.33	Purchases from revolving funds (WCF)
612	Naval Undersea Warfare Center	25.33	Purchases from revolving funds (WCF)
614	Space & Naval Warfare Center	25.33	Purchases from revolving funds (WCF)
630	Naval Research Laboratory	25.33	Purchases from revolving funds (WCF)
631	Navy Base Support (NFESC)	25.33	Purchases from revolving funds (WCF)
	INFORMATION SERVICES		
671	DISA Telecommunications/Enterprise Acquisition Services)	25.33	Purchases from revolving funds (WCF)
677	Communication Services (DISA) Tier 1	23.31	Communications, Utilities and Misc Charges
647	DISA Enterprise Computing Centers	25.33	Purchases from revolving funds (WCF)
	TRANSPORTATION		
	Military Sealift Command (MSC):		
620	Navy Transportation (Fleet Auxiliary Force)	25.33	Purchases from revolving funds (WCF)
621	Navy Transportation (Afloat Prepositioning Ships)	25.33	Purchases from revolving funds (WCF)

CROSSWALK OF OP32 LINE ITEMS/CIS OBJECT CLASS *(Continued)*

OP32 - Lines		CIS Lines Relationship	
623	Navy Transportation (Special Mission Ships)	25.33	Purchases from revolving funds (WCF)
	PRINTING AND PUBLICATIONS SERVICES		
633	DLA Document Services	25.33	Purchases from revolving funds (WCF)
	FINANCIAL OPERATIONS		
673	Defense Finance & Accounting Svc	25.33	Purchases from revolving funds (WCF)
	OTHER		
672	Pentagon Reservation Maintenance Revolving Fund	25.33	Purchases from revolving funds (WCF)
675	DLA Disposition Services	25.33	Purchases from revolving funds (WCF)
676	Defense Commissary Operations	25.33	Purchases from revolving funds (WCF)
682	Industrial Mobilization Capacity	25.33	Purchases from revolving funds (WCF)
679	Cost Reimbursable Purchases	25.33	Purchases from revolving funds (WCF)
680	Purchases from Building Maintenance Fund	25.33	Purchases from revolving funds (WCF)
699	Total Purchases		
	TRANSPORTATION		
701	AMC Cargo (Fund)	25.33	Purchases from revolving funds (WCF)
702	AMC SAAM (Fund)	25.33	Purchases from revolving funds (WCF)
703	JCS Exercises	25.33	Purchases from revolving funds (WCF)
705	AMC Channel Cargo	25.33	Purchases from revolving funds (WCF)
706	AMC Channel Passenger	25.33	Purchases from revolving funds (WCF)
707	AMC Training	25.33	Purchases from revolving funds (WCF)
708	MSC Chartered Cargo	25.33	Purchases from revolving funds (WCF)
711	MSC Cargo (Fund)	25.33	Purchases from revolving funds (WCF)

CROSSWALK OF OP32 LINE ITEMS/CIS OBJECT CLASS *(Continued)*

OP32 - Lines		CIS Lines Relationship	
714	MSC POL Tankership	25.33	Purchases from revolving funds (WCF)
715	MSC APF (Army, DLA & Air Force Preposition)	25.33	Purchases from revolving funds (WCF)
716	MSC Surge Sealift (FSS & LMSR)	25.33	Purchases from revolving funds (WCF)
717	SDDC Global POV	25.33	Purchases from revolving funds (WCF)
718	SDDC Liner Ocean Transportation	25.33	Purchases from revolving funds (WCF)
719	SDDC Cargo Operations (Port Handling)	25.33	Purchases from revolving funds (WCF)
720	DSC Pounds Delivered	25.33	Purchases from revolving funds (WCF)
721	SDDC (Port Handling-Fund)	25.33	Purchases from revolving funds (WCF)
725	SDDC (Other-Non-Fund)	25.33	Purchases from revolving funds (WCF)
771	Commercial Transportation	22.01	Transportation of things
799	Total Transportation		
	OTHER PURCHASES		
901	Foreign National Indirect Hire	25.32	Payments to Foreign National IH Personnel
902	Separation Liability FNIH	25.32	Payments to Foreign National IH Personnel
912	Rent Payments to GSA (SLUC)	23.11	Rental Payments to GSA
913	Purchased Utilities (Non-Fund)	23.31	Communications, Utilities and Misc Charges
914	Purchased Communications (Non-Fund)	23.31	Communications, Utilities and Misc Charges
915	Rents (Non-GSA)	23.21	Rental payments to others (for space, land and structures)
917	Postal Services (U.S.P.S.)	23.31	Communications, Utilities and Misc Charges
920	Supplies & Materials (Non-Fund)	26.01	Supplies and Materials
921	Printing & Reproduction	24.01	Printing and reproduction
922	Equipment Maintenance - Contract	25.71	Operation and maintenance of equipment
923	Facility Maintenance - Contract	25.41	Operation and maintenance of facilities
924	Pharmaceutical Drugs	26.01	Supplies and Materials

CROSSWALK OF OP32 LINE ITEMS/CIS OBJECT CLASS *(Continued)*

OP32 - Lines		CIS Lines Relationship	
925	Equipment Purchases (Non-Fund)	31.01	Equipment
926	Other Overseas Purchases	25.21	Other Services
927	Air Defense Contracts & Space Support (AF)	25.71	Operation and maintenance of equipment
928	Ship Maintenance by Contract	25.71	Operation and maintenance of equipment
929	Aircraft Reworks by Contract	25.71	Operation and maintenance of equipment
930	Other Depot Maintenance (Non-Fund)	25.71	Operation and maintenance of equipment
932	Management & Professional Spt Svc	25.11	Advisory and Assistance Services
933	Studies, Analysis & Eval	25.11	Advisory and Assistance Services
934	Engineering & Technical Services	25.11	Advisory and Assistance Services
937	Locally Purchased Fuel (Non-Fund)	26.01	Supplies and Materials
940	Defense Security Service	25.31	Purchase of goods/services from government accounts
955	Other Costs (Medical Care)	25.61	Medical Care
957	Lands and Structures	32.01	Lands and structures
959	Insurance Claims and Indemnities	42.01	Insurance Claims and indemnities
960	Interest and Dividends	43.01	Interest and dividends
964	Subsistence and Support of Persons	25.81	Subsistence and support of persons
984	Equipment Contracts	31.01	Equipment
986	Medical Care	25.61	Medical Care
987	Other Intra-government Purchases	25.31	Purchase of goods/services from government accounts
988	Grants	41.01	Grants, subsidies, and contributions
989	Other Services	25.21	Other Services
990	IT Contract Support Services	25.21	Other Services
991	Foreign Currency Variance	25.21	Other Services
998	Other Costs (SOCOM Only)	25.31	Purchase of goods/services from government accounts
999	Total Other Purchases		
9999	**TOTAL**		

Exhibit OP-34 Fund Support for Selected Quality of Life Activities

Fund Support for Selected Quality of Life Activities

Program	Category	Fund Source	Activity	Appropriation	Resource Type	PY-1	PY	CY	BY	BY+1	BY+2	BY+3	BY+4
Closed See List Below	Closed See List Below	Direct Program Operation	Closed See List Below	Treasury Code List Provided	Funding	$K	$K	$K	$K	$K	$K	$K	$K
		Direct Overhead (Category level only)			Civilian Direct FTE	#	#	#	#	#	#	#	#
		Indirect Support (Category level only)			Civilian Foreign Direct FTE	#	#	#	#	#	#	#	#
		URD Practice (Memo entry – Category only)			Civilian Foreign Indirect FTE	#	#	#	#	#	#	#	#
		USA Practice (Memo entry – Category only)			Civilian URD/USA FTE	#	#	#	#	#	#	#	#
					Officer	#	#	#	#	#	#	#	#
					Enlisted	#	#	#	#	#	#	#	#

Definitions

Component: All DoD Military Departments, active and reserve components, including the Defense Activities and Agencies that have Selected Quality of Life resources, are to submit the OP-34 Exhibit each year.

Programs:

Military MWR Program -- as defined in DoDI 1015.10, “Programs for Military Morale, Welfare, and Recreation (MWR)"

Civilian MWR Program -- as defined in DoDD 1015.8, “DoD Civilian Employee Morale, Welfare, and Recreation (MWR) Activities and Supporting Non-Appropriated Fund Instrumentalities (NAFIs)”

Lodging Program -- as defined in DoDI 1015.12, “Lodging Program Resource Management”

Overseas Contingency Operations Mission NAFI -- as defined in DoDD 1015.1, "Establishment, Management and Control of NAFIs"

Armed Services Exchange -- as defined in DoDD 1015.1, "Establishment, Management and Control of NAFIs" and DoDD 1330.9, “Armed Services Exchanges”

Family Support -- as defined in DoDI 1342.22, “Family Centers”

Off Duty and Voluntary Education -- as defined in DoDI 1322.25, “Voluntary Education Programs” includes tuition assistance and other voluntary education programs.

Exhibit OP-34 Fund Support for Selected Quality of Life Activities
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Exhibit OP-34 Fund Support for Selected Quality of Life Activities (Continued)

Category:

Military MWR Category A -- Mission Sustaining Programs
Military MWR Category B -- Basic Community Support Programs
Military MWR Category C -- Revenue-Generating Programs
TDY Lodging -- Temporary Duty (TDY) Lodging is official travel quarters for TDY personnel
PCS Lodging -- Permanent Change of Station (PCS) Lodging is official travel quarters for PCS personnel and their families and normally provides some type of kitchen facilities.
Tuition Assistance -- Funds provided solely for direct, enrollment-related military tuition assistance
Other Voluntary Education -- Other costs not identified or captured under the tuition assistance category above; voluntary education-related personnel, equipment, supplies, travel and conference attendance should be included here. PACE, DANTES, VEAP, eArmyU and any other similar programs not paid for directly from tuition assistance funding should be included here.

Fund Source: Direct Support is direct program operation and direct overhead as defined below.

Direct Program Operation: All appropriated fund costs (in-house and contract) provided to directly operate an individual MWR program, such as physical fitness, libraries, or recreation (as defined in enclosure 4 of DoDI 1015.10 for military MWR programs). Costs include military and civilian personnel including benefits; travel; training; supplies; equipment (includes rental and maintenance); contracted services; and Family Child Care subsidy. For Overseas Contingency Operations Mission NAFIs include only the appropriated funds related directly to the operation of the NAFI. Do not include appropriated fund costs of the mission program.

Direct Overhead: At installation and headquarters, overhead is appropriated fund direct costs that are attributable to more than one MWR program and are associated with the general management or administrative support of MWR programs. Overhead costs include military and civilian personnel including benefits; travel; training; supplies; equipment (includes rental and maintenance); contracted services; and other support related to all levels of managerial staff functions and positions located above the direct program managerial and operational level of individual MWR programs. These resources support planning, organizing, directing, coordinating, and controlling the overall operations of MWR programs. It consists of program, fiscal, logistical, and other managerial functions that are required to ensure oversight.

Indirect Support: All appropriated fund Base Operations support costs to MWR programs and activities. Base Operation costs are budgeted and executed by a non-MWR activity that supports installation-wide services. Costs include military personnel support; civilian personnel services; facility and infrastructure support (including fire, health, safety); equipment operation; financial and accounting services; installation procurement and common warehousing; communication; installation information systems; legal services; transportation services; second destination transportation; utilities and real property rents; refuse collection; custodial and janitorial services.

Activity: Individual MWR programs within Military MWR Categories listed above.

Appropriation: Treasury Code, defined set of four-digit numeric codes from the Comptroller that identifies funding resources by type, organization and components.

Resource Type: Identify Funding by Appropriation (i.e., O&M and dollars in thousands) or Appropriation and Manpower type (i.e., O&M and Civilian FTE and number)

Exhibit OP-34 Fund Support for Selected Quality of Life Activities
(Page 2 of 6)

Exhibit OP-34 Fund Support for Selected Quality of Life Activities (Continued)

Instructions for Completing the Quality of Life Resources Database

1) For PY-1 through BY provide direct funding for Fund Source=Direct Program Operation by QOL Category, **Activity**, Appropriation and Resource Type. Provide funding for all other Fund Sources where specified in the matrix below by QOL Category, Appropriation, and Resource Type. Provide Manpower using Fund Source= Direct Program Operation by QOL Category , Appropriation and Resource Type. Do not enter any cost more than once.
2) For BY+1 through BY+4 provide direct funding for Fund Source =Direct Program Operation by Appropriation and Resource Type rolled up at the QOL Category level except for the following Activities in the matrix below—A.3, and B.1.1 through B.1.5. Provide funding for all other Fund Sources where specified in the matrix below by QOL Category, Appropriation, and Resource Type. Provide Manpower using Fund Source= Direct Program Operation, by QOL Category, Appropriation and Resource Type. Do not enter any cost more than once.
3) Choose an appropriation with each resource type reported on -- for example O&M and funding for dollars or O&M and Civilian FTES, and Military Personnel and Officer and Military Personnel and TOA for funding.
4) Provide Indirect Support at the MWR Category level for PY-1 to BY.
5) Provide URD Practice and USA Practice (considered memo entries) dollars at the MWR Category level for PY-1 to BY.
6) In preparing the OP-34 detail the Services/Defense Agencies should use the program definitions contained in the DoDI 1015.10, “Programs for Military Morale, Welfare, and Recreation (MWR)"; DoDI 1015.12, “Lodging Program Resource Management”; DoDD 1015.8, “DoD Civilian Employee Morale, Welfare, and Recreation (MWR) Activities and Supporting Non-Appropriated Fund Instrumentalities (NAFIs)”; DoDD 1015.1, "Establishment, Management and Control of NAFIs"; DoDI 1342.22, “Family Centers”; and DoDI 1322.25, “Voluntary Education Programs.”
7) **MWR only**: Provide in Microsoft Word document a short narrative description of resource changes between CY, and BY, identified separately by MWR category, if 10 percent above or below inflation.

The OP-34 Budget Exhibit must be included in the Budget Estimates Submission and the Congressional justification book each year. The OP-34 data will be **submitted via the Select and Native Programming Data Input System (SNaP) located at https://snap.pae.osd.mil. The most current version of this exhibit will be found at this site**. Once loaded the data will be available in the Operations & Support Data Center. Program/Budget data displays will be produced through the Data Center. Questions regarding the OP-20 should be referred to (703) 697-3101. The **SNaP system will generate this display** from the data provided for MWR programs (military, civilian, lodging, Overseas Contingency Operations mission NAFIs, and armed services exchanges) that includes a title page with the following description of the exhibit: “The Exhibit OP-34 displays total appropriated fund support for the Department of _____ managed Morale, Welfare, and Recreation (MWR) programs.” The title page will also include the following definition of MWR programs (from DoDI 1015.10): “The MWR programs are vital to mission accomplishment and form an integral part of the non-pay compensation system. These programs provide a sense of community among patrons and provide support services commonly furnished by other employers, or other State and local governments to their employees and citizens. The MWR programs encourage positive individual values, and aid in recruitment and retention of personnel. They provide the physical, cultural, and social needs, and general well-being of Service members and their families, providing community support systems that make DoD bases temporary hometowns for a mobile military population.”

Business Rules

Refer to the table below to identify Program, Category, Fund Source, and Activity Relationships
Indirect Support, URD Practice (memo), and USA Practice (memo) are reported at the MWR Category level only
Subject Matter Experts: Questions regarding this data requirement should be directed to Ms. Carol Potter 703-602-4997 and Major Greg Wise 703-692-8046.
Technical Issues: If you are having difficulty with the data collection system—SNaP, contact the SNaP administrators via the email link at the Web site: https:\\snap.pae.osd.mil

Exhibit OP-34 Fund Support for Selected Quality of Life Activities (Continued)

Program, Category, Fund Source and Activity Relationship Matrix			
Program	**Category**	**Fund Source**	**Activity**
Military MWR Programs	A--Mission Sustaining Programs	Direct Program Operation	A.1. Armed Forces Professional Entertainment Overseas
			A.2. Free Admission Motion Pictures
			A.3. Physical Fitness and Aquatic Training
			A.4. Library Programs & Information Services (Recreation)
			A.5. On-Installation Parks and Picnic Areas
			A.6. Basic Social Recreation (Center) Programs
			A.7. Shipboard, Company, and/or Unit Level Programs
			A.8. Sports and Athletics
			A.9. Single Service Member Program
		Direct Overhead	N/A
		Indirect Support	N/A
		URD Practice (memo)	N/A
		USA Practice (memo)	N/A
	B-- Basic Community Support Programs	Direct Program Operation	B.1.1 Child Development Centers B.1.2 Family Child Care B.1.3 Overseas Contingency Operations Program/Resource & Referral/Other B.1.4 School Age Care B.1.5 Youth Program
			B.2.1 Cable and/or Community Television (TV) B.2.2 Recreation Information, Tickets, and Tours Services B.2.3 Recreational Swimming
			B.3.1 Directed Outdoor Recreation B.3.2 Outdoor Recreation Equipment Checkout B.3.3 Boating w/o Resale or Private Berthing B.3.4 Camping (Primitive and/or tents) B.3.5 Riding Stables, Government-owned or -leased
			B.4.1 Amateur Radio (MARS) B.4.2 Performing Arts (Music, Drama, and Theater) B.4.3 Arts and Crafts Skill Development B.4.4 Automotive Crafts Skill Development B.4.5 Bowling (12 lanes or less)
			B.5. Sports Programs (Above Intramural Level)
		Direct Overhead	N/A
		Indirect Support	N/A
		URD Practice (memo)	N/A
		USA Practice (memo)	N/A

Exhibit OP-34 Fund Support for Selected Quality of Life Activities (Continued)

Program, Category, Fund Source and Activity Relationship Matrix			
Program	**Category**	**Fund Source**	**Activity**
Military MWR Programs (continued)	C-- Revenue-Generating Programs	Direct Program Operation	C.1.1 Military Open Mess (Clubs) C.1.2 Restaurants, snack bars, & other food outlets
			C.2.1 PCS Lodging C.2.2 Recreational Lodging C.2.3 Joint Service Facilities and/or AFRCs
			C.3.1 Flying Program C.3.2 Parachute and Sky Diving Program C.3.3 Rod and Gun Program C.3.4 Scuba and Diving Program C.3.5 Horseback Riding C.3.6 Video Program
			C.4.1 Resale activities (i.e., audio, photo, recycling, car wash, etc.) C.4.2 Amusement & Recreation Machines and/or Gaming C.4.3 Bowling (Over 12 lanes) C.4.4 Golf C.4.5 Boating (with resale or private boat berthing) C.4.6 Equipment Rental (other than outdoor recreation equipment rental) C.4.7 Unofficial Commercial Travel Services C.4.8 Other
		Direct Overhead	N/A
		Indirect Support	N/A
		URD Practice (memo)	N/A
		USA Practice (memo)	N/A
Civilian MWR		Direct Program Operation	N/A
		Direct Overhead	N/A
		Indirect Support	N/A
Lodging Program	TDY Lodging	Direct Program Operation	N/A
		Direct Overhead	N/A
		Indirect Support	N/A
	PCS Lodging (Not MWR Category C)	Direct Program Operation	N/A
		Direct Overhead	N/A
		Indirect Support	N/A

Exhibit OP-34 Fund Support for Selected Quality of Life Activities
(Page 5 of 6)

Exhibit OP-34 Fund Support for Selected Quality of Life Activities (Continued)

Overseas Contingency Operations Mission NAFIs		Direct Program Operation	N/A
		Direct Overhead	N/A
		Indirect Support	N/A
Armed Services Exchange		Direct Program Operation	N/A
		Direct Overhead	N/A
		Indirect Support	N/A
		URD Practice (memo)	N/A
		USA Practice (memo)	N/A

Program, Category, Fund Source and Activity Relationship Matrix			
Program	**Category**	**Fund Source**	**Activity**
Family Support	N/A	Direct Program Operation	N/A
Off Duty and Voluntary Education Programs	Tuition Assistance	Direct Program Operation	N/A
	Other Voluntary Education Programs	Direct Program Operation	N/A

Exhibit OP-34(MWR) Appropriated Fund Support for Morale, Welfare and Recreation (MWR) Activities

APPROPRIATED FUND SUPPORT FOR MORALE, WELFARE AND RECREATION ACTIVITIES (MWR)
($ in Thousands)

INSTRUCTIONS:

1. The OP-34 must contain a title page that includes the following description of the exhibit: "The Exhibit OP-34 displays total appropriated fund support (APF) for Dept. of the _____ managed Morale, Welfare, and Recreation (MWR) programs and joint services managed programs."

The title page must also include the following definition of MWR programs (from DoDI 1015.10): "The MWR programs are vital to mission accomplishment and form an integral part of the non-pay compensation system. These programs provide a sense of community among patrons and provide support services commonly furnished by other employers, or other State and local governments to their employees and citizens. The MWR programs encourage positive individual values, and aid in recruitment and retention of personnel. They provide for the physical, cultural, and social needs, and general well-being of Service members and their families, providing community support systems that make DoD bases temporary hometowns for a mobile military population."

The title page must also include a short narrative description of all major program changes, identified separately by MWR category.

2. In preparing the OP-34 Exhibit, the Services/Defense Agencies must use the program definitions contained in the DoD Directive 1015.10, subject: Programs for Military Morale, Welfare, and Recreation (MWR), DoDI 1015.12, subject: Lodging Program Resource Management; and DoDD 1015.8, subject: DoD Civilian Employee Morale, Welfare, and Recreation (MWR) and Supporting Nonappropriated Fund Instrumentalities (NAFIs).

3. APF support should include both direct and indirect APF support provided to MWR activities and should include the cost categories reported on the Appropriated and Nonappropriated Fund Expense Summary required by DoDI 7000.12. Direct costs include those costs that can be directly attributable to the activity and include civilian and military pay and benefits, travel, training, supplies and equipment, contracts, and Family Child Care subsidy. Indirect costs include costs that are attributed to more than one activity and include rents, utilities, communications, minor construction, repair and maintenance, contracts, engineering support, etc.

4. APF Common Support - That appropriated fund support, identified as APF support used in the management, administration and operation of more than one MWR program, however, that support or cost is not easily nor readily identifiable to a specific MWR program.

Some examples of APF common support would include: managerial operational functions and positions at an installation, major command or Service, executive and upper management supervision that is functionally located above the operating program manager level and having responsibility for several MWR programs; an installation's civilian personnel functions; and central accounting office functions.

5. The OP-34 Exhibits must be submitted for the OSD/OMB budget submission each year. The OP-34 exhibit should also be included in the congressional justification books (Volume II - Data Book) each year.

APPROPRIATED FUND SUPPORT FOR MORALE, WELFARE AND RECREATION ACTIVITIES (MWR)

($ in Thousands)

FY: **Prior Year**	Appropriations				Total APF Oper.	Mil Constr.	Total APF Spt
MWR CATEGORY							
Category A							
Direct	$_____	$_____	$_____	$_____	$_____	$_____	$_____
Indirect	$_____	$_____	$_____	$_____	$_____	$_____	$_____
Category B							
Direct	$_____	$_____	$_____	$_____	$_____	$_____	$_____
Indirect	$_____	$_____	$_____	$_____	$_____	$_____	$_____
Category C							
Direct	$_____	$_____	$_____	$_____	$_____	$_____	$_____
Indirect	$_____	$_____	$_____	$_____	$_____	$_____	$_____
Category D							
Direct	$_____	$_____	$_____	$_____	$_____	$_____	$_____
Indirect	$_____	$_____	$_____	$_____	$_____	$_____	$_____
Total APF Support	$_____	$_____	$_____	$_____	$_____	$_____	$_____
Direct Support	$_____	$_____		$_____ $_____	$_____	$_____	$_____
Indirect	$_____	$_____	$_____	$_____	$_____	$_____	$_____

FY: **Current Year**	Appropriations				Total APF Oper.	Mil Constr.	Total APF Spt
MWR CATEGORY							
Category A							
Direct	$_____	$_____	$_____	$_____	$_____	$_____	$_____
Indirect	$_____	$_____	$_____	$_____	$_____	$_____	$_____
Category B							
Direct	$_____	$_____	$_____	$_____	$_____	$_____	$_____
Indirect	$_____	$_____	$_____	$_____	$_____	$_____	$_____
Category C							
Direct	$_____	$_____	$_____	$_____	$_____	$_____	$_____
Indirect	$_____	$_____	$_____	$_____	$_____	$_____	$_____
Category D							
Direct	$_____	$_____	$_____	$_____	$_____	$_____	$_____
Indirect	$_____	$_____	$_____	$_____	$_____	$_____	$_____

Exhibit OP-34 Appropriated Fund Support for Morale, Welfare and Recreation (MWR) Activities

Exhibit OP-34(MWR) Appropriated Fund Support for Morale, Welfare and Recreation (MWR) Activities(Continued)

Total APF Support	$_____	$_____	$_____	$_____	$_____	$_____	$_____
Direct	$_____	$_____	$_____	$_____	$_____	$_____	$_____
Indirect	$_____	$_____	$_____	$_____	$_____	$_____	$_____

FY: **Budget**	Appropriations			Total APF Oper.	Mil Constr.	Total APF Spt
MWR CATEGORY						
Category A						
Direct	$_____	$_____	$_____	$_____	$_____	$_____
Indirect	$_____	$_____	$_____	$_____	$_____	$_____
Category B						
Direct	$_____	$_____	$_____	$_____	$_____	$_____
Indirect	$_____	$_____	$_____	$_____	$_____	$_____
Category C						
Direct	$_____	$_____	$_____	$_____	$_____	$_____
Indirect	$_____	$_____	$_____	$_____	$_____	$_____
Category D						
Direct	$_____	$_____	$_____	$_____	$_____	$_____
Indirect	$_____	$_____	$_____	$_____	$_____	$_____
Total APF Support	$_____	$_____	$_____	$_____	$_____	$_____
Direct	$_____	$_____	$_____	$_____	$_____	$_____
Indirect	$_____	$_____	$_____	$_____	$_____	$_____

Exhibit OP-34 Appropriated Fund Support for Morale, Welfare and Recreation (MWR) Activities
(Page 3 of 7)

APPROPRIATED FUND SUPPORT FOR MORALE, WELFARE AND RECREATION ACTIVITIES (MWR)
($ in Thousands)

Provide for PY, CY, & BY

MWR CATEGORY		Appropriations			Total APF Oper.	Mil Constr.	Total APF Spt
Category A	$_____	$_____	$_____	$_____	$_____	$_____	$_____
MISSION SUSTAINING PROGRAMS							
A.1 Armed Forces Prof. Entertainment O/S	$_____	$_____	$_____	$_____	$_____	$_____	$_____
A.2 Physical Fitness	$_____	$_____	$_____	$_____	$_____	$_____	$_____
A.3 Free Admission Motion Picture	$_____	$_____	$_____	$_____	$_____	$_____	$_____
A.4 Libraries (REC)	$_____	$_____	$_____	$_____	$_____	$_____	$_____
A.5 Rec Centers Prog.	$_____	$_____	$_____	$_____	$_____	$_____	$_____
A.6 Parks/Picnic areas	$_____	$_____	$_____	$_____	$_____	$_____	$_____
A.7 Shipboard/Company/ Unit level prog./activities	$_____	$_____	$_____	$_____	$_____	$_____	$_____
A.8 Sports/Athletics-self directed, unit level and intramural	$_____	$_____	$_____	$_____	$_____	$_____	$_____
Common Support	$_____	$_____	$_____	$_____	$_____	$_____	$_____
TOTAL APF SUPPORT	$_____	$_____	$_____	$_____	$_____	$_____	$_____
Direct	$_____	$_____	$_____	$_____	$_____	$_____	$_____
Indirect	$_____	$_____	$_____	$_____	$_____	$_____	$_____

Exhibit OP-34 Appropriated Fund Support for Morale, Welfare and Recreation (MWR) Activities
(Page 4 of 7)

APPROPRIATED FUND SUPPORT FOR MORALE, WELFARE AND RECREATION ACTIVITIES (MWR)

($ in Thousands)

Provide for PY, CY, & BY

		Appropriations			Total APF Oper.	Mil Constr.	Total APF Spt
MWR CATEGORY							
Category B	$_____	$_____	$_____	$_____	$_____	$_____	$_____
BASIC COMMUNITY SUPPORT PROGRAMS							
B.1 Child Care Programs							
Child Dev. Centers	$_____	$_____	$_____	$_____	$_____	$_____	$_____
Family Child Care	$_____	$_____	$_____	$_____	$_____	$_____	$_____
Supp Program/Resource & Referral/Other	$_____	$_____	$_____	$_____	$_____	$_____	$_____
School Aged Care	$_____	$_____	$_____	$_____	$_____	$_____	$_____
B.2 Youth Activities							
B.3 Community Programs							
Cable/Community TV	$_____	$_____	$_____	$_____	$_____	$_____	$_____
Rec/tickets/tour	$_____	$_____	$_____	$_____	$_____	$_____	$_____
Rec Swimming	$_____	$_____	$_____	$_____	$_____	$_____	$_____
B 4 Outdoor Recreation							
Outdoor Recreation	$_____	$_____	$_____	$_____	$_____	$_____	$_____
Outdoor Rec Equip Checkout	$_____	$_____	$_____	$_____	$_____	$_____	$_____
Boating w/o Resale	$_____	$_____	$_____	$_____	$_____	$_____	$_____
Camping (Primitive)	$_____	$_____	$_____	$_____	$_____	$_____	$_____
Riding Stables (Gov't owned/ or Leased	$_____	$_____	$_____	$_____	$_____	$_____	$_____
B.5 Individual Skill Recreation							
Amateur Radio	$_____	$_____	$_____	$_____	$_____	$_____	$_____
Performing Arts	$_____	$_____	$_____	$_____	$_____	$_____	$_____
Arts and Crafts	$_____	$_____	$_____	$_____	$_____	$_____	$_____
Automotive Crafts	$_____	$_____	$_____	$_____	$_____	$_____	$_____
Bowling <12 lanes	$_____	$_____	$_____	$_____	$_____	$_____	$_____
B.6 Sports Programs							
(Above Intramural)	$_____	$_____	$_____	$_____	$_____	$_____	$_____
Common Support	$_____	$_____	$_____	$_____	$_____	$_____	$_____
TOTAL APF SUPPORT	$_____	$_____	$_____	$_____	$_____	$_____	$_____
Direct	$_____	$_____	$_____	$_____	$_____	$_____	$_____
Indirect	$_____	$_____	$_____	$_____	$_____	$_____	$_____

Exhibit OP-34 Appropriated Fund Support for Morale, Welfare and Recreation (MWR) Activities Page 5 of 7)

APPROPRIATED FUND SUPPORT FOR MORALE, WELFARE AND RECREATION ACTIVITIES (MWR)

($ in Thousands)

Provide for PY, CY, & BY

		Appropriations			Total APF Oper.	Mil Constr.	Total APF Spt
MWR CATEGORY							
Category C	$_____	$_____	$_____	$_____	$_____	$_____	$_____
REVENUE-GENERATING PROGRAMS							
C.1 Food, Beverage, & Entertainment							
Military Open Mess (Clubs)	$_____	$_____	$_____	$_____	$_____	$_____	$_____
Other Food Outlets	$_____	$_____	$_____	$_____	$_____	$_____	$_____
C.2 Lodging Programs (Part of MWR NAFI)							
Joint Service/Armed							
Forces/Serv Rec Ctrs	$_____	$_____	$_____	$_____	$_____	$_____	$_____
PCS Lodging	$_____	$_____	$_____	$_____	$_____	$_____	$_____
Recreational Lodging	$_____	$_____	$_____	$_____	$_____	$_____	$_____
C.3 Special Interest Clubs:							
Flying Program	$_____	$_____	$_____	$_____	$_____	$_____	$_____
Parachute/Sky Diving	$_____	$_____	$_____	$_____	$_____	$_____	$_____
Rod and Gun Program	$_____	$_____	$_____	$_____	$_____	$_____	$_____
Scuba/Diving Program	$_____	$_____	$_____	$_____	$_____	$_____	$_____
Horseback Riding	$_____	$_____	$_____	$_____	$_____	$_____	$_____
Video Program	$_____	$_____	$_____	$_____	$_____	$_____	$_____
Other	$_____	$_____	$_____	$_____	$_____	$_____	$_____
C.4 Other Revenue Generating Activities							
Resale	$_____	$_____	$_____	$_____	$_____	$_____	$_____
Amusement/Rec Machines	$_____	$_____	$_____	$_____	$_____	$_____	$_____
Bowling (over 12 lanes)	$_____	$_____	$_____	$_____	$_____	$_____	$_____
Golf	$_____	$_____	$_____	$_____	$_____	$_____	$_____
Boating (With Resale or							
Private Boat Berthing	$_____	$_____	$_____	$_____	$_____	$_____	$_____
Equipment Rental	$_____	$_____	$_____	$_____	$_____	$_____	$_____
Unofficial Comm Tvl Service	$_____	$_____	$_____	$_____	$_____	$_____	$_____
Other	$_____	$_____	$_____	$_____	$_____	$_____	$_____
Common Support	$_____	$_____	$_____	$_____	$_____	$_____	$_____
TOTAL APF SUPPORT	$_____	$_____	$_____	$_____	$_____	$_____	$_____
Direct	$_____	$_____	$_____	$_____	$_____	$_____	$_____
Indirect	$_____	$_____	$_____	$_____	$_____	$_____	$_____

Exhibit OP-34 Appropriated Fund Support for Morale, Welfare and Recreation (MWR) Activities
(Page 6 of 7)

APPROPRIATED FUND SUPPORT FOR MORALE, WELFARE AND RECREATION ACTIVITIES (MWR)

($ in Thousands)

Provide for PY, CY, & BY

		Appropriations			Total APF Oper.	Mil Constr.	Total APF Spt
Other MWR And NAFI Programs Category D							
D.2 Armed Serv Exchange	$_____	$_____	$_____	$_____	$_____	$_____	$_____
D.3 Civilian MWR Programs	$_____	$_____	$_____	$_____	$_____	$_____	$_____
D.4 Stars and Stripes	$_____	$_____	$_____	$_____	$_____	$_____	$_____
D.5 TDY Lodging	$_____	$_____	$_____	$_____	$_____	$_____	$_____
D.6 PCS Lodging	$_____	$_____	$_____	$_____	$_____	$_____	$_____
D.7 Mission Overseas Contingency Operations Programs	$_____	$_____	$_____	$_____	$_____	$_____	$_____
TOTAL APF SUPPORT	$_____	$_____	$_____	$_____	$_____	$_____	$_____
Direct	$_____	$_____	$_____	$_____	$_____	$_____	$_____
Indirect	$_____	$_____	$_____	$_____	$_____	$_____	$_____

Exhibit OP-34 Appropriated Fund Support for Morale, Welfare and Recreation (MWR) Activities
(Page 7 of 7)

Exhibit OP-40 Ship Fuel and Operating Tempo Data

Department of the Navy
OPERATION AND MAINTENANCE, NAVY/NAVY RESERVE
SHIP FUEL AND OPERATING TEMPO DATA

	Deployed Fleet			Non-Deployed Fleet		
	FY PY	FY CY	FY BY	FY PY	FY CY	FY BY
Operating Tempo (Hours/Quarter)						
Conventional						
Total Steaming Hours						
Cost of Fuel Consumed ($000)						
Nuclear						
Total Steaming Hours						
Cost of Fuel Expended ($000)						

At the end of the OP-40 exhibit, provide a memo entry reflecting the amounts provided or programmed in support of the drug interdiction program for conventional and nuclear ships.

Exhibit OP-40 Ship Fuel and Operating Tempo Data

Exhibit OP-41 Ship Operations Program

Exhibit OP-41
Ship Operations
Operation and Maintenance, Component

	PY-1	PY	CY	BY	BY+1	BY+2	BY+3	BY+4
SBN Weapon System, Underline								
Quantity Weapon System Detail			sum of all quantities by SAG and PE					
Steaming Days Required Weapon System Detail			sum of all reported by SAG and PE					
Steaming Days Funded Weapon System Detail			sum of all reported by SAG and PE					
Ship Op Months Funded Weapon System Detail			sum of all reported by SAG and PE					
Repair Parts1 (SR) Weapon System Detail			sum of all reported by SAG and PE					
Fuel (SF) Weapon System Detail			sum of all reported by SAG and PE					
Consumables (SO) Weapon System Detail			sum of all reported by SAG and PE					
Utilities (SU)) Weapon System Detail			sum of all reported by SAG and PE					
Nuclear Fuel (SN)) Weapon System Detail			sum of all reported by SAG and PE					
Charter (SC)) Weapon System Detail			sum of all reported by SAG and PE					
Other (NSI) Weapon System Detail			sum of all reported by SAG and PE					
Total Funded			Sum all funded types above, **Bold**					
Total Requirement			sum of all reported by SAG and PE, **Bold**					

Instructions for creating the display Instructions for creating the display
The OP-41 data will be **submitted via the Select and Native Programming Data Input System (SNaP) located at https://snap.pae.osd.mil. The most current version of this exhibit will be found at this site**. Once loaded the data will be available in the Operations & Support Data Center. Program/Budget data displays will be produced through the Data Center. Questions regarding the OP-20 should be referred to (703) 697-2609. Once loaded the data will be available in the Operations & Support Data Center. Program/Budget data displays will be produced through the Data Center. Questions regarding the OP-30S should be referred to the Operations Directorate at OPSDirectorate@osd.mil. Questions about the SNaP interface should be referred to the Office of the Director (Program Analysis & Evaluation) Programming and Fiscal Economics Division (703) 693-7825. Technical questions regarding SNaP should be referred to the Information Management and Analysis Group (703) 604-6349.

1) Display the Organization and Component under the report title
2) For each Weapon System display the weapon system detail as organized above
3) Sum all weapon detail reported by SAG and PE at weapon system level

Crystal Reports Sort Order: Organization, Component then Weapon System
Data Center: Operations and Support, Program/Budget
Data Source: SNaP
Database Requirement: One XLS of all data for all organizations as provided-- no calculations

OP-41 Ship Operations Program

Component	SAG	Program Element	Weapon System Type	Weapon System Detail	PY-1	PY	CY	BY	BY+1	BY+2	BY+3	BY+4
Active			Type	Quantity	#	#	#	#	#	#	#	#
Reserve	Starter List Provided in SNaP		Starter List Provided in SNaP to be updated by owning org	Steaming Days Required	#	#	#	#	#	#	#	#
				Steaming Days Funded	#	#	#	#	#	#	#	#
				Ship Op Months Funded	#	#	#	#	#	#	#	#
				Repair Parts[1] (SR)	$K	$K	$K	$K	$K	$K	$K	$K
				Fuel (SF)	$K	$K	$K	$K	$K	$K	$K	$K
				Consumables (SO)	$K	$K	$K	$K	$K	$K	$K	$K
				Utilities (SU)	$K	$K	$K	$K	$K	$K	$K	$K
				Nuclear Fuel (SN)	$K	$K	$K	$K	$K	$K	$K	$K
				Charter (SC)	$K	$K	$K	$K	$K	$K	$K	$K
				Other (NSI)	$K	$K	$K	$K	$K	$K	$K	$K
				Total TOA Required	$K	$K	$K	$K	$K	$K	$K	$K

Instructions for Completing the Weapon Systems Readiness Database--Ship Operations

1) For Navy only, provide the funding level--by Active and Reserve--for Ship Operations as defined by the Budget Exhibit OP-41 (described in the DoD Financial Management Regulation). Identify the relevant Navy SAG for Ship Operations.
2) If OPTEMPO Types are constant for all ships across the program, provide narrative in a word document explaining why.

Definitions:
Organization: The POM reporting entities directed to submit this data requirement. For a complete list of organizations see by data requirement see Appendix A of the PDR.
Component: Active, Guard, and Reserve
SAG: Sub-Activity Group, budget term denoting groupings of resources e.g., Navy SAG: 1B1B.
Program Element: Identify the PE containing the weapon system described by the detail.
Weapon System Type: Provide Ship Type detail for the weapon system described by the detail.

Exhibit OP-41 Ship Operations
(Page 2 of 3)

OP-41 Ship Operations Program (Continued)

Weapon System Detail:

Quantity-Identify the number of ships per Ship Type used to determine the steaming days program funding

Steaming Days: -This OPTEMPO Type is the number of steaming days per Ship per Quarter for Deployed and Non-Deployed for both required and funded. For inventory, PEs will be pulled from the Forces FYDP and compared to the Inventory values provided by the Navy.)

Ship Operational (Op) Months - This OPTEMPO Type is the number of months a ship is "operational" (i.e., not in a major repair period)

Funded: Identify funding level for Repair Parts (including reparable parts), Fuel, Consumables, Utilities, Nuclear Fuel, Charter and Other using the OP-41 guidelines, generally defined by Navy Special Interest Codes

Total TOA Required: Provide total TOA required to meet the funded steaming days.

Technical Issues: If you are having difficulty with the data collection system—SNaP, contact the SNaP administrators via the email link at the web site.

Exhibit OP-50 Units by Program Element

Operation and Maintenance, Air Force
FY ESTIMATE
UNITS BY PROGRAM ELEMENT
($ in Thousands)

Program Element: _____

	PY-1 Actuals	PY Actuals	CY Estimate	BY Estimate	BY+1 Estimate	BY+2 Estimate	BY+3 Estimate	BY+4 Estimate
Program Units								
Forces Wings								
Forces Squadrons								
Unit Equipment								
Flying Hour Total								
Manpower (End Strength)								
Officers								
Enlisted								
Academy Cadets								
Total Military Personnel								
U.S. Direct Hire								
FN Direct Hire								
FN Indirect Hire								
Total Civilian Personnel								
Manpower (Average Strength/FTE)								
Officers								
Enlisted								
Academy Cadets								
Total Military Personnel								
U.S. Direct Hire								
FN Direct Hire								
FN Indirect Hire								
Total Civilian Personnel								
Cost Data								
Operation and Maintenance								
Provide by DoD Element of Expense								
Total Operation and Maintenance								
Total Military Personnel								
Total O&M and Military Personnel								

This Exhibit should be provided for:

1. **Total Operations Air Force**
2. **Major Force Program**
3. **Program Element**

Exhibit OP-50 Units by Program Element

Exhibit OP-58 Analysis of Aircraft POL

Operation and Maintenance, Air Force
ANALYSIS OF AIRCRAFT POL
($ in Thousands)

Analysis of Aircraft Petroleum, Oil and Lubricants (POL)

		FY PY	FY CY	FY BY
A.	Flying Hour Program Requirements:			
1.	Number of Flying Hours			
a.	Active Forces (excl. FGO and SOF)			
b.	Foreign Gov't Owned			
2.	Flying Hours at Std. Price			
	Adjustments: (Explain)			
3.	Funding for Flying Hour Program			
a.	Active Forces (excl. FGO and SOF)			
b.	Foreign Gov't Owned			
B.	Non-Fly			
C.	Special Fuels			
D.	Grand Total-Aircraft POL			
1.	Direct			
2.	Reimbursements			

Exhibit OP-58 Analysis of Aircraft POL
(Page 1 of 2)

Operation and Maintenance, Air Force
ANALYSIS OF AIRCRAFT POL
FY_ _ ___ Estimate
($ in Thousands)

Analysis of Non-Fly Program

	FY PY		FY CY		FY BY	
	QTY(bbls)	Cost	QTY(bbls)	Cost	QTY(bbls)	Cost
Major Force Program:						
1. a. Offensive Forces						
b. Defensive Forces						
Total Strategic Forces						
2. General Purpose Forces						
3. a. Intelligence						
b. Communications						
c. Other						
Total Program 3						
4. Airlift						
5. Reserves						
7. Central Supply and Maintenance						
8.						
a. Training						
b. Other						
Total Program 8						
9. Administration						
10. Support of Other Nations						
TOTAL						

Exhibit OP-58 Analysis of Aircraft POL
(Page 2 of 2)

Exhibit OP-73 Repair Parts, Army Reserve Components

Operation and Maintenance
Repair Parts, Army Reserve Components 1/
($ in Millions)

ITEM	FY PY	FY CY	FY BY	FY BY+1	FY BY+2	FY BY+3	FY BY+4
1. Backlog carried forward from prior years							
Less:							
2. Backlog of obsolete parts							
Add:							
3. Inflation							
4. Adjusted prior year backlog							
Add:							
5. Recurring requirements	( )	( )	( )	( )	( )	( )	( )
a. Annual consumption							
b. Change in equipment inventories							
c. Change in stockage levels							
6. Nonrecurring requirements	( )	( )	( )	( )	( )	( )	( )
a. Force modernization initiatives							
b. Introduction of other new equipment							
7. Total funding required							
Less:							
8. Funds budgeted for repair parts							
9. Backlog, end of year							

Exhibit OP-73 Repair Parts, Army Reserve Components
(Page 1 of 2)

INSTRUCTIONS FOR COMPLETION OF OP-73

1. **Backlog carried forward from prior years -** unfunded requirements at the end of the previous fiscal year.

2. **Backlog of obsolete parts -** backlog of repair parts associated with equipment that is being retired from the Reserve Forces.

3. **Inflation** - backlog carried over from prior years less backlog associated with equipment being retired from the Reserve Forces times the OSD rate for "general purchases inflation--O&M" or the Defense Working Capital Fund, whichever is applicable.

4. **Adjusted prior year backlog** - backlog carried over from prior years less backlog associated with equipment being retired from the Reserve Forces plus inflation (1-2+3)

5. **Recurring requirements** - annual repair parts requirements to support equipment fielded in previous years.

   a. **Annual consumption** - those parts consumed annually to support weapons systems fielded in previous years.

   b. **Change in equipment inventories** - increases or decreases in annual consumption requirements necessary to reflect changes in equipment inventory levels (e.g., retirement of equipment).

   c. **Change in stockage levels** - increases or decreases in requirements due to changes in the level of repair parts support required annually for a particular equipment.

6. **Nonrecurring requirements** - one time requirements associated with introduction of new equipment to the Reserve Force.

   a. **Force modernization initiatives** - initial inventory of repair parts associated with fielding of force modernization systems.

   b. **Introduction of other new equipment** - introduction of other equipment not previously provided to the Reserve Force.

7. **Total funding required** - adjusted prior year backlog plus recurring requirements and nonrecurring requirements.

8. **Funds budgeted for repair parts** - amount budgeted for repair parts each year.

9. **Backlog, end of year** - "total funding required" less "funds budgeted for repair parts".

Exhibit OP-73 Repair Parts, Army Reserve Components
(Page 2 of 2)

Exhibit OP-78 Force Structure Data

OPERATION AND MAINTENANCE
FORCE STRUCTURE DATA

PE MDS CMD PURPOSE

PY	CY1				BY				BY+1	BY+2	BY+3	BY+4
	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Qtr 1	Qtr 2	Qtr 3	Qtr 4				

INSTRUCTIONS

Report force structure for each model/design/series (MDS) aircraft within each program element. Also identify the command to which the equipment is assigned and the purpose code for the equipment. The force structure should be reported at end of year for the prior year and the outyears and at the end of each quarter for the current year and the budget year (BY). Totals should be provided for MDS and each PE.

Separate exhibits are required for Active Air Force, Air Force Reserve, and Air National Guard.

Exhibit OP-80 Aircraft Repair/Modification and Engine Overhaul

AIRCRAFT REPAIR/MODIFICATION AND ENGINE OVERHAUL
OPERATION AND MAINTENANCE, _____
Aircraft Type/Summary _____

	Number Of Aircraft			Depot Hours			Cost ($ in Thousands)		
	PY	CY	BY	PY	CY	BY	PY	CY	BY
ACI Tasks									
PDM Tasks									
Strip/Paint									
Other									
Total									
Depot Rates Per Hour									

Provide a brief explanation of changes between the CY and BY. Summary totals should agree with the OP-30.

AIRCRAFT REPAIR/MODIFICATION AND ENGINE OVERHAUL
OPERATION AND MAINTENANCE, _____
Engine Overhauls/Other Depot Maintenance

Engine Type	Number Of Engines			Depot Hours			Cost ($ in Thousands)		
	PY	CY	BY	PY	CY	BY	PY	CY	BY
Total									
Depot Rates Per Hour									

Provide an explanation of changes between the CY and the BY. Totals should agree with the OP-30.

Exhibit OP-81 O&M Monthly Obligation Phasing Plan

Monthly Obligation PHASING Plan
Current year (CY)

Appropriation: _____
Component: _____

Total Obligation Authority
(Dollars in Thousands)

Budget Activity	Description	Subactivity Group	Description		OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP
		(Example)														
01	Operating	**1A5A**	**Air Depot**	Month												
	Forces		**Main.**	Cum.												
		BSS1	**Base Op.**	Month												
			Support	Cum.												
		Total		Month												
				Cum.												
02	Mobilization	Total		Month												
				Cum.												
03	Training &	Total		Month												
	Recruiting			Cum.												
04	Admin. &	Total		Month												
	Servicewide			Cum.												
					____	____	____	____	____	____	____	____	____	____	____	____
Total				Month												
				Cum.												

Directions: For each appropriation in the Operation and Maintenance Title, submit a monthly phased obligation plan by Subactivity Group.

OP-81 O&M Monthly Obligation Phasing Plan
(Page1of 2)

Monthly Obligation Phasing Plan
Current Year (CY)
(continued)

Definitions:

Appropriation: Submit a separate exhibit for each appropriation in the O&M Title. Enter the name of the appropriation in this line.

Component: DoD Component that is the holder of the appropriation.

Total Obligation Authority (TOA): Provide the phased obligation plan for anticipated current year (CY) obligation authority using the TOA as shown in the Comptroller Information System (CIS).

Budget Activity: The phased monthly obligation plan by Budget Activity matching the Budget Activity TOA shown in CIS.

Subactivity Group: Provide all phased monthly obligation plans by relevant Subactivity Group. Totals for Subactivity Groups should reconcile to the phased monthly obligation plan by Budget Activity matching the Budget Activity TOA shown in CIS.

Month: Enter the estimated monthly obligations.

Cum.: Enter the cumulative obligations (current month's obligations plus the sum of previous month's obligations).

OP-81 O&M Monthly Obligation Phasing Plan
(Page 2 of 2)

Exhibit PBA-2 Air Operations

AIR OPERATIONS
COMPONENT TITLE
($ in Millions)

Army	FY PY Actual	Price Change	Program Change	FY CY Estimate	Price Change	Program Change	FY BY Estimate
Army Reserve							
Army National Guard							
Navy							
Navy Reserve							
Air Force							
Air Force Reserve							
Air National Guard							
USSOCOM							
Defense Health Program							
Total							

(Report on this exhibit all flying hours costs direct funded in the O&M appropriations including those funded in the Air Operations Activity Groups as well as those funded in the flying hour programs of the Army, USSOCOM, and the Defense Health Program. Include all other direct funded flying hour-related costs (fuel, supplies/DLRs, consumables). Do not include indirect support costs such as Base Operations, Facilities Sustainment Repair and Modernization etc. Price and Program changes should agree with those on the Summary of Price and Program Changes (OP-32) and the Detail by Budget Activity and Activity Group (OP-5). Show functional transfers as program changes consistent with the OP-32 and the OP-5.)

Description of Operations Financed: (Provide an explanation of the air operations financed by each Component. Break out each component by Budget Activity, Activity Group, and Subactivity Group. List each subactivity group for Air Operations Activity Groups and include separate lines for Mobility Operations, Training Operations, and Other to identify all the flying hour-related costs (fuel, supplies/DLRs, depot maintenance) included in all other Activity Groups that are direct funded in the O&M appropriation. See example below.)

Budget Activity 1
  Activity Group: Air Operations
    Mission/Flight Operations
    Intermediate Maintenance
Budget Activity 3
  Activity Group: Basic Skills and Advance Training
    Flight Training
    Training Support
  Total

COMPONENT TITLE
(Cont'd)

PROGRAM DATA	**FY PY**		**FY CY**		**FY BY**
	Actual	**Change**	**Estimate**	**Change**	**Estimate**
Primary Aircraft Authorized (PAA) (End of FY)					
Bombers					
Fighters					
Training					
Mobility					
Other (e.g., Army Flight Pgm)					
Total Aircraft Inventory (TAI) (End of FY)					
Bombers					
Fighters					
Training					
Mobility					
Other (e.g., Army Flight Pgm)					
O&M Funded Flying Hours (000)					
Cost of O&M Funded Flying Hours					
Average Cost of O&M Funded Flying Hour					
Tac Fighter Wing Equivalents					
Crew Ratio (Average)					
Bombers					
Fighters					
OPTEMPO (Hrs/Crew/Month)					
Bombers					
Fighters					
Total					
Primary Mission Readiness (%)					
ICBM Inventory					
Minuteman I					
Minuteman II					
Peacekeeper					

Exhibit PBA-2 Air Operations
(Page 2 of 3)

AIR OPERATIONS
COMPONENT TITLE
(Cont'd)

	FY PY Actual	Change	FY CY Estimate	Change	FY BY Estimate
PERSONNEL DATA					
Active Force Personnel	**End Strength**				
Officer					
Enlisted					
Cadets					
Total					
Selected Reserve and Guard Personnel	**End Strength**				
Officer					
Enlisted					
Total					
Civilian Personnel	**Full-Time Equivalents**				
U.S. Direct Hires					
Foreign National Direct Hire					
Total Direct Hire					
Foreign National Indirect Hire					
Total					

Narrative Explanation of Changes: (Explain/describe/narrate by subactivity, the major program changes reflected in the budget (for $ provide in nearest tenths of millions). Separately identify major transfers among appropriations, budget activities, activity groups, and subactivity groups. Explain changes in price and program from the current estimate (CY) to the BY, as appropriate. The narrative should agree with the explanation of changes and functional transfers shown in the (OP-5). Identify on the bottom of the exhibit the preparation date and a point of contact (with telephone number) who is knowledgeable about the content of the data reflected on the exhibit. Data entered on this exhibit must match the corresponding data entered on the Reserve Components (PBA-11), Appropriation Highlights (PBA-19), Key Activity Indicators (PBA-21), and Special Operations Forces (PBA-26) Exhibits. In addition, the data contained in the O&M Overview should match the data reported in other budget justification material such as the performance criteria of the Detail by Budget Activity and Activity Group (OP-5), Analysis of Flying Hour Program (OP-20), Funding for Depot Level Reparables (OP-31), and Special Operations Forces (OP 52).)

DATE PREPARED:
POC:
TELEPHONE:

Exhibit PBA-2 Air Operations
(Page 3 of 3)

Exhibit PBA-3 Ship Operations

SHIP OPERATIONS
COMPONENT TITLE
($ in Millions)

FY PY Actual	Price Change	Program Change	FY CY Estimate	Price Change	Program Change	FY BY Estimate

Appropriation Summary
Active Forces
(List by subactivity group Operation and Maintenance, Navy funding for Activity Group Ship Operations. Total O&M,N funding (including price and program changes) must match the O-1 total for Ship Operations.)

Reserve Forces
(List by subactivity group Operation and Maintenance, Navy Reserve funding for Activity Group Ship Operations. Total O&M,NR funding (including price and program changes) must match the O-1 total for Ship Operations.)

Grand Total

Description of Operations Financed: (Provide narrative explanation of activities included and succinctly describe significant price and program changes from the current year (CY) to budget year (BY) for each subactivity group).

PROGRAM DATA
(Provide applicable program data and explain program changes.)

	FY PY Actual	Change	FY CY Estimate	Change	FY BY Estimate
Ship Inventory (End of Year)					
Navy Active					
MSC Charter/Support					
Battle Force Ships (Active)					
Reserve Battle Force					
Reserve Non Battle Force					
Battle Force Ships (Active plus Reserve Battle Force)					

SHIP OPERATIONS
COMPONENT TITLE
(Con't)

Battle Force Ships Inventory Adjustments by Category

Between FY CY and FY BY

	FY CY Inventory	Gains	Losses	FY BY Inventory
Strategic				
Carriers				
Surface Combatants				
Submarines				
Amphibious				
Mine Warfare, Patrol				
Support Ships				
Total				

Exhibit PBA-3 Ship Operations
(Page 2 of 4)

SHIP OPERATIONS
COMPONENT TITLE
(Con't)

	FY PY Actual	Change	FY CY Estimate	Change	FY BY Estimate
Operating Tempo (Days per Quarter)					
Non-Deployed Fleet					
Deployed Fleet					
Reserve Fleet (except CV)					
Reserve Fleet (CV)					
Shipyears					
Conventional, O&M, N					
Nuclear, O&M, N					
Conventional, O&M, NR					
Operating Months (Less Charter Ships)					
Conventional, O&M, N					
Nuclear, O&M, N					
Conventional, O&M, NR					
Deployed Operating Months (%)					
Conventional, O&M, N					
Nuclear, O&M, N					
Conventional, O&M, NR					
Ship Operating Tempo					
Days Underway Per Quarter:					
Deployed					
Non-Deployed					
Steaming Days ($ Millions)					
Depot Maintenance					
Active					
Overhauls					
Selected Restricted Availabilities					
Phased Maintenance Availabilities					
Reserve					
Overhauls					
Selected Restricted Availabilities					
Phased Maintenance Availabilities					

Note: Deployed Operating Months (%) captures the ratio of deployed months to the total number of operating months. This illustrates trends in the employment of the fleet and is normalized to account for fluctuations in repair schedule or force structure changes.

Exhibit PBA-3 Ship Operations
(Page 3 of 4)

SHIP OPERATIONS
COMPONENT TITLE
(Con't)

Instructions

Reflect program data under "Description of Operations Financed" and "Program Data" sections.

Narrative Explanation of Changes: Provide a succinct narrative explanation of total resource changes (for $ provide in nearest tenth of a million) between the Current Year (CY) and Budget Year 1 (BY) by relating it to program changes (force structure, end strength, etc.) for the period. Also, identify any applicable major pricing changes between years. Explanation of price and program changes should be provided separately for the Active Fleet as well as the Reserve Fleet. Include all other direct ship operations related costs (fuel, supplies/DLRs, consumables). Do not include indirect support costs such as Base Operations, Facilities Sustainment Repair and Modernization etc.

Price and Program changes should agree with those displayed on the Summary of Price and Program Changes (OP-32) and the Detail by Budget Activity and Activity Group (OP-5). Show functional transfers as program changes consistent with the OP-32 and the OP-5 exhibits. Data entered on this exhibit must match the corresponding data entered on the Reserve Components (PBA-11), Appropriation Highlights (PBA-19), Key Activity Indicators (PBA-21), and Special Operations Forces (PBA-26) Exhibits. In addition, the data contained in the O&M Overview should match the data reported in other budget justification material such as the OP-5 (performance criteria), Ship Fuel Data and OPTEMPO Data (OP-40), Ship Operating Cost Data (OP-4), Funding for Depot Level Reparables (OP-31), and Special Operations Forces (OP-52).

Identify on the bottom of the exhibit the preparation date and a point of contact who is knowledgeable about the content of the data reflected on the exhibit as well as a telephone number for the individual.

DATE PREPARED:
POC:
TELEPHONE:

Exhibit PBA-3 Ship Operations
(Page 4 of 4)

Exhibit PBA-4 Land Forces

LAND FORCES
COMPONENT TITLE
($ in Millions)

FY PY Actual	Price Change	Program Change	FY CY Estimate	Price Change	Program Change	FY BY Estimate

Appropriation Summary

List by Budget Activity, Activity Group, and Subactivity Group.

Description of Operations Financed: Provide a narrative explanation of the land operations financed by each Component. List each subactivity group and include separate descriptions for each functional program within the subactivity group. Identify land forces operating costs by major category of costs (repair parts, fuel, contractor logistics support, etc.) and explain changes for specific program increases/decreases (for $ provide in nearest tenth of a million).

PROGRAM DATA

ARMY Ground Operating Tempo (OPTEMPO) MILES

	FY-PY		FY-CY		FY-BY	
	T-1/T-2 Reqmnt	Actual	T-1/T-2 Reqmnt	Budgeted	T-1/T-2 Reqmnt	Budgeted
Live Training (Home Station & National Training Center)						
OPTEMPO Miles						
Current Funding Estimate						
Virtual Training (Close Combat Tactical & Unit Conduct of Fire Trainers)						
OPTEMPO Miles						
Current Funding Estimate						
Other Training (be specific)						
OPTEMPO Miles						
Current Funding Estimate						
Total Ground OPTEMPO (Must equal the sum of Live, Virtual, and Other categories above.)						
OPTEMPO Miles						
Current Funding Estimate (Must total the President's Budget estimates.)						

LAND FORCES
COMPONENT TITLE (Con't)

MARINE CORPS COMBAT READY DAYS

	FY-PY		FY-CY		FY-BY
	Budgeted	Actual	Budgeted	Estimate	Estimate
Funds Allocated to Training & Equipment ($M)					
Combat Ready Days-Equipment & Training (CRED-ET)					
Cost per CRED-ET ($000)					
Total Possible CRED-ETs					
% Achieved					

PERSONNEL DATA

	FY PY Actual	Change	FY CY Estimate	Change	FY BY Estimate
Active Force Personnel	**End Strength**				
Officer					
Enlisted					
Total					
Selected Reserve and Guard Personnel	**End Strength**				
Officer					
Enlisted					
Total					
Civilian Personnel	**Full-Time Equivalents**				
U.S. Direct Hires					
Foreign National Direct Hire					
Total Direct Hire					
Foreign National Indirect Hire					
Total					

Exhibit PBA-4 Land Forces
(Page 2 of 3)

LAND FORCES
COMPONENT TITLE (Con't)

Narrative Explanation of Changes:
Provide a succinct narrative explanation of total resource changes (for $ provide in nearest tenth of a million) between the current year (CY) and budget year (BY) by relating it to program changes (force structure, end strength, etc.) for the period. Also, identify any applicable major pricing changes between years. For program and personnel data, explain the changes in terms of programs affected and identify changes in functional requirements. . Include all other direct funded land forces-related costs (fuel, supplies/DLRs, consumables). Do not include indirect support costs such as Base Operations, Facilities Sustainment Repair and Modernization etc.

Price and Program changes should agree with those displayed on the Summary of Price and Program Changes (OP-32) and the Detail by Subactivity Group (OP-5). Show functional transfers as program changes consistent with the OP-32 and the OP-5 exhibits). Data entered on this exhibit must match the corresponding data entered on the Reserve Components (PBA-11), Appropriation Highlights (PBA-19), Key Activity Indicators (PBA-21), and Special Operations Forces (PBA-26) Exhibits as appropriate. In addition, the data contained in the O&M Overview should be consistent with the data reported in the performance criteria of the Detail by Subactivity Group (OP-5).

Identify on the bottom of the exhibit preparation date and a point-of-contact who is knowledgeable about the content of the data reflected on the exhibit, as well as a telephone number for the individual.

DATE PREPARED:
POC:
TELEPHONE:

Exhibit PBA-4 Land Forces
(Page 3 of 3)

Exhibit PBA-5 Depot Maintenance

DEPOT MAINTENANCE PROGRAM
COMPONENT TITLE
($ in Millions)

	Funded Executable Rqmt*	Executable Unfunded Deferred Rqmt*	Change in Unfunded Rqmt	Funded Executable Rqmt*	Executable Unfunded Deferred Rqmt*	Change in Unfunded Change	Funded Executable Rqmt*	Executable Unfunded Deferred Rqmt*	Change in Unfunded Change	Funded Executable Rqmt*	Executable Unfunded Deferred Rqmt*

*Requirements

Description of Operations Financed: (Provide a narrative explanation of activities included.)

Operation & Maintenance (2)
Aircraft
Combat Vehicles
Ships (3)
Other (Specify)
Missiles, Software, Ordnance, Other end-item maintenance, other
Total
(1) Follow the general guidelines that apply to the OP-30 Exhibit, Chapter 3 of the DoD Financial Management Regulation.
(2) Indicate appropriation (Army, Army Reserve, etc.). Show amounts for each appropriation separately.
(3) Navy and Navy Reserve only. Ship maintenance for all other Components should be included in "Other".
% of Requirement Funded
$ in Millions

DEPOT MAINTENANCE PROGRAM
COMPONENT TITLE
($ in Millions)

Narrative Explanation of Changes: Show changes in the funded requirement by price and program using the following format:

($ in Millions)

Category	FY PY Actual	Price Change	Program Change	FY CY Estimate	Price Change	Program Change	FY BY Estimate
Aircraft							
Combat Vehicles							
Ships							
Other							
Total							

Succinctly explain any program change of plus or minus $5 million in any category (for $ provided in nearest tenth of a million) between the current year (CY) and the budget year (BY). Relate the change to the number of units if applicable. For example, "Aircraft depot maintenance increase of $11.2 million funds an additional ten airframes required because of the increasing average age of the aircraft inventory." Price and Program changes should agree with those displayed on the Summary of Price and Program Changes (OP-32) and the Detail by Budget Activity and Activity Group (OP-5). Show functional transfers as program changes consistent with the OP-32 and the OP-5 exhibits and with the corresponding data entered on the Appropriation Highlights (PBA-19 exhibit). In addition, data contained in the O&M Overview should match the data reported in other budget justification material such as the OP-5 and the OP-30 exhibits. Identify on the bottom of the exhibit preparation date and a point of contact who is knowledgeable about the content of the data reflected on the exhibit as well as a telephone number for the individual.

DATE PREPARED:
POC:
TELEPHONE:

Exhibit PBA-5 Depot Maintenance
(Page 2 of 2)

Exhibit PBA-7 Facilities Sustainment and Restoration/Modernization and Demolition Programs

FACILITIES SUSTAINMENT AND RESTORATION/MODERNIZATION AND DEMOLITION PROGRAMS
COMPONENT TITLE
($ in Thousands)

	FY PY		FY CY		FY BY
	Actual[1/]	OCO Funding[2/]	Actual[1/]	OCO Funding[2/]	Estimate
Appropriation Summary					
Military Personnel[3/]					
Operation and Maintenance[4/]					
Defense Health Program					
RDT&E					
Revolving Funds					
Military Construction					
Host Nation Support[5/]					
Non-Federal Domestic Funding[6/]					
TOTAL					

Description of Operations Financed:

Sustainment – Component should provide a **detailed** description of resources supporting sustainment. Include relevant data such as number of facilities or installations

Restoration/modernization – Component should provide a **detailed** description of resources supporting sustainment.

Demolition.- Component should provide a **detailed** description of resources supporting sustainment.

PROGRAM DATA
($ in Thousands)

	FY PY		FY CY		FY BY
	Actual	OCO Funding	Actual	OCO Funding	Estimate
Facilities Sustainment	**$**				
Appropriation Summary					
Military Personnel[3/]					
Operation and Maintenance[4/]					
Defense Health Program					
RDT&E					
Revolving Funds					
Military Construction					
Host Nation Support[5/]					
Non-Federal Domestic Funding[6/]					
TOTAL					
Category Summary					
Life Safety/Emergency repairs	$				
Critical infrastructure maintenance	$				
Admin facilities/Headquarters maint	$				
Other preventive maintenance	$				
Facilities Sustainment Model Requirement[7/]		$			
Component Sustainment Metric[8/]	%				
Department Sustainment Goal	%				

Exhibit PBA-7 Facilities Sustainment and Restoration/Modernization and Demolition Program
(Page 2 of 5)

	FY PY		FY CY		FY BY
	Actual	OCO Funding	Actual	OCO Funding	Estimate
Facilities Restoration/Modernization					
Appropriation Summary					
Military Personnel[3/]					
Operation and Maintenance[4/]					
Defense Health Program					
RDT&E					
Revolving Funds					
Military Construction					
Host Nation Support[5/]					
Non-Federal Domestic Funding[6/]					
TOTAL					
Category Summary					
Repair work for damaged facilities					
Building component replacement					
Enhanced force protection standards					
New mission modernization					
Plant Replacement Value of Inventory Recapitalized					
Demolition Costs					
Total[9/]					

Exhibit PBA-7 Facilities Sustainment and Restoration/Modernization and Demolition Program
(Page 3 of 5)

Narrative Explanation of Changes: Provide a succinct narrative explanation of total resource changes (for $ provide in nearest tenth of a million) between the current year (CY) and budget year (BY) by relating it to program changes (force structure, end strength, etc.) and pricing changes for the period. Also, identify any applicable major pricing changes between years. Identify on the bottom of the exhibit the preparation date and a point of contact who is knowledgeable about the content of the data reflected on the exhibit as well as a telephone number for the individual.

PERSONNEL DATA

	FY PY Actual	Change	FY CY Estimate	Change	FY BY Estimate
Active Force Personnel	**End Strength**				
Officer					
Enlisted					
Cadets					
Total					
Selected Reserve and Guard Personnel	**End Strength**				
Officer					
Enlisted					
Total					
Civilian Personnel	**Full-Time Equivalents**				
U.S. Direct Hires					
Foreign National Direct Hire					
Total Direct Hire					
Foreign National Indirect Hire					
Total					

DATE PREPARED:
POC:
TELEPHONE:

[1/] Should include Overseas Contingency Operations (OCO) funding and Title IX funds.

[2/] Memo entry which reflects any Overseas Contingency Operations funding received or requested. Metric data does not need to be provided for this entry, only provide funding levels.

[3/] Use 49% of any military pay appropriations programmed in the facilities sustainment FYDP program elements.

[4/] Total funding for Facilities Sustainment and Restoration/Modernization must be consistent with estimates identified for the Facilities Sustainment and Restoration/Modernization subactivity group in the automated OP-32 submit.

[5/] Include any sustainment funding received or expected from foreign governments or international organizations.

[6/] Include any sustainment funding received or expected from state governments or other domestic entity.

[7/] Should reflect requirement generated from the Facility Sustainment Model.

[8/] Displayed as percent of requirement funded. Component must provide explanation for variances greater or less than 5% from the Department goals for sustainment and recapitalization. Definitions for sustainment and recapitalization metrics can be found in Chapter 8, Facilities Sustainment and Restoration/Modernization.

[9/] Should match appropriation summary. Must also be consistent with information contained within the Facilities Data Quality Assurance application.

Exhibit PBA-8 Training and Education

TRAINING AND EDUCATION
COMPONENT TITLE
($ in Millions)

	FY PY Actual	Price Change	Program Change	FY CY Estimate	Price Change	Program Change	FY BY Estimate
Appropriation Summary:							
Operation and Maintenance, SEPARATE FORMAT IS REQUIRED FOR EACH APPLICABLE APPROPRIATION.							

Description of Operations Financed: (List each subactivity group and include separate descriptions for each functional program within the subactivity group.)

Individual Training by Category by Service
($ in Millions)

	FY PY Actual	Price Change	Program Change	FY CY Estimate	Price Change	Program Change	FY BY Estimate
Recruit Training							
Army (1)							
Navy							
Marine Corps							
Air Force							
Total							
Specialized Skill Training							
Army							
Navy							
Marine Corps							
Air Force							
Defense Health Program							
SOCOM							
Total							
Professional Development							
Army							
Navy							
Marine Corps							
Air Force							
Defense Health Program							
SOCOM							
Defense-Wide (i.e. AFIS, DAU, DFAS, DHRA, DTRA, and DSS)							
Total							

Exhibit PBA-8 Training and Education
(Page 1 of 4)

TRAINING AND EDUCATION
COMPONENT TITLE
($ in Millions)

	FY PY Actual	Price Change	Program Change	FY CY Estimate	Price Change	Program Change	FY BY Estimate
Officer Acquisition							
Army							
Navy							
Marine Corps							
Air Force							
Defense Health Program (2)							
Total							
Flight Training							
Army							
Navy							
Marine Corps							
Air Force							
Total							
Training Support							
Army							
Navy							
Marine Corps							
Air Force							
Total							
Senior ROTC							
Army							
Navy							
Air Force							
Total							
Base Operating Support (3)							
Army							
Navy							
Marine Corps							
Air Force							
SOCOM							
Total							

(1) Includes Army One Station Unit Training (OSUT).
(2) Includes Uniformed Services University of Health Sciences (USUHS).
(3) Includes Base Operations and Real Property Maintenance in support of training.

Exhibit PBA-8 Training and Education
(Page 2 of 4)

TRAINING AND EDUCATION
COMPONENT TITLE
(Hours in Thousands)

	FY PY Actual	Change	FY CY Estimate	Change	FY BY Estimate
Flying Hours (Include hours flown in Flight Training.)					
Army					
Navy					
Air Force					
Total					

(Student/Trainee Workyears)

	FY PY Actual	Change	FY CY Estimate	Change	FY BY Estimate

(Include data by Component for Army, Navy, Marine Corps, Air Force, Defense Health Program, SOCOM, American Forces Information Services, Defense Acquisition University, Defense Financial Accounting Service, Defense Human Resources Activity, Defense Security Service, and Defense Threat Reduction Agency)

Recruit Training
One Station Unit Training
Specialized Skill 2/
Officer Acquisition 3/
Flight Training
Professional Development

TRAINING AND EDUCATION
COMPONENT TITLE

1/ Training workload should agree with the Military Manpower Training Report (MMTR) and reflect direct and reimbursable workload associated with the dollars reported under training and education.

2/ Specialized skill includes initial skill, skill progression, and functional training for both officer and enlisted.

3/ Officer Acquisition includes Service academies, Platoon Leaders Course, Officer Candidate/Training Schools, and other enlisted commissioning programs. Also includes USUHS and the Health Professional Scholarship Program..

Narrative Explanation of Changes: Provide a succinct narrative explanation of total resource changes (for $ provide in nearest tenth of a million) between the current year (CY) and budget year (BY) by relating it to program changes (force structure, end strength, etc.) and pricing changes for the period. Also, identify any applicable major pricing changes between years. Price and Program changes should agree with those displayed on the Summary of Price and Program Changes (OP-32) and the Detail by Budget Activity and Activity Group (OP-5). Show functional transfers as program changes consistent with the OP-32 and the OP-5 exhibits and with the corresponding data entered on the Appropriation Highlights (PBA-19),. Identify on the bottom of the exhibit the preparation date and a point of contact who is knowledgeable about the content of the data reflected on the exhibit as well as a telephone number for the individual**.**

DATE PREPARED:
POC:
TELEPHONE:

Exhibit PBA-8 Training and Education
(Page 4 of 4)

Exhibit PBA-9 Defense Health Program

DEFENSE HEALTH PROGRAM
COMPONENT TITLE
($ in Millions)

	FY PY Actual	Price Change	Program Change	FY CY Estimate	Price Change	Program Change	FY BY Estimate
Operation and Maintenance							
Procurement							
RDT&E							
Total Defense Health Program							

Description of Operations Financed: (Provide narrative explanation of activities)

WORKLOAD AND PERFORMANCE INDICATORS

	FY PY Actual	Change	FY CY Estimate	Change	FY BY Estimate
Direct Care System					
Hospitals/Medical Centers					
Operating Beds					
Medical Clinics					
Inpatient Admissions (000)					
Occupied Bed Days (000)					
Inpatient Relative Weighted Product (WPGs)					
Ambulatory Visits (000)					
Average Length of Stay (Days)					
Outpatient Relative Value Units (RVUs)					
Outpatient Ambulatory Patient Groups (APGs)					
Private Sector Workload					
Managed Care Support Contracts (TRICARE Prime)					
Inpatient Admissions (000)					
Inpatient Relative Weighted Product (RWPs)					
Outpatient Visits (000)					

Exhibit PBA-9 Defense Health Program
(Page 1 of 4)

DEFENSE HEALTH PROGRAM
COMPONENT TITLE

WORKLOAD AND PERFORMANCE INDICATORS

	FY PY Actual	Change	FY CY Estimate	Change	FY BY Estimate
TRICARE Extra/Standard					
Inpatient Admissions (000)					
Inpatient Relative Weighted Product (RWPs)					
Outpatient Visits (000)					
Overseas CHAMPUS					
Inpatient Admissions (000)					
Inpatient Relative Weighted Product (RWPs)					
Outpatient Visits (000)					
Training Workloads					
USUHS					
Other Education and Training					
Health Professionals Scholarship Program/ Finanacial Assistance Program					
Managed Care Support (MCS) Contracts (000)					
Total CHAMPUS Eligibles					
Total CHAMPUS Users					

DEFENSE HEALTH PROGRAM
COMPONENT TITLE

PERSONNEL DATA

	FY PY Actual	Change	FY CY Estimate	Change	FY BY Estimate
Active Force Personnel			**End Strength**		
Officer					
Enlisted					
Cadets					
Total					
Selected Reserve and Guard Personnel			**End Strength**		
Officer					
Enlisted					
Total					
Civilian Personnel			**Full-Time Equivalents**		
U.S. Direct Hires					
Foreign National Direct Hire					
Total Direct Hire					
Foreign National Indirect Hire					
Total					

Exhibit PBA-9 Defense Health Program
(Page 3 of 4)

DEFENSE HEALTH PROGRAM
COMPONENT TITLE

PERSONNEL DATA

	FY PY Actual	Change	FY CY Estimate	Change	FY BY Estimate
Eligible Beneficiary Population (000)					
Active Duty Personnel					
Dependents of Active Duty Personnel					
Dependents of Retirees Under 65					
Retirees Under 65					
Beneficiaries Over 65					
Total					
User Population (000)					
Active Duty Personnel					
Dependents of Active Duty Personnel					
Dependents of Retirees Under 65					
Retirees Under 65					
Beneficiaries Over 65					
Total					

PROGRAM NARRATIVE EXPLANATION OF CHANGES. For all DHP, O&M programs, provide a succinct narrative explanation of total resource changes (for $ provide in nearest tenth of a million) between the current year and biennial budget year 1 and between biennial budget year 1 and biennial budget year 2 by relating it to program changes (force structure, end strength, etc.) and pricing changes for the period. Also, identify any applicable major pricing changes between years. Price and Program changes should agree with those displayed on the Summary of Price and Program Changes (OP-32) and the Detail by Budget Activity and Activity Group (OP-5). Show functional transfers as program changes consistent with the OP-32 and OP-5 exhibits and with data included in other justification material. Identify on the bottom of the exhibit the preparation date and a point of contact who is knowledgeable about the content of the data reflected on the exhibit as well as a telephone number for the individual**.**

NOTE: Procurement, RDT&E and Major OT&E justification material should be presented in accordance with the requirements in the applicable chapters of the Financial Management Regulation.

NOTE: Information on this exhibit must be consistent with information on PB 11, PB 11A, and PB 11B (Defense Health Program Summary Data).

DATE PREPARED:
POC:
TELEPHONE:

Exhibit PBA-9 Defense Health Program
(Page 4 of 4)

Exhibit PBA-10 Base Operations Support

BASE SUPPORT
COMPONENT TITLE
($ in Millions)

FY PY Actual	Price Change	Program Change	FY CY Estimate	Price Change	Program Change	FY BY Estimate

Appropriation (Submit a separate exhibit for each O&M appropriation.)
Operation and Maintenance, _____ (Breakout by Base Support subactivity group (SAG).)
SAG _____
SAG _____
Etc.
Total Base Support (The total funding must match the sum of all Base Support SAGs identified in the O-1 exhibit.))

Description of Operations Financed - Discuss by BOS functional categories. Note that Facilities Sustainment and Restoration/Modernization (FSRM) functions are excluded from this exhibit. The FSRM functions are reflected in Exhibit PBA-7. Price and Program changes should agree with those displayed on the Summary of Price and Program Changes (OP-32) and the Detail by Subactivity Group (OP-5). Show functional transfers as program changes consistent with the OP-32 and the OP-5 exhibits and with the corresponding data entered on the Appropriation Highlights (PBA-19 exhibit).

PROGRAM DATA

	FY PY		FY CY		FY BY	
Number of Installations	CONUS	Overseas	CONUS	Overseas	CONUS	Overseas
Active Forces						
Reserve Forces						

Narrative Explanation of Changes: Provide succinct narrative explanation of the changes in the number of installations between fiscal years. Be specific.

BASE OPERATIONS SUPPORT (BOS)
COMPONENT TITLE

PERSONNEL DATA

	FY PY Actual	Change	FY CY Estimate	Change	FY BY Estimate
Active Force Personnel	**End Strength**				
Officer					
Enlisted					
Cadets					
Total					
Selected Reserve and Guard Personnel	**End Strength**				
Officer					
Enlisted					
Total					
Civilian Personnel	**Full-Time Equivalents**				
U.S. Direct Hires					
Foreign National Direct Hire					
Total Direct Hire					
Foreign National Indirect Hire					
Total					

Narrative Explanation of Changes: Provide succinct narrative explanation of the changes in the number of personnel between fiscal years.

Exhibit PBA-10 Base Operations Support
(Page 2 of 3)

BASE OPERATION SUPPORT (BOS)

Narrative Explanation of Changes: Explain/describe/narrate by functional category of Base Support and provide succinct narrative explanation of total resource changes reflected in the budget (for $ provide in nearest tenths of millions). Separately identify major transfers among appropriations, budget activities, activity groups, and subactivity groups and provide programmatic reason for each transfer. Specifically identify by base, name and location, any change in the number of installations. Explain changes in price and program from the current estimate (CY) to the budget year (BY) as appropriate. The narrative should agree with the explanation of changes and functional transfers shown in the OP-5 exhibit. Data entered on this exhibit must match the corresponding data entered on the Reserve Components (PBA-11), Appropriation Highlights (PBA-19), Key Activity Indicators (PBA-21), and Special Operations Forces (PBA-26) Exhibits. In addition, the data contained in the O&M Overview should match the data reported in the performance criteria of the Detail by Subactivity Group (OP-5)). The total price and program changes must match the sum of Base Support subactivity groups (O-1 line items). Identify on the bottom of the exhibit the preparation date and a point of contact (POC) (with telephone number) who is knowledgeable about the content of the data reflected on the exhibit.

1/ This category includes those Operation and Maintenance program elements normally ending as follows: "95", Base Communications; "96", Base Operating Support; "19", Child Development Centers; "20", Family Centers; "90", Visual Information Activities; "53", Environmental Conservation; and "54" Pollution Prevention. This includes those costs associated with utility operations and Other Engineering Support. This category specifically excludes those activities associated with FSRM, as reported in the PBA-7, FSRM exhibit.

DATE PREPARED:
POC:
TELEPHONE:

Exhibit PBA-10 Base Operations Support
(Page 3 of 3)

Exhibit PBA-11 Reserve Forces

RESERVE FORCES
COMPONENT TITLE
($ in Millions)

	FY PY Actual	Price Change	Program Change	FY CY Estimate	Price Change	Program Change	FY BY Estimate

Appropriation Summary
A SEPARATE FORMAT IS REQUIRED FOR EACH APPLICABLE APPROPRIATION.

Description of Operations Financed: (Provide narrative explanation of activities.)

PROGRAM DATA
(Provide applicable program data)

Primary Aircraft Authorized (PAA) (End FY)
Total Aircraft Inventory (TAI) (End FY)
Flying Hours
Air Wings
Air Squadrons
Flying Units
Operating Tempo (List separately applicable ground, flying, steaming)
Ship Inventory (End FY)
Steaming Hours (000)
Divisions
Brigades
Student Training Loads
Major Installations
Reserve Centers
Training Centers
Other Operating Locations

Depot Maintenance Repair Backlog ($)
Backlog of Maintenance and Repair ($)
Backlog of Repair Parts
Backlog of Organizational Clothing and Equipment

RESERVE FORCES
COMPONENT TITLE

PERSONNEL DATA

	FY PY Actual	Change	FY CY Estimate	Change	FY BY Estimate
Military Selected Reserve and National Guard Personnel				(End Strength)	
Drill Strength (Pay Groups A, F and P)					
Individual Mobilization Augmentees					
Full Time Duty					
Total					
Selected Reserve				(Average Strength)	
Full-time Included (Memo)					
Civilian Personnel				(Full-Time Equivalents(FTEs)	
U.S. Direct Hires					
Foreign National Direct Hire					
Total Direct Hire					
Foreign National Indirect Hire					
Total					
(Military Technicians Included (Memo)					
Military Technicians Assigned to USSOCOM (FTEs)					
Civilian Personnel				(End Strength)	
U.S. Direct Hires					
Foreign National Direct Hire					
Total Direct Hire					
Foreign National Indirect Hire					
Total					
(Military Technicians Included (Memo)					
Military Technicians Assigned to USSOCOM (E/S)					

Exhibit PBA-11 Reserve Forces
(Page 2 of 3)

RESERVE FORCES
COMPONENT TITLE

Summary of Increases/Decreases	**CY-BY Change**
Total Changes	

Instructions: Identify specific increases/decreases to the Component's military end strength levels by major program. The total for each column will be the difference between fiscal years. **Stub entries such as "OSD/OMB reduction" are not acceptable.**

Narrative Explanation of Changes: (Provide a succinct narrative explanation of total resource changes reflected in the budget (for $ provide in nearest tenths of millions). Separately identify major transfers among appropriations, budget activities, activity groups, and subactivity groups. Explain changes in price and program from the current estimate (CY) to the budget year (BY) as appropriate. The narrative should agree with the explanation of changes and functional transfers shown in the (OP-5). Data entered on this exhibit must match the corresponding data entered on the Appropriation Highlights (PBA-19), Key Activity Indicators (PBA-21), and Special Operations Forces (PBA-26) Exhibits. In addition, the data contained in the O&M Overview should match the data reported in other budget justification material such as the performance criteria of the Detail by Budget Activity and Activity Group (OP-5), Civilian Personnel Costs (OP-8); Analysis of Flying Hour Program (OP-20), Funding for Depot Level Reparables (OP-31), and Special Operations Forces (OP-52). Identify on the bottom of the exhibit the preparation date and a point of contact (POC) (with telephone number) who is knowledgeable about the content of the data reflected on the exhibit.

DATE PREPARED:
POC:
TELEPHONE:

Exhibit PBA-11 Reserve Forces
(Page 3 of 3)

Exhibit PBA-12 Command, Control, and Communications

COMMAND, CONTROL, AND COMMUNICATIONS (C3)
COMPONENT TITLE
($ in Millions)

FY PY Actual	Price Change	Program Change	FY CY Estimate	Price Change	Program Change	FY BY Estimate

Appropriation Summary
Operation and Maintenance, _____

Description of Operations Financed: A separate format is required for each appropriation which has C^3 identifiable costs. Provide narrative explanation of activities by category as listed below. Explain each category and associated funding and identify by Budget Activity, Activity Group, and Subactivity Group. Price and Program changes should agree with those displayed on the Summary of Price and Program Changes (OP-32) and the Detail by Budget Activity and Activity Group (OP-5). Show functional transfers as program changes consistent with the OP-32 and the OP-5 exhibits. Data should be consistent with the guidance provided in Chapter 19, Section 1910.

PROGRAM DATA

	FY PY Actual	Change	FY CY Estimate	Change	FY BY Estimate
• Communications					
-- Sustaining Base Communications					
-- Long Haul Communications					
-- Deployable and Mobile Communications					
• Command and Control					
-- National					
-- Operational					
-- Tactical					
• C3 Related					
-- Navigation					
-- Meteorology					
-- Combat Identification					
-- Information Assurance Activities					
Total					

Exhibit PBA-12 Command, Control, and Communications
(Page 1 of 2)

COMMAND, CONTROL, AND COMMUNICATIONS
COMPONENT TITLE

Narrative Explanation of Changes: Provide a succinct narrative explanation of total resource changes reflected in the budget (for $ provide in nearest tenths of millions). Separately identify major transfers among appropriations, budget activities, activity groups, and subactivity groups. Explain changes in price and program from the current estimate (CY) to the budget year (BY). The narrative should agree with the explanation of changes and functional transfers shown in the (OP-5). In addition, the data contained in the O&M Overview should match the data reported in other budget justification material such as the performance criteria of the Detail by Budget Activity and Activity Group (OP-5) and the data provided to support preparation of the C^3 Congressional Justification Book. Identify on the bottom of the exhibit the preparation date and a point of contact (POC) (with telephone number) who is knowledgeable about the content of the data reflected on the exhibit.

DATE PREPARED:
POC:
TELEPHONE:

Exhibit PBA-12 Command, Control, and Communications
Exhibit PBA-11 Reserve Forces
(Page 2 of 2)

Exhibit PBA-13 Transportation

TRANSPORTATION
COMPONENT TITLE
($ in Millions)

FY PY Actual	Price Change	Program Change	FY CY Estimate	Price Change	Program Change	FY BY Estimate

Appropriation Summary
Operation and Maintenance, _____ (Separately identify each appropriation)

Description of Operations Financed. Provide a separate exhibit for each O&M appropriation (including Guard, Reserve, and Defense-wide). For purposes of this exhibit, transportation amounts for the active components include only those funded from the Servicewide Transportation Subactivity Group (SAG) in Budget Activity 4 of the operation and maintenance appropriations.

($ in Millions)

FY PY Actual	Price Change	Program Change	FY CY Estimate	Price Change	Program Change	FY BY Estimate

FIRST DESTINATION TRANSPORTATION (FDT) Only FDT supporting O&M purchases should be included.

Major Commodity (Commodity Transported)
  Military Supplies and Equipment

Mode of Shipment
  Military Commands
    Military Traffic
      Surface
      Sealift
      Airlift
    Commercial
      Surface
      Sea
      Air
      Total Mode of Shipment FDT

TRANSPORTATION
COMPONENT TITLE
($ in Millions)

	FY PY Actual	Price Change	Program Change	FY CY Estimate	Price Change	Program Change	FY BY Estimate
SECOND DESTINATION TRANSPORTATION (SDT) JCS exercises are included in Second Destination Transportation.							
Major Commodity (Commodity Transported)							
Military Supplies & Equipment							
Mail Overseas							
Subsistence							
Base Exchanges							
Total Major Commodity SDT							
Mode of Shipment							
Military Commands							
Military Traffic							
Surface							
Sealift							
Airlift							
Commercial							
Surface							
Sea							
Air							
Total Mode of Shipment SDT							

Narrative Explanation of Changes: Provide a succinct narrative explanation of total resource changes (for $ provide in nearest tenth of a million) between the Current Year (CY) and Budget Year (BY) by relating it to program changes (force structure, end strength, etc.) for the period. Also, identify any applicable major pricing changes between years. Price and Program changes should agree with those displayed on the Summary of Price and Program Changes (OP-32) and the Detail by Budget Activity and Activity Group (OP-5). Show functional transfers as program changes consistent with the OP-32 and the OP-5 exhibits. Identify on the bottom of the exhibit the preparation date and a point of contact (POC) who is knowledgeable about the content of the data reflected on the exhibit as well as a telephone number for the individual.

DATE PREPARED:
POC:
TELEPHONE:

Exhibit PBA-13 Transportation
(Page 2 of 2)

Exhibit PBA-17 Recruiting, Advertising, and Examining

RECRUITING, ADVERTISING, AND EXAMINING
COMPONENT TITLE
($ in Millions)

FY PY Actual	Price Change	Program Change	FY CY Estimate	Price Change	Program Change	FY BY Estimate

Appropriation Summary
Operation and Maintenance A SEPARATE FORMAT IS REQUIRED FOR EACH APPLICABLE APPROPRIATION.

Description of Operations Financed: Provide narrative description of Recruiting, Advertising, and Examining activities. In addition, provide brief description of the principal functions performed under each category.

PROGRAM DATA

FY PY Actual	Change	FY CY Estimate	Change	FY BY Estimate

The following program data shows workload indicators for Recruiting, Advertising and Examining.

A. Recruiting:
Show enlisted accession plan, by appropriation, included in the O&M congressional justification books. Include non-prior and prior service in the same detail as for the O&M Congressional Justification books.

B. Advertising: Provide total advertising dollars.

C. Examining: Provide Production Testing Workload and Medical Testing Workload (# in 000) for each Service)

RECRUITING, ADVERTISING, AND EXAMINING
COMPONENT TITLE

Narrative Explanation of Changes: Provide narrative explanation of total resource change (tenths of $ millions) between the current year (CY) and budget year (BY) by relating it to program changes (force structure, average strength, etc.) for the period. Also identify any applicable major pricing changes between years. The discussion of program growth should address recruiting, advertising and examining separately. Financial data excludes Command, Control, Communications; Real Property Maintenance; and Base Operations costs that are reflected separately in the overview. Price and Program changes should agree with those displayed on the Summary of Price and Program Changes (OP-32) and the Detail by Budget Activity and Activity Group (OP-5). Show functional transfers as program changes consistent with the OP-32 and the OP-5 exhibits. Identify on the bottom of the exhibit the preparation date and a point of contact (POC) who is knowledgeable about the content of the data reflected on the exhibit as well as a telephone number for the individual.

DATE PREPARED:
POC:
TELEPHONE:

Exhibit PBA-17 Recruiting, Advertising, and Examining
(Page 2 of 2

Exhibit PBA-19 Appropriation Highlights

APPROPRIATION HIGHLIGHTS
COMPONENT TITLE
($ in Millions)

	FY PY Actual	Price Change	Program Change	FY CY Estimate	Price Change	Program Change	FY BY Estimate
Appropriation Summary							
Operation and Maintenance, _____							

A separate exhibit must be provided for each appropriation included in the O&M Title.

Description of Operations Financed: Provide a narrative description of the type of functions financed by the Appropriation, explain the major reasons for price growth, and separately identify significant inter-appropriation transfers-in and transfers-out of program growth.

($ in Millions)

	FY PY Actual	Price Change	Program Change	FY CY Estimate	Price Change	Program Change	FY BY Estimate
Budget Activity 1: Operating Forces							
Budget Activity 2: Mobilization							
Budget Activity 3: Training and Recruiting							
Budget Activity 4: Administration and Servicewide Activities							

Narrative Explanation of Changes: For each budget activity, provide a succinct narrative explanation of total resource change (for $ provide in nearest tenth of a million) between the current year (CY) and budget year (BY) by relating it to program changes (force structure, average strength/FTEs, etc.) for the period. Also, identify any applicable major pricing changes between years. Price and Program changes should agree with those displayed on the Summary of Price and Program Changes (OP-32), O&M Funding by Budget Activity/Activity Group/Subactivity Group (O-1), and the Detail by Budget Activity and Activity Group (OP-5). Show functional transfers as program changes consistent with the OP-32 and the OP-5 exhibits.

Identify on the bottom of the exhibit the preparation date and a point of contact who is knowledgeable about the content of the data reflected on the exhibit as well as a telephone number for the individual.

NOTE: Every Component is required to submit the PBA-19 Exhibit.

DATE PREPARED:
POC:
TELEPHONE:

Exhibit PBA-19 Appropriation Highlights

Exhibit PBA-20A Civilian Manpower Tables

MANPOWER TABLES
DEPARTMENT OF _____

Civilian Personnel

Instructions: Civilian Personnel data is to be displayed by U.S. Direct Hire, Foreign Direct Hire, Foreign National, and Indirect Hire, and by type of appropriation. All civilian personnel are to be shown as full-time equivalents.

	(Full-Time Equivalents (FTEs)				
	FY PY Actual	Change	FY CY Estimate	Change	FY BY Estimate
By Appropriation and Type of Hire					
Operation and Maintenance, Active					
U.S. Direct Hire					
Foreign National Direct Hire					
Total Direct Hire					
Foreign National Indirect Hire					
Total					
Operation and Maintenance, Reserve					
U.S. Direct Hire					
Foreign National Direct Hire					
Total Direct Hire					
Foreign National Indirect Hire					
Total					
Operation and Maintenance, National Guard					
U.S. Direct Hire					
Foreign National Direct Hire					
Total Direct Hire					
Foreign National Indirect Hire					
Total					

MANPOWER TABLES
DEPARTMENT OF _____

Civilian Personnel
(Full-Time Equivalents (FTEs)

	FY PY Actual	Change	FY CY Estimate	Change	FY BY Estimate
Defense Working Capital Fund					
U.S. Direct Hire					
Foreign National Direct Hire					
Total Direct Hire					
Foreign National Indirect Hire					
Total					
Research, Development, Test and Evaluation					
U.S. Direct Hire					
Foreign National Direct Hire					
Total Direct Hire					
Foreign National Indirect Hire					
Total					
Etc. (Identify all appropriations/funds that finance civilian personnel.)					
Component Total					
U.S. Direct Hire					
Foreign National Direct Hire					
Total Direct Hire					
Foreign National Indirect Hire					
Total					

Exhibit PBA-20A Civilian Manpower Tables
(Page 2 of 3)

MANPOWER TABLES
DEPARTMENT OF _____

Civilian Personnel

Summary of Increases/Decreases	CY-BY Change
Total Changes	

Instructions: Identify specific increases/decreases to the Component's civilian full-time equivalent strength levels by major program (e.g. B-1B, TRIDENT, MICOM, etc.). Do **not** provide changes by Defense Planning and Programming Category (DPPC). Changes are to address all appropriations/funds that finance civilian personnel as well as direct and indirect hires employees. The total for each column will be the difference between fiscal years. All numbers shown will be full-time equivalent strength. **Stub entries such as "OSD/OMB reduction" are not acceptable.** Identify on the bottom of the exhibit the preparation date and a point of contact who is knowledgeable about the content of the data reflected on the exhibit as well as a telephone number for the individual.

DATE PREPARED:
POC:
TELEPHONE:

Exhibit PBA-20A Civilian Manpower Tables
(Page 3 of 3)

Exhibit PBA-22 Mobilization

MOBILIZATION
COMPONENT TITLE
Operation and Maintenance, (Service)
($ in Millions)

	FY PY Actual	Price Change	Program Change	FY CY Estimate	Price Change	Program Change	FY BY Estimate

This exhibit includes all of Budget Activity 2, Mobilization plus the Marine Corps Prepositioning activity group included in Budget Activity 1. Dollar amounts for Army, Navy, and Air Force shown in this table should match the total of Budget Activity 2.

Army
Navy
Marine Corps
Air Force
Defense-Wide
Total

Narrative Description: Provide a succinct narrative explanation of total resource changes (for $ provide in nearest tenth of a million) between the current year (CY) and budget year (BY) by relating it to program changes (force structure, end strength, etc.) for the period. Also, identify any applicable major pricing changes between years. For personnel data, explain the changes in terms of programs affected and identify changes in functional requirements.

Price and Program changes should agree with those displayed on the Summary of Price and Program Changes (OP-32) and the Detail by Subactivity Group (OP-5). Show functional transfers as program changes consistent with the OP-32 and the OP-5 exhibits). Data entered on this exhibit must match the corresponding data entered on the Reserve Components (PBA-11), Appropriation Highlights (PBA-19), Key Activity Indicators (PBA-21), and Special Operations Forces (PBA-26) Exhibits as appropriate. In addition, the data contained in the O&M Overview should match the data reported in other budget justification material such as the OP-5 performance criteria.

($ in Millions)

	FY PY Actual	Change	FY CY Estimate	Change	FY BY Estimate

AIRLIFT AND SEALIFT PROGRAMS

Airlift Forces:
AIR FORCE:
Show the amount of the direct payment (subsidy) made for airlift to the U.S. Transportation Command.

Sealift Forces:
ARMY:
Afloat Prepositioned Fleet (#/$) 1/
Training Exercises (#/$) 2/
Other
Total

MOBILIZATION
COMPONENT TITLE
Operation and Maintenance, (Service)

($ in Millions)

		FY PY Actual	Change	FY CY Estimate	Change	FY BY Estimate
NAVY:						
Maritime Prepositioned Ships (#/$)	1/					
Fast Sealift Ships (#/$)	1/					
Hospital Ships (#/C)	1/					
Aviation Logistics Support (#/$)	1/					
Prepositioned Fleet Hospital (#/$)	1/					
Training Exercises (#/$)	2/					
Other						
AIR FORCE:						
Afloat Prepositioned Fleet (#/$)	1/					
Training Exercises (#/$)	2/					
Other	3/					
Total (There is no corresponding subactivity group within the Air Force O-1 structure.)						
DEFENSE-WIDE:						
Afloat Prepositioned Fleet (#/$)	1/					
Training Exercises (#/$)	2/					
Other	3/					
Total (There is no corresponding subactivity group within the Defense-Wide O-1 structure.)						

c

MOBILIZATION
COMPONENT TITLE
Operation and Maintenance, (Service)

($ in Millions)

FY PY Actual	Change	FY CY Estimate	Change	FY BY Estimate

OTHER MOBILIZATION PROGRAMS - Budget Activity 2

(Do not include dollars in this section that are shown in the Airlift or Sealift Forces above.)

Activations/Inactivations
War Reserve Activities
Industrial Preparedness
Fleet Hospital Program
Industrial Readiness
Coast Guard Support
Airlift Operations
Airlift Operations C3I
Airlift Operations Training
Mobilization Preparedness
Base Support

Memo Entries - Not Funded in Mobilization Budget Activity

Show as a memo entry funding in other than Budget Activity 2 for the maintenance or replacement of equipment and supplies on board prepositioned ships or POMCUS. Also show funding (outside of BA 2) for exercises of the fast sealift ships, the hospital ships, the aviation logistics support ships, or any of the prepositioning ships.

USMC Prepositioning
Joint Exercise Program
Other (e.g., preposition exercises)

Exhibit PBA-22 Mobilization
(Page 3 of 5)

MOBILIZATION
COMPONENT TITLE
Operation and Maintenance, (Service)

	FY PY Actual	Change	FY CY Estimate	Change	FY BY Estimate
PERSONNEL DATA					
Active Force Personnel	**End Strength**				
Officer					
Enlisted					
Cadets					
Total					
Selected Reserve and Guard Personnel	**End Strength**				
Officer					
Enlisted					
Total					
Civilian Personnel	**Full-Time Equivalents**				
U.S. Direct Hires					
Foreign National Direct Hire					
Total Direct Hire					
Foreign National Indirect Hire					
Total					

Exhibit PBA-22 Mobilization
(Page 4 of 5)

MOBILIZATION
COMPONENT TITLE
Operation and Maintenance, (Service)

Footnotes/Additional Guidance:

1/ Show the total number of ships (at the end of the fiscal year) for this category and the total amount of per diem payments made to the National Defense Sealift Fund (NDSF) or the U.S. Transportation Command. The Defense Logistics Agency (DLA) should report the cost of afloat prepositioned tankers used by the Defense Fuel Supply Center.

2/ Show the number of planned exercises and the total amount budgeted. Do not include JCS funded exercises in the Service submissions. JCS exercises and funding will be reported as Defense-Wide.

3/ Show Service-funded costs not included as part of the per diem payment to the NDSF but which are directly related to the sealift program. This would include enhancements and modifications to on-board systems.

Identify on the bottom of the exhibit the preparation date and a point of contact who is knowledgeable about the content of the data reflected on the exhibit as well as a telephone number for the individual.

DATE PREPARED:
POC:
TELEPHONE:

Exhibit PBA-22 Mobilization
(Page 5 of 5)

Exhibit PBA-26 Special Operations Forces

SPECIAL OPERATIONS FORCES
($ in Millions)

FY PY Actual	Price Change	Program Change	FY CY Estimate	Price Change	Program Change	FY BY Estimate

Description of Operations Financed:

(Provide narrative explanation of activities included.)

PROGRAM FUNDING DATA

FY PY Actual	Price Change	Program Change	FY CY Estimate	Price Change	Program Change	FY BY Estimate

Instruction: Operation and Maintenance funding by Budget Activity and Budget Activity Group

Budget Activity 1 – Operating Forces

Special Operations Operational Forces
Flight Operations
Ship/Boat Operations
Combat Development Activities
Other Operations

Exhibit PBA-26 Special Operations Forces
(Page 1 of 3)

SPECIAL OPERATIONS FORCES
($ in Millions)

	FY PY Actual	Price Change	Program Change	FY CY Estimate	Price Change	Program Change	FY BY Estimate
Special Operations Operational Support							
Force Related Training							
Operational Support							
Intelligence & Communication							
Management/Operational Headquarters							
Depot Maintenance							
Base Support							
Budget Activity 3 – Training and Recruiting							
Skill and Advanced Training							
Specialized Skill Training							
Professional Development Education							
Base Support							
Budget Activity 4 – Administrative and Servicewide Activities							
Logistics Operations							
Acquisition/Program Management							
Total Special Operations Command							

Narrative Explanation of Changes:
Instruction: Provide a succinct narrative explanation of resource changes ($ in tenths of millions) between current year (CY) and budget year (BY). Explanations are to be provided in terms of price and program. Price and Program changes should agree with those displayed on the Summary of Price and Program Changes (OP-32) and the Detail by Subactivity Group (OP-5). Show functional transfers as program changes consistent with the OP-32 and the OP-5 exhibits). This explanation is to be provided by Budget Activity and by Budget Activity Group as appropriate. Price and Program changes should agree with those displayed on the Summary of Price and Program Changes (OP-32) and the Detail by Budget Activity and Activity Group (OP-5).

Exhibit PBA-26 Special Operations Forces
(Page 2 of 3)

SPECIAL OPERATIONS FORCES

USSOCOM FLYING OPERATIONS

Instruction: Provide a succinct narrative explanation of total SOF dedicated aviation assets.

	FY PY Actual	Change	FY CY Estimate	Change	FY BY Estimate
Aircraft Inventory (End FY)					
Air Force Special Operations Command (AFSOC)					
Tactical/Mobility					
Training					
Total					
United States Army Special Operations Command (USASOC)					
Aircraft (PAA End FY)					
Tactical/Mobility					
Training					
Total					

DATE PREPARED:
POC:
TELEPHONE:

Exhibit PBA-26 Special Operations Forces
(Page 3 of 3)

Exhibit PBA-27 Psychological Operations

Instructions
Exhibit PBA-27 Psychological Operations (Information Operations)

1. Purpose. This exhibit identifies funding for Psychological Operations (Information Operations) programs. The data is used to prepare the overall Psychological Operations (Information Operations) budget exhibit for the O&M Overview Book.

2. Submission.

a. Exhibit PBA-27 should identify all Psychological Operations (Information Operations) funding by Combatant Command for all PSYOP activities. PSYOPS are planned operations to convey selected information and indicators to foreign audiences to influence their emotions, motives, objective reasoning, and ultimately the behavior of foreign governments, organizations, groups, and individuals. The execution of the PSYOP includes conducting research on various foreign audiences; developing, producing, and disseminating products to influence these audiences; and conducting evaluations to determine the effectiveness of the PSYOPS activities.

b. Data are to be provided in millions of dollars, using 3 decimal points and will include both Baseline and Overseas Contingency Operation funding for all appropriations.

c. Submission of the required exhibit will be made in hard paper copy and in an Excel format.

d. The submission of the completed exhibit is required for both the Program Budget Review and with the President's Budget submissions. Both submissions must be provided and emailed to the OUSD(Comptroller), Operations Directorate, at OPSMAIL@OSD.MIL . The President's Budget Submit must be submitted no later than January 15 in order to be included in the "Operations and Maintenance Overview" Justification Book.

3. Entries.

Exhibit PB-27 Psychological Operations (Information Operations)

a. Header: Classification of the Document: Unclassified, if at all possible keep the information unclassified if not indicate what portions of the document is classified.

b. Description of Operations Financed. Brief description of items funded, i.e., COCOM Voice Programs, MIST, Media/Video Print Production, Web initiatives, surveys, audience/media analysis, radio broadcasting.

c. Appropriation/COCOM. List the COCOM that has oversight of the funding and the appropriation. Also indicate if the funds are budgeted in OCO or Baseline programs.

d. Sub Activity Group (SAG). List the SAG where the funding is budgeted.

e. Comments: Provide detail explanations of the changes from FY CY to FY BY1 and FY BY1 to FY2 for each COCOM.

Exhibit PBA-27 Psychological Operations
(Page 2 of 4)

Unclassified
Department of XXXXXX
Psychological Operations (Information Operations)

I. **Description of Operations Financed:**

Appropriation/COCOM	SAG	FY PY	Program Change+/-	FY CY	Program Change+/-	FY BY	FY BY+1	FY BY+2	FY BY+3	FY BY +4	FY BY +5
O&M Army											
USAFRICOM											
USEUCOM											
USSOUTHCOM											
O&M Army, OCO											
USAFRICOM											
USEUCOM											
USSOUTHCOM											
USCENTCOM											
Afghanistan											
Iraq											
O&M Air Force											
USCENTCOM											
USNORTHCOM											
O&M Air Force, OCO											
USCENTCOM											
USNORTHCOM											
O&M Navy											
USJFCOM											
USPACOM											
O&M, Navy OCO											
USJFCOM											
USPACOM											
Totals											

Exhibit PBA-27 Psychological Operations (Continued)

II. Comments: Provide detail explanation of the changes from FY CY to FY BY1 and FY BY1 to FY BY2 for each COCOM.

Exhibit PBA-28 Body Armor and Other Personal Protective Gear

Department of _____

Body Armor and Other Personal Protective Gear

I. **Description of Operations Financed:** Body Armor and Other Personal Protective Gear

	$ Thousands	Appropriation	PY Base	PY OCO	PY Supplemental	CY Base	CY OCO	BY Base	BY OCO
	Body Armor ($)	O&M							
	Body Armor ($)	Other Procurement							
Note 1.	**Body Armor Set (Quantities)**								
Note 2.	**Body Armor Set Requirements**								
	Other Personal Protective Gear	O&M							
	Other Personal Protective Gear	Other Procurement							
	Total $		0	0	0	0	0	0	0

Note 1: Include Quantities : Body armor is purchased in both individual sets and replacement parts/components. The specific composition of individual sets also varies according to operational specialty.

Note 2: Include Total Body Armor Requirements (Quantities)

Comments: Provide comments that describe the changes to the program. New type of body armor? Congressional Interest?

Exhibit PB-20 Aircraft Inventory

Aircraft Inventory
Component _____
(use for Army and Air Force)

Type Aircraft/TMS*	Category	Prior Year (PY) Active	Reserve	Guard	Current Year (CY) Active	Reserve	Guard	Budget Year 1 (BY) Active	Reserve	Guard

Automated submission required in Excel format.

* TMS = Type Model Series

Exhibit PB-20 Aircraft Inventory
(Page 1 of 2)

Aircraft Inventory
Component _____

Type Aircraft/TMS*	Category	Prior Year (PY) Active Navy	Navy Reserve	Marine Corps	MC Reserve	Current Year (CY) Active Navy	Navy Reserve	Marine Corps	MC Reserve	Budget Year 1 (BY) Active Navy	Navy Reserve	Marine Corps	MC Reserve

Automated submission required in Excel format.

* TMS = Type Model Series

Exhibit PB-20 Aircraft Inventory
(Page 2 of 2)

Exhibit PB-31D Summary Increases/Decreases

Operation and Maintenance, _____
Summary of Increases and Decreases
($ in Thousands)

	BA 1	BA 2	BA 3	BA 4	Total
FY CY President's Budget Request					
1. Congressional Adjustment (List items)					
a) Distributed					
b) Undistributed					
c) Adjustments to Meet Congressional Intent					
d) General Provisions					
FY CY Appropriated Amount					
2. Program Changes (CY to CY only)					
FY CY Baseline Funding					
3. Reprogrammings/Overseas Contingency Operations (OCO)					
a) Anticipated OCO (Show Pay Separately)					
b) Reprogrammings					
Revised FY CY Estimate					
4. Price Change					
5. Transfers					
a) Transfers In					
b) Transfers Out					
6. Program Increases					
a) Annualization of New FY CY Program					
b) One-Time FY BY Costs					
c) Program Growth in FY BY					
7. Program Decreases:					
a) One-Time FY CY Costs					
b) Annualization of FY CY Program Decreases					
c) Program Decreases in FY BY					
FY BY Budget Request					

NOTE: Substitute appropriate fiscal years to show current year and budget year.

Operation and Maintenance, _____
SUMMARY OF INCREASES AND DECREASES

INSTRUCTIONS:

1. Report by Budget Activity and total for the appropriation ($ in Thousands).

2. Line 7 will reflect the FY CY column of the FY BY President's budget including Overseas Contingency Operations requests.

3. Detailed explanations of specific increases and decreases are not required on this exhibit. The document is submitted in hardcopy and electronically in Microsoft Excel format.

Exhibit PB-31D Summary Increases/Decreases
(Page 2 of 2)

Exhibit PB-31Q Manpower Changes in Full-Time Equivalent

DEPARTMENT OF_____
FY BY PRESIDENT'S BUDGET
MANPOWER CHANGES IN FULL-TIME EQUIVALENT
FY PY through FY BY

	US Direct Hire	Foreign National Direct Hire	Foreign National Indirect Hire	Total
1. FY PY FTEs a/ b/				
--				
-- (changes)				
--				
--				
2. FY CY FTEs				
--				
--				
--				
3. FY BY FTE				

a/Civilian personnel data includes both direct and indirect full time equivalent (FTE) end strength for all appropriations.

b/FTEs reported under Direct Hire will include full-time equivalent end strength financed on a direct and reimbursable basis.

(changes)

Changes must be in sufficient detail to give the Congress an idea as to what specific programs are being impacted (e.g. TRIDENT, B-1B, MICOM Support, etc.). Do not provide data by Defense Planning, Programming Category (DPPC) or in broad generic categories (e.g., Force Modernization). Identify military-to-civilian conversions, insourcing actions, and transfers separately. Stub entries such as "OSD/OMB Directed Reduction" are unacceptable. A narrative explanation is required for all changes in Direct and Indirect hires.

4. SUMMARY (Summarize FTEs by Fiscal Year, by Appropriation/Fund, and Total.)
FY PY
O&M Total
Direct Funded
Reimbursable Funded
Other appropriations (Reserve, Guard, RDT&E, Defense Working Capital Fund, etc.. Identify each appropriation/fund separately.)
Direct Funded
Reimbursement Funded
Total Component
Direct Funded
Reimbursable Funded
(Repeat for FY CY, and FY BY)

NOTE: The Full-Time Equivalent (FTE) on this exhibit will agree with the FTE data provided on the OP-8, Civilian Personnel Costs.

Exhibit PB-31R Personnel Summary

OPERATION AND MAINTENANCE, _____
PERSONNEL SUMMARY

	FY PY	FY CY	FY BY	Change FY CY/FY BY
Active Military End Strength (E/S) (Total)				
Officer				
Enlisted				
Reserve Drill Strength (E/S) (Total)				
Officer				
Enlisted				
Reservists on Full Time Active Duty (E/S) (Total)				
Officer				
Enlisted				
Civilian End Strength (Total)				
U.S. Direct Hire				
Foreign National Direct Hire				
Total Direct Hire				
Foreign National Indirect Hire				
(Military Technician Included Above (Memo))				
(Reimbursable Civilians Included Above (Memo))				
Additional Military Technicians Assigned to USSOCOM				
Active Military Average Strength (A/S) (Total)				
Officer				
Enlisted				
Reserve Drill Strength (A/S) (Total)				
Officer				
Enlisted				
Reservists on Full Time Active Duty (A/S) (Total)				
Officer				
Enlisted				
Civilian FTEs (Total)				
U.S. Direct Hire				
Foreign National Direct Hire				
Total Direct Hire				
Foreign National Indirect Hire				
(Military Technician Included (Memo))				
(Reimbursable Civilians Included Above (Memo))				
*Contractor FTEs (Total)				

Civilian end strength and Full-Time Equivalent (FTE) data will agree with the direct and reimbursable funded data reflected on lines 1 through 5 of the OP-8 entitled, "Civilian Personnel Costs."
The reimbursable civilian end strength and FTE data will agree with the data reflected on line 6 of the OP-8 exhibit.

military technicians are included in the civilian end strength and average strength to USSOCOM.

Provide an explanation of changes between the years for military and civilian personnel for the BES submission only.

Exhibit PB-31R Personnel Summary
(Page 1 of 2)

OPERATION AND MAINTENANCE, _____
PERSONNEL SUMMARY

Outyear Summary:	**FY BY+1**	**FY BY+2**	**FY BY+3**	**FY BY+4**
(Include Outyear Summary in the OSD/OMB submission only)				
Military End Strength				
Reserve Drill End Strength				
Reservists on Full Time Active Duty (E/S)				
Civilian FTEs				
(Military Technician Included (Memo))				
(Reimbursable Civilians Included Above (Memo))				
*Contractor FTEs				

Exhibit PB-31R Personnel Summary
(Page 2 of 2)

Exhibit PB-58 COCOM Direct Funding

Combatant Command Direct Funding

Instructions for completing the PB-58 Exhibit

The PB-58 will not be required for either the Budget Estimate Submission or the President's Budget if the Joint Task Assignment Process Business Rules have been incorporated to include the Military Service's creation of a SAG for the Combatant Commands headquarters functions and a SAG for the mission set.

Component/Agencies are required to submit this exhibit for programs funded in Operation and Maintenance appropriations and obligated by the Commanders of the Combatant Command (COCOMs). The purpose of the PB-58 is to provide program and budget justification and visibility for changes in the level of resources required for each COCOM.

The PB-58 provides essential information for justification of the OSD/OMB Program and Budget Review Submission and the President's budget. Section III; The "Reconciliation of Increases and Decreases" should identify changes that are occurring. Each change must be explained with programmatic reasons and an explanation as to why the change is necessary.

The PY column of the OSD/OMB Program and Budget Review submission should reflect actual data through the first three quarters plus a realistic projection for the remaining quarter. For the PB submission, the PY column will reflect actuals and agree with the data reflected in the certified annual yearend DD Comp 1002 report.

The "Reconciliation of Increases and Decreases" section will be included in the PB-58 for both the OSD/OMB Program and Budget Review Submission and the President's budget submission. Reconciliations will show all changes from fiscal year to fiscal year and, for the current year, a track from the estimate requested in the previous President's budget. Specifically display:

The BY estimate included in the previous President's budget submission to the current CY estimate included in this submission,
The current FY CY estimate to BY estimate reflected in this submission.

Personnel summaries are required for each subactivity group and for each Defense Agency.

Copy requirements are identified in Chapter 1. In addition, one electronic copy (each) of the PB-58 Exhibit is to be provided to the OUSD(C) P/B Operations directorate, (OPSMAIL@osd.mil).

This exhibit includes five sections:

I. Financial Summary: (O&M and Other Appropriations)
II. Individual COCOM Financial/Program Data

III. Reconciliation of Increases and Decreases:
  A. COCOM level of detail
IV. Personnel Summary
  A. COCOM level of detail
  B. Financial Summary: Non-O&M (COCOM Appropriation, Budget Activity (BA) and sub-BA level of detail)

Exhibit PB-58 COCOM Direct Funding
(Page 2 of 10)

COCOM Direct Funding

COMPONENT/AGENCY NAME _____

I. Total O&M Sub Activity (SAG) Financial Summary ($ in Thousand)

Exhibit PB-58, Budget Item Justification										Budget (BES, Congressional, Mid Year) and Date (MM/YR)
Appropriation: Budget Activity										
O-1 SAG Number: (For O&M portions, if more than one SAG, state all involved) O-1 SAG Title: (“)					Program Elements					
Category/CoCom Detail	Approp	PY FY	CY FY	BY FY	BY+1 FY	BY+2 FY	BY+3 FY	BY+4 FY		Total
Total Cost										
Total HQ Support										
Total Mission Programs Spt										
CoCom A										
HQ Support										
Mission Programs Spt										
Total CoCom A										
CoCom B										
HQ Support										
Mission Programs Spt										
Total CoCom B										
CoCom C										
HQ Support										
Mission Programs Spt										
Total CoCom C										
Description: (Use continuation pages, as necessary)										

Exhibit PB-58 COCOM Direct Funding
(Page 3 of 10)

COCOM Direct Funding

COMPONENT/AGENCY NAME _____

II. Individual CoCom Financial Summary ($ in Thousand)

CoCom: _____										Budget (BES, Congressional, Mid Year) and Date (MM/YR)	
Appropriation: Budget Activity											
O-1 SAG Number: (For O&M portions, if more than one, state all involved) O-1 SAG Title: (“)					Program Elements						
	Approp	PY FY	CY FY	BY FY	BY+1 FY	BY+2 FY	BY+3 FY	BY+4 FY		Total	
Total Cost COCOM A											
Total HQ Support											
Total Mission Programs Spt											
COCOM A Mission One											
COCOM A Mission Two											
COCOM A Mission Three											

Description: Provide a description of each mission for each COCOM being supported.

COCOM A Mission One:

COCOM A Mission Two:

Notes:
1. Provide P-58 Section II detail for each COCOM separately.
2. Use continuation pages, as necessary for mission descriptions.
3. The CY/BY amounts include all funds appropriated/budgeted in this appropriation for execution by this COCOM.

Exhibit PB-58 COCOM Direct Funding
(Page 4 of 10)

COCOM O&M Direct Funding

COMPONENT/AGENCY NAME _____
Operation and Maintenance, _____

III. Reconciliation of Increases And Decreases (O&M only): (Provide Section IIIA as a total summary of all COCOMs supported, and a separate one for each COCOM)

Provide a trail of changes from the previous President's budget request for the current fiscal year in this submission to the appropriated amount for the CY in this submission to the CY in this submission; and from the CY current estimate to the FY BY estimate. Provide a single entry in each year for price changes. Itemize and justify the major program changes in each year (**provide the baseline in dollars to which the increase or decrease applies**). Such justification should clearly explain programmatic changes in resource levels including why increases are required or decreases occur. The DoD Components should report in thousands.

In the reconciliation of changes from the previous President's budget request for the CY to the estimate for CY in the current submission, the DoD Components should include the following adjustments:

Distributed Congressional Adjustments: Adjustments that Congress specifically makes to the President's budget request.

Undistributed Congressional Adjustments: Adjustments outlined on the tables contained in the statement of managers accompanying the appropriations conference report. The Components must use discretion as to how these adjustments are applied to minimize negative impacts on force readiness.

Adjustments to Meet Congressional Intent: Adjustments that are required in order to align funding for a congressionally approved program into the proper budget activity and subactivity to carry out the intent of the Congress.

General Provisions: Adjustments directed by the Congress in appropriations law, the distribution of which is not explicitly stated. The PB-58 should separately display each General Provision adjustment.

Program Increases and Decreases: The Operation and Maintenance (O&M) fact of life changes (functional transfers and emergent requirements) are programmatic, intra-appropriation adjustments made by DoD Components to address significant, unforeseen operational readiness issues.

This section needs to be provided by Military Department for each COCOM supported.

COCOM O&M Direct Funding

COMPONENT/AGENCY NAME _____
Operation and Maintenance, _____

($ in Thousands)

III. Reconciliation of Increases and Decreases (O&M Only):	**Amount**	**Totals**
FY CY President's Budget Request (Amended, if applicable)		
Congressional Adjustment (List Items) (Provide the baseline amount for each programmatic change.)		
Distributed Adjustments (List Items)		
Undistributed Adjustments (List Items)		
Adjustments to Meet Congressional Intent (List Items)		
General Provisions (List Items)		
Appropriated Amount (subtotal)		
Program Increases and Decreases (Specify each item separately.)		
Transfers		
Transfers In (List Items)		
Transfers Out (List Items)		
Program Increases		
One-Time Costs (List Items)		
Program Growth (List Items)		
Program Decreases		
One-Time Costs (List Items)		
Program Reductions (List Items)		
Baseline Funding (subtotal)		
Reprogrammings/Overseas Contingency Operations		
Anticipated Overseas Contingency Operations		
Reprogrammings (Requiring 1415 Actions)		
Increases		
Decreases		
Revised CY Estimate (Must agree with the CY column of the BY President's budget.)		

Exhibit PB-58 COCOM Direct Funding
(Page 6 of 10)

COCOM O&M Direct Funding

COMPONENT/AGENCY NAME _____
Operation and Maintenance, _____

($ in Thousands)

III. Reconciliation of Increases and Decreases (O&M Only):	**Amount**	**Totals**
Price Change		
Transfers		
Transfers In		
etc.		
Transfers Out		
etc.		
Program Increases (Note: Each programmatic change must show the CY baseline.)		
Annualization of New FY CY Program		
etc.		
One-Time BY Costs		
etc.		
Program Growth in BY		
etc.		
Program Decreases: (Note: Each programmatic change must show the CY baseline.)		
One-Time CY Costs		
etc.		

COCOM O&M Direct Funding

COMPONENT/AGENCY NAME _____
Operation and Maintenance, _____

($ in Thousands)

III. Reconciliation of Increases and Decreases (O&M Only):	**Amount**	**Totals**
Annualization of CY Program Decreases		
etc.		
Program Decreases in BY		
etc.		
BY Budget Request		

NOTE: Substitute appropriate fiscal years to show current year (CY) and budget year (BY).

COCOM Personnel
COMPONENT/AGENCY NAME _____

IV. Personnel Summary:

COCOM		PY FY	CY FY	BY FY	BY+1 FY	BY+2 FY	BY+3 FY	BY+4 FY		Total
Active Military End Strength (E/S) (Total)										
Officer										
Enlisted										
Reserve Drill Strength (E/S) (Total)										
Officer										
Enlisted										
Active Duty Full Time Reservists (E/S) (Total)										
Officer										
Enlisted										
Civilian End Strength (Total)										
U.S. Direct Hire										
Foreign National Direct Hire										
Total Direct Hire										
Civilian Full-Time Equivalents										
Contractor Strength										
Individual Augmentees										
Other Manpower (List)										

This section needs to be provided by Military Department as a summary and one for each COCOM supported.

COCOM Non-O&M Direct Funding

COMPONENT/AGENCY NAME _____

V. Non-O&M Funding Summary:

COCOM: _____											Budget (BES), Congressional), Mid Year and Date (MM/YR)
Appropriation: Budget Activity											Related Program Elements:
Appropriation	BA	PY FY	CY FY	BY FY	BY+1 FY	BY+2 FY	BY+3 FY	BY+4 FY		To Complete	Total

This section needs to be provided by Military Department for each COCOM supported.
A roll up of all CoCom related data must also be provided.

Exhibit PB-58 COCOM Direct Funding
(Page 10 of 10)

DoD 7000.14 - R

DEPARTMENT OF DEFENSE
FINANCIAL MANAGEMENT REGULATION

VOLUME 2B: "BUDGET FORMULATION AND PRESENTATION (CHAPTERS 4-19)"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

VOLUME 2B, CHAPTER 4: "PROCUREMENT APPROPRIATIONS"

SUMMARY OF MAJOR CHANGES

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

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

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

The previous version dated December 2016 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
040202	Restores the threshold for submitting procurement budget exhibits to $5.0 million in the Budget Year (BY).	Revision
040402	Revises guidance for the P-3a budget exhibit, restoring the requirement to submit outyear cost element detail.	Revision

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CHAPTER 4

PROCUREMENT APPROPRIATIONS

0401 GENERAL

040101. Purpose

This chapter provides instructions applicable to budget formulation and congressional justification for procurement and production activities. Unless otherwise specified, these instructions apply to all procurement appropriations and to all budgets.

040102. References

Volume 2A, Chapter 1, Section 0102, provides policies and definitions concerning costs that are to be financed by the procurement appropriations.

040103. Submission Requirements

A. General guidance with regard to submission requirements is presented in Volume 2A, Chapter 1. This chapter provides guidance for the preparation of procurement appropriation backup material required to support the Budget Estimates Submission (BES) and the President's budget request. The procurement accounts should also submit applicable exhibits required by other chapters in the Financial Management Regulation. The Components will also submit any exhibits required by the Office of Management and Budget (OMB) Circular A-11, Preparation and Submission of Budget Estimates.

B. Military Departments and Defense Agencies are responsible for clearing the justification material with the Washington Headquarters Services, Directorate for Freedom of Information and Security Review, prior to transmittal to OMB and the congressional committees.

040104. Classification

The budget justification material should be unclassified. All classified material shall be submitted separately. Components must include a P-40 Budget Justification exhibit for special access programs (SAPs) that are not labeled as secret. The P-40 exhibits for SAPs must only include funding streams and cite the following justification: "This program is reported in accordance with Title 10, United States Code, Section 119(a)(1) in the Special Access Program Annual Report to Congress." All other (non-intel and non-SAP) classified funding requests must be identified (submit a one page P-40 exhibit) within unclassified justification budget materials.

0402 PROCUREMENT EXHIBIT REQUIREMENTS

040201. Purpose

This section prescribes instructions for the preparation and submission of procurement appropriations budget material to support the BES and the President's budget request. See Volume 2A, Chapter 1. Section 0104, for specific printing requirements.

SUMMARY OF EXHIBIT REQUIREMENTS

	Exhibit	Appropriation
P-1	Procurement Program	All
P-1M	Procurement Program - Modification Summary	Aircraft/Missiles
P-1R	Procurement Program - Reserve Components	All, except SCN
P-3a	Individual Modification Program	All, except SCN
P-5	Cost Analysis	All
P-5a	Procurement History and Planning	All, except SCN
P-8a	Analysis of Ship Cost Estimates - Major Equipment	SCN
P-10	Advance Procurement Requirements Analysis	All, as applicable
P-18	Initial and Replenishment Spares Requirements	All, except SCN
P-20	Requirements Study	All, as applicable
P-21	Production Schedule	All
P-27	SCN Ship Production Schedule	SCN
P-29	SCN Outfitting Costs	SCN
P-30	SCN Post Delivery Costs	SCN
P-35	Major Ship Component Fact Sheet	SCN
P-40	Budget Item Justification Sheet	All
P-40a	Budget Item Justification for Aggregated Items	All
MYP-1	Multiyear Procurement Criteria (SNaP)	All, as applicable
MYP-2	Total Program Funding Plan (SNaP)	All, as applicable
MYP-3	Contract Funding Plan (SNaP)	All, as applicable
MYP-4	Present Value Analysis (SNaP)	All, as applicable

040202. Submission Requirements

A. Extensible Markup Language (XML) Exhibits. All Components must submit required budget exhibits as PDFs with the source XML file embedded. These PDFs will be generated by one of the following two processes:

1. Submit an XML file to the XML Tools section of the Comptroller XML Exhibits web site, ***https://exhibits.dtic.mil/r2/app*** (for Components capable of building an XML file from an internal system). The XML files submitted through the XML Tools section must be compliant with the latest Procurement XML schema, located within the same section of the web site; or,

2. Create a Procurement exhibit manually within the "Create New P-40" section of the Comptroller XML Exhibits web site, ***https://exhibits.dtic.mil/p40***.

3. The result of either process will be a PDF file with an XML file embedded. All Procurement exhibit PDFs/XMLs must be assembled into a Justification Book(s) within the same website using one of the Justification Book tools and posted to the SIPRNET website ***https://cisweb.ousdc.osd.smil.mil/***.

4. Formats and examples of the exhibits are contained in Section 0403.

B. Each backup book will include an Exhibit P-1, Procurement Program, an index of procurement lines (including P-1 line number, line item title, line item number, and backup book page number), and specific exhibits for those items covered by the backup book.

* C. All applicable budget exhibits will be prepared for those programs with a budget year (BY) funding value of $5 million or greater. For non- Major Defense Acquisition Programs (MDAPs)/Major Automated Information Systems (MAIS) programs with a BY funding value less than $5 million, only the P-40 exhibit is required. No other subordinate exhibits will be submitted for those programs with a total BY funding value less than $5 million. MDAP/MAIS programs must submit all required budget exhibits regardless of BY funding value.

D. Periodically, changes to standard budget exhibit formats may be directed through separate guidance (for example, through the Budget Estimates Submission guidance). This guidance may precede formal adoption of exhibit changes into the Financial Management Regulation, or direct temporary exhibit changes, such as including funding for Overseas Contingency Operations (OCO). These changes will be incorporated into the applicable XML exhibit templates.

E. The exhibits will be aggregated in the following order for each P-1 line item, as applicable to that line item and submitted in P-1 line item order.

Arrangement of Exhibits – General (except as noted below)

P-1	Procurement Program
P-40	Budget Item Justification
P-40a	Budget Item Just for Aggregated Items
MYP 1-4	Multiyear Procurement
P-10	Advance Procurement Requirements Analysis
P-5	Cost Analysis
P-5a	Procurement History and Planning
P-21	Production Schedule
P-25	Production Support and Industrial Facilities Cost Analysis
P-18	Initial and Replenishment Spares Requirements
P-20	Requirements Study (BES only, as applicable)

Arrangement of Exhibits for Modifications

P-1	Procurement Program
P-1M	Modification Summary
P-40	Budget Item Justification
MYP 1-4	Multiyear Procurement
P-3a	Individual Modification Program
P-40a	Budget Item Just for Aggregated Items

Arrangement for Ship Procurement Accounts

P-1	Procurement Program
P-40	Budget Item Justification
MYP 1-4	Multiyear Procurement
P-10	Advance Procurement Requirements Analysis
P-5	Cost Analysis
P-27	Ship Production Schedule
P-8a	Analysis of Ship Cost Estimates - Major Equipment
P-29	Outfitting Costs
P-30	Post Delivery Estimates
P-35	Major Ship Component Fact Sheet

Arrangement for Ammunition Accounts

P-1	Procurement Program
P-40	Budget Item Justification
P-40a	Budget Item Just for Aggregated Items
P-5	Cost Analysis
P-5a	Procurement History and Planning
P-21	Production Schedule
MYP 1-4	Multiyear Procurement
P-18	Initial and Replenishment Spares Requirements
P-20	Requirements Study (BES only, as applicable)

Chemical Agents and Munitions Destruction

The Chemical Agents and Munitions Destruction, Defense appropriation contains multiple types of funds (Operation and Maintenance (O&M), Research, Development, Test and Evaluation (RDT&E), and Procurement) in separate budget activities. While the RDT&E and O&M efforts may be incrementally funded, the Procurement program must comply with the full funding policy. The Army is required to provide the justification book in the following order:

Table of Contents
Appropriation Language
Appropriation Justification

Part I	Purpose and Scope
Part II	Justification of Funds Required
Part III	Milestones

Budget Activity 1: Operation and Maintenance

Part I	Purpose and Scope
Part II	Justification of Funds Required
Part III	Financial Summary

Budget Activity 2: Research, Development, Test and Evaluation

Part I	Purpose and Scope
Part II	Justification of Funds Required
Part III	Financial Summary
RDT&E	RDT&E Exhibits (See Chapter 5)

Budget Activity 3:	Procurement
Part I	Purpose and Scope
Part II	Justification of Funds Required
Part III	Financial Summary
P-40	Budget Item Justification
P-5	Cost Analysis
P-5a	Procurement History & Planning
OP-5 (Pt 1)	Budget Activity Summary (See Volume 2A, Chapter 3)
OP-5 (Pt 2)	Activity Group Detail, Including a Reconciliation of Increases and Decreases (See Volume 2A, Chapter 3)
OP-32	Summary of Price and Program Changes (See Volume 2A, Chapter 3)

F. P-Series Major Platform Quantities

Congress requires that all Major Platform end items, including Service Life Extension Programs, Major Defense Acquisition Programs (MDAPs), and Major Automated Information Systems (MAIS), reflect quantities on all P-series (i.e., P-1, P-40, P-5, etc.) budget exhibits. For those Major Platform end items where there are different variants being procured (e.g., Family of Medium Tactical Vehicles), total quantities should not be entered on the P-1 exhibit or in the Program Resources Collection Process (PRCP) database, but specific quantities by variant must be provided on all other P-series documents. Major Platform end items are defined as the new procurement of:

- Aircraft
- Unmanned Air Vehicles
- Ships
- Missiles
- Tanks
- Combat and Tactical Vehicles
- Satellites

For programs that are not considered Major Platforms, quantities are to be included in all P-series exhibits (e.g., P-40, P-5, P-5a, etc.) with the exception of the P-1 exhibit.

G. Major Defense Acquisition Programs (MDAPs)/Major Automated Information Systems (MAIS)

1. Joint budget guidance from the Under Secretaries of Defense for Acquisition, Technology & Logistics (AT&L) and Comptroller directs that all MDAPs or MAIS will be budgeted in separate, dedicated Procurement (P-1) line items, and associate all of the funding for a given MDAP/MAIS with a PRCP Program Number (PNO).

2. For all MDAP/MAIS programs, the P-40 Budget Item Justification exhibit must include the PNO. Components must also ensure that all applicable years of the PRCP and FYDP annex data bases are updated to reflect the program budget estimates for all MDAP/MAIS programs, including all prior years and cost-to-complete columns. Each MDAP/MAIS subprogram is a component that will be identified by appropriation, budget line item, and budget activity under the End Item P-1 Line Item header.

H. Multiyear Procurements (MYP)

1. Volume 2A, Chapter 1, section 010203, provides guidance for MYP programs. The MYP exhibits are required for new candidate systems seeking MYP funding in the budget year (BY); multiyear contracts approved in prior years that have been significantly restructured; and MYP candidates that are requesting BY advance procurement funding in support of a later year MYP contract. Any changes to the MYP budget justification and backup materials, as approved by OUSD(C), must be re-submitted via SNaP. The approved MYP exhibits must be included in the Justification book along with the other procurement exhibits for that program.

2. Annual Congressional Multiyear Reporting Requirement. Section 2306b(l) of Title 10, United States Code (Multiyear Contracts) directs the Secretary of Defense to submit an annual report to the congressional defense committees regarding multiyear contracts. The OUSD(C) is responsible for coordinating the consolidated report.

I. Subsystem Budget Estimates

Any platform that includes funding for subsystems that are designated as Defense Acquisition Executive Summary or Selected Acquisition Reporting programs must identify the specific subsystem funding by fiscal year and by subsystem on the P-5 exhibits (or P-35 exhibit for SCN). The program must be labeled "MDAP/MAIS Subprogram: Program Name" and include the associated PNO. For example, "MDAP/MAIS Subprogram: Air Missile Defense Radar (AMDR), PNO: 384."

J. Congressionally authorized and requested Advance Procurement funds for major end items must be clearly identified on all P-series exhibits for each end item by fiscal year for the program. Programs authorized to execute advance construction labor within their advance procurement must cite in the P-10 Exhibits description that "advance procurement items, including advance construction labor, is limited to components whose long-lead times require purchase early in order to reduce the overall procurement leadtime of the major end item."

K. If an amended budget is submitted, applicable revised budget exhibits are required.

L. Guard and Reserve Procurement

1. Exhibit P-1R, Procurement Program - Reserve Components, shows all investment funding allocated for National Guard and Reserve Component equipment, to include quantities and costs of procurement items. The Military Departments are required to identify the applicable memo entries by P-1 Budget Line Item those lines that include quantity and funding for the National Guard and Reserve Components for each fiscal year (PY, CY, BY, BY+1 through BY+4, To Complete). The Office of the Under Secretary of Defense (Comptroller) (OUSD(C)) generates the P-1R based on the FYDP data in PRCP.

2. All supporting procurement justification documentation must clearly annotate equipment allocated to the National Guard and Reserves. Specifically, the P-40 Budget Item Justification exhibit and the P-21 Production Schedule exhibit must contain a non-add memo entry indicating the funding and delivery schedule for all of the items being procured for allocation

to the National Guard and Reserve Components. This data must balance to the data in the PRCP database.

M. Dual-Use Equipment

All Components must include the following statement on their P-40 exhibit for all Army, Navy, Marine Corps, and Air Force Active and Reserve dual-use equipment items: "In accordance with section 1815 of the FY 2008 National Defense Authorization Act (P.L. 110-181), this item is necessary for use by the active and reserve components of the Armed Forces for homeland defense missions, domestic emergency responses, and providing military support to civil authorities."

0403 CONGRESSIONAL JUSTIFICATION/PRESENTATION

This Section presents the backup book organization and the exhibit requirements for submission to Congress. See Volume 2A, Chapter 1, Section 0104 for specific printing requirements. Justification material will be organized into a Committee Staff Procurement Backup Book. Volume 2A, Chapter 1, Section 010403 provides a detailed distribution schedule for the procurement backup books. A separate congressional committee backup book will be prepared for the President's budget request for each procurement appropriation.

Department of Defense
FY 20BY President's Budget Submission
Justification Book Volume X of X
Appropriation

Section 1 - Summary Material
Table of Contents
P-1 listing (P-1 Exhibits will be prepared using the OUSD(C) automated system with input from the Services and Defense Agencies)

Section 2 - Budget Appendix Extract Language

Section 3 - P-1 Line Item Detail. Procurement budget exhibits will be organized as discussed in paragraph 040203.D.

0404 PROCUREMENT APPROPRIATION BUDGET EXHIBIT FORMATS

040401. Standardized budget exhibit formats.

Section 040402 describes the use of XML budget exhibits for procurement appropriations. In addition to the key attribute of making budget exhibit data electronically searchable, the XML exhibits standardize the various budget displays, enabling more effective and efficient budget formulation, review, analysis, and submission.

A. The exhibit formats provided on the following pages reflect guidance presented in previous sections.

B. The use of XML exhibits is mandatory for BES and President's budget request backup justification material.

C. XML exhibits will automatically standardize formatting, to include:

1. Exhibits displayed on 8 1/2 inch by 11 inch paper in landscape format.

2. Actual fiscal years (e.g., FY 2016, FY 2017, etc.) rather than the template entries (i.e., Prior Years (PYs), Prior Year (PY), Current Year (CY), Budget Year (BY), BY+1, BY+2, BY+3, and BY+4 and "to complete" where applicable).

3. Annotating the applicable P-1 line item number (using the number shown on the OSD-generated P-1 exhibit from PRCP) and page number within the line item (e.g., Item 1-1 of 5, 2-1 of 1, 3-1 of 20, etc.) at the bottom center of each exhibit page.

4. Properly paginate the backup book.

* 040402. Procurement exhibit formats

There are 22 procurement exhibits that support the formulation and submission of the BES and the President's budget request. The exhibits provide data and information that justifies budgetary requirements for the various procurement appropriations. The exhibit formats follow. Volume 2B, Chapter 19, Other Special Analyses, also identifies budget exhibits that may be required.

Exhibit P-1

Exhibit P-1, Procurement Program

Department of the _____

Appropriation: _____ **Date: _____**

Budget Activity: _____

			TOA, $ in Millions									
P-1 Line	Item	Ident	Prior Year		Current Year		Budget Year		Budget Year OCO		Budget Year Total	
Item No	Nomenclature	Code	Qty	Cost	Qty	Cost	Qty	Cost	Qty	Cost	Qty	Cost
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)

Exhibit P-1M

Exhibit P-1M, Procurement Programs - Modification Summary
(TOA, $ in Millions)

System/ Modification EXAMPLE:	Prior Years	PY	CY	BY	BY+1	BY+2	BY+3	BY+4
A-10 Modifications								
AIM-9L Capability				*x.x*	*x.x*			
Chem/Bio Protection				-	x.x	x.x		
Outer Wing Fatigue Reskin					*x.x*	*x.x*		
Integrated Drive Generator					*x.x*	*x.x*	*x.x*	
ALE-40 Correction of Def					*x.x*	*x.x*		
Engine Monitoring Sys				*xx.x*	*xx.x*	*xx.x*		
Skin & Lgnrn Strengthening					*x.x*	*x.x*		
Total for A-10				*xx.x*	*xx.x*	*xx.x*	*x.x*	
S-3 Modifications								
AIM-9L Capability				*x.x*	*x.x*			
Chem/Bio Protection				-	*x.x*			
Total for S-3				*x.x*	*xx.x*			

Exhibit P-1M, Procurement Program - Modification Summary
(Exhibit P-1, page 2 of 6)

Exhibit P-1R

Exhibit P-1R Procurement Program - Reserve Components

Department of the _____

Appropriation: _____ **Date: _____**

Budget Activity: _____

			TOA, $ in Millions											
P-1 Line	Item	Ident	PY		CY		BY		BY +1		BY +2		BY +3		BY +4	
Item No	Nomenclature	Code	Qty	Cost	Qty	Cost	Qty	Cost	Qty	Cost	Qty	Cost	Qty	Cost	Qty	Cost

Examples:
F-16 Modifications
National Guard
Reserve

Exhibit P-1R, Procurement Program- Reserve Components
(Exhibit P-1, page 3 of 6)

Instructions
Exhibit P-1, Procurement Program
Exhibit P-1M, Procurement Program - Modification Summary
Exhibit P-1R, Procurement Program - Reserve Components

General.

A. A summary by budget project/activity will be prepared for each appropriation, showing the amount for each project/activity and the total program for each appropriation. The detail of the consolidated line items in this entry should be available upon request. There should be no consolidation into a "Less than $5.0 million" line item for any line item requiring specific quantity authorization and for any Code B item (i.e., items not approved for Service use).

B. Unless otherwise prescribed for a specific commodity area, only procurement line items with funding of $5.0 million or more in the Prior Year (PY), Current Year (CY) or Budget Year (BY) will be listed individually. Items less than $5.0 million should be consolidated into a single line item entry, "Items less than $5.0 million," under each budget activity.

Exhibit P-1, Procurement Program Instructions. Provide funding and applicable quantities by budget activity and line item. Data must match submission to the PRCP data base.

Advance Procurement. Advance procurement should be debited and credited according to the lead-times of the advance procurement. For instance, if FY *2015* and FY *2016* Advance Procurement funds are required for a FY *2017* procurement, the FY *2015* Advance Procurement funds would be debited in FY *2015*, the FY *2016* Advance Procurement funds would be debited in FY *2016*, and the total of the FY *2015* and FY *2016* Advance Procurement funds would be credited in FY *2017*.

Advance Procurement

FY TOA	**FY *2015***	**FY *2016***	**FY *2017***	**FY *2018***	**FY *2019***	**FY *2020***
FY *2015* for FY *2017* (memo)	*x*					
FY *2016* for FY *2017* (memo)		*x*				
FY *2016* for FY *2018* (memo)		*x*				
FY *2017* (memo)			*-x*			
FY *2017* for FY *2018* (memo)			*x*			
FY *2017* for FY *2019* (memo)			*x*			
FY *2018*(memo)				*-x*		
FY *2018* for FY 2019 (memo)				*x*		
FY *2018* for FY 2020 (memo)				*x*		
FY *2019*(memo)					*-x*	
FY *2019* for FY 2020 (memo)					*x*	
FY *2019* for FY 2021 (memo)					*x*	
FY *2020*(memo)						*-x*
FY *2020* for FY 2021 (memo)						*x*
FY *2020* for FY 2022 (memo)						*x*

Exhibit P-1 Instructions (Continued)

List each aircraft and missile type and model separately, for both new procurement and modifications. Each ship type, Outfitting, Post Delivery, Cost Growth, Escalation, Service Craft, and Landing Craft will be listed as separate line items.

Include initial and replenishment spares financed in procurement appropriations in a single line item. Indicate the amounts included for initial and replenishment spares separately as subentries. For this purpose, all spare aircraft engines shall be considered initial spares.

All line items will be double spaced.

Costs will be expressed in millions of dollars using one decimal place, i.e.:

($ in Millions)
15.6

List the following Support Equipment and Facilities as separate line items:

Common Ground Equipment
Industrial Facilities
War Consumables
Other Production Charges
Classified Projects
Production Base Support
Space Programs (list separately)
Astronautics

Specific instructions.

Appropriation. Include the title and number of the appropriation, i.e., 2034A, Procurement of Ammunition, Army.

Budget Activity. Include the number and title of the budget activity, i.e., Budget Activity 04, Spare and Repair Parts.

Column 1: Include the P-1 line item number (generated from the OSD PRCP database).

Column 2: Item Nomenclature. Identify the name of the program. This must match what is shown in PRCP.

Column 3: Identification Code. The letter "A" or "B" will be entered in this column. Line items will be appropriately coded according to the status of the item at the time the exhibit is prepared as follows:

Code "A". Line items of material that have been approved for Service use. The term "approved for service use" means that:

Exhibit P-1 Instructions (Continued)

Army. The item has been type-classified as Standard (STD) and excludes Limited Procurement (LP) type-classification that is included in the development category.

Navy. The item has been approved for full rate production.

Air Force. The item has been approved for full rate production.

USSOCOM. The system is effective, suitable, safe, and logistically supportable. Release for Special Operations Forces is in conjunction with full rate production decision.

Code "B". Line items or material that has not been approved for Service use.

Columns 4-11: Self-explanatory.

Exhibit P-1M, Procurement Program - Modification Summary Instructions

This exhibit will be prepared for all years reflected on the sample P-1M exhibit and will represent a summary by weapon system of all individual modifications that are requested for that weapon system.

Show the total procurement cost in millions using at least one decimal place for each individual modification and total cost for that weapon system or family of models of that weapon system. For example, all models of the F-4 aircraft would be included in the F-4 line (e.g., RF-4B, F-4B, F-4E, F-4G, etc.), and all models of the AIM-7 missile would be included in the AIM-7 line (e.g. AIM-7E, AIM-7F, AIM-7M, etc.). Total modification cost will include only those costs budgeted in the individual P-1 line item, including installation costs.

Exhibit P-1R, Procurement Program - Reserve Components Instructions

In addition to the instructions for the P-1, Procurement Program, the P-1R line item entries will be exactly the same line item entries as the P-1. The Exhibit P-1R line items will include 2 sub-line items. One is for the National Guard and one is for the Reserve. Subtotal of the two lines is not required, but the total for the Reserve Components cannot exceed the amount of funding included in the P-1 line item. All procurement line items having funding for National Guard and Reserve requirements, including advance procurement, ammunition, and spares and repair parts, will be included in the P-1R exhibit and be provided for all years (i.e., for PY, BY, BY+1 – BY+4). Each Military Department is required to update the PRCP database for this information supporting the National Guard and Reserve for both the BES and the President's Budget submissions.

Exhibit P-3a

Exhibit P-3a, Individual Modification

MODELS OF SYSTEMS AFFECTED: _____ TYPE MODIFICATION: _____ MODIFICATION TITLE: _____

DESCRIPTION/JUSTIFICATION:

DEVELOPMENT STATUS/MAJOR DEVELOPMENT MILESTONES:

FINANCIAL PLAN: (TOA, $ in Millions)

	Prior Yrs		PY-1		PY		CY		BY		BY+1		BY+2		BY+3		BY+4		TC		Total	
	Qty	$	Qty	$	Qty	$	Qty	$	Qty	$	Qty	$	Qty	$	Qty	$	Qty	$	Qty	$	Qty	$
RDT&E																						
PROC																						
A Kit NRE			25	2.0	10	1.0	15	1.5	15	1.5	25	2.0	25	2.0	25	2.0	90	7.5			255	21.5
A Kit			25	2.0	10	1.0	15	1.5	15	1.5	25	2.0	25	2.0	25	2.0	90	7.5			255	21.5
Comp A			25	2.5	10	1.0	15	1.5	15	1.5	25	2.5	25	2.5	25	2.5	90	9.0			255	25.5
Comp B			50	1.0	20	0.4	30	0.6	30	0.6	50	1.0	50	1.0	50	1.0	180	3.6			510	10.2
Comp C			75	3.6	30	1.5	45	2.2	45	2.2	45	2.2	45	2.2	45	2.2	270	13.0			765	36.7
Eqpt NRE																						
Eqpt																						
Eqpt A																						
Eqpt B																						
ECP 1 Gp A																						
ECP 1 Gp B																						
ECP 2 Gp A																						
ECP 2 Gp B																						
ECP 3 Gp A																						
ECP 3 Gp B																						
Data																						
Training Eq																						
SE																						
Other																						
Other																						
Other																						
ICS																						
Install Cost					25	.3	10	.1	15	.2	25	.3	25	.3	25	.3	115	1.5			255	3.2
Total Proc																						

P-1 Line- Item No X
(Page X of X)

Exhibit P-3a, Individual Modification
(Exhibit P-3a, page 1 of 5)

Exhibit P-3a (Continued)

Exhibit P-3a, Individual Modification (Continued)

MODELS OF SYSTEMS AFFECTED: _____ MODIFICATION TITLE: _____

INSTALLATION INFORMATION:

METHOD OF IMPLEMENTATION: _____

ADMINISTRATIVE LEADTIME: Months PRODUCTION LEADTIME: Months

CONTRACT DATES: Prior Year:_____ Current Year:_____ Budget Year 1: _____ Budget Year 2: _____

DELIVERY DATES: Prior Year:_____ Current Year:_____ Budget Year 1: _____ Budget Year 2: _____

($ in Millions)

Cost:	Prior Yrs		PY-1		PY		CY		BY		BY+1		BY+2		BY+3		BY+4		TC		Total	
	Qty	$	Qty	$	Qty	$	Qty	$	Qty	$	Qty	$	Qty	$	Qty	$	Qty	$	Qty	$	Qty	$
(PY-25 kits)					15	0.2	10	0.1														
(FY(CY) 10 kits)									10	0.2												
(FY(BY) - 15 kits)											5	0.1										
(FY(BY+1) - 25 kits)													10	0.2	15	0.3						
etc.																						
					15	0.2	10	0.1	10	0.2	10	0.2	20	0.4	15	0.3						

Installation Schedule

	PY	CY				BY				BY+1				BY+2				BY+3				BY+4				TC
		1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	
In																										
Out																										

P-1 Line Item No X
(Page X of X)

Instructions - Exhibit P-3a, Individual Modification

* This exhibit will be submitted for all individual modifications whose costs are greater than $5.0 million in the budget year. Except as noted, individual modifications whose costs are less than $5.0 million in the budget year will not submit this exhibit.

For Other Procurement appropriations, when only a simple modification kit is being procured and installation is being performed at the organizational level, there is no need to submit an Exhibit P-3a as long as the P-5 and P-21 include the necessary information.

The sample exhibit displays additional line items for equipment and Group A installation kits. Tailor line item entries to the modification content. Use additional lines when quantities for these components differ from the quantity of end items being procured or when a unit cost comparison between years cannot be performed.

Model. Enter the model and series designation (e.g., A-10, AGM-86, F/A-18, etc.).

Classification. Enter the modification classification or type (e.g., safety, reliability, added capability, etc.), as applicable.

Modification No. And Title: Identify the modification number and title.

Description/Justification: Provide a description of what additional capability is added to the system by this modification, and why the modification is necessary (i.e., to increase reliability, maintainability, or mission capability). If the modification is related to reliability and maintainability, indicate the current Mean-Time Between Failure (MTBF) rate of the system, what MTBF will be specified in the development/production contract, and the estimated annual savings. Identify all engineering change proposals included in the modification and provide a brief description of each and how they relate to the particular overall effort. Identify the operational requirement document (ORD) that validates the modification. Identify the quantity of aircraft in the inventory and the quantity that will receive the modification, as identified in the ORD. For example, the total objective for a radar modification might be 75 units at an estimated unit cost of $300,000 each or total cost of $23.5 million. Twenty units have been procured in prior years, 10 units are included in the budget year leaving 45 units to be procured in subsequent years. Identify when a different number of Group A and Group B kits are being procured (the ORD should also include this information). Identify the applicable quantity of National Guard and Reserve end items ensuring quantities and costs match the P-1R. Do not use abbreviations or acronyms of a highly technical nature. Spell the acronyms the first time and abbreviate thereafter.

Development Status/Major Development Milestones: Provide status of engineering effort testing and data package availability as of the budget submission date. Provide significant accomplished and planned milestone dates such as Preliminary Design Review (PDR), Critical Design Review

Exhibit P-3a Instructions (Continued)

(CDR), completion of Contractor Test and Evaluation (CTE), completion of Development Test and Evaluation (DTE), completion of Initial Operational Test and Evaluation (IOT&E), etc.

Financial Plan:

Note: Prior year column includes all funding from beginning of program through the Prior Year-2 (PY-2). Quantities and costs should be provided for all applicable line items. PY-1, PY, and CY are the fiscal years currently available for obligation.

RDT&E: Enter programmed RDT&E resources by fiscal year. These resources should be consistent with the Program Element Summary Data Sheets for RDT&E programs.

* Procurement: Categories of cost shall be tailored to the individual system consistent with the program's approved work breakdown structure (WBS) elements or modification content. Use as many line items as necessary to show this data. Enter the recurring and nonrecurring cost of the installation kits. Installation kits (Group A kits) are the provisions (e.g., cables, brackets, interface devices) necessary to prepare the system to accept the new equipment. Enter the recurring and nonrecurring cost of the equipment (Group B kits) to be installed (e.g., radar, ECM, engine etc.). If different quantities of kits are being procured for various engineering change proposals within a modification (or operational system improvement program), list the ECP A kit and ECP B kit as separate line item entries (i.e., a line item for the A kit and a line item for the B kit). Do not use an asterisk to indicate that the quantity cannot be shown because a mix of end items with different procurement quantities is being procured. This precludes the need for an addendum and presents all cost information together. Exhibits should reflect all costs and quantities from prior years (PYs) through To Complete (TC).

Installation. The installation costs should be portrayed in the year of actual installation so that the total cost of the installation is portrayed for each year's procurement of end items. Procurement quantities and installation quantities reflected in the procurement detail should equal the quantity displayed in the installation schedule.

Method of Implementation: Indicate how installation will be accomplished (e.g., Contractor, Depot field team, Depot modification line, etc.).

Contract Date: Enter the actual/estimated contract date (month/year, not quarter) for the item with the longest lead time.

Production Delivery Date: Enter the actual/estimated production delivery dates (month/year, not quarter) for the initial item of installed equipment for the current year and budget year.

Installation Schedule: For modifications procured through the Budget Year (BY), show system inductions and modification completions by quarter. An installation schedule is required for all programs requiring installation funds. However, if the modification is being installed organically (i.e., by service managed and operated depots or field activities) and no installation funds are required, then no schedule is required. The schedule will include completed inductions for total Prior Years, Prior Year, and planned inductions for all uninstalled equipment for CY, BY, BY+1, BY+2, BY+3, and BY+4, and To Complete, as necessary, to account for installation of all modifications procured through the BY. Input and output must equal each other, as well as equal the total quantity of kits procured. Input and output refer to the start and end date of the modification into the aircraft (or end item). This information is required to determine when kits need to be procured. The input and output date is used as a barometer to determine the feasibility of the schedule (and thus, the procurement profile). For ongoing programs, identify the separate program using alpha or alpha-numeric suffixes to the current modification number. Include separate installation schedules for those items that have more than one method of implementation.

(Exhibit P-3a, page 5 of 5)

Exhibit P-5, Cost Analysis

Exhibit P-5 Cost Analysis	Weapon System				Date:			
Appropriation (Treasury) Code/CC/BA/BSA/Item Control Number					D Code		P-1 Line Item Nomenclature	
WBS COST ELEMENTS (Tailor to System/Item Rqmts)	Prior Years Unit Cost	Prior Years Total Cost	PY Unit Cost	PY Total Cost	CY Unit Cost	CY Total Cost	BY Unit Cost	BY Total Cost
Quantity								
Airframes/CFE								
Engine/Accessories								
CFE Avionics								
GFE Avionics								
Armament								
ECO (Flyaway)								
Nonrecurring Costs								
Tooling								
Software Costs								
Other Costs								
Subtotal Flyaway								
Airframe PGSE								
Engine PGSE								
Avionics PGSE								
Peculiar Training Eqpt								
Publications/Tech Data								
ECO (Support Items)								
Other								
Subtotal Support Costs								
Gross-P-1 End Item Cost								
Less PY Adv Proc (by PY FY)								
Net P-1 Full Funding Cost								
Plus CY Adv Proc								
Other Non-P-1 Costs								
Initial Spares								
Total								

P-1 Line Item No X
(Page X of X)

Exhibit P-5, Cost Analysis
(Exhibit P-5, page 1 of 8)

Instructions - Exhibit P-5, Cost Analysis

Purpose. The purpose of this exhibit is to provide detailed cost information in support of Exhibit P-1 line items consistent with the appropriate work breakdown structure (WBS) elements for the program. It is essential that this exhibit be complete and accurate, as it is the most important exhibit in the backup book. Requirement exhibits and production schedules are related to the entries on this exhibit, and it is used as the framework for line item review. The program and budget review submission will include P-5 exhibits containing detailed cost element data for fiscal years (FYs) from prior years (PYs) through the Budget Year (BY). Out-year cost element data is no longer required and will not be submitted.

General. This exhibit will be prepared for all procurement programs for which funds are requested in the P-1 exhibit. If two or more Services procure the same system, the P-5 exhibit cost elements should be as identical as possible except for Service unique requirements. A P-5 exhibit is not required for those programs that use a P-40a exhibit to display items included in an aggregated line item or if an Exhibit P-3a Modification Summary, has been prepared for a line item.

Entries:

Heading. Insert Appropriation, Budget Activity, and identification code (as identified on the Exhibit P-1 generated from the OSD PRCP database) in the appropriate block. Insert the Exhibit P-1 line item title and add after the title the subhead number for the line item in parenthesis.

Elements of Cost. Categories of cost shall be tailored to the individual system consistent with the program's approved work breakdown structure (WBS) elements. Standard categories are to be used for similar type systems (i.e. aircraft, ships, missiles, tanks, satellites, ammunition, etc.).

Production Support Services. Use generic entries such as Production Engineering, Engineering Services, Quality Assurance, Acceptance Testing, Product Improvement, etc. Include the name of the performing activity (for example, Production Support - NOP Indian Head, or Material Handling - Iowa AAP) only when needed to further clarify the generic categories.

Quantity/Total Cost entries. The quantity related to any cost element will be stated in units (not thousands). Only those entries where quantitative measurement is applicable should have entries in the quantity column. For example, the term "1 set" should not be used for publications, entries, documentation, etc. If the item is not subject to quantitative measurement, leave the column blank. The total cost for a cost element entry will be shown in millions, using 3 decimal places, i.e., 1.225. All cost columns will be totaled.

Advance Procurement Funding. Add (debit) the advance procurement funding in each fiscal year and subtract the advance procurement funding (credit) from the fiscal year the advance procurement supports. Ensure the credit is against the correct fiscal year (check leadtimes). Generally, Advance Procurement debits and credits will net to zero in the "total costs" column. If they do not net to zero, Components must provide rational why they do not.

Initial Spares. Separately identify initial spares funding and include in the total for the net weapon system/end item cost.

(Exhibit P-5, page 2 of 8)

Exhibit P-5 Instructions (Continued)

Unit Cost. The unit cost should be displayed for each flyaway cost element on the P-5 exhibit. This should be a manual entry, not computed. Otherwise, there could be lost budget authority if a reviewer (OSD, GAO, or congressional staff) asks to see the unit cost for a particular item from the contract. The last entry line, or overall weapon system unit cost, for each FY is the procurement unit cost.

Aircraft Cost Element Categories.

Airframes/Contractor Furnished Equipment (CFE): Enter estimate for recurring airframe cost, airframe contractor furnished equipment, and engineering changes.

Engine/Accessories: Enter total engine cost including accessories. As part of stub entry, enter quantity of engines per aircraft and indicate model designation including all "dash" designators (example: Engines (4) 53-L-13). Engine unit cost column will reflect the cost of one engine.

Avionics: Separately identify CFE and Government Furnished Equipment (GFE) avionics equipment.

Armament: Enter costs for all armament.

Software: Software costs are to be separately identified.

Other GFE: Enter costs for all Other GFE.

Engineering Change Orders (ECOs) - Flyaway: Include cost of anticipated, but unknown ECOs and value engineering changes for all installed aircraft components (CFE or GFE). Engineering Change Orders should be funded commensurate with the level of risk in the program.

Nonrecurring Costs: Enter total nonrecurring costs associated with production of the flyaway article. Identify and separately display funds budgeted for production tooling in the nonrecurring cost category.

Other Costs: Use as many line items as necessary to identify elements and associated costs.

Airframe Peculiar Ground Support Equipment (PGSE): Enter cost of peculiar airframe ground support equipment.

Engine PGSE: Enter cost of peculiar engine ground support equipment.

Peculiar Training Equipment: Enter cost of all peculiar training equipment.

Publications/Technical Data: Enter cost of all CFE/GFE publications and technical data.

ECOs - All Support Items. Enter cost of ECOs anticipated but unknown for all support and training equipment.

Other: Use as many line items as necessary (example: aerial cameras, or jammer transmitter sets, receiver sets or sensor sets for special mission aircraft). These items are not necessarily procured on a one-for-one basis with aircraft.

(Exhibit P-5, page 3 of 8)

Exhibit P-5 Instructions (Continued) Missile Cost Analysis

A missile P-5 exhibit will be submitted by all Services for each missile/drone type and model. If more than one model or configuration is procured in the same P-1 line item, then individual P-5 exhibits will be prepared for each model or configuration and a summary P-5 exhibit will also be prepared for the P-1 line item. Weapon systems that are composed of fire units or launchers that are procured in the same P-1 line item as the missile will provide separate cost identification for each vehicle of the fire unit or launching system (launcher, launch control center, radar set, vehicle, etc.). The cost categories on the P-5 exhibit represent a number of elements and the list should be tailored as appropriate to adequately depict the missile system cost. The flexibility exists to revise the elements to depict unique system characteristics, but a comparable cost detail to that shown in the P-5 exhibit format should be maintained.

Missile P-5 Cost Element Categories

Missile Hardware - Recurring
- Airframe
- Propulsion (By stage, where applicable)
- Target Detection Device
- Guidance & Control
- Warhead
- Fuze
- Safe & Arm
- Engineering Change Orders
- (Value Engineering)
- Government Costs
  - Integration & Assembly (Labs, etc.)
  - Acceptance Test Program
- Other (Specify)
- Subtotal Missile Hardware

Nonrecurring and Ancillary Equipment
- Tooling and Test Equipment
- Missile Ancillary Hardware
- (Containers, etc.)
- Total Missile Flyaway

Command and Launch Hardware
- Launcher
- Launch Control Center
- Radar Set
- Platform/Track Vehicle
- Engineering Change Orders
- Other (Specify)
- Subtotal Command and Launch Equipment

(Exhibit P-5, page 4 of 8)

Exhibit P-5 Instructions (Continued)

Support Costs

Peculiar Support Equipment (Specify, e.g., test, handling, etc.)
Special Handling Equipment
Training Equipment
Publications/Technical Data
Engineering Change Orders
Other (Specify)
Subtotal Support
Gross P-1 End Cost
Less: Prior Year Adv. Procurement (Breakout by Prior FY of funding)
Net P-1 Full Funding Cost (Must equal FY amount displayed on the P-40 exhibit)
Plus Current Year Advance Procurement.
Other Non-P-1 Weapon System Costs
Initial Spares

Ship Cost Element Categories

Include the following format for every year from construction inception for which there are undelivered ships through the end of the FYDP:

Plan Costs
Basic Construction/Conversion
Change Orders
Electronics
Propulsion Equipment
HM&E
Other Cost
Ordnance
Escalation
Project Manager's Growth
Total Ship Estimate
Less: Advance Procurement FY (specify by individual fiscal year)
Net P-1 Line Item
Ship/Unit Cost

Space System Cost Analysis.

A P-5 exhibit is required for each space weapon system employing a launch vehicle or satellite.

Exhibit P-5 Instructions (Continued)

Satellite Cost Element Categories

Launch Vehicle:
- Airframe/Integ & Assembly
- Stage I
- Stage II
- Stage III
- Stage IV
- Guidance and Control
- Other (specify)
- Nonrecurring (specify)

Stage Vehicle:
- Airframe/Integ & Assembly
- Propulsion
- Guidance and Control
- Other (specify)
- Nonrecurring (specify)

Space Vehicle:
- Integration & Assembly
- Spacecraft
- Payload
- Reentry Vehicle
- Other (specify)
- Nonrecurring (specify)
- Engineering Change Orders (ECO)
- In-House Production Support
- Total Flyaway Cost

Checkout and Launch:
- Storage, Reactivation, and Transport
- Integration and Checkout
- Propellants
- Orbital Incentives
- Other (specify)
- Total *Checkout and Launch*

Support:
- Technical Support
- On-Orbit Support
- Flight Support
- Other Support (specify)
- Total Support

- Total Systems Cost
- Less Advance Procurement, Prior Year
- Net P-1 Line Item Cost

(Exhibit P-5, page 6 of 8)

Exhibit P-5 Instructions (Continued)

Other Procurement Cost Analysis.

A. Unique entries will vary depending on the nature of the procurement item. Most line items require more than one procurement action to complete the program. If only one contract is involved, the line item is composed of several separate cost elements such as the end item itself, publications, engineering services, production support, etc. Each of these elements (called "building blocks" for simplicity) carries its own dollar value. The sum of the building block values equals the line item value. In general, entries on this form should be structured in the same way that procurement has been accomplished (or is planned) and/or the way that the cost estimate for the line item was derived. For new programs, it is not always possible to predict exactly how procurement will be accomplished but the cost estimate for the line item is built up through price out of separate cost elements that are known to be required.

B. Care should be taken to ensure that the building block title accurately describes the effort. Frequently, attempts are made to use the same building block entry for more than one year when the program effort in the following year is not exactly the same. For example, Model A of particular equipment is procured in one year and an improved Model B version planned for the following year. Separate stub entries should be used to avoid comparisons of unlike items.

Ammunition Procurement Cost Analysis.

A. For items to be procured through the Single Manager for Conventional Ammunition (SMCA), the P-5 will be used to display the program cost breakdown. The Service is responsible for justifying and defending its budget request for ammunition even if the item has transitioned to the SMCA for procurement. The production support section should depict the cost of production support materials and services that are included in the P-1 line item. When the developing Service retains configuration management responsibility for a SMCA-procured item, the developing Service will formulate the production engineering cost estimate, but all other estimates will be formulated by the SMCA.

B. Actual ammunition quantities will be displayed, unless the quantities being procured are in the millions (the quantities will then be displayed in thousands). Dollars will be displayed in millions, using 3 decimal places, i.e., 1.225. Normal rounding methodology will be utilized.

C. The hardware section should include the full cost of hardware incorporated into the round or item that is included in the P-1 item line. The hardware section entries should be tailored to match the major components of the ammunition item and should reflect the acquisition strategy. If two or more Services procure the same ammunition/ordnance round, the P-5 Exhibit should be as identical as possible except for Service-unique requirements. If the round is to be procured using a component breakout strategy, the entries should include, as applicable, the following: load-assemble-pack, major metal parts, fuzes, explosives, propellants

Exhibit P-5 Instructions (Continued)

and shipping containers. Any small-dollar value components that are non-significant/non-problem can be rolled up into an Other, Miscellaneous line (the dollar amount of this line will not exceed 20 percent of the program value). Where an all-up round is to be delivered under a systems contract, the cost of the all-up round may be displayed as a single entry.

D. The production support section should depict the cost of production support materials and services that are included in the P-1 line item. The following standard entries should be used as applicable: production engineering, quality assurance, proof and acceptance testing, interim transportation and industrial stock support. Any other categories should be added as required and identified accordingly (e.g., special testing). When configuration management responsibility is retained by the Navy or Air Force as developing Service, the production engineering cost estimate will be formulated by the developing Service, but all other estimates will be formulated by the SMCA.

E. The nonrecurring cost section should depict the cost of such items as first article testing, product improvement, value engineering, tooling and test equipment, procurement technical data package updates, start-up/layaway costs and/or other special requirements identified accordingly. In the event that applying government-furnished material or components can reduce the cost of the round, the negative entry will be shown in this section.

F. Each section's subtotal should be displayed at the end of the subentries listing.

G. The total P-1 line item is equal to the sum of subtotal cost of hardware, procurement support and nonrecurring less the Government Furnished Material (GFM) applications. This entry must agree with the P-1 value for the ammunition item.

(Exhibit P-5, page 8 of 8)

Exhibit P-5a Procurement History and Planning

Exhibit P-5a, Procurement History and Planning

Exhibit P-5a, Procurement History and Planning (Page 1)				Weapon System			DATE:			
Appropriation (Treasury) Code/CC/BA/BSA/Item Control Number						P-1 Line Item Nomenclature				
WBS COST ELEMENTS Tailor to System/Item Requirements)	Qty	Unit Cost	Location of PCO	RFP Issue Date	Contract Method and Type	Contractor and Location	Award Date	Date of First Delivery	Tech Data Available Now?	Date Revisions Available
Prior Year (or last yr of proc)										
Airframes/CFE										
Engine/Accessories										
CFE Avionics										
GFE Avionics										
Armament										
Tooling										
Airframe PGSE										
Engine PGSE										
Avionics PGSE										
Peculiar Training Equipment										
Current Year										
Airframes/CFE										
Engine/Accessories										
CFE Avionics										
GFE Avionics										
Armament										
Tooling										
Airframe PGSE										
Engine PGSE										
Avionics PGSE										
Peculiar Training Equipment										

P-1 Line Item No X

Exhibit P-5a, Procurement History and Planning
(Exhibit P-5a, page 1 of 5)

Exhibit P-5a, Procurement History and Planning (Continued)

Exhibit P-5a, Procurement History and Planning (Continued)

Exhibit P-5a, Procurement History and Planning (Page 2)			Weapon System				DATE:		
Appropriation (Treasury) Code/CC/BA/BSA/Item Control Number					P-1 Line Item Nomenclature				
WBS COST ELEMENTS Tailor to System/Item Requirements)	Qty	Unit Cost	Location of PCO	Contract Method and Type	Contractor and Location	Award Date	Date of First Delivery	Tech Data Available Now?	Date Revisions Available
Budget Year									
Airframes/CFE									
Engine/Accessories									
CFE Avionics									
GFE Avionics									
Armament									
Tooling									
Airframe PGSE									
Engine PGSE									
Avionics PGSE									
Peculiar Training Equipment									

P-1 Line Item No X

Exhibit P-5a, Procurement History and Planning
(Exhibit P-5a, page 2 of 5)

Instructions - Exhibit P-5a, Procurement History & Planning

1. Purpose. This exhibit provides detailed information on the P-5 entries regarding all prior years having contracts with undelivered assets, current year (CY) and budget year (BY). Contract information is used to compare cost estimates between fiscal years by comparing unit costs on previous contracts. For example, if an item was awarded in FY 2015 using FY 2014 funding, is the FY 2017 cost based on an FY 2014 cost inflated 3 years, or to an FY 2016 cost inflated one year? The contract information is used to determine if there has been a problem awarding the contract early or late in the fiscal year and if it occurred as planned. The contract information also is used to identify potential current year assets and to answer congressional inquiries.

2. Submission. Exhibit P-5a will be submitted for all P-5 elements of cost (building block) entries involving quantities in the current or budget year. Information for PY, CY, and BY will be updated for each succeeding submission.

3. Entries.

Cost Elements (Building Blocks)/Fiscal Year. The cost element/building block title is to be taken from the Exhibit P-5 Cost Analysis for items meeting the criteria of paragraph 2. For each cost element, provide information for the PY, CY, and BY. The first fiscal year line will provide information on the last buy prior to the current year (if the item was procured in a fiscal year that is no longer available for obligation, identify the fiscal year for which the item was last procured. Update CY and PY entries to show actual contractor and contract award dates. For the BY, use best estimates.

If Advance Procurement funding is part of the program, then provide contract data for each subsequent year to support the leadtime of the advance procurement. For example, if advance procurement is required 2 years in advance of BY, then provide contract data through BY+2.

Quantity and Unit Cost. Insert PY actual quantity procured and actual unit cost. For the CY and BY lines, insert actual or estimated unit costs. The quantities and unit costs should agree with entries on the Exhibit P-5 Cost Analysis exhibit, except for the ammunition items that are fixed standard priced. For these ammunition items, the entries should be the actual unit costs that were negotiated and/or estimated. This update is necessary for the initial starting point for computing future fixed standard prices. Provide an explanation in the remarks block for all items for which the actual unit costs vary significantly with the forecasted unit costs.

Procurement Contracting Office (PCO) Location. Identify the organization that will award the contract. Also identify the organization preparing the purchase request, if different.

Contractor. For each fiscal year, insert actual contractor name, and facility or plant location (city and state). For the current year, insert contractor name if item is to be sole source or if procurement has been accomplished; otherwise insert "Unknown". For budget year, insert contractor name if sole source; otherwise use "Unknown". Identify the city/state location of the contractor plant.

Instructions - Exhibit P-5a, Procurement History & Planning (Continued)

Contract Method/Type. The following codes will be used to identify the "Contract Method/Type":

Contract Method
SS - Sole Source
C - Competitive
MIPR - Military Interdepartmental Purchase Request (use only if MIPR obligates funding)
PO - Project Order
WR - Work Request
Allot - Allotment
Reqn - Requisition
Other - Explain by footnote

Contract Type
FP - Fixed Price
CPIF - Cost Plus Incentive Fee
CPAF - Cost Plus Award Fee
FPI - Fixed Price Incentive
Option - Option to prior year contract
Other - Explain by footnote

Additionally, indicate those contracts that are multiyear procurements by placing the code “MYP” and a corresponding number to indicate the year of the MYP after the Contract Method/ Contract Type as in the following 5-year MYP example:

SS/FPIF/MYP-1 (indicates this is the first year of the MYP)
SS/FPIF/MYP-2
SS/FPIF/MYP-3
SS/FPIF/MYP-4
SS/FPIF/MYP-5

Follow the pattern of the "Contractor" block in displaying actual and estimated contract method and type. ”Option” refers to an existing contract that contains an option clause for future procurement. Identify whether the option is priced (already negotiated) or unpriced.

Award Date. For the last actual buy, provide the date that the contract was awarded. For the current year, provide the actual or estimated date. Provide estimated contract award dates for the BY. If the contract is a multiyear contract or a contract with options, identify the date that the option will be exercised.

Date of First Delivery. Same basis as Award Date.

Technical Data Package Available Now. Answer "yes" or "no" for the current year and budget year. No entry is required for prior year. The answer is to be provided as of the time the exhibit is prepared. The term “specifications” refers to full competitive specifications (or their equivalent in the case of a sole source contract).

Date Revisions Available. No entry is required for the prior year line if the contract has been awarded. If revisions are required, provide in last column the date or estimated date when they will be available.

Use Footnotes to provide reasons for Sole Source procurement; to provide reasons for use of letter contracts; to provide reasons why a multiyear contact cannot be used; to explain significant variations in unit cost from year to year, etc.

(Exhibit P-5a, page 5 of 5)

Exhibit P-8a, Analysis of Ship Cost Estimate - Major Equipment

Date: _____

Shipbuilding and Conversion, Navy (Continued)
Exhibit P-8a, Analysis of Ship Cost Estimate - Major Equipment

Ship Type: _____

	FY 20PY		FY 20CY		FY 20BY	
	Qty	Amt	Qty	Amt	Qty	Amt
Electronics Equipment						
Ordnance Equipment						
Propulsion Equipment						
HME Equipment						

Instructions: List the major equipment for each of these cost codes shown on the P-35 exhibit and include the next 10 high dollar value items. All other items can be summarized in one line item. System engineering, spares, documentation, and other equipment costs should be included in the equipment estimate. Value engineering changes should be included in the change order cost category.

Analysis of Ship Cost Estimate – Major Equipment
(Exhibit P-8a, page 1 of 1)

Exhibit P-10, Advance Procurement Requirements Analysis

Exhibit P-10 Advance Procurement Requirements Analysis			Date:			
Appropriation (Treasury) Code/CC/BA/BSA/Item Control Number			P-1 Line Item Nomenclature			
Weapon System	First System (BY1) Award and Completion Date		Interval between Systems			
	PLT	When Rqd	Prior Years	PY	CY	BY
End Item Qty						
CFE						
Engines						
GFE						
GFE						
GFE						
EOQ						
Design						
Term Liab						
Other*						
Total AP						

P-1 Line Item No X

Exhibit P-10, Advance Procurement Requirements Analysis
Exhibit P-10, (Page 1 of 4)

Exhibit P-10, Advance Procurement Funding (Continued)

Exhibit P-10, Advance Procurement Funding

Exhibit P-10 Advance Procurement Requirements Analysis (Page 2 - Budget Justification)		Date:
Appropriation (Treasury) Code/CC/BA/BSA/Item Control Number	Weapon System	P-1 Line Item Nomenclature

(TOA, $ in Millions)

	PLT	QPA	Unit Cost	BY QTY*	BY Contract Forecast Date	BY Total Cost Request			
End Item		N/A				N/A			
CFE									
GFE									
GFE									
GFE									
EOQ									
Design									
Termination Liability									
Other									
Other									
Other									
Other									
Total Advance Proc									

Description:

*When the advance procurement funding supports more than one subsequent program year end item, then the funding for each line item entry must be separately identified for each applicable end item fiscal year (i.e., when lead-times are greater than one year).

(Use continuation pages, as necessary)

P-1 Line Item No X **Exhibit P-10, Advance Procurement Funding**
(Exhibit P-10, page 2 of 4)

Instructions - Exhibit P-10, Advance Procurement Requirements Analysis

Page 1 - Budget Justification entries.

This format will include funding for all Prior Years through the Budget Year (BY). Out-year data is not required and will not be submitted.

Appropriation (Treasury) Code/CC/BA/BSA/Item Control Number. This entry should match the procurement annex.

P-1 Line Item Nomenclature: Self explanatory.

Weapon System Type: End item for which advance procurement is required.

First System Award and Completion Date: Enter the month/year (do not use quarters) of the projected contract award for the end item for which the funds in the budget year supports. For example: FY 2017 advance procurement funds are required in support of an FY 2018 procurement. The FY 2017 AP supporting the FY 2018 end item procurement will be awarded in March 2017 and the FY 2018 procurement will be awarded in January 2018. Enter March 2017. If the manufacturing processes require 24 months, then the item will be delivered in March 2019. Enter March 2019.

Interval Between Systems: Enter the time between end item deliveries.

Column 1. The first entry should be the procurement quantity budgeted for each year (specify the actual fiscal year rather than showing the template years) for the end item for which the advance procurement is requested. In addition, list the items that are required to be purchased ahead of the end item. Be specific as possible. Some examples are:

Contractor Furnished Equipment (CFE): This entry includes all advance procurement funding associated with effort accomplished by the prime weapon system contractor (e.g. airframe contractor for aircraft; guidance and control contractor for missiles, satellites; chassis contractor for tanks, engines, nuclear propulsion equipment for ships).

Government Furnished Equipment (GFE): This entry should include a separate entry for each major subcomponent furnished by the government (e.g. engines and radars for ships and aircraft; warhead, fuzes, and rocket motors for missiles; engines and major electronic subsystems for tanks, satellites).

Economic Order Quantity (EOQ): This entry includes items for which an economic order is justified. List each item separately. The entry will require additional justification showing the analysis that supports an EOQ procurement in an advance procurement line.

Instructions-Exhibit P-10, Advance Procurement Requirements Analysis (Continued)

Other Advance Funding. This would normally include non-EOQ funding that is requested in advance of authorization of the end item and is not based on leadtime considerations but based on price/cost considerations only.

Column 2. Production Leadtime (PLT). Enter the number of months required to manufacture the end item.

Column 3. Enter the number of months after the manufacturing process begins that the item is required for incorporation into the end item.

Columns 4-15. Enter the approved funding for all years of the program.

Page 2 Entries:

Column 1. List the items that need to be purchased ahead of the end item. This column should match the entries in column 1 on page 1.

Column 2. Production Leadtime (PLT): Enter the production leadtime of this particular item.

Column 3. Quantity Per Assembly (QPA): Indicate the quantity of the item required for each end item.

Column 4. Unit Cost: Enter the unit cost in tenths of millions.

Column 5. BY Qty: Enter the total quantity being procured in the BY. For the end item enter the quantity (qty) of end items being procured in subsequent years and identify by qty and year for which the advance procurement in the BY supports.

Column 6. BY Contract Forecast Date: Enter the date of the planned contract award for each of the items listed in column 1. For the end item enter the date of planned contract award of the end items being procured in subsequent years for which the advance procurement in the BY supports.

Column 7. Cost: Enter the cost in millions with one decimal place.

Description. Describe the technique used to estimate the termination liability request. If advance procurement funding is to be applied to years beyond the immediately succeeding year, the amounts and quantities by year should be specified and explained.

(Exhibit P-10, page 4 of 4)

Exhibit P-18, Initial and Replenishment Spares and Repair Parts Justification

Exhibit P-18 Initial and Replenishment Spare and Repair Parts Justification		Date: Month/Year		
Appropriation (Treasury) Code/CC/BA/BSA/Item Control No	Weapon System	P-1 Line Item Nomenclature		
End Item P-1 Line Item	Prior Years	PY FY	CY FY	BY FY
INITIAL				
B-1				
B-2				
F/A-18				
P-3				
UH-60				
Etc.				
TOTAL INITIAL				
REPLENISHMENT				
B-1				
B-2				
F-15				
Etc.				
TOTAL REPLEN				
Remarks (Use continuation pages, as necessary)				

P-1 Line Item No X
(Page X of X)

Exhibit P-18, Initial and Replenishment Spares and Repair Parts Justification
(Exhibit P-18, page 1 of 2)

Instructions - Exhibit P-18, Initial/Replenishment Spares Requirements

The purpose of this exhibit is to provide the funding requirements for the procurement of initial and replenishment spares and repair parts in support of end items of equipment and in support of modifications to existing end items of equipment where end items of equipment are being supported by procurement appropriations. A copy of this exhibit will be included in the budget justification book for the end item for the Budget Estimates Submission only.

Entries:

Column 1. Enter the budget Exhibit P 1 line item and end items of equipment for which the initial spares and repair parts are required.

Columns 3 through 13. Enter the total cost of the initial or replenishment spares and repair parts for each fiscal year displayed in support of the end items procured. Funding must be consistent with the P-1 and P-40 exhibits.

If some of the initial spares and repair parts are to be financed by the DWCF or for buy-out by a procurement appropriation, provide a memorandum entry to indicate the DWCF-financed portion or footnote accordingly.

Include the following information in the remarks block.

Procurement Requirement:
Funded Initial Spares.
Funded Replenishment Spares.
Funded Mobilization (War Reserve) Spares.
Total Funded.
Repair Turnaround time.

Exhibit P-20, Requirements Study

Exhibit P-20, Requirements Study			Appropriation (Treasury) Code/CC/BA/BSA/Item Control No		Date
P-1 Line Item Nomenclature (Include DODIC for Ammunition Items)			Admin Leadtime (after Oct 1): xx months		Prod Leadtime: xx months
Inventory Objective	Actual Training Expenditures	Other than Training Usage	Disposals (Vehicles/Other)	Vehicles Eligible for BY Replacement: 50	Aircraft: TOAI:

	PY FY	CY FY	BY FY
Quantity Budgeted	500	500	500
Unit Cost	.1	.1	.1
Total Cost	.5	.5	.5
Asset Dynamics			
Beginning Asset Position	500	545	545
Deliveries from all prior year funding	150	500	
Deliveries from CY funding			500
Deliveries from BY funding			
Deliveries from subsequent years' funding			
Other Gains	50	10	20
Combat Losses/Usage	0	0	0
Training Losses/Usage	-150	-500	-600
Test Losses/Usage	-5	-10	-5
Other Losses/Usage	0	0	0
Disposals/Retirements/Attritions/etc.			
End of Year Asset Position	**545**	**545**	**460**
Inventory Objective or Current Authorized Allowance	545	545	545

Assets Rqd for Combat Loads: 500	PY thru _____: 350	PY thru _____: 5	PY thru _____:: 50		PAA: TAI
WRM Rqmt: 500	PY-1: 450	PY-1: 4	PY-1: 40	Vehicle Augment: 50	Attrition Res:
Pipeline: 45	PY-2: 650	PY-2: 6	PY-2: 60		BAI
Other:	PY-3: 200	PY-3: 2	PY-3: 20		Inactive Inv:
TOTAL: 545					Storage:
REMARKS: For ammunition items, list all substitute items for the round.					

P-1 Line Item No X
(Page X of X)

Exhibit P-20, Requirements Study
(Exhibit P-20, page 1 of 4)

Instructions - Exhibit P-20, Requirements Study

1. Purpose. The purpose of this form is to provide detailed information with regard to the determination of asset availability and requirements.

2. Submission. The P-20 exhibit is required only for the Budget Estimates Submission (BES) for ammunition and weapons procurement accounts, but can be used for other procurement accounts as determined by the Services and Defense Agencies. The P-20 exhibit is required for only those items costing $20.0 million or more in the budget year (BY).

3. Entries.

Leadtimes: Administrative leadtime is the amount of time after October 1 that is required to award a contract. Procurement leadtime is the amount of time from contract award until delivery of the first unit.

Quantity Budgeted. Show the quantities, unit cost, and funding approved for this program.

Asset Dynamics. This section will reflect the changing asset position starting with the assets on hand and adjusting for gains and losses. Tailor the entries to the program being represented.

Beginning Asset Position. Use the inventory position as of the end of the prior fiscal year, or specify other date. As a memo entry in the remarks section, identify assets that are not in a serviceable condition.

Deliveries from all prior year funding and deliveries from CY and BY funding. Enter the quantity funded during all prior years that are not yet delivered. Show the deliveries or other gains in the fiscal year in which they will be received. The analyst can then compare these entries to the P-21 Production Schedule (deliveries and leadtimes).

Deliveries from subsequent years' funding. Enter the quantity in the appropriate fiscal year. The due-ins should match the P-21 Production Schedule and be reflective of the procurement leadtimes and planned delivery schedules to be included on the contract.

Other Gains. Quantity due in for loans to other Services, other receipts, etc.

Usage. Identify projected annual usage, disposals, retirements, etc. that are projected for each fiscal year. There should be some correlation of the projected usage to actual expenditures. For aircraft, usage equates to attrition, retirement, FMS sales, etc. For vehicles, usage equates to disposals (quantity of vehicles scheduled for disposal through sale, salvage or transfer to another agency).

End of Year Asset Position. Add the gains and subtract the losses from the beginning of the year asset position.

Exhibit P-20 Instructions (Continued)

Inventory Objective (IO). Identify the elements of the IO and the Approved Acquisition Objective, as applicable and approved through the Program Objective Memorandum process. For missiles, munitions, and munitions-related items, use the capabilities based munitions requirements process. Annotate in the Remarks block if the IO is different for any of the FYDP years. Cite the document and the date of the document that established the IO.

Actual Expenditures (for ammunition items). Identify actual expenditures for training and other than training for at least 3 years. For example, for the FY 2018 submission, FY 2017 will be the current year but no usage will have occurred. FY 2016 would be the Prior Year but data will probably not be available for the entire fiscal year prior to the submission. Therefore, show actual usage for FY 2016 through June 30, 2016 and the usage for 3 fiscal years (FY 2015 (Prior Year minus one, PY-1), FY 2014 (Prior Year minus two, PY-2), and FY 2013 (Prior Year minus three, PY-3)).

Authorized Allowances. Enter the authorized Vehicle allowances for units, installations, and activities supported by the appropriations of the service preparing the form. Replacement requirements will be excluded.

Vehicles Eligible for Replacement: Enter the quantity of vehicles eligible for replacement during the budget year funded leadtime based upon the age, repair limits and mileage criteria of DoD 4500.36-R, Acquisition, Management, and Use of DoD Non-Tactical Vehicles.

Vehicle Augmentation. Enter the quantity that represents an augmentation to the inventory. On a separate sheet, list the organizational units and quantities for each unit involved in the augmentation and include a full justification for the augmentation.

Aircraft. Include memo entries for each configuration of aircraft. Identify the acquisition objective determined by The Joint Staff (TJS) inventory category (see Chairman of the Joint Chiefs of Staff Instruction (CJCSI) 4410.01G, Standardized Terminology for Aircraft Inventory Management) for each FY. Explain the basis for the approved acquisition objective and identify the applicable requirements document and approval authority (e.g., TJS/Service) that provides the basis for the approved acquisition objective number.

Also each Service should submit documentation, by aircraft type, that provides the average age and average hours projected for the aircraft and the current age and hours. This documentation is required for all aircraft being procured and modified, as well as for the aircraft that are being replaced. Identify Active, National Guard and Reserve aircraft. Each Service may submit this documentation in formats currently used by each Service, as long as the above information is incorporated.

Entries should include: (1) total overall aircraft inventory; (2) active aircraft inventory, including primary aircraft inventory (with appropriate subcategories for mission aircraft, training aircraft, dedicated test aircraft, etc.), backup aircraft inventory, and attrition/reconstitution reserve; (3) inactive aircraft inventory, including bailment's, drones, foreign military sales or other transfers, leases, loans, maintenance training, reclamation, and storage; and (4) the Joint Staff approved inventory requirements.

Exhibit P-20, Requirements Study (Continued)

Not Installed Nonconsumables. Tailor the asset position to elements that pertain to this category. Include a brief explanation in the remarks block to explain why the entire quantity to meet the IO is not being procured. Include memo entries for those items that total to the entire program inventory objective. Where applicable, the IO will be supported by showing the number of units or activities, by type and quantity required per unit or activity. Example:

	Required
20 Units	40
30 Activities	60
Spares	10
Total IO	110

REMARKS: Identify any items that can be substituted and explain why substitutes cannot be used to satisfy the IO, why expenditures do not represent an accurate portrayal of usage, and any other anomalies.

(Exhibit P-20, page 4 of 4)

Exhibit P-21, Production Schedule

Exhibit P-21, Production Schedule			Date
Appropriation (Treasury) Code/CC/BA/BSA/Item Control No		Weapon System	P-1 Line Item Nomenclature

		PRODUCTION RATE			PROCUREMENT LEADTIMES					
Item	Manufacturer's Name and Location	MSR	ECON	MAX	ALT Prior to Oct 1	ALT After Oct 1	Initial Mfg PLT	Reorder Mfg PLT	Total	Unit of Measure
List each end item										

						Fiscal Year													**Fiscal Year**											
						Calendar Year													**Calendar Year**											
ITEM	FY	SVC	QTY	DEL	BAL	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	BAL
5.56	94	A	.5	.2	.3	.1	.1	.1																						
	95	A	.5	0	.5									.1	.1	.1	.1	.1												
	96	A	.5	0	.5																			.1	.1	.1	.1	.1		
	94	M	.5	0	.5				.1	.1	.1	.1	.1																	
	95	M	.5	0	.5														.1	.1	.1	.1	.1							
	96	M	.5	0	.5																								.1	.4
	96	F	.5	0	.5																									.5

						Fiscal Year													**Fiscal Year**											
						Calendar Year													**Calendar Year**											
ITEM	FY	SVC	QTY	DEL	BAL	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	BAL
5.56	94	A	.5	.2	.3	.1	.1	.1																						
	95	A	.5	0	.5									.1	.1	.1	.1	.1												
	96	A	.5	0	.5																			.1	.1	.1	.1	.1		
	95	M	.5	0	.5														.1	.1	.1	.1	.1							
	96	M	.5	0	.5																								.1	.4

REMARKS: Use continuation pages as necessary to complete all procurements. If only one component or item is being delivered, show deliveries on one page.

P-1 Line Item No X

Exhibit P-21, Production Schedule
(Exhibit P-21, page 1 of 3)

Instructions - Exhibit P-21, Production Schedule

1. Purpose. The purpose of this exhibit is to provide detailed information with regard to the monthly production of all applicable items.

* 2. Submission. Exhibit P-21 will be submitted to show the planned contractual production deliveries for Exhibit P-5 cost elements that have a value of $5.0 million or more in the budget year (BY). Exhibit P-5 cost elements that have a value of less than $5.0 million in the BY will not submit Exhibit P-21. Each Service, whether a leader or follower, is to provide the delivery schedule for the entire program. This ensures that each Service has the opportunity to adjust procurement quantities in terms of contractor capability to deliver all assets during the funded delivery period.

3. Entries.

a. Entries will be displayed in the same order as they appear on the Exhibit P-5 Cost Analysis.

b. Use "E" for "each," "M" for "millions" and "K" for "thousands" for unit of measure.

c. Production rates should be yearly rates. The following definitions apply.

Minimum Sustaining Rate. This is the production rate that is necessary to keep production lines open while maintaining a base of responsive vendors and suppliers; the quantity that will preclude start-up costs in the case of a production break; or the quantity that the contractor is willing to accept and produce at a reasonable cost

Economical Production Rate. This is the most efficient production rate for each budget year at which the item can be produced with existing or planned plant capacity and tooling, with 1 shift a day running for 8 hours a day and 5 days a week (1-8-5).

Maximum Production Rate. This is the maximum capacity rate that a contractor can produce with extant or PY planned tooling. Indicate the number of shifts.

d. The following leadtime definitions apply.

Administrative Leadtime (ALT). This is the amount of time required to complete the administrative actions leading to contract award. Since these actions do not require funding, the ALT can be separately identified into prior to October 1 and after October 1. The ALT is used to forecast contract awards. Longer leadtimes require that a larger quantity be purchased to support yearly requirements. Leadtimes should therefore reflect an accurate assessment of the time required to process the administrative actions.

Production Leadtime (PLT). This is the amount of time required by a contractor to produce an item once a contract is awarded. Leadtimes should be based on a realistic projection of a contractor's capability.

(Exhibit P-21, page 2 of 3)

Procurement Leadtime. This is the total of ALT (post October 1) and PLT.

e. Where procurements are being made for customers such as the FMS program or another Service, a separate line will be used to reflect each customer's planned buy and phased deliveries with a total provided by item by manufacturer. Use A for Army, N for Navy, AF for Air Force, F for FMS, and O for Other (and explain in the remarks section).

f. Enter respective schedules for all prior fiscal years with undelivered assets, for CY, and BY. Show detail of production by month so that analysis can be accurately performed.

g. Missile Delivery Schedule. A separate P-21 exhibit will be prepared for each missile system reflecting the latest actual deliveries and scheduled outyear requirements. When the missile system includes the procurement of fire units or launching systems within the P-1 line item, the missiles and the major components of the fire unit or launching system (launcher, launch control center, radar set, track vehicle) will be depicted on the P-21 exhibit.

h. Ammunition. The total production plan for hardware items should be displayed to include time-phased schedules for LAP and the major limiting or pacing component as applicable. For Improved Conventional Munitions, display schedules for all major components. Provide separate information in those cases where procurement leadtimes for LAP and major components differ.

(Exhibit P-21, page 3 of 3)

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Exhibit P-25, Production Support and Industrial Facilities Cost Analysis

Exhibit P-25, Production Support and Industrial Facilities Cost Analysis					Date					
Appropriation (Treasury) Code/CC/BA/BSA/Item Control Number					P-1 Line Item Nomenclature and Project Number					
Project Title/Type					End Item Supported Model					
Project Number			Annual Capacity Before Project (1-8-5)		Annual Capacity after Project (1-8-5)					
ELEMENT OF COST	PY FY	CY FY	BY FY		Facility Name: _____ Location: _____ Type: (GOGO, GOCO, COCO): _____					
Construction										
Equipment										
Equipment					Related Projects					
Equipment					Project # and Title	FY & Appn	Value	Facing	Start Date	Compl Date
Equipment										
Equipment Install										
Contract Support										
Corps of Engrs										
Other										
Total Fac Costs										
Other-Prove-out										
MILCON					Principal Milestones			Month & Year		
					Concept Design Complete:			_____		
					Final Design Complete:			_____		
					Initial/Final Project Award:			_____		
					Construction Complete:			_____		
					Equipment Installation Complete:			_____		
					Prove out begins:			_____		
					Prove out completes:			_____		
Narrative Explanation										

P-1 Shopping List - Item No 20-1 of 20-20

Exhibit P-25, Production Support and Industrial Facilities Cost Analysis

(Exhibit P-25, page 1 of 2)

Instructions Exhibit P-25, Production Support and Industrial Facilities Cost Analysis

The P-25 exhibit will be used to display costs for each funded production facilities project at all government owned, government operated (GOGO) and government owned, contractor operated (GOCO) facilities. In addition the exhibit will display the costs associated with a facilities project for those government owned lines that are located at contractor owned, contractor operated (COCO) facilities. The cost categories on the P-25 exhibit represent a number of elements and the list should be tailored to adequately depict the production facility project cost. This exhibit is to be submitted only when funding for production support and facilities is part of the current year budget or requested for the budget year. The sections on the P-25 exhibit are to be completed as follows.

Entries:

Construction Cost. The Construction Cost depicts the cost for construction that is funded in this line. If construction funds are required that are programmed in another appropriation, these funds and the associated amount should be identified in the Other Costs section.

Equipment Cost. The Equipment Cost identifies the cost for individual equipment (list separately) costing more than $0.5 million and a cumulative cost line for all equipment costing less than $0.5 million.

Equipment Installation Cost. The Equipment Installation Cost identifies the cost to install all the equipment listed.

Contractor Support Cost. The Contractor Support Cost identifies any cost for contractor support included in the production facility project.

Corps of Engineers Support Cost. The Corps of Engineers Support Cost identifies any cost for the Corps of Engineers support included in the production facility project.

Other In-house Support Cost. Should identify any cost for other in-house support (excluding the Corps of Engineers support costs) included in the production facility project.

Other Cost. The Other Cost reflects other costs associated with the project such as facility prove-out cost, military construction appropriation costs, etc.

Facility. The Facility specifies the name, location, and type of facility.

Related Projects. The Related Projects include prior year and outyear funding required to complete the project.

Industrial Facilities - Provide specific line item identification for each project. Group projects under each appropriate subclassification, such as facility expansion, machine tool replacement, etc.

A DD Form 1391, Military Construction Project Data, is required for each project for proposed construction, alteration, expansion, or modernization of government owned facilities.

A Service-generated or Defense Agency-generated exhibit can be used in lieu of this exhibit as long as it includes all the information required by this exhibit.

(Exhibit P-25, page 2 of 2)

Exhibit P-27, SCN - Ship Production Schedule

Exhibit P-27, SCN - Ship Production Schedule				Date	
Appropriation (Treasury) Code/BA/BSA				P-1 Line Item Number	
Ship	Shipbuilder	Fiscal Year	Contract Award	Start of Construction	Delivery Date
Description					

P-1 Line Item No X
(Page X of X)
Exhibit P-27, SCN - Ship Production Schedule
(Exhibit P-27, page 1 of 2)

Instructions - Exhibit P-27, SCN – Ship Production Schedule

Purpose. The purpose of this exhibit is to provide information concerning production of ships authorized for construction, but not yet delivered, and for each ship programmed for construction in the Future Years Defense Program (FYDP).

General. This exhibit will be prepared for all Ship Construction, Navy (SCN) programs for which ship construction funds are requested in the P-1 exhibit. Ships will be listed in chronological order by the year authorized, then date of contract award, and then by start of construction.

Entries:

Heading. Insert Appropriation, Budget Activity, and identification code (as identified on the Exhibit P-1 generated from the OSD PRCP database) in the appropriate block. Insert the Exhibit P-1 line item title and add after the title the subhead number for the line item in parenthesis.

Ship. Identify each individual ship by Ship Class and hull number (e.g., SSN 792, CVN 79) that has previously been authorized for construction, but has not yet delivered, and each ship that is programmed for construction in the FYDP.

Shipbuilder. Identify the shipbuilder(s) for each ship.

Fiscal Year. List the year funds were appropriated or are programmed for each ship.

Contract Award. Enter the month and year of the shipbuilding contract award (actual or planned) using "MMM YYYY" format (e.g., Dec 2017).

Start of Construction. Enter the month and year that construction began/is scheduled to begin using "MMM YYYY" format.

Delivery Date. Enter the month and year each ship is planned to deliver using "MMM YYYY" format.

Exhibit P-29, SCN Outfitting Costs

Exhibit P-29, Shipbuilding and Conversion (SCN) Outfitting Costs	Date:
Appropriation (Treasury) Code/BA/BSA	P-1 Line Item Nomenclature

Ship Class	Hull No	Prog Year	Contract Award	Start of Construction	Delivery Date	CFO Date	PSA Start	PSA Finish	OWL Date	Prior Years	PY	CY	BY	To Complete	Total

Comments

P-1 Line Item No X

Exhibit P-29, SCN Outfitting Costs
(Exhibit P-29, page 1 of 3)

Instructions - Exhibit P-29, SCN – Outfitting Costs

Purpose. The purpose of this exhibit is to provide detailed information concerning Outfitting funds for ships authorized for construction, but not yet delivered, and for each ship programmed for construction in the Future Years Defense Program (FYDP).

General. This exhibit will be prepared for all Ship Construction, Navy (SCN) programs for which ship Outfitting funds are requested. Outfitting funds are used to acquire on board repair parts, other secondary items, equipage, recreation items, pre-commissioning crew support and general use consumables furnished to the shipbuilder or the fitting-out activity to fill the ship's initial allowances as defined by the baseline coordinated shipboard allowance list (COSAL). Outfitting funds are also budgeted for contractor-furnished spares, at lead-time away from delivery. The SCN funding for the initial fill of allowance list items are limited to those items on the COSAL and authorized requirements through the Obligation Work Limiting Date (OWLD). While most outfitting funds are executed prior to ships' completion of fitting out dates, some outfitting funding may be required in the fiscal year following the scheduled Delivery Date.

Ships will be listed by Ship Class, then in chronological order by the year authorized, then date of contract award, and then by start of construction.

Entries:

Heading. Insert Appropriation, Budget Activity, and identification code (as identified on the Exhibit P-1 generated from the OSD PRCP database) in the appropriate block. Insert the Exhibit P-1 line item title and add after the title the subhead number for the line item in parenthesis.

Ship Class and Hull Number. Identify each individual ship by Ship Class and hull number (e.g., SSN 792, CVN 79) that has previously been authorized for construction, but has not yet delivered, and each ship that is programmed for construction in the FYDP.

Program Year. List the year ship construction funds were appropriated or are programmed for each ship.

Contract Award. Enter the month and year of the shipbuilding contract award (actual or planned) using “MMM YYYY” format (e.g., Dec 2017).

Start of Construction. Enter the month and year that construction began/is scheduled to begin using “MMM YYYY” format.

Delivery Date. Enter the month and year each ship is planned to deliver using “MMM YYYY” format.

Completion of Fitting Out (CFO). Enter the month and year each ship is planned to complete fitting out using “MMM YYYY” format.

Post-Shakedown Availability (PSA) Start. Enter the month and year each ship is planned to begin PSA using “MMM YYYY” format.

PSA Finish. Enter the month and year each ship is planned to finish PSA using “MMM YYYY” format.

Obligation Work Limiting (OWL) Date. Enter the OWLD for each ship using "MMM YYYY" format.

Funding. Enter Outfitting funding for each ship. Annual funding will be provided in the Prior Year (PY), Current Year (CY) and Budget Year (BY) columns only. Total Outfitting funding received in all fiscal years before the Prior Year (PY) will be entered in the Prior Years column. All Outfitting funds programmed in the FYDP years (i.e., BY+1 through BY+4) will be entered in the To Complete column. The total Outfitting cost for each ship will be entered in the Total column.

(Exhibit P-29, page 3 of 3)

Exhibit P-30, SCN Post Delivery Costs

Exhibit P-30, Shipbuilding and Conversion (SCN) Post Delivery Costs	Date:
Appropriation (Treasury) Code/BA/BSA	P-1 Line Item Nomenclature

Ship Class	Hull No	Prog Year	Contract Award	Start of Construction	Delivery Date	CFO Date	PSA Start	PSA Finish	OWL Date	Prior Years	PY	CY	BY	To Complete	Total

Comments

P-1 Line Item No X

Exhibit P-30, SCN Post Delivery Costs
(Exhibit P-30, page 1 of 3)

Instructions - Exhibit P-30, SCN – Post Delivery Costs

Purpose. The purpose of this exhibit is to provide detailed information concerning Post Delivery funds for ships authorized for construction, but not yet delivered, and for each ship programmed for construction in the Future Years Defense Program (FYDP).

General. This exhibit will be prepared for all Ship Construction, Navy (SCN) programs for which ship Post Delivery funds are requested. Post Delivery funding covers the fixing of government-responsible items which were believed to have been complete to standard and/or operable at delivery, as well as funding to conduct tests and trials after delivery. The Post Shakedown Availability (PSA) is a shipyard availability assigned to commence after delivery and to be completed prior to the expiration of the SCN Obligation Work Limiting Date (OWLD). Funding is used for corrections authorized by the ship's Program Manager as a result of builders' trials (pre-delivery), acceptance or underway trials, final contract trials, trial board items, and correction of production-related defects or deficiencies which develop during the post delivery period. Although the majority of post delivery funding occurs after ships' delivery dates, some funding is required prior to the delivery date in preparation for post delivery events.

Ships will be listed by Ship Class, then in chronological order by the year authorized, then date of contract award, and then by start of construction.

Entries:

Heading. Insert Appropriation, Budget Activity, and identification code (as identified on the Exhibit P-1 generated from the OSD PRCP database) in the appropriate block. Insert the Exhibit P-1 line item title and add after the title the subhead number for the line item in parenthesis.

Ship Class and Hull Number. Identify each individual ship by Ship Class and hull number (e.g., SSN 792, CVN 79) that has previously been authorized for construction, but has not yet delivered, and each ship that is programmed for construction in the FYDP.

Program Year. List the year ship construction funds were appropriated or are programmed for each ship.

Contract Award. Enter the month and year of the shipbuilding contract award (actual or planned) using “MMM YYYY” format (e.g., Dec 2017).

Start of Construction. Enter the month and year that construction began/is scheduled to begin using “MMM YYYY” format.

Delivery Date. Enter the month and year each ship is planned to deliver using “MMM YYYY” format.

Completion of Fitting Out (CFO). Enter the month and year each ship is planned to complete fitting out using “MMM YYYY” format.

Post-Shakedown Availability (PSA) Start. Enter the month and year each ship is planned to begin PSA using “MMM YYYY” format.

PSA Finish. Enter the month and year each ship is planned to finish PSA using “MMM YYYY” format.

Obligation Work Limiting (OWL) Date. Enter the OWLD for each ship using “MMM YYYY” format.

Funding. Enter Post Delivery funding for each ship. Annual funding will be provided in the Prior Year (PY), Current Year (CY) and Budget Year (BY) columns only. Total Post Delivery funding received in all fiscal years before the Prior Year (PY) will be entered in the Prior Years column. All Post Delivery funds programmed in the FYDP years (i.e., BY+1 through BY+4) will be entered in the To Complete column. The total Post Delivery cost for each ship will be entered in the Total column.

(Exhibit P-30, page 3 of 3)

Exhibit P-35, Major Ship Component Fact Sheet

Exhibit P-35, Major Ship Component Fact Sheet

(TOA, $ in Millions)

Ship Type - (SSN-21) Equipment Item - (AN/BSY-2 Combat System) PARM Code - (NAVSEA PMS XXX)

Description/Characteristics/Purpose:

Current Funding	FY 20PY		FY 20CY		FY 20BY			
Major Hardware	Hull	Total FY	Hull	Total FY	Hull	Total FY	Hull	Total FY
Hardware								
Warranty								
Battle Spare/Trainer								
GFE								
Ancillary Equipment								
Test Equipment								
Shipping and Installation Fix								
Technical Data and Documentation								
Spares								
Installation & Checkout								
Installation & Sup Spt								
System Engineering								
Technical Engineering Services								
Contract Field Services								
Govt Field Services								
Other Costs (List separately)								
Other Costs								

Contract Data (major hardware)	Prime Contractor	Contract Award Date (indicate if estimated)	Contract Type	New/Option	Contract Qty	Contract Hardware Unit Cost
PY						
CY						
BY						

Delivery Data	Earliest Ship Delivery Date	Months Required before Delivery	Production Leadtime	Required Award Date
PY				
CY				
BY				

V. Competition/Second-Source Initiatives:

P-1 Line Item No X

Exhibit P-35, Major Ship Component Fact Sheet

(Exhibit P-35, page 1 of 2)

Instructions Exhibit P-35, Major Ship Component Fact Sheet

Item: A separate sheet is to be submitted for each component having a unit cost of $3.0 million or more.

Description/Characteristics/Purpose. Self-explanatory.

Current Funding. The cost details will be provided for each ship type for which equipment is being procured on a hull basis for the prior year (PY), current year (CY), and budget year (BY).

Identify estimates on an end item cost basis. If equipment was procured in a prior year with advance procurement funds, it should be reflected on the exhibit next to the end cost estimates in parenthesis. The equipment costs in this section of the exhibit will include the building block elements listed below:

Major Hardware
Ancillary Equipment
Technical Data and Documentation
Spares
System Engineering
Technical Engineering Services
Other Costs

Major hardware costs in excess of $20 million must be broken down into sub-element hardware components that comprise the equipment cost estimate included on the P-5a cost analysis.

Contract Data. This section will be prepared for major hardware procurement. The exhibit will include the contract plans for the BY, the planned or actual contract information for the current year (CY) and the actual information for the last buy prior to the current year. The last buy should be included even though it is two or more years prior to the current year. The following codes should be used for indicating contract types: Fixed Price Incentive (FPI); Cost Plus Incentive Fee (CPIF); Fixed Price (FP); Sole Source (SS); and Competitive (C). Indicate whether it is a new contract or an option to an existing contract. Also indicate estimated or actual award dates and item delivery dates. List quantities for each fiscal year and the production leadtime associated for each type of equipment.

Delivery Data. This section should indicate delivery plans for BY, CY and Prior Year (PY) programs contained in Section II of this exhibit. The required award date entry is determined by subtracting the months required before delivery and production leadtime from the earliest ship delivery date.

Competition/Second Source Initiatives. Describe any competition or second source initiatives associated with major hardware items.

(Exhibit P-35, page 2 of 2)

Exhibit P-40, Budget Item Justification

Exhibit P-40, Budget Item Justification							Date					
Appropriation (Treasury) Code/CC/BA/BSA/Item Control Number							P-1 Line Item Nomenclature					
Program Element for Code B Items:							Other Related Program Elements					
	ID Code	Prior Years	PY FY	CY FY	BY FY		BY+1 FY	BY+2 FY	BY+3 FY	BY+4 FY	To Complete	Total
Proc Qty												
Gross Cost												
Less PY Adv Proc												
Plus CY Adv Proc												
Net Proc (=P-1)												
Initial Spares												
Total Proc Cost												
Flyaway U/C												
Wpn Sys Proc U/C												
Description (Use continuation pages, as necessary)												

P-1 Line Item No X
(Page X of X)

Exhibit P-40, Budget Item Justification
(Exhibit P-40, page 1 of 4)

Instructions Exhibit P-40, Budget Item Justification

1. Purpose. The purpose of this exhibit is to provide overall narrative justification and total procurement costs for each P-1 line item. Include all advance procurement, initial spares and repair parts for acquisition category 1 programs.

* 2. Submission. A separate P-40 exhibit will be submitted to support each P-1 line item with funding of $5.0 million or more in the budget year (BY) or $5.0 million or more in either the Prior Year (PY) or Current Year (CY). Funding will be provided for all years displayed on the P-40 exhibit for all programs for both the program and budget review submission and the President's budget submission. If the prior years and to complete data are not relevant (i.e., items have a continuing requirement such as vehicles or ammunition), then leave those fields blank. In order to ensure compliance with the Department's policy to fully fund procurement programs, exhibits must reflect all costs and quantities from prior years through to complete for those programs buying a finite quantity. Note: for non- Major Defense Acquisition Programs (MDAPs)/Major Automated Information Systems (MAIS) programs with a funding value less than $5.0 million, only the P-40 exhibit is required. No other budget exhibits will be submitted for programs with a funding level less than $5.0 million in the BY. MDAP/MAIS programs must submit all required budget exhibits if a P-40 exhibit is required.

3. Entries.

a. Enter the applicable information that identifies the appropriation number and title, budget activity, procurement line item number, and serial number (the combination of these codes should match the procurement annex). Include the P-1 line item title (must be identical to what is shown in PRCP for that line item) and identify nicknames in parenthesis. Identify the program element for all Code B items shown on the P-5. Also list all other Program Elements associated with this procurement.

b. Funding will be presented for all Prior Years before the current prior year (i.e., PY-1, PY-2, PY-3, etc.), the Prior Year, the Current Year, the Budget Year, the FYDP years, to complete, and total on all line items having a finite quantity requirement. It is not relevant to show funding or quantities for items that are continuing requirements such as ammunition or non-tactical vehicles. It is relevant to show funding for all fiscal years for items being procured to specified quantity, such as aircraft, missiles, tactical vehicles, or modifications. The funding should agree with the funding approved in the FYDP Procurement Annex. Omit line items that do not apply (for example, ammunition items would not include an initial spares line).

c. Procurement programs that include funding for National Guard and Reserve Components will list Secondary Distribution to Active, National Guard, and Reserve Components, as applicable. Secondary Distribution will include quantity and funding for each component for the Prior Year, the Current Year, the Budget Year, and the FYDP years. This data must match submission to the PRCP data base.

d. A complete narrative description of the line item will be provided. The description will include, but not be limited to, the nature, purpose and intended use of the item with sufficient depth of information to serve as a justification for funding.

e. If the item is a Code B item, provide the month and calendar year, actual or projected, for each applicable Developmental Test & Evaluation (DTE), Initial Operational Test & Evaluation (IOT&E), Operational Test & Evaluation (OTE), and technical data package (TDP) or performance specification milestone date. The TDP is assumed to be the date when all data necessary to initiate the procurement is available. Also provide the planned date for type classification as Standard or Alternate Standard (Army and Air Force) or approved by the Chief of Naval Operations (CNO) or other responsible official (Navy). Provide the nomenclature and model number of each item (as applicable) that will be replaced, as well as

the comparative information in definitive terms with units of measure such as range, speed, cycle rate, meantime before failure, useful life, etc. Enter a brief but specific discussion of pertinent test results and development effort to date (i.e., successful firings, slippages, test failures, cost overruns, etc.).

f. For those programs that include advance procurement funds that support more than just the next or one subsequent FY program, specific FY detail needs to be provided to identify which FY programs are supported by prior year advance procurement. Advance procurement should be debited and credited according to the leadtimes of the advance procurement. For instance, if FY *2015* and FY *2016* Advance Procurement funds are required for a FY *2017* procurement, the FY *2015* Advance Procurement funds would be debited in FY *2015*, the FY *2016* Advance Procurement funds would be debited in FY *2016*, and the total of the FY *2015* and FY *2016* Advance Procurement funds would be credited in FY *2017*.

Advance Procurement

FY TOA	**FY *2015***	**FY *2016***	**FY *2017***	**FY *2018***	**FY *2019***	**FY *2020***
FY *2015* for FY *2017* (memo)	.*x*					
FY *2016* for FY *2017* (memo)		.*x*				
FY *2016* for FY *2018* (memo)		*x*				
FY *2017* (memo)			-.*x*			
FY *2017* for FY *2018* (memo)			.*x*			
FY *2017* for FY *2019* (memo)			.*x*			
FY *2018*(memo)				-*x*		
FY *2018* for FY 2019 (memo)				*x*		
FY *2018* for FY 2020 (memo)				*x*		
FY *2019*(memo)					-*x*	
FY *2019* for FY 2020 (memo)					*x*	
FY *2019* for FY 2021 (memo)					*x*	
FY *2020*(memo)						-*x*
FY *2020* for FY 2021 (memo)						*x*
FY *2020* for FY 2022 (memo)						*x*

4. Specific Guidance by Program Type.

a. Shipbuilding and Conversion, Navy Programs. Include the following information:

Mission
Characteristics (hull length overall, beam, displacement, draft)
Armament
Major Electronics
Production status, by hull
    Contract Award Planned (Month/Year)
    Months to Complete
        a) Award to Delivery
        b) Construction
    Start to Delivery
    Delivery Date
    Completion of Fitting Out
    Obligation Work Limiting Date (OWLD)

The P-40 exhibit must list all Service and Other Small Craft Items by types and provide funding for all years still being executed.

(Exhibit P-40, page 3 of 4)

b. Modification Programs. For procurement modification programs the P-40 exhibit shall include the following information; a complete narrative description of the weapon system, its overall mission, number of aircraft in the inventory (include a breakout by Active, National Guard and Reserve), the designed service life, and the average service life remaining. The exhibit will, just below the narrative, include the specific modifications budgeted and programmed displayed in the format provided below:

Instructions Exhibit P-40, Budget Item Justification (Continued)

Mod/ OSIP No.	Title	Total PYs	(TOA, $ in Millions) PY	CY	BY

Mod/OSIP No. Enter the modification number as applicable. List each modification on the aircraft P-40 exhibit. All P-3a exhibits must be included in the budget backup book in this numerical order.

(Exhibit P-40, page 4 of 4)

Exhibit P-40a, Budget Item Justification for Aggregated Items

Exhibit P-40a, Budget Item Justification for Aggregated Items														Date					
Appropriation (Treasury) Code/CC/BA/BSA/Item Control Number					P-1 Line Item Number									Aggregated Items Title					
Item Number/Title [DODIC]	ID Code	Prior Years			Past Year			Current Year			Budget Year			Budget Year OCO			Budget Year Total		
		Unit Cost	Qty	Total Cost	Unit Cost	Qty	Total Cost	Unit Cost	Qty	Total Cost	Unit Cost	Qty	Total Cost	Unit Cost	Qty	Total Cost	Unit Cost	Qty	Total Cost

Instructions - Exhibit P-40a, Budget Item Justification for Aggregated Items

1. Purpose. The purpose of this exhibit is to provide the quantities and funding covering the procurement programs included in aggregated P-1 line items such as "Items Less Than $5.0 million." A P-5 exhibit is not required for items included on a P-40a exhibit.

2. Entries.

a. Enter the applicable information that identifies the appropriation, budget activity, and title. There should be no Code B (not approved for service use) items on the P-40a exhibit. If an item is a Code B item, however, the item must be listed as separate line items in the P-1, P-5 and P-40 exhibits.

b. Unit Cost, Quantity and Total Cost will be presented for all Prior Years, Prior Year (PY), Current Year (CY), Budget Year (BY). The funding should agree with the funding approved in the FYDP Procurement Annex.

Exhibit MYP-1, Multiyear Procurement Criteria Content

Date: _____

Exhibit MYP-1, Multiyear Procurement Criteria Content

Program_____

1. Multiyear Procurement Description.
2. Benefit to the Government.
   a. Substantial Savings
   b. Stability of Requirement
   c. Stability of Funding
   d. Stable Configuration
   e. Realistic Cost Estimates
   f. National Security

3. Source of Savings	$ in Millions
Inflation	
Vendor Procurement	
Manufacturing	
Design/Engineering	
Tool Design	
Support Equipment	
Other	
Total	

P-1 Line Item No X
(Page X of X)

Exhibit MYP-1, Multiyear Procurement Criteria
MYP, page 1 of 8

Exhibit MYP-1, Multiyear Procurement Criteria Content

Exhibit MYP-1, Multiyear Procurement Criteria Content (Continued)

Program_____

4. Advantages of the MYP

5. Impact on Defense Industrial Base

6. Multiyear Procurement Summary | Annual Contracts | Multiyear Contract

Multiyear Procurement Summary	Annual Contracts	Multiyear Contract
Quantity		
Total Contract Price		
Cancellation Ceiling (highest point)		
Funded		
Unfunded		
$ Cost Avoidance Over Annual		
% Cost Avoidance Over Annual		

P-1 Line Item No X

MYP, page 2 of 8

Exhibit MYP-2, Total Program Funding Plan

Exhibit MYP-2, Total Program Funding Plan						Date				
Appropriation (Treasury) Code/CC/BA/BSA/Item Control No						P-1 Line Item Nomenclature				
	PY	BY	BY +1	BY +2	BY +3	BY+4	BY +5	BY +6	BY +7*	Total
Procurement Quantity										
Annual Procurement										
Gross Cost										
Less PY Adv Procurement										
Net Procurement (= P-1)										
Plus CY Adv Procurement										
Weapon System Cost										
Multiyear Procurement										
Gross Cost (P-1)										
Less PY Adv Procurement										
Net Procurement (= P-1)										
Advance Procurement										
For BY	*xx.x*									*xx.x*
For BY +1		*xx.x*	*xx.x*							*xxx.x*
For BY +2		*xx.x*	*xx.x*	*xx.x*						*xxx.x*
For BY +3		*xx.x*	*xx.x*	*xx.x*	*xx.x*					*xxx.x*
Plus CY Adv Procurement	*xx.x*	*xxx.x*	*xxx.x*	*xx.x*	*xx.x*					*xxx.x*
Weapon System Cost										
Multiyear Savings ($)										
Multiyear Savings (%) (total only)										
Cancellation Ceiling -Funded										
Cancellation Ceiling -Unfunded										
Outlays										
Annual										
Multiyear										
Savings										
Remarks.										

P-1 Line Item No X

Exhibit MYP-2, Total Program Funding Plan
MYP, page 3 of 8

Exhibit MYP-3, Contract Funding Plan

Exhibit MYP-3, Contract Funding Plan					Date					
Appropriation (Treasury) Code/CC/BA/BSA/Item Control No					P-1 Line Item Nomenclature					
	PY	BY	BY +1	BY +2	BY+3	BY +4	BY +5	BY +6	BY +7*	Total
Procurement Quantity										
Annual Procurement										
Gross Cost										
Less PY Adv Procurement										
Net Procurement (= P-1)										
Plus CY Adv Procurement										
Contract Price										
Multiyear Procurement										
Gross Cost (P-1)										
Less PY Adv Procurement										
Net Procurement (= P-1)										
Advance Procurement										
For BY	*xx.x*									*xx.x*
For BY +1		*xx.x*	*xx.x*							*xxx.x*
For BY +2		*xx.x*	*xx.x*	*xx.x*						*xxx.x*
For BY +3		*xx.x*	*xx.x*	*xx.x*	*xx.x*					*xxx.x*
Plus CY Adv Procurement	*xx.x*	*xxx.x*	*xxx.x*	*xx.x*	*xx.x*					*xxx.x*
Contract Price										
Multiyear Savings ($)										
Multiyear Savings (%) (total only)										
Cancellation Ceiling -Funded										
Cancellation Ceiling -Unfunded										
Outlays										
Annual										
Multiyear										
Savings										
Remarks. Explain assumptions (outlay rate, contractor termination liability, other - explain what's behind the numbers).										

Exhibit MYP-4, Present Value Analysis

Exhibit MYP-4 Present Value Analysis						Date				
Appropriation (Treasury) Code/CC/BA/BSA/Item Control No						P-1 Line Item Nomenclature				
	PY	BY	BY +1	BY +2	BY +3	BY +4	BY +5	BY +6	BY +7	Total
Annual Proposal										
Then Year Cost										
Constant Year Cost										
Present Value										
Multiyear Procurement										
Then Year Cost										
Constant Year Cost										
Present Value										
Difference										
Then Year Cost										
Constant Year Cost										
Present Value										
Remarks Explain assumptions (outlay rate, contractor termination liability, other - explain what's behind the numbers).										

P-1 Line Item No X

Exhibit MYP-4, Present Value Analysis
MYP, page 5 of 8

Instructions – Exhibit Multiyear Procurement

1. Provide a narrative justification (MYP-1 Multiyear Procurement Criteria) for all proposed multiyear procurements candidates regardless of costs. Exhibits MYP-1, MYP-2 Total Program Funding, MYP-3 Total Contract Funding and MYP-4 Present Value Analysis will be included for all MYP candidate systems in the Program Budget Review submission. The President's Budget request will include a P-5a MYP-annotated entry for those multiyear programs not requiring congressional authorization and appropriation language and exhibits. Exhibits MYP-1 through MYP-4 are required for all multiyear candidate systems for which any of the following is true:

    a. The anticipated multiyear procurement contract is $500 million or greater.

    b. There are economic order quantity (EOQ) procurements in excess of $20 million in any one year.

    c. There are EOQ procurements in advance of an MYP contract in excess of $20 million in any one year.

    d. There will be an unfunded contingent liability in excess of $20 million in any one year.

    e. The procurement quantities of a previously approved MYP have been adjusted.

2. Detailed instructions for filling out MYP exhibits are published in SNaP on the home page of the SNaP-Multiyear Procurement (MYP) application.

3. If a system proposed for a multiyear contract includes more than one P-1 line item, prepare combined MYP-1 and MYP-2 exhibits. Prepare separate exhibits for the remaining MYP exhibit formats. All the exhibits associated with the system will be combined in one package, and submitted in numerical order MYP-1, MYP-2, MYP-3[1], MYP-3[2], etc.

4. If multiple MYPs are proposed for components of the same P-1 line item, prepare a separate set of exhibits for each component. Note that the MYP-3 will be the same in each package.

5. If a joint Service program is proposed for multiyear procurement, the executive Service is responsible for submission of all multiyear exhibits and the congressional authorization language.

6. Provide the narrative description in sufficient detail to define the multiyear procurement, i.e., this multiyear procurement will procure "x" number of units over "x" number of fiscal years by using one (or more) multiyear contract.

7. Describe in detail the benefit to the government of the MYP. The process of deciding to use or not to use a multiyear procurement (MYP) for production programs as well as how best to tailor and structure the MYP requires management judgment. A MYP should yield substantial cost avoidance or other benefits when compared to conventional annual contracting methods. Any MYP alternatives with greater risk to the government should demonstrate increased cost avoidance or other benefits over those with lower risk. Savings can be defined as significant either in terms of dollars or percentage of total costs. Detailed descriptions of benefits justifying the MYP should cover the following: Substantial Savings, Stability of Requirements, Stability of Funding, Stable Design, Realistic Cost Estimates, and National Security.

8. Identify the Substantial Savings detailing the sources of savings to include, as appropriate, inflation, vendor procurement, manufacturing, design/engineering, tool design, and support equipment. Each identified source of savings must include a narrative description of the specific savings, an estimate for that specific source and how the estimate was derived. The sum of the detailed sources should equal the total savings.

9. The narrative justification for Stability of Requirement must contain the statement that "the minimum need for the property to be purchased is expected to remain substantially unchanged during the contemplated contract period in terms of production rate, procurement rate, and total quantities." The item should be technically mature, have completed RDT&E (including development testing, or equivalent) and Initial Operational, Test and Evaluation (IOT&E), with relatively few changes in item design anticipated. Deliveries of production items will indicate that the underlying technology is stable. This does not mean that changes will not occur but that the estimated cost of such changes is not anticipated to drive total costs beyond the proposed funding profile.

10. Identify the advantages the MYP will achieve and how they will achieve them. These advantages include: production of items in economic order quantities, thereby resulting in lower costs; enhancement of standardization; reduction of administrative burden in the placement and administration of contracts; substantial continuity of production or performance, thus avoiding annual startup costs, pre-production testing costs, make-ready expenses, and phase-out costs; stabilization of contractor and subcontractor work forces; avoiding the need to establish quality control techniques and procedures for a new contractor each year; broadening the competitive base with opportunity for participation by firms not otherwise willing or able to compete for lesser quantities, particularly in cases involving high startup costs; providing incentives to contractors to improve productivity through investment in capital facilities, equipment, and advanced technology; enhancing partnering efforts between contractors/government and prime contractor/subcontractor; providing stable environment; and enhancing best commercial practices..

11. Exhibit MYP-2, Total Program Funding Plan, will compare the funding for the annual proposal and the multiyear proposal and Exhibit MYP-3, Total Contract Funding Plan, will compare the funding for the annual proposal and the multiyear proposal for the multiyear contract.

12. All multiyear procurements (MYP), regardless of cost, require the use of a present value analysis to determine lowest cost compared to an annual procurement. This analysis will be completed by the SNaP based on funding plans provided and results displayed as Exhibit MYP-4, Present Value Analysis. Present value analysis will be calculated in accordance with DoD Instruction 7041.3, Economic Analysis for Decision Making, and OMB Circular A-94.

VOLUME 2B, CHAPTER 5: "RESEARCH, DEVELOPMENT, TEST, AND EVALUATION APPROPRIATIONS"

SUMMARY OF MAJOR CHANGES

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

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

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

The previous version dated December 2016 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
050202	Eliminates the minimum threshold for submitting most RDT&E Project budget exhibits.	Revision
050402	Revises guidance for various RDT&E budget exhibits, primarily related to the new thresholds for submission.	Revision
050402	Revises the R-2a budget exhibit format to include an Increase/Decrease Statement and delete the Prior Year Accomplishments narrative statement.	Revision

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CHAPTER 5

RESEARCH, DEVELOPMENT, TEST, AND EVALUATION APPROPRIATIONS

0501 GENERAL

050101. Purpose

This chapter provides instructions applicable to budget formulation and congressional justification for Research, Development, Test, and Evaluation (RDT&E) appropriations. Unless otherwise specified, these instructions apply to all RDT&E appropriations and to all budgets.

050102. References

Volume 2A, Chapter 1, Section 010210 provides policies and definitions concerning costs that are to be financed in RDT&E appropriations.

050103. Submission Requirements

A. General guidance on submission requirements is in Volume 2A, Chapter 1. This chapter provides guidance for the preparation of RDT&E appropriation backup material required to support the Budget Estimates Submission (BES) and the President's budget request. Other chapters in the Financial Management Regulation require additional exhibits. The Components will also submit any exhibits required by the Office of Management and Budget (OMB) Circular A-11, Preparation and Submission of Budget Estimates.

B. Military Departments and Defense Agencies will be responsible for clearing the justification material with the Washington Headquarters Services, Directorate for Office of Security Review, prior to transmittal to the OMB, the Office of the Secretary of Defense (OSD), and the congressional committees.

050104. Classification

The budget justification material should be unclassified. All classified material shall be submitted separately. Components must include a R-2 RDT&E Budget Justification exhibit for special access programs (SAPs) that are not labeled as secret. The R-2 exhibits for SAPs must only include funding streams and cite the following justification: "This program is reported in accordance with Title 10, United States Code, Section 119(a)(1) in the Special Access Program Annual Report to Congress." All other (non-intel and non-SAP) classified funding requests must be identified (i.e., submit a one page R-2 exhibit) within unclassified justification budget materials.

050105. RDT&E Budget Activities

The RDT&E budget activities are broad categories reflecting different types of RDT&E efforts. The definitions are provided in paragraphs A through G. The acquisition milestones identified in the definitions are established by Department of Defense Instruction 5000.02,

"Operation of the Defense Acquisition System." Acquisition program developmental criteria and administrative requirements for each milestone are set forth in this instruction.

A. Budget Activity 1, Basic Research. Basic research is systematic study directed toward greater knowledge or understanding of the fundamental aspects of phenomena and of observable facts without specific applications towards processes or products in mind. It includes all scientific study and experimentation directed toward increasing fundamental knowledge and understanding in those fields of the physical, engineering, environmental, and life sciences related to long-term national security needs. It is farsighted high payoff research that provides the basis for technological progress. Basic research may lead to: (a) subsequent applied research and advanced technology developments in Defense-related technologies, and (b) new and improved military functional capabilities in areas such as communications, detection, tracking, surveillance, propulsion, mobility, guidance and control, navigation, energy conversion, materials and structures, and personnel support. Program elements in this category involve pre-Milestone A efforts.

B. Budget Activity 2, Applied Research. Applied research is systematic study to understand the means to meet a recognized and specific need. It is a systematic expansion and application of knowledge to develop useful materials, devices, and systems or methods. It may be oriented, ultimately, toward the design, development, and improvement of prototypes and new processes to meet general mission area requirements. Applied research may translate promising basic research into solutions for broadly defined military needs, short of system development. This type of effort may vary from systematic mission-directed research beyond that in Budget Activity 1 to sophisticated breadboard hardware, study, programming and planning efforts that establish the initial feasibility and practicality of proposed solutions to technological challenges. It includes studies, investigations, and non-system specific technology efforts. The dominant characteristic is that applied research is directed toward general military needs with a view toward developing and evaluating the feasibility and practicality of proposed solutions and determining their parameters. Applied Research precedes system specific technology investigations or development. Program control of the Applied Research program element is normally exercised by general level of effort. Program elements in this category involve pre-Milestone B efforts, also known as Concept and Technology Development phase tasks, such as concept exploration efforts and paper studies of alternative concepts for meeting a mission need.

C. Budget Activity 3, Advanced Technology Development (ATD). This budget activity includes development of subsystems and components and efforts to integrate subsystems and components into system prototypes for field experiments and/or tests in a simulated environment. Budget Activity 3 includes concept and technology demonstrations of components and subsystems or system models. The models may be form, fit, and function prototypes or scaled models that serve the same demonstration purpose. The results of this type of effort are proof of technological feasibility and assessment of subsystem and component operability and producibility rather than the development of hardware for service use. Projects in this category have a direct relevance to identified military needs. Advanced Technology Development demonstrates the general military utility or cost reduction potential of technology when applied to different types of military equipment or techniques. Program elements in this category involve pre-Milestone B efforts, such as system concept demonstration, joint and

Service-specific experiments or Technology Demonstrations and generally have Technology Readiness Levels of 4, 5, or 6. (For further discussion on Technology Readiness Levels, see the Assistant Secretary of Defense for Research and Engineering's Technology Readiness Assessment (TRA) Guidance.) Projects in this category do not necessarily lead to subsequent development or procurement phases, but should have the goal of moving out of Science and Technology (S&T) and into the acquisition process within the Future Years Defense Program (FYDP). Upon successful completion of projects that have military utility, the technology should be available for transition.

D. Budget Activity 4, Advanced Component Development and Prototypes (ACD&P). Efforts necessary to evaluate integrated technologies, representative modes, or prototype systems in a high fidelity and realistic operating environment are funded in this budget activity. The ACD&P phase includes system specific efforts that help expedite technology transition from the laboratory to operational use. Emphasis is on proving component and subsystem maturity prior to integration in major and complex systems and may involve risk reduction initiatives. Program elements in this category involve efforts prior to Milestone B and are referred to as advanced component development activities and include technology demonstrations. Completion of Technology Readiness Levels 6 and 7 should be achieved for major programs. Program control is exercised at the program and project level. A logical progression of program phases and development and/or production funding must be evident in the FYDP.

E. Budget Activity 5, System Development and Demonstration (SDD). System Development and Demonstration (SDD) programs have passed Milestone B approval and are conducting engineering and manufacturing development tasks aimed at meeting validated requirements prior to full-rate production. This budget activity is characterized by major line item projects, and program control is exercised by review of individual programs and projects. Prototype performance is near or at planned operational system levels. Characteristics of this budget activity involve mature system development, integration, demonstration to support Milestone C decisions, conducting live fire test and evaluation, and initial operational test and evaluation of production representative articles. A logical progression of program phases and development and production funding must be evident in the FYDP consistent with the Department's full funding policy.

F. Budget Activity 6, RDT&E Management Support. This budget activity includes management support for research, development, test, and evaluation efforts and funds to sustain and/or modernize the installations or operations required for general research, development, test, and evaluation. Test ranges, military construction, maintenance support of laboratories, operation and maintenance of test aircraft and ships, and studies and analyses in support of the RDT&E program are funded in this budget activity. Costs of laboratory personnel, either in-house or contractor operated, would be assigned to appropriate projects or as a line item in the Basic Research, Applied Research, or ATD program areas, as appropriate. Military construction costs directly related to major development programs are included in this budget activity.

G. Budget Activity 7, Operational System Development. This budget activity includes development efforts to upgrade systems that have been fielded or have received approval

for full rate production and anticipate production funding in the current or subsequent fiscal year. All items are major line item projects that appear as RDT&E Costs of Weapon System Elements in other programs. Program control is exercised by review of individual projects. Programs in this category involve systems that have received approval for Low Rate Initial Production (LRIP). A logical progression of program phases and development and production funding must be evident in the FYDP, consistent with the Department's full funding policy.

050106. Establishing RDT&E Program Elements

A. The program element is the primary data element in the FYDP and is the major aggregation, at which RDT&E efforts are organized, budgeted, and reviewed. All funding associated with a major system new start must be identified in a unique program element. Requests to establish program elements should be forwarded to Office of the Secretary of Defense (OSD) Cost Assessment and Program Evaluation (CAPE) for coordination and approval.

B. In general, the coding symbology identifies the RDT&E budget activity for the program element. Program elements in RDT&E budget activities 1 through 6 will have "06" in the first two positions; "06"indicates it is part of Major Force Program 6, Research and Development. The third and fourth position will identify the specific budget activity (e.g., 0602 is an RDT&E budget activity 2 program element). Program elements in RDT&E budget activity 7 reflect the Major Program of the fielded system in the first two positions (e.g., "01" indicates a strategic system).

*0502 RDT&E EXHIBIT REQUIREMENTS

050201. Purpose

This section prescribes instructions for the preparation and submission of RDT&E appropriations budget material to support the BES and the President's budget request. See Volume 2A, Chapter 1, Section 0104, for specific printing requirements.

SUMMARY OF EXHIBIT REQUIREMENTS

	Exhibit	**Appropriation**
R-1	RDT&E Programs	All
R-2	RDT&E Budget Item Justification	All
R-2a	RDT&E Project Justification	All
R-3	Cost Analysis	All
R-4	RDT&E Program Schedule Profile	All
R-4a	RDT&E Program Schedule Detail	All

050202. Submission Requirements

A. Extensible Markup Language (XML) Exhibits. All Components must submit required budget exhibits as PDFs with the source XML file embedded. These PDFs will be generated by one of the following two processes:

1. Submit an XML file to the XML Tools section of the Comptroller XML Exhibits web site, ***https://exhibits.dtic.mil/r2/app*** (for Components capable of building an XML file from an internal system). The XML files submitted through the XML Tools section must be compliant with the latest RDT&E XML schema, located within the same section of the website; or

2. Create a RDT&E exhibit manually within the "Create New R-2" section of the Comptroller XML Exhibits web site, ***https://exhibits.dtic.mil/r2***.

3. The result of either process will be a PDF file with an XML file embedded. All RDT&E exhibit PDFs/XMLs must be assembled into a Justification Book(s) within the same website using one of the Justification Book tools and posted to the SIPRNET website ***https://cisweb.ousdc.osd.smil.mil/***

4. Formats and examples of the exhibits are contained in Section 0503.

B. Each backup book will include an Exhibit R-1, RDT&E Program, two indices of program elements (including R-1 line number, program element title, program element number, and backup book page number), one alphabetically by program element title and on by budget activity and R-1 line number, and specific exhibits for those items covered by the backup book.

C. The exhibits will be aggregated in the following order for each R-1 line item, as applicable to that line item and submitted in R-1 line item order.

Arrangement of Exhibits – General
R-1 RDT&E Programs
R-2 RDT&E Budget Item Justification
R-2a RDT&E Project Justification
R-3 RDT&E Project Cost Analysis
R-4 RDT&E Program Schedule Profile
R-4a RDT&E Program Schedule Detail

Note: the R-3/R-4/R-4a supporting each R-2a Project Justification will be arranged immediately following the R-2a.

D. Major Defense Acquisition Programs (MDAPs)/Major Automated Information Systems (MAIS)

1. Joint budget guidance from the Under Secretaries of Defense for Acquisition, Technology & Logistics (AT&L) and Comptroller directs that all MDAPs or MAIS

will be budgeted in separate, dedicated Program Elements (R-1 line items), and associate all of the funding for a given MDAP/MAIS with a PRCP Program Number (PNO).

2. For all MDAP/MAIS programs, the R-2 RDT&E Budget Item Justification exhibit must include the PNO. Components must also ensure that all applicable fiscal years of the PRCP and FYDP annex data bases are updated to reflect the program budget estimates for all MDAP/MAIS programs, including all prior years and cost-to-complete columns. Each MDAP/MAIS subprogram is a component that will be identified by appropriation, budget line item, and budget activity under the End Item R-1 Line Item header.

E. If an amended budget is submitted, identify the revised budget exhibits accordingly.

F. Facilities Exhibit. For improvements to and construction of government-owned facilities funded in the RDT&E appropriation, a DD Form 1391, Military Construction Project Data, must be provided separately for each Budget Year (BY) project and any Prior Year (PY) or Current Year (CY) projects not previously reported. These exhibits will be included with the program element justification. In addition, a copy of all DD Forms 1391 should be packaged together and a copy provided to the Office of the Under Secretary of Defense (Comptroller) (OUSD(C)) Program/Budget (P/B) Investment Directorate and to the Military Personnel and Construction Directorate. A copy of the form and the instructions are in Volume 2B, Chapter 6.

0503 CONGRESSIONAL JUSTIFIATION/PRESENTATION

This Section presents the backup book organization and the exhibit requirements for submission to Congress. See Volume 2A, Chapter 1, Section 0104 for specific printing requirements. Justification material will be organized into a Committee Staff Procurement Backup Book. Volume 2A, Chapter 1, Section 010403 provides a detailed distribution schedule for the procurement backup books. A separate congressional committee backup book will be prepared for the President's budget request for each RDT&E appropriation.

Cover
Department of Defense
FY 20BY President's Budget Submission
Justification Book Volume X of X
Appropriation Title

Section 1 - Summary Material
Table of Contents
R-1 listing (R-1 Exhibits will be prepared using the OUSD(C) automated system with input from the Services and Defense Agencies)

Section 2 - Budget Appendix Extract Appropriation Language

Section 3 - R-1 Line Item Detail. RDT&E budget exhibits will be organized as discussed in paragraph 050202.C.

*0504 RDT&E APPROPRIATION BUDGET EXHIBIT FORMATS

050401. Standardized budget exhibit formats.

Section 050202 describes the use of XML budget exhibits for RDT&E appropriations. In addition to the key attribute of making budget exhibit data electronically searchable, the XML exhibits standardize the various budget displays, enabling more effective and efficient budget formulation, review, analysis, and submission.

A. The exhibit formats provided on the following pages reflect guidance presented in previous sections.

B. The use of XML exhibits is mandatory for BES and President's budget request backup justification material.

C. XML exhibits will automatically standardize formatting, to include:

1. Exhibits displayed on 8 1/2 inch by 11 inch paper in landscape format.

2. Actual fiscal years (e.g., FY 2016, FY 2017, etc.) rather than the template entries (i.e., Prior Years (PYs), Prior Year (PY), Current Year (CY), Budget Year (BY), BY+1, BY+2, BY+3, and BY+4).

3. Annotating the applicable R-1 line item number and page number within the line item (e.g., Item 1-1 of 5, 2-1 of 1, 3-1 of 20, etc.) at the bottom center of each exhibit page.

4. Properly paginate the backup book.

050402. RDT&E exhibit formats

There are six RDT&E exhibits that support the formulation and submission of the BES and the President's budget request. The exhibits provide data and information that justifies budgetary requirements for the various RDT&E appropriations. The exhibit formats follow. Volume 2B, Chapter 19, Other Special Analyses, also identifies budget exhibits that may be required.

Exhibit R-1: RDT&E Programs

Exhibit R-1, RDT&E Programs
Department of the _____

Appropriation: _____ **Date: _____**

TOA, $ in Millions

R-1 Line Item No	Program Element Number	Item	Budget Activity	Prior Year Cost	Current Year Cost	Budget Year Cost	Budget Year OCO Cost	Total Budget Year Cost

Exhibit R-1, RDT&E Programs
(Exhibit R-1, page 1of 2)

Exhibit R-1: RDT&E Programs

A. General Instructions:

Unless otherwise specified, this format will be used to present the Research, Development, Test and Evaluation (RDT&E) program to:

1. The Office of the Under Secretary of Defense (Comptroller) in support of the OSD/OMB budget review and,

2. The Congress in support of the President's budget request.

B. RDT&E Line Item Content:

The basic document for presenting RDT&E requirements is the Exhibit R-1, RDT&E Programs. The R-1 line items are program elements, which define a development effort with specific design, cost, schedule and capability parameters. All costs of basic and applied scientific research, development, test, and evaluation, including maintenance, rehabilitation, and lease/operation of facilities and equipment will be included in appropriate R-1 line items. The R-1 exhibit will contain the following information:

1. Program element title and number. Appropriate security classification coding should be included as part of each program element title listed. All classified material should be bracketed.

2. Line items will be arranged in ascending program element order within each budget activity.

3. Approved funding for the Prior Year (PY), the Current Year (CY), and Budget Year (BY).

4. Subtotals by Budget Activity and total funding for the appropriation for the Prior Year (PY), the Current Year (CY), and Budget Year (BY).

Exhibit R-2: RDT&E Budget Item Justification

Exhibit R-2, RDT&E Budget Item Justification: BES/PB 20xx Service/Agency						DATE: Month/Year					
APPROPRIATION/BUDGET ACTIVITY Appropriation Code: Appropriation Name BA Number: Budget Activity Title						R-1 ITEM NOMENCLATURE Program Element Number: Program Element Title					
COST ($ in Millions)	FY PY	FY CY	FY BY Base	FY BY OCO	FY BY Total	FY BY+1	FY BY+2	FY BY+3	FY BY+4	Cost to Complete	Total Cost
Total Program Element											
Project Number: Project Title 1											
Project Number: Project Title N											

Note

Identify when a Program Element or a Project: 1) is a new start, 2) was terminated/completed, 3) was previously funded, or will be funded, in a different Program Element, or 4) has had a Title change.
For Program Element or Project transfers, include the current and previous Program Element number and title, and Project number and title, if applicable.

A. Mission Description and Budget Item Justification

The R-2 shall include a general decription and justification of the efforts included in the program element.
The R-2A shall include a detailed description and justification of the efforts included in the specific project.Every Project shall include an R-2A exhibit; including where a Project is an aggregate of Congressional Adds. An exception may be to create an R-2 without an R-2A for Single Project PEs.
For ACAT 1D programs, identify Cost to Complete and Total Cost for the program and all projects; otherwise, the appropriate value shall be "Continuing".
An R-3 Exhibit must be provided for Budget Activity 4, 5, and 7 Programs.

B. Program Change Summary ($ in Millions)	FY PY	FY CY	Base FY BY	OCO FY BY	Total FY BY
Previous President's Budget					
Current President's Budget					
Total Adjustments					
Congressional General Reductions					
Congressional Directed Reductions					
Congressional Rescissions					
Congressional Adds (appropriated)					
Congressional Directed Transfers					
Reprogrammings					
SBIR/STTR Transfer					
Other Adjustment Title 1					
Other Adjustment Title N					

Congressional Add Details ($ in Millions, and includes General Reductions)	FY PY	FY CY
Project Number, Project Title 1		
Congressional Add Title:		
Congressional Add Title:		
Subtotal for Project 1		
Project Number, Project Title N		
Congressional Add Title:		
Subtotal for Project N		
Total for all Projects		

Change Summary Explanation

R-2 Schema 3.4 Template as of 5-19-2010

(Exhibit R-2, page 1 of 6)

Exhibit R-2a: RDT&E Budget Item Justification (Project)

Exhibit R-2, RDT&E Budget Item Justification: BES/PB 20XX Service/Agency										**Date:** Month Year		
Appropriation/Budget Activity Appropriation Code/BA Number					**R-1 Program Element (Number/Name)** Program Element Number/Title				**Project (Number/Name)** Project Number/Title			
COST ($ in Millions)	**Prior Years**	**FY 2014**	**FY 2015**	**FY 2016 Base**	**FY 2016 OCO**	**FY 2016 Total**	**FY 2017**	**FY 2018**	**FY 2019**	**FY 2020**	**Cost To Complete**	**Total Cost**
Project Number: Title												
Quantity of RDT&E Articles												

MDAP/MAIS Code: (if allplicable)

A. Mission Description and Budget Item Justification

Provide a Project overview. For BAs 1,2, and 3, specify the technology area as defined in annual budget guidance. Provide a description and justification. Identify the military requirement(s) that this Project will meet.

Identify New Start efforts for the Budget Year (BY). New Start details shall be displayed on the R-2a rather than the R-2.

B. Accomplishments/Planned Programs ($ in Millions, Article Quantities in Each)	**FY PY**	**FY CY**	**FY BY Base**	**FY BY OCO**	**FY BY Total**
Title: Accomplishments/Planned Program Title 1 ***FY CY Justification:*** ***FY BY Base Justification:*** ***FY CY to FY BY Increase/Decrease Statement:*** ***FY BY OCO Plans:***					
Title: Accomplishments/Planned Program Title 2 ***FY CY Justification:*** ***FY BY Base Justification:*** ***FY CY to FY BY Increase/Decrease Statement:*** ***FY BY OCO Plans:***					

(Exhibit R-2, page 2 of 6)

Exhibit R-2a: RDT&E Budget Item Justification (Project)

C. Other Program Funding Summary ($ in Millions)

Product Development ($ in Millions)				FY PY		FY CY		FY BY Base		FY BY OCO		FY BY Total			
Cost Category Item	Contract Method	Performing Activity & Location	Prior Years	Cost	Award Date	Cost	Award Date	Cost	Award Date	Cost	Award Date	Cost	Cost To Complete	Total Cost	Target Value of
		Subtotal													

Remarks

Discuss Acquisition Strategy and items of interest. Acquisition Strategy is NOT required for BA 1, 2, 3, or 6.

(Exhibit R-2, page 3 of 6)

Exhibit R-2a: RDT&E Budget Item Justification (Project)
Exhibit R-2: RDT&E Budget Item Justification

A. General Instructions:

* 1. An Exhibit R-2 shall be prepared for each program element. An Exhibit R-2a shall be prepared for each RDT&E project, even if there is only one project and even if a project is funded only in a Prior Year (PY) and/or a Current Year (CY), regardless of funding amount. To provide full-funding visibility, every program, project, and activity specifically added by Congress to the President's Budget Request (a.k.a. Congressional Adds) shall be identified within an Exhibit R-2a. The programs, projects, and activities may be treated as individual projects, grouped, but separately identified, in one or more "Congressional Adds" projects, and/or included within "core" projects. Classified material will be submitted separately.

2. All funding within any R-exhibit will be expressed in millions, with three decimal places, unless specifically noted otherwise.

3. Care should be taken to see that exhibits are clear and concise. Abbreviations shall be identified on the page on which they occur.

B. Exhibit Instructions:

1. Date. Include the month and year of submission of the exhibit. If an Amended Budget is submitted, identify the date of the revised submission.

2. Exhibit R-2 RDT&E Budget Item Justification. Identify the Budget Cycle/Budget Year/Service Agency Name. Identify BES (Budget Estimates Submission) or PB (President's Budget) for Budget Cycle, the Budget Year, and the Service Agency Name. Information must match the Program Resources Collection Process (PRCP) (R-1) data base lock position.

3. Appropriation/Budget Activity. Identify Appropriation Code (Treasury Account Symbol) and Name/Budget Activity Number and Title. Identify the appropriation and budget activity. Information must match the RDT&E PRCP (R-1) data base lock position.

4. R-1 Item Nomenclature/Title (Program Element Name). Identify the name of the R-1 line item. Information must match the RDT&E PRCP (R-1) data base lock position.

5. Program Element Number. Identify the program element. Information must match the RDT&E PRCP (R-1) data base lock position.

6. Project Number and Nomenclature. Identify the project number and nomenclature.

(Exhibit R-2, page 4 of 6)

7. Resource Summary. The Exhibit R-2 shall include a fiscal resource summary total for the total program element and, if there is more than one project in that program element, a fiscal resource summary for each project in that program element. Ensure the total funding for the program element matches the RDT&E PRCP (R-1) data base lock position by budget line item

and that total costs for Acquisition Category 1 (ACAT) programs are consistent with Selected Acquisition Reports.

8. For ACAT 1 programs, identify Cost-to-Complete and Total Cost for the program and all projects; otherwise, the appropriate value shall be "Continuing". The XML process will automatically insert "Continuing" if no data is submitted.

9. RDT&E Articles (R-2a only). Identify the test articles (engineering development models, test articles, low rate initial production test article, government furnished equipment articles) that are being procured and why. Test Articles can be identified for a project and/or for activities identified in Accomplishments/Planned Programs.

10. Program Element and Project Notes. Identify when a program element or project is: (1) a new start, (2) was terminated/completed, (3) was previously funded, or (4) will be funded in a different program element, or Title changes.

11. For program element or project transfers, include the current and previous program element number and names, and projected number and name if applicable.

12. Mission Description and Budget Item Justification. The R-2 will include a description and justification of the efforts included in the program element. The R-2a will include a description and justification of the efforts included in the specific project.

13. Program Change Summary. If there have been changes to the total funding, schedule, or technical parameters since the previous President's budget submission, the Exhibit R-2 shall include a concise narrative summary explaining the changes in the total program element for the PY, CY, and BY. Further adjustments will be broken out into the following categories:

Congressional General Reductions
Congressional Directed Reductions
Congressional Rescissions
Congressional Adds
Congressional Directed Transfers
Reprogrammings
SBIR/STTR* Transfers
Total Other Adjustments – (unique titles may be added to describe the change)
Small Business Innovation Research (SBIR)/Small Business Technology Transfer (STTR)

14. Congressional Add Details (Exhibit R-2). Each "Congressional Add" will be identified separately by project and may be included as: (1) an individual project, (2) as groups in one or more "Congressional Add" projects, and/or (3) within "core" projects. The title (provided by Congress) and the funding for PY and CY will be listed in a bullet format. Congressional Adds should include only the funding provided by Congress.

(Exhibit R-2, page 5 of 6)

15. Change Summary Explanation. Provide a separate, concise narrative summary explaining the changes in the total program element in the Prior Year, the Current Year, and the Budget Year, as applicable.

*16. Accomplishments/Planned Programs (Exhibit R-2a). Provide a concise narrative summary and associated funding for each project for CY, and BY in a bullet format. The PY narrative summary is deleted. The total funding reflected should match the total project funding. Briefly discuss why project funding changed from the CY to the BY in the Incease/Decrease Statement. The explanation must be sufficient to justify the BY request, but should not be a restatement of Planned Program in the BY. (For example: "Funding increases $30 million due to procurement of 2 System Development Test Articles (STDA).") MINOR changes in funding from CY to BY need not be addressed.

17. Other Program Funding Summary (Exhibit R-2a). Development projects often lead to subsequent development phases, production, and military construction. Also, some projects may depend on concurrent development in other projects. These related efforts and the funding profiles for other appropriation efforts shall be identified by appropriation, budget activity, R-1 line item and program element, and P-1 line item title and number. If there are funding dependencies among related research, development, test, and evaluation programs, then the funding profiles for these related programs shall be included.

18. Acquisition Strategy (Exhibit R-2a). An explanation of acquisition, management, and contracting strategies shall be provided for each project in the Remarks section. This section is not required for the program element budget line items in Budget Activities 1 (Basic Research), 2 (Applied Research), 3 (Advanced Technology Development) and 6 (RDT&E Management Support).

(Exhibit R-2, page 6 of 6)

Exhibit R-3: RDT&E Project Cost Analysis

Exhibit R-3, RDT&E Project Cost Analysis: BES/PB 20xx Service/Agency											DATE: Month/Year			
APPROPRIATION/BUDGET ACTIVITY				R-1 ITEM NOMENCLATURE							PROJECT NAME AND NUMBER			
Appropriation Code/BA Number				Program Element Number: Program Element Name							Project Number: Project Title			
Product Development ($in Millions)				FY CY		FY BY Base		FY BY OCO		FY BY Total				
	Contract Method & Type	Performing Activity & Location	Total Prior Years Cost	Cost	Award Date	Cost	Award Date	Cost	Award Date	Total Cost	Cost To Complete	Total Cost	Target Value of Contract	
Cost Category Item 1	See notes below	Activity/Location			Mon/Year		Mon/Year		Mon/Year					
Cost Category Item N	See notes below	Activity/Location			Mon/Year		Mon/Year		Mon/Year					
Subtotal:														
Remarks: Typical Cost Categories are: Primary Hardware Development, Ancillary Hardware Development, Systems Engineering, Licenses, Tooling, GFE, and Award Fees.														
Support ($in Millions)				FY CY		FY BY Base		FY BY OCO		FY BY Total				
	Contract Method & Type	Performing Activity & Location	Total Prior Years Cost	Cost	Award Date	Cost	Award Date	Cost	Award Date	Total Cost	Cost To Complete	Total Cost	Target Value of Contract	
Cost Category Item 1	See notes below	Activity/Location			Mon/Year		Mon/Year		Mon/Year					
Cost Category Item N	See notes below	Activity/Location			Mon/Year		Mon/Year		Mon/Year					
Subtotal:														
Remarks: Typical Cost Categories are: Development Support, Software Development, Training Development, Integrated Logistics Support, Configuration Management, Technical Data, and GFE.														
Test & Evaluation ($in Millions)				FY CY		FY BY Base		FY BY OCO		FY BY Total				
	Contract Method & Type	Performing Activity & Location	Total Prior Years Cost	Cost	Award Date	Cost	Award Date	Cost	Award Date	Total Cost	Cost To Complete	Total Cost	Target Value of Contract	
Cost Category Item 1	See notes below	Activity/Location			Mon/Year		Mon/Year		Mon/Year					
Cost Category Item N	See notes below	Activity/Location			Mon/Year		Mon/Year		Mon/Year					
Subtotal:														
Remarks: Typical Cost Categories are: Developmental Test & Evaluation, Operational Test & Evaluation, Tooling, and GFE.														
Management ($in Millions)				FY CY		FY BY Base		FY BY OCO		FY BY Total				
	Contract Method & Type	Performing Activity & Location	Total Prior Years Cost	Cost	Award Date	Cost	Award Date	Cost	Award Date	Total Cost	Cost To Complete	Total Cost	Target Value of Contract	
Cost Category Item 1	See notes below	Activity/Location			Mon/Year		Mon/Year		Mon/Year					
Cost Category Item N	See notes below	Activity/Location			Mon/Year		Mon/Year		Mon/Year					
Subtotal:														
Remarks: Typical Cost Categories are: Contractor Engineering Support, Government Engineering Support, Program Management Support, Program Management Personnel, Travel, Labor (Research Personnel), and Overhead.														
				CY Cost		Cost		Total Cost	Cost	Total Cost	Cost To Complete	Total Cost		
Project Total Cost:														
Remarks:														

An R-3 Exhibit shall be provided for BudgetActivityNumber 4, 5, or 7 PEs.
The Project Total Cost shall equal the Project Cost on the R-2A.
Contract Method may be any one of: C, SS, TBD, or Various.
Contract Type may be any one of: CPAF, DPFF, DPIF, FP, FFP, FPI, TBD, or Various.
Funding Vehicle may be any one of: Allot, BPA, FFRDC, MIPR, PO, Reqn, RO, TM, or Various.

(Exhibit R-3, page 1 of 4)

Exhibit R-3: RDT&E Project Cost Analysis

A. General Instructions:

1. The R-3 exhibit is required for programs funded in budget activities 4 (Advanced Component Development and Prototypes), 5 (System Development and Demonstration), and 7 (Operational System Development) only. A separate R-3 exhibit shall be prepared for each project in an applicable R-1 line item.

2. These exhibits shall be printed on 8 1/2 by 11 inch paper in landscape format. Classified material shall be submitted separately.

3. All funding within any R-exhibit will be expressed in millions, with three decimal places.

B. Exhibit Instructions:

1. Identify the month and year of submission of the exhibit. If an Amended Budget is submitted, identify the date of the revised submission.

2. Appropriation Code (Treasury Account Symbol)/ and Name/Budget Activity Number and Title. Identify the appropriation and budget activity. This information must match the PRCP (R-1) lock position.

3. R-1 Item Nomenclature/Title (Program Element Name): Identify the name of the R-1 line item as identified in PRCP (R-1) lock position. This information must match the PRCP (R-1) lock position.

4. Program Element Number: The Program Element must be unique. An R-2 Exhibit with a Budget Activity Number that is different from the previous years should include PY and CY information within the current R-2 Exhibit.

5. Project Number and Nomenclature: Identify the project number and nomenclature as identified in PRCP (R-1) lock position.

6. Project Cost Categories. Cost information shall be provided for each project regardless of funding amount, with project costs broken down into cost categories. Total of all project costs shall equal the project funding for any funding years. Sample cost categories shown are typical of various types of defense research and development efforts. Costs shall be distributed among categories in accordance with the project work breakdown structure (WBS) or other categories used by the project office in project execution. The illustrated sample cost categories may be used if these correspond to the project's structure; however, there is no requirement to use cost categories other than those used by the project office in project execution. Sample cost categories not used in project execution need not be included in the exhibit for that project.

(Exhibit R-3, page 2 of 4)

7. If the program office tracks efforts by major contract, then display the information accordingly. The cost categories shall be separated into 4 information categories as follows:

a. Product Development. Efforts associated with the delivery of a fully integrated system that are in direct support of the system and essential to the development, training, operation, and maintenance of the system. Include all efforts directly supporting system development and delivery to include primary contracts, major component contracts, contracted services, in-house support, and government furnished property. Contracts or government efforts greater than $1 million in any displayed budget year shall be reported individually.

b. Support Costs. Efforts not directly associated with the delivery of the primary product, including technical engineering services, research studies, and technical support not related directly to product development or to testing and evaluation. Contracts or government efforts greater than $1 million in any displayed budget year shall be reported individually.

c. Test and Evaluation. Efforts (other than those included within contracts or government efforts) associated with engineering or support activities to determine the acceptability of a system, subsystem, or component. Contracts or government efforts greater than $1 million in any displayed budget year shall be reported individually.

d. Management Services. Efforts associated with services provided in support of program office management and administration processes such as: program oversight, resource justification, budget and programming, milestone and schedule tracking. Federally Funded Research and Development Centers (FFRDCs) are in this category. Contracts or government efforts greater than $1 million in any displayed budget year shall be reported individually.

8. Government Furnished Property. Property, such as hardware, software, or information, which the government is contractually obligated to furnish a contractor or government performing activity shall be identified. Provide a brief identification of the item to be provided, and the contractor or government activity providing the item. Provide the estimated date that the government furnished property will be provided to the requiring contractor or activity. Provide the name of the requiring contractor or activity.

9. Award Fees. Identify amounts budgeted for award fees and indicate contractor performance and percentage of award fees actually awarded in past award fee periods.

10. Contract Method/Type or Funding Vehicle. The following codes shall be used to identify the contract method, contract type, and funding vehicle:

Contract Type	Contract Method
CPIF	Cost Plus Incentive
SS	Sole Source
TBD	To Be Determined
VAR	Various

(Exhibit R-3, page 3 of 4)

Contract Type	Contract Method
FFP	Firm Fixed Price
FP	Fixed Price
FPI	Fixed Price Incentive
C	Competitive
CPAF	Cost Plus Award Fee
CPFF	Cost Plus Fixed Fee

Funding Vehicle (when a government agency is the performing activity)

MIPR - Military Interdepartmental Purchase Request
PO - Project Order
WR - Work Request
Allot - Allotment
Reqn - Requisition
BPA - Blanket Purchase Agreement
FFDC - Federally Funded Research and Development Center
VAR -Various

11. Performing Organizations. Identify each contractor and government or performing activity and the location for each effort greater than $1 million in any of the displayed years.

12. Total Prior Year (PY) Cost. Provide actual amounts for the total of all years before the Current Year (CY).

13. CY - BY. Provide actual or budget amounts for each year for the Current Year (CY) and the Budget Year (BY).

14. Award or Obligation Date. Provide actual or estimated date of contract award or the estimated date that funds will be obligated to government performing activities.

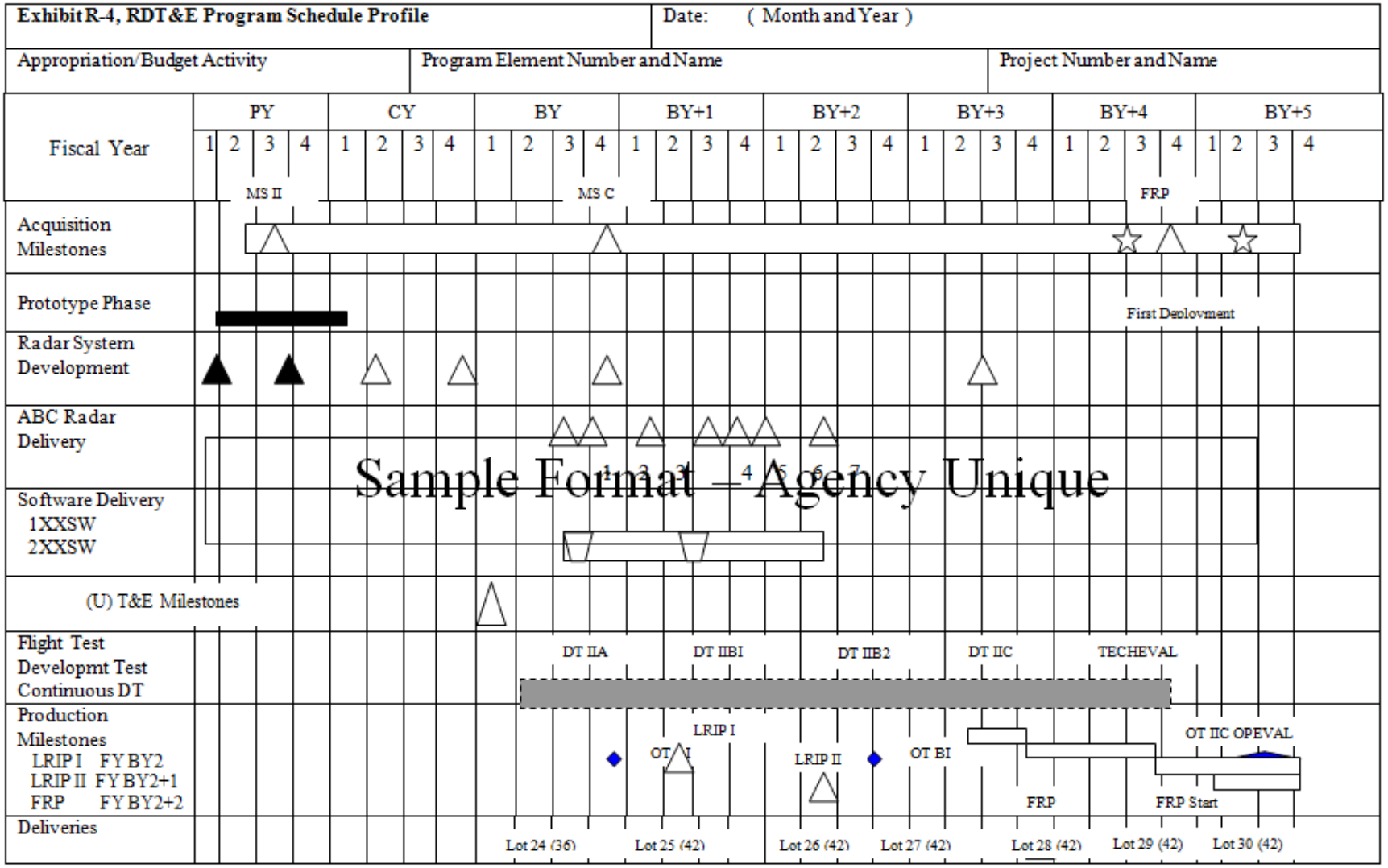
15. To Complete. Provide the amount required to complete this effort beyond.

16. Total Cost. Provide the cumulative total of all budgeted funds for the program (including funds obligated/budgeted for PY, CY, BY and to complete). Provide a comment in the Remarks section when the Project Office Estimate at Completion (EAC) differs from the total cost. Also provide a comment when the Performing Activity EAC differs from the Project Office EAC.

17. Target Value of Contract. Identify the target value of the contract and explain those cases where total cost differs significantly. For example, if the budget is at ceiling value of the contract vice target value or if budget is "program manager's best estimate" vice target value, then explain.

(Exhibit R-3, page 4 of 4)

Exhibit R-4: RDT&E Schedule Profile



R-1 Line Item No. XX

(Page X of X) **R-4 Program Schedule Profile**

(Exhibit R-4/R-4a, page 1 of 3)

Exhibit R-4a: RDT&E Schedule Detail

Exhibit R-4A, RDT&E Project Cost Analysis: BES/PB 20xx Service/Agency		DATE: Month/Year
APPROPRIATION/BUDGET ACTIVITY	R-1 ITEM NOMENCLATURE	PROJECT NUNBER AND Title
Appropriation Code/BA Number	Program Element Number: Program Element Title	Project Number: Project Title

Schedule Details

	Start		End	
Event	Quarter	Year	Quarter	Year
Event Title	Q	YYYY	Q	YYYY
Event Title	Q	YYYY	Q	YYYY
Event Title	Q	YYYY	Q	YYYY
Event Title	Q	YYYY	Q	YYYY
Event Title	Q	YYYY	Q	YYYY
Event Title	Q	YYYY	Q	YYYY
Event Title	Q	YYYY	Q	YYYY
Event Title	Q	YYYY	Q	YYYY
Event Title	Q	YYYY	Q	YYYY
Event Title	Q	YYYY	Q	YYYY
Event Title	Q	YYYY	Q	YYYY
Event Title	Q	YYYY	Q	YYYY
Event Title	Q	YYYY	Q	YYYY
Event Title	Q	YYYY	Q	YYYY
Event Title	Q	YYYY	Q	YYYY
Event Title	Q	YYYY	Q	YYYY
Event Title	Q	YYYY	Q	YYYY

Within a Schedule Detail, the Start and End elements must be chronologically correct (value of Start <= value of End).
Within a Schedule Detail, the Start and End elements cannot refer to years before the PriorYear and after the last budget year (BudgetYear 5).

(Exhibit R-4/R-4a, page 2 of 3)

Exhibit R-4: RDT&E Schedule Profile
Exhibit R-4a: RDT&E Schedule Detail

A. General Instructions:

1. The R-4 and R-4a exhibits are required for programs or projects funded in budget activities 4 (Advanced Component Development and Prototypes), 5 (System Development and Demonstration), and 7 (Operational System Development) only. Separate R-4 and R-4a exhibits shall be prepared for each project in an applicable R-1 line item.

2. These exhibits shall be printed on 8 1/2 by 11 inch paper in landscape format. If a program element is not divided into projects, then the program element itself is defined as a project for purposes of submitting R-4 and R-4a exhibits, and the exhibits and instructions apply to the entire program element. Classified material shall be submitted separately.

B. Detail Instructions:

1. Date: Identify the month and year of submission of the exhibit. If an Amended Budget is submitted, identify the date of the revised submission.

2. Appropriation Code (Treasury Account Symbol) and Name/Budget Activity Number and Title. Identify the appropriation and budget activity. The budget activity title must match the RDT&E annex and the Program Resources Collection Process (PRCP) (R-1) locked position.

3. R-1 Item Nomenclature: Identify the name of the R-1 line item as identified in PRCP (R-1) locked position.

4. Program Element Number and Name: Identify the number and nomenclature of the program element as identified in PRCP (R-1) locked position.

5. Project Number and Nomenclature: Identify the project number and nomenclature on each page as identified in PRCP (R-1) locked position.

6. For the R-4, Schedule Profile, provide a schematic display (in image file format: tif, jpeg, gif, bmp, or png) of major program milestones that reflect engineering milestones, acquisition approvals, test and evaluation events, and other key milestones for the program events. Cover the program years, not just the budget year. Stub entries should be tailored to the events and activities of the reported program. Congressional “staffer day” briefing schematics are desired to minimize potential schedule display inconsistencies. However, the option to build the Schedule Profile using XML software is still available.

7. For the R-4a, Schedule Detail, provide a tabular display of the major program milestones identified on the R-4 as well as any additional programmatic events that contribute to and support the schedule profile identified on the R-4.

VOLUME 2B, CHAPTER 6: "MILITARY CONSTRUCTION/FAMILY HOUSING APPROPRIATIONS"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by a * preceding the section, paragraph, table, or figure that includes the revision.

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

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

The previous version dated December 2010 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
060105.C1	Updates responsibilities for OSD I&E	Update
060106.B1	Includes additional guidance related to the Family Housing Improvement Fund (FHIF).	Update
060202.A2	Changes Family Housing Post Acquisition Construction to Construction Improvements.	Update
060301.B1n	Add submit Guard and Reserve Joint Military Construction Project Exhibit, MC-2	New
060302.B6	Changes Family Housing Post Acquisition to Construction to Construction Improvements	Update
060302.B20c	Revised the FH-5 GFOQ Anticipated Expenditures to include leasing and utilities costs	Update
060302.B20d	Includes guidance and format for new FH-6-BES Housing Privatization Comparison and FH-13 Details of Awarded Privatization Projects.	New
060306.B1	Includes new FH-14 FHIF Admin Requirements guidance and format	New
060307	Changed this section from Unaccompanied Housing to MHPI Investments and Credit Financing to include guidance for Reestimates, Federal Credit Budget (OMB MAX Schedules), and Credit Supplemental Reporting, and new FH-15 Reestimate Cash Flow Status.	New
060404.A6	Added the FH-6-BES to be excluded from the Congressional justification material.	New
060503	Updated the list of Family Housing exhibits	Update

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CHAPTER 6

MILITARY CONSTRUCTION/FAMILY HOUSING APPROPRIATIONS

0601 GENERAL

060101. Purpose

A. This chapter provides instructions applicable to budget formulation and congressional justification for Military Construction, Family Housing, Homeowners Assistance and North Atlantic Treaty Organization (NATO) Security Investment Program appropriations.

B. The following appropriations and accounts are covered:

Paragraph	
060201:	Military Construction
	Military Construction, Army
	Military Construction, Navy and Marine Corps
	Military Construction, Air Force
	Military Construction, Defense-Wide
	Military Construction, Army National Guard
	Military Construction, Air National Guard
	Military Construction, Army Reserve
	Military Construction, Navy Reserve
	Military Construction, Air Force Reserve
	Chemical Demilitarization Construction, Defense
060202:	Family Housing
	Family Housing, Army
	Family Housing, Navy and Marine Corps
	Family Housing, Air Force
	Family Housing, Defense-Wide
060203:	Homeowners' Assistance
	Homeowners' Assistance Fund, Defense
060304:	NATO Security Investment Program
060305:	NATO Security Investment Program
	NATO Enlargement
060306:	Family Housing Improvement Fund

060102. Submission Requirements

General guidance with regard to submission requirements is presented in Volume 2A, Chapter 1. This chapter covers specific back-up material requirements for the above

accounts. The above appropriations/accounts should also submit any applicable exhibits required in Volume 2B, Chapter 19 – Other Special Analyses.

060103. Preparation of Material

General guidance with regard to format and preparation of material is presented in Volume 2A, Chapter 1. This chapter provides additional specific guidance with regard to the back-up material required for Military Construction, Family Housing Homeowners Assistance and NATO Security Investment Program appropriations.

060104. References

Volume 2A, Chapter 1, section 010212 provides policies and definitions concerning costs that are to be financed by the Military Construction appropriations as opposed to other appropriations for Research and Development facilities.

060105. Family Housing Program Policies and Guidelines

A. Purpose

1. This section outlines the service aspects of the Family Housing Program; establishes policies and guidelines for program financial management, budgeting, accounting, and reporting; and assigns responsibilities for executing the program. Specific procedures for the administration and management of program funds are set forth in section 060106, below.

2. The Family Housing Program encompasses Military Family Housing as defined and authorized by the provisions of ***Title 10, United States Code (U.S.C.), Chapter 169***, and includes all Department of Defense (DoD) Component family housing in the Defense Family Housing Property Account, leases of real property utilized by DoD Components for family housing, and associated family housing support services programs.

B. Policy

1. It is DoD Policy: 1) to provide Military Family Housing for military families and for eligible civilian families only when suitable housing in the community does not exist; 2) to provide for the housing and support services, as authorized by law, that are necessary to meet the requirements of the DoD; 3) that the program shall be financed and managed in the most cost effective and efficient manner possible in order to support these requirements and to maximize the use of available program resources; 4) that the program shall include the provision of assistance to all military personnel and certain eligible civilians in locating and utilizing privately owned housing including leasing; 5) that the program shall include, within available resources, the provision of Government-owned or leased family housing and furnishings (referred to as Defense Family Housing Property); and 6) that the program shall include the efficient and effective financial and program management of Defense Family Housing Property, including acquisition, privatization, operation, improvement, maintenance, debt financing, leasing, and family housing support programs.

* C. Responsibilities

1. The Under Secretary of Defense for Acquisition, Technology and Logistics (USD (AT&L)) is responsible for program management as set forth in ***DoD Instruction 4165.63, "DoD Housing***," dated July 21, 2008, and DoD 4165.63-M, "DoD Housing Management," manual dated October 28, 2010, which also addresses Unaccompanied Housing. Effective June 6, 2011, Family Housing oversight responsibilities were realigned, with the Facilities Energy and Privatization Directorate (FE&P) within the Office of the Deputy Under Secretary of Defense (ODUSD) (Installations and Environment) (I&E) retaining oversight of privatization initiatives, including family and unaccompanied housing privatization; and Facilities Investment & Management Directorate (FIM) within I&E assuming oversight responsibilities of government-owned family and unaccompanied housing, including housing leasing authorities and Homeowner's Assistance Program (HAP). The Under Secretary of Defense (Comptroller) (USD(Comptroller)) is responsible for financial management, program budget policies, program accounting policies, and financial reporting. As prescribed by the USD (Comptroller), the Director, Defense Finance and Accounting Service, is responsible for central accounting and financial reporting for the program. The Secretaries of the Military Departments and the Directors of the Defense Agencies, as prescribed by DoD Directive 4165.63, are responsible for execution of the program for personnel under their respective jurisdictions, including program and financial management, accounting and reporting.

2. In the financial management and execution of the program, DoD Components shall conduct program budget formulation, presentation, and execution in accordance with the guidance and provisions contained in this chapter and adhere to the program accounting and financial reporting guidance and provisions contained in Volume 4.

D. Objectives and Procedures

1. This section outlines the objectives and procedures of the Family Housing Program and is divided into the following subsections: assistance in locating and utilizing privately owned family housing; Defense Family Housing Property; and, management of Defense Family Housing Property.

a. Assistance in Locating and Utilizing Privately Owned Family Housing. Assistance provided to DoD personnel to obtain privately owned family housing under the program includes privatized housing referral service including administration of private rental housing for DoD personnel overseas; DoD leasing of private housing; rental guarantee payments pursuant to Public Law 88-174, section 507, Military Construction Authorization Act, 1964 as amended and; service members' mortgage insurance payments on their privately owned housing made pursuant to ***Title 12, United States Code (U.S.C.), Chapter 13, section 1701***, the National Housing Act, as amended.

b. Defense Family Housing Property. All DoD-owned or DoD-controlled physical property described below will be managed and controlled under the Family Housing Program. The properties will be recorded in a property account entitled the Defense Family Housing Property Account, which should be fully consistent with the DoD Real Property Inventory and Select & Native Programming (SNaP) databases. Guidance for the maintenance of property accounting records is contained in Volume 4. A continuing permanent

accounting record will be maintained of the real property included in each installation's Family Housing Property Account. Appropriate classifications will be entered on the records to distinguish between real and personal property. Property will be removed from the Defense Family Housing Property account when the property is disposed of as (DoD property), when it is transferred to DoD non-family housing use. The Report Control Symbol assigned to the special record keeping requirements is DD-COMP (AR)1501.

(1) The Defense Family Housing Property Account includes the following properties, under the jurisdiction of the DoD, to which the Government has a right, title, or interest, with exceptions noted in paragraph 060105D.1.b.(2) below.

(a) All types of family dwelling units and mobile home park facilities, without regard to the military status of the occupant and including housing that is: located on or off station, owned or leased, occupied or unoccupied; situated in dispersed locations or in community-type areas; located at an active, inactive, standby, or reserve facility; or, operated or maintained by the Government, directly or by contract.

(b) Non-dwelling buildings directly associated with family dwelling units or a family housing area, including structures outside the housing area required solely for family housing support.

(c) Roads, driveways, walks, and utility systems which primarily serve family housing units or areas.

(d) The grounds area of a group of family housing units and the yards of dispersed family housing units or areas.

(e) Community facilities which are integral to a family housing area and are available for use only by family housing area residents and their house guests.

(f) Fixtures and other appliances or equipment in a housing unit that are either integral components or movable items, such as: refrigerators, kitchen ranges and, when authorized, food freezers, room air- conditioners, washing machines, clothes dryers, dishwashing machines, garbage disposals, exhaust fans, roof or attic television antennas; and those appliances provided for family housing rented privately by DoD personnel in areas outside the conterminous United States, pursuant to DoD 4165.63-M.

(g) Furniture, furnishings, and other personal property that are directly associated with providing and supporting family housing units, including personal property provided for use outside the conterminous United States, pursuant to DoD 4165.63-M.

(2) The Defense Family Housing Property Account excludes the following properties, irrespective of the Government's right, title, or interest therein:

(a) Aerial roads, public walks, utility lines, and utility mains that may pass through or in front of family housing locations but serve those locations as an incidental or secondary purpose to other station requirements.

(b) Facilities similar to hotels or motels, which are provided for temporary family occupancy.

(c) Community facilities which are not integral to a family housing area or are available for use by other than family housing area residents and their house guests.

(d) Educational facilities.

(e) Telephone and other communication facilities for official use, and telephone facilities for unofficial use, installed in a family housing unit.

(f) Community Antenna Television distribution service by other Government agency, commercial cooperative, or private enterprise.

(g) Properties financed by and supporting the Defense Security Assistance Program.

(h) Food service facilities.

(i) Facilities used primarily for religious services or religious activities.

c. Management of Defense Family Housing Property. Management undertakings, which arise in connection with the DoD responsibility for and jurisdiction over Defense Family Housing Property, include:

(1) The acquisition, privatization, construction, and replacement of family housing facilities and the preliminary planning and design studies on prospective projects, including housing requirement surveys.

(2) The conversion of other real property facilities to family housing quarters.

(3) The upgrading to “adequate public quarters” of those family dwelling units designated as rental, substandard, or inadequate.

(4) The alteration of, or addition, expansion, or extension to, family housing facilities.

(5) The outfitting of family housing facilities, as defined in paragraph 060105D.1.b above, with fixtures and other equipment that are either integral components or movable items of major equipment of a housing unit, including major appliances; and furniture, furnishings, and other personal property. This function includes maintenance and repair.

(6) The maintenance and repair of family housing facilities.

(7) The furnishing of the following services to family housing facilities: utilities services, except telephone service and cable television; refuse collection and disposal; insect and rodent control; snow removal; handling and moving Government-owned furnishings; police and fire protection; and, administrative, supervisory and clerical services related to the performance of services rendered the family housing facilities.

(8) The maintenance and security of family housing property declared excess to DoD needs, which rests with the DoD Component until the Department of Defense is relieved of this responsibility. The following rules and principles apply:

(a) If the property is being disposed of by the General Services Administration (GSA), the transfer of financial responsibility to GSA will be in accordance with Federal Property Management Regulations, Part 101-47, 402.

(b) When the Department of Defense recommends to GSA that disposal of excess property be delayed because of economic considerations and a contract has been made with a local agency to rent the property and to protect and maintain it, the residual financial responsibility for maintenance and security rests with the Department of Defense.

(c) It has been agreed with the GSA that, in interpreting property disposal regulations, the Department of Defense will be deemed to have declared the property excess to GSA on the date that the protection and maintenance contact is discontinued.

060106. Family Housing Procedures for Administration and Management of Program Funds

A. Purpose

This section outlines the procedures for the administration and management of funds appropriated or otherwise made available to the DoD for the Family Housing Program including: authorized reimbursements; application of proceeds from sales or handling of excess family housing for debt service; administration of separate “fixed year” and “annual” accounts; and clarification and amplification of certain financial administration procedures.

* B. Treasury Accounts

For Family Housing Construction, funds are appropriated to remain available for five years. For Family Housing Operation and Maintenance (O&M), funds are appropriated with annual account limitations. For the Deprtment of Defense Family Housing Improvement Fund (FHIF), funds are appropriated to support Military Housing Privatization Initiative (MHPI) administrative program expenses, including accounting and financial reporting services, and remain available until expended. These and other funds made available for family housing are administered under the Treasury accounts outlined in Volume 2A, Chapter 1, section 010603 of this Regulation.

C. Funding the Family Housing Program

1. The Family Housing Program will be financed from:

a. Those funds primarily appropriated for family housing purposes.

b. Authorized reimbursements and collections from housing rentals and services furnished as set forth below:

(1) Charges will be made for rentals and services furnished certain occupants or users of family housing facilities. The amount of rent charged shall be determined in accordance with the provisions of DoD 4165.63-M. Disposition of the proceeds of handling or disposal of excess family housing property is treated in subparagraph 060106.C.1.c, below.

(2) Those collections for rents and services which will be utilized to finance family housing expenses in accordance with applicable statutes are listed below. Such reimbursements will be utilized within the financial authority issued by the Office of the Under Secretary of Defense (Comptroller) OUSD (Comptroller) but limited to the amount of reimbursements earned.

(3) Collections received for rental of Defense housing shall be utilized within the applicable DoD Component family housing account to defray O&M expenses. If the housing is rented with Government furniture provided, the combined total charge for shelter rent and furniture rent shall be treated as indicated above.

(4) Collections from the sale of utilities and services will be utilized within the appropriation currently available for the supply of that utility or service in accordance with the authority set forth in ***Title 10, United States Code (U.S.C.), section 2686***.

(5) Collections from other agencies related to O&M charges pursuant to Title 31 United States Code, section 686 will be effected.

(6) When nonexcess family housing property is leased, pursuant to ***Title 10 United States Code (U.S.C.), section 2667***, rental moneys received will be deposited in a special account in the U.S. Treasury established for DoD Components for

allocation as prescribed in Title 10 United States Code (U.S.C), section 2667. Moneys received for utilities or services will be deposited to the applicable DoD Component family housing account.

(7) For accounting purposes, those reimbursements described above to be used for O&M purposes will be identified as financing the operations portion of the O&M expenses.

(8) All collections for family housing rents or services, other than those described above and in subparagraph 060106.C.1.c, below will be deposited to Treasury Miscellaneous Receipt Account 1830, "Rent of Real Property not Otherwise Classified," under a citation which includes the appropriate DoD Component two-digit prefix symbol. Such collections include those to cover costs of repairing damages to family housing facilities (including replacement of items) caused by family housing occupants.

c. Other funds which are available from disposal of excess family housing property as set forth below:

(1) In the case of family housing in the United States disposed of pursuant to Public Law (P.L.) 101-526, Title II, the Defense Authorization Amendments and Base Closure and Realignment Act or Public Law 101-510, Defense Base Closure and Realignment Act of 1990, the proceeds should be deposited in the Department of Defense Base Closure Account 1990.

* (2) In the case of family housing disposed of under authorities contained in Title 10 Untied States Code (U.S.C.), section 2871-2885, as added by section 2801 of the National Defense Authorization Act for FY 1996, for purposes of using the proceeds to carry out activities authorized under those provisions, the proceeds should be deposited in the DoD Family Housing Improvement Fund (FHIF). Section 2883(d) limits the funds that can be expended from the account to such amounts as provided in the appropriations act. Therefore, non-appropriated proceeds deposited into the FHIF account cannot be used to fund privatization projects, without it being appropriated, first.

(3) In the case of family housing overseas disposed of under circumstances which fall within the provisions of Public Law 101-510, section 2921 as amended, the proceeds should be deposited in the Defense Overseas Military Facility Investment Account.

(4) In the case of family housing disposed of under other circumstances, the proceeds should be deposited in the appropriate military family housing account.

2. Family Housing Program costs will be programmed, budgeted and accounted for by the DoD Component having responsibility for the Defense installation or housing area, regardless of the DoD Component of the housing occupant. Reimbursement for such costs will not be made between DoD Components.

3. Funding will be on a program-year basis. The detailed program-year criteria for the major functional categories and for the immediate subordinate accounts is set forth below:

a. The program year for the undertakings (projects for new construction, acquisition of housing, construction improvements, and minor construction) shall be the same as the year of the applicable annual Military Construction Authorization Act.

b. After the program year for a specific project is established as provided above, the related appropriation for that project will be administered under the designated program year, irrespective of when the work is undertaken. In the event there are savings due to lower bids, change in scope, etc., these savings may be reprogrammed for projects authorized in different program years in accordance with guidance provided in Volume 3, Chapter 5, "Reprogramming of Military Construction and Family Housing Appropriated Funds".

c. For planning and design, which is a "level of effort" type activity, the following program year concept applies:

(1) Budget estimates for the budget year and each future year will include the planning and design work programmed to be placed on contract or intragovernmental order during the program year and the planning and design work expected to be performed with in-house capabilities during the program year. The dollar value of a planned program will be determined on the basis of estimated obligations to be incurred during the program year for the program scope embraced by subparagraphs 060106.C.3.a and b, above.

(2) Obligation authorities will be requested and issued by program year on the basis of obligations estimated to be incurred as a result of the issuance during the program year of contracts or other orders which constitute valid obligations pursuant to Volume 4 for planning and design work, irrespective of when the work is to be performed and the accomplishment during the program year of planning and design work with in-house capability. Obligations will be charged by program year on these same bases.

(3) Adjustments to obligations charged against a prior program year will be made only to the extent of an adjustment in the amount of an obligation recorded for specific work ordered in that prior program year or deobligations to reflect cancellation of work ordered in that prior year. New obligations for planning and design work for a particular project which are in addition to that ordered in prior program years for that project are charges against the program year in which those new obligations are incurred.

d. For rental guarantee payments, the program year shall be the fiscal year in which the rental guarantee payments are obligated. No new obligations may be incurred under a program year obligation authority after the close of that program fiscal year. Adjustments to obligations for rental guarantee payments may be made as necessary to reflect actual obligations incurred during the fiscal program year in accordance with existing procedures covering adjustment to annual accounts.

e. The major functional categories of O&M and debt payment are considered "level of effort" type activities. Program planning and budget estimates for these

categories will be developed in accordance with that concept. Obligational authority for O&M and debt payment will be requested and issued by program year and will not be available for new obligations after the close of the fiscal year for which such authority is issued. Adjustments to obligations for O&M and debt payment may be made as necessary to reflect actual obligations incurred during the fiscal program year in accordance with existing procedures covering adjustment to annual accounts.

4. Economic analysis will be applied to all program investment proposals in accordance with this manual which sets forth budget submission requirements.

5. Apportionment of funds and issuance of financial authorities will be obtained as follows: each DoD Component (except Defense Agencies) shall submit to the OUSD (Comptroller) an apportionment request, as prescribed in DoD FMR Volume 3, Chapter 2, "Apportionments and Reapportionments," then the OUSD (Comptroller) will issue specific financial authority to the DoD Components concerned in such amounts and at such levels as appropriate for efficient and economical administration of the Family Housing Program.

6. For the Construction category, Office of the Secretary of Defense (OSD) program approval and obligating authority will be provided by fiscal year, generally at the construction element level (immediate subordinate account level) or at project level where circumstances warrant. Volume 3 defines the scope of realignment authority delegated to the DoD Components. All program/fund realignments will be reported in accordance with Volumes 2 and 4 of this Regulation.

7. Obligations, incurred costs, accrued expenditures, accrued revenues, disbursements and receipts will be recorded and reported in accordance with Volume 4. When another appropriation, e.g., O&M, initially incurs a funded cost, the applicable DoD Component family housing account will be billed at least monthly. Obligations, incurred costs, accrued expenditures and disbursements will be charged to the applicable accounts.

8. The balance due on indebtedness previously assumed should be in a "Borrowing Account" in conformance with Federal budget concepts.

The acquisition of property will be recorded in accordance with Volume 4 of this Regulation. The amount of the mortgage assumed will be recorded as an increase in the "Borrowing Account" and will be reported to the Treasury under Code (97).

060107. Use of O&M Funds under Contingency Construction Authority

The criteria and procedures for the use of O&M funds under Contingency Construction Authority (also known as Section 2808 Authority) are listed in Volume 3, Chapter 17, Section 170102(L).

0602 UNIFORM BUDGET AND FISCAL ACCOUNTING CLASSIFICATION

060201. Military Construction Appropriations

Programming, budgeting, financing and accounting for the Military Construction Program will be accomplished under an account structure uniformly used for these purposes by all DoD Components. The uniform account structure and scope of each account prescribed for the administration of the Military Construction Program are as follows:

A. Major Functional Category: Construction

1. Immediate Subordinate Account: Major Construction. Includes construction projects authorized under ***Title 10 United States Code (U.S.C.), section 2802*** for the purposes of erection, installation, or assembly of a new facility; the addition, expansion, extension, alteration, conversion, or replacement of an existing facility; or the relocation of a facility from one installation to another. Includes equipment installed and made a part of such facilities, and related site preparation, demolition, excavation, filling and landscaping, or other land improvements.

2. Immediate Subordinate Account: Minor Construction. Includes any urgently required construction project not otherwise authorized by law having a cost equal to or less than $2,000,000. However, if the military construction project is intended solely to correct a deficiency that is life-threatening, health-threatening, or safety-threatening, a minor military construction project may have an approved cost equal to or less than $3,000,000. Minor construction projects costing more than $750,000 may not be carried out unless ***Title 10 United States Code (U.S.C.), section 2805*** requirements are met. This includes advance approval by the Secretary concerned and notification to the Congress. An unspecified military construction project costing not more than $750,000 may be funded from appropriations available for O&M. However, if the project is intended solely to correct a deficiency that is life-threatening, health-threatening, or safety-threatening, up to $1,500,000 may be funded from O&M accounts.

3. Immediate Subordinate Account: Planning and Design. Includes architectural and engineering services, construction design, planning, study, working drawings, specifications and estimates for construction projects. ***Title 10 United States Code (U.S.C.), section 2807*** pertains to architectural and engineering services and construction design.

a. Design Status. Projects with parametric cost estimates and supporting documentation, e.g. site plan, economic analysis, and National Environment Policy Act (NEPA) documentation, will be considered at the 15 percent design level. Projects using the traditional method of design, being designed in-house, using a standardized design, or site adapting a previous design should use the milestone chart below to gauge their design status.

1% Design Complete:	Design instructions issued to major command.
2% Design Complete:	Major command design instructions issued to design agent.
3% Design Complete	Notice to proceed issued to architect/engineering firm (A&E) by the design agent.
30% Design Complete	Concept plan, early preliminary working drawings,

	design analyses, and outline specifications issued by the designer.
5% Design Complete	Concept or early preliminary review comments forwarded to the design agent.
60% Design Complete	Regular preliminary working drawings, design analyses, and updated cost estimate and outline specifications issued by the designer
65% Design Complete	Regular preliminary review comments forwarded to the design agent.
90% Design Complete:	Final design (working drawings, design analyses, cost estimates, and specifications) completed by the designer.
95% Design Complete	Final design review comments forwarded to the design agent
100% Design Complete	Corrected final design accepted by the DoD Component.

4. Immediate Subordinate Account: Supporting Programs. Includes Defense access roads and land acquisitions.

B. Major Functional Category: North Atlantic Treaty Organization (NATO) Security Investment Program

Includes contributions for the United States share of the cost of multilateral programs for the acquisition and construction of military facilities and installations (including international military headquarters) and for the related expenses for the collective defense of the North Atlantic Treaty Area. ***Title 10 United States Code (U.S.C.), section 2806*** pertains to contributions for (NATO) Security Investment Program.

060202. Family Housing

DoD Components will use the uniform account structure established for programming, budgeting, financing and accounting for the family housing program. The account structure will be administered so as to provide program and financial control of the family housing program consistent with applicable statutes. The uniform account structure and scope of each account for the family housing program are as follows:

A. Major Functional Category: Construction

1. Immediate Subordinate Account: New Construction (by Installation and Project). Includes the erection, installation, assembly, relocation or replacement of single or multifamily dwelling units; related land acquisition, site preparation, excavation, filling and landscaping, or other land improvements. Also included are the initial outfitting during construction of a dwelling unit with fixtures and other requirements which are either integral components or movable items of major equipment thereof, including major appliances; and architectural and engineering supervision and inspection of construction. Includes design costs of contractor to perform a turnkey contract. New construction also includes the construction of items included in subparagraphs 060105.D.1.b.(1) (a), (b), (c), and (e), above.

* 2. Immediate Subordinate Account: Construction Improvements (formerly Post Acquisition Construction). Includes major construction projects (projects beyond those authorized under the minor construction program) for the following (by installation and project): upgrading inadequate public quarters, rental housing and acquired units to produce adequate public quarters; conversion of existing facilities to public quarters; alterations, additions-expansions-extensions; construction of family housing real property, other than dwelling units required subsequent to and because of previously acquired dwelling units; and the payments made to military personnel for telephone reconnection charges shall be included in project costs under this subaccount when a construction project involves relocation, alteration, improvement, or other work necessitating Government directed, non-Permanent Change of Station moves between Government quarters. However, in cases where concurrent maintenance/repair work is involved, telephone reconnection costs shall be charged to the maintenance account.

3. Immediate Subordinate Account: Planning and Design. Includes the design, working drawings, specifications and estimates for construction projects approved by the Secretary of Defense for inclusion in the President's Budget. Also includes consolidated DoD guide drawings, specifications, and planning and design efforts on projects which are not subsequently constructed.

B. Major Functional Category: O&M

1. Immediate Subordinate Account: Operation. This account includes the costs associated with Management, Services, Furnishing, and Miscellaneous subaccount categories identified below:

(a) Management. This account includes costs for management, administrative, and support-type services at the installation level, such as, inspection of construction and administration of rental guarantee projects, housing referral administration, housing office base support costs, surveys, engineering studies, and other identifiable management costs.

(b) Services. This account includes cost associated with refuse collection and disposal, fire protection, police protection, entomological services, custodial services, snow removal, street cleaning, and other municipal-type services.

(c) Furnishings. This account includes initial acquisition, maintenance, repair and replacement of furniture, furnishings and other personal property (see subparagraph 060105D.1.b.(1)(g) above); the furnishing of services included in subparagraph 060105D.1.c.(7).

(d) Miscellaneous. This account includes other family housing program operational costs that do not fall into the other Operation categories.

2. Immediate Subordinate Account: Housing Privatization Support. Includes the costs that the government incurs in direct support of the family housing privatization program under the authorities of ***Title 10 United States Code (U.S.C.), Chapter 169, Subchapter IV*** (Alternative Authority for Acquisition and Improvement of Military Housing) with the exception of those costs that will be included as part of the privatization project. These costs

include all administrative, planning, development, solicitation, award, transition, construction oversight, and portfolio management activities associated with military housing privatization and specifically for:

(a) Site Assessment Costs. Includes all costs in direct support of the family housing privatization program for environmental baseline assessments, environmental assessments, environmental impact statements, and any efforts required to be accomplished by the government prior to privatization for, environmental mitigation, site surveys, or real estate costs.

(b) Project Costs. Includes all costs in direct support of the family housing privatization program for project feasibility studies, concept development, consultant fees, solicitation, procurement, contracting, execution, transition, construction management (supervision, inspection and overhead), post award management/monitoring, and portfolio management.

(c) Administrative Costs. Includes all costs in direct support of the family housing privatization program for civilian pay, travel, training, supplies, equipment, and for any services provided by a Component in support of the privatization program.

3. Immediate Subordinate Account: Maintenance of Real Property Facilities. This account includes maintenance and repair of buildings, roads, driveways, walks, exterior and interior utility systems and grounds care; and maintenance, repair and replacement of fixtures and other equipment which are integral components of a housing unit. This account also finances the costs of reimbursements made to military personnel for telephone reconnection charges when maintenance or repair work necessitates Government-directed, non-PCS moves. This includes such charges resulting from improvement/repair projects funded in part from the family housing construction account.

4. Immediate Subordinate Account: Leasing: This account includes leasing of family housing facilities by the Government as outlined in subparagraph 060105D.1.a.

5. Immediate Subordinate Account: Utilities: This account includes costs for utilities consumed in government-owned family housing, including electricity, water, sewage, natural gas, fuel oil, or other heating fuels. It excludes the costs associated with the maintenance and repair of utility systems covered under the Maintenance of Real Property Facilities Account.

* 6. Immediate Subordinate Account: Mortgage Insurance Premiums (or also known as Servicemen's Mortgage Insurance Premiums). This account includes payments of servicemen's mortgage insurance premiums pursuant to ***Title 12 United States Code (U.S.C.), Chapter 13, section 1701***, the National Housing Act as amended.

C. Major Functional Category: DoD Family Housing Improvement Fund: Includes activities required in connection with the Military Housing Privatization Initiative (MHPI) program planning, execution, accounting and financial reporting, and administration of contracts entered into under the authorities of ***Title 10 United States Code (U.S.C.), Chapter 169, Subchapter IV*** (Alternative Authority for Acquisition and Improvement of Military Housing).

060203. Homeowners' Assistance Fund, Defense

The program/budget account classification structure for the Homeowners' Assistance program is prescribed in Exhibits HA-1 through HA-4, found in Section 060504.

0603 PROGRAM AND BUDGET REVIEW SUBMISSION

060301. Military Construction

A. Purpose

1. This Section prescribes instructions for the preparation and submission of program and budget estimates for the Military Construction appropriations.

2. Unless otherwise specified, these instructions apply to all Military Construction appropriations and to all program and budget estimates. Data submitted must be consistent with the program and budget estimate being supported.

B. Submission Requirements

1. General Guidance. Supporting data for each of the military construction appropriation requests will be submitted concurrently with all other Department of Defense appropriation requests. To facilitate the review and decision making process, it is essential that the packaging of justification materials conform to the uniform facility category structure established by ***DoD Instruction 4165.3***, "DoD Facility Classes and Construction Categories."

a. Construction requirements will be determined in consonance with Program Decision Memorandum (PDM) guidance and with applicable Executive Orders, Office of Management and Budget (OMB) Circulars, and DoD 4270.1-M, "Policy Guidelines for Installation Planning, Design, Construction and Upkeep."

b. Each proposed construction project will be supported by DD Form 1391/1391C, Military Construction Project Data. These will be prepared in accordance with guidance contained in Section 060502, below. Projects associated with intelligence or intelligence-related operations will be so identified. Block 5, Program Element, DD Form 1391, will include the annotation National Intelligence Program (NIP) or Military Intelligence Program (MIP) as appropriate. DD Form 1390, Military Construction Program, will be prepared for each installation at which major construction is planned, utilizing the format prescribed in Section 060502. DD Form 1390S, Guard and Reserve Forces Military Construction, will be utilized by the Guard and Reserve Components.

c. Each Component will also submit a Major Initiatives exhibit which must include a general description of each of its major initiatives for the budget year and what the Component plans to accomplish in the budget year to support that initiative. Be specific, including the impact on force structure. This exhibit will be prepared in accordance with the format contained in Section 060502, below.

d. Lump sum requests for a number of construction projects at a single location or for related projects at several locations will not be considered.

e. OMB is strictly enforcing the full funding policy contained in ***OMB) Circular A-11***. The Components are required to ensure that all projects are fully funded in compliance with OMB Circular A-11. For large projects that formally would have been considered for incremental funding over multiple years (an increment is not a complete and usable facility), the Components may break projects down into complete and usable phases, with phases in multiple years. OMB's intent is that incremental funding for construction will be for rare and exceptional cases only.

f. In the rare case that OMB grants a waiver to allow for budgeting for the incremental funding of a project, the Components have the flexibility to move funding between increment/years to allow for flexibility but only if there is no increase in the total cost of the project or number of increments. Additional increments or an increase in the total cost of the project requires another waiver request to and approval from OMB. When projects fully funded in a given year's President's Budget request are incrementally funded by Congress, the Components should not infer that OMB has agreed to continued incremental funding of the remaineder of the project. The Components' subsequent budget submission should request funding for the full cost of completing the project. Budget justification materials (1391/1391C) should include a chart depicting all outyear liabilities resulting from incremental funding decisions.

g. In order to ensure prudent and economic investments a life-cycle, net present value economic cost analysis is required to support all new construction or renovation projects estimated to cost in excess of $ 2 million dollars. Copies of these studies are to be retained by the DoD Components and must be available, when requested, during the OSD - OMB program and budget review. In accordance with Chapter 1, section 010303, components are required to indicate on the justification page for each individual construction project whether or not an economic analysis is applicable or pertinent. If not applicable, a statement is required indicating why.

h. In accordance with guidance provided under Section VI.D. of ***DoD Directive 2010.5***, "DoD Participation in the NATO Infrastructure Program," components are required to indicate on the justification page for each individual construction project for U.S. forces committed to NATO a statement whether or not the project is planned for prefinancing, with appropriate explanation as to: (a) why U.S. unilateral financing is being proposed; and (b) as appropriate, follow-on actions planned to seek reimbursement through NATO channels. A similar statement is required for any other overseas construction, describing why the project is not eligible for host nation funding. More specific guidance is provided in ***DoD Directive 2010.5***.

i. Justification materials DD Forms 1390/1391/1391C will be submitted in book form, with appropriate cover, bound on the left margin. Classified materials are to be submitted in separate volumes, with appropriate security classification markings on covers.

j. The following sections outline the specific materials to be provided including special guidance as to formats to be followed. The numbers of copies required are identified in Volume 2A, Chapter 1. Other special materials required for intelligence activities are outlined in Volume 2B, Chapter 16.

k. It is recognized that it may be necessary to revise construction project costs subsequent to the budget submission which have changed significantly because of Congressional action, design changes, etc. Such changes will be considered as an additional budget submission and all ground rules, including cut-off dates, will apply.

l. All budget submissions for military construction and family housing programs should include outyear project level detail in the format specified in Section 060502, below.

m. If a military construction project is associated with global defense posture initiatives, it should be identified at the end of the Requirements section under Item 11 of the DD Form 1391.

* n. For any joint funded Guard or Reserve military construction project, the lead component is required to submit a DD Form 1391 for the complete joint facility and a signed Memorandum of Agreement (MOA). Additionally, the lead component will submit the Guard and Reserve Joint Military Construction Project Exhibit, MC-2, in accordance with the format contained in Section 060502, below.

2. Construction Programs for the Active Forces and Defense Agencies. The books containing the DD Forms 1391/1391C will be arranged by facility category, following the guidelines established by ***DoD Instruction 4165.3***. For each project, the DD Form 1390 will immediately precede the DD Form 1391/1391C. In each DD Form 1391/1391C provided for the OSD submission, the following design status is required: (1) date of design or parametric cost estimate initiation; (2) percentage of design complete on the OSD submission date; (3) date on which 35 percent design or a parametric cost estimate (15 percent design level) will be or has been completed (including review and approval of 35 percent drawings); (4) projected or actual date of design completion; (5) percentage of design utilizing standard design, (6) if the project cost is based on parametric estimates, include the annotation "Parametric estimates have been used to develop project costs"; and (7) type of design contract, i.e. design-build, design-bid-build, or other, if other, provide a brief explanation of the design contract. Projects proposed for alternative construction methods such as turnkey, or private financing alternatives, for which percent design is not appropriate, should be noted in place of the design status required for normal projects. Prior to the submission of the President' Budget to Congress, the OUSD(Comptroller) Military Personnel and Construction Directorate shall be notified of any projects in the request where the cost estimate is not based on either 35 percent design or a parametric cost estimate (15 percent design level).

a. Major Construction. For purposes of the OSD and OMB review:

(1) No project will be identified or listed under more than one facility category.

(2) The "Operation and Training Facilities" category is to be packaged in the justification books as two separate categories, i.e., "Operation Facilities" followed by "Training Facilities."

(3) Books containing the DD Forms 1391/1391C are to include omnibus packages for the energy conservation investment, and air and water pollution abatement programs. The total requested for each of these programs will be identified separately on single DD Form 1391's with the detail of program (installation, location, cost, and project description) provided on continuation pages DD Form 1391C. None of the projects included in these categories are to be listed under any other facility category.

(4) Each DD Form 1391 for a major construction project must show the construction contract award date (indicate month and year the contract is planned to be awarded to the construction firm, the construction start date (indicate month and year construction is planned to start), and construction completion date (indicate month and year construction is planned to be completed). The information should be displayed on the DD Form 1391, section 12, Supplemental Data.

(5) All DD Forms 1391 must include a name and phone number of the civil engineer at the installation responsible for the requested project. This information should be displayed in the bottom left hand corner on the last page of the DD Form 1391.

b. Minor Construction. The total minor construction program request should be submitted as an omnibus package on a single Form DD Form 1391, specifying the lump-sum amount proposed for unspecified (unforeseen) minor construction projects costing up to $ 2.0 million per project.

c. Supporting Activities. The funding request for Supporting Activities will continue to be reflected as a lump sum amount on DD Form 1391. Supporting detail (location/cost) will be shown parenthetically following the lump sum estimate. While this item will be addressed for decision making purposes in the document covering Utilities and Real Estate, it should be listed separately and not included in the indexes for either Utilities or Real Estate, which fall under different facility category codes.

d. Restrictions on Omnibus Construction Packages. Apart from the specific exceptions noted for the pollution abatement, energy conservation, and minor construction programs, which are discrete decisions, there are to be no other omnibus packages or breakouts in the DD Form 1391 justification books. All other projects are to be listed under the appropriate facility category. In this respect, the Marine Corps facilities program is to be integrated with the Navy facilities program so that all Navy and Marine facilities are included in a single Department of Navy facility category listing covering the entire "Military Construction, Navy and Marine Corps" appropriation request. However, a separate "non-add" listing or index of all Marine Corps unique facilities, similar to those provided in the past, is both useful and desired.

e. Budget Summary and Indexing. Each Component will provide a one page Budget Summary at the front of the justification book that provides a summary of the total construction program request. The summary will show, by column, the Total Obligation Authority (TOA), Budget Authority (BA), and authorization requested with subtotals by budget activity. Additionally, the books containing the DD Forms 1391/1391C should provide, immediately preceding each category section, an index showing facility category code numbers, installation and location, project number and title, cost, and DD Forms 1391 page number. The index should also identify each project as either new mission or current mission.

f. Multi-service and National Level Support Programs. Projects providing multi-service or national level support are to be programmed/budgeted under the appropriation, "Military Construction, Defense-Wide", or, in the case of NATO Security Investment Program, under the appropriation "NATO Investment Program." These are to be determined on a case-by-case basis, and should be identified as early as possible in the program planning phase. Such items will be identified in the Program Objective Memorandum (POM) and PDM process with appropriate programmatic adjustment or treatment during that phase of the review.

g. Should, on rare occasions, other candidates surface outside of the POM/PDM process, they will require review in the budget review process. The following guidelines apply:

(1) The individual military departments will serve in an executive agency capacity for support of those construction items. The military department assigned executive agency responsibility will continue to provide all necessary and appropriate management support for such projects, including preparation of budget justification materials, and will continue to fully manage and execute the program including the preparation of all budget justification materials and defense of estimates submitted to Congress.

(2) For those projects which have been identified and programmed as multi-service or national level support programs during the POM and PDM process, the executive agent will provide, at the time of its own budget submission, a separate submission consisting of all justification materials (DD Forms 1391/1391C) necessary for OSD and OMB review. Such projects are not to be reflected (duplicated) in the submission covering the department's own program (i.e., financial program, facility category listings, etc.).

(3) For those projects which may surface outside the POM and PDM process as possible additional candidates, the sponsoring military departments will include these in their own construction program submissions as outlined earlier in this chapter, within their own fiscal levels, and separately highlight such items, providing a narrative explaining the basis for change.

3. Construction Programs for the Guard and Reserve Forces. Justification materials for the Guard and Reserve construction programs will be submitted on DD Forms 1391/1391C (Project Data). A separate justification book is required for each of the five Guard and Reserve appropriations.

a. The DD Forms 1391/1391C will be in a single volume covering total requirements for each appropriation. The materials will be sequenced in alphabetical order, by state and by installation within state. The justification pages covering the lump-sum amount requested for minor construction will appear last. The DD Form 1390S will be in a separate section following the DD Forms 1391/1391C. Each book is to include an index in the front, showing the installation and location, project title, project cost, DD Form 1391 page number, and arranged in alphabetical order by state.

b. Each Guard and Reserve program submission is to include separate listings identifying amounts requested in the budget year for: (a) air and water pollution abatement; and (b) energy conservation investment programs. Each listing is to show the installation and location, project title, project cost, and DD Form 1391 page number. "Negative response" listings are required to assure complete coverage.

4. Construction Planning and Design. The annual estimates for planning and design are to be identified and justified on DD Form 1391. In preparing the annual estimates, full consideration should be given to the lead-time required to meet the objective of having each construction project at the 35 percent design stage at the time the Budget is submitted to OSD. Guard and Reserve component construction projects will meet the design criteria established in ***DoDI 1225.8***, "Programs and Procedures for Reserve Component Facilities and Unit Stationing," at the time the budget request is submitted to OSD.

a. The Military Departments will develop and submit planning estimates in support of the construction programs for the individual Active Forces, Guard and Reserve programs.

b. OSD will prepare a DD Form 1391, consolidating estimates to be submitted by the Defense Components having justified requirements for Defense Agencies planning and design funds.

(1) Each Defense Agency having a requirement for planning funds during the current and budget years is to submit its estimates on a DD Form 1391.

. (2) The individual Military Departments may have a justified requirement for use of Defense-Wide planning funds under circumstances where the Military Departments serve as executive agents for certain multi-service or national-level support projects if funding is required to design a project which will be constructed using Military Construction**,** Defense-Wide funds. Under such circumstances, the Military Department should submit its estimates on a separate DD Form 1391.

5. Automated Data Requirement. All Military Construction estimates for the Active Forces, Defense Agencies, Guard and Reserve Components shall be addressed in the Exhibit C-1 Construction Annex input prescribed in Volume 2A, Chapter 1.

6. Long-Term Facilities Contracts. DD Forms 1390 and 1391 must be submitted for each project proposed under the authorities of Title 10 U. S. C., Chapter 169. All additional supporting justification should be included in the DD Form 1390 and DD Form 1391 Justifications. These include Section 2809 ("Long-term facilities contracts for certain activities

and services“), Section 2812 (“Lease-Purchase of Facilities”), Section 2835 (Long-term leasing of military family housing to be constructed“), Section 2836 (“Military housing rental guarantee program“), and other third party financed construction authorities. Private financing initiatives will be closely reviewed to ensure their programmatic and budgetary viability. So that an informed decision regarding inclusion of the project in the budget may be made during the program and budget review, proposed projects must be supported by an economic analysis. In addition, to establish a reasonable expectation that the long-term facility project meets Congressional guidance that all third party financed projects, including proposed child care facilities, be at least five percent less expensive than regular military construction appropriation, a lease-versus-buy analysis conducted in accordance with the provisions of OMB Circular A-94 must also be submitted as backup documentation for the DD Form 1391.

a. In development of cost estimates, military construction alternatives should not exceed the published DoD pricing guidance. Private sector construction estimates should be fully supported by documentation and include all pertinent cost factors.

b. Guidance for development of the basic economic analysis required to support these long-term facility contracts is contained in ***DoDI 7041.3***, “Economic Analysis for Decision Making.” The separate lease-versus-buy analysis must conform with OMB Circular A-104, and include full life-cycle costs and net present value discounting of each alternative.

c. Proposed child care facilities should also include in their justification the results of a market survey of child care services available in the local community, and the results of a need assessment and installation interest survey that documents and supports the need for the proposed project.

d. Authorization and appropriation procedures for long-term lease and lease-purchase contracts are special cases and may not be treated as regular military construction in some respects. General guidance for the treatment of budget authority, outlays, and scorekeeping guidelines for lease-purchase and capital lease contracts is contained in OMB Circular A-11.

(1) Under the provisions of public law these contracts may, depending on the authority used, be for periods of up to thirty-two years exclusive of the period of construction. However, for projects proposed under the authority of Title 10 United States Code (U.S.C.), Sections 2809, 2835, and 2836 the obligation of the United States to make payments under the contract in any fiscal year is subject to appropriations being provided specifically for that fiscal year and specifically for that project.

(2) Annual lease or annual lease-purchase payments commence at the time of beneficial occupancy, usually after the budget year in which the project is proposed for authorization.

(3) Components will request authorization for the full asset value of the contract (the estimated construction or acquisition cost, the differential cost of financing, and any contract termination liability costs). Components will request budget authority for each project in the amount equal to the full extent of the Government’s first year liability

under the contract (the sum of all cost and contract termination liability costs), in the budget year the project is submitted for approval.

e. Components shall submit proposals for long-term facilities contracts in a separate section in the OSD/OMB Justification books. The section shall be entitled "Long-Term Facilities Contracts". The section will include all DD Form 1390 and DD Form 1391's for newly proposed projects, and be preceded with an index showing facility category code numbers, installation and location, project number and title, estimated military construction cost and DD Form 1391 page number. Long-term leases and lease-purchases will be separately summarized in the index. In order to assess the long term financial impact of these proposals the section should also include a financial table that provides project data and cumulative totals for; total estimated project authorization, estimated annual lease payment, and year of planned beneficial occupancy.

f. Congressional budget presentation Justification Book guidance is provided in section 0604, below.

g. Following approval of projects for inclusion in the President's Budget, Components may then proceed with project development.

h. In accordance with Title 10 United States Code (U. S. C.) these projects must be submitted to Congress for final review or approval 21 days in advance of contract award. Unless denied by Congress, Components may make contract award following the 21 day notification period.

(1) Components will submit these projects for approval to the Under Secretary of Defense for Acquisition, Technology, and Logistics, and the OUSD (Comptroller), prior to congressional notification, and again prior to the final submission to Congress.

(2) In order to ensure that only economical investments are approved, and that budget requests are sufficient to cover the full financing of the contract, only those projects demonstrated to be more cost effective than regular Military Construction will be approved for submission to Congress.

7. Construction Programs for Working Capital Funds

The Working Capital Funds related capital construction projects costing over $750,000 will be included in the component military construction appropriation (including budget authority) program and budget estimates submission for review.

a. Military construction projects supporting the Working Capital Funds must be clearly labeled as Working Capital Fund projects. The C-1 Annex will include the Working Capital Fund projects (annotated as such) with their associated budget authority.

b. A separate copy of military construction projects supporting the Working Capital Funds will be provided to the Directorate for Revolving Funds, OUSD (Comptroller**)** (Pentagon, room 3D755).

c. Copies of associated economic analysis studies supporting the construction requirements for Fund projects will be separately provided to the Directorate for Military Personnel and Construction, OUSD(Comptroller) (Pentagon, room 3C654).

8. Facilities Programming and Financing at DoD Installations Utilized by Two or More DoD Components. This section establishes the policy for programming and financing facilities at DoD installations where utilization by more than one DoD Component is involved, including host-tenant relationships.

a. Responsibilities

(1) To ensure joint use construction is considered when assessing the Department's facilities needs, each DD Form 1391 must include a certification by the Secretary or Defense Agency Director concerned that the proposed project has been considered for joint use potential; a recommendation for either joint use or unilateral construction; and the reason(s) for that recommendation if joint use is not recommended. The certification may be delegated not lower than the Assistant Secretary responsible for the project. This certification is not required for family housing construction and improvement projects.

(2) Single-Use Facilities. The DoD Component requiring a facility for its own use shall program and budget for the construction project involved.

(3) Joint-Use Facilities. The DoD Component which has jurisdiction over the host command shall program and budget for a facility which is planned for the joint use or joint occupancy of two or more DoD Components.

(4) Common-Purpose Facilities. On a case-by-case basis, the individual DoD Components shall function as executive agents for programs whose output directly and uniquely operates to the benefit of two or more DoD Components. The executive agent shall be responsible for planning and programming all facilities.

(5) Required Facilities. Generally, the host Military Department will program and budget an extension, expansion, and/or increase the capacity of the main utilities and communications or transportation systems, consistent with the master plan of the installation, to support any required facilities, including those required by a tenant. However, programming and budgeting for such connecting utilities and communications or transportation systems as an integral part of any single-use facility are the responsibilities of the DoD Components requiring the facility.

(6) Siting Facilities. Siting of any facility for a tenant will conform to the master plan of the installation or will be in accordance with an agreed-upon location by the DoD Components concerned.

(7) Design. Standards of design and construction will conform to those of the host Military Department, consistent with the master plan of the installation; however, exceptions will be made in those instances where tactical or other operational considerations requiring limited duration of occupancy economically would not justify construction of facilities to higher standards.

b. Utilization

(1) The tenant DoD Component will have exclusive use of any facility constructed for the duration of the tenant's requirement. Upon termination of tenancy or use by the tenant, the facility will revert to the host Military Department for utilization without fee.

(2) Should the tenant DoD Component, at a later date have a requirement for use of the same facility, the host Military Department will make the facility, or an acceptable existing facility, available within a reasonable time period to the tenant. The host Military Department will not reconstruct or acquire a new facility for the tenant instead of returning the original facility or an acceptable existing substitute. If the host Military Department is not able to make a facility available to the tenant without creating unacceptable conditions for the host, the tenant will be responsible for obtaining a new facility.

c. Maintenance and Service Support. Determination as to the levels of maintenance and service support and reimbursement therefore will be made by the DoD Components concerned consistent with DoD policies for host-tenant agreements.

9. Energy Conservation Investment Program (ECIP). DD Forms 1390's and 1391's should be submitted for each ECIP project requested in the budget. These forms should include the location, the nature or category of the project, the cost and the expected payback using the most current technological and economic information available, and the name and telephone number of a point of contact. The Components should submit these forms to the OUSD (Acquisition, Technology, and Logistics) ECIP Program Manager 7 days prior to the OUSD (Comptroller) budget due date to allow sufficient time for the ECIP Program Manager to review them prior to transmittal to OUSD (Comptroller).

060302. Family Housing

A. Purpose

1. This Section prescribes instructions for the preparation and submission of budget estimates for the Services' and Defense-Wide Family Housing, appropriations.

2. Budget estimates will be submitted by the Services and Defense Agencies, which have requirements for financing the Family Housing Program as defined in Section 060106.

B. Submission Requirements

1. Budget Estimates. Each DoD Component is to submit data to support the budget requirement for Family Housing on the basis of the accounts and account structure set forth in the detail prescribed in Section 060302 B.3, below (Preparation of Material). In addition, each DoD Component will address Family Housing estimates in the Exhibit C-1 Construction Annex input prescribed in Volume 2A, Chapter 1, section 010504.

2. General

a. All data (including the OP-5 exhibit) will be provided on 8-1/2 inch by 11 inch size paper, typed across the short dimension of the paper, except for the formal exhibits contained in Section 0605. All pages will be bound on the 11 inch side.

b. The family housing budget data will be bound in separate books for the Army, Navy (including Marine Corps, with O&M Cost and Debt Payment for Marine Corps shown separately), Air Force, and Defense Agencies.

c. The number of required copies of the above material is specified in Volume 2A, Chapter 1, section 010302.

3. Preparation of Material. Submit data using forms and formats as indicated below. Separate tabbed sections will be submitted for each of the categories below (a, b, and 4-18).

a. Index. Provide a detailed index to the submission.

b. Summary

(1) Provide a narrative summary describing the most significant features of the request. This summary need not cover every facet of the request and is intended to highlight those items of special significance.

(2) Provide a one-page financial summary of the entire request. This should include, as a minimum, the amounts requested for authorization and appropriation for the major programs and their immediate subordinate accounts (Construction: New Construction, Post Acquisition Construction, Planning and Design; O&M: Operating Expenses, Utilities, Maintenance, Leasing, Housing Privatization Support, Debt Payment, Servicemen's Mortgage Insurance Premium and Reimbursable Program).

(3) Provide the summary metric tables, Exhibit FH-11, Inventory and Condition of Government-owned Family Housing Units, (which replaced the Summary of Inadequate Unit Elimination, FH-7 Exhibit) and Exhibit FH-8, Annual Inadequate Family Housing Elimination.

(a) These exhibits support the measures and targets developed in the DoD Performance Budget, which are based on the condition of the facilities (Q-Ratings) and maintaining a minimum specified percentage level of adequate housing units.

(b) All government-owned Family Housing inventory should be reflected in these exhibits, including transitional units. Inventory should be consistent with number of units and Q-Ratings contained in the Real Property Inventory database. Additional information on Q-Ratings is available in OSD (AT&L) Facility Quality Rating Memorandum of September 5, 2007 and the GSA Guidance for Real Property Inventory Reporting .

4. Legislative Language. Provide the required authorization and appropriation language for the budget year. The current year language should serve as the base, with changes and omissions bracketed.

5. New Construction

a. Summary. Provide a brief summary of the New Construction program. The summary should include, as a minimum: a short narrative highlighting the most significant features of the request, a comparison of the prior year program with the request, and a listing of each project requested showing new construction or replacement, location, number of units and the estimated cost. The listing should also identify each project as either new mission or current mission requirement, as well as provide the major initiative category.

b. Project Justification. For each New Construction project, including the construction of mobile home spaces, the following forms and exhibits are required. Additionally, in accordance with ***Title 10 United States Code (U.S.C.), Sections 2823*** and ***2824*** provide documentation of consultations with the Department of Housing and Urban Development on the availability of suitable alternative housing at each construction location.

(1) Military Construction Project Data –DD Form 1391. Form will be prepared in accordance with the instructions contained in Section 0605, below. It is important to avoid the use of "boiler-plate" justification. Cost estimates for new construction projects will include the maximum level of detail practicable, including construction contract award date (indicate month and year the contract is planned to be awarded to the construction firm), the construction start date (include month and year construction is planned to start), and construction completion date (indicate month and year construction is planned to be completed). Any unusual features impacting on the cost of the project must be identified and fully justified. In order to ensure prudent and economic investments, a life-cycle net present value economic cost analysis is required to support all new construction projects estimated to cost in excess of $2 million. Copies of these analyses are to be provided with the Family Housing budget estimates. Each DD Form 1391 will (1) state if an economic analysis has been prepared and provide a summary of the results of that analysis, including the calculated savings-to-investment ratio, or (2) provide the specific reasons why an economic analysis is not required. Assemble the DD Form 1391's in the same sequence as the listing of projects on the summary page.

(2) DD Form 1523, Military Family Housing Justification. Form will be prepared in accordance with DoD 4165.63-M, "DoD Housing Management" manual. Data supplied should be in agreement with the latest formal housing survey for the location, and with the information provided on the DD Form 1390. The date of the survey should be specified. The form must include a statement indicating whether a private sector housing market analysis has been conducted and the date the market analysis was completed. When a market analysis has been conducted and is used as justification for new construction, a copy of the analysis must be available for review upon request. Since this form deals with housing deficit calculations, the DD Form 1523 is needed only for new requirements.

(3) Tri-Service Family Housing Cost Model. Provide, for each housing project, the calculations on which the budget estimate is based, using Exhibit FH-1, the "Tri-Service Family Housing Cost Model". The appropriate DoD cost factors must be used in the calculations. In addition, Tri-Service Family Housing Cost Models should be prepared using metric units of measure.

* 6. Construction Improvements

a. Summary. Provide a general summary of the Construction Improvements program being requested. The summary should include, as a minimum, a short narrative highlighting the most significant features of the request, and a comparison of the prior year program with the request. For consistency, the program should be referred to as "Construction Improvements" rather than "Post Acquisition Construction" or any other title.

b. Project Justification. Provide a DD Form 1391 covering the entire Construction Improvements program and DD Form 1391C listing each project requested. Project description should be specific with regard to the work which is to be done (specify the number of units to be improved by intended occupant grade -- senior officer, junior officer, or enlisted), and show any planned concurrent, non-routine, maintenance costs, including construction contract award date (indicate month and year the contract is planned to be awarded to the construction firm), the construction start date (include month and year construction is planned to start), and construction completion date (indicate month and year construction is planned to be completed). Projects should be arranged alphabetically by state and country. Federal Energy Management Program funding, if any, must be separately totaled. Projects, or portions of projects, for General and Flag Officer Quarters (GFOQ) must be identified separately. For improvement projects, where the unit improvement cost exceed seventy percent of the replacement cost, the project must be supported by a life-cycle economic analysis which demonstrates that renovation is more cost effective than replacement construction or other available alternatives, such as demolition and reliance on housing allowances.

c. Projects in Excess of $50,000 Per Unit. A separate DD Form 1391 is required for each project for which the per unit cost exceeds $50,000, taking into consideration the applicable area cost factor. If the improvement is required to make the unit suitable for habitation by a handicapped person, the threshold is $60,000 multiplied by the applicable area cost factor. The cost estimate should also include concurrent repair to be funded

under O&M. The justification for the project must detail the findings of an economic analysis and the resulting savings-to-investment ratio. Any unusual features impacting on the cost of the project must be clearly cited. Additionally, note the total Construction Improvements and non-routine maintenance for the unit or set of units over the past five years.

d. Restriction on the Amount Invested in Improving Foreign Source Housing Units. The three-year limitation on overseas units is $35,000. If the Services intend to program improvements to specific units which exceed $35,000 over a period of three years, total funding should be requested in one year. The justification for each unit should identify all improvements and major maintenance work done in the past three years, and all improvements and major maintenance planned in the following three years.

7. Rental Guarantee Housing. For each rental guarantee housing project, both foreign and domestic, provide a listing showing: (1) location, (2) number of units (by intended occupants (senior officer, junior officer, enlisted), (3) term of contract, (4) FY and month of contract renewal, and (5) maximum termination costs.

8. Advance Planning and Design. All requirements for Advance Planning and Design should be submitted in the format prescribed for military construction in Volume 2B, Chapter 6, section 060301.

9. O&M Summary

a. Narrative Summary. Provide a general summary of the entire O&M program being requested, excluding leasing, housing privatization support, debt, and servicemen's mortgage insurance premium, which are to be addressed elsewhere in the budget submission. The summary should include, as a minimum, a succinct narrative highlighting the significant features of the request and a comparison of the prior year program with the budget request, particularly the reasons for any significant upward or downward shifts in funding levels.

b. Inventory and Funding Summary

(1) Provide the data called for in Exhibit FH-2, Family Housing O&M Summary. Include for each fiscal year, as a subset of "Average Inventory for Year," the total number of units that are classified as historic (units that DoD must manage in accordance with the National Historic Preservation Act of 1966). Display the historic figures in parenthesis immediately below the Average Inventory line.

(2) Provide the total civilian personnel compensation for all U.S. Direct Hires, Foreign National Direct Hires and Foreign National Indirect Hires. This information should be provided for the prior year, current year and budget years in the format of Exhibit OP-8, Civilian Personnel Costs, shown in Volume 2A, Chapter 3, section 030402. This exhibit is only required for inclusion in the OMB and OSD review, but should be provided separately for the President's Budget submission.

10. Operations. The sub-accounts of Operations are Management, Services, Furnishings and Miscellaneous. For each of these provide:

a. Summary. Provide a short narrative describing what the funds will be used for, how the budget was developed, major assumptions made, and highlighting the most significant features of the request. The summary should also explain the effect that the housing privatization program has on the budget estimates for each of the O&M accounts and subaccounts. For the Furnishings program only, provide additional information in the format of Exhibit FH-3, "Furnishings Summary".

b. Reconciliation of Increases and Decreases. A reconciliation of increases and decreases, at the worldwide level, between the amounts requested in the President's Budget for the current year and budget years. The format of this reconciliation is to be identical to the Exhibit OP-5 shown in section 0605, below. For each program increase or decrease, quantitative and qualitative information relative to the proposed change must be provided. Increases and decreases should be supported by specific reasons why these adjustments in the program are necessary, particularly changes in the number of family housing units being supported, changes in the FH-2 and FH-3 exhibits, etc.

11. Utilities. For the Utilities program, separate from Operations, provide the following:

a. Provide a short narrative describing what the funds will be used for, how the budget was developed, major assumptions made, and highlighting the most significant features of the request. The summary should also explain the effect that the housing privatization program has on the budget estimates for the account. This section must address energy consumption reductions accomplished and progress made towards meeting Congressional and Defense energy conservation goals.

b. Include a table that breaks out, for each FY reflected in the budget submission, kilowatt hour of electricity, tons of coal, cubic feet of gas, barrels of oil, and other forms of energy that support the utilities budget request.

c. Reconciliation of Increases and Decreases. A reconciliation of increases and decreases, at the worldwide level, between the amounts requested in the President's Budget for the current year and budget years. The format of this reconciliation is to be identical to the Exhibit OP-5 shown in Section 0605, below. For each program increase or decrease, quantitative and qualitative information relative to the proposed change must be provided. Increases and decreases should be supported by specific reasons why these adjustments in the program are necessary, particularly changes in the number of family housing units being supported, changes in the FH-2 exhibit, etc.

12. Maintenance

a. Provide a short narrative describing what the funds will be used for, how the budget was developed, major assumptions made, and highlighting the most significant features of the request. The summary should also explain the effect that the housing privatization program has on the budget estimates for the account.

b. Reconciliation of Increases and Decreases. A reconciliation of increases and decreases, at the worldwide level, between the amounts requested in the President's Budget for the current year and budget years. The format of this reconciliation is to be identical to the Exhibit OP-5 shown in Section 0605 of this manual. For each program increase or decrease, quantitative and qualitative information relative to the proposed change must be provided. Increases and decreases should be supported by specific reasons why these adjustments in the program are necessary, particularly changes in the number of family housing units being supported, changes in the FH-2 exhibit, etc.

c. Provide a summary on the backlog of deferred maintenance. Describe the plans for reducing the backlog to a manageable level. Provide an analysis of types of projects, type and accuracy of reporting and special efforts to reduce the backlog. Provide a table covering the Future Years Defense Program (FYDP) including: (1) backlog at beginning of year, (2) recurring maintenance arising during the year, (3) maintenance funds approved or planned, (4) backlog at end of year, and (5) backlog reduction (-) or growth (+) during the FY.

13. Maintenance and Repair Cost Over $20,000 Per Unit

a. Using DD Forms 1391 and 1391C, provide data on maintenance and repair projects for which the per-unit cost exceeds $20,000. As a minimum, the 1391C should provide, for each project: (1) location, (2) number of units, (3) age of units, (4) per unit cost, (5) total square footage of unit and square footage of project, (6) total cost, and (7) short narrative description and justification of the work, including results of economic analysis and savings-to-investment ratio. Projects should be listed alphabetically by state and country, as displayed for the Post Acquisition Construction projects.

b. Projects which appear as concurrent maintenance and repair on the 1391's for Post-Acquisition Construction (see Section 060302 B.7 above) will be shown here if they exceed the $20,000 per unit threshold, with a notation stating that the project is also shown in the post acquisition construction section.

* 14. GFOQ Maintenance and Repair Cost Over $35,000 Per Unit

a. Provide a narrative summary, detailing efforts to control and reduce expenditures for the "high-cost" GFOQ units.

b. Provide a listing of all GFOQ for which total maintenance and repair cost per unit exceeds $35,000 for the Budget Year. Listing should include, for each unit: (1) state/country/location, (2) quarters identification, (3) size of unit, (4) age of unit, (5) total operations cost, (6) total utilities cost, (7) total maintenance and repair cost, (8) total O&M cost, and (9) a short narrative description and justification of the work, including results of economic analysis and savings-to-investment ratio. In addition, identify any Construction Improvements project and funding requested for any GFOQ in the listing.

c. This listing will include all GFOQ projects for which total maintenance and repair cost exceeds $35,000, including those listed in other sections of the submission.

d. Provide a similar listing for the Prior Year and Current Year units with M&R over $35,000 and which were not included in the previous budget request.

e. To satisfy Congressional reporting requirements, provide:

(1) A report identifying each family housing unit used, or intended for use, as a quarters for a general officer or flag officer for which the total operations, utilities, leasing, maintenance, and repair costs are anticipated to exceed $35,000 in the next fiscal year. For each family housing unit so identified specify the total of such anticipated operation, utilities, leasing, maintenance, and repair costs for the unit. This shall be reported in the format of Exhibit FH-5 General and Flag Officers Quarters (Anticipated expenditures for O&M exceeding $35,000).

(2) A report specifying for each family housing unit used as quarters for a general officer or flag officer at any time during the most recently completed fiscal year, the total expenditures for O&M, utilities, leasing, maintenance, and repair costs of the unit during that fiscal year. This shall be reported in the format of Exhibit FH-9 GFOQ (O&M Expenditures for FY 2XXX). This report should also be provided to the Military Personnel and Construction Directorate in electronic excel format, no later than December 1.

(3) A report identifying each family housing unit used or intended for use, as a quarters for a general officer or flag officer which is in excess of 6,000 square feet (SF). For each unit over 6,000SF specify any alternative and more efficient use to which the unit could be converted (including cost of conversion) and an explanation as to why the unit is not being converted to the alternative use. For each unit identified whose annual O&M costs are greater than $35,000 or if new construction costs are anticipated to exceed $100,000 in the next FY, specify any alternative use (including cost of conversion) and an estimate of the costs to demolish and rebuild the unit to private sector standards. This shall be reported in the format of Exhibit FH-10, GFOQ 6,000NSF Units for FY 2XXX.

(4) As amended by section 2805 of the FY 2009 National Defense Authorization Act (NDAA), 10 USC 2884 requires annual reporting of privatized GFOQ units and the total operation, maintenance, and repair costs incurred by private sector developer/partners that exceed $50,000 per housing unit. Therefore, the Components are required to complete the Exhibit FH-12, Privatized GFOQ Operation, Maintenance and Repair Costs Incurred by Private Sector Developer/Partner/Owner Exceeding $50K per Housing Unit, annually.

15. Reimbursable Program. Provide a detailed justification for the Reimbursable Authority requested. Include information on what precisely is funded through the reimbursable program and details on the sources of receipts for the prior year, current year and budget year.

16. Leasing

a. Provide a short narrative describing what the funds will be used for, how the budget was developed, major assumptions made, and highlighting the most significant features of the request. The summary should also explain the effect that the housing

privatization program has on the budget estimates for the account. The summary shall include a table reflecting the authorized number of leases, average number of leases supported and costs for each of the PY, CY and BY, for Domestic Leasing, Section 801 and Section 802 leases, and foreign leasing.

b. For both domestic and foreign leases, provide a summary justification statement. Also provide data on the leasing program in the format of Exhibit FH-4, "Analysis of Leased Units." Information should be provided at the installation or community level, whichever is most applicable. For each new project requested, include a full justification and description, in the same format as for a New Construction project (see Section 060302 B.6 above).

c. Reconciliation of Increases and Decreases. A reconciliation of increases and decreases, at the worldwide level, between the amounts requested in the President's Budget for the current year and budget years. The format of this reconciliation is to be identical to the Exhibit OP-5 shown in Section 0605, below. For each program increase or decrease, quantitative and qualitative information relative to the proposed change should be provided. Increases and decreases should be supported by specific reasons why these adjustments in the program are necessary, particularly changes in the number of family housing units being supported.

d. For each new Public Law 98-115, section 801 lease project requested, include a full justification and description, in the same format as for a New Construction project (see Section 060302 B.6 above) , including the results of the economic analysis.

e. Under Section Title 10 United States Code (U.S.C.), section 2828, the Components are allowed not more than 10,000 domestic (United States, Puerto Rico, or Guam) leased family housing units. The cost of domestic leases may not exceed $12,000 (including the cost of utilities, maintenance, and operation) per unit per year.

(1) Section 2828 permits an exception for 500 of these domestic leased units that may exceed $12,000 per unit per year but can not exceed $14,000 per unit per year as adjusted from time to time. At the beginning of each fiscal year, the Secretary concerned shall adjust the maximum lease amount for domestic leases for the previous fiscal year by the percentage (if any) by which the national average monthly cost of housing (as calculated for purposes of determining rates of Basic Allowance for Housing under section 403 of title 37) for the preceding fiscal year exceeds the national average monthly cost of housing (as so calculated) for the fiscal year before such preceding fiscal year.

(2) The Army has authority to lease eight units in Miami, Florida for key and essential personnel, as designated by the Secretary, for the United States Southern Command. Total lease cost for all eight units may not exceed $280,000 per year as adjusted from time to time. The terms of any lease under this paragraph may not exceed 5 years. At the beginning of each FY the Secretary of the Army shall adjust the maximum aggregate amount for these leases for the previous FY by the percentage (if any) by which the annual average cost of housing for the Miami Military Housing Area (as calculated for purposes of determining Basic Allowance for Housing under Section 403 of Title 37) for the preceding FY

exceeds the annual average cost of housing for the Miami Military Housing Area (as so calculated) for the FY before such preceding FY. Additionally, not more than 600 domestic housing units may be leased by the Secretary of the Army for which the expenditure for the rental of such units does not exceed $35,000 per unit per year, as adjusted from time to time.

f. Also under Title 10 United States Code (U.S.C.), section 2828, the Components are allowed not more than 55,775 foreign leased units. Foreign leases may not exceed $20,000 per unit per year (including the cost of utilities, maintenance, and operation). Section 2828 permits exceptions for 450 leased units that may exceed $20,000 but that can not exceed $25,000 per unit per year and for 350 leases that may exceed $25,000 per unit per year.

(1) In addition to the 450 units:

(a) The Secretaries of the military departments may lease not more than 3,300 units of family housing in Italy that may not exceed $25,000 per unit per year.

(b) The Army may lease not more than 1,175 units in Korea that may exceed $25,000. Also, the Army may lease not more than 2,800 units of family housing in Korea subject to a maximum lease amount of $35,000.

(2) The maximum lease amounts for the previous FY will be adjusted at the beginning of each FY, by the percentage (if any) by which the Consumer Price Index (CPI) for all Urban Consumers, published by the Bureau of Labor Statistics, during the preceding FY exceeds such CPI for the FY before such preceding FY and for foreign currency fluctuations from October 1, 1987. To determine the impact of foreign currency fluctuation on the rental rate, these high cost "cap" rental rates must be computed for each foreign country, each year to adjust for the impact of foreign currency fluctuation. After the caps of $20,000, $25,000 and $35,000 U.S. dollars are adjusted by country, the adjusted rates becomes the new cap for determining whether a lease must be counted against the exception limits for a given budget year. Then, if a rental exceeds the adjusted maximum costs, it counts against the high cost ceiling limitations of 450 and 350, units, respectively, DoD-wide. For each country the formula that is to be applied is: $20,000 adjusted for CPI changes or $25,000 adjusted for CPI changes or $35,000 adjusted for CPI changes * [FY 1988 exchange rate / current budget exchange rate] = new cap limit.

(a) Where the "FY 1988 exchange rate" is the exchange rate that was published by the USD (Comptroller) for use in preparing the FY 1988 budget estimates, stated in units of foreign currency for one (1) U.S. dollar:

Country	Monetary Unit	FY 1988 Exchange Rate
Belgium	Franc	42.77
Canada	Dollar	1.39
Denmark	Krone	7.75
Germany	Mark	2.06
France	Franc	6.72
Greece	Drachma	139.90
Italy	Lira	1,423.00
Japan	Yen	163.10

Netherlands	Guilder	2.33
Norway	Krone	7.52
Portugal	Escudo	150.50
Spain	Peseta	137.60
Turkey	Lira	743.50
UK	Pound	0.70

For countries not listed, use the October 1, 1987 exchange rate.

(b) Where the "current budget exchange rate" is the rate published by the USD (Comptroller) for use in preparing the fiscal year budget estimates for which the lease funds are being requested, stated in units of foreign currency for one (1) U.S. dollar.

(c) The new cap limit is the maximum amount in dollars that a lease may cost per unit per annum for each nation, before that unit must count against the worldwide 350 and 450 unit limits on exceptions for high cost leases for the fiscal year for which the budget resources are being requested.

(d) Provide a summary table showing application of the above formula for each nation where high cost leases exist or are proposed, and the total number of such leases.

17. Mortgage Insurance Premium (also known as Servicemen's Mortgage Insurance Premium).

a. Provide a brief justification statement describing the requested program.

b. Provide a table identifying separately the total of the principal payments, and interest charges, and the totals for the Servicemen's Mortgage Insurance Premium program for the prior, current, and budget years.

c. For the Servicemen's Mortgage Insurance Premium program provide a listing for each fiscal year, showing: the number of terminations, the number of mortgages on which payments are to be made, the average payment per mortgage, and the estimated payments for the year. This table should start with the prior year, and end with BY+1.

18. Foreign Currency Exchange Data. All Family Housing O&M appropriations that participate in the Foreign Currency Fluctuations, Construction, Defense appropriation are required to prepare and submit a PB-18 Exhibit using the approved foreign currency exchange rates. The format for the PB-18 Exhibit is in Volume 2B, Chapter 19, section 191204.

19. Each Component will also submit a Major Initiatives exhibit which must include a general description of each of its major initiatives for the budget year and what the Component plans to accomplish in the budget year to support that initiative. Be specific,

including the impact on force structure. This exhibit will be prepared in accordance with the format contained in Section 060502.

20. Housing Privatization Support. The Components shall add a separate tab and section called “Housing Privatization Support" (after the Leasing section) in the family housing justification book, and include, as a minimum, the following information in the new section:

a. A narrative summary of the Component's overall family housing privatization efforts and accomplishments/progress to date.

b. A summary list of privatization projects and associated funding requested in the Construction portion of the program and budget submission. (DD Form 1391 for New Construction and Construction Improvement projects should indicate which projects are intended as a source of funding for privatization initiatives.)

* c. Detailed of Awarded Privatization Projects (FH-13). This new exhibit formalizes previously provided information in the President’s Budget and shall be prepared to include a list of all awarded projects, including: award date; types of financing (direct loan, loan guarantee, investment, differential lease payments, etc); scored amounts for each type of financing used in the deal; term of the deal in years; status of IDP; and total number of end-state units in the privatized project (breakout total units conveyed, renovated, replaced, and/or new/added units).

* d. Family Housing Privatization (FH-6). This exhibit shall be prepared for the President’s Budget to include the all privatization projects (past, current and future); type of investment or financing; funding sources for financing and investments by appropriation, fiscal year and project (include project number); number of units conveyed; number of end-state number of units, etc. For grouped projects, the first line should be the grouped project name with lines below for each installation and state in the grouped project. This exhibit shall reflect the actual or current project scoring information.

e. Housing Privatization Comparison (FH-6-BES). This new exhibit shall be prepared for the Budget Review, and shall will not be included as part of the President’s Budget. For the President’s Budget, use the FH-6 Exhibit (mentioned above). This exhibit compares the OSD/OMB approved project scoring with the actual/current project scoring. Information provided should be consistent or similar with data to be submitted for the Military Housing Privatization Initiative (MHPI) Program Evaluation Plan Executive Report to Congress for September, which also incorporates a similar comparison.

f. Reconciliation of Increases and Decreases (OP-5). This exhibit shall be prepared for the Housing Privatization Support (as defined previously in 060202.B.1) budget and must include detailed explanation/justification for the request, and explanation for all increases and decreases from prior budget request.
See section 060306 below.

060303. Homeowners' Assistance Fund, Defense

A. Purpose

1. This Section provides guidance for the preparation and submission of Homeowners' Assistance Fund, Defense budget estimates under the Department of the Army allocation account.

2. Budget estimates will be submitted only by the Department of the Army, which has been assigned the overall responsibility for the administration and management of the Department of Defense Homeowners' Assistance program by DoD Directive 4165.50 "Homeowners Assistance Program (HAP)."

3. Each Component is responsible for including sufficient resources in its budget to fund HAP costs related to the Component's actions associated with base closures, realignments, and force reductions. The level of resources required to fund HAP costs shall be developed in consultation with the Army, as the HAP executive agent. Budget estimates for HAP costs shall be separately identified and submitted in the Component' Base Realignment and Closure (BRAC) submissions for HAP costs associated with realignments and closures and in the O&M submission for non-BRAC related HAP costs.

B. Submission Requirements

1. The following exhibits, provided in Section 0605, below will be submitted:

HA-1	Workload and Obligation Data
HA-2	Status of Accounts
HA-3	Work Unit Data
HA-4	Program and Financing

In addition, the Army will input Homeowners' Assistance Fund estimates for the C-1 Construction Annex input prescribed in Volume 2A, Chapter 1, section 010504.

2. Required copies of the above material are identified in Volume 2A, Chapter 1, section 010302 of this Regulation.

3. For the biennial budget, separate sections or volumes will be provided for BY1 and BY2. For the BY2 section, BY1 will be considered as the prior year and BY2 as the budget year.

C. Preparation of Material. All material will be provided on 8-1/2 inch by 11 inch size paper, and bound on the long side. All narrative data will be typed across the short dimension of the paper, while Exhibits HA-1, 2, 3 and 4 will be typed across the long dimension.

060304. NATO Security Investment Program

A. Purpose

1. This section provides guidance for preparation and submission of the NATO Security Investment Program budget estimates.

2. Budget estimates will be submitted by the OUSD (AT&L) since that office has been assigned the overall responsibility for the oversight and management of the NATO Security Investment Program by DoDD 2010.5, "DoD Participation in the NATO Infrastructure Program."

B. Submission Requirements. Submit a detailed exhibit, NATO Security Investment Program-1 (NSIP-1)**,** listing requirements at the project level for both construction and procurement requirements. The listing should be sufficiently detailed to identify discrete projects and initiatives. Aggregations at the capability package level i.e., Defense of the Mediterranean, are not sufficiently detailed and should be broken down further to show the individual projects/initiatives comprising the capability packages. A narrative explanation and description of each of the requirements for the current and budget years should be provided. The NSIP-1 exhibit is provided in section 060505, below for the NATO Security Investment Program to identify the following information: Location, Installation, Project Title, Description of Project, Budget Scheme (how many NATO Nations participating in the funding of the project), Project Cost, U.S. Cost Share, Other Nations Cost Share. This will be provided for both the current year and budget year.

Submit a detailed exhibit, NSIP-2, listing each NSIP major construction project that are eligible for recoupment (reimbursement by other member countries for eligible costs). The NSIP-2 exhibit is provided in section 060505, below for the NATO Security Investment Program to identify the following information: Component, Appropriation, FY, Location, Installation, Project Title, Slice/Serial (if known), Recoupment Budget Estimate, and Rate of Conversion.

C. Preparation of Material. All material will be provided on 8-1/2 inch by 11 inch size paper, and bound on the long side. All narrative data will be typed across the short dimension of the paper.

060305. NATO Security Investment Program Expansion Costs

Expansion Costs. Submit a list of all requirements, construction and procurement, associated with NATO expansion. The listing should be sufficiently detailed to identify discrete projects and initiatives. Aggregations at the capability package level i.e., Defense of the Southern Region, are not sufficiently detailed and should be broken down further to show the individual projects/initiatives comprising the capability packages. The NSIP-1 exhibit is provided in section 060505, below for the NATO Security Investment Program to identify the following information of projects associated with NATO Expansion: Location, Installation, Project Title, Description of Project, Budget Scheme (how many NATO Nations participating in the funding of the project), Total Project Cost, U.S. Cost Share, Other Nations Cost Share. This will be provided for both the current year and budget year. A narrative explanation and description of each of the requirements

for the budget years should be provided. The budget estimate for NATO Expansion Costs should be identified in BA 02 as presented in Volume 2A, Chapter 1.

060306. Family Housing Improvement Fund (FHIF) Program

A. Purpose

This section prescribes instructions for the preparation and submission of budget estimates for the DoD Family Housing Improvement Fund (FHIF) and related requirements, to include Military Housing Privatization Initiative (MHPI) administrative program expenses for accounting and financial reporting services.

B. Submission Requirements

* 1. The Facilities Energy and Privatization (FE&P) Directorate of the Office of the Deputy Under Secretary of Defense (ODUSD) (Installation and Environment (I&E)), shall submit to the OUSD (Comptroller), Military Personnel and Construction (MPC) Directorate a memorandum which includes a narrative overview of the Military Housing Privatization Initiative (MHPI), current status of the MHPI, and future plans for the program. In addition, the FE&P memorandum shall include funds required for the budget year for administration and oversight of the MHPI program, including for accounting and financial reporting services from DFAS, and detailed justification for these funds. The new FHIF Admin Requirements Exhibit (FH-14) shall also be completed and provided electronically to OUSD (Comptroller) MPC, Family Housing.

* 060307. MHPI Investments and Credit Financing

A. The Federal Credit Reform Act of 1990 and OMB Circular A-11 require credit financing and investment information for privatization projects to be reflected in the President's budget. Credit financing information required for the President's budget is explained in OMB Circular A-11, Part 5, Section 85 (Federal Credit). On an annual basis, OMB sends out Budget Data Requests (BDR) for Credit Reestimates, MAX Schedule updates, and Credit Supplemental Reporting information for the President's Budget (for Prior Year (PY), Current Year (CY), and Budget Year (BY)).

B. OUSD (Comptroller) MPC directorate is leading a business process improvement effort focusing on current MHPI and credit related processes, which could result in future changes to the DoDFMR.

C. Credit Reestimates. Reestimates are performed throughout the life of each cohort of direct loans or loan guarantees to account for differences between the original assumptions of cash flow and the actual cash flow or revised assumptions about future cash flow. There are two types of Reestimates, Interest Rate Reestimates and Technical Reestimates.

1. Interest Rate Reestimates (IRR) adjust for the effect on the subsidy of differences between the actual interest rate and the discount rates assumed when the estimates were made for budget formulation and obligation. IRR are performed once, in the fiscal year

following the fiscal year in which the direct or guaranteed loan was "*originally*" estimated to be at least 90 percent disbursed.

2. Technical Reestimates adjust for revised assumptions about loan performance, such as differences between assumed and actual default rates or new projections of repayments; and are performed annually for outstanding direct and guaranteed loans.

3. Reestimates are used for yearend financial reporting and for the President's Budget.

4. In July, OUSD(C) MPC Directorate will send out the Reestimate Data Call and forward the associated direct loan and loan guarantee cash flow files and reestimate timeline to the Services for review and completion by mid-August, and coordination with DFAS. The FH-15 Reestimate Cash Flow Status questionnaire format has been incorporated into the DoDFMR. All files and completed questionnaire should be forwarded, electronically, to Evelyn Roll, OUSD (Comptroller) MPC Family Housing Budget Analyst by the August deadline.

a. The Services are required to prepare cash flow files for new direct loans and loan guarantees, as needed; review all risk factors; substitute reamortization schedules in the files for existing loans after coordination with DFAS, as needed; and complete the Reestimate Questionnaire on the status of the cash flows.

b. DFAS is required to enter transactions with Treasury into the new and existing cash flow files and coordinate any reamortization schedules with the Services, before substitution into the cash flow files.

D. Federal Credit Budget (OMB MAX Schedules). For all privatization projects that have been awarded and those planned for award in the President's Budget, the Components shall provide the relevant investment and credit financing data required for the preparation of credit financing schedules.

In October, OUSD (Comptroller) MPC Directorate will forward the annual Federal Credit Budget Data Call and template to the Services for review and completion by early November. This data will be used to update the MAX schedules for the FHIF Program, FHIF Financing for Direct Loan, and FHIF Financing for Loan Guarantee accounts.

a. A separate list by Component and FY will include, the installation name, state, type of financing, total number of end-state units in the privatized project (breakout total units conveyed, renovated, replaced, and/or new/added units, total scored amount for each type of financing, and source of funds. The source of funds will be broken out by FY of funds, account (new construction or construction improvements, etc.), project name and amount.

b. Cash flows for future new direct or guaranteed loans will also be required. The completed template and cash flows should be provided, electronically, to OUSD(C) MPC Family Housing by the November deadline.

E. Credit Supplemental Reporting (CSR). In October, OUSD (Comptroller) MPC Directorate will forward the annual Credit Supplemental Reporting Data Call and template to the Services for completion by early November.

1. Additional project information, such as, subsidy percentage, financing, defaults, average contractual loan maturity (in years), average contractual loan interest rate, maximum grace period (in years) and other data is required to update the CSR for the President's Budget.

2. The completed template shall be provided, electronically, to OUSD (Comptroller) MPC Family Housing by the November deadline.

060308. Unaccompanied Housing

A. Purpose

1. This section prescribes instructions for the preparation and submission of budget exhibits related to Unaccompanied Housing (UH). These exhibits are to be included in the unaccompanied housing section of the Military Construction Budget Estimates for OSD and OMB. They are not required to be included in the President's Budget justification books for Congress, but will still need to be updated and provided to OUSD (Comptroller), Directorate for Military Personnel and Construction, separately.

2. Similar to Family Housing, the ultimate goal is to have UH at 90% Q1/Q2 adequacy for U.S. and Foreign. As such, UH exhibits have been developed to support the two UH performance goal and targets, one for U.S. and the other for Foreign.

B. Submission Requirements

1. The UH-1a/1b Exhibits – "Inventory and Condition of Government-owned Unaccompanied Housing (UH)." These budget exhibits are based on facility condition (Q-Ratings). Additional information on Q-Ratings is available in OSD AT&L memorandum of September 5, 2007, "Facility Quality Rating Guidance"; and the GSA Guidance for Real Property Inventory Reporting. All Government-owned UH inventory should be reflected in this exhibit, including transitional UH.

a. UH-1a Exhibit - "Inventory and Condition of Permanent Party, Government-owned Unaccompanied Housing (UH) ". The two DoD Performance Goals are to have 90% of Government-owned, Permanent Party UH bedrooms: 1) in the United States (CONUS plus Hawaii and Alaska) at Q1-Q2 adequate levels by FY 2017, and 2) for the foreign locations (includes U.S. Territories) at Q1-Q2 adequate levels by the end of FY 2017. Inventory counts and Q-Ratings should be consistent with the SNaP and Real Property Inventory databases. This includes Facilities Analysis Categories, 7210 – Enlisted UH, and 7240 – Officer UH.

b. UH-1b Exhibit – "Inventory and Condition of raining/Mobilization, Government-owned Unaccompanied Housing (UH)." At this time, there are no DoD Performance Goals associated with Training and Mobilization UH. This includes

Facilities Analysis Categories, 7213 – Student UH, 7214 – Annual Training/Mobilization UH, and 7218 – Recruit/Trainee UH.

2. UH-2 Exhibit – "Configuration and Privacy of Permanent Party Unaccompanied Housing (UH)." This budget exhibit was created to capture the Services' configuration standard design, their range of various configurations in use, the privacy of assigned members (number of personnel who are sharing a bedroom or living on ship), and the Services' plans for improvement in these areas. At this time, there are no DoD Performance Goals associated with configuration and privacy. However, the Services are requested to provide their own specific configuration and privacy standards and goals, and implementation plans, including timelines.

3. UH-3 Exhibit – "Summary of Military Construction Unaccompanied Housing Projects". This UH project list should match information already provided in Program/Budget submissions and related DD Form 1391s (Military Construction Project Detail).

0604 CONGRESSIONAL JUSTIFICATION/PRESENTATION

060401. Purpose

This Section presents the justification book organization and the exhibit requirement for submission to Congress. Examples of budget exhibits can be found in Section 0605, below.

060402. Organization of Justification Book

A. Justification material will be entitled:

Supporting Data for Fiscal Year
20BY Budget Estimates
Descriptive Summaries

B. The budget justification book will be divided into sections, organized as shown on the following pages.

1. Organization:

2. Table of Contents and Summary Data

3. The summary data will include a state list of all major, minor and family housing construction projects.

Section 1 Special Program Considerations

This section will include the following topics with a short narrative or summary table, and other special interest items as applicable.

Facilities Funded Through Other Than Military Construction
Pollution Abatement Program
Energy Conservation Program
Drug Interdiction Program

Section 2 Budget Appendix Extract
Legislative Language

Section 3 Installation and Project Justification Data
DD Forms 1390 and 1391

Section 4 Architectural and Engineering Services and Construction Design

Section 5 Unspecified Minor Construction

Section 6 Defense Access Roads

Section 7 Family Housing

Section 8 Homeowners' Assistance (Army Only)

Section 9 Long-Term Facilities Contracts

Section 10 Working Capital Fund Capital Construction

C. The volume will be organized by state/country and location. Projects should be shown in precisely the same order as they appear in the State List portion of the Construction Annex (C-1).

D. All construction line items included in the funding program in support of the total obligational authority for the Military Construction appropriations in the President's Budget will be summarized on Installation and Project Justification Data, DD Forms 1390 and 1391/1391C. In addition to data provided on DD Forms 1390 and 1391, justification books submitted to the House and Senate Appropriations, the House Armed Services Committee**,** and the Senate Armed Services Committees in support of Military Construction Program requests will contain supplemental data prepared in the formats prescribed below on the reverse of DD Form 1391. The Guard and Reserve Forces will use a DD Form 1390S continuation page in lieu of DD Form 1390. All forms required for a project will be grouped and combined in the same book arranged in category code order within state and station.

E. Section 5 will include an exhibit entitled "Long-Term Facilities Contracts", separately listing projects proposed under ***Title 10 United States (U. S. C.), Sections 2809*** and ***2812*** authorities, arranged in the same order as they would appear in the State list portion of the Construction Annex (C-1). This exhibit will be followed by the DD Forms 1390 and 1391 for each new project proposed. The section will also include a special financing table reflecting both prior approved long-term facility contracts and new requests, as specified in Section 060301 B.7, above.

F. Section 060502 contains detailed instructions for preparation of DD Forms 1390 and 1391/1391C. Detailed instructions for preparation of the supplementary justification material are given in Section 060405, below. The following additional instructions apply:

1. In addition to other data requirements, components are required to indicate on the DD Form 1391C for each individual project a statement indicating whether or not an economic analysis has been utilized in evaluating the project. In those instances where an economic analysis has not been prepared, a statement is required indicating why such analysis is not applicable or pertinent.

2. Lump-sum requests for a number of construction projects at a single location or for related projects at several locations will not be considered.

3. Projects associated with intelligence or intelligence-related operations will be so identified. Block 5, Program Element, DD Form 1391, will include the annotation NIP or MIP as appropriate.

4. All DD Forms 1391 should include a name and phone number of the civil engineer at the installation responsible for the requested project. This information should be displayed in the bottom left hand corner on the last page of the 1391.

5. The budget submission should include the Restoration and Modernization (R&M) unfunded requirement at all installations for which there is a requested construction project. This information is to be provided as subsection c. in block 9 of the DD Form 1390 (Block 10 for the Guard and Reserve 1390s) under the heading, “R&M Unfunded Requirement.” In addition, for all unaccompanied housing project requests, the DD Form 1391 is to show all unaccompanied housing R&M conducted in the past 2 years (BY-2 and BY-1) and all future R&M requirements (defined as R&M funding for unaccompanied housing included in the FY DP years) for unaccompanied housing at that installation. This information should appear as the last data in the DD Form 1391 under the heading “BY-2 Unaccompanied Housing R&M Conducted," "BY-1 Unaccompanied Housing R&M Conducted," and "Future Unaccompanied Housing R&M Requirements.”

G. Justification Book Covers and Binding of Data

1. Justification materials will be provided on 8-1/2” x 11” white paper, typed across the short dimension of the paper (portrait) with 3 holes punched on the left margin and bound with Acco fasteners. Material is to be printed on both sides of the page using 1” margins. The DD Form 1390 should be printed on white paper, not on yellow paper as previously required.

2. Separate justification books will be prepared for those projects which require classified information on the DD Forms 1390 and 1391/1391C.

3. The individual Defense Agencies will submit either originals of DD Forms 1390 and 1391/1391C, or copies of a quality suitable for printing. These are to be used for preparation of consolidated justification books for submission to congress. These submissions are

not to be punched or bound. Pages are not to be numbered. Covers are not required. One complete set of each is to be delivered to the OUSD (Comptroller), Directorate for Military Personnel and Construction; and the ODUSD/Installations and Environment.

4. Each justification book (and each submission of the Defense Agencies described in paragraph 3, above) is to include an index of installations and projects by state and country, arranged alphabetically, in precisely the same order as the projects appear in the State List portion of the Construction Annex (C-1).

060403. Submission of Military Construction Justification Books

A. Review by OSD. Before the justification material can be released by the Military Departments to the Congress, it must be reviewed by USD (Comptroller) to assure that policies and decisions made by the President and Secretary of Defense are fully reflected. Justification material prepared by the individual Defense Agencies will be submitted to USD(Comptroller) as requested for preparation of consolidated justification books for submission to the Committees on Appropriations.

B. Security Clearances. Each Military Department will be responsible for the clearance of its justification books through OSD Security Review. OUSD(Comptroller) will be responsible for the clearance of the Defense Agencies justification books through OSD Security Review.

C. Number of Copies. Three advance sets of justification books will be forwarded for review to the Directorate for Military Personnel and Construction, OUSD(Comptroller), Room 3C654, Pentagon. See Volume 2A, Chapter 1 for the detailed instructions on number of copies and distribution of printed material.

D. Instructions for Preparation of Supplemental Justification Data in Support of Annual Military Construction Programs. Each data requirement shall be filled in as appropriate including negative responses to indicate that the item has been addressed.

1. Instructions for Preparation of Summary Lists. Each Military Service and Defense Agency shall prepare a State List and an Installation List. These lists shall include every project for which funds have been requested.

2. Instructions for Preparation of DD Form 1390 Supplemental Installation Data. The following data shall be provided in an appropriate place on DD Form 1390:

a. Outstanding Pollution and Safety (OSHA) Deficiencies

(1) Air Pollution. Enter cost of all air pollution abatement projects for the out years. Do not include cost of budget year projects.

(2) Water Pollution. Follow instructions for Air Pollution, a.1., above.

(3) Safety and Occupational Health Deficiencies. Follow instructions for a.1 above and use definitions cited in Section 060403 above for this data.

3. Instructions for Preparation of DD Form 1391 Supplemental (Facility) Data. The following data shall be provided for each facility in the program using the back of standard DD Form 1391.

a. Design Data (Estimates)

(1) Status

(a) Enter date design was started (i.e., date when all appropriate design contracting procedures have been completed and the designer directed to proceed with design).

(b) Enter the percent of design completed as of January 1, of the year in which the budget is submitted to the Congress (e.g., January 2, 2000, for FY 2001 projects).

(c) Enter date design expected to be 35% completed.

(d) Enter date design will be completed (i.e., date when all reviews will be completed and construction contract ready for advertising).

(e) Include the annotation "parametric estimates have been used to develop project cost" if the cost estimate is based on parametric estimates in lieu of the traditional 35% design**.**

(f) Enter the type of design contract (design-bid, design-bid-build, or other, if other, provide a brief description of the design contract.

(g) Indicate whether an energy study and a life-cycle analysis was performed in support of the design of the proposed facility.

(2) Basis

(a) Indicate whether or not design is based on a standard or definitive design.

(b) If answer to (a) is affirmative, indicate where design was previously used.

(3) Total Design Cost. Indicate total federal cost (all costs to be charged to planning and design accounts) as follows:

(a) Cost of the production of plans and specifications (those costs included within the 6 percent statutory cost limitations).

(b) All other costs of design.

(c) Total Cost (a + b or d + e).

(d) Amount of cost estimated to be spent on contracts.

(e) Amount of cost to be spent in-house (total cost if design is all within house; overhead and administration costs if design is contracted out, or other breakout).

(4) Construction Contract Award Date. Indicate month and year the contract is planned to be awarded to the construction firm.

(5) Construction Start Date. Indicate month and year construction is planned to start.

(6) Construction Completion Date. Indicate month and year construction is planned to be completed.

b. Equipment Associated with This Project Which Will be Provided From Other Appropriations

List only those items which support the cost shown in Block 9 of the DD Form 1391, for Equipment Provided from Other Appropriations. Enter the equipment nomenclature, procuring appropriation, fiscal year in which the equipment was appropriated or is to be requested and the cost in thousands of dollars.

c. Working Capital Fund Projects. DD Form 1391's submitted in support of Working Capital Fund Capital Budget requirements will be labeled as such in Block 4, above the project title.

E. FYDP Project Listing. Military Construction/Family Housing Outyear Project Data will be submitted via the Automated Construction Program (C-1 Annex) at the time program and budget submissions are due to OSD for review. Additional guidance on the Automated Construction Program is provided in Volume 2A, Chapter 1, section 010504. Construction data elements and record formats for the Automated Construction Database are prescribed on the Secret Internet Protocol Router Network (SIPRNET) ***home page*** of the OUSD (Comptroller). The out year project data exhibits for the Active Forces will not be included in the justification books provided to Congress. However, the justification book for each component of the National Guard and Reserve, as well as the Defense Agencies will contain a listing of all projects that are funded in the FYDP.

060404. Submission of Family Housing Justification Books

A. Family Housing Justification, Military Departments. The format for the Congressional justification books for Family Housing will be identical to that detailed in Section 060302, above for the budget estimates, with the following exceptions:

1. Submission Requirements. Family Housing Congressional justification material will be submitted with the Military Construction justification books for each military department. The Family Housing material should follow that provided for Military Construction. (See Section 060302B.2.b, above)

2. DD Form 1390, Military Construction Program. Form will be prepared in accordance with section 060502, below. One form is required for each location. Personnel data should be based on latest approved totals for the installation or area. Inventory data should include only Family Housing assets. The form should be printed on white paper, and should precede the DD Form 1391.

3. Tri-Service Family Housing Cost Model. This form is not required. (See subparagraph 060302B.5.b.(3), above).

4. Civilian Personnel Costs -- Exhibit OP-8. This form is not required. (See subparagraph 060302B.9.b.(2), above).

5. Furnishings Summary -- Exhibit FH-3. This form is not required. (See subparagraph 060302B.10.a, above)

* 6. Family Housing Privatization Comparison – Exhibit FH-6-BES. This exhibit shall not be included in the President's Budget. Instead, include the FH-6 Family Housing Privatization exhibit.

7. Submission by Department of the Army Only. Since the Department of the Army has been designated as the executive agent to execute the Homeowners' Assistance Program for the DoD, only the Department of the Army will submit justification material as described in Section 060303, above.

B. Family Housing Justification, Defense Agencies

1. Component Responsibilities. Separate justification material, in the format described in Section 060302, above and similar to that specified above for the Military Departments, will be provided by the individual Defense Agencies. The submissions will provide separate Construction, O&M, and Leasing exhibits, as appropriate, for Defense Intelligence Agency, Defense Logistics Agency, and National Security Agency.

2. Consolidation and Review by OSD. Original pages of justification material prepared by the individual Defense Agencies will be submitted to the Directorate for Military Personnel and Construction, OUSD (Comptroller) Program/Budget, Room 3C654, as requested by the call letter for the preparation of consolidated justification books for submission to the Congress. One copy of the justification material should be submitted concurrently to the ODUSD (Installations and Environment).

3. Justification Material Format. Justification material submitted by the Defense Agencies will be unbound. Covers are not required. Pages will not be numbered. All data will be provided on 8-1/2 inch by 11 inch paper, typed across the short dimension of the paper with 1 inch margins, except for the FH-2, and FH-4 exhibits, which will be typed across the long dimension.

4. Classification. All justification material will be unclassified.

060405. Submission of Justification Books for the Homeowners' Assistance Fund, Defense Appropriation

A. Organization of Justification Books. Justification data will include items detailed in Section 060303, above for the budget estimates. Material will be incorporated as the final section of the Army's military construction/family housing justification book.

B. Submission by Department of the Army Only. Since the Department of the Army has been designated as the executive agent to execute the Homeowners' Assistance Program for the Department of Defense, only the Department of the Army will submit justification data.

C. Review by OSD. Before the justification material can be released to the Congress, it must be reviewed by the USD(Comptroller) to assure that policies and decisions made by the President and Secretary of Defense are fully reflected.

D. Security Clearances. The Department of the Army will be responsible for obtaining clearance of the justification book through OSD Security Review.

E. Number of Copies. See Volume 2A, Chapter 1, section 010401 for instructions on the number of copies required and the distribution.

0605 MILITARY CONSTRUCTION/FAMILY HOUSING APPROPRIATION SUBMISSION FORMATS

060501. Purpose

The formats provided on the following pages reflect guidance presented in previous sections of the chapter. Unless modified in a submission budget call, these formats should be adhered to.

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DD 1390 Military Construction Program

1. COMPONENT	FY 19___ MILITARY CONSTRUCTION PROGRAM	2. DATE
		22 Apr 96
3. INSTALLATION AND LOCATION	4. COMMAND	5. AREA CONSTRUCTION COST INDEX

6. PERSONNEL	PERMANENT			STUDENTS			SUPPORTED			TOTAL
	OFFICER	ENLISTED	CIVILIAN	OFFICER	ENLISTED	CIVILIAN	OFFICER	ENLISTED	CIVILIAN	
a. AS OF										
b. END FY 19										

7. INVENTORY DATA ($000)

a. TOTAL ACREAGE.....

b. INVENTORY TOTAL AS OF.....

c. AUTHORIZATION NOT YET IN INVENTORY.....

d. AUTHORIZATION REQUESTED IN THIS PROGRAM.....

e. AUTHORIZATION INCLUDED IN THE FOLLOWING PROGRAM.....

f. PLANNED IN NEXT THREE PROGRAM YEARS.....

g. REMAINING DEFICIENCY.....

h. GRAND TOTAL.....

8. PROJECTS REQUESTED IN THIS PROGRAM:

CATEGORY CODE	PROJECT TITLE	SCOPE	COST ($000)	DESIGN STATUS START	DESIGN STATUS COMPLETE

9. FUTURE PROJECTS:

10. MISSION OR MAJOR FUNCTIONS:

11. OUTSTANDING POLLUTION AND SAFETY DEFICIENCIES:

DD Form 1 DEC 1390 PREVIOUS EDITIONS MAY BE USED INTERNALLY UNTIL EXHAUSTED PAGE NO. 1 OF 4

DD 1390 Military Construction Program

INSTRUCTIONS FOR PREPARATION OF DD FORM 1390, "FY_ MILITARY CONSTRUCTION PROGRAM"

The DD Form 1390 will be used by the active services to list the projects proposed for inclusion in the Military Construction Program, including requests for (10 new authorization; (2) funding of new authorization; and (3) funding of prior years' authorization. The Guard and Reserve Forces will use a DD Form 1390s instead of the DD Form 1390.

Instructions for preparation of DD Form 1390 follow:

Items 1 and 2 - Component and Date: Self explanatory. Date prepared or the date the budget justification material is due to OSD.

Item 3 - Installation and Location: Enter the official name of the installation. Enter the name of the state if within the United States or the name of the country or island chain if outside the United States. In the case of Guard and Reserve facilities, enter the city and state if the facility is not to be constructed on a military installation. Use "classified location" only when necessary to meet security classification guidelines.

Item 4 - Command: Enter the name of the host major command responsible for management control of the installation.

Item 5 - Area Construction Cost Index: Enter the construction cost index used in estimating the cost of the project(s). Consult the latest guidance published by DUSD(I).

Item 6 - Personnel Strength: Enter personnel strengths for permanent, student, and support activities. Include transient personnel where applicable.

a. As of: Enter September 30 of the year of submittal to OSD.

b. End FY 20_: Enter end of the budget year, plus 5 years.

Item 7 - Inventory Data ($000):

a. Total Acreage: Enter the number of acres owned and/or leased by the Government, under accountability of the Military Department concerned, as shown in the latest Inventory of Military Real Property.

b. Inventory Total As Of September 30 ___: Enter the date and the current real property inventory total (except land rent). These totals should include inventory amounts for family housing.

c. Authorization Not Yet In Inventory: Enter the amount of funded and unfunded authorization for the construction of facilities or acquisition of land which have not been included in the September 30 Inventory of Real Property. This amount will include only such authorization as is related to either the Military Construction Program or the Family Housing Program as the case may be.

INSTRUCTIONS FOR PREPARATION OF DD FORM 1390 (Continued)

d. Authorization Requested In This Program: Enter the total cost for construction and land acquisition being requested for authorization in the budget year.

e. Authorization Included in Following Program: Enter the total estimated cost of construction and land acquisition required for authorization for the program year following the budget year.

f. Planned in Next Three Program Years: Enter the total estimated cost of construction and land acquisition required for the three years beyond the budget year and following year programs (i.e., second, third, and fourth years beyond the budget year). This amount should agree with the data used in the preparation of the military construction or family housing estimates contained in the Future Years Defense Program.

g. Remaining Deficiency: Enter the total estimated cost of construction and land acquisition required for existing facilities deficiencies remaining beyond the three program years covered in 7.f., above.

h. Grand Total: Enter the total of items 7.b. through 7.g.

Item 8 - Projects Requested In This Program: Installation or activity projects for the budget year shall be listed individually with attendant information provided in the appropriate column. Both major and minor construction projects are to be included as shown on the sample form.

a. Column 1 - Category Code: Enter the applicable category code consistent with the category code shown in Item 6 of the DD Form 1391 for the project.

b. Column 2 - Projects Title: Enter the project title consistent with the title shown in Item 4 of the DD Form 1391.

c. Column 3 - Scope: Enter the same quantity shown in Item 9 of the DD Form 1391, "Cost Estimates," and include the unit of measure (e.g., SM, SY, LF, PR, EA, CY, etc.). Immediately following or directly beneath the metric quantity and unit of measure, parenthetically include the English quantity and measurement. In those instances where a specific quantity cannot be satisfactorily identified, enter LS for lump sum.

d. Column 4 - Cost ($000): Enter the project cost consistent with the cost shown in Item 8 of the DD Form 1391. If two or more projects are listed, enter the total in this column, and use this figure in Item 7.d., above.

e. Column 5 - Design Status: Enter the most accurate possible dates for the start and completion of design using numerals (e.g., 6/94, 11/95).

Item 9 - Future Projects:

a. Included in Following Program (FY__): List all installation projects regardless of the number and include columnar data comparable to that provided in Item 8, but leave design status blank.

INSTRUCTIONS FOR PREPARATION OF DD FORM 1390 (Continued)

b. Planned Next Three Years: List projects planned for next three years in 9.b. and include columnar data comparable to that provided in Item 8, but leave design status blank. The total costs of the projects listed under Items 9.a. and 9.b. should be identical to the entries under Items 7.e. and 7.f., respectively. If additional space is required to list all projects under Items 9.a. and 9.b., a separate sheet of paper should be utilized.

c. Also include the R&M unfunded requirement in this block under the heading "R&M Unfunded Requirement."

Item 10 - Mission or Major Functions: Enter the principal types of peacetime units and/or functions assigned or scheduled for assignment to the installation that require facilities or substantially contribute to the base population. Also enter the current mission stating precisely what the activity will do and list the major functions performed. All entries should address the time period shown in Items 6.a. and 6.b.

Item 11 - Outstanding Pollution and Safety Deficiencies ($000): List all projects included in the budget request and planned for the next three years that are programmed for outstanding pollution and safety deficiencies. Use the format in Item 8.

Notes:

1. Space requirements for Items 8, 9, 10, and 11 may vary. Therefore, remaining space on the DD Form 1390 may be utilized as necessary for the specific entries and continued on a separate sheet of paper. A solid black line should be used to set Items 8, 9, 10, and 11 apart and individual item titles and subheadings should be added.

2. Projects that were authorized (but not appropriated) in prior years will be listed in the same manner as projects for which new authorization is requested. The fiscal year in which the project was authorized will be shown after the project title in Item 8.

DD1390S/1 Guard and Reserve Military Construction

1. COMPONENT	FY 20__ GUARD AND RESERVE MILITARY CONSTRUCTION	2. DATE
3. INSTALLATION AND LOCATION		4. AREA CONSTR COST INDEX
5. FREQUENCY AND TYPE OF UTILIZATION		
6. OTHER ACTIVE/GUARD/RESERVE INSTALLATIONS WITHIN 15 MILES RADIUS		

7. PROJECTS REQUESTED IN THIS PROGRAM:

CATEGORY CODE	PROJECT TITLE	SCOPE	COST $(000)	DESIGN STATUS START	DESIGN STATUS CMPL

8. STATE RESERVE FORCES FACILITIES BOARD RECOMMENDATION

(Date)

9. LAND ACQUISITION REQUIRED _____
(Number of Acres)

10. PROJECTS PLANNED IN NEXT FOUR YEARS

CATEGORY CODE	PROJECT TITLE	SCOPE	COST $(000)

DD 1390S/2 Guard and Reserve Military Construction (Continued)

1.	FY 20__ GUARD AND RESERVE MILITARY CONSTRUCTION	2. DATE

3. INSTALLATION AND LOCATION

11. PERSONNEL STRENGTH AS OF

	PERMANENT				GUARD/RESERVE		
	TOTAL	OFFICER	ENLISTED	CIVILIAN	TOTAL	OFFICER	ENLISTED
AUTHORIZED							
ACTUAL							

12. RESERVE UNIT DATA

	STRENGTH	
UNIT DESIGNATION	AUTHORIZED	ACTUAL

13. MAJOR EQUIPMENT AND AIRCRAFT

TYPE	AUTHORIZED	ACTUAL

14. OUTSTANDING PLLUTION AND SAFETY DEFICIENCIES

($000)

DD FORM 1390s, 1 DEC 76 Previous editions may be used. Page No

INSTRUCTIONS FOR PREPARATION OF DD FORM 1390s, "FY__ GUARD AND RESERVE FORCES MILITARY CONSTRUCTION"

The DD Form 1390 will be used by the Guard and Reserve Forces to supplement the data entered in the DD Form 1391, FY 19_ Military Construction Program.

Instructions for preparation of DD Form 1390s follow:

Item 1 - Component: Enter the specific Guard or Reserve Forces component of the active services. Recognized abbreviations such as ARNG (Army National Guard); ANG (Air National Guard); etc., are acceptable.

Item 2 - Date: Date prepared or the date to OSD.

Item 3 - Installation and Location: For facilities not located at DoD installations or commercial airfields, enter the name of the city and State in which the projects are located. For other facilities, enter the name of the DoD installation and its geographical location to the extent that it is not included in the installation name.

Item 4 - Area Construction Cost Index: Enter the construction cost index used in estimating the cost of the project(s). Consult the latest guidance published by DUSD(IA&I).

Item 5 - Frequency And Type Of Utilization: Enter the type of utilization (e.g., weekend drill, weeknight drill, unit training activities, annual active duty for training, etc.) and indicate number of days the installation is used per month/year, as appropriate.

Item 6 - Other Active/Guard/Reserve Installations Within 15 Mile Radius: List the nearest six existing Active and existing or programmed (within the next five years) Reserve component facilities and their distances, within a fifteen mile radius of the proposed construction site. If no facilities exist within the fifteen mile radius, identify the three closest installations. Indicate the year the facilities were constructed and the size of the facility.

Item 7 - Projects Requested In This Program: Installation or activity projects for the budget year shall be listed individually with attendant information provided in the appropriate column. Both major and minor construction projects are to be included.

a. Column 1 - Category Code: Enter the applicable category code consistent with the category code shown in Item 6 of the DD Form 1391.

b. Column 2 - Project Title: Enter the project title consistent with the title shown in Item 4 of the DD Form 1391.

c. Column 3 - Scope: Enter the same quantity shown in Item 9 of the DD Form 1391, Cost Estimates, and include the unit of measure (e.g., SM, SY, LF, PR, EA, CY, etc.). Immediately following or directly beneath the metric quantity and unit of measure, parenthetically include the English quantity and measurement. In those instances where a specific quantity cannot be satisfactorily identified, enter LS for lump sum.

INSTRUCTIONS FOR PREPARATION OF DD FORM 1390s,
"FY GUARD AND RESERVE FORCES MILITARY CONSTRUCTION (Continued)

d. Column 4 - Cost ($000): Enter the project cost consistent with the cost shown in Item 8 of the DD Form 1391. If two or more projects are listed, enter the total in this column. In the case of Army National Guard projects where part of the financing is from other than Federal sources, enter only the Federal share.

e. Column 5 - Design Status: Enter the most accurate possible dates for the start and completion of design using numerals (e.g., 6/94, 11/95).

Item 8 - State Guard/Reserve Forces Facilities Board Recommendations (Date): Enter the following statement "facilities identified in Item 6 have been examined by the State Reserve Forces Facilities Board for possible joint use/expansion. The Board recommendations are ." (Note: Project folders will contain justification data to support the recommendation.)

Item 9 - Land Acquisition Required (Number of Acres): Enter the acreage required for the project and the method of acquisition (e.g., fee, title, donation, lease, etc.). For all projects involving land acquisition, a site survey must be conducted in accordance with DoD Directive 1225.5 and the following statement must be entered, either in Item 9 or Item 10: "Site survey has been completed and site is suitable for constructing the proposed project at the estimated cost indicated."

Item 10 - Projects Planned In Next Four Years: Enter the Project Title and Estimated Cost for projects planned at the installation identified in Item 3 for the next four years beyond this program year. A maximum of five projects should be identified. For armory-type projects, list those facilities which are programmed for replacement within the next four years within a fifteen mile radius of the proposed project as well as the year the facilities were constructed. If none are planned, so indicate. Items shall contain columnar data comparable to that provided in Item 7 with the exception of design status which should be left blank. Also include the restoration and modernization (R&M) unfunded requirement in this block under the heading "R&M Unfunded Requirement."

Item 11 - Personnel Strength As Of _____: In the appropriate columns, enter the number of authorized and actual personnel at this facility as of six months prior to project submission.

Item 12 - Reserve Unit Data: List the designated units assigned and/or scheduled to be trained in the requested facilities. Enter the corresponding authorized and actual strengths of each unit, indicating actual strength as of the date listed in Item 11.

Item 13 - Major Equipment and Aircraft: List the vehicular and/or other large equipment and aircraft which are to be accommodated at the installation and which have a bearing on the type and/or scope of the facility requirement. When vehicle maintenance shops are being requested, the Weighted Equipment Density (WED) for the vehicles to be maintained will be included in this item.

DD 1391/1391C Military Construction Project Data

1.COMPONENT	FY 20__ MILITARY CONSTRUCTION PROJECT DATA	2. Date
3.INSTALLATION AND LOCATION		4. PROJECT TITLE
5. PROGRAM ELEMENT	6. CATEGORY CODE	7. PROJECT NUMBER	8. PROJECT COST ($000)

9. COST ESTIMATES

ITEM	U/M	QUANTITY	Unit Cost	Cost ($000)

10. DESCRIPTION OF PROPOSED CONSTRUCTION

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DD 1391/1391C Military Construction Project Data

DD 1391/1391C Military Construction Project Data (Continued)

1.COMPONENT	FY 20__ MILITARY CONSTRUCTION PROJECT DATA		2. Date
3.INSTALLATION AND LOCATION			4. PROJECT TITLE
5. PROGRAM ELEMENT	6. CATEGORY CODE	7. PROJECT NUMBER	8. PROJECT COST ($000)

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UNTIL EXHAUSTED

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INSTRUCTIONS FOR PREPARATION OF DD FORM 1391/1391C "FY __MILITARY CONSTRUCTION PROJECT DATA"

1. The DD Form 1391 will be used, as applicable, by the Active, Guard, and Reserve Forces to support each project proposed for inclusion in the Military Construction Program. This includes both new authorization projects in the program as well as urgent unforeseen projects using emergency or contingency authorization. This form will also be used to transmit supporting data for the following types of projects:

   a. Minor construction projects, 10 U.S.C. 2805.

   b. O&M type projects required to be submitted to OSD in accordance with the provisions of DoD Directives 4270.36, 1225.7 and 4165.6.

   c. Nonappropriated fund construction projects requiring OSD concurrence or approval.

   d. Family housing projects.

2. The continuation sheet (DD Form 1391c) will be used as required for explanation of the requirement for the project (item 11.) and other mandatory statements concerning flood plains and wetlands environmental impact, accessibility to the handicapped, fallout shelters, etc. However, when submitting an annual Military Construction Program, these mandatory statements may be included in the front of the program book.

3. Instructions for preparation of DD Form 1391 are outlined below:

   a. ITEMS 1 and 2 - COMPONENT AND DATE: Self-evident.

   b. ITEM 3 - INSTALLATION AND LOCATION: Enter the official name of the installation. Use code name or designations only when necessary to preclude security classification or when an official name is not available. Enter the name of the State if within the United States or the name of the country or island chain if outside the United States. In the case of Guard and Reserve Forces facilities, enter the city and State if the facility is not to be constructed on a military installation.

   c. ITEM 4 - PROJECT TITLE: Enter the title used in item 8, column 2 of the DD Form 1390, assuring that it corresponds to the category code in item 6.

      (1) Except for new construction, the type of work, such as "addition," "conversion," "alteration," or "modernization" shall be used in the title.

      (2) Where a single structure is to serve more than one purpose, the title should reflect the predominate use.

      (3) The scope of a project or number of buildings involved will not be shown in the title (i.e., and "Enlisted Quarters" project will not be shown as "Two 250 Man Enlisted Quarters.")

      (4) Avoid the inclusion of acronyms.

INSTRUCTIONS FOR PREPARATION OF DD FORM 1391/1391C (Continued)

(5) If a project requires land acquisition estimated to cost in excess of $50,000, the project title will be suffixed with "With Land Acquisition". Land to be acquired for the construction of several projects or for other purposes shall be programmed as a separate project and identified on a separate DD Form 1391.

d. ITEM 5 -PROGRAM ELEMENT: Enter the appropriate number as it relates to the "Future Years Defense Program," except when inclusion of this number would require classification of an otherwise unclassified form.

e. ITEM 6 - CATEGORY CODE: Enter the applicable category code using no less than three or more than six digits consistent with item 8, column 1 on DD Form 1390.

f. ITEM 7 -PROJECT NUMBER: Enter the number of the project assigned by the Component concerned. If no number has been assigned, indicate N/A (not applicable).

g. ITEM 8 - PROJECT COST: Enter the estimated cost in thousands of dollars (excluding design except for family housing) for which funding is being requested. The amount indicated should be identical to that shown in item 8, column 4, of the DD Form 1390 and should include the costs of the primary facilities, supporting facilities, contingencies, supervision, inspection, and overhead. Figure will be the Total Request entered in item 9. and will not include the figure entered for "Equipment Provided From Other Appropriations."

h. ITEM 9 - COST ESTIMATES: This portion of the DD Form 1391 is comprised of several elements which collectively comprise the Total Request. Each element will be identified, quantified, and costed in a series of five column entries as follows:

(1) Item: Identity of the Primary or Supporting Facility, etc. After each "Item" entry where the metric measurement (square meters) is used in the Unit of Measure column, include in parenthesis the size of the facility in the English measurement (Square Feet).

(2) U/M (unit of Measure): Each entry in the "item" column will be followed in the "U/M" column by the accepted two-character abbreviation for the unit of measure associated with the quantity of the item concerned (e.g., SM, SY, LF, KV, etc.). Where it is not feasible to show a specific unit of measure, use LS (Lump Sum).

(3) Quantity: Enter the required number of units of measure comprising the "item" entry. Where "LS" is the unit of measure, enter a dash (-).

(4) Unit Cost: Enter the appropriate unit cost for each "item" entry where a unit of measure is indicated. Where the unit of measure is "LS" enter a dash in the unit cost column.

(5) COST ($000):

(a) Enter the cost, in thousands of dollars, represented by the product of the "Quantity" and "Unit Cost" entries.

INSTRUCTIONS FOR PREPARATION OF DD FORM 1391/1391C (Continued)

(b) When a single primary facility is listed enter the cost of the facility without parentheses. If unusual features or functional areas of the primary facility are listed, the cost of each shall be enclosed with parentheses. The sum total cost of these features shall equal the figure entered for the primary facility.

(c) When more than one primary facility is listed, the cost of each facility will be entered in the cost column without parentheses.

(d) The cost entry for the item "Supporting Facilities" shall be entered without parentheses and shall be the total of the various supporting facilities listed. However, each of the individual supporting facility costs shall be enclosed by parentheses.

(e) The cost entered for items such as "Subtotal," "Contingency," "Contract Cost," "SIOH," and "Total Request" shall be entered without parentheses. However, the cost for Equipment Provided From Other Appropriations" shall be entered as a nonadd item.

(f) Projects in category Code 500 will have separately identified the equipment purchased for the Surgeons General as "Category Equipment" showing the total cost of such equipment added to the "Total Request". Labor cost for installation of "Category E" equipment should be included in the unit cost for the primary facility because it is part of the "Total Contract Cost."

(6) PRIMARY FACILITY: Enter the identity and required columnar data for the primary facility. When the primary facility consists of two or more components the cost of the primary facility will be the sum of the costs of the individual components. In addition, subordinate components will be entered under the primary facility after indenting two spaces.

(a) Normally, the cost of fixed equipment provided as part of the construction contract (e.g., cooling, heating, and electrical systems, etc.) will be included in the cost of the primary facility. However, when the primary facility includes unusual features of significant cost, such as hyperbaric vessels and standby cooling, such features should be identified under the primary facility.

(b) Land acquisition required specifically for the project and estimated to cost $50,000 or more shall be listed in the same manner as an unusual feature. Conversely, land acquisitions estimated to cost less than $50,000 are to be accomplished under 10 U.S.C. 2672 and should not be listed.

(c) For family housing new construction, the entry under primary facility will show the total number of units in the project. As subordinate components to the primary facility "Units to 5' line," "GFE," and "Land Acquisition" will be shown in parentheses in the cost column to add up to the cost of the primary facility shown. "Item 10 will be used to show the numbers and cost computations for the various types of living units which comprise the primary facility.

(d) "Lump-sum" funding requests are prohibited. The only instance for which separate construction projects can be combined under a single DD Form1391 is when each

INSTRUCTIONS FOR PREPARATION OF DD FORM 1391/1391C (Continued)

of the projects is in the same general facility category (i.e., supply facilities, maintenance and production facilities, unaccompanied housing, etc.). Programs such as "facility upgrades," "ATB Beddown Facilities," and others combining a number of disparate construction efforts must be justified as separate projects. If it is planned, in execution, to construct several of these projects at a single location under one contract, a statement to that effect should be included in the "Additional" section of Item 10.

(e) Antiterrorism Force Protection/physical security measures: the entry under primary facility will show physical security improvements (e.g. special structural improvements, ballistic glass, etc.). Where land acquisition serves a specific purpose such as stand-off distance for force protection, the acquisition shall be listed as an antiterrorism force protection subordinate component to the primary facility.

(7) SUPPORTING FACILITIES: List those items of construction directly related to and required for the support of the primary facility. Such items should include (a) special construction features (piles, spread footings, seismic, fill, etc.); (b) utilities (gas, oil, steam, electric, and water supply lines as well as sanitary and storm sewers); (c) site preparation; (d) roads, sidewalks, and parking; (e) site improvements (seeding, sodding, landscaping, etc.); (f) antiterrorism force protection/physical security measures such as physical security site improvements (e.g. fencing, perimeter/area lighting, blast mitigation barriers, berms and landscaping, etc); and (g) demolition. All supporting facility items should be listed in terms of accepted units of measure and quantity whenever practicable. For family housing, design cost will be identified under "Supporting Facilities."

(8) SUBTOTAL: Enter the sum of the costs shown for all primary and supporting facilities.

(9) CONTINGENCY: Enter the appropriate contingency rate, in parentheses, immediately following the item designation in column 1, and enter the cost equivalent in the proper column.

(10) TOTAL CONTRACT COST: Enter the sum of the "Subtotal" and the "Contingency" costs. In the case of Army National Guard, armory projects which are funded, in part, from other than Federal funds, enter the Federal costs on the first line and the State or other cost on the next line below.

(11) SUPERVISION, INSPECTION, AND OVERHEAD (SIOH): Enter the appropriate SIOH rate in column 1 after the item designation and reflect the cost equivalent in the proper column.

(12) DESIGN/BUILD: For major construction projects where the Design/Build contracting method is planned to be used, the design cost associated with the contract should be included in the Cost Estimates (Block 9) section of the DD Form 1391. The entry "Design/Build – Design Cost" will be used and should appear after the "SIOH" entry and before the "Total Request" entry with the associated cost in the proper column.

(13)TOTAL REQUEST: Enter the sum of the "Total Contract Cost" and the "SIOH". This figure should be identical to the entry in item 8, "Project Cost ($1000)". Total requestshould be rounded-off to provide a more realistic approach to the presentation

INSTRUCTIONS FOR PREPARATION OF DD FORM 1391/1391C (Continued)

of MILCON programs. The following guidance is provided for "rounding-off" a projects' total request:

Project (P) Estimate ($000)			Rounding Guidance ($000)	
	<	1,000	Nearest $	10K
1,000	to	5,000	Nearest $	50K
5,000	to	10,000	Nearest $	100K
10,000	to	15,000	Nearest $	200K
15,000	to	20,000	Nearest $	500K
	>	20,000	Nearest $	1,000K

(14) EQUIPMENT PROVIDED FROM OTHER APPROPRIATIONS: Enter the total cost of equipment which is procured with other than MILCON funds and which is essential to the mission of the facility. DD Form 1391 should reflect only the cost of equipment identified in the Associated Equipment Report. If no such major equipment is associated with the project, enter a "zero" in the appropriate space. Note that this figure is not included in the "Total Request" above. This excludes minor items procured with O&M funds, and in the case of Army National Guard, excludes equipment provided from other then Federal appropriations.

i. ITEM 10 - DESCRIPTION OF PROPOSED CONSTRUCTION:

(1) In a clear and concise manner, provide a complete outline of all principal features of the work and its correlation with the various data entered in item 9.

(2) State whether or not the proposed construction is in compliance with applicable antiterrorism force protection measures and antiterrorism force protection standards.

(3) Begin with an accurate description of the primary facility. For buildings, indicate the materials planned to be used for the frame, walls, roof, and foundations, and identify the major functions for which space is being provided. For structures other than buildings, describe each major element required to produce a complete and usable facility. Avoid the use of generalities such as "most economical means" or "modern methods and materials."

(4) Provide only such additional descriptive details as are necessary for clarity.

(5) Identify and list the buildings or structures to be demolished in connection with the proposed construction, if applicable.

(6) For single person quarters projects, indicate the grade mix of personnel, officer or enlisted, who will occupy the facilities.

(7) For projects involving additions, alterations, or conversions, describe the changes to be made.

INSTRUCTIONS FOR PREPARATION OF DD FORM 1391/1391C (Continued)

(8) At the last entry in item 10, indicate the amount of air conditioning required (e.g., air conditioning - 15 tons).

j. ITEM 11 - REQUIREMENT: This portion of the DD Form 1391 is comprised of seven elements which are to be set forth in the following format:

(1) Immediately after the item title "Requirement" indicate, in appropriate units of measure, the total facility requirement (e.g., 5,500 SM), followed by two additional entries giving the status of the existing facility (e.g., adequate: 66,134 SF; substandard: -0-).

(2) PROJECT: Provide a one-sentence statement indicating what this project provides.

(3) REQUIREMENT: Provide detailed, informative statements as to precisely why the project is needed. Use positive statements to support the requirement and avoid the use of such words as "inadequate," "uneconomical," and "necessary" unless they are fully explained. Similarly, when identifying contributing factors, assure that the presentation leaves no pertinent questions unanswered (e.g., vulnerability to terrorist threats (reference threat/vulnerability assessment); excessive maintenance (show cost comparison); self-liquidation (show amortization); or advanced deterioration (describe effects)). The requirements must establish maximum utilization of existing facilities and identify alternatives considered, along with reasons for their rejection. If the project is a result of the Integrated Global Posture and Basing study, include the phrase, "This project is associated with the global Defense posture changes".

(4) CURRENT SITUATION. Describe how and under what conditions the requirement is presently being met. Comments should support the stated requirement and include the identity and description of current assets as well as the reason they are considered unsuitable for continued use. For Guard and Reserve Forces projects which are to replace existing facilities, identify and describe the disposition to be made of them. Similarly, for Guard and Reserve Forces facilities to be constructed and/or utilized jointly with other Guard/Reserve components, include pertinent information and status of coordination or negotiations.

(5) IMPACT IF NOT PROVIDED. Describe the manner and extent to which mission accomplishment would be affected if the project were not approved.

(6) ADDITIONAL. If the project is justified on an economic basis (primary economic analysis), so state and indicate the projected payback period. As a minimum, all renovation, upgrade, and replacement projects must be supported by an economic analysis. For all other projects, state precisely why a primary economic analysis cannot be applied to the project. When providing supporting documentation for the OSD budget submission, enter appropriate statements on commercial/industrial operations in accordance with the DD

OMB Circular A-76 and as required by applicable DoD Instruction. Entry of this information on the DD 1391 or on a separate DD 1391c is optional. For all overseas projects, state whether or not the project is eligible for NATO Infrastructure or other host nation funding.

(7) JOINT USE CERTIFICATION. Include the following certification: "The (enter the title of the certifying official) certifies that this project has been considered for

joint use potential. Joint use construction is recommended." Or "The (enter the title of the certifying official) certifies that this project has been considered for joint use potential. Unilateral construction is recommended. The reasons for this recommendation are…" The Joint Use Certification is not required for family housing construction projects.

(8) For all unaccompanied housing project requests, the DD Form 1391 is to show all unaccompanied housing restoration and modernization conducted in the past 2 years (BY-2 and BY-1) and all future R&M requirements (defined as R&M funding for unaccompanied housing included in the FYPD years) for unaccompanied housing at that installation. This information should appear as the last data in the DD Form 1391 under the heading "BY-2 Unaccompanied Housing R&M Conducted," "BY-1 Unaccompanied Housing R&M Conducted," and "Future Unaccompanied Housing R&M Requirements."

NOTE: Space requirements for items 10 and 11 will vary. Therefore, remaining space on the DD Form 1391 may be used as necessary for the specific entries and continued on a DD Form 1391c as appropriate. A solid, black line should be used to set items 10 and 11 apart, and individual item titles and subheadings should be added.

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MC-1 Implementation of Major Initiatives

Implementation of Major Initiatives

Appropriation: _____

Major Initiative #: _____(choose from the list below)
Major Initiative Title: _____(should correspond to the number chosen above)

General Description of Major Initiative: (Explain the overall strategic goal.)

Total Budget Year Funding Obligation Plan ($000): _____

Budget Year Implementation Plan: Explain what will be accomplished in the budget year to support the initiative. Be specific, including the impact on force structure.

- 001 - Modularity
- 002 – Global Defense Posture (Discontinued)
- 003 – New Mission
- 004 – BRAC - Global Defense Posture (Discontinued)
- 005 – BRAC – Army Modularity (Discontinued)
- 006 – BRAC
- 007 – Family Housing - Global Defense Posture
- 008 – Family Housing – Army Modularity
- 009 – Family Housing - Privatization
- 010 – Family Housing - Other
- 011 – Improve Quality of Life (e.g. Child Care Centers but excluding ousing/barracks)
- 012 – Barracks Initiative
- 013 – Replace Aging Facilities
- 014 – Growing the Force – Military Construction
- 015 – Growing the Force – Family Housing
- 016 – Other
- 017 – Planning and Design
- 018 – Minor Construction
- 019 – Nuclear Security
- 020 – Training Barracks Initiative
- 021 – Global Posture – BCTs in Europe
- 022 – Global Posture – AFRICOM Headquarters
- 023 – Global Posture – Missile Defense
- 024 – Global Posture – Other Europe
- 025 – Global Posture – Relocation of Marines from Okinawa to Guam
- 026 – Global Posture – USFK housing to Support YRP/LPP/Phase I Tour ormalization
- 027 – Global Posture – Phase II & III Tour Normalization
- 028 – Global Posture – Other Asia Pacific
- 029 – Global Posture – CENTCOM AOR
- 030 – Global Posture – AFRICOM AOR
- 031 – Global Posture – Mayport
- 032 – Global Posture – Consequence Management (Western Hemisphere)
- 033 – Global Posture – Other (be specific)
- 034 – Energy Savings Initiative
- 035 – Homeport Ashore Barracks Initiative
- 036 – Dorms for Airmen

Joint Military Construction Project Exhibit
[Lead Componet]
FY ___ - FY ___ Program/Budget Review
(Dollars in Thousands)

Location:
Project Title:
Lead Component:

Funding Requirement	**BY**	**BY+1**	**BY+2**	**BY+3**	**BY+4**
Army Reserve					
Army National Guard					
Navy/MC Reserve					
Air Force Reserve					
Air National Guard					
Total Requirement	**0**	**0**	**0**	**0**	**0**

Budgeted Amount	**BY**	**BY+1**	**BY+2**	**BY+3**	**BY+4**
Army Reserve					
Army National Guard					
Navy/MC Reserve					
Air Force Reserve					
Air National Guard					
Total Requirement	**0**	**0**	**0**	**0**	**0**

Instructions:

1. For each joint project, fill in the information above (each project should be identified separately).
2. In the "Funding Requirement" section, enter the amounts that each Component is expected to contribute to the joint project.
3. In the "Budgeted Amount" section, enter the amount that has been included in the FY ____ - FY ____ budget submission.
4. All dollars should be in thousands.

Exhibit FH-1 Tri-Service Family Housing Cost Model

TRI-SERVICE FAMILY HOUSING COST MODEL

Service _____ Activity and Location _____ _____ Project Number _____ Fiscal Year _____

Harsh climate location? (Y/N) Overseas? (Y/N) Replacement? (Y/N) ___ ACF

DWELLING COSTS:

Paygrade	Bedrooms	Size of House	$/GSM	# of units	Project Factor	=	Dwelling Cost (000)	Cumulative Project Cost (000)
_____	_____	(NSF/GSF/GSM)	( )	( )	( )	=	$_____	
_____	_____	(NSF/GSF/GSM)	( )	( )	( )	=	$_____	
		DWELLING TOTAL:	_____	$_____			$_____	

PROJECT FACTORS:
( ) ( ) =
(ACF) (Proj Size Factor) = Project Factor

ADJUSTMENT TO DWELLING COSTS:

	Unit Cost	No. Units	Project Factor	= Adjustment (000)
Additional Fire Protection/Unit	( )	( )	( )	= $ _____
Renewable Energy Source Cost/Unit	( )	( )	( )	= $ _____
Other Special Construction/Unit	( )	( )	( )	= $ _____

TOTAL ADJUSTMENTS: $_____ $_____

Avg. Unit Costs: = $_____

SUPPORT COSTS:

Lot Costs	$_____	
Site Improvements	$_____	
Utility Mains	$_____	
Streets	$_____	
Landscaping	$_____	
Recreation	$_____	
Environmental	$_____	
Demolition	$_____	
Special Construction Features	$_____	
Other (Specify)	$_____	
TOTAL SUPPORT COSTS:	$_____	$_____

SUMMARY:

( ) + ( ) + ( ) =				$_____	$_____
(Dwelling Cost) + (Adjustment) + (Support Cost) =				Subtotal	
( ) + ( ) + ( ) + ( ) =					$_____
(Subtotal) + (Contingency) + (SIOH) + (Design) =					Project Cost

PROJECT SIZE:	NSF ( )	GSF ( )	GSM ( )	NSF Normalized	GSF Average	GSM Costs (ACF=1)
Adj. Dwelling Cost per Project Size:	$_____	$_____	$_____	$_____	$_____	$_____
Project Cost per Project Size:	$_____	$_____	$_____	$_____	$_____	$_____

The Unit Cost Per Gross Square Meter, Project Size Factors, and Area Cost Factors (ACF) will be provided in Unified Facilities Criteria (UFC) 3-701-03 each year

Exhibit FH-1 Tri-Service Family Housing Cost Model

Exhibit FH-2 Family Housing O&M

Family Housing, _____
Operation and Maintenance Summary
(Excludes Leased Units and Costs)
FY ____

	FY(PY)		FY(CY)		FY(BY)	
A. Inventory Data						
Units in Beginning of Year						
Units at End of Year						
Average Inventory for Year						
a. Historic Units 1/						
Units Requiring O&M Funding:						
a. Conterminous U.S.						
b. U.S. Overseas						
c. Foreign						
d. Worldwide						
	Unit Cost 2/	**Total**	**Unit Cost 2/**	**Total**	**Unit Cost 2/**	**Total**
B. Funding Requirement						
1. Operations						
a. Management						
b. Services						
c. Furnishings						
d. Miscellaneous						
Subtotal-- Direct Obligations						
Anticipated Reimbursements						
Gross Obligations--Operations						
2. Utilities - Direct Obligations						
Anticipated Reimbursements						
Gross Obligations--Utilities						
3. Maintenance						
a. M&R, Dwellings						
b. M&R, Exterior Utilities						
c. M&R, Other Real Property						
d. Alterations & Additions						
Subtotal--Direct Obligations						
Anticipated Reimbursements						
Gross Obligations--Maintenance						
Grand Total, O&M - Direct Obligations						
Grand Total, Anticipated Reimbursements						
Grand Total, O&M - Gross Obligations						

1/ Show, as a subset of "Average Inventory for Year," the total number of units classified as historic (units that DoD must manage in accordance with the National Historic Act of 1966).
2/ Based on number of units requiring O&M funding

Exhibit FH-2 Family Housing O&M

Exhibit FH-3 Furnishings Summary

Family Housing, _____
Furnishings Summary
(Dollars in Thousands)
FY _____

	Furnishings less Household Equipment					Household Equipment					Total Furnishings				
	Movg/ Hdling	Maint/ Repair	Replace ment	Initial Issue	Total	Movg/ Hdling	Maint/ Repair	Replace ment	Initial Issue	Total	Movg/ Hdling	Maint/ Repair	Replace ment	Initial Issue	Total
(PY)															
CONUS															
US O/S															
Foreign															
Public															
Private															
Total															
(CY)															
CONUS															
US O/S															
Foreign															
Public															
Private															
Total															
(BY)															
CONUS															
US O/S															
Foreign															
Public															
Private															
Total															

INSTRUCTIONS FOR PREPARATION OF FAMILY HOUSING FURNISHINGS SUMMARY EXHIBIT FH-3

General. Furnishings to be included in Exhibit FH-3 are defined in Enclosure 6 to DoD Instruction 4165.43. For Unaccompanied Personnel Housing furnishings, see Exhibit OP-21, Chapter 232, this Manual.

Prior Year Data. For the prior year, enter estimated end year obligations.

Current and Budget Year Data. Estimates should be based on requirements determined to be in accordance with Section XI of DoD Instruction 4165.43 and applicable experience data. Provide an explanation for differences of more than $1 million or 10%, whichever is less, between the total amount shown for furnishings in the current year and the budget year.

Moving and Handling. All identifiable transportation, handling and storage costs should be included here.

Initial Issue. Certain initial issue movable equipment, such as stoves and refrigerators, is usually procured as part of a construction project with construction funds, instead of operation funds. Likewise, in some circumstances leasing funds are utilized for furnishings in leased quarters. The FH-3 should reflect all family housing resources applied to furnishings, with memo entries to indicate the amounts funded from accounts other than the Furnishings portion of Operations and Maintenance.

Exhibit FH-4 Analysis of Leased Units

Family Housing, _____
Analysis of Leased Units
FY____

	FY(PY)			FY(CY)			FY(BY)		
Location	Unit Auth	Lease Months	Cost ($000)	Unit Auth	Lease Months	Cost ($000)	Unit Auth	Lease Months	Cost ($000)
Domestic Leases (list each location and month in which the annual award is exercised)									
Total Domestic Leases									
Foreign Leases (list each location and month in which the annual award is exercised)									
Total Foreign Leases									
Grand Total									

Exhibit FH-4 Analysis of Leased Units

Exhibit FH-5 General and Flag Officers' Anticipated Expenditures

Department of the [1]_____
General and Flag Officers' Quarters (GFOQ)
Operations and Maintenance Expenditures Anticipated to Exceed $35,000 per Unit for Fiscal Year FYXX[2]
(Dollars in Thousands)

State/ Country[3]	Installation[4]	Quarters Address[5]	Year Built[6]	Size NSF[7]	Opns Cost[8]	Utilities Cost[9]	Maint Cost[10]	Leasing Cost[11]	Total Costs[12]
Total GFOQ Costs									
Total GFOQ # Units									

Footnotes[13]:

Instruction Notes:

1 Service name.

2 Budget year.

3 State name or foreign country.

4 Installation name.

5 Specific quarters address or unit identification.

6 Calendar year in which the dwelling unit or building (in case of multiple units) was built. Identify with an asterisk (*) next to the year built those units that are on the national, state and/or local historic registry.

7 Total net square footage of the dwelling unit.

8 Total operations (BA6) anticipated for the fiscal year.

9 Total utilities (BA5) anticipated for the fiscal year.

10 Total maintenance (BA10) expenditure anticipated for the fiscal year.

11 Total Leasing (BA7) expenditure for the fiscal year, if applicable.

12 Total Family Housing Operations and Maintenance expenditures anticipated for the GFOQ unit for the fiscal year.

13 Include any non- Family Housing O&M expenditures anticipated and a short description of these expenditures in a footnote.

* Show these cost figures in thousands of dollars, carried out to no more than one decimal place.

Exhibit FH-6 Family Housing Privatization

FY 2XXX [Department Name] Housing Privatization

Privatization Date (1)	Installation/State (2)	Units Conveyed (3)	End State Units (4)	Funding				Authority (9)
				Amount ($M) (5)	Budget Year(s) (6)	Type (7)	Project (8)	
Total (10)								

Exhibit FH-6 Family Housing Privatization

Instructions:

1. Provide the award date of the project (annotate with "(E)" if not awarded).
2. Installation name and state.
3. Number of units conveyed to the developer.
4. Number of end state units.
5. Identify the amount of funds to be used for the Government's cost of the project.
6. Identify the fiscal year(s) of funding source to be used for the Government's cost of the project.
7. Identify the type of funds (e.g., new construction, post-acquisition construction, etc.) to be used for the Government's cost of the project.
8. Identify the project(s) that are used to source the Government's cost of the privatized project.
9. Indicate which authorities provided in subchapter IV of Chapter 169 in title 10 U.S.C. will be used for each project (e.g., Sec 2873, Sec 2875, etc.).
10. Total unit conveyed, end state units, and amounts.

Note: Use this format for the President's Budget.

DEPARTMENT OF _____

Exhibit FH-6-BES Family Housing Privatization Comparison

Fiscal Year 20XX
(BES Use Only)

Privatization Date[1]	Project Name and/or Installation/State[2]	Approved by OSD & OMB[3]						Actual/Current[4]						Author-ities[7]
		Units[5] Conveyed	End State Units[5]	Funding Source[6]				Units[5] Conveyed	End State Units[5]	Funding Source[6]				
				Amount ($M)	Budget Year(s)	Type	Project			Amount ($M)	Budget Year(s)	Type	Project	
	Grand Totals	-	-	-				-	-	-				

NOTES:
1 - The date real property is transferred (land and housing units) to private ownership/developer, and when service members become entitled to receive a basic allowance for housing.
2 - For grouped projects, the first line should be the grouped project name with lines below for each installation and state in the grouped project.
3 - The latest scope and funding amount approved by OSD and OMB in a scoring package, which should be consistent with the latest Transfer of Funds into the FHIF Notifications to Congress.
4 - The actual/current scope and funding, as of 30 Sep 2011, corresponding to the end state that the owner is obligated to provide, subsequent to OSD/OMB approval, based on changes due to local market conditions and operational transformations. These definitions are consistent with those in the semi-annual MHPI Program Evaluation Plan Report.
5 - Show the total conveyed and end-state units for a grouped project, and for each installation within a grouped project.
6 - Provide all funding sources.
7 - AUTHORITIES:
1 - 10 USC 2873 "Direct Loans and Loan Guarantees"
2 - 10 USC 2875 "Investments in Nongovernmental Entities"
3 - 10 USC 2877 "Differential Lease Payments"
4 - 10 USC 2878 "Conveyance or Lease of Existing Property and Facilities"

Exhibit FH-8 Inadequate Family Housing Elimination

Family Housing _____
Annual Inadequate Family Housing Elimination

	Total Inventory	Total Inadequate Inventory	Total Inadequate Addressed
Total Units at beginning of FY 200x	1/	2/	
FY 200x total traditional military construction (Milcon) projects to eliminate inadequate units	3/	3/	3/
project 1/installation	3/	3/	3/
project 2/installation	3/	3/	3/
etc.	3/	3/	3/
FY 200x total units privatized (no longer require FH O&M) to eliminate inadequate housing	3/	3/	3/
project 1/installation	3/	3/	3/
project 2/installation	3/	3/	3/
etc.	3/	3/	3/
FY 200x total units demolished/divested/ or otherwise permanently removed from family housing inventory	3/	3/	3/
project 1/installation			
project 2/installation			
etc.			
Total Units at end of FY 200x	1/	2/	
Note: The beginning total inventory and total inadequate inventory figures represent the sum total for all installations world-wide. The data listed for the individual projects/installations is a subset.			

1/ These total figures for the beginning and end of the fiscal year must cross-reference to the similar figures in Exhibit FH-2 and the FH-11 summary tables in the budget justification book.

2/ These total figures for the beginning and end of the fiscal year must cross-reference to the similar figures in Exhibit FH-11 summary table in the budget justification book.

3/ The Total Inventory data, Total Inadequate Inventory data, and Total Inadequate Addressed data should be included for each location in which the Service has a funded traditional Milcon project, will award a privatization project, or expects to demolish, divest, or otherwise permanently remove units from the family housing inventory.

Exhibit FH-9 General and Flag Officers' Expenditures

Department of the [1]_____
General and Flag Officers' Quarters (GFOQ)
Operations and Maintenance Expenditures for Fiscal Year XXXX[2]
(Dollars in Thousands*)

State/ Country[3]	Installation[4]	Quarters Address[5]	Year Built[6]	Size NSF[7]	Opns Cost[8]	Utilities Cost[9]	Maint Cost[10]	Leasing Cost[11]	Total Costs[12]
[13]									
	Total GFOQ Costs								

Total GFOQ # Units
#Owned Units
Leased Units
Privatized Units[13]

Footnotes[14]:

Instruction Notes:

1 Service name.

2 Budget year.

3 Name of state or foreign country.

4 Installation name.

5 Specific quarters address or unit identification.

6 Calendar year in which the GFOQ unit was built. Identify with an asterisk (*) next to the year built those units that are on the national, state and/or local historic registry.

7 Total net square footage of the dwelling unit.

8 Total operations (BA6) anticipated for the fiscal year.

9 Total Utilities (BA5) anticipated for the fiscal year.

10 Total Maintenance (BA8) expenditure anticipated for the fiscal year.

11 Total Leasing (BA7) expenditure for the fiscal year, if applicable.

12 Total Family Housing Operations and Maintenance expenditures anticipated for the GFOQ unit for the fiscal year.

13 Annotate privatized units on the list with an asterisk after the installation location.

14 Include any non- Family Housing O&M expenditures anticipated and a short description of these expenditures in a footnote.

* Show these cost figures in thousands of dollars, carried out to no more than one decimal place.

Exhibit FH-10 GFOQ 6,000 NSF Units for FY 2XXX

[Department Name]

General and Flag Officers' Quarters (GFOQ)

6,000 NSF Units for Fiscal Year 2XXX

(Dollars in Thousands)

State/Country	Installation	Quarters ID	Year Built	Size NSF	Total FH O&M Cost	Alternative Use	Cost to Convert Unit	If O&M>$35K Demolish & Rebuild Cost
California	China Lake	Unit #1	1994	6,500	$100	This house could be converted to a childcare center.	$5,000	$500
Total					**$100**		**$5,000**	**$500**

Exhibit FH-10 GFOQ 6,000 NSF Units for FY 2XXX

FH 11 Inventory and Condition Govenement-Owned, Family Housing Units United States

DEPARTMENT OF _____
FH-11 Inventory and Condition of Government-Owned, Family Housing Units
UNITED STATES (CONUS plus Hawaii and Alaska)
(Number of Dwelling Units in Inventory)
Fiscal Year 20XX

	Number of Units - U.S.						
	PY	CY	BY	BY+1	BY+2	BY+3	BY+4
Beginning of FY Adequate Inventory Total	-	-	-	-	-	-	-
Q1 - 90% to 100%							
Q2 - 80% to 89%							
Beginning of FY Inadequate Inventory Total	-	-	-	-	-	-	-
Q3 - 60% to 79%							
Q4 - 59% and below							
Beginning of FY Total Inventory	-	-	-	-	-	-	-
Percent Adequate - Beginning of FY Inventory	%	%	%	%	%	%	%
Inadequate Inventory Reduced Through:	-	-	-	-	-	-	-
Construction (MilCon)							
Maintenance & Repair (O&M)							
Privatization							
Demolition/Divestiture/Diversion/Conversion							
Funded by Host Nation							
Adequate Inventory Changes:	-	-	-	-	-	-	-
Privatization							
Demolition/Divestiture/Diversion/Conversion							
End of FY Adequate Inventory Total	-	-	-	-	-	-	-
Q1 - 90% to 100%							
Q2 - 80% to 89%							
End of FY Inadequate Inventory Total	-	-	-	-	-	-	-
Q3 - 60% to 79%							
Q4 - 59% and below							
End of FY Total Inventory	-	-	-	-	-	-	-
Percent Adequate - End of FY Inventory	%	%	%	%	%	%	%

NOTE:
1 - Condition Index (CI) is a general measure at a specific point in time with respect to physical condition and ability to support the current occupant or mission. CI is calculated as the ratio of Plant Replacement Value (PRV) minus the estimated cost of maintenance and repair requirements, divided by PRV. This provides a CI, or Q-rating (Q1 to Q4), from 0% to 100%, with 100% representing excellent condition.

FH 11 Inventory and Condition Govenement-Owned, Family Housing Units Foreign

DEPARTMENT OF _____
FH-11 Inventory and Condition of Government-Owned, Family Housing Units
FOREIGN (includes U.S. Territories)
(Number of Dwelling Units in Inventory)
Fiscal Year 20XX

	Number of Units - Foreign						
	PY	CY	BY	BY+1	BY+2	BY+3	BY+4
Beginning of FY Adequate Inventory Total	-	-	-	-	-	-	-
Q1 - 90% to 100%							
Q2 - 80% to 89%							
Beginning of FY Inadequate Inventory Total	-	-	-	-	-	-	-
Q3 - 60% to 79%							
Q4 - 59% and below							
Beginning of FY Total Inventory	-	-	-	-	-	-	-
Percent Adequate - Beginning of FY Inventory	%	%	%	%	%	%	%
Inadequate Inventory Reduced Through:	-	-	-	-	-	-	-
Construction (MilCon)							
Maintenance & Repair (O&M)							
Privatization							
Demolition/Divestiture/Diversion/Conversion							
Funded by Host Nation							
Adequate Inventory Changes:	-	-	-	-	-	-	-
Privatization							
Demolition/Divestiture/Diversion/Conversion							
End of FY Adequate Inventory Total	-	-	-	-	-	-	-
Q1 - 90% to 100%							
Q2 - 80% to 89%							
End of FY Inadequate Inventory Total	-	-	-	-	-	-	-
Q3 - 60% to 79%							
Q4 - 59% and below							
End of FY Total Inventory	-	-	-	-	-	-	-
Percent Adequate - End of FY Inventory	%	%	%	%	%	%	%

NOTE:
1 - Condition Index (CI) is a general measure at a specific point in time with respect to physical condition and ability to support the current occupant or mission. CI is calculated as the ratio of Plant Replacement Value (PRV) minus the estimated cost of maintenance and repair requirements, divided by PRV. This provides a CI, or Q-rating (Q1 to Q4), from 0% to 100%, with 100% representing excellent condition.

FH 11 Inventory and Condition Govenement-Owned, Family Housing Units Worldwide

DEPARTMENT OF _____

FH-11 Inventory and Condition[1] of Government-Owned, Family Housing Units
WORLDWIDE
(Number of Dwelling Units in Inventory)
Fiscal Year 20XX

	Number of Units - Worldwide						
	PY	CY	BY	BY+1	BY+2	BY+3	BY+4
Beginning of FY Adequate Inventory Total	-	-	-	-	-	-	-
Q1 - 90% to 100%	-	-	-	-	-	-	-
Q2 - 80% to 89%	-	-	-	-	-	-	-
Beginning of FY Inadequate Inventory Total	-	-	-	-	-	-	-
Q3 - 60% to 79%	-	-	-	-	-	-	-
Q4 - 59% and below	-	-	-	-	-	-	-
Beginning of FY Total Inventory	-	-	-	-	-	-	-
Percent Adequate - Beginning of FY Inventory	%	%	%	%	%	%	%
Inadequate Inventory Reduced Through:	-	-	-	-	-	-	-
Construction (MilCon)	-	-	-	-	-	-	-
Maintenance & Repair (O&M)	-	-	-	-	-	-	-
Privatization	-	-	-	-	-	-	-
Demolition/Divestiture/Diversion/Conversion	-	-	-	-	-	-	-
Funded by Host Nation	-	-	-	-	-	-	-
Adequate Inventory Changes:	-	-	-	-	-	-	-
Privatization	-	-	-	-	-	-	-
Demolition/Divestiture/Diversion/Conversion	-	-	-	-	-	-	-
End of FY Adequate Inventory Total	-	-	-	-	-	-	-
Q1 - 90% to 100%	-	-	-	-	-	-	-
Q2 - 80% to 89%	-	-	-	-	-	-	-
End of FY Inadequate Inventory Total	-	-	-	-	-	-	-
Q3 - 60% to 79%	-	-	-	-	-	-	-
Q4 - 59% and below	-	-	-	-	-	-	-
End of FY Total Inventory	-	-	-	-	-	-	-
Percent Adequate - End of FY Inventory	%	%	%	%	%	%	%
DoD Performance Goal - At least 90% Q1/Q2 beginning in FY 2012		90%	90%	90%	90%	90%	90%

NOTE:
1 - Condition Index (CI) is a general measure at a specific point in time with respect to physical condition and ability to support the current occupant or mission. CI is calculated as the ratio of Plant Replacement Value (PRV) minus the estimated cost of maintenance and repair requirements, divided by PRV. This provides a CI, or Q-rating (Q1 to Q4), from 0% to 100%, with 100% representing excellent condition.

Include narrative describing the Service's funding and improvement strategy for maintaining at least 90% of the world-wide, government-owned Family Housing inventory at good or fair (Q1/Q2) condition, beginning in FY 2012, except for Navy with a goal of FY 2017. If the Service will not meet the DoD Performance Goal beginning in FY 2012 or for Navy by FY 2017, please provide the reasons behind the delay, the funding plan to accomplish this goal, and the fiscal year when the DoD goal will be met.

Exhibit FH-12 Privatized GFOQ Private Sector Cost Exceeding

AGENCY NAME
Privatized General and Flag Officers' Quarters
Operations, Maintenance and Repair Costs Incurred by Private Sector Developer/Partner/Owner
Exceeding $50K per Housing Unit
for Fiscal Year 2##
(Dollars in Thousands)

State/Country	Installation	Quarters ID	Year Built	Size NSF	Operations Cost	Maint & Repair Cost	Total FH O&M Cost
Total							

Exhibit FH-12 Privatized GFOQ Private Sector Costs Exceeding $50K

Notes:
1. Place an astericks (*) by the GFOQ units, where Utility Costs are included as part of Operation Costs.
2. This annual report complies with the FY 2009 National Defense Authorization Act (NDAA), amended section 2805 requirement.

DEPARTMENT OF _____

Exhibit FH-13 Detail of Awarded Family Housing Privatization Projects

Fiscal Year 20XX

Project Name and/or Installation/State[1]	Award[2] Date	Privatization Date[3]	Financial Closing Date[4]	Type of Financing[5]	Amount of Govt Financing ($000)	Term of Deal (Yrs)	Actual/Current Scope[6]						Status of IDP
							Conveyed[7]	Demolished	As Is	Renovated	New	End State[7]	

NOTES:
1 - For grouped projects, the first line should be the grouped project name with lines below for each installation and state in the grouped project.
2 - Award date for the Air Force and Dept of Navy is the effective date of the ground lease and operating agreement, and usually coincides with Privatization date (transfer of operations). For the Army, Award date is when a contract is awarded to the winning offeror to produce a Community Development Plan.
3 - Privatization date is when real property is transferred (land and housing units) to private ownership/developer, and when service members become entitled to receive a basic allowance for housing. Same as "Operationally Closed".
4 - Financial Closing date is when financial documents are signed, loans are obtained, and the government provides an investment (equity, direct loan or loan guarantee), as required/agreed.
5 - Types of Financing: Direct Loan (DL), Loan Guarantee (LG), Equity Investment (EQ) or Differential Lease Payments (DLP).
6 - The actual/current scope and funding, as of 30 Sep 2011, corresponding to the end state that the owner is obligated to provide, subsequent to OSD/OMB approval, based on changes due to local market conditions and operational transformations. These definitions are consistent with those in the semi-annual MHPI Program Evaluation Plan Report.
7 - Show the total conveyed and end state units for a grouped project, and for each installation within a grouped project.

Exhibit FH-14: FhIF Admin Requirements

Family Housing Improvement Funds (FHIF) Admin Requirements (FH-14)
Military Housing Privatization Initiative (MHPI) Program Support
Consolidated OSD and DFAS Requirements
FY 20XX
(Dollars in thousands)

CIS OCC[1]		FY 20XX (PY)	FY 20XX (CY)	FY 20XX (BY)	Comments
	CIVILIAN LABOR				
	Number of FTE[2] - Direct				
	Number of FTE[2] - Reimbursable				
11110	Full-Time Permanent Positions - Basic Compensation				
11310	Other Than Full-Time Permanent - Basic Compensation				
11510	Other Personnel Pay (overtime/comptime, awards, etc.)				
12110	Civilian Personnel Fringe Benefits				
	Total Labor	-	-	-	
21010	**Travel**				
25210	**Training - Non-Federal Sources**				
25310	**Training - Federal Sources**				
23010	**Rent, Communications & Utilities**				
24010	**Printing and Reproduction**				
26010	**Supplies & Material**				
31010	**Equipment Purchases (please specify if IT or non-IT)**				
	Other Contractual Services (Please list contracts and amounts):				
25110	**Advisory and Assistance Services:**				
25210	**Other Services from non-Federal Sources:**				
25310	**Other Goods and Services from Federal Sources:**				
	Total Non-Labor	-	-	-	
	Total FHIF Admin Request for OSD FE&P	-	-	-	

FH-14 FHIF Admin Requirements

Notes:
1 - CIS Object Class Codes (OCC), which can also be found in OMB Circular A-11.
2 - Provide number of Full-Time Equivalent (FTE) and type of support being provided by FTE in the comment column.

Family Housing Improvement Funds (FHIF) Admin
Military Housing Privatization Initiative (MHPI) Program Support
For OSD Facilities Energy & Privatization (FE&P)
FY 20XX
(Dollars in thousands)

CIS OCC[1]		FY 20XX (PY)	FY 20XX (CY)	FY 20XX (BY)	Comments
	CIVILIAN LABOR				
	Number of FTE[2] - Direct				
	Number of FTE[2] - Reimbursable				
11110	Full-Time Permanent Positions - Basic Compensation				
11310	Other Than Full-Time Permanent - Basic Compensation				
11510	Other Personnel Pay (overtime/comptime, awards, etc.)				
12110	Civilian Personnel Fringe Benefits				
	Total Labor	-	-	-	
21010	**Travel**				
25210	**Training - Non-Federal Sources**				
25310	**Training - Federal Sources**				
23010	**Rent, Communications & Utilities**				
24010	**Printing and Reproduction**				
26010	**Supplies & Material**				
31010	**Equipment Purchases (please specify if IT or non-IT)**				
	Other Contractual Services (Please list contracts and amounts):				
25110	**Advisory and Assistance Services:**				
25210	**Other Services from non-Federal Sources:**				
25310	**Other Goods and Services from Federal Sources:**				
	Total Non-Labor	-	-	-	
	Total FHIF Admin Request for OSD FE&P	-	-	-	

FH-14 FHIF Admin Requirements

Notes:
1 - CIS Object Class Codes (OCC), which can also be found in OMB Circular A-11.
2 - Provide number of Full-Time Equivalent (FTE) and type of support being provided by FTE in the comment column.

Family Housing Improvement Funds (FHIF) Admin
Military Housing Privatization Initiative (MHPI) Program Support
For Defense Finance and Accounting Services (DFAS) Indianapolis (IN)
FY 20XX
(Dollars in thousands)

CIS		FY 20XX (PY)	FY 20XX (CY)	FY 20XX (BY)	Comments
OCC[1]	CIVILIAN LABOR				
	Number of FTE[2] - Direct				
	Number of FTE[2] - Reimbursable				
11110	Full-Time Permanent Positions - Basic Compensation				
11310	Other Than Full-Time Permanent - Basic Compensation				
11510	Other Personnel Pay (overtime/comptime, awards, etc.)				
12110	Civilian Personnel Fringe Benefits				
	Total Labor	-	-	-	
21010	**Travel**				
25210	**Training - Non-Federal Sources**				
25310	**Training - Federal Sources**				
23010	**Rent, Communications & Utilities**				
24010	**Printing and Reproduction**				
26010	**Supplies & Material**				
31010	**Equipment Purchases (please specify if IT or non-IT)**				
	Other Contractual Services (Please list contracts and amounts):				
25110	**Advisory and Assistance Services:**				
25210	**Other Services from non-Federal Sources:**				
25310	**Other Goods and Services from Federal Sources:**				
	Total Non-Labor	-	-	-	
	Total FHIF Admin Request for DFAS-IN	-	-	-	

FH-14 FHIF Admin Requirements

Notes:
1 - CIS Object Class Codes (OCC), which can also be found in OMB Circular A-11.
2 - Provide number of Full-Time Equivalent (FTE) and type of support being provided by FTE in the comment column.

Exhibit FH-15 Reestimate Cash Flow Status Exhibit

PBXX Reestimate CASH FLOW STATUS (FH-15)
DEPARTMENT OF THE _____
FOR FY 20XX[1]

File Name	Cash Flows	
	Correct As Is	Need Further Changes
DIRECT LOAN CASH FLOW FILES:		
LOAN GUARANTEE CASH FLOW FILES:		

Cash Flows Requiring Further Revision	
File Name	**Revision/Comments**

Point of Contact for Additional Information:
Name:
Telephone number:
Email address:

FH-15 Reestimate Cash Flow Status Exhibit

Note:
1 – Current Year (CY) of President's Budget

Exhibit OP-5 (Part 2) Attachment 1: Reconciliation of Increases and Decreases

Reconciliation of Increases and Decreases

(Dollars in Thousands)

1. FY 19CY President's Budget Request

2. Congressional Adjustments:
a.
b.
c.
etc.

3. FY 19CY Appropriated Amount

4. Supplemental Appropriation (if applicable):
a. Civilian Pay Raise
   1) General Schedule
   2) Wage Board

b. Program Supplemental
   1)
   2)
   etc.

5. Price Growth:

(Categorize and explain significant price growth.)

6. Functional Program Transfers:
a) Transfers in
1)
2)
etc.

b) Transfers Out
1)
2)
etc.

Exhibit OP-5 (Part 2) Attachment 1: Reconciliation of Increases and Decreases (Continued)

(This category should be used only when a program function is transferred between activity groups or Services. This category should not be used to show the transfer of funds between activity groups in instances where the transfer of funds is not accompanied by a functional transfer of the program for which the funds were initially requested. Also see end "NOTE" on next page)

Exhibit OP-5 (Part 2) Attachment 1: Reconciliation of Increases and Decreases (Continued)

Reconciliation of Increases and Decreases (Continued)

(Dollars in Thousands)

7. Program Increases: (For each program increase or decrease, provide
a. quantitative and qualitative information relative
b. to these changes, as well as the baseline
c. (in dollars) to which the increase or decrease
etc. applies. Increases and decreases should address
specific adjustments in program, particularly
changes in inventory, management initiatives, transfers,
8. Program Decreases: statutory requirements, etc.)
a.
b.
c.
etc.

9. FY 19CY Current Estimate

10. Price Growth (See 5 above)

11. Functional Program Transfers (See 6 above)

12. Program Increases (See 7 above)

13. Program Decreases (See 8 above)

14. FY 19BY1 Budget Request

15. Price Growth (See 5 above)

16. Functional Program Transfers (See 6 above)

17. Program Increases (See 7 above)

18. Program Decreases (See 8 above)

19. FY 19 BY2 Budget Request

NOTE: If a particular category of increase or decrease does not apply, leave it off the Exhibit OP-5 (rather than include it on the Exhibit OP-5 with a value of zero). Reprogramming actions included in the budget submission for the Current Year other than 1415-IR functional transfers should be shown separately. Except for this, categories of increases and/or decreases other than those shown above should not be used**.**

Exhibit OP -5 (Part 2) Attachment 1: Reconciliation of Increases and Decreases (page 3 of 3)

Exhibit HA-1 Homeowners Assistance - Workload and Obligation Data

HOMEOWNERS' ASSISTANCE FUND, DEFENSE
WORKLOAD AND OBLIGATION DATA
FY____

	Actual FY (PY)			Estimated FY (CY)			Estimated FY (BY)____		
	Units	Dollars (000)	Average ($)	Units	Dollars (000)	Average ($)	Units	Dollars (000)	Average ($)
1. Investment									
a. Equity Payments									
b. Liquidation of Second Mortgages									
c. Total Payments									
d. Mortgages Assumed									
e. Total Investment									
2. Expense - Corps of Engineers									
a. Payments - Private Sales									
b. Payments - Foreclosures									
c. Subtotal - Reimbursements to Homeowners									
d. Appraisals									
e. Administrative Expense									
f. Total Expense - CoE									
3. Expense - FHA									
a. Management & Maintenance of Homes									
b. Sales Expense									
c. Administrative Expense									
d. Total Expense - FHA									
4. Total Expense									
5. Total Program - Investment and Expense									

Exhibit HA-1 Homeowners Assistance – Workload and Obligation Data

Exhibit HA-2 Homeowners Assistance Status of Accounts

HOMEOWNERS' ASSISTANCE FUND, DEFENSE
STATUS OF ACCOUNTS

ITEM	Cash ($000)	Authority to Spend Agency Debt Receipts ($000)	Total ($000)
1. EXPENDITURE ACCOUNT - RESOURCES AND APPLICATIONS (OBLIGATION BASIS)			
a. Resources			
(1) Unobligated balance, start of year			
(2) Appropriations			
(3) New authorization to spend Agency debt receipts			
(4) Revenue			
(a) Sales (Cash)			
(b) Other Revenue			
(5) Principal payments on mortgages (retirement of debt)			
(6) Total			
b. Applications			
(1) Payments on acquisition of properties			
(2) Value of mortgages payable assumed			
(3) Expenses			
(4) Transfer to miscellaneous receipts			
(5) Total			
c. Unobligated balance, end of period (line 1a(6) minus 1b(5))			
2. PROPERTY ACCOUNT			
a. On hand, start of year			
b. Payments for equity and second mortgages on acquisition of properties			
c. Value of mortgages payable assumed			
d. Less acquisition price of properties sold or disposed of otherwise (line 5b(1) below)			
e. On hand; end of period			
3. BORROWING ACCOUNT (MORTGAGES PAYABLE)			
a. Balance payable, start of year			
b. Value of mortgages payable assumed			
c. Less payments on principal			
d. Less value of mortgages liquidated			
e. Subtotal - Principal payments (retirement of debt)			
f. Balance payable, end of period			
4. NET EQUITY IN PROPERTY (line 2e minus line 3f)			

	Total ($000)	Average ($)
5. RECAPITULATION FOR PROPERTIES SOLD		
a. Sales price		
b. Less:		
(1) Acquisition Price		
(2) FHA or ACE Administrative Expenses		
c. Net gain or (loss)		

***** Excludes Corps of Engineers Expense and FHA Expense

Exhibit HA-2 Homeowners Assistance Status of Accounts

Exhibit HA-3 Homeowners Assistance Work Unit Data

HOMEOWNERS' ASSISTANCE FUND, DEFENSE
WORK UNIT DATA
FY____

	ITEM	MILITARY	CIVILIAN	TOTAL	
1.	APPLICATIONS FOR ASSISTANCE				
	a.	On hand - start of			
	b.	Received			
	c.	Less Actions Completed			
	(1)	Homes Acquired - For Outstanding Mortgage Balances			
	(2)	Homes Acquired - At 75%			
	(3)	Homes Acquired - No Mortgage			
	(4)	Reimbursements for Losses on Private Sales			
	(5)	Payments in Foreclosure Cases			
	(6)	Settlements - No Payment Due			
	(7)	Other (Not Eligible)			
	d.	On hand - end of period			
2.	ACQUIRED HOMES				
	a.	On hand - start of year			
	b.	Acquired			
	c.	Disposed of			
	d.	On hand - end of period			
3.	MORTGAGES PAYABLE				
	a.	On hand - start of year			
	b.	Assumed			
	c.	Less Liquidations			
	d.	On hand - end of period			
4.	OTHER DATA				
	a.	Second Mortgages Liquidated			
	b.	Appraisals Made			
	c.	Appeals processed			
	(Approved)				
	(Disapproved)				

Exhibit HA-3 Homeowners Assistance Work Unit Data

Exhibit HA-4 Homeowners Assistance Program and Financing

Homeowners' Assistance Fund, Defense
Program and Financing
FY _____ _____

	FY PY Actual		FY CY Estimate		FY BY Estimate	
	Units	Obligations ($000)	Units	Obligations ($000)	Units	Obligations ($000)
Payments to homeowners 1/						
Other operating costs 2/						
Acquisition of properties 3/						
Mortgages assumed 4/						
Total program						
Available from prior year						
Estimated revenue 5/						
Available for other years						
Budget Authority						
Authorization to spend agency debt receipts						
Appropriation						

NOTES: 1/ Reimbursements to homeowners for losses; private sales or foreclosures. Work unit, "number of payments."
2/ DoD and FHA expenses. Work unit, "total number of applications processed, including rejections."
3/ Payments to homeowners for equity in properties acquired by the Government. Work unit, "number of properties."
4/ Value of mortgage balances assumed by the Government on properties acquired. Work unit "number of mortgages assumed."
5/ Recovery of Government's investment by the sale of properties. Work unit, "number of properties sold."

Exhibit NSIP -1 NSIP Project Data

NATO Security Investment Program (NSIP) Project Data

Location	Installation	Project Title	Project Description	Budget Scheme	Project Cost	U. S. Cost Share	Other Nation Cost Share

Instructions:

1. This exhibit will identify the NSIP requirements, both military construction and procurement, at the project level detail. The exhibit should be completed for both the normal NSIP requirements and NATO Expansion requirements. The listing should be sufficiently detailed to identify discrete projects and initiative; aggregation at the capability package level i.e., Defense of the Mediterranean, is NOT sufficiently detailed.

2. Data should be submitted in hard copy and on a disk in a Microsoft Access format or in Microsoft Excel format.

3. Location: State or country where the project will be executed, i.e. Alaska, Turkey, or Italy.

4. Installation: Base where the project will be executed, i.e. Aviano AB.

5. Project Title.

6. Project Description: Explanation and description of each project.

7. Budgeted Scheme: Identify the number of NATO nations sharing in the cost of the project.

8. Project Cost: The total cost for the NSIP project. The projects cost should be displayed in thousands.

9. U.S. Cost Share: Identify the estimated U.S. share of the project cost. The U.S. share should be displayed in thousands.

10. Other NATO Cost Share: Identify the estimated share of the other NATO nations. The cost should be displayed in thousands.

11. This exhibit should be completed for the current year and budget year, i.e., current year FY 2001; budget Year FY 2002.

12. The hard copy and electronic submission should include a total that reflects the cost of normal NSIP requirements and NSIP Expansion requirements by fiscal year.

Exhibit NSIP-1 NSIP Project Data

Exhibit NSIP-2 NSIP Recoupment Estimates

NORTH ATLANTIC TREATY ORGANIZATION SECURITY INVESTMENT PROGRAM RECOUPMENT ESTIMATES

Component	Appropriation	Fiscal Year	Location	Installation	Project Title	Slice/Serial (if known)	Recoupment Budget Estimate	Rate of Conversion

Instructions:

1. This exhibit will be executed at the project level for each NSIP major construction project that is eligible for recoupment (reimbursement by other member countries for eligible costs). No project level detail is required for minor construction, planning and design, family housing improvement or BRAC.

2. Data should be submitted in hard copy and on a disk in a Microsoft Excel format.

3. Component should be the specific Service Active, Guard or Reserve Force component or Defense Agency. Recognized abbreviations such as ARNG (Army National Guard), etc. are acceptable.

4. Appropriation should be a four digit number (treasury code).

5. Fiscal year should be a four-digit number.

6. Location is the two digit state or country code.

7. Installation is the military base where the project is being built.

8. Slice/Serial, if known, or pre-financing notification reference number.

9. Recoupment budget estimate amount is in thousands.

10. The estimated budget recoupment should reflect the rate of conversion at the time of estimate.

11. For the hard copy, the data should be sorted by fiscal year, location and then by installation. The hard copy and should also include a total for each fiscal year.

Date
Point of Contact: Name, Organization, and Phone number
Exhibit NSIP-2 NSIP Recoupment Estimates

UH-1a Inventory and Condition of Permanent Party, Government Owned, Unaccompanied Housing (UH) United States (CONUS plus Hawaii and Alaska)

Department of _____
UH-1a Inventory and Condition of Permanent Party, Government-Owned, Unaccompanied Housing (UH)
UNITED STATES (CONUS plus Hawaii and Alaska)
(Number of bedrooms in inventory)

Facility Analysis Categories (FAC): 7210 & 7240	Number of Bedrooms - U.S.							
	PY	CY	BY	BY + 1	BY + 2	BY + 3	BY + 4	BY + 5
Beginning of FY Adequate Inventory Total	-	-	-	-	-	-	-	-
Q1 - 90% to 100% *								
Q2 - 80% to 89% *								
Beginning of FY Inadequate Inventory Total	-	-	-	-	-	-	-	-
Q3 - 60% to 79% *								
Q4 - 59% and below *								
Beginning of FY Total Inventory	-	-	-	-	-	-	-	-
Percent Adequate - Beginning of FY Inventory	%	%	%	%	%	%	%	%
Funding that Impacts Inventory:								
MILCON - New Foorprint ($M)								
MILCON - Replacement/Renovation ($M)								
Overall Sustainment vs FSRM Requirement (%)								
End of FY Adequate Inventory Total	-	-	-	-	-	-	-	-
Q1 - 90% to 100% *								
Q2 - 80% to 89% *								
End of FY Inadequate Inventory Total	-	-	-	-	-	-	-	-
Q3 - 60% to 79% *								
Q4 - 59% and below *								
End of FY Total Inventory	-	-	-	-	-	-	-	-
Percent Adequate - End of FY Inventory	%	%	%	%	%	%	%	%
FY 2012 Performance Goal - % of Adequate Units		30%	40%	50%	60%	70%	80%	90%

*Condition Index (CI) is a general measure of the constructed asset's condition at a specific point in time with respect to physical condition and ability to support the current occupant or mission. CI is calculated as the ratio of the estimated cost of maintenance and repair requirements to Plant Replacement Value (PRV).

FAC 7210 - Enlisted Unaccompanied Personnel Housing
FAC 7240 - Officer Unaccompanied Personnel Housing

Include narrative describing the Military Department/Service's strategy to meet the 90% Q1/Q2 adequacy goal by the end of FY 2017.

UH-1a Inventory and Condition of Permanent Party, Government-Owned, UH Foreign

Department of _____
UH-1a Inventory and Condition of Permanent Party, Government-Owned, Unaccompanied Housing (UH)
FOREIGN (includes U.S. Territories)
(Number of bedrooms in inventory)

Facility Analysis Categories (FAC): 7210 & 7240	Number of Bedrooms - Foreign							
	PY	CY	BY	BY + 1	BY + 2	BY + 3	BY + 4	BY + 5
Beginning of FY Adequate Inventory Total	-	-	-	-	-	-	-	-
Q1 - 90% to 100% *								
Q2 - 80% to 89% *								
Beginning of FY Inadequate Inventory Total	-	-	-	-	-	-	-	-
Q3 - 60% to 79% *								
Q4 - 59% and below *								
Beginning of FY Total Inventory	-	-	-	-	-	-	-	-
Percent Adequate - Beginning of FY Inventory	%	%	%	%	%	%	%	%
Funding that Impacts Inventory:								
MILCON - New Foorprint ($M)								
MILCON - Replacement/Renovation ($M)								
Overall Sustainment vs FSRM Requirement (%)								
End of FY Adequate Inventory Total	-	-	-	-	-	-	-	-
Q1 - 90% to 100% *								
Q2 - 80% to 89% *								
End of FY Inadequate Inventory Total	-	-	-	-	-	-	-	-
Q3 - 60% to 79% *								
Q4 - 59% and below *								
End of FY Total Inventory	-	-	-	-	-	-	-	-
Percent Adequate - End of FY Inventory	%	%	%	%	%	%	%	%
FY 2012 Performance Goal - % of Adequate Units		30%	40%	50%	60%	70%	80%	90%

*Condition Index (CI) is a general measure of the constructed asset's condition at a specific point in time with respect to physical condition and ability to support the current occupant or mission. CI is calculated as the ratio of the estimated cost of maintenance and repair requirements to Plant Replacement Value (PRV).

FAC 7210 - Enlisted Unaccompanied Personnel Housing
FAC 7240 - Officer Unaccompanied Personnel Housing

Include narrative describing the Military Department/Service's strategy to meet the 90% Q1/Q2 adequacy goal by the end of FY 2017.

UH-1a Inventory and Condition of Permanent Party, Government-Owned, UH Wordwide

Department of _____
UH-1a Inventory and Condition of Permanent Party, Government-Owned, Unaccompanied Housing (UH)
WORLDWIDE
(Number of bedrooms in inventory)

Facility Analysis Categories (FAC): 7210 & 7240	Number of Bedrooms - Worldwide							
	PY	CY	BY	BY + 1	BY + 2	BY + 3	BY + 4	BY + 5
Beginning of FY Adequate Inventory Total	-	-	-	-	-	-	-	-
Q1 - 90% to 100% *								
Q2 - 80% to 89% *								
Beginning of FY Inadequate Inventory Total	-	-	-	-	-	-	-	-
Q3 - 60% to 79% *								
Q4 - 59% and below *								
Beginning of FY Total Inventory	-	-	-	-	-	-	-	-
Percent Adequate - Beginning of FY Inventory	%	%	%	%	%	%	%	%
Funding that Impacts Inventory:								
MILCON - New Foorprint ($M)								
MILCON - Replacement/Renovation ($M)								
Overall Sustainment vs FSRM Requirement (%)								
End of FY Adequate Inventory Total	-	-	-	-	-	-	-	-
Q1 - 90% to 100% *								
Q2 - 80% to 89% *								
End of FY Inadequate Inventory Total	-	-	-	-	-	-	-	-
Q3 - 60% to 79% *								
Q4 - 59% and below *								
End of FY Total Inventory	-	-	-	-	-	-	-	-
Percent Adequate - End of FY Inventory	%	%	%	%	%	%	%	%
FY 2012 Performance Goal - % of Adequate Units		30%	40%	50%	60%	70%	80%	90%

*Condition Index (CI) is a general measure of the constructed asset's condition at a specific point in time with respect to physical condition and ability to support the current occupant or mission. CI is calculated as the ratio of the estimated cost of maintenance and repair requirements to Plant Replacement Value (PRV).

FAC 7210 - Enlisted Unaccompanied Personnel Housing
FAC 7240 - Officer Unaccompanied Personnel Housing

UH-1b Inventory and Condition of Training/Mobilization, Government-Owned, UH CONUS plus Hawaii and Alaska

Department of _____
UH-1b Inventory and Condition of Training/Mobilization, Government-Owned, Unaccompanied Housing (UH)
UNITED STATES (CONUS plus Hawaii and Alaska)
(Number of beds/spaces in inventory based on normal occupancy)

Facility Analysis Categories (FAC): 7213, 7214, and 7218	Number of Beds/Spaces - U.S.							
	PY	CY	BY	BY + 1	BY + 2	BY + 3	BY + 4	BY + 5
Beginning of FY Adequate Inventory Total	-	-	-	-	-	-	-	-
Q1 - 90% to 100% *								
Q2 - 80% to 89% *								
Beginning of FY Inadequate Inventory Total	-	-	-	-	-	-	-	-
Q3 - 60% to 79% *								
Q4 - 59% and below *								
Beginning of FY Total Inventory	-	-	-	-	-	-	-	-
Percent Adequate - Beginning of FY Inventory	%	%	%	%	%	%	%	%
Funding that Impacts Inventory:								
MILCON - New Foorprint ($M)								
MILCON - Replacement/Renovation ($M)								
Overall Sustainment vs FSM Requirement (%)								
End of FY Adequate Inventory Total	-	-	-	-	-	-	-	-
Q1 - 90% to 100% *								
Q2 - 80% to 89% *								
End of FY Inadequate Inventory Total	-	-	-	-	-	-	-	-
Q3 - 60% to 79% *								
Q4 - 59% and below *								
End of FY Total Inventory	-	-	-	-	-	-	-	-
Percent Adequate - End of FY Inventory	%	%	%	%	%	%	%	%

*Condition Index (CI) is a general measure of the constructed asset's condition at a specific point in time with respect to physical condition and ability to support the current occupant or mission. CI is calculated as the ratio of the estimated cost of maintenance and repair requirements to Plant Replacement Value (PRV).

FAC 7213 - Student Unaccompanied Housing
FAC 7214 - Annual Training/Mobilization Unaccompanied Housing
FAC 7218 - Recruit/Trainee Unaccompanied Housing

Include narrative describing the Military Department/Service's strategy to improve Training/Mobilization UH, and to meet space requirements.

UH-1b Inventory and Condition of Training/Mobilization, Government-Owned, UH Foreign

Department of _____
UH-1b Inventory and Condition of Training/Mobilization, Government-Owned, Unaccompanied Housing (UH)
FOREIGN (includes U.S. Territories)
(Number of beds/spaces in inventory based on normal occupancy)

Facility Analysis Categories (FAC): 7213, 7214, and 7218	Number of Beds/Spaces - Foreign							
	PY	CY	BY	BY + 1	BY + 2	BY + 3	BY + 4	BY + 5
Beginning of FY Adequate Inventory Total	-	-	-	-	-	-	-	-
Q1 - 90% to 100% *								
Q2 - 80% to 89% *								
Beginning of FY Inadequate Inventory Total	-	-	-	-	-	-	-	-
Q3 - 60% to 79% *								
Q4 - 59% and below *								
Beginning of FY Total Inventory	-	-	-	-	-	-	-	-
Percent Adequate - Beginning of FY Inventory	%	%	%	%	%	%	%	%
Funding that Impacts Inventory:								
MILCON - New Foorprint ($M)								
MILCON - Replacement/Renovation ($M)								
Overall Sustainment vs FSM Requirement (%)								
End of FY Adequate Inventory Total	-	-	-	-	-	-	-	-
Q1 - 90% to 100% *								
Q2 - 80% to 89% *								
End of FY Inadequate Inventory Total	-	-	-	-	-	-	-	-
Q3 - 60% to 79% *								
Q4 - 59% and below *								
End of FY Total Inventory	-	-	-	-	-	-	-	-
Percent Adequate - End of FY Inventory	%	%	%	%	%	%	%	%

*Condition Index (CI) is a general measure of the constructed asset's condition at a specific point in time with respect to physical condition and ability to support the current occupant or mission. CI is calculated as the ratio of the estimated cost of maintenance and repair requirements to Plant Replacement Value (PRV).

FAC 7213 - Student Unaccompanied Housing
FAC 7214 - Annual Training/Mobilization Unaccompanied Housing
FAC 7218 - Recruit/Trainee Unaccompanied Housing

Include narrative describing the Military Department/Service's strategy to improve Training/Mobilization UH, and to meet space requirements.

UH-1b Inventory and Condition of Training/Mobilization, Government-Owned, UH Worldwide

Department of _____

UH-1b Inventory and Condition of Training/Mobilization, Government-Owned, Unaccompanied Housing (UH)
WORLDWIDE
(Number of beds/spaces in inventory based on normal occupancy)

Facility Analysis Categories (FAC): 7213, 7214, and 7218	Number of Beds/Spaces - Worldwide							
	PY	CY	BY	BY + 1	BY + 2	BY + 3	BY + 4	BY + 5
Beginning of FY Adequate Inventory Total	-	-	-	-	-	-	-	-
Q1 - 90% to 100% *								
Q2 - 80% to 89% *								
Beginning of FY Inadequate Inventory Total	-	-	-	-	-	-	-	-
Q3 - 60% to 79% *								
Q4 - 59% and below *								
Beginning of FY Total Inventory	-	-	-	-	-	-	-	-
Percent Adequate - Beginning of FY Inventory	%	%	%	%	%	%	%	%
Funding that Impacts Inventory:								
MILCON - New Foorprint ($M)								
MILCON - Replacement/Renovation ($M)								
Overall Sustainment vs FSM Requirement (%)								
End of FY Adequate Inventory Total	-	-	-	-	-	-	-	-
Q1 - 90% to 100% *								
Q2 - 80% to 89% *								
End of FY Inadequate Inventory Total	-	-	-	-	-	-	-	-
Q3 - 60% to 79% *								
Q4 - 59% and below *								
End of FY Total Inventory	-	-	-	-	-	-	-	-
Percent Adequate - End of FY Inventory	%	%	%	%	%	%	%	%

*Condition Index (CI) is a general measure of the constructed asset's condition at a specific point in time with respect to physical condition and ability to support the current occupant or mission. CI is calculated as the ratio of the estimated cost of maintenance and repair requirements to Plant Replacement Value (PRV).

FAC 7213 - Student Unaccompanied Housing
FAC 7214 - Annual Training/Mobilization Unaccompanied Housing
FAC 7218 - Recruit/Trainee Unaccompanied Housing

UH-2 Configuration and Privacy of Permanent Party UH

Department of _____									
UH-2 Configuration and Privacy of Permanent Party Unaccompanied Housing (UH)									
	Beginning of FY 2010			**Beginning of FY 2011**			**Beginning of FY 2012**		
	U.S. (CONUS, HI and AK)	**Foreign (Includes U.S. Territories)**	**Worldwide Totals**	**U.S. (CONUS, HI and AK)**	**Foreign (Includes U.S. Territories)**	**Worldwide Totals**	**U.S. (CONUS, HI and AK)**	**Foreign (Includes U.S. Territories)**	**Worldwide Totals**
UNIT CONFIGURATION (Bedrooms)									
Government Owned Total									
Market-Style [1]									
Two bedrooms (each <180 SF), one bath [2]									
Two bedrooms (each ≥180 SF), one bath [3]									
One bedroom, one bath [4]									
Central Latrine									
Relocatable & Temporary									
Other Junior Enlisted									
Senior Enlisted/Officers									
Privatized Total									
New one-bedroom apartments									
New two-bedroom apartments									
Conveyed									
Leased Total									
Relocatables									
Other									
Host Nation Owned Total									
CONFIGURATION GOAL. Narrative description of the Services' specific configuration standards and goals, and implementation plan (including timelines).									
PRIVACY (Number of Personnel)									
Sharing a bedroom with 90 SF or more per occupant									
Sharing a bedroom with less than 90 SF per occupant									
E1-E4s residing aboard a ship while in homeport									
PRIVACY GOAL. Narrative description of the Services' specific privacy standards and goals, and implementation plan (including timelines).									

NOTES:
1 - Module with 2 to 4 bedrooms, 2 to 4 baths, full kitchen, living room, laundry
2 - Each module counts as 2 bedrooms even if one bedroom used as a living room (e.g., 1+1)
3 - Each module counts as 2 bedrooms even if occupied by 4 service members (e.g., 2+2)
4 - Each module counts as1 bedroom even if occupied by 2 service members (e.g., 2+0)

UH-3 Summary of Military Construction UH Projects

DEPARTMENT of _____ UH-3 Summary of Military Construction (MilCon) Unaccompanied Housing (UH) Projects *										
Fiscal Year	State/Country	Project Location	Project Title	Project Number	Total Project Amount ($000)	Project Amount for Just UH ($000)	Perm Party UH Number of Bedrooms	Train or Mob UH Number of Beds/Spaces	Total Intended Number of Occupants	Strategic Objective
FY 2012										
FY 2011										
FY 2010										
NOTE: * Should match information on the DD Form 1391 - Military Construction Project Detail ** For projects added by Congress, provide DD Form 1391 to OSD Comptroller (hard copy and pdf)										

VOLUME 2B, CHAPTER 7: "BASE REALIGNMENT AND CLOSURE APPROPRIATIONS"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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

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

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

The previous version dated September 2008 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
070201	Updated for BRAC 2005 implementation procedures	Update
070303	Added requirement for BRAC 2005 BC-04 exhibit submission. Deleted language concerning incrementally-funded projects. Deleted DD 1391 requirement.	Update Addition
070403	Added requirement for Overall summary and package specific BC-04 exhibits.	Addition
070602	Added exhibit BC-04 for BRAC 2005.	Addition

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CHAPTER 7

BASE REALIGNMENT AND CLOSURE APPROPRIATIONS

0701 GENERAL

070101. Purpose

A. This chapter provides instructions applicable to budget formulation and congressional justification for Base Realignment and Closure (BRAC) appropriations.

B. The following appropriations and accounts are covered:

Section

070201.

- DoD Base Closure Account
(1988 Commission)

- DoD Base Closure Account 1990
(1991, 1993 & 1995 Commissions)

- DoD Base Closure Account 2005
(2005 Commission)

070102. Submission Requirements

General guidance with regard to submission requirements is presented in Chapter 1. Chapter 7 covers specific back-up material requirements for the above accounts. Components should also submit any applicable exhibits required in Volume 2, Chapter 19 for the above appropriations/accounts, as applicable.

070103. Preparation of Material

General guidance with regard to format and preparation of material is presented in Chapter 1. Chapter 7 volume provides additional specific guidance with regard to the back-up material required for the Base Realignment and Closure appropriations.

070104. References

Chapter 3 provides guidance related to Operation and Maintenance costs and Chapter 6 of provides guidance and formats related to Military Construction and Family Housing costs.

0702 UNIFORM BUDGET AND FISCAL ACCOUNTING CLASSIFICATION

070201. Base Closure Account, Defense Appropriations

A. Overview

Defense Authorization Amendments and Base Closure and Realignment Act, Public Law 100-526, established the Defense Base Closure Account (Part I) as a mechanism to provide the required funding to implement the approved recommendations of the Base Closure and Realignment Commissions. Public Law 101-510, Title XXIX, Defense Base Closure and Realignment Act of 1990, established Base Closure Account 1990 (Part II), and the FY 2002 National Defense Authorization Act established the DoD Base Closure Account 2005 (BRAC 2005). From aspects of management, budgeting and accounting, these Accounts are treated in the same fashion. Funding approved by Congress in these Accounts is appropriated and authorized in a lump sum amount and may be spent for construction, planning and design, civilian severance pay, civilian permanent change in station, transportation of things, and other costs related to the realignment or closure of the subject bases. The management structure of the program is described below.

B. Guidance

1. The Deputy Under Secretary of Defense (Installations & Environment) is responsible for issuing policy for management of the BRAC program and overseeing the DoD Components' execution of the program.

2. To properly account for and manage appropriated fund resources, the DoD Base Closure Accounts were established on the books of the Treasury to aid the DoD Components in the closure and realignment of certain military installations. Treasury has assigned account symbol 97-0103 to identify the DoD Base Closure Account - Part I, 97-0510 to identify DoD Base Closure Account 1990 - Part II, Part III, and Part IV and 97 0512 to identify DoD Base Closure Account 2005.

3. Funds made available to the DoD Components are subdivided and distributed to the activities responsible for base closure actions. Separate allocations are made for each of the accounts by program year. Each DoD Component distributes the base closure funds in accordance with its normal fund distribution procedures. The applicable reporting requirements include:

Military Construction
Construction
Planning and Design
Family Housing
Construction
Operations
Environmental
Operation and Maintenance
Civilian Severance Pay

Civilian Permanent Change of Station (PCS) costs
Transportation of things
Facilities Maintenance
Program Management (civilian work years, TDY travel, and related support dedicated to implementation efforts)
Military Personnel (limited to PCS expenses dedicated to implementation efforts)
Other (including procurement-type items)

4. The Under Secretary of Defense (Comptroller) makes funds available to the DoD Components based on their official financial plans. Financial plans are prepared by the DoD Components in cooperation with and at the direction of the program manager, the Deputy Under Secretary of Defense (Installations & Environment). The DoD Components' financial plans and the subsequent allocation of funds are supported by detailed, line-item military and family housing construction justification. Separate narrative explanations for other planned expenditures are also submitted to the Under Secretary of Defense (Comptroller) in sufficient detail to support the DoD Component's financial plan. Each DoD Component is allocated funds based upon its official budget justification and financial plan.

5. All closures and realignments must be completed no later than the end of the six year implementation period beginning on the date on which the President transmitted to Congress the report containing the recommendations of such closures or realignments. The President transmitted the recommendations of the 1995 Commission on July 13, 1995. After July 13, 2001, funds in the DoD Base Closure Account 1990 shall be available only to incur new obligations for environmental restoration, property management and disposal, and other caretaker costs at closed or realigned installations and for the purpose of recording, adjusting and liquidating obligations property chargeable to the account under Title 31, United States Code, section 1553. The 2005 BRAC Commission recommendations became law on November 9, 2005 and the six-year implementation period for BRAC 2005 approved recommendations ends on September 15, 2011. After September 15, 2011, funds in the DoD Base Closure Account 2005 shall be available only to incur new obligations for environmental restoration, property management and disposal, and other caretaker costs at closed or realigned installations and for the purpose of recording, adjusting and liquidating obligations property chargeable to the account under Title 31, United States Code, section 1553.

C. Fiscal Accounting Classification

The account classification structure for the Base Closure Account, Defense is prescribed in Volume 12, Chapter 13 of this regulation. Treasury Code 97 0512 has been established as a single account on the books of the Treasury to execute actions to implement BRAC 2005 closures and realignments.

0703 PROGRAM AND BUDGET REVIEW SUBMISSION

070301. Purpose

A. This Section prescribes instructions for the preparation and submission of budget estimates for the Base Realignment and Closure appropriations.

B. Unless otherwise specified, these instructions apply to all Base Realignment and Closure appropriations and to all budget estimates. Data submitted must be consistent with the budget estimate being supported.

C. Examples of budget exhibits can be found in Sections 0705 for Prior-Round BRACs and 0706 for BRAC 2005.

070302. Submission Requirements – Prior-Round BRACs

A. General Guidance. Each Service and Defense Agency, as applicable, will prepare a Prior-Round Base Closure justification book. The justification book will include a summary BC-02 exhibit showing cost and savings data for each prior round (BRAC Parts I, II, III and IV) covering the six-year implementation period for that respective closure round. The Services will also prepare a continuing environmental restoration and caretaker cost exhibit (BC-04) for funds requested beyond FY 2001 for Base Closure Parts I, II, III, and IV. The justification book will include BC-01, BC-02, BC-03 and BC-04 exhibits. Environmental Exhibits, BRAC ENV-30 will be submitted separately and not included in the bound justification book. These exhibits will be included in the Component's Environmental Summary justification material as mentioned in Chapter 13. For Base Closure Account-Part I, the summary BC-02 will include cost and savings data for FY 1990 through FY 1995. For Base Closure Account-Part II, the summary BC-02 will include cost and savings data for FY 1992 through FY 1997. For Base Closure Account-Part III, the summary BC-02 will include cost and savings data for FY 1994 through FY 1999. Section 070502 contains sample exhibits BC 01 through BC 04 and ENV-30 for use in preparing justification material for BRAC Parts I, II, III, and IV. Included in the sample exhibits are instructions pertaining to the substance and format of the information to be displayed. Submission requirements for BRAC 2005 are included in section 070303 below.

B. Base Realignment and Closure Service Overview Exhibit (BC-01). Each Service will prepare an overview exhibit (BC-01), as described in section 070502, for the Base Closure-Part IV account summarizing by fiscal year, the names and locations of the affected bases, and how much of the DoD Base Closure Account will be expended in that fiscal year. The BC-01 should separately identify the amount of funds expended for environmental restoration and caretaker functions at installation closed under prior rounds of base closure. The overview will also address mission impact and environmental considerations affecting closures and realignments.

C. Base Realignment and Closure Cost and Saving Exhibit (BC-02). Each Service will prepare a summary BC-02 Exhibit, as described in section 070502, showing costs and savings data for each round of closure, and a cost and saving exhibit (BC-02), as described in section 070502. Continuing environmental restoration and caretaker costs incurred after

FY 2001 will be separately displayed on the BC-04 exhibit as described below. BRAC saving estimates reported in Exhibit BC-02 must be based on the best projection of what savings will actually accrue from approved realignments and closures. Prior year estimated savings must be updated to reflect actual savings when available.

D. Base Realignment and Closure Package Description Exhibit (BC-03). Each Service will prepare a short narrative exhibit (BC-03), as described in section 070502, for each package describing the actions necessary to complete the realignment or closure at that location. The narrative will also address one-time implementation costs and anticipated savings that will accrue from the partial or complete closure of the base.

E. Continuing BRAC Environmental Restoration and Caretaker Cost Exhibit (BC-04). Each Service will prepare a continuing environmental and caretaker cost exhibit, as described in Section 0705, for each closure package for which funds have been requested beyond FY 2001 for BRAC IV and the prior rounds of closures and realignments. Each Service/Agency will also prepare a BC-04 summarizing the packages for which funds have been requested beyond FY 2001.

F. Base Realignment and Closure Environmental Exhibits. Each service will prepare environmental progress and funding by priority exhibits BRAC ENV-30 as provided in section 070502 below. These BRAC environmental exhibits include requirements by relative risk category and each phase of environmental restoration, as well as requirements for environmental compliance and planning. These exhibits will be prepared for the President's Budget and included in the Component's justification material for Environmental Restoration as provided in Chapter 13. The totals for these exhibits will match the totals submitted in the BC-01. A diskette with installation level detail for environmental restoration activities at BRAC installations, similar to that identified for submission in Chapter 13 for environmental restoration activities at active installations, should be forwarded together with hard copy versions to OUSD (Comptroller), Military Personnel and Construction Directorate (Room 3C962). Questions concerning the data file structure should be addressed to OUSD(AT&L), Deputy Under Secretary of Defense (Installation and Environment), Director for Environmental Management (703) 571-9073).

G. Budget Submission. Coincident with the hard copy submission of the Base Closure budget estimates, Military Departments and Defense Agencies, as applicable, will submit budgetary data via the Automated Construction Program Database as described in Volume 2, Chapter 1, Section 010504.

070303. Submission Requirements – BRAC 2005

A. General Guidance. Each Service and Defense-Wide Agency/Activity, as applicable, will prepare Bases Closure-2005 justification material. The justification material will include BC-01, BC-02, BC-03, BC-04 and BC-05 exhibits, as applicable. BC-02, BC-03 and BC-04 (where applicable) exhibits must be included for each closure package. Additionally, DoD Components must submit a summary BC-02 exhibit showing cost and savings data for FY 2006 through FY 2011 (the six-year implementation period for BRAC 2005) and a summary BC-

04 for FY 2012 and the budget year. Section 070602 contains sample BC 01 through BC 04 exhibits for use in preparing the justification material for BRAC 2005.

B. Each Military Service will submit bounded BRAC 2005 justification books to OUSD(C). The Defense Agencies and Defense-Wide Activities will submit unbounded justification material to OUSD(C). The OUSD(C) will consolidate the Defense Agencies and Defense-Wide Activities material into a bounded Defense-Wide Agencies and Activities BRAC 2005 justification book for submission to Congress. The Defense Agencies and Defense-Wide Activities are not to submit separate BRAC 2005 justification material to the Congress.

C. Base Realignment and Closure Service Overview Exhibit (BC-01). Each Service, Defense Agency and Defense-Wide Activity will prepare an overview exhibit (BC-01), as described in section 070602 for Base Closure-2005 summarizing by fiscal year, the names and locations of the affected bases, and how much of the DoD Base Closure Account will be expended in each fiscal year. The overview will also address mission impact and environmental considerations affecting closures and realignments.

D. Base Realignment and Closure Cost and Saving Exhibit (BC-02). Each Service, Defense Agency and Defense-Wide Activity will prepare a cost and saving exhibit (BC-02), as described in section 070602, for each base closure package included in Base Closure-2005 account and a BC-02 exhibit summarizing the packages contained in that round of closures. The Base Closure 2005 BC-02 exhibit will show cost and savings from FY 2006 through FY 2011. BRAC saving estimates reported in Exhibit BC-02 must be based on the best projection of what savings will actually accrue from approved realignments and closures. Prior year estimated savings shall be updated to reflect actual savings when available.

E. Base Realignment and Closure Package Description Exhibit (BC-03). Each Service, Defense Agency and Defense-Wide Activity will prepare a short narrative exhibit (BC-03), as described in section 070602, for each package describing the actions necessary to complete the realignment or closure at that location. The narrative will also address one-time implementation costs and anticipated savings that will accrue from the partial or complete closure of the base.

F. Continuing BRAC Environmental Restoration and Caretaker Cost Exhibit (BC-04). Each Service will prepare a continuing environmental and caretaker cost exhibit, as described in Section 0705, for each closure package for which funds have been requested for FY 2012 and beyond for BRAC 2005. Each Service/Agency will also prepare a BC-04 summarizing the packages for which funds have been requested for FY 2012 and beyond.

G. BRAC Construction Projects Exhibit (BC-05)

1. Each Service, Defense Agency and Defense-Wide Activity will prepare a construction project listing exhibit BC-05, as described in section 070602, showing the Location/State, Project Description/Title, dollar request in thousands and award date for BRAC construction projects and planning and design included in the budget request. Immediately following Exhibit BC-05, Each Service and Defense-Wide Agency/Activity shall provide

DD 1391 exhibits for each construction project included in the budget request. A lump sum 1391 for planning and design and minor construction projects shall also be included.

2. For construction projects that are funded by multiple components or by a single component on another component's installation, the initial budget justification material submitted to OSD will include a fully documented DD Form 1391 reflecting the total cost of the project showing the proportional costs by Component. The narrative of the DD Form 1391 will also include the proportional cost share by Component. For projects that include the receiving site Component as a user, the receiving site Component (which is normally the Business Manager) will indicate itself in Block 1 "Component" of the DD 1391. For projects that do not include the receiving site Component as a user, the user with the highest proportional cost share will be responsible for compiling project documentation and will include itself in Block 1 of the DD 1391. For single Component use facilities projects, the DD Form 1391 Block 1 will indicate the single Component user who will program and budget for the full cost of the project.

H. Base Realignment and Closure Environmental Exhibits. Each service, Defense Agency and Defense-Wide Activity will prepare environmental progress and funding by priority exhibits BRAC ENV-30 as provided in section 070602 below. These BRAC environmental exhibits include requirements by relative risk category and each phase of environmental restoration, as well as requirements for environmental compliance and planning. These exhibits will be prepared for the President's Budget and included in the Components justification material for Environmental Restoration as provided in Chapter 13. The totals for these exhibits will match the Environmental total identified on the Component's summary BC-01. A diskette with installation level detail for environmental restoration activities at BRAC installations, similar to that identified for submission in Chapter 13 for environmental restoration activities at active installations, should be forwarded together with hard copy versions to OUSD (Comptroller), Military Personnel and Construction Directorate (Room 3C962). Questions concerning the data file structure should be addressed to OUSD(AT&L), Deputy Under Secretary of Defense (Installation and Environment), Director for Environmental Management ((703) 571-9073).

I. BRAC 2005 Data Input to Program Resources Collection Process Systems. Each Service, Defense Agency and Defense-Wide Activity will submit BRAC 2005 data to the Program Resources Collection Process (PRCP) System to populate the Existing Footprint field of that data collection system. A new code, E, has been added for use in populating the existing footprint field. The E code will be used to identify BRAC Environmental funding. The requirement to populate the Existing Footprint field for traditional military construction remains in effect. The other three codes authorized for populating the existing footprint field are listed and explained as follows:

1. Y-Yes. The funding restores and modernizes an existing facility, or constructs a new facility to replace one or more facilities of approximately the same constructed value. This normally applies only to facilities that are primarily capitalized with military construction funds and excludes family housing and procurement funded facilities. Demolition banking is not to be used for BRAC.

2. N-New Footprint. The value of construction that does not meet the definition "Y".

3. O-Other. This funding provides for land acquisition and other actions not covered by codes, Y, N, or E.

4. The Services and Defense Agencies/Activities shall enter the required PRCP data at the BRAC recommendation level.

J. Each Component will also submit a Major Initiatives exhibit which must include a general description of each of its major initiatives for the budget year and what the Component plans to accomplish in the budget year to support that initiative. Be specific, including the impact on force structure. This exhibit will be prepared in accordance with the format contained in Volume 2B, Chapter 6, Section 060502.

K. Budget Submission. Coincident with the hard copy submission of the Base Closure budget estimates, Military Departments and Defense Agencies/Activities, as applicable, will submit budgetary data via the Automated Construction Program Database as described in Volume 2, Chapter 1, Section 010504.

0704 CONGRESSIONAL JUSTIFICATION/PRESENTATION FOR BRAC PART IV and PRIOR ROUNDS

070401. Purpose

This Section presents the justification book organization and the exhibit requirements for submission to Congress for Prior-Round BRACs. Examples of budget exhibits can be found in Section 0705, below and reflect those addressed in Section 0703, above.

070402. Organization Of Justification Books for Prior-Round BRACs (Incorporating Prior Rounds of Brac, Parts I, II, III AND IV)

A. Justification material consolidated into a single volume entitled:

DoD Base Realignment and Closure, Prior-Rounds

B. The justification book will be organized as shown below.

070403. Organization of Justification Books for BRAC 2005

A. Each Military Department will submit their justification material into a consolidated single volume book entitled:

DoD Base Realignment and Closure 2005 Commission

B. The Military Departments will organize their justification book as shown below.

C. Defense Agencies and Defense-Wide Activities will submit their justification material in unbounded separate sheets using the formats shown on pages above. OUSD Comptroller will consolidate the Defense Agencies and Defense-Wide Activities material into a bounded Defense Agencies and Defense-Wide Activities Justification Book for submission to Congress. The Defense Agencies and Defense-Wide Activities are not to submit separate BRAC 2005 budget justification material to Congress.

ORGANIZATION/EXHIBIT REQUIREMENTS FOR PRIOR ROUND BRACS

Organization

Table of Contents

Base Realignment and Closure Overview

Base Realignment and Closure Overview Exhibit BC-01

Financial Summary BRAC I Exhibit BC-02
Financial Summary BRAC II Exhibit BC-02
Financial Summary BRAC III Exhibit BC-02
Financial Summary BRAC IV Exhibit BC-02
Financial Summary Continuing BRAC Environmental Restoration and Caretaker Costs Exhibit BC-04

Base Realignment and Closure Cost and Savings Data Exhibit BC-02 by Package
Base Realignment and Closure Package Description Exhibit BC-03 by Package
Base Realignment and Closure Continuing BRAC Environmental Restoration and Caretaker Costs Exhibit BC-04 by Package

ORGANIZATION/EXHIBIT REQUIREMENTS For BRAC 2005 COMMISSION

Organization

Table of Contents

Base Realignment and Closure Overview Exhibit BC-01
Financial Summary BRAC 2005 BC-02 Exhibit
Financial Summary BRAC 2005 BC-04 Exhibit
BRAC 2005 BC-02 Exhibit by Package
Base Realignment and Closure Package Description Exhibit BC-03
By Package
Base Realignment and Closure Construction Project Listing Exhibit BC-05
By Component, State, Project Description, Project Number,
and Dollar Amount

0705 BASE REALIGNMENT AND CLOSURE APPROPRIATION SUBMISSION FORMATS for PRIOR-ROUND BRAC

070501. Purpose

The formats provided on pages 7-14 through 7-22 reflect guidance presented in previous sections of this chapter. Unless modified in a submission budget call, these formats should be adhered to for Prior-Round BRACs budget submissions.

070502. Exhibits in Support of Prior-Round BRACs

BC-01 BRAC Service Overview 7-14
BC-02 BRAC Implementation Costs 7-15
BC-03 BRAC Package Description 7-17
BC-04 Continuing BRAC Environmental Restoration and Caretaker Costs 7-19
BRAC ENV-30 7-20

INSTRUCTIONS FOR PREPARATION OF EXHIBIT BC-01
"FY ____ BASE REALIGNMENT AND CLOSURE DATA"
19__ COMMISSION

Service Overview

Schedule: Summarize by fiscal year, the names and locations of the affected bases, and how much of the DoD Base Closure Account will be expended in the fiscal year. Discuss possible problems in meeting the schedule. Highlight realignment/closure actions where the estimated implementation costs and impacts significantly differ from those determined by the Commission.

Mission Impact: Describe possible mission impact in completing the realignment/closure.

Environmental Considerations: Describe potential problems in closing an installation due to the complexity in cleaning up environmental wastes and hazards.

Address any other items/issues appropriate for the overview section.

Exhibit BC-02 BRAC Implementation Costs

BASE REALIGNMENT AND CLOSURE ACCOUNT - 19__ COMMISSION 1/
2/
(DOLLARS IN 3/)

	FY 1990	FY 1991	FY 1992	FY 1993
ONE-TIME IMPLEMENTATION COSTS:				
Military Construction				
Family Housing - Construction				
Operations				
Environmental				
Operation and Maintenance				
Military Personnel - PCS				
Other				
Homeowners Assistant Program				
TOTAL ONE-TIME COSTS				
Revenues From Land Sales(-)				
Budget Authority Request				
FUNDED OUTSIDE OF THE ACCOUNT:				
Military Construction				
Family Housing - Operations				
Operation and Maintenance				
Other				
Homeowners Assistant Program				
TOTAL OUTSIDE THE ACCOUNT				
SAVINGS:				
Military Construction				
Family Housing - Construction				
Operations				
Operation and Maintenance				
Military Personnel				
Other				
Homeowners Assistance Program				
Civilian ES				
Military ES				
TOTAL SAVINGS				
NET IMPLEMENTATION COSTS:				
Military Construction				
Family Housing - Construction				
Operations				
Environmental				
Operation and Maintenance				
Military Personnel				
Other				
Homeowners Assistance Program				
Revenues From Land Sales				
NET IMPLEMENTATION COSTS				
Less Estimated Land Revenues:				

EXHIBIT BC-02 BRAC Implementation Costs
(Page 1 of 2)

Exhibit BC-02 BRAC Implementation Costs (Continued)

BASE REALIGNMENT AND CLOSURE ACCOUNT - 19__ Commission 1/
2/
(DOLLARS IN 3/)

	FY 1994	FY 1995	Total FY 1990-1995
ONE-TIME IMPLEMENTATION COSTS:			
Military Construction			
Family Housing - Construction			
Operations			
Environmental			
Operation and Maintenance			
Military Personnel - PCS			
Homeowners Assistant Program			
Other			
TOTAL ONE-TIME COSTS			
Revenues From Land Sales(-)			
Budget Authority Request			
FUNDED OUTSIDE OF THE ACCOUNT:			
Military Construction			
Family Housing - Operations			
Operation and Maintenance			
Homeowners Assistance Program			
Other			
TOTAL OUTSIDE THE ACCOUNT			
SAVINGS:			
Military Construction			
Family Housing - Construction			
Operations			
Operation and Maintenance			
Military Personnel			
Other			
Civilian End Strength			
Military End Strength			
TOTAL SAVINGS			
NET IMPLEMENTATION COSTS:			
Military Construction			
Family Housing - Construction			
Operations			
Environmental			
Operation and Maintenance			
Military Personnel			
Other			
Homeowners Assistance Program			
Revenues From Land Sales			
NET IMPLEMENTATION COSTS			
Less Estimated Land Revenues:			

1/ 1988 Commission, 1991 Commission, 1993 Commission, etc.
2/ Identification, e.g., DoD Financial Summary, Army Summary or Pease AFB Package, etc.
3/ Dollars in thousands.

EXHIBIT BC-02 BRAC Implementation Costs
(Page 2 of 2)

Exhibit BC-03 BRAC Package Description

BASE REALIGNMENT AND CLOSURE
19__ COMMISSION
PACKAGE DESCRIPTION

Service/Location/Package: Cross-reference to standard terminology employed in the Commission's report.

Closure/Realignment Package: Brief description of the actions necessary to complete the realignment or closure at this location. A package is defined as all actions, costs and savings associated with the closing or realignment of a base or installation as recommended by the Commissions. Include how the physical plant will be affected and the missions that must be terminated or transferred to other locations. Reflect planning and design and management overhead costs in a separate package covering, overall one-time implementation cost. All military construction savings should also be addressed in this same package.

One-time Implementation Costs:

Military Construction: New facilities that must be constructed to accommodate a realignment or closure action. List the construction projects associated with the package as follows:

Location/Project Title	Fiscal Year of Award	Amount ($ in 000)
Subtotal for Each Fiscal Year		

Conjunctively-Funded Construction: Identify each project that is funded conjunctively, the total cost of each project and the amounts funded by non-Base Closure Account sources. These projects will also appear on the above list, which will reflect only that portion of the project to be funded by the Base Closure Account.

Family Housing Construction: Specify the number of units and location. As with military construction, list each family housing construction project.

Family Housing Operations: The one-time family housing operations costs associated with package implementation.

Operation and Maintenance: Includes PCS of civilian personnel, civilian severance costs, transportation of things, RPM and other one-time implementation costs as a result of closure or realignment. Program management costs should also be addressed, but only in the separate package covering overall one-time implementation costs.

Exhibit BC-03 BRAC Package Description (Continued)

Procurement Items: Items normally funded from procurement appropriations.

Revenues From Land Sales: Provide statistics and narrative to adequately describe the land being proposed for sale. Describe the method and date of appraisal.

Environmental: Indicate the environmental restoration actions that will occur at both the losing and gaining locations, the funding requirements and status of all such restoration actions.

Savings: Demonstrated savings that will accrue from the partial or complete closure of the base.

Military Construction: To be addressed in the single package addressing overall/program management costs.

Family Housing Construction: Self-explanatory.

Family Housing Operations: Savings (offset by increased recurring costs).

Operation and Maintenance: One-time and recurring savings (offset by increased recurring costs) in civilian personnel, base operations, RPMA and other costs as a result of closure or realignment. Be specific as to the category,

Military Personnel: One-time and recurring savings (offset by increased recurring costs) in military personnel as a result of closure or realignment. Be specific as to the category.

Other: Self-explanatory.

Exhibit BC-04 Continuing BRAC Environmental Restoration and Caretaker Costs

BASE REALIGNMENT AND CLOSURE ACCOUNT
Continuing Environmental restoration and Caretaker Cost
1/
(DOLLARS IN 2/)

	FY2003	FY2004	FY2005	FY2006	FY2007	Total 3/
CONTINUING ENVIRONMENTAL AND CARETAKER COSTS:						
Environmental						
Operation and Maintenance						
Homeowners Assistant Program						
TOTAL COSTS						
Revenues From Land Sales(-)						
Budget Authority Request						

1/ Identification, e.g., DoD Financial Summary, Army Summary or Pease AFB Package, etc.
2/ Dollars in thousands
3/ Reflect the Budget Year and four prior fiscal years.

Env 30 DERA and BRAC Funds Budgeted for Environmental Clean

Class	Component	FUDS	FundSource	CleanUp Action	RiskMSRPP Level	RiskMSRPP Type	SiteFunding Requirements	FY PY Actual	FY CY Estimate

A.

FY BY 1	FY BY 2	FY BY +1	FY BY 2 +2	FY BY 2 +3	FY BY 2 +4	BalanceToComplete

B. Instructions

1) The new ENV 30 replaces the former ENV 30 DERA and ENV 1A/1B BRAC exhibits. Part 2 captures Project Management activity breakouts for IRP, Munitions Response, BD/DR, BRAC Compliance, and BRAC Planning. Legacy BRAC includes BRAC rounds I-IV, and there is a separate format required for BRAC 2005.
2) For all Fund Sources, all Clean-Up Programs provide number of sites and funding by Clean-Up and Analysis in all years identified and Balance to Complete. See Relationship Matrix below. For BRAC Planning and BRAC Compliance, provide number of facilities in lieu of sites.
3) Only the Army reports FUDS.
4) For Clean-up Action—for Assessments, Analysis/Investigation, Interim Actions, Remedial Designs, and Remedial Action Construction provide the funding detail by Relative-Risk or MRSPP Level and Type.
5) If there is no analysis associated with an action, report funding only.
6) Components shall program adequate resources in each year of the FYDP to achieve the programs goals for all restoration activities.
7) Military Departments and applicable Defense Agencies shall develop and submit to the Comptroller separate narrative justification material (including any program increases and decreases) for their respective programs as part of their Program and Budget Review submission.
8) Components shall provide to the DUSD (I&E) no later than two weeks before their POM and budget submissions are due to OSD, the updated relative risk site evaluations, site status updates and cost to complete estimates for every site as required by DoD Instruction 4715.7.
9) The reporting entities directed to submit this data requirement refers to Military Departments (Active, Guard, Reserve)/Defense Agencies.

C. Definitions

Class: System Field: Classification
C: CONFIDENTIAL
C/NF: CONFIDENTIAL//NOFORN
F: FOR OFFICIAL USE ONLY
S: SECRET
S/NF: SECRET//NOFORN
U: UNCLASSIFIED

Component: For the Military Departments report by Active, Guard and Reserve. Defense Agencies choose Defense Agency. Army also reports for FUDS.
Active:

DADW: Defense Area Defense Wide. Used by non-service defense agencies.
Guard:
Reserve:

FUDS: Army will use this field to identify the Formerly Used Defense Sites (FUDS) data by selecting a "Yes" or "No" value. All other Services/Agencies will enter "No" as the FUDS data value
No:
Yes:

Env 30 DERA and BRAC Funds Budgeted for Environmental Clean-Up (Continued)

FundSource:

BRAC-Building Demolition/Debris Removal: Funded by Base Realignment and Closure environmental sub-accounts within the MILCON appropriation. The demolition and removal of unsafe buildings and structures in accordance with DERP Management Guidance at facilities or sites that are or were owned by, leased to, or otherwise possessed by the United States under the jurisdiction of the Secretary of Defense. Separate entries are required for Legacy BRAC and BRAC 2005.

BRAC-COMPLIANCE: Funded by Base Realignment and Closure environmental sub-accounts within the MILCON appropriation. See DoD Instruction 4715.6. Separate entries are required for Legacy BRAC and BRAC 2005

BRAC-IRP: Funded by Base Realignment and Closure environmental sub-accounts within the MILCON appropriation. Covers the Hazardous and Petroleum Waste project management. Separate entries are required for Legacy BRAC and BRAC 2005

BRAC-Munitions Response: Funded by Base Realignment and Closure environmental sub-accounts within the MILCON appropriation. Clean up activities (i.e., the identification, investigation, and removal actions, remedial actions, or a combination of removal and remedial actions) to address military munitions (i.e., UXO) or the chemical residues of munitions at BRAC installations. Separate entries are required for Legacy BRAC and BRAC 2005

BRAC-PLANNING: Funded by Base Realignment and Closure environmental sub-accounts within the MILCON appropriation. See DoD Instruction 4715.9. Separate entries are required for Legacy BRAC and BRAC 2005

Environmental Restoration-Building Demolition/Debris Removal: Funded by Environmental Restoration appropriations. The demolition and removal of unsafe buildings and structures in accordance with DERP Management Guidance at facilities or sites that are or were owned by, leased to, or otherwise possessed by the United States under the jurisdiction of the Secretary of Defense.

Environmental Restoration-IRP: Funded by Environmental Restoration appropriations. Covers the Hazardous and Petroleum Waste project management.

Environmental Restoration-Munitions Response: Funded by Environmental Restoration appropriations. Clean up activities (i.e., the identification, investigation, and removal actions, remedial actions, or a combination of removal and remedial actions) to address military munitions (i.e., UXO) or the chemical residues of munitions at FUDS properties, or on closed munitions response sites at active installations.

Land Sale Revenue: A one line entry for Legacy BRAC and BRAC 2005 to indicate how much land sale revenue will be applied to Environmental Requirements.

CleanUpAction:

Analysis/Investigation: Analysis used to characterize the nature, extent, and risk of releases of hazardous substances into the environment and to develop and select a cleanup remedy.

Assessments: A limited scope investigation designed to distinguish sites that pose little or no threat to human health and the environment from sites that require further investigation. The assessment typically is based on installation records searches, visual site inspections, and interviews with personnel.

Interim Actions: An interim measure that can be implemented at any time in the restoration process and that is designed to abate contamination until the final remedial action can be implemented.

Land Sale Revenue: Term used to identify funds recovered from the sale of real property used to offset restoration funding requirements.

Long Term Management: Term used for environmental monitoring, review of site conditions, and/or maintenance of a remedial action to ensure continued protection as designed once a site achieves response complete.

N/A: Not applicable; leave blank.

No Further Action: No further action planned or funded.

Potentially Responsible Party: (PRP)-As defined in the Comprehensive Environmental Response Compensation and Liability Act(CERCLA) Recovery-Pursuant to 10USC Section 2703(d)(1) and (2)

Env 30 DERA and BRAC Funds Budgeted for Environmental Clean-Up (Continued)

Components are authorized to credit their environmental restoration account with amounts recovered pursuant to CERCLA for response costs at DERP sites.

Recovery: Pursuant to 10USC Section 2703(d)(1) and (2) Components are authorized to credit their environmental restoration account with amounts recovered pursuant to CERCLA for response costs at DERP sites.

Remedial Action Construction: The restoration phases during which the final remedy is being put in place. The end date signifies that the construction is complete, all testing has been accomplished, and that the remedy will function properly.

Remedial Action Operations: Remedial Action Operations (RAO) - The period when a remedy is being operated but cleanup objectives have not yet been achieved.

Remedial Designs: Restoration phases during which construction parameters and equipment specifications for a selected cleanup technology are defined.

RiskMSRPPLevel: Risk Level as defined to the DoD Relative Risk Site Evaluation Primer or Munitions Response Site Prioritization Protocol (MRSPP) priority level.

High Relative Risk: As defined in the DoD Relative Risk Site Evaluation Primer.

Low Relative Risk: As defined in the DoD Relative Risk Site Evaluation Primer.

Medium Relative Risk: As defined in the DoD Relative Risk Site Evaluation Primer.

MRSPP 1: As defined in the MRSPP Final Rule, Part 179.6, Federal Register Vol. 70, No. 192

MRSPP 2: As defined in the MRSPP Final Rule, Part 179.6, Federal Register Vol. 70, No. 192

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MRSPP Evaluation Pending: As defined in the MRSPP Final Rule, Part 179.6, Federal Register Vol. 70, No. 192

MRSPP No Known or Suspected Hazard: As defined in the MRSPP Final Rule, Part 179.6, Federal Register Vol. 70, No. 192

MRSPP No Longer Required: As defined in the MRSPP Final Rule, Part 179.6, Federal Register Vol. 70, No. 192

N/A: N/A

N/A: Not applicable; leave blank.

Not Evaluated Relative Risk: As defined in the DoD Relative Risk Site Evaluation Primer.

RiskMSRPPType:

N/A: Not applicable; leave blank.

With Agreements:

With Reuse: Action is necessary to support a future land use identified in an approved Reuse Plan.

Without Agreements:

Without Reuse: Future land reuse either has not been identified or the action is not necessary to support a future land use identified in an approved Reuse Plan.

SiteFundingRequirements:

Analysis: $TOA (and includes PA/SI and RI/FS activities)

Clean-up: $TOA (includes IRA, RD, and RA-C activities)

Sites: # of sites (projects for FUDS) at the beginning of the FY.

BalanceToComplete: Balance to Complete: Total Funding beyond required to complete the projected.

Env 30 DERA and BRAC Funds Budgeted for Environmental Clean-Up

Business Rules

Data Matrix: FundSource, CleanUpAction, RiskMSRPPLevel, RiskMSRPPType Relationship

FundSource	CleanUpAction	RiskMSRPPLevel	RiskMSRPPType
Environmental Restoration-IRP	Analysis/Investigation	High Relative Risk	N/A
			With Agreements
			Without Agreements
		Medium Relative Risk	N/A
			With Agreements
			Without Agreements
		Low Relative Risk	N/A
			With Agreements
			Without Agreements
		Not Evaluated Relative Risk	N/A
			With Agreements
			Without Agreements
		N/A	N/A
			With Agreements
			Without Agreements
	Assessments	High Relative Risk	N/A
			With Agreements
			Without Agreements
		Medium Relative Risk	N/A
			With Agreements
			Without Agreements
		Low Relative Risk	N/A
			With Agreements
			Without Agreements
		Not Evaluated Relative Risk	N/A
			With Agreements
			Without Agreements
		N/A	N/A
			With Agreements
			Without Agreements
	Interim Actions	High Relative Risk	N/A
			With Agreements
			Without Agreements
		Medium Relative Risk	N/A
			With Agreements
			Without Agreements
		Low Relative Risk	N/A
			With Agreements
			Without Agreements
		Not Evaluated Relative Risk	N/A
			With Agreements
			Without Agreements
		N/A	N/A
			With Agreements
			Without Agreements
	Land Sale Revenue		N/A
			With Agreements
			Without Agreements
	Long Term Management		N/A
			With Agreements
			Without Agreements
	Potentially Responsible Party	High Relative Risk	N/A
			With Agreements
			Without Agreements
		Medium Relative Risk	N/A
			With Agreements
			Without Agreements

FundSource	CleanUpAction	RiskMSRPPLevel	RiskMSRPPType
		Low Relative Risk	N/A
			With Agreements
			Without Agreements
		Not Evaluated Relative Risk	N/A
			With Agreements
			Without Agreements
		N/A	N/A
			With Agreements
			Without Agreements
	Recovery	High Relative Risk	N/A
			With Agreements
			Without Agreements
		Medium Relative Risk	N/A
			With Agreements
			Without Agreements
		Low Relative Risk	N/A
			With Agreements
			Without Agreements
		Not Evaluated Relative Risk	N/A
			With Agreements
			Without Agreements
		N/A	N/A
			With Agreements
			Without Agreements
	Remedial Action Construction	High Relative Risk	N/A
			With Agreements
			Without Agreements
		Medium Relative Risk	N/A
			With Agreements
			Without Agreements
		Low Relative Risk	N/A
			With Agreements
			Without Agreements
		Not Evaluated Relative Risk	N/A
			With Agreements
			Without Agreements
		N/A	N/A
			With Agreements
			Without Agreements
	Remedial Action Operations		N/A
			With Agreements
			Without Agreements
	Remedial Designs	High Relative Risk	N/A
			With Agreements
			Without Agreements
		Medium Relative Risk	N/A
			With Agreements
			Without Agreements
		Low Relative Risk	N/A
			With Agreements
			Without Agreements
		Not Evaluated Relative Risk	N/A
			With Agreements
			Without Agreements
		N/A	N/A
			With Agreements
			Without Agreements
Environmental Restoration-Munitions Response	Analysis/Investigation	MRSPP 1	N/A
		MRSPP 2	
		MRSPP 3	
		MRSPP 4	
		MRSPP 6	
		MRSPP 7	
		MRSPP 8	

FundSource	CleanUpAction	RiskMSRPPLevel	RiskMSRPPType
		MRSPP Evaluation Pending	
		MRSPP No Known or Suspected Hazard	
		MRSPP No Longer Required	
		MRSPP 5	
	Assessments	MRSPP 1	
		MRSPP 2	
		MRSPP 3	
		MRSPP 4	
		MRSPP 6	
		MRSPP 7	
		MRSPP 8	
		MRSPP Evaluation Pending	
		MRSPP No Known or Suspected Hazard	
		MRSPP No Longer Required	
		MRSPP 5	
	Interim Actions	MRSPP 1	
		MRSPP 2	
		MRSPP 3	
		MRSPP 4	
		MRSPP 6	
		MRSPP 7	
		MRSPP 8	
		MRSPP Evaluation Pending	
		MRSPP No Known or Suspected Hazard	
		MRSPP No Longer Required	
		MRSPP 5	
	Long Term Management	MRSPP 1	
		MRSPP 2	
		MRSPP 3	
		MRSPP 4	
		MRSPP 6	
		MRSPP 7	
		MRSPP 8	
		MRSPP Evaluation Pending	
		MRSPP No Known or Suspected Hazard	
		MRSPP No Longer Required	
		MRSPP 5	
	No Further Action	MRSPP 1	
		MRSPP 2	
		MRSPP 3	
		MRSPP 4	
		MRSPP 6	
		MRSPP 7	
		MRSPP 8	
		MRSPP Evaluation Pending	
		MRSPP No Known or Suspected Hazard	
		MRSPP No Longer Required	
	Potentially Responsible Party	MRSPP 1	
		MRSPP 2	
		MRSPP 3	
		MRSPP 4	
		MRSPP 6	
		MRSPP 7	
		MRSPP 8	
		MRSPP Evaluation Pending	
		MRSPP No Known or Suspected Hazard	
		MRSPP No Longer Required	

FundSource	CleanUpAction	RiskMSRPPLevel	RiskMSRPPType
		MRSPP 5	
	Recovery	MRSPP 1	
		MRSPP 2	
		MRSPP 3	
		MRSPP 4	
		MRSPP 6	
		MRSPP 7	
		MRSPP 8	
		MRSPP Evaluation Pending	
		MRSPP No Known or Suspected Hazard	
		MRSPP No Longer Required	
		MRSPP 5	
	Remedial Action Construction	MRSPP 1	
		MRSPP 2	
		MRSPP 3	
		MRSPP 4	
		MRSPP 6	
		MRSPP 7	
		MRSPP 8	
		MRSPP Evaluation Pending	
		MRSPP No Known or Suspected Hazard	
		MRSPP No Longer Required	
		MRSPP 5	
	Remedial Action Operations	MRSPP 1	
		MRSPP 2	
		MRSPP 3	
		MRSPP 4	
		MRSPP 6	
		MRSPP 7	
		MRSPP 8	
		MRSPP Evaluation Pending	
		MRSPP No Known or Suspected Hazard	
		MRSPP No Longer Required	
		MRSPP 5	
	Remedial Designs	MRSPP 1	
		MRSPP 2	
		MRSPP 3	
		MRSPP 4	
		MRSPP 6	
		MRSPP 7	
		MRSPP 8	
		MRSPP Evaluation Pending	
		MRSPP No Known or Suspected Hazard	
		MRSPP No Longer Required	
		MRSPP 5	
Environmental Restoration-Building Demolition/Debris Removal	N/A	N/A	
Legacy BRAC-IRP	Analysis/Investigation	High Relative Risk	
		Medium Relative Risk	
		Low Relative Risk	
		Not Evaluated Relative Risk	

FundSource	CleanUpAction	RiskMSRPPLevel	RiskMSRPPType
	Assessments	High Relative Risk	
		Medium Relative Risk	
		Low Relative Risk	
		Not Evaluated Relative Risk	
	Interim Actions	High Relative Risk	
		Medium Relative Risk	
		Low Relative Risk	
		Not Evaluated Relative Risk	
	Long Term Management	N/A	
	Potentially Responsible Party	High Relative Risk	
		Medium Relative Risk	
		Low Relative Risk	
		Not Evaluated Relative Risk	
	Recovery	High Relative Risk	
		Medium Relative Risk	
		Low Relative Risk	
		Not Evaluated Relative Risk	
	Remedial Action Construction	High Relative Risk	
		Medium Relative Risk	
		Low Relative Risk	
		Not Evaluated Relative Risk	
	Remedial Action Operations	N/A	

FundSource	CleanUpAction	RiskMSRPPLevel	RiskMSRPPType
	Remedial Designs	High Relative Risk	
		Medium Relative Risk	
		Low Relative Risk	
		Not Evaluated Relative Risk	
Legacy BRAC-Building Demolition/Debris Removal	N/A	N/A	N/A
Legacy BRAC-PLANNING			
Legacy BRAC-COMPLIANCE			
Legacy BRAC Land Sale revenue			
BRAC 2005-IRP	Analysis/Investigation	High Relative Risk	
		Medium Relative Risk	
		Low Relative Risk	
		Not Evaluated Relative Risk	
	Assessments	High Relative Risk	
		Medium Relative Risk	
		Low Relative Risk	
		Not Evaluated Relative Risk	
	Interim Actions	High Relative Risk	
		Medium Relative Risk	
		Low Relative Risk	
		Not Evaluated Relative Risk	
	Long Term Management	N/A	
	Potentially Responsible Party	High Relative Risk	
		Medium Relative Risk	

FundSource	CleanUpAction	RiskMSRPPLevel	RiskMSRPPType
		Low Relative Risk	
		Not Evaluated Relative Risk	
	Recovery	High Relative Risk	
		Medium Relative Risk	
		Low Relative Risk	
		Not Evaluated Relative Risk	
	Remedial Action Construction	High Relative Risk	
		Medium Relative Risk	
		Low Relative Risk	
		Not Evaluated Relative Risk	
	Remedial Action Operations	N/A	
	Remedial Designs	High Relative Risk	
		Medium Relative Risk	
		Low Relative Risk	
		Not Evaluated Relative Risk	
BRAC 2005-Building Demolition/Debris Removal	N/A	N/A	N/A
BRAC 2005-PLANNING			
BRAC 2005-COMPLIANCE			
Land Sale Revenue			

***Subject Matter Experts*:** Questions regarding this data requirement should be directed to Shah Choudhury 703-571-9067 and Bob Furlong 703-571-9073.

***Technical Issues*:** If you are having difficulty with the data collection system—SNaP, contact the SNaP administrators via the SIRS button at the SNaP web site: https://snap.pae.osd.mil or call (703) 601-4860 ext #107 or #108.

0706 BASE REALIGNMENT AND CLOSURE SUBMISSION FORMATS For BRAC 2005 COMMISSION

070601. Purpose

The formats provided on pages 7-25 through 7-32 reflect guidance for preparation of exhibits pertaining to BRAC 2005 budget justification material. Unless modified in a submission budget call, these formats should be adhered to.

*070602. Exhibits in Support of BRAC 2005 - Budget Estimates Submission

BC-01 BRAC Service Overview 7-31
BC-02 BRAC Implementation Costs 7-32
BC-03 BRAC Package Description 7-34
BC-04 BRAC Continuing Environmental and Caretaker Costs 7-36
BC-05 BRAC Construction Projects by Location, Project Title, Author and Appro. Request 7-37
BRAC ENV-30 7-38

Exhibit BC-01 BRAC Service Overview 2005 COMMISSION

INSTRUCTIONS FOR PREPARATION OF EXHIBIT BC-01
"FY ____ BASE REALIGNMENT AND CLOSURE DATA
2005 COMMISSION
Service/Defense Agency/Defense-Wide Activity

Service Overview

Schedule: Summarize by fiscal year, the names and locations of the affected bases, and how much of the DoD Base Closure Account 2005 funding will be obligated/expended in the fiscal year. Discuss possible problems in meeting the schedule. Highlight realignment/closure actions where the estimated implementation costs and impacts significantly differ from those determined by the Commission.

Mission Impact: Describe possible mission impact in completing the realignment/closure.

Environmental Considerations: Describe potential problems in closing an installation due to the complexity in cleaning up environmental wastes and hazards.

Address any other items/issues appropriate for the overview section.

Exhibit BC-02 BRAC Implementation Costs 2005 COMMISSION

FY ____ Budget Estimates
BASE REALIGNMENT AND CLOSURE ACCOUNT - 2005 COMMISSION
Costs and Savings by Fiscal Year
(DOLLARS IN MILLIONS)

	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	Total
One-Time Implementation Costs:							
Military Construction - BRAC							
Family Housing - Construction							
Family Housing - Operations							
Environmental							
Operation and Maintenance							
Military Personnel - PCS							
Other							
Homeowners Assistant Program							
TOTAL ONE-TIME COSTS							
Revenues From Land Sales(-)							
Budget Authority Request							
One-Time Costs							
Funded Outside Of The Account:							
Military Construction							
Family Housing - Operations							
Operation and Maintenance							
Other							
Homeowners Assistant Program							
Total Outside The Account							
Grand Total One-Time Implementation Cost							
Recurring Costs (memo non-add)							
Operations & Maintenance							
Military Personnel							
Other							
Total Recurring Costs (memo non-add)							
One-time savings:							
Military Construction							
Family Housing – Construction							
Military PCS Cost Avoidance							
Operation and Maintenance							
Other							
Total one-time savings							

Exhibit BC-02 BRAC Implementation Costs 2005 COMMISSION (Continued)

Recurring Savings
- Civilian Salary:
- Military Entitlement:
- Officer Salary
- Enlisted Salary
- Housing Allowance
- Overhead:
- Family Housing Operations
- Sustainment
- Recapitalization
- BOS
- Other
- Procurement
- Mission Activity
- Miscellaneous

Total Recurring Savings

Grand Total Savings

Net Civilian Manpower Position Changes(+/-)
Net Military Manpower Position Changes (+/-)
Net Implementation Costs
Less Estimated Land Revenues:…

Exhibit BC-02 BRAC Implementation Costs

Exhibit BC-03 BRAC Package Description 2005 COMMISSION

FY ____ BASE REALIGNMENT AND CLOSURE DATA
2005 COMMISSION
PACKAGE DESCRIPTION

Service/Location/Package: Cross-reference to standard terminology employed in the Commission's report.

Closure/Realignment Package: Brief description of the actions necessary to complete the realignment or closure at this location. A package is defined as all actions, costs and savings associated with the closing or realignment of a base or installation as recommended by the Commissions. Include how the physical plant will be affected and the missions that must be terminated or transferred to other locations. Reflect planning and design and management overhead costs in a separate package covering, overall one-time implementation cost. All military construction savings should also be addressed in this same package.

One-time Implementation Costs:

Military Construction: New facilities that must be constructed to accommodate a realignment or closure action. List the construction projects associated with the package as follows:

Location/Project Title	Fiscal Year of Award	Amount ($ in 000)
Subtotal for Each Fiscal Year		

Conjunctively-Funded Construction: Identify each project that is funded conjunctively, the total cost of each project and the amounts funded by non-Base Closure Account sources. These projects will also appear on the above list, which will reflect only that portion of the project to be funded by the Base Closure Account.

Family Housing Construction: Specify the number of units and location. As with military construction, list each family housing construction project.

Family Housing Operations: The one-time family housing operations costs associated with package implementation.

Operation and Maintenance: Includes PCS of civilian personnel, civilian severance costs, transportation of things, RPM and other one-time implementation costs as a result of closure or realignment. Program management costs should also be addressed, but only in the separate package covering overall one-time implementation costs.

Procurement Items: Items normally funded from procurement appropriations.

Revenues From Land Sales: Provide statistics and narrative to adequately describe the land being proposed for sale. Describe the method and date of appraisal.

Exhibit BC-03 BRAC Package Description 2005 Commission (Continued)

Environmental: Indicate the environmental restoration actions that will occur at both the losing and gaining locations, the funding requirements and status of all such restoration actions.

Savings: Demonstrated savings that will accrue from the partial or complete closure of the base.

Military Construction: To be addressed in the single package addressing overall/program management costs.

Family Housing Construction: Self-explanatory.

Family Housing Operations: Savings (offset by increased recurring costs).

Operation and Maintenance: One-time and recurring savings (offset by increased recurring costs) in civilian personnel, base operations, RPMA and other costs as a result of closure or realignment. Be specific as to the category,

Military Personnel: One-time and recurring savings (offset by increased recurring costs) in military personnel as a result of closure or realignment. Be specific as to the category.

Other: Self-explanatory.

Exhibit BC-03
(Page 2 of 2)

Exhibit BC-04 Continuing BRAC Environmental Restoration and Caretaker Costs

BASE REALIGNMENT AND CLOSURE 2005 ACCOUNT
Continuing Environmental Restoration and Caretaker Cost
1/
(DOLLARS IN 2/)

	FY2003	FY2004	FY2005	FY2006	FY2007	Total 3/
CONTINUING ENVIRONMENTAL AND CARETAKER COSTS:						
Environmental						
Operation and Maintenance						
Homeowners Assistant Program						
TOTAL COSTS						
Revenues From Land Sales(-)						
Budget Authority Request						

1/ Identification, e.g., DoD Financial Summary, Army Summary or Pease AFB Package, etc.
2/ Dollars in thousands
3/ Reflect the Budget Year and four prior fiscal years.

Exhibit BC-05 Construction Project Listing 2005 COMMISSION

COMPONENT: _____
FY ____ BASE REALIGNMENT AND CLOSURE DATA
2005 COMMISSION
BRAC CONSTRUCTION PROJECT LISTING
(Dollars in Thousands)

State Code	Project Location	Project Title	Fiscal Year	Authorization Request	Appropriation Request	Award Date

BRAC Construction Project Listing Exhibit BC-05

Env 30 DERA and BRAC Funds Budgeted for Environmental Clean-Up

Class	Component	FUDS	FundSource	CleanUp Action	RiskMSRPP Level	RiskMSRPP Type	SiteFunding Requirements	FY PY Actual	FY CY Estimate

D.

FY BY 1	FY BY 2	FY BY +1	FY BY 2 +2	FY BY 2 +3	FY BY 2 +4	BalanceToComplete

E. Instructions

1) The new ENV 30 replaces the former ENV 30 DERA and ENV 1A/1B BRAC exhibits. Part 2 captures Project Management activity breakouts for IRP, Munitions Response, BD/DR, BRAC Compliance, and BRAC Planning. Legacy BRAC includes BRAC rounds I-IV, and there is a separate format required for BRAC 2005.
2) For all Fund Sources, all Clean-Up Programs provide number of sites and funding by Clean-Up and Analysis in all years identified and Balance to Complete. See Relationship Matrix below. For BRAC Planning and BRAC Compliance, provide number of facilities in lieu of sites.
3) Only the Army reports FUDS.
4) For Clean-up Action—for Assessments, Analysis/Investigation, Interim Actions, Remedial Designs, and Remedial Action Construction provide the funding detail by Relative-Risk or MRSPP Level and Type.
5) If there is no analysis associated with an action, report funding only.
6) Components shall program adequate resources in each year of the FYDP to achieve the programs goals for all restoration activities.
7) Military Departments and applicable Defense Agencies shall develop and submit to the Comptroller separate narrative justification material (including any program increases and decreases) for their respective programs as part of their Program and Budget Review submission.
8) Components shall provide to the DUSD (I&E) no later than two weeks before their POM and budget submissions are due to OSD, the updated relative risk site evaluations, site status updates and cost to complete estimates for every site as required by DoD Instruction 4715.7.
9) The reporting entities directed to submit this data requirement refers to Military Departments (Active, Guard, Reserve)/Defense Agencies.

F. Definitions

Class: System Field: Classification

C: CONFIDENTIAL
C/NF: CONFIDENTIAL//NOFORN
F: FOR OFFICIAL USE ONLY
S: SECRET
S/NF: SECRET//NOFORN
U: UNCLASSIFIED

Component: For the Military Departments report by Active, Guard and Reserve. Defense Agencies choose Defense Agency. Army also reports for FUDS.

Active:
DADW: Defense Area Defense Wide. Used by non-service defense agencies.
Guard:
Reserve:

Env 30 DERA and BRAC Funds Budgeted for Environmental Clean-Up (Continued)

FUDS: Army will use this field to identify the Formerly Used Defense Sites (FUDS) data by selecting a "Yes" or "No" value. All other Services/Agencies will enter "No" as the FUDS data value

No:

Yes:

FundSource:

BRAC-Building Demolition/Debris Removal: Funded by Base Realignment and Closure environmental sub-accounts within the MILCON appropriation. The demolition and removal of unsafe buildings and structures in accordance with DERP Management Guidance at facilities or sites that are or were owned by, leased to, or otherwise possessed by the United States under the jurisdiction of the Secretary of Defense. Separate entries are required for Legacy BRAC and BRAC 2005.

BRAC-COMPLIANCE: Funded by Base Realignment and Closure environmental sub-accounts within the MILCON appropriation. See DoD Instruction 4715.6. Separate entries are required for Legacy BRAC and BRAC 2005

BRAC-IRP: Funded by Base Realignment and Closure environmental sub-accounts within the MILCON appropriation. Covers the Hazardous and Petroleum Waste project management. Separate entries are required for Legacy BRAC and BRAC 2005

BRAC-Munitions Response: Funded by Base Realignment and Closure environmental sub-accounts within the MILCON appropriation. Clean up activities (i.e., the identification, investigation, and removal actions, remedial actions, or a combination of removal and remedial actions) to address military munitions (i.e., UXO) or the chemical residues of munitions at BRAC installations. Separate entries are required for Legacy BRAC and BRAC 2005

BRAC-PLANNING: Funded by Base Realignment and Closure environmental sub-accounts within the MILCON appropriation. See DoD Instruction 4715.9. Separate entries are required for Legacy BRAC and BRAC 2005

Environmental Restoration-Building Demolition/Debris Removal: Funded by Environmental Restoration appropriations. The demolition and removal of unsafe buildings and structures in accordance with DERP Management Guidance at facilities or sites that are or were owned by, leased to, or otherwise possessed by the United States under the jurisdiction of the Secretary of Defense.

Environmental Restoration-IRP: Funded by Environmental Restoration appropriations. Covers the Hazardous and Petroleum Waste project management.

Environmental Restoration-Munitions Response: Funded by Environmental Restoration appropriations. Clean up activities (i.e., the identification, investigation, and removal actions, remedial actions, or a combination of removal and remedial actions) to address military munitions (i.e., UXO) or the chemical residues of munitions at FUDS properties, or on closed munitions response sites at active installations.

Land Sale Revenue: A one line entry for Legacy BRAC and BRAC 2005 to indicate how much land sale revenue will be applied to Environmental Requirements.

CleanUpAction:

Analysis/Investigation: Analysis used to characterize the nature, extent, and risk of releases of hazardous substances into the environment and to develop and select a cleanup remedy.

Assessments: A limited scope investigation designed to distinguish sites that pose little or no threat to human health and the environment from sites that require further investigation. The assessment typically is based on installation records searches, visual site inspections, and interviews with personnel.

Interim Actions: An interim measure that can be implemented at any time in the restoration process and that is designed to abate contamination until the final remedial action can be implemented.

Land Sale Revenue: Term used to identify funds recovered from the sale of real property used to offset restoration funding requirements.

Long Term Management: Term used for environmental monitoring, review of site conditions, and/or maintenance of a remedial action to ensure continued protection as designed once a site achieves response complete.

N/A: Not applicable; leave blank.

No Further Action: No further action planned or funded.

Env 30 DERA and BRAC Funds Budgeted for Environmental Clean-Up (Continued)

Potentially Responsible Party: (PRP)-As defined in the Comprehensive Environmental Response Compensation and Liability Act(CERCLA) Recovery-Pursuant to 10USC Section 2703(d)(1) and (2) Components are authorized to credit their environmental restoration account with amounts recovered pursuant to CERCLA for response costs at DERP sites.

Recovery: Pursuant to 10USC Section 2703(d)(1) and (2) Components are authorized to credit their environmental restoration account with amounts recovered pursuant to CERCLA for response costs at DERP sites.

Remedial Action Construction: The restoration phases during which the final remedy is being put in place. The end date signifies that the construction is complete, all testing has been accomplished, and that the remedy will function properly.

Remedial Action Operations: Remedial Action Operations (RAO) - The period when a remedy is being operated but cleanup objectives have not yet been achieved.

Remedial Designs: Restoration phases during which construction parameters and equipment specifications for a selected cleanup technology are defined.

RiskMSRPPLevel: Risk Level as defined to the DoD Relative Risk Site Evaluation Primer or Munitions Response Site Prioritization Protocol (MRSPP) priority level.

High Relative Risk: As defined in the DoD Relative Risk Site Evaluation Primer.

Low Relative Risk: As defined in the DoD Relative Risk Site Evaluation Primer.

Medium Relative Risk: As defined in the DoD Relative Risk Site Evaluation Primer.

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MRSPP Evaluation Pending: As defined in the MRSPP Final Rule, Part 179.6, Federal Register Vol. 70, No. 192

MRSPP No Known or Suspected Hazard: As defined in the MRSPP Final Rule, Part 179.6, Federal Register Vol. 70, No. 192

MRSPP No Longer Required: As defined in the MRSPP Final Rule, Part 179.6, Federal Register Vol. 70, No. 192

N/A: N/A

N/A: Not applicable; leave blank.

Not Evaluated Relative Risk: As defined in the DoD Relative Risk Site Evaluation Primer.

RiskMSRPPType:

N/A: Not applicable; leave blank.

With Agreements:

With Reuse: Action is necessary to support a future land use identified in an approved Reuse Plan.

Without Agreements:

Without Reuse: Future land reuse either has not been identified or the action is not necessary to support a future land use identified in an approved Reuse Plan.

SiteFundingRequirements:

Analysis: $TOA (and includes PA/SI and RI/FS activities)

Clean-up: $TOA (includes IRA, RD, and RA-C activities)

Sites: # of sites (projects for FUDS) at the beginning of the FY.

BalanceToComplete: Balance to Complete: Total Funding beyond required to complete the projected.

Business Rules- 2005 COMMISSION

Data Matrix: FundSource, CleanUpAction, RiskMSRPPLevel, RiskMSRPPType Relationship

FundSource	CleanUpAction	RiskMSRPPLevel	RiskMSRPPType
Environmental Restoration-IRP	Analysis/Investigation	High Relative Risk	N/A
			With Agreements
			Without Agreements
		Medium Relative Risk	N/A
			With Agreements
			Without Agreements
		Low Relative Risk	N/A
			With Agreements
			Without Agreements
		Not Evaluated Relative Risk	N/A
			With Agreements
			Without Agreements
		N/A	N/A
			With Agreements
			Without Agreements
	Assessments	High Relative Risk	N/A
			With Agreements
			Without Agreements
		Medium Relative Risk	N/A
			With Agreements
			Without Agreements
		Low Relative Risk	N/A
			With Agreements
			Without Agreements
		Not Evaluated Relative Risk	N/A
			With Agreements
			Without Agreements
		N/A	N/A
			With Agreements
			Without Agreements
	Interim Actions	High Relative Risk	N/A
			With Agreements
			Without Agreements
		Medium Relative Risk	N/A
			With Agreements
			Without Agreements
		Low Relative Risk	N/A
			With Agreements
			Without Agreements
		Not Evaluated Relative Risk	N/A
			With Agreements
			Without Agreements

FundSource	CleanUpAction	RiskMSRPPLevel	RiskMSRPPType
		N/A	N/A
			With Agreements
			Without Agreements
	Land Sale Revenue		N/A
			With Agreements
			Without Agreements
	Long Term Management		N/A
			With Agreements
			Without Agreements
	Potentially Responsible Party	High Relative Risk	N/A
			With Agreements
			Without Agreements
		Medium Relative Risk	N/A
			With Agreements
			Without Agreements
		Low Relative Risk	N/A
			With Agreements
			Without Agreements
		Not Evaluated Relative Risk	N/A
			With Agreements
			Without Agreements
		N/A	N/A
			With Agreements
			Without Agreements
	Recovery	High Relative Risk	N/A
			With Agreements
			Without Agreements
		Medium Relative Risk	N/A
			With Agreements
			Without Agreements
		Low Relative Risk	N/A
			With Agreements
			Without Agreements
		Not Evaluated Relative Risk	N/A
			With Agreements
			Without Agreements
		N/A	N/A
			With Agreements
			Without Agreements
	Remedial Action Construction	High Relative Risk	N/A
			With Agreements
			Without Agreements
		Medium Relative Risk	N/A
			With Agreements
			Without Agreements

FundSource	CleanUpAction	RiskMSRPPLevel	RiskMSRPPType
		Low Relative Risk	N/A
			With Agreements
			Without Agreements
		Not Evaluated Relative Risk	N/A
			With Agreements
			Without Agreements
		N/A	N/A
			With Agreements
			Without Agreements
	Remedial Action Operations		N/A
			With Agreements
			Without Agreements
	Remedial Designs	High Relative Risk	N/A
			With Agreements
			Without Agreements
		Medium Relative Risk	N/A
			With Agreements
			Without Agreements
		Low Relative Risk	N/A
			With Agreements
			Without Agreements
		Not Evaluated Relative Risk	N/A
			With Agreements
			Without Agreements
		N/A	N/A
			With Agreements
			Without Agreements
Environmental Restoration-Munitions Response	Analysis/Investigation	MRSPP 1	N/A
		MRSPP 2	
		MRSPP 3	
		MRSPP 4	
		MRSPP 6	
		MRSPP 7	
		MRSPP 8	
		MRSPP Evaluation Pending	
		MRSPP No Known or Suspected Hazard	
		MRSPP No Longer Required	
		MRSPP 5	
	Assessments	MRSPP 1	
		MRSPP 2	
		MRSPP 3	
		MRSPP 4	
		MRSPP 6	
		MRSPP 7	

FundSource	CleanUpAction	RiskMSRPPLevel	RiskMSRPPType
		MRSPP 8	
		MRSPP Evaluation Pending	
		MRSPP No Known or Suspected Hazard	
		MRSPP No Longer Required	
		MRSPP 5	
	Interim Actions	MRSPP 1	
		MRSPP 2	
		MRSPP 3	
		MRSPP 4	
		MRSPP 6	
		MRSPP 7	
		MRSPP 8	
		MRSPP Evaluation Pending	
		MRSPP No Known or Suspected Hazard	
		MRSPP No Longer Required	
		MRSPP 5	
	Long Term Management	MRSPP 1	
		MRSPP 2	
		MRSPP 3	
		MRSPP 4	
		MRSPP 6	
		MRSPP 7	
		MRSPP 8	
		MRSPP Evaluation Pending	
		MRSPP No Known or Suspected Hazard	
		MRSPP No Longer Required	
		MRSPP 5	
	No Further Action	MRSPP 1	
		MRSPP 2	
		MRSPP 3	
		MRSPP 4	
		MRSPP 6	
		MRSPP 7	
		MRSPP 8	
		MRSPP Evaluation Pending	
		MRSPP No Known or Suspected Hazard	
		MRSPP No Longer Required	
	Potentially Responsible Party	MRSPP 1	
		MRSPP 2	
		MRSPP 3	
		MRSPP 4	
		MRSPP 6	
		MRSPP 7	
		MRSPP 8	

FundSource	CleanUpAction	RiskMSRPPLevel	RiskMSRPPType
		MRSPP Evaluation Pending	
		MRSPP No Known or Suspected Hazard	
		MRSPP No Longer Required	
		MRSPP 5	
	Recovery	MRSPP 1	
		MRSPP 2	
		MRSPP 3	
		MRSPP 4	
		MRSPP 6	
		MRSPP 7	
		MRSPP 8	
		MRSPP Evaluation Pending	
		MRSPP No Known or Suspected Hazard	
		MRSPP No Longer Required	
		MRSPP 5	
	Remedial Action Construction	MRSPP 1	
		MRSPP 2	
		MRSPP 3	
		MRSPP 4	
		MRSPP 6	
		MRSPP 7	
		MRSPP 8	
		MRSPP Evaluation Pending	
		MRSPP No Known or Suspected Hazard	
		MRSPP No Longer Required	
		MRSPP 5	
	Remedial Action Operations	MRSPP 1	
		MRSPP 2	
		MRSPP 3	
		MRSPP 4	
		MRSPP 6	
		MRSPP 7	
		MRSPP 8	
		MRSPP Evaluation Pending	
		MRSPP No Known or Suspected Hazard	
		MRSPP No Longer Required	
		MRSPP 5	
	Remedial Designs	MRSPP 1	
		MRSPP 2	
		MRSPP 3	
		MRSPP 4	
		MRSPP 6	
		MRSPP 7	
		MRSPP 8	
		MRSPP Evaluation Pending	

FundSource	CleanUpAction	RiskMSRPPLevel	RiskMSRPPType
		MRSPP No Known or Suspected Hazard	
		MRSPP No Longer Required	
		MRSPP 5	
Environmental Restoration-Building Demolition/Debris Removal	N/A	N/A	
Legacy BRAC-IRP	Analysis/Investigation	High Relative Risk	
		Medium Relative Risk	
		Low Relative Risk	
		Not Evaluated Relative Risk	
	Assessments	High Relative Risk	
		Medium Relative Risk	
		Low Relative Risk	
		Not Evaluated Relative Risk	
	Interim Actions	High Relative Risk	
		Medium Relative Risk	
		Low Relative Risk	
		Not Evaluated Relative Risk	
	Long Term Management	N/A	
	Potentially Responsible Party	High Relative Risk	

FundSource	CleanUpAction	RiskMSRPPLevel	RiskMSRPPType
		Medium Relative Risk	
		Low Relative Risk	
		Not Evaluated Relative Risk	
	Recovery	High Relative Risk	
		Medium Relative Risk	
		Low Relative Risk	
		Not Evaluated Relative Risk	
	Remedial Action Construction	High Relative Risk	
		Medium Relative Risk	
		Low Relative Risk	
		Not Evaluated Relative Risk	
	Remedial Action Operations	N/A	
	Remedial Designs	High Relative Risk	
		Medium Relative Risk	
		Low Relative Risk	

FundSource	CleanUpAction	RiskMSRPPLevel	RiskMSRPPType
		Not Evaluated Relative Risk	
Legacy BRAC-Building Demolition/Debris Removal	N/A	N/A	N/A
Legacy BRAC-PLANNING			
Legacy BRAC-COMPLIANCE			
Legacy BRAC Land Sale revenue			
BRAC 2005-IRP	Analysis/Investigation	High Relative Risk	
		Medium Relative Risk	
		Low Relative Risk	
		Not Evaluated Relative Risk	
	Assessments	High Relative Risk	
		Medium Relative Risk	
		Low Relative Risk	
		Not Evaluated Relative Risk	
	Interim Actions	High Relative Risk	
		Medium Relative Risk	
		Low Relative Risk	
		Not Evaluated Relative Risk	

FundSource	CleanUpAction	RiskMSRPPLevel	RiskMSRPPType
	Long Term Management	N/A	
	Potentially Responsible Party	High Relative Risk	
		Medium Relative Risk	
		Low Relative Risk	
		Not Evaluated Relative Risk	
	Recovery	High Relative Risk	
		Medium Relative Risk	
		Low Relative Risk	
		Not Evaluated Relative Risk	
	Remedial Action Construction	High Relative Risk	
		Medium Relative Risk	
		Low Relative Risk	
		Not Evaluated Relative Risk	
	Remedial Action Operations	N/A	
	Remedial Designs	High Relative Risk	

FundSource	CleanUpAction	RiskMSRPPLevel	RiskMSRPPType
		Medium Relative Risk	
		Low Relative Risk	
		Not Evaluated Relative Risk	
BRAC 2005-Building Demolition/Debris Removal	N/A	N/A	N/A
BRAC 2005-PLANNING			
BRAC 2005-COMPLIANCE			
Land Sale Revenue			

***Subject Matter Experts*:** Questions regarding this data requirement should be directed to Shah Choudhury 703-571-9067 and Bob Furlong 703-571-9073.

***Technical Issues*:** If you are having difficulty with the data collection system—SNaP, contact the SNaP administrators via the SIRS button at the SNaP web site: https://snap.pae.osd.mil or call (703) 601-4860 ext #107

VOLUME 2B, CHAPTER 8 "FACILITIES SUSTAINMENT AND RESTORATION/MODERNIZATION"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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

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

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

The previous version dated June 2013 is archived.

PARA	EXPLANATION OF CHANGE/REVISION	PURPOSE
Overall	Deleted the requirement to submit Exhibit PBA 7, Facilities Sustainment and Restoration/Modernization and Demolition Programs.	Deletion

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CHAPTER 8

FACILITIES SUSTAINMENT AND RESTORATION/MODERNIZATION

0801 GENERAL

080101. Purpose

A. This chapter provides instructions applicable to budget formulation and congressional justification for Facilities Sustainment and Restoration/Modernization (FSRM).

B. The following appropriations and accounts are covered:

Section 0802

- Operation and Maintenance Appropriations
- Research, Development, Test, and Evaluation Appropriations
- Defense Working Capital Funds
- Military Construction
- Other Funds

Section 0804

- Transfer or Disposal of DoD Real Property
- Lease of DoD Real Property

Section 0805

- DoD Overseas Military Facility Investment Recovery Account

080102. Submission Requirements

Volume 2, Chapter 1 provides general guidance on the formulation and submission of the budget requests to the Office of the Secretary of Defense for the program and budget review submission and the presentation and justification of the budget requests to Congress. Chapter 8 provides specific additional back-up material requirements for the above Facilities Sustainment and Restoration/Modernization accounts.

080103. Preparation of Material

General guidance with regard to format and preparation of material is presented in Chapter 1. Chapter 8 provides additional specific guidance with regard to the back-up material required for Facilities Sustainment, Restoration and Modernization.

080104. References

Chapter 3 provides guidance related to Operation and Maintenance costs and O&M exhibits. Chapter 5 provides guidance related to Research, Development, Test, and Evaluation appropriations, Chapter 6 provides guidance related to Military Construction, and Chapter 9 provides guidance related to the Defense Working Capital Fund.

080105. Definition of Sustainment and Restoration/Modernization

A. Sustainment means the maintenance and repair activities necessary to keep an inventory of facilities in good working order. It includes regularly scheduled adjustments and inspections, preventive maintenance tasks, and emergency response and service calls for minor repairs. It also includes major repairs or replacement of facility components (usually accomplished by contract) that are expected to occur periodically throughout the life cycle of facilities. This work includes regular roof replacement, refinishing of wall surfaces, repairing and replacement of heating and cooling systems, replacing tile and carpeting, and similar types of work. It does not include environmental compliance costs, facility leases, or other tasks associated with facilities operations (such as custodial services, grounds services, waste disposal, and the provision of central utilities).

The DoD facilities sustainment model (FSM) is used as the standardized model for forecasting facilities sustainment resource requirements. The FSM uses the following formula to develop the sustainment requirement:

1. ***Annual sustainment requirement*** = **facility quantity** x **sustainment unit cost** x **location factor x inflation.**

2. **Facility quantity** - the facility size expressed in the Facility Analysis Category (FAC) unit of measure (such as square feet).

3. **Sustainment unit cost** – the average annual unit cost (in current year dollars) for sustaining the average size facility in the given FAC.

4. **Location factor** – a location adjustment based upon the local costs for labor, equipment, materials, and currency exchange rates (overseas) compared with an overall base-city average.

5. **Inflation** – factor to adjust current year prices to the target future year.

The Department uses a sustainment metric which is the comparison of sustainment funding to the requirement for a given year, expressed as a rate.

6. ***Sustainment rate (%)*** = sustainment funding/FSM requirement:

B. Restoration means the restoration of real property to such a condition that it may be used for its designated purpose. Restoration includes repair or replacement work to restore facilities damaged by inadequate sustainment, excessive age, natural disaster, fire, accident, or other causes.

C. Modernization means the alteration or replacement of facilities solely to implement new or higher standards, to accommodate new functions, or to replace building components that typically last more than 50 years (such as the framework or foundation)

D. Recapitalization means the major renovation or reconstruction activities (including facility replacements) needed to keep existing facilities modern and relevant in an environment of changing standards and missions. Recapitalization extends the service life of facilities or restores lost service life. It includes restoration and modernization of existing facilities, as well as replacement of existing facilities with new.

Plant replacement value (PRV) is used as a common measure of facility and inventory size, as well as the basis for generating facility condition index (FCI) values and estimating recapitalization requirements. The DoD standardized formula for calculating PRV is:

1. ***Plant Replacement Value*** = **facility quantity** x **replacement unit cost** x **location factor** x **planning & design (P&D) factor** x **historical factor** x **contingency factor** x **SIOH** x **inflation**

2. **Facility quantity** – the facility size expressed in the FAC unit of measure (such as square feet)

3. **Replacement unit cost** – the average annual unit cost (in current year dollars) for constructing the average size facility to current standards in the given FAC

4. **Location factor** – a location adjustment based upon the local costs for labor, equipment, materials, and currency exchange rates (overseas) compared with an overall base-city average

5. **P&D factor** – an adjustment to account for typical project planning and design costs

6. **Historical factor** – an adjustment for historical architecture and materials (when applicable)

7. **Contingency factor** – an adjustment for typical contingency costs during construction

8. **Supervision, Inspection, and Overhead (SIOH)** – an adjustment for supervision, inspection, and overhead costs associated with construction management

9. **Inflation** – factor to adjust current year prices to the target future year

080106. Facilities Data Quality Assurance (FDQA)

A. The Facilities Data Quality Assurance website was implemented to improve the quality of facilities data used by the Department in its PPBE process, and it displays the data sources of record for all facilities data reporting. This application integrates and displays facilities data submitted by the Components to OSD via Program Resources Collection Process (PRCP), the Standard Data Collection System (SDCS), and Select and Native Programming (SNaP) systems. The data within the FDQAW subsequently produce facilities sustainment metric displays which are displayed in the performance criteria of the OP-5, Detail by Subactivity Group.

B. Components must ensure O&M exhibits are consistent with the PRCP and SDCS data submissions. Verification of the accuracy of the data contained within the FDQA application must be completed PRIOR to the final lock of these databases for preparation of the Program/Budget Review and President's Budget materials.

C. Standard operating procedures for the FDQA can be found at https://dpd.pae.osd.smil.mil.

080107. Data Displays

Facility Sustainment, Restoration and Modernization exhibits must be consistent. The following list should be used as a reference for validating data:

- OP-5 Detail by Subactivity Group (Facility Sustainment, Restoration and Modernization)
- OP-32 Automated submission
- O-1 O&M funding by Budget Activity/Activity Group/Subactivity Group
- Facilities Data Quality Assurance application

To the extent a Component submits different estimates in any of the preceding displays; the automated OP-32 will serve as the prevailing display for O&M resources. For Defense Agencies, the object sub-class 923 will serve as the prevailing estimate.

0802 PROGRAM AND BUDGET REVIEW SUBMISSION

080201. Purpose

A. This Section prescribes instructions for the preparation and submission of budget estimates for Facilities Sustainment, Restoration and Modernization requirements.

B. Guidance covers all Facilities Sustainment and Restoration/Modernization (FSRM) costs. Facilities Sustainment and Restoration/Modernization include all recurring maintenance and repair projects costs, real property renovation project costs, and planning and design costs associated with projects; providing funding support to maintain, repair, and modernize buildings, structures, roadways, aprons, railway trackage, utility plants, distribution systems, and other real property.

C. Program funding submitted in Component justification materials must correspond to funding levels identified in the Facilities Sustainment and Restoration/Modernization Program Elements.

D. When budgeting for facilities sustainment and restoration/modernization, Components will consider the anticipated levels of military personnel monies that fund part of the labor for facilities sustainment and restoration/modernization. As appropriate, components will adjust the levels of either operations and maintenance or military construction funding for either facilities sustainment or facilities restoration/modernization to recognize the contribution of military personnel funds that help maintain the Department's facilities. When determining the military personnel contribution Components must use the method documented on page 12 of the Facilities Recapitalization Metric Front-End Assessment Report, dated August 2002. Additionally components must, for considering the affect of military personnel funds on operation and maintenance and military construction accounts, use the same personnel allocation information and cost rates they provide for the FYDP.

E. When budgeting for facilities sustainment, Components will consider the anticipated levels of Host Nation Support monies and Non-Federal Domestic Facilities Contributions that will be available to reduce the need for appropriated facilities sustainment funding. Components must identify in the FYDP the anticipated levels of both Host Nation Support monies and Non-Federal Domestic Facilities Contributions that are expected to fund facilities sustainment. Specifically, these funds must be booked in the appropriate FYDP facilities sustainment program elements using Resource Identification Code 0800.

F. When budgeting for facilities sustainment and restoration/modernization, Components will consider the anticipated levels of Defense Working Capital Fund (DWCF) monies that fund facilities sustainment and restoration and modernization. Components must identify DWCF facilities sustainment and facilities restoration/modernization funds in the appropriate FYDP facilities sustainment and facilities restoration/modernization program elements. Additionally, as appropriate, Components will adjust the levels of appropriated funding for either facilities sustainment or facilities restoration/modernization to recognize the contributions of DWCF monies that help maintain the Department's facilities.

G. When budgeting for facilities sustainment and restoration/modernization, Components will consider the anticipated levels of RDT&E monies that fund facilities sustainment and restoration/modernization. Components must identify RDT&E facilities sustainment and facilities restoration/modernization funds in the appropriate FYDP facilities sustainment and facilities restoration/modernization program elements. Additionally, as appropriate, components will adjust the levels of either operations and maintenance or military construction funding for either facilities sustainment or facilities restoration/modernization to recognize the contribution of RDT&E funds that help maintain the Department's facilities.

080202. Submission Requirements

A. General Guidance: All Components (i.e., active forces, defense agencies, National Guard and reserve forces) shall submit the OP-5 Attachment 4: Facilities Sustainment, Restoration and Modernization (FSRM), and Demolition justification data to support budget estimates for Facilities Sustainment, Restoration and Modernization, in a separate bound attachment (see Chapter 3, Section 030201). Two copies of this attachment will be delivered to: Military Personnel & Construction Directorate, Program/Budget, OUSD(Comptroller) Room 3C654, Pentagon, on the same date as all other submissions required for O&M Appropriations. The OP-5 subtotal levels for a) sustainment, b) restoration and modernization, and c) demolition must correspond to funding levels identified in the Facilities Data Quality Assurance website.

NOTE: As demolition can be identified separately by program element, it should be broken out as such whenever the other two elements are separated, and it should be noted that it's included when it's part of the total.

B. Military and civilian personnel costs will include only those personnel assigned in support of FSRM accounts. It will include those personnel performing planning and design functions for both projects and installation FSRM surveys and FSRM master planning, but will exclude those involved in other base operating services or support services.

C. The format for the OP-5 exhibit is in Volume 2A, Chapter 3, section 0304 of this regulation.

080203. Preparation of Material

All material will be provided on 8-1/2 inch by 11 inch size paper, and bound on the long side. All narrative data will be typed across the short dimension of the paper, while exhibits will be typed across the long dimension.

0803 CONGRESSIONAL JUSTIFICATION/PRESENTATION

080301. General

Components are required to conform to the PBD approved funding levels when submitting final budget exhibits to Congress.

080302. Organization of Justification Books

See chapters covering specific appropriation (Operation and Maintenance - Chapter 3, RDT&E Chapter 5).

0804 REVENUE FROM TRANSFER OR DISPOSAL OF DoD REAL PROPERTY AND REVENUE FROM LEASING OUT OF DOD ASSETS

080401. General

Section 572 of 40 U.S.C. and Section 2667 of 10 U.S.C. provide for the receipt of proceeds from the disposal or lease of DoD real property and prescribe the use of these funds.

080402. Revenue From Transfer or Disposal of DoD Real Property (40 U.S.C. 572)

When revenue from the transfer or disposal of DoD Real property is received, there is a statutory requirement to identify each transfer and disposal made during the fiscal year, including a detailed explanation of each such transfer and disposal and of the use of the proceeds received. An estimate for the current and budget year transfers or disposals should also be included.

080403. Revenue From Leasing Out of DoD Assets (10 U.S.C. 2667)

The identification of each lease entered into during the fiscal year, including a detailed explanation of each lease and amendments, and of the use of the lease proceeds that were expended is no longer required by 10 U.S.C. 2667. However, the Military Departments will still provide the total actual receipts for the prior year, and an estimate of total receipts for the current year and budget year.

080404. Deposit and Accounting Procedures

Cash receipts obtained from the transfer or disposal of real property will be deposited into the Disposal of DoD Real Property Account, 97X5188. Cash receipts obtained from leasing out of DoD assets will be deposited into the Lease of DoD Real Property, 97X5189. Accounting instructions are included in Volume 12, Chapter 14.

080405. Funds Release Procedures

Funds deposited into the Disposal of DoD Real Property Account, 97X5188, are available only for purposes of maintenance and repair and environmental restoration at U.S. facilities as specified in 40 U.S.C. 572. Funds deposited into the Lease of DoD Real Property Account, 97X5189, are available for: A) maintenance, protection, alteration, repair, improvement or restoration (including environmental restoration) of facilities; B) construction or acquisition of new facilities; C) lease of facilities; and/or D) facilities operation Support. The Components may request release of funding, based on verifiable deposits, by memorandum to the USD Comptroller, Director for Military Personnel & Construction.

080406. Budget Exhibits for Congressional Submission

The Military Departments will be complete a PB-34A Exhibit (Revenue from Leasing of DoD Real Property) and a PB-34B Exhibit (Proceeds from Disposal of DoD Real Property). Both the PB-34A and PB-34B will be included in the O&M Justification Book (Volume II) as described in Chapter 3 of Volume 2A of this regulation.

0805 DOD OVERSEAS MILITARY FACILITY INVESTMENT RECOVERY ACCOUNT

080501. General

Section 2921 of P.L. 101-510, FY 1991 National Defense Authorizations Act, established the Department of Defense Overseas Military Facilities Investment Recovery account. The purpose of the account is to collect payments from host nations for the value of new construction and improvements made by the United States at overseas military installations being returned.

080502. Deposit and Accounting Procedures

Cash receipts obtained from return of overseas real property and improvements to host nations will be deposited into the DoD Overseas Military Facility Investment Recovery Account, 97X5193. For accounting instructions see Volume 12, Chapter 13.

080503. Funds Release Procedures

Funds deposited into the DoD Overseas Military Facility Investment Recovery Account are available only for purposes of maintenance and repair and environmental restoration at U.S. facilities and maintenance and repair and environmental compliance at military facilities outside the U.S. that are anticipated to be occupied by U.S. Forces for an extended period of time. The Components may request release of funding, based on verifiable deposits, by memorandum to the USD (Comptroller), Director for Military Personnel & Construction.

080504. Budget Estimate Submission Exhibit

Components returning overseas military facilities to host nations that have resulted in collections to this account must complete an OP-29 exhibit. This exhibit provides information

on the cost and improvements, depreciation, residual value, and amount collected from the host nation that is necessary in accomplishing an annual report to the Congress. It also documents proposed sustainment, restoration and modernization or environmental restoration/compliance projects at military installations to be financed from the proceeds deposited into this account.

080505. Budget Execution Oversight

In accordance with paragraph 080401 of Volume 3, Chapter 8, the Military Departments and designated fund holders are required to periodically review DoD Overseas Military Facility Investment Recovery Account (DOMFIRA) commitments and obligations, whether current or dormant. Appropriate action should be taken to resolve any DOMFIRA unliquidated commitments and obligations, and minimize DOMFIRA unobligated balances resulting from prior year carryover funds.

0806 FACILITIES SUSTAINMENT and RESTORATION/MODERNIZATION FORMATS

080601. Purpose

The special formats provided on the following pages reflect guidance presented in previous sections of this chapter. Unless modified in a submission budget call, these formats should be adhered to.

080602. Exhibits in Support of Section 0802 - Program and Budget Review Submission

The format for the FSRM OP-5 exhibit is in Volume 2A, Chapter *3*, Section 0304.

080603. Exhibit in Support of Section 0804 - Revenue From Transfer or Disposal of DoD Real Property and Revenue from Leasing out DoD Assets: Congressional Justification/Presentation

PB-34A Revenue from Leasing Out of Department of Defense Assets
PB-34B Proceeds from Disposal of Department of Defense Real Property

080604. Exhibit in Support of Section 0805 - DoD Overseas Military Facility Investment Recovery Account: Program and Budget Review Submission

OP-29 Overseas Military Facility Investment Recovery Account

DEPARTMENT OF _____
Exhibit PB-34A: REVENUE FROM LEASING OUT OF DEPARTMENT OF DEFENSE REAL PROPERTY
FY XXXX PRESIDENT'S BUDGET

($ in Thousands)

	FY PY \1	FY CY \2	FY BY \2
Total Revenue from Lease of DoD Real Property	$XX,XXX	$XX,XXX	$XX,XXX

\1 Actual revenue received under 10 USC 2667, Leases: non-excess property
\2 Estimated revenue under 10 USC 2667, Leases: non-excess property.

DEPARTMENT OF _____
Exhibit PB-34B: PROCEEDS FROM DISPOSAL OF DEPARTMENT OF DEFENSE REAL PROPERTY
FY XXXX PRESIDENT'S BUDGET

(Proceeds in $ Thousands)

	FY PY \1	FY CY \2	FY BY \2
1. Disposal Action	$XX,XXX	XX,XXX	$XX,XXX
(a) Explanation of Disposal Action			
(b) Actual or Planned Use of Proceeds Generated from Disposal			
2. Disposal Action	$XX,XXX	XX,XXX	$XX,XXX
(a) Explanation of Disposal Action			
(b) Actual or Planned Use of Proceeds Generated from Disposal			
Total Department of_____	$XX,XXX	$XX,XXX	$XX,XXX

Instructions: Each disposal action should be listed above with the actual or estimated proceeds in each fiscal year in thousands of dollars. For **Explanation of Disposal Action**, include the name of the location, state, and a brief description/purpose of the disposal. For **Actual or Planned Use of Proceeds Generated from Disposal**, a description of anticipated uses of proceeds as authorized in 40 USC Sec. 485 is required.

\1 Actual proceeds received under 40 USC Sec. 572
\2 Estimated proceeds under 40 USC Sec. 572.

Exhibit PB-34B Proceeds from Disposal of Department of Defense Real Property
(Page 1 of 1)

DEPARTMENT OF _____
Exhibit OP-29: OVERSEAS MILITARY FACILITY INVESTMENT RECOVERY ACCOUNT

(Dollars in Thousands)

PART A: REAL PROPERTY ASSETS DISPOSED	**FY PY-1**	**FY PY**
Host nation providing consideration/payment		
1. Description of facility, location, and amount received:	$XX,XXX	
(a) Total amount of the investment (cost plus improvements) in the facility:	$XX,XXX	
(b) Depreciated value of facility (facility cost (a) adjusted for inflation and depreciation):	$XX,XXX	
(c) Explanation of any difference between amount received from host nation and the depreciated value:		
Total payments by host nation:	$XX,XXX	$XX,XXX
Total payments by all host nations:	$XX,XXX	$XX,XXX

PART B: PROPOSED FACILITIES SUSTAINMENT, RESTORATION AND MODERNIZATION (SRM) OR ENVIRONMENTAL RESTORATION/COMPLIANCE PROJECTS AT MILITARY INSTALLATIONS PROPOSED TO BE FUNDED FROM PROCEEDS:

State	Installation	Project Title	Cost (Dollars in Thousands) FY CY	FY BY
			$XX,XXX	$XX,XXX
		(Description/Justification)		

Exhibit OP-29 Overseas Military Facility Investment Recovery Account
(Page 1 of 1)

VOLUME 2B, CHAPTER 9: "DEFENSE WORKING CAPITAL FUND BUDGET JUSTIFICATION ANALYSIS"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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

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

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

The previous version dated June 2010 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Complete review and revision of previous updates.	Update
0901	Section breaks added for each specific topic.	Update
090101	Identified other applicable Revolving Funds.	Update
090102	Clarified terminology and phrasing. Updated for technical correctness.	Update
090103	Section renamed and updates incorporated from the DWCF cash study.	Update
090104	Section renamed and updates incorporated for the DWCF Capital Investment Program (CIP). New restriction on Minor Construction (P.L. 112-81) and revised threshold to $250K.	Update
090105	Section renamed and clarification.	Update
090107	Section renamed, clarifications and formatting.	Update
090108	Section renamed, Standardized Rate redefined, clarifications.	Update
090109	Section inserted.	Update
090110	Section inserted.	Update
090111	Section inserted.	Update
090112	Section inserted.	Update
0902	Section combined with 0903 and 0904 is eliminated.	Revision
090201	Inserted "budget justification material".	Revision
090202	Section 090205 combined with 090202 and eliminated.	Revision
090203	Supply definitions revised, expanded and examples provided.	Revision
090204	Non-supply definitions expanded and revised. Some definitions moved to more applicable sections.	Revision
0903	Exhibit updates and revisions.	Revision

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
090301	Modifications allowed to exhibit formats for clarification.	Update
090302	Major revisions to exhibits: SM-3a, SM-5a, SM-5b, SM-16, Fund-6, Fund-9a, and Fund-9c. Format revisions to exhibits: Fund-3, Fund-7, Fund-28 and Fund-13. Updates for exhibits: SM-1, Fund-1a and Fund-30. Added the Fund-11b to replace the Fund-7a.	Revision

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CHAPTER 9

DEFENSE WORKING CAPITAL FUND BUDGET JUSTIFICATION ANALYSIS

*0901 GENERAL

090101. Purpose

This chapter highlights the policies and justification procedures underlying budget formulation for Defense Working Capital Funds (DWCF), including the Defense Commissary Agency Working Capital Fund and Building Maintenance Fund. In addition, this chapter provides guidance for the National Defense Stockpile Fund and Pentagon Renovation Maintenance Revolving Fund, where applicable. The DWCF is also referred to as the "Fund" in this chapter.

090102. Background

A. The DWCF was established to satisfy recurring Department of Defense (DoD) requirements using a buyer-and-seller approach. The customers of the DWCF are the generators of requirements and justify the need for appropriated funds to the Congress. These organizations in many instances are not the entity that executes the requirement. In some instances, the "customers" or "buyers" contract with DoD "provider" or "seller" organizations that have expertise in the service or product required, and operate under business management principles. Unlike profit-oriented commercial businesses, the DWCF goal is to break even over the long term. The DWCF establishes selling prices in the budget that are normally stabilized or fixed during execution to mitigate the impact of unforeseen fluctuations that would impact on customers' ability to execute the programs approved by the Congress. Exceptions to stabilized prices are listed in section 090107 of this document.

B. The basic principle of the DWCF structure is to create a customer-provider relationship between military operating units and support organizations. This relationship is designed to make managers of support organizations funded through DWCF and decision-makers at all levels more cost conscious. Requiring the operating forces to pay for support they receive provides increased assurance that services supplied and paid for are actually needed.

C. Prior to the establishment of an activity under DWCF, the Secretary or Assistant Secretary of the Military Department or the Director for a Defense Agency, as applicable, shall prepare, sign, and submit a charter that sets forth the scope of the activity to the Under Secretary of Defense (Comptroller) for approval. Four criteria are used in evaluating potential activities for inclusion into the Fund. The four criteria are: 1) identification of outputs that relate to products or services provided by the business to customers; 2) establishment of a cost accounting system to collect costs of producing outputs; 3) identification of customers so that resources can be aligned with the requirements; and 4) evaluation of buyer-seller advantages and disadvantages to include assessment of the customers' ability to influence cost by changing demand.

D. The National Security Act of 1947, as amended (Title 10 United States Code (U.S.C.), Section 2208) and other provisions of chapter 131 of Title 10, U.S.C. provide the Department's revolving fund authority (***http://www.gpo.gov/fdsys/granule/USCODE-2010-title10/USCODE-2010-title10-subtitleA-partIV-chap131-sec2208/content-detail.html***).

E. The DWCF evolved from two distinct types of activities. The first type, the Stock Funds that procured material from commercial sources and held an inventory, are now known as Supply activities. These activities sell the material to authorized customers who need the material to achieve weapon systems readiness or provide required personnel support items. The second type, known then and now as Industrial Funds, provide industrial and commercial goods and services such as depot maintenance, transportation, and research and development. Although both types of revolving funds are financed primarily by reimbursements from customers' appropriated accounts, Supply activities use Contract Authority (CA) and Industrial Funds use Reimbursable Authority.

F. The Department of Defense expanded the use of business-like financial management practices through the establishment of the Defense Business Operations Fund (DBOF) on October 1, 1991. Building on Stock and Industrial Fund principles, cost and performance are linked and the Fund's managers are expected to operate within cost goals established in operating and capital budgets.

G. The DBOF combined existing operations that were previously managed as individual funds into a single Treasury account. On December 11, 1996, the Under Secretary of Defense (Comptroller) reorganized the DBOF, retaining the numerous benefits and improvements resulting from the implementation of DBOF while clearly establishing each DoD Component's responsibility for managing the functional and financial aspects of their respective DWCF activities, by creating four DoD Component Working Capital Funds: Army, Navy, Air Force, and Defense-Wide. On December 16, 1997, a separate DoD Component Working Capital Fund was established to consolidate the separate Military Departments' commissaries into the Defense Commissary Agency effective in FY 1999.

H. Prior to FY 1992, industrially-funded activities did not receive Annual Operating Budget (AOB) funding documents. All funding authority was provided through customer orders. With the implementation of the DBOF, the Office of the Under Secretary of Defense (Comptroller) began to issue AOBs that provide official and administrative management cost goals and Contract Authority for the Capital Investment Program (CIP) for each DWCF Activity within a DoD Component. The Department has retained this process for the DWCFs.

090103. Cash Management Policy

These policy statements are for preparing the program and budget review submission.

A. Cash Management

1. In peacetime, DoD's policy is that the Components will maintain the minimum cash balance necessary to meet both operational requirements and disbursement

requirements in support of the capital program. Cash generated from operations is the primary means of maintaining adequate cash levels. The ability to generate cash is dependent on setting rates to recover full operating costs to include prior year losses; projecting workload accurately; and meeting established operational goals.

2. Cash management is an integral part of operational and cost management. Managers at each DoD Component Working Capital Fund are responsible for cash management. The Department strongly encourages the Component Working Capital Funds' management to require each subordinate activity to maintain a cash balance sufficient for its requirements as part of the managers' responsibility for control of and accountability for their operations.

3. Any transfers of cash between DWCF activities, whether directed internally by the Components or as the result of audit, Departmental guidance, or congressional direction, will be included in all the affected DWCF Activities' budgets (Fund-13, "Cash Management Plan"). Transfers between DoD Component Working Capital Funds (e.g., Army to Air Force) or between the DWCF and appropriation-funded activities are 1) subject to transfer notice requirements in the annual DoD Appropriations Act general provisions and section 2208(r) of Title 10, and 2) require congressional approval by the Defense oversight committees.

4. The major points included in the policy are:

a. Effective cash management is directly dependent on the availability of accurate and timely data on cash levels and operational results.

b. Activities should budget to achieve an operating cash level sufficient to maintain a positive cash balance throughout the budget year. Each DoD Component shall establish an operating cash target measured in days of operating cash. Calculate days of available cash as follows: Divide the total operating budget disbursements for 2 fiscal years (current year plus 1) by available workdays in those fiscal years as documented in OMB Circular A-11. Multiply the result by the number of days of cash desired. Add the projected disbursements for 6 months of Capital Investment Program Outlays, calculated by dividing the total projected capital disbursements for the fiscal year in half. The Services/Agencies may add the following adjustments to the cash level calculated above if approved by the Director, Revolving Funds.

(1) Accumulated Operating Results (AOR) Retention – The AOR Retention represents the amount planned for return to customer accounts via downward rate adjustments. The AOR line of the Exhibit Fund-14, "Revenue and Costs," in the approved budget submission constitutes the basis for the adjustment. Services/Agencies can plan for the return of AOR in a single year or over 2 years. Single year AOR return will add the full amount of the return to ensure availability of cash; 2-year AOR returns will add one-half of the AOR amount shown on the Fund-14 exhibit.

(2) Unliquidated Direct Appropriation (UDA) – The UDA represents funds appropriated directly to a Service/Agency Working Capital Fund that are

obligated in the year received but may not fully liquidate until future years. The UDA adjustment will reflect the amount of direct appropriations that remains unliquidated. Components will phase the expected disbursements of the UDA in accordance with the approved Department of Defense Outlay Rates (as a percent of budget authority) as displayed in the prior year's Financial Summary Tables of the Department of Defense Budget submission. Components will use the Other Procurement outlay rate applicable to their organization. The UDA phase plans will accompany the submission of a Component's Exhibit Fund-13, "Cash Management Plan."

(3) Commodity/Market Adjustment (CMA) – The CMA is the marginal cash that will be required to re-purchase goods or services from the commodity/business market at a higher price than was budgeted in the current year's President's Budget. The CMA will reflect the cash impact of the specified market fluctuation.

(4) Other Adjustments – Other adjustments to the budgeted operating cash level may be submitted in the Budget Estimate Submission, subject to approval on a case-by-case basis in the decision document process.

c. Components will develop cash plans, incorporating collections, disbursements, direct appropriations, and other cash transactions based on Component estimates, to facilitate the cash management process. This annual plan will be initially developed during the budget process and will be an integral part of the budget document (Exhibit Fund-13, "Cash Management Plan").

d. In addition, Components will monitor execution using a monthly phasing analysis of collections and disbursements. This monthly execution review will lead to increased management attention in reducing costs, emphasizing timely billing, collecting revenue, and disbursing cash.

e. Components must be able to reconcile and explain variances between cash balances and AOR. In addition to explaining variances based on operations, Components must also explain non-operational events (e.g., transfers or Capital outlays in excess of depreciation expense) that affect cash and reflect them in the Revenue and Cost Statement (Exhibit Fund-14, "Revenue and Costs").

5. Managers will use Advance Billing of Customers only to avoid Anti-Deficiency Act Violations. Prior to issuing an advance billing, Components must obtain approval from the Under Secretary of Defense (Comptroller) and comply with section 2208 of Title 10 U.S.C., which, in paragraph (l), stipulates that advance billings for the Defense Working Capital Funds may not exceed $1.0 billion in any year and requires that the Secretary of the Military Department notify Congress within 30 days after issuing an advance billing. Components must provide a copy of the congressional notification letter to the Director, Revolving Funds.

6. Cash management is an integral part of DWCF activity management. The DoD Components maintain operational control of actions taken by each

DWCF activity that result in cash disbursements and collections. Decentralizing cash management to the respective activities will provide the DoD Components additional control of and responsibility for their operations and require each management level to participate in the execution of the policy to improve the management of DWCF cash.

B. Operating Budget. The operating budget contains the annual operating costs of an activity or Component, including depreciation and amortization expenses. To minimize costs within DWCF activities, all goods and services should be purchased from the source that provides them at the least cost unless there are other considerations such as mobilization or readiness. Direct, indirect production, and overhead costs are to be included in the evaluation when comparing costs of organic or commercial sources.

090104. Capital Investment Program (CIP) Policy

These policy statements address preparation of the program and budget review submission.

A. The Capital Investment Program (CIP) justifies the purchase of assets that equal or exceed capitalization thresholds and have a useful life of 2 or more years. Section 1403 of the National Defense Authorization Act for FY 2011 (Public Law 111-383) amended section 2208(k) of Title 10 U.S.C., increasing the capital asset threshold to amounts equal to or greater than $250,000 for: 1) an unspecified minor military construction project (under Title 10 U.S.C., section 2805(c)); 2) automatic data processing equipment or software; 3) any other equipment; and 4) any other capital improvement.

B. With the exception of major construction and items listed in paragraphs 090104.E and 090104.H below, acquisition of all capital assets for use by activities within the Fund will be financed through the Fund using Contract Authority (Title 10 U.S.C., section 2208, paragraphs (k)-(1) and (2)). Components shall not use the CIP to establish a new or expand an existing organic capability except as specifically justified in the President's Budget Request (Exhibit Fund-9b, "Capital Investment Justification").

C. The legal requirements for the DWCF Capital Budget are found in Title 10 U.S.C., section 2208, paragraphs (k)-(1) and (2), (m), and (o)-(1) (b). Specific direction on minor construction limitations is found in Title 10 U.S.C., section 2805.

D. The CIP consists of the following four major categories of assets: 1) Automated Data Processing Equipment (ADPE); 2) Non-ADPE Equipment; 3) Software Development, whether internally or externally developed; and 4) Minor Construction.

E. The DWCF Capital Budget specifically excludes the following items, which must be financed by appropriated funds:

1. Major Range and Test Facility Base (MRTFB) Activities Items (equipment and minor construction) that meet the DoD Investment capitalization criteria for use by MRTFB operating within the DWCF

2. Military and tenant support functions

3. Major weapons systems (such as aircraft, ships, tanks, barges, etc.), and general-purpose passenger type vehicles

4. Equipment and minor construction projects for mobilization requirements, but not used during peacetime operations

5. Equipment initially procured and usually furnished as part of a weapons system and/or support system including modifications (includes initial common support equipment for depot maintenance support of new weapons systems)

6. Materiel normally funded by appropriated funds and provided to contractors as Government-Furnished Materiel (GFM). The GFM is incorporated into, used in conjunction with, or consumed in the production of an end product. The customer shall use appropriated funds to purchase the GFM and provide it at no cost to the DWCF

7. Minor construction projects for non-DWCF activity or military support functions

8. Construction and facility investment projects that exceed the amount specified in Title 10 U.S.C., section 2805 for funding under Operation and Maintenance appropriations

9. Environmental projects financed or submitted for funding by the applicable Environmental Restoration Transfer appropriation

10. Capital Investments for morale, welfare, and recreation activities

11. Such other exclusions as may be approved by the USD(C).

F. The approved CIP budget permits a DWCF activity to use Contract Authority to purchase capital assets prior to recognizing budget authority based on funded customer orders and/or the accumulating cash balances. However, collections from customer orders are used to liquidate obligated Contract Authority (SF-133 line 1826). This amount is not to exceed the budgeted depreciation plus capital surcharge, if any, incorporated into the rates (not the actual depreciation expense recorded in the year of execution).

G. As an administrative control of resources subject to the rules of Title 10 U.S.C., section 1517, the Anti-Deficiency Act, the DWCF AOBs provide a specific amount of CIP contract authority. Therefore, obligations may not exceed the amount provided.

H. The DWCF customers may procure capital assets through direct appropriations for use by a DWCF activity. However, these assets remain the property of the customer and will not be recorded as Property, Plant and Equipment assets on revolving fund financial statements unless the asset is transferred to DWCF ownership.

1. At the time of transfer, the DWCF activity will record the asset at its net book value and depreciate it over the remaining useful life for accounting purposes. Depreciation does not have to be incorporated into the DWCF rate structure if the DWCF will not be expected to replace the asset at the end of its useful life and acquisition of the asset requires neither Contract Authority nor an unreimbursed cash outlay.

2. The appropriate procurement account will continue to fund the purchase and installation costs for the initial procurement of depot maintenance capital equipment unique to newly introduced platforms or weapon systems (this includes modifications). The capital equipment becomes the property of the depot when it is transferred to or otherwise capitalized by the depot. The depot will treat the equipment as a capital asset and depreciate it for accounting purposes. Funding of subsequent replacement and maintenance of the equipment in the DWCF should be included in the DWCF capital and operating budgets.

I. The DWCF activities shall derive resources needed to finance DWCF capital assets primarily from budgeted depreciation of existing Fund assets by including the estimated depreciation in stabilized rates and prices billed to Fund customers. Volume 4 Accounting Policies, Chapter 6 Plant, Property, and Equipment, of the Department of Defense Financial Management Regulation (DoD FMR) contains guidance on accounting for capital assets that are depreciated for accounting purposes according to depreciation schedules found in subparagraph 060205J, Table 6-7.

J. Budgeted depreciation is the amount factored into the standardized rate to recoup cash outlays associated with the CIP.

1. Activities will calculate and accumulate budgeted depreciation using the straight-line method, which is calculated by dividing the amount to be recouped by the useful life of the asset based on established depreciation schedules. The amount to be depreciated will not be decreased by its residual value. Depreciation will be applied equally among accounting periods during the asset's useful life.

2. For items in the 5-year category, a recovery period of less than 5 years is permitted if the acquiring DoD Component is certain that the useful life of the asset is at least 2 but less than 5 years.

3. Software may be depreciated over a period of 5 or 10 years depending on its nature. The Component may also request a waiver and propose an alternative depreciation period exceeding 10 years. The determining factor should be the actual estimated useful life of the software consistent with that used for planning the software's acquisition.

4. In addition to budgeted depreciation, a capital surcharge may be used to collect cash for the capital outlay if minimum balances are not sufficient to provide adequate budgetary resources to offset budgetary claims (See Volume 3 Budget Execution – Availability and Use of Budgetary Resources, Chapter 19 Working Capital Funds of the DoD FMR).

K. The following budget exhibits are required to document an activity's capital budget request.

1. Exhibit Fund-9a, "Capital Investment Summary," represents the summary data of the four asset categories (ADPE, Non-ADPE, Software, and Minor Construction) at the approved DoD Component project level. The exhibit displays data on annual capital cash outlays and budgeted depreciation. The prior-year column on the Exhibit Fund-9a will show all amounts approved in the most recent President's Budget, adjusted for actual execution year obligations and reprogramming (as depicted on the Exhibit Fund-9c, "Capital Budget Execution").

2. Exhibit Fund-9b, "Capital Investment Justification," provides detailed cost data and narrative justification for each approved DoD Component project level. Components will provide a corresponding Exhibit Fund-9b for each project line item on the Fund-9a exhibit. The exhibit displays the Benefit to Investment Ratio, Savings to Investment Ratio and/or the Payback period. Exhibits Fund-9a and Fund-9b data should agree with, and also should be used for cross-referencing, Exhibit 53 of the Information Technology budget.

3. Exhibit Fund-9c, "Capital Budget Execution" compares and explains the differences between the most recent President's Budget and the current submission by the DWCF Activity for the four asset categories (ADPE, Non-ADPE, Software, and Minor Construction).

L. Each proposed CIP project shall be reviewed to ensure that it satisfies the following criteria for justification and backup:

1. The acquisition of a capital asset meets the Department's long-range planning and programming objectives and satisfies a documented need for capability to perform valid operations, functions, or services that cannot be performed as effectively or economically by the use of existing equipment and facilities or by contract.

2. The acquisition of a capital asset complies with policies and regulations governing the acquisition and management of facilities, special tooling, and special test equipment as established by DoD Directive 4275.5, "Acquisition and Management of Industrial Resources," as well as other applicable policies and regulations governing the lease and acquisition of equipment and facilities.

3. The workload projections used to justify capital purchases take into account the results of inter-service decisions, workload posture planning decisions, readily available commercial alternatives, and other reasonable options available for accomplishing applicable work load.

4. The acquisition of a capital asset efficiently and effectively accomplishes the objective for which it is justified. The criteria are: improved efficiency (savings) or effectiveness of operations; replacement of unsafe (locally determined *by an*

authorized safety representative), beyond economical repair, or inoperative and unusable assets; and environmental, hazardous waste reduction, or regulatory agency (state, local, or Federal) mandated requirements.

M. A formal pre-investment analysis or a cost comparison is required to justify investment projects for Capital Budget submissions in the four Capital budget investment categories (ADPE, Non-ADPE, Software, and Minor Construction).

1. Either an economic analysis or cost comparison shall be used to support a project substitution or accomplish a reprogramming request. An economic analysis shall be used for all projects with a cost of $1,000,000 or more. A cost analysis will be used for projects under $1,000,000.

2. Activities must complete this pre-investment analysis prior to including the capital asset in the capital budget submission, a reprogramming action, or a project substitution. The originating office of the DoD Component shall maintain these analyses as project documentation support for the capital budget submission and program execution.

3. A cost comparison for investment projects under $1,000,000 initially shall be prepared in constant base year dollars and shall present a differential cost display by year for up to a 6-year evaluation period, beginning with the budget year for which investment funds are requested.

a. Documentation for a cost comparison shall describe the functional process performed; define the need/requirement/objective; identify workload projections; address feasible alternatives; present total costs attributed to each alternative and the differential costs/monetary benefits expected in constant and current dollars over the 6-year evaluation period; and provide significant assumptions, constraints, estimating methods, rationale, data sources.

b. The payback period shall be the primary economic indicator used for cost comparisons to rank order within the investment categories of each activity.

4. A pre-investment economic analysis shall be prepared to justify capital investment projects of $1,000,000 or more. The economic analysis shall be prepared on a net present value (NPV) basis and shall comply with applicable DoD or Component guidance and functional program guidance. The economic analysis initially shall be prepared in constant base year dollars and shall present a differential cost display by year over the project's expected economic life, beginning with the budget year of the investment fund request.

a. Documentation shall describe the functional process performed; define the need/requirement/objective; present and explain workload projections; identify feasible alternatives; present total costs and the differential costs/monetary benefits in constant, discounted, and current dollars over the expected economic life of the project; present estimating methods/relationships, and data sources; identify significant constraints, assumptions,

and variables; treat sensitivity and uncertainty of key parameters; and address all other quantifiable benefits as well as any intangible benefits influencing the recommended course of action.

b. Quantifiable benefits are all outputs/results achieved in return for investment dollars associated with an alternative.

c. Benefit-to-Investment Ratio (BIR) shall be the primary indicator used to rank order projects of $1,000,000 or more within the investment categories of each activity. Also consider the payback period in the ranking process.

d. Automated economic analysis programs and reports may be used if the programs provide comparable information to that of standard economic analysis reports.

5. Compute the payback period to compare the period of time, in years, necessary for an alternative to repay its investment cost based on the monetary benefits expected. Present this metric in tenths of years (for example, 7.2 years.)

6. Use the BIR to compare project alternatives in terms of all expected monetary benefits, inclusive of whole and partial manpower productivity savings resulting from increased efficiency and other cost avoidance achieved over the total project life under evaluation. Calculate the BIR using discounted constant dollars, as an index value and rounded to two decimal places. A BIR of greater than one indicates the project is cost-beneficial; the larger the ratio, the greater the advantage of the project.

7. Calculate the Savings-to-Investment Ratio (SIR) between actual savings in terms of funds no longer required and the investment cost for Automated Information Systems, using discounted dollars.

8. Exemptions to the pre-investment analysis include environmental, hazardous waste reduction, or regulatory agency (state, local, or Federal) mandated requirements. This includes action directed by a higher DoD or Component authority that precludes a choice among alternatives, and DoD instruction or other directive that waives the requirement (e.g., equipment age or condition replacement criteria).

N. The term “Software” includes both operating software and application software. As defined in OMB Circular A-11, software includes systems programs, application programs, commercial-off-the-shelf (COTS) software, independent subroutines, databases, and software documentation.

1. Software that is integrated into hardware and is necessary to operate the hardware, rather than to perform an application, should be budgeted with and capitalized as part of the hardware. Systems application software, however, should be budgeted separately as either an expense or a capital investment, depending on whether it meets the criteria for a capital asset. Systems application software may be acquired through the purchase of a Commercial-Off-the-Shelf system; the development of new applications through either internal

development or contractual effort; or the modernization of existing software that significantly expands and/or enhances its existing capabilities.

2. Budget for software development and modernization by project. The full scope of a software development project may consist of costs incurred in: 1) Preliminary Design, 2) Software Development, and 3) Post Implementation. While all of these costs are part of the project, only the software development phase is capitalized.

a. The preliminary design phase consists of conceptual formulation of alternatives, evaluation and testing of alternatives, determining the existence of needed technology, and final selection of an alternative. This phase consists of all functional actions, including source selection for COTS and all actions prior to Systems Requirements Specification for internally developed software. Expense these costs as part of the DWCF operating budget and identify them on the Exhibit Fund-1a, "Details of Price and Program Changes - Costs."

b. The software development phase consists of design of a chosen alternative including software configuration and interfaces, coding, installation of software and related hardware, and testing, which may include parallel processing development of user manuals and training.

c. Expense the post implementation/operational phase costs of data conversion and application maintenance, including functional training and documentation, operational testing, and evaluations conducted after technical acceptance of the software.

d. These rules are in effect for any system or severable module of a system budgeted for FY 2003 and beyond. These rules are consistent with Federal Accounting Standards Advisory Board Statement of Federal Financial Accounting Standards Number 10 issued October 9, 1998.

3. Exclude from the capital budget all costs incurred prior to Milestone 0, Concept Exploration and Definition. Expense costs such as basic research, study, exploratory development establishing feasibility and practicality of proposed solutions, rough order of magnitude estimates, etc. Also expense costs for technical software support and maintenance software support occurring after system installation.

4. Include those software development or acquisition efforts for the benefit of the activity in the DWCF capital budget submissions. Software developed or acquired for a specific customer order should be charged to and reimbursed by the requesting customer. Types of cost to be included in a software development project include total labor and non-labor costs such as: 1) all direct costs for civilian and military personnel; 2) contractor labor; 3) supplies; 4) travel; 5) processing support for testing; 6) indirect production costs; and 7) general and administrative costs (e.g., base operations support, higher headquarters, and depreciation for central design activity-owned assets).

5. Software projects may be accomplished in modules. A module is an application that may be operated or used independent of other modules within a system. Where an entire system consists of more than one severable module, request funding for each severable module in the year that the module is started. Funding requests shall be sufficient to complete the module. If several modules make up a complete ADP system, show the cost of all modules related to the system.

6. Separately identify ADP equipment and ADP software in the capital budget.

7. Software development and modernization costs incurred by DWCF activities for projects installed and operational after October 1 of a specific fiscal year will be depreciated beginning in the month the project is installed and operational (even though it may not be used in operations that month). Depreciate incremental deliveries of these projects if the cost of the delivery is equal to or exceeds $250,000.

8. In accordance with section 2222(c) of Title 10, U.S.C. and Department of Defense policy, modernization and enhancement to a business system that costs more than $1 million over the Future Years Defense Program (FYDP) must be approved by the Investment Review Board and the Defense Business Systems Management Committee prior to obligating funds.

O. Minor construction projects costing more than $750,000 shall be funded within the DoD Component's Military Construction appropriation. Exceptions to this limitation are noted below in 090104.O.1.

1. Authority provided by section 2805(c) by Title 10, U.S.C. to use funds available for operation and maintenance for unspecified minor construction projects costing not more than $750,000 is available for DWCF-funded unspecified minor construction. However, projects that have an estimated cost that is greater than or equal to $250,000 that have not been documented in a corresponding budget exhibit (Exhibit Fund-9b, "Activity Capital Investment Summary") must be approved in writing by the Director, Revolving Funds, and separately identified in the Component's Annual Operating Budget and displayed as an adjustment on the Exhibit Fund-9c, "Capital Budget Execution."

2. In Title 10 U.S.C., section 2805(d), Congress authorized a DoD Laboratory Revitalization Program that increases to $4,000,000 the upper ceiling for certain minor construction projects at DoD laboratories. The authority is not permanent, but is subject to periodic congressional extension. Laboratory Revitalization Program projects must be for the revitalization and recapitalization of Defense laboratories owned by the United States and under the jurisdiction of the Secretary of Defense or a Military Department. Fund activities designated to participate in the DoD Laboratory Revitalization Program must obtain prior OUSD (Comptroller) approval for all projects estimated to cost over $250,000 so that those projects can be specifically identified in the capital program within the AOB prior to project execution.

3. Capital investment costs financed in the minor construction portion of the capital budget include project planning and design costs associated with minor construction projects. Planning and design costs are not included as part of the statutory threshold for minor construction projects and must be identified separately from individual projects in the Program/Budget Submission (Exhibit Fund-9c, "Capital Budget Execution").

P. DoD Components may reprogram capital funds between DWCF activities, or categories or projects within a DWCF activity. There is no minimum or maximum limit on this type of reprogramming. Except as noted below, capital reprogramming requires the written approval of the Director, Revolving Funds, in the form of a signed AOB. The following approval levels and dollar threshold apply to changes to projects approved in the capital budget including reprogramming, substitutions, cancellations, and additions:

1. All current year adjustments for business systems for which the total projected costs exceed $999,999 over the FYDP must be endorsed by the Defense Business Systems Management Committee (DBSMC) and approved by the Director, Revolving Funds, in the form of a signed AOB. Obtain certification from the approval authority as directed in the guidance and instructions displayed in the "system compliance" section of the DBSMC website (***http://www.dtic.mil/whs/directives/corres/pdf/500002_interim.pdf***) before submitting changes or adjustments for these projects to the Director, Revolving Funds. All other transfers between information technology capital projects (ADP Equipment and Software) that are greater than $999,999 must be approved by the Director, Revolving Funds, in the form of a signed AOB.

2. Fund managers may approve transfers between the Non-ADP Equipment and Minor Construction categories or among their individual projects if the change is less than $3,000,000. Components are required to notify the Director, Revolving Funds, promptly so that these changes may be documented in the activity's AOB. All CIP transfers between DWCF activities within a DoD Component (e.g., supply to non-supply) must be approved by the Director, Revolving Funds, in the form of a signed AOB, before the transfer is executed.

3. Components must charge capital obligation adjustments to the program year cited in the President's Budget for the original project. The prior year capital investment program limitation is equal to actual obligations on September 30 of that fiscal year plus adjustments approved by the Director, Revolving Funds, to the prior year program. Fund managers may request approval to carry over authority for any unobligated capital projects before the end of the fiscal year.

4. Capital obligation authority may be adjusted for prior year within-scope increases provided that there is Contract Authority available to finance the increase. Before making such increases, the Component must propose equal offsetting reductions (deobligations) or current year capital authority to finance the prior year increase and obtain approval from the Director, Revolving Funds in the form of a signed AOB.

090105. Mobilization/Surge Costs and War Reserve Material

A. Mobilization capability costs include the costs to maintain a surge capacity; procure and maintain approved war reserve material levels; and/or maintain other assets, functions, or capabilities required to meet an operational contingency as documented in Defense planning guidance or operational plans.

B. The DWCF activities should identify all costs related to maintaining a capacity to meet mobilization requirements. These costs are not considered normal operating costs and may be reimbursed by direct appropriations so that customer rates are not burdened by contingency requirements.

1. War Reserve Material. Obligations for the procurement of war reserve material will be funded by a direct appropriation to the Fund or after notification to Congress. Such appropriated amounts for secondary items shall be reflected as a separate goal within the applicable Supply Management or Commissary Resale activity AOB. Use the SM-6 "War Reserve Material" exhibit to justify War Reserve Material Requirements.

2. Unutilized and Underutilized Plant Capacity.

a. Unutilized Plant Capacity (UPC) represents costs associated with maintaining facilities to meet surge capacity needed for mobilization or war. The UPC is a mobilization requirement budgeted in and funded by Operation and Maintenance appropriation funds of the DoD Component responsible for the activity's management. Do not include UPC costs in the DWCF rate structure. As a general rule, UPC funding includes the pro-rata facilities support costs for any month in which 1) mobilization facilities are not used or 2) facilities are used 20 percent or less of available work days.

b. Mobilization expenses related to UPC may include both maintenance and labor costs related to mobilization.

c. Each non-supply DWCF activity should prepare a UPC Budget Exhibit (Fund-30). This exhibit documents total capacity, Unutilized Capacity Index, justification, and cost used in developing the request for UPC. All non-supply DWCF activities should complete the three capacity-index metrics found in Part I of the exhibit. Any non-supply activity requesting UPC funding will also complete the funded UPC line in Part I and the UPC justification in Part II of the exhibit.

3. Industrial Mobilization Costs. The Army established a category of costs that includes both UPC and underutilized facilities cost called "Industrial Mobilization Cost." The Army will use the Exhibit Fund-30, "Under Utilized Plant Capacity" to justify their IMC costs.

4. Airlift Readiness Account (ARA). The United States Transportation Command (USTRANSCOM) must maintain sufficient airlift capability to respond to transportation requirements for a wide variety of mobilization conditions. This

requirement exists in both peacetime and contingency environments. To the extent customer revenue is insufficient to support the costs of maintaining this capability; the Air Force shall provide appropriated funds. The USTRANSCOM will record this funding as an order and revenue in its financial reports. The USTRANSCOM must submit the Fund-8, "Air Mobility Command Common User Services" exhibit to justify the ARA requirement.

5. Reserve Industrial Capacity (RIC). The Military Surface Deployment and Distribution Command (SDDC) shall plan for and maintain a Reserve Industrial Capacity (RIC) to transport personnel resources, material, and other elements required to satisfy a mobilization requirement. The SDDC will also plan and program with the Army for 100 percent of the operating cost at the Military Ocean Terminal, Concord (MOTCO). The Military Ocean Terminal, Sunny Point (MOTSU) RIC and the operating costs at MOTCO are a mobilization requirement funded by appropriated funds from the DoD Component having management responsibility for this activity. This requirement may exist in both peacetime and contingency environments. The USTRANSCOM will record the receipt of this funding as an order and revenue in its financial reports. The SDDC will provide a detailed break out of these costs in its budget submission to Office of the Under Secretary of Defense (Comptroller) (OUSD (C)).

090106. Military Personnel

A. Components will use the civilian-equivalent rates provided by the OUSD C to price military labor at DWCF activities. The full cost of military personnel should not be included in the DWCF cost of operations or customer rates because the majority of military personnel at DWCF activities are there for reasons other than DWCF business requirements (e.g., mobilization, rotational training, and command opportunities). The difference between the civilian-equivalent costs, included in the DWCF budget, and the actual military personnel cost will be budgeted directly in the appropriate military personnel appropriation. The number of military included in the budget will be the average strength of military assigned to the DWCF business. The average strength for the budget year(s) will be calculated using the average fill rate for the 3 prior fiscal years. The fill rate is calculated by dividing actual average strength by the authorized strength for each grade. The budget amount will equal the average strength for each grade multiplied by the applicable civilian-equivalency rate. No adjustments will be made to the DWCF cost of operations to reflect the actual cost of military personnel employed by DWCF activities.

B. The amount expensed for military personnel by DWCF activities and the amount reimbursed to the appropriate military personnel appropriation will equal the amount budgeted. No adjustments will be made to the DWCF cost of operations to reflect the actual cost of military personnel employed by DWCF activities. Military Departments having military personnel assigned to other Components will provide to each Component the number of work years that should be included in the DWCF budget submission. The DWCF activities that augment their manpower requirements with National Guard or Reserve personnel, to include those participating in the Personnel Force Innovation (PFI) program, will reimburse the appropriate military personnel appropriation at the DWCF civilian-equivalency rates.

C. The civilian-equivalent costs are provided by the OUSD (Comptroller) and are calculated as follows: First, find the current General Schedule (Rest of U.S.) civilian pay rates, step 5 or Executive Service pay rates of the equivalent grade. Next, multiply the amount in the first step by the average civilian personnel fringe benefits factor applicable to the Military Services and Defense Agencies, excluding the amount for unfunded civilian retirement in the fringe benefits percentage factor. Civilian personnel fringe benefit rates and military composite rates are provided by the OUSD C. Finally, multiply the amount calculated in the previous step by any proposed civilian pay raises effective in future periods to arrive at total civilian costs.

D. See Volume 2A Budget Formulation and Presentation, Chapter 1 General Information, paragraph 010218 of the DoD FMR for active duty military personnel pricing policy.

090107. Full Recovery of Costs and the Setting of Prices

A. Managers of DWCF activities within each Component will set their prices based on full cost recovery, including all general and administrative support provided by others. Prices are established through the budget process and remain fixed during the year of execution (exceptions are listed in the DoD FMR, Volume 11b Reimbursable Operations Policy – Working Capital Funds, Chapter 15 Supply Management Activities, paragraph 150305 Authorized Changes of Standard Prices). This stabilized price policy serves to protect customers from unforeseen inflationary increases and other cost uncertainties and better assures customers that they will not have to reduce programs to pay for potentially higher-than-anticipated prices. In turn, this policy allows activities to execute the budgeted program level and permits a more effective use of DWCF resources.

B. Except in unusual circumstances, prices for the budget year will be set to break even over the long run at the activity level. This means that prices will be set to achieve an AOR of zero in the budget year, provided that cash resources are available to support AOR returns. In budget execution, activities will incur either a positive or negative operating result. Accordingly, activities will increase their budget year prices to make up actual or projected losses of budgetary resources or reduce their budget year prices to return actual excess resources or projected budgetary gains to customers.

C. An activity may request recovery of AOR outside the budget year. This request must be included in the budget submission, and must demonstrate that the alternative recovery period will not adversely affect the cash balance of the activity. A phased recovery schedule must be provided with the budget. The Director, Revolving Funds, will provide final approval for any alternative AOR recovery plans in the form of a signed RMD.

D. Special Circumstances: DWCF rules for pricing and operating loss recovery or gain distribution may be waived if one or more of the following conditions exist.

1. Fund Liquidity: Component managers are encouraged to maintain the lowest positive cash balance sufficient for operational needs and capital investment. However, several factors could cause the activities to operate significantly above the target

requirement. To prevent the buildup of excess cash balances, or ensure fund solvency, the Director, Revolving Funds, or Component managers with the written permission of the Director, Revolving Funds, may direct out-of-cycle rate adjustments at any time during the fiscal year.

2. Depot Maintenance Additional Requirements: Unplanned depot losses recouped in subsequent years may be financed with prior year funds, provided all other criteria associated with prior year upward obligations are met.

3. Contingency or Emergency Operations: Fund managers may waive DWCF pricing and financing requirements to facilitate Department operations during times of war or other national emergencies. The DWCF activity must notify the Director, Revolving Funds, in writing within 30 days of this action.

4. Impact of Foreign Currency Exchange Rates: A DWCF activity operating overseas may experience significant operating losses or gains due to changes in foreign currency exchange rates.

a. While these operating losses and gains are normally recovered or returned through stabilized rate adjustments in budget years, fund managers may propose out-of-cycle rate adjustments to the Director, Revolving Funds, to address such losses and gains in execution. In calculating any gain or loss from foreign currency fluctuations, the DWCF must use the foreign currency exchange rates published as part of the Department's budget justification materials submitted to Congress in support of the President's budget request and follow applicable procedures in the DoD FMR, Volume 6A, Chapter 7.

b. The DWCF activities are not eligible to participate directly in the Foreign Currency Fluctuations, Defense (FCF,D) (97-X-0803) and the Foreign Currency Fluctuations – Construction, Defense (FCF-C,D) (97-X-0801) accounts.

E. In addition to spreading contract costs when developing rates for all customers, the DWCF activities may incur and recover costs for contracts awarded specifically to fill the requirements of one customer by charging that customer an amount equivalent to the DWCF activity's expense in funding, awarding, and administering the contract.

F. Unbillable costs and operational losses that cannot be billed to an identifiable customer or that were generated from unforeseen cost overruns are to be treated as costs in the fiscal year in which the costs were incurred. The resulting operating losses shall be included in calculating net and accumulated operating results.

G. Unless approved in writing by the Director, Revolving Funds, the prices set for all activity products, goods, or services will match the rate changes approved during the budget review and documented in a memorandum signed by the USD (Comptroller), or designated representative.

H. Reimbursement procedures for contingency operations and humanitarian efforts are as follows:

1. Users shall pay for the goods and services provided by all DWCF activities, including deployment or other emergency response for military or humanitarian assistance.

2. Customers of the DWCF shall reimburse DWCF activities in a timely manner (usually within 30 days). Except in contingency operations or national emergencies, DWCF activities should not provide goods or services without a properly executed funding document (see Volume 2B, Chapter 11 Offsetting Receipts of the DoD FMR). The Military Department Headquarters is responsible for determining which level within the Military Department will pay (that is, the unit, major command, or Military Department level). This process also applies when a Unified Combatant Command tasks a Service-funded unit to perform a mission, such as transportation of military personnel or equipment by USTRANSCOM. The Military Department that controls the equipment or personnel is responsible for payment of costs incurred to accomplish the mission.

3. Consistent with this policy, third party collections for transportation provided in response to a Request-for-Assistance (RFA) from another government agency are prohibited. The Military Department that controls the equipment or personnel is responsible for reimbursing USTRANSCOM. It is then the responsibility of the Military Department that accepted the RFA to collect any required reimbursements due that Military Department by the requesting government agency.

4. The sole exception to this policy occurs when the USTRANSCOM receives an order from the Joint Chiefs of Staff requiring transportation of non-U.S. owned equipment and/or non-U.S. personnel such as non-reimbursed efforts in support of the United Nations. In those instances, the Army will pay Surface Deployment and Distribution Command (SDDC) costs, the Navy will pay Military Sealift Command (MSC) costs, and the Air Force will pay Air Mobility Command (AMC) costs. Bills may be centralized for more convenient processing if appropriate; however, billings shall be forwarded to the appropriate Military Department within 30 days from the commencement of service or humanitarian effort. The Military Departments must pay these bills, including transportation bills, in a timely manner.

5. This guidance does not address any contingency operation designated by the Secretary of Defense as a "National Contingency Operation" under the provision of the Title 10 U.S.C., section 127. Special rules apply for such an operation and those rules should be promulgated separately in conjunction with any designation by the Secretary under the provisions of that section.

I. Base Realignment and Closure (BRAC) cost reimbursement policies are as follows:

1. BRAC-Related Costs. Costs incurred in implementing the recommendations of the BRAC Commissions will be funded by the appropriate BRAC account and are not to be included in the rates and costs of businesses within the Fund. The DWCF activities may incur BRAC expenses prior to receiving an allocation of BRAC funding; however, all costs properly charged against the BRAC account must be reimbursed with BRAC funds.

The DWCF activities may not expend funds prior to complying with the notification requirements imposed by law with respect to the obligation of BRAC funds. The BRAC account must reimburse all costs incurred by DWCF activities to carry out BRAC prior to the end of the fiscal year in which costs were incurred. Prior year, current year, or budget year operating losses in DWCF are not to be budgeted in the base closure accounts. Costs attributable to base closure actions at DWCF activities to be budgeted in BRAC may include:

a. BRAC directed reductions-in-force, separation incentives, plant closures, plant layaway or custody costs, or other BRAC-related expenses, such as all costs not associated with a valid work order during the year of closure

b. Environmental restoration and mitigation, to include reducing, removing, and recycling hazardous waste, and removing unsafe building debris

c. Planning, to include conducting such advance planning and design as may be required to transfer from an activity being closed to another military installation

d. Outplacement assistance in relocating, training, or providing other necessary assistance to civilian employees employed by the Department at installations being closed

e. Community programs, to include economic adjustment assistance to a community in which the closed base is located, or community planning assistance to the community to which functions will be transferred as a result of closure of a military installation

2. BRAC and DWCF Rates. Overhead, not specific to BRAC and not in support of producing goods or services for customers, will be financed in the year the costs are incurred with the Components' Operation and Maintenance (O&M) appropriations. The DWCF losses occurring in years prior to closure will be recovered through the rate structure to the extent that there are new customer orders. When there are no new customer orders in the budget year, the Component responsible for the activity incurring the loss will finance, as a pass through from O&M appropriations to the DWCF, all overhead not included in rates supported by ongoing work or prior year losses to be recovered in the budget year. All costs at a closing activity in the year of closure that are not associated with a valid work order or are not valid BRAC costs are O&M costs and must be budgeted in the fiscal year when they will be incurred.

3. BRAC-Related Permanent Change of Station (PCS) Moves for DWCF Activities. Costs incurred to recruit and hire civilian personnel (including associated PCS costs) to fill vacant positions at an activity that is being transferred from a closing or realigning installation to another military installation in accordance with a BRAC recommendation may properly be considered BRAC costs under the Base Closure and Realignment Act of 1990. As a matter of Department policy, however, BRAC funds will not be used for such costs except in the case of DWCF activities, which may temporarily charge such

costs against the DWCF, provided the DWCF is reimbursed with BRAC or O&M funds by the end of the fiscal year in which the costs are incurred.

J. Funding of Civilian Voluntary Separation Incentive Program will be financed and included in stabilized rates for civilian separation incentive requirements of assigned employees unless they must be offered as a result of directed BRAC action, in which case the appropriate BRAC account will fund the civilian separation incentive.

K. Any DWCF activities that use any of the services as listed in Exhibit Fund-22, "Summary of Base Support" must reimburse host activities in accordance with DoDI 4000.19 (Inter-service and Intra-governmental Support) to the extent that the specified support for the DWCF activity increases the host activity's direct costs. Costs for DWCF mission products and services (e.g., depot supply, depot maintenance, facility engineering services, information processing, communications, and software development) shall be based on the approved stabilized rate. Other support incidental to the DWCF activity's primary mission or purpose shall be budgeted based on direct costs measurable and directly attributable to the DWCF activity (e.g., incremental direct cost). Only the incremental direct cost attributable to the DWCF activity shall be chargeable to the DWCF activity. Overhead costs are not to be included as a cost to the DWCF activity. The cost of operations budgeted for these services either as a host or tenant activity should be noted on Exhibit Fund-22, "Summary of Base Support" in the fall budget submission.

L. First line supervision is that level immediately over non-supervisory workers. For all DWCF activities, first line supervisors and above are official supervisory positions and, when acting in a supervisory capacity, their labor costs shall always be budgeted and charged as an indirect production cost of the cost center supervised. Crew chiefs, snappers, team leaders, and other subordinate job leaders are not considered first line supervisors. The DoD FMR, Volume 11B, Chapter 13 Cost Accounting Requirements for Depot Maintenance, paragraph K contains additional information related to charging labor costs.

M. Management Headquarters Costs for DWCF activities may be allocated using the following guidance:

1. A management headquarters is a discrete organization or part of an organization that has authority over the management of the DWCF activity. The OSD and Service Departmental activities normally do not have this direct responsibility. All the major systems/logistics organizations in the Services include headquarters elements directly supporting DWCF activities that should be funded or reimbursed by the DWCF activities.

2. Costs for discrete DWCF management headquarters organizations and parts of organizations that perform direct DWCF management headquarters functions can be financed directly in the DWCF or reimbursed by the DWCF activity (whichever is more practical). Only costs that exceed $1 million or 1 percent of the total activity costs should be reimbursed. In addition, Components may allocate significant costs for common support functions, such as counsel or personnel services, at DWCF management headquarters to other users based on workload percentages in those functions.

N. Dual-Funded Organizations are organizations that are funded (including reimbursable funding) by both the DWCF and other appropriations or accounts.

1. Functions. In those instances where a non-management headquarters function is funded with a combination of DWCF and appropriated funds, the function initially will be funded in its entirety by either the DWCF or appropriated funds, based on the preponderance of definable units of measure for the function (e.g., workload, productive hours, outputs, or ultimate use).

a. The part of the organization (or funding source provided) initially funding the function shall be reimbursed for appropriate amounts by other parts of the organization (or financing sources or customers) involved, based on the unit of measure that was used to determine which organization or funding source would provide initial funding; and the amount of reimbursement shall be based on the relative portion of that unit of measure attributable to each part of the organization or funding source involved. If the part of an organization that is within the DWCF accounts for more than 50 percent (e.g., 60 percent) of the unit of measure for a function shared with the part of the organization funded through appropriated funds, then the DWCF portion of the organization initially would fund all of the costs of performing that function. However, the applicable part of the organization funded through appropriated funds would reimburse the DWCF for, and be allocated, the remainder of the costs (e.g., 40 percent).

b. Notwithstanding this policy, the amount of reimbursement for base support services provided by the DWCF to tenant activities shall be determined in accordance with the policies in paragraph 090103.K and DoDI 4000.19, Interservice and Intragovernmental Support.

2. Capital Investments. When a capital asset purchased by a DWCF activity is also used by the part of the organization financed by appropriated funds, the Fund activity will capitalize the capital asset and bill the appropriated fund customer for the use of the capital asset. Such billings will use a stabilized rate that recoups both depreciation and operating costs. When a capital asset purchased by any part of the organization financed by appropriated funds is also used by the DWCF part of the organization, the appropriated fund side will capitalize the asset and bill the DWCF for operating costs only. Appropriated fund activities do not bill DoD activities for depreciation of capital assets.

O. Revenue Recognition Procedures for DWCF activities.

1. The DWCF activities must recognize revenue and associated costs in the same accounting period. There are two types of customer orders: (1) end-product (end-item) type orders which, at the completion of the customer order, produce a usable end-product (i.e., overhaul, repair, manufacture, construction, modification, supply transactions, etc.); and (2) service type orders that provide a service over a specified period of time. Revenue must be recognized in the same manner (that is, a standard policy for recognizing and reporting revenue must apply) for all activities within a DWCF activity. The policy varies based on the type of customer order, the length of time necessary to complete the order, and the value of the order;

however, non-supply DWCF activities must use the "Percentage of Completion Method" for revenue recognition. The amount of revenue recognized cannot exceed the amount specified in the order.

2. Revenue recognition procedures must include gain and loss recognition in the same period in order for the activity managers to evaluate the performance of an organization. The revenue recognition policy does not encompass or establish policies for billings to customers or payments from customers.

3. The DoD FMR, Volume 11B, Chapter 11 Reimbursements and Revenue Recognition, provides specific revenue recognition guidance by DWCF activity.

P. Customer Workload Changes.

1. When a work order or project is canceled or reduced in scope after a DWCF activity has commenced work or incurred costs, the DWCF activity shall charge the customer for the direct and indirect production costs incurred, plus the applied overhead plus costs associated with the cancellation or reduction.

2. The DoD FMR, Volume 11B, Chapter 11 Reimbursements and Revenue Recognition, paragraph 110102, provides specific guidance for the types of directly associated cancellation or reduction costs that can be charged to customers.

Q. Write-offs of extraordinary losses, that do not involve cash losses or recovery of outlays and chargeable against Accumulated Operating Results in accordance with accounting policies, shall not be recovered through increases in customer rates (e.g., losses resulting from the disposal or divestiture of capital budget items that have not been fully depreciated at the time they are taken out of service due to BRAC action; or losses associated with systematic inventory reductions by disposal of assets associated with force drawdowns). Only extraordinary write-offs that require a cash resource will be separately identified in the Component's budget submission using the Fund-14, "Revenue and Expenses" exhibit. Write offs of this nature are limited to valuation discrepancies based on the accounting value of assets. For example, if a machine breaks in year 3 of a 5-year expected life, the book value may be zero. However, cash recovery is still required for 2 more years and a new cash outlay is required to replace the asset. Components must receive written approval from the Director, Revolving Funds, before requesting the accounting adjustment from DFAS on the Accounting Report (AR) 1307.

R. Activities may use below-the-line adjustments to the Net Operating Result to adjust for cash transfers that are not directly related to operational performance. This adjustment will be used when the cash position does not support returning or collecting AOR. Components must receive written approval from the Director, Revolving Funds, before requesting the accounting adjustment from DFAS for minimum cash requirement-related issues.

S. Funding policies reflecting relationships with, and requirements of, other appropriations are provided in Volume 11B, Chapter 1 Defense Working Capital Funds General

Policies and Procedures, Section 0101 of the DoD FMR. Policies regarding costs billed for legacy system requirements are provided in the DoD FMR, Volume 11B, Chapter 1 Defense Working Capital Funds General Policies and Procedures, section 010403.

090108. Rate Setting for DWCF Activities

A. In accordance with paragraph 090107 of this Volume, stabilized rates reflecting full cost will be set during the budget process for all individual DWCF activities. The DWCF uses three methods for rate setting purposes based on the nature of an activity.

1. Percentage Markup on Cost. A cost recovery percentage is applied to the purchase or repair cost of secondary supply items to recover overhead costs and other pricing adjustments. This method is typically used for supply management DWCF activities.

2. Direct Labor Hour (DLH). A specific dollar value, including all direct costs, overhead, and other pricing adjustments, is charged per DLH associated with the completion of a customer order. This method is typically used for industrial DWCF activities (i.e., depot maintenance, ordnance, and research and development).

3. Specific Unit of Output. The DWCF activities that provide services via numerous outputs that do not have a common measure for calculation will establish separate rates for each output. When multiplied by projected customer workload for each output, the rates will produce revenue that approximates, to the extent possible, recovery of the full cost, including approved adjustments, of providing the specific outputs (e.g., transportation, finance and accounting, information systems, and base support). This includes direct systems reimbursement.

B. Definitions and Procedures

1. Stabilized Price. Under the stabilized price standardized cost recovery method, customers are charged for products and services provided by a DWCF activity. Activities establish stabilized prices for the budget year that are adjusted and approved during the budget review process. The stabilized rate is determined by adjusting anticipated workload and projected overhead costs for the budget year for both inter-Fund transactions (i.e., adjustments to reflect changes in the costs of purchases between activities within the Fund) and the impact of prior year gains or losses as reflected by the AOR. DWCF activities will charge this annual stabilized rate for all new customer orders received and accepted during that specific fiscal year, regardless of when the work is actually executed and billed.

2. Stabilized Price Exceptions. See paragraph 090109 for guidance applicable to the sale of goods and services to public-private partnerships by DoD depot maintenance activities. In the Supply activities, customers are charged the price in effect when the item is dropped from inventory.

3. OP-32 Rate Change. The annually published rate change for DWCF activities, as provided in a memorandum signed by the USD (Comptroller), is the

percentage change of prices between fiscal years. As an example, the budget year rate for depot maintenance is determined by dividing the approved DLH rate proposed for the budget year by the stabilized DLH rate in effect for the current execution year. That value, expressed as a percentage (i.e., plus or minus from a base of 100 percent) is the composite price change rate customers will use in their appropriated funds submissions.

C. Budgeted Rates. The OUSD (Comptroller) will review and approve all final rates and prices developed for the President's budget submission during the Program/Budget Review. The DoD Components will develop the prices charged to customers to recoup all costs associated with the specific DWCF activity operating and capital budgets including all labor and non-labor, direct, indirect production costs and general and administrative overhead costs. Components will add a positive or negative cash factor, if needed, to maintain cash solvency or return cash balances. During budget formulation, Components may propose, on budget exhibits, more detailed rates that break out overall composite rates by activity or product line within a DWCF activity. If approved, the Components will use these rates in final price development and execution. Further, the Components may devise rate allocations for internal use that must reconcile to the approved activity composite rate. Components will make corresponding adjustments in appropriated customer account budget requests to ensure the customer and DWCF budgets are in balance.

D. Alternative Rate Development. Components may propose methods other than the standardized rates for recovering the cost of operations so long as they are mathematically equivalent to the standardized rate. Any alternative pricing methods must be fully documented and justified in the DoD Components' Program/Budget Review. Any method (such as percentage of sales instead of markup on cost) must demonstrate recovery of all operating costs, provide a comparison of the current method to the method proposed, show the impact to customer funding requirements, and provide a timeline for implementation. Any change in the presentation of standardized rates for budget purposes must be approved in advance by the Director, Revolving Funds, and documented in the appropriate decision document.

E. Budget Formulation Rates and Prices. All DWCF activities will establish rates using the following multiple step process:

1. Each DoD Component must carefully review all projected costs for its projected operations for the fiscal year, and propose the most cost-efficient operation possible.

2. Customer requirements must be projected to include all anticipated workload programmed for accomplishment during the budget year based on identified outputs such as direct labor hours by product, tons shipped, line items received, and all other approved output measures for each activity. Prior year execution shall also be factored into the projection of anticipated customer orders and overhead costs and significant deviations from prior year workload must be fully explained in both the activity's and the customer's budget justification materials.

3. Components will include adjustments required to comply with OSD and OMB guidance on the impact of inflation, projected pay changes, and other programmatic and policy changes in developing proposed rates.

4. Components will propose costs, program levels, and rate changes by DWCF activity in their Program/Budget estimate submissions. Components may propose exclusion of customer unique, non-labor direct costs from the stabilized rates, and charge these costs on an actual cost reimbursable basis. Components must show the impact the change in rates structure would have on overall stabilized rates. In other words, all costs must be accounted for and reconciled on the corresponding budget exhibit. Final rate and price adjustments will be documented in a memorandum signed by the USD (Comptroller), or designated representative, at the completion of the budget review.

5. Final approved costs, program levels, and rate changes will be established by decision documents, after adjustments required to balance changes to customer funding with anticipated Fund costs, inter-Fund sales and transactions, and adjustments for NOR to bring the AOR to zero for the budget year for each DWCF activity.

F. Financing of Extraordinary Depreciation. Alternatives exist for financing sunk costs when activities terminate capital investments before a project is completed. These costs may be funded through one-time capital surcharges to operating costs or through the normal budgeted depreciation rates previously established. If charged to operating costs through a capital surcharge and depending on the size of the charge, the loss may be recovered through rates over a 2-year period. If a usable product is produced, even though it is less than the planned product, costs may be reasonably assigned to that product and those costs may be appropriately recovered through depreciation.

090109. Public-Private Partnerships at Depot Maintenance Activities

A. Public-private partnerships are agreements between organic depot maintenance activities and private industry or other entities to perform work and/or to utilize facilities and equipment. Partnerships improve utilization of DoD facilities, equipment, and personnel and enhance support to the warfighter. To advance the goal of increased partnering between DoD and private industry, this section provides guidance for the pricing of DWCF depot maintenance goods and services to private sector entities in partnering arrangements. Conditions for the sale of goods and services to non-DoD entities must be based on specific statutory authority.

B. In accordance with the authority granted to the Secretary of Defense by Title 10 U.S.C., section §2208(h) to prescribe regulations governing the operation of DWCF activities and the use of inventories, this guidance is intended to clarify existing legal authority applicable in certain specific circumstances. The guidance set forth in this section:

1. May not be used to compete for non-defense related work.

2. Does not apply when otherwise precluded by public law.

3. Does not apply to products or services produced under work-share arrangements in which a DoD sponsor assigns work and separately funds the DoD depot maintenance activity and the private sector entity.

4. May be used for sales to private sector entities only when the transaction is part of an arrangement that is officially recognized as a depot maintenance public-private partnership.

C. Sales Prices

1. In order to minimize potential DoD operating losses or gains, sales prices to private sector entities in depot maintenance public-private partnership relationships may be tailored to the most recent actual and projected costs, rather than the approved stabilized billing rates charged to DoD customers (10 U.S.C. § 2474).

2. Tailored rates or prices charged for sales to private sector partners, if used, shall ensure full cost recovery for the work involved in producing the specific products and services. Such tailored rates and prices shall include: (a) all direct costs, (b) production or shop overhead costs that contribute to the final product and (c) a full allocation of General and Administrative (G&A) overhead costs, distributed on the same basis as for DoD customers. (Since G&A overhead costs cannot be attributed to specific products or services, there is no basis to include or exclude specific items of cost from prices charged to customers.)

3. Exceptions to Working Capital Fund pricing policy for sales to private sector parties in depot maintenance partnership arrangements, as addressed in subparagraphs 1 and 2 above, do not change the requirement that sales prices include unfunded costs, as prescribed in Volume 11B, Chapter 1 Defense Working Capital Funds General Policies and Procedures, section 110109, paragraph B of the DoD FMR.

D. Fixed Pricing

1. Sales of DoD goods and services to private sector entities on a fixed price basis are authorized when the work is well defined and there is a reasonable basis upon which to predict costs. This mirrors private sector practice, improves the ability of private sector partners to predict production costs, and serves to constrain unit cost by more fully utilizing the production capacity of DoD maintenance depots. Cost reimbursable pricing is appropriate when future production costs cannot be reasonably predicted.

2. Multiyear fixed price agreements are authorized when future production costs can be reasonably predicted and the potential for future operating losses and gains are minimal. Prices may be fixed at a predetermined level taking into account future year escalation factors like pay rate changes, general inflation, and the number of units produced. Multiyear fixed price agreements may also incorporate other pricing techniques such as establishment of a base price with provisions for economic price adjustments to accommodate inflation.

E. Advance Payment. When appropriate to the scope of, and risks associated with, a prospective contract, the DoD partner may elect to accept incremental advance payments.

090110. Military Clothing Items and Individual Equipment

A. The Defense Logistics Agency (DLA) Supply Management Activity procures military clothing requirements and bills users at standard prices. This includes uniforms, combat equipment, tents, tool sets and kits, hand tools, and cleaning equipment and supplies. The Military Services shall include the costs of new clothing bag items in the Military Personnel appropriation budget request and new organizational items in the Operation and Maintenance appropriation budget request. A replacement item shall be deemed a new item for the purposes of this policy if the cost of a replacement item exceeds the cost of the prior item by more than 10 percent in constant dollars.

B. The Military Personnel appropriation budget and the Operation and Maintenance appropriation budget should be sufficient to fund the quantity of the initial buy of an item of clothing including the establishment of wholesale inventory levels. New clothing items required prior to receipt of appropriated funds shall be funded in these same accounts by reprogramming action.

*0902 BUDGET JUSTIFICATION PRESENTATION

090201. Purpose

This section provides guidance for preparation and submission of budget justification material and execution review estimates for the DWCF activities.

090202. Preparation of Materials

General guidance with regard to format and preparation of material is presented in Volume 2A, Chapter 1 General Information of the DoD FMR. Volume 2B, Chapter 9 Defense Working Capital Fund Budget Justification Analysis of the DoD FMR provides additional specific guidance with regard to the back-up material required for the DWCF and other unit cost budget areas.

090203. References

Volume 2A, Chapter 1 General Information of the DoD FMR provides funding policies to include those that impact other appropriations and accounts. Volume 2A, Chapter 2 Military Personnel Appropriations of the DoD FMR provides guidance related to military personnel costs. Volume 2A, Chapter 3 Operation and Maintenance Appropriations of the DoD FMR provides guidance related to Operation and Maintenance costs, and Volume 2B, Chapter 8 Facilities Sustainment and Restoration/Modernization provides guidance related to Real Property Maintenance and Minor Construction.

090204. General

A. Each DoD Component will submit operating and CIP budget justification material to the OUSD (Comptroller), Revolving Funds Directorate, in preparation for submitting the President's budget request to the Congress following a review and approval by the OUSD (Comptroller) and the Office of Management and Budget. Each Defense Agency will prepare and submit their portion of the Defense-wide volume material to OUSD (Comptroller), Revolving Funds Directorate, for review and approval prior to submission to DLA for incorporation into the Defense-wide justification book. The DLA may require support from the submitting organizations to assemble the final justification book containing the Defense-wide DWCF activities. The DLA will supervise printing and distribution of the Defense-wide justification book for the President's budget.

1. The DWCF Program Budget/Review focuses on an integrated set of budgetary schedules for evaluating progress towards meeting cost and productivity targets. Unit cost goals and customer prices are set for each DWCF Activity for the budget year to ensure resources are available to finance all costs.

2. The Budget Call letter may request updates for selected schedules that have not yet been documented in this regulation.

3. The documentation supporting the President's budget should be consistent with approved costs, work load and productivity assumptions.

4. The DWCF justification books submitted to Congress will be unclassified, in one volume organized into three sections: Component Overview, Operating Budget, and Capital Budget. All congressional budget material will be submitted electronically and posted on the respective Service's unclassified web site.

B. The following table lists all required budget justification exhibits.

1. The "Exhibit Requirements" column lists the universe of budget exhibits for DWCF activities.

2. The "WCF Activity" column identifies, for each exhibit, which activities are required to submit the exhibit. Activities must provide the exhibits as follows: "All" indicates all DWCF activities; "S" indicates Supply activities; "NS" indicates non-Supply activities; "I" indicates industrial activities; and "Depots" indicates depot maintenance activities.

3. The remaining three columns are marked "Y" or "N" to indicate that submission of the exhibit is required ("Y") or not required ("N"), respectively, to support the Program/Budget Review ("Budget Review"), for the Revolving Funds Directorate's internal use (the exhibit will not be published) to support the President's budget ("Backup to PB") request, and for publication as part of the congressional justification materials for the President's budget request ("President's Budget"). The single exception is the Fund-28 Execution Performance Analysis, which must be submitted for budget execution reviews only.

Exhibit Requirements		WCF Activity	Budget Review	Backup to PB	President's Budget
Component Narrative		All	N	N	Y
WCF Activity Narrative		All	Y	N	Y
SM-1	Supply Management Summary by Division	S	Y	N	Y
SM-3a	Requirements to Budget	S	Y	N	N
SM-3b	Weapon System Requirements	S	Y	N	Y
SM-4	Inventory Status	S	Y	N	Y
SM-5a	Markup on Material Cost	S	Y	Y	N
SM-5b	OP-32 Price Change	S	Y	Y	N
SM-6	War Reserve Material	S	Y	N	Y
SM-16	Unit Cost Summary	S	Y	Y	N
Fund-1	Summary of Price, Program and Other Changes	All	Y	Y	N
Fund-1a	Details of Price, Program and Other changes (OP-32)	All	Y	N	N
Fund-2	Changes in Cost of Operations	NS	Y	N	Y
Fund-3	Labor Cost Breakdown	NS	Y	N	N
Fund-5	Total Cost Per Output Summary	NS	Y	Y	N
Fund-6	Depot Maintenance 6% Capital Investment Plan	Depots	Y	N	Y
Fund-7	Customer Rate Computations	I	Y	N	N
Fund-8	Air Mobility Command (USTRANSCOM)		Y	N	N
Fund-9a	Capital Investment Summary	All	Y	N	Y
Fund-9b	Capital Investment Justification	All	Y	N	Y
Fund-9c	Capital Budget Execution	All	Y	N	Y
Fund-11	Source of Revenue	All	Y	N	Y
Fund-11a	Allowable Carryover Summary	I	Y	N	Y
Fund-11b	Carryover Outlay Calculation	I	Y	Y	N
Fund-13	Cash Management Plan[1]	All	Y	Y	N
Fund-14	Revenue and Costs	All	Y	N	Y
Fund-15	Fuel Data[3]	S	Y	N	Y
Fund-16	Material Inventory Data	I	Y	N	Y
Fund-19	Military Personnel by End Strength	All	Y	N	N
Fund-22	Summary of Base Support	All	Y	N	N
Fund-24	Summary of Personnel Data	NS	Y	N	N
Fund-26	Revenue and Expense Phasing Plan[1]	All	Y	Y	N
Fund-28	Execution Performance Analysis[1]	All	Budget Execution Reviews Only		
Fund-30	Unutilized/Underutilized Plant Capacity	I	Y	Y	N
OP-8	Civilian Personnel Costs[3]	All	Y	Y	N
OP-32	Operation & Maintenance[3]	All	Y	Y	N
PB-15	Advisory and Assistance Services[3]	All	Y	Y	N
PB-22	Headquarters Costs[3]	All	Y	Y	N
PB-54	Civilian Personnel Hiring Plan[3]	All	Y	Y	N

[1] OUSD(C) RF electronic format required
[2] USTRANSCOM must submit separate Fund-15 exhibits for its Commercial and Military airlift augmentation efforts
[3] Formats and Instructions are in Volume 2A Chapter 3 for the OP-8 exhibits and Volume 2B Chapter 19 for the PB-15, PB-22 and PB-54 exhibits. To be included with the DoD Component's appropriated budget justification materials.

C. Component Narrative. A component narrative is required for the President's budget submission to the Congress. Each DoD Component will provide a Summary by Component in table form consisting of cash and net outlays; revenue, expenses, and operating results; civilian full-time equivalents and military end strength; unit costs, rates, and other key indicators. In addition, each Component will provide a summary table for each of its DWCF activities. Discuss any planned changes in DWCF Activity make up, location, or product lines. Provide short explanatory bullets where significant changes occur.

D. WCF Activity Narrative. For each DWCF Activity, the DoD Component will submit a narrative analysis that, as a minimum, addresses the following areas:

1. A general description of the DWCF activity to include names and locations of subordinate commands, its outputs and customers, and performance and quality metrics. Discuss any planned changes in the DWCF activity make up, location, or product lines. Display cash and net outlays, revenue and expenses, operating results, civilian full-time equivalents and military end strength, unit costs and rates and other key indicators in tabular form. Provide short explanatory bullets where significant changes occur.

2. The analysis should focus on the changes from year to year and how these changes are related to work load and productivity trends; an analysis of any special business-type schedules requested in the Budget Call letter; and a discussion of work load and manpower trends, productivity initiatives/cost reductions, unit costs, and customer prices incorporated in the DWCF Activity budget.

E. Copies. Numbers of copies of the required materials to be submitted with the annual budget estimates are identified in Volume 2A, Chapter 1 Budget Formulation and Presentation of the DoD FMR. In addition, for the Budget Review, an electronic copy of the justification material for each DWCF Activity will be provided to the respective Revolving Fund analyst and an electronic copy will be made available to the OUSD (C) Program and Financial Control Directorate on the SIPRNET. The OUSD (C) will notify Fund Managers if additional copies are required. The Budget Call Letter will provide any additional submission instructions, such as posting of the electronic copy to the internet.

F. Classification. The DWCF justification books prepared by the Components are to be unclassified. Submit any classified exhibits under separate cover.

G. Formats. Paper copies of justification material will be submitted on 8-1/2 x 11-inch paper. Variations in format to facilitate printing are permissible. Additionally, modifications may be made to exhibit formats with the approval of the respective Revolving Fund analyst to eliminate redundant information or provide further clarification.

H. Database Requirements. Consistent with the guidance contained in Volume 2A, Chapter 1 General Information paragraph 010506 of the DoD FMR, the DWCF budget estimates for financing and civilians will be entered into the Comptroller Information System (CIS). The CIS is typically loaded in August before the review of the justification material. The CIS entries are in obligations, as opposed to expenses.

1. The DWCF Operating Budgets will be entered into the CIS as new obligations. However, certain budget exhibits may reflect expense rates where applicable.

2. The DWCF Capital Budgets will be entered into the CIS as the amount of contract authority requested in that fiscal year. This amount should be equal to the program totals displayed on the Fund-9c "Capital Budget Execution" exhibit. The CIP prior year carryover request amounts are not entered into CIS for the current year (CY).

3. Enter estimates of civilian full-time equivalents (FTEs) for civilian personnel data and military end strength for military personnel data.

4. Changes to CIS data submitted by the DoD Components will be recorded in a decision document or technical adjustment. Technical adjustments may be used when a DoD Component requests minor changes due to new information or correction of errors during the Program/Budget review. The changes to the Program/Budget reflected in the final decision document will be expressed as obligations, FTEs for civilian personnel, and end strength for military personnel, and adjusting entries will be generated. Final rate and price adjustments will be documented in a memorandum signed by the Under Secretary of Defense (Comptroller), or designated representative, at the completion of the Program/Budget review.

I. Special Schedules - For the Supply Management activities, the narrative must include a section on workload and economic assumptions. These assumptions must include the following data for the prior, current, and budget fiscal years: items managed (#), requisitions received (#), receipts (#), issues (#), contracts executed (#), and supply material availability (%).

090205. DWCF Application of Commonly Used Financial Management Terms

A. Commitment. A firm administrative reservation of funds, based on firm procurement directives, orders, requisitions, authorizations to issue travel orders, or requests which authorize the recipient to create obligations without further recourse to the official responsible for certifying the availability of funds. The recording of a commitment reserves funds for future obligations. The DWCF activities are not limited to the amount of commitments that can be incurred in the course of operations (unlike other DoD appropriations). Annual Operating Budgets (AOBs) provide legal and administrative restrictions only on the amount of contract authority that may be obligated in a given fiscal year.

B. Direct Appropriations. Amounts appropriated by the Congress to the DWCF for war reserve material, Defense Commissary Agency, or other purposes.

C. End of Period (EOP). The last day of a specified fiscal year, normally September 30, used to determine the closing status of resources.

D. Outlays. Disbursements issued from the U.S. Treasury for goods and services received. Gross outlays are equal to the cumulative amount of disbursements made for the fiscal period to date. Net outlays are equal to gross outlays less the cumulative amount of collections received for the fiscal period to date.

090206. Supply Management DWCF Activity Definitions

A. This section provides standard definitions to Supply Management terminology associated with the development of budget justification material.

B. Definition of Terms Used in Supply Management DWCF Activities

1. Acquisition Leadtime. The interval in months between the initiation of procurement action and the receipt into the supply system of the production model (excludes prototypes) purchased as the result of such actions. Acquisition Leadtime is composed of two elements, production leadtime and administrative leadtime.

2. Administrative Leadtime. That portion of the Acquisition Leadtime that begins with the identification of the need to buy and the contract award. The time between the initiation of paperwork to a signed contract.

3. Allocation. Under the appropriations act, direct funds may be appropriated to the DWCF; therefore, obligations may be made against DWCF to procure war reserve material inventory and should be reported separately.

4. Beginning of Period (BOP, BP). The start of a specified fiscal year normally on October 1 used to determine the opening ”snapshot” status of resources. Typically, the EOP from the previous fiscal year becomes the BOP of the current FY adjusted for price changes.

5. Capitalized Inventory. On-hand and on-order inventories of supplies funded by other appropriations and funds are considered as contributed capital as of the date when management responsibility for the items is undertaken (see Provisioning).

6. Capitalization. The process whereby the Fund assumes management responsibility and ownership of inventories without reimbursing other DoD appropriations or funds.

7. Contingency Retention Stock. That portion of the quantity of an item excess to the Approved Acquisition Objective and for which there is no predictable demand or quantifiable requirement and which normally would be allocated as potential reutilization stock, except for a determination that the quantity will be retained for possible contingencies. This is a budget stratification category and is not the same as “War Reserve Materiel,” which is held for immediate use of military deployments.

8. Cost of Goods (Materiel) Sold (COGS). The COGS is the expensed value of the items sold at the standard or exchange price, respectively. The COGS cannot be recorded until a sale occurs even though the purchase and cash outlay occurred in a previous fiscal year. The COGS is a method of inventory valuation that may not be directly related to actual cash required to purchase inventory for the continuity of operations. A Materiel Cost Adjustment (MCA) is allowed as a cost recovery element (which may or may not be related

to normal inflation) to ensure that budgetary resources are available to cover the difference in historic costs (COGS) and current costs.

9. Cost Recovery Elements/Surcharges. Factors added to the acquisition cost or repair cost price of an item to arrive at the customer's standard or exchange price. Cost Recovery Elements/Surcharges include: (1) transportation deliveries from production site to points of use or storage (Second Destination Transportation (SDT)); (2) inventory obsolescence and loss, for the costs of pilferage, damage, deterioration, physical inventory shortages and excess; (3) inventory maintenance; (4) supply operations support costs; (5) inventory augmentation; (6) depreciation; (7) cash factor; and (8) Depot Level Reparable (DLR) carcass attrition costs, if applicable.

10. Decapitalization. The transfer of DWCF inventories to other appropriations or funds without reimbursement. Transfers of inventory between DWCF DoD Components are not considered de-capitalizations. Gains and losses of cash, relative to continuing operations at the DWCF activity level, should be taken into consideration to establish an acceptable reimbursement process based on validated undelivered orders (dues in).

11. Demand (Customer Order). Demand is an indication of a requirement (i.e., requisition, request, issue, reparable generation, etc.) for issue of serviceable material. Demands are categorized as either recurring or nonrecurring and are also referred to as orders. Demands for reparable items should indicate whether or not a carcass will be returned.

12. Economic Retention Stock. That portion of the quantity of an item greater than the Approved Acquisition Objective determined to be more economical to retain for future peacetime issue than to dispose and satisfy projected future requirements through procurement or repair. To warrant economic retention, items must have a reasonably predictable demand rate. The replenishment and growth of economic retention stock may not be financially sound (even though a lower cost may be achieved) when the additional resources could be used to reduce potential inventory shortages in other commodities that have higher reoccurring demands.

13. Exchange Price (EP). In a system that supports exchange pricing, this is the price charged to customers exchanging a Depot Level Reparable part that needs repair for a serviceable one (new or repaired). Equates to the latest repair price plus wash out costs (condemnations) per item plus pricing elements necessary to recover other operating costs. (Note: If no carcass is returned, the customer is charged the full standard price.)

14. Expendable Supplies and Material. Supplies, sometimes referred to as consumable supplies and material, that are consumed (e.g., paint, fuel, cleaning, preserving materials, surgical dressings, drugs, and medicines) or lose their identity in use.

15. Initial Spare and Repair Parts. Those spares and repair parts introduced through the provisioning process to establish inventory levels prior to reoccurring demands for that item. These inventory levels are typically funded by other DoD appropriations.

In some cases, as approved by the Director, Revolving Funds, a cost recovery element may be added to the pricing structure to cover these requirements.

16. Insurance Item. A non-demand-based stocked essential item for which no failure is predicted through normal usage. However, if a failure were to be experienced or a loss occur through accident, abnormal equipment or system failure, or other unexpected occurrence, lack of replacement would seriously hamper the operational capability of a weapon system.

17. Inventory (Supply). An aggregation of materiel (supplies, equipment or end items) that are maintained for the primary purpose of issue to replace a failed, lost, or consumed item, or to provide initial stockage or stock replenishment, to supported or supporting units or activities.

a. Consumer Level of Inventory: An inventory, usually of limited range and depth, held only by the final element in an established supply distribution system for the sole purpose of internal consumption. Inventory at the consumer level is normally no longer considered Fund inventory.

b. Intermediate Level of Inventory (Local): An inventory between the wholesale and consumer levels, regardless of funding source.

c. Wholesale Level of Inventory (National): Inventory, regardless of funding sources, over which the inventory manager at the inventory control point level has asset knowledge and exercises unrestricted asset control to meet worldwide inventory management responsibilities.

d. Inventory Augmentation. A growth in inventory beyond initial stockage levels that is not demand based. Costs may be recouped through a cost recovery element or by direct appropriations.

e. Retail Inventory. Supplies/material held at a second point of sale below the wholesale level (e.g., management of DLA inventory purchases within a specific Military Department).

18. Inventory Cost Categories

a. Operating Costs. All costs not associated with the purchase or repair of materiel that must be incurred in order for the DoD Components to manage a supply DWCF Activity. All materiel-related costs should be the basis for cost of goods sold.

b. War Reserves. Direct appropriation funding is required to procure items for war reserve stocks. These materials are required to support approved force mobilization objectives. The approved force mobilization objective is the quantity required, in addition to peacetime assets normally available on any given date, to equip and support the approved force structure in accordance with current Defense Guidance.

c. Historic Cost. The price paid for an item at the time it was purchased from a supplier.

d. Moving Average Cost: A historical cost method of valuing inventory. Each time a new quantity is purchased, the average value of all items on hand is recalculated. This value is the basis for accounting purposes and the COGS value on the Fund-14 "Revenue and Costs." For budget purposes, inflation and a Materiel Cost Adjustment (MCA) may have to be applied as a cost recovery element to ensure receipt of sufficient budgetary resources to support the cash outlays required for inventory purchases.

e. Replenishment Cost. The current price of an item from a vendor that will result in a cash outlay resulting from an obligation in the current fiscal year.

f. Numeric Stockage Objective (NSO) Item. A non-demand-based, stocked, essential item for which, although failure may be predicted, the probability of demand is so low that it does not meet the stockage criteria at a given activity and, as a demand-based item, would not be stocked. Since the lack of a replacement item would seriously hamper the operational capability of a weapon or weapon systems, the item is therefore stocked; using direct appropriations, as non-demand-based. Also included in this category are:

(1) Items needed to support particular programs of a nonrecurring or sporadic nature (e.g., set assembly, non-repetitive overhaul programs) where re-procurement is not required once the particular program has been completed.

(2) Items that are procured on a life-of-type basis or which are "bought out" at the termination of a production program.

(3) Items that are not fully consumed during a one-time or non-repetitive program but which should be retained for possible future need on a similar program.

19. Inventory on Order. The quantities of material required to sustain operations in the interval between requisitions and the arrival of successive shipments; the amount of inventory required to satisfy current demands when leadtimes are taken into account. These quantities should be based on the established replenishment period (i.e., monthly, quarterly, etc.). This is also referred to as the "Pipeline," "Undelivered Orders," or "Due ins from Procurement and Repair."

20. Other War Reserve Material Requirements. The total war reserve material requirement less the sum of the pre-positioned war reserve requirements. These are also known as non-prepositioned requirements.

21. Pre-positioned War Reserve Material Requirement (PWRMR). That portion of the war reserve stocks required to be on hand on M-Day which approved Defense Guidance dictates be reserved and/or positioned at or near the point of planned use or issued to

the user prior to hostilities, to reduce reaction time and to assure timely support of a specific force/project until replenishment can be effected.

22. Price Stabilization. The policy through which the standard price of each cataloged supply item shall remain constant throughout each fiscal year except for correction of errors.

23. Materiel Cost Adjustment (MCA). The amount of price growth realized from suppliers above the moving average cost (MAC), used on the SM-5b "OP-32 Price Change." MAC + Inflation + MCA = Replenishment Costs, This amount is typically above the standard rate of inflation. Standard inflation should be accounted for in the "Materiel Inflation Adjustment" recovery element and not double counted in the MCA. In some cases, normal inflation may be the only recovery element required. For example, if a new part has been upgraded by the manufacturer, the price may increase by 10 percent. In this case, 2 percent may be "normal inflation" and 8 percent can be attributable to the MCA.

24. Production Lead Time. The time interval between the letting of a contract or the placing of an order and the first significant receipt into the supply system of material purchased as a result of such action.

25. Provisioning Item. Spares and repair parts required as both demand and non-demand-based levels in the supply system to support new fielding of end items. Typically, these are new inventory requirements that require other DoD appropriations to establish the supply chain. In some cases, upon approval by the Director, Revolving Funds, customers may be charged for the establishment of new inventory as a recovery element.

26. Provisioning Item (Outfitting). That portion of Provisioning consisting of items for which a sale is anticipated to an appropriated outfitting (buy-out) account. Direct appropriations are required to establish inventory levels for these items until requirements can be forecast based on actual demands for their replenishment using obligation authority.

27. Reclassification. The logistics term referring to the transfer of assets between inventory strata (e.g., from Economic Retention to Contingency), used on the SM-4 "Inventory Status."

28. Repair Cycle Level. The quantity of reparable items required to sustain operations during the repair cycle that commences when a maintenance replacement takes place and ends when the unserviceable asset is returned to stock in a serviceable condition. This includes such stages as removed, awaiting shipment, in transit, in pre-repair screening, in process of repair, and being returned to serviceable stock. Any extraordinary awaiting-parts delays and any intentional extended-transit, storage, or repair-process delays should be excluded from the repair cycle.

29. Reparable Item. An item of supply subject to economical repair and for which the repair (at either depot or field level) is considered in satisfying computed requirements at any inventory level.

30. Replenishment Spare and Repair Parts. Demand-based spare and repair parts required for re-supplying current inventory levels. Inventory levels may increase above initial stockage when there is a concurrent increase in demands (ramp-up). Fewer inventories will be required when there is a decrease in demand levels (ramp-down). These include both reparable and consumable parts in support of fielded items.

31. Requisitioning Objective (also known as the "Authorized Acquisition Objective"). The maximum quantities of material to be maintained on hand and on order to sustain current operations and core war reserve. It will consist of the sum of stocks represented by the operating level, safety level, and the order and shipping time or procurement time, as appropriate.

32. Safety Level of Supply. The quantity of material required to be on hand to permit continuous operations in the event of minor interruption of normal replenishment or unpredictable fluctuations in demand.

33. Standard Price. The price that customers are charged for DoD Inventory Control Point (ICP)-managed items (excluding subsistence). The standard price remains constant (stabilized price) throughout a fiscal year except for the correction of significant errors. The standard price is computed based on various factors, including the replenishment cost of the item plus surcharges to recover costs for transportation; inventory loss, obsolescence and maintenance; depreciation; and supply operations. (Note: See Exchange Price for prices of Depot Level Reparables in systems that support exchange prices.)

34. Stockage Objective. The maximum authorized quantity of material on hand to sustain current operations. It consists of the sum of stock represented by the operating level, the safety level, the repair cycle level, and authorized additive levels.

35. Stratification Process. A uniform portrayal of requirements and asset application that is a computer-generated simulation of actions causing changes in the supply position, e.g., procurement, repair, receipt, issue, terminations, and disposal of material.

36. Unfunded Requirement for Spares. The difference between the spare and/or repair parts requirement computed in accordance with DoD Policy (e.g., DoDI 4140.01 DoD Supply Chain Materiel Management Policy) and the amount of that requirement that is funded.

37. Unobligated Commitments. Amount of commitments incurred this fiscal year to date that have not resulted in obligation at the end of the report period. Unobligated commitments do not reduce Obligation Authority issued on AOBs.

42. Variability Target. The projected amount of additional cost authority reflected on the SM-1 "Supply Management Summary" exhibit to allow supply activities to respond to variances in costs and/or changes in customer demands during the execution year.

43. War Reserves. Stocks of material amassed in peacetime to meet the increase in military requirements forecasts contingent on an outbreak of war. War reserves are intended to provide the interim support essential to sustain operations until re-supply can be effected.

090207. Non-Supply Definitions

A. Definitions Used in Non-Supply Activities

1. Maintenance Depot. Industrial DWCF facilities whose primary missions are to overhaul, manufacture, and re-manufacture weapon systems, ordnance, or other forms of equipment. These activities include Army and Marine Corps Maintenance Depots, Ordnance Depots, Arsenals, Navy Fleet Readiness Centers, and Air Force Aviation Depots.

2. Direct Labor Hour Rate. The stabilized rate method that assigns revenue per direct labor hour. The direct labor hour rate is computed by dividing the sum of all direct and indirect production labor, non-labor, and material, and general and administrative expenses, adjusted for direct reimbursements, NOR, and Capital Investment Program (CIP) or Cash surcharges, by the total number of direct labor hours (or other outputs) anticipated to be accomplished during the fiscal year.

3. Direct Labor Hour (DLH). The DLHs, sometimes referred to as Direct Product Standard Hours, are the hours required to perform the direct work on a product, or to perform a billable service for customers. The DLHs generally include the hands-on maintenance, repair, overhaul, test, and related direct production effort that follows the established sequence and content of work necessary to accomplish the billable job. The DLHs do not include the support work or man-hours identified as either indirect production (such as supervisory) or general and administrative in nature. The DLHs are estimated for budget purposes by product or service, based on industrial or management engineering standards developed using time, method, and motion studies, historical usage averages, or professional estimating and evaluation (E&E) techniques.

4. Fixed Price Catalogs. Depot Maintenance activities may maintain a catalog of products and services (major end items, componentry, depot level reparable, modification kits, etc.) with their associated rework, repair, overhaul, installation, etc., based on the Standard Depot Level Maintenance (SDLM) or Planned Depot Maintenance (PDM) work package DLHs. The DLHs associated with the product or service multiplied by the stabilized composite rate for a fiscal year constitutes the firm fixed price for the catalog item. Catalogs may be maintained in hard copy or in electronic databases accessible to customers.

5. Total Cost of Goods Sold. The total expenses incurred in the operating budget of the activity associated with the revenue planned to be recognized for the budgeted fiscal year.

6. Carryover. The dollar value of work that has been ordered and funded (obligated) by customers, typically using other DoD appropriations, but not yet completed by DWCF activities (i.e., Depot Maintenance, Industrial Operations, and Research &

Development activities) at the end of the fiscal year. Carryover consists of the unfinished portion of work accepted but not yet completed.

B. Clarification of Rate Estimation. During the budget review process, each non-supply DWCF activity will use proposed new customer orders for each budget year to establish rates that will remain stabilized through the execution year. Accurate customer order projections are essential in determining the annual increase or decrease in rates.

1. Industrial activities will identify total DLHs required to accomplish the budget year's work program. The work program is the total number of DLHs planned to be executed in support of known and projected customer requirements during execution of the budget. All DLHs should be identified in the budget, even though some workload may be direct reimbursable rather than rate based.

2. Total costs estimated to be incurred in execution of this workload will be projected. This process should include application of general inflation, pay raise, and other inflation or OUSD (Comptroller)-directed price adjustments, as specified in the OUSD (Comptroller) budget formulation Budget Call. The sum of all these costs (including supplies, materials, pay, depreciation, and other charges, etc.) is the estimate of the total cost of goods sold.

3. Customer requirements must be projected and separately identified to include: current (on hand) unfilled customers orders expected to be executed during the budget year (carry-in or backlog), and work in process that will be completed; new orders anticipated to be accepted and executed during the budget year; and orders anticipated to be accepted but not executed during the year (anticipated carry-over).

4. Workload mix (outputs), availabilities, and production schedules must be assessed, along with any other factors that may impact program outputs such as policy changes, productivity initiatives, planned workload competitions, plant capacity, and other factors. Based on these factors, the work counts associated with each major workload category (output or product) will be identified and reported.

5. Total costs required to execute the planned program to produce the outputs in the approved execution program will be identified and reported in budget exhibits, with significant changes from the prior year highlighted in the Exhibit Fund-2, "Changes in the Costs of Operations."

*0903 DWCF ACTIVITY EXHIBIT FORMATS

090301. Purpose

The formats provided on the following pages reflect guidance presented in previous sections of this chapter. Adhere to these formats unless they are modified in a submission budget call. Modifications may be made to exhibit formats with the approval of the respective Revolving Fund analyst to eliminate redundant information or provide further clarification.

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*Formats and Instructions for these exhibits are in the DoD FMR, Volume 2A Chapter 3 for the OP-8 exhibits and Volume 2B Chapter 19 for the PB-15, PB-22 and PB-54 exhibits. These exhibits should be included as part of the DoD Component's Appropriated Budget Justification.

Exhibit SM-1 Supply Management Summary

FY BUDGET
_____ SUPPLY MANAGEMENT BY ACTIVITY DIVISION
(DoD Component)
(Dollars in Millions)

			Obligation Targets						
Business Division	**Net Customer Orders**	**Net Sales**	**Operating**	**Mobilization**	**Direct Appn**	**Total Operating Obligations**	**Total Capital Obligations**	**Variability Target**	**Target Total**

Exhibit SM-1 Supply Management Summary

INSTRUCTIONS FOR PREPARATION OF
SUPPLY MANAGEMENT SUMMARY (EXHIBIT SM-1)

The purpose of the SM-1, Supply Management Summary by Activity Division exhibit, is to provide summary obligation justification for the DoD Component DWCF activity. Instructions for preparation of SM-1 exhibit follow:

1. Prepare the SM-1 exhibit for each year being reviewed (i.e., prior year, current year, and budget year).

2. Present dollars in millions to the third decimal place.

3. The current year request should represent current identified requirements and may not be equal to previous amounts approved in prior year budget submissions. The minimum information required for each activity division is as follows:

- Net Customer Orders
- Net Sales
- Operating Obligations
- Mobilization Obligations
- Direct Appropriations
- Total Operating Obligations- This amount is entered into the program line in the Comptroller Information System (CIS).
- Total Capital Obligations- This amount is entered into the capital line in CIS.
- Variability Target- This amount is not entered into CIS but is documented on the budget exhibit for inclusion in the apportionment from OMB.
- Target Total

Exhibit SM-1 Supply Management Summary (Continued)

Exhibit SM-3a Requirements to Budget

FY ____ (DoD Component) BUDGET SUPPLY MANAGEMENT Requirements to Budget	DIVISION		DATE
	(Dollars in Millions)		
	PY____	CY	BY____
A. CUSTOMER DEMANDS			
1. Total New Demands (Sales/Exchanges in FY)			
2. Stock Due Out (Backorders) (BOP)			
3. New Items (excluding provisioning)			
4. Provision (SM-5a element)			
5. Other Demands (Specify) (Non-reoccurring)			
Total Customer Demands			
B. ASSETS AVAILABLE TO SATISFY CUSTOMER DEMANDS			
1. Serviceable On Hand (BOP)			
2. Projected Deliveries			
3. Projected Funded Repairs			
4. Other Serviceable Asset Deliveries			
Total Serviceable Assets Available			
C. FUNDING REQUIREMENT			
1. Unfunded Demands (A-B)			
2. Transportation (FDT)			
3. Repair Costs			
4. Other Costs (Specify) (Reconcile to SM-1)			
Total Funding Requirement			
Deferred Funding Adjustments			
1. Requirement deferred/eliminated (-)			
2. Deferred requirement added (+)			
Funding Requirement with Adjustments			
D. Non-WCF Initial Spares from other DoD Appropriations (memo entry)			

INSTRUCTIONS FOR PREPARATION OF
REQUIREMENTS TO BUDGET (EXHIBIT SM-3a)

The purpose of the SM-3a Requirements to Budget exhibit provides backup information to support obligations based on inventory requirements determined by customer demand. That is, the SM-3a Requirements to Budget exhibit identifies resources required to replenish sales of inventory for each fiscal year (i.e., prior year, current year, budget year).

1. Prepare an SM-3a exhibit for each DWCF Supply activity (not each division). Non-inventory costs, as reflected on the Fund-1/1a Summary/Details of Price, Program and Other Changes exhibits, are considered "Overhead and Other Management Costs". Total obligations reported on this exhibit represent obligations for inventory procurement/repair. Obligations on this exhibit, when added to the Fund-1 Summary of Price, Program and Other Changes must reconcile with the Total Operating Obligations column on the SM-1 Supply Management Summary by Division exhibit. Present dollars in millions to the third decimal place.

2. Use the latest inventory cycle available since the exhibit is due in September. Instead of using the standard price, it is recommended that the moving average cost (MAC) value be used and the Materiel Cost Adjustment (MCA) applied as a growth factor to the MAC for each fiscal year. This will represent the projected price change over time. If a standard price is used, the overhead costs (surcharge) must be removed as part of this exhibit to get to a more representative cost of inventory and the MCA will not be added.

3. The exhibit will no longer reconcile to the total inventory; rather, it will focus on the time-phased customer demands (sales or exchanges) including any backorders. Inventory available (i.e., on hand and projected serviceable deliveries from buy or repair), that will satisfy those demands will be applied against the customer requirements. Finally, the portion of the customer demands that will not be satisfied with the current projected funded deliveries will be calculated so they can be satisfied through funding for new purchases or repairs. Documented unfunded requirements will also include the other projected funding needs (e.g., first destination transportation and projected repair cost increases). This exhibit will only reflect mobilization requirements to reconcile to the SM-1 exhibit; it will not include unfunded WRM demands.

4. The exhibit will include new requirements (e.g., initial provision and establishing a new stock number to replace an existing one) paid through the DWCF. It will also require all DoD Components to show (as a memo entry) other requirements (sponsor-owned stock, BP 28, etc.) not in the DWCF. Note: the memo entry on this exhibit provides reconciliation for other inventory purchased outside of the DWCF that may later migrate into DWCF.

5. Section A of the exhibit will reflect the Customer Demands (historical & projected for the first fiscal year and projected for the following 2 fiscal years). Section B of the exhibit will reflect the inventory (serviceable on hand and projected deliveries from buy or repair) for each of the 3 fiscal years. Section C of the exhibit will reflect the funding requirements (part of the

Exhibit SM-3a Requirements to Budget (Continued)

budget) and any other unfunded (deferred) requirements. Section D of the exhibit will reflect the initial provision (memo entry) that is not funded through the DWCF. It is the total initial provisioning dollar value not under DWCF that is on hand or projected to be delivered by the beginning of the period (BOP).

Exhibit SM-3a Requirements to Budget (Continued)

Exhibit SM-3b By Weapon System Requirements

FY___ (DoD Component) BUDGET SUPPLY MANAGEMENT By Weapon System	WEAPON SYSTEM REQUIREMENTS/CATEGORY FY_____ (Dollars in Millions)

Weapon System	Special Purchases	Basic Purchases	Basic Rework/ Repair	Initial Spares	Total Program	Non-MCRS Percent

INSTRUCTIONS FOR PREPARATION OF WEAPON SYSTEM REQUIREMENTS (EXHIBIT SM-3B)

The SM-3B Weapon System Requirements exhibit provides a breakout of the operating obligation request by type of supply system action (procurement versus repair) and by weapon system or category.

1. For the OSD/OMB budget review, prepare the SM-3B for each DWCF Supply activity (wholesale division) that provides military spare parts (excludes fuel, medical/dental, subsistence, etc.). For each division, prepare one Exhibit SM-3B for each fiscal year (CY, BY).

2. Definitions.

a. Special Purchases column includes outfitting, special programs and any initial spares financed through a cost recovery element on the SM-5a Markup on Material Cost exhibit.

b. Basic Purchases column consists of replacement spares *based on demand*s.

c. Basic Rework column is repair obligations for sales replacement.

d. Initial Spares column includes any new inventory levels financed through other DoD appropriations in this column. In theory, this column should reconcile with the P-18 exhibits provided with the Initial Spares Budget Activity of the DoD Component's procurement appropriations.

e. Total Program column shows the total operating obligation request for each weapon system.

f. Non-MCRS Percent (Non-Mission Capable Rate Supply) column shows the percentage, by weapon system, that is not mission capable due to the lack of spare parts. Report this rate target for each budgeted fiscal year.

3. Present dollars in millions to the third decimal place. Weapon systems, as defined by the applicable Service, may be aggregated into categories when individual systems are less than $25 million. The Director, Revolving Funds will approve appropriate levels of aggregation. Common parts may be grouped by category such as radios or may be allocated to specific systems such as F-16 aircraft. Obligation authority requests for non-weapon system-related requirements, such as reverse engineering and forging & casting, must be separately identified.

4. Estimated data may be used and noted as such until accurate systems can be developed to provide accurate data.

5. This form will be prepared at replenishment cost or repair cost as appropriate.

Exhibit SM-3b Weapon System Requirements (Continued)

Exhibit SM-4 Inventory Status

FY_____ BUDGET	DIVISION			DATE
_____ SUPPLY MANAGEMENT	(Dollars in Millions)			
(DoD Component) INVENTORY STATUS	TOTAL	DEMAND BASED	MOBILIZATION	NON-DEMAND BASED
1. Inventory BOP				
2. BOP Inventory Adjustments				
A. Reclassification Change (Memo)				
B. Price Change Amount (Memo)				
C. Inventory Reclassified and Repriced				
3. Purchases				
4. Gross Sales at MAC Value				
5. Inventory Adjustments				
A. Capitalizations (Net) + or (-)				
B. Returns From Customers For Credit +				
C. Returns From Customers Without Credit				
D. Returns To Suppliers (-)				
E. Transfers To Property Disposal (-)				
F. Issues/Receipts Without Reimbursement + or (-)				
G. Other (List/Explain)				
H. Total Adjustments				
6. Inventory EOP				
7. Inventory EOP, Revalued (MAC, Discounted)				
A. Economic Retention (Memo)				
B. Contingency Retention (Memo)				
C. Potential DoD Reutilization (Memo)				
8. Inventory On Order EOP (Memo)				
9. NARRATIVE (Explanation of unusual changes)				

INVENTORY STATUS (EXHIBIT SM-4)

The SM-4 Inventory Status exhibit shows estimated inventory levels that will result from the proposed budgets and operating levels. Prepare the SM-4 at the moving average cost (MAC) value for the prior fiscal year, current year, and budget year for each supply management DWCF activity for each Program/Budget and President's Budget submission. A consolidated summary for the total Supply activity will be prepared for the OSD/OMB Review. The TOTAL column in the prior fiscal year exhibit shall reflect the amount from supply management general ledgers used in preparation of fiscal and accounting reports. Amounts in the DEMAND BASED, MOBILIZATION, and NON-DEMAND BASED columns may be statistically derived from related inventory reports. Instructions for preparation of SM-4 Inventory Status are as follows:

1. Inventory, BOP. (Beginning of Period) Amounts of inventory on hand and in transit reported must equal amounts reported as of the end of the prior year. If not, explain any difference in a footnote. The DoD Component must have title to all inventory listed here.

2. BOP Inventory Adjustments. Enter any adjustments required to the beginning position.

3. Purchases. Add the amount of inventory value on which title has passed or will pass to the reporting supply management division during the period of the report.

4. Gross Sales at MAC value. Material sold to customer during the period of the report. Should match the Cost of Goods Sold base value.

5. Inventory Adjustments.

a. Capitalizations (Net). Report the inventory value of material capitalized or de-capitalized during the period of the report. Show a net de-capitalization with (-) preceding value.

b. Returns from Customers for Credit. Show the cumulative amount of material returned from customers on which title has passed to the reporting supply management division during the period of the report for which credit has been given. *For fuel returns, show the cumulative amount of fuel returned based on market price valuation of current inventory.*

c. Returns from Customers without Credit. Show the cumulative amount of material returned from customers on which title has passed to the reporting supply management division during the period of the report for which credit was not given.

d. Returns to Suppliers. Show as a negative number the cumulative amount of material returned to supplier during the period of the report.

e. Transfers to Property Disposal. Show the net amount of material transferred to/from the DLA Disposition Service on which title has been passed to DLA.

Exhibit SM-4 Inventory Status (Continued)

f. Issues/Receipts without Reimbursement. Show the net cumulative amount of material issued or received without reimbursement during the period of the report. This item could include transfers from other divisions or material categories, etc., as required. Show net issued with (-) preceding value.

g. Other. Identify and report the amounts of other adjustments to inventory. Include all other adjustments to inventory such as adjustments for physical inventory count and extraordinary losses (fire, weather). Explain with footnotes if necessary. Show (+) or (-) as appropriate.

h. Total Adjustments. Add 5a through 5g.

6. Inventory EOP. (End of Period) Report the amount of inventory available at the end of the reporting period, including all on hand, in transit, work-in-process, and other stocks to which the reporting stock fund division holds title.

7. Inventory EOP, Revalued (MAC, Discounted). Enter any adjustments required to the ending position.

8. Inventory on Order, EOP (memo). Report the amount of demand based and mobilization undelivered orders (excluding in transit) for material outstanding at the end of the period.

9. Narrative. Provide additional information and description as needed.

Exhibit SM-4 Inventory Status (Continued)

Exhibit SM-5a Markup on Materiel Cost

Supply Management Activities – Standardized Rate
Markup on Materiel Cost (Wholesale) Cost Recovery Calculation

Cost Category	($M) CY Approved	($M) CY Requested	($M) BY
Materiel Costs Section			
a. Materiel Costs without Inflation (MAC)			
b. Materiel Inflation (normal inflation)			
c. Materiel Cost Adjustment (includes obsolescence, losses and washouts)			
1. Total Materiel Costs			
Overhead Costs (Fund-1/1a) Section			
a. Personnel Costs (Military and Civilian)			
b. Operating Equipment and Supplies (Lines 400 & 500)			
c. Transportation (Lines 300 & 700)			
d. Other Purchased Services (Line 900)			
e. DLA Distribution			
f. DLA Disposition (DRMS)			
g. DLA Other			
h. DFAS			
i. DISA (All)			
j. Other DWCF Purchases (Remainder of Line 600)			
2. Total Overhead Costs			
Price Adjustments Section			
a. Depreciation			
b. Capital Outlay Recovery (Surcharge)			
c. AOR Recovery			
d. Cash Adjustment			
3. Total Pricing Adjustments			
Markup on Materiel Cost Section			
a. Line 2 + Line 3 (Overhead Costs + Pricing Adjustments)			
b. Line 1 (Total Materiel Costs)			
c. Total Wholesale Revenue (a + b)			
4. Total Markup on Materiel Cost (Standardized Rate) (a / b)			

INSTRUCTIONS FOR PREPARATION OF EXHIBIT SM-5a
MARKUP ON MATERIEL COST

The SM-5a Markup on Materiel Cost exhibit shows how to calculate the Standardized Rate for Supply DWCF Activities. Each Service/Agency will provide a consolidated exhibit for the sum of all wholesale divisions managed by that Service/Agency. The current year (CY) requested on this exhibit will match all CY data represented on all other reconciling budget exhibits (Fund-14, Fund-1). The CY approved represents what was submitted in previous budgets; in theory, all adjustments from previous budgets will be reflected in the AOR adjustment line of the budget year (BY).

Materiel Costs Section. There are three factors that make up materiel costs. Total Materiel Costs is the denominator in the Markup on Materiel Cost calculation.

a. Materiel Costs without Inflation (MAC). This is a representation of the historic value of inventory (and repair costs). The official valuation methodology for the DWCF is Moving Average Cost (MAC), based on proprietary accounting. However, valuing inventory solely at the MAC value for budget purposes will not generate sufficient resources for cash outlays to maintain current inventory levels.

b. Materiel Inflation (normal inflation). This line represents the amount of "normal inflation" as approved by OMB and OUSD(C) in published memoranda. The line may be used by the DoD Component to break out this type of inflation separately from any other materiel cost growth for reconciliation purposes; it is not a mandatory line and these costs may be included in line C as part of the "Materiel Cost Adjustment". Do not double count "normal inflation" on both lines.

c. Materiel Cost Adjustments (includes obsolescence, losses and washouts). All other adjustments involving the actual purchase or repair of inventory above that of the previous year. This line should include normal inflation if line b is not used (it should not include normal inflation if line b is used). Materiel costs associated with losses, obsolescence and wash out (condemnation) of reparables are also included in this line.

Overhead Costs (Fund-1/1a) Section. Total overhead costs should reconcile to the Fund-1 Summary of Price, Program and Other Changes exhibit less the amount displayed (if any) on the Fund-14 Revenue and Costs exhibit for direct reimbursable revenue. In theory, direct reimbursable revenue should not include a cost recovery rate and should cover all costs involved for the work performed. Depreciation is shown as a price adjustment instead of an overhead cost because it is a cash recovery element for capital obligations. Overhead categories directly relate to the corresponding line on the Fund-1/1a Summary/Detail of Price, Program and Other Changes exhibit.

Pricing Adjustments Section. Pricing adjustments increase or decrease budgetary resources but are not related to Materiel or Overhead costs. There are four types of price adjustments.

Exhibit SM-5a Markup on Materiel Cost (Continued)

a. Depreciation. Represents the yearly cash recovery of CIP obligations and outlays based on the useful life of the asset purchased. This is a mandatory line.

b. Capital Outlay Recovery (Surcharge). An adjustment to the depreciation amount either to accelerate cash recovery if outlays are significantly exceeding depreciation or to reduce the amount of depreciation to the amount of obligations for the CIP when cash resources are sufficient. This is not a mandatory line.

c. AOR Recovery. This amount should be equal to the NOR for the respective year on the Fund-14. This is a mandatory line.

d. Cash Adjustment. May be used to adjust the cash resources available to that specific DWCF Activity (not as an adjustment to the cash available at the DoD Component level). All cash adjustments at the DWCF Activity level should reconcile to the Fund-13, Cash Management Plan (e.g. a DWCF Activity should not show a cash increase on the Fund-13 with a negative cash adjustment on the SM-5). This is not a mandatory line.

Markup on Materiel Cost Section. Line 4. Total Markup on Materiel Cost (Standardized Rate (a/b) equals (Line 2. Total Overhead Costs + Line 3. Total Pricing Adjustments) divided by Line 1. Total Materiel Costs, displayed as a percentage. Adding Materiel Costs, Total Overhead Costs, and Total Pricing Adjustment equals total wholesale revenue as displayed on the SM-16 Unit Cost Summary exhibit. Total wholesale revenue, retail revenue and direct reimbursables equals total Gross Sales as displayed on the Fund-14 Revenue and Costs and SM-16 Unit Cost Summary exhibits.

Exhibit SM-5a Markup on Materiel Cost (Continued)

Exhibit SM-5b OP-32 Price Change to Customers

OP-32 Price Change to Customers	CY (Approved)	BY
A. Total Materiel Costs without Inflation (Line 1a)		
Price Growth for OP-32		
Materiel Inflation (if used) plus Materiel Cost Adjustment (Line 1b + Line 1c)		
Total Overhead Costs plus Total Pricing Adjustments (Line 2 + Line 3)		
B. Total Additional Price to Customer		
C. Additional Price Percentage (B/A)		
OP-32 Price Change (Percent Change in Additional Price Percentage from CY (Approved) to BY)		

INSTRUCTIONS FOR PREPARATION OF EXHIBIT SM-5b
OP-32 PRICE CHANGE TO CUSTOMERS

The OP-32 Price Change to Customers exhibit may be presented on the same page as the SM-5a Markup on Material Cost exhibit. For the President's Budget Justification Book, the published OP-32 Price Change to Customers exhibit for the PY, CY, and BY will be presented in the narrative section with a brief explanation of the change from the previous year. The SM-5b OP-32 Price Change to Customers exhibit will be required as a backup exhibit to the President's Budget. All figures for the OP-32 Price Change are depicted in the SM-5a Markup on Material Cost exhibit.

A. Total Materiel Costs without Inflation (Line 1a). These are the amounts displayed on the SM-5a Markup on Material Cost exhibit that represent changes in purchases without inflation or pricing factors.

B. Total Additional Price to Customer.

Materiel Inflation plus Materiel Cost Adjustment. The amount of "normal inflation" (SM-5a Line 1b) plus other Materiel Costs not accounted for by "normal inflation" (SM-5a Line 1c).

Overhead Costs plus Pricing Adjustments. This should be equal to the SM-5a Markup on Material Cost exhibit Line 4a.

OP-32 Price Change. The formula for the percentage change to customers is:

((1+BY Line C) divided by (1+ CY (Approved) Line C)) minus 1.

This change represents the change in price at the item level that were affected by both price and program changes in the customer budget.

Exhibit SM-5b OP-32 Price Change to Customers

Exhibit SM-6 War Reserve Material

WAR RESERVE MATERIAL (WRM)
STOCKPILE ($ in Millions)

STOCKPILE STATUS FOR FY_____			
	Total	WRM Protected	WRM Other
1. Inventory BOP			
2. Price Change			
3. Reclassification			
Inventory Changes			
a. Receipts			
(1). Purchases			
(2). Returns from customers			
Issues			
(1). Sales			
(2). Returns to suppliers			
(3). Disposals			
c. Adjustments			
(1). Capitalizations			
(2). Gains and losses			
(3). Other			
Inventory EOP			
STOCKPILE COSTS			
1. Storage			
2. Management			
3. Maintenance/Other			
Total Cost			
WRM BUDGET REQUEST			
1. Obligations @ cost			
a. Additional WRM Investment			
b. Replenishment/Repair WRM – Reinvestment			
c. Stock Rotation/Obsolescence			
d. Assemble/Disassemble			
e. Other			
Total Request			

Exhibit SM-6 War Reserve Material (Continued)

WAR RESERVE MATERIAL (WRM)
EXHIBIT SM-6

The purpose of the WRM exhibit is to notify Congress of the Department's intentions regarding the management of secondary item war reserves. Stockpile status and costs sections show the current and budgeted amounts for the inventory and the costs associated with maintaining these levels. The budget request section notifies Congress of the amounts of obligations to be used to acquire or maintain war reserve items and quantities. "Protected status" applies to items that may not be sold. "Other" applies to WRM that must be sold and replenished due to stock rotation or shelf-life issues. Exhibit instructions are as follows:

1. Stockpile Status (Same instructions as the SM-4 Inventory Status exhibit). Components should use the "reclassification" line to transfer inventory into the "protected" WRM category from "WRM Other," if desired.

2. Stockpile Costs. The WRM stockpile costs are those incurred in the working capital fund (WCF) to store WRM material, to manage WRM stocks to include a portion of total Inventory Control Point costs (normally based on surcharges for purchased/repaired items funded with the obligations identified below), and any other DWCF costs to maintain the WRM inventory.

3. WRM Budget Request. This area addresses the amounts of obligation authority to be used specifically for WRM items or WRM quantities, whether from an appropriation, from cash balances, or from future sales.

a. Additional WRM Investment. (Normally reimbursed or funded by an appropriation.) The amount of obligations to purchase or repair new or additional items that will increase the value of the total WRM inventory.

b. Replenishment/Repair WRM Reinvestment. The amount of obligation authority to be used to replenish or repair WRM inventory that is sold, and the amount to be used to reinvest in new inventory with the funds from the sale of old inventory. Should normally be a one for one or dollar for dollar (excluding surcharges) replacement.

c. Stock Rotation/Obsolescence. (Separate from the stock replenishment from sales above). This is to replace stocks that are not sold but must be rotated or replaced periodically because of shelf life or obsolescence (can be related to an appropriation, if required, but normally maintains, and not increases, the value of the WRM inventory).

d. Assemble/Disassemble. The amount of obligations to be used to change the configuration of WRM inventory items.

e. Other. As appropriate.

Exhibit SM-6 War Reserve Material (Continued)

Exhibit SM-16 Total Cost Per Unit Summary

Supply Management
Total Cost per Output Summary

Category	Unit Cost	($M)	Obligations
Wholesale Sales@Cost			
Retail Sales@Cost			
Wholesale Overhead			
Other Reimbursable Overhead (Direct Reimbursables)			
Direct Appropriation			
Less Credit			
Less Depreciation			
PY Total Operating Obligation Authority (SM-1)			
Wholesale Sales@Cost			
Retail Sales@Cost			
Wholesale Overhead			
Other Reimbursable Overhead (Direct Reimbursables)			
Direct Appropriation			
Less Credit			
Less Depreciation			
CY Total Operating Obligation Authority (SM-1)			
Wholesale Sales@Cost			
Retail Sales@Cost			
Wholesale Overhead			
Other Reimbursable Overhead (Direct Reimbursables)			
Direct Appropriation			
Less Credit			
Less Depreciation			
BY Total Operating Obligation Authority (SM-1)			

Instructions: This exhibit is a backup that reconciles the Budget Authority request to the SM-1 Supply Management Summary by fiscal year. Unit cost is calculated by dividing total obligations by sales associated with the obligations incurred. All amounts displayed must correspond to the applicable budget exhibit for reconciliation purposes.

Exhibit Fund-1 Summary of Price and Program Changes – Costs

Summary of Price, Program, and other Changes (Operating Budget) - Costs
Component:
Activity:
Date:
($ in Millions)

	Cost of Ops FY PY	Cost of Ops FY CY	Price Growth	Program & Other Changes	Cost of Ops FY BY
Military Personnel Compensation (Fund-1a lines 010-050)					
Civilian Personnel Compensation and Benefits (including FNIH personnel) (Fund- 1a lines 101-121)					
Travel and Transportation of Personnel (Fund-1a lines 301-307)					
Material & Supplies (For Internal Operations) (Fund-1a lines 401-422)					
Equipment (Fund-1a lines 502-550)					
Other Purchases from Revolving Funds (Fund-1a lines 601-699, except 633, 634, and 671)					
Transportation of Things (Fund-1a lines 701-761)					
Depreciation (Fund-1a lines 802-805)					
Printing and Reproduction (Fund-1a lines 633 and 921)					
Advisory and Assistance Services (Fund-1a line 931)					
Rent, Communications, Utilities, and Miscellaneous Charges (Fund-1a lines 634, 671, 912, 913, 914, and 915)					
Other Purchased Services (All other Fund-1a lines)					
Total Operating Budget (includes Direct Reimbursables; this total less Direct Reimbursables equals overhead costs on the SM-5)					
Less Depreciation (Non-supply Only)					
CIS Obligation Amount (Non-supply Only)					
Inventory Procurement Expenses (Supply Management Only; COGS on the Fund-14)					
Total Costs (Supply Management Only; reconciles to Total Costs on the Fund-14)					

Exhibit Fund-1 Summary of Price and Program Changes – Costs

Instructions for Preparation of Exhibit Fund-1
Summary of Price, Program, and Other Changes

This exhibit reflects the total operating costs (including direct reimbursements from non-rate based work) to accomplish the DWCF activity mission. The Fund-1 is the Summary Exhibit that consolidates the information from the Fund-1A Details of Price, Program and Other Changes exhibit. The Components are required to address changes in cost between fiscal years as either price or program. Price changes are restricted by the inflation index published in OUSD(C) guidance with the exception of price increase resulting from another DWCF activity's rate changes. In addition, Components must reflect the depreciation expense for all capital benefiting the activity (reconciles to the Fund-14 Revenue and Costs, Fund-9a Capital Investment Summary, SM-5a Markup on Material Cost, SM-16 Unit Cost Summary exhibits). Both the Summary Exhibit (Fund-1) and the Detail Exhibit (Fund-1a), which reflects the costs incurred to support sales activity, are required for all DWCF activities.

Exhibit Fund 1 Summary of Price and Program Changes – Costs (Continued)

Exhibit Fund-1a Details of Price and Program Changes – Costs

Details of Price, Program, and Other Changes (Operating Budget) - Costs
($ in Millions)

		Cost of Operations FY --	Annualization of Pay Raises	Price Growth Percent	Price Growth Amount	Program & Other Changes	Cost of Operations FY --
	MILITARY PERSONNEL COMPENSATION						
010	Officer Composite – Civilian Equivalent Rates						
050	Enlisted Composite – Civilian Equivalent Rates						
	Total Military Personnel Compensation						
	CIVILIAN PERSONNEL COMPENSATION						
101	Executive, General, and Special Schedule						
103	Wage Board						
104	Foreign National Direct Hire (FNDH)						
105	Separation Liability (FNDH)						
106	Benefits to Former Employees						
107	Voluntary Separation Incentive Program						
110	Unemployment Compensation						
111	Disability Compensation						
112	Retirement Fund Offset (**15**% of Employee's final basic pay)						
121	Permanent Change of Station (PCS)						
	Total Civilian Personnel Compensation						
200	Cost of Inventory Sold						
	TRAVEL						
308	Travel of Persons						

Note: This category applies to Supply Management DWCF Activities and represents Inventory Procurement/Repair Expenses and not obligations to acquire inventory.

Exhibit Fund-1a Details of Price and Program Changes - Costs (Continued)

Exhibit Fund-1a Details of Price and Program Changes - Costs (Continued)

Details of Price, Program, and Other Changes (Operating Budget) - Cost
($ in Millions)

		Cost of Operations FY --	Annualization of Pay Raises	Price Growth Percent	Price Growth Amount	Program & Other Changes	Cost of Operations FY --
	MATERIAL & SUPPLIES (FOR INTERNAL OPERATIONS)						
401	DLA Energy Fuel Products (DESC)						
402	Service Fuel (Other than DLA Energy)						
411	Army Managed Supplies and Materials						
412	Navy Managed Supplies and Materials						
413	Marine Corps Supply						
414	Air Force Consolidated Sustainment (Supply)						
416	GSA Managed Supplies and Materials						
	MATERIAL & SUPPLIES (FOR INTERNAL OPERATIONS) continued						
417	Locally Purchased Supplies & Materials (Other than from Supply Management)						
418	Air Force Retail Supply (General Support Division)						
419	Air Force Retail Supply (Medical-Dental Division)						
420	Air Force Retail Supply (AF Academy Division)						
421	DLA Materiel Supply Chain (Clothing and Textiles)						
422	DLA Materiel Supply Chain (Medical)						
423	DLA Materiel Supply Chain (Subsistence)						
424	DLA Materiel Supply Chain (Weapon Systems)						
	Total Material, Equipment & Supplies						

Exhibit Fund-1a Details of Price and Program Changes - Costs (Continued)

Details of Price, Program, and Other Changes (Operating Budget) - Cost
($ in Millions)

		Cost of Operations FY --	Annualization of Pay Raises	Price Growth Percent	Price Growth Amount	Program & Other Changes	Cost of Operations FY --
	EQUIPMENT PURCHASES (Non-CIP)						
502	Army (Fund) Equipment						
503	Navy (Fund) Equipment						
505	Air Force (Fund) Equipment						
506	DLA Materiel Supply Chain (Fund) Equipment						
507	GSA Managed Equipment						
	Total Equipment Purchased from the Fund						
	OTHER REVOLVING FUND PURCHASES						
601-699	(As follows:)						
601	Army Industrial Operations						
603	DLA Distribution Depot (Army Specific Services)						
610	Naval Air Warfare Center						
611	Naval Surface Warfare Center						
612	Naval Undersea Warfare Center						
613	Naval Fleet Readiness Centers (Aviation Depots)						
614	Space and Naval Warfare Center						
	Transportation:						
620	Navy Transportation (Combat Logistics Force)						
621	Navy Transportation (Afloat Prepositioning Force, Navy)						

Exhibit Fund-1a Details of Price and Program Changes - Costs (Continued)

Details of Price, Program, and Other Changes (Operating Budget) - Cost
($ in Millions)

	Cost of Operations FY --	Annualization of Pay Raises	Price Growth Percent	Price Growth Amount	Program & Other Changes	Cost of Operations FY --
623 Navy Transportation (Special Mission Ships)						
624 Navy Transportation (Joint High Speed Vessels)						
625 Navy Transportation (Service Support)						
653 Transportation (Airlift Services (Training))						
630 Naval Research Laboratory						
Navy Base Support Services:						
631 Navy Base Support (NFESC)						
634 Navy Base Support (NAVFEC: Utilities & Sanitation)						
635 Navy Base Support (NAVFEC: Other Support Services)						
639 Facility Engineering (Composite Rate)						
640 Marine Corps Depot Maintenance						
661 Air Force Consolidated Sustainment (Maintenance)						
DLA						
633 DLA Document Services (DAPS)						
670 DLA Transaction Services (DAAS)						
674 DLA Distribution Depots						
675 DLA Disposition Services (DRMS)						

Exhibit Fund-1a Details of Price and Program Changes - Costs (Continued)

Details of Price, Program, and Other Changes (Operating Budget) - Cost
($ in Millions)

	Cost of Operations FY --	Annualization of Pay Raises	Price Growth Percent	Price Growth Amount	Program & Other Changes	Cost of Operations FY --
DISA						
647 DISA Computing Services						
671 DISA DISN Subscription Services (DSS)						
677 DISA Telecomm Services – Other						
678 DISA IT Contracting Services						
672 Purchases From Pentagon Reservation Maintenance Revolving Fund (PRMRF)						
679 Cost Reimbursable Purchases						
OTHER						
680 Purchases from the Buildings Maintenance Fund						
682 Industrial Mobilization Capacity						
DFAS						
673 DFAS Financial and Accounting Service						
691 DFAS Financial Operations – Army						
692 DFAS Financial Operations – Navy						
693 DFAS Financial Operations – Air Force						
694 DFAS Financial Operations – Marine Corps						
695 DFAS Financial Operations – DLA						
696 DFAS Financial Operations – Other Defense Agencies						
Total Other Fund Purchases						

Exhibit Fund-1a Details of Price and Program Changes - Costs (Continued)

Exhibit Fund-1a Details of Price and Program Changes - Costs (Continued)

Details of Price, Program, and Other Changes (Operating Budget) - Cost
($ in Millions)

	Cost of Operations FY --	Annualization of Pay Raises	Price Growth Percent	Price Growth Amount	Program & Other Changes	Cost of Operations FY --
TRANSPORTATION						
701 AMC Cargo						
702 AMC SAAM						
703 AMC JCS Exercises						
704 Defense Courier Service						
705 AMC Channel Cargo						
706 AMC Channel Passenger						
707 AMC Training						
708 MSC Chartered Cargo						
709 MSC Surge Sealift (Reduced Operation Status)						
710 MSC Surge Sealift (Full Operating Status)						
714 MSC POL Tanker ships						
716 MSC Surge Sealift						
717 SDDC Global POV						
718 SDDC Liner Ocean Transportation						
719 SDDC Cargo Operations (Port Handling)						
720 DCS Pounds Delivered						
722 MSC Afloat Prepositioning (Army)						
723 MSC Afloat Prepositioning (Air Force)						
724 MSC Afloat Prepositioning (DLA)						
727 SDDC Other						
771 Commercial Transportation						
Total Transportation						
OCONUS Transportation-Supply Mgt only (Memo)						

Exhibit Fund-1a Details of Price and Program Changes - Costs (Continued)

Details of Price, Program, and Other Changes (Operating Budget) - Cost
($ in Millions)

		Cost of Operations FY --	Annualization of Pay Raises	Price Growth Percent	Price Growth Amount	Program & Other Changes	Cost of Operations FY --
CIP DEPRECIATION							
802	Equipment, except ADPE and Telecommunications Equipment (depreciation)						
803	ADPE and Telecom Resources (depreciation)						
804	Software Development (depreciation)						
805	Minor Construction (depreciation)						
	Total CIP Depreciation						
OTHER PURCHASED SERVICES							
901	Foreign National Indirect Hire (FNIH)						
902	Separation Liability (FNIH)						
912	Rental Payments to GSA (SLUC)						
913	Purchased Utilities (non-Fund)						
914	Purchased Communications (non-Fund)						
915	Rents & Leases (non-GSA)						
917	Postal Services (U.S.P.S.)						
920	Supply & Materials (non-Fund)						
921	Printing & Reproduction						
922	Equipment Maintenance by Contract						
923	Facility Sustainment, Restoration, and Modernization by Contract						
925	Equipment Purchases (Non-Fund)						
927	Air Defense Contracts and Space Support (AF)						
928	Ship Maintenance by Contract						
929	Aircraft Rework by Contract						

Exhibit Fund-1a Details of Price and Program Changes - Costs (Continued)

Details of Price, Program, and Other Changes (Operating Budget) - Cost
($ in Millions)

		Cost of Operations FY --	Annualization of Pay Raises	Price Growth Percent	Price Growth Amount	Program & Other Changes	Cost of Operations FY --
930	Other Depot Maintenance (non-Fund)						
932	Management and Professional Support Services						
933	Studies, Analysis, and Evaluation						
934	Engineering and Technical Services						
941	Technical Drawings (Supply Operations only)						
942	Forgings & Castings (Supply Operations only)						
969	Other Engineering Services & Support						
984	Equipment Contracts						
985	R&D Contracts						
989	Other Contracted Services						
998	SOCOM USE ONLY						
	Total Other Purchases						
	TOTAL COST OF OPERATIONS (Includes Direct Reimbursements)						

Definitions of Fund-1a Categories - Cost
Details of Price, Program, and Other Changes (Operating Budget)

General. The Fund-1a exhibit reflects the total costs of supporting the applicable activity for each fiscal year PY, CY, and BY. Components must address changes in cost between years as price- or program-driven for each line item. All DWCF activities will report the budgeted depreciation of the activity for CIP purchases that will result in a DWCF outlay. All entries are obligations except for depreciation and the Inventory Procurement Expense (Supply Management DWCF Activities). Round data to at least the nearest tenth of a million (e.g., show $10.4 million, not $10 million).

Military Personnel Compensation - Chapter 26 of the DoD Accounting Manual depicts cost elements for Military Personnel.

Civilian Personnel Compensation - The cost elements include VERA and RIF as well as the costs to offset the short-term costs of buyouts. Line 112 Retirement Fund Offset (15 percent of Employee's final basic pay) applies to employees who take a buyout and voluntary early retirement under the Civil Service Retirement System (CSRS).

Line 200 Cost of Inventory Sold applies to Supply Management activities only and represents the cost of Inventory Procurement/Repair Expenses (not obligations).

Material & Supplies - These elements support internal material, equipment, and supply costs associated with operations. Distinguish between costs associated with material purchased from Fund businesses and that purchased from non-Fund businesses.

Use Lines 601-696 Other Revolving Fund Purchases for purchases from other DWCF activities (to include the Pentagon Reservation Maintenance Revolving Fund and the Building Maintenance Fund) to support the internal operations of the activity. Include purchases by supply activities from depot maintenance activities in the respective 600 Other Revolving Fund Purchases category. Report purchases from the DWCF supply activities to support internal General and Administrative operations (not consumed as part of direct or indirect business operations) in category 400. Lines 601-675 should include purchases made at stabilized rates.

Other Purchases

Line 941 Technical Drawings (Supply Operations only) - The amount entered for Technical Drawings will agree with the amount for this element in supporting budget justification materials.

Line 942 Forgings & Castings (Supply Operations only)- The amount entered for Forgings and Castings will agree with the amount for this element in supporting budget justification materials.

Purchases of engineering services, other than those shown on lines 932-934, should be included on line 969, Other Engineering Services and Support.

Delete lines for which there are no costs from the submitted exhibit (rather than including them with an amount of zero).

Exhibit Fund-1a Details of Price and Program Changes - Costs (Continued)

Exhibit Fund-2 Changes in Costs of Operations

Changes in the Costs of Operation

Component/Activity:
Date:
(Dollars in Millions)

Costs

FY PY Estimated Actual

FY CY Estimate in President's Budget:

Estimated Impact in FY CY of Actual
- FY PY Experience:
  - List

Pricing Adjustments:
- Civilian Personnel
- Fuel Price

Program Changes:
- List

FY CY Current Estimate:

Pricing Adjustments:
- Annualization of Prior Year Pay Raises
- FY BY Pay Raise
  - Civilian Personnel
  - Military Personnel

Fund Price Changes
General Purchase Inflation
Other Price Changes (list)

Productivity Initiatives and Other Efficiencies:
Productivity Initiative 1
Fund Productivity
Etc.

Program Changes:
Change 1
Etc.

Other Changes:
- Depreciation
- Other (list)

FY BY Estimate:

Exhibit Fund-2 Changes in Costs of Operations

Exhibit Fund-2 Changes in Costs of Operations (Continued)

Instruction for the Preparation of the Fund-2 Exhibit
Changes in the Cost of Operations

The Fund-2 exhibit will explain the changes in the operating budget (costs) from one fiscal year to the next (i.e., FY to CY to BY) at a meaningful level of detail, relating program changes to changes in the level of work load (Unit Cost outputs) to the maximum extent possible. A Fund-2 exhibit for each non-supply DWCF activity is required. Strategies and plans to improve activity productivity and quality are of particular interest. Accordingly, the cost impacts of productivity initiatives should be separately identified on this schedule. Each DWCF activity should include a paragraph outlining major productivity improvement plans and associated resources including but not limited to capital investment, education and training initiatives, process improvements, consolidation and streamlining, work force motivations, and incentives.

Provide a narrative explanation for changes. Round data to at least the nearest tenth of a million (e.g., show $ 10.4 million, not $ 10 million).

For changes in cost due to productivity initiatives, list the detailed initiatives and amounts for each. Distinguish the cost reductions associated by individual productivity initiatives.

Exhibit Fund-3 Labor and Manpower Breakdown

Labor and Manpower Breakdown
Component: _____
Activity: _____
Date: _____

($ in Millions)

	PY	CY	BY
Direct Labor			
Direct Non-Labor			
Direct Materials			
Direct Contracts			
Direct Depreciation			
Direct Other			
Total Direct			
Indirect Labor			
Indirect Non-Labor			
Indirect Materials			
Indirect Contracts			
Indirect Depreciation			
Indirect Other			
Total Indirect			
G&A Labor			
G&A Non-Labor			
G&A Materials			
G&A Contracts			
G&A Depreciation			
G&A Other (Installation Management Costs)			
Total G&A			
Total Cost of Operations (reconciles to Fund-1/1a)			
Manpower			
Direct Civilian FTEs			
Indirect Civilian FTEs			
G&A Civilian FTEs			
Total Civilian FTEs			
Direct Military E/S			
Indirect Military E/S			
G&A Military E/S			
Total Military E/S			

Exhibit Fund-3 Labor and Manpower Breakdown (Continued)

Instruction for the Preparation of Exhibit Fund-3
Labor and Manpower Breakout

The Fund-3 exhibit stratifies, by fiscal year (i.e., PY, CY, BY), the total DWCF activity costs in the operating budget by Direct, Indirect Production, and General and Administrative (G&A) categories. For the G&A category, only the military and civilian personnel carried in and paid for by the DWCF activity should be reflected in the personnel FTE and end strength numbers. This includes personnel paid from the activity payroll such as assigned security guards and personnel working in the office of the DWCF activity director. However, this does not include the personnel assigned to a general & administrative activity that provides base operations support to the activity unless they are carried in the end strength of the DWCF activity.

For installations owned and operated by a DWCF activity whose primary mission is other than installation management, costs associated specifically with installation management should be identified as G&A Other. These costs will be considered separate and distinct from mission G&A costs.

Compute FTEs by dividing the applicable total number of hours by the number of hours in a work year (e.g., 2080; see OMB Circular A-11 for the correct hours for each year).

Exhibit Fund-5 Total Cost Per Output Summary

Total Cost Per Output Summary
Component: _____
Activity: _____
Date: _____
($ Millions)

	Workload PY CY BY	Unit Cost PY CY BY	Total Cost PY CY BY
Output Operating Budget			
List each output whether measured or not.	Estimated workload for measured outputs.	Estimated unit cost for measured outputs.	Estimated total cost for measured and unmeasured outputs. O&M functions must include reimbursable outputs.
Total Operating Budget	No Data Entry	No Data Entry	Sum the total estimated cost for all outputs. O&M-funded activities must include reimbursable outputs.
Capital Budget	No Data Entry	No Data Entry	List the estimated total capital budget.

Instruction for the Preparation of Exhibit Fund-5
Total Cost Per Output Summary

The Fund-5 is required for all activities except supply activities. Only a single line is required for industrial activities summarizing the cost rate (not the standardized rate for revenue collection) per direct labor hour (DLH) for the PY, CY and BY. Activities that have multiple outputs and use a standardized rate based on a revenue per specific unit of output (Transportation, Base Support, DFAS, DISA) should report the cost per specific unit of output (not revenue rate) as depicted on the DWCF activity's respective annual operating budget (AOB).

Exhibit Fund-5 Total Cost Per Output Summary

Exhibit Fund-6: Depot Maintenance-6 Percent Capital Investment Plan

COMPONENT:_____

DEPOT MAINTENANCE 6 PERCENT CAPITAL INVESTMENT PLAN

(Dollars in Millions)

	REVENUE (Maintenance, Repair, Overhaul) 3 year average			BUDGETED CAPITAL (Modernization, Efficiency)		
	Prior Year PY(-1) PY(-2) PY(-3)	Current Year CY(-1) CY(-2) CY(-3)	Budget Year BY(-1) BY(-2) BY(-3)	Prior Year	Current Year	Budget Year
Revenue (Avg)	*	*	*			
Working Capital Fund	*	*	*			
Appropriations (if applicable)	*	*	*			
WCF Depot Maintenance Capital Investment				*	*	*
Facilities/ Work Environment				*	*	*
Equipment				*	*	*
Processes				*	*	*
Appropriated Funding - List by Appropriation				*	*	*
MILCON						
Procurement						
Operation & Maintenance						
Component Total				*	*	*
Minimum 6% Investment				*	*	*
Investment Over/Under Requirement				*	*	*

Narrative:

Exhibit Fund-6: Depot Maintenance-6 Percent Capital Investment Plan (Continued)

Instructions for the Preparation of Exhibit Fund-6,
Depot Maintenance –6 Percent Capital Investment Plan

The National Defense Authorization Act (NDAA) for FY 2012 (P.L. 112-81) significantly modified the requirements for identifying the amount of funding allocated for capital investments at depots. Specifically, note that sustainment costs included in the operations portion of the budget do not count towards the 6 percent minimum capital investment requirement.

SEC. 325. MODIFICATION OF REQUIREMENTS RELATING TO MINIMUM CAPITAL INVESTMENT FOR CERTAIN DEPOTS.

Section 2476 of title 10, United States Code, is amended—
(1) in subsection (a), by inserting **''maintenance, repair, and overhaul''** after ''combined'';

(2) in subsection (b)—(A) by striking ''includes investment funds spent on depot infrastructure, equipment, and process improvement in direct support'' and inserting ''includes **investment funds spent to modernize or improve the efficiency of depot facilities, equipment, work environment, or processes** in direct support''; and (B) by inserting before the period at the end the following: '', but **does not include funds spent for sustainment of existing facilities, infrastructure, or equipment''**.

(3) in subsection (d), by adding at the end the following new subparagraph: ''(E) **A table showing the funded workload performed by each covered depot for the preceding 3 fiscal years and actual investment funds allocated to each depot for the period covered by the report.''**; and (4) in subsection (e)(1), by adding at the end the following new subparagraph: ''(I) Tooele Army Depot, Utah.''

These changes have been incorporated into the Fund-6 template. In addition to the requirement of a summary exhibit, a separate Fund-6 must now be included for each depot specified in Section 2476 of title 10, United States Code to comply with amendment (3) as stated above.

Instructions for preparation of Exhibit Fund-6 are as follows:

1. Prepare a Summary Exhibit Fund-6 that provides the total for the activity and a separate Fund-6 for each maintenance depot to include Army Depots, Navy Aviation Depots, Navy Shipyards, Marine Corps Depots, and Air Force Depots.

Exhibit Fund-6 Depot Maintenance-Six Percent Capital Investment Plan

2. Dollars in millions and tenths of a million.

3. The following will be defined:

a. Revenue (Avg): Only revenue for Maintenance, Repair and Overall will be included in accordance with amendment (1).

b. Revenue (3 Year Average): The preceding 3 years of actual or estimated revenue divided by three for Prior Year, Current Year, and Budget Year columns.

c. Categories of applicable capital investment:

1. Modernization. Typically refers to upgrades associated with the available current technology.

2. Efficiency. Typically refers to efforts to improve workflow and increase throughput while maintaining or reducing current costs. Also may refer to improved quality of work performed.

3. If a modernization leads to an efficiency, then the investment is still considered a modernization. An efficiency not dependent on a modernization is classified an efficiency. If an investment has elements of both, the DoD Component should record the best representation that can be determined.

4. A narrative should be included with the Exhibit Fund-6 to address the following:

a. A specification of any statutory, regulatory, or operational impediments to achieving the minimum percentage requirement.

b. A description of the benchmarks for capital investment established for each covered depot and military department and the relationship of the benchmarks to applicable performance measurement methods used in the private sector.

c. If the minimum percentage requirement is not met for a military department for the fiscal year covered by the report, a statement of the reasons why the requirement was not met and a plan of actions for meeting the requirement for the fiscal year beginning in the year in which the report is submitted.

5. The legislation provides waiver authority for the Secretary of Defense if the Secretary determines that the waiver is necessary for reasons of national security and notifies congressional defense committees.

Exhibit Fund-6 Depot Maintenance-Six Percent Capital Investment Plan

Exhibit Fund-7 Customer Rate Computations

CUSTOMER RATE COMPUTATIONS
Department of (Component Name)
Activity: _____

Part I: Stabilized Revenue Rate:	**CY Stabilized Rate**	**DLHs**		**($)**	
Revenue (Fund-14)		XXX		XXX	
Less Direct Reimbursables (Non-Rate Based)		XXX		XXX	
Revenue from Rates		**XXX**		**XXX**	
Revenue from CY Orders	XXX	XXX		XXX	
Revenue from BY Orders		**XXX**		**XXX**	
BY Stabilized Revenue Rate				**XXX**	
Part II: Stabilized Cost Rate:					
Revenue from Rate Based Orders				XXX	
Less NOR Adjustment				XXX	
Other Adjustments (List and Explain)				XXX	
Total Rate Based Costs		**XXX**		**XXX**	
BY Cost Rate (Fund-5)				**XXX**	
Part III: Fund-1 Reconciliation					
Total Rate Based Costs		XXX		XXX	
Direct Reimbursables			XXX		
Total Fund-1 Summary of Price, Program, and Other Changes				**XXX**	
Percentage rate Change from CY (BY Stabilized Revenue Rate / PY Stabilized Revenue Rate) -1					**XXX**

Exhibit Fund-7 Customer Rate Computations

Instructions for the Preparation of Exhibit Fund-7, Customer Rate Computations

The purpose of this exhibit is to establish a standardized rate to customers that reconciles Revenue, Total Costs, and Net Operating Results for industrial DWCF activities using Direct Labor Hours (DLHs).

For industrial activities, program financing (revenue) is a function of the estimated of the total cost of goods sold (total expenses) adjusted for NOR, Capital Requirements and other surcharges, divided by the programmed output (total Direct Labor Hours), to identify an initial revenue rate per direct labor hour.

The number of military and civilian DLHs associated with carry-in workload (unfilled customer orders on hand at the start of the current year) times the prior year stabilized rate (rate in effect when the carry-in orders were accepted) will be identified as revenue earned in the current fiscal year. The DLHs and associated dollars will be subtracted from the BY total DLHs and revenue as identified above.

Part I: All revenue associated with direct reimbursable costs (non-rate based workload) and orders received in the current year must be removed with the associated DLHs in order to forecast a BY Revenue Rate for new orders. Total revenue must cover all projected costs and NOR adjustments as depicted on the Fund-14. The BY revenue rate is the revenue expected from new orders divided by the DLHs associated with that workload.

Part II: The NOR adjustment must be subtracted from the total rate based revenue (not just the new order revenue) because total expenses in the BY will be a combination of CY and BY workload. Subtracting a negative NOR will add to the costs reflecting costs greater than revenue as depicted on the Fund-14. The BY cost rate is total rate based costs divided by total rate based DLHs (not just new order revenue DLHs). The BY cost rate, total rate based costs, and total rate based DLHs should reconcile to the Fund-5.

Part III: Total Fund-1 Summary of Price, Program, and Other Changes costs should reconcile with total rate based costs and direct reimbursables.

Exhibit Fund-7 Customer Rate Computations (Continued)

Exhibit Fund-8 Air Mobility Command Common User Services

COMMON USER TRANSPORTATION SERVICES TRANSPORTATION WORKING CAPITAL FUND ($ in Millions)			
	FY PY	FY CY	FY BY
1. Beginning Accumulated Operating Results			
2. Cost of Operations			
a. Channel Passenger			
b. Channel Cargo			
c. Joint Chiefs/Special Airlift			
d. Training			
Total Costs			
3. A. Rate and Reimbursable Revenue			
a. Channel Passenger			
b. Channel Cargo			
c. Joint Chiefs/Special Airlift			
d. Training			
3A. Total Rate and Reimbursable Revenue			
B. Airlift Readiness Revenue			
a. Channel Passenger			
b. Channel Cargo			
c. Joint Chiefs/Special Airlift			
d. Training			
3B. Total Airlift Readiness Revenue			
Total Revenue			
4. Net Operating Results			
5. Ending Accumulated Operating Results			

Exhibit Fund-8 Air Mobility Command Common User Services

Instruction for the Preparation of Exhibit Fund-8
Common User Transportation Services

This exhibit displays the costs, revenues, NOR, and AOR of USTRANSCOM's operations, with emphasis on the explanation of item 3B, Total Airlift Readiness Revenue. The USTRANSCOM must include a narrative outlining reasons for variances greater than 20 percent for each line of Airlift Readiness Revenue from one year to the next.

For changes in Airlift Readiness Revenue, distinguish the factor(s) that cause the change (e.g., utilization factors, airlift rates set to compete with private sector rates, commercial transportation prices, aircraft maintenance prices).

Round data to the nearest tenth of a million.

Exhibit Fund-8 Air Mobility Command Common User Services (Continued)

Exhibit Fund-9a, Activity Capital Investment Summary

Line Number	Item Description	PY		CY		BY	
		Quantity	Total Cost	Quantity	Total Cost	Quantity	Total Cost
	Non-ADPE Equipment - Vehicles - Materiel Handling - Installation Security - Quality Control/Testing - Medical Equipment - Machinery ADPE & Telecom Equip Computer Hardware (Production) Computer Hardware (Network) Computer Software (Operating System) Telecomunications Other Support Equipment Software Development List Separately Internally Developed Externally Developed Minor Construction Capabilities - Replacement - New Construction - Environmental **TOTAL OBLIGATIONS***						
	Total Capital Outlays Total Depreciation Expense						

**Fund 9a Summary exhibit must reconcile to the Fund 9b project justification.*

Exhibit Fund 9a Activity Capital Investment Summary

Instructions for the Fund-9a Exhibit
Capital Investment Summary

General - The project/line items listed for each major category are the minimum submission requirements. Projects may be added or modified to meet the specific requirements of the DWCF Activity as long as there is a corresponding Fund-9b that describes what is being purchased and the reason for the requirement. The summary item description and the project amounts on the Fund-9a must correspond to the individual Fund-9b. All Prior Year projects will be shown by line item detail cross-referenced to the corresponding Fund-9b. In addition, the ADPE and Telecommunications equipment and software development Fund-9b Exhibit line number assigned should also be used for cross-referencing within the Information Technology Exhibits as outlined in Chapter 18 of this regulation. Use the approved DWCF activity name. The four major categories for Capital Investment Programs are as follows:

(1) Non-ADPE & Telecommunication Equipment > $250K: Equipment, other than ADPE and Telecommunications Resources. A separate Fund-9b will be provided for each project. Each project will include cost estimates for at least the subcategories shown above (unless no equipment of that kind is purchased). Other project categories may be added.

(2) ADPE & Telecommunications > $250K: ADPE and Telecommunications Equipment Component will provide a Fund-9b for each of the projects listed above (unless no equipment of that kind is being purchased). Other project categories may be added. One Fund-9b narrative may address all projects under $1,000,000 by category (e.g. "Other ADPE Support Equipment under $1,000,000"). Items that exceed $1,000,000 will be addressed separately in the narrative.

(3) Software Development > $250K

a. Software Development shall be shown on a separate Fund-9b by item detail for projects equal to or greater than $1 million. All software projections must comply with DoD CIO requirements/approvals.

b. One Fund-9b may be submitted for software development under $1 million that does not need DoD CIO approval. This Fund-9b may be submitted with a general statement of the enhancements that will be provided. In addition, the Fund-9bs must include a system delivery date/s. If it is a spiral development, all delivery dates and amounts to be capitalized will be included in the Fund-9bs.

(4) Minor Construction > 250K and equal to or less than $750K

a. Minor Construction may be combined into one Fund-9b as long as each project listed is below the $750,000 threshold. The Fund-9b must contain a statement that no Minor Construction project exceeds the current MILCON threshold.

Exhibit Fund 9a Activity Capital Investment Summary (Continued)

b. All special categories of minor construction will be listed and justified separately (such as Navy R&D). The NDAA for FY 2012 (P.L. 112-81) rescinded the provision that minor construction may be increased to $1,500,000 to correct a deficiency that is life-threatening, health threatening, or safety threatening.

1. Section 090103, Policy, provides specific guidelines for inclusion or exclusion of an item in the capital budget, and the necessary pre- and post-investment analysis required to substantiate a capital budget request.

2. Definitions for these capital budget categories are provided below:

A. Equipment, other than ADPE and Telecommunications Resources, costing $250,000 or more will be capitalized and depreciated. Equipment should be aggregated into projects by like-types. There is no limit on the number of projects that may be used.

B. ADPE and Telecommunications Equipment having a system unit or life cycle cost of $250,000 or more will be capitalized and depreciated.

(1) ADPE and telecommunications resources consist of computer hardware, operating system software (including utility and communications software) and telecommunications equipment as defined in OMB Circular A-11.

(2) ADPE costs will be displayed in five parts: (1) Computer Hardware (Production), (2) Computer Hardware (Network) (3) Computer Software (Operating System), (4) Telecommunications, and (4) Other Support Equipment. The last category includes investments such as uninterrupted power sources and air conditioning that must be purchased to support computer and telecommunications resources.

C. Software Development/Modernization with a system unit or lifecycle cost of $250,000 or more will be capitalized and depreciated. Internally developed software and externally developed Software will be listed separately.

(1) Software development includes the actual development and acquisition of the information system as defined in OMB circular A-11. This category does not include software developed for a customer for use in a weapon system.

(2) Software development/modernization will be budgeted by project. A project is defined as any change, modernization, or improvement to a system, subsystem or severable module of a system that by itself will provide an economic benefit or improvement in a business process. This must include all changes or improvements needed to interface or integrate with other ancillary systems. A project has a start and stop date, a specific amount of funds, and results in a usable end product.

Exhibit Fund 9a Activity Capital Investment Summary (Continued)

(3) Software development/modernization projects will exclude CIP ADPE investments. These will be identified separately in the ADPE and telecommunications section of the Fund-9a and Fund-9b.

D. Minor Construction projects financed by the activity and costing from $250,000 up to (but not including) $750,000 ($2,000,000 for approved DoD Laboratory Revitalization Program projects) will be capitalized and depreciated.

E. Column Entries

(1) Item Description. Enter the projects/item descriptive title of Software projects to be procured.

(2) Quantity. As applicable, enter the quantity of items procured/estimated to be procured during, as FY PY, FY CY, and FY BY.

(3) Amount should reflect all costs associated with program changes through the date of preparation of the exhibit regardless of whether such changes have been previously reported. Costs will be expressed in millions of dollars to at least the nearest tenth (i.e., $2.6 million).

F. Capital Outlays – For each fiscal year, indicate the estimated total cash outlays for all capital budgeted items (above and below threshold) expended in that fiscal year regardless of the year in which the project was originally obligated.

G. Depreciation – For each fiscal year, show the estimated budget depreciation that will be included in customer rates for all capital assets in that year. This amount will agree with the depreciation reported on the Revenue and Expense Statement (Fund-14) and in the Depreciation Section of the Fund-1a.

Exhibit Fund-9b Activity Capital Purchase Justification

* ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION ($ in Thousands)			A. Budget Submission							
B. Component / Business Area / Date			C. Line No. & Item Description				D. Activity Identification			
Element of Cost	FY PY			FY CY			FY BY			
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	
Non-ADPE & Telecom										
ADPE and Telecommunications										
Software Development (line item -- by project)										
Minor Construction										

Narrative Justification:

This exhibit will provide detailed justification by line item in support of summary capital investment purchases shown on the Fund-9a Exhibit.

- Describe the enhancement afforded by the existing equipment/ADPE and telecommunications resources/software development/facility and the shortcomings inherent in the current situation.
  - -- Describe the benefits to be realized from the proposed capital investment.
  - -- Indicate whether an economic analysis or cost analysis has been performed and, if not, why not. Summarize the net present value advantages of the proposed investment over alternatives considered and discarded. Be prepared to provide a copy of supporting economic analysis upon request.
  - -- For MILCON projects, provide a copy of the supporting Form 1391 for new projects not previously submitted or identified.
  - -- Describe the impact of not making the proposed capital investment.
  - -- For computer software, separately identify license fees.

Exhibit Fund-9b Activity Group Capital Purchase Justification

Exhibit Fund-9b Activity Capital Purchase Justification

Instructions for the Preparation of Exhibit Fund-9b
Capital Investment Justification

I. General

A. The purpose of this exhibit is to provide narrative justification in support of each project/line item detailed on the Fund-9a. A separate Fund-9b justification is required for each applicable software investments. For ADPE Telecommunication Equipment items that are equal to or greater than $1,000,000.00, a separate Fund-9b is not required and may be summarized into the categories displayed in the Fund-9a. Software projects over $1,000,000.00 and/or that need DoD CIO approval must be line itemed with individual Fund-9bs. It is important that the Fund-9b be completed and accurate as it is the primary justification for activity's capital purchases.

B. Separate Fund-9b exhibits will be submitted for each project/line item on the Fund-9a where there is an entry in either the current year or budget year(s) columns. Prior year capital investments do not require Fund-9bs for projects with only a PY entry.

II. Headings

A. For the Program/Budget Review, insert "FY XX OSD/OMB submission" (XX is used for illustration purposes only. Insert the applicable fiscal year in lieu of XX).

B. Identify the applicable DoD Component/DWCF activity for the proposed capital investment. Use the approved DWCF activity name. Identify the activity that will benefit from the capital item, if possible.

C. For each project/line item (e.g., forklifts), indicate the item description contained in Exhibit Fund-9a.

D. Project/Item Description. Enter a line item identification number to cross-reference the corresponding entry on the Fund-9a along with a description of the investment.

III. Column Entries

A. Element of Cost. For items purchased under the Project/Line Item, provide applicable subcategories (i.e., vehicles may be broken down into cars, trucks, buses, etc.). For Software provide the item, and if applicable, break into module delivery subcategories.

B. Quantity. Provide the approximate number of items to be purchased under the subcategory or as applicable for software.

C. Per Unit Cost. Enter the actual or estimated unit cost, when appropriate, for each element listed. Express unit costs in thousands of dollars, to the nearest tenth (i.e., $20.1 thousand). Unit costs should be expressed in terms of "the year" costs.

Exhibit Fund-9b Activity Capital Purchase Justification (Continued)

D. Total Costs. Enter the total cost of Element of Cost and where applicable, taking into consideration the quantity to be estimated to be procured and the unit costs.

IV. Narrative Justification

A. Provide complete narrative description for each applicable project/line item. This narrative justification should include sufficient information to serve as the sole justification for funding the project/line item. Include a brief description for special interest items such as ADPE Equipment equal to or great than $1,000,000.00. The narrative description should include, but not be limited to:

1. The nature, purpose, and intended use of the project or item(s).

2. Indicate whether a pre-investment economic analysis was performed (all items within a project require the appropriate pre-investment analysis).

3. Indicate the dollar value of estimated savings/cost avoidance after the equipment is installed or the project is complete and the fiscal year when the savings/cost avoidance should begin. If no savings/cost avoidance should result from the purchase, an explanation must be provided to indicate why.

Exhibit Fund-9c Capital Budget Execution

Department of (Component Name)
Activity: _____
FY 20__
FY 20__ _____ Program/Budget Submission

(Dollars in Millions)

Major Category	Initial Request	Current Proj Cost	Approved Change	Explanation
Non-ADPE				
ADPE and Telcom				
Software Development				
Minor Construction				
Total FY ___				

Instructions:

Complete for each fiscal year required in the Program/Budget Submission (i.e., PY, CY, and FY preferably all on one page), summarized by major category. The "Current Projected Column" is the program approved in the current President's Budget submission.

Initial Request. For the PY, this will be the CY column of the previous year's President's Budget. For the CY, this will be the BY column of the previous year's President's Budget. For the BY, only the "Initial Request Column" will be filled in (the BY will be displayed for comparison purposes).

Current Projected Costs. For the PY, this is the amount approved at the end of the fiscal year. For the CY, this is the amount in the current President's budget. The delta between the Initial Request and Current Projected Costs will be displayed in the "Approved Change" column. The BY is only used for display purposes.

Explanation. Provide a brief and concise explanation why the changes needed to occur.

Exhibit Fund-11 Source of New Orders & Revenue

ACTIVITY ANALYSIS
COMPONENT/ACTIVITY:
SOURCE OF NEW ORDERS AND REVENUE
(Dollars in Millions)

	FY PY	FY CY	FY BY
1. New Orders			
a. Orders from DoD Components:			
Own Component			
Appn 1			
Continue List by Appropriation			
Other Services (List by Appropriation)			
b. Orders from other Fund Activities (List by Activity)			
c. Total DoD			
d. Other Orders:			
Other Federal Agencies			
Trust Fund			
Non Federal Agencies			
Foreign Military Sales			
Total for New Orders			
2. Carry-In Orders			
3. Total Gross Orders			

Industrial Funds Activities use the following: to complete the Fund – 11

4. Revenue (-)			
5. End of Year Work-in-Process (-) (a)			
6. Foreign Military Sales, Base Realignment and Closure, Other Federal, and Non-Federal orders (-) (b)			
7. Funded Carry-over			

(a) The application of the percentage-of-completion method of revenue recognition should result in the elimination of most work-in-process. Please give a detailed explanation why Work In Process would not have been billed by September 30th.
(b) See exhibit 11a for a complete list of orders to be excluded.

Supply Activities use the following: to complete the Fund - 11

4. Carry-Out Orders (-)			
5. Gross Sales (-)			
6. Credit (-)			
7. Net Sales			

Exhibit Fund-11 Source of New Orders & Revenue

Instructions for the Preparation of Exhibit Fund-11
Source of Revenue

This Exhibit will identify the customers of each DWCF activity by DoD Component and the appropriation level. Be specific as to the source of funding by listing the appropriation name. Entries such as OSD or Army are not acceptable on this Exhibit. Lack of specificity will indicate that the funding source is unknown and may not be considered as a legitimate source of funding. The identification will be on the basis of funded orders so that DWCF activity may be linked to the appropriations for goods and services.

For line 1.a (Orders from DoD Components), show the amounts by appropriation (i.e., Operation and Maintenance, Army National Guard; RDT&E, Army; etc.) for orders accepted within the submitting Service/Component. For orders accepted from other DoD Components, show the appropriation detail for significant customers.

For line 1.b (Orders from Other Fund Activities), show the orders accepted from other Defense Working Capital Fund Activities. Be specific as to the activity.

The Total for New Orders on Line 1 must match data provided on other reconciling exhibits.

For line 2, Carry-In Orders, display the carry-in orders from prior fiscal years. For the Supply Management Activities, carry-in orders represent back orders. These are called "Unfilled Customer Orders" on the SF-133.

For line 3, Total Gross Orders, add the sum of lines 1, Total for New Orders, and line 2, Carry-In Orders.

Line 4, Revenue, will equal total gross sales shown on the Revenue and Expense Statement.

Line 5, End of Year Work-in-Process, should equal orders from line 3, Total Gross Orders that will not be sold in the current year. For Supply Management Activities, this line should equal backorders.

Components will submit summary Fund-11 exhibits for activities (such as Navy Research and Development) that have subdivisions and will submit a summary Fund 11 at the Component level.

Exhibit Fund-11 Source of New Orders & Revenue

Additional Instructions for Carryover Calculations
for the Preparation of Exhibit Fund-11, Source of Revenue

Carryover calculation. Since the FY 2004 budget submission, the approved amount of workload carrying over to subsequent fiscal years is linked to the outlay rate of the source appropriation as published in the most recent Department of Defense Financial Summary Tables. Carryover metrics exclude non-federal, non-DoD, Foreign Military Sales, and Base Realignment and Closure related work from the carryover calculation. All DoD Components should pay close attention to their carryover amounts as reported on the SF-133 as "unfilled customer orders". Although the carryover ceiling is used as a determination of acceptable workload for budget purposes, the actual total amount of unfinished workload is reported outside the DoD and may be evaluated by other methodologies than the approved carryover ceiling.

New Orders, less excluded workload, is the basis for the carryover ceiling calculation. The appropriate outlay rates for the customer source appropriation are applied to the applicable New Orders (Fund-11a and Fund-11b). Unless approved in writing by the Director, Revolving Funds, the outlay rates used for this calculation must come from the DoD Financial Summary Tables. The weighted outlay rate is then applied to the total new orders received to determine what portion of the workload should have been expensed in that fiscal year. The balance of the New Orders equals the allowable carryover. As an example, if the weighted outlay rate is identified at 59 percent and the total of new orders received is $100 million, then it is reasonable to expect that $59 million should have expensed in the current year and the remaining $41 million, or 41 percent of the total new orders received, would be identified as the maximum allowable carryover.

The methodology applies first year outlay rates to year end levels of applicable New Orders. The metric is tailored to the workload of each business area and provides visibility into the elements of carryover. Additionally, the metric allows for an analytically based approach that holds working capital fund activities to the same standard as general fund execution and allows for more meaningful budget execution analysis.

The only two approved exceptions to the carryover calculation method that do not require a written request for exemption are the following:

1. For Navy R&D activities that host a Major Range & Test Facility Base (MRTFB), those institutional costs associated with the MRTFB support are also excluded from the carryover calculation.

2. For Army Ordnance activities, in addition to a.1 above, the carryover calculation also includes the use of the 2nd year procurement outlay rate applicable to the source of funding. The addition of the applicable 2nd year procurement outlay rate now aligns production completion rates with the source appropriation as published in the Department of Defense Financial Summary Tables. This recognizes that multi-year appropriations often fund manufacturing or recapitalization of equipment requiring longer lead times and higher standards of repair. For the applicable 2nd year procurement outlay rate, a weighted outlay rate, which includes the sum of the 1st and 2nd year rates, is applied to the new orders from the previous year to determine what portion of the workload should have been expensed in that fiscal year and what percentage is allowable carryover. The example in paragraph b. still applies with the exception that two different weighted outlay rates will now be used to calculate the allowable carryover (one for prior year Ordnance procurement workload and one for all other appropriations).

Requests for exceptions to permit depot maintenance activities to carryover amounts greater than the current methodology must be accompanied by concurrence from the OUSD (AT&L) and submitted to Director, Revolving Funds, separately from the budget documents. The requestor must demonstrate the exceptions can be accomplished without production delays and present the planned monthly execution of the carryover workload. Disapproved carryover requests will be referred to the Operations or Investment Directorates for possible budgetary adjustments.

The reporting of carryover will be accomplished on the Fund 11-a exhibit, Carryover Reconciliation. The Fund-11b exhibit, Carryover Outlay Calculation, displays and reconciles the detail of the Fund-11a exhibit by providing revenue and customer orders by fiscal year, appropriation, outlay rate and the calculation for the weighted average outlay rate for that particular fiscal year. Activities whose actual carryover balance exceeds the computed allowable carryover in any year are required to provide written justification as part of the budget submission.

Exhibit Fund-11 Source of New Orders & Revenue (Continued)

Exhibit Fund-11a Carryover Reconciliation

ACTIVITY ANALYSIS
COMPONENT/ACTIVITY:
CARRYOVER RECONCILIATION
(Dollars in Millions)

	FY PY	FY CY	FY BY
Part I.			
1. Net Carry-In			
2. Revenue			
3. New Orders			
4. Exclusions:			
FMS			
BRAC			
Other Federal Departments & Agencies			
Non-Federal and Others			
Institutional MRTFB (Navy R&D only)			
Other Specifically Approved Exclusions			
5. Orders for Carryover Calculation			
6. Weighted Average Outlay Rate *			
7. Carryover Rate			
8. Allowable Carryover			
Part II.			
9. Balance of Customer Orders at Yearend			
10. Work-in-Progress (provide justification)			
11. Exclusions:			
FMS			
BRAC			
Other Federal Departments & Agencies			
Non-Federal and Others			
Institutional MRTFB (Navy R&D only)			
Other Specifically Approved Exclusions			
12. Calculated Actual Carryover			

Instructions for the Preparation of Exhibit Fund-11a
Carryover Reconciliation

This exhibit compares the funded carryover reported for each activity to allowable carryover levels as determined by applying customer appropriation outlay rates to carryover workload. Detailed explanations for excess carryover must be attached to this exhibit.

Line 1 (Net Carry-In) displays carry-in orders from prior years. (Carry-in orders must agree with Year End Financial statements)

Line 2 (Revenue) must match data provided in the Fund 14, Revenue and Costs.

Line 3 (New Orders) must match data in the Fund 11, Source of Revenue, and OP-32, Operation & Maintenance, exhibits (net of reductions or cancellations made during the FY).

Line 4 (Exclusions) displays carry-in and new orders associated with the excluded appropriations (Foreign Military Sales (FMS); Base Realignment and Closure (BRAC); Other Federal Departments & Agencies; Non-Federal and Others; and Institutional Major Range & Test Facilities Base (MRTFB)). This also includes any and all exemptions approved in writing by the Director, Revolving Funds.

Line 5 (Orders for Carryover Calculation) equals line 3 less line 4. Supporting schedules for this calculation must also be provided in your Budget submission.

Line 6 (Weighted Average Outlay Rate) is calculated by applying appropriation unique outlay rates to identified carryover workload. Supporting documentation is provided on the Fund-11b.

Line 7 (Carryover Rate) as stated on the Fund-11b, Carryover Outlay Calculation.

Line 8 (Allowable Carryover) equals line 5 (Orders for Carryover Calculation) multiplied by line 7 (Carryover Rate). This is the maximum allowable carryover for the activity. This number should match the Fund-11b.

Line 9 (Balance of Customer Orders at Yearend) equals the balance of customer orders at year end before exclusions (calculation = line 1 (net carry-in) plus line 3 (new orders) minus line 2 (revenue)).

Line 10 (Work-in-Progress) equals the amount of customer work which has been performed, but not yet billed.

Line 11 (Exclusions) displays carry-in and new orders associated with the excluded appropriations (FMS, BRAC, Other Federal, Non-Federal and Others, and Institutional MRTFB). This also includes any and all exemptions approved in writing by the Director, Revolving Funds.

Line 12 (Calculated Actual Carryover) equals line 9 minus lines 10 and 11. This data becomes the net carry-in value used in the following year calculation and should match the Fund-11b

The exhibit is required at the DWCF activity level (Navy Research and Development activities submit an aggregate for the President's Budget). The Navy R&D submission is required at the field activity level. The Army must report its Industrial Operations Activity by Depot and Ordnance components.

Exhibit Fund 11a Carryover Reconciliation (Continued)

Exhibit Fund-11b Carryover Ceiling Calculation

FOR DEPOT MAINTENANCE BUSINESS AREAS ONLY
Activity: _____

FY __ (Provide for CY and BY)

	Carry-in Orders ($ M)	Proposed New Orders ($M)	Gross Orders Accepted ($M)	Revenue ($ M)	Proposed Carry-out ($ M)	Approved Outlay Rate	Carryover Ceiling	Difference
Funding Source								
Military Service	(List customers by appropriation, fund, or other sources.)							
Other DoD Services	(List by Service. Show by appropriations, fund, or other source.)							
Other DoD Agencies	(List by agency.)							
Other DoD Funds	(List by Fund, i.e., Navy Supply Management, Air Force Depot Maintenance, etc.)							
Non DoD Agencies, Individuals & Others								
Total								
Carryover Ceiling Percentage								
Weighted Average Outlay Rate								

Exhibit Fund-11b Carryover Ceiling Calculation

Instructions for Completing the Fund-11b, Carryover Ceiling Calculation

This exhibit provides backup for the Fund-11a, Allowable Carryover Calculation, published in the President's Budget. Separate fiscal year exhibits are required for the current year and budget year.

A breakdown is provided by DoD Component and appropriation of the Fund-11, Source of Revenue, and line items for Carry-in orders, New Orders, Gross Orders, Revenue and Carry-out orders and should reconcile to the corresponding totals on the Fund-11 and Fund-11a exhibits. Orders exempt from the weighted average outlay method for Carryout are not displayed on this exhibit since they are provided on the Fund-11a. This includes any and all exemptions approved in writing by the Director, Revolving Funds.

The approved appropriation outlay rates can be found in the Department of Defense Financial Summary Tables.

Army Ordnance activities are allowed a second year outyear rate for determining the carryover ceiling. This calculation should be displayed on a separate line attributable only to Carry-in orders.

Carryover Ceiling. (1-Outlay Rate) x New Orders.

Difference. Carryover Ceiling – Proposed Carryout.

Carryover Ceiling Percentage. Total Carryover Ceiling divided by New Orders.

Weighted Average Outlay Rate. 1 – Carryover Ceiling Rate.

Exhibit Fund-11b Carryover Ceiling Calculation

Exhibit Fund-13 Cash Management Plan

CASH MANAGEMENT PLAN
Component:
Activity:
(Dollars in Millions)

Incremental	Fiscal Year: _____							
Cumulative	Operations			Financing			Total Net	
	Disbursements	Collections	Net Outlays	Transfers Out	Transfers In	Appropriation	Outlays	Cash Balance
Balances:								
October								
November								
December								
January								
February								
March								
April								
May								
June								
July								
August								
September								

Provide a monthly and cumulative phasing of disbursements, collections, transfers in or out, appropriations, net outlays, beginning and ending cash balances for the prior, current, and budget year(s). Put each year on a separate page.

Cash balance at the Beginning of the FY (+/-) Total Net Outlays = Cash Balance End of the FY.

Submit Excel workbook (by activity including total fund roll up) to the OUSD(C) Revolving Fund Directorate's Cash Manager.

Exhibit Fund-13 Cash Management Plan

Exhibit Fund-14 Revenue and Expenses

DEFENSE WORKING CAPITAL FUND
COMPONENT/ACTIVITY
REVENUE AND COSTS

	(Dollars in Millions)			*Do not print this column*
	FY PY	FY CY	FY BY	*Note*
Revenue				
Gross Sales	125.0			A
Operations	110.0			
Capital Surcharge	5.0			B
Depreciation	10.0			
Other Income	6.0			C
Refunds/Discounts (-)	-25.0			
Total Income	**106.0**			
Costs				
Cost of Material Sold from Inventory	65.0			D
Salaries & Wages	10.0			
Military Personnel Compensation & Benefits	2.0			
Civilian Personnel Compensation & Benefits	8.0			
Travel & Transportation of Personnel	5.0			
Materials & Supplies for internal operations	1.0			
Equipment	2.0			
Other Purchases from Revolving Funds	1.0			
Transportation of Things	5.0			
Depreciation - Capital	10.0			E
Printing & Reproduction	0.5			
Advisory & Assistance Services	0.5			
Rent, Communication, Utilities & Misc Charges	2.0			
Other Purchased Services	1.0			
Total Expenses	**103.0**			
Operating Result	**3.0**			F
Adjustments affecting NOR (specify)	-5.0			G
Capital Surcharge	-5.0			
Net Operating Result	**-2.0**			H
PY AOR	2.0			
Total AOR	**0.0**			
Non-Recoverable Adjustments impacting AOR	-1.0			
AOR for budget purposes	-1.0			

Exhibit Fund-14 Revenue and Expenses

Instructions for Statement of Revenue and Costs
Keyed to Statement Footnotes

Note: Information on this exhibit should reconcile to other exhibits that display Revenue and Costs (Fund-7, Customer Rate Computations; SM-5a, OP-32 Price Change; Fund-11, Source of Revenue; Fund-1/1a, Summary/Details of Price, Program, and Other Changes).

A. For supply management activities, the line should reflect **Gross** sales. Credit returns should be displayed in the Refunds/Discounts line.

B. Capital Surcharge represents the increase in prices (and projected revenue) due to surcharging the capital budget requirement to provide sufficient cash to support the capital budget. This line is blank if a capital surcharge is not included in price (also see note F).

C. Other income is to include pass-through revenue such as direct reimbursables.

D. Cost of material sold from inventory includes the moving average cost value of material sold from inventory and the cost of repair. Both wholesale and retail costs should be included.

E. Depreciation reflects the estimated depreciation of all assets defined by the capital program in terms of recoupment of outlays.

F. This represents the "gross" result from operations, prior to adjustments.

G. Includes all "Other Adjustments" to NOR; multiple lines may be used. For example, Capital Surcharge reservation here should offset capital surcharge in revenue. Include any appropriations realized to offset current period costs (e.g., pass-through appropriations to cover underutilized plant capacity). Appropriations for war reserve material do not offset current period expenses, do not affect NOR, and should be subtracted if reported as part of revenue or be reported as an adjustment below NOR. This includes:

(1) Transfers to correct for prior period over- or under-pricing;
(2) Other approved transfers for collections from customers for which an expense has not been recorded;
(3) Other collections (that are not transferred out, but placed in some sort of reserve) from customers for which an expense has not been recorded; or,
(4) Unfunded expenses resulting from a policy change, which must be deleted prior to determining NOR.
(5) Changes in Work-in-Process or Inventory for Activity Retention.

H. The Net Operating Result (NOR) is the fiscal year gain or loss from operations. The NOR will be carried into Accumulated Operating Results (inception to date) in the equity portion of the balance sheet. NOR and AOR are key performance indicators.

The Cost of Goods Sold for Supply Activities and Depreciation for all DWCF activities do not represent required budgetary resources for inventory and the CIP. At the discretion of the Supply Activity, the COGS on the Fund-14 may represent Total Materiel Costs on the SM-5a, Mark-up on Material Cost, or Materiel Costs without inflation. Materiel Inflation and the Materiel Cost Adjustment may be shown as an operating adjustment (if preferred) labeled Inventory Retention. In either case, the final NOR should be the same.

Exhibit Fund-14 Revenue and Expenses (Continued)

Exhibit Fund-15 Fuel Data

FY ___ BUDGET FUEL DATA	PROCURED FROM DLA ENERGY			PROCURED BY SERVICE			DATE
PRODUCT	BARRELS (millions)	COST PER BARREL ($)	EXTENDED PRICE ($M)	BARRELS (millions)	COST PER BARREL ($)	EXTENDED PRICE ($M)	STABILIZED PRICE
TOTAL							

Exhibit Fund-15 Fuel Data

Instructions for the Preparation of Exhibit Fund-15 Fuel Data

The purpose of Fund-15, Fuel Data, exhibit is to provide reconciliation between the supply management, the Defense Logistics Agency, and the customer budgets. Prepare the Fund-15 exhibit for the prior year actual, current year, and budget year(s). The Defense Logistics Agency will prepare the exhibits for both petroleum and aerospace fuel products. Prepare the exhibit for each division that procures petroleum fuel products and a consolidated exhibit. Instructions for preparation of Fund-15, Fuel Data:

1. Barrels. Use 42 gallons per barrel. Show barrels in nearest tenth of million barrels.

2. Cost per Barrel. Use cost in dollars and cents per barrel.

3. Extended Price. Multiply number of barrels by cost per barrel. Use dollars in millions and display results in tenths of a million.

4. Product. List by product.

5. Stabilized Price. Show current approved stabilized price.

The USTRANSCOM must submit separate Fund 15 exhibits for its Organic, Commercial and Military airlift missions.

Exhibit Fund-15 Fuel Data

Exhibit Fund-16 Material Inventory Data

DEFENSE WORKING CAPITAL FUND
COMPONENT/DWCF ACTIVITY:

MATERIAL INVENTORY DATA
(Dollars in Millions)
FISCAL YEAR

		------- Peacetime ------	
Total	**Mobilization**	**Operating**	**Other**

Material Inventory Beginning of Period

Purchases
- A. Purchases to Support Customer Orders (+)
- B. Purchase of long lead items in advance of customer orders (+)
- C. Other Purchases (list) (+)
- D. Total Purchases

Material Inventory Adjustments
- A. Material Used in Maintenance (and billed/charged to customer orders) (-)
- B. Disposals, theft, losses due to damages (-) *
- C. Other reductions (list) (-)
- D. Total inventory adjustments

Material Inventory End of Period

Material inventory for the purposes of this exhibit is inventory that will be consumed in production to complete a finished product (i.e., bolts, screws, clamps, metal plates, etc.). It does not include operating materials such as pens, pencils, paper, staples and toner cartridges.

Complete one exhibit for each fiscal year (i.e., PY, CY, and BY) for the non-supply activities (i.e., depot maintenance, etc.). Inventory pricing will be based on current policy on inventory valuation.

*This would also include reductions due to obsolescence. All other reasons for inventory reductions would be listed in item C.

Exhibit Fund-19 Military Personnel Strength

Military Personnel
By Average Strength

Service or Agency: _____

Activity: _____

Personnel Summary:

	FY PY	FY CY	FY BY	Change CY/BY
Active Military Average Strength				
Army				
Officer				
Enlisted				
Navy				
Officer				
Enlisted				
Marine Corps				
Officer				
Enlisted				
Air Force				
Officer				
Enlisted				
Total Active Military Average Strength				

Instructions: For each fiscal year, show the average strength of active military personnel, including those participating in the Personnel Force Innovation program, performing work for the Working Capital Fund. Display the increase or decrease in average strength from the current year to the budget year in the "Change CY/BY" column.

Exhibit Fund-22 Summary of Base Support

DEPARTMENT OF (COMPONENT NAME)
Activity: _____

Summary of Base Support
($ in Millions)

	FY PY	FY CY	FY BY
Chapel & Chaplain Services			
Command Element			
Common Use Facility Operations, Maintenance, Repair, & Construction			
Disaster Preparedness			
Environmental Compliance			
Fire Protection			
Libraries			
Morale & Fitness Support			
Police Services			
Safety			
Shuttle Services			
Admin Services			
Audio/Visual Services			
ADP/Automation Services			
Civilian Personnel Services			
Clubs			
Communication Services			
Community Support Services			
Confinement & Detention Centers			
Custodial Services			
Education Services			
Engineering Support			
Equipment, Operation, Maintenance, & Repair			
Explosive Ordnance			
Facilities & Real Property Support			
Facility Maintenance & Repair			
Finance & Accounting			
Food Services			
Health Services			
Housing & Lodging Services			
Information Services			
Installation Retail Supply & Storage Operation			
Laundry & Dry Cleaning			
Legal Services			
Military Personnel Support			
Mobilization Support			
Mortuary Services			
Printing & Reproduction			
Purchasing & Contracting Services			
Refuse Collection & Disposal			
Resource Management			
Training Services			
Transportation Services			
Utilities			
Weather Services			
Other Support			
TOTAL			

Provide narrative explanations of changes in levels of support that, as a tenant, is a reimbursable cost of operation paid to a host activity or, as the host activity, is financed as a direct cost of operation.

Exhibit Fund-22 Summary of Base Support

Exhibit Fund-24 Summary of Personnel Data

DEPARTMENT OF (COMPONENT NAME)
ACTIVITY: _____

Summary of Civilian Personnel Data - Part I

	FY PY	FY CY	FY BY
Direct Labor:			
Regular Hours			
Paid Leave Hours			
Overtime Hours			
Total Hours			
FTEs			
Indirect Production:			
Regular Hours			
Paid Leave Hours			
Overtime Hours			
Total Hours			
FTEs			
General & Administrative (G&A):			
Regular Hours			
Paid Leave Hours			
Overtime Hours			
Total Hours			
Full-time Equivalencies (FTEs)			
Total:			
Regular Hours			
Paid Leave Hours			
Overtime Hours			
Total Hours			
Total FTEs:			
Percent Direct Labor			
Percent Production Overhead			
Percent G&A Labor			
Percent Production Overhead and General and Administrative			
Hours per FTE			

Show civilian personnel data in hours, Compute FTEs by dividing the applicable total number of hours by the number of hours in a work year.

Show the percent of total FTEs which are direct labor, production overhead, general & administrative, and the sum of production overhead plus general and administrative FTEs.

Show the number of hours per FTE used to convert hours to FTEs for each fiscal year.

Exhibit Fund-26 Revenue and Expense Phasing Plan

Revenue and Expense Phasing Plan
Component: _____
Activity: _____

FY ____
(Dollars in Millions)

Monthly Plan

	Revenue	Expenses	Adjustments to NOR (1)	NOR	Adjustments to AOR (1)	AOR
October						
November						
December						
January						
February						
March						
April						
May						
June						
July						
August						
September						

Instructions: Provide a monthly and cumulative phasing of revenue, costs, and operating results (NOR and AOR) for all years. The September NOR and AOR must reconcile to the Fund-14, Revenue and Cost exhibit.

Cumulative Plan by Month

	Revenue	Expenses	Adjustments to NOR (1)	NOR	Adjustments to AOR (1)	AOR
October						
November						
December						
January						
February						
March						
April						
May						
June						
July						
August						
September						

Submit Excel workbook (by activity including total fund roll up) to OUSD (C) Revolving Fund Directorate. Provide Specify type and amount of each proposed adjustment.

Exhibit Fund-26 Revenue and Expense Phasing Plan

Exhibit Fund-28 Execution Performance Analysis

EXECUTION PERFORMANCE ANALYSIS

Quarter:_____

(Component and Activity Name) **Page X of Y**

PERFORMANCE MEASURES	First Quarter Actual	Annual Plan	Projected End of Year	Projected Variance

UNIT COST ($)

TOTAL NEW ORDERS RECEIVED: **Actual through quarter and end-of-fiscal year projection only.**

ACCUMULATED OPERATING RESULTS: Actual through quarter and end-of-year projection. For all activities, including Supply, provide the reconciliation between December's AOR reported on the 1307 report and the amount you use for budget purposes.

NOR ($M)

Revenue ($M)
Costs ($M)

OUTLAYS

Collections
Disbursements

CASH BALANCE WITH TREASURY: **Actual through quarter and estimated end-of-year projection.**

Accounts Receivable
Total Unliquidated Advance Billings
(Liability)

ANALYSIS and RECOMMENDED ACTIONS
YEAREND PROJECTIONS AND ASSUMPTIONS

Exhibit Fund-28 Execution Performance Analysis (Continued)

EXECUTION PERFORMANCE ANALYSIS

Quarter:_____
Page X of Y

(Component and Activity Name)

MILITARY AND CIVILIAN PERSONNEL DATA	**END STRENGTH PLAN**	**END STRENGTH ACTUAL**	**WORK YEARS (FTE's) PLAN**	**WORK YEARS (FTE's) ACTUAL**
As of 9/30/PY				
As of 12/31/CY				
Projected 9/30/CY				
RIF's (E/S and date) (Cost $ in millions)				
VSIP/VERA (E/S and date) (Cost $M)				
ATTRITION RATE (Plan vs. Actual)				

Total Direct Labor Hours Worked: Not required for Supply, DeCA, DISA, or USTRANSCOM Business Areas.

Regular Direct Labor Hours
Overtime Direct Labor Hours

CAPITAL INVESTMENT PROGRAM OBLIGATIONS and OUTLAYS: **FY to date and end-of-year projection only.**
ANALYSIS and RECOMMENDED CORRECTIVE ACTIONS:

Exhibit Fund-28 Execution Performance Analysis (Continued)

Instructions for the Preparation of Exhibit Fund-28
Execution Performance Analysis

The OUSD(C) P/B Revolving Fund Directorate conducts first, second, and third quarter Budget Execution Reviews (BERs) each fiscal year for the Defense Working Capital Funds (DWCF) and the Pentagon Reservation Maintenance Revolving Fund/Buildings Maintenance Fund (PRMRF/BMF). Each Component is required to complete the Fund-28, Execution Performance Analysis, for each of their business areas and is expected to be prepared to discuss, by separate business areas, the BER Discussion Topics. An official BER announcement memorandum is sent out each of the three quarters with instructions, suspense dates, and any changes to the list.

Each business area within the Component will report on its implementation of financial, contractor and manpower targets as directed by the Secretary, to include execution to the report date and yearend projections. Components should also identify areas of concern and newly identified opportunities to reduce costs and or enhance operations without increasing costs.

BER DISCUSSION TOPICS

1. The FY CY phasing plans for cash and net operating results found in the FY BY President's Budget.
2. Impact of the Overseas Contingency Operations on current workload, cash, carryover, and operating results.
3. Variances to Revenues, Expenses, Collections, and Disbursements, if the actual amount reported for December/March/June FY CY is outside the applicable range: (20 to 30 percent for first quarter; 45 to 55 percent for second quarter; 70 to 80 percent for third quarter) of the annual total.
4. In addition to the AR 1307 information, include a status of obligations incurred against accepted customer orders in accordance with the SF-133 for each activity.
5. Prior Year Adjustments and/or current year Deferred Operating Results of $1 million or more reported on the AR 1307 Report as of the applicable date: December 31for first quarter; March 31 for second quarter; June 30 for third quarter.
6. Plans to control cash outlays for FY CY.
7. Actions taken to date to obtain Investment Review Board approval for financial and mixed financial systems requested in FY PY and FY CY along with current obligations. Discuss the status of certifications for IT systems.
8. Impact of the FY 2005 BRAC decisions on operations.
9. Material changes in personnel levels and salary estimates.
10. An update on progress of the FY BY+1 budget build, workload, rates, and verification of customer workload with customers.
11. The respective Revolving Funds analyst will provide additional topics, if any.

For Supply Business Areas, provide the following additional information:

12. First/second/third quarter actual and end of year estimates for material obligated, outlays for material purchases, material repair costs, material returns for credit and non-credit, and material sent to disposal.

Exhibit Fund-28 Execution Performance Analysis

13. Anticipated changes to backorders by yearend.
14. Updated plan for converting inventory values to moving average cost.
15. Updated Readiness Indicators (MC rate, TNMCS, Quality Deficiencies, etc.).
16. Reconciliation of the differences between NOR and AOR reported on the quarterly AR-1307 report and internal budget execution reports.
17. Projected inventory levels and plans to hold inventory growth.

For Depot Maintenance and Ordnance Activities, provide the following additional information:

18. For each major product line (Aircraft, Engines, Tanks, Humvees, etc.), provide the number of units in-process on October 1, FY CY, the number of units inducted, the number of units completed, and the number of units scrapped for the period from the beginning of the fiscal year to the end of the reporting quarter.
19. For comparison purposes, provide the total number of units completed for all of FY PY.
20. For the units completed first/second/third quarter, provide the total cost incurred to complete the units. This will include prior year costs in many cases.
21. Of the units completed, identify how many were done on a fixed price and how many on a cost reimbursable basis.
22. Estimate of whether the units were completed at a profit or a loss. Provide an estimated total profit or loss for all units completed.
23. Provide the amount of carryover attributable to parts shortages and what actions are being taken to reduce this carryover.

Exhibit Fund-28 Execution Performance Analysis (Continued)

Exhibit Fund 30 – Underutilized Plant Capacity

Unutilized and Underutilized Plant Capacity (UPC)
Industrial Mobilization Capacity (IMC)
Component: _____
ACTIVITY:_____ DATE:_____

($ in Millions)

	FY PY	FY CY	FY BY
1 Ammunition Storage			
A. Required Maximum Containers			
B. Number of Funded Containers			
C. Non-Utilization Rate (1-B/A)			
D. Applicable Overhead			
E. Funding Requirement (C*D)			
F. Funded			
2 Ammunition Production			
A. Total Number of Production Lines			
B. Total Square Footage of all Production Lines			
C. Unutilized Production Lines (20% or less)			
D. Total Square Footage of Unutilized Production Lines			
E. Percent of Unutilized Square Footage (D/B)			
F. Applicable Overhead Costs			
G. Allowable Overhead Costs (E*F)			
H. Percent of Unutilized Production Lines (C/A)			
I. Funding Requirement (G*H)			
J. Funded			
3 Maintenance Facilities			
A. Total Number of Work Stations			
B. Unutilized Work Stations (20% or less)			
C. Non-Utilization Rate (B/A)			
D. Applicable Overhead			
E. Funding Requirement (C*D)			
F. Funded			
4 Manufacturing Facilities			
A. Total Number of Work Stations			
B. Unutilized Work Stations (20% or less)			
C. Non-Utilization Rate (B/A)			
D. Applicable Overhead			
E. Funding Requirement (C*D)			
F. Funded			
5 Real Property Maintenance			
6 Equipment Maintenance			
7 Utilities			
8 Other (specify)			
TOTAL			

Exhibit Fund 30 – Underutilized Plant Capacity

Instructions for the Preparation of Exhibit Fund-30
Unutilized and Underutilized Plant Capacity (UPC)

PART I.

The purpose of this exhibit is to determine capacity indices and mobilization funding requirements for DWCF industrial activities. Unutilized (Reserve), Underutilized Plant Capacity and Industrial Mobilization Capacity costs should be excluded from the DWCF rate structure. Overburdening the customer for costs associated with idle expansion capability is not a fair reflection of operating costs associated with workload. In many cases, these costs must be incurred by a federal facility where the private sector can choose to downsize its operations.

Appropriated funding supports equipment that is utilized 20 percent or less of capacity (hereafter referred to as "unutilized") and has a requirement to support surge and/or replenishment. It is not excess capacity; it is necessary to support core industrial maintenance requirements.

This exhibit may apply to all industrial activities (mostly Depots and Ordnance activities) whether or not the respective Service is identifying UPC funding as part of the topline submission in the Operation and Maintenance (O&M) budget submission. Thus, at a minimum, the capacity-related indices for items numbered one through three should be completed for each industrial activity.

There are four types of facilities that may qualify:

1. Ammunition Storage
2. Ammunition Production
3. Maintenance
4. Manufacturing

Each qualifying facility must be identified and listed separately.

PART II.

For each activity with an amount in the Funded UPC (i.e., 1.F., 2.J., 3.F., 4.F.) category identified in the exhibit Fund 30 format, the following is required:

A. Narrative describing the nature of these UPC costs being incurred at the activity. Provide justification as to what is being accomplished with these funds.

B. Breakdown of costs by element.

Exhibit Fund 30 – Underutilized Plant Capacity (Continued)

VOLUME 2B, CHAPTER 10: "PUBLIC ENTERPRISE, MANAGEMENT, AND TRUST FUNDS"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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

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

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

The previous version dated June 2010 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
100101 100103 100301	Removed reference to the closed Conventional Ammunition Working Capital Fund.	Deletion
100102	Replaced reference to tenants with customers.	Revision
100104 100105 100106	Updated references.	Update
100202 100301	Updated list of budget exhibits required for the Pentagon Reservation Maintenance Fund and the Buildings Maintenance Fund.	Update
100402	Replaced the word Costs with Expenses on the PR-2 exhibit to clarify the requirement. Revised the SP-1 exhibit to include prior year figures and update the format.	Revision

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CHAPTER 10

PUBLIC ENTERPRISE, MANAGEMENT, AND TRUST FUNDS

1001 GENERAL

100101. Purpose

A. This chapter highlights the policies and justification procedures underlying budget formulation and congressional justification. The provisions of Volume 11B "Reimbursable Operations, Policy and Procedures – Working Capital Funds (WCF),", and of Volume 2B, Chapter 9, apply to the Pentagon Reservation Maintenance Revolving Fund and Buildings Maintenance Fund.

B. The following accounts are covered:

Public Enterprise Funds
- National Defense Stockpile Transaction Fund
- Pentagon Reservation Maintenance Revolving Fund
- National Defense Sealift Fund
- Buildings Maintenance Fund

Management Funds
- None

Trust Funds
- National Security Education Trust Fund
- Surcharge Collections, Sales of Commissary Stores, Defense
- (see Section ***010603*** for listing of all current trust fund accounts)

100102. Background

A. Public Enterprise Funds are expenditure accounts authorized by Congress to be credited with collections, primarily from the public, that are generated by, and earmarked to finance, a continuing cycle of business-type operations.

B. The Pentagon Reservation Maintenance Revolving Fund and Buildings Maintenance Funds are Enterprise Funds that operate in accordance with the provisions of Volume 11B of the DoD FMR "Reimbursable Operations Policy – Working Capital Funds (WCF)" and of Volume 2B, Chapter 9, "Defense Working Capital Funds Activity Group Analysis". These Funds satisfy recurring Department of Defense requirements by using a businesslike buyer-and-seller approach. Unlike profit-oriented commercial businesses, these activities budget to break even over the long term. Selling prices established in the budget are stabilized or fixed during execution to protect customers from unforeseen rate and price fluctuations that would impact customer ability to execute the programs approved by the Congress.

C. A basic principle of the enterprise fund structure is to create a customer-provider relationship designed to make activity managers and decision-makers at all levels more concerned with the costs of goods and services. Requiring customers to pay for support they receive provides increased assurance that services supplied and paid for are actually needed.

D. Trust Funds. The following definitions apply to trust fund accounts.

1. Trust fund receipt account. Trust fund receipt accounts are credited with receipts generated by the terms of a trust agreement or statute. At the point of collection, these receipts are available for transfer to a trust fund expenditure account or are not available for transfer depending upon the terms of the trust agreement or statutory authority.

2. Trust fund expenditure account. Trust fund expenditure accounts are established to record amounts appropriated or otherwise made available by transfer from a trust fund receipt account to be obligated and expended in carrying out the specific purposes or programs in accordance with the terms of the trust agreement or statute. Funds transferred or appropriated to a trust fund expenditure account are normally available for obligation and expenditure within the limits imposed by the trust agreement or authorizing statute.

3. Trust revolving fund account. A trust revolving fund is a single account that is authorized to be credited with receipts and incur obligations and expenditures in support of a continuing cycle of business-type operations in accordance with the provisions of the trust agreement or statute. Trust revolving fund receipts are available for obligation and expenditure without further action by Congress.

4. Unavailable collections are either (1) unappropriated receipts or receipts that are precluded from obligation because of a provision of law, such as a benefit formula or limitation on obligations in PY, CY, or BY, or (2) collections unavailable for obligation because of limitations on obligations in PY, CY, or BY. Section 36.6 of ***OMB Circular A-11*** provides instructions on MAX Schedule N on unavailable collections for trust funds and O&M special funds which Federal agencies must include in their annual budget submission to OMB.

100103. General

A. In general, DoD trust funds authorized to incur obligations and expend receipts have been exempted from apportionment by OMB. However, the Surcharge Collections, Sales of Commissary Stores, Defense trust revolving fund, and the National Security Education Trust Fund are subject to apportionment by OMB. Each trust fund must be viewed as a unique fund in light of any special provisions in the trust agreement or the enabling legislation.

B. Trust funds have been assigned account symbols between 8000 and 8999. Within this range trust revolving funds have been assigned symbols between 8400 and 8499. Some trust funds used by DoD are:

Surcharge Collections, Sales of Commissary Stores, Defense
National Security Education Trust Fund

100104. Submission Requirements

General guidance with regard to submission requirements is presented in the DoD Financial Management Regulation (DOD 7000.14-R), Volume 2A, Chapter 1. Volume 2B, Chapters 9 and 19 cover specific back-up material requirements for the above areas.

100105. Preparation of Material

General guidance with regard to format and preparation of material is presented in the DoD Financial Management Regulation (DOD 7000.14-R), Volume 2A, Chapter 1. Volume 2B, Chapters 9 and 19 provide additional specific guidance with regard to the back-up material required for Public Enterprise, Management Fund and Trust Fund accounts.

100106. References

The DoD Financial Management Regulation (DOD 7000.14-R), Volume 2A, Chapter 1 provides funding policies, including those that impact other appropriations/accounts. Volume 2B, Chapter 9 provides guidance related to Defense Working Capital Fund accounts. Certain exhibits required by this chapter are found in Volume 2B, Chapters 9 and 19.

1002 PROGRAM AND BUDGET REVIEW SUBMISSION

100201. Purpose

This section highlights the policies and justification procedures underlying budget formulation for Public Enterprise, Management Fund, and Trust Fund accounts.

100202. Submission Requirements

A. Public Enterprise Funds

1. The Defense Working Capital Fund schedules referenced here are in the DoD Financial Management Regulation (DOD 7000.14-R), Volume 2B, Chapter 9. The O&M type exhibits (PB, OP) are found in Volume 2A, Chapter 3 and Volume 2B, Chapter 19. Budget exhibits noted below should be submitted for the OSD/OMB budget review.

National Defense Stockpile Transaction Fund
Exhibits Fund-1, 1a, 2, 4, 11, 14, 17, 21, & 23.

Pentagon Reservation Maintenance Revolving Fund
Exhibits Fund-1, 1a, 2, 3, 9a, 9b, 9c, 11, 13, 13b, 13c, 14, and 26.
OP-8 and PB-22.

Building Maintenance Fund
Exhibits Fund-1, 1a, 2, 3, 9a, 9b, 9c, 11, 13, 13b, 13c, 14, and 26.
OP-8 and PB-22.

National Defense Sealift Fund (NDSF)
Exhibits Fund-1a, 2, 11, & 12.

2. The instructions and formats for the preparation of the NDSF required procurement and RDT&E exhibits are included in the DoD Financial Management Regulation (DoD 7000.14-R), Chapters 4 and 5, respectively.

Procurement/Ship Acquisition:

Budget Item Justification Sheet (P-40)
Weapon System Cost Analysis (P-5)
Analysis of Ship Cost Estimates (P-8a/8b)
Advance Procurement Analysis (P-10/10a)
Ship Production Schedule (P-27)
Ship Outfitting Costs (P-29)
Ship Post Delivery Estimates (P-30)

National Defense Features (NDF):

Budget Item Justification Sheet (P-40)

RDT&E:

Budget Item Justification Sheet (R-2)
Program Element/Project Cost Breakdown (R-3)
Program Schedule Profile (R-4)
Program Schedule Detail (R-4a)

3. Additional data required by OMB Circular ***A-11*** will be submitted in accordance with annual USD (Comptroller) budget guidance.

B. Management and Trust Funds - For Trust Funds, Trust Revolving Funds and other Management Funds, program and financing, and object classification schedules will be submitted for each account. The budget authority for each trust fund account must agree with the amounts reported against the applicable receipt accounts as required by DoD accounting guidance related to offsetting receipts. The receipt accounts are published in Treasury's Federal Account Symbols and Titles. For the Defense Commissary Agency, a footnote to the program and financing schedule will show the value of the obligations for renovation/construction of commissaries included in total obligations of the trust revolving fund.

C. Special Budget Exhibits - Unique data pertaining to a particular fund are required as follows:

National Defense Stockpile

Stockpile Financial Status Report (SP-1)

Pentagon Reservation Maintenance Revolving Fund

Cost of Services (PR-1)
Summary Statement (PR-2)

Buildings Maintenance Fund

Cost of Services (PR-1)
Summary Statement (PR-2)

Surcharge Collections, Sales of Commissary Stores, Defense

Summary (CT-1)
Facility Programs Justification (CT-2)

National Defense Sealift Fund (NDSF)

Ready Reserve Force (RRF):
Budget Item Justification Sheet (RRF-1)
Ship Composition Funding Requirements (RRF-2)
Ship Readiness Operational Status (ROS) Composition (RRF-3)

D. Budget exhibits will be submitted in accordance with the schedule published annually in DoD Comptroller budget guidance. Formats and instructions for preparation of the Special Exhibits are provided Section 1004.

E. All NDSF related budget justification materials should be submitted directly to the Director for Investment, room 3C749. In addition to the DWCF schedules, procurement, and RDT&E exhibits referenced in paragraph 100202 above, the special exhibits identified above must be included in the NDSF justification budget backup book for both the OSD and Congressional submissions. The backup book should include a table of contents, a computer generated FYDP funding report identifying each business area, and each business area/section should be tabbed.

1003 CONGRESSIONAL JUSTIFICATION/PRESENTATION

100301. Purpose

This chapter provides the policies and procedures to guide the development of budget justification and supporting narrative to be submitted by Components to the OUSD (Comptroller) in development of congressional justification material.

100302. Submission Requirements

A. Guidance is applicable to the following DoD Public Enterprise, Management Funds, and Trust Funds:

Public Enterprise Funds

(1) National Defense Stockpile Transaction Fund
(2) Buildings Maintenance Fund
(3) Pentagon Reservation Maintenance Revolving Fund
(4) National Defense Sealift Fund

Management Funds

Trust Funds

(5) National Security Education Trust Fund
(6) Surcharge Collections, Sales of Commissary Stores, Defense

B. The following table presents the exhibit requirements to be submitted as part of the President's budget for the funds identified in paragraph A, above. Additional budget justification material to accompany the President's budget may be prescribed by separate USD (Comptroller) budget guidance.

EXHIBIT/SCHEDULE REQUIREMENTS

Fund	Prog & Financ.	Rev & Exp.	Finan. Cond.	Obj Class	Pers Summary
(1)	X	X	X	X	
(2)	X	X	X	X	X
Fund-2, Fund-9a/9b/9c, Fund-11, Fund-13/13b/13c, PR-1, PR-2					
(3)	X	X	X	X	X
Fund-2, Fund-9a/9b/9c, Fund-11, Fund-13/13b/13c, PR-1, PR-2					
(4)	X			X	
P-5, P-8a/8b, P-10/10a, P-27, P-29, P-30, P-40, R-2, R-3, R-4, R-4a, RRF-1, RRF-2, RRF-3					
(5)	X			X	
(6)	X			X	

1004 PUBLIC ENTERPRISE, MANAGEMENT AND TRUST FUND FORMATS

100401. Purpose

The special formats provided on the following pages reflect guidance presented in previous sections of this chapter. Unless modified in a submission budget call, these formats should be adhered to.

100402. Exhibits in Support of Section 1002 – Program and Budget Review Submission

CT-1 Surcharge Collections, Sales of Commissary Stores Summary 10
CT-2 Facility Programs Justification 11
PR-1 Pentagon Reservation Maintenance Revolving Fund Cost of Services 12
PR-2 Pentagon Reservation Maintenance Revolving Fund Summary Statement 13
SP-1 Stockpile Financial Status Report 14
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RRF-2 Ship Composition Funding Requirements 16
RRF-3 Ship Readiness Operational Status (ROS) Composition.....17

Exhibit CT-1 Surcharge Collections, Sales of Commissary Stores Summary

Surcharge Collections, Sales of Commissary Stores, Defense

Summary

($ in Millions)

	FY PY col. of CY PB	FY PY	FY CY col. of CY PB	FY CY	FY BY
OBLIGATIONS					
Operating Expenses	Provide operations, equipment, and construction obligations for the PY column of the CY President's budget, the PY, the CY column of the CY President's budget, the CY, and the BY.				
Equipment					
Construction					
Total Obligations (a)					
DISBURSEMENTS					
Disbursement of Prior Year Obligations	Provide disbursements of prior year obligations and current year disbursements for the PY column of the CY President's budget, the PY, the CY column of the CY President's budget, the CY, and the BY.				
Current Year Disbursements					
Total Disbursements (*b*)					
COLLECTIONS					
Revenue (*c*)	Provide revenue for the five years above.				
NET OUTLAYS (*d*) (*b-c=d*)					
CASH: Begin Year (*e*)					
Net Outlays (*f*)	Provide cash estimates for the five years above.				
End Year (*g*) (*e-f*=g)					
Unliquidated Obligations	Provide year-end unliquidated obligations for the five years above.				
Unobligated Balance Beginning of Year (h*)*	Provide unfunded contract authority for the five years above.				
Unobligated Balance End of Year (i)					
Unfunded Contract Authority Requested (j) (a-c-h+I=j)					

Exhibit CT-2 Facility Programs Justification

Surcharge Collections, Sales of Commissary Stores, Defense

Facility Programs Justification

($ in Millions)

LOCATION	DESCRIPTION	TOTAL COST	REMARKS

Provide a DD Form 1391 for each FY BY proposed project.

List the location of each proposed construction project for FY CY and FY BY.

Description should include whether each project is a new store, add/alter, minor construction, energy conservation, etc.

Total cost is self-explanatory.

Remarks should provide narrative justification for and a description of each project.

Exhibit PR-1 Pentagon Reservation Maintenance Revolving Fund Cost of Services

Pentagon Reservation Maintenance Revolving Fund
Cost of *Basic* Services
($ in Millions)

	FY PY	FY CY	FY BY
1. Operated Space (Average Square Feet) *			
2. Unit Cost of Operations ($) **			
Cleaning			
Maintenance			
Utilities & Fuel			
Protection			
Other Building Services			
Administration			
Total Unit Cost for Basic Services			
(Multiply by) Billable Space (Sq. Ft.)			
(Equals) Total Cost of Basic Services			

* Excludes reimbursable “above standard” services.

** Cleaning, maintenance, utilities and fuel, protection, other building services, and administration estimates should equal the cost of each function divided by the billable space square feet for the relevant fiscal year.

Exhibit PR-1 Cost of Services
(Page 1 of 1)

Exhibit PR-2 Pentagon Reservation Maintenance Revolving Fund Summary Statement

Pentagon Reservation Maintenance Revolving Fund
Summary Statement
($ in Millions)

	Obs.	Orders	Rev.	Exp.	(Disbursements by Fiscal Year) FYPY	FYCY	FYBY	FYBY+1	FYBY+2	FYBY+3	FYBY+4	FYBY+5
Pentagon Renovation												
FY PY												
FY CY												
FY BY												
Other Capital Purchases (specify each)												
FY PY												
FY CY												
FY BY												
Operating Budget												
FY PY												
FY CY												
FY BY												
Total												
FY PY												
FY CY												
FY BY												

Obligations, new customer orders, revenue, and expenses for the Pentagon Renovation, Other Capital Purchases, and Operating Budget (reimbursable services and basic services noted in Exhibit PR-1) should be provided.

Beginning of year (BOY) cash, collections, disbursements, and end of year (EOY) cash should also be provided.

Cash	BOY	Collections	Disbursements	EOY
FY PY				
FY CY				
FY BY				

Exhibit PR-2 Summary Statement
(Page 1 of 1)

Exhibit SP-1 Stockpile Financial Status Report

NATIONAL DEFENSE STOCKPILE TRANSACTION FUND
Stockpile Financial Status Report
YEAR (CY, BY)
(Dollars in Millions)

	PY	CY	BY
Treasury Cash Balance, Beginning of Year			
Plus Collections			
Minus Disbursements			
Labor			
Non-labor			
Other Program Costs			
Plus/Minus:			
Transfer 1 (label)			
Transfer 2 (label)			
.			
.			
Sub-Total Transfers			
Equals: Cash Balance, End of Year			
Selected Liabilities			
Accounts Payable			
Undelivered Orders			
-			
-			
Estimated Available Cash Balance			

1. Purpose. The purpose of this report is to provide information on the financial status of the National Defense Stockpile.

2. Submission. This exhibit will reflect information starting from the Prior Year (PY), the Current Year (CY), and the budget year (BY) in support of the OSD/OMB and President's budget submissions. End of year should be the actual amount reflected on approved accounting reports.

Exhibit RRF-1 Budget Item Justification

FY BY Submission
Month/Year
Exhibit RRF-1

Ready Reserve Force (RRF)
Budget Item Justification

RRF	FY PY-1	FY PY	FY CY	FY BY	FY BY+1	FY BY+2	FY BY+3	FY BY+4	FY BY+5
O&M									
Acquisition				Provide annual funding requirements for the RRF.					
Other (specify)									
Total RRF									

Purpose: Justification for the FYs BY-BY+5 budget request: Provide a narrative justification and sufficient justification for the funding requested

Exhibit RRF-1 Budget Item Justification
(Page 1 of 1)

Exhibit RRF-2 Ship Composition Funding Requirements

FY BY Submission
Month/Year
Exhibit RRF-2

Ready Reserve Force (RRF)
Ship Composition Funding Requirements

RRF	FY PY-1	FY PY	FY CY	FY BY	FY BY+1	FY BY+2	FY BY+3	FY BY+4	FY BY+5
O&M									
Ship Types									
Breakbulk									
ROS-4									
ROS-5									
etc.									
	Provide annual funding requirements for each ship type by ROS category. Specify funding by O&M, acquisition and other (specify Other categories consistent with the RRF-1 exhibit).								
Ro/Ros									
ROS-4									
ROS-5									
etc.									
Total O&M									
Acquisition									
Ship Types									
Total Acquisition									
Other									
Ship Types									
Total Other									
Total RRF									

Exhibit RRF-2 Ship Composition Funding Requirements
(Page 1 of 1)

Exhibit RRF-3 Ship Readiness Operational Status (ROS) Composition

FY BY Submission
Month/Year
Exhibit RRF-3

Ready Reserve Force (RRF)
Ship Readiness Operational Status (ROS) Composition

RRF Ship Types	FY PY-1	FY PY	FY CY	FY BY	FY BY+1	FY BY+2	FY BY+3	FY BY+4	FY BY+5
Ro/Ros									
(ROS Status ROS-4)									
(ROS Status ROS-5)									
(ROS Status etc.)									
Total Ro/Ros									
Breakbulk									
(ROS Status ROS-4)									
(ROS Status ROS-5)									
(ROS Status etc.)									
Total Breakbulk									
etc.									
Totals									
(ROS Status ROS-4)									
(ROS Status ROS-5)									
(ROS Status etc.)									
Total RRF Fleet									
New Acquisitions									
Retirements									

Provide the composition of the RRF by FY for each ship type, i.e.; Breakbulk, Ro/Ros Tankers etc. Specify ships consistent with the RRF-2 exhibit.

VOLUME 2B, CHAPTER 11: "OFFSETTING RECEIPTS"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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

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

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

The previous version dated June 2010 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Deemed to be current.	Update

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1102 PROGRAM AND BUDGET REVIEW SUBMISSION 3

110201. General Instructions 3

CHAPTER 11

OFFSETTING RECEIPTS

1101 GENERAL

110101. Purpose

This chapter prescribes budget justification requirements for offsetting receipts consistent with the provisions of the Office of Management and Budget ***(OMB) Circular No. A-11***.

1102 PROGRAM AND BUDGET REVIEW SUBMISSION

110201. General Instructions

A. Each Military Department will include offsetting receipts in their annual program and budget submission. See Volume 2A, Chapter 1, for general guidance on submission requirements. Receipt accounts are listed in Volume 2A, Chapter 1, Section 0106 Uniform Budget and Fiscal Accounting Classifications. Department of Defense (DoD) receipt account structures are reported in the Budget Structure Listing of the Comptroller Information System which is available on the Secret Internet Protocol Router Network (SIPRNET) home page of the Office of the Under Secretary of Defense (Comptroller) (OUSD (C)).

B. Each Military Department will also submit estimated receipts in thousands of dollars for the current year, budget year, and the outyears. These estimates will include the impact of all proposed legislation. Upon OUSD(C)'s completion of the prior year update within the Comptroller Information System (CIS), each Military Department will update their CIS current year, budget year and outyear Budget Authority (BA) and outlay estimates for receipt and any receipt-related (special and trust fund) expenditure accounts. The Military Departments will upload the required transactions in CIS. The due date will be established by OUSD(C) based on certification to the Treasury of actual execution data for the prior fiscal year.

C. Amounts reported should include all collections credited to the component's receipt accounts, including "F" (clearing) accounts if applicable. Prior year clearing ("F") accounts except the undistributed intragovernmental payment account (3885) will be merged with the Military Department's General Fund Proprietary Receipts (3210). Exclude collections credited to receipt accounts of other DoD components. Receipts will be reported on the basis of collections credited to receipt accounts during the year, plus or minus any adjustments during the year. Amounts for the prior year will agree with receipts reported to Treasury on the Treasury Combined Statement. Only zero (0) estimates are permitted in the current year, budget year, and the outyears for "F" accounts. For indefinite appropriations of receipts (Wildlife Conservation, Military Reservations; special fund accounts; and trust fund accounts), the amount of estimated collections will be equal to the related estimates of appropriations BA.

D. Receipts data are required for DoD-Military as well as DoD-Civil accounts.

NOTE: Components should refer to the Treasury Federal Accounts Symbols and Titles ***(FAST)*** book for any changes to the account listing.

VOLUME 2B, CHAPTER 12: "DEFENSE HEALTH PROGRAM"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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

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

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

The previous version dated June 2007 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
Various	Changed TRICARE Management Activity to Defense Health Agency	Update
Various	Updated program elements	Update
120402	Updated unique information management system reporting summary	Update

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CHAPTER 12

DEFENSE HEALTH PROGRAM

1201 GENERAL

120101. Purpose

A. This chapter provides instructions applicable to budget formulation and congressional justification for the Defense Health Program (DHP).

B. The following appropriations are covered as subsections of the DHP appropriation:

1. Operation and Maintenance (O&M)

2. Procurement

3. Research, Development, Test and Evaluation (RDT&E)

120102. Submission Requirements

General guidance with regard to submission requirements is presented in Volume 2A, Chapter 1. This chapter covers specific backup material requirements for the above accounts. The Assistant Secretary of Defense (Health Affairs) (ASD(HA)) should also consult all of the other chapters of this Regulation for exhibit requirements that are not specifically addressed in this chapter including Volume 2B, Chapter 19 – Other Special Analyses. The ASD(HA) is also responsible for providing data to update the Comptroller Information System (CIS) and the Future Years Defense Program (FYDP) automated systems for the DHP appropriation. The Military Components must reconcile all DHP personnel data with, and submit all proposed military and civilian medical personnel changes to the CIS and FYDP through the Defense Health Agency Program Budget and Execution Directorate before these changes are accepted in these automated systems. (See Volume 2A, Chapter 1 and Volume 2B, Chapter 19, of this Regulation.)

120103. Preparation of Material

General guidance with regard to format and preparation of material is presented in Volume 2A, Chapter 1. Volume 2B, Chapter 12 provides additional specific guidance with regard to the back-up material required for the DHP. (See Volume 2A, Chapter 1, of this Regulation.)

120104. References

Volume 2A, Chapter 3 provides guidance related to O&M costs, Volume 2B, Chapter 4 provides guidance and formats related to Procurement appropriations, and Volume 2B, Chapter 5 provides guidance and formats related to RDT&E appropriations. (See Volume 2A, Chapter 3

and Volume 2B, Chapter 4, of this Regulation.)

1202 PROGRAM AND BUDGET REVIEW SUBMISSION

120201. Purpose

This Section provides guidance for preparation and submission of budget estimates for the DHP. The budget estimates consist of all O&M, procurement, and RDT&E resources that support the medical activities that were consolidated into the DHP.

120202. Submission Requirements

A. The ASD (HA) is responsible for submitting all exhibits required for the O&M, procurement, and RDT&E appropriations as specified in Volume 2A, Chapter 3, Volume 2B, Chapters 4, and 5 respectively. The ASD (HA) is also responsible for submitting exhibit requirements specified in the other chapters of this Regulation including Volume 2B, Chapter 19 – Other Special Analyses. (See Volume 2A, Chapter 3 and Volume 2B, Chapter 4, 5, and 19, of this Regulation).

B. In addition, the Cost of Medical Activities Exhibit (PB-11, PB-11A, PB-11B) will be prepared and submitted to the Office of the Under Secretary of Defense (Comptroller) (OUSD(C)) concurrent with the program and budget review submission. Formats for these exhibits are provided at the end of this chapter. Two printed copies and one electronic copy of each exhibit should be provided to the OUSD(C) Program/Budget (P/B) Military Personnel & Construction Directorate, Room 3C654, Washington, DC 20301-1100.

C. For all updates of the OUSD(C) automated budget system databases, DoD Components must reconcile all DHP personnel data with, and submit all proposed military and civilian medical personnel changes through the Defense Health Agency Program Budget and Execution Directorate.

1203 CONGRESSIONAL JUSTIFICATION/PRESENTATION

120301. Purpose.

This section presents the exhibit requirements for submission to Congress. Examples of budget exhibits can be found in Section 1204.

120302. Submission Requirements

A. The ASD (HA) is responsible for submitting all exhibits required for the O&M, procurement, and RDT&E appropriation as specified in Volume 2A, Chapter 3, Volume 2B, Chapters 4, and 5 respectively. The ASD (HA) is also responsible for submitting exhibit requirements specified in the other chapters of this regulation including Volume 2B, Chapter 19 – Other Special Analyses. (See Volume 2A, Chapter 3 and Volume 2B, Chapter 4, 5, and 19)

B. In addition, the cost of Medical Activities Exhibit (PB-11, PB-11A, PB-11B) will be prepared and submitted to the OUSD (C) for the DHP. Formats for these exhibits are provided at the end of this chapter. Two printed copies and one electronic copy of each exhibit should be provided to the OUSD (C), P/B, Military Personnel Construction Directorate, Room 3C654, the Pentagon.

C. Two printed copies and one electronic copy of the PBA-9 (Medical Programs Exhibit for the O&M Overview) will be due to the OUSD(C), P/B, Military Personnel & Construction Directorate, Room 3C654, the Pentagon at the time that the President's budget exhibits are due. The required format for the PBA-9 is provided at Volume 2A, Chapter 3, Section 0304 (See Volume 2A, Chapter 3, section 0304 of this Regulation).

D. The OP-5 exhibit and other supporting exhibits will be prepared for each of the following activities. Meaningful performance criteria should be displayed for each activity.

- In-House Care
- Private Sector Care
- Consolidated Health Support
- Information Management
- Management Activities
- Education and Training
- Base Operations/Communications

E. The ASD(HA) will prepare the DHP Volume 1 (Justification of Estimates), Volume 2 (Data Book), and Volume 3 (Additional Accompanying Exhibits). **Forty** printed copies and **five** electronic storage media copies of Volumes 1 and 2 and ten printed copies and three electronic storage medical copies of all three volumes and other required exhibits should be provided to the OUSD (C), P/B, Military Personnel & Construction Directorate, Room 3C654, the Pentagon.

1204 DEFENSE HEALTH PROGRAM SUBMISSION FORMATS

120401. Purpose

The formats provided on the following pages reflect guidance presented in previous sections of this chapter. Unless modified in a submission budget call, the formats should be followed.

120402. Unique Exhibits in Support of the Defense Health Program

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DEPARTMENT OF DEFENSE
COST OF MEDICAL ACTIVITIES
DEFENSE HEALTH PROGRAM

Defense Health Program Funding by Subactivity Group

(Dollars in Thousands)

	FY PY Actual	FY CY Estimate	FY BY Estimate	PY-CY Change $	PY-CY Change (%)	CY-BY Change $	CY-BY Change (%)
IN-HOUSE CARE							
0807700HP Defense Medical Centers, Hospitals & Medical Clinics – CONUS							
0807900HP Defense Medical Centers, Hospitals & Medical Clinics – OCONUS							
0807701HP Pharmaceuticals, CONUS							
0807901HP Pharmaceuticals, OCONUS							
0807715HP Dental Care Activities – CONUS							
0807915HP Dental Care Activities – OCONUS							
Subtotal In-House Care							
PRIVATE SECTOR CARE							
0807702HP Pharmaceuticals – Purchased Health Care							
0807703HP Pharmaceuticals – National Retail Rx							
0807723HP TRICARE Managed Care Support (MCS) Contracts							
0807738HP MTF Enrollees – Purchased Care							
0807741HP Dental – Purchased Care							
0807742HP Uniformed Services Family Health Program (USFHP)							
0807743 HP Supplemental Care – Health Care							
0807745HP Supplemental Care – Dental							
0807747HP Continuing Health Education/ Capitalization of Asset Program (CHE/CAP)							
0807749HP Overseas Purchased Health Care							
0807751HP Miscellaneous Purchased Health Care							
0807752HP Miscellaneous Support Activities							
Subtotal Private Sector Care							

Exhibit PB-11 Defense Health Program Funding Summary (Continued)

DEPARTMENT OF DEFENSE
COST OF MEDICAL ACTIVITIES
DEFENSE HEALTH PROGRAM

Defense Health Program Funding by Subactivity Group

(Dollars in Thousands)

	FY PY Actual	FY CY Estimate	FY BY Estimate	PY-CY Change $	PY-CY Change (%)	CY-BY Change $	CY-BY Change (%)
CONSOLIDATED HEALTH SUPPORT							
0801720HP Examining Activities							
0807714HP Other Health Activities							
0807705HP Military Public/Occupational Health							
0807760HP Veterinary Services							
0807724HP Military Unique Requirements – Other Medical Activities							
0807725HP Aeromedical Evacuation System							
0807730HP Service Support to Other Health Activities – TRANSCOM							
0807786HP Joint Pathology Center							
0903300HP Support to FACA Advisory Board Activities							
Subtotal Consolidated Health Support							
INFORMATION MANAGEMENT							
0807781HP DHP Service Medical Information Management/Information Technology							
0807783DHP Information Management/ Information Technology Support Programs							
0807784HP Integrated Electronic Health Record (iEHR)							
0807787HP DoD Healthcare Management System Modernization (DHMSM)							
0807793HP MHS Tri-Service Information Management/Information Technology							
Subtotal Information Management							
MANAGEMENT ACTIVITIES							
0807798HP Management Headquarters							
0807704HP Defense Health Agency							

Exhibit PB-11 Defense Health Program Funding Summary (Continued)

DEPARTMENT OF DEFENSE
COST OF MEDICAL ACTIVITIES
DEFENSE HEALTH PROGRAM

Defense Health Program Funding by Subactivity Group

(Dollars in Thousands)

	FY PY Actual	FY CY Estimate	FY BY Estimate	PY-CY Change $	PY-CY Change (%)	CY-BY Change $	CY-BY Change (%)
0807709HP TRICARE Management Activity (through FY 2013)							
0901200HP BMMP Domain Management & System Integration							
Subtotal Management Activities							
EDUCATION AND TRAINING							
0806722HP Armed Forces Health Professions Scholarship Program							
0806721HP Uniformed Services University of the Health Sciences							
0806761HP Other Education and Training							
Subtotal Education and Training							
BASE OPERATIONS/COMMUNICATIONS							
0806276HP Facilities Restoration and Modernization – CONUS							
0886376HP Facilities Restoration and Modernization – OCONUS							
0806278HP Facilities Sustainment – CONUS							
0806378HP Facilities Sustainment – OCONUS							
0807779HP Facilities Operations – Health Care – CONUS							
0807979HP Facilities Operations – Health Care – OCONUS							
0807795HP Base Communications – CONUS							
0807995HP Base Communications – OCONUS							
0807796HP Base Operations – CONUS							
0807996HP Base Operations – OCONUS							
0807753HP Environnemental Conservation							
0807754HP Pollution Prevention							

Exhibit PB-11 Defense Health Program Funding Summary (Continued)

DEPARTMENT OF DEFENSE
COST OF MEDICAL ACTIVITIES
DEFENSE HEALTH PROGRAM

Defense Health Program Funding by Subactivity Group

(Dollars in Thousands)

	FY PY Actual	FY CY Estimate	FY BY Estimate	PY-CY Change $	PY-CY Change (%)	CY-BY Change $	CY-BY Change (%)
0807756HP Environmental Compliance							
0807790HP Visual Information Systems							
0808093HP Demolition/Disposal of Excess Facilities							
Subtotal Base Ops/Comm							
Subtotal DHP Operation and Maintenance							

Exhibit PB-11 Defense Health Program Funding Summary (Continued)

DEPARTMENT OF DEFENSE
COST OF MEDICAL ACTIVITIES
DEFENSE HEALTH PROGRAM

Defense Health Program Funding by Subactivity Group

(Dollars in Thousands)

	FY PY Actual	FY CY Estimate	FY BY Estimate	PY-CY Change $	PY-CY Change (%)	CY-BY Change $	CY-BY Change (%)
Procurement							
(PE 0807720HP and PE 0807721HP)							
Dental Equipment							
Food Service, Preventive Medicine,							
Pharmacy Equipment							
Medical Information System Equipment							
Medical Patient Care Administrative Equip							
Medical/Surgical Equipment							
Other Equipment							
Pathology/Lab Equipment							
Radiographic Equipment							
0807744HP Theater Medical Information Program – Joint (TMIP-J)							
0807784HP Integrated Electronic Health Record (iEHR)							
Subtotal Procurement							
Research, Development, Test and Evaluation							
0601101HP In-House Laboratory Independent Research (ILIR)							
0601117HP Basic Operational Medical Research Sciences							
0602115HP Applied Biomedical Technology							
0602787HP Medical Technology (AFRRI)							
0603002HP Medical Advanced Technology (AFRRI)							
0603115HP Medical Technology Development							
0604110HP Medical Products Support and Advanced Concept Development							
0605013HP Information Technology Development							
0605023HP Integrated Electronic Health Record (iEHR)							
0605025HP Theater Medical Information Program – Joint (TMIP-J)							
0605026HP DoD Healthcare Management System Modernization (DHMSM)							
0605145HP Medical Products and Support Systems Development							
0605502HP Small Business Innovative Research (SBIR) Program							
0606105HP Medical Program-Wide Activities							
0607100HP Medical Products and Capabilities Enhancement Activities							

Exhibit PB-11 Defense Health Program Funding Summary (Continued)

Subtotal RDT&E

Total Defense Health Program

Submitting Components should refer to the FYDP Structure Management (FSM) System as described in section 010702 of Chapter 1 of this volume to ensure that the Defense Health Program FYDP program elements shown on this format are current.

DEPARTMENT OF DEFENSE
COST OF MEDICAL ACTIVITIES
DEFENSE HEALTH PROGRAM

Defense Health Program Funding by Subactivity Group

(Dollars in Thousands)

	FY PY Actual	FY CY Estimate	FY BY Estimate	PY-CY Change $	PY-CY Change (%)	CY-BY Change $	CY-BY Change (%)
SPECIAL INTEREST ITEMS							
Medicare Eligible Accrual Fund							
Total Medicare Eligible Accrual Fund							
Direct Care							
Private Sector Care							
Military Personnel Accounts							
RDT&E							
Information Technology (IT) Development							
Core Legacy Systems (Central IT)							
iEHR/DoD Medical Information Exchange (DMIX)							
DHMSM							
Services (Non-Central IT)							
All Other RDT&E Programs							
Congressionally Directed Programs							
Baseline Programs							

Exhibit PB-11A Defense Health Program Personnel Summary

DEPARTMENT OF DEFENSE
DEFENSE HEALTH PROGRAM
Personnel Summary

	FY PY Actual		FY CY Estimate		FY-BY Estimate		CY-BY Change	
	End Strength	Avg Strength	End Strength	Avg Strength	End Strength	Avg Strength	End Strength	Avg Strength
Active Military – Assigned to DHP								
Army Total								
Officers								
Enlisted								
Navy Total								
Officers								
Enlisted								
Air Force Total								
Officers								
Enlisted								
Total Active Duty								
Officers								
Enlisted								
Active Military - Non DHP Medical								
Army Total								
Officers								
Enlisted								
Navy Total								
Officers								
Enlisted								
Air Force Total								
Officers								
Enlisted								
Total Active Duty								
Officers								
Enlisted								

Exhibit PB-11A Defense Health Program Personnel Summary (Continued)

DEPARTMENT OF DEFENSE
DEFENSE HEALTH PROGRAM

Personnel Summary

	FY PY Actual End Strength	FY PY Actual FTEs	FY CY Estimate End Strength	FY CY Estimate FTEs	FY- BY Estimate End Strength	FY- BY Estimate FTEs	CY-BY Change End Strength	CY-BY Change FTEs
I. Civilian Personnel - US Direct Hire								
Army								
Navy								
Air Force								
Defense Health Agency								
Total								
II. Civilian Personnel - Foreign National Direct Hire								
Army								
Navy								
Air Force								
Defense Health Agency								
Total								
III. Civilian Personnel - Foreign National Indirect Hire								
Army								
Navy								
Air Force								
Defense Health Agency								
Total								
IV. Total Civilian Personnel								
Army								
Navy								
Air Force								
Defense Health Agency								
Total 1/								
V. Summary Civilian Personnel								
U.S. Direct Hire								
Foreign National Direct Hire								
Foreign National Indirect Hire								
Total, Civilians 1/								

1/ Includes reimbursable civilians - memo

Exhibit PB-11A Defense Health Program Personnel Summary
(Page 2 of 3)

Exhibit PB-11A Defense Health Program Personnel Summary (Continued)

DEPARTMENT OF DEFENSE
DEFENSE HEALTH PROGRAM

Personnel Summary

	FY PY Actual		FY CY Estimate		FY- BY Estimate		CY-BY Change	
	End Strength	FTEs	End Strength	FTEs	End Strength	FTEs	End Strength	FTEs
SPECIAL INTEREST MANPOWER (End Strength)								
TRICARE Regional Offices (TRO):								
Military FTE's								
Civilian FTE's								
Defense Health Agency (PE 0807704)								
Military FTE's								
Civilian FTE's								
Army Management Headquarters (PE 0807798)								
Military FTE's								
Civilian FTE's								
Navy Management Headquarters (PE 0807798)								
Military FTE's								
Civilian FTE's								
Air Force Management Headquarters (PE 0807798)								
Military FTE's								
Civilian FTE's								

Exhibit PB-11A Defense Health Program Personnel Summary
(Page 3 of 3)

Exhibit PB-11B Medical Workload and Productivity Data

DEFENSE HEALTH PROGRAM
Medical Workload and Productivity Data

	FY PY Actual	FY CY Estimate	FY BY Estimate	CY-BY Change
Population - Average Eligible Beneficiaries CONUS				
Active Duty				
Active Duty Dependents				
CHAMPUS Eligible Retirees				
CHAMPUS Eligible Dependents of Retirees				
Subtotal CHAMPUS Eligibles				
Medicare Eligible Beneficiaries				
Total Average Eligible Beneficiaries				
Population - Average Eligible Beneficiaries OCONUS				
Active Duty				
Active Duty Dependents				
CHAMPUS Eligible Retirees				
CHAMPUS Eligible Dependents of Retirees				
Subtotal CHAMPUS Eligibles				
Medicare Eligible Beneficiaries				
Total Average Eligible Beneficiaries				
Population - Average Eligible Beneficiaries Worldwide				
Active Duty				
Active Duty Dependents				
CHAMPUS Eligible Retirees				
CHAMPUS Eligible Dependents of Retirees				
Subtotal CHAMPUS Eligibles				
Medicare Eligible Beneficiaries				
Active Duty Family Members				
Guard/Reserve Family Members				
Retirees				
Family Members of Retirees				
Survivor				
Other				
Total Medicare Eligibles				
Total Average Eligible Beneficiaries				

Exhibit PB-11B Medical Workload and Productivity Data (Continued)

DEFENSE HEALTH PROGRAM
Medical Workload and Productivity Data

	FY PY Actual	FY CY Estimate	FY BY Estimate	CY-BY Change
Enrollees - Direct Care				
TRICARE Region – North				
TRICARE Region – South				
TRICARE Region – West				
TRICARE Region – Europe				
TRICARE Region – Pacific				
Alaska				
Sub-Total CONUS Regions				
Sub-Total OCONUS Regions				
Total Direct Care Enrollees				
Enrollees (Managed Care Support Contract)				
TRICARE Region – North				
TRICARE Region –South				
TRICARE Region – West[1]				
Total MCS Contracts				
Infrastructure				
Operating Beds				
Inpatient Facilities				
Medical Clinics				
Dental Clinics				
Veterinary Clinics				

[1] *Alaska in the West Contract is non-underwritten therefore not included in the total.*

Exhibit PB-11B Medical Workload and Productivity Data (Continued)

DEFENSE HEALTH PROGRAM
Medical Workload and Productivity Data

	FY PY Actual	FY CY Estimate	FY BY Estimate	CY-BY Change
Direct Care System Workload (from MEPRS)				
Inpatient Admissions				
Occupied Bed Days				
Inpatient Relative Weighted Product (RWPs)				
Average Length of Stays (Bed Days/Disposition)				
Total Ambulatory Visits				
Outpatient Relative Value Units (RVUs)				
Pharmacy – Military Treatment Facilities Worldwide				
Number of Scripts				
Number of Users				
Dental Workload (Dental Weighted Values (DWVs))				
CONUS				
OCONUS				
Total DWVs				
CONUS				
Active Duty				
Non-Active Duty				
Total CONUS				
OCONUS				
Active Duty				
Non-Active Duty				
Total OCONUS				

DEFENSE HEALTH PROGRAM
Medical Workload and Productivity Data

	FY PY Actual	FY CY Estimate	FY BY Estimate	CY-BY Change
Private Sector Workload				
Managed Care Support Contracts (TRICARE Prime)				
Inpatient Admissions				
Inpatient Relative Weighted Product (RWPs)				
Outpatient Visits				
Outpatient Relative Value Units (RVUs)				
TRICARE Extra/Standard				
Inpatient Admissions				
Inpatient Relative Weighted Product (RWPs)				
Outpatient Visits				
Outpatient Relative Value Units (RVUs)				
Overseas CHAMPUS				
Inpatient Admissions				
Inpatient Relative Weighted Product (RWPs)				
Outpatient Visits				
Outpatient Relative Value Units (RVUs)				
Pharmacy – **Purchased Care**				
Retail:				
Number of Scripts				
Number of Users				
Mail Order:				
Number of Scripts				
Number of Users				

Exhibit PB-11B Medical Workload and Productivity Data (Continued)

DEFENSE HEALTH PROGRAM
Medical Workload and Productivity Data

	FY PY Actual	FY CY Estimate	FY BY Estimate	CY-BY Change
TRICARE Dental Program				
Enrollment - Single Plan				
Enrollement – Family Plan				
Enrollment - Survivor Single Plan				
Enrollment - Survivor Family Plan				

NOTE: TRICARE Dental Program reporting methodology changed for FY 2010 and is not comparable to previous submissions

Uniformed Services Family Health Plan				
Enrollees (Non-Medicare eligible DoD only)				
Enrollees (Medicare eligible DoD Only)				

VOLUME 2B, CHAPTER 13: "DEFENSE ENVIRONMENTAL RESTORATION"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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

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

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

The previous version dated June 2007 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
Overall	Formatting and room location changes.	Refresh
13-11	ENV 30 Part 2 added Land Sale Revenue	Addition
13-20	ENV 30 Part 2 added Land Sale Revenue	Addition

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CHAPTER 13

DEFENSE ENVIRONMENTAL RESTORATION

1301 GENERAL

130101. Purpose

A. This chapter provides instructions applicable to programming and budget formulation for the Department's combined Program and Budget Review and congressional justification for the Defense Environmental Restoration Program appropriations (including munitions related responses at Formerly Used Defense Sites and closed sites at active installations). Volume 2B, Chapter 7, cleanup activities funded by Base Realignment and Closing (BRAC) appropriations. The Departments Environmental Restoration programs must comply with all the requirements levied by the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA), the Superfund Amendments and Reauthorization Act (SARA), and the Resource Conservation and Recovery Act (RCRA) legislation. This chapter provides the programming, budgeting, and performance data necessary to respond to congressional concerns and OMB guidance to link the Department's budget for the Environmental Restoration accounts to the Department's cleanup performance goals as follows:

1. Reduce relative risk at 100% of high relative risk sites by end of FY 2007 for active installations and Formerly Used Defense Sites (FUDS).

2. Reduce relative risk at 100% of medium relative risk sites by end of FY 2011 for active installations and FUDS.

3. Reduce relative risk at 100% of low relative risk sites by end of FY 2014 for active installations (FY 2020 for FUDS).

4. Complete preliminary assessments or equivalent for 100% of all munitions response sites by end of 2007.

5. Complete site inspections or equivalent for 100% of all munitions response sites by the end of 2010.

B. The appropriations that finance the Defense Environmental Restoration Program include the following subsections:

Operation and Maintenance
Procurement
Military Construction

130102. Submission Requirements

General guidance with regard to submission requirements is presented in Chapter 1. Chapter 13 covers specific backup material requirements for the Defense

Environmental Restoration Program. The Deputy Under Secretary of Defense, Installations and Environment (DUSD(I&E)) of the USD (AT&L) is responsible for all submission requirements for this program (See Volume 2A, Chapter 1 of this regulation).

130103. Preparation of Material

General guidance with regard to format and preparation of material is presented in Chapter 1. Chapter 13 provides additional specific guidance with regard to the back-up material required for the Defense Environmental Restoration Program (See Volume 2A, Chapter 1 of this regulation).

130104. References

Chapter 1 provides general funding policies, Chapter 3 provides specific policies related to Operation and Maintenance costs, Chapter 4 provides specific policies related to Procurement appropriations, Chapter 5 provides specific policies related to RDT&E funding, and Chapter 6 provides specific policies related to Military Construction appropriations (See Volume 2A, Chapters 1,3 and Volume 2B, Chapters 4–6).

130105. Definitions

A. Program Management and Support. This sub-element identifies administrative and overhead expenses associated with the Defense Environmental Restoration Program, including civilian salaries.

B. Installation Restoration Program (IRP). This sub-element is a comprehensive program to identify, investigate, and cleanup contamination from hazardous substances and wastes resulting from past DoD activities on active installations and formerly-used DoD lands. This includes requirements incident to remedial action, both on-installation and off-installation (e.g., provision of permanent alternate potable water supplies to communities affected by groundwater contamination that resulted from DoD activity). Actions under this element may include:

1. Investigations to identify, confirm and quantify contamination; feasibility studies; remedial action plans and designs; and remedial or removal actions.

2. Research, development and technology demonstrations necessary to conduct cleanups.

3. Expenses associated with cooperative multi-party cleanup plans and activities.

4. Remedial actions to protect or restore natural resources damaged by contamination from past hazardous waste disposal activities.

5. Cleanup of low-level radioactive waste sites which meet the criteria of the CERCLA, as amended.

6. Remedial action construction costs.

7. Remedial action operations costs.

8. Costs of long-term management.

9. Immediate actions necessary to address health and safety concerns such as providing alternate water supplies or treatment of contaminated drinking water, when the hazard results from a release from DoD property.

10. CERCLA assessments necessary prior to accessing real property assets.

11. Proportion of RCRA permit preparation associated with solid waste management units which would meet the definition of a past disposal site under CERCLA, as amended.

C. Building Demolition and Debris Removal Program (BD/DR). This sub-element applies to both active installations and formerly-used DoD lands. The purpose of this sub-element is to plan and execute a comprehensive program to demolish and remove unsafe buildings and structures. Expenses incident to complete restoration, such as restoration of natural resources are included if such expenses are clearly and directly related to the demolition and debris removal. Demolition that is required as part of a new construction project is excluded. Actions under this element may include:

1. The demolition of buildings or the removal of debris that constitute a safety hazard on active installations.

2. The demolition of buildings or the removal of debris which constitute a safety hazard on lands formerly-used by the Department of Defense, provided such lands were transferred to state or local governments or native corporations.

D. Munitions Response: This sub-element captures DoD clearance and cleanup requirements to investigate and address the explosives safety, human health, or environmental risks presented by munitions and munitions constituents at formerly used defense sites and closed sites at active installations as well as BRAC installations. All DoD Components participating in the Environmental Restoration Program, including FUDS, shall program and budget for munitions response requirements. This sub-element does not include cleanup of active and inactive ranges at active installations. Munitions response at BRAC installations are in the BRAC account and funding will transfer to the appropriate Environmental Restoration account upon expiration of the BRAC account.

1302 PROGRAM AND BUDGET REVIEW SUBMISSION

130201. Purpose

This Section provides guidance for preparation and submission of program and budget estimates for the Defense Environmental Restoration Program. The budget estimate component consists of all operation and maintenance, procurement, and Military Construction resources that support the Defense Environmental Restoration Program. The Components should consult all of the other chapters for exhibit requirements that are not specifically addressed in this chapter including Chapter 19, Other Special Analyses.

130202. Submission Requirements

A. The Department will collect both POM and budget data through the Select & Native Programming Data Input System (SNaP) process. For Environmental Restoration appropriations, the PDR (Programming Data Requirements) will be collected in PDR exhibits ENV 30 Parts 1-3. In addition, the Military Departments and applicable Defense Agencies shall develop and submit to the Comptroller separate narrative justification material (including any program increases and decreases) for their respective programs as part of their Program and Budget Review Submission. The DUSD(I&E) is responsible for review, approval, and consolidation of the narrative justification material and ENV 30 Parts 1-3 for the Defense Agency submissions and the Army's submission (as the DoD Executive Agent) for the Formerly-Used Defense Sites. The diskette of installation level detail required by the DUSD(I&E) should be forwarded together with the Components' justification material to the OUSD (Comptroller) P/B Operations and Personnel Directorate, Room 3C710, Pentagon.

B. Two weeks prior to the above submissions, the Components must provide appropriate updates to the DUSD (I&E) data required by DoD Instruction 4715.7 for each site regarding status, schedule, and cost to complete. Data is required for incorporation into the DUSD(I&E) Project Management database.

C. The Components and DUSD(I&E) are also responsible for providing data to update the Comptroller Information System (CIS)) and the Future Year Defense Plan (FYDP) automated systems for the various Environmental Restoration appropriations as identified in Chapter 1 and for updating the OP-32 exhibit (Summary of Price and Program Change) identified in Chapter 3 (See Volume 2A, Chapters 1 and 3 of this regulation).

D. In addition to submitting the above items, the DUSD(I&E) is responsible for establishing policy for the Defense Environmental Restoration Program.

E. Examples of data collection exhibits, ENV 30 Parts 1-3, can be found in Section 1304 (See section 1304, below).

1303 CONGRESSIONAL JUSTIFICATION/PRESENTATION

130301. Purpose

This section presents the exhibit requirement for submission to the Congress.

130302. Submission Requirements

A. The Military Departments and applicable Defense Agencies will update the SNaP immediately upon completion of the Program Budget Decisions and budget lock by the Department. In addition, the Military Departments and applicable Defense Agencies shall provide the USD(Comptroller) with a revised narrative justification for their respective programs reflecting any changes from the program and budget review. The SNaP system will reformat the data into congressional justification exhibits, which can be printed out by the respective Components and included in their justification materials. The DUSD (I&E) is responsible for review, final approval, and consolidation of the congressional justification material and ENV 30 Budget Exhibits for the Defense Agencies submission and the Army's submission (as the DoD Executive Agent) for FUDS.

B. The Components must provide updates reflecting any changes from the program/budget review to the Deputy Under Secretary of Defense (I&E) data required by ***DoD Instruction 4715.7*** for each site regarding status, schedule, and cost to complete. Data is required for incorporation into the DUSD(I&E) Project Management database.

C. The diskette of installation level detail required by the DUSD(I&E) should be forwarded together with the Components' justification material to the OUSD (Comptroller) P/B Operations and Personnel Directorate, Room 3C710, Pentagon. Copy requirements are identified in Chapter 1 (See Volume 2A, Chapter 1 of this regulation).

D. The Components and DUSD(I&E) are also responsible for providing data to update the Future Year Defense Plan (FYDP) automated systems for the various Environmental Restoration appropriations as identified in Chapter 1 and for updating the OP-32 exhibit (Summary of Price and Program Change) identified in Chapter 3 (See Volume 2A, Chapters 1 and 3 of this regulation).

E. Examples of SNaP date entry sheets and all ENV 30 program and budget exhibits produced by SNaP are displayed below in paragraph 130402, Exhibits in Support of Defense Environmental Restoration.

1304 DEFENSE ENVIRONMENTAL RESTORATION PROGRAM SUBMISSION AND JUSTIFICATION FORMATS

130401. Purpose

The data entry sheets required for the SNaP system for all Environmental Restoration appropriations are included on the following pages. Additionally, examples of the ENV 30 exhibits produced by SNaP for congressional justification are provided.

130402. Data Entry Sheets and Exhibits in Support of Defense Environmental Restoration

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Env 30 Part 3 Performance Metrics 26

Env 30 Part 1 DERA and BRAC Funds Budgeted for Environmental Clean-Up

Env 30 Part 1 DERA and BRAC Funds Budgeted for Environmental Clean-Up Program Management and Support

Class	Component	FUDS	FundSource	ProgramManagementActivity	PY	CY	BY1	BY2	BY2+1	BY2+2	BY2+3

BY2+4	BalanceToComplete

Instructions

1) The new ENV 30 replaces the former ENV 30 DERA and ENV 1A/1B BRAC exhibits. Part 1 captures Program Management and Support activity funding.
2) For all Fund Source Programs provide baseline Total Obligated Authority (TOA) for all years identified and Balance to Complete by Program Management Activity.
3) Report baseline TOA in $Thousands by year for all funding lines.
4) Legacy BRAC includes rounds I through IV BRAC.
5) BRAC 2005 includes and separately identifies Environmental Costs associated with BRAC 2005.
6) Components shall program adequate resources in each year of the FYDP to achieve the program goals for all restoration activities.
7) Components shall provide to the DUSD (I&E) (no later than two weeks before their POM and budget submissions) the updated relative risk site evaluations.
8) The Military Departments must ensure their POM and budget submission contains sufficient funding to update the annual Range Inventory requirements established in Section 311 2710(a) of the FY 2002 National Defense Authorization Act and as specified in the DUSD(I&E) DERP Management Guidance issued in September of 2001.
9) If needed, be prepared to provide a narrative in a Word document that describes for the ATSDR funding the number of health assessments and health studies planned each year; and for the DSMOA funding the number of installations and total DERA or BRAC dollars by state planned for each year.
10) Fund SourcePrograms of BRAC-IRP and BRAC-Munitions Response apply to all listed Program Management activities.
11) Fund SourcePrograms of Environmental Restoration-IRP and Environmental Restoration-Munitions Response apply to all listed Program Management activities except EPA.
12) The reporting entities (Services/Agencies) directed to submit this data requirement. Refers to Military Departments, DLA and DTRA .11) See Appendix A for reporting requirements for your organization.

Definitions

Class: System Field: Classification
C: CONFIDENTIAL
C/NF: CONFIDENTIAL//NOFORN
F: FOR OFFICIAL USE ONLY
S: SECRET
S/NF: SECRET//NOFORN
U: UNCLASSIFIED

Env 30 Part 1 DERA and BRAC Funds Budgeted for Environmental Clean-Up (Continued)

Component: For the Military Departments report by Active, Guard and Reserve. Defense Agencies choose Defense Agency.

Active:

DADW: Defense Area Defense Wide. Used by non-service defense agencies.

Guard:

Reserve:

FUDS: Army will use this field to identify the Formerly Used Defense Sites (FUDS) data by selecting a 'Yes' or 'No' value. All other Services/Agencies will enter 'No' as the FUDS data value.

No:

Yes:

FundSource:

BRAC-IRP: Funded by Base Realignment and Closure environmental sub-accounts within the MILCON appropriation. Covers the Hazardous and Petroleum Waste project management. Separate entries are required for Legacy BRAC and BRAC 2005.

BRAC-Munitions Response: Funded by Base Realignment and Closure environmental sub-accounts within the MILCON appropriation. Clean up activities (i.e., the identification, investigation, and removal actions, remedial actions, or a combination of removal and remedial actions) to address military munitions (i.e., UXO) or the chemical residues of munitions at BRAC installations. Separate entries are required for Legacy BRAC and BRAC 2005.

Environmental Restoration-IRP: Funded by Environmental Restoration appropriations. Covers the Hazardous and Petroleum Waste project management.

Environmental Restoration-Munitions Response: Funded by Environmental Restoration appropriations. Clean up activities (i.e., the identification, investigation, and removal actions, remedial actions, or a combination of removal and remedial actions) to address military munitions (i.e., UXO) or the chemical residues of munitions at FUDS properties, or on closed munitions response sites at active installations.

ProgramManagementActivity:

ATSDR: $TOA captures funding requirements for the Agency for Toxic Substance and Disease Registry

DSMOA: $TOA captures funding requirements for Defense and State Memorandum of Agreement

EPA Funding: $TOA captures BRAC requirements for payments to the Environmental Protection Agency (EPA) for support per memorandum of understanding with EPA..

Fines: $TOA captures known or planned fines through the budget year. Components must fully fund programs to ensure no fines are routinely planned in the outyears

Management: $TOA overhead expenses (except workyears) associated with Program Management and Support as identified in the DUSD(I&E) DERP Management Guidance issued in September of 2001.

Work Years: $TOA government salaries/benefits associated with Program Management and Support in accordance with the President's Fast Track Initiative.

BalanceToComplete: Total Funding beyond the FYDP required to complete the activity.

Business Rules

1) Provide data entry rules in accordance with relationship matrices.

Data Matrix: Fund Source, Program Management Activity Relationship

Fund Source	Program Management Activity
Environmental Restoration-IRP	Management
	Work Years
	ATSDR
	DSMOA
	Fines
Environmental Restoration-Munitions Response	Management
	Work Years
	ATSDR
	DSMOA
	Fines
Legacy BRAC-IRP	EPA Funding
	Management
	Work Years
	ATSDR
	DSMOA
	Fines
Legacy BRAC-Munitions Response	EPA Funding
	Management
	Work Years
	ATSDR
	DSMOA
	Fines
BRAC 2005-IRP	Management
	Work Years
	ATSDR
	DSMOA
	Fines
BRAC 2005-Munitions Response	Management
	Work Years
	ATSDR
	DSMOA
	Fines

***Subject Matter Experts*:** Questions regarding this data requirement should be directed to Shah Choudhury 703-571-9067 and Bob Furlong 703-571-9073.

***Technical Issues*:** If you are having difficulty with the data collection system—SNaP, contact the SNaP administrators via the SIRS button at the SNaP web site: https://snap.pae.osd.mil or call (703) 601-4860 ext #107 or #108.

Env 30 Part 2 DERA and BRAC Funds Budgeted for Environmental Clean-Up

Env 30 Part 2 DERA and BRAC Funds Budgeted for Environmental Clean-Up Project Management

Class	Component	FUDS	FundSource	CleanUpAction	RiskMSRPPLevel	RiskMSRPPType	SiteFundingRequirements	PY	CY

BY1	BY2	BY2+1	BY2+2	BY2+3	BY2+4	BalanceToComplete

Instructions

1) The new ENV 30 replaces the former ENV 30 DERA and ENV 1A/1B BRAC exhibits. Part 2 captures Project Management activity breakouts for IRP, Munitions Response, BD/DR, BRAC Compliance, and BRAC Planning. Legacy BRAC includes BRAC rounds I-IV, and there is a separate format required for BRAC 2005.
2) For all Fund Sources, all Clean-Up Programs provide number of sites and funding by Clean-Up and Analysis in all years identified and Balance to Complete. See Relationship Matrix below. For BRAC Planning and BRAC Compliance, provide number of facilities in lieu of sites.
3) Only the Army reports FUDS.
4) For Clean-up Action—for Assessments, Analysis/Investigation, Interim Actions, Remedial Designs, and Remedial Action Construction provide the funding detail by Relative-Risk or MRSPP Level and Type.
5) If there is no analysis associated with an action, report funding only.
6) Components shall program adequate resources in each year of the FYDP to achieve the programs goals for all restoration activities.
7) Military Departments and applicable Defense Agencies shall develop and submit to the Comptroller separate narrative justification material (including any program increases and decreases) for their respective programs as part of their Program and Budget Review submission.
8) Components shall provide to the DUSD (I&E) no later than two weeks before their POM and budget submissions are due to OSD, the updated relative risk site evaluations, site status updates and cost to complete estimates for every site as required by DoD Instruction 4715.7.
9) The reporting entities directed to submit this data requirement refers to Military Departments (Active, Guard, Reserve)/Defense Agencies.

Definitions

Class: System Field: Classification
- ***C***: CONFIDENTIAL
- ***C/NF***: CONFIDENTIAL//NOFORN
- ***F***: FOR OFFICIAL USE ONLY
- ***S***: SECRET
- ***S/NF***: SECRET//NOFORN
- ***U***: UNCLASSIFIED

Component: For the Military Departments report by Active, Guard and Reserve. Defense Agencies choose Defense Agency. Army also reports for FUDS.
- ***Active***:
- ***DADW***: Defense Area Defense Wide. Used by non-service defense agencies.
- ***Guard***:
- ***Reserve***:

Env 30 Part 2 DERA and BRAC Funds Budgeted for Environmental Clean-Up Project Management (Continued)

FUDS: Army will use this field to identify the Formerly Used Defense Sites (FUDS) data by selecting a "Yes" or "No" value. All other Services/Agencies will enter "No" as the FUDS data value

No:

Yes:

FundSource:

BRAC-Building Demolition/Debris Removal: Funded by Base Realignment and Closure environmental sub-accounts within the MILCON appropriation. The demolition and removal of unsafe buildings and structures in accordance with DERP Management Guidance at facilities or sites that are or were owned by, leased to, or otherwise possessed by the United States under the jurisdiction of the Secretary of Defense. Separate entries are required for Legacy BRAC and BRAC 2005.

BRAC-COMPLIANCE: Funded by Base Realignment and Closure environmental sub-accounts within the MILCON appropriation. See DoD Instruction 4715.6. Separate entries are required for Legacy BRAC and BRAC 2005

BRAC-IRP: Funded by Base Realignment and Closure environmental sub-accounts within the MILCON appropriation. Covers the Hazardous and Petroleum Waste project management. Separate entries are required for Legacy BRAC and BRAC 2005

BRAC-Munitions Response: Funded by Base Realignment and Closure environmental sub-accounts within the MILCON appropriation. Clean up activities (i.e., the identification, investigation, and removal actions, remedial actions, or a combination of removal and remedial actions) to address military munitions (i.e., UXO) or the chemical residues of munitions at BRAC installations. Separate entries are required for Legacy BRAC and BRAC 2005

BRAC-PLANNING: Funded by Base Realignment and Closure environmental sub-accounts within the MILCON appropriation. See DoD Instruction 4715.9. Separate entries are required for Legacy BRAC and BRAC 2005

Environmental Restoration-Building Demolition/Debris Removal: Funded by Environmental Restoration appropriations. The demolition and removal of unsafe buildings and structures in accordance with DERP Management Guidance at facilities or sites that are or were owned by, leased to, or otherwise possessed by the United States under the jurisdiction of the Secretary of Defense.

Environmental Restoration-IRP: Funded by Environmental Restoration appropriations. Covers the Hazardous and Petroleum Waste project management.

Environmental Restoration-Munitions Response: Funded by Environmental Restoration appropriations. Clean up activities (i.e., the identification, investigation, and removal actions, remedial actions, or a combination of removal and remedial actions) to address military munitions (i.e., UXO) or the chemical residues of munitions at FUDS properties, or on closed munitions response sites at active installations.

Land Sale Revenue: A one line entry for Legacy BRAC and BRAC 2005 to indicate how much land sale revenue will be applied to Environmental Requirements.

CleanUpAction:

Analysis/Investigation: Analysis used to characterize the nature, extent, and risk of releases of hazardous substances into the environment and to develop and select a cleanup remedy.

Assessments: A limited scope investigation designed to distinguish sites that pose little or no threat to human health and the environment from sites that require further investigation. The assessment typically is based on installation records searches, visual site inspections, and interviews with personnel.

Interim Actions: An interim measure that can be implemented at any time in the restoration process and that is designed to abate contamination until the final remedial action can be implemented.

Land Sale Revenue: Term used to identify funds recovered from the sale of real property used to offset restoration funding requirements.

Long Term Management: Term used for environmental monitoring, review of site conditions, and/or maintenance of a remedial action to ensure continued protection as designed once a site achieves response complete.

N/A: Not applicable; leave blank.

No Further Action: No further action planned or funded.

Potentially Responsible Party: (PRP)-As defined in the Comprehensive Environmental Response Compensation and Liability Act(CERCLA) Recovery-Pursuant to 10USC Section 2703(d)(1) and (2) Components are authorized to credit their environmental restoration account with amounts recovered pursuant to CERCLA for response costs at DERP sites.

Recovery: Pursuant to 10USC Section 2703(d)(1) and (2) Components are authorized to credit their environmental restoration account with amounts recovered pursuant to CERCLA for response costs at DERP sites.

Remedial Action Construction: The restoration phases during which the final remedy is being put in place. The end date signifies that the construction is complete, all testing has been accomplished, and that the remedy will function properly.

Remedial Action Operations: Remedial Action Operations (RAO) - The period when a remedy is being operated but cleanup objectives have not yet been achieved.

Remedial Designs: Restoration phases during which construction parameters and equipment specifications for a selected cleanup technology are defined.

RiskMSRPPLevel: Risk Level as defined to the DoD Relative Risk Site Evaluation Primer or Munitions Response Site Prioritization Protocol (MRSPP) priority level.

High Relative Risk: As defined in the DoD Relative Risk Site Evaluation Primer.

Low Relative Risk: As defined in the DoD Relative Risk Site Evaluation Primer.

Medium Relative Risk: As defined in the DoD Relative Risk Site Evaluation Primer.

MRSPP 1: As defined in the MRSPP Final Rule, Part 179.6, Federal Register Vol. 70, No. 192

MRSPP 2: As defined in the MRSPP Final Rule, Part 179.6, Federal Register Vol. 70, No. 192

MRSPP 3: As defined in the MRSPP Final Rule, Part 179.6, Federal Register Vol. 70, No. 192

MRSPP 4: As defined in the MRSPP Final Rule, Part 179.6, Federal Register Vol. 70, No. 192
MRSPP 5: As defined in the MRSPP Final Rule, Part 179.6, Federal Register Vol. 70, No. 192
MRSPP 6: As defined in the MRSPP Final Rule, Part 179.6, Federal Register Vol. 70, No. 192
MRSPP 7: As defined in the MRSPP Final Rule, Part 179.6, Federal Register Vol. 70, No. 192
MRSPP 8: As defined in the MRSPP Final Rule, Part 179.6, Federal Register Vol. 70, No. 192
MRSPP Evaluation Pending: As defined in the MRSPP Final Rule, Part 179.6, Federal Register Vol. 70, No. 192
MRSPP No Known or Suspected Hazard: As defined in the MRSPP Final Rule, Part 179.6, Federal Register Vol. 70, No. 192
MRSPP No Longer Required: As defined in the MRSPP Final Rule, Part 179.6, Federal Register Vol. 70, No. 192
N/A: N/A
N/A: Not applicable; leave blank.
Not Evaluated Relative Risk: As defined in the DoD Relative Risk Site Evaluation Primer.

RiskMSRPPType:
N/A: Not applicable; leave blank.
With Agreements:
With Reuse: Action is necessary to support a future land use identified in an approved Reuse Plan.
Without Agreements:
Without Reuse: Future land reuse either has not been identified or the action is not necessary to support a future land use identified in an approved Reuse Plan.

SiteFundingRequirements:
Analysis: $TOA (and includes PA/SI and RI/FS activities)
Clean-up: $TOA (includes IRA, RD, and RA-C activities)
Sites: # of sites (projects for FUDS) at the beginning of the FY.

BalanceToComplete: Balance to Complete: Total Funding beyond required to complete the projected.

Business Rules

Data Matrix: FundSource, CleanUpAction, RiskMSRPPLevel, RiskMSRPPType Relationship

FundSource	CleanUpAction	RiskMSRPPLevel	RiskMSRPPType
Environmental Restoration-IRP	Analysis/Investigation	High Relative Risk	N/A
			With Agreements
			Without Agreements
		Medium Relative Risk	N/A
			With Agreements
			Without Agreements
		Low Relative Risk	N/A
			With Agreements
			Without Agreements
		Not Evaluated Relative Risk	N/A
			With Agreements
			Without Agreements
		N/A	N/A
			With Agreements
			Without Agreements
	Assessments	High Relative Risk	N/A
			With Agreements
			Without Agreements
		Medium Relative Risk	N/A
			With Agreements
			Without Agreements
		Low Relative Risk	N/A
			With Agreements
			Without Agreements
		Not Evaluated Relative Risk	N/A
			With Agreements
			Without Agreements
		N/A	N/A
			With Agreements
			Without Agreements
	Interim Actions	High Relative Risk	N/A
			With Agreements
			Without Agreements
		Medium Relative Risk	N/A
			With Agreements
			Without Agreements
		Low Relative Risk	N/A
			With Agreements
			Without Agreements
		Not Evaluated Relative Risk	N/A
			With Agreements
			Without Agreements
		N/A	N/A

FundSource	CleanUpAction	RiskMSRPPLevel	RiskMSRPPType
			With Agreements
			Without Agreements
	Land Sale Revenue		N/A
			With Agreements
			Without Agreements
	Long Term Management		N/A
			With Agreements
			Without Agreements
	Potentially Responsible Party	High Relative Risk	N/A
			With Agreements
			Without Agreements
		Medium Relative Risk	N/A
			With Agreements
			Without Agreements
		Low Relative Risk	N/A
			With Agreements
			Without Agreements
		Not Evaluated Relative Risk	N/A
			With Agreements
			Without Agreements
		N/A	N/A
			With Agreements
			Without Agreements
	Recovery	High Relative Risk	N/A
			With Agreements
			Without Agreements
		Medium Relative Risk	N/A
			With Agreements
			Without Agreements
		Low Relative Risk	N/A
			With Agreements
			Without Agreements
		Not Evaluated Relative Risk	N/A
			With Agreements
			Without Agreements
		N/A	N/A
			With Agreements
			Without Agreements
	Remedial Action Construction	High Relative Risk	N/A
			With Agreements
			Without Agreements
		Medium Relative Risk	N/A
			With Agreements
			Without Agreements
		Low Relative Risk	N/A

FundSource	CleanUpAction	RiskMSRPPLevel	RiskMSRPPType
			With Agreements
			Without Agreements
		Not Evaluated Relative Risk	N/A
			With Agreements
			Without Agreements
		N/A	N/A
			With Agreements
			Without Agreements
	Remedial Action Operations		N/A
			With Agreements
			Without Agreements
	Remedial Designs	High Relative Risk	N/A
			With Agreements
			Without Agreements
		Medium Relative Risk	N/A
			With Agreements
			Without Agreements
		Low Relative Risk	N/A
			With Agreements
			Without Agreements
		Not Evaluated Relative Risk	N/A
			With Agreements
			Without Agreements
		N/A	N/A
			With Agreements
			Without Agreements
Environmental Restoration-Munitions Response	Analysis/Investigation	MRSPP 1	N/A
		MRSPP 2	
		MRSPP 3	
		MRSPP 4	
		MRSPP 6	
		MRSPP 7	
		MRSPP 8	
		MRSPP Evaluation Pending	
		MRSPP No Known or Suspected Hazard	
		MRSPP No Longer Required	
		MRSPP 5	
	Assessments	MRSPP 1	
		MRSPP 2	
		MRSPP 3	
		MRSPP 4	
		MRSPP 6	
		MRSPP 7	
		MRSPP 8	

FundSource	CleanUpAction	RiskMSRPPLevel	RiskMSRPPType
		MRSPP Evaluation Pending	
		MRSPP No Known or Suspected Hazard	
		MRSPP No Longer Required	
		MRSPP 5	
	Interim Actions	MRSPP 1	
		MRSPP 2	
		MRSPP 3	
		MRSPP 4	
		MRSPP 6	
		MRSPP 7	
		MRSPP 8	
		MRSPP Evaluation Pending	
		MRSPP No Known or Suspected Hazard	
		MRSPP No Longer Required	
		MRSPP 5	
	Long Term Management	MRSPP 1	
		MRSPP 2	
		MRSPP 3	
		MRSPP 4	
		MRSPP 6	
		MRSPP 7	
		MRSPP 8	
		MRSPP Evaluation Pending	
		MRSPP No Known or Suspected Hazard	
		MRSPP No Longer Required	
		MRSPP 5	
	No Further Action	MRSPP 1	
		MRSPP 2	
		MRSPP 3	
		MRSPP 4	
		MRSPP 6	
		MRSPP 7	
		MRSPP 8	
		MRSPP Evaluation Pending	
		MRSPP No Known or Suspected Hazard	
		MRSPP No Longer Required	
	Potentially Responsible Party	MRSPP 1	
		MRSPP 2	
		MRSPP 3	
		MRSPP 4	
		MRSPP 6	
		MRSPP 7	
		MRSPP 8	
		MRSPP Evaluation Pending	

FundSource	CleanUpAction	RiskMSRPPLevel	RiskMSRPPType
		MRSPP No Known or Suspected Hazard	
		MRSPP No Longer Required	
		MRSPP 5	
	Recovery	MRSPP 1	
		MRSPP 2	
		MRSPP 3	
		MRSPP 4	
		MRSPP 6	
		MRSPP 7	
		MRSPP 8	
		MRSPP Evaluation Pending	
		MRSPP No Known or Suspected Hazard	
		MRSPP No Longer Required	
		MRSPP 5	
	Remedial Action Construction	MRSPP 1	
		MRSPP 2	
		MRSPP 3	
		MRSPP 4	
		MRSPP 6	
		MRSPP 7	
		MRSPP 8	
		MRSPP Evaluation Pending	
		MRSPP No Known or Suspected Hazard	
		MRSPP No Longer Required	
		MRSPP 5	
	Remedial Action Operations	MRSPP 1	
		MRSPP 2	
		MRSPP 3	
		MRSPP 4	
		MRSPP 6	
		MRSPP 7	
		MRSPP 8	
		MRSPP Evaluation Pending	
		MRSPP No Known or Suspected Hazard	
		MRSPP No Longer Required	
		MRSPP 5	
	Remedial Designs	MRSPP 1	
		MRSPP 2	
		MRSPP 3	
		MRSPP 4	
		MRSPP 6	
		MRSPP 7	
		MRSPP 8	
		MRSPP Evaluation Pending	
		MRSPP No Known or Suspected Hazard	

FundSource	CleanUpAction	RiskMSRPPLevel	RiskMSRPPType
		MRSPP No Longer Required	
		MRSPP 5	
Environmental Restoration-Building Demolition/Debris Removal	N/A	N/A	
Legacy BRAC-IRP	Analysis/Investigation	High Relative Risk	
		Medium Relative Risk	
		Low Relative Risk	
		Not Evaluated Relative Risk	
	Assessments	High Relative Risk	
		Medium Relative Risk	
		Low Relative Risk	
		Not Evaluated Relative Risk	
	Interim Actions	High Relative Risk	
		Medium Relative Risk	
		Low Relative Risk	
		Not Evaluated Relative Risk	
	Long Term Management	N/A	
	Potentially Responsible Party	High Relative Risk	

FundSource	CleanUpAction	RiskMSRPPLevel	RiskMSRPPType
		Medium Relative Risk	
		Low Relative Risk	
		Not Evaluated Relative Risk	
	Recovery	High Relative Risk	
		Medium Relative Risk	
		Low Relative Risk	
		Not Evaluated Relative Risk	
	Remedial Action Construction	High Relative Risk	
		Medium Relative Risk	
		Low Relative Risk	
		Not Evaluated Relative Risk	
	Remedial Action Operations	N/A	
	Remedial Designs	High Relative Risk	
		Medium Relative Risk	
		Low Relative Risk	

FundSource	CleanUpAction	RiskMSRPPLevel	RiskMSRPPType
		Not Evaluated Relative Risk	
Legacy BRAC-Building Demolition/Debris Removal	N/A	N/A	N/A
Legacy BRAC-PLANNING			
Legacy BRAC-COMPLIANCE			
Legacy BRAC Land Sale Revenue			
BRAC 2005-IRP	Analysis/Investigation	High Relative Risk	
		Medium Relative Risk	
		Low Relative Risk	
		Not Evaluated Relative Risk	
	Assessments	High Relative Risk	
		Medium Relative Risk	
		Low Relative Risk	
		Not Evaluated Relative Risk	
	Interim Actions	High Relative Risk	
		Medium Relative Risk	
		Low Relative Risk	
		Not Evaluated Relative Risk	

FundSource	CleanUpAction	RiskMSRPPLevel	RiskMSRPPType
	Long Term Management	N/A	
	Potentially Responsible Party	High Relative Risk	
		Medium Relative Risk	
		Low Relative Risk	
		Not Evaluated Relative Risk	
	Recovery	High Relative Risk	
		Medium Relative Risk	
		Low Relative Risk	
		Not Evaluated Relative Risk	
	Remedial Action Construction	High Relative Risk	
		Medium Relative Risk	
		Low Relative Risk	
		Not Evaluated Relative Risk	
	Remedial Action Operations	N/A	
	Remedial Designs	High Relative Risk	
		Medium Relative Risk	

FundSource	CleanUpAction	RiskMSRPPLevel	RiskMSRPPType
		Low Relative Risk	
		Not Evaluated Relative Risk	
BRAC 2005-Building Demolition/Debris Removal	N/A	N/A	N/A
BRAC 2005-PLANNING			
BRAC 2005-COMPLIANCE			

***Subject Matter Experts*:** Questions regarding this data requirement should be directed to Shah Choudhury 703-571-9067 and Bob Furlong 703-571-9073.

***Technical Issues*:** If you are having difficulty with the data collection system—SNaP, contact the SNaP administrators via the SIRS button at the SNaP web site: https://snap.pae.osd.mil or call (703) 601-4860 ext #107 or #108.

Env 30 Part 3 Performance Metrics

Class	Component	FUDS	FundSource	SitesInstallations	RelativeRiskLevelIRPPhaseMR	SitesPriorTo2005SitesPriorTo2006	PY	CY	BY1	BY2

BY2+1	BY2 +2	BY2 +3	BY2 +4

Instructions

1) Provide total number of Legacy BRAC, BRAC 2005, and DERA IRP sites and the number of sites that will be cleaned up.
2) Provide the total number of Legacy BRAC installations and total number of Legacy BRAC installations that will be cleaned up. Separately entries are required for Legacy BRAC and BRAC 2005.
3) Provide the total number of BRAC V installations and total number of BRAC V installations that will be cleaned up.
4) Report DERA IRP sites by relative risk level--high, medium and low.
5) Provide narrative in a word document in SNaP explaining why the percent of sites cleaned up reported above misses established goal.
6) Provide the total number of DERA munitions response (MR) sites completing a preliminary assessment.
7) Provide the total number of DERA MR sites completing a site inspection.
8) Provide the total number of DERA MR sites.
9) Provide the total number of DERA MR sites cleaned up.
10) Provide the total number of Legacy BRAC MR sites cleaned up.
11) Provide the total number of Legacy BRAC MR sites.
12) Provide the total number of BRAC 2005 MR sites cleaned up.
13) Provide the total number of BRAC 2005 MR sites.
14) DERA IRP Goal: 50% of High Sites by the end of FY 2002; 100% of High Sites by the end of FY 2007; 100% of Medium Sites by the end of FY 2011; 100% of Low Sites by the end of FY 2014.
15) Legacy BRAC IRP Goal: 100% Sites RIP/RC by end of FY2015.
16) BRAC 2005 IRP Goal: 100% Sites RIP/RC by end of FY2010.
17) DERA MMRP Goal: 100% Sites completed PA or equivalent by end of FY 2007; 100% Sites completed SI or equivalent by end of FY 20010; 100% Sites at RIP/RC by end of FY TBD.

Env 30 Part 3 Performance Metrics (Continued)

18) Legacy BRAC MMRP Goal: 100% Sites RIP/RC by end of FY 2009.
19) BRAC 2005 MMRP Goal: 100% Sites RIP/RC by end of FY2010.
20) The reporting entities directed to submit this data requirement. Refers to Military Departments (Active, Guard, Reserve)/Defense Agencies

Definitions

Class: System Field: Classification
- ***C***: CONFIDENTIAL
- ***C/NF***: CONFIDENTIAL//NOFORN
- ***F***: FOR OFFICIAL USE ONLY
- ***S***: SECRET
- ***S/NF***: SECRET//NOFORN
- ***U***: UNCLASSIFIED

Component: Identifies the duty status for military service units and defense agencies.
- ***Active***:
- ***DADW***: Defense Area Defense Wide. Used by non-service defense agencies.
- ***Guard***:
- ***Reserve***:

FUDS: Army will use the this field to identify the Formerly Used Defense Sites (FUDS) data by selecting a 'Yes' or 'No' value. All other Services/Agencies will enter 'No' as the FUDS data value.
- ***No***:
- ***Yes***:

FundSource:
- ***Legacy BRAC***: Funded by Base Realignment and Closure environmental sub-accounts I-IV within the MILCON appropriation.
- ***BRAC 2005*** : Funded by Base Realignment and Closure environmental sub-accounts for BRAC 2005 within the MILCON appropriation
- ***DERA***: Funded by Environmental Restoration appropriations.

Env 30 Part 3 Performance Metrics (Continued)

SitesInstallations:

Number of DERA IRP Sites Cleaned Up: Provide the number of sites by risk level planned to be cleaned up in year specified.
Number of DERA MR Sites with Phase Completion: Provide the number of sites having their associated phase completed in year specified.
Total Number of Legacy BRAC Installations: Provide the total number of Legacy BRAC installations in the year specified.
Total Number of BRAC 2005 Installations: Provide the total number of BRAC 2005 installations in the year specified.
Total Number of BRAC Installations Cleaned Up: Provide the total number of Legacy BRAC installations in the year specified.
Total Number of BRAC Installations Cleaned Up: Provide the total number of BRAC 2005 installations in the year specified.
Total Number of Legacy BRAC IRP Sites: Provide the total number of Legacy BRAC IRP sites in the year specified.
Total Number of BRAC 2005 IRP Sites: Provide the total number of BRAC 2005 IRP sites in the year specified.
Total Number of Legacy BRAC IRP Sites Cleaned Up: Provide the number of Legacy BRAC IRP sites planned to be cleaned up in year specified
Total Number of BRAC 2005 IRP Sites Cleaned Up: Provide the number of BRAC 2005 IRP sites planned to be cleaned up in year specified
Total Number of Legacy BRAC MR Sites: Provide the total number of Legacy BRAC sites in the year specified.
Total Number of BRAC 2005 MR Sites: Provide the total number of BRAC 2005 sites in the year specified.
Total Number of Legacy BRAC MR Sites Cleaned Up: Provide the number of Legacy BRAC MR sites to be cleaned up in year specified.
Total Number of BRAC 2005 MR Sites Cleaned Up: Provide the number of BRAC 2005 MR sites to be cleaned up in year specified.
Total Number of DERA IRP Sites: Provide the total number of sites by risk level in year specified.
Total Number of DERA MR Sites: Provide the total number of sites in the year specified.
Total Number of DERA MR Sites Cleaned Up: Provide the number of DERA MR sites to be cleaned up in the year specified.

RelativeRiskLevelIRPPhaseMR: Identify relative risk associated with IRP sites/installations and identify phase completions for MR sites completing a CERCLA preliminary assessment (PA) or equivalent and/or phase completions for MR sites completing a CERCLA site inspection (SI) or equivalent.

High Relative Risk: As defined in the DoD Relative Risk Site Evaluation Primer.
Low Relative Risk: As defined in the DoD Relative Risk Site Evaluation Primer.

Medium Relative Risk: As defined in the DoD Relative Risk Site Evaluation Primer.
N/A: Not applicable; leave blank.
Preliminary Assessment: A review of existing information to determine if a release may require additional investigation or action.
Site Inspection: An on-site investigation to determine whether there is a release or potential release.

SitesPriorTo2006: Provide the cumulative total of all sites prior to 2006 by appropriate metric category (e.g., relative-risk lever, phase completion, sites cleaned up).

Business Rules

1) *All input values will have a default value of 0.*
2) *Total Number of IRP Sites, Total Number of DERA MR Sites, Total Number of BRAC IRP Sites, and Total Number of BRAC IRP Installations will only allow input value of 0 in all years past the Current Year to denote that the Installation and Site inventory growth are not projected in SNaP*

Data Matrix: Fund Source, Sites Installations, Relative Risk Level IRP Phase MR Relationship

Fund Source	Sites Installations	Relative Risk Level IRP Phase MR
DERA	Number of DERA IRP Sites Cleaned Up	High Relative Risk
		Medium Relative Risk
		Low Relative Risk
	Total Number of DERA IRP Sites	High Relative Risk
		Medium Relative Risk
		Low Relative Risk
	Number of DERA MR Sites with Phase Completion	Preliminary Assessment
		Site Inspection
	Total Number of DERA MR Sites	N/A
	Total Number of DERA MR Sites Cleaned Up	
Legacy BRAC	Total Number of BRAC IRP Sites Cleaned Up	
	Total Number of BRAC IRP Sites	
	Total Number of BRAC Installations Cleaned Up	
	Total Number of BRAC MR Sites Cleaned Up	
	Total Number of BRAC MR Sites	
	Total Number of BRAC Installations	
BRAC 2005	Total Number of BRAC IRP Sites Cleaned Up	
	Total Number of BRAC IRP Sites	
	Total Number of BRAC Installations Cleaned Up	
	Total Number of BRAC MR Sites Cleaned Up	
	Total Number of BRAC MR Sites	
	Total Number of BRAC Installations	

***Subject Matter Experts*:** Questions regarding this data requirement should be directed to Shah Choudhury 703-571-9067 and Bob Furlong 703-571-9073.

***Technical Issues*:** If you are having difficulty with the data collection system—SNaP, contact the SNaP administrators via the SIRS button at the SNaP web site: https://snap.pae.osd.mil or call (703) 601-4860 ext #107 or #108.

VOLUME 2B, CHAPTER 14: "DRUG INTERDICTION AND COUNTER-DRUG ACTIVITIES"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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

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

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

The previous version dated June 2007 is archived.

PARA	EXPLANATION OF CHANGE/REVISION	PURPOSE
Overall	Date refresh, room number change, and deletion of biennial budget requirements (BY1/BY2).	Refresh

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CHAPTER 14

DRUG INTERDICTION AND COUNTER-DRUG ACTIVITIES

1401 GENERAL

140101. Purpose

A. This chapter provides instructions applicable to budget formulation and congressional justification for Drug Interdiction and Counter-drug Activities.

B. The following accounts are covered as subsections of the Drug Interdiction and Counter-drug Activities, Defense appropriation:

Military Personnel

Operation and Maintenance

Procurement

Research, Development, Test, and Evaluation (RDT&E)

140102. Submission Requirements.

General guidance with regard to submission requirements is presented in Chapter 1 (See Volume 2A, Chapter 1). Chapter 14 covers specific backup material requirements for the Drug Interdiction and Counter-drug Activities program. The Office of the Deputy Assistant Secretary of Defense (Counternarcotics, Counterproliferation, and Global Threats) (ODASD(CN,CP&GT)) is responsible for all submission requirements for this program. The Components are responsible for providing all needed input to ODASD(CN,CP&GT) consistent with the submission requirements and due dates established by ODASD(CN,CP&GT).

140103. Preparation of Material.

General guidance with regard to format and preparation of material is presented in Chapter 1 (See Volume 2A, Chapter 1). Chapter 14 provides additional specific guidance with regard to the back-up materials required for the Drug Interdiction and Counter-drug Activities program.

140104. References.

Chapter 1 provides general funding policies. Chapter 2 provides specific policies and formats for the Military Personnel appropriations. Chapter 3 provides specific policies and formats related to Operation and Maintenance costs. Chapter 4 provides specific policies and formats related to Procurement appropriations. Chapter 5 provides specific policies and formats related to RDT&E funding. Chapter 16 provides specific instructions applicable to budget

formulation, implementation, and congressional justification for intelligence program aggregations, and is applicable to the Defense Intelligence Counternarcotics Program (DICP) of the Military Intelligence Program (MIP) aggregation. (See Volume 2A, Chapters 1-3 and Volume 2B Chapters 4-6 and 16).

1402 PROGRAM AND BUDGET REVIEW SUBMISSION

140201. Purpose

This section provides guidance for preparation and submission of program and budget estimates for the Drug Interdiction and Counter-drug Activities program. The program and budget review submission consists of all Reserve/National Guard military personnel, operation and maintenance, procurement, and RDT&E resources that support the Drug Interdiction and Counter-drug Activities Program.

140202. Submission Requirements

A. The Office of the Deputy Assistant Secretary of Defense (Counternarcotics, Counterproliferation, and Global Threats) (ODASD(CN,CP&GT)) is responsible for submitting all exhibits required to support military personnel, operation and maintenance, procurement, and RDT&E requirements as specified in this Chapter to the OUSD (Comptroller) Operations Directorate, Room 3C749 for the OSD program and budget review submission. This includes the various exhibits for the Drug Interdiction and Counter-drug Activities program found below in Section 1404 of this chapter, as well as other exhibits identified below but contained in Chapters 2 through 6 and the Program and Financing (P&F) Schedule requirements identified in Chapter 1. The ODASD(CN,CP&GT) is also responsible for providing data to update the Comptroller Information System (CIS) and the Future Years Defense Plan (FYDP) automated systems for the Drug Interdiction and Counter-drug Activities appropriation, as identified in Chapter 1. The ODASD(CN,CP&GT) should check all of the chapters of this regulation for exhibit requirements, especially ***Chapter 19*** – Special Analyses. (See Volume 2A for Chapters 1-3 and Volume 2B for Chapters 4-6 and 19).

B. The DoD counternarcotics program will be financed in a central transfer account (CTA). However, the OSD program and budget review submission will reflect the actual or planned distribution of counternarcotics funds by appropriation. The following exhibits are required for the OSD program and budget review submission.

Drug Interdiction and Counter-drug Activities Unique Exhibits

PB-57 Summary of Drug Interdiction and Counter-drug Activities (Chapter 14)
PB-44 Drug Interdiction and Counter-drug Appropriation Summary (Chapter 14)
PB-45 Drug Interdiction and Counter-drug Summary by Project Listing by Fiscal Year (Chapter 14)
PB-47 Drug Interdiction and Counter-drug Detailed Project Description (Chapter 14)

Operation and Maintenance Exhibits

OP-8 Civilian Personnel Costs (Chapter 3) (automated submission also required)
OP-32 Summary of Price and Program Changes (Chapter 3) (automated submission also required)
PB-15 Advisory and Assistance Services (Chapter 19)

Procurement Exhibits

P-1 Procurement Programs (Chapter 4)

Research, Development, Test & Evaluation Exhibits

R-1 RDT&E Programs (Chapter 5)

1403 CONGRESSIONAL JUSTIFICATION/PRESENTATION

140301. Purpose.

This section presents the exhibit requirements for submission to Congress.

140302. Submission Requirements

The Office of the Deputy Assistant Secretary of Defense (Counternarcotics, Counterproliferation, and Global Threats) is required to include the following exhibits in the justification book(s) to Congress. Copy requirements are identified in Chapter 1 (See Volume 2A, Chapter 1). Examples of budget exhibits can be found in Section 1404 or as identified below:

PB-57 Summary of Drug Interdiction and Counter-drug Activities (Chapter 14)

PB-44 Drug Interdiction and Counter-drug Appropriation Summary (Chapter 14)

PB-45 Drug Interdiction and Counter-drug Summary by Project Listing by Fiscal Year (Chapter 14)

PB-47 Drug Interdiction and Counter-drug Detailed Project Description (Chapter 14)

OP-8 Civilian Personnel Costs (Chapter 3) (automated submission also required)

OP-32 Summary of Price and Program Changes (Chapter 3) (automated submission also required)

PB-15 Advisory and Assistance Services (Chapter 19)

P-1 Procurement Programs (Chapter 4)

R-1 RDT&E Programs (Chapter 5)

1404 DRUG INTERDICTION AND COUNTER-DRUG ACTIVITIES SUBMISSION FORMATS

140401. Purpose.

The formats provided on the following pages reflect guidance presented in previous sections of this chapter. Unless modified in a submission budget call, adhere to these formats.

140402. Unique Exhibits in Support of Drug Interdiction and Counter-Drug Activities

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PB-57 Summary by Function

CLASSIFICATION
FY (BY) Program and Budget Review Submission/President's Budget
DRUG INTERDICTION AND COUNTER-DRUG ACTIVITIES, DEFENSE

I. Appropriation Act Language

II. Narrative Description (Statement of Requirements and Mission):

III. Description of Operations Financed/Rationale for the Budget Request:

IV. Financial Summary ($ in Thousands):

A.	**ONDCP Drug Control Function**	**FY PY**	**FY CY**	**FY BY**
B.	**DoD Counternarcotics Mission Area**	**FY PY**	**FY CY**	**FY BY**

.

PB-57 Summary by Function
(Page 1 of 1)

PB-44 Appropriation Summary

CLASSIFICATION
FY (BY) Program and Budget Review Submission/President's Budget
DRUG INTERDICTION AND COUNTER-DRUG ACTIVITIES, DEFENSE

I. Description of Operations Financed:

Instructions: Provide a summary of total counternarcotics activities and a paragraph for each DoD Counternarcotics Mission area. Mission areas may be changed if necessary to meet the requirements set forth by the Office of National Drug Control Policy (ONDCP). No change should be made, however, without prior approval of the Office of the USD(Comptroller).

II. Performance Criteria and Evaluation:

Instructions: Performance criteria should be established, and approval obtained from OUSD (Comptroller) prior to the program and budget review submission. If possible, performance criteria should relate measures of effectiveness established for the counter drug program.

III. Financial Summary ($ in Thousands):

A. Subactivity	FY PY	FY CY Estimate	FY BY Estimate	FY CY/ FY BY Change
Total				

Instructions: Display funding in total. For FY PY, show the amounts actually obligated and/or the amounts still available for obligation.

B. Reconciliation of Increases and Decreases:

Instructions. Prepare this section in accordance with the instructions for OP-5 Attachment 1 (See Volume 2A, Chapter 3 of the Financial Management Regulation). Provide a narrative description of the increases and decreases to justify the program fully.

PB-44 Appropriation Summary (Continued)

CLASSIFICATION
FY (BY) Program and Budget Review Submission/President's Budget
DRUG INTERDICTION AND COUNTER-DRUG ACTIVITIES, DEFENSE

IV. Personnel Summary:

	FY PY	FY CY Estimate	FY BY Estimate	FY CY/ FY BY Change
Civilian FTE				

V. Summary of Funding By Appropriation:

	FY PY	FY CY	FY BY	FY BY+1	FY BY+2	FY BY+3	FY BY+4
Appropriation							
O&M							
Procurement							
RDT&E							
MILPERS							
Total							

PB 44 Appropriation Summary
(Page 2 of 2)

PB-45 Project Listing by Fiscal Year

CLASSIFICATION
FY (BY) Program and Budget Review Submission/President's Budget
DRUG INTERDICTION AND COUNTER-DRUG ACTIVITIES, DEFENSE

Fiscal Year XXXX

($ in Thousands)

Project Number	MIP	Service/Agency	Project Title	MILPERS	O&M	PROCUREMENT	RDT&E	TOTAL
Project XXXX								
Total								

Instructions: Complete exhibit for each fiscal year (Prior Year, Current Year, and Budget Year). Separately list all counterdrug projects.

PB-47 Detailed Project Description

CLASSIFICATION
FY (BY) Program and Budget Review Submission/President's Budget
DRUG INTERDICTION AND COUNTER-DRUG ACTIVITIES, DEFENSE

PROJECT CODE: (Central Transfer Account code number) **MIP:** (Yes/No)

PROJECT TITLE:

FUNCTION: (ONDCP Function Category/number & title)

COMPONENT/AGENCY:

A. (U) REQUIREMENT.

B. (U) PROGRAM DESCRIPTION.

C. (U) MANAGEMENT.

D. (U) MILESTONES.

E. (U) PRIOR ACCOMPLISHMENTS.

F. (U) PLANNED ACTIVITIES.

G. (U) RESOURCE SUMMARY. ($ in Thousands)

Appropriation	FY PY	FY CY Estimate	FY BY Estimate

(List each appropriation separately and provide a total for all appropriations.)

VOLUME 2B, CHAPTER 15: "OVERSEAS COST REPORT"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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

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

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

The previous version dated June 2007 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
Overall	Formatting, deleted biennial budget requirements, and room location changes	Update
150302D	Added submission footnote requirement for "Other" category in OP-53, Overseas Cost Report	Addition
*150402	Added Overseas Funding Country and Appropriation Summary	Addition

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CHAPTER 15

OVERSEAS COST REPORT

1501 GENERAL

150101. Purpose

A. This chapter provides instructions applicable to congressional justification material for the Overseas Cost Report which consists of the OP-53 Exhibit (Overseas Funding).

B. The following appropriations and accounts are covered in the scope of the subsections of the Overseas Cost Report:

1. Military Personnel appropriations (including Reserves and National Guard)

2. Operation and Maintenance appropriations

3. Family Housing Construction and Family Housing Operations appropriations

4. Military Construction appropriations

150102. Submission Requirements

Chapter 1 provides the general guidance about submission requirements for justification material. Chapter 15 covers specific material requirements for the Overseas Cost Report (See Volume 2A, Chapter 1 of this regulation).

150103. Preparation of Material

Chapter 1 stipulates the general guidance concerning format and preparation of material. Chapter 15 provides additional specific guidance with regard to the material required for the Overseas Cost Report (See Volume 2A, Chapter 1 of this regulation).

150104. References

Chapter 1 provides general funding policies, Chapter 2 provides specific policies related to Military Personnel appropriations, Chapter 3 provides specific policies related to Operation and Maintenance costs, and Chapter 6 provides specific policies and formats related to Military Construction and Family Housing appropriations. (See Volume 2A, Chapter 1 – 3 and Volume 2B, Chapter 6)

1502 PROGRAM AND BUDGET REVIEW SUBMISSION

150201. General

General guidance with regard to submission requirements is presented in Chapter 1. Service components and Defense Agencies will submit the OP-53, Overseas Cost Report for the OSD Program/Budget Estimates Submission.

1503 CONGRESSIONAL JUSTIFICATION/PRESENTATION

150301. Purpose

This Section presents the exhibit requirement for submission to Congress and formats for the Overseas Cost report. Section 8125 of the FY 1989 DoD Appropriations Act (P.L. 100-463) as codified in Title 10 United States Code (U.S.C.), section 113, requires that the Department of Defense separately identify the amounts necessary for payment of all personnel, operations, maintenance, facilities, and support costs for all DoD overseas military units and the costs of supporting all dependents who accompany DoD personnel outside the United States.

150302. Submission Requirements

A. The Overseas Cost Report consists of the OP-53 exhibit (Overseas Funding). Chapter 1 contains general guidance on congressional justification material.

B. The OP-53 addresses all funding and personnel resources related to overseas activities as defined below.

C. Provide these exhibits to OUSD (Comptroller) P/B, Operations Directorate, Room 3C749, the Pentagon.

* D. The Military Departments will report all military personnel permanently assigned overseas and associated costs to include those assigned to Defense Agencies. Therefore, the Defense Agencies should not report data citing military personnel appropriations or line items. Input must be identified to countries that have a total cost in excess of $5.0 million per year; all other countries will be grouped in "Other". Identify countries included in the "Other" category in a footnote to the OP-53.

150303. Definitions

The following definitions pertain to the costs to be included in Military Department and Defense Agency input:

A. Overseas costs will include amounts only from the following appropriations: military personnel; operation and maintenance; family housing operation and maintenance; family housing construction; and military construction.

B. Overseas amounts include the appropriated support of all DoD activities located outside the United States that are being performed on a permanent basis at U.S. military bases and other locations (U.S. Embassy, U.S. Consulates, U.S. Mission, etc).

C. Overseas amounts also include the cost of transporting personnel, material, and equipment to and from permanent overseas locations. The overseas amounts do not include incremental costs associated with contingency operations.

D. The United States includes all 50 states, the District of Columbia, the Commonwealth of Puerto Rico, and the territories and possessions of the United States (e.g., Guam, U.S. Virgin Islands, Puerto Rico, and Northern Mariana Islands).

E. Military and civilian personnel amounts will be based on the number of personnel assigned to permanent duty ashore outside the United States. Accordingly, personnel on temporary duty outside the United States are not included in the overseas amounts. Because personnel assigned to the deployed fleet are excluded from overseas troop strengths, amounts for deployed steaming days are not included.

F. Generally, funding for DoD activities in the United States in support of overseas activities is excluded. For example, overseas amounts exclude the funding of depot maintenance performed in the United States on components/aircraft used by an overseas unit. Similarly, flight/specialized training that is conducted in the United States would be excluded.

1504 OVERSEAS COST REPORT SUBMISSION FORMATS

150401. Purpose

The formats provided on the following pages reflect guidance presented in previous sections of this chapter. Unless modified in a submission budget call, these formats should be adhered to.

*150402. Exhibits in Support of Overseas Cost Report

OP-53 Overseas Funding

Exhibit OP-53 Overseas Funding

Department of the _____

Overseas Funding

Summary

($ in Millions) 1/ 2/

Appropriation:	**FY PY**	**FY CY**	**FY BY**
Military Personnel (By Appn)	xxx.x	xxx.x	xxx.x
Operation & Maintenance (By Appn)	xxx.x	xxx.x	xxx.x
Family Housing, Operations	xxx.x	xxx.x	xxx.x
Family Housing, Construction	xxx.x	xxx.x	xxx.x
Military Construction	xxx.x	xxx.x	xxx.x
Total	xxx.x	xxx.x	xxx.x

Description of Operations Financed: For each appropriation, provide an explanation of the operations/activities financed with the funding identified and include an identification of major organizations and installations.

Narrative Explanation of Changes: For each appropriation_identify significant changes in programs to include functional transfers and force level changes between the current year estimate(CY) and the budget year (BY).

Summarize Requirements For Each Country and in Total:

(List countries with costs in excess of $5.0 million in any FY. Summarize countries with total costs less than $5.0 million in "Other".)

xxxxx				
xxxxx				
Other	____	____	____	____
Total	xxx.x	xxx.x	xxx.x	xxx.x

Exhibit OP-53 Overseas Funding (Continued)

Department of the _____

Overseas Funding

Summary (Cont'd)

	FY PY	FY CY	FY BY
END STRENGTH SUMMARY:			
Military			
Officer			
Enlisted	____	____	____
Total			
Civilian			
USDH			
FNDH			
FNIH	____	____	____
Total			

1/ Funding data must be rounded to nearest tenth of a million. Because data from the "by country section" of this exhibit is consolidated, the totals included on the summary exhibit must equal the total of individual country exhibits when added together in tenth of millions.

2/ All OP-53 appropriation exhibits should be grouped together in the submission.

Exhibit OP-53 Overseas Funding Military Personnel Overseas Funding

Department of the _____

Overseas Funding - Country by Category (Continued)

Military Personnel Overseas Funding

Appropriation:_____

($ in Millions) 1/

Country: _____ 2/	**FY PY**	**FY CY**	**FY BY**
Funding Category:			
Pay and Allowances, Officers			
Pay and Allowances, Enlisted			
Permanent Change of Station			
Total			
End Strength:			
Officer			
Enlisted			
Total			

Description of Operations Financed: For each appropriation, provide an explanation of the operations/activities financed with the funding identified. The description should include an identification of major organizations and installations.

Narrative Explanation of Changes: For each appropriation, identify significant changes in programs to include functional transfers and force level changes between the CY and the BY.

1/ For funding data, round data to nearest tenth of a million; rounded data must add to the rounded total.

2/ Provide funding and strength data by country by categories shown. For the Active components, funding categories equate to budget activities. For the Guard and Reserve Components, the above funding break should also be used to categorize military personnel costs. List countries with costs in excess of $5.0 million in any FY. Summarize countries with total costs less than $5.0 million in "Other". Excludes funding and end strength for personnel in country in a temporary duty or field duty status.

Exhibit OP-53 Overseas Funding Country and Appropriation Summary

Department of the _____

Overseas Funding (Continued)
Country and Appropriation Summary

FY XXXX ($ in Millions)

	Military Personnel	Operation & Maintenance	Family Housing, Operations	Family Housing, Construction	Military Construction	Country Total
Country:						
A	xxx.x	xxx.x	xxx.x	xxx.x	xxx.x	xxx.x
B	xxx.x	xxx.x	xxx.x	xxx.x	xxx.x	xxx.x
C	xxx.x	xxx.x	xxx.x	xxx.x	xxx.x	xxx.x
Appropriation Total	xxx.x	xxx.x	xxx.x	xxx.x	xxx.x	xxx.x

Prepare a Country and Appropriation Summary for each fiscal year (prior, current, and budget).

For funding data, round data to nearest tenth of a million; rounded data must add to the rounded total.

Exhibit OP-53 Overseas Funding Operation and Maintenance Overseas

Department of the _____

Overseas Funding - Country by Category (Continued)

Operation and Maintenance Overseas Funding

Appropriation:_____

($ in Millions) 1/

Country: _____ 2/	**PFY**	**CFY**	**BFY**
Funding Category:			
U.S. Military Installation			
U.S. Embassy / U.S. Consulate / U.S. Mission			
Total			
Civilian Full-Time Equivalents:			
USDH			
FNDH			
FNIH			
Total			

Description of Operations Financed: For each appropriation, provide an explanation of the operations/activities financed with the funding identified. The description should include an identification of major organizations and installations.

Narrative Explanation of Changes: For each appropriation, identify significant changes in programs to include functional transfers and force level changes between the CY and the BY.

1/ For funding data, round data to nearest tenth of a million; rounded data must add to the rounded total.

2/ Provide funding and strength data by country by categories shown above. Funding categories equate to stationing location. List countries with costs in excess of $5.0 million in any FY. Summarize countries with total costs less than $5.0 million in "Other".

Exhibit OP-53 Overseas Funding Civilian and Military Personnel Overseas Staffing and Costs at U.S. Embassy/ U.S. Consulates / U.S. Missions (only)

Department of the _____

Overseas Funding - Country by Category (Continued)

Civilian and Military Personnel Overseas Staffing and Costs at U.S. Embassy/ U.S. Consulates / U.S. Missions (only)

Appropriation:_____

Country: _____ [2/]	($ in Millions) [1/] **FY PY**	**FY CY**	**FY BY**
Direct Personnel Costs (DPC) [3/]			
1. American Salaries	-	-	-
2. Benefits	-	-	-
3. Overtime/Availability Pay	-	-	-
4. Danger Pay	-	-	-
5. Language Incentive Pay	-	-	-
6. Post (Cost of Living) Allowance	-	-	-
7. Difficult to Staff Incentive Differential	-	-	-
8. Post (Hardship) Differential	-	-	-
9. Separate Maintenance Allowance (SMA)	-	-	-
10. Special Differential	-	-	-
Military Personnel Costs			
11. Pay and Allowance	-	-	-
Other Personnel Costs			
12. Housing	-	-	-
13. Residential Furnishings/Equipment (DPC only)	-	-	-
14. Education Allowance (DPC only)	-	-	-
15. Educational Travel (DPC only)	-	-	-
16. Post Assignment Travel (PCS costs)	-	-	-
17. Rest and Recuperation (R&R Travel)	-	-	-
18. Home Leave Travel	-	-	-
Subtotal, Other Personnel Costs	-	-	-
Support Costs			
19. Office Furnishings/Equipment (including classified networks)	-	-	-
20. Office Leases	-	-	-
21. Misc. Office Expenses (utilities, maintenance)	-	-	-
22. ICASS Charges	-	-	-
23. Field Travel	-	-	-
24. Representation	-	-	-
25. Security (e.g. local guards, alarms, etc.)	-	-	-
26. Other (list what is included)	-	-	-
Subtotal, Support Costs	-	-	-
TOTAL, Overseas US Personnel Costs	-	-	-

Exhibit OP-53 Overseas Funding Civilian and Military Personnel Overseas Staffing and Costs at U.S. Embassy/ U.S. Consulates / U.S. Missions (only) (Continued)

Department of the _____

Overseas Funding - Country by Category (Continued)

Civilian and Military Personnel Overseas Staffing and Costs at U.S. Embassy/ U.S. Consulates / U.S. Missions (only)

Appropriation:_____

Country: _____	($ in Millions) **FY PY**	**FY CY**	**FY BY**
U.S. Hires (Staffing #'s)			
Full-time Permanent U.S. Direct Hire Civilians	-	-	-
U.S. Contracted Personal Services Contractors (PSCs)	-	-	-
Locally Engaged Staff (Staffing #'s)			
Foreign Service National (FSN)	-	-	-
Local PSCs or Personal Service Agreements (PSAs)	-	-	-
Third Country Nationals (TCNs)	-	-	-
Locally Hired Americans, including eligible family members	-	-	-
TDY – long-term / rolling TDY employees	-	-	-
TOTAL Staffing Overseas	-	-	-

1/ For funding data, round data to nearest tenth of a million; rounded data must add to the rounded total.

2/ Provide funding and strength data for all countries by categories shown above.

3/ See "**Definitions: Overseas Personnel and Related Costs Categories"** at end of chapter.

Exhibit OP-53 Overseas Funding Family Housing, Operation and Maintenance

Department of the _____

Overseas Funding - Country by Category (Continued)

Family Housing, Operation and Maintenance

Appropriation: _____

	($ in Millions) [1/]		
	FY PY	**FY CY**	**FY BY**
Funding Category:			
Summarize Requirements For Each Country: [2/]			
xxxxx			
xxxxx			
Other	____	____	____
Total	xxx.x	xxx.x	xxx.x
Civilian Full-Time Equivalents:			
USDH			
FNDH			
FNIH			
Total			

Narrative Explanation of Changes: For each appropriation, identify significant changes in programs to include functional transfers and force level changes between the CY and the BY.

1/ For funding data, round data to nearest tenth of a million; rounded data must add to the rounded total.

2/ Provide funding and strength data as shown above. The Navy and Marine Corps resources for Family Housing operations should be treated as one appropriation. List countries with costs in excess of $5.0 million in any FY. Summarize countries with total costs less than $5.0 million in "Other").

Exhibit OP-53 Overseas Funding Family Housing, Family Housing, Construction

Department of the _____

Overseas Funding - Country by Category (Continued)

Family Housing, Construction

Appropriation: _____

	($ in Millions) [1/]		
	FY PY	**FY CY**	**FY BY**
Funding Category: [2/]			
Summarize Requirements For Each Country:			
xxxxx			
xxxxx			
Other	____	____	____
Total	xxx.x	xxx.x	xxx.x
Civilian Full-Time Equivalents:			
USDH			
FNDH			
FNIH			
Total			

Narrative Explanation of Changes: For each appropriation, identify significant changes in programs to include functional transfers and force level changes between the CY and the BY.

1/ For funding data, round data to nearest tenth of a million; rounded data must add to the rounded total.

2/ Provide funding and strength data as shown above. The Navy and Marine Corps resources for Family Housing operations should be treated as one appropriation. List countries with costs in excess of $5.0 million in any FY. Summarize countries with total costs less than $5.0 million in "Other". **Data on this exhibit must match the Family Housing, Construction data on the Military Construction budget exhibit (C-1) submitted in support of the President's budget**.

Exhibit OP-53 Overseas Funding Military Construction

Department of the _____

Overseas Funding - Country by Category (Continued)

Military Construction

Appropriation:_____

($ in Millions) 1/

	FY PY	FY CY	FY BY
Funding Category: 2/			
Summarize Requirements For Each Country:			
xxxxx			
xxxxx			
Other	____	____	____
Total	xxx.x	xxx.x	xxx.x
Civilian Full-Time Equivalents:			
USDH			
FNDH			
FNIH			
Total			

Narrative Explanation of Changes: For each appropriation, identify significant changes in programs to include functional transfers and force level changes between the CY and the BY.

1/ For funding data, round data to nearest tenth of a million; rounded data must add to the rounded total.

2/ Provide funding and strength data by country by categories shown above. List countries with costs in excess of $5.0 million in any FY. Summarize countries with total costs less than $5.0 million in "Other". **Data on this exhibit must match the Family Housing, Construction data on the Military Construction budget exhibit (C-1) submitted in support of the President's budget**.

Definitions: Overseas Personnel and Related Costs Categories

U.S. Personnel

Categories	Description
1. American Salaries:	Includes salary costs for full-time U.S. direct hires overseas.
2. Benefits:	Includes standard benefits costs for full-time U.S. direct hires overseas, such as retirement contributions, health insurance, life insurance, and FICA payments.
3. Overtime/Availability Pay:	Includes costs for overtime pay and Law Enforcement availability pay for U.S. direct hires overseas.
4. Danger Pay:	Includes costs for Danger Pay Allowance, calculated as a percentage of basic compensation (15, 20 or 25%) paid for imminently dangerous conditions when the official U.S. community is the target of political violence.
5. Language Incentive Pay:	Includes costs of language incentive pay to U.S. direct hires overseas.
6. Post (Cost of Living) Allowance:	Includes costs for Cost of Living Adjustments (COLA) for U.S. direct hires overseas.
7. Difficult to Staff Incentive Differential (DTSID):	Includes costs for the DTSID allowance, which is calculated as a percentage of basic compensation (15%) for serving at a determined difficult to staff post which has a 15%, 20% or 25% Post ("Hardship") Differential.
8. Post ("Hardship") Differential:	Includes costs for post differential allowance, which is calculated as a percentage of basic compensation (5, 10, 15, 20 and 25%) for environmental conditions significantly worse than the U.S. In addition to being paid to permanently assigned personnel.
9. Separate Maintenance Allowance (SMA):	Includes cost for involuntary and voluntary SMA, which is paid when family members are prohibited from residing at a foreign post or when family members may go to a foreign post but opt not to for personal reasons.
10. Special Differential:	Special differentials are available to Foreign Service officers who are required because of the nature of their assignments to perform additional work on a regular basis in substantial excess of normal requirements (22 USC Sec.3972).
11. Pay and Allowance:	Includes MILPERS costs for military personnel assigned overseas at a U.S. Embassy, U.S. Consulate or U.S. Mission.
12. Housing:	Includes costs for overseas housing for U.S. direct hires, including rents, leases, housing pool costs, and/or allowances provided for private leased quarters in lieu of Government provided housing.
13. Residential furnishings/Equipment (DPC only):	Includes costs of residential furnishings, equipment, and appliances.
14. Education Allowance (DPC only):	Includes costs for the education expenses for U.S. direct hire dependents (K-12) overseas.
15. Educational Travel (DPC only):	Includes costs for one round trip annually between school attended in the U.S. and the foreign post of assignment.
16. PCS Travel (employee & family moving expenses):	Includes costs associated with permanent change of station travel of employees and eligible family members, shipment of household effects and privately-owned vehicles, and placement of household effects into storage.
17. Rest and Recuperation (R&R) Travel:	Includes the costs of R&R travel provided for U.S. direct hires overseas.
18. Home Leave Travel:	Includes costs of travel for U.S. Direct Hires overseas to provide overseas employees the opportunity to spend significant periods of time in the United States while pursuing careers overseas.
19. Office Furnishings/Equipment/Information Management:	Includes agency costs for the purchase and maintenance of office furnishings and equipment, such as computers, phones, computer networks, copiers, and communications equipment, including classified networks.
20. Office Leases:	Includes the costs of all leased office space (off embassy/consulate compound) overseas.
21. Miscellaneous Office Expenses:	Includes non-programmatic miscellaneous office expenses, such as utilities and supplies.
22. ICASS Charges:	Includes costs of participation in International Cooperative Administrative Support Services (ICASS).

(Page 1 of 2)

Definitions: Overseas Personnel and Related Costs Categories (Continued)

23. Field Travel: Includes costs of all field travel conducted by U.S. direct hires overseas.
24. Representation: Includes costs for representation overseas in furthering the interests of the United States.
25. Security: Includes the costs of guards, alarms, cameras, etc. NOT covered under ICASS.
26. Other: Includes costs not captured above, such as language and other training, vehicles, agency specific benefits or allowances not included above, medical costs (physicals), etc. Please identify the items calculated as part of this category.

Staffing	Description

- Full-time Permanent U.S. Direct Hires: Full-time, permanent U.S. direct hire personnel
- US Military Personnel: U.S. military personnel (services members)
- US-contracted PSCs: Personal services contractors (PSCs) hired from the United States and stationed overseas, eligible for similar support benefits (i.e., travel, housing, etc.) as U.S. direct hires.
- Foreign Service National (FSN): An FSN employee is a non-U.S. citizen directly hired by a U.S. mission
- Local Personal Services Contractors (PSCs) or Personal Services Agreement (PSAs): Individuals contracted locally to perform an identifiable task under the supervision and control usual to government employees rather than to furnish an end item of supply (U.S. citizen hired locally as a PSC should be accounted for under category no. 31).
- Third Country Nationals (TCNs): Individuals who are neither citizens of the United States nor of the country in which employed, who are employed on a limited appointment or personal services contact, and who are eligible for return travel at U.S. Government expenses to their home country or country from which recruited.
- Locally Hired Americans, including Eligible Family Members: U.S. citizens (AMCITs) hired locally as temporary employees or PSC personnel.
- Long-term / rolling TDY positions: (A TDY position is defined as any position requiring workspace (desk or non-desk) for more than six months in a year or positions routinely filled by TDY personnel on a rotating basis, even though no individual ever stays for more than six months).

VOLUME 2B, CHAPTER 16: "INTELLIGENCE PROGRAMS/ACTIVITIES"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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

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

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

The previous version dated July 2010 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	This chapter is certified as current.	Current

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CHAPTER 16

INTELLIGENCE PROGRAMS/ACTIVITIES

1601 GENERAL

160101. Purpose

A. This chapter provides instructions applicable to budget formulation, implementation, and congressional justification for Intelligence Program Aggregation.

B. The following Program Aggregations are covered in this chapter:

1. - National Intelligence Program (NIP) – Defense elements

2. - Military Intelligence Program (MIP)

160102. Definitions and Classification

General guidance with regard to classification of budget material is presented in Volume 2A, Chapter 1. Volume 2B, Chapter 16 provides additional specific guidance with regard to the material required for the Intelligence Program Aggregation.

A. National Intelligence Program (NIP)

The NIP provides integrated intelligence that covers broad aspects of national policy and national security. The portion of the NIP contained in the Department of Defense (DoD) Budget contributes substantially to meeting Defense intelligence requirements, but also contains programs/activities in support of elements of the United State Government outside the DoD.

B. NIP Classification

1. Classification of US Intelligence budget information is determined by the Director of National Intelligence (DNI) pursuant to Executive Order 12958, Section 1.5(c), Executive Order 12333, Section 1.5(g), and the DNI's authorities under the National Security Act of 1947.

2. NIP Budget Resource Information in all DoD databases shall be classified as shown below unless other specific NIP program guidance in effect requires higher classification.

a. Information which, standing alone or in aggregate, reveals any Program Element total of the funding or manpower requirements of any program in the NIP will be classified SECRET.

b. Information that permits the disclosure of any Program Element total or the funding or manpower requirements of any program in the NIP, for example, through a subtractive process, will be classified SECRET.

c. Information which, standing alone or in aggregate, reveals overall DoD Component funding or manpower levels of the NIP or its programs will be classified SECRET.

d. However, as an exception to this guidance, NIP budget information for military construction and family housing for defense agencies shall be maintained and presented as unclassified.

e. Whenever NIP funding and manpower resource detail is combined with other unclassified programs in such a way as to effectively mask the NIP resource Program Element total, such combined resource Program Element total may be treated as unclassified.

f. Requests for clarification of the foregoing classification guidance should be forwarded to OUSD (I). Questions of application will be coordinated with the Office of the Director of National Intelligence and responses will be disseminated to all interested DoD components.

C. Military Intelligence Program (MIP)

The term "Military Intelligence Program" refers to programs, projects, or activities that support the Secretary of Defense's intelligence and counterintelligence, and related responsibilities as outlined in DoD Directive 5205.12. The term excludes capabilities, programs, projects, and activities in the NIP.

D. MIP Classification

1. Military Intelligence Program Information

a. Total DoD funding for MIP is SECRET.

b. Individual Program Elements and line items may be classified or unclassified according to content, unless disclosure of such a total would allow derivation of classified totals.

c. Although many MIP projects are unclassified, totals for DoD MIP are classified SECRET. Since intelligence project resource data will be sorted and used in a number of different ways, it is essential that OUSD (I) has current and specific security classification guidance in order to avoid inadvertent, unauthorized disclosure of classified information. Services and Agencies reporting MIP resource data are directed to provide the security classification guidance for each project along with a citation of the source of classification. In addition, include any other security classification guidance unique to the

organization that may be pertinent. Some examples might include the classification of information revealing the name of the organization with the resource, or classification of the information revealing the location with the name of the organization, etc. Normally, the project or program security classification guidance is included in a formal security classification guide approved by an original classification authority in accordance with DoD Regulation 5200.1, Information Security Program. (If you are uncertain about where to obtain the security classification guidance for your project, see your servicing security office for assistance).

1602 SUBMISSION

160201. NIP Submission Requirements

A. NIP (Special Program Codes (SPC) 329, 330, 331, 333, 334, 335, and 336) Congressional Budget Justification Books (CBJB) justification books will be prepared and provided in accordance with separate guidance provided by the Office of the Director of National Intelligence (ODNI). Any Decision Documents affecting elements of the NIP must be coordinated with the ODNI, OUSD(C) and OUSD (I). The OUSD (C)'s Investment Directorate will ensure that the DNI Chief Financial Officer has an opportunity to review and provide comments on such documents.

B. The Components will follow the National Intelligence (NIP) Military Personnel Resources Programming and Budgeting Policies and Procedures when developing NIP military personnel cost estimates for the budget submission.

C. One hardcopy and CD disk of NIP program and budget materials prescribed by the DNI will be delivered by the ODNI to Under Secretary of Defense (Comptroller) (Program/Budget), Investment Directorate, Room 3C749, Pentagon, at the same time they are delivered to the Office of Management and Budget (OMB).

160202. MIP Submission Requirements

A. In accordance with DoD FMR Vol 2A and 2B, Chapters 3, 4 and 5 each Military Department and Defense Agency with MIP (SPC 365) resources will prepare all DoD justification materials (i.e., R-2, P-40, O-5, etc.) for each appropriation, to include DIA, NGA, and NSA. OSD classified exhibits (SECRET) will be combined as a classified Defense-wide volume. Classified justification materials (R-2, P-40, O-5, etc.) materials will contain sufficient detail needed to fully justify the classified portion of the request, without the use of supplemental justification materials. All other Army, Navy, Marine Corps, Air Force, National Reconnisance Office (NRO), and Defense-Wide classified exhibits will be reviewed by OUSD (C) prior to releasing to OMB.

B. Submit three hardcopies of your classified R-2 or P-40 directly to OUSD(C), Investment Directorate, Pentagon, Room 3C749, at the same time as the unclassified details.

C. Complementary MIP Congressional Justification Books (CJB) guidance will be provided by the Office of the Under Secretary of Defense (Intelligence) (OUSD (I)). The CJB is a functional aggregation of the MIP portion of the DoD request, containing program justification and resource highlights that must be consistent with and directly auditable to all DoD justification materials (i.e., R-2, P-40, O-5, etc.) and any other DoD justification books that address the same resources.

D. OUSD(I) will deliver three final MIP copies of all volumes and one compact disk (CD) directly to OUSD (C), Investment Directorate, Pentagon, Room 3C749.

160203. Crosswalk Requirements

The MIP and NIP justification books will continue to incorporate an IC project to program element (Research, Development, Test, and Evaulation (RDT&E)), line item (Procurement (PROC)), or Subactivity Group (SAG) (Operation and Maintenance (O&M)) crosswalk exhibit at the R-1, P-1, and O-1 respectively. This is necessary to help satisfy continuous congressional budget reconciliation and visibility requirements.

1603 BUDGET RECONCILIATION DATA

Congressional Oversight Committees have requested the Under Secretary of Defense (Comptroller) and Director, Cost Assessment and Program Evaluation Office (CAPE), in consultation with the Under Secretary of Defense for Intelligence, to create and maintain whole, distinct program elements [RDT&E PEs, PROC line items, O&M SAGs] within each component of the Intelligence Community (IC) to address IC resources and manpower. Services and Agencies must continue to show steady, measureable progress toward achieving these fully-captured MIP data elements for all appropriations.

160301. NIP

The NIP lines will maintain whole [pure] NIP budget line resources identified by SPCs 329, 330, 331, 333, 334, 335, and 336.

160302. MIP

The MIP lines will maintain whole [pure] MIP budget line resources identified by SPC 365.

1604 APPEAL PROCESS ON CONGRESSIONAL ACTIONS

160401. Purpose

This Section provides specific guidance for preparation of classified appeals to congressional committees on intelligence programs.

160402. Classified Appeals.

A. Oversight. The House Permanent Select Committee on Intelligence (HPSCI), the Senate Select Committee on Intelligence (SSCI), the House Appropriations Committee (HAC), and the Senate Appropriations Committee (SAC) have oversight jurisdiction over the NIP. The NIP appeals will be delivered to the HPSCI, SSCI, HAC, and the SAC. Appeals affecting the MIP will be delivered to the House Armed Services Committee (HASC), Senate Armed Services Committee (SASC), HAC, and SAC.

B. Classified appeals may supplement actions included in the overall Defense Appeal where security considerations have dictated a less than complete justification. Classified appeals will be prepared at the appropriate level of classification necessary to fully explain and justify the action.

1. The DNI will prepare and submit, in consultation with the OUSD(C) and OUSD(I), separate classified appeals for the NIP to the congressional committees with intelligence oversight. The appeals format and content will be determined by the DNI.

2. The OUSD(I), in consultation with the OUSD(C) and the DNI/Chief Financial Officer, will prepare classified appeals for the MIP to the congressional committees with intelligence oversight. Unclassified MIP appeals will follow normal procedures per additional guidance.

C. Classified Appeals will be completely consistent with the Secretary of Defense's policy direction as articulated by the USD(Comptroller) and, in the case of appeals to legislative provisions, also as articulated by the Office or the General Counsel and the Deputy Secretary of Defense. All such appeals will be coordinated with the Comptroller and OMB prior to release.

VOLUME 2B, CHAPTER 17: "CONTINGENCY OPERATIONS"

SUMMARY OF MAJOR CHANGES TO

All changes are denoted by blue font.

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

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

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

The previous version dated June 2007 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
Overall	Formatting	Refresh
170101.C 170202.A	Update room location changes	Update

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CHAPTER 17

CONTINGENCY OPERATIONS

1701 GENERAL

170101. Purpose

This chapter provides instructions applicable to budget formulation and congressional justification for contingency operations. The information provided for contingency operations, as reflected in this chapter, meets the requirements of section 8110 of Public Law 106-79, the Department of Defense (DoD) Appropriations Act, 2000. It requires the Department to include the same type of budget justification material for contingency operations as is provided for other DoD activities.

170102. Submission Requirements

A. This chapter addresses the requirement to budget for new and ongoing contingency operations costs. This information will be used to justify resource requirements for directed contingency operations – specifically the justification of the incremental costs for supporting a designated operation. These incremental costs will become the basis for any funding requests forwarded to the Congress through the normal appropriations process or through emergency supplemental appropriation requests during the year of execution, if warranted. A more detailed discussion of Contingency Operations, as well as the methodology to be used to determine related "incremental costs," is provided in Chapter 23, "Contingency Operations," (See Volume 12, Chapter 2***3***).

B. In order to ensure that the funding being requested is defensible and realistic and that the submitted data and justification material complies with congressional requirements, each Component is required to submit the contingency operations budget exhibits using the formats included in section 1703 of this chapter. These exhibits provide detailed cost estimates and must be completed for each contingency operation. In addition, using the same formats, each Component must submit a Summary Exhibit for each region (e.g., Bosnia, Kosovo,) and a Total Summary Exhibit that consolidates all of the Component's incremental requirements for contingency operations. Each Component will include in its submission the incremental costs for contingency operations for all Military Intelligence Program (MIP) except for the incremental costs for National Foreign Intelligence Programs (NFIP). The Community Management Staff (CMS) will be responsible for preparing and submitting the required exhibits to report the incremental costs for contingency operations for all NFIP-related activities. (See section 1703, below)

* C. The required exhibits are to be provided in both hard copy and electronic copy via diskette or e-mail (using Microsoft word for the OP-5 exhibits and Excel spreadsheets for the CONOPS-1 exhibits) to the Operations and Personnel Directorate, Pentagon, Room 3C710. Specific e-mail addresses can be obtained by calling (703) 697-2609 or 697-2598.

D. General guidance with regard to submission requirements is presented in Volume 2A, Chapter 1. Volume 2B, Chapter 17 covers specific backup material required for the overseas contingency operations. The Components should also consult all of the other chapters for exhibit requirements that are not specifically addressed in this chapter, including Volume 2B, Chapter 19, "Other Special Analyses." (See Volume 2A and Volume 2B).

170103. Preparation of Material

General guidance with regard to format and preparation of material is presented in Volume 2A, Chapter 1. Section 1703 below provides the justification material formats.

170104. References

Volume 12, Chapter 23, "Contingency Operations," of the DoD Financial Management Regulation (DoD 7000.14-R).

1702 PROGRAM AND BUDGET REVIEW SUBMISSION & CONGRESSIONAL JUSTIFICATION/ PRESENTATION

170201. Purpose

This Section provides guidance for preparation and submission of budget estimates for Contingency Operations. The budget estimates will separately identify the incremental costs for operation and maintenance, military personnel, and other applicable (e. g., procurement) resources required to support specified contingency operations. For the President's Budget request submitted to the Congress, all approved contingency operations incremental cost requirements will be reflected in the Overseas Contingency Operations Transfer Fund (OCOTF), and the level of detail provided must address the congressional concerns for adequate visibility and justification of requirements.

170202. Submission Requirements

* A. Each applicable Component is responsible for submitting the Contingency Operations exhibits covering the operation and maintenance, military personnel, and other applicable (e. g., procurement) incremental costs for each specified contingency operation, a "Summary" exhibit for each region (e.g., Bosnia, Kosovo) and a "Total Summary" exhibit that consolidates all the Component's incremental requirements for contingency operations. The formats for these exhibits are provided below at section 170302. Hard copy and electronic versions of each exhibit must be provided to Office of the Under Secretary of Defense (Comptroller) OUSD(C) Program/Budget (P/B) Operations and Personnel Directorate, Room 3C710 in the Pentagon. Electronic formats will be provided in Microsoft Word for the OP-5 exhibit and in Microsoft Excel for the Contingency Operations -1 (CONOPS-1) exhibit.

B. These exhibits will be prepared and submitted to OUSD(C) in accordance with the schedule defined in the annual budget guidance memorandum published by the OUSD(C) for the fall program and budget estimate submission (BES) and for the President's Budget submission. Each exhibit will be prepared separately for the BES and the congressional justification/presentation process.

1703. CONTINGENCY OPERATIONS SUBMISSION FORMATS

170301. Purpose

The formats provided on the following pages reflect the guidance presented in sections 1701 and 1702 of this chapter. Unless modified by the OUSD (C) in a budget guidance memorandum, the formats must be followed. (See sections 1701 and 1702, above)

170302. Unique Exhibit in Support of Contingency Operations

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CONOPS -1 15

Exhibit OP-5 Overseas Contingency Operations

COMPONENT NAME
OVERSEAS CONTINGENCY OPERATIONS
FY ____ Program and Budget Review Submission or FY ____ President's Budget (as applicable)
Name of Contingency Operation:
DoD Component:

General Guidance: A separate exhibit should be prepared for (1) each contingency operation, (2) a summary exhibit for each region, and (3) a total exhibit for each Component. Each Component will include in its submission the incremental costs for contingency operations for all intelligence-related activities (i.e., TIARA, JMIP, etc.) except for the incremental costs for National Foreign Intelligence Programs (NFIP). The Community Management Staff will be responsible for preparing and submitting the required exhibits to report the incremental costs for contingency operations for all NFIP-related activities.

I. Description of Operations Financed: Provide a narrative explanation characterizing the mission of this particular contingency operation and address the major cost drivers such as the number of base camps, the number of troop rotations, and the related troop strength supporting the contingency.

II. Force Structure Summary: Identify in tabular form by operation, the average monthly troop strength for active duty, Guard and Reserve Components deployed for this contingency operation for prior year (PY), current year (CY), and budget year(s) (BY).

III. Financial Summary ($ in Thousands): Report incremental costs only. **Note:** Include only non-NFIP intelligence costs. The CMS is responsible for reporting incremental NFIP costs.

A. Contingency Operation Total

			Fiscal Year(FY) CY Program			
Cost Category	FY PY Actuals [1/]	Budget Request	Program Changes	Current Estimate [2/]	FY BY1 Estimate	FY BY2 Estimate
1. Personnel						
a. Military						
b. Civilians						
2. Personnel Support						
3. Operating Support						
4. Transportation						
Total						
Military Personnel						
Operation and Maintenance						
Other – Specify by appropriation (i.e., Procurement, RDT&E, etc.)						

This exhibit must be submitted in both hard copy and electronic copy (i.e., Microsoft

Exhibit OP-5 Overseas Contingency Operation (Continued)

COMPONENT NAME
OVERSEAS CONTINGENCY OPERATIONS
FY ____ Program and Budget Review Submission or FY ____ President's Budget (as applicable)
Name of Contingency Operation:
DoD Component:

1/ Should be consistent with amounts reported in the cost report. (For BES, include amounts expected to be reported for the yearend report.)
2/ Include all costs, regardless of appropriation. For example, if military personnel costs are appropriated directly to the military personnel accounts rather than to the OCOTF include the amount expected to be required for contingency operations.

B. PY Reconciliation Summary: **FY PY to FY PY Changes**

	Military Personnel	Operation & Maintenance	Other (Specify as Appropriate)
1. Direct Appropriation to Component			
2. Amount Transferred from OCOTF			
3. Change			
4. Actual Cost			

Note: Actual cost data should reflect contingency operations data as reported to the Defense Finance and Accounting Service - Denver.

Exhibit OP-5 Overseas Contingency Operation (Continued)

COMPONENT NAME
OVERSEAS CONTINGENCY OPERATIONS
FY ____ Program and Budget Review Submission or FY ____ President's Budget (as applicable)
Name of Contingency Operation:
DoD Component:

C. Reconciliation of Increases and Decreases: ($ in Thousands)

1. FY CY President's Budget		**X,XXX**
2. Program Increases in FY CY		+x,xxx
a) Describe each increase	+xxx	
b) Describe each increase	+xxx	
(List and narrate each change by relating changes in troop strength, Active/Reserve Component (AC/RC) mix, density of weapon systems, operating tempo, use of contractor support, number of base camps, etc.)		
3. Program Decreases in FY CY		-x,xxx
a) Describe each decrease	-xxx	
b) Describe each decrease	-xxx	
(List and narrate each change by relating changes in troop strength, AC/RC mix, density of weapon systems, operating tempo, use of contractor support, number of base camps, etc.)		
4. Revised FY CY Estimate of Requirements		**X,XXX**
5. Price Growth (Use factors included in the budget guidance unless deviation is warranted.)		+x,xxx

Exhibit OP-5 Overseas Contingency Operation (Continued)

COMPONENT NAME
OVERSEAS CONTINGENCY OPERATIONS
FY ____ Program and Budget Review Submission or FY ____ President's Budget (as applicable)
Name of Contingency Operation:
DoD Component:

6. Program Increases		+x,xxx
a) Describe each increase	+xxx	
b) Describe each increase	+xxx	
(List and narrate each change by relating changes in troop strength, AC/RC mix, density of weapon systems, operating tempo, use of contractor support, number of base camps, etc.)		
7. Program Decreases		-x,xxx
a) Describe each decrease	-xxx	
b) Describe each decrease	-xxx	
(List and narrate each change by relating changes in troop strength, AC/RC mix, density of weapon systems, operating tempo, use of contractor support, number of base camps, etc.)		
8. FY BY1 Budget Request		**X,XXX**
9. Price Growth		+x,xxx

Exhibit OP-5 Overseas Contingency Operation (Continued)

COMPONENT NAME
OVERSEAS CONTINGENCY OPERATIONS
FY ____ Program and Budget Review Submission or FY ____ President's Budget (as applicable)
Name of Contingency Operation:
DoD Component:

C. Reconciliation of Increases and Decreases (Continued): ($ in Thousands)

10. Program Increases		+x,xxx
a) Describe each increase	+xxx	
b) Describe each increase	+xxx	
(List and narrate each change by relating changes in troop strength, AC/RC mix, density of weapon systems, operating tempo, use of contractor support, number of base camps, etc.)		
11. Program Decreases		-x,xxx
a) Describe each decrease	-xxx	
b) Describe each decrease	-xxx	
(List and narrate each change by relating changes in troop strength, AC/RC mix, density of weapon systems, operating tempo, use of contractor support, number of base camps, etc.)		
12. FY BY2 Budget Request		**X,XXX**

Exhibit OP-5 Overseas Contingency Operation (Continued)

COMPONENT NAME
OVERSEAS CONTINGENCY OPERATIONS
FY ____ Program and Budget Review Submission or FY ____ President's Budget (as applicable)
Name of Contingency Operation:
DoD Component:

IV. Performance Criteria and Evaluation Summary:

	Average Troop Strength			
Troop Strength	**Total**	**Active Duty**	**National Guard**	**Reserve**
Planned FY PY				
Change Plan vs. Actual for FY PY				
Actual FY PY				
Planned FY CY				
Change Plan vs. Revised Estimate for FY CY				
Revised FY CY Estimate				
Change Revised FY CY Estimate to FY BY1				
FY BY1 Budget Request				
Change FY BY1 to FY BY2				
FY BY2 Budget Request				

Exhibit OP-5 Overseas Contingency Operation (Continued)

COMPONENT NAME
OVERSEAS CONTINGENCY OPERATIONS
FY ____ Program and Budget Review Submission or FY ____ President's Budget (as applicable)
Name of Contingency Operation: DoD Component:

	Number Constructed	Number Maintained	Average Population	Other Data (Include other pertinent information)
Base Camps:				
Planned FY PY				
Actual FY PY				
Planned FY CY				
Planned FY BY1				
Planned FY BY2				

MAJOR WEAPONS SYSTEMS DEPLOYED		Average Number Deployed/Month	Total Days in Theater	Operational Usage *
Tracked Vehicles:(list by type/model)				(Track Miles)
M1	Planned FY PY			
	Actual FY PY			
	Planned FY CY			
	Planned FY BY1			
M2	Planned FY PY			
	Actual FY PY			
	Planned FY CY			
	Planned FY BY1			
M113	Planned FY PY			
	Actual FY PY			
	Planned FY CY			
	Planned FY BY1			
Helicopters: (list by type/model)				(Flying Hours))
OH-58D	Planned FY PY			
	Actual FY PY			
	Planned FY CY			
	Planned FY BY1			
AH-64	Planned FY PY			
	Actual FY PY			
	Planned FY CY			
	Planned FY BY1			

Exhibit OP-5 Overseas Contingency Operations
(Page 7 of 9)

Exhibit OP-5 Overseas Contingency Operation (Continued)

COMPONENT NAME
OVERSEAS CONTINGENCY OPERATIONS
FY ____ Program and Budget Review Submission or FY ____ President's Budget (as applicable)
Name of Contingency Operation: DoD Component:

MAJOR WEAPONS SYSTEMS DEPLOYED		**Average Number Deployed/Month**	**Total Days in Theater**	**Operational Usage ***
Aircraft: (list by type/model)				(Flying Hours)
F-117	Planned FY PY			
	Actual FY PY			
	Planned FY CY			
	Planned FY BY1			
	Planned FY BY2			
KC-135	Planned FY PY			
	Actual FY PY			
	Planned FY CY			
	Planned FY BY1			
	Planned FY BY2			
EA-6B	Planned FY PY			
	Actual FY PY			
	Planned FY CY			
	Planned FY BY1			
	Planned FY BY2			
				(Steaming Hours)
Naval Vessels:				
Combatants	Planned FY PY			
	Actual FY PY			
	Planned FY CY			
	Planned FY BY1			
	Planned FY CY2			
Auxiliaries/Support Ships	Planned FY PY			
	Actual FY PY			
	Planned FY CY			
	Planned FY BY1			
	Planned FY CY2			
Other: (Specify by System)	Planned FY PY			
	Actual FY PY			
	Planned FY CY			
	Planned FY BY1			
	Planned FY CY2			

***** Select appropriate operational metrics currently in use. These are representative examples only.

Exhibit OP-5 Overseas Contingency Operations
(Page 8 of 9)

Exhibit OP-5 Overseas Contingency Operation (Continued)

OVERSEAS CONTINGENCY OPERATIONS
FY ____ Program and Budget Review Submission or FY ____ President's Budget (as applicable)
Name of Contingency Operation:
DoD Component:

V. OP 32 Line Items as Applicable (Dollars in Thousands):

	Change from FY PY to FY CY				Change from FY CY to FY BY1				Change from FY BY1 to FY BY2				
		Foreign Currency	Price Growth	Program		Foreign Currency	Price Growth	Program		Foreign Currency	Price Growth	Program	
FY PY Actuals		Rate Diff	(%)	Growth ($)	FY CY Estimate	Rate Diff	(%)	Growth ($)	FY BY1 Estimate	Rate Diff	(%)	Growth ($)	FY BY2 Estimate

1. List each applicable OP-32 line item number and title. **To be submitted for both the OSD and President's budget submissions.**
2. Include the percentage of price growth.

Exhibit CONOPS-1

OVERSEAS CONTINGENCY OPERATIONS

FY ____ Program and Budget Review Submission or FY ____ President's Budget (as applicable)
Name of Contingency Operation:
DoD Component:

(Dollars in Thousands)

COST CATEGORIES	FY PY Actual	Change	FY CY Estimate	Change	FY BY1 Estimate	Change	FY BY2 Estimate
PERSONNEL							
Military Personnel Pay & Allowances							
Reserve Components Called to Active Duty							
Imminent Danger or Hostile Fire Pay							
Family Separation Allowance							
Hardship Duty Pay - Location							
Subsistence							
Reserve Components Predeployment Training							
Other Military Personnel							
Active Component Over-Strength							
Subtotal							
Civilian Pay and Allowances							
Civilian Premium Pay							
Civilian Temporary Hires							
Other Civilian Personnel							
Other Personnel Support							
Subtotal							

The CONOPS-1 exhibit is to be submitted in both hard copy and electronic copy. Electronic formats will be provided in Microsoft Excel.

Do not include NFIP program requirements. The Community Management Staff is responsible for submitting the required exhibits for all NFIP activities.

Exhibit CONOPS-1
(Page 1 of 3)

Exhibit CONOPS-1(Continued)

OVERSEAS CONTINGENCY OPERATIONS

FY ____ Program and Budget Review Submission or FY ____ President's Budget (as applicable)
Name of Contingency Operation:
DoD Component:

(Dollars in Thousands)

COST CATEGORIES	FY PY Actual	Change	FY CY Estimate	Change	FY BY1 Estimate	Change	FY BY2 Estimate
PERSONNEL SUPPORT (Continued)							
Temporary Duty/Temporary Additional Duty							
Clothing & Other Personnel Equip & Supplies							
Medical Support/Health Services							
Reserve Component Activation/Deactivation							
Other Personnel Support							
Subtotal							
OPERATING SUPPORT							
Training							
Operations OPTEMPO (Fuel, Other POL, Parts)							
Other Supplies & Equipment							

Exhibit CONOPS-1(Continued)

OVERSEAS CONTINGENCY OPERATIONS

FY ____ Program and Budget Review Submission or FY ____ President's Budget (as applicable)
Name of Contingency Operation:
DoD Component:

(Dollars in Thousands)

COST CATEGORIES	FY PY Actual	Change	FY CY Estimate	Change	FY BY1 Estimate	Change	FY BY2 Estimate
OPERATING SUPPORT (Continued)							
Facilities/Base Support							
Reconstitution							
C4I							
Other Services/Miscellaneous Contracts							
Subtotal							
TRANSPORTATION							
Airlift							
Ready Reserve Force/Fast Sealift Ship							
Port Handling/Inland Transportation							
Other Transportation							
Subtotal							
GRAND TOTAL							
Military Personnel							
Operation and Maintenance							
Other (specify by appropriation type (i.e., Procurement, RDT&E, etc.)							

NOTE: This information must be provided for each operation, each region, and in total.

Exhibit CONOPS-1
(Page 3 of 3)

VOLUME 2B, CHAPTER 18: "INFORMATION TECHNOLOGY (INCLUDING CYBERSPACE OPERATIONS)"

SUMMARY OF MAJOR CHANGES TO

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

The previous version dated November 2012 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
180102.A	Moved text	Readability
180102.B	Moved/ added text	Readability
180102.C	Added narrative	New information
180102.F	Moved/added text	Readability
180102.G	Changed due date and moved text/reformatted into numbered lists	New Information
180102.H	Added text	Clarification
180102.I	Added text	Readability
180102.K	Moved text/ changed wording/ reformatted into numbered list	Readability
180102.L	Edited words	Grammar/ Readability
180102.L.2	Replaced Exhibit 300 and 53 references; corrected "Logistics"	Readability
180102.M	Replaced Exhibit 300 and 53 references	Readability
180102.N	Added paragraph	Fact of Life
180102.O	Added paragraph	Fact of Life
180103.A	Replaced Exhibit 300 and 53 references	Readability
180103.C	Moved words & added DITIP references	Readability
180103.D	Replaced Exhibit 300 and 53 references	Readability
180103.E	Added "DITIP"	Fact of Life
180103.F	Replaced "bin" for "UII"	Fact of Life
180103.H.1	Added text	Clarification

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
180103.H.2	Edited words to delete SNAP-DIAP references	SNAP-DIAP eliminated for use
180103.H.3	Added DoD Cyber Team members for CJB publication	Fact of Life
180103.H.4	Added CMF paragraph	Added Program
180103.I	Edited word	Readability
180103.L	Added ICS/PIT/SCADA paragraph	Added program
180104.A	Added table	Readability
180104.I	Added date to JP 3-12	Readability
180104.K	Added NIS TSP 800-82 reference	Fact of Life
180105.V	Added text for Cyberspace Operations definition	Clarity
180105.W	Added CMF definition	Fact of Life
180105.Y	Added Data Center Budget definition	Fact of Life
180105.AC	Added DoDIN definition	Fact of Life
180105.AD	Added DITIP definition	Fact of Life
180105.AE	Updated Development/Modernization	Fact of Life
180105.AX	Added IT Investment	Fact of Life
180105.AY	Added IT Investment	Fact of Life
180105.AZ	Added Information Technology Resources	Fact of Life
180105.BE	Added JIE definition	Fact of Life
180105.BJ	Added NLCC definition	Fact of Life
180105.BY	Added UII definition	Fact of Life
180105.CA	Added WCF definition	Fact of Life
180105.Y-CA	Renumbered paragraphs	Readability
180202.A	Changed “WILL” to “shall”	Readability
180304.A	Edited text	Readability
Various	Changed references to Exhibit 300/300A/300B to updated titles	Clarity
Various	Changed references to Exhibit 53 to updated titles	Clarity
Table of Contents	Updated for edited document	Clarity

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CHAPTER 18

INFORMATION TECHNOLOGY (Including Cyberspace Operations)

1801 GENERAL

180101. Purpose

A. This chapter provides instructions applicable to supporting budgetary material and congressional justification for Information Technology (IT) and Cyberspace Operations investments, as well as discussing requirements for contributions to approved Electronic Government (E-Gov) investments. The Deputy Chief Information Officer for Resources and Analysis (DCIO (R&A)) will issue annual supplemental guidance to these instructions that address detailed and amplifying submission requirements, adjustments since publication of these instructions, and submission due dates.

B. These instructions apply to the Office of the Secretary of Defense (OSD), the Military Departments (including their National Guard and Reserve Components), the Joint Staff, Unified Commands, the Inspector General DoD, the Defense Agencies, the DoD Field Activities, the Joint Service Schools, the Defense Health Program, and the Court of Military Appeals, hereafter referred to as the DoD Components.

C. When contextually appropriate, the terms 'investment' and 'initiative' are interchangeable within this chapter.

180102. Submission Requirements

A. General guidance for submission requirements is presented in Volume 2A, Chapter 1 of the DoD Financial Management Regulation (FMR) and in the OSD Program/Budget guidance memos. This chapter covers specific submission and distribution instructions for the IT Budget and Cyberspace Operations Budget submission. All applicable automated database updates/formats will be submitted for both the OSD Program/Budget Estimates Submission and the Congressional Justification submission referred to in the DOD as the President's Budget (PB) request. The office of the DoD Chief Information Officer (DoD CIO) will distribute information, as appropriate, to Congressional committees, Government Accountability Office (GAO) and Inspector General activities in accordance with Office of Management and Budget (OMB) Circular A-11, section 22 only after the OMB database is updated and OMB has approved the information for release.

B. All DoD Components that program, budget, or execute (obligate) resources to/which support IT and Cyberspace Operations in any fiscal year of the Future Years Defense Program (FYDP) will report IT and Cyberspace Operations data in preparation for the DoD Component's inputs to the OMB Circular A-11 (Section 25.5 and Section 51.18), E-Government reviews, governance documents as required by the OMB Circular A-130, "Management of Federal Information Resources," budget analyses, special data calls, and Congressional displays. The term "Exhibit 300" is also known as the "Capital Investment Report" (CIR) or "IT Business Case" and the terms are used interchangeably throughout this

document. However, the product previously called the "Exhibit 300A" is now called the "Major IT Business Case" and the "Exhibit 300B" is now called the "Major IT Business Case Detail". All DOD appropriation accounts and funds including Defense Working Capital Fund (DWCF), Other Funding, and IT & Cyberspace Operations portions of the Military Intelligence Program (MIP) are encompassed unless outlined in paragraph D below. All MIP IT resource submissions shall be coordinated with the OUSD(I)/DUSD(PP&R)/MIP Office.

C. This chapter covers IT and Cyber Operations submissions, including Defense Business Systems (DBS), National Security Systems (NSS), Command & Control (C2), Communications and related programs, Combat Identification, Joint Information Environment (JIE), National Leadership Command Capabilities, Cyberspace Operations, Information Assurance (including Information Systems Security), Cyber Mission Forces, Offensive Cyber Operations, Defensive Cyber Operations, Cyber Intelligence Surveillance and Reconnaissance, Operational Preparation of the Cyberspace Environment, Cyber Threat Detection and Analysis (including Insider Threat), meteorological and navigation systems/programs as well as budgeting for contributions to intergovernmental E-Gov investments.

D. The following resources are exempted from IT reporting:

1. U.S. Army Corps of Engineers Civil Works appropriations.

2. IT acquired by a Federal Contractor incidental to performance of a Federal Contract.

3. Programs, projects, and activities embedded in non-C2/Communications programs or weapon systems or embedded in Service force structure and, therefore, not readily identifiable in the budget. DoD CIO will have final determination on what systems, programs, projects, and activities will be reported.

4. Highly sensitive and special access programs whose resources are specifically exempted from budget reporting by the DoD CIO and other OSD authorities. In general, these resources are reviewed through separate budget processes.

5. National Intelligence Program (NIP) resources. The Office of the Director of National Intelligence staff submits NIP via separate mechanisms.

E. All DoD Components and Enterprise Portfolio Mission Areas must prepare separate executive overviews for the President's Budget and the Congressional Justification Submission. DoD CIO will provide guidance with specific areas of interest that must be addressed within the executive overview.

F. DoD CIO will designate investments required to submit a Major IT Business Case (formerly known as the "Exhibit 300A" (aka EX300A)) and a Major IT Business Case Detail (formerly known as the "Exhibit 300B" (aka EX300B)) to meet OMB Circular A-11, Sections 25.5 and 51.18 requirements. The Capital Asset Plan, Business Case, and the congressional Selected Capital Investment Report (SCIR) are not limited to acquisition or

development and modernization programs. A-11, Section 51.18 will direct specific discussions on the broad requirements for reporting Electronic Government, Financial, legacy and sustainment investments.

G. Statement of Compliance Requirement: The IT and Cyber Operations submissions are transmitted electronically, however, both the Component CIO and Comptroller/Chief Financial Officer (CFO) must sign a joint or coordinated transmittal memo, on component letterhead, that states their submissions are

1. Complete;

2. Accurately aligned with their primary budget, the DoD Information Technology Portfolio Registry (DITPR), program and/or acquisition materials; and

3. Consistent with:

a. Subtitle III, title 40 (formerly called the Clinger-Cohen Act), as amended, 10 U.S.C. §2222 (Defense business systems only);

b. OMB Circular A-11 and documented exceptions to the Circular;

c. 10 U.S.C. §11319(b)(1)(B)(ii) provides that the CIO of each covered agency certifies that information technology investments are adequately implementing incremental development, as defined in capital planning guidance issued by OMB;

d. DoD CIO budget guidance memoranda;

e. The Paperwork Reduction Act;

f. Paragraph 180102.D of this chapter;

g. Section 508 of the Rehabilitation Act of 1973, Pub. Law 93-112, as amended (29 U.S.C. § 794d; and

h. Other applicable Acts and requirements.

The statement may be based on the Program Manager's statement of compliance. The statement should also include explanations for investments that do not conform to DoD CIO budget guidance memorandum. DoD Components for which all Information Technology resources are exempt from reporting based on Section ***180102.D*** above must submit a Statement of Compliance addressing the specific reasons for their exemption. This memorandum must be submitted annually to the DoD CIO, Deputy Chief Information Officer (DCIO) (Resources and Analysis) on the Submit/Certify date for the President's Budget request as identified on the Information Technology Budget Schedule.

H. If OMB requires additional governance information to accompany the IT Budget and Cyberspace Operations Budget, DoD CIO will determine how these requirements will be met, and provide direction to the Components. DoD CIO will also provide the Components documented guidance as well as training on any applicable changes to the Department of Defense Information Technology Information Portal (DITIP) and/or Select and Native Programming – Information Technology (SNaP-IT) systems which will be used to gather information requested by OMB.

I. Appointment of qualified project managers for investments listed in the IT Budget and Cyberspace Operations Budget is a matter of high-level interest to the OMB. Components are charged to provide complete Program Manager identification and qualification documentation to comply with Project Manager reporting requirements for Major IT Business Case/Major IT Business Case Detail only.

J. 10 U.S.C §2222 (h) requires that the materials submitted by the Secretary of Defense to the Congress in support of the President's budget include information for each business system program for which funding is requested in the budget. For each defense business system program for which funding is requested in the budget, section 2222(h) states that this information is to:

1. Identify the program;

2. Identify all funds proposed for the program, by appropriation, including funds for current services to operate and maintain the program and funds for business systems modernization, identified by specific appropriation;

3. Identify the pre-certification authority and the senior official designated under the provisions of subsection (f) of section 2222 for the program; and,

4. Describe the approval made by the Defense Business Systems Management Committee under the provisions of 10 U.S.C. § 186 for the program.

K. Information Technology investments, reporting for the first time, with funding greater than or equal to $1M (all appropriations) within the DoD FYDP are required to submit a memorandum from the component CIO (with component DCMO for DBS), on Component letterhead, to the DoD CIO, DCIO (Resources and Analysis). This memorandum must minimally indicate:

1. The investment's Unique Investment Identifier (UII)

2. Title,

3. Acronym,

4. Description,

5. If the investment is a DBS,

6. BY justification or funding approach,

7. Current acquisition milestones,

8. Dates for planned entry to future milestones,

9. Current Life Cycle Cost Estimate (LCCE) or FYDP estimate if a LCCE is not yet available,

10. Listing of other DoD participating Components,

11. All associated DITPR Identification (ID) numbers,

12. Responsible Mission Area or equivalent portfolio manager,

13. DoD Segment, and

14. Whether the investment is a financial management or financial feeder system.

New investments will be addressed in a CIR or SCIR, as applicable. "New" investments are "new starts" for purposes of this regulation. "New" investments do not arise from the breaking up of a larger investment into separately managed investments, nor is an investment "new" because of discovery that it had not been reported previously. If a component projects that a new information technology investment will exceed a Major Automated Information System (MAIS) statutory threshold (per 10 U.S.C. Chapter 144A), the component will ensure that the initiative is budgeted in a unique Program Element and not shared by other activities.

L. 10 U.S.C §2445b requires that the Secretary of Defense submit, to the Congress, annual reports on all MAIS acquisition programs, and any major information technology investment products or services that are expected to exceed a MAIS threshold but are not considered to be a MAIS program because a formal acquisition decision has not yet been made with respect to such investment (a.k.a Unbaselined MAIS) or designated a pre-MAIS. This annual report, known as the MAIS Annual Report (MAR), is also a budget exhibit. MARs are to be consistent with the latest President's Budget Submission.

1. All MAIS, Unbaselined MAIS, MDAP IT Programs, and Pre-MDAP IT Programs will be reported in SNaP-IT as single investments aligned to the Official MAIS and MDAP Lists maintained in the Defense Acquisition Management Information Retrieval (DAMIR) Portal.

2. Components shall ensure that the MAR information is consistent with the most recently submitted President's Budget. Components must use the same program description in the MAR, IT-1, and Major IT Business Case and Major IT Business Case Detail.

The program description should be precisely worded to consider the Congressional staff audience. In addition, Components shall notify the Under Secretary of Defense (Acquisition, Technology, and Logistics) (USD(AT&L)) as soon as the Component anticipates that the program is within 10 percent of an ACAT I or IA program dollar threshold, as required by DoDI 5000.02.

M. Components with investments deemed "Major" (***180105.BH***) are required to provide updates to the Major IT Business Case Detail, via SNaP-IT, that will be made available to the Federal Information Technology Dashboard (ITDB). Updates include changes to Major IT Business Case Detail baselines, planned start/end dates, actual start/end dates, and planned/actual costs. Additional guidance for this process is promulgated in the DoD CIO's annual guidance (see ***180103.A***).

N. Components MUST provide Data Center Budget information for all Data Centers reported in the DoD Federal Data Center Consolidation Initiative (FDCCI) inventory currently maintained in the Data Center Inventory Management (DCIM) (which replaced the Characterization and Dependency Analysis Tool (CADAT)). Data Center budgets will be provided by Development, Modernization, and Enhancement (DME) and Operation and Maintenance (O&M) costs and are maintained in the DITIP Data Center Budget model under "Data Center".

O. Components must identify which investments are resourced through a DWCF's capital program, as well as whether such investment either is an IT product or IT service (vice an investment in a non-IT product or service). The SNaP-IT DWCF IT budget module for IT Working Capital Fund requirements located on the Nonsecure Internet Protocol (IP) Router Network (NIPRNet or "NIPR") will forecast all planned revenue for the Investment to include any classified investment amounts residing in the Secret Internet Protocol Router Network (SIPRNet or "SIPR"). With regard to Working Capital Fund, the data entry requirements and responsibilities are dependent on the role of the organization entering the data. The two roles are "owner" (WCF Owner) or "resource user" (WCF Participant). Refer to OSD guidance for greater details.

180103. Preparation of Material

A. This section covers material reporting requirements for IT resources submitted to the DoD CIO. The DoD CIO will provide an augmenting guidance letter annually by early August of the reporting year. The guidance will include changes in submission requirements to meet A-11 (Section 25.5 and 51.18), E-Government, and Congressional requirements (SCIRs), FY2003 DoD Authorization Act Section 351 requirements, Component Overviews, and Section 332 reporting; special areas of emphasis; and a listing of the investments that require a Major IT Business Case/Major IT Business Case Detail.

B. All IT resources must be managed in accordance with appropriation guidance and applicable expense and investment criteria.

C. All IT resources will be reported within investments. With the exception of Defense business systems (see ***180103.G.2***), MAIS (see ***180102.L.1***), Approved Shared

Services (see ***180103.I***), and programs, projects, and activities exempted by section ***180102.D.4***, investments can be systems, programs, projects, organizations, activities or grouping of systems with related functionality. All references to "Approved Shared Services" should now state "Approved Defense Enterprise IT Services (DEITS). Each Component will manage its classified and unclassified investments through the respective DITIP. Investments are registered with key categories of data required to meet internal and external reporting requirements. To register a new investment or amend/update existing investment data, DoD Components access DITIP's on-line investment registration capability. A Unique Investment Identifier (UII) is associated with each investment. The current and archived lists of investments are maintained on the DITIP web site. Additional guidance for the registration process, is promulgated in the DoD CIO's annual guidance (see ***180103.A***).

The Department of Defense Information Technology Investment Portal (DITIP) provides a centralized location for IT investment portfolio data, is the authoritative data source for DoD IT Header information, and aligns IT systems information in the Defense IT Portfolio Registry (DITPR) with budget information in the SNaP-IT. DITIP provides for the entry and maintenance of common DITPR and SNaP-IT data elements, provides a mechanism to identify Data Center budget resource estimates and supports the DCMO defense business system (DBS) certification. DITIP is the system of record for the four National Defense Authorization Act (NDAA) Defense Business System data elements (i.e., Business Enterprise Architecture (BEA) Code, BEA Version, Business Process Re-engineering (BPR) Code and Category Critical Capability (CATBC Code).

Components are responsible for verifying investment data entered in DITIP is consistent with that data entered into DITPR. At a minimum each DITPR line item must be aligned against an active SNaP-IT UII.

D. All investments requiring a Major IT Business Case/Major IT Business Case Detail will be identified within the annual IT Budget and Cyberspace Operations Budget guidance (see ***180103.A***). Regardless of actual investment amount, all funding for MAIS and pre-MAIS programs as defined in 10 U.S.C §2245a will be reported in the IT exhibit as major (exceptions to this rule will be annotated in the IT Budget and Cyberspace Operations Budget Guidance). Components that serve as the executive or principal funding agent (aka "Owner") for investments must report all sections of the Major IT Business Case and Major IT Business Case Detail.

E. Investments with multiple participating DoD Components are joint investments. All information submitted for a joint investment is the responsibility of the investment owner registered in DITIP/SNaP-IT. The owner shall coordinate investment data with each participating DOD Component of that joint investment.

F. Group of Systems. With the exception of Defense business systems (see ***180103.G***), MAIS (see ***180102.L.1***), and DEITS (see ***180103.I***), investments can be groupings of systems with related functionality if all the systems are within the same Mission Area, segment, managed under the same construct, and financed under the same resource construct (program/project/organization). All systems grouped into an IT Budget Investment must report that investment's UII in the appropriate DITPR system record.

G. Defense Business Systems (DBS)

1. In order to satisfy requirements of 10 U.S.C. §2222, for certification and approval of investments involving "defense business systems" as "covered defense business system programs," as well as for budget information in the materials that the Secretary of Defense submits to the Congress under 10 U.S.C. §2222(h), investments in defense business systems must be reported individually within the Information Technology (IT) Budget.

2. All defense business systems must be included within the IT Budget at the system level, not as system of systems, group of systems, or bundle of systems (i.e., Defense Business System = Investment).

3. The definition of a DBS is provided in section ***180105.Z***. All systems reported in the DITPR as a DBS, or with the primary mission areas designation of "Business", MUST be maintained as their own SNaP-IT Investment.

H. Cyberspace Operations

1. DOD categorizes Cyberspace Operations as a major reportable category of the DoD Information Network (DoDIN) (formerly known as the Global Information Grid (GIG) IT/ Defense Information Infrastructure (DII)). Strictly for OMB taxonomy and SNaP-IT purposes, there are three components to Cyberspace Operations: Cybersecurity (also known as Information Assurance), Cyberspace Operations, and Research and Development. Cybersecurity is more defensive in nature, whereas Cyberspace Operations is more offensive. Definitions are provided in Joint Publication 3-12. Research and Development efforts that support DoD Cyberspace Operations focuses on the incorporation and fusion of advanced technology with capabilities for defensive and offensive tactics, techniques, practices, and procedures in the cyberspace domain.

2. Components with Cyberspace Operations investments will report its resources through the SNaP-IT System. All Cyberspace Operations resources will be reported within cyberspace operations investments as prescribed by DoD CIO. Justification narratives to support the preparation of the DoD Cyberspace Operations Congressional Justification Book (CJB) will be input directly into SNaP-IT.

3. DoD CIO DCIO Resources & Analysis (DCIO R&A), in coordination with DCIO Cybersecurity and the offices of CAPE, USD(C), USD(I) and USD(AT&L) and components as identified in 180102.(B) will prepare a single DoD Cyberspace Operations CJB containing materials supporting DoD's overall Cyberspace Operations efforts. This information is collected simultaneously with the IT Budget utilizing SNaP-IT. Components must complete the SNaP-IT submission for all investments identified either in the "GIG Group" as Information Assurance Activities (IAA) or in the Segment using "610-000".

4. The Cyber Mission Forces were established in March 2013 and activated in January 2014. The Cyber Mission Forces have three main aspects: 1) Cyber National Mission Teams to help defend the nation against a strategic cyber attack on US interests

including our critical infrastructure and key resources (CIKR); 2) Cyber Combat Mission Teams aligned with regional and functional Combatant Commanders to support their objectives; and 3) Cyber Protection Teams to help defend DoD information environment and the military cyber terrain. These cyber mission teams are the U.S. military's first joint tactical command dedicated to cyberspace operations. They primarily support the Combatant Commands. In order to efficiently account for planned, programmed, and budgeted financial requirements, organizations are required to use the unique taxonomies and Program Elements that SNaP-IT established for the Cyber National Mission Forces. OSD classified guidance and training will provide further details on managing UIIs with appropriate Program Elements and the OMB taxonomies.

I. Defense Enterprise IT Services (DEITS) (Formerly known as Approved Shared Services)

The DoD CIO Executive Board may occasionally authorize a DoD Approved Shared Service. In those cases, an Authorized Shared Service must be reported in a single SNaP-IT investment. The DCIO (Resources and Analysis) will maintain a listing of Authorized Shared Service and provide that listing within the DoD CIO's annual IT Budget and Cyberspace Operations Budget guidance (see ***180103.A***).

J. Industrial Control Systems (ICS)/ Platform Information Technology (PIT)/ Supervisory Control and Data Acquisition (SCADA)

As stated in NIST Special Publication 800-82, "ICS are typically used in industries such as electric, water and wastewater, oil and natural gas, transportation, chemical, pharmaceutical, pulp and paper, food and beverage, and discrete manufacturing (e.g., automotive, aerospace, and durable goods.) SCADA systems are generally used to control dispersed assets using centralized data acquisition and supervisory control….These control systems are vital to the operation of the U.S. critical infrastructures that are often highly interconnected and mutually dependent systems." These systems, while not generally considered a typical Information System, are just as vulnerable to interception, modification, interruption and fabrication that threaten typical Information Technology Systems. Likewise, the defensive measures taken to protect ICS/PIT/SCADA systems are similar to the cybersecurity measures currently taken to protect IT systems: Firewalls, Intrusion Detection Systems, strong passwords, and encryption to name a few. Therefore, the documented planning, programming and budgeting of the costs of researching, procuring, operating and maintaining these defensive mechanisms used to protect ICS/PIT/SCADA from these vulnerability exploitations should begin in the FY17 President's Budget using SNaP-IT. PIT CS purchased as part of a weapons systems or some other turn-key non-IT solution (i.e., as part of an HVAC system) would not be reported in the IT/Cyber Budget. In summary, if the turn-key solution is IT then the ICS/PIT/SCADA systems would be reported within the turn-key investments IT/Cyber budget. If the PIT CS is being purchased on its own or upgraded to address cyber security shortfalls, it would be reported in the IT/cyber budget. Lastly there is no need register PIT CS as a separate IT investment -- it can be a part of a larger investment.

180104. References

A. DoD FMR, Volume 2A, Chapter 1 provides general funding and appropriation policies, including expense and investment criteria (Section 010201) and Budgeting for Information Technology and Automated Information Systems guidance (Section 010212), as well as general preparation instructions and distribution requirements. The table below highlights FMR references to the applicable appropriation.

Reference	Appropriation
Volume 2A, Chapter 3	Operation and Maintenance
Volume 2B, Chapter 4	Procurement
Volume 2B, Chapter 5	RDT&E
Volume 2B Chapter 6	Military Construction
Volume 2B Chapter 9	Defense Working Capital Fund (DWCF)

Volume 2B, Chapter 16 discusses requirements for NIP and MIP justification materials. Additional Cyberspace Operations justification guidance is provided above in (***180103.H***) and via an annual guidance letter.

B. DoD Directive 5000.01, "Defense Acquisition," DoD Instruction 5000.02, "Operation of the Defense Acquisition System," and the Defense Acquisition Guidebook discuss acquisition and program management requirements for preparation of acquisition program Capital Asset Plan and Business Cases. DTM 11-003 – Reliability Analysis, Planning, Tracking, and Reporting and DTM 09-027 – Implementation of the Weapon Systems Acquisition Reform Act of 2009 provide further clarification to DoDD 5000.01.

C. Office of Management and Budget (OMB) Circular No. A-11, "Preparation and Submission of Budget Estimates," Section 51.18, "Budgeting for the acquisition of capital assets," and Section 25.5, "What do I include in the budget request?" provide the general Federal reporting requirements for IT resources.

D. The Paperwork Reduction Act of 1995 and the Public Law 104-106 (Clinger-Cohen Act of 1996) contain supporting definitions regarding IT.

E. OMB Circular A-130, "Management of Federal Information Resources" provides guidance on governance requirements including the Documented Capital Planning and Investment Control (CPIC) process, Agency Enterprise Architecture and the Information Resource Management (IRM) Plan.

F. DoD Directive 8115.01, "Information Technology Portfolio Management" and DoD Instruction 8115.02, "Information Technology Portfolio Management Implementation," provides guidance and define responsibilities for DoD Mission Areas.

G. DoD Directive 7045.20, "Capability Portfolio Management," establishes policy and assigns responsibilities for the use of capability portfolio management.

H. DoD Directive 5205.12, "Military Intelligence Program (MIP)," Establishes policy and assigns responsibilities for the MIP in accordance with the authority in DoD Directive (DoDD) 5143.01 (Reference (a)) to provide visibility into Defense Intelligence resource data and capabilities and to create a means for effectively assessing Defense Intelligence capabilities.

I. Joint Publication 3-13, Information Operations, dated November 27, 2012.

J. Joint Publications 3-12, Cyberspace Operations, dated February 5, 2013.

K. National Institute of Standards and Technology Special Publication 800-82, June 2011.

L. DoD Directive 8000.01, Management of the Department of Defense Information Enterprise, dated February 10, 2009.

M. DoD Instruction 8500.01, Cybersecurity, dated March 14, 2014.

180105. Definitions

A. Acquisition Management Segment (510-000). IT supporting the activities necessary to provide (non-commodity) goods/services for DoD operations.

B. Battlespace Awareness-Environment Segment (710-000). IT supporting the ability to collect, analyze, predict and exploit meteorological, oceanographic and space environmental data.

C. Battlespace Awareness-ISR Segment (700-000). IT supporting the ability to conduct activities to meet the intelligence needs of national and military decision-makers.

D. Battlespace Networks Segment (720-000). IT that extends DoD's "commercial like" IT Infrastructure to meet the unique connectivity and interoperability needs of deployed and mobile warfighting capabilities. Focuses on information transport, computing, enterprise services capabilities that supports the Combined Joint Task Force. NOTE: All investments included in the Battlespace Networks segment should be identified as NSS. If it is not an NSS system then it probably should be aligned with the Information Technology Infrastructure (ITI) segment.

E. Budget Identification Number (BIN). See Unique Investment Identifier.

F. Building Partnerships Segment (790-000). This segment covers the IT supporting the capability for setting conditions for interaction with partner, competitor or adversary leaders, military forces, or relevant populations by developing and presenting information and conducting activities to affect their perceptions, will, behavior, and capabilities.

G. Business Mission Area (BMA). The BMA ensures that the right capabilities, resources, and materiel are reliably delivered to our warfighters: what they need,

where they need it, when they need it, anywhere in the world. In order to cost-effectively meet these requirements, the DoD current business and financial management infrastructure - processes, systems, and data standards - are being transformed to ensure better support to the warfighter and improve accountability to the taxpayer. Integration of business transformation for the DoD business enterprise is led by the Deputy Secretary of Defense in his role as the Chief Management Officer (CMO) of the Department, and supported by the Deputy Chief Management Officer (DCMO).

H. Business Services Segment–TBD (599-000). This is a placeholder for those "few" business service related IT investments that do not currently fit into the existing business segments.

I. Business Services Segment Group. This segment includes investments for foundational mechanisms and back-office services used to support the mission of the agency. Segments included in this group are: Financial Management, Acquisition, Human Resources Management, Logistics/Supply Chain Management, and Installation Support.

J. Communications and Computing Infrastructure (C&CI). The C&CI reporting category includes the information processing (computing), transport (communications) and infrastructure management services used in DoD such as voice, data transfer (including electronic commerce and business interfaces), video teleconferencing, and messaging. The C&CI category is subdivided into operational areas and special interest programs.

K. Communications. Communications elements include fixed plant, sustaining base infrastructure in the US and selected overseas locations; long haul transmissions via Defense-owned or leased terrestrial facilities; transmissions via satellite or other radio systems; and mobile, tactical transmission systems.

L. Command and Control (C2). Includes the facilities, systems, and manpower essential to a commander for planning, directing, coordinating and controlling operations of assigned forces. C2 capabilities cover the joint/tactical operations echelon and down to front line tactical elements.

M. Command and Control Segment (730-000). This segment provides the IT that facilitates the exercise of authority and direction over DoD-mission related activities supporting the joint warfighter.

N. Computing Infrastructure. Automated information processing operations reported in the C&CI section generally perform one or more of the following functions: processing associated with agency-approved automated information systems; timesharing services; centralized office automation; records management services; or network management support. Staff associated with these operations includes computer operators, computer system programmers, telecommunications specialists, helpdesk personnel and administrative support personnel.

O. Core Financial System. Is an information system, or system of system, that may perform all financial functions including general ledger management, funds management, payment management, receivable management, and cost management. The core financial system is the system of record that maintains all transactions resulting from financial events (see definition below). It may be integrated through a common database or interfaced electronically to meet defined data and processing requirements. The core financial system is specifically used for collecting, processing, maintaining, transmitting, and reporting data regarding financial events. Other uses include supporting financial planning, budgeting activities, and preparing financial statements. Any data transfers to the core financial system must be: traceable to the transaction source; posted to the core financial system in accordance with applicable guidance from the Federal Accounting Standards Advisory Board (FASAB); and in the data format of the core financial system.

P. Core Mission Services Segment (799-000). Placeholder for those "few" core mission service related IT investments that do not currently fit into the existing core service segments.

Q. Core Mission Services Segment Group. This segment group contains investments that directly support the Department's core missions. Segments included in this group are; Battlespace Awareness – Environment, Battlespace Awareness – Intelligence, Surveillance, and Reconnaissance (ISR), Battlespace Networks, Command and Control, Force Application, Protection, Building Partnerships, Force Management, Force Training, and Health.

R. Cost. A monetary measure of the amount of resources applied to a cost objective. Within the DoD, "costs" are identified following the GAO accounting principles and standards as implemented in this Regulation. The fact that collections for some cost elements are deposited into Miscellaneous Receipts of the Treasury does not make those costs "extraneous." It simply means the Congress has not authorized such amounts to be retained by appropriation accounts. After costs have been identified, following the Comptroller General cost accounting rules, a DoD Component may proceed to eliminate cost elements, or process waivers, in accordance with legal authorities.

S. Current Services (CS). At the Federal level, this is referred to as Steady State (SS) and is synonymous with operations and maintenance. Current Services represents the cost of operations at the current capability and performance level of the application, infrastructure program and/or investment when the budget is submitted. That is, the cost with no changes to the baseline other than fact-of-life reductions, termination or replacement. Current Services include: (1) personnel whose duties relate to the general management and operations of information technology, including certain overhead costs associated with Program Management (PM) offices; (2) maintenance of an existing application, infrastructure program or investment; (3) corrective software maintenance, including all efforts to diagnose and correct actual errors (e.g., processing or performance errors) in a system; (4) maintenance of existing voice and data communications capabilities; (5) replacement of broken IT equipment needed to continue operations at the current service level; (6) Technical Refresh; and (7) all other related costs not identified as Development/Modernization.

T. Cybersecurity. As referenced in DoDI 8500.01 "Prevention of damage to, protection of, and restoration of computers, electronic communications systems, electronic communications services, wire communication, and electronic communication, including information contained therein, to ensure its availability, integrity, authentication, confidentiality, and nonrepudiation."

U. Cyberspace**.** A global domain consisting of the interdependent network of information technology infrastructures, including the Internet, telecommunications networks, computer systems, and embedded processors and controllers.

V**.** Cyberspace Operations**.** Employment of cyberspace capabilities for the primary purpose of achieving objectives in or through cyberspace. For the purposes of budget reporting within the OMB taxonomy and SNaP-IT, there are three major components of Cyberspace Operations: Cybersecurity (also known as Information Assurance), Cyberspace Operations, and Research & Development. Refer to paragraphs T and AU for more information. The DoD DCIO (R&A) office will provide further guidance on Cyberspace Operations via classified channels.

W. Cyber Mission Forces. The U.S. military's first joint tactical command with a dedicated mission focused on cyberspace operations and primarily support the Combatant Commands and USCYBERCOM.

X. Data Administration. Program Area of Related Technical Activities. Activities reported in this area include: Data sharing and data standardization. Component data administration programs are defined in the Data Administration Strategic Plans.

Y. Data Center Budget. All Data Centers reported in the DoD FDCCI inventory currently maintained in the DCIM (which replaced the CADAT) must maintain an appropriate budget estimate in DITIP at all times. Each Data Center budget line will include the following information:

1. Resourcing Component,

2. DCIM Unique ID,

3. SNaP-IT Investment UII,

4. Resource Type (DM/CS)

   a. DME - Development, Modernization, and Enhancement, or

   b. CS - Operations and Maintenance (Steady State)

5. Prior Year (PY) through Budget Year plus 4 (BY+4) Resources

Z. Defense Business System (DBS). The term "defense business system" as defined at 10 U.S.C §2222(j)(1) means an information system, other than a national security system, operated by, for, or on behalf of the Department of Defense, including financial systems, mixed systems, financial data feeder systems, and information technology and information assurance infrastructure, used to support business activities, such as acquisition, financial management, logistics, strategic planning and budgeting, installations and environment, and human resource management. The term "covered defense business system" as defined at 10 USC §2222(j)(2) means any defense business system program that is expected to have a total cost in excess of $1,000,000 over the current future-years defense program submitted to the Congress under 10 U.S.C §221.

AA. Defensive Cyberspace Operations (DCO). Passive and active operations to preserve the ability to utilize friendly cyberspace capabilities and protect the DoD networks and net-centric capabilities,

AB. Defensive Cybersecurity. The protection of information against unauthorized disclosure, transfer, modification, or destruction, whether accidental or intentional.

AC. Department of Defense Information Network. The DoD Information Network (DoDIN) (formerly called the Global Information Grid (GIG), as defined in DoD Directive 8000.01 as well as JP 3-13), is the globally interconnected, end-to-end set of information capabilities for collecting, processing, storing, disseminating, and managing information on demand to warfighters, policy makers, and support personnel. The DODIN includes owned and leased communications and computing systems and services, software (including applications), data, security services, other associated services, and National Security Systems. The DODIN consists of information capabilities that enable the access to, exchange, and use of information and services throughout the Department and with non-DoD mission partners. The principal function of the DODIN is to support and enable DoD missions, functions, and operations. The overarching objective of the DODIN vision is to provide the National Command Authority (NCA), warfighters, DoD personnel, Intelligence Community, business, policy-makers, and non-DoD users with information superiority, decision superiority, and full-spectrum dominance.

AD. Department of Defense Information Technology Investment Portal (DITIP). DITIP provides a centralized location for IT investment portfolio data and aligns IT systems information in the Defense IT Portfolio Registry (DITPR) with budget information in the Select and Native Programming Data Input System for IT (SNaP-IT). DITIP provides for the entry and maintenance of common DITPR and SNaP-IT data elements and supports the DCMO defense business system (DBS) certification.

AE. Development/Modernization (Dev/Mod). Also referred to as development/modernization/enhancement. Development, Modernization and Enhancement refers to projects and activities leading to new IT assets/systems, as well as projects and activities that change or modify existing IT assets to substantively improve capability or performance, implement legislative or regulatory requirements, or meet an agency leadership request. DME activity may occur at any time during a program's life cycle. As part of DME, capital costs can

include hardware, software development and acquisition costs, commercial off-the-shelf acquisition costs, government labor costs, and contracted labor costs for planning, development, acquisition, system integration, and direct project management and overhead support. Technical Refresh is NOT included in Dev/Mod, but rather in Current Service as discussed previously.

AF. DoD portion of Intelligence Mission Area (DIMA). The DIMA includes IT investments within the Military Intelligence Program and DoD component programs of the National Intelligence Program. The USD(I) has delegated responsibility for managing the DIMA portfolio to the Director, Defense Intelligence Agency, but USD(I) retains final signature authority. The DIMA management will require coordination of issues among portfolios that extend beyond the Department of Defense to the overall Intelligence Community.

AG. Enterprise Information Environment Mission Area (EIEMA). The EIEMA represents the common, integrated information computing and communications environment of the GIG. The Enterprise Information Environment (EIE) is composed of GIG assets that operate as, provide transport for, and/or assure local area networks, campus area networks, tactical operational and strategic networks, metropolitan area networks, and wide area networks. The EIE includes computing infrastructure for the automatic acquisition, storage, manipulation, management, control, and display of data or information, with a primary emphasis on the DoD enterprise hardware, software operating systems, and hardware/software support that enable the GIG enterprise. The EIE also includes a common set of enterprise services, called Core Enterprise Services, which provide awareness of, access to, and delivery of information on the GIG.

AH. Enterprise Services Segment –TBD (699-000). This is a placeholder for those "few" enterprise service related IT investments that do not currently fit into the existing IT Infrastructure; Identity and Information Assurance; or IT Management segments.

AI. Enterprise Services Segment Group. This segment group includes investments for IT services and infrastructure that support core mission and business services. Segments included in this group are; Identity and Information Assurance (IIA), IT Infrastructure, and IT Management.

AJ. Financial Event. Is any activity having financial consequences to the Federal government related to the receipt of appropriations or other financial resources; acquisition of goods or services; payments or collections; recognition of guarantees, benefits to be provided, or other potential liabilities; distribution of grants; or other reportable financial activities.

AK. Financial Management Segment (500-000). The IT supporting the facilitation and implementation of financial management solutions providing timely and accurate decision support data, stronger internal controls, establishing standards for acquiring and implementing FM systems through shared business processes, IT services, and data elements.

AL. Financial Management Systems. Financial Management systems perform the functions necessary to process or support financial management activities. These systems

collect, process, maintain, transmit, and/or report data about financial events or supporting financial planning or budgeting activities. These systems may also accumulate or report cost information, support preparation of financial transactions or financial statements or track financial events and provide information significant to the DoD Components financial management.

AM. Force Application Segment (740-000). IT supporting the capability to integrate the use of maneuver and engagement in all environments, to creating the necessary effects for achieving DoD mission objectives.

AN. Force Management Segment (770-000). IT supporting the ability to integrate new and existing human and technical assets from across the Joint Force and its mission partners to make the right capabilities available at the right time/place to support National Security.

AO. Force Training Segment (780-000). IT supporting the ability to enhance the capacity to perform specific functions and tasks in order to improve the individual or collective performance of personnel, units, forces, and staffs.

AP. Global/Functional Area Applications (G/FAA). Also referred to as Global Applications, Global, or Functional Area Applications are associated with all DoD mission areas—C2, Intelligence and combat support, combat service support areas, and the DoD business areas. Selected investments will be categorized as NSS. Global applications rely upon the network, computing and communication management services including information processing, common services, and transport capabilities of the Communications and Computing Infrastructure. Related technical activities provide the architectures, standards, interoperability, and information assurance that these applications require to operate effectively as part of the Defense Information Infrastructure. Although an application/system may serve more than one function, it is generally classified according to the predominate function across the department. Each Functional Application category is subdivided into Functional Areas that equate to principal staff functions and activities.

AQ. Global Information Grid (GIG). This term is now referred to as the DoD Information Network (DODIN) which is described in paragraph ***AB*** above. Until the term "GIG" is removed, replaced or updated in all applicable documentation, this definition will remain in this document for reference purposes. The GIG supports all DoD missions with information technology for National Security Systems, joint operations, Joint Task Forces, Combined Task Force commands, and DoD business operations that offer the most effective and efficient information handling capabilities available, consistent with National Military Strategy, operational requirements and best value enterprise level business practices. The GIG is based on a common, or enterprise level, communications and computing architecture to provide a full range of information services at all major security classifications.

AR. Health (760-000). The Health segment facilitates the implementation of IT systems and services that enable the Department's capabilities to maintain the health of

military personnel, which includes the delivery of healthcare required during wartime.

AS. Human Resource Management Segment (520-000). IT supporting DoD human resource management, personnel and readiness ensuring human resources are recruited, trained, capable, motivated, and ready to support the Department.

AT. Identification Number (IN). Investment numbers are more commonly referred to as the Budget Identification Numbers (BIN). A four or five digit identification number that is assigned to each investment, program and system reported in the IT budget and Cyberspace Operations Budget.

AU. Identity and Information Assurance (IIA) Segment (610-000). IT supporting the DoD's ability to maintain an appropriate level of confidentiality, integrity, authentication, non-repudiation and availability of data and information at rest and in transit. IIA's purpose is to maintain the information and information assets; document threats and vulnerabilities; ensure the trustworthiness of users and interconnecting systems; determine the impact of impairment or destruction to the DoD information system(s) and cyberspace; and manage cost effectiveness.

AV. Information Assurance (IA). With regard to OMB taxonomy and SNaP-IT purposes, when referencing Paragraph ***T***, DOD considers "Information Assurance" synonymously with "Cybersecurity", which is one of three components of Cyberspace Operations, and is a major reportable category of the DoDIN/IT/JIE. The term "Information Assurance" and "Cybersecurity" are used interchangeably throughout this chapter. However, DoDI 8500.01 primarily uses "Cybersecurity" as the most current terminology concerning Information Assurance and as such, future publications will remove "Information Assurance" references. For a historical perspective, IA included all efforts that protect and defend information and information systems by ensuring their availability, integrity, authentication, confidentiality, and non-repudiation. Also included were all provisions for restoration of information systems by incorporating protection, detection, and reaction capabilities. As such, IA was broader in scope than information systems security and reflected the realities of assuring timely availability of accurate information and reliable operation of DoD information systems in increasingly inter-networked information environments.

AW. Information System (IS). (Reference section 3502 of title 44 U.S.C.) An information system is a discrete set of information resources organized for the collection, processing, maintenance, use, sharing, dissemination, or disposition of information. This includes automated information systems (AIS), enclaves, outsourced IT-based processes and platform IT interconnections. To operate information systems, Components must support related software applications, supporting communications and computing infrastructure and necessary architectures and information security activities.

AX. Information Technology (IT). (Reference section 11101 of title 40 U.S.C. and PL 113-291, Subtitle D –Federal Information Technology Acquisition Reform Act) The term "information technology" is defined as:

1. Services or equipment, or interconnected system(s) or subsystem(s) of equipment, that are used in the automatic acquisition, storage, analysis, evaluation, manipulation, management, movement, control, display, switching, interchange, transmission, or reception of data or information by the agency; and

2. Services or equipment that are used by an agency if used by the agency directly or if used by a contractor under a contract with the agency that requires either use of the services or equipment or requires use of the services or equipment to a significant extent in the performance of a service or the furnishing of a product.

3. The term "information technology" includes computers, ancillary equipment (including imaging peripherals, input, output, and storage devices necessary for security and surveillance), peripheral equipment designed to be controlled by the central processing unit of a computer, software, firmware and similar procedures, services (including provisioned services such as cloud computing and support services that support any point of the lifecycle of the equipment or service), and related resources.

4. The term "information technology" does not include any equipment that is acquired by a contractor incidental to a contract that does not require use of the equipment.

AY. Information Technology (IT) Investment. This term refers to the expenditure of IT resources to address mission delivery and management support. An IT investment may include a project or projects for the development, modernization, enhancement, or maintenance of a single IT asset or group of IT assets with related functionality, and the subsequent operation of those assets in a production environment. All IT investments should have a defined life cycle with start and end dates, with the end date representing the end of the currently estimated useful life of the investment, consistent with the investment's most current alternatives analysis if applicable. When the asset(s) is essentially replaced by a new system or technology, the replacement should be reported as a new, distinct investment, with its own defined life cycle information.

AZ. Information Technology Resources. The term "information technology resources" is defined as:

1. Agency budgetary resources, personnel, equipment, facilities, or services that are primarily used in the management, operation, acquisition, disposition, and transformation, or other activity related to the lifecycle of information technology;

2. Acquisitions or interagency agreements that include information technology and the services or equipment provided by such acquisitions or interagency agreements; but

3. Does not include grants to third parties which establish or support information technology not operated directly by the Federal Government

BA. Information Technology (IT) Portfolio. The DoD IT portfolio consists of investments representing a common collection of capabilities and services. The portfolios are an integral part of the Department's decision making process and are managed with the goal of ensuring efficient and effective delivery of capabilities while maximizing the return on Enterprise investments.

BB. Installation Support Segment (540-000). IT supporting the ability to provide installation assets and services necessary to support the US military forces.

BC. IT Infrastructure Segment (600-000). Commercial-like, common user, information transport, computing and (infrastructure) enterprise services supporting DoD's fixed base users in accomplishing their missions.

BD. IT Management Segment (800-000). Facilitates planning, selection, implementation and assessment of IT investments and programs supporting the broader enterprise. This includes: IT strategic planning, promulgation of policy and direction governing the provisioning of services; establishing and maintaining enterprise architectures and transition strategies; cost analysis, performance measurement and assessment in order to best mitigate risks.

BE. Joint Information Environment. The Joint Information Environment (JIE) is a fundamental shift in the way the Department of Defense (DoD) will consolidate and manage Information Technology (IT) infrastructure, services, and assets in order to realign, restructure, and modernize how the Department's IT networks and systems are constructed, operated, and defended. JIE will consolidate and standardize the design and architecture of the Department's networks. The JIE represents the DoD migration from military service-centric IT infrastructures and capabilities, with their mixture of disparate networks and applications, to enterprise capabilities based on common infrastructure and shared services to support Joint needs. These needs include networks, security services, cyber defenses, data centers, and operation management centers. Consolidation and standardization will result in a single, reliable, resilient, and agile information enterprise for use by the joint forces and mission partners. The vision of JIE is to ensure that DoD military commanders, civilian leadership, warfighters, coalition partners, and other non-DoD mission partners have access to information and data provided in a secure, reliable, and agile DoD-wide information environment. The ultimate beneficiary of JIE is the commander in the field, allowing for innovative integration of information technologies, operations, and cybersecurity at a tempo more appropriate to today's fast-paced operational conditions. The objective is for authorized users to access required information and resources from anywhere, at any time, using any approved device across the JIE, enabling warfighter information sharing and mission operations. Since JIE is not a Program of Record, it should be noted that the Department will utilize existing DoD Component programs, initiatives, technical refresh plans, acquisition processes, and funding to deploy and migrate the existing infrastructure to the JIE standards. OSD guidance and training will provide more details concerning the alignment of UIIs to achieving JIE goals and standards.

BF. Life-Cycle Cost (LCC). LCC represents the total cost to the Government for an IS, weapon system, program and/or investment over its full life. It includes all

developmental costs, procurement costs, MILCON costs, operations and support costs, and disposal costs. LCC encompasses direct and indirect initial costs plus any periodic or continuing sustainment costs, and all contract and in-house costs, in all cost categories and all related appropriations/funds. LCC may be broken down to describe the cost of delivering a certain capability or useful segment of an IT investment. LCC normally includes 10 years of sustainment funding following Full Operational Capability (FOC) or Full Deployment for Automated Information Systems. For investments with no known end date and that are beyond FOC, LCC estimate should include 10 years of sustainment.

BG. Logistics/Supply Chain Management Segment (530-000). IT supporting the ability to project and sustain a logistically ready joint force to meet mission objectives.

BH. Major. A system or investment requiring special management attention because of its importance to an agency mission; its high development, operating, or maintenance costs; or its significant role in the administration of agency programs, finances, property or other resources. Systems or investments that have been categorized as "Major" can include resources that are associated with the planning, acquisition and /or sustainment life cycle phases. Large infrastructure investments (e.g. major purchases of personal computers or local area network improvements) should be considered major investments. Includes programs identified as MAIS (also called ACAT IA) in DoD 5000 series documents.

BI. Military Intelligence Program (MIP). The MIP consists of programs, projects, or activities that support the Secretary of Defense's intelligence, counterintelligence, and related intelligence responsibilities. This includes those intelligence and counterintelligence programs, projects, or activities that provide capabilities to meet warfighters' operational and tactical requirements more effectively. The term excludes capabilities associated with a weapons system whose primary mission is not intelligence.

BJ. National Leadership Command Capabilities (NLCC). A capability encompassing the entirety of the DoD command, control, communications, computer, intelligence, surveillance, and reconnaissance systems and services that provides national leadership, regardless of location and environment, with diverse and assured access to integrated, accurate, and timely data, information, intelligence, communications, services, situational awareness, and warnings and indications from which planning and decision-making activities can be initiated, executed, and monitored. OSD guidance and training will provide more details concerning the alignment of UIIs to the NLCC.

BK. National Security Systems (NSS). (Reference section 3542 of title 44 U.S.C.) NSS includes any telecommunications or information system operated by the United States Government, the function, operation, or use of which involves intelligence activities, cryptologic activities related to national security, or command and control of military forces. NSS also includes equipment that is an integral part of a weapon or weapons system, or is critical to the direct fulfillment of military or intelligence missions. NSS DOES NOT include a system that is to be used for routine administrative and business applications (including payroll, finance, logistics, and personnel management applications).

BL. Obligation. The amount representing orders placed, contracts awarded, services received, and similar transactions during an accounting period that will require payment during the same, or a future, period. Obligations include payments for which obligations previously have not been recorded and adjustments for differences between obligations previously recorded and actual payments to liquidate those obligations. The amount of obligations incurred is segregated into undelivered orders and accrued expenditures - paid or unpaid. For purposes of matching a disbursement to its proper obligation, the term obligation refers to each separate obligation amount identified by a separate line of accounting.

BM. Offensive Cyberspace Operations. JP 3-12 defines Offensive Cyberspace Operations as "Cyberspace operations intended to project power by the application of force in or through cyberspace. However, for SNaP-IT and OMB taxonomy purpose, Offensive Cyberspace Operations are activities that actively gather information, manipulate, disrupt, deny, degrade, or destroy adversary computer information systems, information, or networks through cyberspace.

BN. Office Automation (also referred to as "Desktop Processing"). Facilities that support file servers or desktop computers used for administrative processing (e.g. word processing, spreadsheets, etc.) rather than application processing, should be reported as Office Automation (listed as a separate function).

BO. Operational Preparation of the Environment. Non-intelligence enabling activities conducted to plan and prepare for potential follow-on military operations. OPE in cyberspace includes identifying data, software, systems, networks, and facilities to determine vulnerabilities and activities to assure future access or control during anticipated hostilities.

BP. "Other" Category (also referred to as "All Other"). For those "Development/Modernization" and/or "Current Services" costs/obligations as well as investments not designated in the major categories. "Other" category investments are aligned with the applicable GIG/IT/DII Reporting Structure functional/mission area (see Section 180106).

BQ. Program Cost (also referred to as investment cost and total acquisition cost). The total of all expenditures, in all appropriations and funds, directly related to the IS, program, or investment's definition, design, development, and deployment; incurred from the beginning of the "Concept Exploration" phase through deployment at each separate site. For incremental and evolutionary program strategies, program cost includes all funded increments. Program cost is further discussed in DoD 5000 series documents.

BR. Protection Segment (750-000). IT supporting the capability to prevent and/or mitigate adverse effects of attacks on personnel (combatant or non-combatant) and physical assets of the United States, its allies and friends.

BS. Related Technical Activities (RTAs). RTAs service global/functional applications, C&CI and IA. While RTAs do not provide directly functional applications, data processing, or connectivity, they are required to ensure that the infrastructure functions as an integrated whole and meets DoD mission requirements. RTAs include such things as spectrum

management, development of architectures, facilitation of interoperability, and technical integration activities. RTAs are considered necessary "overhead" for the DODIN. See Section 180106 for the DODIN Structure Table. The RTA category is subdivided into limited Program Areas.

BT. Segments. A portfolio management concept required by OMB Circular A-11. Segments serve as the basis for organizing IT investments for both budget management and performance management purposes. Three groups of segments have emerged to characterize the way in which their segments enable functional capabilities of the enterprise – and to differentiate the way in which investments are governed; Business Services Segment Group, Core Mission Services Segment Group, and Enterprise Services Segment Group.

BU. Select & Native Programming-Information Technology (SNaP-IT). The electronic system used by the DoD CIO to collect IT Budget and Cyberspace Operations Budget data and generates reports mandated by the OMB and the Congress. SNaP-IT is a database application used to plan, coordinate, edit, publish, and disseminate Information Technology (IT) budget justification books required by the Congress. SNaP-IT generates all forms, summaries, and pages used to complete the publishing of the IT Congressional Justification materials (the IT-1, overviews, Selected Capital Investment Reports required by Section 351) and the OMB submissions, such as the IT Investment Portfolio Summary, the IT Business Case, and monthly updates to the OMB Information Technology Dashboard. SNaP-IT provides users the ability to gain access to critical information needed to monitor and analyze the IT Budget and Cyberspace Operations Budget submitted by the DoD Components.

BV. Special Interest Communications Programs. Special interest communications programs are reported under IT/DII C&CI division. Electronic Commerce/Electronic Data Interchange and Distance Learning Systems are special interest programs that should be reported in this area. The resource category "Other" may not be used with Special Interest Communications.

BW. Steady State (SS). See definition for Current Services.

BX. Technical Activities. This refers to activities that deal with testing, engineering, architectures and inter-operability.

BY. Threat Detection and Analysis. This refers to activities that identify, characterize, examine, and track previously undefined types and sources of cyber threats against data, system, or network vulnerabilities to determine the risks to particular data, systems, networks, or operations.

BZ. Unique Investment Identifier. Previously called a "BIN", the UII is a database index field automatically generated with the DITPR/SNaP-IT interface when registering or creating a new investment.

CA. Warfighting Mission Area (WMA). The WMA provides life cycle oversight to applicable DoD Component and Combatant Commander IT investments (programs,

systems, and investments). WMA IT investments support and enhance the Chairman of the Joint Chiefs of Staff's joint warfighting priorities while supporting actions to create a net-centric distributed force, capable of full spectrum dominance through decision and information superiority. WMA IT investments ensure Combatant Commands can meet the Chairman of the Joint Chiefs of Staff's strategic challenges to win the war on terrorism, accelerate transformation, and strengthen joint warfighting through organizational agility, action and decision speed, collaboration, outreach, and professional development.

CB. Working Capital Fund Investment. The DWCF authority at 10 U.S.C. § 2208 allows the DoD to finance inventories of supplies and provide working capital for industrial and commercial-type activities. DWCF activities are dependent on revenue, as are commercial businesses. DWCFs provide a mechanism for the DoD Components to finance those supply and commercial and industrial activities that have been chartered under Volume 11B, Chapter 2, or this Regulation. It enables such DoD Components to absorb risk in planning investment programs for maintenance and supply. The intent was to allow chartered commercial, industrial and supply management activities to make capital investments when needed and recoup the costs through future year pricing structure.

180106. Reporting Structure

IT investments shall be managed by enterprise portfolios divided into Mission Area portfolios which are defined as Warfighting, Business, DoD portion of Intelligence, and Enterprise Information Environment. In addition, all information technology resources will be associated with a single DoD Segment (see section 180105 for definitions), the Federal Enterprise Architecture (FEA) Business Reference Model (BRM), and the OMB approved Segment. Investments are also reported by appropriation details (Appropriation, Budget Activity (BA), Program Element (PE), Budget Line Item (BLI), Investment Stage and Source (Base/Overseas Contingency Operations (OCO)) and by "major" and "other" categories. SNaP-IT records these business rules. Investments that cross more than one functional area, such as C&CI, RTA, or IAA (Cyberspace Operations), may need to be broken down by area and registered in the Master BIN List maintained in SNaP-IT by the DoD CIO. The reporting area will normally be based upon the preponderance of the mission/capability concept.

Segment Architecture and Information Technology/Defense Information Infrastructure (DODIN) Reporting Structure

Segment Category	Segment Code *-000	Segment Title	Sub-segment Title	GIG Group	Mission Area
BS	500	Financial Management		FAA	BMA
BS	510	Acquisition		FAA	BMA
BS	520	Human Resource Management		FAA	BMA
BS	530	Logistics/Supply Chain Management		FAA	BMA
BS	540	Installation Support		FAA	BMA
BS	599	Business Services TBD		FAA	BMA
ES	600	DoD IT Infrastructure	Core Network Infrastructure	CCI	EIEMA
ES	600	DoD IT Infrastructure	DoD Enterprise Services	CCI	EIEMA
ES	600	DoD IT Infrastructure	DoD IT Infrastructure	CCI	EIEMA
ES	600	DoD IT Infrastructure	Non-Core Network Infrastructure	CCI	EIEMA
ES	610	Cyber Information & Identity Assurance (Cyberspace Operations)	Assured Information Sharing (AIS)	IAA	EIEMA
ES	610	Cyber Information & Identity Assurance (Cyberspace Operations)	Computer Network Defense	IAA	EIEMA
ES	610	Cyber Information & Identity Assurance (Cyberspace Operations)	Cryptographic Key Production and Management	IAA	EIEMA
ES	610	Cyber Information & Identity Assurance (Cyberspace Operations)	Cryptographic Systems	IAA	EIEMA
ES	610	Cyber Information & Identity Assurance (Cyberspace Operations)	Cyber Identify /Access Management	IAA	EIEMA
ES	610	Cyber Information & Identity Assurance (Cyberspace Operations)	Defense Industrial Base (DIB) CyberSecurity/ Information Assurance	IAA	EIEMA
ES	610	Cyber Information & Identity Assurance (Cyberspace Operations)	Engineering & Deployment	IAA	EIEMA
ES	610	Cyber Information & Identity Assurance (Cyberspace Operations)	Information Assurance Operational Resiliency	IAA	EIEMA
ES	610	Cyber Information & Identity Assurance (Cyberspace Operations)	Offensive Cyberspace Operations	IAA	EIEMA
ES	610	Cyber Information & Identity Assurance (Cyberspace Operations)	Workforce Development	IAA	EIEMA
ES	699	Enterprise Services TBD		CCI	EIEMA
CMAS	700	Battlespace Awareness-ISR		FAA	DIMA

Segment Category	Segment Code *-000	Segment Title	Sub-segment Title	GIG Group	Mission Area
CMAS	710	Battlespace Awareness-Environment		FAA	WMA
CMAS	720	Battlespace Networks		CCI	EIEMA
CMAS	730	Command & Control		FAA	WMA
CMAS	740	Force Application		FAA	WMA
CMAS	750	Protection		FAA	WMA
CMAS	760	Health		FAA	BMA
CMAS	770	Force Management		FAA	BMA
CMAS	780	Force Training		FAA	WMA
CMAS	790	Building Partnerships		FAA	WMA
CMAS	799	Core Mission TBD		RTA	EIEMA
ES	800	IT Management		RTA	BMA

BS = Business Systems
ES = Enterprise Services
CMAS = Core Mission Area Services

1802 PROGRAM AND BUDGET ESTIMATES SUBMISSION

180201. Purpose

This section provides guidance for preparation and submission of the Information Technology Budget Estimate Submission (BES) to the DoD CIO, and for preliminary updates to OMB resource exhibits in September in preparation for the OMB "draft guidance" and IT Budget and Cyberspace Operations Budget hearings. Resources reported in the IT submission must be consistent with other primary appropriation justification and FYDP submissions**.** DOD CIO (R&A) will annually issue supplemental guidance for other data requirements directed by the DoD CIO, Congress or OMB. Timelines for updates will be provided as information becomes available and will be designated in the program and budget call memorandum. Technical requirements and templates are provided in SNaP-IT.

180202. Submission Requirements

A. The following information is required. Unless modified in a subsequent budget call, Components shall use the formats in DITIP and on the SNaP-IT Web page (***https://snap.pae.osd.mil/snapit/Home.aspx*** or ***https://snap.cape.osd.smil.mil/snapit/***) and provide an automated submission.

1**.** Investment Registration. Add, update, delete, and modify investment data to accurately represent the current environment for the IT investment and the Component using the DITIP/SNaP-IT investment registration. This includes Titles, Descriptions, Type of IT, IT/NSS Classification, DoD Segment and FEA information, and DoD Component participation requirements.

2. IT Investment Resources. Collection of resources by Component; Security Classification; Appropriation/Fund (Treasury Code); Investment Stage; BA/Line Item; OSD PE Code; Funding Source (Base/OCO); PY, CY, BY, BY+1, +2, +3, and +4 for submitting the IT Investment Portfolio Summary (Exhibit 53) as required by the OMB A-11, Section 51.18 and 25.5.

3. IT Business Case (formerly known as the Exhibit 300). Capital Asset Plan and Business Case (IT) for major investments. The IT Business Case (or CIR), is discussed in the OMB's A-11 Section 51.18 and 25.5. DoD Components are required to complete an IT Business Case for those investments identified by the DoD CIO. In addition to the IT investment resources information reported in the IT Investment Portfolio Summary (Section 180202.A.2), IT Business Case programs will report associated Full Time Equivalent (FTE) personnel and the complete Life Cycle Cost (LCC) of the investment.

B. Distribution of the OSD budget estimates material will be available electronically through the SNaP-IT site.

C. Additional reporting requirements will be identified in the call memorandum, as necessary. Additional management and supporting data may be designated by

the DoD CIO to support detailed justification requirements. All supporting program documentation not submitted with the budget submission must be made available to the DoD CIO within two business days of its request.

180203. Arrangement of Backup Exhibits

The SNaP-IT will provide an option to assemble information in the sequence shown in Section 180202, as applicable. Components will be able to generate IT Investment Portfolio Summary (Exhibit 53) level data outputs for internal review only.

1803 CONGRESSIONAL JUSTIFICATION/PRESENTATION

180301. Purpose

This section provides guidance on organizing the IT resource justification materials submitted in support of the President's Budget. The Department will submit draft and final consolidated outputs to the OMB in the January timeframe and for the Congress by the date set by the Comptroller, usually in the first week of March.

180302. Justification Book Preparation

Justification information will be taken from the SNaP-IT system, reflecting the OMB requirements for IT Investment Portfolio Summary (Exhibit 53) and IT Business Case (known previously as the Exhibit 300). Special outputs will be designed for select investments and summaries based on Congressional requirements. DoD Component requirements and review of these outputs will be discussed in the final budget call memorandum. Congressional justification materials will be extracted or derived from materials developed for the OMB updates.

180303. Submission Requirements

Submission requirements are as specified in Section ***180202***, except as noted below:

A. IT Overview. Information Technology Investment Portfolio Assessment Overview is an Executive summary of a DoD Component's and the Enterprise Portfolio Mission Area's IT Investments providing high-level justification of the portfolio selections and priorities. Information provided must be consistent with the Component's overall budget justification materials. A Cyberspace Operations section is required and must be consistent with information reported in cyberspace operations justification materials and financial reporting. Format will be provided via the SNaP-IT web page or the DoD CIO budget guidance.

B. SCIR. Add/Update/Modify SCIR data within SNaP-IT for all investments designated by the DoD CIO as major and therefore submitting an IT Business Case.

180304. Input for Summary Information Technology Justification Books

A. General. All exhibit data shall be submitted in automated form and be consolidated in SNaP-IT (https://snap.pae.osd.mil/snapit/Home.aspx or https://snap.pae.osd.smil.mil/snapit). The DoD CIO is responsible for providing the DoD Information Technology summary tables per Congressional direction. SNaP-IT will generate the OMB and Congressional President's Budget reporting packages after the DoD Component IT Overview and IT Business Case documents have been submitted to the DoD CIO, DCIO (Resources & Analysis) and/or posted to the SNaP-IT web page. SNaP-IT will generate correct identification information, a cover page, a table of contents, an overview and appendices; the IT Index, report, annex and appendix and the IT Business Case or Congressional extract reports. These will generate a single, integrated submission in Adobe Acrobat Portable Document Format (pdf) that can be used for internal coordination. To accomplish this requirement, the DoD Components will populate the SNaP-IT to generate their submission. The DoD CIO will maintain (and make available to the DoD Components and OSD staff) the digital IT Budget and Cyberspace Operations Budget database. Other specific guidance for IT Budget and Cyberspace Operations budget materials will be provided as required.

B. Distribution of the final appropriately released justification material will be made electronically and by Compact Disk Read-Only Memory (CD ROM) to the Congress and the OMB. Releasable information will be available through public web site(s). CD ROMs will be provided to the Government Accounting Office (GAO) and the DoD Inspector General.

1. The DoD CIO will provide data to OMB for review.

2. The DoD Components will send their draft submissions through final Security Review in accordance with Comptroller instructions and provide copies of the appropriate release form to the DoD CIO, DCIO (Resources & Analysis), Office of Information Technology Investment, and as an attachment to the President's Budget Request transmittal form, due within 5 working days of final submission.

3. The DoD CIO will consolidate electronic submissions from the DoD Components and the Enterprise Portfolio Mission Areas and prepare integrated and individual portfolio overviews, summary information and graphics. The justification books will be forwarded to the OMB for review and release approval.

4. Once security and the OMB have released the justification books, summary and detail data will be transmitted to the Congress (House Defense Appropriations Subcommittee, Senate Defense Appropriations Subcommittee, House Armed Services Committee, and Senate Armed Services Committee). Any data made available to the Congress will be available on the public web page(s) and via CD ROM distribution made in accordance with the format, table and media guidance (Justification Material Supporting the President's Budget Request) in ***Volume 2A, Chapter 1***.

1804 INFORMATION TECHNOLOGY PROGRAM SUBMISSION FORMATS

180401. Format Location

The required input formats are located on the *SNaP-IT* Web page *https://snap.pae.osd.mil/snapit/Home.aspx* or *https://snap.cape.osd.smil.mil/snapit/*

VOLUME 2B, CHAPTER 19: "OTHER SPECIAL ANALYSES"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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

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

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

The previous version dated July 2007 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
Overall	Formatting and room location changes.	Refresh
19-76	Removed Troop Strength column from PB-18.	Update
19-90/91	Update PB-28 Exhibit to included manpower, education and training.	Update
19-92/93	Update PB-28 Exhibit to include Environmental Management Systems.	Update

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CHAPTER 19

OTHER SPECIAL ANALYSES

1901 GENERAL

190101. Purpose

A. This chapter provides instructions applicable to budget formulation and congressional back-up justification for various special interest areas not covered in preceding chapters.

B. The exhibit requirements cover resources crossing DoD appropriations and are generally functional in nature.

C. Areas covered in this chapter are as follows:

Section

1902 Combating Terrorism
1903 Major Range and Test Facility Base
1904 Test and Evaluation Funding
1905 Financial Management Activities
1906 Government Performance and Results Act (GPRA)
1908 Federal Credit Programs
1909 Other Special Analyses
1910 Classifications and Definitions Special Programs Major Force Program 3

190102. Submission Requirements

Unless indicated in individual sections of this chapter and submission distribution in Chapter 1, exhibits are required for both the program and Budget Review Submission and for the Congressional Justification/Presentation submission. General guidance with regard to submission requirements is presented in Chapter 1.

190103. Preparation of Material

General guidance with regard to format and preparation of material is presented in Chapter 1. Chapter 19 provides additional specific guidance with regard to the material required for these special exhibits.

190104. References

Chapter 1 provides general funding policies, Chapter 3 provides specific policies related to Operation and Maintenance costs, Chapter 4 provides specific policies related to Procurement appropriations, Chapter 5 provides specific policies related to RDT&E, Chapter 6 provides specific

policies related to Military Construction appropriations, and Chapter 9 provides specific policies related to the Defense Working Capital Funds. Certain requirements are also addressed in OMB Circular No. A-11.

1902 COMBATING TERRORISM

190201. Purpose

A. This chapter provides instructions applicable to budget formulation for the DoD Combating Terrorism (CbT) funding requirements included in the DoD Components' budget requests. These instructions apply to all Components and all DoD appropriations and revolving funds.

B. The data collected through this reporting process will be used to comply with congressional and OMB reporting requirements. Data will also be used by the Department to evaluate Components' combating terrorism efforts during program and execution reviews.

190202. Submission Requirements

A. Submission of exhibits is required for the Program and Budget Review Submission and an update (using an abbreviated exhibit format) is required for the President's budget submission. Each Component will complete the CbT-1 Exhibit, Combating Terrorism Detail, and the CbT-2 Exhibit, Combating Terrorism Narrative, for the Program and Budget Review Submission and for the President's budget submission. The CbT-3 Exhibit, Vulnerability Assessments, will be completed only during the Program and Budget Review Submission and is NOT required for the President's budget submission. The President's budget submission exhibits will be presented in a consolidated congressional justification book which will be prepared by OASD(SO/LIC). Specific instructions for completing these exhibits are included in Section 191202.

B. The USD(I) Security Directorate will validate tactical counterintelligence resources identified by the Components and advise the OUSD (Comptroller) P/B Operations Directorate that reported resources are accurate.

C. Copy requirements are identified in Chapter 1. Components shall submit their exhibits through the Select and Native Programming (SNaP) Data Input System located on the NIPRNet at https://snap.pae.osd.mil. The most current version of this exhibit will be found at this site.

190203. Special Instructions

A. The OASD (SO/LIC) will actively participate in the review of all budget submissions for combating terrorism activities and will offer recommendations to ensure approved CbT policies are reflected in the budget. The OASD(SO/LIC) will consolidate and provide to the Congress a single budget justification book detailing the Department's CbT efforts and associated funding requests.

B. The OASD (SO/LIC), Joint Staff Deputy Directorate for Antiterrorism/Homeland Defense, (J-34), Antiterrorism/Force Protection Division, and USD(I) will participate with representatives of the OUSD (Comptroller), OSD PA&E, and OMB in the review of all budget submissions for combating terrorism to ensure that DoD combating terrorism activities are funded adequately.

C. The CbT-1 and CbT-2 exhibits in Section 191202 are used to identify the Department's combating terrorism resources, dollars and personnel. They consist of tabular and narrative data as outlined below. These exhibits will report only those resources (including civilian and military pay) associated with DoD's Combating Terrorism Program. Combating terrorism within DoD includes 1) antiterrorism (defensive measures taken to reduce vulnerability to terrorist acts), 2) counterterrorism (offensive measures taken to prevent, deter, and respond to terrorism), 3) terrorism consequence management (preparation for and response to the consequences of a terrorist incident/event), and 4) intelligence related support (collection and dissemination of terrorism-related information) taken to oppose terrorism throughout the entire threat spectrum, to include terrorist use of WMD and/or high explosives. The four functional categories are described below:

1. Antiterrorism

a. Physical Security Equipment - Any item, device, or system that is used primarily for the protection of assets, personnel, information, or facilities to include alarms, sensors, protective lighting and their control systems, military working dogs, and the assessment of the reliability, accuracy, timeliness and effectiveness of those systems, such as (but not limited to): exterior surveillance and/or intrusion detection systems; lighting systems; access controls and alarms systems; residential security equipment; improvised explosive device defeat systems; commercially procured armored vehicles (both heavy and light); equipment for executive protection, to include added doors, increased ballistic protection at offices/residences, personal body armor, individual protective equipment, and armored vehicles; and detection devices.

b. Physical Security Site Improvements - Any facility improvements (using O&M or MILCON funding) or new construction whose purpose is to protect DoD assets, personnel, or information to include walls, fencing, perimeter/area lighting, doors, windows, ceilings, barricades, or other fabricated or natural impediments to restrict, limit, delay or deny entry into a Defense installation or facility, such as (but not limited to): acquisition of land for stand-off distance, installation perimeter barriers, vehicle barriers, mylar/fragment retention film, and interior barriers; safe havens; evacuation facilities; and surveillance platforms.

c. Physical Security Management and Planning - Personnel who manage physical security programs, resources, and assets such as, but not limited to, headquarters staff.

d. Security Forces/Technicians - All personnel and operating costs associated with protective forces whose primary or supporting mission is to safeguard assets, personnel or information. Included , but not limited to, are costs for: salaries, overtime, benefits, materials, supplies, travel, support equipment, facilities, vehicles, training, communications equipment, and management, for the personnel engaged in the following activities such as (but not

limited to): dedicated response forces and security forces; locksmiths; perimeter, installation or facility access control; inspection and maintenance of barriers and security system components; antiterrorism training for security forces; and antiterrorism awareness programs and training.

e. Law Enforcement - All personnel and operating costs associated with law enforcement to include, but are not limited to, salaries, overtime, benefits, material and supplies, equipment and facilities, vehicles, helicopters, training, communications equipment, and management, such as (but not limited to): protective service details, including advance work; response forces; and military police.

f. Security and Investigative Matters Category - Includes Defense criminal investigative resources, conduct of vulnerability assessments (periodic high level reviews and physical security assessments), security and intelligence activities, and any cross-discipline security functions which do not easily fit into other security categories such as (but not limited to): terrorism investigations; executive antiterrorism training; surveillance and countersurveillance teams; protective service details including advance work; route surveys; and antiterrorism awareness programs and training.

g. RDT&E - Includes any RDT&E resources expended in the area of antiterrorism. Activities include (but are not limited to) are Defense Threat Reduction Agency, Counterterrorism Technical Support Program (CTTS), the Physical Security Equipment Action Group (PSEAG), the Technical Support Working Group (TSWG), Defense Advanced Research Projects Agency (DARPA) and Chemical Biological Defense Program (CBDP).

2. Counterterrorism

Offensive measures taken to prevent, deter, and respond to terrorism. The sensitive and compartmental programs of counterterrorism (CT) will be reported separately in the appropriate classified program submissions.

a. Special Operations Command Activities

b. Research Development Test and Evaluation (example, CTTS or TSWG)

c. DoD Rewards Program

3. Terrorism Consequence Management

DoD defines Consequence Management (CM) as those measures taken to protect public health and safety, restore essential government services, and provide emergency relief to governments, businesses, and individuals affected by the consequences of a chemical, biological, radiological, nuclear, and/or high-yield explosive (CBRNE) situation. The Department has a wide variety of unique warfighting support capabilities, both technical and operational, which could be used to provide assistance to state and local authorities in the event of a terrorist attack. The Department's role is to provide assistance emphasizing the unique resources and capabilities that are not found in other federal agencies, such as the ability to mass mobilize and to provide extensive

logistical support. The Department supports the lead federal agency within existing required resources while not adversely affecting overall military preparedness. This also includes the activities of installation first responders. For clarity, descriptions of subcategories are as follows:

a. Consequence Management Response – Includes war fighting units and installation first responders within the Department that possess specialized equipment, knowledge, skills, and training that could be brought to bear after a WMD incident. Units would include, but are not limited to, the Defense Nuclear Advisory Team, 52nd Ordnance Group, Edgewood Chemical and Biological Forensic Analytical Center Modular On-site Laboratory, Medical Chemical Biological Advisory Team, US Army Medical Research Institute of Infectious Diseases, Radiological Control Teams, Radiological Advisory Medical Team, Response Task Force, 20th Support Command – Chemical Biological Radiological Nuclear and High Yield Explosives (CBRNE), and Chemical/Biological Incident Response Force. Also includes funding for Installation Emergency Responders such as fire departments, security forces, law enforcement, medical responders, civil engineers, medical surveillance, and explosive ordinance deposal. Funding includes training, exercises, and evaluation for base and headquarters personnel, support for formal and supplemental training courses, developing and evaluating response plans, and other associated activities. Funding in this category also includes procurement efforts for the Chemical Biological Installation Protection program and operations and maintenance for the Chemical, Biological, Radiological, and Nuclear Defense program. Funding also includes a pilot program to expand emergency responder capabilities to handle CBRNE emergencies through the procurement of specialized equipment, additional training, and exercises.

b. Weapons of Mass Destruction Civil Support Teams - Include the Joint Task Force Civil Support and the 55 congressionally mandated WMD Civil Support Teams (CSTs). Joint Task Force Civil Support is responsible for the planning and execution of military assistance to civil authorities for consequence management of WMD incidents within the United States, its territories and possessions. CST funds are used for unique individual and collective unit training. Funds also support operational deployments, equipment upgrades, and communications links.

c. Research Development Test and Evaluation - RDT&E support to the terrorism consequence management efforts. Includes, but is not limited to, the activities of OSD, and the portion of DARPA's Biological Warfare Defense Program that is dedicated to domestic terrorism consequence management.

4. Intelligence Related Support to Combating Terrorism- Collection, analysis, and dissemination of all-source intelligence on terrorist groups and activities intended to protect, deter, preempt, or counter the terrorist threat to US personnel, forces, critical infrastructures, and interests. THIS PORTION OF THE SNAP SUBMISSION IS NOT INCLUDED IN THE COMBATING TERRORISM JUSTIFICATION BOOK AND WILL ONLY BE COLLECTED DURING THE PROGRAM AND BUDGET REVIEW DATA COLLECTION CYCLE – IT WILL NOT BE COLLECTED DURING THE PRESIDENT'S BUDGET DATA COLLECTION CYCLE.

a. Counterintelligence (CI) - Includes personnel and funding associated with Military Intelligence Program (MIP). These activities include terrorism

investigations, surveillance and counter surveillance teams, terrorism analysis and production, force protection source operations, threat assessments, terrorism collection, route surveys, and intelligence staff support to deployed forces. Only those counterintelligence resources directly supporting force protection/combating terrorism activities are to be reported in this resource summary. Army and Marine Corps tactical CI resources and Army Security and Intelligence Activities CI resources will be reported by the Army and Marine Corps. The Counterintelligence Field Activity (CIFA) will report CIFA resources that directly support force protection/combating terrorism activities.

b. Research Development Test and Evaluation - For example, Counter Terrorism Technical Support Program.

D. Entries for CbT-1 Exhibit

1. General: DoD Components should prepare a separate summary for each applicable appropriation and revolving fund. Each summary will report resources (funding and personnel) by the combating terrorism functional categories described above.

2. Appropriation Summary: For each appropriation (O&M, Military Personnel and Military Construction) report budget authority by appropriation, budget activity, and applicable subactivity group level/program line item/project. Procurement, and RDT&E appropriations, report the total combating terrorism budget authority funds by budget activity and by program element. For Revolving Funds, report obligation authority at the Working Capital Fund business area.

3. Financial Summary Section:

a. Military Personnel. Report resources by CbT functional category and CbT activity group at the appropriation budget activity level.

b. Operation and Maintenance. Report resources by CbT functional category, CbT activity group, budget activity, and subactivity group level (O-1 line).

c. Procurement. Report resources by CbT functional category, CbT activity group, and Program Element (PE) (P1 line item).

d. RDT&E. Report resources by CbT functional category and CbT activity group, and PE (PE/R-1 line item).

e. Military Construction. Report resources by CbT functional category and CbT activity group, State/Country, and project title.

f. Revolving Funds. Report resources by CbT category and activity group by business area level.

4. Personnel Summary Section:

a. For each applicable appropriation, report civilian and contractor personnel full-time equivalents (FTEs) and military (active and reserve component) end strength by CbT functional category and CbT activity group.

b. The following generic Military Occupational Series (MOS) and civilian job series should be reported as full-time Combating Terrorism assets -- even if these persons spend only a portion of their time on combating terrorism activities. Additionally, personnel not in these MOS's and/or job series who are assigned permanently or detailed to force protection offices and who spend at least 51% of their time directly supporting combating terrorism activities should be reported on this exhibit:

(1) Military Career Fields/Occupational Series: Military Police, Law Enforcement Specialist and Security, Master at Arms, Security Forces, Criminal Investigator, Interrogator, Interpreter/Translator, Counterintelligence Officer, and Office of Special Investigations. Appropriate subspecialities/subfunctions/skills are to be captured in these career fields/occupational series, in support of combating terrorism, with the exception of military working dogs in counterdrug missions.

(2) The following civilian Job Series are to be reported if responsibilities relate to CbT efforts: Physical Security Manager (GS-0080), Civilian Police (GS-0083), Security Guard (GS-0085), and those personnel in the Security Clerical and Assistance (GS-0086) series, and all associated wage grade positions that are in direct support of the previously aforementioned series.

(3) Personnel data associated with classified combating terrorism programs will be reported as follows: Army and Marine Corps tactical counterintelligence resources and all Army security and intelligence activities and CIFA's counterintelligence resources will be reported in the CbT exhibits by the applicable components.

1903 MAJOR RANGE AND TEST FACILITY BASE

190301. Purpose

A. This Chapter provides instructions applicable to budget formulation for the DoD Major Range and Test Facility Base (MRTFB) funding requirements included in the DoD Components' budget requests. The exhibit formats submitted in support of the Program and Budget Review Submission (August timeframe) will be the same as those submitted to the Director, DoD Test Resource Management Center (TRMC) in support of the President's Budget (March timeframe) except that the President's Budget submission will not include updates to any of the Direct (User) funding or MILCON information on any Exhibit to include Exhibit 2D, Source of Direct Funds, in whole.

B. These instructions apply to the activities included in the MRTFB as defined in DoDD 3200.11 and listed below.

Army:
Aberdeen Test Center (ATC), Aberdeen Proving Ground, MD
Dugway Proving Ground, (DPG), Dugway Proving Grounds, UT
Electronic Proving Ground (EPG), Ft. Huachuca, AZ
High Energy Laser Systems Test Facility (HELSTF), White Sands Missile Range, NM
Ronald Reagan BMD Test Site (RTS), Kwajalein Atoll, Marshall Islands
White Sands Missile Range (WSMR), White Sands Missile Range, NM
Yuma Proving Ground (YPG), Yuma Proving Ground, AZ

Navy:
Atlantic Undersea T&E Center (AUTEC), Andros Island, Bahamas
Naval Air Warfare Center-Aircraft Division (NAWCAD), Patuxent River, MD
Naval Air Warfare Center-Weapons Division (NAWCWD), China Lake and Point Mugu, CA
Pacific Northwest Range Complex, (Nanoose and Dabob Ranges), Keyport, WA
Pacific Missile Range Facility (PMRF), Barking Sands, Kauai, HI

Air Force:
30th Space Wing (30SW), Vandenberg AFB, CA
45th Space Wing (45SW), Patrick AFB, FL
Arnold Engineering Development Center (AEDC), Arnold AFB, TN
Air Armament Center (AAC), 46 Test Wing (46TW), Eglin AFB, FL and 46th Test Group, (46TG), Holloman AFB, NM
Air Force Flight Test Center (AFFTC), Edwards AFB, CA
Nevada Test and Training Range (NTTR), Nellis AFB, NV
Utah Test and Training Range (UTTR), Hill AFB, UT

Defense Information System Agency:
Joint Interoperability Test Command (JTIC), Ft. Huachuca, AZ, Slidell, LA, and Arlington, VA

C. The TRMC is charged with administering OSD responsibilities for the MRTFB in accordance with DoDD 3200.11. Modifications to these instructions, requests for deviations from their provisions, or requirements for their clarification or applicability should be directed to and coordinated with the TRMC and OUSD (Comptroller) Program/Budget.

D. Budget estimates will be developed in accordance with guidance contained in Chapter 1 and the various chapters for appropriations and accounts.

190302. Submission Requirements

Copies of the following exhibits will be submitted twice annually in support of the President's Budget (March timeframe) and the Program and Budget Review (August timeframe) for each major range and test facility. The same format and guidance are used for both submissions.

However, the Program and Budget Review submission shall include all the full budget exhibits, addressing both institutional and direct funding, whereas the President's Budget submission shall be an abbreviated version that needs only address updates to the institutional funding elements on each exhibit. Copy requirements are identified in Chapter 1. Exhibit formats are provided in Section 1912.

A. MRTFB-1 Exhibit, (Activity Title) Financial Summary.

B. MRTFB-2 Exhibit Set, (Activity Title) Financial Details.

C. MRTFB-3 Exhibit Set, (Activity Title) Improvement and Modernization Analysis.

190303. Preparation of Material

Budget estimate data submitted by each DoD Component for the MRTFB will be assembled separately and identified by a cover sheet specifically entitled "Major Range and Test Facility Base (Army/Navy/Air Force/DISA) Program Budget Estimate."

190304. Special Instructions

Representatives of the OUSD (Comptroller), DOT&E, TRMC and OMB will participate in the review of all budget submissions for the major ranges and test facilities to ensure that:

A. Funding is adequate to maintain and sustain the DoD MRTFB test capability.

B. Excess capability is not being unnecessarily maintained in the MRTFB.

C. Unnecessary duplication does not exist within the MRTFB activities.

D. Test facility capability needed in the future is being planned and supported.

E. All new major test facilities are thoroughly coordinated prior to their approval to reflect the needs of all elements of DoD.

1904 TEST AND EVALUATION FUNDING

190401. Purpose

A. This Chapter provides instructions applicable to budget formulation for the Test and Evaluation Exhibit (T&E-1) needed for review and analysis of Test and Evaluation (T&E) funding requirements included in the DoD Components' requests. The instructions specify the requirements for the program and budget submission.

B. The Director, Operational Test and Evaluation (DOT&E), is charged with oversight of the DoD T&E resources and funding of T&E by each major DoD program. Modifications to these instructions, requests for deviations from their provisions, or requests for their

clarification or applicability should be directed to and coordinated with DOT&E and OUSD (Comptroller) Program/Budget.

190402. Submission Requirements

Each DoD Component will, for the Program and Budget Review only, complete an Exhibit T&E-1, Test and Evaluation for each of the Major Defense Acquisition Programs (MDAP) as listed on the Under Secretary of Defense for Acquisition, Technology, and Logistics (USD(AT&L)) website at: http://friends.acq.osd.mil/ara/dab_oipt/schedule/mdaplist.html. This process is accomplished on-line using the Select & Native Programming Data Input System (SNaP) located at: http://snap.pae.osd.smil.mil. Note: The SNaP system operating instructions specified in the Programming and Budgeting Data Requirements on the SNaP system will supersede the instructions identified in this document if the instructions are different.

190403. Special Instructions

The DOT&E will participate with representatives of OUSD (Comptroller), USD(AT&L), and OMB in the review of all budget submissions for T&E funding to ensure that:

A. Resources required for the test and evaluation of the MDAP and Special Interest Programs, as identified in the Test and Evaluation Master Plan (TEMP), are adequately funded.

B. Unwarranted test capability is not being maintained at private industry facilities.

C. Unwarranted duplication does not exist among DoD Component assets and private industry.

D. Test facilities and capabilities required are adequately funded and supported.

E. All new major test facilities are approved by the Defense Test and Evaluation Steering Group to ensure they are warranted and meet the needs of all DoD components.

1905 FINANCIAL MANAGEMENT ACTIVITIES

190501. Financial Management Activities

A. This Section provides guidance for presenting budget estimates related to Financial Management Activities. It is designed to fulfill the requirements of Section 52, Information on Financial Management, of OMB Circular A-11.

B. Information on funding levels for financial management activities is required for oversight and review of component resources devoted to these activities and to ensure that their use is in accordance with the government-wide 5-year financial management plan prepared by OMB as required by the Chief Financial Officers Act of 1990.

C. Submission of Exhibit 52—Information on Financial Management, as shown in OMB Circular A-11, is required for the Program and Budget Review and an update is required for the President's budget submission (Congressional Justification/Presentation). The exhibit should meet the definitions/descriptions contained in Section 52. Guidance for the automation of the data submission will be provided as part of the budget call for the Program and Budget Review.

D. Copies are to be provided directly to the OUSD (Comptroller), at the following address: Director, Accounting and Finance Policy and Analysis Directorate, Room 3E987, 1100 Defense Pentagon, Washington DC, 20301 (Commercial (703) 697-8283; DSN 277-8283).

190502. Financial Improvement Initiative (formerly Financial Improvement Initiative, FII 52

A. This section provides guidance for presenting program and budget estimates related to the Financial Improvement Initiative (FII). It supplements the information provided on the Exhibit 52 in the preceding section and also, supplements the PB-15, "Advisory and Assistance Services" exhibit.

B. Information on funding levels including budget and program years is required for oversight and review of component resources devoted to financial improvement and to respond to congressional questions about the amounts budgeted and programmed for financial improvement. The funding levels related to financial improvement include the amounts for the Financial Improvement and Audit Readiness report submitted to Congress and the amounts to achieve all of the milestones in the Financial Improvement Plan.

C. A ***Schedule 52***, will be submitted for the Program and Budget Review and the update for the President's Budget submission. The schedule shows the resources that are programmed and budgeted for the Department to produce reliable, accurate, and timely information and to finance the costs of annual financial statements audits. (Click on the link for the format and guidance for ***Schedule 52***.)

D. Copies are to be provided directly to the OUSD (Comptroller), Financial Improvement and Audit Readiness Directorate, 1550 Crystal Drive, Suite 212, Arlington, VA 22202, (703-607-0300), extension 138; DSN 327-0300, extension 122*).*

190503. Preparation and Audit of Financial Statements

A. Sections 1008 (b) and (d) of the Fiscal Year 2002 Authorization Act, require the Under Secretary of Defense(Comptroller) to submit, with the annual budget justification, the following information:

1. An estimate of the resources that the Department of Defense is saving, or expects to save, as a result of actions taken or to be taken, with respect to the preparation and audit of financial statements (FS), and

2. A discussion of how resources saved in (1) above have been redirected or are redirected to improvement of systems, financial policies, procedures, and internal controls underlying financial management within the department. The Components should submit these costs for the preceding fiscal year, the current year, and the following fiscal year. Click on the link for the format and guidance for the Section 1008 report.

B. Copies are to be provided directly to the OUSD (Comptroller), Financial Improvement and Audit Readiness Directorate, 1550 Crystal Drive, Suite 212, Arlington, VA 22202 (703-607-0300), extension 138; DSN 327-0300, extension 122).

1906 GOVERNMENT PERFORMANCE AND RESULTS ACT (GPRA)

190601. Purpose

The purpose of this section is to establish basic guidance for aligning GPRA reporting requirements with the Department's budget development process and OMB Circular A-11's requirement to submit an annual performance budget.

190602. Submission Requirements

A. The 1993 Government Performance and Results Act (GPRA) require the Department of Defense to submit a strategic plan (updated at least once every 4 years), an annual performance plan, and an annual performance report.

B. The Quadrennial Defense Review, issued every four years, serves as the Department's strategic plan; the QDR establishes strategic outcome goals for the Department.

C. The Secretary's Annual Defense Report (ADR) to the President and the Congress, in combination with the statutory reports of the Military Departments and budget justification materials serve as the Department's performance plan. The Military Departments' statutory reports describe how service-level strategies and associated performance goals support the Department's overall performance framework. The congressional budget justification materials, which list program-level goals and performance measures that support both Component-level and Departmental performance goals, serve as a performance budget. OMB Circular A-11, Section 220, provides additional details.

D. The Performance and Accountability Report (PAR), Section II, documents actual results against the Defense-wide performance goals established in the ADR, and thus serve as the Department's performance report.

E. The QDR, ADR, performance budget, and PAR satisfy the standards set forth by the 1993 Government Performance and Results Act. Together they serve as the Secretary's primary public record of how well the Department is managing to results.

1907 INFORMATION ON OVERSEAS STAFFING (POSITIONS FILLED)

190701. Purpose

The purpose of this section is to establish basic guidance for the annual reporting of the number of overseas employees assigned to the Chief of Mission staff as required by OMB Circular A-11 and the Department of State, Capital Security Cost Sharing (CSC) Program.

*190702. Submission Requirements

A. OMB Circular A-11, Section 25 requires the Department of Defense to submit an exhibit on Information on Staffing Overseas on an annual basis. Submission is required on overseas staffing if your agency assigns employees to overseas positions under a Chief of Mission, as defined below.

B. This information is required to analyze the number of overseas employees assigned to a Chief of Mission staff and the cost of new positions being assigned. Overseas employee means an American citizen employed outside the United States and its territories. Chief of Mission means the ranking officer in an embassy, permanent mission, legation, consulate general or consulate.

C. Information reported will be compared for accuracy against the Department of State reports. Discrepancies will be validated by the Component or Defense Agency.

D. The following types of positions are to be reported:

1. U.S. Hires
2. Full-time permanent (FTP) U.S. direct-hire positions (USDH)
3. U.S. – Contracted Personnel Services Contractors (PSC)
4. U.S. military positions
5. Locally Engaged Staff
6. .Foreign Service National (FSN)
7. PSCs or Personnel Services Agreements (PSA)
8. Third Country Nationals (TCNs)
9. Locally Hired Americans, including eligible family members
10. TDY – long term/rolling TDY employees

E. Additional information and guidance can be found in OMB Circular A-11, Section 25 and the Department of State, Capital Cost Sharing Program (http:www.state.gov/obo/c11275.htm). The PB-59, DoD Overseas Staffing exhibit must be submitted in an EXCEL spreadsheet to OUSD (Comptroller) P/B, Operations Directorate, Room 3C710, the Pentagon.

1908 FEDERAL CREDIT PROGRAMS

190801. Purpose

This Section provides guidance for presentation of annual budget estimates for Federal credit programs. Credit programs in the Department of Defense consist of direct loans and guaranteed loans.

190802. Submission Requirements

A. Military Departments and Defense Agencies, as appropriate, will submit to OSD in support of Federal credit programs all materials required by, and in the format specified in, OMB Circular No. A-11, Section 85. Copies of appropriate exhibits will be submitted in support of the Program and Budget Review Submission only.

B. Definitions: The following definitions apply to the credit account structure. Agencies should refer to OMB Circular A-34 and A-11 for a more detailed explanation of terminology and budget instructions.

1. A direct loan is a disbursement of funds by the Government to a non-Federal borrower under a contract that requires repayment of such funds with or without interest. The term includes the purchase of, or participation in, a loan made by a non-Federal lender. It also includes the sale of a Government asset on credit terms of more than 90 days duration.

2. A direct loan obligation is a legal or binding agreement by a Federal agency to make a direct loan when specified conditions are fulfilled by the borrower.

3. A loan guarantee is any guarantee, insurance, or other pledge with respect to the payment of all or part of the principal or interest on any debt obligation of a non-Federal borrower to a non-Federal lender, but does not include the insurance of deposits, shares, or other withdrawal accounts in financial institutions.

4. A loan guarantee commitment is a legally binding agreement by a Federal agency to make a loan guarantee when specified conditions are fulfilled by the borrower, the lender, or any other party to the guarantee agreement.

5. Financing Account is the non-budget account or accounts associated with each credit program account for post-1991 direct loans or loan guarantees. It holds balances, receives the subsidy cost payment from the credit program account, and includes all other cash flows to and from the Government. Separate financing accounts are required for direct loans and loan guarantees.

6. Modifications are any Government action that alters the estimated subsidy cost, compared to the estimate contained in the most recent budget submitted to Congress, of an outstanding direct loan (or direct loan obligation) or an outstanding loan guarantee (or loan guarantee commitment). Actions permitted within the terms of an existing contract are the only

exception. Modifications to pre-1992 direct loans and loan guarantees are included in this definition, as well as modifications to post-1991 direct loans and loan guarantees. For pre-1992 direct loans and loan guarantees, the loan asset or guarantee liability will be transferred from the liquidating account to the appropriate financing account. A one-time adjusting payment will be made between the liquidating and financing accounts. The subsequent cash flows will be recorded in the financing account.

7. Program Account is the budget account into which an appropriation to cover the subsidy cost of a direct loan or loan guarantee program is made and from which such cost is disbursed to the financing account. Usually, a separate amount for administrative expenses is also appropriated to the program account. Each program account is associated with one or two financing accounts, depending on whether the program account makes both direct loans and loan guarantees. The program account pays subsidies to the financing account for post-1991 direct loans and loan guarantees, for modifications, and for re-estimates. These subsidy payments are counted in calculating budget outlays and the deficit.

8. Subsidy is the estimated long-term cost to the Government of a direct loan or loan guarantee, calculated on a net present value basis, excluding administrative costs. In net present value terms, it is the portion of the direct loan disbursement that the Government does not expect to recover, or the portion of expected payments for loan guarantees that will not be offset by collections. The subsidy may be for post-1991 direct loan obligations or loan guarantee commitments, for re-estimates of post-1991 loans or guarantees, or for modifications of any direct loans or loan guarantees.

9. Re-estimates are the recalculation of the subsidy cost of each risk category within the cohort of direct loans or guaranteed loans. Re-estimates must be made at the beginning of each fiscal year following the year in which the initial disbursement was made and as long as the loans are outstanding, unless a different plan is approved by OMB.

10. Cohort - Direct loans obligated or loan guarantees committed by a program in the same year, even if disbursements occur in subsequent years or the loans are modified. Modified pre-1992 direct loans will constitute a single cohort; modified pre-1992 loan guarantees will constitute a single cohort. For loans subsidized by no-year or multi-year appropriations, the cohort may be defined by the year of appropriation or the year of obligation. The Program and Financial Control Directorate of OUSD (Comptroller) P/B will contact OMB for proper determination.

C. Materials required by this Section will be provided for credit programs for the DoD Family Housing Improvement program, the Army ARMS Initiative Program, the Defense Export Loan Guarantee Program, and for any additional programs involved in direct loans or guaranteed loans.

D. Copies of these materials are required as part of the program and budget review submission in the quantities identified in Chapter 1.

1909 OTHER SPECIAL INTEREST AREAS

190901. Purpose

This Chapter prescribes instructions for the preparation and submission of budget justification backup data for special areas in which the Congress or OMB has expressed interest. Most of these requirements affect more than a single appropriation.

190902. Submission Requirements

A. Data in the exhibit formats provided in Section 1912 are required for the following program areas:

PB-14 Functional Transfers 66
PB-15 Advisory and Assistance Services 67
PB-16 Legislative Proposals 71
PB-18 Foreign Currency Exchange Data 72
PB-22 Major Department of Defense Headquarters Activities 73
PB-23 Acquisition and Technology Workforce Transformation Program 75
PB-24 Professional Military Eduction 77
PB-25 Host Nation Support 80
PB 28 Funds Budgeted for Environmental Quality (Non-ER, Army, Navy, AF or Defense wide)……. 95
PB 28A Funds Budgeted for Environmental Security Technology 98
PB 28B - Operational Range Sustainment and Environmental Management 99
PB-41, ADMINISTRATIVE MOTOR VEHICLE OPERATIONS 100
PB-42 Competitive Sourcing and Alternatives 101
FY BY1/BY2 OSD Submit/President's Budget .....
PB-50 Child Development, School-Age Care, (SAC) Family Centers, and Family Advocacy Programs 105
PB-52A DoD Aeronautics Budget 110
PB-52B DoD Space Budget 112
PB-53 Budgeted Military and Civilian Pay Raise Amounts 113
PB-54, Civilian Personnel Hiring Plan 114
PB-55 International Military Headquarters 115
PB-58 Combatant Command Direct Funding ..... Removed
PB-59, DoD Overseas Staffing Report 116
PB-60 Life Cycle Sustainment 117

B. Definitions are to be identical to those most recently used in furnishing data to the Congress.

C. All exhibits are required for the Program and Budget Review Submission and the congressional justification/presentation submission. Copies of exhibits are required with the submissions in the quantities identified in Chapter 1.

1910 CLASSIFICATIONS AND DEFINITIONS – COMMAND, CONTROL, COMMUNICATIONS, AND INTELLIGENCE PROGRAMS

191001. Purpose

The Office of the Director for Program Analysis and Evaluation maintains a listing of program elements (PEs) in the Future Years Defense Program (FYDP) making up these programs. For details, please contact the POC for the FYDP Resource Structure Management (RSM) system. The RSM system and its Web site are described in FMR Volume 2A, Section 010702.

1911 NOT USED

1912 OTHER SPECIAL ANALYSES SUBMISSION FORMATS

191201. Purpose

The formats provided on the following pages reflect guidance presented in previous sections of this chapter. Unless modified in a submission budget call, these formats should be adhered to.

191202. Exhibits in Support of Section 1902 – Combating Terrorism

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CbT 2 Combating Terrorism Narrative – SNaP Format (PB Only)……27
CbT 2 Combating Terrorism Narrative – SNaP Format (Program/Budget Review Only)…....28
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Combating Terrorism Supporting Detail Definitions……..31
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191203. Exhibits in Support of Section 1903 - Major Range and Test Facility

MRTFB-1 Installation Financial Summary……44
MRTFB-2a Source of Direct Funds…….. 47
MRTFB-2b MRTFB Activity Schedule of Increases & Decreases…… 48
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191204. Exhibits in Support of Section 1904 - Test

T&E 1…… 61

191205. Exhibits in Support of Section 1909 - Other Special Interest Areas

Exhibit PB-14 Functional Transfers 66
Exhibit PB-15 Advisory and Assistance Services 67
Exhibit PB-16 Legislative Proposals 71

Exhibit PB-18 Foreign Currency Exchange Data 72
Exhibit PB-22 Major Department of Defense Headquarters Activities 73
Exhibit PB-23 Acquistion, Technology and Logistics Workfore Transformation Program 75
Exhibit PB-24 Professional Military Eduction Schools 77
Exhibit PB-25 Host Nation Support 80
Exhibit PB 28 Funds Budgeted for Environmental Quality 95
Exhibit PB 28A Funds Budgeted for Environmental Security Technology 98
Exhibit PB 28B Operational Range Sustainment and Environmental Management 99
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Exhibit PB-42 Competitive Sourcing and Alternatives 101
Exhibit PB-50 Child Development, School Age Care (SAC), Family Center, and Family Advocay Program 105
Exhibit PB-52A DoD Aeronautics Budget 110
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Exhibit PB-53 Budgeted Military and Civilian Pay Raise Amounts 113
Exhibit PB-54 Civilian Personnel Hiring Plan 114
Exhibit PB-55 International Military Headquarters 115
Exhibit PB-59 Overseas Staffing Report 116

HCbT 1 Combating Terrorism Activities Detail - SNaP Format

Class	Component	CBTCategory	CBTActivity Group	Program Title	Funding Source	Treasury Code	BACode	Budget Line Item	Resource Type

Occupation Service	Occupation Code	Personnel Assigned To	Program Element	CONUS-OCONUS	CONUS-OCONUS Rationale	Reason Code	Reason For Change	PBD_PDM _Num	PBD_PDM _Date

FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013

Instructions

1) For all fields listed above, please report the funded and levels of Manpower, Total Obligation Authority (TOA), and Quantity Procured for all combating terrorism activities. Reporting is required by Program Title, within CbT Activity Group, CbT Category, Component and Org. Please refer to the attached relationship table to properly identify CbT Categories and their associated CbT Activity Groups.
2) Under the field name ResourceType, select "Funding" to report appropriations not explicitly listed: e.g., MilCon, Procurement, RDT&E, and Revolving Funds.
3) Report $ in Thousands; Civilians and Contractors in FTEs; Military Personnel in Authorized End-Strength; and Quantity Procured in Units.

For Manpower:

1. For each applicable appropriation, report civilian and contractor personnel full-time equivalents (FTEs) and military (active, guard, and reserve component) end strength by CbT Category, CbTActivityGroup, and Program Title.
2. The following generic Military Occupational Series (MOS) and civilian job series should be reported as full-time Combating Terrorism assets -- even if these persons spend only a portion of their time on combating terrorism activities. Additionally, personnel not in these MOSs and/or job series who are assigned permanently or detailed to force protection offices and who spend at least 51% of their time directly supporting combating terrorism activities should be reported on this exhibit:

   A. Military Career Fields/Occupational Series: Military Police, Law Enforcement Specialist, Security, Master at Arms, Security Forces, Criminal Investigator, Interrogator, Interpreter/Translator, Counterintelligence Officer, and Office of Special Investigations. Appropriate subspecialities/subfunctions/skills are to be captured in these career fields/occupational series, in support of combating terrorism, with the exception of military working dogs in counterdrug missions.

   B. The following civilian Job Series are to be reported: Physical Security Manager (GS-0080), Civilian Police (GS-0083), Security Guard (GS-0085), and those personnel in the Security Clerical and Assistance (GS-0086) series, and all associated wage grade positions that are in direct support of the previously aforementioned series.

   C. Personnel data associated with classified combating terrorism programs will be reported as follows: Army and Marine Corps tactical counterintelligence resources and all Army Security and Intelligence Activities counterintelligence resources will be reported in the CbT exhibits by the applicable Components.

D. The services shall report all CbT military manpower ($ and End-strength) and annotate (using the OccupationService field) the Combatant Command, Defense Agency, or Field Activity that any personnel are detailed to.

E. The Combatant Command, Defense Agencies, and Field Activities shall report the military End Strength detailed to their organization and annotate (using the Occupation Service field) the service providing the manpower.

CbT 1 Definitions

Class: System Field: Classification. **All information for this exhibit must be submitted at the unclassified level on the unclassified network.**

U: UNCLASSIFIED

Component: Identifies the duty status for military service units and defense agencies.

Active:

DADW: Defense Area Defense Wide. Used by non-service defense agencies.

Guard:

Reserve:

JIEDDO: Joint IED Defeat Organization

CBTCategory: Antiterrorism (defensive measures), Counterterrorism (offensive measures), Terrorism Consequence Management (preparedness and response for mitigating the consequences of a WMD incident), and Intelligence Related Support.

CBTActivityGroup: A specified grouping of activities and functions that describe the type of CbT effort within a CbT Category. Refer to the CbTCategory & CbTActivityGroup Relationship Matrix.

Program Title: Descriptive name of your program: associated with the PE's and the resources for the CbTActivityGroup. This is a required field and must be entered through the data management segment of SNaP prior to entering Program Details.

Open List. Add entries to pick list.

Funding Source: Annotate if the original source of the funding was the Defense Emergency Response Fund (DERF '03), Supplemental Funding for FY 2007, FY 2008, or N/A for all other funding.

DERF '03:

Supplemental '06

Supplemental '07

Supplemental '08

N/A:

Treasury Code: Identifies resources by type, organization and component. Select from the defined set of four to six-digit codes provided from the Comptroller.

HCbT 1 Combating Terrorism Activities Detail - SNaP Format (Continued)

BACode: The Budget Activity Code as defined by OUSD (Comptroller), in the Financial Management Regulation located in the "Publications" section of Defenselink. www.defenselink.mil/comptroller/fmr/
See Data Matrix

Budget Line Item: (Closed List) Provide the Activity Group (AG) and Sub-Activity Group (SAG) if the appropriation is O&M; the Project Number as used in the R2 report for RDT&E; Line Item if Procurement; Project Number if MilCon; and Activity Group (AG) N/A if Revolving funds. The list of Budget Line Item/Budget Line Item Name values is located on the PDR Info page of the SNaP website (https://SNaP.PAE.OSD.MIL).

Resource Type:

Civilian Pay - Direct Hire Civilian: Civilian Pay part of TOA in the identified PE that provides resources for the Direct Hire Civilians within the CbT Activity Group and Program Title.

Civilian Pay - Foreign Direct Civilian: Civilian Pay part of TOA in the identified PE that provides resources for the Foreign Direct Civilians within the CbT Activity Group and Program Title.

Civilian Pay - Foreign Indirect Civilian: Civilian Pay part of TOA in the identified PE that provides resources for the Foreign Indirect Civilians within the CbT Activity Group and Program Title.

Contractor: Number of Contractors designated as CbT in that CbT Activity Group, Program Title, and Program Element.

Contractor Pay: TOA portion of the identified PE that provides resources for contractor pay with the CbT Activity Group and Program Title.

Direct Hire Civilian: Number of Direct US civilians designated as CbT in that CbT Activity Group, Program Title, and Program Element

Enlisted: Report Enlisted end-strength carrying occupation codes designated as AT, CT, TCM, or INT at the individual occupational specialty code level for each CbT Activity Group, Program Title, and Program Element.

Foreign Direct Civilian: Number of Foreign Direct Civilians designated as CbT in that CbT Activity Group, Program Title, and Program Element

Foreign Indirect Civilian: Number of Foreign Indirect Civilians designated as CbT in that CbT Activity Group, Program Title, and Program Element

Funding: Identify funding for MILCON, Procurement, RDT&E, DWCF, and Revolving Funds

MilPay - Enlisted: Report funding for all Enlisted personnel carrying occupation codes designated as AT, CT, TCM, or INT for each CbT Activity Group, Program Title, and Program Element.

MilPay - Officers: Report funding for all Officers carrying occupation codes designated as AT, CT, TCM, or INT for each CbT Activity Group, Program Title, and Program Element.

Officers: Report Officer end-strength carrying occupation codes designated as AT, CT, TCM, or INT at the individual occupational specialty code level for each CbT Activity Group, Program Title, and Program Element.

Other O&M: Operations and Maintenance TOA portion of the identified PE that provides resources for the described program within the AT/FP activity (excludes Civilian Pay which will be reported separately)

Quantity Procured: Number in units of each piece of physical security equipment or Installation First Responder reported.

Occupation Service: Closed List. For defense agencies and field activities, identify the Service providing the manpower for Officer or Enlisted resource types. For the services, identify the service, defense agency or field activity the manpower is detailed to for Officer and Enlisted resource types. Select Civil Service for Direct Hire Civilian resource type. Select N/A for all other Resource Types.

Air Force:

Army:

Civil Service:

Navy:

Marine Corps:

DHP

HCbT 1 Combating Terrorism Activities Detail - SNaP Format (Continued)

DTRA
NDU
OSD
SOCOM
TRANSCOM
N/A

Occupation Code: Provide the occupational specialty code/civilian job series and title for all manpower (Officer, Enlisted, Direct Hire Civilian, Indirect Hire Civilian, Foreign Indirect Hire Civilian). For example: Civ 4804 Locksmith, Off 31A Military Police, or Enl 5822 Polygraph Examiner.
Occupation Codes are taken from the Defense Manpower Data Center (DMDC) DoD Occupation Database (ODB). The complete list of valid codes is available on the PDR info page of the SNaP website (https://SNaP.PAE.OSD.MIL)

***CONUS_OCONUS*:**
***CONUS*:** Select CONUS for CONUS assets (Equipment, funding, personnel)
***OCONUS*:** Select OCONUS for OCONUS assets.
***CONUS_OCONUS Rationale*:** Explain the methodology used to assign or derive the CONUS/OCONUS breakout.

ReasonCode: Select the reason necessitating the change to the data: PBD, PDM, Congressional Action or Other.
Congressional Action:
Other:
PBD:
PDM:

Reason For Change: If 'Other' was selected under ReasonCode, provide text explaining the reason for the change.

PBD_PDM_Num: Enter the PBD or PDM number that necessitated the change if applicable, else select N/A.

PBD_PDM_Date: Enter the date (Month and Year) of the PBD or PDM that necessitated the change if applicable, else select N/A.

CbT 2 Combating Terrorism Narrative – SNaP Format (PB Only)

Class	Organization	CbTActivityRollupName

Planned Activities	Reconciliation of Activities' Increases and Decreases (explanation for resource level changes)

Instructions
Provide the name, division of organization, phone number, and email address of the individual responsible for the information contained in the planned activities and reconciliation for each CbTActivityRollupName.

CbT 2 Definitions

Class: System Field: Classification. **All information for this exhibit must be submitted at the unclassified level on the unclassified network**.
U: UNCLASSIFIED

Organization: The POM reporting entities directed to submit this data requirement. For a complete list of organizations see by data requirement see Appendix A of the PDR.

CbTActivityRollupName: The name that all data will be aggregated to for the President's Budget Justification Book. Rollup supporting CbTActivityGroups to the CbTActivityRollupName as outlined in the Data Matrix below.

Planned Activities: Describe all activities planned for the budget year at the CbTActivityRollupName level of detail.

Reconciliation of Activities' Increases and Decreases: Explain any fiscal year to fiscal year changes in total program funding at the CbTActivityRollupName and appropriation level of detail.

CbT 2 Combating Terrorism Narrative – SNaP Format (PB Only) (Continued)

CbT 2 Combating Terrorism Narrative – SNaP Format (Program/Budget Review Only)

Class	Component	CbTActivityGroup	ProgramTitle	Description

POCFirstName	POCLastName	POCDivision	POCPhone

Instructions

1) Provide the Name, Division of Organization, Phone Number and email address of the Individual responsible for the information contained in the Program Title and Description. For each CbTActivityGroup and Program Title combination, provide a description of your program.

✯CbT 2 (Program Budget) Definitions

Class: System Field: Classification. **All information for this exhibit must be submitted at the unclassified level on the unclassified network**.

U: UNCLASSIFIED

Component: Identifies the duty status for military service units and defense agencies.

Active:

DADW: Defense Area Defense Wide. Used by non-service defense agencies.

Guard:

Reserve:

CbTActivityGroup:

A specified grouping of activities and functions that describe the type of CbT effort within a CbT Category. Refer to the CbTCategory, CbTActivityRollupName, & CbTActivityGroup Relationship Matrix below.

ProgramTitle: Descriptive name of your program: associated with the PE's and the resources for the CbTActivityGroup.

Description: Description of the Program described by the PE's and the resources for the CbTActivityGroup.

POCFirstName: First Name of Program POC.

POCLastName: Last Name of Program POC.

POCDivision: Division within the Organization responsible for the Program.

POCPhone: Phone Number for Program POC

POCEmail: Email address for Program POC

CbT 1&2: Data Matrix: CbTCategory, CbTActivityRollupName, CbBTActivityGroup Relationship

CBTCategory	CbTActivityRollupName	CBTActivityGroup
Antiterrorism	Physical Security Equipment	Physical Security Equipment (PSE) Blast Mitigation
		(PSE) Communication
		(PSE) Explosive Detection
		(PSE) Barriers
		(PSE) Intrusion Detection
		(PSE) Personal Protection
		(PSE) Patrol Boats
		(PSE) Up-Armored HMMV
		(PSE) Commercial Heavy Armored Vehicles
		(PSE) Commercial Light Armored Vehicles
		(PSE) Improvised Explosive Device (IED) Defeat
		(PSE) Other Special Equipment
	Physical Security Site Improvements	Physical Security, Site Improvements
	Physical Security Management and Planning	Physical Security, Management and Planning
	Security Forces and Technicians	Physical Security, Security Forces and Technicians
	Law Enforcement	Physical Security, Law Enforcement
	Security and Investigative Matters	Security and Investigative Matters
	AT Research, Development, Test, and Evaluation	Antiterrorism (AT) R&D, Technical Support R&D
		AT R&D, Physical Security and Other R&D
		AT R&D, COTS Product/Technology Integration
Counterterrorism	Individual Counterterrorism (CT) Programs	Individual Counterterrorism (CT) Programs
	CT Research, Development, Test, and Evaluation	Counterterrorism (CT) R&D, Technical Support R&D
		CT R&D, COTS Product/Technology Integration
		CT R&D, Other CT R&D
Terrorism Consequence Management	Assistance to State and Local Authorities	Assistance to State and Local Authorities Medical Elements
		Assistance to State and Local Decontamination Elements
		Assistance to State and Local Reconnaissance Elements

CBTCategory	CbTActivityRollupName	CBTActivityGroup
	Weapons of Mass Destruction Civil Support Teams	Assistance to State and Local Weapons of Mass Destruction Civil Support Teams
	Consequence Management Response	Chemical and Biological Installation Protection (CBIP)
		Chemical, Biological, Radiological, Nuclear (CBRN) Defense
		Installation First Response Preparedness
		Installation First Response Preparedness - Detectors
		Installation First Response Preparedness - Firetrucks
		Installation First Response Preparedness - Haz Mat Suits
		Installation First Response Preparedness - Personal Protective Equipment for First Responders
		Installation First Response Preparedness - Sensors
		Installation First Response Preparedness - Thermal Imagers
		Special Response Units (SRU) US Army
		SRU Special Medical Augmentation Response Team (SMART)
		SRU US Marine Corps Chem/Bio Incident Response Force (CBIRF)
	TCM Research, Development, Test, and Evaluation	DARPA Biological Warfare Defense Program
		CM R&D, COTS Product/Technology Integration
		CM R&D, Other R&D
		Consequence Management (CM) R&D, Technical Support R&D
Intelligence Related Support	Counterintelligence	Counter-Intelligence
	IR Research, Development, Test, and Evaluation	Intelligence Related (IR) R&D, Technical Support R&D
		IR R&D, COTS Product/Technology Integration
		IR R&D, Other R&D

Combating Terrorism Supporting Detail Definitions

1) Antiterrorism: those defensive measures taken to reduce vulnerability to terrorist attacks.

Physical Security

Physical Security Equipment (PSE): Any item, device, or system that is used primarily for the protection of assets, personnel, information for facilities, to include alarms, sensors, protective lighting and their control systems and the assessment of the reliability, accuracy, timeliness and effectiveness of those systems, such as (but not limited to): Exterior surveillance and/or intrusion detection systems; lighting systems; access controls and alarms systems; residential security equipment; equipment for executive protection, to include added doors, increased ballistic protection at offices and residences, personal body armor, armored vehicles, and detection devices.

Blast Mitigation Consists of (but not limited to):

1) Fragmentation reduction film, blast walls, etc
2) Explosive containers

Communication Consists of (but not limited to):

1) Personnel Alerting Systems
2) Pagers & Radios
3) Databases and assessment tools

Explosive Detection Consists of (but not limited to):

1) Portable & non portable detectors
2) Under Vehicle Surveillance Systems
3) Canine systems

Barriers Consists of (but not limited to):

1) Passive (cable reinforced fences, planters, jersey barriers, shrubs, trees, berms ditches, and inflatable booms)
2) Active (bollards, drums & sliding gate, cable beam)

Intrusion Detection Consists of (but not limited to):

1) Wide Area Security and Surveillance Systems
2) Detection devices (thermal, spectral, mechanical, etc)
3) Special lighting
4) Biometrics
5) Sensors

Personal Protection Consists of (but not limited to):

1) Body Armor
2) Personnel protective equipment
3) Unarmored Vehicles/Sedans

Patrol Boats

Up-Armored HMMWV

Commercial Heavy Armored Vehicles

Commercial Light Armored Vehicles

Improvised Explosive Device (IED) Defeat

Combating Terrorism Supporting Detail Definitions (Continued)

Other Special Equipment: Specify Equipment Type. This is a required field and must be entered through the data management segment of SNaP prior to entering program details. Add equipment types to the CBTActivityGroup pick list. With format of (PSE) Other Special Equipment: <Equipment Type>.

Physical Security Site Improvements: Any facility improvements (or increment of improvements) (using O&M or MILCON funding) or new construction (or increment of new construction) that is for the purpose of the physical protection of assets, personnel or information. These include walls, fences, barricades or other fabricated or natural impediments to restrict, limit, delay or deny entry into a Defense installation or facility, such as (but not limited to):

1) Primary facility modification/features such as special structural improvements to walls, doors, windows, ceilings, etc; interior barriers; or include any land acquisition for standoff distances)
2) Supporting facility modification features such as site improvements in fencing, perimeter/area lighting, blast mitigation barriers, vehicle barriers, special landscaping)
3) Safe havens
4) Evacuation facilities
5) Surveillance platforms

Physical Security Management and Planning: Personnel who manage physical security programs, resources, and assets such as but not limited to headquarters staff. CINC headquarters staff elements performing such functions should also be reported here.

Security Forces and Technicians: All personnel and operating costs associated with protective forces used to safeguard assets, personnel or information, to include (but not limited to) salaries overtime, benefits, materials and supplies, equipment and facilities, vehicles, helicopters, training, communications equipment, and management, such as (but not limited to):

1) Dedicated response forces and security forces
2) Locksmiths
3) Perimeter, installation or facility access control
4) Inspection and maintenance of barriers and security system components
5) Antiterrorism training for security forces
6) Antiterrorism awareness programs and training

Law Enforcement: All personnel and operating costs associated with law enforcement, to include but not limited to salaries, overtime, benefits, material and supplies, equipment and facilities, vehicles, helicopters, training, communications equipment, and management, such as (but not limited to):

1) Response forces
2) Military police
3) Protective service details, including advance work

Security and Investigative Matters: Includes Defense criminal investigative resources, security and intelligence activities, and any cross-discipline security functions which do not easily fit into other security categories, such as (but not limited to):

1) Terrorism Investigations
2) Executive antiterrorism training
3) Surveillance and counter-surveillance teams
4) Protective service details, including advance work

Combating Terrorism Supporting Detail Definitions (Continued)

5) Route surveys
6) Antiterrorism awareness programs and training

Antiterrorism R&D: Includes any RDT&E resources expended in the area of antiterrorism, showing the program and purpose

Antiterrorism (AT) Technical Support R&D
Physical Security and Other R&D
AT COTS Product/Technology Integration

2) Counterterrorism: Offensive measures taken to prevent, deter and respond to terrorism

Individual CT programs

Counterterrorism R&D- Includes any RDT&E resources expended in the area of counterterrorism showing the program and purpose.

Counterterrorism (CT) Technical Support R&D
CT COTS Product/Technology Integration
Other CT R&D

3) Terrorism Consequence Management: Preparation for and response to the consequences of a terrorist incident/event

Chemical and Biological Installation Protection (CBIP): Include all costs and personnel ($ and End Strength/FTE's) associated with these activities including procurement of equipment.

CBRN Defense: Include all costs and personnel ($ and End Strength/FTEs) associated with these activities. Also include the quantity of equipment procured of all CBRN assets.

Assistance to State and Local Authorities: The employment of DoD assets and expertise to assess suspected nuclear, biological, chemical, or radiological event in support at the local or state authority. DoD assets to be reported include:

Weapons of Mass Destruction Civil Support Teams
Decontamination Elements
Reconnaissance Elements
Medical Elements

Special Response Units US Army
US Marine Corps Chem/Bio Incident Response Force (CBIRF)
Special Medical Augmentation Response Team (SMART)

Installation First Response Preparedness: As a new initiative for FY 2001, the Services were directed to develop requirements, train personnel, and procure equipment for first response preparedness at DoD installations and facilities. These initiatives will be reported here, above the baseline. Include and itemize all equipment procurement for: fire trucks, thermal imagers, sensors, detectors, and haz mat suits. Also include ALL personnel ($ and end strength/FTE's) associated with these activities.

Consequence Management R&D: Includes any RDT&E resources expended in the area of CbT Terrorism Consequence Management showing the program and purpose.

Consequence Management (CM) Technical Support R&D
CM COTS Product/Technology Integration

Combating Terrorism Supporting Detail Definitions (Continued)

Other CM R&D

DARPA Biological Warfare Defense Program: That portion dedicated to domestic terrorism consequence management. Applied research program to develop and demonstrate technologies to thwart the use of biological warfare agents (including bacterial, viral, and bioengineered organisms and toxins) by both military and terrorist opponents (against US assets at home and abroad). That portion dedicated to domestic terrorism consequence management is reported here. DARPA's primary strategy for accomplishing this goal is to create technologies applicable to broad classes of pathogens and toxins. Projects include:

1) real-time environmental sensing
2) external protection (including novel methods of protection, air and water purification, and decontamination)
3) consequence management tools
4) advanced medical diagnostics for the most virulent pathogens and their molecular mechanisms
5) pre- and post-exposure medical countermeasures
6) pathogen genome sequencing

4) Intelligence Related Support: Collection and dissemination of terrorism-related information taken to oppose terrorism throughout the entire threat spectrum to include terrorist use of WMD and/or high explosives. This category will only be reported in the combating terrorism formats during the Program/Budget Review data collection cycle – not during the President's Budget data collection.

Counter-Intelligence: All Army and Marine Corps tactical counterintelligence resources and all Army Security and Intelligence Activities CI resources will be reported in this tab. The Counterintelligence Field Activity will report CIFA resources that directly support force protection/combating terrorism activities. Counterintelligence is considered to include (but is not limited to) activities such as:

1) Terrorism Investigations
2) Surveillance and counter-surveillance teams
3) CI Terrorism analysis and production
4) Force protection source operations
5) Threat assessments
6) CI Terrorism collection
7) Route surveys
8) Intelligence staff support to deployed task forces

Intelligence Related R&D: Includes any DoD MIP RDT&E resources expended in the area of CbT Intelligence Related Support (counter-intelligence), showing the program and purpose.

Intelligence Related (IR) Technical Support R&D/IR COTS Product/Technology Integration
Intelligence Related (IR) Technical Support R&D/Other IR R&D

CATEGORIES NOT TO BE REPORTED IN COMBATING TERRORISM DETAIL:

Intelligence - Not reported in this TAB: NIP or MIP funding and personnel, such as (but not limited to):

- Terrorism collection (generally HUMINT, possibly SIGINT)
- Terrorism analysis and production (excluding CI)
- Terrorism watch centers

Combating Terrorism Supporting Detail Definitions (Continued)

- Terrorism indications and warning
- Intelligence staff support to deployed task forces

The Director, National Intelligence will report related intelligence support in accordance with the PPI, Section one, Part V, "Data Formatting and Economic Instructions," "Intelligence Programs" as part of the NIP instructions.

Information Assurance - Not reported in this Section: Includes assuring readiness, reliability, and continuity of information assets, systems, networks, and their functions, protecting information systems against penetration/exploitation, providing the means to re-establish vital information system capabilities effectively and efficiently. Examples include Computer Emergency Response Teams (CERTs), and computer network security "fire walls."

Counterproliferation - Not reported in this format: Chem/Bio Defense Program and WMD.

Combating Terrorism Supporting Detail Definitions
(Page 5 of 5)

HCbT 3 Vulnerability Assessments (Program/Budget Review Only)

Class	CountryCode	State	Component	AssessmentDetail

FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013

(4) Instructions

1) Report only those assessments addressing DoD standard 26, E3.1.1.26.4-.7 higher headquarters vulnerability assessments. Note that the standard requires an assessment of all installations at least once every three-(3) years.
2) Provide by country code and component the total number of installations.
3) DoDEA will report this information for all schools located off post.
4) Provide by country code and component the number of installations that contain family housing, VIP Housing, and or DoDES facilities. These will not add up to total installations.
5) Provide by country code and component the cost and number of assessments planned for future years and conducted in the prior and current years.
6) Provide total military, civilian and contractor manpower required to conduct assessments.
7) TOA is entered in dollars thousands ($000).
8) Military personnel are entered as End strength and Civilians and Contractors as FTEs.
9) See Appendix A for reporting requirements for your organization.

CbT 3 Definitions

Class: System Field: Classification. **All information for this exhibit must be submitted at the unclassified level on the unclassified network**.

U: UNCLASSIFIED

CountryCode: (Closed List)

AF	Afghanistan
AL	Albania
AG	Algeria
AN	Andorra
AO	Angola
AC	Antigua and Barbuda
AR	Argentina
AM	Armenia
AS	Australia
AU	Austria
AJ	Azerbaijan

BF	Bahamas, The
BA	Bahrain
BG	Bangladesh
BB	Barbados
BO	Belarus
BE	Belgium
BH	Belize
BN	Benin
BT	Bhutan
BL	Bolivia
BK	Bosnia and Herzegovina
BC	Botswana
BR	Brazil
BX	Brunei
BU	Bulgaria
UV	Burkina Faso
BM	Burma
BY	Burundi
CB	Cambodia
CM	Cameroon
CA	Canada
CV	Cape Verde
CT	Central African Republic
CD	Chad
CI	Chile
CH	China
CO	Colombia
CN	Comoros
CF	Congo (Brazzaville)
CG	Congo (Kinshasa)
CS	Costa Rica
IV	Côte d'Ivoire
HR	Croatia
CU	Cuba
CY	Cyprus
EZ	Czech Republic

DA	Denmark
DJ	Djibouti
DO	Dominica
DR	Dominican Republic
TT	East Timor
EC	Ecuador
EG	Egypt
ES	El Salvador
EK	Equatorial Guinea
ER	Eritrea
EN	Estonia
ET	Ethiopia
FJ	Fiji
FI	Finland
FR	France
GB	Gabon
GA	Gambia, The
GG	Georgia
GM	Germany
GH	Ghana
GR	Greece
GJ	Grenada
GT	Guatemala
GV	Guinea
PU	Guinea-Bissau
GY	Guyana
HA	Haiti
VT	Holy See
HO	Honduras
HU	Hungary
IC	Iceland
IN	India
ID	Indonesia
IR	Iran
IZ	Iraq
EI	Ireland

IS	Israel
IT	Italy
JM	Jamaica
JA	Japan
JO	Jordan
KZ	Kazakhstan
KE	Kenya
KR	Kiribati
KN	Korea, North
KS	Korea, South
KU	Kuwait
KG	Kyrgyzstan
LA	Laos
LG	Latvia
LE	Lebanon
LT	Lesotho
LI	Liberia
LY	Libya
LS	Liechtenstein
LH	Lithuania
LU	Luxembourg
MK	Macedonia
MA	Madagascar
MI	Malawi
MY	Malaysia
MV	Maldives
ML	Mali
MT	Malta
RM	Marshall Islands
MR	Mauritania
MP	Mauritius
MX	Mexico
FM	Micronesia, Federated States of
MD	Moldova
MN	Monaco
MG	Mongolia

MO	Morocco
MZ	Mozambique
WA	Namibia
NR	Nauru
NP	Nepal
NL	Netherlands
NZ	New Zealand
NU	Nicaragua
NG	Niger
NI	Nigeria
NO	Norway
MU	Oman
PK	Pakistan
PS	Palau
PM	Panama
PP	Papua New Guinea
PA	Paraguay
PE	Peru
RP	Philippines
PL	Poland
PO	Portugal
QA	Qatar
RO	Romania
RS	Russia
RW	Rwanda
SC	Saint Kitts and Nevis
ST	Saint Lucia
VC	Saint Vincent and the Grenadines
WS	Samoa
SM	San Marino
TP	Sao Tome and Principe
SA	Saudi Arabia
SG	Senegal
YI	Serbia and Montenegro
SE	Seychelles
SL	Sierra Leone

SN	Singapore
LO	Slovakia
SI	Slovenia
BP	Solomon Islands
SO	Somalia
SF	South Africa
SP	Spain
CE	Sri Lanka
SU	Sudan
NS	Suriname
WZ	Swaziland
SW	Sweden
SZ	Switzerland
SY	Syria
TI	Tajikistan
TZ	Tanzania
TH	Thailand
TO	Togo
TN	Tonga
TD	Trinidad and Tobago
TS	Tunisia
TU	Turkey
TX	Turkmenistan
TV	Tuvalu
UG	Uganda
UP	Ukraine
AE	United Arab Emirates
UK	United Kingdom
US	United States
UY	Uruguay
UZ	Uzbekistan
NH	Vanuatu
VE	Venezuela
VM	Vietnam
YM	Yemen
ZA	Zambia

ZI Zimbabwe

State: (Closed List)

AK: ALASKA
AL: ALABAMA
AR: ARKANSAS
AZ: ARIZONA
CA: CALIFORNIA
CO: COLORADO
CT: CONNECTICUT
DC: DISTRICT OF COLUMBIA
DE: DELAWARE
FL: FLORIDA
GA: GEORGIA
HI: HAWAII
IA: IOWA
ID: IDAHO
IL: ILLINOIS
IN: INDIANA
KS: KANSAS
KY: KENTUCKY
LA: LOUISIANA
MA: MASSACHUSETTS
MD: MARYLAND
ME: MAINE
MI: MICHIGAN
MN: MINNESOTA
MO: MISSOURI
MS: MISSISSIPPI
MT: MONTANA
NA: Not Applicable
NC: NORTH CAROLINA
ND: NORTH DAKOTA
NE: NEBRASKA
NH: NEW HAMPSHIRE
NJ: NEW JERSEY
NM: NEW MEXICO
NV: NEVADA
NY: NEW YORK
OH: OHIO

OK: OKLAHOMA
OR: OREGON
PA: PENNSYLVANIA
RI: RHODE ISLAND
SC: SOUTH CAROLINA
SD: SOUTH DAKOTA
TN: TENNESSEE
TX: TEXAS
UT: UTAH
VA: VIRGINIA
VT: VERMONT
WA: WASHINGTON
WI: WISCONSIN
WV: WEST VIRGINIA
WY: WYOMING

Component: Identifies the duty status for military service units and defense agencies.

Active:
DADW: Defense Area Defense Wide. Used by non-service defense agencies.
Guard:
Reserve:

AssessmentDetail: (Closed List)

Assessment Capability: Number of Installations that can be assessed with the current teams.
Assessments Conducted: Number of assessments conducted by country for 200–5-2006.
Assessments Planned: Number of assessments planned by country for 2007-2013.
Civilian FTEs: Number of civilian personnel conducting assessments.
Contractor FTEs: Number of contractor personnel conducting assessments.
Installations with DoDES Facilities:
Installations with Family Housing:
Installations with VIP Housing:
Military End-Strength: Number of military personnel conducting assessments.
TOA: Total funding programmed to conduct vulnerability assessments by country code.
Total Installations: Total number of installations by component by country should be obtainable from the Installation Summary.

MRTFB 1 Installation Financial Summary

DoD Component
(MRTFB Activity Title) Financial Summary

($ Thousands)

Funding Source	**FY PY-1**	**FY PY**	**FY CY**	**FY BY**	**FY BY+1**
Total Institutional Funding: *(Header Only)*					
Institutional Funding PE (_____) Total					
In-House Effort					
Contractor Effort					
Military Personnel (Institutional and Direct)					
Total Institutional and Military Personnel Funding					
Direct (User Funding) *(Header Only)*					
Parent Service					
Other DoD					
Other U.S. Government					
FMS					
Foreign Government					
Commercial					
Total Customer Direct Funding					
Support to Training (Non-Add)					
Other Non T&E MRTFB Customer (Specify) (Non-add)					
Total Non-T&E Customer Direct (Non-add)					
Total Institutional and MilPers, and Direct					
Other Funds - T&E Mission *(Header Only)*					
T&E BOS					
T&E Mission SRM (Sustainment)					
T&E Mission SRM (Restoration & Modernization)					
Military Construction (MILCON)					
Minor Construction					
BRAC					
Improvement & Modernization (Total from Exhibit 3)					
Other Funds applicable to the Test Mission (Specify PE)					
(Add lines as required to identify additional PE's)					

(MRTFB Activity Title) Financial Summary
(Page 1 of 2)

MRTFB 1 Installation Financial Summary (Continued)

Sub-Total Other T&E Mission

Other Funds - Non-T&E Mission ***(Header Only)***
(Add lines as required to identify additional PE's)

Sub-Total Other Non-T&E Mission

Total MRTFB Activity

MRTFB 2a Institutional Funding Element of Expense Listing

DOD Component

(MRTFB Activity Title) Institutional Funding Element of Expense Listing

($ Thousands)

DODEE	Description	FY PY-1	FY PY	FY CY	FY BY	FY BY+1
	Military Personnel					
01	Civilian Pay					
02	Travel of Persons					
03	Transportation of Things					
04/05	Utilities/Rental/Leases					
06	Communications					
07	Printing/Reproduction					
09	Purchased Equipment Maintenance					
10	Periodic Depot Level Maintenance (PDM)					
13	Other Purchased Services					
13a	Facility Projects (non add)					
13b	Critical Space Operations (non-add)					
14	Aircraft POL (flying)					
16	Other Supplies					
16a	Fuels (other than flying) (non-add)					
16b	Depot Level Reparable (DLR) (non-add)					
17	Purchased Equipment					
18	Other					
	Total Institutional Funding					

MRTFB 2a Direct Funding Element of Expense Listing (Continued)

DOD Component
(MRTFB Activity Title) Direct Funding Element of Expense Listing

($ Thousands)

DODEE	Description	FY PY-1	FY PY	FY CY	FY BY	FY BY+1
	Military Personnel					
01	Civilian Pay					
02	Travel of Persons					
03	Transportation of Things					
04/05	Utilities/Rental/Leases					
06	Communications					
07	Printing/Reproduction					
09	Purchased Equipment Maintenance					
10	Periodic Depot Level Maintenance (PDM)					
13	Other Purchased Services					
13a	Facility Projects (non add)					
13b	Critical Space Operations (non-add)					
14	Aircraft POL (flying)					
16	Other Supplies					
16a	Fuels (other than flying) (non-add)					
16b	Depot Level Reparable (DLR) (non-add)					
17	Purchased Equipment					
18	Other					
	Total Direct Funding					

Exhibit 2a-Element of Expense

MRTFB 2b Schedule of Increases and Decreases

DOD Component

(MRTFB Activity Title) Schedule of Increases and Decreases
($ Thousands)

		FY PY-1	FY PY	FY CY	FY BY	FY BY+1
1. FY PY-1 to FY PY						
a.	(Description/justification of increase and decrease)					
b.						
c.						
etc.						
2. FY PY to FY CY						
a.	(Description/justification of increase and decrease)					
b.						
c.						
etc.						
3. FY CY to FY BY						
a.	Inflation					
b.	Civilian pay raise					
c.	(Description/justification of increase and decrease)					
etc.						
4. FY BY to FY BY+1						
a.	Inflation					
b.	Civilian pay raise					
c.	(Description/justification of increase and decrease)					
etc.						

Exhibit 2b-Schedule of Increases and Decreases

MRTFB 2c Workyears

DOD Component

(MRTFB Activity Title) Workyears

CATEGORY	FY PY-1				FY PY				FY CY				FY BY				FY BY+1			
	INST	DIR	OTH	TOT	INST	DIR	OTH	TOT	INST	DIR	OTH	TOT	INST	DIR	OTH	TOT	INST	DIR	OTH	TOT
Military																				
Officer																				
Enlisted																				
Civilian																				
Contractor																				
Total																				

Narrative Section:

Exhibit 2c-Workyears

MRTFB Source of Direct Funds

DOD Component

(MRTFB Activity Title) Source of Direct Funds
($ Thousands)

	FY PY-1	FY PY	FY CY	FY BY	FY BY+1
A. DIRECT FUNDING - CUSTOMER					
1. PARENT SERVICE					
Appn BAC PE Title					
RDT&E					
(List customers)					
BAC Total					
RDT&E Total					
Operation & Maintenance					
(List customers)					
BAC Total					
Operation & Maintenance Total					
Procurement Appropriations					
(List customers with subtotal by appropriation)					
Procurement Appropriation Total					
Other Appropriations					
(List customers with subtotal by appropriation)					
Other Appropriation Total					
TOTAL PARENT SERVICE					

2. OTHER DOD (Identify Service or OSD)

Service	**Appropriation**	
	(List customers)	
	Appropriation Total	
	Service Total	
	TOTAL OTHER DOD	

3. OTHER U.S. GOVERNMENT

	(List Agencies)	
	TOTAL OTHER U.S. GOVERNMENT	

4. FOREIGN MILITARY SALES

	(List country or program)	
	TOTAL FOREIGN MILITARY SALES	

5. FOREIGN GOVERNMENT

	(List country or program)	
	TOTAL FOREIGN GOVERNMENT	

6. COMMERCIAL

(List company or program)

TOTAL COMMERCIAL _____

TOTAL CUSTOMER DIRECT FUNDING _____

B. DIRECT FUNDING - NON-CUSTOMER

(List types)

TOTAL NON-CUSTOMER DIRECT FUNDING _____

(MRTFB Activity Title) Source of Direct Funds (Continued)
(Page 3 of 3)

MRTFB Improvement and Modernization (I&M) Projects Summary

DOD Component

(MRTFB Activity Title) I&M Summary

Improvement and Modernization Projects
($Thousands)

Appn	PE	Project Title	Total Est. Cost	Prior Years	FY PY-1	FY PY	FY CY	FY BY	FY BY+1	Cost To Complete
		(List Projects)								
		SUBTOTAL								
		TOTAL I&M								

* Asterisk indicates the project meets threshold required for submission of a Quad chart

Exhibit 3a-I&M Summary

MRTFB Improvement and Modernization (I&M) Listings Military Construction and BRAC

DOD Component

(MRTFB Activity Title) I&M Listings

Military Construction and Base Realignment and Closure Projects
($ Thousands)

MILCON PROJECTS

Appn	PE	Title	Programmed FY	Est Cost at Complete	Programmed Funds
Funded Projects:					
		(List projects)			
		Total Funded MILCON Projects			
Planned Projects:					
		(List projects)			
		Total Panned MILCON Projects			

Exhibit 3a-I&M Listing
(Page 1 of 2)

MRTFB Activity Title Improvement and Modernization (I&M) Listings Military Construction and BRAC (Continued)

BRAC PROJECTS

Appn	PE	Title	Programmed FY	Est Cost at Complete	Programmed Funds
Funded Projects:					
		(List projects)			
		Total Funded BRAC Projects			

Exhibit 3b-MILCON & BRAC

INSTRUCTIONS FOR MAJOR RANGE AND TEST FACILITY BASE (MRTFB) BUDGET EXHIBITS

MRTFB-1 FINANCIAL SUMMARY

The MRTFB-1 is the basic, central exhibit for the Major Range Test Facility Base program and budget review submission. All other exhibits are related to this exhibit. The MRTFB-1 reflects total funds from all sources to be expended at each MRTFB activity. The instructions for preparation and definitions are in the following paragraphs. For each line entry, a fully comparable figure will be entered in each of the five columns.

The amounts reflected in the institutional entries are to be directly related to those amounts included in the appropriation submission of budget estimates to OSD/OMB.

Definitions and Instructions:

Total Institutional Funding - This line is for header purposes only and denotes the section dealing with the institutional funds that support the MRTFB activity's mission.

Institutional (P.E.) - Denotes the funding which each Component provides directly to the activity for ongoing effort which cannot be ascribed to users of the activity. The financing program element number is to be entered in the parenthesis.

In-House Effort - The amount of the activity's T&E Institutional funding which is devoted to supporting efforts conducted by government personnel at the activity.

Contractor Effort - The amount of Institutional funding expended by any contractor in support of the activity's mission, either on-site or elsewhere.

Military personnel – Denotes the cost of the Military Personnel who are primarily assigned to the MRTFB activity for institutional and direct user support activities. This line does not include costs for Military Personnel assigned to non-T&E mission work.

Total Institutional and Military Personnel Funding – This line is the total of institutional funding, both-in-house and contractor, plus the cost of the Military Personnel which are assigned to the MRTFB activity for institutional and direct user support activities.

Direct (User Funding) - This line is for header purposes only, to denote the section dealing with funds received from customers for MRTFB activity mission efforts.

Parent Service - Funds that come to the activity from users who are from within the same service but distinguished from the institutional funds.

Other DoD - Funds from customers within DoD but not from the same service as the activity.

Other U.S. Government - Funds from other U.S. Government customers outside the DoD

Foreign Military Sales (FMS) - Funds received from FMS cases.

Foreign Government - Funds from foreign governments for other than FMS cases.

Commercial - Funds received from commercial customers, including DoD contractors that do not have a DoD program sponsor.

Support to Training (Non-add) – Customer funds from any source received by the activity to support any DoD training mission. These funds are reflected in the Total Customer Direct Funding line and are reflected here separately as a non-add line item only.

Other Non-T&E Support (Non-add) – Any other customer funds besides support to training that do not result in T&E work. The specific category of support should be reported if the funding level exceeds $1 million dollars in any given fiscal year. These funds are reflected in the Total Customer Direct Funding line and are reflected here separately as a non-add line item only.

Total Institutional, Military Personnel and Direct - The sum of the amounts in the Total Institutional, Military Personnel and Total Direct lines.

Other Funds-T&E Mission – This line is for header purposes only and denotes the section dealing with funding that directly supports the T&E mission but which is not included in the institutional, direct and military personnel items elsewhere on the exhibit. Additional lines may be added as required to identify all funds that directly support the T&E mission. The intent is to accurately reflect funds received from all sources to support the MRTFB's overall T&E mission and to facilitate comparability across the Services. If additional categories are required to reflect the total "institutional" funding that is required for the activity, such as Environmental Compliance, additional lines should be added.

T&E Base Operating Support (BOS) – Funds for T&E base operating support costs. Do not include costs already identified in the MRTFB institutional funding line above. Provide the program element number for each entry.

T&E Mission SRM (Sustainment) – Funds for T&E sustainment costs. Do not include costs already identified in the MRTFB institutional funding line above. Provide the program element number for each entry.

T&E Mission SRM (Restoration and Modernization) – Funds for T&E restoration and modernization costs. Do not include costs already identified in the MRTFB institutional funding line above. Provide the program element number for each entry. Do not include restoration and modernization costs paid from the Improvement and Modernization funding lines.

Military Construction (MILCON) –Total of MRTFB MILCON projects from Exhibit 3-b.

Minor Construction – Total of minor construction projects. Minor construction is defined as projects totaling $750K or less.

Base Re-alignment and Closure (BRAC) – Total of MRTFB BRAC projects from Exhibit 3-b.

Improvement and Modernization (I&M) – Total funding provided to the MRTFB activity for improvement and modernization efforts. Do not include costs already identified in the MRTFB institutional funding line above.

Other Funds Applicable to the T&E Mission – Any other funding received by the MRTFB for costs associated with the MRTFB T&E mission.

Other Funds – Non-T&E Mission – This line is for header purposes only and denotes the section dealing with any other funding received by the MRTFB for efforts not identified in previous categories. Report individual activities by PE, purpose, and amount.

Total MRTFB Activity – The sum of the amounts in the Total Institutional, Military Personnel and Direct line, Other Funds – T&E Mission line, and Other Funds – Non-T&E Mission line.

MRTFB-2a, ELEMENT OF EXPENSE LISTING

For the Total Institutional and Direct funds entered on MRTFB-1 Exhibit, Financial Summary, provide a breakout by element of expense. The cost of Military Personnel should reflect the Full Time Equivalent (FTE's) military personnel cost associated with the T&E mission. The sum of the institutional and direct military personnel costs should equal the total on the MRTFB-1, Military Personnel line.

MRTFB-2b, SCHEDULE OF INCREASES AND DECREASES

Provide a several sentence description/justification of each increase and/or decrease, covering year-to-year changes in the total institutional funding entry on the MRTFB-1 Exhibit. Changes should address any financial increase or decrease that exceeds $500 thousand. There may be more than one increase or decrease to any or all entries on the MRTFB-1. Separately identify inflation and civilian pay increases. Identify any changes in T&E capability regardless of the amount of funding, to include elimination of any facilities, moth balling, etc.

MRTFB-2c, WORKYEARS

Submit a numerical summary of military, civilian, and contractor Full Time Equivalent (FTE) workyears. Civilian and contractor workyears should be divided into those that are institutionally funded and those that are reimbursed by direct user funding. Military workyears should also be reported in the category of work that is supported whether the workyears are reimbursed or not from direct users, i.e. military workyears used to perform T&E customer work should be shown as direct workyears.

The workyears reported in the Institutional category should reflect only those workyears funded from the institutional program element of the MRTFB. Workyears funded by “Other Funds – T&E Mission”, such as BOS and SRM, should be reported as “Other” workyears. Workyears funded by sources identified on the MRTFB-1 as "Non-T&E Support Direct" should not be reported in this exhibit.

Changes in workyears between fiscal years that exceed 10 percent in any category should be addressed in the narrative section of this exhibit.

MRTFB-2d, SOURCE OF DIRECT FUNDS

Identify by major program, the source of the Direct Funds contained in MRTFB-1, Direct User Funding.

For Direct Funding – Customer, provide the following breakout: For the parent service RDT&E and O&M funds, the Program Element, title, Budget Activity Code (BAC), and appropriation descriptors must be provided. For Parent Service procurement appropriations, provide a list of customers greater than $1M for any FY and group smaller customers at the appropriation level. For Other DoD, provide a list of customers by appropriation and Service. For Other U.S. Government, provide a list of customers by Agency. For FMS and Foreign Government, provide a list of customers by country/program and for Commercial, provide a list of customers by company or program. This section should reflect both test and non-test customer funds.

For Direct Funding – Non-Customer, provide a one-line summary by type of funding. Include Direct funding that is not customer related such as inter-organizational miscellaneous reimbursements as well as pass-through and transfers sent off the MRTFB. This section is not reflected on MRTFB-1.

For unidentified workload, enter estimates of Unidentified Workload in the appropriation (for RDT&E include data by budget activity) that best reflect historical workload. It is acceptable to group small efforts into one multiple line item, but groupings funded by Parent Service appropriations should not exceed ten percent of any category

MRTFB-3a, IMPROVEMENT & MODERNIZATION SUMMARY

Provide a project level listing covering fiscal years from PY-1 through the BY+1. For projects that extend beyond the BY+1, include the cost to complete. Ensure that the exhibit includes all improvement and modernization (I&M) anticipated for the activity, whether the funding source is institutional, the parent Service T&E program element(s), customer funding or CTEIP funding.

Report all I&M projects, regardless of funding source, which exceed $200 thousand in any single fiscal year or $1 million cumulatively. List each project by appropriation and program element.

For any project exceeding $1 million in any year or cumulative funding of $5 million, including the projects not funded, provide summary data that includes potential benefits, cost savings and capability improvements in the form of a quad chart. Use an asterisk to indicate the projects meeting this threshold on the total project-level listing. Quad charts should include the following detail:

Project Title:

(1) Description - Concise description of what is to be acquired, where it will be located, its relationship to other upgrades at this facility or other DoD facilities. Identify whether the effort is required to provide an enhanced capability or whether it modernizes an existing capability.

(2) Requirements/Payoffs - Specify the operational requirement being addressed by the project. If it is required to provide an enhanced capability, list the programs that will benefit and provide the required operating date. If required as an improvement to an existing capability, provide a payback date and the schedule for retirement of existing equipment that will become obsolete as a result of the upgrade. Discuss what other alternatives and what cross-service opportunities were considered in the review of this requirement.

(3) Tests to be Supported - List the programs and tests to be supported by the I&M project. Indicate the acquisition category for each program that will be using the upgraded equipment or facility.

(4) Schedule - Provide the critical milestones for the project. Include the approval date of the operational requirements document, the date of TERIB and TRMC review, the contract award dates, IOC and FOC.

(4) Funding Profile - Provide total funding plan, including all funding sources, for development through FOC and the follow-on sustainment costs. Funding should be consistent with that identified in the MRTFB-3a, Summary of I&M Projects, and with that included in the other R&D program and budget review submission exhibits.

Quad charts prepared for TRMC reviews can be used for the program and budget review submission as long as all of the requested information is included. Indicate the projects not funded in the Requirements section along with a statement indicating why it was not funded.

MRTFB-3b, MILITARY CONSTRUCTION AND BASE REALIGNMENT AND CLOSURE PROJECTS

Provide summary data for all Military Construction (MILCON) and Base Realignment and Closure (BRAC) projects that are programmed to support the MRTFB mission at the activity and are funded in either PY-1, PY, CY, BY and BY+1 of the Program Budget Submission.

For funded MILCON and BRAC projects, identify by fiscal year the individual funded projects with the same title as the approved DD Form 1391.

For Planned MILCON projects, identify by fiscal year the projects that are planned for the MRTFB through the FYDP period.

The total funded projects listed on this exhibit should match the MRTFB Exhibit-1 Military Construction and BRAC funding line.

Exhibit T&E 1, Test and Evaluation Funding

Test and Evaluation Funding

Exhibit T&E 1

PNO Title	T&E Type	TreasuryCode	BA Code	Budget LineItem	Program Element	Funding Source	Funding Type	PY-1	PY	CY	BY 1	BY 2	BY2+1	BY2+2	BY2+3	BY2+4
Select from pick list	DT&E	Treasury Code list provided	Select from pick list	Select from pick list	Select from pick list	Government	# of Articles	#	#	#	#	#	#	#	#	#
	OT&E					Contractor	Articles Funding	$	$	$	$	$	$	$	$	$
	LFT&E					Articles	Facilities	$	$	$	$	$	$	$	$	$
							Instrumentation	$	$	$	$	$	$	$	$	$
							Targets/ Threat Simulators	$	$	$	$	$	$	$	$	$
							Other T&E Funding	$	$	$	$	$	$	$	$	$

Exhibit T&E-1, Test and Evaluation
(Page 1 of 1)

Instructions for Exhibit T&E-1, Test and Evaluation

1. Purpose.

A. The Exhibit T&E-1 is the Test and Evaluation (T&E) funding exhibit for the Program and Budget review. It consists of tabular and narrative data describing the funding for T&E of the Major Defense Acquisition Programs (MDAP) as specified in DoD 5000.1 and Special Interest Programs identified in the Program Objective Memorandum (POM) Instructions, Table C-1. This reporting process is accomplished on-line using the Select & Native Programming Data Input System (SNaP) located at: http://snap.pae.osd.smil.mil. **Note:** The SNaP system operating instructions as specified in the Programming and Budgeting Data Requirements on the SNaP system will supersede the instructions identified in this document if they are different.

B. This exhibit reflects total funds included in the above-specified systems/programs for T&E regardless of what organization performs the T&E. It does not include funds in T&E programs, such as Major Range and Test Facilities Base (MRTFB) direct funding, used to provide services on a nonreimbursable basis to weapon systems.

2. Entries.

A. Instructions for Completing the Test & Evaluation Database

(1) Provide Test and Evaluation Detail by Funding Type for Major Defense Acquisition Programs by Treasury Code, Budget Activity, Budget Line Item (BLI) and Program Element (PE), and Facility Type.

(2) Provide narrative for all detail provided in a Word Document organized by the following:

(a) Program Description: For each Program Element/Project provide a brief description of the major program and major changes from the most recent President's budget request and the reason for the changes.

(b) T&E Program/Project Description: For each major T&E Program/Project, exceeding $1 million in a single year or $5 million over the life of the program describe the program/project, provide major changes from the most recent budget baseline and the reasons for the changes. Divide the discussions into Development Test and Evaluation (DT&E), Operational Test and Evaluation (OT&E), and Live Fire Test and Evaluation (LFT&E). Within each T&E type, distinguish between contractor and government activities and include data on articles funding and the number of articles. For facilities provide a narrative to justify as required in the T&E Facilities entries in the Tabular Data Worksheet (above).

(c) T&E Milestones/Schedules: Identify by date, the major milestones and scheduled T&E events (PT 3A, OT2, etc.) for each T&E program, noting deviations and reasons from what is stated in the approved Test and Evaluation Master Plan (TEMP).

Instructions for Exhibit T&E-1, Test and Evaluation (Continued)

(d) Approved TEMP Funding: Provide the difference (delta) in funding from the funding included in the most recently approved TEMP and provide a brief discussion of the reason for the difference.

(e) Funding: Briefly describe the use of the funds.

(f) Facilities Justification: Describe the reason for use of government or contractor facility. If capability is duplicated provide reasoning.

B. Definitions

(1) Organization: The POM reporting entities are directed to submit this data requirement. For a complete list of organizations required to submit a T&E-1 Exhibit, see Appendix A of the Programming and Budgeting Data Requirements (PBDR).

(2) Program Control Numbers (PNO) Code: Three-digit numeric code that identifies MDAP programs. If program is not an MDAP program leave blank. PNO codes are listed on the Under Secretary of Defense for Acquisition, Technology, and Logistics (USD(AT&L)) website at: http://friends.acq.osd.mil/ara/dab_oipt/schedule/mdaplist.html.

(3) T&E Type:

(a) *DT&E:* Developmental Test and Evaluation (DT&E) is any engineering-type test used to verify status of technical progress, verify that design risks are minimized, substantiate achievement of contract technical performance, and certify readiness for initial operational testing. Development tests generally require instrumentation and measurements and are accomplished by engineers, technicians, or soldier operator-maintainer test personnel in a controlled environment to facilitate failure analysis.

(b) *OT&E:* Operational Test and Evaluation is the field test, under realistic combat conditions, of any item of (or key component of) weapons, equipment, or munitions for the purpose of determining the effectiveness and suitability of the weapons, equipment, or munitions for use in combat by typical military users.

(c) *LFT&E:* Live Fire Test and Evaluation is full-up, system-level survivability or lethality testing of a covered system, major munitions program, missile program, or product improvement to a covered system, major munitions program, or missile program before it can proceed beyond low-rate initial production.

(4) Treasury Code: The Treasury Code is a defined set of four-digit numeric codes provided by the Comptroller that identifies resource types.

(5) BA Code: The Budget Activity Code as defined by OUSD (Comptroller), in the Financial Management Regulation

Instructions for Exhibit T&E-1, Test and Evaluation (Continued)

(6) Budget Line Item Number: Provide the Activity Group and Sub-Activity Group (SAG) if the appropriation is O&M; the Project Number as used in the R2 report for RDT&E; Line Item if Procurement; Project Number if MilCon; and Activity Group and Customer if Revolving funds.

(7) Program Element (PE): The PE applies to RDT&E, Procurement and O&M appropriations. The PE is up to ten-digits in length, a seven-digit numeric identifier followed by up to three-digits alphanumeric code for Future Years Defense Program (FYDP) organization.

(8) Funding Source:

(a) *Government:* Resources, facilities, and capabilities that are owned by the U.S. Government.

(b) *Contractor:* Resources, facilities, and capabilities that are owned by a private company or firm.

(c) *Article:* An individual system or subsystem to be subjected to the test process

(9) Funding Type:

(a) *Facilities:* Includes all funding for provision of T&E capability through investment in plant and equipment (non-instrumentation) at facilities by funding source. For Government facilities these costs include all funding included as reimbursable orders (customer funding) to the Major Range and Test Facility Base and other installations.

(b) *Instrumentation:* Includes all funding for provision of T&E instrumentation (non-portable) by funding source.

(c) *Targets and Threat Simulators:* Includes all funding identified for targets and threat simulators by funding source.

(d) *Other Costs:* Include any additional funding not captured in the other Funding Types for performing T&E at facilities by funding source

(e) *Articles Funding:* Includes the funding for test articles to support the T&E planned for the system

(f) *# Articles:* Provide the number of test articles to support the T&E planned for the system by year of delivery of the article.

C. Business Rules

Instructions for Exhibit T&E-1, Test and Evaluation (Continued)

(1) Project or Line Item Number and Title relationship—A project or line item number can only have one title. When users add new numbers they will be prompted to add the corresponding title. The new title will only be valid with the new number.

(2) O&M --Requires funding entries for fiscal years only.

(3) Funding Source = Article, report a Funding Type = Articles funding and # of Articles.

Funding Source and Funding Type Relationship Matrix	
Funding Source	**Funding Type**
Government	Facilities Instrumentation Targets/Threat Simulators Other T&E Funding
Contractor	Facilities Instrumentation Targets/Threat Simulators Other T&E Funding
Articles	# of Articles Articles Funding

Exhibit PB-14 FUNCTIONAL TRANSFERS

FUNCTIONAL TRANSFERS
Component: _____

FY BY1	FY BY2	FY BY2+1	FY BY2+2	FY BY2+3	FY BY2+4

PART I

Adjustment as result of Functional Transfers:

(Show the total adjustment to Component topline as a result of inter-Component functional transfers included in the program and budget submission but not included in the Program Review. In addition, show the adjustment to each appropriation separately.)

PART II

(Show the following adjustments for each inter-Component functional transfer impacting all accounts included in Part I.)

Functional Transfer Title
Description: Provide succinct narrative explanation for each functional transfer.
Gaining Appropriation(s)/Budget Activity(s)/Subactivity Group(s)/line item/program
Civilian Full-Time Equivalent (FTE)
Military End Strength
Funding ($ 000)

Losing Appropriation (s)/Budget Activity(s)/Subactivity Group(s)/line item/program
Civilian Full-Time Equivalent (FTE)
Military End Strength
Funding ($ 000)

Exhibit PB-14 Functional Transfers

Exhibit PB-15 Advisory and Assistance Services

ADVISORY AND ASSISTANCE SERVICES

DEPARTMENT/AGENCY

	(Dollars in Thousands)			
Appropriation/Fund	FY PY Actuals	FY CY Estimate	FY BY1 Estimate	FY BY2 Estimate
1. Management & Professional Support Services				
FFRDC Work*				
Non-FFRDC Work*				
Subtotal				
2. Studies, Analysis & Evaluations				
FFRDC Work*				
Non-FFRDC Work*				
Subtotal				
3. Engineering & Technical Services				
FFRDC Work*				
Non-FFRDC Work*				
Subtotal				
TOTAL				
FFRDC Work*				
Non-FFRDC Work*				
Reimbursable				

Explanation of Funding Changes

* Provide a narrative explanation (in program terms) for any increase/decrease that is in excess of the estimated rate of inflation. This explanation of increase/decrease is required for changes between the PY and the CY, between the CY and the BY1, and between the BY1 and the BY2.

Notes:

1. All totals displayed must equal amounts reported in object class 25.1.
2. FFRDC - Federally Funded Research & Development Centers.
3. A separate PB-15 must be prepared for each appropriation/fund.
4. A summary PB-15 must be prepared when consulting services are funded from more than one appropriation/fund.

ADVISORY AND ASSISTANCE SERVICES
Instructions for Exhibit PB-15

BACKGROUND: The purpose of the exhibit is to provide Congress with actual estimates on the amount spent by DoD on advisory and assistance services which are utilized to enhance, assist, or improve the ability of government employees to make decisions on governmental processes, program, and systems. Congressional concern stems from both the cost and nature of advisory and assistance services. When contractors provide advice or assistance that may affect decision-making, influence policy development, or provide support to project or program management, it is essential to ensure that the contractor's performance is free of potential conflicts of interest and does not impinge upon the performance of inherently governmental functions by government employees. As such, advisory and assistance services require an appropriate degree of enhanced management and oversight. When using contractor provided products, final decisions, or actions must reflect the independent conclusions of DoD officials. Advisory and Assistance Services (object class 25.1) include services acquired by contract from non-governmental sources that provide management and professional support services; studies, analyses, and evaluations; and engineering and technical services, as defined below.

The definitions indicated below have been substantially revised to incorporate the changes indicated in section 911 of the National Defense Authorization Act for FY 1999 (codified in section 2212(b) of title 10 U.S.C.).

ADVISORY AND ASSISTANCE SERVICES DEFINITION (Object Class 25.1): Obligations for advisory and assistance services acquired by contract from non-governmental sources (including Federally Funded Research and Development Centers (FFRDCs) and non-FFRDCs) to support or improve organization policy development, decision making, management, and administration; support program and/or project management and administration; provide management and support services for Research and Development (R&D) activities; provide engineering and technical support services; or improve the effectiveness of management processes or procedures. The products of advisory and assistance services may take the form of information, advice, opinions, alternatives, analyses, evaluations, recommendations, training, and technical support. Object class 25.1 consists of the following three categories:

Management and Professional Support Service: This category includes funding for contractual services that provide engineering or technical support, assistance, advice, or training for the efficient and effective management and operation of organizations, activities (including management and support services for R&D activities), or systems. These efforts are closely related to the basic responsibilities and mission of the using organization and contribute to improved organization of program management, logistics management, project monitoring and reporting, data collection, budgeting, accounting, performance auditing, and administrative/technical support for conferences and training programs.

Studies, Analyses, and Evaluations: This category includes funding for contractual services to provide organized, analytic assessments to understand or evaluate complex issues to improve policy development, decision making, management, or administration and that result in documents containing data or leading to conclusions or recommendations. Those services may include databases, models, methodologies, and related software created in support of a study, analysis, or evaluation.

Engineering and Technical Services: This category includes funding for contractual services that take the form of advice, assistance, training, or hands-on training necessary to maintain and operate fielded weapon systems, equipment, and components (including software when applicable) at design or required levels of effectiveness.

ADDITIONAL GUIDANCE: Section 911 of Public Law 105-261, “the FY 1999 National Defense Authorization Act” reinstated the exemptions allowed under DoD 4205.2, “DoD Directives Acquiring and Managing Contracted Advisory and Assistance Services (CAAS),” dated February 10, 1992. Therefore, the number of currently authorized exemptions exceeds the number of exemptions as stipulated in the latest OMB Circular A-11

Instructions for Exhibit PB-15 Advisory and Assistance Services (Continued)

(June 1999). The following exemptions from DoD 4205.2 describe various contracted services that are not advisory and assistance services. Revisions to DoD 4205.2 may change these exemptions. Any such changes will be highlighted in supplemental guidance prior to the program and budget review submission.

- Activities that are reviewed and/or acquired in accordance with the OMB Circular A-76 program.

Architectural and engineering services for construction and construction management services procured in accordance with the Federal Acquisition Regulation (FAR), Part 36. Work not related to construction as defined by Part 36, and that meets the A&AS definition under existing architectural and engineering contracts, shall come under the purview of this Guidance.

Day-to-day operation of facilities (for example, the Arnold Engineering Development Center and related facilities) and housekeeping services and functions (for example, building and grounds maintenance, and physical security).

Routine maintenance of systems, equipment, and software; routine administrative services; printing services; and direct advertising (media) services.

Initial training services acquired as an integral part of the procurement of weapon systems, automated data processing systems, equipment or components, and training obtained for individual professional development.

Basic operation and management contracts for Government-owned, contractor-operated facilities (GOCOs); for example, the Holston Army Ammunition Plant in Kingsport, TN. Any contract action meeting the A&AS definition and procured under the GOCO basic contract shall come under the purview of this Guidance.

Clinical and medical services for direct healthcare.

The ADP and/or telecommunication functions and related services controlled in accordance with Title 41, Federal Information Resources Management Regulation (FIRMR), Code of Federal Regulations, Part 201.

The ADP and/or telecommunications functions and related services exempted from FIRMR control pursuant to Title 10, United States Code (U.S.C.), section 2315 and reported in Budget Exhibit 43a, "Report on Information Technology Systems," of DoD 7110.1-M.

Services supporting the policy development, management, and administration of the Foreign Military Sales Program that are not paid for with funds appropriated by the U.S. Congress. (Includes A&AS funded with appropriated funds and reimbursed by the foreign customer).

Services (for example, systems engineering and technical services) acquired by or for a program office to increase the design performance capabilities of existing or new systems or where they are integral to the logistics support and maintenance of a system or major component and/or end item of equipment essential to the operation of the system before final Government acceptance of a complete hardware system. Care must be exercised to avoid exempting services acquired to advise and assist the program office and/or manager for program and/or contractor oversight and administration processes, resource management, planning and programming, milestone and schedule tracking, or other professional or administrative services necessary in performing its mission.

Research on theoretical mathematics and basic medical, biological, physical, social, psychological, or other phenomena.

Auctioneers, realty-brokers, appraisers, and surveyors.

Services procured with funds from the Defense Environmental Restoration Account.

Instructions for Exhibit PB-15 Advisory and Assistance Services (Continued)

COVERAGE: This reporting requirement covers all DoD appropriations and funds. Consulting services acquired from contracts managed by other Government Agencies and paid for with DoD appropriations **must** be reported.

PREPARATION REQUIREMENTS FOR EXHIBIT PB-15: Each DoD Component must submit the PB-15 exhibit even if they are not procuring advisory and assistance services; negative replies are required. A separate exhibit is required for each appropriation and fund. For annual and multiyear appropriations, planned obligations should be shown in the year of the appropriation rather than the year the obligation is planned. Prior year columns should reflect actual obligations incurred plus additional obligations planned over the remaining life of that fiscal year appropriations. Current and budget year columns should reflect all obligations planned over the life of those appropriations. The Defense Working Capital Fund (DWCF) business areas should identify budgeted obligations in the year those obligations are planned for contracts in support of DWCF activity functions but not those in support of customer workload. The identification of advisory and assistance services in support of appropriations managed by one Component but executed by another Component, fund (e.g., DWCF),or through federally funded research and development centers is the responsibility of the appropriation fund manager. In determining whether a contract is for advisory and assistance services, the contracting or executing organization is not relevant. For example, advisory and assistance services in support of one of the Environmental Restoration transfer appropriations but executed by the Military Departments must be identified in appropriation exhibits submitted for that Environmental appropriation. Each Component will provide overall summary displays for their Component appropriations/funds totals.

SUBMISSION REQUIREMENTS: For the OSD/OMB program and budget review submission, the PB-15 exhibit will be submitted as a separate exhibit. For the President's budget submission to the Congress, the PB 15 exhibit will be included as an exhibit in Volume II - Data Book. Each Military Department and Defense Agency will provide an exhibit for each appropriation/fund. In addition, each Military Department and Defense Agency will provide a consolidated exhibit for all appropriations/funds under their control.

** The PB-15 exhibit should reflect the same resource amounts as identified in Object Class 25.1. Any discrepancies between the PB-15 and Object Class 25.1 must be fully explained. Each PB-15 exhibit is required to contain each appropriation manager's name and telephone number.**

Exhibit PB-16 Legislative Proposals LEGISLATIVE PROPOSALS

LEGISLATIVE PROPOSALS
(Dollars in Thousands)

Proposal Number	Proposal Title	APPN(s)	BY1	BY2	BY2+1	BY2+2	BY2+3	BY2+4

- Proposal number should reflect the number assigned via the Office of Legislative Council (OLC) and Unified Legislation and Budgeting (ULB) processes (e.g., MPP-01-B41A, OLC-100).
- Amounts should reflect cost or savings (-) included in the budget submission for proposals to be approved by the Congress.
- Provide a total for each proposal, a total for each appropriation/fund, and a grand total.
- The Component's Budget Review Submission should include all approved proposals submitted through the ULB process.
- The Component's Congressional Justification/Presentation submission should include all proposed legislation submitted through the OLC process, which have not been disapproved.
- The proposals must be fully funded for the budget year(s) and throughout FYDP.
- If the proposal impacts manpower, provide the end strength and workyear adjustments (average strength for military and FTE for civilians) by type of employment status.

Exhibit PB-16 Legislative Proposals

Exhibit PB-18 Foreign Currency Exchange Data

Component:
Date: _____

FOREIGN CURRENCY EXCHANGE DATA
FY BY1/FY BY2 Budget Submit/President's Budget
Identify Appropriation
($ in Thousands)

	FY PY		FY CY		FY BY1		FY BY2	
Country	U.S. $ Requiring Conversion	Budgeted Execution Rates	U.S. $ Requiring Conversion	Budgeted Execution Rates	U.S. $ Requiring Conversion	Budgeted Execution Rates	U.S. $ Requiring Conversion	Budgeted Execution Rates
Denmark	1/2/	3/	1/2/	3/	1/2/	3/	1/2/	3/
Euro								
Japan								
Norway								
Singapore								
South Korea								
Turkey								
United Kingdom								
TOTAL								

1/ U.S. dollar value of program purchased with foreign currency at prescribed exchange rate. For the FY PY actual numbers, the value of the overseas program will agree with the obligations incurred at the budget rate reflected on the DD-Comp(M) 1506 report, and the Foreign Currency Fluctuations, Defense Report (MilPers) as of 30 September (See DoDFMR Volume 6A, Chapter 7).

2/ The amounts requiring conversion for military personnel Cost of Living Allowance (COLA) will be the Component's (by country at prescribed rates) amount of COLA payments. Prepare separate exhibits for O&M, COLA and Basic Allowance for Housing (BAH) Overseas estimates. Also include a summary exhibit for the COLA and BAH appropriations.

3/ As prescribed in OSD guidance issued by OUSD (Comptroller) P/B. Express the foreign currency exchange rates in terms of units of foreign currency that can be purchased with one (1) U.S. dollar (e.g., 125.4900 Japanese yen per one U.S. dollar).

Exhibit PB-18 Foreign Currency Exchange Data
(Page 1 of 1)

Exhibit PB-22 Major Department of Defense Headquarters Activities

MAJOR DEPARTMENT OF DEFENSE HEADQUARTERS ACTIVITIES

FY PY Actual				FY CY Estimate				FY BY1 Estimate				FY BY2 Estimate			
Military Avg. Strength	Civ FTEs	Total Mpwr	Total Obligation ($ 000)	Military Avg. Strength	Civ FTEs	Total Mpwr	Total Obligation ($ 000)	Military Avg. Strength	Civ FTEs	Total Mpwr	Total Obligation ($ 000)	Military Avg. Strength	Civ FTEs	Total Mpwr	Total Obligation ($ 000)

INSTRUCTIONS

Category/Organization/Appropriation/Fund: This exhibit provides manpower, payroll, and non-labor cost data directly related to the Major Headquarters mission. Data will be displayed by appropriation/fund (including Military Personnel) for all organizations listed in the DoD 5100.73, "DoD Directives Major Department of Defense Headquarters Activities." Deviations from the DoDD 5100.73 must be approved by OSD. Additionally, this exhibit will separately identify the manpower and cost data by Combatant and Non-Combatant Headquarters Activities. The Secretaries of the Military Departments shall provide personnel strength and operating costs in Major DoD Headquarters Activities under their management control. In addition, they shall provide strength and operating costs of Service-provided personnel and funding in the U.S. Combatant Command Headquarters Activities in accordance with Commander-in-Chief programmed and Joint Staff approved levels. Service personnel and funding for the U.S. Special Operations Command shall be coordinated with the Commander-in-Chief, Special Operations Command (CINCSOC). Resources for International Military Headquarters are **not** to be reported in this exhibit; these costs are to be reported on the PB-55, International Military Headquarters below. A narrative explanation is required for all increases and decreases. Non-labor costs that are not directly related to the Major Headquarters mission such as Pentagon Renovation should not be reported in this exhibit. Components should footnote the items that are excluded. Organizations will be displayed according to the following categorization of Major Headquarters Activities. Manpower and TOA will be identified by appropriation or fund for each major headquarters category.

I. Combatant Major Headquarters Activities
   1. Combatant Commands*
   2. Service Combatant Commands*

II. Non-Combatant Major Headquarters Activities

Defense-Wide Activities
   a. Departmental Activities
   b. Departmental Support Activities
   c. Functional Activities (Defense Agencies, Other)

Military Department Activities*
   a. Departmental Activities
   b. Departmental Support Activities

Functional Activities

Total Summary by Category (i.e., Combatant/non-Combatant Commands) and by appropriation.

Exhibit PB-22 MAJOR DEPARTMENT OF DEFENSE HEADQUARTERS ACTIVITIES (Continued)

IV. Reconciliation of Increases and Decreases

* To include direct reporting units, as appropriate.

Under "Total Obligations" TOA should be limited to costs directly in support of major headquarters and should not include operational elements of expense for programs centrally funded or managed at the headquarters but executed elsewhere in the Department. Classified data will be reported.

Under each appropriation/fund, manpower strengths and funds will be identified as direct or reimbursable.

Totals will be provided by categories listed above, e.g., Combatant Commands, Service Combatant Commands, etc.

Revolving funds that support headquarters activities will be reflected in the same fashion as appropriated funds.

A total summary by appropriation/fund and category (Combatant/Non-Combatant) must be provided.

National Guard and Reserve officers serving on active duty and performing duties described in 10 U.S.C. 10211 will be excluded from this exhibit.

Numbers reported in this exhibit must be consistent with the numbers reported in the Components' budgets and accompanying the FYDP, as identified by program elements designated as major headquarters activities.

THIS EXHIBIT IS REQUIRED WITH THE PROGRAM AND BUDGET REVIEW SUBMISSION AND WITH THE PRESIDENT'S BUDGET SUBMISSIONS. HOWEVER, FOR THE PRESIDENT'S BUDGET SUBMISSION, THIS EXHIBIT MUST BE PROVIDED TO THE OPERATIONS DIRECTORATE NO LATER THAN JANUARY 22 IN ORDER TO BE INCLUDED IN THE "OPERATION AND MAINTENANCE OVERVIEW" JUSTIFICATION BOOK.

POC: Phone No.

Exhibit PB-22 Major Department of Defense Headquarters Activities
(Page 2 of 2)

Exhibit PB-23 Acquisition, Technology and Logistics Workforce Transformation Program

Component
Acquisition and Technology Work Force Manpower
(Active-duty Military End Strength and Civilian Full-Time Equivalents (FTEs))

	PY-1		PY		CY		BY1		BY2		BY2+1		BY2+2		BY2+3		BY2+4	
Category	**Mil**	**Civ**	**Mil**	**Civ**	**Mil**	**Civ**	**Mil**	**Civ**	**Mil**	**Civ**	**Mil**	**Civ**	**Mil**	**Civ**	**Mil**	**Civ**	**Mil**	**Civ**
Program Management																		
Contracting																		
Industrial and Contract Property Management																		
Purchasing																		
Acquisition Logistics																		
Business, Cost Estimating, Financial Management																		
Auditing																		
Information Technology																		
Manufacturing, Production and Quality Assurance																		
Test and Evaluation																		
Systems Planning, Research, Development and Engineering																		
Facilities Engineering																		
Other																		
TOTAL																		

Acquisition, Technology and Logistics Workforce Transformation Program (Continued)
(TOA, Dollars in Thousands)

Military Personnel and Civilian Pay (TOA, Dollars in Thousands):

Military Personnel	
Civilian Personnel	
TOTAL	

Targeted Workforce Improvement Initiatives (TOA, Dollars in Thousands)

1. Recruiting	
2. Hiring	
3. Career Development	
4. Workforce Information	
5. Retention	
TOTAL	

Explanation of Changes Between Fiscal Years: (Provide an explanation of increases and decreases between fiscal years.)

Exhibit PB-23 Acquisition, Technology and Logistics Workforce Transformation Program
(Page 1 of 2)

Exhibit PB-23 Acquisition, Technology and Logistics Workforce Transformation Program (Continued)

Acquisition, Technology and Logistics Workforce Transformation Program Exhibit Instructions

Background: Section 912(b) of the National Defense Authorization Act for FY 1998 required the DoD to adopt and implement a new definition of the Defense acquisition workforce. This new definition is based on specified organizational and occupational criteria that are described in the Jefferson Solutions technical report "Identification of the DoD Key Acquisition and Technology Workforce, DASW01-98-C-0010, May 1999." This report is available from the DoD Acquisition Education, Training, and Career Development office at (703) 681-3464.

The final report of the Defense Acquisition 2005 Task Force, entitled "Shaping the Civilian Acquisition Workforce of the Future," set forth many recommendations aimed at improving the workforce. The report included 31 initiatives, the first of which was to develop and implement human capital strategic plans. The Components have begun to develop strategic plans. Other important initiatives related to recruiting, hiring, career development, workforce information, and retention. In March 2002, the Department reported to the Congress on the status of these recommendations, and indicated that many are now being implemented.

Display: In order to provide the required congressional reports, the acquisition, technology and logistics workforce must be identified. Therefore, each Component is required to submit the exhibit PB-23. This exhibit must be submitted for both the Program and Budget Review Submission and the President's Budget. This exhibit displays manpower categories (active-duty military end-strength (E/S) and civilian full-time equivalents (FTEs)) by career field for each fiscal year. In addition to meeting congressional reporting requirements, this information will provide insights about how the Components plan to transform their workforces consistent with the Department's overall transformation program. The exhibit also displays funding for a selected group of the Task Force's initiatives currently in implementation. This exhibit is submitted on-line using the Select & Native Programming Data Input System (SNaP) located at: http://snap.pae.osd.smil.mil. **Note:** The SNaP system operating instructions as specified in the Programming and Budgeting Data Requirements on the SNaP system will supersede the instructions identified in this document if they are different.

Each Component must provide manpower for the designated career fields for each fiscal year, along with the TOA associated with the workforce. In addition, the Components are encouraged, but not required, to provide funding information for the specified initiatives. However, a total funding level for the entire package of specified initiatives is required. Recruiting initiatives focus on marketing and the Student Educational Employment Program, along with administrative requirements to support the program. Hiring initiatives will address bonus programs, payments for permanent change of station, student loan repayment, and supporting administrative costs. Career development includes training, continuous learning, assignment and rotation programs, industry exchanges and related administrative costs. Workforce information initiatives relate to tracking and reporting systems and programs to promote workforce communications. Retention initiatives include bonuses, annual awards, telecommuting programs, programs to fund licenses, and supporting administrative programs.

Negative replies are required.

Exhibit PB-24 Professional Military Education Schools

PROFESSIONAL MILITARY EDUCATION SCHOOLS
SERVICE_____
SCHOOL_____

(Provide a separate exhibit for each school)

I. Narrative Description (Statement of Requirements and Mission):

II. Description of Operations Financed: Provide a description of what is funded below. Include the course length and frequency. Indicate whether or not short courses, correspondence courses, and non-resident courses are included. Indicate other activities funded by the school such as wargaming facilities and other support activities.

III. Financial Summary ($ Thousands):

		FY CY						
	FY PY	Budget Request	Appn	Current Estimate	FY BY1 Estimate	FY BY2 Estimate	FY CY/FY BY1 Change	FY CY/FY BY2 Change
Mission (O&M)								
Base Operations								
Military Personnel								
O&M								
Military Personnel [1/]								
School Personnel								
Total Direct Program								
Total Reimbursable Program [2/]								
Total Direct and Reimbursable								

[1/] Use standard rates (i.e. average cost per officer and average cost per enlisted) to calculate military personnel assigned.

[2/] As a minimum, include costs of courses that are being reimbursed from acquisition training funds and reimbursement from Foreign Military Sales (FMS). Identify reimbursements from acquisition training separately.

Provide a description of changes between the current year (CY) appropriation and current estimate as well as between the current year (CY) and the budget year 1 (BY1) and between the BY1 and budget year 2(BY2).

PROFESSIONAL MILITARY EDUCATION SCHOOLS (Continued)

SERVICE_____

SCHOOL_____

IV. Performance Criteria and Evaluation:

	FY PY	FY CY Estimate	FY BY1 Estimate	FY BY2 Estimate	FY CY/FY BY1 Change	FY CY/FY BY2 Change
Direct Funded:						
Student Input						
Student Load						
Graduates						
Reimbursable Funded:						
Student Input						
Student Load						
Graduates						

Average Cost per Student Load (Total Direct and Reimbursable from Part III divided by the total direct and reimbursable student load.)

Include student input, load, and graduates for resident course only.

III. Personnel Summary: (Exclude students)

		FY CY					
	FY PY	Budget Request	Appn	Current Estimate	FY BY1 Estimate	FY BY2 Estimate	FY CY/FY BY1 Change	FY CY/FY BY2 Change
Military End Strength (Total)								
Officers								
Enlisted								
Military Average Strength (Total)								
Officers								
Enlisted								
Civilian End Strength (Total)								
USDH								
Civilian FTEs (Total)								
USDH								

Instructions for Professional Military Education (PB-24) (Continued)

A Separate Exhibit is to be submitted for each of the following schools:

Industrial College of the Armed Forces
National War College
Army Sergeants Major Academy
Army Command and General Staff College
Army War College
Army Management Staff College
College of Naval Command and Staff
College of Naval Warfare
Naval Postgraduate School
Navy Senior Enlisted Academy
Marine Corps Staff NCO Academy
Marine Corps Command and Staff College
Air Force Senior NCO Academy
Air Command and Staff College
Air War College
Air Force Institute of Technology

In addition, the Army will provide a consolidated exhibit for the National Defense University.

This exhibit is required for the Program and Budget Review Submission and the President’s budget submission.

Exhibit PB-25 Host Nation Support

HOST NATION SUPPORT (HNS) COST EXHIBIT 1/
FY BY1/FY BY2 PRESIDENT'S BIENNIAL BUDGET

COUNTRY (And SUMMARY) _____ DOD COMPONENT _____

($ in Millions)

I. GENERAL INFORMATION

	FY PY	FY CY	FY BY1	FY BY2
A. Exchange Rate Used				
B. Inflation Rates Used				
1. Labor				
2. Non-Labor				

II. DIRECT SUPPORT

A. Rent				
B. Labor				
1. Foreign National Labor Cost Sharing				
2. Percent of Labor Covered				
3. Katusa Labor (Korea Only)				
C. Utilities				
1. Dollar Value of Hns				
2. Percent of Utilities Covered				
D. Facilities				
1. Sustainment, Restoration and Modernization (SRM)				
2. Facilities Improvement Program				
3. Relocation Construction				
4. Other (List)				
E. Miscellaneous (List)				
Total				
Memo - Identify Amount Of Cash Contribution Included Above.				

HOST NATION SUPPORT (HNS) COST EXHIBIT 1/
FY BY1/FY BY2 PRESIDENT'S BIENNIAL BUDGET

COUNTRY (And SUMMARY) _____ DOD COMPONENT _____

	FY PY	FY CY	FY BY1	FY BY2
III. END STRENGTH (E/S)				
A. Foreign National Direct Hires				
1. E/S Funded Solely By U.S. 2/				
2. E/S Funded By Host Nation Cash Payments To U.S.				
3. E/S Funded By Host Nation Assistance-In-Kind				
B. Foreign National Indirect Hires				
1. E/S Funded Solely By U.S. 2/				
2. E/S Funded By Host Nation Cash Payments To U.S.				
3. E/S Funded By Host Nation Assistance-In-Kind				
C. U.S. Direct Hires				
1. E/S Funded Solely By U.S. 2/				
2. E/S Funded By Host Nation Cash Payments To U.S.				
3. E/S Funded By Host Nation Assistance-In-Kind				
D. Total Hires				
1. E/S Funded Solely By U.S. 2/				
2. E/S Funded By Host Nation Cash Payments To U.S.				
3. E/S Funded By Host Nation Assistance-In-Kind				

HOST NATION SUPPORT (HNS) COST EXHIBIT 1/
FY BY1/FY BY2 PRESIDENT'S BIENNIAL BUDGET

COUNTRY (And SUMMARY) _____ DOD COMPONENT _____

	FY PY	FY CY	FY BY1	FY BY2
IV. FULL-TIME EQUIVALENTS (FTEs)				
A. Foreign National Direct Hires				
1. FTEs Funded Solely By U.S. 2/				
2. FTEs Funded By Host Nation Cash Payments To U.S.				
3. FTEs Funded By Host Nation Assistance-In-Kind				
B. Foreign National Indirect Hires				
1. FTEs Funded Solely By U.S. 2/				
2. FTEs Funded By Host Nation Cash Payments To U.S.				
3. FTEs Funded By Host Nation Assistance-In-Kind				
C. U.S. Direct Hires				
1. FTEs Funded Solely By U.S. 2/				
2. FTEs Funded By Host Nation Cash Payments To U.S.				
3. FTEs Funded By Host Nation Assistance-In-Kind				
D. Total Hires				
1. FTEs Funded Solely By U.S. 2/				
2. FTEs Funded By Host Nation Cash Payments To U.S.				
3. FTEs Funded By Host Nation Assistance-In-Kind				

HOST NATION SUPPORT (HNS) COST EXHIBIT 1/
FY BY1/FY BY2 PRESIDENT'S BIENNIAL BUDGET

COUNTRY (And SUMMARY) _____ DOD COMPONENT _____

($ in Millions)

	FY PY	FY CY	FY BY1	FY BY2
V. TOTAL COMPENSATION 3/				
A. Foreign National Direct Hires				
1. FTEs funded solely by U.S. 2/				
2. FTEs funded by host nation cash payments to U.S.				
3. FTEs funded by host nation assistance-in-kind				
B. Foreign National Indirect Hires				
1. FTEs funded solely by U.S. 2/				
2. FTEs funded by host nation cash payments to U.S.				
3. FTEs funded by host nation assistance-in-kind				
C. U.S. Direct Hires				
1. FTEs funded solely by U.S. 2/				
2. FTEs funded by host nation cash payments to U.S.				
3. FTEs funded by host nation assistance-in-kind				
D. Total Hires				
1. FTEs funded solely by U.S. 2/				
2. FTEs funded by host nation cash payments to U.S.				
3. FTEs funded by host nation assistance-in-kind				

1/ The HNS is defined as those amounts paid in cash to the U.S. or provided as assistance-in-kind by a Host Nation to defray the costs of U.S. forces permanently assigned in that country during peacetime. Assistance-in-kind (AIK) includes any support provided without charge by the Host Nation (i.e., Japanese local national labor cost sharing). This exhibit is to be completed by country. Part II of the Exhibit is to be completed by country by appropriation. Additionally, complete the exhibit summarizing data for all countries. Similarly, provide a summary of Part II by appropriation. Cost and civilian end strength estimates are to reflect host nation support contributions only for activities supported by appropriated funds.

2/ Excludes non-appropriated funded activities.

3/ Personnel costs are to be consistent with OP-8 budget exhibits.

Exhibit PB-25 Host Nation Support (Page 4 of 5)

DEFINITIONS

Exchange Rate Used – Rates should be based on approved budgeted rates.

Inflation Rates Used - Indicate the inflation factor used in all calculations provided in the HNS exhibit. If there is a different rate used within non-labor categories, list the items separately. Be sure all amounts shown are adjusted for inflation.

DIRECT SUPPORT
Rents - The amount of lease/rental payments by the Host Nation Government for the use of private property by U.S. forces.

Labor - The amount of payments by the Host Nation for U.S. Direct Hires, Foreign National Direct Hires, and Foreign National Indirect Hires.

Percent of Labor Covered Under Agreement - Indicate the percentage of U.S. forces labor costs paid by HNS.

KATUSA Labor - This category is for Korea only and is the amount of payments made by Korea for Korean Augmentees to the U.S. Army.

Utilities - The amount of payments by the Host Nation for U.S. forces use of on-base and off-base electricity, heating fuels, water, and sewer. Indicate the percentage of U.S. forces utility costs paid by HNS.

Facilities - The amount of Host Nation payments for the planning, design, construction (PDC) and sustainment and repair of facilities used by U.S. forces. Host nation payment for residual value of property turned over to host nations due to base closures is not to be included as HNS.

Maintenance and Repair - The amount of Host Nation payments for the maintenance and repair of U.S. forces' facilities.

Facilities Improvement Program - The amount of Host Nation payments for facilities for the PDC of projects such as family and bachelor housing, community support and recreation facilities, and utilities upgrade. It also includes operational support facilities such as hangars and hardened aircraft shelters.

Relocation Construction - The amount of payments by the Host Nation for facilities for the PDC of projects associated with the relocation of U.S. forces primarily for the convenience of the Host Nation.

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Exhibit PB-25 Host Nation Support (Page 5 of 5)

Instructions for completing the PB 28 Exhibits

1. Purpose.

The Department will collect both program and budget data through the SNaP (Select & Native Programming Data Input System) process. The Military Departments and applicable Defense Agencies will update the SNaP immediately upon completion of the program/budget decisions and budget lock by the Department. The SNaP system will reformat the data into congressional justification exhibits, which can be printed out by the respective Components and included in their justification materials. For Environmental Quality, Environmental Technology and Operational Range Sustainment and Environmental Management the Programming and Budgeting Data Requirements (PBDR) will be collected in PBDR exhibits PB 28, PB 28A and PB 28B. Components shall submit their exhibits through the Select and Native Data (SNaP) Input System located on the NIPRNet at https://snap.pae.osd.mil and on the SIPRNet at https://snap.pae.osd.smil.mil. The most current version of this exhibit will be found at these sites.

2. Coverage.

For the PB 28, each Component will be asked to enter data for each appropriation/fund inside the United States and territories as well as for each appropriation/fund for foreign (i.e. outside the United States and Territories) for cleanup activities overseas. (That is, those activities that would be funded in the Environmental Restoration Accounts if they occurred inside the United States).

3. Submission Requirements.

The PBDR data is to be submitted for the joint program/budget review and the President's Budget Submission. The DoD Components shall prepare and submit separate narrative justification material for their respective programs. The narrative material shall describe significant and unique items contained in the material including at a minimum the following:

- justification supporting changes between fiscal years.
- amount of funds allocated for compliance actions related to operational, test and training ranges (e.g. Clean Water Act funds allocated to respond to compliance action at a training range)

For Environmental Technology funding, the SNaP system will obtain funding information from the FYDP database by program element and project number.

The data entry sheets required for the SNaP system for Environmental Quality are included on the following pages. Following the SNaP data entry sheets are examples of the PB-28, PB 28A and PB 28B exhibits produced by SNaP for congressional justification.

PB-28 Funds Budgeted for Environmental Quality

Class	Component	Location	EnvironmentalActivityCostType	EnvironmentalCosts	ProgramElement TreasuryCode	TreasuryCode ProgramElement	FY2006	FY2007

FY2008	FY2009	FY2010	FY2011	FY2012	FY2013

Instructions

1) Provide domestic and foreign environmental quality costs for compliance, pollution prevention, and conservation by program element and resource type by Environmental Cost and Program categories described below.
2) Provide narrative in word document explaining program changes between fiscal years by compliance, pollution prevention, and conservation.
3) See Appendix A for reporting requirements for your organization

Definitions

Class: System Field: Classification

C: CONFIDENTIAL
C/NF: CONFIDENTIAL//NOFORN
F: FOR OFFICIAL USE ONLY
S: SECRET
S/NF: SECRET//NOFORN
U: UNCLASSIFIED

Component: Identifies the duty status for military service units and defense agencies.

Active:
DADW: Defense Area Defense Wide. Used by non-service defense agencies.
Guard:
Reserve:

Location:

Domestic: Inside the United States, District Of Columbia and U.S. Territories.
Foreign: All areas outside Domestic

EnvironmentalActivityCostType:

Compliance Non-Recurring: Compliance is as defined in DODI 4715.6, of April 24, 1996 Environmental Compliance. Include one-time costs associated with meeting federal, state, or locally directed requirements.
Compliance Recurring: Compliance is as defined in DODI 4715.6, of April 24, 1996 Environmental Compliance. Includes ongoing costs for items such as manpower; education and training; permits and fees; sampling analysis and monitoring; supplies; data management, and recurring reporting, etc.
Conservation Non-Recurring: Conservation is as defined in DODI 4715.3, of May 3, 1996 Environmental Conservation Program. Include one-time costs associated with meeting federal, state, or locally directed requirements.
Conservation Recurring: Conservation is as defined in DODI 4715.3, of May 3, 1996 Environmental Conservation Program. Include ongoing costs for manpower, education and training; permits and fees, supplies, travel, data management, recurring reporting, and recurring updates for plans.
Pollution Prevention Non-Recurring: Pollution Prevention is as defined in DODI 4715.4, of June 18, 1996 Pollution Prevention. Include one-time costs associated with meeting federal, state, or locally directed requirements.

Pollution Prevention Recurring: Pollution Prevention is as defined in DODI 4715.4, of June 18, 1996 Pollution Prevention. Include ongoing costs for manpower; education and training; supplies, travel, data management, recurring reporting, recurring updates for plans, and operating recycling facilities, etc.

EnvironmentalCosts:

Clean Air Act: Costs associated with this title are to be captured in Non-Recurring Compliance or Non-Recurring Pollution Prevention, as appropriate.

Clean Water Act: Costs associated with this title are to be captured in Non-Recurring Compliance or Non-Recurring Pollution Prevention, as appropriate.

Conservation Recurring: Include ongoing costs for manpower education and training at the aggregate level and at the program area. Include ongoing costs for permits and fees, supplies, travel, data management, and recurring reporting.

Education & Training: Costs associated with education and training of personnel in environmental programs (including compliance, pollution prevention and conservation).

Environmental Management Systems (EMS): Costs required to implement and maintain an EMS in accordance with DoD requirements. Includes cost for EMS audits, conformance declaration, and registration if applicable.

Hazardous Material Reduction: Efforts to reduce the use of pollutant-producing products and hazardous materials.

Historical & Cultural Resources: Baseline inventories of historic buildings, structures, and historical and archeological sites/environmental analyses to assess and mitigate potential cultural resource adverse actions. Mitigation to meet existing permit conditions or written agreements. Initial archeological materials curation. Development of integrated Cultural Resources Management Plans; and consultations with Native American Groups.

Manpower: All recurring government (civilian and Military manpower costs) and contractor costs applicable to management of the environmental quality program (including Compliance, Pollution Prevention, and Conservation).

Other Compliance Non-Recurring: Costs for Radon/Asbestos investigations and mitigation including facility demolition (if greater than 50% of the cost is required to meet Environmental Compliance standards). Also include Spill Response Plans, (other than Cleanup requirements, e.g. initial preparation of spill response plans); action to prevent pollution from ships; Toxic Substance Control Act compliance; and Federal Insecticide, Fungicide, Rodenticide Act Compliance (upgrade of pesticide storage facilities to meet regulator standards).

Other Compliance Recurring: Those costs for supplies (Spill team equipment, labels, drums, updating recurring plans such as Spill Response Plans, manifests, etc.). It also includes travel, National Pollution Discharge Elimination System permit records/reporting; biannual Hazardous Waste reporting (Resource Conservation Recovery Act Subtitle C); Clean Air Act inventories (routine/recurring reporting); Federal Insecticide, Fungicide, Rodenticide Act reporting; and Environmental Self-Assessments, etc

Other Natural Resources Non-Recurring: Management plans; develop other biological resource management plans; biodiversity conservation requirements; ecosystem management requirements; habitat restoration; public awareness/outreach related to specific legal requirements.

Other Pollution Prevention Non-Recurring: This includes efforts to prepare and implement an acquisition strategy for Alternative Fueled Vehicles, (excludes AFV purchases or lease); conversion of regular vehicles to alternative fuels; source protection plans for safe drinking water; and other P2 efforts that do not fit in other categories.

Other Pollution Prevention Non-Recurring: This includes efforts to prepare and implement an acquisition strategy for Alternative Fueled Vehicles, (excludes AFV purchases or lease); conversion of regular vehicles to alternative fuels; emerging contaminants initiatives; and other P2 efforts that do not fit in other categories

Overseas Clean-Up: One-time costs associated with meeting clean-up requirements directed in the Overseas Environmental Baseline Guidance Document and/or Final Governing Standards. (These costs would be paid for with Environmental Restoration Account funds if inside the United States. Additionally, they are a non-add memo entry only and are a subset of the foreign costs reported in the Non-Recurring Compliance headings.)

Permits & Fees: Costs of environmental permits, licenses and fees to operate the Environmental Compliance program.

Planning: Nonrecurring costs to meet federally directed requirements in the National Environmental Policy Act.

Pollution Prevention Recurring: Ongoing costs for supplies, travel, data management, and recurring reporting

RCRA C-Hazardous Waste: Costs associated with this title are to be captured in Non-Recurring Compliance or Non-recurring Pollution Prevention, as appropriate.

RCRA D-Solid Waste: Costs associated with this title are to be captured in Non-Recurring Compliance or Non-recurring Pollution Prevention, as appropriate.

RCRA I-Underground Storage Tanks: Costs associated with this title are to be captured in Non-Recurring Compliance or Non-recurring Pollution Prevention, as appropriate.

Safe Drinking Water Act: Costs associated with this title are to be captured in Non-Recurring Compliance or Non-recurring Pollution Prevention, as appropriate. Compliance may be upgrading drinking water systems to meet environmental standards, e.g., backflow preventers. Pollution Prevention efforts may be well head protection efforts to prevent pollution of drinking water sources.

Sampling, Analysis & Monitoring: The recurring cost that satisfy such requirements in environmental permits.

Threatened & Endangered Species: Threatened and Endangered Species and habitat inventories; biological assessments, surveys, or habitat protection for a specific listed species; mitigation to meet existing biological opinions/written agreements, including INRMPs; developing Endangered Species Management Plans.

Waste Disposal: The disposal of Federal and State regulated hazardous waste and disposal of excess depleting substances in the DLA stockpile. Include only those costs associated with packaging for transportation, treatment/disposal of hazardous waste and other special services that are paid for through a Hazardous Waste Disposal Vehicle (either through a Defense Reutilization and Marketing Service or directly). Do not include in-house costs such as manpower, supplies, or equipment purchase/maintenance

Wetlands: Inventory and delineation of wetlands; wetlands mitigation to meet permit conditions/written agreements; as well as enhancements to meet Executive Order 11990 provision for "no net loss".

TreasuryCode: Treasury Code is a defined set of four-to-six digit numeric codes from the Comptroller that identifies resource types. The list of Treasury Code values is located on the PDR Info page of the SNaP website (https://SNaP.PAE.OSD.MIL).

ProgramElement: The Program Element is a primary data element in the Future Years Defense Program (FYDP) and generally represents aggregations of organizational entities and related resources. The PE is up to ten-digits in length, a sever-digit numeric identifier followed by up to three-digits alphanumeric code for FYDP organizations.

Business Rules

Data Matrix: EnvironmentalActivityCostType, EnvironmentalCosts Relationship

EnvironmentalActivityCostType	EnvironmentalCosts
Compliance Recurring	Manpower
	Education & Training
	Environmental Management Systems
	Permits & Fees
	Sampling, Analysis & Monitoring
	Waste Disposal
	Other Compliance Recurring
Compliance Non-Recurring	RCRA C-Hazardous Waste
	RCRA D-Solid Waste
	RCRA I-Underground Storage Tanks
	Clean Air Act
	Clean Water Act

EnvironmentalActivityCostType	EnvironmentalCosts
	Environmental Management Systems
	Planning
	Safe Drinking Water Act
	Other Compliance Non-Recurring
	Overseas Clean-Up
Pollution Prevention Recurring	Pollution Prevention Recurring
	Environmental Management Systems
	Manpower
	Education & Training
Pollution Prevention Non-Recurring	RCRA C-Hazardous Waste
	RCRA D-Solid Waste
	Clean Air Act
	Clean Water Act
	Environmental Management Systems
	Hazardous Material Reduction
	Safe Drinking Water Act
	Other Pollution Prevention Non-Recurring
Conservation Recurring	Conservation Recurring
	Manpower
	Education and Training
Conservation Non-Recurring	Threatened & Endangered Species
	Wetlands
	Other Natural Resources Non-Recurring
	Historical & Cultural Resources

***Subject Matter Experts*:** Questions regarding this data requirement should be directed to **Trish Huheey 703-604-1846** and **Mr. Shah Choudhury, 703-571-9067**.
***Technical Issues*:** If you are having difficulty with the data collection system—SNaP, contact the SNaP administrators via the SIRS button at the SNaP web site: https://snap.pae.osd.mil or call (703) 601-4860 EXT #107 OR #108.

PB28 A Environmental Technology

Class	TreasuryCode	BACode	EnvironmentalProgram	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013

Instructions

1) Provide total costs by appropriation and Environmental Program (i.e., Cleanup, Pollution Prevention, Compliance, Conservation, and Unexploded Ordnance) associated with the Environmental Technology Program.
2) Separately identify appropriation amounts by the budget activity code (BA1, BA2, etc) for each Environmental Program.
3) Provide explanatory narrative in word document explaining program changes between fiscal years by environmental program.
4) OSD will separately identify SERDP and ESTCP amounts and the Military Departments are not to include these amounts in their program.
5) See Appendix A for reporting requirements for your organization.

Definitions

Class: System Field: Classification

C: CONFIDENTIAL
C/NF: CONFIDENTIAL//NOFORN
F: FOR OFFICIAL USE ONLY
S: SECRET
S/NF: SECRET//NOFORN
U: UNCLASSIFIED

TreasuryCode: Treasury Code is a defined set of four-to-six digit numeric codes from the Comptroller that identifies resource types. The list of Treasury Code values can be found on the SNaP web site website by clicking the "Instructions" tab, then selecting the "Documents". (https://SNaP.PAE.OSD.MIL).

3400:
1319:
3020:
3010:
0400:
2040:
3600:

BACode: Budget Activity is a two-digit identifier for the categories within each appropriation and fund account to identify the purposes, projects, or types of activities financed by the appropriation fund. The list of BA Code values can be found on the SNaP web site website by clicking the "Instructions" tab, then selecting the "Documents" item. (https://SNaP.PAE.OSD.MIL).

05:
04:
03:
02:
20:
01:
07:
06:

EnvironmentalProgram: Environmental Technology Programs

Cleanup: Cleanup is as defined in DODI 4715.7 of April 22, 1996. Include funding for innovative environmental technologies that improve the restoration process.

Compliance: Compliance is as defined in DODI 4715.6, of April 24, 1996, Environmental Compliance. Include funding for innovative environmental technologies that improve Compliance.

Conservation: Conservation is as defined in DODI 4715.4, of May 3, 1996, Environmental Conservation Program. Include funding for innovative environmental technologies that enhance the protection of natural and cultural resources, thereby sustaining mission readiness.

Pollution Prevention: Pollution Prevention is as defined in DODI 4715.4, of June 18, 1996, Pollution Prevention. Include funding for innovative environmental technologies that reduce or eliminate pollution.

Unexploded Ordnance: Unexploded ordnance (UXO) is as defined in 10U.S.C. 101(e)(5). Include funding for innovative environmental technologies that improve the UXO screening, detection, discrimination and recovery process.

Business Rules

***Subject Matter Experts*:** Questions regarding this data requirement should be directed to **Ms. Trish Huheey, 703-604-1846** and **Mr. Shah Choudhury, 703-571-9067**.

***Technical Issues*:** If you are having difficulty with the data collection system—SNaP, contact the SNaP administrators via the SIRS button at the SNaP web site: https://snap.pae.osd.mil or call (703) 601-4860 ext #107 or #108.

PB 28B Munitions Response at Operational Ranges

Class	Component	RangeLocation	RangePrograms	RangeManagementActivities	RangeResourceDetail	FY2006	FY2007	FY2008	FY2009	FY2010

FY2011	FY2012	FY2013

Instructions

1) Report Range and Resource Detail for all operational test and training ranges to include active and inactive ranges as defined in Title 10USC, Section 101(e) (as revised by FY04 NDAA, Sec 1042).
2) For the Range Program -- Range inventory, report the following range detail—Number (#) of Ranges, Number (#) of Acres (Land Ranges), Number (#) of Square Miles (Water Ranges). Number (#) of Ranges with Environmental Range Assessments and Number (#) of Acres with Environmental Range Assessments (Land ranges), and Number (#) of Square Miles with Environmental Range Assessments (Water ranges).
3) The total number of Ranges Assessed cannot exceed the total number of Ranges. The total number of Acres Assessed cannot exceed the total number of Acres.
4) Enter the cumulative number of Ranges and Acres that either have been assessed or will be assessed by the end of each fiscal year shown.
5) Military Departments by Component and appropriate Defense Agencies report ranges in Acres and funds in $Thousands
6) Provide narrative in a Microsoft Word document that describes program changes and unfunded requirements.
7) This document is non-additive to the amounts displayed in Exhibit PB-28 Funds Budgeted for Environmental Quality. It displays the environmental funds dedicated to sustaining ranges, but does not remove them from reporting under PB28.
8) The intent of this exhibit is to capture and display the identifiable environmental investments in Operational ranges, as part of the Training Range Sustainment Plan called for in Section 366 of the FY 2003 National Defense **Authorization Act. 7)**

Definitions

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C: CONFIDENTIAL
C/NF: CONFIDENTIAL//NOFORN
F: FOR OFFICIAL USE ONLY
S: SECRET
S/NF: SECRET//NOFORN
U: UNCLASSIFIED

Component: Military Departments report by Active, Guard and Reserve. Defense Agencies choose Defense Agency.

Active:
DADW: Defense Area Defense Wide. Used by non-service defense agencies.
Guard:
Reserve:

RangeLocation:

Domestic: United States, District of Columbia, and U.S. Territories.
Foreign: All areas outside Domestic.

RangePrograms:

Range Assessments: Any assessment to determine the extent of environmental effects due to operational range activities.
Range Inventory: Number and size of ranges total and those surveyed.

Range Response Actions: Actions to remediate munitions constituents or other contaminants that will have a deleterious effects on human health or the environment.

Range Sustainment Actions: Environmental Sustainment actions taken to preserve ranges over their perpetual life.

RangeManagementActivities:

All Environmental Range Response Actions: Any and all one-time actions to address the removal of munitions constituents or other environmental contamination on ranges, or to prevent release off of an operational range, including the design and implementation of response action. (Do not include cleanup actions covered under the Environmental Restoration Accounts – report these on Exhibit ENV 30).

Environmental Range Assessments: Any environmental assessment to determine the extent of environmental effects due to training and testing range activities, including any sampling, monitoring or analysis involved in the effort.

Integrated Natural Resource Management Plans: (including Sikes Act requirements) Identify any natural resource planning costs (including Integrated Natural Resource Management Plan (INRMP) costs) required to address Sustainment of operational ranges, including projects called for in signed INRMPs.

Land Ranges:

Other Range Assessment Costs: Any other assessment costs necessary to determine and document the extent of environmental effects of operational range activities

Other Sustainment Actions: Any other assessment costs necessary to determine and document the extent of environmental effects of operational range activities.

Water Ranges:

RangeResourceDetail:

 # Acres with Environmental Range Assessments: The total number of acres on ranges where environmental range assessments have occurred or will occur in the future by fiscal year.

# of Acres: The total number of acres on the operational ranges, as defined in 10USC, Section 101(e).

# of Ranges: The total number of operational ranges under the jurisdiction, custody or control of the Component. Includes all designated land and water areas set aside, managed and used for range activities.

# of Square Miles:

 # Ranges with Environmental Range Assessments: The total number of operational ranges where Environmental Range Assessments have or will occur, by fiscal year.

DWCF:

MilCon:

MilPers:

O&M:

Proc:

RDT&E:

Business Rules

1) MilCon is not an accepted resource type for the Range Program--Range Management.

2) Number of Ranges and Acres are reported with an Activity of Physical Detail and Range Program of Range Inventory only.

Data Matrix: RANGE PROGRAMS, RANGE MANAGEMENT ACTIVITIES, RANGE RESOURCE DETAIL Relationship

RANGE PROGRAMS	RANGE MANAGEMENT ACTIVITIES	RANGE RESOURCE DETAIL
Range Inventory	Land Ranges	# of Ranges
		# of Acres
		# Ranges with Environmental Range Assessments
		# Acres with Environmental Range Assessments
	Water Ranges	# of Ranges
		# of Square Miles
Range Assessments	Environmental Range Assessments	O&M
		RDT&E
		Proc
		DWCF
		MilPers
	Other Range Assessment Costs	O&M
		RDT&E
		Proc
		DWCF
		MilPers
Range Response Actions	All Environmental Range Response Actions	O&M
		MilCon
		DWCF
		RDT&E
		Proc
		MilPers
Range Sustainment Actions	Integrated Natural Resource Management Plans	O&M
		MilCon
		RDT&E
		Proc
		DWCF
		MilPers
	Other Sustainment Actions	O&M
		RDT&E
		Proc
		DWCF
		MilPers
		MilCon

***Subject Matter Experts*:** Questions regarding this data requirement should be directed to **Ms. Trish Huheey, 703-604-1846** and **Mr. Shah Choudhury**.

***Technical Issues*:** If you are having difficulty with the data collection system—SNaP, contact the SNaP administrators via the SIRS button at the SNaP web site: https://snap.pae.osd.mil or call (703) 601-4860 ext #107 or #108.

Exhibit PB-28 Funds Budgeted for Environmental Quality

PB 28 Exhibit Display

DEPARTMENT OF _____

SUMMARY OF FUNDS BUDGETED FOR ENVIRONMENTAL PROJECTS

FY ____ BUDGET ESTIMATE

($ in Thousands)

Environmental Quality	PY Actual	CY Estimate	BY1 Estimate	BY2 Estimate	Change CY/BY1	Change BY1/BY2
Appropriation: _____						
Inside the United States and Territories _____ or Outside the U.S. and Territories _____						
1. Environmental Compliance - Recurring Costs (Class 0) (Enter Total of a + b + c + d + e + f)						
a. Manpower						
b. Education & Training						
c. Permits & Fees						
d. Sampling, Analysis, Monitoring						
e. Waste Disposal						
f. Other Recurring Compliance Costs						
3. Environmental Pollution Prevention - Recurring Costs (Class 0) (Enter Total of a + b + c)						
a. Manpower						
b. Education & Training						
c. Other Recurring Pollution Prevention Costs						
4. Environmental Conservation - Recurring Costs (Class 0) (Enter Total of a + b + c)						
a. Manpower						
b. Education & Training						
c. Other Recurring Conservation Costs						
Total Recurring Costs (Enter Total of 1+2+3+4)						
5. Environmental Compliance - Nonrecurring (Class I/II)						
a. RCRA Subtitle C - Hazardous Waste						
b. RCRA Subtitle D - Solid Waste						
c. RCRA Subtitle I - Underground Storage Tanks						
d. Clean Air Act						

Exhibit PB-28 Funds Budgeted for Environmental Quality (Continued)

DEPARTMENT OF _____
SUMMARY OF FUNDS BUDGETED FOR ENVIRONMENTAL PROJECTS
FY ____ BUDGET ESTIMATE
($ in Thousands)

	PY Actual	CY Estimate	BY1 Estimate	BY2 Estimate	Change CY/BY1	Change BY1/BY2
e. Clean Water Act						
f. Safe Drinking Water Act						
g. Planning						
h. Other						
Total Nonrecurring (Class I/II)						
6. Pollution Prevention - Nonrecurring (Class I/II)						
a. RCRA Subtitle C - Hazardous Waste						
b. RCRA Subtitle D - Solid Waste						
c. Clean Air Act						
d. Clean Water Act						
e. Hazardous Material Reduction						
f. Other						
Total Nonrecurring (Class I/II)						
7. Environmental Conservation - Nonrecurring Costs - (Class I/II)						
a. T&E Species						
b. Wetlands						
c. Other Natural Resources						
d. Historical & Cultural Resources						
Total Nonrecurring (Class I/II)						
GRAND TOTAL ENVIRONMENTAL QUALITY						

Exhibit PB-28 Funds Budgeted for Environmental Quality (Continued)

Environmental Cleanup Program Outside the United States

(Memo entry for overseas cleanup amounts included above) (The amounts entered in this item shall not include any of the 50 states, District of Columbia, Guam, Puerto Rico, or other territories and possessions of the U. S.)

All Funds Budgeted for Environmental Security Technology are to be reported on PB 28A.

Exhibit PB 28A - Display SUMMARY OF FUNDS BUDGETED FOR ENVIRONMENTAL PROJECTS

Exhibit PB 28A - Display

DEPARTMENT OF _____
SUMMARY OF FUNDS BUDGETED FOR ENVIRONMENTAL PROJECTS
FY ____ BUDGET ESTIMATE

($ in Thousands)

Environmental Security Technology By Appropriation	PY Actual	CY Estimate	BY1 Estimate	BY2 Estimate	Change CY/BY1	Change BY1/BY2
1. Cleanup						
2. Compliance						
3. Pollution Prevention						
4. Conservation						
TOTAL						

1. Provide a summary sheet of all appropriations/funds.
2. Provide narrative justification for changes from year to year
3. For each appropriation, include applicable breakout categories. For example, for activities funded by RDT&E appropriations, separately identify the amounts for each budget activity (BA): BA1 - Basic Research, BA2 – Advanced Research, BA3 - Advanced Technology Development, BA4 - Demonstration/Validation, BA5 – Engineering and Manufacturing Development, BA6 - RDT&E Management Support, and BA7 - Operational Systems Development.

Exhibit PB-28A Funds Budgeted for Environmental Security Technology
(Page 1 of 1)

Exhibit PB 28B - Operational Range Sustainment and Environmental Management

Display Example:

DEPARTMENT OF _____
SUMMARY OF FUNDS BUDGETED FOR ENVIRONMENTAL PROJECTS
FY ____ BUDGET ESTIMATE

	($ in Thousands)					
- Operational Range Sustainment and Environmental Management	**PY Actual**	**CY Estimate**	**BY1 Estimate**	**BY2 Estimate**	**Change CY/BY1**	**Change BY1/BY2**
Range Inventory						
Land Ranges						
Number of Ranges	#	#	#	#	#	#
Number of Acres	#	#	#	#	#	#
Number of Ranges with Environmental Range Assessments	#	#	#	#	#	#
Number of Acres with Environmental Range Assessments	#	#	#	#	#	#
Water Ranges						
Number of Ranges	#	#	#	#	#	#
Number of Square Miles	#	#	#	#	#	#
Range Assessments						
Environmental Range Assessments	$	$	$	$	$	$
Other Range Assessment Costs	$	$	$	$	$	$
Total Range Assessments	$	$	$	$	$	$
Range Response Actions						
All Environmental Range Response Actions	$	$	$	$	$	$
Total Range Response Actions	$	$	$	$	$	$
Range Sustainment Actions						
Integrated Natural Resource Management Plans	$	$	$	$	$	$
Other Sustainment Actions	$	$	$	$	$	$
Total Range Sustainment	$	$	$	$	$	$
Grand TOTAL	$	$	$	$	$	$

Operational Range Sustainment and Environmental Management (Page 1 of 1)

Exhibit PB-41 Administrative Motor Vehicle Operations

ADMINISTRATIVE MOTOR VEHICLE OPERATIONS (PB-41)
(Name of Component)

(Dollar in Thousands)

Cost Category	FY PY	FY CY	FY BY1	FY BY2	CY-BY1 Change	BY1-BY2 Change
1. Operating Costs for Non-Tactical Fleets						
2. Accident Damage (Net loss to Government)						
3. Vehicle Procurement Costs						
4. Commercial Leases						
5. Interagency Fleet Management System (IFMS) Leases						
6. Disposal Costs						
7. Capital Expenditures for Facilities and Equipment						
8. Privately Operated Vehicles (used for official business)						
Total						

Distribution by Appropriation/Fund

(Identify the amounts included above by appropriation and fund.)

Total

BACKGROUND: Public Law 99-272, "Consolidated Omnibus Budget Reconciliation Act" of 1985, Subtitle C - Federal Motor Vehicle Expenditure Control of requires that each Federal Agency establish and operate a central monitoring system for motor vehicle costs and establish a data collection system and to report such data in support of the President's budget. Guidance as to the definition and coverage of this requirement is provided by the General Services Administration in Federal Property Regulations. The vehicles used for military training, combat or tactical purposes are specifically excluded.

PREPARATION REQUIREMENTS: Every Component of the Department is required to complete a PB-41 Motor Vehicle Operations Exhibit. Negative replies are required. These will be used by the Office of the Under Secretary of Defense (Comptroller), Operations Directorate, 3C710 Pentagon, to prepare a consolidated exhibit, which will be provided to the Office of Management and Budget as required by OMB Circular A-11 (Section 100 – Additional Information Required After Passback). In order to meet the OMB schedule and include this information in the printed President's budget request, the PB-41 exhibit for the Congressional Justification/Presentation must be submitted by **January 5th.** Include in the lower right hand corner, the date of preparation, and the name and telephone number of an individual responsible for answering questions concerning the submission.

Exhibit PB-42 Competitive Sourcing and Alternatives

DoD Component
FY BY1/BY2 OSD Submit/President's Budget
Competitive Sourcing and Alternatives

Instructions: *Each Service and Defense Agency/Activity is to submit this exhibit in Select & Native Programming Data Input System (SNaP) located at https://snap.pae.osd.mil. The most current version of this exhibit will be available at this site. Once loaded the data will be available in the Operations & Support Data Center. Program/Budget data displays will be produced through the Data Center. Questions about the SNaP interface should be referred to the Office of the Director (Program Analysis & Evaluation) Programming and Fiscal Economics Division (703) 697-0223.*

The exhibit is composed of three parts. Part I displays costs and savings associated with A-76 studies. Part II displays the same information for Approved Alternatives. Part III summarizes Parts I and II, presenting the total Competitive Sourcing and Alternatives savings generated by both A-76 and non A-76 initiatives. Part III will be calculated automatically from SNaP, so there is no need to enter summary data. Dollars and manpower are presented by appropriation throughout. Dollars are reported in thousands with all numbers as positive numbers (costs and savings). Manpower savings are reported as end strength (ES) for military and reserve personnel and Full Time Equivalents (FTEs) for civilian personnel.

PART I
STUDIES: *Report baseline manpower and dollars for all studies started (in the one PY reflected on the budget exhibit) and scheduled (CY, BY1, etc.) for competitive sourcing. Each activity should be reported in the year that the study is scheduled to be initiated. The annual cost of positions studied (total estimated compensation) should be reported even if you plan to outsource during the fiscal year. Report positions studied and cost by appropriation (e.g., O&M, Revolving Funds).*

COST TO CONDUCT STUDIES*: The cost to conduct studies is the cost associated with conducting the competitive sourcing study. The costs should reflect actual costs in the PY and the amounts budgeted in the other years to conduct the studies. In the narrative description section, discuss the methodology used to develop study costs and provide justification for significant deviations from the nominal average of $5,000 per FTE. Costs should be reported by appropriation.*

TRANSITION COSTS: *Report costs of transition to Most Efficient Organization (MEO) or contract. Such costs include severance pay, Voluntary Separation Incentive Pay (VSIP), etc. In the narrative section, discuss the assumptions used to determine transition costs including the categories of cost included.*

MANPOWER SAVINGS: *For military and civilian manpower reflect net savings for that year (not cumulative).*

GROSS DOLLAR SAVINGS*: Gross dollar savings should reflect total compensation associated with billets saved in that fiscal year (not cumulative). Gross savings should not be offset by the cost of studies or transition costs. In the narrative description, include a discussion of the methodology used to develop both manpower and dollar savings.*

Exhibit PB-42 Competitive Sourcing and Alternatives (Continued)

***NET DOLLAR SAVINGS**: Net savings are equal to gross savings, offset by the Cost to Conduct Studies and Transition Costs. [Note: Net Dollar Savings will be calculated automatically by SNaP, so there is no need to enter data for this section.]*

PART II
Same as above for all categories except Studies should reflect the information by Alternative. Each Alternative must be approved by OSD(AT&L) Housing and Competitive Sourcing.
PART III
Summarizes all categories.[Note: The summary will be calculated automatically by SNaP, so there is no need to enter data for this section.]

Exhibit PB-42 Competitive Sourcing and Alternatives
(Page 1 of 3)

Exhibit PB-42 Competitive Sourcing and Alternatives (Continued)

Part __ of III
(Part I – A-76 Studies, Part II – Non A-76 Studies, Part III – Total)
(Direct Dollars in Thousands, Military End Strength, Civilian Full-Time Equivalents)

	FY PY	***FY CY***	***FY BY1***	***FY BY2***	***FY BY2+1***	***FY BY2+2***	***FY BY2+3***	***FY BY2+4***	***TOTAL***
PART I									
A-76 STUDIES									
Total Positions Studied/To Be Studied									
Military									
Appropriation 1									
Appropriation 2, etc.									
Subtotal Military									
Civilian									
Appropriation 3									
Appropriation 4, etc.									
Subtotal Civilians									
Total Civilians and Military									
Cost of Positions studied									
Appropriation 1									
Appropriation 2, etc.									
Total Cost									
COST TO CONDUCT STUDIES									
Appropriation 1									
Appropriation 2, etc.									
Total Study Costs									
TRANSITION COSTS									
Appropriation 1									
Appropriation 2, etc.									
Total Transition Costs									
MANPOWER Savings									
Military End Strength									
Appropriation 1									
Appropriation 2, etc.									
Subtotal Military									
Civilian Full-Time Equivalents									
Appropriation 1									
Appropriation 2, etc.									
Subtotal Civilians									

FY BY1/BY2 OSD Submit/President's Budget (Continued)

Part __ of III
(Part I – A-76 Studies, Part II – Non A-76 Studies, Part III – Total Studies)
(Direct Dollars in Thousands, Military End Strength, Civilian Full-Time Equivalents)

GROSS DOLLAR SAVINGS
Appropriation 1
Appropriation 2, etc.
Total Gross Dollar Savings

NET DOLLAR SAVINGS
Appropriation 1
Appropriation 2, etc.
Total Net Dollar Savings

NARRATIVE:

Exhibit PB-42 Competitive Sourcing and Alternatives
(Page 3 of 3)

DATE: _____

CHILD DEVELOPMENT, SCHOOL-AGE CARE, (SAC) FAMILY CENTERS, AND FAMILY ADVOCACY PROGRAMS

Identify Component

(TOA, $ in Millions)

	FY PY	FY CY	FY BY1	FY BY2

I. CHILD CARE PROGRAMS

(Child Development Program (CDP) & School Aged Care (SAC) Programs for children 0-12)

A. CHILD DEVELOPMENT CENTERS

Appropriation (Identify costs by appropriation (i.e., O&M, Mil Con, etc.) and total)
Total Direct Costs [1/]
Total Indirect Costs [2/]

Total (should include the expense elements in DoDI 7000.12)

Child Care Parent Fee Revenue

Non-Appropriated Fund Subsidy

Workload
No. of Child Care Spaces (operational capacity)

Personnel
Civilian FTEs (Appropriated Fund Employees)
Nonappropriated Fund (NAF) FTEs funded thru uniform resources programs with Appropriated Funds (APF)
Total

B. FAMILY CHILD CARE

Appropriation (Identify costs by appropriation and total)

Personnel
Civilian FTEs (Appropriated Fund Employees Only)
Nonappropriated Fund (NAF) FTEs funded thru uniform resources programs with Appropriated Funds (APF)
Total

Workload
No. of Child Care Spaces (operational capacity)

C. SUPPLEMENTAL PROGRAM SERVICES/RESOURCE & REFERRAL/OTHER

Appropriation (Identify costs by appropriation and total)

Personnel
Civilian FTEs (Appropriated Fund Employees Only)
Nonappropriated Fund (NAF) FTEs funded thru uniform resources programs with Appropriated Funds (APF)
Total

Workload
No. of Child Care Spaces (operational capacity)

CHILD DEVELOPMENT, SCHOOL-AGE CARE, (SAC) FAMILY CENTERS, AND FAMILY ADVOCACY PROGRAMS
Identify Component

(TOA, $ in Millions)

	FY PY	FY CY	FY BY1	FY BY2
SCHOOL-AGE CARE (SAC)				
Appropriation (Identify costs by appropriation (i.e., O&M, Mil Con, etc.) and total)				
Total Direct Costs [1/]				
Total Indirect Costs [2/]				
Total (should include the expense elements in DoDI 7000.12				
SAC Parent Fee Revenue				
Non-Appropriated Fund Subsidy				
Personnel				
Civilian FTEs (Appropriated Fund Employees)				
Nonappropriated Fund (NAF) FTEs reimbursed with Appropriated Funds (APF)				
Total				
Workload				
No. of SAC Spaces (operational capacity)				
No. of SAC Care Spaces Required (100%)				
% of Spaces to Required Spaces				
TOTAL CHILD CARE PROGRAM				
Appropriation				
Total Direct Costs [1/]				
Total Indirect Costs [2/]				
Total (should include the expense elements in DoDI 7000.12)				
Total Parent Fee Revenue				
NAF Subsidy				
Personnel				
Civilian FTEs (Appropriated Fund Employees Only)				
Workload				
No. of Child Care Spaces (operational capacity)				
No. of Child Care Spaces Required (100%)				
% of actual Spaces to Required Spaces				

Explanation of Changes: For each category, provide an explanation of the changes between current year (CY) and biennial budget year 1 (BY1) and between BY1 and biennial budget year 2 (BY2); identify price & program growth between each year.

[1/] Direct costs include those costs that can be directly attributed to the activity and include civilian pay and benefits, travel, training, supplies and equipment, contracts, FCC subsidy, etc.
[2/] Indirect cost includes costs that are attributed to more than one activity and include rents, utilities, communications, minor construction, repair and maintenance, contracts, and engineering support.

CHILD DEVELOPMENT, SCHOOL-AGE CARE, (SAC) FAMILY CENTERS, AND FAMILY ADVOCACY PROGRAMS
Identify Component

	(TOA, $ in Millions)			
	FY PY	FY CY	FY BY1	FY BY2

II. YOUTH PROGRAMS

Appropriation (Identify costs by appropriation (i.e. O&M, Mil Con, etc.) and total)
Total Direct Costs [1/]
Total Indirect Costs [2/]
Total (should include the expense elements in DoDI 7000.12)

Estimated Youth Fee Revenue

Non-Appropriated Fund Subsidy

Personnel
Civilian FTEs (Appropriated Fund Employees)
Nonappropriated Fund (NAF) FTEs reimbursed with Appropriated Funds (APF)
Total

Narrative: Explain changes between the CY and BY1 and between BY1 and BY 2. Identify price and program growth between each year.

III. FAMILY CENTERS

Appropriation (Identify costs by appropriation and total)

Personnel
Military (E/S)
Civilian FTEs

Workload (Excludes workload supported by OSD funds (i.e. Relocation, Transition, Family Advocacy). These are documented separately.
A. The number of single transactions which take approximately 10-15 minutes or less.
B. Cases (assessment/case management/counseling) which take longer than 10-15 minutes (each session is counted as one).
C. Number of people involved in command consultation (briefings, meetings, unit visits).
D1. Number of classes
D2. Number of participants in classes.

Narrative: Explain changes between the CY and BY1 and between BY1 and BY 2. Identify price and program growth between each year.

IV. FAMILY ADVOCACY PROGRAM (To be completed by the DoD Dependent Schools) (Services should not fill in unless they have funds separate from DoD Dependent Schools funding.)

CORE FAMILY ADVOCACY PROGRAM (Prevention, Direct Services, Training, Evaluation and Administration)

CHILD DEVELOPMENT, SCHOOL-AGE CARE, (SAC) FAMILY CENTERS, AND FAMILY ADVOCACY PROGRAMS

Identify Component

	(TOA, $ in Millions)			
	FY PY	FY CY	FY BY1	FY BY2

A.1. Prevention Services

Appropriation (Identify costs by appropriation and total)

Personnel
Military (E/S)
Civilian FTEs
Contract Employees FTEs

Workload
Number Served (Actual population contacts)
Workload per Prevention Services Provider (Number Served divided by the Number (FTE) of Prevention Services Providers)

A.2 Direct Services

Appropriation (Identify costs by appropriation and total)

Personnel
Military (E/S)
Civilian FTEs
Contract Employees FTEs

Workload
Number Served (Actual population contacts)
Workload per Direct Services Staff

A.3. Training, Evaluation, and Administration

Appropriation (Identify costs by appropriation and total)

Personnel
Military (E/S)
Civilian FTEs
Contract Employees FTEs

B. NEW PARENT SUPPORT

Appropriation (Identify costs by appropriation and total)

Personnel
Military E/S
Civilian FTEs
Contract Employees FTEs

Workload
Number Served

Exhibit PB-50 Child Development, School Age Care (SAC), Family Centers, and Family Advocacy Programs (Continued)

CHILD DEVELOPMENT, SCHOOL-AGE CARE, (SAC) FAMILY CENTERS, AND FAMILY ADVOCACY PROGRAMS
Identify Component

	(TOA, $ in Millions)			
	FY PY	FY CY	FY BY1	FY BY2

C. YOUTH AT RISK

Appropriation (Identify costs by appropriation and total)

Personnel
Military E/S
Civilian FTEs
Contract Employees FTEs

Workload
Youth Served

TOTAL FAMILY ADVOCACY PROGRAM

Appropriation (by appropriation and total)

Personnel
Military E/S
Civilian FTEs
Contract Employees FTEs

Narrative: Explain changes between the CY and BY1 and between BY1 and BY2 at the total program level. Identify price and program growth between each year.

Exhibit PB-52A DoD Aeronautics Budget

DoD Aeronautics Budget
(Name of DoD Component)
($ Millions)

Appropriation Summary:	**FY 20PY-2 Actual**	**FY 20PY-1 Actual**	**FY 20PY Actual**	**FY 20CY Estimate**	**FY 20BY1 Estimate**	**FY 20BY2 Estimate**
Research, Development, Test, & Evaluation						

Program Data

Program: Title	**Program Element**	**FY 20PY-2 Actual**	**FY 20PY-1 Actual**	**FY 20PY Actual**	**FY 20CY Estimate**	**FY 20BY1 Estimate**	**FY 20BY2 Estimate**

Exhibit PB-52A_DoD Aeronautics Budget (Continued)

Instructions
Exhibit PB-52A_DoD Aeronautics Budget

1. Purpose. This exhibit identifies research and development funding for Aeronautics programs. The data are used to prepare the overall DoD input into the annual President's Aeronautics and Space Report which is prepared by the Office of Management and Budget (OMB). A copy of the final report is available for information in the OUSD (Comptroller) Investment Directorate.

2. Submission.

a. Exhibit PB-52A should separately identify all RDT&E program elements providing funds in support of the development of systems, subsystems and components used in rotary and fixed wing aircraft.

b. Data are to be provided in millions of dollars, using 3 decimal points.

c. Submission of the required exhibit will be made in hard paper copy and in a DOS/Excel format.

d. The submission of the completed exhibits to the OUSD (Comptroller) is due no later than 15 working days after transmission of the President's budget to the Congress.

3. Entries.

Exhibit PB-52A (Aeronautics Programs)

a. Program Title. Insert the official program title as reflected in the R-1 budget exhibit.

b. Program Element Number. Insert the official 7-digit plus organization program element designator as reflected in the R-1 budget exhibit.

c. Budget Estimate. The completed exhibits are to reflect the estimated cost, as funded in the Future Years Defense Program (FYDP), by fiscal year for the period FY 20PY-2 through FY 20BY2 (the three prior years, the current year and the budget years). All amounts should be in then years (TY)

Exhibit PB-52B DoD Space Budget

DoD Space Budget
(Name of DoD Component)

Purpose. This exhibit identifies all funding for Space programs. The data from the DoD exhibit is used to support a myriad of Space Budget Justification requirements including Congressional Space Budget Justification and the DoD input into the President's Aeronautics and Space Report which is prepared by the Office of Management and Budget (OMB). The data are also used to support congressional hearings on space programs and to fulfill other various information requests regarding space-related funding.

The PB-52B Space Budget will be compiled by the OUSD (Comptroller), Investment Directorate using Service/Agency input into the OD, PA&E-maintained FYDP database.

Exhibit PB-53 Budgeted Military and Civilian Pay Raise Amounts

DEPARTMENT OF _____
FY 20BY1/FY 20BY2 PRESIDENT'S BUDGET
BUDGETED MILITARY AND CIVILIAN PAY RAISE AMOUNTS ($ IN THOUSANDS)

		FY 20CY	FY 20BY1	FY 20BY2
MILITARY PERSONNEL				
Military Personnel, Army, Navy, MC, Air Force				
CY	(Specify date and percentage of pay raise)			
BY1	(Specify date and percentage of pay raise)			
BY2	(Specify date and percentage of pay raise)			
Total				
Reserve Personnel, Army, Navy, MC, Air Force				
CY	(Specify date and percentage of pay raise)			
BY1	(Specify date and percentage of pay raise)			
BY2	(Specify date and percentage of pay raise)			
Total				
National Guard Personnel, Army, Air Force				
CY	(Specify date and percentage of pay raise)			
BY1	(Specify date and percentage of pay raise)			
BY2	(Specify date and percentage of pay raise)			
Total				
TOTAL MILITARY PERSONNEL				
CIVILIAN PERSONNEL				
Operations and Maintenance, Army, Navy, MC, Air Force, Defense Agencies				
Classified				
CY	(Specify date and percentage of pay raise)			
BY1	(Specify date and percentage of pay raise)			
BY2	(Specify date and percentage of pay raise)			
Total				
Wage Board				
CY	(Specify date and percentage of pay raise)			
BY1	(Specify date and percentage of pay raise)			
BY2	(Specify date and percentage of pay raise)			
Total				
Foreign National				
CY				
BY1				
BY2				
Total				
Total Operation and Maintenance				
Research, Development, Test, and Evaluation (RDT&E), Defense Working Capital Fund, Family Housing, etc.				
TOTAL CIVILIAN PERSONNEL				

Exhibit PB-53 Budgeted Military and Civilian Pay Raise Amounts

Exhibit PB-54 Civilian Personnel Hiring Plan

CIVILIAN PERSONNEL HIRING PLAN
COMPONENT _____
FY _____

APPROPRIATION: _____

Month	E/S Beginning	Gains	Separations				Net Change	E/S Revised	FTE
			Attrition	Retire	RIF	Total			
a	b	c	d	e	f	g	h	i	j
Oct									
Nov									
Dec									
Jan									
Feb									
Mar									
Apr									
May									
Jun									
Jul									
Aug									
Sep									
Total									

Definitions

Column	Title	Definition
a	Month	Month of the fiscal year
b	E/S Beginning	Civilian end strength at the beginning of the month
c	Gains	Civilian end strength hires during the month
	Separations	Column d-f; civilian personnel losses during the month
d	Attrition	Civilian end strength monthly losses not covered in columns e and f
e	Retire	Number of civilian employees who retired during the month
f	RIF	Number of civilian employees who separated due to reductions in force during the month.
g	Total	Sum of columns d-e; total number of civilian separations during month
h	Net Change	Net change of gains and separations (column c less column g)
i	E/S Revised	End Strength at the end of the month (column b plus column h)
j	FTE	Full time equivalents. Enter full time equivalent for month.

The October, E/S Beginning (column b) is the same as the September E/S Revised (column i) of the previous fiscal year.
The September E/S Revised (column i) must match the end strength reported on other budget exhibits (OP-5, OP-8).
The Total annual FTE (total of column j) must match FTE reported on other budget exhibits (OP-5, OP-8).

This exhibit must be provided for the current year (FY CY) and the budget years (FY BY1 and FY BY2) for both the OSD/OMB Program and Budget Review Submission and for the President's budget submission.

Exhibit PB-55 INTERNATIONAL MILITARY HEADQUARTERS

INTERNATIONAL MILITARY HEADQUARTERS

FY PY Actual				FY CY Estimate				FY BY1 Estimate				FY BY2 Estimate			
Military Avg Strength	Civ FTEs	Total Mpwr	Total Obligation ($ 000)	Military Avg Strength	Civ FTEs	Total Mpwr	Total Obligation ($ 000)	Military Avg Strength	Civ FTEs	Total Mpwr	Total Obligation ($ 000)	Military Avg Strength	Civ FTEs	Total Mpwr	Total Obligation ($ 000)

INSTRUCTIONS

Category/Organization/Appropriation: This exhibit will provide manpower, payroll, and non-labor cost data directly related to DoD personnel serving in the International Military Headquarters mission. Data will be displayed by appropriation/fund (including Military Personnel). A narrative explanation is required for all increases and decreases.

Manpower and TOA will be identified by appropriation or fund as displayed in the following example:

	FY BY1 Estimate			
	Military A/S	Civilian FTEs	Total Mpwr	Total Obl. ($000)
International Military Headquarters	1,225	256	1,481	89,517
MPMC	255		255	15,600
MPN	970		970	59,031
OMN		256	256	14,886
(DIR)		(250)	(250)	(14,461)
(REIMB)		(6)	(6)	(425)

- Under "Total Obligations" TOA should be limited to costs directly in support of International Military headquarters and should not include operational elements of expense for programs centrally funded or managed at the headquarters but executed elsewhere in the Department.
- Under appropriation, manpower strengths and funds will be identified as direct or reimbursable.
- Revolving funds that support headquarters activities will be reflected in the same fashion as appropriated funds.
- A total summary by appropriation, as well as a grand total, will be provided.
- Classified data will be reported.
- National Guard and Reserve officers serving on active duty and performing duties described in 10 U.S.C. 10211 will be excluded from this exhibit.
- Attached an addendum to provide a listing of organizational acronyms and their meanings used in this exhibit.

POC:_____ Phone No. _____

Exhibit PB-55 International Military Headquarters
(Page 1 of 1)

EXHIBIT PB-59 DoD Overseas Staffing Report

DoD Overseas Staffing Report
(Name of DoD Component, COCOM or Defense Agency)

Country: _____ Post: [1/] _____

Category:	FY PY	FY CY	FY BY1	FY BY2	FY BY3	FY BY4	FY BY5
Controlled Access Area (CAA) [2/]							
U.S. Direct Hire							
U.S. Military Position							
Locally Engaged Staff							
Non-Controlled Access Area (Non-CAA) [3/]							
U.S. Direct Hire							
U.S. Military Position							
Locally Engaged Staff							
Non-Office [4/]							
U.S. Direct Hire							
U.S. Military Position							
Locally Engaged Staff							
Never Colocate [5/]							
U.S. Direct Hire							
U.S. Military Position							
Locally Engaged Staff							
Total							

1/ Identify Post (U.S. Embassy, U.S. Consulate or U.S. Mission)
2/ Controlled Access Area: Authorized office positions to work within an area authorized to handle classified information
3/ Non-Controlled Access Area: Authorized office positions that work outside the CAA area
4/ Non-Office: Authorized positions not assigned a desk, office or workstation (includes custodians, laborers, warehouse staff, drivers, etc.)
5/ Never-Collocate: Authorized positions that work in non-USG owned or leased facility or other non-mission facilities

Instructions for Completing:
1. Report personnel assigned overseas under the Chief of Mission as of January 1st for the year reporting.
2. All COCOMs, Components and Defense Agencies that have personnel assigned overseas under the Chief of Mission must complete this exhibit
3. Defense Agencies will report military personnel assigned to their agency
4. Components (Army, Navy, Marine Corps and Air Force) will consolidate input reported by field units.
5. Marine Corps must identify Guard and Non-Guard totals

DATE PREPARED:
POC:
TELEPHONE:

EXHIBIT PB-59 DoD
Overseas Staffing Report

INSTRUCTIONS FOR PREPARATION OF PB-60

1. Services are required to submit this exhibit at the end item level for the selected pilot programs.

2. The PB-60 provides essential materiel readiness and sustainability information for justification of the OSD and President's budget estimates. The PB-60 metrics will incorporate all appropriations (i.e. Research and Development, Procurement, Operations and Maintenance) related to the specified end item.

3. "Materiel Availability" (MA) is a measure of the percentage of the total inventory of a system operationally capable of performing an assigned mission at a given time based on materiel condition. This can be expressed mathematically as the number of operational end items divided by the total population. Determining the optimum value for Materiel Availability requires a comprehensive analysis of the system and its planned use, including the planned operating environment, operating tempo, reliability alternatives, maintenance approaches, and supply chain solutions. Materiel Availability is primarily determined by system downtime, both planned and unplanned, requiring the early examination and determination of critical factors such as the total number of end items to be fielded and the major categories and drivers of system downtime. The Materiel Availability KPP (Key Performance Parameter) must include the total population of usable end items we have that is either functional or can be brought to functionality through maintenance/repair. The total life cycle timeframe, from placement into operational service through the planned end of service life, must be included. The service will express Materiel Availability on the exhibit as a number between 0 and 100. This metric should represent the average for the year that the entire population of systems is materially capable for operational use during the specified period (current year, budget year, budget year +1).

$$\text{Materiel Availability} = \frac{\text{Number of End Items Operational}}{\text{Total Population of End Items}}$$

4. "Materiel Reliability" is a measure of the probability that the system will perform without failure over a specific interval. Reliability must be sufficient to support the warfighting capability needed. Materiel Reliability is generally expressed in terms of a mean time between failure(s) (MTBF), and once operational, can be measured by dividing actual operating hours by the number of failures experienced during a specific interval. Reliability may initially be expressed as a desired failure-free interval that can be converted to MTBF for use as a KSA (Key System Attribute) (e.g. 95% probability of completing a 12 hour mission, free from mission-degrading failure; 90% probability of completing 5 sorties without failure, etc.). NOTE: Operating hours is operational hours and failure is not ready for issue. Single-shot systems and systems for which other units of measure are appropriate must provide supporting analysis and rationale. MTBF will be expressed on the exhibit as a numeric value representing time (hours) between failure during the specified period (current year, budget year, budget year +1, etc).

$$\text{Materiel Reliability} = \text{Mean Time Between Failure} = \frac{\text{Total Operating Hours}}{\text{Total Number of Failures}}$$

5. "Ownership Cost" provides balance to the sustainment solution by ensuring that the Operations and Support (O&S) costs associated with materiel readiness are considered in making decisions. Use of the Cost Analysis Improvement Group's O&S Cost Estimating Structure will ensure consistency and proper capitalization of existing efforts in support of this KSA. Only the following cost elements are required for this assessment:

EXHIBIT PB-60 Life Cycle Sustainment
(Page1 of 3)

INSTRUCTIONS FOR PREPARATION OF PB-60 (Continued)

2.0 Unit Operations (2.1.1 (only) Energy (fuel, petroleum, oil, lubricants, electricity)); 3.0 Maintenance (All); 4.0 Sustaining Support (All except 4.1, System Specific Training); and 5.0 Continuing System Improvements (All). Base fuel cost on the full burdened cost of fuel. Costs are to be included regardless of funding source. The KSA value should cover the planned lifecycle timeframe, consistent with the timeframe used in the Materiel Availability KPP. Sources of reference data, cost models, parametric cost estimating relationships and other estimating techniques or tools must be identified in supporting analysis. Programs must plan for maintaining the traceability of costs incurred to estimates. The planned approach to monitoring, collecting, and validating operating and support cost data to supporting the KSA must be provided. For the purpose of this exhibit, Ownership Cost needs to be divided into annual ownership cost (dollars) for the specified period (current year, budget year, budget year +1).

Ownership Cost = O&S costs*

* Using the CAIG O&S Cost Estimating Structure Selected cost elements:
2.0 Unit Operations (2.1.1 (only) Energy (Fuel. POL, Electricity))
3.0 Maintenance (All)
4.0 Sustaining Support (All except 4.1, System Specific Training)
5.0 Continuing System Improvements (All)

6. "Mean Downtime" (MDT) is the average Total Downtime required to restore an asset to its full operational capabilities. MDT includes the time from reporting an asset down to the asset being available to unit to operate. MDT includes administrative time of reporting, logistics and materials procurement, and lock-out/tag-out of equipment for repair or preventative maintenance events. Criteria for failure must be consistent with criteria used for Materiel Reliability. MDT will be expressed on the exhibit as a numeric value representing the average number of hours between failures during the specified period (current year, budget year, budget year +1).

$$\text{Mean Down Time (MDT)} = \frac{\text{Total Down Time for All Failures}}{\text{Total Number of Failures}}$$

7. The metric sections of the exhibit must be populated with the sustainment goal for the associated metric in each fiscal year represented, the actual/projected metric based on the current budget submission in each fiscal year represented, and the associated data from which the metric is derived for each fiscal year represented (BSO must maintain traceability data for the Ownership Costs). The "Explanation" sections will provide, as necessary, what issues preclude reaching the sustainment goal including funding shortfalls by required year(s), appropriation, and line item/PE/SAG. The "Explanation" section should also be used to explain changes to metrics between submissions caused by external events, such as increased OPTEMPO, unplanned environment, etc.

EXHIBIT PB-60 Life Cycle Sustainment (Page 2 of 3)

INSTRUCTIONS FOR PREPARATION OF PB-60 (Continued)

CLASSIFICATION:

PB-60, Life Cycle Sustainment Exhibit		DATE:
APPROPRIATION/BUDGET ACTIVITY	P-1/R-1 Line Item/PE	Weapon System Name

Materiel Availability (MA)	**Prior FY**	**Current FY**	**Budget Year**	**Budget Year +1**
Number of End Items Operational				
Total Population of End Items				
Sustainment Goal				
*Actual/Projected				

Explanation (required if metric is less than goal): What precludes reaching the goal? (i.e. contractor availability, out of production parts, funding, etc) If funding is the issue, provide the amount required, by years(s)/appropriation/line item?

Materiel Reliability	**Prior FY**	**Current FY**	**Budget Year**	**Budget Year +1**
Total Operating Hours				
Total Number of Failures				
Sustainment Goal				
*Actual/Projected				

Explanation (required if metric is less than goal): What precludes reaching the goal? (i.e. contractor availability, out of production parts, funding, etc) If funding is the issue, provide the amount required, by years(s)/appropriation/line item?

Ownership Cost	**Prior FY**	**Current FY**	**Budget Year**	**Budget Year +1**
Sustainment Goal				
*Actual/Projected				

Explanation (required if metric is less than goal): What precludes reaching the goal? (i.e. contractor availability, out of production parts, funding, etc) If funding is the issue, provide the amount required, by years(s)/appropriation/line item?

Mean Down Time (MDT)	**Prior FY**	**Current FY**	**Budget Year**	**Budget Year +1**
Total Down Time for All Failures				
Total Number of Failures				
Sustainment Goal				
*Actual/Projected				

Explanation (required if metric is less than goal): What precludes reaching the goal? (i.e. contractor availability, out of production parts, funding, etc) If funding is the issue, provide the amount required, by years(s)/appropriation/line item?

* Based on current budget submission.

DoD 7000.14 - R

DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

VOLUME 3: "BUDGET EXECUTION - AVAILABILITY AND USE OF BUDGETARY RESOURCES"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

DoD 7000.14 - R

DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

VOLUME 3: "BUDGET EXECUTION - AVAILABILITY AND USE OF BUDGETARY RESOURCES"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

VOLUME 3, CHAPTER 2: "APPORTIONMENT/ REAPPORTIONMENT AND FUNDS DISTRIBUTION"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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

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

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

The previous version dated August 2012 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
020201	Removed list of exempt accounts and added a link to the information	Update
Throughout	Updated references to OMB Circular A-11	Update

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CHAPTER 2

APPORTIONMENT/ REAPPORTIONMENT AND FUNDS DISTRIBUTION

0201 GENERAL

020101. General

This Chapter provides information on the apportionment process, and the first level of funds distribution from the Office of the Under Secretary of Defense (Comptroller), Program/Budget (OUSD(C)/PB) to the Military Services and Defense Agencies. It includes guidance for the preparation and submission of the Apportionment and Reapportionment Schedule (Standard Form (SF) 132) required by Office of Management and Budget (OMB) Circular No. A-11. Refer to ***OMB Circular No. A-11*** (Part 4, sections 120, 123, and Appendix F) and the ***OMB Internet Apportionment System User Guide***.

020102. Legal Requirement

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

020103. Apportionment Level

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

020104. Funds Allocation

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

0202 REQUIREMENTS

020201. Accounts Requiring Apportionment

All appropriations require apportionment, except appropriations and funds that are identified in the OMB Circular A-11 as exempt, or those expressly exempted by OMB pursuant to their authority under 31 U.S.C. 1516 (Exemptions). The complete list of DoD accounts that OMB has expressly exempted can be found at ***http://www.ousdc.osd.mil/budgetExecution.html***. Refer to ***OMB Circular No. A-11*** (Part 4, sections 120.4 through 120.8).

020202. Accounts Requiring Reapportionment

All accounts which must be apportioned must also be reapportioned for ***any upward adjustment of budgetary resources greater than $400,000 or 2 percent (whichever is lower)*** before the increased resources may be obligated. The unobligated balances brought forward in unexpired accounts must also be reapportioned annually. Refer to ***OMB Circular No. A-11*** (Part 4, sections 120.48 through 120.51). Expired accounts are not apportioned. Transfer-only accounts are exempt from apportionment. All accounts being reapportioned must be compared to the most current SF133, Report on Budget Execution and Budgetary Resources (SF133), applying at a minimum the standards in paragraph 020204 below.

020203. Funds Controlled and Distributed by OUSD(C)/PB

Initial distribution to Military Services and Defense Agencies is the responsibility of OUSD(C)/PB for all funds appropriated by Congress or made available through above-threshold reprogrammings and transfers from other TAFS. The assigned OUSD(C)/PB analyst for each appropriation account will allocate funds to the Military Services and Defense Agencies by means of funds authorization documents (FADs). Distribution will be made after funds are apportioned as necessary. Distribution below the level of initial transfer to the Military Services and Defense Agencies will be the responsibility of the Services and Agencies. Transfer-only accounts are not available for obligation or outlay, and budgetary resources in such accounts will not be distributed directly from the transfer accounts; such funds are distributed using reprogramming procedures governed by chapter 6 of this Volume (Reprogramming of DoD Appropriated Funds) to the FAD for the recipient appropriation.

020204. Periodic Review

Analysts responsible for monitoring the appropriation accounts will review apportioned amounts a minimum of four times per year and make any necessary adjustments. The review will be performed 2-weeks prior to each quarter-end, and necessary adjustments will be submitted to allow at least 10 days processing time for any necessary reapportionments. At a minimum the review will include the following:

A. Confirm unobligated balances forward, appropriations received, and permanent reductions to amounts reported on the SF133. Coordinate with DFAS to resolve discrepancies.

B. Check ***reasonableness*** of transfers to amounts reported on the most recent SF133. Reconcile as necessary (possible timing differences). Refer to ***OMB Circular No. A-11*** (Appendix F) for proper reporting of expired and unexpired balances transferred.

C. Update recoveries and spending authority from offsetting collections to actual amounts reported on the most recent SF133.

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

0203 PROCEDURES

020301. Preparation of Apportionment and Reapportionment Requests

All requests will be created electronically using the ***OMB's web-based apportionment module***. Refer to the ***OMB Internet Apportionment System User Guide*** for detailed instructions to prepare SF132 requests. Refer to ***OMB Circular No. A-11***, Appendix A, for an example SF132. Apportionment requests will be submitted by responsible Military Service and Defense-Wide analysts to OUSD(C)/PB, Program and Financial Control (P&FC), and will be validated in OMB's MAX system prior to submission. Submit requests in accordance with the following:

A. Timing and minimum requirements:

1. For new appropriations, Components must submit requests within 5 calendar days after enactment of appropriations acts appropriating funds to DoD. At the direction of the OUSD(C), the SF 132 apportionment requests may be required to execute fund transfers mandated or authorized in an appropriations act. Refer to paragraph 020504 for information about budgetary resources available to agencies pending OMB approval of an initial apportionment following newly enacted appropriations, and paragraph 020505 for information about apportionment requirements under continuing resolutions.

2. For revolving, public enterprise, and special funds, Components must submit requests based on budget estimates by August 14. Amounts must reconcile to the current budget request.

3. For all multi-year accounts that will be available for obligation in the following year, Components must submit an estimate of unobligated balances by August 14. Estimates will be based on unobligated balances on the July SF133. Include anticipated reimbursements in this request as applicable.

4. Components will submit reapportionment requests at various times throughout the year as needed to reflect changes in resources. A reapportionment request is also necessary if amounts require redistribution among apportionment categories (refer to C below). Refer to paragraph 020204 for minimum review requirements to be performed with every reapportionment. Components must update collections and recoveries to actual amounts reflected on the SF133 with each reapportionment.

B. Apportionment Categories. Apportionments are identified by four categories (A (by time), B (program, project, or activity (PPA)), AB (a combination of PPA and time period) and C (for future years (only for multiyear/no year accounts)) designated in ***OMB Circular No. A-11***, Part 4, Section 120.13. DoD uses, at a minimum, the following categories:

1. Category A, Quarterly apportionments as follows:

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

2. Category B, PPA level apportionments will be reported on lines 6011 – 6110 for multiyear accounts. Accounts may be apportioned lump sum, by business area, or by PPA.

3. Defense Working Capital Funds (WCF) requests will identify apportionments for the Military Service/Agency business areas by listing them as separate Category B apportionments.

C. Footnotes are an essential mechanism for administrative control of funds used in apportionments. They provide supporting explanation and clarity. Incorporating explanatory footnotes sufficient to support the changes on the SF132 will facilitate faster processing at OMB. Refer to ***OMB Circular No. A-11***, (Part 4, sections 120.34 – 120.38) for additional information.

1. The following footnotes will be included at a minimum on all DoD apportionments:

a. "Pursuant to Title 31 U.S.C. Subsection 1553(b), not to exceed 1 percent of the total appropriations for this account is apportioned for the purpose of paying legitimate obligations related to canceled appropriations."

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

c. "Actual amounts recovered are automatically apportioned."

d. "Adjustments to spending authority from offsetting collections may be made without further action from OMB."

2. While under a continuing resolution, the following additional footnotes will be included, should a separate written apportionment be required:

a. "For any subsequent extensions of the Continuing Appropriations Act, ***(insert year),*** in addition to the amounts previously apportioned, this account will receive the amounts automatically apportioned via ***(insert OMB Bulletin number)*** using the daily rate, provided that the total amount apportioned during the CR period does not exceed the total annualized level of the CR."

b. "Apportioned amounts may be increased during the CR period for any additional spending authority from offsetting collections received."

D. Allocation Transfers to Other Agencies (Parent/Child transfers). Allocation transfers to other agencies for execution of funds on behalf of DoD will be reflected on all apportionment/reapportionment requests. Refer to the example at ***OMB Circular No. A-11***, Part 4, Section 120, Exhibits 120O and 120P.

020302. Supporting Information

Each apportionment request will be accompanied by a written explanation of the requested apportionment action (footnotes will suffice for most requests), and a pdf copy of the most recent SF133 to validate the updated amounts on lines 1021, 1700, 1701, 1800 and 1801.

020303. File naming conventions

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

A. 15 OMA 21 2020 2015 (3).xls would represent Operation and Maintenance, Army's third FY 15 submission.

B. 15 BRAC 97 0512 X (2).xls would represent the Base Realignment and Closure account's second FY 15 submission

C. 15 APAF 57 3010 2015-2017 (2).xls would represent Aircraft Procurement, Air Force's second FY 15 submission of the 2015/2017 POA.

0204 COMPONENT NOTICE OF DOD COMPTROLLER AND OFFICE OF MANAGEMENT AND BUDGET ACTIONS

020401. OUSD(C) Action

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

020402. OMB Action

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

020403. Notice to DoD Component of OMB Action

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

0205 SPECIAL INSTRUCTIONS

020501. NATO Security Investment Program (NSIP)

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

020502. Surcharge Collections, Sales of Commissary Stores - Trust Revolving Fund

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

020503. Letter Apportionments

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

020504. Interim Apportionment Authority for Initial Appropriations Act

In cases where OMB is reviewing the first apportionment request for newly enacted appropriations, OMB automatically apportions up to a 30-day level of resources. Refer to ***OMB Circular No. A-11*** (Part 4, section 120.41.) for additional guidance to calculate the amount automatically apportioned. Once the written apportionment is approved by OMB, the automatic apportionment ceases to remain in effect. This authority may be further limited or modified by OUSD(C) and OMB direction.

020505. Apportionment Requirements under Continuing Resolution (CR)

When an appropriations act for a fiscal year has not been signed by October 1, Congress generally will pass a resolution appropriating funds to allow for the continuation of government operations for a specified period of time or until enactment of an appropriations act providing appropriations for the fiscal year. The CR is generally for a short term period, and there may be multiple CRs or CR extensions before an act is finally passed. Each CR must be signed into law by the President before becoming effective. The OMB publishes a bulletin with the first CR providing guidance to clarify how appropriations will be calculated.

A. Annualized appropriations and automatic apportionment while under CR will be calculated by OUSD(C)/PB, P&FC based on the CR and guidance in the OMB bulletin issued with the first CR. The P&FC will provide appropriations and adjustments for reporting in the AR1002 and SF133, and available funds under CR to all Components, along with guidance to be followed while under CR. All P&FC calculations and fund balances/availability will be at the account level. Updates will be provided with each subsequent CR until an appropriations bill is passed. Appropriations and apportionments while under CR will be recorded in the SF133 in accordance with ***OMB Circular No. A-11*** (Appendix F).

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

C. Should Components require more funds than are automatically available to them under the CR, an exception apportionment will be required. Guidance for submission of an exception will be included in the CR guidance.

0206 RESCISSONS AND DEFERRALS

020601. Rescissions and Deferrals – General.

A. Available budgetary resources may be withheld from obligation or expenditure through impoundment, either permanently (rescission) or temporarily (deferral) under conditions set forth in ***Title 31 U.S.C. Section 1512*** and the Congressional Budget and Impoundment Control Act ***(Title 2 U.S.C. Sections 683 and 684)***. Budgetary resources may be deferred to provide for contingencies; to achieve savings made possible by or through changes in requirements or greater efficiency of operations; or as specifically provided by law, except that funds available for only one fiscal year may not be deferred through the end of that year. For additional information and definitions of rescissions and deferrals, refer to ***OMB Circular No. A-11*** (Part 4, section 112).

B. Reapportionment will generally be required when funds are proposed for rescission or deferral. For procedures and special reporting requirements, refer to ***OMB Circular No. A-11*** (Part 4, section 112.3).

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

D. Refer to ***OMB Circular No. A-11*** (Part 4, sections 112-14 – 112-16) for guidance with regard to apportionment actions to be taken when rescission proposals and deferrals are enacted, released, or disapproved.

VOLUME 3, CHAPTER 3: "APPROPRIATION TRANSFER AUTHORITIES"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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

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

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

The previous version dated January 2011 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
030201	Title change	Update
030202	Transfer accounts not subject to apportionment	Update
030405	Title Treasury, Non-Expenditure Transfers	Update
030407	Transfer accounts not subject to apportionment	Update
030408	Title change	Update

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CHAPTER 3

APPROPRIATION TRANSFER AUTHORITIES

0301 GENERAL

In addition to the regular and supplemental appropriations that make funds available, the Congress has provided authority for transfers of funds, i.e., moving funds from one appropriation to another. This section identifies and describes the various transfer authorities that are available to the Department and prescribes action required to exercise transfer authority.

0302 TYPES OF TRANSFER AUTHORITIES

*030201. Authority for Transfer

Transfer authorities may be included in permanent, one-time or recurring provisions of law. Most of the transfers within the Department, however, are made pursuant to authority granted in the annual Appropriations Act. Some of the transfer authorities are provided solely for administrative convenience and some allow no discretionary action. Once authorized/approved, basic responsibility for executing Treasury transfers will be assigned to the Department of Defense (DoD) Components from which the funds are transferred; refer to paragraph 030405 below.

*030202. Authority for Transfers Affecting Budget Availability

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

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

C. Transfers Between Working Capital Funds. Generally, the DoD Appropriations Act provides authority, during the current fiscal year, to transfer cash balances between working capital funds and the Foreign Currency Fluctuations, Defense and Operation and Maintenance appropriation accounts. Transfers may be made between such funds in such amounts as may be determined by the Secretary of Defense, with the approval of the OMB,

except that transfers may not be made unless the Secretary of Defense has notified the Congress of the proposed transfer. Except in amounts equal to the amounts appropriated to working capital funds in the Act, no obligations may be made against a working capital fund to procure war reserve material inventory, unless the Secretary of Defense has notified the Congress prior to any such obligation.

D. Transfer of Funds for Intelligence Activities. See Chapter 6, section 0606 for intelligence-related transfer authorities.

E. Transfer Accounts. Various Appropriation and Authorization Acts have included language making funds available or transfer authority available for accounts such as Environmental Restoration, Defense; Drug Interdiction and Counter-Drug Activities, Defense; Foreign Currency Fluctuations, and Defense; Foreign Currency Fluctuations, Construction, Defense. Accounts which are available only for transfer are exempted from the requirement to apportion, as per OMB Circular A-11, section 120.5.

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

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

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

0303 STATUS REPORT ON TRANSFER ACTIONS

To ensure that all required actions relating to transfers are accomplished in a timely manner, the OUSD(C)/P&FC will maintain and publish periodically a status report on transfer actions.

0304 ACTIONS RELATED TO EXERCISE OF TRANSFER AUTHORITY

030401. Proposals to Exercise Transfer Authority

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

030402. Secretary of Defense Determination

In most cases, the Secretary of Defense will provide the authority and amounts for transfer upon determination by the Secretary of Defense that certain conditions exist. The Secretary of Defense determination, when required, either will be obtained or signed by the OUSD(C) *under delegation of authority from the Secretary of Defense* as provided in ***DoD Directive 5118.03, section 6.m***. In processing SF 1151 transfer documents to the Treasury Department, the statutory authority for the transfer must be cited, with references to documents constituting determinations and copies of the associated OMB or Presidential approvals when required.

030403. OMB/Presidential Approval

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

030404. Reprogramming Actions

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

*030405. Processing of Treasury Non-Expenditure Transfers (NETs)

Treasury NET is the means by which funds are moved between accounts at the Treasury pursuant to an authorized/approved transfer. Treasury NETs will be requested in the Treasury's Government-wide Accounting System (GWA), and must be requested by the entity transferring funds out.

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

1. Transfers of funds for functional transfers between government agencies (31 U.S.C. 1531) - when the request is initiated by a government agency other than the Department of Defense.

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

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

1. Identity of the transferring office.

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

3. Amount of the transfer in dollars.

4. Statutory references for the transfer authority.

5. Reference to enclosure of a Secretary of Defense determination, if applicable.

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

7. Statement of whether the action is an appropriation transfer, a reappropriation, or obligated and unobligated transfer.

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

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

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

11. Statement as to the official responsible for issuance of the applicable fund authorization documents (e.g., EOB, DD 440, approval/deferral memos).

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

030406. Notification to the Congress

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

B. It should be noted that, although transfers of funds pursuant to Title 10, United States Code section 126 need not be reported to the Congress, transfers of functions pursuant to 10 U.S.C. 125 must be reported when there is a substantial reduction or elimination of a major weapons system. The OSD office submitting the transfer of function documents to the Secretary of Defense for approval is responsible for preparing documents to notify the Congress.

*030407. Apportionment and Reapportionment Schedules

A. Pursuant to provisions of OMB Circular A-11 and Chapter 2, as applicable transfers will be reflected on Apportionment and Reapportionment Schedules (SF 132). Where prior approval is required, SF132s will be prepared after the necessary approvals are obtained. For certain transfers specified in Chapter 2 (e.g., Foreign Currency Fluctuations, Defense or Environmental Restoration), the gaining and losing accounts, except accounts available only for transfer, automatically are apportioned and transfers will be reflected on subsequent schedules that are generated for other purposes during the year. Accounts available only for transfer are exempt from apportionment in accordance with OMB A-11, section 120.5.

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

030408. Guidance on SF 133 Treatment

Although OMB Circular A-11 does not contemplate that transfers will be included on the "Report on Budget Execution and Budgetary Resources" (SF 133) until the NET action is completed, transfers may be included on the SF 133 on an anticipated basis when all statutory requirements for the transfer have been met but prior to the processing of the NET. Decisions relating to anticipated transfers on the SF 133 will reflect the agreed-upon position of the OUSD(C) and the OMB.

030409. Fund Authorization Documents

Changes will be made to the EOB, DD 440, etc., to reflect program adjustments resulting from the transfers, as determined by the cognizant Program/Budget appropriation director in the OUSD(C).

VOLUME 3, CHAPTER 4: "FUNCTIONAL TRANSFERS"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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

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

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

The previous version dated January 2011 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	This chapter is certified as current	Current

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CHAPTER 4

FUNCTIONAL TRANSFERS

0401 STATUTORY AUTHORITY

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

0402 TYPES OF TRANSFER AUTHORITIES

040201. Fund Adjustments:

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

040202. Transfer of Funds

When transfers of funds are necessary as a result of transfer of functions under Title 10, United States Code, section 125, it will be the responsibility of the receiving DoD Component to request that the USD(C) obtain the necessary determination and approval for the transfer of funds. The request shall be prepared in accordance with Title 10, United States Code, section 126 and the provisions in Chapter 3 of this Volume contain a statement that the DoD Components concerned have agreed to the amounts proposed for transfer. A copy of the Secretary of Defense approval of the transfer of functions (under 10 U.S.C. 125) should accompany the request.

VOLUME 3, CHAPTER 5: "SPECIAL MILITARY CONSTRUCTION/FAMILY HOUSING FUND RELEASE PROCEDURES"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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

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

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PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
Overall	Date refresh.	Refresh
Overall	Revised narrative for clarification of submission requirements.	Update

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CHAPTER 5

SPECIAL MILITARY CONSTRUCTION/FAMILY HOUSING FUND RELEASE PROCEDURES

0501 GENERAL

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

0502 OVERVIEW

050201. Fund Approval

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

050202. Family Housing

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

050203. OUSD(C) Review

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

050204. Document Approval

The approval document limits the Component's authority to incur obligations. Further, obligations will not be incurred prior to the receipt of the fund approval document or in excess of the amounts shown therein.

0503 SUBMISSION REQUIREMENTS

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

APPENDIX A

INSTRUCTIONS FOR FORMAT 460 "MILITARY CONSTRUCTION/FAMILY HOUSING PROGRAM FUND APPROVAL"

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

B. Entries. Columnar entries shall be as follows:

1. State/Country/Installation/Project. Display the name of the installation and the project title as reflected in the National Defense Authorization Act (NDAA). If there is more than one project at an installation or activity, the installation or activity title should not be repeated. The project listing should be in state or country sequence with the same installation and project nomenclature as appearing in the NDAA. The centrally managed allotment (CMA) for foreign currency fluctuation should be shown as a separate entry at the end of the project listing.

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

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

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

5. Formal Reprogramming. If the project appears in a formal reprogramming request, either as a recipient of funds or as a source of funds, enter the adjustment in this column which shall be consistent with the amount shown in the reprogramming request. Split funding refers to a project funded using more than one appropriation. If projects have been split funded, only the amount of resources covered by the apportionment should be identified against the project and the project appropriately footnoted.

6. Below Threshold Reprogramming. This column is similar to the previous column; however, it is used when the project never appeared in a formal reprogramming request, i.e., resources have been realigned below the threshold requiring prior approval.

7. Previously Approved. This column represents the amount Office of the Under Secretary of Defense (Comptroller) (OUSD(C)) currently apportioned against the project--the amount appearing on the latest format 460 formally submitted to OUSD(C). Split funded projects will show only the resources from the fiscal year covered by the apportionment and will be footnoted to indicate where the balance of resources resides. The DD 460 is to be updated to reflect the foreign currency fluctuation CMA, which is automatically apportioned.

8. Proposed. This column represents the amount being requested for apportionment against this project.

9. Office of Secretary of Defense (OSD) Approved. OUSD(C) will indicate the amount approved in this column.

10. Quarter Award. Enter the quarter and fiscal year in which the project was awarded or is expected to be awarded. For the foreign currency fluctuation CMA this column is blank.

11. Delta from Previous Submission. This reflects the difference between the previously approved and the proposed amounts.

12. OSD Withhold. OUSD(C) will indicate the amount on hold in this column.

13. Appropriation Title: Reflect the appropriate Military Construction or Family Housing Construction appropriation title.

14. Symbol. Enter the Treasury code for the account for which obligational authority is being sought. For example, 21 08/12 2050 would represent the FY 2008 Military Construction Army account. The Defense Agencies should include the limitation separated by a period from the 4-digit Treasury code. For example, 97 10/14 0500.1400 would represent FY 2010 Military Construction Defense Agency funds provided to the Tricare Management Activity.

15. Submission No. The first two digits of the submission number should equate to the last two digits of the fiscal year in which the format 460 is submitted. The middle digit(s) should equate to a period of availability or program year of the funds. For example, the FY 2008 program would be 08/12. The last digit(s) represent the submission number in that fiscal year. For example, the initial submission would be "1" and all subsequent submissions incremented accordingly.

16. Footnotes. Include footnotes related to Congressional adds and rescissions, formal reprogramming, split funding, and when the authorized amount differs from the appropriated amount to create an audit trail that ties back to legislation or specific justification documents.

MILITARY CONSTRUCTION or FAMILY HOUSING PROGRAM/FUND APPROVAL		APPROPRIATION TITLE: (13) SYMBOL: (14)								SUBMISSION NO: (15) AS OF:	
STATE/COUNTRY/ INSTALLATION/PROJECTS	PROJECT NO.	SPE INT	APPROP AMOUNT	FORMAL REPROGRAM	BELOW THRESHOLD REPROGRAM	PREVIOUSLY APPROVED	PROPOSED	OSD APPROVED	QTR AWD	DELTA FROM PREVIOUS SUBMISSION	OSD WITHHOLD
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)

Footnotes: **(16)**

460 Format

APPENDIX B

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

MILITARY CONSTRUCTION or FAMILY HOUSING CONSTRUCTION, (Enter Component)

OBLIGATION LIMITATION

PROGRAM YEAR #### OBLIGATION AUTHORITY

BUDGET ACTIVITY	PREVIOUSLY APPROVED	THIS ADJUSTMENT	REVISED APPROVED*
MAJOR CONSTRUCTION			
MINOR CONSTRUCTION			
PLANNING AND DESIGN			
FOREIGN CURRENCY ALLOTMENT (CMA)			
TOTAL DIRECT PROGRAM			
REIMBURSABLE AUTHORITY			
TOTAL			

* The amounts shown in the revised approved column represent limitations subject to the provision of Title 31, United States Code, Section 1517, the Antideficiency Act. Obligations are not to be incurred beyond the revised amounts shown for each budget activity without the specific prior approval of the Office of the Under Secretary of Defense (Comptroller).

Authorization No.	Date	Approved

VOLUME 3, CHAPTER 6: "REPROGRAMMING OF DOD APPROPRIATED FUNDS"

SUMMARY OF MAJOR CHANGES

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

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

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

The previous version dated March 2011 is archived.

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

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CHAPTER 6

REPROGRAMMING OF DOD APPROPRIATED FUNDS

0601 PURPOSE

060101. Department for the Reprogramming

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

060102. Reprogramming Procedures

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

060103. Reprogramming Policy

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

0602 REPROGRAMMING DOCUMENTS IN GENERAL

060201. DD 1414, Base for Reprogramming Actions

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

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

060202. DD 1415, Reprogramming Action

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

060203. DD 1416, Report of Programs

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

0603 DETAILED PROCEDURES FOR BASE FOR REPROGRAMMING ACTIONS

060301. General

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

060302. Due Date

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

060303. Transmittal

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

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

060304. Security Classification

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

060305. Detailed Instructions for Preparation of the DD 1414

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

0604 REPROGRAMMING ACTIONS

060401. Reprogramming Actions Requiring Written Congressional Approval

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

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

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

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

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

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

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

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

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

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

(2) **Navy**: ***Aircraft depot maintenance; ship depot maintenance; and facilities sustainment, restoration, and modernization.***

(3) **Marine Corps**: ***Depot maintenance and facilities sustainment, restoration, and modernization***

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

(5) **Air Force Reserve**: ***Depot maintenance.***

(6) **Air National Guard**: ***Depot maintenance.***

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

(1) **Army National Guard:** ***Other personnel support/recruiting and advertising*.**

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

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

(1) **Navy**: ***Mission and other flight operations and mission and other ship operations***

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

e. ***Defense Health Program: For FY 2015, any transfer of funds from the In-House Care budget sub-activity to any other sub-activity shall be***

subject to a PA reprogramming action. In addition, any cumulative transfer of funds in excess of $10,000,000 from the Private Sector Care sub-activity requires written notification to the congressional defense committees not later than fifteen days after such a transfer occurs.

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

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

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

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

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

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

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

E. Initiates a new start. A new start program for RDT&E is a new program element or project, or a major component thereof, as determined by specific supporting information provided in the R-2 and R2A (RDT&E Budget Item/Project Justification) exhibits not previously justified by the Department and funded by the Congress through the normal budget process is considered to be a new start. A new start program for Procurement is a new procurement line item or major component thereof, as determined by specific supporting information provided in the P-5 (Cost Analyst) or P40A (Budget Items Just for Aggregated Items) exhibits not previously justified. Congressional committees discourage the use of the reprogramming process to initiate programs. Except for extraordinary situations, consideration

will not be given new start reprogramming requests for which the follow-on funding is not budgeted or programmed. Funding for new starts may not be obligated without prior approval or written notification (see paragraphs 060403 and 060404). A program effort in one year in the Procurement and RDT&E accounts may be extended into a subsequent fiscal year without constituting a new start. This is considered an extension of the effort initiated in the prior year program, and could include a skip year for execution purposes. When this occurs, the program should be footnoted as such on the DD 1416, Report of Programs, with sufficient justification for the extension. Due to the characteristics of Military Personnel and Operation and Maintenance programs, new starts seldom occur in those appropriations. New starts in these appropriations would be significant new programs, efforts, or activities that have not been explicitly justified to the Congress in budget justification material. An example would be the establishment of a Pacific Distribution System. In some instances, a letter notification may be appropriate in these circumstances but only with the explicit approval of the USD(C).

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

F. Terminates Appropriated Programs:

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

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

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

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

060402. Internal Reprogramming Actions

DD 1415-3, Internal Reprogramming, actions are audit-trail type actions processed within the Department to serve various needs. One is to reclassify funds for proper execution into a different line item, program element, or appropriation than that in which the funds were appropriated. Another includes reprogramming to or from transfer accounts. A third reflects

approval to increase quantities, when not otherwise requiring prior approval of the congressional committees.

A. Reclassification Actions. In certain instances, it is necessary to reclassify funds to a different line item, program element, or appropriation than that in which the funds were appropriated by the Congress. Such reclassifications do not involve any change in the substance of the program; the funds will be used for the same purposes originally contemplated and budgeted for, testified to, and described in the justifications submitted to the congressional committees, and subsequently appropriated by the Congress. These actions may also involve realignment of congressionally added programs that are more appropriately executed in a different program line or in a different account than the line or account in which the funds were appropriated. In cases where the realignment is between DoD appropriations, then the use of general transfer authority would be involved, along with the legal requirements thereof.

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

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

060403. Letter Notifications to Congress

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

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

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

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

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

E. Termination of programs falling within the below threshold reprogramming amounts (procurement programs or subprograms costing less than $20 million;

RDT&E programs, projects, or subprojects costing less than $10 million) as long as the procurement line item or RDT&E program element is not eliminated.

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

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

060404. Failure to Provide Proper Notification

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

060405. Transfer Authority

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

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

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

C. General Transfer Authority (GTA). The use of GTA is required for transfers between appropriations and legal subdivisions, when other specific authority is not provided. It is included in a general provision in the annual DoD Appropriations Act and is authorized in the annual National Defense Authorization Act, most recently section 8005 of division C of Public Law 113-235, the DoD Appropriation Act, 2015, and section 1001 of the annual National Defense Authorization Act for FY 2015, Public Law 113-291. When GTA is used, the Secretary of Defense must make a determination that such action is necessary in the national interest. The OMB must also approve the use of GTAs. For prior approval reprogramming actions that use GTA, OMB must approve transmittal of the action before the Department forwards to the congressional defense committees. The OMB apportions funds that use GTA after congressional approval is received for prior approval actions or the internal reprogramming action has been approved and signed by USD(C). Beginning with the DoD Appropriations Act, 2009, recurring general provisions have incorporated into law the funding levels specified in certain tabular entries in appropriations act explanatory statements or

conference reports (e.g., section 8006 of the DoD Appropriation Act, 2015). Such recurring general provisions provide that where funding levels specified in Project Level Adjustment Tables for a particular program, project, or activity exceed the amount requested, that program, project, or activity must be carried out at the prescribed level. Amounts specified in such project level adjustment tables **are not** subdivisions of appropriations for purposes of GTA, and may be transferred or reprogrammed after appropriate congressional notification. Any transfers among military personnel appropriations shall not be taken into account for purposes of the limitation on the amount of funds that may be transferred under GTA.

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

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

060406. Detailed Instructions and Formats for Preparation of DD 1415

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

060407. Submittal by Components

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

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

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

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

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

060408. Signed DD 1415s

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

060409. OMB Approval

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

060410. Distribution of the DD 1415-1

The DD 1415-1 is e-mailed to the House Appropriations Committee (HAC), House Armed Services Committee (HASC), Senate Appropriations Committee (SAC), and Senate

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

060411. Congressional Committee Approval of DD 1415 Requests

A. Approval for a Prior Approval Reprogramming Action (DD 1415-1) is obtained by letter from the congressional committees prior to implementation of the action. Each separate committee response is taken into account, and final implementation by OUSD(C) P&FC of the action reflects the lowest of the approvals received for proposed sources and increases. Occasionally the action is implemented for less than originally requested due to the denial of increases or sources.

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

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

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

E. If the congressional committees have denied a reprogramming increase, DoD policy prohibits use of a series of below-threshold reprogramming actions as a means to finance the requested increase. However, below-threshold reprogramming authority may be used to finance increases on reprogramming actions that were approved by the congressional committees, but were not able to be accommodated within the implementation process, as long as the below-threshold reprogramming actions otherwise do not: exceed a threshold limitation, such as below-threshold reprogramming limitations on realignment of funds into or out of a budget line; affect an item of special congressional interest item; or have not been specifically denied by a congressional committee as a reprogramming source. This policy has evolved out of recognition of there being congressionally-approved increases within monthly and Omnibus reprogramming actions that were unable to be funded in the USD(C) implementation

memorandum, due to a lack of congressionally-approved sources. However, in recent years, Components have been required to provide advance written notification to the congressional defense committees prior to the USD(C) undertaking a below-threshold reprogramming to implement approved sources.

060412. Implementation Memorandums for Reprogramming Actions.

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

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

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

060413. Alternate Letters or Revised Actions for New Sources

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

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

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

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

060415. Withdrawal of Reprogramming Actions

A. When approval of a reprogramming action that was submitted to the congressional committees, but not fully approved, is no longer required, then that action should be formally withdrawn from congressional committee consideration. The need for withdrawal

may result when too much time has elapsed for the proposed increase to go under contract or when proposed sources are needed to fund a higher priority reprogramming than that originally submitted.

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

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

0605 DD 1416, REPORT OF PROGRAMS

060501. General

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

060502. Due Date

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

060503. Procurement Line Items "Items Less Than $5 million

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

060504. Program Base Columns Reflecting Congressional Action

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

060505. Detailed Instructions for Preparation

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

0606 REPROGRAMMING OF INTELLIGENCE RESOURCES

060601. Intelligence Reprogramming Guidance

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

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

060602. Oversight

The House Permanent Select Committee on Intelligence (HPSCI) and the Senate Select Committee on Intelligence (SSCI) have oversight jurisdiction over the NIP. All NIP reprogrammings require prior approval from the HPSCI, SSCI, House Appropriations Committee (HAC), and Senate Appropriations Committee (SAC). Reprogrammings affecting the MIP require prior approval from the HPSCI, House Armed Services Committee (HASC), Senate Armed Services Committee (SASC), HAC, and SAC. Notwithstanding that per agreements among the various congressional committees the SSCI has jurisdiction over the NIP

only, the Department does provide the SSCI an information copy of reprogramming of non-intelligence funds into the MIP in satisfaction of section 504 of the National Security Act of 1947 (50 U.S.C.§ 3094). Additionally, the Department provides the SSCI an information copy of reprogramming actions within the MIP.

060603. Submission Procedures

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

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

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

060604. Procedures

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

060605. Below-Threshold Reprogrammings

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

0607 REPROGRAMMING OF SPECIAL ACCESS PROGRAMS

060701. Provision in Law

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

060702. General

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

0608 BELOW-THRESHOLD REPROGRAMMING ACTIONS

060801. Purpose

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

060802. Guidelines

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

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

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

D. If the congressional committees have denied a reprogramming increase, DoD policy prohibits the use of a series of below-threshold reprogramming actions to finance the

requested increase. However, below-threshold reprogramming actions that preceded the congressional denial will be recognized as valid.

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

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

0609 REPLACEMENT OF ITEMS SOLD FROM INVENTORY

060901. Policy

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

060902. Guidelines

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

B. The requirement for a prior approval reprogramming action exists when an item of materiel is sold which will require replacement to compensate DoD inventories for the resultant loss of capability or readiness and the replacement item will not qualify as like replacement item because it is not identical to the item sold. Replacement items submitted for congressional approval must, however, be a later series or modified version of the same basic model of the item being sold (e.g., sale of a C-130A aircraft and purchase of a C-130E), or be an acceptable substitute item used against the same inventory objective or authorized acquisition objective in requirements computations (e.g., sale of an M-48 tank and purchase of an M-60 tank). If congressional approval is provided, offsetting collections from the asset sale may be used to procure the item as a like replacement item. See paragraph 070302.C.2 of Chapter 7 of Volume 15 for more information concerning replacement of items following sales of Defense articles from stocks. In accordance with OMB Circular A-11, section 83.5, the buyback of the like replacement items must be classified as a direct obligation because it is financed using an offsetting collection from an asset sale to a non-Federal source.

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

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

061001. Definitions of Contract Changes for Reprogramming Purposes

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

061002. Use of Currently Available Appropriations to Fund Out-Of-Scope Contract Changes

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

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

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

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

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

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

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

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

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

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

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

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

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

061004. Use of Expired Appropriations to Fund Contract Changes

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

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

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

0611 NATIONAL GUARD AND RESERVE EQUIPMENT APPROPRIATION NOTIFICATION PROCEDURES

061101. General

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

061102. Procedures for Revisions to the Summary NGREA Acquisition Report

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

B. Letters requesting a change to the initial report must be submitted to ASD(RA) by the cognizant Military Department Assistant Secretary (Financial Management and Comptroller) for the respective Reserve Component requiring a change from the initial allocation directly to the ASD(RA). The ASD(RA) shall obtain coordination from OUSD(C) P/B before transmitting letters to the congressional committees.

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

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

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

*0612 OPERATION AND MAINTENANCE QUARTERLY EXECUTION REPORT

*061201. Purpose

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

061202. Submission Requirements

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

061203. Preparation of Material

The O&M Execution Report must:

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

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

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

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

061204. References

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

061205. Operation and Maintenance Quarterly Execution Report Exhibit

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

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

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

b. Navy O&M (Active/Reserve)

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

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

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

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

a. Operating Forces (BA 1)

b. Mobilization (BA 2)

c. Training and Recruiting (BA 3)

d. Administrative and Servicewide Activities (BA 4)

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

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

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

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

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

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

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

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

10. Below Threshold Reprogrammings (BTRs): This column should include any reprogramming actions that the component has made between SAG/BLI s that do not require OSD or congressional approval, also known as Below Threshold Reprogrammings (BTRs). The BTRs must not exceed $15.0 million into/out of each Budget Activity (BA) or Defense Agency. Additionally, the Explanatory Statement, Division C Department of Defense

Appropriations Act Fiscal Year 2015 cites specific SAG/BLI s that require prior approval reprogramming and Defense Agencies and Components restricted to BTRs of the lessor of $15 million.

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

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

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

B. Footnotes:

1. Careful attention must be paid to report footnotes.

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

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

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

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

C. Expectation for Funds Awareness

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

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

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BASE FOR REPROGRAMMING ACTIONS
(Dollars in Thousands)

Appropriation Account Title: *Enter the appropriation account title and program year.*

Fiscal Year Program: *Enter the fiscal year.*

Line Item	Program Base Presented to Congress in Printed Justification		Approved Changes Prior to Final Congressional Action		Changes Reflecting Congressional Action/Intent		Program Base Reflecting Congressional/ Presidential Action	
	Qty	Amount	Qty	Amount	Qty	Amount	Qty	Amount
a	b	c	d	e	f	g	h	i

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

Line item nomenclature and accompanying amounts for programs appropriated vary by account and should be shown as follows:

Active and reserve component military personnel appropriation accounts shall list budget activities as presented in the justification books. These line items will be followed by budget activity subdivisions or other line identifications to reflect congressional action by programmatic change. A total for each budget activity will be shown.

Operation and maintenance (O&M) active and reserve appropriation accounts shall list budget activities as presented in the justification books. These line items will be followed by budget activity subdivisions or other line identifications to reflect congressional action by programmatic change. A total for each budget activity will be shown.

Procurement appropriation line items will be the procurement line items shown on the P-1, Procurement Programs, and arranged in the same order with the exact same title. The line items will be grouped by budget activity and a total will be shown for each budget activity. Only congressional special interest item changes should be listed as memo entries under each P-1 line item.

Research, Development, Test and Evaluation appropriation line items will be the program elements shown on the R-1, RDT&E Programs, and arranged in the same order with the exact same title. The program elements will be grouped by budget activity and a total will be shown for each budget activity. New program titles due to congressional adds shall be as reflected in the congressional reports or as part of an existing program element, whichever is appropriate. Only congressional special interest item changes should be listed as memo entries under each program element.

Unless otherwise directed by OUSD(C), undistributed congressional reductions and adds must be distributed on the DD 1414.

DD 1414

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CLASSIFICATION

March 2015
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BASE FOR REPROGRAMMING ACTIONS
(Dollars in Thousands)

Appropriation Account Title: *Enter the appropriation account title and program year.*

Fiscal Year Program: *Enter the fiscal year.*

Line Item	Program Base Presented to Congress in Printed Justification		Approved Changes Prior to Final Congressional Action		Changes Reflecting Congressional Action/Intent		Program Base Reflecting Congressional/ Presidential Action	
	Qty	Amount	Qty	Amount	Qty	Amount	Qty	Amount
a	b	c	d	e	f	g	h	i
PROGRAM								

"Program Base Presented to Congress in Printed Justification" (columns "b" and "c"). For each line item in the Procurement and RDT&E appropriations, enter the amounts reflected in the P-1 and R-1. The Procurement line items should include applicable line item quantities (do not use xx). Military Personnel and Operation and Maintenance (O&M) appropriations will be by budget activity level and amounts will be obtained from M-1 and O-1.

"Approved Changes Presented Prior to Final Congressional Action" (columns "d" and "e"). Enter the amount of increase (+) or decrease (-) to the line items or budget activities which were approved by the Secretary of Defense and formally presented to one or both of the Committees on Appropriations. Normally, such changes, involving a change in the budget estimate for the total appropriation, will be submitted to the Congress by the President as formal budget amendments, although in certain cases, such changes have been presented directly by the Secretary of Defense. Testimony on program changes by a DoD official other than the Secretary or Deputy Secretary of Defense shall be considered as an expression of personal opinion and not as an approved change. This column shall only be used when directed by OSD.

"Changes Reflecting Congressional Action/Intent" (columns "f" and "g"). Enter the amount of increase (+) or decrease (-) for each line item reflecting congressional action as indicated in the Conference Report accompanying the DoD Appropriations Act or any other information as may be available to determine congressional action or intent regarding line item detail. Nonspecific congressional adjustments included in appropriated amounts for an Active Service O&M account shall be allocated to the budget activity level.

"Program Base Reflecting Congressional/Presidential Action" (columns "h" and "i"). Entries will represent the arithmetic sum of the applicable entries from columns "b" through "f" and "c" through "g." Amounts in this column will become the first column "Program Base Reflecting Congressional Action" (columns "b" and "c") of the subsequent DD 1416 reports.

Quantities (Columns "b," "d" and "f"). Quantities are only applicable for the procurement accounts. When a procurement line item contains a quantitative measurement, then the quantity shall be reflected in the appropriate quantity columns for that line item. If no quantity is meaningful as a unit measurement, then leave the column value left (i.e., do not use xx).

DD 1414

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March 2015
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BASE FOR REPROGRAMMING ACTIONS
(Dollars in Thousands)

Appropriation Account Title: *Enter the appropriation account title and program year.*

Fiscal Year Program: *Enter the fiscal year.*

Line Item	Program Base Presented to Congress in Printed Justification		Approved Changes Prior to Final Congressional Action		Changes Reflecting Congressional Action/Intent		Program Base Reflecting Congressional/ Presidential Action	
	Qty	Amount	Qty	Amount	Qty	Amount	Qty	Amount
a	b	c	d	e	f	g	h	i
PROGRAM								

Stub Entries for this Financing Section may include some or all of the following types of transactions:
Budget Authority:
Appropriation, P.L. 113-xxx
PL 113-xxx, Sec. 8106
PL 113-xxx, Sec. 8060
Total Financing, FY 20xx Program

Detail instructions for the above financing lines by column are as follows:
Column "c" for the appropriation and reimbursable orders lines shall be the same as the amounts in the President's Budget Program and Financing Schedules.
Column "e" is rarely used; and when appropriate, instructions for this column will be provided.
Column "g" shall be the delta changes made by Congress or DoD for applicable appropriation or general provision changes.
Column "i" shall be the sum of the columns across and shall be column "c," "Program Base Reflecting Basic Congressional Action," on subsequent DD 1416s.
"Transfers" shown on the DD 1414 will only apply for those transfers included as part of the President's Budget request or certain congressional action transfers. For example, these may include transfers in the budget from the National Defense Stockpile Fund or general provision transfers provided by the Congress in law that usually involve transfers to Shipbuilding and Conversion.

Footnoted Items. Extreme care should be used in footnoting items. Footnote 1, should be used when one of the congressional reports specifically provided funds for this item using the phrases "only for" or "only to", or the item appears in one of the project level tables. Congressional prior approval is required before decreasing funds on this program. Footnote 2, should be used when this effort was specifically reduced by one or more of the congressional committees. Below Threshold Reprogramming (BTR) authority cannot be used to restore specific congressional reductions. Footnotes should be consolidated onto the last page of each account. This avoids repetition of the same footnote that may appear on several pages of an appropriation.

DD 1414

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CLASSIFICATION

REPROGRAMMING ACTION - PRIOR APPROVAL

Unclassified

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

This is a sample with instructions on details required for preparation of a DD 1415-1, Prior Approval, reprogramming action, which requires congressional committee approval in writing prior to implementation of the committee responses. Specific approval of the USD(Comptroller) is required on all DD 1415 reprogramming actions and OMB endorsement is required for those involving general and special transfer authority.

An introductory paragraph should include the following:

1. Explain why the action is being submitted for prior approval. (One or more of the following should apply.)

A. Affects an item that is known to be or has been designated as a matter of special interest to one or more of the congressional committees.

B. Initiates a new program, subprogram, modification, program element, project, or subproject.

C. Exceeds thresholds agreed upon between the congressional committees and the Department.

D. Involves the use of general transfer authority and shall state which Acts are involved, for example, pursuant to section 8005 of division C of Public Law 113-235, the Department of Defense (DoD) Appropriations Act, 2015, and section 1001 of Public Law 113-291, the Carl Levin and Howard P. "Buck" McKeon National Defense Authorization Act for Fiscal Year (FY) 2015.

E. Involves the use of special transfer authority and shall state which Acts are involved, for example, pursuant to section 9002 of Title IX Overseas Contingency Operations (OCO) of Public Law 113-235, the Department of Defense (DoD) Appropriations Act, 2015, and section 1522 of Public Law 113-291, the Carl Levin and Howard P. "Buck" McKeon National Defense Authorization Act for Fiscal Year (FY) 2015.

F. Increases the procurement quantity of a major end item, such as an individual aircraft, missile, naval vessel, tracked combat vehicle, and other weapon or torpedo and related support equipment for which funds are authorized. (Exceptions may apply when congressional language allows for procurement of as many missiles as funds will procure, which requires the submission of, and approval of an internal reprogramming action.)

Approved (Signature and Date)

DD 1415-1 ***Unclassified***
6-24

REPROGRAMMING ACTION - PRIOR APPROVAL

Unclassified

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

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

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

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

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

REPROGRAMMING INCREASES:

Appropriation and year designation

Budget Activity Number and Title

a **b** **c** **d** **e** **f**

Explanation:

Details for each separate increase are as follows:

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

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

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

REPROGRAMMING ACTION - PRIOR APPROVAL

Unclassified

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

d. Entries for "Reprogramming Action" (columns "f" and "g"). Enter the increase (+) or decrease (-) in quantity (if applicable) and amount of the proposed reprogramming action. The total increases and decreases must net to zero. Columns "f" and "g" are not allowed to contain classified quantities or amounts. Other material, if required, should be classified in order to allow columns "f" and "g" to remain unclassified.

e. Entries for "Revised Program" (columns "h" and "i"). Enter the adjusted quantity (if applicable) and the amount resulting from the proposed increase or decrease to the previously approved program.

f. The "Explanation" on the DD 1415 should include sufficient data to justify the proposed increase. The statements should be informative, clearly stated, and straightforward. The purpose of the written documentation should be to inform the reader; therefore, care must be taken to avoid confusing narratives. For each increase within the reprogramming, include explanations and justifications that are intended to serve the same basic purpose as "original budget justification." Accordingly, concise, accurate, and clearly stated information should be provided for reviewing officials and the congressional committees as to the nature, extent, and necessity of the requirements, the costs, and the proposed application of resources to meet such costs. All program increases should be described in such a way as to distinguish between price changes and program scope changes. Statements should be prepared and reviewed on the basis that classified data will not be included. If classified information is essential to justification of the reprogramming change, it will be submitted under separate cover.

FY 2015 REPROGRAMMING INCREASE: **+10,000**

Research, Development, Test, and Evaluation, Air Force, 15/16
Budget Activity 04: Advanced Component Development and Prototypes

PE 0603851F ICBM - DEM/VAL	43,206	43,206	**+10,000**	53,206

Explanation: Funds are required to support the Rocket Systems Launch Program (RSLP) which converts surplus ICBMs into test launch vehicles for suborbital and sounding rocket launches. Funds are required to move 166 Minuteman II motors from Pueblo Depot, CO to Camp Navajo Depot, AZ because the Pueblo Depot is closing. As a result, proper storage and maintenance of environmental igloos for motor storage is no longer being maintained or guaranteed. Since the Camp Navajo Depot has been modified and is ready to accept motors, the motors must be moved to ensure proper storage and maintenance and to avoid unauthorized location of hazardous Air Force material. This is a base budget requirement.

REPROGRAMMING ACTION - PRIOR APPROVAL

Unclassified Page4 of 4

Subject:							**DoD Serial Number:** FY XX-XX PA	
Appropriation Title: Appropriation titles with year designation.							**Includes Transfer?** Yes or no	
Component Serial Number:	*(Amounts in Thousands of Dollars)*							
	Program Base Reflecting Congressional Action		Program Previously Approved by Sec Def		Reprogramming Action		Revised Program	
Line Item	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
a	b	c	d	e	f	g	h	i
FY 2015 REPROGRAMMING DECREASE:						**-10,000**		
Missile Procurement, Air Force, 15/17								
Budget Activity 03: Modification of Inservice Missiles								
MM III Modifications		29,344		29,344		**-10,000**		19,344

Explanation: These funds are excess to requirements as a result of the restructure of the Minuteman III Guidance Replacement Program (GRP). As a result of the restructure, procurement of long lead parts to support low rate initial production is not required until the second quarter of 2015. The MM III GRP program is adequately and appropriately funded to support a GRP production start in FY 2015. Accordingly, FY 2015 funds provided to procure long lead parts are available to finance higher priority requirements. This is base budget funding.

Note: All sources of financing will be clearly and explicitly identified in the DD 1415. A statement immediately following each proposed decrease in a line item shall include information as to the basis upon which it has been decided that the line item may be reduced.

Extreme care should be used in identification of sources to ensure that approved increases will be fully funded. For purposes of the Omnibus reprogramming action, except in the most unusual circumstances, the USD(C) will neither request reconsideration of denied increases, nor submit alternate sources for any denied sources.

DD 1415-1 *Unclassified*
6-27

REPROGRAMMING ACTION - INTERNAL

Unclassified

Subject:	**DoD Serial Number:** FY XX-XX IR
Appropriation Title: Research, Development, Test, and Evaluation, Navy, 15/16; shipbuilding and Conversion, Navy, 15/19	**Includes Transfer?** No

Component Serial Number:	*(Amounts in Thousands of Dollars)*							
	Program Base Reflecting Congressional Action		Program Previously Approved by Sec Def		Reprogramming Action		Revised Program	
Line Item	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
a	b	c	d	e	f	g	h	i

SAMPLE IR

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

FY 2015 REPROGRAMMING INCREASE: +xxxxxxx

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

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

FY 2015 REPROGRAMMING DECREASE: -xxxxxx

Shipbuilding and Conversion, Navy, 15/19 -xxxxxx
Budget Activity 02: Other Warships
P-1 Line Item xxxx xxxxx -xxxxx xxxxx

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

Approved (Signature and Date)

DD 1415-3

Appendix A Part 4 – Report of Programs

DD 1416

UNCLASSIFIED

Report of Programs
(In Dollars)

Account: **As of:**

Budget Activitiy:

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

FOOTNOTES:

Period of Availability: The period of time budgetary resources are available for incurring obligations.
Budget Line Item Number (BLI#)
Budget Line Item (BLI)
Budget Line Item (BLI) Title
President's Budget Request
Enacted Appropriation (Includeds Distribution of Congressional Adjustments /1: Reflects general reductions and congressional directed adjustments in the approp
Adjustments Required by Statute /2: such as the Small Business Innovation Research Program
Supplemental, Rescission, Sequuestration /3: specific reductions to the appropriations as directed in the appropriations act.
Other: Cancelled, Claims, Judgements /4
Above Theshold Reprogramming (ATR): Prior Approval reprogramming request that requires congressional approval
Below Threshold Reprogramming (BTR): finance adjustments to line items that do not require congressional approval; limited by dollar and percentage thresholds
Net: Total program amount

Appendix B – Operation and Maintenance Budget Execution Data

Operation and Maintenance Budget Execution Data
Department of the _____
(Dollars in Thousands)
Data as of (Decemeber 31/March 31/June 30/September 30) (Fiscal Year)

Appropriation	Budget Activity	Activity Group	Subactivity Group	President's Budget Request	Appropriation	Distribution of Unallocated Congressional Adjustments 1/	Adjustments Required by Statute 2/	Prior Approval Reprogram-mings	Below Threshold Reprogram-mings 3/	Other Reprogram-mings 4/	Current Program 5/	Actual Obligations 6/
	Budget Activity (#) Summary			**SUBTOTAL**	**SUBTOTAL**	**SUBTOTAL**	**SUBTOTAL**	**SUBTOTAL**	**SUBTOTAL**	**SUBTOTAL**	**SUBTOTAL**	**SUBTOTAL**
	Budget Activity (#) Summary			**SUBTOTAL**	**SUBTOTAL**	**SUBTOTAL**	**SUBTOTAL**	**SUBTOTAL**	**SUBTOTAL**	**SUBTOTAL**	**SUBTOTAL**	**SUBTOTAL**
	Budget Activity (#) Summary			**SUBTOTAL**	**SUBTOTAL**	**SUBTOTAL**	**SUBTOTAL**	**SUBTOTAL**	**SUBTOTAL**	**SUBTOTAL**	**SUBTOTAL**	**SUBTOTAL**
		Total Direct Program		**TOTAL**	**TOTAL**	**TOTAL**	**TOTAL**	**TOTAL**	**TOTAL**	**TOTAL**	**TOTAL**	**TOTAL**

Notes

1/ The "Distribution of Unallocated Congressional Adjustments" column reflects the undistrubuted adjustments from Conference Report xxx-xxx.

2/ The "Adjustments Required By Statute" column reflects amounts for General Provisions (P.L. xxx-xxx) and Supplemental Appropriation (P.L. xxx-xxx).

3/ The "Below Threshold Programmings" column includes intra-Budget Activity fund reprogramming and realignments to meet congressional intent.

4/ The "Other Reprogrammings" column includes Internal Reprogramming for Counternarcotics, Environmental Restoration, Foreign Currency Fluctuation and others as directed.

5/ The "Current Program" column reflects column D of the Operation & Maintenance Appropriation Status by Fiscal Year Program and Subaccounts Report (DD 1002 report) as of (Day) (Month) (Year).

6/ The "Actual Obligations" column reflects column E of the Operation & Maintenance Appropriation Status By Fiscal Year Program and Subaccounts Report (DD 1002 report) as of Day Month Year.

VOLUME 3, CHAPTER 7: "REPROGRAMMING OF MILITARY CONSTRUCTION AND FAMILY HOUSING APPROPRIATED FUNDS"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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

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

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

The previous version dated February 2009 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
070307	Updates guidance for administrative processing instructions associated with reprogramming actions.	Update
0704	Updates Reprogramming Request Format	Update

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CHAPTER 7

REPROGRAMMING OF MILITARY CONSTRUCTION AND FAMILY HOUSING APPROPRIATED FUNDS

0701 GENERAL

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

0702 SUBMISSION REQUIREMENTS

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

0703 PROCEDURES

070301. DoD Approvals

Proposed military construction and family housing Reprogramming actions shall be approved by the OUSD (C). Reprogramming actions shall be submitted to the Office of Management and Budget for clearance, as required by ***OMB Circular No. A-11, Section 22.3, "Clearance of Materials for Congress and the Media"***. After OUSD(C) approval, they shall then be submitted to the appropriate congressional committees for approval or for notification. Certain Reprogramming actions below threshold may be executed on approval of designated officials at the DoD Component level (see subparagraph 070302.B.3, below). Generally, the OUSD(C) shall not approve Reprogramming actions until compliance with the criteria delineated below has been fully documented by the DoD Components. When the House and Senate Armed Services Committees are to be notified in accordance with Title 10, United States Code, the DoD Component shall provide a copy of the signed and dated notification letter to the DoD Comptroller along with the Reprogramming request. Congressional notification letters in accordance with Title 10 must be sent to the four defense oversight committees prior to requesting a Reprogramming action.

070302. Determining Reprogramming Actions Requiring Prior Notification and Approval of Congressional Committees

The following definitions, procedures, and criteria shall apply.

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

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

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

2. For any increase exceeding 25 percent or $2.0 million, whichever is less, to a project or effort whose base has been increased by a previously approved congressional Reprogramming action.

3. For any increase exceeding 25 percent or $2.0 million, whichever is less, to a project whose base has been decreased by a previously approved congressional Reprogramming action.

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

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

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

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

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

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

10. For any Reserve Component major construction project, regardless of amount, that was not among those justified to and approved by the Congress, or for an increase to an approved project that exceeds 25 percent of the Reprogramming base, or $2.0 million, whichever is less.

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

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

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

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

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

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

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

5. When a DoD Component takes action to reprogram funds between or among family housing operations and maintenance accounts. However, the committees shall be notified within 30 days of any transfer (cumulative within a fiscal year) that exceeds 10 percent of the reprogramming base of the increased account.

6. When the cost increase necessitating a Reprogramming is due solely to final settlement of a contractor's claim (Senate Report 100-200).

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

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

070303. When Reprogrammings Shall Not Be Submitted

Requests for Reprogrammings shall not be submitted by DoD Components when any of the following conditions exist.

A. For any project or effort that has not been authorized, with the following exceptions:

1. Projects constructed under 10 U.S.C., sections 2803, 2854, 2663(d), or 2827.

2. Reserve Component projects that receive "lump-sum" authorization.

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

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

070304. Split-Year Funding Authority

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

070305. Appeals to Congressional Committees

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

070306. Explanatory Statements

Each proposed Reprogramming action shall be fully justified and documented using the guidance in paragraph 0704, below. The required format should be closely followed to prevent unnecessary delays in processing.

*070307. Administrative Processing Instructions

A. Reprogrammings normally shall be forwarded monthly to the Appropriation Committees. If exceptions to this monthly processing schedule are required, such as year-end Reprogrammings, the DoD Components shall be notified separately. DoD Component Reprogramming points of contact are responsible for ensuring that all required documentation has been provided to the OUSD(C), Program and Financial Control (Room

3C689) and the Military Personnel and Construction Directorate (Room 3C654), Pentagon, Washington, DC 20301-1100, by the 5th day of the month. If the 5th day falls on a weekend or holiday, the due date automatically is the next workday. Any actions received after the 5th day will be held for the next month's processing.

B. Urgent Reprogramming requests warranting that action in advance of the next regular cycle shall be evaluated and processed on a case-by-case basis. However, such out-of-cycle requests are expected to be extremely rare and in no case shall correctable situations. Reprogramming requests must be sent by OUSD(C) to the Congress at least one month prior to the bid expiration date. Components must consider the 5th day cut-off date when determining when a request should be forwarded to OUSD(C). Reprogramming requests will not be accepted if there is insufficient time to review and send to Congress one month prior to the bid expiration date.

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

D. Documentation: MilCon/Family Housing reprogramming action should be submitted via email to OUSDC (P&FC) by the 5th workday of the month. The email should include the following:

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

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

3. The top page(s) should be the Reprogramming request (installation, project, authorization, et al.) (see paragraph 0704, below). Supplementary narrative information, if required, should be attached next. A DD Form 1391, FY 19XX "Military Construction Project Data," is required if committees are seeing this project for the first time. Generally, this shall be restricted to situations in which the Military Service Secretary is exercising the emergency provisions of 10 U.S.C. 2803; the DoD Component is citing section 2854 to replace a damaged or destroyed facility; a project is being funded from savings; or a project has been added by the Congress without the benefit of official records reflecting the scope of the project involved (i.e., without a DD Form 1391).

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

* 0704 REPROGRAMMING REQUEST FORMAT

Bid Expiration Date:

Military Construction or Military Family Housing Construction, (Enter DoD Component)

Reprogramming Request

Installation: Enter installation or base name, and location, consistent with the National Defense Authorization Act (NDAA).

Project: Enter project or program title consistent with the NDAA, if the project or program is in the funded program. If not previously authorized, enter the new emergency project title.

Authorization: Reflect the exact title of the NDAA, which includes the fiscal year and public law. If not previously authorized, reflect the appropriate sections of the Title 10, United States Code Authority for emergency or replacement projects.

Estimated Cost ($000):

Previously Appropriated

Previously Reprogrammed

Requested Reprogramming

Total Estimated Costs

Description: Give a brief description of the project and requirement, similar to the 1391 project description. If appropriate, indicate any significant changes to scope.

Justification: Be clear, succinct, and complete in describing the need for the Reprogramming. If appropriate, summarize the chronology of events leading to the request, such as when the request for the proposal was announced and when bids were received. Include other relevant information, such as the contracting strategy and/or type of contract, and impact if funding was not to be made available, as well as what is driving the increase in cost (such as market conditions, inflation, full prices).

Source of Funds: Explain why the funds are no longer required for the purpose originally appropriated. With the exception of BRAC, funds may not be "borrowed" from a project temporarily, with the intention of later restoring a portion of the amount reprogrammed.

Location & Project*	Fiscal Year	Amount Appropriated ($000)**	Current Working Estimate ($000)	Proposed Reprogramming ($000)

Use Tabs to ensure that all words and numbers are properly aligned.
*Project title and location as stated in the NDAA.
**Amount as reflected in the Appropriation Act.

VOLUME 3, CHAPTER 8: "STANDARDS FOR RECORDING AND REVIEWING COMMITMENTS AND OBLIGATIONS"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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

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

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

The previous version dated September, 2009 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
Policy Memo	The Deputy Chief Financial Officer's policy memorandum, "Accounting Policy Update for Triannual Review of Obligations and Unfilled Orders," dated February 28, 2013 was incorporated into the chapter and cancelled.	Cancellation
All	Revised format to be consistent with the Department of Defense (DoD) Financial Management Regulation (FMR) Revision Standard Operating Procedures (SOP) dated June 2015.	Revision
080101	Revised the purpose paragraph to include the Triannual Review of commitments, obligations, accounts payable, unfilled customer orders and accounts receivable.	Revision
080102	Added an Authoritative Guidance paragraph in accordance with the DoD FMR Revision SOP dated June 2015.	Addition
080203	Added requirement that commitments must cite a Standard Line of Accounts (SLOA) and use transactions outlined in United States Standard General Ledger Standard Financial Information Structure (SFIS) Transaction Library.	Addition
080204	Added paragraph to require a pre-award funds validation between the contract writing and accounting systems.	Addition
080301	Defined actions that would incur obligations per Office of Management and Budget Circular A-11 Section 20.5.	Addition
080302	Added reference to requirement that obligations may be recorded only when supported by documented evidence. Added references and hyperlinks to relevant United States Code, Defense Federal Acquisition Regulation Supplement and Federal Acquisition Regulation.	Addition

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
080303.A	Added requirement that obligations must cite a SLOA and utilize transactions resident in the SFIS Transaction Library.	Addition
080304	Added requirement to provide contract obligating documents electronically.	Addition
080304.B.2	Revised description of non-severable contracts.	Revision
080304.B.3.b	Added training authorized by Title 10 United States Code Section 2249c for the training of foreign officials.	Addition
0804	Added guidance for obligations of Judgment Funds, including administrative oversight roles and responsibilities.	Addition
080613	Added requirement to determine if transaction made in foreign currencies may cause potential Antideficiency Act violations due to fluctuations in exchange rates.	Addition
081303.D	Added language to address situations where contract awards are determined to be invalid as a result of a bid protest and the contract is terminated for convenience.	Addition
081311	Deleted paragraph on simultaneous undelivered orders and delivered order obligations, unpaid.	Deletion
0814	Revised requirements for documentation and notification for recording previously unrecorded obligations.	Revision
081403.C	Added requirement for Defense Finance and Accounting Service (DFAS) to notify the Funds Holder of any obligations recorded by DFAS and for the Funds Holder to approve those obligations.	Addition
081403.D	Added language to identify the problems created by over- or under-recording obligated amounts.	Addition
081404	Added requirement to use expired funding for obligations incurred in prior periods.	Addition
0815	Added description of internal control responsibilities of Funds Holders and Department Level Management.	Addition
081504	Added requirement to segregate the duty of recording obligations and from all other entitlement transaction recording duties.	Addition
0816	Revised policies and procedures, process timeline, documentation requirements, internal control responsibilities, and deobligation procedures concerning the Triannual Review of commitments, obligations, unfilled customer orders, and accounts receivable. (Formerly Section 0804)	Revision

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CHAPTER 8

STANDARDS FOR RECORDING AND REVIEWING COMMITMENTS AND OBLIGATIONS

0801 GENERAL

*080101. Purpose

This chapter sets forth the basis for determining the amount and accounting period in which commitments and obligations must be recorded under various circumstances. Departmental standards for recording transactions in the execution level budgetary accounts are in Chapter 15. This chapter also provides guidelines for the Triannual Review of commitments, obligations, accounts payable, unfilled customer orders and accounts receivable. Priorities for researching and correcting disbursement transactions are in Chapter 11.

*080102. Authoritative Guidance

This chapter is based on regulatory and statutory requirements cited throughout the chapter. The primary regulatory source is the Office of Management and Budget ***(OMB) Circular A-11***. The primary statutory sources include Titles 10 and 31 of the United States Code, and the Code of Federal Regulation (CFR) ***Title 48, Chapter 1*** "Federal Acquisition Regulation" (***FAR***).

0802 COMMITMENTS

080201. Definition

The term "commitment" is defined in Chapter 15. The amount to be recorded as a commitment is the estimated procurement cost set forth in the commitment document. The date the commitment document is signed by an authorized official determines the accounting period in which the commitment is to be recorded in the general ledger. Officials may commit funds only to acquire goods, supplies, and services that meet the bona fide needs of the period for which Congress appropriated funds, or to replace stock used during that period. See subparagraph 080304.A for further bona fide need concepts that apply to commitments.

*080202. Recording of Commitments

All business events and financial events resulting in a commitment must cite a Standard Line of Accounting (SLOA) in accordance with Volume 1, Chapter 4, and must be recorded in the general ledger in accounting with the United States Standard General Ledger (USSGL) Standard Financial Information Structure ***(SFIS)*** Transaction Library in Volume 1, Chapter 7.

080203. Special Provisions for Determining the Amounts of Commitments

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

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

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

3. Contracts where allowable interest may become payable by the United States (U.S.) Government on contractor claims supported by written appeals pursuant to the "Disputes" clause contained in the contract (see subparagraph 080402.D).

B. Recording Contingent Liabilities Remaining under Outstanding Contracts. Amounts to cover these contingent liabilities should be carried as outstanding commitments pending determination of actual obligations. The amounts of such contingent liabilities, however, need not be recorded at the maximum or ceiling prices under the contracts. Rather, amounts should be committed that are estimated conservatively to be sufficient to cover the additional obligations that probably will materialize, based upon judgment and experience. In determining the amount to be committed, allowances may be made for the possibility of downward price revisions and quantity under runs. Each contingent liability, as referenced in Statement of Federal Financial Accounting Standards ***(SFFAS) 5***, "Accounting for Liabilities of the Federal Government," paragraphs 38 and 39, must be supported by sufficient detail to support an audit.

C. Letter Contracts and Letters of Intent. When accepted, a letter contract or letter of intent must be recorded as an obligation, but only in the amount of the maximum liability stated. The maximum liability amount may be required by other regulations to be limited to the costs that the contractor may incur pending execution of a definitive contract. In that case, the estimated amount of the definitive contract, over and above the obligation recorded under the letter contract or letter of intent, must be carried as an outstanding commitment, pending execution of the definitive contract. If the letter stipulates that awarding of the definitive contract is dependent upon a congressional appropriation, then no funds are available to commit and no commitment may be recorded.

D. Open End Contacts and Option Agreements. An authorization to incur an obligation under an open end contract or option agreement (when neither the items nor quantities are specified, but are to be the subject of subsequent orders) must be recorded as a commitment only when the amount estimated is reasonably firm. The existence of a specific dollar amount in the procurement directive or request does not make the dollar amount reasonably firm. Rather, the required quantities and the quality specification must have been determined by competent authorized personnel so that reasonable prices may be estimated. An example is a planning

estimate for spare parts. While it is known that an initial complement of spare parts will be acquired, the specification and quantity still must be determined. Experienced personnel can estimate an amount useful in planning, but this amount is not reasonably firm. The amount is recordable as a memorandum "initiation" (see Chapter 15), but not as a commitment.

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

F. Intragovernmental Requisitions and Orders. Intragovernmental requisitions and orders (such as the ***Department of Defense (DD) Form 448***, Military Interdepartmental Purchase Request (MIPR), must be considered as commitments until validly obligated under the guidelines in section 0808.

G. Multiyear Contracts. Contingent liabilities for multiyear contracts that provide for cancellation charges, when it is necessary for the government to cancel the contract for reasons other than contractor liability, are not recorded as commitments. Any such cancellation charge must be recorded as an obligation when it becomes necessary to cancel the contract and the contractor is so notified.

H. Commercial Purchase Cards. Commitments must be established in advance in amounts no less than the periodic purchase limits authorized for commercial purchase cards. Commitments are used by an activity to ensure positive funds control and limit expenditures to funds available for the purchase card program. Separate commitments must be established when the line of accounting is different. Advance reservations of funds are used in conjunction with purchases made using purchase cards. Advance reservations of funds are established by the resource manager (or equivalent), in conjunction with the assigned Purchase Card Program agency program coordinator and must be considered when setting office and cardholder purchase limits. The use of advance reservations of funds will ensure positive funds control precluding expenditures from exceeding obligations. Refer to OMB Circular A-123 Appendix B and the Department of Defense ***(DoD) Government Charge Card Guidebook*** for additional guidance on purchase cards.

I. Imprest Funds. Imprest funds must be recorded as a commitment before funds are advanced to the imprest fund cashier.

*080204. Validating Commitments

When drafting contracts, procurement officials may modify the description of deliverable goods and services or contract line item structure used on a funded purchase request. However, if these changes are substantial, there is a risk that the goods and services procured under the contract no longer align with the purpose for which funds were committed and

certified by the Authorizing Official as available and suitable for the purpose set forth in the purchase request's information. To mitigate this risk, Authorizing Officials shall conduct an automated pre-award validation with the contract issuing organization. This check shall validate that committed funds remain available and suitable for the draft award's intended purpose. This check shall also ensure that the data in the accounting and procurement systems are sufficiently aligned so as to facilitate line item traceability between commitments and obligations and to facilitate payment. This transaction shall be performed via the Global Exchange system using system agnostic data standards.

0803 OBLIGATIONS

*080301. Definition

An obligation is a legally binding agreement or action that will result in outlays, immediately or in the future. When authorized agency personnel place an order, sign a contract, award a grant, purchase a service, or take other actions that require the Government to make payments to the public or from one Government account to another, the agency incurs and obligation. It is a violation of the ***Antideficiency Act*** (Title 31, United States Code (U.S.C.), section 1341(a) (***31 U.S.C. § 1341(a)***) to involve the Federal Government in a contract or obligation for payment of money before an appropriation is made, unless authorized by law. Funds that are not legally obligated before their period of availability expires are no longer available for new obligations. The period of availability applies to the obligation of funds, not the liquidation of the obligation by disbursement of payment (expenditure). Chapter 10 prescribes policy related to adjustments to obligations or expenditures chargeable to expired and cancelled accounts. Provisions of Chapter 15 and Volume 14, Chapter 1 require that funds be allotted to DoD Component activities before the activities incur obligations. Also, obligations may not be made in excess of apportionments or formal subdivisions of funds. The recording of obligations related to unmatched disbursements and negative unliquidated obligations is specified in Chapter 11. Unless otherwise specified, primary responsibility for recording obligations remains with the DoD Components. The guidance for recording obligations by the accounting office, when it does not have the primary responsibility for such recording, is contained section 0814.

*080302. Obligation Responsibilities

31 U.S.C. § 1501, "Documentary Evidence Requirement for Government Obligations," directs that amounts shall be recorded as obligations only when supported by documented evidence. The office that incurs an obligation shall provide, within six calendar days of the date the obligation is incurred, a copy of the obligating document(s), via electronic mail, fax, or other documented means, to the office responsible for recording the obligation. The office that is responsible for recording the obligation shall record the obligation in the official accounting records within 3 calendar days of receipt of such documentation, information, or data. Timely and accurate recording of obligations facilitates the disbursing officer's (DO) ability to verify fund availability before authorizing a payment (a process called prevalidation) and, consequently, promptly pay the associated invoice.

080303. Recording Obligations

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

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

1. Documented Evidence. An amount must be recorded as an obligation only when supported by documentary evidence of the transaction. A verbal order or agreement must be reduced to writing before the obligation may be recorded. When the amount is not known or cannot be ascertained feasibly at the time that it is to be recorded, the best estimate must be used. The best estimate should be documented to include the relevant inputs, assumptions and calculations. Evidence of the analysis must be retained to support the transaction in accordance with Volume 1, Chapter 9.

2. Ten Day Rule. Obligations must be recorded in the official accounting records at the time a legal obligation is incurred, i.e., contract is let. In no instance must obligations be recorded any later than ten calendar days following the day that an obligation is incurred (to include obligations incurred when invoices are overpaid or duplicate payments are made). Notwithstanding the ten day rule, all obligations (per fund citation or accounting line on the obligation document) must be recorded and included in the official accounting records in the same month in which the obligation is incurred. If an obligation is not recorded within the specified timeframe, the guidance in section 0814 must be followed.

*080304. Recording Contract Obligations

The office that generates an obligating document, in the form of a contract award, order, or modification, must provide official evidence of the obligating documents, and other supporting documents, via electronic format as defined in the Defense Federal Acquisition Regulation Supplement (***DFARS***) and Procedures, Guidance, and Information ***(PGI) 204.201*** and in accordance with the SFIS data elements required in Volume 1, Chapter 4, to the office responsible for recording the obligation. The office that is responsible for recording the obligation shall receive the data electronically, in the same formats identified in DFARS, PGI 204.201, and in accordance with the SFIS data elements required in Volume 1, Chapter 4 and the posting logic requirements in Volume 1, Chapter 7. If this transaction fails to take place automatically, the accounting records shall be updated manually, based on the official obligating document in the Electronic Document Access System, within three business days. If the contract contains errors, omissions or deficiencies that prevent posting a Contract Deficiency Report should be created to document the deficiency and request corrective action in accordance with DFARS, PGI 204.270-2.

A. Contracts or Orders for Goods, Supplies, or Services to Meet Bona Fide Need. DoD Components must determine that the goods, supplies, or services required under contracts entered into, or orders placed obligating an annual or multiple year appropriation, are

intended to meet a bona fide need of the period for which funds were appropriated. Such determinations must consider estimated current consumption; the requirements that may be foreseen for future years based upon the procurement lead time; authorized stock levels; and authorized mobilization reserves. If, however, a provision of law makes such appropriations available for payments under contracts for specified services for periods beyond the period for which the appropriation otherwise is available, the contract for such services extending into the ensuing period (e.g., fiscal year) may be charged to the appropriation current at the time that the contract is signed. Obligate funds for each option period after funds become available. Obligations must be consistent with all normal limitations on the obligation of appropriated funds, e.g., bona fide needs rule, period of availability, and type of funds.

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

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

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

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

1. Severable Services. A contract is severable when the related services are continuing and recurring in nature and the scope of the work to be performed is defined in the general terms of the contract. Service contracts can be for either a single undertaking or end item (entire) or for performance with compensation fixed in proportion to the amount of service performed. Absent statutory authority, the term of a severable service contract that is funded by annual appropriations will not extend beyond the end of the fiscal year current

at the time the contract is awarded except when authorized by law. Option years are treated as new contracts therefore, when the severable service contract has renewal options, obligate funds for the basic period and any penalty charges for failure to exercise options. Refer to ***10 U.S.C. § 2410a*** for statutory authority permitting full obligation of severable service contracts that begin in one fiscal year and end in the next, provided the contract period does not exceed one year. The contract period for performance of severable services must begin during the fund's period of availability and may not exceed the fund's period of availability, absent statutory authority.

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

3. Training Contracts

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

* b. Bona Fide Needs Rule Exception for Special Training Courses Covered by Statute. Under ***10 U.S.C. § 2249c***, DoD appropriated funds may be used to pay costs associated with the education and training of foreign military officers, ministry of defense officials, or security officials at military or civilian educational institutions, regional centers, conferences, seminars, or other training programs conducted under the Regional Defense Combating Terrorism Fellowship Program (CTFP). Appropriated funds available for training under the CTFP may be obligated for education and training programs that begin in one fiscal year but end in the next fiscal year. Provided that obligations are incurred before an annual appropriation expires, individual severable elements of a particular CTPF program may commence in the next fiscal year. Thus, for a particular a particular CTPF program that already is underway, expiring funds may be obligated in September for tuition for a course that will not commence until January.

080305. Recording Maintenance and Repair Projects Obligations

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

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

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

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

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

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

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

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

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

080306. Determining Scope of Work Changes

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

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

C. Increases in Quantities. Changes in the quantity of the major items called for by a contract generally are not authorized under the "Changes" clause. Therefore, a change that increases the number of end items ordered on a contract is a change in the scope of the contract and would have to be funded from funds available at the time the change is made. For example, if the original contract provided for delivery of 50 items and a modification was issued to provide for the delivery of 70 items, the additional 20 items would represent a change in the scope of the contract. Thereafter, cost growth, or claims arising out of the delivery of the first 50 items, would be funded from the appropriation available at the time of the order of those items, and those arising out of the additional 20 items would be funded from the appropriation charged for those items. The foregoing applies in general; however, changes in the quantity of subsidiary items under a contract, such as spare parts, generally are considered to be within the scope of a contract unless they are so significant that they alter the basic contractual undertaking.

D. Increases in Required Levels of Service Performance. Any modification of a service contract that changes its scope by requiring additional deliverable services is a change in the scope of the contract. Such changes must be funded by appropriations available at the time that the change is made. For example, modification of a contract for accounting and audit services to a government agency is made to add a requirement for onsite technical assistance and training to grantees of the agency on financial management systems. Such a modification would be beyond the scope of the original contract, and would have to be funded from funds available at the time the additional requirement was added to the original contract. See Chapter 10 for additional policy for determining whether a contract modification involves a change in scope that must be recorded as a new obligation for additional work, or is a within scope contract change as covered by ***31 U.S.C. § 1553*** that is recordable as an adjustment to the original obligation. An increase in the number of people needed to complete the original contract, or to their level of expertise, would be a within scope cost growth change that could be funded as part of the original contract.

1. A modification of a contract to provide research and development for a new weapons system that is designed to meet a specified area of threat, and reach given levels of performance could be beyond the scope of the original contract. If, however, the "Changes" clause specifically authorizes unilateral changes within the scope of the contract (e.g., in specifications, drawings, and designs pertaining to the contract), then, the mere fact that there may be a change in the specifications regarding levels of performance or specifications regarding threats does not, thereby, automatically result in a change in scope. An increase in the number of people assigned to the project, or increased costs due to travel increases would be cost growth that would be within scope and could be funded as part of the original contract.

2. A modification of a cost type level of effort contract for a specified number of hours to be worked by personnel with a specific level of experience and training which calls for a change in the specified number of hours to be worked or the level of experience and training could be a change in the scope of the original contract. An increase, however, in direct or indirect rates under the contract would be cost growth that would be within scope and could be funded as part of the original contract.

E. Claims. Claims arising out of an original undertaking, or resulting from a within scope change, would be funded from the appropriation available at the time of the original undertaking. Claims arising out of a change in scope to the original contract would be funded from the appropriation available and charged for the change in scope.

080307. Due Diligence

Funds holders are responsible for ensuring that funds appropriated or allotted to them are used consistently with the intent for which the funds were provided. Fundamental to being a Funds Holder is practicing sound fiscal management that complies with OMB and the DoD Financial Management Regulation (FMR) requirements. Funds holders should exercise due diligence in committing, obligating, decommitting, and deobligating funds appropriated by Congress for the DoD mission. Attaining due diligence is contingent on the effective integration and synchronization of the mission stakeholders including Funds Holders, accounting, program management, and acquisition/logistics into a collaborative effort. Due diligence consists of implementing prescribed business practices and oversight of the documents for which they are responsible. Due diligence is the development and maintenance of documentation that includes contract, invoice, disbursement, task monitor notes, correspondence, and all supporting information available to determine compliance with the provisions. The following is a checklist to follow for due diligence compliance:

A. Internal control systems are adequate.

B. Information is reliable and valid.

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

D. Resources are safeguarded and managed economically and efficiently.

E. Desired program results are achieved.

F. Operations are effective and efficient.

G. Funds Holders, contracting officers and program managers should collaborate in reviewing commitments and obligations to determine if they are still valid, if goods and services are outstanding and if the funding level is sufficient to support the bona fide need. Refer to section 0816 for the Triannual Review requirements.

*0804 RECORDING JUDGMENT FUND OBLIGATIONS

080401. Legal Authority

The Judgment Fund is available for court judgments and Justice Department compromise settlements of actual or imminent litigation against the government. Judgment Fund awards and settlement may be funded on a non-reimbursable basis for various types of litigation identified in ***31 U.S.C. § 1304,*** "Judgments, Awards, and Compromise Settlements." Section 1304 and the Contract Disputes Act of 1978, at ***41 U.S.C. § 7108,*** **"**Payment of Claims," provide that awards and settlements involving appropriated fund contracts are payable from the Judgment Fund, subject to reimbursement from agency appropriations. The Fund also is available for awards and settlements involving discriminatory conduct by an Agency (e.g., a DoD Component) under statutes identified in the Notification and Federal Employee Antidiscrimination and Retaliation Act of 2002," commonly known as the "No FEAR Act," ***5 U.S.C. § 2301, Note***.

080402. Reimbursement of Contract Dispute Act Judgments

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

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

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

C. Within 15 business days after paid claim confirmation, the Treasury Judgment Fund Branch sends a letter to the responsible DoD Components point of contact requesting reimbursement. Within 30 days of receipt of notice for reimbursement, the responsible DoD Component must repay Treasury Bureau of Fiscal Service (BFS) or contact BFS to make payment arrangements. Should the impacted DoD Component fail to respond within 60 business days of the first demand letter and second demand letters, BFS will send a letter to the Office of the Under Secretary of Defense(Comptroller)/Chief Financial Officer (OUSD(C)/CFO). The letter is sent quarterly to the OUSD(C)/CFO along with a statement summarizing the outstanding CDA amounts due to the Treasury. Component quarterly balances are posted at the following website:
http://www.treasurydirect.gov/govt/reports/tma/contractdisputes.html.

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

E. In all official accounting and reporting systems, a separate and unique Sub-Activity Group (SAG) or P-1/R-1 designator must be assigned for the recording and reporting of such reimbursements. This SAG or P-1/R-1 designator must be identified as a separate line on the Appropriation Status by Fiscal Year Program and Subaccounts (DD Comp (M) 1002). This new line of accounting is to be called "Judgment Fund Reimbursement." Funds must be reprogrammed into this new line from existing allotted funds within the appropriation. These reprogrammed funds are not subject to normal reprogramming rules with respect to the increase, but must conform to reprogramming guidance governing delegated authority for program reductions.

F. Upon identification of funds to be charged and completion of any reprogramming actions, the documented package must be forwarded to the Defense Finance and Accounting Service (DFAS) site that has accounting responsibility for the designated fund accounts to process the payment. Ordinarily, a miscellaneous obligation document must be used to obligate the designated fund accounts. If, however, programming actions have reserved funds, the DFAS may be authorized to process the payment as an obligate-expend transaction. The DFAS can process the transfer of funds for the payment to the Treasury's Judgment Fund, using the Intragovernmental Payment and Collection (IPAC) system.

G. Approval authority is required from the cognizant Assistant Secretary of the Military Department (Financial Management and Comptroller) or Defense Agency Comptroller for all Judgment Fund Reimbursements to the Treasury in excess of $1,000,000.00.

080403. Reimbursement of No FEAR ACT Judgments

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

A. In processing No FEAR Act judgments, within 15 business days after the Treasury makes a payment from the Judgment Fund, it will issue a written notification (electronically or by other means) concurrently to the USD(C), CFO and/or Deputy CFO, the responsible DoD Component's reimbursement point of contact, and the DoD Component's Chief Counsel, with copy of the demand notice provided to DFAS.

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

C. The DoD Component's quarterly balances are posted at the following website: ***http://www.treasurydirect.gov/govt/reports/tma/nofear.htm***. If a DoD Component fails to reimburse the Judgment Fund within the required 45 day period or establish a payment plan with BFS, a posting will be made annually by BFS to its public website denoting the DoD Components that are delinquent.

080404. Administrative Oversight Roles and Responsibilities for Judgment Fund

A. The Office of the Under Secretary of Defense Comptroller, Program and Budget (PB) must:

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

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

B. DFAS must:

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

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

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

4. Write consolidated notes supporting financial statements to include documenting and/or reporting of Judgment Fund liabilities and ensure that these notes are accurately presented in the Agency Financial Report.

0805 RECORDING COMMERCIAL PURCHASE CARD OBLIGATIONS

Record obligations for Commercial Purchase Cards in the amounts placed for orders for goods or services.

0806 RECORDING OBLIGATIONS FOR PROCUREMENT CONTRACTS AND ORDERS

080601. Firm Fixed Price Contract

When the contract is executed, an obligation must be recorded for the total amount stated in the contract.

080602. Fixed Price Contract with an Escalation, Price Redetermination, or an Incentive Provision

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

080603. Cost Reimbursement and Time and Material Contracts

Cost reimbursement and time and material contracts include: cost, cost sharing, cost plus fixed fee, cost plus incentive fee, cost plus award fee, time and material, and labor hour contracts. When the contract is executed, an obligation must be recorded. The amount of the obligation is the total estimated payment provided by the contract's funded ceiling, including the

fixed fee in the case of a cost plus fixed fee contract, the target fee in the case of a cost plus incentive fee contract, or the base fee in the case of a cost plus award fee contract. The amount recorded must be increased or decreased by amounts provided by contract amendments, or a unilateral revision of an award fee estimate made by the contracting office. Any fee awarded in excess of the target fee in a cost plus incentive fee contract must be recorded as an obligation at the time the determination to award the larger fee is provided to the contractor. The amount of the obligation established for a cost plus award fee contract must be adjusted at the time the actual or final fee award amount is determined (see ***DFARS 216.405-2***). If the contract is incrementally funded, the amount obligated must always be the funded increments.

080604. Indefinite Delivery Type Contracts

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

080605. Contract Authorizing Variations in Quantities to be Delivered

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

080606. Multiyear Procurement Contract

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

080607. Letter Contract or a Letter of Intent

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

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

C. Commitments cannot be carried past fiscal year end.

080608. Interest on Contractor Claims

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

080609. Interest Payable under the Prompt Payment Act

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

080610. Purchase Orders

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

B. A purchase order requiring acceptance by the vendor in order to form a binding contractual agreement must be recorded as an obligation in the amount specified in the order at the time of acceptance. Evidence of this acceptance must be retained in the files. If written acceptance is not required or provided, then commencement of performance constitutes acceptance by the vendor, and the amount of the order must be recorded as an obligation in

accordance with Volume 1, Chapters 4 and 7. Formation of the binding contractual agreement should occur during the period of availability of the appropriation cited on the purchase order. If contract formation occurs after expiration of the period of availability of funds cited on the purchase order, the obligation must be recorded against current funds, and the purchase order contract modified accordingly.

080611. Amendment of a Contract

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

A. For a contract modified pursuant to a clause authorizing equitable adjustment to contract terms (including price) within the general scope of the contract, the amount of the recorded obligation must be increased or decreased by the amount specified by any and all amendments or modifications when executed. For a fixed price contract, the same source of funds that originally was obligated on the contract must be charged or credited.

B. Pursuant to the provisions of ***50 U.S.C. § 1431***, ***50 U.S.C. § 1432***, ***50 U.S.C. § 1433***, or ***50 U.S.C. § 1435***, the amount of a recorded obligation must be adjusted to reflect an increase or decrease resulting from a determination made that results in the correction of a mistake or the formalization of an informal agreement. These adjustments must be recorded against the same source of funds that originally was obligated when the amendments or modifications do not change the scope of the contract and, thus, do not result in a new procurement. When the scope of the contract is increased, the adjustment is chargeable properly to the appropriation or fund available at the time that the amendment is executed.

C. A contingent obligation, such as one existing under an indemnification clause or a clause involving an equitable adjustment, must be recorded as an obligation only in the amount of the contractual liability incurred when the amendment fixing the obligation is executed. If no amendment is required, the adjustment is recorded as an obligation when the event occurs that fixes the amount of the liability under the contingent obligation. The obligation must be recorded against the same obligation or fund that originally was cited on the contract.

D. When an increase occurs in the price of one or more items in a fixed price contract that contains an escalation clause, a price redetermination clause or an incentive provision, or in the fee in a cost plus incentive fee contract, an obligation must be recorded in the amount of the increase at the time the changed price or fee is determined in accordance with the terms of the contract. The obligation must be recorded against the same appropriation or fund that originally was obligated for the contract.

E. In some instances, it is appropriate to reduce a recorded obligation for firm fixed price contracts with escalation, price redetermination, or incentive provisions. This occurs when a determination is made by the contracting officer (and approved by the Fund Holder or a designee) that the anticipated amount of liability under the contract may be reduced and the

amount of the recorded obligation may be decreased by the amount so determined and approved. Such action is taken after taking all circumstances into consideration, including available costs and production data or tentative offers from contractors. See paragraph 081611 for additional guidance on the deobligation of funds.

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

080612. Termination of Contracts and Agreements

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

*080613. Foreign Currency Exchange Fluctuations

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

0807 RENTAL AGREEMENTS AND LEASES OF REAL AND PERSONAL PROPERTY

080701. Amount Recorded as an Obligation on Rental and Lease Agreements

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

080702. Rental Agreement Terminated by the U.S. Government

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

080703. Rental Agreement Terminated Without Costs, with Notification

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

080704. Rental Agreements with Specified Dollar Payment

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

080705. Domestic or Foreign Rental Agreement Not Exceeding 12 Months

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

080706. Domestic Lease Agreements for Periods Greater Than One Year

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

080707. Obligations for GSA Standard level User Charges

Obligations to the GSA for standard level user charges are recorded as specified in the GSA bill.

0808 REIMBURSABLE ORDERS PLACED WITH DOD COMPONENTS OR OTHER U.S. GOVERNMENT AGENCIES

080801. Reimbursable Procurement

A. The term "reimbursable procurement" refers to an order for supplies, material, services or equipment placed by a requiring DoD Component for:

1. Procurement by another DoD Component (or a major organization unit within the component) or Federal Agency on a contract funded by the procuring DoD Component or Federal Agency.

2. Subsequent delivery to and reimbursement by the requiring DoD Component.

B. When recording obligation for a reimbursable procurement, the date and amount recorded as an obligation for a reimbursable order by the requiring DoD Component is the date and amount of acceptance by the procuring activity.

C. A MIPR or other document, as appropriate, may be used for processing reimbursable procurements. Obligation occurs when the authorizing and/or responsible government official signs the DD Form 448-2, Acceptance of MIPR, or other document, as appropriate. Obligations are not complete until the acceptance document is signed and returned to the office responsible for posting the obligation. Additional guidance on MIPR processing can be found in the DFARS, PGI, subpart 253.208.

080802. Direct Citation Procurements

The term "direct citation procurement" refers to procurement accomplished by combining the requirements of one or more other DoD Components with those of the procuring DoD Component. The procuring DoD Component may issue one contract with separate schedules showing the quantities, prices, dollar amounts, and citation of funds of each requiring DoD Component. The direct citation order is recorded as an obligation by the requiring DoD Component when it is notified in writing that the procuring DoD Component's contract or project order has been executed, or when a copy of the contract or project order is received. MIPRs used for these orders are not complete until the MIPR Acceptance is signed and received by the office responsible for posting the obligation.

080803. Reimbursable Orders with Other DoD Activities

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

A. Project Order authority is available only for intra- or inter-DoD orders. All project orders must be identified on the order document itself. Fixed price and reimbursable project orders are funded like similar commercial procurement contracts. When a project order is accepted in writing by the performing activity, the amount of the project order must be recorded as an obligation in the amount stated in the order. See Volume 11A, Chapter 2.

B. Unless more specific statutory authority is applicable, the Economy Act, codified at 31 U.S.C. § 1535, provides authority that allows DoD Components to order goods and services from other federal agencies (including other DoD Components) and from major organizational units within the same DoD Component. Economy Act orders citing an annual or multiyear appropriation must serve a bona fide need arising, or existing, in the fiscal year (or years) for which the appropriation is available for obligation. The requesting DoD activity must obligate funds when the performing activity accepts the order in writing. The work to be performed under Economy Act orders must be expected to begin within a reasonable time after its acceptance by the servicing DoD Component or organizational unit. Based on authority of 31 USC § 535(d), orders placed or agreements made under Economy Act orders, obligates an appropriation of the ordering agency or unit. MIPRs are Economy Act orders subject to downward adjustment when the obligated appropriation is no longer available for obligation to the extent that the procuring component has not executed its agreed-upon contract or project order actions. Funds must be deobligated by both the requesting and servicing agency to the extent that the servicing agency or unit filling the order has not incurred obligations, before the end of the period of availability of the appropriation, in (1) providing goods or services; or (2) making an authorized contract with another person to provide the requested goods or services. As specified in paragraph 081602, all unliquidated obligations must be reviewed and any unsubstantiated obligations or excess funds deobligated. Refer to Volume 11A, Chapter 3 for additional policy covering deobligations related to Economy Act Orders.

C. By DoD policy and agreement with civilian agencies, Non-Economy Act reimbursable orders placed by DoD Components for supplies, material, services or equipment are placed with conditions that, in practical effect, make them subject to obligational standards used for Economy Act reimbursable orders.

1. Non-Economy Act orders obligating annual or multiyear appropriation must satisfy a bona fide need of the appropriation's period of availability. The requesting DoD activity must obligate funds when the performing activity accepts the order in writing.

2. By policy and agreement with civilian agencies that have Non-Economy Act authorities to perform reimbursable orders, the DoD has further limited the fiscal principle that a performing agency with Non-Economy Act authority has a reasonable period of time to use transferred funds, depending on the nature of the order. Thus, Volume 11A, Chapter 18 and agreements civilian agencies provide that funds must be deobligated by both the requesting and performing agency to the extent that the performing agency has not, before the end of the period of availability of the DoD requesting agency appropriation, (1) provided the goods or services, or (2) entered into contract obligations with another entity (contractor) to provide the requested goods or services in a manner consistent with the bona fide needs rule.

3. It is the responsibility of each DoD Component or its subordinate entity, establishing obligations to develop and implement procedures, for ensuring timely monitoring and deobligation of funds.

080804. Modifying Reimbursable Orders

Requiring activities must also use caution in modifying reimbursable orders applying the following guidelines.

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

B. If the appropriation used to fund the initial order has expired, it may be used only to liquidate or adjust prior obligations.

C. Under no circumstances should an order result in a performing agency's issuance of a contract for severable services crossing fiscal years that extends beyond one year from the date of contract award, as addressed in 10 U.S.C. § 2410a. Any such contract's performance period must begin during the period of availability of the requiring activity's appropriation. For guidance on rental agreements with specified dollar payments see paragraph 080704.

0809 ORDERS PLACED WITH (OR THROUGH) DEFENSE WORKING CAPITAL FUND ACTIVITIES

080901. General

The DoD has authority under ***10 U.S.C. § 2208,*** and ***10 U.S.C. § 2210,*** to establish Defense Working Capital Fund (DWCF) activities to finance inventories of its supply chain management business areas and provide working capital for industrial and commercial type activities. Activities funded through DWCFs perform work for others under several different authorities. These authorities include the Project Order Act for depots, the Economy Act for reimbursable and direct citation procurements, and supply management operations (stock fund operations) that use DWCF contract authority to acquire assigned items of supply for other

DoD Components. DWCF activities performing commercial type services charge stabilized rates rather than charges based on Economy Act actual cost methodologies. Activities performing DWCF operations can identify the transactional authority for work performed for others. Under 10 U.S.C. § 2208, the DWCF is used for two different types of activities to include stock funds (supplies) plus, goods and services. An order placed with a DWCF activity may only be for a bona fide need of the period for which the ordering activity's financing appropriation is available.

080902. Recording DWCF Stock Funds

A. Recording DWCF Capital Stock Fund Purchases. Unlike Economy Act orders, and unlike Non-Economy Act orders placed with civilian agencies pursuant to policies set forth in Volume 11A, Chapter 18, purchases made by DWCF stock fund activities using contract authority to fill customer orders are not legally required to be obligated before expiration of the customer's financing appropriations. However, an order placed for an Integrated Material Management (IMM) item must be a bona fide need of the requesting activity's financing appropriation. Thus, consistent with bona fide need requirements, the DWCF activity using contract authority to acquire an IMM must be able to satisfy the requirement within a reasonable period of time. Unreasonable delay in DWCF execution (or delivery in a subsequent fiscal year not based on delivery, production or manufacturing lead time exceptions) may reflect that the order placed with the DWCF was not a bona fide need of the requiring activity. There is no hard and fast rule in this regard, but a reasonableness standard does apply.

B. Recording Obligations for Stock Number and Nonstock-Number Items. An order for an item for which a stock number has been assigned must be recorded as an obligation at the time the order is placed. Record an obligation for a Non-stock Numbered Item (stock number not assigned at the time of placement of the order) when the DWCF activity accepts the order for an IMM item that it will fill using its cost authority. Orders without stock number require order and acceptance because the provider may not be able to fulfill the order.

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

080903 Change Notices

The following policies apply to change notices.

A. Cancellation. An obligation for an undelivered order placed with the stock fund activity must be adjusted when a change notice affecting price, quantity, or an acceptable substitution of a like item is received from the stock fund. An undelivered order placed with the stock fund must be canceled when the customer receives a notice of:

1. Substitution that is unacceptable,

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

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

B. Transfers from Centrally Managed Procurement to DWCF Stock Fund. An obligation must be recorded as a DWCF stock fund order if a requiring activity receives notice that an ordered item funded by a centrally managed procurement appropriation has been transferred to funding by the stock fund.

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

1. Cancellation or modification of the quantity on order or

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

080904. Economy Act and Project Orders Placed with DWCF Activities

DoD organizations record obligations for reimbursable procurement orders, direct citation orders, and project orders placed with DWCF activities in accordance with section 0808.

0810 PERSONAL SERVICES AND BENEFITS OBLIGATIONS

081001. Obligations Recorded for Payments to Military and Civilian Employees

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

081002. Obligations Recorded for Subsistence In Kind

An obligation must be recorded for subsistence in kind based on requisitions and orders, or on a written administrative determination of the estimated cost of subsistence furnished by others.

081003. Obligations Recorded for Annual and Sick Leave of DoD Employees

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

081004. Obligations Recorded for Severance Pay to U.S. Government Civilians and Foreign National Employees

Severance pay for USG civilian employees and foreign national employees (such as those German nationals covered by the German Tariff Agreement) must be reported as an obligation on a pay period by pay period basis; that is, at the time the severance pay becomes payable, regardless of the time it is disbursed.

081005. Recorded for Severance Pay Under Specified Conditions

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

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

1. In general, obligations for separation allowances for foreign national employees must be recorded against applicable current allotments in the full amount of the liability that accrues during the accounting period even though the amount may not currently be payable. When a foreign country is committed to fund part of the separation allowance for its nationals, however, DoD funds must be obligated only for the Department’s portion of that cost. The amount chargeable to the applicable current allotment is the separation allowance liability incurred during the current accounting period and adjustments to outstanding liabilities for separation as a result of changes in pay. Adjustments for fluctuations in foreign currency exchange rates must be made at the time of the disbursement. See paragraph 081311 for guidance on those currencies not covered by the foreign currency fluctuations appropriation.

2. Upon transfer of a foreign national employee from one DoD Component to another, the relinquishing DoD Component must give detailed records to the gaining DoD Component on the unpaid accrued separation allowance for that employee. The detailed records must include the name of the employee, beginning and ending dates of employment, grade or classification, or both, amounts of the accrued liability by fiscal year appropriations and accounting classifications to be charged at the time of separation, and the name (or designation) and address of the activity that will be responsible for retaining the appropriation records. The relinquishing DoD Component must retain its liability for the accrued separation allowance, including the adjustment for any final fluctuation in the rate of foreign currency exchange, until notified of the employee's separation and payment of the allowance by the DoD Component effecting the separation. The gaining DoD Component is responsible for obligating separation allowances earned from the date of an employee's accession. Accrued separation allowances must be paid when a foreign national employee is separated. The DoD Component effecting the separation must coordinate its payment actions with the other DoD Components whose funds are to be charged. DoD Components should designate one of their activities to maintain centrally the detailed employee and appropriation records for all transferred employees to facilitate the closeout and liquidation of liabilities.

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

0811 PERMANENT CHANGE OF STATION OBLIGATIONS RECORDED

At the time permanent change of station orders are issued for civilian and military personnel, obligations must be recorded against current appropriations for all authorized reimbursable expenses incidental to relocation at the request of the USG and for transportation requests and bills of lading expected to be issued. The only exception is the obligation of costs for non-temporary contract commercial storage of household goods, which must be obligated either in the period in which the service is rendered or to the appropriation current at the contract award. Record an adjustment to the obligation based on the costs itemized on the traveler's settlement voucher.

0812 TEMPORARY DUTY TRAVEL OBLIGATIONS RECORDED

Tentative obligations for temporary duty travel must be recorded from written administrative determinations, based on the travel authorizations issued, for the estimated transportation to be purchased and the estimated reimbursement to be earned by the traveler for per diem allowances, use of privately owned vehicles, and incidental travel expenses. When travel is performed under a blanket authorization (with the itinerary not definite), the amount of the tentative obligation recorded in the current month must not exceed the estimate of the travel

expenses to be incurred to the end of the current month. When the period covered by the travel authorization extends beyond the end of the fiscal year, and the travel costs are being paid by means of an annual appropriation or the final year of availability of a multiple year appropriation, the amount of the recorded obligation must be the cost of transportation purchased and reimbursements earned to the end of the fiscal year.

0813 OTHER OBLIGATIONS

081301. Loan Agreements

As required by ***2 U.S.C. § 661-661f***, new direct loan obligations may be incurred only to the extent that budget authority to cover costs is provided in advance. When a direct loan obligation is incurred, its cost (i.e., the estimated long term cost of the loan to the government) is obligated against the "program account" established for the loan program. Actual funding of the direct loan is made through a revolving, non-budget "financing account." Refer to Treasury BFS, U.S. Standard General Ledger (USSGL) ***Credit Reform Guidance*** for detailed guidance covering obligation and disbursement of funds for direct and guaranteed loans.

081302. Grants and Subsidies Obligations Recorded

The amount of a grant or subsidy must be recorded as an obligation when supported by documentary evidence as follows:

A. A grant requiring the grantee to undertake prescribed activities must be recorded as an obligation based on formation of a binding agreement. Usually, a signed grant offer is provided by a grants officer to the grantee for acceptance. The obligation is incurred when the grantee accepts or approves the Component's offer by signing the grant document and providing the acceptance to the Component.

B. A grant or subsidy not proceeded by a binding agreement must be recorded as an obligation at the time payable.

C. Annually, Components must:

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

2. Determine why these funds were undisbursed, and

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

081303. Bid Protests or Other Challenges

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

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

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

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

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

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

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

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

081304. Liquidated Damages Recorded

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

081305. Litigation Obligations Recorded

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

081306. Bills of Lading

A bill of lading issued to a commercial carrier must be recorded, when issued, as an obligation in an amount representing the estimated value of the transportation to be furnished, based on established rates and adjusted on receipt of evidence of payment of the final bill. Obligations for transportation that has not been commenced at year end must be deobligated and obligated in the next fiscal year if still valid.

081307. Public Utility Services Obligations Recorded

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

081308. Claims

A claim payable under law must be recorded as an obligation, when finally approved, in the amount certified for such payment.

081309. Legal Determinations

A document evidencing a present legal liability of the USG, when the liability has been determined to exist by competent legal authority, must be recorded as an obligation in the amount of the liability when that determination is made.

081310. Simultaneous Disbursement and Obligation

If a disbursement has been made (or is about to be made) without the related obligation previously having been recorded, an obligation must be recorded immediately in the amount of the disbursement. Refer to Chapter 11 for further guidance on disbursements made without the related obligation.

081311. Foreign Currency Fluctuations

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

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

081312. Security Guard and Firefighting Services

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

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

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

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

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

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

081313. Postage Obligations Recorded

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

*0814 UNRECORDED OBLIGATIONS

081401. Dollar Threshold for Obligations Identified as Not Recorded

The following guidance must be applied when the accounting office identifies that an obligation has been incurred but not recorded in the official accounting records and the accounting office is in possession of a valid obligating document (as specified in subparagraph 081402).

081402. Document Verification

A. The accounting office must verify that the document was not previously recorded in the official accounting records under the applicable obligation reference number indicated. Documents exchanged between electronic systems, such as entitlement systems, must also be validated to ensure that the electronic transaction was properly transmitted or recorded under the applicable obligation reference number and to, at a minimum, ensure that no errors resulted during the electronic transmission. The verification process must also include an appropriate review (e.g., review by amount, appropriation, project-level accounting data and vendor name) to determine whether the obligation is recorded under another reference number, to include unrecorded modifications that are controlled in other obligating documents. For those accounting systems that contain commitments, the review also must involve looking for a commitment.

B. The accounting office must verify whether the obligation was recorded in the official accounting records at an amount that was less than the face value of the obligating document or Electronic Data Interchange (EDI) representation. If so, the amount of the obligation to be recorded must be limited to differences between the amounts authorized on the obligating document or EDI representation and the amount previously recorded in the official accounting records. If one of conditions described in subparagraph 081402.A or 081402.B is met, the supporting accounting office immediately must record an obligation if the dollar amount is $2,500 or less. If the amount of the obligation is over $2,500, the accounting office must follow the procedures in subparagraph 081403.B.

081403. Recording

A. DFAS, the DoD-wide accounting office, must immediately record an obligation if the dollar amount is $2,500 or less.

B. If the dollar amount is greater than $2,500, the accounting office must provide the appropriate DoD Component Financial Manager with a copy of the obligating document(s), via e-mail, fax, electronic upload, or other documented means (retaining proof of transmission and receipt of the notification), to the official document repository and allow ten calendar days for the Financial Manager to record the obligation or demonstrate that the obligation was previously recorded. The accounting office must record the obligation on behalf of the Financial Manager if, within ten calendar days, the Financial Manager does not demonstrate that:

1. It is not accountable for the obligation,

2. The obligation is inaccurate,

3. The applicable obligation previously was recorded, or

4. It has recorded the obligation in the accounting records.

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

* D. Components must promptly record all obligations consistent with standards set forth in section 0803. The over-recording and under-recording of obligated amounts is equally improper, as either makes it impossible to determine the actual status of an appropriation and may lead to violations of the Antideficiency Act. Over-recording and under-recording will also call into question the accuracy of agency financial statements and the propriety certifications on reports of obligations provided to Congress pursuant to ***31 U.S C. § 1108(c)*** and ***1501(b)***.

*081404. Expired Funds

If the agency has incurred a valid obligation in the prior year which was unrecorded, prior year funds must be used. Current appropriations are not available to fund this obligation. If insufficient funds remain in the prior years' appropriation, the agency must seek a supplemental or deficiency appropriation and must further consider the possibility that the Antideficiency Act, 31 U.S.C. § 1341 has been violated.

*0815 INTERNAL CONTROLS

081501. Departmental Responsibilities

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

081502. Funds Holder Responsibilities

A. The Funds Holder must review and validate commitments and obligations as financial transactions occur. The requirement for review of commitments and obligations applies to all appropriations and funds of all DoD Components. This requirement applies not only to direct appropriations, but also to all reimbursable transactions, as well as the Department's Revolving and Trust Funds.

B. Triannually, the Funds Holder must reconcile all obligations incurred during the period. They must reconcile amounts recorded in the general ledger to contracting system records and/or obligating documents such as contracts and modifications.

1. The Funds Holder must document and investigate all differences.

2. The Funds Holder must alert the Financial Managers for any variances. The Financial Manager must review the Funds Holder's documentation and assess whether an adjustment to the general ledger is required.

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

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

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

081503. Supporting Documentation

Prior to recording an obligation, the Financial Manager responsible for the official accounting records of the Funds Holder must have either:

A. A copy of the obligating document(s) via e-mail, fax, electronic upload to the official document repository, or other documented means (e.g., contract, contract amendment, letter contract, purchase order, reimbursable order, lease agreement, travel order) that will support an obligation, or

B. EDI transaction set that represents an obligating document or supports an obligation (e.g., an EDI 850 transaction set representing a contract or an EDI 860 transaction set representing a contract modification or equivalent electronic data).

*081504. Segregation of Duties

To ensure proper internal controls within the office responsible for financial management, the duty of recording obligations must be separate from other payment function duties. For example, technicians responsible for recording an obligation, must not also post receiving reports, or certify payments for the same transaction in which the technician recorded the related obligation.

081505. Antideficiency Act Violations

When the Financial Manager records an obligation in accordance with this policy and it results in an apparent Antideficiency Act violation, that office immediately must initiate research to include consulting with the Funds Holder. The following additional assessments apply:

A. If it is determined that the Financial Manager action resulted in a duplicate of an obligation that previously was recorded in the official accounting records, the Financial Manager action immediately must be reversed after the error is identified and no Antideficiency Act violation will be considered to have occurred.

B. If the Financial Manager determines that:

1. The Financial Manager action has not resulted in a duplicate of an obligation that was previously recorded in the official accounting records and

2. The obligation has exceeded the Funds Holder's authorized budget authority,

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

C. If a valid obligation actually had been incurred in excess of available funds, the actual incurrence of the obligation, rather than the recording of the obligation, would be considered to have caused the apparent violation. In such cases, follow the appropriate DoD guidance for Antideficiency Act investigations contained in Volume 14.

*0816 TRIANNUAL REVIEWS OF COMMITMENTS, OBLIGATIONS, ACCOUNTS PAYABLE, UNFILLED CUSTOMER ORDERS AND ACCOUNTS RECEIVABLE

081601. DoD Triannual Review Goals

In addition to the Triannual Review being an integral component of exercising sound internal controls, the DoD goal in performing the Triannual Review is to increase each DoD Component's ability to use available appropriations before they expire and ensure remaining open obligations are valid and liquidated before the cancellation of the appropriation. To ensure that obligations are liquidated before canceling, obligations related to appropriations that will cancel on September 30th of the current fiscal year must be reviewed during the May 31st Triannual Review period. Triannual Reviews should be particularly rigorous in reviewing commitments and obligations of appropriations prior to their expiration. Attaining the DoD's Triannual Review goals is contingent on the effective integration and synchronization of the Funds Holder (Resource Manager), Accounting, Program Management, Contracting Officers, and Acquisition/Logistics efforts during each Triannual Review process. The responsibility for successfully completing Triannual Reviews is a collaborative effort. The integrating of all the stakeholders into the review process will allow for an effective review. From a financial audit perspective, one outcome of a well-executed and documented Triannual Review is to provide evidence of the reasonableness of open balances in support of auditable financial statements.

081602. Triannual Reviews of Commitments, Obligations, Accounts Payable, Unfilled Customer Orders, and Accounts Receivable

A. The Triannual Review process is an internal control practice. The Funds Holder, with assistance from supporting Financial Managers, must review commitments, unliquidated obligations, accounts payable, unfilled customer orders (UFCO), and accounts receivable transactions, for validity, accuracy, and completeness not later than 30 calendar days after each of the four month periods ending on January 31st, May 31st, and September 30th of each fiscal year. Also, the Triannual Review will ensure that the SFIS Transaction Library has been adhered to for recording the proprietary and budgetary transactions.

B. Funds provided from a granting to performing organization (reimbursable) are subject to the same scrutiny as all other appropriations. Both the granting and performing organizations must review the status of the reimbursable funds utilizing the same level of criteria and oversight as all appropriated funds. Granting organizations are only responsible for reviewing their side of the transaction, while performing organizations are responsible for reviewing their side of the transaction. Components should also review Reimbursable Orders for conformance with the Economy Act or other applicable statutory authority for the Reimbursable order. Non-Economy Act orders should be reviewed to ensure that the interagency agreements (Memorandums of Agreement/Service Level Agreements) are consistent with DoD policy.

C. Suballotted funds are subject to the same scrutiny as direct funds. Granting agencies must include suballotted funds in their triannual review population. Because granting organizations do not have visibility into execution data, performing organizations are responsible for assisting the granting organization in completing the review. This support includes providing source documents, contract or payable status, and financial analysis, as requested by the granting organization. Granting and performing organizations should develop formal memorandums of understanding to document the specific support requirements for suballotted funding.

081603. Internal Control Responsibilities Supporting Triannual Reviews

A. The Assistant Secretaries of the Military Departments (Financial Management and Comptroller), and Comptrollers of the Defense Agencies and DoD Field Activities must implement effective internal controls to ensure that the required reviews and identified corrective actions are completed in a timely manner.

B. The Assistant Secretaries and Comptrollers should establish standard procedures for completing the Triannual Review. Standard procedures must address:

1. Standard queries and/or standard reports to ensure the completeness of data extracted.

2. File naming; file structure; and data fields for supporting documentation.

3. Process to properly record the status of each commitment / obligation / Payable / UFCO / Receivable. At a minimum the following document statuses should be reported: “valid,” “adjusted,” “canceled,” or “awaiting contract review by the Defense Contract Audit Agency (DCAA).”

4. Process to prepare and report results with the correct status of each balance in a standard reporting format, to allow management analysis and decision making.

5. Component specific documentation required to support each obligation, commitment, UFCO, receivable and payable. Refer to Table 8-2 for general documentation requirements by assessable unit.

081604 Dormant Balances

A. Balances are defined as dormant if they have not been liquidated, and no obligations, adjustments, contract modifications, disbursements, or withdrawals occur within a 120 day period. "Current," defined for this chapter, is having changes in the status for commitments, obligations, disbursements or contracting activity during the last 120 day period.

B. Contracts should not be considered dormant while undergoing review by the Defense Contract Management Agency or DCAA prior to closeout.

C. Unliquidated obligations for Firm Fixed Price contracts with an expected delivery date beyond the review period are considered current for that particular review period.

D. The Funds Holder must establish aging criteria for identifiable groups of transactions that are based on the normal historical cycle for such transactions. For example, contract commitments should be reviewed once the normal time frame for contract award has elapsed. This may be longer than the normal cycle time for a purchase order. The same is true for obligation transactions. Purchase order delivery time frames normally would be shorter than the delivery time for a major weapons system procurement contract. The criteria for each group of transactions must be documented and made part of the review documentation.

081605. Responsibilities of the Financial Manager

A. The office responsible for financial management must provide Funds Holder with listing(s) or automated media identifying commitments and unliquidated obligations, both dormant and current, recorded for the Funds Holder. The Financial Manager also must provide listing(s) or automated media identifying accounts payable, UFCO, and accounts receivable which enable the Funds Holder to verify proprietary and budgetary accounts and, thus, ensure that proprietary and budgetary accounts are valid, accurate, and reconciled. The transaction media must be such that the review can be documented and individual transactions can be annotated if the review reveals further action is required.

B. If requested, the Financial Manager must assist Funds Holder in the conduct of their reviews by:

1. Assisting in the identification and organization of transaction groupings in such a manner so as to facilitate the review by different segments of the Funds Holder's organization;

2. Assisting in the identification and correction of situations that may delay the recording of commitments or obligations, or the matching of disbursements to obligations; and

3. Entering corrections identified by the Funds Holder when such corrections are adequately documented and the entry of such transactions is the normal function of the Financial Manager.

C. The Financial Manager must identify dormant commitments and unliquidated obligations eligible for close out by the paying office for contracts that are physically complete and for which the period of performance has expired (hereinafter, "dormant contracts"), and no pending transactions are expected.

D. Further, the Financial Manager will review and reconcile the accounts payable balances for all accounts payable, to include accounts payable resulting from canceled appropriations, to their specific accounts payable subsidiary ledgers and certify their accuracy.

081606. Responsibilities of Funds Holder

The Funds Holder is responsible for conducting reviews of commitments, unliquidated obligations, accounts payable, UFCO, and accounts receivable, irrespective of whether the Funds Holder or the Financial Manager actually records the commitments or obligations in the official accounting records. This responsibility is placed on the Funds Holder because the Funds Holder initiates those actions that result in commitments, obligations, payables and receivables and, therefore, is in the best position to determine the accuracy and the status of such transactions. The Funds Holder should complete the following procedures no later than 30 calendar days after the Triannual Review Date (each of the four month periods ending on January 31st, May 31st, and September 30th of each fiscal year):

A. Obtain a population of all commitments, obligations (undelivered, paid and undelivered unpaid), payables, UFCO and receivables. For all dormant balances above the thresholds noted in Table 8-1, assess the validity of the open balance by determining (as applicable): whether the commitment requirement is still valid and accurate, future work will be conducted on the contract or UFCO, future disbursements will be required to liquidate open payables, or future collections are likely to be obtained for the receivables. Review thresholds are based on the balance of individual commitments, obligations, payables, receivables and undelivered orders, not the overall contract/purchase order amounts.

Table 8-1: Review Thresholds

Balance	Related DoD FMR Chapter	Appropriation	Review Threshold
Commitment	Volume 3, Chapter 8	Procurement; Research, Development, Test and Evaluation; Military Construction; Investment-Type Portion of the Foreign Military Sales (FMS) Trust Fund; and the Capital Budget of the Defense Working Capital Funds (DWCF)	Above $200,000
Commitment	Volume 3, Chapter 8	Operation and Maintenance, Military Personnel, Revolving Funds, Trust Funds Including the Operating-Type Portion of the FMS Trust Fund, the Operating Portion of the DWCF, and Other Appropriations/Funds, as appropriate	Above $50,000
Obligation	Volume 3, Chapter 8	Procurement; Research, Development, Test and Evaluation; Military Construction; Investment-Type Portion of the FMS Trust Fund; and the Capital Budget of the DWCF	Above $200,000
Obligation	Volume 3, Chapter 8	Operation and Maintenance; Military Personnel, Revolving Funds; Trust Funds Including the Operating-Type portion of the FMS Trust Fund; the Operating Portion of the DWCF; and Other Appropriations/funds, as appropriate).	Above $50,000
Payable	Volume 4, Chapter 9	All	Above $50,000
Unfilled Customer Order	Volume 11A	All	Above $50,000
Receivable	Volume 4, Chapter 3	All	Above $50,000

B. Document the results of these investigations and maintain all supporting documentation. Supporting documentation may include correspondence from vendor/buyer, and (as applicable): Budget Office, Contracting Officer, Contracting Officer's Representative, and DFAS representatives. Additional documentation may include progress reports, contract modifications, invoices, IPAC system screen prints or system reports that support the validity of the open balance or suggest that it is no longer valid. In the event that documentation must be obtained from the vendor, the Funds Holder should work through the Contracting Officer to contact the vendor. See Table 8-2: "Required Triannual Review Documentation" for a list of examples of supporting documentation by assessable unit. Documentation should be printed or screen prints maintained electronically, unless the source system has reliable IT controls and data will be maintained in archive.

Table 8-2: Required Triannual Review Documentation

Assessable Unit	Supporting Documentation	Correspondence From
Contractor Pay	Originating Documents Contracts, contract modifications Liquidating Documents Contract modifications, payment vouchers (including invoices and receiving reports)	-Contractor -Contracting Officer -Contracting Officer's Representative -Financial Manager
Vendor Pay	Originating Documents Contracts, contract Modifications Liquidating Documents Contract modifications, , payment vouchers (including invoices and receiving reports),	-Vendor -Contracting Officer -Contracting Officer's Representative -Financial Manager
Civilian Pay	Originating Documents Written administrative determinations of the amounts of the liabilities incurred for personal services based on payroll or personnel records Liquidating Documents Payroll file summaries	-Program office -Resource manager - Financial Manager
Military Pay	Originating Documents Written administrative determinations of the amounts of the liabilities incurred for personal services based on payroll or personnel records Liquidating Documents Payroll file summaries	-Program office -Resource manager - Financial Manager
Intragovernmental	Originating Documents MIPR (DD Form 448), Acceptance of MIPR (DD Form 448-2), intragovernmental or interdepartmental agreement, memorandum of agreement, other reimbursable work order Liquidating Documents IPACs SF-1080s (Voucher for Transfers Between Appropriations and/or Funds)	-Program Manager -Funds Holder - Financial Manager

C. Quantify the total dollar amount of dormant balances below the established thresholds to determine whether these items are material in aggregate. If these balances are material, select an additional sample of dormant balances for review. This analysis should be documented in the Triannual Review documentation package.

D. From the population of current balances, select a sample of the open balances. This may be based on risk characteristics of the balances. For each sampled balance, obtain the originating document or documents (such as contracts and modifications, including all amendments for obligations, invoices for payables, MIPRs for UFCOs, or bills for receivables). Obtain the liquidating documents (such as accrued estimates or payment records for payables, and collection records for receivables) for each obligation, payable, UFCO, or receivable and confirm the following:

	Initiating Document Amount (From Originating Documents, as amended)
Less:	Liquidating Documents Amount(s)
Equals:	Supported Open Balance Amount

1. For each sampled balance, confirm the balance was recorded in accordance with the FMR chapters listed in Table 8-1.

2. For any invalid or inaccurate balances, initiate actions with the Financial Manager to decommit, deobligate, or adjust the open payable, receivable or unfilled customer order balances.

E. Prepare a confirmation statement. The statement must confirm the following:

1. All dormant commitments, obligations, payables, UFCO, or receivables recorded in the accounting system have been validated to a hardcopy or an electronic source document.

2. Adequate follow up was conducted on all dormant balances to determine if the balance is still valid.

3. All commitments that could not be substantiated or validated after a thorough review by the Funds Holder have been decommitted.

4. All obligations that could not be substantiated or validated after a thorough review by the Funds Holder (and/or the Financial Manager) have been deobligated.

5. All below threshold dormant balances are immaterial or, if material, were sampled to gain reasonable assurance the balances are correct.

6. "As of (date), (number) (percent ~ %) of obligation transactions for known contingencies and related documents for the Triannual period ending (date) were verified to be properly captured, classified, recorded and reported."

7. The sampling methodology used of all current balances resulted in a representative sample.

8. Each sampled current balance was recorded in accordance with the FMR chapters listed in Table 8-1.

9. Commitments, Obligations, Payables, UFCO, and Receivables were recorded in accordance with Volume 4, Chapter 8; Volume 11A, Chapter 9; and Volume 4, Chapter 3 (respectively).

10. All reviewed balances were recorded to the applicable DoD Standard Chart of Accounts found on the SFIS website for recording the proprietary and budgetary transactions.

11. Problems noted as a result of the review have been identified.

12. Adjustments or corrections to remedy noted problems have been taken.

13. Actions or corrections remaining to be taken, and when such actions/corrections are expected to be completed, have been summarized, by type.

14. Actions taken to preclude identified problems from recurring in the future have been identified.

H. Submit the confirmation and all supporting documentation to the Budget Submitting Officer.

081607. Responsibilities of the Budget Submitting Officer

The Budget Submitting Officer is responsible for conducting reviews of the work performed, and documentation prepared by the Funds Holder and supporting Financial Managers. The Officer's review should ensure that the Triannual Review has been performed over a complete population, and that the Funds Holder performed all the required procedures accurately, and retained supporting documentation. The Budget Submitting Officer should complete the following procedures no later than 15 calendar days after receiving the Funds Holder's Triannual Review package:

A. Confirm the completeness of the Triannual Review by reviewing the Funds Holder's list of:

1. All open obligations, commitments, payables, UFCO, and receivables at the time of the review date and

2. All the dormant items in those populations.

3. Review procedures should include confirming that the Funds Holder used standard queries and/or standard reports to ensure the completeness of data extracted.

B. Select a sample of dormant balances and review supporting documentation provided by the Funds Holder. Confirm the balances were appropriately classified as valid or invalid by determining (as applicable):

1. Whether future work will be conducted on the contract or unfilled customer order,

2. Future disbursements are likely required to liquidate open payables, or

3. Future collections are likely obtained for the receivables.

4. For invalid balances, confirm a deobligation action has been processed, payable reversed, or receivable written off, as applicable.

C. Review a sample of current balances previously reviewed by the Funds Holder and confirm the initial balance and all liquidating activity are supported by appropriate documentation. Confirm that the supported initial balance less liquidating activity equals the open balance. Submit this review as part of the Triannual Review package.

D. Document the results of these reviews in a formal Budget Submitting Officer package and submit to the Assistant Secretaries and Comptrollers.

081608. Responsibilities of the Assistant Secretaries and Comptrollers

A. Within 15 calendar days of receiving the Budget Submitting Officer's package, the Assistant Secretaries of the Military Departments (Financial Management and Comptroller) and the Comptrollers of the Defense Agencies must review the packages and provide evidence of those reviews, along with all supporting documentation, to the OUSD(C), Financial Improvement and Audit Readiness (FIAR) Directorate. Assistant Secretaries must perform the following, at a minimum:

1. A review of the Budget Submitting Officers' submissions to confirm that they were prepared by the Funds Holder and reviewed by the Budget Submitting Officer.

2. The review of documentation of any Funds Holder that was unable to complete the required review or confirm the accuracy and validity of open balances, including a full explanation of, and any corrective action taken. Assess whether corrective action taken was appropriate.

3. Document these reviews in a Component Level package and submit to FIAR.

081609. Responsibilities of the FIAR Directorate

Within 60 calendar days of receiving the Component Level Packages, the FIAR Directorate must perform the following:

A. Select a sample of Triannual review packages to review. Establish a sampling parameter that ensures at least one package from each Component is evaluated annually.

B. For each sampled package, review documentation which evidences that all required Triannual Reviews have been conducted. Documentation should include a listing of all open balances, listing of balances reviewed, and a listing of invalid variances.

C. Evaluate the trends on total dormant balances by component.

D. Confirm the sample methods used by the Funds Holder and the Budget Submitting Officer.

E. Review documentation of any Funds Holder that was unable to complete the required review or confirm the accuracy and validity of open balances, including a full explanation of, and any corrective action taken. Assess whether corrective action was taken.

F. Provide feedback on the results of the review to each sampled Component.

081610. Documentation

Components are required to maintain documentation that is sufficient to permit independent organizations, such as the Office of the Inspector General, DoD, or the DoD Component Audit Agency/Service or Inspector General, to verify that the reviews were accomplished as required in accordance with the retention standards of Volume 1, Chapter 9.

081611. Deobligation Procedures for Dormant Obligations

A. Within ten calendar days of their identification by the Funds Holders, all required decommitments, deobligations, adjustments or corrections identified must be executed. Deobligations may result from a contract modification, determination of final contract closure, documented adjustments or corrections, cancellation of an order, or when funds are determined to be excess of contract requirements as a result of a periodic review by the contracting officer. Funds holders are DoD officials that receive a documented administrative subdivision of funds including apportionments, allotments, suballotment, allocations, and suballocations through their funding chain of command or from other government departments, agencies, and activities holding an administrative subdivision of funds. All obligations that cannot be substantiated or validated after a thorough review by the Funds Holder (and/or the Financial Manager) must be deobligated. Within ten calendar days of the receipt of documentation from the Funds Holder, the Financial Manager must record the deobligation, decommitment, or adjustment(s) in the general ledger. No action, however, must be taken to modify, cancel, or amend a contract or travel order below any amount that is identified as due and owing a contractor, vendor, or traveler. It is the Funds Holder's responsibility to identify such amounts upon notification by the Financial Manager that action will be taken.

B. The contracting officer and other stakeholders are responsible for exercising due diligence in ensuring that appropriate procedures are followed during the contract closeout and deobligation process. Specifically, the contracting officer is responsible for ensuring compliance with appropriate contract close out policy and procedures set forth in FAR 4.804-4 and DFARS 204.804.

1. It is the responsibility of the contracting officer to send notification to the Financial Manager, Program Office, and Funds Holder denoting that a contract is complete and no further valid transactions will be forthcoming through the use of a DD Form 1594, Contract Completion Statement (DD 1594), or electronic equivalent as described in DFARS, PGI 204.804. Deobligation of excess funds at contract closeout may be accomplished through the use of a DD 1594 or electronic equivalent.

2. For dormant contracts which have been physically completed the contracting officer administering the contract must review the contract funds status and notify the Funds Holder of any funds excess to the needs of the contract that can be deobligated prior to contract closeout. Deobligation will be done through the use of a contract modification.

3. For contracts that are canceled in full or in part, such as unilateral orders where the contractor does not accept the order or through agreement of the parties, the contracting officer will notify the Funds Holder and Financial Manager that funds may be deobligated.

4. In some instances, it is appropriate to reduce a recorded obligation for Firm Fixed Price contracts with escalation, price redetermination, or incentive provisions. This occurs when a determination is made by the contracting officer (and approved by the Fund Holder or a designee) that the anticipated amount of liability under the contract may be reduced and the amount of the recorded obligation may be decreased by the amount so determined and

approved. Such action is taken after taking all circumstances into consideration, including available costs and production data or tentative offers from contractors and be accomplished through a modification to the contract.

5. When a contract or agreement is terminated in whole or in part for the convenience of the government by the giving of a "Notice of Termination" to the other party to the contract or agreement, the obligation recorded for the contract or agreement must be decreased to an amount that is sufficient to meet the settlement costs under the termination through a modification to the contract. The obligation must not be decreased below the amount estimated by the contracting officer, based on the best evidence then available, as the amount due as a result of the termination.

6. Where there is not a contract completion statement and the Financial Manager has identified dormant funds and that a final payment has been made they must provide the respective contracting officers with the contract number, notice of final payment and the remaining balance for each dormant contract with remaining funds of any amount. Such information must be provided in a manner that will allow the contracting officer to consent for deobligation simply by annotating and returning the information to the Financial Manager for further processing without a contract modification. The Financial Manager must maintain a copy of the Funds Holder's consent for audit purposes and in a manner consistent with applicable record keeping requirements.

C. For dormant travel obligations, for which travel did not occur, or the full obligated amount was not expended, the Financial Manager will deobligate the funds based on a written consent from the Funds Holder or authorizing official (AO). It is the responsibility of the AO to send notification to the Financial Manager, program office, and Funds Holder denoting no further valid transactions will be forthcoming. The AO should obtain and review the applicable travel vouchers, receipts, and correspondence between the traveler and the AO.

D. For dormant payroll (salaries, wages, and benefits) obligations, for which funds were not expended, or the full obligated amount was not expended, the Financial Manager will deobligate the funds based on a written consent from the Funds Holder. It is the responsibility of the Funds Holder to send notification to the Financial Manager, program office, and Funds Holder denoting no further valid transactions will be forthcoming. The Funds Holder should obtain and review the applicable pay period calendar, Leave and Earnings Statements, payroll disbursements, support for journal vouchers, and correspondence between the program office, employees, and the Financial Manager.

E. For intragovernmental or interdepartmental obligations, including Military Standard Requisitioning and Issue Procedures requisitions through mandatory sources, for which funds were not expensed, or the full obligated amount was not expended, the Financial Manager will deobligate the funds based on a written consent from the Funds Holder and related program manager.

VOLUME 3, CHAPTER 9: "STATUS OF PRIOR YEAR MILITARY CONSTRUCTION ACCOUNTS"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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

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

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

The previous version dated August 2008 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
Overall	Date refresh.	Refresh

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CHAPTER 9

STATUS OF PRIOR YEAR CONSTRUCTION ACCOUNTS

0901 FUNDING REVIEW OF PRIOR YEAR PROGRAM EXECUTION

090101. Purpose

This chapter provides guidance for the submission of status reports concerning all prior year Military Construction and Family Housing Accounts. The intent is to adjust these accounts annually, during the August/September timeframe, to reflect the latest estimate of funding requirements for these programs.

090102. Reporting Requirements

A. Annually, by August 1, each DoD Component holding Military Construction and Family Housing funding authorities shall submit recommendations in the format of Exhibit MC-4 (see Volume 3, Chapter 9 Appendix A) for financial adjustments to these authorities based on current cost estimates. Unobligated balances will be withdrawn unless supported by firm requirements. In all cases where unobligated balances for programs more than two years old are not being made available for withhold, a statement shall be transmitted to identify the status of each project and efforts made to complete the financing. Exhibits shall be submitted in duplicate to the Office of the Under Secretary of Defense Comptroller (Program/Budget) OUSDC(P/B) Military Personnel and Construction.

B. Separate Exhibits MC-4 shall be prepared and submitted for the five active program years, categorized by budget activity. Instructions for the completion of the MC-4 exhibits are contained in Volume 3, Chapter 9 Appendix A.

Exhibit MC-4

APPENDIX A

MILITARY CONSTRUCTIONFUNDING REVIEW
BUDGET ACTIVITY (SPECIFY) FISCAL YEAR

(1) Project & Location	(2) Current Estimate 1/	(3) Obligational Authority Issued 2/	(4) Cumulative Obligations as of the Past June 30	(5) + or - Authority Required for Completion 3/	(6) Remarks

1/ Enter the best estimate of the total amount this project will cost when complete.

2/ Enter the amount of obligational authority issued. This amount should agree with the amounts provided by project on the Office of the Secretary of Defense (OSD) funding documents. In certain cases funds may be realigned between the various projects in accordance with prescribed programming procedures. However, in no case should the total of the projects shown in this column for a given fiscal year exceed the amount provided on the OSD obligational authority document.

3/ Enter the amount of authority required to complete the project. If the total of this column for a fiscal year program is negative those funds will be withdrawn unless a justification is provided why they should not be withdrawn. If the total of this column for a fiscal year is positive, an explanation should be provided why the additional funds are required.

Exhibit MC-4
(Page 1 of 1)

Exhibit MC-4 Instructions

APPENDIX A

INSTRUCTIONS FOR COMPLETION OF MC-4 EXHIBIT MILITARY CONSTRUCTION FUNDING REVIEW

1. The MC-4 exhibit shall be executed at the project level for each of the program years for which the Department of Defense (DoD) Component holds unexpired obligational authority. A program year summary should be compiled by budget activity for each of the program years covered by the review.

2. Columnar entries shall be as follows:

a. Project and Location (1) - Each project contained in the original program approved by the Congress should be listed regardless of its status. The projects should be listed alphabetically in state sequence. Minor construction projects also should be listed with unallocated minor construction funds identified and labeled as such. Planning and Design funds may be accounted for as a lump-sum.

b. Current Estimate (2) - Enter the current working estimate (CWE) for the project. If the project is payable in a foreign currency, the CWE should be calculated at the budgeted rate.

c. Obligational Authority Issued (3) - Enter the amount of obligational authority currently issued to the command, activity, etc., for this project. The sum of obligational authority issued for each program year and budget activity cannot exceed the amount currently apportioned or, in the case of the Defense Agencies, the amount provided on the latest fund authorization.

d. Cumulative Obligations as of the Past June 30 (4) - Self-explanatory.

e. + or - Authority Required for Completion (5) - In the case of the Defense Agencies, a negative figure indicates the amount of authority that may be withdrawn, whereas a positive figure represents the amount of additional authority required. Justification should be included if the component determines that a negative value cannot be withdrawn. If the total is positive, by program year and budget activity, a statement should be entered in the remarks section of the report indicating the impact if additional funds are not provided.

f. Remarks (6) - In addition to impacts, etc., as described above, this column should include the status of the project stated as a percent of fiscal completion.

VOLUME 3, CHAPTER 10: "ACCOUNTING REQUIREMENTS FOR EXPIRED AND CLOSED ACCOUNTS"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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

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

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The previous version dated June 2012 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
1001	Added a new *General* section with new *Purpose* and *Authoritative Guidance* paragraphs.	Addition
1002	Inserted the *Definitions* paragraph as a separate section and renumbered the *Policy* section.	Revision
100301	Renamed this section *Standards*; and added a new *Accounts* paragraph. Added the *Department of Defense Standard Chart of Accounts* and the *DoD United States Standard General Ledger Transaction Library* references.	Addition
100303.F.3	Added a reference to the *National Archives and Records Administration* to the first paragraph that discusses document retention requirements.	Revision
100310	Revised this paragraph to improve clarity.	Revision
100310.A.3	Replaced the reference to the *National Defense Authorization Act of 1991* with the transitional provisions of 31 U.S.C. § 1551 (Public Law 101-510, as amended).	Revision
100315.J.2	Replaced the address with the source references to ensure users have the most current information for fiscal year-end processing.	Revision
All	Made editorial revisions throughout the chapter for clarity and consistency.	Revision
All	Verified all references and updated where appropriate.	Revision
All	Corrected acronym usage, hyperlinks, and format.	Revision

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CHAPTER 10

ACCOUNTING REQUIREMENTS FOR EXPIRED AND CLOSED ACCOUNTS

*1001 GENERAL

100101. Purpose

This chapter prescribes the accounting requirements, restrictions, and limitations for expired accounts and closed (cancelled) accounts. It addresses the fiscal year identity, periods of availability, obligation adjustments, and exceptions applicable to these accounts.

100102. Authoritative Guidance

This chapter implements provisions of Title 31, United States Code, sections ***1551*** through ***1557*** (31 U.S.C. §§ 1551 – 1557); and ***10 U.S.C. § 7313***. It includes internal control requirements as specified in the Office of Management and Budget ***(OMB) Circular A-123***, Appendix A; and the United States Department of the Treasury (Treasury) requirements in the Treasury Financial Management Manual (TFM) Volume 1, Part 2, ***Chapter 2000***.

*1002 DEFINITIONS

The definitions provided in this section describe terminology associated with expired and closed/cancelled accounts.

A. Adjustments to Expired or Closed/Cancelled Accounts. Increases or decreases to obligations or expenditures. Adjustments involve recording obligations or expenditures that were made or incurred, but not recorded, during the period prior to expiration or cancellation of the account.

B. Closed/Cancelled Accounts. Accounts with balances that have been cancelled under 31 U.S.C. §§ ***1552***, ***1555***, or 1557. When balances are cancelled, the amounts are not available for obligation or expenditure for any purpose.

C. Expired Account or Appropriation. Appropriation or fund account in which the balance is no longer available for incurring new obligations, but is still available for recording, adjusting, and liquidating valid obligations. The account remains available for such purposes for five years after expiration.

D. Fixed Accounts. Appropriation or fund accounts with balances that are available for a definite period of time. The fixed accounts are comprised of annual and multi-year accounts. The universe of appropriation or fund accounts are made up of fixed accounts and no-year accounts.

E. Unexpired Accounts. Appropriation or fund accounts in which the balances are available for incurring obligations because the time available for incurring such obligations has not yet expired. Audit requirements, limitations on obligations, and reporting requirements applicable to unexpired accounts must continue to apply after the end of the period of availability for obligation or expenditure of that account.

F. Unrecorded Obligations. Obligations that were incurred legitimately during the period of fund availability, but were not recorded in the Component's records prior to expiration of the appropriation or fund. For purposes of this chapter, "unrecorded" obligations are included in obligation adjustments. Current accounts may be used to pay previously unrecorded obligations chargeable to a closed account.

1003 STANDARDS

*100301. Accounts

General ledger accounts and transactions required to record cancellations, account closure, and expired transactions are defined in the Department of Defense (DoD) Standard Chart of Accounts and in the DoD United States Standard General Ledger (USSGL) Transaction Library. These documents can be accessed on the ***Standard Financial Information Structure*** (SFIS) web page.

100302. Expired Accounts

A. Expired funds retain their fiscal year identity for five years after the time an appropriation expires (see Chapter 13, subparagraph 130208.B). Expired funds are not available for new obligations. Both the obligated and unobligated balances of expired appropriations must be available for recording, adjusting, and liquidating obligations properly chargeable to that account.

B. Before an account closes/cancels, the affected DoD Component must identify valid unliquidated obligations subject to closure/cancellation to determine whether appropriations are available for future adjustments or payments against such obligations. Also, the DoD Component must confirm whether adequate resources are available to pay for obligations that will close/cancel with an account.

100303. Closed/Cancelled Accounts

A. Certain appropriations are available for obligation for a specific period, i.e., annual and multi-year appropriations. Both the obligated and unobligated balances of such appropriations must be closed/cancelled, and are no longer available for obligation or expenditure for any purpose, on September 30th of the fifth fiscal year after the expiration of an appropriation's period of availability for incurring new obligations (31 U.S.C. § 1552(a)).

B. Certain appropriations are available for an indefinite period. Obligated and unobligated balances in such appropriations must be closed/cancelled when no disbursements have been made from the indefinite appropriation for a period of two years and the President, the Secretary of Defense, or the Secretary's designee determines the purposes for which the appropriation was made have been carried out (31 U.S.C. § 1555)

C. In some instances, following closure/cancellation of an appropriation, it becomes necessary to adjust an obligation that otherwise would have been properly chargeable (both as to purpose and amount) to an appropriation before closure/cancellation. Should such an adjustment become necessary, the obligation must be charged to an appropriation currently available for the same purpose, subject to certain limitations discussed in subparagraph 100303.D. If an adjustment to an obligation otherwise properly chargeable to a closed/cancelled appropriation pursuant to 31 U.S.C. §§ 1551 – 1557 is required, and the related program or function has migrated from one DoD activity to another, the adjustment is chargeable to the current DoD activity to which the program has transferred. The current DoD activity is responsible for providing current-year funds from an appropriation account available for the same purpose to satisfy the obligation.

D. When a currently available appropriation is used to pay an obligation, which otherwise would have been properly chargeable (both as to purpose and amount) to a closed/cancelled appropriation, the total of all such payments from that current appropriation may not exceed the lesser of:

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

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

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

a. For annual accounts, the one percent limitation applies to the annual appropriation for the applicable account; not total budgetary resources (e.g., reimbursable authority).

b. For multi-year accounts, the one percent limitation applies to the total amount of the appropriation. For example, if a multi-year account enacted for fiscal year (FY) 2007 through FY 2008 was $100 million, the one percent limitation in FY 2007 would be $1 million. At the end of FY 2007, if $650,000 had been used for payment of obligations of closed/cancelled accounts, the amount available to be used for such payments in FY 2008 would be $350,000 ($1 million minus $650,000).

c. For contract changes (as specified in paragraph 100304), charges made to currently available appropriations has no impact on the one percent limitation rule, i.e., the one percent (of the currently available appropriation) amount is not decreased by the charges made to current appropriations for contract changes.

E. In order to prevent overpayments and ensure that applicable limitations are not exceeded, DoD Components must:

1. Identify the unobligated balance and unpaid obligations of all expired appropriations at the time they expire.

2. Identify the unobligated balance and unpaid obligations of all closed/cancelled appropriations at the time they are closed/cancelled.

3. Identify for closed/cancelled accounts all obligations and payments that were charged to currently available appropriations that otherwise would have been properly chargeable (both as to purpose and amount) to a closed/cancelled appropriation (as specified in subparagraph 100303.D).

4. Identify and maintain the amount that it is permissible to charge current appropriations for obligations and payments which otherwise would have been properly chargeable (both as to purpose and amount) to a closed/cancelled appropriation. This amount is determined by subtracting all subsequent obligations and payments made from the unexpended balance of the appropriation at the time it was closed/cancelled as indicated in subparagraph 100303.E.3.

F. Official accounting activities must maintain proper general ledger controls for valid unpaid obligations and receivables pertaining to closed/cancelled accounts. General ledger controls must be perpetuated until all obligations are paid and accounts receivable collected. (This will ensure that valid liabilities continue to be tracked until satisfied, even though the accounts are closed/cancelled.) In addition, official accounting activities must:

1. Ensure that the beginning, unpaid obligation balance of each closed/cancelled appropriation accurately reflects the official Treasury balance of the appropriation on the date of closure/cancellation.

2. Perform a one-time review of each closed/cancelled appropriation to ensure that the beginning accounts payable (obligations unpaid) balance of each closed/cancelled appropriation accurately reflects the balances on the Standard Form (SF) 133, *Report on Budget Execution and Budgetary Resources*, as of the date of closure/cancellation.

* 3. Ensure that an adequate audit trail is maintained for all corrections affecting closed/cancelled appropriations, including any offsetting corrections to current or expired appropriations. Records must be maintained in accordance with Volume 1, Chapter 9 that prescribes DoD policy on records retention in accordance with the National Archives and Records Administration ***General Records Schedules***.

100304. Contract Change Provisions

A. A contract change is defined in ***31 U.S.C. § 1553(c)(3)*** as a change to a contract under which a contractor is required to perform additional work. Paragraphs 100306 and 100307 contain procedures for requesting approval of obligation adjustments for contract changes in excess of $4 million.

B. Obligation adjustments, such as incentive or award fees and price inflation (escalation or economic price adjustments), are not considered contract changes for purposes of subparagraph 100304.A. To the extent otherwise appropriate, such amounts may be charged to applicable accounts that otherwise have expired for incurring new obligation but have not yet been closed/cancelled. Such charges or adjustments must be supported by comprehensive written documentation containing a statement that the charges do not require, involve, or result in additional work or changes in scope. This statement must explain the circumstances, contingencies, or management practices that necessitated the adjustment.

C. For funding contract changes resulting from the contracting officer's final decision in accordance with the *Contract Disputes Act*, apply obligation adjustment rules in this chapter and in Chapter 8, subparagraph 080304.B. *Contract Disputes Act* litigation judgments payable from the *Judgment Fund* result in a new agency obligation to reimburse the *Judgment Fund*. See Chapter 8, subparagraph 080304.F. For reimbursements, use funds for the same purpose that are current at the time of the judgment.

D. 10 U.S.C. § 7313 permits expired appropriations available to DoD to be used for new obligations of appropriations for certain ship overhaul, maintenance, and repair efforts. Those purposes are obligation of expired funds for unusual cost overruns incident to overhaul, maintenance and repair of vessels under commercial contract or by industrial-fund activity (10 U.S.C. § 7313(a)), and changes in scope of work for ship overhaul, maintenance, and repair performed under a contract or by an industrial-fund activity (10 U.S.C. § 7313(b)). There is a statutory congressional notification requirement for funding of unusual cost overrun obligational adjustments. Requests must be submitted to the Office of the Under Secretary of Defense (Comptroller) (OUSD(C), Deputy Comptroller (Program/Budget) (P/B).

1. While expired appropriations may be used in certain instances for new obligations; those appropriations are not available beyond the end of the fifth fiscal year following their expiration.

2. The DoD appropriations, primarily the Operation and Maintenance appropriations as covered by 10 U.S.C. § 7313(b), expire and are closed/cancelled at the same time as other appropriations. For example, within the Navy, these appropriations are not available for the payment of changes in the scope of work for ship overhaul, maintenance, and repair beyond the end of the fifth fiscal year following the expiration of such appropriations for other purposes.

100305. Shipbuilding and Conversion, Navy

A. The period of availability to incur obligations in the Shipbuilding and Conversion, Navy (SCN) appropriation for all purposes is normally five years. For limited purposes, SCN funds are available for obligation after the five-year period has ended. Appropriation language for the SCN appropriation often contains a provision to the effect that additional obligations for engineering services, tests, evaluations, and other such budgeted work that must be performed in the final stage of ship construction may be incurred after the appropriation otherwise would expire for obligation. This additional period allowed for incurring new obligations for such purposes is called "extended availability."

B. DoD and Treasury employ special procedures to establish extended availability authority for the SCN appropriations because not all work required to induct a ship into the fleet can be completed within the first five years of availability of an SCN appropriation. The procedures are summarized as follows:

1. The fiscal year of the latest obligation work limiting date (OWLD) for the last vessel financed by a particular SCN appropriation must represent the period of availability for obligation. After such date, the appropriation enters an expired status for five years and the balances are available only for obligation adjustments and payments.

2. An SCN appropriation is closed/cancelled on September 30 of the fifth year following the year of the last OWLD. Before the end of each fiscal year, DoD notifies Treasury of the last OWLD for the SCN appropriation that will be expiring on September 30 of that fiscal year. By the ninth workday of November of each year, the unobligated and obligated balances of that SCN appropriation are transferred by preparing the SF 1151, *Nonexpenditure Transfer Authorization*, to a new Treasury fiscal year symbol. **(**See the TFM Volume I, Part 2, Chapter 2000.) For example:

> On September 18, 1995, the Navy notified Treasury that the last OWLD for the FY 1991/1995 SCN appropriation was September 30, 2001. Before November 14, 1995, the balances of that SCN appropriation were transferred to the FY 1991/2001 SCN appropriation with a cancellation date five years later, September 30, 2006.

100306. Obligation Adjustment for a Contract Change Greater Than $4 Million

An obligation adjustment for a contract change under which a contractor is required to perform additional work may be incurred only if that obligation adjustment has been approved by the Under Secretary of Defense (Comptroller) (USD(C)), as designee of the Secretary of Defense. The DoD Component must request approval for an obligation amount that would cause the total amount of charges in any fiscal year for a single program, project, or activity to exceed $4 million and the account being used to fund the obligation is no longer available for new obligation.

A. If necessary, the applicable Component must submit requests for approval to OUSD(C), P/B.

B. The request for approval must include the following documentation:

1. The amount to be obligated.

2. The purpose for which the funds are to be obligated.

3. An explanation of the obligation adjustment including the reason for the adjustment and the contingencies or management practices that necessitated the adjustment.

C. Components must retain supporting documentation in accordance with Volume 1, Chapter 9 that prescribes DoD policy on records retention.

100307. Obligation Adjustment for a Contract Change Equal to or Greater than $25 Million

Special handling is required to process any obligation adjustment to an expired appropriation for a contract change, under which a contractor is required to perform additional work, for amounts of $25 million or more in any fiscal year. Such adjustments may be made only after the USD(C), as designee of the Secretary of Defense, submits a notice of intention to make the obligation to the Armed Services and Appropriation Committees of the Senate and the House of Representatives. The notice of intention must include the legal basis and policy reasons for the obligation.

A. After 30 days have elapsed following submission of the notice, the proposed obligation may be recorded unless the congressional committee notifies the USD(C) of its disapproval.

B. The charges or adjustments must be supported by a written comprehensive statement concerning the reason for the adjustment. This statement must explain the circumstances, contingencies, or management practices that necessitated the adjustment.

C. When notification to Congress is necessary, the applicable DoD Component must submit the required documentation including letters to the appropriate congressional committees for the USD(C) signature to OUSD(C), P/B.

100308. Replacement Contracts

Expired funds also may be used to fund a replacement action (a replacement contract) under certain conditions. When a procurement action will result in a replacement contract, it may be funded from expired funds if all of the conditions in subparagraphs 100308.A-D are met. If all of these conditions cannot be met, current year funds must be used to fund the requested action.

A. The DoD Component has a continuing bona fide need for the goods or services involved.

B. The original contract was made in good faith.

C. The original contract was terminated for default or for the convenience of the Government. If the original contract was terminated for the convenience of the Government, the termination must have been the result of a:

1. Court order;

2. Determination by a contracting officer that the contract award was improper due to explicit evidence that the award was erroneous and the determination is documented with appropriate findings of fact and of law; or

3. Determination by other competent authority (e.g., a Board of Contract Appeals) that the contract award was improper.

D. A replacement contract is used to obtain the goods or services that originally had been ordered under another contract that was terminated either for default or convenience of the Government. The replacement contract is:

1. The same size and scope as the original contract; and

2. Executed without undue delay after the original contract is terminated.

E. If a replacement action will result in an obligation that exceeds $4 million, the action must first be submitted to the USD(C) for approval.

F. If a replacement action will result in an obligation equal to $25 million or greater, a notice of intention (as discussed in paragraph 100307) must be submitted to the appropriate congressional oversight committee at least 30 days in advance. After 30 days have elapsed following submission of the notice, the proposed obligation may be recorded unless one of the congressional oversight committees notifies the USD(C) of its disapproval.

100309. Obligation Adjustments or Payments from Current Appropriations for Closed/Cancelled Accounts

A. When making payments from a current appropriation account for obligations of a closed/cancelled account, DoD Components must submit a written request for a "subclass" account from Treasury through the Defense Finance and Accounting Service (DFAS), and include the purpose for the payment. Use these subclass accounts to record applicable payments with Treasury. These payments are reported monthly on each Component's *Statement of Transactions* (see Volume 6A, Chapter 3).

B. Record amounts for obligations that otherwise would have been properly chargeable to a closed/cancelled account (but are required to be charged to current accounts) only in the current account when payment is imminent during the current fiscal year. Unless payment was made, do not report amounts for such obligations on the year-end Financial Management Service Form 2108 (FMS 2108), *Year-End Closing Statement*. If, at year-end, such amounts for obligations are known to be payable in the coming fiscal year, that information must be footnoted on the year-end FMS 2108. Reporting guidance and preparation of the FMS 2108 is specified in Volume 6A, Chapter 4.

C. Enter current year obligation adjustments required due to closed/cancelled balances as negative amounts against specific applicable line items in column "k" of Department of Defense (DD) 1416, *Report of Programs*. If these adjustments cause the line item to exceed current year reprogramming thresholds, the amount in column "k" must be footnoted to indicate the amount is "applicable to closed/cancelled account adjustments." No reprogramming action is required. In addition, enter the total of all closed/cancelled account adjustments charged to the applicable appropriation in column "k" as a separate line item titled *Reduction to Finance Closed Account Adjustments*. Show this amount as a positive number.

100310. Current Appropriations Used for Expired Appropriations with Insufficient Obligation Authority

* If the appropriation's period of availability has expired and the account has a negative unliquidated balance (insufficient funds), an obligation or adjustment of an obligation may be charged to a current appropriation that is authorized for the same purpose. However, if a subsequent review or investigation discloses that sufficient funds were available in the expired account, any charge made against the current account must be reversed. Charges against a current appropriation are prohibited if a sufficient balance exists in the expired account.

A. Charges to current year funds when sufficient obligation authority does not exist in expired appropriations may be made if all of the following conditions are met:

1. The obligation is charged to an appropriation available for the same purpose as the applicable expired account and is otherwise properly chargeable (except as to amount) to the applicable expired account before closure/cancellation of the expired account.

2. The Assistant Secretary of a Military Department for Financial Management and Comptroller, or the Comptroller of a Defense Agency, has determined that sufficient obligation authority does not exist in the applicable expired account to fund the applicable obligation.

* 3. The obligation is not otherwise properly chargeable to any DoD current appropriation under the transitional provisions as noted in 31 U.S.C. § 1551 (Public Law (Pub. L.) 101-510 (1990), section 1405(b), as amended by Pub. L. 102-484 (1992), section 1004).

B. The amount charged to a current appropriation may not exceed an amount equal to one percent of the total appropriation for that account (see subparagraph 100303.D that applies to charges that can be made to a current account when the account that should have been charged has been closed/cancelled.)

100311. Collection Credits After an Account is Closed/Cancelled

A. It is inappropriate to write-off valid accounts receivables as a result of closure/cancellation of appropriations with negative unliquidated obligations. Maintain proprietary accounts until settled by the debtor or until the debt is closed in accordance with guidance in Volume 4, Chapter 3.

B. When collections that are authorized or required to be credited to an account are received after the closure/cancellation of an account, deposit those collections in Treasury as miscellaneous receipts (31 U.S.C. § 1552). Accounting entries are specified in the *DoD USSGL Transaction Library* that can be accessed on the SFIS web page. See Volume 4, Chapter 3 for receivable accounting policy.

100312. Exceptions to an Account's Period of Availability for Adjusting and Liquidating Obligations

A. Requirements applicable to the closure/cancellation of appropriations apply to all appropriation accounts unless specifically exempted by statute. A provision of an appropriations act may exempt an appropriation from the provisions of the new requirements for the closing/cancelling of accounts and may fix the period the appropriation remains available for expenditure (31 U.S.C. § 1557). Additionally, an appropriations act applies only to the appropriation for a specific fiscal year. In order for an appropriation to preclude application of the limitations on expenditure specified in new provisions of Title 31, the statute must:

1. Identify the appropriation account for which the availability for expenditure is to be extended;

2. Provide that the appropriation account must be available for adjusting and liquidating obligations properly chargeable to the account; and

3. Extend the availability for expenditure of the obligated balances.

B. The availability for expenditure of specific accounts may be changed only through specific legislation. Request this authority only when payment of old balances from unexpired funds (based on historical outlay data) regularly would exceed the one percent limitation or would severely impact the current program.

1. When the nature of a DoD Component's program requires disbursements beyond the five-year period, the Component must submit proposed changes in appropriation language to OUSD(C), P/B. OUSD(C), P/B will submit the proposed changes to OMB for approval.

2. Absent specific authority, DoD Components may request reappropriations of closed/cancelled balances through OUSD(C), P/B and defer payment until the appropriation is available. Treat the receipt of a reappropriation as adding new budget authority.

100313. Antideficiency Act Violations

The DoD Components are required to investigate and report potential violations of the Antideficiency Act (ADA) when certain limitations are exceeded. An ADA violation can occur when an obligation is charged against a current account when the obligation otherwise would be properly chargeable (except as to amount) to an expired account, and insufficient resources exist to fund the obligation in the applicable expired account. ADA investigation and reporting policy is specified in Volume 14.

100314. Control, Reporting, and Certification Requirements

31 U.S.C. §§ ***1554*** and ***1556***, as amended, contain permanent audit, control, and reporting requirements pertaining to the liquidation of obligations.

A. Control Requirements

1. 31 U.S.C. § 1554(a) stipulates that any audit requirement, limitation on obligations, or reporting requirement applicable to an appropriation must continue to apply to that appropriation following expiration of the period of availability for new obligation of that appropriation. If an appropriation act contains a limitation on the obligation of funds for a program, project or activity, or other purpose; that limitation continues during the five-year period after the period of availability for new obligations expires. Additionally, the limitation continues after the appropriation has been closed/cancelled.

2. DoD Components must establish and test internal controls to ensure that an adequate review of obligated balances is performed to support the certification in accordance with OMB Circular A-123, Appendix A. Components are also responsible for retaining documents in accordance with Volume 1, Chapter 9**.**

3. Proper general ledger controls must be maintained for closed/cancelled valid unpaid obligations and accounts receivable in closed/cancelled accounts. Balances in unexpired accounts may be used to fund closed/cancelled obligations. Closed/cancelled obligations can be posted to unexpired accounts only when a disbursement will be paid during the current year.

B. Reporting and Certification Requirements. Under the provisions of 31 U.S.C. § 1554, the Secretary of Defense, or his designee, is required to submit a report to the President and the Secretary of the Treasury concerning the unliquidated obligations, unobligated balances, closed/cancelled balances, and adjustments made to appropriation accounts during the preceding fiscal year.

1. Due Date. This report is due not later than 15 days after the President submits his budget to Congress.

2. Distribution Requirements. A copy of the report must be submitted to the Speaker of the House of Representatives, the Committee on Appropriations, the Committee on Governmental Affairs, and other appropriate oversight and authorizing committees of the Senate (such as the Armed Services Committee).

3. Contents. 31 U.S.C. § 1554(b) requires that these reports must contain:

a. An itemization of related appropriation accounts, identified by fiscal year and the balances identified in each account. This itemization is reported on the fiscal year-end FMS 2108.

b. A listing of each current and expired appropriation. This list is included in the fiscal year-end FMS 2108.

c. Identification of payments made from each applicable appropriation account with respect to those amounts that otherwise would have been properly chargeable to another account, both as to purpose and amount, except that the other account has been closed/cancelled (31 U.S.C. § 1553). These payments are reported on the DoD Component's *Statement of Transactions*.

d. Separate identification of obligation adjustments made to each currently applicable appropriation account that otherwise would have been properly chargeable to another account, both as to purpose and amount, except that the other account has been closed. These amounts are reported on FMS 2108.

e. Identification of all balances closed/cancelled on September 30th of the fifth year following the expiration of an appropriation account's availability for incurring new obligations (31 U.S.C. § 1552(a)). These balances are reported on the fiscal year-end FMS 2108.

f. Identification of those appropriation accounts available for an indefinite period that have been closed because: No disbursements have been made from the account for a period of two years; and the President or the Secretary of Defense has determined that the purposes for which the appropriation was made have been carried out (31 U.S.C. § 1555).

g. A certification by the DoD Components that the obligated balances in each DoD appropriation account reflect properly existing obligations; and that expenditures made from each account since the time of submission of the prior report were supported by a proper obligation of funds and otherwise were proper.

100315. Other Requirements

The following paragraphs specify detailed information about other review, accounting, and correction requirements regarding current and expired accounts.

A. Apportionment Procedures. The SF 132, *Apportionment and Reapportionment Schedule*, must reflect the following footnote: "Up to one percent of the original amount of the appropriation ($xxx.xx), or the unobligated balance, whichever is less, may be used for the purpose of obligation adjustments and payments, which otherwise would have been properly chargeable (both to purpose and amount) to a closed/cancelled appropriation." To the extent that supplemental appropriations are enacted, reapportionment of the initial "one percent" amount may be requested.

B. Unliquidated Obligations. DoD Components must review remaining unliquidated balances in expired accounts and deobligate all amounts not supported by documentary evidence prior to closure/cancellation. Financial and program managers:

1. At each of the various levels of contract and program management retain the responsibility to ensure that all transactions are appropriately concluded. If services and materials remain undelivered at the time of expiration, they must be subsequently delivered or, where such deliveries cannot be made, action is taken to terminate contractual obligations and revert the funds to maintain integrity of the funds until such time as all outstanding obligations are liquidated or claims are cancelled or liquidated.

2. At all activities must actively review uncompleted contracts, uncollected accounts receivable, and uncollected travel or pay advances held at their level to ensure validity of such items.

C. Payments After Closure/Cancellation of Appropriations. Payment is prohibited for amounts that cite closed/cancelled appropriations until the disbursing office has obtained a currently available appropriation fund cite from the funding activity.

D. Unmatched Disbursements for Closed/Cancelled Accounts. When a disbursement is made properly before the closure/cancellation of the appropriation but is not identified and matched with the proper obligation until after the closure/cancellation of the appropriation, charge that disbursement to the closed/cancelled appropriation. Make appropriate corrections to accounting records and reports as necessary; and submit those reports to Treasury within six months of account closure. If an error is discovered in a closed/cancelled account for a disbursement made prior to the closure/cancellation of that account, see subparagraph 100315.J for correction of reporting errors.

E. Negative Unliquidated Obligations. Negative unliquidated obligation (NULO) balances generally occur in an account when valid disbursements are incorrectly matched with obligations and the disbursements exceed the obligations. Negative balances represent error conditions that must be researched and corrected as quickly as possible. See Chapter 11 for policy on NULOs.

F. Line Item Detail. The level of detail required to be maintained for expired accounts is the same as that required to be maintained for current accounts. The level of detail facilitates cost determinations and program assessment and evaluation. The detail provides visibility over expired accounts, an appropriate audit trail, and meets the objectives of the closing accounts legislation.

G. Uncollectible Accounts Receivable. A write-off of an uncollectible reimbursement receivable does not change total obligations within budgetary accounts. Such write-offs result in a reclassification to a direct program obligation of an obligation previously incurred. See the *DoD USSGL Transaction Library* for entries to account for uncollectible accounts receivable in closed/cancelled accounts.

H. Closing/Cancelling an Account with a Negative Balance. The existence of a negative balance does not preclude an account from being closed/cancelled. DoD Components must clear the negative balance and establish a receivable for the amount of the negative balance before the account can be closed.

1. Submit informational accounting reports (i.e., FMS 2108 and SF 133) for the applicable account until the negative balance is resolved. These informational reports must indicate that the account is closed/cancelled, show the amount of the negative balance at the time the account was closed/cancelled, and identify the current amount of the applicable receivable.

2. Liquidate a negative balance by receiving offsetting collections. Deposit collections of overpayments to Treasury as miscellaneous receipts. An account with a negative balance may indicate that an ADA violation has occurred. If an ADA violation is suspected, see Volume 14 for ADA investigation and reporting requirements.

I. Accounting for Uncollectible Accounts Receivable in Closed/Cancelled Accounts. Budgetary accounts corresponding to accounts receivable must be closed/cancelled when an account is closed/cancelled. Total obligations within budgetary accounts do not change when the budgetary accounts are closed/cancelled. The write-off of an uncollectible reimbursement receivable results in a reclassification of an obligation previously incurred under the reimbursable program to a direct program obligation.

1. For expected refunds, the status of obligation authority must be tracked is necessary to assure that cumulative payments do not exceed the original appropriation of the closed/cancelled account even though paid from a current account.

2. Reclassify proprietary accounts established for accounts receivable applicable to closed/cancelled accounts. Deposit the subsequent collections of such amounts for this account to Treasury as miscellaneous receipts.

3. If, after compliance with established collection procedures, it is determined that an account is uncollectible, write-off the account by charging a bad debt account. The write-off of an uncollectible account applicable to the reimbursable program results in a reclassification of obligations previously incurred under the reimbursable program to a direct program obligation.

J. Correction of Reporting Errors in Closed/Cancelled Accounts

1. Corrections may be requested for two categories of errors: (a) clerical errors such as misplaced decimals, transposed digits, or transcribing errors resulting in inadvertent cancellations of budget authority; and (b) errors made in classifying a payment made prior to the closing/cancellation of an account, but not discovered until after the account was closed/cancelled.

a. For clerical errors, the request must include the appropriation account number, the reason for the restoration, and convincing evidence of the clerical error to justify the restoration required to make the correction. At a minimum, this includes the original accounting record from which the incorrect posting was made and a record showing the incorrect amount.

b. For classification errors, Treasury accepts reporting to correctly classify payments previously reported to suspense/clearing accounts or to correct classification errors between current and closed/cancelled accounts.

* 2. Requests for corrections must be submitted by April 1 of the year after the account in question was closed/cancelled. The TFM Volume 1, Part 2, Chapter 2000 and the TFM Volume 1 Bulletins issued for fiscal year-end processing identifies the address for submission and other contact information.

3. If a request for the correction of errors affects another DoD Component, coordinate the request with the affected Component and submit to: the DFAS Deputy Director for Accounting Operations, 8899 East 56th Street, Indianapolis, IN 46249. DFAS must submit requests to Treasury after completion of its review.

4. See Chapter 11 for policy on the research and correction of unmatched disbursements and NULO transactions, and the resulting adjustments to Treasury.

VOLUME 3, CHAPTER 11: "UNMATCHED DISBURSEMENTS, NEGATIVE UNLIQUIDATED OBLIGATIONS, AND IN-TRANSIT DISBURSEMENTS"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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

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

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

The previous version dated November 2010 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
110102	Added a new *Authoritative Guidance* paragraph.	Addition
1102	Added an explanatory paragraph to this section and reformatted the definitions to the subparagraph level.	Revision
110701	Modified the paragraph to improve clarity.	Revision
All	Verified all references and updated where appropriate.	Revision
All	Corrected acronym usage, hyperlinks, and format.	Revision

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CHAPTER 11

UNMATCHED DISBURSEMENTS, NEGATIVE UNLIQUIDATED OBLIGATIONS, AND IN-TRANSIT DISBURSEMENTS

1101 GENERAL

110101. Purpose

This chapter prescribes the accounting standards and related management requirements necessary to establish and maintain financial control over disbursement, collection, and adjustment transactions affecting the fund balances with the United States Department of the Treasury (Treasury) and cash resources that are not part of the fund balance with Treasury. This chapter also prescribes the requirements for researching and correcting unmatched disbursements (UMDs), negative unliquidated obligations (NULOs), and in-transit disbursements.

*110102. Authoritative Guidance

Internal control requirements are specified in the Office of Management and Budget ***(OMB) Circular A-123***, Appendix A. Requirements for reconciling fund balances with Treasury are specified in the Treasury Financial Management Manual (TFM) Volume 1, Part 2, ***Chapter 5100***. Additional detail-level instructions for reconciliation are available on the Treasury, Bureau of the Fiscal Service, ***Fund Balance with Treasury*** web page.

1102 DEFINITIONS

* The definitions provided in this section describe terminology associated with UMDs, NULOs, and in-transit disbursements. Some of these definitions are expanded to provide information specifically for purposes of this chapter.

A. Chargeable Account. The appropriation (Department Regular Code, Period of Availability, and Appropriation Main Account) contained in the line of accounting cited on the obligation document that is the basis for a particular payment.

B. Closed/Canceled Account. An appropriation that has been closed in accordance with Title 31, United States Code, sections ***1551*** through ***1557***. (31 U.S.C. §§ 1551 – 1557). This term also includes an appropriation that otherwise would have been closed by §§ 1551 – 1557, but has not been closed by Treasury because the appropriation has a negative balance. When balances are canceled, the amounts are not available for obligation or expenditure for any purpose.

C. Currently Available Appropriation. An appropriation or fund against which new obligations may be incurred and recorded (as contrasted with an expired or closed appropriation against which new obligations may not be incurred).

D. Disbursement. The term "disbursement" is defined in the Glossary and disbursement policy is prescribed in Volume 5. For purposes of matching a disbursement to its proper obligation, the term disbursement as used in this chapter refers to the amount charged to a separate line of accounting. While a single payment may be charged to multiple lines of accounting, each amount charged to a separate line of accounting is treated as a separate disbursement and must be matched to its corresponding obligation. Requirements in this chapter are intended to ensure that a disbursement is matched to its applicable corresponding obligation in a timely manner.

E. Disbursement Not Sent. A disbursement transaction that has been reported to Treasury by a disbursing office, but has not yet been transmitted to the accounting office.

F. Expired Account or Appropriation. An appropriation or fund account in which the balance is no longer available for incurring new obligations, but is still available for recording, adjusting, and liquidating valid obligations. The account remains available for such purposes for five years after expiration.

G. Fund Holder. An individual holding an administrative subdivision of funds or an operating target, who is responsible for incurring obligations against the administrative subdivision or target and for managing the use of such funds.

H. Funding Account. The appropriation (Department Regular Code, Period of Availability, and Appropriation Main Account) contained in the line of accounting cited on the obligation document provided to fund a disbursement that otherwise would have been chargeable to a closed/canceled appropriation.

I. In-transit Disbursement. Disbursements that have been reported by a disbursing office, through a paying center, to Treasury and charged against the Department's fund balances, but have not yet been received or processed by the applicable accounting office for recordation against the applicable corresponding obligation. This includes interservice, intraservice, and interfund disbursement transactions. This definition includes disbursements originating outside the Department.

J. Negative in-transit Disbursements. The exact opposite of in-transit disbursements. The accounting office has processed disbursements for recordation against the applicable corresponding obligation but the disbursing office has not reported the disbursements, through a paying center, to Treasury and charged against the Department's fund balances.

K. Negative Unobligated Balance. An appropriation or fund in which the amount of obligations exceeds the amount of obligational authority. (In closed/canceled appropriations, the available obligational authority is equal to the unobligated balance.)

L. Negative Unliquidated Obligation (NULO). A disbursement transaction that has been matched to the cited detail obligation, but the total disbursement(s) exceeds the amount of that obligation.

M. Obligation. For purposes of matching a disbursement to its proper obligation, the term obligation refers to each separate obligation amount identified by a separate line of accounting. While a single order may be funded by multiple lines of accounting, each line of accounting represents a separate obligation amount to which the resulting disbursement must be matched. Obligations are defined as amounts of orders placed, contracts awarded, services received, and similar transactions during an accounting period that will require payment during the same or a future period. Such amounts include payments for which obligations previously have not been recorded, and adjustments for differences between obligations previously recorded and actual payments to liquidate those obligations. The amount of obligations incurred is segregated into undelivered orders – paid, undelivered orders – unpaid, and delivered orders – unpaid. DoD requirements for incurring and recording obligations are prescribed in Chapter 8.

N. Overaged Disbursement (Unmatched, Negative Unliquidated, or In-Transit). A disbursement that is not matched to a corresponding obligation within the timeframes specified in section 1105 or 1114.

O. Prevalidation. A procedure that requires a proposed payment to be identified and matched to its applicable proper supporting obligation that has been recorded in the official accounting system and that the line(s) of accounting cited on the payment match the data recorded in the accounting system. Prevalidation is a control procedure used to prevent overpayments.

P. Undistributed Disbursement. The difference between the amount of disbursements reported by the Treasury finance network and the amount of disbursements recorded by the Department's disbursement and collection activities.

Q. Unexpended Balance. The sum of the unobligated balance and the unliquidated obligation balance of an appropriation.

R. Unliquidated Obligation Balance. The amount of obligations that have not been liquidated by payments (disbursements).

S. Unmatched Disbursement (UMD). A disbursement transaction that has been received and accepted by an accounting office, but has not been matched to the correct detail obligation. This includes transactions that have been rejected back to the paying office or central disbursement clearing organization by an accounting office.

T. Unobligated Balance. The difference between the total appropriation availability and the total obligations.

1103 MATCHING DISBURSEMENTS TO OBLIGATIONS

A disbursement must be matched to its corresponding, detail-level obligation and be recorded as promptly as current systems and business practices permit. The vast majority of obligations and disbursements are matched automatically via the Department's various system interfaces. However, some obligations and disbursements are required to be manually matched, mainly due to non-automated processes or the rejection of transactions by automated systems. When a disbursement is recorded in the accounting system but not matched to an obligation, the disbursement must be recorded as a UMD. When a disbursement is recorded in the accounting system and is matched to an obligation, but the amount of the disbursement exceeds the amount on the recorded obligation, the amount of the disbursement in excess of the applicable obligation must be recorded as a NULO. After performing due research in accordance with section 1105, obligations must be established and recorded for all UMDs and NULOs no later than September 30 of the year that the cited appropriation is scheduled to be closed regardless of the date that the disbursement was made.

A. UMD and NULO Research Requirement. Research and correction actions must begin as soon as it is apparent that a disbursement transaction has resulted in a UMD or a NULO. The accounting office involved must immediately determine whether the disbursement is a valid charge to the fund holder, and whether a matching obligation transaction is recorded under a different or incorrect document number. If the disbursement is not a valid charge to the fund holder, the accounting office must reject the disbursement in accordance with paragraphs 111404.C.3 or 111405.D.3. If a matching obligation is recorded under an incorrect document number, the fund holder must immediately correct the document number, thus allowing for the proper matching of the disbursement to its corresponding, detail-level obligation. If an accounting adjustment affects a contract payment, contract reconciliation will be performed in accordance with Volume 10, Chapter 20. Other research requirements are specified in section 1107.

1. All UMDs and NULOs result from the following two basic processes:

a. Collocated Disbursement. A "collocated" disbursement is created when the accounting office responsible for recording the disbursement in the accounting system and the disbursing/entitlement office responsible for certifying the disbursement are collocated.

b. Noncollocated Disbursement. A noncollocated disbursement is created when the accounting office responsible for recording the disbursement in the accounting system and the disbursing/entitlement office making the disbursement are not collocated.

2. Timeframes are different for resolving collocated disbursements and noncollocated disbursements (see paragraph 110501). Research procedures for resolving UMDs and NULOs are delineated in section 1107.

B. Record an Obligation for Unresolved UMDs and NULOs. An appropriation manager and/or fund holder must be immediately notified of applicable UMDs or NULOs. In the event that research efforts fail to result in the correction and elimination of the condition, the appropriation manager or fund holder must be advised of the requirement to establish a matching obligation within the timeframes delineated in paragraph 110501. If the appropriation manager or fund holder fails to record an obligation, the accounting office must record an obligation for unresolved UMDs and NULOs in accordance with paragraphs 110501.A.3 or 110501B.4 as applicable.

C. Establish Obligations for UMDs and NULOs at the Transaction Level. Disbursements must be matched to their corresponding obligation at the detail transaction level. After performing due research in accordance with section 1105, obligations recorded for UMDs and NULOs must be recorded at the detail transaction level as follows:

1. An obligation in the amount of the disbursement must be recorded at the transaction level for UMDs.

2. An obligation adjustment in the amount of the disbursement in excess of the applicable obligation must be recorded at the transaction level for NULOs.

1104 OVERAGED UMDs/NULOs

110401. Current and Expired Accounts

A. Unobligated overaged NULOs and UMDs have the first claim to the unobligated balances in any of the current and expired accounts. New obligations, or new upward obligation adjustments, may be executed only when and to the extent that there is an unobligated balance remaining in an account after all overaged NULOs and UMDs have been obligated. Thus, no new obligations or obligation adjustments may be incurred in the account to the extent that unobligated balances in such accounts are zero, or overaged NULOs and UMDs (if they are obligated) when added to obligated balances, would exceed the availability in such accounts.

B. DoD Components may continue to research overaged NULOs and UMDs without the need to initiate an investigation of a potential Antideficiency Act (ADA) violation, except as provided for in subparagraphs 110401.C – E.

C. Should an account be obligated fully (but not overobligated) and have unresolved overaged NULOs and UMDs that, if obligated, would exceed the availability in an account, payments to vendors and others may continue, provided that the account is not in danger of being overdisbursed. However, in no case may disbursements exceed the unexpended balance of an account. Should the account become overdisbursed, payments from the account must stop immediately, and the DoD Component involved must report a potential ADA violation. The DoD Component also must initiate an investigation of the potential violation in accordance with Volume 14.

D. Should a new obligation or obligation adjustment be incurred in an account that has been obligated fully as a result of unresolved, overaged UMDs or NULOs, such an obligation must be recorded even though it will result in recorded obligations in excess of available resources. Additionally, the DoD Component involved must report a potential ADA violation and initiate an investigation of a potential violation in accordance with Volume 14.

E. This chapter must not be construed as authorizing a delay in (1) the recording of an executed obligation that would result in an overobligation or (2) the requirement to conduct an investigation of a potential ADA violation that results from any action other than the sole requirement to obligate amounts for UMDs and NULOs.

110402. Accounts Closed/Scheduled to Close at Fiscal Year-End

A. Obligations must be established by September 30 for all UMDs, NULOs and in-transit transactions in appropriations scheduled to close at the end of the current fiscal year.

B. If such obligations result in obligations in excess of available funds, the DoD Components are permitted six months from the scheduled date of closure of the account to resolve the negative balance.

C. If the account is not returned to a positive balance within six months of the scheduled date of closure of the appropriation, the DoD Component involved must report a potential ADA violation and initiate an investigation in accordance with Volume 14.

D. Each administrative subdivision of an appropriation carries with it the responsibility for any potential or actual ADA violation that might be incurred. A DoD Component has the right to modify the number or level of administrative subdivisions within an appropriation before the closure of an appropriation. However, once an appropriation closes, no further modification or change may be made in the number or level of administrative subdivisions. Further, the modification of number or level of subdivision does not override the requirements in Volume 6A, Chapter 4, sections 0405 and 0406 regarding the level of reporting on the *Appropriation Status by Fiscal Year Program and Subaccounts (Accounting Report Monthly 1002)* or control requirements in Chapter 10, subparagraph 100314.A.1.

E. A new cash disbursement, which would be chargeable (both as to purpose and amount) to an appropriation except that the appropriation is closed, must be paid from an appropriation that currently is available for the same purpose. However, a proposed payment may not exceed the:

1. Unexpended balance of the closed appropriation.

2. Unobligated balance of the currently available appropriation charged.

3. One percent limitation, discussed in subparagraph 110402.F.

F. The cumulative amount of payments charged to a currently available appropriation, because the original appropriation(s) that otherwise would have been charged has been closed, may not exceed one percent of the total amount appropriated to the currently available appropriation being charged. If it exceeds the one percent limit, the office funding the proposed payment (contract) must contact the Military Department Assistant Secretary for Financial Management and Comptroller (FM&C) or Defense Agency Comptroller for referral to the Under Secretary of Defense (Comptroller) (USD(C)) for appropriate disposition.

G. Corrections of payments involving closed appropriations must be processed as inter- and intra-appropriation adjustments. Such corrections generally do not require the obligation of currently available funds or deposits to the miscellaneous receipts account if the payment occurred before the closure of the applicable appropriation, or appropriations available for new obligation already have been charged properly.

H. Inter- and intra-appropriation adjustments to correct accounting records must not be accomplished by using a cash disbursement or cash collection.

I. A potential ADA violation must be reported and a preliminary investigation initiated if posting an adjustment to a current, expired or closed appropriation would result in either (1) a negative unobligated balance or (2) disbursements that are in excess of the amount appropriated, at either the appropriation level or a portion thereof that has been subdivided. See Volume 14 for ADA investigations and reporting requirements.

J. Perpetual balances of unobligated amounts and unliquidated amounts must be maintained for each closed appropriation. If the unobligated balance or unexpended balance in a closed appropriation is negative, a potential ADA violation has occurred and must be reported and investigated.

K. All disbursements and collections, or adjustments to disbursements and collections, involving current, expired, or closed appropriations, must be reported to Treasury. However, a correction in which both the debit and credit entry cite a closed appropriation is not reported to Treasury.

110403. Expenditure Controls

The DoD Components must work with accounting and disbursing offices to implement effective controls to prevent overexpenditures in accounts that may be in an overobligated position or that have UMD or NULO balances that exceed the unobligated balance in the account. This action is necessary because normal controls for determining expenditure availability are based on the unexpended balance of the obligations.

1105 RESPONSIBILITIES FOR FUNDING OVERAGED UMDs AND NULOs

110501. Accounting Offices

A. When an accounting office has an obligation document that corresponds to a disbursement that has resulted in a UMD or NULO, but the obligation document has not been recorded, or not recorded for, or adjusted to, the proper amount, the accounting office must perform the following actions within the specified timeframes:

1. If the dollar amount is $2,500 or less, immediately record the obligation and notify the fund holder of the action taken.

2. If the dollar amount exceeds $2,500, immediately provide the fund holder with a copy of the obligating document or disbursing document (in the case of a duplicate or overpayment) and request that the fund holder record an obligation or obligation adjustment, within 10 calendar days of notice.

3. If the fund holder does not record the requested obligation, or obligation adjustment, within 10 calendar days of notice, record the obligation, or obligation adjustment, within the subsequent 10 calendar days. The accounting office must notify the fund holder of any action taken.

B. When an accounting office does not have an obligation document that corresponds to a collocated or noncollocated disbursement that has resulted in a UMD or NULO, the accounting office must:

1. Immediately inform the fund holder of the UMD or NULO and also research the cause of the UMD or NULO. The required supporting documentation should be readily available for collocated disbursements, since the entitlement and accounting functions are collocated. The required supporting documentation may not be readily available for noncollocated disbursements, since the entitlement and accounting functions are not collocated.

2. Conduct research as required in section 1107 and provide the results of the research to the fund holder within 30 days for collocated offices and within 60 days for noncollocated offices. The Director or designee must advise the fund holder of the type, extent, and results of the research performed. Supporting documentation accumulated in the performance of the research must be retained and made available to the fund holder upon request.

3. If supporting documentation shows that a valid obligation was incurred but not recorded, request that the fund holder record an obligation within 60 calendar days of notice. This request must be documented and include the documentation that supports the obligation. The 60 calendar days should provide the fund holder sufficient time to research commitment and obligation files, evaluate the research documents provided by the accounting

office, and/or request additional funding as required. Upon completion of the fund holder's research, the fund holder must either initiate the obligation input into the accounting system or provide the obligating document to the accounting office for recordation. Therefore, collocated offices have a total of 90 days and noncollocated offices have a total of 120 days to research and resolve a UMD or NULO.

4. If the fund holder does not record the requested obligation or obligation adjustment within 60 calendar days of notice, or does not provide documentation to the accounting office to support the recording of an obligation or obligation adjustment by the accounting office, the accounting office must record an obligation or obligation adjustment within the subsequent 10 calendar days using the disbursement document as supporting documentation. The supporting documentation required at the time of disbursement is sufficient to support the recording of a matching obligation. See Volume 10, Chapter 8 for supporting documentation requirements, and Volume 5, Chapter 9 for payment certification requirements.

C. Within five work days of recording an obligation or obligation adjustment in accordance with the provisions of subparagraphs 110501.A – B, the accounting office must provide the fund holder with a record of all obligations or obligation adjustments recorded by the accounting office on its behalf; this record must be documented (systemically or manually) and must identify the input date, amount of the obligation, and the identification of the individual recording the obligation.

D. Obligation and obligation adjustment transactions must be recorded at the detail document/transaction level to ensure the proper matching of obligation and disbursement transactions and to properly affect unobligated balances.

E. If the accounting office or fund holder research determines that a charge to the fund holder is not valid, within five business days the accounting office must (1) reverse the charge made against the fund holder's account and (2) if necessary, transfer accountability for the charge in accordance with contract reconciliation procedures delineated in Volume 10, Chapter 20.

F. When the accounting office records a valid obligation or obligation adjustment that was not previously recorded and that action indicates a potential ADA violation, the DoD Component must be notified immediately and the DoD Component must conduct a preliminary investigation of the potential ADA violation in accordance with Volume 14, Chapter 3.

G. When there is an indication of a potential duplicate payment or overpayment, the accounting office must promptly review all applicable payment files. If there is a duplicate payment or overpayment, the accounting office must record a refund receivable and initiate a recovery of funds action. Additionally, the accounting office must record a NULO, as applicable; and advise the fund holder that the NULO requires obligation within the timeframes specified in subparagraph 110501.A.

H. In accordance with Chapter 8, paragraph 081210, disbursement documents that support obligations that have not been recorded previously must be recorded at the obligation-paid stage of accounting with a corresponding decrease in the uncommitted/unobligated balance of the affected allotment.

I. In accounting for closed appropriations, accounting offices must:

1. Maintain the official accounting records for all corrections to the balances of closed appropriations and funds.

2. Establish appropriate controls over closed appropriations by initiating the following actions (minimum requirements):

a. Submit all corrections to closed appropriations to the applicable centralized accounting center. All corrections to closed appropriations must be transmitted to the applicable accounting center for posting to the accounting center's accounting records and/or approval to post to the accounting office's accounting records. The accounting center's accounting records must support the accounting records of the accounting office responsible for the administrative control of the closed appropriation.

b. Develop and implement procedures to ensure that all transactions affecting closed appropriation unobligated and unliquidated balances are provided to the appropriate accounting center responsible for maintaining the unobligated and unliquidated obligation balances.

3. Adjust detailed records to reflect accounting corrections when detailed records are still being maintained for contract payment or other purposes. If an accounting adjustment affects a contract payment, contract reconciliation will be performed if required by and in accordance with Volume 10, Chapter 20.

4. Record corrections for UMDs, NULOs, and in-transit disbursement transactions for which research actions have been completed and correcting accounting transactions have been identified and submitted by a DoD Component:

a. Record corrections received from DoD Components within five work days of receipt (except as provided for in subparagraph 110501.I.4.b). The recording of such corrections must not be delayed pending the completion of contract reconciliation or other related actions.

b. Reject a proposed correction if the proposed correction is in error. (A proposed correction may not be rejected solely because a contract has not been reconciled fully or other actions have not been completed.)

J. In accounting for closed appropriations, accounting centers must:

1. Maintain the official Treasury records for all corrections to the balances of closed appropriations and funds. See section 1116 and Volume 1, Chapter 9 for DoD policy on record retention.

2. Ensure that the beginning, expended unpaid balance of each closed appropriation accurately reflects the official Treasury balance of the appropriation on the date of closure.

3. Perform a one-time review of each closed appropriation to ensure that the beginning accounts payable (obligations, unpaid) balance of each closed appropriation accurately reflects the balances on the Standard Form (SF) 133, *Report on Budget Execution and Budgetary Resources*, as of the date of closure.

4. Ensure that an adequate audit trail is maintained for all corrections affecting closed appropriations, including any offsetting associated corrections to current or expired appropriations.

110502. Disbursing Offices

A. A disbursing officer (DO) must ensure supporting documentation is provided to the accounting office or fund holder upon request. Such supporting documentation must be provided no later than 30 calendar days after request. Supporting documentation may include a copy of the contract, payment voucher, receiving report, and vendor invoice. Such supporting information also may be obtained or provided via electronic data access. All disbursements must remain classified in the accounting system to the line of accounting in which originally reported until resolved. All invalid transactions recorded in suspense accounts F3875 and F3885 must be reclassified in the accounting system to the correct line of accounting or resolved and cleared from the suspense account. See section 1116 and Volume 1, Chapter 9 for DoD policy on record retention.

1. Transfer positive balances to Treasury miscellaneous receipt account in accordance with Volume 5, Chapter 8.

2. For negative balances, initiate action for a discontinued research approval as specified in section 1108 or a potential ADA violation in accordance with Volume 14 as appropriate.

B. A DO is responsible for recouping an overpayment in accordance with internal recovery procedures for refunds due from the public. Since the overpayment or a duplicate payment may have caused a UMD or NULO, the DO must assist, as required, in the research of UMDs and NULOs.

110503. Office of the Under Secretary of Defense (Comptroller)

The Office of the Under Secretary of Defense (Comptroller), Deputy Comptroller, Program/Budget (OUSD(C), P/B) must ensure the following actions are taken when (a) funds in

a particular Defense-wide account are allocated to a number of fund holders (limits) and (b) disbursements exceed obligations at the appropriation level, but not at a fund holder's level:

A. The applicable DoD Component(s) reserves, commits, or obligates appropriate amounts against the fund holders' accounts.

B. A report of a potential ADA violation is submitted to the USD(C), when applicable.

C. An investigation of a potential ADA violation is initiated, when warranted, in accordance with Volume 14.

D. Corrective actions are taken by the fund holder and the applicable accounting office, as appropriate. Corrections must be adequately supported and must identify the cause of the error.

110504. Fund Holders

OUSD(C), P/B, the Military Department Assistant Secretaries (FM&C), Comptrollers of the Defense Agencies and DoD Field Activities, and other DoD fund holders must:

A. Designate an appropriation manager to receive, process, and take action on notifications from accounting offices; and to take other appropriate action(s) regarding the stoppage of payments, the obligation of disbursement transactions within the prescribed timeframes, and other actions provided for in this chapter.

B. Obligate funds within the timeframes specified in paragraph 110501 after the receipt of an initial notification from the cognizant accounting office that a disbursement is unmatched or exceeds an obligation at the allotment/fund holder level. If sufficient unobligated balances are not available, an investigation of a potential ADA violation must be initiated, when warranted, in accordance with Volume 14.

C. Upon notification from the cognizant accounting office that a disbursement exceeds an obligation at the obligation level and the condition has not been corrected, provide the accounting office, as appropriate, either an obligation document, or a funding document together with an obligation document, to cover the amount of the unmatched disbursement or the disbursement that exceeds the obligation within the timeframes specified in paragraph 110501.

D. When sufficient availability does not exist in the appropriation (or other administrative subdivision of funds), request a realignment of funds within an account or between accounts, a reprogramming of funds, a deficiency supplemental, or other acceptable funding solution. Also, forward supplemental funding documents to the cognizant accounting office to cover any funding shortfalls.

E. Initiate a review, immediately, of the circumstances to determine whether an investigation of a potential ADA violation is warranted in accordance with Volume 14 and, as appropriate, notify the USD(C) of the following conditions:

1. A fund holder may not have sufficient unobligated balances available that equal, or exceed, the amount by which disbursements exceed obligations incurred;

2. A potential ADA violation may have occurred;

3. A report of violation is warranted in accordance with Volume 14 if the investigation reveals that an ADA violation has occurred; and

4. The cognizant accounting office corrected any error(s) determined to be the cause of the condition upon review or investigation.

F. Develop and implement standard procedures for determining the timeframes and procedures for record retention applicable to detail accounting transaction records for closed appropriations. These procedures must ensure that required balances of each appropriation are accurately maintained while minimizing the cost associated with maintaining large databases or record files of completed transactions for records which no longer are required.

G. In addition to the responsibilities addressed in paragraph 110504, the DoD fund holders must resolve UMDs and NULOs, upon notice, within the timeframes specified in paragraph 110501. The fund holder must:

1. Research each UMD and NULO to determine whether the disbursement cites a fund citation for which the fund holder is responsible, and if an obligation is, or is not, recorded.

a. If the fund holder determines that the disbursement should be charged to another fund holder, the fund holder must inform the accounting office immediately.

b. If the disbursement is erroneous or contains an incorrect fund citation, the fund holder must inform the accounting office immediately.

c. If an obligation is recorded in the accounting system, but against an incorrect document number, the fund holder must correct the document number within five workdays and immediately advise the accounting office (thus allowing the accounting office to match the obligation transaction and the disbursement transaction).

d. If an obligation has not been recorded in the accounting system, the fund holder must take the following steps:

(1). Use such material as may be provided by the accounting office (in accordance with section 1107) or obtained by the fund holder to facilitate the research.

(2). Obtain the required obligating document and record the obligation at the detail document level, thus allowing the accounting office to match the obligation transaction and the disbursement transaction.

(3). Provide a copy of the obligating document to the accounting office if required by the accounting office for supporting documentation.

2. Deobligate any invalid and/or unsupported obligations. Footnote the reasons for such deobligations on the applicable journal voucher or open document listing supporting the deobligation action in accordance with Chapter 8, section 0804.

3. Assist with the reconciliation of commitment and obligation information between the pay/contract/vendor system and the accounting system.

1106 PRIORITIES FOR RESEARCHING AND CORRECTING UMDs

The following three priority groups are established for researching and correcting all disbursement transactions that have not been properly matched to the correct obligation:

110601. First Priority

The first priority is appropriations or funds specifically requested by OUSD(C).

110602. Second Priority

The second priority is appropriations or funds in an overexpended or overobligated status, regardless of whether the appropriation is in a current, expired, or closed status. Also included in this category are other appropriations, funds or transactions that have caused or are anticipated to cause stop payment orders or create a negative balance condition within the next 60 days.

110603. Third Priority

The third priority is all other appropriations and funds, whether in a current, expired, or closed status.

110604. Secondary-Level Priorities

Within each of the three priority groups, appropriations or funds with the highest negative balance/amount of UMDs generally must be researched ahead of appropriations or funds with lower balances/amounts. Within each appropriation or fund, prioritize transactions and documents beginning with the highest dollar value and continue to work the transactions and documents within that appropriation.

A. Continue this priority until all applicable transactions in the appropriation or fund are researched and corrected and the account is restored to a positive balance, NULO balances are eliminated and/or UMDs are matched, as applicable.

B. Not all transactions in an account must be matched or resolved before beginning research efforts in another account.

1107 RESEARCH REQUIREMENTS FOR OVERAGED NULOs/UMDs

*110701. General Requirements

This section identifies the minimum research requirements for all overaged NULO and UMD transactions. It covers contracts, reimbursable orders, Military Interdepartmental Purchase Requests (MIPRs), travel orders, and Military Standard Requisitioning and Issue Procedures (MILSTRIP).

110702. Contracts

A. Accounting Office Actions

1. Select contract(s) for review based either on a large individual UMD transaction or NULO condition and/or large aggregate total UMD transactions or NULO conditions.

2. Obtain the accounting system transaction history maintained in the accounting office and the payment transaction history from the disbursing office, or the output of obligation and payment differences from an accounting system/payment system comparison program if there are numerous unmatched disbursements showing incompatibility with the funds or amounts on the contract.

3. Review the output of a comparison program of the accounting and payment systems, when available. This can substitute for transaction histories from either system, and will reveal obligation modifications recorded in one system but not the other, as well as potentially omitted modifications.

4. Review obligation transactions recorded in the accounting system to determine that all contract modifications have been recorded.

5. Follow up with the contracting office and contract administration office to verify that all modifications have been recorded, and request that any contract modification errors and omissions be corrected or recorded when a missing contract modification is suspected.

6. Determine the error condition of each UMD (e.g., wrong appropriation or insufficient funds) to guide further research.

7. For a UMD, make a system inquiry, or request the accounting system closed contract history if there is no contract on the active accounting system records. If the contract is in the closed history file, take action to reopen the contract and record the transaction.

8. Review unmatched transactions for indications of specific error conditions. Such conditions include omitted progress payment recoupments for a contract having progress payments, inappropriate appropriation data configurations, or duplicate submission of payment data.

9. Report corrections made to transactions for accounting system recording, (e.g., changes to the appropriation data configuration) to the disbursing office for correction of its records.

10. Reject those transactions that cannot be corrected back to the disbursing office for correction or recovery (e.g., the wrong accounting office or suspected overpayments). Perform the related required central reporting system actions.

11. Request selected voucher copies and supporting information when a centrally-administered contract is still open on the accounting activity's payment records and reconciliation cannot be accomplished between the accounting system transaction history and payment system transaction history.

B. Disbursing Office Actions

1. When a request for information on payment transactions is made by an accounting office, search the files for payment vouchers and, if available, provide a copy to the requesting office. If the payment records and files cannot be found due to age or apparent loss, respond as promptly as possible regarding these facts.

2. Review contract payment files promptly and verify whether the reported reject reason is correct when a disbursement transaction is rejected back from an accounting office with evidence that it was misrouted or is a duplicate or overpayment. If the rejection is valid, initiate a correction or recovery of funds for the duplicate or overpayment and respond as to the action taken.

110703. Reimbursable Order/Military Interdepartmental Purchase Request

For reimbursable orders and MIPRs, the accounting office must:

A. Check the UMD for error reason codes, such as insufficient funds or unmatched document number.

B. Refer the transaction to the ordering office or ordering command fund manager for review, as indicated by the obligation document number.

C. Record the transaction when the ordering office or command validates the transaction and authorizes the obligation action.

D. When the ordering office gives intent to do further research to resolve costs billed, allow the ordering office from the date of disbursement up to the timeframes specified in paragraphs 110301 and 110501 to resolve and/or fund (obligate) the order/MIPR.

E. Refer the transaction to the disbursing office for additional information or correction when the ordering office cannot validate the transaction.

110704. Travel Orders

For travel orders, the accounting office (unless otherwise indicated) must:

A. Determine if a travel payment that results in a UMD transaction, identifies the traveler or is traceable to a separate travel system record.

B. Determine if the original obligation has been recorded in the accounting records when travel system records indicate closure of the travel order record with proper deduction of advances.

C. Record the amount of obligation (the initiating travel office) and record any UMDs (accounting office) when evidence shows that an obligation has not been recorded in the accounting system.

D. Request a copy of the travel settlement voucher from the disbursing office to support the transaction if travel system records do not indicate how a payment was used to liquidate a travel order record.

110705. Military Standard Requisitioning and Issue Procedures Requisitions

For MILSTRIP transactions, the accounting office must:

A. Review MILSTRIP transactions for discrepancy report and billing adjustment status. Submit billing adjustment requests, when required, in accordance with the ***Defense Logistics Management (DLM) 4000.25***, Defense Logistics Management System (DLMS) Volume 4. Any billing adjustment request must be submitted within one year of the billing date (two years for Foreign Military Sales).

B. Submit a follow-up request if a billing adjustment request previously has been made.

C. Accept the Military Standard Billing System transaction if a billing adjustment has not been requested and the time period has expired in accordance with the DLM 4000.25, DLMS Volume 4, Chapters 3 and 4.

110706. Unidentified Document Numbers

For unidentified document numbers, the accounting office must:

A. Review the unmatched transaction for a disbursing office number and other data to ascertain the source of the obligation, e.g., the voucher number and code.

B. Refer the transaction to the disbursing office for verification and the furnishing of supporting documentation if there is a valid disbursing station number.

C. Refer the transaction to the applicable office or command if there is an indication of the source of the obligation, even though the transaction has no disbursing station number or the disbursing office cannot identify the transaction.

D. Record the transaction when the disbursing office or obligating office can identify a properly recorded obligation document.

E. Record an obligation transaction when the obligating office can identify the obligation document, but there is no current open obligation.

110707. Other Transactions

A. Accounting Office Actions

1. Review transactions to determine their purpose and nature; for example, supplemental payroll payment, express or other transportation services or hearing officer examination reporting services.

2. Request the disbursing office furnish missing documentation or any other material that would indicate the source of an obligation or basis for the payment when payment voucher support is missing or is incomplete.

3. Forward transactions to the funding office that have no matching accounting records but have an indication of an obligation, such as an order number. Include an explanation of the apparent nature and purpose of the expenditure; request research of the circumstances of the unrecorded obligation; and obtain support to show that the payment was not improper.

4. If there is no indication of an obligation, review the supporting documentation for any indication that the disbursement may have been incorrectly coded or other errors may have been made.

B. Funding Office Actions

1. Record a transaction when it can be matched to a prior unliquidated obligation.

2. If a transaction does not match, continue research efforts, including trying to identify erroneous document numbers.

1108 REQUEST TO DISCONTINUE UMD/NULO RESEARCH

110801. Research Decision

UMDs and NULOs may continue to be researched (notwithstanding the obligation of funds in accordance with section 1105). For transactions of $2,500 or less, the decision to continue (or discontinue) research is at the discretion of the fund holder. For transactions over $2,500, the Military Department Assistant Secretaries (FM&C) or Defense Agency Comptroller, may require the fund holder to continue research action. If continued research is required of the fund holder, written approval to discontinue research must be obtained from the Military Department Assistant Secretaries (FM&C) or Defense Agency Comptroller for transactions over $2,500. However, once the required obligation or obligation adjustment has been recorded for a UMD or NULO, the Defense Finance and Accounting Service (DFAS) must discontinue reporting the UMD or NULO regardless of whether research efforts continue.

110802. Minimum Criteria for Discontinuance

The following conditions describe the minimum criteria required to request an approval to discontinue research:

A. There is no indication that an overpayment or a duplicate payment has been made and not fully collected.

B. For contracts closed by DFAS:

1. A preclosing payment review has been completed.

2. The UMD or NULO conditions that cannot be resolved will not exceed the contract total if recorded.

C. An erroneous document number that neither the disbursing office nor the indicated obligating office can furnish information or support the disbursement.

D. A travel order where an unmatched transaction contains insufficient information for research and cannot be traced due to age.

E. Requests to discontinue further research efforts may be forwarded when the research steps listed in section 1107 cannot be completed because of missing or insufficient documentation, and steps to request or obtain the missing documentation or clarification of the insufficient documentation were taken as specified but have not produced results, and further efforts do not appear to be cost-effective.

F. The following information must be submitted with each request to discontinue research:

1. A separate report listing the individual transactions for each appropriation by responsible accounting office.

2. A summary of research efforts and other steps taken to obtain missing documents or additional support for insufficient documentation. At a minimum, the summary report must include statements advising that the following actions were taken:

a. When applicable, transaction histories of the respective accounting and payment systems were obtained, reviewed, and compared for omitted transactions and other differences.

b. For omitted documents or noted differences, a request to obtain the documents or other clarifying evidence was made to the appropriate funding or contracting office for obligation documents and payment office for payment supporting documents.

c. Information regarding the research accomplished, as reported by the office, that the request for documentation and supporting information could not be provided due to invalid document number references, lost or misfiled documents, or inadequate data for searching files.

d. Sufficient actions were taken during the research efforts to provide reasonable assurance that no duplicate payments or other overpayments remain outstanding and no fraud has occurred involving the disbursement transactions for which research efforts are requested to be discontinued.

110803. Reporting Continued Research Efforts

After the research required by section 1107 is accomplished by the accounting office and the fund holder, and the researched UMDs and NULOs are properly resolved, and/or required obligations or obligation adjustments are recorded, further research or reporting of such UMDs or NULOs is not required. If a fund manager and/or the accounting office later identify the need for an additional adjustment or correction and provide the appropriate adjusting/correcting document, the appropriate adjustment/correction must be recorded.

1109 CORRECTION/POSTING DISBURSEMENTS – APPROPRIATED FUNDS

110901. General Requirements

This section provides general requirements for recording corrections of prior disbursements erroneously charged to the wrong obligation or otherwise erroneously posted. The requirements are stated in general terms in recognition of the numerous accounting systems, each of which has specific transaction identifiers and processing requirements. The requirements in this section apply to disbursement transactions that have been or should have been charged to direct appropriations.

110902. Correction of Disbursement – Current/Expired Appropriation

This paragraph describes corrections of prior disbursements or posting errors when the correct obligation has been identified and the appropriation that should have been charged is an appropriation that is in a current or expired status.

A. To properly record a disbursement in an appropriation that should have been charged, adjust the records of the current or expired appropriation by taking one of the following two actions as appropriate:

1. If a disbursement exceeds a prior obligation (e.g., created a NULO), an adjustment to the prior obligation is required. Therefore, increase the amount of obligation previously recorded to eliminate the NULO.

2. If a disbursement was made for which an obligation was not previously recorded, or otherwise has not been identified, an obligation is required. Therefore, record an obligation and match the disbursement to the obligation.

B. To correct the improper charge to a current or expired appropriation that was charged previously in error, adjust the records of the appropriation by taking one of the following two actions:

1. If a recoupment applies to a disbursement that either was matched erroneously to an obligation or remains unmatched, record a recoupment reversing the prior disbursement.

2. If the recoupment applies to a previous UMD, NULO, or in-transit disbursement for which an obligation or obligation adjustment was established in accordance with paragraph 110905, record the recoupment as an offset to the obligation or obligation adjustment and reverse the obligation or obligation adjustment.

110903. Correction of Disbursement – Closed Appropriation (Before Closure)

This paragraph describes the corrections of prior disbursements or posting errors when the correct obligation has been identified and the appropriation that should have been charged is a closed appropriation and the disbursement occurred before closure of the correct chargeable appropriation.

A. To reflect the charge properly to the closed appropriation that should have been charged initially (before it was closed), process a memorandum charge to the closed appropriation.

1. Adjust the records of the closed appropriation to reflect the previous disbursement by taking one of the following two actions, as appropriate:

a. If the correct detail obligation was recorded in the closed appropriation (prior to the closure of the appropriation), match the prior charge (disbursement) to the appropriate prior obligation in the closed appropriation and reduce the unliquidated balance of the closed appropriation. (There should be no change in the unobligated balance of the closed appropriation.)

b. If the correct detail obligation was not recorded in the closed appropriation (prior to the closure of the appropriation) or otherwise has not been identified, make a memorandum record of the disbursement and reduce the unobligated balance of the closed appropriation. (There should be no change in the unliquidated obligation balance of the closed appropriation.)

2. If the adjustment (required by subparagraphs 110903.A.1.a or b) would exceed the unexpended balance or unobligated balance of the closed appropriation, or any administrative subdivision thereof; or if upon reducing the unobligated balance in accordance with subparagraph 110903A.1.b, the unobligated balance is exceeded at the ADA level of responsibility, report a potential ADA violation and initiate a preliminary investigation in accordance with Volume 14.

B. To reverse the erroneous charge: If the disbursement was erroneously charged to an appropriation that is now current or expired, perform the actions addressed in subparagraph 110903.B.1. If the disbursement was erroneously charged to an appropriation that is now closed, perform the actions addressed in subparagraph 110903.B.2.

1. To correct an improper charge to a current or expired appropriation that previously was charged in error, adjust the records of the current or expired appropriation by taking one of the following two actions, as appropriate:

a. If a recoupment applies to a disbursement that either was matched erroneously to an obligation or remained unmatched, record a recoupment reversing the prior disbursement.

b. If the recoupment applies to a previous UMD, NULO, or in-transit disbursement for which an obligation or obligation adjustment was established in accordance with paragraph 110905, record the recoupment as an offset to the obligation or obligation adjustment and reverse the obligation or obligation adjustment.

2. To correct an improper charge to a closed appropriation that previously was charged in error, process a memorandum recoupment reversing the erroneous charge to the closed appropriation. Adjust the records of the closed appropriation to reflect the recoupment by taking one of the following two actions as appropriate:

a. If the recoupment applies to a disbursement that either was matched erroneously to the wrong obligation or remained unmatched (prior to the closure of the appropriation), record a memorandum recoupment to offset the disbursement and record an upward adjustment to increase the unliquidated obligation balance of the closed appropriation.

b. If the recoupment applies to a UMD, NULO, or in-transit disbursement for which the unobligated balance of the closed appropriation was reduced in accordance with paragraph 110905, record the memorandum recoupment as an offset to the previous decrease in the unobligated balance and record an upward adjustment to increase the unobligated balance of the closed appropriation.

110904. Correction of Disbursement – Closed Appropriation (After Closure)

This paragraph describes corrections of prior disbursements or posting errors when the correct obligation has been identified and the appropriation that should have been charged is a closed appropriation and the disbursement occurred after closure of the correct chargeable appropriation.

A. Availability of Funds at Time of Original Disbursement. Disbursements occurring after the closure of an appropriation must be funded from a current appropriation available for the same purpose as the appropriation that is closed. This current appropriation is referred to in this chapter as the funding appropriation. The funding appropriation must be, or must have been available for incurring new obligations at the time of the disbursement.

1. When corrections involve disbursements that occurred after the closure of the correct appropriation, ensure that a correction is made to the funding appropriation in addition to the closed appropriation.

2. For example: To correct a disbursement that was charged erroneously to an appropriation that was expired at the time of the disbursement and should have been charged to an appropriation that was closed at the time of the disbursement, reduce the balance of the correct closed appropriation, and charge the funding appropriation that was current at the time of the disbursement.

B. Charge the Correct Funding Account. To correct the funding appropriation that was current at the time of the original disbursement and available for the same purpose as the closed appropriation (that otherwise would have been charged except that it was closed), adjust the records of the funding appropriation by taking the following action:

1. Establish an obligation in the funding appropriation and record the disbursement against the obligation.

2. If the adjustment exceeds either the unexpended balance or the unobligated balance of the funding appropriation, or any administrative subdivision thereof, report a potential ADA violation and initiate a preliminary investigation in accordance with Volume 14.

C. Memorandum Charge to the Closed Account. To reflect the charge properly to the closed appropriation that should have been charged initially except that it was closed, process a memorandum charge to the closed appropriation.

1. Adjust the records of the closed appropriation by taking one of the following two actions, as appropriate:

a. If the correct detail obligation was recorded in the closed appropriation (prior to the closure of the appropriation), match the prior charge (disbursement) to the appropriate prior obligation in the closed appropriation and reduce the unliquidated balance of the closed appropriation. (There should be no change in the unobligated balance of the closed appropriation.)

b. If the correct detail obligation was not recorded in the closed appropriation (before the closure of the appropriation), or otherwise has not been identified, make a memorandum record of the disbursement and reduce the unobligated balance of the closed appropriation. (There should be no change in the unliquidated obligation balance of the closed appropriation.)

2. If the adjustment would exceed the unexpended balance or the unobligated balance of the closed appropriation, or any administrative subdivision thereof, report a potential ADA violation and initiate a preliminary investigation in accordance with Volume 14.

D. Reverse the Erroneous Charge. If the disbursement was erroneously charged to an appropriation that is now current or expired, take the actions addressed in subparagraph 110904.D.1 to reverse the erroneous charge. If the disbursement was erroneously charged to an appropriation that is now closed, take the actions addressed in subparagraph 110904.D.2 to reverse the erroneous charge.

1. To correct an improper charge to the current or expired appropriation that previously was charged in error, adjust the records of the current or expired appropriation by taking one of the following two actions:

a. If a recoupment applies to a disbursement that either was matched erroneously to an obligation or remained unmatched, record a recoupment reversing the prior disbursement.

b. If the recoupment applies to a previous UMD, NULO, or in-transit disbursement for which an obligation or obligation adjustment was established in accordance with paragraph 110905, record the recoupment as an offset to the obligation or obligation adjustment and reverse the obligation or obligation adjustment.

2. To correct the improper charge to a closed appropriation that was previously charged in error, process a recoupment reversing the erroneous charge to the closed appropriation. Adjust the records of the closed appropriation by taking one of the following two actions, as appropriate:

a. If the recoupment applies to a disbursement that either was matched erroneously to the wrong obligation or remained unmatched in the accounting records (prior to the closure of the appropriation), record a memorandum recoupment offsetting the disbursement and increase the unliquidated obligation balance of the closed appropriation.

b. If the recoupment applies to a UMD, NULO, or in-transit disbursement for which the unobligated balance of the closed appropriation was reduced in accordance with paragraph 110905, record the memorandum recoupment as an offset to the previous decrease in the unobligated balance and increase the unobligated balance of the closed appropriation.

110905. Posting Requirements – Unidentified Obligation

This paragraph describes the posting requirements when the correct obligation has not been identified within the specified timeframes (paragraphs 110301, 110501, 111401.B, 111404, and 111405). As stated in section 1104, obligations are to be established/adjusted, and/or unobligated balances reduced, as appropriate, for disbursements that have not been matched to the correct obligation.

A. Transactions in Closed Accounts

1. Unmatched Disbursements

a. Charge the closed appropriation in which the UMD resides by reducing the unobligated balance. Unobligated balances may be reduced either at the detail (individual) transaction or summary level.

(1) If the summary method is used, the summary memorandum unobligated balance adjustments must be substantiated by detail transaction listings of each UMD making up the summary amount.

(2) If posted at the detail-level, record a memorandum unobligated balance adjustment in the accounting records for each UMD being cleared.

b. Increase the unliquidated obligation balance of the closed appropriation by memorandum entry.

c. If, upon reducing the unobligated balance, the unobligated balance is exceeded at the level of ADA violation responsibility, report a potential ADA violation and initiate a preliminary investigation in accordance with Volume 14.

2. Negative Unliquidated Obligations

a. Charge the closed appropriation in which the NULO resides by reducing the unobligated balance. Unobligated balances may be reduced either at the detail (individual) transaction or summary level.

(1) If the summary method is used, the summary memorandum unobligated balance adjustments must be substantiated by detail transaction listings of each NULO making up the summary amount.

(2) If posted at the detail-level, record a memorandum unobligated balance adjustment in the accounting records for each NULO being cleared.

b. Increase the unliquidated obligation balance of the closed appropriation by memorandum entry.

c. If, upon reducing the unobligated balance, the unobligated balance is exceeded at the level of ADA violation responsibility, report a potential ADA violation and initiate a preliminary investigation in accordance with Volume 14.

3. In-Transit Disbursements

a. The unobligated balance of the cited closed appropriation must be reduced for overaged in-transit disbursements. Overaged in-transit disbursements must be charged in the same manner as unmatched disbursements as provided for in subparagraph 110905A.1.

b. If a disbursement transaction identifies a specific fund holder, that fund holder must provide the supporting accounting office with a memorandum obligation document. If the funds holder did not hold funds for the fiscal year charged, or a fund holder was not identified in the transaction record, the appropriation manager must designate a specific fund holder to take those actions required in subparagraph 110905A.1.

B. Transactions in Current and Expired Accounts

1. Unmatched Disbursements

a. Charge the current or expired appropriation in which the UMD(s) resides by establishing a formal obligation for the UMD(s) in the appropriation. The impact should be a reduction of the unobligated balance. Obligations may be posted either at the detail (individual) transaction or summary level.

(1) If the summary obligation method is used, such summary obligation amounts must be substantiated by detail transaction listings of each UMD making up the summary amount.

(2) If posted at the document level, record an obligation adjustment in the accounting records. Post the UMD being cleared against the adjusted obligation.

b. Increase the unliquidated obligation balance of the current or expired appropriation.

c. If, upon recording the obligation, the obligated balance exceeds the funds available, at the level of ADA violation responsibility, report a potential ADA violation and initiate a preliminary investigation in accordance with Volume 14.

2. Negative Unliquidated Obligations

a. Charge the current or expired appropriation in which the NULO resides by establishing a formal obligation adjustment for the NULO in the appropriation. The impact should be a reduction of the unobligated balance. Obligations may be posted either at the detail (individual) transaction or summary level.

(1) If the summary obligation method is used, such summary obligation amounts must be substantiated by detail transaction listings of each NULO making up the summary amount.

(2) If posted at the document level, increase the amount of the previously recorded obligation that the NULO matches by recording an obligation adjustment in the accounting records.

b. Increase the unliquidated obligation balance of the current or expired appropriation.

c. If, upon recording the obligation adjustment, the obligated balance exceeds the funds available at the level of ADA violation responsibility, report a potential ADA violation and initiate a preliminary investigation in accordance with Volume 14.

3. In-Transit Disbursements

a. Obligations must be established by September 30 for all in-transit disbursement transactions in appropriations scheduled to close at the end of the current fiscal year. Obligations for unresolved in-transit disbursement transactions must be recorded in the same manner as UMDs as provided for in subparagraph 110905A.1.

b. If a disbursement transaction identifies a specific funds holder, that fund holder must provide the supporting accounting office with an obligation document. If the fund holder did not hold funds for the fiscal year charged, or if a fund holder was not identified in the transaction record, the appropriation manager must designate a specific fund holder to take those actions required in subparagraph 110905A.1 and 2.

C. Continue Research Efforts. The requirement to establish obligations for unresolved overaged UMDs, NULOs, and in-transit disbursements may not eliminate the need to complete the research and post the disbursement to the correct obligation. If continued research is required of the fund holder, research efforts must be continued until approval to discontinue research is obtained in accordance with section 1108.

110906. Posting Requirements – Discontinued Research Approved

This paragraph describes posting requirements when required research is unsuccessful and discontinuance of further research is approved. The requirements addressed in paragraphs 110906.A – B must be applied when the actions in section 1107 have been completed and a request to discontinue further research has been submitted and approved in accordance with section 1108.

A. Approval Before the Expiration of the Specified Timeframes. If approval to discontinue further research occurs before the expiration of the timeframes specified in paragraphs 110301, 110501, 111401.B, 111404, and 111405; and amounts have not been obligated in accordance with the provisions of those paragraphs; obligations must be established in accordance with the provisions of those paragraphs for valid obligations incurred during the period of availability.

B. Approval After the Expiration of the Specified Timeframes. If approval to discontinue further research occurs after the expiration of the timeframes specified in paragraphs 110301, 110501, 111401.B, 111404, and 111405; and amounts have been obligated in accordance with the provisions of those paragraphs, no further obligation action is required.

1110 CORRECTION/POSTING DISBURSEMENTS – WORKING CAPITAL FUNDS

111001. General Requirements

Corrections and postings of disbursements in the Working Capital Funds (WCF) may require adjustments to both disbursements and expenses. This section cites general procedures for recording corrections of prior disbursements erroneously charged to the wrong obligation or otherwise erroneously posted. The procedures are stated in general terms in recognition of the numerous accounting systems, each of which has specific transaction identifiers and processing requirements.

111002. Posting Requirements – Identified Obligation

This paragraph describes corrections of prior disbursements or posting errors when the correct obligation has been identified.

A. To record a disbursement properly against an activity that should have been charged, adjust the records of the applicable activity by making one of the budgetary account adjustments as well as one of the propriety account adjustments. These adjustments are addressed in paragraphs 111002.A.1 and 2:

1. Budgetary Account Adjustments

a. If a disbursement exceeds a prior obligation (i.e., created a NULO), an adjustment to the prior obligation is required. Therefore, increase the obligation previously recorded.

b. If a disbursement was made for which an obligation was not recorded previously, or otherwise has not been identified, an obligation is required. Therefore, record an obligation and match the disbursement to the obligation.

2. Proprietary Account Adjustments

a. If it has been demonstrated that the correct proprietary account was charged previously in the correct amount, no further proprietary account adjustment is required.

b. If the disbursement occurred in the current fiscal year, and the correct proprietary account and adjustment(s) amount is known, make the required proprietary account adjustment(s).

c. If the disbursement occurred in a prior fiscal year, and a real property or depreciable property proprietary asset account should be adjusted to charge the correct proprietary account properly in the correct amount, make the required proprietary account adjustment(s).

d. If the provisions of subparagraphs 111002.A.2.a – c are not applicable, charge the "extraordinary loss" proprietary account in an amount that is equal to the amount of the obligation or obligation adjustment provided for in subparagraphs 111002.A.1.a or b, as applicable. This extraordinary loss should be recorded in the fiscal year that is current at the time that the obligation or obligation adjustment addressed in subparagraphs 111002.A.1.a or b is made, irrespective of when the disbursement occurred.

B. To correct the improper charge that was charged previously in error, adjust the records of the applicable activity by making one of the budgetary account adjustments addressed in subparagraph 111002.B.1 and one of the proprietary account adjustments addressed in subparagraph 111002.B.2:

1. Budget Account Adjustments

a. If a recoupment applies to a disbursement that either was matched erroneously to an obligation or remained unmatched, record a recoupment reversing the prior disbursement.

b. If the recoupment applies to a previous UMD, NULO, or in-transit disbursement for which an obligation or obligation adjustment was established in accordance with paragraph 111003, record the recoupment as an offset to the obligation or obligation adjustment and reverse the obligation or obligation adjustment.

2. Proprietary Account Adjustments

a. If it has been demonstrated that the correct proprietary account was charged previously in the correct amount, no further proprietary account adjustment(s) is required.

b. If the disbursement occurred in the current fiscal year, and the correct proprietary account and adjustment amount is known, make the required proprietary account adjustment(s).

c. If the disbursement occurred in a prior fiscal year, and a real property or depreciable property proprietary asset account was charged (but should not have been charged and now should be adjusted to relieve the incorrect charge), make the required proprietary account adjustment(s).

d. If the provisions of subparagraphs 111002.B.2.a – c are not applicable, record an "extraordinary gain" in the proprietary account in an amount that is equal to the amount of the obligation/obligation adjustment provided for in subparagraphs 111002.B.1.a or b, as applicable. This extraordinary gain should be recorded in the fiscal year that is current at the time that the obligation/obligation adjustment is made as addressed in subparagraphs 111002.B.1.a or b, irrespective of when the disbursement occurred.

111003. Posting Requirements – Unidentified Obligation

This paragraph describes posting requirements when the correct obligation has not been identified within the timeframes specified in paragraphs 110301, 110501, 111401.B, 111404, and 111405. Obligations or adjustments to obligations, as well as expenses, are to be established for disbursements that have not been matched to the correct obligation. These obligations or obligation adjustments and expenses are to be processed and recorded consistent with the requirements provided for in subparagraphs 111003.A.1 – 3.

A. Budget Account Adjustment

1. Unmatched Disbursements

a. UMDs must be obligated and expensed against the WCF activity where the UMD resides. (If a UMD has not been identified to a specific activity, it must be so assigned.)

b. Charge the activity in which the UMD resides by establishing a formal obligation. Obligations may be posted either at the detail (individual) transaction or summary level.

(1) If the summary obligation method is used, the summary obligation amounts must be substantiated by detail transaction listings of each UMD making up the summary amount.

(2) If posted at the document level, record an obligation adjustment in the accounting records. Post the UMD being cleared against the adjusted obligation.

c. If, upon recording the obligation, the obligated balance exceeds the budgetary resources available at the level of ADA violation responsibility, report a potential ADA violation and initiate a preliminary investigation in accordance with Volume 14.

d. Record an extraordinary loss in the proprietary accounts in an amount equal to the amount of the UMD. This extraordinary loss should be recorded in the fiscal year that is current at the time that the obligation is made as addressed in subparagraph 111003.A.1, irrespective of when the disbursement occurred.

2. Negative Unliquidated Obligations

a. NULOs must be obligated and expensed against the WCF activity where the NULOs reside.

b. Charge the activity in which the NULO resides by establishing a formal obligation adjustment. Obligations may be posted either at the detail (individual) transaction or summary level.

(1) If the summary obligation method is used, the summary obligation amounts must be fully substantiated by detail transaction listings of each NULO making up the summary amount.

(2) If posted at the document level, increase the amount of the previously recorded obligation that the NULO matches by recording an obligation adjustment in the accounting records.

c. If, upon recording the obligation adjustment, the obligated balance exceeds the budgetary resources available at the level of ADA violation responsibility, report a potential ADA violation and initiate a preliminary investigation in accordance with Volume 14.

d. Record an extraordinary loss in the proprietary accounts in an amount equal to the amount of the NULO. This extraordinary loss should be recorded in the fiscal year that is current at the time that the adjustment is made as addressed in subparagraph 111003.A.2.b, irrespective of when the disbursement occurred.

3. In-Transit Disbursements

a. In-transit disbursements must be obligated and expensed against the WCF activity in which the transaction resides. If an activity is not identified in the transaction record, the DoD Component involved must designate a specific activity.

b. In-transit disbursements must be charged in the same manner as UMDs. Charge the activity in which the in-transit disbursements resides by establishing a formal obligation.

c. If, upon recording the obligation, the obligated balance exceeds the budgetary resources available at the level of ADA violation responsibility, report a potential ADA violation and initiate a preliminary investigation in accordance with Volume 14.

d. Record an extraordinary loss in the proprietary accounts in an amount equal to the amount of the in-transit disbursement. This extraordinary loss should be recorded in the fiscal year that is current at the time that the obligation is made as addressed in subparagraph 111003A.3.b, irrespective of when the disbursement occurred.

B. Proprietary Account Adjustments. Record an extraordinary gain in the proprietary account in an amount that is equal to the amount of the obligation or obligation adjustment provided for in subparagraphs 111003.A.1 – 3, as applicable. This extraordinary gain should be recorded in the fiscal year that is current at the time that the obligation or obligation adjustment is made as addressed in subparagraphs 111003.A.1 – 3, irrespective of when the disbursement occurred.

C. Continue Research Efforts. The requirement to obligate and expense UMD, NULOs, and in-transit disbursements that remain unmatched at the end of the timeframes specified in paragraphs 110301, 110501, 111401.B, 111404 and 111405 may not eliminate the need to complete the research and post the disbursement to the correct obligation. If continued research is required of the fund holder, then research efforts must be continued until approval to discontinue research is obtained in accordance with the requirements in section 1108.

111004. Posting Requirements – Discontinued Research Approved

This paragraph describes posting requirements when required research is unsuccessful and discontinuance of further research is approved. The requirements addressed in paragraphs 111004.A and B must be applied when the actions in section 1107 have been completed and a request to discontinue further research has been submitted and approved in accordance with section 1108.

A. Approval Before the Expiration of the Specified Timeframes. If approval to discontinue further research occurs before the expiration of the timeframes specified in paragraphs 110301, 110501, 111401.B, 111404, and 111405 and amounts have not been obligated and expensed in accordance with the provisions of those paragraphs, obligations and expenses must be established in accordance with the provisions of those paragraphs.

B. Approval After the Expiration of the Specified Timeframes. If approval to discontinue further research occurs after the expiration of the timeframes specified in paragraphs 110301, 110501, 111401.B., 111404, and 111405, and amounts have been obligated and expensed in accordance with the provisions of those paragraphs, no further obligation or expense action is required.

1111 CORRECTION/POSTING DISBURSEMENTS – FOREIGN MILITARY SALES TRUST FUND

111101. General Requirements

Corrections and postings of disbursements in the Foreign Military Sales (FMS) Trust Fund may require adjustments both to disbursements and charges to FMS cases or FMS surcharge accounts. This section cites general procedures for recording corrections of prior disbursements erroneously charged to the wrong obligation or otherwise posted erroneously. The requirements are stated in general terms in recognition of the numerous accounting systems, each of which has specific transaction identifiers and processing requirements.

111102. Special Notification Requirements

A. If the accounting office has not been able to resolve the transactions within the timeframes specified in paragraphs 110301 and 110501 after discovery of the UMD or NULO condition, the transactions must be forwarded to the fund holder for resolution. For FMS, both the Defense Security Cooperation Agency (DSCA) and the fund holder must be involved in the resolution. Notify the fund holder that he or she must fund the transaction if the transaction is not properly matched within the specified timeframes. If required, prepare a draft case modification for DSCA countersignature.

B. Due to FMS case management requirements, disbursements and disbursement adjustments involving FMS funds must be coordinated with DFAS. DFAS will establish notification and approval procedures.

111103. Posting Requirements – Identified Obligation

This paragraph describes corrections of prior disbursements or posting errors when the correct obligation has been identified.

A. To record a disbursement properly that previously was charged erroneously, adjust the records of the FMS case or FMS surcharge account that should have been charged by taking one of the following two actions:

1. If a disbursement exceeds a prior obligation (i.e., created a NULO), an adjustment to the prior obligation is required. Therefore, increase the obligation previously recorded and match the disbursement to the adjusted obligation.

2. If a disbursement was made for which an obligation was not recorded previously, correction action must be taken in order to record the obligation or obligation adjustment to match the disbursement.

3. If, upon recording the obligation, the obligated balance exceeds the budgetary resources available at the level of ADA violation responsibility, report a potential ADA violation and initiate a preliminary investigation in accordance with Volume 14.

B. To correct an improper charge that was previously erroneously charged, adjust the records of the applicable FMS case or FMS surcharge account charged in error by taking one of the following two actions:

1. If a recoupment applies to a disbursement that was matched erroneously to an obligation, record a recoupment reversing the prior disbursement.

2. If the recoupment applies to a previous UMD, NULO, or in-transit disbursement for which an obligation or obligation adjustment was established in accordance with paragraph 111104, record the recoupment as an offset to the obligation or obligation adjustment and reverse the obligation or obligation adjustment.

111104. Posting Requirements – Unidentified Obligation

This paragraph describes posting requirements when the correct obligation has not been identified within the timeframes specified in paragraphs 110301, 110501, 111401.B, 111404, and 111405. Obligations or obligation adjustments must be established for disbursements that have not been matched to the correct obligation and processed and recorded consistent with the procedures provided for in subparagraphs 111104.A – D.

A. Unmatched Disbursements

1. UMDs must be obligated against the FMS case or FMS surcharge account where the UMD resides. (If a UMD has not been identified to a specific FMS case or FMS surcharge account, it must be assigned to the FMS administrative surcharge account.)

2. Charge the FMS case or FMS surcharge account in which the unmatched disbursement resides by establishing a formal obligation. Obligations may be posted either at the detail (individual) transaction or summary level.

a. If the summary obligation method is used, the summary obligation amounts must be substantiated by detail transaction listings of each UMD making up the summary amount.

b. If posted at the document level, record an obligation adjustment in the accounting records. Post the UMD being cleared against the adjusted obligation.

3. If, upon recording the obligation, the obligated balance exceeds the budgetary resources available at the level of ADA violation responsibility, report a potential ADA violation and initiate a preliminary investigation in accordance with Volume 14.

B. Negative Unliquidated Obligations

1. NULOs must be obligated against the FMS case or FMS surcharge account where the NULOs reside.

2. Charge the FMS case or FMS surcharge account in which the NULO resides by establishing a formal obligation adjustment. Obligations may be posted either at the detail (individual) transaction or summary level.

a. If the summary obligation method is used, the summary obligation amounts must be substantiated by detail transaction listings of each NULO making up the summary amount.

b. If posted at the document level, increase the amount of the previously recorded obligation that the NULO matches by recording an obligation adjustment in the accounting records.

3. If, upon recording the obligation, the obligated balance exceeds the budgetary resources available, at the level of ADA violation responsibility, report a potential ADA violation and initiate a preliminary investigation in accordance with Volume 14.

C. In-Transit Disbursements

1. In-transit disbursements must be obligated against the FMS case or FMS surcharge account in which the transaction resides. If an FMS case or FMS surcharge account is not identified in the transaction record, it must be assigned to the FMS administrative surcharge account.

2. In-transit disbursements must be charged in the same manner as UMDs. Charge the FMS case or FMS surcharge account in which the in-transit disbursements resides by establishing a formal obligation.

3. If, upon recording the obligation, the obligated balance exceeds the budgetary resources available, at the level of ADA violation responsibility, report a potential ADA violation and initiate a preliminary investigation in accordance with Volume 14.

D. Continue Research Efforts. The requirement to obligate and expense UMD, NULOs, and disbursements in-transit that remain unmatched at the end of the specified timeframes specified may not eliminate the need to complete the research and post the disbursement to the correct obligation. If continued research is required of the fund holder, research efforts must be continued until approval to discontinue research is obtained in accordance with the procedures in section 1108.

111105. Posting Requirements – Discontinued Research Approved

This paragraph describes posting requirements when required research is unsuccessful and discontinuance of further research is approved. The requirements addressed in paragraphs 111105.A and B must be applied when the actions in section 1107 have been completed and a request to discontinue further research has been submitted and approved in accordance with section 1108.

A. Approval Before the Expiration of the Specified Timeframes. If approval to discontinue further research occurs before the expiration of the timeframes discussed in paragraph 111104 and amounts have not been obligated and expensed in accordance with the provisions of that paragraph, obligations must be established in accordance with these provisions.

B. Approval After the Expiration of the Specified Timeframes. If approval to discontinue further research occurs after the expiration of the timeframes discussed in paragraph 111104 and amounts have been obligated and expensed in accordance with the provisions of that paragraph, no further obligation or expense action is required.

1112 CORRECTIONS OF DISBURSEMENTS – MULTIPLE FUND TYPES

When correcting disbursement transactions that were erroneously charged to one fund type (e.g., appropriated fund) that should have been charged to another fund type (e.g.,WCF or trust fund), apply the requirements for each fund type involved. For example, for a disbursement that was charged erroneously to an appropriated fund that should have been charged to a WCF, the recoupment to the appropriated fund should be processed in accordance with the applicable recoupment paragraph in section 1109, while the charge to the WCF should be processed in accordance with the applicable paragraph in section 1110.

1113 CORRECTIONS REQUIRING NEW DISBURSEMENTS OR COLLECTIONS

111301. General Requirements

When the correction requires a new disbursement or collection, process the corrective action in accordance with sections, 1109, 1110, 1111, or 1112, as applicable. Additionally, process the new disbursement or collection in accordance with the provisions of paragraph 111302, if the disbursement or collection does not involve a closed appropriation. Process the transaction in accordance paragraph 111303, if the disbursement or collection involves a closed appropriation.

111302. Current/Expired Appropriation or Working Capital/Trust Fund

For disbursements or collections that are chargeable to a current or expired appropriation, WCF, or trust fund:

A. Disbursement. When a new cash disbursement involves a current or expired appropriation, WCF, or trust fund and a closed appropriation is not involved, process and record the disbursement in accordance with existing requirements for new disbursements for such accounts.

B. Collection. When a new cash collection involves a current or expired appropriation, WCF, or trust fund and a closed account is not involved, process and record the collection in accordance with existing requirements for collections for such accounts.

111303. Closed Appropriation

For disbursements or collections that are properly chargeable to a closed appropriation (except that the appropriation is closed):

A. Disbursement. When a new disbursement involves an amount that otherwise is properly chargeable to a closed appropriation except that the appropriation is closed, comply with the provisions of the closing accounts legislation (summarized in subparagraphs 110402.E – F).

1. Record and report the charge as a new obligation and a disbursement in a currently available appropriation that is available for the same purpose as the closed appropriation. If the obligation causes the cumulative one percent limit (identified in subparagraph 110402.F) to be exceeded, no disbursement can be made. The office funding the proposed payment (contract) must contact the cognizant Military Department Assistant Secretary (FM&C) or the Defense Agency Comptroller for referral to OUSD(C) for appropriate disposition.

2. Adjust the records of the closed appropriation to reflect the new disbursement by taking one of the following two actions, as appropriate:

a. Reduce the unliquidated balance of the closed appropriation if the correct detail obligation was recorded in the closed appropriation prior to the closure of the appropriation. (There should be no change in the unobligated balance of the closed appropriation.) Match the current charge (disbursement) to the appropriate prior obligation in the closed appropriation.

b. Make a memorandum record of the disbursement and reduce the unobligated balance of the closed appropriation if the correct detail obligation was not recorded in the closed appropriation prior to the closure of the appropriation. (There should be no change in the unliquidated obligation balance of the closed appropriation.)

3. The disbursement must not be issued if the adjustment required by subparagraphs 111303.A.2.a or b, would exceed the unexpended balance of the closed appropriation, or if reducing the unobligated balance in accordance with the provisions of subparagraph 111303.A.2.b, would result in a negative unobligated balance at the appropriation level.

4. If the disbursement is made, a potential ADA violation must be reported and a preliminary investigation initiated if the adjustments required by subparagraphs 111303.A.2.a or b (a) would not exceed the unexpended balance or the unobligated balance at the appropriation level, but (b) would exceed the unexpended balance or the unobligated balance of an administrative subdivision of the appropriation that has ADA violation responsibility.

B. Collection. When a new cash refund or other collection involves an amount that otherwise would be refunded or collected to a closed appropriation except that the appropriation is closed, comply with the provisions of the closing accounts legislation.

1. Deposit the collection to the Treasury miscellaneous receipt account.

2. Increase the unobligated or unliquidated balance of the closed appropriation, as appropriate, to reflect each refund or collection deposited into the Treasury account. Adjust the records of the closed appropriation to reflect the new refund or collection by taking one of the following two actions, as appropriate:

a. If the collection applies to an accounts receivable that had been established prior to the closure of the appropriation, record a memorandum collection offsetting the receivable and increase the unobligated balance of the closed appropriation.

b. If the collection applies to a disbursement that was not established as an account receivable prior to the closure of the appropriation, record a memorandum collection as an offset to the previous disbursement and increase the unliquidated obligation balance of the appropriation.

1114 PROCESSING IN-TRANSIT DISBURSEMENTS

111401. General Requirements

This paragraph addresses all in-transit disbursement transactions including interfund transactions and disbursements originating outside the Department.

A. All disbursements must be recorded and matched to their corresponding obligation records as promptly as current systems and business practices permit. Nevertheless, at any given time, a percentage of the Department's disbursements may be in-transit from the disbursing office or entitlement activity to the applicable accounting office. Disbursements are considered in-transit disbursements when they have been reported by the disbursing office, through a paying center to Treasury and charged against the Department's fund balances but:

1. Have not yet been received by the applicable accounting office;

2. Have been received by the applicable accounting office but not yet entered into the accounting office's database; or

3. It has been determined that there is insufficient information to process.

B. The following timeframes are applicable for processing and obligating in-transit disbursement transactions:

1. In-transit disbursements must be processed and resolved in accordance with paragraphs 111404 – 111406.

2. Obligations must be established and recorded for all unresolved in-transit disbursement transactions no later than September 30 of the year that the cited appropriation is scheduled to be closed, regardless of the age of the transaction.

3. In-transit disbursement transactions that cite closed accounts must be processed in accordance with paragraphs 111404 – 111406. However, obligations for all such in-transit disbursements must be established and recorded no later than September 30 each year (notwithstanding the applicability of the requirements in subparagraph 111401.B.1).

C. In-transit disbursements must be properly certified. A thorough certification process helps to reduce disbursements with invalid accounting lines and, thus, should result in fewer unresolved in-transit disbursements. Additionally, certification requirements should help to prevent erroneous payments. Responsibilities for obligating and reporting erroneous payments are delineated in Volume 5, Chapter 6.

D. Reject procedures described in paragraphs 111404 and 111405 apply to all transactions except the following:

1. Transactions originating outside the DoD.

2. Transactions amounting to $2,500 or less. However, all transactions related to travel advances and settlements, pay entitlements, and FMS must be rejected in accordance with paragraphs111404 and 111405.

3. Suspected fraudulent transactions must be reported immediately to the Defense Criminal Investigative Service.

111402. Reasons In-Transits Occur

A. In-transit disbursements generally occur when a disbursing office or entitlement activity and the applicable accounting office are not geographically collocated and do not share the same accounting record database. As a result, the disbursing office or entitlement activity must transmit disbursement transactions and supporting information to the appropriate accounting office. Supporting information may be electronic or hardcopy.

B. An unresolved in-transit disbursement occurs when a disbursement is not matched to the correct obligation because either: (1) it cannot be or has not been routed to the correct accounting office, or (2) the accounting office does not have sufficient information to allow it to attempt to process the in-transit disbursement.

C. Once the applicable accounting office has received, and has sufficient information to allow it to attempt to match the disbursement with an existing obligation in its database, the disbursement is no longer considered to be an in-transit disbursement. Rather, the disbursement is treated as a matched disbursement, a UMD (when an obligation record is not found), or a NULO (when an obligation record exists but the disbursement amount exceeds the amount of the recorded obligation). When UMDs and NULOs result, manual intervention must be taken to research, obligate, and record the disbursement in accordance with sections 1104 through 1107.

D. An unresolved in-transit disbursement falls within one of two basic categories: (1) within-center disbursement, or (2) cross-disbursement.

1. Within-center Disbursement. A within-center in-transit disbursement is created when a disbursing office makes a payment for an accounting office that reports to the same DFAS Center as the disbursing office, but the accounting office and the disbursing office do not share the same database.

2. Cross-Disbursement. A cross-disbursement is created when a disbursing office makes a payment for an accounting office that reports to a DFAS center other than the center to which the disbursing office reports. A cross-disbursement also is created when a non-DoD federal agency (such as the Department of State) makes a payment charged to a DoD account.

E. Depending on the type of in-transit disbursement (within-center disbursement or cross-disbursement), one or more of the following may be involved in processing an in-transit disbursement transaction: An entitlement activity, a disbursing office, a paying center, an accounting center, and an accounting office. The primary responsibilities of these activities for in-transit disbursements are:

1. Entitlement Activity. An entitlement activity is responsible for certifying the validity of payments on behalf of one or more DoD Components; and consequently, is responsible for obtaining, maintaining, and providing sufficient supporting documentation for such payments. In the case of centralized disbursing, supporting documentation remains with the entitlement activity rather than the disbursing office.

2. Disbursing Office. A disbursing officer (DO) is responsible for disbursing and collecting funds on behalf of one or more DoD Components as well as obtaining, maintaining, and providing sufficient supporting documentation for such transactions. In the case of centralized disbursing, documentation functions may take place at an entitlement activity rather than at a disbursing office. Disbursing offices also are responsible for reporting disbursements and collections to a paying center using a unique four-digit disbursing station symbol number (DSSN) assigned by Treasury.

3. Paying Center. A paying center is responsible for consolidating disbursements and collections transmitted by DOs that report to the center, and for reporting the DOs' returns by assigned DSSNs to Treasury. For within-center disbursements, the paying center also is the accounting center and maintains the status of funds for the appropriations cited on the disbursement transactions.

4. Accounting Center. An accounting center is responsible for receiving and processing status of funds reports from accounting offices that support DoD Component fund holders. For cross-disbursements, an accounting center may distribute in-transit disbursements received from paying centers to accounting offices and monitor the status of disbursement recordation. For within-center disbursements, the accounting center also acts as a paying center.

5. Accounting Office. An accounting office is responsible for maintaining accounting records of assigned fund holders. All accounting offices are assigned a six-digit Agency Accounting Identifier Code (fiscal station number, authorization accounting activity, or accounting and disbursing station number). All disbursement transactions eventually must be distributed to an accounting office, recorded against a valid obligation, and reported on status of funds reports. All accounting offices within the Department report through the DFAS Centers at Cleveland, Columbus or Indianapolis.

F. Accounting and disbursing activities are responsible for monitoring in-transit disbursement activity and ensuring compliance with established in-transit policies. Specifically, accounting and disbursing activities must monitor and provide oversight to ensure that in-transit disbursements are processed and obligated in a timely manner consistent with approved policies.

111403. Required Documentation

A. The applicable disbursing office or entitlement activity must use either electronic or hard copy-based processes to provide detailed supporting documentation (supplemental information) to the applicable paying center, accounting center, or accounting office. If adequate detailed accounting data is transmitted electronically, it is not necessary to forward paper copies unless specifically requested for a particular transaction.

B. The applicable disbursing office or entitlement activity must ensure that each in-transit disbursement transaction is supported by documentation that identifies the disbursing office and/or entitlement activity, cycle number, voucher number, appropriation/fiscal year, limitation or subhead, amount, accounting office code, obligation document number, and other information that identifies the obligation, as applicable.

1. An in-transit disbursement must be rejected to the disbursing office (or applicable center) immediately if the documentation/information in support of the in-transit disbursement:

a. Identifies a departmental code or basic symbol of a Component not serviced by the applicable center.

b. Identifies funds (e.g., an allotment serial number) not serviced by the accounting office.

c. Reveals that an in-transit disbursement is fraudulent. (Additionally, the Defense Criminal Investigative Service must be notified immediately.)

2. Requests for additional documentation/information must be made when one or more of the following conditions exist:

a. Detailed data (electronic or otherwise) is illegible or garbled, out-of-balance, or lacks sufficient detail to process.

b. Hard copy or electronically transmitted detailed data contains an invalid accounting citation.

c. The transaction amount on the automated cross-disbursement register does not agree with the amount on the voucher and/or supporting documentation.

d. The amount of summary charges reported to Treasury does not equal the detail reported by the paying offices.

3. Generally, requests for additional supporting documentation must be made to enable the proper matching of obligations and disbursements and must be limited to the requirements delineated in subparagraph 111403.B.

4. Requests for supporting documentation/information must be dated and made in writing (or other documented form of communication).

5. Disbursing offices or entitlement activities and accounting offices must communicate with and transmit supporting documentation directly to each other to minimize in-transit disbursement resolution and processing time.

111404. Processing and Obligating Within-Center

Generally, a within-center in-transit disbursement transaction involves: (1) a disbursing office or entitlement activity, (2) an accounting center, and (3) an accounting office. Accounting centers monitor disbursement activity transmitted by disbursing offices and recorded by applicable accounting offices. Disbursing offices or entitlement activities and accounting offices may communicate with and transmit data and supporting documentation (or supplemental information for electronic transmittals) directly to each other to minimize in-transit disbursement processing time. When other research means have been exhausted and additional documentation is requested by an accounting center or accounting office, the disbursing office or entitlement activity must transmit the requested documentation directly to the requesting activity to shorten resolution and processing time.

A. Disbursing Office or Entitlement Activity. In the performance of its duties as it pertains to processing within-center in-transit disbursements, a disbursing office or entitlement activity may: (1) suspend transactions submitted for payment, (2) transmit disbursements to its accounting center (also acting as a paying center), (3) process requests for supporting documentation received from an accounting center (or accounting office), or (4) research and resolve rejected disbursements.

1. Suspend Disbursements. A disbursing office or entitlement activity must suspend processing a transaction submitted for payment pending receipt of sufficient supporting documentation, to include evidence of a preexisting obligation against the designated funds, and an authorized acceptance of the material or services received. The disbursing office or entitlement activity must follow requirements for prevalidation of the proposed disbursement to verify that an existing obligation is recorded for the designated funds.

2. Transmit Disbursements. A disbursing office or entitlement activity must process and transmit disbursement transactions on a weekly basis and on a daily basis where feasible. Transmission must include sufficient supporting documentation (hardcopy or electronic) to its accounting center (or accounting office). When the disbursing office or entitlement activity transmits the disbursement to its accounting center (or accounting office), the disbursement is in an in-transit status.

3. Process Requests. Within 30 days of a request from an accounting center or accounting office for additional supporting documentation, a disbursing office or entitlement activity must provide the requested documentation to the requesting activity. Generally, requests for additional supporting documentation are intended to enable the proper matching of obligations and disbursements and should be limited to the requirements delineated in subparagraph 111403.B. Disbursing offices or entitlement activities and accounting offices must communicate directly with and transmit data and supporting documentation directly to each other to minimize in-transit processing time.

4. Research and Resolve Rejects. A reject occurs when a transaction is returned to a disbursing office or entitlement activity for additional information.

B. Accounting Center. In the performance of its duties as it pertains to processing within-center in-transit disbursements, an accounting center may: (1) transmit disbursements to an accounting office, (2) request documentation from a disbursing office or entitlement activity, or (3) process rejects.

1. Transmit Disbursements. If the process for within-center disbursement involves the accounting center in distributing disbursement transactions, an accounting center must transmit the disbursement transaction to the applicable accounting office within 30 days of disbursement.

2. Request Documentation. Within 30 days of the date of disbursement of an in-transit transaction by a disbursing office or entitlement activity, an accounting center must ensure that supporting documentation (electronic or otherwise) has been transmitted by the disbursing office or entitlement activity to either the accounting center or directly to the accounting office, whichever is applicable. If the accounting center determines that supporting documentation has not been transmitted, the accounting center immediately must request that the disbursing office or entitlement activity submit the supporting documentation within 30 days.

3. Reject Transactions. If sufficient supporting documentation is not obtained within 30 days of request or a total of 60 days after disbursement, or the accounting office submits a valid reject, the accounting center immediately must reject the disbursement to the DO, as applicable.

C. Accounting Office. In the performance of its duties as it pertains to processing and obligating within-center in-transit disbursements, an accounting office may: (1) process disbursement transactions, (2) request documentation from a disbursing office or entitlement activity, or (3) reject disbursement transactions.

1. Process Transactions. Within 30 days of receipt (electronic or otherwise) of an in-transit disbursement, the applicable accounting office must review the transaction to ensure that there is sufficient information to determine its accountability for the transaction and take action in accordance with subparagraphs 111404.C.1.a – c.

a. If an accounting office cannot establish its accountability for the disbursement, the disbursement must be rejected back to the accounting center in accordance with subparagraph 111404.C.3.

b. If an accounting office determines that there is sufficient information to properly record a disbursement, the accounting office must match the disbursement with its corresponding obligation and record the disbursement. However, the following conditions may occur:

(1) If the applicable obligation is not in the accounting database, the disbursement must be recorded as a UMD. The UMD must be resolved in accordance with sections 1104 through 1107.

(2) If the applicable obligation is in the accounting database, but the amount of the disbursement exceeds the amount of the recorded obligation, the disbursement must be recorded as a NULO. The NULO must be resolved in accordance with sections 1104 through 1107.

c. If the accounting office determines that there is not sufficient supporting documentation to allow the disbursement to be matched to an obligation, the accounting office must request supporting documentation in accordance with subparagraph 111404.C.2.

2. Request Documentation. Within 30 days of receipt (electronic or otherwise) of an in-transit disbursement transaction from the accounting center (or the DO or entitlement activity), an accounting office must review the transaction to ensure that there is sufficient information for the applicable accounting office to determine its accountability for the disbursement transaction. If the accounting office determines that it is accountable for the transaction but that there is not sufficient information to properly record that transaction, the accounting office must immediately request that the disbursing office or entitlement activity research the disbursement transaction and provide the requested documentation to the accounting office within 30 days of the request.

a. Immediately upon receipt (electronic or otherwise) of supporting documentation from a disbursing office or entitlement activity, the applicable accounting office must attempt to match the disbursement with its corresponding obligation and record the disbursement.

b. If supporting documentation is not received within 30 days of request, the accounting office must reject the in-transit disbursement in accordance with subparagraph 111404.C.3. However, transactions $2,500 or less must be recorded as a UMD (as required by paragraph 111401.D) and researched in accordance with paragraph 110501.

3. Reject Disbursement Transactions. Upon making a determination that accountability for a disbursement transaction belongs to another accounting office, or that supporting documentation will not be received, an accounting office must immediately reject the disbursement transaction to its accounting center or the responsible DO, whichever is applicable.

111405. Processing Cross-Disbursed In-transit Disbursements

Generally, a cross-disbursed in-transit disbursement transaction involves: (1) a disbursing office or entitlement activity, (2) a paying center, (3) an accounting center, and (4) an accounting office. Although paying and accounting centers monitor disbursement activity transmitted by entitlement activities and recorded by applicable accounting offices, disbursing offices or entitlement activities and accounting offices must communicate with and transmit supporting documentation (or supplemental information for electronic transmittals) directly to each other to minimize in-transit disbursement processing time.

A. Disbursing Office or Entitlement Activity. In the performance of its duties as it pertains to processing cross-disbursed in-transit disbursements, a disbursing office or entitlement activity may: (1) suspend disbursements submitted for payment, (2) transmit disbursements to its paying center, or (3) process requests for supporting documentation.

1. Suspend Disbursements. A disbursing office or entitlement activity may suspend processing a transaction submitted for payment pending receipt of sufficient supporting documentation, to include evidence of a preexisting obligation against the designated funds, and an authorized acceptance of the material or services received. The disbursing office or entitlement activity must follow requirements for prevalidation of the proposed disbursement to verify that an existing obligation is recorded for the designated funds.

2. Transmit Disbursements. A disbursing office or entitlement activity must process and transmit disbursement transactions on a weekly basis and on a daily basis where feasible. The transmission must include sufficient supporting documentation (hardcopy or electronic), to its paying center. When the disbursing office or entitlement activity transmits the disbursement to its paying center, the disbursement transaction is in an in-transit status.

3. Process Requests. Within 30 days of a request from an accounting center or accounting office for additional supporting documentation, a disbursing office or entitlement activity must provide the requested documentation to the requesting activity. Generally, requests for additional supporting documentation are intended to enable the proper matching of obligations and disbursements and should be limited to the requirements delineated in subparagraph 111403.B. Disbursing offices or entitlement activities and accounting offices must communicate directly with and transmit data and supporting documentation directly to each other to minimize in-transit processing time.

B. Paying Center. In the performance of its duties as it pertains to processing cross-disbursed in-transit disbursements, a paying center may transmit disbursements to an accounting center or request documentation from a disbursing office or entitlement activity.

1. Transmit Disbursements. Within 30 days of disbursement, and daily where feasible, a paying center must transmit disbursement transactions, with sufficient supporting documentation (electronic or otherwise), to the applicable accounting center.

2. Request Documentation. Within 30 days of disbursement, a paying center must ensure that supporting documentation has been transmitted by the disbursing office or entitlement activity to either the paying center or directly to the accounting office, as applicable. If the paying center determines that there is not sufficient documentation, the paying center immediately must request that the disbursing office or entitlement activity submit the supporting documentation within 30 days.

C. Accounting Center. In the performance of its duties as it pertains to processing cross-disbursed in-transit disbursements, an accounting center may transmit disbursements to an accounting office or request documentation from a disbursing office or entitlement activity.

1. Transmit Disbursements. Within 30 days of receipt (electronic or otherwise) of an in-transit disbursement transaction from a paying center, an accounting center must review the transaction to ensure that there is sufficient information to identify the accounting office. If the accounting center determines that there is sufficient information, the accounting center must immediately transmit the disbursement transaction to the applicable accounting office.

2. Request Documentation. Within 30 days of receipt (electronic or otherwise) of an in-transit disbursement transaction from a paying center, an accounting center must review the transaction to ensure that there is sufficient information to identify the accounting office. If the accounting center determines that there is not sufficient information, the accounting center must immediately request that the applicable disbursing office or entitlement activity research the disbursement transaction and provide the requested documentation to the accounting center or accounting office within 30 days of the request.

D. Accounting Office. In the performance of its duties as it pertains to processing cross-disbursed in-transit disbursements, an accounting office may: (1) process disbursement transactions, (2) request documentation from an accounting center or disbursing office or entitlement activity, or (3) reject disbursement transactions.

1. Process Transactions. Within 30 days of receipt (electronic or otherwise) of an in-transit disbursement transaction, an accounting office must review the transaction to ensure that there is sufficient information for the applicable accounting office to determine its accountability for the disbursement transaction and take action in accordance with subparagraphs 111405.D.1.a – c.

a. If an accounting office cannot establish its accountability for the disbursement, the in-transit disbursement must immediately be rejected back to the accounting center in accordance with subparagraph 111405.D.3.

b. If an accounting office determines that there is sufficient information to properly record a disbursement, the accounting office must match the disbursement with its corresponding obligation and record the disbursement. However, the following conditions may occur:

(1) If the applicable obligation is not in the accounting database, the disbursement must be recorded as a UMD. The UMD must be resolved in accordance with sections 1104 through 1107.

(2) If the applicable obligation is in the accounting database, but the amount of the disbursement exceeds the amount of the recorded obligation, the disbursement must be recorded as a NULO. The NULO must be resolved in accordance with sections 1104 through 1107.

c. If the accounting office determines that there is not sufficient supporting documentation to allow the disbursement to be matched to an obligation, the accounting office must request supporting documentation in accordance with subparagraph 111405.D.2.

2. Request Documentation. Within 30 days of receipt (electronic or otherwise) of an in-transit disbursement transaction, the accounting office must review the transaction to ensure that there is sufficient information for it to determine its accountability for the disbursement transaction. If the accounting office determines that it is accountable for the transaction but that there is not sufficient information to properly record the transaction, it must immediately request that the disbursing office or entitlement activity research the disbursement transaction and provide the required documentation to the accounting office within 30 days of the request.

a. Immediately upon receipt (electronic or otherwise) of sufficient documentation from the disbursing office or entitlement activity, the applicable accounting office must attempt to match the disbursement with its corresponding obligation and record the disbursement.

b. If supporting documentation is not received within 30 days of request, the accounting office must reject the in-transit disbursement in accordance with subparagraph 111405.D.3. However, transactions $2,500 or less must be recorded as a UMD (as required by subparagraph 111401.D) and researched in accordance with paragraph 110501.

3. Reject Disbursement Transactions. Upon making a determination that accountability for a disbursement transaction belongs to another accounting office or that supporting documentation will not be provided, an accounting office must reject the disbursement transaction to its accounting center.

111406. Additional Responsibilities for Resolving In-transit Disbursements

A. Ultimately, in-transit disbursements must be matched to an obligation by an accounting office or declared an erroneous payment by a disbursing office. In accordance with paragraphs 111404 and 111405, an in-transit disbursement transaction with supporting documentation must be transmitted to an accounting office as efficiently as feasible for recordation.

B. The following responsibilities apply for all in-transit disbursements:

1. Once an accounting office has sufficient supporting documentation (hard copy or electronic) to allow it to match an in-transit disbursement with an obligation, it must process the in-transit disbursement and treat it as a matched disbursement, UMD, or NULO depending on whether the disbursement was matched to an obligation. All UMDs and NULOs must be researched and obligated in accordance with sections 1103 through 1107.

2. If a disbursement is matched to a specific obligation, appropriation, funds holder or DoD Component; the accounting office, paying center, accounting center, disbursing office, or entitlement activity involved must work with the applicable office, center, funds holder and/or DoD Component to transfer the charge to the appropriate funds holder, appropriation manager or DoD Component (notwithstanding the actions required by subparagraph 111406.B.1). Any resulting UMD or NULO must be researched and obligated in accordance with sections 1103 through 1107.

C. DFAS Headquarters must monitor and maintain reports on all unprocessed in-transit disbursements, undistributed in-transit disbursements, or any other in-transit disbursements. Such reports must identify the applicable disbursing office, paying center, accounting center and accounting office, the amount, as well as appropriate corrective actions being taken. DFAS Headquarters also must ensure that in-transit disbursements are processed, resolved, obligated, or reported as erroneous payments in accordance with applicable provisions and within the applicable timeframes specified in this chapter.

1115 REPORTING REQUIREMENTS

111501. Data Collection Requirements

DFAS is responsible for collecting and consolidating data and reporting on the amounts and the status of UMDs, NULOs, and in-transit disbursements.

111502. Monthly Reporting Requirements

The DoD Component accounting offices must transmit a status report identifying all disbursement transactions that have not been matched to an obligation to DFAS Headquarters on a monthly basis. DFAS will specify the format and detail reporting requirements.

1116 RECORD RETENTION

DoD Components, and supporting accounting offices, must maintain an audit trail with adequate records to substantiate all transactions, amounts and actions taken with respect to the research and clearing of UMDs, NULOs, and in-transit disbursements. This includes, but is not limited to determinations that selected transactions meet the criteria for discontinuing further research, and detail and summary records of adjustments made in accordance with this chapter. Components must maintain these records to ensure an adequate audit trail and to respond to inquiries from organizations internal and external to the Department. See Volume 1, Chapter 9 for DoD policy on record retention.

VOLUME 3, CHAPTER 12: POLICIES AND PROCEDURES GOVERNING THE USE OF THE "FEED AND FORAGE" AUTHORITY OF SECTION 3732, REVISED STATUTES (41 U.S.C. 11)"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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

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

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

The previous version dated December 2008 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
Overall	Date Refresh	Refresh
Title	Add "Feed and Forage" to the title and correct misspelling of "Statutes".	Add
120205	Adds requirement to report anticipated use of authority	Add
120208	Adds requirement to report obligations through Military Departments to USD(C)	Add

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CHAPTER 12

POLICIES AND PROCEDURES GOVERNING THE USE OF THE "FEED AND FORAGE" AUTHORITY OF SECTION 3732, REVISED STATUTES (41 U.S.C. 11)

1201. OVERVIEW

120101. Purpose

This chapter establishes departmental policy and basic procedures to be followed with respect to the use of the authority of Section 3732, Revised Statutes (41 U.S.C. 11). That statute authorizes the Military Departments to incur obligations for specific purposes in excess of appropriations available.

120102. General

A. Title 41, United States Code, section 11, authorizes the Military Departments to incur obligations in excess of available appropriations in procuring or furnishing clothing, subsistence, forage, fuel, quarters, transportation, or medical and hospital supplies not to exceed the necessities of the current fiscal year.

B. Title 10, United States Code, section 2204, requires the Secretary of Defense to approve scheduled rates of obligations of funds appropriated to the Department for the purpose of restricting obligations and expenditures as may be necessary to prevent overdrafts and deficiencies in any fiscal year for which appropriations are made. Section 2204 does not prohibit the Department from incurring a deficiency as separately authorized by law.

C. Volume 14 of this Regulation (which implements 31 U.S.C. 1517(a)) establishes the basic system of controls and other fundamental requirements for the administration of appropriations and funds. The system of administrative controls was designed to (1) restrict obligations and expenditures against appropriations and funds to the amounts available therein or to the amounts apportioned, and (2) enable officials to fix responsibility in the officers and employees of the Department who may violate any provision of the law or regulation.

1202. POLICY AND PROCEDURES

120201. Urgent Circumstance

The Department shall limit its use of the authority in 41 U.S.C. 11 to emergency circumstances. The exigencies of those circumstances must be such that immediate action is imperative and action cannot be delayed long enough to obtain sufficient funds to cover the procurement or furnishing of those items in paragraph 120102.A., above, needed for the current fiscal year. In determining the urgency of the circumstances, due consideration shall be given in each specific case to the feasibility of obtaining funds by use of telephones, facsimile machines,

or other electronic means. The authority of 41 U.S.C. 11 shall not be used to circumvent the provisions of 31 U.S.C. 1517(a).

120202. Condition and Circumstance

It is not considered practicable to define specifically the conditions and circumstances which conceivably could constitute an emergency. Each instance in which the authority of 41 U.S.C. 11 is to be used must be determined on a case-by-case basis in accordance with the policy guidelines in this chapter.

120203. Administering Funds

Funds shall be administered in accordance with the system of administrative controls established by Volume 14 of this Regulation in such a manner that officials, responsible for administering each appropriation, allocation, allotment, and other fund subdivisions, may take timely action to prevent overobligation of any fund subdivision, notwithstanding 41 U.S.C. 11.

120204. Overobligation

Overobligation of any appropriation or fund subject to apportionment, or any subdivision thereof for procurement or furnishing of those items in paragraph 120102.A., above, shall be deemed to be a violation of the Antideficiency Act. There are two exceptions: (a) If the overobligation was made in emergency circumstances in accordance with the spirit and intent of provisions set forth above, and (b) if such procurements are not in excess of the necessities to relieve the period of emergency. However, for the second exception, the necessities for such period cannot exceed the necessities of the current fiscal year.

*120205. Valid Requirements

Proposed or anticipated use of 41 U.S.C. 11 authority to incur obligations shall be reported, in advance when feasible, through financial management channels. When it is necessary to create or authorize an overobligation for the purposes set forth in 41 U.S.C. 11, the individual responsible shall determine, and so certify in writing, that all three of the following circumstances existed:

A. An emergency existed within the spirit and intent of this section (1202).

B. The purpose for which the overobligation was created or authorized was to meet other necessities of the period involved.

C. It was not feasible to obtain in advance sufficient funds to cover such necessities.

120206. Certification of Overobligation

Such certification shall indicate the amount of the overobligation and shall be filed with the supporting records of the appropriation, allocation, or allotment involved. The overobligation shall be disclosed fully in the fiscal reports to the next higher level of command, indicating that the overobligation was incurred under authority of 41 U.S.C. 11.

120207. Authorization

Having exercised the authority of 41 U.S.C. 11 pursuant to this chapter, the individual responsible shall advise the next higher level of command immediately and take appropriate steps to obtain additional funds.

*120208. Reporting Procedures

All obligations incurred under authority of 41 U.S.C. 11 shall be reported through command channels to the applicable Military Department Comptrollers who shall provide a draft 41 U.S.C. 11(b) congressional report to the Office of USD(Comptroller).

VOLUME 3, CHAPTER 13: "RECEIPT AND DISTRIBUTION OF BUDGETARY RESOURCES – DEPARTMENTAL-LEVEL"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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

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

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

The previous version dated June 2009 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
1301	Replaced paragraph 130101, *Overview*; added a new paragraph 130103, Authoritative Guidance; and changed the order of the paragraphs in this section.	Addition
130201	Revised the reference to clarify that it is the Department's implementation of the United States Standard General Ledger (USSGL).	Revision
130202.C	Revised this subparagraph to align with Federal Accounting Standards Advisory Board Statement of Federal Financial Accounting Standards 7.	Revision
130204.A.1	Corrected the reference for emergency military procurement. The previous reference (section 11) was repealed and the exception was reenacted under Title 41, United States Code, section 6301.	Revision
130205	Added a statement to clarify that appropriation transfers only occur between appropriations.	Addition
130206.C	Combined subparagraphs 130206.C-D; and replaced the address and contact information for appropriation warrants with a reference to the U.S. Department of the Treasury source for the current information.	Revision
130207	Renamed this paragraph and corrected the terminology used to describe internal fund distributions (allotments and allocations) in this paragraph and throughout the chapter in accordance with the Office of Management and Budget Circular A-11. Corrected the accounting entry at subparagraph 130207.C.2 to correctly issue reimbursable authority from departmental-level to execution-level.	Revision

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
130208.D	Deleted the previous subparagraph130208.D and renumbered the subsequent paragraph.	Deletion
130209.B	Deleted an obsolete reference to a journal voucher process.	Deletion
130303	Combined subparagraphs 130303.A-B into the paragraph level and modified language for clarity.	Revision
130304.A	Added the closing entry for internal fund distributions issued at the departmental-level.	Addition
All	Revised the accounting entries to the USSGL basic six-digit format.	Revision
All	Verified and corrected, where applicable, all references and hyperlinks.	Revision

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CHAPTER 13

RECEIPT AND DISTRIBUTION OF BUDGETARY RESOURCES DEPARTMENTAL-LEVEL

*1301 GENERAL

130101. Overview

This volume prescribes the policy for budget execution and the availability and use of budgetary resources across the Department of Defense (DoD) as required by Congress, the Office of Management and Budget (OMB), the U.S. Department of the Treasury (Treasury), and the Office of the Secretary of Defense (OSD). Chapters 13, 14, and 15 prescribe the standards for the receipt and distribution of budgetary resources at three levels. This chapter prescribes the standards for the departmental-level. Chapter 14 prescribes the standards for the intermediate-level budgetary accounts. Chapter 15 prescribes the standards for execution-level budgetary accounts.

130102. Purpose

This chapter prescribes the standards for recording the receipt and subsequent distribution of budgetary resources in the departmental-level (department, headquarters, or OSD) budgetary accounts. Departmental-level accounting covers appropriation by Congress, apportionment and reapportionment by OMB, and allotment to the intermediate or execution-level. In addition, budgetary accounts used at the departmental-level ensure that transfers between appropriation and fund accounts, and restorations and withdrawals of budgetary resources are properly recorded. Accounting at the departmental-level also facilitates monitoring of lower levels and consolidating reports for higher levels.

130103. Authoritative Guidance

Congress enacts appropriations acts annually that provide budget authority. OMB apportions the funds appropriated by Congress and issues implementing requirements in the ***OMB Circular A-11***. Treasury is responsible for Government-wide reporting and issues requirements in the Treasury Financial Manual (TFM). The ***TFM Volume 1***, Part 2 provides instructions for central accounting and reporting. Volume 14, Chapter 1 prescribes the requirements for the administrative control of funds in accordance with OMB Circular A-11, Appendix H, and identifies additional authorities in paragraph 010103.

1302 STANDARDS

*130201. Accounts

The accounts established for use by departmental-level accounting entities implement the *DoD United States Standard General Ledger* (USSGL) and the *DoD Standard Chart of Accounts* (SCOA) prescribed in Volume 1, Chapter 7. Both the budgetary and the proprietary accounting

entries for DoD USSGL accounts are specified in the *DoD USSGL Transaction Library* that can be accessed on the ***Standard Financial Information Structure (SFIS)*** resources web page. Budgetary accounts have been established for recording appropriations and other budget authority realized, apportionments, allotments, transfers, and contract authority transactions. Amounts of budgetary resources received are debited to specifically titled accounts for each of these resources and credited to accounts that recognize the availability status of the resources. The departmental-level accounting entity also issues fund allotments to subordinate commands. In addition, the special actions of restorations and withdrawals of budgetary resources are accomplished at departmental-level.

130202. Appropriations

A. Appropriations are statutory authorities to incur obligations (see subparagraph 130204.B for an exception) and make payments from the Treasury for specified purposes. The making of an appropriation must be stated expressly. An appropriation may not be inferred or made by implication. An authorization act is a statute, passed annually by Congress, which authorizes the appropriation of funds for programs and activities. An authorization act does not provide budget authority. That authority stems from the appropriations act. Authorization acts frequently contain restrictions or limitations on the obligation of appropriated funds. An appropriations act is the most common form of budget authority. Budget authority has the following characteristics:

1. Period of Availability. Budget authority may be made available for obligation for varying periods.

a. One-Year (Annual) Authority. Budget authority that is available for obligation only during a specified fiscal year and expires at the end of that period. For example, operations and maintenance (O&M) and personnel appropriations.

b. Multiple Year (Multi-Year) Authority. Budget authority that is available for obligation for a specified period of time in excess of one fiscal year. For example, Research, Development, Test, and Evaluation appropriations (2 years); Procurement appropriations (3 years); Shipbuilding and Conversion, Navy appropriation (5 years); and Military Construction appropriations (5 years).

c. No-Year Authority. Budget authority that remains available for obligation for an indefinite period of time. See paragraph 130209.

d. Earmark. An earmark occurs when Congress designates a portion of an appropriation for a particular purpose by way of legislative language within the appropriation.

2. Phases of Availability. Annual and multi-year appropriations pass through three phases of availability.

a. Current or Unexpired Phase. The current or unexpired phase is the time period when the appropriations are available for incurring new obligations.

b. Expired Phase. The expired phase is the period of time when the appropriations are no longer allowed to incur new obligations but still available to liquidate valid obligations incurred during the unexpired phase. Adjustments, such as contract changes, may be made to increase or decrease valid obligations that were made before the appropriations expired. Normally, this phase lasts for five years except when a law specifically lengthens this phase. See Chapter 10 for accounting requirements for expired accounts.

c. Cancelled Phase. The cancelled phase follows the expired phase. Payments cannot be made from a cancelled appropriation for legitimately incurred obligations that have not been paid at the time the appropriation is cancelled. After an appropriation is cancelled, any obligation or adjustments to obligations that properly would have been chargeable to that appropriation may be paid from an unexpired appropriation that is available for the same purpose as the cancelled account if:

(1) The obligation or obligation adjustment is not already chargeable to another unexpired account and

(2) The payment of obligations against the cancelled appropriation from the unexpired appropriation does not exceed one percent of the unexpired appropriation (this is a single cumulative amount). See Chapter 10 for accounting requirements for closed/cancelled accounts.

3. Determination of Amount. Budget authority may be granted for varying amounts.

a. Definite Authority. Authority that is stated as a specific sum at the time it is granted. This includes authority stated as not to exceed a specified amount. Most DoD appropriations are for definite amounts of authority.

b. Indefinite Authority. Authority for which a specific sum is not stated, but is determined by other factors such as the receipts from a certain source or obligations incurred. See paragraph 130209.

4. Reappropriations. Reappropriations are statutory authorities that extend the obligating/paying authority for all or part of the unobligated balances of expiring and expired appropriations. See paragraph 130206.

5. Exceptions. Appropriations to liquidate contract authority are exceptions to the general rule that appropriations provide budget authority to incur additional obligations (see subparagraph 130204.B.).

6. Continuing Resolution. An appropriation, in the form of a joint resolution, that provides budget authority, specific activities, or both to continue operation when Congress and the President have not completed action on the regular appropriations acts by the beginning of the fiscal year.

7. Funding Lapse or Gap. A funding lapse or gap occurs when a previous budget authority expires without the enactment of a regular appropriations act or continuing resolution.

8. Appropriation Warrants. The evidence of law that establishes, by appropriation symbol, the individual amounts appropriated by Congress.

a. Treasury prepares and issues the Financial Management Service (FMS) Form 6200, *Department of the Treasury Appropriation Warrant* (Treasury Warrant) (see TFM Volume 1, Part 2, Chapter 2000). To ensure agreement with Treasury accounts, warrants must be recorded exactly as received even if they are thought to be in error. Corrections must be journalized and corrected warrants requested. However, amounts known to be enacted into law must be recorded for accounting period reports regardless of receipt of the warrant.

b. Treasury will not issue a warrant under a continuing resolution (with the exception of a full-year continuing resolution) unless an agency explicitly requests one (see TFM Volume 1, Part 2, Chapter 2000). The Military Departments and Washington Headquarters Services (for the OSD/Defense Agencies) must request Treasury Warrants during the period of a continuing resolution for a specified period of time less than a full fiscal year, or if the continuing resolution is for a full fiscal year with designated appropriation amounts. When there is a separate appropriation act, Treasury will prepare and distribute warrants without a request from the applicable DoD Components.

B. Classification of Appropriations. Departmental-level appropriations and all other budgetary resources must be classified by appropriation account, fiscal year program, and obligation/expenditure limitation at the level required by OSD for appropriation and fund status reporting (see Volume 6A, Chapter 4). Needed classification requirements must be obtained from the legal requirements and program/budget documents such as the Department of Defense (DD) Form 1414, Base for Reprogramming Action.

* C. Recording an Appropriation. Appropriations, until apportioned, are not available as a financing source or budgetary resource. They should be recognized in capital as "unexpended appropriations" (and among assets as "funds with Treasury") when made available for apportionment, even if a Treasury Warrant has not yet been received, or the amount has not been fully apportioned. Unexpended appropriations should be reduced for appropriations used and adjusted for other changes in budgetary resources, such as rescissions and transfers. The net increase or decrease in unexpended appropriations for the period should be recognized as a change in net position. See the ***Federal Accounting Standards Advisory Board Handbook***, Statement of Federal Financial Accounting Standards 7, *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting*.

130203. Apportionments and Reapportionments

A. An apportionment or reapportionment is an OMB distribution of amounts available for obligation in an appropriation or fund account. OMB apportionments and reapportionments are required before funds may be obligated, except in certain instances as specified in OMB Circular A-11. The distribution of apportionments is part of an overall financial plan for the year that is based on a forecast of obligations to be incurred within an appropriation. The apportioned amount is in response to a departmental request made on the Standard Form (SF) 132, Apportionment and Reapportionment Schedule in accordance with the OMB Circular A-11, ***Appendix F***. Apportionments divide amounts available for obligation by specific time periods (usually quarters), activities, projects, objects, or by combinations of these categories.

B. The completed SF 132, showing the apportioned amounts, normally is the source document used to record apportionments and reapportionments. However, letter apportionments often are used during the period of a continuing resolution for unexpired unobligated balances brought forward, and for special circumstances such as transfers that occur near the end of a fiscal year.

C. Record budgetary authority received and available for allotment and anticipated reimbursements on the SF 132.

D. Complexities must be accommodated. Some of the amounts apportioned may be withheld; some amounts may be unavailable pursuant to public law; and some amounts may be subject to rescission.

1. The term "direct program" refers to the obligation authority specified in an appropriation act itself. The appropriation does not specify the amount of reimbursable work expected to be accomplished. Authority to accept a customer order for reimbursable work and use of obligation authority provided through that acceptance must either be authorized specifically in the apportionment process or be of the type that becomes automatically apportioned and available upon acceptance of customer orders. For additional information on reimbursements, see Chapter 15, section 1502.

2. The reimbursable program specifically apportioned must be allotted subject to withholdings by OSD. Record anticipated reimbursable program authority apportioned but not available for use until realized.

E. Amounts apportioned through the current period of the fiscal year may be assumed to be allocable unless specific identification of withholding is made.

F. If SFs 132 on hand are not yet processed with regard to the latest appropriations enacted, amounts necessary to cover valid commitments and obligations must be recorded at the end of the accounting period as apportioned and allocated. An enacted supplemental appropriation must be recorded as fully apportioned even if it is not included on the year-end SF 132.

G. In the absence of an appropriation, the Congress may pass a resolution providing authority for agencies to continue current operations. Continuing resolutions are subject to OMB apportionment in the same manner as appropriations. Within periods of continuing resolution authority, the President's budget estimates of the unobligated balances are brought forward on October 1, and the reimbursable program for each appropriation account must be recorded as apportioned and allotted to the extent that they remain within any amount specifically designated by the authority. If the estimates for each amount have been reduced from the President's budget, apportionments and allotments must be recorded at the reduced amount. Increases are to be considered available for subsequent apportionment and must not be allotted until an approved SF 132 containing the increase is received.

H. If amounts actually becoming available are less than anticipated for indefinite budget authority, transfers, reimbursements, or recoveries; the difference will be deducted from amounts apportioned and not from amounts deferred or otherwise unapportioned unless specific provision is made for a different treatment on the approved apportionment form or reapportionment action is taken.

I. Not all appropriations are apportioned, therefore; record non-apportioned appropriations.

130204. Indefinite Contract Authority

A. Contract authority is statutory authority to incur obligations prior to an appropriation (or the realization of revenues) for the future payment of such obligations. (See subparagraph 130204.B.) Indefinite contract authority is contract authority in which a specific amount of contract authority is not predetermined but is available as needed to cover the obligations incurred. Although indefinite contract authority is normally accounted for through a no-year appropriation account, contract authority must be apportioned each fiscal year. The major permanent indefinite authorities are:

* 1. Exception for the Secretary of Defense (emergency military procurement) under Title 41, United States Code, section 6301 (***41 U.S.C. § 6301***).

2. Inventory procurement by supply management activities financed using defense working capital funds in anticipation of succeeding fiscal year sales under ***10 U.S.C. § 2210(b)***, and capital asset requirements under ***10 USC § 2208(k)*** for commercial, industrial, and supply management activities financed using defense working capital funds.

3. Procurement for foreign military sales under ***22 U.S.C. § 2762***.

B. Contract liquidating authority is an appropriation or reappropriation enacted to pay the obligations incurred under contract authority. However, within DoD, the realization of revenue, rather than an appropriation, normally is used to liquidate unfunded contract authority.

C. Record the allotment of anticipated contract authority and the subsequent realization upon commitment or obligation action. Specifically, record anticipated indefinite contract authority; budget authority apportioned by OMB and available for allotment; allotment of apportioned contract authority; and the realization of contract authority that was previously anticipated (upon commitment or obligation).

D. Contract authority retains its separate identity at departmental-level through the use of specifically designated accounts. Additionally, the date and number of the establishing public law must be entered into the records.

E. More specific guidance on accounting for each of the permanent indefinite contract authorities may be found as follows:

1. Emergency military procurement is covered in 41 USC § 6301 and the Federal Acquisition Regulation (also see Volume 10 for contract policy).

2. Working Capital Fund contract authority is covered in Chapter 19.

3. Foreign military sales contract authority is covered in Volume 15.

*130205. Transfer of Funds

When specifically authorized by law, all or part of the budget authority in one account may be transferred to another account. These transfers must be made on an expenditure or nonexpenditure basis, as appropriate. Transfers only occur between appropriations.

A. Expenditure Transfers Between Appropriations. Expenditure transfers are made when the transfer benefits the transferring account. Since they are treated as payments and collections, expenditure transfers are not applicable to departmental-level accounting entities. These transactions include the following:

1. Withdrawals and credits between accounts not specifically defined as nonexpenditure transactions.

2. All transfers between Treasury budgetary and nonbudgetary accounts such as general fund accounts and deposit accounts.

3. Adjustments to correct errors in expenditure transactions. (Obligations must be transferred, when appropriate.)

B. Appropriation Transfers

1. Appropriation transfers are distributions of one Federal agency's budgetary resources to another. Transfers between appropriations must be authorized by law and represent a redistribution of unobligated balances of budget authority between appropriation accounts for the benefit of the gaining appropriation account. For purposes of this paragraph, they will not include transfers for establishment of transfer appropriation accounts for the benefit of the transferring account.

2. Appropriation transfers can be anticipated and recorded as such or they can occur without being previously recorded as anticipated. An anticipated appropriation transfer does not provide any obligation authority. These transfers often are anticipated during apportionment development. Approved anticipated transfers are treated as authority available for apportionment, and prior year authority and current year authority are kept separate. Agreement between the transferring and receiving appropriation accounts must be maintained. Accordingly, anticipated and accomplished transfers must be recorded and reported in the transferring and receiving appropriation accounts in the same accounting period. Obligation authority is available only after the transfer is accomplished and OMB apportions the transferred funds. Once the transfer is accomplished, the appropriation making the transfer no longer has budgetary and proprietary control of the funds. Budgetary and proprietary responsibility now lies with the appropriation receiving the transfer.

3. The ***SF 1151, Nonexpenditure Transfer Authorization***, is used to document transfers. See Chapter 3 for more detailed information about appropriation transfer authorities. A nonexpenditure transfer is a redistribution of either unobligated balances of budget authority provided in a previous year or budget authority provided in the current year between appropriations or funds for the benefit of the gaining appropriation or fund that does not involve an outlay. Transfers of obligated balances and sometimes reappropriations also require nonexpenditure transfers. Nonexpenditure transfers of funds may be received from another appropriation or fund or may be made to another appropriation or fund when appropriate and authorized. A nonexpenditure transfer of funds received from another appropriation or fund increases the amount of available budgetary resources. A nonexpenditure transfer of funds made to another appropriation or fund decreases the amount of available budgetary resources.

C. Anticipation of Appropriation Transfer. Record in the transferring agency the transfer-out of current year authority or from prior year balances that were anticipated. Also record in the receiving agency the anticipated transfer-in of current year authority or from prior year balances.

D. Actual Appropriation Transfer. Record in the transferring agency the transfer-out of current year or prior year anticipated appropriations. And record in the receiving agency the transfer-in of current year or prior year anticipated appropriations.

130206. Reappropriations

A. Definition. A reappropriation is statutory authority to restore or extend the obligational availability, whether for the same or different purpose, of all or part of the unobligated balance of budget authority that has expired or would otherwise expire in an annual or multi-year appropriation. Reappropriation transactions require nonexpenditure transfer of the funds involved from the expired or otherwise expiring account to the designated current account. Reappropriations that provide funds to a fiscal year for which they were not previously available constitute new budget authority in the receiving account.

B. Reappropriation Form. An SF 1151, annotated "REAPPROPRIATION" in the top right-hand corner, must be used to accomplish the reappropriation when a current year law extends the availability of part or all of a:

1. Current year appropriation;

2. Prior year unexpired appropriation; or

3. Prior year expired or expiring appropriation when the unobligated balance has not been withdrawn previously to the surplus fund of the Treasury.

* C. Appropriation Warrants. Treasury prepares and issues the warrants when a current year law extends the availability of part or all of a prior year expired appropriation when an unobligated balance is available at fiscal year-end for reappropriation in a subsequent fiscal year. DoD must request Treasury Warrants in order to obtain an appropriation warrant for reappropriations. The request letter must state the amount to be warranted and the statutory authority for the reappropriation. The TFM Volume 1, Part 2, Chapter 2000 identifies the address for submission and other contact information.

D. Recording Reappropriations. Reappropriations are recorded as other new budget authority. The necessary steps must be taken to initiate the source documents and record the reappropriation in the gaining and losing accounts; normally, in the month following the effective date of the legislation providing for the reappropriation. If the available balance in a losing appropriation is not sufficient to cover prompt transfer, the reappropriation may be delayed, effected in part or, for good cause, not made at all. Decisions to delay or not make a reappropriation transfer require written notification to the Under Secretary of Defense (Comptroller) (USD(C)), within five working days of the determination. The notification must set forth the circumstances requiring the delay or nonperformance of the reappropriation transfer.

E. Unobligated Balances. Normally, unobligated balances in the losing accounts will be withdrawn from operating activities. However, formal withdrawal is not necessary when the operating activity has both the gaining and losing accounts, and the intent of the reappropriation is to extend the availability of funds for the same purposes as the losing account. In this case, local entries may be made to ensure that transactions, records, and reports cite the gaining account rather than the losing account.

*130207. Internal Fund Distributions

A. Apportionments are subdivided and formally distributed by allotment, suballotment, allocation, and suballocation. See Volume 14, Chapter 1 for detailed information on the subdivision levels and requirements in accordance with OMB Circular A-11, Appendix H. The departmental-level accounting entity distributes funds to an operating agency or other intermediate-level accounting entity.

B. Any formal subdivision of funds must contain at least the same statutory and other limitations applicable to the original apportionment.

C. Accounting Entries

1. Record the direct budgetary authority issued from departmental-level to the intermediate-level as follows:

Budgetary Entry
Dr 451000 Apportionments
Cr 454000 Internal Fund Distributions Issued

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

NOTE: The intermediate-level budgetary accounts are used to record the receipt of suballotments, allocations, or suballocations from higher authority, and the subsequent issuance to execution-level activities. Definitions and use for accounts 454000 through 458000 are prescribed in the DoD SCOA located on the SFIS resources web page.

2. Record the amount of reimbursable authority allotted from departmental-level to intermediate- or execution-level, as determined by the organizational funding structure:

Budgetary Entry
Dr 459000 Apportionments – Anticipated Resources – Programs Subject to Apportionment
Cr 421000 Anticipated Reimbursements and Other Income

Proprietary Entry
None

D. The formal distribution of funds must be in writing. See Volume 14, Chapter 1, paragraph 010206 for the required information; and expedited communication methods used in emergencies. The format is determined by the departmental-level accounting entity issuing the funds.

E. Interagency suballotments/allocations/suballocations are distributions of one agency's budgetary resources to another. They are separately identified in the accounts to ensure that the recipient agency is responsive to the issuing agency. Such distributions can be nonexpenditure transfers, which establish transfer appropriation accounts, or subdivisions of one DoD Component's funds to another DoD Component to cite directly. From a consolidated standpoint, it is important that the issuing and receiving agencies record the distribution in the same accounting period. Interagency distributions normally occur between different levels of command within a major command/claimant.

130208. Withdrawals and Restorations

A. Congressionally enacted appropriations for the Department usually are available for a fixed period of one or more fiscal years. Authority to incur new obligations expires at the end of the period of availability. Upon expiration, an appropriation may have obligations – paid, obligations – unpaid, or an unobligated balance.

B. Expired balances retain their fiscal year identity for the following five fiscal years. During this five year period, the unobligated balance of an expired fund is available only for adjustments to obligations initially incurred during the fiscal year (or years) for which the appropriation account was available. The unobligated balance of an expired fund may not be used to create new obligations. Normally, at the end of the five year period, any remaining unobligated balance and unliquidated obligations must be transferred to account 4350, *Cancelled Authority*.

C. The following definitions are for the specific terms applicable to withdrawals and restorations.

1. Withdrawal. Unobligated amounts that are withdrawn by administrative action (rather than by law) from obligation availability. A withdrawal excludes amounts of expired accounts and amounts rescinded by the Congress.

2. Restoration. A previously withdrawn unobligated amount that is again made available for obligation and outlay.

D. The balance in account 465000, *Allotments – Expired Authority*, is not a fund balance (i.e., cash) account available in the Treasury. Transfers into the account (withdrawals) and transfers out (restorations) do not, in and of themselves, affect the cash position of the Treasury. Expired authority is an available budgetary resource for the specific purpose of ensuring that valid obligations of expired and lapsed appropriation accounts can be met without recourse to individual appropriation action by the Congress. Note: Other account transactions that are related to 465000 have corresponding proprietary transactions that impact 101000, *Fund Balance With Treasury*.

130209. Indefinite Appropriations

A. Indefinite appropriations are appropriations of a current or permanent nature in which a definite amount is not stated but is to be determined on the basis of stipulated subsequent events. One type of indefinite appropriation for the Department is available receipts. For example, the receipts under the Federal Account Symbol and Title **5095.001, *Sale of Hunting and Fishing Permits, Military Reservations*, are, by permanent appropriation, available for expenditure for the Army under appropriation account 21X5095, *Wildlife Conservation, etc., Military Reservations, Army*. The amount authorized may be all or a portion of the receipts under a receipt account, but they may not be available until a warrant is issued by Treasury or the amount authorized may be specified as the amount actually obligated for a specified purpose.

B. Indefinite appropriation amounts realized must be reported monthly to Treasury in accordance with Volume 6A, Chapter 3. These amounts are warranted by Treasury on the FMS Form 6200 (see TFM Volume 1, Part 2, Chapter 2000) at the end of the fiscal year.

C. Anticipated amounts of indefinite appropriations derived from available receipts must be reported as anticipated budgetary resources until the amounts are realized. The budget authority generated will increase the uncommitted or unobligated balance reported on the SF 133, Report on Budget Execution (OMB Circular A-11, Appendix F). However, such balances should not be recorded in the accounts as currently available for obligation until receipts are realized.

130210. Reprogramming

The practice of reprogramming departmental funds covered in appropriation acts is a necessary, desirable, and timely device for achieving flexibility in the execution of Defense programs. See Chapters 6 and 7 for specific guidance on reprogramming of DoD appropriated funds.

1303 ACCOUNT ADJUSTMENTS AND CLOSING

130301. Adjustments to Expiring and Nonexpiring Accounts

A. Cancel appropriation transfers anticipated to be made to or from other accounts. Anticipated appropriation transfers must be cancelled as of the end of the fiscal year in which anticipated.

B. Eliminate unrealized anticipated indefinite appropriations.

C. Cancel anticipated reimbursements in no-year, expiring annual, and multi-year accounts as of the end of the fiscal year.

D. Record the cancellation of expired authority and withdraw funds.

E. Reduce appropriations realized by the amount of budgetary resources withheld pursuant to public law.

F. Recognize at the departmental-level (headquarters) an adjustment to undistributed allotments of realized transfers remaining at the intermediate-level and unobligated balances of realized transfers remaining at the execution-level. This transaction reverses the accounts in the original issuance of budgetary authority (as noted in subparagraph 130207.C):

Budgetary Entry
Dr 454000 Internal Fund Distributions Issued
Cr 451000 Apportionments

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

NOTE: The intermediate and execution-levels must notify the departmental-level accounting entity of undistributed and unobligated funds as described in paragraph 130303. Definitions and use for accounts 454000 through 458000 are prescribed in the DoD SCOA located on the SFIS resources web page.

130302. Budget Execution Report Preparation

After completion of the account adjustments identified in paragraph 130301, budget execution reports must be prepared as specified in Volume 6A, Chapter 4.

*130303. Notification from Lower Levels

The departmental-level accounting entity must be informed by the intermediate and execution-levels of the following adjustments and account balances as specified in Volume 6A, Chapter 2. Undistributed allotments of direct program authority (account 456000) and direct unobligated balances remaining in expiring allotted funds (461000) must be reversed at the intermediate and execution-levels (Chapters 14 and 15, respectively) and reported to the departmental-level for financial reporting.

130304. Account Closing

After preparation of the prescribed budget execution reports, the following entries must be made at the expiration of the period of availability for obligation to close expended amounts to the authorizing account for the expenditures and to withdraw any remaining program authority.

* A. Direct Funds. Record unobligated budget authority for unexpired annual or multi-year appropriations; close unobligated balances to expired authority; reduce appropriations realized by the amount of rescinded appropriations; close transfers accomplished to other appropriations or funds; and close appropriation transfers realized from other appropriations or funds. To close internal fund distributions issued at the departmental-level upon expiration of the period of availability:

Budgetary Entry
Dr 454000 Internal Fund Distributions Issued
Cr 420100 Total Actual Resources-Collected

B. Reimbursable Program. No closing entries must be made for the reimbursable program at the departmental-level. The adjusting entry, specified in paragraph 130301.C, eliminates any departmental-level reimbursable program account balance.

130305. Adjustments to Expired Authority

Account 465000, *Allotments – Expired Authority*, represents the unobligated balance in an appropriation at the time of its expiration. Expired authority, prior to cancellation of an appropriation, authorizes a DoD Component to adjust upward previously under recorded obligations or to record obligations initially that should have been recorded (but were not) against an expired appropriation before its expiration. Adjust obligations upward through use of expired budget authority. Obligation, expenditure, and closing of expired authority are recorded in the same manner as current year direct program appropriation accounts.

130306. Cancelled Authority

31 U.S.C. § 1552 requires any balance remaining in an account in excess of 5 years to be cancelled. Account 435000, *Cancelled Authority*, represents the amount of cancelled authority (includes both unobligated and obligated but unpaid). Payment of obligations incurred in a cancelled appropriation must be made from a current appropriation available for the same general purpose as the one from which the payables were cancelled. The total of payments from a current appropriation for obligations and payables of a cancelled appropriation is subject to the limitations specified in Chapter 10, subparagraph 100303.D.

A. Transfer expired authority at the time of cancellation of an appropriation.

B. Allocate budget authority at the departmental-level from a current appropriation to pay obligations applicable to a cancelled appropriation. Record an obligation and accounts payable in an unexpired appropriation for a valid bill related to a cancelled appropriation.

VOLUME 3, CHAPTER 14: "RECEIPT AND DISTRIBUTION OF BUDGETARY RESOURCES – INTERMEDIATE-LEVEL"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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

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

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

The previous version dated June 2009 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
1401	Revised the *General* section. Incorporated the previous *Overview* and *Applicability and Scope* paragraphs into paragraph 140101, *Purpose*; added paragraph 140102, *Authoritative Guidance*; and moved the previous *Accounts* paragraph to section 1402, *Standards*.	Revision
140202	Renamed paragraph 140202 to *Internal Fund Distributions* and corrected the terminology used to describe distributions in this paragraph and throughout the chapter in accordance with the Office of Management and Budget Circular A-11.	Revision
140302	Added closing entries for balances issued at the intermediate level as subparagraphs 140302.C – D.	Addition
All	Revised the account entries to the United States Standard General Ledger basic six-digit format.	Revision
All	Verified and corrected, where applicable, all references and hyperlinks.	Revision

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CHAPTER 14

RECEIPT AND DISTRIBUTION OF BUDGETARY RESOURCES INTERMEDIATE-LEVEL

*1401 GENERAL

140101. Purpose

This chapter prescribes the standards for recording the receipt and subsequent distribution of budgetary resources in the intermediate-level budgetary accounts, which are applicable to operating agencies or other intermediate-level accounting entities. The intermediate-level budgetary accounts are used to record the receipt of fund distributions (allotments, suballotments, or allocations) issued from higher authority, and the subsequent issuance to execution-level activities. Only those Department of Defense (DoD) Components with a funding structure that includes three (or more) levels are required to use the intermediate-level accounts covered by this chapter. For example, the Military Departments are structured into three or more levels but Other Defense Organizations receive Defense-wide appropriations directly from the Office of the Under Secretary of Defense (Comptroller) which represents a two-tiered funding structure (departmental-level to execution-level). See Chapter 13 for departmental-level and Chapter 15 for execution-level requirements.

140102. Authoritative Guidance

The Office of Management and Budget ***(OMB) Circular A-11*** provides an overview of the budget process and specific requirements for preparation and submission of the budget. The U.S. Department of the Treasury (Treasury) is responsible for Government-wide reporting and issues requirements in the ***Treasury Financial Manual***. Volume 14, Chapter 1 prescribes the requirements for the administrative control of funds in accordance with OMB Circular A-11, Appendix H, and identifies additional authorities in paragraph 010103.

1402 STANDARDS

140201. Accounts

The accounts established for use at the intermediate level implement the DoD United States Standard General Ledger (USSGL) and the *DoD Standard Chart of Accounts* prescribed in Volume 1, Chapter 7. Both the budgetary and proprietary accounting entries for the DoD USSGL accounts are specified in *DoD USSGL Transaction Library* that can be accessed on the ***Standard Financial Information Structure*** resources web page.

*140202. Internal Fund Distributions

A. Budgetary authority is formally distributed by allotment, suballotment, allocation, and suballocation. The OMB Circular A-11, Appendix H, defines these terms and a specific subdivision hierarchy (see Volume 14, Chapter 1). The intermediate-level budgetary accounts are used to record the receipt of funds issued from higher authority, and the subsequent issuance to execution-level activities.

B. Any formal subdivision of funds must contain at least the same statutory and other limitations applicable to the original apportionment.

C. Accounting Entries

1. To record direct budgetary authority received from the departmental level by an intermediate-level activity (available for allotment/suballotment to execution-level activities or to other intermediate-level activities):

Budgetary Entry
Dr 455000 Internal Fund Distributions Received
Cr 456000 Funds Available for Allotment

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

2. To record the receipt of reimbursable authority from the departmental-level to an intermediate-level activity:

Budgetary Entry
Dr 421000 Anticipated Reimbursements and Other Income
Cr 459000 Apportionments – Anticipated Resources

Proprietary Entry
None

3. To record direct budgetary authority allotted/suballotted by an intermediate-level activity to an execution-level activity or between two or more intermediate-level activities:

Budgetary Entry
Dr 456000 Funds Available for Allotment
Cr 457000 Allotments Issued

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

4. To record the issuance of reimbursable authority from intermediate level to execution level:

Budgetary Entry
Dr 459000 Apportionments – Anticipated Resources
Cr 421000 Anticipated Reimbursements and Other Income

Proprietary Entry
None

1403 NOTIFICATON AND ACCOUNT CLOSING

140301. Notification to Departmental-Level

The intermediate-level accounting activity must notify the departmental-level accounting entity of direct program authority that is not distributed to the execution level (account 456000, *Funds Available for Allotment*).

*140302. Account Closing

After preparation of the prescribed budget execution reports, the following entries must be made, at the expiration of the period of availability for obligation, to close expended amounts to the authorizing account for the expenditures and to withdraw any remaining program authority.

A. To close internal fund distributions issued to the intermediate level that remained undistributed (withheld) upon expiration of the period of availability:

Budgetary Entry
Dr 456000 Funds Available for Allotment
Cr 455000 Internal Fund Distributions Received

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

B. To close obligational authority within the intermediate level upon expiration of the period of availability where distributions were issued to the execution level:

Budgetary Entry
Dr 457000 Allotments Issued
Cr 455000 Internal Fund Distributions Received

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

C. To close direct budget authority issued through allotment or suballotment upon expiration of the period of availability:

Budgetary Entry
Dr 457000 Allotments Issued
Cr 420100 Actual Total Resources – Collected

Proprietary Entry
None

D. To close internal fund distributions received at the intermediate-level upon expiration of the period of availability:

Budgetary Entry
Dr 420100 Actual Total Resources – Collected
Cr 455000 Internal Funds Distribution Received

Proprietary Entry
None

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

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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

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

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

The previous version dated June 2013 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
150101 – 150102	Reorganized the General section. Revised the Purpose paragraph and added an Authoritative Guidance paragraph.	Revision
150201	Moved account information from the previous General section to the Standards section.	Revision
150202.A	Added a reference for funds control policy; and clarified the levels of formal subdivisions of funds and in subparagraph 150202.A.1. Added subparagraph 150202.A.2 to clarify the statutory and other limitations that apply to any formal subdivision of funds. Added the Standard Financial Information Structure requirements for allotments at the execution level in subparagraph 150202.A.4.	Addition
150202.B	Added accounting entries to address suballotment at the execution level (accounts 457000 and 458000).	Addition
150205.A.2 - 3	Clarified the definition of refunds to align with the Office of Management and Budget (OMB) A-11, sections 20.10 and 20.11.	Revision
150205.F	Incorporated policy changes in accordance with the Deputy Comptroller (Program/Budget) memorandum, "Policy Change for the Treatment of Proceeds for Assets Sold for Replacement Under Section 21 of the Arms Export Control Act, dated July 31, 2015.	Revision
150301.F	Added closing accounting entries for accounts 457000 and 458000.	Addition
150306.C	Deleted the word "direct" ("Allotments – Expired Authority" allows for reimbursable authority).	Deletion

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Revised the account entries to the United States Standard General Ledger basic six-digit format.	Revision
All	Verified and corrected, where applicable, all references and hyperlinks.	Revision
Table 15-1	Added a table that shows how to record refunds received in accordance with OMB A-11, section 10.20.	Addition

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RECEIPT AND DISTRIBUTION OF BUDGETARY RESOURCES – EXECUTION LEVEL

*1501 GENERAL

150101. Purpose

This chapter prescribes the standards for recording the receipt and subsequent distribution of budgetary resources in execution-level activities. The execution-level budgetary and proprietary accounts are used to record the receipt of an allotment issued from a higher authority and the further distribution of funds, i.e., subdivision of the allotment (suballotment, allocation, or suballocation) to another execution-level activity. See Chapter 13 for departmental-level and Chapter 14 for intermediate-level requirements.

150102. Authoritative Guidance

The Office of Management and Budget ***(OMB) Circular A-11*** provides an overview of the budget process and specific requirements for preparation and submission of the budget. The United States Department of the Treasury (Treasury) is responsible for Government-wide reporting and issues requirements in the ***Treasury Financial Manual***. Volume 14, Chapter 1 prescribes the Department of Defense (DoD) requirements for the administrative control of funds in accordance with OMB Circular A-11, Appendix H, and identifies additional authorities in paragraph 010103.

1502 STANDARDS

*150201. Accounts

A. This chapter discusses the accounting standards for receipt and execution of allotments, commitments, obligations, reimbursements, and borrowing authority. The accounting transactions covered in this chapter frequently require a compound entry; i.e., entries that must be made in both the budgetary and proprietary (asset, liability, and equity) accounts.

B. The accounts established at the execution-level accounting entities implement the DoD United States Standard General Ledger (USSGL) and the DoD Standard Chart of Accounts prescribed in Volume 1, Chapter 7. Both the budgetary and proprietary accounting entries for the DoD USSGL accounts are specified in the DoD USSGL Transaction Library that can be accessed on the ***Standard Financial Information Structure*** (SFIS) resources web page.

150202. Allotments Received

* A. Requirements

1. Budgetary authority is formally distributed by allotment, suballotment, allocation, and suballocation. The OMB Circular A-11, Appendix H, defines these

terms and a specific subdivision hierarchy (see Volume 14, Chapter 1). These subdivisions distribute budget authority to execution-level accounting activities and authorize the incurrence of obligations within a specified amount. Only the term allotment will be used in this chapter.

2. Any formal subdivision of funds must contain at least the same statutory and other limitations applicable to the original apportionment.

3. Although an allotment document format is not prescribed, it must disclose specific classifications and limitations that must be tracked in the accounting records. For instance, an appropriation committee may state that a specific amount has been added to an appropriation for a certain purpose. To ensure that the congressional intent is accomplished, the accounting entity receiving an allotted share of such budget authority must account for the share amount, and the obligations and expenditures.

4. An allotment received at the execution level must retain the same SFIS Budget Line Item Identifier as that of the allotment issued to the execution level. Similarly, the SFIS Sub-Allocation Holder Identifier (formerly "Limit") and Budget Allotment Line Item Identifier must be retained throughout the funds distribution life cycle, as applicable.

* B. Accounting Entries

1. To record the direct budgetary authority received by an execution-level accounting activity:

Budgetary Entry
Dr 458000 Allotments Received
Cr 461000 Allotments – Realized Resources

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

2. To record the suballotment of direct budgetary authority at the execution level:

Budgetary Entry
Dr 461000 Allotments-Realized Resources
Cr 457000 Allotments Issued

Proprietary Entry
Dr 310100 Unexpended Appropriations-Appropriations Received
Cr 101000 Fund Balance With Treasury

3. Record direct budgetary authority received by an execution-level activity through suballotment of authority using the transaction in subparagraph 150202.B.2.

Note: The status of suballotments is tracked and reported by the SFIS Budget Line Item Identifier of the allotter of the funds.

4. To close allotments received at the execution level that remains unobligated upon expiration of the period of availability:

Budgetary Entry
Dr 461000 Allotments-Realized Resources
Cr 458000 Allotments Received

Proprietary Entry
Dr 310100 Unexpended Appropriations-Appropriations Received
Cr 101000 Fund Balance With Treasury

5. To close suballotments issued at the execution level that remain unobligated upon expiration of the period of availability:

Budgetary Entry
Dr 457000 Allotments Issued
Cr 461000 Allotments-Realized Resources

Proprietary Entry
Dr 101000 Fund Balance With Treasury
Cr 310100 Unexpended Appropriations-Appropriations Received

150203. Commitments

A. A commitment is an administrative reservation of funds based upon firm procurement requests, orders, directives, and equivalent instruments. Since an obligation equal to or less than the commitment may be incurred without further recourse to an authorizing official, commitments are required for some appropriations (see subparagraph 150203.C) and are permissible for others. A commitment, when recorded in the accounting records, reduces the allotment's available fund balance. A commitment document must be signed by a person authorized to reserve funds; i.e., the official responsible for administrative control of funds for the affected subdivision of the appropriation. This helps ensure that the subsequent entry of an obligation will not exceed available funds.

B. Chapter 8 contains the detailed requirements for estimating and recording the amounts of commitments.

C. Commitment accounting is required by agreement with OMB for the procurement; military construction; and research, development, test and evaluation appropriation accounts. However, commitments need not be recorded for small purchases if, in the aggregate, they are not significant in the management of funds. Commitment accounting is not required for the operation and maintenance appropriation accounts, revolving fund accounts, or military personnel appropriation accounts, but may be used if cost effective.

D. A commitment generally is not recordable from an action document approving a procurement program because execution of the program requires specific actions to reserve all or part of the subdivision of funds made available to the program. The program approval may be recorded as an initiation (see subparagraph 150203.E). Also, a commitment usually is not recordable from an order to commence procurement since such orders generally are not firm reservations permitting the recording of an obligation without recourse to the person authorized to reserve funds. These orders may be recorded as initiations.

E. Initiations are entered into memorandum accounts to ensure that precommitment actions, such as approved procurement programs and procurement orders, are maintained within the available subdivision of funds. An initiation results in an administrative reservation of funds based upon procurement orders, requests, or equivalent instruments. It authorizes preliminary negotiation of procurement actions, but requires that the action must be referred to the official responsible for administrative control of funds prior to incurrence of the obligation. Since initiations are not part of the official accounting requirements, allotment issuers or receivers who require initiation accounting must ensure that the procedures and practices are cost effective.

F. Outstanding commitments must be closed/canceled as of the end of the period that the appropriation is available for obligation. Commitments cannot exist in expired appropriation accounts. To close unobligated commitments upon expiration of the period of availability:

Budgetary Entry
Dr 470000 Commitments-Programs Subject to Apportionment
Cr 461000 Allotments-Realized Resources

Proprietary Entry
None

150204. Obligations

A. Obligations incurred are the amounts of orders placed, contracts awarded, services received, and similar transactions during an accounting period that will require payment during the same or future period. These amounts include payments for obligations that were not previously recorded, adjustments for differences between obligations previously recorded, and actual payments to liquidate those obligations.

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

C. Undelivered orders are contracts or orders issued for goods and services for which the liability has not yet accrued. The orders may be for any goods or services that are required to meet a bona fide need of the issuing entity.

D. Accounts 490100, *Delivered Orders – Obligations, Unpaid* and 490200, *Delivered Orders – Obligations, Paid* are used for the credits entered into the budgetary accounts to recognize liabilities incurred and payments made for (a) services performed by employees, contractors, other government accounting entities, vendors, carriers, grantees, and lessors; (b) goods and other tangible property received; and (c) items such as annuities or insurance claims for which no current service is required.

E. Reductions or cancellations of prior year obligations in no-year and unexpired multiple year (multi-year) accounts must be reported specifically in budget execution reports (see Volume 6A, Chapter 4). Account 431000, *Anticipated Recoveries of Prior Year Obligations*, must not be used without prior approval of the Directorate for Accounting and Finance Policy, Office of the Under Secretary of Defense (Comptroller).

F. Chapter 8 contains the detailed requirements for determining and recording the amounts of obligations.

150205. Reimbursements and Refunds

A. Definition

1. Reimbursements are collections earned for selling goods or services. Reimbursable obligations are obligations financed by offsetting collections credited to an expenditure account in payment for goods and services provided by that account. The collection must be authorized by law to credit the specific appropriation or fund account. Within DoD, the Under Secretary of Defense (Comptroller) must authorize reimbursable authority through budget formulation and statutory authorization of the budget. Except for refunds and reimbursements, collections are deposited in Treasury as miscellaneous receipts.

* 2. Refunds are repayments of excess payments and are to be credited to the appropriation or fund account charged with the original obligation in accordance with OMB Circular A-11, section 20.10 (see Table 15-1). The amounts must be directly related to previously recorded obligations incurred and expenditures made against the appropriation; and are reductions to those expenditures. Refunds to appropriations represent amounts collected from outside sources for payments made in error, overpayment, or adjustments for previous amounts disbursed. Amounts in excess of the refund, i.e., interest and penalty charges collected that are related to refunds must be deposited in Treasury as miscellaneous receipts. See Volume 4, Chapter 3, Annex 1 for accounting policy on the disposition of interest, penalties, and administrative charges. Also, see Volumes 11A, 11B, and 15 for additional policy requirements for reimbursements.

* 3. For returned cash advances, other offsetting collection, or special or trust fund receipts received in a prior fiscal year, an obligation and an outlay in the current fiscal year must be recorded in accordance with OMB Circular A-11, section 20.11.

4. In general, collections in the absence of an authorized reimbursable program for DoD goods and services do not create budgetary resources. Except for refunds, such collections must be deposited in Treasury as miscellaneous receipts unless the deposit to an appropriation or fund is authorized by law. Refunds attributable to the use of the Government purchase and travel cards and Government travel arranged by Government Contracted Travel Management Centers may be credited to Operation and Maintenance; and Research, Development, Test, and Evaluation accounts that are current when the refunds are received. Volume 11A, Chapter 3 and Volume 11B, Chapter 3 contain the general statement of policy regarding work performed or material provided between DoD and other Federal agencies.

B. Anticipated Reimbursements

1. Anticipated reimbursements are, in the case of transactions with the public, estimated collections comprising advances expected to be received and reimbursements expected to be earned. In transactions between United States (U.S.) Government accounting entities, anticipated reimbursements consist of orders expected to be received but have not been accepted. Anticipated reimbursements may not be used as a source of obligational authority until a customer order is accepted unless such use specifically is authorized in statute. The primary example of the use of anticipated reimbursements to create obligational authority is a revolving fund in which anticipated reimbursements underlie apportionments of reimbursable authority.

2. An allotted reimbursable program does not constitute authority to incur obligations. Obligations may be incurred only upon acceptance of a customer order. The reimbursable program does not have to be specifically allotted. Apportionment, allotment, and allocation of the reimbursable program may be treated as "automatic" when written OMB approval is obtained by the DoD Component responsible for the appropriation concerned. OMB approval is dependent upon meeting the criteria for automatic apportionment of reimbursements contained in Chapter 2.

3. At the beginning of each fiscal year an entry must be made to record an allotment of anticipated reimbursable program authority. For an automatically apportioned reimbursable program, the predominant type within DoD, an estimate of the expected reimbursable program must be entered. For a specifically apportioned reimbursable program, the exact amount specified in the allotment instrument must be entered. An estimate of automatically apportioned reimbursable authority may be revised, upward or downward, by the performing activity at any time during a fiscal year to reflect the current estimate. The specifically apportioned reimbursable program authority may not be revised unless a revised allotment instrument is requested and received. An allotment of anticipated reimbursable program authority does not provide obligation authority. An allotment of anticipated reimbursable program authority provides only authority to accept reimbursable orders. The

accepted reimbursable order provides the obligation authority. See subparagraph 150205.C.2 for information on specific types of customer orders.

4. The accounting entry to record the receipt of reimbursable authority from the department or intermediate levels is as follows:

Budgetary Entry
Dr 421000 Anticipated Reimbursements and Other Income
Cr 459000 Apportionments – Anticipated Resources – Programs Subject to Apportionment

Proprietary Entry
None

C. Customer Orders

1. Accepted customer orders establish obligational authority in a performing allotment. Unfilled customer orders are the amounts of orders accepted from other accounting entities within the U.S. Government for goods and services to be furnished on a reimbursable basis; or, in the case of transactions with the public, are amounts collected in advance for which the accounting entity has not yet performed as requested. On an exception basis, there may be orders from the public received and accepted without payment in advance, but only when specifically permitted by statute. Acceptance of a customer order requires that the performing accounting entity agree in writing to perform the work for the requesting (customer) accounting entity. Volume 11B, Chapter 3 discusses the written requirements that are used to document these requests and acceptances. Account 422100, *Unfilled Customer Orders Without Advance*, and account 422200, *Unfilled Customer Orders With Advance*, are the execution-level budgetary accounts that are used, as applicable, to record obligational authority for the reimbursable program. Corresponding amounts are recorded in account 421000, *Anticipated Reimbursements and Other Income*. An allotment of reimbursable program authority, whether specific or automatic, authorizes the reimbursable program. It does not establish obligational authority.

2. For reimbursable customer orders between Federal Government entities where both the performing and ordering agencies are using multi-year appropriation accounts, the agency accepting the order from a multi-year appropriation account must record the obligational authority resulting from the order against its multi-year appropriation account with a like period of availability. If the performing and ordering agency accounts have different periods of availability, such as when a performing agency uses its one-year Operations and Maintenance appropriation to fill an order funded by a customer's multi-year appropriation account, such reimbursable customer orders and their related transactions must be applied in accordance with OMB Circular A-11, ***section 130.9***. In such instances, the performing agency must obtain authorization each fiscal year in order to execute the unobligated balance in the subsequent fiscal year. For guidance on Economy Act orders, see Volume 11A, Chapter 3.

3. For additional guidance on project orders, i.e., between DoD entities, see Volume 11A, Chapter 2.

4. For general guidance on non-Economy Act orders, see Volume 11A, Chapter 18.

5. For additional guidance on orders placed with or through Defense Working Capital Fund activities, see Chapter 8, sections 0807 and 0808.

D. Unearned Revenue. Unearned revenue is the amount recognized as received by a performing organization in the form of advance payments for the future delivery of goods, services, or other assets. Account 422200, *Unfilled Customer Orders With Advance*, is the execution-level budgetary account that is used to record reimbursable orders received and accepted with payment in advance. A compound entry is required to credit account 231000, *Liability for Advances and Prepayments*, and debit account 101000, *Fund Balance with Treasury*. Compound entries must be made to recognize advance payments in both the budgetary accounts and proprietary accounts.

E. Earned Reimbursements

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

2. Generally, reimbursements must recover the cost elements set forth in Volume 11A, Chapter 3, and Volume 11B, Chapter 3. However, other billing prices may be established when specifically authorized by a DoD issuance (e.g., directive or instruction).

3. Reimbursements must be accounted for separately by the accounting entity having responsibility for collection. Appropriate billing documents indicating the specific property delivered or services rendered, quantities, dollar amounts, and reference to each customer order must be maintained.

4. Earned reimbursements must be recorded and billed promptly in the accounting period earned. See Volume 11A, Chapter 1 for information on reimbursement procedures and supporting documentation.

5. Collections from DoD accounting entities generally should be made without the use of checks through processing the billing and collecting entries simultaneously in the disbursing officers' accounts. The requesting accounting entity must record its obligations in accordance with the standards for recognition of obligations in Chapter 8.

* F. Proceeds from Assets Sold. In accordance with OMB Circular A-11, section 83.5, proceeds from assets sold for replacement provide direct resources. Therefore, when proceeds from assets sold are used to replace assets sold, the obligation must be classified as direct. For Foreign Military Sales (FMS) and non-FMS asset sales, a determination first must be made whether the item requires replacement or that it will not be replaced (free assets). Proceeds from FMS sales of free assets must be deposited in Treasury as miscellaneous receipts or in the Special Defense Acquisition Fund (SDAF). For SDAF information, see the Defense Security Cooperation Agency's ***Security Assistance Management Manual, Chapter 11***, (section C.11.9). Proceeds from all other assets sold for replacement must be credited to the account funding the replacement in the period of availability with the latest expiration date at the time of collection. Collections must be made before obligations can be incurred for replacement.

150206. Borrowing Authority

A. Borrowing authority is statutory authority to incur obligations and to make payments for specified purposes out of borrowed money. It must be established as needed by the acquisition of property subject to a mortgage, and withdrawn upon payment of the mortgage principal. When the mortgage is assumed by a buyer, the borrowing authority is disestablished.

B. The accrued expenditures for the acquisition of homes subject to mortgages payable that are assumed by the U.S. Government must include the amount of the mortgage balance payable. The accrued revenues for the sale of homes subject to mortgages payable that are assumed by the buyer must include the amount of the mortgage balance payable. Homes may be sold subject to another loan of all or part of the cash purchase price to the new buyer. In this case, the U.S. Government would have a second mortgage on the home. The revenue for the sale includes this mortgage receivable.

C. The assumption of a mortgage payable by the U.S. Government is an increase in the borrowing account. The payments on the mortgage principal are decreases in the borrowing account. The assumption of the mortgage balance payable by a buyer is a decrease in the borrowing account. The borrowing account is equal to borrowing authority.

D. The total acquisition cost of the property and the mortgage assumed must be in accordance with Volume 6A, Chapter 3.

150207. Additional Guidance

A. For policy guidance and information on the Homeowners Assistance Program, see ***DoD Directive 4165.50E*** and ***Title 42, United States Code, section 3374***.

B. For policy guidance and information on foreign military indebtedness, see Volume 6A, Chapter 12 and Volume 15, Chapter 5.

C. For policy guidance and information on the military housing privatization program, see Volume 2B, Chapter 6 and Volume 6A, Chapter 9.

1503 ACCOUNT ADJUSTMENTS

150301. Fiscal Year End Adjustments to Appropriation Accounts

At fiscal year-end, installations must ensure that obligational authority and obligations are accurately stated in view of the most current information available. Actions to accomplish these fiscal year-end adjustments include the following:

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

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

C. Review anticipated reimbursements to eliminate anticipated reimbursements for orders not accepted.

D. Review estimated obligations for possible overstatement or understatement.

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

* F. The internal fund distribution account closing transactions are as follows:

1. To close direct budgetary authority allotments or suballotments received at the execution level upon expiration of the period of availability:

Budgetary Entry
Dr 420100 Total Actual Resources-Collected
Cr 458000 Allotments Received

Proprietary Entry
None

2. To close direct budgetary authority issued through allotment or suballotment upon expiration of the period of availability:

Budgetary Entry
Dr 457000 Allotments Issued
Cr 420100 Total Actual Resources-Collected

Proprietary Entry
None

150302. Adjustments to Expiring Accounts

A. Cancel outstanding commitments in expiring accounts. Outstanding commitments must be canceled as of the end of the period that an appropriation is available for obligation. Commitments are not allowed in expired accounts. See subparagraph 150203.F for recording the transaction for commitments that remain unobligated upon expiration of the period of availability.

B. Review completed customer orders to restore reimbursable program obligational authority made available that was in excess of performance cost. Earned amounts that remain uncollected must be eliminated from the expiring appropriation account and established against the miscellaneous receipt account to which the future collection is to be deposited.

C. Reduce the balance in accounts 422100, *Unfilled Customer Orders Without Advance* and 422200, *Unfilled Customer Orders With Advance* to the amount of valid remaining incomplete customer orders only. Cash advances accepted for non-Federal customer orders that remain unused (i.e., no performance) by the end of the fiscal year must be returned.

D. Eliminate any balance remaining in account 421000, *Anticipated Reimbursements and Other Income*.

150303. Adjustments to Canceled Appropriation Accounts

Upon cancellation of an appropriation, and prior to normal closing entries, cancel all obligations (undelivered orders and unpaid obligations) and uncollected reimbursements.

150304. Report Preparation and Closing

After completion of the adjustments, budget execution reports must be prepared as specified in Volume 6A, Chapter 4. After completion of the reports, close obligational and reimbursable authority.

150305. Expired and Canceled Accounts

A. For 5 years after the time an appropriation expires for incurring new obligations, both the obligated and unobligated balances of that appropriation will be available for recording, adjusting, and liquidating obligations properly chargeable to that account.

B. For appropriations that are available for obligation for a specific period, i.e., annual and multi-year appropriations, on September 30 of the fifth fiscal year after an appropriation's period of availability for incurring new obligations expires, both the obligated and unobligated balances of that appropriation are required to be canceled and will no longer be available for obligation or expenditure for any purpose.

C. Following cancellation of an appropriation, if it becomes necessary to record an obligation or an adjustment to an obligation, which otherwise would have been properly chargeable (both as to purpose and amount) to an appropriation before it was canceled, the obligation should be charged to an appropriation currently available for the same purpose.

D. When a currently available appropriation is used to pay an obligation, which otherwise would have been properly chargeable (both as to purpose and amount) to a canceled appropriation, the total of all such payments by that current appropriation may not exceed the lesser of:

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

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

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

a. For annual accounts, the one percent limitation is of the annual appropriation for the applicable account, not total budgetary resources (e.g., reimbursable program authority).

b. For multi-year accounts, the one percent limitation applies to the total (multi-year) amount of the appropriation.

c. For contract changes, charges made to currently available appropriations will have no impact on the one percent limitation rule. That is, the one percent of the currently available appropriation amount will not be decreased by the charges made to current appropriations for contract changes.

E. See Chapter 10 for additional policy on expired and canceled accounts.

150306. Expired Authority

A. Accounting. Expired authority is composed of (a) unobligated balances and (b) obligated but unliquidated balances remaining in appropriations that are no longer available for incurring new obligations. The balances are no longer available because the time available for incurring such obligations has expired. Separate accounts for each expired fixed appropriation must be maintained by its fiscal year identity for 5 years following the appropriation's period of availability for obligation.

B. Elimination of Unobligated Balances

1. Direct Program. Unobligated budget authority of an expired appropriation, at the time of its expiration, must be closed to account 465000, *Allotments - Expired Authority*.

2. Reimbursable Program. Closing entries eliminate reimbursable program authority that has been expended. In addition to the elimination of expended reimbursable program authority, a change is necessary to eliminate unobligated reimbursable program authority existing at the time of expiration of the receiving appropriation. Unobligated reimbursable program authority must be returned to the financing appropriation. The obligation authority necessary to finance any subsequent upward obligation adjustments must be requested from that financing appropriation. See subparagraphs 150205.C.2 and 150302.C for additional information on multi-year reimbursable authority and cash advances from non-Federal sources, respectively.

C. Adjustments. During the 5 years following the appropriation's period of availability for obligation, obligations may be adjusted upward and downward and disbursements may be made from these expired appropriations. Account 465000, *Allotments – Expired Authority*, is a credit balance account that, prior to appropriation cancellation, is equal to the balance of unobligated expired program budget authority. Expired authority, prior to appropriation cancellation, provides the ability to a DoD Component to adjust obligations upward that were previously under recorded or to record obligations that should have been recorded (but were not) against an expired appropriation before its expiration.

150307. Canceled Authority

On September 30th of the fifth fiscal year after the period of availability for obligation of a fixed appropriation account ends, the account must be closed and any remaining balance (whether obligated or unobligated) in the account must be canceled and, thereafter, must not be available for obligation or expenditure for any purpose. The obligational status of a canceled account continuously must be maintained even though no expenditures or collections may be made to that account. In addition, collections authorized, or required to be credited to an appropriation account, but not received before closing of the account, must be deposited in Treasury as miscellaneous receipts.

A. Accounting for Canceled Obligated and Unobligated Balances. Upon cancellation of an appropriation, the balance in account 465000, *Allotments – Expired Authority*, must be reclassified as canceled authority and recorded to account 435000, *Canceled Authority*. Expenditures from a current appropriation that are applicable to obligations incurred in a canceled appropriation will reduce the balance in account 435000.

B. Accounting for Collections Applicable to Closed Accounts. Any collections received after cancellation of an account must be deposited in Treasury as miscellaneous receipts.

C. Accounting for Expenditures Applicable To Canceled Appropriations. The status of direct program obligated and unobligated balances and reimbursable program obligated balances, even in an account which has been closed, must be continuously maintained. If payments (cash collections) are not received for obligations incurred in the reimbursable program, those obligations must be covered by direct program unobligated authority existing in the closed account.

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

2. The total of payments from a current appropriation for obligations and payables of a canceled appropriation cannot exceed the lesser of (1) the unexpended balance of the canceled appropriation; (2) the unexpired unobligated balance of the currently available appropriation; or (3) one percent of the current appropriation being charged. Payables applicable to canceled appropriations must be paid from funds of subsequent appropriations that are available for the same general purpose as the one from which the payables were canceled. Liabilities may not be recorded on the books of a subsequent appropriation until (1) valid bills are received for payment; and (2) it is certain the payment will be made from that subsequent appropriation. If such payments exceed the one percent limitation, additional authority must be sought from Congress (see Chapter 10). It is important to note that the liability of a current account to pay an obligation of a canceled account is recorded only in the proprietary accounts of the current account pursuant to the criteria described in this paragraph. The obligation of a current account to pay, however, including upward obligation adjustments, must be recorded in the budgetary accounts at the time it is first known against the obligational authority of the canceled account that would have been available except for its cancellation.

*Table 15-1. Recording Refunds Received

If you receive a refund of funds that were…	And the appropriation against which the obligation was incurred…	You…
(1) Obligated and outlayed in that year	Remains available (usually the case)	Reduce the total amount of obligations and outlays recorded for the year in the budget schedules.
(2) Obligated and outlayed in a previous year and credited to the same appropriation or fund account	Remains available for new obligations	Record the refund as offsetting collections (cash) credited to expired accounts (i.e., as offsetting collections on lines 4030-4034 or 4120-4124 and as recoveries of prior year paid obligations, unexpired accounts on line 4053 or 4143; increasing unobligated balances. These offsetting collections are not reported as new budget authority; they are offset against gross outlays but not against gross budget authority.
(3) Obligated and outlayed in a previous year and credited to a different appropriation or fund account	Remains available for new obligations	Record the refund as offsetting collections (cash) credited to unexpired accounts (i.e., as offsetting collections on lines 4030-4034 or 4120-4124); increasing spending authority from offsetting collections.
(4) Obligated and outlayed in a previous year	Has expired but is not yet canceled	Record the refund as offsetting collections (cash) credited to expired accounts (i.e., as offsetting collections on lines 4030-4034 or 4120-4124; as offsetting collections credited to expired accounts on line 4052 or 4142 of the schedule P); and recoveries of prior year paid obligations on line 4054 or 4144 of the SF 133). These offsetting collections are not reported as new budget authority; they are offset against gross outlays but not against gross budget authority.
(5) Obligated in a previous year	Has been canceled	Deposit the refund in miscellaneous receipts of the Treasury.

DoD 7000.14 - R

DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

VOLUME 3: "BUDGET EXECUTION - AVAILABILITY AND USE OF BUDGETARY RESOURCES"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

VOLUME 3, CHAPTER 17: "ACCOUNTING REQUIREMENTS FOR MILITARY CONSTRUCTION PROJECTS"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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

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

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

The previous version dated December 1996 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
170102	Added authoritative guidance.	Addition
170201	Added definition of military construction.	Addition
170203	Updated to reflect general requirement that all military construction be authorized by law.	Revision
170205.H	Updated policy requiring the use of Military Interdepartmental Purchase Requests for military construction when practicable. Added requirement to develop a detailed action plan for review by the Deputy Chief Financial Officer if requesting to use suballotments. Added requirements if permission is granted to use suballotments.	Addition
170205.J	Updated policy addressing architectural and engineering services for public works and utility projects.	Revision
170206.A	Updated planning and design policy to reflect current requirements of Title 10, United States Code (U.S.C.), section 2807.	Revision
170207.A	Deleted references to 10 U.S.C. §§ 2672 and 2673, which have been repealed.	Deletion
170208	Updated certifications of costs in compliance with the United Facilities Criteria (UFC) 1-300-08.	Revision
170302.C	Added current minor construction funding limits to text.	Addition
170302.E	Updated to reflect current notification requirements of 10 U.S.C. §§ 2805, 18233a, and 480.	Revision
170303	Updated references to Department of Defense (DoD) Directive 4270.5, "Military Construction." Updated to reflect current notification requirements of 10 U.S.C. §§ 2805, 18233a, and 480.	Revision

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
170303.C	Added contingency construction policy per 10 U.S.C. § 2804.	Addition
170304	Updated Environmental Restoration policy per 10 U.S.C. §§ 2700 and 2710, and the repeal of 10 U.S.C. § 2810.	Revision
170306	Clarified policy related to Defense access roads and added reference to Title 23, Code of Federal Regulations, Part 660, Subpart E.	Revision
170307	Added policy related to relocatable buildings.	Addition
170401	Clarified that post-award design costs are part of funded project costs.	Revision
170501	Clarified definition of unfunded costs.	Revision
170502	Clarified definition of advanced planning and design, as distinct from post-award design costs.	Revision
170601	Established UFC 1-300-08 as the authoritative guidance for acceptance of real property.	Revision
170602.A	Updated policy related to capitalization of assets.	Revision
170603	Deleted display of accounting entries and referred the reader to the United States Standard General Ledger Treasury Financial Manual, the Standard Financial Information Structure Transaction Library and the DoD Standard Chart of Accounts.	Deletion
Appendix A	Deleted outdated appendix, “Example – Certification of Cost Incurred”	Deletion
Appendix B	Deleted outdated appendix, “Transfer and Acceptance of Military Real Property.” DoD 1354 standardized information conveyed and is referenced throughout the chapter.	Deletion
Appendix C	The “Phases of Military Construction” has been renumbered as Appendix A.	Revision
Attachment 1 to Appendix C	Renamed as Table 1 to Appendix A, “Evolution of a Fiscal Year 2015 Military Construction Project” using current years.	Revision

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CHAPTER 17

ACCOUNTING REQUIREMENTS FOR MILITARY CONSTRUCTION PROJECTS

1701 GENERAL

170101. Purpose

This chapter identifies accounting requirements and legal authorities applicable to the construction of real property, including:

A. Costs to be charged to appropriations available for military construction (these costs are referred to as funded costs);

B. Costs that, although financed by appropriations or funds other than those available for a specific construction project, are to be capitalized as part of the real property investment (these are referred to as unfunded costs);

C. Preparation of accounting source documents required to support entries to real property accounts;

D. Obligation and expenditure restrictions and limitations for military construction projects; and

E. Various other related functions.

F. For policy relating to the construction of real property involving arrangements with host nations see the discussion of facilities and equipment outside the zone of the Interior (United States and Possessions) in Volume 4, Chapter 6.

*170102. Authoritative Guidance

A. ***Title 10, United States Code (U.S.C), section 2802*** authorizes the Department of Defense (DoD) and Military Departments to carry out military construction projects, land acquisitions, and defense access road projects. Typically, annual national defense authorization acts include military construction authorization acts. Congress has provided the Department permanent authority to carry out certain types of military construction projects. These standing authorities primarily are located within ***10 U.S.C. Chapter 169***, "Military Construction and Military Family Housing." Chapter 169 includes:

1. ***Subchapter I***, Sections 2801 to 2815, "Military Construction;"

2. ***Subchapter II***, Sections 2821 to 2837, "Military Family Housing;"

3. ***Subchapter III***, Sections 2851 to 2869, "Administration of Military Construction and Military Family Housing;" and

4. ***Subchapter IV***, Sections 2871 to 2884, "Alternative Authority for Acquisition and Improvement of Military Housing."

B. ***10 U.S.C. Chapter 1803*** provides for Reserve Component military construction.

C. Additional U.S.C. requirements prescribed in this chapter.

1. ***10 U.S.C. § 480***, "Reports to Congress: Submission in Electronic Form;"

2. ***10 U.S.C. Chapter 160***, "Environmental Restoration;"

3. ***10 U.S.C. § 2577***, "Disposal of Recyclable Materials;"

4. ***10 U.S.C. § 2667***, "Leases: Non-excess Property of Military Departments and Defense Agencies;"

5. ***10 U.S.C. § 2668***, "Easements for Rights-of-Way;"

6. ***10 U.S.C. § 2703***, "Environmental Restoration Accounts;"

7. ***10 U.S.C. § 2707***, "Environmental Restoration Projects for Environmental Responses;"

8. ***10 U.S.C. § 4540***, "Architectural and Engineering Services;"

9. ***10 U.S.C. § 7212***, "Employment of Outside Architects and Engineers;"

10. ***10 U.S.C. § 9540***, "Architectural and Engineering Services;"

11. ***10 U.S.C. § 18233***, "Acquisition;"

12. ***10 U.S.C. § 18233a***, "Notice and Wait Requirements for Certain Projects;"

13. ***23 U.S.C. § 210***, "Defense Access Roads;"

14. ***42 U.S.C. Chapter 103***, "Comprehensive Environmental Response, Compensation, and Liability;" and

15. ***50 U.S.C. Chapter 34***, "National Emergencies Act."

D. Additionally, the accounting policy and related requirements prescribed by this chapter are in accordance with the applicable provisions and are identified throughout the remainder of this chapter.

1. The United States Standard General Ledger ***(USSGL)*** Treasury Financial Manual, the ***Standard Financial Information System (SFIS) Transaction Library***, and the DoD Standard Chart of Accounts;

2. Title 23, Code of Federal Regulations (CFR), ***Part 660, Subpart E***, "Defense Access Roads;"

3. DoD Directive ***(DoDD) 3025.18***, "Defense Support of Civil Authorities (DSCA);"

4. ***DoDD 4270.5***, "Military Construction;"

5. DoD Instruction ***DoDI 4165.56***, "Relocatable Buildings;" and

6. United Facilities Criteria ***(UFC) 1-300-08***, "Criteria for Transfer and Acceptance of DoD Real Property."

1702 MILITARY CONSTRUCTION PROCESS

*170201. Definition

Military construction is any construction, development, conversion, or extension of any kind carried out with respect to a military installation, whether to satisfy temporary or permanent requirements, or any acquisition of land or construction of a defense access road. A military construction project includes all military construction work necessary to produce a complete and usable facility or a complete and usable improvement to an existing facility (or to produce such portion of a complete and usable facility or improvement as is specifically authorized by law). The authority to carry out military construction includes authority for (1) surveys and site preparation; (2) acquisition, conversion, rehabilitation, and installation of facilities; (3) acquisition and installation of equipment and appurtenances integral to the project; (4) acquisition and installation of supporting facilities (including utilities) and appurtenances incident to the project; and (5) planning, supervision, administration, and overhead incident to the project.

170202. Authorization Requests

A. Each year an annual or biennial request for major construction projects and programs is submitted to the Congress. Requests presented are reviewed, adjusted, and approved through established command and staff channels, including the Office of the Secretary of Defense (OSD) and the Office of Management and Budget (OMB) before submission to the Congress for authorization. The Assistant Secretary of Defense for Energy, Installations and Environment (ASD(EI&E)) in conjunction with the Under Secretary of Defense (Comptroller) provides guidance for submitting military construction projects for authorization.

B. Requests for authorization are confined to projects that reasonably can be expected to be executed within the fiscal year requested.

C. Authorization requests for major construction projects must be supported by data on proposed physical capacity or other physical measurements, as well as data on estimated costs. Generally, the data for such projects must be arranged by state and/or installation. These data must be accompanied with comparative data on the existing real property inventory and projects expected to be subject to future authorization requests. Related data with respect to approved missions and proposed forces should also be provided. In addition, programs also should be evaluated with respect to that portion of a project subject to request for immediate authorization and that portion deferred for future authorization requests.

*170203. Authorization Guidance and Restrictions

A. Each Act of Congress that provides authorization for work performed under major construction programs generally contains a limitation on total costs for work undertaken for each installation as a whole, for emergency construction work on a Department-wide basis and, in some cases for a type or category of construction. In certain circumstances, overruns, within stated percentages, may be authorized with respect to individual cost limitations, provided the total amount authorized for any appropriation is not exceeded.

B. Specific authorization in a military construction authorization act is required for work performed under major construction programs unless the project is carried out under one of the authorities provided by: 10 U.S.C. §§ 2667-2668, 2803-2805, 2808, 2854, 18233 and other authorities to carry out a project not otherwise specifically authorized.

C. A Military Department may not carry out a minor military construction project expected to exceed the statutory limits provided in 10 U.S.C. § 2805 without specific Congressional authorization and approval. See subparagraph 170302.C.

D. 10 U.S.C. § 2802 provides authority to carry out a military construction project (See paragraph 170201).

170204. Appropriation Requests

A. Military Construction Projects. Appropriation requests in support of all new military construction projects are submitted to the Congress annually or biennially, as required. Military construction appropriations generally are available for obligation for five fiscal years. Such appropriation requests are consistent with existing authorizations, authorization requests, or other requests for funds, as applicable, and include specific budget estimates for those projects for which legislative authorization has been, or is being, requested.

B. Military Family Housing. Individual projects must be authorized and appropriated in accordance with 10 U.S.C. Chapter 169, Subchapter II.

C. Reprogramming. Adjustments may be made as necessary to finance to completion the cost of:

1. Projects previously approved and started,

2. Projects expected to be started during the current fiscal year, and

3. Other project costs that represent valid unfinanced requirements for the budget year.

D. Reprogramming Amounts. All reprogramming amounts requested must be consistent with amounts appropriated for specified military construction projects and the reprogramming criteria provided in Chapter 7, "Reprogramming of Military Construction and Family Housing Appropriated Funds."

1. The amount of reprogramming must be within total amounts appropriated in each annual appropriation act.

2. Amounts previously appropriated in excess of the cost of performance may be reprogrammed to support the completion of other projects.

3. Individual projects cited as a source of funds for reprogramming are limited to the new total cost included in the estimate given to the Congress.

170205. Obligation and Expenditure Restrictions

A. Appropriated funds authorized for obligation are subject to the regulations regarding administrative control of funds and Antideficiency Act provisions addressed in Volume 14. An adequate system of funds control must be established in accordance with Volume 14. These controls must be designed to ensure that individual projects are being carried out consistently with authorized purposes and within authorized and available funds.

B. Absent a specific provision of law, the cost estimate for each project approved by the Congress is not a separate statutory cost limitation. Major physical or financial changes in individual projects previously approved must be reported in advance to the House and Senate Appropriations Committees and the House National Security and Senate Armed Services Committees for their approval after proper clearance within the Department and OMB.

C. Limitations will be at the project level for major construction and budget activity for minor construction and planning and design.

D. DoD Components have limited authority to realign resources between projects consistent with Volume 2B, Chapter 6.

E. Requests for apportionment of appropriated funds must be based on estimates contained in applicable approved operating budgets.

F. Within each Military Department, funding authorizations to incur obligations must be made by means of subdivisions of appropriated funds to operating agencies and operating units responsible for construction. Such funding authorizations must be less than or equal to total obligation requirements for the respective approved operating budgets.

G. There can be only one allotment of funds from the construction appropriation to any operating agency and only one suballotment of funds from any such allotment to each operating unit. These allotments and suballotments represent funds distribution only and are not made for reimbursable activity. Each allotment or suballotment should carry with it only such additional obligation limitations as may be established by OMB or the Secretary of Defense, or as otherwise required by the Congress or the President. Separate limitations imposed on total costs by congressional authorizations and by administrative action must be observed at every level in connection with budgetary and funding actions as well as in program execution.

* H. Intergovernmental Construction Work or Services

1. Military Departments performing construction work or services for another DoD Component or another Federal agency are required to use reimbursable agreements delineated under the Economy Act when practicable (i.e. reimbursable Military Interdepartmental Purchase Requests (MIPRs)). MIPRs must include a requirement for periodic billings for construction along with sufficient documentation of the costs billed in accordance with G-Invoicing (formerly known as Invoice Processing Platform (IPP)).

2. DoD Construction Agents (U.S. Army Corps of Engineers and the Naval Facilities Engineering Command) must use MIPRs when performing work for the DoD Intelligence Agencies listed in Volume 6B, Chapter 1.

3. DoD Construction Agents wishing to use suballotments rather than MIPRs must deliver a detailed action plan to the Deputy Chief Financial Officer (DCFO). If the detailed action plan is approved by the DCFO, the Construction Agents are required to:

a. Use independently validated FISCAM and FFMIA compliant financial management systems:

(1) FISCAM compliant systems must meet all relevant FISCAM control objectives to the financial statements (i.e. both Information Technology General Controls and application controls related control objectives).

(2) FFMIA compliant systems must meet: Federal financial management system requirements (e.g., OMB Circular A-127, A-130), applicable Federal accounting standards (e.g., Statement of Federal Financial Accounting Standards (SFFAS), OMB Bulletin 15-02), and the United States Standard General Ledger (USSGL) at the transaction level.)

b. Provide USSGL/SFIS compliant trial balances inclusive of budgetary and propriety accounts to each customer and DFAS monthly. They must also provide reconciliations of the trial balances to:

(1) Suballotment universe of transactions;

(2) End-to-end feeder systems, including contract writing systems, entitlement systems, and Accountable Property Systems of Record;

(3) Defense Departmental Reporting System unadjusted and adjusted trial balances; and

(4) Program Budget Accounting System funding authorizations.

c. Provide end-to-end business process and underlying system walkthroughs, process flows, and narratives, for the execution of Military Construction projects - both major and minor. The end-to-end business process includes the receipt of funding through the transfer of asset(s) and close-out of related contracts. The process should demonstrate how all costs (direct and indirect) associated with bringing an asset into service is accumulated in a construction-in-progress account in accordance with SFFAS Number 6.

(1) Within five days of receipt from customer, provide requested transaction supporting documentation. Documentation may include: contracts, invoices, receiving documents, rate settlement calculations, Department of Defense (DD) Form 1354s, and support for DDRS or accounting system Journal Vouchers (JVs).

(2) Work with customer auditors to identify and correct any audit findings, including system findings.

4. Provide a reconciliation of progress billings to actual construction in progress and provide sufficient supporting documentation for the reconciliation

at least monthly.

5. DoD Construction Agents may perform work or services for the Federal Emergency Management Agency or other DoD Agency or non-DoD Federal Agencies when construction or services work is a response to an emergency, under suballotments.

6. Funding for construction work by the transfer of appropriation accounts or by advances of funds is prohibited. Direct citation of funds (i.e., direct charge by the performing unit and/or activity to the funds of the ordering unit and/or activity) is also prohibited.

I. The performance or all work or services on a reimbursable basis under a construction appropriation must conform to the policies prescribed in this subparagraph:

1. Reimbursements earned are an additional source of obligational authority under the appropriate budget program account. Recording reimbursements for orders received is permitted for establishing obligational authority. Cost limitations for the performance of work must be observed pursuant to the terms of the orders received. Operating budgets must include estimates of reimbursable orders received or anticipated.

2. Reimbursements are to be budgeted and their use controlled at the Military Department level where management and control of a program is retained. In these cases, allotments of funds must be expressed in terms of total obligational authority in operating budgets of the respective operating agencies and operating units responsible for carrying out the program.

* J. Authority to procure architectural and engineering services for public works and utilities projects is provided by 10 U.S.C. § 4540, 7212 and 9540. These sections, which apply to the Department of the Army, the Department of the Navy, and Department of the Air Force, respectively, limit the amount of obligations that can be incurred for architectural and engineering services for any public works or utilities project. Specifically, these sections limit the amount of such services provided by sources outside the respective Departments to not more than six percent of the estimated cost of the project. The six percent threshold does not include costs associated with activities such as design reviews, advertisements, preparation of invitations for bids, requests for proposals, land survey, soils and/or other investigations and model studies, determination of program or project requirements, design development criteria, environmental impact statements and supporting data, or travel and per diem.

170206. Planning and Design

* A. 10 U.S.C. § 2807 authorizes the Secretary to perform planning and design efforts for military construction or land acquisition projects.

1. Such efforts, to the extent accomplished within amounts otherwise appropriated for such purposes, may be accomplished without specific congressional authorization for the project involved, provided the activities are accomplished within amounts

otherwise appropriated and the estimated design costs do not exceed the amount established in 10 U.S.C. § 2807, as amended. The established limit is $1 million.

2. 10 U.S.C. § 2807 prescribes an obligational notice and wait period for architectural and engineering services and construction design services for which the estimated costs exceeds $1 million. Before obtaining such services, the Secretary concerned will notify the appropriate committees of the Congress before the initial obligation of funds for such services. The Office of the ASD(EI&E), Facility Investment and Management Directorate will receive copies of the Congressional notification. The Secretary concerned can only obligate the funds after the end of a 21-day period following the notification to Congressional committees. If an electronic copy of the notification is provided to the Congressional committees, then the waiting period is reduced to 14 days pursuant to 10 U.S.C. § 480. This provision applies to both the active and reserve components of the Military Services.

B. See subparagraph 170205.J. for limitations on the amount of costs Military Departments may incur for architectural or engineering services obtained from sources outside of the respective Department.

C. Planning and design functions include:

1. Architectural and engineering services and construction design required for site investigation, survey, mapping, or sketches;

2. Preparation of cost estimates for construction and land acquisition projects,

3. Preparation of plans, specifications, special studies, including value engineering, and construction contract documents;

4. Construction management of projects funded by foreign governments for which elements of the Armed Forces of the United States are the primary users;

5. Development and updating of design criteria and manuals;

6. Preparation of standard designs and definitive drawings used on military construction projects;

7. Management of military construction program design and contract administrative services for design;

8. Certification of project cost;

9. Administration of architectural and engineering service contracts for the design of construction and land acquisition projects; and

10. Printing and reproduction of bid documents, preparing pre-bid government estimates and liaison with prospective bidders prior to award of a construction contract.

170207. Scope of a Military Construction Project

* A. Military construction projects include all acquisitions of land, regardless of cost. All requests for purchase, withdrawal from public domain, lease, or permit from individuals or government entities, or any other type of use agreement involving more than 1,000 acres, or land whose estimated purchase price or annual lease price exceeds $1 million will be submitted to the Deputy Secretary of Defense through ASD(EI&E).

B. A military construction project includes all construction efforts, or any contribution authorized by law, necessary to produce a complete and usable facility or a complete and usable improvement to an existing facility or improvement as specifically authorized by law.

C. Military construction project funding includes equipment installed in and made a part of real property structures or improvements. Construction project funding excludes all production and movable equipment. The source and cost of all production and movable equipment directly associated with construction projects must be disclosed as additional information in presenting construction programs and budgets.

D. Construction applicable to one real property facility:

1. All construction proposed for a real property facility in which the same functional purpose or related functional purposes involved will be treated as one project.

2. All concurrent construction proposed for contiguous areas of a multi-use facility must be treated as a single project even though the construction pertains to unrelated functional purposes. For this purpose, contiguous means “in actual contact” or “touching.”

3. All construction proposed for a multi-use facility that is common to the facility as a whole, or common to areas in which the same or related functional purposes are performed, must be treated as a single project.

4. Construction proposed for a multi-use facility may be divided into separate projects if each project can be clearly defined and the result is a complete and usable facility.

E. When construction is accomplished concurrent with repair and/or maintenance work as an integrated undertaking, the construction may be treated as a separate project. Because the construction is treated as a separate project, cost limitations, notification, and other requirements associated with applicable construction projects apply. For this purpose, engineering estimates may be used to determine costs applicable to the construction portion.

F. A decision as to whether one project or several projects are to be established for related efforts must be submitted for approval to the Secretary of the appropriate Military Department.

*170208. Certifications of Costs

A. Certifications of costs incurred must be prepared in accordance with the format shown in UFC 1-300-08. These certifications must include statements of total cost incurred on the project; the total cost broken out for each building, linear structure, and structure constructed as part of the project; and the total cost broken into the categories of planning and design, construction contract supervision and administration, construction costs, and project funded real property installed equipment (RPIE) costs. In connection with the statement of total costs, the types of funds obligated or the lines of accounting for the funds must be identified as well as the organization(s) responsible for funding the acquisition.

B. The certification must be completed upon completion of the contract and furnished to the accountable Service when final costs of construction are accrued. The certification must be signed by an individual within the construction agent organization responsible for and authorized to transfer accountability and by the individual within the acquiring entity responsible for and authorized to accept accountability of the relevant properties (in most cases, the Real Property Accountable Officer).

C. A copy of the certification must be retained in a project file at each level that maintains project files.

170209. Project Files

Project files must be maintained for each construction project. These project files must represent a complete historical record of the project from inception to completion. Correspondence and other documentation pertinent to the project should be incorporated into project files at all appropriate levels. These files may include memorandums for record pertaining to decisions resulting from discussions, meetings, and telephone conversations. Construction agents are responsible for holding the historical project files and must provide copies of the files to the acquiring entity. Any agreements or contracts with constructions agents must specify the requirement for the construction agent to provide copies of such files to the acquiring entity in accordance with this paragraph on a monthly basis.

1703 CATEGORIES OF MILITARY CONSTRUCTION PROJECTS

170301. Specified Military Construction Projects

A. Specified military construction projects, or "major military construction" projects, include all acquisition and/or construction, additions, expansions, extensions, conversions, alterations, or replacements of:

1. Facilities with costs in excess of the amount specified by law as the maximum amount for a minor construction project, or

2. Any project, regardless of cost, approved as a specific line item in the Military Construction budget request.

B. Elements of a major construction project should include:

1. Surveys, demolition and site preparation;

2. Acquisition, conversion, rehabilitation, and installation of facilities;

3. Acquisition and installation of equipment and appurtenances integral to the project;

4. Acquisition and installation of supporting facilities (including utilities) and appurtenances incident to the project;

5. Supervision, administration, and overhead incident to the project; and

6. Design and support of design for construction projects after project approval (includes change orders, value engineering proposals, and as-built drawings).

C. Specifically excluded from major construction are those activities identified as minor construction, planning and design, or supporting activities.

170302. Unspecified Minor Military Construction

A. Projects that involve the acquisition of new construction, addition, expansion, extension, alteration, conversion, replacement, or installation of permanent or temporary facilities (except family quarters) are minor construction projects when:

1. The cost of the project does not exceed such amount as may be specified by 10 U.S.C. § 2805 for the Active Components and 10 U.S.C. § 18233a for the Reserve Components, and

2. The project has not been included in the budget request as a specific line item.

B. For other than family housing facilities, when the cost of a project is less than the amount specified in 10 U.S.C. § 2805, the project must be financed from unspecified minor construction appropriations; operations and maintenance (O&M) appropriations; research, development, test and evaluation (RDT&E) appropriations; working capital fund resources; or other resources, as appropriate. The funding source does not influence the financial statement capitalization requirements described in subparagraph 170602.A.

* C. As of the date of this chapter, the dollar limits on minor construction are:

1. An unspecified minor military construction project will have an approved cost equal to or less than $3 million. (See 10 U.S.C. § 2805, as amended.)

2. For a military construction project intended solely to correct a deficiency that is life threatening, health threatening, or safety threatening, an unspecified minor military construction project may have an approved cost equal to or less than $4 million. (See 10 U.S.C. § 2805, as amended.)

3. Minor military construction projects for the Reserve Components are valued at less than $750 thousand. (See 10 U.S.C. § 18233a).

4. O&M Funds may be used to carry out an unspecified minor military construction project costing not more than $1 million. (See 10 U.S.C. § 2805, as amended.)

D. Project guidelines include:

1. Notwithstanding any other provisions for approval of minor construction projects, no project may be proposed to be accomplished under minor construction authority that previously has been deleted by the Congress from proposed military construction authorization legislation or otherwise disapproved of by the Congress.

2. Each project accomplished under the minor construction authority must result in a complete real property facility or improvement.

3. Each project must, to the maximum extent possible, be consistent with the appropriate installation master plan. Requests for project approval must fully disclose the relation of the project to the master plan and must detail further planned construction to the same or closely related facilities.

4. The planned acquisition of, or improvement to, a real property facility through a series of minor construction projects; that is, incremental type construction is prohibited.

* E. Notification requirements include:

1. When a minor construction project costing more than amounts established in 10 U.S.C. § 18233a is undertaken, appropriate congressional committees must be notified prior to the start of the project. The project then may be carried out only after the end of the 21-day period beginning on the day the notification is received by the committees, or if earlier, the end of the 14-day period beginning on the date on which an electronic copy of the notification is provided in an electronic medium pursuant to 10 U.S.C. § 480. Funds cannot be obligated for construction until the committee approves the minor construction.

2. 10 U.S.C. § 2805 requires the Secretary concerned to notify, in writing, the appropriate committees of Congress of a decision to undertake an unspecified minor construction project costing more than $1 million. Notification must include the justification and estimated cost of the project. The project may be carried out only after the end of a 21-day period beginning on the date notification is received by the committees (or, if earlier, the end of the 14-day period beginning on the date on which a copy of the notification is provided electronically pursuant to 10 U.S.C. § 480).

F. Additional minor construction provisions include:

1. Planning and design costs are excluded from the cost determination for purposes of determining compliance with the amounts established in 10 U.S.C § 2805 for minor construction projects.

2. DoD Components are precluded from using materials, supplies, or items of installed capital equipment on their own minor construction projects on a non-reimbursable basis.

3. Prerequisites for establishing a minor construction project include identification of the required end result of the project and its correlation with the appropriate installation master plan.

4. It is not feasible to prescribe absolute criteria for determining what scope of work would, under all possible circumstances, properly constitutes a separate minor construction project. However, minor construction projects undertaken under the authority of 10 U.S.C. § 2805 must be consistent with the intent of the statute as to what constitutes a separate project.

*170303. Emergency and Contingency Construction

Congress provides several separate authorities for major construction during times of war and national emergency and other special situations. These authorities are:

A. Construction in the Event of a Declaration of War or National Emergency

1. 10 U.S.C. § 2808 contains authority that authorizes the Secretary of Defense to undertake military construction projects, without regard to any other provision of law, in the event of a declaration of war or the declaration by the President of a national emergency. This adheres to the National Emergencies Act, 50 U.S.C. Chapter 34, which requires use of the Armed Forces of the United States.

2. Such projects must be necessary to support such use of the Armed Forces and may be undertaken only within the total amount of funds that have been appropriated for military construction, including funds appropriated for family housing, that have not been obligated. Additional guidance is contained in DoDD 3025.18 and DoDD 4270.5.

3. When a Secretary of a Military Department decides, in conjunction with the supported Combatant Commander, to request use of this authority, the Secretary of the Military Department will submit a request to ASD(EI&E). This request must include:

a. ***DD 1391***, Military Construction Project Data, providing justification for the project and a current cost estimate. Justification must include alternatives considered to using this authority and reasons for their non-selection.

b. An explanation of when the requirement was identified and how it was planned or programmed for execution prior to the current request.

c. A complete description of the source of funds to be used for the project, including the specific reasons as to why the funding is available and associated notifications under 10 U.S.C. § 2853, "Authorized Cost and Scope of Work Variations," as necessary.

d. An expected timeline and acquisition method for the project (including design milestones, construction contract award, and completion dates) assuming project approval within 30 days of submission of the request to ASD(EI&E).

e. Rationale as to why the project should not be deferred to a future budget request.

4. In conjunction with a Military Department request for 10 U.S.C. § 2808 authority, the Chairman of the Joint Chiefs of Staff must certify to the ASD(EI&E) that the request satisfies Combatant Commander priorities and is consistent with theater basing plans and/or operational requirements.

5. Once the Secretary of the Defense has notified the Congress, the Office of the Under Secretary of Defense (Comptroller) (OUSD(C)) will issue funds pursuant to Chapter 5. Further, increases to the estimated costs provided in the notification require OUSD(C) coordination and reissuance of the funds.

6. This authority will terminate at the end of the war or national emergency.

B. Emergency Construction

1. The Secretaries of the Military Departments and Directors of Defense Agencies may carry out a major construction project under the authority of 10 U.S.C. § 2803, after appropriate congressional notification. Additional guidance is contained in DoDD 4270.5, "Military Construction." Emergency construction is limited to those projects where it is determined that:

a. The project is vital to national security, protection of health and safety, or quality of the environment; and

b. The requirement for the project is so urgent that deferral of the project for inclusion in the next Military Construction Authorization Act would be inconsistent with national security, protection of health and safety, or quality of the environment.

2. When a decision is made to request approval for an emergency construction project, the DoD Component concerned must submit a notification and request for reprogramming of military construction funds in accordance with the provisions of 10 U.S.C. § 2803 and Chapter 7. Each reprogramming request must include:

a. Justification for the cost of the project,

b. The current estimate of the cost of the project,

c. Justification for carrying out the project as an emergency construction project, and

d. A statement as to the source of funds to be used for the project.

3. Emergency construction projects must be financed within amounts appropriated for military construction that have not been obligated for other purposes. The maximum amount that may be obligated by each Military Department in any fiscal year is established in 10 U.S.C. § 2803. As of the date of this chapter, that amount is $50 million.

4. The project may be carried out only after the end of the seven-day period beginning on the date the notification is received by the Congressional committees whether or not a copy of the notification is provided in an electronic medium pursuant to 10 U.S.C. § 480.

5. Except as otherwise specifically provided for, emergency construction projects will be subject to the same restrictions and limitations as major construction projects. Additionally, the identification and treatment of costs for emergency construction projects must be consistent with that for major construction projects.

6. There is no provision for emergency construction for the Reserve Components.

* C. Contingency Construction

1. 10 U.S.C. § 2804, "Contingency Construction" and the annual Military Construction Appropriation Acts contain authority that authorized projects of an urgent nature are to be funded from the Contingency Construction Account. Such efforts, to the extent accomplished within amounts appropriated for such purposes, may be accomplished without specific congressional authorization for the project involved.

2. A project financed under this authority requires a determination that deferral of the project for inclusion in the next Military Construction Authorization Act would be inconsistent with national security or national interest. Additional guidance is contained in DoDD 4270.5.

3. Use of this authority requires approval by the Secretary of Defense and written notification to the appropriate committees of Congress.

4. When a decision is made to request approval for a contingency construction project, the DoD Component concerned must submit a notification and request for reprogramming of military construction funds in accordance with the provisions of 10 U.S.C. § 2804 and Chapter 7. Each reprogramming request must include:

a. Justification for the cost of the project,

b. The current estimate of the cost of the project,

c. Justification for carrying out the project as a contingency construction project, and

d. A statement as to the source of funds to be used for the project.

5. Actual construction may not commence prior to the receipt of appropriate DoD and congressional approval. The project may be carried out only after the end of the 14-day period beginning on the date the notification is received by the appropriate committees or, if earlier, the end of the seven-day period beginning on the date on which a copy of the notification is provided in an electronic medium pursuant to 10 U.S.C. § 480.

*170304. Environmental Response Actions

A. Authority for environmental response actions is provided under10 U.S.C. Subtitle A, Part IV, Chapter 160, "Environmental Restoration" (sections 2700 to 2710 of Title 10). Under the provisions of 10 U.S.C § 2707, "Environmental Restoration Projects for Environmental Responses," the Secretary of Defense or the Secretary of a Military Department may carry out an environmental restoration project if that Secretary determines that the project is necessary to carry out a response under Chapter 160 of the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (CERCLA) (42 U.S.C. Chapter 103).

B. Any construction, development, conversion, or extension of a structure, and any installation of equipment, that is included in an environmental restoration project may not be considered military construction.

C. The United States Department of the Treasury (Treasury) Fund Symbol **X0810, "Environmental Restoration" has been established by 10 U.S.C § 2703, "Environmental Restoration Accounts" for the conduct of environmental restoration projects. (Replace ** with appropriate DoD or Military Department identifier.) This account will be credited with:

1. Amounts appropriated to this account by Congressional action,

2. Amounts recovered under CERCLA for response actions, and

3. Any other amounts recovered from a contractor, insurer, surety, or other person to reimburse the DoD or a Military Department for any expenditure for environmental response activities.

D. Use of Funds

1. The Environmental Restoration Account described in this paragraph is the only source of funds to conduct environmental restoration projects at a site under the jurisdiction of the DoD or at a formerly used defense site, except for certain Base Realignment and Closure sites.

2. In the case of property disposed of pursuant to a base closure law and subject to certain CERCLA provisions, the sole source of funds for environmental restoration is the applicable DoD base closure account. See 10 U.S.C. § 2703 for additional provisions.

3. No funds appropriated to the Environmental Restoration Account, for fiscal years 1995 through 2010 may be used for the payment of a fine or penalty (including any supplemental environmental project carried out as part of such penalty) imposed against the DoD or a Military Department, except as provided in 10 U.S.C. § 2703, paragraph f.

E. See Volume 4, Chapter 13 for the accounting policy for measuring, recognizing, and disclosing environmental liabilities.

170305. Restoration or Replacement of Damaged or Destroyed Facilities

A. The Secretaries of the Military Departments and the Secretary of Defense may repair, restore or replace a facility that has been damaged or destroyed and for which legislative authorization and appropriation has not been provided.

B. 10 U.S.C. § 2854, "Restoration or Replacement of Damaged or Destroyed Facilities," requires that Congress be notified in writing when the cost of a project is greater than the amount specified in 10 U.S.C. § 2805 for minor construction. See Chapter 7.

C. When a decision is made to request approval for restoration or replacement of damaged or destroyed facilities, the applicable DoD Component concerned must submit a request in accordance with the provisions of 10 U.S.C. § 2854 and Chapter 7. Each reprogramming request must include:

1. Justification for, and the current estimate of, the cost of the project; and

2. A statement as to the source of funds to be used for the project.

D. Restoration or replacement projects must be financed within amounts appropriated that have not been obligated for other purposes.

E. Actual construction may not commence prior to the receipt of appropriate DoD and congressional approval.

*170306. Defense Access Roads

A. 23 CFR Part 660, Subpart E, states the defense access roads program provides a means by which the Federal government may pay its fair share of the cost of:

1. Highway improvements needed for adequate highway service to defense and defense related installations;

2. New highways to replace those, which must be closed to permit establishment or expansion of defense installations;

3. Repair of damage to highways caused by major military maneuvers;

4. Repair of damages due to the activities of contractors engaged in the construction of missile sites; and

5. Missile routes to ensure their continued ability to support the missile transporter-erector vehicle.

B. Authorization for the funding of the construction and maintenance of defense access roads is provided by 23 U.S.C. § 210, "Defense Access Roads." Defense access roads, including bridges and tunnels, provide access to military reservations, to defense industries and defense industry sites, and to the sources of raw materials when such roads are certified as important to the national defense by the Secretary of Defense or such other official as the President may designate. In addition, DoD may replace existing highways and highway connections that are shut off from the general public use by necessary closures or restrictions at military reservations and defense industry sites.

C. Highways located within the boundaries of a military reservation are not eligible for financing from these funds. Such highways must be funded from major construction, emergency construction, or minor construction programs, as applicable. Additionally, projects in the regular Federal Air Primary Systems normally are not considered eligible for financing with these funds.

D. Funds available for Defense access roads can be provided to the Department of Transportation (DoT) via a Standard Form ***(SF) 1151***, Nonexpenditure Transfer Authorization, or the effort may be carried out by DoT on a reimbursable basis.

*170307. Relocatable Buildings

A. A relocatable building is a habitable prefabricated structure designed to be readily moved, erected, disassembled, stored, and reused. Also included in the definition are tension fabric structures assembled from modular components and air-supported domes, both of which can be easily disassembled, moved, and reused. This definition excludes mobile military equipment such as communications vans, emergency management and command post trailers. Also excluded are tents, modular sheds less than 500 square feet, temporary contractor trailers, and temporary government construction administration trailers that are located on, or in the vicinity of, a construction site.

B. DoDI 4165.56, "Relocatable Buildings," provides DoD guidance for the acquisition and use of relocatable buildings. This instruction provides that relocatable buildings may be purchased, stored, and used within DoD when these facilities constitute the most feasible and economical means of satisfying short-term interim facility requirements pending the availability of permanent space in existing facilities or through the construction of a permanent conventional facility. An interim facility requirement is a short-term requirement (normally 5 years or less) for facilities due to transitory peak military missions, deployments, military contingency operations, or disaster relief requirements, or other urgent requirements. Relocatable buildings also may be used instead of conventional, permanent construction when the duration of the requirement is uncertain such as in a contingency operation pursuant, or instead of conventional, permanent construction when the space is known to have a recurring mobile requirement, such as the need to move a field office to different sites on a training range.

C. Buildings, which meet the definition of relocatable buildings, may be classified as personal property when purchased as an equipment item, and if so, must be acquired with funds available for O&M, RDT&E or Procurement funds, as appropriate.

D. The acquisition of buildings, to include modular facilities, which do not qualify as relocatable buildings under applicable policy, must be acquired as military construction. The rules for Specified Military Construction Projects (see paragraph 170301), Unspecified Minor Military Construction (see paragraph 170302), Emergency and Contingency Construction (see paragraph 170303) or other applicable authority must be applied. Site preparation to erect or install relocatable buildings that results in real property improvements is classified as construction and is funded with O&M or military construction in accordance with 10 U.S.C. §§ 2801 and 2805.

E. Costs for set up, disassembly, maintenance, refurbishment, packaging, and transporting relocatable buildings that are classified as equipment are expenses and must be appropriately charged to appropriations available to fund such costs.

F. Relocatable buildings may be authorized and acquired as real property. Relocatable buildings acquired as real property are funded with either O&M or Military Construction funds depending on the total acquisition cost in accordance with the cost thresholds for construction pursuant to 10 U.S.C. §§ 2801 and 2805. In determining the threshold, the cost of the relocatable building will be based on the total cost of the completely assembled building and not on the separate components, and includes all site work.

1704. EFFORTS FINANCED BY MILITARY CONSTRUCTION APPROPRIATIONS

*170401. Funded Costs

Except as prescribed in section 1705, major costs incurred during the design and construction phases are funded from applicable military construction appropriations. These costs include, but are not necessarily limited to:

A. All materials, supplies, and services applicable to the project,

B. RPIE, unless such equipment was obtained on a non-reimbursable basis from another DoD Component or federal agency,

C. Transportation costs applicable to materials, supplies, and government owned equipment,

D. Labor costs, including construction units composed of foreign nationals but excluding U.S. military labor,

E. That portion of installation overhead or support costs that can be identified as representing additional costs that would not have been incurred were it not for the project,

F. Supervision, inspection and overhead costs charged by the USACE and the NAVFAC when serving as the design and/or construction agent,

G. Travel and per diem related to applicable military or civilian labor;

H. That portion of costs applicable to the O&M of Government owned equipment, computed on an hourly rate in accordance with Volume 11A, Chapter 1, Table 1-1;

I. For specified major construction projects, planning and design costs described in paragraph 170206; and

J. Cost of remediating unknown environmental contamination within the footprint of a military construction project.

170402. Overhead Expenses

All overhead expenses for the military construction program, including work for others, initially are financed from the performing military construction appropriation. These expenses are distributed to projects, including work for others. Military construction overhead includes:

A. Personal services (and support costs) at field and headquarters activities related to the military construction program;

B. Contract administration;

C. Military construction program and project management (including post construction evaluation);

D. Technical direction and coordination of projects;

E. Land planning studies or reports, appraisal, and title search after congressional authorization of a land acquisition or exchange; and

F. Project management and administration not otherwise identified in this paragraph.

170403. Reimbursable Project Costs

The appropriation or fund financing a construction project must reimburse other appropriations or funds, as applicable, for costs initially financed by another appropriation or fund. Reimbursement between appropriations must be made by use of a ***SF 1080***, Voucher for Transfers Between Appropriations and/or Funds, on a "no check" basis.

1705. RELATED COSTS FINANCED BY OTHER THAN MILITARY CONSTRUCTION APPROPRIATIONS

*170501. Unfunded Costs

A. Some efforts in support of military construction are identified as unfunded costs. However, such costs must be capitalized as part of the value of the property. Unfunded costs are those that:

1. Contribute to a military construction project,

2. Are financed from appropriations other than military construction, and

3. Are not reimbursed by appropriations available for military construction.

B. Unfunded costs include:

1. Costs financed from military personnel appropriations;

2. Costs applicable to the depreciation of government owned equipment computed on an hourly rate in accordance with Volume 11A, Chapter 1, Table 1-1;

3. Unfunded civilian fringe benefit rates for DoD civilian personnel as prescribed in Volume 11A, Chapter 6, Appendix C, "Civilian Personnel Fringe Benefit;"

4. Gifts from private parties;

5. In-kind considerations; and

6. Materials, supplies, and items of RPIE that have been obtained specifically for a project on a non-reimbursable basis, either as excess distributions from another DoD Component or as excess distributions from other federal agencies. (A DoD Component is precluded from using materials, supplies, or items of RPIE on its own minor construction projects on a non-reimbursable basis).

C. Planning and design costs are excluded from the cost determination for purposes of determining compliance with the amounts established in 10 U.S.C. § 2805 for minor construction projects.

*170502. Advance Planning

A. Advance planning activities generally are performed prior to funding authorization and approval of a construction project by the military component. Advance planning and design activities include, but are not limited to:

1. Developing the requirements for a military construction project (project formulation),

2. Developing a master plan for an installation,

3. Initial explorations of project alternatives and rough drawings,

4. Facilities related management studies,

5. Conceptual analyses,

6. Making alternative site studies,

7. Developing and validating military construction project documentation prior to commencing project design,

8. Preparing engineering analyses and studies to develop technical design parameters prior to commencing project design, and

9. Preparing environmental impact assessments and statements.

B. Advance planning costs are excluded from the cost determination for purposes of determining compliance with the amounts established in 10 U.S.C. § 2805 for minor construction projects. See subparagraphs 170301.B and 170302.F. Advance planning is not encompassed by, and should not be performed under, the authority for military construction project planning and design efforts, such as 10 U.S.C. § 2807 or 18233(f).

C. Advance planning costs are financed from applicable O&M appropriations, RDT&E appropriations, procurement appropriations, or working capital fund resources, as appropriate.

D. Advance planning costs are expensed in the period incurred.

170503. Minor Construction

For other than family housing projects, when the cost of a minor construction project is less than the amount established in 10 U.S.C. § 2805, the project must be financed from unspecified minor construction appropriations, O&M appropriations, RDT&E appropriations, working capital funds resources, or other resources, as appropriate. See paragraph 170302.

170504. Family Housing

All family housing construction projects must be funded from applicable family housing appropriations. Policy concerning funding of family housing efforts is addressed in Volume 2B, Chapter 6.

170505. Equipment and Relocatable Items

A. Items of equipment that are movable in nature and not affixed as an integral part of a facility must be financed from applicable O&M appropriations, RDT&E appropriations, procurement appropriations, or working capital fund resources, as appropriate. This equipment includes all types of production, processing, technical, training, servicing, RDT&E, and pre-wired work stations.

B. Any operational equipment for which installation mountings and connections are provided in the building design, and that are detachable without damage to the building or equipment, must be financed from applicable O&M appropriations, RDT&E appropriations, procurement appropriations, or working capital fund resources, as appropriate.

C. The costs of alterations to install movable equipment that is not affixed as an integral part of a facility must be financed from applicable O&M appropriations, RDT&E appropriations, procurement appropriations, or working capital fund resources, as appropriate.

D. These examples of installation or relocation items should be financed from applicable O&M appropriations, RDT&E appropriations, procurement appropriations, or working capital fund resources, as appropriate:

1. Prefabricated screens, partitions, false floors, platforms, and shielding for electromagnetic radiating services;

2. Temporary removal and reinstallation or portions of existing walls, roofs, utility systems, and appurtenances to permit installation of equipment; and

3. Secondary utility work necessary to connect equipment to existing utilities services within a facility between the primary entry and source of utilities into the structure and the equipment to be served.

170506. Recycling Programs

Projects for pollution abatement, energy conservation, and occupational safety and health activities may be funded from other than the military construction appropriation when the cost of a project:

A. Is funded from the proceeds of sales of recyclable material in accordance with Volume 11A, Chapter 5 and 10 U.S.C. § 2577, "Disposal of recyclable materials," and

B. Does not exceed 50 percent of the amount established by law as a maximum amount for minor construction projects in accordance with 10 U.S.C. § 2577.

1706. RECOGNITION AND REPORTING REQUIREMENTS

*170601. Acceptance of Real Property

The acceptance of real property by an accountable Military Department or the Washington Headquarters Service, as well as the transfer between DoD Components, or to or from other federal agencies, must be documented. UFC 1-300-08 provides comprehensive guidance on the documentation of real property acceptance throughout the DoD by identifying the use of a draft, interim, and final version of the DD 1354, Transfer and Acceptance of DoD Real Property. It also describes how the DD 1354 is used as part of a real property business process and defines the roles and responsibilities in the DD 1354 process. Though the DD 1354 is the basic source document, it typically does not stand-alone. UFC 1-300-08 lists examples of additional documents that should be provided with and attached to the DD 1354 such as, but not limited to, an approved work order, an authorization memorandum, information from contracts and contract modifications, and invoices. Additional information is in Volume 4, Chapter 6.

170602. Accounting Recognition

* A. Capitalization of Assets

1. Capitalization is the process of recognizing the total costs of an asset, including property, plant, and equipment, in the financial records. Volume 4, Chapter 6 defines capitalized General Property, Plant and Equipment as assets that meet four criteria:

a. Have an estimated useful life of two years or more,

b. Are not intended for sale in the ordinary course of operations,

c. Are acquired or constructed with the intention of being used or being available for use by the entity, and

d. Have a recorded cost that equals or exceeds the appropriate DoD capitalization threshold. See Volume 4, Chapter 6 for DoD capitalization threshold amounts.

2. All significant costs related to the construction or acquisition of an asset, including unfunded costs identified in paragraph 170501, must be recognized in capitalizing the costs of a project. The source of funding has no bearing on the capitalization of assets. Assets constructed from military construction appropriations, O&M, working capital funds, RDT&E, and any other fund type may be capitalized if the capitalization criteria are met. See Volume 4, Chapter 6 for additional information regarding costs that should be recognized and capitalized.

3. All costs following the project approval and funding authorization by the DoD Component must be capitalized, including efforts associated with design contracting, design, construction contracting, construction, and any design after award of the construction contract.

4. Direct costs incurred in the design and construction phases of a project must be charged to a specific project. Other costs (listed in paragraph 170402) that are financed by military construction and subject to capitalization must be identified to the appropriate indirect cost groups for subsequent allocation to supervision, inspection and overhead cost pools.

B. Amounts to be Expensed

1. Costs incurred in the advance planning must be expensed in the period incurred. See paragraph 170502. These costs are not capitalized as part of the asset.

2. When a project is abandoned, the total cost incurred must be expensed consistent with Volume 4, Chapter 6 and Volume 4, Chapter 17.

*170603. Financial Reporting

A. United States Standard General Ledger

1. The USSGL must be used in all DoD accounting systems for all appropriations and funds for the purpose of summarizing costs and obligations in budgets, accounting for costs and reporting these costs. (See the USSGL Treasury Financial Manual and Volume 1, Chapter 7.) The USSGL accounts and transactions applicable within DoD are documented in the SFIS Transaction Library and DoD Standard Chart of Accounts. Use of these accounts is required in order to classify costs for the joint purposes of planning, programming, budgeting, and accounting for construction projects.

2. The management of an activity performing a construction project is responsible for ensuring that all significant costs (that is, both funded and unfunded costs) are recorded for the project and that all costs subject to capitalization are included in the real property asset accounts, property records, and reports submitted to the OSD and the Congress.

3. Cost accounting modules for accumulating and controlling construction projects must be integrated with an activity's overall accounting system. Cost accounting systems represent a subsidiary ledger of the general accounting system. Therefore, cost accounts, as appropriate, must be established for each project. Policy for managerial cost accounting is prescribed in Volume 4, Chapters 19 through 23.

4. Charges to an account must be categorized in one of the four construction phases addressed in Appendix A. The four phases addressed in Appendix A identify those costs that will be expensed and those costs that will be capitalized.

B. Specific Entries

Construction In Progress accounts in the general ledger account 172000 series will be used to accumulate and control costs as prescribed in Volume 4, Chapter 6. Construction in Progress accounts may be subdivided as necessary to accumulate and control costs. Chapter 15 prescribes the budgetary general ledger accounts to be used in recording military construction budget execution transactions. The applicable general ledger accounts and standard accounting entries are defined in the USSGL, the SFIS Transaction Library and DoD Standard Chart of Accounts. See also Volume 1, Chapter 7.

C. Financial Reports

1. Accounting records at every level must be designed to permit summarization of financial transactions that produce accurate and timely information from one system of accounts. Data produced must be in formats required for preparation of prescribed budget and financial reports and for such other day-to-day management data as may be required in executing financial oversight. In addition, records and costs must be designed and maintained to facilitate audits of project amounts.

2. Each military construction appropriation account must be reported monthly in the "Report of Appropriation Status by Fiscal Year Program and Subaccounts," Accounting Report Monthly 1002. The report must be prepared as prescribed in Volume 6A, Chapter 4.

D. OMB and Treasury have mandated use of a standard general ledger chart of accounts. The DoD Standard Chart of Accounts is identified in Volume 1, Chapter 7. Use of these DoD accounts is required in order to classify costs for the joint purposes of planning, programming, budgeting, and accounting for construction projects. All organizational levels incurring any significant level of costs must use the DoD Standard Chart of Accounts to accumulate the cost of performance of construction projects and programs. See also the SFIS Transaction Library.

*APPENDIX A. PHASES OF MILITARY CONSTRUCTION

Congressional authorization of major construction projects typically represents the culmination of planning, programming, and budgeting efforts. A project evolves from a determination that a facility deficit exists. The need is defined, given a priority ranking, and placed in competition with other projects for available resources. The project definition effort begins at the installation level and moves through the chain of command until the project ultimately is included in the budget submittal. Table 1 to this appendix, "Evolution of a Fiscal Year 2015 Military Construction Project," depicts the life cycle of a military construction project and shows that the process could take three to seven years from conception to completion. The actual design phase could take one to two and a half years, while the construction phase could take one to three years. The remaining time is for planning, programming, budgeting and procurement activities. The scope and cost of each project must be finalized before the annual budget submission to the Congress. The total construction process consists of four phases:

1. ADVANCED PLANNING AND PROGRAMMING

a. Planning. During planning, an installation's facility requirements are derived from the installation's mission. The need to acquire additional facilities, or to modernize or replace existing facilities, is determined by an assessment of how existing facilities meet the installation's facility requirements.

b. Programming. During programming, requirements are matched with anticipated resources and included in a long-range acquisition and recapitalization plan. Installation plans are combined into a Component wide basis to ensure compatibility with the nation's military strategy, Component priorities and guidance, and in consideration of the DoD facilities investment goal.

c. Investment Goal. The Department and the Congress recognize that there is a minimum level of facilities investment that should be reached each year to protect the investment in existing facilities, ensure that facilities will continue to satisfy their designated purposes, and renew our installations. The physical plant must be capable of supporting operational requirements and readiness, both today and in the future. The investment goal is to recapitalize facilities at an appropriate rate given their estimated service life.

d. Master Planning. Facility requirements are reflected in an installation master plan. This document is the installation's long-range strategy for development. It prescribes overall facility quality standards and architectural themes and addresses such areas as land use, utility systems, roads and parking.

e. The cost of the efforts described in subparagraphs 1.a through 1.d are normally expensed and not capitalized.

f. Project Advanced Planning and Programming. After it is determined that a construction project is needed, a general description of the project requirement, its scope and a cost estimate are developed and, along with supporting documentation, submitted as part of the installation's military construction budget request.

2. BUDGETING

a. DoD Components determine which facility projects should be included in their Military construction budgets. Some facility projects may qualify for inclusion in other budgets, such as Procurement, RDT&E, O&M or for accomplishment with nonappropriated funds.

b. The budget requests are forwarded to OSD, where all DoD Component programs are reviewed for compliance with DoD objectives and policy and refined and modified as necessary to ensure consistency and conformity. Once the request has been jointly reviewed and approved by OSD and OMB, it is submitted to Congress as part of the President's Budget.

c. After receipt of the President's Budget, it is reviewed by oversight subcommittees of the House and Senate Appropriations Committees and the House National Security and Senate Armed Services Committees. Often, witnesses from respective DoD Components, and sometimes from the private sector, appear before the subcommittees to furnish further information on specific programs and projects.

d. Upon completion of its review, each subcommittee marks up the budget request and forwards its recommendations for approval to the full committee and then to the full chamber. Differences between the projects approved by the House and Senate are resolved in joint conferences. The Congress passes separate authorization and appropriation bills that, when signed by the President, become the approved Military Construction program.

e. The cost of these efforts is normally expensed and not capitalized.

3. DESIGN

a. Once a Military Department has validated the requirement and priority of a military construction project and inserted it in a specific fiscal year program, a design instruction is issued to the design agent who initiates the design process.

b. Design may be accomplished by contracting with an architect-engineer firm, a design build firm, or an in-house professional staff. If the design is to be contracted, 10 U.S.C. 2855 will be followed.

c. Design is accomplished in predetermined phases to assure that user requirements are addressed properly in the design and that established standards and criteria are met. The number of phases and detail required for each phase varies with each project, depending on complexity, special interest, high visibility, time constraints and funding level.

d. Normally, the critical point is at the preliminary design stage (referred to as the 35 percent stage) since this stage provides sufficient detail to define scope, criteria, and cost estimates for consideration in the budgeting process. The content of the 35 percent design submittal is defined in the contract scope of work and will vary depending on the contract delivery strategy to be used to acquire the facility. The most typical strategy is a design based on a unique one of a kind effort. However, design could also be a strategy such as site adapt, a performance specification using commercially available building systems, or a design build, but each of these contracting processes determines the content of the 35 percent design submittal.

e. Design includes such actions as the development of design manuals, software programs, guide specifications and standards, standard drawings, extensive site investigation, analysis of alternative solutions, development of building systems layout, outline specifications, cost estimates, and special studies including value engineering.

f. The final design phase is initiated after thorough review by the using activities to ensure that requirements and criteria are addressed properly in the preliminary design documents and that the project has been revalidated and still is in the budget. Upon completion of the working drawings, contract specifications, and bidding documents, the project is ready to be advertised for construction. Projects require both congressional authorization and appropriation before a construction contract can be awarded.

g. The cost of these efforts, including administrative and overhead support costs, must be capitalized.

4. CONSTRUCTION

a. Normally, military construction projects are awarded through a competitive bid process that consists of advertising in the "Federal Business Opportunities," using sealed bid procedures and awarding a firm fixed price contract to the responsible contractor submitting the lowest acceptable bid. However, as discussed previously for the design phase, alternative contracting delivery strategies may be followed in accordance with the Federal Acquisition Regulation and congressional direction. Regardless of the method used, all requirements for construction contacts over $25,000 must be advertised in the "Federal Business Opportunities" to include details of the bidding procedures to be used.

b. Advertisement, award and administration of a construction contract require both in-house and contract efforts that include reproduction of bid documents, preparation and response to the advertisement, supervision, and administration and inspection throughout the life of the construction project, in addition to the total cost of the construction contract.

c. The cost of these efforts must be capitalized.

*TABLE 1. EVOLUTION OF A FISCAL YEAR 2015 MILITARY CONSTRUCTION PROJECT

PHASES	2010	2011	2012	2013	2014	2015	2016	2017
PLANNING, PROGRAMMING AND BUDGETING	User Identifies and Develops Project	Service Inserts Project in FYDP*	Service Completes Planning	Service Finalizes Program and Prepares Budget	OSD Submits Budget to the Congress			
LEGISLATION					Congressional Committees Hold Hearings & Enact Legislation			
DESIGN			Service Selects A&E** Negotiates Contract	A&E** Performs 0-35% Design. Service Reviews and Approves	A&E** Performs 35-100% Design. Service Reviews and Approves			
CONSTRUCTION						Service Solicits Bids and Awards Contract 1/ Construction		User Occupies Facility

* Future Years Defense Program
** Architect and/or Engineer

1/ Contracts may not be awarded without congressional authorization and appropriations.

VOLUME 3, CHAPTER 18: "PUBLIC ENTERPRISE AND TRUST FUNDS"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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

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

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

The previous version dated September 2008 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
Overall	Administrative: editorial changes for clarity and consistency with other chapters	Refresh
180302	Administrative: removed reference and sample format for the Resource Authority Funding Document, which has been replaced with either the Funds Authorization Document presented in Chapter 2 or the Annual Operating Budget presented in Chapter 19	Revision

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CHAPTER 18

PUBLIC ENTERPRISE AND TRUST FUNDS

1801 GENERAL

This chapter identifies the policies and procedures to guide budget execution for public enterprise and trust funds.

1802 BACKGROUND

180201. Applicable Funds

This guidance is applicable to the following Funds:

Public Enterprise Funds
National Defense Stockpile Transaction Fund
Pentagon Reservation Maintenance Revolving Fund (PRMRF)
National Defense Sealift Fund
Buildings Maintenance Fund (BMF)

Trust Funds
National Security Education Trust Fund
Department of the Navy Trust Revolving Funds *
Department of the Air Force Trust Revolving Funds *
Surcharge Collections, Sales of Commissary Stores, Defense

*Exempt from apportionment

180202. The Corpus

The term “corpus” commonly refers to the resources available as capital in a fund. Capital resources are provided to commence or increase the size of a fund. The initial corpus is usually provided by a direct appropriation. It forms the nucleus of resources used to acquire items needed to perform the mission of the fund. Existing resources, transferred as capitalized assets, may also serve the same purpose as an appropriation to start, increase the size, or replace significant losses of a public enterprise or trust fund.

180203. Revenues

Department of Defense (DoD) public enterprise or trust funds generate revenues from the sale of goods or services to customers. Customer reimbursements replenish the corpus for resources obligated and expended to fulfill the customers’ orders.

180204. Apportionment.

In public enterprise or trust funds that are apportioned by the Office of Management and Budget (OMB), the ability to incur obligations is limited to the amount apportioned on the Standard Form (SF) 132, Apportionment and Reapportionment Schedule. Budgetary resources and authority available for apportionment include:

A. New budget authority (appropriations)

B. Unobligated balances available from the prior fiscal year

C. Spending authority from offsetting collections (reimbursements and other income)

D. Recoveries of prior year obligations

E. Restorations

F. Contract authority

180205. Apportionment of Anticipated Reimbursements

The apportionment of spending authority (commonly referred to as "reimbursable authority") reflects anticipated reimbursements; it does not authorize a public enterprise or trust fund to obligate its apportioned reimbursable program in excess of the funded orders received from within the Federal Government and advances received for orders outside the Federal Government.

180206. Assets

Physical assets such as inventories or buildings and equipment are not budgetary resources because they do not provide a direct monetary source for outlays that liquidate budgetary transactions (obligations). Such assets, therefore, do not increase the amount of obligation authority available when calculating unobligated balances.

180207. Contract Authority

Contract authority provides legal authority to enter into contracts and incur obligations ***before*** budgetary resources are available. Obligations incurred using contract authority may not be liquidated until funded by offsetting collections or other budgetary resources. The apportionment limits the amount of contract authority available for obligation.

180208. Anti-Deficiency Act

Incurring or authorizing obligations in excess of apportioned budgetary resources is a potential violation of the Anti-Deficiency Act that must be reported in accordance with DoD Directive 7200.1. This reporting requirement applies whether or not a public enterprise or trust

fund has unapportioned budgetary resources or other assets greater than the amount of the deficiency.

1803 EXECUTION REQUIREMENTS

180301. Apportionment and Reapportionment

The appropriate OUSD(C) (P/B) Directorate (e.g., Revolving Funds, Investment, etc.) submits requests for public enterprise and trust fund apportionments and reapportionments to the OUSD(C) (P/B) Directorate for Program and Financial Control (P&FC), in accordance with Chapter 2.

180302. Annual Operating Budget

The appropriate OUSD(C) (P/B) Directorate issues an initial Funds Authorization Document (FAD) in accordance with Chapter 2 or an initial Annual Operating Budget (AOB) in accordance with Chapter 19 for each public enterprise or trust fund prior to the beginning of the fiscal year. To avoid potential violations of the Anti-Deficiency Act, each Component using a fund to finance activities is responsible for taking actions to maintain a positive cash balance and restrict obligations to the amount authorized in the AOB or FAD.

180303. Adjusting Component Resources

Components periodically request that OUSD(C) (P/B) adjust their obligation limits based on execution. The appropriate OUSD(C) (P/B) Directorate will evaluate the Component's request based on the merit of the justification provided, unless Congress has provided a specific limitation or other direction that would preclude making the adjustment. If approved, the OUSD(C) (P/B) will request reapportionment from OMB and, upon reapportionment, provide a revised FAD or AOB to the Component.

180304. Execution Review

The appropriate OUSD(C) (P/B) Directorate reviews the monthly SF 133, Report on Budget Execution, for each account to compare actual results with plans provided by the Components. Reviewed elements include obligations, disbursements, collections, revenue, expense, net operating results, civilian full-time equivalents (FTEs), and military strength, if applicable. When execution deviates significantly from plan, the OUSD(C) (P/B) analyst and the Component will mutually determine the management actions that may be required to bring execution back into line with the plan, or revise the plan to be more consistent with current realistic expectations.

VOLUME 3, CHAPTER 19: "DEFENSE WORKING CAPITAL FUND"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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

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

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The previous version dated October 2008 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
190201	Identified that this policy is applicable to other revolving funds.	Update
190202	Identification of sub-accounts and DWCF activities.	Update
190203	Clarified language used in previous version.	Update
190204	Clarified the terms "Customer Orders" and "DWCF Reimbursable Authority".	Update
190205	Clarified and provided explanation of the terms "Obligation Authority" and "Budgetary Resource". Clarified de-obligation of contract authority.	Update
190206	Further clarification of antideficiency limitations.	Update
190207	Further clarification of the difference between Assets and Budgetary Resources.	Revised
190301	Updated and provided form names and examples.	Update
190302	Further clarification of Contract Authority.	Update
190303	Incorporated language from Volume 11b Chapter 1.	Update
190304	Clarification of the use of budgetary resources.	Update
190305	Clarified the use of the SF-133.	Revised
190306	Additional clarification provided on depreciation.	Revised

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CHAPTER 19

DEFENSE WORKING CAPITAL FUND

1901 GENERAL PROVISIONS

This chapter provides the policies and procedures to guide budget execution for the Defense Working Capital Fund and other revolving funds where applicable.

1902 BACKGROUND

*190201. Policy

This guidance is applicable to the Defense Working Capital Fund (DWCF), which includes the five DoD Component Working Capital Funds (WCF) (DWCF sub-account) and all individual DWCF activities within these accounts. In addition, this chapter provides guidance for the Commissary Trust Fund, National Defense Stockpile Fund, Pentagon Renovation Maintenance Revolving Fund, and Building Maintenance Fund where applicable.

*190202. Defense Working Capital Fund

A. Organization. The DWCF is established under the authority of Title 10, United States Code (U.S.C.), Section 2208. The Treasury Account Symbol for the DWCF is 97X4930. The Military Departments and Defense Agencies sub-numbered account identifiers are shown in the below table.

DoD Component	Treasury Assigned Account No.
Army	97X4930.001
Navy	97X4930.002
Air Force	97X4930.003
Defense Commissary Agency (DeCA)	97X4930.004
Defense Agencies	97X4930.005

B. DWCF Activities. The DWCF consists of individual DWCF Activities that are managed by DoD Components for providing goods and services to other DoD activities and to non-DoD activities when authorized. As of the publication date, the DWCF activities in each sub-account are:

Army	Supply; Industrial Operations.
Navy	Navy Supply; United States Marine Corp (USMC) Supply; Fleet Readiness Centers (Aviation Depots); USMC Depot Maintenance; Base Operations; Transportation; Research and Development.
Air Force	Supply, Depot Maintenance and U.S. Transportation Command.
DeCA	Resale Stocks; Operations.
Defense	Defense Logistics Agency; Defense Information Systems Agency; Defense Finance and Accounting Service.

C. Authorized Customers. Customers of the DWCF activity may be:

1. Any DoD command, organization, office, or other element.

2. Non-DoD federal government agencies.

3. Private parties and concerns when authorized by law, including foreign governments, and state and local governments.

4. Those United States manufacturers, assemblers, or developers authorized by Title 10, U.S.C., Section 2208(h) and in accordance with Title 10, U.S.C., Section 2563 and Section 4543.

D. Direct Appropriations. Direct appropriations (e.g. Procurement, Operation & Maintenance) may be used to start or fund readiness costs not related to the specific DWCF activity operating mission. Direct appropriations may also be used to increase the size of or replace significant losses in a DWCF activity. Existing resources in other accounts may be transferred to a working capital fund as capitalized assets to serve these same purposes in lieu of an appropriation.

1. Resources used to establish or increase the size of a working capital fund are commonly referred to as "the corpus (total investment) of DWCF." (This is not the same as the "cash corpus" financial metric. See Volume 2B, Chapter 9, Section 090103 for DWCF cash policy.) The corpus (or total investment) is the sum of all resources used to acquire the items needed to perform the working capital fund's mission. Financial resources to replenish the initial working capital and permit continuing operations are generated by the acceptance of customer orders.

2. Direct appropriations may be provided to DWCF activities for specific purposes such as war reserve materiel, overseas contingency operations, and expanded inventory requirements, or other purposes as approved by the Director, Revolving Funds. The receipt of the appropriation provides an immediate infusion of cash to the Fund Balance with Treasury (FBWT) and the appropriation amount used must be accounted for and reflected on accounting records ((AR) 1307) and budgetary reports (SF-133). The amount of the appropriation does not impact the cumulative results of operations. However, it does increase budgetary resources and the sub-account FBWT and is factored into unobligated budgetary resources brought forward from previous fiscal years. In other words, direct appropriations may be available for obligation in subsequent fiscal years.

*190203. Revenues

The DWCF generates revenues predominantly from appropriations used by federal agencies to purchase goods or services. The DWCF uses the revenue collected from these "customers" to pay for the resources required to produce the specific goods or service documented on the customer order. That is, the DWCF uses resources from funded customer orders to replenish its corpus for resources expended to fulfill those customer orders

*190204. Customer Orders

Customer orders (funded requests for goods or services) provide budgetary resources necessary to finance operations for non-supply management activities, and to liquidate contract authority. Budetary resources are recognized from customer orders that obligate budgetary resources of another federal government activity, and from cash advances from non-federal customers, to include orders from non-approriated fund instrumentalities.

A. Customers must comply with statutory limitations and restrictions imposed on the appropriated funds charged when placing an order with the DWCF. A DWCF customer cannot use appropriated funds to do indirectly (i.e., through placement of an order with a DWCF activity) that which it is not permitted to do directly. Thus, the availability of an appropriation funding an order cannot be expanded or changed by placement with an activity financed by the DWCF.

B. Appropriated funds cited on reimbursable orders are available only for the purposes permissible under the source appropriation and remain subject to the same restrictions. The ordering activity retains primary responsibility for determining the applicability of the appropriated funds cited on the order. However, if instances arise when it is apparent that the ordering appropriation is not appropriate for the purpose provided, then the DWCF activity should return the order with a request for an applicable appropriation cite.

C. The Office of Management and Budget (OMB) circular A-11 does not restrict collections from federal sources in advance of the performance of customer orders. However, Title 10, U.S.C. Section 2208 restricts cash advances to the DWCF from federal government activities to $1 billion and only when operating resources significantly fall below outlay requirements. See Volume 2b, Chapter 9, paragraph 090103.

*190205. Obligation authority

Obligation authority is the authority to incur costs, on behalf of the federal government, that will result in a disbursement from the FBWT.

A. The OMB apportions authority to obligate to the OUSD(C) on an SF-132 "Apportionment and Reapportionment Schedule." The authority to incur obligations is limited to the amount of authority approved for obligation during the budget review as amended by events during the year of execution. The OUSD(C) Revolving Funds Directorate prepares and submits the SF-132 to the OMB for approval of annual obligation authority required for operating a revolving fund. The approved apportionment restricts the authority to occur obligations and is the source document for the Annual Operating Budget (AOB) issued by OUSD(C) Revolving Funds. Budgetary resources available for apportionment include:

1. New budget authority (direct appropriations).

2. Unobligated balances brought forward (i.e., unfilled customer orders).

3. Spending authority from offsetting collections (i.e., Reimbursements for goods and services provided and/or other income).

4. Recoveries of prior year obligations.

5. Restorations.

6. Contract authority.

B. When an activity receives budgetary resources from more than one source (spending authority from offsetting collections, direct appropriation, contract authority), the receiving activity must maintain records that will enable it to control and report separately the transactions relating to each type of source (per OMB Circular A-11). Budgetary resources may be received at any level of an organization from the individual activity up to the Departmental level.

C. Federal customer orders and cash advances generate spending authority from offsetting collections (Reimbursable Authority). These budgetary resources are apportioned from the OMB to DWCF non-supply management activities for operating costs. The acceptance of a customer order requires that the performing entity agree in writing to perform the work for the customer entity.

1. The apportionment of reimbursable authority applies to DWCF (97X4930) non-supply activities and all other DoD Revolving Funds.

2. The apportionment of reimbursable authority is considered "anticipated" and a DWCF non-supply management activity may not obligate more than the total amount of orders received from Federal entities plus advances received for orders from authorized entities external to the Federal government (i.e. state, local, and foreign governments). Specific authorization to obligate above orders received and cash advances may be approved by a signed annual operating budget (AOB) if other resources are available at the DWCF sub-account level. A DWCF activity should not obligate above all resources available to that specific entity without prior approval of the Director, Revolving Funds, to ensure that budgetary resources are available at the sub-account level.

3. The anticipated reimbursable program authority does not provide obligation authority; therefore, a non-supply activity should not obligate more than what has been accepted in customer orders and other financing resources available. Recording anticipated reimbursable program authority only documents that reimbursable orders will be accepted. The accepted reimbursable order provides obligation authority. The total amount of anticipated reimbursable authority is recorded on the AOB for reconciling purposes.

4. The AOB does not restrict the amount of reimbursable orders that can be accepted. Reimbursable orders may exceed the anticipated amount without recording a negative anticipated order on the SF-133. Activities should request a new AOB when customer orders in the year of execution are expected to exceed the anticipated amount or obligations are expected to exceed the current authorization.

D. Contract authority is the legal authority to enter into contracts and incur obligations ***before*** budgetary resources are available. With respect to DWCF budget execution, contract authority is only used in supply management operations and capital investment programs. Contract authority must be apportioned. For supply management operations, if reimbursements from offsetting collections exceed apportioned contract authority, the difference cannot be obligated unless additional contract authority is issued by OMB because such operations are not provided automatically apportioned reimbursable authority. This may be characterized as either an unapportioned balance of a revolving fund or a restrictive withholding. The unapportioned balance preserves a portion of the fund's capital so it may continue to revolve or represents those resources not scheduled for obligation within a fiscal year. Prior year de-obligations of contract authority are automatically re-apportioned to the DWCF in the current year. Prior year de-obligation of contract authority used for a capital investment program (CIP) may only be used to cover additional costs in programs for that specific fiscal year and may not be used to cover additional current year costs unless approved in writing by the Director, Revolving Funds.

*190206. Antideficiency Act

The incurring of obligations (or authorizing the incurrence of obligations) in excess of apportioned budgetary resources and other financing resources must be reported as a potential violation of the Antideficiency Act, as required by Volume 14. This requirement applies whether or not a revolving fund activity has unapportioned budgetary resources or nonbudgetary assets (e.g. inventory) greater than the amount of the deficiency.

A. Commitments for goods or services to be obligated in the following year may be incurred in excess of apportioned budgetary resources only if obligations are not incurred in excess of apportioned budgetary resources. There is no restriction on commitment amounts for DoD revolving fund activities.

B. The AOB also includes administrative restrictions on the use of obligation authority specific to that activity's operation.

*190207. Assets

Physical assets such as inventories or buildings and equipment are not considered budgetary resources because they do not provide a direct monetary source for outlays that liquidate budgetary transactions (obligations). Such assets, therefore, do not increase the amount of obligation authority available when calculating unobligated balances.

A. Changes in inventory valuation and unexpected gains in inventory (such as items being found on an installation) do not generate budgetary resources but are currently accounted for in the Net Operating Result (NOR) on the (AR) 1307 report. The NOR for budget purposes must reconcile budgetary resources and claims against those resources (obligations).

B. Unobligated balances are the net of total budgetary resources (Customer Orders and apportioned Contract Authority) less claims against budgetary resources (Accounts

Payable and Undelivered Orders). This is not the same as the "Net Position" or "Equity" calculation in financial accounting (total assets less total liabilities). In other words, the available budgetary resources for obligation are equal to the difference between budgetary resources and any claims against these budgetary resources, plus any financing resources (such as unencumbered cash balances). Obligations for the procurement of inventories and the CIP must be recognized, recorded, and reported even if they may be expensed in a subsequent fiscal year.

1903 EXECUTION REQUIREMENTS

*190301. SF-132 Apportionment

The SF-132 provides the legal authority to incur obligations against the receipt of customer orders or contract authority in anticipation of receipt of customer orders. The OUSD(C) Revolving Funds is responsible for five apportionment documents: DWCF (97X4930), the National Defense Stockpile Transaction Fund (97X4555), the Pentagon Renovation Maintenance Revolving Fund (97X4950), the Building Maintenance Fund (97X4931) and the Surcharge Collections, Sales of Commissary Stores, Defense Trust Fund (97X8164). Details and explanations on preparing the SF-132 can be found in OMB Circular A-11 Preparation, Submission and Execution of the Budget, Section 121.

A. The DWCF is apportioned new budget authority in the form of direct appropriations, unobligated balances brought forward, spending authority from offsetting collections and contract authority. The FBWT is not apportioned because the financing resources have already been encumbered by obligations and the unencumbered balance is factored into unobligated balances brought forward.

B. The other four revolving funds (listed in section 190101 of this chapter) are apportioned spending authority from offsetting collections and unobligated balances brought forward.

*190302. Contract Authority

The initial apportionment of contract authority for a fiscal year is typically the operating budget for supply management activities, and for both supply and non-supply management activities is the CIP reflected in the budget year column of last year's President's budget. In other words, the October 1 AOB will reflect the BY column submitted the previous February.

A. Supply management activities receive contract authority for a variability target, which represents an amount of contract authority to be held in reserve by the OUSD(C) to ensure continuity of operations for fluctuations in materiel costs and/or increased customer orders. The OUSD(C) provides requested adjustments from the September initial apportionment to OMB in February/March, reflecting revised estimates displayed in the current year column of the President's budget submission most recently provided to Congress. The OUSD(C) may also request other adjustments that reflect significant changes experienced in budget execution.

B. Contract authority is available for obligation within the fiscal year for which it is provided. By definition, contract authority is unfunded and, therefore, obligations incurred through use of contract authority may not be liquidated (i.e., paid) until funded by offsetting collections or other resources credited to the DWCF. Contract authority does not authorize outlays; it is reported on the SF-133 to ensure obligations do not exceed apportioned amounts from OMB. Budgetary resources should be sufficient at the DWCF activity level to ensure disbursements are funded.

*190303. Annual Operating Budget

The Revolving Funds Directorate issues initial AOBs for each Component's DWCF activities prior to the beginning of the fiscal year. A sample is shown later in this chapter. The AOB identifies an operating budget, operating results, unit cost(s) targets and capital investment limitations (subject to 31 U.S.C. 1517) for each DWCF activity.

A. Cash is centrally managed by the Army, Navy, Air Force, Defense Commissary Agency, and the Defense Logistics Agency. Each is responsible for taking actions to remain solvent and allow operations (disbursements) continue. It is a potential violation of the Antideficiency Act (31 U.S.C. 1517) if the FBWT is below zero at the sub-account level.

B. Non-supply management activities shall maintain a positive budgetary resource balance (i.e. obligations shall not exceed budgetary resources). Obligations exceeding total budgetary resources available to non-supply management activities, and obligations exceeding issued contract authority on the AOB, are potential violations of the Antideficiency Act (31 U.S.C. 1517).

C. Cash balances may be used when negative operating results are authorized on the AOB or by action of the OUSD (C) Revolving Funds Directorate. However, the AOB of a DWCF activity does not authorize it to use cash balances associated with another DWCF activity financed within the same DWCF sub-account. It is the responsibility of the DoD Component to ensure that adequate financing or budgetary resources have been allocated to a specific DWCF activity, and to obtain timely authorization for negative operating results for non-supply management activities.

D. Administrative Restrictions and Limitations. In addition to statutory restrictions, budget authority may be apportioned or otherwise further restricted through administrative action.

1. An administrative limitation cannot be used to change or eliminate a statutory restriction. An administrative action can only further restrict the purpose, amount, or time for which budgetary resources may be used. DoD Components must adhere to an administrative division of budgetary resources and/or a subdivision of budgetary resources provided to a DWCF activity.

2. If an administrative limitation is imposed, obligations incurred must remain below the limitation even though the limitation may be lower than the total budgetary resources that otherwise would be available. Administrative limitations may be provided in various formats but must be clearly stated in writing and signed.

E. In the event that budgetary resources available to a DoD Component for financing a specific DWCF activity are not sufficient, a DWCF manager shall not assume that sufficient budgetary resources exist elsewhere within the DWCF sub-account to fund obligations in excess of resources available. Rather, the manager for the DWCF activity shall request, in writing, from the Director, Revolving Funds an increase in authority to incur obligations and shall defer additional obligations until resources are sufficient to fund them.

F. Segregation of Budgetary Resources. When an activity receives budgetary resources from more than one source, the receiving activity must maintain records which will enable it to control separately the transactions relating to each source. For example, the SF-133 should break out total obligations between Operating and CIP for depot maintenance activities. All obligations should not be reported under a single line as "reimbursable."

G. Claims Against Budgetary Resources. A DWCF entity should have two primary types of financial accounting records--proprietary and budgetary. The balance of budgetary resources available for obligation can be determined only from budgetary accounts. Proprietary accounting records, by themselves, are not sufficient to determine budgetary resources.

1. Non-budgetary assets, such as inventories of stock for sale, are not a budgetary resource. Additionally, a positive FBWT does not necessarily denote availability because the balance may be entirely encumbered by obligations.

a. A fund balance, although present, may have claims against it (accounts payable for example) and is, therefore, not available for additional obligation.

b. Additionally, claims against budgetary resources, such as undelivered orders and unpaid accrued expenditures must factor into the determination of unobligated balances and, therefore, budgetary resources available for obligation.

c. Similarly, budgetary accounts may not represent a budgetary resource available for obligation. For example, anticipated customer orders are not budgetary resources available for obligation.

2. Administrative restrictions or other withheld amounts limit the balance of budgetary resources available for obligation. Budgetary resources available for obligation can be determined from data required to be reported on the SF-133.

*190304. Budgetary Resources

The reconciliation of budgetary resources is reported to DWCF activities monthly on the SF-133 Report on Budget Execution and Budgetary Resources. Details on the preparation and explanation of the SF-133 can be found in Appendix F of OMB Circular A-11 Preparation, Submission and Execution of the Budget.

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

B. Obligations should not be authorized or incurred in a DWCF activity unless available resources (apportioned contract authority, direct appropriations, or accepted customer orders) exceed the proposed obligation. Obligations that exceed apportioned or accepted amounts may result in a violation of the Antideficiency Act. Such violations are reportable to the President and the Congress, and can involve criminal prosecution for the responsible person or people.

C. A non-expenditure transfer moves budgetary resources from one budget account, appropriation, or fund to another. Non-expenditure transfers of funds may be received from another appropriation or fund or may be made to another appropriation or fund when appropriate and authorized. A non-expenditure transfer of funds received from another appropriation or fund increases the amount of available budgetary resources. A non-expenditure transfer of funds made to another appropriation or fund decreases the amount of available budgetary resources.

*190305. SF-133 Report of Budgetary Execution and Budgetary Resources

A. Mandatory and Discretionary Spending. The DWCF uses both mandatory and discretionary spending accounts. Mandatory spending is associated with apportioned contract authority and discretionary spending is associated with reimbursable authority. The format for the SF-133, outlined in OMB Circular A-11, breaks out these types of funding into the respective categories. Although obligated contract authority is considered mandatory, collections that liquidate contract authority are considered discretionary. Likewise, since the source of the FBWT is from discretionary funding, the fund balance itself is also considered discretionary.

1. Line 1000. Unobligated balance brought forward - For non-supply activities, this line represent the amount of work still required to be performed against outstanding customer orders and unencumbered cash balances. Unobligated contract authority will be cancelled at the end of the fiscal year. Contract authority brought forward is always zero for both Supply operations and the CIP. Unobligated balances are apportioned for non-supply DWCF activities and unobligated direct appropriations. Obligated contract authority remains in USSGL 4139 until a collection is posted against the balance, which allows for the disbursement.

2. Line 1021. Recoveries of prior year obligations actual - The actual amounts of prior year obligations should be reported on this line and not included in Line 2104, Obligations Incurred. If current year recoveries cannot be separated from prior year recoveries, the total amount of recoveries should be reported on Line 1021 and not included in Line 2104.

a. Recoveries of prior year obligations are automatically re-apportioned for DWCF activities.

b. Prior year contract authority that is deobligated and not re-obligated by September 30 automatically expires.

3. Line 1750. Spending Authority from Offsetting Collections- Reimbursable authority is the sum of planned customer new orders plus the change in uncollected customer orders for industrial and service activities.

4. Line 1910. Total Budgetary Resources- Defined as the sum of spending authority (1750), contract authority (1640), direct appropriations (1160), PY deobligations (1021), and PY unobligated balance (1000), less collections to liquidate contract authority (depreciation) (1826) received by that activity. For supply activities, it represents the sum of contract authority apportioned (1640), the amount of PY deobligations earned (1021), and any direct appropriations received (1160).

5. Line 1640. Contract Authority- Displays apportioned contract authority. This includes contract authority for prior year capital programs that is separately displayed on the AOB. These amounts are segregated on the AOB for administrative purposes.

B. Availability Restrictions. As noted in the preceding paragraphs, budget authority is available for obligation only in accordance with purpose, amount, and time restrictions imposed by statute, by apportionments imposed by the OMB, and by administrative limitations imposed by authorized officials within the OUSD(C) and the DWCF Components. Other events reported on the SF-133, "Report on Budget Execution and Budgetary Resources," further restrict the availability of budgetary resources. The OMB Circular A-11, "Instruction on Budget Execution," includes an explanation of those events and identification of the SF-133 lines on which they are reported.

C. Definitions of Budgetary Indicators

1. Line 3200. Obligated balance, net, end of period- Represents an unrealized budgetary position of a specific DWCF activity based on pending transactions and unexecuted orders.

a. This line normally will have a negative balance for industrial and service type activities. A negative balance indicates there are sufficient resources available to cover future pending transactions. For industrial and service type activities, Line 3200 indicates the amount of work needed to be performed to complete accepted customer orders.

b. Supply activities should typically have a positive Line 3200 balance because contract authority allows for the obligation of resources in advance of available funding. For supply activities, Line 3200 indicates the amount of future customer orders and/or appropriated funding required for liquidating future potential transactions.

2. Line 3090. Uncollected Federal Order- Represents accounts receivable and unfilled customer orders (Carryover/Backorders). These represent uncollected customer payments from Federal Sources and are future collections to a DWCF activity.

3. Line 3050. Unpaid Obligations- Represents budgetary claims in the form of accounts payable and undelivered orders because they represent future disbursements.

D. Appendix F of OMB Circular A-11 displays a detailed example of the SF-133 format. In addition, appendix F covers the format for the SF-132. http://www.whitehouse.gov/omb/circulars_a11_current_year_a11_toc

*190306. DFAS Reporting

The DFAS Accounting Report (AR) 1307 is the official internal document for financial accounting and is the source document for the annual financial statements. The following are clarifications on how the (AR) 1307 relates to the reconciliation of budgetary authority.

A. Statement of Financial Position and Statement of Cash Flows. All amounts shown on these statements should reconcile to their corollaries on the SF-133. The accompanying footnotes must explain any amounts that do not reconcile.

B. Statement of Operations. Clarifications on proprietary accounting terminology and budget formulation terminology are provided here.

1. Expense. Expenses are the cost of goods and services used in the process of earning revenue. This is not synonymous with the budgetary term "obligation." Obligations occur before an expense and require a budgetary resource at the time of obligation. Thus, obligations typically exceed expenses. Capital purchases are "expensed" via depreciation and inventory is expensed when it is sold.

2. Cost. The term "cost" may refer to either an obligation or expense depending on the circumstances. To clarify, an "obligation" is an unrealized cost that requires a budgetary resource before an outlay of cash occurs, whereas an "expense" is a realized cost (an actual bill has been received or inventory sold). The reconciliation of budgetary resources relies upon recognizing obligations as "costs" to ensure that budgetary resources are in place to cover any purchases that will not be expensed until subsequent fiscal years. The (AR) 1307 does not display budgetary resources or obligations. Conversely, the SF-133 does not display expenses. The reconciliation of these reports is key to ensure efficient and effective management across the DWCF.

C. Cost of Goods Sold (COGS). The (AR) 1307 COGS represents the historical cost of goods to produce revenue. Further, historical cost does not include inflation. Therefore, the amount of budgetary resources required to purchase inventory and produce goods and services may have a separate and distinctly higher value than the accounting COGS.

D. Depreciation. The accounting purpose for depreciation is to realize costs incurred as an asset is consumed over its useful life. It is based upon the purchase price of the asset and the length of the item's useful life as described in Volume 4 Chapter 6 of the DoD FMR.

1. Depreciation is the recognition of an expense in the current period for portion of a capital outlay (that required a budgetary resource) that occurred in a previous period. Thus, depreciation for budgetary purposes (through inclusion in stabilized rates) results in the recoupment of cash that was used to acquire assets to replace those wearing out. Recovery of depreciation is a financing source for the DWCF Capital Investment Program (See also Volume 2B, Chapter 9, Section 090104).

2. Depreciation recovery may not, by itself, be sufficient to finance the CIP. In those instances, an additional element identified as a "Capital Surcharge" may be added to the stabilized rates/prices to finance the incremental difference. The capital surcharge is not an expense and is not displayed on the Statement of Operations. A capital surcharge is one of many elements that may be used in computation of the stabilized billing rate/price. The stabilized billing rate/price, when billed, is recorded as revenue. Since there is no counteracting expense for a capital surcharge, it may result in a positive Net Operating Result (NOR) on the (AR) 1307. However, for budgetary purposes, an adjustment will be made below the NOR calculation in order to ensure budgetary resources are available for the cash outlays required.

3. For budgetary purposes, depreciable assets are purchased with contract authority in advance of appropriated funding. Depreciation, for budgetary purposes, is used to describe collection of budgetary resources to offset the contract authority used to purchase the item. This recovery period may be shorter than the useful life of the item depending on the budgetary resources required by an activity.

E. Net Operating Result (NOR)/Accumulated Operating Results (AOR). The NOR/AOR for budgetary purposes may be different than the (AR) 1307 NOR/AOR. The fund manager must develop a methodology that is representative of the budgetary NOR/AOR. This methodology is typically reviewed during quarterly execution reviews with OUSD(C) Revolving Funds and the Integrated Program/Budget Review.

F. Part VII Inventory Management Report. For supply activities, the Part VII of the (AR) 1307 provides budgetary, accounting and inventory data that can be used for the development of internal benchmarks and metrics that indicate the operational effectiveness and efficiency of the activity. Fund managers should coordinate with OUSD(C) Revolving Funds for clarification on what should be displayed on quarterly execution briefings. All amounts depicted on the Part VII that are also displayed elsewhere on the (AR) 1307 or SF-133 should reconcile.

190307. Execution Review

The Revolving Funds Directorate receives a quarterly execution briefing and a Fund-28 Execution Performance Quarterly Analysis (see Volume 2B, Chapter 9, Section 0903) from each DWCF activity. Each activity's results of operations (through the latest available quarter) are formally reviewed by OUSD(C) leadership to determine the actual results of operation in comparison with plans for disbursements, collections, revenue, expense, net operating results, and unit costs. These briefings typically occur in February, May, and August. The purpose of the review is to determine if financial operations are proceeding according to plan and if there are significant deviations from the plan to actual execution. Management actions may be required to either bring execution back into line with the plan or to revise the plan to be consistent with current and more realistic financial expectations.

190308. Adjusting Component Resources

Based on budget execution, Components periodically request the Revolving Funds Directorate to adjust their targets and/or capital budget limitation. Unless the Congress has provided a capital purchase limitation or other direction that would preclude making a requested adjustment, a Component's request will be evaluated and approved (reflected in a revised AOB) or disapproved based on the merit of the justification provided.

Example of an Annual Operating Budget (AOB)

NAVY WORKING CAPITAL FUND

NAVY DEPOT MAINTENANCE - FLEET READINESS CENTERS (FRC)
FISCAL YEAR 2013 COST AUTHORITY

ACTIVITY Budgetary Resources	OPERATING BUDGET Unit Cost ($)	 Number of Units (000)	 Total Cost Approved (In Millions)
OPERATING BUDGET			
PY Unobligated Balance (SF-133 Line 1000)			$705.484
Total Spending Authority from offsetting collections (Includes Depreciation) (SF-133 Line 1750)			$2,253.249
Collections applied to liquidate Contract Authority (Depreciation) (SF-133 Line 1826)			$-41.852
Total Operating Reimbursable Authority (Lines 1000+1750+1826) 1/			**$2,916.881**
Capital Obligation Authority (SF-133 Line 1640) 2/			
FY 2007			$ 0.080
FY 2009			$ 0.100
FY 2010			$ 0.866
FY 2011			$ 1.770
FY 2012			$ 8.159
FY 2013			$ 43.537
TOTAL			$ **54.512**
NET OPERATING RESULT: (NOR GOAL) 4/			$ -6.400
ACCUMULATED OPERATING RESULT: (AOR GOAL) 4/			$ 7.200

Authorization Number:	**Date:**	**Approved:**
FRC-13-09		

LIMITATIONS AND GUIDANCE:

1. TOTAL OPERATING REIMBURSABLE AUTHORITY: The estimate of reimbursements expected to be **earned** during the current fiscal year, subject to Office of Management and Budget apportionment, other authorized reimbursements, and/or other income for which current fiscal year obligational authority is automatically established based on customer orders received. Negative anticipated reimbursements will not be recorded on the SF-133. Advances are required from non-federal orders. Specific prior approval of this office is required for additional budgetary resources beyond the amount authorized. Direct Reimbursable Outputs are limited to the actual cost incurred up to the limit of obligation authority received on funded customer orders.

2. The amount listed for Capital Obligation Authority is the limitation subject to the provision of Section 1517 of 31 U.S.C., the Anti-Deficiency Act. Obligations will not be incurred beyond the total approved amount shown for each year for the Capital Budget (as modified by reprogramming per authority provided in DoD 7000.14R, DoD Financial Management Regulation, Volume 2B, Chapter 9) without the specific prior approval of this office.

3. TOTAL BUDGETARY RESOURCES (SF-133 Line 1910): The amount authorized to be reported on line 1910 of the SF-133 is the sum of Reimbursable Authority, Contract Authority, and Recoveries of prior year unpaid obligations (SF-133 line 1021).

4. AOR & NOR: The Accumulated Operating Result (AOR) represents the cumulative impact of gains and losses on total operations of the activity group since the inception of the fund. The stated financial goal of the Working Capital Fund is to achieve a zero AOR over time. The AOR, along with the Net Operating Result (NOR), provide primary financial management targets and will be used in conjunction with other performance metrics to assess the overall operational effectiveness of the activity group. For each Activity Group, the Component is responsible for preparing a monthly Revenue and Cost Plan. Formal First Quarter and Mid-Year Joint Execution Reviews of this plan will be conducted by this office in February and May 2013.

5. CASH MANAGEMENT: Cash management remains the responsibility of the Navy. This cash management responsibility entails taking action to maintain a positive cash balance for Navy Activity Groups, in total, at all times. Failure to maintain a positive balance will result in a statutory violation of Section 1517, of 31 U.S.C., the Anti-Deficiency Act, by the Navy. The Component may require DFAS to vary its billing cycle or advance bill, when it is deemed necessary to do so, in order to maintain cash solvency. The magnitude, duration, and reason for advance billing by business area must be reported by the initiating Component to the Director, Revolving Funds within 15 calendar days of the end of the month in which the advance billing took place. In exercising the authority to advance bill orders, the Department of the Navy must ensure that, in total, for all Activity Groups, advance billing for services provided or work performed by the Department of Navy's Working Capital Fund does not exceed $200 million. Advance billing in excess of $200 million, cumulative, is prohibited during the fiscal year. The Component remains responsible for compliance with monthly execution of collections and disbursements in accordance with the monthly approved plan.

6. UNIT COST: The total cost for those outputs identified by a unit cost is predicated on a projected level of workload. Components may request increases in Operating Obligation Authority based on an increase in the number or value of orders accepted. Conversely, if actual work load declines below levels anticipated, appropriate reductions will be made to the total costs shown in this document.

7. PERFORMANCE GOALS: Performance effectiveness measures identified in the FY 2014 President's Budget Submission, FY 2013 column include:

Measure	Goal
Schedule Conformance:	
Aircraft >90%	
Components	>95%
Engines >90%	
Inventory turnover ratio	>2.4

New Orders $2,130.1 million

Operating Results:	
NOR	-$6.4 million
AOR	$7.2 million

8. OTHER:

a. Base Realignment and Closure Program expenses may be incurred prior to receiving an allocation of BRAC funding. However, all costs properly charged against the BRAC account must be reimbursed with BRAC funds. DWCF funds may not be expended prior to complying with the notification requirements imposed by law with respect to the obligation of BRAC funds. All costs incurred by DWCF activities to carry out BRAC must be reimbursed from the BRAC account prior to the end of the fiscal year in which costs were incurred.

b. This document requires that collections for **$41.852 million** in budgeted depreciation are applied to unliquidated contract authority (account 4139) and are not used as additional operating authority.

c. Costs of civilian separation incentives, not related to BRAC, are to be financed by the Navy Working Capital Fund.

9. CONTRACT AUTHORITY FOR CAPITAL INVESTMENTS: This document provides **$54.512 million** in contract authority to the Fleet Readiness Centers (NADEPS) activity during this fiscal year for Capital Investment Program (CIP) requirements. Of this amount, there is **$10.975 million** reapportioned for CIP requirements from prior fiscal years. In addition, recoveries of prior year capital obligations increase FY 2013 authority in the amount of recoveries. However, the Director for Revolving Funds must approve use of any recovered capital authority. Instructions for reporting contract authority withdrawn on the SF 133 Report on Budget Execution are provided below:

a. The capital program collections are anticipated to be **1.96 percent** of customer orders during the year, up to a fiscal year maximum of **$41.852 million.** The collection percentage is based on budgeted depreciation costs and capital cash surcharges included in prices/rates. The maximum amount financed above will recover the total capital cash requirements projected for the fiscal year.

b. The collected amount for the capital program will be moved from operating collections into capital collections and will liquidate previously realized (obligated) capital contract authority. Unused (unobligated) contract authority is removed at the end of the fiscal year; and is only available for within scope adjustments as provided below. Realized/obligated contract authority will remain accounted for and carried forward until it is liquidated by capital collections or de-obligated. Thus, cumulative unliquidated capital contract authority outstanding for the capital program equals the total cumulative capital obligations for all years less the cumulative capital collections for all the years since the inception of the capital program.

c. At fiscal year end, the amount collected will be compared to the amount obligated. If the amount collected requires to be adjusted upward to a maximum of 100 percent of obligations to maintain cash corpus requirements, an adjustment will be made in the rate development. If cumulative collections exceed cumulative outlays and cumulative obligations because of deobligations, a negative capital surcharge may be used to return the excess collections so long as cash corpus requirements are maintained.

10. CONGRESSIONAL DIRECTION: Funding released in this and subsequent documents is to be executed only in accordance with all applicable provisions of any Continuing Resolution(s), the National Defense Authorization Act for Fiscal Year 2013 (P.L. 112-239), the Consolidated and Further Continuing Appropriations Act, 2013 (P.L. 113-006), and any supplemental appropriations, when enacted.

11. DEFENSE BUSINESS SYSTEM MODERNIZATION: In accordance with the Ronald W. Reagan National Defense Authorization Act for FY 2005, and Department of Defense policy, modernization and enhancement to a system that costs more than $1 million, across the FYDP, must be approved by the Investment Review Board and Defense Systems Business Management Committee prior to obligating funds. This does not include obligations to maintain current services.

CAPITAL BUDGET PROGRAM

The capital budget is to be executed based on the approved annual programs contained in the President's Budget as modified by approved budget decisions. Proposed deviations from the President's Budget, that are consistent with reprogramming criteria, must be identified to the Director for Revolving Funds during the schedules execution reviews.

The capital budget will be executed in accordance with the Financial Management Regulation. Effective April 4, 2007, the Defense Working Capital Funds Capital Investment Program (CIP) Budget expense/investment threshold (FMR Volume 2B Chapter 9) increased from $100,000 to $250,000 for all categories except Minor Construction. The National Defense Authorization Act for Fiscal Year 2011 (P.L. 111-383), dated January 7, 2011, Section 1403 increased the CIP Minor Construction threshold from $100,000 to $250,000. The capital budget authority shown in Section 9 of this document reflects this change. Minor Construction projects between $100,000 and $250,000 that were obligated prior to January 7, 2011 will be executed under the previous threshold. All new Minor Construction obligations must comply with the $250,000 CIP threshold. Note that, although the capitalization threshold increased, assets between $100,000 and $250,000 will still be recorded in Department's financial reports as fixed assets and depreciated in accordance with the FMR Volume 11B.

CAPITAL PROJECT WITHIN SCOPE OBLIGATION ADJUSTMENTS: Capital obligation adjustments must be charged to the program year cited for the original project. Capital obligation authority can be provided for any program year for within scope increases if the following conditions are met: (1) the original program year must have sufficient un-obligated budget authority (original program plus program adjustments less actual obligations) to accommodate the adjustment, and (2) the total obligations, including both new obligations and all adjustments, cannot exceed the total obligation authority for all program years issued on the AOB. If these conditions are met, this AOB automatically provides the authority to obligate prior year program funds for within scope capital adjustments of less than $100,000. Since the adjustments must cite the original program year, the obligation authority for a currently issued program year must be reduced to offset the adjustments if sufficient funding for the original program year is not available on the AOB. The offset must be sufficient to limit total capital obligations during the fiscal year to the total obligation authority issued on the AOB. Subsequent AOBs may restore this authority by issuing the prior year program funds if appropriate. In addition, this document provides for a revised reprogramming threshold. Components may, without prior approval of this office, reprogram funds up to $3 million between approved capital budget projects for minor construction and non-ADP equipment and reprogram up to $1 million between ADP and software projects in a fiscal year program. Deviations from the President's Budget that are consistent with the reprogramming criteria noted above, must be identified to the Director for Revolving Funds within 30 days of occurrence or during the scheduled execution reviews, whichever occurs first. The approved project list for capital budget obligations follows:

($ Millions)

FY 2010 Program	
MINOR CONSTRUCTION	**0.066**
Replacement Capability	0.066
Non-ADPE & TELECOM EQUIPMENT	**0.800**
Replacement Capability	0.800
FY 2010 Program Year Total	**0.866**
FY 2011 Program	
ADPE & TELECOM EQUIPMENT	**0.092**
Computer Software	0.067

Telecommunications	0.025
Non-ADPE & TELECOM EQUIPMENT	**0.897**
Replacement Capability	0.897
MINOR CONSTRUCTION	**0.781**
Replacement Capability	0.178
Production Capability	0.603
FY 2011 Program Year Total	**1.770**

FY 2012 Program

Non-ADPE & TELECOM EQUIPMENT	**5.515**
Replacement Capability	1.642
Production Capability	3.873
ADPE & TELECOM EQUIPMENT	**1.362**
Computer Software	0.307
Other Computer and Telecom Support Equipment	1.055
MINOR CONSTRUCTION	**1.282**
Replacement Capability	0.840
Productivity Capability	0.442
FY 2012 Program Year Total	**8.159**

FY 2013 Program

Non-ADPE & TELECOM EQUIPMENT	**39.057**
Replacement Capability	31.964
Productivity Capability	7.093
ADPE & TELECOM EQUIPMENT	**1.000**
Computer Software	1.000
MINOR CONSTRUCTION	**3.480**
Replacement Capability	3.480
FY 2013 Program Year Total	**43.537**
Grand Total	**$54.512**

Example of the **(AR) 1307**

Statement of Operations

		TOTAL	Industrial Operations	Supply Management	Component Level Adj.
PART I					
STATEMENT OF OPERATIONS					
REVENUES AND FINANCING SOURCES:					
1. Appropriated Capital Used	$	627,790	0	627,790	0
2. Revenue from Sales of Goods and Services	$	17,390,570	5,278,338	12,112,233	0
a. Gross Revenue from Sales	$	17,725,235	5,278,249	12,446,986	0
b. Minus: Credits Allowed on Sales	$	(334,664)	89	(334,753)	0
3. Other Revenue and Financing Sources	$		7,821	53,935	0
4. Total Revenue and Financing Sources	$	18,080,116	5,286,159	12,793,957	0
		0			
EXPENSES:					
5. Program or Operating Expenses (Supply and Service Activities)	$	3,282,995	0	3,282,995	0
6. Cost of Goods and Services Sold	$	9,781,365	5,391,045	4,390,320	0
7. Other Losses	$	1,758,676	12,808	1,745,868	0
8. Total Expenses	$	14,823,036	5,403,854	9,419,182	0
NET OPERATING RESULTS:					
9. Revenue Less Cost Incurred Before Extraordinary Items	$	3,257,080	(117,695)	3,374,775	0
10. Plus (Minus) Extraordinary Items	$	0	0	0	0
11. Net Operating Results (NOR)	$	3,257,080	(117,695)	3,374,775	0
NET OPERATING RESULTS FOR RATE PURPOSES:					
12. Plus (Minus) Deferred Operating Results and Depreciation(From Part V)	$	0	0	0	0
13. Recoverable Net Operating Results	$	3,257,080	(117,695)	3,374,775	0

Example of the **(AR) 1307 Part VII**

PART VII
INVENTORY MANAGEMENT REPORT

	Current Year To Date
A. Customer Orders Accepted - Cumulative	12,585,738
B. Gross Reimbursable Sales of Property, Inventory, & Services - Cumulative	12,428,285
C. Unfilled Customer Orders	1,543,045
D. Customer Returns - Credits Granted - Cumulative	2,314,635
E. Net Reimbursable Sales of Property - Cumulative	10,143,261
F. Purchases at Cost (LAC) - Cumulative	4,612,884
G. Obligations - Cumulative	9,570,803
H. Obligations - Reimbursable	9,554,987
I. Obligations - Augmentation - Cumulative	8,428
J. Obligations - Mobilization - Cumulative	6,979
K. Outstanding Commitments	0
L. Inventories - Stock on Hand	32,107,933
M. Other Inventories	368,157
N. Inventories in Transit	464,280
P. Total Inventories	32,940,369
Q. Customer Returns Without Credit - Cumulative	10,340,292
R. Transfers to Reutilization and Market - Cumulative	2,830,896
S. Material Returns to Suppliers - Cumulative	-138,935
T. Undelivered Orders	7,652,382
U. Fund Balance with Treasury	0
V. Funds Collected - Cumulative	10,107,103
W. Funds Disbursed - Cumulative	8,928,875
X. Accounts Receivable - Intragovernmental	155,013
Y. Accounts Receivable - Non-Federal	0
Z. Accounts Payable	913,503

DoD 7000.14 - R

DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

VOLUME 4: "ACCOUNTING POLICY"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

VOLUME 4, CHAPTER 1: "FINANCIAL CONTROL OF ASSETS"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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

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

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

The previous version dated September 2008 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
010101 and 010202	Updated definition of Assets. Delineated that fiduciary assets meeting the definition in the Statement of Federal Financial Accounting Standards 41 are not reported on the Federal Entity's Balance Sheet.	Revision
010103	Added an Authoritative Guidance paragraph.	Addition
010204	Updated Entity versus Nonentity Assets description and reporting requirements.	Revision
010304	Updated Accounting Requirements for Cash.	Revision
010601	Updated examples of Advances.	Revision
010602	Updated definition of Prepayments.	Revision
010701	Updated definition of Property, Plant, and Equipment.	Revision

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CHAPTER 1

FINANCIAL CONTROL OF ASSETS

0101 GENERAL

*010101. Overview

Assets are items owned by the federal government which have probable (more likely than not) economic benefits that can be obtained or controlled by a Federal Government entity. A Department of Defense (DoD) asset is any item of economic value owned by a DoD Component or held in a fiduciary capacity under the control of a DoD Component. However, fiduciary assets matching the definition outlined in the Statement of Federal Financial Accounting Standard ***(SFFAS) 31***, "Accounting for Fiduciary Activities" must not be recognized on the Balance Sheet of the Federal entity. These assets are defined as "the collection or receipt, and the subsequent management, protection, accounting, investment and disposition of cash or other assets in which non-Federal individuals or entities ("non-Federal parties") have an ownership interest that the Federal Government must uphold. The fiduciary relationship must be based on statutory or other legal authority and the fiduciary activity must be in furtherance of that relationship."

010102. Purpose

This chapter sets forth overall standards for the DoD Components to follow in accounting for assets. One of the objectives of DoD accounting is establishing financial control, from time of acquisition to time of disposal, over all assets provided to, or acquired by, the DoD. Such control ensures proper and authorized use as well as adequate care and preservation, since no asset can be acquired, put into use, transferred, written down, written off, or disposed of, without the proper authorization necessary to document and record the transaction. Account for all tangible assets provided to the DoD including assets in transit and assets in the hands of contractors, private parties, and other government agencies.

*010103. Authoritative Guidance

The accounting policy and related requirements prescribed by this chapter are in accordance with the applicable provisions of:

A. Financial Accounting Standards Advisory Board (FASAB) Statement of Federal Financial Accounting Concepts ***(SFFAC) 6***, "Distinguishing Basic Information, Required Supplementary Information, and Other Accompanying Information;"

B. FASAB ***SFFAS 1***, "Accounting for Selected Assets and Liabilities;"

C. FASAB ***SFFAS 3***, "Accounting for Inventory and Related Property;"

D. FASAB ***SFFAS 6***, "Accounting for Property, Plant, and Equipment;"

E. FASAB ***SFFAS 8***, "Supplementary Stewardship Reporting;"

F. FASAB SFFAS 31, "Accounting for Fiduciary Activities;"

G. Office of Management and Budget ***(OMB) Circular A-136***, "Financial Reporting Requirements;"

H. The United States Department of the Treasury (Treasury) Bureau of the Fiscal Service Treasury Financial Manual (TFM), Volume 1, Part 2, ***Chapter 3200***, "Foreign Currency Accounting and Reporting;"

I. TFM Volume 1, Part 2, ***Chapter 3400***, "Accounting for and Reporting on Cash and Investments Held Outside of the United States (U.S.) Treasury;"

J. TFM Volume 1, Part 2, ***Chapter 5100***, "Reconciling Fund Balance with Treasury Accounts;" and

K. Department of Defense Instruction ***(DoDI) 5000.64***, "Accountability and Management of DoD Equipment and Other Accountable Property."

*****0102 ACCOUNTING REQUIREMENTS

010201. Accounting Requirements Overview

Sections 0103 through 0108 provide policy on specific accounting requirements for various categories of assets. The general requirements prescribed in this section apply to all assets.

*****010202. Definition of Asset

An asset is a resource that embodies economic benefits or services that DoD controls. An asset has two essential characteristics:

A. It embodies economic benefits or services that can be used in the future; and

B. The DoD controls access to the economic benefits or services and, therefore, can obtain them or deny or regulate the access of other entities.

010203. Noncash Assets

Noncash assets will be valued promptly, once acquired by or taken into possession by the DoD, and subjected to financial accounting control. For purposes of this paragraph, promptly means no later than the entity's fiscal year-end.

*010204. Entity Versus Nonentity Assets

DoD Components report entity assets separately from nonentity assets in Note 2 of the entity's financial statements. The entity's Balance Sheet combines entity assets and nonentity assets.

A. Entity assets are assets that the reporting DoD Component has authority to use in its operations, that is to say, the DoD Component has the authority to decide how the asset is used, or is legally obligated to use the asset to meet statutory obligations.

B. Nonentity assets are assets held by a DoD Component but are not available for the Component to use in its operations. In some circumstances, a DoD Component may maintain cash or other nonentity assets in a fiduciary capacity for the Treasury, other government agencies or non-federal entities. DoD Components must report both entity assets and nonentity assets under an entity's custody or management in the entity's financial statements. However, DoD Components must not recognize on the Balance Sheet nonentity assets meeting the definition of fiduciary assets, but should disclose them in accordance with the provisions of FASAB SFFAS 31. Disclose in Note 2 of the entity's financial statements nonentity assets reported on an entity's Balance Sheet in accordance with OMB Circular A-136, Section II 4.3.3 Assets; see also Volume 6B, Chapter 10. Recognize an amount equal to nonentity assets as a liability (due to Treasury or other entities) on the Balance Sheet.

010205. Intragovernmental Versus Public Transactions

A. Intragovernmental assets arise from transactions among Federal Agencies and represent claims of a Military Department or Defense Agency against other DoD Components and other Federal Agencies.

B. Public assets arise from transactions between DoD Components and non-federal entities, which include domestic and foreign persons and organizations outside the U.S. Government. The term "public" can also be used to represent non-federal entities.

010206. Accounting Events

The accounting events discussed in Chapters 2 through 7 frequently will require compound accounting entries; that is, accounting entries must be made simultaneously in both the proprietary accounts and the budgetary accounts. Additional information on budgetary accounts, not covered in this chapter, is included in Volume 3.

0103 FUND BALANCE WITH TREASURY AND CASH

010301. Fund Balance with Treasury (FBWT) Policy

FBWT is an asset account that reflects the available funds in the entity's accounts with Treasury that authorizes the entity to make expenditures and pay liabilities. Collections and disbursements by the Department increase or decrease the balance of the account. Treasury

requires all federal agencies to reconcile their FBWT accounts on a regular and recurring basis to assure the integrity and accuracy of their internal and Government wide financial data. Any differences identified during the reconciliation process must be researched and resolved. Reconciliation documentation (including support for any adjustments required) must be prepared and retained. Evidence of review and approval for the reconciliation and any adjustments must be contained in the documentation. Unresolved differences compromise the reliability of FBWT balances and Treasury's published financial statements. This, in turn, compromises the overall integrity and status of the Department's and Government wide financial position. Chapter 2 provides more detailed information on accounting for cash and FBWT.

010302. Cash Held Outside of Treasury

In limited circumstances, in addition to "FBWT," DoD reporting entities may be authorized to hold cash outside of Treasury to provide check-cashing services in accordance with Volume 5. Cash includes all monetary resources on hand or on deposit with banks and other financial institutions, including coins, currency, and readily negotiable instruments (such as checks and money orders).

010303. Restricted Cash

Restrictions are usually imposed on cash deposits by law, regulation, or agreement. Nonentity cash is always restricted cash. Entity cash may be restricted for specific purposes. Such cash may be in escrow or other special accounts. Financial reports should disclose the reasons and nature of restrictions.

*010304. Accounting Requirements for FBWT and Cash

The requirements prescribed by this paragraph apply to accounting for FBWT and cash.

A. FBWT and Cash accounting will:

1. Be complete, accurate and timely.

2. Cover cash receipts, cash disbursements, and cash balances.

3. Comply with applicable laws and regulations.

4. Disclose errors, losses, and gains. DoD Components must identify, resolve and correct errors on a timely basis as detailed in Chapter 2.

B. Record cash receipts immediately upon collection, kept under control, and deposited intact as soon as practicable. Disbursing Officers (DOs) and their cash agents may hold cash collections for operating requirements within their cash-holding authority.

C. Make cash disbursements only after receiving an approved voucher package containing evidence of performance (i.e., receipt of goods and/or services via DD Form 250, Material Inspection and Receiving Report), a valid purchase order, and a valid invoice. Cash disbursements can also be made after receiving an authorized advance payment request. Cash disbursements and collections will be recorded promptly in the applicable DoD accounting system and reported in the Statement of Transactions.

D. Cash receipts and disbursements are to be reconciled with appropriate documents and accounting records, as applicable within each accounting period. The reconciliation should document and serve to verify that all amounts reflected in the supporting documentation agrees with the postings to the U.S. Standard General Ledger account 101000, Fund Balance with Treasury and 109000, Fund Balance with Treasury Under a Continuing Resolution. Any differences identified during the reconciliation process must be researched and resolved. Reconciliation documentation (including support for any adjustments required) must be prepared and retained. Evidence of review and approval for the reconciliation and any adjustments must be contained in the documentation.

E. Account for foreign currencies in subsidiary accounts separate from U.S. currency. Report foreign currencies at the U.S. dollar equivalent using the exchange rates prescribed by the Secretary of the Treasury. Disclose the fact that a foreign currency is not freely exchangeable in the notes to the financial statements. Accounting entities may prepare financial statements for their own use, which may or may not be in U.S. dollars. These entity level statements will be translated into U.S. dollars when used to prepare departmental financial statements. See Volume 6A, Chapter 7 for additional information related to foreign currencies.

F. Guidance relating to cash management procedures prescribed by the Treasury is in Chapter 2.

0104 RECEIVABLES

010401. Receivables Overview

Amounts due the DoD will be recorded accurately in the appropriate receivable account in the accounting period during which the transaction or event giving rise to the receivable occurs. Receivables arise from claims to cash or other assets and include accounts receivable, interest receivable, and loans receivable. Guidance relating to receivables is contained in Chapter 3.

010402. Recognition of Receivable

FASAB SFFAS 1 requires that a receivable be recognized when a federal entity establishes a claim to cash or other assets against other entities, either based on legal provisions, such as a payment due date (e.g., payment not received by the due date on the invoice), or goods or services provided. If the exact amount is unknown, then a reasonable estimate should be made.

0105 INVENTORY AND RELATED PROPERTY

010501. Definition of Inventory and Related Property

Inventory is tangible personal property that is (1) held for sale, (2) in the process of production for sale, or (3) to be consumed in the production of goods for sale or in the provision of services for a fee. Inventory includes items for sale or transfer to entities outside the Federal Government or to other Federal Entities.

A. Inventory will be recognized as an asset when title passes to the purchasing entity or when the goods are delivered to the purchasing entity. Delivery or constructive delivery will be based on the terms of the contract regarding shipping and/or delivery.

B. Inventory will be valued at historical cost, using the moving average cost assumption unless an exception is specifically authorized.

C. Guidance relating to inventories is contained in Chapter 4.

010502. Operating Materials and Supplies and Stockpile Materials

Related property for purposes of this volume includes operating materials and supplies and stockpile materials.

0106 ADVANCES AND PREPAYMENTS

*010601. Advances

Advances are cash outlays made by a federal entity to its employees, contractors, grantees, or others to cover a part or all of the recipients' anticipated expenses or as advance payments for the cost of goods and services the entity acquires. Common examples include, travel advances disbursed to employees prior to business trips, and cash or other assets disbursed under a contract, grant, or cooperative agreement before services or goods are provided by the contractor or grantee. Advances are reduced when related goods or services are received, contract terms are met, or progress is made under a contract, or anticipated expenses are realized. Advances are assets of the paying entity. Guidance relating to advances is contained in Chapter 5.

*010602. Prepayments

Prepayments are payments made by a Federal Entity to cover certain periodic expenses before those expenses are incurred. Typical prepaid expenses are rents paid to a lessor at the beginning of a rental period. Reduce prepayments when goods or services are received by the DoD Component or prepaid expenses expire. Prepayments are assets of the paying entity. Guidance relating to prepayments is contained in Chapter 5.

010603. Reporting Intragovernmental Transactions

Advances and prepayments made from one Federal Entity to another Federal Entity are intragovernmental transactions and should be accounted for and reported separately from those made to non-federal entities.

0107 PROPERTY, PLANT, AND EQUIPMENT (PP&E)

*010701. Definition of PP&E

PP&E is composed of General PP&E, Heritage Assets, and Stewardship Land. FASAB SFFAS 6 defines PP&E as tangible assets, including land, that have estimated useful lives of two years or more, are not intended for sale in the ordinary course of operations, and have been acquired or constructed with the intention of being used or being available for use by the entity. PP&E also includes assets acquired through capital leases, including leasehold improvements, property owned by the reporting entity in the hands of others (e.g. state and local governments, colleges and universities, or Federal contractors), and land rights. Heritage Assets are PP&E of historical, natural, cultural, educational, or artistic significance (e.g., aesthetic); or with significant architectural characteristics. Stewardship Land is land and land rights other than that acquired for or in connection with General PP&E, land acquired via the public domain, or land acquired at no cost. Accounting for PP&E in which the government has an ownership interest is important because public funds are invested. Account and control property in the accountable property systems of record. The DoD has an obligation to safeguard its property from theft, abuse, waste, and unauthorized use and otherwise manage the property efficiently and effectively. Consistent with the DoDI 5000.64, DoD is accountable for all property acquired, leased, or otherwise obtained throughout an asset's lifecycle: from initial acquisition and receipt; through accountability and custody; until formally relieved of accountability by authorized means, including disposition; or through a completed evaluation and investigation for lost, damaged, destroyed, or stolen property. See additional guidance relating to PP&E in Chapter 6 and Volume 12, Chapter 14.

010702. Recording General PP&E Assets

Record all General PP&E assets in accounting records at cost. Such costs will include all costs incurred to bring the PP&E to a form and location suitable for its intended use in operations. The cost of Stewardship PP&E (except for Multi-Use Heritage Assets) will be expensed in the accounting period in which incurred.

0108 OTHER ASSETS

010801. Other Assets Classified

Other assets include investments, and other miscellaneous assets not otherwise classified, that cannot be classified in a specific category identified in sections 0102 through 0107.

010802. Financial Control

Guidance relating to these other assets is included in Chapter 7. The basic purpose is to ensure financial control over these assets and the recording of expenses or dispositions in the appropriate accounting periods.

VOLUME 4, CHAPTER 2: "ACCOUNTING FOR CASH AND FUND BALANCES WITH TREASURY"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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

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

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

The previous version dated December 2009 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
0201	Revised section to include paragraphs for "Purpose" and "Authoritative Guidance" to comply with the Department of Defense Financial Management Regulation Revision Standard Operating Procedures.	Revision
0202	Relocated the paragraph from "General" to a separate section, "Definitions," updated to align with Generally Accepted Accounting Principles definitions per Federal Accounting Standards Advisory Board guidance. Consolidated and streamlined definitions with revised paragraph numbering. Expanded explanation of defined terms and included additional terms and definitions.	Revision
0203	Relocated section 0202 "Standard General Ledger Accounts" to section 0203. Updated United States Standard General Ledger (USSGL) account definitions, and replaced USSGL account definitions with the correct accounts.	Revision
0204	Relocated section 0205 "Cash Held Outside of Treasury" to section 0204, consolidated information about "Imprest Funds" at Paragraph 020502 and "Undeposited Collections" at paragraph 20503 with definitions in Paragraphs 020304 and 020303, respectively, and revised section/paragraph numbering.	Revision
0205	Relocated section 0206 "Cash Audits and Reviews" to section 0205, and revised section/paragraph numbering.	Revision
0206	Updated information, deleted extraneous information, elaborated on defined terms, revised language for clarification, and revised paragraph numbers.	Revision

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
0206	Deleted Defense Working Capital Fund requirement to transfer FBWT annually to 097x4930.005 (previous 020402.C in December 2009 version).	Deletion
0207	Relocated Paragraph 020407 “Fund Balance with Treasury Transactions” to its own section and updated information to distinguish between current year and prior year obligation refunds.	Revision
0208	Revised entire section for clarification and procedural changes.	Revision
Table 2-1	Added Table 2-1 to identify the FBWT relationships between the Statement of Budgetary Resources and the Balance Sheet.	Addition
Figure 1	Added Figure 1 to depict critical areas to address for Fund Balance with Treasury related to paragraph 020606.	Addition

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CHAPTER 2

ACCOUNTING FOR CASH AND FUND BALANCES WITH TREASURY

*0201 GENERAL

020101. Purpose

This chapter prescribes Department of Defense (DoD) accounting policy and related management requirements necessary to establish financial control over fund balances with the United States (U.S.) Department of the Treasury (Treasury) and cash resources not part of the fund balance with Treasury. Unless otherwise stated, this chapter is applicable to all DoD Components including the Defense Working Capital Fund (DWCF) activities.

020102. Authoritative Guidance

Statement of Federal Financial Accounting Standards 1 (SFFAS) 1, "Accounting for Selected Assets and Liabilities," recognizes both cash and fund balance with the Treasury (FBWT) as assets and establishes specific standards for both. The Treasury Financial Manual (TFM), Volume I, Part 2-Chapter 5100, (***I TFM 2-5100***) "Reconciling Fund Balance with Treasury Accounts," provides policies and procedures for reconciling agencies' FBWT accounts.

*0202 DEFINITIONS

020201. Cash

Cash, including imprest funds, must be recognized as an asset in accordance with SFFAS 1, Paragraph 27. Cash consists of: (a) coins, paper currency and readily negotiable instruments, such as money orders, checks, and bank drafts on hand or in transit for deposit; (b) amounts on demand deposit with banks or other financial institutions; and (c) foreign currencies, which, for accounting purposes, must be translated into U.S. dollars at the exchange rate on the financial statement date.

020202. Cash Held Outside of Treasury

I TFM 2-3400, Section 3420 states that "Cash Held Outside of Treasury" are funds under the custodial responsibility of Federal Government agencies and/or their employees, officers, or agents that are deposited in non-Treasury general accounts. "Cash Held Outside of Treasury" includes "Disbursing Officer's (DO's) Cash" which are Treasury funds (cash) held by the Disbursing Officer in local accounts, but which are not directly associated with any DoD appropriation. See also Section 0204 and Chapter 1.

020203. Entity Cash

SFFAS 1, Paragraph 28 defines entity cash as the amount of cash that the reporting entity holds and is authorized by law to spend. Imprest Funds are cash advances against a specific Line of Accounting (LOA) from the Disbursing Officer to an appointed cashier. As advances, these funds are a form of "Cash Held Outside of Treasury" but because an entity LOA is cited as the basis of the Imprest Fund, the advance is considered "entity cash."

020204. Non-entity Cash

Non-entity cash is cash that a federal entity collects and holds on behalf of the U.S. Government or other entities. In some circumstances, the entity deposits cash in its accounts in a custodial capacity for the Treasury or other federal entities, or in a fiduciary capacity for non-federal parties. In accordance with SFFAS 1, Paragraph 29, Components must recognize non-entity cash that does not meet the definition of a fiduciary asset on the Balance Sheet, reported separately from entity cash in the accompanying notes in the financial statement. Components must not recognize non-entity cash meeting the definition of a fiduciary asset on the Balance Sheet, but must disclose it in accordance with the provisions of ***SFFAS 31***, "Accounting for Fiduciary Activities."

020205. Restricted Cash

Restrictions imposed on cash deposits are usually from laws, regulations, or agreements. Non-entity cash is always restricted cash. Entity cash may be restricted for specific purposes. Such cash may be in escrow or other special accounts. In accordance with SFFAS 1, Paragraph 30, Components must disclose the reasons and nature of restrictions in the notes to the financial statements.

020206. Fund Balance With Treasury

SFFAS 1 provides the following definition for FBWT.

A. A federal entity's FBWT is the aggregate amount of funds in the entity's accounts with Treasury for which the entity is authorized to make expenditures and pay liabilities.

B. FBWT is an intragovernmental item, except for fiduciary or other non-federal non-entity FBWT. From the reporting entity's perspective, the reporting entity's FBWT is an asset because it represents the entity's claim to the federal government's resources. However, from the perspective of the federal government as a whole, it is not an asset; and while it represents a commitment to make resources available to federal departments, agencies, programs and other entities, it is not a liability.

C. In contrast, fiduciary and other non-federal non-entity FBWT [(e.g., the Federal Employees' Thrift Savings Fund) see SFFAS 31, Paragraph 2] is not intragovernmental, and it represents a liability of the appropriate Treasury component and of the federal government as a whole to the nonfederal beneficiaries.

D. A federal entity's FBWT includes clearing account balances and the dollar equivalent of foreign currency account balances (e.g., foreign burden sharing payments). Components must translate foreign currency account balances into U.S. dollars at exchange rates determined by the Treasury and effective at the financial reporting date using the ***Treasury Reporting Rates of Exchange***. A federal entity's FBWT also includes balances for direct loan and loan guarantee activities held in the credit reform program and financing accounts.

E. An entity's FBWT is increased by, among other things, amounts collected and credited to a fund that the entity is authorized to spend or use to offset its expenditures. Disbursements made to pay liabilities or to purchase assets, goods, and services, investments in Treasury or other securities, transfers and reimbursements to other entities or to the Treasury, and similar transactions reduce an entity's FBWT. See Table 2-1 for examples of financial events that impact a Component's FBWT on the Balance Sheet and on the Statement of Budgetary Resources (SBR).

F. An entity's fund balance does not include contract authority or unused authority to borrow. Contract authority is a statutory authority under which Components may enter into contracts or other obligations before receiving an appropriation for the payment of obligations. The later enacted appropriation provides resources to liquidate obligations[1]. Thus, contract authority merely permits a federal entity to incur certain obligations but does not add funds to the agency's accounts with Treasury or authorize outlays. See also ***SFFAS 7***, "Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting," Paragraph 211 and the Office of the Management and Budget ***(OMB) Circular A-11***, Subsections 20.3 and 20.4(b) for additional information on contract authority.

G. The authority to borrow is a statutory authority that permits a federal agency to incur obligations and make payments for specific purposes out of borrowed funds. Authority to borrow adds funds to an agency's accounts with Treasury only after the agency actually uses the authority to borrow a specific amount of funds. Thus, authority to borrow is included in an entity's FBWT only to the extent that funds are actually borrowed under the authority. See OMB Circular A-11, Subsection 20.4(b) for more information on borrowing authority, and Volume 3, Chapter 15 for a description of DoD borrowing authority.

[1] In addition, DoD also uses spending authority from offsetting collections represented by unfilled customer orders or accounts receivable to replace obligated contract authority as a budgetary resource.

H. Agencies report changes in the FBWT accounts to the Treasury's Bureau of the Fiscal Service (BFS). All agencies must submit FBWT disbursement and collections to the Treasury's Central Accounting and Reporting System (CARS) on a daily basis. "CARS Daily Reporters" submit the Treasury Account Symbol (TAS)/Business Event Type Code reporting classification of each payment or collection to CARS via the Payment Information Repository or Collection Information Repository, respectively.

I. Until agencies are in compliance with being "CARS Daily Reporters," they must continue to report disbursements and collections through monthly reporting on Statements of Transactions (Financial Management Service (FMS) 224, FMS 1220) and Statements of Accountability (FMS 1219) in accordance with TFM Volume I, Part 4A-***Chapter 4000, Section 4030***. See Volume 6A, Chapter 3 and Volume 5, Chapter 15 for information on the requirements for the FMS 1219 and FMS 1220.

020207. FBWT Reconciliation

A. Reconciliation is a process that compares two sets of records (usually the balances of two accounts), identifies, and explains the differences between the records or account balances. The timing of transactions, an invalid line of accounting, or insufficient detail may cause differences, or reconciling items. Reconciliation is not complete until all differences are identified, aged, accountability is assigned, and differences are explained. Once reconciliations are complete, appropriate adjustments may need to be documented and made to records.

B. A FBWT reconciliation is a specific reconciliation of the actual accounting transactions (including funding, disbursements, collections, and transfers) back to the detailed amounts posted to both entity general ledgers and entity Treasury accounts (United States Standard General Ledger (USSGL) accounts 101000 and 109000). Reconciliation involves identifying and comparing accounting events or transactions to determine whether transactions are recorded properly and can be cleared, have not yet been recorded (in-transit), or were recorded improperly and require correction either in the general ledger or at Treasury.

C. An effective FBWT reconciliation in which all reconciling differences are resolved ensures that the FBWT universe of transactions (see definition at paragraph 020208) is complete and transactions included in the FBWT accounts are valid. Effective FBWT reconciliation also supports reporting accurate, valid and timely FBWT account balances.

D. Unrecorded or improperly recorded transactions, usually referred to as "reconciling items," are expected and often a result of timing differences and occasional errors.

E. I TFM 2-5100, Section 5130 states that agencies must reconcile the FBWT USSGL account balances for each fund symbol with BFS' records (Governmentwide Accounting (GWA) Account Statement; Expenditure Transaction Report; and Available, Unavailable, and Unappropriated Receipt Account Reports) on a monthly basis.

020208. FBWT Universe of Transactions

The FBWT universe of transactions includes all valid funding, disbursements, collections, or transfers of funds (including warrants) to or from an entity over a given time period. These transactions affect the amounts and balances in appropriation accounts reported to or by Treasury, recorded in an entity's general ledger, or presented in an entity's financial reports. When these transactions are reconciled from the entity disbursing systems, general ledgers, and financial statements to Treasury's records, voucher-level detail will support all identified differences. Note that there are two universes of transactions for FBWT: Treasury detail and accounting detail. For purposes of FBWT reconciliations, transaction level detail begins with the line of accounting and must have the following data elements (at a minimum): TAS, Organization Unique Identifier Code or limit (for Department 097), reimbursable flag indicator, accounting station identifier code, agency disbursing identifier code, and the voucher number and amount.

020209. Transactions

Financial Accounting Standards Board, Statement of Financial Accounting ***Concept 6***, "Elements of Financial Statements, Transactions, Events, and Circumstances," Paragraph 137 states that a transaction is a particular kind of external event, namely, an external event involving transfer of something of value (future economic benefit) between two (or more) entities. The transaction may be reciprocal (e.g., an exchange by both parties) or nonreciprocal (i.e., taxes or gifts). Simply stated, transactions are business events or happenings that change an entity's financial position or account balances. Examples of transactions include obligating funds, buying supplies, recording accounts payable, paying accounts payable, buying equipment, purchasing contract services, and paying employees.

020210. Undistributed Amounts

Undistributed amounts are amounts that have been reported to Treasury but have not yet been posted to the appropriate obligation in a Component's general ledger. Undistributed amounts can be a result of timing, invalid line of accounting, and invalid TAS information, among other reasons. Unsupported undistributed amounts are amounts that are not yet reconciled and not yet researched to supporting documentation.

020211. Forced Balance Entry

A. A "forced balance entry" represents any amount posted, usually at a summary level, to eliminate differences between the Component's general ledger balance (USSGL accounts 101000 and 109000) and the Treasury's control total. Typically, these adjustments appear as "undistributed" amounts; when, in fact, they are differences.

B. Although Treasury requires the Components to match the Treasury's balance, a forced balance entry is not an adequate reconciliation of the USSGL 101000 and 109000. When reconciling FBWT USSGL 101000 or 109000, Components must research the causes of the differences at the detail voucher level, identify undistributed amounts, and

ultimately, clear the aged undistributed amounts as required in I TFM 2-5100, Section 5130. All differences must be cleared within 60 days, with the exception of those suspense accounts that have been identified by Treasury as exempt from the 60-day requirement.

C. In accordance with the Government Accountability Office (GAO) and the President's Council on Integrity and Efficiency (PCIE), ***Financial Audit Manual*** (FAM), Volume 2, (GAO-08-586G), Paragraph 10, entities must avoid arbitrarily adjusting accounts to the amounts reported by Treasury and/or recorded differences in suspense accounts without adequately researching the causes of the differences[2]. Unreconciled differences recorded in suspense accounts could represent transactions that have not been properly recorded by the entity to the appropriate accounts.

*0203 STANDARD GENERAL LEDGER ACCOUNTS

Components must use the following accounts to record transactions for FBWT or foreign currency transactions. These general ledger accounts and accounting entries for these accounts are specified in the ***USSGL*** TFM Supplement and the DoD USSGL Standard Financial Information Structure (***SFIS***) Transaction Library.

020301. FBWT (Account 101000)

FBWT is the aggregate amount of funds on deposit with Treasury, excluding seized cash deposited. Seized Cash is the amount of cash seized by law enforcement activity and deposited to the Treasury in banks or other financial institutions pending forfeiture judgment (see USSGL 153200).

A. Federal agencies derive fund balances from different sources. Transactions increasing FBWT typically include the following: (1) appropriations, reappropriations, appropriation restorations, and allotments; (2) transfers and reimbursements received from other agencies; (3) amounts borrowed from BFS, Federal Financing Bank, or other entities; and (4) amounts collected and credited to appropriation or fund accounts that the entity is authorized to spend or use to offset its expenditures.

B. FBWT is reduced by (1) disbursements made to pay liabilities or to purchase assets, goods, and services; (2) investments in U.S. securities (securities issued by BFS or other Federal Government agencies); (3) cancellation of expired appropriations; (4) transfers and reimbursements to other entities or to the General Fund of the Treasury; and (5) sequestration or rescission of appropriations.

[2] OMB states: "An entity's FBWT should tie to the sum of the balances reflected on the CARS Account Statement for the entity's Treasury Account Symbols. An adjustment will need to be made for available receipts appropriated/credited to the related expenditure accounts, since the balances will appear in both the receipt ledger and the account statements for the expenditure account."

020302. FBWT Under a Continuing Resolution (Account 109000)

The amount equal to the funding provided under a continuing resolution and apportioned in accordance with the OMB's automatic apportionment bulletin. Pursuant to a continuing resolution or enacted annual appropriation act, the account may be used while awaiting a warrant to be issued for an appropriation by the Treasury's BFS.

020303. Undeposited Collections (111000)

Undeposited collections are collections on hand, not yet deposited within the same accounting period. Components use this account to record amounts for which the Treasury has not yet issued a deposit confirmation. All DoD Components must use this account and must maintain subaccounts for each appropriation or fund.

020304. Imprest Funds (Account 112000)

Imprest funds represent the authorized amount of cash held by a Disbursing Officer at personal risk. Imprest funds are fixed cash or petty cash funds in the form of currency or coin that has been advanced to a cashier as "Funds Held Outside of Treasury." Refer to Volume 5, Chapter 2 for additional information on Imprest Funds.

020305. Other Cash (Account 119000)

Use account 119000 to record cash holdings not otherwise classified. Use 119000 to record Cash Held Outside of Treasury with the exception of imprest funds. DoD Components record advances from Treasury's General Fund for "Cash Held Outside of Treasury" not otherwise disbursed and attributed to a specific Treasury account to USSGL 119000 with an offset to a liability account for the total amount advanced by the Treasury (see paragraphs 020202 and 020402).

020306. Foreign Currency (Account 120000)

The Foreign Currency account is used to record in U.S. dollar equivalents the purchase or exchange of foreign government currency and other transactions occurring through use of the foreign currency. Components must record transactions at the current exchange rate specified by the Treasury Reporting Rates of Exchange. Foreign currency fluctuation gains or losses resulting from the settlement of foreign currency receivables or payables must be recorded when the settlement occurs. DoD Components must use this account when foreign currencies are involved. Sources of entries to the "Foreign Currency" account include reimbursement and disbursement vouchers, sales records, and documented foreign exchange gains and losses reported to Treasury. See Volume 6A, Chapter 7 for additional information on foreign currency fluctuation.

020307. Nonexpenditure Financing Sources–Transfers-In–Other (Account 575500)

The amount of financing sources of a reporting Federal entity representing funds transferred in, or to be transferred in, occurring as a result of a nonexchange, non-expenditure transfer-in between two Federal funds (as defined by OMB) where a credit to unexpended appropriations is not valid.

020308. Nonexpenditure Financing Sources–Transfers-Out–Other (Account 576500)

The amount of financing sources of a reporting Federal entity representing funds transferred out, or to be transferred out, occurring as a result of a nonexchange, non-expenditure transfer-out between two Federal funds (as defined by OMB) where a credit to unexpended appropriations is not valid.

*0204 ACCOUNTING FOR CASH HELD OUTSIDE OF TREASURY

020401. Guidance on Cash and Investments Held Outside of Treasury

I TFM, 2-3400 provides guidance on "Cash and Investments Held Outside of the U.S. Treasury" and the requirements for accountable officers who have responsibilities for funds received, certified, disbursed, and held in their custody (e.g., Disbursing Officers).

020402. Recording Cash Held Outside of Treasury

The amount of "Cash Held Outside of the U.S. Treasury" must be recorded using USSGL account 119000 for cash held by Disbursing Officers at personal risk. The FMS 1219, Statement of Accountability, is used to determine the accountability of Disbursing Officers for funds held outside of the Treasury (cash on hand). The balance in this account is not an asset of a DoD Component for external statement purposes because it represents Treasury cash advanced to Disbursing Officers under various authorities, including: 10 United States Code (U.S.C.) ***Section 2206*** (disbursements out of available advances for obligations chargeable to appropriations of other departments/agencies), ***31 U.S.C. § 3324*** (advances), and ***31 Code of Federal Regulations 240.12(a)*** (drawing disbursing cash). Disbursing Officer's cash is non-entity, restricted cash. A liability account for the total amount advanced by the Treasury (USSGL 298500) must be maintained in accordance with ***I TFM, 2-3100,*** "Instructions for Disbursing Officers' Reports."

020403. Reconciling Cash Held Outside of Treasury

The information reported on the FMS 1219, Statement of Accountability must be posted consistent with Volume 6B, Chapter 4 and in the quarterly guidance found on the ***OUSD(C) Policies and Guidance Website.*** Components must reconcile all transactions involving cash on a periodic basis, but no less frequently than quarterly, to ensure cash reported on the Statement of Accountability reconciles with the agency's accounting records and related financial statements in accordance with I TFM 2-3400, Section 3440.

*0205 CASH AUDITS AND REVIEWS

020501. Responsibility for Accounting and Internal Controls

Managers who supervise personnel holding cash are responsible for maintaining appropriate accounting and internal controls. This responsibility includes ensuring the legality, propriety, and correctness of disbursements and collections of public funds. See Volume 5, Chapter 3 and Appendix A for more information on requirements for securing cash and other assets.

020502. Announced and Unannounced Audits

Audits, both announced and unannounced of each fund, must determine whether:

A. All funds are properly accounted for and reported;

B. The amount of funds not in excess of requirements; and

C. Procedures are established and followed to protect the funds from loss or misuse. In accordance with ***DoD Instruction 5010.40***, "Managers' Internal Control (MIC) Program Procedures," management must determine the frequency of audits based on vulnerability assessments.

020503. Requirements for Investigation

Any unauthorized use, irregularity, or improper accounting for a cash fund must be investigated and reported to the approving authority and to the Disbursing Officer involved. A report must state whether prescribed procedures were followed and recommend any actions considered necessary or desirable to prevent recurrence.

*0206 Defense Working Capital Fund

020601. DWCF Accounts

The DWCF FBWT, account symbol 097X4930, is subdivided at the Treasury into five sub-numbered Treasury accounts. Each reporting entity of the five sub-numbered Treasury accounts report an FBWT amount on their Balance Sheet. An individual DWCF activity below the sub-numbered Treasury account level does not have an actual FBWT amount. For these activities, the FBWT amount reported on the agency's Accounting Report (Monthly) (AR(M)) 1307, Statement of Operations, is not an actual FBWT but rather a clearing account for recording collection and disbursement activity that reflects a net of collections and disbursements. Volume 6A, Chapter 15 describes how to prepare the AR(M) 1307, as well as other FBWT reporting requirements. Each individual activity must also report the balance of FBWT transactions on the Balance Sheet.

020602. DWCF Sub-Numbered Account

The Military Departments and the Defense Agencies DWCF sub-numbered account identifiers assigned by the Treasury are shown in Table 2-2 and in the Treasury Federal Account Symbols and Titles ***(FAST) Book I and FAST Book II***, Supplement 1 to I TFM, Part II. One of the five sub-numbered accounts is the Defense-wide Treasury account (097X4930.005). The Defense-wide account includes a number of Defense Agencies operating under the DWCF. The Defense Agencies within the Defense-wide account provide and use funds from the centralized FBWT account under the Defense-wide Treasury account. An entity provides or uses funds depending on whether it needs to provide a collection or make a disbursement. If an entity's collections exceed its disbursements, it is providing funds to the centralized pool for other entities' use. If an entity's disbursements exceed collections, the entity is using funds from the centralized pool to make disbursements. See Volume 2B, Chapter 9 for additional information about cash management, referred to as FBWT management.

020603. DWCF Transfers

Program managers for each Treasury sub-numbered account have the authority to realign (delegate) balances to the activity or installation-level at their discretion. If the program managers realign balances within their sub-numbered account, they must document all such approved transfers from one DWCF subhead or limit to another—whether intra- or inter-subhead or limit—on a Standard Form ***(SF) 1151***, Non-expenditure Transfer Authorization. Managers must prepare the SF 1151 to transfer amounts from one DWCF subhead or limit to another subhead or limit that must be prominently marked "Internal DoD Sub-numbered Account Transfer." Since all intra- or inter-subhead or limit transfers represent a zero balance transaction for Treasury reporting purposes, all SF 1151s used to document the intra- or inter-subhead transfers must not be included in the monthly reports to the Treasury but must be retained as an audit trail to support these transfer actions. Transfers between sub-numbered accounts require managers to prepare the SF 1151 without the "internal transfer" markings and include it in monthly reports to Treasury if the transfer moves budgetary resources from one budget account to another. See OMB Circular A-11, subsection 20.4(j) for additional information on transfers. Program managers must ensure that they do not make a transfer that is in excess of the balance available at the DWCF activity or installation making the transfer. See Volume 3, Chapters 3, 6, 10, 13, and 17 for additional information on transfers.

020604. Recordation/Reconciliation of FBWT Transactions

A. Components/Defense Finance and Accounting Service (DFAS) must record all FBWT transactions in the individual activity accounts and must reconcile them to total monthly FBWT transactions reported by DFAS. Components/DFAS must complete the reconciliations within 10 workdays following the end of the month being reconciled. As mentioned in subparagraph 020207.A, reconciliation is not complete until all differences are

identified and aged, accountability is assigned, and differences are explained. If Components identify any policy or procedural problems during reconciliation that require adjudication between Components or between the DoD and the Treasury, they must bring it to the attention of DFAS and then, if necessary, the Office of the Deputy Chief Financial Officer.

B. The Component must reconcile the Department's FBWT general ledger account at the DWCF sub-numbered account level to Treasury in accordance with 10 U.S.C. ***§ 2208(n) and (q)(1)***. For the Defense-wide sub-numbered account (097X4930.005), DFAS will reconcile the general ledger accounts to Treasury at the Component level.

020605. DWCF Treasury Cash Balance

The cash on hand at the Treasury account level must always be sufficient to pay liabilities when due. The responsibility for DWCF cash management is prescribed in Volume 2B, Chapter 9. Components must immediately investigate and report a transaction that causes a negative balance in the funds with the Treasury account as a possible violation of the Antideficiency Act as prescribed in Volume 14, "Administrative Control of Funds and Antideficiency Act Violations," Chapter 2, Figure 2-2 in accordance with ***31 U.S.C. § 1341***.

020606. Current Balance of Funds With Treasury

The current balance of funds with Treasury is equal to the amount as of the beginning of the fiscal year plus the cumulative fiscal-year-to-date amounts of collections, appropriations, and transfers-in of FBWT received minus the cumulative fiscal-year-to-date amounts of withdrawals, transfers-out, and disbursements.

020607. Undistributed Collections and Undistributed Disbursements

Refer to Volume 3, Chapter 11 for additional information relating to financial control over disbursements, collections and adjustment transactions affecting the FBWT. DFAS and the Components must record and report undistributed collections and undistributed disbursements at the lowest organizational level.

A. DFAS must identify undistributed FBWT transactions at the sub-numbered Treasury account level, activity level (i.e., limit), and installation-level.

1. Sub-numbered TAS Level Adjustments. Sub-numbered Treasury Accounts are shown in Table 2-2. The DWCF undistributed collections and undistributed disbursements that are identifiable to a DWCF sub-numbered account but do not contain sufficient information to identify them to a lower organizational (activity/installation) level are recorded in 097X4930.005.

2. Activity (i.e., business area or limit) Level Adjustments. These are DWCF activity level undistributed collections and undistributed disbursements that are identifiable to the activity level but do not contain sufficient information to identify them to an installation. Examples of activities (business areas) include Supply Maintenance, Depot Maintenance, and Research and Development. Undistributed collections and undistributed disbursements are the differences between the two or three position activity rollup in the Treasury reporting systems and the activity collections and disbursements reported through the general ledgers.

3. Installation-Level Adjustments. These adjustments are DWCF installation-level undistributed (unmatched) collections and undistributed (unmatched) disbursements that are identifiable through the Treasury reporting systems to the installation-level but have not yet been matched at the installation-level to specific obligation or receivable subsidiary ledgers.

B. DFAS must identify collections or disbursements at the lowest identifiable level described in subparagraph 020607.A. That level must record the undistributed collection or undistributed disbursement and provide documentation necessary to research the account for proper disposition.

C. Undistributed collections and undistributed disbursements are necessary to reflect properly FBWT as contained in finance network reports. DFAS and the Components must research such collections and disbursements recorded in Account 101000 for proper disposition by the lowest organizational level to which they can be identified. DFAS must correct erroneous collections by making a payment to a vendor and erroneous disbursements by establishing a refund or receivable pending a receipt of the refund.

*0207 FBWT TRANSACTIONS

020701. Collection or Disbursement

Record a collection or disbursement only when documentary evidence supports an increase or decrease to the Treasury account. For the DWCF activities, Components must segregate cash collections and cash disbursements between those for the DWCF operating program (i.e., noncapital outlays) and the DWCF capital program (i.e., acquisition of capital assets) to comply with 10 U.S.C. § 2208(m) Additionally, Components must record and report undistributed cash collections and undistributed cash disbursements at the lowest organizational level.

020702. Advances Received

Components must record an advance or prepayment received as a liability in accordance with SFFAS 1, Paragraph 60. OMB Circular A-11, Subsection 20.11 provides guidance on the treatment of advances received and deposit requirements which vary depending on whether the advance is with or without orders.

020703. Refunds

OMB Circular A-11, Subsection 20.3 states that "refunds are the return of excess payments to or by the Government" and provides guidance on the treatment of refunds in OMB Circular A-11, Subsection 20.10. Refund receivable amounts directly relate to previous obligations incurred and outlays made. Refunds receivable are not a budgetary resource and are not available for obligation until collected. Components must credit a refund collected in the same fiscal year as the obligation incurred to the appropriation or fund account charged with the original obligation. Refunds of prior year obligations are not available for obligation until collected and reapportioned by the OMB.

A. A current year obligation refund received is a reduction of a previous disbursement; therefore, Components must record a decrease to disbursements (negative disbursement) with an offsetting credit to the previously recorded accounts receivable (refunds). If the Component receives a current year obligation refund for an accounts receivable that had not been established previously, the Component must record an offsetting credit to the asset or expense account originally debited.

B. A prior year obligation refund received is a collection, rather than a negative disbursement, and recorded as such since the disbursement occurred in the prior year. If the appropriation against which the obligation incurred remains available for new obligations, the Component increases spending authority from offsetting collections; otherwise, the Component records refunds for expired, but not yet cancelled appropriations, as offsetting collections (cash) credited to expired accounts or deposit the refund in miscellaneous receipts of the Treasury for cancelled appropriations.

C. See Volume 3, Chapter 15 for more information about refunds. Refer to the Deputy Chief Management Officer website to access the DoD USSGL SFIS Transaction for USSGL posting entry guidance.

*0208 FBWT RECONCILIATIONS

020801. FBWT Reconciliation Overview

A. Reconciling FBWT is a key internal control in maintaining the accuracy and reliability of the entity FBWT records. Therefore, Components/DFAS must perform timely reconciliations and implement effective and efficient reconciliation processes. Effective reconciliations serve as a detection control for identifying unauthorized and unrecorded transactions at the entities and at Treasury. Effective reconciliations are also important in preventing entity disbursements from exceeding appropriated amounts and providing an accurate measurement of the status of available resources.

B. Reconciliation also allows Components/DFAS to resolve differences in a timely manner. When resolving differences, Components must maintain detailed reconciliation documentation that is readily available for review by management, auditors and Treasury if requested. Components must reconcile any differences caused by time lag and correct differences caused by error. Components must explain any discrepancies between FBWT in the general ledger accounts and the balance in the Treasury's accounts and disclose them in the notes to the financial statements in accordance with SFFAS 1, Paragraph 39.

C. Components must ensure that all adjustments are researched and traceable to supporting documents as instructed in I TFM 2-5100, Section 5120. Supporting documentation, including reconciliations, transaction level detail, journal vouchers and adjustments, Standard Operating Procedures (SOPs), and Customer-Service Provider agreements (i.e., Memorandums of Agreement (MOA)/ Memorandums of Understanding (MOU)/ Service Level Agreements (SLAs)), are necessary to provide an audit trail. Components must ensure the supporting documentation is readily accessible to management for oversight and auditors to support auditability.

020802. FBWT Reconciliation of Available Appropriations

Reconciling FBWT is a reconciliation of available appropriations (spending authority). It is separate and distinct from a Disbursing Officer's cash reconciliation (cash and monetary assets and the Statement of Accountability), the focus of which is reconciling the account activity to the cash activity (checks issued, deposits, electronic funds transfer). Refer to Volume 5 for information and requirements of the Disbursing Officer's cash reconciliation.

020803. FBWT Reconciliation Roles and Responsibilities

DFAS and the Components are jointly responsible for effective FBWT reconciliation.

A. DFAS is responsible for:

1. Reporting transactions affecting FBWT accounts to Treasury (e.g., disbursements and collections) that are disbursed under DFAS Disbursing Station Symbol Numbers (DSSNs).

2. Ensuring that information submitted to Treasury on the FMS 224 or FMS 1219, for those Agency Location Codes (ALCs) where DFAS is the Designated Agent, matches what is reported to the DFAS Treasury reporting system.

3. Researching and resolving differences identified on the FMS 6652s: Statements of Differences (SODs) for DFAS DSSNs (DFAS is responsible for researching, reporting, and assisting in the resolving of differences for non-DFAS DSSNs). BFS provides FMS 6652s to Federal Agencies for both disbursements and deposits. An FMS 6652 is generated for each ALC by accounting month (month the report is generated) and accomplished month (month the difference occurred) if there is a discrepancy. Differences resulting from deposits indicate there is a discrepancy between the monthly totals submitted through the banking system via the SF 215s/SF 5515s and the totals provided by the agency on the FMS 224

or FMS 1219. The SOD for disbursement transactions reveal discrepancies between monthly totals reported by the Regional Finance Centers and/or through the Intra-governmental Payments and Collections system between agencies and totals in agency reports on the FMS 224 or FMS 1219.

4. Reconciling FBWT appropriation accounts at the Treasury Index (TI), main appropriation account level, and at the ALC level, including ensuring the FBWT universe of transactions for each TAS recorded to USSGLs 101000 and 1090000 for all DoD funds is complete and fully reconciled to all of the individual appropriation account balances recorded at Treasury.

5. Reconciling the Components' FBWT USSGL accounts (101000 and 109000) at the Organization Unique Identifier (OUID) Code or limit level. OUID Codes are unique account identifier codes specific to DoD that represent the structural level below the Treasury's main appropriation account level. These codes are typically four digits, and used to identify, manage, and report the financial activity of Defense Agencies, Field Activities, and other operational units reported by the Treasury as the combined activities of Department 097.

6. Aging, assigning, and tracking the status of reconciled differences.

7. Researching and resolving differences originating from operations under the control of DFAS, and clearing these transactions in the FBWT source system(s).

B. Components are responsible for:

1. Reporting transactions affecting FBWT accounts to Treasury (e.g., disbursements and collections) that utilize Treasury Disbursing.

2. Ensuring that information submitted to Treasury on the FMS 224 or FMS 1219, for those ALCs where the Component is the Designated Agent, matches what is reported to the DFAS Treasury reporting system.

3. Researching, resolving, and reporting status of reconciled differences originating from operations under the control of the Component.

4. Monitoring and approving the reconciliations performed by DFAS on their behalf.

C. Coordination between DFAS and the Components is necessary to properly identify, assign, age, track, research and resolve reconciled differences in a timely manner. DFAS' roles and responsibilities in Disbursing and Treasury Reporting Operations are described throughout Volume 5[3] and in Volume 6A, Chapter 3.

[3] Volume 5, Chapter 19 discusses DFAS' roles and responsibilities for FMS 1220 reporting.

D. DFAS and their Component customers must formally establish and document their understanding and agreement of roles and responsibilities. DFAS and Components must have written MOAs, MOUs, or SLAs in place that define the roles and responsibilities between the Service Provider and the Customer(s).

020804. Treasury Reconciliation Requirements

Treasury requires reconciling FBWT accounts to the Treasury reported amounts by Department, Period of Availability, and Main Account (that is, TI, fiscal year, and basic symbol) at least monthly[4]. During reconciliation, DFAS and Components must:

A. Research and resolve the underlying causes of differences reported by the Treasury on the SODs (FMS 6652s) each month and make corrections to monthly Treasury reports and agency accounting records.

B. Reconcile general ledger balances by Department, period of availability, and main account with the balances reported by Treasury.

C. Ensure that all adjustments are researched and traceable to supporting documents in accordance with I TFM 2-5100, Section 5120.

D. Document detailed reconciliations and make available to auditors and Treasury if requested, as instructed in I TFM 2-5100, Section 5120.

E. Ensure differences recorded in Treasury budget clearing accounts are reconciled monthly as instructed in I TFM 2-5100, Section 5145 and cleared in a timely manner. In accordance with ***I TFM Bulletin 2011-06***, the agency Chief Financial Officer (CFO) must annually certify that the ages of the balances in the suspense accounts are no more than 60 days old (unless they are identified by the Treasury as exempt from the 60-day requirement), with clear explanations of exceptions. See subparagraphs 020805.D.4 and 020806.C.5, and paragraph 020808.

020805. DoD FBWT Reconciliation Requirements

Every DoD Component with FBWT accounts must perform detailed reconciliations of their FBWT accounts (USSGL 101000 and 109000). DFAS and Components must perform the reconciliations at least monthly to ensure the accuracy and reliability of the Component's FBWT records and the integrity of their financial statements.

A. In addition to the Treasury Main Account requirement, DoD requires Components to ensure that FBWT accounts are reconciled below the Main Account by OUID Code, or limit, of the DoD funds Treasury identifies as Department 097.

[4] Treasury sets forth the requirements for reconciling FBWT in I TFM 2-5100 and the I TFM 2-5100 Supplement. Audit issue guidance is provided in the FAM Substantive Procedures Section 921-Auditing Fund Balance with Treasury, jointly published by the GAO and the PCIE.

B. DoD must reconcile the OUIDs of the Department 097 at the Component level with the balances representing available spending authority as managed within DoD. For Treasury reporting purposes, DoD must add the balances of the OUIDs of the Department 097 together and reconcile to the Treasury's control total at the TAS level in CARS/GWA.

C. To support effective FBWT reconciliation, DFAS and the Components must ensure that reconciliations include and address amounts reported in:

1. Treasury's GWA Account Statement;

2. Trial balances (both budgetary (outlays/collections) and proprietary (101000/109000) USSGL accounts) from the accounting system [including budgetary FBWT to proprietary FBWT Governmentwide TAS Adjusted Trial Balance System edits and validations];

3. Financial statements (outlays & collections on the Statement of Budgetary Resources; FBWT on the Balance Sheet);

4. FMS 6652s: SODs (for deposits and disbursement/Intra-Governmental Payment and Collection transactions);

5. Check issue data processed in the Treasury Check Information System.

D. Additionally, DFAS and the Components must ensure that they perform monthly reconciliations at the individual voucher level detail and include:

1. All budget fiscal years,

2. All appropriations/Treasury accounts (including general funds, working funds, revolving funds, special funds, deposit funds, and trust funds),

3. All OUID codes/limits of the Department 097,

4. All activity, including suspense accounts[5] (also see "Treasury Budget Clearing Accounts" in paragraph 020808), and

E. DFAS and Components must also demonstrate they have controls in place to ensure that amounts reported daily or monthly to Treasury reconcile to collections and disbursements processed through the disbursing systems and recorded accurately and timely in the accounting systems. Monthly Treasury reporting includes FMS 224 or FMS 1219 and FMS 1220 by DFAS or other Federal agencies (e.g., Department of State and General Services Administration). DFAS and the Components who are the ALC Designated Agents and submit information to Treasury on the FMS 224, FMS 1219, or FMS 1220 must ensure that the

[5] Sensitive activity may undergo an equivalent reconciliation process in a separate environment, if it can be agreed back to the summary reconciliation.

information matches what is submitted to DFAS. Any differences between what was submitted to Treasury and what was submitted to DFAS must be corrected by the ALC Designated Agent (either DFAS or the Components) in 15 business days after identification by DFAS. See Volume 6A, Chapter 3 and Volume 5, Chapter 15 for information on the requirements for the FMS 1219 and FMS 1220.

020806. Reconciliation of FBWT for Comparison of Transactions

A. Reconciling FBWT includes a comparison of transactions at a level of detail sufficient for specific identification of differences to establish that the entity's FBWT general ledger accounts and the Treasury control totals are accurately stated. Detail sufficient for specific identification of differences are voucher numbers for cash disbursements and collections, summary bill numbers for interfund transactions, and authorizing document numbers for non-expenditure transfers and funding events.

B. DFAS and the Components must comply with certain operational requirements and deadlines when performing reconciliations to compare transactions. DFAS and the Components must:

1. Perform reconciliations and identify differences at the voucher-level (or equivalent) on a monthly basis (unless otherwise stated). DFAS and the Components must complete reconciliations within 10 working days following the end of the month being reconciled.

2. Ensure processes are in place to assign, track, age, research, and resolve differences between Treasury, disbursing system records and accounting system records, as prescribed by Treasury, at the voucher level detail on a monthly basis. (Note: Since Treasury reports information at the summary-level, DFAS and the Components must roll up voucher level detail disbursing system and accounting system records and compare to the summary-level Treasury reports.) All differences must be cleared within 60 days, with the exception of budget clearing account differences that have been identified by Treasury as exempt from the 60-day requirement.

3. Record temporary journal vouchers in the Defense Departmental Reporting System at the account-level and/or limit-level to resolve differences, if necessary. DFAS and Components must maintain all journal vouchers and supporting documentation, including list of journal vouchers that comprise the differences.

4. Supervisory and Component review and approvals completed within 10 working days following the completion of researching and resolving all identified differences from the monthly reconciliation.

C. DFAS and the Components must ensure they have addressed all of the critical areas and key control points in the FBWT end-to-end reconciliation, as shown in Figure 1. These key control points are:

1. Reconciling the Component's general ledger system(s) to the Disbursing Systems daily;

2. Reconciling the Cash Management Report (CMR) to the Component's general ledger system(s) monthly (note: this key control point only applies to the Department 097 Components);

3. Researching and resolving unsupported differences identified on the CMR, as identified by the OUID/limit "9999," monthly (note: this key control point only applies to the Department 097 Components);

4. Reconciling the Treasury GWA Account Statement to either the CMR (for Department 097 Components) or the Component's general ledger system(s) (for the Military Departments' General Funds) monthly. Refer to paragraph 020807 for additional information on the GWA reconciliations;

5. Researching and resolving activity identified in the budget clearing accounts (suspense accounts) on the GWA Account Statement monthly. Refer to paragraph 020808 for additional information on the budget clearing accounts; and

6. Researching and resolving all differences identified on the FMS 6652s: SODs for all DoD ALCs reported to Treasury by each of the DFAS Centers monthly.

D. DFAS and the Components must work to achieve a complete match rate of 99 percent each month over the transactions for each key control point.

020807. FBWT – GWA Account Statement Reconciliation

A. The GWA Account Statement Module is an online, query driven component that provides a daily refreshed view of a Federal Program Agency's (FPA's) FBWT. This GWA Module replaced the reports formerly available through the Governmentwide On-line Accounting Link System II. The primary goal of the Account Statement is to provide an up to date source of balance and transaction information to assist FPAs with their reconciliation process. More information about the Account Statement is available at the Treasury website.

B. Each DoD Component must reconcile its accounts to the beginning balance, net activity, and ending balance on the GWA Account Statements[6]. The Account Statement consists of three sections: (1) Account Summary, (2) Expenditure Activity, and (3) the Transactions reports. Agency users can generate the Account Statement reports at either a TAS or ALC level. FMS 6652s: SODs arise from ALC-based FMS 1219 and FMS 1220 reporting submitted by each of the three DFAS centers. The Support Listings provide links to other FMS Accounting Systems that support the monthly SOD reconciliations.

[6] Currently, this requirement does not apply to Defense Agencies and Field Activities that do not have their own TASs. These organizations, comprising Department 097, must reconcile their FBWT balances individually to OUID Codes (limits), with support from DFAS as their service provider. DFAS is responsible for reconciling the totals of all OUIDs (limits) to Treasury.

C. Users can access GWA Account Statement information at the Department Level and can view both a daily Accounting View (Dynamic) and a monthly Published View (Static) of their account balances and supporting transactions (see ***GWA-fact-sheet***). The SOD application receives a daily transmission from CARS. This daily transmission allows BFS to provide more up-to-date information to FPAs. Deposit data and agency statements of transactions are updated daily in CARS; for these items, the FPAs are receiving daily reconciliation information from the GWA Module. This enables the FPAs to identify and correct differences earlier, sometimes before closing the monthly processing. More information about the SOD and detail support listings is available at the Treasury's website.

020808. Treasury Budget Clearing (Suspense) Accounts

A. According to I TFM 2-1500, Section 1520.25, BFS established clearing accounts to temporarily hold unidentifiable general, special, or trust fund collections that belong to the Federal Government until they are classified to the proper receipt or expenditure accounts by the Federal Entity.

B. Effective FBWT reconciliations include clearing amounts recorded in Treasury budget clearing accounts (suspense) in a timely manner (see paragraphs 020804, 020805, and 020806). On behalf of the Components, DFAS must be able to provide:

1. A list of individual vouchers and dollar amounts that comprise/equal the difference between Treasury, disbursing system activity and accounting system trial balance amounts for monthly reconciliations;

2. Vouchers for all activity posted to the Suspense Accounts for auditor-selected sample items for monthly reconciliations;

3. A list of journal vouchers (JVs) and dollar amounts (by Component) that comprise/equal suspense account amounts at year-end; and

4. JVs and supporting voucher documentation that demonstrates the voucher was mapped to the appropriate Component to support requests samples drawn by auditors.

020809. Requirement for Written Procedures

Components must ensure that they have up to date written SOPs and other forms of process documentation (e.g., narratives and process maps), in accordance with the MIC Program, to direct and document the proper reconciliation processes. SOPs must also include evidence of dated supervisory review and approval certifying that it is current and accurate. In the written procedures, Components must require the practice of segregating the journal entry for unsupported undistributed amounts from the journal entry for the undistributed amounts that can

be supported. This practice is essential for efficient cash reconciliation management and for audit support and measurement. For example, if the total undistributed amount is 95 percent supported and 5 percent not supported, then record two journal voucher entries to segregate the amounts.

020810. Documentation Requirements to Support Auditability

While complying with the operational requirements previously described, Components must develop and maintain supporting documentation that is readily available to provide an audit trail and support accomplished reconciliations and resulting adjustments. Such documentation must be available for auditors and management for proper oversight.

020811. Expenditure and Receipt Accounts Annual Review

DFAS must review all expenditure and receipt accounts reported by the Treasury at least annually to determine if the accounts are valid. DFAS must work with Treasury to remove invalid and unused accounts from Treasury reports/systems on an annual, or as needed basis.

020812. FBWT Reconciliation Quarterly Scorecard

A. Treasury BFS provides a Quarterly Scorecard to all CFOs of Federal Agencies (see I TFM 2-3100, 3175.50 and Appendix 10).

B. This scorecard focuses on FBWT reconciliation metrics from the disbursing operations perspective. This Quarterly Scorecard reflects agencies' performance in compliance with the following BFS financial reporting standards. Accuracy, timeliness, and checks issued comparison are the three reporting standards. The Treasury uses a traffic light grading system. For example, agencies score "green" if they successfully met all standards, "yellow" if they met some, but not all standards, and "red" if they have not met any of the standards based on the criteria outlined in the scorecard.

C. The Office of the Under Secretary of Defense (Comptroller) requires each DSSN to explain the cause of each discrepancy, corrective action taken to address the discrepancy, when the discrepancy will be corrected, and what processes are in place to prevent similar discrepancies in the future.

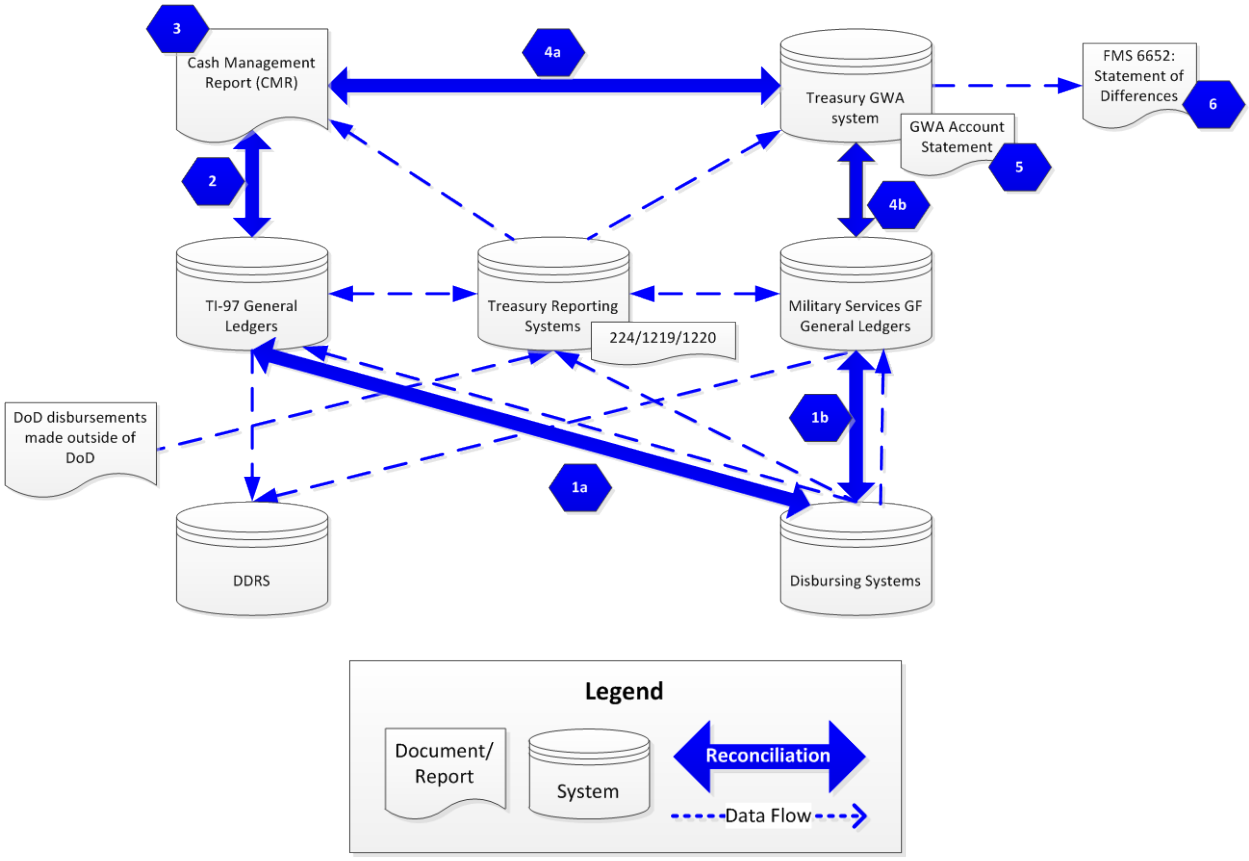
*TABLE 2-1: FBWT Relationship between the SBR and the Balance Sheet

Example Financial Event	SBR Impact	Balance Sheet – FBWT Impact	Transaction-Level Detail Required
Appropriation Received	Increase to Appropriation	Increase to FBWT	Funding document (e.g., FAD, warrant)
Rescissions	Increase to Permanently not Available	Decrease to FBWT	Funding document (e.g., FAD, warrant)
Unfilled Customer Orders Received with Advance	Increase to Unfilled Customer Orders Received with Advance	Increase to FBWT	MIPR
Collection	Increase to Actual Offsetting Collections	Increase to FBWT	Voucher/ Summary Interfund Bill Number
Disbursement	Increase to Gross Outlays	Decrease to FBWT	Voucher/ Summary Interfund Bill Number
Clearing of Suspense Account Disbursement Transaction (and posting to a valid appropriation account and obligation)	Increase to Gross Outlays	Decrease to FBWT	Voucher/ Summary Interfund Bill Number
Clearing of Suspense Account Collection Transaction (and posting to a valid appropriation account and obligation)	Increase to Actual Offsetting Collections	Increase to FBWT	Voucher/ Summary Interfund Bill Number

TABLE 2-2: DoD Component Treasury Assigned Account Number for DWCF

DoD Component	Treasury Assigned Account Number
Army	097X4930.001
Navy	097X4930.002
Air Force	097X4930.003
Defense Commissary Agency	097X4930.004
Defense Agencies	097X4930.005

*Figure 1. Critical Areas to Focus on to Address FBWT Risks



	Key Control Point	Is there a process in place to: Reconcile and identify differences at the transaction-level?	Age, research, and resolve differences identified?	Record temporary journal voucher in DDRS?
1	a. *Disbursing Systems to Accounting Systems:* Reconcile TI-97 General Ledgers to Disbursing Systems daily (TI-097 only)			
	b. *Disbursing Systems to Accounting Systems*: Reconcile Military Services GF General Ledgers to Disbursing Systems daily			
2	*Differences between Accounting Systems and CMR:* Reconcile CMR to General Ledgers monthly (TI-097 only)			
3	*CMR Undistributed Transactions:* Research and resolve undistributed differences identified on the CMR monthly			
4	a. *CMR to Treasury Differences:* Reconcile CMR to Treasury GWA Account Statement monthly (TI-097 only)			
	b. *Differences between Accounting Systems and Treasury:* Reconcile Military Services GF General Ledgers to GWA Account Statement			
5	*Suspense Accounts:* Research and resolve activity identified in budget clearing accounts (suspense) on Treasury GWA Account Statement monthly			
6	*Statements of Differences:* Research and resolve differences identified on the FMS 6652: Statement of Differences monthly			

VOLUME 4, CHAPTER 2, ANNEX 1: "SUPPORTING FUND BALANCE WITH TREASURY BALANCES BROUGHT FORWARD"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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

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

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

This is the initial publication.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Added annex to describe approach to address Fund Balance with Treasury beginning balances.	Addition

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*ANNEX 1

SUPPORTING FUND BALANCE WITH TREASURY BALANCES BROUGHT FORWARD

A01 GENERAL

After complying with the Fund Balance with Treasury (FBWT) reconciliation requirements described in Chapter 2, including fully reconciling accounting systems to the Treasury monthly and implementing a process to identify, track, and resolve differences on a monthly basis, Components must follow this annex to reconcile and support FBWT balances brought forward (i.e., beginning balances). The approach described in this annex and the resulting permanent adjustment may be used only once. This annex identifies the Components as having the responsibility to follow the approach. However, the Defense Finance and Accounting Service (DFAS), as the Component's accounting Service Provider, will perform the steps described on behalf of the Components (DFAS' customers), unless the customer elects to perform the analysis.

A02 APPROACH TO SUPPORT FBWT BALANCES BROUGHT FORWARD

All Components must follow Steps 1 through 4 described in this section. Those Components that can reconcile FBWT at the voucher-level and maintain related supporting documentation to support 99 percent of its Treasury's Government-wide Accounting (GWA) system account statement balances brought forward do not proceed past Step 4. Those Components who are unable to fully reconcile and/or support its FBWT transaction level detail to obtain 99 percent coverage must complete Steps 5 through 8.

A0201. Step 1

Perform aging analysis.

A. Per the Financial Improvement and Audit Readiness (FIAR) Directorate ***FIAR Guidance,*** Components must perform an aging analysis over the total value of its open appropriations (i.e., unexpired and expired appropriations) as of September 30, 2014, and each fiscal year end thereafter until they can demonstrate that they comply with FBWT reconciliation requirements described in Chapter 2 (see paragraph 010202). This will enable the Component to identify the number of prior fiscal years (FYs) it will need to perform monthly FBWT reconciliations at the voucher-level and provide supporting documentation for to support 99 percent of its FBWT balances brought forward.

B. Components must obtain the net detailed activity (authority, transfers, gross disbursements, and offsetting collections) of all open appropriations with balances in the FBWT account for the fiscal years of initial appropriation from the GWA system account statements and summarize the information into the following table. Note that no-year (or "X-year") appropriations must be identified separately from the single- and multi-year appropriations for each FY.

Table 1. FBWT Aging Analysis Template

Initial Appropriation Fiscal Year	Balance @ 9/30/2014 of Open Appropriations	% of Total Appropriations Balance
2014		
2013		
2012		
2011		
2010		
2009		
2008		
2007		
2006		
2005		
No-Year		
Total		**100.0%**

C. Components executing Treasury Index (TI) 097 funds will not be able to obtain the detailed activity information at the Organization Unique Identifier Code (OUID, that is, limit) level from the GWA system account statements, since they are at the Treasury Account Symbol (TAS or appropriation) level. Instead, those Components, with support from DFAS, must obtain that detailed activity information from the Defense Departmental Reporting System-Budgetary to perform the aging analysis. DFAS will perform a DoD-wide consolidated aging analysis at the TAS level using the GWA system account statement for TI 097 funds.

D. Once Components have performed the aging analysis and summarized their open appropriations, they need to determine how many years of performing monthly FBWT reconciliations and providing supporting documentation are necessary to support at least 99 percent of their FBWT balances brought forward.

E. If no-year appropriations need to be included to reach the 99 percent coverage of the Component's total open appropriations, then Components need to assume a requirement to provide five years of historical supporting documentation for that portion.

F. As a notional example, a completed aging analysis and summary of open appropriations is found in the following table.

Table 2. Notional Example of Completed Aging Analysis

Initial Appropriation Fiscal Year	Balance @ 9/30/2014 of Open Appropriations	% of Total Appropriations Balance
2014	$100,000,000,000	67%
2013	$30,500,000,000	20%
2012	$7,200,000,000	5%
2011	$2,600,000,000	2%
2010	$3,000,000,000	2%
2009	$2,050,000,000	1%
2008	$130,000,000	0%
2007	$16,000,000	0%
2006	$4,000,000	0%
2005	$0	0%
No-Year	$4,500,000,000	3%
Total	**$150,000,000,000**	**100.0%**

G. To obtain coverage over at least 99 percent of its FBWT balances brought forward, the Component would need to perform monthly FBWT reconciliations and provide supporting documentation going back to FY 2010 for all activity, regardless of the initial appropriation year. The Component would also need to provide five years of historical supporting documentation for the no-year appropriations since that is necessary to obtain 99 percent coverage.

A0202. Step 2

Adhere to FBWT reconciliation requirements in Chapter 2.

A. Components and DFAS must comply with the FBWT reconciliation requirements defined in Chapter 2 before proceeding with the additional steps in this annex. This includes performing monthly FBWT reconciliations at the voucher-level; identifying, aging, and resolving any reconciling differences; and supporting the voucher-level detail with documentation.

B. Components and DFAS must ensure they have a process in place to address each of these critical areas to address FBWT risks, as shown in Figure 1.

A0203. Step 3

Identify initial audit period, and perform monthly FBWT reconciliations and test supporting documentation for prior fiscal years.

A. Components must identify the year they first plan to undergo a financial statement audit, and count back from that date using the number of years identified in the aging analysis in Step 1. This allows Components to determine their period start date to establish auditable beginning balances for FBWT.

B. Components and DFAS must perform monthly FBWT reconciliations at the voucher-level beginning with the date they have reached full compliance with Chapter 2, and work back progressively through each fiscal year needed to obtain 99 percent coverage of its FBWT balances brought forward.

C. See Chapter 2 for details on what must be included in the monthly reconciliations.

D. After completing monthly FBWT reconciliations at the transaction level, Components and DFAS must then perform discovery testing of appropriations, transfers, disbursements, collections and adjustments (including journal vouchers) to the FBWT accounts, working back progressively through each fiscal year needed to support the FBWT brought forward balance to verify their ability to provide supporting documentation.

E. Supporting documentation must include, at a high level, third party documentation, system reports, Treasury documentation, and reconciliations. Specific examples of supporting documentation that may be available to support FBWT balances brought forward are presented in the Fund Balance with Treasury and Balances Brought Forward sub-sections of Section 5 of the FIAR Guidance.

F. Supporting documentation must exist in support of all open FBWT account balances back to the year of initial appropriation. For audit readiness purposes, Components are only required to demonstrate 99 percent coverage of beginning balances.

G. For the notional example presented in Step 1, the Component and DFAS would be expected to perform monthly FBWT reconciliations at the transaction level and testing of transaction level detail for FYs 2014 through 2010.

A0204. Step 4

Assess ability to perform monthly FBWT reconciliations and provide supporting documentation to obtain 99 percent coverage of FBWT balances brought forward.

A. After Components and DFAS are able to perform monthly FBWT reconciliations at the transaction level and provide supporting documentation for all prior fiscal years to obtain 99 percent coverage of its FBWT balances brought forward, then they must continue to adhere to the FBWT requirements described in Chapter 2.

B. If Components and DFAS determine they have reached the point where they are unable to perform monthly FBWT reconciliations at the transaction level or provide supporting documentation, or it is not cost effective to do so, for all years and accounts required to obtain 99 percent coverage, they will need to proceed with the next steps in the approach.

A0205. Step 5

Perform gap analysis.

Components and DFAS must perform a gap analysis to identify the portions of FBWT balances brought forward, by appropriation year, which they are unable to support. An example of how Components and DFAS may report on their gap analyses is depicted in the following table.

Table 3. Notional Example of Completed Gap Analysis

Initial Appropriation Fiscal Year	Balance @ 9/30/2014 of Open Appropriations	Unsupportable Balance $	Unsupportable Balance %
2014	$100,000,000,000	$4,500,000,000	4.50%
2013	$30,500,000,000	$1,000,000,000	3.28%
2012	$7,200,000,000	$200,000,000	2.78%
2011	$2,600,000,000	$0	0.00%
2010	$3,000,000,000	$1,000,000	0.03%
2009	$2,050,000,000	N/A	N/A
2008	$130,000,000	N/A	N/A
2007	$16,000,000	N/A	N/A
2006	$4,000,000	N/A	N/A
2005	$0	N/A	N/A
No-Year	$4,500,000,000	N/A	N/A
Total	**$150,000,000,000**	**$5,701,000,000**	**3.80%**

A0206. Step 6

Prepare package to the Office of the Under Secretary of Defense (Comptroller) (OUSD(C)) FIAR to seek approval and justify need for posting a permanent adjustment to balance to Treasury.

A. Once Components and DFAS have determined the total amount of their unsupportable FBWT balances brought forward, they will need to prepare a package to submit to OUSD(C) FIAR to seek approval and justify the need for posting a permanent adjustment in the Component's accounting system(s) to correct the FBWT balances brought forward amount and balance to Treasury.

B. The package must include the following to demonstrate that Components and DFAS have followed the approach described in Steps 1 through 5, and have exhausted measures to support their FBWT balances brought forward:

1. Aging analysis of open appropriation balances by appropriation fiscal years from Step 1.

2. Determination of the appropriation fiscal years that Components intend to seek support for in order to gain coverage over 99% of their FBWT balances brought forward.

3. Results of monthly transaction level FBWT reconciliations performed in Step 3.

4. Results of transaction level detail testing performed in Step 3.

5. Balances identified as unsupportable and proposed adjusting journal vouchers from Step 5.

6. Description of process and controls in place that demonstrate compliance with Chapter 2.

A0207. Step 7

Post permanent adjustment in accounting system.

A. After obtaining OUSD(C) FIAR's approval, the Components and DFAS must post a permanent adjustment in the Components' accounting system(s) to adjust for unreconciled differences with the Treasury. This permanent adjustment must bring the unsupported balance to zero.

B. The Components and DFAS must ensure all negative unliquidated obligations and unmatched disbursements are resolved and in-transits are accounted for before posting the adjustment. See Volume 3, Chapter 11 for additional details.

C. The journal entry for this adjustment follows U.S. Government Standard General Ledger (USSGL) – A ***Treasury Financial Manual Supplement*** accounts transactions B102 (Budgetary only), D304, and D306 (Proprietary only). The example assumes that the balance in the accounting system is greater than what Treasury has reported. If the accounting system balance is less than what Treasury has reported, reverse the journal entry.

Budgetary Entry

DR 465000 Allotments – Expired Authority (or use 461000 if Unexpired Authority)
CR 490200 Delivered Orders – Obligations, Paid

Proprietary Entry

DR 310500 Unexpended Appropriations – Prior Period Adjustments Due to Corrections of Errors – Years Preceding the Prior Year
DR 740500 Prior Period Adjustments Due to Corrections of Errors – Years Preceding the Prior Year
CR 101000 Fund Balance with Treasury
CR 570500 Expended Appropriations - Prior Period Adjustments Due to Corrections of Errors - Years Preceding the Prior Year

D. No guidance in this chapter must be construed as authorizing a delay in (1) the recording of an executed obligation or (2) the requirement to conduct an investigation of a potential violation of the Antideficiency Act that results from any action other than the sole requirement to post this adjustment.

A0208. Step 8

Adhere to FBWT reconciliation requirements in Chapter 2.

A. The Components and DFAS must continue to adhere to the FBWT requirements described in Chapter 2.

B. If reconciling items are identified during the monthly FBWT reconciliations (subsequent to recording the adjustment in step 7) that relate to appropriations and fiscal years included in the adjustment made in Step 7, then the Components and DFAS must notify OUSD(C) FIAR and post a journal entry to offset the adjustment made in Step 7.

Budgetary Entry
DR 490200 Delivered Orders – Obligations, Paid
CR 465000 Allotments – Expired Authority (or use 461000 if Unexpired Authority)

Proprietary Entry
DR 101000 Fund Balance with Treasury
DR 570500 Expended Appropriations - Prior Period Adjustments Due to Corrections of Errors - Years Preceding the Prior Year
CR 310500 Unexpended Appropriations – Prior Period Adjustments Due to Corrections of Errors – Years Preceding the Prior Year
CR 740500 Prior Period Adjustments Due to Corrections of Errors – Years Preceding the Prior Year

C. Components and DFAS must ensure they have a process in plan to address each of these critical areas to address FBWT risks, as shown in Figure 1.

VOLUME 4, CHAPTER 3: "RECEIVABLES"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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

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

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

The previous version dated June 2014 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Revised debt thresholds to agree with the Deputy Chief Management Officer's Delinquent Debt Management Guidance.	Revision
030102	Deleted clause in definition of accounts receivable that was not consistent with Federal Accounting Standards Advisory Board.	Deletion
030201.B	Added sentence related to not recognizing fiduciary accounts receivable as defined in Statement of Federal Financial Accounting Standards 31.	Addition
030207	Added definition of out-of-service debt.	Addition
030212.A	Revised to proper Code of Federal Regulations citation.	Revision
030304	Added reference to Volume 1, Chapter 9 for information related to records retention.	Addition
030308	Changed priority of payment application per Treasury.	Revision
030309	Added requirement to use the Department of Defense Standard Chart of Accounts within the Department.	Addition
030310	Added detail on "proper" internal controls.	Addition
030311	Added discussion of errors detected that were originally recorded in a prior year.	Addition
030317	Removed entire paragraph due to inconsistency with Generally Accepted Accounting Principles.	Deletion
030318 (now 030317)	Removed requirement to transfer aged suspense account balances to a miscellaneous receipt account.	Deletion
030404.E	Addressed recording of refunds for budgetary report purposes per the Office of Management and Budget Circular A-11.	Addition

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
030405.A	Added required contents of a demand letter to align with Treasury requirements.	Addition
030405.E	Added reference to the Digital Accountability and Transparency Act of 2014 which requires the referral of valid and legally enforceable delinquent public receivables over 120 days old to Treasury for further collection action.	Revision
030405.E.1	Removed the exception for collection on state and local government debt to align with Treasury.	Deletion
030407.A	Removed references to booking obligations for debt write-offs which was not consistent with proper posting logic.	Deletion
030503	Provided reference to Chapter 9 for description of title passing on contractual agreements.	Addition
030504.C	Added requirement to research reasons why obligations are not recorded timely.	Addition
030506.A.5	Revised to require the use of prior period adjustments for material receivables needing reversal in the current period.	Revision
030506.B.4	Revised intragovernmental balance dispute process to align with Treasury's process.	Revision
030506.C.4	Added the stipulation that budgetary resources for Nonappropriated Fund Instrumentalities cannot be recognized until the account receivable is paid	Addition

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CHAPTER 3

RECEIVABLES

0301 GENERAL

030101. Purpose

The purpose of this chapter is to issue policy for the recognition, recording, and reporting of public and federal (hereafter referred to as intragovernmental) accounts receivable. Additionally, this chapter addresses the recognition, recording, and, if not collected, eventual write-off and close-out of public receivables or the recording and adjusting/correcting of intragovernmental receivables. Annexes to this chapter address procedures for the interest, penalties, and administrative charges (Annex 1); and breakeven analysis (Annex 2).

*030102. Authoritative Guidance

Receivables must be recognized when corresponding revenue is earned. The Statement of Federal Financial Accounting Standards ***(SFFAS) 1***, "Accounting for Selected Assets and Liabilities," requires that receivables be recognized when a federal entity establishes a claim to cash or other assets against other entities either based on legal provisions, such as a legislative requirement, a payment due date, or goods or services provided. Further, SFFAS 1 requires that receivables from intragovernmental agencies be reported separately from receivables from public entities. Intragovernmental and public receivables are treated differently because of the different legal and administrative requirements and concepts that apply to them.

0302 DEFINITIONS

030201. Accounts Receivable

Receivables arise from claims to cash or other assets against another entity. At the time revenue is recognized and payment has not been received in advance, a receivable must be established. Receivables include, but are not limited to, monies due for the sale of goods and services and monies due for indebtedness. Examples of indebtedness to the Department of Defense (DoD) include overdue travel advances, Federal Employee Health Benefits paid while employee is in a leave without pay status, dishonored checks, fines, penalties, interest, overpayments, fees, rent, claims, damages, and any other event resulting in a determination that a debt is owed to the DoD. An accounts receivable is categorized as either an entity or non-entity accounts receivable in accordance with following guidance:

A. Entity Accounts Receivable. As defined by the SFFAS 1, entity accounts receivable are amounts that a federal entity claims for payment from other federal or non-federal entities and that the federal entity is authorized by law to include in its obligation authority or to offset its expenditures and liabilities upon collection.

* B. Non-Entity Accounts Receivables. As defined by the SFFAS 1, non-entity accounts receivable are amounts due to be collected by DoD on behalf of the United States (U.S.) Government or other entities, and the DoD is not authorized to use. Non-entity accounts receivable are reported separately from receivables available to the DoD (entity accounts receivables). Non-entity accounts receivable include governmental receipts and collections arising from the sovereign and regulatory powers unique to the Federal Government, (e.g., interest, penalties, income tax receipts, customs duties, court fines, and certain license fees). The DoD accounts receivable in canceled accounts are also non-entity receivables, because collections received after an appropriation cancels are deposited in the Department of the Treasury (Treasury) Account 3200, "Collections of Receivables from Canceled Accounts." Non-entity receivables are recorded as a receivable and a custodial liability. In addition, as defined in SFFAS 31, federal entities should not recognize Fiduciary assets, liabilities, and flows in their financial statements, but only disclose them in a note disclosure.

030202. Accounts Receivable Office

The Accounts Receivable Office (ARO) is the office responsible for the recording and reporting of receivables and can also be the office responsible for debt collection. In most, but not all cases, the ARO is located at a Defense Finance and Accounting Service (DFAS) site.

030203. Current (Non-Delinquent) Receivables

Non-delinquent debts are categorized as current and non-current assets. The portion of a non-delinquent debt that is scheduled to be collected in the next 12 months is recorded as current; the portion of a non-delinquent debt scheduled for collection after 12 months is recorded as non-current. The importance is to inform the DoD and Treasury of the expected cash flow/liquidity of the asset (i.e., current versus non-current assets).

030204. Allowance for Loss on Accounts Receivable

This amount is the estimated amount of public accounts receivables that will more likely than not be collected. An accounts receivable is more likely than not to be collected when there is a 50 percent or greater chance of loss.

030205. Close-Out (Applies to Public Debt Only)

Close-out is one of two accounting classifications for writing-off debt that indicate whether or not an agency will continue debt collection efforts after write-off. The ARO, in conjunction with the DoD Component Fund Holder, closes out a debt when it is determined that further debt collection actions are prohibited (e.g., a debtor is released from liability in bankruptcy) or there are no plans to take any future active or passive actions to try to collect the debt. Close-out may occur concurrently with the write-off of an account receivable or at a later date, depending on the collection strategy and the ultimate determination that the debt has been discharged. At close-out, DoD may be required to report to the Internal Revenue Service (IRS) the amount of the debt as potential income to the debtor on IRS Form 1099C, Cancellation of

Debt. Within DoD, the DFAS Tax Office (TO) is responsible for consolidating and issuing IRS Forms 1099C. Definitions for these offices are in paragraphs 030207, 030209, and 030220.

030206. Currently Not Collectible

Currently Not Collectible (CNC) is one of two accounting classifications for writing-off debt that indicate whether or not an agency will continue debt collection efforts after write-off. CNC is a category of debt that has been written-off on the DoD Component's financial statements, but cost effective debt collection efforts will continue to be taken by the cognizant Debt Collection Management Office (DCMO), Debt Collection Office (DCO), or Debt Management Office (DMO).

*030207. Debt Collection Management Office

The DCMO is the DFAS Office that services referred individual out-of-service debt. Out-of-service debt is uncollected debt from persons who left federal service prior to retirement. Debt for retirees must be referred to Office of Personnel Management. Refer to the Deputy Chief Management Officer's Enterprise ***Delinquent Debt Management*** for policy related to DCMO's collection efforts.

030208. Debt Collection Office

The DCO is the office responsible for initial debt collection actions and serving due process. The DCO refers to a general category of offices and includes, but is not limited to, the ARO, military and civilian payroll offices, and other organizational elements within the DoD Components that perform debt management/collection actions (e.g., personnel offices).

030209. Debt Management Office

The DMO is the DFAS office that refers vendor/contractor debt to Treasury for debts that are in litigation, bankruptcy, deferment, and/or have installment plans established.

030210. Delinquent Receivables

Delinquent accounts receivable are receivables that have not been paid by the date specified in the initial written demand for payment (i.e., invoice, demand letter, or other applicable agreement or instrument (including a post-delinquency repayment agreement)) unless other satisfactory payment arrangements have been made. Delinquency starts one day after the payment due date or other agreed upon date, depending on the agreement or instrument. If an installment agreement is provided and the payment is not made by the due date, then the entire balance of the receivable becomes delinquent from the original payment due date or other agreed upon date. If the payment is not made according to the agreed upon installment, then the full amount of the account and related interest and penalties, if any, are reported as delinquent. Delinquent debts are aged from the date of delinquency. A debt becomes delinquent when:

A. Payment has not been made by the payment due date, or by the end of the "grace period" as established in a loan or repayment agreement, as in the case of a debt being paid in installments. Date of delinquency is the payment due date.

B. Payment is not made by the due date specified in the initial billing notice, in the case of administrative debts such as fines, fees, penalties, and overpayments. The due date is usually 30 days after the notice is mailed. The date of delinquency is the date the billing notice or invoice is mailed or delivered.

030211. DoD Component

DoD Components include the Offices of the Secretary of Defense, the Military Departments, the Chairman of the Joint Chiefs of Staff, the Combatant Commands, the Office of Inspector General of the Department of Defense, the Defense Agencies, the DoD Field Activities, and all other organizational entities in DoD.

030212. Due Process

Due process is the notice of indebtedness or opportunity provided the debtor to dispute the indebtedness. The Fifth Amendment of the U.S. Constitution provides that no person shall "be deprived of life, liberty or property without due process of law..." The minimum "due process" required is generally established by the statutes that authorize the use of a specified debt collection tool or by implementing regulations. In the context of federal debt collection, the constitutional right of "due 'process" requires the debtor be provided with notice of, and the opportunity to dispute, a debt or intended debt collection action.

* A. A notice of indebtedness constitutes a demand letter as defined by Title 31, Code of Federal Regulations ***(CFR) Section901.2***. The Federal Claims Collection Standards require a demand letter to include the elements identified in Appendix I of the DoD Delinquent Debt Management Guidance**.**

B. Notice of indebtedness must include the amount and type of debt owed, and the actions to be taken by the DoD Component to collect the debt, such as adding interest and late charges, offset or garnishment, foreclosure of collateral property, and credit bureau reporting.

C. Opportunity to dispute the debt or the adverse collection action to be taken includes, at a minimum, an opportunity for the debtor to challenge (1) the existence of all or part of the debt, and/or (2) whether the statutory or regulatory prerequisites have been met for using the collection action mentioned in the notice.

030213. Foreign Government Debt Management Office

The Foreign Government Debt Management Office (FGDMO) is the DFAS office that services referred non-Foreign Military Sales (Non-FMS) foreign government debt.

030214. Intragovernmental Receivables

Intragovernmental receivables are claims of a federal entity against other federal entities. Intragovernmental receivables are either within DoD (e.g., a Service (Army)) or outside DoD (e.g., General Services Administration).

030215. Non-Current Non-Delinquent Receivables

Non-current non-delinquent receivables are non-delinquent accounts receivables that will not become due within 12 months after the receivable is established.

030216. Non-Delinquent Receivables

Non-delinquent receivables are accounts receivable that have not been billed or are not due under the contract or billing document pertaining to the receivable. This also includes rescheduled receivables and receivables under an installment agreement.

030217. Public/Non-Federal Receivables

Public/non-federal receivables are claims of a federal entity (e.g., DoD) against non-federal entities. The term "public/non-federal entities" encompasses domestic and foreign persons and organizations outside the U.S. Government, including Nonappropriated Fund Instrumentalities (NAFIs) for purposes of processing receivables. Examples are: salary/travel overpayments; overpayments to contractors/vendors due to duplicate and erroneous billings; incorrectly computed invoices; non-FMS foreign government fuel purchases; contract default; amounts due for items rejected or returned; and amounts due on payments for contractual services such as rent, insurance, and transportation purchased, where such contracts are canceled and adjustments are made for the unused portion.

030218. Reimbursements

Reimbursements are amounts earned and collected for materials sold or services furnished as a result of a reimbursable agreement.

030219. Rescheduled Receivables

Rescheduled receivables are receivables that have been subject to rescheduling, forbearance, re-amortization, or any other form of extending the future of the original payment(s) or payment due dates.

030220. Tax Office

The Tax Office is the office that prepares the IRS Form 1099C for reporting to IRS closed-out, uncollected, public vendor, contractor, and individual debt.

030221. Trading Partners

Trading Partners collectively refers to the requesting agency (buyer) and the providing agency (seller) involved in intragovernmental transactions.

030222. Treasury Report on Receivables

The ***Treasury Report on Receivables (TROR)*** is a quarterly report of public receivables prepared in compliance with the Treasury guidance. It provides a means for collecting data on the status and condition of the total receivable portfolio from public sources. See section 0306 for additional information.

030223. Write-off of Receivables

Write-off is an accounting action that results in removing a non-federal (public) receivable from the DoD Component's financial accounting records/financial statements. In accordance with Office of Management and Budget ***(OMB) Circular A-129***, "Policies for Federal Credit Programs and Non-Tax Receivables", when a receivable is written-off, it must be classified as CNC or closed-out. Receivables that are classified as CNC must be maintained in an inactive administrative file and reported on the TROR until the receivable is closed-out. See paragraph 030407 for additional guidance on write-off of receivables.

0303 RECEIVABLES POLICY AND PROCEDURES

030301. General

A. A receivable must be established when payment is not received in advance or at the time revenue is recognized. Receivables must be recorded when earned from the sale of goods and services or when an event results in the determination that a debt is owed to DoD. Accounting records for receivables must be maintained so that all transactions affecting the receivables are included in the reporting period of occurrence. There must be immediate recording of events not previously recorded due to error or oversight. The requirements for recording and reporting errors are detailed in Chapter 15.

B. DoD Components may recognize accounts receivable and unfilled orders without an advance as valid budgetary resources when such receivables or unfilled orders are from federal entities. Absent statutory authority, components may not recognize accounts receivable and unfilled orders without an advance as valid budgetary resources when such receivables or unfilled orders are from public/non-federal entities.

030302. Advance Payments

A. In general, an advance payment is required for orders from the public, including state and local governments, except for fuel, as the sale of petroleum products to the public is covered by fuel purchasing agreements. The order must be accompanied by an advance equivalent to the actual or estimated cost of goods and services, except for: cross-servicing agreements with foreign governments (see also Volume 11A, Chapter 8, "International Acquisition and Cross-Servicing Agreements,") as described in subparagraph 030302.C, emergency medical care at military treatment facilities, natural disasters (DoD Directive ***3025.18***, "Defense Support of Civil Authorities"), immediate wartime requirements Title 10, U.S. Code, Section 2201 (***10 U.S.C. § 2201***), and in certain instances, NAFIs**.** If amounts are sufficient, Military Departments may use their own appropriated fund budgetary resources to perform a reimbursable order for a NAFI without an advance. However, they may not recognize budgetary resources for the order until the account receivable is paid. An advance payment from foreign governments for Foreign Military Sales (FMS) is held and recorded in the FMS Trust Fund or investment accounts that can be drawn on to meet the foreign government's FMS obligations.

B. The Department has statutory authority to record a budgetary resource for non-federal orders without an advance for work performed under the provisions of ***22 U.S.C. § 2767***, "Authority of President to Enter into Cooperative Projects with Friendly Foreign Countries." Components must request approval from the Office of the Under Secretary of Defense (Comptroller) (OUSD(C)) in advance of accepting the order(s) and recording the budgetary resource. The OUSD(C) will coordinate with OMB to ensure the resulting budgetary entries will be accepted within federal-wide accounting and reporting systems.

C. Additional information regarding budgetary resources may be found in Volume 3, entitled "Budget Execution – Availability and Use of Budgetary Resources," and in the Glossary. See Volume 11B, Chapter 11 and Volume 4, Chapter 5 for Defense Working Capital Funds' policy on receipt of advances on orders from non-federal entities.

030303. Sales of Goods and Services

Intragovernmental materials sold or services furnished must be authorized and documented in a support agreement between the provider and the ordering entity. The cost of the materials or services is first initiated by the activity providing the materials or performing the services (performer.) The activity receiving the materials or services (ordering entity or customer) pays the performing activity. Uncollected amounts earned from reimbursable sales are recorded as accounts receivable.

*030304. Recording of Receivables

In accordance with paragraph 030301, receivables shall be recorded in the applicable accounting system during the month the receivable occurs. DCOs must ensure that the appropriate ARO is advised that a receivable is to be established in the applicable accounting system. DCOs will provide the ARO with signed copies of indebtedness notices and other appropriate documentation to support entries in the accounting system and will provide the status of the debt which includes: beginning debt balance, collections, adjustments, current ending balance and

notice of discontinuance of collection efforts. Supporting documentation will be maintained in the applicable accounting system. See Volume 1, Chapter 9 for records retention.

030305. Collection of Receivables

A. The collection of receivables must be aggressively pursued for amounts due from DoD Components, federal agencies, and the public. The due date for a receivable normally is 30 days from the date of invoice, demand letter, or notice of payment due; unless a specific due date is established by statute, contract provision, or notice of indebtedness. Collection actions must be initiated when payment becomes due.

B. Funds must be collected in the appropriation that earned the funds, or in the case of a refund, into the appropriation from which the excess payment was made, unless otherwise specified by law. Examples of applicable legal provisions include, but are not limited to:

1. In accordance with ***42 U.S.C. § 2651***, amounts recovered from a liable third-party or insurer due to a service member's injury or disease will be credited to current operating funds as follows:

a. Amounts recovered for hospital, medical, surgical, or dental care and treatment will be credited to the current operating funds of the facility or activity that provided the care and treatment.

b. Amounts recovered for loss of the service member's duty will be credited to current operating funds of the command, activity, or unit to which the service member was assigned at the time of the injury or illness.

2. In accordance with ***10 U.S.C. § 1095***, collection from third parties for medical services provided shall be recorded against the year in which the collection is received regardless of year service was provided.

C. Any collections including refunds received after an appropriation cancels must be deposited in Treasury Account 3200, "Collections of Receivables from Canceled Accounts. See paragraph 030312 for additional guidance on accounts receivable and canceled appropriations.

030306. Allowance Account and Aging

A. An allowance for uncollectible accounts receivable due from the public must be estimated and recorded per paragraph 030406.

B. No allowance for uncollectible accounts will be recorded for intragovernmental receivables, non-loan interest, penalties, and administrative charges.

C. The AROs (on behalf of the DoD Components) must age delinquent accounts receivable within the accounting system.

D. Aging of receivables (delinquency) starts one day after the due date for both public and intragovernmental (within and outside DoD) receivables. See Figure 3-1.

030307. Interest Receivable

Interest accrues from the first day of delinquency and is added to the outstanding principal receivable balance within the accounting system when an amount due is not received by the due date or other agreed upon date. An interest receivable must be recorded for the amount of interest income earned but not received for an accounting period. An interest receivable must be recorded as it is earned on investments in interest-bearing securities. Interest also must be recognized on outstanding accounts receivable against persons and entities in accordance with provisions in ***31 U.S.C. § 3717***. Until the interest payment requirement is officially waived by the government entity or the related debt is closed-out, interest will accrue. Note, however, that debts owed by any federal agency are exempt from interest, penalty, and administrative charges. Interest receivable is considered a non-entity receivable. See Annex 1 for procedures regarding interest, penalties, and administrative charges.

*030308. Payment Application

When a debt is paid in partial or installment payments, amounts received will be applied first to contingency fees, second to outstanding penalties, third to administrative charges, and fourth to interest per Federal Claims Collection Standards, ***31 CFR § 901.9(f)*** and lastly to principal.

*030309. General Ledger Accounting

Information on receivables must be developed, maintained, and reported using the United States Standard General Ledger (USSGL) accounts depicted in Volume 1, Chapter 7. The first six digits of the accounts receivable general ledger account must conform to the USSGL chart of accounts. DoD requires the use of the DoD Standard Chart of Accounts (SCOA). The DoD SCOA and accounting transactions for collections and receivables are outlined in the DoD USSGL Transaction Library are located at the Standard Financial Information Structure ***(SFIS)*** site.

*030310. Internal Controls

The basic standards for internal controls prescribed in ***DoD Instruction (DODI) 5010.40***, "Managers' Internal Control (MIC) Program Procedures," must be adhered to in establishing and collecting receivables.

A. Major categories of receivables must be maintained to facilitate clear and full disclosure of accounts receivable, e.g., disclose the debtor, the amount, the age, and the type of debt. Subsidiary records must be reconciled to the control accounts on at least a monthly basis.

B. Proper internal controls require the accurate and timely recording of transactions (refer to paragraph 030301), appropriate documentation and retention (refer to paragraphs 030223, 030407 and 030505), appropriate authorization (i.e. executed only by persons acting within the scope of their authority) and appropriate management.

C. Additionally, the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions, and handling any related assets must be separated so that no one individual controls all key aspects of a transaction or event (e.g., a technician responsible for creating cash or check due transactions cannot also be responsible for collecting cash or checks), must be maintained.

D. Each DoD Component must develop and implement internal operating procedures and/or guidance to implement this overarching policy in a manner that ensures accurate, timely, and relevant reporting of financial data. Internal operating procedures must include a triannual review process for accounts receivable as described in Volume 3, Chapter 8. Relevant records supporting financial statements shall be maintained and made available during financial statement audits.

*030311. Erroneous, Invalid, and Unsubstantiated Accounts Receivables

During the triannual review, receivables must be reviewed for completeness, accuracy, and supportability. Abnormal or erroneous accounts receivable must be promptly researched and resolved. If at any time it is determined that a debt was never owed and should not have been classified as an accounts receivable, the accounting records must be adjusted. Return all funds collected to the debtor for unsubstantiated account receivable. For errors detected in the year the receivable was recorded, reverse the entry. For errors detected in subsequent fiscal years, record an entry in accordance with the requirements for recording and reporting errors in Chapter 15, paragraph 150601. If at any time a billing DoD Component does not have or cannot produce the evidence necessary to establish an accounts receivable and has not been able to obtain the voluntary repayment of the debt, the entries that established the accounts receivable will be reversed. Evidence necessary to establish an account receivable includes, but is not limited to, a duplicate payment voucher, contract reconciliation document, Department of Justice litigation report, an unpaid U.S. payment voucher, or demand letter. All erroneous, invalid, and unsubstantiated accounts receivable must be removed from the general ledger by reversing the existing entry if recorded in current year. See Chapter 14 if receivable was recorded in prior years. The reversing journal entry must be supported with all known evidence. The evidence obtained from research may identify internal control failures and/or process weakness with the recognition of accounts receivable. Any internal control failures and/or process weaknesses must be addressed and corrected.

030312. Canceled Appropriations

AROs must retain all outstanding receivables in the residual records even though an appropriation cancels. When the appropriation cancels, the collection of a receivable is recorded in Treasury miscellaneous receipt account 3200, "Collections of Receivables From Canceled Accounts." Appropriation cancellation does not relieve the DoD of the responsibility to pursue collection or recovery.

030313. Nonappropriated Fund Instrumentalities Receivables

Receivables from NAFIs must be recorded as transactions from the public. They must be included in the quarterly TROR. With the exception of individual debt, NAFI delinquent debt will not be referred to the DMO or to Treasury for collection assistance. Refer to Volume 13, Chapter 3 for guidance on NAFI debts.

030314. Foreign Military Sales Receivables

Receivables from the FMS Trust Fund (appropriation 11X8242) must be recorded as federal transactions. Other Security Assistance receivables, e.g., the Foreign Military Financing Program, Grants, and Funds Appropriated to the President (11*1082), must be recorded and reported as intragovernmental receivables. The FMS delinquent accounts receivable will not be referred to the DMO or to Treasury for collection assistance. See Volume 15, Chapter 5 for guidance on FMS receivables.

030315. Non-FMS Foreign Government Receivables

The ARO or FGDMO will initiate initial billings for non-FMS foreign government accounts receivable. The ARO will refer delinquent non-FMS foreign government accounts receivable to the FGDMO for additional billing and collection action when local efforts do not result in payment. Proper documentation must be included in the referral. The accounts receivable is established and maintained at the field site. Once collection is received from the foreign entity, the field sites are reimbursed to satisfy their accounts receivable. Refer to Volume 6A, Chapter 12 for further information on non-FMS foreign government receivables.

030316. Retention of Documentation

AROs and DCOs will maintain documentation to support actions taken on each accounts receivable. This includes, but is not limited to, documents supporting:

A. Establishing the receivable.

B. Due process requirements.

C. Research and resolution of abnormal or erroneous balances.

D. Reversal of entries establishing the receivable.

E. Termination, write-off and close-out of receivable.

F. Bankruptcy.

G. Installment payment plan.

*030317. Undistributed Collection Balances

Undistributed collection balances should be placed in Treasury budget clearing (suspense) accounts F3875 and F3885. These balances must be analyzed and reconciled monthly in the Financial Management System Form 224, Statement of Transactions, to ensure all collected amounts are properly credited to the proper appropriation and applicable accounts receivable accounts. For any suspense account, items or transactions more than 60 days old, investigate and document the reason why the transaction cannot be reclassified to the correct appropriation. All differences must be cleared within 60 days, with the exception of those suspense accounts that have been identified by Treasury as exempt from the 60-day requirement. Refer to Chapter 2 for the required investigatory procedures related to budget clearing account balances.

0304 PUBLIC RECEIVABLES

030401. General

Receivables due from the public are claims of the DoD, or an entity within the Federal Government, against non-federal entities, to include public entities, domestic and foreign persons and organizations outside the U.S. Government. Public receivables are also created from the sales of goods or services when an advance is not first received (advance payment exceptions are in paragraph 030302 or from refunds due to the DoD).

030402. Debt Collection Policies

The DoD policies for credit management and debt collection delineated in other volumes are:

A. Policies and procedures for collection of debt from individuals are in Volume 5, Chapter 28.

B. Policies and procedures for loss of funds cases are in Volume 5, Chapter 6. Accounts receivable that are the result of improper payments may require loss of funds investigations in accordance with Volume 5, Chapter 6 and have additional reporting requirements under the ***Improper Payments Elimination and Recovery Act of 2010 (IPERA)*** and Improper Payments Elimination and Recovery Improvement Act of 2012 ***(IPERIA)***. See Volume 4, Chapter 14 for additional guidance regarding IPERA and IPERIA reporting requirements.

C. Policies and procedures for salary offset to collect debts owed to the Federal Government by military members or civilian employees are in Volume 7A, Chapter 50, Volume 7B, Chapter 28, and Volume 8, Chapter 8. Volumes 7A, 7B, and 8 also address collection of child support, alimony, or commercial debts from the pay of military members or civilian employees through garnishment or involuntary offset.

D. Policies and procedures for collection of commercial or contractor debt are in Volume 10, Chapter 18. Additionally, the Federal Acquisition Regulation (FAR) Subpart 32.6, "***Contract Debts***," prescribes policies and procedures for ascertaining and collecting contract debts, charging interest on the debts, deferring collections, and compromising and terminating certain debts.

E. Policies for collection of debts from foreign countries are in Volume 6A, Chapter 12.

030403. Receivables from the Sale of Goods and Services to the Public

A. Upon receipt of a collection voucher, the ARO must record the collection in the accounting system and include it in the monthly reports (Standard Forms 1218, 1219, 1220 and 224) to Treasury. If an abnormal balance results from recording the collection, the ARO must research and resolve the abnormal balance.

B. The ARO must refer delinquent accounts receivable for further collection action as required by debt collection policy referenced in subparagraphs 030405.B and C.

030404. Refunds Receivable

Refunds to appropriations represent amounts collected from outside sources for payments made in error, overpayments, or adjustments for previous amounts disbursed. They must be directly related to previously recorded expenditures and are reductions to those expenditures. There is not a separate account for refunds receivable in the USSGL. Refunds receivable are treated as accounts receivable.

A. Examples of refunds receivable include, but are not limited to the following:

1. Salary overpayments.

2. Overpayments to commercial concerns due to erroneous billings, incorrectly computed invoices, or contract default.

3. Amounts due for items rejected or returned.

4. Amounts of recovery due on payments for contractual services, such as rent, insurance, and transportation purchased, where such contracts are canceled and adjustments made for the unused portion.

5. Amounts for advance payment of travel when the travel was canceled.

6. Amounts payable for “due U.S.” travel vouchers.

7. Amounts due from advance payments for contractual purposes.

8. Amounts due from employees on leave without pay for employee share of benefits (i.e., health insurance).

B. Non-DCO activities (e.g., contracting offices, Fund Holders) will notify the DCO that a debt exists. For contracting offices, guidance is contained in the FAR, Part 32, Contract Financing. DCOs must ensure the appropriate ARO is advised that a receivable is to be established in the applicable accounting system. Such notification must be made in the same accounting cycle that the debt is recognized.

C. Upon receipt of a collection voucher, the ARO must ensure that the collection is recorded in the accounting system and reported to Treasury. See sections 0306 and 0307 for additional guidance on reporting requirements. If an abnormal balance results from recording the collection, then the ARO will research and resolve the abnormal balance.

D. The ARO or DCO must refer delinquent accounts receivable for further collection action as required in subparagraphs 030405.B and C.

* E. OMB ***Circular A-11***, "Preparation, Submission, and Execution of the Budget," addresses the proper budgetary accounting for refunds in Section 20.10. Since refunds are the repayments of excess payments, the amounts are directly related to previous obligations incurred and outlays made against the appropriation. Refunds received are deposited to the credit of the appropriation or fund account charged with the original obligations.

030405. Collection Actions

Accounts receivable must be aged to allow for the management of collection actions.

* A. The due date for a receivable is normally 30 days from the date of invoice, demand letter, or notice of payment due unless a specific due date is established by statute, contract provision, or notice of indebtedness. The initial demand for payment, invoice, or demand letter must include a complete explanation of the debtor's rights and responsibilities, the basis of the indebtedness, the agency's intention to use various collection tools to collect the debt, additional charges (i.e., interest, penalties and administrative charges) that may be levied, and the name, work phone number, and address of an individual to contact within the agency to resolve the delinquency.

B. AROs or DCOs will refer valid and legally enforceable delinquent individual out-of-service debt of $25 to the DCMO for further collection action no later than 60 days after the payment due date.

C. AROs or DCOs will refer valid and legally enforceable delinquent vendor debt of $25 ($100 if vendor does not have a Taxpayer Identification Number) or more, comprised of principal, interest, administrative charges, and penalty, to the DMO for further collection action no later than 60 days after the payment due date. Multiple debts to the same vendor totaling $25 or $100 respectively, or more must be consolidated and referred to the DMO as one debt package.

D. Uncollected public vendor debt of less than $25 and individual out-of-service debt of less than $25 must be collected or written-off and closed-out within one year of delinquency in accordance with paragraph 030407. These debts shall not be referred to DMO or DCMO for further collection action unless mandated by public law.

* E. The DCMO or DMO will refer valid and legally enforceable delinquent public receivables over 120 days old to Treasury for further collection action in accordance with the Debt Collection Improvement Act of 1996 ***(DCIA)*** and the Digital Accountability and Transparency Act of 2014 ***(DATA Act)***. Refer to Volume 13, Chapter 3 for guidance on NAFI debts. Only those activities with specific authority will refer these aged debts to Treasury.

1. Exceptions to the requirement to refer debt to Treasury include debts or claims that: (a) are in litigation or foreclosure; (b) will be disposed of under an asset sales program within one year after becoming eligible for sale, or later than one year if consistent with an asset sales program (See OMB Circular A-129, section IV, paragraph 3 for additional information on the asset sales program); (c) have been referred to a private collection contractor for collection for a period of time approved by the Secretary of the Treasury; (d) will be collected under internal offset, if such offset is sufficient to collect the claim within three years after the date the debt or claim is first delinquent; (e) are foreign government debts; or (g) are NAFI debts.

2. The Treasury, after due process, returns uncollected public receivables to the sender (length of time varies based upon collection actions taken by Treasury).

3. Debts less than $100,000 that are referred to Treasury and later returned due to failure to collect may be terminated for further collection action by DCMO or DMO upon coordination with the appropriate Fund Holder. Debts of $100,000 to $500,000 that are referred to Treasury and later returned due to failure to collect may be terminated with Treasury's approval. Debts of $500,000 or more must be referred to the Department of Justice for approval to terminate collection action. See Volume 5, Chapter 28 and Volume 10, Chapter 18, for additional guidance regarding termination of collection action.

4. DCMO or the DMO will advise the ARO when the Treasury has returned a debt as uncollectible. The ARO will take appropriate actions to terminate collection action, write-off the receivable, and close-out the receivable, as applicable.

030406. Establishment of Allowance for Loss on Accounts Receivable

The ARO must record an allowance for loss on public accounts receivable in the general ledger, which will provide for reducing gross receivables by the amount of the estimated loss to their net realizable value.

A. SFFAS 1 states that losses on receivables should be recognized when it is more likely than not that the receivables will not be totally collected; the phrase "more likely than not" means more than a 50 percent chance of loss. The allowance for loss on accounts receivable must be re-estimated annually and when information indicates that the latest estimate

is no longer correct. Losses due to uncollectible receivables should be measured through a systematic methodology. The systematic methodology should be based on analysis of both individual receivables and groups of receivables as a whole. The allowance amount calculated for individual receivables and groups of receivables will be added together and will be the total amount for allowance for loss on accounts receivable.

1. Group of Receivables. To determine the loss allowance for receivables less than $100,000, separate the receivables into groups having similar risk characteristics. Receivables may be grouped by each delinquent age category greater than 60 days old, by category of debtor, by reason that gave rise to the receivable, or by geographic regions. The methodology used to determine the percentages will be based on the history of bad debt expense from the last three years. The determined percentages will be applied to the total amount in each category. The OUSD(C) may approve exceptions when abnormal circumstance skews the three year average.

2. Individual Receivables. Each receivable equal to or greater than $100,000 must be analyzed to determine the loss allowance. Loss estimation for each receivable will be based on: (a) the debtor's ability to pay, (b) the debtor's payment record and willingness to pay, and (c) the probable recovery of amounts from secondary sources, including liens, garnishments, cross collections and other applicable collection tools. DoD Components with a low number of receivables or a large number of small dollar receivables may lower the threshold. However, consistent methodology must be used from year to year.

B. In those instances when one DoD Component sub-allots funds to another DoD Component, the office executing the funds will be responsible for establishing the allowance for loss on accounts receivable.

C. The write-off of receivables must be processed through the allowance for loss on accounts receivable account. If the allowance account has been depleted as a result of write-off activity, then it must be immediately re-estimated and re-established.

030407. Write-off and Close-Out of Public Accounts Receivable

General provisions for write-off and close-out of public accounts receivable are established in OMB Circular A-129. Write-off is mandatory for public delinquent debt that has not been collected within two years of delinquency unless documented and justified to OMB in consultation with Treasury. See subparagraph 030405.D for guidance on write-off and close-out of vendor debts and individual out-of-service debts under $25.

* A. Write-off. The DCO must provide the ARO with documentation to support write-off of the receivable (regardless of amount) and also must provide the history of all research and debt collection efforts. When received, the ARO must immediately provide the documentation to the Fund Holder for concurrence for write-off and notify the DCO that the request for concurrence was sent. If the Fund Holder concurs, the ARO will write-off the debt. If the Fund Holder non-concurs or does not respond, then the following applies:

1. The Fund Holder must respond within 30 days of request for a write-off. If a response is not received within 30 days, the ARO will write-off the debt.

2. If non-concurring, the Fund Holder must provide the ARO with additional written evidence to enable the collection of the debt. The ARO will only make one additional attempt to collect (i.e., issue one additional demand letter).

3. If payment is not received after following outlined procedures, the ARO will write-off the debt. The ARO will notify the Fund Holder and the DCO that the debt was written-off.

B. Currently Not Collectible (CNC). Once the debt is written-off, it must either be classified as CNC or closed-out. Debts in CNC status are reported on the TROR and are still eligible for the Treasury's cross-servicing and offset programs.

1. Public debt will be classified as CNC only if the following criteria are met:

a. The vendor debt or the individual out-of-service debt is $25 or more.

b. All debt collection actions referenced in this chapter have been pursued.

c. It is cost effective to continue collection efforts.

2. CNC debt must be continuously reviewed and, as required, reclassified and closed-out.

3. When Treasury is able to collect on a receivable categorized as CNC and remits funds to DoD, the ARO will reverse the write-off, reestablish the receivable, and record the collection against the receivable.

C. Close-Out of Indebtedness. Debt write-off and close-out may occur at the same time, or close-out may follow write-off by a substantial period of time. When it has been determined that the debt is not collectible (e.g., returned from Treasury uncollected or further collection action would not be economically feasible), the DCO must notify the ARO. The ARO must notify the Fund Holder and request concurrence to close-out the debt. If the Fund Holder non-concurs or does not reply, the following applies.

1. The Fund Holder must respond within 30 days of request for close-out. If a response is not received within 30 days, then the debt must be closed-out.

2. If non-concurring, the Fund Holder must provide the ARO with additional written evidence to enable the collection of the debt. The ARO will only make one additional attempt to collect (i.e., issue one additional demand letter).

3. If payment is not received after following procedures in subparagraphs 030407.C.1 and 2, then the debt must be closed-out and the Fund Holder notified.

4. Once a debt has been closed-out, it cannot be reactivated, and the Federal Government cannot take any further administrative or legal action to collect the debt. The Federal Government, however, can accept voluntary repayment of the debt at any time. Once the Fund Holder has decided to close-out the debt, the ARO has primary responsibility for close-out actions and 1099C IRS reporting. Close-out for foreign government debts will be accomplished in accordance with Volume 6A, Chapter 12.

D. Tax Reporting. All closed-out uncollected individual, public vendor, or contractor debt will be forwarded to the DFAS-Columbus, DFAS Tax Office, Enterprise Solutions and Standards, Finance Mission Area, Attn: DFAS-JJFD/CO, PO Box 182317, Columbus, Ohio 43218-2317 for tracking, consolidation, and reporting. Data elements required by the Tax Office for consolidating and reporting the closed debts include:

1. Tax Identification Number.

2. Contractor Name.

3. Contractor Address

4. Country Code.

5. Date Account Closed.

6. Principal.

7. Interest.

8. Administrative Charges and Penalties.

9. Debt Reason Description.

10 Bankruptcy.

0305 INTRAGOVERNMENTAL RECEIVABLES

030501. Receivables Due From Federal Entities

Receivables due from DoD Components or other federal entities are intragovernmental receivables and must be reported separately from receivables due from public entities.

030502. Sales of Goods and Services.

A. Intragovernmental materials sold or services furnished must be authorized and documented in a support agreement between the provider and ordering entity. The cost of the materials or services is first initiated by the activity providing the materials or performing the services (seller). The activity receiving the materials or services (ordering entity or customer) pays the performing activity. Uncollected amounts earned from reimbursable sales are recorded as accounts receivable.

B. In contrast with orders from the public/non-federal entities without an advance, under the Economy Act DoD organizations with reimbursable authority may recognize a budgetary resource upon acceptance of funded reimbursable orders from DoD and other federal agencies, because customer agencies obligate their own budgetary resources (e.g., appropriations) at the time of order placement and acceptance. DoD organizations may incur obligations to fill such orders without requiring the customer to provide an advance payment and without burdening their own budgetary resources.

*030503. DoD Performing Entity Responsibilities

The performing entity must ensure that the cost and a liability (Delivered Orders-Unpaid) incurred for completed performance are promptly recorded as revenue and receivable (Reimbursements and Other Income Earned - Receivable) and must ensure the earned revenue amount is promptly charged and collected from the ordering entity. Refer to Chapter 9 for a description of how titles are passed on a contractual agreement, and when the revenue and receivable should be recorded. Ensure that transactions are recorded on a timely basis, in order for Treasury to perform intragovernmental eliminations. The performing entity will:

A. Receive a customer's order, which will be verified against the agreement serving as the basis for the order, such as a Department of Defense Form 448, Military Interdepartmental Purchase Request (***MIPR***). The amount of the order must be recorded as an unfilled customer order.

B. Reverse the unfilled customer order and record a filled customer order (i.e., earnings) uncollected upon receiving documentation showing that goods or services were provided. Record the receivable and charge the customer. If an abnormal balance results from reversing the unfilled customer order, research the abnormal balance and promptly resolve the issue.

C. Reverse the filled customer order uncollected (i.e., earnings) and record a filled customer order collected upon receipt of a collection voucher. If an abnormal balance results from reversing the filled customer order uncollected, research the abnormal balance and promptly resolve the issue.

D. Ensure that collection vouchers are recorded in the accounting system and reported to the Treasury in the accounting month the collection was received.

E. Review unearned and earned orders and determine that recorded orders are supported with an order or contract.

F. Research any abnormal unfilled customer order balances; such balances indicate that an order may not be recorded. Research any abnormal filled customer order uncollected balances; such balances indicate that collections may have been incorrectly recorded. Promptly resolve these abnormal balances.

G. For orders not filled from inventory (e.g., supply issues from materiel systems); obtain the accounts payable transaction history. Review obligations and accrued expenditures recorded and determine whether the accruals are supported with a reimbursable agreement or a document evidencing that a payment is due. Unsupported obligations and accrued expenditures must be thoroughly researched, and the necessary corrective actions taken. Copies of all reimbursable orders must be available to ensure that all obligations and accrued expenditures are recorded correctly. Reconcile the receivables and collections (earnings) relating to the reimbursable program of the performing activity with the accrued expenditures paid and unpaid of the same performing activity.

H. Obtain the billing transaction history from the ARO. Billing transaction histories must be provided within 30 days. Ensure that billings are against the correct order and, consequently, billed against the correct obligation. Request copies of documents supporting that a payment is due; reconcile these documents with the related accounts receivable. Any discrepancies must be resolved by adjusting the accounts receivable to the appropriate amounts.

I. Upon receiving a request for supporting documentation, provide a copy of an agreement, contract, and/or proof of performance or delivery within 30 days of request.

J. If a charge is disputed or rejected, review supporting files promptly. The intragovernmental dispute process is outlined in subparagraphs 030505.A and 30305.B.

K. Research unmatched disbursements and negative unliquidated obligations as required by Volume 3, Chapter 11.

L. Unless authorized by law to perform non-reimbursable work, DoD performing activities will not perform reimbursable work for another federal agency that is 90 days or more in arrears in payment of previous reimbursable billings. This restriction can be waived by the Office of the Under Secretary of Defense if in the national interest to do so.

030504. DoD Ordering Activity Responsibilities

A. The ordering activity must review all charges from the performing activity to ensure that amounts due are in agreement with the reimbursable orders and are supported with a copy of the order or contract and evidence of performance.

B. Transportation charges that cannot be matched to an accounts payable transaction, or that cannot be charged back, must be researched and charged to the proper line of accounting upon completion of research.

* C. If the bill is supported, but the order or obligation is not recorded in accounting, then record the order or obligation immediately. Determine why the order or obligation was not recorded. The evidence obtained from research may identify internal control failures and/or process weaknesses. Any internal control failures and/or process weaknesses must be addressed and corrected. Evidence from the research should be documented and maintained by the organization.

030505. Management of Collection Actions

Accounts receivable must be aged. Aging allows for the management of collection actions. Delinquency date starts one day after the due date.

A. Charges arising from transactions within the DoD and with other federal departments and agencies must be recorded as accounts receivable in the accounting month earned.

B. Bills arising from transactions which contain a National Stock Number within the DoD will be collected through the Military Standard Billing System interfund billing procedures when supported by the supply and accounting systems. The provider will not accept a MIPR if interfund can be used. Manual billing (i.e., the XP fund code) will not be used unless approved by the Deputy Chief Financial Officer. For intragovernmental interfund disputes, follow the dispute process outlined in ***DoD Manual 4000.25,*** Volume 1, Chapter 4.

C. For non-interfund intragovernmental (within DoD) receivables, reimbursement will be via Defense Cash Accountability System or Intra-Government Payment and Collection (IPAC). The buyer cannot chargeback or reject the charge (other than IPAC) unless authorized by the dispute process as outlined in subparagraph 030506.A. The buyer must perform an IPAC reject within 30 days. The only valid reasons for reject/adjustment are:

1. Billing for more than the agreed amount.

2. Duplicate/erroneous billing.

3. Lack of supporting documentation.

4. MIPR has expired and/or appropriation has expired.

D. For intragovernmental (outside DoD) receivables, IPAC is the preferred method of billing/collection.

1. Include the use of IPAC as the preferred method of billing/collection on the MIPR acceptance.

2. Follow the intragovernmental (outside DoD) dispute process as outlined in subparagraph 030506.B if the IPAC transaction is rejected.

E. Rejected charges must require the reestablishment of a receivable and adjustments to an appropriation's Fund Balance with Treasury.

F. USSGL accounting transactions for reimbursable billings and collections, and accounts receivable corrections and adjustments are detailed in the SFIS library.

030506. Non-Interfund Dispute Process

A. Intragovernmental Debt Within the DoD. The performer's ARO is responsible for managing intragovernmental debt.

1. Intragovernmental debt cannot be reduced, i.e., an allowance for losses is not allowed. Additionally, intragovernmental debt cannot be referred to a debt collection activity.

2. The full settlement of intragovernmental accounts receivable disputed charges must take no longer than 180 days from the date of the charge.

3. For receivables of $2,500 or less, the buyer may accept the charge without dispute. However, these charges may be disputed as long as the process can be justified as cost effective.

4. For disputed receivables greater than $2,500:

a. The buyer will work with the seller during the first 60 days from the date of the charge to resolve the dispute. The buyer or seller may request assistance from the accounting service provider. If the dispute cannot be resolved, the buyer, along with assistance from DFAS, will assemble a dispute package and send it to the seller. At a minimum, the dispute package must include copies of: MIPR or equivalent, MIPR acceptance or equivalent, voucher payment, bill, correspondence, shipment or delivery evidence, and a narrative explaining the basis of the dispute.

b. During 61-90 days from the date of the charge, the seller will review the buyer's dispute package and will provide a written response of concurrence or non-concurrence.

(1) If the seller concurs, the seller will reverse the charge.

(2) If no response is received from the seller, the buyer may chargeback without recourse.

(3) If the seller non-concurs, the buyer will elevate the dispute package to their Resource Manager/Comptroller.

c. During 91-120 days from the date of the charge, the buyer's Resource Manager/Comptroller will contact the seller's Resource Manager/Comptroller to resolve the dispute. If the dispute cannot be resolved, the buyer's Resource Manager/Comptroller will elevate the dispute package to their Service Secretary, Combatant Command Commander, or Defense Agency Director.

d. During 121-150 days from the date of the charge, the buyer's Service Secretary, Combatant Command Commander, or Defense Agency Director, will contact the seller's Service Secretary, Combatant Command Commander, or Defense Agency Director, to resolve the dispute. The dispute must be resolved within 180 days.

5. If the resolution to the dispute is that the buyer does not have to pay the bill, then the seller must make an adjustment to revenue (earnings) to liquidate the debt if the revision reflects current fiscal year activity. The seller will decrease revenue and increase direct obligations and expenses. For material receivables established in a prior year, revenue must not be decreased, rather a prior period adjustment must be used to properly account for the adjustment. See Volume 6B, Chapter 6. For immaterial receivables established in the prior year, reduce current year revenues.

* B. Intragovernmental Debt Outside the DoD. Disputes between government agencies (e.g., between the DoD and the General Services Administration) will be resolved in accordance with Treasury Financial Manual (TFM) Volume 1, ***Part 2, Chapter 4700,*** Appendix 10.

1. Dispute resolution will involve the program offices, the accounting offices, the contracting officer, and the agency's Chief Financial Officer (CFO), as appropriate. Disputes will be documented in writing with clear reasons for the dispute. A memorandum of agreement will be signed by the CFOs of each department and agency to acknowledge that department's or agency's active participation in the dispute resolution process.

2. Trading Partners will not chargeback or reject transactions that comply with TFM Volume 1, Part 2, Chapter 4700, Appendix 10. Further, new transactions will not be created to circumvent the guidance contained therein. Transactions that comply with TFM Volume 1, Part 2, Chapter 4700, Appendix 10, but are disputed must be resolved using the guidance in subparagraphs 030506.B.4 and 030506.B.5.

3. Disputes are of two types:

a. Accounting treatment (e.g., advances and non-expenditure transfers).

b. Contractual (e.g., payment, collection, and interagency agreement).

* 4. If intragovernmental differences result from differing accounting treatment, then the trading partners have 60 calendar days from the date that the difference is identified in Treasury Governmentwide Treasury Account Symbol Adjusted Trial Balance System (GTAS) or the date that a charge is disputed, whichever comes first, to agree on the treatment of an accounting entry. If agreement cannot be reached within 60 calendar days, then both trading partners' CFOs must request that a decision be rendered by the Treasury Bureau of Fiscal Service (BFS). After BFS has rendered a decision, the ARO must adjust their financial records as needed within five calendar days, but no later than the end of the quarter.

5. If intragovernmental differences result from contractual disputes, then the trading partners have 60 calendar days from the date that the difference is identified or the date that a charge is disputed, whichever comes first, to agree on the contractual terms. If agreement cannot be reached, then both trading partners' CFOs must request that a binding decision be rendered by the CFOs Council's Committee established for this purpose. The Committee must render a decision within 90 calendar days of request. The trading partners will then coordinate to ensure any necessary IPAC transaction needed to effect the decision is processed as applicable.

a. Missing indicative data on an intragovernmental transaction is cause for a contractual dispute. Examples of indicative data include:

(1) Order number.

(2) Treasury Account Symbol (TAS) for both trading partners. If multiple TAS are included on one order, specify amounts for each TAS, as appropriate.

(3) Business Event Type Code for both trading partners.

(4) Amount to accrue, advance, or disburse.

(5) Business Partner Network number for both trading partners.

b. The buyer may establish a monetary threshold before asking for contractual decisions; the threshold must not exceed $100,000 per order. If an amount is under the buyer's threshold, and the buyer elects not to pursue a dispute, then the buyer must pay the amount.

C. NAFI Billing, Collection and Dispute Processes. ***DODI 1015.15***, "Establishment, Management, and Control of Nonappropriated Fund Instrumentalities and Financial Management of Supporting Resources," requires certain categories of NAFIs to reimburse appropriated funds (APF) for the provision of goods and services to the NAFI.

1. Reimbursement Agreements. The applicable APF office will prepare a reimbursement agreement with the NAFI. This could be in the form of a Memorandum of Understanding or Inter-Service Support Agreement. The agreement will be signed by the APF and NAFI authorized representative. At a minimum, this agreement must have:

a. Fixed price for goods and services or methodology for determining price, e.g., utilities, or both. The agreement can be for a specific sale or for a specified period of time.

b. Bill due date will be 30 days from date of the bill.

2. Due Process. If bill is not paid by due date, a demand letter will be sent to the NAFI. The NAFI has 30 days from the date of the demand letter to provide payment or provide reasons for non-payment. The validity of the dispute will be determined by the APF representative. If dispute is valid, the APF representative will immediately resolve. If dispute is determined not to be valid, or there is no response, the APF representative will elevate demand for payment as follows:

a. Within 31-60 days after the due date, the Installation Comptroller will send the demand for payment with supporting documentation to the NAFI Headquarters Comptroller (NHC).

b. Within 61-90 days after the due date, the NHC will make payment or dispute the bill. The validity of the dispute will be determined by the Installation APF Comptroller. If dispute is determined not to be valid, or there is no response, the Installation APF Comptroller will elevate the demand for payment with supporting documentation to the Installation Major Command.

c. Within 91-120 days after the due date, the Installation Major Command will instruct that payment be made or dispute the bill. If the Installation Major Command cannot resolve the dispute, or there is no response, the Installation APF Comptroller will elevate the demand for payment with supporting documentation to the Service Comptroller.

d. Within 121-150 days after the due date, the Service Comptroller will instruct payment or resolve the dispute.

* 3. Budgetary Resources. Military Departments may use their own appropriated fund budgetary resources to perform a reimbursable order for a NAFI without an advance. However, they may not recognize budgetary resources for the order until the account receivable is paid.

0306 REPORTING RECEIVABLES DUE FROM THE PUBLIC

The DoD Components are required to submit a quarterly TROR. The ARO, in conjunction with the DoD Component, must report public receivables in accordance with TROR instructions located on the Treasury website (see paragraph 030222).

0307 REPORTING RECEIVABLES IN THE DEPARTMENT OF DEFENSE FINANCIAL STATEMENTS

030701. Reported Accounts Receivable Quarterly

Accounts receivable are reported on the quarterly financial statements. Instructions for the reporting of receivables in the quarterly financial statements are contained in Volume 6B, Chapters 4 and 10. Receivable amounts are depicted in the Balance Sheet and are disclosed in the Notes to the Financial Statements. Public accounts receivable balances reported on the financial statements must be reconciled with the GTAS accounts receivable from the public balances (attribute non-Federal).

030702. Gross Accounts Receivable Balances

Gross accounts receivable balances due from the public reported on the quarterly financial statements also will be reconciled with receivables reported on TROR.

030703. Eliminating Intragovernmental Consolidated Quarterly Financial Statements

The consolidated quarterly financial statements eliminate intragovernmental accounts receivable balances in accordance with Volume 6B.

0308 CREDITING AND ACCOUNTING FOR DISPUTED COLLECTIONS UNDER THE CONTRACT DISPUTES ACT OF 1978

030801. Crediting Collections

A. When an amount, including interest and administrative fees, is collected from a contractor and the contractor disputes the debt or indicates that they will dispute the debt, the collected amount will not be accounted for as settlement of the debt. Interest, penalties, and fees will cease to accrue and the disputed amounts will be credited to Treasury deposit account pending disposition of the contractor's dispute.

B. Collections normally are received by the disbursing or payment certifying office making or authorizing payments for the contract in dispute, but may be received by others, including ARO, supporting accounting offices, DMO, contracting officers, contract administration officers, and legal offices. Upon making a collection in a disputed situation, the collection will be documented as a disputed contract collection.

1. If the contract was paid by DFAS-Columbus or if the contract was submitted to the DMO for debt collection assistance, then deposit the collection to Disbursing Station Symbol Number (DSSN) 6551. Offices, other than the DMO, making the collection and deposit of a disputed collection to DSSN 6551 must forward to the DMO all documentation related to the collection. If the office receiving the collection does not make deposits, then the office receiving the collection will promptly forward the contractor's check and related documentation to DSSN 6551. The collection voucher prepared for a disputed collection will serve as the basis for crediting the amount to Treasury deposit account X6501, Small Escrow Amounts, in a special subhead or limit with departmental prefix 097. If the disputed collection is related to a contractual obligation in an appropriation that has closed in accordance with ***31 U.S.C. § 1552(a)*** or ***31 U.S.C. § 1555***, then annotate the collection as a "closed appropriation collection" and credit the collection to deposit fund account X6501 in a different subhead or limit. DSSN 6551 must maintain control of collections credited to this account and will prepare all vouchers for disbursement or transfer from the deposit account.

2. If a disputed collection is received on a contract that was not paid by DSSN 6551 and the debt was not submitted to the DMO for debt collection assistance, then deposit the collected amount to the DSSN which made the payment on the contract. The collection must be credited to deposit account X6501 with departmental prefix 017, 021, 057, 096, or 097, as appropriate.

3. The DMO and the responsible disbursing officer will notify the contracting officer, the contract administration officer, if applicable, and the Service or agency contract finance officer, and/or other authority for contract debt matters of any actions affecting the disputed collections. Conversely, these officers or offices must inform the responsible disbursing officer and the DMO of any actions taken that affect the disputed collection.

030802. Accounting for Collections in Dispute

A. In accordance with ***10 U.S.C. § 2410(m)***, disputed collections received and credited in accordance with subparagraph 030801 shall be separately accounted for and remain available, regardless of the closing of an appropriation or fund account, for payment of:

1. Any settlement of the claim by the parties.

2. Any judgment rendered in the contractor's favor on an appeal of the decision on the claim to the Armed Services Board of Contract Appeals (ASBCA).

3. Any judgment rendered in the contractor's favor in an action on that claim in a court of the U.S.

B. Availability of the disputed collection expires 90 days after the expiration of the period for bringing an action on that claim in the U.S. Court of Federal Claims under section ***41 U.S.C. § 7104(a),*** if within that 90 day period, no appeal on the claim is commenced at the ASBCA and no action on the claim is commenced in a court of the U.S.

C. If not expiring under paragraph 030802.B, then availability of the disputed collected amounts expires:

1. In the case of a settlement of a claim, 90 days after the date of the settlement.

2. In the case of a judgment rendered on the claim in an appeal to the ASBCA or an action in a court of the U.S, 90 days after the date on which the judgment becomes final and rendered not appealable.

D. While an amount is being separately accounted for and available in accordance with paragraph 030801, the amount may be obligated or expended in whole or in part only for the purpose described in subparagraph 030802.A.

E. When all or part of a disputed collection is determined to be repayable to the contractor, whether by settlement agreement or judgment, including payment or adjustment of interest or fees, that amount must be promptly disbursed to the contractor. Timely reimbursement must also be made to the Treasury Judgment Fund, if applicable. The foregoing disbursed amounts must be charged to the deposit account X6501. Any interest accruing since the collection and ordered to be paid in accordance with the settlement or judgment must be charged to the applicable, currently available, appropriation account.

F. Upon expiration of the period of availability of all or part of an amount credited to the deposit account in accordance with paragraph 030801, amounts not obligated and expended, must be withdrawn and credited as follows:

1. If an amount was credited to the deposit account for an appropriation or fund account that closed for reasons other than those described under 31 U.S.C. § 1552(a) or 31 U.S.C. § 1555, then the principal amount collected must be properly credited to that appropriation or fund account and an adjustment made of the amounts of the contract(s) for which the disputed collection arose. Any amounts for interest and fees must be credited to the appropriate Treasury Miscellaneous Receipts accounts.

2. Amounts credited to the deposit account for an appropriation or fund account that was canceled, or subsequently canceled after the collection in accordance with 31 U.S.C. § 1552(a) or 31 U.S.C. § 1555, must be withdrawn and credited to the appropriate Treasury Miscellaneous Receipts accounts. The principal amount must be credited to "Collection of Receivables from Canceled Accounts", Treasury General Fund Receipt Account 3200 (and the memorandum account adjusted, as appropriate). Interest and fees must be credited to the "Miscellaneous Receipts-Defense" account. In the records maintained for the closed appropriation account and unclosed contracts associated with the collection, the unobligated and obligated balances must be adjusted to reflect the results of settlement or judgment, including any amount retained and adjusted for the amounts of the contract or contracts for which the disputed collection arose.

Figure 3-1. Aged Delinquent Accounts Receivable Groups

AGED DELINQUENT ACCOUNTS RECEIVABLE GROUPS		
CATEGORY	**INTRAGOVERNMENTAL**	**NON-FEDERAL**
Non-delinquent		
Current		
Noncurrent		
Delinquent		
1 to 30 days		
31 to 60 days		
61 to 90 days		
91 to 180 days		
181 days to 1 year		
Greater than 1 year and less than or equal to 2 years		
Greater than 2 years and less than or equal to 6 years		
Greater than 6 years and less than or equal to 10 years		
Greater than 10 years		
Subtotal		
Less Supported Undistributed Collections		
Less Eliminations		
Less Other		
Total		

Note: The total of the columns must equal the gross amounts reported in the Accounts Receivable schedule in Note 5. This will require that the receivables due internally within each Component and supported undistributed collections be eliminated from this schedule. Infrequently, other items may need to be deducted from the subtotal. These items require disclosure in the note narrative.

VOLUME 4, CHAPTER 3, ANNEX 1: "INTEREST, PENALTIES, AND ADMINISTRATIVE CHARGES"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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

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

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

The previous version dated August 2014 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated United States Standard General Ledger (USSGL) account references to align with U.S. Department of the Treasury's (Treasury) six-digit format.	Revision
A101	Updated formats to align with Department of Defense (DoD) Financial Management Regulation Revision Standard Operating Procedures dated June 2015.	Revision
A10201	Added an explanation of how the amount of interest, penalties, and administrative charges are determined.	Addition
A10202	Listed all Treasury debtor disclosure requirements.	Addition
A10303	Removed the timing restriction for administrative charges.	Deletion
A10303	Added a requirement to disclose in a note to the financial statements any immaterial custodial non-exchange revenue. Also added debts paid by installment must accrue interest on the unpaid balance.	Addition
A10303	Revised reference to the DoD Standard Chart of Accounts rather than to the USSGL.	Revision

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ANNEX 1

INTEREST, PENALTIES, AND ADMINISTRATIVE CHARGES

*A101 GENERAL

A10101. Purpose

This annex provides policy for accounting and reporting of Interest, Penalties and Administrative (IPA) charges owed by the public to the Department of Defense (DoD).

A10102. Authoritative Guidance

Title 31 United States Code (U.S.C.) Section 3717, "Interest and Penalties on Claims," requires the charging of interest on an outstanding debt on a U.S. Government claim owed by the public. Policies and procedures for identifying, collecting, and deferring collection of contract debts including IPA changes, if applicable, are found in Federal Acquisition Regulations ***subpart 32.6.***

A102 OBJECTIVE

The intent of IPA charges is to stimulate prompt payment, to recover to the U.S. Department of the Treasury (Treasury) the cost of borrowing necessitated by a delinquent receivable, and to recover the cost of processing and handling delinquent receivables, including referral to credit bureaus or collection agencies. Depending on the debt type, certain requirements apply.

*A10201. Statutory Provisions

A. Accounting for receivables must include provisions for accruing IPA charges on all delinquent debts owed by the public in accordance with 31 U.S.C. § 3717 to include IPA charges resulting from DoD Working Capital/Revolving Funds transactions.

B. IPA charges continue to accrue until the debt/delinquent receivable is paid in full or otherwise resolved through compromise, termination, or waiver of the charges.

C. IPA charges must be equal to the average investment rate for Treasury tax and loan accounts for the 12-month period ending on September 30 of each year, rounded to the nearest whole percentage point. The Secretary of the Treasury must publish the rate before November 1 of that year. The rate is effective on the first day of the next calendar quarter.

D. Debts owed by any federal agency, including nonappropriated fund instrumentalities for purposes of this Annex, are exempt from IPA charges.

*A10202. Other Requirements

Volume 10, Chapter 18 provides policy for the collection of IPA charges arising from debts owed to the DoD by contractors, vendors, assignees, and business entities. For those debts owed to the Federal Government that are not covered by contracts or agreements, the initial notification of indebtedness must inform the debtor of:

A. The status of the debt as overdue;

B. The amount owed;

C. The basis of the indebtedness;

D. Policies on assessing IPA costs;

E. The agency's intention to use various collection tools to collect the debt;

F. Opportunities for the debtor to review the debt records, contest the debt and provide evidence to support the contentions, and enter into a reasonable repayment agreement; and

G. The name, work phone number, and work address of an individual to contact within the agency to resolve the delinquency.

A103 APPLICATION OF CHARGES

Guidance on assessing IPA charges is contained in Title 31, Code of Federal Regulations ***900-904***, Federal Claims Collection Standards. IPA charges, unless prohibited by law, must be applied as follows:

A10301. Interest Charges

A. Interest charges must be assessed on all delinquent debt regardless if the debt is to be paid in a lump sum or in installments. Debt that is paid through installment plans is not considered delinquent as long as the payments are made on time; however, interest will continue to be assessed until the debt is paid in full.

B. The Current Value of Funds Rate (CVFR) is used to calculate interest on overdue Federal Government receivables. The Treasury annually publishes the CVFR in the ***Federal Register*** by October 31. The interest rate is subject to revision only if the published rate changes by two percentage points (e.g., from 6.0 percent to 4.0 percent) at the close of the prior calendar quarter. Changes in the CVFR are published in TFM Bulletins. Refer to the ***Treasury Current Value of Funds Rate*** for more information.

C. Interest rates must be established for each type of loan receivable and for overdue accounts receivable from the public. The factors that affect the variability of interest rates (e.g., legislation, type of contract, occurrence of an event, passage of time, debtor's income level, or Federal funds rate) must be identified. In the absence of specific authority embodied in statute, regulation required by statute, contract, or other public notice, the interest rate must be the CVFR on funds to the Treasury.

D. The interest rate used to determine charges on a delinquent receivable must remain fixed for the life of the debt, unless it is rescheduled or other events occur that justify an interest rate adjustment.

E. Unless other provisions have been included in a contract or prior agreement, interest charges must not be assessed until the debtor has been notified in writing that interest and penalty charges will accrue. Payment terms specified in the invoice, demand letter, or notice of indebtedness must be consistent with payment terms in the related contract or formal agreement.

F. Interest must not be charged if payment is made within 30 days after the date from which interest begins to accrue (30 days after date notification was mailed).

G. Interest Charges must be computed using the following formula:

$$I = DNF$$

Where: I = Interest charge
D = Amount of delinquent account receivable
N = Number of days delinquent
F = Interest rate per day

A10302. Penalty Charges

DoD Components must assess a penalty charge not to exceed six percent per annum on any portion of a receivable that is delinquent more than 90 days. A receivable becomes delinquent if not paid by the established due date; therefore, penalty charges must be applied to those accounts reported in the aging category 91-180 days delinquent and beyond. The Components may determine what percentage, up to the maximum six percent, will be applied to delinquent accounts.

*A10303. Administrative Charges

In addition to interest and penalty charges, administrative charges must be assessed to cover the added costs incurred in handling a delinquent receivable beyond the date on which payment was due. The Components must calculate administrative charges based upon actual costs incurred. If actual cost is not available, Components may base administrative charges upon other historical costs or cost analyses as long as the method used supports determination of the charge. The administrative charge must be applied to all delinquent debts with due regard given to

the length of time the debts are delinquent, such as the age categories identified in Chapter 3, Figure 3-1. If custodial non-exchange revenue is collected and it is immaterial and incidental to agency's primary mission, a custodial note should be disclosed on the financial statement.

A. Interest and penalty charges must continue to accrue after "date of death" when a claim is to be filed against an estate.

B. Accrued IPA charges must be recorded in appropriate general ledger accounts as defined in the DoD Standard Chart of Accounts, one of the resources available on the ***Standard Financial Information Structure*** web page. General ledger subaccounts may be established under existing accounts prescribed for IPA charges or fees, but must be cross-walked to the DoD Standard Chart of Accounts.

C. All IPA charges in the DoD are non-entity assets and a liability must be established upon identification of these amounts within the appropriate Treasury, General Fund Receipt Account (refer to the ***Federal Account Symbols and Titles (FAST) Books*** for descriptions). Also refer to the Governmentwide Treasury Account Symbol Adjusted Trial Balance System (***GTAS***) web site for additional information. These IPA charges are non-entity assets and may be either the receivable associated with the revenue or the subsequent collection of the IPA and should be recorded as follows:

1. Non-entity revenue resulting from interest charges is considered exchange and should be recorded in account number 531000 (Interest Revenue-Other). .

2. Non-entity revenues resulting from penalty/fine charges are considered non-exchange and should be recorded in account number 532000 (Penalties and Fines).

3. Non-entity revenues resulting from administrative fee charges or collections are treated as exchange revenue and should be recorded in account number 532500 (Administrative Fees Revenue).

D. When a debt is paid in partial or installment payments, amounts received must be applied first to contingency fees, second to outstanding penalties, third to administrative charges, fourth to interest, and last to principal. Debts paid by installment must accrue interest on the unpaid balance. Documentation supporting the payment allocation must be retained.

A104 DISPOSITION OF CHARGES

A10401. Interest Deposits

Interest charges collected must be deposited directly into Treasury receipt account 3210, "General Fund Proprietary Receipts, Defense Military, Not Otherwise Classified."

A10402. Penalty Charges

Penalty charges must be deposited directly into Treasury receipt account 3210, "General Fund Proprietary Receipts, Defense Military, Not Otherwise Classified," or account 1099, "Miscellaneous Fines, Penalties, and Forfeitures," (covers all other fines, penalties, and forfeitures, other than those arising out of contracting or similar business transactions). Refer to FAST Book I and FAST Book II for further guidance and expanded description.

A10403. Administrative Charges

Administrative charges required to pay for contractor collection fees or claims collection litigation reports must be paid directly to the General Services Administration-designated contractor. Any excess amounts must be deposited monthly to Treasury receipt account 3210, "General Fund Proprietary Receipts, Defense Military, Not Otherwise Classified." All administrative charges collected (to include charges collected through the DoD Working Capital Fund) to recover DoD costs of processing and handling the delinquent debt must be deposited directly into Treasury receipt account 3210, "General Fund Proprietary Receipts, Defense Military, Not Otherwise Classified."

A105 WAIVER OF ACCURAL OF IPA CHARGES

The head of a DoD Component, or designee, may promulgate regulations identifying circumstances appropriate to waive collection of IPA charges in conformity with the Federal Claims Collection Standards. If a DoD Component publishes regulatory guidance, then the following general guidelines must be adhered to:

A10501. Interest Accrual Waiver

The accrual of IPA charges may be waived when a delinquent receivable is terminated, compromised, or when the additional charges would cause extreme hardship or would not be in the best interest of the government.

A10502. Waiver Decisions

Decisions to waive the accrual of IPA charges must be considered on a case-by-case basis (no blanket waivers will be granted). Decisions on such waivers must be documented, including an explanation as to the reasons for the waiver, and retained as a part of the official debt file.

A10503. Waiver Approval

Waiver of the accrual of IPA charges must be approved at the same organizational level or by the same designee authorized to approve requests for waiver or remission of indebtedness.

A10504. Accrued Interest

Accrued IPA charges must be collected, reported, compromised, or written-off in the same manner as the basic receivable.

A106 WRITE-OFF OF ACCRUED IPA

Accrued IPA charges must be collected, reported, compromised, or written-off in accordance with ***OMB Circular A-129***.

A107 AUDIT READINESS/INTERNAL

Each DoD component and activity is required to develop and implement internal operational procedures and/or guidance to implement the overarching policy contained in this annex to ensure accurate, timely, and relevant reporting of financial data. All organizations involved in the collection and management of IPA will establish and maintain internal controls to ensure IPA charges owed to DoD are aggressively managed and collected in accordance with this chapter and other applicable regulatory and statutory requirements.

VOLUME 4, CHAPTER 3, ANNEX 2: "EXTENT OF COLLECTION EFFORTS DETERMINATION FOR DOMESTIC DEBTS BASED ON BREAK-EVEN ANALYSIS"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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

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

The previous version dated August 2014 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
A201	Updated format to align with the Department of Defense Financial Management Regulation Revision Standard Operating Procedure dated June 2015.	Revision
A203	Added requirement to consider all fees in the break-even analysis.	Revision

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ANNEX 2

EXTENT OF COLLECTION EFFORTS DETERMINATION FOR DOMESTIC DEBTS BASED ON BREAK-EVEN ANALYSIS

*A201 GENERAL

A20101. Overview

Except for debts from foreign countries, accounting and collection procedures must be designed to provide information to assist in determining realistic points of diminishing returns beyond which collection efforts are not justified, and the minimum amount of a debt when no collection action at all should be undertaken. Procedures must be designed to capture the total cost of the debt collection process (both direct and indirect costs) by dollar range of debt and the total number of cases processed. Until actual cost data are accumulated, cost analysis techniques must be developed and used to determine the unit cost of processing first debt notices, follow-up actions, and requests for waiver or remission. When estimated costs are used, the estimates must be updated periodically or when circumstances and conditions change significantly. The methodology utilized to estimate costs must be standardized, documented, and retained.

A20102. Purpose

The annex presents break-even methodology which is one methodology that could be used to determine the extent of collection efforts undertaken for debt collection.

A20203. Authoritative Guidance

This annex is not based on statutory or other authority, but presents a technique used in the financial community to determine the point where further collection efforts are not justified.

A202 BREAK-EVEN ANALYSIS

A break-even analysis is one method of determining realistic points at which further collection efforts are not justified. A break-even analysis format and instructions are provided in Table A2-1.

A203 COMPARISION REQUIREMENTS

As needed, the Debt and Claims Management Office and Debt Management Office must make at least an annual comparison of costs incurred against amounts collected in its debt collection process to assist in the establishment of reasonable points at which the cost of further collection efforts are likely to exceed recovery. This cost comparison, however, represents but one appraisal element to be considered in the analysis of when and where to terminate collection efforts. Other reviews concerning the type of debt, size, age, and statistical analysis also must be performed before a final point of termination of collection action is determined.

*A204 DEFINTIONS

The following definitions should be considered when making cost comparisons, reviews, and analysis:

A20401. The Debt Collection Process

The debt collection process includes: (1) the preparation of the first debt notice; (2) all follow-up actions, such as answering rebuttals, processing requests for waiver or remission, holding hearings, negotiating compromises, handling installment contract and suspense, processing collections, and making referrals to credit reporting and collection agencies; and (3) the completion of the case, including maintaining the case file information until the appropriate statute of limitations expires.

A20402. Direct Cost

A direct cost includes any cost that can be identified specifically with handling cases or accounts during the debt collection process. These costs normally consist of personnel costs, computer equipment costs, supplies, postage, contract services, and administrative fees charged by the Department of Treasury.

A20403. Indirect Cost

An indirect cost includes any cost that is identified with the debt collection process, but which benefits that process and at least one other activity. These costs must be accumulated only when they are expected to exceed 20 percent of the direct costs.

A20404. Cases Processed

Cases processed are the number of cases completed or closed during the year, either by collection or write-off. Collection includes compromises and offsets from other Federal Government payments.

Table A2-1. Break-Even Analysis

BREAK-EVEN ANALYSIS

(1) Dollar Range	(2) Number of Cases Processed	(3) Original Dollar Amount	(4) Historical Cost to Collect	(5) Total Dollars Collected	(6) Dollar Difference
0-25					
26-50					
51-75					
76-100					
101-125					
126-575					
576-600					
SUBTOTAL					
OVER 600					
GRAND TOTAL					

Column (1) - Dollar range should be meaningful to the debt collection process. Subtotal can be placed anywhere within dollar range to relate to a particular debt collection need.
Column (2) - Total number of cases processed within this particular dollar range.
Column (3) - Original dollar amount of debts for this particular range.
Column (4) - Historical cost for this particular range or subtotal times number of cases in column (2).
Column (5) - Accumulate collections per range or subtotal.
Column (6) - Column (5) minus column (4). Break-even point is where the collections (5) are equal to the cost to collect (4).

Grand total of collections (column (5)) divided by grand total of original dollar amount (column (3)) = percent collection range for period.

VOLUME 4, CHAPTER 4: "INVENTORY AND RELATED PROPERTY"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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

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

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

The previous version dated May 2009 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
Policy Memo	The Deputy Chief Financial Officer (DCFO) policy memorandum "Inventory and Related Property Policy Requirements," dated November 13, 2015, was incorporated into the chapter and cancelled.	Cancellation
Policy Memo	The DCFO policy memorandum "Accounting Policy Update for Expense Recognition of Operating Materials and Supplies," dated September 4, 2015, was incorporated into the chapter and cancelled.	Cancellation
Policy Memo	The DCFO policy memorandum, "Alternative Valuation Methodologies for Establishing Opening Balances for Inventory, Operating Materials and Supplies, and Stockpile Materials," dated August 28, 2015, was incorporated into the chapter and cancelled.	Cancellation
Policy Memo	The DCFO policy memorandum "Accounting Treatment of Long Range Ballistic Missiles," dated September 12, 2016, was incorporated into the chapter and cancelled.	Cancellation
Policy Memo	The DCFO policy memorandum "Accounting Policy Update for Inventory and Related Property" dated March 1, 2013, was cancelled and was not incorporated into the chapter because it has been superseded by the revised policy in the chapter.	Cancellation
040101	Added a paragraph relating to the applicability of this chapter to the General Fund, the Working Capital Fund (WCF), and the National Stockpile Fund.	Addition
040102	Added an "Authoritative Guidance" paragraph.	Addition

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
0402	Updated the definition section to include additional language/definitions.	Revision
040302	Added guidance for determining when the use of the purchases method recognition is appropriate for Operating Materials and Supply (OM&S).	Addition
040303.C	Revised guidance to require Department of Defense (DoD) Components with excess, obsolete, and unserviceable (EOU) inventory and OM&S to adjust the recorded value of EOU to its expected Net Realizable Value (NRV).	Revision
040304.A	Added additional General Ledger Accounts descriptions related to OM&S.	Addition
040305	Added guidance for minor items not meeting the definition of OM&S.	Addition
040306	Added guidance on accounting treatment for long-range ballistic missiles.	Addition
040403	Updated guidance for valuation of inventory.	Revision
040404.A	Revised guidance on the use of subaccounts, which must aggregate to one United States Standard General Ledger (USSGL) account in the DoD Standard Chart of Accounts.	Revision
040502.D	Added guidance for new or modified model of military clothing items and individual equipment.	Addition
040502.H	Added the policy for funding initial spares for newly fielded weapon systems.	Addition
040508.B	Added policy regarding supporting documentation and reconciliation regarding Depot Level Reparables.	Addition
040510	Added additional guidance for excess items disposition.	Addition
040701	Added requirement to record work-in-process for progress billings.	Addition
040702.B.3	Added the policy that progress billings from a supply management activity for manufacture of inventory must be recorded as inventory work-in-process.	Addition
040702.C.1	Deleted the policy that costs recorded in work-in-process accounts must be transferred to operating expenses/cost of goods sold upon completion or termination of a customer order. Established the policy that work-in-process costs of completed customer orders must be transferred to inventory-finished goods, and that work-in-process costs of terminated customer orders be transferred to operating expenses/program costs.	Revision

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
040702.C.2	Deleted the policy that "all losses should be recognized no later than 120 days after the customer order was completed or the end of the fiscal year in which the order was completed, whichever is sooner, unless an existing funded customer order supports these costs." This subparagraph is revised to require that upon completion of a customer order, no costs associated with that customer order must remain in the work-in-process account.	Revision
040702.C.3	Added the policy that probable losses on customer orders must be recognized proportionately over the life of the contract.	Addition
040702.C.5	Added criteria for transfer of inventory work-in-process to inventory held for sale.	Addition
040703	Revised the requirement of WCF activities to capture costs at a more detailed level than the USSGL.	Revision
0408 (Previous Version)	Deleted the section related to the Defense Reutilization and Marketing Service's instructions and format for estimating the NRV of EOU. The Defense Logistic Agency (DLA) policies for estimating NRV are applicable only to DLA.	Deletion
Annex A1	Added an example template for cost benefit analysis for supporting the use of the purchases method of recognition for certain OM&S items.	Addition
Annex A2	Established a Generally Accepted Accounting Principles compliant method for establishing opening balances of inventory, OM&S, and stockpile materials.	Addition

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CHAPTER 4

INVENTORY AND RELATED PROPERTY

0401 GENERAL

*040101. Purpose

A. This chapter prescribes the accounting policy and related requirements necessary to establish financial control over Department of Defense (DoD) inventory, operating materials and supplies (OM&S) and stockpile materials. The DoD Standard Chart of Accounts, which is located on the Deputy Chief Management Officer Standard Financial Information Structure ***(SFIS)*** website, provides detailed account descriptions of each of the general ledger accounts referenced in this chapter. The DoD Standard Chart of Accounts was developed from the United States Standard General Ledger ***(USSGL)*** published by the Department of Treasury. Posting guidance outlined in the DoD USSGL Transaction Library is also located on the SFIS website. For detailed requirements on financial statement disclosure for Inventory and Related Property (I&RP), refer to Volume 6B, Chapter 10.

B. With the exception of provisions related to the National Stockpile Fund (NSF), all of the provisions in this chapter apply to the Working Capital Fund (WCF). Some provisions in this chapter apply to the General Fund (GF) as illustrated in Table 4-1 or as otherwise separately referenced within the chapter.

Table 4-1. Applicability of Chapter Sections/Annexes

Section/Annex	Title	GF	WCF	National Stockpile Fund
0401	General	X	X	X
0402	Definitions	X	X	X
0403	OM&S	X	X	
0404	Inventory		X	
0405	Supply Management Operations		X	
0406	War Reserve Material (WRM)		X	
0407	Work-In-Process		X	
0408	Stockpile Materials		X	X
Annex 1	Cost Benefit Template Example	X	X	
Annex 2	Alternative Valuation Methodologies for Establishing Opening Balances for Inventory, OM&S, and Stockpile Materials	X	X	
X = Section is Applicable				

*040102. Authoritative Guidance

The references to GF, WCF or NSF applicability in the list of authoritative guidance is specific to this chapter only. The accounting policy and related requirements prescribed by this chapter are in accordance with the applicable provisions of:

A. Federal Accounting Standards Advisory Board (FASAB) Statement of Federal Financial Accounting Concepts ***(SFFAC) 1***, "Objectives of Federal Financial Reporting," – Applicable for GF, WCF, and NSF.

B. FASAB Statement of Federal Financial Accounting Standards ***(SFFAS) 3***, "Accounting for Inventory and Related Property," – Applicable for GF, WCF, and NSF.

C. FASAB ***SFFAS 7***, "Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting," – Applicable for GF, WCF, and NSF.

D. FASAB ***SFFAS 21***, "Reporting Correction of Errors and Changes in Accounting Principles, Amendment of SFFAS 7, Accounting for Revenue and Other Financing Sources," – Applicable for GF, WCF, and NSF.

E. FASAB ***SFFAS 48***, "Opening Balances for Inventory, Operating Materials and Supplies, and Stockpile Materials," – Applicable for GF, WCF, and NSF.

F. FASAB Interpretation of Federal Financial Accounting Standards ***(Interpretation) 7***, "Items Held for Remanufacture," – Applicable for WCF only.

G. Title 10, United States Code (U.S.C), ***section 127***, "Emergency and extraordinary expenses," – Applicable for both GF and WCF.

H. ***10 U.S.C. § 2208***, "Working-capital funds," – Applicable for WCF only.

I. ***10 U.S.C. § 2551***, "Equipment and barracks: national veterans' organizations," – Applicable for WCF only.

J. ***10 U.S.C. § 2552***, "Equipment for instruction and practice: American National Red Cross," – Applicable for WCF only.

K. ***10 U.S.C. § 2553***, "Equipment and services: Presidential inaugural ceremonies," – Applicable for WCF only.

L. ***10 U.S.C. § 2554***, "Equipment and other services: Boy Scout Jamborees," – Applicable for WCF only.

M. ***10 U.S.C. § 2556***, "Shelter for homeless; incidental services," – Applicable for WCF only.

N. ***10 U.S.C. § 2557***, "Excess nonlethal supplies, availability for humanitarian relief, domestic emergency assistance, and homeless veterans assistance," – Applicable for WCF only.

O. ***10 U.S.C. § 2667***, "Leases: non-excess property of military departments and Defense Agencies," – Applicable for WCF only.

P. ***22 U.S.C. § 2318***, "Special authority," – Applicable for WCF only.

Q. ***22 U.S.C. § 2761***, "Sales from stocks," – Applicable for WCF only.

R. ***40 U.S.C. § 503***, "Exchange or sale of similar items," – Applicable for WCF only.

S. ***50 U.S.C. Subchapter III***, "Acquisition and development of Strategic Raw Materials," – Applicable for NSF only.

T. Federal Account Symbols and Titles ***(FAST) Book*** – Applicable for GF, WCF, and NSF.

U. Federal Acquisition Regulation ***(FAR) Part 45*** "Government Property" – Applicable for GF, WCF, and NSF.

V. Defense Logistics Manual ***(DLM) 4000.25***, Chapter 16, "Disposition Services" – Applicable for WCF only.

W. DoD Manual ***(DoDM) 4160.21***, "Defense Materiel Disposition Manual," – Applicable for WCF only.

X. ***DoDM 4140.01, Volume 6***, "DoD Supply Chain Materiel Management Procedures: Materiel Returns, Retention, and Disposition," – Applicable for both GF and WCF.

Y. ***DoDM 4140.26, Volume 6***, "DoD Integrated Material Management for Consumable Items: Supply Support Requests (SSRs)," – Applicable for both GF and WCF.

Z. DoD Directive ***(DoDD) 3025.18***, "Defense Support of Civil Authorities (DSCA)," – Applicable for WCF only.

AA. ***DoDD 5100.46***, "Foreign Disaster Relief (FDR)," – Applicable for WCF only.

AB. ***DoDD 5105.65***, "Defense Security Cooperation Agency (DSCA)," – Applicable for both GF and WCF.

AC. DoD Instruction ***(DoDI) 1338.18***, "Armed Forces Clothing Monetary Allowance Procedures," – Applicable for WCF only.

AD. ***DoDI 3025.21***, "Defense Support of Civilian Law Enforcement Agencies," – Applicable for WCF only.

AE. ***DoDI 3110.06***, "War Reserve Materiel (WRM) Policy," – Applicable for WCF only.

AF. ***DoDI 4140.63***, "Management of DoD Clothing and Textiles (Class II)," – Applicable for WCF only.

AG. Defense Logistics Manual ***(DLM) 4000.25-2***, "Military Standard Transaction Reporting and Accountability Procedures (MILSTRAP)." – Applicable for both GF and WCF.

*0402 DEFINITIONS - (Applicable to GF, WCF and NSF)

040201. Abnormal Costs

Abnormal costs include any costs that are in excess of the cost to purchase and place in service a new item with similar features and useful life (e.g. excessive handling, expedited delivery and rework costs). Abnormal costs should be charged to operations in the period incurred. Abnormal costs, as mentioned in this chapter, should not be confused with expenses with an abnormal balance (that is, a credit value).

040202. Acquisition Cost

Acquisition cost is the amount, net of both trade and cash discounts, paid for the property, plus transportation costs and other ancillary costs to bring the items to their current condition and location.

040203. Approved Acquisition Objective

A logistics term, the Approved Acquisition Objective (AAO) level is the quantity of an item authorized for peacetime and wartime requirements to equip and sustain U.S. and allied forces according to current DoD policies and plans.

040204. Construction in Progress

Construction in Progress is the amount of direct labor, direct material, and overhead incurred in the construction of General Property, Plant, and Equipment (PP&E) for which the acquiring DoD agency will be accountable for financial reporting purposes. Upon completion, these costs will be transferred to the proper capital asset account as the acquisition cost of the item. Construction in Progress is not to be used for information technology software. The Internal Use Software in Development account is used for information technology software.

040205. Consumable Items

A logistics term, a consumable item is an item of supply or an individual item that is normally expended or used up beyond recovery in the use for which it is designed or intended.

040206. Consumption Method of Accounting

The consumption method of accounting requires that OM&S be recognized and reported as assets when they are produced or purchased. The cost of goods must be removed from the applicable OM&S asset account and reported as an operating expense in the period in which the items are issued to an end user for consumption in normal operations.

040207. Contingency Retention Stock

A logistics term, Contingency Retention Stock is stock above the AAO and Economic Retention Stock (ERS) levels that is held to support specific contingencies. The materiel manager must be able to provide documented rationale to warrant contingency retention.

040208. ERS

A logistics term, ERS is the level of stock above the AAO level that it is more economical to retain than to dispose and then potentially repurchase if subsequently needed.

040209. End User

An end user is any component of a reporting entity that obtains goods for direct use in that component's normal operations. Any component of a reporting entity, including contractors, that maintain or stock OM&S for future issuance should not be considered an end user with respect to that OM&S.

040210. Excess Inventory

Excess inventory (serviceable and unserviceable) is the amount of inventory above the sum of the AAO and inventory retained for economic and/or contingency purposes. See DoDM 4140.01, Volume 6, which calls this potential reutilization stock.

040211. FASAB

FASAB is the Board that promulgates the accounting standards for use in the Federal Government. The Office of Management and Budget (OMB), the Department of the Treasury, and the Government Accountability Office (GAO) sponsor FASAB.

040212. Government Furnished Material

A sub-category of Government Furnished Material (GFM) consists of inventory or OM&S that is physically transferred to the possession or custody of a contractor as Government property. GFM may be consumed or expended during the performance of a contract.

040213. Historical Cost

Historical cost includes all appropriate purchase, transportation, and production costs incurred to bring items to their current condition and location. Historical cost excludes abnormal costs, which should be expensed in the period incurred rather than capitalized as inventory. See the definition of Abnormal Costs.

040214. Inventory

Inventory is defined as tangible personal property that is held for sale, in the process of production for sale, or to be consumed in the production of goods for sale or in the provisions of services for a fee.

040215. Inventory in Transit

Inventory in Transit is material in transit from commercial and Government suppliers to the financial reporting entity; material that has not been received and accepted at the final designated destination but for which title has passed; or material in transit between storage locations. (Note: Inventory in transit does not include material temporarily in use or on loan with contractors or schools.)

040216. Latest Acquisition Cost

Latest Acquisition Cost (LAC) is the last invoice price paid. Valuing inventory at LAC requires multiplying the last invoice price paid by the quantity of all like units held, including those units acquired through donation or nonmonetary exchange. When LAC valuation is used, the inventory is revalued periodically and an allowance account is established for the unrealized holding gains and losses associated with ending inventory. (Note: for the remanufactured items, the LAC value of an item will be the cost of a fully functional item with an allowance account equal to the estimated costs necessary to repair the item.) For financial accounting purposes, this method is only approved for use by the Defense Commissary Agency (DeCA) in valuing its inventory of grocery and household products.

040217. Moving Average Cost

The Moving Average Cost (MAC) is a cost flow assumption methodology used to value inventory. Under MAC, the inventory value is recalculated each time costs are incurred for a purchase, or a reparable item is repaired/remanufactured and placed back in inventory. The MAC calculation requires dividing the cost of total units available at the time (inventory plus current purchases placed into inventory or remanufacturing costs incurred for items in inventory by the

quantity of units available in inventory at that time. As illustrated in Table 4-2, increases in quantity typically CHANGE the MAC value while decreases in quantity typically USE the MAC value. MAC is the standard cost flow assumption used for DoD inventory and OM&S, with the exception of DeCA grocery and household products inventories (which are valued using LAC) and serially-managed items (which may be costed using the specific identification method).

Table 4-2. Calculating MAC

Event	Quantity	Transaction Value	Quantity	Ending Value
Beginning Balance MAC=$10,000/10=$1,000			10	$10,000
Sale of 2 units @ MAC =$1,000 per unit	(2)	($2,000)	8	$8,000
Purchase of 4 units at $1,600 MAC=$14,400/12=$1,200 per unit	4	$6,400	12	$14,400
Sale of 1 unit MAC=$1,200 per unit	(1)	($1,200)	11	$13,200
Repair of 4 units at $1,675	4	$6,000*	15	$19,200
*The repaired units would be brought into the MAC calculation at the lessor of their repaired value or the current purchase price for a new unit of inventory. If the repaired value is in excess of the current purchase price, the difference would be expensed. For example, assume that the current purchase price for the inventory item is $1,500 and the repaired value is $1,675. Since the current purchase price is less than the repaired value the difference of $175 per unit must be expensed and the $1,500 current purchase price will be used to value the repaired inventory items. The total to be expensed in this example is 4 * $175 = $700 and the amount to be brought into the MAC calculation would be 4 * $1,500 = $6,000.				
Sale of 1 unit at MAC $1,280 ($19,200/15 units = $1,280 per unit)	(1)	($1,280)	14	$17,920

040218. NRV

The FASAB defines NRV as the estimated amount that can be recovered from selling or disposing of an item less the estimated costs of completion, holding and disposal.

040219. Normal Operations

Normal operations are operations of a major program or activity without significant changes that would inhibit meeting objectives.

040220. Obsolete Inventory and OM&S

Obsolete Inventory and OM&S is material that is no longer needed due to changes in technology, laws, customs, or operations.

040221. OM&S

OM&S consist of tangible personal property to be consumed in normal operations. Items excluded are: (a) goods that have been acquired for use in constructing real property or in assembling equipment to be used by the entity, (b) stockpile materials, and (c) inventory. (Note: the DoD does not possess/retain goods held under price stabilization programs, foreclosed property, or seized and forfeited property, which are listed as additional exclusions in SFFAS 3.) Additionally, items meeting the definition of PP&E should be excluded from OM&S. The following items should be classified and recognized as equipment and not OM&S:

A. Not intended for sale;

B. Not held in anticipation of physical consumption;

C. Durable and have a useful life of two years or more;

D. Expected to be returned or transferred after use with the intent of reuse for their useful life; and

E. Functionally complete and ready to use for their intended purpose.

040222. OM&S in Development

OM&S in Development are costs incurred in developing the OM&S or the value of tangible personal property that will be consumed in normal operations upon completion of development.

040223. OM&S in Transit

OM&S in transit includes material in transit from commercial and Government suppliers; material that has not been accepted in the receiving process at the final designated destination but

for which title has passed; material being moved between storage locations; or material temporarily in use or on loan with contractors or schools.

040224. Purchases Method of Accounting

The purchases method of accounting is an accounting method whereby OM&S are expensed when purchased. The purchases method may be applied to OM&S if:

A. OM&S are not significant amounts,

B. They are in the hands of the end user for normal operations, or

C. It is not cost beneficial to apply the consumption method of accounting.

040225. Reparables

A logistics term, reparables are inventory items that can be repaired economically and for which repair of the item (at either field or depot level) is considered in meeting computed inventory requirements. The Department authorizes supply management activities to finance reparable items, including their transportation, acquisition, overhaul, progressive maintenance, renovation, rework, repair, manufacture, reclamation, alteration, and/or software support. Reparables in an unserviceable condition, such as items returned from operating units or furnished to the contractor for repair, modification, or overhaul, are often referred to as "carcasses."

040226. Significant Amount

Significant amounts are those that do not rise to the level of being material but are important enough to merit attention by those responsible for oversight of the Component's financial reporting. Materiality is defined in the GAO Financial Audit Manual (FAM) as "the magnitude of an item's omission or misstatement in a financial statement that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the inclusion or correction of the item."

040227. Standard Price

The standard price is the price customers are charged which reflect DoD's stabilized price policy requiring item pricing that remains constant throughout a fiscal year for Inventory Control Point managed items. Exceptions to the requirement to maintain standard pricing throughout the fiscal year are outlined in Volume 11B, Chapter 15. The standard price is calculated based on factors that include the replenishment cost of the item plus surcharges to recover costs for transportation; inventory loss, obsolescence and maintenance; depreciation; and supply operations. See Volume 2B, Chapter 9 for additional guidance on pricing.

040228. Stockpile Materials

Stockpile materials are strategic and critical materials held due to statutory requirements for use in national defense, conservation or national emergencies. They are not held for sale in the ordinary course of business. Items specifically excluded from stockpile materials are items that are:

A. Held by an agency for sale or use in normal operations, and

B. Held for use in the event of an agency's operating emergency or contingency.

040229. Supply Condition Code

A supply condition code is an alphabetic code designation used to classify material in terms of readiness for issue and use, or to identify action underway to change the status of material.

040230. Unserviceable Inventory

Unserviceable inventory is damaged inventory that is more economical to dispose of than to repair.

040231. WRM

WRM items are those materials that, in addition to peacetime assets normally available on any given date, are necessary to equip and support the increase in military requirements forecasts contingent on an outbreak of war. War reserves sustain operations until resupply can be affected.

040232. Work-In-Process

Work-in-process is the term used to describe products that are being manufactured or fabricated but are not yet complete. The book value of work-in-process consists of the costs of direct materials, direct labor, direct purchased services, and indirect costs, including general and administrative (G&A) costs, used in producing or repairing an end item (customized equipment or personal property), whether fabricated by the DoD or by a non-DoD organization under contract. G&A costs pertain to the costs of operations such as rent, utilities, and managerial salaries, in contrast to costs that are directly related to the production of goods and services. Work-in-process accounts segregate these costs from current accounting period expenses, thus supporting accurate financial reporting in compliance with generally accepted accounting principles.

0403 OM&S - (Applicable to GF and WCF)

040301. Recognition of OM&S

A. The consumption method of accounting for the recognition of expenses must be applied for OM&S unless the conditions set forth in subparagraph 040301.B apply. Under the consumption method, OM&S must be recognized and reported as assets when produced or

purchased. When they are issued to an end user for consumption in normal operations, the cost of the goods must be removed from the applicable OM&S asset account and reported as an operating expense (see subparagraph 040302.C for further explanation of an end user). "Purchased" is defined as when title passes to the purchasing entity. If the contract between the buyer and the seller is silent regarding passage of title, title is assumed to pass upon delivery of the goods. Delivery or constructive delivery must be based on the terms of the contract regarding shipping and/or delivery.)

B. Under the purchases method of accounting, OM&S will be expensed (and not recorded as an asset) when purchased. The purchases method may be applied to OM&S if:

1. OM&S are not significant amounts,

2. The OM&S is in the hands of the end user for use in normal operations, or

3. It is not cost-beneficial to apply the consumption method of accounting.

*040302. Determining Eligibility for Purchases Method Recognition

A. Purchases Method Evaluation. This paragraph provides guidance for evaluating the three criteria as identified in subparagraphs 040302.B through 040302.D that allow for the use of the purchases method of accounting or for determining the point in the supply chain at which OM&S should be removed from the applicable OM&S asset account and reported as an operating expense. While each criteria will be explained individually, the general rules applicable to all three criteria are:

1. This guidance does not replace or omit logistics, supply chain, or asset management requirements that already exist.

2. The OM&S under consideration must be viewed in aggregate for each DoD Component's stand-alone financial statements. Although the value of an individual local or National Item Identification Number may not be significant when assessed individually, the aggregate value could be significant.

3. Analyses and conclusions performed by DoD Components to support a particular accounting position must be documented, and that documentation should be retained in such a manner as to be easily available to an auditor. Such analyses must be updated and kept current from one fiscal year to the next.

B. Criteria 1: Determination of Significant Amount. Significant amounts are those that do not rise to the level of being material but are important enough to merit attention by those responsible for oversight of the entity's financial reporting. Materiality is defined in the GAO FAM as "the magnitude of an item's omission or misstatement in a financial statement that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable

person relying on the information would have been changed or influenced by the inclusion or correction of the item." Each DoD reporting entity that is considering the use of the purchases method because the amounts are not significant must perform the provided test steps 1 to 5 at their entity's consolidated statement level (e.g., the U.S. Department of the Navy would perform the test steps based on the Navy Financial Statements rather than on an individual Navy Command level). Note that the DoD Component must perform these steps in the sequence in which they are listed. For purposes of calculating the amounts in the test, the DoD Component must use the most recent fiscal year annual amounts from their general ledger and corresponding annual financial statements. If the DoD Component does not have access to the financial information necessary to perform the tests, it has no basis to support that the OM&S amounts are not significant, and thus can not use the purchases method to record OM&S amounts.

1. Test Step 1. Determine the aggregate value of the OM&S categories for which the purchases method is being considered. A combination of general ledger balances, acquisition data, and expense data may be used to determine the aggregate value of the OM&S under consideration.

2. Test Step 2. Compare the aggregate value of the OM&S under consideration to 1 percent of the Component's Gross Cost.

a. Multiply the "Gross Cost" amount from the Component's Statement of Net Cost by 1 percent.

b. If the aggregate value of the OM&S being considered is greater than or equal to 1 percent of Gross Cost, the amount is significant and the significant amount exception cannot be used to justify the use of the purchases method for the OM&S under consideration.

c. If the aggregate value of the OM&S is less than 1 percent of Gross Cost, proceed to Test Step 3.

3. Test Step 3. Compare the aggregate value of the OM&S under consideration to 1 percent of Total Assets.

a. Multiply the "Total Assets" amount from the Component's Balance Sheet by 1 percent.

b. If the aggregate value of the OM&S being considered is greater than or equal to 1 percent of Total Assets, the amount is significant; the significant amount exception cannot be used to justify the use of the purchases method for the set of OM&S being considered.

c. If the aggregate value of the OM&S is less than 1 percent of Total Assets proceed to Test Step 4.

4. Test Step 4. Compare the aggregate value of the OM&S under consideration to 3 percent of the lesser of the financial statement line I&RP (Balance Sheet) or Operations, Readiness, and Support (OR&S) (Statement of Net Cost).

a. Select a base for performing Test Step 4. The base is the lesser of the I&RP amount from the Balance Sheet or the OR&S amount from the Statement of Net Cost.

b. Multiply the selected base by 3 percent.

c. If the aggregate value of the OM&S under consideration is greater than or equal to 3 percent of the selected base, the amount is significant and the significant amount exception cannot be used to justify the use of the purchases method for the OM&S being considered.

d. If the aggregate value of the OM&S is less than 3 percent of the selected base, the amount is not significant and the significant amount exception can be used to justify the usage of the purchases method of expense recognition for the OM&S under consideration.

5. Re-Performance. Components using the purchases method for a subset of OM&S under the significant amount exception (i.e., item classes that have cumulatively passed each of the provided tests) must re-perform and document the significant amount tests at least annually.

C. Criteria 2: OM&S in the Hands of the End User for Use in Normal Operations.

1. Under the purchases method of accounting, OM&S will be expensed (and not recorded as an asset) when purchased, if the OM&S are purchased and delivered directly to the end user for use in normal operations. SFFAS 3, paragraph 41, defines an end user as "any component of a reporting entity that obtains goods for direct use in the component's normal operations. Any component of a reporting entity, including contractors, that maintains or stocks OM&S for future issuance shall not be considered an end user." For the purposes of identifying end users, DoD Components should map their supply point structures to those described in DoDM 4140.01, Volume 2, which are:

a. Wholesale. These supply points are the highest level of organized DoD supply and conduct typical wholesale operations such as bulk receipt, repairs, and storage of OM&S. Wholesale locations maintain stocks to resupply retail supply points and to issue to the field. Depots, contractor-controlled depots, warehouses, and storage facilities are examples of wholesale sites. Wholesale locations are not considered end users, except for OM&S that is held and managed for consumption within the wholesale activity itself.

b. Retail. These supply points stock inventory below the wholesale level, either at the consumer level (directly supporting customers) or at the intermediate

level (supporting a geographical area). Retail locations are not considered end users, except for OM&S that is held and managed for consumption within the retail activity itself.

c. Field. These locations are receiving organizations that are authorized to use supply items and only requisition quantities sufficient to satisfy their own immediate requirements. Receiving organizations do not reissue OM&S to other organizations; they use or consume OM&S within their normal operations. Examples of field supply points include but are not limited to ships (e.g. shipboard storage), submarines, aircraft wings, field units, and missile wings. OM&S at a field supply point can be considered to be in the hands of the end user. (Note: this does not include prepositioned stock, which can be stored in remote and field locations but is held for future issue).

2. In general, material furnished to contractors is not considered in the hands of an end user. If the material is stored in anticipation of being incorporated into an end item, it no longer meets the definition of OM&S and should be accounted for as construction-in-progress, work-in-process, or OM&S in development. If the material is held for further issuance, the contractor location is equivalent to a wholesale or retail location and cannot be considered an end user. Government furnished material as described in this subparagraph is different from Government furnished equipment which is a category of general equipment.

3. Title 41, section 101-8.705 of the Code of Federal Regulations defines a normal operation as the "operation of a program or activity without significant changes that would inhibit meeting objectives." OM&S used in normal operations are goods necessary for DoD Components to meet their objectives. Examples of evidence that OM&S is used in normal operations can be, but are not limited to, recurring requirements, high inventory turnover rates, or significant purchases activity.

4. Other indications that OM&S is in the hands of the end user for use in normal operations include:

a. The user only requisitions quantities sufficient to satisfy its own immediate requirements (includes regular supply levels plus emergency/safety stock);

b. The user does not requisition large quantities of OM&S to issue to other organizations outside of its own;

c. The user is not a forwarding agent – the OM&S is requisitioned for the intent of use, not to resupply other supply points;

d. The user has the right to consume the OM&S; or

e. The user is permitted to carry only certain levels of OM&S.

D. Criteria 3: Not Cost Beneficial to Apply the Consumption Method of Accounting. Under the purchases method of accounting, OM&S is expensed (and not recorded as an asset) when purchased, if it is not cost-beneficial to apply the consumption method of

accounting. This is referred to as the cost benefit exception. Each DoD Component considering using the cost benefit exception should conduct an analysis comparing estimated costs and benefits for applying the consumption method. If the cost exceeds benefits, the purchases method may be used. The cost benefit analysis should be unbiased, fully documented (i.e. supporting documents for cost estimates), reviewed, and approved by the Component's management. See Annex 1 for an example of how a cost benefit analysis may be structured. If the cost benefit analysis is used to support the purchases method of accounting, it must be updated and documented at least annually.

040303. Valuation of OM&S

A. OM&S accounted for under the consumption method of accounting must be valued at historical cost using the MAC flow assumption or the specific identification cost flow method (which may only be used for serially managed items). Historical cost must include all appropriate purchase and production costs incurred to bring the items to their current condition and location. Any abnormal costs, such as excessive handling or rework costs must be charged to operations of the period. Donated OM&S must be valued at their fair value at the time of donation.

B. OM&S that are maintained because they are not readily available in the market or because it is likely they will be needed in the future should be classified as OM&S Held in Reserve for Future Use. OM&S held in reserve for future use must be valued using the same basis as OM&S held for use in normal operations. The value of OM&S held for future use should be separately disclosed in the notes to the financial statements.

* C. EOU OM&S must be valued at their estimated NRV. DoD Components are responsible for identifying inventory (including inventory held as OM&S) that is EOU. Upon identification of inventory as EOU, the DoD Component must adjust the value of the EOU inventory to its NRV as described in paragraph 040403.B.

D. SFFAS 3 does not address OM&S held for repair. Disclosures in Interpretation 7 "Items Held for Remanufacture" state that valuation methods prescribed for inventory held for repair may be reasonably applied to OM&S.

1. The Department's policy for accounting and reporting for Inventory Held for Repair is to use the allowance method as described in SFFAS 3 Paragraph 32. For purposes of inventory accountability and the type of inventory repairs generally made at the DoD, the Department has determined that use of the allowance method is the appropriate accounting treatment to be used among the alternatives presented in paragraphs 20 through 22, and paragraphs 32 and 33, in SFFAS 3 (and as further addressed in Paragraph 10 of FASAB Interpretation 7).

2. Under the allowance method, OM&S held for repair must be valued at the same value as a useable item, (i.e., at historical cost using the MAC flow assumption or specific identification). An allowance for repairs contra asset account (i.e. repair allowance) must be established. The annual (or other period) credit(s) required to bring the repair allowance to the current estimated cost of repairs must be recognized as current period operating expenses. As the repairs are made, the cost of repairs must be charged (debited) to the allowance for repairs account.

Supporting documentation must be retained for the estimated repair costs used in establishing the allowance. In addition, the Component should reconcile the allowance account to the physical quantities of items held for repair on at least an annual basis.

040304. Accounting for OM&S

* A. General Ledger Accounts. The general ledger accounts discussed in this chapter must be reported in the financial statements required by the Treasury and for other reporting requirements mandated by Congress and OMB. Transactions/entries recorded to general ledger accounts must have adequate supporting source documentation. Source documents include contracts, invoices, receiving reports, payment vouchers, material return documents, transfer documents, inventory documents, issue and shipping documents, sales records, and documented gains and losses. Detailed posting transactions are outlined in the DoD USSGL Transaction Library. Examples of the USSGL accounts for OM&S are provided in this paragraph. Detailed account descriptions are found in the DoD Standard Chart of Accounts.

1. OM&S Held for Use (Account 151100). This account is used to record the value of materials and supplies held for use in normal operations. This account is also used to record the initial acceptance of materials and supplies in transit when title has passed but the items have not been received and accepted. Items in transit between DoD accounting entities must be kept under financial accounting control at all times. Activities may want to create subaccounts within the general ledger systems to record and track items in transit; however, the internal subaccounts must aggregate to one USSGL account in the DoD Standard Chart of Accounts. This account is intended to be used by any DoD Component that maintains OM&S.

2. OM&S Held in Reserve for Future Use (Account 151200). This account is used to record the value of stocks of materials and supplies maintained because they are not readily available in the market and there is more than a remote chance that they will eventually be needed, although not necessarily in the normal course of operations.

3. OM&S – Excess, Obsolete and Unserviceable (Account 151300). This account is used by DLA Disposition Services and other DoD Components to record the value of OM&S (serviceable or unserviceable) that exceed the amount expected to be used in normal operations and do not meet management's criteria to be held in reserve for future use. Obsolete OM&S include stocks that are no longer needed due to changes in technology, laws, customs or operations. Unserviceable OM&S are items that are physically damaged and cannot be consumed in operations. DoD Components are responsible for identifying inventory (including inventory held as OM&S) that is EOU. Upon identification of inventory as EOU, the DoD Component must write down the value of EOU inventory to its NRV as described in subparagraph 040403.B.

4. OM&S Held for Repair (Account 151400). This account is used to record the value of materials and supplies that are not in usable condition, but can be economically repaired. The objective is to rebuild items as an alternative and rotating source of supply. Once rebuilt, the items will be returned to OM&S Held for Use. Components with immaterial amounts of OM&S held for repair may report these amounts in USSGL account 151100, "OM&S Held for Use."

5. O&MS in Development (Account 151600). This account is used to record costs incurred or the value of tangible personal property, such as operating materials and supplies in development that will be consumed in normal operations upon completion of development. Upon completion, these costs will be transferred to USSGL account 151100, "Operating Materials and Supplies Held for Use," or USSGL account 151200, "Operating Materials and Supplies Held in Reserve for Future Use."

6. OM&S – Allowance (Account 151900). This account is used to record the amount of estimated repairs needed for damaged OM&S and the estimated gain or loss on the value of OM&S due to unrealized holding gains and losses.

7. Other Actual Business Type Collections From Nonfederal Sources (Account 426600). This account is used to report the amount collected during the fiscal year from nonfederal sources for which a specific USSGL account does not exist. These collections result from business type transactions such as the disposition of demilitarized or scrap EOU sold through a commercial venture resulting in a gain.

8. Financing Sources Transferred In Without Reimbursement (Account 572000). This account is used to record the amount of the increase of financing sources of a reporting federal entity that occurs as a result of an asset being transferred in.

9. Financing Sources Transferred Out Without Reimbursement (Account 573000). This account is used to record the amount of the decrease of financing sources of a reporting federal entity that occurs as a result of an asset being transferred out. The amount of the asset is recorded at book value as of the transfer date.

10. Other Expenses Not Requiring Budgetary Resources (Account 679000). This account is used to record other costs that do not require budgetary resources (such as accounting for the issue of operating materials and supplies when the consumption method is used).

11. Gains on Disposition of Assets - Other (Account 711000). This account is used to record the gain on the disposition (such as sale, exchange, disposal, or retirement) of assets not associated with investments or borrowings/loans.

12. Other Gains (Account 719000). This account is used to record the gain on assets resulting from events other than disposition.

13. Losses on Disposition of Assets - Other (Account 721000). This account is used to record the loss on the disposition (such as sale, exchange, disposal, or retirement) of assets not associated with investments or borrowings/loans.

14. Other Losses (Account 729000). This account is used to record the loss on assets resulting from events other than disposition.

B. Relationship of General Ledger OM&S Accounts to Logistic Supply Condition Codes. OM&S recorded in the financial records should be identifiable to OM&S recorded in logistic records and vice versa.

1. Supply Condition Codes. Supply condition codes classify material in terms of readiness for issue and use or identify action underway to change the status of the material. Supply condition codes currently in use within the DoD are defined in DLM 4000.25-2, "Military Standard Transaction Reporting and Accountability Procedures."

2. Relationship of Logistic Categories to Accounting Classifications for OM&S. Table 4-3 shows the relationship of logistics supply categories to general ledger OM&S accounts.

Table 4-3. Relationship of Logistic Supply Categories

U.S. Standard General Ledger Account	Supply Condition Codes
151100 OM&S Held for Use	A Serviceable Issuable Without Qualification B Serviceable Issuable With Qualification C Serviceable Priority Issue D Serviceable Test/Modification T Serviceable Ammunition Suitable for Training Use Only Use this account to record amounts for OM&S with condition codes A-D and T up to the AAO. **[Excludes Excess, Economic Retention and Contingency Retention OM&S]**
151200 OM&S Held in Reserve for Future Use	E Unserviceable Reparable (Limited Cost to Restore) J Suspended (In Stock) K Suspended (Returns) L Suspended (In Litigation) N Suspended (Ammunition Suitable for Emergency Combat Use Only) Q Suspended (Product Quality Deficiency) Use this account to record amounts for OM&S with condition codes A-D and T that is above the AAO and is retained for economic or contingency purposes. Include all inventory designated as E, J, K, L, N and Q in this account. **[Excludes Excess OM&S]**
151400 OM&S Held for Repair (Remanufacturing)	F Unserviceable Reparable G Unserviceable Incomplete M Suspended (In Work) R Suspended (Reclaimed Items, Awaiting Condition Determination) Use this account to record amounts for all OM&S with condition codes F, G, M, and R. **[Excludes Excess OM&S]**
151300 OM&S – Excess, Obsolete, or Unserviceable	H Unserviceable (Condemned) P Unserviceable (Reclamation) S Unserviceable (Scrap) V Unserviceable (Waste Military Munitions) **[Includes Serviceable and Unserviceable Excess OM&S]**

*040305. Classification of Minor Items Not Meeting the Definition of OM&S

A. Components have expressed difficulty in classifying stocked tangible personal property such as infantry helmets or hand tools that do not meet the definition of OM&S established in SFFAS 3. SFFAS 6 defines PP&E as tangible assets that:

1. Have an estimated useful life of two or more years;

2. Are not intended for sale in the ordinary course of operations; and

3. Are intended to be used or available for use by the reporting entity.

B. Tangible personal property such as infantry helmets and hand tools meet all of the criteria listed in 040305.A, and therefore will be classified as equipment. Equipment will be expensed in the period purchased unless its historical cost exceeds the Component's capitalization threshold, in which case the equipment will be capitalized and depreciated over its useful life.

C. Components must analyze items in their stores to identify items that meet the criteria in 040305.A, and are encouraged to leverage system data and functions where appropriate to perform the analysis in a cost and time-efficient manner. The analysis must be documented and retained in accordance with Component audit needs and relevant document retention policies.

D. This guidance does not replace or omit existing logistics, supply chain, or asset management requirements regardless of the assets' accounting classification.

*040306. Accounting Treatment for Long Range Ballistic Missiles

A. The DoD defines the mission of the nuclear arsenal solely as one of deterrence. Under this mission, the useful life of nuclear assets is expected to exceed two years. Therefore, nuclear long range ballistic missiles (including, but not necessarily limited to, Intercontinental Ballistic Missiles and Submarine Launched Ballistic Missiles) which are fully configured and armed in support of this mission should be classified/recorded as general equipment.

B. Long range ballistic missiles which are not a part of a fully configured nuclear armed long range ballistic missile should be classified/recorded as OM&S.

0404 INVENTORY - (Applicable to WCF Only)

040401. General

This section sets forth the policies for recognition, valuation, and procedures for accounting for inventory and is applicable for WCF only.

040402. Recognition

Inventory must be recognized when title passes to the purchasing entity. Title passes to the purchasing entity based on the terms of the contract. For free on board (shipping point), title passes when the inventory is shipped. If the terms of sale are free on board (destination), title passes when the goods are delivered to the purchasing entity.

*040403. Valuation of Inventory

The Department's policy is that inventory must be valued at historical cost using the MAC flow assumption. However, the Department has also approved the specific identification method for use with serially managed items, and the LAC flow assumption for the valuation of DeCA grocery and household product inventories. (Note: When LAC valuation is used, the inventory is revalued periodically and an allowance account is established for the unrealized holding gains and losses so that the LAC method approximates historical cost.) SFFAS 3 defines each of the methods as a means for arriving at historical cost. In addition, FASAB Interpretation 7, addresses the valuation of items held for repair that, once repaired/remanufactured/upgraded, are returned to Inventory Held for Sale. For inventory valuation of items held for repair where credit is given to the customer, the credit defines the value of the item to the WCF. Therefore, the inventory valuation is calculated as the cost to buy a new item minus the cost to repair, which would approximate the value of the credit given. When credit is not given, another valuation methodology must be employed. See Volume 2B, Chapter 9 for additional guidance. Supply management activities are not required to issue credit on any given transaction. The MAC cost flow assumption will be used as the remanufacture takes place to record appropriate production costs (normal costs to bring the item to a serviceable or upgraded condition).

A. Entities must use the MAC flow assumption to value inventory held for repair/remanufacture at historical cost. Components should value the receipt of a carcass at MAC and record a repair allowance in the allowance account. The repair allowance is calculated as the ratio of the latest representative repair cost adjusted for inflation to the latest representative acquisition cost. For example, if the latest representative repair cost adjusted for inflation is $100 and the latest representative acquisition cost is $500 and the MAC value is $490, the amount of the allowance would be $98 [(100/500) * 490]. If there is no repair history, entities will develop and document an engineering estimate of the cost to repair. The documentation should be retained for audit purposes. Upon completion of the repair, the item will be moved to Inventory Held for Sale at MAC. If the total of the carcass value plus the costs incurred to repair it exceeds MAC, the difference must be charged to the current period as an expense. The capitalized item is treated as if it was a purchase for calculating the historical cost of inventory using the MAC flow

assumption as illustrated in Table 4-2. In addition, the entities should reconcile the allowance account to the physical quantities of items held for repair on at least an annual basis.

B. EOU inventory must be valued at its expected NRV. DoD Components are responsible for identifying inventory and OM&S that is excess, obsolete and unserviceable. Upon identification of inventory as EOU, the DoD Component must determine the NRV of its EOU and adjust the recorded value of the EOU to its estimated NRV by recording a gain or loss (as applicable) and a corresponding inventory allowance (for a WCF) or operating materials and supplies allowance (for a General Fund or WCF). EOU that will be transferred to DLA Disposition Services for disposition generally will not result in the DoD Component receiving any proceeds from the disposal, other than EOU that will be disposed of through a Qualified Recycling Program (QRP), and therefore, the NRV would be zero. For EOU to be disposed of through a QRP or by means other than a transfer to DLA Disposition Services, the DoD Component should estimate the NRV of the EOU based on prior disposal proceeds for comparable EOU, buyer quotes or other reasonable means. In all instances, documentation supporting the NRV calculation of the EOU must be prepared and retained by the DoD Component.

C. Supply Management activities must calculate and report the costs of all inventory sold, i.e., cost of goods sold at historical cost using the MAC flow assumption. Cost of goods sold is the balance of USSGL 650000, Cost of Goods Sold. USSGL 650000 may be verified by using this formula. Note that the inventory historical cost and increases in goods for sale include direct (e.g. labor or materials) costs and indirect costs (e.g. overhead).

Beginning Inventory at historical cost
Plus: Increases in Goods for Sale (Purchases, Remanufacturing Costs, Capitalized Inventory, Other Gains)
Less: Disposals or Other Decreases in Goods for Sale (Including Other Losses) at historical cost
Equals: Cost of Goods Available for Sale at historical cost
Less: Ending Inventory at historical cost
Equals: Cost of Goods Sold at historical cost*

* If variances between actual indirect expenses and applied indirect expenses are accounted for as cost of goods sold in accordance with paragraph 040702.A.2, this would need to be factored into the calculation.

040404. Accounting for Inventory

A. General Ledger Accounts. Detailed posting transactions are outlined in the DoD USSGL Transaction Library. Inventory accounts are authorized for use by activities that hold items for resale, use items in the process of production for sale, and consume items in the production of goods for sale or in the provision of services for a fee. Entities that hold supplies and materials for issue without reimbursement or for use without earning a fee own OM&S rather than inventory and should refer to section 0403. Refer to section 0407 for inventory accounts for work-in-process. This paragraph provides examples of the applicable inventory accounts. Additional USSGL accounts which may be relevant to inventory can be located in the DoD Standard Chart of Accounts and the USSGL.

* 1. Inventory Purchased for Resale (Account 152100). This account is used to record the value of inventory purchased for resale that is in a usable condition and is available for immediate resale. The DoD USSGL Transaction Library includes entries to record receipt of material purchases, sale of inventory items at cost, issue without reimbursement, reclassification of inventory, and gains or losses when inventory is revalued. Activities may want to create subaccounts within their inventory or general ledger systems to record and track inventory in transit; however, the internal subaccounts must aggregate to one USSGL account in the DoD Standard Chart of Accounts. See paragraph 19 of SFFAS 3.

2. Inventory Held in Reserve for Future Sale (Account 152200). This account is used to record the value of inventory held in reserve for future sale and includes items that have been suspended in the logistical system and are currently not available for sale. Typical entries for use of this account include entries to reclassify inventory items, record the delivery of goods and services, and record transfers in or out without reimbursement.

3. Inventory Held for Repair (Remanufacturing) (Account 152300). This account is used to record the inventory items currently not in a usable condition but which can be economically remanufactured. Remanufacturing is a process by which carcasses are overhauled, rebuilt, refurbished, repaired, or restored to a usable condition for sale to a customer. Under remanufacturing, repair expenses are capitalized to the cost of inventory and expensed as Cost of Goods Sold.

4. Excess, Obsolete, and Unserviceable Inventory (Account 152400). This account is used to record the value of inventory (serviceable and unserviceable) that exceeds the amount expected to be used in normal operations and does not meet management's criteria to be held in reserve for future use, i.e., characterized as potential reutilization stock in DoDM 4140.01-V6. Obsolete inventory includes stocks that are no longer needed due to changes in technology, laws, customs or operations or items for which the shelf life cannot be extended. Unserviceable inventory are items that are physically damaged and cannot be consumed in operation. DoD Components are responsible for identifying inventory that is EOU. Upon identification of inventory as EOU, the DoD Component must adjust the value of its EOU inventory to its NRV as described in paragraph 040403.B.

5. Inventory – Raw Materials (Account 152500). This account is used to record the cost or value of raw materials purchased or donated for use as a component part of inventory.

6. Inventory – Work-In-Process (Account 152600). This account is used to record the accumulated cost or value of inventory used in the production process. Work-in-process inventory includes the cost of raw materials, direct labor, and overhead.

7. Inventory – Finished Goods (Account 152700). This account is used to record the accumulated cost or value of completed products.

8. Inventory – Allowance (Account 152900). This account is used to record:

a. The estimated cost to repair damaged inventory;

b. The estimated gain or loss on the value of inventory because of unrealized holding gains or losses; and

c. The difference when restating the inventory from historical to standard cost (see Volume 11B, Chapter 15).

The account is either a contra asset account or an adjunct asset account depending on whether repair costs are increasing or decreasing for the subsequent fiscal year. This account is used to reflect the purchase cost variance for inventory transactions.

9. Cost of Goods Sold (Account 650000). This account is used to record the total cost of inventory sold including raw materials, direct labor, and overhead.

B. Relationship of General Ledger Inventory Accounts to Logistic Supply Condition Codes. Inventory recorded in financial records should be identifiable to inventory recorded in logistic records and vice versa. Table 4-4 displays the relationship of logistic supply categories to general ledger financial inventory accounts.

1. Supply Condition Codes. Supply condition codes classify material in terms of readiness for issue and use or to identify action underway to change the status of material. Supply condition codes currently in use within the DoD are defined in DLM 4000.25-2, "Military Standard Transaction Reporting and Accountability Procedures."

2. Relationship of Logistic Categories to Accounting Classifications for Inventory. Table 4-4 shows the relationship of supply condition codes to general ledger inventory accounts.

Table 4-4. General Ledger Inventory Accounts vs Supply Condition Codes

U.S. Standard General Ledger Account	Supply Condition Codes
152100 Inventory Purchased For Resale	A Serviceable Issuable Without Qualification B Serviceable Issuable With Qualification C Serviceable Priority Issue D Serviceable Test/Modification T Serviceable Ammunition Suitable for Training Use Only Use this account to record amounts for inventory with condition codes A-D and T up to the AAO. **[Excludes Excess, Economic Retention and Contingency Retention Inventory]**
152200 Inventory Held in Reserve for Future Sale	E Unserviceable Reparable (Limited Cost to Restore) J Suspended (In Stock) K Suspended (Returns) L Suspended (In Litigation) N Suspended (Ammunition Suitable for Emergency Combat Use Only Q Suspended (Product Quality Deficiency) Use this account to record amounts for inventory with condition codes A-D and T that is above the AAO and is retained for economic or contingency purposes. Include all inventory designated as E, J, K, L, N, and Q in this account. **[Excludes Excess Inventory]**
152300 Inventory Held for Repair (Remanufacturing)	F Unserviceable Reparable G Unserviceable Incomplete M Suspended (In Work) R Suspended (Reclaimed Items, Awaiting Condition Determination) Use this account to record amounts for all inventory with condition codes F, G, M, and R that is above the AAO and is retained for economic or contingency purposes. **[Excludes Excess Inventory]**
152400 Inventory – Excess, Obsolete, or Unserviceable	H Unserviceable (Condemned) P Unserviceable (Reclamation) S Unserviceable (Scrap) V Unserviceable (Waste Military Munitions) **[Includes Serviceable and Unserviceable Excess Inventory]**

3. Logistics Inventory Categories. Table 4-5 illustrates the relationship between the logistics inventory stratification categories and the general ledger accounts.

Table 4-5. Logistics Inventory Stratification vs General Ledger Accounts

	Inventory			
Category	Serviceable	Unserviceable	Repair	Retain
Excess	USSGL 152400	USSGL 152400	No	No
Contingency Retention	USSGL 152200	USSGL 152300	No	Yes
Economic Retention	USSGL 152200	USSGL 152300	No	Yes
Approved Acquisition Objective (AAO)	USSGL 152100	USSGL 152300	No	Yes
Requirement	USSGL 152100	USSGL 152300	Yes	Yes

040405. Reconciliations

Activities must reconcile the inventory line item(s) in their general ledger with their detailed inventory accountability records at least quarterly. Activities may require reconciliations more frequently in order to improve accuracy of the general ledger line item(s) and to help reduce the risk of material misstatement. This reconciliation must include the multiple modules within Enterprise Resource Management systems, when they are being used (e.g. Warehouse Management module to Inventory Management module to Financial Management module). This reconciliation must be designed to identify errors between the quantities reported in the warehouse management system with the quantities reported in the financial management system. When errors are identified, they must be researched and resolved timely.

040406. Adjustments for Physical Counts of Inventory

Activities must take physical counts of inventories at least annually (generally as of the fiscal year end), in accordance with the procedures prescribed in DLM 4000.25-2, "Military

Standard Transaction Reporting and Accountability Procedures." (Note: In accordance with the Financial Statement Audit Completion Checklist contained in Section 1003 of the U.S. GAO ***FAM Volume 2***, auditors are likely to attend and observe physical counts of inventories that have been deemed as material.) Activities must adjust the general ledger for differences between the general ledger balances and the physical count. Adjustments must be supported by appropriate documentation.

040407. Inventory Gains and Losses

A. Disposal. Disposal of an inventory item must result in

1. A reduction in the associated inventory account equal to the valuation of the item; and

2. A loss amount equal to the historical cost of the item.

B. Incoming Shipment Gains and Losses. Invoices occasionally list fewer items than (inventory loss) or more items than (inventory gain) the actual count of inventory items received. If it is not economical to resolve the difference, record the difference as a gain/loss. In such instances, debit the incoming shipment losses to USSGL 729000; credit incoming shipment gains to USSGL 719000.

0405 SUPPLY MANAGEMENT OPERATIONS - (Applicable to WCF Only)

040501. Description

This section prescribes the policy and accounting requirements relating to inventory applicable to the supply management activities (i.e. Department of the Army, Department of the Navy, Department of the Air Force and the DLA) and to the DeCA for commissary resale. The policy for inventory valuation and classification is also applicable to the DLA Disposition Services, which holds items for redistribution or disposal including sales of excess materiel to the public and other federal customers. It is also applicable to the Depot Maintenance or Industrial Operations activities that hold and consume items in the production of goods for sale or in the provision of services for a fee, i.e. direct material expense.

040502. Items to be Included in Supply Management Activities

A. General. The supply management activities manage inventory held for sale to other DoD Components or activities within a Component and, when authorized by legislation, items procured for sale to members of the Armed Forces and other individuals or organizations. The Under Secretary of Defense (Comptroller) (USD(C)) and the Under Secretary of Defense (Acquisition, Technology and Logistics) (USD(AT&L)) may designate an item to be procured by the supply management activity and may reassign the management responsibility of any item from one DoD Component to another DoD Component.

B. Subsistence Items. The supply management activities and the DeCA must plan for, procure, manage, distribute, and insure wholesomeness of subsistence products throughout the supply chain. Subsistence items must be procured to provide healthy, wholesome, nutritious food items to members of the Armed Forces and other authorized persons. Subclasses of subsistence items include inflight rations, combat rations, refrigerated subsistence and non-refrigerated subsistence.

C. Military Exchange Items. DoDI 1338.18, "Armed Forces Clothing Monetary Allowance Procedures," assigns management responsibility to the supply management activities for items procured primarily for sale to members of the Armed Forces and other individuals or organizations authorized by legislation. These items include clothing sold by a military clothing resale activity and items sold in a ship's store. They also include personal items for health, comfort, and recreation.

* D. Military Clothing Items and Individual Equipment. The Department authorizes military exchange systems to act as agents of the supply management activity to sell military clothing items to members of the Armed Forces. The DLA must procure military clothing requirements for the DoD and bill customers at standard prices. This supply class also includes combat equipment, tentage, tool sets and kits, hand tools, and cleaning equipment and supplies. When a Military Service directs the implementation of a new or modified model of these items that makes the previous model obsolete, the Military Service must reprogram resources to DLA based on DLA's estimate of the requirement to fund procurement of the item including required safety stock levels, before DLA incurs any obligations for the item. Further, the Military Service must purchase DLA's remaining stock of the obsolete model. Alternatively, the Military Service may direct DLA to dispose of the obsolete stock and pay DLA for disposal costs. See DoDM 4140.01 and DoDI 4140.63 for related materiel management guidance.

E. Fuel. DoD Components must buy their fuel through DLA. The DLA must bill DoD customers at standard prices and other federal and nonfederal government customers at cost plus the approved DLA surcharge. In isolated locations, where DLA has authorized a DoD customer to procure fuel on the local market, payment may be made by DLA or the customer depending on local circumstances. If payment is made by the DoD customer, then DLA will reimburse the customer for the actual cost of the fuel and bill for the fuel based on standard prices. Other items in this supply class are preservatives, liquid and compressed gases, chemical products, coolants, deicing, and antifreeze components.

F. Construction Materials. The supply management activities must manage construction materials including installed equipment, fortification materials, and barrier materials. This includes such items as wood, wire, cement, barrier materials, and sandbags.

G. Medical. The supply management activities must manage medical materials supported in the medical supply chain. This materiel includes pharmaceutical, medical-surgical, dental, medical laboratory, radiological, and optometric supplies. It also includes preventive medicine items and medical equipment.

* H. Initial Spares. Initial spares are consumable or reparable spare and repair parts that support newly fielded weapons systems during the initial period of operation until the supply system can support the demand generated by the systems. Replenishment spares are spare and repair parts resupplying initial stocks.

1. The Component activity that owns the weapon system is responsible for funding the initial spares. Therefore, acquisition of the initial spares and stock level increases required to support a weapon system are the responsibility of the program office. The program office must acquire initial and inventory augmentation spares based on the materiel support date. Program managers must use their appropriated funds and may use supply management activities' contracting capabilities to acquire initial spares. Therefore, acquisition of initial spares required to support a weapon system are the responsibility of the program office, i.e. the office within the Component Activity that performs this acquisition function.

2. The Component activity may purchase the initial spares and transfer them to the supply management activity via a title transfer without reimbursement using DoD (***DD) Form 1150,*** Request For Issue/Transfer/Turn in. The Component activity must record the associated entries (budgetary and proprietary) for the purchase of the initial spares as OM&S prior to their transfer to the supply management activity. The Component activity will initiate a title transfer without reimbursement to legally transfer ownership and will remove the initial spares from its accounting records. The supply management activity will add the initial spares to its WCF accounting records. The transfer of initial spares must be fully documented and the documentation must be retained.

I. Nonmilitary Programs. The supply management activities must manage material used to support nonmilitary or civic action programs and sell these materials at standard prices. These programs are intended for agricultural and economic development.

040503. Authorized Customers

A supply management activity is authorized to sell items to:

A. A federal government funded activity or an activity empowered to perform a federal government legislated function;

B. A DoD sponsored nonappropriated fund instrumentality;

C. A State Department sponsored employee commissary located outside the United States;

D. A foreign government when an authorized contractual relationship has been established;

E. A federal government contractor, when the contract specifically provides for the purchase of items by the contractor from the Government or when using the Replenishment Parts Purchase or Borrow Program;

F. Members of the Armed Forces and other individuals authorized by law to purchase commissary and clothing items;

G. The private sector, state or local governments when purchasing non-excess personal exchange/sale property as authorized by the Federal Property and Administrative Services Act of 1949 as amended in 40 U.S.C. Chapter 5, Section 503; and

H. Other entities, when authorized by duly appointed officials.

040504. Issues Without Reimbursement

A supply management activity item may not be issued or transferred without a funded customer order except as specifically authorized in this paragraph. Events for which an issue is authorized without receipt of a funded customer order must be accounted for in the same manner as a normal sale with the exception that an allowance for loss on accounts receivable may be established when necessary. See Chapter 3 for additional guidance on establishing allowances for loss on accounts receivable.

A. Domestic Civil Emergency. A supply management activity item may be issued without immediate reimbursement when action is being taken to provide civil emergency relief assistance in accordance with the policies and procedures provided in DoDD 3025.18. However, an accounts receivable must be established for such amounts. Subsequently, funding should be made available to cover the costs of the relief effort, and the supply management activity be reimbursed for any outstanding accounts receivable.

B. Civil Disturbances. A supply management activity item may be issued without immediate reimbursement when action is being taken to control a civil disturbance in accordance with the policies and procedures provided in DoDD 3025.18. A receivable account must be established for such amounts. Subsequently, the supply management activities must be reimbursed for any outstanding accounts receivable based upon the procedures provided in Volume 11B, Chapter 11. Volume 16 also provides guidance on the write-off of uncollectible receivables from the public.

C. Foreign Disaster. The State Department is responsible for initiating and financing foreign disaster relief efforts pursuant to the Foreign Assistance Act of 1961. Procedures for issues of supply management activities material to assist in the event of a foreign disaster and reimbursements must be in accordance with DoDD 5100.46.

D. North Atlantic Treaty Organization (NATO) Country. A supply management activity item may be issued to a NATO country without reimbursement under a replacement-in-kind arrangement. Nonreimbursable issues under this authority must be changed to a reimbursable issue within 12 months if not replaced by the NATO country.

E. Military Emergency. A supply management activity item may be issued without immediate reimbursement when a federal official or military officer has certified that an emergency exists under emergency provisions in the current DoD Appropriations Act or 10 U.S.C. § 127. A receivable account must be established for such amounts. When funding is made available to cover the costs of the emergency, the supply management activity must be reimbursed for any outstanding accounts receivable.

F. Presidential Directed Drawdown. A supply management activity item may be issued to a foreign country without reimbursement when the President has directed a drawdown of defense articles from stocks under authority of 22 U.S.C. § 2318. The standard price of such issues must be reported to the Director, Defense Security Cooperation Agency for inclusion in subsequent foreign assistance budget requests and to the Office of the Under Secretary of Defense (Comptroller) (OUSD(C)), Operations Directorate, in order to determine the cash impact of such issues. The cash impact must be added to the economic adjustment cost recovery element.

G. War Reserve Assets (WRA). A supply management activity item may be issued without reimbursement when an item is designated as a WRA and the issue has been approved to satisfy requirements of a mobilization of U.S. Armed Forces.

H. Deficiencies in War Reserve Requirements. A supply management activity item may be issued without reimbursement when an item is issued to satisfy deficiencies in war reserve requirements or between activities within the supply management activity. Items issued at any level, wholesale or retail, to satisfy customer requisitions must be reimbursable from war reserve reinvestment appropriations.

I. Disposal of Excess Inventory or OM&S. Disposals will be made in accordance with DoDM 4160.21, Volume 2 which includes disposals of excess inventory through the DLA for which no reimbursement will be received.

J. Items Nearing End of Shelf Life. A supply management activity item may be issued at any price or without reimbursement when the item is not a WRA, it has six months or less of remaining shelf life, and the item manager grants approval for the item to be issued on a less than cost basis.

K. Logistical Management Transfers. Logistical management transfers (also known as logistical reassignments) result from changes in the funding appropriation for an item. If the OUSD(C) and the Office of the Under Secretary of Defense (Acquisitions, Technology and Logistics (OUSD(AT&L)) designate a logistical management transfer of an item from a GF appropriation entity to the supply management activity group, an increase to inventory for a nonreimbursable transfer must be recorded at the value of the item being transferred. Normally, an item transferred as a result of a logistical management transfer is transferred without reimbursement. However, with prior approval from the OUSD(C), transfers-in of inventory may be with reimbursement to the transferring account under these conditions:

1. The inventory was on order but undelivered to the transferring account at the time of the transfer;

2. The transferring account is not financed by the WCF; and

3. The inventory was ordered by the transferring account as a result of a reimbursable order from a customer of that account.

L. Logistical Management Transfers between Supply Management Activities. Procedures for transferring item management responsibility between WCF activities are outlined in Volume 11B, Chapter 2. The transfer of supply inventory is handled as:

1. On hand inventory. Stock on hand is transferred between supply management activities without reimbursement. Reimbursement is authorized, based on DoD credit policies, between wholesale and retail supply activities when on-hand retail inventory is transferred back to the wholesale item manager's inventory control points.

2. On order inventory. The gaining and losing wholesale item managers must validate the on order inventory requirements to ensure the supply pipeline is adequately filled. As the gaining activity receives pipeline deliveries, the gaining item manager is responsible for payment either directly to the vendors (delivery order modification), or to the losing activity that funded the delivery order, thus ensuring cash neutrality across the WCF.

040505. Loans and Leases

A. Authorized Activities. Supply management activities may only lend or lease items to activities specified in this paragraph for the stated purpose. The recipient must sign a receipt for the item. This receipt must include a statement of the intended purpose of the loan or lease. The accountable office, or the comptroller (or equivalent), of the accountable activity for the item must approve each loan or lease of an item. Accountability for inventory on loan remains with the activity lending the material. Inventory on loan must be valued in the same manner as is inventory on hand. Property may be lent to:

1. DoD Funded Customers. Supply management activities may lend an item to a DoD funded customer for a maximum of 120 days to support an approved training exercise, a military emergency, or a natural disaster.

2. U.S. Secret Service. Supply management activities may lend an item to the U.S. Secret Service for a maximum of 120 days for purposes prescribed under the policies and procedures in DoDD 3025.13.

3. Civilian Law Enforcement Officials. Supply management activities may lend an item to a civilian law enforcement activity for a maximum of 120 days for purposes prescribed under the policies and procedures in DoDI 3025.21.

4. State and Local Governments. Supply management activities may lend an item to a state or local government for a maximum of 120 days for a specific purpose, under the policies and procedures prescribed in DoDI 3025.21.

5. National Veterans' Organizations. Under the authority of 10 U.S.C. § 2551, supply management activities may lend an item (e.g., cots, blankets, pillows, mattresses, bed sacks, and other supplies) to a recognized national veterans' organization for a maximum of 120 days to support a national or state convention or a regional youth athletic or recreational tournament sponsored by the veterans' organization. A bond equal to the current standard price of the item must be obtained before the item is loaned.

6. American National Red Cross. Under the authority of 10 U.S.C. § 2552, supply management activities may lend an item to an organization formed by the American National Red Cross for a maximum of 120 days for the purpose of instruction and practice needed to aid the Army, Navy, or Air Force in time of war. A bond equal to twice the value of the property is required for the care and safekeeping of the loaned property before the item is lent.

7. Inaugural Committee. Under the authority of 10 U.S.C. § 2553, supply management activities may lend an item to an Inaugural Committee to support an inauguration of the President of the United States for a period not to exceed nine days beyond the inauguration ceremony. A bond equal to the current standard price of the item must be obtained before the item is lent.

8. Boy Scout Jamborees. Under the authority of 10 U.S.C. § 2554, supply management activities may lend cots, blankets, commissary equipment, flags, refrigerators, and other equipment to the Boy Scouts of America for the use of Scouts, and officials who attend any national or world Boy Scout Jamboree. In addition, services and expendable medical supplies, as may be necessary or useful to the extent that items are in stock and items or services are available may be furnished without reimbursement. Items may be lent for a maximum of 120 days. A bond equal to the value of the loaned items must be obtained before the items are loaned.

9. Shelter for the Homeless, Incidental Services. Under the authority of 10 U.S.C. § 2556, the Secretary of a Military Department may provide without reimbursement bedding for support of shelters for the homeless that are operated by entities other than the DoD, but only to the extent that the Secretary determines that the provisions of such bedding will not interfere with military requirements. In addition, incidental services and other items (such as medical supplies) may be provided without reimbursement to the extent that the provision of incidental services or other items does not interfere with military preparedness or ongoing military functions. To satisfy these requirements, a supply management activity may issue to a shelter for the homeless only items that have been declared excess to the needs of the DoD.

10. Humanitarian Relief. Under the authority of 10 U.S.C. § 2557, supply management activities may make nonlethal excess supplies available for transfer to the Department of State for its distribution for humanitarian relief. The term "nonlethal excess supplies" means property, other than real property, of the DoD that is excess property as defined in regulations of the DoD; and that is not a weapon, ammunition, or other equipment or material that is designed to inflict serious bodily harm or death.

11. Foreign Countries or International Organizations. Supply management activities may lease or loan an item to an eligible foreign country or international organization under the authority of the Arms Export Control Act. Policy and procedures for the lease of material to foreign countries and international organizations is contained in DoDD 5105.65 and in Volume 15, Chapter 7. Refer to these references for approval channels and expense requirements.

12. Other Leases. Under the authority of 10 U.S.C. § 2667, supply management activities may lease or loan a nonexcess supply management activity item to an organization when the Secretary of Defense or the Secretary of a Military Department has determined that the item is not needed for DoD use during the proposed lease period and the lease will promote the national defense or otherwise be in the public interest.

B. Approvals. Each loan or lease of an item must be approved by the comptroller, or equivalent, of the activity responsible for accountability over the item. The approval must include a description of the item including the price, condition, anticipated return date; and a certification that the loan of the item will not jeopardize the capability to support national defense requirements.

C. Expenses. The recipient must pay for all transportation, packing, crating, and handling costs associated with the loan or lease of the item. At the time of return of the item, the recipient must be required to pay all costs necessary to restore the item to its original condition or to pay for any item the recipient does not return within the approved period of the loan or lease.

040506. GFM

GFM may be provided to a contractor or other government agency for consumption or repair.

A. Business Rules. When GFM is provided for consumption, the business rules prescribed by this subparagraph must be followed.

1. Record as an expense the value of items issued by the item manager to a contractor or to another DoD or other federal government activity for consumption or incorporation in the repair, alteration, or modification of another supply management activity item for the benefit of the supply management activity.

2. Record as work-in-process the value of items issued by the item manager to a contractor or to another DoD or other federal government activity for fabrication, assembly, or disassembly of another supply management activity item for the benefit of the supply management activity. The use of the work-in-process account is described at section 0407.

3. The return of GFM items by a contractor must be accounted for in the same manner as a customer return of material without credit (see subparagraph 040403.A).

4. The cost of forgings and castings used as GFM should be included as a part of the acquisition cost of the item that includes the forging and casting in its production.

B. Items Issued for Repair and Return. Issuing supply activities must account for reparables or other items of inventory issued by the direction of an item manager to either a DoD activity or a contractor for repair, alteration, or modification as USSGL 152300, "Inventory Held for Repair." Such items will continue to be valued as inventory held for repair in accordance with the valuation criteria applicable to inventory held for repair that is held by the stockage point. Upon receipt of the repaired item, it must be accounted for in USSGL 152100, "Inventory Held for Sale."

040507. Capitalized Inventory

A. Logistics Management Reassignment Transfers In Without Reimbursement. A supply management activity may capitalize, when it undertakes management responsibility for items, supply inventories that were financed by other appropriations and funds, as permitted by 10 U.S.C. § 2208 and consistent with guidance in the DoDM 4140.26. The activity that ordered the item must pay bills for inventories on order at the time of the transfer. As provided in 10 U.S.C. § 2208, a supply management activity may not make credits to an appropriation funded activity for capitalized inventories. However, stock withdrawal authorizations may be approved as provided in subparagraph 040507.C. Note, for transfers from other WCFs, the gaining supply management activity will reimburse the losing activity for any inventories on order as the deliveries are made.

B. Transfers of Reimbursable Procurements. The supply management activity may record a liability for an item transferred from a non-WCF account only if (1) the item is undelivered at the time of the transfer, and (2) the transferring organization's obligation for the item resulted from a reimbursable order from a customer. The liability must be liquidated by a payment to the transferring appropriation or fund based upon a payment to the supply management activity by the customer.

C. Stock Withdrawal Authorizations. After transferring an item from an appropriation funded activity to a supply management activity, the transferring activity may not have sufficient funds to purchase the item when needed. The transferring activity may request, as part of the formal budget submission to the Congress, that the USD(C) approve an authorization for issues without reimbursement. The supply management activity must issue items, upon receipt of an approved stock withdrawal authorization, to the specified customer without reimbursement up to the authorized limit for a fiscal year. The authorized limit is calculated as the lesser of one quarter of the quantity transferred to the supply management activity or one year's quantity based on the average amount consumed for the previous three years. When the fiscal year has passed, the supply management activity must issue items on a reimbursable basis. The supply management activity must not record a stock withdrawal authorization as a liability.

D. Logistical Management Transfers. Logistical management transfers result from changes in the funding appropriation for an item. When an approved logistical management transfer of item(s) is implemented, an increase or a decrease to inventory for a nonreimbursable transfer must be recorded at the value of the item being transferred.

040508. Depot Level Reparables

A. General. For material management purposes, "reparables" are items of supply subject to economical repair and for which the repaired items are considered in satisfying computed requirements at any inventory level. For financial management and accounting purposes, the Department's depot level repair program for inventory replenishment and resale is considered to be a remanufacturing process. See Volume 11B for more information on Depot Level Reparables.

* B. Financial Reporting of Depot Level Reparables (DLR). Serviceable DLR will be reported on DoD financial statements at historical cost using the MAC flow assumption. DoD will use the allowance method when accounting for DLR. Under the allowance method, the reparable must be valued at the same value as a serviceable item. However, an allowance for repairs contra asset account must be established. The annual (or other period) credit(s) required to bring the repair allowance to the current estimated cost of repairs must be recognized as current period operating expense. As the repairs are made, the cost of repairs must be charged (debited) to the allowance for repairs accounting. Supporting documentation must be retained for audit purposes. In addition, the Component should reconcile the allowance account to the physical quantities of items held for repair on at least an annual basis.

C. Exchange Transaction. Many items held for remanufacturing are obtained as the result of an exchange transaction. An exchange transaction is the sale of a serviceable item at standard price in exchange for (1) cash and (2) an item that needs rebuilding or repair (carcass). The supply management activity may record two separate transactions to represent the complete event or may bill the customer at the exchange price, that is, the standard price less credit allowed if the requisitioning activity states a reparable will be returned. If the impaired item (carcass) has not been received at the time of the exchange, it must be recorded in USSGL 152300 "Inventory Held for Repair (Remanufacture Due In)."

D. Business Rules. Remanufacturing costs must be capitalized according to the business rules prescribed by this subparagraph:

1. Remanufacture of items currently available from new procurement. Capitalize all costs except costs that exceed the current replacement cost and abnormal costs such as excessive rework or costs of an unusual nature that occur infrequently. Abnormal costs should be expensed as period costs without regard to current replacement cost.

2. Remanufacture of items not available from new procurement. Capitalize all costs except abnormal costs such as excessive rework or costs of an unusual nature that occur infrequently. Abnormal costs should be expensed as period costs without regard to current replacement cost.

E. Time Limit for Receipt of Exchange Item. If a reparable is not received from a continental United States (CONUS) customer within 90 days of the exchange sale or 120 days for a customer outside the continental United States (OCONUS), the supply management activity must reverse the credit previously allowed and bill the customer for that amount. Additionally, at the discretion of the seller, the customer may be billed for costs that would not have been otherwise incurred except for non-receipt of the item.

1. Carcass Received Before an Exchange Sale. Occasionally, a carcass may be received before an exchange sale when a like issue item is not available at the time the requisition is received. When this occurs, the supply management activity must record the carcass into inventory and establish a liability. When a serviceable item becomes available for issue, the liability must be reversed and the exchange sale will proceed normally.

2. Carcass Sent to Contractor or to Repair Facility for Repair/Remanufacture. Supply management activities may place orders and obligate funds for repair/remanufacture work placed with contractor or at a government repair facility. While being repaired/remanufactured, the carcass will remain in the inventory of Supply Management activity. Activities may continue to account for carcasses as "Inventory Held for Repair (Remanufacturing)."

040509. Return of Items to the Supply Management Activity

A. Customers Who May Return Items. A customer within the federal government, including DoD contractors, may return an item to a supply management activity. Additionally, the Arms Export Control Act allows the return of defense articles from a foreign country or international organization under specified conditions. See 22 U.S.C. § 2761(m) for these conditions. In addition, 10 U.S.C. § 2208(g) states that the appraised value of supplies returned to working capital funds by a department, activity, or agency may be charged to that fund. The proceeds thereof shall be credited to current applicable appropriations and are available for expenditure for the same purposes that those appropriations are so available. Credits may not be made to appropriations under this subsection as a result of capitalization of inventories.

B. Customers Who May Not Return Items. A customer outside of the federal government that does not meet the conditions specified in subparagraph 040509.A may not return an item to a DoD supply management activity.

C. Credit Options. An item manager may grant credit for a returned item after receipt, inspection, and classification of the item. A return that stratifies to a war reserve requirement does not qualify for credit.

1. Return of a Fully Serviceable Consumable or Reparable Item When Not Part of an Exchange Transaction. If approved by an item manager, a credit may be granted to federal government customers and to nonfederal government customers who meet the requirements specified in subparagraph 040509.A. The amount of the credit for the return of an item that is within the AAO must not exceed the current standard price of the returned item less the current fiscal year's approved cost recovery elements.

2. Return of a Carcass When Not Part of an Exchange Transaction. An item manager may approve credit for the return of a carcass from a federal government funded customer or a nonfederal government customer who meets the requirements specified in subparagraph 040509.A without an exchange when the returned item is within the AAO. The credit may be in the amount of the value of the reparable to the supply management activity but not more than the current exchange price.

3. Billing. The supply management activity must bill the customer for the credit previously allowed if it granted credit before taking ownership or receipt of the returned item and the item is not received within 90 days from a CONUS customer or 120 days for an OCONUS customer. The customer also may be billed, at the discretion of the stockage point, for costs incurred due to non-receipt of the item.

4. Return of Defective Items. The supply management activity may grant a credit to a customer at standard price for defective items issued by a supply management activity, including specification defects, when a customer's quality deficiency report has been validated.

5. Credits Applied Toward Future Requirements. Credits granted may be applied against future customer demands in the current fiscal year for items or directly credited to the current year available funds of the customer.

6. Shipping Costs. Shipping costs include packing, crating, handling, transportation, port loading, and unloading. The supply management activity must fund transportation and other shipping costs only for items approved by an item manager for return from customers. Shipping and transportation cost for items that have not been approved by an item manager for return from customers must not be paid by the supply management activity.

*040510. Excess Items Disposition

A. Identification and Transfer of EOU. Once the DoD Components have identified inventory as EOU and adjusted the EOU to its NRV, if they are using DLA Disposition Services to execute the disposition of the EOU, they should expeditiously transfer the EOU inventory to DLA Disposition Services using a ***DD Form 1348-1A*** (or its successor form as applicable). As described in subparagraph 040403.B, with the exception of EOU disposals by DLA Disposition Services that fall under the QRP, Components will generally have adjusted the value of this EOU to zero. The transfer to DLA Disposition Services may be a physical transfer or a “transfer receipt in place” if the EOU inventory is too large or bulky to physically transfer. When a "transfer receipt in place" occurs, the Component should physically segregate and mark the item as having been transferred in place and the inventory records should also be adjusted accordingly.

B. DLA Receipt of EOU. In accordance with DLM 4000.25, Volume 2, Chapter 16, paragraph C16.7.1.1, the DLA Disposition Services Field Office will send a Turn in Receipt Acknowledgement to the Component. This action provides confirmation to the

Component that DLA Disposition Services processed the receipt transaction to record DLA Disposition Services materiel accountability and ownership for the material turned in.

C. DLA Recording of EOU. After DLA Disposition Services receives the DD Form 1348-1A, they will record an estimated NRV in their accounting system for each item of EOU inventory transferred. On a periodic basis (at least annually for the fiscal year end), DLA Disposition Services will recalculate the NRV factor and will adjust its EOU inventory by the new recalculated factor for accounting and financial statement reporting purposes.

D. Processing EOU Classified as Explosives. DLA Disposition Services does not hold, process or dispose of EOU that are explosives, which includes ammunitions, classified items, and hazardous waste. Components possessing EOU that are explosives must arrange for their disposal through the Joint Munitions Command (JMC) of the Department of the Army unless the disposal is part of a QRP. In the case of a QRP, the Component may elect to use a third party for the disposal. In the same manner as for non-explosives EOU, the Components and JMC must adjust the EOU explosives to their NRV based on prior disposal proceeds for comparable EOU, buyer quotes or other reasonable means.

E. Issues of Excess Items to Reutilization and Marketing. An Integrated Materiel Manager (IMM) may authorize transfer without reimbursement of excess supply management activity items to DLA Disposition Services. The DLA Disposition Services must issue an item without reimbursement to a supply management activity when the item is required to satisfy a supply management activity requirement.

F. Transfer of Inventory Item. Losses for inventory items are taken at the time an item is determined to be EOU beyond repair. Both the inventory item and its related allowance are removed from the accounting records of the supply management activity.

G. Issues of Excess Items to Other DoD Activities. When the IMM directs and controls the lateral redistribution of an item excess to the immediate needs of a retail activity, supply management activities will record the event without direct reimbursement to the issuing (sending) activity from the receiving activity. Further, the IMM must bill the receiving activity for the standard price of the material and reimburse the issuing activity for the standard price of the item and its standard packing, crating, handling, and transportation costs.

H. Transfers of Excess Property from DLA Disposition Services. When an IMM or Primary Inventory Control Activity (PICA) determines that needed material is available within the disposal system, the DLA Disposition Services must provide the material to the requiring IMM/PICA without reimbursement. The supply management activity must reimburse the DLA Disposition Services, however, for costs incurred for packing, crating, handling (PCH), and transportation, if applicable or when conditions warrant. Reimbursement for PCH will be at the rate of 3.5 percent of the acquisition price of consumable material and 1 percent of the acquisition price of reparable material. Reimbursement to the DLA Disposition Services for transportation of consumable or reparable items will be at the cost recovery rate in effect for transportation by the shipping the DLA Disposition Services location. Activities must account for transfers of material from the DLA Disposition Services. Refer to the DoD Standard Chart of

Accounts and DoD USSGL Transaction Library for detailed account descriptions and posting guidance for each of the general ledger accounts referenced.

I. Accounting for Customer Returns. Customer returns may have a significant impact on current period revenue and inventory for the supply management activities. Customers may or may not receive credit for returned items. Return of an item, whether issuable or not issuable, reverses the sale's effect on the Cost of Goods Sold because the sale with return brings the supply management activity back to the original level of inventory. Regardless of whether the customer does or does not receive credit, activities will record receipt of a returned item.

0406 WRM - (Applicable to WCF Only)

040601. Description

WRM is mission essential secondary items, principal end items, and munitions sufficient to attain and sustain operational objectives in scenarios authorized in the Secretary of Defense guidance and Joint Staff scenarios for committed forces. The WRM inventories must include peacetime operating stocks, training stocks, stocks available through industrial base partnerships, and WRM. (See DoDI 3110.06.) Stockpile materials are strategic and critical materials held due to statutory requirements for use in national defense, conservation or national emergencies. National Defense Stockpile materials, discussed in Section 0408, are accounted for within the National Defense Stockpile Transaction Fund.

040602. Funding for WRM

The WRM must be funded from appropriations made directly to the WCF. Such appropriated amounts must be reflected as a separate goal within the applicable supply management or Commissary Resale activity's annual operating budget letter. Items such as ammunition and/or principal and major end items procured for war reserve must not be funded through a WCF, but must be funded through amounts available to Component/Defense Agency procurement appropriations.

040603. Accounting for WRM

Purchases of WCF war reserve items must be accounted for at the same level of detail as items procured for peacetime requirements. The value of war reserve items must be recorded in the standard inventory accounts.

040604. Acquisition of WRM

The WRM is indistinguishable from corresponding inventory items. The WRM and inventory are, or can be, purchased at the same time, purchased from the same vendor, received at the same time and in the same shipping container, and stored together in the same warehouse/bin. As a result, the accounting for the acquisition of WRM and inventory, at the time of acquisition, is the same.

040605. Disposition of WRM

The WRM is held in reserve to be available for transfer without reimbursement when the issuance of a WRA has been approved to satisfy requirements of a mobilization of U.S. Armed Forces. However, if authorized, war reserve and other stockpile materials may be sold.

0407 WORK-IN-PROCESS - (Applicable to WCF Only)

*040701. General

The WCF manufacturing activities, primarily those involved in depot maintenance or other industrial-type operations, who routinely perform tasks that take more than a month, must record operating costs within a work-in-process account. When the WCF manufacturing activity issues a progress invoice to the DoD purchasing component it will relieve its work-in-process for the amount invoiced. A work-in-process account must also be used by the DoD purchasing component to record any incremental amount billed to it by the DoD manufacturing activity for manufactured inventory. Additional information relating to revenue recognition, progress billings to customers, and disputed bills may be found at Chapter 16.

040702. Accounting for Work-In-Process

A. This section describes the applicable USSGL accounts for recording transactions that map to the Inventory – Work-in-process account. Detailed posting transactions are outlined in the DoD USSGL Transaction Library. The USSGL accounts for work-in-process are described in this subparagraph.

1. Inventory–Raw Materials (Account 152500). All supplies and material purchased by a WCF activity for the purpose of providing goods or services to a customer must be accounted for in this account. Supplies and materials issued to a specific job must be recorded as a direct cost. Supplies and materials issued for the general use of a cost center (production indirect) or for G&A of an activity must be recorded as an indirect cost.

2. Inventory–Work-In-Process (Account 152600). This account is used to capture all costs relating to products that are in the process of being manufactured, remanufactured, repaired, or fabricated but are not yet complete. Periodically, but not less than monthly, adjust the allocated indirect expense amount to the actual indirect expense amount to record the assignment (allocation) of indirect expenses to work-in-process. The application of indirect expenses to inventory – work-in-process may be based on a formula that, over time, provides a reasonably close approximation of actual indirect expenses. Periodically, but not less than annually, adjust the allocated indirect expense amount to the actual indirect expense amount and adjust the applied overhead account. Adjustments of over and under applied overhead must be accomplished prior to the final billing on a completed customer order. Variances between actual indirect expenses and applied indirect expenses are accounted for as cost of goods sold.

3. Inventory–Finished Goods (Account 152700). This account is used to record the liquidation of inventory work-in-process when related work is completed and will be accepted for delivery to a customer in response to its order.

4. Applied Overhead (Account 660000). This account is used to record the amount of overhead cost distributed to work-in-process, construction in process or OM&S in development.

5. Cost Capitalization Offset (Account 661000). This account is used to record the amount of any costs originally recorded into another expense account that are directly linked to a specific job or product. These costs are transferred to an "in progress" asset account such as inventory work-in-progress, O&MS in Development, internal use software in development, and/or a completed asset account.

B. Work-in-process general ledger accounts may be used by any DoD Component or activity within those Components.

1. When a WCF activity incurs costs to produce a customer order, the related costs, regardless of the source of funding, should be accumulated by the use of a job order. Related costs attributed to an order may include:

a. Costs of additions, alterations, improvements, rehabilitations, and replacements of DoD fixed assets exclusive of construction in progress. Accounting guidance on construction in progress can be found in Chapter 6;

b. Costs of maintaining DoD equipment and inventory;

c. Costs of manufacturing or fabricating an end item or product; and

d. Costs of producing an output.

2. Actual cost of direct labor, direct materials, indirect labor, indirect materials and G&A expenses used in the production and completion of a job order/customer order must be recorded in inventory work-in-process.

* 3. Progress billings to a DoD purchasing component for manufacture of inventory must be recorded as inventory work-in-process by the DoD purchasing component. These costs occur when a DoD purchasing component uses an organic (i.e. DoD component manufacturer) or a private sector manufacturer (i.e. a manufacturer outside of DoD) to acquire inventory where progress billings reflect the incremental costs incurred being billed by the manufacturer. If a DoD component is the manufacturer, it will record an accounts receivable and reimbursable revenue for the amount of the progress billing.

C. Relief of Work-in-Process

* 1. Cost Transfer. Direct costs, indirect costs and G&A expenses recorded in inventory work-in-process accounts must be transferred upon completion or termination of the customer order to:

a. An Inventory-Finished Goods account and will then be expensed as cost of goods sold upon delivery to the customer. Costs incurred in excess of funding provided by the customer order must be recognized as a loss in proportion to the total estimated cost as costs are incurred to fulfill the order, such that the loss is recognized in proportion to total cost over the life of the order;

b. An applicable asset account, if the completed work is to be retained by the producing activity;

c. An expense account, if the completed work retained for use by the producing activity does not meet the DoD capitalization criteria; or,

d. Operating expenses/program costs upon termination of a customer order prior to completion.

* 2. Order Completion. Completion of a customer order occurs when all work requested on a customer order has been completed. Upon completion of a customer order, no costs associated with that customer order must remain in the work-in-process account.

* 3. Recognizing Losses. The costs incurred on a customer order may be more or less than the revenue earned depending upon whether costs incurred exceed or are less than the funded amount on the customer order. Therefore, a gain or loss may occur on the work performed on a customer order. Probable (more likely than not) losses should be recognized in proportion to estimated total cost when goods and services are acquired to fulfill the contract. Thus, the loss should be recognized in proportion to total cost over the life of the contract/customer order.

4. Disposition of Completed Products. Completed products in response to a customer order may not be retained as assets (i.e., finished goods) of WCF activities. Upon completion, goods and services resulting from customer orders must be billed promptly to customers. Billing must not be delayed or deferred pending customer acceptance of finished work. Parts and supplies manufactured for internal WCF use must be transferred, upon completion, to the OM&S account.

* 5. Progress Billed Manufacture. Costs that have been accumulated in inventory work-in-process because of progress or incremental billing to a supply management activity must be transferred to Inventory Held for Sale upon completion and receipt of the manufactured end items.

D. Review of Work-In-Process. Periodically, but at least annually, WCF activities must review work-in-process account balances so that appropriate actions may be taken, if necessary, to reduce significant balances in the work-in-process account. The review should focus on completed customer orders where costs incurred exceed the funding provided on the existing customer order and these costs have not been recognized as a loss. In these cases, the activity should transfer the amount of costs incurred that exceeds the funding provided on the customer order from the work-in-process account to a loss account in the period in which the costs were incurred. In addition, the review should evaluate the compliance with the accounts receivable policy and percentage of completion method for revenue recognition policy in Chapter 3 and Chapter 16.

*040703. Inventory Work-In-Process Accounts

Due to reporting requirements, many WCF activities are required to capture costs at a more detailed level than the USSGL or DoD Standard Chart of Accounts. The inventory work-in-process should identify the performing activity and the portion of government property furnished to contractors and subcontractors for the performance of DoD contracts for other than real property. Activities may want to create subaccounts within their inventory or general ledger systems to track work-in-process at the detail level; however, the internal subaccounts must aggregate to one USSGL/DoD account. The inventory work-in-process subaccounts suggested for use by the WCF are described in this paragraph:

A. Inventory Work-In-Process (In-House). Inventory work-in-process (in-house) is used to record the cost of work-in-process performed by DoD personnel. A subsidiary account must be maintained to accumulate the costs of each job/customer order and facilitate the transfer of costs to the applicable asset or expense account. Sources of entries to this account include billings under contracts for material, supplies, and equipment; documented assignments of costs accumulated in cost pools; issue and transfer documents; receiving and shipping reports; invoices; payment vouchers; payroll records; reports of completed work-in-process; and documented losses.

B. Inventory Work-In-Process (Contractor). Inventory work-in-process (contractor) is used to record the cost of work performed by a contractor. If the work is accepted and will be incorporated into in-house work, it should be recorded to work-in-process. It should be recorded to inventory available for sale upon acceptance if it will not be incorporated into in-house work.

C. Inventory Work-In-Process (Other Government Activities). Inventory work-in-process (other government activities) is used to record the cost of work-in-process performed by other federal government agencies. A subsidiary account must be maintained for each contract to track the value of work performed as represented by progress payments. Sources for entries to this account include interagency agreements, invoices, payment vouchers, and property acceptance documents.

D. Inventory Work-In-Process (GFM)

1. Inventory work-in-process (GFM) is used to record the value of that portion of government property furnished to contractors and subcontractors (including other federal agencies) for the performance of DoD contracts.

2. Details of government furnished material must be maintained for each contract where the contractor is provided material by DoD. This can be accomplished either using separate Accountable Property System of Record entries or using USSGL subsidiary accounts. For example, a subsidiary account could be maintained for each contractor that is furnished government material for use in performance of a contract(s) and that is to be returned upon completion of the contract. The subsidiary accounts should be subdivided by contract. In addition, any increases to this account must be supported by documentation evidencing issuances of government material to contractors, whether from inventory or from another contractor in accordance with DoDIs. Decreases to this account only occur when the end item is accepted by the DoD and received into inventory, or the material is returned to inventory or otherwise disposed of at DoD's direction.

3. Periodically, but at least annually, this account must be reconciled with the property accountability records maintained by the contractor. This reconciliation involves coordination with the assigned property administrator for the contract. Property administrators must be provided financial data on the value of GFM for use in completing contract close out or termination. On contract completion or termination, the account must be adjusted to reflect the disposition of unused GFM provided to the contractor.

4. Sources for entries to this account include shipping and issue documents, property acceptance documents and property administrator reports, material-return documents, collection and deposit documents, settlement agreements, and documented losses.

0408 STOCKPILE MATERIALS - (Applicable to Revolving Fund Only)

040801. Description

The National Defense Stockpile operates under the authority of the Strategic and Critical Stock Piling Act (50 U.S.C. Subchapter III). The Stockpiling Act provides that strategic and critical materials are stockpiled in the interest of national defense to preclude a dangerous and costly dependence upon foreign sources of supply in times of a national emergency. The National Defense Authorization Acts provide authority to buy and sell specific materials, set quantity and revenue levels for selling material, and mandate programs to receive the revenue from the sales and collections. There is currently no authorization to buy (acquire) any material if over 99 percent of the inventory is authorized for sale. Only accounting requirements and procedures for stockpile material transactions particular to the National Defense Stockpile Transaction Fund (NDSTF) are included in this section.

A. Operations. The Defense National Stockpile Center (DNSC) administers the acquisition, storage, management, and disposal of inventory currently maintained in the

National Defense Stockpile. The NDSTF is a continuing fund that finances the operations of the National Defense Stockpile and DNSC. The NDSTF receives resources from diverse sources including direct appropriations, transfers from other appropriations, transfers of physical assets, and disposal proceeds, and thus is not strictly a revolving fund. The NDSTF's Department of the Treasury Federal account symbol is 97X4555.

B. Responsibilities. The DNSC will initiate all transactions obligating funds and accounting for inventory of the NDSTF. The Defense Finance and Accounting Service (DFAS) will establish accounting requirements and procedures, perform financial and general ledger accounting, and prepare external accounting reports for the NDSTF. The DFAS will also provide accounting reports and additional supporting supplemental financial information to the DNSC for preparation of the DoD, "Strategic and Critical Materials Report to the President and Congress."

040802. Recognition of Stockpile Materials

The consumption method of accounting must be applied for stockpile materials. The materials must be recognized as assets and reported when produced or purchased. The cost of stockpile materials must be removed from stockpile materials and reported as an operating expense when issued for use or sale.

040803. Valuation of Stockpile Materials

Stockpile materials must be valued based on historical cost. Historical cost must include all appropriate purchase, transportation, and production costs incurred to bring the items to their current condition and location. Abnormal costs must be charged to operations of the period. The DoD standard of using the MAC flow assumption must be applied in arriving at the historical cost of stockpile materials. The financial inventory balance of the National Defense Stockpile is maintained on a historical cost basis as supported by "laid-in cost." In accounting terms, laid-in cost is used by wholesalers or suppliers and includes additional costs incurred to place the goods in inventory (e.g., a manufacturer's invoice price and freight).

040804. Accounting for Stockpile Materials

Because of some unique transactions used in accounting for National Defense Stockpile material (e.g., acquisitions and sales), additional breakout of information is required below the USSGL account level. When information is required for separate identification and inclusion in financial statements, combining with other accounts in the several financial statements, or preparation of notes to the financial statements, financial systems should allow for the information to be segregated in a form that would permit user analysis. The unique use of select general ledger accounts of the NDSTF is included in the discussion of each particular accounting area. Detailed posting transactions are outlined in the DoD USSGL Transaction Library. Also, see Chapter 16.

A. Stockpile Materials Held In Reserve (Account 157100). Stockpile Materials Held In Reserve are strategic and critical materials held due to statutory requirements

for use in national defense, conservation or national emergencies. They are not held with the intent of selling in the ordinary course of business.

B. Stockpile Materials Held For Sale (Account 157200). This account is the account used to maintain the stockpile materials that have been authorized for sale. The materials authorized for sale must be valued using the same basis used before they were authorized for sale. Any gain (or loss) upon sale must be recognized as a gain (or loss) at that time.

C. The two USSGL inventory accounts described in subparagraphs 040804.A and 040804.B are classified in several lower level subdivisions of this account, which are used for the National Defense Stockpile inventory as shown at Table 4-6.

Table 4-6. National Defense Stockpile Inventory

A.	157100	Stockpile Materials Held In Reserve – Goal Material (Strategic and Critical Materials)
B.	157100	Stockpile Materials Held In Reserve – Inventory Custodial Transfer or Pending Survey
C.	157100	Stockpile Materials Held In Reserve – Inventory In Process Government Facility
D.	157100	Stockpile Materials Held In Reserve – Inventory In Process Contractor Facility
E.	157200	Stockpile Materials Held For Sale

040805. Reconciling Inventory Records

The inventory accounting system maintained by the DNSC supports the value of inventory as shown in these accounts. The DNSC and DFAS are jointly responsible for reconciling the inventory records.

A. Material Acquisition. All acquisitions of material for the National Defense Stockpile are proposed in the Annual Materials Plan, which is subject to approval by Congress and the subsequent authorization of funding. Funding authorization may be in the form of new appropriations, an authorization to spend from the available balance of the Transaction Fund, or from sales proceeds from authorized disposals. Material purchase contracts are recorded as obligations against the current year acquisition program on the date of the contract. When material is received, it is recorded in the inventory accounting system and the general ledger inventory account, accounts payable, and a decrease in undelivered orders. Any other cost, such as initial testing, increases the cost of the material for inventory valuation. The inventory accounting system must be reconciled to the general ledger inventory account each month. In addition, a physical inventory should be conducted at least annually.

B. Material Upgrade. Also included in the Annual Material Plan is the program for upgrading existing National Defense Stockpile material. This work is accomplished by contracts for the value of the upgrading services. These amounts are obligated against the current year program. When material is delivered to the contractor for upgrading it is transferred on the records from the stockpile inventory to material in the hands of a contractor. When upgraded material is returned, a new unit cost is determined by adding the upgrading costs to the original inventory value. The amount of the upgrading cost and original cost of the material are transferred to the on hand stockpile inventory account from the material in the hands of a contractor account.

C. Exchange Transactions. Materials can be disposed of by offering like material as payment in kind or other material in exchange as settlement of amounts due for material upgraded or acquired. These are accounted for as exchange disposals and the original cost of the material is removed from inventory and recorded as cost of exchange disposals. Exchange settlements liquidate an obligation for material upgrade and acquisition, as would payment in cash, and is accounted for through the budgetary accounts to effect the liquidation of the original contractual obligation in the accounting records.

D. Material Disposals. Various materials in the National Defense Stockpile may become obsolete or excess to current defense stockpiling needs. The National Defense Stockpile Act authorizes the disposal of such material. These materials can be disposed of when included in the Annual Material Plan and authorized in the budget program for the NDSTF. Disposal sales of marketable commodities are offered on a bid auction or negotiated sales basis. Material disposals are accounted for as sales and the original cost of the material is removed from inventory and recorded as cost of sales.

E. Billing and Collection. All sales and disposals are billed shortly after the sales agreement is made or as of the scheduled time for delivery or pickup of the material. Bid deposits received are held as advances until returned or recorded to sales proceeds upon delivery of material to successful buyers. The purchaser of the material is allowed a specified number of days in which to pick up the material, after which time storage charges are assessed. Any such storage charges are additional billings to the purchaser. When material is disposed of by exchange settlements, credits earned for material received and accepted by DNSC are used as payment for material shipped. Additional billings for delayed pickup of material are also applicable to the exchange settlement disposals. Collections are received by the DNSC via electronic fund transfer or paper check (deposited to a local banking facility). Upon receipt of the funds, a ***DD Form 1131***, Cash Collection Voucher and confirmed deposit are sent to the DFAS Accounting and Finance Office for recording in the accounting records and financial reporting.

F. Inventory Adjustments. Inventory adjustments are made whenever there is evidence that an adjustment is required. Such instances include periodic count or measurement of material, movement of material, and complete disposal of material from a storage location. All adjustments are documented and approved before recording in the inventory accounting system and general ledger inventory account. Depending on the nature and size of the adjustment, approval is granted by the Administrator of the DNSC, delegated inventory officials, or board of survey.

040806. Research Grants

The NDSTF receives appropriations for the award of grants to universities, colleges, and research institutions. The designated recipient of the grant is included in the appropriation act or requisite legislation. The Administrator, DNSC, is the grant administering official. See Volume 12, Chapter 5 for additional guidance on accounting for grant funds.

*Annex A1. Cost Benefit Template Example
(Applicable to both General Fund and Working Capital Fund)

Costs	Source/ Support	$	Additional Benefits Beyond Current Process/System	Source/ Support	$
System/Technology Costs • Locations/instances that need to be purchased and installed • Interfaces that need to be built • Near term sunset of current systems and implementation of new systems • Additional bandwidth or connectivity requirements • Additional hardware requirements			**Management** • More comprehensive enterprise view of location, status of OM&S • Reduction in effort for OM&S returning to supply chain • Purchasing decisions • Better financial stewardship and oversight of OM&S balances		
Human Capital Costs • Additional training required at field locations • Additional FTEs / Contractors			**Users of the Financial Statements** • Fuller picture of true OM&S and asset balances		
Process Costs • Contract modifications (for GFM) • Process reengineering, including internal controls and financial reporting			**Process Benefits** • Improved business processes and internal controls		
Total			**Total**		

*Annex A2. Alternative Valuation Methodologies for Establishing Opening Balances

This annex is applicable for inventory, operating materials and supplies (OM&S), and stockpile materials of both the General Fund, Working Capital Fund, and Revolving Fund.

A20101. Alternative Valuation Methodologies for Opening Balances

This policy guidance sets out how Components should establish opening balances for inventory, OM&S, and stockpile materials using the methodology described in the Federal Accounting Standards Advisory Board (FASAB) Statement of Federal Financial Accounting Standard (SFFAS) 48 “Opening Balances for Inventory, Operating Material & Supplies, and Stockpile Materials.” and Technical Release 18 "Implementation Guidance for Establishing Opening Balances". All Components must establish their opening balances for inventory, OM&S, and stockpile materials in alignment with established Financial Improvement and Audit Readiness milestones. The valuation methodologies outlined in this policy must be used only to establish and document opening balances. After establishing opening balances, the Components must account for and comply with the recognition, measurement, presentation, and disclosure requirements identified in this chapter and FASAB pronouncements, including SFFAS 3, “Accounting for Inventory and Related Property.”

A20102. Valuation of Opening Balances

A. When a Component cannot apply the initial amount measurement approach (historical cost) outlined in SFFAS 3, it is acceptable to use deemed cost as a substitute for initial amounts (historical cost) to establish the opening balances for inventory, OM&S, and stockpile materials. Deemed cost may be based on any one or a combination of the following allowable valuation methods:

1. Standard (Selling) Price or Fair Value
2. Latest Acquisition Cost
3. Replacement Cost
4. Estimated Historical Cost (initial amounts)
5. Actual Historical Cost (initial amounts)

B. All methods used by a Component must be identified and reported in its financial statement notes. In addition, Components must retain documentation to support deemed cost values (e.g., invoices or contracts to demonstrate latest acquisition cost; catalog price to determine fair value; basis of estimates). Further, Components should select the most cost effective method(s) to apply in arriving at a supportable balance based on deemed cost.

C. Any gains or losses in inventory, OM&S, and stockpile materials allowance accounts must be adjusted to zero when establishing an opening balance using deemed cost. Once

established, opening balances are to be considered consistent with SFFAS 3 requirements. Opening balances should be included in ongoing inventory balances and valuation calculations (e.g., the opening balance would be one component of a Moving Average Cost (MAC) calculation, along with any newly purchased inventory). No distinction of amounts arising from the opening balances is required.

D. Deemed cost can only be used once by a Component to establish a beginning balance. The alternative valuation methods permitted in this guidance may not be applied to transactions or events that increase the value or quantity of inventory, OM&S, and stockpile materials after opening balances are established. Components must be prepared to comply with the recognition, measurement, presentation, and disclosure requirements of SFFAS 3 and this chapter (e.g., MAC, Specific Identification) going forward.

E. Where deemed cost is used to value the opening balance for inventory, OM&S, or stockpile materials, the existing values in the DoD Component accounting systems will need to be adjusted by eliminating the gross inventory, OM&S, or stockpile materials value and any related allowance account value and recording the deemed cost value. The difference between the gross value, any related allowance account value and deemed cost will be recorded to prior period adjustments due to changes in accounting principles in accordance with the reporting requirements under paragraph 13 of FASAB SFFAS 21, "Reporting Corrections of Errors and Changes in Accounting Principles, Amendment of SFFAS 7, Accounting for Revenue and Other Financing Sources." Any adjustments must be properly documented and supported to assist ongoing audit efforts.

F. DoD Components who apply the deemed cost methodology to adjust their opening balances for inventory, OM&S, or stockpile materials, must disclose in their financial statements that a deemed cost methodology was applied in establishing their opening balances and describe the method used in the first reporting period in which the reporting entity makes an unreserved assertion that its financial statements, or one or more line items, are presented fairly in accordance with GAAP. An unreserved assertion is an unconditional statement. No disclosure of the distinction or breakout of the amount of deemed cost of inventory, OM&S, or stockpile materials included in the opening balances is required.

A20103. Relevant Guidance

A. SFFAS 3, "Accounting for Inventory and Related Property";

B. SFFAS 21, "Reporting Corrections of Errors and Changes in Accounting Principles, Amendment of SFFAS 7, Accounting for Revenue and Other Financing Sources";

C. SFFAS 48, "Opening Balances for Inventory, Operating Materials and Supplies, and Stockpile Materials";

D. Statements of Federal Financial Accounting Concepts 7, "Measurement of the Elements of Accrual-Basis Financial Statements in Periods After Initial Recording"; and

E. Technical Release 18 "Implementation Guidance for Establishing Opening Balances".

A20104. Definitions

A. Deemed Cost. Deemed cost is an amount used as a substitute for initial amounts that otherwise would be required by SFFAS 3 to establish opening balances.

B. Fair Value. Fair value is the amount at which an asset or liability could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

C. Opening Balances. Opening balances are account balances that exist at the beginning of the reporting period. Opening balances are based upon the closing balances of the prior period and reflect the effects of transactions and events of prior periods and accounting policies applied in the prior period. Opening balances also include matters requiring disclosure that existed at the beginning of the period, such as contingencies and commitments.

D. Replacement Cost. A replacement cost is an amount required for an entity to replace the remaining service potential of an existing asset in a current transaction at the reporting date, including the amount that the entity would receive from disposing of the asset at the end of its useful life.

E. Specific Identification. Specific identification is an inventory costing methodology that directly links specifically identifiable items (e.g., serially managed items) with their associated costs.

F. Standard (Selling) Price. Standard price is the latest known representative acquisition cost plus authorized cost recovery rate for each item of inventory and related property. This price is established annually and is often referred to as selling price. Selling price and fair value may or may not be identical due to the intragovernmental nature of some sales.

G. Additional Definitions. See section 0402 for additional definitions.

VOLUME 4, CHAPTER 5: "ADVANCES AND PREPAYMENTS"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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

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

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

The previous version dated June 2009 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
050101	Revised to comply with October 2014 policy memorandum limiting recording of contract financing payments as advances to only those contract financing payments described in Federal Acquisition Regulation (FAR) 32.4.	Revision
050201.C.2.	Revised four-digit general ledger account to Department of Defense (DoD) Standard Chart of Account (SCOA) six-digit account and added appropriate four digit point account.	Revision
050302 and 050303	Moved contract financing payment discussed to Paragraph 050404.	Revision
050401.D.	Added appropriate DoD SCOA accounts and point accounts for recoveries of current year advances and prepayments.	Revision
050401.E.	Added appropriate accounting treatment for recoveries of prior year advances and prepayments, which are treated differently than recoveries of current year advances and prepayments in accordance with the Office of Management and Budget Circular A-11, Section 20.11. Subsequent paragraphs were renumbered.	Addition
050402.F	Revised four-digit general ledger account to DoD (SCOA) six-digit account and added appropriate four digit point account.	Revision
050404	Incorporated policy memorandum and the content from 050202 and 050303 into a single contract financing payment paragraph. Only those contract financing payments described in FAR 32.4 are recorded as advances and prepayments. The remainder are recorded as inventory work in process, construction in process, internal use software in development or expensed.	Addition

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CHAPTER 5

ADVANCES AND PREPAYMENTS

0501 GENERAL

050101. Purpose

This chapter describes the principles and policy to be followed by Department of Defense (DoD) Components to account for advances and prepayments made to employees, other Federal Government agencies and non-Federal Government organizations. Advances do not include payments for which performance has occurred. Most contract financing payments are not advances and prepayments. Only contract financing payments delineated as advance payments for non-commercial items described in Federal Acquisition Regulation ***(FAR) 32.4*** are advances and prepayments.

050102. Overview

Advances and prepayments are reported and accounted for in accordance with Statement of Federal Financial Accounting Standards ***(SFFAS) No. 1***, "Accounting for Selected Assets and Liabilities."

A. The general prohibition against using advances is contained in ***31 United States Code (U.S.C.) 3324***:

1. Except as provided in this section, a payment under a contract to provide a service or deliver goods for the United States Government may not be more than the value of the service already provided or the goods delivered.

2. An advance of public money may be made only if it is authorized by:

a. A specific appropriation or other law; or

b. The President to be made to:

(1) A disbursing official if the President decides the advance is necessary to carry out:

(a) The duties of the official promptly and faithfully; and

(b) An obligation of the Government; or

(2) An individual serving in the armed forces at a distant station if the President decides the advance is necessary to disburse regularly pay and allowances.

B. Amounts recorded as advances and prepayments must be supported by documentation that clearly shows the basis for the amount recorded and the terms upon which an advance or prepayment is made. Documentation must be readily available for review by auditors.

0502 ADVANCES

Advances are cash outlays made by DoD Components to its employees, contractors, grantees, or others to cover a part or all of the recipients' anticipated expenses for the cost of goods and services the DoD Component will acquire. Advances are made in contemplation of the later receipt of goods, services, other assets or the incurrence of expenditures. Advances are made only to payees to whom a Component has an obligation and not in excess of the amount of the obligation. Examples include travel advances disbursed to employees, and cash or other assets disbursed under a contract, grant, or cooperative agreement before goods or services are provided by the contractor or grantee.

A. Advances to contractors, and to grantees must be supported by the contracting officer's determination that all statutory requirements are met and that the provisions of FAR Part 32-Contract Financing, subpart 32-402 and DoD FAR Supplement ***Part 232-Contract Financing, subpart 232-4*** are met. These provisions require, among other things, that the contractor give adequate security, advance payments may not exceed the unpaid contract price, the advance payment shall not exceed the contractor's interim cash needs, the advance is necessary to supplement funds available to the contractor, and, the Department of Defense shall benefit from performance prospects, or there are other practical advantages.

B. Advances to foreign countries are authorized by ***10 U.S.C. 2396*** which provides that:

1. An advance under an appropriation to the Department of Defense may be made to pay for:

a. Compliance with laws and ministerial regulations of a foreign country;

b. Rent in a foreign country for periods of time determined by local custom;

c. Tuition; and

d. Public service utilities.

2. Under regulations to be prescribed by the Secretary of Defense or by the Secretary of Homeland Security with respect to the Coast Guard when it is not operating as a service of the Navy, an officer of an armed force of the United States accountable for public money may advance amounts to a disbursing official of a friendly foreign country or members of an armed force of a friendly foreign country for:

a. Pay and allowances to members of the armed force of that country; and

b. Necessary supplies and services.

c. An advance may be made under this subsection only if the President has made an agreement with the foreign country:

(1) Requiring reimbursement to the United States for amounts advanced;

(2) Requiring the appropriate authority of the country to advance amounts reciprocally to members of the armed forces of the United States; and

(3) Containing any other provision the President considers necessary to carry out this subsection and to safeguard the interests of the United States.

C. Advances to foreign governments shall be made as closely as possible to the time they actually disburse funds for costs incurred.

1. Normally, advances shall not be outstanding for more than 90 days. Statements of actual costs incurred in sufficient detail to allow certification of performance by an authorized DoD official must be provided on a monthly basis. Advances to foreign countries may require consultation with the Treasury Department.

2. Advances made pursuant to 10 U.S.C. 2396 must be recorded in account 141000.9000, "Advances and Prepayments". Subsidiary accounts shall be established for each country and each organization or person to whom the advance is made.

D. Advances must be made only to meet requirements authorized by law. When the conditions under which an advance was made are satisfied, the unused portions of the advance must be collected immediately and returned to the fund from which originally made.

E. Except for DoD personnel receiving advances for travel purposes, all requesting organizations shall prove destitution; i.e., that they are financially unable to perform without DoD financial assistance. Failure to seek financial market assistance is not a valid basis for requesting an advance. Organizations or individuals (other than DoD employees requesting travel advances) requesting advances shall demonstrate that all external financing sources have been exhausted before an advance is authorized. Refer to Volume 1, Chapter 9 for documentation retention requirements.

F. Details concerning advances to military and civilian personnel for pay are included in Volumes 7A and 8.

0503 PREPAYMENTS

Prepayments are payments made by DoD Components to cover certain periodic expenditures before those expenses are incurred. Prepayments are amounts paid for goods and services to provide for future benefits over a specified time period. They apply when it is a generally accepted industry practice to pay for items such as rents, subscriptions, and maintenance agreements in advance of the service being provided and the prepayment is authorized by law. When expenses are prepaid, DoD Components must record the prepayment when it is made. At the end of the fiscal year, prepayments must be reviewed and the expired portion expensed. As a general rule, DoD operation and maintenance appropriations are annual in nature and thus limited to obligations for goods and services required to meet current operating requirements. Prepayments differ from advances in that prepayments relate to transactions that are recurrent in nature and do not provide financing as a precondition of performance.

0504 ACCOUNTING FOR ADVANCES AND PREPAYMENTS

*050401. Accounting Entries for Advances and Prepayments

The ***DoD USSGL Transaction Library*** illustrates the accounting entries and United States Standard General Ledger (USSGL) accounts to be used.

A. Advances and prepayments are reduced and an expense is recorded or capitalized as an asset when goods or services are received, contract terms are met, progress is made under a contract, or prepaid expenses expire. Advances and prepayments paid out are recorded as assets. Advances and prepayments received are recorded as liabilities. In the financial statements, advances and prepayments paid out should not be netted against advances and prepayments received.

B. DoD Components must account and report separately the amount of advances and prepayments associated with Non-federal entities and Federal entities.

C. DoD Components must ensure that management controls exist to monitor the use of advances and prepayments made. Unneeded and unused balances must be recovered as soon as information indicates they are excess to the purposes for which originally made.

D. Recoveries of unused advances and prepayments received the same year as the original obligation are recorded as recoupments; i.e., as a debit to account 101000.0120, Fund Balance with Treasury - Funds Disbursed and a credit to 141000.9000, Advances and Prepayments. Additionally, budgetary account 480200.9000, Undelivered Orders - Obligations, Prepaid/Advanced is debited, and budgetary account 461000.9000, Allotments, Realized Resources is credited. This permits the Funds Disbursed account to support the disbursements balances reported on the Standard Form (SF) 133, “Report on Budget Execution and Budgetary Resources.”

E. Recoveries of unused advances and prepayments related to prior year obligations are recorded as a debit to account 101000.0110, Fund Balance with Treasury - Funds Collected and a credit to 141000.9000, Advances and Prepayments. Budgetary account

487200.900, Downward Adjustments of Prior - Year Prepaid/Advanced Undelivered Orders - Obligations, Refunds Collected, is debited and either budgetary account 445000.9000, Unapportioned Authority, or 465000.9000, Allotments - Expired Authority, is credited. These recoveries are designated as collections rather than a reduction of disbursements.

F. Advances represent a current outlay of funds to meet a near or long-term need. As such, they are a negative factor minimizing the Treasury's borrowing requirements. Accordingly, amounts advanced shall be kept to the minimum amounts necessary for the shortest possible time period.

G. Advances must be reviewed periodically to determine whether the amounts advanced are in excess of the recipient's current needs. Amounts determined in excess must be collected from the recipient. The required review must be made at least semiannually. Refer to Volume 1, Chapter 9 for records retention requirements.

050402. Travel Advances

Travel advances represent the outstanding balance of advances made to DoD military personnel and qualifying dependents, civilian employees, and appointees for per diem, transportation, and related expenses incident to travel on authorized official business or change of official duty station. The sources for accounting entries include travel orders, travel vouchers, cash collection vouchers, disbursement vouchers, and journal vouchers.

A. Travel advances shall be minimal and allowed only when necessary. Generally, advances shall not exceed 80 percent of the estimated per diem. Unless otherwise exempted by regulations, use of the Federally mandated Government Travel Charge Card by DoD employees is required in lieu of travel advances.

B. Travel advances must be charged to the appropriations or funds from which reimbursements of travel expenses are to be made. An authorized travel order shall serve as the basis for issuing a travel advance.

C. When authorized travel carries over from one fiscal year to the next, the total balance of all travel advances shall be transferred from the expiring appropriation accounts to the next year's appropriation accounts. Such transfers are to be made at the beginning of the new fiscal year. The transfer documents shall be supported by detailed data on each outstanding advance included in the transfer.

D. Periodically, but at least semiannually, all outstanding advances must be reviewed to determine if the original justification for the advances is still valid. Advances determined to be in excess of the travelers' immediate needs shall be collected from the traveler.

E. Recovery of excess travel advances may occur in the following ways: submission of a travel voucher upon completion of official travel; repayment by the employee to whom the advance was made; or, when necessary, deductions from the employee's pay or other methods provided by law. If the traveler is in a continuous travel status and periodic travel

vouchers are submitted, the full amount of allowable travel expenses may be reimbursed to the traveler without deductions of advances until such time as the final vouchers are submitted.

F. If travel advances are not fully recoverable by deductions from travel vouchers or refunded by the travelers, prompt action shall be taken to recover the outstanding advances by deductions from any amounts due the traveler or by using any other legal means available. In such instances, the travel advance shall be reclassified and recorded as non-federal in USSGL account 131000.9000, "Accounts Receivable."

G. Subsidiary travel advance accounts shall be established for each appropriation and for each employee. Information in the employee subsidiary account shall include sufficient information to establish an audit trail showing when the advance was made, the authority for the advance, and the date the advance was liquidated.

H. Employees shall be provided a reasonable period of time to repay their travel advances upon completion of travel. As a general rule, 15 calendar days shall be considered sufficient unless evidence is available to indicate a longer or shorter period is justifiable.

050403. Grant Awards

Advance payments to grant award recipients (including amounts drawn against letters of credit) shall be accounted for as advances of the assisting DoD Component until the recipient has performed under the grant agreement. Once the recipient has performed under the grant or agreement, the assisting agency shall record an expense in an amount equal to the cost of the services performed or costs incurred and reduce the advance account by a like amount. Periodically, the advances shall be reconciled with the detailed documentation. Such reconciliations shall be made no less frequently than semiannually. Each advance shall be reviewed periodically to determine whether amounts are in excess of the grantee's current needs. Amounts determined to be excess shall be collected from the recipient. The timing of the review should be coordinated with DoD grantors so that the review occurs as each grant milestone or reporting requirement is reached. Sources for entries include grant agreements, disbursement vouchers, collection vouchers and reports on grant performance.

*050404. Contract Financing Payments

A. According to ***FAR 32.001***, contract financing payments are authorized disbursements of monies to a contractor prior to the acceptance of supplies or services. Contract financing payments include:

1. Advance payments;

2. Performance based payments;

3. Commercial advance and interim payments; and

4. Progress payments based on cost or percentage of completion.

B. Contract financing payments do not include:

1. Invoice payments;

2. Payments for partial deliveries; or

3. Lease or rental payments.

C. Contract financing payments defined in FAR 32.4 and containing clauses outlined in ***FAR 52.232-12*** are recorded as advances and prepayments using USSGL 141000.0200, Advances and Prepayments, Outstanding Contract Financing Payments.

D. Contract financing payments described in FAR 32, Contract Financing, with the exception of advance payments for non-commercial items delineated in FAR 32.4, are not advances. The remaining contract financing payments are recorded as:

1. Account 152600.9000, Inventory Work in Process;

2. Account 172000.0200, Construction in Process;

3. Account 183200.9000, Internal Use Software in Development; or

4. Account 610000.9000, Operating Expenses/Program Costs.

E. Additional information is contained in Table 1.

F. Contract financing payments are more fully discussed in Volume 10, Contract Pay Policy.

050405. Advances to Contractors and Suppliers

Entries to record advances to contractors and suppliers are recorded when advanced to non-federal organizations or individuals under contract for goods and services. Periodically, these advances shall be reconciled with the detailed documentation supporting the advances. Such reconciliations shall be made no less frequently than semiannually. Advances to non-federal organizations shall be made only when authorized by law. Documentation sources to support accounting entries include contracts, receiving and inspection reports accepting goods and services received, and collection vouchers. Refer to Volume 1, Chapter 9 for records retention requirements.

050406. Advances to Government Agencies and Funds

Advances to other Government agencies shall be made only pursuant to law or when such interests are in U.S. national defense. Generally, work performed for the DoD by other Federal Agencies is on a reimbursable or a direct cite arrangement, and funds are transferred to the

performing agency using non-check transfer mechanisms. Sources of entries include interagency agreements, disbursement vouchers, collection vouchers, and receiving and inspection reports.

050407. Advances Made to the General Public

Advances to the general public include pay advances to military personnel, and to foreign nations. Advances in this category shall be made only when authorized by law or regulations as discussed in paragraph 050102.A. Sources for entries for this type of advance include contract documents, inspection and receiving reports, disbursing vouchers, and collection vouchers.

050408. Defense Working Capital Fund (DWCF)

DWCF entities are required to record advances and prepayments in accordance with the policy in this chapter.

*Table 1 – Contract Financing Payments Matrix

Contract Type	Payment Type	FAR Clause	Accounting Treatment			
			Goods	Financing	Services	Financing
Fixed Price	Advance Payment	52.232-12, Advance Payments (Note 1)	141000.0200	Yes	141000.0200	Yes
	Performance Based Payment	52.232-32, Performance-Based Payments	152600.9000, 172000.0200, or 183200.9000	Yes	610000.9000	Yes
	Commercial Advance Payment	52.232-29, Terms for Financing of Purchases of Commercial Items (Note 2)	141000.0200	Yes	141000.0200	Yes
	Commercial Interim Payment	52.232-29, Terms for Financing of Purchases of Commercial Items (Note 2)	152600.9000, 172000.0200, or 183200.9000	Yes	610000.9000	Yes
	Commercial installment payment	52.232-30, Installment Payments for Commercial Items (Note 3)	152600.9000, 172000.0200, or 183200.9000	Yes	610000.9000	Yes
	Progress payment based on cost	52.232-16, Progress Payments	152600.9000, 172000.0200, or 183200.9000	Yes	610000.9000	Yes
	Progress payment based on percentage or stage of completion	52.232-5, Payments Under Fixed-Price Construction Contracts	152600.9000, 172000.0200, or 183200.9000	Yes	610000.9000	Yes
Cost Reimbursement (excluding Labor Hour and Time & Material)	Interim Payment	52.216-7, Allowable Cost and Payment	172000.0200	Yes	610000.9000	No (Note 4)
	Advance payment	52.232-12, Advance Payments, Alt II (Notes 1 and 5)	141000.0200	Yes	141000.0200	Yes
Time and Materials	Interim Payment	52.232-7 -- Payments Under Time-and-Materials and Labor-Hour Contracts and 52.216-7 Allowable Cost and Payment	183200.9000 or 610000.9000	Yes	610000.9000	No (Note 4)
Labor Hour	Interim Payment	52.232-7 -- Payments Under Time-and-Materials and Labor-Hour Contracts	N/A	N/A	610000.9000	No (Note 4)
Note 1: And Alternates as applicable, except for specific rules pertaining to Alt II, shown.						
Note 2: Commercial advance payments and commercial interim payments are defined as contract financing in 32.202-1 and 32.202-2.						
Note 3: Not listed among types of contract financing payments in 32.001, but referred to as such in 52.232-30 paragraph (a).						
Note 4: The definition of contract financing payments at 32.001 excludes interim payments on a cost reimbursement contract for services.						
Note 5: Cost type contracts with Advance Payments can have two types of financing, depending on whether the interim payments are financing (see Note 4), as the terms of the 52.216-7 clause still apply to the interim payments.						

*Table 2 – General Ledger Accounts

Account Title	Construction in Progress (CIP)
Account Number	172000.0200
Definition	The amount of direct labor, direct material, and overhead incurred in the construction of general property, plant and equipment (except for information technology software) for which the Federal agency will be accountable. Upon completion, these costs will be transferred to the proper capital asset account as the acquisition cost of the item. This account does not close at yearend.

Account Title	C Internal Use Software in Development
Account Number	183200.9000
Definition	The full cost amount incurred during the software development stage of (1) contractor-developed software, and (2) internally developed software, (as defined in FASAB SFFAS No. 10, "Accounting for Internal Use Software"). Upon completion, these costs will be transferred to USSGL account 1830, "Internal Use Software." This account does not close at yearend.

Account Title	Inventory Work in Process
Account Number	152600.9000
Definition	The accumulated cost or value of inventory used in the production process. Work-in-process inventory includes the cost of raw materials, direct labor, and overhead. Upon completion, these costs will be transferred to the proper capital asset account as the acquisition cost of the item. This account does not close at yearend.

Account Title	Advances
Account Number	141000.0200
Definition	The advance or prepayment amount on outstanding contract financing payments made in contemplation of the future performance of services, receipt of goods, incurrence of expenditures, or receipt of other assets. Prepayments are expenditures that are generally recurrent in nature. Upon completion, these costs will be transferred to the proper capital asset account as the acquisition cost of the item. This account does not close at yearend.

Account Title	Operating Expenses/Program Costs
Account Number	610000.9000
Definition	Operating expenses and program costs not otherwise classified. This account closes at yearend.

VOLUME 4, CHAPTER 6: "PROPERTY, PLANT, AND EQUIPMENT"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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

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

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

The previous archived versions are:
Volume 4, Chapter 6 - October 2008
Volume 4, Chapter 6, Annex 3 - July 2006

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
060101 060202.A.2 060202.B.4 060202.C 060202.D 060203.B 060204.E 060205.A 060205.M.4 060206.J 060207.C 060208.A 060208.B 060209.B 060209.L	Updated reference from United States Standard General Ledger (USSGL) Treasury Financial Manual to USSGL Standard Financial Information Structure (SFIS) Transaction Library.	Update
Annex 1	This Annex has been incorporated into Volume 4, Chapter 6	Add
Annex 2	This Annex has been incorporated into Volume 4, Chapter 6	Add
Annex 3	This Annex has been incorporated into Volume 4, Chapter 6	Add
Annex 4	This Annex has been incorporated into Volume 4, Chapter 6	Add

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CHAPTER 6

PROPERTY, PLANT, AND EQUIPMENT

0601 GENERAL

060101. Purpose

This chapter prescribes Department of Defense (DoD) accounting policy for Property, Plant, and Equipment (PP&E). The applicable general ledger accounts are listed in the government-wide United States Standard General Ledger (USSGL) contained in Volume 1, Chapter 7, and the accounting entries for these accounts are specified in the ***USSGL Standard Financial Information Structure (SFIS) Transaction Library***. Unless otherwise stated, this chapter is applicable to all DoD Components, including Working Capital Fund (WCF) activities.

060102. Overview

Within PP&E, two categories have been defined for accounting and reporting purposes. Specific accounting guidance is contained in this chapter for each category of PP&E. These categories are:

A. General PP&E

B. Stewardship PP&E

1. Heritage Assets

2. Stewardship Land

060103. Definitions

There are two categories of PP&E.

A. General PP&E

1. General PP&E consists of tangible assets that meet all of the following criteria:

a. has an estimated useful life of two years or more;

b. are not intended for sale in the ordinary course of operations;

c. are acquired or constructed with the intention of being used or being available for use by the entity; and

d. has an initial acquisition cost, book value, or when applicable, an estimated fair market value (see paragraph 060202 for definitions of these terms) that equals, or exceeds, DoD capitalization threshold. The DoD capitalization threshold is $100,000, except for real property assets. The threshold for real property assets is $20,000. These thresholds are applicable to assets procured by both General and Working Capital Funds. (See Volume 2B, Chapter 9, paragraph 090103.C.8 for an explanation of the difference between DWCF capitalization thresholds for budget versus accounting.)

2. Assets that had previously been classified as National Defense PP&E, i.e. weapons systems and related support equipment are now classified as General PP&E. (These assets were reclassified as General PP&E in the Statement of Federal Financial Accounting Standards No. 23). These weapons systems are referred to as military equipment. In addition to the requirements of 060103.A.1 (a through d), military equipment items are intended to be used by the Armed Forces to carry out battlefield missions, are referred to as military equipment. Examples include: combat aircraft, pods, combat ships, support ships, satellites, and combat vehicles. Additional guidance follows:

a. Military equipment does not ordinarily lose its identity or become a component part of another article; and is available for the use of the reporting entity for its intended purpose.

b. Intangible assets, such as software, are not considered military equipment; however, the cost of the intangible asset shall be included in the cost of the related military equipment.

c. Military equipment assets are generally functionally complete and should be valued based on the cost of the final assembly, including the cost of embedded items.

3. Bulk purchases of General PP&E items that do not individually meet the capitalization threshold will be expensed. Bulk purchases of General PP&E items that individually meet the capitalization threshold, shall be capitalized and recorded in a property accountability system that is capable of computing depreciation or interfaces with a system that is capable of computing depreciation. A bulk purchase for capitalization purposes is defined as:

a. a single acquisition of many separate items that if purchased individually would not be material, but is material when purchased as a single acquisition, or

b. a single acquisition of many separate items; some of which may be individually material.

4. Materiality, as defined by the Statement of Federal Financial Accounting Standards No. 1, is the degree to which an item's omission or misstatement in a financial statement makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the inclusion or correction of the item.

5. General PP&E is used in providing goods or services, or supports the mission of the entity, and has one or more of the following characteristics:

a. It could be used for alternative purposes (e.g., by other DoD or federal programs, state or local governments, or nongovernmental entities), but it is used to produce goods or services, or to support the mission of the entity;

b. It is used in business-type activities;

c. It is used by entities in activities whose costs can be compared to those of other entities performing similar activities (e.g., federal hospital services in comparison to commercial hospitals).

6. General PP&E also includes:

a. assets acquired through capital leases, including leasehold improvements (see paragraph 060206);

b. property under the accountability of the reporting entity even though it may be in the possession of others (e.g., state and local governments, colleges and universities, or contractors);

c. land, other than Stewardship Land with an identifiable cost that was specifically acquired for, or in connection with, the construction of General PP&E; and

d. land rights, which are interests and privileges held by an entity in land owned by others, such as leaseholds, easements, water and water power rights, diversion rights, submersion rights, rights-of-way, mineral rights and other like interests in land.

7. General PP&E examples include but are not limited to:

a. Real Property including Land, Land Rights, and Facilities (includes Buildings; Structures, and Linear Structures)

b. Construction in Progress

c. General Equipment

d. Assets Under Capital Lease

e. Leasehold Improvements

f. Internal Use Software

g. Military Equipment

8. General PP&E excludes items:

a. held in anticipation of physical consumption such as operating materials and supplies;

b. in which the Department has a reversionary interest. For example, the Department sometimes retains an interest in PP&E acquired with grant money in the event that the recipient no longer uses the PP&E in the activity for which the grant was originally provided and the PP&E reverts to the Department.

c. classified as Stewardship PP&E (as described in Section 0603);

d. classified as stewardship investments (nonfederal physical property);

e. that should be expensed as research, development, test, and evaluation (RDT&E) costs, unless they are associated with the development of an end item that is produced for operational use. Equipment such as special tooling and special test equipment, acquired for research and development, which may have alternative future uses and otherwise meets the criteria for capitalization, should be capitalized accordingly.

9. For all WCF activities, all PP&E used in the performance of their mission shall be categorized as General PP&E, whether or not the PP&E meets the definition of any other PP&E category. For stewardship assets coincidentally located on a WCF installation, those assets shall be reported on the General Fund stewardship report for the Military Department that owns that installation.

10. For further discussion of General PP&E accounting policy, see section 0602.

B. Stewardship PP&E. Stewardship PP&E consists of tangible assets classified as either Heritage Assets or Stewardship Land. For further discussion of Heritage Assets and Stewardship Land, see section 0603.

1. Heritage Assets are PP&E of historical, natural, cultural, educational significance; artistic importance (e.g., aesthetic); or with significant architectural characteristics. Heritage Assets are expected to be preserved.

2. Stewardship Land is land and land rights owned by the Federal Government but not acquired for or in connection with General PP&E. "Acquired for or in connection with" is defined as including land acquired with the intent to construct General PP&E and land acquired in combination with general PP&E. Without exception, all land provided to the Department from the public domain, or at no cost, shall be classified as Stewardship Land, regardless of its use. Therefore, public domain or no-cost land used in a General PP&E context shall be reported as Stewardship Land and not reported as General PP&E.

060104. Acquisition of General PP&E

A. General. When acquiring a General PP&E asset, the purchase cost and other costs necessary to bring the asset to an operable condition (see paragraph 060201.B) are capitalized, in accordance with paragraph 060103.A.1.d. With few exceptions, (e.g. bulk purchases of General PP&E items that do not individually meet the capitalization threshold), all items are subject to capitalization and depreciation if the initial book value is equal to or exceeds the thresholds. If the General PP&E acquisition costs, including other costs necessary to bring the asset to an operable condition, do not equal or exceed DoD capitalization threshold, the costs are expensed in the period incurred.

B. Documentation

1. When recording the acquisition cost of a General PP&E asset in the accountable property system of record and/or accounting system, the asset shall be assigned a dollar value as detailed in this chapter. The dollar value will be supported by appropriate documentation. A complete discussion of supporting documentation can be found at paragraph 060106.

2. If documentation is not available (written or electronic), estimates of the cost of the PP&E asset shall be made, and documented for reference as well as estimates for any accumulated depreciation/amortization which would have been taken had the asset been recorded at the time it was acquired. The efforts undertaken and the precision achieved, in making PP&E asset cost estimates shall be proportionate to the materiality and relative significance of the value of the asset involved. Estimates shall be based on:

a. the cost of similar assets at the time of acquisition, or

b. the current cost of similar assets discounted for inflation since the time of acquisition (e.g., deflating current costs to costs at the time of acquisition by a general price index).

060105. Recognition of General PP&E

A. General

1. All General PP&E assets acquired by DoD must be recognized for accountability and financial reporting purposes. Recognition requires the proper accounting treatment (expense or capitalization with depreciation or amortization) and the reporting of capitalized amounts and accumulated depreciation or amortization on the appropriate DoD Component's financial statements. The DoD Component that procures a General PP&E asset or the DoD Component in possession of a General PP&E asset, most often will be the DoD Component that must account for and report the asset. The exception to this requirement is based on the concept of the preponderant use and is explained in paragraph 060105.B.

2. Recognition of the asset for financial reporting purposes shall occur upon delivery and acceptance to the acquiring DoD Component even though title passage can occur either at the time of delivery (to the DoD Component or an agent of the DoD Component), or at an earlier contractually specified time.

a. Military Equipment. The recognition date will normally be the date shown on Block 22, Receiver's Use, of the "Material Inspection and Receiving Report" (DD Form 250) or the equivalent date source under Wide Area Work Flow.

b. Real Property. The real property assets or capital improvements to an asset shall be capitalized at the date they are placed in service. The placed in service date varies depending on the acquisition method as depicted in the charts below. On the placed in service date, the government assumes liability and the warranties begin for the asset. For example, in the case of a land purchase, the date of delivery or deed execution represents the acceptance date. However, in the case of a constructed asset, the placed-in service date is the date the asset is substantially complete and available for use. This should be the date on the "Transfer and Acceptance of Military Real Property" (DD Form 1354). The date needs to be supported by a source document such as substantial acceptance of the completed asset. At that point, costs are transferred from the construction in progress (CIP) account to the appropriate PP&E account, triggering capitalization and depreciation of the real property asset.

(1) Placed in Service Date for Acquisition Methods

Acquisition Method	**Source Document**	**Acceptance Evidence**	**Effective Date**	**Acquisition Date**	**Real Property Acceptance Placed in Service Date** (Depreciation Triggering Event[1])	**Amortization Triggering Event**
Condemnation	Judgment document	Signed judgment	Date judgment is signed	Date judgment is signed	Acquisition date	Not applicable
Gifts and donations	Executed acquisition document	Executed acquisition document	Date of acquisition document	Date of acquisition document	Acquisition date	Not applicable
Lease	Lease	Signed lease	Lease start date	Date lease signed	Not applicable	Lease start date
New construction (see section (3) below)	DD Form 1354[2]	Executed interim DD Form 1354 transaction. If no interim is prepared, then final DD Form 1354 transaction	Date specified in DD Form 1354 transaction (e.g., block 9D)	Date final DD Form 1354 transaction is executed	Date interim DD Form 1354 transaction is executed. If there is no interim prepared, then final DD Form 1354 transaction.	Not applicable
Occupancy agreement	Occupancy agreement	Executed occupancy agreement	Occupancy agreement start date	Occupancy agreement start date	Not applicable	Not applicable

Acquisition Method	Source Document	Acceptance Evidence	Effective Date	Acquisition Date	Real Property Acceptance Placed in Service Date (Depreciation Triggering Event[1])	Amortization Triggering Event
Purchase[3] (can include Exchange)	Deed	Deed delivery/ execution	Date of delivery/ execution	Date of delivery/ execution	Acquisition date	Not applicable
Reversion	Reversion legal document	Executed reversionary document	Date specified in document	Date reversionary document executed	Re-acquisition date (i.e., date reversionary document executed)	Not applicable
Transfer between Services	DD Form 1354 [2,4]	Executed DD Form 1354 transaction	Date specified in transaction	Date of DD Form 1354 transaction	Original DoD placed in service date	Not applicable
Transfer from one federal entity to another	Transfer letter, SF 1334 or DD Form 1354 [2]	Signed document	Date specified in document	Date document signed	Acquisition date	Not applicable
Withdrawal of public domain land	Letter of withdrawal	Signed letter	Date specified in document	Date specified in document	N/A	Not applicable

[1]Depreciation does not apply to land
[2]DD Form 1354 or other document specified in policy
[3]Purchase acquisition method is associated to both the land purchase and land purchase with facilities acquisition scenarios
[4]Secretarial Memo is the transfer document

(2) Placed in Service Date for Improvement Methods

Improvement Method	Source Document	Acceptance Evidence	Effective Date	Acquisition Date	Capital Improvement Placed in Service Date (Depreciation Triggering Event)	Amortization Triggering Event
Capital improvement	DD Form 1354[1]	Executed interim DD Form 1354 transaction. If no interim is prepared, then final DD Form 1354 transaction	Date specified in DD Form 1354 transaction (e.g., block 9D)	Date final DD Form 1354 transaction was executed	Date interim DD Form 1354 transaction is executed. If there is no interim prepared, then final DD Form 1354 transaction.	Not applicable

Improvement Method	Source Document	Acceptance Evidence	Effective Date	Acquisition Date	Capital Improvement Placed in Service Date (Depreciation Triggering Event)	Amortization Triggering Event
Leasehold improvement	DD Form 1354[1]	Executed interim DD Form 1354 transaction. If no interim is prepared, then final DD Form 1354 transaction	Date specified in DD Form 1354 transaction (e.g., block 9D)	Date final DD Form 1354 transaction is executed	Not applicable	Date interim DD Form 1354 transaction is executed. If there is no interim prepared, then final DD Form 1354 transaction.

[1]DD Form 1354 or other document specified in policy

3. Construction Projects. Construction in Progress (CIP) is a temporary classification of assets under construction. The costs of new construction and capital improvements are accumulated in a CIP account while the asset is under construction. CIP accounts are only utilized for construction of real property assets and shipbuilding (including ship conversion, alteration, or repair). CIP accounts include all costs incurred to bring the asset to a form and condition suitable for its intended use. The sum of the individual costs in the CIP account will determine the total cost of the asset that is then recorded in the appropriate Property, Plant and Equipment (PP&E) general ledger account.

a. Amounts in the CIP account are transferred to the appropriate PP&E account when the assets are placed in service. Additional costs accumulated in the CIP account after the assets are placed in service will be transferred at the final acceptance of the assets. The original acquisition cost of the asset will be adjusted for this amount and the revised amount will continue to be depreciated over the remaining useful life of the asset.

b. For real property construction projects, such as large-scale capital improvement projects, that are completed in multiple phases, the cost of each phase is transferred from the CIP account to the real property asset account at the time the phase is placed in service. Each facility, therefore, may have one or more placed in service dates, which will be used to initiate the capitalization of each corresponding phase. Each phase shall then be depreciated separately over its estimated useful life.

4. For General PP&E assets acquired by a contractor on behalf of a DoD Component (e.g., the DoD Component that will ultimately hold title to the assets), the assets shall be recognized upon delivery or constructive delivery, whether to the contractor performing the service, or to the DoD Component. Delivery or constructive delivery shall be based on the terms of the contract regarding delivery, receipt and acceptance.

a. Payments, in the form of contract financing payments, made to a contractor prior to delivery or constructive delivery of the General PP&E assets are cash disbursements made to a contractor to finance performance under the contract prior to

acceptance of goods or services and do not represent a tangible PP&E asset to the DoD Component. As such, these payments are recorded to USSGL 1410, Advances and Prepayments, until such time as the goods or services are received (see Chapter 5 for additional information).

b. With respect to contractor acquired property, upon completion of the manufacture of the end items for which the contractor acquired property was used and delivery of the contractor acquired property to the Government, contractor acquired property should either be capitalized in the appropriate PP&E account or if the contractor acquired property does not meet the capitalization threshold, such items should be recorded in the appropriate expense account. The amount recognized will be the Contractor's estimated fully burdened unit cost of contractor acquired property at the time of delivery to the Government.

5. WCF activities are required to recognize and depreciate General PP&E assets in accordance with the guidance in this chapter without regard to whether such assets are procured through a WCF activity's Capital Purchase/Investment Program budget or whether depreciation for such assets is included in rates charged to customers. The recognition of General PP&E assets and the depreciation of such assets by WCF activities therefore may be different for financial statement reporting purposes than the depreciation amounts used for WCF rate development and budget presentation. All General PP&E depreciation of WCF activities shall be recognized as an expense on the Statement of Net Cost, reflected in the Statement of Changes in Net Position, included in accumulated depreciation amounts on the Balance Sheet, and reported in the "Monthly Report of Operations" (AR (M) 1307) reports. Depreciation recorded on General PP&E that was not acquired nor will be replaced through use of Defense WCF resources shall be classified as non-recoverable for rate setting purposes and reported appropriately on the AR (M) 1307. Defense WCF rates charged to customers are based on guidance in Volume 2B and Volume 11B.

6. To establish proper PP&E financial control when acquiring General PP&E from another DoD Component or federal agency, the acquiring DoD Component shall request from the losing DoD Component or other federal agency, the necessary source information and financial transfer documents, to include unique identifier(s) for the asset(s); location; original acquisition cost(s); cost of improvements; the date the asset was purchased, constructed, or acquired; the estimated useful life; the amount of accumulated depreciation; the condition, if desired; and other relevant information linked to that asset. If this information is not available, the gaining and losing entities must develop and document an estimate to support the financial transfer of the asset. See Volume 12, Chapter 14 for further policy on transfers of DoD real property between Military Departments.

B. Treatment When the Preponderant User of an Asset Is Not the Owner or DoD Component that Purchased the Asset. Legal ownership (i.e., having title to a General PP&E asset), usually, but not always, is the determinant factor when determining which DoD Component recognizes a particular General PP&E asset for accounting and reporting purposes in financial statements. For examples, see the Preponderance of Use Policy in Annex 1. Likewise, the manner in which an asset was purchased does not determine what entity accounts for and reports a real property asset. For example, buildings used by a WCF activity may not have been constructed or acquired with WCF funds. Such buildings, however, generally should be

capitalized and depreciated by the WCF activity and reported on the WCF activity's financial statements. Such accounting and reporting is required by WCF activities regardless of whether title to such buildings is passed to the local installation when construction is completed. When determining which DoD Component must recognize a General PP&E asset for accounting and financial statement reporting purposes, all four of the following criteria must be met by the recognizing DoD Component:

1. The General PP&E asset must embody a probable future benefit that will contribute to the DoD Component's operations. In applying this criterion, the concept of benefit has traditionally been referred to as "service capacity" (e.g., the ability of an asset to directly assist the DoD Component in achieving its mission). Service capacity has value because it is consumable or exchangeable for other benefits. For example, a building on a military installation or a piece of equipment provided to a Defense Agency may allow it to achieve the Defense Agency's mission. The Defense Agency also pays for utilities, maintenance and upkeep of the asset. The exchangeability part of the benefit criterion (the ability to sell, trade or donate the property) need not be present for an item to qualify as an asset in the federal sector, if use of the item provides benefit to the DoD Component. The inability of the DoD Component to exchange the benefit for other benefits does not preclude the asset from meeting this criterion.

2. The DoD Component that reports the General PP&E asset must be able to obtain the benefit and control access to the benefit inherent in the asset. This criterion, control over the benefit, refers to an entity's ability to direct who derives the benefit, the timing of when the benefit is derived and under what conditions it is derived. Directing the use of the benefit has traditionally been based on possession or the ability to exert significant influence over the benefits; either of which is obtained through legal ownership or an agreement with the owner. In instances when an entity maintains possession of property through agreements that provide for possession for as long as needed, without a termination date, and without reimbursement, such arrangements are generally considered as providing sufficient influence over the use of the property to satisfy the control criterion. Once termination occurs, however, as in the case of a base closing where an entity conducts operations or the decommissioning of an aircraft, control no longer exists; hence, the property will no longer meet the control criterion for the asset. For further policy regarding treating assets on military bases slated for closing, see paragraph 060205.

3. The transaction or event giving a DoD Component the right to, and control over, the benefit of a General PP&E asset must have already occurred. This criterion is an agreement (express or implied) that allows a DoD Component to occupy and use the asset without reimbursement for as long as needed. If the transaction of the event occurs before the end of the reporting period, that DoD Component/predominant user receiving goods or services without reimbursement must impute and record on the financial statements that portion of the asset acquisition costs and associated depreciation expense, as well as the corresponding financing source for the benefits received as outlined in Volume 4, Chapter 17 . This also applies to other DoD agencies that are not the predominant user, however, receiving benefits without reimbursement.

4. DoD Components shall only report predominately used General PP&E assets under the accountability of other DoD Components when the cost of those assets, taken as a whole, are material to the predominant user Component's financial statements. This is in keeping with the concept that each entity's full cost should incorporate the full cost of goods and services that it receives from other entities. The recognition of full cost is limited to material items or amounts that are significant to the receiving entity and form an integral or necessary part of the receiving entity's output. Specific examples below illustrate how this policy should be implemented.

a. Military Departments--General Fund. A Military Department shall not recognize or report facilities occupied or assets being predominately used by another Military Department's installation. For example, if the Air Force is a tenant on an Army installation, and the Air Force is the predominant user of a building on that installation, the Army should report the building on the Army's financial statements, not the Air Force. This policy recognizes that the Military Departments routinely use each other's facilities in the normal course of carrying out their missions, and the net effect of this "cross use" of facilities is not material to the Military Departments' financial statements.

b. Defense Agencies--General Fund. The Defense Agencies that produce financial statements and/or are included in the DoD Consolidated Financial Statements (see Volume 6B, Chapter 1) generally must recognize and report the assets used in their operations. When assets, therefore, are material to the performance of their mission, they shall be recorded on the financial statements. Determinations on reporting other assets must be made on a case-by-case basis using the criteria identified above. All facilities used by the Defense Agencies are under the accountability of the Military Departments. Generally, these facilities are significant to the operation of the agencies and form an integral or necessary part of their output. As such, these facilities are material to the Defense Agencies' financial statements and shall be reported on the financial statements of the Defense Agencies and excluded from the financial statements of the Military Departments. The Defense Agencies shall coordinate with the Military Departments to ensure completeness and avoid duplicate reporting of General PP&E.

c. Working Capital Funds

(1) General. When a WCF activity is the preponderant user of a General PP&E asset, that WCF activity shall report and depreciate that asset on its financial statements. This requirement exists without regard to whether the WCF activity belongs to a Military Department or a Defense Agency.

(2) Preponderant Use and Improvements. WCF activities funding capital improvements shall report and depreciate such improvements on their financial statements, whether or not the WCF activity is the preponderant user of the facility improved. For example, if the Defense Logistics Agency (DLA) occupies a facility with an Army activity and occupies less square footage in the facility than the Army, but makes a capital improvement to its portion of the facility, the improvement should be recorded in the applicable property records, and the DLA should report and depreciate the improvement on the DLA

financial statements. The same accounting treatment and reporting requirement shall apply if in the above example DLA is the preponderant user of the facility improved.

d. Medical Facilities and Equipment. The preponderant use policy outlined above shall not apply to DoD medical activities. While most of the funding for medical activities is centralized through the Office of the Under Secretary of Defense (Health Affairs) (OUSD(HA)), the OUSD(HA) does not exercise command and control authority over medical activities. Hospitals, clinics and other medical facilities are typically located on a military installation or are otherwise under the command and control of one of the Military Departments. The essence of the medical mission of such facilities is to serve the personnel and families working at, or living near, military installations. The military installation, therefore, is the preponderant user of the medical facility, and all medical General PP&E equipment and facilities shall be reported on the general fund financial statements of the Military Department that is accountable for the installation upon which a medical facility resides. This policy is applicable to General PP&E purchased with General Funds regardless of Department Fund Code (e.g., TI 17, 21, 57, or 97).

5. Multiple Occupants. When there is more than one user of an asset, the user that has the greater percentage of usage (e.g., square footage for real property) normally will be the preponderant user (providing they meet the criteria identified in 060105.B.1-4).

C. Real Property Financial Reporting

1. Effective Date. This policy will be effective with financial reporting for fiscal year 2011.

2. Reporting of the Real Property Assets on the Balance Sheet

a. As a consequence of provisions within ***Title 10 U.S.C. Chapter 159*** that govern the acquisition of interests in real property by Military Departments, all DoD real property must be under the jurisdiction of a designated accountable entity. Chapter 159 provides that the Military Departments have jurisdiction over all DoD real property assets with the exception of the Pentagon Reservation and certain defense facilities in the national capital region. ***DoD Directive 5110.4*** directs the Washington Headquarters Service to serve as the accountable entity for the Pentagon Reservation and such defense facilities.

b. The DoD entity that funds the acquisition of a real property asset (acquisition entity) will record the acquisition value (recorded cost) (see section 0602) and associated depreciation (see paragraph 060205) of the asset on its financial statements. The acquisition entity may be different than the accountable entity. When two or more Defense entities jointly fund an asset, each acquisition entity will record the acquisition value and associated depreciation of the asset on the financial statements proportionate to their share of the assets funding.

c. If the entity that funded the original acquisition is a Defense Agency or reporting entity other than an accountable entity, and the acquisition entity no longer manages or utilizes the asset, the asset should be financially transferred to the entity currently responsible for funding all or most of the operation and sustainment costs. Journal vouchers should transfer the acquisition value (recorded cost) and accumulated depreciation to report the asset on the new entity's financial statement. Such financial accounting transfers have no impact on asset reporting and accountability in the property system of the accountable entity. If such property becomes vacant but is not taken out of service, then the acquisition entity will financially transfer the asset to the accountable entity using the same procedures described above. Thus the accountable entity reports the acquisition value (recorded cost) of the asset and associated depreciation on its financial statements.

d. The acquisition cost of capital improvements (see paragraph 060204) and associated depreciation are reported on the financial statements of the Defense entity that funded the improvements; such entity may be different than the accountable entity and may be different than the entity that funded the original acquisition of the asset. When two or more Defense entities jointly fund the capital improvements, the acquisition cost of the capital improvements will be reported on the financial statements of each entity proportionate to their share of the funding.

3. Reporting Imputed Cost of Unreimbursed Occupancy Expenses. Statement of Federal Financial Accounting Standards No. 4 (SFFAS No. 4) requires reporting entities to measure and report the full cost of producing outputs (products and services) in general purpose financial reports. SFFAS No. 4 defines the full cost of an output as the sum of (1) the costs of resources consumed by the entity that directly or indirectly contribute to the output, regardless of funding sources and (2) the costs of identifiable supporting services provided by other responsibility segments within the reporting entity, and by other reporting entities. To account for the full cost of a program and its output(s), reporting entities should recognize inter-entity contributions through imputed costs when benefits received are not fully reimbursed. For real property, full costs include goods and services received by the reporting entity from a providing entity that is part of the same Department or part of a larger reporting entity. Goods and services in this case include facility acquisition, operation, sustainment, and capital improvement.

a. Definitions

(1) Reporting Entity. An entity that issues general purpose federal financial reports. The DoD reporting entities are identified in Volume 6B, Chapter 1 .

(2) Providing Entity. A reporting entity that provides goods and services to another reporting entity.

(3) Receiving Entity. A reporting entity that receives goods and services from another reporting entity. For real property, this would be the tenant, or in a joint-basing environment, the supported component.

(4) Supporting Component. At a joint base, the Military Department who has the authority and responsibility to provide all installation support services to the supported component or tenants.

(5) Supported Component. At a joint base, Military Department who receives installation support from the Supporting Component.

(6) Tenant. A Military Service, Defense Agency, field activity or other entity that occupies or uses a real property asset where the accountable entity is a different Military Department. At a Joint Base, Military Departments are not tenants, they are either supporting or supported components.

(7) Operation Cost. Includes manpower authorizations, peculiar and support equipment, necessary facilities, contracts, and associated costs to plan, manage, and execute these functions: Fire prevention and protection including crash rescue, emergency response, and disaster preparedness; engineering readiness including explosive ordnance disposal, and Prime Base Engineer Emergency Forces; utilities to include plant operation and purchase of commodity; refuse collection and disposal to include recycling operations; pavement clearance including snow and ice removal from roads, piers, and airfields; lease costs for installation real property including off-base facilities; grounds maintenance and landscaping; real property management and engineering services including special inspections of facilities and master planning; pest control; and custodial services.

(8) Sustainment Cost. Costs incurred for maintenance and repair activities necessary to keep an inventory of facilities in good working order. It includes regularly scheduled adjustments and inspections, preventive maintenance tasks, and emergency response and service calls for minor repairs. It also includes major repairs or replacement of facility components that are expected to occur periodically throughout the life cycle of facilities. (See paragraph 080105 of Volume 2B, Chapter 8)

(9). Imputed Cost. Imputed cost is a reporting entity's share of an expense not incurred directly, but borne by another reporting entity and not reimbursed. Reporting entities which occupy facilities and/or receive associated installation services without reimbursement to the providing entity, will record the imputed costs of the unreimbursed goods and services on their financial statements. The imputed costs include costs associated with the facility acquisition, operation, sustainment, and capital improvement. The amount of imputed cost to be reported will be proportionate to the entity's utilization of the asset. In instances where the receiving entity fully reimburses the providing entity, the receiving entity reports the actual cost reimbursed and there is no imputed cost. Imputed costs are unreimbursed costs, therefore if there is full reimbursement there is no imputed cost.

4. Common Business Scenarios. Annex 4 depicts common business scenarios and illustrates the implementation of this policy for reporting real property and associated costs, including the imputed costs to be reported on the receiving entities financial statements.

D. Facilities and Equipment Outside the Zone of the Interior (United States, Territories and Possessions)

1. Facilities that are occupied, and equipment that is used, outside the Zone of the Interior, by DoD Components shall be recognized as General PP&E of the occupying/using DoD Component for accountability and financial statement reporting purposes, if such occupation/use meets all of the following criteria. If any of the following criteria are not met, the asset shall not be recognized by the DoD Component:

a. The General PP&E are occupied or equipment is used without reimbursement to the host nation.

b. The DoD Component controls access to or use of the facility or equipment.

c. Use of the facility or equipment is for an unspecified length of time.

d. The DoD Component maintains and repairs the facility or equipment.

2. Such facilities and equipment include facilities and equipment that were confiscated during military operations, facilities built or equipment procured with the funds of international organizations (e.g., the North Atlantic Treaty Organization) and facilities that were built or equipment procured with the funds of host countries. The fact that such facilities or equipment may be returned to the host country or international organization when the DoD Component permanently leaves such facilities or returns equipment is not a relevant factor for purposes of accounting and financial statement reporting. Due to the unique nature of this type of property, and the fact that it will eventually be returned, the reporting Component has some latitude in the reporting of such property. Specifically, if the property is recorded in the accountable property system of record or accounting records without a historical purchase cost or estimate, and the property would be substantially or fully depreciated, no effort shall be made to determine an estimated purchase cost. DoD Components, however, must comply with all property accountability policies and requirements, as well as comply with appropriate accounting and reporting requirements when capital improvements are made to such property.

3. Such facilities and equipment are not to be considered assets under a capital lease, unless a specific agreement with the host country exists, and the agreement is the equivalent of an installment purchase and meets one of the criteria for a capital lease as specified in paragraph 060206.

4. The quantity and/or value of such facilities and equipment and the unique convertible nature of them shall be disclosed in the General PP&E narrative section (footnotes) of DoD Component's financial statements.

E. Recognition Uncertainty

1. It is important that the overall accounting records of the Department of Defense and the federal government are not duplicative. Defense Agencies that possess and control (have preponderant use of) PP&E assets that materially contribute to the Defense Agencies' mission should maintain accounting and financial reporting for such PP&E, regardless of the organization that originally acquired the items or provided the funding for the PP&E. If a Defense Agency prepares financial statements, such PP&E assets should be reported in its financial statements. In situations where doubt exists as to which DoD Component should recognize an asset, DoD Components involved shall reach agreement with the other applicable DoD Components or Federal agencies as to which entity will recognize the PP&E.

2. If an agreement cannot be reached, the matter shall be referred to the Office of the Deputy Chief Financial Officer, Office of the Under Secretary of Defense (Comptroller), for resolution. Requests for resolution shall be accompanied by adequate supporting documentation to assist in resolution of the matter and be submitted through the Financial Management and Comptroller of the submitting Military Department or Defense Agency.

060106. Supporting Documentation

Entries to record financial transactions in accounting system general ledger accounts and/or the supporting subsidiary accountable property records and/or systems must:

A. Be supported by source documents that reflect all transactions affecting the Component's investment in the PP&E, including:

1. All acquisitions, whether by purchase, transfer from other agencies, donation, or other means, as of the date the DoD Component takes custody of the PP&E. The following documents, where applicable, shall be readily available to support the changes in asset value or physical attributes as a result of new acquisition or capital improvement:

Evidence	Examples
Unique Identification	Assignment of unique identifier
Project Approval	Such as, but not limited to a Work Order
Obligation on Behalf of the Government	Such as, but not limited to: 1) For contracts, contract modifications, or change orders, the following information is utilized: • Statement of Work, • Dollar Amount of Contract, • Location, • Source of Funds, • Parties to the Contract, and • Signature Page [Signature of All Parties]. 2) Documentation of troop labor hours 3) Approved Work Order
Payment Submitted	Such as, but not limited to: 1) Approved last invoice reflecting the total amount submitted for payment and received to date. 2) Evidence of in-house construction costs, including labor 3) Indirect Costs incurred internally by the gaining activity that relate to the new acquisition or capital improvement
Acceptance	Such as, but not limited to: 1) "Material Inspection and Receiving Report" (DD Form 250); 2) "Request for Transfer of Excess Real and Related Personal Property" (GSA Form 1334); 3) Interim or final "Transfer and Acceptance of Military Real Property" (DD Form 1354) with associated source documentation retained by the responsible party. Note: All cost information transferred from the CIP account to the real property asset account at the time the asset is placed in service, will be supported by the DD Form 1354.; 4) Executed acquisition document and appraisal results for the donated assets; 5) Signed judgment documents for condemnations; 6) Deed; 7) Signed lease for leased property; 8) Letter of withdrawal for property withdrawn from public domain; 9) Executed Occupancy agreement; 10) Executed reversionary document; 11) Transfer letter and documents for transferred assets; and 12) Collection voucher
Project Closeout	Such as, but not limited to a Final DD Form 1354 with associated source documentation retained by the responsible party.

2. All disposals or retirements when the PP&E leaves the custody of the DoD Component. The following supporting documentation is required to provide an adequate audit trail for the disposal of a real property asset. The execution of certain disposal events will generate financial or administrative accountability transactions.

a. 'Declaration of excess' document.

b. Approval documentation (to include disposal of land).

c. Original acquisition documents.

d. Legal instruments (such as a deed or contract) to indicate legal obligation to dispose of an asset.

e. Document showing the disposal start date.

f. Receipt documentation.

g. Transfer documents for transferred assets or as otherwise stated.

3. Document Retention That Supports Cost and Accountability. Documents that support the recorded cost of General PP&E assets shall be retained by the DoD Component in accordance with the requirements contained in Volume 1, Chapter 9 or as otherwise stated. Documentation (original documents and/or hard and electronic copies of original documentation) shall be maintained in a readily available location, during the applicable retention period, to permit the validation of information pertaining to the asset such as the purchase cost, purchase date, and cost of improvements. The documentation must also be linked to the appropriate unique identifier(s). Supporting documentation may include, but is not limited to, the documentation as outlined above. Component real property asset managers will maintain all applicable documentation for a period, currently 10 years, after disposal as required by the U.S. National Archives and Records Administration.

B. Include sufficient information indicating the physical quantity, location, and unit cost of the PP&E. The accountable property records shall be designed to be of maximum assistance in making procurement and utilization decisions, including decisions related to identifying potential excess PP&E that may be available for reuse, transfer to other DoD Components, or made available for disposal in accordance with current DoD regulations and other regulatory requirements.

C. Enable periodic, independent verification of the accuracy of the accounting and accountable property records through periodic physical counts/inventories of PP&E (existence and completeness--"book to floor and floor to book"). Such periodic inventories also shall include reconciling the subsidiary property accountability records and/or

systems with the general ledger accounts and physical accounts. Personal hand receipt self-validations are not acceptable for meeting the independent verification of physical inventory requirements. See ***DoDI 5000.64***, "Accountability and Management of DoD-Owned Equipment and Other Accountable Property," Paragraph 6.11.

D. Identify and classify PP&E that was capitalized, recorded in the accountable property system of record or accounting system, and reported in the financial statements. DoD PP&E that does not meet the capitalization threshold (see paragraph 060103.A.1.d) shall be expensed for accounting and financial reporting purposes.

E. Be based on the same documents to ensure that entries to the accounting and accountable property records are the same. This will ensure that the property accountability records are integrated and subsidiary to the accounting system, and that such records can be reconciled with the accounting system.

F. Include documents used to accumulate the cost of construction or developmental projects in either the construction in progress general ledger account for posting to the applicable PP&E accounts when construction (or construction phase) is accepted and placed in service or to the appropriate expense accounts if the construction project is terminated prior to completion. Each document must link to the appropriate asset unique identifier. For a listing of those costs that may be incurred during the construction, see Annex 2.

G. Include all PP&E possessed by the Department (to include property held by others) and PP&E of others held by DoD through seizure, forfeiture, loss, or abandonment.

H. Provide information to identify and account for leased PP&E, regardless of whether the PP&E was acquired by a capital lease or operating lease or whether the value of the PP&E exceeds DoD capitalization threshold.

I. Provide information to identify and account for capitalized improvements to PP&E. For examples of capitalized improvements, see Annex 3.

060107. Physical Inventories of PP&E

DoD Components must perform periodic physical inventories of PP&E in accordance with ***DoDI 5000.64***, "Accountability and Management of DoD-Owned Equipment and Other Accountable Property," for tangible equipment, and ***DoDI 4165.14***, "Real Property Inventory and Forecasting," for real property.

060108. Deferred Maintenance

DoD Components must report deferred maintenance on PP&E as Required Supplemental Information (RSI) to the financial statements. The specific RSI reporting requirements are contained in Volume 6B, Chapter 12 .

A. Definitions

1. Deferred maintenance is maintenance that was not performed when it should have been or was scheduled to be and, therefore, is put off or delayed to a future period.

2. For purposes of this policy, maintenance is described as the act of keeping PP&E assets in an acceptable condition. Maintenance includes preventive maintenance, normal repairs, replacement of parts and structural components, and other activities needed to preserve the asset so that it continues to provide acceptable service and achieves its expected life.

3. Maintenance excludes activities aimed at expanding the capacity or capability of an asset or otherwise upgrading it to serve needs different from, or significantly greater than, those originally intended.

B. Policy

1. Deferred maintenance amounts that have a cost that equals or exceeds DoD capitalization threshold (see paragraph 060103.A.1.d) must be reported in the financial statements as Required Supplemental Information for General PP&E.

2. If a DoD Component incurs a material amount of deferred maintenance on General PP&E personal property, then such amounts should be reported in the DoD Component's financial statements.

3. Maintenance of General PP&E military equipment is accomplished by two different, yet complementary components—depot-level maintenance activities and field-level maintenance activities. For the purposes of this policy, the term "field-level maintenance" includes all nondepot-level maintenance activities (e.g., organizational, intermediate and regional).

a. Depot-Level Maintenance. Depot-level maintenance includes: major repair, overhaul or complete rebuilding of weapons systems, end items, parts, assemblies, and subassemblies, manufacture of parts, technical assistance, and testing. Material amounts of depot-level deferred maintenance due to the unavailability of funding and/or capacity constraints have been historically reported through the Department's budget process by the Military Departments. Such amounts are provided annually to the Congress in the President's Budget submission and also satisfy the intent of the federal accounting standard definition. The same budget submission amounts shall be reported in the financial statements of the Military Departments.

b. Field-Level Maintenance

(1) Field-level maintenance comprises maintenance activities at lower organizational levels than depot-level. The Military Departments may or may not separate this level of maintenance into intermediate and organizational maintenance activities when describing the field-level maintenance structure and capability.

(a) Intermediate field-level maintenance includes limited repair of commodity-oriented components and end items; job-shop, bay and production line operations for special mission requirements; repair of printed circuit boards; software maintenance; and fabrication or manufacture of repair parts, assemblies, and components. The intermediate maintenance mission is to sustain the combat readiness and mission capability of supported activities by providing quality and timely materiel support at the nearest location with the lowest practical resource expenditure.

(b) Organizational field-level maintenance is normally performed by an operating unit on a day-to-day basis in support of its own operations. The organizational maintenance mission is to maintain assigned equipment by performing functions such as inspections, servicing, preventive maintenance, and corrective maintenance.

(2) Generally, any year-end amounts of field-level deferred maintenance on General PP&E military equipment whether at the intermediate field-level or organizational field-level, have been determined to be immaterial in amount when compared to depot-level amounts of deferred maintenance. Therefore, the Military Departments shall not report field-level deferred maintenance amounts.

C. Method for Measuring Deferred Maintenance. The method used to determine the estimated amounts of deferred maintenance must be reported in the narrative statement to the Required Supplementary Information Deferred Maintenance Report in DoD Component financial statements. The federal-wide accounting standard permits the use of condition assessment surveys or life cycle cost forecasts to measure deferred maintenance.

1. Condition Assessment Surveys. Condition assessment surveys are periodic inspections of PP&E to determine their current condition and estimated cost to correct any deficiencies. It is desirable that condition assessment surveys be based on generally accepted methods and standards consistently applied.

2. Life-Cycle Cost Forecasts. Life-cycle costing is an acquisition or procurement technique, which considers operating, maintenance, and other costs in addition to the acquisition cost of assets. Since it results in a forecast of maintenance expense, these forecasts may serve as a basis against which to compare actual maintenance expense and estimate deferred maintenance.

D. Required Supplementary Information. The specific RSI reporting requirements related to deferred maintenance on PP&E are contained in Volume 6B, Chapter 12.

060109. Environmental Liabilities/Cleanup Costs

The accounting policy for environmental liabilities/cleanup costs pertaining to PP&E is contained in Chapter 13.

0602 ACCOUNTING FOR GENERAL PP&E

060201. Asset Recognition

A. General. The recorded cost of General PP&E assets is the basis for computing depreciation or amortization and may be greater than the purchase cost, book value, or fair market value, since the recorded cost may include additional ancillary costs. See paragraph 060201.B for examples of ancillary costs. The following defines and prescribes the use of recorded cost, book value and fair market value when recording the cost of newly acquired General PP&E assets.

1. Acquisition Cost. Acquisition cost is the original purchase, construction or development cost, net of (less) any purchase discounts. Purchase discounts lost and late payment interest expenses shall not be included as a cost of the asset; rather, such costs shall be recognized as operating expenses.

2. Book Value. Book value is the recorded cost of a General PP&E asset, less its accumulated depreciation.

3. Fair Market Value/Fair Value. Fair market value (also known as fair value) is an unbiased, equitable or just value based on the cost of a similar asset or the price that an impartial buyer would be willing to pay for the asset or a similar asset.

B. Recorded Cost. The recorded cost (also referred to as acquisition value) shall include all amounts paid to bring the property to its form and location suitable for its intended use. In addition to the amount paid to the vendor, additional ancillary costs that are identifiable shall be included in the recorded cost. Examples include the following:

1. government-furnished property installed in end items, e.g., engines installed in aircraft;

2. an appropriate share of the cost of government-furnished materials used in the production of end items;

3. transportation charges to the point of initial use;

4. handling and storage costs;

5. labor and other direct or indirect production costs (for assets produced or constructed);

6. engineering, architectural, and other outside services for designs, plans, specifications, and surveys;

7. acquisition and preparation costs of buildings and other facilities;

8. an appropriate share of the cost of the equipment and facilities used in construction work;

9. fixed equipment and related installation costs required for activities in a building or facility;

10. direct costs of inspection, supervision, and administration of construction contracts and construction work;

11. direct cost of maintaining the Program Management Office, if material;

12. legal and recording fees and damage claims;

13. fair value of facilities and equipment donated to the Department;

14. interest paid (not including late payment interest penalties); and

15. prorated share of nonrecurring cost associated with the development and production of the equipment. When documentation to support the original acquisition value is unavailable, estimates based on the latest cost of similar assets (at the time of acquisition) should be used, or the latest cost of similar assets or replacement value discounted for inflation since the time of acquisition. Such methods and/or sources when used shall be applied consistently.

C. Method of Acquisition Determines Recorded Cost

1. Purchased PP&E. The cost to be recorded for General PP&E acquired by purchase from a third party (private, commercial, or government) shall be its purchase contract cost plus applicable ancillary costs. For purposes of this guidance, purchase includes procurements of General PP&E by cash, check, or installment or progress payments on contracts.

2. Constructed PP&E. The costs of General PP&E real property assets while under construction, as described in Annex 2, are recorded to the USSGL construction in progress account. These costs include the costs of project design and actual construction such as labor, materials, and overhead costs. Upon the asset's placement in service, these costs shall be transferred to the proper General PP&E asset account as the recorded cost of the asset. During the construction of General PP&E, if it is determined that the cost will not exceed DoD capitalization threshold (see paragraph 060103.A.1.d), the costs of the construction project shall be expensed in the period the determination is made. Generally, the cost of demolition of a building is expensed; however, if an existing building is razed as part of site preparation for a new building, the cost of the demolition is included in the cost of the new building.

3. Donated PP&E. The cost to be recorded for General PP&E acquired through donation, execution of a will or judicial process excluding forfeiture, shall be its estimated fair value at the time acquired by the Department. The fair market value (also known as fair value) is an unbiased, equitable value based on the cost of a similar asset or the price that an impartial buyer would be willing to pay for the asset or a similar asset.

4. Exchanged PP&E. The cost to be recorded for General PP&E acquired through exchange between the Department and a nonfederal entity shall be the fair value of the PP&E surrendered at the time of exchange. If the fair value of the PP&E acquired is more readily determinable than that of the PP&E surrendered, the cost shall be the fair market value of the PP&E acquired. If the fair value cannot be determined, the cost of the PP&E acquired shall be the cost recorded for the PP&E surrendered, net of any accumulated depreciation. Any difference between the net recorded amount of the PP&E surrendered and the cost of the PP&E acquired shall be recognized as a gain or loss. In the event that cash consideration is included in the exchange, the cost of General PP&E acquired shall be increased by the amount of cash consideration surrendered or decreased by the amount of cash consideration received. If the DoD Component enters into an exchange in which the fair value of the PP&E acquired is less than that of the PP&E surrendered, the PP&E acquired shall be recognized at its cost, as described previously and subsequently reduced to its fair value. A loss shall be recognized in an amount equal to the difference between the cost of the PP&E acquired and its fair value. This guidance on exchanges applies only to exchanges between a DoD Component and a nonfederal entity. Exchanges between a DoD Component and another DoD Component or federal agency shall be accounted for as a transfer.

5. Capital Leases. A lease meeting any of the criteria at 060206.E and meeting the capitalization thresholds at 060103.A.d. shall be classified as a capital lease. The cost recorded for General PP&E acquired under a capital lease shall be equal to the amount recognized as a liability for the capital lease at its inception, plus any cash paid or other consideration given. Specific guidance on capital leases is provided at paragraph 060206.

6. Seized and Forfeited PP&E. The cost recorded for General PP&E acquired through seizure or forfeiture shall be its fair market value, less an allowance for any liens or claims from a third party.

7. Vested and Seized Property During Times of War. See Volume 12 for discussion of vested and seized property during times of war.

8. Transferred PP&E. The cost recorded for General PP&E transferred from another DoD Component or federal agency shall be the cost recorded on the transferring entity's books for the PP&E, net of any accumulated depreciation. If the receiving DoD Component cannot reasonably ascertain those amounts, the cost of the asset shall be its fair value at the time of transfer.

9. PP&E Acquired by Trade-In. The cost to be recorded for a General PP&E asset acquired when trading in another General PP&E asset shall be equal to the sum of the book value of the asset traded plus any cash paid or liabilities assumed for the new

asset. The book value is the recorded cost of a General PP&E asset, less its accumulated depreciation.

060202. Real Property

See section 060105.A.2 for detail on acquisition or improvement methods for real property assets.

A. Land and Land Rights (Account 1711)

1. The Land and Land Rights account is used to record the purchase cost of DoD-controlled land. When the purchase cost cannot be determined, the estimated fair market value shall be used. Land and Land Rights accounts include not only the land but also the rights to it, such as easements. Land is regarded for accounting purposes as a non-wasting asset. As such, land is not subject to depreciation. The purchase cost of land includes the purchase price, broker's commission, fees for examining and recording the title and surveying, and any razing and removal costs (less salvage proceeds) of structures on the land. Periodic DoD payments for land rights are accounted for as a period operating expense.

* 2. Accounting entries used for this account are specified in the ***USSGL SFIS Transaction Library***. Sources of entries to this account include invoices, payment vouchers, documented estimates indicating source of estimates, sales records, and documented transfers and losses. See paragraph 060106.A for a more complete list.

B. Construction in Progress (Account 1720)

1. See paragraph 060105.A.3 for definition and additional information for construction projects.

2. Real Property CIP Process. A CIP account will be created when either of the following triggering events occurs: (1) work order and funding authorizations are received for an in-house minor construction project; or (2) design and fund authorizations are received for construction projects performed by an agent. Either of these triggering events could affect work to be completed on an existing facility or a new construction project. Note that preliminary planning cost accumulated prior to design authorization must be expensed and not be captured in the CIP account.

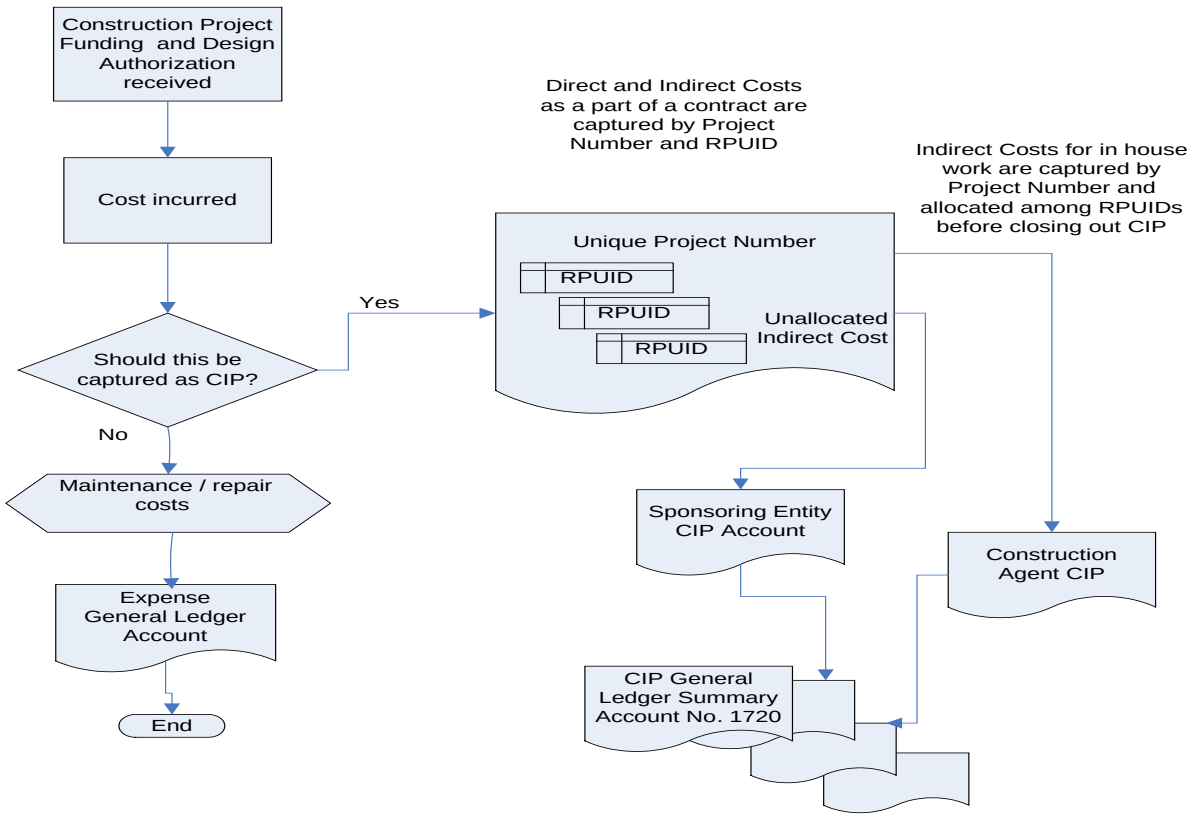
a. A service-unique project number will be assigned by the Component to each approved real property construction project. At least one Real Property Unique Identifier (RPUID) will be assigned or obtained by the real property accountable Component when the CIP account is created. Upon receiving official authorization to perform work on a real property construction project, the sponsoring entity will obtain and assign an RPUID from the real property accountable Component for each real property asset that will result during the construction. A sponsoring entity is defined as the military department, DoD agency or combatant command that sponsors the construction project. DoD agencies and combatant commands are not authorized to own real property; as such, these assets are under the

jurisdiction and held in the inventory of the real property accountable Component for the site where the asset is located. CIP costs will be tracked by both the Service-unique project number and the RPUID to ensure visibility, traceability, and accountability. A project may include one or more real property asset and corresponding RPUIDs. All costs to be capitalized for a construction project will be accumulated in the CIP account. A CIP account must be linked to at least one primary RPUID but may be linked to multiple RPUIDs to provide traceability for all construction costs incurred. A reasonable allocation methodology should be established to assign project costs periodically as the costs are incurred to all corresponding RPUIDs, no later than the time the assets are placed in service (interim acceptance).

b. Any indirect project cost must be allocated across CIP accounts periodically as they are incurred, and no later than final acceptance based on the direct cost of the asset as a percentage of the total direct cost of all assets in the project. Thus, the full cost of real property assets can be adequately captured and reported.

c. The relationship among projects, RPUID and the CIP accounts are provided in Figure 6-1.

FIGURE 6-1: RELATIONSHIPS AMONG A CONSTRUCTION PROJECT, RPUID AND CIP ACCOUNTS



3. Real Property CIP Business Rules. The following encapsulates the business rules that shall be applied in managing CIP throughout its life cycle:

a. Creation of Real Property CIP Account. When a DoD entity is constructing a real property asset to be transferred to another DoD entity under allocations or allotments, the constructing entity must accumulate cost in a CIP account for the benefit of the fund owner. When a DoD entity is constructing a real property asset to be transferred to another DoD entity on a cost reimbursable basis, the constructing entity must accumulate cost in an accounts receivable to be billed to the sponsoring entity since project inception. The billed costs are recorded in the corresponding CIP account by the sponsoring entity.

(1) When there is a cost-shared project between Federal and non-federal entities, a CIP account must only be created if the asset is federally owned. Only the Federal share of construction costs for real property being constructed on federal property, in conjunction with a non-federal project (e.g. state or other entity), should be captured in a CIP account. In the case of a cost-shared project between DoD and another Federal agency (e.g. Department of State), only the DoD share of construction costs for real property being constructed on DoD property should be captured in a CIP account within DoD's financial statements. At the time the asset is placed in service, the asset shall be recorded at its full value in the appropriate general PP&E account of the accountable Component, when the asset is constructed on a federal property.

(2) For cost-shared projects where the Federal Government is the construction agent and constructing a non-federal asset, the cost is accumulated in an accounts receivable to be billed to the customer. If the Federal Government is not the construction agent and the asset is not federally owned, the Federal Government's share of construction cost must be expensed as incurred. If the asset's final ownership was not determined at project design, this cost must be relieved from the CIP account and expensed to the general ledger, when it is determined that the asset will not be federally owned.

b. Relief of the Real Property CIP Account. The CIP account is relieved when an asset or an improvement to an asset is placed in service, at which point the cost accumulated to date in the CIP account must be transferred to the appropriate General Property Plant and Equipment (PP&E) account and recorded in the real property inventory. Once the asset is placed in service, each additional cost incurred must be recorded in the CIP account until final acceptance, and then transferred by RPUID to the appropriate General PP&E account. After real property final acceptance, each additional project cost must be expensed and must not be included in the CIP account. For a real property construction project, all costs for improvements that increase the useful life, efficiency, capacity, or size of an existing asset, or modifies the functionality or use of an asset, shall be capitalized.

(1) To ensure the real property asset is recorded at its full cost, the recorded cost of the asset placed in service must equal the sum of all construction and design costs. A comprehensive list of cost types are outlined in Annex 2. In addition, the sponsoring entity of a real property construction project must ensure that all costs incurred by the

sponsoring entity are provided to the construction agent on a formal document for inclusion in the full cost of the asset, prior to acceptance by real property accountable Component.

(2) The real property accountable officer will provide a copy of the executed "Transfer and Acceptance of Military Real Property" (DD Form 1354) to the sponsoring entity at the acceptance transaction, if the sponsoring entity is not the real property accountable Component for the asset. For an accepted real property asset, and for the purpose of an audit trail, the government's project construction agent and/or the sponsoring entity must provide the real property accountable officer with the list of auditable supporting documentation that must be provided, including their location. The accountable officer, in turn, must ensure the documentation is retained in accordance with applicable laws, regulations and instructions.

(3) If a construction project is cancelled, each cost accumulated in CIP accounts must be expensed. When a portion of a project is cancelled or decreased in scope, the cost directly associated to that portion of the project, and an allocated portion of the common cost in the CIP, must be expensed. All projects deferred for more than two years must be reviewed for continuance or cancellation during the review cycle.

c. Reporting of Real Property CIP Account. The sponsoring entities shall continue to report CIP on their financial statements, proportionate to their shares of investment, until the real property asset is accepted by the accountable Component. The minimum information associated with the CIP amount reported for financial statement preparation purposes must include the Customer Project Number, Project Fund Code(s), Project Detail Cost, Project Organization Code(s), Programmed Amount, and RPUID(s).

When portions of CIP for the same project are reported by multiple entities (construction agent and sponsoring entity), the portions must tie to the total amount of CIP reported for the project. To ensure traceability, CIP costs must be tracked by both the Service-unique project number and the RPUID; the same project number must be used for all phases of the construction project regardless of the performing entity. For a specified project, and for the purpose of an audit trail of the CIP account, the government's project construction agent and/or the sponsoring entity must retain the supporting documentation for their respective portion(s) of the project to which they have fiscal accountability. For additional information regarding representative documentation for a construction project, refer to section 060106.

* 4. Accounting entries used for this account are specified in the ***USSGL SFIS Transaction Library***.

* C. Buildings, Improvements and Renovations (Account 1730). The Buildings, Improvements and Renovations account is used to record the purchase cost of DoD-controlled buildings, improvements and renovations. When the purchase cost cannot be determined, the estimated fair market value of buildings and the cost of placing such assets in the form intended for use shall be recorded less any accumulated depreciation or amortization which would have been taken had the asset been recorded at the time it was acquired. Reference

paragraph 060201.C. for assistance in determining recorded costs or acquisition value. The account also is used to record capitalized improvements or renovations to existing buildings. Accounting entries used for this account are specified in the ***USSGL SFIS Transaction Library***.

* D. Other Structures and Facilities (Account 1740). The Other Structures and Facilities account is used to record the cost of DoD-controlled utilities and improvements to structures and facilities not classified as buildings. Examples include, but are not limited to, fences, roads, bridges, utilities, rail lines, and fuel storage facilities. When the acquisition cost cannot be determined, the estimated fair market value and the cost of placing such assets in the form intended for use shall be recorded less any accumulated depreciation or amortization which would have been taken had the asset been recorded at the time it was acquired. The account also is used to record capitalized improvements to other structures and facilities. Accounting entries used for this account are specified in the ***USSGL SFIS Transaction Library***.

060203. Equipment (Account 1750)

The Equipment account is used to record the capitalized cost of tangible equipment items of a durable nature that are used by DoD in providing goods and services. Equipment also is referred to as personal property. This account excludes computer software (SGL Account 1830), but includes Automated Data Processing (ADP) systems and hardware (computers and peripherals).

A. ADP Systems/Hardware

1. Definition. An ADP system for accounting and financial statement reporting purposes consists of dedicated equipment or components linked together and used in the performance of a service or function in support of a mission of a DoD Component, command or installation. This definition should not be confused with budgetary or property accountability policy and/or regulations which may be different. ADP systems for the purpose of this definition and the requisite accounting treatment are typically referred to as mainframe or mini computer systems and generally, do not include personal computers linked to a central server and used in an office environment. ADP systems shall be capitalized and depreciated when the total cost of the system (considering the individual components as a whole system) equals or exceeds the DoD capitalization threshold (see paragraph 060103.A.1.d) and has an expected useful life of two years or more.

2. Personal Computers (PCs). PCs that are not organic to an ADP system (attached PCs and used solely for the operation of the ADP system) are excluded from the accounting and financial statement reporting definition of an ADP system. The cost of such PCs, therefore, is not included in the capitalized cost of an ADP system. Such nonorganic PCs are expensed in the year acquired, since the cost of the individual PCs does not equal or exceed the DoD capitalization threshold.

* B. Accounting Entries. The Equipment account is used to record the cost of ADP hardware/systems (personal property) and other equipment in use by DoD Components. Accounting entries used for this account are specified in the ***USSGL SFIS Transaction Library***.

The account also is used to record the cost of improvements to equipment/personal property that meet DoD capitalization threshold. The policy for improvements is provided in paragraph 060204.

060204. Improvements to Existing General PP&E

A. Definition. The costs to improve a General PP&E asset shall be capitalized when the costs of the improvement increase the General PP&E asset's capability, size, efficiency, or useful life. In addition, the cost of an improvement shall be capitalized only when the cost of the improvement equals or exceeds DoD capitalization threshold (see paragraph 060103.A.1.d), regardless of funding source. Applicable improvements shall be capitalized and depreciated in accordance with the criteria described in Annex 3. Capital improvements which extend the life of the asset will be depreciated over the revised remaining extended useful life of the asset. Capital improvements which do not extend the useful life of the asset but have the same useful life as the remaining useful life of the General PP&E asset will be depreciated over the remaining useful life of the asset. Capital improvements which increase the asset's capability, size or efficiency but have an expected useful life that differs from the useful life of the General PP&E asset are depreciated separately. Capital improvements to assets which have already been fully depreciated will be depreciated based on the recovery periods identified in Table 6-1. For real property, improvements shall be capitalized and depreciated in accordance with the business rules for Construction in Progress (CIP) identified in Section 060202.B or the capital improvement depreciation cases presented in Annex 3. For depreciable periods, see Table 6-1 "DoD Standard Recovery Periods for Depreciable General PP&E Assets. Improvements that do not increase an asset's capacity, size, efficiency, or useful life, regardless of the cost of the improvement, shall be expensed. Improvement policy applicable to specific types of property follows:

B. Maintenance. Maintenance and repair costs are not considered capital improvements, regardless of whether the cost equals or exceeds DoD capitalization threshold. Maintenance is the work required to preserve and maintain equipment or real property in such condition that it may be effectively used for its designated functional purpose. Maintenance costs associated with personal property (e.g., maintenance contracts for equipment and software) shall be expensed. Maintenance also includes cyclic work done to prevent damage that would be more costly to restore than to prevent (e.g., painting).

C. Repair. Generally, PP&E personal and real property repair costs shall be expensed. When repair is by replacement, the repair may be expensed or it may be capitalized. According to USC Title 10, Subtitle A, Part IV, Chapter 169, Subchapter I, § 2811 Repair of Facilities, "the term "repair project" means a project to restore a real property facility, system, or component to such a condition that it may effectively be used for its designated functional purpose." When repairing a real property facility, the components of the facility may be repaired by replacement, and the replacement can involve upgrading to current building standards and codes. Such replacements (repairs) may or may not be an improvement for accounting purposes. Crucial to the determination of whether a replacement is a repair or an improvement is the intent behind the replacement. Repair by replacement that is expensed, occurs when a facility or facility component has failed, is in the incipient stages of failing or is no longer performing the

functions for which it was designated. Replacements falling into this category shall be expensed. If the replacement was undertaken to improve or expand the efficiency of an asset that was in good working order, then the replacement is an improvement. A roof or a heating and air conditioning system that is replaced due to the failing of the existing asset shall be classified as a repair and shall be expensed, even if the replacement incorporated a better quality and longer life shingle or a more efficient heating and air conditioning unit. Repair by replacement does not include rebuilding entire structures within the same physical area (footprint).

D. Per Unit Costs. The cost of improvements to more than one General PP&E asset as identified by a unique identifier, when performed under a single contract or work order and that cannot be specifically identified by asset, shall be capitalized only if the allocated cost per General PP&E asset equals or exceeds the DoD capitalization threshold. When more than one improvement is made to a single building and the improvements are part of one overall effort to increase the building's capacity, size, or useful life; the sum of the costs of the improvements shall be capitalized, if the summed costs equal or exceed DoD capitalization threshold. This is required even when the improvements are funded separately. Once a determination has been made that the aggregate costs of the improvements will be capitalized, each improvement should be capitalized and depreciation placed in service.

* E. Accounting entries for this account are specified in the ***USSGL SFIS Transaction Library***.

060205. Depreciation

* A. General. DoD General PP&E assets are those assets that have a recorded cost (see 060201.B) that equals or exceeds DoD capitalization threshold and have a useful life or two years or more--often called "capital assets" or "fixed assets." DoD General PP&E includes all capital assets that are not Heritage Assets or Stewardship Land. DoD General PP&E shall be capitalized and, with the exception of land and land rights of unlimited duration, shall be depreciated. Land rights that are for a specified period of time shall be amortized (depreciated) over that time period. Such capitalized amounts, as well as associated amounts of accumulated depreciation and depreciation expense, shall be reflected in DoD financial statements. Accounting entries for depreciation accounts are specified in the ***USSGL SFIS Transaction Library***.

B. Definition of Depreciation for Military Equipment. Depreciation is the systematic and rational allocation of the acquisition cost of an asset, less its estimated salvage or residual value, over its estimated useful life. Estimates of useful life of military equipment must consider factors such as usage, physical wear and tear and technological change.

C. Method of Depreciation. Department of Defense policy permits the use only of the straight-line method of depreciation, except for military equipment. For military equipment, an activity-based method of depreciation, which recognizes the change in an asset's value as a result of use rather than time, may also be used.

D. Salvage Value. The salvage value, also known as the residual or scrap value, is the amount that would be expected to be obtained from selling the asset at the end of its useful life, but only when such proceeds (from recycle, resale, or salvage) are permitted to be retained and used by the DoD Component. Typically, personal property (e.g., vehicles, ADP and equipment) will not have a salvage value. If the asset is to be traded in on a new asset, the salvage value is the expected trade-in value. For purposes of computing depreciation, military equipment and real property assets (e.g., buildings, facilities and structures) do not have salvage values.

E. Depreciable Basis. The depreciable basis of a General PP&E asset is the recorded cost reduced by the asset's salvage value, if such salvage value exceeds 10 percent of the asset's cost. If the salvage value is 10 percent or less of the asset's cost, the salvage value is not considered material for purposes of calculating depreciation, and therefore, should not be considered when determining the depreciable basis. (In other words, if the salvage value is less than or equal to 10 percent of the asset's cost, the depreciable basis should be the same as the recorded cost.) Land is not subject to depreciation. Land rights that are for a specified period of time shall be amortized over the specified time period. When land and a building are purchased together, the depreciable basis for the building is the total purchase cost less the actual cost, or estimated value of the land.

F. Useful Life. For purposes of computing depreciation on DoD General PP&E assets, specific recovery periods are prescribed. Table 6-1 reflects the recovery periods to be used for DoD General PP&E, except for military equipment. With respect to military equipment:

1. Depreciation of military equipment and the estimated useful life for military equipment will be based on data provided by the military equipment Program Managers and valued by the OUSD (AT&L) Property, Plant and Equipment Policy Office.

2. Proper supporting documentation must be retained by the program office to justify the estimated useful life of the program. Examples of proper documentation are engineering estimates, operational requirements documents, mission needs statements, commercial industry-equivalent information, contracts, and acquisition documents (such as the Select Acquisition Report).

G. Commencement of Depreciation. In the case of tangible assets, the event that triggers the calculation of depreciation is the date of receipt shown on the asset receiving document or the date installed and placed in service (regardless of whether it is actually used). In the case of constructed PP&E, the costs of constructing the PP&E shall be recorded as construction in progress until it is placed in service, at which time the balance (total construction costs) shall be transferred to General PP&E in accordance with the tables presented in Section 060105.A.2.b. For real property assets, depreciation shall commence when the facility is placed in service, regardless of whether the facility is fully occupied or in use. The actual commencement of depreciation shall be based on either of the following methods:

1. Month Available for Service Method. Under the Month Available for Service Method, the month the asset was available for use, regardless of whether it was actually used, is the month used to commence the calculation of depreciation expense for the first year.

2. Mid-Year Convention Method. Under the Mid-Year Convention Method, six months of depreciation is computed and expensed in the first and last year of an asset's useful life, regardless of the actual month the asset was placed in, or removed from, service.

H. Excess of Useful Life. If an asset remains in use longer than its estimated useful life, it shall be retained in the accountable property system of record, as well as the accounting records, and reflect both its recorded cost and accumulated depreciation until disposition of the asset.

I. Calculation of Depreciation. Except for military equipment, depreciation expense shall be calculated and accumulated using the straight-line method based on the recorded cost less salvage value and divided equally among accounting periods during the asset's useful life based on recovery periods in Table 6-1. Salvage value will be used in the calculation only if it exceeds 10 percent of the cost of the asset. Depreciation of military equipment and the estimated useful life for military equipment will be based on data provided by the military equipment Program Managers and valued by the OUSD (AT&L) Property, Plant and Equipment Policy Office.

J. Recovery Periods. Table 6-1 prescribes the recovery periods (useful lives) that shall be used for depreciable General PP&E assets.

TABLE 6-1 DOD RECOVERY PERIODS FOR DEPRECIABLE GENERAL PP&E ASSETS

DoD RECOVERY PERIODS FOR DEPRECIABLE GENERAL PP&E ASSETS (Excludes Military Equipment and Heritage Assets)	
Description of General PP&E Assets	Recovery Period
General Purpose Vehicles (Includes Heavy Duty Trucks and Buses); ADP Systems and Hardware (Computers and Peripherals); High Tech Medical Equipment; Equipment used in Research, Development, Test and Evaluation (RDT&E); Radio and Television Broadcasting Equipment; and Software Improvements to 5-Year Recovery Period Property (Personal Property)	5 Years*
All Other Equipment, Machinery and Software** Improvements to 20-Year Recovery Period Property	10 Years

Vessels, Tugs, Barges and Similar Water Transportation Equipment (Non-Military Equipment vessels/ships) Steam (12.5K pounds per hour or more) and Electric Generation Equipment (500 Kilowatt or more), Sewers and Other Utilities (including such things as fiber optic cable) Fences, Roads, Bridges, Towers, Ship and Railroad Wharves and Docks, Dry Docks, Fuel Storage Facilities and Other Real Property Structures. Improvements to 40-Year Recovery Period Property	20 Years
Buildings, Hangers, Warehouses, Fuel Storage Buildings, Air Traffic Control Towers, and Other Real Property Buildings	40 Years
Improvements to Leased Buildings and Other Real Property (Leasehold Improvements)	Remainder of Lease Period or 20 Years Whichever Is Less
Land Rights of Limited Duration	Over the Specified Duration

* A recovery period of less than 5 years is permitted when the acquiring DoD Component is certain that the useful life of an asset is at least 2 years but less than 5 years. In such circumstances, the recovery period shall be the known useful life (2-4 years, as appropriate).

** Depending on the nature of the software, it may be depreciated over a period of less than 5 years, 5 years or 10 years. The determining factor should be the actual estimated useful life of the software consistent with that used for planning the software's acquisition.

K. Recovery Period of Less Than Five Years. If a DoD Component determines that a newly acquired General PP&E asset costing more than the DoD capitalization threshold has a useful life of at least 2 years, but less than 5 years, the Component can elect to depreciate the asset over a recovery period that more accurately reflects its useful life (2-4 years, as appropriate). The DoD Component making this election must document the basis for that decision and cannot change the recovery period once depreciation/amortization has been started.

L. Disposal of Depreciable PP&E

1. General PP&E shall be removed from general PP&E accounts and transferred to Other General PP&E (Account 1890) along with associated accumulated depreciation/ amortization, if prior to disposal, retirement or removal from service, it no longer provides service in the operations of the entity. This could be either because it has suffered damage, becomes obsolete in advance of expectations, or is identified as excess. It shall be recorded in an appropriate asset account at its expected net realizable value. The net realizable value amount is defined as the expected earnings from the disposal of a real property asset less any costs necessary to complete and dispose of the asset. Any difference in the book value of the

PP&E and its expected net realizable value shall be recognized as a gain or a loss in the period of adjustment. The expected net realizable value shall be adjusted at the end of each accounting period and any further adjustments in value recognized as a gain or a loss. However, no additional depreciation/amortization shall be taken once such assets are removed from general PP&E in anticipation of disposal, retirement, or removal from service.

2. General PP&E assets that have been identified for permanent removal from service shall no longer be depreciated once the asset no longer contributes to the operation of the entity. See 060205.M for further guidance. The triggering event for disposal is the time/date the asset no longer provides service in the operations of the entity and is identified for disposal. Depreciation/amortization of General PP&E assets will stop on this date. This date shall also represent the date on which the General PP&E asset and its associated depreciation/amortization and accumulated depreciation/amortization are no longer reported under the General PP&E account on the financial statements and the depreciation/amortization calculation is discontinued.

3. The disposal start date is defined as the calendar date of a legally enforceable and recognizable obligation to complete the disposal action or the date the operation has ceased, whichever comes later. On this date, the asset is no longer depreciated, its book value is removed from the financial records, and the corresponding gain/loss from disposition is recorded. For demolitions, this represents the demolition contract's start date. For transfers and sales, this represents the date on which the instrument is endorsed or operation is ceased, whichever comes later. For natural disasters, this represents the actual date of the incident.

4. The Disposal Total Proceed Amount is the total amount of money or other consideration received from the disposal of the General PP&E asset. The difference between this amount and the net book value at the time of disposal is recorded as gain or loss. This value must be assigned to each disposal property.

5. General PP&E assets that have been temporarily removed from service/use with the expectation that such assets eventually will be returned to service shall continue to be depreciated during periods of non-use. This policy is applicable to WCF activities and also applies to General PP&E sent to a depot for temporary storage. Depreciation shall cease on General PP&E assets awaiting disposal that are damaged, obsolete, or excess (assets no longer providing the intended service to the entity's operation) or are retired before their intended disposal date based on useful life.

M. Other General PP&E (Account 1890)

1. When a General PP&E asset is identified for other than normal removal from service, such as would be the case for assets that are part of a Base Realignment and Closure (BRAC) or an asset identified as not serving its intended purpose and awaiting disposal actions, the asset shall be removed from the PP&E accounts, along with its associated accumulated depreciation/amortization and be recorded in the Other General PP&E account

(1890) at its net realizable value (NRV). Oftentimes the NRV will be zero. Any difference between the book value of the PP&E asset and its expected NRV shall be recognized as a gain or loss in the period of adjustment. For assets that are part of BRAC, the disposal date is the operation closure date as established by BRAC law.

2. The Disposal Net Realizable Value Amount is defined as the expected earnings from the disposal of a real property asset less any costs necessary to complete and dispose of the asset. The net realizable value is used for assets that will be held for a period of time and disposed of at a future date such as those properties that are part of a BRAC or declared as excess under a special legislation. The net realizable value is an accounting method used to calculate the present value of future earnings the asset is expected to generate, less the cost of owning, holding, developing, and operating the asset. For special legislation (BRAC) properties, the difference between this amount and the net book value at the time a property is identified for disposal is used to post GL account 7110 (Gains on Disposition of Assets-Other) or 7210 (Losses on Disposition of Assets-Other). The Disposal Start Date must calculate this value.

3. The Other General PP&E account shall not be used to record assets that have been removed from service and sent to a depot for storage with the intent to use the assets again in the future or for other assets taken out of service on a temporary basis. Those assets shall remain recorded in the appropriate general ledger account and shall continue to be depreciated. Normal disposal transactions shall not be processed through account 1890 and shall not be accounted for using account 5730, Financial Sources Transferred Out Without Reimbursement.

* 4. Accounting entries for this account are specified in the ***USSGL SFIS Transaction Library***.

060206. Assets Under Capital Lease (Account 1810)

A. Definitions

1. Lease Term. For non-operating leases, the lease term is the fixed non-cancelable term of the lease plus all periods, if any, representing renewals or extensions of the lease that can reasonably be expected to be taken.

2. Noncancelable. Noncancelable means the lease is cancelable only on the occurrence of a remote contingency. Funds that are not appropriated by the Congress in future years to cover the lease are considered a remote contingency.

3. Bargain Purchase Option. A lessee's option to purchase leased property for a price which is sufficiently lower than the expected fair value of the property at the date the option becomes exercisable that, at inception of the lease, makes the exercise of the option reasonably assured.

4. Estimated Economic Life. The estimated remaining period during which the property is expected to be economically usable by one or more users, with normal

repairs and maintenance, for the purpose for which it was intended at the inception of the lease, without limitation by the lease term.

5. Minimum Lease Payments. The payments that the lessee is obligated to make or can be required to make in connection with the leased property. (Contingent rentals are excluded from the minimum lease payments.)

6. Fair Value. The price for which the property could be sold in an arm's-length transaction between unrelated parties.

7. Interest Rate Implicit in the Lease. The discount rate that, when applied to the minimum lease payments (less executory costs and the unguaranteed residual value), causes the aggregate present value at the beginning of the lease term to be equal to the fair value of the leased property at the inception of the lease.

8. Renewal or Extension of a Lease. The continuation of a lease agreement beyond the original lease term, including a new lease under which a lessee continues to use the same property.

B. The Assets Under Capital Lease account is used to record the present value of the leased asset and other lease payments during the lease term, excluding that portion of the payments representing executory costs such as insurance, maintenance, and taxes paid to the lessor under terms of the lease.

C. A lease conveys the use of an asset or part of an asset (such as part of a building) from one entity, the lessor, to another, the lessee, for a specified period of time in return for rent or other compensation. Lessees have capital or operating leases while lessors have sales-type, direct financing or operating leases. Capital, sales-type, and direct financing leases transfer substantially all the benefits and risks of ownership from the lessor to the lessee.

D. When a lease is a capital lease, the lessee shall record the applicable asset and liability at lease inception. The amount to be recorded under a capital lease is the present value of the rental property and other lease payments during the lease term, excluding that portion of the payments representing executory costs such as insurance, maintenance and taxes paid to the lessor. If the present value amount, however, exceeds the fair value of the leased property at the inception of the lease, the amount recorded shall be the fair value. If the executory costs portion of the minimum lease payments cannot be determined, the amount should be estimated. In such cases, the substance of the arrangement, rather than its legal form, shall determine the accounting treatment. All other leases should be accounted for as operating leases with no balance sheet recognition.

E. Lessees shall classify a lease as a capital lease if one of the following four criteria is met:

1. The lease transfers ownership of the property to the lessee by, or at, the end of the lease term;

2. The lease contains an option to purchase the leased property at a bargain price (see paragraph 060206.A.3);

3. The lease term (non-cancelable portion plus all periods, if any, representing renewals or extensions that can reasonably be expected to be taken) is equal to or greater than 75 percent of the estimated economic life of the leased property; and

4. The present value of rental and other minimum lease payments, excluding that portion representing executory costs to be paid by the lessor, equals or exceeds 90 percent of the fair value of the leased property. The lessee shall compute the present value of the minimum lease payments using the interest rate as of January 1 each year of the Treasury Instrument (bill, note or bond) that matches the term of the lease (for example, the interest rate for a 12.5-year capital lease would be the average of the interest rates for a 10-year T-Bill and a 15-year T-Bill) unless:

a. It is practicable for the lessee to learn the interest rate implicit in the lease computed by the lessor, and

b. The implicit rate computed by the lessor is less than the Treasury Instrument Rate.

F. The criteria cited in 060206.E.3 and 060206.E.4 , do not apply if the beginning of the lease term falls within the last 25 percent of the total estimated economic life of the leased property. (While leases with the GSA typically do not meet the capital lease criteria, if such a lease does meet the criteria it should be capitalized.)

G. If a lease does not meet at least one of the above four criteria, it should be classified as an operating lease. Operating leases of PP&E are leases in which the entity does not assume the risks of ownership of the PP&E. Multi-year service contracts and multi-year purchase contracts for expendable commodities are not capital leases.

H. A portion of each lease payment shall be allocated to interest expense, and the balance shall be applied to reduce the lease liability using the effective interest rate method. (Interest is calculated on the balance of the lease obligation for each period, and the remainder of the payment is applied as a reduction of the lease obligation.) The periodic payment amount allocated to interest expense shall be computed based on the interest rate used to compute the present value of minimum lease payments, unless the lease is recorded at fair value. For such leases, trial and error must be used to compute the interest rate for application to the balance of the lease obligation.

I. For leases with a residual guarantee by the lessee or a penalty for failure to renew the lease at the end of the lease term, following the amortization method in Volume 4, Chapter 7, paragraph 070207.F generally should result in a liability balance that will equal the amount of the guarantee or penalty at the end of the lease term. If a renewal or other extension of the lease term or a new lease under which the lessee continues to lease the same property renders the guarantee or penalty inoperative, the asset and the liability under the lease

shall be adjusted by an amount equal to the difference between the present value of the future minimum lease payments under the revised agreement and the present balance of the liability. The present value of future minimum lease payments under the revised lease agreement shall be computed using the rate of interest used to record the lease initially. Other renewals and extensions of lease terms shall be considered new agreements.

* J. Sources for entries to these accounts include contracts, payment documents, amortization schedules, and journal vouchers. Accounting entries for this account are specified in the ***USSGL SFIS Transaction Library***.

060207. Accumulated Depreciation on Assets Under Capital Lease (Account 1819)

A. The Accumulated Depreciation on Assets Under Capital Lease account accumulates the annual/periodic depreciation expense for assets under capital lease. The depreciation recovery period (useful life) to be used to depreciate personal or real property acquired by a capital lease is the recovery period designated for the type of property indicated in Table 6-1, unless the lease period is less than the recovery period in the table. For example, if a capital lease is used to acquire a fire truck (which has a 5-year recovery period), then the fire truck would be depreciated over five years if the lease period is for at least five years. In the same example, if the lease period is only four years, the fire truck would be fully depreciated over four years.

B. This account shall be used by those activities that are authorized to enter into capital lease agreements.

* C. Sources for entries to this account include journal vouchers showing the basis for the depreciation computation. Financial record retention requirements for such vouchers are contained in Volume 1, Chapter 9. Accounting entries for this account are specified in the ***USSGL SFIS Transaction Library***.

060208. Leasehold Improvements (Account 1820)

* A. The Leasehold Improvement account is used to record the value of capitalized improvements to leased property. When leasehold improvements meet or exceed DoD capitalization criteria (see paragraph 060103.A.1.d), such improvements shall be capitalized and amortized for the remainder of the lease period or 20 years whichever is less. Sources for entries to this account include journal vouchers and documents transferring completed construction projects to this account. Accounting entries for this account are specified in the ***USSGL SFIS Transaction Library***.

* B. Accumulated Amortization on Leasehold Improvements (Account 1829). The account, Accumulated Amortization on Leasehold Improvements, is used to accumulate the periodic amortization expense for leasehold improvements. Sources for entries to this account include journal vouchers with work papers supporting the computation of the amounts to be amortized over the life of the lease. Accounting entries for this account are specified in the ***USSGL SFIS Transaction Library***.

060209. Internal Use Software (Account 1830)

A. Definition. Internal Use Software includes application and operating system programs, procedures, rules, and any associated documentation pertaining to the operation of a computer system or program that is used for operational or other internal use. Normally, software is an integral part of an overall system having interrelationships between software, hardware, personnel, procedures, controls, and data. Internal Use Software does not include software embedded in military equipment, nor does it include software used in Special Test Equipment. Internal Use Software is software that is:

1. Purchased from commercial off-the-shelf (COTS) vendors or ready for use with little or no changes;

2. Developed by employees of DoD, including new software and existing or purchased software that is modified with or without a contractor's assistance;

3. Contractor-developed software that DoD paid a contractor to design, program, install, and implement, including new software and the modification of existing or purchased software; and

4. Includes acquisition, finance, logistics, personnel or other business related systems.

* B. Recognition, Measurement. Internal Use Software is recognized and capitalized if it has a useful life of two years or more, provides a significant increase in functionality that is visible to the user (in the case of enhancements) and the cost of the software or enhancement equals or exceeds DoD capitalization threshold. An upgrade is not necessarily a capital improvement. If an upgrade modernizes an operating system, it is normally expensed since the user does not see a significant increase in functionality. As development work accumulates, the costs will be entered into an Internal Use Software In Development account (Account 1832). When the software is accepted, the accumulated costs shall be removed from this "In Development" account, and the cost of the software or enhancement shall be transferred to the Internal Use Software account (Account 1830). Accounting entries for this account are specified in the ***USSGL SFIS Transaction Library***.

1. COTS Software. The capitalized cost of COTS software shall be the actual purchase price, plus any costs incurred for implementation.

2. Contractor-Developed Software. The capitalized cost of contractor-developed software shall include the amount paid to the contractor to design, program, install, and implement new software or to modify existing or COTS software, plus any costs incurred for implementation.

3. Internally Developed Software. The capitalized cost of internally developed software shall include the full cost (direct and indirect costs) incurred during the software development phase. Full cost includes the costs of new software (e.g., contract cost,

salaries of programmers, systems analysts, project managers, and administrative personnel; associated employee benefits; outside consultants' fees; rent; and supplies and overhead) and technical documentation. The development of technical documentation and manuals is capitalized. The costs of mass-producing manuals are expensed. Project management (direct labor) costs are those cost specifically associated with a particular project and is capitalized. Program management (indirect labor) costs are labor costs associated with an entire program consisting of several individual projects. The costs of program management and the Program Management Office (PMO) that may be incurred during each phase of software development or acquisition project shall be expensed or capitalized depending on their materiality to overall costs of individual software development projects and each phase and/or preponderance of development or acquisition work. Capitalized costs shall be limited to costs incurred after the preliminary design phase. Table 6-2 provides a matrix of software acquisition and development costs and provides additional guidance regarding whether such costs will be expensed or capitalized. The various types of costs incurred during software acquisition and development are explained below:

(a) Direct Labor Costs. Direct labor costs are typically the labor costs of project teams (e.g. programmers, engineers, managers) and are capitalized as part of the costs of the software project. Direct labor costs shall be tracked by project managers and/or program managers and allocated to individual software projects. The allocation methodology must be consistent between projects and must be auditable.

(b) Indirect Labor Costs. Indirect labor costs are typically the labor costs associated with the Program Management Office (PMO) personnel responsible for overseeing more than one software project. In many instances, PMO indirect labor costs are immaterial when compared with the overall costs of a software project, and if determined to be immaterial, will be expensed. PMO indirect costs shall be expensed or capitalized, depending on: 1) their materiality to overall costs of individual software development projects and 2) in which phase the costs were incurred. Decisions regarding the materiality of indirect labor costs, when such costs are expensed, must be justified, documented and must stand up to audit scrutiny. If indirect labor costs are determined to be material to a software project or projects and are to be distributed to the capitalized costs of such project, the costs shall be allocated based on a distribution methodology that it is both documented and auditable.

(c) Overhead Costs. Overhead costs are those costs associated with utilities, building maintenance, and supplies that are essential to the overall accomplishment of a software project. In many instances, overhead costs are immaterial when compared with the overall costs of a software project and if determined to be immaterial, will be expensed. Decisions regarding the materiality of overhead costs when such costs are to be expensed must be justified, documented, and must stand up to audit scrutiny. If overhead costs are determined to be material to a software project or projects and are to be distributed to the capitalized costs of such project, the costs shall be allocated based on a distribution methodology that it is both documented and auditable.

(d) Contractor Costs. Contract costs must be evaluated to determine whether the costs are to be expensed or capitalized. Such determination is based on

the type of work performed by the contractors. Table 6-2 provides a breakdown of the various work activities and whether the cost of such activities must be expensed or capitalized.

TABLE 6-2 SOFTWARE ACQUISITION PHASES

PRELIMINARY DESIGN PHASE	SOFTWARE DEVELOPMENT PHASE	POST-IMPLEMENTATION/ OPERATIONAL PHASE
EXPENSE COSTS	**CAPITALIZE COSTS**	**EXPENSE COSTS**
Activities: • Determination of existence of needed technology • Conceptual formulation of alternatives • Evaluation and testing of alternatives • Final selection of alternatives	Activities: • Design of chosen path, including software configuration and software interfaces • Coding • Technical documentation • Development of user manuals • Installation on hardware • Testing, including parallel processing • Training development	Activities: • Data conversion (includes cleansing, deleting, and repackaging data) • Application maintenance • Implementation assistance (e.g., troubleshooting, system analysis, producing and printing users manuals desk procedures, and similar support to the project's customers)
This phase includes all actions leading to source selection of a COTS or other commercial source. For internally developed software, this phase includes all actions prior to System Requirements Specification (SRS).	Software development starts after the Preliminary Design Phase and includes all development actions such as design, programming, and installation.	Post-implementation includes all operational testing and evaluation, as well as other functional testing conducted after technical acceptance and includes costs incurred to make customer ease of use changes.
PROGRAM MANAGEMENT The costs of program management and the Program Management Office (PMO) that may be incurred during each phase of software development or acquisition are indirect costs. PMO indirect costs shall be expensed or capitalized, depending on: 1) their materiality to overall cost of individual software development projects and 2) in which phase the costs were incurred.		

4. Software Developed by One Activity and Used by Others Without Reimbursement. Software that is developed by one activity and used by another activity or activities without reimbursement shall be capitalized and depreciated by the developing activity (if it meets the capitalization criteria). For example, if the Tricare Management Activity (TMA), of the Defense Health Program, develops software (that meets the capitalization criteria) and installs the software at multiple DoD medical treatment facilities, the TMA shall capitalize and depreciate the software. The cost of the software shall not be allocated to the using activities.

C. Data Conversion Costs. All data conversion costs incurred for internally developed, contractor developed or COTS software shall be expensed as incurred, including the cost to develop or obtain software that allows for access or conversion of existing data to the new software. Such costs may include the purging or cleansing of existing data, reconciliation or balancing of data, and the creation of new/or additional data.

D. Costs Incurred After Final Acceptance Testing (Cutoff). Costs incurred after final acceptance testing has been successfully completed shall be expensed. Acceptance testing is that testing undertaken to verify if a software product meets specifications. Operational testing and evaluation and other functional testing conducted to ease customer use after technical acceptance shall be expensed. When the software is to be installed and capitalized at multiple sites, the capitalization phase ends after acceptance testing is complete at each of those sites.

E. Integrated (Embedded) Software. Computer software that is integrated into (embedded) and necessary to operate equipment (rather than perform an application) shall be considered part of the equipment of which it is an integral part and capitalized and depreciated as part of the cost of equipment (e.g., airport radar and computer-operated lathes). The aggregate cost of the hardware and software shall be used to determine whether to capitalize or expense the costs.

F. Bundled Products and Services. The cost of software purchased as part of a package of products and services (e.g., training, maintenance, data conversion, reengineering, site licenses, and rights to future upgrades and enhancements) shall be allocated as capitalizable and non-capitalizable (expensed) costs based on a reasonable estimate of the value of the individual products or services. Costs that are not susceptible to allocation between maintenance and relatively minor enhancements should be expensed.

G. Bulk Purchases of Software. Bulk purchases of software programs and modules or components of a total software system that individually meet DoD capitalization threshold shall be capitalized. If the per item cost of a bulk purchase (e.g., numerous copies of spreadsheets and word-processing programs) does not meet DoD capitalization threshold, the bulk purchase shall be expensed in the period acquired.

H. Enhancements

1. The acquisition cost of enhancements to existing Internal Use Software (and modules thereof) shall be capitalized when such costs exceed DoD capitalization threshold, and when it is more likely than not that such enhancements will result in a significant increase in functionality that is apparent to the user. For example, if existing software is modified for making ad hoc queries, the cost shall be capitalized if it exceeds the capitalization threshold. The cost of routine or minor changes or modernizations that do not significantly add functionality shall be expensed in the period incurred. Examples include updating data tables, web-enabling, customizing reports, or changing graphic user interfaces. Also, the cost of enhanced versions of software for a nominal charge is expensed in the period incurred.

2. Enhancements normally require new software specifications and may require a change of all or part of the existing software specifications as well.

3. The cost incurred solely to repair a design flaw or to perform minor upgrades that may extend the useful life of the software without adding new capabilities shall be expensed. This includes updating the technical platform of a system.

I. Impairment

1. Post Implementation/Operational Software

a. Impairment shall be recognized and measured when one of the following occurs and is related to post implementation/operational software and or modules, thereof:

(1) The software is no longer expected to provide substantive service potential and will be removed from service.

(2) A significant reduction occurs in the capabilities, functions or uses of the software (or a module thereof).

b. If the impaired software is to remain in use, the loss due to impairment shall be measured as the difference between the book value and either:

(1) The cost to acquire software that would perform similar remaining functions (e.g., the unimpaired functions) or, if that is not feasible;

(2) The portion of the book value attributable to the remaining functional elements of the software. The loss shall be recognized upon impairment, and the book value of the asset reduced accordingly. If neither (a) nor (b) above can be determined, the book value shall continue to be amortized over the remaining useful life of the software.

c. If the impaired software is to be removed from use, the loss due to impairment shall be measured as the difference between the book value and the net realizable value (NRV), if any. Typically, the NRV will be zero (0). The loss shall be recognized upon impairment and the book value of the asset reduced accordingly. The NRV, if any, should be transferred to an appropriate asset account until such time as the software is disposed of and the amount is realized.

2. Termination of Software Under Development. When it is determined that software under development (or a module thereof) will not be completed and placed in service, the related book value accumulated for the software (or the balance in a work-in-process account, if applicable) should be reduced to reflect the expected NRV, if any, and the loss recognized. The following are indications of this:

a. Expenditures are neither budgeted nor incurred for the project;

b. Programming difficulties cannot be resolved on a timely basis;

c. Major cost overruns occur;

d. Information has been obtained indicating that the cost of developing the software will significantly exceed the cost of COTS software available from third party vendors; hence, management intends to obtain the product from those vendors instead of completing the project;

e. Technologies that supersede the developing software product are introduced; or

f. The responsibility unit for which the product was being created is being discontinued.

J. Amortization/Depreciation

1. Software that is capitalized shall be amortized/depreciated as provided for in this chapter. The DoD Standard Recovery Period used for depreciation shall be consistent with that used for planning the software's acquisition. See Table 6-1, "DoD Recovery Periods for Depreciable General PP&E Assets" for the specific recovery periods (useful lives) for software.

2. For each module or component of a software project, amortization/depreciation should begin when that module or component has been successfully tested. If the use of a module is dependent on completion of another module(s), the amortization/depreciation of that module shall begin when both that module and the other module(s) have successfully completed testing.

3. When Internal Use Software is replaced with new software, the undepreciated cost of the old software shall be expensed when the new software successfully completes testing. No adjustments will be made to the previously recorded amortization/depreciation. Any additions to the book value or changes in useful life should be treated prospectively. The change should be accounted for during the period of the change and future periods.

4. Internal Use Software must be accounted for in an automated property accountability system.

5. Figure 6-2 provides a decision tree to assist in determining if an Internal Use Software project shall be capitalized.

K. Disclosures. Financial statement disclosures required for Internal Use Software are the same as that for other General PP&E. Thus, the following should be disclosed in the financial statements:

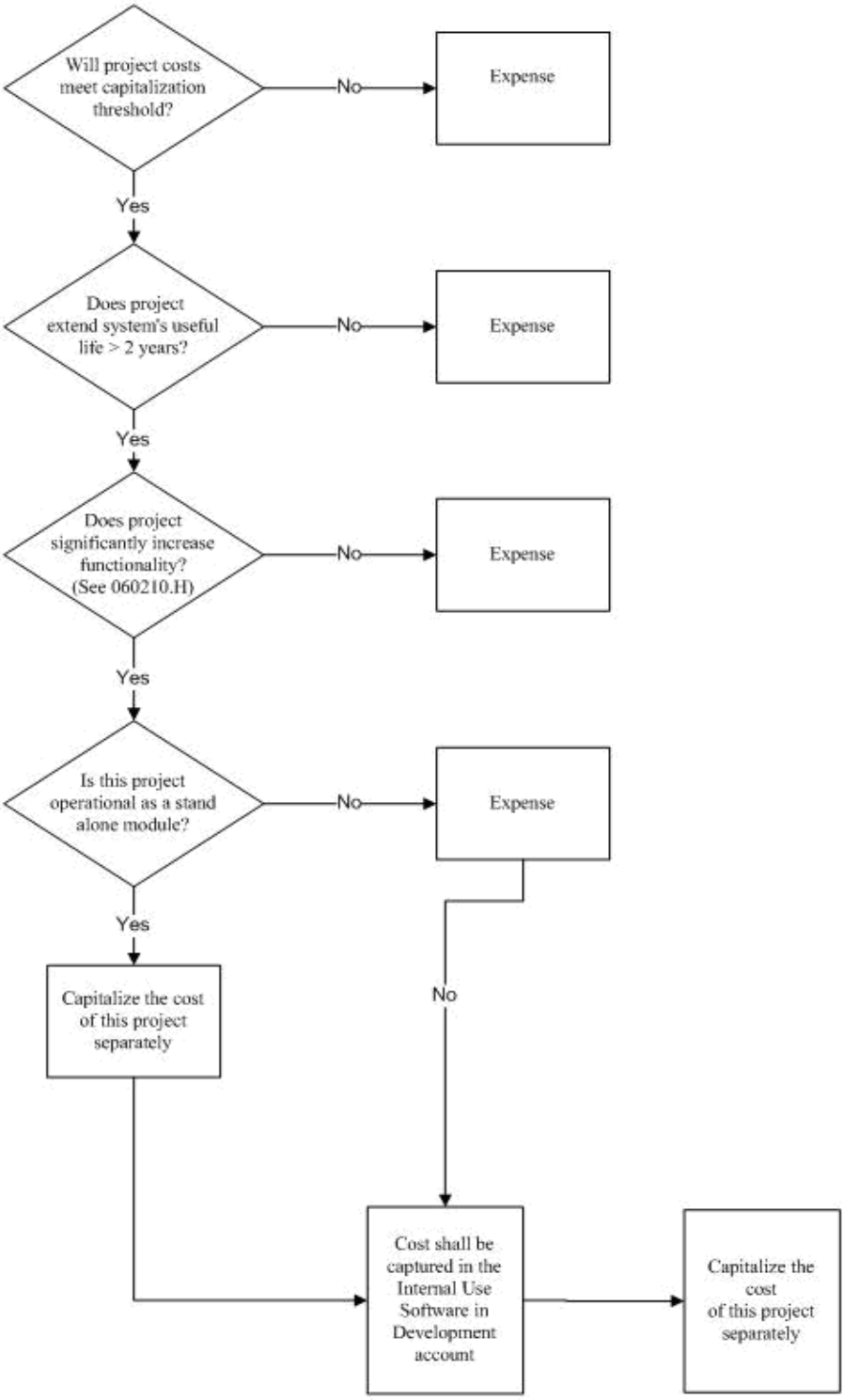
1. The cost, accumulated depreciation, and net book value.

2. The estimated useful life.

3. The method of depreciation (straight-line).

* L. Accounting Entries. Internal Use Software Account 1830 shall be used to record the cost of Internal Use Software. Accounting entries for this account are specified in the ***USSGL SFIS Transaction Library***.

FIGURE 6-2 INTERNAL USE SOFTWARE CAPITALIZATION DECISION TREE



0603 ACCOUNTING FOR STEWARDSHIP PP&E

060301. General

A. Stewardship PP&E is property owned by DoD that meets the definition of one of the following two categories:

1. Heritage Assets. PP&E of historical, natural, cultural, educational or artistic significance (e.g., aesthetic); or with significant architectural characteristics. Heritage Assets are expected to be preserved. Heritage Assets consist of items whose physical properties resemble those of General PP&E and are traditionally capitalized in commercial-type financial statements. The nature of these items, however, differ from General PP&E in that their values may be indeterminable or may have little financial meaning (e.g., museum collections, monuments, assets acquired in the formation of the nation), or that allocating the cost of such assets (e.g., military weapons systems) to accounting periods that benefit from the ownership of such assets is not meaningful.

2. Stewardship Land. Land and land rights other than that acquired for or in connection with General PP&E, land acquired via the public domain, or land acquired at no cost.

B. The Statement of Federal Financial Accounting Standards 29 (SFFAS 29) reclassifies the reporting of all Heritage Assets and Stewardship Land from Required Supplemental Stewardship Information (RSSI) to basic information in the financial statements. The standard requires that entities reference a note on the balance sheet that discloses information about Heritage Assets and Stewardship Land, but does not require the reporting of acquisition cost. This standard is effective for reporting periods beginning after September 30, 2005.

C. The costs of acquiring Heritage Assets (except for Multi-Use Heritage Assets) and Stewardship Land are expensed in the period incurred.

060302. Heritage Assets

A. Heritage Assets are PP&E that are unique for one or more of the following reasons:

1. historical or natural significance;

2. cultural, educational, or artistic (e.g., aesthetic) importance; or

3. significant architectural characteristics.

B. Heritage Assets are generally expected to be preserved indefinitely.

C. The cost or value should not serve as a precursor when deciding if an item should be classified as a Heritage Asset. DoD Components should refer to published registers, and their own judgment, when making this assessment. Designation of a PP&E item as a heritage asset can be done at any time in its life-cycle, based on application of evaluation criteria. DoD Components should assess the importance of an item relative to the ideals of the nation, its citizens and institutions. Display equipment, defined as old or obsolete military equipment which is not considered to warrant museum-level heritage significance, but is on outside display at military installations, is not a Heritage Asset. Similarly, a park bench dedicated to the memory of a person or group is not considered a Heritage Asset. Historic significance may be identified if a property/asset meets at least one of the following criteria used by the National Register of Historic Places as determined by the relevant DoD Component with concurrence by the relevant State Historic Preservation Officer, or as determined by the Keeper of the National Register:

1. Association with historic events or activities (e.g., battles, development of military technology, prehistoric cultural patterns);

2. association with important persons (e.g., important military leaders, political leaders, inventors);

3. distinctive design or physical characteristics (e.g., work of a master architect, landscape architect, planner, or engineer; work representative of a particular approach to military design or a particular type or style of architecture or engineering; a formative example of standardized planned military housing); or

4. potential to provide important information about prehistory or history (e.g., an archeological site on a military installation).

D. Heritage Assets may in some cases serve two purposes: (a) a heritage function and (b) a government operations function. In cases where a Heritage Asset serves two purposes, the Heritage Asset shall be considered, and classified as, a Multi-Use Heritage Asset. An example of a Multi-Use Heritage Asset is the Pentagon, which has been listed on the National Register of Historic Places and also is used as an office building. The full cost of acquisition, betterment or reconstruction of assets classified as Multi-Use Heritage Assets shall be capitalized as General PP&E and depreciated. If a Heritage Asset is not predominantly used in general government operations, it shall be referred to, or classified as, a Heritage Asset and shall not be capitalized as General PP&E.

060303. Recognition and Measurement

A. Heritage Assets

1. The cost of acquiring, improving, reconstructing, or renovating Heritage Assets, other than Multi-Use Heritage Assets, shall be recognized as a cost on the Statement of Net Cost for the period in which the cost is incurred. The cost shall include all costs incurred to bring the asset to its current condition and location.

2. Except for assets classified as Multi-Use Heritage Assets, no amounts for Heritage Assets acquired through donation or devise (a will or clause of a will disposing of property) shall be recognized in the cost of Heritage Assets.

3. Transfers of Heritage Assets, except for Multi-Use Heritage Assets, from one component to another do not affect the net cost of operations or net position of either component. In some cases, assets included in General PP&E may be transferred to a component for use as Heritage Assets. In this instance, the transferring component should recognize a transfer-out of capitalized assets.

B. Multi-Use Heritage Assets

1. The costs of acquisition, improvement, or reconstruction of Multi-Use Heritage Assets shall be capitalized as General PP&E and depreciated if the costs equal or exceed DoD capitalization threshold. Such Multi-Use Heritage Assets shall be depreciated over their useful life or the period of time they are expected to be used in government operations, whichever is shorter.

2. Assets classified as Multi-Use Heritage Assets and acquired through donation or devise shall be recognized as General PP&E at the fair value of the assets at the time received and the amount shall also be recognized as non-exchange revenues on the Statement of Financing.

3. Transfers of Multi-Use Heritage Assets from one Federal entity to another are transfers of capitalized assets. The receiving entity shall recognize a transfer-in as an additional financing source and the transferring entity shall recognize a transfer-out. The value recorded should be the transferring entity's book value of the Multi-Use Heritage Asset. If the receiving entity is not provided the book value, the Multi-Use Heritage Asset shall be recorded at its estimated fair value.

060304. Disclosures

DoD Components with Heritage Assets should reference a note on the balance sheet that discloses information about Heritage Assets. See Volume 6B for the specific reporting requirements.

060305. Stewardship Land

The following are definitions of Stewardship Land:

A. Land and land rights owned by the Federal Government but not acquired for, or in connection with, items of General PP&E is Stewardship Land.

B. "Acquired for or in connection with" is defined as including land acquired with the intent to construct General PP&E and land acquired in combination with General PP&E.

C. Land is defined as the solid part of the surface of the earth. Excluded from the definition are natural resources (e.g., depletable resources, such as mineral deposits and petroleum, renewable resources such as timber and the outer continental shelf resources) related to land.

D. Land and land rights owned by DoD, or DoD Component, and acquired for or in connection with items of General PP&E shall be accounted for and reported as General PP&E.

E. Land rights are interests and privileges held by DoD, or DoD Component, in land owned by others, such as leaseholds, easements, water and water power rights, diversion rights, submersion rights, rights-of-way, mineral rights, and other like interests in land.

F. Land and land rights owned by DoD, or DoD Component, but not acquired for or in connection with items of General PP&E shall be reported as Stewardship Land. Land that is standing idle and not used to fulfill mission responsibilities is Stewardship Land. Such land generally should be viewed as an independent, stand-alone asset and not an integral part of operations.

G. Without exception, all land provided to the Department from the public domain, or at no cost, shall be classified as Stewardship Land, regardless of its use. Therefore, public domain or no-cost land used in a General PP&E context shall be reported as Stewardship Land and not reported as General PP&E.

060306. Recognition and Measurement

Land classified as Stewardship Land shall be reported as basic information within the financial statements of the DoD Component responsible for such land. The cost of the acquisition of Stewardship Land shall be recognized on the Statement of Net Cost for the period in which the cost is incurred. The cost should include all costs to prepare Stewardship Land for its intended use (e.g., razing a building). In some cases, land may be acquired along with existing structures. The following treatments shall apply:

A. If the structure would be deemed a heritage asset and is significant in and of itself, the DoD Component shall use its judgment as to whether the acquisition cost shall be treated as the cost of Stewardship Land, Heritage Asset or both.

B. If the structure is to be used in operations (e.g., as General PP&E), but

1. the value of the structure is insignificant, or

2. its acquisition is merely a byproduct of the acquisition of the land, the cost in its entirety shall be treated as an acquisition of Stewardship Land.

C. Significant structures that have an operating use (e.g., a constructed hotel or employee housing block) should be treated as General PP&E by identifying the cost attributable to General PP&E and segregating it from the cost of Stewardship Land acquired.

D. Amounts for Stewardship Land acquired through donation or devise shall not be recognized in the cost of Stewardship Land.

E. Transfers of Stewardship Land from one component to another, does not affect the net cost of operations or net position of either entity. In some cases, land included in General PP&E may be transferred to a component for use as Stewardship Land. In this instance, the transferring component shall recognize a transfer-out of capitalized assets.

060307. Disclosures

DoD Components with Stewardship Land shall reference a note on the balance sheet that discloses information about Stewardship Land. See Volume 6B for the specific reporting requirements.

ANNEX 1 PREPONDERANCE OF USE POLICY

This section illustrates the preponderance of use policy as discussed in section 060105. B.

Case I: General Fund Military Services Criteria:

- Army is a tenant on an Air Force Installation.
- Army is the preponderant user of the facility.

Original Asset	
Original Facility Acquisition Cost	$200,000.00
Financial Reporting Entity for Acquisition Cost	***Air Force***
Capital Improvement	
Capital Improvement Cost	$100,000.00
Capital Improvement Organization	Army
Capital Improvement Fund	General Fund
Financial Reporting Entity for Capital Improvement	***Air Force***

Case II: General Fund Military Services Criteria:

- Army is a tenant on an Air Force Installation.
- Army is not the preponderant user of the facility
- Air Force is the preponderant user of the facility.

Original Asset	
Original Facility Acquisition Cost	$200,000.00
Financial Reporting Entity for Acquisition Cost	***Air Force***
Capital Improvement	
Capital Improvement Cost	$100,000.00
Capital Improvement Organization	Army
Capital Improvement Fund	General Fund
Financial Reporting Entity for Capital Improvement	***Air Force***

Case III: General Fund Defense Agency Criteria:

- GF Defense Agency is a tenant on an Air Force Installation.
- GF Defense Agency is the preponderant user of the facility.

Original Asset	
Original Facility Acquisition Cost	$200,000.00
Financial Reporting Entity for Acquisition Cost	***Reporting Defense Agency***
Capital Improvement	
Capital Improvement Cost	$100,000.00
Capital Improvement Organization	Defense Agency
Capital Improvement Fund	General Fund
Financial Reporting Entity for Capital Improvement	***Reporting Defense Agency***

Case IV: General Fund Defense Agency Criteria:

- GF Defense Agency is a tenant on an Air Force Installation.
- GF Defense Agency is not the preponderant user of the facility.
- Air Force is the preponderant user of the facility.

Original Asset	
Original Facility Acquisition Cost	$200,000.00
Financial Reporting Entity for Acquisition Cost	***Air Force***
Capital Improvement	
Capital Improvement Cost	$100,000.00
Capital Improvement Organization	Defense Agency
Capital Improvement Fund	General Fund
Financial Reporting Entity for Capital Improvement	***Air Force***

Case V: Working Capital Fund Activity Criteria:

- DLA is a tenant on an Air Force Installation.
- DLA is the preponderant user of the facility.

Original Asset	
Original Facility Acquisition Cost	$200,000.00
Financial Reporting Entity for Acquisition Cost	*DLA*
Capital Improvement	
Capital Improvement Cost	$100,000.00
Capital Improvement Organization	DLA
Capital Improvement Fund	Working Capital Fund
Financial Reporting Entity for Capital Improvement	*DLA*

Case VI: Working Capital Fund Activity Criteria:

- DLA is a tenant on an Air Force Installation.
- DLA is not the preponderant user of the facility.
- Air Force is the preponderant user of the facility.

Original Asset	
Original Facility Acquisition Cost	$200,000.00
Financial Reporting Entity for Acquisition Cost	*Air Force*
Capital Improvement	
Capital Improvement Cost	$100,000.00
Capital Improvement Organization	DLA
Capital Improvement Fund	Working Capital Fund
Financial Reporting Entity for Capital Improvement	*DLA*

Case VII: Working Capital Fund Activity Criteria:

- DLA is a tenant on an Air Force Installation.
- DLA is the preponderant user of the facility.
- The capital improvement to the facility is funded as follows:
  - DLA 50 percent - WCF
  - DeCA 30 percent - WCF
  - Air Force 20 percent- GF

Original Asset	
Original Facility Acquisition Cost	$200,000.00
Financial Reporting Entity for Acquisition Cost	*DLA*
Capital Improvement	
Capital Improvement Cost	$100,000.00
Capital Improvement Organization	DLA, DeCA, AF
Capital Improvement Fund	WCF, GF
Financial Reporting Entity for Capital Improvement - *DLA* *Air Force 20% share is reported by the preponderant user* - *DeCA*	*Amount per Entity* *$50,000 + $20,000* *$30,000*

Case VIII: Working Capital Fund Activity Criteria:

- DLA is a tenant on an Air Force Installation.
- DLA is NOT the preponderant user of the facility.
- Air Force is the preponderant user of the facility.
- The capital improvement to the facility is funded as follows:
  - DLA 50 percent - WCF
  - DeCA 30 percent - WCF
  - Air Force 20 percent - GF

Original Asset	
Original Facility Acquisition Cost	$200,000.00
Financial Reporting Entity for Acquisition Cost	*Air Force*
Capital Improvement	
Capital Improvement Cost	$100,000.00
Capital Improvement Organization	DLA, DeCA, AF
Capital Improvement Fund	WCF, GF
Financial Reporting Entity for Capital Improvement - DLA - DeCA - Air Force	*Amount per Entity* *$50,000* *$30,000* *$20,000*

ANNEX 2 CONSTRUCTION-IN-PROGRESS COST MATRIX

Cost Type	Description
Cost of contract work	Amounts paid for work performed under contract, as well as any incentive fees paid to contractors to reward performance goals.
Direct cost of labor	The direct cost of labor and all associated fringe benefits in connection with the construction project. Includes both military and civilian labor costs.
Direct cost of materials and supplies	The purchase price, the cost of inspection, and loading assumed by the carrier.
Cost of Supervision, Inspection, and Overhead (SIOH)	Support associated with the administration of contracts for facility projects. May include contract award, payments, inspections, material testing, and other actions taken during contract execution.
Cost of transportation	Amounts paid for transportation of workers, materials, and supplies in connection with the construction project.
Cost of handling and storage	Amount paid for packaging and storing the materials and supplies and equipment used in the construction project.
Cost of injuries and damages	Costs incurred as a result of injuries to people or property incurred directly as a result of the construction project.
Cost of legal and recording fees	Legal fees incurred to bring the asset to its intended use (e.g., title or recording fees).
Cost of architecture and engineering studies	Amounts paid for engineering, architectural, and other outside services for designs, plans, specifications, and surveys. May include design reviews, environmental impact studies, and soil testing for the new construction projects.
Cost of facility and site preparation	Amounts paid to prepare the site for new construction, such as soil removal and restoration. Includes amount paid to prepare the asset for its intended use, such as installation of utilities in a facility.
Cost of installed equipment	Fixed equipment and related installation costs required for activities in a facility.
Cost of government furnished equipment or material (GFE, GFM)	An appropriate share of the cost of the government furnished equipment and material and facilities used in construction work.
Cost of donated assets	The fair market value of facilities and equipment donated to the government, as authorized by a special legislation, in connection with the construction project.

ANNEX 3 CAPITAL IMPROVEMENT DEPRECIATION

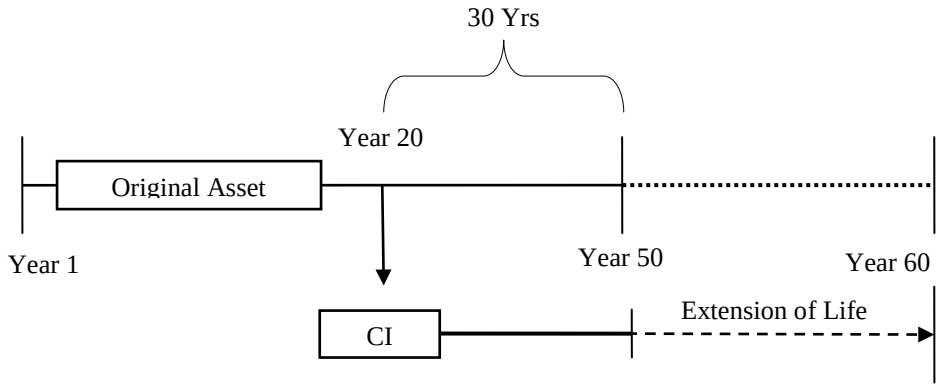
The following Cases I through VIII illustrate depreciation methodology for capital improvements more closely in compliance with the FASAB requirements.

Case I: The Capital Improvement Extends the Useful Life of Existing PP&E

Original Facility Acquisition Cost	$200,000
Original Estimated Useful Life (Yrs.)	50
Annual Depreciation Expense (*Using the Straight Line Depreciation Method*)	$4,000
Remaining Useful Life After 20 Years (Yrs.)	30
Accumulated Depreciation for 20 Years: 20*$4,000	$80,000
Net Book Value: $200,000 - $80,000	*$120,000*
Capital Improvement – Year 20	
Capital Improvement Cost	$200,000
Useful Life of the Capital Improvement (Yrs.)	40
Impact on total useful life by the Capital Improvement	+10
Depreciation Expense Baseline Starting In Year 20	
Cost Baseline for Depreciation: *Net Book Value + Capital Improvement Cost*	$320,000
Revised Remaining Estimated Useful Life (Yrs.): *30 + 10*	40
Revised Annual Depreciation Expense	$8,000

Examples – Extends the Useful Life:

Major replacements or reconstruction to restore facilities damaged by a natural disaster (i.e., reconstruction of a new building on an existing foundation).

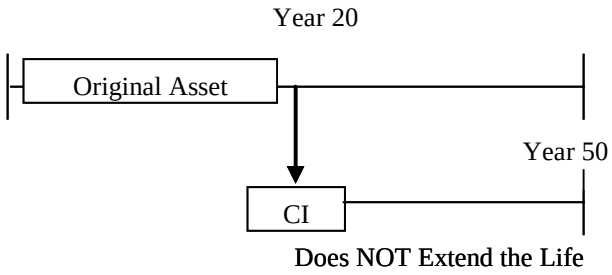


Case II: The Capital Improvement Increases the General PP&E Asset's Capacity, Size, Efficiency, or Modifies the Functionality/Use

The improvement has the same expected useful life as *the remaining useful life of the* PP&E asset to which it relates. The improvement does not extend the life of the associated PP&E asset.

Original Facility Acquisition Cost	$200,000
Original Estimated Useful Life (Yrs.)	50
Annual Depreciation Expense	$4,000
(Using the Straight Line Depreciation Method)	
Remaining Useful Life After 20 Years (Yrs.)	30
Accumulated Depreciation for 20 Years: 20*$4,000	$80,000
Net Book Value: $200,000 - $80,000	*$120,000*
Capital Improvement – Year 20	
Capital Improvement Cost	$100,000
Useful Life of the Capital Improvement (Yrs.)	30
Impact on total useful life by the Capital Improvement	0
Depreciation Expense Baseline Starting In Year 20	
Cost Baseline for Depreciation: *Net Book Value + Capital Improvement Cost*	$220,000
Remaining Estimated Useful Life (Yrs.): *Unchanged*	30
Revised Annual Depreciation Expense	$7,300

Examples
Increase Capacity
Raising the roof of the warehouse to increase cubic feet.



Increase Size
Build an addition, expansion or extension to the building, i.e., increase footprint.

Increase Efficiency
Install building insulation.

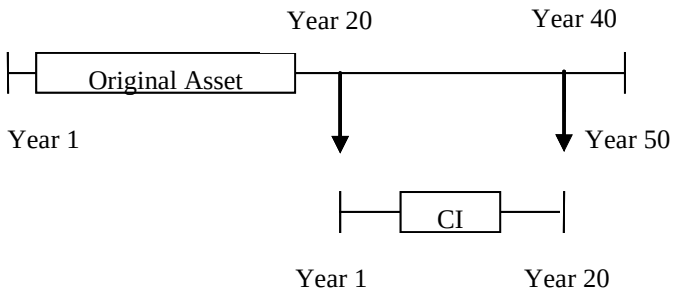
Modify Functionality
Convert an office to a warehouse.
Upgrade architectural elements of a facility that has not or is not failing, e.g., upgrade a flat roof to a pitched roof.

Case III: The Capital Improvement Increases the General PP&E Asset's Capacity, Size and Efficiency or Modifies the Functionality/Use

The improvement has an expected useful life that differs from the expected useful life of the PP&E asset to which it relates. The improvement does not extend the life of the associated PP&E asset.

Original Facility Acquisition Cost	$200,000
Original Estimated Useful Life (Yrs.)	50
Annual Depreciation Expense	$4,000
Remaining Useful Life After 20 Years (Yrs.)	30
Accumulated Depreciation for 20 Years: 20*$4,000	$80,000
Net Book Value: $200,000 - $80,000	*$120,000*
Capital Improvement – Year 20	
Capital Improvement Cost	$100,000
Extension of the Original Useful Life of the Associated Asset (Yrs.)	0
Capital Improvement Estimated Useful Life (Yrs.)	20
Depreciation Expense Baseline Starting In Year 20	
Record I:	
Cost Baseline for Depreciation: *Net Book Value* of Facility	$120,000
Remaining Estimated Useful Life of Facility (Yrs.)	30
Revised Annual Depreciation Expense	$4,000
Record II:	
Cost Baseline for Depreciation: *Capital Improvement Cost*	$100,000
Estimated Useful Life of Capital Improvement (Yrs.)	20
Revised Annual Depreciation Expense	$5,000

Examples
Increase Efficiency
Install HVAC system where none existed.
Modify Functionality
Install elevator where none existed.

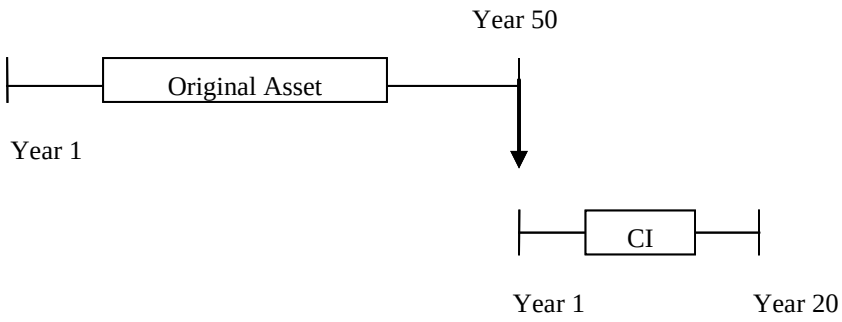


Case IV: The Original Asset Is Fully Depreciated

The capital improvement increases the original asset's size, capacity, and efficiency or modifies the functionality. The improvement does not extend the life of the associated PP&E asset.

Original Facility Acquisition Cost	$200,000
Original Estimated Useful Life (Yrs.)	50
Annual Depreciation Expense	$4,000
Remaining Useful Life After 50 Years (Yrs.)	0
Accumulated Depreciation for 50 Years: 50*$4,000	$200,000
Net Book Value: $200,000 - $200,000	*$0*
Capital Improvement – Year 50	
Capital Improvement Cost	$100,000
Extension of the Useful Life of the Associated Asset	0
Capital Improvement Estimated Useful Life (Yrs.)	20
Depreciation Expense Baseline Starting In Year 50	
Record I:	
Cost Baseline for Depreciation: *Net Book Value* of Facility	$0
Remaining Estimated Useful Life of Facility (Yrs.)	0
Revised Annual Depreciation Expense	$0
Record II:	
Cost Baseline for Depreciation*: Capital Improvement Cost*	$100,000
Remaining Estimated Useful Life (Yrs.)	20
Revised Annual Depreciation Expense	$5000

Examples
Increase Size
Extend utility system (e.g., power lines) to the previously un-served areas.
Modify Functionality
Construct office space within a warehouse

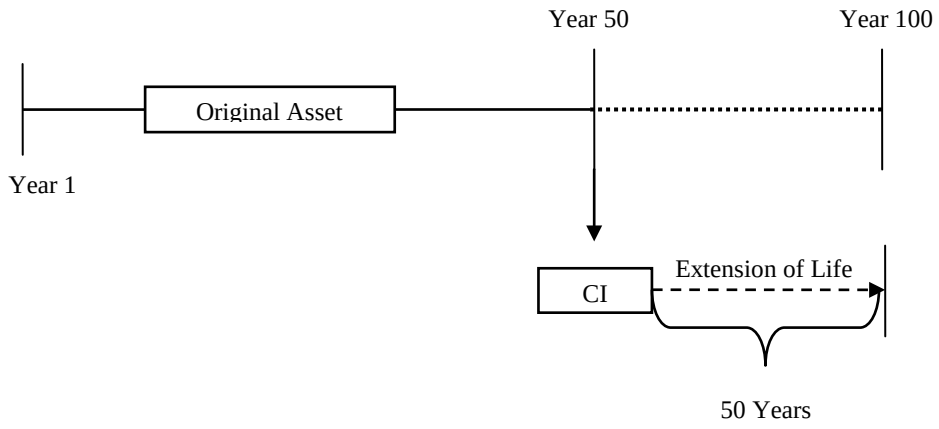


Case V: The Original Asset Is Fully Depreciated

The improvement (major renovation) extends the life of the associated PP&E asset.

Original Facility Acquisition Cost	$200,000
Original Estimated Useful Life (Yrs.)	50
Annual Depreciation Expense	$4,000
Remaining Useful Life After 50 Years (Yrs.)	0
Accumulated Depreciation for 50 Years: 50*$4,000	$200,000
Net Book Value: $200,000 - $200,000	*$0*
Capital Improvement – Year 50	
Capital Improvement Cost	$1,000,000
Extension of the Useful Life of the Associated Asset (Yrs.)	50
Depreciation Expense Baseline Starting In Year 50	
Cost Baseline for Depreciation: *Net Book Value + Capital Improvement Cost*	$1,000,000
Revised Remaining Estimated Useful Life (Yrs.): *0 + 50*	50
Revised Annual Depreciation Expense	$20,000

Examples
Extends the Useful Life
Pentagon renovation project.

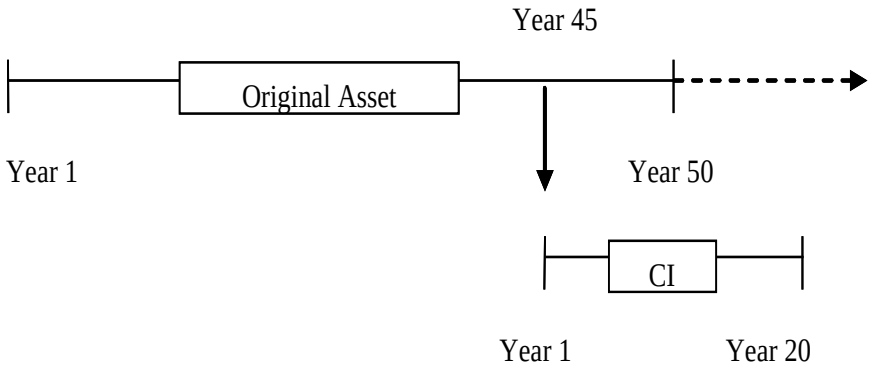


Case VI: The Capital Improvement Increases the General PP&E Asset's Capacity, Size and Efficiency or Modifies the Functionality/Use

The improvement has an expected useful life that differs from the expected useful life of the PP&E asset to which it relates. The improvement does not extend the life of the associated PP&E asset. However, it is assumed that the original asset will continue to be used past its estimated economic life of 50 years.

Original Facility Acquisition Cost	$200,000
Original Estimated Useful Life (Yrs.)	50
Annual Depreciation Expense	$4,000
Remaining Useful Life After 45 Years (Yrs.)	5
Accumulated Depreciation for 45 Years: 45*$4,000	$180,000
Net Book Value: $200,000 - $180,000	*20,000*
Capital Improvement – Year 45	
Capital Improvement Cost	$100,000
Extension of the Original Useful Life of the Associated Asset (Yrs.)	0
Capital Improvement Estimated Useful Life (Yrs.)	20
Depreciation Expense Baseline Starting In Year 45	
Record I:	
Cost Baseline for Depreciation: Net Book Value of Facility	$20,000
Remaining Estimated Useful Life of Facility (Yrs.)	5
Revised Annual Depreciation Expense	$4,000
Record II:	
Cost Baseline for Depreciation: Capital Improvement Cost	$100,000
Estimated Useful Life of Capital Improvements (Yrs.)	20
Revised Annual Depreciation Expense	$2,500

Examples
Increase Efficiency
Install HVAC system where none existed.
Modify Functionality
Install elevator where none existed.



Case VII: The Capital Improvement Increases the General PP&E Asset's Capacity, Size, and Efficiency or Modifies the Functionality/Use

The capital improvement is funded by the WCF activity that is not the preponderant user of the facility improved. The associated asset will be reported by the preponderant user of that facility when the capital improvement is reported and depreciated by the WCF activity funding that improvement.

Original Facility Acquisition Cost	$200,000
Original Estimated Useful Life (Yrs.)	50
Annual Depreciation Expense	$4,000
Remaining Useful Life After 20 Years (Yrs.)	30
Accumulated Depreciation for 20 Years: 20*$4,000	$80,000
Net Book Value: $200,000 - $80,000	*$120,000*
Capital Improvement – Year 20	
Capital Improvement Cost	$100,000
Capital Improvement Estimated Useful Life (Yrs.)	20
Depreciation Expense Baseline Starting In Year 20	
Record I:	
Reported by the Preponderant User	
Cost Baseline for Depreciation: Net Book Value of Facility	$120,000
Remaining Estimated Useful Life of Facility (Yrs.)	30
Revised Annual Depreciation Expense	$4,000
Record II:	
Reported by the WCF Activity (*Not a Preponderant User*)	
Cost Baseline for Depreciation: Capital Improvement Cost	$100,000
Estimated Useful Life of Capital Improvements (Yrs.)	20
Revised Annual Depreciation Expense	$2,500

Examples:
Increase Capacity
Raising the roof of the warehouse to increase cubic feet.

Increase Size
Build an addition, expansion or extension to the building, i.e., increase footprint.

Increase Efficiency
Install building insulation.
Install HVAC system where none existed.

Modify Functionality
Convert an office to a warehouse.
Construct office space within a warehouse.
Upgrade architectural elements of a facility that has not or is not failing, e.g., upgrade a flat roof to a pitched roof.
Install

ANNEX 4: REAL PROPERTY FINANCIAL REPORTING COMMON BUSINESS SCENARIOS

This annex depicts common business scenarios and illustrates the implementation of this policy for reporting real property and associated costs, including the imputed costs to be reported on the receiving entities financial statements.

Scenario One

1. The accountable entity funded acquisition of the asset.
2. The accountable entity funds the sustainment, operation, and capital improvements to the asset.
3. The asset is solely used/occupied by receiving entity(ies).
4. The receiving entity(ies) does not reimburse the accountable entity for use of the asset.

Financial Reporting Component	Acquisition Cost (Capitalized) & Depreciation Expense	Sustainment Cost (Expensed)	Operation Cost (Expensed)	Capital Improvement Cost (Capitalized) & Depreciation Expense
Accountable Entity	1) Asset Acquisition Cost 2) Acquisition Depreciation Expense	Actual Sustainment Expenditure	Actual Operation Expenditure	1) Actual Capital Improvements 2) Actual Capital Improvement Depreciation Expense
Receiving Entity(ies) *(Proportionate to each entity's occupancy rate)*	Imputed Cost for the Depreciation Expense associated with the Asset Acquisition Cost	Imputed Cost for Sustainment	Imputed Cost for Operation	Imputed Cost for Capital Improvements and associated Depreciation Expense

Scenario Two

1. The accountable entity funded acquisition of the asset.
2. The receiving entity(ies) funds operation and sustainment (either through direct payment or reimbursement).
3. The receiving entity(ies) funds capital improvements.
4. The asset is solely occupied/used by the receiving entity(ies).

Financial Reporting Component	Acquisition Cost (Capitalized) & Depreciation Expense	Sustainment Cost (Expensed)	Operation Cost (Expensed)	Capital Improvement Cost (Capitalized) & Depreciation Expense
Accountable Entity	1) Asset Acquisition Cost 2) Acquisition Depreciation Expense			
Receiving Entity(ies) *(Proportionate to each entity's occupancy rate)*	Imputed Cost for the Depreciation Expense associated with the Asset Acquisition Cost	Actual Sustainment Expenditure	Actual Operation Expenditure	1) Actual Capital Improvements 2) Actual Capital Improvement Depreciation Expense

Scenario Three

1. An entity other than the accountable entity funded acquisition of the asset.
2. The original acquisition funding entity funds operation and sustainment (either through direct payment or reimbursement).
3. The original acquisition funding entity funds capital improvements.
4. Asset is solely occupied/used by the original acquisition funding entity.

Financial Reporting Component	Acquisition Cost (Capitalized) & Depreciation Expense	Sustainment Cost (Expensed)	Operation Cost (Expensed)	Capital Improvement Cost (Capitalized) & Depreciation Expense
Accountable Entity				
Original Acquisition Funding Entity	1) Actual Asset Acquisition Cost 2) Actual Asset Acquisition Depreciation Expense	Actual Sustainment Expenditure	Actual Operation Expenditure	1) Actual Capital Improvements 2) Actual Capital Improvement Depreciation Expense

Scenario Four

1. An entity other than the accountable entity funded acquisition of the asset.
2. The original acquisition funding entity funds operation and sustainment (either through direct payment or reimbursement).
3. The original acquisition funding entity funds capital improvements.
4. The asset is occupied/used by the original acquisition funding entity and a receiving entity.

Financial Reporting Component	Acquisition Cost (Capitalized) & Depreciation Expense	Sustainment Cost (Expensed)	Operation Cost (Expensed)	Capital Improvement Cost (Capitalized) & Depreciation Expense
Accountable Entity				
Original Acquisition Funding Entity	1) Actual Asset Acquisition Cost 2) Actual Asset Acquisition Depreciation Expense	Actual Sustainment Expenditure	Actual Operation Expenditure	1) Actual Capital Improvements 2) Actual Capital Improvement Depreciation Expense
Receiving Entity *(Proportionate to entity's occupancy rate)*	Imputed Cost for Acquisition Depreciation Expense	Imputed Cost for Sustainment Expenditure	Imputed Cost for Operation Expenditure	Imputed Cost for Depreciation Expense associated with Capital Improvements

Scenario Five

1. The accountable entity funded acquisition of the asset.
2. The asset is solely occupied/used by two receiving entities (A & B).
3. Entity A funds operation and sustainment (either through direct payment or reimbursement) without any reimbursement from Entity B.
4. The accountable entity funds capital improvements without reimbursement from either receiving entity.

Financial Reporting Component	Acquisition Cost (Capitalized) & Depreciation Expense	Sustainment Cost (Expensed)	Operation Cost (Expensed)	Capital Improvement Cost (Capitalized) & Depreciation Expense
Accountable Entity	1) Actual Asset Acquisition Cost 2) Actual Asset Acquisition Depreciation Expense			1) Actual Capital Improvements 2) Actual Capital Improvement Depreciation Expense
Receiving Entity A *(Proportionate to each entity's occupancy rate)*	Imputed Cost for the Depreciation Expense associated with the Asset Acquisition Cost	Actual Sustainment Expenditure	Actual Operation Expenditure	Imputed Cost for Depreciation Expense associated with Capital Improvements
Receiving Entity B *(Proportionate to each entity's occupancy rate)*	Imputed Cost for the Depreciation Expense associated with the Asset Acquisition Cost	Imputed Cost for Sustainment Expenditure	Imputed Cost for Operation Expenditure	Imputed Cost for Depreciation Expense associated with Capital Improvements

Scenario Six

1. The accountable entity funded acquisition of the asset.
2. The asset is solely occupied/used by two receiving entities (A & B).
3. The accountable entity funds operation and sustainment costs and is fully reimbursed by each receiving entity.
4. Both receiving entities fund capital improvements to the asset.

Financial Reporting Component	Acquisition Cost (Capitalized) & Depreciation Expense	Sustainment Cost (Expensed)	Operation Cost (Expensed)	Capital Improvement Cost (Capitalized) & Depreciation Expense
Accountable Entity	1) Actual Asset Acquisition Cost 2) Actual Acquisition Depreciation Expense	Actual Sustainment Expenditure	Actual Operation Expenditure	
Receiving Entity A *(Proportionate to each entity's occupancy rate)*	Imputed Cost for Acquisition Depreciation Expense	Actual Sustainment Expenditure as Reimbursed	Actual Operation Expenditure as Reimbursed	1) Actual Capital Improvements (for the portion of investment funded) 2) Actual Improvement Depreciation Expense
Receiving Entity B *(Proportionate to each entity's occupancy rate)*	Imputed Cost for Acquisition Depreciation Expense	Actual Sustainment Expenditure as Reimbursed	Actual Operation Expenditure as Reimbursed	1) Actual Capital Improvements (for the portion of investment funded) 2) Actual Improvement Depreciation Expense

Scenario Seven

1. A Defense Agency or Activity other than an accountable entity funded the original acquisition.
2. The acquisition funding entity is no longer managing or utilizing the asset.
3. The asset is now solely utilized by two other entities (receiving entities A & B). Entity A manages the asset and is responsible for funding all of the operation and sustainment costs without reimbursement from Entity B.
4. Both entities fund capital improvements to the asset.

Financial Reporting Component	Acquisition Cost (Capitalized) & Depreciation Expense	Sustainment Cost (Expensed)	Operation Cost (Expensed)	Capital Improvement Cost (Capitalized) & Depreciation Expense
Accountable Entity				
Original Acquisition Funding Entity				
Receiving Entity A	1) Actual Asset Acquisition Cost 2) Actual Acquisition Depreciation Expense	Actual Sustainment Expenditure	Actual Operation Expenditure	1) Actual Capital Improvements (for the portion of investment funded) 2) Actual Improvement Depreciation Expense
Receiving Entity B *(Proportionate to entity's occupancy rate)*	Imputed Cost for Acquisition Depreciation Expense	Imputed Cost for Sustainment Expenditure	Imputed Cost for Operation Expenditure	1) Actual Capital Improvements (for the portion of investment funded) 2) Actual Improvement Depreciation Expense

Scenario Eight

1. Two entities (acquisition funding entities) other than the accountable entity jointly fund acquisition of the asset.
2. The two acquisition funding entities jointly fund operation and sustainment.
3. The two acquisition funding entities jointly fund capital improvements.
4. The asset is solely occupied/used by the two acquisition funding entities (A&B).

Financial Reporting Component	Acquisition Cost & Depreciation Expense (Capitalized)	Sustainment Cost (Expensed)	Operation Cost (Expensed)	Capital Improvement Cost & Depreciation Expense (Capitalized)
Accountable Entity				
Acquisition Funding Entity (A) *(Proportionate to entity's share of funding.)*	1) Actual Asset Acquisition Cost 2) Actual Asset Acquisition Depreciation Expense	Actual Sustainment Expenditure	Actual Operation Expenditure	1) Actual Capital Improvements 2) Actual Capital Improvement Depreciation Expense
Acquisition Funding Entity (B) *(Proportionate to entity's share of funding.)*	1) Actual Asset Acquisition Cost 2) Actual Asset Acquisition Depreciation Expense	Actual Sustainment Expenditure	Actual Operation Expenditure	1) Actual Capital Improvements 2)Actual Capital Improvement Depreciation Expense

VOLUME 4, CHAPTER 7: "INVESTMENTS AND OTHER ASSETS"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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

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

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

The previous version dated March 2013 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
0701	Added General section in compliance with the Department of Defense Financial Management Regulation Standard Operating Procedures published in June, 2015.	Addition
070201	Clarified requirements for recording investment related transactions.	Revision
070202	Added clarity over the types of Treasury investments in which the Department is authorized to invest.	Addition
070203	Added definition of par value.	Addition
070204	Revised requirement to use separate accounts to record separate accounting events.	Revision
070207	Paragraph is no longer valid with the change in the reporting of contract financing payments as construction in process rather than advances and prepayments.	Deletion

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CHAPTER 7

INVESTMENTS AND OTHER ASSETS

*0701 GENERAL

070101. Purpose

This chapter prescribes the accounting requirements for recording transactions in those asset accounts not covered in Volume 4, Chapters 2 through 6. These requirements are consistent with and implement the general accounting policy for assets prescribed in Volume 4, Chapter 1. Other assets are those assets not used directly in performing the Department of Defense (DoD) mission. These assets consist of securities held in various trust funds, assets acquired through means other than appropriations, and assets awaiting disposal.

*070102. Authoritative Guidance

DoD is authorized to invest by specific laws, including the law establishing the Medicare-Eligible Retiree Health Care Fund (MERHCF) (Title 10 United States Code (U.S.C.) Sections ***1111-1117***) and the law establishing the Military Retirement Fund (MRF) (10 U.S.C. § ***1461-1467)***. DoD invests in limited partnerships under the law allowing for alternative acquisition authority for the Military Housing Privatization Initiative ***(10 U.S.C. § 2885)***.

0702 ACCOUNTING POLICY FOR INVESTMENTS AND OTHER ASSETS

*070201. Account References

Accounting events shall be recorded according to the requirements set forth in the Treasury Financial Manual and Office of Management and Budget Circulars using the accounting entries specified in the DoD Standard Chart of Accounts and ***Standard Financial Information Structure*** Transaction Library, unless otherwise stated. Financial record retention requirements are in Volume 1, Chapter 9.

*070202. Investments

Investments represent the value of securities and other assets held for the production of revenues in the form of interest, dividends, rentals or lease payments, net of premiums and discounts. DoD has been authorized to invest in non-marketable, market-based, Treasury securities by the laws establishing MERHCF and MRF.

*070203. Investments in U.S. Treasury Securities

* A. DoD Components holding such securities shall record the par value of U.S. Treasury securities for non-marketable market based Treasury securities. Par value is the amount

of principal a security pays at maturity. It is the amount printed on the face of a Treasury security. It is also referred to as the face value.

B. DoD Components holding such securities shall maintain an investment subsidiary ledger that provides the name, type, amount, acquisition date, acquisition cost, yield or interest rate, discount or premium, maturity date, and other applicable information for each investment.

C. DoD Components shall maintain a subsidiary account for each trust fund that invests in U.S. Treasury securities.

D. The disposition of a U.S. Treasury security may result in a gain or loss. A comparison of principal proceeds, the book value of a U.S. Treasury security, and any remaining unamortized premium or discount will determine whether there is a gain or loss.

E. Quarterly, the "Investments in U.S. Treasury Securities Issued by the Bureau of the Fiscal Service-Non-Marketable Market Based" account balance must be reconciled with the trust fund portfolios. Such reconciliations should occur whenever there is a change in trust fund managers or other employees having access to the securities, or when there is a substantial addition, disposition, or replacement in the composition of the portfolio.

F. Unless otherwise provided for by law, securities held by DoD trust funds are U.S. Treasury securities. The Treasury issues no certificates. Instead, Treasury notifies trust fund managers of portfolio increases or decreases using the "Transaction Confirmation."

G. Source documents for entries to the account include U.S. Treasury securities, the "Transaction Confirmation," collection and disbursement vouchers, amortization schedules, and journal vouchers.

*070204. Interest and Amortization

A. The accounts to be used to record accounting events related to U.S. Treasury securities include Discount on U.S. Treasury Securities Issued by the Bureau of the Fiscal Service–Non-Marketable Market Based (Account 161100.0400), Premium on U.S. Treasury Securities Issued by the Bureau of the Fiscal Service–Non-Marketable Market Based (Account 161200.0400), Amortization of Discount on U.S. Treasury Securities Issued by the Bureau of the Fiscal Service–Non-Marketable Market Based-Discount (Account 161300.0500) and Amortization of Premium on U.S. Treasury Securities Issued by the Bureau of the Fiscal Service–Non-Marketable Market Based-Premium (Account 161300.0600).

* B. Use Accounts 161100.0400 and 161200.0400 to record the unamortized discount or premium on U.S. Treasury securities issued by the Bureau of the Fiscal Service. Use Accounts 161300.0500 and 161300.0600 to record the amortization of discount or premium on U.S. Treasury securities issued by the Bureau of the Fiscal Service. Use separate accounts to record the accounting events related to U.S. Treasury securities. For example, discounts on U.S.

Treasury securities should be recorded separately from premiums on U.S. Treasury securities. The amortization of the related securities shall be accounted for in distinct accounts.

C. A subsidiary account for unamortized premiums or discounts shall be maintained for each trust fund for determining the gain or loss on the disposition of securities held by each trust fund. This information also is needed for reporting on the financial status of each trust fund.

D. The income derived from U.S. Treasury securities other than Treasury bills shall be the interest stated on the face of the securities adjusted for the amortized premium or discount. For Treasury bills, the difference between the purchase price and the price received at the time of sale or maturity is income.

* E. Amortize premiums and discounts over the life of the securities using the interest method. Under the interest method of amortization, this is the amount equal to the carrying amount of the Treasury security at the start of the accounting period (cost plus or minus amortized discount or premium) of the investment times the effective interest rate. Thus calculated interest is the effective interest of the investment. The difference between the effective interest and the stated interest (par value times the stated interest rate) is the amount by which the discount or premium should be amortized for the accounting period. The effective interest rate (yield to maturity) may be calculated using a financial calculator or the RATE function in Excel.

F. Source documents for entries to this account include amortization schedules and journal vouchers.

070205. Other Investments

Use "Other Investments-MHPI-Limited Partnership" to record DoD investments in limited partnerships under the Military Housing Privatization Initiative, authorized by Public Law 104-106 and codified in 10 U.S.C. § 2885.

070206. Other Assets

Use "Other Assets" to record the value of assets not otherwise classifiable to a specific asset account. Establish applicable subsidiary accounts as necessary to meet management and reporting needs. Source documents for entries to this account include receiving reports and journal vouchers.

VOLUME 4, CHAPTER 8: "FINANCIAL CONTROL OF LIABILITIES"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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

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

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

The previous version dated September 2011 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
Multiple	Validated hyperlinks, adjusted fonts and format in accordance with the Department of Defense Financial Manual Regulation Standard Operating Procedures.	Revision
080302	Revised the definition of "Covered Liabilities" to align with the Office of Management and Budget Circular A-136, "Financial Reporting Requirements".	Revision
080316	Revised the definition of "Probable" to align with Statement of Federal Financial Accounting Standards 5, "Accounting for Liabilities of The Federal Government".	Revision
080318	Added reference to the Standard Financial Information Structure Transaction Library.	Addition

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CHAPTER 8

FINANCIAL CONTROL OF LIABILITIES

*0801 GENERAL

080101. Overview

A liability is an amount owed to a federal or nonfederal entity for items or services received and expenses incurred (including personnel related costs). Liabilities also result from assets to which title has been acquired (whether delivered or in transit), ongoing shipbuilding or percentage of completion based on construction (based on the entity's engineering and management evaluation of actual performance progress and incurred costs), and cash received but as yet unearned. Included are amounts owed under grants, military and civilian pensions and certain post-retirement benefits, awards, and other indebtedness. In addition to liabilities arising from exchange (reciprocal) transactions, there are liability recognition points for nonexchange transactions generated from both government-related and government-acknowledged events.

080102. Purpose

This chapter prescribes the general accounting policy and definitions to be followed in accounting for Department of Defense (DoD) liabilities covered in Volume 4, Chapters 9 through 13. This guidance does not apply to liabilities accounted for by Nonappropriated Fund activities, which is located in Volume 13, Chapter 4.

*080103. Authoritative Guidance

This chapter implements the general liability provisions of Statement of Federal Financial Accounting Standards ***(SFFAS)*** Number 1, "Accounting for Selected Assets and Liabilities" and SFFAS Number 5, "Accounting for Liabilities of the Federal Government."

0802 ACCOUNTING POLICY FOR LIABILITIES

080201. Recognition Criteria

Criteria for recognizing a liability, depicted in Figure 8-1, starts by identifying the event creating the liability as transaction based or nontransaction based.

A. Transaction Based Events. Both exchange and nonexchange are transaction based events because they require a transfer of something of value as a result of an entity event. Transaction based events are recognized in accordance with the following criteria:

1. A liability for an exchange transaction is recognized (recorded and reported) when the DoD receives goods and services in exchange for a promise to provide money or other resources in the future. Probable and measurable amounts that remain unpaid as of the financial statement report date should be recognized as liabilities.

2. A liability for a nonexchange transaction is recognized for any probable and measurable unpaid amounts due as of the financial statement report date.

3. The entity shall estimate the liability for the financial statement reporting date if the actual amount is unknown.

B. Nontransaction Based Events. Both government-related events and government-acknowledged events are nontransaction based events. Government nontransaction based events are recognized in accordance with the following criteria:

1. A liability for a government-related event is recognized at the time of occurrence, if the expected resource outflow is both probable and measurable, or soon thereafter as it becomes probable and measurable.

2. Before a government-acknowledged event is considered for recognition, Congress must appropriate or authorize the funds. Once Congress appropriates the funds, the liability must be taken care of by entering into an exchange or nonexchange transaction. The liability is then recognized by following the criteria in subparagraph 080201.A for exchange and nonexchange transactions.

C. Recognition of a liability is not dependent on the availability of funds, except for government-acknowledged events. However, the status of funding does dictate the category of the recognized liabilities used for disclosure and reconciliation purposes as outlined in paragraph 080202. Recognized liabilities are categorized as funded liabilities, covered liabilities, or liabilities not covered by budgetary resources (unfunded liabilities).

D. Accounting and reporting provisions need not be applied to immaterial liabilities. However, all assertions of immateriality shall be supportable and the materiality determination shall be fully documented. Both qualitative and quantitative factors need to be considered in determining materiality.

E. Contingent liabilities are recorded and reported as a liability or disclosed as a contingency in a footnote to the financial statements, depending on the probability of occurrence and the ability to estimate the expected outflow of resources. Contingent liabilities should be recorded in DoD financial systems and reported in financial statements when:

1. A past event or exchange transaction has occurred;

2. A future outflow or other relinquishment of resources is probable (the future confirming event or events is more likely than not to occur), and

3. The future outflow or other relinquishment of resources is measurable (with sufficient reliability to be reasonably estimable).

F. A contingent liability should be disclosed in the annual financial statements if any of the conditions for liability recognition are not met and there is at least a reasonable possibility that a loss or additional loss may be incurred. Disclosure is necessary if the financial statements would otherwise be misleading. The decision to disclose shall be based on materiality of the loss contingency and its possible impact on the financial statements and DoD operations.

080202. Reporting and Disclosures

A. Intragovernmental liabilities shall be reported separately from nonfederal entities. See Volume 6B, Chapter 4 for further discussion on reporting.

B. Disclosures shall be made for liabilities that are not covered by budgetary resources. See Volume 6B, Chapter 10 for further discussion on disclosures.

0803 DEFINITIONS

080301. Contingency

A contingency is a condition, situation, or set of circumstances involving uncertainty as to possible gain or loss. The uncertainty will be resolved in the future when one or more events occur or fail to occur.

*080302. Covered Liabilities

Liabilities Covered by Budgetary Resources are liabilities incurred which are covered by realized budgetary resources as of the Balance Sheet date.

080303. Current Liability

A current liability is an amount owed by an entity for which the financial statements are prepared, and for which the entity expects to outlay the resources within one year of the reporting date.

080304. Exchange (Reciprocal) Transactions

An exchange transaction is one in which each party relinquishes value and receives value in return.

080305. Funded Liabilities

Funded liabilities are comprised of all liabilities for which budget authority has been received and obligated.

080306. Government-Acknowledged Events

A government-acknowledged event is a nontransaction based event that is of financial consequence to the Federal Government because the Federal Government has chosen formally to accept the associated financial responsibility. An example would be the assumption of responsibility for damage caused by a natural disaster (such as tornado damages to a United States town and the Congress appropriates funds in response to the disaster).

080307. Governmental Liability

A governmental liability is an amount owed by a federal entity to a nonfederal entity. These liabilities are also called nonfederal or public liabilities.

080308. Government-Related Events

A government-related event is a nontransaction based event that involves interaction between the Federal Government and its environment. An example is an expense to be paid as the result of current government operations, such as the estimated cost of repairing accidental damages to private property.

080309. Intragovernmental Liability

An intragovernmental liability is an amount owed by a federal entity to another federal entity.

080310. Liabilities Not Covered By Budgetary Resources

Liabilities not covered by budgetary resources are those liabilities in which budget authority has not been received and congressional action is needed before budgetary resources can be provided. These liabilities are also called unfunded liabilities.

080311. Liability

A liability for federal accounting purposes is a probable and measurable future outflow or other sacrifice of resources as a result of past transactions or events.

080312. Materiality

Materiality is the magnitude of an item's omission or misstatement in a financial statement that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the inclusion or correction of the item.

080313. Measurable

A liability is measurable if it has a relevant attribute that can be quantified in monetary units with sufficient reliability to be reasonably estimable.

080314. Noncurrent Liability

A noncurrent liability is an amount owed by an entity for which the financial statements are prepared, and for which the entity expects to outlay the resources beyond one year of the reporting date.

080315. Nonexchange Transactions

A nonexchange transaction is one in which the DoD promises to provide money or other resources in the future without a promise of receiving direct value in return. An example would be grant payments to state and local governments to carry out a public purpose, when authorized by a law of the United States.

*080316. Probable

Probable refers to that which can reasonably be expected or is believed to be more likely than not to occur on the basis of available evidence or logic. In the context of assessing the outcome of matters of pending or threatened litigation and unasserted claims, and recognizing an associated liability, "probable" refers to that which is likely.

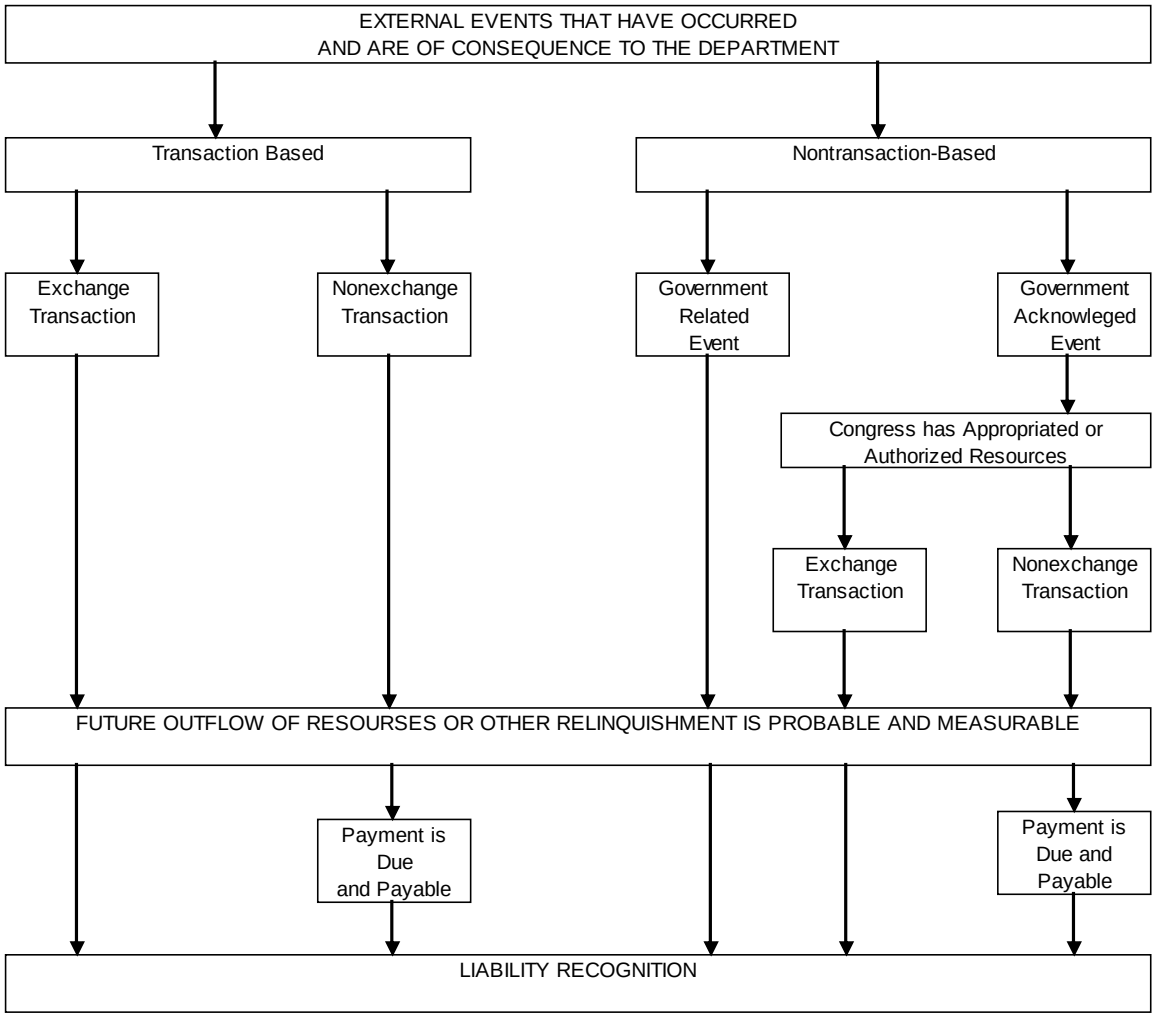
080317. Transaction and Event

A transaction is an event involving the transfer of something of value. An event is a happening that has financial consequences to an entity. An event may be an internal event that occurs within an entity, such as placing an item in service, or an external event that involves interaction between an entity and its environment, such as an act of nature, a theft, vandalism, an injury caused by negligence, or an accident.

*080318. Transaction Recording

The accounting events discussed must be recorded in accordance with the ***Standard Financial Information Structure*** Transaction Library and reported in accordance with the regulations promulgated by the Department of the Treasury and the Office of Management and Budget.

Figure 8-1. RECOGNITION OF LIABILITIES



VOLUME 4, CHAPTER 9: "ACCOUNTS PAYABLE"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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

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

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

The previous version dated August 2009 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
0901	Reformatted General section to comply with the Department of Defense Financial Management Regulation Standard Operating Procedure dated June 2015.	Revision
090201	Added receipt and acceptance requirements. Added definition of acceptance per Federal Acquisition Regulation (subparagraph A). Added language to clarify roles of the contracting officer/designee and treatment of Personally Identifiable Information (subparagraph A.3). Added paragraph to address treatment of goods shipped Free on Board destination (subparagraph B.2).	Addition
090201	Deleted reference to the need for acceptance of a good or service prior to recording the accounts payable as it is not a requirement of Statement of Federal Financial Accounting Standards 1, "Accounting for Selected Assets and Liabilities."	Deletion
090202	Added accrual estimation requirements. Added documentation requirements for estimated accrual reviews (subparagraph A.3).	Addition
090203	Added quarterly accrual requirements. Added language to address scenario when all relevant information cannot be obtained in time for preparation of quarterly financials (subparagraph A). Added requirements for accruals posted by automated systems (subparagraph B). Added requirements for accruals posted by automated systems (subparagraph C).	Addition

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
090205	Added discussion of material weakness related to intragovernmental transactions and remedial actions (subparagraph A). Added requirements for recording accruals for intragovernmental orders including the need for estimates when definitive amounts are not available (subparagraph B).	Addition
090206	Added receipt and acceptance requirements for intragovernmental purchases.	Addition
090207	Added requirements for accruals of significant late payment interest.	Addition
090208.B	Added information required on documentation supporting the accounts payable entry.	
090210	Clarified when liquidation of an accounts payable liability occurs with other than a three-way match scenario to include an exchange-in-kind business transaction.	Revision
090211	Clarified policy to require financial management personnel to work through the cognizant contracting officer to request invoices from contractors after contract performance has occurred and been accepted. Added documentation requirements for accounts payable amounts written-off, correction of abnormal accounts payable balances, and the documentation needed to support the revised posted accounts payable amount. Updated limitation period for untimely claims to comply with United States Court of Appeals ruling on Sikorsky Aircraft Corp. versus United States, 773 F.3d 1315 (Fed. Cir.2014).	Addition
Policy Memo	This revision incorporates and cancels the Deputy Chief Financial Officer memorandum, “Accounting Policy for Receipt and Acceptance for Intragovernmental and Interfund Transactions,” dated July 8, 2013.	Cancellation

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CHAPTER 9

ACCOUNTS PAYABLE

*0901 GENERAL

090101. Purpose

This chapter provides the financial management policy for recording accruals for both intragovernmental and non-federal accounts payable. The accounts payable policy in this chapter does not address liabilities related to on-going continuous expenses such as employees' salaries and benefits or contract holdbacks, both of which are reported as other current liabilities.

090102. Authoritative Guidance

The policy implements applicable provisions of Statement of Federal Financial Accounting Standards ***(SFFAS) 1***, "Accounting for Selected Assets and Liabilities" and ***SFFAS 5***, "Accounting for Liabilities of the Federal Government." The accounting events discussed in this chapter must be recorded in accordance with United States Standard General Ledger (***USSGL***), Department of Defense (DoD) USSGL Transaction Library available on the ***Standard Financial Information Structure*** web page and reported in accordance with the regulations promulgated by the Department of the Treasury (Treasury) and the Office of Management and Budget (OMB). Refer to Volume 1, Chapter 7, for DoD policy regarding the USSGL.

0902 ACCOUNTING POLICY

SFFAS 1 defines accounts payable as amounts owed to other entities for goods and services received (actual or constructive receipt), progress in contract performance, and rents due to other entities. SFFAS 5 states amounts payable for services are recognized when work is performed. The following paragraphs outline the policy for recognizing the accounts payable liability.

*090201. Accounts Payable Recognition, Receipt and Acceptance

A. Components must record an accounts payable liability in the appropriate accounting period for the receipt of goods or services ordered, regardless whether the receipt is from a Federal or non-federal source. Accounts payable arise when the entity accepts title to goods or services, whether the goods are delivered or in-transit. Accounts payable must be recorded when (as of acceptance date) the entity accepts title. Normally, but not always, title passes when the goods or services are received. However, when goods are accepted by a government official at a contractor's site or at a location other than the entity's place of business, the accounts payable must be recorded as of the acceptance date. The contract for the goods specifies when title transfers. The process for reporting accounts payable should provide for reporting the payable when the title transfers. For facilities or equipment being manufactured or constructed, an accounts payable should be recorded in the period the benefits are received by

the government. The recording of the accounts payable should not be delayed pending the formal acceptance of the good or service, or the receipt of a corresponding invoice for that good or service. Accounts payable policy for intragovernmental purchases is covered in paragraph 090205. Per Financial Acquisition Regulation ***(FAR) Section 46.501***, acceptance constitutes acknowledgment that the supplies or services conform with applicable contract quality and quantity requirements. Acceptance shall ordinarily be evidenced by execution of an acceptance certificate on an inspection or receiving report form or commercial shipping document/packing list. Documentation requirements are defined in paragraph 090211.

1. Amounts recorded as accounts payable must be supportable with appropriate documentation. Documentation typically includes at least two types of information: documentation that relates to an obligation, agreement or transaction with another entity (e.g., a contract, Military Interdepartmental Purchase Request [MIPR], project order, or reimbursable work order [RWO]), and documentation that relates to establishment of the amount recognized as payable (e.g., proof of receipt). It is imperative that Components completely and accurately record their accounts payable liabilities. Accurate recording includes identification or distinction between an operating expense or capital asset/ type of capital asset to the extent possible. Responsibility for obtaining and maintaining documentation evidencing amounts payable resides with the Component that is the buyer of goods or services, rather than the seller.

2. Components must use proper protocols for receipt and acceptance of goods and services. This requirement applies to amounts owed for goods and services provided both via commercial acquisition contracts with the public and via intragovernmental transactions with other Federal entities. Protocols for receipt and acceptance should be comport with applicable directives, such as Defense Logistics Manual 4000.25-1, Military Standard Requisitioning and Issue Procedures, ***Chapter 5***, "Release and Receipt of Materiel" and Defense Logistics Manual 4000.25-2, Military Standard Transaction Reporting and Accountability Procedures, ***Chapter 4***, "Receipt and Due-In."

3. Audit evidence of "receipt" must document the item(s) or service(s) and related applicable quantities received, the date the item(s) or the service(s) were received, and contain the authorizing official's name and authorizing signature or electronic equivalent. Consistent with FAR Section 42.202, acceptance under acquisition contracts should be accomplished by the contracting officer, or by their designee. Components must ensure the audit evidence includes the calculations used to determine the amount accrued, or the basis used to estimate the amount. The documentation may, for example, include monetary amounts shown on or calculated from a purchase order or contract, historical data, or documented using a contracting officer or technical representative provided value. If audit evidence includes Personally Identifiable Information or sensitive commercial or proprietary information (such as internal labor rates provided to support certain incurred cost vouchers), such information may be redacted or described in aggregate.

4. Audit evidence of "acceptance" typically establishes that the goods/services received satisfy the criteria in the order (e.g., requisition order, interagency agreement, or contract) and acknowledgement that the goods/services are of acceptable condition/quality.

5. Components must develop, implement, and validate internal controls are in place for all intragovernmental and interfund transactions, and for transactions with the public. Components must ensure receipt and acceptance is properly accomplished and documented by authorized personnel. Documentation must be made available within the timeframe prescribed by the auditor when requested during audits.

6. Amounts owed for goods or services received from Federal entities represent intragovernmental transactions and must be reported separately from amounts owed to the public.

B. The timing of the recording of an accounts payable liability for goods shipped Free on Board (FOB) is determined by the shipping terms.

1. Components must record an accounts payable liability if the goods procured are in-transit if shipped FOB origin or shipping point and/or the Component has gained title to an asset even though it does not yet have that asset in its physical possession. When the shipping contract states FOB origin or shipping point, the ownership of, or title to the cargo, passes on to the buyer when the goods are placed on the conveyance by which they will be transported. When amounts are not available at the end of an accounting quarter, Components must estimate the accounts payable as identified in paragraph 090202.

2. Components must record an accounts payable liability when the goods procured are received from the shipper, if shipped FOB destination. Under these shipping circumstances the Component does not gain title to the asset until the goods are removed from the shipper's conveyance at the designated delivery point.

C. If an entity is offered a discount by a vendor, whether stipulated in the contract or offered on an invoice, an entity may take the discount if economically justified but only after acceptance has occurred. If the vendor does not place a date on the invoice, reject the invoice. The invoice must have an invoice date, as per Title 5, Code of Federal Regulations ***(CFR) 1315-9***, to be a proper invoice. When an invoice is improper, return the invoice to the vendor within seven days of receipt of the invoice per 5 CFR 1315.4(g)(5). Refer to Volume 10, Chapter 2 for further discussion on discount offers and calculations.

*090202. Accounts Payable Recognition – Estimating the Accrual

A. When definitive amounts or invoices are not available, but the requirements for recording an accounts payable liability as stated in paragraph 090201 exist when financial statements are prepared at a minimum, Components must estimate and record an accrual when any of the following conditions exist:

1. Services are performed but the corresponding invoices are not received at period end (e.g. professional service contract).

2. Equipment and facilities are being manufactured or built based on the Government's specifications but the corresponding invoices are not received at period end (e.g. aircraft, building, etc.).

3. Goods received and accepted by the Government but the corresponding invoices are not received at period end (e.g. computers delivered and accepted by the Government but invoices are not yet received).

This estimate must be later reversed, and a more definitive amount recorded, when more complete data becomes available (e.g., upon receipt of an invoice or billing) in the normal course of business.

B. Components must have controls in place to ensure that a payable is not recorded again (i.e., duplicated) when an invoice is subsequently received involving the same procured goods or services in the normal course of operations.

C. The supporting documents (or mechanized program(s) used for the accrual estimates) must clearly show the calculations and data used to compute the amounts. This documentation must also identify who prepared the estimate, the date prepared, and who received and reviewed/approved the estimate. Components must ensure the documentation is of sufficient quality to allow an independent third party, such as an external auditor, to understand and verify the basis, value, and rationale for the recorded amount.

D. Methods for calculating the accrual estimate must be periodically validated for reasonableness by comparing the estimate to actual data once available. At a minimum, the estimating methodology must be reviewed at fiscal year-end. The estimating methodology will also need to be reviewed if there is a material change to the business process that causes material differences between the method's estimate and actual amounts or if the initial assumptions used in making the estimate materially change and the initial accrual estimate is materially affected. Performance of these reviews, as well as approval of the review must be documented by the Component/Agency. This documentation must be maintained for auditors to validate that the review was performed and that it was approved by management.

*090203. Accounts Payable Recognition – Quarterly Accruals

A. To assist in developing more accurate financial statements, at least quarterly, Components must ensure an accrual is recorded for all procurements in which DoD has received a measurable benefit from, or ownership title to, but has not been documented due to the lack of a receiving report or invoice. Components may need to make inquiries to cognizant contracting officers or the contracting officer's technical representatives to identify material dollar value of undelivered orders, not yet invoiced or captured in receiving reports to assist with establishing these quarterly accruals. In the event that the Component/Agency cannot obtain all necessary information from the contracting representatives within the 21 days allowed for the preparation of quarterly financial statements, the best available information should be used to estimate the accrual. Adjusting entries must be made in subsequent periods, as information becomes available from contracting representatives.

B. Components must also accrue temporary duty (TDY) travel taken, not yet disbursed or otherwise accounted for as a liability, as an accounts payable liability at least quarterly. Additionally, Components will need to record an accounts payable liability for TDY travel that crosses two or more accounting quarters on an estimated/proportional basis, if significant. The accrued liability must be recorded in the applicable accounting period and supported with appropriate documentation (or mechanized programs) that clearly shows the calculations and data used to compute the amount of the liability. This supporting documentation must also evidence who prepared and who received the estimate and the dates these activities were completed. If accruals are posted by mechanized programs, documentation of information such as who prepared the estimate, date prepared, who received the estimate, or who reviewed the estimate may not be available. In this case, all available information captured by the mechanized program should be captured in the accrual.

C. Components must also accrue Permanent Change of Station (PCS) travel taken, not yet disbursed or otherwise accounted for as a liability, as an accounts payable liability at least quarterly. Additionally, Components will need to record an accounts payable liability for PCS travel that crosses two or more accounting quarters on an estimated/proportional basis, if significant. The accrued liability must be recorded in the applicable accounting period and supported with appropriate documentation (or mechanized programs) that clearly shows the calculations and data used to compute the amount of the liability. This supporting documentation must also evidence who prepared and who received the estimate and the dates these activities were completed. If accruals are posted by mechanized programs, documentation of information such as who prepared the estimate, date prepared, who received the estimate, or who reviewed the estimate may not be available. In this case, all available information captured by the mechanized program should be captured in the accrual.

D. When estimating these accruals, Components must follow the policy stated in paragraph 090202.

E. Fixed-priced construction contracts containing payment provisions allowing for contractors to receive progress payments based upon the percentage or stage of completion require special consideration when recording the accounts payable liability.

1. Components must record the payable in an amount that reflects the unpaid portion of the contractor's progress payment request for which the estimate of actual progress has been concurred to or approved by the contracting officer. The accounts payable amount recorded should not include any amounts being withheld from the contractor pending acceptance and completion, or for other contract administration reasons, as per the terms of the contract. The supporting documentation should include engineering estimates and management evaluation of actual performance progress to validate the percentage of completion used. The contracting officer or their designee must maintain the supporting documentation, and be prepared to provide it to the Defense Finance and Accounting Service to support the accounts payable amount.

2. The accounts payable for this type of contract is recognized because formal acceptance of the final product by the DoD Component is not the determining factor for accounting recognition. The DoD Component acquires an asset during each accounting period based on constructive or de facto receipt, and thus must recognize/record an accounts payable during each accounting period to reflect the accumulation of that asset. Refer to Chapter 10 for additional guidance on personnel related accrued liabilities.

090204. Accounts Payable Recognition – Availability of Funds

Components must not delay the recognition of an accounts payable liability pending the availability of funds. The accounts payable not covered by budgetary resources must be disclosed in the notes to the financial statements (refer to Volume 6B, Chapters 4 and 10). A potential violation of the Antideficiency Act (ADA) may exist if the amount of a payable exceeds the total availability of funds. Refer to Volume 14 for the financial management policy regarding an ADA violation.

*090205. Intragovernmental Purchases

A. Procuring a good or service from another DoD Component or Federal entity is considered an intragovernmental purchase under the Treasury Financial Manual (TFM) ***Chapter 4700***. Payables due to DoD Components or other Federal entities are intragovernmental payables and must be reported separately from payables due to public entities. Note that OMB Circular A-11 uses the term "intergovernmental" for transactions between or among accounts of Federal entities, and that transactions with non-appropriated fund instrumentalities are reported as transactions with the public. Treasury considers both interdepartmental and intradepartmental transactions to be subsets of intragovernmental transactions. The separation of intragovernmental and public transactions needs to be identified at the transaction level in accordance with Treasury regulations to allow for the proper summarization at the various reporting levels within the DoD, and ultimately the Federal Government as a whole. Identification at the transaction level will also support auditability down to the transaction level where the supporting documentation would normally exist. It also provides the capability to perform intragovernmental elimination entries at various organizational reporting levels.

B. Components must record accounts payable liability for intragovernmental purchases in the appropriate accounting period to recognize the receipt of goods or services ordered regardless of the document used in placing the order (e.g., MIPR, project order, or RWO). Components must ensure the liability is recorded during the accounting period that the benefit was received and not delayed pending receipt of a corresponding interagency billing or subsequent payment thereof. Documentation supporting the amount recorded must clearly show the basis (description of the good, quantity and amount; for services, description of the service, labor hours and amount) for the amount recorded as a payable (e.g., MIPR, project order, RWO, reciprocal agreement) and proof of receipt. The documentation must also be of sufficient quality to allow an independent third party, such as an external auditor, to understand and verify the basis, value, and rationale for recorded amounts.

1. In accordance with the TFM section 9.1.3 in Appendix 10, Volume 1, Part 2, Chapter 4700 "Receipt and Acceptance Phase", as the seller performs the work necessary to deliver the agreed-upon goods/services, the seller will report the accrual amount to the buyer, at a minimum, on a quarterly basis.

2. As the buyer recording the accounts payable amount, Components must ensure that the reciprocal agreement, MIPR, or RWO includes an agreed-upon process the seller will use for providing the accrual amount. The agreement should also address the timing and valuation of the accrual to allow for a fair representation of the liability during the reporting period. The agreement should also address the documentation requirements stated in paragraph 090211.

3. The buyer and seller should work together in establishing the process and timing of the accrual to avoid the need for subsequent reconciliation efforts to bring the amounts reported by each entity into balance. When definitive amounts are not available to record the accounts payable, the buyer must work jointly with the seller to estimate the amount to record as the accrual minimally on a quarterly basis. Refer to paragraph 090202 for the policy associated with estimating accruals.

4. Regardless whether policy identifies the seller as being responsible for providing the buyer the accounts payable accrual, it still remains incumbent upon the buyer to identify and record all accounts payable accruals. Buyers are ultimately responsible for their own financial statements, and thus should engage with the seller to identify the appropriate amount to accrue. If actual cost is not available to adjust the estimated cost during the current accounting period, the adjusting entry must be made in the subsequent period, when actual cost information becomes available.

C. Components must ensure an accounts payable liability is also recorded if the goods are in-transit if shipped FOB shipping point or origin and/or the buying DoD Component has gained title to an asset even though it does not yet have that asset in its physical possession. Component buyers need to work with the intragovernmental seller to ensure this business event is identified and the corresponding accounts payable liability is recorded.

*090206. Late Payment Interest

Components must record in accounts payable an amount for prompt payment interest and other penalties incurred on late payments as required under terms of the non-federal contract. Refer to Volume 10, Chapter 7 for the policy on late payment interest and penalties. Components must also consider and record a quarterly accrual estimate for late payment interest and/or penalties to reflect any expected large dollar value late payments that will result in a significant interest and/or penalty liability in the reporting period. Defining what amounts are "significant" for these purposes is left to the discretion of the Component.

*090207. Refunds Due

Components must record an accounts payable liability to reflect the amount of refunds due but not paid at the end of the reporting period, when applicable. The amount to record should either be for the exact amount of the refund when known and positively established and clearly documented, or estimated under the provisions in paragraph 090202.

090208. Monetary Credits

A. DoD entities authorized by specific statutory authority to issue monetary credits as compensation for property or services received from non-federal entities must also record an accounts payable liability during the period the benefit from the property or services is received. These monetary credits give the seller credits in dollar amounts reflecting the agreed-upon value of the acquired property or received service. The holder of the credits may apply them later to reduce an amount later owed to the government (by the holder) in other, sometimes unrelated, transactions with the government. When monetary credits are used for exchange transactions, the DoD entity must record an accounts payable liability equal to the value of the monetary credit.

* B. Components must ensure the documentation supporting the accounts payable entry specifically identifies the property or services received, the date received, the name and signature of the DoD receiving official and include the bilateral agreement between the non-federal entity and designated DoD representative establishing the agreed-upon value. Components must also ensure the documentation is of sufficient quality to allow an independent third party, such as an external auditor, to understand and verify the basis, value, and rationale for the recorded amount.

090209. Closed Appropriations

When an appropriation account is closed, any remaining balance in the account is required to be cancelled and unavailable for obligation or expenditure for any purpose. However, legitimately incurred obligations that have not been paid at the time an appropriation is canceled must be reinstated to canceled payables and paid out of a current unexpired appropriation that is available for obligation for the same purpose as the closed account. Refer to Volume 3, Chapter 10 for more specific requirements for expired and closed accounts and Volume 3, Chapter 13 for more specific policy addressing payables involving closed appropriations.

*090210. Liquidating Accounts Payable

Accounts payable recorded in relation to receipt of a particular good or service must be liquidated when the liability created by the payable is settled. Generally, this occurs after a three-way match of a contract, receiving report, and proper invoice is performed, and a disbursement is made to satisfy the billed amount. In other than the three-way match scenario, the accounts payable liability will be liquidated when all required prepayment approvals have occurred, and other payment controls satisfied that result in generating a payment or recognizing an exchange-in-kind transaction business event.

*090211. Reviewing Accounts Payable Balances

A. The accounting office must review and reconcile the accounts payable balances to the transaction detail in supporting accounting systems in conjunction with the triannual review of commitments, obligations, accounts payable, and accounts receivable as required in Volume 3, Chapter 8. As part of the triannual or other accounts payable reviews conducted, the budgetary accounts associated with the accounts payable balances (e.g., delivered order unpaid, obligations unpaid) must be reconciled to proprietary accounts payable balances. The accounting office must research any differences, fully document the rationale for necessary adjustments, and obtain approval from the DoD Component's Comptroller or their designated representative before making the adjustments. All adjustments made and associated documentation must be retained by the accounting office to support future financial statement related audits.

B. The accounts payable recorded to reflect the payment liability for acceptable final performance on a contract or order must remain on the account until liquidated through proper payment, or until receipt of contractual or legal documents that remove the remaining liability. Components must assign financial management personnel to work through the cognizant contracting officer to request an invoice from the contractor for any accounts payable amount remaining unliquidated due to non-receipt of an invoice or billing within 180 days from the date of acceptable final contract performance. Component personnel must continue to pursue receipt of overdue invoices through the contract administration and funds holding echelons as necessary to avoid canceled appropriations and to improve accounts payable reporting. Refer to Volume 3, Chapter 8 for policy associated with dormant commitments and unliquidated obligations eligible for closeout on physically complete contracts.

1. Continued non-receipt of an invoice on firm fixed-price contracts may extinguish the contractor's right to payment and relieve DoD's obligation to pay for the uninvoiced goods or services.

2. When a contractor has failed to invoice for the received and accepted goods or services after more than six years since the date of acceptance by DoD, the relevant accounts payable may be considered for write-off after coordination with the contracting activity and/or legal counsel, and if applicable, the Defense Contract Audit Agency and the Defense Contract Management Agency. Documentation in support of this write-off must clearly represent that the over-aged accounts payable no longer continues to represent a legal liability of DoD after giving due consideration to whether or not the Government has acted to toll or

suspend the Contract Disputes Act's six-year limitation period on assertion of claims codified at ***Title 41, United States Code, section 7103***. The documentation must also include the contracting officer's determination that the legal liability to pay on the contract no longer exists. Components must ensure the accounts payable amounts written-off contain sufficient documentation to allow an independent third party, such as an external auditor, to verify the basis, value, and rationale for the write-off.

C. The accounting office must investigate accounts payable debit balances over $100. These debit (abnormal) balances may result from any number of circumstances (e.g., duplicate payments and unrecorded accounts payable), and must be corrected after a thorough research of the underlying documentation associated with the business events and transactions impacting the particular accounts payable account.

1. Components must ensure subsequent adjustments to correct the abnormal balance are fully documented. This documentation must include a description of the circumstances that caused the initial abnormal balance and support the valuation of the revised amount. It also must include the names and signatures (or electronic equivalent) of the management official(s) approving the adjustment and should also identify the correcting steps being taken to prevent reoccurrence. All of this documentation must be available for review by the independent auditors if necessary. The accounting office should also identify and report to management any recommendations for changes to internal controls or business processes to preclude incurring abnormal accounts payable balances in the future.

2. If the investigation of a debit balance discloses an overpayment or under-recouped funds related to a contract or vendor payment, the accounting office must coordinate with the responsible entitlement and disbursing offices to pursue collection or recoupment in accordance with the policies in Volume 10, Chapter 18.

D. The inability to match a performance report or invoice with a corresponding obligation may indicate a breakdown of fund control processes and a material weakness in internal controls. When posting a transaction to accounts payable does not disclose a corresponding obligation, this may be evidence that either a contract has not been awarded or a posting error has occurred. The accounting office must request the necessary documentation to support the required accounting entry and notify appropriate officials that receiving reports or invoices are being received without a corresponding recorded obligation. Refer to Volume 3, Chapter 11 for policy on recording an obligation for an unresolved negative unliquidated obligation.

E. There also may be instances in which disbursements have been reported by a disbursing office, through a paying center, to the Treasury and charged against the Department's fund balances, but have not yet been received or processed by the applicable accounting office for recordation against the applicable corresponding obligation. These transactions are defined as disbursements in-transit, and based on the USSGL Crosswalk, map to the accounts payable line of the balance sheet. Refer to Volume 3, Chapter 11 for disbursements in-transit policy.

090212. Accounts Payable Document Retention

All documentation in support of accounts payable entries and adjustments must be readily available for review by auditors, management, and other Component financial management personnel. Documentation retention policy is contained in Volume 1, Chapter 9.

VOLUME 4, CHAPTER 10: "ACCRUALS FOR PERSONNEL RELATED LIABILTIES"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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

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

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

The previous version dated November 2013 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
100102	Added required Authoritative Guidance paragraph to identify the chapter's statutory or other authority per the Department of Defense Financial Management Regulation Revision Standard Operating Procedures dated June 2015.	Addition
100301.D	Revised paragraph to state material bonuses and awards should be accrued and that materiality is the responsibility of the Components.	Revision
100301.H.	Added distinction between funded annual leave for Working Capital Funds and unfunded annual leave for all other fund types.	Addition
100301.I.	Revised paragraph to indicate that sick leave is now used in the calculation of federal employees' retirement.	Revision
100303	Added general requirements to account for Liability for Pensions, Other Retirement Benefits, and Other Postemployment Benefits.	Addition
100304	Added detailed requirements to account for pensions.	Addition
100305	Added detailed requirements to account for Other Retirement Benefits.	Addition
100306	Added detailed requirements to account for Other Postemployment Benefits.	Addition

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CHAPTER 10

ACCRUALS FOR PERSONNEL RELATED LIABILITIES

1001 GENERAL

100101. Purpose

This chapter provides accounting policy and related requirements for recording Department of Defense (DoD) liabilities for accrued payroll and benefits, actuarial liabilities, and civilian severance pay.

*100102. Authoritative Guidance

This chapter prescribes the accounting policy and authoritative guidance necessary to establish financial control over the DoD accruals for personnel related liabilities. This chapter implements applicable provisions of ***Statement of Federal Financial Accounting Standards 1,*** "Accounting for Selected Assets and Liabilities." The accounting events discussed in this chapter must be recorded in accordance with the United States Standard General Ledger ***Standard Financial Information Structure Transaction Library*** and reported in accordance with the regulations promulgated by the Department of the Treasury and the Office of Management and Budget.

1002 AUDIT READINESS/INTERNAL PROCEDURES

Each DoD Component must develop and implement internal operating procedures and/or guidance to execute this overarching policy in a manner that ensures complete, consistent, timely, accurate, valid, and relevant financial data.

1003 ACCOUNTING POLICY FOR ACCRUALS

100301. Standards

The accounting principles and policy applicable to the Financial Control of Liabilities are cited in Chapter 8. In addition to this guidance, and to ensure clarity, the standards, as listed in the following subparagraphs must be adhered to in accounting for accruals associated with personnel related liabilities.

A. The accounts must be updated based on appropriate source documents and reflect the latest pay adjustments, leave balances, levels of benefits, and changes in benefit rules.

B. Reasonable estimates (accruals) of the costs of services performed by DoD military and civilian employees, including overtime, must be made when a pay period does not coincide with the end of an accounting period. Such accruals must be recorded in the applicable accounting period based on journal vouchers with supporting documentation (or mechanized programs) that clearly shows the calculations and data used to compute the amount of the liability.

The journal vouchers must be signed by the appropriate authorized accounting official. These accruals must be removed from the accounts only when the related pay is disbursed.

C. Amounts due for annuities, adjudicated claims, and benefit payments as of the end of the period must be recorded in the applicable accounting period based on available information, provided that the payment is probable and the amount estimable. Such amounts must be recorded based on journal vouchers and supporting documentation clearly showing the basis for the amounts recorded. The journal vouchers must be signed by the appropriate authorized accounting official. Except for the DoD Component's share of fringe benefits computed as a part of the pay computation process, applicable accruals must be reversed at the start of the next accounting period and actual costs accumulated.

* D. Accrue merit bonuses and awards, if material in amount, in the accounting period earned. Components are responsible for assessing a material threshold.

E. A compensated absence is an employee absence (ordinarily for vacation or illness) for which the employee will be paid. When DoD employees accrue rights to take leave with pay, DoD Components incur an expense and liability measured by the salary cost at the time that the leave may be taken.

F. Accrue the cost of unused annual leave, including restored leave, compensatory time, and credit hours earned as well as the fringe benefit costs associated with the leave. Obtain accrued leave amounts from the Defense Civilian Payroll System.

G. The expense and related liability for annual leave must be recorded at the regular hourly rate at which the leave is earned. Use of a fringe benefit rate is also acceptable for calculating accrued annual leave.

* H. The balance of the liabilities for annual leave and other leave (compensatory time and credit hours), including fringe benefit costs associated with the leave, must be assessed and, as needed, adjusted to reflect all pay increases and unused leave balances at least quarterly for financial statement purposes. For General funds, unused annual leave is typically unfunded until the leave is used. However, the accrual of unused annual leave in working capital fund should be funded.

* I. Sick leave is expensed as taken as absences due to illness or other contingencies. In addition, home leave and compensatory time for travel are not accrued, as balances not used are not reimbursed by DoD. However, sick leave is used in the calculation of federal employee's retirement for both the Civil Service Retirement System (CSRS) and the Federal Employees Retirement System (FERS).

J. Accrue benefits, including benefits to Social Security, retirement funds, the Thrift Savings Plan, and group health and life insurance programs in the same manner as gross compensation (see Volume 8, Chapter 3). Accrue other benefits, such as relocation-related real estate costs and personnel allowances, in the period earned.

K. Accrue payments to the Office of Personnel Management (OPM) for reemployed annuitants and severance pay for former employees in the same manner as gross compensation.

L. Accrue recruitment and relocation bonuses and retention allowances in the period earned.

M. The accrued amounts to be reflected in the general ledger accounts must not be limited to the amounts covered by available budgetary resources.

100302. Supporting Records

To the extent such liabilities are unfunded, DoD Components must maintain appropriate supporting records of the unfunded portions to provide appropriate footnote disclosure in the financial statements when necessary. Disclosures must be made for unfunded liabilities in accordance with Volume 6B, Chapter 10.

*100303. Liability for Pensions, Other Retirement Benefits, and Other Postemployment Benefits

The liability for Pensions, Other Retirement Benefits (ORB), and Other Postemployment Benefits (OPEB) should be recognized at the time the employee's services are rendered and must be reported in the Components' financial statements. If existing legislation requires that amounts paid to participants be recovered from others (e.g., employing agencies), then the estimated amount to be recovered must be reported as a receivable with the sources of expected repayments clearly indicated.

A. Pension benefits include all retirement, disability, and survivor benefits financed through a pension plan, including unfunded pension plans. DoD civilian and military employees are covered primarily under the following three defined benefit retirement plans: CSRS, FERS, and Military Retirement System (MRS).

B. ORB are provided outside the pension plan by an employer to a former employee or the employee's beneficiary upon retirement. ORB include all retirement benefits other than pension plan benefits, such as retirement health care benefits.

C. OPEB are provided to former or inactive employees, their beneficiaries, and covered dependents outside pension or ORB plans. Inactive employees are those who are not currently rendering services to the employer but who have not been terminated, including those temporarily laid off or disabled. Postemployment benefits can include salary continuation, severance benefits, counseling and training, continuation of health care or other benefits, and unemployment, workers' compensation, and veterans' disability compensation benefits paid by the employer entity.

D. Defined contribution plans (e.g., the Thrift Savings Plan) do not result in pension liabilities.

*100304. Pensions

A. For DoD Civilian pension plans (CSRS & FERS), the Components should recognize a pension expense that equals the service cost for its employees for the applicable accounting period, less the amount contributed by the employees, if any. The cost factor to be applied by the Components must be provided by the administrative entity, Office of Personnel Management.

B. For MRS, actuarial estimates should be used to calculate the pension expense and liability.

1. The "aggregate entry age normal" actuarial cost method should be used to calculate the pension expense and liability for the MRS financial statements. The liability is the actuarial present value of all future benefits, based on projected salaries and total projected service, less the actuarial present value of future normal cost contributions that would be made for and by the employees under the plan.

2. Individual Component expense is based on the actuarial cost. The difference between Component expense and amount paid by the Component to OPM or MRS should be recognized as an intragovernmental liability. Refer to Volume 12 for more information.

C. Official communication between OPM and the Office of the Actuary must be maintained by the Components to support pension expense and any related liability.

*100305. Other Retirement Benefits

Components should account for and report the ORB expense, such as medical costs for retirees, in its financial report in a manner similar to that used for pensions. ORB expense should be recognized in an amount equal to the total service cost (as determined by the Office of the Actuary). Components must record and report their portion of the ORB liability.

*100306. Other Postemployment Benefits

Components should recognize an expense and a liability for OPEB when a future outflow or other sacrifice of resources is probable and measurable on the basis of events occurring on or before the reporting date. An example 'OPEB' is Federal Employees' Compensation Act (FECA).

A. FECA provides federal employees injured in the performance of duty with workers' compensation benefits, which include wage-loss benefits for total or partial disability, monetary benefits for permanent loss of use of a schedule member (e.g., body part), medical benefits, and vocational rehabilitation. The FECA program is financed by direct reimbursements from agencies.

B. The FECA fund pays benefits on behalf of Federal entities as costs are incurred and bills the entity annually before August 15 for the costs incurred during the previous 12-month period ended June 30 (July 1 – June 30). Federal entities fund the FECA payments through appropriations reimbursed to the FECA fund. For those agencies that have funding through appropriation, each entity must include in its annual budget estimates for the fiscal year beginning in the next calendar year a request for an appropriation for the amount equal to the costs (approximately 15 months). Once the appropriation is received, the payments are due to the Department of Labor (DOL) within 30 days.

C. The DOL sends each agency the actuarial liability estimates for future worker's compensation benefits amounts for both the current and prior years. The current figure represents the new balance in the Actuarial FECA Liability. The change in actuarial liability is determined by taking a difference of prior year actuarial liability sent from DOL with the current year actuarial liability sent from DOL.

D. The following support must be included with the Actuarial FECA Liability entry:

1. The DOL Memorandum for Chief Financial Officers of Executive Departments and Agencies, which contains the actuarial balances,

2. Agency-Wide Financial Statements Directorate allocation spreadsheet reflecting the percentage allocation to the entity level, and

3. A copy of the last three annual chargeback bills for the Department Level.

VOLUME 4, CHAPTER 11: "COMPONENT DEBT"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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

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

The previous version dated October 2011 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
110102.B.2.	Updated hyperlink for USC citation	Update
110305	Corrected verb tense	Update

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CHAPTER 11

COMPONENT DEBT

1101 GENERAL

110101. Purpose

This chapter prescribes the accounting principles and policy to be followed by Department of Defense (DoD) Components to account for debt incurred in accordance with statutory authority.

110102. Overview

The Department's debt primarily consists of interest and principal payments due to the U.S. Treasury and the Federal Financing Bank. Debt incurred by DoD Components is generally associated with direct and guaranteed loans, and housing programs determined to be necessary to carry out the Department of Defense's mission, including mortgage agreements accepted pursuant to the Family Housing Program and the Homeowners Assistance Fund.

A. The Department must pay the debt on direct loans if borrowers (e.g., foreign governments, county or city governments, ship owners, or housing builders) default. For loan guarantees, the Department must pay the amount of outstanding principal guaranteed. The majority of the debt represents direct and guaranteed loans to foreign governments. Before 1992, funds were borrowed from the Federal Financing Bank to either directly loan the funds to foreign governments or to reimburse defaulted guaranteed loans. Beginning in 1992, the Department began borrowing funds for the Foreign Military Financing Program from the U.S. Treasury, in accordance with the Federal Credit Reform Act of 1990, which governs all direct loan obligations and loan guarantee commitments made after FY 1991. Guidance on direct loans and loan guarantees is contained in Volume 12, Chapter 4.

B. Debt Associated with Housing Programs

1. Family Housing Program. The Defense Family Housing Program (FHP) provides housing for military families and for civilian families where circumstances require the Department of Defense to support this program by providing housing referral services, including administration of private rental housing for DoD personnel overseas; leasing private housing for DoD personnel; or by guaranteeing service members' rental, mortgage and mortgage insurance payments on privately owned housing. Guidance for financing the FHP is contained in Volume 2B, Chapter 6, while guidance for accounting for funds made available for this program is contained in Volume 3, Chapter 5.

2. Homeowners Assistance Fund

a. Under ***42 U.S.C. 3374***, the Secretary of Defense is authorized to provide assistance to owners of one- or two-family dwellings located at or near

military installations ordered to be closed in whole or in part. In certain instances, this assistance is rendered by acquiring negotiated title to the properties from such owners. Section (d) of the statute established the Homeowners Assistance Fund (HAF). Section (g) authorized the Secretary of Defense to enter into an agreement with the Secretary of Housing and Urban Development (HUD) with respect to the administration of the program. That agreement provided that, on DoD's behalf, HUD will maintain, manage, and dispose of such properties acquired by the DoD and be reimbursed for all costs incurred in its administration. That agreement was terminated as of January 1, 1993. Since that date, all properties acquired are managed and disposed of by the U.S. Army Corps of Engineers (USACE).

b. The USACE Chief of Engineers is responsible for obtaining title to the properties and for their administration. The Chief of Engineers is also responsible for negotiating the DoD acquisition price with the property owner.

c. Funding for this program is through annual appropriations made available by the Congress.

d. ***DoD Directive 4165.50E***, "Homeowners Assistance Program," (HAP) provides overall policy guidance and information on this program.

1102 ACCOUNTING POLICY FOR DEBT ASSOCIATED WITH HOUSING PROGRAMS

110201. Accounting Policy for Properties under FHP and HAP

The accounting policy for properties acquired under both the FHP and HAP is the same as those for real property discussed in Volume 4, Chapter 6. The accounting policy for the liabilities incurred under both programs is discussed in the following paragraphs.

110202. Liability for Amounts Owed on Housing Acquired under FHP and HAP

The liability for amounts owed on housing acquired under the two programs will be equal to (1) borrowings from other Federal Agencies and the public to construct or acquire the properties, or (2) the mortgages assumed when title passes to the Department of Defense.

110203. Mortgage Balance Payable Reductions

The balance of the mortgages payable will be reduced by that portion of the periodic payments made which represent the mortgage principal.

110204. Liabilities for Borrowing from Other Organizations

Liabilities for borrowings from other Federal Agencies and non-federal organizations will be recorded at the amounts actually obtained. Amounts paid to financial organizations to obtain the borrowings must be treated as a current period operating expense.

1103 ACCOUNTING FOR COMPONENT DEBT

110301. Accounts Used to Report DoD Debt

The accounts used to report DoD debt are described in the following paragraphs. The entries for these accounts are specified in the ***United States Standard General Ledger Standard Financial Information Structure Transaction Library***.

110302. Principal Payable to the Bureau of the Public Debt (Account 2510)

. "Principal Payable to the Bureau of the Public Debt" is used to record amounts borrowed from the Treasury. Accrued Interest associated with these borrowings is recorded to "Accrued Interest Payable" (Account 2140).

110303. Principal Payable to the Federal Financing Bank (Account 2520)

"Principal Payable to the Federal Financing Bank" is used to record amounts borrowed from Federal Financing Banks. Accrued Interest associated with these borrowings is recorded to "Accrued Interest Payable" (Account 2140).

110304. Securities Issued by Federal Agencies Under General and Special Financing Authority (Account 2530)

"Securities Issued by Federal Agencies Under General and Special Financing Authority" is used to record the liability arising from issuing new borrowings authorized under special financing authorities.

110305. Participation Certificates (Account 2540)

"Participation Certificates" are used to record a DoD Component's liability for its share of participation certificates issued pursuant to legislative authority.

110306. Other Debt (Account 2590)

"Other Debt" is used to account for all other forms of DoD liabilities, secured and unsecured, not otherwise classified above.

VOLUME 4, CHAPTER 12: "OTHER LIABILITIES"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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

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

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

The previous version dated November 2011 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
Title	Renamed the Chapter from "Unearned Revenue and Other Liabilities" to "Other Liabilities" since "Unearned Revenue" is an Other Liability.	Revision
1201	Revised General section to comply with the Department of Defense (DoD) Financial Management Regulation Revision Standard Operating Procedures signed June 2015.	Revision
1202	Revised the Definition Section to include general ledger accounts currently reported as Other Liabilities on the DoD Balance Sheet.	Revision
120401	Added guidance from Statement of Federal Accounting Standards 7, "Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting" regarding the accounting for Liabilities for Advances and Prepayments.	Addition
120404	Added accounting policy for the Liability for Nonfiduciary Deposit Funds and Undeposited Collections.	Addition
120405	Added accounting policy for the Liability for Clearing Accounts.	Addition

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CHAPTER 12

*OTHER LIABILITIES

*1201 GENERAL

120101. Overview

This chapter describes the accounting principles and concepts that the Department of Defense (DoD) Components must follow to account for other liabilities. Other liabilities are those not recognized in specific categories on the Balance Sheet and primarily include immaterial liabilities that do not warrant separate reporting. Personnel related liabilities are reported as other liabilities on the DoD Balance Sheet, but are discussed in Chapter 10. Non-environmental disposal cost liabilities and estimated cleanup cost liabilities are reported as other liabilities, but are discussed in Chapter 13.

120102. Purpose

This chapter prescribes the accounting policy and related requirements necessary to establish financial control over the DoD liabilities not discussed in Chapters 9, 10, 11, or 13. General Fund and Defense Working Capital Fund (DWCF) entities are required to record other liabilities in accordance with the guidance in this chapter.

120103. Authoritative Guidance

Other liabilities will be accounted for in accordance with Statement of Federal Financial Accounting Standards ***(SFFAS) 1***, "Accounting for Selected Assets and Liabilities," ***SFFAS 5***, "Accounting for Liabilities of the Federal Government," and ***SFFAS 12***, "Recognition of Contingent Liabilities Arising from Litigation." The United States Standard General Ledger (***USSGL)*** Treasury Financial Manual (TFM), the Standard Financial Information Structure ***(SFIS)*** Transaction Library, and the DoD Standard Chart of Accounts (SCOA) provide additional guidance on general ledger accounts, definitions, and uses.

*1202 DEFINITIONS

120201. Unearned Revenue

The Department of Treasury USSGL Board designed four accounts as Unearned Revenue:

A. Liability for Advances and Prepayments (USSGL account 231000). Liability for Advances and Prepayments consists of amounts received in advance for goods and services to be delivered at a future date and for which revenue has not been earned. Liability for Advances and Prepayments is also recorded if an agency requests advance or progress payments prior to the receipt of cash and records the amount.

B. Other Deferred Revenue (USSGL account 232000). Other Deferred Revenue is the amount of revenue or income received but not yet earned from non-federal sources not otherwise classified as advances or prepayments. For example, Deferred Revenue would be recorded for the pending sale of a forfeited asset.

C. Liability for Nonfiduciary Deposit Funds, and Undeposited Collections (USSGL account 240000). This account represents the amount of offsetting undeposited collections and collections deposited in nonfiduciary deposit funds awaiting disposition. Deposit funds account for monies that do not belong to the Federal Government. They include monies held temporarily until ownership is determined (such as earnest money paid by bidders) or held by the Federal Government for others (such as state and local taxes withheld from federal employees' salaries and not yet paid to the state or local governments).

D. Liability for Clearing Accounts (USSGL account 241000). The Liability for Clearing Accounts represents the amount that offsets collections deposited in clearing accounts awaiting disposition or reclassification. Budget clearing accounts contain amounts known to belong to the Federal Government but held temporarily until additional information is collected to correctly identify the collections into appropriate receipt or expenditure accounts.

120202. Other Liability Accounts

A. Capital Lease Liability (USSGL account 294000). Capital Lease Liabilities represents the present value of liabilities for assets acquired under a lease agreement that meets the test for capitalizing the assets.

B. Contingent Liability (USSGL account 292000). Contingent Liabilities represents the amount that is recognized as a result of a past event where a future outflow or other sacrifice of resource is probable and measurable, with the exception of contingent liabilities related to environmental cleanup cost, which are recorded in USSGL account 299500, Estimated Cleanup Cost Liability.

C. Other Liabilities. Other Liabilities include measurable and probable expected outflows resulting from past transactions or events, and the estimated costs of conditions, situations, or circumstances that will be resolved in the future. Other Liabilities represent amounts not otherwise classified to specific liability accounts and include immaterial liabilities that do not warrant separate reporting. There are several USSGL accounts that can be used to record these amounts. Refer to the USSGL TFM, the SFIS Transaction Library, and the DoD SCOA.

1203 AUDIT READINESS/INTERNAL CONTROL OPERATING PROCEDURES

Each DoD Component must develop and implement internal operating procedures and/or guidance to implement this overarching policy in a manner that ensures accurate, complete, and relevant financial data.

1204 ACCOUNTING POLICY

*120401. Liability for Advances and Prepayments

A. When advance fees or payments are received, such as for large-scale, long-term projects, revenue should not be recognized until costs are incurred from providing the goods and services (regardless of whether the fee or payment is refundable). An increase in cash and an increase in "unearned revenue," should be recorded when the cash is received in accordance with ***SFFAS 7, paragraph 37***. "Unearned revenue" was subsequently renamed as Liability for Advances and Prepayments by the Department of Treasury USSGL Board.

B. Liability for Advances and Prepayments includes advances received that are transfers of assets from the public and other federal entities to cover future expenses or the acquisition of other assets. The DoD Components receiving an advance or prepayment must record the amount received as a liability until payment is earned (goods or services have been delivered or contract terms met). After the payment is earned (performance has occurred), the DoD Components must record the appropriate amount as revenue and reduce the liability accordingly. The two major activities for which DoD receives advances are as follows:

1. Reimbursable Activities. DoD provides services to other federal agencies and to the public on a reimbursable basis. When a non-federal customer enters into a reimbursable agreement with DoD, the customer is required to pay for services in advance unless exempted by law. Generally, non-DoD entities are required to pay in advance.

2. DWCF Activities. The appropriation language for DoD's DWCF permits the fund to receive advances for supplies and services. Therefore, the DWCF business entities may be advanced funds identified in the DWCF customer orders during the fiscal year, as required, to enable the DWCF activity to pay for its costs of operation.

120402. Liability for Capital Leases

DoD entities will record a liability for each capital lease at the present value of the rental and other minimum lease payments. For capital leases, the lease term is the fixed non-cancelable term of the lease plus all periods, if any, representing renewals or extensions of the lease that can reasonably be expected to be taken. This amount will exclude that portion of the payments representing execution cost (i.e., insurance, maintenance and taxes) to be paid by the lessor. If the amount exceeds the fair market value of the leased property at the inception of the lease, the DoD entity will record the liability at the fair market value of the property. If the portion of the minimum lease payments representing execution cost is not determinable from the lease provisions, the amount should be estimated. Specific guidance on capital leases is outlined in Chapter 6.

120403. Contingent Liability

A. A contingency is an existing condition, situation, or set of circumstances involving uncertainty as to possible gain or loss to an entity. The uncertainty will ultimately be resolved when one or more future events occur or fail to occur. A contingent liability should be recognized in the financial reports and statements when all of these three conditions are met:

1. A past event or exchange transaction has occurred (e.g., a DoD Component has breached a contract with a non-federal entity).

2. A future outflow or other sacrifice of resources is probable (e.g., the non-federal entity has filed a legal claim against a DoD Component for breach of contract and the Component entity's management believes the claim is likely to be settled in favor of the claimant).

3. The future outflow or sacrifice of resources is measurable (e.g., the DoD Component entity's management determines an estimated settlement amount). The estimated liability may be a specific amount or a range of amounts. If some amount within the range is a better estimate than any other amount within the range, that amount is recognized. If no amount within the range is a better estimate than any other amount, the minimum amount in the range is recognized and the range and a description of the nature of the contingency should be disclosed.

B. If any of the three conditions identified in 120403.A are not met, the contingent liability need not be recognized in the DoD Components financial reports and statements but should, nevertheless, be disclosed in notes regarded as an integral part of those reports and statements when it is at least reasonably possible that a loss or additional loss may have been incurred. Disclosure should include the nature of the contingency and an estimate of the possible liability, an estimate of the range of the possible liability, or a statement that such an estimate cannot be made.

C. The probability classifications as follows:

1. Probable. The future confirming event or events are more likely than not to occur, with the exception of pending or threatened litigation and unasserted claims. For pending or threatened litigation and unasserted claims, the future confirming event or events are likely to occur.

2. Reasonably Possible. The chance of the future confirming event or events occurring is more than remote but less than probable.

3. Remote. The chance of the future event or events occurring is slight.

D. Contingent Liability Arising From Progress Payments Based on Cost. As addressed in the Federal Acquisition Regulation clause ***52.232-16*****,** liabilities resulting from contracts utilizing progress payments based on cost will be recorded based on the difference between an estimated amount of contractor-incurred cost and authorized progress payments based on cost. The estimated contractor-incurred cost is calculated by dividing the cumulative unliquidated progress payment (based on cost) balance by the contract-authorized progress payment rate. The difference between the resulting estimated contractor-incurred cost and the balance of unliquidated progress payments based on cost will be recorded as a contingent liability.

*120404. Liability for Nonfiduciary Deposit Funds and Undeposited Collections

Deposit funds must be recorded as a liability because those assets do not belong to the Federal Government. The liability includes currency and coin on hand, cash on deposit at designated depositories (excluding Disbursing Officer held cash), negotiable instruments on hand, military payment certificates, and unsupported undistributed collections. Such funds are not available for paying salaries, grants, or other expenses of the Federal Government. Sources for entries to this account include requests for cash, cash collection vouchers, deposit tickets, and invoices for transferred funds.

A. The deposit fund account (liability) classification is proper for any account that meets one of the following criteria:

1. Monies withheld from payments for goods and services received. Record the monies in a deposit fund when charging a budget account and holding the funds pending payment (for example, payroll deductions for State income taxes).

2. Monies the Government is holding awaiting distribution based on a legal determination or investigation. This category includes monies in dispute where ownership is in doubt and there is no present basis for estimating ultimate distribution.

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

B. Deposit funds, such as those included in the following list, should be used when appropriate. A full list of DoD deposit accounts can be located in the Department of Treasury ***FAST Book****:*

1. X6500 - Advances without orders from non-federal sources: Use this account for advances without orders from non-federal sources. However, credit advances without orders from another federal agency should be recorded in F3885, "Undistributed intergovernmental payments."

2. X6276 - Other federal payroll withhold allotments. Use this account only when federal payroll withholding amounts must be held to make monthly payments.

*120405. Liability for Clearing Accounts

A. Budget Clearing Accounts (BCAs) are used to temporarily account for transactions that belong to the Government that have not been matched to a specific receipt or expenditure account. For example, an Intragovernmental Payment and Collection System collection that cannot be immediately matched to a reimbursable agreement should be accounted for in a clearing account. Refer to Chapters 2 and 3 for a discussion of the requirements for reconciling, aging, and clearing Budget Clearing Accounts.

B. Treasury established clearing accounts to temporarily hold unidentifiable general, special, or trust funds collections that belong to the Federal Government. Departments should use the following accounts:

1. BCA F3875, to temporarily credit unclassified transactions from the public when there is a reasonable presumption that the amounts belong to their agencies.

2. Undistributed intergovernmental payments account, F3885, to temporarily credit unclassified transactions between federal agencies.

VOLUME 4, CHAPTER 13: "ENVIRONMENTAL LIABILITIES"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by a * preceding the section, paragraph, table, or figure that includes the revision.

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

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

The previous version dated April 2008 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
Various	Updates references and web links.	Update
130101.B	Adds reference to newly published Federal Accounting Standards Advisory Board (FASAB) Technical Releases (TR) 10, 11, 14, and Technical Bulletin (TB) 2011-2 (dated September 22, 2011).	Add
130101.C	Adds reference to chapter covering financial reporting.	Add
030102	Adds Audit Readiness/Internal Procedures: In promoting audit readiness, this paragraph requires DoD components to establish internal operating procedures and/or guidance in line with the overarching policy cited in this volume.	Add
130103	Deletes current liabilities definition and formula section since this current/non-current environmental liability reporting is not required.	Delete
130103.A	Adds clarifying sentence on routine costs from Statement of Federal Financial Accounting Standard (SFFAS) No. 6.	Add
130103.F	Adds definition for Permanent Removal from Service.	Add
130103.G	Adds definition for Removal from Service.	Add
130103.I	Adds definition for Routine Hazardous Waste Disposal.	Add
130202.B	Adds estimates of certified third-party damage claims that are probable or reasonably possible should be reported.	Add
130202.D.4 130202.D.5	Updates effective dates for recognition and measurement of asbestos-related cleanup costs to 2012.	Update
130202.E.5	Adds requirement for cleanup costs liability to be recognized in full for General Property, Plant, and Equipment (G-PP&E) assets permanently removed from service as required by FASAB TR 14.	Add

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
130202.E.6	Clarifies Components that report Base Closure and Realignment Commission (BRAC) assets on their financial statement also report the associated environmental liability.	Update
130202.E.6	Clarifies definition of an overseas environmental liability.	Update
130202.E.8	Updates guidance for FASAB Technical Bulletin 2006-1 (as amended by TB 2011-2), and TR 10.	Update
130202.F.2	Adds Defense Environmental Restoration Program (DERP) requirement to report single-point cleanup cost estimates.	Add
130204.D	Clarifies disclosure requirements for changes in cost estimates. References audit requirement for tracking actual costs to estimates. Removes discussion of current/non-current liabilities.	Update

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CHAPTER 13

ENVIRONMENTAL LIABILITIES

1301 GENERAL

130101. Purpose

A. This chapter prescribes the accounting policy for measuring, recognizing, and disclosing environmental liabilities and the procedures to record Department of Defense (DoD) environmental liabilities. General accounting principles and policy for liabilities are in Chapter 8. The policies and procedures prescribed in this chapter apply to all environmental liabilities regardless of the funding source or whether the funding is available.

B. This chapter implements applicable provisions of:

1. Statements of Federal Financial Accounting Standards ***(SFFAS) 5***, "Accounting for Liabilities of the Federal Government;"

2. ***SFFAS 6,*** "Accounting for Property, Plant, and Equipment," paragraphs 38, 39, 93, 97 and 98.

3. ***SFFAS 23***, "Eliminating the Category National Defense Property, Plant and Equipment;"

4. ***Statement on Auditing Standards (SAS) Number 57/ AU Section 342***, "Auditing Accounting Estimates;"

5. Federal Accounting Standards Advisory Board (FASAB) ***Technical Bulletin 2006-1,*** "Recognition and Measurement of Asbestos-Related Cleanup Costs," amended by FASAB under ***Technical Bulletin 2011-2***, "Extended Deferral of Effective Date of Technical Bulletin 2006-1; ***Federal Financial Accounting and Auditing Technical Release Number 2***, "Determining Probable and Reasonably Estimable for Environmental Liabilities in the Federal Government;"

* 6. ***Federal Financial Accounting Technical Release 10***, "Implementation Guidance on Asbestos Cleanup Costs Associated with Facilities and Installed Equipment;"

* 7. ***Federal Financial Accounting Technical Release 11***, "Implementation Guidance on Cleanup Costs Associated with Equipment."

* 8. ***Federal Financial Accounting Technical Release 14***, "Implementation Guidance on the Accounting for the Disposal of General Property, Plant, and Equipment (PP&E)."

* C. This chapter does not address roles and responsibilities in the preparation of financial reports, budget formulation for environmental liabilities, describe different types of Property, Plant, and Equipment (PP&E) or provide technical environmental guidance.

1. Refer to Volumes 2A and 2B for guidance on budget formulation.

2. Refer to Chapter 6 for descriptions of the different types of PP&E discussed in this chapter.

* 3. Refer to Volume 6A, Chapter 3 for guidance on roles and responsibilities in the preparation of financial reports.

4. Refer to the following management guidance issued by the Office of the Deputy Under Secretary of Defense (Installation and Environment) for technical guidance: "***Management Guidance for the Defense Environmental Restoration Program***" and "***Guidance for Recognizing, Measuring, and Reporting Environmental Liabilities not Eligible for Defense Environmental Restoration Program Funding***."

130102. Audit Readiness/Internal Procedures

Each DoD Component shall develop and implement internal operating procedures and/or guidance to implement this overarching policy in a manner that ensures accurate, timely, and relevant reporting of financial data.

130103. Definitions

* A. Environmental Cleanup, Closure, and/or Disposal Costs. For financial statement reporting purposes, the term "environmental cleanup costs" includes costs associated with restoration of environmental sites funded under the Defense Environmental Restoration Program (DERP), corrective actions, and environmental costs associated with the future closure of operations, including closure and disposal of PP&E. Cleanup costs as defined in the ***SFFAS 6, paragraph 85***, include researching and determining the existence of hazardous waste, removing, containing, and/or disposing of hazardous waste from personal or real property and/or personal or real property that consists of hazardous waste at the time of shutdown or disposal, and material and/or property that consists of hazardous waste at permanent or temporary closure or shutdown of associated PP&E. Consistent with ***SFFAS 6***, cleanup costs may include, but are not limited to, decontamination, decommissioning, site restoration, site monitoring, closure, and post-closure costs related to DoD operations that result in hazardous waste. Cleanup costs do not include costs associated with ongoing operations (i.e., "routine" hazardous waste removal and disposal).

B. Environmental Liabilities. For financial reporting purposes, a DoD environmental liability is a future outflow or expenditure of resources that exists as of the financial reporting date for environmental cleanup, closure, and/or disposal costs resulting from past transactions or events. A DoD environmental liability exists when: (1) contamination is present or likely to be present; (2) environmental cleanup, closure, and/or disposal is required by lease contracts, federal, state, and/or local statute, regulation, or other legal agreement; and (3) the

operations that created the liability are DoD related**.** An environmental liability may also exist if environmental contamination is not DoD related, but DoD enters into a binding agreement that formally accepts financial responsibility for cleanup, closure, and/or disposal.

C. Environmental Site. An environmental site is a real property asset or combination of assets with a discrete location(s) for which there is an environmental issue that requires evaluation. Environmental sites must be reviewed to determine if future environmental work required at the site meets the definition of environmental liability.

D. Equipment. Equipment is personal property that is functionally complete for its intended purpose, durable, and nonexpendable. Equipment generally has an expected service life of 2 years or more; is not intended for sale; does not ordinarily lose its identity or become a component part of another article when put into use; has been acquired or constructed with the intention of being used. This definition includes Military or General Equipment. The DoD-recognized Item Unique Identifier (IUID), if available, should be used to identify each item or piece of equipment (see ***Department of Defense Instruction (DoDI) 5000.64***, "Accountability and Management of DoD Equipment and Other Accountable Property"***).***

E. Hazardous Waste. Per ***SFFAS 6***, the definition of hazardous waste, used in conjunction with environmental cleanup costs previously defined, is a solid, liquid, or gaseous waste, or combination of these wastes, which because of its quantity, concentration, or physical, chemical, or infectious characteristics, may cause or significantly contribute to an increase in mortality or an increase in serious irreversible, or incapacitating reversible, illness, or pose a substantial present or potential threat to human health or the environment when improperly treated, stored, transported, disposed of, or otherwise managed. As noted in ***Technical Bulletin 2006-1***, the term "hazardous waste," as defined in ***SFFAS 6***, was developed by consulting environmental laws, such as the Resource Conservation Recovery Act (RCRA); however the general use of the term in federal accounting standards should not be construed as limiting the application of the standards solely to those materials meeting the definition of "hazardous waste" under RCRA.

* F. Permanent Removal from Service. Permanent removal from service occurs when (1) an asset use is terminated and (2) there is documented evidence supporting management's need to dispose of the asset. If only one of these two business rules occurs, a need for the "permanent" removal of an asset from service has not occurred.

G. Real Property. Land and improvements to the land (i.e., facilities). Real Property includes equipment affixed and built into the facility as an integral part of the facility (such as heating systems), but not movable equipment (e.g., plant equipment, industrial equipment, buoys). The DoD Real Property Unique Identifier (RPUID), if available, should be used to identify each real property asset (see ***DoDI 4165.14***, "Real Property Inventory and Forecasting").

***** H. Removal from Service. Removal from service is defined as an event that terminates the use of a General Property Plant and Equipment (G-PP&E) asset (e.g., shut down of a facility). Removal from service may occur because of a change in the manner or duration of use, change in technology or obsolescence, damage by natural disaster, or identified as excess

to an entity or DoD Component's mission needs. General removal of an asset from service is not the same as "permanent removal from service."

* I. Routine Hazardous Waste Disposal. When estimating future environmental cleanup costs associated with equipment disposals, routine hazardous waste disposal refers to waste that is regulated and managed the same as the disposal of hazardous waste from day-to-day operations and on a regular basis (see ***Federal Financial Accounting Technical Release 11***). Routine hazardous waste disposal is not recognized as an environmental liability (per ***SFFAS 6, Paragraph 93***).

1302 ACCOUNTING POLICY FOR ENVIRONMENTAL LIABILITIES

130201. Environmental Liability Recognition

This section outlines the policy for recognizing, disclosing, and measuring environmental liabilities in accordance with applicable accounting standards.

A. Environmental liabilities must be recognized on the financial statement for probable and measurable future outflows or expenditure of resources for environmental cleanup, closure, and/or disposal actions, in accordance with ***Federal Financial Accounting and Auditing Technical Release Number 2***. A probable environmental liability exists when it is more likely than not that hazardous waste requiring cleanup resulted from operations where DoD was likely involved. A measurable environmental liability exists when a dollar value can be estimated for the cleanup costs or a study is needed to define further cleanup parameters (see subparagraph 130204.B).

* B. DoD reports environmental litigation liabilities separately from other environmental liabilities in the notes to the financial statements. DoD Components should report estimates of certified third-party damage claims that are probable or reasonably possible. See Volume 6B, Chapters 4 and 10 for information regarding reporting of contingent liabilities arising from litigation claims.

C. Environmental conditions that result from current operations and require immediate cleanup, e.g. an oil spill or routine hazardous waste disposal, are not considered environmental liabilities and should be recognized as a current operating expense, assuming the DoD Component completes the cleanup, closure and/or disposal action in the current reporting period. If the DoD Component does not complete the cleanup, closure and/or disposal action within the current reporting period, then an environmental liability should be recorded for that portion of the cleanup, closure and/or disposal action not completed. The DoD Component should record an accounts payable for cleanup, closure, and/or disposal costs incurred and not paid in accordance with Chapter 9.

D. Environmental liabilities are generally recognized in accordance with the following paragraphs.

1. The total estimated cost of environmental liabilities associated with General PP&E placed in service prior to October 1, 1997, shall be recognized as follows:

(a) In the initial year the liability is recorded, unless the costs are intended to be recovered through user charges.

(b) If the costs are intended to be recovered through user charges, DoD Components shall recognize a liability for that part of the asset's useful life that has lapsed since the PP&E was placed into service. The remaining liability shall be systematically recognized over the remaining useful life. Refer to subparagraph 130204.E for additional information on systematically recognizing cost estimates.

2. The estimated environmental liabilities associated with General PP&E placed in service after September 30, 1997, that have future environmental cleanup, closure, and/or disposal requirements shall be systematically recognized over the useful life. The accumulation of the liability and the recognition of the related expense shall commence when it is placed in service, continue in each period that operation continues, and be completed when the General PP&E ceases operation.

3. The estimated environmental liabilities associated with cleanup cost for Stewardship PP&E shall be recognized in the period that the asset is placed into service.

* 4. For asbestos-related environmental liabilities associated with PP&E, the effective date for which systematic recognition of the liability is required is based on the effective date of the implementing requirement (i.e., ***Technical Bulletin 2006-1***, "Recognition and Measurement of Asbestos Related Cleanup Costs," amended by ***Technical Bulletin 2011-2***). Asbestos-related environmental liabilities associated with PP&E placed in service after September 30, 2012, shall be systematically recognized over the remaining useful life of the PP&E.

* 5. Asbestos-related environmental liabilities associated with PP&E placed in service prior to October 1, 2012, shall be recognized for the portion of the estimated total cleanup, closure and/or disposal cost of the estimated useful life that has passed since the PP&E was placed in service. However, if the PP&E has been in service for a substantial portion of its estimated useful life, the estimated total cleanup, closure and/or disposal cost may be recognized in full in the initial year the liability is recorded, unless the costs are intended to be recovered through user charges.

E. The following discusses recognition of environmental liabilities that are specific in nature.

1. Operational Ranges. An environmental liability associated with the cleanup, closure, and/or disposal, including disposal of unexploded ordnance, on operational ranges does not exist until a formal decision is made to close the range or hazardous waste is migrating off the range. If hazardous waste is migrating off the range, the DoD Component will recognize an environmental liability.

2. Conventional Munitions. Environmental liabilities for conventional munitions that are determined to be excess and/or obsolete as of the financial reporting date are recognized for the total disposal estimate. Conventional munitions are typically an inventory item intended for consumption; therefore, an environmental liability would exist only when the munitions are considered excess or obsolete, because the unused portions require special actions to ensure proper disposal.

3. Stockpile and Nonstockpile Chemical Agents and Munitions Inventory, and Buried Chemical Agents and Munitions. Environmental liabilities and related expenses for stockpile and nonstockpile chemical agents and munitions inventory, and buried chemical agents and munitions, should be recognized for cleanup, closure, and/or disposal costs. Per ***50 U.S.C. 1521***, the Department is required to dispose of chemical weapons and materiel contained in the stockpile, as well as the nonstockpile. The stockpile consists of the chemical weapons and materiel in the inventory. The nonstockpile items are binary chemical weapons, miscellaneous chemical warfare materiel, recovered chemical weapons, and former production facilities. Proper action is needed to mitigate risk to human health and the environment from buried chemical agents and munitions.

4. General PP&E Formerly Identified as National Defense PP&E. The ***SFFAS 23*** eliminated the National Defense PP&E category and reclassified these assets (e.g., Military Equipment) as General PP&E. This reclassification requires environmental liability recognition in accordance with the rules established for General PP&E. Refer to subparagraph 130202.D for recognition rules of General PP&E. As a result of this reclassification, the Components are required to adjust environmental liabilities that were recognized in full for assets placed in service on or after October 1, 1997. The ***SFFAS 23*** states that the cumulative effect of adopting this standard should be reported as a change in accounting principle and that the adjustment should be made to the beginning balance of the cumulative results of operations in the Statement of Changes in Net Position in the period of the change without restating the prior periods.

* 5. General PP&E Cleanup Cost for Permanent Removal of Assets. For assets permanently removed from service, the cleanup costs liability associated with the disposal, closure, and/or shutdown of the general PP&E costs should be recognized in full. If removal of service is considered other than permanent, the liability and associated cleanup cost expense shall continue to accumulate. Permanent removal of service is defined under subparagraph 130102.E. In compliance with ***Federal Financial Accounting Technical Release 14***, documentation must exist of management's decision to permanently remove an asset from service. Recognition of the full liability for cleanup costs associated with General PP&E will not be recorded if an asset's useful life has not been terminated and there is no documented evidence validating management's decision to permanently remove the asset from service. See ***http://www.fasab.gov/pdffiles/original_aapc_tr_14.pdf***.

* 6. Financial Reporting Component. Each DoD Component is responsible for accurate reporting of the environmental expense and liabilities for the real property and/or equipment that it records and reports on its financial statements as assets, regardless of ownership. The criteria for determining the General PP&E financial reporting component are

outlined in Chapter 6. Based on these criteria, the Military Department with jurisdiction over the BRAC-related assets will report environmental expense and liabilities attributed to BRAC real property and/or equipment on their General Fund financial statements.

* 7. Overseas Environmental Liabilities. Overseas environmental liabilities are environmental cleanup, closure, and/or disposal costs associated with the operation of installations overseas in accordance with ***DoDI 4715.8***, "Environmental Remediation for DoD Activities Overseas," and international agreements as defined by ***DoD Directive 5530.3***, "International Agreements." Environmental liabilities resulting from DoD operations are considered "Government-Related Events," as defined by ***SFFAS 5***, and will be recognized when the event creating the liability occurs. The requirements to be met will be based on the applicable Final Governing Standards, the Overseas Environmental Baseline Guidance Document, and international agreements, in accordance with ***DoDI 4715.5***, "Management of Environmental Compliance at Overseas Installations."

8. Nonenvironmental Disposal Cost. When estimating the disposal cost of assets containing hazardous waste, nonenvironmental costs that are considered immaterial to the total cost of removing or disposing of the asset(s) (i.e., disposal of nuclear ships) may be recognized as an environmental liability. Materiality depends on the degree to which an omission or misstatement would change or influence the judgment of a reasonable person relying on the information and requires the application of professional judgment. Each DoD Component is responsible for defending any immateriality determinations.

* 9. Asbestos. Both friable and nonfriable asbestos-related cleanup, closure, and/or disposal costs should be estimated in accordance with ***Technical Bulletin 2006-1***, "Recognition and Measurement of Asbestos-Related Cleanup Costs," as amended by FASAB ***Technical Bulletin 2011-2***, "Extended Deferral of the Effective Date of Technical Bulletin 2006-1(Recognition and Measurement of Asbestos-Related Cleanup Costs)." Asbestos-related cleanup, closure, and/or disposal costs are the costs of removing, containing, and/or disposing of:

(1) Asbestos-containing materials from property, or

(2) Material and/or property that consist of asbestos-containing material at permanent or temporary closure, or shutdown of associated PP&E (i.e., when cleanup cannot occur until the end of the useful life or at regular intervals during that life). Asbestos-related cleanup, closure, and/or disposal costs associated with PP&E should be recognized in accordance with subparagraphs 130202D.4 and 130202D.5. ***Technical Release 10***, "Implementation Guidance on Asbestos Cleanup Costs Associated with Facilities and Installed Equipment," provides a framework for identifying assets containing asbestos, assessing assets to collect information, and/or developing assumptions needed to estimate asbestos cleanup costs. The effective date for reporting is the first quarter, fiscal year 2012.

F. Environmental liabilities are generally based on accounting estimates that are discussed in paragraph 130204. Recognition of necessary adjustments to accounting estimates used in establishing environmental liabilities follows:

1. The cumulative effect of changes in cost estimates is recognized as an expense in the current accounting period and the corresponding liability is adjusted. Pending system modernization, an alternative is to reverse the accumulation entry at the opening of the subsequent fiscal year. In this event, the entire revised estimated liability and related expense would be entered in the current reporting period. These accounting transactions are provided in Table 13-2. Additionally, the related cleanup cost for the current period shall be expensed and accrued as an environmental liability. Refer to subparagraph 130302.C for the appropriate accounting transactions.

* 2. The risk of material misstatement of accounting estimates normally varies with the complexity and subjectivity associated with the process, the availability and reliability of relevant data, the number and significance of assumptions made, and the degree of uncertainty associated with those assumptions. The DERP requires cleanup cost estimates to be single point estimates using the best available data. If a range is estimated for non-DERP environmental liabilities and an amount within the range is considered a better estimate than any other estimate, that amount should be recognized; however, if no amount within a range is considered a better estimate, then the minimum amount in the range should be recognized. Refer to subparagraph 130203.B for disclosure requirements of estimates that are based on uncertainty.

3. Material adjustments that are required to correct errors related to prior period operations shall be recognized as a prior period adjustment that restates the prior period comparative financial statements. Adjustments to correct errors typically result from mistakes, or the oversight or misuse of facts that would materially misstate the entities financial statements. This type of adjustment is reflected in the Statement of Changes in Net Position and omits the expense recognition in the period of implementation. The amounts involved shall be disclosed and to the extent possible, the amount associated with current and prior periods should be noted. Adjustments required for immaterial amounts are recognized as a current period event.

130202. Environmental Liability Disclosures

A. Financial statement disclosures provide pertinent information in notes or narratives about the amounts reported on the face of the financial statements. (Refer to Volume 6B, Chapter 10 for instructions on completing the financial statement notes.) The recognition of environmental liabilities requires the following disclosures associated with the cleanup, closure, and/or disposal cost estimates that must be addressed each reporting period within the financial statement note for environmental liabilities.

1. The sources (list applicable laws and regulations) of cleanup, closure, and/or disposal requirements.

2. The method for assigning estimated total cleanup, closure, and/or disposal costs to current operating periods (i.e., based on consumed useful life or physical capacity of the assets).

3. The unrecognized amounts of environmental liabilities for assets that require the systematic recognition of the total estimated cleanup, closure, and/or disposal costs.

The DoD Component should recognize the portion of the total cost that is attributed to the useful life of the asset that has expired since the asset was placed in service. The balance or the total estimated cleanup, closure and/or disposal cost is the unrecognized cost of the liability.

4. Material changes in the total estimated cleanup, closure and/or disposal costs due to changes in laws, technology, or plans.

5. Portion of the changes in estimated costs due to changes in laws, technology, or plans; and those changes related to prior periods.

6. The nature of estimates and the disclosure of information regarding possible changes due to inflation, deflation, technology, plans, or applicable laws and regulations.

7. A description of the type of environmental liabilities identified.

B. Environmental liability estimates that are based on an existing condition, situation, or set of circumstances involving uncertainty that is more likely than not to result in a future expenditure to an entity should be fully disclosed within the financial statement notes for environmental liabilities. Environmental liabilities that only have a remote probability or slight chance of occurring do not require disclosure in the general purpose financial statements and accompanying notes, but the law may require disclosure in special purpose reports.

C. Environmental liabilities not covered by budgetary resources should be disclosed in accordance with Volume 6B, Chapter 10. Liabilities not covered by budgetary resources are equal to the total liability minus the liabilities covered by budgetary resources. Environmental liabilities covered by budgetary resources are equal to the following:

1. Undelivered Orders Outstanding for current and prior years.

2. Unobligated appropriated balances available for execution.

3. Other resources authorized for specified purposes in a given year.

D. Documentation to support the environmental liability recognition and disclosures, including management reviews, shall be retained for the life of the liability. Once the liability has been eliminated, the documentation should be retained according to applicable retention and disposal instructions in accordance with Volume 1, Chapter 9.

130203. Environmental Liability Estimates

A. Environmental liabilities are generally developed based on accounting estimates, because the extent of the environmental cleanup, closure, and/or disposal costs cannot be determined until completing cleanup/disposal operations. The DoD Component's responsible program management function and accounting function shall work together to identify and support the environmental liability estimates and maintain audit records to support assumptions, methodologies, and internal controls used in developing the estimates. The responsible program

management function is accountable for generating the cost estimates; the accounting function is responsible for reviewing the cost estimates and ensuring the liability is recognized according to the guidance published in this chapter. Each estimate is based on subjective as well as objective factors. Accordingly, sound business judgment based on knowledge and experience about past and current events and assumptions is required. The accounting estimates are subject to audit standards of ***SAS Number 57/AU Section 342***, "Auditing Accounting Estimates." Organizations that prepare accounting estimates must retain adequate documentation of quality review, estimator and reviewer qualifications, data sources, estimating methodologies, accreditation including the parametric models, and internal control procedures. The process of establishing accounting estimates would normally consist of:

1. Identifying situations for which accounting estimates are required.

2. Identifying the relevant factors that may affect the accounting estimate.

3. Accumulating relevant, sufficient, and reliable data on which to base the estimate.

4. Developing assumptions that represent management's judgment of the most likely circumstances and events with respect to the relevant factors.

5. Determining the estimated amount based on the assumptions and other relevant factors.

6. Determining that the accounting estimate is presented in conformity with applicable accounting principles and that disclosure is adequate.

B. The environmental cleanup, closure, and/or disposal costs that are probable and reasonably estimable must be estimated based on site-specific information using engineering estimates, comparison with similar sites or equipment, or cost models validated in accordance with ***DoDI 5000.61***, "DoD Modeling and Simulation (M&S) Verification, Validation, and Accreditation (VV&A)." The reliability of the cost estimate will depend on the amount of site-specific information available, the extent of experience and resemblance with similar sites or assets, and availability of remediation technology. Once the DoD Component generates a cost estimate, the liability should be recognized in accordance with paragraph 130202 and any uncertainty disclosed in the notes to the financial statements.

1. Site-Specific Study. A cost estimate produced from a site-specific study is generally more reliable because it is based directly on environmental conditions at the site. Further, environmental personnel can evaluate the alternative cleanup, closure, and/or disposal actions identified through a site-specific study to develop engineering estimates and to identify the selected alternative.

2. Experience with Similar Site Conditions or Assets. If a site-specific study has not been completed, then the DoD Component should determine whether the site is

similar to other sites where experience has been gained based on the completion of a comprehensive study or actual remediation. If there is no investigation and/or comparable site data available, costs are not considered reasonably estimable. In this case, the DoD Component should recognize the anticipated costs of conducting future studies until they complete the site-specific study.

3. Availability of Cleanup Technology. If an acceptable cleanup technology is not available to address the site, then the DoD Component should recognize the estimate to contain the hazardous waste and other relevant costs, such as the costs for future studies. The DoD Component should also disclose the range of uncertainty in the notes to the financial statement.

C. Environmental liability estimates must be developed for each environmental site and should include all cleanup, closure, and/or disposal costs. Such cost estimates are calculated on a current cost basis and are based on a current plan, existing laws, and technology. Overhead management costs for environmental sites and equipment that cannot be attributed to specific sites and equipment should be added to environmental liability at a summary level. Environmental liability estimates should include the following cost elements, as applicable:

1. Compensation and benefits of government personnel expected to devote significant time directly to a disposal effort.

2. Cost of employing contractors, engineers, and consultants.

3. Disposal costs (includes demilitarization, material handling, transportation, storage, and tipping fees).

4. Cost of dedicated facilities, machinery, and equipment, and the related operating and maintenance costs.

5. Research and development costs for alternative remediation technologies.

6. Payments to regulatory agencies to provide technical support, e.g. document review of planned studies.

7. Efforts to tear down, remove, and dispose of the item(s), to include transportation, demilitarization, and dismantlement.

8. Planning and design efforts, to include contract advertisement and document reproduction.

9. Landscaping costs to replace landscaping elements damaged or destroyed by remediation efforts.

10. Permits, licenses, and approval to include State Historic Preservation Officer concurrence and documentation. Also included are screening costs of suitable property for the homeless, as established by ***42 USC 11411***.

11. Grants or payments to state, tribal, and local governments.

* D. Environmental liability estimates shall be reviewed annually and revised when there is evidence that significant changes in the cost measurement have occurred, such as changes in scope, ownership, regulation, or technology. In the event of a 10 percent or greater fluctuation in the liability line item from year to year, the nature of the change must be disclosed on the financial statement (see Volume 6B, Chapter 2 for additional information). This information should be obtained from of a summary of changes to the site-level estimates and corresponding reasons for change. At a minimum, long-term cost estimates shall be adjusted upward or downward annually, through indexing, to maintain them on a current cost basis as if acquired in the current period. Once the cost estimates are reviewed and adjusted, the estimated liability should be reduced by the expensed amounts that are paid to reflect the total remaining cleanup costs less any unrecognized portions of a systematically recognized cost estimate. Expenditures should be managed to the site-level to allow for comparison of prior estimates to subsequent results, in accordance with ***SAS Number 57/AU Section 342***, "Auditing Accounting Estimates."

E. A systematic recognition of the cost estimate is preferable based on the use of physical capacity. If physical capacity is not applicable or estimable, the estimated useful life based on the number of years may serve as the basis for the systematic recognition of expense and accumulation of a liability. A more thorough explanation of the term "useful life" is provided in Chapter 6. The current period estimate is equal to:

1. The total final estimated costs of the disposal or closure effort--

2. Divided by the total capacity---

3. Multiplied by the physical capacity used ---

4. Minus the amounts previously recognized as expense---

5. Equals the current period estimate.

F. Components shall maintain records of environmental sites and equipment that contribute to DoD environmental liabilities and reconcile them with PP&E records at least annually. The purpose of the reconciliation is to ensure that all of the Department's environmental liabilities are recognized and documented. The reconciliation may identify asset records that require recognition of an environmental liability or instances where there is no inventory record for assets with a recorded environmental liability. The DoD Components should use the following process to adequately reconcile to the PP&E records:

1. Real Property. The Real Property Inventory (RPI), maintained on behalf of DoD by the Military Departments, is the official DoD facility inventory. Any DoD

Component that maintains a database of real property-related data for its own purpose must reconcile with the official DoD RPI or establish an accurate functional crosswalk.

(a) Record in the real property records whether the real property associated with the record has been reviewed for environmental issues.

(b) Record the project number for each environmental cleanup, closure, and/or disposal project associated with the real property record.

(c) The responsible environmental program office maintains records of each project and associates it with the applicable real property records. This office also maintains a project file for each environmental project.

2. Equipment. To the extent that environmental liabilities associated with equipment disposals are reported in systems other than property systems, environmental liabilities should be reconciled to the accountable property records to ensure all assets are reviewed. Refer to ***DoDI 5000.64***, "Accountability and Management of DoD Equipment and Other Accountable Property" for additional information on accountable property records.

1303 ACCOUNTING PROCEDURES FOR RECORDING ENVIRONMENTAL LIABILITIES

This section illustrates the use of the applicable United States Standard General Ledger (USSGL) accounts for recording the proprietary and budgetary transactions for environmental liabilities.

130301. Estimated Cleanup Cost Liability (USSGL Account 2995)

A. This account represents the estimated amounts owed for projected future cleanup, closure, and/or disposal costs associated with:

1. Hazardous waste from property; or

2. Material and/or property consisting of hazardous waste at a permanent or temporary closure or shutdown of the associated property, plant, and equipment.

B. Subsidiary ledgers shall be established as necessary to meet external reporting requirements and to provide internal control over amounts owed.

130302. Environmental Liability Accounting Entries

The accounting entries depicted in Table 13-1 illustrate the entries that should be used to record transactions for environmental liabilities. The alternative accounting entries depicted in Table 13-2 illustrate the entries that can be used pending system modernization to the Department's business systems.

TABLE 13-1. ACCOUNTING ENTRIES FOR ACCOUNT USSGL 2995 - ESTIMATED CLEANUP COST LIABILITY

1. Dr 6800 Future Funded Expenses
   Cr 2995 Estimated Cleanup Cost Liability

Record the current period liability for cost to be funded in the future. This entry is also applicable for the systematically recognized portions of environmental liabilities.

2. Dr 2995 Estimated Cleanup Cost Liability
   Dr 6100 Operating Expenses/Program Costs
   Cr 2110 Accounts Payable
   Cr 6800 Future Funded Expenses

And

   Dr 4610 Allotments – Realized Resources
   Dr 4801 Undelivered Orders – Obligations, Unpaid
   Cr 4901 Delivered Orders – Obligations, Unpaid

And (if funded by a direct appropriation)

   Dr 3107 Unexpended Appropriations – Used
   Cr 5700 Expended Appropriations

Record previously estimated cleanup costs that are due and payable for receipt of goods or services that have not been paid.

3. Dr 2110 Accounts Payable
   Cr 1010 Fund Balance with Treasury

And

2. Dr 4901 Delivered Orders – Obligations, Unpaid
   Cr 4902 Delivered Orders – Obligations, Paid

Record payment.

2. Dr 3310 Cumulative Results of Operations
   Cr 6800 Future Funded Expenses
   Cr 6100 Operating Expenses/Program Costs

To record the closing of the expense accounts to cumulative results of operations.

TABLE 13-2. ALTERNATIVE ACCOUNTING ENTRIES FOR USSGL ACCOUNT 2995-ESTIMATED CLEANUP COST LIABILITY (PENDING SYSTEM MODERNIZATION)

1. Dr 6800 Future Funded Expenses
   Cr 2995 Estimated Cleanup Cost Liability

Record the current period liability for cost to be funded in the future. This entry is also applicable for the systematically recognized portions of environmental liabilities.

2. Dr 2995 Estimated Cleanup Cost Liability
   Cr 6800 Future Funded Expenses

Reverse accruals at the beginning of the next accounting period.

3. Dr 6800 Future Funded Expenses
   Cr 2995 Estimated Cleanup Cost Liability

Record the total current period revised estimated liability for cost to be funded in the future. This entry is also applicable for the systematically recognized portions of environmental liabilities.

4. Dr 6100 Operating Expenses/Program Costs
   Cr 2110 Accounts Payable

And

Dr 4610 Allotments – Realized Resources
Dr 4801 Undelivered Orders – Obligations, Unpaid
Cr 4901 Delivered Orders – Obligations, Unpaid

And (if funded by a direct appropriation)

Dr 3107 Unexpended Appropriations – Used
Cr 5700 Expended Appropriations

Record previously estimated cleanup costs that are due and payable for receipt of goods or services that have not been paid.

TABLE 13-2. ALTERNATIVE ACCOUNTING ENTRIES FOR USSGL ACCOUNT 2995-ESTIMATED CLEANUP COST LIABILITY (PENDING SYSTEM MODERNIZATION) (Continued)

5.	Dr	2110	Accounts Payable
	Cr	1010	Fund Balance with Treasury
			And
.	Dr	4901	Delivered Orders – Obligations, Unpaid
	Cr	4902	Delivered Orders – Obligations, Paid

Record payment.

6.	Dr	3310	Cumulative Results of Operations
	Cr	6800	Future Funded Expenses
	Cr	6100	Operating Expenses/Program Costs

To record the closing of the expense accounts to cumulative results of operations.

VOLUME 4, CHAPTER 14: "IMPROPER PAYMENTS"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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

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

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

The previous version dated October 2012 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
1401	Re-ordered General section to include Overview, Purpose, and Authority.	Revision
140101.C.	Added requirements for Office of the Director of National Intelligence (ODNI) agency reporting.	Addition
140103	Changed Public Law numbers to United States Code (USC).	Revision
140201	Revised paragraph defining improper payments.	Revision
140202	Revised High Dollar Improper Payment thresholds in accordance with M-15-02.	Revision
140203	Added sentence to address applicability of IPERIA and Office of Management and Budget (OMB) guidance to government charge cards and payments to Federal employees.	Addition
140205	Added new improper payment percentage and new language from 31 USC 3321.	Addition
140206	Added policy requirements for statistical sampling from revised M-15-02, Appendix C, OMB Circular A-123.	Addition
1403	Revised A&FP Directorate responsibilities and added designation as Comptroller's Executive Agent for improper payments.	Revision/ Addition
140401	Revised risk assessment policy to align with M-15-02, OMB Circular A-123 Appendix C.	Revision
140401.B.	Included information from previous subparagraph 140201.C. in this sub-paragraph for more logical placement.	Revision
140402	Revised to address statistical sample plan requirements of current OMB A-123 Appendix C guidance.	Revision
140403	Revised to address new payment review requirements of IPERIA.	Revision

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
140404	Added paragraph on reporting categories for improper payments.	Addition
140501	Changed submission dates.	Revision
140502	Changed wording to clarifying meaning.	Revision
140504.C.	Added wording to address ODNI agency requirements.	Addition
140505	Added paragraph to address Do No Pay (DNP) file matching requirement.	Addition
Table 14-1	Table changed to reflect improper payment categories as shown in OMB A-123 Appendix C and paragraph 140404.	Revision
Table 14-2	Deleted table.	Deletion
Table 14-3	Deleted table.	Deletion

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CHAPTER 14

IMPROPER PAYMENTS

*1401 GENERAL

140101. Overview

A. All DoD Components that entitle (process or compute) payments that are not currently measuring and reporting improper payments must conduct risk assessments (see section 1404) of their payment processes in order to identify areas susceptible to significant improper payments, and establish controls to mitigate risks. Components must conduct random post-payment reviews of a statistically valid sample of the population to estimate improper payments for the total population. The root causes of improper payments must be identified and corrective plans developed and monitored on a regular basis to ensure future improper payments will be reduced and eliminated and to hold senior officials accountable for implementation and oversight of these plans. Improper payment reduction targets must be established and reviewed annually, and are subject to approval by the Director/OMB. Components must report post-payment review results quarterly for High Dollar Overpayments (see subparagraph 140503.B. for details) and Travel Pay, and annually for all other programs to the Office of the Under Secretary of Defense (Comptroller) (OUSD(C)), Accounting & Finance Policy Directorate (A&FP). A&FP compiles the Department-wide results annually as part of DoD's Agency Financial Report (AFR).

B. This policy applies to all current payment systems and to all new payment systems as they come on line.

C. All DoD Intelligence Community (IC) agencies should follow the Office of the Director of National Intelligence (ODNI) National Intelligence Program (NIP) IPERA Guidelines and reporting requirements. These transactions are excluded from the public reporting requirements.

140102. Purpose

The purpose of this policy is to require quantification and estimation of improper payments for reporting purposes, to consolidate departmental reporting requirements, to identify and report high dollar overpayments, and to provide for further development and implementation of plans to identify, estimate, reduce and eliminate future improper payments.

140103. Authority

A. This chapter establishes the Department of Defense (DoD) authority for issuing policy for compliance with the Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA), ***31 United States Code (USC) 3321***, the Improper Payments Elimination and Recovery Act (IPERA) of 2010, ***31 USC 3301***, as well as

the Improper Payments Information Act (IPIA) of 2002 (31 USC 3321), and implementing guidance from the Office of Management and Budget (OMB) Circular A-123, Appendix C, Parts I, II, and III ***(M-15-02)***.

B. The reporting requirements' authority is derived from ***OMB Circular A-136***, which is normally reissued annually.

1402 DEFINITIONS

*140201. Improper Payment

A. An improper payment is any payment that should not have been made or that was made in an incorrect amount under statutory, contractual, administrative, or other legally applicable requirements. Incorrect amounts are overpayments or underpayments that are made to eligible recipients (including inappropriate denials of payment or service, any payment that does not account for credit for applicable discounts, payments that are for the incorrect amount, and duplicate payments). An improper payment also includes any payment that was made to an ineligible recipient or for an ineligible good or service, or payments for goods or services not received (except for such payments authorized by law). In addition, when an agency's review is unable to discern whether a payment was proper as a result of insufficient or lack of documentation, this payment must also be considered an improper payment.

B. The term "payment" in this chapter means any payment or transfer of Federal funds (including a commitment for future payment, such as cash, securities, loans, loan guarantees, and insurance subsidies) to any non-Federal person, non-Federal entity, or Federal employee, that is made by a Federal agency, a Federal contractor, a Federal grantee, or a governmental or other organization administering a Federal program or activity. The term "payment" includes Federal awards subject to the Single Audit Act Amendments of 1996 that are expended by both recipients and sub-recipients.

C. All erroneous payments are improper payments. The term "erroneous payment" is afforded the same meaning as "improper payment" within ***OMB Circular A-123, Appendix C***, which uses the terms interchangeably. However, this chapter does not use the terms interchangeably.

D. This chapter does not use the term "erroneous" payment interchangeably with improper payment because not all payments that are "improper" under the IPIA / IPERA / IPERIA are "erroneous" in the context of ***Title 31 United States Code 3528,*** also known as Certifying Officers Legislation (CoL). For example, a disbursing officer who makes a duplicate payment or a payment to the wrong payee has made both an "erroneous" and an improper payment. By law, such payments result in payee indebtedness to the United States Government, and thus should be recovered from the payee. As provided for in Volume 5, Chapter 6, disbursing and certifying officers potentially are financially liable for such payments if such erroneous payments are not recovered from the payee. In contrast, underpayments clearly are "improper" for IPIA / IPERA / IPERIA purposes, but such payments do not give rise to payee indebtedness or expose disbursing or certifying officers to financial liability; therefore,

such payments are not "erroneous" as that concept applies in the context of CoL, and as described in Volume 5. Similarly, inadequately documented payments are "improper" for purposes of IPIA, as amended by IPERA and IPERIA reporting but are not "erroneous." Reports and audits should avoid substituting the term "erroneous" payment for "improper" payment when describing DoD improper payments.

*140202. High Dollar Improper Overpayment

A high dollar overpayment can be made to an individual or to an entity. A high dollar overpayment is any overpayment that is in excess of 50 percent of the correct amount of the intended payment under the following circumstances:

A. Where the total payment to an individual exceeds $25,000 as a single payment or in cumulative payments for the quarter; or

B. Where the payment to an entity exceeds $100,000 as a single payment or in cumulative payments for the quarter.

*140203. DoD Improper Payment Reporting Program

DoD reports on nine programs to encompass most payment types. These programs are Military Pay, Civilian Pay, DoD Travel Pay, Military Retirement, Military Health Benefits, DFAS Commercial Pay, U.S. Army Corps of Engineers' (USACE) Travel Pay, USACE Commercial Pay, and Navy Enterprise Resource Program (ERP) Commercial Pay. Additional guidance for recovering overpayments from any of these nine programs is included in Volume 10, Chapter 22, "Payment Recapture Audits." With the enactment of IPERIA and the issuance of revised OMB guidance, Components are now required guidance to include government charge cards, as well as all payments to Federal employees, as part of their risk assessments.

140204. Entity

For this Chapter's purposes, an entity is a non-individual that owes an outstanding (not repaid and uncollected) improper payment. The term entity excludes an individual acting in either a personal or commercial capacity (that is, as a sole proprietor), and federal, state, and local government agencies; and,

*140205. Improper Payments Threshold

The IPERA mandates reporting programs with estimated annual improper payments that exceed both $10 million and 1.5 percent of program or activity payments made during the fiscal year being reported, or any program with $100 million (regardless of the improper payment percentage of total program outlays). In addition, OMB reserves the right to require agencies to report on programs not meeting the threshold criteria (typically, the exceptions are high visibility areas or programs with high dollar improper payments that remain below the percentage threshold). In addition, OUSD(C) requires quarterly reporting for the Travel Pay program to

facilitate Component implementation of stronger travel payment internal controls and recapture efforts.

*140206. Statistical Sampling

A. For complete, detailed statistical sampling requirements, see Appendix C, OMB Circular A-123, dated October 20, 2014. This guidance contains comprehensive steps to follow for process, estimation plans, certification, incorporating recommendations from external audit agencies, as well as full content requirements for compliant statistical sampling and estimation plans.

B. Each plan shall be prepared by a statistician (either an agency employee or a contractor.) Statistical sampling plans must have a minimum probability confidence level of 90 percent and sampling precision of plus or minus 2.5 percentage points to qualify for use in estimation of both the annual improper payments dollar amount and the number of improper payment transactions within each program population. An alternative probability confidence level of 95 percent and sampling precision of plus or minus 3 percentage points may be used, as this variation is also approved by OMB.

C. Each sampling plan shall be signed by a senior agency official certifying that the plan will yield a statistically valid estimate in accordance with OMB guidance.

D. Each Reporting Component must maintain supporting documentation to substantiate its improper payment estimates, to ensure that its results can be replicated by auditing entities.

E. Plans will be submitted to OMB for review; but note that OMB will not be issuing a formal approval to the agency for the plan. It is the agency's responsibility to produce a statistically valid methodology. The senior official's certification will serve as evidence that the agency believes the methodology is statistically sound. OMB may raise questions to an agency about its particular methodology, and the agency is required to answer OMB's concerns adequately.

*1403 A&FP'S ROLE/RESPONSBILITIES AS COMPTROLLER's EXECUTIVE AGENT

140301. Role

To facilitate compliance with OMB Circular A-123, Appendix C, the Deputy Chief Financial Officer, designated the A&FP Directorate as the Department's Executive Agency as part of the OUSD(C) oversight responsibility for the Department's Improper Payment reporting.

140302. Responsibilities

A. To review the Components' statistical sampling plans described in paragraph 140406 to ensure completeness, and to forward to OMB for review if substantive changes have been made.

B. To review the quarterly Travel Pay, to compile the quarterly High Dollar Improper Payment reports, and the annual AFR submissions by the reporting Components described in paragraph 1405 to ensure the reporting requirements are met.

C. To submit the quarterly High Dollar reports to OMB, the DoDIG and submit for posting to the Comptroller web site within 15 days following report completion.

D. To retain documentation submitted by the Reporting Components for the AFR, the quarterly high dollar reports, and all other reports as required.

E. To review, edit and consolidate the reporting Component level information into a summary level report for management review and for inclusion in the AFR, and to review Components' corrective action plans to ensure corrective actions are directly linked to the root causes of improper payments.

F. To prepare all Department-wide Improper Payments reports and related information for submission to OMB, publication in the AFR, and for other reporting requirements.

G. To review the quarterly milestones for corrective action plan progress via the Notice of Findings and Recommendations (NFR) or other tool that is implemented to manage this task.

H. To act as OUSD Comptroller liaison for external auditors such as the Government Accountability Office (GAO) and the DoDIG, to ensure all requested information is transmitted to the requesting auditor and/or submit responses to questions, recommendations, or other tasks.

I. To ensure that the DoD Financial Management Regulation chapters that cover improper payments and payment recapture audits are kept up to date as needed but not less often than every two years.

1404 REQUIREMENTS

*140401. Risk Assessment

A. Components are required to institute a systematic method of reviewing all programs to identify ones susceptible to significant improper payments. Significant improper payments are defined as gross annual improper payments (i.e., the total of overpayments and underpayments) in the program exceeding (1) both 1.5 percent of program outlays and $10,000,000 of all program or activity payments during the fiscal year reported; or (2) $100,000,000 regardless of the improper payment percentage of total program outlays. This systematic method could be a quantitative evaluation based on a statistical sample or a qualitative method (e.g., a risk assessment questionnaire).

B. Components should be mindful when reviewing programs for risk level to continuously be vigilant for instance of potential fraudulent payments or activities within the program under review. Any such instances must be reported to the DoD Inspector General (DoDIG) or the respective Military Service/Defense Agency Office of Inspector General for investigation.

C. At a minimum, Components shall take into account the following risk factors likely to contribute to improper payments, regardless of which method (quantitative or qualitative) is used:

1. Whether the program or activity is new to the Component;

2. The complexity of the program or activity, particularly with respect to the determining correct payment amounts;

3. The volume of annual payments made;

4. Whether payments or payment eligibility decisions are made outside of the Component, for example, by a state or local government, or a regional Federal office;

5. Recent major changes in program funding, authorities, practices, or procedures;

6. The level, experience, and quality of training for personnel responsible for making program eligibility determinations or for certifying that payments are accurate;

7. Inherent risks of improper payments due to the nature or Component programs or operations, such as contingency operations;

8. Significant deficiencies as noted in Component audit reports including, but not limited to, the Component Inspector General, the Government Accountability

Office (GAO), or other relevant management findings that might hinder accurate payment certification;

9. Results from prior improper payment work;

10. If potential fraudulent activity is discovered as part of the systematic review, other program review, or such activity is suspected for any reason, this information should be referred to the appropriate Office of Inspector General as soon as possible; and

11. Government charge card payments and payments to Federal employees are now to be considered as part of Component risk assessments if not already included.

D. When appropriate, Components may leverage other existing processes to help implement this systematic method. For example, if a Component chose to develop and implement an improper payment risk assessment questionnaire, the Component might consider leveraging another existing similar tool, such as an internal control questionnaire.

E. Component management internal control programs should include annual review of the payment computation processes in order to identify weaknesses in internal controls and determine where the potential for error is the greatest. For programs that have been determined to be susceptible to significant improper payments and that are already reporting an estimate-or in the process of establishing an estimate, the measurement and reporting process may replace the separate annual risk assessment. For programs that are deemed to be low risk of significant improper payments, Components must perform risk assessments at least once every three years. However, known or anticipated significant changes in processes or other risk factors may necessitate reestablishing or continuing the risk assessment process. Such activities must be reported to the OUSD(C), A&FP Directorate. Federal standards for internal control are provided in ***OMB Circular A-123, Management's Responsibility for Internal Controls, Appendix A***. Risk assessment methodology must be documented and retained.

F. Components are now required in accordance with IPERIA and OMB guidance to include government charge cards, as well as all payments to Federal employees as part of their risk assessments.

G. OMB may determine on a case-by-case basis that certain programs that do not meet the threshold requirements may still be subject to the annual AFR reporting requirement for improper payments.

*140402. Establish and Implement a Statistically Valid Sampling Plan

A. Develop a sampling plan and submit to the OUSD(C), A&FP by April 30th for use in the next fiscal year. Components must consult a statistician to ensure the validity of their sample design, sample size, and measurement methodology. Sampling plan revisions must also be submitted. The sampling methodology used must contain the elements, including tables, as outlined in Appendix C, OMB Circular A-123. Component sampling plans

must be signed by its SES accountable official indicating that the plan meets OMB guidance requirements. Note that if a Component choses to use an alternate sampling methodology, it must submit its request not later than March 31st (vice April 30th) to allow adequate time to submit to OMB for approval.

B. Components with a low volume of transactions may perform 100 percent review of all payments rather than perform random reviews. Document pre- and post-payment review process and submit to the OUSD(C), A&FP by June 30th for use in the next fiscal year.

C. Components may include their pre- and post-payment review processes in their standard operating or desk top procedures, and if included, these must be updated regularly to ensure applicability and currency.

*140403. Review

A. Review a statistically valid sample of pay accounts, vouchers, or claims for each program applicable to the Component that meets the significant improper payment threshold amount and/or outlay percentage. Identify the root causes of improper payments and develop corrective action plans to address the root causes of error. Estimate the amount of improper payments for the total population based on the sample results.

B. IPERIA explicitly prohibits use of self-reporting by recipients of agency payments when estimating improper payments.

C. IPERIA also requires OMB to instruct agencies to give persons or entities producing improper payment estimates access to all necessary payment data, including access to relevant documentation.

D. IPERIA requires agencies to include all improper payments identified in the sample in its annual estimate regardless of whether they have been or are being recovered.

*140404. Reporting Categories for Improper Payments.

A. Table 14-1 presents the required matrix to use when analyzing your improper payments for the root causes that led to the payment errors. The matrix contains two columns, A and B, and 13 categories (rows) based on the reason why the improper payment occurred. Each program shall distribute its total improper payment estimate (based on dollars, not number of occurrences) across the 25 cells in the matrix; please note that not every cell will apply to every program.

B. The amounts placed in the different cells must add up to the total estimates reported in the AFR. Only relevant cells should be completed and these amounts are not subject to the statistical rigor set forth in Section I.A.2., Step 2 of the OMB guidance. In cases where more than one cell might be suitable to any given improper payment category, the Component should determine which cell is most appropriate. For detailed definitions for the new categories, refer to OMB Circular A-123, Appendix C, Section C, Categories for Reporting Improper

Payments. Please note that improper payments resulting from fraud should be reported in the "Other" row, unless they are already reported through a mechanism outside of the annual improper payment process.

C. As part of its review of root causes of improper payments, or while analyzing areas for supplemental measures and targets, Components should be mindful of maintaining a focus on any possible fraudulent activity within the program. Fraudulent payments adversely impact agency outlays, and may be an area that could be better prevented through improved pre-payment reviews or additional safeguards.

1405 REPORTING

*140501. Annual Reporting

A. All reporting Components must report improper payment data annually to OUSD(C), A&FP Directorate for all programs cited in paragraph 140203. A&FP will report the results at Department-wide level in the DoD AFR. In order to meet the AFR reporting schedule, fiscal year-end reporting is accelerated. Component draft annual reports (both written and data portions) must be submitted by the 10th business day in October. Component final reports are due not later than close of business on the final business day of October each year.

B. Annual submissions will be based on disbursements in the fiscal year reported. To facilitate the accelerated reporting schedule for the AFR, fourth quarter data may be estimated based on performance in the first, second, and third quarters. Alternatively, the fourth quarter data from the prior year may be substituted, resulting in a one-quarter lag for annual reporting. Either estimation must be disclosed in the narrative section of the submission. The reporting period cannot extend beyond the previous fiscal year. All annual reporting must encompass 4 quarters or 12-months'reporting. Any reporting that is not for a full year must be approved by the Deputy Chief Financial Officer (DCFO) a minimum of 180 days before fiscal year end.

C. For consistency, Components must use the same time period for subsequent reporting years, unless a different time period is proposed by the Component, and approved by the DCFO and subsequently, by OMB.

D. The required format is described in OMB Circular A-136, Section II.5.8 IPIA/IPERA/IPERIA Reporting Details, which OMB updates annually. Components' submissions must follow the exact format prescribed in this Circular.

E. Changes in points of contacts for all reporting Components must be reported to the, OUSD(C) within 10 days of occurrence.

*140502. Annual Reduction Targets

A. All DoD Reporting Components are required to submit out-year reduction targets as part of their annual AFR submission. Refer to Table 1 in OMB Circular A-126, Section II.5.8, to review how and where the out-year targets are shown in the AFR.

B. Improper payment reduction targets for the out-years are due annually in the Reporting Component's AFR Improper Payment reporting submission.

1. Provide the outlays, percentages, and dollars; for prior year (PY), current year (CY), and three out-years (CY +1, CY + 2, and CY + 3) by program. Provide actual data for prior year; estimate data for the remainder of the current year which will be incomplete at the time reduction targets are required; and estimate data for the out-years.

2. The out-years total payment estimates must match the outlay estimates in the most recent President's Budget. These reduction targets must be approved by OMB. The required format is described in OMB Circular A-136, Section II, Other Accompanying Information, IPIA/IPERA/IPERIA Reporting Details.

C. DoD Intelligence Community Components will follow the ODNI Fiscal Year Financial Reporting Guidance for Do Not Pay reporting requirements.

140503. Quarterly Reporting

A. Travel Pay

1. In addition to the annual report, all Components that compute travel pay entitlements are required to review and report improper payment data quarterly. The report is cumulative and sorted by quarter. The required data and reporting format for Travel Pay is the same as the annual reporting format. Therefore, the fourth quarter travel report will satisfy the annual requirement.

2. First, second, and third quarter Travel Pay reports are due on the 15th business day after the end of each quarter, unless otherwise notified by A&FP. The fourth quarter travel report must be submitted by the 10th business day in October, unless otherwise notified to meet the AFR reporting schedule.

3. The Defense Finance and Accounting Service (DFAS) is responsible for review and reporting improper payment data for entitlements computed by DTS and the Integrated Automated Travel System for Windows (WinIATS) for the Department of the Army. Other DoD Components are required to review and report all improper payment data for travel pay entitlements computed outside of DTS and Army WinIATS, regardless of whether DFAS is the disbursing entity.

B. High Dollar Overpayments to Individuals and Entities

1. All Components that process payments must identify high dollar overpayments to individuals and entities on a quarterly basis, and report them using the same process as used for annual AFR reporting as described in subparagraph 140501.A. The definition of a high dollar overpayment is contained in paragraph 140202.

2. The various methods that may be used for identifying high dollar overpayments are described in detail in OMB Circular A-123, Appendix C, Part III, include, but are not limited to:

a. Statistical samples conducted under IPIA/IPERA/IPERIA;

b. Component post-payment reviews;

c. Payment recapture (recovery) audits;

d. Component IG reviews;

e. Self-reporting;

f. Reports from the public through internet or telephone hotlines; and

g. Reports from any other source, such as completed investigations, audits, or management reports.

3. When reporting high dollar overpayments, Components are to include:

a. Name of entity, if applicable;

b. City and state of record, or foreign country;

c. Dollar amount of overpayment;

d. Amount recaptured as of the date of the report; and

e. Reason for the overpayment and corrective action taken.

4. Components must fully disclose the depth and breadth of their reviews, including areas that were not reviewed. For these latter areas, justification must be included as to why they were not included in the quarterly review.

*140504. Do Not Pay (DNP) File Matching Requirement

A. In accordance with Public Law 112-248, the Improper Payment Elimination and Recovery Improvement Act of 2012 (IPERIA), all disbursing Components are required to transmit payment files for matching to the DNP portal, or to review them in a prepayment status.

B. Transaction matches, or "hits," that are identified by the disbursing component or to the disbursing Component from the DNP portal, are to be researched timely (not less than weekly) to preclude disbursement, if appropriate.

C. In many cases, commercial payments are not precluded from disbursement as goods have been received or services performed. However, this may not be the case when a "hit" is received based on a file match with the Office of Financial Asset Control. In any event, the information received from the DNP Portal is to be provided to the appropriate office (disbursement or contracting) to inform both current and future decision-making in these cases.

D. Not all hits are conclusive; therefore, if the Component continues to receive probable or potential hits that are not improper payments, the Component must request the DNP Relationship Manager to "white board" these payments to preclude having to re-review for no reason. At that point, only conclusive hits should be reviewed, and, only Components utilizing Treasury's Payment Application Modernization (PAM) file format are required to review non-conclusive file matches on a continuing basis.

E. Components must report their DNP data as shown in Table 6, in Section II.5.8, OMB Circular A-136, (included herein as Table 14-1) as part of the AFR.

*Table 14-1 Matrix of Improper Payment Categories ($ in millions)

Reason for Improper Payment	A Overpayments	B Underpayments	
Program Design or Structural Issue			1
Inability to Authenticate Eligibility			2
Failure to verify: Death Data			3
Financial Data			4
Excluded Party Data			5
Prisoner Data			6
Other Eligibility Data			7
(Must explain if Other)			
Administrative or Process Error Made by:			
Federal Agency			8
State or Local Agency			9
Other Party			10
(Must explain if Other)			
Medical Necessity			11
Insufficient Documentation to Determine		Not Applicable	12
Other Reason (must explain)			13

Columns A and B include two categories based on the type of improper payment, and rows 1 through 13 include the categories based on the reason why the improper payment was made The matrix has a total of 25 cells (i.e., coordinates AI through B13, where B12 is not to be used, as indicated by the 'X' in cell 25, B12 in the matrix). Each program shall distribute its total improper payment estimate (which is based on dollars, as opposed to number of occurrences) across the 25 cells in the matrix-with the understanding, of course, that not every cell will apply to every program. Please see OMB Circular A-123 Appendix C Part 1.C.1, page 26, for more detailed information related to completing the matrix.

VOLUME 4, CHAPTER 15: "NET POSITION"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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

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

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

The previous version dated January 2012 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated general ledger account references in agreement with the United States Standard General Ledger (USSGL) expansion to six digit account format.	Revision
1501	Revised section according to the Department of Defense Financial Management Regulation Standard Operating Procedures to include an Authoritative Guidance paragraph.	Revision
150202	Removed reference to Earmarked Funds and replaced with Funds from Dedicated Collections per Statement of Federal Financial Standards (SFFAS) 43, "Dedicated Collections: Amending SFFAS 27, Identifying and Reporting Earmarked Funds."	Revision
150205	Added USSGL account 310500 to listing of accounts in the 310000 series and renumbered subsequent subparagraphs.	Addition
150401	Changed reference from Earmarked Funds to Funds from Dedicated Collections and added reference to SFFAS 43.	Revision
150402	Changed reference from Earmarked Funds to Funds from Dedicated Collections and added reference to SFFAS 43.	Revision
1505	Updated account names to current USSGL account titles and revised reference from the USSGL to the Standard Financial Information Structure (SFIS) Transaction Library.	Revision

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CHAPTER 15

NET POSITION

1501 GENERAL

*150101. Overview

Net Position or its equivalent, Net Assets, is the arithmetic difference between the total assets and total liabilities recognized in the Federal Government's or a component entity's Balance Sheet. Net Position may be positive (assets greater than liabilities) or negative (assets less than liabilities). Net Position accounts represent the net investment of the United States (U.S.) Government in the Department of Defense (DoD) or to the reporting entities of the DoD. As such, for the DoD agency-wide statements, it includes all operations of DoD activities, including General Funds, Working Capital Funds, and Special and Trust funds. The general policy to account for the Net Position of the U.S. Government in DoD is contained in this chapter. Posting entries for the Net Position accounts can be found at Standard Financial Information Structure ***(SFIS)*** Transaction Library.

*150102. Purpose

This chapter provides descriptions of the United States Standard General Ledger (USSGL) accounts that comprise Net Position on the Balance Sheet and the Statement of Changes in Net Position financial statements. It also outlines the reporting of prior period adjustments on the financial statements.

*150103. Authoritative Guidance

Guidance for this chapter is primarily located in the Treasury Financial Manual (TFM) issued annually by the USSGL Board found on the ***USSGL*** website. Guidance for reporting of prior year adjustments is also found in the Office of Management and Budget ***(OMB) Circular A-136***, "Financial Reporting Requirements."

1502 STANDARD GENERAL LEDGER ACCOUNTS FOR NET POSITION

150201. Unexpended Appropriations – Cumulative, Account Number 310000

This account reports the amount of unexpended appropriations after fiscal year end closing. The balance in this account remains the same during the fiscal year. Activity to increase or decrease unexpended appropriations is reflected in other USSGL accounts in the 310000 series. At year end, the nominal USSGL accounts in the 310000 series are closed to this USSGL account, including Special and Trust funds that receive appropriations from the General Fund of the Treasury. See SFIS (Transactions F300.XXX-F499.XXX) for year end closing entries**.** USSGL transaction F342.XXX must be used to record the closing of fiscal year activity

to unexpended appropriations. During the fiscal year, the net of debit and credit balances in the 310000 series accounts reflects the total remaining balance of unused appropriations. Special and Trust funds that receive appropriations from the General Fund of the Treasury are to use this account.

150202. Unexpended Appropriations – Appropriations Received, Account Number 310100

This account reports the amount of new appropriations received during the fiscal year. Special and Trust funds do not use this USSGL account to record Funds from Dedicated Collections. However, Special and Trust funds that receive appropriations from the General Fund of the Treasury are to use this account.

150203. Unexpended Appropriations - Transfers-In, Account Number 310200

This account reports the amount of unexpended appropriations, from current or prior years, transferred in during the fiscal year. Special and Trust funds that receive appropriations from the General Fund of the Treasury are to use this account for transfers of unexpended appropriations.

150204. Unexpended Appropriations - Transfers-Out, Account Number 310300

This account reports the amount of unexpended appropriations, from current or prior years, transferred out during the fiscal year. Special and Trust funds that receive appropriations from the General Fund of the Treasury are to use this account for transfers of unexpended appropriations.

*150205. Unexpended Appropriations - Prior Period Adjustments Due to Corrections of Errors - Years Preceding the Prior Year, Account Number 310500

This account reports the amount of net increase or decrease to unexpended appropriations due to errors in years preceding the prior year's financial statements that resulted from misuse of facts that existed at the time the financial statements were prepared. This account is only to be used when comparative financial statements are being presented. Although the normal balance for this account is debit, it is acceptable in certain instances for this account to have a credit balance.

150206. Unexpended Appropriations – Adjustments, Account Number 310600

This account reports the amount of adjustments during the fiscal year to unexpended appropriations from current or prior years. Examples of adjustments include rescissions, capital transfers, and cancellation of expired appropriations. Although the normal balance for this account is credit, it is acceptable in certain instances for this account to have a debit balance.

150207. Unexpended Appropriations – Used, Account Number 310700

This account reports the amount of reduction during the fiscal year to unexpended appropriations from current or prior years that is paired with USSGL account 570000, "Expended Appropriations," when goods and services are received or benefits provided. Special and Trust funds that receive appropriations from the General Fund of the Treasury are to use this account.

150208. Unexpended Appropriations - Prior-Period Adjustments Due to Corrections of Errors, Account Number 310800

This account reports the amount of net increase or decrease to unexpended appropriations due to errors in prior period financial statements that resulted from mathematical mistakes, mistakes in the application of accounting principles, or oversight or misuse of facts that existed at the time the financial statements were prepared. (See SFIS account transaction D-304.001, in the SFIS Transaction Library.) Although the normal balance for this account is debit, it is acceptable in certain instances for this account to have a credit balance.

150209. Unexpended Appropriations - Prior-Period Adjustments Due to Changes in Accounting Principles, Account Number 310900

This account reports the amount of net increase or decrease to unexpended appropriations from a prior period due to a change from one generally accepted accounting principle to another one that can be justified as preferable or the adoption of a new Federal Accounting Standards Advisory Board (FASAB) standard. (See SFIS account transaction D-302.001, in the SFIS Transaction Library.) Although the normal balance for this account is debit, it is acceptable in certain instances for this account to have a credit balance.

150210. Cumulative Results of Operations, Account Number 331000

This account reports the net difference since the inception of the activity between (1) expenses and losses, and (2) financing sources including appropriations, revenues, and gains. Although the normal balance for this account is credit, it is acceptable in certain instances for this account to have a debit balance. The account is increased by revenues and the value of assets transferred in and reduced by expenses requiring current resources, expenses not requiring current resources, expenses recorded that are not currently funded and transfers out.

1503 ACCOUNTING POLICY FOR NET POSITION

150301. Activities Financed By Appropriations

Activities whose operations are financed by appropriations must show the results of their operations as reductions to the Unexpended Appropriations account on a transaction basis and as changes in the Cumulative Results of Operations account with respect to the equity effect of

transactions. The Unexpended Appropriations account is increased for the receipt of appropriations or other appropriation like resources and reduced for amounts expended for assets or operating expenses, and any appropriation withdrawals.

150302. Activities Financed by Revenues

Activities whose operations are financed by revenues, generally defined as exchange revenue, must have their results of operations reflected as increases or decreases to the Cumulative Results of Operations account, which will include transfers in of assets, which are recognized as financing sources. Appropriations received for a specific funding purpose will be accounted for in the Unexpended Appropriations account until used as a financing source.

1504 RECOGNITION IN FINANCIAL STATEMENTS

The Components entity's Net Position are Unexpended Appropriations and Cumulative Results of Operations and each must be shown in the consolidated Balance Sheet and Statement of Changes in Net Position. See Volume 6B, "Form and Content of DoD Audited Financial Statements."

*150401. Unexpended Appropriations

This amount includes the portion of the entity's appropriations represented by undelivered orders and unobligated balances. Unexpended appropriations attributable to Funds from Dedicated Collections, if material, must be shown separately on the face of the Balance Sheet and Statement of Changes in Net Position. See Statement of Federal Financial Accounting Standards (***SFFAS) 27***, "Identifying and Reporting Earmarked Funds," SFFAS 43, "Funds from Dedicated Collections: Amending Statement of Federal Financial Accounting Standards 27, Identifying and Reporting Earmarked Funds", and OMB Circular A-136.

*150402. Cumulative Results of Operations

This amount represents the net results of operations since inception plus the cumulative amount of prior period adjustments. This includes the cumulative amount of donations and transfers of assets in and out without reimbursement. Cumulative results of operations attributable to Funds from Dedicated Collections, if material, must be shown separately on the face of the Balance Sheet, in accordance with the provisions of SFFAS 27, SFFAS 43, and OMB Circular A-136.

*1505 ACCOUNTING FOR NET POSITION

Transactions affecting net position frequently require a compound entry; that is, entries must be made in both the proprietary (asset, liability, revenue, expense, and equity) and the budgetary accounts. Entries to the proprietary accounts normally require compound entries to budgetary accounts in the 400000 series of accounts. See SFIS Transaction Library for the listing of the transaction postings to the 300000 series accounts. Entries that affect direct program Undelivered and Delivered Orders, Paid and Unpaid must also include postings to Appropriations Used and Unexpended Appropriations.

1506 CORRECTION OF AN ERROR OR A CHANGE IN ACCOUNTING PRINCIPLE

150601. Errors in Financial Statements

Errors in financial statements result from mathematical mistakes, mistakes in the application of accounting principles, or oversight or misuse of facts that existed at the time the financial statements were prepared. When errors are discovered after the issuance of financial statements, and if the financial statements would be materially misstated absent correction of the errors, corrections should be made as follows:

A. If only the current period statements are presented, then the cumulative effect of correcting the error should be reported as a prior period adjustment. The adjustment should be made to the beginning balance of cumulative results of operations, in the Statement of Changes in Net Position.

B. If comparative financial statements are presented an error should be corrected in the earliest effected period presented by correcting any individual amounts on the financial statements. If the earliest period presented is not the period in which the error occurred and the cumulative effect is attributable to prior periods, then the cumulative effect should be reported as a prior period adjustment. The adjustment should be made to the beginning balance of cumulative results of operations, in the Statement of Changes in Net Position for the earliest period presented.

C. The nature of an error in previously issued financial statements and the effect of its correction on relevant balances should be disclosed. Financial statements of subsequent periods need not repeat the disclosures.

D. Prior period financial statements should only be restated for corrections of errors that would have caused any statements presented to be materially misstated. See SFFAS 21, "Reporting Correction of Errors and Changes in Accounting Principles" for additional guidance.

150602. Changes in Accounting Principles

A change in accounting principle is a change from one generally accepted accounting principle to another one that can be justified as preferable. Changes in accounting principles also include those occasioned by the adoption of new federal financial accounting standards. Unless otherwise specified in the transition instructions section of a new FASAB standard, for all changes in accounting principles that would have resulted in a change to prior period financial statements:

A. The cumulative effect of the change on prior periods should be reported as a "change in accounting principle." The adjustment should be made to the beginning balance of cumulative results of operations in the Statement of Changes in Net Position for the period that the change is made.

B. Prior period financial statements presented for comparative purposes should be presented as previously reported.

C. The nature of the changes in accounting principle and its effect on relevant balances should be disclosed in the current period. Financial statements of subsequent periods need not repeat the disclosure. See SFFAS 21 for additional guidance.

VOLUME 4, CHAPTER 16: "REVENUE, OTHER FINANCING SOURCES, GAINS AND LOSSES"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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

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

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

The previous version dated March 2012 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
1601	Revised "General" section to comply with the Department of Defense (DoD) Financial Management Regulation Revision Standard Operating Procedures dated June 2015.	Revision
160202.D	Added clarification that Nonappropriated Fund Activities are non-federal activities.	Addition
160203.C.6	Added clarification that Nonappropriated Fund Activities are non-federal activities.	Addition
160302	Added "Fund Balance with Treasury Under a Continuing Resolution" as an account to be used before an apportionment is warranted.	Addition
160305	Added recognition of multi-use heritage assets at fair market value.	Revision
160306	Added the reclassification of excess, obsolete, or unserviceable inventory will usually result in a loss.	Addition
160401	Updated revenue recognition policy to agree with DoD Manual 4140.01.	Addition
160402.A & C.	Added caveat that customer orders from non-federal entities do not become budgetary resources until collected.	Addition
16402.B & D.	Added caveat that general ledger accounts 510900 and 520900 are not to be used for credit losses.	Addition
160403. F	Added Administrative Fee Revenue to nonexchange revenue accounts.	Addition
160404	Revised definition of Other Financing Sources to correspond with that in Statement of Federal Accounting Standards 7, "Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting."	Revision

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CHAPTER 16

REVENUE AND OTHER FINANCING SOURCES, GAINS, AND LOSSES

*1601 GENERAL

160101. Purpose

This chapter describes the accounting principles and concepts that the Department of Defense (DoD) Components must follow to account for revenues, other financing sources, gains, and losses. Expenses are discussed in Chapter 17. Losses are discussed in both this chapter and Chapter 17 because the same type of transaction sometimes results in a gain and at other times a loss, e.g., disposition of real property at a price above or below the book value. The "Table of Transactions" in Appendix A assists in classifying exchange and nonexchange revenues, other financing sources, and gains and losses. Also see Volume 6B for information about how to report revenue on the financial statements.

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160102. Authoritative Guidance

The authoritative source for accounting guidance on Revenue and Other Financing Sources is ***Statement of Federal Financial Accounting Standards (SFFAS) 7,*** "Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting." Additional guidance is promulgated by the Department of the Treasury (Treasury) on the ***United States Standard General Ledger (USSGL)*** website. USSGL information is adapted for the DoD in the ***Standard Financial Information Structure (SFIS)*** DoD Standard Chart of Accounts and Transaction Library.

1602 REVENUE

160201. Sources of Revenue

Within the DoD, revenues are amounts earned as a result of normal operations while gains or losses relate to other transactions. Revenues result from the sale of, or reimbursement for, goods and services provided to DoD activities, other Federal Government agencies and the public. Revenue is an inflow of resources that results in an increase of assets, a decrease in liabilities (or a combination of both), and an increase in Net Position during a reporting period. Decreases in Liabilities for Advances and Prepayment after delivery of goods or services are examples of how decreases in liabilities impact revenue.

A. The distinction between revenues and gains or losses is whether the transaction is usual or recurring. Revenues are recorded at gross amount while gains are shown net of related costs.

B. Revenue comes from two sources: exchange transactions and nonexchange transactions.

C. Exchange revenues must be recognized when something of value is provided to another government entity or to the public.

D. Exchange revenue must be posted at the actual price that is received or receivable under the established pricing arrangement.

E. Nonexchange revenues are inflows of resources that the government demands or receives by donation.

F. Refunds received are recoveries of overpayments and, as such, are not revenue. Refunds can result from errors in paying invoices or items returned to vendor.

160202. Special Revenue Situations

A. When appropriated funds are used to furnish goods and services on a reimbursable basis, the appropriated fund must have specific legal authority to retain the collections. Otherwise, the funds collected must be transferred to a miscellaneous receipt account. The expenses incurred in providing the goods or service must be recorded in the appropriate expense accounts and must not be reduced, even though the collection is deposited to miscellaneous receipts. See Volume 11A, Chapter 1 for additional information about reimbursements.

B. Revenue must be recorded in the financial records, collected promptly, and deposited in the appropriate Treasury account. Amounts received in advance of performance, however, must be accounted for as Liability for Advances and Prepayments until performance is accomplished in accordance with Chapter 12.

C. When revenues are generated by providing goods and services, the cost of the goods and services provided must be recorded as a cost of goods sold. Use of the cost of goods sold account is discussed in Chapter 17.

* D. Revenues from Nonappropriated Funds Activities must be accounted for in accordance with Volume 13, Chapter 5. Nonappropriated Fund Activities are not included in federal financial statements and are considered as non-federal activities for budgetary and proprietary accounting purposes. They follow accounting standards promulgated by the Financial Accounting Standards Board rather than Federal Accounting Standards Advisory Board.

160203. Exchange Revenue

A. Exchange revenues are inflows of resources to a governmental entity that the entity has earned. They arise from transactions that occur when each party to the transaction sacrifices value and receives value in return. Exchange revenue includes most user charges other than taxes. Exchange transactions also include those intragovernmental transactions where the price serves as a full or partial reimbursement for the costs incurred.

B. Revenue from exchange transactions must be recognized at the time goods or services are provided to the public or another government entity for a price.

C. Revenue from specific types of exchange transactions must be recognized as follows:

1. When services are provided to the public or another government entity (except for specific services performed to order under a contract), revenue must be recognized when the services are performed.

2. When goods are made to order under a contract (either short or long term), or specific services are performed under a contract (either short or long term), revenue must be recognized monthly in proportion to estimated total cost when goods and services are acquired to fulfill the contract. The amount of revenue to recognize is based on the ratio of the costs incurred to date to the total estimated costs of completing the contract. If a loss is probable (more likely than not), revenue must continue to be recognized in proportion to the estimated total cost and costs must continue to be recognized when goods and services are acquired to fulfill the contract. Thus, the loss must be recognized in proportion to total cost over the life of the contract.

3. When goods are kept in inventory and are available for sale to customers when ordered, revenue must be recognized when the goods are issued to the customer.

4. When services are rendered continuously over time or the right to use an asset extends continuously over time, such as the use of borrowed money or the rental space in a building, the revenue must be recognized in proportion to the passage of time or the use of the asset.

5. When an asset other than inventory is sold, any gain (or loss) must be recognized when the asset is delivered to the purchaser.

* 6. Revenue received from Nonappropriated funds is accounted for as non-federal revenue from transactions with the public. Nonappropriated funds are not included in federal financial statements.

D. The source of balances for some trust funds and special funds may not be predominantly nonexchange revenue, and the source of balances for working capital funds and trust revolving funds may not be predominantly exchange revenue. For example, the main source of balances for two major trust funds, the Civil Service Retirement and Disability Fund and the DoD Military Retirement Trust Fund, consists of exchange revenue and other financing sources. In such exceptional cases, the interest must be classified in the same way as the predominant source of funds, as exchange revenue. See SFFAS 7, paragraphs 154-160 for more information.

160204. Nonexchange Revenue

A. Nonexchange revenues include income taxes, excise taxes, duties, fines, penalties, and other inflows of resources arising from the Government's power to demand payments, as well as voluntary donations. Nonexchange revenue must be recognized when a reporting entity establishes a specifically identifiable, legally enforceable claim to cash or other assets. It is recognized to the extent that the collection is probable (i.e., more likely than not) and the amount is measurable (i.e., reasonably estimable).

B. Nonexchange revenue should be measured by the collecting entities, but should be recognized by the entities legally entitled to the revenue (the recipient entities). SFFAS 7, paragraphs 48 through 63 describe the application of this general standard.

1603 OTHER FINANCING SOURCES

160301. Other Financing Sources

The term "revenue" does not encompass all financing sources of government reporting entities, such as most of the appropriations they receive. These other financing sources do, however, provide resource inflows to government reporting entities, although not to the government as a whole. Other sources of financing include appropriations used, transfers of assets from other government entities, and imputed financing with respect to any cost subsidies.

*160302. Appropriations

Until used, appropriations are not a financing source. They must be recognized in capital as "unexpended appropriations" (and among assets as "Fund Balance with Treasury" or "Fund Balance with Treasury Under a Continuing Resolution") when made available for apportionment, even if a Treasury Warrant has not yet been received, or the amount has not been fully apportioned. Unexpended appropriations must be reduced for appropriations used and adjusted for other changes in budgetary resources, such as certain types of rescissions and transfers. The net increase or decrease in unexpended appropriations for the period must be recognized as a change in net position of the entity. When used, appropriations must be recognized as a financing source in determining net results of operations. Appropriations are used in operations when goods and services are received or benefits and grants are provided. Goods and services (including amounts capitalized) are considered received when a liability is established. Benefits are considered to be provided when the related liability is established. Grants are considered to be provided when grantees meet the requirements that allow them to use the grant funds.

160303. Imputed Financing

Government entities often receive goods and services from other government entities without reimbursing the providing entity for all the related costs. In addition, government entities often incur costs such as pensions, which are paid in total or in part by other entities. These goods and services constitute subsidized costs to be recognized by the receiving entity to

the extent required by other accounting standards. An imputed financing source must be recognized equal to the imputed cost. This offsets any effect of imputed cost on net results of operations for the period. Within the DoD, imputed costs can include military personnel costs, pensions, other retirement benefits, other postemployment benefits, costs unreimbursed by tenants of real property, and environmental cleanup costs not reimbursed to the entity administering the fund when the administering fund is outside the DoD reporting entity.

160304. Transfers

An intragovernmental transfer of cash or of a capitalized asset without reimbursement changes the resources available to both the receiving entity and the transferring entity. The receiving entity must recognize a transfer-in as an additional financing source in its result of operations for the period. Similarly, the transferring entity must recognize the transfer-out as a decrease in its result of operations. The value recorded must be the transferring entity's book value of the asset. If the receiving entity does not know the book value, the asset must be recorded at its estimated fair market value as of the date of transfer. See Appendix A for more information on property, plant, and equipment (PP&E) transfers.

*160305. Donations

Donations are contributions to the government, i.e., voluntary gifts of resources to a government entity by a non-federal entity. Donations may be financial resources, such as cash or securities, or non-financial resources such as land or buildings. Revenue arising from donations must be recognized for those inflows of resources that meet recognition criteria for assets and must be measured at the estimated fair market value of the contribution. In cases of the donation of assets classified as heritage assets or stewardship land, no amount is recognized because such PP&E would have been expensed when purchased. Multi-use heritage assets should be recognized at fair market value, similar to general PP&E. See Chapter 6 and Appendix A for additional information about real property donations and PP&E.

*160306. Gains or Losses

When a transaction occurs with the public or another government entity for a price which is unusual or nonrecurring, a gain or loss must be recognized rather than revenue or expense so as to differentiate such transactions. Gains or losses result from the sale, exchange, trade or disposition of government assets, with the exception of inventory held for sale. The reclassification of excess, obsolete, or unserviceable inventory will generally result in a loss when revalued because the value is now less than the acquisition or moving average cost of the item. The amount of revaluation is recognized as a loss or gain in determining the net cost of operations. As a rule, any difference between the sales proceeds at more or less than the book value of an asset is recognized as a gain or loss when the asset is sold. This general rule applies to the sale of PP&E, receivables, investments, and other assets where the selling entity is entitled to retain the proceeds of the sale. In addition, the distinction between revenues and gains or losses is a matter of classification in the general ledger accounts and their presentation in financial statements. Revenues are commonly reported at their gross amount while gains or losses are shown net of related book value.

1604 ACCOUNTING FOR REVENUES, OTHER FINANCING SOURCES, DONATIONS, TRANSFERS, AND GAINS AND LOSSES

160401. Transaction Library

The DoD SFIS Transaction Library is the transaction library for recording business events for revenue and other financing sources within the DoD. Also see Volume 1, Chapter 7. Additional information about how to classify transactions is available in SFFAS 7 and Appendix A. The following series of accounts are the primary USSGL accounts used to record revenue, other financing sources transaction, donations, transfers, and gains and losses. Specific account definitions for all USSGL accounts and subaccounts are included in the DoD Standard Chart of Accounts.

*160402. Exchange Revenue Accounts

A. Revenue From Goods Sold (510000). Use this account to record exchange revenue earned from the sale of purchased or finished goods processed for sale or use under a program of trading or manufacturing. When goods are kept in inventory so that they are available to customers when ordered, revenue must be recognized in the same accounting period that the goods are delivered to the customer, or in the case of Defense Working Capital Fund (DWCF) when the ordered goods are placed into an in-transit status, (consistent with Fee On Board Shipping Point revenue recognition). Performers (DoD activities providing goods and/or services at cost) include the DWCF activities, working capital funds within the Military Departments, working capital funds within the "Other Defense Organizations," and construction agents, such as the United States (U.S.) Army Corps of Engineers. Customers include any DoD Component, organization, office or other element; non-DoD Federal Government agencies; others officially representing the Federal Government; and members of the public (as specified by law). Federal customer orders (funded requests for goods and services) provide budgetary resources to finance reimbursable operations; consequently, customer orders must be obligations of a Federal Government activity unless otherwise specified by law. Customer orders from non-federal entities do not become budgetary resources until collected. Customer orders from Nonappropriated Funds are accounted for as orders from non-federal entities.

B. Contra Revenue for Goods Sold (510900). Use this account to offset revenue for goods sold when collection of accrued revenue is not expected. Record amounts based on adjustments, returns, allowances, price redetermination, and refunds other than taxes where revenue is earned, but does not include credit losses.

C. Revenue From Services Provided (520000). This account is used to record exchange revenue earned from the sale of services provided, including sale of power and transportation. Most often associated with revenue earned by working capital funds, revenue posted to this account is generally recorded at the point of sale. When services are provided to the public or another government entity, revenue must be recognized in the same accounting period that the services are performed. Service providers include DWCF activities, working capital funds within the Military Department, working capital funds within the "Other Defense Organizations," the U.S. Army Corps of Engineers, and appropriation funded activities.

Customers of the Department include any DoD Component, organization, office or other element; non-DoD Federal Government agencies and others officially representing the Federal Government; and members of the public (as specified by law). Federal customer orders (funded requests for goods and services) provide budgetary resources to finance reimbursable operations; consequently, customer orders must be obligations of a Federal Government activity unless otherwise specified by law. Customer orders from non-federal entities do not become budgetary resources until collected. Customer orders from Nonappropriated Funds are accounted for as orders from non-federal entities.

D. Contra Revenue for Services Provided (520900). Use this account to offset revenue for services provided when collection of accrued revenue is not expected. Record amounts based on adjustments, returns, allowances, price redetermination, and refunds other than taxes where revenue is earned, but does not include credit losses.

E. Interest Revenue - Other (531000). This account is used to record revenue earned from interest not associated with investments or borrowings/loans. Depending on the source of the funds, this revenue can be exchange or nonexchange revenue. For example, revenue resulting from interest charges on delinquent receivables is considered exchange revenue (refer to Chapter 3, Annex 1). For interest revenue transactions not related to investments, consult the SFIS Transaction Library.

F. Interest Revenue - Investments (531100). This account is used to record investment interest revenue. Depending on the source of the funds used to make an investment, the revenue can be exchange or nonexchange revenue. For example, invested balances for the Civil Service Retirement and Disability Fund and DoD Military Retirement Trust Fund are predominantly derived from exchange revenue and other financing sources and the interest earned on those balances must be classified as exchange revenue.

G. Contra Revenue for Interest Revenue - Investments (531800). Record a reduction in revenue for interest accrued on investments when realization is not expected.

H. Contra Revenue for Interest Revenue - Other (531900). Record a reduction in other revenue for interest accrued not associated with investments or borrowings/loans when realization is not expected. Amounts recorded are based on abatements, adjustments, returns, allowances, or price redeterminations.

I. Administrative Fees Revenue (532500). Record revenue from administrative fees to this account including revenue from administrative fees associated with collections on delinquent accounts (refer to Chapter 3, Annex 1).

J. Contra Revenue for Administrative Fees (532900). Record a reduction in revenue for administrative fees when realization is not expected as defined in SFFAS 7, paragraph 41.

K. Benefit Program Revenue (540000). Revenue received by agencies administering retirement plans, insurance plans, and other annuity programs are recorded to this account. Employees of the Federal Government provide service to their employer in exchange for compensation, of which some is received currently (the salary); and some is deferred (pensions, retirement health benefits, and other retirement benefits). The financing of these benefits includes contributions paid by the employer entity to the retirement fund and is an inflow of resources to the retirement fund as part of this exchange transaction. It is a payment by the employer in exchange for the future provision of a pension or other retirement benefit to its employees. Therefore, it is exchange revenue of the entity that administers the retirement plan and, thus, is an offset to that entity's gross cost in calculating its net cost of operations.

L. Contra Revenue for Benefit Program Revenue (540900). Record a reduction in revenue for a benefit program based on adjustments as stipulated by law not including credit losses.

M. Insurance and Guarantee Premium Revenue (550000). Revenue earned from insurance and guaranteed premiums. The premiums are recorded as exchange revenue in this account and any interest earned on investments made with premium revenue is therefore exchange revenue recorded to Account 531100.

N. Contra Revenue for Insurance and Guarantee Premium Revenue (550900). Record a reduction in revenue for an insurance and guarantee premium based on adjustments stipulated by law not including credit losses.

O. Other Revenue (590000). Use this account to record the amount of revenue received but not otherwise classified. For example, funds received for administering international and other agreements when the U.S. Government is reimbursed represent Other Revenue. Other uses of this account include the sale of stockpile materials or the cancellation of a receivable for a reimbursable activity.

P. Contra Revenue for Other Revenue (590900). Record a reduction in revenue recorded in account 590000 when realization is not expected to this account. Amounts recorded are based on adjustments, returns, allowances, price redetermination, and refunds other than taxes. Credit losses on other nonexchange revenue also are recorded in this account.

*160403. Nonexchange Revenue Accounts

A. Nonexchange revenues that can be retained by the collecting entity in accordance with permanent provisions of law or through the authorization and/or appropriations process are not matched with costs because they are not earned in the operations process. Because they are inflows that finance operations, nonexchange revenues must be classified and recognized only in determining the overall financial results of operations for the period. See Volume 6B, Chapter 6, for information about how to report nonexchange revenue in the notes to the financial statements. Collections not authorized by law for retention and used as appropriation reimbursements may be considered exchange or nonexchange revenue and must be deposited to the General Fund of the Treasury as miscellaneous receipts.

B. Interest Revenue - Other (531000). This account is used to record revenue earned from interest not associated with investments or borrowings/loans. Depending on the source of the funds used to make the investment, the revenue can be exchange or nonexchange revenue. For example, interest revenue resulting from the Military Housing Privatization Program is considered nonexchange revenue. For interest revenue transactions not related to investments, consult the SFIS Transaction Library.

C. Interest Revenue - Investments (531100). This account is used to record investment interest revenue. Depending on the source of the funds used to make the investment, the revenue can be exchange or nonexchange revenue. Interest on securities held by trust and special funds (except trust revolving funds) is often nonexchange revenue because the investment is made with funds derived from the government's sovereign authority. The key is the source of the funds used to make the investment, i.e., exchange or nonexchange. For example, invested balances for the U.S. Army Corps of Engineers' Harbor Maintenance Trust Fund are predominantly derived from nonexchange revenue and the interest earned on those balances must be classified as nonexchange revenue.

D. Penalties and Fines Revenue (532000). Record revenue derived from penalties and fines to this account. Penalties and fines revenue should be reported as a non-entity custodial activity in accordance with SFFAS 7, paragraphs 260 and 262. The custodial activity will be presented at net value on the Balance Sheet along with a corresponding amount recorded as a custodial liability. Collection and disposition of custodial revenue to the General Fund Receipt Account will not impact the Net Position of the collecting entity. Refer to Volume 6B, for additional information on reporting of custodial revenue. Refer to Chapter 3, Annex 1, for more information about penalties and administrative charges.

E. Contra Revenue for Penalties and Fines (532400). Record an amount reflecting a reduction in revenue for penalties and fines when realization is not expected as defined in SFFAS 7, paragraph 41.

* F. Administrative Fee Revenue (532500). This account is used to record revenue associated with administrative fees assessed on delinquent receivables. Refer to Volume 4, Chapter 3, Annex 1, for more information about penalties and administrative charges.

G. Donated Revenue - Financial Resources (560000). Record the donation of financial resources to a Federal Government entity from a non-federal source, for example, cash or securities. Donations should be measured at the estimated market value of the contribution.

H. Contra Revenue for Donations - Financial Resources (560900). Record an amount reflecting a reduction in revenue for donated financial resources that are returned.

I. Donated Revenue - Nonfinancial Resources (561000). Record the donation of nonfinancial resources to a Federal Government entity from a non-federal source, for example, land or buildings. Nonfinancial donations are calculated on the estimated fair market value at the time of the donation.

I. Contra Donated Revenue - Nonfinancial Resources (561900). Record an amount reflecting a reduction in revenue for donated nonfinancial resources that are returned.

*160404. Other Financing Sources

Financing sources, other than exchange and nonexchange revenues, that provide inflows of resources that increase results of operations during the reporting period include expended appropriations, transfers of assets from other government entities, and financing imputed with respect to any cost subsidies. Financing outflows may result from transfers of an entity's assets to other Government entities or from exchange revenues earned by the entity that must be transferred to the general fund or another government entity.

A. Expended Appropriations (570000). This account is used to record the amount of appropriations used during the fiscal year when goods and services are received or benefits are provided. Special and trust funds that receive appropriations from the General Fund of the Treasury must use this account.

B. Transfer Accounts (572000 and 573000). These accounts are used to record the transfers of capitalized assets between DoD Components without the receipt of a direct appropriation or transfer document from the Office of Management and Budget (OMB). These accounts are not to be used to transfer Fund Balance with Treasury.

1. Financing Sources Transferred In Without Reimbursement (572000). The amount determined to increase the financing source of a reporting entity that occurs as a result of an asset being transferred in. If the transfer is general PP&E, the amount of the asset is recorded at the book value of the transferring entity. However, if the asset is classified as stewardship PP&E in its entirety by both the transferring entity and the recipient entity, the transfer does not affect the net cost of operation or net position of either entity; therefore, it is not revenue, a gain or loss, or other financing source.

2. Financing Sources Transferred Out Without Reimbursement (573000). This account is used to record the amount determined to decrease the financing source of a reporting entity that occurs as a result of an asset being transferred out. The amount of the asset is recorded at book value as of the transfer date. If the asset is general PP&E for the transferring entity but stewardship for the recipient entity, it is recognized as a transfer-out (a negative other financing source) of capitalized assets by the transferring entity.

C. Other Transfer Accounts. Transfers reduce budgetary resources (budget authority and unobligated balances) in one account and increase them in another. Refer to the ***OMB Circular A-11***, "Preparation and Submission of the Budget," Section 20.4(j)), for guidance on the budgetary impact of transfers.

1. Appropriated Dedicated Collections Transferred In (574000). Record the amount in the expenditure account of dedicated collections appropriated via warrant from an unavailable receipt account. Transactions using this account will have a budgetary impact.

2. Appropriated Dedicated Collections Transferred Out (574500). These accounts are used to record the amount in the unavailable receipt account of dedicated receipts appropriated, via warrant, to an expenditure account.

3. Expenditure Financing Sources - Transfers-In (575000). Record the amount of financing sources of a federal entity representing funds transferred in, or to be transferred in, occurring as a result of a nonexchange expenditure transfer-in from a trust or federal fund. Transactions using this account will have a budgetary impact.

4. Nonexpenditure Financing Sources - Transfers-In - Other (575500). This account is used to record the amount of financing sources of a reporting federal entity representing funds transferred in, or to be transferred in, occurring as a result of a nonexchange, nonexpenditure transfer-in between two trust funds or two federal funds where a credit to unexpended appropriations is not valid. This account excludes nonexpenditure transfers classified as capital transfers. Transactions using this account will have a budgetary impact.

5. Expenditure Financing Sources - Transfers-Out (576000). Record the amount of financing sources of a reporting federal entity representing funds transferred out, or to be transferred out, occurring as a result of a nonexchange expenditure transfer-out to a trust or federal fund. Transactions using this account will have a budgetary impact.

6. Nonexpenditure Financing Sources - Transfers-Out - Other (576500). This account is used to record the amount of financing sources of a reporting federal entity representing funds transferred out, or to be transferred out, occurring as a result of a nonexchange, nonexpenditure transfer-out between two trust funds or two federal funds where a debit to unexpended appropriations is not valid. This account excludes nonexpenditure transfers classified as capital transfers. Transactions using this account will have a budgetary impact.

D. Imputed Financing Sources (578000). Record the imputed financing amounts the federal entity received to cover imputed costs. The balance in this account must equal the balance in USSGL account 673000, "Imputed Costs." Examples of costs that may be imputed include military personnel costs, pensions, other retirement benefits, other postemployment benefits, and unreimbursed tenant cost when occupying a facility that is not under the jurisdiction of the tenant. Another example is environmental cleanup costs not reimbursed to the entity administering the fund when the administering fund is outside the DoD reporting entity. See ***Interpretation of Federal Financial Accounting Standards 6***: "Accounting for Imputed Intra-departmental Costs: An Interpretation of SFFAS 4," for additional information about imputed costs. Additionally, imputed financing sources and costs are incurred when one DoD reporting entity uses another federal agency's (including other DoD reporting entities) asset without financial compensation.

1605 GAINS AND LOSSES

160501. Gain Accounts

Specific guidance on gains and losses is included in each subject area. For example, Base Realignment and Closure gains and losses are discussed in Volume 12, Chapter 13.

A. Gains on Disposition of Assets - Other (711000). Record the gain on the disposition (such as sale, exchange, disposal, or retirement) of assets not associated with investments or borrowings/loans.

B. Gains on Disposition of Investments (711100). Record the gain on the disposition (such as sale, exchange, disposal, or retirement) of investments.

C. Unrealized Gains (718000). Record unrealized gains that include, but are not limited to, unrealized holding gains on available for sale securities in accordance with Financial Accounting Standard (FAS) 115, deferred gains on qualified hedges under FAS 133, and qualified foreign currency translation adjustments under FAS 52.

D. Other Gains (719000). Record the gain on assets resulting from events other than a disposition. This excludes amounts related to the gain on the change in long term assumptions from experience and gain on the change in long term assumptions for federal employee pension, other retirement benefit and other postemployment benefit liabilities, including veteran's compensation. This account includes amounts related to the Federal Employees Compensation Act (FECA) Program. Uses for this account include transactions for:

1. Miscellaneous gains such as a gain resulting from converting foreign currency holdings to U.S. dollars.

2. Used by activities to record miscellaneous gains, e.g., ammunition, resulting from inventory counts of operating materials and supplies.

160502. Loss Accounts

Specific guidance on gains and losses is included in each subject area. For example, Base Realignment and Closure gains and losses are discussed in Volume 12, Chapter 13.

A. Losses on Disposition of Assets - Other (721000). Record the loss on the disposition (such as sale, exchange, disposal, or retirement) of assets not associated with investments or borrowings/loans.

B. Losses on the Disposition of Investments (721100). Record the loss on the disposition (such as sale, exchange, disposal, or retirement) of investments.

C. Unrealized Losses (728000). To record unrealized losses that include, but are not limited to, unrealized holding losses on available for sale securities in accordance with FAS 115, deferred losses on qualified hedges under FAS 133, and qualified foreign currency translation adjustments under FAS 52.

D. Other Losses (729000). Record the loss, damage, or obsolescence on assets resulting from events other than disposition. This excludes amounts related to the losses on the change in long term assumptions from experience and gain on the change in long term assumptions for federal employee pension, other retirement benefit and other postemployment benefit liabilities, including veteran's compensation. This account includes amounts related to the FECA Program. Uses for this account include transactions for:

1. Recording a contingent liability.

2. Recording the loss of inventory that is deemed material.

3. Foreign currency.

VOLUME 4, CHAPTER 16, APPENDIX A: "TABLE OF TRANSACTIONS"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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

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

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

The previous version dated October 2012 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
A01	Revised format to comply with the Department of Defense Financial Manual Regulation Revision Standard Operating Procedure dated June 2015.	Revision
A0201	Added clarification that nonexchange revenues are inflows that finance operations, and must be recognized only in determining the overall financial results of operations for the period.	Addition
A03	Added references to the applicable paragraphs within Statement of Federal Financial Accounting Standards (SFFAS) 7, "Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting."	Revision
A0402.B	Added language to address transfer of multi-use heritage assets.	Addition
A0402.D	Added language to address donations of stewardship property, plant and equipment.	Addition
A06	Added sections to address additional transaction types identified by SFFAS 7.	Addition
A0607	Added paragraph addressing acquisition of property, plant and equipment through exchange.	Addition
A0608	Added paragraph addressing foreclosed properties associated with Post-1991 direct loans and loan guarantees.	Addition
A0609	Added paragraph addressing negative subsidies.	Addition
A0610	Added paragraph addressing downward subsidy reestimates.	Addition
A0611	Added paragraph addressing fees on Post-1991 direct loans and loan guarantees.	Addition

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CHAPTER 16 APPENDIX A

TABLE OF TRANSACTIONS

*A01. GENERAL

A0101. Overview

The Government of the United States (U.S.) has many ways to finance its cost of operations. These include: exchange transactions; nonexchange transactions; other financing sources; revaluations; or transactions not recognized as revenues, gains, or other financing sources. Transactions may be between a government reporting entity and the public or between two reporting entities within the government (i.e., intragovernmental transactions).

A0102. Purpose

This appendix provides information concerning accounting standards that may be used for classifying transactions that finance the Department of Defense's (DoD) cost of operations and a significant number of lesser transactions. The transactions in this appendix are divided into groups: nonexchange transactions; exchange transactions that produce revenue; other financing sources; gains and losses due to revaluation; and transactions that produce amounts not recognized as revenues, gains, or other financing sources.

A0103. Authoritative Guidance

Statement of Federal Financial Accounting Standards ***(SFFAS) 7***, "Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting" established the standards for the classification of specific revenue transactions. Consult SFFAS 7, Appendix B when a transaction does not fall within any of the classifications included in this appendix. For the classifications included in this appendix, the SFFAS 7 paragraph number(s) is provided.

A02. NONEXCHANGE TRANSACTIONS

*A0201. Nonexchange Transactions

A nonexchange transaction arises when one party to a transaction receives value without directly giving or promising value in return. There is a one-way flow of resources or promises. Nonexchange revenue transactions do not require a Government entity to give value directly in exchange for the inflow of resources. The Government does not "earn" the nonexchange revenue. Because nonexchange revenues are inflows that finance operations, nonexchange revenues must be classified and recognized only in determining the overall financial results of operations for the period. Refer to SFFAS 7, Paragraph 240.

A0202. Nonexchange Transactions With the Public

The Harbor Maintenance Trust Fund is an example of a "user fee" tax while classified in the budget as a governmental receipt together with other taxes and duties. It is an ad valorem tax imposed on commercial cargo loaded and unloaded at specified U.S. ports open to public navigation. The receipt is a dedicated collection to the Harbor Maintenance Trust Fund administered by the U.S. Army Corps of Engineers (USACE). It is similar in nature to other excise taxes that result from the government's power to compel payment and that are dedicated to a trust fund or special fund to be spent for a designated purpose (for example, the gasoline excise tax, which is dedicated to the Highway Trust Fund). It, therefore, must be recognized as nonexchange revenue for the Harbor Maintenance Trust Fund by the USACE. Refer to SFFAS 7, Paragraph 249.

A0203. Nonexchange Transactions - Intragovernmental

An example of this type of transaction is interest earned from Treasury securities held by trust funds and special funds. Paragraphs 306-310 of SFFAS 7, Appendix B deal with nonexchange revenue and Paragraphs 311-313 contain nonexchange gains and losses.

*A03. EXCHANGE TRANSACTIONS

A0301. Revenue from Exchange Transactions

Exchange revenues arise when a Government entity provides goods and services to the public or to another Government entity for a price. Revenue from exchange transactions is subtracted from gross cost in determining the net cost of operations and the change in net position. Refer to SFFAS 7, Paragraph 240.

A0302. Exchange Transactions with the Public - Sales of Goods and Services

The cost of production for goods and services, such as electricity, mail delivery, and maps, is defrayed in whole or in part by revenue from selling the goods or services provided. The sales may be made by a revolving fund (such as the Defense Working Capital Fund (DWCF)) or a general fund (such as a Military Departments appropriated fund). Customers of the Department may include private parties and businesses when authorized by law, including foreign governments, state and local governments, and others not officially representing the Federal Government. Customer orders (requests for goods and services) should be accompanied by a cash advance unless otherwise specified by law. Customer orders from nonfederal entities do not become budgetary resources until collected. Each party receives and sacrifices something of value. The sale is, therefore, an exchange transaction, and the revenue is exchange revenue for the entity making the sale. Refer to SFFAS 7, Paragraph 270. Additionally, interest and rents, such as those collected from DoD owned homes in the Homeowners Assistance Program represent exchange revenue.

A0303. Exchange Transactions with the Public - Sales of Property Plant and Equipment

When the Reporting Entity has legal authority to retain the proceeds from the sale of the asset, the transaction is an exchange transaction because each party receives and sacrifices something of value. If the sales price equals book value, then there is no gain or loss, because a cash inflow equal to book value is the exchange of one asset for another of equal recorded value and, therefore, not a net inflow of resources. If the sales price is more or less than book value, a gain or loss, respectively, is recognized to the extent of the difference. The amount of the difference ordinarily is a gain or loss rather than revenue or an expense, because sales of property, plant, and equipment (PP&E) ordinarily represent a nonrecurring inflow of resources. The entire sales price is a gain when the book value of the asset is zero. The book value is zero (a) when the asset is general PP&E that is fully depreciated or otherwise has been written-off or (b) when the asset is stewardship PP&E, for which the entire cost was expensed when the asset was purchased**.** Refer to SFFAS 7, Paragraphs 295-296.

A0304. Exchange Transactions - Intragovernmental Revenue

A. Intragovernmental Sales of Goods and Services by a Revolving Fund. The cost of providing goods or services by a revolving fund is defrayed in whole or in part by selling the goods or services provided. Performers (DoD activities providing goods and/or services at cost) include DWCF activities, revolving funds within the Military Department reporting entities, revolving funds within the "Other Defense Organizations" reporting entity, and USACE. Customers of the Department include any DoD Component, organization, office or other element; non-DoD Federal Government Agencies; and others officially representing the Federal Government. Each party receives and sacrifices something of value. The proceeds are exchange revenue. Refer to SFFAS 7, Paragraph 314.

B. Intragovernmental Sales of Goods and Services by an Appropriated Fund or Trust Fund Activity (Other Than a Revolving Fund). The cost of providing goods or services is defrayed in whole or in part by selling the goods or services provided. Performers (DoD activities providing goods and/or services at cost) include the Military Departments, Defense Agencies, and USACE. Customers of the Department include any DoD Component, organization, office or other element, non-DoD Federal Government Agencies, and others officially representing the Federal Government. Each party receives and sacrifices something of value. The proceeds are exchange revenue. Refer to SFFAS 7, Paragraph 315.

C. Employer Entity Contributions to Pension and Other Retirement Benefit Plans for Federal Employees. Employees of the Federal Government provide service to their employer in exchange for compensation, of which some is received currently (the salary); and some is deferred (pensions, retirement health benefits, and other retirement benefits). This is an exchange transaction, because each party sacrifices value and receives value in return. As part of this transaction, the government promises a pension and other retirement benefits to the employees after they retire. The financing of these benefits may include contributions paid by the employer entity to the retirement fund. In broad terms, the employer entity contribution is an inflow of resources to the retirement fund as part of this exchange transaction. More narrowly, it

is a payment by the employer entity in exchange for the future provision of a pension or other retirement benefit to its employees. Therefore, it is exchange revenue of the entity that administers the retirement plan and, thus, is an offset to that entity's gross cost in calculating its net cost of operations. Within the DoD, the reporting of this category of revenue applies specifically to the DoD Military Retirement Trust Fund. Any other DoD Component contemplating the use of this category of exchange revenue must first obtain approval from the Office of the Deputy Chief Financial Officer, DoD. Refer to SFFAS 7, Paragraphs 316-317.

D. Interest on Treasury Securities Held by Trust Revolving Funds. A trust revolving fund is a revolving fund that also is classified by law as a trust fund. Like other revolving funds, it earns exchange revenue, which is an offset to its gross cost. Trust revolving funds need capital in their operations, just like other revolving funds, the source of which predominantly is the revenue they have earned. When some of their capital is invested in Treasury securities, the interest is related to their cost of operations in the same way as the revenue earned from selling services. Furthermore, the source of the invested balances is predominantly revenue earned from the sales of services, for which they incurred costs of operations when the revenue was earned. The interest they receive must, therefore, be classified in the same way as the interest received by other revolving funds, which is exchange revenue. The source of balances for some trust revolving funds may not be predominantly exchange revenue. For such exceptions, the interest must be classified in the same way as the predominant source of balances rather than according to the normal rule. Refer to SFFAS 7, Paragraph 324-325.

E. Interest on Treasury Securities Held by Trust Funds. A major source of revenue for many trust and special funds (such as the DoD Military Retirement Trust Fund, the DoD Education Benefits Fund, the National Security Education Trust Fund, and the Voluntary Separation Incentive Fund) consists of exchange and other financing sources. When some of their capital is invested in Treasury securities, the interest is related to their cost of operations in the same way as the revenue earned from selling services. Furthermore, the source of the invested balances is predominantly revenue earned from the sales of services, for which they incurred costs when the revenue was earned. Classify the interest received in the same way as the interest received by other revolving funds, which is exchange revenue. Refer to SFFAS 7, Paragraph 308.

F. Interest on Uninvested Funds Received by Direct Loan and Guaranteed Loan-Financing Accounts. A guaranteed loan financing account holds uninvested balances as reserves against its loan guarantee liabilities and earns interest on these balances that adds to its resources to pay these liabilities. A direct loan financing account may hold uninvested balances to bridge transactions that are integral to its operations, such as when it borrows from Treasury to disburse direct loans prior to the time of disbursement; it earns interest on these balances to reflect the time value of money and, thereby, finance the interest it pays on its debt to Treasury. Thus, in both cases, the interest received by the financing account is earned through exchange transactions with Treasury and is an offset to the financing accounts related costs of operations. The interest is, therefore, exchange revenue of the financing account. Within the DoD, the reporting of this category of revenue applies specifically to the Family Housing Improvement Fund, Direct Loan Financing Account (97X4166); Family Housing Improvement Fund,

Guaranteed Loan Financing Account (97X4167); Defense Export Loan Guarantee Financing Account (97X4168); and Arms Initiative Guarantee Loan Financing Account, Army (21X4275). Any other DoD Component contemplating the use of this category of exchange revenue must first obtain approval from the Office of the Deputy Chief Financial Officer, DoD. Refer to SFFAS 7, Paragraph 326.

A0305. Exchange Transactions - Intragovernmental-Gains and Losses

Treasury securities held by revolving funds, trust and trust revolving funds (e.g., Military Retirement Trust Fund) are primarily issued in the government account series, which can generally be redeemed on demand. Other Treasury securities held by these funds also may be callable or redeemable on demand. If these debt securities are retired before maturity, the difference, if any, between the reacquisition price and the net carrying value of the extinguished debt must be recognized as a gain or loss by the fund that owned the securities. The gain or loss must be accounted for as a nonexchange gain or loss if the interest on the associated debt securities is classified as nonexchange revenue, and it must be accounted for as an exchange gain or loss if the interest on the associated debt securities is classified as exchange revenue. Intragovernmental transactions that produce gains or losses must be classified as producing revenue or expense if they are usual and recurring for a particular reporting entity. Refer to SFFAS 7, Paragraph 329.

A04. OTHER FINANCING SOURCES - INTRAGOVERNMENTAL

A0401. Cost Subsidies: Difference Between Internal Sales Price and Full Cost

One entity may receive goods or services from another entity without paying the full cost of the goods or services or without paying any cost at all. In these cases, the difference between full cost and the internal sales price or reimbursement (sometimes called a “transfer price”) is an imputed cost to the receiving entity. In addition, the financing of the imputed cost also is imputed to the receiving entity. Imputed financing is necessary so that the imputed cost does not reduce the entity’s operating results. The imputed financing equals the imputed cost and is recognized as other financing source. It is not revenue, because the receiving entity does not earn the amount imputed or demand its payment. Within the DoD, examples include military personnel costs not reimbursed by Defense Agencies to the military personnel appropriations and environmental cleanup costs not reimbursed to the entity administering the fund when the administering fund is outside the DoD reporting entity. Refer to SFFAS 7, Paragraphs 333-334.

A0402. Transfer of General PP&E and Stewardship Assets without Reimbursement

General PP&E and Stewardship Assets (Heritage Assets and Stewardship Land) may be transferred from one government entity to another. Refer to SFFAS 7, Paragraph 358.

A. If the asset that is transferred was classified as general PP&E for the transferring entity and general PP&E for the recipient entity, it is recognized as a transfer-out (a negative other financing source) of capitalized assets by the transferring entity and as a transfer-in (other financing source) of capitalized assets by the recipient entity, at the book value of the asset.

* B. If the asset that is transferred was classified as general PP&E for the transferring entity but stewardship PP&E for the recipient entity, it is recognized as a transfer-out of capitalized assets by the transferring entity. No amount is recognized by the entity that receives the asset. Refer to SFFAS 7, Paragraph 346. Similarly, if multi-use heritage assets are transferred and cost remains on the books of the transferring entity, that cost is recognized as a transfer-out of capitalized assets. The receiving entity should not recognize any amount.

C. If the asset that is transferred was classified as stewardship PP&E for the transferring entity but general PP&E for the recipient entity, it is recognized as a transfer-in (other financing source) of capitalized assets by the recipient entity. No amount is recognized by the transferring entity.

* D. If the asset was classified as a stewardship asset in its entirety by both the transferring entity and the recipient entity, the transfer does not affect the net cost of operations or net position of either entity. In such a case, it is not revenue, a gain or loss, or other financing source. Refer to SFFAS 7, Paragraph 345. Likewise, when stewardship PP&E is donated to the Government, no amount is recognized as a cost or revenue.

A05. REVALUATIONS

Refer to SFFAS 7, Appendix B for these classifications.

*A06. TRANSACTIONS NOT RECOGNIZED AS REVENUES, GAINS, OR OTHER FINANCING SOURCES

A0601. Disposition of Revenue to Other Entities - Custodial Transfers

Revenue, primarily nonexchange revenue, may be collected by an entity acting on behalf of the General Fund or another entity within the government on whose behalf it was collected. The collecting entity accounts for the disposition of these by debiting a “nonentity” liability account and crediting its “nonentity” Fund Balance with Treasury account. These custodial transfers, by definition, do not affect the collecting entity’s net cost of operations or operating results, nor are they part of the reconciliation between its obligations and net cost of operations. The receiving entity recognizes the revenue as nonexchange or exchange revenue, depending on its nature, according to the applicable revenue standards. Refer to SFFAS 7, Paragraph 353.

A0602. Sales of Different Types of Government Assets

The sale of government assets (other than forfeited property) is an exchange transaction, because each party receives and sacrifices something of value. As a general rule, any difference between the sales proceeds and book value is recognized as a gain or loss when the asset is sold. The remainder of the transaction does not provide a net inflow of resources, so no gain, revenue, or other financing source is recognized. If the sales proceeds equal book value, there is no gain or loss, because the exchange of one asset for another of equal recorded value is not a net inflow of resources. This general rule applies to PP&E, receivables (other than direct loans), foreclosed property associated with pre-1992 direct loans and loan guarantees, and miscellaneous assets. It does not apply to inventory, nor does it apply to forfeited property. It also does not apply to the sale of direct loans and the sale of foreclosed property associated with post-1991 direct loans and loan guarantees. Refer to SFFAS 7, Paragraphs 354-355.

A0603. Repayment of Post-1991 Direct Loans

The present value of estimated loan repayments is included in the calculation of the subsidy cost of direct loans, and this subsidy cost is recognized as an expense when the loans are disbursed. The present value of estimated loan repayments is likewise included in the value of the loans receivable. When cash is received for the repayment of loans, decrease the loans receivable by an equal amount. The increase in one asset is offset by an equal decrease in another asset. Therefore, cash inflow from the repayment is not recognized as a revenue, a gain, or other financing source. If the actual repayment is different from the previous estimate, the present value of the difference between cash inflows and outflows over the term of the loan, calculated as of the date of disbursement, is re-estimated and recognized as a subsidy expense or a reduction in subsidy expense. Refer to SFFAS 7, Paragraph 365.

A0604. Repayment of Pre-1992 Direct Loans

When pre-1992 direct loans are repaid in whole or in part, the entity exchanges one asset (loans receivable) for another (cash) with equal value. There is no net inflow of resources. Therefore, the amount of cash inflow equal to book value is not recognized as a revenue, a gain, or other financing source. If the loan is not repaid, the unpaid amount is recognized as an adjustment to the bad debt allowance and does not affect revenue, gains, or other financing sources. Refer to SFFAS 7, Paragraph 366.

A0605. Repayment of Receivables - Except Direct Loans

When receivables other than direct loans are paid or repaid in whole or in part, the entity exchanges one asset (loans receivable) for another (cash) with equal value. There is no net inflow of resources. Therefore, the amount of cash inflow equal to book value is not recognized as revenue, gain, or other financing source. If the receivable is not repaid, the unpaid amount is recognized as an adjustment to the bad debt allowance and does not affect revenue, gains, or other financing sources. Refer to SFFAS 7, Paragraph 367.

A0606. Sales of Direct Loans

The sale of a direct loan is a modification according to the Federal Credit Reform Act of 1990 regardless of whether the loan being sold was obligated after Fiscal Year (FY) 1991 or before FY 1992. The book value loss (or gain) on a sale of direct loans equals the book value of the loans sold (prior to sale) minus the net proceeds of the sale. It normally differs from the cost of modification, which is recognized as an expense. This difference is due to the different interest rates used to discount future cash flows for calculating the subsidy cost (and subsidy allowance) when the loan is disbursed and for calculating the cost of modification at a later time. If the sale is with recourse, the present value of the estimated loss from the recourse is also recognized as an expense. Any difference between the book value loss (or gain) and the cost of modification is recognized as a gain or loss. The amount of cash inflow equal to book value is not a net inflow of resources to the entity, because it is an exchange of one asset for another of equal recorded value. Therefore, the amount of cash inflow equal to book value is not recognized as revenue, gain, or other financing source. Refer to SFFAS 7, Paragraph 368.

*A0607. Acquisition of PP&E through Exchange

The cost of PP&E acquired through an exchange of assets with the public is the fair value of the PP&E surrendered at the time of exchange. If the fair value of the PP&E acquired is more readily determinable than that of the PP&E surrendered, the cost is the fair value of the PP&E acquired. If neither fair value is determinable, the cost of the PP&E acquired is the cost recorded for the PP&E surrendered net of any accumulated depreciation or amortization. In the event that cash consideration is included in the exchange, the cost of PP&E acquired is increased (or decreased) by the amount of the cash surrendered (or received). Refer to SFFAS 7, Paragraph 356.

*A0608. Sales of Foreclosed Property Associated with Post-1991 Direct Loans and Loan Guarantees

The net present value of the cash flow from the estimated sales of foreclosed property is included in calculating the subsidy cost of post-1991 direct loans and loan guarantees. This subsidy cost is recognized as an expense when the loans are disbursed. When property is foreclosed, the property is recognized as an asset at the net present value of its estimated net cash flows. When the foreclosed property is sold, any difference between the sales proceeds and the book value (i.e., the net present value as of the time of sale) requires a reestimate of the subsidy expense, which is recognized as a subsidy expense or a reduction in subsidy expense. The amount of cash flow equal to book value is an exchange of one asset for another of equal recorded value and therefore is not recognized as a gain, revenue, or other financing source. Refer to SFFAS 7, Paragraph 369.

*A0609. Negative Subsidies on Post-1991 Direct Loans and Loan Guarantees

A negative subsidy means that the direct loans or loan guarantees are estimated to make a profit, apart from administrative costs (which are excluded from the subsidy calculation by law). The amount of the subsidy cost is recognized as an expense when the direct loan or guaranteed loan is disbursed. A negative subsidy is recognized as a direct reduction in expense, not as revenue, gain, or other financing source. Refer to SFFAS 7, Paragraph 362.

*A0610. Downward Subsidy Reestimates for Post-1991 Direct Loans and Loan Guarantees

A downward subsidy reestimate means that the subsidy cost of direct loans or loan guarantees is estimated to be less than had previously estimated. The initial subsidy cost is recognized as an expense; a positive subsidy reestimate is recognized as an expense; and a downward subsidy reestimate is recognized as a direct reduction in expense, not as revenue, gain, or other financing source. Refer to SFFAS 7, Paragraph 363.

*A0611. Fees on Post-1991 Direct Loans and Loan Guarantees

The present value of estimated fees is included as an offset in calculating the subsidy cost of direct loans and loan guarantees, which is recognized as an expense when the loans are disbursed. The present value of estimated fees is likewise included as one component in calculating the value of loans receivable or loan guarantee liabilities. When cash is received in payment of fees, the loans receivable decrease by an equal amount (or the loan guarantee liabilities increase by an equal amount). The increase in one asset is offset by an equal decrease in another asset (or by an equal increase in liabilities). Therefore, fees are not recognized as revenue, a gain, or other financing source. Refer to SFFAS 7, Paragraph 364.

VOLUME 4, CHAPTER 17: "EXPENSES AND MISCELLANEOUS ITEMS"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font

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

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

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

The previous version dated April 2013 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Reorganized chapter for better information flow.	Revision
170101	Expanded on the purpose of this chapter to include extraordinary items and prior period adjustments.	Addition
170102	Added Authoritative Guidance Paragraph to the General section to comply with the Department of Defense Financial Management Regulation Standard Operating Procedure and renumbered subsequent paragraphs and subparagraphs.	Addition
170304	Added distinction between gains/losses and revenue/expenses.	Addition
170401	Added reference to SFIS library	Addition
170402.D	Revised to clarify imputed cost definitions and examples.	Revision
170402	Deleted reference to Federal Mission property, plant and equipment, which was eliminated with the publication of Statement of Federal Financial Accounting Standard (SFFAS) 23, "Eliminating the Category National Defense Property, Plant and Equipment.	Deletion
170404	Added Intragovernmental cost reporting requirements	Addition
170502	Added capitalization criterion.	Addition
170512	Added uses of imputed costs found in Federal Financial Accounting Standards Board Interpretation 6, "Accounting for Imputed Intra-Departmental Costs: An Interpretation of SFFAS 4" and SFFAS 5, along with the Office of Management and Budget Circular A-136, "Federal Reporting Requirements.".	Addition

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CHAPTER 17

EXPENSES AND MISCELLANEOUS ITEMS

1701 GENERAL

*170101. Purpose

The purpose of this chapter is to provide guidance to account for expenses and miscellaneous items, such as gains and losses, incurred in carrying out Department of Defense (DoD) operations. Additionally, this chapter provides instruction on how to identify and account for extraordinary items and adjustments to prior period financial statements.

*170102. Authoritative Guidance

The Federal Accounting Standards Advisory Board (FASAB) concluded in Statement of Federal Financial Accounting Standards ***(SFFAS)*** 5, "Accounting for Liabilities of the Federal Government" that expenses are not independent of assets and liabilities and do not have their own essential characteristics. Expenses are changes in assets and/or liabilities during a reporting period that result in a change in net position. Thus, the definition of expenses is dependent on the definitions of assets and liabilities. Additional guidance for expenses is found in SFFAS 4, "Managerial Cost Accounting Standards;" Interpretation 6, "Accounting for Imputed Intra-Departmental Costs: An Interpretation of SFFAS 4;" SFFAS 21, "Reporting Corrections of Errors and Changes in Accounting Principles; and in the Statement of Federal Financial Accounting Concepts 7, "Measurement of Accrual-Basis Financial Statements in Periods after Initial Recording."

1702 AUDIT READINESS AND INTERNAL PROCEDURES

Each DoD Component must develop and implement internal operating procedures and/or guidance to implement this overarching policy in a manner that ensures accurate, timely, and relevant reporting of financial data. Relevant records supporting financial statements must be maintained and made available during financial statement audits.

1703 EXPENSES OVERVIEW

170301. Definition

Expenses represent the outflow or consumption of assets or the incurrence of liabilities (or a combination of both) during a period of providing goods, rendering services, or carrying out other normal operating activities related to the entity's programs and missions.

170302. Financial Accounting and Reporting

In financial accounting and reporting, the costs that apply to an entity's operations for the current accounting period are recognized as expenses of that period, regardless of when cash is

exchanged. Expenses are commonly reported at their gross amount at the time the expense is incurred.

170303. Exceptions to Cash Outlays

Most expenses require cash outlays. There are exceptions such as depreciation, other losses, bad debt expenses and miscellaneous items. Miscellaneous items result from extraordinary transactions, prior period adjustments, and changes in actuarial liabilities.

*170304. Unusual or Nonrecurring Transactions

Expenses are costs that occur as part of normal, routine operations of the entity, as opposed to costs attributable to extraordinary or unexpected events, which are classified as miscellaneous items. Unusual or nonrecurring transactions or having resulted from peripheral or incidental activities of an entity should be recognized as a gain or loss, rather than as a revenue or expense.

170305. Budgetary Accounts

An expense normally includes a use or application of budgetary or other resources. Goods and services ordered and received are recorded in the budgetary accounts as expended authority (Delivered Orders – Obligations, Unpaid) and in the proprietary accounts as an expense. The budgetary accounts provide financial control over the resources provided to the entity and ensure accurate accounting during the budget execution process.

170306. Financial Control

Financial control over all commodities such as material, labor, or supplies must be maintained until consumed (expensed), sold or transferred in accordance with statutory authority. For Defense Working Capital Fund (DWCF) activities, expenses primarily are incurred in providing goods and services to customers. Refer to Volume 11B, Chapter 12 for policy covering DWCF.

170307. DWCF Expenses

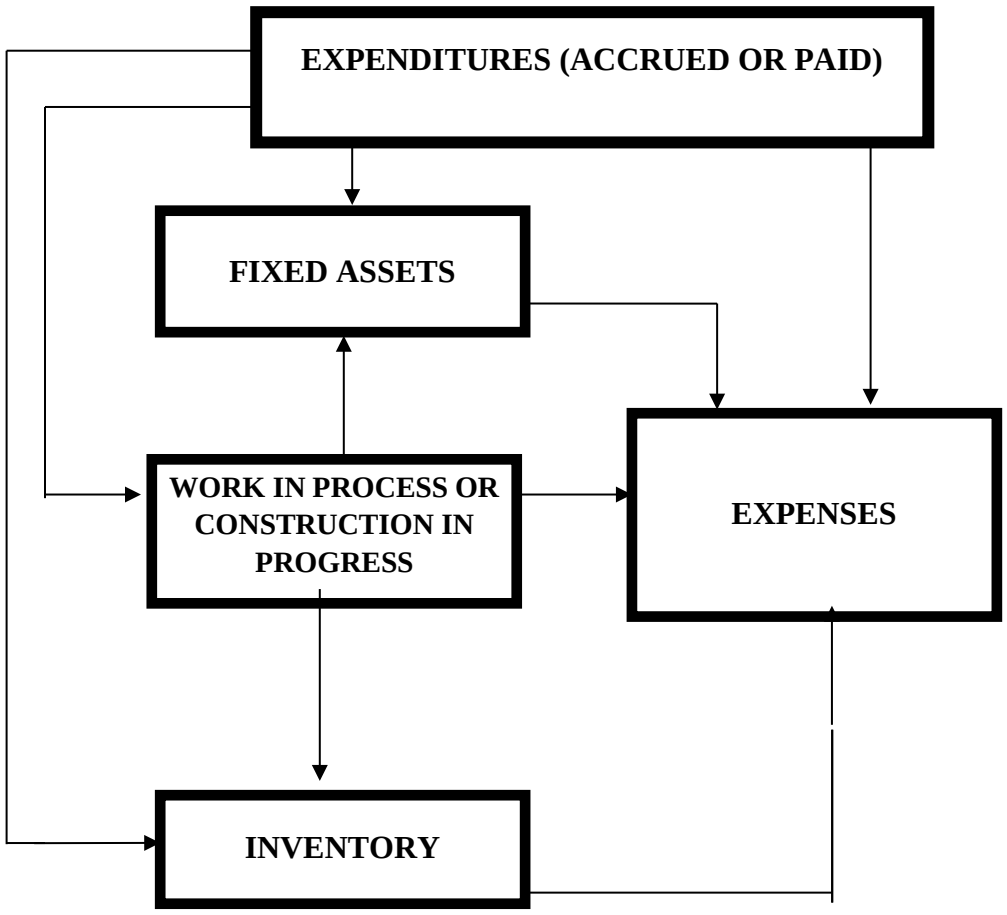
The treatment of expenses by some DWCF activities is different from the treatment accorded to expenses related to appropriation funded activities. The proper term to describe expenses accumulated in asset accounts is costs. For some activity groups in the DWCF, such as depot maintenance, costs are accumulated by job order number in the "Construction in Progress" (account 172000) or "Inventory Work in Process" (account 152600) and subsequently billed to customers. Other activity groups, such as supply management, record civilian personnel costs as an expense to the activity or cost center as a whole, in the same manner as appropriated funded activities.

170308. Relations between Budgetary and Proprietary Accounts

Figure 17-1 illustrates the relationship between Expended Budgetary Authority accounts and Proprietary accounts.

FIGURE 17-1

EXPENDED BUDGETARY AUTHORITY AND PROPRIETARY ACCOUNT RELATIONSHIPS



Compound budgetary and proprietary entries are required when goods or services are received and/or accepted. Purchased goods or services are recorded in the budgetary accounts as expended authority or expenditures (Delivered Orders – Obligations Unpaid) and in the proprietary accounts as an expense (or asset, when DoD capitalization criteria are met).

1704 PRESENTATION IN FINANCIAL STATEMENTS

*170401. Expense Recording

Expenses are commonly reported at their gross amount at the time that the expense is incurred. Expenses are recognized in the period that services are rendered, not when invoices are received. The accounting entries are specified in the DoD United States General Ledger (USSGL) Standard Financial Information Structure ***(SFIS)*** Transaction Library.

170402. Reporting Program Costs

A. Program costs must be reported in the "Statement of Net Cost" as required by Volume 6B, Chapter 5.

B. Program costs include the full costs of the program outputs and consist of the direct costs and all other costs that can be directly traced, assigned on a cause and effect basis, or reasonably allocated to a program's outputs. Program costs also include any nonproduction costs that can be assigned to a program but not to its outputs.

C. The costs of program outputs must include the costs of services provided by other entities regardless of whether the providing entity is fully reimbursed. The costs of program outputs must also include costs that are paid in total or in part by other entities to the extent that accounting standards require them to be recognized in financial statements. For example, DoD Components must recognize imputed costs of pensions and other retirement benefit expenses in their financial statements.

* D. Imputed costs represent the unreimbursed portion of the full cost of goods and services received from another source. In the case of post-employment benefits for retired, terminated, and inactive employees, imputed costs are the excess of the costs actually incurred by employing agencies for covered employees over the total contributions made by and for covered employees. Imputed costs encompass all unreimbursed portions of the full cost of goods and services received by a DoD entity from a providing DoD according to FASAB Interpretation 6.

E. The costs of goods and services provided to other federal government programs must be disclosed separately from the costs of goods and services provided to the public. The former costs are labeled "intragovernmental;" the latter are labeled "public." Intragovernmental costs are eliminated in the consolidated financial statements. Refer to Volume 6B, Chapter 10 for policy on note disclosures related to these costs.

170403. Production and Nonproduction Costs

A. Costs related to the production of outputs must be reported separately from costs that are not related to the production of outputs (i.e., nonproduction costs) on the Statement of Net Cost. Nonproduction costs are reported as a separate item in the financial statements and are addressed in the SFFAS 4.

B. The following nonproduction costs must be reported separately from other nonproduction costs, if incurred:

1. The cost of acquiring, constructing, improving, reconstructing, or renovating heritage assets. Costs associated with multi-use heritage assets are capitalized and depreciated over the expected useful life if they meet the capitalization criteria discussed in Volume 4, Chapter 6.

2. The acquisition cost of acquiring stewardship land.

3. The cost of maintenance not performed but delayed to a future period (deferred maintenance) reported in the Required Supplementary Information section of the financial statements.

*170404. Intragovernmental Transactions

Goods and Services acquired from other government trading partners or programs (i.e., intragovernmental) must be recorded separately from those purchased from nonfederal entities (i.e., the public). Additionally, goods and services (costs) provided to other government programs (i.e., intragovernmental) must be recorded separately from those provided to nonfederal entities (i.e., the public).

170405. Losses

Losses are associated with the transactions that are not incurred in the normal operation of the organization (such as the loss on the disposal of property).

1705 ACCOUNTING TREATMENT FOR EXPENSES

170501. Accounting Treatment for Expenses and Miscellaneous Items

A. The Department is accountable for its stewardship in expending resources necessary in carrying out its missions. Examples of operating expenses include personnel costs, contractual services, and the purchase of operating materials and supplies. Expenses also can include an allocation of prior capital outlays (depreciation/amortization) when such information is necessary for management decision making purposes, to meet external reporting requirements, or to recover costs of operations. Expenses are recognized in the period that services are rendered, not when invoices are received.

B. Particular attention is to be given to expenses incurred by research and development programs, or related to the search for knowledge and the conversion of knowledge into use for DoD missions.

C. Costs incurred for research and development must be recorded and reported as an expense in the period incurred unless they are associated with the development of an end item produced for operational use. In the latter case, the expenses should be capitalized if the cost and life expectancy of the end item produced meets the Department's capitalization threshold (see Chapter 6).

*170502. Costs for Property, Plant and Equipment (PP&E)

Costs for PP&E acquired or constructed for a particular research and development project must be capitalized if the acquisition cost exceeds the Department's capitalization threshold (see Chapter 6), the items are not intended for sale in the ordinary course of operations, the items have been acquired or constructed with the intention of being used by the entity, and the items have a life expectancy of more than two years. Chapter 6 provides accounting guidance for capitalizing and depreciating or amortizing assets.

170503. Work in Process Account

Work in process accounts must be used to accumulate the costs of goods or services in accordance with guidance contained in Chapters 4, 5, and 6. The amounts recorded in these account, as well as amounts recorded in applicable inventory accounts, must be the basis for determining the amounts to be recorded as cost of goods sold.

170504. Depreciation, Amortization and Depletion Account

A. Depreciation, Amortization and Depletion is used to record the allocation of the cost of an asset (tangible or intangible) over the period of time benefited or the asset's useful life.

B. The amounts to be recorded for depreciation, amortization, and depletion must be determined in accordance with the guidance contained in Chapters 1, 6, and 7.

170505. Depreciation Expense for Capitalized and Donated Assets

Depreciation expense for capitalized and donated assets is recorded with a debit to Depreciation, Amortization, and Depletion (account 671000) and a credit to the appropriate Accumulated Depreciation account related to the asset. No budgetary entry is made. Depreciation is reported in the "Reconciliation of Net Cost to Budget" footnote to the financial statements, since it is not an expense requiring a cash payment. For the DWCF, depreciation expense also is an element included in the cost recovery rates, used to finance the capital programs. Refer to the DoD USSGL SFIS Transaction Library for additional information on account descriptions for reporting depreciation.

170506. Operating Expenses/Program Costs

A. Operating expenses/program costs include costs associated with carrying out a specific program or function. Examples include personnel, travel, communications, contractual services, and other program expenses. Amounts paid often represent transactions that require a budgetary entry, moving obligations from the unexpended obligation (undelivered order) to the expended authority (delivered order) stage. DWCF activities routinely post operating expenses/program costs to a cost of goods sold account (either directly or via work in process accounts) so that costs may be matched to revenue upon completion of the task or filling an order.

B. Accounting systems must have the ability to report expenses related to operating expenses/program costs at the detail necessary to support budget preparation and applicable cost accounting requirements.

170507. Benefits Expense

The employer's portion of the contributions to the following employee benefit programs administered by Federal agencies are Federal expenses: retirement funds, life insurance, Voluntary Separation Incentive Payment (VSIP), Federal Employee's Compensation Act (FECA), unemployment for Federal employees, Social Security (Federal Old-Age, Survivors Insurance, and Federal Disability Insurance) and Medicare (Federal Hospital Insurance (Medicare Part A), Federal Supplementary Medical Insurance (Medicare Part B). The amount of benefit expense (such as employment benefits, entitlement benefits due and payable, or insurance and guarantee benefits) incurred by the program agency and/or administering agency for benefit payments must be recorded in the entity's General Ledger and reported in a timely manner.

170508. Employer contributions to the Thrift Savings Plan

Employer contributions to the Thrift Savings Plan are nonfederal expenses. The account must be supported by subsidiary accounts to show the types of transactions for which entitlement benefits were incurred.

170509. Administrative Expenses

Administrative expenses incurred for benefit payments are generally nonfederal expenses. This includes (but is not limited to) costs for retirement, life insurance, health insurance, VSIP, FECA, unemployment, entitlements, and insurance guarantees (i.e., flood insurance).

170510. Cost of Goods Sold Account

A. The cost of goods sold account is used to record the cost of goods or services sold from stock, by DWCF activities, or by other DoD activities authorized to provide services or material to other federal government agencies (including other DoD Components) or nonfederal government organizations.

B. This account is used predominantly by revolving fund activities. Appropriated fund activities also must use this account to support reimbursable programs when necessary. Trust fund activities that need to account for products delivered to other organizations also may use this account.

170511. Imputed Costs

This amount represents costs incurred which are paid in total or in part by other federal entities. Examples include, but are not limited to, military personnel costs not paid by the benefiting activity, costs for use of real property that is not reimbursed by the entity using the asset, future postemployment benefits, and environmental cleanup costs not reimbursed to the entity administering the fund when the administering fund is outside the DoD reporting entity.

170512. Imputed Costs Account

A. The Imputed Cost account must be used by all DoD activities receiving goods or services not reimbursed to an activity outside the reporting entity. For example, environmental cleanup costs paid from Defense Agency (Treasury Index 97) funds but created by one of the Military Departments. Revolving fund activities may use this account to accumulate costs for work in process or construction in progress. Appropriated and trust fund activities that need to account for such expenses also may use this account.

B. Specific categories of imputed cost are identified in SFFAS 5 and FASAB Interpretation 6, as well in the Office of Management and Budget in ***Circular A-136***, Financial Reporting Requirements.

*170513. Future Funded Expenses

Future funded expenses represent the amount of accrued expenses which are required to be funded from future year appropriations. Examples of future funded expenses include, but are not limited to, accrued annual leave expense (except for working capital funds), accrued worker's compensation, upward re-estimates for credit reform loan programs, and projected future cleanup costs associated with the removing, containing, and/or disposing of hazardous materials associated with PP&E.

170514. Expense Transactions Not Requiring Budgetary Authority

Some expense transactions do not require the use of budgetary authority and, therefore, only proprietary accounts are charged. Such expenses most commonly are the result of allocating expenses over more than one reporting period (e.g., depreciation expense), costs incurred that are paid in total or in part by other entities (e.g., imputed costs), or recognizing costs to be funded from future year appropriations (e.g., future funded expenses).

1706 LOSSES

170601. Losses on Disposition of Assets Account

A. The Losses on Disposition of Assets account is used to record a loss incurred on the disposition of DoD owned assets. Such losses can result from the sale, exchange, casualty, or retirement of assets.

B. Losses are reported net of any received proceeds.

170602. Users of Losses on Disposition of Assets Account

The Losses on Disposition of Assets account ordinarily must be used only by DoD activities authorized to dispose of DoD property; however, any DoD Component having control over personal and real property may incur such losses due to events beyond its control. The effect from such losses must be recorded in Losses on Disposition of Assets in the Statement of Net Cost.

170603. Other Losses

Other Losses must be used to record the loss on assets resulting from events other than disposition, such as investment losses and miscellaneous losses.

1707 EXTRAORDINARY ITEMS

170701. Extraordinary Transactions

Extraordinary transactions, events that are distinguished by their unusual nature and by the infrequency of their occurrence, may impact expenses and/or miscellaneous items. Both of the following criteria should be met to classify an event or transaction as an extraordinary item:

170702. Unusual Nature

The underlying event or transaction must possess a high degree of abnormality and be of a type clearly unrelated to, or only incidentally related to, the ordinary and typical activities of the entity, taking into account the environment in which the entity operates.

170703. Infrequency of Occurrence

The underlying event or transaction must be of a type that would not reasonably be expected to recur in the foreseeable future, taking into account the environment in which the entity operates.

170704. Financial Disclosure of Extraordinary Items

The total amount of all extraordinary items is included in the applicable Gross Program Cost or Non Production Cost lines of the Statement of Net Cost. Disclosure of the nature and amount of each extraordinary item is included in the notes to the financial statements.

1708 PRIOR PERIOD ADJUSTMENTS

170801. Adjustments to Prior Period Financial Statements

Circumstances may arise that require an entity to make adjustments to prior period financial statements due to a change in accounting principle or correction of a material error (or an aggregation of errors). Such circumstances include the retrospective application of a change in accounting principle or the correction of an error in prior period financial statements pursuant to SFFAS 21. See Volume 6B, Chapter 6 for information on reporting prior period adjustments in the financial statements.

170802. Change in Accounting Principle

A. A change in accounting principle results from adoption of one Generally Accepted Accounting Principle (GAAP) to another one that can be justified as preferable. Changes in accounting principles also include those occasioned by the adoption of new federal financial accounting standards. The newly adopted accounting principle should result in more accurate and meaningful financial statement disclosure.

B. The term, accounting principle, includes not only accounting principles and practices but also the methods of applying them. Unless otherwise specified in the transition instructions section of a new federal financial accounting standard, the cumulative effect of the change on prior periods should be reported as a change in accounting principle, with the adjustment made to the beginning balance of the cumulative results of operations in the Statement of Changes in Net Position.

C. Prior period financial statements presented for comparative purposes should be presented as previously reported. The nature of the changes in accounting principle and its effect on relevant balances should be disclosed in the current period. Financial statements of subsequent periods need not repeat the disclosure. See Volume 6B, Chapter 6 for additional information on reporting prior period adjustments in the financial statements.

170803. Correction of Errors

The correction of an error may be due to a change from one non GAAP method to a GAAP method or an accounting correction. Reporting entities must restate prior period financial statements for material errors discovered in the current period, if such statements are provided for comparative purposes, and if the effect of the error would be material to the financial statements in either period. Restatement is required only when the error correction is material**.** **(**See Volume 6B, Chapter 6 for additional information on reporting material errors.)

*VOLUME 4, CHAPTER 19: "MANAGERIAL COST ACCOUNTING"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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

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

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

The previous version dated January 2015 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Chapter 19, Managerial Cost Accounting, was fully revised and Chapters 20-23 were incorporated. Chapter 20, Job Cost Accounting dated May 2010 is archived. Chapter 21, Process Cost Accounting dated May 2010 is archived. Chapter 22, Cost Finding dated December 2013 is archived. Chapter 23, Cost Distribution for Information Technology Facilities dated May 2010 is archived.	Revision

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*CHAPTER 19

MANAGERIAL COST ACCOUNTING

1901. GENERAL

190101. Overview

A. Managerial cost accounting standards and concepts contribute to cost-based decisions that include the full cost of programs, activities, and outputs. This information provides the structure needed for accurate, consistent, and reliable managerial cost accounting.

B. The concepts of managerial cost accounting describe the relationship among cost accounting, financial reporting, and budgeting. Managerial cost accounting concepts are an integral part of the financial management system in that they provide a basis of accounting, recognition, and measurement appropriate for the intended purpose.

C. The five standards set forth are fundamental elements of managerial cost accounting:

1. Accumulating and reporting costs of activities on a regular basis for management information purposes,

2. Establishing responsibility segments to match costs with outputs,

3. Determining full costs of government goods and services,

4. Recognizing the costs of goods and services provided among Federal entities, and

5. Using appropriate costing methodologies to accumulate and assign costs to outputs.

190102. Purpose

The purpose is to provide the Department of Defense (DoD) policy for managerial cost accounting.

190103. Authoritative Guidance

The Statement of Federal Financial Accounting Standards 4 (***SFFAS 4***) describes managerial cost accounting for the Federal Government. Cost accounting assists Federal Agencies in complying with regulations such as the Chief Financial Officers Act ***(CFO) Act of 1990***; the Government Performance and Results Act ***(GPRA) of 1993***; the Government Management Reform Act ***(GMRA) of 1994***; the Federal Financial Management Improvement Act (Title VIII of Public Law 104-208) ***(FFMIA) of 1996*****;** and the United States Standard General Ledger (USSGL)

Treasury Financial Manual. The accounting policy and related requirements are also in accordance with the applicable provisions of ***SFFAS 3***, Accounting for Inventory and Related Property; ***SFFAS 4 Glossary***; Managerial Cost Accounting Implementation Guide ***(MCAIG) Glossary***, February 1998; and the Federal Accounting Standards Advisory Board (FASAB) ***Appendix E: Consolidated Glossary***.

1902. DEFINITIONS

The following definitions primarily originate from the SFFAS 4 Glossary, or the MCAIG Glossary.

190201. Activity

An activity is the actual work task or step performed in producing and delivering products and services, or an aggregate of actions performed within an organization that is useful for purposes of activity-based costing. (SFFAS 4 Glossary)

190202. Activity-Based Costing

Activity-based costing (ABC) is a cost accounting method that measures the cost and performance of process related activities and cost objects. It assigns cost to cost objects, such as products or customers, based on their use of activities. It recognizes the causal relationship of cost drivers to activities. (SFFAS 4 Glossary)

190203. Budgetary Accounting

Budgetary accounting is the system that measures and controls the use of resources according to the purposes for which budget authority was enacted, and that records receipts and other collections by source. It is undertaken to assess and ensure compliance with fiscal legal requirements applicable to an appropriation or fund. It tracks the use of each appropriation for specified purposes in separate budgetary accounts through the various stages of budget execution—from appropriation to apportionment and allotment to obligation and eventual outlay. (MCAIG Glossary)

190204. Cost Accounting System

A cost accounting system is a continuous and systematic cost accounting process, which may be designed to accumulate and assign costs to a variety of objects routinely or as desired by management. (SFFAS 4, paragraph 74)

190205. Cost Accumulation

Cost accumulation is the collection of costs in an organized fashion by means of a cost accounting system. There are two primary approaches to cost accumulation: job order and process costing. Under a job order system, the three basic elements of costs: direct materials, direct labor,

and overhead, are accumulated according to assigned job numbers. Under a process cost system, costs are accumulated according to processing department or cost center. (MCAIG Glossary)

190206. Cost Allocation

Cost allocation is a method of assigning costs to activities, outputs, or other cost objects. The allocation base used to assign a cost to objects is not necessarily the cause of the incurred cost. For example, assigning the cost of power to machine activities by machine hours is an allocation because machine hours are an indirect measure of power consumption. (SFFAS 4 Glossary)

190207. Cost Assignment

Cost assignment is a process that identifies costs with activities, outputs, or other cost objects. In a broad sense, costs can be assigned to processes, activities, organizational divisions, goods, and services. There are three methods of cost assignment: (a) directly tracing costs wherever economically feasible, (b) using cause and effect, and (c) allocating costs on a reasonable and consistent basis. (SFFAS 4 Glossary)

190208. Cost Center

A cost center is a logical or physical grouping of one or more similar services for the purpose of identifying obligations or developing the cost identification for the services. Services are grouped into cost centers in order to (a) normalize between services that use similar resources with different capabilities, (b) apply surcharges and discounts to services, (c) identify costs for different classes of the same service, or (d) identify obligations. This is the lowest level (that is, unit) or activity that is used to identify obligations or expend resources to produce a unit of work, and the lowest level of activity to segregate costs for management in order to assess items such as efficiency, usage, and examine trends. (MCAIG Glossary)

190209. Cost Finding

Cost finding techniques produce cost data by analytical or sampling methods. Cost finding techniques are appropriate for certain kinds of costs, such as indirect costs, items with costs below set thresholds within programs, or for some programs in their entirety. Cost finding techniques support the overall managerial cost accounting process and can represent nonrecurring analysis of specific costs. (SFFAS 4 Glossary)

190210. Cost Object (Also Referred to as Cost Objective)

A cost object is an activity, output, or item whose cost is to be measured. In a broad sense, a cost object can be an organizational division, function, task, good, service, or customer. It is also defined as an activity, operation, or completion of a unit of work to complete a specific job for which management decides to identify, measure, and accumulate costs. The cost object must be discrete enough and described in writing to such a level of detail as to form a basis to establish cost centers and output products. (MCAIG Glossary)

190211. Direct Costs

Direct costs are the cost of resources directly consumed by an activity. Direct costs are assigned to activities by direct tracing of units of resources consumed by individual activities. They are a cost that is identified specifically with a single cost object. (SFFAS 4 Glossary)

190212. Financial Accounting (Also Known as Proprietary Accounting)

Financial accounting is the accounting for assets, liabilities, net position, revenues, and expenses as a basis for reports to external parties. (Appendix E, noted as "proprietary account") It is a methodology that focuses on reporting financial information primarily for use by owners, external organizations, and financial institutions. This methodology is constrained by rule making bodies such as the Financial Accounting Standards Board, Securities Exchange Commission, and the American Institute of Certified Public Accountants. (MCAIG Glossary) For Federal Agencies, the rule making bodies include FASAB, the Department of Treasury, and the Office of Management and Budget (OMB).

190213. Fixed Cost

A fixed cost is a cost that does not vary in the short term (usually less than one year) with the volume of activity. Fixed cost information is useful for cost savings by adjusting existing capacity or by eliminating idle facilities. (SFFAS 4 Glossary)

190214. Full Cost

A. Full costs are the sum of all costs required by a cost object including the costs of activities performed by other entities regardless of funding sources. More specifically, the full cost of an output produced by a responsibility segment is the sum of (a) the costs of resources consumed by the responsibility segment that directly or indirectly contributes to the output, and (b) the costs of identifiable supporting services provided by other responsibility segments within the reporting entity and by other reporting entities. (SFFAS 4 Glossary)

B. Full cost is all direct and indirect costs to any part of the Federal Government of providing goods, resources, or services. ***(OMB Circular A-25)***

190215. Indirect Cost

Indirect costs are costs that cannot be identified specifically with or traced to a given cost object in an economically feasible way. (SFFAS 4 Glossary)

190216. Inter-Entity Costs

Inter-entity is a term meaning between or among different federal reporting entities. It commonly refers to activities or costs between two or more agencies, departments, or bureaus. (SFFAS 4 Glossary)

190217. Intra-Entity Costs

Intra-entity costs are costs from organizational components within the reporting entity that provide support for the responsibility segment's programs, projects, or activities. These costs include the direct and indirect costs of other organizational components of the reporting entity. (MCAIG Glossary)

190218. Job Order Costing

Job order costing is a method of cost accounting that accumulates costs for individual jobs or lots. A job may be a service or manufactured item, such as the repair of equipment or the treatment of a patient in a hospital. (SFFAS 4 Glossary)

190219. Latest Acquisition Cost

Latest acquisition cost is a method in which all units are valued at the invoice price of the most recent items purchased less any discounts, plus any additional costs incurred to bring the item to a form and location suitable for its intended use. (FASAB Appendix E)

190220. Managerial Cost Accounting

Managerial cost accounting is the process of accumulating, measuring, analyzing, interpreting, and reporting cost information useful to both internal and external groups concerned with the way in which the organization uses, accounts for and controls its resources to meet its objectives. Managerial cost accounting is the integration of budgetary accounting, financial accounting, and management reporting because it provides information for decision making purposes and performance measurement.

190221. Outcome

A. Outcome is defined in broad terms in Statements of Federal Financial Accounting Concepts ***(SFFAC) 1***, "Objectives of Federal Financial Reporting (OFFR)", paragraphs 204-208, as accomplishments or results that occur (at least partially) because of the service efforts of government entities. Some authorities use terms like "impact," "effect," or "results" to distinguish the change in outcomes specifically caused by the government activity from the total change in conditions that can be caused by many factors. (SFFAS 4 Glossary)

B. Outcome is an assessment of the results of a program compared to its intended purpose. Outcomes should: (a) be capable of being described in financial, economic, or quantitative terms, and (b) provide a plausible basis for concluding that the program has had or will have this intended effect. For measuring outcomes for research and development programs, results may be reported by a narrative discussion of the major results achieved by the program during the year. (***SFFAS 8***, paragraphs 93 and 99)

190222. Output

Output is any good or service generated from the consumption of resources. It can include information or paperwork generated by the completion of the tasks of an activity. (SFFAS 4 Glossary)

190223. Performance Measurement

Performance measurement is a means of evaluating efficiency, effectiveness, and results. A balanced performance measurement scorecard includes financial and nonfinancial measures focusing on quality, cycle time, and cost. Performance measurement should include program accomplishments in terms of outputs (quantity of goods or services provided, e.g., how many items are efficiently produced) and outcomes (results of providing outputs, e.g., are outputs effectively meeting intended agency mission objectives). (MCAIG Glossary)

190224. Pricing

Pricing is the process to determine the amount at which to sell a product or service. (Adapted from SFFAS 3)

190225. Product

A product is any discrete, traceable, or measurable good or service provided to a customer. Often goods are referred to as tangible products, and services are referred to as intangible products. A good or service is the product of a process resulting from the consumption of resources. (MCAIG Glossary)

190226. Program

Program is defined as a mission program, whose products or services the Agency delivers as part of its strategic plan. (MCAIG Glossary)

190227. Project

A project is a planned undertaking, usually related to a specific activity, such as the research and development of a new product or the redesign of the layout of a plant. (MCAIG Glossary)

190228. Process Costing

Process costing is a method of cost accounting that first collects costs by processes and then allocates the total costs of each process equally to each unit of output flowing through it during an accounting period. (SFFAS 4 Glossary)

190229. Proprietary Accounting

See Financial Accounting (paragraph 190212).

190230. Recovery of Cost

Recovery of cost is the method of recovering the costs of any given expenditure. (Adapted from SFFAS 4)

190231. Relevant Costs

Relevant costs are those cost elements that are necessary for particular management analyses and/or decision making purposes when full cost is not appropriate. Relevant costs may include expected or potential costs that differ among alternative courses of action. (MCAIG Glossary)

190232. Resource

A resource is an economic element that is applied or used in the performance of activities. Salaries and materials, for example, are resources used in the performance of activities. (MCAIG Glossary)

190233. Responsibility Segment

A responsibility segment is a significant organizational, operational, functional, or process component which has the following characteristics: (a) its manager reports to the entity's top management, (b) it is responsible for carrying out a mission, performing a line of activities or services, or producing one or a group of products, and (c) for financial reporting and cost management purposes, its resources and results of operations can be clearly distinguished, physically and operationally, from those of other segments of the entity. (SFFAS 4 Glossary).

190234. Service

A service is an intangible product or task rendered directly to a customer. (SFFAS 4 Glossary) (Also, see Product as defined in paragraph 190225.)

190235. Service Department

A service department is also known as an Intermediate Cost Object. A service department is an organizational unit of a facility that has the responsibility for providing support for the work of the production departments. Examples are purchasing, building and ground personnel, and power departments. All of these activities are necessary parts of the production process and primarily supportive of production departments. Service department costs must be allocated to production departments before overhead rates are determined. (MCAIG Glossary)

190236. Standard Costing

Standard costing is a costing method that attaches costs to cost objects based on reasonable estimates or cost studies and by means of budgeted rates rather than according to actual costs incurred. It is the anticipated cost of producing a unit of output. It is a predetermined cost to be assigned to products produced. Standard cost implies a norm, or what costs should be. Standard costing may be based on either absorption or direct costing principles, and may apply to all or some cost elements. (SFFAS 4 Glossary) Refer to Volume 11B and Volume 3, Chapter 19 for use of standard costing in the Working Capital Fund (WCF).

190237. Unit Price

Unit price is the cost of a selected unit of a good or service. (Adapted from SFFAS 3)

190238. Variable Cost

Variable cost is a cost that varies with changes in the level of an activity, when other factors are held constant. The cost of material handling to an activity, for example, varies according to the number of material deliveries and pickups to and from that activity. (SFFAS 4 Glossary)

1903. MANAGERIAL COST ACCOUNTING OVERVIEW

190301. Managerial Cost Accounting Concepts

A. As described in SFFAS 4, the concepts and standards of managerial cost accounting explain the relationship among budgetary, financial, and cost accounting. Managerial cost accounting is the process of accumulating, measuring, analyzing, and reporting cost information useful to both internal and external groups concerned with how DoD uses, accounts for, and controls its resources to meet its objectives. Cost information is an essential component of a well-managed, cost effective organization. Cost accounting is used to achieve cost effective performance and provide full financial program accountability.

B. Budgetary, financial, and managerial cost accounting use information from common transactional data sources. The combined use of the three types of accounting tie cost related data to the Department's audited financial statements, general ledger, and sub-ledgers to achieve cost accountability and transparency to stakeholders.

190302. Managerial Cost Accounting Standards

A. SFFAS 4 requires the Federal Government to implement cost accounting for management information purposes. The standard provides flexibility based on organization size, capabilities, and resources. Agencies are allowed to be flexible in designing a cost accounting methodology that reflects and aligns with the mission needs and operations of the organization as the DoD structure and purpose is extensive and diverse.

B. The following are the five managerial cost accounting standards referenced in SFFAS 4 and their section:

1. Accumulate and report costs of activities on a regular basis for management information purposes (see section 1904),

2. Establish responsibility segments (e.g., Department of the Army, Battle Carrier Group, Depot Maintenance Activity Group, Supply Management Activity Group, or Combatant Commanders) to match costs with outputs (see section 1905),

3. Determine the full cost of goods and services (see sections 1904, 1905, and 1906),

4. Recognize the cost of goods and services provided among federal entities (see sections 1905 and 1906), and

5. Use appropriate costing methodologies to accumulate and assign costs to outputs (see section 1905).

190303. Uses of Managerial Cost Accounting

In managing DoD programs, cost accounting information assists managers and other stakeholders in making informed decisions in the areas of budget and cost control, performance measurement, reimbursement and fee/price setting, program evaluations, and economic choice decisions. By complying with SFFAS 4, an organization should be able to answer the following types of questions:

A. Given the current spend plan and rate of execution, at what interval (if applicable) could the program experience a cost over-run?

B. What are the full costs to deliver goods and/or services by organization, line of business, or region?

C. How well is the organization managing its available resources in terms of mission effectiveness and cost efficiency?

D. How well has the organization met its strategic plan and the expected outcomes based on resources available?

190304. Cost Assignment and Costing Methodologies

A. Cost assignment methods link expenses from a financial accounting perspective using the USSGL, as further defined in the DoD Standard Chart of Accounts ***(SCOA)***, to outputs of an organization. According to SFFAS 4, users should assign costs with one of the following methods listed in the order of preference:

1. Directly tracing costs wherever feasible and economically practicable,

2. Assigning costs on a cause and effect basis, or

3. Allocating costs on a reasonable and consistent basis.

B. Costing methodologies are processes used to accumulate and allocate costs to specific outputs. Although SFFAS 4 does not require the use of a particular costing methodology, it does offer several costing methodologies to meet the broad range of diverse operations within DoD. The four costing methodologies described in section 1905 include (a) job order costing, (b) process costing, (c) standard costing, and (d) ABC. The DoD must select the costing methodologies that best meet the organization's operational need and mission requirement.

190305. Data Systems and Sources and Cost Finding

A. Data sources from financial and operational systems support reporting, performance measurements, budgeting, and financial accounting. An efficient data system standardizes data elements shared between budgetary, financial accounting, and managerial cost accounting. Costs are traced using the accounts described in the USSGL as the standard. This allows data systems to produce concise and informative financial and performance reports. Cost accumulation should comply with the Standard Line of Accounting ***(SLOA)*** Accounting Classification and the Standard Financial Information Structure ***(SFIS)*** Implementation Policy. Additional information regarding SLOA, USSGL, and SFIS are available in Volume 1, Chapters 4 and 7.

B. When data systems are unable to provide the needed cost information, cost finding techniques may provide the needed results through analytical or sampling methods. Cost finding techniques may also be useful for computing costs when the information is not needed on a recurring basis. Cost finding techniques are also useful for budget estimates, Business Case Analysis, Cost Benefit Analysis, and/or Analysis of Alternatives (AOA) but should not replace consistent and regular managerial cost reporting when available.

1904. COST REPORTING AND ANALYSIS

190401. Cost Reporting and Analysis Overview

A. Cost reporting and analysis provides tools to better understand the costs of resources, activities, and cost objects (such as programs, products, and services) for reporting budgetary, financial, and managerial cost accounting information and for making informed business decisions. Additional benefits are derived when planned and actual performance data is aligned, such as the ability to capture full costs of products and/or manpower, transparency into pricing and fees, and consistency in standardized cost reporting for historic and forecasting value. Benefits derived will vary based on organization, model maturity, and department mission.

B. Managerial cost accounting improves both federal financial management and managerial decision making processes by providing:

1. An understanding of the reporting requirements as seen by management,

2. The type of information that management is interested in having reported, and

3. An approach to developing the analysis that will eventually support the reporting and performance structure.

190402. Relationship Between Budgetary, Financial, and Managerial Cost Accounting

Managerial cost accounting is the integration of budgetary accounting, financial accounting, and management reporting because it provides information for decision making purposes and performance measurement.

A. Relationship Between Financial and Managerial Cost Accounting

1. Financial accounting provides the ability to track the effects of financial events on the financial position of the Federal Reporting Entities and results of operations, including assets, liabilities, changes in net position, revenues, and expenses. (MCAIG Glossary, page A-xc) Financial accounting, through the USSGL and the DoD SCOA, provides a normalization of the general ledger across the Department to provide a trial balance from which the Department and its reporting components produce their financial statements.

2. Managerial cost accounting is the process of accumulating, measuring, analyzing, interpreting, and reporting cost information useful to both internal and external groups concerned with the way in which the organization uses, accounts for and controls its resources to meet its objectives. (MCAIG Glossary, page A-xcvi)

B. Relationship Between Budgetary and Managerial Cost Accounting

1. Accounting for costs in appropriation accounts often is undertaken for congressional reporting purposes related to obligations and expenditures recorded against such accounts, but it is not always the most effective way to accumulate cost information about and for analysis of entity operations. While appropriations made for budgetary accounts designate and control the level of federal resources available for specific purposes, measuring the execution of budgetary resources does not necessarily facilitate an understanding of the full costs of federal resources needed to achieve policy or program goals.

2. Managerial cost accounting can play an important role in the budget process and assist congressional and executive decision makers who allocate federal resources during budget formulation by informing them of the full cost of federal resources required to

support policy and program goals. Managerial cost accounting also assists the budget execution process by consistently accumulating and reporting the costs of the federal resources consumed, and by comparing actual against planned federal resource consumption (MCAIG Glossary, page I-19). Managerial cost accounting uses the defined data elements prescribed by SLOA Accounting Classification and can produce a more detailed Statement of Net Cost (SNC) for budget reconciliation.

190403. Users of Cost Reporting and Analysis Overview

A. Useful Information

One of the primary objectives of managerial cost accounting is to provide useful information that supports improved federal financial management reporting and managerial decision making processes. Regardless of a stakeholder's function, users need accurate reporting to identify cash, disbursements, collections, full cost of resources, activities, capabilities, and operations for various needs. Specifically, for the DoD reporting components, some of these needs include:

1. Making better decisions at the cost element levels,

2. Knowing the cost of operations and accounting for the cost of activities,

3. Linking budget planning and budget allocations to actual expenditures, providing cost traceability,

4. Responding to both external and internal cost related inquiries, and

5. Making costs visible to DoD leadership, component leadership, operational commanders, and program managers.

B. Internal Users of Cost Reporting and Analysis

1. DoD financial managers are the primary users of internal cost information. They are responsible for carrying out program objectives with resources entrusted to them. Accurate, reliable, and timely cost information helps them ensure that resources are spent to achieve expected results and outputs, and alerts them to waste and inefficiency.

2. Government executive managers depend on internal cost reports for determining the costs of specific resources, activities, capabilities, and for understanding changes in those costs.

C. External Users of Cost Reporting and Analysis

Congress makes policy decisions on program priorities and allocates resources among programs through the appropriations process. These officials and ordinary citizens need cost information to compare alternative courses of action and to make program authorization decisions

by weighing costs against benefits derived. They also need cost information to evaluate program performance in terms of outcomes (such as results and benefits) and not necessarily outputs (such as goods and services).

190404. Costing for Decision Making Purposes Overview

A. To interpret cost data appropriately, it is important to distinguish between direct and indirect costs, fixed and variable costs, and full and relevant costs. Analysis of these cost components helps managers understand the demand their program places on federal resources of other organizational units and contributes to their organizational costs. The accurate recording and availability of detailed historical cost information is important in providing insight into budgets, cost estimates, and performance metrics.

B. The cost information should allow an organization to be able to address the following statements:

1. Given the current spend plan, the program expense status is…

2. The full costs to deliver goods and/or services by an organization, line of business, or region are…

3. The organization's management of its available resources is…

C. In managing Federal Government programs, cost information assists managers in making decisions in these areas: budget and cost control, performance measurement, reimbursement and fee/price setting, program evaluations, and economic choice decisions.

190405. Budget and Cost Control

A. Budget planning and control serves an important function within the Federal Government. Information on the costs of recent or current program activities will be used as a basis in estimating future budgets. Historical costs are a good measure of program performance and provide insight into the future expenses.

B. Once budgets are approved and executed, current cost information serves as feedback on the budgets. Budgets provide an annual spending constraint per Anti-Deficiency Act ***(Title 31 United States Code, Section 1517(a))***, whereas DoD financial managers will use the feedback derived from the current costs to budget analysis to control and reduce costs, as well as, find and avoid waste. With appropriate cost information collected through managerial cost accounting, federal managers can:

1. Explain variances between actual and budgeted costs of a cost object,

2. Compare cost changes over time and identify their causes,

3. Compare costs of similar activities and identify cost differentials, and

4. Produce budgets at a detailed level which will improve accuracy, insight, and increased transparency of an agency's expenditures.

C. Organizations should produce a SNC (actual to budget) by appropriation, budget object class as defined by SFIS, activity, organization and/or Command, and good or service. This serves as a performance measure and control for financial managers.

190406. Performance Measurement

A. GPRA requires Federal Agencies to develop five year strategic plans and annual performance plans and report annually on actual performance compared to goals. GMRA allowed the Executive Branch to reduce duplicative or obsolete reports to provide for more efficient workload distribution or improve the quality of reports. Shortly thereafter, the FFMIA was enacted to help improve compliance with accounting standards resulting in reporting full costs of programs and activities, which increases accountability and improves cost efficiency, performance, and productivity. FFMIA builds upon and complements the CFO Act, GPRA, and GMRA, and increases the capability of agencies to monitor execution of the budget by more readily permitting reports that compare spending of resources to results of activities. Cost information is necessary to aid organizations in evaluating and comparing actual costs to planned performance measures, outputs, and outcomes to meet these regulations.

B. In defining annual performance plans, program managers can establish performance goals based upon an understanding of both the direct and indirect costs of their programs, and thereby align strategic resources to results.

C. Results are often stated in terms of an "output," because they are easier to identify and measure. Leading practice in performance management prefers to measure an "outcome" or a result or measureable goal, which is often more difficult to identify and measure. The utilization of managerial cost accounting can provide the performance details useful to leadership for determining whether the organization achieves an "outcome" or not. Defined cost goals will assist managers in deploying resources more efficiently to achieve the desired performance.

D. An annual performance plan defines measurements for each major activity, good, and service. Plans and performance goals are developed based upon anticipated resource levels. In the budget formulation process, program managers begin to connect federal resources to results. Managerial cost accounting policies require that financial managers base their planning upon all federal resources allotted to their programs. This includes resources for both direct and indirect costs. The indirect allocated support for activities, goods, and services that are separately appropriated or covered through relevant activities are often overlooked and not included. A complete and fully inclusive performance report will include both direct and indirect (from all sources within program or support programs) costs of the cost object. When the cost of a program is managed through managerial cost accounting, and cost goals are defined, the costs of the activity, good, and service can be monitored and managed more efficiently.

E. Performance measurement can be viewed as the government equivalent of private sector profitability measurements. However, selecting appropriate measurements is quite difficult and requires exercise of judgment. Cost itself can be a performance metric, but cost should also be combined with an effectiveness measure, such as the percent of a goal achieved at a level of expected performance, to ensure the resulting output is cost effective.

F. As suggested by SFFAS 4, paragraph 35, the goods and service efforts and accomplishments of a cost object can be evaluated with some of the following measures:

1. Measures of organization's efforts (which include the costs of resources used or consumed, and non-financial measures),

2. Measures of accomplishments which are outputs (the quantity of goods and services provided) and outcomes (the results of those goods and services), or

3. Measures that relate efforts to accomplishments, such as cost per unit of output or cost effectiveness.

190407. Reimbursements and Fee/Price Setting

A. Cost information is an important element of the decision making process for setting prices and user fees for government provided goods and services. Pricing and costing, however, conceptually use cost information differently. In the Federal Government, setting prices is a policy matter, sometimes governed by statutory provisions and regulations, and at other times, by department or managerial policies.

B. SFFAS 4, paragraph 37 and OMB Circular A-25 requirements include:

1. With respect to goods and services that the government provides in its sovereign capacity to a particular group of individuals as a special benefit, user charges should be sufficient to recover the full cost of those goods and services.

2. With respect to goods and services that the government provides under business-like conditions, user charges for those goods and services need not be limited to the recovery of full cost and may yield net revenue. WCFs are revolving funds that rely on a cost recovery methodology to finance operations. WCF activities are designated as zero profit/loss or breakeven activities. The full costs of the goods and services delivered are reimbursed through the associated sales. Those sales represent receipts from the appropriated funds. For this to happen, it is critical that reimbursement rates be as accurate as possible. If the rates are set too high, the organization will overcharge its customers. If rates are set too low, costs will not be fully recovered. To set rates accurately, the DoD needs to have a comprehensive understanding of the goods and services that are delivered, the activities and tasks required for delivery, and the resources consumed by those activities. For more information on Defense WCF see Volume 3, Chapter 19 and Volume 11B.

C. Cost information is also important in calculating reimbursements for goods and services provided by one federal agency to another. Hence, reimbursable accounting allows one federal organization to recover its cost from another federal organization for the direct and indirect costs of providing those goods and services. The reimbursable fee structure, best displayed in the reimbursement of communication, data, and accounting services by some of the DoD agencies, is specifically established for providing those goods and services. Even if fees or reimbursements do not recover the full costs due to policy or economic constraints, management needs to be aware of the difference between cost and price. With this information, program managers can properly inform the public, Congress, and federal executives about the costs of providing the goods or services. For more information on reimbursable fees, see Volumes 11A and 11B.

190408. Program Evaluations

The cost of federal resources required by programs is an important factor in making policy decisions related to program authorization, modification, consolidation, or discontinuation. These decisions are usually subject to policy constraints. They often require the consideration of both social and economic costs and benefits affecting different sectors of the economy and society. For complete program cost evaluation, it may be necessary to obtain advice from outside the entities' data systems. The Office of the Director, Cost Assessment and Program Evaluation (CAPE), provides independent analytic advice to the Secretary of Defense on all aspects of the Defense program, including alternative weapon systems and force structures, the development and evaluation of defense program alternatives, and the cost effectiveness of defense systems.

190409. Economic Choice Decisions

As noted in SFFAS 4, agencies and programs often face decisions involving choices among alternative actions, such as whether to do a project in-house or contract it out, to accept or reject a proposal, or to continue or discontinue a good or service. Making these decisions requires cost comparisons among available alternatives. In the case of outsourcing, decisions may involve comparing the incremental cost and benefits of continuing a government activity with the incremental cost and benefits of turning the project over to a private sector business. In federal terms, it may use an AOA, for example, in the selection of software application, an upgrade to an enhanced good or service, or a capital investment project. Cost studies of various types can help to decide whether to accept or reject a proposal for a government capital project, to continue or drop a government good or service, or to contract with a private sector vendor.

1905 COST ASSIGNMENT AND COSTING METHODOLOGY

190501. Cost Assignment and Costing Methodology Overview

A. A planned and managed managerial cost accounting system provides detailed cost models, budget preparation, and financial reports for identified cost objects within the reporting segment. DoD financial managers need to establish the costing methodology and standards for cost recognition and performance measurements appropriate for each segment's

operational needs. Financial managers should take into consideration the following when establishing their cost accounting practices:

1. Nature of the entity's operations,

2. Precision desired and needed in cost information (accuracy, frequency, granularity, transparency, and cost benefit of obtaining data),

3. Practicality of data collection and processing,

4. Availability of service departments for indirect services,

5. Cost of installing, operating, and maintaining the cost accounting processes, and

6. Any specific information needs of management.

B. SFFAS 4 states that cost accumulation and assignment methods are economically feasible if the benefits resulting from implementing the methods outweigh the costs. It is not advantageous to use a costing method if it requires a large amount of resources to produce information of little value to users. Agencies should establish a costing methodology system that is appropriate for their operational needs at the right investment of resources to produce.

C. Consistently using costing methodologies provides reliable results in performance measurement. Consistency provides cost information that is comparable year after year, which establishes relevant historic data and reliable forecasting. This requirement for consistency does not preclude improvements or refinements to the system and methodology. Documenting changes is a requirement and may also require noting in the financial statements. Documenting the changes assists in appropriately incorporating the new processes over historic years and provides support to any forecast adjustments.

190502. Cost Accumulation

A. SFFAS 4 states that cost accumulation is the process of collecting cost data in an organized way and responsibility segments are required to accumulate costs. Cost accumulation does not involve cost assignment or allocation from other supporting segments.

B. Of the five standards in SFFAS 4, two reference cost accumulation:

1. Accumulating and reporting costs of activities on a regular basis for management information purposes, and

2. Using appropriate costing methodologies to accumulate and assign costs to outputs.

C. Cost accumulation occurs through establishing costing methods for cost objectives or outputs, or by using cost findings to estimate costs for allocation. For more information on cost finding techniques, see section 1906.

D. SFFAS 4 requires organizations to accumulate costs for the identified types of outputs produced for various programs or projects. Organizations may establish a network of cost centers to accomplish this cost accumulation task. Cost centers are a tool that groups relevant costs that support a consistent output or objective. Cost centers can be used to simplify the various costs incurred by aggregating costs into a cost center that provides a product, be it a service or a good. A project management office is a common type of cost center.

E. Responsibility segments should accumulate the costs of resources consumed by the type of resource, such as costs of employees, employee benefits, and office space or rent. Accumulating the costs incurred by resource type supports detailed reporting and provides transparency of cost by type. Segments should also accumulate outputs and products to capture the full cost, if the purpose is to support billing a customer. (Refer to Volumes 11A and 11B) Where practical, the costs should be captured at a measure of unit.

190503. Cost Assignment Authoritative Guidance

A. The USSGL is the basis from a financial accounting perspective when assigning costs to the activities and/or the cost objects of an organization. The DoD USSGL Transaction Library is a decomposition of the USSGL accounting transactions for DoD. The DoD USSGL Transaction Library breaks down the generalized USSGL transaction postings that contain multiple debits and credits, into appropriate pairings of debits and credits of budgetary, proprietary, and memorandum accounts. The result is general transactions mapped to individual DoD Transaction Codes. SFIS is a common business language that enables budgeting, performance based management, and the generation of financial statements using the USSGL. For more information on SFIS and USSGL, see Volume 1, Chapters 4 and 7.

B. SLOA Accounting Classification was developed to improve financial information, improve interoperability between business systems, provide better end-to-end funds traceability and linkage between budget and expenditures, comply with Treasury requirements, and help achieve audit readiness through business process reengineering. SLOA provides additional granularity to accounting transactions that improves the appropriate assignment of costs for a segment.

190504. Cost Assignment Methods

A. Cost assignment is the process and procedure to identify the accumulated costs and cost objects (an activity or item whose cost is measured). As per SFFAS 4, there are three methods to assign costs to outputs listed in order of preference:

1. Directly tracing costs wherever feasible and economically practicable,

2. Assigning costs on a cause and effect basis, and

3. Allocating costs on a reasonable and consistent basis. (See Table 19-1 for more on the prescribed methods)

Table 19-1. Cost Assignment Methods

Method	General Cost Behaviors	Accuracy/ Frequency	Granularity/ Transparency	Project/ Program Requirement
Directly Traceable	Job Order Direct and/or Indirect Actual or Standard	High	High to Moderate	Activity / Task Level
Cause and Effect	Job Order Direct and/or Indirect Process Direct and/or Indirect Variable Actual or Standard	High to Moderate	High to Moderate	Task / Delivery Order
Allocation	Job Order Indirect Process Indirect Fixed Actual or Standard	Lowest	Lowest	Project / Program

B. Agencies and responsibility segments select the appropriate cost assignment method(s) based on their operational needs. This generally occurs when establishing the operational needs and tends to follow historic practices (if reliable historic data is available); however, cost assignment methods can change if the operating environment or regulations change. SFFAS 4 requires organizations to identify the full cost of outputs (the goods or services produced, the missions or tasks performed, and the customers or markets served) including:

1. Direct and indirect costs incurred within the responsibility segment,

2. Intra-entity costs from other responsibility segments, and

3. Inter-entity costs recognized by the receiving entity.

C. Responsibility segments that produce only one output assign costs of the resources used in production to the output. Responsibility segments that deliver intermediate goods or provide supporting services assign the costs to the segments that receive the goods and services. Inter-entity costs are assigned to the responsibility segments that use the inter-entity goods and services. A receiving entity should also recognize assigned inter-entity costs from other Federal Entities.

D. It is a requirement to document changes to a cost assignment method. Documenting changes may also require noting in the financial statements. It is important to maintain a consistent cost assignment method, where possible, for reporting and pricing efforts.

190505. Directly Traceable Cost Assignment

A. Direct tracing applies to resources directly used in the production of an output. Examples include materials used in production, employees providing direct effort, facilities, and equipment used exclusively in the production of the output, and goods or services received from other entities (inter-entity) directly used in support of the output. Direct tracing also applies to specific resources dedicated to particular outputs, such as resources tracked to a single task or objective.

B. Direct costs tend to originate internally by program, responsibility segment, or reporting entity; however, outside entities may also assign direct costs to a segment. Additionally, the directly traceable method is not limited to direct costs. Indirect costs from these outside entities can also use the directly traceable method to capture costs in more detail. Regardless of origin or funding profile, all direct costs are included in the cost of the output.

C. As noted in Table 19-1, directly tracing costs provides the highest level of granularity and yields the highest level of reporting information; however, it is not necessary to apply a direct tracing methodology to all elements of a cost object or output. For example, directly tracing office supplies to a particular weapon system upgrade would not be cost effective, but if a program or activity explicitly budgets for administrative or clerical services, then direct traceability is relevant for costing purposes.

190506. Cause and Effect Basis Cost Assignment

A. Costs that cannot be traced directly to a final output (such as activities or work elements), or it is cost prohibitive to do so, but a relationship can be made between the resource costs and outputs, are assigned to intermediate cost objects. The cause and effect basis recognizes that activities have incurred costs, outputs have required these activities, and therefore, a reasonable relationship can be derived between the two. The causal beneficial relationship permits the activity costs to be accumulated and assigned using the cause and effect basis.

B. Establishing an intermediate cost object requires the identification of homogenous activities to an output and determining the rate of allocation to receiving cost objects. For example, a laboratory's costs can first be assigned to various tests it runs. The costs of the tests can then be assigned to the operating units that ordered the tests.

C. The cause and effect basis is useful when production is consistent and manageable. The cause and effect basis must not be used if cost cannot be normalized or linked to a final output; instead, costs are assigned using a more general process.

190507. Cost Allocation

A. Cost allocation is the process of assigning costs that cannot be directly traced or assigned using the cause and effect basis. General and Administrative support services used by various common segments apply the cost allocation method to assign costs to benefiting cost objects.

Cost allocation is a process that provides the least detail in costs incurred and is used for indirect costs only.

B. General and Administrative support costs are allocated initially to the segments and then to the outputs of that segment on a pro rata basis. This involves two steps:

1. Allocate the accumulated costs of support services to the segment, and

2. Allocate the accumulated costs to the outputs of each segment.

C. The usual basis for cost allocations is the relevant common denominator. The basis of cost allocation may include the number of employees, direct hours worked, or the amount of direct costs incurred in segments. The common denominator is also referred to as the allocation base. Grouped costs should be accumulated and assigned using a consistent and relevant base. The allocation frequency and base should remain consistent to allow cost comparison over a period of time.

D. Cost allocation is similar to cause and effect in that it may use an intermediate cost object to accumulate costs; however, it differs in that a single benefiting segment or output is unable to be identified for allocation purposes. Cost allocation method is commonly used for general and administrative costs. A responsibility segment may use more detailed costing methods to accumulate costs within the intermediate cost object for more detailed internal reporting, but the allocation remains based on the accumulated cost.

E. Costs accumulated for intermediate cost objects must be homogeneous. Examples in homogeneity accumulation include, but are not limited to: human resource departments, program management offices, and general and administrative offices. Activities within these examples are often difficult to measure in meaningful amounts per unit or per cost object.

190508. Costing Methodologies and Cost Behaviors

Costing methodologies described in SFFAS 4 are intended to improve cost data detail used in budgetary, financial, and managerial accounting purposes. It is important to note that the costing methodologies described in paragraphs 190509 through 190512 are not mutually exclusive nor all inclusive, and can be utilized in combination based on the objective, job order, or process costing and can be applied to both ABC and standard costing systems.

190509. Job Order Costing

A. Job order costing is a costing methodology that accumulates and assigns costs to discrete jobs. Job order costing accumulates costs for each job-work order, internal order, contract, unit of production, or batch. Job order costing is used if:

1. The production or service is being performed to meet customer specifications or requirements,

2. Different components are made for inventory,

3. Projects are undertaken to construct real property, or

4. Tracking a work or job order is required for an organizational unit.

B. In a job order costing system, different products with varying degrees of production time and different amounts of direct materials consumed are tracked separately by work orders. Job order costing provides more control, less estimation, and more direct and reliable allocation of costs.

C. Direct materials and supplies owned by the performing activity, acquired from a Defense WCF or from an inventory account financed by appropriated funds, are charged to a job order in accordance with established costing procedures for the segment.

D. The structure for job order data must be consistent with the SFIS and the SFIS Business Rules. Volume 1, Chapters 4 and 7 provide specific guidance on SFIS and the DoD SCOA. Where relevant, subsidiary ledger accounts or proprietary accounts will need to be incorporated into the structure for job order data.

E. A job order number is given to each identified cost object, similar to a project Work Breakdown Structure, in which a number is assigned to each task that is being tracked or reported. Job order numbers are the framework for identifying each job and a means of accumulating departmental direct labor, direct material, and overhead (indirect, general, and administrative) cost by job order. Detailed DoD specific transactions are available in the DoD USSGL Transaction Library and must be consistent with Volume 1, Chapters 4 and 7. Refer to Volumes 11A and 11B - for reimbursable policies applicable to activities financed with annual appropriations and WCFs.

190510. Process Costing

A. Process costing accumulates costs by individual processing cost center. These processing cost centers are involved in a continuous flow of effort, with each center contributing towards the completion of the end products. The output of a processing center either becomes the input of the next processing cost center or becomes a part of the end product. Process costing works best when the end product is clearly measurable and identifiable.

B. Process costing is appropriate for production of goods or services with the following characteristics:

1. The production involves a regular pattern of repetitive processes or procedures to deliver a large volume of goods or services, or

2. The output consists of homogeneous or similar goods or services.

C. Each cost center accumulates costs, assigns the costs to its outputs, and calculates the unit cost of its output (good or service). For each period, cost centers prepare a cost and performance report showing the costs, the completed effort, and the work-in-process volume (if any). When completed goods or services are transferred from the cost center to the benefiting cost object, the costs of those efforts are also transferred and are eventually incorporated into the costs of the end product.

D. Process costing used for financial accounting purposes must be fully integrated with other modules of the financial accounting system—it must interface with the payroll and fund control modules. Cost accounting functionality subsidiary accounts are controlled by general ledger accounts.

E. Detailed DoD specific transactions are available in the DoD USSGL Transaction Library. The components for process costing structure must be consistent with the SFIS and the SFIS Business Rules.

190511. Standard Costing

A. The standard costing method attaches costs to cost objects based on reasonable estimates by means of planned rates rather than actual costs incurred. The standard rate is the anticipated cost of producing a good or service of output. Standard cost is used when goods, services, or end product have reached a state of normalcy where planned costs can be estimated with consistency and reasonableness. Standard costing may be based on either absorption or direct costing principles, and may apply to all or some cost elements.

B. Standard costs are predetermined or planned costs established for activities, goods, services, or end product. Standard costing can be done for components such as direct materials, direct labor, and indirect costs. Standard costs are a fixed price per unit and are commonly used in production or service center models.

C. In standard costing, a standard cost per unit of measure (square feet, hours, or yards) is established in the budget planning phase for expected costs and utilization. Organizations that establish a standard costing methodology will need to evaluate their costs periodically to assess that expenses are consistent with the planned cost or are in alignment with the business operations. (Refer to Volumes 11A for Reimbursable Operations and 11B for WCF activities)

190512. ABC

A. ABC is a costing methodology used for managerial accounting purposes. It focuses on activities of an organization, based on the following:

1. Organizational activities produce an output, and

2. Activities consume resources.

B. ABC uses cost drivers to assign costs through activities to outputs.

C. The ABC cost assignment process is a two-stage process. The first stage identifies activities performed and their relevant resources consumed within a segment. The second stage identifies outputs and the necessary activities to complete them.

D. Identifying activities within a segment may require an in-depth analysis of the operating processes, as some processes may consist of one or more activities. Activities may be classified into unit level, batch level, product sustaining, and facility sustaining activities. Management may combine related small activities into larger activities to avoid excessive costing efforts.

E. It is necessary to assign resource costs to activities to capture the full cost of the final output. Assigned resource costs should include direct and indirect costs as well as any inter- or intra-department costs relevant to the activity. Resource costs are assigned to activities in three ways, depending on feasibility and cost benefit considerations:

1. Direct tracing,

2. Standard costing or cost finding report, or

3. Allocations.

F. In an ABC cost assignment, activities are mapped to outputs. Outputs are any good or service generated by a segment, and can include information or paper work generated by the completion of the tasks or customers (persons or entities to whom a federal agency is required to provide goods or services). Omitting a resource cost, activity, or output in the ABC process will result in overcharging costs to other outputs.

G. Activity costs are assigned to outputs using activity drivers based on individual outputs' consumption or demand for activities. For example, a driver may be the number of times an activity is performed or the length of time an activity is performed in the production of an output. These are referred to as transactional and durational drivers, respectively.

H. ABC can be used in conjunction with job order costing or process costing. Job order or process costing would be costing activities that occur in the production of a final output. For example, a contracting office has many activities that lead into the finalization of a contract. There are routine processes relevant to all contracts, such as document formatting, printing, and delivery activities, that are likely allocated using a standard cost methodology (established rate per output), while other activities such as research and negotiation are not common and vary depending on contract type, are allocated using ABC methods.

I. By tracing costs through activities, ABC can provide more accurate good or service costs. Some ABC methodologies rank activities by the degree to which they add value to the organization or its outputs, encouraging management to evaluate the efficiency and cost effectiveness of activities. An ABC method starts with identifying and examining the following:

1. What value-added activities are needed in order to accomplish a mission, deliver a service, or meet customer demand?

2. How can activities be modified to achieve cost savings or product improvements?

3 What activities do not actually add value to services or products?

4. Where can our cycle time analysis and value-added analysis be incorporated?

1906 DATA SYSTEMS AND SOURCES AND COST FUNDING

190601. Data Systems and Sources

A. Data systems are the source of cost information used for reporting to management on performance, budget, and financial management for programs and activities within a reporting entity. Data systems are generally a collection of automated data sources, systematic tools, and other statistical sampling techniques used to support reporting and cost analysis for the DoD.

B. SFFAS 4 states the information flow within a financial management system begins with a basic common data source/system. A data system consists of all financial and programmatic source information used by the budgetary and financial accounting processes. It may also include non-financial data, such as human capital, logistical, and operational data that is necessary for full cost reporting.

C. As noted in SFFAS 4, data systems will be used to support:

1. Performance measurement,

2. Cost reduction and control,

3. Determination of reimbursements and fee or price setting,

4. Program authorization, modification, and discontinuation decisions, and

5. Decisions to contract out work or make other changes in the methods of production.

D. System based reporting should be used first before relying on cost finding reports. Cost finding techniques may be used for a number of different circumstances, but do not have the same level of accuracy or precision as reporting derived from the data system. (See paragraph 19606 for more information on cost finding.)

E. Data entered into a data system must comply with SLOA Accounting Classification and SFIS. Additional information regarding SLOA, USSGL, and SFIS is available in Volume 1, Chapters 4 and 7. When managerial cost accounting is used to supply information for use by financial accounting and reporting, that information should be consistent with the basis of accounting and recognition/measurement standards required by federal accounting principles applied within the DoD.

190602. Data System

A. A data "system" is an organized grouping of methods, source information, and activities surrounding data collection used to produce reliable cost information on a consistent basis. Data systems include a collection of system tools and sources used for automating managerial cost accounting reporting, but can also include manual processes, such as cost finding reports. Data systems will integrate sources of information across an organization and may need to include data sources that cross multiple reporting segments of an entity in order to provide the proper cost information, such as accounting information, time records, or asset data. A data system can also include evaluation and decision source information derived as a result of prior reporting and feedback.

B. Cost information developed for managerial cost accounting purposes from established data systems should be reconcilable to financial, budgetary, or managerial accounting items. When possible, information produced from a data system should be corroborated with other reporting tools to validate the content in the systems (quantity of line items or sum of dollars). This task may be included in a recurring internal control assessment to reduce redundancy. DoD financial managers will decide the best approach based on the complexity of the data and its reliance.

C. DoD data systems, to the extent practicable, should be integrated with an organization's accounting, budgetary, and financial system(s). As SFFAS 4, paragraph 72 prescribes, a system should take into consideration:

1. The nature of the entity's operations,

2. Precision needed in cost information,

3. Practicality of data collection and processing,

4. Availability of electronic data handling,

5. Expected cost of the system itself, and

6. Any specific management information needs.

D. Data systems will support cost analyses used to compare actual to predetermined or anticipated costs. To meet managerial cost accounting needs, data systems should use uniform and basic cost, transactional, or programmatic data. Examples of these data

points are units of output produced and input used including the amount of labor in terms of employees or employee hours.

190603. Data Sources

A. Data sources contain information needed to attain specific objectives through reporting useful information. Common data sources will include information about financial transactions found in the standard general ledger along with various other data types. The use of the term "data source" is not limited to the use of computerized systems for information, but includes a broad array of sources of information (for example, manually prepared reports or audit findings).

B. Data sources integrated into the data system must be relevant to the reporting segment and its reporting requirements. Data sources may originate from within the reporting segment or from an external entity. Data sources must be capable of retaining pertinent data over periods sufficient to provide historical reference and allow for forecasting. Data sources that are not systematic should be examined for content, accuracy, and reliability on a recurring basis.

C. Reporting needs will vary depending upon the circumstances and purpose for which the measurement is used. Data sources established within an entity's data system may need to change as the operational needs change. However, as stated in SFFAC 1, the focus is on developing generally accepted accounting standards for reporting on the financial operations, financial position, and financial condition of the Federal Government and its component entities and other useful financial information. This implies a variety of data sources that complements the information available in the budget will be required and must be adapted to fit OFFR, SFIS, and SLOA standards.

190604. Reporting Relationship

A. Proper financial management requires that the three accounting processes work closely together to provide useful reporting to both internal and external users using the data systems established. Per FASAB, OFFR should consider the needs of both internal and external users and the decisions they make and consider the information needs of both internal and external users. The established data systems must follow the DoD USSGL Transaction Library and DoD SCOA for consistency of the cost information. Additionally, per OFFR, common users of this information will be program managers, executives, Congress, and citizens.

B. Federal financial reporting derived from managerial cost accounting data systems will encompass general and special purpose report capabilities to meet the needs of the four user groups (program managers, executives, Congress, and citizens). Information produced by managerial cost accounting appears in or influences both general and special purpose reports.

C. Data systems for managerial cost accounting should provide sufficient cost detail on a timely basis to support performance reporting. Measuring and reporting actual performance against established goals is essential to assess governmental accountability. Cost

information is necessary in establishing strategic goals, measuring service efforts, determining whether expected outcomes were achieved, and relating efforts to accomplishments.

D. Data systems that use different accounting bases or different recognition and measurement methods than the norm should be reconcilable and should fully explain the accounting bases and measurement methods. Regardless of the type of report in which it is presented, cost information should ultimately be traceable back to the original source.

E. As per SFFAS 4, to be reconcilable, the amount of the differences in the information reported should be ascertainable and the reasons for the differences should be explainable. In some situations, informational differences may be clearly understandable without further explanation. However, other cases may require a narrative statement concerning the differences. In complicated situations, a schedule or table may be required to fully explain the differences. Any variances observed in data system reports to budgetary, financial, or managerial accounting reports must be documented noting the reason for the variance (if discernable), the source of the variance, and the resolution, if applicable.

190605. Cost Finding

A. Cost finding is a tool used to perform cost examinations when a data system cannot provide sufficient data. Cost finding techniques produce cost data by analytical or sampling methods. Cost finding techniques are only appropriate for certain kinds of projects or programs that have limited scopes or costs. Organizations may use thresholds to limit the use of cost finding technique. When cost finding techniques are used, the value of the report should be limited and a timeframe for updating the cost finding report established. As cost information becomes available and normalized on the project or program, the cost finding report should be replaced with actual data.

B. Special purpose cost reports and analyses, or cost finding techniques, can be performed for financial based decision making. Cost finding techniques will vary depending on the type, level, and significance of the financial decision, e.g., planning decisions for replacement costs, capital costs, or sustainment of operations. It is important that the basis and method used be appropriate for the circumstances and consistent with the intended purpose.

C. Cost finding techniques produce cost data by analytical or sampling methods. Cost finding techniques are used for indirect costs, items with costs below set thresholds within programs, or for programs in their entirety. Cost finding techniques support the overall managerial cost accounting process and can represent nonrecurring analysis of specific costs.

190606. Cost Finding Application

A. Cost findings generated manually outside of the standard reporting tools should utilize an established managerial cost accounting data system where possible for data. Cost finding techniques will vary. It is crucial that the process be thoroughly documented. Documentation must be sufficient to replicate the cost finding process used with consistent results.

B. Within the DoD, cost finding techniques will be used to compare costs of different organizational units or operations performing the similar output. Cost finding is one tool in estimating full costs, and can be used to compare organizational efficiency. For example, the costs for an intermediate object, such as processing a personnel action at a personnel office, can be compared with the cost at other personnel offices to determine the efficiency of one over the other or value of both.

C. Cost finding techniques are used for a number of different circumstances, but there are four general drivers:

1. A cost accounting system is not in place for full cost (direct and indirect) of a cost objective.

2. The data system does not have the full costs (direct and indirect) incurred to provide an output or product. In this scenario, the output is often new or unique.

3. Activities do not have formal cost accounting capability as part of their financial management system, but periodically provide outputs to other DoD Components, Federal agencies, or to the public.

4. The cost of an item has not been recorded in the accounting system and the item is being transferred, sold, or recorded in the accounting system for the first time.

D. When the purpose of a cost finding includes the preparation of an internal report or an external report for another Federal agency or non-Federal organization, the guidance contained in Volume 11B, Chapter 1, should be followed to assure that all applicable costs are considered. When the purpose is to establish the cost of an activity associated with the Security Cooperation Program, the guidance contained in Volume 15, Chapter 7, should be followed.

190607. Cost Finding Requirements

A. When cost finding techniques are used, they must be repeatable. They must be set up in a manner that is consistent with similar prior cost finding reports in the cost collection approach, even if the effort is associated with a one-time cost accounting requirement. This is required to sustain an audit or assessment of the cost later.

B. Although cost finding practices are outside of the standard processes, cost finding techniques must align with the SFIS Business Rules for financial data.

C. A thoroughly documented cost finding approach requires documented statement of the following:

1. The cost objects or outputs (both intermediate and final) to which cost finding techniques are to be applied, in addition to the relevant funds used to support the organization (WCF and general funds),

2. The organizations involved in performing the cost objects and the tasks performed by each,

3. The applicable cost elements,

4. A plan that includes the specific cost finding techniques to be used and the criteria followed in selecting the specific cost finding technique, and

5. A description of how those techniques will be used to estimate the cost object.

D. The documented statement and the related work papers should be retained for the same length of time as other documentation used to support billings to federal agencies or the public. Refer to Volume 1, Chapter 9, for document retention and audit readiness.

E. Identifying and describing cost objects are an important element of the documentation requirement. When the cost object identified is at a reporting entity or organizational level, the cost finding approach could rely on more estimation techniques and fewer details in the cost estimates. If the cost object identified is at the specific function or operation level, additional granularity will be required to provide useful cost object data. At the specific function or operation level, the data may not be available in the legacy financial systems.

F. The task is to classify the direct or indirect cost objects. A cost object responsible for actually performing the work is direct. A cost object that provides support or performs an administrative function is indirect.

G. Organizations or cost objects may be either direct or indirect costs depending on the activities identified. For example, when using cost finding techniques to collect costs for paying a contractor invoice, the costs of the accounting technicians at the Defense Finance and Accounting Service (DFAS) disbursement function would be considered direct costs, as they are assigning their time directly to the specific customer. However, when using cost finding to collect costs for the operation of an aircraft carrier battle group, the disbursing function at DFAS is considered an indirect cost and allocated to all benefiting organizations. In the two examples, the difference is the activity scope performed and how cost is recognized as a singular cost easily identifiable in a cost summary or multiple cost aggregated into a single assignment.

H. An organization classified as indirect cost will not always be recognized in the computation of costs for a final cost object. At the macro level, service center type organizations generally will be recognized as indirect and the related costs allocated among direct organizations. At the micro level, materiality and usefulness will be determining factors on recording the costs as direct. Specifically, if some cost assignment amounts are not readily available, and they are estimated to be relatively insignificant in the context of the total costs, cost finding techniques would allow them to be excluded from the overall costs with a notation that they are not material.

I. An important aspect of any cost finding technique is identifying the direct and indirect cost elements applicable to the good or service. Even within a direct cost organization, there may be indirect cost elements. Both the direct and indirect activities may have the same cost elements, such as civilian personnel costs. The difference is in whether the costs are considered direct or indirect. If they are indirect, they would be allocated across the direct cost elements.

J. All possible cost elements must be identified and determined if they are significant. Personnel compensation, purchased services, supplies, and materials are typical major categories within the SFIS Cost Element Code. General ledger accounts are described in the USSGL, in DoD SCOA, and in SFIS, which provide detailed information on transactions and required cost information.

K. After the potential elements are identified, it must be decided which cost elements are sufficiently significant to the final cost object and if they warrant separate consideration. An evaluation of the elements would also include the relevance and materiality of each cost element to the cost object. Materiality is determined by analyzing whether excluding the data could distort the computed value for the final cost object.

L. Before the values for each cost finding can be determined, the source documents for the required data must be identified and physical hardcopies or softcopies retained for audit or performance examination purposes. Source documentation is cost information on a prior project, effort, or purchase that is the same or similar in nature. Examples include: invoices of procurements, contracts, statement on costs, and funding reports. In those instances where WCF organizations are part of the cost finding, cost or pricing detailed documentation should already be available since cost and price data are needed for the customer rate setting process. Depending on the significance and intended use of the cost finding report, the identification of specific documents may not be necessary if it is insignificant to the operating costs to which it will be applied.

M. The following principles are intended to help guide the collection of comprehensive data for cost finding:

1. Provide a comprehensive data structure for the cost object that specifies the source of all data,

2. Rely on the financial management system to the maximum extent possible and ensure the source data is complete and representative for its intended purpose (reflective of all debits, credits, cost transfers, and journal adjustments),

3. Document the rationale for direct and indirect costs,

4. Pricing lists, costing sheets, benchmarking studies on standard items such as direct and indirect labor and materials, and

5. Create an auditable, repeatable process to support cost management analysis over time.

N. The following guidance using cost finding techniques should be applied when determining the individual costs of intermediate and final cost objects:

1. Civilian direct labor costs are computed using the average pay grade for applicable General Schedule series personnel (e.g., step 5). For Wage Grade employees, use the average applicable pay grade (e.g. step 4). Amounts included as direct labor costs should recognize only productive time that is, the time actually used to perform the function. All other times, such as training or annual leave, are indirect labor and are included in indirect costs. Actual costs may be used, if known, provided appropriate documentation is available to support their substitution. Prior to applying the labor costs, it will be necessary to develop an approach for collecting the number of hours associated with an activity reflected in a cost object.

2. Civilian personnel benefit costs are computed using the rates contained in the Office of the Under Secretary of Defense, Comptroller financial management website "Financial Management Reports".

3. Costs for Military personnel are calculated using standard military composite rates in accordance with guidance in Volume 11A, Chapter 1 and Chapter 6, Appendix I.

4. Both military and civilian labor should be included, as applicable. Labor that is directly traceable to jobs should be recorded as direct labor. Indirect labor (labor that cannot be charged to a specific job) should be used in computing indirect costs. Volume 11A, Chapter 1, reimbursable policy controls whether military labor costs actually are includable in charges to other DoD entities.

5. Direct material cost is determined using standard prices, unless the actual cost is known from vendor invoices. Standard prices can be obtained from vendor catalogs, supply system stock databases, recent contract purchases of similar items, or any other available data source.

6. Depreciation and amortization of capitalized property and real property represent an additional cost of an activity, project, or service. Volume 4, Chapter 6 provides additional guidance on calculation of depreciation for general equipment, assets under capital leases, internal use software, government furnished equipment, contractor acquired property, and real property.

7. Other costs that can be directly related to the cost object are determined using source documents, such as vendor invoices and travel vouchers.

190608. Pricing for a Cost Finding Report

Pricing elements (labor, materials and overhead) for cost finding reports are estimates based on prior same or similar purchases, projects, or programs. When pricing for a cost finding primarily uses financial system data, it improves the accuracy and confidence in the estimate. Common elements such as labor, raw materials, and materiel are examples of standard costs found

in financial systems. Pricing practices and standards should be researched for each agency before developing a new practice or procedure.

A. Information available from CAPE, such as full cost of manpower, and defense employment and purchase projection system are available to support pricing of labor costs. In addition to base pay, these sources provide additional costs related to labor, including fringe benefits and training. When pricing labor, it is important to include the full cost of labor, as fringe benefits will increase total labor costs significantly.

B. Materials and supply pricing tools are also available from CAPE. These tools can support costs for common purchase items. Pricing for materials and supplies should include the full cost of procurement, which can include material handling and destination charges. Supporting agencies like Washington Headquarters Services or Defense Logistics Agency may supply the full cost of procurement. It is important to identify where services and goods originate from as part of the pricing documentation. The life cycle of a procurement will need to be included as part of a procurement pricing estimate.

C. A pricing Basis of Estimate (BoE) will vary for services provided under a WCF versus a reimbursable fund. A WCF-financed activity must include general administrative costs and overhead in a BoE to satisfy requirements for full cost recovery. Under reimbursable policies set forth in Volume 11A, Chapter 1, DoD activities that finance reimbursable operations using annual appropriations generally do not include such costs in charges to customer activities within the DoD.

DoD 7000.14 - R

DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

VOLUME 5: "DISBURSING POLICY"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

Volume 5
Crosswalk

New Chapters	Title	Former Archived Chapters
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Chapter 6	Physical Losses of Funds, Erroneous Payments, and Overages	Chapter 6
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Chapter 9	Disbursements	Chapter 11
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Chapter 11	Electronic Commerce and Deposit of Public Funds	Chapter 5 (deposits) Chapter 24

New Chapters	Title	Former Archived Chapters
Chapter 12	Questionable and Fraudulent Claims	Chapter 25 Appendix E
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Chapter 15	Disbursing Officer Accountability Reports	Chapter 19 Chapter 20 Chapter 21
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Chapter 28	Management and Collection of Individual Debt	Canceled
Chapter 34	Financial Institutions on DoD Installations	Canceled
Appendix A	Quarterly Verification of Cash and Other Assets	Appendix A
Appendix B	Travelers' Check Program	Canceled
Definitions	Definitions	Definitions

VOLUME 5, CHAPTER 1: "PURPOSE, ORGANIZATION, AND DUTIES"

SUMMARY OF MAJOR CHANGES

All changes are in blue font.

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

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

Hyperlinks are in ***bold, italic, blue, and underlined font***.

The previous version dated February 2016 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current administrative instructions.	Revision
010103	Clarified the requirements for submitting an exception or recommended change to policy.	Revision

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CHAPTER 1

PURPOSE, ORGANIZATION, AND DUTIES

0101 GENERAL

010101. Purpose

The Department of Defense (DoD) Financial Management Regulation Volume 5 establishes disbursing requirements, principles, standards, responsibilities, and pecuniary liability standards for disbursing officers (DOs), certifying officers, and other accountable officials throughout the DoD. If new legislation conflicts with Volume 5, the highest level guidance governs.

010102. Authoritative Guidance

Volume 5 is issued by authority of DoD Instruction (DoDI) ***7000.14***, DoD Financial Management Policy and Procedures; implements the Treasury Financial Manual (TFM) ***Volume I***; and establishes policies for disbursing throughout the DoD. It applies to the Office of the Secretary of Defense (SecDef), Military Departments, Office of the Chairman of the Joint Chiefs of Staff and the Joint Staff, Combatant Commands, DoD Inspector General, Defense Agencies, and DoD Field Activities (collectively known as DoD Components).

*010103. Recommended Changes and Requests for Deviation or Exception

Recommended changes and exceptions to policy must be sent through appropriate channels to the Office of the Under Secretary of Defense (Comptroller) (OUSD(C)), Office of the Deputy Chief Financial Officer (see the "Introduction" to the DoD Financial Management Regulation). Coordinate requests for deviations from or exceptions to Volume 5 with Finance Policy, Strategy, Policy and Requirements Directorate, Defense Finance and Accounting Service (DFAS) Indianapolis (DFAS-ZPF/IN), 8899 East 56th Street, Indianapolis, IN 46249-0050 (dfas-in.disbursingpolicy@mail.mil).

010104. Use of Volume 5

A. Volume 5 cites specific Department of the Treasury (Treasury) accounts (e.g., **F3880) where the asterisks ** represent the appropriate DoD Component designator, (i.e., 17 for Navy and Marine Corps, 21 for Army, 57 for Air Force, or 97 for Defense).

B. Volume 5 prescribes the use of specific forms (see the DoD (DD) ***Forms Management Program*** website). DoD Components using systems and producing their own forms in lieu of those prescribed that were in operation at the time of this Volume 5's initial issuance (December 16, 1993), may continue using these systems and forms until DoD implements a single standard disbursing system. A DoD Component electing to use a computer-generated version of a prescribed DD Form, must use an exact replica of that form or submit a request for exception in accordance with ***DoD 7750.07-M***, DoD Forms Management Program

Procedures Manual, to the address in paragraph 010103. The forms examples in Volume 5 are for illustrative purposes only; and are not intended for reproduction and use.

C. Refer to the Definitions Chapter for terms used herein.

0102 ORGANIZATION

010201. DFAS

DoD Directive 5118.5 established DFAS under the authority vested in the SecDef by Title 10, United States Code (U.S.C.), ***section 113***. DFAS is under the direction, authority, and control of the OUSD(C). The Director, DFAS is the principal DoD executive for finance and accounting requirements, procedures, functions, and performs the duties identified in the directive.

010202. Disbursing Policy

DFAS-ZPFA/IN is under the direction, authority, and control of the Director, Strategy, Policy and Requirements. This division is responsible to:

A. Develop and promulgate standard DoD disbursing policy and cash management guidance;

B. Respond to all inquiries pertaining to disbursing policy and cash management within DoD;

C. Initiate, change, and implement DoD disbursing policy and cash management guidance according to Treasury regulations;

D. Act as the point of contact for all non-criminal investigating officers in relation to loss of funds investigations, and

E. Perform technical reviews of relief-of-liability cases for DoD Components and activities, including the quarterly minor loss reports.

010203. DoD Disbursing Offices and Officers

DoD Component Heads, through command channels, ensure that DOs in their commands follow Volume 5. Commanders monitor disbursing operations, requiring DOs and Deputy DOs (DDOs) under their purview to adhere to Volume 5. DOs, in turn, direct disbursing operations accordingly.

010204. Certifying Officers, Departmental Accountable Officials (DAOs), and Payment Review Officials

Commanders ensure that certifying officers, DAOs, and payment review officials in their commands follow Chapter 5, section 0503.

0103 ACCOUNTABILITY AND RESPONSIBILITY

010301. General

Accountable individuals have personal and pecuniary liability for their acts involving the expenditure and receipt of public funds (see Chapter 5, section 0507 and Chapter 6).

010302. Knowledge of Laws Governing Disbursements

Accountable individuals whose duties pertain to the disbursement of public funds must be knowledgeable of and adhere to applicable laws.

010303. Accountable Officials

Accountable individual, accountable official, and accountable officer are used synonymously throughout Volume 5. The term "accountable official" is used in 31 U.S.C. § ***3527*** to refer to the class of officers or employees of an agency who are pecuniarily liable for repayment of losses or deficiencies of public money, vouchers, checks, securities, or records. Such officials are appointed using a ***DD Form 577***, Appointment/Termination Record - Authorized Signature. Only officers and employees of an agency are eligible for appointment as accountable officials.

A. Disbursing Officials. These include DOs, DDOs, and subordinate disbursing agents, paying agents, cashiers, change fund custodians, collection agents, and imprest fund cashiers. Under ***31 U.S.C. § 3321(c)(2)***, the SecDef is required to designate personnel of the agency as disbursing officials to disburse public money available for expenditure by the agency (see Chapter 2, paragraph 020101).

B. Certifying Officers. Under ***31 U.S.C. § 3325(a)(1)***, "a disbursing official in the executive branch of the United States Government shall disburse money only as provided by a voucher certified by the head of the executive agency concerned, or an officer or employee of the executive agency having written authorization from the head of the agency to certify vouchers." Thus, a DoD agency cannot disburse a payment unless it is certified by a properly appointed certifying officer. These statutory "certifying officers" must be officers or employees of the Federal agency concerned, and are "accountable" because unless granted relief they are pecuniarily liable under ***31 U.S.C. § 3528(a)*** for any payments they erroneously certified. Appointment as a certifying officer is a precondition to enforcement of pecuniary liability under section 3528(a) (see Chapter 5, paragraph 050401).

C. DAOs

1. In certifying payments, DoD's statutory certifying officers often are required to rely on information and data provided by agency systems and by other personnel. Because of this, Congress authorized DoD to impose potential pecuniary liability to an additional class of agency officers and employees: those who are formally appointed as a DAO under 10 U.S.C. § ***2773a***. Under section 2773a, the SecDef may designate any DoD civilian employee or member of the U.S armed forces under the Secretary's jurisdiction as a DAO. In the performance of their duties, DAOs are responsible for providing certifying officials with information, data, or services that are directly relied upon by the certifying officer in the certification of vouchers for payment. Section 2773a does not, however, statutorily mandate that the DoD organizations appoint DAOs to perform such activities; instead, appointment of DAOs to perform any particular function or class of functions is an option available to management for inclusion in management's internal controls program (see paragraph 010305).

2. When considering whether to require that only persons appointed as DAOs perform duties that generate the information, data, or services relied upon by certifying officers, agency managers, and appointing authorities take into account considerations that include mission requirements and functions under their responsibility, the availability of resources, the sufficiency of other internal controls, and whether or not a governing policy or directive mandates performance of some function only by a properly appointed DAO.

D. Foreign National Personnel. A foreign national employee is an individual who is employed by or performing work for U.S. forces outside the United States, its territories, and possessions in a system of employment. Under the direct hire arrangement, the legal employer of the foreign national assumes responsibility for all administrative and management functions related to foreign national employment. Under the indirect hire arrangement, the host government serves as the legal employer of U.S. forces' foreign nationals. Although the host government is the official legal employer of the foreign national personnel, it grants operational control to U.S. forces for the day-to-day management of such personnel (see DoDI 1400.25-***V1231***).

1. In deciding whether to appoint foreign local nationals in overseas areas as certifying officers and DAOs, organizations should take into account whether enforcement of pecuniary liability of such individuals to the United States is precluded as a legal or practical matter by status of forces agreements, other international agreements, or local laws. If enforcement is not precluded by such agreements or local laws, foreign national direct hire employees are eligible for appointment both as certifying officers and DAOs because the agency is the legal employer and such individuals qualify as officers or employees of the United States. If not constrained by such agreements or by local law, the DoD has the ability to enforce pecuniary liability against these employees because it has statutory authority to withhold amounts from their pay accounts.

2. Foreign national indirect hire employees cannot be appointed as certifying officers or DAOs because the United States cannot enforce pecuniary liability by unilaterally setting off indebtedness against their pay accounts and because the agency is not the legal employer. However, this regulation does not prohibit organizations from assigning indirect

hire employees to duties that DAOs otherwise would perform, nor does it mandate that organizations appoint DAOs to provide the information or data, or to perform services relied upon by certifying officers to certify payment vouchers. Organizations operating in overseas areas may permit or assign foreign national indirect hire employees to perform such operational duties without appointing them as DAOs if adequate internal controls are in place to support voucher certification.

E. Contractors and Contractor Support Personnel. Do not appoint contractors and contractor support personnel as DAOs or certifying officers.

010304. Accountable Officials and Inherently Governmental Functions

The Federal Activities Inventory Reform (FAIR) Act of 1998 (***Public Law 105-270***), as implemented by the Office of Management and Budget (OMB) (***31 U.S.C. § 501***) provides that, "the making of value judgments in making decisions for the Federal Government, including judgments relating to monetary transactions and entitlements" is an inherently governmental function, i.e., "a function that is so intimately related to the public interest as to require performance by Federal Government employees." For further information regarding inherently governmental functions, see the OMB's Office of Federal Procurement Policy Letter ***11-01***, Performance of Inherently Governmental and Critical Functions, which provides a single definition of an inherently governmental function built around the well-established statutory definition in the FAIR Act, as well as establishing criteria for the identification of critical functions and for ensuring sufficient levels of internal agency oversight and management of functions closely associated with inherently governmental functions.

010305. Internal Management Controls

Internal management controls are specific policies, procedures, and/or activities an organization establishes and implements to manage risk. They are the methods by which an organization governs its activities to accomplish its mission, and are required by OMB Circular ***A-123***, Management's Responsibility for Internal Control, which implements 31 U.S.C. § ***3512(c)(1)***. Consistent with the guidelines in this paragraph, DOs implement these controls to eliminate opportunities to conceal errors or irregularities and assign work so that no one individual controls multiple phases of a transaction. Inspections and audits of disbursing offices must include a review of internal management controls to determine their adequacy, compliance, and effectiveness.

A. Standards of Internal Control. Management determines applicability of these standards at the operational level.

1. Control Environment. Management and employees establish and maintain an environment throughout the organization that sets a positive and supportive attitude toward internal control and conscientious management.

2. Risk Assessment. Provide for an assessment of the risks the organization faces from both external and internal sources.

3. Control Activities. Internal control activities ensure the implementation of management's directives, and should be effective and efficient in achieving an organization's control objectives.

4. Information and Communications. Record and communicate information to management and others within an organization that needs it, in a specific form and inside a time frame that enables them to carry out their internal control and other responsibilities.

5. Monitoring. Assess the quality of performance over time and ensure the findings of audits and other reviews are promptly resolved.

B. Separation of Duties. Separation of duties precludes errors or attempts at fraud or embezzlement from going undetected. Internal controls generally require a four-way separation of the contracting, receiving, voucher certification, and disbursing functions. Assign key duties such as certification of fund availability; contracting (obligating the Government); authorizing, approving, and recording transactions; issuing or receiving assets; certifying and making payments; preparing and signing checks; and reviewing or auditing payments to different individuals to minimize the risk of loss to the Government to the greatest extent possible.

1. Do not assign DOs duties that create potential conflicts of interest (see Chapter 2, paragraph 020305).

2. Separation of duties is not always practical or possible due to time constraints, manpower shortages, or the use of electronic systems. Commanders and DOs must be aware of situations where valid, long-standing separation of duties cannot be achieved, recognize that internal controls have been weakened as a result, and make every effort to mitigate the risks. For example, payments and collections through the Intra-governmental Payment and Collection system can occur outside the disbursing work center without weakening internal controls because the payee is always another Federal agency and recovery of an improper payment is assured, or financial systems which allow for adjustments to the data outside of the normal application include appropriate controls and audit trails for those adjustments. Other situations may require closer scrutiny. Report all situations of inability to separate appropriate responsibilities to the DO's commander, with a request for a waiver and recommendations to mitigate the risks.

C. Electronic and Digital Signatures

1. General. Personnel may use electronic and digital signatures to receive, accept, and certify financial documents processed through automated information systems.

2. Requirements. Title 15, U.S.C. §§ ***7001*** and ***7021*** require that either of these media used by a person to sign (e.g., certify) any type of financial document be:

a. Unique to that person;

b. Under that person's sole control or custody;

c. Linked to the data signed throughout their processing so that if any of the data are changed, the electronic or digital signature is invalidated; and

d. Capable of being verified by the paying DO.

3. Digital Signature. A digital signature is an electronic signature (see ***DoDI 8520.02***, Public Key Infrastructure (PKI) and Public Key Enabling). Digital signature technology encrypts data; detects changes to digitally signed documents; and enables "authentication" of digital messages, assuring the recipient of a digital message of both the identity of the sender and the integrity of the message.

a. Digital signatures and certificates authenticate identity, control access through authorized user levels and PKI certificates or passwords, and provide an encryption capability for information in transit or at rest.

b. Secure digital signatures cannot be rejected. Except in a case of a compromise of system security resulting in a forged electronic signature, the signer of a document cannot later deny the validity of the signature, claiming it was forged. The recipient of a digitally signed message has the capability to verify both the document's author and that the document was not altered either intentionally or accidentally after signature.

010306. Prohibited Payments

Personnel involved in the payment certification and disbursement processes must preclude payments to ineligible recipients. Many tools to aid in this effort are available, among them the ***Specially Designated Nationals List*** maintained by Treasury's Office of Foreign Assets Control. This is a list of individuals and entities covered by Executive Order 13224, Blocking Property and Prohibiting Transactions with Persons Who Commit, Threaten to Commit, or Support Terrorism. Do not initiate, certify, or make payments or draw checks or warrants payable to individuals or organizations on this list (see also ***I TFM 4A-2025***).

0104 PUNITIVE PROVISIONS

010401. Misuse of Public Funds

Title 18, U.S.C. § ***641*** governs crimes of embezzlement and theft. Individuals charged with safekeeping of public funds must handle those funds with utmost care. The loan, exchange for other funds, conversion of funds for one's own use or that of another, or deposit of public funds except as authorized by law, may subject the individual entrusted with the funds to criminal sanctions.

010402. Conspiracy to Defraud the Government

Any person entering into an agreement or conspiracy to defraud the United States by obtaining or aiding in obtaining the payment or allowance of any false, fictitious, or fraudulent claim is subject to fine, imprisonment, or both as prescribed by ***18 U.S.C. § 286***.

VOLUME 5, CHAPTER 2: "DISBURSING OFFICES, OFFICERS, AND AGENTS"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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

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

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

The previous version dated February 2016 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current administrative instructions.	Revision
020101	Removed the reference to "agents of the Treasury" to align with Title 31, United States Code, section 3321, which authorizes the Department of Defense to disburse public funds.	Deletion
020404	Removed the requirement for Financial Management Service (FMS) Form 5583, Signature Card.	Deletion
Figure 2-1	Removed FMS 5583 and replaced with the Treasury Financial Service (TFS) Form 3023, Specimen Signatures.	Revision
Figure 2-2	Moved TFS 3023 to Figure 2-1 and replaced with an updated version of the form.	Deletion

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CHAPTER 2

DISBURSING OFFICES, OFFICERS, AND AGENTS

0201 GENERAL

020101. Overview

Title 31, United States Code (U.S.C.), section 3321 requires the Secretary of Defense to designate disbursing officials to disburse public moneys available to the Department of Defense (DoD). In order to disburse money, a requesting activity must send a request to establish a disbursing office at a new activity. When establishing disbursing offices and associated appointments of accountable positions, DoD Components must be cognizant of internal control guidelines provided in Chapter 1, paragraph 010305. See Volume 1, Chapter 9, section 0902 for record retention requirements.

020102. Purpose

This chapter addresses policy on DoD's establishment of a disbursing office. A disbursing office is considered necessary for the efficient functioning of an operating activity. The chapter also addresses the appointment of the Disbursing Officer (DO) and other agents appointed to receive and maintain the custody of public funds.

020103. Authoritative Guidance

Official funds will be received and disbursed by order or on the authority of the commanding officer, except when directed by a superior in the chain of command or when sanctioned by the Comptroller General of the United States. DoD DOs are authorized by 31 U.S.C. § 3321 to disburse public funds on receipt of vouchers properly certified by persons appointed under ***31 U.S.C. § 3325***.

0202 POLICY

020201. Request for Establishment of a Disbursing Office

A. A requesting activity sends a memorandum to establish a disbursing office at a new activity or at an activity receiving disbursing services from an external source by memorandum through its chain of command. Send the memorandum to the Defense Finance and Accounting Service (DFAS), ATTN: Enterprise Solutions and Standards, Disbursing (DFAS-IN/JJFKCB), 8899 East 56th Street, Indianapolis, IN 46249-0500. Each level of command endorses the request to indicate concurrence and provides any additional information required by the approving official. Include in the request:

1. Reason(s) why establishing the office is necessary, to include why disbursing operations cannot be conducted by an existing disbursing activity;

2. Anticipated office workload in terms of the number of military personnel to be supported, civilian personnel to be paid, and commercial vouchers to be settled;

3. Proposed date of establishment;

4. Name and location of the nearest Federal Reserve Bank (FRB) or branch, and its distance from the proposed disbursing office. If there is no FRB or branch within a reasonable distance include the name and location of the nearest designated depositary, if any, and its distance from the proposed office;

5. An estimation of Department of the Treasury (Treasury) checks for the first year of operation and whether checks will be procured through the normal requisition process or if an emergency supply will be needed (see Chapter 7, section 0703);

6. Name, social security number, and rank or grade of the proposed DO, if known;

7. Estimate of monthly cash requirements (see Chapter 3, section 0302); and

8. Information on plans to implement an automated disbursing system.

B. When a commander decides that establishing a disbursing office is required for the efficient functioning of the activity, he or she endorses the request to indicate concurrence and provides additional information required by the approving official. In all cases, the commander will provide a statement justifying why an additional disbursing office is required and why the disbursing operation cannot be conducted by an existing disbursing activity. The memo also addresses the appointment of the DO and his or her appointed agents to regularly receive and maintain custody of public funds. The DO may appoint any officer, enlisted member, or civilian employee he or she considers satisfactory as an agent.

020202. Disbursing Station Symbol Number (DSSN)

A. General. The DFAS-IN/JJFKCB obtains the DSSN from the Treasury's Bureau of Fiscal Service (Fiscal Service). DSSNs are permanent, and are either open or closed. Open DSSNs are open for an indefinite period. Some open DSSNs may be inactive, and may be either:

1. Contingency, available for use in a military contingency operation;

2. Temporarily deactivated for a specific reason, (e.g., a ship undergoing extensive overhaul for a period of several months may arrange for disbursing service from a shore-based disbursing office or activity); or

3. In settlement pending closure (see section 0210).

B. Change in Designation or Location. Coordinate proposed changes in the designation or location (mailing address) of an operating DSSN, to include tactical deployment, with DFAS-IN/JJFKCB, who will advise Fiscal Service.

C. Use of DSSN. The DSSN must appear on all payments, collection vouchers, and Treasury and limited depositary account (LDA) checks processed by the disbursing activity.

020203. Employer Identification Number (EIN)

The DO, who disburses taxable funds, should ensure payments received by entitlements' activities have secured an EIN to report taxable income or income and withholdings.

020204. Reporting Activation of a Disbursing Office

The DO activating a disbursing office notifies Fiscal Service, Check Reconciliation Branch, through DFAS-IN/JJFKCB by memorandum immediately upon commencement of disbursing operations. Include in the memorandum: the name of the disbursing activity, DSSN assigned, DO's name, rank or grade, the opening date of the account, and the first and last serial number of all blank Treasury checks on hand in each check range. Send a copy of the memorandum to the supporting DFAS site.

0203 APPOINTING DISBURSING OFFICERS (DOs), DEPUTY DOs (DDOs), AND OTHER ACCOUNTABLE OFFICIALS

020301. Persons Authorized to Have Custody of Public Funds

To ensure proper security of and accounting for public funds, assign responsibility for custody and to a limited number of authorized persons to receive, maintain custody of, and disburse or otherwise dispose of public funds.

020302. Accountable Officials

Accountable Officials are officers or employees of an agency who are or who may be found to be pecuniarily liable for repayment of losses or deficiencies of public money, vouchers, checks, securities, or records (see Chapter 1, section 0103).

020303. Appointments

Use DoD ***(DD) Form 577***, Appointment/Termination Record-Authorized Signature, to appoint accountable officials. This form does not allow multiple appointments simultaneously. It is the only document required to support this type of appointment. Include in item 7 of the form the DSSN, email address, and any specific duties and special instructions. Appointees acknowledge appointment acceptance in Section III of this form. Send a copy of the DD 577 and the required original specimen signature as specified in subparagraph 020404.A to DFAS-IN/JJFKCB to be maintained in the DO's files.

020304. Exceptions

A. An individual who occasionally receives public funds need not be appointed formally as an accountable official. Funds may be received at times, at locations, and under circumstances that preclude any advance arrangement for their receipt. At some activities, collections are so infrequent that it is impractical to have a formal designation in effect. Funds received by persons other than those formally designated must promptly send funds received to their servicing disbursing office or to another person formally designated to receive them.

B. The DO at DFAS sites may hold more than one DSSN, and may serve concurrently as a DDO to other DFAS DOs. Each DDO appointed by a DFAS DO may serve under one or more of the DSSNs assigned to the appointing DO and may also serve more than one DFAS DO concurrently. DOs and DDOs at DFAS sites holding multiple DSSN appointments complete a separate DD 577 for each applicable DSSN.

C. The DO and DDOs aboard Navy vessels may serve concurrently in other accountable positions, (e.g., ship's stores officer, food service officer) when the ship's manpower authorization does not provide Supply Corps officers for each accountable function (see Chapter 1, subparagraph 010305.B).

D. When directed by appropriate authority, DOs, DDOs, and their agents may accept, safeguard, account for, and dispose of personal funds and valuables received for safekeeping. Where personnel resources are limited, persons serving as DOs or other accountable officials may also serve as safekeeping custodians at the commander's discretion (see Chapter 16, section 1601).

020305. Restrictions

Except as specifically authorized, do not assign DOs additional duties of order approving authority, certifying officer, custodian of any fund, or other conflict-of-interest assignment.

020306. Terminations

Terminate appointments using Section IV of the appointing DD 577.

0204 DOs

020401. Eligibility

To be eligible for appointment as a DO, an individual must be a U.S. citizen and have previous experience as a DO or have completed (or agreed to complete) specific DO training as defined by the appointing authority.

020402. Appointment

The commander, director, or other equivalent appoints a DO using a DD 577 (see paragraph 020303).

020403. Terminations

Terminate appointments using Section IV of the appointing DD 577.

020404. Submission of Department of Defense (DD) Form 577, Appointment/Termination Record - Authorized Signature and Treasury Financial Service (TFS) Form 3023, Specimen Signatures

A. Official Signature. Before commencing disbursing operations, a DO and all appointed DDOs determine which of their given names and/or initials will comprise their official signatures, and use them on all checks, vouchers, correspondence, and official papers pertaining to the DoD, Government Accountability Office (GAO), and Treasury. Send these signatures, together with the appointing DD 577 and TFS Form 3023, Specimen Signatures (Figure 2-1) to DFAS-IN/JJFKCB, having used permanent dark blue, blue-black, or black fade-resistant ink that is not readily soluble in water.

B. Official Signatures to Other Depositaries. If checks will be drawn on a depositary other than the Treasury, send the DO's official signature (as well as those of DDOs authorized to sign depositary checks) to the depositary. An officer whose signature is known to the depositary must certify the forms.

C. Change of Official Signature. A DO or DDO may change his or her official signature by submitting a new TFS Form 3023 to DFAS-IN/JJFKCB.

D. Furnishing Additional Signatures When Transferred to a New Station. The DFAS-IN/JJFKCB files specimen signatures under each DSSN used and furnishes them to different banks upon request for use in cashing and processing checks, and may request that a DO or DDO furnish an additional TFS 3023. Since an individual's signature may change over a period of years, DFAS-IN/JJFKCB may request additional signatures if needed.

020405. Commencement of Disbursing Duty

Immediately upon commencement of disbursing duties, a DO activating a new disbursing office, reactivating a disbursing office that has been temporarily closed, or relieving another DO, prepares a memorandum that includes: the name of the disbursing activity, the DSSN assigned, the DO's name, rank or grade, the opening date of the account, and the beginning and ending serial number of all blank Treasury checks on hand in each check range. If applicable, also include in the memorandum the relieved DO's name and rank or grade. Keep the original memorandum in the disbursing office and sends copies to DFAS-IN/JJFKCB and the supporting DFAS site.

020406. Transfer of Disbursing Duty

A. Joint Actions by the Outgoing and Incoming DOs. The outgoing and incoming DOs establish the date to transfer accountability, subject to command approval. The transfer occurs on the last day of the month to preclude the need to submit two sets of financial reports in the same month. When the transfer occurs, the outgoing and incoming DOs:

1. Verify cash on hand.

2. Verify all other documents that support the Standard Form ***(SF) 1219***, Statement of Accountability, as assets.

3. Verify and inventory all blank Treasury checks and prepare a letter of transfer for them. Both the outgoing and incoming DOs sign the letter. The incoming DO reports all checks issued by the outgoing DO that were not reported to the Treasury before the transfer of accountability and for resubmitting any rejected entries. Include the numbers of the blank checks the incoming DO receives in the commencement of disbursing duties announcement memorandum. The first check in the series must be the next sequential number after the last check listed on the outgoing DO's last check issue report. The last check receipted for should be the same as the last check number previously ordered and received by the outgoing DO. Research any checks missing or out of sequence and void them if necessary.

4. Verify inventory of stored value card stock (see Chapter 10, paragraph 100212).

5. Verify any postal money orders on hand.

6. Verify any safekeeping deposits (see Chapter 16, section 1604).

7. Prepare a memorandum of relief for submission to the commander if required by local regulations.

8. Verify and transfer all documentation supporting balances in clearing accounts **F3880 (Unavailable Check Cancellations and Overpayments (Suspense)), **F3875 (Budget Clearing Account (Suspense)), and **F3885 (Undistributed Intragovernmental Payments). The Treasury Financial Manual (TFM), Volume 1, Part 4, Chapter 7000 (1 TFM 4-***7000***) and the TFM bulletin No. ***2017-10*** requires these accounts be cleared to proper appropriations or funds as expeditiously as possible. To clear account **F3880, the outgoing DO presents a detailed list of individual subsidiary transactions, supporting documentation or backup information, and current status. Documented evidence includes certification that the DO or designated DDO personally reviewed the balances in the account within the last month (see Chapter 7, subparagraph 071109.E).

9. Validate unreconciled differences (e.g., check issue and deposit discrepancies, Intragovernmental Payment and Collection system differences). If the outgoing DO

cannot provide documentation supporting the unreconciled items, he or she processes them as losses or overages of funds (see Chapter 6).

B. Actions by Outgoing DO. Upon relief from disbursing duty:

1. Terminate all DDO, agent, and cashier appointments and clear all related ***DD 1081(s)***, Statement of Agent Officer's Account.

2. Transfer all cash, negotiable instruments, money accounts, books, property, vouchers, and other retained records to the incoming DO.

3. Prepare and submit a final SF 1219 (marked "FINAL" on the top of SF 1219 just below the title "Statement of Accountability"). The incoming DO signs as prescribed in Chapter 15, Figure 15-4.

4. Prepare a final SF 1179, Month End Check Issue Summary (see Chapter 7, paragraph 071407). The incoming DO signs and marks the SF 1179 as "FINAL."

5. Send a copy of the incoming DO's commencement of disbursing duty memorandum including copies of all the letters of transfer of the total accountability with the final SF 1219 to the DFAS activity where financial reports are submitted.

6. Prepare and send a memorandum to the supporting DFAS site and DFAS-IN/JJFKCB advising of the date and check number of the last check issued.

7. Verify the destruction of signature plates or digitized media being withdrawn from service (i.e., not to be used again). Follow the guidance in Chapter 7, subparagraph 070502.F. When the medium has been destroyed, send a copy of the certificate of destruction certifying that the signature has been permanently removed to DFAS-IN/JJFKCB.

8. Transfer custody of the check-signing machine to the incoming DO, if applicable.

9. Verify balances in suspense accounts are properly documented.

C. Actions by the Incoming DO. The incoming DO ensures that all actions listed in this section are accomplished, documented, and verified before signing for the accountability. The actions listed are to be taken by an incoming DO before reporting to the new disbursing office or activity:

1. Upon commencement to disbursing duty:

a. Send original specimen signatures to DFAS-IN/JJFKCB on TFS 3023. If signatures have been furnished previously as a DO or DDO, submission of new specimen signatures is not required unless specifically requested or a change of official signature

is desired. If the outgoing DO has an LDA with check stock, send specimen signatures to the LDA.

b. Contact the disbursing office or activity to determine if a check-signing machine is in use. Obtain all necessary information about the machine (make, model and number of media required).

(1) If the incoming DO has never had a signature medium, provide three official signature specimens in addition to those required by paragraph 020404, and request the required medium be ordered in enough time to arrive before the actual transfer date.

(2) If a signature medium cannot be received or obtained before the actual date of transfer, the incoming DO may request DFAS-IN/JJFKCB authorize the use of the outgoing DO's signature medium until a new one arrives to allow continued efficient operations of the disbursing office. The incoming DO is accountable and pecuniarily liable for payments made on or after the date of the transfer of accountability.

2. Upon commencement of disbursing duty:

a. Send a memorandum to DFAS-IN/JJFKCB and the DFAS site that receives the DO's financial reports advising them of the commencement of disbursing duty.

b. Appoint at least one DDO and send the required copies of the DD 577 and TFS 3023 to DFAS-IN/JJFKCB. Appoint agents, cashiers and other accountable officials as necessary.

c. Verify the adequacy of the safekeeping facilities for funds, blank checks, stored value cards, and other accountable documents. If the facilities are inadequate, report the deficiencies to the commander and request that proper facilities be provided (see Chapter 3, section 0303).

d. Change all safe combinations including those assigned to other accountable individuals.

e. Review cash on hand requirements. If the current cash holding authority is valid, the incoming DO may retain it until the normal resubmission date. Otherwise, the incoming DO submits a new cash holding authority request as soon as possible after assuming the account (see Chapter 3, section 0302).

f. Notify all serviced activities, agencies, commercial concerns, and necessary stakeholders of the account holder change.

0205 DDOs

020501. Eligibility

An officer, enlisted member, or civilian employee acceptable to the DO and who is a U.S. citizen may be appointed as a DDO.

020502. Appointment

DOs appoint their DDOs using the DD 577 (see paragraph 020303).

020503. Terminations

A DO may terminate a DDO's appointment at any time by completing Section IV of the appointing DD 577. When a DO is relieved from disbursing duties, he or she revokes the appointments of all DDOs. In all cases, send a copy of the DD 577 to DFAS-IN/JJFKCB. If another individual will succeed a DDO, send a copy of the appointing DD 577 and the required original specimen signatures for the new DDO with the copy of the notice of revocation to DFAS-IN/JJFKCB. If a DDO appointment is terminated for cause, include the reason for termination when sending the appropriate DD 577 to DFAS-IN/JJFKCB.

0206 CHANGE IN THE STATUS OF DOs OR DDOs

020601. Authorized Absence of DOs and DDOs

During an authorized absence, the DO remains accountable for the account unless or until it is officially transferred. It need not be transferred unless, in the DO's judgment, not doing so would impair proper supervision. The DO must maintain an adequate system of controls to avoid errors and ensure the implementation and effectiveness of those controls. For relief of liability to be considered, the DO must show clearly what the procedures were and how they were implemented during the absence (e.g., records must show that any loss incurred was not the result of bad faith or lack of reasonable care).

020602. Death, Incapacity, or Removal of a DO

A. General. When a DO dies, is incapacitated, or is removed from disbursing duty for cause (including unauthorized absence), a DDO under ***10 U.S.C. § 2773***, may continue to disburse in the name of and under the accounts of the DO through the last day of the second month after the month of death, incapacity, or removal. If there is more than one DDO, the commander, DFAS Director, or designee, as appropriate, designates one DDO to disburse in the DO's name.

B. Responsibility of the Commander or DFAS Director. The commander, DFAS Director, or designee:

1. Seizes and seals all disbursing spaces, keys, property, and safe(s) to ensure the security of the funds, property, and spaces involved;

2. Appoints a board of at least three disinterested but qualified persons to inventory the vouchers, funds, and property on hand (see subparagraph 020602.C);

3. Appoints based on the disbursing needs of the activity:

a. A custodian of the disbursing office's vouchers, funds, and property (see subparagraph 020602.D); or

b. A qualified person (normally a DDO) to take charge of the DO's vouchers, funds, and property involved and perform as acting DO until a regular relief reports (or is appointed), or until the last day of the second month following the date of death, incapacity, or removal (see subparagraph 020602.E); and

4. Notifies the supporting DFAS site of all actions taken and provides an information copy to DFAS-IN/JJFKCB.

C. Responsibility of the Inventory Board. The appointed board, as prescribed in subparagraph 020602.B.2, inventories all public funds, including advances to deputies, agents and cashiers; vouchers evidencing receipt, transfer, or disbursement of funds; safekeeping deposits; stored value cards, if applicable; and property of the DO in the presence of the immediate custodians and the appointed custodian, acting DO, or incoming DO.

1. The board verifies all official records to determine that the cash on hand agrees with the records, verifies that all checks and stored value cards issued in the current accounting period have been properly accounted for, and inventories blank checks to determine if any are missing.

2. If the board discovers a shortage or deficiency, the commander takes the actions prescribed for losses of funds or deficiencies in the DO's account as prescribed in Chapter 6.

3. All members of the board prepare and certify an original and four copies of the inventory as true and accurate. The board turns over all public funds and property certified on the inventory to the appointed custodian, acting DO, or incoming DO. The incoming DO retains a copy of the inventory report, provides the original to the commander, and a certified/notarized copy to each member of the board.

D. Responsibility of the Custodian. The custodian, on receipt of the original inventory, assumes custody of the public funds, and property held by the former DO. No transactions other than collections may be conducted. When the incapacitated DO returns, or a new, permanent DO reports, the custodian and the DO inventory and transfer all vouchers, funds, and property as prescribed in the relief procedures.

E. Responsibility of the Acting DO.

1. The DDO appointed to serve as the acting DO performs and is accountable for all official duties that would have been required of the DO, to include submitting financial reports for the DO as of the date of death, incapacity, or unauthorized absence. Include only those vouchers actually paid by the former DO in the reports. The DDO submits the reports in the name of the former DO.

2. Include in the reports: information on the date of death, incapacity, or unauthorized absence; and the fact that transactions included were made by the former DO. Include vouchers for which checks have been drawn but not delivered in the first reports covering transactions made by the DDO. Submit subsequent financial reports at the normally prescribed times in the name of the former DO, signed by the DDO, and include an explanation that the reports include only transactions made by the DDO under authority of subparagraph 020602.E.1 subsequent to the death, incapacity, or unauthorized absence of the former DO. Do not merge the financial reports of transactions performed by an acting DO with those of the officer for whom he or she was appointed, or with those submitted by the regular relief after the disbursing duties are assumed.

3. The DDO signs all checks drawn in the manner normally used when the DDO signs checks. If the volume of checks warrants, the acting DO may use the former DO's signature plates. The acting DO is legally liable and responsible for all payments and official acts subsequent to the death, incapacity, or unauthorized absence of the DO.

F. Responsibility of the Incoming DO. If the commander appoints an individual as DO to relieve the deceased, incapacitated, or removed DO, the incoming DO is responsible for performing all actions required in subparagraph 020406.C, and for rendering financial reports in his or her own name.

G. Administration of the Accounts of a Deceased, Incapacitated, or Removed DO from Duty. The commander should strive to protect the rights of a deceased, incapacitated, or removed DO, as well as the custodian, acting DO, or incoming DO so that, for any differences discovered during settlement of the accounts, responsibility may be assigned to the appropriate individual. The acting or incoming DO completes the vouchers, closes the accounts, maintains custody of records, and renders the final reports of the outgoing DO. Further, the individual signs documents prepared in connection with the administration and settlement of the accounts of the outgoing DO as follows:

_____
(Name of Disbursing Officer)

By_____
Acting (appointed per 10 U.S.C. § 2773)

The commander of an exonerated DO restored to duty following arrest, suspension, or other incapacity directs a second inventory to be taken by the restored DO and the custodian, acting DO,

or incoming DO. The guidance in subparagraph 020406.A regarding the transfer of accountability from an outgoing to an incoming DO applies.

H. DDO at Branch Disbursing Office. Upon the death, incapacity, unauthorized absence, arrest, or other emergency absence of a DDO at a branch disbursing office, the local commander advises the DO as expeditiously as possible. Depending upon the circumstances, the DO requests the commander of the activity where the branch office is located appoint a board to inventory the vouchers, funds, and property of the DDO and appoint a suitable person to take custody of the vouchers, funds, and property until the DO can take an inventory. If practical, the DO takes an inventory of the vouchers, funds, and property in the presence of a competent witness.

0207 OTHER AGENTS OF DOs

020701. General

Officers, enlisted members, or civilian employees satisfactory to both the appointing officer and DO may be appointed as agents, (e.g., disbursing agents (DA), cashiers, paying agents, collection agents, change fund custodians, imprest fund cashiers). No agent may be appointed or used over protest of the accountable DO, serve concurrently in any other accountable position, or be charged with the handling or custody of any other funds (see paragraph 020305).

A. Include in item 7 of the appointing DD 577 the specific duties, limitations, and the name of the individual being relieved, if any (see paragraph 020303).

B. DOs' agents are pecuniarily liable under accountable official laws for losses of public funds in their possession. When appointing agents, appointing authorities should carefully consider appointing non-U.S. citizens as accountable officials. In some instances, foreign nationals and other non-U.S. citizens may be precluded from being held pecuniarily liable for losses of funds (see Chapter 1, subparagraph 010303.D).

C. From a security standpoint, do not allow an excessive number of individuals access to public funds.

D. After an individual ceases to serve in an appointed position, the DO maintains appointing documents for a retention period following the guidance in Chapter 15, section 1508. Appointments as agents of DOs are effective only while the DO continues to serve as DO of that disbursing activity.

E. The appointing officer terminates appointments when appropriate (e.g., when the DO is relieved, when the agent ceases to perform the duties for which appointed, or for cause (see subparagraph 020406.B.1)), using Section IV of the original appointing DD 577.

020702. Disbursing Agents (DA)

A. Duties and Responsibilities. A DA is a DO's agent who is not a DDO. A DA's responsibilities can include all duties, assignments, and functions of a DDO except the authority to sign Treasury checks.

B. Establishing Positions. The appropriate major command or Defense Agency establishes DA positions in writing.

C. Appointments. The DO appoints DAs following paragraph 020303, which includes the appointee's acknowledgement. The DO sends the original copy to the DA, a copy to the office where the duties are performed, and retains a copy on file.

020703. Cashiers

A. Selection Criteria. An officer, enlisted member, or a civilian employee with working knowledge of the cash functions and operations, and acceptable to the DO, may be appointed as a cashier. The DO should also obtain a credit report if access to a credit reporting service is available, charging the associated costs to the Operations and Maintenance funds available to the activity. Safeguard credit reports against unauthorized access.

B. Duties and Responsibilities. Cashiers disburse, collect, and account for cash; and perform other duties as required concerning the receipt, custody, safeguarding and preparation of checks. A cashier may prepare DO accountability reports, but the DO, DDO, or DA must personally validate them.

C. Appointments. The DO appoints cashiers following paragraph 020303, which includes the appointee's acknowledgement. The DO sends the original copy to the cashier, a copy to the office where the duties are performed, and retains a copy on file.

D. Restrictions. A cashier may not:

1. Sign checks;

2. Accept checks drawn (and endorsed to the cashier) in the name of the DO, DDO, or DA to procure and disburse cash for any purpose;

3. Prepare billing documents and accept collections for the same items. This restriction also applies to a DA performing cashier duties;

4. Prepare vouchers that they will later pay; and

5. Prepare vouchers on days when they perform cashier functions.

020704. Paying Agents

A. Appointments. Commanders appoint paying agents only when adequate payment, check cashing, or currency conversion services are not otherwise available (see paragraph 020303). Appointments are for a specific transaction or time period. Do not appoint paying agents solely as a convenience when a DO, DDO, DA, or cashier can make the required transactions. In unusual situations (e.g., payments or currency conversions must be made at remote locations where use of checks is not feasible), the DO may request a remote location commander appoint a paying agent to make the necessary payments for and in the name of the DO from cash advanced for that purpose.

B. Restrictions. Paying agents may not act as certifying officers (see Chapter 5, section 0503) or purchasing officers. Escort officers serving as paying agents for expenses related to official travel may likewise not be purchasing officers. See Chapter 1, subparagraph 010305.B for guidance on separation of duties and Chapter 5, subparagraph 050301.C for guidance applicable to micro-purchases in contingency operations.

020705. Collection Agents

A. Establishing Positions. Commanders may establish collection agent positions to receive funds derived from functions such as hospitalization fees and other charges at medical facilities (e.g., communication charges, rentals and other charges at housing developments, fees for research or reproduction of records, safekeeping deposits where the safekeeping function is not performed by the DO, and similar functions when appropriate).

B. Appointments. The Commander appoints collection agents following paragraph 020303. Unless revoked by the appointing authority, collection agent appointments remain in effect through succeeding appointing authorities.

020706. Change Fund Custodians

A. Duties and Responsibilities. A change fund custodian receives a change fund from the parent DO, safeguards it, is pecuniarily liable for any loss, and makes change for sales transactions. The commander provides a detailed description of duties to be performed.

B. Establishing Positions. The sales activity commander (e.g., commissary, hospital) establishes the position.

C. Appointments. The activity commander or designee appoints a change fund custodian following paragraph 020303 in coordination with the parent DO.

020707. Imprest Fund Cashiers

The activity commander appoints an imprest fund cashier following paragraph 020303 to make authorized cash payments for materials and non-personal services, maintain custody of funds, and file periodic vouchers to account for and replenish the imprest fund. An imprest fund

cashier may be an officer, enlisted person, or civilian employee who is not responsible for originating, approving, or processing imprest fund requirements. An imprest fund cashier (or alternate) may not have access to or control of more than one fund. The commander keeps the appointing document and approval for establishment of the imprest fund in a permanent file, and furnishes two copies of these documents to the cashier and one copy each to the DO and installation or activity contracting office (see section 0209).

020708. Alternate Agents

A. General. When required, one or more alternate agents may be designated to serve only during the absence of an appointed primary agent. Alternate agents for DDOs are not permitted. The official authorized to appoint the primary agent also appoints alternates following paragraph 020303. When serving in place of the primary agent, the alternate agent is subject to all regulations applicable to the primary. Alternate agents may not merge funds received with those of the primary agent, and must also maintain separate records from those of the primary agent to establish the amount for which each is responsible. Alternate agents may not conduct operations involving the handling of public funds concurrently with the primary.

B. Alternate Imprest Fund Cashier. Under paragraph 020303, a commander may appoint an alternate imprest fund cashier to provide service during a principal's absence. Appointment requirements for principal cashiers apply to alternate cashiers. Upon return of the principal, the alternate returns paid receipts, subvouchers, and residual cash to the DO.

1. Planned Absences. In planned absences of the principal cashier and with the appointing official's written authorization, the principal may advance cash to the alternate in any amount up to the limit of the fund, using a DD 1081 for the advance.

2. Unforeseen Absence. In the unforeseen absence of the principal cashier, the DO may advance funds to the alternate in the normal manner; these funds are in addition to the amount advanced to the principal under the established fund, but may not exceed the authorized amount of the fund.

020709. Death, Incapacity, or Unauthorized Absence of Agents

In the event of the death, incapacity, or unauthorized absence of an agent, the appropriate commander follows paragraph 020602 for deputies at branch offices, but appoints relieving agents following procedures applicable to the position involved. In the case of an imprest fund cashier, the relieving imprest fund cashier prepares the final voucher.

0208 DEACTIVATING OR CLOSING A DSSN

020801. Deactivation

A. General. To eliminate the necessity of submitting monthly financial and checking account reports during the period of inactivity, the DO deposits all currency, coin, and negotiable instruments; closes the LDA, and if applicable; properly disposes of all undeliverable

checks; submits the memorandum required for closure of disbursing offices with additional information that the account is closed temporarily; and retains blank Treasury check stock for use when the disbursing operation is reactivated. See Chapter 7 for inventory and storage requirements. The DO may reopen that same DSSN at any time by submitting the report of commencement of disbursing operations. Note: A DO may not close a DSSN temporarily if any cash or documents representing cash are on hand. Any assets on hand, including deficiencies such as dishonored checks or losses of funds, require monthly submission of an SF 1219.

B. Designation of a Settlement Office. The supporting DFAS site designates another disbursing office as the settlement office to handle uncleared transactions for the closed office.

C. Notification of Deactivation Pending Closure. The DO will:

1. Notify all affected activities, agencies, commercial concerns (including LDAs when applicable), and individuals of the disbursing office deactivation date and the name and location of the settlement office to which all accounts will be transferred;

2. Notify Fiscal Service by memorandum through DFAS-IN/JJFKCB that the disbursing office is being deactivated pending closure. State in the memorandum the DSSN, date of deactivation, the office to which the accounts and records have been/will be forwarded for settlement, and the last check number of each check range issued by the DSSN. Also, include the date and check number of the last check signed in each check range by each DDO where separate check series are assigned to DDOs at branch offices. Send a copy of the memorandum to the supporting DFAS site. Once a disbursing office is reported to Fiscal Service as being in a settlement status, it may not be reopened or transferred to another location without Fiscal Service approval. Once the settlement office has met all requirements in section 0208, pertaining to closing the disbursing office, Treasury will close the DSSN permanently;

3. Notify commanders and request termination of appointment for all agents they appointed;

4. Issue terminations of appointments to all DDOs, agents, and cashiers (see paragraph 020306);

5. Notify commanders and request termination of the DO's and agents' authorities to hold cash at personal risk; and

6. Clear all outstanding agent advances (e.g., imprest fund cashier and change fund custodians).

020802. Deposits

Deposit all currency, coin, negotiable instruments, and LDA balances to the credit of the Treasury (see Chapter 11, section 1108).

020803. Deposit Fund Account Balances

Transfer deposit fund account balances that could not be cleared before deactivation to the designated settlement office. Send a detailed list of the persons owed or funds to be reimbursed with any documents or backup information with the ***SF 1081***, Voucher and Schedule of Withdrawals and Credits, to the settlement office. The SF 1081 is the basis for adjusting the general ledger for the amounts transferred.

020804. Undeliverable Checks

Cancel all undeliverable checks and return checks forwarded by other DOs as undeliverable to the forwarding DOs for cancellation (see Chapter 7, section 0710).

020805. Blank Treasury Check Stock

Destroy remaining blank check stock and report them on the SF 1179 and Checks Issued Report (Report 72) as "voids" (zero dollar value issues) (see Chapter 7, subparagraph 070904.A).

020806. Stored Value Cards

Smart Card stock must be treated like blank check stock (see paragraph 020805).

020807. Standard Form (SF) 1219, Statement of Accountability

Prepare and submit an SF 1219 (marked "FINAL" on the top of the SF 1219 just below the title "Statement of Accountability") covering the period from the first day of the accounting period through the close of the last business day (see Chapter 15, section 1506 and Figure 15-4).

020808. SF 1179, Month End Check Issue Summary

Prepare and submit an SF 1179 (marked "FINAL") covering the period from the first day of the accounting period through the close of the last business day. Include all checks issued during the period as well as the blank check stock destroyed and reported as "voids" (zero dollar value issues) (See Chapter 7, paragraph 071407).

020809. Equipment

Notify the supporting DFAS site of the availability of useable office equipment. The supporting DFAS site advises other DOs of the equipment available and facilitates transfers between disbursing offices, if requested. If no other disbursing office needs the equipment, the DO turns over the equipment to the supporting property disposal office. See Chapter 7, subparagraph 070502.F for disposition of signature media.

020810. Discrepancies

A DO preparing an office for closure ensures that no discrepancies exist in his or her accountability. The supporting DFAS site reviews all accounts transferred to settlement offices and may order collection action against a relieved DO who submits a disbursing account to a settlement office with unresolved deficiencies in the accountability (e.g., dishonored personal checks, unconfirmed deposits, check issue records and reports, physical losses of funds, and unresolved open debit items in **F3875, **F3880, and **F3885 clearing accounts).

020811. Closure

Only the Treasury may close a DSSN. Follow the policies within section 0208 to pursue closing a disbursing office permanently. Once a disbursing office has been closed, it may be used only for settlement purposes. If the disbursing office is to be reopened, the DO must request and receive approval for reactivation from the Fiscal Service through DFAS-IN/JJFKCB. The Fiscal Service also must approve a new check range.

0209 IMPREST FUNDS

020901. Overview

Imprest funds are generally not authorized for DoD activities. Exceptions are allowed for contingency and classified operations. Submit specific requests for exception in accordance with Chapter 1, paragraph 010103. Include adequate justification and demonstrate that the use of a government purchase card, third party draft, purchase card convenience check, government travel card, or other reasonable alternatives are not feasible for the specific situation. In lieu of imprest funds, use the government purchase card for micro-purchases of supplies and/or services and the government travel card for travel payments formerly made from the imprest funds. If an imprest fund is authorized, the DO and the imprest fund cashier keep a copy of the signed authorization to establish and maintain the fund. Detailed regulations concerning establishing, using, and accounting for imprest funds, including the responsibilities of designated imprest fund cashiers and alternates are in:

A. ***1 TFM 4A-30170***;

B. GAO Policy and Procedures Manual for Guidance of Federal Agencies, ***Title 7, Fiscal Guidance, Chapter 6***; and

C. The Federal Acquisition Regulation Part 13, ***subpart 13.305***.

020902. Safeguarding Imprest Funds

Safeguard cash and disbursement documents at all times (e.g., safes, locked cash drawers) as prescribed in Chapter 3, section 0303. The imprest fund cashier should maintain an organizationally and physically convenient location on the installation or activity to make payments to vendors or carriers. Do not commingle imprest funds with other cash funds (e.g.,

disbursing funds, change funds, or cash receipts for other funds). The imprest fund cashiers must be able to account for the full amount of funds being held at any given time. The responsible imprest fund cashier is accountable to the advancing DO for receipts or subvouchers supporting temporarily unreimbursed expenditures from any imprest fund, together with the cash on hand, in support of the total amount of the fund, and is subject to review by the DO at any time.

0210 SETTLEMENT OF DO ACCOUNTS

021001. Overview

The responsibility to clear outstanding items in the accounts of a DO relieved from disbursing duty is normally assigned to a designated settlement office (see subparagraph 020801.B). The DO of the designated settlement office (referred to in this section as the settlement officer), follows this guidance to resolve discrepancies in a relieved DO's accountability. All correspondence and vouchers initiated by the settlement officer should show the name and DSSN of the accountable officer, date and number of the voucher or account, and be signed "By (name of settlement officer), Settlement Officer for (name and DSSN of accountable officer)." Normally, the settlement officer is also responsible for other residual disbursing functions, (e.g., issuance of stop payment requests, required records research pursuant to claims against the government, and clearing of all suspense accounts).

A. Deficiencies. In all instances, the relieved DO is responsible for resolving deficiencies before relief, if possible. If a deficiency exists in the account of a relieved DO and it appears that no action was taken to remove it from the accountability and no relief request is pending, the settlement officer should initiate collection action against the accountable DO.

B. Non-tactical Disbursing Stations. At non-tactical disbursing stations, settlement duties are normally the responsibility of the relieving DO. When one of these stations is closed, the supporting DFAS site designates another non-tactical disbursing station within the site's area to assume the closed station's disbursing operations and perform the settlement function.

C. Tactical Disbursing Stations. For naval vessels and tactical units, the servicing DFAS site performs the duties of settlement officer for relieved DOs whether or not the disbursing function of the naval vessel or unit is closed.

021002. Responsibility of Relieved Officers

Despite the appointment of a settlement officer, the relieved DO is responsible for accounting for all funds expended while performing disbursing duties. Transfer of disbursing records under the authority of section 0210 only relieves the DO of the paperwork incident to settlement of the account. Accountability for illegal, incorrect, or improper payments that cannot be adjusted despite the diligence of the settlement officer remains with the DO who made the payments. The relieved DO should keep the settlement officer informed of his or her current mailing address at all times. The relieved officer should also answer inquiries related to settlement

of outstanding items and furnish any advice or suggestions, which may be of assistance in the prompt and complete clearance thereof.

021003. Settlement Officer Functions

The settlement officer is the incumbent DO. Subparagraphs 021003.A-E apply only to non-tactical DOs (within and outside the continental United States) performing settlement functions for previous DOs of the same disbursing activity and DSSN to which the DO performing the settlement functions is assigned. In addition to accounting for and taking settlement action on deficiencies which occurred during the incumbency of a former DO that were unresolved on the date of relief, the settlement officer may be required to establish or increase deficiencies in the account of a former DO. Most of the transactions processed to establish, increase, reduce, or remove deficiencies in the account of the former DO will be similar to the routine transactions of a DO and will be reported on the ***DD 2657***, Daily Statement of Accountability, and the SF 1219.

A. Transactions. The transactions described in the following subparagraphs are the most common types of transactions that will be encountered. On some occasions, the servicing DFAS site may direct accomplishment of specific transactions and will provide detailed instructions for those transactions.

1. Settlement History. In order to have a complete history of the settlement process, the settlement officer will: maintain a record of actions taken to clear deficiencies in separate settlement folders for each former DO; and file copies of all documents and correspondence pertaining to settlement of the former DOs accounts in the settlement folders. The settlement folders should be made available for examination and made available to the next relieving DO as a part of the relief process.

2. Check Overdraft Receivables. Procedures for recording, reporting and clearing a check overdraft deficiency are prescribed in Chapter 7, subparagraph 070804.A. The procedures are the same for both current and former DOs except that in the case of a former DO, the current DO (settlement officer) reports the item daily on line 9.2A (Accounts Receivable - Check Overdrafts) of the DD 2657 and monthly on line 9.2 (Receivables - Check Overdrafts) of the SF 1219 until resolved.

3. Losses of Funds. Losses of funds in the account of a former DO that were unresolved on the date of relief are recorded and reported until resolved on line 9.3 (Loss of Funds) on the current DO's (settlement officer's) DD 2657 and SF 1219. Increases in the value of existing losses of funds are generally accomplished only upon the specific direction of the servicing DFAS site. Decreases in the value of existing losses of funds are accomplished by collection (full or partial) of the losses from the accountable individual or by relief of liability for the losses.

4. Other Accountability. Other accountability items are unresolved deficiencies in the account of a former DO which cannot be classified as check issue overdrafts or losses of funds. These items are reported on line 9.4 (Other) of the DD 2657 and the SF 1219 until resolved. The value of other accountability may be increased by the settlement officer. For debit

vouchers received by the settlement officer after the date of relief of a DO (which is chargeable to the former DO), the settlement officer processes the debit vouchers, and reports the value of the debit vouchers on line 9.3 of the DD 2657 and SF 1219. For overpayments caused by the negotiation of both the original and recertified check which the settlement officer determines to be uncollectible, follow Chapter 7, paragraph 071113.

5. Removal of a Deficiency. The settlement officer can request removal of the deficiency on behalf of the former DO. Decreases to the value of other accountability items may be effected by: collection from the responsible individual; replacement of lost checks by their drawers; confirmation of a deposit previously presumed and treated as lost in transit; reversal of a debit voucher by a general depositary or the Treasury; correction of an erroneous collection voucher; or relief of liability. The servicing DFAS site can provide specific instructions for removal of an accountability by correction of an erroneous collection voucher. Instructions pertaining to a relief of liability item are provided in Chapter 6, section 0606.

6. Processing Negotiable Instruments. Enter negotiable instruments received by a settlement officer to offset a deficiency in a former DO's account on the DD 2657 as either an increase to line 4.2A (Deposits Presented or Mailed to Bank) or to line 6.3B (Other Undeposited Instruments on Hand) as a decrease to the applicable receivable (e.g., 9.2A, 9.2B (Accounts Receivable - Other), 9.3, 9.4). Document the instrument received on Optional Form ***(OF) 1017-G***, Journal Voucher, and deposit it under the same guidelines as for other negotiable instruments.

B. Settlement Officer Is Not Incumbent DO. This subparagraph applies only to DOs designated to settle the accounts of DOs of tactical units or naval vessels relieved from disbursing duty and the accounts of former DOs of closed disbursing stations. These settlement officers perform settlement functions for a DSSN other than the one to which assigned as a DO.

1. Relieved DO. Any transaction affecting the accountability of a relieved DO, including the initial establishment of the settlement account, requires submission of monthly financial reports by the settlement officer for the relieved DO. The financial reports are submitted to the servicing DFAS site in the same manner as other financial reports.

2. Settlement Folders. In order to have a complete history of the settlement process, the settlement officer will: maintain a record of actions taken to clear deficiencies in separate settlement folders for each former DO; and file copies of all documents and correspondence pertaining to settlement of the former DOs accounts in the settlement folders. The settlement folders should be made available for examination to the next relieving DO as a part of the relief process.

3. Initial Establishment of the Settlement Account. Upon receipt of the final SF 1219 of the relieved DO, the settlement officer reviews it to determine if any deficiencies existed on the date of relief. In the case of a closed disbursing station where the DO is transferred without a relief, the settlement officer establishes the settlement account by preparation of the necessary files to resolve the deficiencies. In the case of naval vessels and tactical units, if there is a deficiency in the account of the relieved DO, the settlement officer establishes the settlement

account as of the month following the receipt of the relieved DOs final SF 1219 by preparing a supplemental SF 1219. The designated settlement officer must:

a. Compute the actual accountability of the relieving DO on the date of relief by subtracting the amount established in the settlement account from the amount reported on line 11.0 (Total) DO accountability of the relieved DOs final SF 1219.

b. Notify the relieving DO of the naval vessel or tactical unit by message that the settlement account is established and direct the DO to record the dollar value of the deficiency on line 4.37 (Transfers to Other DOs) of the next SF 1219. The relieving DO attaches a copy of the message to each copy of the SF 1219 to support the transfer of accountability shown on line 4.37.

c. Remove amounts from lines 9.2, 9.3, and 9.4 (as appropriate).

4. Recording Increases to a Settlement Account. After the date of relief, it may become necessary to record a deficiency into the account of a relieved DO. This type of transaction can be caused by: a debit voucher; a Financial Management Service (FMS) 5206, an Advice of Check Issue Discrepancy; a notice of an out-of-balance payroll; or various other discrepancies discovered in subsequent audit of accounts.

C. Removal of Deficiencies. Removal of deficiencies from the accounts of former DOs can be accomplished by collection from the responsible individual, correction of erroneous documents, or relief of liability.

1. If the deficiency is recovered by collection from the responsible individual, the settlement officer prepares an OF 1017-G to document the collection and deposit the funds on a deposit ticket. Block 3 of the deposit ticket should show the DSSN of the DO whose account is being settled. Record the deposit transaction on the supplemental SF 1219 prepared for the month in which the transaction is processed.

2. If the deficiency is removed by correction of erroneous documents, the corrected documents are reported on the supplemental SF 1219 prepared for the month in which the transaction is processed.

3. If a deficiency is removed by relief of liability, the Disbursing Policy DFAS/ZPFA-IN team will direct the preparation of an ***SF 1034***, Public Voucher for Purchases and Services Other Than Personal, and will provide a complete fund site to be charged for the transaction.

D. Preparation of Disbursement and Collection Vouchers. Normally, the preparation and processing of vouchers to settle the accounts of former DOs will not affect the disbursing account of the settlement officer. The settlement officer maintains a separate series of locally assigned voucher numbers (for example, COOO1 for collections and DOOO1 for disbursements) for use in settlement transactions. Collection and disbursement voucher numbers

(assigned to vouchers prepared to process settlement transactions) should not be taken from the voucher number logs of the DO at the settlement activity. In addition, the settlement officer does not maintain the DD 2657, for the former DO.

E. Financial Reports. The settlement officer submits financial reports for a former DO every month until the former DOs accountability is cleared. Normally, the documents required to be submitted are: a supplemental SF 1219; appropriate copies of the deposit ticket or debit voucher if these forms are involved in the transaction; and any supporting disbursement or collection vouchers prepared. The general requirements in Chapter 15, section 1507 pertain to preparation and submission of financial reports. In addition to the normal distribution requirements, one additional copy of each document is forwarded to the servicing DFAS site. In all cases, each document should clearly identify the name and DSSN of the former DO and the name and address of the settlement officer preparing the reports. Documents requiring a signature are signed "By (name of settlement officer), settlement officer for (name and DSSN of accountable officer)."

021004. Settlement Procedures for Naval Vessels

A. General. Even though the DO assigned to naval vessels does not perform settlement functions, certain actions are required to be performed to assist the designated settlement officer. The incumbent DO follows the actions prescribed in section 0210 for each of the transactions described which are received after the date of relief and which affect the accountability of the relieved DO.

B. Debit Voucher. Debit vouchers issued by a general depositary or the Treasury for dishonored personal checks, forged Treasury checks, or dual negotiation of both the original and recertified Treasury checks, are not recorded in the current DO's accountability unless the accounts of the DO who is accountable for the deficiency are subject to the 90-day retention period described in Chapter 15, paragraph 150804 or the person who draws the check or endorser of the dishonored check is locally available for collection action. If neither of the foregoing conditions applies, the current DO forwards the debit voucher and copies of all related documents by cover letter to the servicing DFAS site. If follow-up action previously initiated by the relieved officer results in recovery of funds, the relieving officer forwards the funds in the form of an exchange-for-cash Treasury check to the servicing DFAS site.

C. Unconfirmed Deposits. For unconfirmed deposits that are later confirmed by follow-up action after the date of relief, forward the confirmed copy of the deposit ticket by cover letter to the servicing DFAS site for processing.

D. FMS 5206. If an FMS 5206 is received during the 90-day retention period subsequent to relief, reproduce a copy of the applicable check issue record and disbursement voucher from the relieved DO's retained records and attach to the form. Send the documents with a cover letter to the servicing DFAS site for processing. If one is received after the former DO's records have been sent to the DFAS site as prescribed in Chapter 15, send the document with a cover letter to the servicing DFAS site for processing.

E. Daily Advice of Status (DAS). Upon receipt of a DAS from the Treasury indicating the original and recertified check issued by the previous DO were both negotiated and previous credit given by the Treasury or the canceled original check is being reversed, the current DO should take the same actions as prescribed in subparagraph 021004.B. for debit vouchers.

*Figure 2-1. TFS 3023, Specimen Signatures

Department of the Treasury
Bureau of the Fiscal Service
Operations Support Branch
Analysis, Reconciliation,
& Reporting Section
Philadelphia, PA 19154

The information requested on the enclosed form is required under the provisions of 31 U.S.C. 82b to identify the accredited official for disbursing operations. Failure to provide the information requested may affect the accreditation of the individual.

The above privacy act notice requirement should be associated with each TFS Form 3023 and/or each TRS Form 5583 upon release. My official signature as it will appear on checks drawn on the United States Treasury is shown in each of the 14 spaces below.

I understand that a legible signature is desirable and that signatures on checks should conform closely to these specimens. I will use a permanent ink of dark-blue, blue-black, or black color. I will furnish new specimen signatures if a change in the form of my signature is to be made, and I will observe all of the provisions of Treasury Fiscal Requirements Manual, Part IV Chapter 5000 in the issue, care, and use of checks.

(Date) (Signature)

When the sign graph is used, submit additional signatures on blank sheets

Specimen Signatures

Specimen Signatures

TFS FORM 3023 EDITION OF 9-80 is OBSOLETE

DEPARTMENT OF THE TREASURY
BUREAU OF THE FISCAL SERVICE

VOLUME 5, CHAPTER 3: "OBTAINING AND SAFEGUARDING PUBLIC FUNDS"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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

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

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

The previous version dated May 2016 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current administrative instructions.	Revision
030502.D	Amended subparagraph to clarify eligibility rules for couriers.	Revision

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CHAPTER 3

OBTAINING AND SAFEGUARDING PUBLIC FUNDS

0301 GENERAL

030101. Overview

The Department of the Treasury (Treasury) holds funds appropriated by the Congress subject to disbursement by disbursing officers (DOs) of the United States. When necessary to disburse in cash, upon approval of the commander or other authority, DOs may obtain and maintain cash on hand at their personal risk (a cash holding authority (CHA)) for official disbursements and accommodation exchanges (see paragraph 030201). Department of Defense (DoD) DOs must safeguard all items identified as public funds that they receive and account for to the Treasury periodically (see Chapter 15, paragraph 150103). DOs outside the United States may maintain official checking accounts, known as limited depositary accounts (LDAs) in foreign currency with banks approved by the Treasury (see Chapter 14, section 1402).

030102. Purpose

The purpose of this chapter is to provide DoD's policy on DoD DOs' responsibilities to obtain and safeguard cash, negotiable instruments, and other items that comprise public funds.

030103. Authoritative Guidance

Title 31, United States Code (U.S.C.), ***section 3302*** authorizes DOs to have custody of public funds for disbursement purposes and requires them to safeguard the funds.

0302 CASH OPERATIONS

030201. Cash Held at Personal Risk

Funds that qualify as cash held at personal risk include U.S. and foreign currency and coin, imprest funds, change funds, cash with agents (e.g., paying agent (PA)), and cash on deposit in an LDA. DOs use cash to make miscellaneous cash payments, make change, conduct accommodation exchanges, and make other specifically authorized transactions.

030202. Approving Authorities

A commander, director, equivalent civilian head, or designee (see Definitions Chapter) has the authority to approve CHAs for DOs, Deputy DOs (DDOs), agents, and cashiers within their commands. The Defense Finance and Accounting Service (DFAS) Director or designee approves requests for DFAS DOs. DFAS DDOs, agents, and cashiers outside of the main DFAS disbursing office may hold cash at personal risk, with the amount to be held subject to the approval of the parent DO and the local activity commander based on his/her responsibility to safeguard public funds (see section 0303). Keep cash on hand at the minimum amount necessary to meet normal

requirements. Approving authorities review each request to ensure that good cash management procedures are in effect.

030203. Determining Cash Requirements

A. General. DOs should consider daily cash collections of all DDOs, agents, cashiers, and other custodians of public funds over a representative period of time, and average the results to determine cash requirements. If daily cash collections exceed disbursement and accommodation needs, no additional computation is necessary. If collections do not exceed disbursements, use the following table to compute the cash requirements according to the time to obtain funds from the source, weekly cash transaction volume, and the maximum amount authorized.

LEVELS OF AUTHORIZED CASH HOLDINGS		
If the source of funds is	and weekly requirements are:	hold cash to operate for:
Reasonably close (not more than 24 hours required to obtain cash)	$500 or less	4 weeks
	Over $500 but less than $5,000	2 weeks
	$5,000 but less than $100,000	1 week
	$100,000 and over	3 days
Not reasonably close (24-48 hours required to obtain cash)	$2,500 or less	4 weeks
	Over $2,500 but less than $50,000	2 weeks
	$50,000 and over	1 week
Remote (more than 48 hours required to obtain cash)	$50,000 or less	4 weeks
	Over $50,000	2 weeks

To preclude temporary increases due to extreme currency fluctuations, the portion of the DO's request to hold foreign currency at personal risk may be stated in foreign currency units. See Figure 3-1 for a suggested procedure for computing average daily cash requirements. Consider the following types of disbursements:

1. Routine cash payments;

2. Emergency cash payments;

3. Cash travel advances for non-cardholder temporary duty and permanent change of station travelers;

4. Foreign currency requirements for accommodation exchanges;

5. Personal check cashing transactions (see Chapter 4); and

6. Cash transactions of remote DDOs, cashiers, and agents.

B. Special Circumstances. When special circumstances require DOs to increase their CHA beyond the amounts discussed in subparagraph 030203.A (e.g., operational contingencies), describe the circumstances and duration of the expected need for increased cash in the request for approval to increase cash held at personal risk. If the circumstances are more than temporary (over 30 days) or expected to become permanent, the DO re-computes their CHA and submits a new request based on the anticipated services.

C. Cash Collections. DOs and their agents may hold cash collections for operating requirements within their CHA. Immediately deposit cash collections that increase cash on hand above the authorized limit (see Chapter 11, section 1108).

030204. Requests for Approval

A. A DO requests a CHA from the approving authority cited in paragraph 030202. Do not include scheduled payday cash requirements (e.g., the amount required to cash payday paychecks) in a request. The approving authority ensures that the requested amount follows the guidance in paragraph 030203, and that management controls exist to ensure the conduct of routine reviews of cash requirements. Submit requests semiannually allowing enough time for CHA authority to become effective on October 1 and April 1 of each year. Also, submit a request whenever a review of cash requirements results in a major change. Include in the written request:

1. The name, title, and duty station of the accountable requestor;

2. A description of the transactions requiring the use of cash;

3. A statement that adequate facilities are available to safeguard the cash (see section 0303); and

4. A breakdown of cash by accountable position.

B. A CHA request includes the amount to be held personally by the DO and the DO's DDOs, agents, cashiers, and other custodians of public funds, but not amounts to be held by authorized imprest fund cashiers and change fund custodians which receive separate approval. The approving authority approves all requests by an endorsement and returns them to the DO for retention. To preclude compromise of classified information, CHA requests for emergency and extraordinary expense funds may omit security items (e.g., duty station, description of payments, facility location, or other details), but keep this information on file for review by cleared personnel.

030205. Obtaining Cash for Disbursing Purposes

A. Available Procurement Methods

1. Exchange-for-Cash Checks. DOs may draw exchange-for-cash checks (see Chapter 7, section 0707) payable to the DO or DDO who procures the cash. The DO or DDO endorses the check to the name of another DO or DDO, or the name of the financial institution. DOs may obtain cash from other DOs, a Federal Reserve Bank (FRB) or branch, or any commercial bank willing to provide the service, to include overseas Military Banking Facilities (MBFs). If a DO or DDO is unable to go to the bank to take possession of the funds due to excessive workload or location, he or she may arrange for the FRB or financial institution to ship the funds by registered mail or armored car. The local commander approves and funds this type of delivery.

2. Electronic Funds Transfer (EFT). DOs or DDOs may procure cash (U.S. dollars (USDs) or foreign currency) for authorized disbursements and accommodation transactions overseas using EFT. Coordinate with an authorized MBF or local LDA for an account to receive the transfer as an Automated Clearing House or International Treasury Services (***ITS.gov***) transaction, and determine the exchange rate on the date of crediting to the DO's account.

3. Transfers between DOs. DoD DOs may transfer funds among themselves following the same exchange-for-cash procedures used to procure cash. They may also accomplish these transfers using lines 2.37, Transfers from Other DOs, and 4.37, Transfers to Other DOs, of DoD ***(DD) Form 2657***, Daily Statement of Accountability, and Standard Form ***(SF) 1219***, Statement of Accountability, but must coordinate to ensure they report this amount in the same reporting period (see Chapter 15, section 1505 and section 1506).

B. Notification to the Treasury. The Treasury Financial Manual, Volume I, Part 4A, ***section 4020*** identifies Treasury's requirement to maintain and update its operating cash balance (i.e., the government's cash flow). DOs must therefore provide the Treasury with advance notice of their cash requirements and other related information. For additional guidance on disbursement forecasting, see Chapter 9, section 0903.

C. Protection of Currency in Transit

1. Notification to Commander. A DO or another accountable official, either leaving the disbursing activity or arriving to pick up $10,000 and above, notifies the commander and the security police through the command or other duty officer. The DO must provide the time of departure, destination, estimated time of return, amount, and the source or disposition of the funds, as appropriate, for entry in the ship or station log.

2. Transporting Cash. The commander of the installation requesting cash is responsible to secure that cash at all times. The decision to have an armed escort, how many, or the type of transportation to be used is a command responsibility. The commander should

consider such things as the amount of cash, distance and terrain, and type of transportation and local security forces available.

3. Liability. An accountable official (DO, DDO, agent, cashier, or other custodian of public funds) who has signed for the cash is pecuniarily liable for it pending its return to the DO. An accountable official who feels that the command has not provided adequate security may refuse to disburse such funds and return them to the DO.

D. Verification of Money. The accountable official verifies all cash received before acceptance. Verify unsealed money by actual count before acceptance or immediately upon receipt of shipment. The DO or DDO, at their own risk, may bundle-count sealed new money bricks presented with the FRBs packaging intact. When opening a bundle, verify it immediately upon opening with individuals present to witness both the breaking of the seal and the count. The accountable official must report discrepancies immediately by issuing a claim to Treasury via the bank that provided the money. Identify the bundle or brick in question and include a signed statement from the witnesses. For a disapproved claim, follow the request for relief of liability procedures in Chapter 6, section 0606. Verify and accept cash shipped to the accountable official in front of witnesses immediately upon receipt following these procedures, depending upon how the money is packaged.

E. Expenses. Charge bank fees and shipping costs incurred when procuring U.S. or foreign currency to the disbursing activity's operating fund account.

F. Accounting for Premiums on Sales of Public Moneys or Securities. Under ***31 U.S.C. § 3341***, DOs of the U.S. Government may sell government warrants, checks, drafts, or obligations not the property of the official at a premium, or dispose of the proceeds of the warrant, check, draft, or obligation, only if the official deposits the premium and the proceeds in the Treasury or with a depositary for the credit of the government. Credit account 20 3220, General Fund Proprietary Receipts, Not Otherwise Classified, All Other, for the USD equivalent (USDE).

G. Registered Mail Shipments. Send an exchange-for-cash check to an FRB or MBF by registered mail. Keep a copy of the check and report it on line 6.7, as Cash in Transit, (see Chapter 15, section 1506) on the SF 1219 until the cash is received. When a DO is aware that the FRB or MBF has shipped the cash and has not received that cash within a reasonable period of time, contact the shipper to request the shipment be traced (see paragraph 030505). This is the least preferred method to obtain cash. Use it only after determining that all other procurement methods are not feasible.

H. Obtaining Cash by Transfer from Officer Relieved. DOs may obtain cash funds by transfer from another DO without the issuance of an exchange-for-cash check only upon the relief of a DO and only from the DO being relieved (see Chapter 2, paragraph 020406).

0303 SAFEGUARDING CASH AND RELATED DOCUMENTS

030301. General

The commanders' and DOs' responsibilities to safeguard cash and other assets, related instruments, and supporting documents are described in paragraph 030302. All accountable officials are responsible for safeguarding public funds. DOs should minimize the number of accountable officials required to store public funds. Use the most secure container, vault, or safe available to safeguard, in order of priority, currency, undelivered checks, negotiable instruments, paid vouchers, blank U.S. Treasury and LDA checks (see Chapter 7, paragraph 070307), signature media, valuables (see Chapter 16, section 1603), and other records. The command security program must consider the maximum amount of each of these items that would normally be on hand at any time. Store classified material separately from public funds and documents.

030302. Responsibilities

A. The Commander. The responsibilities of the Commander include:

1. Approves a DO's request to hold cash at personal risk, and is responsible for ensuring unannounced quarterly verification of cash and other assets in the disbursing office (see Appendix A);

2. Provides every individual entrusted with public funds with a vault, safe, or other adequate secure facility (e.g., a strong box) for the exclusive use of the assigned individual. If it is not possible to provide separate safes, furnish separate locked compartments in a safe or separate strongboxes stored in a safe or vault. Always store public funds separately from other funds;

3. Develops a security program and publishes it in a command instruction or notice. The security program must provide adequate protection for the maximum amount of public funds and related documents and instruments on hand at any given time;

4. Ensures personnel protection is included in the overall disbursing security program. This includes the requirements for periodic review of the adequacy of the security measures in place and for testing the security equipment for proper operation on a semiannual basis;

5. Provides armed guards for the escort of public funds to and from the disbursing office. When necessary, acquires an armored car service using locally-available mission funds (see subparagraph 030205.C.2); and

6. Provides fire protection of government facilities and funds.

B. DOs.

1. DOs safeguard all public funds they collect or otherwise have in their custody or control, and are accountable and subject to pecuniary liability for their loss. DOs are prohibited from lending, using, depositing, or exchanging public funds in their possession for other funds except as specifically allowed by law. DOs secure public funds until ordered by proper authority to transfer or disburse them. When DOs receive orders for transfer or payment, they execute transactions and perform all other duties as imposed by law or regulations in conformity to the law. In case of disaster, DOs should secure and preserve the accounts of all personnel, public money, and other papers and property, in order of their importance as circumstances permit (see section 0308).

2. DOs, DDOs, agents, cashiers, custodians, or alternates with custody of public funds, assign each person a separate secured container. Although all appointed or assigned accountable officials are liable for any loss of public funds in their custody, the DO holds overall responsibility and is subject to pecuniary liability, jointly or severally, for any losses associated with these personnel. Therefore, DOs ensure that all DDOs, agents, cashiers, imprest fund cashiers, and other custodians of public funds are fully aware of their responsibilities to properly handle and protect public funds. The DO or designee personally inspects office security, keeping a record of each inspection, at least semiannually to ensure that:

a. Vaults and safes are not accessible to unauthorized persons (e.g., limit access to vaults using vault day gates to which only authorized personnel have the keys);

b. Cash in excess of the amount required and authorized for official purposes is deposited promptly;

c. Windows and doors are limited and barred and/or locked at all times after business hours;

d. Access to the working area is marked conspicuously with "AUTHORIZED PERSONNEL ONLY." Conduct transactions from a cage, room, or counter enclosure, constructed to provide a physical barrier to normal traffic with minimal interference from other activities and personnel of the office;

e. Security devices for the check signing machines, digitized signature media, meters, and plates are in the custody of the DO or authorized DDOs at all times;

f. Internal office procedures are established and implemented to provide adequate controls on all undelivered and returned checks. Assign responsibility of checks, which includes receipt, holding, and final distribution, in writing;

g. The commander is aware of any security shortfalls or breaches, and any request for adequate safeguarding facilities previously denied. Inform the

supporting DFAS site of unresolved facility issues that relate to the ability to safeguard public funds;

h. All DDOs, agents, cashiers, and custodians receive written and oral instructions regarding the proper care and handling of cash and other accountable documents. The DO should keep an affidavit from each accountable individual attesting to receipt of such instructions;

i. All cash, blank Treasury and LDA checks, and related items are kept in a vault, safe, or security container that meets minimum security standards prescribed in section 0303;

j. All safes and security containers aboard ships and on installations that are on rollers or weigh less than 750 pounds are stored in a vault or secured in such a way as to prevent movement;

k. A vault, safe, or security container visible to the exterior of the office is illuminated;

l. The combinations of all vaults, safes, and security containers are changed at least once every 6 months and upon relief, transfer, separation, or discharge of the accountable official. The accountable official is prohibited from sharing the combination or key with anyone and places the combination of each safe and duplicate key of each strong box in separate sealed, signed, and dated envelopes such that an unauthorized opening can be detected. The DO keeps the sealed envelopes of all accountable officials in his or her safe or vault and delivers the combination and/or keys to their safe or vault to the commander, security officer, or another designated official for retention. Authorized personnel access the sealed combinations only in an emergency requiring the opening of the safe or vault;

m. A record of combination changes, dated and signed by the accountable official, is kept inside each vault, safe, or container;

n. To limit the possibility of the combination being observed, the dial to the vault, safe, or container is concealed by a shield made of suitable material;

o. The name and phone number of the accountable official is posted on the inside of the vault, safe, or container. DOs may use an ***SF 701***, Activity Security Checklist, or ***SF 702***, Security Container Check Sheet, as appropriate, to assist in the control and proper safeguarding of public funds stored in vaults, safes, and/or containers. If the forms are not available, post a unique container number along with a 24 hour duty phone number on the outside of the vault, safe, or container allowing the duty personnel to contact the accountable official;

p. Keys to the workspace or disbursing office are strictly controlled. Keep a record that identifies who has keys, when they were issued and surrendered; and

q. All security equipment is tested at least every 6 months for proper operation. Keep a record of the tests maintained.

030303. Intrusion Detection Systems (IDS)

A. General. IDS are vital to any system that provides in-depth protection for a secure area. The DoD supports a policy on the use of IDS for resource protection purposes. The commander, in the exercise of their responsibility to provide security considers components of the DoD Joint-Services Interior IDS. In special cases, components of the base and installation security system, generally used for security applications, may also be available for resource protection requirements.

B. Alarms. Consider using alarms to deter entry to the general disbursing area or actual storage container. There are three levels of alarm protection: penetration, motion, and point detection. A minimum of two levels of detection capability provides the best in-depth protection. Post conspicuous warnings of the existence of alarms and publicize the existence of alarms to gain the full benefit of psychological deterrence.

C. Maintenance. Maintain and regularly test a system maintenance program to ensure the alarm system operates properly. Protect against bypassing the alarm system consistent with DoD requirements.

D. Alarm Monitor Responsibilities. Train monitors to understand, operate, and monitor the alarm system so they may work closely with the security police and unit personnel, and act as a liaison in this special role.

030304. Storage Containers

A. Categories

1. Vaults and Safes

a. Vaults. When possible, provide a disbursing office a built-in, fire-resistant vault with at least a three-position, dial-type combination lock; with the door and vault being able to resist a fire for a minimum period of two hours. Store all safes containing funds and when possible, the instruments and documents cited in subparagraph 030304.B, in the vault. Follow the requirements of the DoD Physical Security Equipment Guide, UG-2045-SHR when constructing new vaults, doors, and intrusion devices.

b. Safes. When vaults are not available, DOs, DDOs, agents, cashiers, and other custodians of public funds use combination three-tumbler lock, tool-resistant safes available at General Services Administration (GSA) Global Supply or GSA Federal Supply Schedules (FSS) to store public funds. If such a safe is not available, use a field safe secured properly to an immovable object. Post a guard in an unsecured building at the direction of the commander. Store irreplaceable checks, bonds, or other perishable records in combination three-position, dial-type, insulated, and built-in fire-resistant money cabinets/safes. For temporary

storage, Class 5 file cabinets with three-position, dial-type, and built-in combination locks can be used to protect against forced entry. File cabinets with steel lock bars or without forced-entry protection are not adequate.

2. Security Containers. Class 1 and Class 5 cabinets provide the greatest protection against forced entry. GSA approved security containers have the following Federal specifications:

Type	Specifications
Class 1 or Class 2 Cabinet	AA-F-357 (GSA-FSS)
Class 4 or Class 5 Cabinet	AA-F-358 (GSA-FSS)
Class 5 or Class 6 Map and Plan File	AA-F-363 (GSA-FSS)
Class 6 Drawer File	AA-F-358 (GSA-FSS)

3. Burglary Resistant Safes. The intent of burglary resistant safes is to prevent forced entry. The numerical value cited represents the time in minutes that the safe will resist forced entry. These safes provide a greater degree of protection than GSA rated security containers. Commercial burglary resistant safes are certified by Underwriters Laboratories according to the following classifications:

Type	Classification
Tool-Resistant Safe (TL)	TL-15 or TL-30
Torch and Tool-Resistant Safe (TRTL)	TRTL-30 or TRTL-60

B. Requirements

1. Currency, Negotiable Instruments, and Paid Vouchers. DoD Component security and resource protection programs ensure compliance with the following minimum requirements for storing currency, negotiable instruments, and paid vouchers. Previously approved storage containers currently in use may continue to be used. The Naval Sea Systems Command may designate specific containers for use on Navy ships.

a. Under $7,500. Commanders establish these requirements. Any security container or burglary resistant safe listed in subparagraph 030304.A is acceptable.

b. $7,500 - $50,000. Use a security container with a Class 1 or Class 5 rating, or a burglary resistant safe with at least an Underwriters Laboratories classification of TL-15, and having a Group 1R combination lock.

c. $50,000 or more. Use a burglary resistant safe or vault with at least an Underwriters Laboratories classification of a TL-30 and having a Group 1R combination lock.

2. Other Items. Blank checks, signature media, and personal valuables held for safekeeping (see Chapter 16, subparagraph 160101.A) are not part of a DO's accountability. Store them in a security container with at least a Class 1 or Class 5 rating or a

burglary resistant safe separate from the one used to store the items listed in subparagraph 030304.B.1.

0304 ADVANCING CASH TO AGENTS

030401. Deputy Disbursing Officers (DDOs), Agents, and Cashiers

A. Authority. DOs may advance cash for official use to their DDOs, agents, and cashiers on a ***DD 1081***, Statement of Agent Officer's Account, or by EFT; and may replenish expended cash with exchange-for-cash checks payable to them, with instructions to negotiate the checks only as funds are needed. An un-negotiated exchange-for-cash check is not part of an approved CHA as it does not represent an interest burden on the Treasury. The DO reports un-negotiated checks as funds with agents; DDOs, agents, or cashiers report them as "Cash on Hand." The DO reports funds in the custody of DDOs, agents, and cashiers in the main disbursing office on Line 6.2, Cash on Hand, of the SF 1219, and report agents outside the main disbursing office on Line 6.5, Cash in the Custody of Government Cashiers, of the SF 1219 (see Chapter 15, section 1506).

B. Amount Limits. Under normal conditions, do not advance an amount of cash to a DDO, agent, or cashier that exceeds their CHA. There are occasions where cash may be entrusted to DDOs, agents, or cashiers in other amounts when required to maintain efficient operations (e.g., during the authorized absence of the DO and on paydays). The total amount held by the DO, DDOs, agents, and cashiers may not exceed the DO's CHA.

C. Custody. Each DDO, agent, or cashier stores entrusted cash in a safe or adequate container assigned for his or her exclusive use as specified in section 0303. Only the assigned DDO, agent, or cashier may know the combination of the safe or container. If the commander deems it necessary to gain access to the safe or container, open it and verify the contents.

D. Balancing. DDOs, agents, and cashiers entrusted with official funds must balance the cash in their custody using ***DD 2665,*** Daily Agent Accountability Summary, as the permanent record of balancing (see Chapter 15, subparagraph 150201.B). The DO ensures that each DDO, agent, or cashier is aware of the frequency for balancing and submitting the DD 1081, and uses it as a summary of cash transactions and receipt for cash and vouchers on hand. Each DO submits a DD 1081 no less frequently than monthly. A DDO, agent, or cashier who will be absent for more than 5 workdays returns all funds and accountable documents to the DO with properly executed DD 2665s and DD 1081s before departure, reporting any shortage or overage immediately (see Chapter 6, section 0604).

E. Collections and Disbursements

1. DDOs, Agents, and Cashiers in the Main Disbursing Office. DDOs, agents, and cashiers account for all negotiable instruments, collection and disbursement vouchers, and other accountable documents on a DD 2665 and turn them in daily to the DO under the cover of a DD 1081. They must retain currency collected over and above the currency disbursed when

authorized by the DO if the total funds held are within the limitations specified in paragraph 030203. The DD 1081 also serves as a receipt for the funds that remain in the DDO's, agent's, or cashier's custody. When additional funds are required due to disbursements greater than collections or other authorized transactions, the DO may replenish the funds in the net amount of acceptable vouchers and negotiable instruments delivered with the DD 2665s and DD 1081s. The DO prepares a DD 1081 for the amount of funds advanced (see Chapter 15, section 1504).

2. DDOs, Agents, and Cashiers at Branch Disbursing Offices. When DDOs, agents, and cashiers are serving in branch offices where reporting transactions in person is impractical, the DO may authorize transmittal of the transactions by electronic or regular mail, or messenger. Account for these transactions on a DD 2665 under the cover of a DD 1081. The DDO, agent, or cashier signs the original and duplicate of the DD 1081 and sends it with the DD 2665 and substantiating vouchers, negotiable instruments, and documents to the DO. After examining and accepting the DD 1081, the DO acknowledges receipt on the duplicate copy of the form and returns it to the DDO, agent, or cashier. The DO may replenish funds following subparagraph 030401.A.

3. DDOs, Agents, and Cashiers under Other Commands. DDOs, agents, or cashiers not under the same command as the DO must deposit negotiable instruments whenever possible (e.g., an investigative service or support center, intelligence command, U.S. Defense Attaché Office). If a deposit is $5,000 or more, mail or present the deposit to the nearest FRB or its branch. Transmit deposit tickets, collection and disbursement vouchers, and other accountable documents electronically, or send them by mail or messenger to the DO. Account for the transactions on a DD 2665 with a cover DD 1081, preparing the latter following Chapter 15, section 1503 and section 1504. The DO may determine that the volume of transactions is small enough to allow submission of a single DD 1081 monthly.

F. Records. Identify transactions made by other than the DO by the name of the DDO, agent, or cashier. The DO determines the method to be used. Identify negotiable instruments cashed by someone other than the DO following Chapter 4, paragraph 040204.

030402. Cash to Paying Agents (PAs)

DOs furnish PAs written instructions to ensure they observe pertinent disbursing procedures including safeguarding funds; identifying payees and obtaining their signatures; requiring vouchers, documents, and certifications; and the returning of funds and vouchers.

A. Funds Advancement. Complete a DD 1081 to document the cash entrusted to PAs authorized to make payments, currency conversions, or check cashing transactions. The DO must establish and implement controls to preclude advancing amounts in excess of requirements for the assigned mission or other anticipated valid requirements. PAs may not commingle cash advanced to them with any other funds nor advance it to any other person.

B. Funds Return. Normally, PAs may not retain advanced cash overnight, but must promptly return the paid vouchers, negotiable instruments, and residual cash to the DO with a properly completed DD 1081 (see Chapter 15, section 1504). When circumstances require a PA

to retain cash overnight, follow the custody requirements in subparagraph 030401.C and return the paid vouchers, negotiable instruments, and residual cash as soon as possible after making the authorized payments, normally within 24 hours. The DO must notify the PA's commanders when the PA fails to make a prompt return, or if a loss of funds or vouchers occurs.

030403. Agents of Friendly Foreign Nations

A. Authority

1. Basic Agreement. DoD DOs may advance cash to DOs, cashiers, or other members of a friendly foreign nation's armed force to disburse pay and allowances to their members if the President has made an agreement with the foreign country pursuant to 10 U.S.C. § ***2396(b)(2)***. An advance may also be used to allow that armed force to purchase necessary supplies and services under a basic intergovernmental agreement negotiated in accordance with ***DoD Directive 5530.3***, International Agreements, to include coordination with the Combatant Commander involved, the U.S. Ambassador or Chief of Diplomatic Mission, the DoD General Counsel, and the governments of the friendly foreign nation and the United States.

2. Supplemental Agreement. A supplemental agreement establishes:

a. The type of personal identification required for a DO or individual member when drawing an advance of funds;

b. The maximum amount that may be advanced to an individual;

c. Protection for the lender nation against loss from fluctuating exchange rates;

d. The address of the respective settlement offices to which the lender nation DO forwards receipts for fund advances with requests for reimbursement;

e. Procedures for local settlement when feasible or, if not feasible, between the signatory nation's representatives in Washington, DC or another designated location;

f. That settlement may be in cash or by check, and in the type of currency used to make the advance. Make settlement in the lender nation's medium of exchange (when possible); and

g. Other provisions local conditions may require.

B. Conditions

DO advances cash only against the signed receipt of the individual members of the armed force receiving the advance for the following purposes and under the following conditions:

1. To a DO of an armed force of a friendly foreign nation wanting to provide pay and allowances for troops or purchase necessary supplies and services. The DO must present proper personal identification and the unit must be serving in an area where personnel temporarily are unable to obtain funds from their own nation; or

2. To individual armed force members of a friendly foreign nation in need of funds, serving in an area temporarily separated from their units and the DO of that force is not available to make payments. These individuals must be identifiable as members of an armed force of a friendly foreign nation with which an intergovernmental agreement for advances exists.

C. Documentation. The receipt must include the name, rank, service number, title, organization, and country of the individual receiving the advance; purpose for which the advance is needed; type and amount of currency to be advanced; prevailing rate of exchange to one USD at the time the advance is made, if applicable; and name, rank, organization, and address of the DO making the advance.

D. DoD Rewards Program to Assist in Combating Terrorism

1. Authority. Payment of rewards to assist in combating terrorism is authorized by ***10 U.S.C. § 127b*** (also see Volume 12, Chapter 17, paragraph 170102). When payment of these rewards by U.S. personnel is not practical, DOs may advance cash to agents of friendly foreign nations' armed forces to make the payments. The international agreement and authorities in subparagraph 030403.A.1 do not apply.

2. Controls. Agents of friendly foreign nations appointed under Chapter 2, section 0207 are agents of the DOs who advance cash to them. Commanders and DOs have the same oversight and internal control responsibilities regarding these agents as they do for U.S. PAs. DOs may advance cash to properly appointed PAs only in amounts required to pay specific approved reward payments to identified payees.

030404. Change Funds

A. Authorization. When the operation of a clothing sales store, government laundry, or other appropriated fund activity engaged in selling property or services requires cash for making change, the activity's officer in charge requests that the commander establish a change fund. After approval, the commander or designee appoints a change fund custodian. The appointing document specifies the amount of cash to be advanced by the DO or DO's agent, who issues written instructions to the custodian when advancing the change fund covering the custodian's responsibilities for safeguarding the cash and their pecuniary liability for losses. The DO or agent providing disbursing service to the installation or activity where the sales activity is

located provides the authorized change fund advance and records the advance in his or her accountability as cash in the custody of government cashiers.

B. Fund Limit. A change fund may not exceed $250 for each cash register operated in an activity. When a cash register has more than one drawer, each drawer may be considered as a register. The commander may authorize additional amounts consistent with good cash management principles. Upon approval of the commander, authorized collecting agents may also be change fund custodians to facilitate making change.

C. Fund Increases. A commander may authorize an additional $50 for each cash register, and an amount not to exceed $500 for each accountable medical services' change fund custodian. For extended operations (e.g., Sunday operations), a commander may approve an additional amount up to $50 per cash register when there is limited or no banking support.

D. Documentation. The DO or agent prepares a DD 1081. The change fund custodian signs and returns the original to the DO or agent for the amount of funds advanced. The change fund custodian returns all cash to the DO or agent upon termination of their appointment and prepares a DD 1081 to document the return. The DO or agent acknowledges receipt of the cash by signature on the duplicate copy of the DD 1081 and returns it to the custodian. A DO or agent may recall a change fund when it is necessary to verify the DO's or agent's cash. On completion of such verification, the DO or agent re-advances the funds to the change fund custodian. Also, unannounced inspections, including cash counts of change funds, are required at least quarterly by the cash verification team.

E. Change Fund Irregularities. The custodian follows Chapter 6, Table 6-1 and informs the officer who advanced the funds immediately of any fund irregularity (e.g., shortage or overage).

030405. Imprest Fund Cashiers

Imprest funds are authorized only as an exception to this volume. See Chapter 2, section 0209.

0305 SHIPMENT OF PUBLIC FUNDS

030501. General

A. Authority. Shipment of valuables is authorized by the Government Losses in Shipment Act (***40 U.S.C. Chapter 173***). Shipments are insured under this authority; do not purchase supplementary insurance.

B. Authorized Purposes. A DO is authorized to ship public funds to deposit into an official checking account; deliver funds to another DO as an exchange-for-cash transaction; ship damaged or mutilated currency (see subparagraph 030507.B); and obtain funds from a bank or another DO by exchange of a check for cash.

C. Methods of Shipment. Ship public funds in a manner that provides the greatest possible protection against risk of loss, destruction, or damage to the funds:

1. Public funds may be shipped by registered mail or courier, office messenger, government conveyance, railway express, contract armored car service, or as cargo via Air Mobility Command (AMC) signature security service, depending upon availability of means of transit. The normal methods are registered mail and AMC cargo;

2. Shipment by registered or certified mail is preferred in the case of checks, drafts, and money orders. Shipment by courier is preferred in the case of currency and coin;

3. Do not use certified mail to ship currency and coin. Use shipment by government conveyance or railway express only in the case of currency or coin of excessive weight or bulk; and

4. Transfers between DOs afloat using airlift (helicopter) or high-line is also authorized during underway replenishment at sea; attach a buoy or other reliable floatation device to the container to aid in recovery that may be required.

D. Record of Shipment. In addition to accounting documents required in the case of transfers and deposits of public funds, and in order to provide the record required by Treasury regulations, describe each shipment of funds in detail on ***DD 165***, Shipment of Funds.

*030502. Shipment of Funds

A. General. Use a DD 165 to ship coin or currency, regardless of the amount (see Figure 3-2). This form is not required for shipments for deposit to the Treasury or to a bank if the shipment consists only of checks and money orders, and the record of instruments deposited required by Chapter 11, section 1108 is otherwise maintained. In addition to the retained copy of the DD 165, the shipping DO keeps the registry or other carriers' receipts and any other documents incident to the shipment until assured that the shipment has been completed and no claims actions will be initiated.

B. Distribution of DD 165

1. Include the original and duplicate with the shipment.

2. Send a copy by mail directly to the consignee as a notice of shipment when the amount equals or exceeds $10,000.

3. The shipping officer keeps a copy. This copy bears the DO's and verifying witnesses' original signatures to substantiate any claim for loss in shipment.

C. Shipment by Registered Mail or as Cargo via AMC. When shipment is by registered mail or as cargo via AMC, show the registry number and the date the shipment was

delivered to the post office or terminal on all copies of the DD 165. Whenever feasible, limit single shipments to $250,000. Package registered mail and AMC shipments to prevent breakage in transit. For registered mail shipments, the appropriate postal official signs the shipping officer's copy in the space beneath the block "Delivery Date and Time." Advice as to adequate packaging is available from military post offices.

* D. Shipment by Courier. When shipment is by courier or office messenger, the shipping DO encloses the funds in a securely sealed envelope, moneybag, or other suitable container bearing the name and address of the consignee. Any Armed Forces member on active duty, DoD civilian employee, or individual serving as a courier for the Department of State may serve as courier for delivery of funds represented by currency, checks, drafts, or money orders. The courier takes all practicable precautions to protect the shipment. The courier signs the copy of the DD 165 retained by the shipping officer in the space beneath the block "Delivery Date and Time" as a receipt for the shipment.

E. Shipment by Office Messenger. When shipment is through a message center, an authorized message center official enters the registry number in the "Delivery Date and Time" space on the shipping officer's retained copy of the DD 165. Upon receipt of the shipment, the consignee, after verifying the contents of the shipment, signs the original DD 165 in the last signature block and returns it to the shipper as a receipt. The consignee also signs a copy of the DD 165 in the space beneath "Delivery Date and Time," gives it to the courier as a receipt for the shipment, and annotates the advance copy providing notice of shipment to indicate the date of receipt and keeps in his/her retained records. If the services of an office messenger are used, the messenger also signs the consignee's retained copy in the block for "Delivery Date and Time."

F. Shipment by Government Conveyance. When the shipment is of such weight or bulk as to make other methods of shipment impracticable, government conveyance may be used. The DO makes necessary arrangements for the shipment and receives the bill of lading for delivery with the shipment. In all cases, the DO is the shipper and the consignee is responsible for the receipt of the funds. The DO is responsible for direct delivery to the carrier and obtaining a receipt on a copy of the bill of lading.

G. Shipments by Armored Car Service

1. General. Shipment of funds by commercial armored car service is authorized when it is cost effective and offers the greatest protection against loss. Charge the cost to the operations and maintenance or working capital funds available to the DO.

2. Obtaining Funds from Banks. Since FRBs comply with Treasury regulations in making shipments of money, funds may be obtained by sending them an exchange-for-cash check with instructions for delivery of the funds in the desired denomination to an armored car carrier. When funds are obtained from a bank other than an FRB, the DO accepts the funds at the bank and turns them over to the armored car carrier for transport.

030503. Action by Consignee

A. General. On receipt of a copy of a DD 165 as notice of shipment, the consignee is the intended recipient or authorized official designated by the activity receiving shipment and is responsible for arrangements to receive the shipment. On receipt, the consignee ensures that the shipment is opened and inspected by one or more responsible employees. The consignee signs the original DD 165 and returns it to the shipping officer as a receipt. If a courier made the shipment, the consignee signs and returns a copy of the DD 165 to the courier as an acknowledgment of receipt of the shipment.

B. Funds for Deposit. When the shipment represents funds for deposit, the consignee completes the deposit ticket and returns the required copies to the DO. The consignee immediately advises the shipping officer of any difference between the amount and quantity listed on the copy of the DD 165 and in the actual shipment at the time of opening. If the shipment fails to arrive in due course, the consignee immediately notifies the shipping officer, the post office, or office of other carrier through which delivery was arranged. The consignee also immediately notifies the shipping officer of any damage to the shipment. All findings of the consignee in such cases are a matter of record subject to inspection in connection with any necessary investigation.

030504. Action by Consignor

The consignor (shipper) takes prompt action to trace a shipment of funds for which a signed DD 165 is not received within a reasonable time. The consignor initiates telephone or message contact with the consignee to ensure compliance with paragraph 030503.

030505. Losses in Shipment

Accountability for public funds rests with the consignor until the consignee has received and verified all cash listed on the DD 165. If funds shipped as prescribed are lost, destroyed, or damaged, the shipping officer sends an immediate written report to Bureau of Public Debt (BPD), Division of Financial Management, Department of the Treasury, Room 201, PO Box 1328, Parkersburg, WV 26106-1328. The shipping officer also notifies the agent in charge of the nearest U.S. Secret Service (USSS) office, the appropriate investigative service, the local post office, or local office of the carrier service used to place a tracer on the shipment, and takes such other action as may be necessary to facilitate recovery. The shipping officer sends a copy of the report to the consignee and DFAS Indianapolis, ATTN: (DFAS-ZPFA/IN), 8899 E. 56th Street, Indianapolis, IN 46249-0500 or email to dfas-in.disbursingpolicy@mail.mil. If the loss, destruction, or damage is $10,000 or more, or delay in reporting might delay the government's recovering the shipment, the shipping officer sends the report with written confirmation that includes the:

A. Date of shipment;

B. Amount and type(s) of the valuables lost, destroyed, or damaged;

C. Name and address of the consignee;

D. Method of transportation, name of the carrier, and location of the carrier's office from which shipment was made;

E. Registry or other receipt number; and

F. Cause of the loss, destruction, or damage, if known.

030506. Recovery Action

A. General. Recovery action is the responsibility of the officer accountable for the lost or damaged shipment. When an exchange-for-cash check has been issued, this responsibility and accountability rests with the shipping bank or DO (consignor). Accountability for the check remains with the check-issuing DO (consignee), who reports the amount on the SF 1219 as funds in transit. The consignee determines the shipping officer's actions and monitors the subsequent investigative process.

B. Cash Lost In Transit. For cash lost in transit to a depositary, accountability rests with the shipping DO, who takes the reporting and recovery actions required following Chapter 6, section 0604. The shipping DO records the loss of funds on Line 7.3, Losses of Funds, on the SF 1219. If the DO is reassigned before recovery can be affected, the relieving DO does not take responsibility for the loss, but records it on Line 9.3, Losses of Funds, on the SF 1219. The relieving officer also ensures that necessary claims are properly filed, and that the proceeds from the claims are properly applied against the loss.

C. Checks and Money Orders. The DO acts to recover the amount of lost negotiable instruments following Chapter 11, subparagraph 110803.H. If this recoups the full amount of a lost deposit, do not file the claims described in subparagraphs 030506.D or E. If it does not result in full recovery, the DO may request relief of liability for the unrecovered portion, supported by copies of all correspondence pertaining to the unsuccessful recovery action (see Chapter 6, section 0606).

D. Claim for $100 or Less against U.S. Postal Service (USPS). USPS liability in the case of lost cash shipped by registered mail is generally limited to shipments of $100 or less, and only the consignor (mailer) may file a claim for a lost shipment. The consignor may file a claim for damage or partial loss using Postal Service (PS) Form 1000, Domestic or International Claim. The accountable DO obtains a copy of the form as a means of tracing the shipment; such a filing does not constitute a claim. If a DO files a claim online at the USPS website, the PS 1000 is not required.

E. Claim in Excess of $100 Against the Treasury. The DO sends claims for the value of lost currency shipments exceeding $100 to Secretary of the Treasury through the supporting DFAS site. The DO ensures:

1. The proof of claim includes satisfactory proof of loss, destruction, or damage. The claim must include the original DD 165, which will be returned after adjustment of the claim. The DO ensures that all applicable blocks on the form are complete and the form is

signed or the BPD will not process the claim. The consignor (shipping officer) submits a statement concerning the loss, destruction, or damage to the shipment or any part thereof.

2. If the consignee receives a shipment with contents not intact, the statement describes the circumstances relating to the condition in which the shipment was received and the manner of inspection and verification of its contents. The claim must also include affidavits covering the loss, destruction, or damage to the shipment from the consignee and the carrier, as well as statements and recommendations of the investigating officers.

3. In the case of lost shipments for which an exchange-for-cash check was issued to an FRB or another DO, the check-issuing DO requests that the shipping officer provide copies of all documentation. All necessary and reasonable steps to recover the lost, destroyed, or damaged shipment must continue after filing the claim. DOs ensure that all recoveries and refunds received following favorable consideration of the claim are turned over to the Treasury. See ***Title 31, Code of Federal Regulations (C.F.R.), part 361*** for claims under the Government Losses in Shipment Act.

F. Restitution and Relief. The BPD grants claims for relief for lost, damaged, or destroyed shipments only if the shipping officer strictly followed prescribed procedures. If a claim is denied, the accountable DO may either make restitution of the missing funds or submit a request for relief of liability following Chapter 6, section 0606. The request will be adjudicated according to Chapter 6, section 0607 and U.S. laws and regulations applicable to accountable official liability. If a claim is approved, the BPD sends a refund via the Intra-governmental Payment and Collection (IPAC) system. The DO must provide an agency location code before transmission. If no IPAC capability exists, contact the supporting DFAS site.

030507. Unfit U.S. Currency and Coin

A. Responsibility for Cancellation and Destruction. Under ***12 U.S.C. § 413***, the Secretary of the Treasury is responsible for the cancellation and destruction of U.S. currency unfit for circulation. The Secretary has, under ***31 U.S.C. § 321(b)(2)***, delegated these responsibilities to the Treasurer of the United States who subsequently re-delegated them to the Director of the Bureau of Engraving and Printing (BEP). There are no further re-delegations.

B. Mutilated Currency

1. At least three disinterested persons must inventory damaged or mutilated U.S. currency or fragments thereof recovered from inadvertent wartime destruction or peacetime catastrophes affecting DoD property and personnel (e.g., aircraft crashes, ship sinking, building explosions, chemical spills). These persons normally can determine the value of the currency, but if they cannot, the DO sends the currency to the BEP for determination of value. The address is BEP, Mutilated Currency Division/Office of Financial Management, Room 344A, P.O. Box 37048, Washington, DC 20013 if shipping via the USPS; or to 14th and C Streets SW, Washington, DC 20228 if shipping via other means. Insure the shipment and request a return receipt.

2. Package the unfit currency as follows:

a. Regardless of the condition of the currency, do not disturb the fragments more than necessary.

b. If the currency is brittle, pack it carefully in suitable cushioning material, and box it as found, without disturbing the fragments any more than necessary.

c. When possible, leave mutilated currency that was in a purse, box, or other container as is to prevent either further deterioration or loss of the fragments.

d. If it is necessary to remove the fragments from the container, send the container with the currency and any other contents found.

e. If the money was flat when mutilated, do not roll or fold it.

f. If the money was in a roll when mutilated, do not attempt to unroll or straighten it.

g. Carefully remove coins or any other metal that may be mixed with the currency. Do not send coins or other metal in the same package with mutilated currency, as it may further damage the currency.

h. Send properly packaged currency to BEP by registered mail (see subparagraph 030507.B.1), return receipt requested, and insure the shipment. Because the BEP issues written confirmation for cases that it expects to take longer than eight weeks to process, DOs should include a specific request to receive a written confirmation. A DO not receiving confirmation during this time initiates follow-up procedures with the BEP by mail or telephone at (866) 575-2361.

C. Mutilated Coins. U.S. coins that are bent, broken, not whole, or fused and melted together are "mutilated." For additional information on mutilated coins, see the guidance under 31 C.F.R. 100, ***Subpart C***. Refer questions on the disposition of mutilated or contaminated coins to the U.S. Mint's Office at 1-800-872-6468, or contact DFAS-ZPFA/IN.

D. Worn Coins. Any FRB or branch will redeem at face value U.S. coins that are worn or reduced in weight by natural abrasion, yet are readily and clearly recognizable and machine countable.

E. Contaminated Currency

1. Contaminated currency is that which has been damaged by or exposed to contaminants or poses a health hazard or safety risk, and cannot be processed under normal operating procedures. This does not apply to currency that has been exposed to a bio-

terrorist agent (either biological or chemical). Contamination may result in currency emitting offensive odors and displaying mold-like conditions, and may be caused by the following:

a. Prolonged exposure to water or other liquids;

b. Exposure to blood, urine, other bodily fluids, or feces, including removal from any body cavity, corpse or animal;

c. Exposure to sewage;

d. Exposure to any foreign substance or chemical, including dye-packs, which may pose a health hazard or safety risk; or

e. Mold or mildew.

2. The DO contacts the Office of Currency Standards, BEP at (202) 874-2361 to arrange an on-site BEP review or to obtain disposition instructions.

0306 WEAPONS FOR CASH PROGRAM

030601. Authorization

The weapons for cash program requires Secretary of Defense authorization. The senior operational commander provides funding authorization for weapons procurement. The total amount advanced to PAs under this program may not exceed this authorization. Before providing additional funds, the commander must adjust the authorization.

030602. PAs

Use PAs to ensure successful operation of the program (see Chapter 2, paragraph 020704). The DO advances cash following paragraph 030402 in the currency of the country involved, referring to Chapter 13, section 1303 for guidance on obtaining the required foreign currency.

030603. Weapons Purchases

Proper accounting is required for each disbursement. Use an SF 44, Purchase Order-Invoice-Voucher, or other available chain-of-custody type receipt. Each seller's receipt must include the seller's name and (if possible) identification number, weapon description and serial number, and amount disbursed. The PA ensures the seller's signature appears on the receipt. Prepare the original and three copies of the disbursement document (seller's receipt). Provide the original and one copy to the DO, attach one copy to the weapon (for inventory control), and give one copy to the seller.

030604. Clearing or Replenishing the PA's Account

A PA prepares a DD 1081 for the total amount of all disbursement document vouchers turned in, which includes the original and one copy of each document (receipt), any residual cash advanced from the DO or designated representative, and a copy of the approval to establish a weapons for cash program. If replenishment of a PA's account is necessary, the PA prepares the DD 1081 as prescribed and submits it to the supporting DO who replenishes the PA's account for the approved amount shown on the DD 1081, subject to paragraph 030402.

0307 COUNTERFEIT OR ALTERED U.S. CURRENCY

030701. Detected Before Acceptance

A DO confiscates U.S. currency presented for exchange or payment of an obligation to the United States that he or she determines is either counterfeit or altered, gives a receipt indicating the type, denomination, and amount of the confiscated currency to the person presenting it, and obtains information from that individual regarding the currency's source. The DO delivers the currency, by letter of transmittal with all available information, to either a representative of the appropriate investigative service (if available) or the nearest military security agency, obtaining a receipt in either case. Since such currency is suspect, no entries in the DO's accounts are required.

030702. Detected After Acceptance

A. Reimbursement Obtained. Upon discovering counterfeit currency, the DO requests reimbursement from the source from which received, and follows paragraph 030701. No loss to the DO accrues, and no entries in the DO's accounts are required.

B. Reimbursement Not Obtained. If the source of counterfeit currency is unknown, or is known but reimbursement is not obtained, the DO delivers the currency, with a detailed report of all known circumstances, to either a representative of the appropriate investigative service (if available), or the nearest military security agency, obtaining a receipt in either case. Send the currency receipt with a signed copy of the DO's report by memorandum stating the reason why reimbursement was not obtained through the DO's commander to DFAS-ZPFA/IN, and report it on the SF 1219 as a physical loss of funds.

030703. Detected After Depositing with Bank

When a bank operating a Treasury General Account (TGA) notifies a DO that the currency, deposited by the DO, is suspected to be counterfeit, the DO reimburses the TGA for that currency and obtains a receipt with the currency's description, stating that the currency is suspected to be counterfeit and has been withdrawn from circulation. The TGA surrenders any suspected counterfeit currency to the USSS, and provides depositors with a photocopy of Secret Service Form 1604, Counterfeit Note Report, and/or any other documentation. The DO contacts the USSS to ascertain if the surrendered currency is counterfeit and must ensure that the TGA processes a deposit ticket for the amount of surrendered currency that the USSS determines is not counterfeit

and credit the amount of the deposit ticket to the appropriation that funded the loss. Report the amount the USSS determines as counterfeit on the SF 1219 as a physical loss of funds.

030704. Miscellaneous Cases

Send a description of any unusual counterfeit currency situation not specifically covered in section 0307 to DFAS-ZPFA/IN for disposition instructions.

0308 EMERGENCY DISPOSITION

030801. Contingency Plans

DoD Component heads must develop and maintain contingency plans and standby procedures to dispose of cash and other assets under emergency conditions. These plans should address emergency conditions, emergency destruction, sudden destruction, and accounting for cash and other assets destroyed. They must include internal controls to minimize the potential risks of fraud, waste, and abuse. Emergency operations include, but are not limited to, combat and peacekeeping operations, humanitarian assistance efforts, noncombatant evacuation operations, disaster relief efforts, and disposal of contaminated cash.

030802. Policy

A. Emergency Conditions. Under conditions that may require the evacuation, disposal, or destruction of cash and other assets, commanders execute their contingency plans. DOs or their designees will have to evacuate cash and other assets under these conditions (e.g., in anticipation of enemy action) to a designated safe haven (e.g., secured vaults or safes).

1. Cash and Other Assets. Upon initial notification of a threat that may require the destruction of cash and other assets, the DO, DDO, or other designee should determine cash requirements, recall or purchase excess cash, and evacuate it and other assets held at personal risk to a designated safe haven. If the DO, DDO, or commander determines that capture of these assets is possible, secure them in a manner that will minimize the risk of capture or destroy them following subparagraph 030802.B.

2. Combustible Materials. If capture of funds is inevitable, burn paper currency, checks, and other burnable documents completely to ashes. If this is not possible, use chemical decomposition, shredding, or pulping. The alternative methods must render the items non-negotiable by completely destroying their original character and appearance.

3. Solid Substances. Dispose of coins and other valuable non-burnable items by scattering in deep bodies of water or physically destroying when possible. When no suitable bodies of water are present, discretely bury these items in the ground. Coins may also be fused or mutilated to make them unrecognizable. Fragment and scatter bars, ingots, and other units of precious or valuable substances, making their recovery impossible or at least uneconomical.

B. Emergency Destruction

1. Preparation

a. DOs and their Agents. If time permits, the DO/DDO prepares the following forms or documents for the various disbursing media identified.

(1) U.S. Currency. The DO/DDO prepares an original and three copies of ***DD 2669***, Destruction Schedule, for all U.S. currency to be destroyed, noting the reason in the space provided. For full or partial packages of new currency, note the beginning and ending serial numbers of each denomination. Destruction must be witnessed by three persons who are either U.S. commissioned or noncommissioned officers, or U.S. Government civilian employees who are U.S. citizens. The DO/DDO may serve as the third witness if one of the other two witnesses is senior in rank to the DO/DDO. Witnesses must enter their name, rank or grade, and signature in the spaces provided. A DO/DDO serving as a witness completes block 5 and the applicable section of block 8. Indicate the method of destruction in the space provided for the witnesses' certifications.

(2) U.S. Coin. The DO/DDO prepares a DD 2669 for U.S. coin to be destroyed, including the same type of information required for U.S. currency, but listing the denominations and value of each denomination to be destroyed. DO/DDO will cross out the preprinted denominations of paper currency, and enter the coin denominations. Also, cross out "currency" and write "U.S. coin" immediately above it in both the DO's/DDO's and witnesses' certification blocks (see subparagraph 030802.B.1.a.(1)).

(3) Check Stock. The DO/DDO prepares a listing (original and three copies) of the U.S. Treasury and LDA check stock to be destroyed, indicating the range (from and through) of check numbers for each series of checks maintained (see subparagraph 030802.B.1.a.(1)).

(4) Foreign Currency and Coin. The DO/DDO prepares a DD 2669 for foreign cash to be destroyed. Modify the appropriate areas of the form to identify the different denominations, prepare separate forms for currency and coins, and separate forms for public funds and those held for safekeeping (see subparagraph 030802.B.1.a.(1)).

(5) Signature Media. See subparagraph 030802.A.2.

b. Nonappropriated Fund (NAF) Custodians and MBF and Other DoD-Sponsored Activity Managers. These activities may periodically exchange cash that exceeds day-to-day requirements for a U.S. Treasury check to reduce currency susceptible to loss.

(1) U.S. Cash. When ordered by the commander, these activities deliver their U.S. cash to the nearest DoD DO/DDO in exchange for a U.S. Treasury check. The DO is then accountable for the cash. If an exchange cannot be made, the activity custodians or managers prepare a destruction schedule similar to the DD 2669 and after verification, burn the currency to ashes in the presence of at least one activity representative and

two U.S. commissioned or noncommissioned officers or U. S. Government civilian employees (see subparagraph 030802.B.1.a.(1)).

(2) Foreign Cash. If necessary to destroy foreign cash, the appropriate authority (e.g., NAF custodian, MBF or other activity manager) transports it to the nearest DoD DO/DDO and exchanges it for a receipt stating that the foreign currency is being accepted for safekeeping and that neither the DO/DDO nor the U.S. Government is accountable for loss or destruction as a result of the existing emergency (see Chapter 16, section 1602). A DO/DDO, having accepted the currency and coin, needing to use it to meet operational requirements, issues a U.S. Treasury exchange-for-cash check to the appropriate authority for the USDE of the foreign funds purchased. If destruction becomes necessary and time permits, the DO/DDO prepares a DD 2669. When an exchange cannot be made, the appropriate authority prepares a destruction schedule similar to the DD 2669 and after verification, burns the currency to ashes. See subparagraph 030802.B.2 to dispose of foreign coin.

2. Precedence. DOs/DDOs in areas of elevated tension should anticipate the possibility of emergency destruction and maintain procedures to rapidly inventory and destroy their cash and other assets. If there is not enough time to destroy all funds held by the DO/DDO, prioritize the destruction as follows:

a. U.S. and foreign cash, and negotiable instruments carried as cash in the DO's accounts;

b. Blank U.S. Treasury checks;

c. Blank LDA checks;

d. Currency, negotiable instruments, and other valuables held for safekeeping;

e. Coins; and

f. Other valuables (e.g., signature media).

C. Sudden Destruction. When currency and coins are destroyed by explosion, fire, sinking of a vessel, or aircraft accident, the accountable DO prepares a written statement identifying the circumstances under which the destruction occurred and sends it with a request for relief of liability to DFAS-ZPFA/IN. If the DO does not survive the disaster that destroyed the funds, the officer designated to settle the account acts on the DO's behalf by reconstructing the accountability of the DO and initiating the appropriate requests for relief.

D. Accounting for Destroyed Cash and Other Assets. DOs account for destroyed currency, coin, and negotiable instruments that were held as public funds by entering on line 7.7, "Currency, Coin, and Negotiable Instruments Destroyed," of the DD 2657 and the SF 1219, and attach copies of supporting DD 2669 to both forms.

0309 SAFEKEEPING U.S. SAVINGS BONDS

See Volume 7A, Chapter 43, paragraph 430204.

Figure 3-1. Suggested Average Daily Cash Requirement

Foreign Currency Cash or Limited Depositary Account (LDA) Balance Requirements Example[1,6] (Separately calculate cash and local depositary accounts for each location)	
a. Value of Monthly Disbursements, Local Currencies (last 3 months average)[2]	$299,420
b. Value of Accommodation Exchange, Local Currencies (last 3 months average)	63,170
c. Value of Monthly Cash Collections, Local Currencies (last 3 months average)[3]	-19,086
d. Value of Monthly Reconversions, Local Currencies (last 3 months average)	-4,830
e. Value of Monthly Local Currency Checks Cashed (last 3 months average)	4,830
f. Average Net Monthly Local Currency Requirements (a+b-c-d+e)	$343,504
g. Number of Business Days per Month[4]	20
h. Average Number of Business Days Required to Obtain Local Currency	3
i. Contingency/Static Requirements (Command Determination)[5]	20,000
j. Value of Average Currencies Required per Business Day (f/g)	17,175
k. Value of Average Currencies Required based on Replenishment (h*j)	51,525
l. Value of Total Local Currency Holding Authority (i+k)	$71,525
U.S. Dollars (USD) Balance Requirements Example[6]	
m. Monthly USD Cash Disbursements (last 3 months average)	$333,407
n. Monthly USD received: Foreign Currency Accommodation Exchange (last 3 month average)	27,645
o. USD Checks Cashed on Accommodation Exchange (last 3 months average)	26,025
p. Monthly USD Cash Collections (last 3 months average)	-27,375
q. Monthly USD Cash Disbursed on Reconversions (last 3 months average)	-2,100
r. USD checks cashed (accommodation exchanges)	-43,690
s. Average Net Monthly USD Requirements (m+n+o-p-q-r)	$313,912
t. Number of Business Days per Month[4]	20
u. Average Number of Business Days Required to Obtain USD	5
v. Contingency/Static Requirements (Command Determination)[5]	30,000
w. Average USD Required per Business Day (s/t)	15,696
x. Average USD Required based on Replenishment (w*u)	78,480
y. USD CHA (v+x)	$108,480
z. Total CHA (l+y)	$180,005

Figure 3-1. Suggested Average Daily Cash Requirement (Continued)

Notes:

[1]Maintain LDAs with checkbook balances as close to zero as possible by forecasting payment requirements in enough time to order currency to correspond with the payment due date. See Chapter 14.

[2]Value based on Monthly Worksheet Calculations.

[3]A higher CHA will be required if collections exceed disbursements (e.g. periodic burden-sharing fund deposits). It is generally not cost effective to reconvert currency that may be required for disbursements in the near term.

[4]When recurring variance in demand occurs due to events such as paydays, compute a separate CHA for these periods and exclude it from normal non-peak calculations.

[5]Contingency requirements generally reflect emergency cash needs for operational missions or due to large fluctuations in demand that cannot be forecast in advance. Static requirements reflect subordinate agents, imprest funds, or contractual arrangements such as debit card pool accounts or community bank contingency cash. Validate agent requirements based on usage and frequency of returns/replenishment.

[6]See also subparagraph 030203.A.

Figure 3-2. Sample DD 165, Shipment of Funds

SHIPMENT OF FUNDS	1. DATE SHIPPED (YYYYMMDD)	2. SHIPMENT NO (By Fiscal Year).
(Items listed are covered by the Government Loss in Shipment Act)	XXXX0116	3-XX

3. TO: (Include Zip Code)	4. FROM: (Include Zip Code)
Davey L. Jones, LTJG, SC, USNR	J. A. Hancock, LT, SC, USN
USS George H. W. Bush (CVN-77)	USS Canberra (CG-2)
FPO AP 09513-2803	FPO AP 96601

5. PURPOSE OF SHIPMENT:	6. SHIPMENT VIA:	7. MAIL RECEIPT: (!f applicable)		8. GBL NO. (When applicable)
		a. NUMBER	b. DATE (YYYYMMDD)	
Deposit to official U.S. Treasury account DSSN XXXX	Registered Mail	P.O. #X5217 Registry #3678	XXXX0116	

9. CURRENCY OR COIN

a. TYPE	b. DENOMINATION	c. QUANTITY	d. MONETARY UNIT TOTAL	e. RATE OF EXCHANGE	f. VALUE IN U.S. DOLLARS
U.S.	1	200	200.00	N/A	200.00
U.S.	5	100	500.00	N/A	500.00
U.S.	10	500	5,000.00	N/A	5,000.00
U.S.	20	400	8,000.00	N/A	8,000.00
				g. TOTAL CHECK/ MONEY ORDERS	250.00
				(From Reverse)	
				h. TOTAL SHIPMENT	13,950.00

10. SHIPPER CERTIFICATION. We have counted, verified, and sealed this shipment.

a. DISBURSING OFFICER, DEPUTY OR AGENT (1) PRINTED NAME AND SIGNATURE	(2) DATE SIGNED (YYYYMMDD)	b. WITNESS (1) PRINTED NAME AND SIGNATURE	(2) DATE SIGNED (YYYYMMDD)
J. A. Hancock, LT, SC, USN	XXXX0116	B. O. Geiger, ENS, USN	XXXX0116

11. DELIVERY CERTIFICATION. This shipment was received from the shipper and delivered to: a. ENTER POST OFFICE OR CARRIER.

b. DELIVERY DATE (YYYYMMDD)	c. DELIVERY TIME	d. INDIVIDUAL RECEIVING DELIVERY (1) PRINTED NAME AND SIGNATURE	(2) TITLE	(3) GRADE/RANK
XXXXO116	1030	M.S. Dennis	Postal Officer	PC 1, USN

12. RECIPIENT CERTIFICATION.	a RECIPIENT (1) PRINTED NAME AND SIGNATURE	(2) DARE SIGNED (YYYYMMDD)	b. WITNESS (1) PRINTED NAME AND SIGNATURE	(2) DATE SIGNED (YYYYMMDD)
I received $13,950 in this shipment.	R. B. Coster	XXXX0121	G. R. James	XXXX0121
(Not Applicable when funds are for deposit. Return signed original to shipper)	(1). TITLE	(4) GRADE/RANK	(3). TIDE	(4) GRADE/RANK
	Cashier, FRB, SF		Cashier, FRB, SF	

DD Form 165, JAN 2000

Figure 3-2. Sample DD 165, Shipment of Funds (Continued)

13. LIST OF CHECKS AND MONEY ORDERS					
a. IDENTIFICATION OF INSTRUMENT			b. PAYEE	c. DRAWER (When Treasury check, show symbol no.)	d. AMOUNT
(1) TYPE	(2) DATE (YYYYMMDD)	(3) NUMBER			
Personal Check	####1226	#####		John Doe	125.00
Money Order	####1214	#####		Will Paywright	125.00
				e. TOTAL	250.00

DD Form 165 (Back) JAN 2000

VOLUME 5, CHAPTER 4: "ACCOMMODATION EXCHANGE"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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

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

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

The previous version dated March 2016 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current administrative instructions.	Revision
040301.B.3.b	Revised form number used for payroll collection for Department of Defense (DoD) civilians.	Revision
Table 4-1	Revised addresses for DoD Component Payroll Offices.	Revision

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CHAPTER 4

ACCOMMODATION EXCHANGE

0401 GENERAL

040101. Overview

If adequate banking facilities are not available to provide personal check cashing and other accommodation exchange services, Department of Defense (DoD) disbursing officers (DOs) may provide these services within the guidance of this chapter.

040102. Purpose

The purpose of this chapter is to provide policy on check cashing and other accommodation exchange services. This includes exchange of cash for negotiable instruments (including personal check cashing), eligibility for check cashing services, internal controls, accountability, and removal of deficiencies.

040103. Authoritative Guidance

Title 31, United States Code ***(U.S.C.), section 3342*** allows DOs to provide check cashing and accommodation exchange services when authorized by the appropriate commander (i.e., a theater commander, base or installation commander, commanding officer or officer-in-charge, director of a supporting Defense Finance and Accounting Service (DFAS) site, or equivalent civilian head in the DO's chain of command) for eligible individuals (see paragraph 040203).

0402 EXCHANGE OF CASH FOR NEGOTIABLE INSTRUMENTS

040201. Policy

A. In the United States, a commander may request the Director, DFAS or designee to authorize a DO to cash negotiable instruments. Submit requests, with justification, to DFAS, Enterprise Standards and Solutions, Disbursing (DFAS-JJFKCB/IN), 8899 E. 56th Street, Indianapolis, IN 46249-0050.

B. In overseas areas and for ships afloat, a commander may authorize the DO to cash negotiable instruments. The command must have a written check cashing policy approved by the theater commander or designee identifying the services to be offered and identifying the personnel eligible to receive them. The policy must provide that the DO may deny check cashing privileges to anyone based on the non-availability of cash or personnel resources. Resources must be available to provide these services without impacting levels of other financial services (e.g., primary disbursing and related functions).

040202. Negotiable Instruments

A DO may cash U.S. Treasury checks, money orders, traveler's checks, third-party checks, state and local government checks, credit card checks, business checks, and personal checks payable in U.S. dollars for eligible payees. These instruments may be processed through the Over the Counter Channel Application system (see Chapter 11, paragraph 110801).

040203. Eligibility

All personnel permanently assigned to units in the area served by the DO are eligible for check cashing services. These include:

A. Members of the U.S. Armed Forces;

B. Civilian employees of the U.S. Government who are U.S. citizens;

C. U.S. military retirees, so long as the theater commander or designee determines that providing this service is not prohibited by the Status of Forces Agreement with the country involved;

D. Hospitalized veterans of the U.S. Armed Forces;

E. Contractors and their employees engaged in U.S. Government projects if the contractor is a U.S. firm whose employees are U.S. citizens:

1. The company's on-site representative must furnish the DO with a list of employees authorized to cash personal checks, and enter into a written agreement. The agreement must stipulate that the DO will suspend check cashing privileges for that company's employees if the DO receives a dishonored check written by a company employee and the DO cannot collect for the dishonored check; and

2. The DO will notify the company representative when a dishonored check is received from one of its employees and suspend check cashing services for all of the company's employees. The suspension remains in effect until the DO collects on the dishonored check. The check cashing agreement is permanently terminated if the DO is unable to collect the dishonored check within 30 calendar days from the notification to the company representative.

F. U.S. citizens who are employees of authorized nongovernment agencies operating with U.S. Government agencies, (e.g., the American Red Cross);

G. Dependents of the personnel named in subparagraphs 040203.A-F:

1. Holding proper identification and powers of attorney and who possess valid DoD identification cards, or

2. Ordered to safe haven posts due to emergency evacuation (see Chapter 13, subparagraph 130303.E for accommodation restrictions).

H. Third-country national civilian employees under contract to the U.S. Government as contractors or subcontractors employed by U.S. firms engaged in U.S. Government projects in foreign countries with U.S. Treasury checks or U.S. dollar checks issued by the contractors;

I. U.S. citizen employees of federal credit unions operating on U.S. military installations in foreign countries that do not permit contractor operated DoD military banking facilities (MBF) to operate on installations;

J. Personnel on temporary duty/temporary additional duty (TDY/TAD) when approved by a DO's commander. These personnel must provide the DO a copy of their TDY/TAD orders and any other items of identification the DO may require; or

K. An authorized agent, authorized by a properly executed power of attorney, for personal checks drawn on the account of a member; personal checks drawn on joint accounts to which the member is a party; and other checks drawn in favor of the member. The agent must present valid identification in the course of all transactions. Restrictions that apply to benefiting members also apply to their agents under the terms of the executed DoD ***(DD) Form 2761***, Personal Check Cashing Agreement, which serves as a power of attorney.

040204. Internal Controls

Commanders and other individuals in the chain of command are responsible for implementing and maintaining internal controls that preclude the fraudulent issuance and cashing of negotiable instruments. At a minimum:

A. All instruments are endorsed, "Pay to the Order of the Disbursing Officer, (name of ship, station, activity, unit, disbursing station symbol number ####, or the DFAS site);"

B. The payee(s) sign or endorse each instrument in the presence of the DO, a deputy DO (DDO), the DO's authorized agent, or a cashier;

C. The identity of the DDO, DO's agent, or cashier cashing the instrument must be clearly identifiable on that instrument, and the person cashing the instrument may be held pecuniarily liable if the instrument is altered or forged. The DO may also be held pecuniarily liable if the instrument becomes nonnegotiable and their identity is not apparent; and

D. The person cashing a negotiable instrument must properly verify the identity of the person(s) presenting the instrument. Record the payee(s) or endorser(s) identification (e.g., legible name, social security number (SSN), duty station/organization, duty phone, and identification card number) on the negotiable instrument so recovery can be made if the instrument is dishonored. Due to increased concerns of identity theft, a DO may institute an alternate to annotating the SSN on a check. The use and retention of the DD 2761, with a photocopy of the negotiated check, provides such an alternate.

0403 CASHING PERSONAL CHECKS

*040301. Check Cashing

A. All authorized military and appropriated fund civilian personnel who request check cashing privileges must consent in writing to immediate collection against their pay for the total of any dishonored check. Dishonored checks are not delinquent debts. There is no authority for the DO to assess a service charge (penalty), but recover any insufficient fund charges assessed on the DO by financial institutions. Depending on the circumstances, the DO has two options:

1. Option 1. DD 2761:

a. The DO uses this form if the individual's payroll office is unknown or when cashing a check for a civilian employee or an authorized agent of a civilian employee or military member.

b. The term "authorized agent," as used on this form, pertains to an individual, usually a dependent, authorized by a power of attorney to cash personal checks on behalf of a member or civilian employee as prescribed in this chapter.

c. Proper use of this form precludes the need for a separate power of attorney on behalf of the individual requesting check cashing service. The member or employee appoints an agent by providing a name(s) in the block titled "Authorized Agent," and signs the form. The person cashing the check must verify the agent's signature against a valid form of identification when the check is presented.

2. Option 2. Authorized Statement: A statement stamped on the front of the personal check may be used only for military members and civilian appropriated fund employees.

a. If the individual's payroll office is known, the DO may order a rubber stamp in small type to be placed on the front of the check along the top margin or above the bank's name and address (see Figure 4-1). The stamp must state:

> "I consent to immediate collection from my pay the amount of this check plus bank charges, if this check is dishonored (individual's initials)."

b. The DO (or authorized agent) stamps this statement on the front of the check in the presence of the individual and ensures the individual places his or her initials at the end of the statement to validate immediate collection from the individual's pay account if the check is later dishonored.

c. If the stamp is used, record adequate payee identification (verified against a valid identification card) on the negotiable instrument to facilitate recovery if the instrument is dishonored (see section 0404).

B. The following items are the responsibilities of DO and their authorized agents when pay account collection for dishonored personal checks becomes necessary.

1. When a military member is in the same DoD Component and the DO maintains the member's account:

a. Immediate deduction from the pay account is authorized for the face value of the dishonored check(s) plus any charges assessed against the DO by a financial institution for their processing.

b. DO may not use partial payments as a means of resolving a dishonored check.

2. When a military member is from a different Military Service or from the same component and subparagraph 040301B.1 does not apply (e.g., retirees, members on transfer orders, on TDY/TAD, or in any other transitory status):

a. When using the DD 2761, the DO makes copies of the form (front and back), certifies on its reverse that the individual consented to voluntary collection, and sends it to the appropriate component payroll office (see Table 4-1) to affect the pay account deduction and make restitution to the negotiating DO. The payroll office annotates the reverse of the DD 2761 specifying the action taken for each dishonored check listed.

b. When a rubber stamp is used on the face of a check, the DO prepares a ***DD Form 139***, Pay Adjustment Authorization, by component as follows:

(1) Attach a listing showing each military member's name, DoD Component, SSN, unit or duty station, and check amount(s), along with copies of the check(s) (front and back). If the depositary adds a fee to the amount of the dishonored check, include a copy of the debit voucher to substantiate its inclusion in the total amount of the deduction. Send all required documents to the appropriate payroll office at the mailing address in Table 4-1 to accomplish pay account deduction.

(2) Certify that the military members consented to voluntary collection by typing the following certification statement on the DD 139 in the block titled "Explanation and/or Reason for Adjustment."

> "I certify that these collections are the result of dishonored personal checks cashed by the cited individuals for the amounts stated. Each individual has consented, in writing, that in consideration for cashing the individual's personal check(s), the amount of any check returned unpaid, plus any charges assessed against the DO by a financial institution, for any reason may be collected from the individual's pay."

3. For dishonored personal checks from authorized appropriated fund civilian employees:

a. Immediate pay account deductions are authorized for the face value of dishonored checks plus any charges assessed against the DO by financial institutions.

b. The DO prepares a ***DD Form 2481***, Request for Recovery of Debt Due the United States by Salary Offset, attaching copies of the front and back of the check(s), and a copy of the DD 2761, if applicable. If the depositary adds a fee to the amount of the dishonored check, attach a copy of the debit voucher to substantiate its inclusion in the amount of the pay account deduction. Send all documents to the appropriate payroll office (see Table 4-1).

4. When a check is returned for a contract employee, the DO must immediately seek reimbursement from the company employee, as indicated in the employee's company agreement.

C. When collection action becomes necessary and the payroll office receives a DD 139 or DD 2761 from the DO, the payroll office:

1. Processes the account deduction using normal payroll procedures;

2. When possible, includes a statement similar to, "Consensual collection action for a dishonored check" in the remarks column of the leave and earnings statement; and

3. Annotates, after collection of the debt, the DD 139 or DD 2761 with the action taken for the dishonored check(s) and returns the document together with a certified casual payment voucher. This voucher must be charged to the service member's pay account for the amount of the dishonored check to support the DO's issuance of an exchange-for-cash check payable to the disbursing office holding the dishonored check, to support the Standard Form ***(SF) 1219***, Statement of Accountability.

D. If a military member or DoD civilian employee is separated or has resigned and cannot be located to make restitution, the DO follows section 0405.

E. Writing checks in advance of the availability of funds (floating a check) is illegal. Deny check cashing privileges to individuals who abuse it by writing checks against insufficient funds.

F. Retain check cashing documents as follows:

1. The DO keeps the original signed DD 2761 for all personal checks honored until six months after the individual transfers to a new duty station/installation or separates.

2. For all dishonored checks, keep the original DD 2761 with the dishonored check file until resolved. If the consent statement is stamped on the front of the check

and the check is dishonored, the DO, deputies, agents, or cashiers make copies of the front and back (if applicable) of the check. Keep a copy of the check along with a copy of the agreement if the individual is a contractor until the matter is resolved.

040302. Limitations

A. Commanders establish maximum amounts for cashing personal checks by authorized personnel and/or their agents. In overseas areas where personnel of two or more Services are operating, the senior commander ensures the existence of a uniform policy to provide check cashing privileges within sound financial management practices. The policy and applicable limits are based on the dictates of the local economy and cost-of-living. The supporting DO should publish deviations from established command maximum limits for each exception.

B. The DO provides a copy of an authorization to exceed the established limit when requesting removal of deficiencies involving uncollectible insufficient fund checks and associated charges that may be assessed by financial institutions for personal checks they have cashed (see section 0404). Personal checks being cashed must be drawn in multiples of 5 dollars unless local conditions make that increment impractical. U.S. Treasury checks or checks issued by banks, or other similar financial institutions may be cashed without regard to a dollar amount.

C. Checks must be drawn on U.S. financial institutions, overseas branches of U.S. banks or credit unions, or overseas MBFs operated under U.S. Government contract. Checks must also be payable in U.S. dollars through U.S. banks or credit unions, to include banks located in the Commonwealth of Puerto Rico, U.S. Virgin Islands, American Samoa, Guam, and the Commonwealth of the Northern Mariana Islands. The DO establishes the days and hours during which check cashing service is available and makes appropriate notification of any changes.

D. Subparagraph 040203.E governs suspension of check cashing privileges for contractors and their employees engaged in U.S. Government projects who have written dishonored checks.

040303. Exceptions

A DO of a naval vessel may cash personal checks for crew members when the vessel is in a U.S. port and adequate check cashing facilities are neither available nor adequate for nonresidents of the area. A non-tactical disbursing activity in the United States may provide check cashing service when a unit, squadron, or detachment without a DO or disbursing capability is performing TDY/TAD away from its permanent station or homeport where adequate check cashing facilities are not available. This authority applies when units, squadrons, or detachments are engaged in training or exercises that preclude use of available check cashing facilities. For situations not described in section 0402, a commander may request the Director, DFAS or designee authorize check cashing services. Submit the request following subparagraph 040201.A.

0404 ACCOUNTABILITY FOR DISHONORED CHECKS

040401. Checks Accepted from External Activities

DOs who accept checks from external activities for the sale or transfer of something of value (e.g., property disposal sales, clothing sales, commissary sales, ships stores, housing offices, or similar activities) which a depositary later returns unpaid on a debit voucher must record the debit voucher on the ***DD Form 2657***, Daily Statement of Accountability, as a reduction of deposits (line 4.2.A), prepare a reverse collection voucher as a reduction of reimbursements (line 4.1.E), and send one copy of the collection voucher and one copy of the dishonored check to the collection activity concerned. Collection activities are responsible to pursue collection action in accordance with their regulations and Volume 16, Chapter 2. Since these checks were collected into an appropriation and subsequently reversed, there is no deficiency in the DO's accountability.

040402. Checks Accepted to Satisfy an Obligation (Debt) Due the United States

DOs who accept checks to satisfy a debt to the United States (e.g., overpayment of travel allowances) which later are returned unpaid by a depositary must follow paragraph 040401. The activity responsible for originating the charge (e.g., military pay, travel pay, or similar entitlement area) reestablishes the debt based on the dishonored check and the reverse collection voucher and pursues collection action in accordance with their regulations and Volume 16, Chapter 2. A DO who is the collecting officer for these types of dishonored checks initiates collection action following Volume 16, Chapter 2. Since these checks were collected into an appropriation and subsequently reversed, there is no deficiency in the DO's accountability.

040403. Checks Received as Accommodation Exchange Transactions

Record checks accepted in check cashing transactions authorized by 31 U.S.C. § 3342 which are later returned unpaid by a depositary on a debit voucher must be recorded on the DD 2657 as decreases to deposits (line 4.2.A) and increases to dishonored checks receivable (line 7.4). Unlike the checks discussed in paragraphs 040401 and 040402, consider these as erroneous payments because public funds have been disbursed. DOs pursue collection of these checks following section 0403 and Volume 16, Chapter 2. If the checks become uncollectible, the DO reports the losses and requests removal of the deficiencies through the Relief of Liability Section, Disbursing Policy Division, Strategy, Policy & Requirements Directorate, DFAS Indianapolis (DFAS-ZPFA/IN), 8899 E. 56th Street, Indianapolis, IN 46249-0050 (see section 0405).

0405 REMOVAL OF DEFICIENCIES

040501. Request for Removal

A. Upon notification that a check has been dishonored, start collection action immediately and pursue it through recovery. If the debtor is no longer employed, in the military service, or is an inactive reservist, and all attempts to collect have been exhausted, the DO sends a written request for removal of the deficiency to DFAS-ZPFA/IN (see Figure 4-2) through their command channels. The request must include:

1. The original or a copy of the front and back of the uncollectible check;

2. A copy of the related debit voucher;

3. Copies of the documents presented in section 0403, to include the latest available information regarding the debtor's location;

4. A copy of the command's check cashing policy;

5. A copy of the one-time authority to exceed the command's normal check amount, if applicable; and

6. A copy of the request for the DFAS payroll site to pursue collection action against the delinquent debtor.

B. If the DO has followed the check cashing policy and collection requirements in section 0403 and Volume 16, Chapter 2, section 0202, removal of deficiencies normally is authorized under 31 U.S.C. § 3342. If DFAS-ZPFA/IN approves removal of the deficiency, it sends the requesting DO a memorandum authorizing a charge to ***6763, Gains and Deficiencies on Exchange Transactions. The DO sends a copy of the memorandum to the activity to which it submits financial reports. DFAS-ZPFA/IN advises the Debt and Claims Management Office to continue attempts to recover the debt and, if successful, credit the appropriation charged when the deficiency is removed as a result of successful debt recovery processes. If DFAS-ZPFA/IN does not authorize removal of the deficiency, the deficiency cannot be charged to ***6763, and the DO can either repay the loss or request relief of liability as prescribed in Chapter 6, section 0606.

040502. Lost Dishonored Check

If a dishonored check held in the disbursing office is lost, consider it a physical loss of funds (see Chapter 6, section 0604).

040503. Forgeries and Other Unusual Cases

If a forged check is processed and paid, a loss of funds investigation is required (see Chapter 6, section 0604). If the investigation is unable to identify the forger, or if recovery from this person cannot be accomplished, the DO, DDO, agent, or cashier who cashed the forged instrument will be liable for the loss but may be eligible for relief of liability (see Chapter 6, section 0606). As such, the DO, DDO, agent, or cashier may submit a request for relief of liability to DFAS-ZPFA/IN for the improper payment. The request should include a copy of the investigation results, all related documents, and a description of the procedures used to preclude forgery.

0406 REDEEMING SAVINGS BONDS IN OVERSEAS AREAS

040601. General

MBFs are authorized to redeem savings bonds in overseas areas. Where none are available, DOs may request this authorization through their chain of command. This is the only situation where DOs may redeem savings bonds. Disbursing offices with current authority to redeem savings bonds may continue this service providing no changes in area support by a local MBF has occurred.

040602. Cashing Bonds

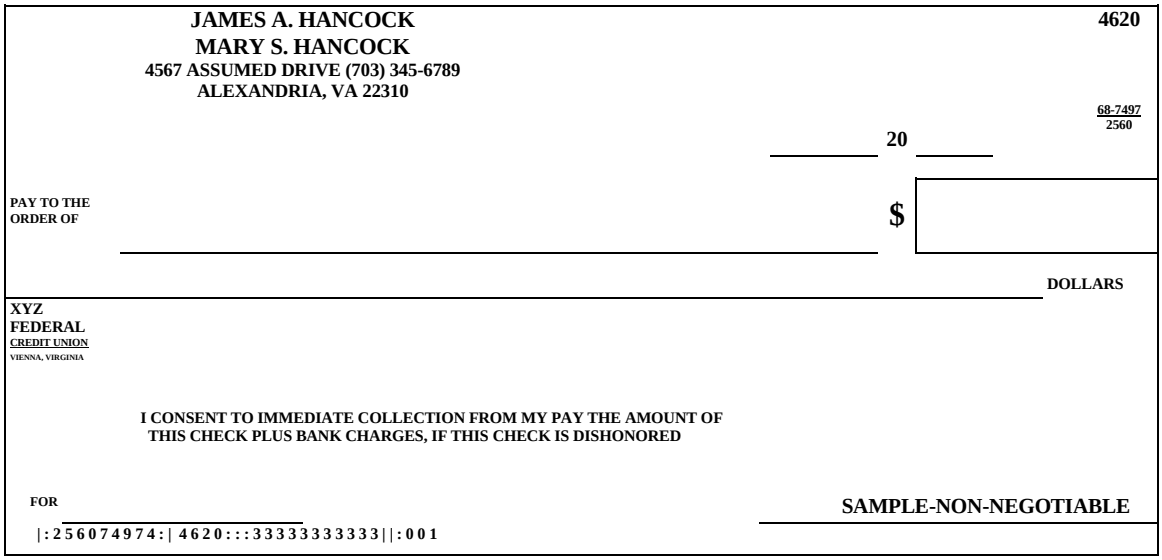
A. Authorized DOs. The DO authorized to redeem savings bonds must use the redemption tables found at the ***Treasury Direct*** website. Series EE and I Bonds issued after February 2003 must be at least 12 months old based on the date of issue before the DO may redeem them.

B. Redeemed Bonds. Return redeemed bonds on a separate deposit ticket following instructions provided by the servicing Federal Reserve Bank.

C. Discrepancies. Upon discovery that an amount was paid different from that authorized by the applicable redemption table, report the variance on line 7.2B of the DD 2657, and either pay the amount of underpayment (using an ***SF 1034***, Public Voucher for Purchases and Services Other Than Personal), or attempt to recover the overpayment from the payee. If the collection of the overpayment is made, prepare an Optional Form ***1017-G***, Journal Voucher, to document the collection and record the transaction as a decrease to line 7.2B and an increase to cash. If the collection is not made, process the shortage as a physical loss of funds as prescribed in Chapter 6, section 0604.

D. Internal Revenue Service (IRS) Form 1099-INT, Statement for Recipients of Interest Income. The DO issues an ***IRS 1099-INT*** to recipients of $10 or more in interest paid on redeemed savings bonds. This form includes the amount of interest paid, name, address, Taxpayer Identification Number (usually the bondholder's SSN), name of the person paid, and other information needed by the IRS. DOs are prohibited from cashing bonds for individuals who refuse to furnish their SSN. Since individuals redeeming bonds may change their address without notification by calendar year-end, DOs should furnish the form to the recipient at the time of the transaction.

Figure 4-1. Sample Statements of Consent for Dishonored Check Charges



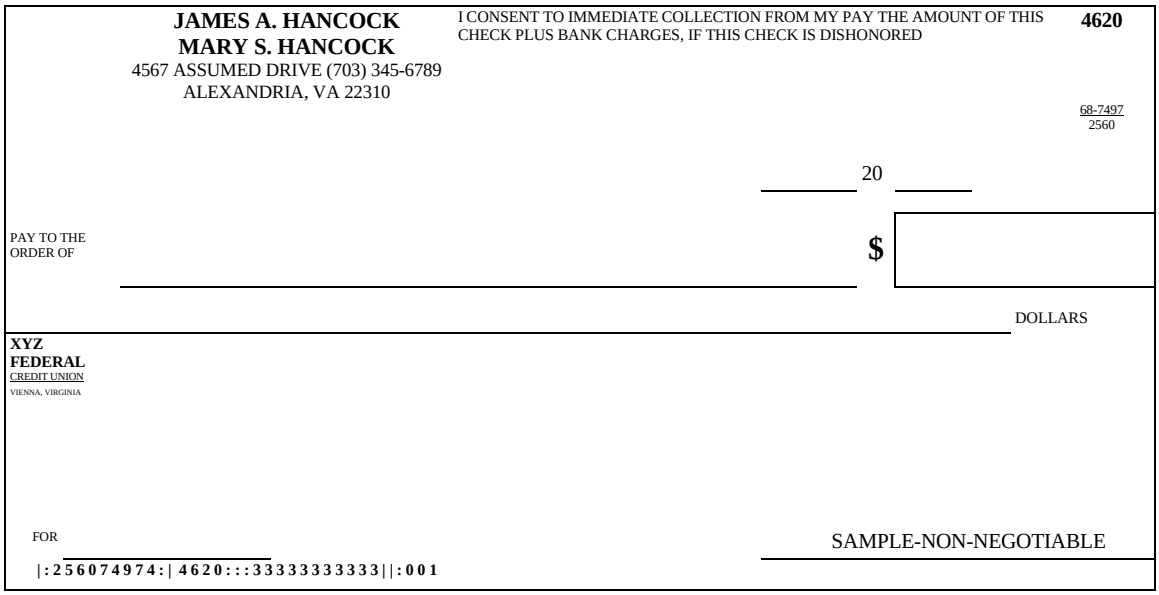


Figure 4-2. Sample of a Request for Removal of Deficiency due to Dishonored Checks

(Letterhead Block)

Date

MEMORANDUM FOR: RELIEF OF LIABILITY SECTION, DISBURSING POLICY DIVISION, DFAS INDIANAPOLIS (DFAS-ZPFA/IN), 8899 E. 56TH STREET, INDIANAPOLIS, IN 46249-0500

SUBJECT: Request for Removal of Deficiency

I request removal of deficiency under the provisions of Department of Defense Financial Management Regulation, Volume 5, paragraph 040501, for the following dishonored checks accepted as accommodation exchange transactions. This deficiency is carried on the accountability of disbursing station symbol number XXXX under the account holder Captain XXXXXXX.

NAME	SSN	CHECK #	DATE	AMOUNT
Irwin XXXXXX	xxx-xx-xxxx	185	July 15, 2017	$150.00
James XXXXX	xxx-xx-xxxx	422	July 28, 2017	$150.00
			TOTAL	$300.00

This office has exhausted all means of collection. These individuals are no longer employed in an active duty, reserve, or civilian capacity for the U.S. Government. Members have been notified of their debt and have not responded to the collection letter. Attached are the dishonored check(s), copy of applicable debit voucher(s), copy of the applicable check cashing policy, and the documentation supporting attempted collections.

If you have any questions, please contact Mr. John Doe, at DSN ###-#####, phone (###) ###-####, or by email: John.Doe.civ@mail.mil.

Signature Block
Disbursing Officer

Attachments:
As stated

*Table 4-1. DoD Component Payroll Office Addresses

Branch of Service	Active Duty	Active Reserve/ National Guard	Inactive Reserve	Retired	Civilian	DoD Component Payroll Office Address
U.S. Army	X					Defense Finance and Accounting Service Military Pay Operations ATTN: DFAS-JFLA/IN (Army Central Processing Division) 8899 East 56th Street Indianapolis, IN 46249
		Active Reserve				Defense Finance and Accounting Service ATTN: USAR Liaison Office 8899 East 56th Street Indianapolis, IN 46249
		National Guard				Army National Guard Financial Services Center ATTN: ARNG-RMC-F 8899 East 56th Street Indianapolis, IN 46249
U.S. Marine Corps	X	X				Defense Finance and Accounting Service Military Pay Operations ATTN: USMC Central Pay Processing 1240 East 9th Street Cleveland, OH 44199-2055
U.S. Navy	X					Defense Finance and Accounting Service Military Pay Operations ATTN: Navy Active Duty Pay Processing 1240 East 9th Street Cleveland, OH 44199-2055
		X				Defense Finance and Accounting Service Military Pay Operations ATTN: Navy Reserve Pay Processing 1240 East 9th Street Cleveland, OH 44199-2055
U.S. Air Force	X					Defense Finance and Accounting Service Air Force Military Pay ATTN: JFLTBC 8899 East 56th St Indianapolis, IN 46249-1200
		X				Defense Finance and Accounting Service Military Pay Operations ATTN: JFLTAD, NG/RES Supervisor 8899 East 56th Street Indianapolis, IN 46249-1200
U.S. Army, Marine Corps, Navy, Air Force			X			Relief of Liability Section Defense Finance and Accounting Service ATTN: ZPFA/IN 8899 East 56th Street Indianapolis, IN 46249-0500
				X		Defense Finance and Accounting Service U.S. Military Retired Pay 8899 E 56th Street Indianapolis IN 46249-1200
					X	Defense Finance and Accounting Service U.S. Military Annuitant Pay 8899 E 56th Street Indianapolis IN 46249-1300
DoD Civilian					X	Defense Finance and Accounting Service Civilian Pay Operation Imaging Section (JFVCAD, Column 111Z) 8899 East 56th Street Indianapolis, IN 46249-1900 or FAX 1-866-401-5849 or 1-800-729-3277

Table 4-1. DoD Component Payroll Office Addresses (Continued)

Branch of Service	Active Duty	Active Reserve/ National Guard	Inactive Reserve	Retired	Civilian	DoD Component Payroll Office Address
U.S. Coast Guard	X					Coast Guard Commanding Officer (SES) U.S. Coast Guard Pay and Personnel Center 444 SE Quincy Street Topeka, KS 66683-3591

VOLUME 5, CHAPTER 5: "CERTIFYING OFFICERS, DEPARTMENTAL ACCOUNTABLE OFFICIALS, AND REVIEW OFFICIALS"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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

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

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

The previous version dated February 2016 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current administrative instructions.	Revision
050301.C and 050306	Changed paragraph numbers due to realignment of the chapter.	Revision
050402.A.2	Added guidance related to the distribution of certifying officer appointments/terminations for Department of Defense (DoD) Components using the Purchase Card Online System.	Addition
050403	Revised paragraph to add Volume 1, Chapter 9, section 0902 as the reference for record retention of DoD financial documents.	Revision
050507	Added a new paragraph to address certification and the translation of accounting data.	Addition

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CHAPTER 5

CERTIFYING OFFICERS, DEPARTMENTAL ACCOUNTABLE OFFICIALS, AND REVIEW OFFICIALS

0501 GENERAL

050101. Overview

The Department of Defense (DoD) recognizes the difficulty of any single official exercising direct personal control over all aspects of each business transaction. Therefore, DoD relies on automated systems and accountable officials to ensure accountability of government funds including the accuracy, propriety, and legality of every payment.

A. An accountable official is a member of the U.S. Armed Forces or DoD civilian employee to whom public funds are entrusted or who participates in the process of certifying vouchers for payment in connection with the performance of government business. Accountable officials include disbursing officers (DOs), deputy disbursing officers (DDOs), disbursing agents, cashiers, imprest fund cashiers, change fund custodians, paying and collection agents, certifying officers, and departmental accountable official (DAOs).

B. This chapter addresses certifying officers and DAOs. Certifying officers are accountable officials who ensure transactions are processed by all responsible officials, are properly documented and computed correctly according to source documents, and correct and proper for payment. DAOs are accountable officials that provide information, data, or services that certifying officers rely on to certify vouchers.

050102. Purpose

This chapter addresses the selection, appointment, responsibilities, and qualifications for certifying officers; certification of vouchers for payment; DAOs; random review of disbursement vouchers; and pecuniary liability.

050103. Authoritative Guidance

A. Certifying Officers. Under Title 31, United States Code (U.S.C.), section ***3325(a)(1) and (b)***, a DoD disbursing official may disburse money only as provided by a voucher certified by the Secretary of Defense (SecDef), an officer or employee of the DoD, or member of the U.S. Armed Forces having written authorization from the SecDef to certify vouchers.

B. DAOs. Under ***10 U.S.C. § 2773a***, the SecDef may designate any DoD civilian employee or member of the U.S. Armed Forces under the Secretary's jurisdiction as a DAO. In the performance of their duties, DAOs are responsible for providing certifying officers with information, data, or services that are directly relied upon by the certifying officer in the certification of vouchers for payment.

0502 POLICY

050201. Authority to Appoint

The ***DoD Directive 5118.03*** delegates authority to appoint certifying officers under 31 U.S.C. § 3325(a)(1) and (b), and DAOs under 10 U.S.C. § 2773a to the Under Secretary of Defense (Comptroller) (USD(C)). This volume re-delegates that authority to DoD Component Heads, who may further re-delegate that authority. See Chapter 2, paragraph 020303 for policy on who may be appointed to positions of accountability to the U.S.

A. Based on the separation of duties principles cited in Chapter 1, subparagraph 010305.B, DOs, their deputies, and agents may neither be appointed as, nor appoint certifying officers for payments they will eventually make. See subparagraph 050301.B for conditions that may require deviation from normal separation of duties requirements.

1. DOs and DDOs may certify cover vouchers supported by properly certified subvouchers; see Chapter 9, paragraph 090409.

2. Where a DO supervises separate computation and disbursing functions, persons in the computation section may be certifying officers. In limited situations (e.g., afloat units, noncombatant evacuations, contingency operations, training exercises), disbursing office personnel may be appointed as certifying officers. Make these appointments through command channels, excluding the DO, and describe the circumstances in Item 7 of the appointing DoD ***(DD) Form 577***, Appointment/Termination Record-Authorized Signature.

B. DoD personnel who may be appointed to certify vouchers for payment include, but are not limited to, commanders, deputy commanders, resource managers and other key funds control personnel, travel authorizing officials, purchase card and centrally billed account (CBA) approving officials, and other personnel in equivalent positions. For example, a traveler's supervisor could be a travel authorizing official and a certifying officer. See paragraph 050304 for certifying officer training requirements and section 0504 for policy on appointments.

C. The same person may not serve as both a DAO and certifying officer for the same types of payments.

050202. Certification of Funds Availability vs. Certification of a Payment Voucher

A. Certification of Funds Availability. As key funds control personnel, resource managers must certify funds availability before goods and/or services are ordered based on funding authorizations that allow incurrence of obligations for which the U.S. Government will make a payment at some future date (see paragraph 050303). This does not create pecuniary liability consequences under either ***31 U.S.C. § 3527*** or ***31 U.S.C. § 3528*** (see also paragraph 050701), but may have Antideficiency Act implications (see Volume 14, Chapter 2, paragraph 020201).

B. Certification of a Voucher for Payment. This is an attestation by a properly appointed and trained certifying officer that a voucher is correct and proper for payment. Such a certification normally occurs before payment, but may occur simultaneously with receipt of and payment for goods and/or services, particularly in tactical situations. Only persons properly appointed on a DD 577 may make these certifications; see sections 0504 and 0505.

0503 RESPONSIBILITIES

*050301. Appointing Authorities

DoD Component Heads or their designees:

A. May appoint certifying officers and DAOs, other than themselves, and terminate appointments when required (see paragraph 050401 and Chapter 1, paragraph 010204);

B. Oversee the appointees and their execution of the duties described in paragraphs 050304 and 050305. In cases involving micro-purchases in support of contingency operations, to balance mission accomplishment with acceptable risk and cost benefit, it may be necessary to deviate from normal separation of duties and internal control principles required by Chapter 1, paragraph 010305 and subparagraph 010305.B, and the policy in subparagraph 050201.C. Deviations are at the discretion of the commander, who must be aware of the increased possibility of the risk of errors, theft, and fraud that may result from the merging of payment certification responsibilities with other functions. Because such mergers may compromise internal controls, commanders must make every effort to mitigate these risks. Post-payment reviews, rotation of duties, and reviews of financial data and reports by management or external resources are tools available to mitigate these risks. The micro-purchase threshold is defined by the Federal Acquisition Regulation, ***Subpart 2.101***; and

* C. Implement controls to effect timely appointment terminations.

050302. Supervisors

Supervisors ensure that subordinate certifying officers and DAOs are trained in their responsibilities, including initial training and refresher training annually (see subparagraph 050304.A); periodically review their performance to ensure compliance with established regulations, policies, and procedures, including local standard operating procedures; review appointments annually for validity and current status, and make appropriate recommendations for change to appointing authorities.

050303. Key Funds Control Personnel

Resource or other key funds personnel maintaining a system of funds control are responsible for certifying funds availability, and assignment of proper funding citations on commitment and obligating documents. A certification of funds availability is not a certification for payment (see paragraph 050202 and Volume 14, Chapter 2, subparagraph 020401.B.3).

050304. Certifying Officers

A. Qualifications. Certifying Officers:

1. Must have knowledge of the subject matter, background, or experience in the preparation of a voucher for payment; appropriations and other funds and accounting classifications; and the payment process (e.g., location of designated paying and accounting offices). See paragraph 050202;

2. Must complete an approved Certifying Officer Legislation training course applicable to their mission area prior to their appointment and refresher training annually, and provide proof of completion to their supervisor. Evidence of having completed this training is required prior to performing as a certifying officer. On-the-job training is not acceptable; and

3. Should read the Treasury ***publication***, "Now That You're a Certifying Officer."

B. Responsibilities. Certifying officers must ensure that the automated and manual processes supporting their voucher certifications reasonably satisfy the requirements listed under Treasury Financial Manual, Volume 1, Part 4A, ***Chapter 2000***, section 2070, as well as:

1. Check the accuracy of facts stated on a voucher and in supporting documents and records, and may rely on data received from reliable automated systems that have been certified as compliant with the Federal Financial Management Improvement Act (FFMIA) (see Volume 1, Chapter 3, paragraph 030303);

2. Verify the accuracy of computation of a voucher before certification;

3. Determine the legality of a proposed payment from the appropriation or fund cited on the voucher (see Chapter 1 for policy on prohibited payments);

4. Ensure there is a legal obligation to pay (e.g., a contract);

5. Ensure the payee has fulfilled the prerequisites to payment (e.g., an invoice, receiving report, approved travel claim);

6. Ensure the payment is legal under the appropriation or fund involved (e.g., the correct appropriation and fiscal year);

7. Seek advance decisions on questionable vouchers; see Chapter 12, section 1203;

8. Repay a payment:

a. Determined to be erroneous (e.g., illegal, improper, or incorrect) due to an inaccurate or misleading certification;

b. Prohibited by law; or

c. Not a legal obligation of the fund or appropriation cited; unless the payment is recovered by collection or offset from the payee or another source, (e.g., collected from a DAO or relief is granted under subsections (b) or (c) of 31 U.S.C. § 3528; also see Chapter 6, subparagraph 060604.C);

9. Respond timely to a reviewing official's questionable-payment inquiry; and

10. Include the payee's Tax Identification Number (for businesses) or Social Security Number (for individuals).

C. Pecuniary Liability. See subparagraph 050701.B.

050305. Departmental Accountable Officials (DAOs)

A. DAOs are responsible in the performance of their duties to provide certifying officers with information, data, or services to support the payment certification process. They have unique mission area responsibilities that require supervisors and appointing officials to not only decide if DAO appointments are required, but also define clearly each DAO's functions. Appointment of DAOs is not mandatory; examples of persons whose duties could be considered as appropriate to support their being appointed as DAOs include, but are not limited to, receiving officials, contracting officers, personnel who make payment eligibility determinations, time and attendance personnel, and travel approving officials. Consider personnel in the following areas for appointment as DAOs:

1. Purchase Card Program. Approving officials may be appointed as certifying officers with the additional responsibilities outlined in subparagraph 050304.B. Other personnel involved with the purchase card program may be appointed as DAOs. See Volume 10, Chapter 23, paragraph 230204.

2. Contract and Vendor Pay. See Volume 10.

3. CBA. See Volume 4, paragraph 040302 of the Government Travel Charge Card ***Regulations***.

4. Personnel Programs. Personnel officers ensure accurate and timely input of personnel data supporting payments.

a. Military Pay. See Volume 7A.

b. Civilian Pay. See Volume 8.

c. Travel. See Volume 9.

B. DAOs must complete approved training applicable to their mission areas within two weeks of their appointment, refresher training annually, and provide a printed copy of their training completion certificate to their supervisor. Evidence of having completed this training is required prior to performing as a DAO. See subparagraph 050201.A for appointment eligibility, and subparagraph 050701.C. for pecuniary liability implications.

*050306. Automated Information System (AIS) Administrators

In addition to other responsibilities, AIS administrators operate and maintain automated system(s) that support the entitlement, certifying, and disbursing processes so that these system(s) operate in accordance with prescribed functional requirements so that the integrity of the data is maintained and unauthorized access is prevented. They must also ensure that the systems they administer are certified as compliant with the FFMIA; see Volume 1, Chapter 3, paragraph 030303.

0504 APPOINTMENT/TERMINATION RECORD-AUTHORIZED SIGNATURE (DD 577)

050401. Appointment and Termination

Appointing authorities (see paragraph 050301) appoint and terminate the appointments of certifying officers and DAOs using a DD 577, identifying as necessary the types of payments to be certified (e.g., vendor pay, purchase card, CBAs, travel, transportation, military and civilian pay) and, if appropriate, the entitlement system(s) involved. Avoid the term "various" and similar generalities when identifying types of vouchers to be certified. Include the reviewing official's organization on the appointment if desired. The effective date of an Appointee Acknowledgment (Item 15 or 16a - Digital) may not be earlier than the date of the Appointing Authority (Item 12).

A. Include the appointee's DoD Identification Number (employee number for direct-hire, non-U.S. citizen outside the U.S.), name, organization, and position. Limit the access to any personally identifiable information to only those who require it in the performance of their duties and are following the Privacy Act of 1974 (***5 U.S.C. § 552***).

B. When appointing employees outside the U.S. who are precluded by local law, treaty, or status of forces agreement from being held pecuniarily liable to the U.S. (see Chapter 1), make an appropriate comment in Item 7.

C. Appointees acknowledge their appointment in Section III; they may not re-delegate their appointed authority.

D. Appointments remain in force until terminated by an appointee's reassignment or for cause. An appointing authority's reassignment does not affect existing appointments.

E. Certifying officers who certify vouchers electronically, (e.g., Defense Travel System), must submit the DD 577 electronically, satisfying the requirements in Chapter 1, subparagraph 010305.C.

F. Certifying officers who certify manual vouchers or submit manual certifications of electronic payments must submit original, manually-signed DD 577s (see subparagraph 050402.A.1) or supplemental documents to support electronic DD 577 submissions.

G. These forms cannot be amended. Pen-and-ink changes are not authorized. Any change (e.g., to alter the types of vouchers to be certified) requires termination of the existing and preparation of a new appointment.

H. Terminate appointments using Section IV and submit the DD 577 to all recipients who received copies of the original appointment.

*050402. Distribution

A. Certifying Officer Appointments. Ensure the training required by subparagraph 050304.A.2 is complete before submission.

1. Payments Certified to Defense Finance and Accounting Service (DFAS) DOs. Send the form to the DFAS Indianapolis (DFAS-IN) DO (secure email: dfas.indianapolis-in.jfd.mbx.dfas-incddd577@mail.mil) following that office's guidance. Forms sent as attachments to secure emails must be copies of original DD 577s, not "copies of copies."

* 2. Government-wide Purchase Card. DoD Components using the Purchase Card Online System for certifying officer appointments/termination are not required to provide a form to DFAS-IN as stated in subparagraph 050402.A.1 for payments that are electronically certified. Certifying Officers who certify manual vouchers must continue to follow the guidance outlined in subparagraph 050401.F.

3. Payments certified to non-DFAS DOs. Send the form following the paying DO's instructions.

4. Immediate payment. Fax or email a signed copy of the form to the appropriate DO. Follow up with a normal submission.

B. DAO Appointments. Appointing authorities ensure completion of the training required by subparagraph 050305.B, keep the signed original DD 577s, and send copies to the offices that certify vouchers. Offices and organizations that rely on DAOs must establish and implement mechanisms for identifying and facilitating communication with them.

C. Appointment Terminations. See subparagraph 050401.H.

*050403. Retention Requirements

Keep DD 577 copies after appointment termination for a retention period following the guidance in Volume 1, Chapter 9, section 0902; except for transactions affecting Foreign Military Sales, use a retention period following the guidance in Volume 15, Chapter 6, section 0602.

0505 CERTIFICATION

050501. General

All payments from appropriated funds must be certified (excludes intra-governmental); see ***section 6.5*** of the Government Accountability Office (GAO) Policy and Procedures Manual for Guidance of Federal Agencies. Certifying officers review payment vouchers before certification and submission to DOs for payment to ensure that the information on the vouchers agrees with all supporting documentation. See Chapter 9, paragraph 090403 for voucher certification requirements and Volume 1, Chapter 9, section 0902 for records retention policy.

050502. Effect of Certification

Certifying officers certify to, not "for" or "on behalf of," DOs or their agents that vouchers are correct and proper for payment from the appropriation(s) or other funds cited on them or on supporting vouchers, and that the proposed payments are legal, proper, and correct (see subparagraph 050304.B.6). They may certify either individual vouchers or a file of several vouchers; see paragraph 050503. Manual certifications require the certifying officer's signature and typed or printed name, date, and dollar amount. See Chapter 1, subparagraph 010305.C for electronic signature requirements. Submit manually certified vouchers to the disbursing office by mail or fax.

050503. Certification of a File of Payments (Batch Certification)

Batch certification attests that a file contains a specified number of payments that total a specific dollar amount equal to the total of vouchers contained in the file and that each voucher in the file has been certified as correct and proper for payment. Pecuniary liability attaches to the original certifying officer for each payment. The person that certifies the file is pecuniarily liable for vouchers in that file not previously individually certified. Once a file is input, a DO processes each payment separately.

050504. Successive Certification

An authorized certifying officer may certify a hardcopy voucher and changes to it before disbursement. More than one certifying officer may be involved with a given payment; this is known as "successive certification." When this occurs, the successive certifying officer(s)' actions do not diminish the responsibility of the officer who certified the original voucher. If the officer who certifies an additional related voucher differs from the one who certified the original, the first certifying officer is pecuniarily liable for the correctness of the original voucher and the successive certifying officer is pecuniarily liable only for the additional voucher(s). If a voucher is certified

and then changed (e.g., to take a discount, add interest penalties), the certifying officer certifying the legality, propriety, and correctness of the changes is pecuniarily liable for only the payments based on those changes.

050505. Foreign Military Sales Transactions

See Volume 15, Chapter 4, section 0409.

050506. Altering a Certified Voucher

Altering a certified voucher invalidates the certification. A DO who determines that a certified payment voucher is improper must return it for correction and a new certification. However, post-payment printing and scanning of paid vouchers that were properly certified electronically do not invalidate the original certifications.

*050507. Certification and Accounting Data Translation

The translation of accounting data for a certified voucher is acceptable as long as the correct appropriation or funds involved aligns with the appropriation or funds cited on the legal obligation to make the payment (e.g., contract). The translation process must be auditable and deemed reliable to where the certified line of accounting can be mapped to the translated line of accounting. See Volume 1, Chapter 4, paragraph 040303 for additional information regarding data translation. DOs and certifying officers may rely on data received from reliable automated systems that have been certified as compliant with the FFMIA (see Volume 1, Chapter 3, paragraph 030303).

0506 RANDOM REVIEW OF DISBURSEMENT VOUCHERS

050601. Payment Review Officials

Payment review officials are not subject to pecuniary liability since they are not in accountable positions. State their responsibilities in their position descriptions and performance standards, or appoint them by means other than a DD 577.

050602. Examination Requirements

A. General.

1. Title 7, of the GAO Manual, which implements 31 U.S.C. § ***3521(b)(1)***, requires pre-payment examination of payments over $2,500. (See paragraph 050603 for payments of $2,500 or less.) Various publications provide guidance on statistical sampling methods for pre-payment and post-payment reviews. These include the report GAO/Accounting and Information Management Division ***21.3.2***, May 2000, Streamlining the Payment Process While Maintaining Effective Internal Control and ***Appendix*** C, Requirements for Effective Estimation and Remediation of Improper Payments, to the Office of Management and Budget Circular A-123, Management's Responsibility for Enterprise Risk Management and Internal Control. GAO reports and publications provide examples of statistical sampling applications in

the pre-payment and post-payment phases, but no single procedure is appropriate for every type of disbursing system.

2. The appropriateness of these reviews depends largely on the extent of automation of the system that computes and processes payments. Fully automated systems that can perform reviews of all records through extensive edit checks and balances before payment is made, replaces the need for manual invoice process and examination procedures.

B. Pre-payment Reviews

1. Pre-payment reviews may occur any time before payment and are subject to management's judgment of the most appropriate stage in the voucher-preparation process for their conduct. These reviews ensure that vouchers are substantiated by documentation for lawful and proper payment. Under manual processing systems, they include verification of accuracy of computation. These requirements include ensuring that:

a. Payments are allowed by law and regulation;

b. Payments are authorized and approved for payment;

c. Requests for payment are supported by basic documents;

d. Payee identification is correct;

e. Manual calculations are correct and data are input correctly to automated computation systems;

f. Proper accounting classifications are charged (e.g., supported by a proper obligating document);

g. Funds are available to support disbursements;

h. Any required special certificates or receipts are attached to the disbursement documents; and

i. Duplicate payments are prevented through proper manual or automated edits and checks.

2. Pre-payment review officials who determine that proposed or actual certified payments are of questionable legality, propriety, or correctness must send inquiries to the certifying officers challenging the decision to certify these payments, and keep files of these inquiries or those received from other sources. Inquires must be resolved within 30 days.

C. Post-payment Reviews. See Volume 10, Chapter 10, subparagraph 100602.A.

050603. Statistical Sampling Plans

A. DoD Components may use statistical sampling plans for vouchers not exceeding $2,500. Agencies must establish their own dollar limitations within that maximum based on cost/benefit analysis of their voucher examining operations. If a certifying officer uses an approved pre-payment statistical sampling procedure and reviews only those vouchers selected in the sample as a basis for certification, he or she identifies the vouchers selected for review. If a DoD Component determines that an alternate voucher examining plan is required, it sends a written request through Director, DFAS to the (USD(C)) for approval under subparagraph 050603.C. The request must identify the reason for the alternate plan to include a description of the plan, alternate procedures for statistical sampling, and a business case that indicates savings without jeopardizing the Government's interest.

B. Sampling plans must be statistically valid and adhere to technical guidelines in professional texts and publications (both Federal and non-Federal) on the subject. Include in the sampling plans the purpose, scope, frequency of the review, a definition of the population from which the sample will be selected, the sample size and element selection method, procedures to analyze results of the sampled records, and methods to document and report the results of the sample review. Sampling plans require review and approval (or in most cases, original preparation) by qualified statisticians before submission for final approval. Review and update them periodically to ensure they reflect the most recent occurrence rate trends and allow for population estimates within predetermined sampling probability and precision levels.

C. The Director, DFAS or designee approves statistical sampling plans for payment vouchers processed by DFAS DOs and ensures implementation of these plans at locations for which DFAS is responsible. The USD(C) approves statistical sampling plans for other DoD Components whose officials ensure implementation of these plans.

0507 PECUNIARY LIABILITY

050701. Presumption of Negligence

Certifying officers and DOs, but not DAOs, are pecuniarily liable automatically when there is a fiscal irregularity based on the "presumption of negligence" (***28 U.S.C. § 2512*** and 31 U.S.C. § 3527). A fiscal irregularity is either a physical loss of cash, vouchers, negotiable instruments, or supporting documents, or an erroneous (e.g., illegal, improper, or incorrect) payment. Physical losses generally apply only to DOs and their agents. To gain relief of liability, certifying officers and DOs must prove that they were neither negligent nor the proximate cause of the irregularity. See Chapter 6, sections 0606 and 0607 for policy concerning relief and liability of accountable officers.

A. DOs. Under 31 U.S.C. § 3325, DOs are pecuniarily liable for payments not in accordance with the vouchers certified to them for payment, and for errors in their accounts. DOs who make payments in accordance with certifications of properly appointed certifying officers may be relieved of their liability.

B. Certifying Officers. Under 31 U.S.C. § 3528, certifying officers are pecuniarily liable for payments resulting from improper certifications.

C. DAOs. DAOs are not subject to the presumption of negligence, but may be held pecuniarily liable under 10 U.S.C. § 2773a(c) for illegal, improper or incorrect payments resulting from information, data, or services they negligently provide to certifying officers; and upon which the certifying officers relied to certify payment vouchers. Any pecuniary liability of DAOs for losses to the U.S. resulting from illegal, improper, or incorrect payments may be either individual or joint and several with that of other officers or employees of the U.S. or members of the uniformed services who are also pecuniarily liable for those losses.

050702. Erroneous Payments under Random Sampling Procedures

Under ***31 U.S.C. § 3521(c)***, certifying officers and DOs who pursue diligent collection action are not pecuniarily liable for payments on vouchers in a population of vouchers subject to sampling but not reviewed. See Chapter 6 in the case of a fraudulent or suspected fraudulent payment.

VOLUME 5, CHAPTER 6: "PHYSICAL LOSSES OF FUNDS, ERRONEOUS PAYMENTS, AND OVERAGES"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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

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

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

The previous version dated August 2014 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current administrative instructions.	Revision
060103	Revised paragraph name from "Statutory Basis" in the previous chapter to "Authoritative Guidance."	Revision
Figure 6-1 6-2	Reclassified Tables 6-1 and 6-2 from the previous version to Figures 6-1 and 6-2. Renumbered the remaining figures and tables appropriately.	Revision

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CHAPTER 6

PHYSICAL LOSSES OF FUNDS, ERRONEOUS PAYMENTS, AND OVERAGES

0601 GENERAL

060101. Overview

An accountable official is a member of the U.S. Armed Forces or a Department of Defense (DoD) civilian employee who is responsible for or has custody of government funds. Accountable officials include those defined in Chapter 5, section 0503 as certifying officers and departmental accountable officials (DAO); and in Chapter 2 as disbursing officers (DOs), deputy DOs, cashiers, imprest fund cashiers, change fund custodians, paying agents, and collection agents. Accountable officials are personally liable for the physical loss or improper payment of the funds for which they are accountable, unless granted relief. The decision by the Secretary of Defense to grant or deny relief is binding. The Secretary of Defense has delegated authority to the Director of the Defense Finance and Accounting Service (DFAS) to make the required determinations to grant or deny relief on all requests for relief of liability. The Director of DFAS has delegated this authority to the Director of Strategy, Policy and Requirements (DFAS-ZP).

060102. Purpose

This chapter provides the definition of physical losses, the criteria for minor and major losses, and upon discovery of a physical loss, the process for accounting, investigating, requesting relief, and funding for removal of physical losses. Additionally, the chapter defines and provides examples of erroneous payments (illegal, incorrect, and improper) to include the discovery, investigation, loss of funds process, and settlement of erroneous payments. The chapter also provides guidance on granting or denying relief of liability and an overview on overages of public funds.

*060103. Authoritative Guidance

All accountable officials are subject to the pecuniary liability standard under Title 31 of the United States Code (U.S.C.). Except for the DAO, the basic legal liability of an accountable official arises automatically by virtue of the loss, regardless of fault or negligence on the official's part. Relief is a separate process that considers the lack of fault or negligence by the accountable official to the extent authorized by:

A. Title 31, U.S.C., ***section 3527*** provides general authority to relieve accountable officials and agents from liability due to physical losses.

B. Title ***31 U.S.C. § 3528*** provides general authority to relieve disbursing and certifying officials from liability due to erroneous payments.

C. Title ***10 U.S.C. § 2773a*** provides general authority to establish pecuniary liability for DAOs.

0602 DEFINITIONS

060201. Physical Losses of Funds

A physical loss of funds can be minor or major. A minor loss is a physical loss of less than $750 without evidence of theft or fraud within the disbursing office. A major loss must meet at least one of the following criteria:

A. Equal to or greater than $750;

B. Any loss of funds resulting from theft, regardless of the dollar amount; or

C. Any loss, regardless of the dollar amount, where there is evidence of fraud within the disbursing office; for example, embezzlement, or fraudulent acts by disbursing personnel, whether acting alone or in collusion with others.

Examples of physical losses of funds include:

TYPES OF LOSSES	EXPLANATION
Public Funds	Loss of cash.
Limited Depositary Account (LDA)	A loss can occur when the LDA is unreconciled, reported incorrectly, or subjected to a fraudulent transaction
Records	Loss of records such as debit vouchers or deposit tickets
Original Vouchers	Copies of the original voucher and retained supporting documents may be stamped as a certified copy of the original voucher in the event that the original voucher is lost. However, the absence of a signature acknowledging receipt of a cash payment may negate the validity of the certified copy. The same is true when a payee denies receipt of a cash payment and there is no original voucher with the payee's signature to provide proof of payment
Documentation Supporting Debit Vouchers	A physical loss can occur if open debit items cannot be reconciled because of the loss of supporting documentation
Shipment of Cash	Shipments of cash that are lost can result in the liability of the accountable official(s) if they failed to ship cash as prescribed in Chapter 3, paragraph 030502
Unexplained Losses	No explanation – money is missing
Negotiable Instruments	A physical loss can result when a negotiable instrument and all copies held in the disbursing office are lost
Bank Failure	DO's funds held in a bank; e.g., an LDA, and the bank close because of failure
Counterfeit Currency	Currency in the DO's possession determined to be counterfeit
Change Fund	Cash shortage that is not whole from sales receipts
Imprest Fund	Shortage of funds advanced to imprest fund cashier
Fraud within Disbursing	A loss resulting from fraudulent actions of disbursing personnel acting alone or in collusion with others
Robbery, Burglary	A loss of funds resulting when a robbery/burglary transpires

060202. Erroneous Payments

Erroneous Payments include:

A. Any payment that should not have been made or that is an incorrect overpayment under statutory, contractual, administrative, or other legally applicable requirement; or

B. Any payment to an ineligible recipient or service, duplicate payment, payments for services not received, and any payment that does not account for credit for applicable discounts.

NOTE: This definition applies to accountable official liability. Improper payments under the ***Improper Payments Information Act*** differ, in that they include both underpayments and overpayments. See Volume 4, Chapter 14, paragraph 140201.

C. Examples of erroneous payments that require an investigation include:

1. Any payment in which the debt is delinquent for 180 days or the loss cannot be fully recovered within the two year period, from the time the erroneous payment was made, such as:

    a. Overpayment to a payee;

    b. Payment to the wrong payee;

    c. Overdrafts of issued U.S. Treasury check; or

    d. Negotiation of original and replacement U.S. Treasury checks.
2. Any payment based on fraudulent, forged, or altered documents prepared or presented by officials who were not under the direct cognizance or control of the DO; or

3. Payment in violation of a regulation.

D. Examples of erroneous payments that do not require an investigation include:

1. An erroneous payment that is not delinquent for 180 days and can be recovered within the two year period from the time the erroneous payment was made;

2. An erroneous payment that is collectible through offset of military pay, civilian pay, retired pay, or contract debt;

3. A valid payment made in accordance with appropriate documentation, which through no fault of the certifying officer, becomes an overpayment, e.g.,

a. A member paid a reenlistment bonus and subsequently does not complete terms of the contract;

b. A deceased retiree who is overpaid because death notification not provided; or

c. An overpayment on a travel advance.

4. A payment made based on documentation from an individual and certified to be true and correct; e.g., a payment made to the wrong bank account because the individual provided incorrect information;

5. Any payment made based on vouchers not examined under an approved statistical sampling plan.

0603 DISCOVERY OF PHYSICAL LOSS OR ERRONEOUS PAYMENT

Any person who believes that an official entrusted with public funds is misusing those funds or who suspects an occurrence of a fraudulent erroneous payment must notify the Commander having jurisdiction over the alleged offender of the alleged misuse within 24 hours upon discovery. Sections 0604 and 0605 provide guidance on the responsibilities and actions required to process physical losses and erroneous payments. See Figure 6-1 and Figure 6-2 for an overview of processing physical losses of funds and erroneous payments, respectively.

0604 PHYSICAL LOSSES

060401. Responsibilities

A. DO

1. Verify that all transactions on the DoD ***(DD) Form 2657***, Daily Statement of Accountability, and ***DD Form 2665***, Daily Agent Accountability Summary posted correctly.

2. Verify the accuracy of all totals from the date of the last balancing of the DD 2657 and the DD 2665 for each deputy, agent, or cashier.

3. Verify by actual count that the total of all cash and documents held as cash by the DO and all deputies, agents, and cashiers is in agreement with the amount shown as being on hand on the DD 2657 and DD 2665.

4. Report the loss in writing to the Commander if the loss is not resolved within 24 hours of discovery and is a major physical loss as defined in paragraph 060201.

5. Request the Commander to direct an immediate audit of all disbursing assets by a Cash Verification Team as prescribed in Appendix A, to confirm that a loss has occurred.

B. Commander. Upon notification of a possible loss, the Commander must request that the Cash Verification Team conduct an audit of the DO's account. If the discrepancy is not resolved and qualifies as a major loss of funds as described in paragraph 060201, report within 24 hours. Send the report via email to the Disbursing Policy mailbox at dfas-in.disbursingpolicy@mail.mil or by mail to the Relief of Liability Section, Disbursing Policy and Treasury Initiatives Division, DFAS- Indianapolis (DFAS-ZPFA/IN), Column 326H, 8899 E. 56th Street, Indianapolis, IN 46249. When the Commander is in command of the deputy, agent, or cashier, a copy of the report must be provided to the DO. The report must include:

1. The specific type of loss; such as physical loss, erroneous payment, or fraudulent payment;

2. All known circumstances surrounding the alleged loss of funds;

3. The authorized amount of the imprest fund if the loss occurred in the imprest fund;

4. The date the irregularity occurred and/or was discovered;

5. The dollar amount of the loss;

6. The identity of the accountable official(s) by name, rank/grade, and accountable position (such as DO, deputy, agent, or cashier);

7. The date of the investigation or when it will convene;

8. The contact information of the Investigating Officer (IO); including name, email address, and phone number;

9. The completion date of the investigation or, if applicable, the estimated completion date; and

10. The status of any recovery action in progress or contemplated.

060402. Accounting for Physical Losses of Funds

A. General. Chapter 15 provides specific instructions for recording and clearing losses on the ***Standard Form (SF) 1219***, Statement of Accountability.

B. Recording a Physical Loss of Funds

1. Record All Physical Losses. All physical losses, major or minor, must be recorded on the DD 2657 by increasing line 7.3 (or 9.3, if predecessor DO), Loss of Funds,

and decreasing the appropriate line. For example, if a cash count reveals U.S. currency on hand is short $100, decrease line 6.2A (U.S. Currency/Coinage on Hand) and increase line 7.3 or 9.3. Continue to show all losses on the DD 2657 and the SF 1219 until the loss is recovered, recouped, or until relief of liability is granted.

NOTE: Foreign currency loss must be converted and recorded in U.S. Dollar equivalent using the exchange rate at the time that the loss occurred.

2. Subsidiary Accountability Record (DD 2667) as a Cumulative Record of Physical Losses

a. Support the entry on the DD 2657 by recording the loss on the ***DD 2667***. Record all physical losses discovered in the DO's account, to include those incurred by deputies, agents, cashiers, imprest fund cashiers, and change fund custodians. If more than one physical loss occurs during a single business day, use a separate line on the same form to account for each loss individually.

b. Maintain separate DD 2667s by DO for physical losses recorded on lines 7.3 and 9.3.

c. Balance and reconcile the DD 2657 daily.

d. Maintain the DD 2667 on file as a subsidiary record supporting the DD 2657.

e. Complete the DD 2667. See Figure 6-3 for an example of a DD 2667 prepared as a cumulative record of physical losses.

f. Forward the DD 2667 to DFAS-ZPFA/IN within five calendar days after the end of each month. Send by email to the Disbursing Policy mailbox at dfas-in.disbursingpolicy@mail.mil; or fax to DSN 699-0820 or commercial (317) 212-0820; or mail to DFAS-ZPFA/IN.

3. Agent Losses. Physical losses of funds incurred by deputies, disbursing agents, cashiers, paying agents, collection agents, imprest fund cashiers, or change fund custodians are physical losses within the official agent's accountability documents. It is important to notify the DO of all physical losses as soon as possible. The DO then must reduce the DD 2657, line 6.5 (Funds with Agents) for that particular agent and increase line 7.3. The DO must record the loss on the cumulative DD 2667.

4. Change Fund or Imprest Fund Loss. Table 6-1 provides guidance for processing a loss that occurs in a change fund or imprest fund.

5. Counterfeit Currency Loss. The DO must record the amount of the loss on the DD 2667 and DD 2657, line 6.2A, or 6.2B (Foreign Currency/Coinage on Hand) column d, by the amount of the counterfeit currency and increase line 7.3.

060403. Investigation

An investigation is required for all physical losses of funds.

A. Purpose of Investigation. The purpose of the investigation is to review and document all facts leading up to and connecting with the loss, to include the:

1. Amount, date, time, and place of the loss;

2. Identification of accountable officials and others involved (name and rank);

3. Authenticity of documentary evidence and oral testimony;

4. Functional capacity of the accountable official incurring the loss and the physical location of this official such as disbursing office and/or functional area;

5. Cause of loss; and

6. Adequacy of internal controls in place and effectively implemented.

NOTE: Table 6-2 provides standardized questions that the IO must use as a basis to address essential facts surrounding the loss and ensure completeness of the investigation.

B. Type of Losses. The type of loss determines the type of investigation required.

1. Minor Physical Losses

a. $300 or Less (No Fraud). The DO or deputy DO (if the DO is not co-located with the deputy DO) will conduct the investigation and complete the written investigatory report (See Figure 6-4). If the loss is attributable to the DO, the primary deputy DO will conduct the investigation along with the written investigatory report. Under no circumstances will the official incurring the loss prepare their own written investigatory report. In all cases, the written investigatory report must be completed and submitted to DFAS-ZPFA/IN within 30 days from discovery of the loss.

b. Over $300 (No Fraud). The Commander must appoint an IO to conduct the investigation and complete the written investigatory report (See Figure 6-4). The appointed official must be someone other than the DO or disbursing office personnel (e.g., a member of the Cash Verification Team). Furthermore, the appointed IO must have knowledge of disbursing office operations, especially knowledge of the required internal controls, pertinent laws, and applicable directives. In all cases, the written investigatory report must be completed and submitted to DFAS-ZPFA/IN within 30 days from discovery of the loss through the Commander.

2. Major Physical Losses. An IO must be appointed to conduct a formal investigation when there is a major physical loss.

a. Appointment Authority. The following individuals have the authority to appoint an IO:

(1) The Commander of the DO who incurred the loss;

(2) For DFAS sites, the Director of the DO who incurred the loss;

(3) When the accountable official and the DO are not in the same location, the Commander over that official will appoint the IO. For example, the Commander of a disbursing agent located in Afghanistan would appoint an IO when the agent incurs a loss while the DO is located in Indianapolis; or

(4) When the Commander is not authorized to convene an investigation, the Commander must request an investigation through the chain of command.

b. Appointment/Order of IO. The Commander must provide a copy of the official appointment notification to DFAS-ZPFA/IN within five days of appointment. In the appointment order, the Commander must include the following:

(1) Name of the individual, telephone number, and email address;

(2) Incident or occurrence that requires an investigation;

(3) Citation of Volume 5 and any authorizing DoD Component regulation as the authority for the investigation;

(4) The approximate time allowed for the investigation (the investigation must be completed and submitted to DFAS-ZPFA/IN within 90 days from discovery of the loss) and;

(5) Instruction to include a copy of the appointment/order in the report of investigation (ROI) as an exhibit.

c. Individuals Authorized to be IO(s). A Commissioned Officer (O-4 or above) or civilian employee who is senior in rank/grade to the person(s) under investigation and:

(1) Does not have a vested interest in the outcome of the investigation;

(2) Is not in the chain of command of the DO or accountable officials involved in the irregularity;

(3) Is familiar with investigative techniques; and

(4) Has knowledge of financial accounting controls and pertinent laws and directives. Only use Comptroller personnel when there is no feasible alternative to appoint an IO from another organizational element.

NOTE: The comptroller, staff judge advocate, or DFAS Office of General Counsel (DFAS-OGC) must provide technical guidance to IOs who do not have extensive backgrounds in investigative or financial matters.

d. Guidance for IOs

(1) Develop all information and documentation in connection with the loss so that higher authority may take proper action. This includes information regarding the procedures followed by all officials involved in the loss, as well as safeguards and controls instituted for the entire period in which the loss occurred.

(2) Before interviewing the accountable official(s) for the first time, ensure that each official receives and reviews this chapter and Chapter 5 regarding liabilities and responsibilities of accountable officials and the authoritative guidance provided in paragraph 060103.

(3) Obtain statements from accountable official(s) and others involved with the loss. The IO may summarize or report the testimony verbatim. Whenever possible, ensure the witness reviews, attests, and signs the transcript or summary of testimony. If sworn testimony is not obtainable, the IO must submit a statement giving the substance of the interview and the reason for absence of attestation.

(4) If the IO recommends against relief of the DO or any other accountable official(s) who is pecuniarily liable for the loss, provide a copy of the report to these officials for requesting relief of liability, if desired.

(5) Gather all records, documents, correspondence, photographs, and sworn affidavits relating to the loss. The IO may use evidence developed in investigations already conducted concerning the loss by other agencies (e.g., Federal Bureau of Investigation (FBI), U.S. Secret Service, or local authorities).

(6) Make a determined effort to resolve or clarify all apparent discrepancies or contradictions in the evidence.

(7) Report every 30 days on the status of the investigation. Send the report through the Commander to DFAS-ZPFA/IN.

(8) When extraordinary circumstances require an extension to complete the ROI, the IO may request an extension from the Commander. The IO can

use Figure 6-5 as a request for an extension. The Commander must notify DFAS-ZPFA/IN of any authorized extension by forwarding Figure 6-5 or similar request to the Disbursing Policy mailbox.

e. Preparation of the ROI. The ROI must include the following elements:

(1) Facts

(a) Identities of all accountable officials who are pecuniarily liable for the loss, the amount that each person is responsible for and their involvement in the loss;

(b) If any of the accountable officials involved in the loss are not physically located in the disbursing office, describe the structure of the chain of command of the activity in which the official was performing their disbursing functions. In addition, describe the financial services supplied by that official for the activity they serve;

(c) Circumstances leading to and surrounding the loss, including the efforts undertaken to discover the cause of a loss that remains unexplained;

(d) Description of the internal controls prescribed to prevent losses of the type experienced and the steps taken to implement those controls;

(e) Other relevant information that would aid in understanding how the loss occurred and in evaluating whether relief is appropriate for the accountable officials involved;

(f) Documentary evidence (such as statements, transcripts, correspondence, affidavits, investigative reports completed by other agencies, records, and photographs) as exhibits to the ROI; and/or

(g) Information regarding collection activity and any possible offset relating to the loss.

(2) Findings. The IO must make the following findings:

(a) Whether there was a loss to the U.S. government and the amount of the loss;

(b) Whether the loss occurred through the fault or negligence on the part of the accountable official;

(c) Whether negligence, fraud, or theft was the proximate cause of the loss by an individual other than the accountable official(s);

(d) The name of all official(s) involved and when the loss occurred; and

(e) Whether the accountable official(s) was carrying out official duties when the loss or deficiency occurred.

NOTE: The IO must make any other findings considered necessary and appropriate. It is essential that all findings, especially those indicated in subparagraph 060403.B.2.e(2), have supporting documentation. When applicable, reference the tab or page number of the supporting documentation after each related finding.

(3) Recommendations. Based on the information gathered, the IO must make a recommendation on:

(a) Whether the accountable official(s) should be relieved of pecuniary liability for the loss. Separate recommendations are required for each accountable official;

(b) Whether other person(s) should be held pecuniarily liable for the loss, in whole or in part;

(c) Whether any corrective action is needed to improve controls or procedures; and/or

(d) Any other recommendations that are appropriate considering the existing facts, circumstances, and conditions of the case.

f. Submission of ROI

(1) Timeframe. Unless authorized for an extension, the IO must submit the ROI through the Commander (who appointed the IO) to DFAS-ZPFA/IN within 90 days after discovering the loss.

(2) Commander's Actions. Upon receiving the ROI from the IO, the Commander must:

(a) Immediately review the ROI for compliance with requirements as indicated in subparagraph 060403.B.2.e;

(b) If not complete, return to the IO explaining the discrepancies and request further documentation or information. Notify DFAS-ZPFA/IN if the ROI cannot be completed and submitted within 90 days from discovery of the loss;

(c) Consider all the facts, findings, and recommendations;

(d) Make additional findings and recommendations pertinent to the investigation;

(e) While considering the facts, circumstances, and conditions of the individual case, determine whether sufficient evidence exists to support a recommendation for relief from liability of each accountable official involved as a part of the ROI;

(f) If sufficient evidence exists, recommend relief from liability for each accountable official involved; otherwise, recommend denial of relief referencing all evidence supporting the denial recommendation. A separate recommendation is required for each accountable official involved;

(g) If there is evidence of fraudulent or wrongful conduct and the matter is under investigation by authorized law enforcement personnel, those investigative entities may request the Commander to withhold the report until completion of their investigation. If so, the Commander must continue to follow-up on the status of their investigation and advise DFAS-ZPFA/IN of the status every 30 days. It is acceptable to add copies of the investigative reports as exhibits before forwarding the report through the chain of command to DFAS-ZPFA/IN;

(h) Forward a copy of the ROI and all attachments to DFAS-ZPFA/IN within 90 days from discovery of the loss unless the investigation is on hold as indicated in subparagraph 060403.B.2.f. (2)(g);

(i) Provide a copy of the ROI to the Commander of the base, station, activity, ship, or unit where the accountable individual is located. For Army finance battalions, send a copy to the parent finance group or finance command. It is the commander's discretion whether to use the ROI for disciplinary or administrative actions;

(j) Keep one copy of the ROI;

(k) Provide DFAS-ZPFA/IN any information and/or documents that become available after the ROI has been forwarded; and

(l) If DFAS-ZPFA/IN returns the ROI due to insufficient documentation and/or information, submit the requested documentation and/or information and return to DFAS-ZPFA/IN.

3. DFAS-ZPFA/IN Action on ROI

a. Review the ROI.

b. When the ROI lacks sufficient information, or in the absence of compliance with the provisions for the findings and recommendations, DFAS-ZPFA/IN may return the report for further investigation and fulfillment of the provisions as indicated in subparagraph 060403.B.2.e.

c. When the ROI is sufficient, make a recommendation as to liability.

d. Obtain legal review from DFAS-OGC.

e. Forward the recommendation and ROI to the Director, DFAS-ZP. The Director, DFAS-ZP, is the ultimate fact finder and makes the final decision on liability for each case.

f. Advise the appropriate individuals of the decision, and in those cases wherein individual(s) are held liable, of their right to submit a rebuttal.

060404. Funding for Removal of Physical Losses

In all cases, the ideal method for resolving a loss is recovery of the loss from the beneficiary. For example, 1) recovery of missing cash from the finder or, 2) collection from the accountable official.

A. Appropriated funds must be made available to remove the deficiency from the DO's SF 1219 if the losses are not recovered. This includes instances when relief of liability has been denied and recoupment cannot be made from the accountable official or when relief of liability is granted to the accountable official.

1. DFAS Employee. If the accountable official responsible for the loss of funds was a DFAS employee or a military member assigned to DFAS when the loss occurred, DFAS must identify the necessary appropriation and funding to resolve the loss.

2. Other DoD Component Employees. If the accountable official responsible for the loss of funds was a military member or employee of another DoD Component when the loss occurred, that DoD Component must identify the necessary appropriation and funding to resolve the loss.

B. The DO must clear the loss of funds from the DD 2667 and DD 2657, line 7.3 or 9.3, based on the instructions given by DFAS-ZPFA/IN.

0605 ERRONEOUS PAYMENTS (ILLEGAL, INCORRECT, AND IMPROPER)

060501. Responsibilities

A. Fraudulent or Suspected Fraudulent Erroneous Payments

1. Commander

a. Within 24 hours of notification, report through the chain of command to DFAS-ZPFA/IN, per subparagraph 060401.B.

b. Appoint an IO to conduct a formal investigation. See subparagraph 060403.

c. Ensure the investigation is completed and forwarded to DFAS-ZPFA/IN within 90 days from the appointment of the IO.

2. DO

a. If the erroneous payment occurred due to fraudulent actions of accountable officials under the direct cognizance or control of the DO, prepare a collection voucher transferring the amount of the fraudulent payment back into the appropriation from which the payment disbursed. Increase lines 4.1B (Loss-Refunds) and line 7.3 on the DD 2657. Increase line 9.3 on the DD 2657 if the loss is a predecessor loss. Record the loss on the DD 2667 as prescribed in subparagraph 060402.B.2.

b. If the erroneous payment occurred due to fraudulent actions by individuals who were not under the direct cognizance or control of the DO, the payment(s) must remain charged to the appropriation originally charged.

B. Erroneous Payments – No Fraud

1. Certifying Officer Responsibilities

a. Review the suspected erroneous payment voucher and the supporting documentation.

b. Ensure collection action against the recipient of the payment occurs, as prescribed in Volume 16. This may require submission of the debt to the DO or other responsible area.

c. Notify the Commander if the recipient of the erroneous payment does not voluntarily repay the amount owed; and

(1) The debt is delinquent for 180 days; or

(2) Failure to recover the full amount of the loss within two years after disbursement.

2. DO's Responsibilities

a. The DO does not need to take any action if the erroneous payment was properly certified.

b. If the erroneous payment was not properly certified:

(1) Report the loss to the Commander; and

(2) Ensure collection action was taken against the recipient of the payment, as prescribed in Volume 16. This may require submission of the debt to another responsible area. If the erroneous payment is recouped from the recipient, collect the proceeds into the appropriation originally charged, unless the appropriation is canceled. If the appropriation is canceled, refer to Volume 4, Chapter 3, subparagraph 030305.C for disposition of the collection.

3. Commander's Responsibilities

a. Determine whether a formal or an informal investigation is required.

b. Appoint an IO to conduct the appropriate investigation.

c. Ensure the investigation is completed and submitted to DFAS-ZPFA/IN.

060502. Investigation of Erroneous Payments

A. Formal Investigation Policy

1. Formal investigations are required when:

a. Fraud is suspected on the part of the payee, disbursing office personnel, certifying officer, or any other accountable official; or

b. The Commander determines it to be necessary.

2. Subparagraph 060403 provides guidance relating to formal investigations.

3. The investigation must be submitted to DFAS-ZPFA/IN through the Commander who appointed the IO within 90 days from the appointment of the IO.

B. Informal Investigation Policy

1. The IO must prepare investigatory comments using Figure 6-6 as an example.

2. The investigation must be submitted to DFAS-ZPFA/IN within 60 days from the Commander's notification of the erroneous payment.

060503. Completion of Erroneous Payments Process

When feasible, all actions required to reach a determination of liability for a loss of funds due to an erroneous payment should be completed within three years after the date the SF 1219 is certified.

060504. Settlement of Erroneous Payments

Generally, the DO will not carry an erroneous payment as a loss of funds on the SF 1219, since an appropriation was charged when the payment disbursed. However, there are exceptions to this general rule. For example, an exception occurs when the Department of the Treasury issues check-issue overdrafts against a disbursing station symbol number (DSSN) or if an accountable official under the direct cognizance or control of the DO made a fraudulent payment.

A. If the erroneous payment is recovered from the recipient, the appropriation initially charged is credited the amount recouped or collected unless the appropriation is canceled. Refer to Volume 4, Chapter 3, subparagraph 030305.C for disposition of the collection of canceled appropriation.

B. If the erroneous payment cannot be recovered from the recipient and relief of liability has been denied, the loss must be collected from the DO, certifying officer, and/or accountable official(s) involved. Credit the proceeds from the collection to the appropriation originally charged, unless the appropriation is canceled. For disposition of the collection of a canceled appropriation, refer to Volume 4, Chapter 3, subparagraph 030305.C.

C. The amount of the erroneous payment must remain charged to the appropriation that the payment originated from when:

1. Relief of liability is granted; and

2. Recovery attempts from the recipient are unsuccessful.

If an adjustment to the appropriation account to which the payment was charged is necessary, the amount of the erroneous payment must be charged as stated in 31 U.S.C. § 3527(d)(1).

060505. Document Retention

The following documents and information are retained to ensure proper response to audits conducted by the Government Accountability Office:

A. Detailed statement of facts of the case, including the type of irregularity, date, amount, and names and positions of the accountable official(s) involved;

B. Reference to pertinent supporting documents, such as pay records, contracts, and vouchers;

C. Description of how the irregularity occurred and how it affected the accountable official's account;

D. Adequate description of procedural deficiencies, if known, that caused the irregularity and the corrective action taken or to be taken; and/or

E. Information on any recoupment already made or being considered.

0606 REQUEST FOR RELIEF

060601. Request for Relief

Requests for relief must be in the form of a memorandum and submitted within 30 days after the investigation is completed. A copy of the IO's report must be included as an attachment to the request for relief. Accountable officials must submit their request for relief as follows:

A. DOs. Submit the request for relief through the Commander or DFAS site director to DFAS-ZPFA/IN.

B. DOs Settling Accounts of Former DOs. Submit the request for relief on behalf of a former DO to DFAS-ZPFA/IN.

C. Deputy DOs, Disbursing Agents, Cashiers, Certifiers. Submit requests for relief through the DO responsible for the account to DFAS-ZPFA/IN.

060602. Evidence Required for Granting Relief

A. Burden of Proof. An accountable official is strictly liable for any erroneous payments or physical loss of funds placed in the official's care, subject to relief of liability. Accordingly, if the Government can establish that a loss has occurred, strict liability applies to the accountable official involved with the loss. The accountable official bears the burden of proving that it is more likely than not that the official:

1. Was not negligent; or

2. The official's fault or negligence is not the proximate cause of the loss.

B. Information Required. Generally, the findings of related court of inquiry, investigation, court-martial, or other proceedings (including endorsements) will provide the information required for the loss. When such information is not available, the following information must be supplied and considered in the request for relief and/or the forwarding endorsements. Failure to include all the information required could contribute to an unfavorable consideration of a request for relief:

1. The specific duty assignment of the accountable official when the loss occurred;

2. A statement showing when, how, and by who discovered the loss;

3. A description of any actions taken to verify the loss and establish how the loss occurred;

4. A statement including the date of the last cash count and balancing prior to discovery of the loss;

5. A copy of the appropriate standard operating procedures (SOPs) in effect at the time the loss occurred. If no written procedures are available, provide a statement to explain the known and utilized procedures at the time the loss occurred;

6. A statement indicating whether pertinent regulations and instructions were followed or, if not followed, then an explanation and justification for any omissions and deviations;

7. A statement regarding the official's past involvement in any prior losses, if applicable;

8. A statement indicating whether the loss was caused by theft or some other criminal act; and

9. A description of the manner in which the DO is carrying the loss in their account, and the identity of that DO.

C. Forwarding Endorsements. Each addressee in the requestor's chain of command (including the DO) must provide a forwarding endorsement that must include a specific opinion as to whether the loss occurred while the accountable official was in the line of duty and regarding fault or negligence. A specific recommendation regarding granting or denying relief is required, as a part of the forwarding endorsement.

060603. Statutory Standards for Relief of a Physical Loss

The general authority to relieve accountable officials from liability is stipulated in 31 U.S.C. § 3527. Relief of liability may be granted when:

A. The Secretary of Defense determines that the official was carrying out official duties when the loss occurred;

B. The loss or deficiency was not the result of an illegal or incorrect payment; and

C. The loss or deficiency was not the result of fault or negligence by the official.

060604. Statutory Standards for Relief of an Erroneous Payment

The general authority to relieve accountable officials from liability is stipulated in 31 U.S.C. § 3527(b)(1)(B) which incorporates by reference § 3528(b)(1), as follows:

A. DO

1. The payment was not the result of bad faith or lack of reasonable care; and

2. The disbursing officials and the agency have made diligent collection efforts.

B. Certifying Officer

1. The certification was based on official records and the certifying officer did not know, and by reasonable diligence and inquiry could not have discovered, the correct information; or

2. The obligation was incurred in good faith, no law specifically prohibited the payment, the U.S. Government received value for the payment, and diligent collection efforts were made to recover the payment.

C. DAO. Pecuniary liability under this subsection shall apply in the same manner and to the same extent as applies to an official accountable under 31 U.S.C., subtitle III.

0607 DECISIONS ON LIABILITY

060701. Relief Granted

If granted relief, DFAS-ZP will provide a memorandum with instructions to remove the deficiency or authority to leave the payment charged to the original appropriation.

060702. Relief Denied

If denied relief, DFAS-ZP will advise the accountable official(s) of the decision and of their right to submit a rebuttal. The rebuttal must be submitted within 30 days from the date of notification of the adverse determination to DFAS-ZPFA/IN. Based on the additional information received, DFAS-ZPFA/IN will make a recommendation to the Director, DFAS-ZP, through the DFAS-OGC, whether to affirm or reverse the previous decision.

A. If the decision is reversed, the accountable official(s) will be advised accordingly, and the DO will be provided instructions for removal of the loss of funds or authority to leave the payment charged to the original appropriation.

B. If the decision stands, the Commander and/or DO will be advised to take immediate collection action against the accountable official(s). Volume 16 provides procedures for completing collection of irregularities.

0608 OVERAGES OF PUBLIC FUNDS

060801. Overview

Overages are funds held in an amount greater than the amount shown to be on hand by the daily accountability records of the DO.

060802. Recording Overages of Funds

Do not offset an overage of funds against a physical loss of funds unless the relation between the two is obvious (e.g., foreign currency on hand is short and U.S. currency on hand is over by equal U.S. equivalent amounts). Do not offset overages against shortages if the shortage and overage occur on different business days. An overage of funds must be collected into the Budget Clearing Account, **F3875, pending a determination of where the overage belongs. Subsequently, if the proper location for the overage cannot be determined, the overage must be transferred to the Department of the Treasury's Forfeiture of Unclaimed Money and Property, **R1060. Track overages by recording each occurrence on a separate DD 2667, maintained specifically for overages. NOTE: The DD 2667 is a stand-alone document for tracking overages. Start a new DD 2667 for overages at the beginning of each quarter.

060803. Preparation of DD 2667 as a Record of Overages of Funds

List each overage occurring each day on the DD 2667. See Figure 6-7 for an example of DD 2667 prepared as a record of overages.

060804. Reporting Overages of Funds

Overages of funds that are $750 or more must be reported to the Commander. However, unless there is an indication of fraud or other criminal act, there is no requirement to report or investigate as in losses of funds. A copy of the DD 2667 must be retained with the original voucher transferring the funds to the **R1060 account.

*Figure 6-1. Processing Physical Losses of Funds

PROCESSING LOSSES OF FUNDS DUE TO PHYSICAL LOSS

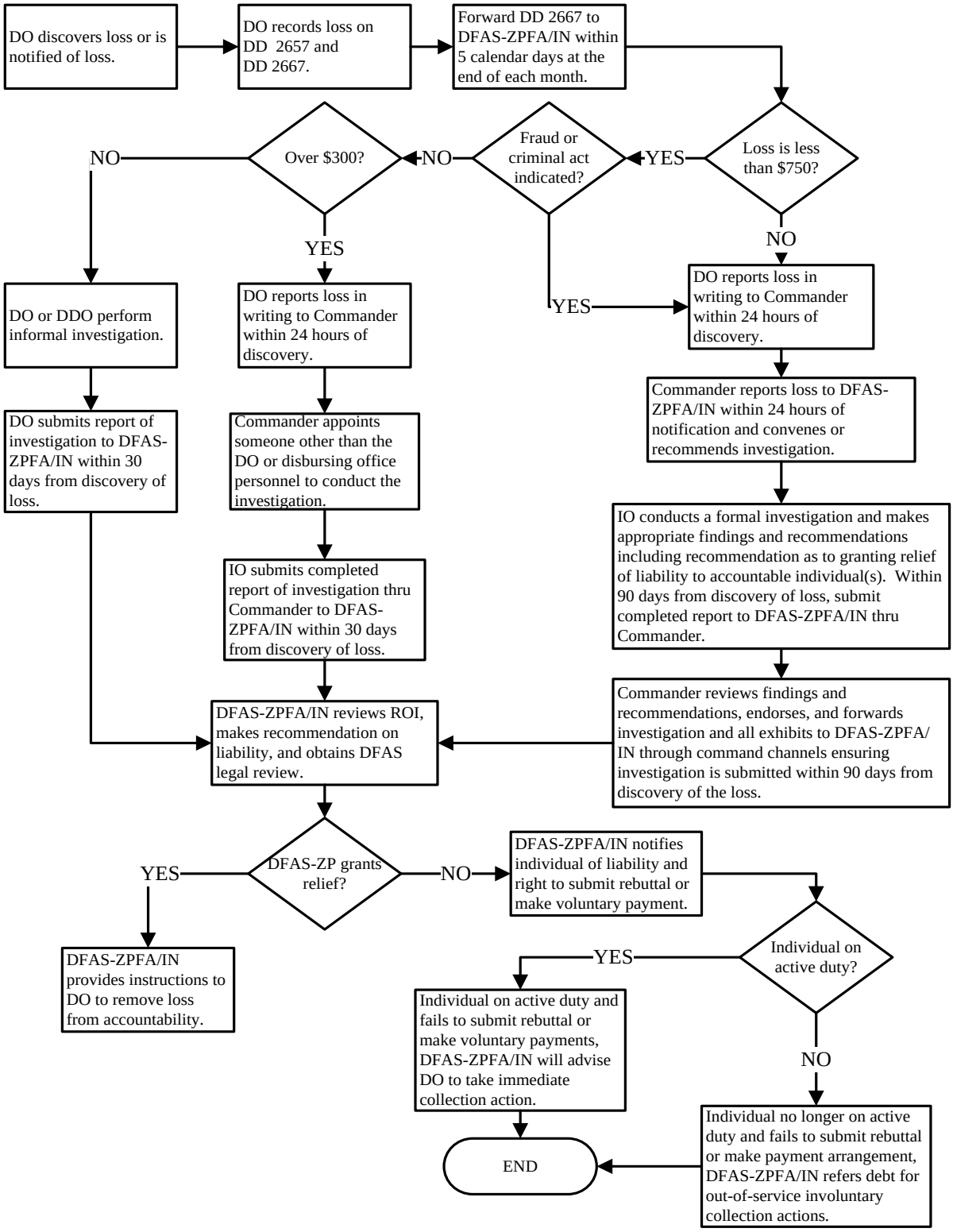

*Figure 6-2. Processing Erroneous Payments

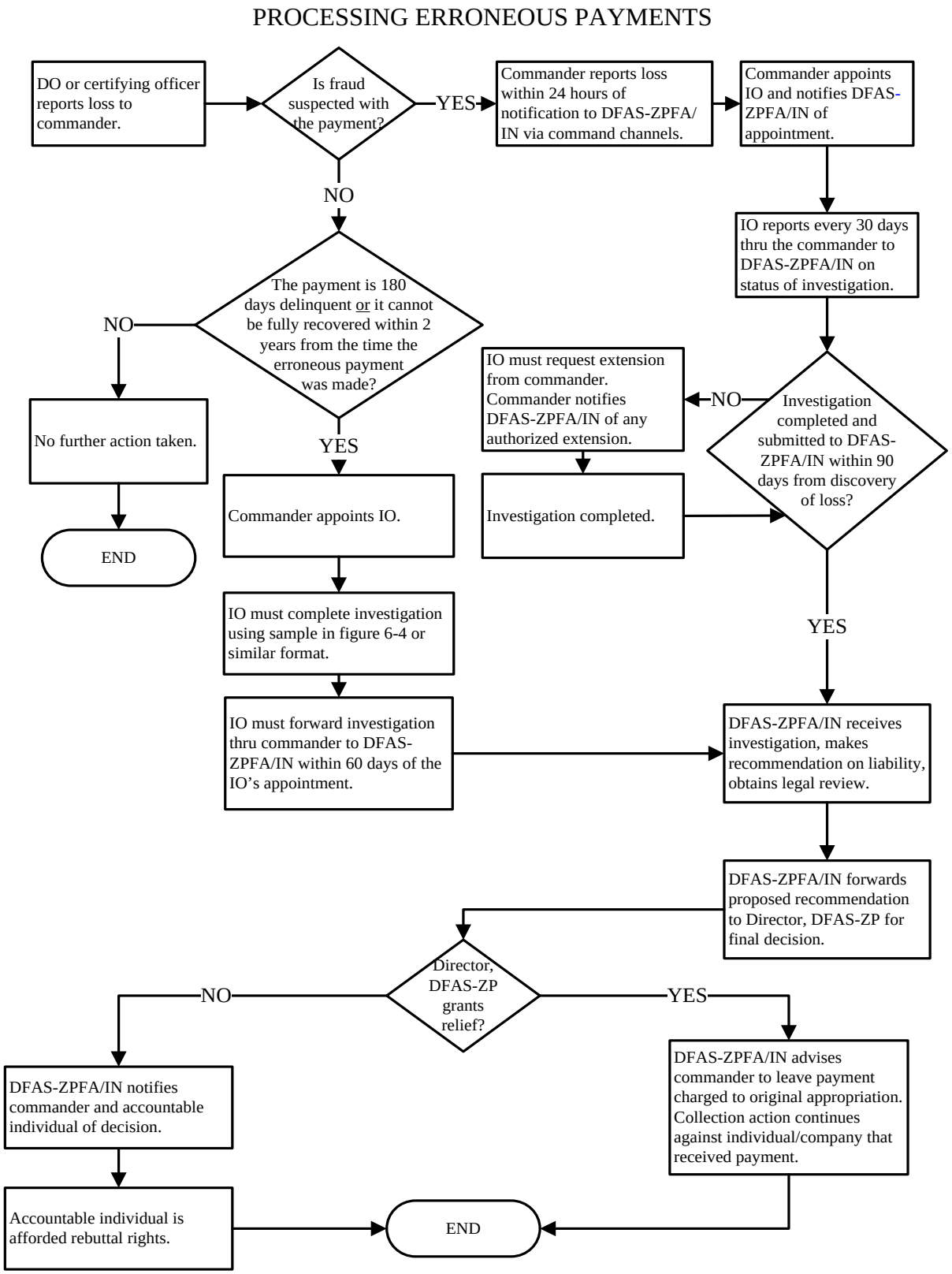

Figure 6-3. DD 2667, Subsidiary Accountability Record (Cumulative Physical Losses of Funds)

SUBSIDIARY ACCOUNTABILITY RECORD

1. DSSN	2. PURPOSE OF RECORD
5995	Cumulative Physical Losses of Funds

3. NAME OF DISBURSING OFFICER	4. ADDRESS
James Harris, Capt.	PACAF, APO AP 96307

5. DATE	6. REFERENCE OR EXPLANATION	7. INCREASE	8. DECREASE	9. BALANCE
6/6/XX	Evan Thomas, 1st Lt, USAF, Dep DO (unexplained loss)	1,375.00		1,375.00
6/12/XX	Ralph Brown, Cashier (Fraud)	210.00		1,585.00
7/1/XX	Ralph Brown, Cashier (Fraud) Recouped		210.00	1,375.00

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NOTES:

- Item 5: For each loss of funds, enter the date the DO recorded the loss in the accountability.
- Item 6: For each loss, enter a brief description of the loss, including identification of the person responsible for the loss.
- Item 7: For each loss, enter the amount of the loss.
- Item 8: If the loss is recovered, recouped, or granted relief, record the amount accordingly.
- Item 9: Enter the cumulative total of the losses. The balance must be in agreement with lines 7.3 or 9.3 on the DD 2657 at all times.

Figure 6-4. Minor Physical Losses-No Fraud

MINOR PHYSICAL LOSSES–NO FRAUD				
1. **Loss Amount**	2. **Date of Loss**		3. **Date Loss Discovered**	
4. **Location of Loss**		5. **DSSN**		
Accountable Officials				
6. **CAPACITY**	7. **NAME**	8. **EMAIL ADDRESS**	9. **GRADE**	10. **MAILING ADDRESS**
DO				
DEPUTY				
AGENT				
CASHIER				
OTHER				
11. **How did Loss Occur?**				
12. **Did accountable officials act in a prudent manner in compliance with regulations, procedures?** **Yes No If no, provide name of official(s) and reason(s).**				
13. **Were accountable officials acting within their line of duty? Yes No If no, provide name(s) and reason(s).**				
14. **Has the presumption of negligence of the accountable official(s) been refuted? Yes No If no, provide name(s) and reason(s).**				
15. If **the loss was by a subordinate, did the supervisory DO/deputy DO exercise adequate supervision?** **If, YES, identify and attach applicable procedures; e.g., SOPs, training guides, inspection results.** **If NO, provide reasons**.				
16. **I do recommend relief of liability _____**		17. **I do not recommend relief of liability _____**		
18. **The accountable officials have been counseled regarding appropriate corrective measures to prevent recurrence and the applicable regulatory procedures for minor losses of funds have been reviewed.** **Yes_____ No (provide reasons)**				
19a. **_____ does request relief of liability_____.** **Additional facts provided in separate memo YES___ NO___**		19b. **_____ does not request relief of liability_____.**		
20.**POC for this investigation is (Name (to include grade/rank), (Phone Number), and (EMAIL address)**				

Figure 6-4. Minor Physical Losses–No Fraud (Continued)

BLOCK	GUIDANCE
1	Insert dollar amount of loss.
2	If known, insert date loss occurred. If unknown, leave blank.
3	Insert date loss was discovered.
4	Insert the location wherein the loss occurred; e.g., Incirlik Air Base, Turkey; USS Eisenhower; Camp Arifjan, Kuwait.
5	Insert the DSSN that incurred the loss.
6	Identify each accountable official, to include the DO, deputy, and the official that incurred the loss.
7	Include the full name of appropriate individuals.
8	Provide the email address of each individual.
9	Include the grade/rank of the appropriate individuals; e.g., GS 4 (civilian) or military rank.
10	Provide the mailing address of each individual.
11	Provide details of how the loss occurred; e.g., "Cashier was performing standard disbursing functions; i.e., check cashing, casual pays, in a combat zone. When cashier returned funds/documents to disbursing agent, a $100 shortage was discovered. Cashier had no explanation for the loss."
12	Respond to this. Note: What “prudent” or “non-negligent” requires applying the standard of reasonable care or ordinary negligence. Negligence is determined by applying a reasonable prudent person (RPP) test. The test requires the fact finder to weigh the facts of the case against what a reasonable person would have done to take care of his or her own property of like description under similar circumstances. Therefore, a determination of negligence is a highly fact-sensitive inquiry and what constitutes “reasonable” or “prudent” under the RPP test is wholly dependent on the facts, conditions, and circumstances presented by each case.
13	Provide Response. Normally the response will be "yes." A "no" response would be rare.
14	The fact that a loss or deficiency occurred gives rise to a presumption of negligence on the part of the accountable official. An accountable official bears the burden of producing evidence to rebut this presumption. The presumption may be rebutted by evidence demonstrating that it is more likely than not, the accountable official was not negligent. In other words, the greater weight of the evidence, though not sufficient to free the mind wholly from all reasonable doubt, is sufficient to incline a fair and impartial mind that the accountable official was not negligent relating to the loss. Regarding negligence, see guidance in Block 12.
15	When a DO is liable as the result of a physical loss by a subordinate and not as the result of direct involvement, the DO may be relieved if he/she maintained adequate supervisory control over the operations. If this is the case, list those controls; e.g., Cashier SOP, training guides.
16	If recommendation is to grant relief, complete with the names of the accountable officials.
17	If recommendation is to deny relief, complete with the names of the accountable officials.
18	Indicate if the appropriate accountable officials have been counseled and applicable regulatory procedures have been reviewed. If not, provide reasons; e.g., accountable official discharged.
19a	Insert the name of the individual(s) requesting relief. If the accountable official(s) requests relief and has additional information not included in the investigation, a separate memo must be provided to DFAS-ZPFA/IN within 30 days after completion of the investigation.
19b	Insert the name of the individual who does not request relief. If the accountable official chooses not to request relief, he/she must pay the amount of the loss.
20	Provide the IO’s name to include grade/rank, phone number, and email address.

Figure 6-5. Request for Extension of Investigation

REQUEST FOR EXTENSION OF INVESTIGATION
COMPLETION BY INVESTIGATIVE OFFICER
1. FROM:
2. TO:
3. REQUEST EXTENSION TO COMPLETE INVESTIGATION OF $_____ LOSS OF FUNDS
4. DATE REQUESTED FOR EXTENSION:
5. REASON FOR REQUEST:
COMPLETION BY COMMANDER WHO APPOINTED INVESTIGATIVE OFFICER
6. COMMANDER APPROVED:_____
7. COMMANDER DISAPPROVED/REASON:

Figure 6-6. Erroneous Payments – No Fraud

<table>
<tr><th colspan="5">ERRONEOUS PAYMENTS-NO FRAUD</th></tr>
<tr><td colspan="2">1. Loss Amount</td><td colspan="2">2. Appropriation</td><td>3. Date of Loss</td></tr>
<tr><td colspan="2">4. Date Loss Discovered</td><td colspan="2">5. Location of Loss</td><td>6. DSSN</td></tr>
<tr><td colspan="5">7. DISBURSING OFFICER/DEPUTY DISBURSING OFFICER</td></tr>
<tr><td>7a NAME</td><td>7b. EMAIL</td><td>7c. GRADE/RANK</td><td colspan="2">7d. MAILING ADDRESS</td></tr>
<tr><td colspan="2">7e. Was payment made based on properly certified voucher?</td><td>Yes</td><td colspan="2">No, provide reason</td></tr>
<tr><td colspan="2">7f. Was payment the result of bad faith or lack of reasonable care on part of the DO?</td><td colspan="2">Yes, provide reason</td><td>No</td></tr>
<tr><td colspan="2">7g. If required, did DO take diligent collection actions?</td><td colspan="2">Yes, provide synopsis of actions taken.</td><td>No, provide reasons</td></tr>
<tr><td colspan="5">8. CERTIFYING OFFICER</td></tr>
<tr><td>8a. NAME</td><td>8b. EMAIL</td><td>8c. GRADE/RANK</td><td colspan="2">8d. MAILING ADDRESS</td></tr>
<tr><td colspan="5">8e. Was certification based on official records and the official did not know and by reasonable diligence and inquiry could not have discovered the correct information?</td></tr>
<tr><td colspan="5">8f (1) Was obligation incurred in good faith?</td></tr>
<tr><td colspan="2">8f (2) Did a law specifically prohibit the payment?</td><td colspan="3">8f (3) Did U.S. Government receive value for the payment?</td></tr>
<tr><td colspan="2">8g. If required, did certifying officer take diligent collection actions?</td><td colspan="2">Yes, provide synopsis of actions taken</td><td>No, provide reasons</td></tr>
<tr><td colspan="5">9. INVESTIGATING OFFICER</td></tr>
<tr><td>9a. NAME</td><td>9b. SSN</td><td>9c. GRADE/RANK</td><td colspan="2">9d. MAILING ADDRESS</td></tr>
<tr><td colspan="3">10. I do recommend relief of liability _____</td><td colspan="2">11. I do not recommend relief of liability _____
(Provide reasons)</td></tr>
<tr><td colspan="5">12a. The accountable official does request relief of liability_____.
12b. The accountable official does not request relief of liability_____.</td></tr>
</table>

Figure 6-6. Erroneous Payments–No Fraud (Continued)

BLOCK	GUIDANCE
1	Insert dollar amount of loss.
2	Provide the appropriation in which the payment was charged.
3	Insert date loss occurred.
4	Insert date loss was discovered.
5	Insert the location wherein the loss occurred; e.g., Incirlik Air Base, Turkey; USS Eisenhower; Camp Arifjan, Kuwait.
6	Insert the DSSN that incurred the loss.
7a, b, c, d	Identify the DO/deputy DO who made the payment by providing his/her name, email address grade/rank of individual(s), and a mailing address.
7e	If the payment was made on a properly certified voucher by a duly appointed certifying officer, check "Yes". If not, provide the reason(s), it was not.
7f	"Bad faith" can be considered somewhere between negligence and dishonesty, and closer to the latter. Whether the DO exercised reasonable care is determined by applying a reasonable prudent person (RPP) test. The test requires the fact finder to weigh the facts of the case against what a reasonable person would have done under similar circumstances. Therefore, a determination of reasonable care or negligence is a highly fact sensitive inquiry and what constitutes "reasonable" under the RPP test is wholly dependent on the facts, conditions and circumstances of each case.
7g	If required and the DO took diligent collection action in accordance with Volume 16, please answer "yes" and provide a synopsis of what actions were taken.
8a, b, c, d	Identify the certifying officer who certified the accuracy of facts stated on the voucher, computation of the certified voucher, and legality of the payment by providing his/her name, grade/rank of individual(s), and a mailing address.
8e	Provide an explanation of what documentation the certifying officer used to certify the payment. If the certification was based on incorrect facts, could the certifying officer have determined the true facts?
8f(1)	Did the certifying officer have, or should have had, doubt regarding the propriety of the payment, and if so, what he or she did about it.
8f(2)	Is there a statute that prohibits the payment? If yes, please provide.
8f(3)	Value received normally implies receipt of goods or services with a readily determinable dollar value; however, an intangible item may constitute value received where the payment has achieved a desired program result.
8g	If required and the certifying officer took diligent collection action in accordance with Volume 16, please answer "yes" and provide a synopsis of what actions were taken.
9a, b, c, d	IO must include this information. This will provide DFAS-ZP with a point of contact, if needed.
10	If recommendation is to grant relief, please complete.
11	If the recommendation is to deny relief, please provide reasons.
12a	If the individual requests relief and has additional information not included in the investigation, provide a separate memo to DFAS-ZPFA/IN within 30 days after completion of the investigation.
12b	If the individual chooses not to request relief and the debt is uncollectible from the recipient of the payment, he/she must pay the amount of the loss.

Figure 6-7. DD 2667, Subsidiary Accountability Record (Overage of Funds Record)

SUBSIDIARY ACCOUNTABILITY RECORD

1. DSSN	2. PURPOSE OF RECORD
5995	Overage of Funds

3. NAME OF DISBURSING OFFICER	4. ADDRESS
James Harris, Capt.	PACAF, APO AP 96307

5. DATE	6. REFERENCE OR EXPLANATION	7. INCREASE	8. DECREASE	9. BALANCE
4/5/XX	John Doe, cashier, discovered in funds at end of day	5.00		5.00
5/14/XX	Jane Smith, paying agent, discovered in funds	.97		5.97
6/18/XX	Additional funds in DDO's safe	7.43		13.40

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NOTES:

- Item 5: For each overage of funds, enter the date the overage collected into a deposit fund account or miscellaneous receipt account, as appropriate.
- Item 6: For each overage of funds, enter a brief description of the overage together with identification of the person responsible for the overage (if known); when disposition is determined, give a brief description.
- Item 7: For each overage, enter the amount of the overage.
- Item 8: This is not used.
- Item 9: Enter the cumulative total of the overages shown in the record.

Table 6-1. Processing Change Fund or Imprest Fund Loss

RULE	A	B	C	D	E
	If	**Then**	**Change Fund Custodian or Imprest Fund Cashier Must**	**DO Must**	**Commander Must**
1	A cash shortage in the change fund is made whole from sales receipts (property),	There is no loss of funds.			
2	A cash shortage in a change fund cannot be made whole from sales receipts,	The balance of the shortage is a loss from the change fund.	Make a return (on paper only) of the amount of the loss using the Statement of Agent Officer's Account, DD Form 1081.	Upon receipt of DD 1081, record the change fund loss on the DD 2667 and on the DD 2657 as a decrease to line 6.5 and increase to line 7.3.	If loss is a major loss of funds, take actions to report loss and convene or request appropriate investigation as specified in subparagraphs 060401.B and 060403.B.2. If loss is a minor loss of funds, conduct an investigation per subparagraph 060403.B.1.
3	A loss of all activity funds (sales receipts and change fund)	It is considered a loss of funds and	Make a return (on paper only) of the amount of the loss using the DD 1081.	Upon receipt of DD 1081, record the change fund loss on the DD 2667 and on the DD 2657 as a decrease to line 6.5 and increase to line 7.3.	1. If loss is major loss of funds, report loss as specified in subparagraph 060401.B. 2. Initiate a report of survey for the loss of sales receipts. The report of survey investigation, plus any other investigations (e.g., FBI) must cover the facts and circumstances surrounding the entire loss (change fund and sales receipts). The report of survey determines liability only for the loss of sales receipts. Since the same set of facts and circumstances relates to both the losses of sales receipts and change funds, a separate investigation is not required for the loss of change fund. 3. Send a summary report of the investigation to DFAS-ZPFA/IN. The report must include: a. Certification that the DO (or authorized agent) advanced the change fund per Chapter 2, paragraph 020901. b. Statement of whether the safeguarding requirements prescribed in Chapter 2, paragraph 020902 were met and if not met, the reason(s) why. c. Determination that satisfactory evidence exists to support a recommendation for relief of the DO or any other person involved, or a finding of pecuniary liability against the DO or any other person involved. d. Copy of the report of survey and all attachments.

Table 6-1. Processing Change Fund or Imprest Fund Loss (Continued)

	A	B	C	D	E
	If	**Then**	**Change Fund Custodian or Imprest Fund Cashier Must**	**DO Must**	**Commander Must**
4	A loss occurs in an imprest fund,		Upon discovery, report loss to DO or authorized agent who advanced the funds through the Commander who approved establishment of funds, and Make a return (on paper only) of the amount of the loss using the DD 1081. Upon receipt of additional advance, if applicable, provide the DO with a signed DD 1081.	Upon receipt of DD 1081, record the change fund loss on the DD 2667 and on the DD 2657 as a decrease to line 6.5 and increase to line 7.3. If Commander determines imprest fund should be restored to its full operational level, make advance following procedures described in Chapter 2 except the amount of the advance must not be recorded as an increase to DD 2657, line 6.5. Record the loss on the DD 2667 and record the additional advance on line 7.3 of the DD 2657.	1. If loss is a major loss of funds, take actions to report loss and convene or request appropriate investigation as specified in subparagraphs 060401.B and 060403.B.2. 2. If loss is a minor loss of funds, ensure investigation is conducted per subparagraph 060403.B.1. Based on information contained in imprest fund cashier's report and amount of loss, volume of imprest fund transactions, and frequency of replenishment, determine whether DO should provide additional advance in amount of loss to restore imprest fund to its full operational level. If decision is to provide additional advance, notify the DO of requirement in writing. a. Include information as to whether imprest fund will be turned over to alternate cashier pending completion of the required investigation(s) and b. Provide instructions of the additional advance to the primary or alternate cashier, as appropriate.

Table 6-2. Questions to Use for Investigations

Question	Cashier Loss	Counterfeit Currency Loss	Agent Officer Loss	Fraud Loss	Imprest Fund Cashier and Change Fund Custodian Loss
Have the DO and other person potentially liable for the loss been afforded all the rights and privileges of parties in interest?	X	X	X	X	X
Has the IO obtained testimony from every person who has relevant information regarding the circumstances?	X	X	X	X	X
Has the IO thoroughly questioned each witness?	X	X	X	X	X
Are there inconsistencies among the testimonies of different witnesses?	X	X	X		X
Did the IO conduct a thorough investigation to discover the full extent of the loss?	X	X	X	X	X
Has the IO considered other investigations conducted regarding the loss? (NOTE: Do not consider lie detector test results.)	X		X	X	X
If fraud is involved, were the methods to defraud the U.S. Government clearly described?				X	
Is the cause of the loss clearly established?	X	X	X	X	X
Was a thorough search of the physical area made for missing cash or vouchers?	X		X		X
Did the IO review the transactions made during the day of the loss thoroughly, in an effort to determine the cause of the shortage?	X		X		X
Were any individuals contacted in an effort to determine if an overpayment had been made and could be recovered?	X		X		X
Were individuals who made collections contacted to determine if they found a compensating overage in their accounts?	X		X		X
Was all the cash-on-hand counted to make sure that there was no compensating overage?	X		X		X
What was the number of transactions handled by the cashier/agent during the period in which the loss occurred?	X		X		X
Did distracting influences exist or were working conditions poor?	X	X	X		X
Was the cashier/agent working under pressure because of the heavy volume of business?	X	X	X		X
Was the cashier/agent handling new currency that has a tendency to stick together?	X		X		X
Was the cashier/agent experienced or inexperienced?	X		X		X
What procedures and internal controls has the DO established to safeguard funds and preclude fraudulent activity?	X		X	X	X
What facilities were available to protect cash for which the cashier/agent was accountable, such as a cash drawer with key lock or a separate safe?	X		X		X
What procedures did the DO, deputy DO, and/or disbursing agent in making daily settlements with the cashier follow?	X				
Has the DO supplied instructions in detecting counterfeit money for those personnel in the office that handle money?		X			
What written SOPs has the DO supplied for guidance?	X	X	X		
Are the SOPs adequate?	X		X		
Did the accountable official follow the applicable procedures on the day of the loss?	X	X	X	X	X

Table 6-2. Questions to Use for Investigations (Continued)

Question	Cashier Loss	Counterfeit Currency Loss	Agent Officer Loss	Fraud Loss	Imprest Fund Cashier and Change Fund Custodian Loss
Has the DO issued any oral instructions?	X	X	X		
Was the cashier's cage or safe accessible to persons other than the cashier/agent?	X		X		
Did theft occur?	X		X		X
Does the exhibit show the appointment of the official; i.e., cashier, deputy, agent?	X		X		X
Was the cashier/agent functioning under the direct cognizance/control of the DO?	X		X		
When, and by whom, was the receipt of counterfeit currency detected?		X			
Was an effort made to determine the source of the counterfeit note(s)?		X			
Does the volume of transactions handled by the cashier/agent preclude a careful inspection of every piece of currency?		X			
Do exhibits show the amount the DO entrusted to the cashier/agent, the signature of the cashier/agent in receipt of funds, the turn-in made by the cashier/agent, and the amount of the shortage or a statement of the cashier's/agent's account?	X		X		
If the loss involves funds in the hands of a cashier/agent, has the DO inspected and supervised the cashier/agent office, or arranged for such inspections?	X		X		
Under what functional capacity was the accountable individual acting with regards to the DO?				X	
What is the accountable official's immediate chain of command within the activity for which they provide disbursing services?				X	
Has all possible collection action been taken?				X	
In the case of military personnel, is collection action being taken in the field or by the supporting DFAS site in cases when personnel have been separated from the Service?				X	
In the case of civilian employees, has the individual involved authorized application of pay to offset the shortage?				X	
Have steps been taken to secure application of final pay to settle the indebtedness?				X	
If the amount of the indebtedness has been determined, has a request been made to Office of Personnel Management for offset against the Civil Service Retirement and Disability Fund?				X	

VOLUME 5, CHAPTER 7: "U.S. TREASURY CHECKS"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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

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

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

The previous version dated January 2015 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and ensured format complied with current administrative standards.	Revision
All	Changed paragraph numbers and figures due to realignment of chapter.	Revision
070304.B.1 & 070304.B.2	Deleted obsolete information referencing emergency check stock. This function is no longer performed or required.	Deletion
070502.G	Deleted information referencing disposition of check signature medium. This function is no longer performed or required.	Deletion
070802	Revised the paragraph to add clarity to "Advice of Check Issue Discrepancy."	Revision
070806	Deleted information referencing "Adjustments to Financial Reports Previously Submitted." This information is included in subparagraph 070803.C.	Deletion
071003.B	Deleted the subparagraph for "Time Limit for Holding Undeliverable Checks." This information is included in paragraph 071004.	Deletion
071110.B	Deleted the subparagraph for "Undelivered Replacement Checks." This information is included in paragraph 071109.	Deletion
071502	Deleted information referencing "Advice of Check Issue Discrepancy." This information is included in paragraph 070802.	Deletion

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CHAPTER 7

U.S. TREASURY CHECKS

0701 GENERAL

070101. Overview

Disbursing Officers (DOs) issue U.S. Treasury checks under applicable laws and regulations for military pay and allowances, civilian pay, settlement of travel claims, authorized advances to travelers and agents, exchanges for cash, and deposits for credit to the Department of the Treasury (Treasury). The Competitive Equality Banking Act of 1987 (CEBA) amended ***Title 31, United States Code (U.S.C.), section 3328*** and created a new section 31 U.S.C. ***§ 3334*** that establishes time limits on the payability of Treasury checks. CEBA affects the time allowed for negotiating Treasury checks, initiating and processing claims, recovering monies from financial institutions, and requesting replacement check payments. The underlying obligations for which Treasury checks were issued are not affected. CEBA legislation does not impose the same payability restrictions on check payments made from limited depositary accounts (LDA).

070102. Purpose

This chapter provides basic principles and requirements for procurement of Treasury checks, check types and features, security, storage, and signature media to include machine specifications of check signing machines. It also provides information on the issuance of Treasury checks, exchange-for-cash checks, check issue discrepancies, spoiled and voided checks, check cancellation, and the necessity for timely and accurate reporting to Treasury.

070103. Authoritative Guidance

Treasury Check usage is governed by ***31 U.S.C. § 3321(c)(2)***, Disbursing Authority in the Executive Branch; 31 U.S.C. § 3328, Time Limit on Treasury Checks; ***31 U.S.C. § 3331***, Substitute Checks; ***31 U.S.C. § 3332***, Required Direct Deposit; ***31 U.S.C. § 3343***, Check Forgery Insurance Fund; ***31 U.S.C. § 3702***, One-Year Limit for Check Claims; and 31 U.S.C. § 3334, Cancellation and Proceeds Distribution of Treasury Checks.

0702 POLICY

070201. Drawing and Dating Checks

A. Drawing a Check. Inscribe checks drawn on the Treasury to the payee by name or to a financial institution for credit to the account of the named payee, except for checks drawn as exchanges for cash (see section 0707). Never make a check payable to “Cash.”

B. Dating and Mailing Checks. DOs must not issue checks in payment of salaries before completion of the service for which the payment is being made or before the

scheduled payday, unless authorized (e.g., advance pay). A Department of Defense (DoD) Component is authorized to mail checks to payees before a military or civilian payday to ensure payments are available when due. When mailing a check before payday, do not date it before the date of the scheduled payday. Agencies using this method of pay delivery must have internal controls that alert the DO when a payee becomes ineligible for scheduled pay (e.g., unauthorized absence or separation) and ensure that pay intercept procedures can be initiated.

C. Legal Representatives

1. Legal Representative of Estate of Decedent. A check may be drawn to the order of a legal representative of the estate of a deceased person (e.g., "John K. Smith, Executor of the estate of James R. Jones"). Do not make a check payable "to the estate of" a decedent or to a deceased person.

2. Committee or Guardian. A check may be drawn to the order of a legally appointed committee, guardian, or other legal representative of a mentally incompetent payee when specifically authorized (see Volumes 7A, 7B, and 8).

3. Power of Attorney. The payee of a check may authorize another person to receive a Treasury check by execution of a specific power of attorney that clearly states the holder is entitled to receive the check on the payee's behalf. The person receiving the check signs his or her own name on the voucher followed by the words "Attorney-in-Fact for" and the name of the person granting the power of attorney. The DO verifies the identity of the holder and keeps a copy of the power of attorney. Process payments made to the holder of a power of attorney that require "secret" or "confidential identity" using a cover voucher insert. Transmit a copy of the original voucher and a copy of the power of attorney to the supporting Defense Finance and Accounting Service (DFAS) site for proper handling and storage.

D. Signing Blank Checks. Signing blank checks is prohibited.

070202. Negotiability

Treasury checks are negotiable for one year from their issue dates. This became effective October 1, 1989; checks issued before that date became void on October 1, 1990. Checks presented for payment that is not negotiable must be verified for validity and replaced, if appropriate (see section 0712).

070203. Evidence of Payment

The issuance and mailing of a check to a creditor of the United States does not, by itself, constitute payment of a debt. A debt is not discharged until a creditor has received the amount of the debt in money or its equivalent in law. An acknowledgement of receipt of the check is also not evidence of payment. The endorsed and negotiated check is the receipt to the government.

070204. Federal Nontax Payments

A. The Treasury Financial Manual (TFM), Part 4A, section 2035 (I TFM 4A-***2035***) requires that all Federal nontax payments must be made by Electronic Funds Transfer (EFT) unless a waiver applies.

B. No waivers are available for vendor payments; all must be made by EFT.

0703 PROCUREMENT OF TREASURY CHECKS

070301. Ordering

Order Treasury checks using U.S. Government Printing Office (GPO) Form 2431, Print Order-Department of the Treasury Checks and Proofs (see Figure 7-1). Disbursing offices should order enough checks to last 1 year unless there is reason to request a supply for a longer or shorter period; cite this reason in the "Remarks" section of the form. The minimum order amount for any check format is 1,000 checks, except for roll stock for which the minimum is 40,000. Larger quantities should be in multiples of 1,000. Include in the check order the full line of accounting and the unit identification code. The order and shipping time for checks is 90 days. To ensure continuity of operations, DOs should not allow check stock to fall below a six-month supply. Set reorder levels for when the check stock reaches the nine-month level. Send orders to:

Defense Finance and Accounting Service-Indianapolis Center
Enterprise Solutions and Standards Directorate
Tax and Disbursing Division (DFAS-IN/JJFKCB)
8899 E. 56th Street
Indianapolis, IN 46249-2700
Email: dfas.indianapolis-in.jjf.mbx.ess-disbursing@mail.mil

As an exception, a DO at a newly established disbursing station symbol number (DSSN) should submit a check order at least four months before the planned commencement of disbursing operations. The DFAS Tax and Disbursing Division is the sole check-ordering agency for DoD activities. The DO must request cancellations of check orders in writing through DFAS-IN/JJFKCB. There is no fee for cancelling an order, but the contractor will be compensated if an order is canceled after check production operations have begun.

070302. Check Types

A. Regular Issue Checks. Regular issue checks are standard checks with preprinted DSSNs, serial numbers, and magnetic ink character recognition (MICR) encoding.

B. Unnumbered Checks. Unnumbered checks are regular issue checks controlled by preprinted inventory control numbers (ICNs) rather than preprinted DSSNs, serial numbers, or MICR encoding, and are for use only by DFAS sites. Under ***I TFM 4-5035.15***, systems that prepare these checks must have a post-print verification unit to read and verify

certain critical data after the optical character recognition-B (OCR-B) and MICR data are printed. These data elements are the OCR-B, check symbol, serial number, dollar amount, and the entire MICR line. The system must internally calculate the check digits for the check symbol and serial number on the MICR line and verify correctness, compare the MICR data with the OCR-B data, and verify both the OCR-B and MICR data with the data from the input source. If any character fails to verify correctly, the check or checks must be rejected, marked "Void - Not Negotiable," and then reprinted.

C. Test Grid Checks. Test grid checks provide the format of the check by grid lines to test or align automated check writing and bursting equipment. They are white with a non-reproducible blue test grid (eight vertical lines per inch and ten horizontal character positions per inch). They are printed for government-wide use. Ignore the date and dollar boxes since they are not preprinted on checks. Test grid checks are not for issuance.

D. Specimen Checks. Specimen checks are identical to unnumbered checks except that they are overprinted with the words "SPECIMEN CHECK – NOT NEGOTIABLE" in black ink in a type size of at least 18 points in the signature space, with an ICN Alpha prefix of "X" in the numbering sequence. Safeguard specimen checks the same as blank checks. In the absence of a specimen check, use a blank check marked "Void - Not Negotiable, No Check Issued Under this Number," if available; otherwise, use a piece of paper or card of check size 7 3/8 inches in width and 3 1/4 inches in length. When ordering, the contractor determines the numbering sequence based on the ending number of the previous order.

E. Blank Check Formats. See ***I TFM 4-5020.20***.

070303. Check Features

A. General. Disbursing activities may issue only multi-hued, standard size checks (7 3/8 inches in width and 3 1/4 inches in length) against the Treasury's account.

B. Pre-Encoded Magnetic Ink Characters. Certain information is encoded in MICR format along the lower edge of regular issues. The MICR area extends across the width of the check from positions 14 to 54, 5/8 inch up from the bottom of the check. The MICR line consists of a 9-digit check serial number in positions 23 through 31, a 9-digit routing transit number in positions 34 through 42, a 5-digit check symbol number in positions 49 through 53, and the appropriate MICR symbols citing preprinted symbol and serial numbers.

C. Check Serial Numbers. When all serial numbers of a DSSN have been used, Treasury's Bureau of the Fiscal Service (Fiscal Service) will assign a new DSSN for the next supply of checks. Accordingly, as serial numbers of checks issued approach 99,999,999, the DO should notify the Fiscal Service's Check Analysis Branch (CAB), through DFAS-IN/JJFKCB, to facilitate assigning a new DSSN before the next supply of blank checks is ordered. In this instance, the DO should allow 30 days in addition to the time normally required to print and deliver the checks for the proof to be changed.

D. Check Numbering. Initial orders for serially numbered checks must specify that the numbers begin with 00,001,000 and end in "##,###,999." Serial numbers on subsequent orders must follow in exact sequence.

E. Additional Imprinting and/or Numbering. On formats E, G, GS, I, K, and M, agencies may order additional printing and/or numbering on the check stub.

1. Number Only. Print the check number on the face of the check stub in OCR-B black ink.

2. Personalized Imprint Only. Print personalized information on the face of the check stub in OCR-B black ink (include the address of the issuing DO).

3. Number and Personalized Imprint. Print the check number and personalized information on the face of the check stub in OCR-B black ink.

070304. Emergency Checks

Place emergency check orders as a last resort and keep emergency check orders to a minimum. Send emergency orders for checks to DFAS-IN/JJFKCB. Include the DSSN for which the checks will be issued, the name of the DO, and justification for the order. Specify the check quantity, in multiples of 1,000, that will be sufficient to last until regular issue checks are received. If applicable, include the unfilled check order number and date of that order in the request. Use emergency check stock completely before using any new stock of regular issue checks. The DO must request cancellation of emergency check orders in writing to DFAS-IN/JJFKCB. No fees are charged for cancelling emergency check orders.

070305. Receipt of Treasury Checks

A. Receipt. Upon receipt of a check shipment and based on a representative sample, the DO or designee verifies that all checks have been received, examines the accuracy of the printing, and verifies the check symbol/serial numbers in the upper right corner of the checks and in the MICR field. Open any box bearing evidence of tampering and individually count each check. An acknowledgment to the vendor of receipt of the checks is not required. If shipment is by means other than registered first class mail, the vendor mails an "Advice of Shipment" form to the ordering activity when it ships the order. The upper portion of the form describes the checks being shipped and the lower portion is an inspection receipt report. After receipt and verification of the check order, sign the form and send it to DFAS-IN/JJFKCB.

B. Warranty. The vendor provides a 120-day warranty on checks it produces, beginning with the day the checks are delivered to the user. The office that receives the checks is responsible to determine any obvious defects or missing checks before the warranty period expires. Otherwise, the vendor may not be liable for making replacements.

C. Defective Check Shipments

1. If checks are missing from the shipment, or check stock is in some other way defective and replacement is warranted, contact DFAS-IN/JJFKCB. If checks are damaged upon receipt, the DO should contact the trucking company; if checks were sent by registered mail, contact the U.S. Postal Service (USPS) to initiate a claim for damages.

2. If a check shipment is received that contains more than one check with the same check serial number, in addition to the notification to DFAS-IN/JJFKCB, the DO must destroy each check bearing a duplicate number. Since the remaining checks bearing these same serial numbers may be issued in the normal manner, do not report check serial numbers of the duplicate checks as zero dollar amounts in the check issue report. Mark the checks bearing the duplicate numbers "Void - Not Negotiable" and destroy them locally within 30 days.

3. If checks are discovered missing in the receipt verification process or at any time thereafter, notify both DFAS-IN/JJFKCB and the nearest DoD Component investigative service for referral and liaison with the U.S. Secret Service (USSS).

4. If checks are received that are intended for another disbursing office, immediately contact DFAS-IN/JJFKCB for instructions regarding the shipment.

070306. Transfers Between Disbursing Officers

Count checks transferred between DOs as a part of the relief from disbursing duty process by both the transferring and the receiving parties when they are not in the original packages (see Chapter 2, subparagraph 020406.A.3).

070307. Security, Storage, and Issuance of Blank Checks

A. Store blank Treasury checks in a secure container (see Chapter 3, paragraph 030304). Keep them in the DO's or deputy DO's (DDO) safe or under lock and key. The DO or DDO must store blank Treasury checks in a secure container. The DO or designee ensures that the condition of storage prevents any deterioration of the surface tint and design of the check, which are sensitive to moisture, light, and heat. The DO or designee may accept checks which bear printing of a satisfactory color and strength and, if subsequent deterioration occurs, obtain a replacement supply. Check stock may be stored in safes or vaults to which both the DO and the designated DDO have access. Only one individual should be given primary responsibility for maintaining the check stock and related control records. Access by others should be limited to occasions when the designated custodian is absent.

B. The DO or designee maintains control of the check stock and is accountable for it at all times. In cases of joint custody, the DO or designee ensures that no break in accountability occurs, to provide for access to the check stock during periods of brief or unexpected absence of the single individual who exercises normal day-to-day responsibility for the check stock.

1. A DO or designee maintains a blank check control log for each series of checks used to maintain a perpetual inventory of checks on hand and control their release. Include in the blank check control log the date, beginning and ending check numbers, balance of checks on hand, initials of the persons advancing or receiving the checks, and initials of the persons receiving or returning the checks. DOs that use unnumbered roll stock use the ICNs rather than check numbers. The DO or designee must examine the blank check control log daily to ensure that all checks drawn and checks returned unused are accounted for and that no checks have been removed without authority.

2. Using the prescribed blank check control log:

a. The DO or designee issues blank checks to check writers from the check stock in blocks of appropriate size by serial numbers and monitors the return of blank, voided, or spoiled checks to the vault. The DO or designee also uses the control log to control issuance and return of checks between the DO and sites external to the disbursing office that prepare checks.

b. The DO or designee must obtain receipts for checks issued. The designee in charge of the working checks must keep a record of checks issued daily to each clerk, examine daily the record of checks drawn and returned unused by the clerks to account for checks issued, and ensure that no checks are removed without authority.

c. The DO or designee must inventory the check stock not less than once every 90 days. Any open container must be inventoried by an individual count of the checks contained therein. Open all damaged cartons of checks, or those bearing evidence of tampering, and individually count the checks. Keep a record of the inventory on hand in the disbursing office and provide it to the cash verification team for attachment to the quarterly cash verification report (see Appendix A).

3. When blank checks are lost or stolen:

a. The DO or designee immediately notifies the Commander, the nearest office of the USSS by email or telephone, and Fiscal Service at telephone number (304) 480-7777. Confirm the notification with a letter to the Fiscal Service's Security Division, 3700 East-West Hwy, Room 149B, Hyattsville, MD 20782, with copies to the USSS, appropriate DoD Component investigative service, DFAS-IN/JJFKCB, and appropriate local banks. Include the DSSN, ICNs or serial numbers of the checks involved, a statement giving complete information concerning the loss or theft, and the date the loss was referred to the USSS for investigation.

b. If the loss involves a range of consecutive serially numbered checks, only the beginning and ending serial numbers of the range are required. Void all checks discovered to be missing, lost, or stolen before issuance, and report the circumstances following ***I TFM 4-5030.20***.

0704 ISSUANCE OF TREASURY CHECKS

070401. Check Preparation

A. General. Issue checks in strict numeric sequence within each series. The information essential to a check includes place and date of issue, DSSN, serial number, payee, amount, signature of drawer, designation of title, and other identifying information. Do not print legends such as "Salaries and Expenses" or "Drawn for Above Object" on the face of a check. Check explanations (e.g., exchange-for-cash or salary) and other special information unique to each disbursing activity may be entered at the bottom of the check to the left of the signature area. Keep extraneous data to a minimum. Spaces allotted on the printed check form for specific information are only for their intended purposes. Do not leave any spaces unfilled in a manner that would allow or facilitate alterations and additions that could lead to forgery or fraud.

B. Check Completion. A completed check must have an orderly appearance and good legibility for accurate reading in rapid handling. Avoid overprinting, intersecting, and crowding. No check may be issued for more than $99,999,999.99. In instances when the total payment exceeds that amount, issue two or more checks that total the payment required. No deviation in the check writing procedures is permitted unless authority is first obtained from DFAS-IN/JJFKCB. See ***I TFM 4-5000***.

070402. Check Print Requirements

A. General. Data printed or typewritten on checks will be permanent and not affected by erasure, smudging, moisture, handling, the passage of time, or by other methods that might intentionally or unintentionally be used to remove or alter the printing without affecting the check itself.

1. Impact printers may be used. Laser type printers where the toner fuses the print into the check may be used. Do not use laser type printers which only lay an image on the surface of the paper. Do not use correctable ribbons for manual preparation of checks, as they lack the permanence required to protect against undetectable alteration.

2. The physical characteristics and layout of the blank check determine the correct position of the date, amount, payee name, and DO's signature. Avoid deviations from the normal positioning of this information. To standardize printing and facilitate accuracy verification, inscribe words on checks in all capital letters. Omit punctuation except commas used in addresses and to set off names of two or more payees.

B. Pay to the Order of. Inscribe the payee's name on a check to ensure positive identification.

1. To ensure correct endorsement and for other reasons established by custom, the payee's surname should appear last; the correct order is first name, middle name or initial, and last name. Where the payee has an often used surname (e.g., "R T Jones" or "J G Smith"), the use of initials only, instead of the full given name is inadequate to provide positive

identification of the rightful payee. An initial in lieu of a first name is permissible only in cases where the payee's legal given names consist of initials only. In this case, show the words "Initials Only" after the initials. In instances where the length of the surname would leave insufficient space for the full first name, or where the check writing system makes the use of a first name impractical, show other positive identifying data, e.g., the payee's address on the check.

2. While not a violation of the Privacy Act, when entering a payee's SSN on the check, inscribe it in a location where it will not be visible in the envelope window if the check is mailed. When checks are to be mailed, exercise care to assure that the full and complete address of the payee is entered on the checks or envelopes, including rural route numbers, box numbers, house numbers, zip codes, and any other information needed for correct delivery.

C. Date. Print the date on the right side of the check below the DSSN and check number or at the top of the check immediately to the right of and on a line with the place of issue with a base line 9/32 inch from the top of the check. Check signers equipped with date bands may be used as long as the location of the stamped date does not interfere with preprinted data or other data to be printed or typed on the check.

D. Numeric Dollar Amount. Print the numeric dollar amount in the upper right quarter section of the check above the signature of the DO and below the DSSN, in horizontal alignment with the name of the payee or the amount in the body. Completely fill the allotted area with the money amount, preceded by a dollar sign, e.g., $****123.45. Leave no space unfilled that otherwise might be susceptible to use for fraudulent insertion. To reduce opportunities for amount alterations, use neither zeroes as fill-in characters preceding the money amount nor commas in the money amount.

E. Written Dollar Amount. Printing the amount in the body of a check in words offers greater protection against the alteration of amounts. If a disbursing activity determines that substantial savings in the cost of issuing checks would result or that space is limited, it may use figures only, without any spacing within the amount, in one of these formats: $50and75cents, $50and75/100, or $50.75.

F. Other Special Information. Print special information (e.g., distribution code, computer or typewritten check serial number, or explanations for check issuance) at the bottom of the check to the left of the signature area. When checks are drawn for public vouchers or payroll payments, the DO, at his or her option, may insert the disbursing office voucher number or, if applicable, the bureau voucher number.

G. Drawer's Signature. Each check issued must bear either the DO's manual or approved facsimile signature, or the manual signature of a DDO appointed following Chapter 2, paragraph 020502. Manual signatures should generally agree with specimens previously submitted to DFAS-IN/JJFKCB. Checks drawn by a DDO are signed below the printed, typed, or stamped title of the DO for whom he or she is acting, as follows:

Disbursing Officer

By _____, Deputy
(Deputy DO's Signature)

Use permanent dark blue, blue-black, or black ink for signatures on checks (whether manual or by facsimile signature). The ink should not be subject to fading and not readily soluble in water.

070403. Erasures and Alterations

DOs must not release checks with erasures, alterations, overprinting, or imperfect figures or letters. Spoil or void such checks and issue replacements (see section 0709).

070404. Record of Checks Issued

Each DO must maintain a record of checks issued by their DSSN. The record must contain at least these data elements: payee, amount, DSSN, check serial number, and date of the check. Other information as to the purpose for which the check was issued, document number, voucher number, and local identification code or number is optional and subject to the discretion of the issuing DO. The record may be kept on paper or electronic medium designed for data processing use. Include copies of check issue records with the retained disbursing records.

070405. Supporting Documents

Attach documents and payroll vouchers used to support the record of checks issued to the original vouchers submitted to the supporting DFAS site. Do not transmit them to the Treasury with the check issue reports. Submit electronic files formatted for check issue reporting to the DFAS site for consolidation and entry into the Defense Check Reconciliation Module (DCRM). Send requests for the DCRM Users' Manual to dfas.dscc.zte.mbx.cco-dcrm@mail.mil. Include all the necessary data for Treasury's reporting purposes in the electronic flat file. See paragraph 071407 for Standard Form (SF) 1179, Month End Check Issue Summary, submission requirements.

0705 CHECK SIGNING MACHINES

070501. Machine Specifications

Select check signing machines that meet Treasury regulations and standards (see I TFM ***4-5015.20***). Impact check signers using rubber signature dye or approved laser check printers containing digitized signatures may be used. The machines should have the following features:

A. A dating device capable of placing the date either immediately above or to the right of the words "UNITED STATES." It is preferable to have the signature and date imprinted in a single operation; if the check writing equipment also imprints the date, the check signing machine does not need to have this capability;

B. A mechanism capable of processing paper checks. Offices issuing checks with detachable stubs ensure that the mechanism's feeding device can handle this type of check; and

C. A key-controlled DO signature feature or a removable computer chip containing the digitized signature for laser check printers with digitized facsimile signature capability. Keep the key and/or the chip controlling the signature capability in a locked safe or vault or under other equally effective safeguards when not in use.

070502. Signature Media

A. Requisition

1. General. Upon receipt of orders to disbursing duty, the prospective DO contacts the disbursing activity to determine if a check signing machine is available and obtains all necessary information, e.g., type of equipment, model, serial number, and number of plates or digitized chips required. If the prospective DO already has a compatible signature medium, he or she requests DFAS-IN/JJFKCB send it to the new location. Otherwise, he or she sends three specimen signatures to the new duty station for use in procuring a new medium (see Chapter 2, paragraph 020404). The signatures must be in black ink on blank, unlined, 3 by 5 inch white cards and accompanied by a statement designating the number to be shown on the medium as explained in subparagraph 070502.A.2.

2. Request for Procurement. Upon receipt of the specimen signatures, the outgoing/relieved DO immediately prepares and forwards a request for procurement to DFAS-IN/JJFKCB for approval and forwarding to the contractor. DFAS-IN/JJFKCB ensures sequential numbering of the medium (see ***I TFM 4-5015.20***). The purchase order must include the statement:

> "Signature plates for impact type check signers are rubber stamps containing the prescribed facsimile signature of the DO. Digitized signature media are normally Dual In-Line or Single In-Line Memory Module computer chips. Computer diskettes and Universal Serial Bus peripherals contain the DO's signature that is loaded to the laser printer check signing software."

Also include the following information:

a. The type, manufacturer's name, model, and serial number of the check signing machine;

b. Whether the signature plate or digitized signature medium is for a machine currently in use;

c. If the plate or digitized signature medium is to be used on a new and undelivered machine, refer to the procurement papers for the machine including the manufacturer, type, and model; and

d. The plate number and the name of the DO.

3. Numbering. Treasury regulations require that the signature media of each DO be numbered in sequence in the lower left corner of the border beginning with the number 1. Include on each order the next sequential number for the affected DO (see I TFM ***4-5015.20***).

4. Multiple Media. Normally, a DO and authorized DDOs use only one signature medium. Multiple signature media may be obtained only upon approval of DFAS-IN/JJFKCB. Requests for additional media must include justification of the need for more than one medium. If the check signing machine uses one set of two plates for signing, additional media may be obtained only upon approval of DFAS-IN/JJFKCB.

B. Format and Quality of Impression. DFAS-IN/JJFKCB will not accept facsimile signatures that do not meet required standards. Design facsimile signature media so that the frame or border which encloses the facsimile signature is a single wavy line that contains no identifying characteristics. Characterize the impression of the signature with sharp lines, a continuous and homogeneous deposit of ink, absence of filling, and absence of pronounced ribbon pattern.

C. Approval. Upon receipt of the signature media, the DO whose signature is reproduced runs 14 specimens of each facsimile signature, certifies two of the copies as true facsimiles, and mails all 14 copies to DFAS-IN/JJFKCB with a memorandum requesting approval of the facsimile to sign checks. The reply of approval authorizes use of the check signing machine. In the case of Cummins check signing machines, the contractor produces 14 specimen copies of each medium and mails them to DFAS-IN/JJFKCB which compares the specimens to the originals on the purchase order and sends the approval to the disbursing office. If the specimens do not match or the medium does not meet required standards, DFAS-IN/JJFKCB advises the contractor and requests correction. Do not sign checks by facsimile signature before receipt of DFAS-IN/JJFKCB approval.

D. Custody. The DO establishes and implements controls necessary to prevent unauthorized use of signature media. Maintain custody receipts for all signature media held by authorized deputies and a record of each run of checks through the check signer, and reconcile this report with the report of checks issued. When not in use, keep signature media in an approved safe or vault. If the signature media are not removable from the check signing machine, keep the keys to the machine in an approved safe or vault.

E. Use. Check signing by signature media should be performed by only the DO or designated DDOs. When considered necessary for efficient operation of the disbursing office, the DO may authorize (in writing) the holder of a specified position other than a DDO to perform this function. Do not appoint individuals as DDOs solely to sign checks by signature media.

F. Destruction

1. Signature Medium. If a signature medium is to be withdrawn from service (e.g., not to be used again or DO retiring from service) or is unserviceable, destroy it locally. This destruction must be by someone other than the DO and be witnessed by two individuals equal to or senior in rank to the DO.

a. Before destruction, the DO verifies the signature plate number or serial number of the digitized signature medium, and witnesses the information on the certificate of destruction.

b. Identify in the certificate of destruction the typed name, title, and grade or rank of the DO; complete mailing address of the disbursing station; date and method of destruction; DSSN; typed name, title, and grade or rank of the witnessing individuals; the DO's signature; and a statement as to whether or not the digitized signature medium had to be loaded to a printer or check signer software.

c. If a signature plate is destroyed, include in the certificate of destruction the specific plate number and an inked impression of the plate.

2. Digitized Medium. If a digitized medium containing the DO's signature is destroyed and that signature had been loaded to a printer or check signer software, the DO verifies that the signature has been permanently removed from the printer or check signer software. This destruction must be by someone other than the DO and be witnessed by two individuals equal to or senior in rank to the DO. The DO signs the certificate of destruction only after the actual destruction of the signature medium. Immediately upon destruction, the DO sends the original certificate of destruction to DFAS-IN/JJFKCB for inclusion in the DO's DSSN file and keeps a copy of the certificate at the disbursing office. DFAS-IN/JJFKCB compares the signature plate number or digitized signature medium serial number listed in the certificate of destruction to the original purchase documents to verify the actual destruction of signature media.

0706 PROMPT DELIVERY OF CHECKS

070601. General

Once prepared, deliver checks promptly to payees. The DoD requires participation in the direct deposit program for all newly enlisted, reenlisted, appointed (commissioned), or retired military personnel and all newly hired civilian personnel. Title 31, U.S.C. § 3332 requires that contractors be paid by EFT.

070602. Safeguarding and Handling

A. Properly safeguard checks, handling them as few times and by as few people as practical.

B. Ensure proper custody, signing, and delivery of checks. If checks are handed to the payees, require that payees identify themselves. Utilize the payee identification process discussed in Chapter 9, paragraph 090404.

C. Promptly return to the disbursing office checks not delivered within the time specified by the DO.

D. Keep checks in a safe, vault, or locked fireproof cabinet pending distribution or return to the DO.

E. Designate personnel engaged in pay delivery activities in writing and supervise them to help prevent any unauthorized, fraudulent, or other irregular activities.

070603. Delivery by Mail

The normal method of check delivery is by mail through the USPS to payees' residential mailing addresses or post office boxes. At overseas activities, payees' organizational addresses are considered their residential mailing addresses; organizational addresses are otherwise not valid. When check delivery by mail is impractical, commanders or their designees may provide specific locations where payees may receive their checks. If checks are mailed to specific locations for delivery, the DO appoints a person in writing at each location to deliver the checks as a designated third party (see paragraph 070605).

070604. Outside the Continental United States (OCONUS)

A. Restrictions. Under ***Title 31, Code of Federal Regulations (CFR), 211.1***, the Secretary of the Treasury prohibits agencies from sending checks to the Republic of Cuba (except to the Naval Base, Guantanamo Bay) and the Democratic People's Republic of Korea (North Korea). DOs instead withhold payment and establish the liability on their books. Go to the Treasury's ***Office of Foreign Assets Control*** website for a complete listing of designated nationals and blocked persons.

B. Exceptions. The restrictions in subparagraph 070604.A do not apply to checks payable to foreign governments, issued to pay salaries or wages, or for goods or services purchased by the U.S. Government. See ***31 CFR § 211.3***.

C. Claims for the Release of Withheld Checks or Proceeds. The agency originally responsible for authorizing the issuance of proceeds processes claims to release them (see ***31 CFR § 211.2***). If an agency withholding payment receives a valid claim, it issues a check and decreases the related liability. If the proceeds of withheld checks were on deposit with the Fiscal Service before April 1976 and are still in deposit fund account 20X6048 (Proceeds of Withheld Foreign Checks), submit requests for payment with an appropriate recommendation to the Credit Accounting Branch, Fiscal Service, Department of the Treasury, PGMC II – Room 622D, 3700 East West Highway, Hyattsville, MD 20782, or send an email to credit.accounting@fms.treas.gov for assistance; the telephone number is (202) 874-8740. The

Fiscal Service's Credit Accounting Branch keeps a ledger detailing the balances for all federal agencies that submitted deposits to the 20X6048 account.

070605. Delivery by Designated Third Parties

Personal delivery of multiple checks may be impractical for the DO, or it may not be expedient to mail them to addresses of record. Under such circumstances and with the guidance for delivery of checks noted in paragraph 070602, the DO may deliver or mail checks to a designated third party for distribution. A third party is any individual authorized to distribute a quantity or bulk shipment of checks to payees. A person who maintains pay accounts or prepares checks is not authorized to distribute checks.

A. Appointment/Termination of Designated Third Parties. A DO may appoint individuals to serve as third parties for bulk check delivery. The Treasury Financial Management Service (FMS) Form 210DA, Designation for Agent to Receive and Deliver Checks, is available for this purpose. A DO may appoint one or more alternates to prevent distribution delays in the absence of the designee. Alternates may also assist in check distribution when conditions warrant. The DO ensures revocation of appointments upon appointee transfer, when bulk delivery is no longer needed, or as other circumstances warrant. Appointments by memorandum must include:

1. The name and title of the appointee,

2. The name and location of the DO,

3. The applicable DSSN(s),

4. The date of the appointment, and

5. A description of the types of checks to be delivered.

B. Transporting Checks to Designated Third Parties. Package bulk shipments of prepared checks separately from other correspondence and send them by registered mail. Send bulk shipments for a unit or group of units to a third party for distribution or delivery to payees, or reship them to another third party for delivery where the military unit is located. Include only the checks, transmittal letter, and documentation needed for the specific payments.

C. Release of Checks to Other Than Payee. Designated third parties may not release checks to anyone other than designated payees. When the payees are absent at the time of delivery, see subparagraph 070605.E for handling checks.

D. Judge Advocate or Investigative Agent Third Parties. If advance payments are issued for witnesses subpoenaed for trial, a representative from a DoD Component investigative agency or a judge advocate charged with serving the subpoena delivers the checks when the payees are absent at the time of delivery.

E. Third Party Disposition of Undelivered Checks. Unless otherwise directed, return checks for payees not present when a third party attempts delivery to the DO before the close of business that day. Inform payees who were absent, or who for other reasons did not get their checks, to call the disbursing office or other stated place to receive them. If locked fireproof file cabinets or safes are available, the DO may authorize the designated third party to hold undelivered checks for a specified short period of time. When payees are on extended periods of leave or absence, return their checks to the DO for disposition. Return checks found to be in error to the DO. The DO issues a new check to the payee after appropriate corrective action.

0707 EXCHANGE-FOR-CASH CHECKS

070701. General

A. Accommodations. Accommodation exchange-for-cash checks are allowed only when satisfactory banking facilities do not exist and are typically only OCONUS. In OCONUS areas and for ships afloat, a commander may authorize the DO to cash negotiable instruments (see Chapter 4, section 0402). These checks may be prepared and issued by DOs for official purposes to a DDO, agent, or cashier as an advance of cash; to the USPS for remitting collections for the sale of postal money orders; or to the Western Union for remitting collections for personal messages of military personnel transmitted over DoD communications facilities to points inside the continental United States (CONUS).

B. Advance Cash. When these checks are issued to advance cash, the DDO, agent, or cashier prepares and sends the DO a signed DoD (DD) ***Form 1081***, Statement of Agent Officer's Account (see Chapter 3, subparagraph 030401.A). Checks issued as advances must be endorsed to the order of the bank or other institution furnishing the cash or, when cashed by another DO, to that officer by title and activity rather than by name as "Pay to the order of the Disbursing Officer (name of ship, station, activity, or unit)." Make checks issued to remit collections for the sale of postal money orders or personal messages payable to the Disbursing Officer, USPS, or Western Union, as appropriate.

070702. Preparation and Handling

Do not show the name of the remitter and identifying references to invoices on exchange-for-cash checks. DOs may draw these checks payable to themselves, a DDO, or an agent for purposes of obtaining operating cash. When authorized in writing by the DO, for purposes of obtaining operating cash, DDOs may draw these checks payable to themselves. Support these checks with an Optional Form ***(OF) 1017-G***, Journal Voucher (JV), using a separate series of voucher numbers unique to the functional area where the voucher is prepared.

070703. Cash Belonging to Deceased or Missing Persons

A. Died or Missing. Exchange cash found in the personal effects of a person who has died or is missing in action for a Treasury check payable to the payee designated by the officer having custody of the personal effects. State the object for which drawn as "Exchange-

for-cash; personal effects of (name, rank or rate, file or service number)." Draw a separate check for safekeeping deposits of each person (see Chapter 16, paragraph 160305).

B. Unknown Whereabouts. Collect cash found in the personal effects of a person whose whereabouts are unknown, including absentees and deserters, into a deposit fund account. Funds that have been held in a deposit fund for more than one year can be transferred to account 20X6133, Payment of Unclaimed Moneys, or into account **R1060, Forfeitures of Unclaimed Money and Property. Make a separate collection for safekeeping deposits of each person and include the safekeeping deposit number on the collection voucher (see Chapter 16, paragraph 160305). Give a copy of the collection voucher to the officer having custody of the personal effects.

070704. Exchange-for-Cash Checks Returned as Not Required

Do not cancel exchange-for-cash checks issued for advances of cash to DDOs, agents, and/or cashiers and returned to the DO as "not required." The DDO, agent, or cashier provides the DO with a completed DD 1081 indicating return of the check as prescribed in Chapter 3, subparagraph 030401.A. The payee's endorsement on the check is not required. The DO endorses the check and deposits it as prescribed in Chapter 11, section 1107. DOs cannot accept the return of exchange-for-cash checks from any payee other than a DDO, agent, or cashier. Other exchange-for-cash checks are issued to the purchaser and must be negotiated by the payee.

070705. Exchange-for-Cash Checks Lost, Stolen, or Destroyed

A. When Issued to an Individual. When the payee of an exchange-for-cash check reports the check as lost, stolen, or destroyed, the DO follows section 0711. For unavailable check cancellations (UCC), the DO may not issue a recertified payment to the payee before receipt of credit for the original check from the Treasury because the original check was issued in exchange-for-cash as opposed to any entitlement chargeable to an appropriation.

B. When Issued as an Advance of Cash to a DDO, Agent, or Cashier. For lost, stolen, or destroyed exchange-for-cash checks that were issued to advance cash, the DDO, agent, or cashier remains accountable for the cash.

1. Accountability. The DDO, agent, or cashier accounts for the check as a loss of funds on the DD 1081 (see Chapter 6, Table 6-3). A DO may replace the lost check with a recertified payment check (or a new advance of cash) if he or she considers it necessary due to operational requirements, and documents the recertified payment or new advance on a DD 1081. Attach a copy of the ***SF 1184***, Unavailable Check Cancellation, to the DD 1081 to document the status of the lost check and the accountability of the DDO, agent, or cashier.

2. Offset Loss of Funds. After receiving credit for the lost check, the DO prepares an ***SF 1080***, Voucher for Transfers Between Appropriations or Funds, to transfer the credit from the **F3880 (Unavailable Check Cancellations and Overpayments, Suspense) account to offset the loss of funds in the DO's accountability (see Chapter 6). Give a copy of the

SF 1080 to the DDO, agent, or cashier to document the Treasury's cancellation of the lost check, use the credit to offset the loss of funds, and file a copy with the UCC documentation.

3. Negotiated Lost Check. If the lost check is subsequently negotiated after cancellation by the Treasury (in which case, the Treasury will reverse the previous credit), the DDO, agent, or cashier is accountable for the original lost check and must re-establish the loss of funds. Apply normal loss of funds and relief of liability procedures.

0708 CHECK ISSUE DISCREPANCIES

070801. Adjustment of Duplicate Checks

Treasury accepts only one issue/paid record for any given DSSN and check serial number, and will therefore issue a debit voucher to charge the disbursing office for a second check received for payment with the same DSSN and check serial number. Should a DO receive a debit voucher for a duplicate check to which the payee is entitled, the normal presumption is that the wrong original check number was entered on the second check. The DO submits an SF 1184 for the correct original check serial number in order to receive credit, and cross-references it with the memorandum copy of the debit voucher since the disbursing office may need a copy of the duplicate check for claim purposes in the future.

*070802. FMS Form 5206, Advice of Check Issue Discrepancy

When a Treasury check is negotiated, the Treasury Check Information System (***TCIS***) verifies the check amount reported matches the amount of the negotiation. If the amounts differ by more than $1, Treasury uses an electronically generated ***FMS 5206*** (see Appendix 2), along with a copy of the check, to notify DOs of check issue discrepancies (see Figure 7-2). The DO makes this correcting entry and changes the amount reported on the check issue report to the actual amount of the check (see Table 7-1). If the discrepancy is $1 or less, the Treasury adjusts the check issue records without sending the FMS 5206 to the DO.

A. DO Action Upon Receipt. Upon receipt of an FMS 5206, the DO researches the check issue data to determine if the payee has been overpaid or underpaid, and collects or disburses the adjustment amount as appropriate. If the payee has not been overpaid or underpaid, but incorrect check issue information has been reported to the Treasury, the DO processes the FMS 5206 on an SF 1179 and an ***SF 1219***, Statement of Accountability, even though the documents net to zero. If offsetting FMS 5206s have not been received, the DO must identify the offsetting error(s) to make the transaction net to zero, and prepare a JV to advise the Treasury of the discrepancy. The DO makes the necessary adjustment to his or her account following the guidance in this section.

B. For Navy DOs Aboard Ships. If the FMS 5206 affects a predecessor DO's accountability, send it with a covering memorandum to the office where the monthly financial reports are submitted for processing. If the form is received during the 90-day record retention period, send copies of the applicable check issue record, SF 1179, and disbursement voucher, reproduced from the former DO's retained records, with the form.

C. For another DSSN. A DO receiving an FMS 5206 citing a DSSN different from that of the receiving DSSN sends it with a memorandum to the correct disbursing station, if identifiable. Otherwise, return it to the Treasury with an explanatory memorandum.

D. Corrective Action Previously Accomplished. If a DO receives an FMS 5206 citing a discrepancy which was discovered and reported using a JV, attach a copy of the JV to the FMS 5206 and return it to the Treasury without further action.

E. Check Issue Report Discrepancy Identified Before Receipt of FMS 5206. If a DO discovers a check issue report discrepancy after having reported check issues to the Treasury and an FMS 5206 has not been received, the DO must notify the Treasury's CAB in writing to request a reporting adjustment. The CAB issues a Notification of Check Issue Correction for each check adjustment the DO requests. The DO forwards all adjustment requests to the CAB within one year. Once a limited payability cancellation has occurred, the CAB cannot process the requested adjustment.

070803. SF 1219, Statement of Accountability Adjustments

A. Prior Month Checks Issued. A common reason for an SF 1219 adjustment made by the DO is a prior month check issue adjustment. Do not report prior month issue of checks as current month checks issued, as this will cause check issue discrepancies for both issue months. An SF 1219 adjustment is necessary to realign the check issue reporting to the proper issue month of the checks. To record prior month check issues on the SF 1219, prepare a JV summarizing the prior month checks issued to include the same information that would have appeared on the SF 1179 if the checks had been reported when issued (see Figure 7-9). Record the prior month adjustment on line 2(b) of the SF 1179 and Section II, Part A, Column 4 (TC 212) of the SF 1219.

B. Clear Check Issue Discrepancy. To clear check issue discrepancies resulting from erroneously reported prior month checks issued, the DO prepares a JV to decrease the overstated check issues and increase the check issues for the proper month. For audit trail purposes, reference the check numbers and issue dates of the prior month checks being adjusted between months on the JV. Keep all JVs prepared for check issue adjustments in the DO's financial records as supporting documentation.

C. FMS 5206. When an SF 1219 adjustment is needed due to the issuance of an FMS 5206, the procedures are very similar to those provided in subparagraph 070803.A. Record the adjustment for the FMS 5206 in a separate column. To report the adjustment to the SF 1219 for an FMS 5206 adjustment, record the FMS 5206 on line 2(a) of the SF 1179 and in Section II, Part A, Column 3 (TC 211) of the SF 1219. Keep a copy of the FMS 5206 in the DO's financial records as supporting documentation.

D. Request for Adjustment. If the DO's financial records reflect the correct check issued data for the proper month and the error is limited to the Treasury's record of the SF 1219 check issue total identified in the check reconciliation process (see paragraph 071406), the DO sends a request for adjustment to the Treasury's CAB.

070804. Overdrafts

A. Advice of Check Issue Discrepancy. Adjustments of overdrafts of more than $1 require collection of the overpayment or a supplemental charge to an appropriation or fund. Unless the FMS 5206 is erroneous (supportable with copies of the documents listed in subparagraph 070803.C), record the FMS 5206 on the ***DD Form 2657***, Daily Statement of Accountability, and take corrective action to resolve the issue.

B. Distribution of FMS 5206

1. The DO attaches a copy of the FMS 5206 to the current month's SF 1179 to support line 2(a) of the SF 1179.

2. Use a second copy to support the adjusting entry on the SF 1219.

3. If the discrepancy is still unresolved at the end of the month, keep a copy of the FMS 5206 to file with the next month's financial reports.

4. Retain the original FMS 5206 in the disbursing office.

C. Recording Check Issue Overdrafts. Record the FMS 5206 on line 2(a) of the Summary portion of the SF 1179 and include it in the amount on line 3. Also record it on the reverse of the SF 1219. If the discrepancy is unresolved at the end of the month, include the overdraft on line 7.2 of the SF 1219. Keep two copies of all executed FMS 5206s and JVs with supporting documents in an uncleared difference file pending resolution of the discrepancy.

D. Adjustment before Submission of Financial Reports. In some instances, overdrafts may be discovered before submission of the financial reports (SF 1219 and supporting documents, and the SF 1179) for the period during which the check was issued. A JV is not required if the check is recovered and voided before submission of the check issue report (the unnegotiated check). Normally, this exception applies only to Navy DOs aboard ships and those DDOs who do not submit daily reports to the central disbursing office.

E. Adjustment After Submission of Financial Reports. When a check issue overdraft is discovered after the financial reports covering the period in which the discrepancy occurred have been submitted, the DO or DDO:

1. Prepares a JV for the overdraft (see Figure 7-4),

2. Posts the DD 2657 to reflect the amount of the overdraft on line 2.1A as an increase to Checks Issued and on line 9.2A as an increase to Receivables – Check Overdrafts at the end of the current reporting period,

3. Records the JV on the SF 1179 (line 2(b) of the Summary portion and included in the amount recorded on line 3),

4. Records the JV on the reverse side of the SF 1219, and

5. Attaches the original of the JV to the SF 1219 and a copy to the SF 1179 for the current reporting period to support the entries thereon.

F. Resolving Check Issue Overdrafts. Resolve overdrafts by collection or supplemental charge to an appropriation. Collection is appropriate when the check was issued for more than the payee was actually entitled to receive. Supplemental charges to appropriations are required when the amount of a check is correct, but the payment voucher is for a lesser, incorrect amount. Make no additional entries in the summary portion of the SF 1179 or on the reverse of the SF 1219 to indicate that the overdraft has been cleared. Clear the overdraft by one of the following methods in this subparagraph.

1. Collection. Upon receipt of a collection, the DO prepares a JV to document the transaction and posts the DD 2657 to reflect an increase in Cash (line 4.2A) and a decrease in Receivables (line 9.2A). This affects only the DO's accountability; no credit to an appropriation is involved.

2. Charge to Appropriation. If an overdraft resulted from an undercharge to the appropriation or fund from which the original check was drawn, the DO prepares an ***SF 1034***, Public Voucher for Purchases and Services Other Than Personal, or a one-sided ***SF 1081***, Voucher and Schedule of Withdrawals and Credits, records it against the undercharged appropriation or fund, and posts the DD 2657 to reflect a disbursement and a decrease in Receivables – Check Overdrafts. Do not issue a check for this transaction.

3. Charge to Military Pay Appropriation and Pay Account Checkage. Clear overdrafts caused by undercharging the appropriation for military pay and allowances by actions described in Volume 7A to ensure posting of proper charges to a member's Master Military Pay Account (MMPA). Prepare either an SF 1034 or one-sided SF 1081 to describe the transaction in complete detail, charging the accounting data shown on the original payment voucher. Do not issue a check in this transaction. Post the DD 2657 to reflect a disbursement and a decrease in Receivables – Check Overdrafts.

070805. Underdrafts

A. Advice of Check Issue Discrepancy. Adjustments of discrepancies of more than $1 require supplemental check issues to the payees or credits to appropriations or funds. Upon receipt of the FMS 5206, the DO reviews the retained records of checks issued, applicable payment vouchers, SF 1179, and SF 1219 to identify and validate that a discrepancy actually occurred and determine the corrective action required.

1. Cash Collection Voucher. Unless the FMS 5206 is erroneous (and this can be supported with copies of the documents listed in subparagraph 070805.A), the DO prepares a ***DD Form 1131***, Cash Collection Voucher, crediting the underdraft to deposit fund account **X6999 (Accounts Payable, Check Issue Underdrafts). Record the DD 1131 and FMS

5206 on the DD 2657 as a decrease on line 2.1A and an increase on line 6.3A. The DO's total accountability is unchanged.

2. Reporting Period. At the end of the current reporting period, record the FMS 5206 on the SF 1179 (line 2(a) of the Summary portion) and on the reverse of the SF 1219. See subparagraph 070804.D.

B. Distribution of the FMS 5206

1. Attach a copy of the FMS 5206 to the SF 1179 (for the current reporting period to support line 2(a)) and include in the amount on line 3 of the SF 1179.

2. Use the second copy of the FMS 5206 to support the adjusting entry in part A on the reverse side of the SF 1219.

3. File two additional copies with at least two copies of the DD 1131 in the uncleared differences file pending final resolution of the discrepancy and preparation of the end of month financial reports.

4. Retain the original in the disbursing office.

C. Adjustment Before Submission of Financial Reports. In some instances, underdrafts may be discovered before submission of the financial reports (SF 1219, supporting documents, and the SF 1179) covering the period during which the check was issued. Do not prepare a DD 1131 if the unnegotiated check is recovered and voided before submission of the check issue report. Normally, this applies only to Navy DOs aboard ships and those DDOs who do not submit daily reports to the central disbursing office.

D. Adjustment After Submission of Financial Reports. When a check issue underdraft is discovered after the financial reports covering the period in which the discrepancy occurred have been submitted, the DO, DDO, or agent, based on subparagraph 070804.E, prepares a DD 1131 crediting deposit fund account **X6999 and posts the DD 2657 to record a decrease to line 2.1A and an increase to line 6.3A. There is no change to the DO's total accountability. At the end of the accounting period, record the DD 1131 on line 2b of the SF 1179 and include this amount on line 3 of the SF 1179. Also record the DD 1131 on the reverse of the SF 1219. Attach a copy of the DD 1131 to the SF 1179 submitted with check issue reports. Keep two copies of the DD 1131 in the uncleared differences file until the discrepancy is cleared.

E. Resolving Check Issue Underdrafts. Make no additional entries in the summary portion of the SF 1179 or on the reverse of the SF 1219 to indicate that the underdraft has been cleared. Clear check issue underdrafts using one of the following methods:

1. Supplemental Check. When the payee is entitled to the amount of the underdraft, prepare an SF 1034 charging deposit fund account **X6999, and draw a check in

favor of the original payee. Post the DD 2657 to record a check issue and a disbursement. Total accountability is unchanged.

2. Credit to an Appropriation. If an underdraft discrepancy is caused by overcharging the appropriation and credit is due the appropriation, the DO prepares a DD 1131 to charge deposit fund account **X6999, and credit the appropriation charged on the original payment voucher. Post the DD 2657 to record a collection. Total accountability is unchanged.

070806. Discrepancies

A. More Than $1. The DO prepares a JV, as soon as he or she becomes aware of a discrepancy, to account for a check issue discrepancy of more than $1 for any prior or current month's check issue errors detected by the DO. Reference the voucher number and date on which the error occurred, as well as any other documents affected, on all JVs. Do not prepare a JV for check issue errors detected over one year from the issue month of the check.

B. Equal to $1 or Less. Treasury adjusts discrepancies of $1 or less between the amount of a check reported as issued in Level 8 and the actual amount of the check paid by the Treasury. See paragraph 071401 for more information on Level 8 and check issue reporting. Issue a supplemental check if a disbursing office receives a claim from a payee for an underpayment of $1 or less. Record the check on the reverse of the SF 1219 as a regular check issue in Section II, Part A, Column 2 and a minus adjustment of prior month's issues in Section II, Part A, Column 4. Record the amount of the check as a minus adjustment on line 2(b) of the SF 1179.

070807. Disbursing Officer Requested Adjustment to the Check Issue Detail

A. Request for Adjustment. To request an adjustment to the check issue detail in TCIS, the DO sends a written request containing a description of the error to the Treasury's Fiscal Service, CRB, Room 711A, 3700 East-West Highway, PGC Building #2, Hyattsville, MD 20782. To expedite the adjustment, the DO may fax the request to Check Reconciliation Branch (CRB) at (202) 874-8536 or call (202) 874-8150. The CRB still requires receipt of the request by mail at a later date as it requires a request with an original signature to be on file. The CRB uses the information to correct the reporting in TCIS. After the CRB makes the adjustment in TCIS, it issues a Notification of Check Issue Correction for each specific check symbol and serial number adjusted (see Figure 7-5). The CRB forwards this report to the DO, who monitors any adjustments requested and verifies the proper adjustment.

B. Time Limitation. If no response is received within 30 days of the request, the DO contacts the CRB for status. The DO keeps the report and the request for an adjustment with the monthly financial records. Adjustments to the check issue detail in TCIS may be made within 12 months of the issue month. After 12 months, the period of negotiability expires. The Treasury cancels the checks and issues limited payability credits for their amounts as recorded in TCIS (see sections 0712). A DO who detects check issue reporting errors after 12 months from

the issue month adjusts the accountability to reflect the check issue detail recorded in TCIS. The limited payability credits offset the check issue adjustments on the SF 1219.

C. Example. A voided check was reported to the Treasury as $150 vice $0 for issue month November 2005. In May 2007, the DO became aware of the reporting error when the limited payability credits were being researched to transfer credits to the original appropriations. The corrective action for this situation would be to adjust the SF 1219 and create a one-sided SF 1081 to clear the limited payability credit. The DO must prepare a JV to record the check as issued for $150 for November 2005, with an offsetting debit to the **F3880 account to clear the limited payability credit.

070808. Erroneous Information Reported on the FMS 5206

The DO reviews the FMS 5206, a copy of the check, disbursement voucher, and the check issue report data. If the DO determines that the check was paid for an amount different from its original issue amount, the DO returns the FMS 5206 to the Treasury with a memorandum stating the reason for returning the document without action. Support the memorandum with copies of the documents used to determine that the FMS 5206 is in error. Generally, the situation described is indicative of a bank processing error or alteration of the check by the payee. In either event, the explanatory memorandum that returns the FMS 5206 to the Treasury is sufficiently clear to enable the Treasury to initiate reclamation action through the banking system.

070809. Relief of Liability

Both underdrafts and overdrafts are illegal, incorrect, or improper payment irregularities in the DO's account. The DO has the authority and the means to correct underdrafts. Overdrafts frequently are not within the power of the DO to correct. If a check issue overdraft resulted in an overpayment of a payee, the overpayment amount is an erroneous payment debt. When the DO has attempted to contact the payee and failed, or when the payee has been notified and has neither the ability nor the inclination to make restitution, the DO transfers the debt to the supporting DFAS site for further collection action. In order to meet standards for relief of liability, transfer uncollectible overdrafts to the supporting DFAS site within 180 days. After the debt has been transferred, relief of liability for the illegal, incorrect, or improper payment may be requested (see Chapter 6).

070810. Internal Control Report for FMS Forms 5206

A. General. The DO prepares an internal control report listing all FMS 5206s received during the month. Each FMS 5206 is supported with an explanation of how the error occurred and a description of the internal control measures initiated to prevent further errors.

B. Preparation. The DO records FMS 5206s on either a manual or automated log immediately upon receipt to ensure all forms are accounted for, and updates the log during the month with explanations for cause and the preventive internal control measures to be implemented.

C. Method of Submission. The DO provides the internal control report to the Commanding Officer (supporting DFAS site for DFAS DSSNs) by the 10th workday of each month. The recipient reviews the report for management purposes. Mail a copy of the report to DFAS-IN/JJFKCB for monitoring to ensure compliance with prescribed regulations and analyze problem areas. The disbursing office keeps a copy of the report in the disbursing office files for one year.

0709 SPOILED AND VOIDED CHECKS

070901. Spoiled Checks

A. General. When a check is spoiled during the issue process, the handling and replacement methods depend on whether or not it has been reported to the Treasury as issued with a dollar value greater than zero, and the payee's entitlement to the payment.

1. If a check is spoiled in the check issue process and has not been reported as issued, void the check and follow paragraph 070902.

2. If a spoiled check has been reported as issued with a dollar value greater than zero, it cannot be voided. Cancel the check using the check cancellation procedures in either section 0710 or section 0711.

B. Processing. For available spoiled checks, the DO stamps the check, "Not Negotiable-For Deposit Only; Credit of DSSN ####," deposits the check using a deposit ticket, and processes an ***SF 1098***, Schedule of Canceled or Undelivered Checks, to credit the proceeds of the check to the appropriation from which it was issued following subparagraph 071005.A.

1. For mutilated checks that are not acceptable for deposit, the DO follows procedures for unavailable check cancellations, processing an SF 1184 using stop reason code "A" or "D" (at the discretion of the DO based on the facts available) and issuing a recertified payment in accordance with the recertification provisions applicable to the stop reason code used on the SF 1184; see section 0711.

2. If the check was spoiled during the check production process and has not been released or mailed to the payee, the recertified payment voucher requires certification by a certifying officer. The SF 1184 is automated; Fiscal Service no longer accepts manually prepared SF 1184s.

C. Exchange-for-Cash Checks. An exchange-for-cash check does not have an appropriation associated with it. Therefore, if the spoiled check is an exchange-for-cash check, the DO processes an SF 1184 using a stop reason code "D," and upon receipt, transfers the budget clearing account **F3880 credit to the Treasury's **X6501 (Small Escrow Amounts) deposit fund account.

1. Since the credit in **X6501 is the basis for issuing a recertified payment for the exchange-for-cash check, transfer the credit before replacing the check. Once

the credit is established in the **X6501 account, prepare an SF 1081 to issue a new check charging **X6501 for the disbursement.

2. The recertified payment voucher requires certification by a certifying officer. Since these vouchers do not originate from an entitlement area, a certifying officer should be appointed to certify these types of payments. Although the DO may not appoint the certifying officer, an individual under the DO's direct supervision may be appointed as a certifying officer only in limited situations (see Chapter 5, paragraph 050201).

D. Record of Spoiled Checks. DOs maintain a record of spoiled checks in either electronic or manual form that must be part of the record of checks issued. This record must include the original spoiled check number and date; the original voucher number; the replacement check number and date; the voucher number of the SF 1098 or recertified payment, whichever is applicable; the payee; and the amount of payment. Keep this record as a permanent part of the DO's retained records subject to the retention and disposition policies for check issue records as prescribed in Volume 1, Chapter 9, section 0902. This record does not satisfy the requirement to maintain the recertified payment data on the DO's ***DD Form 2662*** (see paragraph 071102).

E. Certification of Payroll Officer. If a civilian payroll check payee requests issuance of a recertified payment in a name other than the name printed on the original check, the DO obtains a signed statement authorizing the name change from the payroll officer who certified the original payroll before issuing the recertified payment. The DO attaches the statement to the retained copy of the payroll.

070902. Voided Checks

Void a check that is misprinted or mutilated during the issue process or is determined not to be a proper payment, and has not been reported as a check issue with a dollar amount greater than zero. Report destroyed unused and lost or stolen blank checks as voids. Render checks voided by the DO nonnegotiable by typing or stamping the words "Void - Not Negotiable: No Check Issued Under This Number," or "Void – Not Negotiable: Replacement Check Issued Under Check Number XX,XXX,XXX," as appropriate.

A. A check reported to the Treasury under check issue reporting procedures in a dollar amount greater than zero may not be voided under any circumstances. Process the check as either an available or unavailable check cancellation, as appropriate, following subparagraph 070901.B.

B. If the payment associated with the voided check is otherwise proper, replace it with the next available check in the series and in the same format used for the original voided check. Annotate on the original voucher, the copies of the voucher, and the check issue log to indicate the original check was voided and the number of the replacement check used for the payment. See paragraph 071404 for reporting voided check issues.

070903. Storage

The DO stores spoiled and voided checks in the vault or safe, segregated from other checks.

070904. Disposition

A. Destruction. The DO destroys spoiled and voided checks locally on a quarterly basis by either burning or shredding. If destroyed by burning, they must be burned completely. If destroyed by shredding, the fragments may be no larger than 1 inch wide and 1/4 inch long. In either event, prepare a certificate of destruction (see Figure 7-6), signed by the DO and at least one witness, listing the serial numbers and method of destruction. For unnumbered checks controlled by a preprinted ICN, list the voided check by the ICN on the certificate of destruction.

B. Verification. The DO and at least one witness examine the checks to verify they are the actual checks to be destroyed, verify the check numbers and DSSN with information on the certificate of destruction, and sign the certificate only after witnessing their actual destruction.

C. Certificate of Destruction. Prepare this in an original and one copy. Include the complete mailing address of the disbursing station; date and method of destruction; DSSN; serial number or ICN of each check; typed name, title, grade or rank, and signature(s) of the witness(es); and typed name, title, grade or rank, and signature of the DO. List each check in numerical sequence, except that when destroying blocks of checks, show the beginning and ending numbers in the series (see Figure 7-3). Include the original certificate with the monthly disbursing financial reports, and keep a copy in the DO's blank check inventory control records.

0710 AVAILABLE CHECK CANCELLATIONS

071001. General

CEBA requires that Treasury checks be negotiated within one year of their issue dates. DOs may cancel checks within this one-year period when the check is drawn under the DO's own DSSN, under the account of a predecessor DO of the same activity and DSSN, or under an account being settled by the DO. A DO may not cancel a check over one year old. Checks may be canceled when the disbursing account is closed or current, or the proceeds of the check are for repayment to an appropriation or fund account which is current or expired. DOs cancel Treasury checks in their possession within three workdays of receipt in the disbursing office (see I TFM ***4-7030***).

071002. Exceptions

A. Stamp original checks recovered by or returned to a DO after being processed with an SF 1184, "Not Negotiable, Previously Treated as Canceled SF 1184 dated _____." The DO retains the checks in their safe or vault for 90 days and then shreds them.

Note the date of destruction on the DD 2662 and supporting documentation. A DO receiving a returned check for an activity or DSSN that is no longer in operation stamps the check "Not Negotiable" and sends it to the successor or settlement DO.

B. For checks involving holder-in-due-course claims, see section 0713.

C. If substantial portions of mutilated checks are missing, see ***I TFM 4-7030***.

D. For checks that are at least one year from the date of issue (stale dated), see paragraph 071001.

071003. Undeliverable Checks

The DO keeps a record of undeliverable checks on the ***DD Form 2658***, Returned and Undeliverable Check/Bond Record, with the dates the checks are returned, check numbers, check dates, amounts, payees, voucher numbers, disposition, and dates of disposition. An electronic system is acceptable to record undeliverable checks if it includes all of the information required on the DD 2658. The DO provides the information or a copy of the DD 2658 to agents, cashiers, and appropriate entitlement offices for their use. Do not remove undelivered checks from the safe or vault or allow deputies, agents, or cashiers to hold them except for immediate delivery to payees, or for cancellation and deposit.

A. Safekeeping. DOs keep undeliverable checks in a safe or vault, filing them in an order best suited for ready identification when claimed or for mailing upon obtaining a proper address. At a minimum:

1. Open mail with returned Treasury checks in the presence of two people,

2. Limit access to the returned Treasury checks processing area, and

3. Secure the checks in a locked container if there is a delay between the time the checks are received and when they are defaced (see Chapter 3, paragraph 030304).

B. Undeliverable Due to Death of the Payee

1. Deceased Military Members. The issuing DSSN cancels checks payable to deceased military members promptly and credits the value to the individual's pay account pending payment to a properly designated beneficiary.

2. Deceased Civilian Employee. See Volume 8, Chapter 10.

3. Other Payees. Deposit checks drawn to other deceased payees as undeliverable checks. Obtain an ***SF 1055***, Claim Against the United States for Amounts Due in the Case of a Deceased Creditor, processing it following either Volume 8, Chapter 3,

subparagraph 030203.B.3 or Volume 8, Chapter 10, paragraph 100501. See paragraph 071006 for the accounting data chargeable and references required on the voucher.

C. Checks Undelivered at Time of Relief. When a DO is relieved by another DO or the DSSN is deactivated and disbursing for that activity is assumed by another activity due to consolidation, transfer of function, or other reason, the relieving DO or gaining activity assumes custody of and processes the undelivered checks. If the DO is transferred from disbursing duty without a relief or the disbursing function is not assumed by another activity, process the undelivered checks as collections on an SF 1098 and deposit them whether or not the three-workday holding period has elapsed. Send the DD 2658 to the office designated to settle the DO's account.

D. Special Actions on Canceled Checks Held by the Disbursing Office

1. Military Payrolls. When cancelling a military pay and allowances check, the DO processes the adjustment to the MMPA.

2. Civilian Payrolls. When cancelling a check in payment of civilian pay, the DO notifies the payroll office to make the appropriate payroll adjustment.

071004. SF 1098, Schedule of Canceled or Undelivered Checks

A. General. Credit a check that is undelivered within three workdays of receipt in the disbursing office to the appropriation originally charged using an SF 1098 prepared in triplicate. In the appropriate columns, show for each check the month and year of issue, check serial number (and DSSN if different from the DSSN shown in heading of the form), name of payee, applicable voucher number, amount of check, and accounting data credited.

B. Lack of Accounting Data. If the proper appropriation to be credited cannot be determined immediately, collect the amount of the check into account **F3875 (Budget Clearing Account, Suspense). Include on the SF 1098 all information available as to the identity and location of the payee of the check. Keep a copy of the documentation in a separate file to support each item in the suspense account. The DO acts aggressively to identify the proper appropriation and removes the item from the suspense account as soon as possible. If the proper appropriation remains unknown after 60 days, transfer the funds to Treasury's miscellaneous receipt account **R1060 on SF 1081.

071005. Disposition of Canceled Available Checks

A. General. Process canceled check transactions authorized by this section in a manner similar to that for collections. Upon receipt of a check to be canceled, prepare an SF 1098 as the collection voucher and credit the appropriation originally charged for the payment. Show all lines of accounting charged and credited on the original disbursement voucher, assign a collection voucher (CV) number, and print the CV number and the date of collection on the reverse of the canceled check. Deposit the canceled checks for credit to the DSSN used by the DO cancelling the checks. An endorsement stamp is required for canceled checks.

B. Defacing Returned Checks. Stamp the face of each Treasury check to be canceled "Not Negotiable." Ensure that the stamp is in a color other than black (preferably red) and is of prominent enough size to remove all possibility of negotiation.

C. Deposit Ticket. Deposit canceled checks on a deposit ticket separate from other negotiable instruments. DOs with Over the Counter Channel Application (OTCnet) capability may deposit their canceled checks through this system.

D. Frequency of Deposits. Checks received for cancellation need not be deposited daily, but may be held in the DO's safe or vault pending preparation of a consolidated deposit ticket. In situations where check deposit volume is minimal or where electronic deposits utilizing OTCnet are not available, send deposits to the Federal Reserve Bank (FRB) no later than the 25th of the month of receipt. Checks received after the 25th of the month may be retained and deposited the following month. All CONUS DOs deposit canceled Treasury checks with the nearest FRB. DOs in Alaska, Hawaii, and foreign countries deposit them with the general depositary normally used for making deposits for credit to the Treasury's General Account. See Chapter 11, section 1108 for deposit reconciliation requirements.

071006. Claims for the Proceeds of Canceled Available Checks

When a claim is received for the proceeds of a canceled available check and all or a portion of the amount is due to the claimant, the disbursing office that collected and deposited the original undeliverable check pays the claim on payroll or other vouchers prepared, processed, and certified the same as a current payment. This does not preclude an undeliverable military paycheck from being canceled by the issuing DO so that the member may be paid at a new duty station. Use an SF 1034 to make these payments and charge them to the accounting data credited on an SF 1098, referencing the original undeliverable check by serial number, amount, DSSN, month, year, and account in which the undeliverable check was collected. Pay claims received for items transferred to the **R1060 account from the 20X1807 (Refund of Moneys Erroneously Received and Covered) account. Record the claim and its disposition on the DD 2658.

0711 UNAVAILABLE CHECK CANCELLATIONS

071101. General

Cancel unavailable Treasury checks less than 12 months old reported to the DO as lost, stolen, mutilated, or not received by the payee following this section, or when the payee is not entitled to a check's proceeds. Such situations include death of the payee before the check issue date, non-receipt of a recertified payment by the payee when the original check has been received and cashed, and receipt of a cash payment and a check payment for the same entitlement.

A. Payees have one year from the date of issue of the check to file a claim of non-receipt with the issuing disbursing office, which then submits an SF 1184 to the Treasury within 13 months of the issue date. The Treasury has 18 months from the date a check is paid to

reclaim monies from the financial institution if the payee files a claim of forgery or unauthorized endorsement.

B. Checks unavailable to the payee and/or the DO and for which entitlement to the payment exists may be replaced by a new check called a recertified payment check. Such a payment bears a new check serial number and is vouchered, certified, and recorded as a new disbursement following this section. The DO must control, cross-reference, and track original and recertified payments indefinitely or until both have been paid, recovered and destroyed, or canceled.

071102. DD Form 2662, Recertified Payment Register

Maintain the DD 2662 to provide the necessary cross-reference and control over UCCs. An electronic log is acceptable if it contains the required information (see Volume 1, Chapter 9, section 0902 for records retention). This form requires information to identify the original check serial number, date, amount, payee, and status as provided by the Treasury, identifying information regarding the recertified payment, payee's claims, and collection information.

071103. SF 1184, Unavailable Check Cancellation

A. General. The SF 1184 is required for all cancellations covered by this section. The servicing DFAS site reports each unavailable check to be canceled to Treasury using this form. Bulk losses of original checks require the preparation of an SF 1184 for each check.

1. Use this form to stop payment, obtain photocopies, or check the payment status of unavailable Treasury checks. Input stop reason codes to designate the desired action. Although this form attempts to stop payment on a check, there is no true stop payment action. The payee may still negotiate the check, and the DO is responsible to recoup the money.

2. If a check is presented for payment after Treasury has given the DO a credit to the **F3880 account, Treasury will reverse the credit and provide the DO the documentation, including a photocopy of the paid check. The DO must then research and take the appropriate corrective action, including collection efforts when dual negotiation has occurred. See subparagraph 071103.B for guidance on preparing and submitting an SF 1184, and paragraph 071109 for guidance on handling the credits and reversals of credit in the **F3880 account.

B. Processing. Use DCRM's UCC subsystem to process SF 1184s, and transfer them to the Treasury biweekly. Contact the supporting DFAS site for questions on the SF 1184.

Defense Finance and Accounting Service Cleveland
1240 E 9th St
Northpoint 7th Fl (JAFBA)
Cleveland, OH 44199-2056
Email: dfas.cleveland-oh.zte.mbx.ccl-mb-checkissues@mail.mil

Defense Finance and Accounting Service Columbus
DFAS-JDBB/CO
PO Box 182317
Columbus, OH 43218-2204
Email: dfas.dscc.zte.mbx.dfasco-dcrmreports@mail.mil

Defense Finance and Accounting Service Indianapolis
DFAS-ADRPT/IN
8899 East 56th Street
Indianapolis, IN 46249-8673
Email: dfas.indianapolis-in.zte.mbx.dcrm@mail.mil

071104. Claims of Non-receipt, Destruction, Loss, or Theft

A. Payee Request for Claim

1. Treasury will deny a claim of non-receipt, destruction, loss, or theft of a Treasury check issued on or after October 1, 1989, unless it is presented by the payee to the issuing disbursing office within one year from the date of issue.

2. The disbursing office will document the claim on an SF 1184 and process it through the supporting DFAS so the Treasury receives it within 13 months of the check issue date. If Treasury denies a cancellation credit, it issues a Daily Advice of Status (DAS) with one of the status codes in ***I TFM 4-7045, Appendix 7***. The DO advises the payee of the check status.

3. If the check has been negotiated and the payee wishes to continue the claim process, he or she initiates FMS 1133, Claim Against the United States for the Proceeds of a Government Check, and FMS 3858, Claims Document.

B. Disbursing Officer Action. The DO sends the FMS 1133, the FMS 3858, the photocopy of the check, and any other supporting documentation for the claim to Treasury for processing. If the payee files an FMS 1133 to claim forgery or unauthorized endorsement against the check, a recertified payment is not authorized before receipt of a FMS 3859, Claims Disposition Notice (CDN), from the Treasury (see subparagraph 071112.D).

071105. DD Form 2660, Statement of Claimant Requesting Replacement Check

A. Payee Request

1. A payee who reports the loss, theft, mutilation, or non-receipt of a Treasury check submits a written statement to the DO. The ***DD 2660*** is the preferred form for the required statement, but a DO may accept a signed letter from the payee in lieu of the DD 2660, provided the letter contains the required information and the certification statement found on the DD 2660.

2. A payee who submits a statement in lieu of the DD 2660 must include the payee's name, SSN, and address; member's name and SSN if different from the payee; type of payment entitlement; whether the check was received and if so, whether it was lost, stolen, destroyed, or mutilated; whether the check was endorsed by the payee or had a limited endorsement such as "for deposit only"; circumstances surrounding the loss, theft, destruction, or mutilation if the check was received; and the signed statement of certification of the payee. The statement must contain the signed certification statement exactly as cited above blocks 12-15 on the DD 2660. Failure to include this statement could hinder collection efforts if a dual negotiation occurs. Also, if the payee is the one that negotiated both checks, the statement could also be used to establish fraudulent intent.

B. Disbursing Officer Action

1. Upon receipt of the signed statement, the issuing DO or settlement officer completes the information required to identify the check (e.g., issue date, check number, amount, and voucher number). Before processing an SF 1184, the DO must verify that the check has not been returned as undeliverable by verifying that the check is not listed on the DD 2658.

2. If the check is listed and the disposition indicates that the check was re-mailed at a later date, the DO notifies the payee of the later mailing date and allows two weeks delivery time before processing the claim of non-receipt. If the check has not been returned and enough time has passed to allow for mail delivery, the DO uses the information on the DD 2660 to process an SF 1184 to cancel the unavailable check. Do not submit an SF 1184 involving non-receipt of future dated checks, such as those issued for pay and allowance entitlements, before the date of payment.

3. Do not process an SF 1184 involving non-receipt until the third working day after the check payment date. For each claim received, establish an individual case file containing the written request for a recertified payment (DD 2660); documentation pertaining to the SF 1184; the DAS; copies of vouchers evidencing the transfer of the **F3880 credit; the issuance of the recertified and original payments, if obtained; and all other applicable correspondence concerning the case.

4. The DO sends a copy of the claimant's DD 2660, or other written statement, and a copy of the SF 1184 documentation to the appropriate entitlement area, which

must certify that the entitlement for payment still exists before the DO may issue a recertified payment.

071106. DAS

A. General. With the exception of the transmittal documents, Treasury returns a DAS on every SF 1184 received. An essential control technique is for DOs to keep a complete file of submitted SF 1184s. Periodic review of the file will show, either by copy of the DAS or by copy of the agency receipt of batch transmittals, the Treasury received and processed all submissions. Follow-up incomplete file items within 30 days through the supporting DFAS site by telephone and, if necessary, by submitting a second SF 1184 (see I TFM 4-7045.20c).

B. Canceled Check Status. Once Treasury has issued a DAS with a status indicating "check canceled; crediting agency", future requests to cancel or obtain photocopies of the canceled check will receive a response "outstanding check was canceled; agency credited". A photocopy of the check will not be available until the check is presented for payment through the banking system. Therefore, once a disbursing office has received a DAS with a status code of "Outstanding," no additional SF 1184s may be submitted for that check number. If the original check is ever presented through the banking system for payment, the DO will receive notification that the Treasury has reversed the credit to the **F3880 account. Treasury will then provide a photocopy of the original check, and the claim forms FMS 1133 and FMS 3858.

071107. Payments, Accounting Claims, and Enhanced Reconciliation System

A. General. Treasury's TCIS is available to obtain digital check images and view check status on-line. It only contains information and images for checks issued since October 1997. Digital images are available only for paid checks. The time for receiving an image depends on how the image is requested (either on-line or batch), how long the image has been in the FRB archive, and whether or not the image has ever been requested before. Images under six months old or previously requested within the past 30 days are available for immediate viewing. Images archived by the Federal Reserve System in the preceding six months will normally be available within a few hours of the request; images archived for more than six months will usually be available within 24 hours.

B. Inquiries. The inquiries on payments and claims option in TCIS allows for inquiries on the status of a single payment or multiple payments at the same time. TCIS is available for use Monday through Friday from 6 a.m. to 12 a.m. (midnight), Eastern Time. No software purchase is required to access this system. See TCIS website under Equipment Requirements for system requirements. To request access to TCIS, contact the Treasury's Support Center at (855) 838-0743.

071108. Authorization to Issue Recertified Payments

A. General. Treasury has delegated authority to DOs to replace checks originally issued by them to include checks lost, stolen, or destroyed both in transit and after receipt by applicable payees (see ***31 CFR § 245*** and ***31 CFR § 248***). DOs may also issue a

recertified payment when the SF 1184 is prepared, based on the facts available. The payee receives immediate replacement and the risk of loss from overpayment to the payee is low. Subject to the restrictions in the following paragraphs, DOs may issue recertified payments as replacements for original checks any time commencing with the submission of the SF 1184. The circumstances associated with each unavailable check govern this timing.

B. Limitations

1. Do not issue a recertified payment check if:

a. The payee of the original check is not entitled to the proceeds,

b. The payee died before the original check issue date,

c. Insufficient mail time has lapsed from the date the original check was mailed or re-mailed to allow for its delivery and possible return,

d. The payee has an outstanding obligation which the payment can offset, or

e. The original check is more than 12 months old.

2. Consider all circumstances of situations involving high-dollar-value unavailable checks, payees involved in adverse actions that could result in early discharge or termination, or nonpermanent employees with no vested retirement benefits or sustained work history before issuing a recertified payment. Also, consider the payee's ability to repay in cases of double negotiation and the possibility of offsetting a double negotiation against money, other than salary, due to the payee. For deactivated and closed DSSNs:

a. The designated settlement office normally issues these payments. In some situations, e.g. consolidation, the DO supporting the activity that assumed the disbursing and accounting responsibility for the deactivated or closed office may issue a recertified payment for the deactivated or closed office.

b. Except as prescribed in subparagraph 070901.C, issue recertified payments only as a disbursement from the appropriation charged for the original check or, if that appropriation is no longer available, a current appropriation available for the same general purpose, subject to limitations on its use.

C. Issue before Receipt of Check Status. Delays in issuing checks may affect military and civilian employees' personal financial affairs, DoD relations with private business, and other intangible benefits. Immediate issuance of replacement checks may thus be appropriate. DOs may use stop reason code "A" on the SF 1184 to support immediate check issuance to replace undelivered, lost, stolen, mutilated, or destroyed original checks issued under their DSSN if less than 31 days have elapsed since the check issue date. Limit this service to:

1. Military and civilian personnel for payment of pay and allowances;

2. Banks, credit unions, and other financial institutions unless the DO decides that obtaining the Treasury status is in the government's interest before issuing a replacement;

3. Agencies of the U.S. Government;

4. Foreign governments (If doubt exists as to the status of a foreign payee, treat the payment as a foreign business transaction and issue a recertified payment only after receipt of the Treasury status as prescribed in subparagraph 071109.D.);

5. Any blanket check regardless of amount.

D. Issue after Receipt of Check Status. Submit UCCs using stop reason code "D" or "G" and issue a recertified payment only after the Treasury reports the check status as outstanding for:

1. Foreign businesses and contractors where the check payment is made to addresses or financial institutions OCONUS,

2. Payees who have previously negotiated both the original check and the replacement check issued to replace it,

3. Payees who have received more than three replacement check payments in the past six months or more than four in a 12-month period,

4. Payees who report non-receipt of a recertified payment,

5. Payees requesting replacement of an original check more than 30 days old, or

6. Payees other than a deputy, agent, or cashier requesting replacement of an exchange-for-cash check.

E. Issue When Check Status Is Paid. Do not issue a recertified payment check when the DAS from the Treasury indicates the check status is paid (see paragraph 071113).

071109. Accounting for Recertified Payments

A. General. Treasury provides credits for canceled unavailable checks and charges resulting from negotiation of previously canceled unavailable checks through budget clearing account **F3880. This account is restricted to unavailable check transactions; do not use it for any other purpose. It is available to hold credit or chargeback amounts only pending identification of the appropriation or fund charged for the original check issuance. Do not charge

the **F3880 account directly for any payment, but transfer amounts in this account to the original appropriation as expeditiously as possible. Do not allow transactions in this account to become stale or unidentifiable, as an unidentifiable balance may result in a DO loss of funds and an associated pecuniary liability.

1. Exchange-for-Cash Checks. As indicated in section 0707, exchange-for-cash checks generally are for advances to deputies, agents, or cashiers, or accommodation exchanges for payees' benefits. Exchange-for-cash transactions are not charged to an appropriation or fund. If a deputy, agent, or cashier loses such a check, treat the loss as a physical loss of funds under Chapter 6, section 0604. If the Treasury determines the check to be outstanding, apply the unavailable check credit to offset the loss of funds. If the unavailable check is negotiated later and the Treasury reverses the credit, re-establish the physical loss of funds. If a payee who received an exchange-for-cash check as an accommodation service loses the check, apply the unavailable check credit to reimburse the payee for the loss.

a. Transfer the **F3880 amount to deposit fund account **X6501 and charge the latter account for the disbursement. Issue the recertified payment check only after receipt of the **F3880 credit. Do not disburse from **X6501 account before receipt and transfer of the **F3880 credit.

b. Use discretion when authorizing recertified payments to individuals for lost exchange-for-cash checks issued as accommodation exchanges based on the risk associated with recovery of the funds if dual negotiation occurs.

c. If the exchange-for-cash check was for the sole benefit of the payee and risk of loss is high, the DO should consider waiting until the check has been canceled by limited payability.

2. Credits Resulting from Submission of SF 1184s. If an unavailable check is outstanding, Treasury will issue a DAS indicating that the check is outstanding and that it will credit the agency with the proceeds. The Treasury will cancel the check and credit the funds derived from the cancellation to the **F3880 account. DFAS Cleveland (DFAS-CL) and DFAS Indianapolis (DFAS-IN) receive cancellation credits electronically from Treasury daily or as needed. A hardcopy of the SF 1081 follows the electronic submission. Treasury sends these canceled check proceeds to DFAS-CL and DFAS-IN through the Central Accounting Reporting System (CARS) and the Intra-Governmental Payment and Collection (IPAC) system. This will reflect any identifying information provided in the original check issue data submission as detail in the credit transmission.

3. Reversals of Cancellation Credits. If a canceled unavailable check is negotiated by a financial institution after cancellation by Treasury, Treasury will reverse the cancellation credit and provide a DAS indicating the check has been negotiated and the credit reversed. Treasury generates an SF 1081 and other documents to report reversals of cancellation credits to DFAS-CL and DFAS-IN. These documents indicate the total dollar amount of the credit or charge entered into the DO's **F3880 account. The SF 1081 is the DO's documentary evidence that Fiscal Service entered the credit or charge to the **F3880 account. Credits and

charges are listed separately and are not commingled on the same SF 1081. DO's record the amounts as increases or decreases to their **F3880 account.

B. Agency Reporting of Fiscal Service Transfers to the **F3880 Account. Treasury transfers to the **F3880 account via IPAC, and the monthly IPAC transaction detail report documents them. After receiving an SF 1081 and recording the credit or charge to the **F3880 account, the DO prepares a JV to clear the credit or charge from the account, returning the funds to the appropriation charged or like fund that has been identified. At the end of each month, the DO reports the JV transactions on line 2.39 (line 2.8 for electronic versions) of the SF 1219 (see Chapter 15, section 1506 and Figure 15-4). The accounting cutoff date for credits and charges transferred to the **F3880 account from Treasury is the second-to-last business day of each month. Account for transactions processed after that date in the next accounting month.

C. Distribution. Under 31 U.S.C. § 3334(a)(2), return canceled check proceeds to the appropriation(s) charged when the check(s) were originally issued, and treat the canceled check(s) as account(s) payable. Within 15 days of receipt, DFAS-IN and DFAS-CL send the check cancellation and credit detail information to the disbursing office (except as noted in subparagraph 071110.B) that issued the check(s) and to the disbursing offices' supporting accounting offices. Any reversal of previous cancellation credits issued by Treasury should also be sent in the same manner to the applicable disbursing and accounting offices.

1. DFAS-CL and DFAS-IN send the check credit information including the details applicable to the disbursing accounts that DFAS Columbus (DFAS-CO) manages to DFAS-CO. DFAS-CL processes or distributes cancellation credit information for Marine Corps disbursing offices.

2. DFAS-CL posts monthly, upon receipt, the current Agency Location Code (ALC) 1700 reports on the ***Recertification and Payability Detail*** website for use by DOs and its supported accounting offices. The **F3880 reports are cumulative, and only the latest are accessible.

D. Accounting Office. When the accounting office receives canceled check credits, it transfers them from **F3880 to the original appropriations charged when the payments were made and establishes an accounts payable. If a DO replaces an unavailable check before receiving credit from Treasury, the accounting office establishes an accounts receivable in the appropriation or fund charged for the original check, removes the receivable upon receipt of the credit, and transfers the reversal of a previous credit from **F3880 to the original appropriation.

E. Review of **F3880 Balances. The DO reviews the **F3880 account monthly to ensure necessary actions are taken to clear these transactions. Each time the DO's account is transferred, the incoming DO validates balances in this account (see Chapter 2, subparagraph 020406.A.8). If the departing DO cannot provide the incumbent DO with documentation supporting the **F3880 items, the departing DO processes the unsupported items as losses of funds under Chapter 6.

F. Research. Upon receipt of a DAS indicating cancellation credit or reversal information from the supporting DFAS site, the DO initiates research on the check issue data submitted to Treasury to ensure the accuracy of the detailed information, e.g., the DSSN, check serial number, date of issue, and issue amount provided in the cancellation credit or reversal which must agree with the original check issue data reported to Treasury. Research any discrepancy in this data to determine its cause and correct it. In the case of a reversal, the DO determines if a dual negotiation occurred by verifying the status of the replacement check. The DO submits an SF 1184 on the replacement check using stop reason code "F" for non-entitlement.

1. If the check for the recertified payment is outstanding, the DO receives a credit to offset the charge for the reversal previously received. If the check has been paid, the DO receives a photocopy of the paid check, a claim form, and a claims document. If both the original and recertified payment checks have been negotiated, the DO begins collection action as outlined in paragraph 071113. The disbursing office must also notify the appropriate entitlement or subject matter area (e.g., military pay, civilian pay, travel pay, or commercial accounts payable) that Treasury has returned a credit to the activity because the check was not negotiated or has reversed a credit previously received and provided a copy of the DAS.

2. The DO requests the accounting department re-obligate funds to cover the issuance of a recertified payment. Once assured that funds are re-obligated and available, the DO may issue a recertified payment check citing the original appropriation. If the original appropriation is closed, use a current year appropriation for the same or similar purpose.

3. When Treasury provides a reclamation credit, the DO requests the accounting department re-obligate funds to cover the issuance of a recertified payment.

G. Entitlement to Payment. When notified that an unavailable check has been canceled, the credit has been received, and a recertified payment has been requested, the appropriate entitlement or subject matter area determines if the liability for payment of the underlying obligation is valid before preparing a recertified payment, which is prohibited if the entitlement to payment no longer exists.

H. Recertified Payments. All recertified payments (including immediate replacements (stop reason code "A")) must be vouchered, certified by a certifying officer, and charged to the appropriation or fund charged for the original payment. Making a recertified payment under the first two provisions listed in this paragraph requires the establishment of an accounts receivable, supported by a copy of the SF 1184 and/or the DAS, in the appropriation or fund for the amount due on cancellation of the original check. Recertified payments may be made when the disbursing office submits the SF 1184, or at any time in the claims cycle that is:

1. Before the status of the original check is known, when less than 31 days have elapsed from the date of the original check (see paragraph 071108);

2. After the disbursing office has been advised by the DAS code that the original is outstanding and credit will be provided; or

3. After the credit has been received from Treasury.

071110. Preparation and Disposition of Replacement Checks

A. General. Prepare and distribute replacement checks in the same manner as regular checks as described in section 0704. If a payee claims non-receipt, loss, or destruction of a replacement check, the UCC procedures in section 0704 also apply to the replacement check.

B. Returned and Recovered Replacement Checks. When a replacement check is returned by the payee after the original check which it replaced has been found and negotiated by the payee, cancel the replacement check on an SF 1098 and credit the proceeds to the appropriation charged when it was issued. Deposit the check with the nearest FRB or branch on a deposit ticket as prescribed in paragraph 071004. Transfer the chargeback to the **F3880 account from Treasury for the negotiated original check to the appropriation charged when the original check was issued.

071111. Check Forgery Insurance Fund (CFIF)

A. General. The CFIF is a revolving fund established under 31 U.S.C. § 3343 to settle payee/claimant claims of non-receipt when an original check has been fraudulently negotiated. Only Fiscal Service's Check Claims Branch (CCB) may adjudicate claims of forgery against Treasury checks.

1. A claim against the CFIF is governed by the one-year statute of limitations provided in the CEBA (see subparagraph 071201.B) since a claim against the CFIF constitutes a claim on account of a Treasury check. Therefore, a claim of forgery must be presented within one year from the date the check was issued, otherwise the claim on the check is barred and the payee is not entitled to payment from the CFIF. The DO must submit an SF 1184 on the check within 13 months from the check issue date.

2. The statutory one-year limit on the claim against the CFIF does not affect the underlying obligation of the government for the payment. If the Treasury determines a check endorsement was forged and the payee's claim meets the statutory requirements, Treasury will institute reclamation procedures to recover the proceeds of the forged check through the banking system.

071112. Processing Forgery Claims

A. General. When Treasury determines that an original check was negotiated and paid by the Fiscal Service on a forged or unauthorized endorsement, a payee may have a valid claim against the CFIF (see paragraph 071111). The CCB is the approval authority for settlement checks issued to replace checks paid over forged endorsements. Fiscal Service does not charge the CFIF for losses resulting from negotiation of checks issued to deceased payees or to payees who were not entitled to the payment. The address is: CCB, Check Resolution Division, Payment Management, Fiscal Service, Department of the Treasury, 3700 East-West

Highway, Room 800D, Hyattsville, MD 20782. Fiscal Service issues settlement checks out of the CFIF if it determines that the payee or special endorsee has established that:

1. The payee or special endorsee presented a timely claim of non-receipt, e.g., filed a claim within one year after the date of check issue;

2. The original check was lost or stolen due to no fault of the payee or special endorsee;

3. The original check was negotiated and paid by Fiscal Service on a forged or unauthorized endorsement of the payee's or special endorsee's name; and

4. The payee or special endorsee has not participated in any part of the proceeds of the negotiation or payment of the original check.

B. DO's Action. A payee reports the loss, theft, or non-receipt of a U. S. Treasury check, and follows paragraph 071105. A DO whose research determines that the check was negotiated requests a digital image of the check. For checks issued on or after the date of October 1, 1997, see paragraph 071107 for instructions on how to obtain a digital check image using TCIS. For checks issued before the date of October 1, 1997, DOs use the SF 1184 process to determine the check status (see paragraph 071103). When follow-up action with Fiscal Service is required, DO's prepare and submit an Agency Recertification Follow-Up. See I TFM ***4-7000***, Appendix 11.

C. Payee/Claimant's Action. When the check status is "Paid," Treasury provides a photocopy of the original check, FMS 1133, and FMS 3858. If, after examining the check copy, a payee/claimant denies having negotiated the check, the payee/claimant completes and signs the FMS 1133 and returns it along with the check copy to Fiscal Service. The FMS 1133s and FMS 3858s are a combined set of four pages. The FMS 1133 is for the payee's declarations and information concerning the unavailable check, and the FMS 3858 is the claim reference document that contains the necessary information for U.S. Treasury Check Claims Branch to identify the check. Attach a copy of the FMS 3858 to any correspondence with Treasury concerning the unavailable check.

D. Fiscal Service Action. Upon receipt of the FMS 1133, the CCB reviews the claim form. If the FMS 1133 is not complete, the CCB returns it to the payee/claimant with a letter advising the corrections needed. If the payee/claimant admits negotiating the check or does not return the FMS 1133, take no further action. Consider an FMS 1133 complete when all questions are answered and all required signatures are present. If a payee/claimant signs by mark, the mark must be witnessed in the space provided. If the FMS 1133 is complete, the CCB advises the DO of the status of the claim using a CDN and begins the adjudication process. If the CCB determines that the payee/claimant was not involved in the negotiation of the check and did not participate in the proceeds from the check, it settles the claim by initiating a request to issue a check to the payee/claimant or transfer the funds to the DO as follows:

1. Stop Reason Code A. If the criteria for settlement from the CFIF are met, the CCB charges the CFIF and transfers credit to the DO via IPAC and sends a CDN to the DO with the message "Forgery Established – Treasury is Crediting Your Account." The DO transfers the credit to the correct appropriation and reissues the payment, using the CDN as supporting documentation.

2. Stop Reason Codes B and C. These codes are not applicable for DoD use.

3. Stop Reason Code D. If the CFIF settlement criteria are met, the CCB issues a settlement check to the payee/claimant charging the CFIF and sends a CDN to the DO with the message "Forgery Established – A Settlement Check Is Being Sent to the Payee."

4. Stop Reason Code E. For checks greater than $25, Fiscal Service credits the DO for deceased payee checks once it receives the reclamation credit from the financial institution. For checks of $25 or less, the CCB issues a CDN with the message "Paid-The Issue Amount Is $25.00 Or Less. No Further Action Will Be Taken."

5. Stop Reason Code F or G. If forgery is substantiated, the CCB requests reclamation action against the financial institution, refers the case to the USSS, and sends a CDN to the DO with the message "Forgery Established. Claim Valid But Settlement Not Appropriate Based On Your Non-entitlement Code. Treasury Will Credit Your Account When The Funds Are Collected."

6. Stop Reason Codes H, I, and J. These codes are not used by Treasury or DoD.

7. Stop Reason Codes K, L, and M. See subparagraph 071208.B.

E. Appeal Process. If the CCB denies a claim, a payee/claimant may appeal in writing to the CCB. The appeal must be postmarked no later than 60 days after the date of the denial letter. The appeal must include a copy of the denial letter, a signed statement, and any additional information or documentation for further investigation. The appeal must also include the check and symbol number identified in the denial letter.

071113. Collections of Double Negotiations

A. General. A double negotiation occurs when an original check and its replacement have both been reported as paid by Treasury. The loss actually occurs on negotiation of the replacement check; the order in which the checks are cashed is irrelevant. A double negotiation is an illegal or improper payment for purposes of pecuniary liability. The DO initiates collection action to recover illegal or improper payments made by his/her office. If the payee separates from government service, the DO is still responsible to pursue collection action. Normally, collections for illegal or improper payments are one-time cash refunds or lump-sum collections by salary offset, and do not warrant installment liquidation. Limit installment repayments to cases of extreme personal hardship.

B. Collection Action

1. When Treasury notifies a DO that it has reversed a credit to the **F3880 account from a previous cancellation, the DO researches the situation to ascertain if a double negotiation has occurred by determining the payment status of the replacement check. Once a Treasury response confirms a double negotiation, the DO immediately begins collection action. Afford the payee due process rights of collection specified in Volume 16, Chapter 2, section 0204 in each case. The most effective means of achieving expeditious recovery is to present the payee a photocopy of the paid original and replacement check and a copy of the claimant's signed statement acknowledging he/she was not entitled to both payments. Due process rights of collection include the opportunity for the payee to contest the validity of the debt. In cases of double negotiation, the payee's right to complete an FMS 1133 provides this opportunity.

2. If the payee asserts that one of the checks was negotiated over a forged endorsement, delay collection until the CCB adjudicates the payee's forgery claim. If Treasury determines the check was forged, the payee does not owe the debt. If Treasury denies the payee's claim (e.g., Treasury determines the check was not forged), the full amount of the check is due and subject to immediate collection. If the payee fails to provide the properly completed FMS 1133 within the time frame allowed to present documentation as to why the debt is not owed, he/she is deemed to have acknowledged the debt and the DO takes immediate collection action. In either situation, complete collection action within 90 days of the receipt of the DAS from Treasury indicating the canceled unavailable original check has been paid, or within 90 days of receipt of the CDN from Treasury indicating the payee's claim of forgery is denied.

3. The DO documents all attempts to collect illegal or improper payments. If all reasonable steps have been taken to collect and the illegal or improper payment becomes uncollectible within the 90-day time limit, the DO transfers the debt to the appropriate office designated to pursue collection of uncollectible debts. See Volume 16, Chapter 2 for debt collection processes. If the dual negotiation involves a check issued to a contractor or vendor, see Volume 16, Chapter 2 for applicable debt collection procedures. Although the debt is transferred to another office for further collection action, the DO remains pecuniarily liable for the illegal or improper payment until the debt has been collected or relief has been granted; see subparagraph 071113.A.

C. Determination of Fraud. Double negotiations could indicate fraudulent intent or misrepresentation. A DO suspecting this reports the situation utilizing guidance in Chapter 6 for possible investigative and/or disciplinary action. Pursue collection action as specified in Volume 16, chapter 2, paragraph 021301.

071114. Relief of Liability for Uncollectible Illegal or Improper Payments

A DO may request relief of liability under ***31 U.S.C. § 3527*** (see Chapter 6, section 0606).

071115. Separation of Duties

The payment recertification process is subject to the same management controls as other routine disbursements. The same individual may not authorize, process, and review recertified payment transactions; see Chapter 1, subparagraph 010305.B.

A. The minimum acceptable separation of duties consists of preparation of the SF 1184 by one individual, review and approval of the DD 2660 and SF 1184 by the DO or a DDO, preparation and certification of a disbursement voucher by an individual in the appropriate entitlement area, review and approval of the voucher with supporting documentation by a first line supervisor (other than the DO or DDO authorizing the transaction), and authorization of the disbursement by the DO or a DDO.

B. Where the disbursement voucher is prepared in disbursing because of limitations imposed by automated disbursing system processes or the combination of entitlement and disbursing functions into one unit (as is the case at small activities and most tactical units), the DO ensures that the duties of preparing the SF 1184, preparing the disbursement voucher, reviewing the transaction and supporting documents, and preparing the check are performed by different individuals.

0712 TREASURY CHECKS CANCELED UNDER LIMITED PAYABILITY

071201. General

Treasury automatically cancels checks issued on or after October 1, 1989 not negotiated by a financial institution within 12 months of the date of issue. This cancellation occurs in the 14th month after the date of the check.

A. Pre-CEBA. Before CEBA's effective date, 31 U.S.C. § 3328(a) allowed a Treasury check to be paid (negotiated) any time and 31 U.S.C. § 3328(c) provided that the limitation on claims against the Government in 31 U.S.C. § 3702 (Barring Act) did not apply to an unpaid (not negotiated) Treasury check. Under the latter, the administrative statute of limitations allows consideration of claims to those filed within six years after they arise. The following examples illustrate these principles.

1. In December 1978, an individual submitted a $1,000 claim for lump-sum leave to DFAS. In January 1979, DFAS issued a Treasury check to the claimant, who did not negotiate the check until 1986. In this example the underlying obligation is $1,000 or the amount due to satisfy the claim for lump-sum leave. Since the claim for payment was submitted in 1978, the provisions of the Barring Act were suspended (or tolled), meaning a claim was filed within the required six-year period. Once the Treasury check was issued (1979), the individual also became entitled to a separate claim on that check, which, in 1979, was payable in perpetuity (31 U.S.C. § 3328(a)). Thus, before CEBA, the individual's right to obtain a replacement check based on the claim to the original unnegotiated Treasury check masked the effect of the Barring Act on the underlying obligation.

2. Modifying the example in subparagraph 071201.A.1 shows the effect of the Barring Act on the underlying obligation. In addition to the earlier facts, assume further that the individual discovered that he had failed to claim all that was due in December 1978 and that the agency in fact owed him another $250. He may obtain payment for the additional amount of the underlying obligation only if he submits a new claim for the additional amount to the agency within the six-year period following the accrual of the original claim, December 1978. If, in 1986, however, the individual—in addition to negotiating the check—submitted a claim for the additional $250, the claim for the additional amount would have been barred since more than six years had lapsed from the accrual of the original claim.

B. CEBA of 1987

1. General. The CEBA established a one-year time limit in which to negotiate a Treasury check. This negotiation period does not affect the obligation underlying the check. The CEBA left the two causes of action separate, one on the underlying obligation and one on the Treasury check.

a. The CEBA imposed a statutory limitation on the period during which a Treasury check may be paid and on any claim on account of a Treasury check. It requires the negotiation of a Treasury check within one year of its issuance date and states that any claim on account of that check is barred, unless the agency which issued the check receives a claim within one year of its issue date. After this period, a request for payment based on the check is barred.

b. The payee may still be entitled to payment based on the underlying obligation subject to the six-year statute of limitations in the Barring Act. Accordingly, after the six-year period following the accrual of the claim, a check may be issued only if the claimant has tolled the Barring Act by making a timely claim on the underlying obligation. CEBA applies to the example in subparagraph 071201.A.2. If the individual submitted the claim in December 1989 and the check was issued January 1, 1990, a claim on the check expired one year after the date of issue, December 31, 1990. Thus, the individual had to complete his claim on the Treasury check before the one-year period expired in order to obtain a replacement check.

c. The CEBA also sets an 18-month statutory time limit from the date a check is negotiated to accomplish bank reclamation. If the statutory requirements for the claim are met and the proceeds of the check cannot be recovered from the banking system through bank reclamation procedures, Treasury issues the settlement check and charges the payment to the CFIF.

2. Underlying Obligation. The lack of availability of a replacement check does not affect a claim on the underlying obligation.

a. As an example, because a claim for payment was submitted timely (December 1989), the period of limitation as prescribed in the Barring Act was tolled, and a check may be issued even if more than six years has passed. Conversely, if a timely claim on

the underlying obligation had not been received, the claim on the underlying obligation is barred and an agency may not issue a check. Therefore, a claimant who submitted a valid claim to toll the statute of limitations on the underlying obligation may obtain a replacement check even if more than six years have passed since the claim accrued or the check was issued.

b. Tolling the Barring Act on the underlying obligation does not permit payment in perpetuity. Entitlement to payment is not unlimited; any appropriate defense remains available to the government. If a claimant waits an inordinate period of time to request payment on the underlying obligation of a Treasury check under CEBA, then Doctrine of Laches (a legal term based on neglect or omission to do what one should, thus warranting presumption that one has abandoned right or claim; e.g., if a payee neglects or fails to file a timely request, the payer can presume that the payee has abandoned the claim) may apply. Further, Treasury records show only if a check has not been presented to it for payment, not whether it was presented to and paid by an intermediary bank.

071202. Treasury Check Payability

Treasury canceled all Treasury checks issued before October 1, 1989. Those issued on or after that date bear the legend "Void After One Year." Treasury will decline payment of checks not negotiated to a financial institution within one year from their issue dates. Financial institutions will advise a payee to contact the check-issuing agency if a check is no longer negotiable. Stamp checks returned to the disbursing office as no longer payable (negotiable) "Void - Not Negotiable" and shred them after confirming receipt of the limited payability cancellation credit. Treasury checks issued before October 1, 1989 have already been mass canceled; shred them without confirmation of receipt of a limited payability cancellation credit.

071203. Treasury Check Claimability

Any claim on a Treasury check is barred unless it is presented to the agency that issued the check within one year after its issue date. Since CEBA established a one-year statute of limitations for claims against Treasury checks, DOs must reject all claims against Treasury checks not received before the expiration of the 12-month period of negotiability of the checks as time barred. DOs should notify claimants that claims of nonpayment of the underlying obligations of the government must be filed with the appropriate entitlement office (e.g., contracting officer for vendors or commercial payees, military pay office, civilian pay office, travel office). Under 31 U.S.C. § 3702(e), the Secretary of Defense (SecDef) may waive this time limitation on these canceled checks for claims under $25,000.

071204. Limited Payability Check Cancellation Process

A. General. During the 14th month after the date of issue, Treasury will identify and cancel all checks that have not been negotiated within 12 months from their issue dates. When check issues are not reported timely and are submitted after the limited payability processing period, Treasury will cancel those that are outstanding at the end of the month in which the check issued data is submitted, and credit funds derived from these cancellations to the **F3880 account.

B. Canceled Check Listing. DFAS-CL and DFAS-IN will receive limited payability cancellation credits monthly from Treasury with an SF 1081 and a listing of checks canceled; the listing will include identifying information for the checks canceled. Where possible, Treasury will send the proceeds of these canceled checks through the CARS and IPAC systems; the transmission will include any detailed identifying information provided in the original check issue data submission. DFAS-CL and DFAS-IN will forward check credit information including the details applicable to DFAS-CO disbursing accounts to DFAS-CO. DFAS-CL will process or distribute applicable cancellation credit information for Marine Corps disbursing offices.

071205. Reversals of Limited Payability Cancellation Credits

In some cases, checks will be negotiated to financial institutions within one year from the date of issue, but processing in the Federal Reserve System or by the CRB will prevent the payment from being applied to TCIS before limited payability cancellation has occurred. In these instances, Treasury will reverse the cancellation credit and provide a copy of the paid check. Reversal transactions will be separate from the monthly cancellation credits.

071206. Accounting for Limited Payability Cancellation Credits or Reversals

A. DFAS-IN, DFAS-CL, and DFAS-CO. Under 31 U.S.C. § 3334(a)(2), return the proceeds from canceled checks to the appropriation from which they were paid originally and treat them as accounts payable. Within 15 days of receipt, send the check cancellation and credit detail information to both the disbursing office that issued the check and the supporting accounting office. Any Treasury reversal of previous cancellation credits also should be forwarded to the applicable disbursing and accounting offices.

B. Accounting Adjustments. Transfer limited payability credits or credit reversals promptly from the **F3880 account to the appropriation charged when the check was issued. For exchange-for-cash checks, post the credits or reversals to Treasury's deposit fund account 20X6133. The accounting office should establish an accounts payable for each credit or an accounts receivable for each reversal. Account for returned canceled check credits as current liabilities, as the amounts are subject to payment on request upon establishment of a valid claim to the funds. The DO must base entries to these new accounts on the transactions recording the return of canceled check credits to an appropriations account, and reductions for replacement payments to the payee or transfers to miscellaneous receipts upon expiration of the statute of limitations.

C. Research. Upon receipt of the detailed limited payability cancellation credit or reversal information from DFAS-IN, DFAS-CL, and DFAS-CO, the DO initiates research on the check issue data submitted to ensure that the detailed information provided is accurate, e.g., the DSSN, check serial number, date of issue, and issue amount provided in the cancellation credit or reversal, all of which must agree with the original check issue data reported when the check was issued. Determine the cause of any discrepancy and correct it.

1. The DO also researches disbursing records to determine if a claim of loss, theft, or non-receipt has been filed on the canceled check, to include a determination of whether the check was previously replaced by recertified or other type of payment. The disbursing office also should notify the appropriate entitlement area (e.g. military pay, civilian pay, travel pay, or commercial accounts payable) that Treasury has returned the credit to the activity because the check was not negotiated within the prescribed period.

2. Upon the request of an entitlement area, DOs should accomplish the verifications described in paragraph 071005 and advise the entitlement area whether the original Treasury check was canceled, negotiated, or previously replaced.

071207. Claims of Nonpayment of the Underlying Obligation

See paragraphs 071201, 071203, and 071208.

A. Claim of Individual Payees

1. Uniformed Service Members. Submit claims for nonpayment of uniformed service members' (active duty, reserve, retired, and annuitant) pay, allowances, travel, transportation, unused leave, and survivor benefits to the appropriate payroll office. Submit claims by transportation carriers involving amounts collected from them for loss or damage incurred to property incident to shipment at government expense to the appropriate payroll office. A determination will be made of the entitlement and verification that a timely submission of the claim was made on the underlying obligation.

a. Treasury checks issued in payment of obligations relating to uniformed service members' pay and allowance entitlements ordinarily are not issued in response to claims. A payee will not normally present a claim before issuance of the original check, thereby tolling the Barring Act. It may be necessary for the entitlement area to consider the extent to which the Barring Act was tolled during periods of active duty performed by the claimant. Include in the package the original check or facsimile and the original documentation from the claimant. When the claim of a member of the Armed Forces accrues during war or within five years before war begins, the claim must be received within five years after peace is established or within six years after the claim accrues.

b. If the payee submitted a timely claim and has not been paid, send the claim through the appropriate Component's Assistant Secretary for Financial Management to the General Counsel, of the DoD requesting a waiver of the statute of limitations on the claim. If the General Counsel determines that the claimant is entitled to payment of a claim and if a payment voucher is prepared and sent with supporting documentation to the disbursing office, the DO determines if a replacement check should be issued based on the criteria in paragraph 071208.

2. Civilian Pay. Claims of nonpayment of Federal civilian employees' compensation, wages, and leave earned by civilian employees of the U.S. Government must be submitted to the appropriate civilian payroll office for determination of

entitlement and that a timely claim on the underlying obligation was submitted. Treasury checks issued in payment of obligations relating to Federal civilian employees pay entitlements ordinarily are not issued in response to claims. If it is determined that the payee has submitted a timely claim and that the payee has not been paid, the entitlement office certifies the claim and sends it to the appropriate disbursing office for payment.

3. Civilian Travel Pay. Claims of nonpayment of Federal civilian employees' expenses incurred for official travel and transportation, and for relocation expenses incident to transfers of official duty station must be submitted to the appropriate travel office for determination of entitlement and that a timely claim on the underlying obligation was submitted. Treasury checks issued in payment of obligations for travel pay entitlements ordinarily are issued for claims presented in the form of travel vouchers by claimants. Unlike military and civilian pay cases, the Barring Act's limitation in travel payment cases usually will have been tolled before issuance of the original check when the claimant submitted the travel voucher. If the payee submitted a timely claim and has not been paid, the entitlement office certifies the claim and sends it to the appropriate disbursing office for payment.

4. Residual Claim Categories. Treasury checks are issued to payees to satisfy miscellaneous government obligations. Legal claims under ***28 U.S.C. § 1346(b)*** and 28 U.S.C. ***§ 2671-2680***, the Federal Tort Claims Act, should be asserted by claimant-payees to the entitlement area within the Military Department with tort claim settlement authority over the claim.

a. Similarly, claims for losses incurred incident to government service may be cognizable under ***31 U.S.C. § 3721*** and should be asserted by claimants to entitlement areas with claim settlement authority, such as the Military Department's judge advocate general. Treasury checks for payment of these types of obligations are issued to settle claims asserted by the claimants.

b. Unlike military and civilian pay cases, the Barring Act's statute of limitations in residual claim cases usually will have been tolled before issuance of the original check when the claimant submitted the claim. If it is determined that the payee has submitted a timely claim and has not been paid, the entitlement office certifies the claim to the appropriate disbursing office for payment.

B. Claims of Commercial Payees. Claims of commercial payees are from vendors, contractors, and individuals under contract for miscellaneous services. Claimants or authorized agents submit these claims to the contracting officer, who determines if the claimant is entitled to payment and then sends the claim with supporting documentation to the disbursing office for payment.

071208. Claim Processing

A. Upon receipt of a claim approved by the designated settlement authority, a certified payment voucher from the appropriate entitlement area, and the proper supporting documentation, the issuing DO or the officer assigned to settle accounts for the issuing DO:

1. Verifies cancellation of the original check under either mass cancellation or limited payability;

2. Verifies that credit for the check was received from Treasury and transferred by the accounting office to the original appropriation charged when the check was issued. If receipt of the credit cannot be verified or no information is available locally, the DO prepares and submits an SF 1184 for each check using stop reason code "K" (photocopy), "L" (certified photocopy), or "M" (status), and cites the "Limited Payability Cancellation Replacement Request" in the "For Agency Use" block. This action is also required to ensure cancellation of the check under mass cancellation before making any recertified payment for an obligation represented by a check dated before October 1, 1989. See ***I TFM 4-7045, Appendix 1*** for stop reason codes, status codes, and message responses;

3. Verifies that the original check was not spoiled or voided and reissued using a check bearing another serial number;

4. Verifies that the original check was not previously replaced by a recertified payment check (e.g., was not previously the subject of a claim of non-receipt, loss, or theft); and

5. Issues a replacement check upon receipt of a certified payment voucher from the entitlement area, provided that the verifications under subparagraphs 071108.C and 071108.D confirm that the original check was not replaced previously. If the original check was replaced previously, the DO reproduces a copy of the payment voucher on which the replacement was issued and obtains a photocopy of the replacement check from Treasury as prescribed in section 0711.

B. Send the copy of the voucher and replacement check to the entitlement area and notify the claimant that the claim was settled previously. To assure the necessary cross-reference and control over the issue of replacement checks, DOs maintain a DD 2662 as prescribed in paragraph 071102.

C. For deactivated and closed disbursing offices, the designated settlement office is normally responsible for issuing a recertified payment for the underlying obligation represented by a check canceled under limited payability. When circumstances warrant (e.g., consolidation), the DO supporting the activity that assumed the disbursing and accounting responsibility for the deactivated or closed office may issue a recertified payment on behalf of the deactivated or closed office.

D. Recertified payments for the underlying obligations represented by a check canceled under limited payability may be made only from the original appropriation or, if it is no longer available, from a current appropriation available for the same general purpose as the original appropriation, subject to the limitations on its use.

0713 HOLDER-IN-DUE-COURSE

071301. General

A holder-in-due-course claim occurs when a non-banking institution negotiates a Treasury check and the check is lost or stolen before being presented for cash or deposit at a financial institution. Submit holder-in-due-course claims in writing to the CCB for processing.

071302. Processing Holder-in-Due-Course Claims

Upon receipt of a holder-in-due-course claim, the CCB determines the status of the check. If the check has been negotiated, the CCB returns the claim with a copy of the check advising the holder that the check has been paid and that no further action will occur. If the check has not been negotiated, the CCB provides the holder with an affidavit and indemnity agreement (see Figure 7-7). The holder completes the affidavit and returns it to the CCB. If the check is still outstanding, the CCB issues a settlement check to the holder.

071303. Lost-in-Transit Check Procedure

Lost-in-transit items are Treasury checks that have been negotiated and subsequently lost by a financial institution, or lost or stolen between the financial institutions and/or the financial institutions and the FRB.

A. The nearest FRB Government Check Adjustment Department handles these items if the Treasury checks are less than 1 year old.

B. A DO that receives a request to reissue a check that has not been canceled and is less than 1 year old should return the request to the financial institution advising it to submit the request to the nearest FRB Government Check Adjustment Department.

0714 CHECK ISSUE REPORTING

071401. General

Disbursing offices must report detailed check issue transmittals in a Level 8 format to the Treasury for update to TCIS with check issue detail. The DoD uses DCRM for direct submission of the check issue detail to the Treasury.

A. DCRM sends the check issue files via Connect Direct, an encrypted electronic host-to-host file transfer process. Enter the check issue detail data files into the DCRM database, which generates a daily electronic file to transfer the detailed check issue data

to the Treasury. The DFAS administers DCRM, which tracks the status of all checks on hand and provides inquiry capabilities and reports to reflect issuance discrepancies and acceptance or rejection conditions of reporting.

B. DOs who do not have direct access to DCRM submit their check issue data to their supporting DFAS site, following that site's guidance, for upload into DCRM. Submit the Level 8 check issue data in the most secure method possible, e.g., an encrypted file. DFAS-CL and DFAS-IN have electronic mailboxes for these submissions or other check issue concerns: dfas.cleveland-oh.zte.mbx.ccl-mb-checkissues@mail.mil for DFAS-CL and dfas.dscc.zte.mbx.cco-dcrm@mail.mil for DFAS-IN. Send requests for the DCRM Users' Manual to the latter address.

071402. Submission Requirements

A. Report detailed check issue data in sequential groups of checks, called transmittals, which uniquely identify the DSSN, accounting month and year, and check series. Submit a new transmittal each time a break in check numbers occurs, or when the issue month changes. DOs reporting check issues for multiple DSSNs submit separate transmittals for each DSSN. A submission of detailed check issue data may consist of one or more transmittals. DCRM reports check issue detail in blocks by DSSN, check series, and issue Julian date format (YYDDD) to the Treasury.

B. If a check series will not be reported sequentially due to the splitting of a check series range between different locations, uses, or DDOs, the DO reports the split check series range to the DCRM manager at (614) 701-2109, so an adjustment can be made to record the split check series range in DCRM. If check series range splits are not noted, DCRM creates unnecessary management notices about missing and unaccounted checks on its reports. Reporting avoids the additional workload entailed in reviewing and validating these notices.

C. Submit all check issue transmittals to the Treasury no later than the close of business at the end of the week in which the issue dates occur and at month end. DOs who submit their check issue transmittals through their supporting DFAS site ensure their supporting DFAS site receives their check issue data at least weekly and at month end.

D. Failure to report check issue data timely increases the possibility for loss caused by banking system errors, check alterations, and counterfeits. If a loss results from an altered or counterfeit check as a result of delinquent check issue reporting, the DO may be held liable for the amount of the loss. If the checks issued data are not reported in TCIS, the Treasury will not recognize the check as issued and will not process any actions, such as claims or limited payability cancellation credits, against the check. Also, the Treasury cannot complete a final reconciliation and clearance of a DO's account until all check issue data is received. If the DO is habitually delinquent for 60 days or more, the Treasury may suspend the processing of further print orders for blank Treasury check stock until all delinquent check issue reporting has been accepted into TCIS.

071403. Disbursing Office Responsibility for Quality of Data Submitted

The disbursing office is responsible for ensuring the check issue data submitted to the Treasury is accurate. DOs notify their supporting DFAS site immediately after finding an error. See the checklists at Table 7-2 (for DOs) and Table 7-3 (for DFAS sites). DCRM transmits the accepted files to the Treasury each business day but does not change the data. Once TCIS accepts an erroneous check issue transmittal, the file cannot be deleted. Correct all errors before the file transfer process. If an erroneous data file has been sent to DCRM but has not been forwarded to the Treasury, place the whole data file containing the erroneous check information in either a "replace" or "suspended" status. Contact your local DCRM manager or supporting DFAS site immediately to change the file from the accepted status in DCRM. In addition, the DO:

A. Ensures all check issue data submitted to the supporting DFAS site for processing agree with check issue totals on the DD 2657 and the SF 1219;

B. Submits corrected transmittal(s) within 10 workdays of notification of a rejected transmittal within a file transfer;

C. Recreates the previously rejected check issue data for a period up to 180 calendar days after submission or replacement of rejected data, if needed; and

D. Contacts the DCRM manager for further details on how to put an erroneous check file into either a replace or suspended status. To request or make corrections after a TCIS acceptance, follow paragraph 070807.

071404. Voided Checks

A. Report voided checks as zero dollar amounts in the proper sequence with those of other checks issued in the same check range. If a DO reports the check issue detail to the Treasury by sending it to another disbursing office for conversion to data files and/or uploads to DCRM, that DO ensures the voided checks are reported and clearly marked. Stamp or mark the hardcopy check issue listing to indicate that a check is voided and the dollar amount is zero. Do not obliterate the serial number of the voided check from the check listing. If a voided check has not been dated, report a date for the check to facilitate the check issue reporting. DOs submitting their own check issue data to the Treasury ensure inclusion of serial numbers and dates of the voided checks in the transmission with zero dollar values.

B. A DO who erroneously reported a voided check with a dollar value greater than zero (and the check is under 1 year old) initiates corrective action as soon as the error is discovered without waiting to receive the FMS 5206, and sends Treasury a written request to adjust the check issue detail in TCIS.

C. If the issue date of the erroneously reported check is over 1 year old, the voided check cannot be adjusted in TCIS; Treasury will issue a limited payability credit for it.

Upon receipt of the credit in the **F3880 account, the DO reports the check as a check issue on the monthly SF 1219 and debits the **F3880 account to clear the limited payability credit.

071405. Checks Issued Report (Report 72)

A. General. The Checks Issued Report is also referred to as Report 72, a term derived from the Report ID, TC-AC-72A, which is found in the upper left-hand corner of the report (see Figure 7-5). This is a monthly report that summarizes all of the transactions that affected TCIS during the month. It is not cumulative. The date of the report is in the heading under the title and the effective date is the last day of the report month.

B. Report 72 Details. This report lists all of the DO's transmittals of check issue detail and all the adjustments applied to TCIS data file processed by the Treasury during the calendar month. Entries are based on when the Treasury processes transactions, not the issue month. Therefore, if the Treasury does not receive and process a DO's check issue transmittals before the end of a month, the result would be a difference reported on the Comparison of Checks Issued Report, and the transmittals will show on the next month's Report 72. This report provides a total for each check series by transaction code for each DSSN and issue month.

C. SF 1179 Comparison. Report 72 is comparable to a DO's SF 1179. The summary totals for each DSSN and issue month in this report appear in TCIS column of the Comparison of Checks Issued Report. This report is a valuable tool to improve the accuracy of check issue reporting through awareness of problem areas, tightening and monitoring internal controls, and reconciling check issue discrepancies.

D. FMS 5206 Adjustments. The DO should review Report 72 for all FMS 5206 adjustments noted by a code 6 under the type column of the report to ensure that each FMS 5206 issued has been received and processed. DOs not receiving this report monthly should contact their supporting DFAS site. If a copy of the FMS 5206 cannot be provided by the supporting DFAS site, contact the Treasury's CRB. Do not report an FMS 5206 on the Internal Control Report until the document has been received.

E. Distribution. The Treasury provides a copy of the monthly Report 72 to DFAS-CL, DFAS-IN, and DFAS-CO which in turn distribute it to the DOs and settlement officers responsible for check issue reconciliation. The DFAS-IN/JJFKCB receives a copy of the report for monitoring and reference for checks issued.

F. Usage. Use Report 72 in the reconciliation process for differences reflected on the Comparison of Checks Issued Report, as prescribed in subparagraph 071406.C.3. Also use it to verify that the Treasury has received all of the transmittal data sent by the agency in a given calendar month by dollar amount and serial number range. The DO compares the SF 1179 to the Report 72 to identify which check series, if any, contain discrepancies, verify that all the DO's requested adjustments were accomplished and applied appropriately to the specific check serial number, and verify receipt of all FMS 5206s issued as specified in subparagraph 071406.C.3.a.(3).

071406. Check Issue Reconciliation

A. General. When an issuing DSSN reports a check to the Treasury, TCIS updates the check issue detail with the DSSN, check number, issue date, and amount, and reconciles each check with the check issue information reported by the DO. DOs record all Treasury checks issued and negotiated in TCIS.

B. TCIS. When the check is paid, TCIS matches it with available check detail. If the check issue detail differs from the detail in TCIS, an FMS 5206 is generated and a check issue discrepancy occurs. The Treasury also reconciles TCIS with the SF 1219. The check issue total reported by the submission of the SF 1219 is compared to the total of the check issue detail in TCIS for each issue month. If the SF 1219 total does not match the total in TCIS, a check issue discrepancy occurs. This discrepancy appears on the Comparison of Checks Issued Report. The DO takes prompt corrective action to clear discrepancies noted by the Treasury. Every DO will be advised by the Treasury of any check issue discrepancy of more than $1 detected during the check reconciliation process. The Treasury adjusts check issue discrepancies of $1 or less without notifying the DO.

C. Comparison of Checks Issued Report

1. Comparison. The Treasury compares the dollar values of checks reported as issued on the DO's SF 1219 with those recorded in TCIS and reports differences on the Comparison of Checks Issued Report; see Figure 7-9. DCRM produces the SF 1219 to Check Issues Reported detail to help identify discrepancies.

2. Distribution. The Treasury produces this report monthly and sends a hardcopy to DFAS-CL, DFAS-CO, and DFAS-IN. The supporting DFAS site receives the reports and forwards them to the DO. The reports provided are ALC 1700 for DFAS-CL, ALC 2100 for DFAS-IN, and ALC 5700 for DFAS-CO.

3. Reconciliation. The DO researches each difference and makes necessary corrections. Clear check issue discrepancies within 60 days from the check issue dates. The documentation needed to properly research discrepancies on the Comparison of Checks Issued Report is the SF 1219, SF 1179, JVs prepared for checks issued, check issue log, FMS 5206s, and the Report 72 for each reporting month containing the discrepancy.

a. Upon receipt of the report, the DO reviews each difference. Clear the aged discrepancies as soon as possible to prevent further aging. Compare the total for the DSSN report to the total for TCIS, looking for common causes of discrepancies.

(1) If the DSSN side is greater, look for checks not reported by reviewing the Report 72. Determine if any checks issued were not reported as issued in TCIS and report missing checks immediately using DCRM. Do not report the checks on the SF 1219 again. The discrepancy indicates that these checks were reported on the SF 1219 at the time of issuance. If checks are in DCRM but not reflected in TCIS, verify that the issue dates are correct. If correct, check to see if the checks were entered near or after the end of the month.

The discrepancy may be due to a timing issue. If the checks are properly entered and accepted in DCRM, the discrepancy will clear without further action by the next report. If the difference has not been resolved by the next report, further action is required.

(2) If the DSSN total is less than TCIS total, look for voided checks which were erroneously reported with values greater than zero, or checks dated with a prior or future month date which were reported as current month in the accountability. Refer to paragraphs 071404 for corrective procedures for erroneously reported voided checks.

(3) Look for unprocessed FMS 5206 transactions. These could cause one side to be greater than the other, depending on the purpose of the FMS 5206. The Comparison of Checks Issued Report will show if any FMS 5206s were issued by looking at the reference numbers. If the number contains one "6" and is followed by one or more zeros (0), or the number 7, 8, and/or 9, TCIS total contains at least one FMS 5206 transaction. The Report 72, which corresponds to the date in the report date column, identifies the check number affected by the issuance of an FMS 5206.

(4) Check immediately to see if a copy of the FMS 5206 has been received and if action has been taken to clear this discrepancy. If action has not been taken, review the check issue records and the payment voucher to determine what the amount of the check should have been. The action needed to correct this discrepancy will depend on whether the error is limited to a reporting error or whether the check was negotiated for a different amount than it should have been. See paragraphs 070802 and 070810 for procedures for processing, reporting, or obtaining duplicate FMS 5206s.

(5) Look for between month discrepancies. If there is a debit in one month and an offsetting credit for another month, compare the check issue records to the Report 72 to determine which checks or adjustments caused the discrepancy and which month is accurate according to the date on the voucher and the check. The type of adjustment action required depends on the results of the research and the cause for the discrepancy. Some causes for between month differences are erroneous adjustment transactions, future dated checks that are included in the total of current month checks issued and are reported on the SF 1219, wrong dates typed on the checks, and late reporting of the SF 1219. Make corrections necessary to report the checks in the appropriate month of issuance. See section 0715 for check issue adjustment procedures.

b. If the check issue discrepancy was not easily identified through the steps listed in the subparagraph 071406.C.3.a, examine the check issue records more thoroughly. Continue researching the differences by comparing the amount for each check block series listed on the Report 72 to the amounts listed for each check series on the SF 1179 and the check issue logs. Look for differences in the total amounts between what was reported and issued for each check series. Use the DCRM inquiries and reports to identify the check series containing the discrepancy.

c. Once the check block series has been identified, determine which particular check or checks caused the difference. When determining the corrective action,

look at which record(s) needs to be adjusted in order to record the check issue accurately with respect to the issue date and amount, and if the appropriation has been charged correctly. Request an adjustment from the Treasury only if the DO's SF 1219 accurately reflects the reporting of the checks as written and the corrective action does not substitute for the initial reporting of any checks issued. If the check was not accurately reported on the DO's SF 1219, there may be an undercharge or overcharge to an appropriation, or the DO's cash accountability could be overstated or understated depending on the nature of the error.

d. See Table 7-4 for appropriate corrective action.

071407. SF 1179, Month End Check Issue Summary

A. General. Disbursing offices report monthly check issues at the end of each month on the SF 1179, following the instructions on the form. Summarize the total dollar amount of the current month check issues submitted by transmittals, listing each check series individually, and show current and prior months' adjustments to check issue totals as affected by the SF 1219 and Comparison of Checks Issued Report listed in subparagraphs 071406.B and 071406.C. Summarize prior month check issues on a JV and record them on line 2(b) of the SF 1179. The total amount shown on the SF 1179 must agree with the amount shown in Section II, Part A, Column (2), on the reverse of the SF 1219. For guidance on LDA check issue reporting, see Chapter 14, section 1407.

B. Preparation. Prepare the SF 1179 in an original and one copy, completing all blocks, including page and location, DO's signature, and the month and year for which rendered. See ***I TFM 4-6025.10***.

C. Distribution. The Treasury does not require agencies to submit monthly SF 1179 reports or supporting documents. DOs submit the original SF 1179 and supporting documents with the original financial reports to the supporting DFAS site, and maintain copies for check issue research and reconciliation.

0715 CHECK ISSUE ADJUSTMENTS

071501. SF 1219 Reporting

The SF 1219 check issue reporting and the check issues in TCIS must match each check as it was issued, regardless of whether or not the check was accurately produced. If the check was issued incorrectly, the DO ensures the reporting on the SF 1219 and TCIS reflects the check data as written, and corrects the check issue error. To prevent duplicate adjustments, all DOs, who do not directly report their check issue data in DCRM, coordinate their adjustment actions with their supporting DFAS site. For guidance pertaining to check overdrafts, see paragraph 070804, and for check underdrafts, see paragraph 070805.

071502. Error Adjustments

When differences occur between what was paid and what was reported for a check, the Treasury adjusts the individual check record in TCIS to change the reported amount to the paid amount, and issues a FMS 5206. Once an error has been identified, the DO does not wait to receive an FMS 5206. If an error is discovered before reporting the check issue detail to the Treasury, the DO corrects the error on the data file before submitting the data to the Treasury. If the DO is unable to correct the file, the DO requests an adjustment to the check issue detail; see paragraph 070807. During check issue reconciliation procedures, the DO may find that while the check issue detail was reported correctly, there is an error in reporting the SF 1219 check issue totals.

Figure 7-1. GPO Form 2431, Print Order-Department of the Treasury Checks and Proofs

GPO Form 2431
(Rev. 5-07) P 51632-5

U.S. GOVERNMENT PRINTING OFFICE
PRINT ORDER – DEPARTMENT OF THE TREASURY CHECKS AND PROOFS

1. Agency Order # _____ _____ (Signature and Title)

2. TYPE OF ORDER
☐ CHECKS ☐ GRID / SPECIMEN
☐ PROOF ☐ REVISION TO PROOF

3. PROGRAM	4. JACKET	5. OBJECT CLASS	6. ESTIMATED COST	7. DATE	8. PRINT ORDER
249–S	\	24:00			

9. DEPARTMENT	10. REQUISITION	11. BILLING ADDRESS CODE	12. TITLE
			TREASURY CHECKS

13. CONTRACTOR	14. PURCHASE ORDER	15. AREA / STATE CODE	16. CONTRACTOR'S CODE

17. SHIP TO:	18. APPROPRIATION CHARGEABLE	19. SHIP DATE	20. QUANTITY
	21. REQUESTED SHIP DATE		

22. SHIP BY
☐ ARMORED CARRIER ☐ REGISTERED MAIL ☐ EXPRESS PACKAGE CARRIER ☐ OTHER

23. CONTAINER REQUIREMENT
☐ DOMESTIC ☐ OVERSEAS

24. **AVAILABLE CHECK FORMATS AND VOLUMES –** CHECK QUANTITY PER BOX IF NECESSARY

☐ A. SINGLE	☐ 1,000	☐ 2,000	☐ 4,000	
☐ B. SINGLE SET W/ 2 CARBONS/STUBS	☐ 1,000	☐ 2,000	☐ 4,000	
☐ C. SINGLE SET W/ 1 CARBON/STUB	☐ 1,000	☐ 2,000	☐ 4,000	
☐ D. CONTINUOUS 1 UP	☐ 1,000	☐ 2,000	☐ 4,000	
☐ E. CONTINUOUS W/ RIGHT STUB		☐ 2,000	☐ 4,000	
☐ ER. CONTINUOUS W/ RIGHT STUB – 40,000 CHECKS & 40,000 STUBS PER ROLL				
☐ F. CONTINUOUS 2 UP – 8,000 CHECKS				
☐ G. CONTINUOUS W/ STUB ABOVE OR BELOW	☐ 1,000 CHECKS	☐ 2,000 CHECKS	☐ STUB ABOVE	☐ STUB BELOW
☐ GS. SINGLE SHEET OF 2 CHECKS & 2 STUBS	☐ 1,000 CHECKS	☐ 2,000 CHECKS	☐ STUB ABOVE	☐ STUB BELOW
☐ H. CONTINUOUS 2 UP ROLL – 80,000 CHECKS				
☐ HP. CONTINUOUS 2 UP ROLL W/ PERFORATION				
☐ I. CONTINUOUS W/ LEFT STUB		☐ 2,000 CHECKS	☐ 4,000 CHECKS	
☐ J. SHEET OF 4 CHECKS	☐ 1,000	☐ 2,000	☐ 4,000	
☐ K. 2 UP ROLL W/ BOTTOM STUB – 40,000 CHECKS/STUBS PER ROLL				
☐ L. 2 UP ROLL W/ 3 BOTTOM STUBS – 20,000 CHECKS AND 60,000 STUBS PER ROLL				
☐ M. SHEET OF 1 CHECK AND 3 STUBS	☐ STUBS ABOVE	☐ STUBS BELOW	☐ 11"	☐ 13"

25. **CHECK SYMBOL, SERIAL AND INVENTORY CONTROL NUMBERS**

SYMBOL AND SERIAL NUMBERS MUST BE SHOWN ON ALL ORDERS FOR PREPRINTED CHECKS

SYMBOL **SERIAL NUMBERS**

FROM _____ ☐ ASCENDING
TO _____ ☐ DESCENDING

INVENTORY CONTROL NUMBERS (ICN)

FROM _____ TO _____

26. PROOF NUMBER _____ FOR REVISIONS, ATTACH COPY OF PROOF WITH CHANGES INDICATED

27. TYPE OF CHECK WRITING EQUIPMENT	28. TYPE OF BURSTING EQUIPMENT	29. METHOD USED TO REPORT CHECK ISSUES
		☐ MAGNETIC TAPE ☐ OTHER

30. REMARKS

31. ISSUE STATISTICS AND ESTIMATE: Ordering Agency to Complete. *(If quantities differ significantly, explain under REMARKS in item 30 above)*

QUANTITY ISSUED		AVERAGE MONTHLY ISSUE EXPECTED
LAST CALENDAR MONTH	CALENDAR MONTH BEFORE LAST	
FOR QUESTIONS ON THIS ORDER CONTACT: *(ORDERING AGENCY)*		AGENCY REVIEWER
NAME _____ TELEPHONE NUMBER ( ) _____ _____		

GPO: 2007 10-015po70141 (mac) (See Reverse Side for Instructions)

Figure 7-1. GPO Form 2431, Print Order-Department of the Treasury Checks and Proofs (Continued)

INSTRUCTIONS FOR PREPARING THE PRINT ORDER

For additional information, consult Treasury Financial Manual for Guidance of Departments and Agencies, Vol. 1, 4–5000.

Item 1	The authorized employee of the Ordering Agency will sign and show his/her title here. This signature must match that furnisherd to Treasury on Form TFS–1186, Signature File–U.S. Treasury Check Order. Also, enter the order number assigned by the Agency.
Item 2	Indicate whether the order is for checks, grid, specimen, a new proof, or a revised proof.
Item 4	Insert the Jacket number for the current fiscal year *if known*. Contact Treasury for current number.
Item 7	Insert the date the order form is signed in item one in this area.
Item 9	The Ordering Agency will show its Departmental identification here (e.g. Justice/U.S. Marshals Service; DFAS/U.S. Navy; Treasury/Financial Management Service).
Items 10 and 11	Insert the Requisition number and Billing Address Code shown on the current Standard Form 1. The Requisition number will change when a new SF–1 is submitted each fiscal year.
Items 8, 13 thru 16, and 19	Completed by the Department of Treasury Printing Officer.
Items 17, 18, 20 thru 23	These self-explanatory items will be completed by the Ordering Agency. If a specific carrier is required by the ordering Agency for Item 22, this information should be shown in the Remarks box (Item 30).
Item 24	The Ordering Agency will "X" the appropriate block to show the check format and volumes required. If test checks are required with "SPECIMEN—NOT NEGOTIABLE" printed on the lower right portion of the face of the checks, this should be indicated in the Remarks box (Item 30).
Item 25	Indicate symbol and serial number information here. The ICN number is 9 digits preceded by an alpha character. Contact Treasury for additional information and assignment of the alpha character for each Agency. Indicate ascending or descending serial numbers. If neither box is marked you will automatically receive ascending numbers.
Item 26	Insert proof number, except for first-time proofs.
Items 27 and 28	Agencies ordering pre-printed serial numbered checks, MUST show in block 27, the make and model of the check print system and indicate (PPV) to show that post print verification is included as part of the system.
Item 29	Agency will "X" the appropriate block which indicates the medium used for reporting individual check issue amounts to Treasury.
Item 31	Show check usage here. Also, show the name and telephone number for contact representative. Agencies may use the Reviewer block to show signature for field offices when orders are sent to a central location for consolidation and approval.
NOTE:	A specimen or proof should be attached when a new proof must be made or when an existing proof must be altered.

Figure 7-2. FMS Form 5206, Advice of Check Issue Discrepancy

TC-AC-251 FINANCIAL MANAGEMENT SERVICE 8/15/20XX 23:11:57
TREASURY CHECK INFORMATION SYSTEM PAGE 1
FMS FORM 5206, ADVICE OF CHECK ISSUE DISCREPANCY
08/14/20XX

DISBURSING OFFICE
DEFENSE FINANCE AND ACCOUNTING SERVICE
DFAS-INDIANAPOLIS
8899 E 56TH STREET
INDIANAPOLIS, IN 46249-8620
PHONE:

FMS CONTACT
FINANCIAL MANAGEMENT SERVICE
CHECK RECONCILIATION BRANCH
ROOM 711A
3700 EAST-WEST HIGHWAY
HYATTSVILLE MD 20782
PHONE: (202) 874-8150

DOCUMENT NO.	DICSREPANCY TYPE	TRANSMITTAL NUMBER
10232	ISSUE AMOUNT INCREASE	5370-5570-95337066

REG NO	CHECK SYMBOL	SERIAL NUMBER	ISSUE DATE	REPORTED AMOUNT	AMOUNT PRINTED ON CHECK	ADJUSTMENT AMOUNT
57	5570	95337069	8/7/XX	500.00	1,659.06	1,159.06

TECHNICIAN NAME: JOHN DOE

PLEASE REVIEW YOUR CHECK ISSUE RECORD IMMEDIATELY TO DETERMINE WHETHER THE DISCREPANCY REFERENCED ABOVE IS THE RESULT OF AN ISSUE REPORTING ERROR OR INVOLVES AN ALTERED OR COUNTERFEIT CHECK. IF THE CHECK IS NOT ALTERED OR COUNTERFEIT, PLEASE PROCESS THE FMS FORM 5206 IN ACCORDANCE WITH INSTRUCTIONS IN THE TREASURY FINANCIAL MANUAL, VOLUME 1, PART 4, CHAPTER 6000. IF THE CHECK IS ALTERED OR COUNTERFEIT, PLEASE NOTIFY THE CHECK RECONCILATION BRANCH IMMEDIATELY IN WRITING BY EXPRESS MAIL AT THE ABOVE ADDRESS.

Figure 7-3. OF 1017-G, JV for Prior Month Checks Issued

Optional Form 1017-G (9-79)
Title 7.GAO Manual
901017-810

JOURNAL VOUCHER

J.V. No 024
Date Mar 15, 20XX

REFERENCE	EXPLANATION	DEBIT	CREDIT
	Adjustment for prior month checks issued. Checks Issued Feb 20XX Reported on Mar 20XX SF 1219 D.O. Symbol: 1234 Check Symbol No: 1234 Reporting Method: Connect Direct DCRM 10226834-10227933 30984320-30984639	 $511,369.24 $190,981.32	
	Total	$702,350.56	

Prepared by ---------- Approved by ----------

(Signature) (Signature)

---------- ----------

(Title) (Title)

Figure 7-4. OF 1017-G, JV for Check Issue Overdraft

Optional Form 1017-G (9-79)
Title 7.GAO Manual
901017-810

JOURNAL VOUCHER

J.V. No 024
Date Mar 15, 20XX

REFERENCE	EXPLANATION	DEBIT	CREDIT
DV #475129	Accounts Receivable – Check Issue Overdraft	500.00	
	Check Issue, Sep XX		500.00
	Check was drawn for $1,500.00 payable to Joe Doe. The payee was due only $1,000.00, the amount charged to the appropriation on the disbursement voucher.		
	DSSN 2222 Check No. 00,141,123 Date Issued: Sep 21, 20XX Original Amount Reported: $1,500.00 Correct Issue Amount to be reported: $1,500.00		
	Total	500.00	500.00

Prepared by ---------- (Signature)
---------- (Title)

Approved by ---------- (Signature)
---------- (Title)

Figure 7-5. Notification of Check Issue Correction – D.O. Requested

TC-AC-252 FINANCIAL MANAGEMENT SERVICE 7/27/20XX 23:11:57
TREASURY CHECK INFORMATION SYSTEM PAGE 1
NOTIFICATION OF CHECK ISSUE CORRECTION – D.O. REQUSTED
07/27/20XX

DISBURSING OFFICE:
COMMANDING OFFICER
USS STOUT (DDG-55)
FPO AE

05555-1234

PHONE: 0000000000000

FMS CONTACT:
FINANCIAL MANAGEMENT SERVICE
CHECK RECONCILIATION BRANCH
ROOM 711A
3700 EAST-WEST HIGHWAY

HYATTSVILLE
MD 20782

PHONE: (202) 874-8150

DOCUMENT NO	DISCREPANCY TYPE	TRANSMITTAL NUMBER
10069	ISSUE AMOUNT INCREASE	3706-8706-00008083

REG NO	CHECK SYMBOL	SERIAL NUMBER	ISSUE DATE	REPORTED AMOUNT	AMOUNT PRINTED ON CHECK	ADJUSTMENT AMOUNT
63	8888	00002222	06/27XX	799.79	1,197.38	397.59

TECHNICIAN NAME: MARY MARTIN

REFERENCE NUMBER:

PLEASE PROCESS THE NOTIFICATION OF CHECK ISSUE CORRECTION – D.O. REQUESTED IN ACCORDANCE WITH INSTRUCTIONS IN THE TREASURY FINANCIAL MANUAL, VOLUME I, PART 4, CHAPTER 6000.

Figure 7-6. Sample Certificate of Destruction

(USE APPROPRIATE LETTERHEAD)

May 12, 20XX

MEMORANDUM FOR RECORD

This memorandum certifies that on May 12, 20XX, one hundred and one (101) spoiled Treasury checks serially numbered from 70,006,499 through 70,006,599 (inclusive) and seventy six (76) voided Treasury checks serially numbered from 70,006,621 through 70,006,696 (inclusive), all bearing disbursing station symbol number 7834, were completely destroyed by shredding.

J.A. HANCOCK
LT, SC, USN
Disbursing Officer

We, the undersigned, certify by signature hereon that the checks listed above were physically verified by us and that all were completely destroyed by shredding in our presence on May 12, 20XX.

G.C. GARLAND, LT, USN

WILLIAM B. ELLIS, ENS, SC, USNR

Figure 7-7. Sample Affidavit and Indemnity Agreement for Lost Treasury Check

AFFIDAVIT AND INDEMNITY AGREEMENT FOR LOST U.S. TREASURY CHECK

I, _____, [hereinafter ("indemnitor")] the undersigned, being of sound mind and over the age of 21, capable of making this affidavit and indemnity agreement, duly sworn, state that the indemnitor is the lawful owner of the U.S. Treasury Check Number _____, Symbol _____, Payable to _____, issued by the U.S. Department of the Treasury for the sum of $_____. Indemnitor further states that:

1. it/he/she is not in possession of the check now;
2. it/he/she was entitled to enforce the check when the loss of possession occurred;
3. the loss of possession was not the result of a transfer by it/him/her;
4. the loss of possession was not the result of a lawful seizure; and
5. it/he/she cannot reasonably obtain possession of the check because the check was destroyed, the check's whereabouts cannot be determined, or the check is in the wrongful possession of an unknown person or person that cannot be found or is not amenable to service of process.

NOW, THEREFORE, in consideration of payment of said check to indemnitor of the sum of $_____, indemnitor promises to indemnify, defend, and protect the U.S. Treasury from any loss or harm occasioned or sustained by the U.S. Treasury of account of payment of the above described check to indemnitor. THIS AGREEMENT SHALL BE INTERPRETED ACCORDING TO FEDERAL COMMON LAW, INCLUDING APPLICABLE U.S. TREASURY REGULATIONS.

INDEMNITOR
Entity: _____
By: _____
Title: _____

State of _____
County of _____

Before me, the undersigned Notary Public for the State of _____, appeared (name) _____, (title of company) _____, who after being duly sworn, did acknowledge and sign the foregoing AFFIDAVIT AND INDEMNITY AGREEMENT FOR LOST U.S. TREASURY CHECK.

SWORN AND SUBSCRIBED this _____day of _____, _____

_____

Notary Public, State of _____
My Commission expires _____

Figure 7-8. Checks Issued Report - Report 72

TC-AC-72A FINANCIAL MANAGEMENT SERVICE 7/4/20XX 0:25:50
TREASURY CHECK INFORMATION SYSTEM PAGE 63
CHECK ISSUED REPORT
JUNE 20XX

AREA CODE	DO SYMBOL	ISSUE MONTH	CLEARANCE DATE	TYPE	TC	AMOUNT	SUMMARY TOTAL	BLOCK NUM
63	1234	05-06	06056	6	39	3,340,807.65		80012512
63	1234	05-06	06056	7	39	1,564,673.77		00042149
							4,905,481.42	
			ISSUE MONTH TOTAL			4,905,481.42		
			DO SYMBOL TOTAL			4,905,481.42		
63	2345	05-06	06026	6	39	949,477.86		00372340
							949,477.86	
			ISSUE MONTH TOTAL			949,477.86		
			DO SYMBOL TOTAL			949,477.86		
63	3456	06-06	06136	6	39	658,421.66		00372363
63	3456	06-06	06166	7	39	447,333.02		00372380
63	3456	06-06	06236	8	39	1,924,721.41		00372394
							3,030,476.09	
			ISSUE MONTH TOTAL			3,030,476.09		
			DO SYMBOL TOTAL			3,979,953.95		
63	4567	05-06	06026	8	39	2,100.00		00297825
							2,100.00	
			ISSUE MONTH TOTAL			2,100.00		
			DO SYMBOL TOTAL			2,100.00		

Figure 7-8. Checks Issued Report - Report 72 (Continued)

Explanation of Report Columns	
Area Code	Treasury's code identifying the reporting Central Disbursing Office: 61 = Air Force (DFAS-CO) 62 = Army (DFAS-IN) 63 = Navy (DFAS-CL)
DO Symbol	Disbursing station symbol number identifying the disbursing office.
Issue Month	Month and year that the checks were issued; the SF 1219 accountability month.
Clearance Date	Date check issue transmission and/or adjustment transaction was entered into TCIS, in the format MMDDYY.
Type	The type of adjustment made by the Treasury against the TCIS data file, which could be one of the following: 6 = FMS Form 5206 has been issued by the Treasury due to an overpayment or underpayment based on the amount reported by the DO for the issued check. The TCIS data file was adjusted to reflect the revised amount of the check. 7 = The Treasury processed an adjustment to the TCIS data file upon request from the disbursing office. 8 = The Treasury processed an adjustment to the TCIS data file upon notification from the disbursing office that voided checks were erroneously reported with dollar values greater than zero.
Transaction Code (TC)	32 = Disbursing office requested adjustment. 33 = FMS 5206 issued for check underpayment. 34 = Adjustment for voided check. 35 = FMS 5206 issued for check overpayment. 39 = Regular reporting of checks issued from electronic transmission of detail (Connect Direct or Level 8).
Amount	Represents the total dollar amount for each transmission submitted by the disbursing office, reported by check series and issue month. This must match the DO's SF 1179 report.
Summary Total	Represents the total dollar amount for all file transmittals submitted for the check issue month and the individual dollar amount of each adjustment made against the TCIS data file. If the entry is an adjustment, the amount listed will only reflect the amount of the adjustment and not necessarily the amount of the check.
Block Number	Represents the first check serial number of the range for each transmittal and the individual check serial number of the check adjusted in TCIS.

Figure 7-9. Comparison of Checks Issued – Detail Reported

COMPARISON OF CHECKS ISSUED - - DETAIL 03-31-20XX PAGE NO. 26
REPORTED ON STMTS OF ACCOUNTABILITY AND BLOCK CONTROL LEVEL TOTALS

DO. SYMBOL REPORTING	CHECK	REPORT DATE	ISSUE DATE	CAB REF	TCIS REF	TRANS. CODE	FMS 1219 REPORT	LEVEL 8 TCIS	DIFFERENCE	AREA CODE
1700	00001234	01-31-20XX	01-00-20XX	0000		210	1,757,177.43			63
	00001234	01-31-20XX	01-15-20XX		0009	790		1,346,011.50		63
	00001234	02-28-20XX	01-15-20XX		3456	790		2,522.50		
	00001234	03-31-20XX	01-15-20XX		0009	790		408,643.43		63
							1,757,177.43	1,757,177.43	*	
1700	00001234	02-28-20XX	02-00-20XX	0000		210	1,567,892.84			63
	00001234	02-28-20XX	02-15-20XX		0009	790		2,232,979.39		63
	00001234	02-28-20XX	02-15-20XX		3456	790		2,522.50*		
1700	00001234	03-31-20XX	02-00-20XX	0000		212	702,350.56			63
	00001234	03-31-20XX	02-15-20XX		0080	790		150.00*		63
							2,270,243.40	2,230,306.89	39,936.51	
1700	00001234	03-31-20XX	03-00-20XX	0000		210	2,621,266.31			63
	00001234	03-31-20XX	03-15-20XX		6009	790		2,673,516.79		63
	00001234	03-31-20XX	03-15-20XX		3456	790		52,350.48*		63
							2,621,266.31	2,621,166.31	100.00*	

Figure 7-9. Comparison of Checks Issued – Detail Reported (Continued)

Explanation of Report Columns	
DO Symbol Reporting Check	DO's central office reporting symbol (Agency Location Code): DO's DSSN
Report Date	Month and year transactions were entered into the Treasury's computer system. The report date is used in the reconciliation process to identify when transactions occurred.
Issue Date	Month and year checks were issued (the SF 1219 accountability month). Month and year are the only significant parts of this date.
CAB Ref	Represents the SF 1219 JV adjustment number. Purpose is to distinguish SF 1219 JV adjustments from TCIS adjustments, which come from different systems and impact different reports. The SF 1219 JV adjustments apply to the DO's SF 1219 balances which are processed through the Treasury's Central Accounting and Reporting system (STAR). Treasury also processes adjustments for $50 or less through the STAR system; the JV number is in this column.
TCIS Ref	Processed through TCIS, this identifies the type of adjustment affecting the TCIS issue balances, and can be comprised of several numbers representing different transactions, or the Treasury's JV for a JV adjustment. A. A series of numbers containing only 0, 6, 7, 8, and/or 9 indicates multiple adjustments, e.g., 6009 represents normal reporting with one or more FMS Form 5206 adjustments. B. A series of numbers not limited to 0, 6, 7, 8, and/or 9 indicates Treasury's JV number used to adjust TCIS, e.g., 5622 represents a JV number. C. The following is a guide to interpreting the reference number: 6 = FMS Form 5206 issued and TCIS adjustment made. 7 = Adjusted at request of disbursing office. 8 = Adjusted at request of disbursing office for voided checks. 9 = Normal reporting of detailed check issue data through Direct: Connect or Level 8 electronic means. 0 = Zero-fill placeholder only.
Trans Code	Identifies source of transaction, as follows: 210 = SF 1219 reporting for current month checks issued. 211 = SF 1219 reporting for processed FMS Form 5206 adjustments. 212 = SF 1219 reporting for DO's adjustments to prior month checks issued totals. 790 = Detailed check issued data reported and maintained in Treasury's TCIS.
FMS 1219 Report	Totals reported in the Treasury's STAR system, including the DO's SF 1219 original reporting and the adjustments made through the DO's and the Treasury's JVs for the issue month and year.
Level 8 TCIS	Net total of check issue detail in the Treasury's TCIS for the issue month and year comprised of DO's reporting and adjustments made by Treasury.
Difference	Difference between the total of FMS 1219 Report and the total of Level 8 TCIS for each issue month and year. An asterisk beside the dollar value represents a credit (total for the Level 8 TCIS is greater than the total reported as the SF 1219 Report). A debit indicates the SF 1219 Report total is greater than the total of the checks issued in the Level 8 TCIS.
Area Code	Treasury code to denote the Central Disbursing Office that is reporting. 61 = Air Force (DFAS-CO) 62 = Army (DFAS-IN) 63 = Navy (DFAS-CL)

Table 7-1. Check Issue Discrepancies

Rule	A	B	C
	If	and	then
1	checks with incorrect information are discovered prior to release		void check and Level 8 data. Issue new check and Level 8 data with correct information.
2		Level 8 data has already been reported into a disbursing system and check dollar amount is correct,	do not void check; process as a recertified payment.
3		Level 8 data has been released to DCRM and check dollar amount is incorrect,	process as a canceled check using an SF 1098.
4	an FMS 5206 is received by the DO, research check issue data and determine if the payee is overpaid or underpaid,	if incorrect check issue information was reported to the Treasury,	process FMS 5206 on the DO's SF 1179 and SF 1219.
5	an FMS 5206 is not received by the DO		the DO identifies and corrects offsetting error(s) by preparing and issuing a JV to the Treasury.
6	the Treasury reported an FMS 5206 but the DO did not receive it, contact the Treasury for a copy of FMS 5206,	the FMS 5206 is valid,	process on the SF 1179 and SF 1219.
7		the FMS 5206 does not belong to DSSN,	forward the FMS 5206 with memorandum to correct disbursing station.
8	a check issue reporting discrepancy is discovered within one year of issue	no FMS 5206 has been issued,	notify the Treasury in writing and request an adjustment to the amount reported.
9		an FMS 5206 was received,	process on SF 1179 and SF 1219.
10		a limited payability credit has been received,	an adjustment cannot be processed. Refer to Chapter 7, 071204.
11	check issue Level 8 data was transmitted but was not processed by the Treasury	check reporting files for the DSSN in DCRM are reviewed and checks are determined to be missing,	request files be transmitted to the DCRM system.
12	the Treasury paid the check but Level 8 data was not reported	check issue data has been reported,	report the check issue data work with DCRM regarding the missing check data at Treasury.

Table 7-2. DO's Check Issue Reporting and Check Reconciliation Checklist

	Disbursing Officer's Check Issue Reporting and Check Reconciliation	Completed	
		Yes	No
1	Has the disbursing section reviewed the check issue data from the entitlement system for accuracy? If data is not accurate, work with entitlement section to identify and correct.		
2	Were checks issued after entitlement data was validated?		
3	Were the check payment listing and the checks matched to entitlement data (amount of check, amount of voucher, amount of Level 8 data, and name) prior to releasing the checks and/or releasing the check issue data to DCRM?		
4	Was an error detected (e.g., date error, wrong serial number, or dollar amount)? If so, void the check, and change check issue reporting data prior to releasing the check or the data.		
5	Was the post-print verification completed for the check payment listing, checks, and check issue Level 8 data prior to releasing the checks and the check issue data through DCRM to the Treasury's Check Payment and Reconciliation (CP&R) system?		
6	When the check data is balanced, did the DO process automated or manual Level 8 data daily, weekly, or monthly to the Treasury through DCRM?		
7	Did DCRM validate the Level 8 detail data to include DSSN, check issue date, amount, and serial number?		
8	At month end, did the DO ensure all check issue data for the month was entered into DCRM?		
9	Did the DO work the DCRM email notification for missing/unused checks in a timely manner to ensure missing checks are reported?		
10	Are voided, lost or stolen checks reported as zero (0) to the Treasury and Level 8 reporting (See paragraph 071404)?		
11	Did the DO process the Month End Check Issue Summary (SF 1179) by consolidating the data into the summary level Statement of Accountability (SF 1219) and ensure that the end of month check issue data reported through Level 8 is in balance with the SF 1219 and the SF 1179? (See section 0714)?		
12	Did the current month's SF 1179 also show prior month adjustment to check issue totals in accordance with section 0714?		
13	Did the DO receive an FMS 5206? The DO must research the FMS 5206 to determine reason for discrepancy and make appropriate adjustment, as required.		
14	Has correction of the discrepancy been reported on line 2.11 of the monthly SF 1219? Use the original transaction date cited on the FMS 5206 when recording the adjustment.		
15	When the payee was not overpaid or underpaid, but incorrect check issue information has been reported to the Treasury, has the DO processed the FMS 5206 on the DO's SF 1179 and SF 1219, or has the DO requested that the Treasury adjust the Check Issue Report?		
16	When the DO discovers a discrepancy and prepares a JV before an FMS 5206 is received from the Treasury, has the correction been reported on the SF 1219, line 2.12, and on the monthly SF 1179?		
17	Did the DO take necessary actions to clear the FMS 5206 discrepancies in accordance with section 0714?		
18	Do any disbursing personnel have access to DCRM? If yes, what level and purpose?		
19	Did the DO coordinate with field personnel to ensure that all checks have been reported to the Treasury?		
20	Has the DO taken necessary actions in accordance with section 0714 to clear all discrepancies within 60 days of notification from the DFAS sites? DFAS site personnel must monitor all discrepancies to ensure the necessary actions have been taken to clear the discrepancies within 60 days in accordance with section 0714.		

Table 7-3. DFAS Sites' Responsibilities for Check Issue Reporting and Reconciliation

	DFAS Sites' Responsibilities for Check Issue Reporting and Check Reconciliation	Completed	
		Yes	No
1	Did the reporting DFAS sites monitor output product from DCRM that compares DFAS sites' monthly reported SF 1219 line 2.10 to Level 8 data by DSSN?		
2	Did the DFAS reporting sites perform oversight and notify DOs to ensure discrepancies are corrected within the month they are notified?		
3	Did the DFAS reporting sites receive from the Department of the Treasury the monthly CP&R and the Checks Issued Report (Report 72) denoting errors and forward reports to the DOs for reconciliation?		
4	Did the DFAS sites monitor and age discrepancies to ensure the necessary actions to clear the account were taken?		
5	Were the comparison/discrepancy reports worked using the Report 72 to reconcile any differences that are not corrected by either an SF 1179, FMS 5206 for under/over pay adjustment, void check, or a DO request for an adjustment on an OF 1017G?		
6	Did the DFAS sites monitor and age check issue discrepancies on the Outstanding Payment Report, which reflects the range of checks issued and cleared by the Department of the Treasury but not reported by DOs, with the checks reported as missing in DCRM?		
7	Did the DFAS sites contact the DOs to obtain the data for any unreported checks in DCRM?		
8	Did the DFAS site personnel contact the DO about checks reported as missing by the Treasury but reported in DCRM?		

Table 7-4. Samples of Corrective Actions for Check Issue Discrepancies

Problem	Effect	Corrective Action
1. Check reported incorrectly in DCRM system; check issue file transmitted to the Treasury. FMS 5206 not yet issued.	Check issue discrepancies with TCIS totals higher or lower than SF 1219 totals.	Request a check issue adjustment from the Treasury. Ensure notification of check issue correction is received. See subparagraph 070807.A. for more information.
2. Check reported incorrectly in the DCRM system; check issue file not transmitted to the Treasury.	The DCRM system file total does not match the total of check issues for a check block series.	Request deletion/replacement of erroneous check block series file in the DCRM system. Create a new file with the corrected check issue information. See paragraph 071403 for more information.
3. Check issued and dated 30th of the month but not included as a check issued on the accountability statements.	Check issue discrepancy with TCIS higher than the DO's SF 1219, which may also be out of balance, unless voucher was not recorded.	Prepare and process a JV for prior month check issue. If the payment voucher has not been previously reported, record the voucher and accounting entries. See subparagraph 070803.A for more information.
4. Check dated and issued in previous month, but reported as current month issues on the accountability statement.	Check issue discrepancy between months.	Prepare and process a JV to move the check issue to the proper month. Refer to subparagraph 070803.A for more information.
5. The DO has the checks issued on the proper month's SF 1219, but the Treasury has the SF 1219 recorded as the wrong month.		Request the Treasury do an adjustment to move the checks issued (SF 1219) to the proper month. Refer to subparagraph 070803.C for more information.
6. A check is negotiated and paid but the DO has not reported the check issue data to the Treasury.	TCIS rejects claim for payment until the check is reported as issued. No limited payability cancellation credits will be processed. Delays or precludes detection of possible fraud, theft, or altered check, and possible bank reclamation procedures. Payee received funds for check when negotiated. If DO has included check in the accountability statement as issued, check issue discrepancy will reflect on the Comparison of Checks Issued Report.	Review check issue records to ensure the check is valid. If the payment of the check is due to an act of fraud or theft, initiate an investigation, bank reclamation procedures, and loss of funds action, as applicable. Check the status of the check in the DCRM system, and either input or correct the DCRM check file to report the check issue detail to the Treasury.

Table 7-4. Samples of Corrective Actions for Check Issue Discrepancies (Continued)

Problem	Effect	Corrective Action
7. The DO receives an FMS 5206 issued by the Treasury for a check discrepancy.	Check issue discrepancy reflected on the Comparison of Checks Issued Report. Possible underpayment, overpayment, error in reporting, or altered check.	Review the check issue records to determine if the error is a reporting error, underpayment, or overpayment. For reporting errors, adjust the record that is in error. If the TCIS entry was the only incorrect reporting, the error was corrected when the FMS 5206 was issued. If the check issue total is incorrect on the SF 1219, report the adjustment under Section II, Part A, Column 4 on the SF 1219 for adjustments related to FMS 5206s. For overdrafts, see subparagraph 070804.F. For underdrafts, see subparagraph 070805.E. Record receipt of the FMS 5206 on the monthly internal control report and follow procedures as prescribed to complete report requirements.
8. The DO has not received an FMS 5206, which was issued by the Treasury.	Check issue discrepancy. The Report 72 indicates an FMS 5206 has been issued, but the DO has no record of receipt.	Request a copy of the FMS 5206 from the supporting DFAS site. Review the Report 72 to identify the check with the discrepancy. Follow Item 7 when the FMS 5206 is received.

VOLUME 5, CHAPTER 8: "COLLECTIONS"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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

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

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

The previous version dated June 2014 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current administrative instructions.	Revision

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CHAPTER 8

COLLECTIONS

0801 GENERAL

080101. Overview

Collections are transactions that increase a disbursing officer's (DO) accountability, but do not apply to the acquisition of United States (U.S.) and foreign currencies through the purchase with dollars or accommodation exchange transactions. They may also result from transfers of funds from one appropriation or fund to another by voucher deduction or a "no check drawn" transaction using a Standard Form ***(SF) 1080***, Voucher for Transfers Between Appropriations and/or Funds; ***SF 1081***, Voucher and Schedule of Withdrawals and Credits; or by the Department of the Treasury's (Treasury) Intra-governmental Payment and Collection (IPAC) System. A collection voucher may be a combination of a payment and a collection by voucher deduction, e.g., a civilian payroll voucher where federal and state taxes are deducted. Vouchers must be retained in accordance with Volume 1, Chapter 9, which provides record retention requirements with emphasis on supporting audit readiness and contingency operations.

080102. Purpose

This chapter addresses the legality and propriety of collection transactions and substantiating vouchers.

080103. Authoritative Guidance

Title 31, United States Code, ***section 3302(c)*** requires Department of Defense (DoD) DOs to deposit public money not being held for current expenditure in the Treasury or with a depositary designated by the Secretary of the Treasury.

0802 TYPES OF COLLECTIONS

080201. Receipts

Receipts are collections into a Treasury miscellaneous receipt or other legally-authorized account or fund. DOs collect them into their accountability using a DoD ***(DD) Form 1131***, Cash Collection Voucher. They are recognizable by the absence of a fiscal/program year in the accounting classification. Disbursing from a receipt account is not authorized. "Adjusting out" an over-collection requires processing a collection voucher as a negative receipt.

080202. Reimbursements

Reimbursements are amounts earned and collected for property sold or services furnished to U.S. Government agencies or to the public, amounts collected from outside sources for payments made in error, overpayments, or adjustments for previous amounts disbursed. They are recognizable by the presence of an accounts receivable sales code within the accounting classification. Show them as positive amounts on the DD 1131. A "negative reimbursement" occurs when a reimbursement is over-collected and requires a return of funds to the remitter and is vouchered as bracketed (negative) amounts on a DD 1131.

080203. Refunds

Refunds are recoveries of payments collected into a DO's accountability as positive amounts on a DD 1131 using the same accounting classification as the one on the original disbursement voucher. Refunds may also occur as offsets shown as (bracketed) amounts on disbursement vouchers. They are reductions in disbursements rather than collections. Report refunds, documented on collection vouchers, on the ***DD Form 2657***, Daily Statement of Accountability, separately from those occurring as negative disbursements, which are reported simply as net of disbursements. Do not report refunds separately on the ***SF 1219***, Statement of Accountability, but include them in the calculation of net disbursements.

0803 COLLECTION TRANSACTIONS

080301. General

Collections increase a DO's accountability. Schedule collections received by DOs on the appropriate collection forms and verify and record them in the accounting records. Funds received that are not creditable to appropriations (e.g., recoveries of losses of funds, or dishonored checks) are not "collections" because they do not change a DO's accountability.

A. Voucher-Supported Collections

1. Voucher-supported collections create credits to appropriations or to receipt or deposit fund accounts (see Figure 8-1), and involve:

a. Direct receipts (e.g., cash, checks, money orders, and electronic deposits);

b. Deductions on payment vouchers to cover indebtedness to the U.S. Government;

c. Other deductions on payment vouchers (e.g., deductions for federal taxes); or

d. Transfers between appropriations or funds, corrections of charges against appropriation or funds, or credits to appropriation or funds. Use SF 1080 or SF 1081. Voucher-supported collections may also occur in Treasury's IPAC System (see Chapter 11, section 1104). In some instances, (e.g., collections from dining facilities), only one collection voucher number for the entire accounting period (e.g., month) may be assigned. In this case, prepare the formal collection voucher on the last business day of that period. DOs record daily receipts of this nature on the DD 2657 on Lines 2.3, Other Transactions, and 6.2A, U.S. Currency/Coinage on Hand. When processing the formal DD 1131 at the end of the period, remove the accumulated collections from Line 2.3 and include them on Line 4.1E, Less Reimbursements.

2. Separate negotiable instruments (checks or money orders) received as collections from accompanying accounting documents at the initial stage of processing and deposit them (see Chapter 11, 110803.B.1). If the identification of the appropriation account is not immediately possible, credit either **F3875 (Budget Clearing Account (Suspense)), **X6500 (Advances without Orders from Nonfederal Sources), **X6501 (Small Escrow Amounts), or **X6276 (Other Federal Payroll Withholding, Allotments), as appropriate, and deposit the negotiable instruments. Upon determining the proper accounting classification, use an SF 1081 to charge the appropriate budget clearing account or deposit fund and credit the proper appropriation or fund. Do not issue checks for these transfers.

B. Unvouchered Collections. Unvouchered collections occur when a DO receives cash or negotiable instruments from individuals or organizations and does not credit them to an appropriation or fund, or does not support them with a formal collection voucher (e.g., dishonored checks cashed, losses of funds, some check issue overdraft discrepancies, and agent returns). Document this type of collection on Optional Form ***(OF) 1017-G***, Journal Voucher. DOs may record unvouchered collections on the DD 2657 as increases to line 4.2A, Deposits Presented or Mailed to Bank (or 6.2A), but not lines 4.1B, Less-Refund, 4.1D, Less-Receipts, or 4.1E; with corresponding entries as decreases to lines 6.5, Funds with Agents, 7.2A, Accounts Receivable – Check Overdrafts, 7.2B, Accounts Receivable – Other, 7.3, Loss of Fund, 7.4, Dishonored Checks Receivable, 9.2A, Accounts Receivable – Check Overdrafts, 9.2B, Accounts Receivable – Others, or 9.3, Loss of Funds.

080302. Method of Remittance

Accept cash, checks, or other recognized forms of credit instruments payable on demand. Examples include certified or uncertified personal checks, corporate checks, bank drafts, Treasury checks with issue dates less than one year old, postal money orders, money orders issued by banks or other financial establishments, credit union share drafts, and warrants payable on demand. Draw these negotiable instruments in favor of a DO's official capacity (i.e., position title, not name). Visa and MasterCard credit cards and debit cards are acceptable when presented for payment at locations participating in the card acquiring service (see Chapter 11, paragraph 110301).

A. Commissary Sales Collections. Commanders may authorize commissary officers to accept Treasury checks from authorized patrons to pay for sales when available banks and other facilities are unable to furnish check cashing services, but cannot authorize or require

DOs or their agents to advance additional change funds to commissary officers to cash Treasury checks they receive. Commissaries may use the cash they receive for this purpose.

B. Remittance by Mail. DOs establish procedures to control receipt and processing of checks and other negotiable instruments received by mail. An individual that is independent of the collection function must receive these remittances, and must not be the same individual who maintains the accounts receivable records. DOs must establish controls using the ***DD Form 2658***, Returned and Undeliverable Check/Bond Record, or another effective method to maintain a record of transmittal of the instruments between functional areas.

080303. Collections by Remote Cashiers

DOs acknowledge collections made by remote cashiers only upon receipt of certification of the actual monetary amounts.

080304. Performance and Bid Bonds (Storage and Safekeeping)

The Federal Acquisition Regulation ***Subpart 28.1*** prescribes acceptance of only cash, certificates of deposit, or irrevocable letters of credit (ILC). Only ILCs issued by federally-insured financial institutions, in the name of the contracting agencies that identify the agency and solicitations or contract numbers for which ILCs are presented are acceptable.

A. Negotiable Instruments. DOs receiving remittances (e.g., checks, bank drafts, and money orders) as deposits for performance or bid bonds deposit them immediately in deposit fund account **X6501 to be held pending settlement with the contractor.

B. U.S. Bonds Deposited in Lieu of a Surety. Under Title 31, Code of Federal Regulations, ***Part 225***, contractors may deposit certain U.S. bonds with contracting officers instead of furnishing corporate individual sureties on performance and payment bonds. DOs may not accept these bonds (whether electronic or hardcopy) for other than temporary safekeeping (e.g., overnight or over a weekend). DOs may provide space in a safe or vault for temporary safekeeping by placing the bonds and related documentation in a sealed package indicating custodianship, giving the contracting officer a receipt for the package (see Chapter 3, section 0303). The contracting officer is responsible for transferring the bonds to the Federal Reserve Bank (FRB).

080305. Negotiable Instruments

A. General. To facilitate Treasury identification of the depositing organization, DOs, Deputy DOs (DDOs), agents, and cashiers require remitters to make checks and other negotiable instruments payable to the accepting organization (e.g., "Disbursing Officer, disbursing station symbol number (DSSN) ####;" "Disbursing Officer, Camp Lejeune, NC 28542;" or "Disbursing Officer, APO AP 96604-8405") rather than to the "Department of the Treasury," but do not return checks payable to the Treasury for re-accomplishment. Modify the examples to fit the situation (e.g., "Agent" or "Food Services Officer, (insert unit)" for "Disbursing Officer") if appropriate, particularly if the DO that will receive the collections is unknown. Do not accept checks payable to a DO or agent by proper name.

B. For Deposit to the Credit of the Treasury. Deposit the negotiable instruments in an FRB or branch or an approved general depositary for credit to the Treasury. Instruments drawn payable to the remitter are acceptable as inscribed if the remitter endorses them as explained in Chapter 11, paragraph 110803. For endorsements on negotiable instruments see Chapter 11, subparagraph 110803.F. Post inscription instructions in strategic locations at cashier cages, commissaries, and other locations receiving these instruments.

C. For Deposit in a Limited Depositary. Keep limited depositary accounts in the name of the activity to which the DO is assigned (see Chapter 14, section 1402). Instruct the remitter not to inscribe instruments payable to the DO by activity name.

0804 ISSUANCE OF RECEIPTS FOR COLLECTIONS

080401. Turning in Funds

A. Indirect Collections. Individuals other than DOs, DDOs, cashiers, or agents receiving funds belonging to the U.S. (including those to be held in trust) promptly turn over such funds to their supporting DO or deposit them in an authorized general depositary. These individuals may be commissary, sales, property disposal, personnel, and other officers authorized to receive funds due the U.S. They are responsible for safekeeping funds in their possession pending deposit or turn-in. Collecting officers number documents sequentially by fiscal year. The DO, DDO, or agent receiving the funds signs and returns two copies of each DD 1131 (other than the original) to the collecting officer, distributing additional copies as required.

B. Direct Collections. A DO, DDO, agent, or cashier receiving a collection directly from a remitter prepares a collection voucher for the amount collected. The supporting Defense Finance and Accounting Service (DFAS) site determines the number of copies to give the remitter. Only issue receipts for payment of bills received by mail in the disbursing office if the remitter requests it. Furnish receipts only for amounts received and verified by actual count. DOs, DDOs, or agents are prohibited from using "subject verification" to issue receipts, giving receipts "in blank," or accepting receipts "in blank."

C. Receipt Acknowledgement. Where an automated system is used, cashiers may sign receipts in their own name; otherwise DOs, DDOs, or agents must personally sign the receipts. Signatures are not required for collection vouchers electronically validated by an approved public-key-infrastructure method. Before signing, the cashier or collecting official ensures that remittances are authorized collections in the correct amounts. The person accepting the remittance should not be the same person updating the accounts receivable record.

080402. Collections by Deductions from Vouchers

If requested, give payees receipts for collections made by voucher deduction. This includes other divisions or activities that may require notices of collection.

080403. Collections by Agent Officers

A. Collections. Agents of appointing DOs may sign receipts for funds.

B. Proceeds of Sales. When funds are deposited with agents, they complete receipts on the original and three copies of the DD 1131 as agents of their DO, and submit the original and two signed copies of the DD 1131, together with supporting documents, with their financial reports to the DO. Return one signed copy to the appropriate collecting official as receipt for the funds. The format for the receipt is:

Richard Roe, Lt Col, (Component)

By: _____
Name and Type of Agent

0805 RECORDING AND CONTROLLING COLLECTIONS

080501. Pending Payment File

The affected functional area maintains a pending payment file and associated copy of the uncollected billing document(s) unless the supporting DFAS site directs otherwise. Send the original and duplicate copy of the documents to the customer from whom reimbursement is expected (see paragraph 080202). Arrange the files in the order most convenient to the person maintaining the file, reconciling it quarterly to the accounts receivable subsidiary ledgers.

080502. Collection of Accounts Receivable

A. Payment of Bills. When payment is physically presented to a cashier, the cashier annotates a copy of the bill as "Paid" and initials it. If the cashier is presented the original bill, he/she stamps or notes it "Paid" with date of payment and initials, and returns it to the remitter. Attach paid copies of bills to the DD 1131 and forward them to the affected functional area daily for recording. For automated billings, the responsible functional area prepares the DD 1131 (cash payments) or SF 1080 (payroll deductions) as part of the automated collection posting process.

B. Clearance of Component Bills. An individual being transferred from the Component notifies the appropriate functional area and billing office to ensure settlement of all unpaid telephone bills, utilities, and similar liabilities. The responsible functional area ensures the collection of pending bills, makes any required adjustments on a new bill, marks the old bill "Void," attaches it to the paid copy of the new bill, and completes the clearance form.

080503. Collections for Other Agencies

A. Identifiable Collections. Issue a receipt for an identifiable collection applicable to an account maintained by another fiscal station if requested or required, and process the collection as a transaction for others. Include the complete identity of the remitter, account, fiscal station, and appropriate fiscal data on the DD 1131.

B. Unidentifiable Collections. Do not process a collection for another fiscal station for which the accounting classification is not immediately identifiable as a transaction for others. Deposit the collection into deposit fund account **X6500, **X6501, **X6276, or **F3875. Upon determining the correct accounting classification, process an SF 1080 as a transaction for others to clear the suspense account.

080504. Overages

Process an overage in a DO's account as a collection to **F3875 no later than the business day after the overage occurs. Resolve overages no later than the fifth workday after the end of each quarter or, upon the DO's relief from disbursing duty, no later than the fifth workday following the date of relief. Consider collections and returns from agents when determining the source of the overage. When reasons for overages are explained, and there is reasonable assurance that no claim will be made against them, credit it directly to the Treasury's receipt account **R1060, Forfeiture of Unclaimed Money and Property.

080505. Collection Voucher Control Log

Maintain a daily ***DD Form 2659***, Voucher Control Log, for collection vouchers the disbursing office receives or prepares. The DO determines the functional areas and assigns individuals to maintain this form. Assign each functional area and/or branch disbursing office a separate series of voucher numbers. Include the collection voucher number, identification of the remitter (name of remitting individual or organization), amount, and instrument of remittance (e.g., check, cash, travelers check, electronic funds transfer, or a no pay adjustment). Annotate a check/Electronic Funds Transfer (EFT) trace number in column d "Other" (see Figure 8-2).

080506. Collections Overpaid or Underpaid by $1.00 or Less

When a remitter overpays an amount due totaling $1.00 or less, collect the overpayment into receipt account **1099 (Fines, Penalties, and Forfeitures). Refund it only if requested by the remitter. Also, if a payee underpays an amount due that totals $1.00 or less, prepare an SF1080 charging the DoD Component's Operations and Maintenance account and credit the applicable appropriation (or receivable) for the amount of the underpayment. Do not pursue collection action for underpayments totaling $1.00 or less.

080507. Collections Made at Agencies Not Having a Disbursing Office

When agencies not collocated with or supported by a disbursing office receive collections:

A. Collection Control Log. Use a log to control the collections from the time of receipt until they are transmitted to the disbursing office. At a minimum, show the date of receipt, remitter, check or money order number, collection voucher number, amount of collection, and the date transmitted to the disbursing office.

B. Collection Voucher. Prepare a collection voucher the same day the DoD Component receives the collection.

C. Safeguarding the Collection. Safeguard the collection and supporting documents (see Chapter 3, section 0303).

0806 DOCUMENTING AND PROCESSING COLLECTIONS

080601. Verification of Funds Received

A. Verification. Functional areas ensure that collections are proper, vouchers have complete and accurate data, and required copies are available. A disbursing office detecting an improperly prepared voucher returns it to the functional area for correction.

B. Funds Deposited by Collecting Officers. When a collecting officer deposits collections directly to a general depositary, the disbursing office processes them in the DO's account upon receipt of the collection voucher (or receipts for collection). The deposit ticket and supporting collection vouchers are the basis for verification of receipt of the funds. If the collecting officer does not provide a confirmed copy of the deposit ticket, advise him/her to furnish it upon receipt.

C. Purpose of Collection. Include the purpose of a collection (e.g., contract lease, applicable regulation, schedule, cost list, or other document that authorizes the collection) on, or as an attachment to, a collection voucher. If a sales contract is involved, cite the contract in the reference information. If the purpose of a collection cannot be determined, account for it in **F3875, **X6500, **X6501, or **X6276, as appropriate. Review all deposits at least quarterly to determine if funds can be properly deposited into the appropriate account. Attempt to clear the balances in these accounts during the last month of a fiscal year. Do not hold deposits in these accounts longer than necessary.

1. Transfer to account 20X6133, Payment of Unclaimed Moneys, amounts of $25 or more that has been held for more than one year, are authorized to be refundable, but cannot be refunded because the individual's location is unknown.

2. Transfer to **R1060 unclaimed amounts of less than $25 or amounts of $25 or more that have been held for more than one year for which the rightful owner can be neither identified nor located.

D. Numbering Collection Vouchers. Assign collection voucher numbers consecutively starting at the beginning of each fiscal year based on numbering instructions provided by the DFAS site that receives the financial reports.

E. Legibility of Copies. DOs ensure the legibility of all copies of vouchers prepared for distribution.

F. Routing Original Collection Vouchers. The disbursing division of each disbursing office sends original collection vouchers to the supporting DFAS site.

080602. Signature on Collection Vouchers

A. Responsibility. The DOs, DDOs, or agent officers sign original collection vouchers in permanent, non-erasable ink; this duty may not be delegated or reassigned. Officers using cash control machines or mechanized equipment to validate vouchers are exempt from this requirement (except when a DD 1131 is being processed for further action by a disbursing office not collocated with the processing disbursing office) so long as the machines and control of them meet minimum security and audit requirements. The DO or DDO controls the keys for these machines.

B. Internal Controls. The DO implements controls to ensure that all funds received by the cashier are accounted for properly. The DO or DDO holds copies of the vouchers bearing the cashier's initials. In making daily settlement with the cashier at the end of the business day, these copies determine if the amounts of the collections the cashier reported were proper. The receiving officer's signature is required where applicable (see subparagraph 080401.C). The DO or certifying officer, as applicable, signs transfer, cancellation, or adjustment vouchers (SF 1081) and ***SF 1098***, Schedule of Canceled or Undelivered Checks. If the same voucher is both a disbursement and collection, the disbursement is the original subject to the signature requirements paragraph 080602; the collection is a copy and does not require a signature.

080603. Preparation of Documents Used to Transmit Funds

A. Responsibility. An officer depositing or transmitting funds to a disbursing office prepares the forms listed in subparagraphs 080604.A and D. Except for collections arising from over-the-counter sales (e.g., commissaries), include the name of the remitter, the specific authority for the collection, and information sufficient for the DO to identify the collection and determine that the correct amount is cited on each collection document. The officer preparing the form also furnishes the complete accounting classification as prescribed; fiscal code, including the DSSN of the station maintaining the appropriation cited; and the country code when the collection is made in an overseas area.

B. Preparation and Distribution. Prepare each collection voucher in duplicate, with additional copies as required.

080604. Collection Documents

A. DD 1131. Use this when governing directives do not otherwise prescribe other forms. It may serve as a cover voucher for other receipt forms. See Figure 8-1.

B. SF 1098. Use this form to collect the proceeds of an available canceled Treasury check (see Chapter 7, paragraph 071004).

C. ***DD 707***, Report of Deposit. Commissary officials prepare and submit this form to the DO under whose DSSN they make deposits (see Figure 8-3).

D. SF 1080. Use this form to transfer amounts between appropriations and/or funds.

E. SF 1081. Similar to SF 1080, this form also transfers amounts between appropriations or funds and may be used for corrections of charges and credits.

F. ***DD Form 139***, Pay Adjustment Authorization. Use this form for salary offset collections.

Figure 8-1. DD Form 1131, Sample Cash Collection Voucher

CASH COLLECTION VOUCHER	1. DISBURSING OFFICE COLLECTION VOUCHER NUMBER C539
	2. RECEIVING OFFICE COLLECTION VOUCHER NUMBER 210

3. RECEIVING OFFICE	
a. ACTIVITY *(Name and Location) (Include ZIP Code)* Fort Jackson, Columbia, SC 29207	
b. RECEIVED AND FORWARDED BY *(Printed Name, Title and Signature)* CPT John Doe, Housing Officer	d. DATE *(YYYMMDD)* 20091021
c. TELEPHONE NUMBER *(Include Area Code):* COMMERCIAL: (803) 751-2345 DSN: 734-2345	
4. DISBURSING OFFICE	
a. ACTIVITY *(Name and Location) (Include ZIP Code)* Fort Jackson, Columbia, SC 29207	
b. DISBURSING OFFICER *(Printed Name, Title and Signature)* LTC J. D. Knowhow, Disbursing Officer	d. DISBURSING STATION SYMBOL NUMBER 5566
c. TELEPHONE NUMBER *(Include Area Code):* COMMERCIAL: (803) 751-1234 DSN: 734-1234	e. DATE *(YYYYMMDD)* 20091021
5. PERIOD: a. FROM 20091021 b. TO: 20091021	

6. DATE RECEIVED	7. NAME OF REMITTER DESCRIPTION OF REMITTANCE	8. DETAILED DESCRIPTION OF PURPOSE FOR WHICH COLLECTIONS WERE MADE	9. AMOUNT	10. ACCOUNTING CLASSIFICATION
10/21/09	SPC William B. Ellis	Damage to family housing, Quarters 223	$241.95	21X 2346 4XYZ 25.2 G33512
11. TOTAL			$241.95	

DD FORM 1131, DEC 2003 PREVIOUS EDITION IS OBSOLETE.

Figure 8-2. DD Form 2659, Sample Voucher Control Log

VOUCHER CONTROL LOG			1. DISBURSEMENTS			3. DATE
			2. COLLECTIONS XXXX			10/21/XX
4. VOUCHER NUMBER	5. PAYEE (Disbursements) REMITTER (Collections)	6. AMOUNT	7. FORM OF PAYMENT OR REMITTANCE			
			a. CASH	b. CHECK	c. EFT	d. OTHER
C537	John A. Doe	152.50	X			
C538	Mable C. Baker	398.00		X		
C539	William B. Ellis	241.95	X			

DD Form 2659, AUG 93 REPLACES AF FORM 1304, WHICH IS OBSOLETE

Figure 8-3. DD Form 707, Sample Report of Deposits

REPORT OF DEPOSITS

PERIOD COVERED	
FROM: 1 Aug 20XX	TO: 12 Aug 20XX

INSTALLATION	NAME AND DESIGNATION OF INDIVIDUAL DEPOSITING FUNDS
Ft. Finance, IN	C. D. Jennifer, CPT, QMC

SECTIONS AND SUBSECTIONS	FUNDS DEPOSITED TODAY	ACCUMULATED FROM LAST REPORT	CUMULATIVE TOTAL
Subsistence Section:			
Subsistence	200.00	0.00	200.00
Meat Market	200.00	0.00	200.00
Surcharge	55.00	0.00	55.00
TOTAL	455.00	0.00	455.00

APPROPRIATIONS TO BE CREDITED	
APPROPRIATION	AMOUNT
21X2010 x-C-xxx Pxxxx-xx Sxx-xxxx	400.00
21Xxxxx xx-C-Sxx-xxx	55.00
TOTAL	455.00

RECEIVED FROM: C.D. Jennifer, CPT, QMC

IN CASH AND/OR CHECKS, $ 455.00 WHICH,

TOGETHER WITH PROCUREMENT, ALLOTMENT OR APPROPRIATE CREDITS FOR SUMS PREVIOUSLY RECEIPTED FOR AS SHOWN HEREON

ON WILL APPEAR ON MY ACCOUNT FOR MONTH OF August, 20XX

VOUCHER NO. 123

DATE	SIGNATURE OF FINANCE OFFICER
12 Aug 20XX	

DATE	SIGNATURE OF DEPOSITOR	VOUCHER NUMBER
12 Aug 20XX		Aug 32-A

DD Form 707, MAR 53 81/134

VOLUME 5, CHAPTER 9: "DISBURSEMENTS"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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

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

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

The previous version dated May 2016 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current administrative instructions.	Revision
090301	Updated the paragraph to reflect the forecasted daily disbursement consolidated report cutoff of 3:00 p.m. eastern time, per the Treasury Financial Manual, Volume 1, Part 4A, Chapter 4000.	Revision

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CHAPTER 9

DISBURSEMENTS

0901 GENERAL

090101. Overview

A. Disbursement. A disbursement is a payment to an individual or organization for goods furnished or services rendered. It may also be a transfer of funds from one appropriation or fund to another by a "no check drawn" transaction using a Standard Form (SF) ***1080***, Voucher for Transfers Between Appropriations and/or Funds; ***SF 1081***, Voucher and Schedule of Withdrawals and Credits; or by the Department of the Treasury's (Treasury) Intra-governmental Payment and Collection (IPAC) System. A negative disbursement is a refund.

B. Disbursement Voucher. A disbursement voucher may be a combination of a payment and collection by voucher deduction (e.g., a civilian payroll voucher where deductions for Federal tax), U.S. savings bonds, and civil service retirement are credited to the appropriate accounts and the net pay is disbursed to the payee. All disbursements must be supported by formal disbursement vouchers (e.g., SF 1080; SF 1081; SF 44, Purchase Order-Invoice-Voucher; or SF ***1034***, Public Voucher for Purchases and Services Other Than Personal). Disbursements of Foreign Military Sales funds require the request and receipt of expenditure authority before certification of a voucher for payment (see Volume 15, Chapter 4, section 0409). Chapter 15, section 1508 provides record retention requirements with emphasis on supporting audit readiness and contingency operations.

C. Interagency Disbursing Support. The Enterprise Solutions and Standards, Disbursing Division of the Defense Finance and Accounting Service (DFAS) provides the Department of Defense's (DoD) policy for interagency disbursing support and IPAC. DoD's disbursing offices and their servicing accounting office's coordinate with other U.S. Government agencies on establishing IPAC Trading Partner Agreements (see Chapter 11, subparagraph 110403.A). The DFAS email address is: dfas.indianapolis-in.jjf.mbx.ess-disbursing@mail.mil.

090102. Purpose

This chapter addresses the legality and propriety of payment transactions, substantiating vouchers, payment of compensation, advances, payments to third parties, equitable claims, and certified disbursement vouchers. It also addresses disbursement forecasting, processing of disbursement vouchers, disbursements from deposit fund and budget clearing accounts, and payment in support of advance payment pool agreements.

090103. Authoritative Guidance

Title 31, United States Code (U.S.C.), ***section 3321(c)(2)*** authorizes DoD Disbursing Officers (DOs) to disburse public funds on receipt of vouchers certified by an appointed certifying officer (see ***31 U.S.C. § 3325*** and Chapter 5, paragraph 050304).

0902 POLICY

090201. Legality and Propriety

A. Sanction of Law. Examine payment transactions for legality, propriety, limitations, and time frames under the statutes governing the various classes of expenditures and for validity under general provisions of law.

B. Decisions and Responsible Offices. A DO may request an advance decision on the propriety of any perspective payment according to the procedure outlined in each section's standard operating procedure (see Chapter 12, section 1203). DOs are not pecuniarily liable for payments they make based on advance decisions (see Chapter 12, paragraph 120302).

090202. Substantiating Vouchers

A. Written Record of Transaction. Unless otherwise mandated by law, each transaction by an officer, agent, or employee of the U.S. Government that requires payment of money from the Treasury or payment by a DO or agent of the U.S. Government, requires a written or approved electronically signed document or series of documents that includes a complete record of the transaction.

B. Electronic Transactions. The Federal Reserve Banks (FRBs) are Treasury's fiscal agents. Each disbursing office processing disbursements maintains a detailed written agreement with the supporting FRB. The DO must implement internal controls to confirm that the FRB receives electronic funds transfer (EFT) payment files successfully.

C. Additional Evidence. A DO is not required to make payment merely on the submission of formal evidence. If the facts do not justify payment, a reasonable explanation or the submission of further evidence is required.

090203. Payment of Expenses

Using public funds to pay the expenses of a commission, council, board, or other similar body is prohibited by ***31 U.S.C. § 1346*** unless the creation of the body has been specifically authorized by law.

090204. Advances, Prepayments, and/or Overpayments

A DO generally may not make advance payments, prepayments, or overpayments of public monies, but ***31 U.S.C. § 3324***; Volumes 5, 7A, 8, 9, and 10; and the ***Joint Travel Regulations*** allow limited advances and prepayments.

090205. Payments to Third Parties

A. General. Unless specifically authorized by law, monies the government owes to an individual are not subject to attachment, garnishment, or other legal processes. Do not certify or make payment to a third party even if the payee requests it. This restriction applies to all funds including those held in trust by the DoD.

B. Levy and Distraint for Delinquent Taxes. Salaries and wages of officers and employees of the U.S. Government including members of the Armed Forces, are subject to levy and distraint (the ability to force or compel satisfaction of an obligation by means of seizure) for delinquent federal taxes in accordance with ***26 U.S.C. § 6331***.

C. Payments to Bankruptcy Trustees. A civilian employee or military member may file an appropriate bankruptcy petition under ***11 U.S.C. § 109***. During the bankruptcy proceedings, the bankruptcy court may order the individual's pay to be sent to the bankruptcy trustee. Such payments are proper and DOs incur no additional liability as a result. See Volume 8, Chapter 8, section 0805 for civilian employees and Volume 7A, Chapter 50 for military members.

D. Successor in Interest. DOs may make payments due to contractors, to court appointed trustees, receivers, or other legal representatives (see Volume 10, Chapter 3, section 0305).

E. Assignment of Claims. A transfer by the contractor of its right to be paid by the government for contract performance to a bank, trust company, or other financing institution, as security for a loan made to the contractor. See Volume 10, Chapter 3, section 0304, the Federal Acquisition Regulation, ***Part 32.8*** and Defense Federal Acquisition Regulation Supplement ***232.8***, for more information regarding the responsibilities for assignment of claims.

F. Authorized Withholdings and Allotments of Pay. Deductions from military and civilian payrolls for specific purposes (e.g., retirement, taxes, health benefits, group life insurance, allotments, and voluntary payments for child support or alimony), are supported by statutory authority under ***5 U.S.C. § 5525***.

G. Payments to Financial Organizations for Credit to Persons' Accounts. Under ***31 U.S.C. § 3332***, Federal wage, salary, and retirement payments must be made by EFT to financial organizations for credit to payees' accounts (e.g., Merchants National Bank, Cr: John Doe, Account Number: 346-839, Taylor, MI 04180) (see also Volume 7A, Appendix C; Volume 8, Chapter 1, section 0103; and Volume 9, Chapter 8, paragraph 080202).

H. Garnishment of Pay for Child Support, Alimony, and Commercial Debts. Salaries and wages of military members and civilian employees may be garnished for child support and alimony (***42 U.S.C. § 659***), and for commercial debts (non-child or spousal support) (5 U.S.C. § ***5520a***).

I. Withholding of Contract Payments. Make payment to the Department of Labor for amounts owed by contractors to employees under a contract. See Title 29, Code of Federal Regulations (CFR), ***part 4.187*** and ***29 CFR 5.9***.

090206. Equitable Claims

Claims not founded on contracts, either expressed or implied, but on merely equitable or moral grounds, are permitted only after direct authorization by Congress.

090207. Insurance Fee

The government is self-insured (or bonded). Neither a DO nor any of the DO's agents may insure public funds or property.

090208. Municipal Services

Absent specific statutory authority, a DO may not pay for municipal services (e.g., police and fire protection), if those services are required to be furnished to private citizens at no cost (see Volume 10, Chapter 12, paragraph 120315).

090209. Questionable Payments

See Chapter 12 for alternatives available in connection with questionable payments.

090210. Certified Disbursement Vouchers

A. Authority. A disbursement voucher certified by someone independent of the disbursing process is a DO's authority to make a payment, and is the source document for liquidation of a government obligation.

1. Certified Vouchers. Certified vouchers must contain complete and accurate data. Contents of these vouchers and supporting documents may vary slightly depending on the type of disbursement and form used. Write signatures and other information that become integral parts of original vouchers in permanent, non-erasable ink. Handwritten information must be legible. Approved electronic signatures are acceptable (see Chapter 1, subparagraph 010305.C).

2. Voucher Corrections. Return certified vouchers requiring correction to the functional area. Disbursing office personnel may not make these corrections. Corrected vouchers require recertification before disbursement.

3. Travel Vouchers. Accept a legible copy of a signed travel voucher and its supporting documents received in lieu of the original for processing and payment as if it were the original. This includes travel vouchers and supporting documents received by facsimile transmission or scanned images forwarded via email.

B. Essential Data. Certified disbursement vouchers must contain the following minimum essential data:

1. Voucher Heading and Date. This includes the complete name and mailing address of the paying disbursing office, the date the voucher is prepared, the disbursing office voucher number, and the disbursing station symbol number (DSSN) in the "Paid By" (or "Brief") block (see Table 9-1).

2. Accounting Classification

a. The Treasury Financial Manual (TFM), Volume I, Part 4A, Chapter 2000, section 2070 (***1 TFM 4A-2070***) requires that a voucher certified as correct and proper for payment include an accounting classification against which the disbursement will be charged. Code each charge to an appropriation or fund with a complete accounting classification, and country code when applicable. List the information on a continuation form if the space available is insufficient.

b. The type of payment or the supporting DFAS site dictates acceptable continuation forms. Do not show titles of appropriations or deposit fund accounts. Entering extraneous information (e.g., voucher collection data) may result in the inclusion of erroneous information in accounting records and reports. A certified disbursement voucher may cite more than one appropriation, deposit fund account, or subsidiary account (group two or more subsidiary accounts of the same appropriation by that appropriation).

c. On foreign currency disbursements, show the total amount of the foreign currency disbursement; disbursing office personnel enter the conversion rate and U.S. dollar equivalent (USDE) on vouchers certified for payment in foreign currency.

3. Amount to Be Disbursed. Cite the total amount of the disbursement on the voucher in conjunction with the related accounting classification. Any alteration invalidates the certification (see Chapter 5, paragraph 050506).

4. Method of Disbursement. Show the method of disbursement in the space provided on the certified disbursement voucher. In order of preference, the methods are:

a. EFT (includes International Treasury Services (***ITS.gov***) for payments in foreign currencies),

b. No check/voucher for transfer,

c. Treasury check,

d. Limited Depositary Check, and

e. Cash (only if specifically authorized by the payee's commander when it is determined that no other alternatives exists due to operational conditions).

5. Payee. List only the individual or organization entitled to the proceeds of the payment on the voucher. Under ***10 U.S.C. § 2785***, a DO may not change the remittance address. Also, under 31 U.S.C. § 3325(d), certified vouchers must contain the payee's taxpayer identification number (TIN), a unique nine digit identifier assigned to all individuals by the Social Security Administration and to businesses by the Internal Revenue Service (IRS). See Volume 10, Chapter 8, paragraph 080207 for the requirement of a TIN on a certified payment voucher.

C. Payment on Forged or Fraudulent Vouchers or Pay Receipts. A DO is pecuniarily liable for payments based on forged or fraudulent vouchers. A DO, Deputy DO (DDO), agent, or cashier making such a payment may request relief of liability for such payments (see Chapter 6, section 0606).

D. Voucher Storage. Follow Chapter 3, section 0303 to safeguard original paid vouchers.

0903 DISBURSEMENT FORECASTING

*090301. Daily Disbursement Forecasting

Treasury's Bureau of the Fiscal Service (Fiscal Service) manages the government's daily cash position and disbursements affecting this position. DOs must therefore report to Treasury on a daily basis their anticipated aggregate level of planned disbursements for each disbursing method (e.g., wire, Automated Clearing House (ACH), check) for the following 5-day period. Each entity that performs its own disbursing submits one consolidated report by 3:00 p.m. eastern time daily following a Fiscal Service standardized reporting process. See the reporting process at the 1 TFM ***4A-4000*** website.

090302. Large Dollar Disbursements

The ***1 TFM 6-8500*** requires DO's to report, in advance, deposits and disbursements totaling $50 million or more. The deposits and disbursements reports include single transactions, multiple transactions of a common nature, or repetitive transactions. For deposits and disbursements between $50 million and $500 million, DO's are required to submit the report a minimum of 2 business days in advance of the settlement date. For deposits and disbursements of $500 million or more, DO's are required to submit the report a minimum of 5 business days in advance of the settlement date. If specific deposit or disbursement information is not final, agencies must inform Fiscal Service daily as soon as possible, but no later than 8:30 a.m. eastern time on the transaction settlement date, of the approximate amount and approximate deposit or disbursement date.

0904 PROCESSING DISBURSEMENT VOUCHERS

090401. Numbering Disbursement Vouchers

Assign disbursing voucher numbers consecutively starting at the beginning of each fiscal year based on guidance from the supporting DFAS site to which financial reports are submitted. Identify voucher numbers with the disbursing office, not the DO.

090402. Department of Defense (DD) Form 2659, Voucher Control Log

Keep a ***DD 2659*** daily for disbursement vouchers received or prepared in the disbursing office. Include in the log the disbursement voucher number, name of the payee, amount, form of payment (e.g., EFT, check, cash), and check/EFT trace number under "other." This log summarizes daily disbursement and collection transactions, and ensures the entering of all vouchers in the accountability records. It functions as a cross check against the ***DD 2657***, Daily Statement of Accountability, and ***DD 2665***, Daily Agent Accountability Summary, to summarize disbursement and collection transactions; enables comparison of vouchers paid by check to total checks written, and of vouchers paid by cash to cashier paid vouchers; associated returned and undeliverable checks with applicable vouchers; and transmits vouchers showing voucher numbers used, unused, or voided.

090403. Certification of Vouchers

A. The applicable entitlement areas (i.e., military, civilian, travel, and vendor pay) ensure that all payments are proper, prepare the correct number of copies, and ensure that all vouchers contain complete and accurate data.

B. Certifying officers examine payment vouchers before certification to ensure that the information on them agrees with all supporting documentation (see Chapter 5, section 0505).

C. DOs must have access to the ***DD 577***, Appointment/Termination Record - Authorized Signature, verify that vouchers submitted to them for payment have been certified by persons authorized to certify them, and disburse money only in accordance with vouchers certified by authorized certifying officers. A disbursing office detecting an improperly prepared voucher must return it to the functional area for correction and recertification.

090404. Release of Cash

An individual entitled to a payment (the payee) must receive the cash and sign the voucher. All cash payments require receipts. Do not prepare duplicate receipts. DOs or their agents making cash payments must positively identify the payee using the photograph on the payee's DoD Common Access Card. Other acceptable forms of identification include a driver's license and other identification normally acceptable in the banking community to cash checks or bonds. The responsibility for payee identification may not be delegated. In cases of cash payment, the

exchange of currency and the receipt for it must be simultaneous. Requiring receipts in advance of actual cash payments is prohibited.

090405. Cash Payment Vouchers

The responsible entitlement areas send or deliver these vouchers to the cashier area. Payees may hand carry vouchers when the distance between the entitlement area and cashier area makes this impractical, provided the total amount of the voucher is inscribed in words on the bottom of the voucher (e.g., "sixty dollars and twenty cents"). Space words or enter lines in a manner to preclude alteration by inserting additional words, particularly at the beginning of writing (e.g., prevent insertion of "one hundred" immediately preceding "sixty dollars and twenty cents").

A. Cashier Responsibilities. If the voucher deduction block is used on a payment voucher, the cashier must verify that it contains an appropriation and the total to be paid is net of any deductions. After verification of these items, the cashier must initial the original voucher to identify who made the payment.

B. Payee Signature. Cashiers must obtain the payee's signature in the space provided, or in the case of multiple payments, on the sub-voucher or supporting documentation. The payee signs for receipt of cash using permanent, non-erasable ink. Facsimile signatures and signatures in pencil are unacceptable. When signatures of payees are on a sub-voucher or supporting documentation, annotate the "payee signature block" on the cover voucher with the words, "See attached." Positively identify payees before making payments. Compare the signature obtained on vouchers to signatures on identification cards or other acceptable forms of identification. The form of the signature must be the same as the payee as shown on the voucher, In the signature block, the payee must sign the first name, with additional initials, if any, followed by the surname, except as explained in the following subparagraphs.

1. Unable to Write. A payee unable to write may indicate receipt of payment by signing an "X." A disinterested party, whose address must be on the form, must witness the form. If the payee is physically unable to write and asks someone to sign in his or her presence, the signature requires verification by a disinterested witness and is regarded as a signing by the payee. File a physician's note addressing the payee's inability to sign with the original disbursement voucher.

2. Mental Disability. Do not pay a mentally disabled payee who cannot comprehend a signature except in the presence of an appointed legal guardian. File certified copies of court papers appointing a legal guardian with the original disbursement voucher. The legal guardian signs the name of the payee, followed by his or her own signature as legal guardian. Refer to the first disbursement voucher by DO voucher number and date paid on future payments to substantiate the legal guardianship. If the payee is in an asylum, file the superintendent's certificate that the payee was alive at the time payment was due with each disbursement voucher.

C. Voucher Validation. Validate the voucher by completing the "Paid By" (or "Brief") block with the paying office location, DSSN, and business date of payment, using a

typewriter, automated system, or rubber stamp. Do not show the geographical location if the disbursing office has a classified address (see Table 9-1).

090406. Check Disbursement Vouchers, Manual Voucher Processing

Responsible entitlement areas send manual check disbursement vouchers to the check issuing area for check preparation. The check issuing area enters the check number on the voucher in the space provided. Do not enter check numbers on duplicate copies of vouchers except for payroll and group travel vouchers. When payment is by check on an SF 1034, follow subparagraphs 090406.A - E. A receipt is not necessary for payments drawn by the DO except when required by law or contract.

A. Checks Drawn on the Treasury. For payments by check drawn on the Treasury, enter the check number in the block near the bottom of the form titled "Check Number on Account of U.S. Treasury."

B. Checks Drawn on Limited Depositary Accounts (LDAs). For payments by checks drawn on LDAs, enter the check number and the name of the LDA bank on which drawn in the block near the bottom of the form titled "Check Number On (Name of bank)." If it is a "no check drawn" voucher, state "no check drawn."

C. Check Usage. Make checks payable to the payee stated on the disbursement voucher. Number disbursing vouchers sequentially with the lowest check number used to pay the lowest numbered disbursement voucher or the first name on a payroll. Maintaining an unbroken sequence of check numbers facilitates check issue auditing and reporting. Consolidate multiple payments to the same payee on the same day, and pay them with one check. DOs must ensure that inscribed checks duplicate the voucher information. A DO may perform this review either before or after signing the checks. The DO ensures the completion of appropriate records to provide control over check writing. Automated systems producing disbursement vouchers must contain edit and validation controls to ensure the exact information appearing on the vouchers is passed to the check printer.

D. Paid By. See subparagraph 090405.C.

E. Automated Disbursement Vouchers. The entry of check numbers on automated disbursement vouchers is not required so long as the voucher processing system maintains complete audit trails between disbursement vouchers and hard copy records.

090407. Check Disbursements Overpaid or Underpaid by $1 or Less

Do not collect an overpayment to a payee of $1 or less. Prepare an SF 1080 to charge the DoD Component Operation and Maintenance account and credit the appropriation originally charged for the payment. Similarly, do not issue a supplemental payment when a payee is underpaid by $1 or less unless the payee requests the payment (see ***1 TFM 4-6045.60***).

090408. Transmittal of Vouchers and Recording

A. DDOs, agents, and cashiers must include payment vouchers on the DD 2665 as prescribed in Chapter 15, subparagraph 150201.B, and settle with the DO at the end of each business day.

B. For midday returns of cash on hand or an additional advance of funds, use a ***DD 1081***, Statement of Agent Officer's Account (see Chapter 15, section 1504).

C. Entitlement areas send transfer, correction, and other disbursement vouchers not for payment by cashiers directly to the accountability area.

D. Return voucher copies to the entitlement area (i.e., military, civilian, travel, and vendor pay).

090409. Certification Restrictions

The disbursing office supervisor may not routinely certify vouchers for payment, but may certify cover vouchers supported with properly certified sub-vouchers. In these cases, the approving official of the supporting documentation may not be the cover voucher certifier. If an emergency exists and the deputy, who is also a supervisor of the disbursing office, must certify a voucher for payment not supported with certified sub-vouchers, the DO or another DDO dates and signs the voucher that includes a statement similar to: "Payment approved by Lieutenant John Doe, Disbursing Officer." To ensure adequate internal control, neither the supervisor of the disbursing office nor other disbursing office personnel should be able to input data into the computerized accounting system (see Chapter 5, section 0505).

090410. Documentation Supporting Delivery of Payments

Documentation that supports delivery of payments includes a copy of the payment voucher, annotated copies of invoices, or other available media that provide information on payments delivered to payees as prescribed by functional area directives. This information may be in any form (e.g., printed, electronic) but may be subject to contractual requirements.

090411. Deferred Vouchers

Deferred vouchers are paid vouchers not recorded in an accounting system, and are usually vouchers paid by an agent that must be returned for correction. They may also be vouchers paid by an agent but not yet examined by a DO. Responsible entitlement areas must act promptly to clear them. Keep a chronological record of actions taken, showing the date when clearance is expected. DOs or their DDOs review those actions weekly to ensure the correction of irregularities causing deferment without delay. See Chapter 15, Figure 15-3, Line 7.1 for instructions on reporting deferred vouchers on the DD 2657.

090412. Classified Payments

A. General. A DO making payments classified for security purposes prepares a covering disbursement voucher. These may not contain information that requires a security classification. On the original and all copies show only the name and address of the payee, amount, date of payment, complete accounting data, voucher number, check number, DO's name, DSSN, and disbursing office payment data in the "Paid By" (or "Brief") block. Payments under classified contracts should include instructions requiring the supplier to limit information on invoices so that supplies or services are identifiable only by reference to the contract. The DO (for collateral classified programs) or the voucher preparing office (for special access programs) allows access to classified documents to only those persons requiring access for the performance of their official duties.

B. Preparation. Personnel who process classified documents must possess a security clearance level equal to or higher than the documents they process. DOs or voucher preparing offices must assign duties (e.g., preparation of vouchers) so that only a minimum number of persons require access to classified information. Mark and store classified documents following prescribed security regulations. Do not attach classified essential supporting documents, invoices, or certificates to the original disbursement voucher, but identify them by the name of the DO, voucher number, DSSN, and the period of the account. Retain them at the paying disbursing office (for collateral classified programs) or the voucher preparing office (for special access programs) with other classified material. Include one of the following statements on the portion of the voucher for the description of the articles or services purchased:

1. For Collateral Classified Programs. "The documents supporting this voucher are located at the payment site with other classified material in accordance with (cite the applicable security regulation)."

2. For Special Access Programs. "The documents supporting this voucher are located at the voucher preparing office with other classified material in accordance with (cite the applicable security regulation)."

C. Declassification. Refer to appropriate security regulations for declassifying and downgrading, and to report classification abuses and improper classifications.

D. Distribution. Distribute the original and required copies of the covering disbursement voucher in the normal manner. Do not attach the classified supporting documents.

090413. Payments from Contingency Funds

Use a ***DD 281***, Voucher for Emergency or Extraordinary Expense Expenditures, to make payments from contingency funds.

A. Preparation. Prepare the form to allow it to be unclassified. Classify supporting documents based on their content. A covering disbursement voucher is not required as described in subparagraph 090412.A.

B. Transmittal of Vouchers and Recording. See paragraph 090408.

090414. Hand Carrying Disbursement Vouchers

A. Vouchers Prepared Outside the Disbursing Office. Send payment vouchers prepared outside the disbursing office to the disbursing office so that the payee does not have access to them.

B. Vouchers Prepared Within the Disbursing Office. The responsible functional area sends or delivers these vouchers to the cashier area. Where distance between the functional area and cashier section makes this impractical, see paragraph 090405.

090415. Distribution of Paid Vouchers

The disbursing office sends the original and necessary copies of paid vouchers to the appropriate DFAS site (see Chapter 15, paragraph 150801).

090416. EFT Payments

A. Procedures. EFT payments are sent to the FRB on debit vouchers showing the date payment is due. The DO must implement internal controls to confirm that the FRB receives the payment files successfully and on schedule, and retain the memorandum copy of the debit voucher. DOs that transmit payment files electronically use the FRB's summary of ACH activity report in lieu of the debit voucher. In either case, the FRB issues a confirmation debit voucher to the DO. For an EFT transaction, record the debit voucher as a negative deposit with the payroll, travel, or vendor payment recorded as a gross disbursement (see Chapter 15).

B. Returns. When a financial institution returns one or more EFT/ACH payments to a paying office, the DO prepares and processes a collection voucher to account for the returned funds, crediting them to the appropriation from which they were originally disbursed. Record the collection on line 4.1B (Less - Refunds) of the DD 2657, with an offsetting entry on line 4.2A (Deposits Presented or Mailed to Bank) to account for the deposit ticket from the FRB in processing the returned payment. The DO notifies the appropriate entitlement area of the returned payment by providing a copy of the collection voucher and any rejection information received (e.g., the reject code). See Treasury's ***Green Book, Chapter 4***, for a detailed listing of payment rejection codes. The entitlement area tracks, monitors, and researches the cause of the return and provides a recertified voucher to initiate an appropriate EFT/ACH payment within 5 business days.

C. Reclamations. The DFAS Cleveland (DFAS-CL) DO, when notified of the death of a military retiree or an annuitant, contacts the decedent's bank requesting the return of all payments made since the retiree's or annuitant's death. The DFAS-CL DO has three years from the date of the Financial Management Service (FMS) Form 133, Notice of Reclamation, to submit FMS 135, ACH Reclaims. For additional information, see Treasury's ***Green Book, Chapter 5***, for detailed instructions.

090417. Retention of Records

See Volume 1, Chapter 9.

0905 DEPOSIT FUND AND BUDGET CLEARING ACCOUNTS

090501. Disposition of Funds in Deposit Fund Accounts

A. Method of Disposition. Applicable functional areas dispose of collections received for deposit fund accounts using one of the following methods:

1. Payment to Other Individuals or Organizations. Use an SF 1034;

2. Refund to the Remitter. Use an SF 1034; or

3. Withdrawal for Application to an Appropriation, Receipt Account, or Other Deposit Fund Account. Use an SF 1081 for the disbursement and collection, and submit it as substantiation for either or both. The SF 1081 cannot be used for check or cash payment.

B. Vouchering. Only one deposit fund account may be charged on a single voucher. Submit charges to accounts **F0109, Federal Tax Withheld from Payments to Nonresident Aliens; and **F3875, Budget Clearing Account (Suspense), on separate vouchers.

C. Civilian Pay Deductions. When preparing an SF 1081 for adjustment of deductions from civilian pay, show deposit fund account symbols and amounts for withheld taxes and U.S. savings bonds on the same SF 1081 containing the necessary information.

D. Withdrawals Involving Foreign Currency. To repay foreign currency deposits at USDEs different from those at which they were deposited, see Chapter 13.

090502. **F3875, Budget Clearing Account (Suspense)

A. Transfer of Funds. Upon determining the proper disposition of funds in this account, transfer the amount on an SF 1080 or 1081 to the proper account. Explain the charges on the SF 1080 or 1081. See ***TFM Bulletin No. 2017-10*** for guidance on the use of **F3875. Use this account to hold unidentifiable collections temporarily for no more than 60 days, or use other business processes approved by the Fiscal Service. Payment is prohibited from the **F3875 suspense accounts.

B. Disbursements Representing Funds Received for Other Government Agencies. After the transfer of funds to the proper account, prepare a disbursement voucher to show the office and agency that are to receive payment. Send an IPAC payment or check payable to the Treasury and a copy of the disbursement voucher to the official of the agency requesting collection, subject to the following exceptions (see Chapter 11, section 1103).

1. Checks Payable to the U.S. Postal Service. If the collection is for credit to a U.S. Postal Service appropriation or receipt account citing departmental prefix "18," send the check and a copy of disbursement voucher to the Manager, Finance Branch, Eagan Information Systems/Accounting Service Centers, U.S. Postal Service, 2825 Lone Oak Pkwy, Eagan, MN 55121-9600.

2. Checks Payable to Other Government Agencies. For a collection for another government agency, send the check to the agency with a source and reason for collection.

C. Deposits Representing Collections for Unofficial Telegraph and Telephone Service. Upon transfer of funds to the proper accounts, disburse amounts representing federal taxes for unofficial telegraph and telephone services to the appropriate IRS District Director.

D. Transactions Rejected by the Accounting System. Accounting Offices notify the DO and request the documentation needed to process the transaction successfully. DOs send the requested documentation to the accounting office within 30 days.

1. Supporting Documentation Maintained Locally. The DO sends the requested documentation to the accounting office immediately.

2. Supporting Documentation Maintained at a Remote Site

a. The DO notifies the entitlement area of the rejected transaction immediately by telephone or email.

b. If the requested information is not received within five working days of the initial request, send a formal, written request to the functional area, referencing the original request.

c. If no response is received within five working days of the second request, send a copy of the request memorandum, with a cover letter, to the site director or commander, as appropriate.

090503. Overages

A. Disbursement Action. For an overage that should not have been accounted for as a collection, the responsible functional area prepares an SF 1034 payable to "Adjustments" to reverse the erroneous collection and permit proper accounting for the funds. Do not issue a check or a cash payment for this voucher.

B. Adjustments. If an amount was recorded in error as a collection to one of the following accounting classification other than **F3875; **F3885, Undistributed Intra-governmental Payments; **X6500, Advances Without Orders from Nonfederal sources; **X6501, Small Escrow Amounts; or **X6276, Other Federal Payroll Withholding, Allotments (e.g., a collection from a sales official); the responsible entitlement area initiates the adjustment by

preparing an SF 1081 charging one of the cited accounts and crediting the proper appropriation or fund.

C. Removal. If every reasonable effort to discover the proper disposition of the funds is unsuccessful, prepare an SF 1081 to remove the amount from the affected deposit fund account, and credit **R1060, Forfeitures of Unclaimed Money and Property.

0906 PAYMENTS IN SUPPORT OF ADVANCE PAYMENT POOL AGREEMENTS

090601. General

An advance payment pool agreement:

A. Is a means of financing the performance of more than one contract held by a single contractor;

B. Is convenient for the financing of cost type contracts with nonprofit educational or research institutions for experimental or research and development work when several contracts require financing by advance payments. When appropriate, pooled advance payments may also be used to finance other types of contracts held by a single contractor; and

C. May be established:

1. To finance contracts for one or more departments or contracting activities;

2. In addition to any other advance payment pool agreement at a single contractor location when it is more convenient or otherwise preferable to have more than one agreement; or

3. Without regard to the number of appropriations involved. Under 31 U.S.C. § ***1534***, one appropriation may be charged for the benefit of another any time during a fiscal year so long as:

a. Amounts are available in both the appropriation to be charged and the appropriation to be benefited subject to limitations applicable to the appropriations, and

b. Any amounts paid are charged on a final basis by the close of the fiscal year to the appropriation benefited and the appropriation originally charged is appropriately credited.

090602. Policy

A. Allow payment in advance of receipt of goods or services to educational and research institutions under ***10 U.S.C. § 2307***. Payments are allowed only if the contractor

gives adequate security and after a determination by the head of the agency that to do so would be in the public interest. Security may be in the form of a lien on the balance in an account in which the payments are deposited. This lien takes precedence over other liens and is effective immediately upon the first advance payment of funds without filing, notice, or any other action by the United States. The total payments made may not exceed the unpaid contract price.

B. When multiple agencies or departments are part of the advance payment pool agreement, cite their funds on contracts. When more than one contract is involved in the advance payment pool agreement, one or more of them, normally of large dollar value, is designated as the contract to which the advance payments are to be applied. Follow Volume 10, Chapter 10, paragraph 100404 to process advance payments.

Table 9-1. Disbursement Voucher "Paid By" Blocks

DATA	EXAMPLE
WITHIN THE UNITED STATES	
Location (Base and State) ZIP Code DSSN Date of Payment	Camp Lejeune NC 28540 DSSN 6092 1 May 20XX
Location and ZIP Code DSSN Date of Payment	Ft. Jackson SC 29207 DSSN 0001 20 August 20XX
Classified DSSN Unit Identification Code and Name of Disbursing Activity Date of Payment Name and DSSN of Operating Location	 DSSN 5171 (62306) NAVOCEANO 21 SEP 20XX DFAS Cleveland 8522 1240 East 9th Street Cleveland OH 44199
OUTSIDE THE UNITED STATES	
Location DSSN Date of Payment	APO AE 09440-1111 DSSN 6637 1 May 20XX

VOLUME 5, CHAPTER 10: "SMART CARDS FOR FINANCIAL APPLICATIONS"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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

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

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

The previous version dated August 2014 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current administrative instructions.	Revision
100103	Revised paragraph name from "Statutory Guidance" to "Authoritative Guidance."	Revision
100202	Removed the requirement for concurrence approval with the Office of the Under Secretary of Defense (Comptroller) for requests from Department of Defense (DoD) agencies to establish a Smart Card program. Per the Delegation of Authority for the DoD Financial Management Regulation Memorandum, dated June 1, 2015, the Defense Finance and Accounting Service Director is now authorized to grant request approvals.	Revision
100304	Revised the guidance for unclaimed residual balance on expired Smart Cards from $25.00 to $10.00 in accordance with the Treasury Financial Manual, Volume 1, Part 4, Chapter 9000.	Revision

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CHAPTER 10

SMART CARDS FOR FINANCIAL APPLICATIONS

1001 GENERAL

100101. Overview

The Department of Defense (DoD) utilizes several Smart Card applications to conduct financial transactions in a number of settings. Smart Cards:

A. Include stored value cards (SVC), debit cards, and combination cards (hybrids that contain both SVC and debit card features);

B. Store or provide access to "electronic funds" and a more secure method of handling funds; and

C. Alleviate the need to carry cash and provide electronic payment to vendors for items purchased or services rendered.

100102. Purpose

This chapter provides:

A. Guidance for requesting approval to begin a Smart Card pilot program or to move from pilot to full roll-out, except when provided under the General Services Administration (GSA) Smartpay Contract; and

B. High-level disbursing guidance for SVCs, combination cards, and debit cards.

1. SVCs

a. The basic trainee SVC program (known as EZpay) is used as an advance of pay to basic trainees of the United States Army, Air Force, and Marine Corps.

b. The SVC used for United States deployed forces, known as EagleCash, is used for electronic financial transactions in overseas contingency locations.

2. Combination Cards. The Navy/Marine Cash Card is used aboard naval vessels.

3. Debit Cards. Debit cards are used as an alternate device for payments made by DoD agencies.

*100103. Authoritative Guidance

In accordance with ***Title 31 Code of Federal Regulations, part 208***, Electronic Funds Transfer (EFT) is mandatory within the DoD, unless a waiver has been granted. Per Treasury Financial Manual (TFM), Volume I, Part 4A, Chapter 3000 (***I TFM 4A-3000***), SVCs and debit cards are available mechanisms for working towards compliance with the EFT requirement.

1002 POLICY ON SMART CARD UTILIZATION

100201. Overview

The policy and guidance set forth in this chapter, is in accordance with the Department of Treasury (Treasury), ***I TFM 4-9000***. Treasury guidance supersedes any conflicting information provided in this chapter. The Defense Finance and Accounting Service (DFAS) is assigned management and oversight responsibility for the functional aspects and the use of financial Smart Cards within the DoD, except for GSA Smartpay products. Written approval from DFAS is required for all pilot and full rollout Smart Card usage (e.g., stored value or debit) that employ either single purpose or multifunctional applications (combined financial/non-financial applications).

*100202. Smart Card Program Approval

A. General. If a DoD agency seeks to establish a new Smart Card program, the agency must submit a request for approval to the Director, Enterprise Solutions and Standards, Disbursing (DFAS-JJFKCB/IN), 8899 East 56th Street, Indianapolis, IN 46249-0500. Separate requests are required for each financial application. Electronic submissions may be sent to dfas.indianapolis-in.jjf.mbx.ess-disbursing@mail.mil.

B. Program Magnitude. Requests for approval must indicate whether the program is a pilot effort or a full roll-out program.

1. Pilot Programs. Pilot programs are temporary and must be in operation for no less than 90 days and not to exceed 180 days. Pilots should be used to test card programs prior to full roll-out.

2. Full Roll-Out Programs. Full roll-out programs are non-temporary and must be in operation longer than 180 days. Full roll-out of a card program should follow a pilot.

C. Smart Card Application Package. Requests for approval must be submitted as an application package to DFAS-JJFKCB/IN. The application package must be completed before approval of any pilot or full roll-out of a card program. Include the following items in the application package:

1. Requesting Memorandum. The agency headquarters, or designated representative, should request approval of the pilot or full roll-out program via memorandum. It should be addressed to DFAS, Strategy, Policy and Requirements.

2. Application. All pilot and full roll-out programs are required to submit a completed DoD Financial Smart Card Application (Figure 10-1).

3. Concept of Operations (CONOPS). The CONOPS document should contain guidance on the use of the Smart Card program by the agency.

4. Coordination. The package must contain copies of coordination documentation, including the agency or component leadership's and servicing Disbursing Officer's (DO) endorsement of memoranda.

5. Agency Smart Card Project Manager Documentation. A copy of the letter designating the agency Smart Card project manager must be submitted with each package. See paragraph 100204 for information on project managers.

6. Analysis for Full Roll-Out. If the request is to move from a pilot Smart Card program to a full rollout, include an analysis showing:

a. How the pilot program is an improvement over the pre-pilot environment;

b. Any savings realized from the pilot program; and

c. The results of relevant performance measures used during the pilot and proposed for the full rollout (item 18 of Figure 10-1).

100203. Memorandum of Understanding

The Bureau of the Fiscal Service (Fiscal Service), Treasury, and the agency implementing the program must establish a Memorandum of Understanding (MOU) prior to the implementation of a new Smart Card program. The MOU describes the terms of the agency's Smart Card program and the respective responsibilities of the agency and Fiscal Service for operation of the program. In addition, the MOU specifies the type of program and Smart Card(s) being implemented by the agency, the agency's funding schedule, and the fees and costs to be paid by the agency and Fiscal Service.

100204. Agency Smart Card Project Manager

A. Designation. The agency must designate a Smart Card project manager and alternate in writing before implementing a Smart Card program.

B. Responsibilities. The agency must specifically identify the tasks for which the Smart Card project manager is responsible. The Smart Card project manager must manage the

Smart Card program and the activities described in this chapter in accordance with the MOU between the Fiscal Service and the agency, the Smart Card standard operating procedures (SOPs) and other instructional documents, and program-specific policies and procedures developed by the agency in consultation with Fiscal Service. The specific duties of the project manager include:

1. Acts as the agency's liaison among Fiscal Service, the agency, and other interested stakeholders;

2. Provides full support for the Smart Card program within the agency;

3. Develops and obtains agency approval for the CONOPS, Smart Card application, and other related plans for the implementation of the agency's Smart Card program;

4. Secures agency funding approvals necessary for the Smart Card program;

5. Coordinates the agency's implementation of the Smart Card program to include obtaining and maintaining the Security Assessment and Authorization, the Authority to Operate or similar approval, and the SVC program to access the agency's computer networks so that the SVC can be deployed and operate as designed;

6. Oversees and obtains agency approvals for changes to the program;

7. Transfers sufficient funds to Treasury's financial or fiscal agent to ensure full funding for the agency's obligations with respect to outstanding Smart Cards;

8. Maintains accurate, up-to-date lists of accountable officers; and

9. Along with the agency's accountable officers, complies with other Smart Card program policies and procedures as described in the MOU, SOPs, and other Smart Card instructional documents.

100205. Smart Card Accountable Officers

A. Designation. The agency must designate one or more Smart Card accountable officers. If the agency Smart Card accountable officer is already appointed as a DO, Deputy DO (DDO), or Disbursing Agent and the responsibilities of the card program are covered by the current appointment, no additional documentation is necessary for appointment. However, if these requirements are not met, then the agency must provide a Letter of Appointment or appointment by DoD (DD) Form 577, Appointment/Termination Record – Authorized Signature, assigning an individual or individuals as the Smart Card accountable officer(s). The Letter of Appointment will list the individual's responsibilities. An additional letter will be required when the individual no longer serves as the Smart Card accountable officer. In addition to this documentation, the accountable officer(s) must fill out the Financial Management Service (FMS)

Form 2888, Accountable Official Application for U.S. Department of the Treasury SVC, when directed by the agency Smart Card project manager.

B. Responsibilities. The agency must specifically identify the tasks for which the Smart Card accountable officers are responsible. The agency should segregate the duties appropriately in accordance with the agency's policies and procedures. As applicable and appropriate, accountable officers are responsible for the duties and responsibilities of a certifying officer or a DO, depending upon the designation of the accountable officer per Title 31, United States Code (U.S.C.), ***section 3322***, ***31 U.S.C. § 3325***, ***31 U.S.C. § 3528***, and other applicable laws. The Smart Card accountable officers must manage the Smart Card program and the activities described in this chapter in accordance with the MOU between Fiscal Service and the agency, the Smart Card SOPs and other instructional documents, and program-specific policies and procedures developed by the agency in consultation with Fiscal Service. The specific duties of the accountable officers may include:

1. Issuing Smart Cards and Personal Identification Numbers (PINs) to cardholders while following all enrollment processes;

2. Accounting for outstanding Smart Cards and the funds associated with each Smart Card, to the extent the Smart Cards and funds are within the control of the agency;

3. Providing instructions to Treasury's financial or fiscal agent as to the proper allocation of funds among the Smart Cards that are issued, by account number and, where feasible, cardholder name;

4. Maintaining accurate, up-to-date inventories of Smart Card program hardware and equipment, including point-of-sale (POS) terminals, laptops, kiosks, Smart Cards, and other items associated with the Smart Card program that are delivered to agency locations;

5. Safeguarding Smart Cards as sensitive items, to the extent the Smart Cards are within the control of the agency (the agency is accountable for Smart Cards issued by the agency at issuance locations); and

6. Along with the agency's Smart Card project manager, comply with other Smart Card program policies and procedures as described in the MOU, SOPs, and other instructional documents.

100206. Standard Operating Procedures

This chapter contains higher level policy and disbursing accountability requirements for the use of various card programs that have been approved. DoD Agencies, responsible for programs listed within this chapter, are required to develop and maintain detailed SOPs that comply with all current applicable regulations and cover all aspects of their card program for daily operations and/or contingencies.

100207. Loss of Funds

The DO is accountable for physical loss of funds and for overage of Smart Card funds. Should a loss or overage occur, the DO or designated representative should follow the guidance prescribed in Chapter 6, section 0604.

100208. Smart Card Ordering

Smart Cards are ordered through the applicable point of contact for the program (Fiscal Service or Fiscal Service's financial agent/fiscal agent) and delivered to the appropriate site. The point of contact and designated agency representative(s) must establish procedures to determine card usage and a secure method of card delivery.

100209. Security and Storage

Smart Card stock must be treated like blank check stock. Storage and security requirements for blank check stock are prescribed in Chapter 3, section 0303.

100210. Lost or Damaged Cards and Replacements

If a Smart Card is reported lost, damaged, or malfunctioning, follow procedures laid out in the applicable MOU and SOPs. For all stored value and combination cards reported lost, stolen, damaged, or malfunctioning, a locally produced list should be created for audit purposes. For the U.S. Debit Card, contact Fiscal Service's financial agent.

100211. Theft, Fraud, Waste, and Abuse

Agencies participating in a Smart Card program must:

A. Include a process for reporting and educating Smart Card cardholders on how to promptly report any loss, theft, fraudulent, and unauthorized use of Smart Cards, PINs, passwords, or other security breach or malfunction involving the Smart Card program to Treasury or Treasury's financial or fiscal agent, and to the agency Smart Card Project Manager;

B. Aggressively investigate and prosecute (or assist in investigations, and prosecutions of) end-user theft, fraud, unauthorized use, or improper use of the Smart Card service that occur in agencies' areas of operation, and assist in obtaining restitution for the party suffering the loss;

C. Ensure that appropriate anti-money laundering controls and procedures are in place, in order to document the flow of monies onto or off of a Smart Card; and

D. When a funds pool is used to fund a SVC; compensate the SVC funds pool for losses that result from theft, fraud, unauthorized use or other improper use of SVC equipment or resources for which agencies are responsible; unless the funds pool has been reimbursed from

other sources, or the Treasury determines that such compensation is unnecessary or does not serve the SVC program's best interests.

100212. Audit Requirements

A. General. An initial inventory must be completed and recorded upon receipt of Smart Cards from the Fiscal Service or other designated representatives. After the Smart Cards are inventoried, a signed receipt must be provided to the issuing representative for their records. The DO or designated representative will complete a SVC inventory log when releasing Smart Card stock to authorized personnel and to monitor returns of all unused Smart Cards. The DO or designated representative must maintain a copy of the signed receipt for his or her records.

B. Monthly Inventory. At least once every calendar month, the DO or designated representative must inventory all Smart Cards secured in the vault. Any open container must be inventoried by individual count and by sequential serial numbers of the cards. All damaged containers, or those bearing evidence of having been tampered with, must be opened, and all cards must be individually counted and serial numbers verified. A detailed record of the inventory, to include total cards on hand and sequential serial numbers by card type, must be retained in the disbursing office. At least once during each calendar quarter, the agency's cash verification team must conduct an unannounced verification of any Smart Card stock (e.g., U.S. Debit Cards, EagleCash, EZpay) to include cards received, issued, returned, and on hand. A copy of the inventory must be given to the agency's cash verification team as an attachment to their quarterly cash verification report.

1003 EZPAY STORED VALUE CARD

100301. Overview

The EZpay SVC program utilizes a Smart Card with an embedded computer chip, which is preloaded with a specific amount of funds (e.g., $300, $350, $400), that provides an electronic payment method for advance of pay to trainees of the U.S. Army, Air Force, and Marine Corps. The EZpay SVC is a substitute for coin and currency transactions and is issued to alleviate cash or check payments to trainees during training. The card is designed to provide basic trainees with access to their initial advance pay, a more secure method of money handling, and electronic payments to vendors for essential items needed during the first few weeks of training (e.g., haircuts, stationery, stamps, and toiletries). Personnel involved with administering the EZpay program are encouraged to access Fiscal Service's ***EZpay*** website. This website provides an overview of EZpay and also includes items such as: getting started, common questions, acceptance sites, SVC facts, and the EZpay User's Guide.

100302. Card Issuance

The DO or designated representative must maintain a vault inventory and issuance log for each denomination (monetary amount) of EZpay SVC stock received. This log must be used to maintain an inventory of card stock on hand and to control the release of cards to the issuing section or individual. When EZpay SVCs are issued, the DO or designated representative must examine

the log to ensure that all cards issued and cards returned unused, if any, are accounted for and that cards are not removed without authority. Use a separate log for cards with fixed monetary amounts. Do not mix card values on the same sheet with other card values. The SVC inventory log must contain the date of inventory, beginning card serial number, ending card serial number, number of cards returned, number of cards issued for the day, number of cards remaining in inventory, and the signature of the DO or designated representative.

100303. Activation and Accountability

Detailed procedures for activation of EZpay SVCs must be included in the agency's SOP for issuance. Once an EZpay SVC is activated, the DO or designated representative must ensure that the card number is indicated on the payroll document for tracking purposes and ensure the amount is reflected as an increase in the DO's accountability for that day's business. A payment in an amount equal to the total value of all EZpay SVCs activated that day will be forwarded to the Treasury's fiscal agent, which is the financial institution making restitution to the vendors for card usage. The payment will be in the form of an EFT. The fiscal agent will complete the required settlement action with vendors who accept the EZpay SVC. The total dollar value of the EZpay SVCs activated for that day, with the exception of replacement cards issued, will always match the total of the daily payroll document.

*100304. Residual Value on Expired/Cancelled Cards

Unclaimed balances on a SVC at expiration are identified as residual funds and, if possible, are returned to the cardholder systematically by Fiscal Service's designated financial or fiscal agent. If systematic return is not possible, the agency and Fiscal Service initiate good faith efforts to locate and return residual funds greater than $10.00 to the authorized SVC cardholder. Should systematic or good faith return not be possible, residual funds greater than one year old are transferred to the Treasury trust fund receipt account "Unclaimed Moneys of Individuals Whose Whereabouts are Unknown" (see ***31 U.S.C. § 1322***) to be claimed with supporting documentation by contacting Fiscal Service. See ***I TFM 6-3000*** for additional guidance on residual funds.

1004 EAGLECASH STORED VALUE CARD

100401. Overview

The EagleCash SVC is a reloadable plastic card embedded with a computer chip that stores "electronic funds" in its memory. The card is issued to deployed service members, DoD civilians, and contractors. The card is used as a substitute for coins and currency transactions at concessions and for services at military installations overseas during contingency operations (e.g., barber and beauty shops, food court, post office, and Base Exchange). The card can be reloaded and continually used throughout the tour of duty. The cards are issued by a Finance Office (inside or outside the continental United States) and may be funded through a local pay, cash, personal check, or the EagleCash Kiosk. For more information, visit Fiscal Service's ***EagleCash*** website. This website provides an overview of EagleCash and includes items such as: getting started, common questions, acceptance sites, SVC facts, the EagleCash User's Guide, and the Kiosk User's Guide.

100402. Card Issuance

The DO or designated representative will issue all cards used in this program. EagleCash cards with a zero dollar value may be issued to individuals who are authorized to receive check-cashing services as prescribed in Chapter 4, paragraph 040301. The name of the individual, appropriate identification number, length of deployment, and bank account information are all collected during the issuance process. EagleCash cards can be issued at the deployed location or in advance of deployment by the Finance Office.

100403. Activation

A. EagleCash Kiosk. When an EagleCash card is issued, it may be loaded with funds drawn by personal check, cash, or local pay. Additionally, a self-service card-processing device called the EagleCash Kiosk may be deployed in the field for the purpose of loading, unloading, and transferring funds to the EagleCash card.

B. Application Process. Before a cardholder uses a kiosk, he or she is required to complete the ***FMS 2887***, Application Form for the Treasury SVC Program. Completion of the FMS 2887 gives the Treasury's fiscal agent access to move money from the cardholder's financial institution to the EagleCash card.

C. PIN. Bank information (bank routing number, account number, and type of account) is captured electronically or manually and embedded in the computer chip. A PIN is assigned at the chip level for use with the kiosk or at a Finance Office. The completed and signed FMS 2887 must be forwarded to the Treasury's designated fiscal agent who is authorized to initiate debit and credit entries to the individual's financial institution. The FMS 2887 will allow the cardholder to transfer funds between his or her financial institution and the EagleCash account. The DO must retain a copy of all completed enrollment forms.

100404. Accountability

The accounting for entries of EagleCash must be recorded on the appropriate lines of the ***DD 2657***, Daily Statement of Accountability. On each business day, using the EagleCash laptop, DOs, DDOs, Finance Officers, or their designated representatives collect all new account transactions and create a compressed "zipped" file. Email the file to the EagleCash Customer Service Center at eagle@bos.frb.org, transmit it on line, or deposit it at another agency designated location.

100405. Residual Value on Expired/Cancelled Cards

If a cardholder departs the area before cashing out their EagleCash card, the Fiscal Agent must deposit the funds to the cardholder's account on file after the card expires. A credit must be forwarded to the cardholder's bank account via an Automated Clearing House credit using information provided by the cardholder when signing up for EagleCash. If systematic return is not possible, the agency and Fiscal Service initiate good faith efforts to locate and return residual funds greater than $10.00 to the authorized SVC cardholder. Should systematic or good faith

return not be possible, residual funds greater than one year old are transferred to the Treasury trust fund receipt account "Unclaimed Moneys of Individuals Whose Whereabouts are Unknown" (see 31 U.S.C. § 1322) to be claimed with supporting documentation by contacting Fiscal Service. See I TFM 6-3000 for additional guidance on residual funds.

1005 NAVY CASH PROGRAM

100501. Overview

The Navy Cash program was developed in partnership with the U.S. Navy and Marine Corps and the Treasury. The program is administered by the Fiscal Service, with assistance of Fiscal Service's designated financial agent. All personnel assigned to a ship are eligible to receive a Navy Cash card. Visitors may be issued a Visitor Navy Cash card while aboard the ship. The Marine Cash card is issued when Marines are assigned to or deployed aboard Navy ships and only when Marines participate in bulk enrollment, otherwise they are given a Navy Cash instant issue card.

A. Functionality. The Navy Cash and Marine Cash cards are combination cards. The card combines a chip-based electronic purse (stored-value function) with the traditional magnetic strip (debit card and automated teller machine (ATM) function). The electronic purse replaces currency aboard ship. The magnetic strip and branded debit features afford users access to funds in their Navy/Marine Cash accounts world-wide via ATMs and POS devices at merchants who accept debit cards. Kiosks aboard ships provide 24-hour-a-day, seven-day-a-week access to Navy/Marine Cash accounts. The kiosks also provide access to accounts at financial institutions ashore and the ability to move money electronically to and from Navy/Marine Cash accounts and those financial institution accounts.

B. Split Pay. Sailors and Marines who elect the Split Pay Option may designate a portion of their pay to be sent directly to their Navy/Marine Cash accounts each payday.

C. Types of Navy Cash Cards

1. Instant Issue. The Navy Cash Instant Issue Cards provide access to all Navy Cash capabilities (i.e., the usage of the chip-based electronic purse and the magnetic strip). These cards are typically used for new enrollees or as a replacement for lost, stolen, or damaged cards.

2. Embossed Permanent. The Embossed Permanent Navy Cash cards also provide access to all the Navy Cash capabilities. These cards are personalized and embossed with the account holder's name. Generally, these cards are only issued as a part of bulk enrollment when Navy Cash is initially implemented on a ship.

3. Visitor Navy Cash Card. These cards have chip-only access with the intention only to make purchases on the ship. The cards do not have a Navy Cash account

associated with them and do not have a magnetic strip. Also, Visitor Navy Cash cards can only have funds loaded by the disbursing office.

D. Additional Information. Personnel involved with the administering of the Navy Cash program are encouraged to access Fiscal Service's ***Navy Cash/Marine Cash*** website. This website provides an overview of Navy/Marine Cash and includes items such as: Cardholder Basics, Functional Training, common questions, SVC facts, and the Navy Cash SOP.

100502. Card Issuance

The DO or designated representative may issue the Navy Cash card to newly enrolled account holders from the stock of instant issue Navy Cash cards. In order to obtain a fully functioning card, a FMS 2887 must be completed and signed before issuing the card. The DO or designated representative must annotate appropriate information on the Bulk Card Log when the Navy Cash card is removed from the safe. The Bulk Card Log must contain the date the cards are issued, the card numbers, name and last four digits of each cardholder's social security number, signature of the cardholder, and the issuing DO or designated representative's name. Each operator using the Navy Cash system (e.g., in the ship's store, post office, chief's mess, wardroom, disbursing office, or Morale, Welfare, and Recreation facilities) must be identified by a four-digit operator identification number that is unique within the Navy Cash system on each ship.

100503. Activation

A. Navy/Marine Cash Kiosk. When a Navy/Marine Cash card is issued, it may be loaded with funds drawn by personal check, cash, split pay option, or transfer of funds from the cardholder's financial institution. Additionally, a self-service kiosk aboard the ship may be used for the purpose of loading and unloading funds to the card.

B. Application Process. Cardholders are required to complete the FMS 2887. In addition to serving as the application form for a fully functioning card, completion of the FMS 2887 gives the Treasury's financial agent access to move money from the cardholder's financial institution to the Navy/Marine Cash card. Bank information (bank routing number, account number, and type of account) is stored on the Navy Cash server on the ship.

C. PIN. A PIN is associated with both the chip and the magnetic strip. On the ship, the PIN is required for use with the kiosk and for all purchases with the exception of vending items. Off the ship, the PIN is required for ATM withdrawals and for debit purchases at merchants who accept debit cards. Forward completed and signed FMS 2887 to the Treasury's designated financial agent who is authorized to initiate debit and credit entries to the individual's financial institution. The FMS 2887 will allow the cardholder to transfer funds between his or her financial institution and the Navy/Marine Cash account. The DO must retain a copy of all enrollment forms completed.

100504. Accountability

The DO controls access to the various functions within the Navy/Marine Cash System. Individual operators are assigned to one of five user groups that represent five levels of access rights: Navy/Marine DO/DDO, Agent Cashier, Duty Person, Refunds, and Duty Automatic Data Processing. The access rights for each user group are initially set to default settings. The issues associated with accountability for cash management of public funds are addressed in Chapter 3, section 0303. All Navy/Marine Cash transactions, such as increasing amounts in the chip or strip accounts with funds drawn by personal check or cash, or giving cash for amounts drawn off a loaded card, should occur at the disbursing office. All funds associated with these transactions are part of the DO's accountability. At the end of month reporting, the DO will be responsible for creating an electronic Deposit Ticket or Debit Voucher, forwarding it to the Treasury financial agent, and maintaining appropriate financial document retention.

100505. Residual Value on Expired/Cancelled Cards

Prior to transferring from the ship or being separated from active duty, a cardholder may transfer any remaining value to their home financial institution by using the Cashless ATM or request a cash-out from the DO paid in cash or by U.S. Treasury check. Because all Visitor Navy Cash cards are reusable, they should be cashed out and returned to the DO before a visitor departs the ship. If the cardholder is absent or in a non-active status, then the DO must contact the financial agent and request that any residual value in the Navy/Marine Cash account be transferred to the home financial institution of the cardholder. If systematic return is not possible, the agency and Fiscal Service initiate good faith efforts to locate and return residual funds greater than $10.00 to the authorized SVC cardholder. Should systematic or good faith return not be possible, residual funds greater than one year old are transferred to the Treasury trust fund receipt account "Unclaimed Moneys of Individuals Whose Whereabouts are Unknown" (see 31 U.S.C. § 1322) to be claimed with supporting documentation by contacting Fiscal Service. See I TFM 6-3000 for additional guidance on residual funds.

1006 UNITED STATES DEBIT CARD PROGRAM

100601. General

A. Program Administration. The United States Debit Card Program (USDC) program is administered by the Fiscal Service, with the assistance of Fiscal Service's designated financial agent. The USDC provides Federal agencies with the ability to deliver Federal payments through debit cards, as an alternative to checks, drafts, cash, and other non-electronic mechanisms. The USDC is a flexible payment mechanism used to deliver miscellaneous or nonrecurring payments to individuals, or to allow government employees or military personnel access to cash during their official duties. Examples of the types of Federal payments that can be delivered via a debit card include benefit, payroll, stipend, employee awards, and survey incentives.

B. Card Funds Access. After implementation of the USDC program, the agency disburses payments to a card account and the funds are accessed via a debit card issued to a Federal payment recipient. The cardholder may use the USDC to access authorized Federal payments at ATMs, POS terminals, bank tellers, and other locations where access is permitted. If the USDC is MasterCard or Visa branded, the cardholder may use the USDC anywhere the

applicable brand is accepted. For more information, visit Fiscal Service's ***USDC*** website and the ***USDC Program*** website.

1007 DIRECT EXPRESS

Direct Express Debit MasterCard is a prepaid debit card offered to federal benefit recipients who wish to receive their benefits electronically. The debit card offers the convenience and security of using electronic transactions to spend and access money rather than using cash for purchases. Recipients do not need to have a bank account to sign up for the card. The Direct Express Debit MasterCard is available only to individual Federal benefit recipients. For more information on the ***Direct Express*** Debit MasterCard, see the website.

Figure 10-1. Department of Defense Financial Smart Card Application (Page 1 of 4)

DEPARTMENT OF DEFENSE (DoD) FINANCIAL SMART CARD APPLICATION		
SECTION I - GENERAL INFORMATION		
1. Program Title:		
2. Program Description:		
3. Sponsoring Organization:		
4a. Name of Smart Card Project Manager (Primary or Alternate):		b. Telephone:
c. E-Mail**:**		d. Fax:
5. Program Magnitude (Check one):	Pilot [ ]	Full Roll-out [ ]
6. Supporting Disbursing Station Symbol Number (DSSN):		
7. Implementing Location(s):		
8. Duration and Start Date Requested:		
9. Financial Application(s) (e.g., Debit, Stored Value, Other):		
10. Purpose/Objective (Include improvements/changes to official DoD functions (e.g., disbursing and paying, if any)):		
11a. Anticipated Future Deployment:	Yes [ ]	No [ ]
b. If yes, explain:		

Figure 10-1. Department of Defense Financial Smart Card Application (Page 2 of 4)

12. Alternatives Considered (e.g., EFT, Travel Card):	
13. Other Non-Financial Applications on Card:	
14a. Total Population Served:	b. Number of Cards:
c. Projected Annual Dollar Amount Deposited on Cards (US Debit Card Program Only):	
15. Other Known Location(s)/Installation(s) Where Card Could be Used:	
16. Projected Savings and Budget Impact:	
17. Anticipated Benefits:	
18. Performance Measures of Pilot:	
19. Barriers to Implementation:	

Figure 10-1. Department of Defense Financial Smart Card Application (Page 3 of 4)

SECTION II - CARD/VENDOR INFORMATION
20. Issuing Financial Institution Provider/Sponsor and POC:
21. Type of Card Technology/Platform and Size:
22. How Funds Will be Loaded on Cards:
23. Source of Funds to be Loaded on Cards:
24. Security and Privacy Factors:
25. Accountability Controls (including Funds Pool), Auditable Features, and Collateralization/ Warranty Issues:
26. Frequency of In Progress Reviews (e.g., monthly, quarterly):
27. Authorization/Dispute Processes:

Figure 10-1. Department of Defense Financial Smart Card Application (Page 4 of 4)

28. Association Brand Affiliation (e.g., VISA/MASTERCARD):
29. Network Used, if any (Cirrus, Plus):
30. On-base Merchants Where Card is Accepted:
31. Cost of Cards:
32. Type and Number of Equipment:
33. Cost of Equipment:

VOLUME 5, CHAPTER 11: "ELECTRONIC COMMERCE AND DEPOSIT OF PUBLIC FUNDS"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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

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

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

The previous version dated February 2016 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current administrative instructions.	Revision
110704.C	Added the email address for the Defense Finance and Accounting Service Pay.gov Team who coordinates new or changing Department of Defense Pay.gov activities.	Addition
Figure 11-1	Updated the information in the example to be in accordance with the Treasury Financial Manual, Volume 1, Part 6, Chapter 4000.	Revision

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CHAPTER 11

ELECTRONIC COMMERCE AND DEPOSIT OF PUBLIC FUNDS

1101 GENERAL

110101. Overview

Government entities disburse funds to and collect funds from individuals, businesses, and other government entities via cash, negotiable instruments, and a variety of electronic mechanisms.

110102. Purpose

This chapter provides information and guidance on several electronic disbursement and collection mechanisms that are Department of Treasury (the Treasury) programs and services.

110103. Authoritative Guidance

Title 31, United States Code (U.S.C.), section 3322 ***(31 U.S.C. § 3322)*** and 31 U.S.C. § ***3302*** authorizes disbursing officers (DO) to deposit public funds and draws public funds from the Treasury or a depositary only as necessary to make payments. Additional statutes, regulations, and other guidance are referenced under each section of this chapter.

1102 ELECTRONIC FUNDS TRANSFER (EFT)

110201. Overview

In accordance with 31 U.S.C. § 3332, EFT is mandatory within the Department of Defense (DoD). Exceptions to this mandate are provided in the Treasury Financial Manual (TFM), Part 4A, Chapter 2000 ***(I TFM 4A-2000)***.

110202. Electronic File Transmission

Payment or payroll files must be transmitted to the Federal Reserve Bank (FRB) by electronic file transmission.

110203. Contractor Pay Applicability

Refer to Volume 10, Chapter 3, paragraph 030408.

110204. Official Authorization List (OAL) for the FRB

A. Overview. The OAL identifies all individuals who are authorized to transact business and provide instructions to the FRB on behalf of a disbursing office.

B. OAL Documentation. The OAL authorization letter, form, and instructions are located at the FRB Services - Account Services Forms web page. The disbursing offices must complete the "Official Authorization List (Government Organizations)" form, notarize the OAL form, sign the Agency Authorization Letter, and forward the documents to Treasury's Bureau of the Fiscal Service, 401 14th Street SW - 409D, Washington, DC 20227, (treasuryOAL@fiscal.treasury.gov).

C. OAL Change Process. Each DO must validate their respective contact form for their office at least annually. If changes are required, follow the process in the FRB Service guidance located at the FRB Services web page in Table S.4 (Sending Point and Service Provider Contact form). Once completed, send a copy to Defense Finance and Accounting Service (DFAS), Enterprise Solutions and Standards, Disbursing (DFAS-IN/JJFKCB), 8899 East 56th Street, Indianapolis, IN 46249-2700 (dfas.indianapolis-in.jjf.mbx.ess-disbursing@mail.mil) and submit the original to the Fiscal Service, who will sign and forward to the FRB.

1103 CARD ACQUIRING SERVICE (CAS)

110301. Overview

The CAS is a government-wide network that allows Federal agencies to receive credit and some debit card payments (i.e., Visa, MasterCard, American Express, Discover credit cards, and some debit cards) due the Federal Government. These credit or debit cards can be used to collect payments from the general public and from Government entities for a variety of reasons, including, but not limited to: sales of material, services, fees, fines, debts, customs duties, and taxes. Fiscal Service designated one financial agent to process credit and debit card collections and to provide uniform nationwide credit and debit card services for federal agencies. Credit and debit cards may be used for collections received over the counter, by mail, by phone, or over the Internet. If an agency wants to accept payments through the Internet, it is recommended that the agency work with Pay.gov in addition to setting up a CAS account. For more information about Pay.gov, see section 1107. Information pertaining to the CAS can be found at Fiscal Service's ***CAS*** website.

110302. Card Processing Rules and Regulations

Activities participating in the CAS will use the "Financial Management Service (FMS) Card Processing Rules and Regulations" as a guide when processing credit and debit card transactions. In order to establish a processing relationship, activities must complete and submit the Agency Participation Agreement (APA) to Fiscal Service for approval. Prior to submission, activities must coordinate with their servicing DO. The rules, regulations, and APA form for the CAS can be found at Fiscal Service's CAS ***Rules***.

110303. Transaction Dollar-Value Limit

A. Maximum Limit. Effective June 1, 2015, agencies must limit their credit card collections to ensure an individual payment transaction does not exceed $24,999.99. There should be no purchases using the credit card in excess of $24,999.99. An attempt to bypass this

limit will result in a rejected transaction at the point of collection. Agencies will ensure controls are in place to prevent splitting a purchase into smaller transactions. The payment–collection process will be stopped if the maximum limit for a collection is attempted. This information can be found at the TFM Announcement ***No. A-2014-04***. This limit has been lowered from the previous payment transaction limit of $49,999.99.

B. Government Purchase Card Transactions. The limit in subparagraph 110303.A also applies to intra-governmental transactions using the government purchase card when the agency accepting the card uses Treasury's CAS. Individual credit card transactions exceeding the maximum limit cannot be split into two or more transactions over one or multiple days. If the agency's cash flow includes individual credit card transactions greater than the maximum limit, the agency should use another electronic collection alternative for those transactions. Available electronic alternatives include Automated Clearing House (ACH), which is the primary system for EFT, and Fedwire, which is a gross settlement funds transfer system operated by the FRB.

C. Minimum Limit. Agencies may not establish minimum transaction amounts as a condition of honoring a credit or debit card. Minimum limits must be established or allowed by the Treasury and will only be permitted in certain circumstances.

D. Purchase Card Payments. Requirements can be found in Volume 10, Chapter 23.

110304. Processing Transactions

All activities must settle (balance or reconcile) on a daily basis, regardless of the amount accumulated that day. Activities will pay the assessed non-qualifying interchange fee when they fail to settle electronically every day. The network bank will inform the activity of its particular cutoff times for deposits. In an electronic environment, settlement transactions should take place through an Electronic Data Capture/Point of Sale at various times during the day (or once at the close of business) in order to meet the cutoff time for deposits.

110305. Reports and Reconciliation

Based on the report requirements established in the participation agreement with the network bank, reports of the merchant's credit and debit card activity will be made available electronically by the network bank to the participating DoD activity (merchant). The summary will detail dates of deposits, dollar amounts of deposits, number of transactions processed, adjustment charges, and chargebacks. This report must be used to reconcile any differences which may occur between the report and entries into the accounting system. The report must also be reconciled with the DoD ***(DD) Form 1131***, Cash Collection Voucher, submitted to the DO or Deputy DO, and the deposit information posted in the Collection Information Repository (CIR).

110306. Internal Controls

Internal control procedures must be established by each participating DoD activity to ensure that credit and debit card transaction documentation, to support all DD 1131s submitted to the DO, is properly safeguarded. Documentation must be available for use by the DO's quarterly cash verification board, the collection agent audit board, and for other audit purposes.

1104 INTRA-GOVERNMENTAL PAYMENT AND COLLECTION (IPAC) SYSTEM

110401. Overview

A. This section covers general information on the IPAC system. This section also identifies general requirements and technical specifications prescribed by the Treasury.

B. The Treasury has prescribed guidance on the use of IPAC in ***I TFM 6-4000*** (see Volume 10, Chapter 10, section 1002).

C. The IPAC system is used for buyer-seller (i.e., reimbursable) transactions between federal agencies because it accomplishes the following:

1. Facilitates timely posting of collections to reduce receivable balances,

2. Eliminate the paper flow between agencies,

3. Eliminate the use of Treasury checks between agencies,

4. Improves cash management, and

5. Establishes the Treasury as the collection agency.

110402. IPAC

The IPAC system's primary purpose is to provide an automated standardized interagency funds expenditure transfer mechanism for Federal Program Agencies (FPAs). It facilitates intra-governmental Federal e-commerce by transferring funds, with related descriptive data, from one FPA to another on a real-time basis. The IPAC system enables FPAs to exchange accounting information and to transfer funds between FPAs involved in buyer-seller relationships. It establishes standardized interagency payment, collection, and adjustment procedures through an internet-based application. The IPAC system also includes a module for the Retirement Insurance Transfer System transactions that are transmitted to the Office of Personnel Management.

110403. Originating the IPAC Transactions

A. Trading Partner Agreement (TPA). Per ***I TFM 2-4700, Appendix 10***, TPAs are required between agency location codes (ALCs) in order to help facilitate the

payment/collection process. These TPAs contain agreed upon terms between the ALCs that help ensure necessary transaction information is provided so that both sides will be able to reconcile their transactions. An example of a Bilateral TPA is in Figure 11-1.

B. Initiating the Order

1. The customer agency must include its ALC on all requisitions or order forms forwarded to the billing agency. This code identifies the customer agency to be billed for services or supplies. The billing agency will provide the customer agency with appropriate instructions for transmitting this information. In addition, the customer agency is advised to include sufficient descriptive information on the requisition or order form, which the billing agency will place in the description section of the bill. This will enable the customer agency to match the bill with the originating requisition when the bill is received on the customer's computer system. The primary match will be on the originating document number. The IPAC system was not designed to be dependent on appropriation data as criteria to match an existing obligation since the Treasury transfers funds at the ALC level.

2. After fulfilling the customer agency's requisition/order, the originating agency (based on whether it is a payment or collection transaction) must input the appropriate data in all the IPAC required data fields. Also, it must input the customer agency's special requirements and any descriptive information, supplied with the requisition/order, in the appropriate fields of the IPAC transaction.

C. Initiating the IPAC Transaction

1. If a collection transaction is initiated by the billing agency, the transaction provides essential invoice information and immediately charges the funds to the 8-digit customer ALC. Within DoD, the 8-digit ALC is the 4-digit Disbursing Station Symbol Number (DSSN) preceded by four zeros. Upon fulfilling the customer agency's order or requisition for services purchased or supplies shipped, immediate payment is accomplished by the billing agency crediting its own ALC and charging the customer agency's ALC. A payment transaction initiated by the customer agency (i.e., disbursement) is used to credit funds of the billing ALC when a hardcopy invoice is received. A payment transaction is also used to transfer payroll deduction type payments (e.g., Internal Revenue Service or Veterans Education Assistance Program).

2. Transactions can be input manually into the on-line system or created automatically by accounting or disbursing systems for bulk data transfer or host-to-host transmissions. The IPAC system automatically will issue an IPAC Document Reference Number that is the equivalent of a U.S. Treasury check number and will ensure that no two transactions have the same number.

3. Bulk files are queued for processing as soon as they are received into the IPAC system; on-line transactions are transmitted in "real-time." Whether an on-line or bulk data transfer transaction, the transaction originator must include a point of contact and

telephone number to ensure the receiving agency can accurately determine who to contact if there is a need for adjustment.

4. A collection or disbursement voucher (e.g., DD 1131, Standard Form ***(SF) 1080***, Voucher for Transfers Between Appropriations and/or Funds, or ***SF 1034***, Public Voucher for Purchases and Services Other than Personal) must be prepared for each bill or payment entered in the system and processed through the DO in the same manner as other vouchers, except that no check or cash payment is sent or received.

D. Required Data Elements for Initiating IPAC Transactions. There are mandatory fields that must be filled out in the IPAC system to process specific IPAC transactions. These data elements vary by transaction type and are required by the Treasury. The mandatory fields can be found in I TFM 6-4000.

E. Other Required Information. There are three additional required data elements for DoD IPAC transactions, in addition to the Treasury required information. When initiating a payment or collection in IPAC, the sender Business Event Type Code (BETC), receiver BETC, and the receiver Treasury Account Symbol (TAS) are required for every transaction. Also, an ALC can require specific and/or descriptive data necessary for their ALC to process the transaction completely. This specific information should be outlined in the TPA that was agreed upon by the participating ALCs.

110404. Processing Cycle

The IPAC system is available through the last day of each month to enter bills or transfers for that month. However, unless a different cutoff date and time has been agreed upon in a TPA, agencies will not process any new transactions the last four workdays of the month to avoid month-end accounting problems.

110405. Recording IPAC Transactions

A. SF 1219, Statement of Accountability. Currently, IPAC transactions are recorded on lines 2.8 and 4.1 (A or E, as applicable) of the ***DD 2657***, Daily Statement of Accountability, and on the ***SF 1219***. If a hardcopy SF 1219 is used, then cross through line 2.39 and replace with 2.8. Refer to Chapter 15, section 1505 and section 1506 for instructions on preparation of these forms. At the end of each month, both the customer agency and the billing agency must also report the applicable appropriation or fund symbol amount for all original transactions and adjustments on its ***DD 1329***, Statement of Transactions. Under the Central Accounting Reporting System (CARS) initiative, partial and/or CARS reporters will no longer report IPAC transactions to the Treasury monthly, since they provide the information daily.

B. Reconciliation. An ALC can print out its activity from the IPAC system, for the past 18 months, to assist the ALC in ensuring all transactions are accounted for on the current month SF 1219. Refer to Chapter 15, Figure 15-4, Line 2.39 on page 15-54 for instructions on reporting prior month IPAC transactions that are processed in current month accountability.

C. Monthly Reporting of Differences by the Treasury to Agencies. The Treasury will compare the customer and billing agencies' SF 1219 with the IPAC data. If there is a difference, a FMS Form 6652, Statement of Differences (SOD), Deposit Transactions, will be generated. This statement is prepared by the Treasury on a monthly basis and provided to each agency's departmental reporting office. Also accompanying the FMS 6652 will be a "Monthly Register of Transactions," which details all transactions charged against a particular ALC. Agencies will investigate the differences and make the necessary corrections on their next SF 1219. Corrections reported in months subsequent to the month in which the error occurred are reported as separate 2.8 lines on the SF 1219. For example, an amount reported erroneously in January is corrected in the February accounting month. The February SF 1219 will have two 2.8 lines: one for the net total of transactions processed in February and one for the January corrected amount.

D. Monthly Reporting of Unprocessed Transactions

1. Unidentified transactions between Federal agencies, including IPAC transactions, will be debited or credited to account **F3885 (Undistributed Intra-governmental Payments). The Treasury identified a 3-digit limit, **F3885.007, specifically for the IPAC system. All new transactions that remain unclassified at month-end will be recorded in **F3885.007.

2. The detailed transactions and the reconciliation to the Treasury will remain in the existing tool used for recording and clearing unprocessed IPAC transactions.

E. Receipt and Acceptance Internal Controls. DoD financial reporting entities should include IPAC in intra-governmental transactions, and must develop and implement internal controls to ensure that receipt and acceptance is properly documented. This documentation must be made available within the timeframe prescribed by an auditor when requested during audits.

110406. Adjustments of Erroneous Charges

Both the billing and customer agencies should recognize that the system cannot tolerate uncontrolled charges or adjustments. The adjustment function should not be used to adjust charges that originated under other billing systems. The charge should also not be considered erroneous simply because the customer agency receives the paid billing statement before supplies are received. If the receiving agency subsequently finds that the transaction was erroneous, the adjustment should be made at that time. However, the receiving agency is limited to 90 days from the creation date of the transaction, to process the adjustment. It should be noted that the sending agency also has the ability to make an adjustment to an erroneous transaction prior to, or after its submission to the receiving agency within 90 days.

A. There are some situations that warrant an immediate adjustment to a transaction. Some acceptable reasons for an immediate adjustment are:

1. Wrong ALC was billed for the transaction,

2. Funds cited do not belong to the billed ALC,

3. Appropriation cited has expired,

4. Transaction exceeds authorized funding,

5. Duplicate transaction, or

6. Noncompliance with required data elements set forth in a TPA.

Anytime a transaction appears to be erroneous, there needs to be sufficient reason to adjust it back. If you can take ownership of a transaction, (i.e., a valid billing that belongs to your ALC) it should not be rejected without sufficient research and notification. Communication between trading partners is key to resolving erroneous transactions.

B. The agency representative who created the original transaction should be contacted. If the transaction is erroneous, the receiving agency will access the IPAC on-line system and make the menu selection for IPAC adjustments. The IPAC system will guide the user with prompts. The user will enter all pertinent data as requested. The IPAC system contains edits to ensure that the original transaction is matched. Once the data is entered correctly, the system will issue an IPAC Adjustment Voucher Number unique to each transaction. Adjustments are considered a new transaction for reporting purposes and included in the net totals for the month in which the adjustment is accepted in the IPAC system.

C. In cases where the originating agency (i.e., the ALC that created the transaction) later concludes that the adjustment (or a portion thereof) was improper, it must communicate this to the receiving agency, preferably by email or via telephone. When agreement is reached, a second IPAC transaction will be prepared for the proper amount.

110407. Basic Criteria to Access the IPAC System

In order for billing and customer agencies to use the IPAC system, the following is required:

A. Master Administrator must be assigned the responsibility of setting up IPAC Agency Administrators (IAAs) for one or more ALCs. The IAAs are responsible for registering agency personnel as IPAC users. These users will then be given a user id and gain access to the IPAC system based on assigned roles.

B. The Treasury must assign each ALC an identification number and password that will enable access to the system. The Treasury also requires the ALCs of the corresponding agencies from which the transactions will originate or be received. Agencies that are Non-Treasury disbursing offices (such as DoD) control their own billable/non-billable status.

110408. Restrictions

The Treasury reserves the right to (a) make any adjustments centrally in CARS and (b) to remove any agency from the IPAC system in those instances when the agency fails to comply with the rules and regulations set forth by the Treasury. For additional information on the IPAC system, refer to Chapters 8, subparagraph 080301.A.1.d; Chapter 9, subparagraph 090502.B; and Volume 4, Chapter 3, subparagraphs 030505.C and D.

1105 TREASURY LOCKBOX NETWORK

The Treasury Lockbox Network is comprised of financial agents that provide lockbox and remittance service to the Treasury on behalf of Federal agencies. The financial agents are strategically located to minimize mail, processing, and collection float. Lockbox processing was adopted as a means of accelerating deposits to the Treasury's General Account at the FRB of New York. The Treasury (***I TFM 5-4600***) has prescribed guidance on lockbox service.

1106 CREDIT GATEWAY

110601. Overview

The Credit Gateway is a collection program for Fedwire and ACH credit transactions. For more information about Credit Gateway, see paragraph 110602 for the hyperlink to Fiscal Service's Credit Gateway.

110602. Implementation

Activities who want to use the Credit Gateway must complete the new account setup form and email it to Fiscal Service. Fiscal Service will coordinate with the financial agent to assign an account number. Upon notification that the account number is active, the activity can provide the account number to customers and receive payments. Activities interested in creating a Credit Gateway account should review the Fiscal Service's ***Credit Gateway: Getting Started***.

110603. Credit Gateway Process

A. The activity advises the customer of the obligation due the Government, either by invoice, bill, letter, or other means. The agency also supplies the customer with the appropriate information to include in the transaction.

B. When the customer sends the payment through their financial institution, the FRB receives the transaction and credits the Treasury's account.

C. Transaction information is submitted to the Treasury via the CIR. The transaction information includes both detailed and summary deposit information. The activity can download the information from CIR.

1. Fedwire Reporting. CIR will report deposit information for Fedwires in near real-time.

2. ACH Credit Reporting. CIR will report future-dated and settled ACH credit entries.

1107 PAY.GOV

110701. Overview

Pay.gov was developed by Fiscal Service to meet a commitment of processing collections electronically using internet technologies. Pay.gov satisfies agencies' and consumers' demands for electronic alternatives by providing the ability to electronically complete forms, make payments, and submit queries 24 hours a day. Pay.gov is a secure, government-wide collection portal and provides a suite of services allowing agencies to obtain and process collections in an efficient and timely manner.

110702. Services

The Pay.gov application is comprised of four services: billing/notification, forms, reporting, and collections.

110703. Collections Service

The Pay.gov collections service has credit and debit card transaction and ACH debit transaction processing options. Activities who want to accept credit and debit cards through Pay.gov must apply for an internet merchant account with the Fiscal Service CAS. Pay.gov accepts several payment options:

A. One-time Payments. The customer submits a one-time payment to the activity.

B. Recurring Payments. The customer sets the payment details and establishes a specific interval of time between each payment. Payments continue until all payments have been made or the payments have been canceled.

C. Deferred Payments. The customer can enter and schedule a payment up to 30 days in advance. Customers performing a credit or debit card transaction cannot use this option.

D. Preauthorized ACH Debits. The customer can authorize the activity to submit payment information, on their behalf, for regular, recurring ACH debits. The customer must provide advance, written authorization. The activity submits the payment information to Pay.gov.

*110704. Implementation

A. Prior to implementing Pay.gov, activities must obtain the approval of the servicing DO.

B. Activities considering use of Pay.gov are directed to Fiscal Service's Pay.gov ***Getting Started***. Guides and technical information can be found at the Pay.gov Agency ***Documentation***.

* C. DFAS established a Pay.gov team to provide assistance with new or changing Pay.gov activities. The DFAS Pay.gov team serves as a focal point for communicating with Treasury and can review, approve, and authorize all Pay.gov initiatives. Contact the DFAS Pay.gov team at dfas.indianapolis-in.ztd.mbx.pay-gov@mail.mil.

1108 DEPOSITS OF FUNDS

Under 31 U.S.C. § 3302, custodians of money (e.g., DOs) holding cash or negotiable instruments in excess of either current requirements or the amount authorized to be held at personal risk, whichever is less, must deposit them promptly in an authorized depositary of the Treasury for credit to the Treasurer of the United States. This does not apply to instruments to be returned to remitters in the form received (e.g., deposits of unsuccessful bidders for the sale of government property).

110801. Over the Counter Channel Application (OTCnet)

A. Overview. OTCnet is a web application that lets Federal agencies manage and report all check and cash deposits in one place. OTCnet automates the over the counter deposit process, captures detailed accounting information, and makes the classification of Treasury collections easier. It allows agency users to report receipts through a secure web-based application rather than by using paper-based credit vouchers. There are "off-line" check capture capabilities for activities operating in locations with intermittent or unavailable bandwidth and communication. For more information about OTCnet, see Fiscal Service's ***OTCnet***.

B. OTCnet Requirement. All physically received, negotiable instrument deposit transactions must be processed through OTCnet. However, agencies unable to use OTCnet for deposits of negotiable instruments, due to contingency operations, must establish depositary arrangements with US Bank's Mail-In Treasury General Account (MITGA) through the FRB of St. Louis. This includes the deposit of commercial checks and U.S. Treasury checks. For more information on MITGA, see paragraph 110803.

C. Deposit of Cash and Negotiable Instruments. When using the OTCnet Deposit Reporting function, the depositing agency may combine cash and negotiable instruments into one deposit.

D. Required Information in Block 6. At a minimum, Block 6 of the OTCnet deposit ticket must identify the depositing entity's name and location, the deposit preparer's name,

email address, and the deposit preparer's phone number. The extent of additional information required in Block 6 is at the discretion of the DO.

E. Handling of Scanned Negotiable Instruments. After scanning items in OTCnet, the scanned negotiable instruments must be retained until it is verified that they reside within OTCnet and a good image is on file. This verification must take place within 14 calendar days. Items that have been scanned and are awaiting approval must be secured in an approved manner (see Chapter 3, section 0303). Once verified, the negotiable instruments must be destroyed.

110802. Depositaries

A. General Depositaries. The TFM (***I TFM 2-1000***) describes general depositaries as commercial banks or other financial institutions designated specifically and authorized by the Treasury to maintain a demand account in its name to accept deposits to the TGA. These depositaries are designated only where they are needed to receive deposits of public funds for credit to the TGA or to furnish cash to DOs for official disbursements. Making deposits to a TGA eliminates processing floats. If more than one bank has been authorized at a base, station, installation, or command, the local commander must give equal recognition when recommending designation of authorized financial institutions as TGA depositaries. After Treasury approval, the commander should reasonably distribute official financial transactions among the approved depositaries. Do not deposit public funds in a financial institution that has not been approved as a general depositary except as shown in subparagraph 110802.D, and do not mail deposits to a TGA without specific Treasury authorization to do so.

B. Requests to Deposit with or Change General Depositary. DOs formally request authorization to deposit collections with a general depositary, or change from one authorized depositary to another, following guidance provided in the ***I TFM 6-9000***. This requirement also includes those instances when on-base banks or credit union offices undergo changes such as acquisitions or mergers. Send the completed request, no later than 35 calendar days prior to desired deposit start date, to the DoD Banking and Credit Union Office via email: CCO-DoD-FINANCIAL-INSTITUTION-TGA@MAIL.MIL; fax: (216) 367-3388; or mail: DFAS Columbus, Attn: DFAS-JJF/CO, P.O. Box 182317, Columbus, OH 43218-2317, for review, coordination, and submission to the FRB St. Louis.

C. Need for General Depositary Ceases to Exist. The DO advises DFAS-JJF/CO of the date on which the need for a general depositary ceases to exist, and the reason therefore.

D. Limited Depositaries. Limited depositaries are designated only to receive deposits made by or on behalf of DOs for credit to their official non-symbol checking accounts maintained with such depositaries. Limited depositaries are not authorized to accept deposits for credit to the Treasury. Additional information on limited depositary accounts can be found in Chapter 14.

110803. Deposit Requirements

A. Frequency. Deposit all funds received for credit to the Treasury's account promptly.

1. Agencies must deposit receipts totaling $5,000 or more on the same business day received prior to depositary cutoff time. Deposits will be made as late as possible prior to the specified cutoff time to maximize daily deposit amounts. Collections totaling less than $5,000 may be accumulated and deposited when the total reaches $5,000. However, deposits must be made by Thursday of each week, regardless of the amount accumulated. For additional information, review the 1 TFM 1-2000, ***section 2055***.

2. Mailed deposits must be sent to US Bank's MITGA, rather than to the FRB. The MITGA will be utilized when mailing a deposit of commercial checks, U.S. Treasury checks, and at the direction of the DO, cash. Before mailing deposits, the DO must establish depositary arrangements with US Bank's MITGA through the FRB of St. Louis. Once approved, the MITGA will be established within OTCnet, and OTCnet will be used in conjunction with the MITGA. When using the MITGA during contingencies (when OTCnet is not available), the DO will contact the FRB of St. Louis to obtain permission to mail in a deposit. Once approved, the requestor will be provided a special form to complete and mail with the deposit. The former SF 215 (manually prepared deposit ticket) cannot be used.

3. For Navy vessels at sea, when daily mail service is not available, receipts consisting only of personal checks, money orders, and other negotiable instrument(s) may be accumulated up to $5,000 before they must be deposited, provided that a deposit of all receipts on hand is made at least once each week. The DO prepares the deposits for mailing via registered mail and delivers them to the military post office onboard. The DO may not hold negotiable instruments to be deposited in his/her accountability pending arrival at the next scheduled port of call. Regardless of the total amount, the time interval since the last deposit, and the type of checks and negotiable instruments on hand, DOs on board Naval vessels make a deposit on the last regular business day before leaving port and on the first regular business day after returning to port for any at sea period in excess of 1 week.

B. U.S. Dollar Deposits

1. Negotiable Instruments. Deposit negotiable instruments (e.g., personal checks, traveler's checks, cash, and money orders) payable in U.S. dollars for credit to the Treasury's account at an approved general depositary. DOs may deposit Treasury Checks at Military Banking Facilities overseas.

2. Checks Drawn on Foreign Banks in U.S. Dollars Payable through a Bank in the United States. Checks drawn on foreign banks in U.S. dollars, payable through a bank in the United States, must have an American Bankers Association (ABA) routing and transit number (RTN) printed on the item and a magnetic ink character recognition encoded with a U.S.

bank's ABA RTN at the bottom left side of the check. Group these checks on a single deposit ticket and deposit them as described in subparagraph 110803.B.1.

3. Manner of Deposit

a. In conjunction with OTCnet, deposit cash, checks, drafts, or money orders in person with an authorized TGA. If a deposit of cash in person is impracticable at an authorized TGA, the next most preferred method is by armored car. The least preferred method of depositing cash is by registered mail to the MITGA. Since the delivery confirmation may require an additional fee to request a copy of the signature record with return receipt, the DO must ensure that funding is available. Charge costs for a cashier's check or money order to operations and maintenance or working capital funds available to the DO. If cash must be mailed, then the cash must either be double wrapped or placed in an inner and outer container. Deposit damaged or mutilated currency in accordance with Chapter 3, paragraph 030507.

b. Agent officers or any authorized collection officer may make deposits on behalf of the DO when an approved designated depositary is available. These individuals will use OTCnet for deposits.

c. When an approved designated depositary is not available, agent officers or any authorized collecting officers may send cash to the DO by conversion to postal money order, bank money order, or cashier's check. Pay the fee for purchase of the cashier's check or postal/bank money order in cash at the time of purchase, and attach the receipt to the DD 1131. Deduct the cost of the cashier's check or postal/bank money order from the total amount collected. Show in the body of the DD 1131 the total amount collected, the fee for the cashier's check or postal/bank money order, the net collection, the bank, and the date of the money order. See Figure 11-2.

C. Foreign Currency Deposit. See Chapter 13, subparagraphs 130602.D and E.

D. Reporting Large Deposits. To permit Fiscal Service to manage the government's cash position at each FRB, large deposits must be reported in advance of the transaction settlement date (***I TFM 6-8500***). Per I TFM 6-8500, IPAC transactions are exempt from this reporting requirement.

E. Sorting and Listing of Instruments. Include with each completed deposit ticket an adding machine tape or other listing, unless other arrangements have been made with the depositary. Sort all currency by denomination, face and top up, and deposit it in full packages (100 notes) of each denomination: $1, $2, $5, $10, $20, $50, and $100. Prepare partial packages for each denomination not containing 100 notes. Secure each package (full or partial) with a currency strap bearing no printed denomination. DOs may obtain these straps from commercial suppliers. Legibly show the total dollar amount and DSSN on each package of currency on each strap. Roll coins whenever possible. Include with each completed deposit ticket an adding

machine tape or other listing reflecting, by denomination, the total of currency and coin being deposited.

F. Endorsement of Negotiable Instruments

1. Area for Endorsements. Negotiable instruments must be endorsed on the back in the 1 1/2 inch space along the "trailing edge." When viewing the face (front) of a check, the trailing edge is the left hand edge. Normally, endorsements consist of the name of the payee and other identifying information required by the activity cashing the check. When the DO is preparing checks made payable to DoD, a DoD Component, another government agency, or the DO for deposit, the endorsement stamp required by subparagraph 110803.F.3 appears in this space.

2. Multiple Endorsements. When multiple endorsements occur (or the space is used by a qualified endorsement such as for checks endorsed over to the DO by the payee) and the DO's endorsement requires space beyond the first 1 1/2 inches from the trailing edge, the DO uses the assigned space for subsequent endorsers (the back of the check in the upper right hand corner, no more than 3 inches from the right hand edge (leading edge) of the check). Do not refuse a check when the area assigned for the bank of first endorsement has been used. Such checks are acceptable but may not be processed by the banking system in the prescribed time frames under the Expedited Funds Availability Act (***12 U.S.C., Chapter 41***), which could hamper collection action. Blue or black ink is preferable for endorsements.

3. Endorsement Requirements. Activities with stamps containing additional information may use them so long as the endorsement fits within the 1 1/2 inch space assigned for payee endorsers.

a. Negotiable Instruments Deposited with a General Depositary. When using the Deposit Reporting function of OTCnet, all negotiable instruments in payment of an obligation due the United States, regardless of the payee to which drawn, must be endorsed on the back of the instrument in the 1 1/2 inch space along the trailing edge (see Figure 11-3). Insert the component's name (e.g., Army, Navy, or DFAS) first and then insert the 4-digit disbursing activity's DSSN in the blank following "DSSN." These may be entered manually, mechanically, or be included as a part of the stamp itself. Enter, either manually or mechanically, the date on which the deposit is made in the blank following "Date" to correspond with the bank's business day. See subparagraph 110803.A.

b. Conditional Endorsements. Do not accept checks with conditional endorsements, e.g., "Payment in Full." Return these checks to the drawers and advise them that the DoD cannot legally accept them.

c. When Scanning Negotiable Instruments. If a depositing location is using the Check Capture function of OTCnet (i.e., check image scanning), there is no requirement for endorsing the negotiable instruments being scanned. The only time that a

signature would be required is when scanning a Third-Party check. Acceptance of Third-Party checks is not recommended.

G. Record of Negotiable Instruments Deposited. DOs keep a complete record of negotiable instruments mailed or presented to depositaries. This should be accomplished using scanned or photocopied images of both sides of the instruments. If scanning or photocopying is not possible, prepare a typed or written list containing the source of the instrument, name of the financial institution on which drawn, type of instrument, serial number, payee, maker, endorser (name of person from whom received when other than drawer), date drawn, and amount. Copies of collection vouchers or other documents that show the same data are acceptable as the record of instruments. If an item is lost in banking channels, the DO must be held pecuniary liable if the maker of the instrument cannot be identified in order to contact that person for a replacement. Therefore, photocopied, scanned, or prepared lists of instruments deposited must be kept in active files until receipt of the deposit is confirmed in CIR.

H. Lost Negotiable Instruments. When a negotiable instrument is lost, whether before or after deposit, the DO adjusts the affected accounts and immediately requests that the maker of the instrument stop payment and replace it with a new check or other form of payment. DOs must inform members of their legal obligation for the check and offer them another opportunity to replace the check. If the military member refuses, the DO may, as with any other debt, pursue involuntary collection action against the military member's pay.

I. Disposition of Funds on Transfer or Reassignment Without Relief. A DO that is transferred or reassigned without being relieved by another DO deposits all funds in his/her possession prior to the transfer or reassignment. This includes all funds held by deputies, agents, and/or cashiers, including imprest funds and change funds. Report each deposit made during the period including the final deposit.

110804. Deposit Transactions

A. Distribution and Disposition. Send a copy of the deposit ticket to the depositary with the funds and/or negotiable instruments being deposited. The DO retains a copy to assure that all deposits are in fact confirmed. The DO follows up on unconfirmed deposits as required by paragraph 111104. In instances where a deposit is not confirmed in the same month as mailed, refer to Chapter 15, section 1507. The supporting DFAS site may also require the DO to submit a copy in support of the reported deposit activity for that month.

B. Accounting for Deposits. After netting out all debit vouchers (except those used for EFT) to be accounted for in the current business day, enter the total of all the deposits to be accounted for during the business day (including deposit tickets in OTCnet) on line 4.2A of the DD 2657. At the end of the accounting period (month), use a record of each deposit ticket (and debit voucher, including those for EFT) applicable to only the current accounting period to prepare the detailed deposit activity report to support the SF 1219. The total of the detailed deposit activity report must agree with the total reported on line 4.2 on the face of the SF 1219 and with the total reported in Column 5, Section II, Part B, on the reverse of the SF 1219.

C. Debit Vouchers In Relation to Deposits

1. General. When a check is returned unpaid to the depositary with which the check was originally deposited, the depositary may process a debit voucher to charge the depositing DSSN. The depositary may also prepare a debit voucher charging the depositing DSSN whenever a check is lost after deposit. Debit vouchers may also be issued by depositaries and by the Treasury to establish other valid charges against a DO's account, e.g., exchange fees and other collection charges assessed in connection with foreign instruments deposited. The DO immediately records all debit vouchers received on the DD 2657. Include the debit vouchers in the SF 1219 for the month in which received.

2. Action by the DO

a. Non-tactical Disbursing Activities. For debit vouchers received in connection with returned unpaid checks, see Chapter 4, section 0404 for guidance on processing dishonored checks. For debit vouchers received in connection with checks lost after deposit, the DO follows subparagraph 110803.H. Process new checks received pursuant to action taken by the DO as a new deposit. Process charges for handling foreign checks as prescribed in Chapter 13, subparagraph 130402.H.

b. Tactical Disbursing Activities. DOs must comply with debit vouchers received from a depositary whenever any one of the following conditions exist: the deposit (which included the lost or dishonored check) was made during the incumbency of the current DO; the deposit (which included the lost or dishonored check) was made during the incumbency of a DO whose account is being subjected to the 90 day local retention period; or the maker or endorser of the lost or dishonored check is locally available for collection action. If none of the foregoing conditions apply, then the current DO forwards the debit voucher, by cover letter, to the activity designated to settle the former DO's account. In addition, either the original dishonored check as returned by the depositary or, in the case of lost checks, a copy of the relevant abstract from the listing of instruments deposited, should be sent. Include in the cover letter the most recent information concerning the present location and status of the maker or endorser of the check in question. Send a copy of the cover letter to the issuing depositary.

3. Distribution. The DO sends a copy to support the monthly financial reports and retains a copy with their retained financial records.

4. Accounting. Account for debit vouchers as negative deposits. As noted in subparagraph 110804.B, net all debit vouchers (except those used for EFT) in the current business day against all deposits for that business day, and record the total on line 4.2A of the DD 2657. Record EFT debit vouchers on line 4.2B. At the end of the accounting period (month), use the records of each debit voucher (including EFT debit vouchers) and each deposit ticket applicable to only the current accounting period to prepare the detailed deposit activity report to support Section II, Part B of the SF 1219. The total of the detailed deposit activity report must agree with the total reported on line 4.2 on the face of the SF 1219 and with the total reported in Column (5), Section II, Part B, on the reverse of the SF 1219.

1109 INTERNATIONAL TREASURY SERVICES (ITS.GOV)

ITS.gov is the Treasury's comprehensive international payment and collection system. It is the preferred payment method for foreign currency transactions. DOs are encouraged to use ITS.gov to the maximum extent possible wherever the infrastructure will support its use. Prior to using ITS.gov, a Memorandum of Understanding between the activity and the Fiscal Service is required. Activities interested in using ITS.gov should contact Fiscal Service. ITS.gov ***contact*** information can be found at the Fiscal Service's website. See Chapter 13, section 1306 for guidance on foreign currency payments.

1110 PAYMENT INFORMATION REPOSITORY (PIR)

111001. Overview

PIR is a web-based, centralized repository of payment related data. PIR increases the transparency of government payments and provides agencies with the ability to view summary and/or detail payment information as well as data analysis. PIR has replaced CA$HLINK II for payment voucher information. For more information on PIR, see Fiscal Service's ***PIR***.

111002. Standard Reporting Format (SRF)

The SRF is an input file specification that defines data elements and business rules that must be used for reporting payment and associated Treasury Account Symbol/BETC information to PIR. When fully implemented, DoD agencies will be required to use the SRF to submit detailed payment and accounting data to PIR. More information on the format specification can be found at Fiscal Service's ***SRF***.

111003. Access

To gain access to the PIR, see Fiscal Service's ***Getting Started***.

111004. Reconciliation of EFT Transactions

A. Confirm PIR. EFT payment transactions are recorded using debit vouchers. DOs must reconcile their EFT payment data (i.e., EFT debit vouchers) with PIR.

B. Discrepancy - Over or Understated Debit Vouchers

1. A difference occurs when a debit voucher amount is overstated or understated.

a. An overstated debit voucher exists when the amount entered exceeds the value of the check or EFT payments it covers.

b. An understated debit voucher exists when the amount entered is less than the value of the check or EFT payments it covers.

1111 COLLECTIONS INFORMATION REPOSITORY (CIR)

111101. Overview

CIR is a web-based, centralized repository of detailed deposit and collection transaction data that has been collected from all of the Treasury's collection systems and settlement mechanisms into a single system. CIR provides the ability for agencies to view summary and/or detail level data, extract and analyze data in various scenarios, and produce flexible, standardized reports based on agencies' needs. CIR has replaced CA$HLINK II for deposit reconciliation. For more information on CIR, see Fiscal Service's ***CIR***.

111102. Requirement

DOs must confirm deposits using CIR. For guidance on deposit reconciliation, see paragraphs 111103 and 111104.

111103. Deposit Reconciliation – General

A. DOs report deposit activity in connection with their financial reports. Each disbursing office prepares and submits the detailed deposit activity report formerly required by the respective Component. The net dollar value of these inputs ultimately is given to the Treasury, which also receives detailed reports from each depositary of all deposit tickets and debit vouchers received from DOs, or issued by depositaries, as appropriate. Refer to Table 11-1 and Table 11-2.

B. Monthly, the Treasury compares the value of deposits and debit vouchers reported by DOs on SF 1219s and detailed deposit activity reports to the value of deposits and debit vouchers reported through CIR. When the Treasury is unable to reconcile the information in the two reporting systems, it sends an FMS 6652 with supporting detail of deposits and debit vouchers reported by the depositaries, to the applicable DFAS site for redistribution to the appropriate disbursing office for reconciliation. Any deposit discrepancy appearing on an FMS 6652 will appear on every subsequent FMS 6652 until it is reconciled.

C. Consider all SOD differences on the FMS 6652 that have not been reconciled within 60 days, and that have been validated as meeting the criteria of an actual physical loss of funds, as a loss or overage of funds with the associated pecuniary liability as prescribed in Chapter 6, section 0608. Do not consider timing differences and/or reporting errors as a loss of funds, but the DFAS site must pursue aggressive action to clear the differences with appropriate offsetting transactions, via departmental level, Treasury, and/or agency within 60 days of the offsetting transaction appearing on the SOD. The effective date of the deposit discrepancy is the last business day of the accounting month during which the discrepancy was first reported on the FMS 6652.

D. DOs must strictly adhere to the preparation requirements for the deposit tickets and debit vouchers as described in paragraph 110804. It is also imperative that DOs report promptly and properly all deposit tickets and debit vouchers. See paragraph 111104 for detailed instructions for clearing deposit differences from the FMS 6652.

E. Once deposit tickets have been released to a depositary, the documents cannot be recalled, corrected, or resubmitted. In addition, the Treasury prescribes specific instructions to all approved depositaries regarding adjustments of errors discovered subsequent to the day of deposit. Correct any error discovered after release of a deposit to a depositary or differences reported on the FMS 6652 through the reconciliation process. DOs must take aggressive action to reconcile and/or clear all differences as rapidly as possible after notification by the Treasury that a difference exists (see subparagraph 111103.B).

F. To maintain control, the DO or the DO's designee(s) monitor deposit activity daily using CIR and maintain either a manual or mechanized subsidiary record of all deposit differences. The DO or the DO's designee(s) review the record of differences at least weekly to ensure these differences are cleared. Retain the evidentiary documentation supporting the review process for a retention period following the guidance in Chapter 15, paragraph 150802. These records need not be certified. Also, each time there is a change of DOs, the incoming DO validates the unresolved differences. If the departing DO cannot provide the incumbent DO with documentation supporting the unresolved items, the departing DO processes the unsupported items as a loss or overage of funds (see Chapter 6, section 0604).

111104. Deposit Reconciliation – Discrepancies

A. Over or Understated Deposit Tickets

1. A difference occurs when a deposit ticket amount is overstated or understated.

a. An overstated deposit ticket exists when the amount entered exceeds the amount of cash or negotiable instruments submitted with it.

b. An understated deposit ticket exists when the amount entered is less than the amount of cash or negotiable instruments submitted with it.

2. Treasury regulations for depositaries do not permit changing the amount on a deposit ticket or debit voucher. They require the depositary to confirm a deposit as presented and immediately issue either a debit voucher for the amount of the overage or an additional deposit ticket for the amount of the shortage. In either situation, the DO should discover an overage of funds for an overstated deposit or a loss of funds for an understated deposit upon the first balancing after the deposit was presented or mailed to the depositary and recorded on the DD 2657. Treasury regulations also require the depositary to confirm a debit voucher as presented and immediately issue a deposit ticket for the amount of the overage or an additional debit voucher for the amount of the shortage. In either of these situations, the DO should discover an overage

of funds for an overstated debit voucher or a loss of funds for an understated debit voucher upon the first balancing after the debit voucher was presented or mailed to the depositary and recorded on the DD 2657.

3. Daily monitoring of deposit activity using CIR enables early detection of these differences. Upon receipt of a copy of an adjusting deposit ticket or debit voucher, the DO records the document on the DD 2657. If actions required by Chapter 6, section 0608 were taken to record the overage or shortage of funds upon discovery, receipt of the adjusting deposit ticket or debit voucher from the depositary enables a more rapid settlement of the discrepancy in the DO's accountability. If an overage or shortage of funds was not discovered before receipt of the adjusting deposit ticket or debit voucher, and recording the document creates an overage or shortage, then the DO processes the overage or shortage as prescribed in Chapter 6, paragraph 060802.

B. Deposits Not Reported by Depositaries. Deposit tickets that have been reported by DOs but not by the depositary do not appear in CIR. These appear on FMS 6652. Daily monitoring of CIR alerts the DO to possible deposit differences, when a deposit does not appear in the system after a reasonable period of time, based on whether the deposit was presented to the depositary in person or by mail.

1. If the depositary does not confirm the deposit within a reasonable period of time for deposits presented by mail, the DO initiates follow-up action with the depositary to determine the status of the deposit. A reasonable period of time is considered to be the normal mailing time from the date mailed to the depositary until the date the deposit is confirmed, based on past experience. Tactical DOs consider unit movement schedules and locations when the deposit was mailed. In any event, initiate follow-up action within 30 days from the date of mailing a deposit.

2. Include with a follow-up request to a depositary, a copy of the applicable deposit ticket and a description or copies of the instruments included in a deposit. The depositary provides confirmation information to the DO in response to the follow-up request. If the depositary acknowledges receipt of the deposit but refuses to report the transaction to the Treasury, the DO provides written notification, with copies of all correspondence and documents involved, to DFAS-JJF/CO, which will then pursue resolution of the issue through the Treasury and provide the DO written instructions on additional actions to be taken.

3. If the follow-up action does not result in confirmation of the deposit or the depositary notifies the DO that the deposit was not received, the DO will reverse the deposit transaction in the current month's business. The DO prepares and processes an Optional Form (OF) ***1017-G***, Journal Voucher (JV), to document the reversal. Record the JV on the DD 2657, line 4.2A as a negative deposit and on line 7.3 as a loss of funds, and include it on the corresponding lines of the SF 1219 at the end of the month. Describe the deposit reversal in Section II, Part B, Column (3) of the SF 1219, and indicate the month and year the deposit was initially reported to the Treasury. Show the amount of the reversed deposit as negative or bracketed. Reverse the deposit in the current month's detailed deposit activity report, using the

actual deposit number, month and year of the deposit (as initially reported to the Treasury). Show the amount as negative or bracketed.

4. The actions in subparagraph 111104.B.3 will remove the deposit from the detailed deposit activity report, clear FMS 6652, and record the deposit as a loss of funds. Attach a copy of the follow-up memorandum to the depositary, the depositary's response, and FMS 6652 which initially included the deposit difference as supporting documents to the JV. Report and process the resulting loss of funds as prescribed in Chapter 6, section 0603. If negotiable instruments were included in the lost deposit, follow subparagraph 110803.H for those instruments.

C. Debit Vouchers Not Reported by DOs

1. Debit vouchers are generally prepared only by depositaries as adjustments to erroneous amounts on deposit tickets and debit vouchers to return negotiable instruments that are dishonored, or to adjust deposit tickets for counterfeit currency. All debit vouchers prepared by depositaries are reported automatically to the Treasury. Unless the DSSN appearing on the debit voucher is not the DSSN of the DO receiving the document, the DO records the debit voucher in his/her accountability upon receipt of a copy, and includes it in the detailed deposit activity report. This requirement applies regardless of whether the debit voucher is deemed erroneous or the reason given for the charge needs further clarification. If the DO fails to record and report the debit voucher on the DD 2657, SF 1219, and detailed deposit activity report for the month that the debit voucher is issued, the debit voucher will appear on the FMS 6652.

2. If the debit voucher is issued near the end of the month and the DO does not receive and process the transaction in the month of issue, the debit voucher appears on the FMS 6652 as reported by the depositary and not by the DO. Daily monitoring of CIR alerts the DO that a depositary has issued a debit voucher. To clear this difference from the FMS 6652, the DO must confirm the information in CIR and include the debit voucher on DD 2657, SF 1219, and detailed deposit activity report during the month of receipt. The DO ensures the debit voucher is reported using the month and year of issue (as reported by the depositary in CIR), not the current month and year in which the debit voucher is being recorded and reported. Section II, Part B, Column (3) of the SF 1219 must indicate the actual month and year of the debit voucher as reported by the depositary. The debit voucher also must be included in the detailed deposit activity report and must be reported using the actual month and year the debit voucher was issued (as reported by the depositary).

3. In some instances, debit vouchers for electronic payments through the Federal Reserve System are prepared by the paying DO and submitted to the depositary with the payment file. Include these debit vouchers on the DD 2657, SF 1219, and detailed deposit activity report for the month of payment. Failure to include a debit voucher electronic payment transaction on the DD 2657, SF 1219, or the detailed deposit activity report will create an out-of-balance condition on the DD 2657 and SF 1219, unless the DO also failed to record the disbursement. For example, if a DO processes and includes a disbursement voucher on DD 2657 and SF 1219, prepares and submits a debit voucher to the depositary with the electronic payment

file, but does not include the debit voucher on the DD 2657, SF 1219, and detailed deposit activity report, then the DD 2657 and SF 1219 will not balance. Proper balancing procedures preclude this situation.

4. If the transaction occurred near the end of the month, and the DO cannot process and report the transaction in the transaction month, then the deposit difference appears on the FMS 6652. To correct this difference, the DO must obtain the transaction documentation and process both the payment and the debit voucher on the DD 2657, SF 1219, and detailed deposit activity report during the current month. The DO must ensure the reporting of debit vouchers using the month and year the payment was actually made (as reported by the depositary in CIR), not the month and year in which the debit voucher is being reported. Section II, Part B, column (3) of the SF 1219 also must indicate the actual month and year of the debit voucher as reported by the depositary. Include the debit voucher in the detailed deposit activity report and report it using the actual month and year the debit voucher was reported by the depositary.

D. Debit Voucher Not Reported by Depositaries. Debit vouchers that have been reported by the DO but not by the depositary will appear on the FMS 6652. The most frequent cause of this difference occurs when a depositary receives a debit voucher and payment file for payment by EFT, but rather than processing and reporting the debit voucher given by the DO, prepares a new debit voucher and reports it to the Treasury. The depositary provides the DO with the copies of the debit voucher it prepared and reported. If the DO reports the debit voucher given to the depositary and the depositary also reports it, the transaction appears on the FMS 6652. The supporting detail given with the FMS 6652 indicates a specific debit voucher reported by the depositary but this detail does not match the data in the DO's detailed deposit activity report.

1. Daily monitoring of CIR alerts the DO that the depositary has issued a new debit voucher. DOs using depositaries that routinely process debit vouchers in this manner should contact the depositary in writing. The DO should request an explanation for the actions and that the depositary processes the debit vouchers given by the DO with the payment files. If the depositary refuses to process the debit vouchers given by the DO, the DO must then provide written notification with copies of all correspondence and documents to DFAS-JJF/CO, which will pursue resolution of the issue through the Treasury and provide the DO written instructions on any additional actions to be taken.

2. To prevent this type of difference from appearing on the FMS 6652, the DO reports the debit voucher transaction on the detailed deposit activity report as reported by the depositary. If the DO receives the copy of the debit voucher prepared by the depositary before the end of the month in which the transaction occurred, he/she reports the debit voucher prepared by the depositary rather than the one prepared by the DO. The DO keeps the copy of the debit voucher he/she prepared with the copy of the debit voucher the depositary prepared. If the depositary routinely continues to prepare new debit vouchers, include these with the written notification.

3. To clear this type of difference from FMS 6652, the DO must reverse the DO's debit voucher transaction from the current month's detailed deposit activity

report and reenter the debit voucher transaction the depositary reported, using the actual debit voucher number, month and year as initially reported to the Treasury. Enter the debit voucher prepared and reported by the depositary exactly as reported by the depositary. Also, describe the debit voucher reversal in Section II, Part B, Column (3) of the SF 1219, and indicate the month and year the debit voucher was initially reported to the Treasury. Also, describe the debit voucher prepared and reported by the depositary in Section II, Part B, Column (3) of the SF 1219, and indicate the month and year the debit voucher was reported by the depositary. Since these actions net to a zero, they should not impact the DO's pecuniary liability.

*Figure 11-1. Example of a Bilateral Trading Partner Agreement

BILATERAL TRADING PARTNERSHIP AGREEMENT

Intra-governmental Payment and Collection (IPAC) Trading Partnership Agreement between the Defense Finance and Accounting Service, Agency Location Code (ALC) 0000_____ and _____, (ALC) _____.

Reimbursable billings (SF-1080/1081) will be generated by ALC 0000_____ and ALC _____ for payments and collections from each other. IPAC is the preferred method of collecting these receivables. This agreement states that ALC 0000_____ and ALC _____ will provide all data elements required below for all transactions processed by both Trading Partners.

The following IPAC data elements will be provided when initiating an IPAC transaction between trading partners.

Required Treasury Fields for Payments and Transactions:

- **ALC Contact**
- **Contact Telephone Number**
- **Contact Email Address**
- **Originating ALC**
- **Customer ALC**
- **Invoice Number**
- **Pay Flag**
- **Quantity**
- **Unit Price**
- **Unit of Issue**
- **Detail Amount**
- **Obligating Document Number**
- **Purchase Order Number**
- **Sender Treasury Account Symbol (TAS)**

Required Treasury Fields for Adjustment Transactions:

- **ALC Contact**
- **Contact Telephone Number**
- **Contact E-mail Address**
- **Originating ALC**
- **Customer ALC**
- **Amount**
- **Original IPAC Document Reference Number**
- **Original DO Symbol**
- **Sender TAS**
- **Original Accomplished Date**

Required Treasury Fields for Zero Dollar Transactions:

- **ALC Contact**
- **Contact Telephone Number**
- **Contact E-mail Address**
- **Originating ALC Unit of Issue**

Figure 11-1. Example of a Bilateral Trading Partner Agreement (Continued)

The "Transaction Description" field on each detail line MUST be used to supply the additional information requested by the trading partners:

- Complete Line of Accounting to include the Fiscal Station Number, Accounting and Disbursing Station Number (ADSN), or Authorization Accounting Activity
- Brief description of goods and services
- Receiving office Point of Contact (POC) and phone number if available

"One-to-one billing" will be used by both partners. "One-to-one billing," for the purpose of this agreement, means the use of detail lines will be done when funds, for more than one action, are processed on a single IPAC transaction. For example, the summary amount may be $500.00, but if funds for two separate actions are included in this amount, then there must be two detail lines.

ALC 0000_____will not initiate or accept any new IPAC transactions during the last four business days of the month. Only adjustments entered or charged will be accepted. Any exceptions must be coordinated with the POC listed below.

Both trading partners have the right to reverse (adjust), without notice, any transaction that does not belong to their ALC, does not contain the required information referenced above, or if the transaction exceeds authorized funding. The Intra-governmental Business Rules, ***Treasury Financial Manual Volume I, Part 2, Section 4700, Appendix 10***, mandates that trading partners register their Business Partner Network (BPN) numbers in the BPN Federal Register. For the purposes of this agreement, the requesting agency is the buyer and the providing agency is the seller.

The following information must be exchanged between trading partners at the time of procurement:

- The common agreement number (order number)
- Funding Source
- Buyer and Seller TAS
- Buyer and Seller BETC
- Effective Date
- Duration of the Agreement
- Expiration Date of Funding Source
- Amount
- Method of Payment
- Buyer and Seller BPN
- Method of Performance
- Frequency of Performance
- Provisions for Advance Payments
- Method of liquidating Advance Payments
- Trading Partners right to modify, cancel, or terminate the agreement

Dispute Resolution:

Both the Buyer and the Seller agree to contact the POC listed below, in a timely manner, to try and resolve any discrepancies before reversing transactions that fall outside the guidelines for automatic adjustment mentioned on the previous page.

Both Trading Partners must agree to any amendments to this agreement prior to implementation.

Figure 11-1. Example of a Bilateral Trading Partner Agreement (Continued)

Accounting/Finance office POC information:

Name:
Location:
Telephone Number:
Email Address:

Contracting Office Contact

Name:
Phone Number:

This agreement will commence on _____. Any amendments must be agreed upon by both trading partners prior to implementation.

_____	_____
Disbursing Officer/Deputy	Disbursing Officer/Deputy
_____	_____
Accounting Representative	Accounting Representative

Figure 11-2. Example of DD Form 1131 with Deduction for Cashier's Check

CASH COLLECTION VOUCHER	1. DISBURSING OFFICE COLLECTION VOUCHER NUMBER 2. RECEIVING OFFICE COLLECTION VOUCHER NUMBER

3. RECEIVING OFFICE

a. ACTIVITY *(Name and Location) (Include ZIP Code)*
HHB (-) Bn 147th FA PO Box 577, Webster, SD 57274

b. RECEIVED AND FOWARDED BY *(Printed Name, Title and Signature)*
John Doe, Major, Collection Agent

d. DATE *(YYYYMMDD)*
20XX1222

c. TELEPHONE NUMBER *(Include Area Code):*
COMMERCIAL: (515) 332-4455 DSN: 424-4455

4. DISBURSING OFFICE

a. ACTIVITY *(Name and Location) (Include ZIP Code)*
4th Finance Battalion, Ft. Carson, CO 80913-5024

b. DISBURSING OFFICER *(Printed Name, Title and Signature)*
Jane Doe, Colonel

d. DISBURSING STATION SYMBOL NUMBER
5570

c. TELEPHONE NUMBER *(Include Area Code):*
COMMERCIAL: (313) 456-2546 DSN: 926-2546

e. DATE *(YYYYMMDD)*
20XX1223

5. PERIOD: a. FROM: b. TO:

6. DATE RECEIVED	7. NAME OF REMITTER DESCRIPTION OF REMITTANCE	8. DETAILED DESCRIPTION OF PURPOSE FOR WHICH COLLECTIONS WERE RECEIVED		9. AMOUNT	10. ACCOUNTING CLASSIFICATION
	MEAL	NUMBER	RATE		(INSERT ACCOUNTING
	BREAKFAST	00	0.00	0.00	CLASSIFICATION TO BE
	LUNCH	21	1.50	31.50	CREDITED IN THIS
	DINNER	6	1.50	9.00	COLUMN)
	SURCHARGE				
	BREAKFAST	00	0.00	0.00	
	LUNCH	13	.40	5.20	
	DINNER	3	.40	1.20	
	TOTAL AMOUNT REMITTED			46.90	
	CASH MEAL PAYMENT SHEET FOR WHICH MONEY IS BEING MAILED:	SN SHEET NO:			
	LESS FEES FOR CASHIER'S CHECK 123, BANK OF CO			(.25)	
	I CERTIFY THAT A FEE OF .25 WAS COLLECTED FOR THE PURCHASE OF CASHIER'S CHECK.	(SIGNATURE)			
			11. TOTAL	46.65	

DD FORM 1131, DEC 2003 PREVIOUS EDITION IS OBSOLETE.

Figure 11-3. Endorsement on Instruments Deposited to a General Depositary

DO Endorsement	Collecting Official Endorsement
(Component) DSSN (00008368) For Credit to U.S. Treasury October XX, 20XX	(Component) DSSN (00008368) For Credit to U.S. Treasury *(Collecting Activity Depositing on Behalf of the DO)* October XX, 20XX

Table 11-1. Checklist for DFAS Site Responsibilities for Deposit Discrepancies

	DFAS Site Responsibilities for Deposit Discrepancies	Completed Yes	No
1	Did the DFAS site receive the DO's SF 1219 (Statement of Accountability) and a Schedule of Deposit Activity with a detail of the deposit tickets and debit vouchers for the Reporting month?		
2	Did the DFAS site balance, consolidate, and report the status of deposit tickets and debit vouchers for the reporting month?		
3	Is the DFAS site using CIR as a tool for deposit reconciliation, in accordance with paragraph 111103?		
4	Did the DFAS site analyze the monthly Schedule of Deposit Activity and prepare a detailed report of Unmatched Transactions?		
5	Did the DFAS site compare the Schedule of Deposit Activity to the support listing of detailed deposit tickets and debit vouchers reported in CIR?		
6	Did the DFAS site compare the Schedule of Deposit Activity and CIR totals to the DO's SF 1219?		
7	Did the DFAS site forward to the DO the Detailed Unmatched Listing of all deposit tickets and debit vouchers not reported by the DO or the bank?		
8	Did the DFAS site receive the FMS 6652 (Statement of Differences, Deposit Transactions) from the Department of the Treasury?		
9	Did the DFAS site distribute the FMS 6652 to the DO for reconciliation?		
10	Did the DFAS site track, age, and reconcile all differences? (Amounts must be tracked and aged by DSSN and cleared within 60 days from the effective date of the difference, i.e., not reported on the third FMS 6652 after the effective date).		
11	Did the DFAS site monitor the FMS 6652 to ensure all deposit ticket and debit voucher transactions that have not been reconciled after 60 days from the date of the initial transaction are reported as a loss or overage of funds in accordance with subparagraph 111103.C?		

Table 11-2. Checklist for DO Responsibilities for Deposit Discrepancies

	DO Responsibilities for Deposit Discrepancies	Completed Yes	No
1	Did the DO report all deposit tickets and debit vouchers to the Department of the Treasury in accordance with subparagraph 111103.A?		
2	Is the DO using CIR as a tool for deposit reconciliation, in accordance with paragraph 111103?		
3	Has the DO checked the status of deposits for all deposit tickets and debit vouchers, including EFT, in the CIR and/or PIR system for any differences from financial institutions?		
4	Did the totals of the FMS 6652 equal the Detailed Unmatched Listing of all deposit tickets and debit vouchers not reported by the DO or the financial institutions by month and DSSN?		
5	Did the DO take necessary actions to resolve the differences (not including timing differences) within 60 days in accordance with subparagraph 111103.C?		
6	Was a loss/overage of funds processed for all differences over 60 days from the effective date of the difference?		
7	If over 60 days from the effective date of the difference, did the DO then process debit differences as a loss of funds or credit differences as a miscellaneous receipt in accordance with subparagraph 111103.F?		

VOLUME 5, CHAPTER 12: "QUESTIONABLE AND FRAUDULENT CLAIMS"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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

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

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

The previous version dated June 2014 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current administrative instructions.	Revision
120101	Deleted "When determining appropriate actions to take, a commander or equivalent civilian manager should consult with representatives of their appropriate Human Resources Office in coordination with the supporting legal staff." This information is outside of the scope of Volume 5.	Deletion

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CHAPTER 12

QUESTIONABLE AND FRAUDULENT CLAIMS

1201 GENERAL

120101. Overview

This chapter establishes policy for processing questionable and fraudulent claims presented for certification or payment that a certifying or disbursing officer (DO) believes to be illegal or improper. Determination of potentially fraudulent claims is the responsibility of the certifying officer and/or DO. The certifying officer and/or DO must research claims and base their determinations on the criteria in this chapter and the legal opinions of the supporting Staff Judge Advocates (SJA) or other legal counsel. A fraudulent claim is any intentional deception designed to unlawfully deprive the United States of something of value or to secure from the United States a benefit, privilege, allowance, or consideration to which a claimant is not entitled. This chapter also discusses a certifying officer's, DO's, and/or head of an agency's right to request an advance decision from the appropriate authority.

120102. Purpose

This chapter addresses the determinations of fraud, advance decisions on the propriety of any prospective payment from an authorized official, and actions required when a suspected fraudulent claim is presented for payment or upon discovery that a fraudulent claim has been paid.

120103. Authoritative Guidance

A. Under Title 31, United States Code (U.S.C.), ***Section 3529***, a certifying officer, DO, or head of an agency may request an advance decision on the propriety of any prospective payment from an authorized official (see Table 12-1). This authority does not cover the rendering of legal decisions pertaining to payments already made or for hypothetical cases.

B. See ***31 U.S.C. § 3702*** for the authority on settling claims against the United States.

1202 DETERMINATIONS OF FRAUD

120201. Discrepancies

Inaccuracy on a claim is not proof of intent to defraud the government. When minor discrepancies exist because of clerical or computation errors, misunderstanding of procedure, or failure to properly document, the intent to deceive is less likely, thus decreasing the probability of a finding of fraud without evidence. The claimant's supervisor should discuss these errors with the claimant and require that the claimant to correct them.

120202. Claims

A claimant must complete a claim accurately to ensure proper payment. A claim may be unauthorized for payment but not considered fraudulent. This may occur if a claim is prohibited by law, or is otherwise not authorized, and lacks willful intent by the claimant. A certifying officer or DO may refer these claims to the appropriate authority for an advance decision (see Table 12-1). Additionally, a claim is not necessarily fraudulent if it is not prepared according to the requirements of regulations (e.g., the ***Joint Travel Regulations*** Uniformed Service Members and Department of Defense (DoD) Civilian Employees). It may be due to claimant error, misinformation, or lack of knowledge.

1203 ADVANCE DECISIONS

120301. Application for Decision

The submitter of an application states the facts and evidence to support the reason(s) for the request and upon which to base the decision. An application must generally include a specific claim or voucher. Send applications through the Office of General Counsel (OGC) of the DoD Component or the Defense Finance and Accounting Service (DFAS) to the DoD Deputy General Counsel (Fiscal) (DoD DGC(F)) for determination. The affected Component or DFAS OGC must attach a legal memorandum that discusses the legality of the proposed payment under the circumstances. The responsible activity, DFAS site, or appropriate OGC may return cases involving entitlement questions that have been clearly decided authoritatively, with a determination that no advance decision is necessary. A submitter may resubmit such a determination through the responsible activity for reconsideration.

120302. Decisions Rendered

An advance decision is conclusive for the specific payment involved on the question presented. Although an advance decision is conclusive for the specific payment reviewed, certifying officers should use the principles cited in the decision when making future entitlement decisions.

1204 FALSE, FICTITIOUS, OR FRAUDULENT CLAIMS

120401. Fraudulent Claim Presented for Payment

If there is reason to suspect that a claim presented for certification or payment contains fraudulent information, the certifying officer must request their commander or comparable authorized civilian to initiate an investigation into the suspected fraud. A DO that suspects that a certified voucher is fraudulent must return it to the certifying officer. The requirement to request an investigation applies regardless of the dollar value. Once the investigation and legal review by the supporting SJA or other legal counsel are complete, the investigating officer (IO) gives a copy of the completed report of investigation (ROI) to the certifying officer and DO. See Chapter 6, subparagraph 060403.B.2.e for ROI guidance.

A. If the ROI does not support a finding of fraud, the certifying officer may certify the voucher for payment of all amounts to which the claimant is entitled. The certifying officer documents the reasons for the determination and maintains documentation for the certifying officer's records.

B. If the ROI confirms that some items of the claim are fraudulent, the claimant may submit a new claim for the items that the ROI identified as not fraudulent to the certifying officer. A claimant who protests the determination of fraud and insists on payment of the entire claim may submit a new claim for the items denied because of fraud. The certifying officer processes the reclamation for the items disallowed as prescribed in paragraph 120403.

120402. Fraudulent Claim Paid

A certifying officer or DO who suspects that a claim was paid based on fraudulent information or documents must review the retained copy of the claim to determine if it contains false information.

A. A certifying officer or DO who suspects that a paid claim is fraudulent must inform his or her commander or comparable authorized civilian, who then initiates an investigation of the suspected fraud regardless of the dollar value involved. See Chapter 6, subparagraph 060403.B.2.e for ROI guidance. Following the investigation, the supporting SJA or Office of General Counsel (OGC) reviews the investigation for legal sufficiency. The IO then gives the certifying officer and DO each a copy of the final ROI.

B. Upon learning of an improper payment based on suspected fraud, the certifying officer or DO sends a ROI to the supporting DFAS site through their commander or comparable authorized civilian equivalent. Include in the ROI a basic statement of the irregularity, the date, amount, and identification of the individual(s) involved. Upon completion of the final recovery, investigative, or other negative action, the certifying officer or DO advises the supporting DFAS site.

C. If certifying officer determines that some or all of the items of a paid claim are fraudulent, the certifying officer may not certify any of the items for repayment. The certifying officer or DO includes in the report:

1. The applicable contract or travel order number,

2. The voucher number,

3. The date of payment,

4. The appropriation charged,

5. A description of the supporting documentation,

6. A description of how the fraud was committed,

7. A description of procedural deficiencies in the disbursing office,

8. The action taken to correct the deficiencies, and

9. The amounts recovered or scheduled for repayment from the recipient of the fraudulent payment.

D. No ROI is required if the fraud is detected before payment. A certifying officer may not certify a reclamation claim for any or all of an amount recovered by the government due to an illegal or improper payment of any voucher item obtained by fraud or misrepresentation processed under paragraph 120403.

1. Civilian Employees. The certifying officer or DO must send paid fraudulent claims to the appropriate pay office and local OGC or SJA for referral to the Defense Criminal Investigative Service or military criminal investigative organization. Recover payments based on substantiated claims of fraud by direct repayment from the employee through salary offset or by other procedures in Volume 16, Chapter 2, paragraph 020301. The certifying officer or DO may take no further action on the paid fraudulent claim until OGC or SJA gives the certifying officer or DO specific processing and disposition instructions. Hearings may be required under ***5 U.S.C. § 5514***.

2. Military Members. Under ***37 U.S.C. § 1007(c)*** and the guidance in this chapter, the certifying officer or DO collects debts owed by military members. When a debtor requests reconsideration of a fraud determination, the creditor organization submits evidence or statements from the debtor to the local SJA to review.

E. Losses resulting from fraudulent acts are improper payments (except losses within the disbursing office). Any losses, regardless of the dollar amount, where there is evidence of fraud within the disbursing office (for example, embezzlement or fraudulent acts by disbursing personnel) are physical losses (see Chapter 6, paragraph 060201.C). The DO leaves them charged to the appropriations cited on the payment vouchers (see Chapter 6, subparagraph 060501.A.2).

120403. Reclamation of Items Disallowed or Recovered Due to Fraud

A. The certifying officer sends reclamations for items disallowed or recouped due to fraud though the appropriate office in his/her chain of command to the DoD DGC(F) (see Table 12-1). For a claim denied in its entirety, submit the original claim. Send the completed claim with a cover letter or memorandum from the certifying officer stating why the claim is fraudulent, with the statement: "I have not certified and will not certify this claim for payment unless authorized by competent authority." Include the original and two copies of all supporting documents and the orders with all endorsements for a travel claim, and a copy of the paid voucher for the items free of fraud.

B. If applicable, provide a copy of the ROI and a statement by the claimant supporting his or her belief that the claim is not fraudulent. The claimant's commander may submit a statement at the claimant's option. When endorsing the certifying officer's letter or memorandum,

the certifying officer's commander may state an opinion on the case supporting either the certifying officer or the claimant. When endorsing the certifying officer's letter or memorandum, the certifying officer's commander may state an opinion on the case supporting either the certifying officer or the claimant.

Table 12-1 Responsible Offices for Claims and Advance Decisions

FUNCTION	RESPONSIBLE OFFICE
CLAIMS AND ADVANCE DECISIONS	
Federal civilian employees' compensation and leave	Program Manager Office of Merit Systems Oversight and Effectiveness Office of Personnel Management 1900 E Street NW, Room 6484 Washington, DC 20415 (202) 606-7948
Federal civilian employees' travel, transportation, and relocation expenses and allowances	The Civilian Board of Contract Appeals 1800 F Street, NW Washington, DC 20405-0002 (202) 606-8800 FAX (202) 606-0019 ***www.cbca.gsa.gov***
CLAIMS	
Military members' pay, allowances, travel, transportation, retired pay, and survivor benefits	Defense Office of Hearings and Appeals Defense Legal Services Agency P.O. Box 3656 Arlington, VA 22203-1995 (703) 696-1876
Amounts collected from transportation carriers for damage or loss of property shipped at government expense	
ADVANCE DECISIONS	
Military members' pay, allowances, travel, transportation, retired pay, and survivor benefits	Deputy General Counsel (P&HP) Office of the Secretary of Defense Room 3B747 1600 Defense Pentagon Washington, DC 20301-1600 (703) 697-9341
Use of appropriated funds	Deputy General Counsel (Fiscal) Office of the Secretary of Defense Room 3B688 1600 Defense Pentagon Washington, DC 20301-1600 (703) 571-9343

VOLUME 5, CHAPTER 13: "FOREIGN DISBURSING OPERATIONS"

SUMMARY OF MAJOR CHANGES

All changes are in blue font.

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

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

Hyperlinks are in ***bold, italic, blue, and underlined font***.

The previous version dated March 2015 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current administrative instructions.	Revision
130103	Added the "Authoritative Guidance" paragraph to the "General" section.	Addition

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CHAPTER 13

FOREIGN DISBURSING OPERATIONS

1301 GENERAL

130101. Overview

A. In areas where the use of U.S. currency is prohibited or where diplomatic or financial considerations make its use inadvisable, the senior commander consults with other U.S. military commanders and the U.S. Department of State (DoS) representatives in the area to determine the local government's foreign currency control regulations. The commander issues instructions that conform to DoS procedures and local government foreign currency control regulations. Disbursing Officers (DOs) must follow disbursing guidance set forth in Chapter 9, section 0902 concerning voucher certification and substantiation prior to executing payment transactions, including advances, equitable claims, and payments to third parties.

B. The same policies governing domestic disbursements also are applicable to foreign currency disbursements. Except in areas where U.S. diplomatic or financial relations make the use of the U.S. dollar (USD) inadvisable, U.S. currency or Treasury checks are the only media of exchange for:

1. Basic salaries, special and incentive pay, and allowances (e.g., subsistence and housing) in USDs for U.S. military personnel stationed overseas;

2. Salaries and differentials to similarly-situated U.S. citizen civilian personnel in fulfillment of U.S. contractual or statutory obligations in USDs;

3. Per diem;

4. Travel expenses; and

5. Purchases from appropriated and nonappropriated fund activities located in the foreign currency area.

C. A disbursement voucher may constitute a payment voucher and a collection voucher for transactions involving setoff or deduction to recover an amount owed by the payee, with a net amount due disbursed to the payee. All disbursements must be supported by formal disbursement vouchers (see Chapter 9, section 0904). Requirements established in Volume 1, Chapter 9, Financial Records Retention, apply to contingency operations.

D. International Treasury Services (***ITS.gov***) is the preferred method to issue foreign currency payments electronically and to issue international USD wire transfer payments. ITS.gov is the comprehensive international payment and collection system for the Department of Treasury (Treasury).

130102. Purpose

This chapter addresses disbursing policy that includes exchange of USDs for foreign currency, foreign exchange transactions, currency rate of exchange, use of foreign currency for transportation, disposition of foreign currency and negotiable instruments, records and reports, and contingency operations in foreign territories.

*130103. Authoritative Guidance

Title 31, United States Code (U.S.C.), ***section 3302*** authorizes DOs to have custody of public funds for disbursement purposes and requires them to safeguard the funds. This chapter addresses disbursing policy in the context of foreign disbursing and cash management operations prescribed in the Treasury Financial Manual, Volume 1, Part 4, Chapter 8000 (***1 TFM 4-8000***); ***1 TFM 2-3200***; and ***1 TFM 5-6000***.

1302 EXCHANGE OF U.S. DOLLARS FOR FOREIGN CURRENCY

130201. Guidelines

When it is not practical to use ITS.gov or if the DO does not have a limited depositary account (LDA) in the currency to be paid, the DO may need to acquire foreign currency. An appointed DO may obtain foreign currency for official purposes such as making payments to U.S. Government creditors and exchanging foreign currency or other negotiable instruments for which the DO is accountable. Foreign currency obtained may be held as currency or in an LDA (see Chapter 14, section 1401). DOs may obtain foreign currency using sources identified in paragraph 130202 and from sources authorized by the government of the country concerned. The process by which one currency is exchanged for another is foreign exchange. When DOs exchange USDs for foreign currency, the following guidelines apply to exchanges:

A. The "spot rate" is the rate of exchange to purchase foreign currency (normally the purchase of foreign currency for delivery within two business days);

B. Exchange at the time the foreign currency is needed for immediate funding requirements. DOs should ensure that payment is made for foreign currency purchases on the value date;

C. Speculation in foreign currency is prohibited;

D. Any change in program costs resulting from the use of foreign currency in international financial arrangements is the responsibility of the involved U.S. or foreign program agencies;

E. Foreign currency may not be purchased by forward contracts directly from foreign governments, private firms, or individuals at a negotiated rate without prior Treasury authorization. Submit such requests for authorization through the Defense Finance and Accounting Service (DFAS), Disbursing Policy (DFAS-ZPFA/IN), 8899 East 56th Street, Indianapolis, IN 46249-0500 (dfas-in.disbursingpolicy@mail.mil);

F. Limit DO foreign currency holdings in a safe, vault, or an LDA to no more than 7 business days requirement, unless an increase has been authorized in writing by the DFAS-ZPFA/IN. This includes foreign currency held by all authorized deputies, agents, and cashiers within the disbursing office and at remote locations. Limiting foreign currency holdings may minimize deficiencies due to rate devaluations and avoid premature drawdown from the Treasury;

G. Acquire foreign coins only to fill specific needs or when received as a change incident to an official cash payment in foreign funds. Coins present problems due to weight, storage, transportation, and disposition; and

H. Prepare foreign currency reports following section 1307.

130202. U.S. Government Sources

Procurement of foreign currency from U.S. Government or commercial sources requires a certificate or statement showing the amount purchased, the rate of exchange, the amount of USDs paid, the date, and the source/seller. Include the certificate or statement with the monthly financial reports. DOs may use ITS.gov to acquire foreign currency via electronic funds transfer. Each exchange voucher must be submitted in support of the accounts of the disbursing office and attached to monthly Standard Form ***(SF) 1219***, Statement of Accountability. A DO may also obtain foreign currency from the following sources:

A. U.S. Government Sources. Other U.S. government sources include DoD DOs, U.S. DOs (USDOs), cashiers at American Embassies, or the Federal Reserve Bank of New York (FRBNY). Normally, the DO draws a U.S. Treasury exchange-for-cash check (see Chapter 3, subparagraph 030205.A.1) and endorses it to the order of the officer furnishing the foreign exchange. When foreign currency is purchased from a USDO or an American Embassy cashier, the check may be issued to the American Embassy. When foreign currency is purchased from the FRBNY, the DO makes appropriate shipping arrangements.

B. DoD Military Banking Facility (MBF). When possible, DOs can purchase foreign currency from a MBF (includes funds for LDAs) using a U.S. Treasury exchange-for-cash check (see Chapter 3, subparagraph 030205.A.1).

130203. Currency Custody Accounts

Absent ready-access to the Federal Reserve System, the DO can request approval from the Treasury to establish currency custody LDAs with the government's contractor-operated MBF. The DO must settle daily with the MBF. The currency custody LDA assures the availability of

U.S. currency to support the dollar economy created by U.S. Armed Forces stationed overseas. Report the balance held in custody accounts on line 6.4 (Custody or Contingency Cash) of the DoD ***(DD) Form 2657***, Daily Statement of Accountability, and the SF 1219 (see Chapter 15, section 1506).

130204. Purchase from Individuals and Collections from Foreign Vendors

Subject to the provisions outlined in subparagraph 130303.D, DOs may purchase foreign currency from individuals. DOs may also receive foreign currency either as refunds from foreign vendors or in payment for sale of excess foreign property in accordance with the Defense Materiel Disposition Manual, ***DoDM 4160.21-V1***. Foreign currency sales receipts from post offices, exchanges, commissaries, and other nonappropriated fund activities are not collections by the disbursing office, but may be acquired by purchase only to the extent necessary to acquire foreign exchange for the LDA.

1303 FOREIGN EXCHANGE TRANSACTIONS

130301. International and Foreign Exchange

International and foreign exchange includes policy on the use of U.S. Government funds in international programs and on foreign exchange and interest costs to the Treasury. These include transactions with foreign countries and international organizations involved with bilateral or multilateral programs (e.g., procurement, research, co-development, co-production, grants, or other transactions) that require the:

A. Outlay of USDs or foreign currencies;

B. Inflow of funds from foreign countries; and/or

C. Exchange of USDs and foreign currencies.

130302. Policies for Financial Transactions

A. In addition to the foreign exchange guidelines provided in paragraph 130201, the following general policies apply to financial transactions:

1. Withdraw dollars from the Treasury on behalf of any program management organization only as needed. Base withdrawal on the recipient organization's funding requirements to carry out the project.

2. Negotiate to provide for dollar outlays as close as possible to their need for current program expenditure to support international programs requiring U.S. funding.

3. Obtain the U.S. Government share of funding required to support a program by appropriation, with no part of this funding derived from interest earned on U.S. contributions. DoD Components are responsible to ensure that any interest earned is deposited

promptly to the Treasury General Fund Receipt Account 3220 (General Fund Proprietary Receipts, Not Otherwise Classified, All Other).

4. Consider the fiscal needs and funding policy issues or concerns of each participating country or international organization, provided that U.S. Government cash management policies are not compromised.

5. Arrange to accommodate the financial policies of each participating country or organization to the maximum extent feasible. Except for arrangements entered into for the sole purpose of implementing U.S. international monetary policy, retain USDs in the Treasury until actually required for immediate disbursement, to minimize interest cost on the public debt.

6. Act on requests from a foreign country or international organization for the temporary deposit and safekeeping of USDs in trust in a Treasury account based on their own merit. Base the decision on the reason for the request, the specific financial arrangements proposed, and the relevant U.S. Government political and general financial considerations. All requests must include a recommendation from the local commander and be submitted to the Department of the Treasury, Financial Management Service, Cash Management Improvement Act Division, Liberty Center (Room 420), Washington, D.C. 20227 through the DFAS-ZPFA/IN (dfas-in.disbursingpolicy@mail.mil).

7. DoD Components may not invest funds on behalf of a foreign country or international organization when receipt of such funds serves as a basis for creating contract obligation authority for the DoD Component or other U.S. Government department or agency.

8. Ensure that application of these general policies in negotiations with foreign countries and international organizations are not compromised by DoD Component administrative practices.

9. Process requests for exceptions in accordance with Chapter 1, paragraph 010103.

B. Specific Policies. See Volume 12, Chapter 9 for financial policies related to international agreements.

130303. Accommodation Exchange Services

A. Definition. Accommodation exchange services are the exchange of U.S. Treasury checks or other USD instruments for USDs (e.g., check cashing), the exchange of USDs or dollar instruments for foreign currency or, where permitted, the exchange of foreign currency for USD instruments. See Chapter 4, sections 0402 and 0403 for accommodation exchange services to include limitation, personnel eligibility, and the required internal controls for exchanging cash for negotiable instruments.

B. Authorization

1. Commanders may approve and implement accommodation exchange services only after determining that:

a. Contract MBFs, other on-base financial institutions, exchanges, commissaries, or U.S. Postal facilities cannot fulfill the needs of DoD personnel;

b. The DO or agent has an immediate need for the foreign currency repurchased; or

c. Resources are available to provide these services without impacting levels of other financial services (e.g., primary disbursing and related functions).

2. When satisfactory local banking facilities are not available to conduct accommodation transactions; and after the establishment of written check cashing policy approved by the commander, DOs may use official funds to:

a. Disburse foreign currency for checks, drafts, bills of exchange, and other instruments payable in USDs; and

b. Cash foreign currency checks drawn by accountable officers of the U.S. on non-symbol checking accounts for the same currency in which drawn, when the currency is needed by the officer for official purposes.

C. Sale of Foreign Currency to Individuals. MBFs normally make accommodation exchanges of foreign currency at installations served under the DoD MBF contract. In countries served by these MBFs, DOs providing accommodation exchange services obtain needed foreign currency from the MBF and make those exchanges at the accommodation rate. DoD personnel may not receive accommodation exchange service from USDOs or Treasury DOs in areas where those services are provided by DoD DOs. DoD personnel assigned or attached to U.S. embassy duty may use available embassy cashier services. DOs, agents, and cashiers making these accommodation exchanges maintain the ***DD Form 2664***, Currency Exchange Record, Record of Individual Exchange Transactions, daily to ensure implementation of the requirements in section 1307 (see Figure 13-1).

D. Purchase of Foreign Currency from Individuals. By policy, DOs are prohibited from purchasing foreign currency from individuals in areas served by MBFs under DoD contract. In areas not served by contract MBFs, DOs may purchase foreign currency or instruments payable in foreign currency in exchange for USDs or dollar instruments from individuals before their departure on home leave or completion of their foreign assignment. When purchasing foreign currency or instruments payable in foreign currency for USDs or dollar instruments, DOs must comply with the following:

1. If the amount of foreign currency presented does not exceed the sum of the individual's salary and allowances for two biweekly pay periods, it may be purchased without requiring documentation of any kind from the departing individual;

2. If the amount of foreign currency presented exceeds the amount authorized in subparagraph 130303.D.1, the requestor must submit a written application to the commander for approval of the purchase. The application must include a statement describing the source of the currency and a statement affirming that none of the currency was acquired in violation of local regulations or exchange control laws of the country concerned;

3. The purchase of the foreign currency with USDs must consider the DO's immediate foreign currency disbursing requirements (see section 1302). A DO may suspend making accommodation exchanges for such time and to such extent necessary to carry out his or her other responsibilities;

4. Purchase the foreign currency at the prevailing market rate; and

5. Keep a DD 2664 daily to reflect the amount and source of purchased funds.

E. Safe Haven Posts. The appropriate commander establishes foreign currency accommodation exchange services for dependents of DoD personnel at safe haven areas to which they were ordered by competent authority in the event of emergency evacuation. These services must be consistent with the amount of exchanges authorized for dependents of U.S. personnel employed by other U.S. Government agencies.

1304 CURRENCY RATE OF EXCHANGE

130401. Prevailing Rate of Exchange

A. Definition. The prevailing rate of exchange is the most favorable rate legally available to the U.S. Government for acquisition of foreign currency for official disbursement and accommodation exchange transactions. If the currency of any one country is obtained from more than one of the sources provided in paragraph 130202, maintain separate accountability for exchange rate adjustments.

B. Rate of Exchange. Unless otherwise authorized by the Treasury, carry all foreign currency, including amounts held in LDAs, at the prevailing rate of exchange. Foreign currency acquired without purchase includes burdensharing contributions made in host nation currency and held in accounts authorized by ***10 U.S.C. § 2350J***. Compute disbursements for official expenditures or accommodation exchange transactions to avoid gains or deficiencies due to fluctuations in rates of exchange to the extent possible. If there is no rate of exchange established by agreement between the U.S. Government and the foreign country or where no MBF is available, conduct foreign currency transactions at the prevailing rate using the rate of exchange of the currency on hand as determined by the method outlined in paragraph 130402.

C. Non-Government Sources. When purchasing from sources other than the U.S. Government, DOs should acquire foreign exchange at the best rate available (e.g., fixed or non-fixed legal rate) in which the exchange is being expended. Follow DoS regulations or the currency control laws of the country where the currency will be used. Draw Treasury checks to obtain foreign exchange from commercial sources in favor of the DO and endorse them to the order of the banking institution or commercial enterprise providing the funds.

1. Fixed Legal Rate. The best fixed legal rate to the U.S. Government, depending upon the circumstances in each country, may be any officially established buying rate for dollars, including diplomatic rates or special rates established by agreement with the authorities of the country. When this type of fixed legal rate prevails, agencies should purchase foreign exchange at the best applicable rates to the particular transaction. They may affect purchases at fixed legal rates without the formality of obtaining bids, but the purchases should be evidenced by a statement over the signature of the seller setting forth the pertinent data relative to the purchase. This data includes the date, amount of purchase, and exchange rate. The DO should retain the statement as a supporting document with the SF 1219 (see Chapter 15, section 1508).

2. Non-Fixed Legal Rate. When rates legally applicable to the particular transaction are not fixed, or when such rates are fixed but the use of other rates is also legal for the particular transactions, DOs should purchase foreign exchange at the best obtainable rate. When foreign exchange can be purchased at a non-fixed legal rate, DOs should solicit bids from not less than three sources if available.

a. When a DO obtains foreign currency from a commercial source in a country where the rate of exchange is not established by agreement between the U.S. and the foreign country, use ***DD Form 2668***, Request for Bid (Purchase/Sale), in duplicate to obtain written bids from at least three legally authorized sources, when available.

b. When practical, solicit bids from sources outside the country of the currency involved. Accept the bid providing the most beneficial exchange rate to the U.S. Government. The DO includes a copy of the certified and accepted bid as a supporting document with the financial reports, and keeps a copy of it to substantiate the place of purchase if some of the currency is eventually sold through commercial channels. See Figure 13-2 for a sample of a foreign currency purchase and Figure 13-3 for a sample of a sale of foreign currency. The DO should retain documentation stating the most beneficial bid, accepted and certified, with the SF 1219.

130402. Recomputed Rate of Exchange

The DO will need to recompute the operating rate of exchange if the rate of exchange of the newly acquired foreign currency differs from that of the DO's current balance. The DO then disburses from their account using the recomputed rate of exchange.

A. Determining the New Rate of Exchange. Determine the new rate of exchange by adding the USD equivalent (USDE) value of the foreign currency on hand before the new acquisition to the USDE value of the additional foreign currency purchased, and divide the

total into the new total of foreign currency units on hand; round the result to five decimal places. Do not adjust the rate until new foreign currency units are acquired.

B. Certificate of Change. The DO or Deputy DO (DDO) prepares a certificate of change similar to the example in Figure 13-4, and submits the certificate with the next SF 1219. When possible, determine the value of foreign currency on hand (including LDAs) at the beginning of the business day. If recomputation of the rate of exchange for foreign currency on hand is required during a business day, enter the voucher number of the last disbursement or collection voucher processed under the old rate of exchange on the certificate of revaluation. If there were no vouchers processed during the current business day, so state.

C. Adjustments Due to Rounding. Due to the rounding on individual disbursements and collection transactions, a difference in the USD value of foreign currency on hand may occur and cause a minor gain or deficiency. The balance of foreign currency divided by the current rate of exchange (carried to five decimal places) equals the exact USD value of foreign currency on hand. To account for minor gains or deficiencies, the DO adjusts the USD value of foreign currency on hand as part of the daily balancing process. For example, the following reflects transactions occurring on January 3, 20XX:

FOREIGN UNITS	USD VALUE	RATE OF EXCHANGE
107,275,503 (Balance)	$ 854,512.60	125.53999
751,883,562 (Purchased)	6,000,000.00	125.31393
859,159,065 (Balance)	$6,854,512.60	125.34211
- 9,396,641 (Disbursed)	74,967.95	125.34211
849,762,424	$6,779,544.65	125.34211

Actual USD Value: 849,762,424 (# of foreign units) divided by the recomputed rate of exchange (125.34211) = $6,779,544.59. The results indicate a minor deficiency of $.06 ($6,779,544.65 less $6,779,544.59) due to rounding of individual vouchers.

D. New Rate of Exchange. When computing a new rate of exchange to purchasing additional foreign currency, the number of foreign units divided by the rate of exchange may not always accurately reflect the USD value. The rate of exchange for newly acquired foreign currency often differs from that of the balance on hand before the purchase.

1. Gains and Deficiencies Due to Rounding. Credit gains or charge deficiencies due to rounding to account **6763 (Gains and Deficiencies on Exchange Transactions) using ***DD Form 1131***, Cash Collection Voucher, or ***SF 1034***, Public Voucher for Purchases and Services Other Than Personal, as appropriate. Attach a Certificate of Adjustment as prescribed in subparagraph 130402.D.2, to the voucher to support the transaction.

2. Certificate of Adjustment. The DO or DDO prepares and signs a Certificate of Adjustment Due to Rounding (see Figure 13-5) when a minor gain or deficiency results.

E. Foreign Currency Revaluation. Any change in the prevailing rate of exchange causes a gain or deficiency by revaluation since there is a change in the USD value of the foreign currency, except when using the method outlined in subparagraph 130402.D.1. Whenever possible, revalue the foreign currency on hand (including LDAs) at the beginning of the business day on which a rate change occurs. Determine the new USD value by dividing the total foreign currency on hand (including LDAs) by the new exchange rate, and whether a gain or deficiency by revaluation has occurred by comparing the USD value at the old rate to the USD value at the new rate. Because DOs carry foreign currency held in the disbursing account at the USD value, adjust that value by the amount of the gain or deficiency (loss) by recording the gain or deficiency by revaluation as a collection or disbursement transaction in the DO's account.

F. Gains and Deficiencies by Revaluation. Show the computation of the revaluation gain or deficiency on the DD 1131 or SF 1034, as appropriate. Calculate gain/deficiency values for each currency individually by DO/DDO/agent/cashier to keep personal accountability accurate. Except when using the method outlined in subparagraph 130402.D.1, use DD 1131 to credit gains and SF 1034 to charge deficiencies, citing account **6763. DOs may consolidate the "net" change for all currencies on a single DD 1131 or SF 1034, as appropriate.

G. Balance-of-Payments. Code all credits and charges to account **6763 as USD transactions. Use account **6763 only for gains and deficiencies due to foreign currency revaluations. Account **6763 is not related to and has no relationship with the Foreign Currency Fluctuations, Defense (FCFD) or the Foreign Currency Fluctuations, Construction, Defense (FCFCD) accounts used for differences between budgeted foreign currency rates at which obligations are recorded and the rates at which they are liquidated. Reflect the FCFD and FCFCD portions of foreign currency disbursements separately on disbursement vouchers as charges to the appropriate foreign currency centrally-managed allotment account set up for that purpose.

H. Gains or Deficiencies on Security Deposits due to Foreign Currency Fluctuation

1. Policy

a. Service members stationed in overseas areas are authorized advanced overseas housing allowance for security deposits to obtain leased housing. As authorized by the ***Joint Travel Regulations***, Chapter 9, the supporting DO pays the necessary amount in the appropriate local currency and charges the appropriate military pay appropriation for the USDE. The preferred method for paying advanced housing allowance is a LDA check in the local currency of the area involved.

b. For disbursing offices that do not maintain an LDA in the required currency, the member presents a copy of the lease agreement containing the amount of foreign currency needed to initiate the lease contract. The disbursing office contacts the local MBF to determine the foreign currency exchange rate on the date the advance is to be paid and computes the USD amount. The appropriate military pay entitlement office prepares and certifies the appropriate voucher for payment of the advance in USD, and charges the appropriate military pay appropriation. The service member converts the payment to local currency at the MBF.

c. The supporting finance office maintains a tracking system, either by input into the master military pay account (MMPA) or by manual methods, showing the amount of the advance paid in local currency, the USDE, and the exchange rate on the date of payment.

2. Lease Termination

a. At lease termination, service members return the total amount of the deposit in local currency to the supporting disbursing office in exchange for a receipt. The supporting disbursing office credits the USDE based on the rate of exchange in effect on the date of the return to the appropriation charged when the deposit was advanced; compares that rate of exchange with the rate in effect on the date of the advance; and posts any gain or deficiency (loss) due to currency fluctuation as a charge or credit, as appropriate, to the current military pay appropriation.

b. If the security deposit was paid in USD, the service member takes the full value of the security deposit in foreign currency to the MBF, converts it to U.S. currency, obtains a receipt indicating the exchange rate, and turns in the U.S. currency and receipt to the disbursing office. The disbursing office prepares a collection voucher for credit to the appropriate military pay appropriation, indicates return of the security deposit, verifies with the MMPA or local record whether a gain or deficiency has occurred for the current exchange rate, and prepares the appropriate voucher to credit or debit the gain or deficiency to the appropriate military pay appropriation. Ensure that the member does not experience any gain or deficiency due to foreign currency fluctuations.

130403. Obtaining Weekly Foreign Currency Exchange Rates

The ***FRB*** provides weekly foreign currency exchange rates at their website.

1305 USE OF FOREIGN CURRENCIES FOR TRANSPORTATION

130501. Transportation Payment

To the maximum extent possible, use U.S.-owned foreign currencies for transportation when certified air carriers are available and will accept such currencies in payment for U.S. Government-financed, commercial, foreign air transportation of persons or property. Review ***DoD Directive 4500.09E***, Transportation and Traffic Management, for guidance on the use of these air carriers and determination of their availability. In issuing and exchanging Government Transportation Requests (GTRs), Government Bills of Lading (GBLs), transportation warrants, or other procurement documents, state clearly "PAYMENT IN (foreign currency)" on the form. Otherwise the carrier may demand payment in USDs.

130502. Transportation Billing

DOs should ensure to include in the "BILL TO" portion of the GTR, GBL, transportation warrant, or other procurement document:

A. Name of the requesting agency;

B. Address to be billed; and

C. Instruction on payment in foreign currency.

1306 DISPOSITION OF FOREIGN CURRENCY AND NEGOTIABLE INSTRUMENTS

130601. Payments to Authorized Personnel

DOs may use foreign currency for payments to foreign personnel and vendors. For miscellaneous advance payments, see Volume 10, Chapter 4, paragraph 040408.

130602. Disposition of Excess Foreign Funds

When possible, transfer foreign currency excess to other DoD DOs, USDOs, U.S. Embassies, or accountable officers in a particular locality with immediate disbursing needs. When the collection of foreign currency causes a noninterest bearing LDA to exceed immediate disbursing requirements (see Chapter 14, subparagraph 140310.B.2).

A. Sale to Another DoD Disbursing Office

1. Sort checks, drafts, and money orders payable in foreign currency by the geographical location of the institutions on which they were drawn and send them by registered mail or courier to a DoD DO located in the country of the monetary unit involved. Send them with a completed ***DD Form 165***, Shipment of Funds, and a letter of transmittal addressed to "DO (activity of addressee)" (see Chapter 3, section 0305). Include a request for a U.S. Treasury exchange-for-cash check with the letter of transmittal. Identify the country, type, amount, exchange rate, and USD value of the instruments on the DD 165. Endorse the instruments "Pay to the order of '*Disbursing Officer, Activity of Addressee*', (Signature of sender)." When there is no DoD DO in the country involved, deposit the instruments in accordance with the 1 TFM 5-6000.

2. Send other than local currencies, and currencies not required for official purposes to a DoD DO that needs them, or to a DO located in the country where the currency is legal tender. Exchange the foreign currency for U.S. currency or a U.S. Treasury exchange-for-cash check. When using registered mail or courier, include a completed DD 165 and letter of transmittal requesting a U.S. Treasury exchange-for-cash check. Include the country, type, amount, exchange rate, and USD value of the foreign currency on the DD 165. Do not send foreign coins for exchange except under unusual circumstances and with the prior concurrence of the intended recipient.

3. Use the prevailing rate of exchange on the date of the seller's transmittal and the prevailing rate on the date of receipt for the buyer. Since the prevailing rate is the holding rate for the receiving office, there will be no gain or deficiency in the receiving office's

accounts. The selling office accounts for any gain or deficiency due to exchange rate fluctuations when it receives the U.S. Treasury exchange-for-cash check.

B. Sale to an MBF. A DO may sell excess foreign currency to an MBF whenever the currency cannot be sold to another DoD DO. The selling DO uses the MBF "buy rate" as the rate of exchange on the date it sends the currency to the MBF, and accounts for any gain or deficiency due to exchange rate fluctuations when it receives the USD from the MBF.

C. Sale Through Commercial Channels. If foreign currency cannot be sold, a DO may sell it through commercial channels. If the rate of exchange has been established by agreement between the U.S. and the foreign country, sell or otherwise dispose of foreign currency for U.S. currency or USD checks at the established rate of exchange.

1. For this type of sale, the bank or other entity to which the foreign currency is sold provides a statement showing the amount of USD supplied, rate of exchange, amount of foreign currency received, date, and name and address of the bank or other entity. The recipient's representative signs the statement and the DO includes it with the financial reports. A DO may also conduct foreign currency sale transactions with a bank or entity approved by the Treasury (e.g., an MBF) to establish LDAs in the currency being purchased (see Chapter 14, section 1403).

2. When the rate of exchange is not established by agreement between the U.S. and the foreign country, or if there is not a bank or entity approved by the Treasury to establish LDAs, use a DD 2668 to request at least three bids from reputable banking institutions or dealers in foreign exchange, if available. Sell the foreign currency to the bidder submitting the most beneficial bid as certified by a commissioned officer other than the DO; the DO accepts it and includes it with the financial reports to support gains or deficiencies in foreign currency transactions (see Figure 13-3).

D. Deposits to the Credit of the Treasury. If disposition is not possible through a DoD DO or an MBF, follow guidance in the 1 TFM 5-6000 for deposits of foreign currency and checks drawn on foreign banks.

E. Deposits. Pending receipt of the confirmed copy of the deposit ticket, record the deposit in Cash in Transit (line 6.7) of the DD 2657 at the USD value of the funds when the deposit was mailed. If the confirmed copy of the deposit ticket is not received before the end of the month of mailing, report the item on line 6.7 of the SF 1219. The depositary enters the net USD proceeds in Block 4 of the deposit ticket and distributes the copies as for any regular deposit.

1. Upon receipt of the confirmed deposit ticket, the DO enters the confirmed amount in Deposits Presented or Mailed to Bank (line 4.2A) of the DD 2657 as a decrease to line 6.7. Account for any difference in the amount of the confirmed deposit ticket and the amount at which carried by the DO on line 6.7 (as distinguished from exchange fees and collection charges) as either a gain or deficiency by exchange transaction as prescribed in section 1303.

2. Do not report deposits of foreign negotiable instruments under the "Gross Accountability" section as on line 4.2A until receipt of the confirmed copy of the deposit ticket because the USD value to be reported as deposited is not known to the DO until then.

130603. Dishonored Foreign Checks, Drafts, and Money Orders

Dishonored foreign instruments received by DoD DOs are subject to the regular debt collection procedures. DOs must request removal of dishonored item deficiencies for instruments received that become uncollectible (see Chapter 4, section 0405).

130604. Mutilated or Unfit Foreign Currency

DOs should take every possible precaution to prevent acceptance of mutilated foreign currency as a collection, payment, or an exchange transaction. If a DO is holding mutilated foreign currency, the DO must contact local banks or fiscal authorities to arrange for the exchange of mutilated or unfit currency for fit currency.

130605. Counterfeit or Altered Foreign Currency

DOs should take every possible precaution to prevent acceptance of counterfeit currency as a collection. If the collection is counterfeit, see section 2045 in ***1 TFM 5-2000***. Absent an agreement with the foreign government, ship the currency to the appropriate investigative agency or nearest military security agency. Obtain a receipt for the currency, and account for it in the DO's records in the same manner prescribed in Chapter 3, section 0307 for counterfeit U.S. currency. A DO considered at fault in acquiring counterfeit foreign currency is accountable for the value of the currency. Submit a request for relief of liability pursuant to the process outlined in Chapter 6, section 0606. This is the same process that is used for accountability for receipt of counterfeit U.S. currency.

1307 RECORDS AND REPORTS

130701. Treatment of Transactions

Treat transactions involving foreign currency as cash transactions and follow the same principles and guidelines established for controlling U.S. currency. DOs, DDOs, agents, and cashiers who engage in foreign currency transactions (e.g., collections, disbursements, and accommodation exchanges) must document them on the ***DD Form 2663***, Foreign Currency Control Record (Figure 13-6). This form shows current balances of foreign currency on hand (all foreign currency held by cashiers, in the vault, or by other agents of the DO) and in LDAs, as well as the detailed transactions that increase or decrease these balances.

130702. DD Form 2663, Foreign Currency Control Record

Maintain separate DD 2663s for each type of foreign currency used (e.g., Kuwaiti Dinar, Euro, and Japanese Yen). Also maintain a separate DD 2663 for accommodation exchange foreign currency carried at an exchange rate different from that used for disbursements. DOs may maintain

separate DD 2663s for foreign currency on hand and in LDAs. See Figure 13-6 for preparation instructions for DD 2663.

130703. Foreign Currency Reports

A. DO. Include with the foreign currency reports a cover sheet with the following headings: Country of Currency; Monetary Unit; Number of Units Purchased; Total Dollar Outlay; and Memorandum-Dollar Outlay for Accommodation Exchanges. Reports are due within 15 calendar days after the close of each quarter to the supporting DFAS site. Reports may be combined and submitted as one report.

1. Cumulative Report of Foreign Currency Purchased with USD from Sources Outside the U.S. Government. This report is cumulative for the fiscal year. Include the amounts acquired through accommodation exchange transactions as well as purchases from banks and other dealers in currency exchange.

2. Report of the Balance of Foreign Currency Held under Dollar Accountability. This report is due by the end of each quarter to the same DFAS site as the cumulative report. It may be combined with the cumulative report.

3. Report of Foreign Exchange Received by DOs and Credited Immediately to Miscellaneous Receipt Accounts of the Treasury. This report is a cumulative report of outside purchases and quarterly report of balances of foreign currency on hand. These funds are received for such things as fees and services and are immediately purchased by DOs with appropriated funds for their operating needs. Exclude repayments to appropriations.

B. Consolidated Quarterly Reports of DOs. DFAS sites will consolidate the DOs quarterly reports and forward them to DFAS, Departmental Reporting Directorate, Treasury Division, Reporting Operations Branch, Room 201B, 8899 E. 56th Street, Indianapolis, IN 46249, in time to be delivered to the Treasury 45 calendar days after the close of each quarter.

C. SF 1219. Report foreign currency balances held in USDE (see Chapter 15, section 1506) on the SF 1219 including those in LDAs.

1308 CONTINGENCY OPERATIONS IN FOREIGN TERRITORIES

Information pertaining to Contingency Operations in Foreign Territories can be found in Volume 12, Chapter 29, "Administering, Using and Accounting for Vested and Seized Funds and Property During Contingency Operations."

Figure 13-1. Sample DD Form 2664, Currency Exchange Record

CURRENCY EXCHANGE RECORD
RECORD OF INDIVIDUAL EXCHANGE TRANSACTIONS

PAGE OF

1. DISBURSING OFFICER DESIGNATION	2. RATES OF EXCHANGE *(Number of Foreign Currency Units to one U.S. Dollar)*	3. DATE *(YYYYMMDD)*	4. DSSN
		5. NAME OF CASHIER OR DEPUTY	

6. RECEIVED FROM CUSTOMER				7. DISURSED TO CUSTOMER				8. NAME AND OTHEER INFORMATIONREQUIRED BY DISBURSING OFFICER ON PERSON FOR WHOM EXCHANGE IS MADE
a. TYPE OF NEGOTIABLE INSTRUMENT RECEIVED *(Personal check, etc.)*	b. US CURRENCY AND COIN	c. FOREIGN CURRENCY	d. TOTAL	a. U.S. CURRENCY AND COIN	b. FOREIGN CURRENCY	c. FOREIGN CURRENCY	d. TOTAL	
Personal check	$500.00		$500.00	$90.00	22,473.00	194.24	$500.00	*Ted Smith, 1st Bn, 5th Marines
Money Order	$125.23		$125.23	$1.34	115.00	0.00	$125.23	**John Smith, 2nd MAW
								*T Smith requested 22,473.00 Yen, 194.24 Euro, and balance in U.S. cash
								**J Smith requested 115.00 Euro and balance in U.S. cash

DD FORM 2664 FEB 2002 PREVIOUS EDITION IS OBSOLETE

Figure 13-2. Sample DD Form 2668, Request for Bid (Purchase/Sale) – Purchase

REQUEST FOR BID *(Purchase/Sale)*			
SECTION I – PURCHASE			
1. DISBURSING ACTIVITY NAME AND LOCATION USS FAIRFAX COUNTY (LST-1193) FPO AE 09569-1814			**2. DSSN** 8289
3. NAME AND ADDRESS OF BANK, FINANCIAL INSTITUTION, OR FOREIGN EXCHANGE DEALER BANCA COMMERCIALE ITALIANA BRINDISI, ITALY			
PLEASE INDICATE THE NUMBER OF CURRENCY UNITS DESCRIBED IN ITEM 4 YOU SHALL FURNISH IN EXCHANGE FOR EITHER A CHECK DRAWN ON THE TREASURER OF THE UNITED STATES OR UNITED STATES DOLLARS IN THE AMOUNT INDICATED IN ITEM 5.	**4. NAME OF FOREIGN CURRENCY REQUESTED** EURO		**5. U.S. DOLLAR AMOUNT** $10,000.00
6. DISBURSING OFFICER NAME, RANK OR GRADE SHALLIAM B. ELLIS, ENS, SC, USNR	**7. DISBURSING OFFICER'S SIGNATURE**		**8. DATE** JUNE 22, 20XX
OFFER IS MADE TO FURNISH THE NUMBER AND TYPE OF FOREIGN CURRENCY UNITS INDICATED IN ITEM 9. THE FORM OF PAYMENT REQUESTED FOR THIS CURRENCY IS INDICATED IN ITEM 10.	**9. UNITS AND TYPE OF FOREIGN CURRENCY OFFERED** 9,352.26 EURO		**10. PAY BY** *(Check one)* **a. CHECK** XXX / **b. CASH**
11. NAME AND TITLE OF OFFERING OFFICIAL G. C. PAVALONI, VICE PRESIDENT	**12. SIGNATURE OF OFFERING OFFICIAL**		**13. DATE** JUNE 24, 20XX
14. CERTIFICATION			
a. CERTIFIED TO BE THE MOST BENEFICIAL BID.	**b. NUMBER OF BIDS** 3	**c. COMMISSIONED OFFICER NAME AND SIGNATURE** JOSEPH L. SMITH, LT, USN	**d. DATE** JUNE 25, 20XX
15. BID ACCEPTED		**16. DISBURSING OFFICER NAME AND SIGNATURE** SHALLIAM B. ELLIS	**17. DATE** JUNE 25, 20XX
SECTION II – SALE			
18. DISBURSING ACTIVITY NAME AND LOCATION			**19. DSSN**
20. NAME AND ADDRESS OF BANK, FINANCIAL INSTITUTION, OR FOREIGN EXCHANGE DEALER			
PLEASE INDICATE THE AMOUNT IN UNITED STATES DOLLARS YOU SHALL FURNISH IN EXCHANGE FOR THE NUMBER OF FOREIGN CURRENCY UNITS INDICATED IN ITEM 21.		**21. NUMBER AND NAME OF FOREIGN CURRENCY UNITS**	
22. DISBURSING OFFICER NAME, RANK OR GRADE	**23. DISBURSING OFFICER'S SIGNATURE**		**24. DATE**
OFFER IS MADE TO FURNISH UNITED STATES DOLLARS IN THE AMOUNT INDICATED IN ITEM 25 FOR THE CURRENCY SPECIFIED ABOVE.		**25. AMOUNT OF UNITED STATES DOLLARS OFFERED**	
26. NAME AND TITLE OF OFFERING OFFICIAL	**27. SIGNATURE OF OFFERING OFFICIAL**		**28. DATE**
29. CERTIFICATION			
a. CERTIFIED TO BE THE MOST BENEFICIAL BID.	**b. NUMBER OF BIDS**	**c. COMMISSIONED OFFICER NAME AND SIGNATURE**	**d. DATE**
30. BID ACCEPTED		**31. DISBURSING OFFICER NAME AND SIGNATURE**	**32. DATE**
33. REMARKS			

DD Form 2668, AUG 93

Figure 13-3. Sample DD Form 2668, Request for Bid (Purchase/Sale) – Sale

REQUEST FOR BID *(Purchase/Sale)*			
SECTION I – PURCHASE			
1. DISBURSING ACTIVITY NAME AND LOCATION			**2. DSSN**
3. NAME AND ADDRESS OF BANK, FINANCIAL INSTITUTION, OR FOREIGN EXCHANGE DEALER			
PLEASE INDICATE THE NUMBER OF CURRENCY UNITS DESCRIBED IN ITEM 4 YOU SHALL FURNISH IN EXCHANGE FOR EITHER A CHECK DRAWN ON THE TREASURER OF THE UNITED STATES OR UNITED STATES DOLLARS IN THE AMOUNT INDICATED IN ITEM 5.		**4. NAME OF FOREIGN CURRENCY REQUESTED**	**5. U.S. DOLLAR AMOUNT**
6. DISBURSING OFFICER NAME, RANK OR GRADE		**7. DISBURSING OFFICER'S SIGNATURE**	**8. DATE**
OFFER IS MADE TO FURNISH THE NUMBER AND TYPE OF FOREIGN CURRENCY UNITS INDICATED IN ITEM 9. THE FORM OF PAYMENT REQUESTED FOR THIS CURRENCY IS INDICATED IN ITEM 10.		**9. UNITS AND TYPE OF FOREIGN CURRENCY OFFERED**	**10. PAY BY** *(Check one)* **a. CHECK** / **b. CASH**
11. NAME AND TITLE OF OFFERING OFFICIAL		**12. SIGNATURE OF OFFERING OFFICIAL**	**13. DATE**
14. CERTIFICATION			
a. CERTIFIED TO BE THE MOST BENEFICIAL BID.	**b. NUMBER OF BIDS**	**c. COMMISSIONED OFFICER NAME AND SIGNATURE**	**d. DATE**
15. BID ACCEPTED		**16. DISBURSING OFFICER NAME AND SIGNATURE**	**17. DATE**
SECTION II – SALE			
18. DISBURSING ACTIVITY NAME AND LOCATION USS FAIRFAX COUNTY (LST-1193) FPO AE 09569-1814			**19. DSSN** 8289
20. NAME AND ADDRESS OF BANK, FINANCIAL INSTITUTION, OR FOREIGN EXCHANGE DEALER BANCA COMMERCIALE ITALIANA BRINDISI, ITALY			
PLEASE INDICATE THE AMOUNT IN UNITED STATES DOLLARS YOU SHALL FURNISH IN EXCHANGE FOR THE NUMBER OF FOREIGN CURRENCY UNITS INDICATED IN ITEM 21.		**21. NUMBER AND NAME OF FOREIGN CURRENCY UNITS** 4,676.13 EURO	
22. DISBURSING OFFICER NAME, RANK OR GRADE SHALLIAM B. ELLIS, ENS, SC, USNR		**23. DISBURSING OFFICER'S SIGNATURE**	**24. DATE** JULY 12, 20XX
OFFER IS MADE TO FURNISH UNITED STATES DOLLARS IN THE AMOUNT INDICATED IN ITEM 25 FOR THE CURRENCY SPECIFIED ABOVE.		**25. AMOUNT OF UNITED STATES DOLLARS OFFERED** $5,000.00	
26. NAME AND TITLE OF OFFERING OFFICIAL G. C. PAVALONI, VICE PRESIDENT		**27. SIGNATURE OF OFFERING OFFICIAL**	**28. DATE** JULY 12, 20XX
29. CERTIFICATION			
a. CERTIFIED TO BE THE MOST BENEFICIAL BID.	**b. NUMBER OF BIDS** 3	**c. COMMISSIONED OFFICER NAME AND SIGNATURE** JOSEPH L. SMITH, LT, USN	**d. DATE** JULY 13, 20XX
30. BID ACCEPTED		**31. DISBURSING OFFICER NAME AND SIGNATURE** SHALLIAM B. ELLIS	**32. DATE** JULY 13, 20XX
33. REMARKS			

DD Form 2668, AUG 93

Figure 13-4. Sample Certificate of Change in Purchase Rate

3RD MARINE LOGISTICS GROUP
FLEET MARINE FORCE, PACIFIC
FPO AP

October 4, 20XX

CERTIFICATE OF CHANGE IN PURCHASE RATE

	Yen	Exchange Rate	U.S. Dollars
Total amount of Japanese Yen on hand at close of business October 3, 20XX	220,000	97.99991	$2,244.90
Japanese Yen received this date through sale of Treasury Check No. 196,240 for $1,960.78	200,000	102.00022	$1,960.78
Totals	420,000	99.86494	$4,205.68

420,000 Yen divided by $4,205.68 equals 99.86494, which is the new exchange rate for Japanese Yen on hand. This rate is based on the prior purchase exchange rate and the new exchange purchase rate for Yen purchased on October 4, 20XX.

No collection or disbursement vouchers processed this date prior to revaluation of Japanese Yen.

J. A. HANCOCK
DSSN 6870

Figure 13-5. Sample Certificate of Adjustment Due to Rounding

U.S. NAVAL STATION
JAPAN

January 3, 20XX

CERTIFICATE OF ADJUSTMENT DUE TO ROUNDING

YEN	US DOLLAR VALUE (based on individual cumulative transactions)	US DOLLAR VALUE (based on rate of exchange of 0.0089=$1.00	DIFFERENCE (deficiency)gain
7,254,123.47	$64,385.50	$64,385.57	$0.07

J. A. HANCOCK
Symbol 6870

Figure 13-6. Sample DD Form 2663, Foreign Currency Control Record

FOREIGN CURRENCY CONTROL RECORD (Section I)											
1. DATE	2. TRANSACTION REFERENCE	3. EXCH RATE	4. COLLECTIONS				5. PURCHASES				
			a. MISC RECEIPT		b. REIMBURSEMENT/ REFUND		a. GOVERNMENT SOURCES		b. NON-GOVERNMENT SOURCES		c. OUTLAY FOR ACCOM. EXCHANGE
			UNITS	DOLLARS	UNITS	DOLLARS	UNITS	DOLLARS	UNITS	DOLLARS	DOLLARS
4/6/XX	CV-1111	1.10									
4/9/XX	Purch by Accom Ex	1.10							10	11.00	11.00
4/12/XX	Vend Pay Vouch S12	1.10									
4/16/XX	Sale by Accom Ex	1.10									

Figure 13-6. Sample DD Form 2663, Foreign Currency Control Record (Continued)

(Back)

FOREIGN CURRENCY CONTROL RECORD (Section II)									6. COUNTRY France 7. CURRENCY UNIT TYPE Euro	
8. DISBURSEMENTS		9. DEPOSITS / SALES/ TRANSFERS		10. GAIN OR LOSS	11. SUB BALANCE				12. COMBINED BALANCE	
					a. ON HAND		b. LDA			
UNITS	DOLLARS	UNITS	DOLLARS	DOLLARS	UNITS	DOLLARS	UNITS	DOLLARS	UNITS	DOLLARS
				10.00	100	110.00			100	110.00
					110	121.00			110	121.00
60	66.00				50	55.00			50	55.00
		40	44.00		10	11.00			10	11.00
60	66.00	40	44.00	10.00						

Figure 13-6. Sample DD Form 2663, Foreign Currency Control Record (Continued)

Instructions

A. Preparation. This form is designed for notebook style use. Complete both sections to make a complete record of each line entry.

1. Item 1: Date. Enter the applicable transaction date.

2. Item 2: Transaction Reference. Enter data to enable reference to transaction source documents (e.g., voucher number, revaluation and LDA check number).

3. Item 3: Exchange Rate. Enter the foreign currency to USD exchange rate applicable to the transaction.

4. Item 4: Collections

a. Sub-item a: Miscellaneous Receipt. Enter the amount of foreign currency in the "units" column and the USDE of those units in the "dollars" column for any foreign currency collected into a Treasury miscellaneous receipt account.

b. Sub-item b: Reimbursement/Refund. Enter the amount of foreign currency in the "units" column and the USDE of those currencies in the "dollars" column for any foreign currency reimbursement or refund transactions. DOs, at their option, may use these columns only for reimbursements while netting refunds out in Item 8 (Disbursements); draw a single line through the word "refund" when using this option.

5. Item 5: Purchases

a. Sub-item a: Government Sources. Enter the amount of foreign currency in the "units" column and the USDE in the "dollars" column for foreign currency purchases from government sources (including other DOs). Include foreign currency acquired from government sources to be used for accommodation exchange purposes. Do not include foreign currency acquired in accommodation exchange transactions.

b. Sub-item b: Non-government Sources. Enter the amount of foreign currency in the "units" column and the USDE in the "dollars" column for foreign currency purchases from non-government sources, including MBF and nonappropriated fund activities. Include foreign currency acquired from non-government sources to be used for accommodation exchanges and foreign currency acquired in accommodation exchanges.

Figure 13-6. Sample DD Form 2663, Foreign Currency Control Record (Continued)

Instructions

c. Sub-item c: Outlay for Accommodation Exchange. This sub-item is for memorandum entry only since any foreign currency acquired in accommodation exchange transactions is included in sub-item 5b. Enter the USDE of those currencies in sub-item 5b associated with accommodation exchange purchases. These amounts are required for foreign currency reporting. This sub-item may be left blank when a separate DD 2663 is maintained exclusively for accommodation exchange transactions.

6. Item 6: Country. Enter the name of the country whose currency is reported (e.g., Kuwait, United Kingdom, and Japan).

7. Item 7: Currency Unit Type. Enter the name of the foreign currency reported (e.g., Dinar, Pound Sterling, and Yen).

8. Item 8: Disbursements. Enter the amount of foreign currency in the "units" column and the USDE in the "dollars" column for foreign currency disbursements. When including foreign currency refunds in sub-item 4b, disbursements entered in this item are gross disbursements. When entering only reimbursements in sub-item 4b, disbursements entered in this item are net of refunds.

9. Item 9: Deposits/Sales/Transfers. Enter the amounts of foreign currency in the "units" column and the USDE in the "dollars" column represented by accommodation exchange sales, deposits to a general depositary, or transfers to other DOs or agents outside the DOs accountability. Do not show deposits to an LDA in this item.

10. Item 10: Gain or Loss. Enter gains or deficiency resulting from revaluation of foreign currency on hand and in an LDA. Include gains or deficiencies recognized on the basis of individual disbursement or accommodation exchange transactions. Also enter the amounts of physical deficiencies of foreign currency. Process overages of foreign currency as reimbursements to **F3875, Budget Clearing Account (Suspense), or eventually as receipt account collections (see Chapter 6).

11. Item 11: Sub Balance

a. Sub-item a: On Hand. Enter the cumulative amounts of foreign currency in the "units" column and the USDE in the "dollars" column to report foreign currency on hand (not including currency on deposit in an LDA). Balance (offset) entries in this sub-item with entries in other items of the DD 2663 except when foreign currency carried as cash on hand is deposited to an LDA or when an LDA check is written to obtain cash on hand. Enter these transactions as decreases (or increases, as appropriate) in the "units" and "dollars" columns of 11a (ON HAND) and 11b (LDA). Enter appropriate references to such transactions in items 1 and 2.

Figure 13-6. Sample DD Form 2663, Foreign Currency Control Record (Continued)

Instructions

b. Sub-item b: LDA. Enter the cumulative amounts of foreign currency in the "units" column and the USDE in the "dollars" column representing the balance on deposit in an LDA. Balance (offset) entries in this sub-item with entries in other items of the DD 2663 except for transactions involving transfers between cash on hand and cash in an LDA as explained in subparagraph A.11.a.

12. Item 12: Combined Balance. Enter the total of the "units" and "dollars" columns of sub-items 11a and b in the in the appropriate columns.

B. Totaling. Enter column totals of items 4 through 10 at the end of each month, quarter, and year.

VOLUME 5, CHAPTER 14: "LIMITED DEPOSITARY CHECKING ACCOUNTS"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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

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

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

The previous version dated June 2014 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current administrative instructions.	Revision
140103	Replaced the "Statutory Basis" paragraph with "Authoritative Guidance" in the "General" section.	Revision

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CHAPTER 14

LIMITED DEPOSITARY CHECKING ACCOUNTS

1401 GENERAL

140101. Overview

If the Department of the Treasury's (Treasury) International Treasury Services (ITS.gov) will not support mission requirements, Department of Defense (DoD) disbursing officers (DOs) may maintain official limited depositary checking accounts (LDAs) for check or electronic funds transfer (EFT) payments in foreign currencies with banks designated by the Treasury as "Depositaries of Public Moneys of the United States."

140102. Purpose

This chapter provides policy on the establishment and maintenance of LDAs by DoD DOs.

*140103. Authoritative Guidance

Treasury is authorized by Title 31, United States Code, ***section 3303*** to select financial institutions to maintain U.S. Government operated accounts based on obtaining the most beneficial banking arrangement available to transact business. Preference should be given to American financial institutions unless a local bank's arrangement is more advantageous to the United States. See implementing guidance in Title 31, Code of Federal Regulations, sections ***202.1***, ***281.5***, and ***281.7***; and the Treasury Financial Manual, Volume 1, Part 4, Chapter 8000, Section 8010.10 (***I TFM 4-8010.10***).

1402 SOLICITATION

140201. Overview

A. New LDAs. A DO (or Designated deputy disbursing officer (DDO)) confers with the local U.S. Embassy or Consulate for assistance to determine which banks meet the criteria to maintain an account. When anticipating the establishment of a new LDA, a DO solicits all American-owned and leading local financial institutions in the area to determine which would offer the most beneficial arrangement. The solicitation process must be competitive to allow all banks to submit written information on identical questionnaires or requests for banking proposals. To determine the most beneficial arrangement, a DO considers, in descending order of importance, (1) standard operating services minimally required, (2) customary local banking practices (e.g., telex cost or armored car service), and (3) other special services that may be necessary in a particular country or circumstance (e.g., payment of interest on the account, waiver of miscellaneous charges). The required services must include:

1. Capability to honor payments to payees in outlying areas;

2. Processing of checks and, if possible, EFTs and deposits;

3. Provision of a daily or a monthly bank statement as needed; and

4. Acceptance of the DO's funding procedures.

B. LDA Banks. DOs ensure that banks are valid, reflect a high level of American ownership, are financially secure, are dependable, and are reliable financial institutions to avoid losses and ensure the protection of U.S. Government funds. Unsolicited proposals from financial institutions to operate an existing LDA may be received any time, and the LDA is open to all interested financial institutions.

140202. Requesting a Limited Depositary Account

A DO, upon selecting a reliable financial institution with beneficial banking arrangements, sends a request for approval and designation of an LDA to the Enterprise Solutions and Standards (ESS) Disbursing (Defense Finance and Accounting Service (DFAS), ESS Disbursing, Indianapolis (DFAS-JJFKCB/IN), 8899 E. 56th Street, Column 301S, Indianapolis, IN 46249 (***dfas.indianapolis-in.jjf.mbx.ess-disbursing@mail.mil***)). ESS Disbursing will review and send the request to the Treasury's Bureau of the Fiscal Service before the account is established.

A. Requests for U.S. dollar (USD) accounts must include documentation indicating that the DO requested and received a commitment to pledge collateral from the bank suggested for selection. If the bank agrees to pledge collateral, the DO may request a USD operating account; otherwise, the DO may request only a USD zero-balance account.

B. A request for an LDA should include the:

1. Disbursing station symbol number (DSSN);

2. Justification for the account, to include the reason(s) why ITS.gov will not support mission requirements;

3. Location;

4. Name of the currency;

5. Criteria for determining the preferred bank and reasons for recommending its selection (e.g., results of the competitive process);

6. Name of proposed bank;

7. Bank address;

8. Name and title of bank official and telephone number(s);

9. Percentage of ownership by a U.S. bank; and

10. Name of the correspondent bank in the United States, the account number, and a point of contact (e.g., name, title, and telephone number).

1403 ESTABLISHING AND MAINTAINING A LIMITED DEPOSITARY ACCOUNT

140301. Establishment

Once Treasury approves a request, establish the LDA in the name of the assigned DO, or a DDO or other agent the DO designates. Limit authority to sign checks drawn on the LDA to the DO and other appointed DDOs or agents. A DO who transacts business in multiple foreign currencies must establish and maintain a separate LDA for each.

140302. Letter of Authorization

The commander certifies by letter the name and rank of the DO assigned to the activity, stating that the DO is authorized to maintain an LDA with official funds of the United States in the name of the activity. If the custodian of the LDA is a DDO or other agent of the DO, the commander's letter identifies that DDO or agent and:

A. Certifies that the account is subject to checks issued by the DO, other appointed DDOs or agents, and their successors in office;

B. Includes signature specimens of the DOs and authorized DDOs and agents, and a certification that the signatures are those of the personnel authorized to transact business with the limited depositary (LD); and

C. Requests the bank acknowledge acceptance by endorsement of the letter, in triplicate. The bank should retain the original letter and return two copies to the activity.

140303. Blank Limited Depositary Checks

A. Procurement. LD checks are not available through the Treasury check contract. Order checks from the bank maintaining the LDA, charging their procurement cost to the disbursing activity's operating funds.

B. Print Order Requirements. Obtain LD checks in continuous form format for mechanized systems. The checks must be overprinted to provide the serial number of the check, name of the activity, any limited-payable notices as may apply in the foreign nation, and information necessary for security and accounting for check issues.

C. Security. Control and safeguard blank LD checks in the same manner as prescribed for Treasury checks in Chapter 7, paragraph 070307. If LD checks are lost or stolen, the DO immediately notifies the LD of the serial numbers of those checks, places stop payments against them, and submits copies of the stop-payment requests with the next original LD reports.

D. Relief of DO. Transfer unused LDA checks to the relieving officer, with no change in serial numbers, for their use.

E. LDA No Longer Required. When an LDA is no longer required or when a disbursing office is deactivated, void all unused blank LDA checks and destroy them (see section 1404 and Chapter 7, paragraph 070902.

140304. Preparation of Limited Depositary Checks

A. General. Prepare LD checks using automated check writing equipment, if available, or a typewriter if necessary.

B. Record of Check Issues. DOs maintain a record of all LD checks issued. The record includes payee names, voucher numbers, amounts (in the currency of the check), check serial numbers, check dates, and activity name under which the account is established. Other information as to the purpose for which checks are issued and local identification codes is optional at the issuing DO's discretion. The record may be on paper or in media designed for data processing use (e.g., compact disk). Keep a separate record for each LDA. Include records of check issues with retained disbursing records.

140305. Disbursement Vouchers

When a payment is made with an LD check, enter the notation "LD Check No.___," on the disbursement voucher. Although a receipt is not generally required for a check payment, local laws may prohibit LD checks drawn outside the United States from being returned to the drawer. In these cases, show evidence of receipt of the payment on the voucher on which an LD check payment appears in one of the following two ways:

A. Signature on Original Voucher. Submit the original voucher as a part of the financial reports for the month of payment; or

B. Periodic Statements from Depositary. Periodic statements from the LD listing the paid checks by number and amount, certified by an officer of the bank and the DO, are satisfactory evidence of payment. The certificate of the bank should say, "I certify that the above is a true and correct list of all checks paid by this bank and charged to the account shown in the heading during the period covered by this statement, and that the originals of the checks are on file in this bank and will be held for __ years." The DO certifies to the reconciliation of the bank statement with the disbursing records.

140306. Delivery of Checks

Before mailing any LD checks outside the country in which the LD is located, the DO verifies that such action is not prohibited by the Status of Forces Agreements or the banking laws of the countries involved (see Chapter 7, paragraph 070604).

140307. Irregularity after Delivery of Checks

When an irregularity occurs after check delivery and the check is still outstanding, stop payment of the check. Provide a complete report of the facts with the request for stoppage. If the irregularity is discovered after payment of the check, the DO notifies the depositary of the irregularity.

140308. Interest on Deposits

In some cases, LDs pay interest on LDAs. When possible, the DO obtains interest on the LDA. The DO canvasses the market to obtain the highest interest rate legally available consistent with disbursing requirements, and monitors the interest-bearing accounts to ensure the interest is being paid timely following agreements between the DO and the banks. When notified that interest has been credited to the account, the DO prepares a DoD ***(DD) Form 1131***, Cash Collection Voucher, crediting **3220 (General Fund Proprietary Receipts, Not Otherwise Classified, All Other) for the U.S. dollar equivalent (USDE) of the interest, and records the transaction as both a collection and an increase of cash on deposit in the LDA.

140309. Account Balances

Keep daily LDA balances as near zero as possible, maintaining them solely to support disbursing requirements. Draw LDA checks against new deposits only after receipt of confirmation of the deposits from the LD. If foreign currency collections cause a non-interest bearing LDA to exceed a five to seven-business day supply and all attempts to sell the currencies to other DOs are exhausted, the DO sells the foreign currency for USDs for deposit to a bank designated as a Treasury General Depositary. Do not use LDA balances (or the forfeiture of potential interest earnings on the account) to subsidize banking services otherwise funded through the appropriation process.

140310. Review of Limited Depositary Accounts

A. Commanders' Review. Commanders require review of DO maintained LDAs to ensure compliance with this volume. The cash verification team (see Appendix A) performs this unannounced review quarterly, upon transfer of accountability to a successor DO, before departure of the outgoing DO from the command, upon deactivation of the LDA, or upon a change in the designated settlement office.

B. DOs' Review. DOs review LDAs on a continuing basis to ensure:

1. Maintenance of minimum account balances necessary to meet immediate disbursement needs (checks issued and in process);

2. Balances in excess of immediate needs (typically a five to seven business day supply) are promptly withdrawn and deposited with the Treasury;

3. The terms negotiated with the depositary are favorable to the U.S. Government including interest on the account at the highest possible rate;

4. At least every three years for each account, the DO determines if it may be cost effective to solicit competitive proposals from all American owned and leading local financial institutions in the area to secure the most beneficial banking agreement; and

5. Immediate notification to Treasury's Over-the-Counter Revenue Collection Division through DFAS-JJFKCB/IN at the email address listed in paragraph 140202 upon learning of a significant event that affects the designated bank (e.g., bank closure).

1404 VOIDED AND SPOILED LIMITED DEPOSITARY CHECKS

140401. General

Treat original LD checks that are not to be issued as voided or spoiled. Void LD checks with writing errors (e.g., wrong name or amount). In addition, void checks physically damaged during preparation, or where the applicable entitlement area has withdrawn the voucher. Mark these checks conspicuously to prevent their negotiation, either in error or through fraud. Prepare separate listings of voided and spoiled checks monthly and attach them to the Standard Form (SF) ***1149***, Statement of Designated Depositary Account.

140402. Voided Checks

The functional area authorizing the payment of a voucher may request voiding of a check. The DO bases their decision on the payee's non-entitlement to payment, or an error in the way the check was drawn. Do not report voided checks as issued in the DO's check report. Upon determination to void a check, render the check non-negotiable by stamping, marking, or writing the words "VOID - NOT NEGOTIABLE, NO CHECK ISSUED UNDER THIS NUMBER" on the check's face in large prominent letters. Do not store voided checks in the safe or vault of the DO or any deputies or agents. Prepare a listing of voided checks, entitled "Voided Checks," showing the accounting month, the name of the LD, and the LDA number at the end of each month and send it and the originals of all voided checks with the monthly SF 1149.

140403. Spoiled Checks

A DO issuing a check determines when to report a check as spoiled, basing the decision on the physical appearance of the check (e.g., mutilated, torn, not whole, smudged, unreadable); or upon discovering an error in the preparation of the check, (e.g., voucher correct but the check data does not match).

A. Preparation of Check Listing. Prepare a separate listing of spoiled checks, entitled "Spoiled Checks," in check-number sequence at the end of each month, showing the accounting month, name of the LD, and LDA number. Send the listing and the original spoiled checks with the monthly SF 1149.

B. Spoiled Check Replacement. Replace a spoiled check with the next available serially numbered check. Enter the same information that appeared on the original check except for the check serial number and the check issue date, and date the replacement check on its issue date. Render the original check non-negotiable by writing, marking, or stamping "SPOILED – NOT NEGOTIABLE, REPLACEMENT ISSUED UNDER CHECK NO.__ DATED ____" on the face of the check. Inscribe "Issued to Replace Check No. ____" on every replacement check in the lower left-hand corner of the check. Show this same information on the detailed record of checks issued.

1405 TRANSFERRING PROCEEDS OF LIMITED DEPOSITARY CHECKS

140501. General

An uncurrent LD check is a check that has not been negotiated through the LD for at least one full fiscal year after the fiscal year in which the check was issued, except where local laws provide that the negotiable period of a check is shorter. The amount of such checks must be transferred to Treasury or credited to the original appropriation. The transfer of LDA check proceeds may be due to undeliverable checks or checks due to deceased or incompetent payees.

140502. Uncurrent Check Transfers

The DO who issued the original check, a successor DO, or a settlement officer designated by the supporting DFAS site transfers proceeds of uncurrent checks to Treasury each October.

A. Open LDAs

1. Preparation of Check Listing. Prepare an original and four copies of a separate check listing for each LDA, with a heading showing the DO's name and location and the name and location of the LD. Include the uncurrent LD checks in ascending numerical order on each listing, showing each check's issue date, check number, name of the payee, check amount in the check's currency, and the USDE of the check when it was issued (as shown on the payment voucher). Show the total amount of foreign currency units and the total USDE of all checks on the listing. Transfer the total USDE when the checks were issued to Treasury account, 20X6045 (Proceeds and Payment of Certain Unpaid Checks).

2. Stop Payment Notice to the LD. The DO immediately gives a copy of the uncurrent check listing to the LD, requests that it place stop payments on all checks, and instructs the LD to advise all payees presenting checks shown on the listing to submit the checks to the disbursing office for transmittal to and settlement by the Department of the Treasury, Bureau of the Fiscal Service, Attn: Credit Accounting Branch, 3201 Pennsy Drive, Building E, Landover MD 20785.

3. Method of Transfer. The DO prepares an Optional Form ***(OF) 1017-G***, Journal Voucher (JV), to document the purchase of foreign currency represented by the outstanding checks, and completes the purchase by issuing a Treasury check payable to the Department of Treasury for the USDE shown on the check listing. Include a complete explanation

of the transaction on the JV, giving the date, check serial number, and DSSN of the activity issuing the Treasury check. The JV supports the increase in the LDA checkbook balance. Report the transaction on line 6 of the SF 1149. Attach a copy of the JV to the uncurrent check listing and send it with the Treasury check to the Treasury (see subparagraph 140502.A.2 for address).

4. Accounting for the Transfer

a. Report the Treasury check in the daily business as "Checks Issued on U.S. Treasury;"

b. Increase "Cash on Deposit in Designated Depositary" in the same USD amount as the Treasury check;

c. Increase the LDA checkbook balance by the total amount of foreign currency units shown on the check listing;

d. Compute the USDE of the LDA checkbook balance including the foreign currency units added in subparagraph 140502.A.4.c. using the current rate of exchange; and

e. Compare the computed total USDE of the LDA checkbook balance to the total USDE shown as "Cash on Deposit in Designated Depositary." Voucher any difference as a gain or loss by exchange transaction on a DD 1131 or ***SF 1034***, Public Voucher for Purchases and Services Other Than Personal (as appropriate), against **6763 (Gains and Deficiencies on Exchange Transactions), and record it in the day's business as either an increase or decrease to "Cash on Deposit in Designated Depositary."

5. Distribution of Documents. Distribute the uncurrent check listing, JV, and the DD 1131 or SF 1034:

a. Send the original and one copy of the uncurrent check listing, a copy of the JV, and the Treasury check to the Treasury (see subparagraph 140502.A.2);

b. Send a copy of the uncurrent check listing to the LD;

c. Attach one copy each of the uncurrent check listing, the JV, and the DD 1131 or SF 1034 to the SF 1149;

d. File one copy of each of the uncurrent check listing, the JV, and the DD 1131 or SF 1034 in the DO's retained LDA records; and

e. Include the original and appropriate number of copies of the JV and DD 1131 or SF 1034 with other vouchers supporting the ***SF 1219***, Statement of Accountability.

B. Closed LDAs. When outstanding (unpaid) checks become uncurrent in a closed LDA, transfer the USDE to Treasury account 20X6045. The DO having jurisdiction over the closed account arranges with the LD for the necessary transfer of funds from the closed LDA to the DO's current LDA. After the LD completes the transfer to the current account, the DO follows subparagraph 140502.A. If the closed account belonged to a predecessor DO or is part of the settlement account for a closed disbursing station, prepare an additional copy of the uncurrent check listing to file with the retained records of the closed disbursing station's records; include a reference to the disbursing office accomplishing the transfer and the date of transfer on this copy. Notify Treasury of the closure through DFAS-JJFKCB/IN at the email address in paragraph 140202.

140503. Transferring Proceeds of Undeliverable Checks

This paragraph relates to the proceeds of undeliverable LD checks still due the payee or the payee's estate. Cancel LD checks returned as undeliverable and are not due the payee or payee's estate (see section 1406).

A. Time Limit for Holding Undeliverable Checks. Hold undeliverable LD checks only until determination that the DO cannot deliver them with the information available, but not longer than 60 days from the date of issue.

B. Record of Undeliverable Checks. Undeliverable LD checks are recorded on ***DD 2658***, Returned and Undeliverable Check/Bond Record. Include a complete description of the checks, the disbursing voucher numbers, dates the checks were returned, disposition of the checks, disbursing official authorizing the disposition, and disposition dates. The DO, principal DDO, or a third person having the DO's written authorization approves disposition of undelivered checks.

C. Safekeeping of Undeliverable Checks. Protect undeliverable LDA checks held in the disbursing office the same as cash. File them in an order best suited for ease of retrieval and ready identification.

D. Disposition of the Proceeds of Undeliverable Checks Drawn on Open Accounts

1. Credit the proceeds of undeliverable LDA checks (current as to date of issue) drawn on an open LDA to the appropriation or fund charged for the original disbursement. Use the rate of exchange that was in effect on the date of issue, as shown by the payment voucher, and establish a payable to allow for future settlement. Schedule undeliverable LDA checks on an ***SF 1098***, Schedule of Canceled or Undelivered Checks, showing the check number, month and year of issue, name of payee, amount (USDE on the date of issue), DSSN, and the appropriation or fund to be credited, and process the SF 1098 as a cash collection. To maintain the DO's accountability, increase "Cash on Deposit in Designated Depositary" by the USD amount on the SF 1098, and increase the LDA checkbook balance by the total amount of foreign currency units of the listed checks.

2. Compute the current USDE of the LDA checkbook balance (including the foreign currency units added in subparagraph 140502.A.4.c.) using the current exchange rate. Compare the total USDE of the LDA checkbook balance to the total USDE shown as "Cash on Deposit in Designated Depositary." Prepare a voucher to document any difference in total USDEs as a gain or loss by exchange transaction on a DD 1131 or SF 1034 (as appropriate) against **6763, and record it in the day's business as either a collection (increase) or disbursement (decrease), as appropriate to "Cash on Deposit in a Designated Depositary."

3. Update the record of outstanding and undeliverable checks to reflect the disposition. At the time of disposition, render the checks non-negotiable by writing, typing, or stamping on the face of the check "NOT NEGOTIABLE, PROCEEDS CREDITED IN GOVERNMENT ACCOUNTS, D.O. SYMBOL (DSSN)" to prevent unauthorized negotiation. Include the amount of the defaced checks on line 3 of the SF 1149. Send the canceled checks and one copy of the SF 1098 with the SF 1149 in the same manner as voided and spoiled checks at the end of each month. Reproduce enough additional copies of the SF 1098 to provide the functional area authorizing the original disbursement a copy so they may establish a payable to handle future claims for the proceeds of canceled undeliverable checks.

E. Disposition of the Proceeds of Undeliverable Checks Drawn on Closed Accounts

1. If the LDA on which the undeliverable checks were drawn is closed, the successor DO or settlement officer notifies the LD that the checks are being canceled. Transfer the proceeds of the check to the successor DO's LDA or by a check payable to the DO (by title). Once the proceeds are transferred to the open account, the DO follows subparagraph 140503.D for undeliverable checks drawn. When the LD provides the proceeds by check, the DO processes a DD 1131 to credit the appropriation or fund charged when the checks were issued, and does not prepare an SF 1098. Prepare the DD 1131 at the rate of exchange in effect when the checks were issued, as shown by the related payment vouchers. Account for any difference in the USD value by comparing the current rate of exchange and the rate when the checks are collected as a gain or loss by exchange (see Chapter 13, section 1304).

2. Render undelivered checks non-negotiable by writing, typing, or stamping "NOT NEGOTIABLE, PROCEEDS CREDITED IN GOVERNMENT ACCOUNTS, D.O. SYMBOL (DSSN)" on the face of the check to prevent unauthorized negotiation. Post the record of outstanding and undeliverable checks in the former DO's accounts to reflect their disposition. Send a copy of the DD 1131 and the defaced checks with the SF 1149 to support the changes in the closed LDA account at the end of the month. Send a copy of the DD 1131 to the applicable functional area to enable it to establish the payable in the event of future claims for the proceeds of canceled undeliverable checks.

F. Undeliverable Checks Uncurrent as to Date of Issue. Send uncurrent undeliverable checks that come to the disbursing office, the proceeds of which have been transferred to Treasury account 20X6045 and for which no current claim has been presented, to the Credit Accounting Branch, Bureau of the Fiscal Service (see subparagraph 140502.A.2 for address). To process uncurrent undeliverable checks with proceeds not transferred to the Treasury,

follow the guidance in paragraph 140502. Do not schedule them on an SF 1098 or DD 1131 as current undeliverable checks.

140504. Limited Depositary Checks Due Deceased or Incompetent Payees

A. Checks Current as to Date of Issue. Process non-negotiated LD checks returned to the disbursing office in connection with a claim for the proceeds which are still due a deceased or incompetent payee but still current as to date of issue under subparagraphs 140503.D and 140503.E.

B. Checks Uncurrent as to Date of Issue. Handle non-negotiated LD checks, uncurrent as to date of issue and returned to the disbursing office in connection with a claim for the proceeds that still are due a deceased or incompetent payee, as follows:

1. If the proceeds of these checks were not previously transferred to Treasury account 20X6045, perform this transfer as provided in paragraph 140602, before forwarding the check and the claim to Treasury.

2. If transfer of these checks' proceeds to Treasury account 20X6045 has occurred, send the checks with the related claims to Treasury's Credit Accounting Branch, Bureau of Fiscal Service for settlement.

140505. Claims for the Proceeds of Undeliverable Checks

A. Claims for Settlement by the DO. Support claims for the proceeds of undeliverable checks credited to the appropriation or fund originally charged using an SF 1034. Cite a reference to the original undeliverable check, showing its serial number, amount, and DSSN on each voucher.

B. Claims for Settlement by the DoD. When there is any question of law or fact, send claims for the proceeds of undeliverable checks to DoD, Office of the General Counsel (OGC), 1600 Defense Pentagon, Washington, DC 20301-1600.

1406 CANCELING LIMITED DEPOSITARY CHECKS

140601. General

Cancel LDA checks when their proceeds are not due to payees or their estates but are for credit to an appropriation or fund account. The procedure to cancel these checks depends on whether the account on which the check was written is open or closed, the check is current or uncurrent, and whether the check is available or unavailable to the DO maintaining the LDA.

140602. Checks not Due a Payee or Payee's Estate

If a payee or payee's estate is not entitled to a check, the functional area that submitted the certified payment is the only office that may request the DO to cancel that check. Except as

provided in this paragraph, use an SF 1098 to list and report all such checks being canceled. In all cases where practicable, the functional area authorizing the original payment prepares the SF 1098. If the disbursing office prepares the SF 1098, the functional area signs and dates it in the lower right-hand corner in the spaces titled "Forwarded" and "By." The disbursing office marks the front of the check with the word "CANCELED" and the date of cancellation in prominent letters to prevent improper negotiation of the check.

A. Checks Current as to Issue Date. The DO cancels LD checks not due a payee as quickly as possible and credits the USDE of the foreign currency amount of the checks at the rate of exchange in effect on the dates the checks were issued (as shown on the payment vouchers) to the original appropriation or fund charged for the payments.

1. Open Accounts. If the LDA is open, process the SF 1098 in the account to credit to the fund or appropriation charged for the original disbursement, increase the LDA checkbook balance, and remove the canceled check from the record of outstanding checks.

a. Account for each SF 1098 as a cash collection;

b. Increase "Cash on Deposit in Designated Depositary" by the same USD amount as the SF 1098 to maintain the DO's accountability;

c. Increase the LDA checkbook balance by the total amount of foreign currency units shown on the listed checks;

d. Compute the current USDE of the LDA checkbook balance (including the foreign currency units added in subparagraph 140602.A.1.c.) using the current rate of exchange;

e. Compare the total USDE of the LDA checkbook balance to the total USDE shown as "Cash on Deposit in Designated Depositary." Voucher any difference in total USDEs as a gain or loss by exchange transaction on a DD 1131 or SF 1034 (as appropriate) against **6763, and record it in the day's business as either a collection or disbursement to "Cash on Deposit in a Designated Depositary;" and

f. Mark the face of the canceled check "Canceled," include the date of cancellation, and send the canceled check and a copy of the SF 1149 at the end of the month.

2. Closed Accounts. If the LDA is closed or the account was maintained by a predecessor DO and closed upon change of DOs, transfer funds between the closed and current (open) LDAs before processing a cancellation action. Otherwise, follow the procedures in the remainder of this paragraph.

a. Check to be Canceled Drawn on DO's Current LDA. If a DO cannot draw a check against the closed LDA and both the closed and open (DO's current) LDAs are with the same LD, advise by letter the LD that the DO has the check and will cancel it.

Ask the LD to transfer the funds involved from the closed to the open LDA. When the LD advises that the requested transfer has been made, proceed with the preparation of the SF 1098 as described in subparagraph 140903.

b. Check to be Canceled Drawn on Different LD. If the closed LDA and the DO's current open LDA are in different LDs, request in writing that the LD on which the check was drawn credit the account for the check being canceled and send the funds to the DO, by title. Upon receipt, deposit the funds in the current open LDA and treat them as a cash collection using a DD 1131 for credit to the fund or appropriation originally charged for the check being canceled; do not process an SF 1098. Show the USDE of the foreign currency amount of the check and the rate of exchange effective on the date the check was issued as shown on the payment voucher on the DD 1131. State prominently that the transaction involves the proceeds of a canceled check on the DD 1131. Account for any difference in the USD value at the current rate of exchange and the rate of exchange at which the funds provided by the LD are collected on the DD 1131 as a gain or loss by exchange transaction.

B. Unavailable Checks. Cancel LDA checks, the proceeds of which are not due the payee or the payee's estate and not held by the disbursing office, even though they cannot be forwarded with the SF 1149 as canceled checks. The applicable functional area prepares an SF 1098 and includes an explanation of the circumstances that make the check unavailable. The functional area that authorized the issue of the original check approves the SF 1098, which the DO also signs under the explanation of the unavailability of the check:

1. The DO requests that the LD on which the check was drawn place a stop payment on the check and provide a written acknowledgement when this is accomplished;

2. When the LD's acknowledgement is received, the DO processes the SF 1098, credits the fund or appropriation originally charged, adjusts the checkbook balance, reduces the record of outstanding checks as prescribed in subparagraph 140702.A.1, and sends a copy of the LD's acknowledgement and a copy of the SF 1098 with the SF 1149 at the end of the month; and

3. The DO files the original SF 1098 and the bank's acknowledgement with his/her monthly financial reports and keeps copies for the retained records file.

C. Checks Uncurrent as to Date of Issue. Process the proceeds of uncurrent checks not due a payee or payee's estate through Treasury account 20X6045. Process uncurrent LDA checks, whether or not due the payee (payee's estate) or available to the DO through Treasury account 20X6045 as prescribed in section 1405.

1. The DO schedules the checks on an SF 1098 (original and six copies) crediting the fund or appropriation originally charged for the payment. List the USDE of the foreign currency at the rate of exchange in effect on the check's issue date as shown on the payment voucher. Modify the heading of the SF 1098 to read "Schedule of Limited Depositary Checks Canceled by the Department of the Treasury." Include a full explanation of the reason for

cancellation of the check on the SF 1098, but do not process this SF 1098 as a collection in the accounts.

2. Send the original and five copies of the SF 1098 and the check, when available, through the supporting DFAS site to Credit Accounting Branch, Bureau of Fiscal Services, Treasury with a cover letter or memorandum requesting cancellation of the check. Attach a copy of the outstanding check listing and JV prepared when the check was transferred to the Treasury account 20X6045 to document the request. Retain one copy of the SF 1098 in a pending receivables file.

3. After cancellation of the check is approved, the Treasury authorizes issuance of a Treasury check for the value of the canceled LDA check. Process this check and the ***SF 1080***, Voucher for Transfers Between Appropriations and/or Funds, upon receipt from Treasury as a collection. Support the transaction with the retained copy of the SF 1098.

1407 REPLACING MISSING, MUTILATED, AND FORGED LIMITED DEPOSITARY CHECKS

140701. General

A DO, upon receipt of a claim for a check that is reported as not received, lost, stolen, destroyed, mutilated, forged, or defaced, determines the status of the check from the LD or from retained records whether the check is outstanding. The DO issues a replacement check in accordance with this chapter when checks are reported as outstanding and unpaid before the end of the fiscal year following the fiscal year a check was issued, and such issuance does not involve a question of law or fact.

140702. Issuing Replacement Checks

A. Action by the Original Payee or Other Claimant. The payee or other claimant notifies the DO in writing (with signature) when a check has been lost, stolen, mutilated, or destroyed, and requests payment on the check be stopped.

1. The notification must provide all information available on the check. When furnished by the DO, the payee or other claimant completes a Treasury Fiscal Service (TFS) Form 2244, Undertaking of Indemnity - Substitute Checks, and returns it to the DO before the end of the fiscal year following the fiscal year of the check's issuance.

2. Claimants other than the original payee present a statement to support their ownership of the check with the TFS 2244. Representatives of deceased payees or owners who are entitled to the proceeds of original checks as part of the estate also complete and submit an ***SF 1055***, Claim Against the United States for Amounts Due a Deceased Creditor.

3. Claimants acting as guardians of incompetent payees or owners who are shown by the evidence to be entitled to the proceeds of the original check submit a short-form court certificate showing their appointment and qualifications as guardians with the TFS 2244.

4. A DO may, at his/her discretion, accept an undertaking of indemnity in the form of a written statement or letter (see paragraph 140702.A.5) if:

a. The payee or other claimant is a bank or other financial institution and the check was drawn for $15,000 or less;

b. The payee or other claimant is a corporation or business of recognized financial standing and the check was drawn for $5,000 or less;

c. The payee or other claimant is a financially responsible individual and the check was drawn for $150 or less; or

d. The check was for a recurring payment in any amount greater than $150.

5. The substance of the statement or letter must be:

> "In consideration of the issuance of a replacement check in lieu of (check number of original check, date, amount, and payee) and the payment of the replacement check, the undersigned undertakes and agrees to save harmless and indemnify the United States of America, its officers and agents, of and from any and all liability, loss, expense, claim, and demand whatsoever, arising in any manner by reason of or on account of said original check(s) or the stoppage of payment thereof, or the issue of payment of the replacement check(s), to replace the same."

The statement must be witnessed by a person with authority to so act and, when necessary, may be executed in a foreign language translation of the foregoing letter of indemnity. If the claim exceeds the amounts stated above and the DO still desires to use the letter form of the undertaking of indemnity, obtain prior approval from the DFAS Director for Strategy, Policy, and Requirements through the supporting DFAS site.

B. Action by the DO. The DO first determines that the check reported as lost, stolen, destroyed, mutilated, or defaced is still outstanding. If it is, request the LD stop payment on the check and acknowledge receipt of the request in writing. Upon receipt of the acknowledgement, the DO sends a modified TFS 2244 to the claimant for completion and return. The DO makes the following modifications to the TFS 2244:

1. Enter the description of the check;

2. Enter the name of the bank on which the check was drawn; and

3. Insert a statement near the added bank name that reads, "This change made before execution of bond with full knowledge and consent of all parties concerned." The claimant and sureties must sign this statement. On completion of the TFS 2244, the DO, having determined that the original check is still outstanding, approves the claim for payment. The DO may issue a replacement check before the end of the fiscal year after the fiscal year of issue if:

a. There is no question of law or fact concerning the payment,

b. The written claim, the TFS 2244, or written statement or letter includes an undertaking of indemnity; and

c. Supporting documents have been received in proper form.

C. Replacement Check. Note the approval on the reverse of TFS 2244 or on the letter undertaking indemnity, with the words "Claim approved by (Name, title, and disbursing station), Date (month, day, and year)." If the original check was drawn on a closed LDA, transfer the funds to an open LDA before issuing a replacement check under subparagraph 140602.A.2.

1. The DO issues a replacement check with a current date payable in the same currency as the original check. In the lower left-hand corner on the face of the replacement check, include information identifying the original check as follows: "Issued in lieu of check number dated (month, day, and year) drawn by (DO who issued original check) on (Name of LD)." The DO records the number of the replacement check, the date of issue, and the name of the LD on which drawn on the back of the TFS 2244 or on the letter undertaking indemnity; and

2. At the end of the month, the DO attaches a copy of all replacement checks issued during that month to the SF 1149. If copies cannot be provided, submit a listing of replacement checks issued, showing only the replacement check numbers and numbers and dates of the original checks replaced with the SF 1149. Replacement checks do not increase a DO's accountability; do not reflect them on the SF 1219. File the TFS 2244 and all supporting documents with the DO's retained records.

D. Sureties. A surety assumes debtor status under the original agreement and is primarily liable with the claimant for any default. Acceptable sureties in connection with TFS 2244 are either a corporate surety authorized by the Secretary of the Treasury, or two responsible individual sureties acting in concert. In foreign countries, the claimant is responsible to secure the certification of financial sufficiency of individual sureties. One of the persons listed on the face of the TFS 2244 executes the certification under "Certificate as to Sureties" as prescribed by the instructions on the TFS 2244. If the amount of the original check had a USD value of $200 or less, only one financially responsible surety is required. Sureties are not required if the:

1. DO determines that the non-receipt, loss, theft, destruction, or mutilation of the check was not the fault of the owner or holder, and occurred while the check was in the custody or control of an agent of the United States performing services in connection with an official U.S. function;

2. DO is satisfied that a substantial portion of the check is presented, is in fact the subject of the claim, and that the missing portions will not support a valid claim against the United States;

3. Claimant or holder is an officer or employee of the United States, a U.S. municipal corporation, or a U.S. political subdivision, a U.S. state, the District of Columbia, or a U.S. territory or possession; or

4. Claimant is a corporation whose entire capital is owned by the United States, a foreign government or agency thereof, a foreign central bank, or a Federal Reserve Bank.

140703. Issuing Settlement Checks

This guidance for claims on paid checks applies to all LDAs.

A. Action by the Payee of the Check. The payee immediately notifies the DO in writing (with signature) when a check has been paid on a forged endorsement, providing all available information on the identification of the forged check. The payee completes the Financial Management Service (FMS) ***Form 1133***, Claim Against the United States for the Proceeds of a Government Check, and returns it to the DO issuing the original check within 90 days of the date on the FMS 1133.

B. Action by the DO. Upon receipt of a written request for the proceeds of a check paid on a forged endorsement:

1. The DO sends a written request to initiate reclamation to the LD, asking the LD to acknowledge the request in writing and, if canceled checks are not returned to the account holder with the bank statement, the LD provide the forged check or a clear legible copy of it to the DO;

2. The DO gives the payee a copy of the forged check, and an FMS 1133 with instructions on its completion, informing the payee that the form must be returned within 90 days. The return address at the top right of the form is that of the DO processing the claim. In the opposite box insert the complete name and address of the claimant as shown on the forged check, the check number, the date of issue, and the amount of the check;

3. If the claimant does not complete and return the FMS 1133 within 90 days, the DO considers the case closed. If the claimant returns the form within 90 days, the DO sends the form and a copy of the forged check to his/her Component's investigative service for examination by a handwriting expert;

4. The DO requests the opinion of the investigative service as to the authenticity of the endorsement. The opinion of the handwriting expert is the basis for deciding if a settlement check may be approved for the claimant. Approve a settlement check if the opinion of the handwriting expert is that the endorsement was forged. A DO may issue a settlement before the end of the fiscal year following the fiscal year in which the forged check was issued if:

a. There is no question of fact or law concerning the payment;

b. The payee's claim is in writing; and

c. The FMS 1133, the certified opinion of the handwriting expert, or any other necessary supporting documents have been received in proper form.

5. A DO, upon determining that a settlement check is due to the payee, issues it without waiting for reclamation to be accomplished by the LD. Note the approval on the front of the FMS 1133 in the words, "Settlement approved by (name, title, and disbursing station), Date (month, day, and year)." The DO issues a settlement check with the current date payable in the same currency as the original check, including in the lower left-hand corner the statement, "Issued in settlement of check number ____, dated (month, day, year), drawn by (DO who issued original check) on (name of LD)." Report settlement checks as checks issued and account for them in the regular manner when preparing the SF 1149; and

6. If the local currency disbursed for the forged check was purchased from a military banking facility, by an open market transaction, or by issuance of a Treasury check, report the issuance of the settlement check on line 7.2A, Receivable - Check Overdraft, of the DD ***2657***, Daily Statement of Accountability, and line 7.2 of the SF 1219. Follow section 1408 to establish and clear the receivable as a check issue overdraft discrepancy. If the funds originally used to pay the forged check were from U.S.-owned foreign currencies, the DO charges the disbursement of the settlement check to the same foreign currency account.

C. Reclamation. A DO issuing settlement checks must be satisfied that reclamation action is timely, having made every effort to recover the proceeds of forged LD checks. Within 30 days after receipt of the LD's acknowledgement of the notification of a forgery, the DO makes at least two formal written requests for completion of reclamation by the LD.

1. If the LD advises that reclamation cannot be made due to a local law that relieves it from responsibility, the DO requests relief of liability for the illegal, incorrect, or improper payment (see Chapter 6, section 0606); and

2. If relief is granted, the DO follows section 1408 to clear the check issue overdraft. Credit recoveries made through reclamation to the appropriation charged for the disbursement of the settlement check. If the charge is still carried as a check issue overdraft, clear line 7.2A of the DD 2657 and line 7.2 of the SF 1219. If the receivable has been cleared by relief of liability, credit **3210, General Fund Proprietary Receipts, Defense Military, Not Otherwise Classified.

140704. Recovery of Original Check

If the original LD check is recovered before issuance of a replacement check, suspend the replacement check action and request that the LD remove the stop payment against the original check, which the payee may then negotiate. If the replacement check has been released, render the original check non-negotiable by writing or stamping across the face of the check "NOT NEGOTIABLE REPLACEMENT CHECK ISSUED UNDER No._____," and submit it with the next SF 1149.

140705. Referral to DoD Office of General Counsel

A. Entitlement or Legal Representation. Send cases involving questions on a payee's or owner's entitlement to a substitute or settlement check, and cases where no legal representative has been appointed by the court for deceased/incompetent payees or owners, through command legal channels to the DoD OGC. Include an assessment or determination from the appropriate entitlement area concerning the underlying obligation. Before referring a case, see section 1406.

B. Question of Law or Fact. Send cases involving any question of law or fact through command legal channels for settlement action.

C. Checks Outstanding More Than One Full Fiscal Year. Send cases involving checks outstanding more than one fiscal year after the fiscal year in which they were issued through command legal channels for settlement. Include in these cases an undertaking of indemnity for the proceeds of a lost, stolen, destroyed, mutilated, or defaced LD check; the check in question, when available, or any identifiable portions thereof; and any other supporting documentation.

140706. Files

The DO retains approved claims and supporting documents or copies of them where the originals have been transferred to the supporting DFAS site, as part of the retained records.

1408 ADJUSTMENT OF CHECK ISSUE DISCREPANCIES

140801. General

This section prescribes the actions required to adjust LDA differences chargeable to DOs. The DO makes these adjustments and records them immediately upon discovery. This guidance does not apply to voided, spoiled, or canceled LDA checks (see sections 1404 and 1405). Internal, Government Accountability Office, or other agency audits; or DO-initiated control measures disclose LD check-issue discrepancies. These occur when the LD pays a check in an amount different from the disbursement voucher and the record of checks issued; the disbursing office draws a check to the wrong payee; the disbursing office issues a check in an amount different from that shown on the disbursement voucher; the disbursing office voids, spoils, or cancels a valid check in error while simultaneously issuing a check that was the subject of an action to void, spoil, or cancel; or the payee advises of a possible overpayment or underpayment.

140802. Recording Limited Depositary Check Issue Overdrafts and Underdrafts

A DO, as soon as he or she is aware of a check issue difference (regardless of the USD value), prepares a JV with an original and three copies to record the difference, showing a complete explanation of the difference and including a description of the check (e.g., check number, date, amount, payee, account number, and LD name) and identification of the related disbursement voucher. Attach the original JV to the DO's SF 1219, a copy to the SF 1149, and file the two

remaining copies to be used as the DO's official subsidiary record of the uncleared difference comprising the DO's accounts receivable and/or accounts payable.

140803. Adjustments During the Current Accounting Period

Do not include documentation for adjusting check issue discrepancies disclosed and adjusted in the current accounting period with the SF 1149; retain these documents with the other retained financial records for internal processing. Follow paragraphs 140804 – 140806 to document differences disclosed during the current accounting period which cannot be adjusted until a subsequent accounting period.

140804. Adjustments of Check Issue Overdrafts of More Than $1

A DO finding that an LD check was issued for more than the amount shown on the disbursement voucher and reported in the LDA reports prepares a JV under paragraph 140802 and enters the amount as a decrease to the LDA on line 6.1 and an increase to accounts receivable on line 7.2A of the DD 2657.

A. If the overdraft is an actual overpayment to the payee, the DO begins collection action. When the overpayment is recovered, the DO deposits the funds in the LDA and enters the amount as an increase on line 6.1 and a decrease on line 7.2A of the DD 2657, and prepares a JV to document the transaction, but does not prepare a collection voucher.

B. If the overdraft is due to not having charged the appropriation for the total amount of the check, prepare a one-sided ***SF 1081***, Voucher and Schedule of Withdrawal and Credits, to charge the overdraft to the appropriation cited on the original disbursement voucher. Include a complete explanation of the adjustment and process it as a disbursement on line 4.1A, and a decrease to the accounts receivable on line 7.2A of the DD 2657.

140805. Adjustments of Check Issue Underdrafts of More Than $1

A DO finding that a check was issued for less than the amount of the disbursement voucher and shown on the depositary reports prepares a JV under paragraph 140802, enters the amount of the underdraft as an increase to lines 4.1E and 6.1 of the DD 2657, and prepares a one-sided SF 1081 crediting deposit fund account **X6999 (Accounts Payable - Check Issue Underdrafts).

A. If the underdraft is due to charging the appropriation cited on the disbursement voucher more than the amount of the check, prepare an SF 1081 charging deposit fund account **X6999 and crediting the appropriation charged on the original voucher.

B. If the underdraft is due to issuing the check for less than the amount on the original voucher, prepare an SF 1034 charging deposit fund **X6999 and issue a check to the original payee for the amount of the underdraft.

C. Record the check and the SF 1034 as a new transaction in the LDA and on the DD 2657.

140806. Clearing Overdrafts and Underdrafts of $1 or Less

A DO finding that an overdraft or underdraft of $1 or less exists prepares a JV as described under paragraph 140802. Do not liquidate LD check issue differences of $1 or less in USD, even though they are recorded in the DO's accounts. Reconcile collection from overpaid payees, payment to underpaid payees, or adjustments to appropriation or fund accounts which were over or under charged in the original processing of the voucher and issuance of the check, as follows:

A. Overdrafts of $1 USD or Less. At the close of each fiscal year, the DO prepares a one-sided SF 1081 for the cumulative total of all outstanding check issue overdrafts with a USD value of $1 or less, charging the disbursing activity's operating funds and crediting accounts receivable. Describe the transactions completely, and include a listing of the JVs being cleared.

B. Underdrafts of $1 USD or Less. At the close of each fiscal year the DO liquidates all outstanding underdrafts for check issue differences with a USD value of $1 or less by processing an SF 1081 to transfer the cumulative total of these accounts payable from deposit fund **X6999 to miscellaneous receipt account **1060 (Forfeiture of Unclaimed Money and Property). If a payee requests payment of an underpaid amount before the end of the fiscal year, the DO confirms the claim and, when necessary, issues a check charging the original appropriation for the disbursement. Refer claims received after the outstanding underdraft has been cleared to the supporting DFAS site.

140807. Clearing the Subsidiary Account Files

When the adjustment action has been completed, collection made or an additional check issued, mark the file copies of the JV with either: "See Deposit Ticket No. _____, (*date*);" "See Check No. _____, (*date*);" or "See Adjustment Voucher No. _____, (*date*)." Submit one of the annotated copies with the SF 1149 at the close of the accounting period, and file the remaining copy with the DO's retained records for the LDA.

1409 LIMITED DEPOSITARY ACCOUNT TRANSACTION DOCUMENTATION

140901. General

DOs implement controls to assure the drawing of LD checks in strict conformance to certified disbursement vouchers. LDAs are a part of the DO's accountability for public funds. The DO must maintain complete and accurate records, and make them available for audit to ensure the integrity of the LDAs. Treat a loss resulting from a bank failure as a physical loss; see Chapter 6, section 0604.

140902. Standard Form 1149, Statement of Designated Depositary Account

A DO holding an open LDA or a settlement officer charged with settling closed accounts prepares and submits an SF 1149 within 30 days after the close of a calendar month. When closing an LDA, the account holder prepares and submits an SF 1149 within five days after closure. For

a closed LDA, mark the final SF 1149 "FINAL" at the top of the form. Prepare an original and two copies of the SF 1149 if the LDA holder is the DO, or an original and three copies if the LDA holder is an agent of the DO. Support the SF 1149 with the:

A. LDA bank statement for the period or a certified list of paid checks;

B. Record of checks issued;

C. Schedule of spoiled and voided checks and the checks themselves;

D. Copy of each SF 1098 issued during the reporting period canceling available checks and the checks themselves;

E. Copy of each SF 1098 issued during the reporting period canceling unavailable checks with the LD's letter acknowledging their cancellation;

F. Copy of each JV issued during the accounting period transferring uncurrent checks or reporting/clearing check issue discrepancies;

G. Original checks returned or recovered after issuing a substitute check or any mutilated or defaced checks received from claimants;

H. Schedule of deposits made to the LDA during the accounting period, showing date and amount of each deposit;

I. List of outstanding checks showing check number, date, and amount; and

J. Copy of the SF 1219.

140903. Standard Form 1098, Schedule of Canceled or Undelivered Checks

Voucher LD checks being canceled because the payee is not entitled to the proceeds of the check or because the check cannot be delivered to the payee on an SF 1098. Add the caption "Limited Depositary Account" at the top of the form. See paragraph 140503 (undeliverable checks) and section 1406 (canceled checks). If the checks being scheduled were all drawn on the same LDA and are being canceled or are all undeliverable, use a single SF 1098. If they were drawn on more than one LDA, prepare a separate SF 1098 for each account. Do not include undeliverable and canceled checks on the same SF 1098. LDA checks charged to different appropriations or funds and drawn on the same LDA do not require separate SFs 1098.

140904. Optional Form 1017-G, Journal Voucher

Prepare JVs to document a DO's accountability when disbursement or collection vouchers from the functional areas are not appropriate. A DO documents the transfer of the proceeds of uncurrent checks and adjustments of check issue discrepancies, entering USD values of the currency involved.

1410 TRANSFERRING AND CLOSING A LIMITED DEPOSITARY ACCOUNT

141001. General

LDAs being closed or transferred require reconciliation. The DO's agent serving as the LDA custodian contacts the LD and requests a current statement of the account and, if available, all the paid LD checks since the last regular statement before attempting to reconcile an LDA. Reconcile the account by preparing an SF 1149 (see paragraph 140902).

141002. Transferring a Limited Depositary Account

Use these procedures to transfer an LDA to the DO/DDO, a successor DO, or designated settlement office due to operational requirements or economic considerations.

A. The DO's Agent:

1. Obtains an up-to-date bank statement from the LD;

2. Reconciles the LDA;

3. Prepares a list of the outstanding LDA checks and provides it to the individual charged with continuing the account;

4. Gives the LD the name, official title, and address of the successor LDA holder and arranges for future bank statements and paid checks to be delivered to that individual;

5. Turns over all undelivered LD checks to the successor LDA holder;

6. Issues a check to the successor LDA holder for the unexpended reconciled balance of the account;

7. Reports the check transaction on line 10 of the final SF 1149;

8. Forwards the SF 1149 and a list of the outstanding checks to the supporting DFAS site;

9. Enters the amount of the unexpended balance and gives a complete description of the check issued to the successor LDA holder as an Other Cash Item on line 7.9 of the SF 1219;

10. Returns any unused checks belonging to the LD for disposition. If they were purchased by the disbursing activity, deliver them to the successor LDA holder;

11. Requests the supporting DFAS site designate a settlement officer to liquidate the LDA before transferring the LDA to a settlement office for closure; and

12. Notifies DFAS-JJFKCB/IN at the email address listed in paragraph 140202 of the transfer.

B. The Successor LDA Holder:

1. Verifies the LDA is in balance before relieving the DO's agent and ensures that a balance sufficient to satisfy all outstanding checks remains in the LDA;

2. Notifies the LD of the names of the new DO and check-signing agents;

3. Deposits the check received from the previous DO's agent for the unexpended balance and reports the check amount on line 2 of the SF 1149 in the first monthly report of the successor LDA holder; and

4. Makes all required reports and processes all transactions required in this chapter for the maintenance of LDAs.

141003. Closing a Limited Depositary Account

A. The DO/DDO or DO's Agent:

1. Requests a current statement of the account from the LD;

2. Reconciles the account and,

a. If there are no outstanding checks, closes the LDA or,

b. If there are outstanding checks, leaves a sufficient balance in the account to cover them and transfers the account to a settlement office designated by the supporting DFAS site;

3. Prepares a list of outstanding checks showing the name of the LD, check number, date, payee name, payee social security number, payee address, voucher number under which the check was disbursed, amount in units of foreign currency, amount of the check in equivalent USDs at the time of issue, DSSN, and the name of the DO that established the LD;

4. Prepares a letter (in triplicate) for the commander's signature advising the LD that the account is being closed with the withdrawal of the unexpended balance and that an amount sufficient to cover all outstanding checks will remain in the account. Give the LD the name, official title, and address of the settlement officer and request that future statements and paid checks, when available, be forwarded until the account balance is depleted. Request the LD acknowledge acceptance by signature, retain the original, and return two signed copies to the DO. The LDA holder retains one of the signed copies;

5. Prepares a LD check payable to the DO (by title) under whose authority the account was established for the unexpended balance of the account. The DO cashes the check and accounts for it on the SF 1219 by reducing line 6.1 and increasing line 6.2 by the amount of the check;

6. Reconciles the account and prepares a final SF 1149 as of the last business day showing a zero checkbook balance on lines 12 and 18. The ending balance must be the total amount of the checks shown on both the list of outstanding checks and line 16;

7. Sends all undelivered checks, a copy of the final SF 1149, a copy of the current bank statement furnished by the LD, a signed copy of the letter advising the LD of closure of the account, a copy of the check issued for the unexpended balance of the account, and the list of outstanding checks to the designated settlement office;

8. Returns unused LD checks to the LD. Store unused LD checks purchased by the disbursing activity and dispose of them in the same manner as Treasury checks. No certificate of destruction or notification to the DFAS or to the Treasury is required for destruction of LD checks; and

9. Notifies DFAS-JJKCB/IN within 15 days of account closure at the email address listed in paragraph 140202.

B. The Designated Settlement Office:

1. Confirms the LDA is in balance before accepting accountability from the DO/DDO or DO's agent;

2. Validates LDA transactions using the documentation provided by the LDA holder;

3. Renders the monthly SF 1149 required by paragraph 140902 using the documentation provided by the LDA holder and statements by the LD;

4. Transfers the proceeds of uncurrent checks to the Treasury (see paragraph 140502);

5. Issues replacement checks as required by paragraph 140702;

6. Disposes of undeliverable checks when necessary (see paragraph 140503); and

7. Notifies DFAS-JJFKCB/IN within 15 days of account closure at the email address listed in paragraph 140202.

VOLUME 5, CHAPTER 15: "DISBURSING OFFICER ACCOUNTABILITY REPORTS"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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

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

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

The previous version dated January 2016 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current administrative instructions.	Revision
150802	Revised the paragraph to add Volume 1, Chapter 9, section 0902 as the reference for record retention of DoD financial documents.	Revision

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CHAPTER 15

DISBURSING OFFICER ACCOUNTABILITY REPORTS

1501 GENERAL

150101. Overview

A. Financial Reports. All disbursing officers (DOs) are accountable to the Treasury for the cash and cash equivalent items (including receivables) in their possession. DOs are required to submit financial reports to support the Department of Defense (DoD) accountability to the U.S. Government for all public funds collected and disbursed. These reports are the basis for official audits and settlement of accounts by the U.S. Government Accountability Office, and provide information to maintain administrative accounting controls.

B. Accountability Reports. DOs maintain their daily accountability on the DoD ***(DD) Form 2657***, Daily Statement of Accountability. The DO's official monthly accountability is recorded and reported on the Standard Form ***(SF) 1219***, Statement of Accountability. DOs report disbursement and collection transactions on both the DD 2657 and the SF 1219, with collections reported as net of disbursements on the SF 1219. Every DO must keep detailed records of all transactions. These records must be available for examination by authorized representatives.

150102. Purpose

This chapter provides the policy, guidelines, and forms to record daily and monthly accountability for cash items (and receivables) in the DO's possession. In addition, it provides requirements for submission and distribution of financial reports and retention of disbursing office records, and defines the accounting period.

150103. Authoritative Guidance

Under Title 31, United States Code (U.S.C.), ***section 3513***, the Secretary of the Treasury prepares reports required to inform the President, Congress, and the public on the financial operations of the U.S. Government. On a monthly basis, the head of each executive agency must provide the Secretary of Treasury reports and information relating to the agency's financial conditions and operations. See Treasury Financial Manual (TFM), Volume 1, Part 2, Chapter 3100 (***1 TFM 2-3100***).

1502 POLICY

150201. Balancing of Accounts

A. DOs. DOs keep documents representing cash in their vault or safe and account for them daily on the DD 2657 and monthly on the SF 1219. The DD 2657 represents the permanent

written record of the DOs daily balance of cash in their possession. When accounts are inspected, DOs must present the DD 2657 to the inspectors for examination.

B. Deputies, Cashiers, and Disbursing Agents. Deputies (DDOs), cashiers, and disbursing agents perform most DO cash transactions. The DO or primary DDO balances all DDOs, cashiers, disbursing agent, paying agent, and collections agents daily, using the ***DD Form 2665***, Daily Agent Accountability Summary. The DD 2665 represents the report of their accountability to the DO, and preparation of this form is based on a physical count of all cash and negotiable instruments in their possession.

150202. Deputies, Cashiers, and Disbursing Agents at Remote Locations

DDOs, cashiers, and disbursing agents who are geographically distant from the DO (e.g., DO in Indiana and agent in Afghanistan) are still required to record transactions by preparing a DD 2665; however, they need not submit the DD 2665 to the DO on a daily basis. DOs will establish the timing of agent turn-ins for their operations. Agent turn-ins must include all DD 2665s, supporting documentation (e.g., collection vouchers, disbursement vouchers, and deposit tickets), and ***DD Form 1081***, Statement of Agent Officer's Account.

150203. Navy Vessels

DOs aboard Navy vessels balance their cash using the DD 2657. The DDOs, cashiers, and disbursing agents must use DD 2665 to balance at least weekly, immediately before and after each payday, the last day of each month, and anytime the DO suspects that an irregularity has occurred. When workload and staffing conditions allow, DOs aboard Navy vessels should balance cash accounts for all DDOs, cashiers, and disbursing agents daily.

1503 DAILY AGENT ACCOUNTABILITY SUMMARY (DD 2665)

The DD 2665 is a stand-alone document that provides a complete picture of a DDO's, cashier's, or disbursing agent's accountability transactions from day to day. Each DDO, cashier, and disbursing agent prepares a DD 2665 for each day during which he/she transacts business. They must summarize that day's business and record the transactions in U.S. dollar (USD) values. Paying agents appointed to work with contracting for contingency operations need to prepare a DD 2665 on the day they turn-in all their business to the DO. To the extent possible, avoid performing a turn-in during the middle of a business day. If a turn-in for the middle of the day is necessary, prepare a DD 2665 up to and including the turn-in period; prepare another DD 2665 for the portion of the business day after the turn-in. Preparation instructions and an example of a DD 2665 are provided in Figure 15-1.

1504 STATEMENT OF AGENT OFFICER'S ACCOUNT (DD 1081)

150401. Overview

Agent officers (DOs, cashiers, and disbursing agents) prepare a DD 1081, as a summary of cash transactions and receipt for cash and vouchers on hand (between DOs and their agent

officers). This form is prepared when a DO is advancing funds to an agent and is also used to summarize cash transactions for the period covered by the turn-in. When the agent officers settle their account, the DO or principal DDO verifies the DD 1081, signs the original and a copy of the form, keeps the original form and supporting documents, and returns the signed copy of the form to the agent officer. The DO or principal DDO must perform a physical count of cash at the time of the turn-in or settlement. The agent officer keeps the signed copy as a record of the opening cash balance for the next period of duty and for record purposes if the account is balanced to zero. Preparation instructions and an example of a DD 1081 are provided in Figure 15-2.

150402. Electronic Submission of DD 1081s in Contingency Locations

Subject to the approval of the parent DO, paying agents in remote operational contingency locations may transmit electronically scanned or facsimile copies of the DD 1081 to the parent disbursing office. A paying agent is solely responsible to ensure that all documentation is legible and that:

A. The scanned or facsimile copies were produced from original documents and cannot be altered;

B. The copies are retained until the applicable retention period expires; and

C. Access to the images is limited to authorized personnel.

In cases of paying agents transmitting documents electronically, the DO must verify the electronic submissions are in fact from the paying agent. Further, the DO is responsible to ensure that adequate internal controls are implemented to prevent the posting of duplicate items when receiving electronic and original documents from the operational contingency location. The DO must also provide for the confirmation and acceptance of digitally signed documents, and the return of the accepted DD 1081 to the agent.

1505 DAILY STATEMENT OF ACCOUNTABILITY (DD 2657)

The DD 2657 summarizes the total disbursements and collections made during the business day by the DO and all DDOs, cashiers, and disbursing agents. Section I of the DD 2657 reflects the total DO accountability to the Treasury at the end of each business day. If disbursing operations were to cease, the total amount listed in Section I for the last operational business day would be the amount that the Treasury would seek to recover from the DO. Preparation instructions and an example of a DD 2657 are provided in Figure 15-3.

1506 STATEMENT OF ACCOUNTABILITY (SF 1219)

The SF 1219 summarizes totals of all receipts and expenditures of public funds occurring during an accounting period and the status of the DO's account at the close of that period. An accounting period normally begins on the first day of each calendar month and ends on the last day of that month. Preparation instructions and an example of a SF 1219 are provided in Figure 15-4.

1507 FINANCIAL REPORTS

150701. Overview

A. Accounting Period. DOs submit financial reports to the Defense Finance and Accounting Service (DFAS) on a calendar month basis, except for months during which accountability begins or ends on other than the first or last day of a month.

1. For a new disbursing office, the accounting period begins on the first day official business is transacted. When one DO relieves another, the accounting period for the relieved officer ends on the date of relief. The accounting period for the relieving officer normally begins on the next calendar day. Whenever possible, relief of a DO should occur on the last day of a month to preclude the need to submit an additional set of financial reports for that month.

2. An accounting period may not extend beyond the end of a calendar month. Exceptions to the calendar month accounting period may occur when a DO is relieved from disbursing duty before the last day of a month or commences disbursing duty on other than the first day of a month. The first day of the accounting period coincides with the date of commencement of disbursing duty notification forwarded under Chapter 2, subparagraph 020406.B.5. For any month during which accountability ends because of a Disbursing Station Symbol Number (DSSN) closing, the DO must submit the financial reports from the first day of the month through the date of closing.

B. Adjustments. DOs are allowed to submit supplemental reports to Treasury to adjust prior period reporting, make corrections to the original reporting, or report additional current month transactions as outlined in the 1 TFM 2-3100.

C. Submission of DO's Financial Reports. DOs submit financial reports to the supporting DFAS site following instructions provided by that site.

150702. Submission of Financial Reports to DFAS Sites

A. Requirement for Quarterly Submission of the SF 1219. On a quarterly basis, and upon relief of a DO, a copy of the SF 1219 is required to be mailed to DFAS Disbursing Policy, DFAS Indianapolis (DFAS-ZPFA/IN), 8899 East 56th Street, Indianapolis, IN 46249-5000 or emailed to dfas-in.disbursingpolicy@mail.mil. If the SF 1219 submission is accompanied with an advisement of the relief of a DO, a copy of the SF 1219 and DO relief information is also required to be mailed to DFAS Enterprise Solutions and Standards, Disbursing (DFAS-JJFKCB/IN), DSSN Management, 8899 East 56th Street, Indianapolis, IN 46249-5000 or emailed to dfas.indianapolis-in.jjf.mbx.ess-disbursing@mail.mil.

B. Requirement for submission of the DD 2667. When a DDO, cashier, disbursing agent, paying agent, collection agent, or imprest fund cashier has a physical loss of funds, forward the ***DD Form 2667***, Subsidiary Accountability Record, to DFAS-ZPFA/IN within five calendar days after the end of each month (see Chapter 6, subparagraph 060402.B.2).

1508 DISBURSING OFFICE RECORDS

150801. DFAS Record Retention

The supporting DFAS site examines all financial reports and sends them to the nearest federal records center for retention based on record retention requirements and storage availability at the DFAS site.

*150802. DoD Record Retention

A. Volume 1, Chapter 9, section 0902 provides document retention requirements applicable to financial records. The retention requirements for Federal entities are further defined in ***44 U.S.C. 21*** and the National Archives and Records Administration (NARA) ***General Records Schedule***. The DoD has also developed supplementary guidance in ***DoD Directive 5015.02***, DoD Records Management Program.

B. DOs must apply the most stringent record retention requirements to support accounting records of initial entries and support records such as checks, electronic fund transfers (EFT), and invoices (see ***Financial Improvement Audit Readiness Guidance***), and maintain them until all outstanding issues are resolved. Before disposal of contingency operations documents, DOs must contact their legal counsel for document retention in excess of the NARA and DoD guidance for financial records in Volume 1, Chapter 9, section 0902. Records must be available and accessible to all authorized users. Additionally, a DO or designated settlement official must keep records to complete the reconciliation of payment or collection discrepancies until resolved.

150803. Other Records

A. Original Disbursing Office Records. Original disbursing office records include, but are not limited to:

1. Disbursement and collection vouchers including supporting documents (e.g., invoices, receiving reports, purchase orders or contracts, and lodging receipts);

2. ***Voucher Control Logs***;

3. DD 2657;

4. SF 1219;

5. DD 2665;

6. Check issue records and reports;

7. Limited Depositary Account (LDA) records and reports;

8. Deposits of negotiable instruments;

9. Deposit tickets and debit vouchers;

10. Appointments and revocations of accountable individuals;

11. Payroll deposit transactions to individual service members' local pay accounts that are accessed via shipboard cash dispensers (automated teller machines);

12. Any other document record, log, or electronic file that supports disbursing transactions that affects the accountability of the DO or other accountable individual; and

13. Local check cashing policies and agreements.

B. Other Records Retention. The requirement for retaining original records applies to any record a DO receives that accompanies payment or collection transactions, or supports financial reports. The requirement applies to both paper and electronic records kept as original supporting documents at both the functional and disbursing offices. Certifying officials send electronic payment files to only the DO and keep supporting documentation in accordance with the guidance referenced in paragraph 150802. For Foreign Military Sales document record retention, see Volume 15, Chapter 6, paragraph 060402.

1. Hardcopy and electronic records storage controls must be in place by the disbursing office to ensure that only authorized personnel have access to any paper documents and electronic images.

2. Original disbursing office records and supporting documents in electronic format are a form of record retention. Duplicate copies of disbursement and collection vouchers and associated supporting documents may be retained as necessary at the DO's discretion.

C. Unclassified Records. Individual records may be unclassified, but sometimes when information is aggregated, the security classification may change. Unclassified records do not require special security or storage controls and may be stored in open files or cabinets. Store these records with controls that readily identify:

1. Records that have been removed from the files;

2. The name of the individual(s) who removed the records;

3. The date the records were removed;

4. The name of the individual(s) who returned the records;

5. The date the records were returned; and

6. Other information needed to contact the responsible individual(s), (e.g., organization, address, telephone number, and email address to ensure that records are returned timely).

150804. Transfer and Disposition of Retained Disbursing Office Records

A. Nontactical Disbursing Offices. Transfer all disbursing office records to the incoming (relieving) DO as a part of the relief process described in Chapter 2, paragraph 020406. When a disbursing office is deactivated, package and mail all disbursing office records to the office designated to settle the accounts.

B. Tactical Units and Naval Vessels

1. Detachment with Relief. When a DO of a tactical unit or naval vessel is relieved from disbursing duty, the incoming DO keeps the outgoing DO's disbursing records for 90 days from the date of relief. After the 90-day period, the incoming DO packages the disbursing records and sends them to the supporting DFAS site or alternate site designated by DFAS for retention until the expiration of the required retention period. For deployed units, the 90-day period begins after the unit or vessel returns to homeport.

2. Detachment without Relief. When a DO of a tactical unit or naval vessel is relieved from disbursing duty due to deactivation of the disbursing office or when a vessel or unit is decommissioned from service, the DO must package and send all disbursing office records to the supporting DFAS site or alternate site designated for retention.

3. Shipment of Retained Documents. To facilitate shipment of retained records, DOs of tactical units and naval vessels file retained records in these categories:

a. Public vouchers other than payroll vouchers;

b. Payroll vouchers with supporting documents;

c. Collection vouchers and supporting documentation;

d. Checking accounts records, to include records of checks drawn. These records include SF 1179, Month End Check Issue Summary; Financial Management Service (FMS) Form 5206, Advice of Check Issue Discrepancy, with related correspondence; and Optional Form ***(OF) 1017-G***, Journal Voucher, with related correspondence;

e. DD 2657;

f. ***SF 1149***, Statement of Designated Depositary Account;

g. SF 1219;

h. Instruments deposited;

i. SF 1184, Unavailable Check Cancellation;

j. Debit Vouchers;

k. Certificate of revaluation of foreign currency;

l. Quarterly reports on the status of suspense accounts; and

m. Other miscellaneous retained disbursing documents.

Figure 15-1. DD 2665, Daily Agent Accountability Summary

1st Day of Month (Front)

DAILY AGENT ACCOUNTABILITY SUMMARY

1. DATE 6/1/XX

SECTION I - SUMMARY OF DAILY ACCOUNTABILITY TRANSACTIONS

a. LINE NO.		b. DESCRIPTION				c. TODAY	d. CUMULATIVE
1.		**ACCOUNTABILITY – BEGINNING**				0	0
2.	I N	ADVANCES	a. Cash 10,000.00	b. Prepositioned Checks	c. Other	10,000.00	10,000.00
3.	C	VOUCHERED COLLECTIONS				500.00	500.00
4.	R	TREASURY CHECK ISSUES	a. Vouchered 1,000.00		b. Other	1,000.00	1,000.00
5.	E	TRANSFERS FROM OTHER DISBURSING OFFICERS					
6.	A	EXCHANGE GAIN ACCUMULATIONS					
7.	S	OTHER (Explain)					
8.	E	TOTAL INCREASES				11,500.00	11,500.00
9.		**GROSS ACCOUNTABILITY**				11,500.00	11,500.00
10.	D E	TRANSFERS TO OTHER DISBURSING OFFICERS					
11.	C	EXCHANGE LOSS ACCUMULATIONS					
12.	R	OTHER (Explain)					
13.	E A S	RETURNS TO PRINCIPAL	a. Paid Vouchers	b. Deposit Tickets			
			c. Other Returns (Explain)				
14.	E	TOTAL DECREASES				0	0
15.		**ACCOUNTABILITY – ENDING**				11,500.00	11,500.00

SECTION II - DISTRIBUTION OF AGENT ACCOUNTABILITY

a. LINE NO.	b. ELEMENT OF ACCOUNTABILITY				c. ACCOUNTABILITY BEFORE TRANSFERS	d. RETURNS TO PRINCIPAL	e. ACCOUNTABILITY AFTER TRANSFERS
16.	LIMITED DEPOSITARY		UNITS	RATE			
17.	CASH ON HAND (U.S.)				6,000.00		
18.	CASH ON HAND (Foreign)	a. ACCOMMODATION	UNITS	RATE			
		b. OPERATING	UNITS	RATE			
19.	PREPOSITIONED TREASURY CHECKS						
20.	NEGOTIABLE INSTRUMENTS (U.S.)						
21.	NEGOTIABLE INSTRUMENTS (Foreign)		UNITS	RATE			
22.	MILITARY PAYMENT CERTIFICATES						
23.	PAID VOUCHERS				5,000.00		
24.	FUNDS IN TRANSIT						
25.	FUNDS WITH SUBAGENTS						
26.	DEPOSIT TICKETS (not LDA)				500.00		
27.	DISHONORED CHECKS RECEIVABLE						
28.	CHECK OVERDRAFTS RECEIVABLE						
29.	LOSS OF FUNDS						
30.	DEFERRED VOUCHERS						
31.	OTHER (Explain)						
32.	**TOTAL AGENT ACCOUNTABILITY**				11,500.00		

SECTION III - LOCATION OF CASH/NEGOTIABLE INSTRUMENTS

a. LINE NO.	b. LOCATION	c. CASH (Foreign Units)	d. CASH (U.S.)	e. PREPOSITIONED CHECKS	f. MILITARY PAYMENT CERTIFICATES	g. OTHER
33.	AGENT		6,000.00			
34.	DEPUTY AGENT					
35.	CASHIER					
36.	OTHER (Specify)					
37.	**TOTALS**		6,000.00			

2. NAME OF AGENT (Type or Print)
William J. Ellis, SSGT

3. ADDRESS OF AGENT (Type or Print)
DFAS

4. SIGNATURE OF AGENT

DD Form 2665, AUG 93

Figure 15-1. DD 2665, Daily Agent Accountability Summary (Continued)

1st Day of Month (Back)

SECTION IV - MEMORANDUM AGENT ACCOUNTABILITY

38. DEPOSIT TICKETS ON HAND

NUMBER	AMOUNT	NUMBER	AMOUNT	NUMBER	AMOUNT	NUMBER	AMOUNT
123456	500.00						

39. PAID VOUCHERS ON HAND

400001	THRU	400005		THRU			THRU	
	THRU			THRU			THRU	
	THRU			THRU			THRU	
	THRU			THRU			THRU	
	THRU			THRU			THRU	
	NOT USED			**DUPLICATED**			**VOIDED**	

40. COLLECTION VOUCHERS ON HAND

200001	THRU			THRU			THRU	
	THRU			THRU			THRU	
	THRU			THRU			THRU	
	THRU			THRU			THRU	
	THRU			THRU			THRU	
	NOT USED			**DUPLICATED**			**VOIDED**	

41. VOUCHERS RETURNED FOR CORRECTION (ON HAND)

PAID VOUCHERS	COLLECTION VOUCHERS

42. TREASURY CHECK STOCK ON HAND

	SERIES A			**SERIES B**			**CONTROL**	
70,000,001	THRU	70,000,999		THRU			THRU	
	THRU			THRU			THRU	
	THRU			THRU			THRU	
	THRU			THRU			THRU	
	THRU			THRU			THRU	

43. AGENT REMARKS

$4,000 paid in cash on DOV 400001 – 400004
$1,000 paid by check on DOV 400005
$500 check collected on COV 200001 (SF 215 # 123456)

DD Form 2665, AUG 93 (Back)

Figure 15-1. DD 2665, Daily Agent Accountability Summary (Continued)

2nd Day of Month (Front)

DAILY AGENT ACCOUNTABILITY SUMMARY — 1. DATE 6/2/XX

SECTION I - SUMMARY OF DAILY ACCOUNTABILITY TRANSACTIONS

a. LINE NO.		b. DESCRIPTION				c. TODAY	d. CUMULATIVE
1.		**ACCOUNTABILITY – BEGINNING**				11,500.00	0
2.	IN	ADVANCES	a. Cash	b. Prepositioned Checks	c. Other		10,000.00
3.	C	VOUCHERED COLLECTIONS					500.00
4.	R	TREASURY CHECK ISSUES		a. Vouchered 1,000.00	b. Other	1,000.00	2,000.00
5.	E	TRANSFERS FROM OTHER DISBURSING OFFICERS					
6.	A	EXCHANGE GAIN ACCUMULATIONS					
7.	S	OTHER (Explain)					
8.	E	TOTAL INCREASES				1,000.00	12,500.00
9.		**GROSS ACCOUNTABILITY**				12,500.00	12,500.00
10.	DE	TRANSFERS TO OTHER DISBURSING OFFICERS					
11.	C	EXCHANGE LOSS ACCUMULATIONS					
12.	R	OTHER (Explain)					
13.	EAS	RETURNS TO PRINCIPAL	a. Paid Vouchers 6,000.00	b. Deposit Tickets 500.00		6,500.00	6,500.00
			c. Other Returns (Explain)				
14.	E	TOTAL DECREASES				6,500.00	6,500.00
15.		**ACCOUNTABILITY – ENDING**				6,000.00	6,000.00

SECTION II - DISTRIBUTION OF AGENT ACCOUNTABILITY

a. LINE NO.	b. ELEMENT OF ACCOUNTABILITY				c. ACCOUNTABILITY BEFORE TRANSFERS	d. RETURNS TO PRINCIPAL	e. ACCOUNTABILITY AFTER TRANSFERS
16.	LIMITED DEPOSITARY		UNITS	RATE			
17.	CASH ON HAND (U.S.)				6,000.00		6,000.00
18.	CASH ON HAND (Foreign)	a. ACCOMMODATION	UNITS	RATE			
		b. OPERATING	UNITS	RATE			
19.	PREPOSITIONED TREASURY CHECKS						
20.	NEGOTIABLE INSTRUMENTS (U.S.)						
21.	NEGOTIABLE INSTRUMENTS (Foreign)		UNITS	RATE			
22.	MILITARY PAYMENT CERTIFICATES						
23.	PAID VOUCHERS				6,000.00	6,000.00	0
24.	FUNDS IN TRANSIT						
25.	FUNDS WITH SUBAGENTS						
26.	DEPOSIT TICKETS (not LDA)				500.00	500.00	0
27.	DISHONORED CHECKS RECEIVABLE						
28.	CHECK OVERDRAFTS RECEIVABLE						
29.	LOSS OF FUNDS						
30.	DEFERRED VOUCHERS						
31.	OTHER (Explain)						
32.	**TOTAL AGENT ACCOUNTABILITY**				12,500.00	6,500.00	6,000.00

SECTION III - LOCATION OF CASH/NEGOTIABLE INSTRUMENTS

a. LINE NO.	b. LOCATION	c. CASH (Foreign Units)	d. CASH (U.S.)	e. PREPOSITIONED CHECKS	f. MILITARY PAYMENT CERTIFICATES	g. OTHER
33.	AGENT		6,000.00			
34.	DEPUTY AGENT					
35.	CASHIER					
36.	OTHER (Specify)					
37.	**TOTALS**		6,000.00			

2. NAME OF AGENT (Type or Print)
William J. Ellis, SSGT

3. ADDRESS OF AGENT (Type or Print)
DFAS

4. SIGNATURE OF AGENT

DD Form 2665, AUG 93

Figure 15-1. DD 2665, Daily Agent Accountability Summary (Continued)

2nd Day of Month (Back)

SECTION IV - MEMORANDUM AGENT ACCOUNTABILITY

38. DEPOSIT TICKETS ON HAND

NUMBER	AMOUNT	NUMBER	AMOUNT	NUMBER	AMOUNT	NUMBER	AMOUNT

39. PAID VOUCHERS ON HAND

	THRU			THRU			THRU	
	THRU			THRU			THRU	
	THRU			THRU			THRU	
	THRU			THRU			THRU	
	THRU			THRU			THRU	
	NOT USED			**DUPLICATED**			**VOIDED**	

40. COLLECTION VOUCHERS ON HAND

	THRU			THRU			THRU	
	THRU			THRU			THRU	
	THRU			THRU			THRU	
	THRU			THRU			THRU	
	THRU			THRU			THRU	
	NOT USED			**DUPLICATED**			**VOIDED**	

41. VOUCHERS RETURNED FOR CORRECTION (ON HAND)

PAID VOUCHERS	COLLECTION VOUCHERS

42. TREASURY CHECK STOCK ON HAND

	SERIES A			**SERIES B**			**CONTROL**	
70,000,002	THRU	70,000,999		THRU			THRU	
	THRU			THRU			THRU	
	THRU			THRU			THRU	
	THRU			THRU			THRU	
	THRU			THRU			THRU	

43. AGENT REMARKS

$1,000 paid by check on DOV 400006
"turn in" as of close of business 6/2/XX $6,500.00
(DOV 400001 - 400006; COV 200001; SF 215 123456)

DD Form 2665, AUG 93 (BACK)

Figure 15-1. DD 2665, Daily Agent Accountability Summary (Continued)

3rd Day of Month (Front)

DAILY AGENT ACCOUNTABILITY SUMMARY

1. DATE 6/3/XX

SECTION I - SUMMARY OF DAILY ACCOUNTABILITY TRANSACTIONS

a. LINE NO.		b. DESCRIPTION				c. TODAY	d. CUMULATIVE
1.		**ACCOUNTABILITY – BEGINNING**				6,000.00	6,000.00
2.	I N	ADVANCES	a. Cash 2,000.00	b. Prepositioned Checks 2,000.00	c. Other	4,000.00	4,000.00
3.	C	VOUCHERED COLLECTIONS					
4.	R	TREASURY CHECK ISSUES		a. Vouchered 3,000.00	b. Other	3,000.00	3,000.00
5.	E	TRANSFERS FROM OTHER DISBURSING OFFICERS					
6.	A	EXCHANGE GAIN ACCUMULATIONS					
7.	S	OTHER (Explain)					
8.	E	TOTAL INCREASES				7,000.00	7,000.00
9.		**GROSS ACCOUNTABILITY**				13,000.00	13,000.00
10.	D E	TRANSFERS TO OTHER DISBURSING OFFICERS					
11.	C	EXCHANGE LOSS ACCUMULATIONS					
12.	R	OTHER (Explain)					
13.	E A S	RETURNS TO PRINCIPAL	a. Paid Vouchers	b. Deposit Tickets			
			c. Other Returns (Explain)				
14.	E	TOTAL DECREASES				0	0
15.		**ACCOUNTABILITY – ENDING**				13,000.00	13,000.00

SECTION II - DISTRIBUTION OF AGENT ACCOUNTABILITY

a. LINE NO.	b. ELEMENT OF ACCOUNTABILITY				c. ACCOUNTABILITY BEFORE TRANSFERS	d. RETURNS TO PRINCIPAL	e. ACCOUNTABILITY AFTER TRANSFERS
16.	LIMITED DEPOSITARY		UNITS	RATE			
17.	CASH ON HAND (U.S.)				6,500.00		
18.	CASH ON HAND (Foreign)	a. ACCOMMODATION	UNITS	RATE			
		b. OPERATING	UNITS	RATE			
19.	PREPOSITIONED TREASURY CHECKS				2,000.00		
20.	NEGOTIABLE INSTRUMENTS (U.S.)						
21.	NEGOTIABLE INSTRUMENTS (Foreign)		UNITS	RATE			
22.	MILITARY PAYMENT CERTIFICATES						
23.	PAID VOUCHERS				4,500.00		
24.	FUNDS IN TRANSIT						
25.	FUNDS WITH SUBAGENTS						
26.	DEPOSIT TICKETS (not LDA)						
27.	DISHONORED CHECKS RECEIVABLE						
28.	CHECK OVERDRAFTS RECEIVABLE						
29.	LOSS OF FUNDS						
30.	DEFERRED VOUCHERS						
31.	OTHER (Explain)						
32.	**TOTAL AGENT ACCOUNTABILITY**				13,000.00		

SECTION III - LOCATION OF CASH/NEGOTIABLE INSTRUMENTS

a. LINE NO.	b. LOCATION	c. CASH (Foreign Units)	d. CASH (U.S.)	e. PREPOSITIONED CHECKS	f. MILITARY PAYMENT CERTIFICATES	g. OTHER
33.	AGENT		6,500.00	2,000.00		
34.	DEPUTY AGENT					
35.	CASHIER					
36.	OTHER (Specify)					
37.	**TOTALS**		6,500.00	2,000.00		

2. NAME OF AGENT (Type or Print)
William J. Ellis, SSGT

3. ADDRESS OF AGENT (Type or Print)
DFAS

4. SIGNATURE OF AGENT

DD Form 2665, AUG 93

Figure 15-1. DD 2665, Daily Agent Accountability Summary (Continued)

3rd Day of Month (Back)

SECTION IV - MEMORANDUM AGENT ACCOUNTABILITY

38. DEPOSIT TICKETS ON HAND

NUMBER	AMOUNT	NUMBER	AMOUNT	NUMBER	AMOUNT	NUMBER	AMOUNT

39. PAID VOUCHERS ON HAND

400007	THRU	400008		THRU			THRU	
	THRU			THRU			THRU	
	THRU			THRU			THRU	
	THRU			THRU			THRU	
	THRU			THRU			THRU	
	NOT USED			**DUPLICATED**			**VOIDED**	

40. COLLECTION VOUCHERS ON HAND

	THRU			THRU			THRU	
	THRU			THRU			THRU	
	THRU			THRU			THRU	
	THRU			THRU			THRU	
	THRU			THRU			THRU	
	NOT USED			**DUPLICATED**			**VOIDED**	

41. VOUCHERS RETURNED FOR CORRECTION (ON HAND)

PAID VOUCHERS	COLLECTION VOUCHERS

42. TREASURY CHECK STOCK ON HAND

	SERIES A			SERIES B			CONTROL	
70,000,003	THRU	70,000,999		THRU			THRU	
	THRU			THRU			THRU	
	THRU			THRU			THRU	
	THRU			THRU			THRU	
	THRU			THRU			THRU	

43. AGENT REMARKS

$3,000 paid by check on DOV 400007
$1,500 paid by cash on DOV 400008

DD Form 2665, AUG 93 (Back)

Figure 15-1. DD 2665, Daily Agent Accountability Summary (Continued)

4th Day of Month (Front)

DAILY AGENT ACCOUNTABILITY SUMMARY — 1. DATE: 6/4/XX

SECTION I - SUMMARY OF DAILY ACCOUNTABILITY TRANSACTIONS

a. LINE NO.		b. DESCRIPTION				c. TODAY	d. CUMULATIVE
1.		**ACCOUNTABILITY – BEGINNING**				13,000.00	6,000.00
2.	IN	ADVANCES	a. Cash	b. Prepositioned Checks	c. Other		4,000.00
3.	C	VOUCHERED COLLECTIONS				100.00	100.00
4.	R	TREASURY CHECK ISSUES		a. Vouchered 10,000.00	b. Other	10,000.00	13,000.00
5.	E	TRANSFERS FROM OTHER DISBURSING OFFICERS					
6.	A	EXCHANGE GAIN ACCUMULATIONS					
7.	S	OTHER (Explain)					
8.	E	TOTAL INCREASES				10,100.00	17,100.00
9.		**GROSS ACCOUNTABILITY**				23,100.00	23,100.00
10.	DE	TRANSFERS TO OTHER DISBURSING OFFICERS					
11.	C	EXCHANGE LOSS ACCUMULATIONS					
12.	R	OTHER (Explain)					
13.	EAS	RETURNS TO PRINCIPAL	a. Paid Vouchers 14,500.00	b. Deposit Tickets		14,500.00	14,500.00
			c. Other Returns (Explain)				
14.	E	TOTAL DECREASES				14,500.00	14,500.00
15.		**ACCOUNTABILITY – ENDING**				8,600.00	8,600.00

SECTION II - DISTRIBUTION OF AGENT ACCOUNTABILITY

a. LINE NO.	b. ELEMENT OF ACCOUNTABILITY				c. ACCOUNTABILITY BEFORE TRANSFERS	d. RETURNS TO PRINCIPAL	e. ACCOUNTABILITY AFTER TRANSFERS
16.	LIMITED DEPOSITARY		UNITS	RATE			
17.	CASH ON HAND (U.S.)				6,600.00		6,600.00
18.	CASH ON HAND (Foreign)	a. ACCOMMODATION	UNITS	RATE			
		b. OPERATING	UNITS	RATE			
19.	PREPOSITIONED TREASURY CHECKS				2,000.00		2,000.00
20.	NEGOTIABLE INSTRUMENTS (U.S.)						
21.	NEGOTIABLE INSTRUMENTS (Foreign)		UNITS	RATE			
22.	MILITARY PAYMENT CERTIFICATES						
23.	PAID VOUCHERS				14,500.00	14,500.00	0
24.	FUNDS IN TRANSIT						
25.	FUNDS WITH SUBAGENTS						
26.	DEPOSIT TICKETS (not LDA)						
27.	DISHONORED CHECKS RECEIVABLE						
28.	CHECK OVERDRAFTS RECEIVABLE						
29.	LOSS OF FUNDS						
30.	DEFERRED VOUCHERS						
31.	OTHER (Explain)						
32.	**TOTAL AGENT ACCOUNTABILITY**				23,100.00	14,500.00	8,600.00

SECTION III - LOCATION OF CASH/NEGOTIABLE INSTRUMENTS

a. LINE NO.	b. LOCATION	c. CASH (Foreign Units)	d. CASH (U.S.)	e. PREPOSITIONED CHECKS	f. MILITARY PAYMENT CERTIFICATES	g. OTHER
33.	AGENT		6,600.00	2,000.00		
34.	DEPUTY AGENT					
35.	CASHIER					
36.	OTHER (Specify)					
37.	**TOTALS**		6,600.00	2,000.00		

2. NAME OF AGENT (Type or Print)
William J. Ellis, SSGT

3. ADDRESS OF AGENT (Type or Print)
DFAS

4. SIGNATURE OF AGENT

DD Form 2665, AUG 93

Figure 15-1. DD 2665, Daily Agent Accountability Summary (Continued)

4th Day of Month (Back)

SECTION IV - MEMORANDUM AGENT ACCOUNTABILITY

38. DEPOSIT TICKETS ON HAND

NUMBER	AMOUNT	NUMBER	AMOUNT	NUMBER	AMOUNT	NUMBER	AMOUNT

39. PAID VOUCHERS ON HAND

	THRU			THRU			THRU	
	THRU			THRU			THRU	
	THRU			THRU			THRU	
	THRU			THRU			THRU	
	THRU			THRU			THRU	
	NOT USED			**DUPLICATED**			**VOIDED**	

40. COLLECTION VOUCHERS ON HAND

	THRU			THRU			THRU	
	THRU			THRU			THRU	
	THRU			THRU			THRU	
	THRU			THRU			THRU	
	THRU			THRU			THRU	
	NOT USED			**DUPLICATED**			**VOIDED**	

41. VOUCHERS RETURNED FOR CORRECTION (ON HAND)

PAID VOUCHERS	COLLECTION VOUCHERS

42. TREASURY CHECK STOCK ON HAND

	SERIES A			SERIES B			CONTROL	
70,000,005	THRU	70,000,999		THRU			THRU	
	THRU			THRU			THRU	
	THRU			THRU			THRU	
	THRU			THRU			THRU	
	THRU			THRU			THRU	

43. AGENT REMARKS

$10,000 paid by check on DOV 400009 – 400010
$100.00 cash collected on COV 200002
"turn in" as of close of business 6/4/XX $14,500.00
(DOV 400007 - 400010; COV 200002)

DD Form 2665, AUG 93 (Back)

Figure 15-1. DD 2665, Daily Agent Accountability Summary (Continued)

Preparation Instructions for DD 2665, Daily Agent Accountability Summary

Prepare the form in an original only as a permanent record (typed or printed in ink). State all totals in USDs. DDOs, cashiers, and disbursing agents prepare a DD 2665 each day the disbursement office transacts business (except as provided in section 1503).

Item 1. Date. Enter the business date of the DD 2665.

Section I – Summary of Daily Accountability Transactions. This section summarizes all transactions affecting cash accountability since the last turn-in to the DO. Record daily and cumulative balances to date since the last turn-in unless otherwise indicated in these instructions. Cumulative totals in this section represent cumulative amounts since the last turn-in and are not cumulative for an accounting period unless turn-ins are only at the end of a calendar month.

Line 1: Accountability – Beginning. In column c, Today, enter the ending accountability balance from line 15 of column c of the previous business day. In column d, Cumulative, enter the ending accountability from line 15 of column d of the DD 2665 prepared immediately following the last turn-in to the principal. The beginning accountability balance in column d does not change until preparation of the DD 2665 immediately following the next turn-in to the DO.

Increase:

Line 2: Advances. Enter the amount of advances received during the business day in sub-item a, Cash; sub-item b, Prepositioned Checks; and sub-item c, Other. In column c, enter the total of the amounts entered in line 2 (sub-item a, b, and c). In column d, enter the sum of the amount entered in column c, plus the amount in column d of this line from the previous business day. If this is the first DD 2665 prepared after a turn-in to the principal, the amount entered in columns c and d must equal.

Line 3: Vouchered Collections. In column c, enter the total vouchered collections made during the business day (see Chapter 8, subparagraph 080301.B). Do not enter non-vouchered collections on this line. In column d, enter the sum of the amount entered in column c and the amount in column d of this line from the previous business day. If this is the first DD 2665 prepared after a turn-in to the DO, the amount entered in columns c and d must equal.

Line 4: Treasury Check Issues. In sub-item a, Vouchered, enter the value of vouchered Treasury check issues; in sub-item b, Other, enter the value of vouchered check issues. In column c, enter the total of all Treasury checks issued from sub-item a. The amount entered in column c must equal the sum of the amounts entered in sub-item a. In column d, enter the sum of the amounts entered in columns c and d of this line from the previous business day. If this is the first DD 2665 prepared after a turn-in, the amount entered in columns c and d must equal. This line is for use only by DDOs authorized by the DO to issue Treasury checks.

Figure 15-1. DD 2665, Daily Agent Accountability Summary (Continued)

Line 5: Transfers from Other Disbursing Officers. In column c, enter the total of cash or other cash accountability items received from another DSSN during the business day. In column d, enter the sum of the amount entered in column c and the amount in column d of this line from the previous business day. If this is the first DD 2665 prepared after a turn-in to the principal, the amounts entered in columns c and d must equal.

Line 6: Exchange Gain Accumulations. In column c, enter the value of any gains from revaluation of foreign currency on hand, or rounding gains involved in exchange transactions not vouchered on line 3 (see Chapter 13, subparagraph 130402.D.1). In column d, enter the sum of the amount entered in column c and the amount in column d of this line from the previous business day. If this is the first DD 2665 prepared after a turn-in to the principal, the amount entered in columns c and d must equal. Voucher accumulated exchange gains before any turn-in to the principal.

Line 7: Other (Explain). In column c, enter the value of any other increases in accountability (e.g., deferred or returned vouchers) or a cash overage that will not be vouchered until the next business day. Explain the other increases to the accountability. In column d, enter the sum of the amount entered in column c and the amount in column d of this line from the previous business day. If this is the first DD 2665 prepared after a turn-in to the principal, the amount entered in columns c and d must equal.

Line 8: Total Increases. In both columns c and d, enter the respective total of lines 2 through 7.

Line 9: Gross Accountability. In column c, enter the sum of column c amounts on lines 1 and 8. In column d, enter the sum of column d amounts on lines 1 and 8.

Decrease:

Line 10: Transfers to Other Disbursing Officers. In column c, enter the total of cash or other cash accountability items transferred to another DSSN during the business day. In column d, enter the sum of the amount entered in column c and the amount in column d of this line from the previous business day. If this is the first DD 2665 prepared after a turn-in to the principal, the amount entered in columns c and d must equal.

Line 11: Exchange Loss Accumulations. In column c, enter the value of any losses incurred during the business day as a result of revaluation of foreign currency on hand or rounding losses involved in exchange transactions not vouchered immediately. In column d, enter the sum of the amount entered in column c and the amount in column d of this line from the previous business day. If this is the first DD 2665 prepared after a turn-in to the principal, the amount entered in columns d and c must equal. Accumulated exchange losses must be vouchered before any turn-in to the principal.

Figure 15-1. DD 2665, Daily Agent Accountability Summary (Continued)

Line 12: Other (Explain). In column c, enter the value of valid decreases in accountability during the business day not covered on lines 10 and 11 (e.g., a cash shortage) that will not be vouchered until the next business day. Explain the other decreases to accountability. In column d, enter the sum of the amount entered in column c and the amount in column d of this line from the previous business day. If this is the first DD 2665 prepared after a turn-in to the principal, the amounts entered in columns c and d must equal.

Line 13: Returns to Principal. Complete this line only on the first DD 2665 prepared after a turn-in. Enter the total value of accountability items turned in to the principal in sub-items a, Paid Vouchers; b, Deposit Tickets; and c, Other Returns (Explain).

Line 14: Total Decreases. In both columns c and d, enter the respective total of the amounts entered on lines 10 through 13.

Line 15: Accountability – Ending. In both columns c and d, enter the difference derived by subtracting the amount on line 14 from the amount on line 9. The resulting amounts (ending accountability) in columns c and d must be equal.

Section II – Distribution of Agent Accountability. This section shows the make-up of all items for which a DDO, cashier, or disbursing agent is accountable to the principal. Enter the items on the appropriate line (16 through 31) that describes the accountable item in column c, Accountability Before Transfers. When the DD 2665 is the first form prepared after an agent turn-in, enter the amount of the turn-in on the appropriate lines in column d, Returns to Principal; otherwise, leave column d blank.

a. If no agent turn-in is entered in column d, leave column e, Accountability After Transfers, blank. The amount in column c is the final accountability for the day.

b. If there is an entry in column d for any of the lines in this section, complete column e. Compute the entry on each line of column e by subtracting the amount in column d from the amount in column c. Add the amounts in each of the three columns and enter the respective totals on line 32. To prove the computations and totals entered on line 32 are correct, subtract the total in column d from the total in column c. The result must equal the total on line 32 in column e.

Line 16: Limited Depositary. Enter the USD value of the current LDA balance (see Chapter 14, paragraph 140309). In the spaces provided, enter the number of foreign currency units and the exchange rate at which the foreign currency units are valued.

Line 17: Cash on Hand (U.S.). Enter the amount of U.S. currency and coin on hand.

Line 18: Cash on Hand (Foreign). Enter the USD value of foreign currency and coin on hand (see Chapter 13, paragraph 130701). In the spaces provided, enter the number of foreign

Figure 15-1. DD 2665, Daily Agent Accountability Summary (Continued)

currency units and the exchange rate at which the foreign units are valued for both accommodation exchange cash and operating cash.

Line 19: Prepositioned Treasury Checks. Enter the total value of prepositioned Treasury checks on hand. These checks are issued as advances to an agent that the latter has not negotiated. If the agent is a DDO with authority to issue Treasury checks, do not enter the Treasury checks issued by the agent/DDO that have not been delivered to payees.

Line 20: Negotiable Instruments (U.S.). Enter the value of all undeposited USD negotiable instruments on hand in the agent's office (see Chapter 7, paragraph 070202). Include all negotiable instruments (e.g., personal checks, Treasury checks, money orders, and Supplemental Nutrition Assistance Program (SNAP)) accepted for debts owed to the U.S. Government and accommodation exchange.

Line 21: Negotiable Instruments (Foreign). Enter the USD value of undeposited negotiable foreign instruments on hand in the agent's office. In the spaces provided, enter the number of foreign currency units represented by the negotiable instruments and the exchange rate at which the foreign instruments are valued.

Line 22: Military Payment Certificates. Line is not applicable since Military Payment Certificates are no longer used.

Line 23: Paid Vouchers. Enter the value of paid disbursement vouchers on hand in the agent's office. Do not include OF 1017-G on this line.

Line 24: Funds in Transit. Enter the value of funds in transit to or from another DSSN (e.g., cash not yet received for which Treasury checks have been issued, mutilated or decomposed currency forwarded to a Federal Reserve Bank (FRB) (or in the case of foreign currency, to the central DO)) for which reimbursement has not yet been received, and cash transferred to other DSSNs for which a U.S. Treasury check has not yet been received. Enter increases as positive amounts and decreases as negative amounts.

Line 25: Funds with Subagents. Primary agent advancing of funds to any type of subagent does not generally change the overall primary agent accountability. For example, an increase on this line representing a cash advance to a subagent is offset by a decrease to lines 17 or 18, as appropriate. However, if the primary agent is a DDO authorized to issue Treasury checks and the advance to the subagent is by a U.S. Treasury check issued by that agent, record the advance on line 4 of section I as a U.S. Treasury check issue. When the subagent returns funds or paid vouchers, record the return as a decrease to this line, offsetting this decrease by an increase to the appropriate line in this section (e.g., cash on hand or paid vouchers).

Line 26: Deposit Tickets (Not LDA). Unlike deposits by a DO, agent deposits to an FRB or Treasury's General Account (TGA) do not officially reduce the agent's accountability. The agent's accountability is reduced only when the principal receives the applicable confirmed

Figure 15-1. DD 2665, Daily Agent Accountability Summary (Continued)

deposit tickets. Enter the value of all deposit tickets on hand for deposits made to an FRB or TGA during the business day. Do not enter deposits to an LDA on this line.

Line 27: Dishonored Checks Receivable. Enter the value of dishonored checks received from the principal that are or were retained in the agent's accountability. Disbursing agents deposit checks for credit to the DSSN. Any checks dishonored will be returned to the DO by the depositary on a debit voucher. The DO reduces DD 2657 line 4.2A and increases line 6.5 for the agent that deposited the check. The agent records the dishonored check as an increase to this line and either retains it until recoupment is made in an accommodation transaction or removed from accountability by processing a reverse ***DD Form 1131***, Cash Collection Voucher, and returning it to the functional area or collection activity from which received (see Chapter 4, paragraph 040403). A decrease to this line applies when the amount of the dishonored check is recouped, when the receivable is cleared by a reverse DD 1131, or when an uncollectible receivable is processed for removal from accountability as provided in Chapter 6, subparagraph 060402.B.1.

Line 28: Check Overdrafts Receivable. Generally, DDOs authorized to issue Treasury checks are also responsible for collecting the amount of any check issue overdrafts applicable to checks they have issued. They receive these amounts as advances from the DO, with a copy of the FMS 5206, and record them on this line. Enter the value of check overdrafts being carried by the agent DDO. As a matter of expediency, the DO may choose to adjust FMS 5206 attributable to agent Treasury check overdrafts without transferring accountability back to the agent. Make such adjustments directly to the DOs DD 2657.

Line 29: Loss of Funds. Enter the value of agent losses of funds. Generally, the agent follows loss of funds procedures in Chapter 6, subparagraph 060402.B.3, reporting to the DO instead of the supporting DFAS site. Transfer agent losses recouped immediately to the DO for recording on the DD 2657; record the transfer in column d. This does not relieve the agent of liability for the loss; it is for recording purposes only.

Line 30: Deferred Vouchers. Enter the value of agent-deferred and incorrect vouchers returned from the DO on hand. An agent-deferred voucher can occur when the agent makes a payment but cannot include the voucher in their next scheduled turn-in. This normally occurs because of an error on the voucher that can only be corrected by contacting the payee. Establish the deferred voucher as an increase to this line and an offsetting decrease to line 23. When the deferred voucher is corrected, either transfer it back to line 23 pending turn-in to the principal, or retain it on this line until the next scheduled turn-in. Disbursing agents record vouchers returned for correction as memorandum entries in section IV, line 41.

Line 31: Other (Explain). Enter the value of other agent accountability items not covered by lines 16 through 30. Describe the items in the space provided in column b.

Line 32: Total Agent Accountability. Enter the total of the values entered on lines 16 through 31. It must equal the total entered in section I, column c, line 15. A turn-in to the DO recorded in section I, line 13 must also appear on the applicable lines in section II, column d,

Figure 15-1. DD 2665, Daily Agent Accountability Summary (Continued)

with the amounts for each line in column e computed and entered. Enter the total of the values on lines 16 through 31 of columns d and e. The total entered in column d must equal the total entered in section I, column c, line 13, and the total entered in column e must equal the total entered in section I, column c, line 15.

Section III – Location of Cash/Negotiable Instruments. Enter the location and value of agent accountable items (both U.S. and foreign currency and coin) in this section.

Line 33: Agent. Enter the value of accountable items located in the agent's safe in the applicable column.

Line 34: Deputy Agent. Enter the value of accountable items located in the DDO agent's (or subagent's) safe in the applicable column.

Line 35: Cashier. Enter the value of accountable items located in the cashier's safe in the applicable column.

Line 36: Other (Specify). Enter other locations where accountable items are stored in the space provided in column b and the values of these items in the applicable column.

Line 37: Totals. Enter the totals of columns c through g. Also, ensure the totals reconcile to section II, lines 17 through 22 and 25.

Item 2. Name of Agent. The agent types or prints his or her name.

Item 3. Address of Agent. The agent types or prints his or her duty location.

Item 4. Signature of Agent. The agent signs to attest to the accuracy of their accountability.

Section IV – Memorandum Agent Accountability. This section includes memorandum-type information that is an official part of the agent's accountability data reflected in other areas of the DD 2665.

Line 38: Deposit Tickets on Hand. Enter each deposit ticket number and amount on hand since the last turn-in to the principal.

Line 39: Paid Vouchers on Hand. Enter the voucher numbers of paid agent vouchers on hand at the end of the business day. Paid agent vouchers do not decrease agent accountability until they are turned into the principal. Also enter disbursement voucher numbers not used, duplicated, or voided.

Line 40: Collection Vouchers on Hand. Enter the voucher numbers of agent collection vouchers on hand at the end of the business day. Note, unlike disbursement vouchers, collection vouchers are not part of agent accountability but the instruments collected (e.g., cash, checks)

Figure 15-1. DD 2665, Daily Agent Accountability Summary (Continued)

are. The agent prepares collection vouchers to document all collections received and also ensures the turn-in of original and required copies are forwarded to the servicing DFAS site with the DO's financial reports. Also, enter collection voucher numbers not used, duplicated, or voided.

Line 41: Vouchers Returned for Correction (On Hand). Enter the vouchers returned by the DO for correction to increase an agent's accountability. The agent is responsible for correcting and returning the vouchers to the DO. Record the applicable disbursement and collection voucher numbers not yet corrected and returned to the DO.

Line 42: Treasury Check Stock on Hand. A DDO authorized to issue Treasury checks, enters the inclusive check number of all blank Treasury check stock on hand at the end of the business day.

Line 43: Agent Remarks. Enter any necessary remarks at the agent's discretion or the direction of the principal.

Figure 15-2. DD 1081, Statement of Agent Officer's Account

Advance of Funds

STATEMENT OF AGENT OFFICER'S ACCOUNT

DISBURSING OFFICER'S NAME, ADDRESS, DISBURSING STATION SYMBOL NO.	AGENT OFFICER'S NAME, GRADE, DoD ID, UNIT ADDRESS *(Include ZIP Code/APO number and Telephone number.)*
K. S. ALEX, LTC, FC FORT FINANCE, IN 46216 C0001	K. D. ANDREA, CPT, FC AGENT CAMP DOLLAR, IN 46032

TRANSACTIONS AFFECTING AGENT OFFICER'S ACCOUNT

TRANSACTIONS *A*	INCREASE *(Received by Agent) b*	BEGINNING BALANCE *(In Agent's Account) c*	DECREASE *(Turned in by Agent) d*	ENDING BALANCE *(In Agent's Account) e*
1. BALANCE FORWARD		0.00		
2. U.S. DOLLARS	2,562.00			
3. FOREIGN CURRENCY 250 @ 5.82432	42.92			
4. MILITARY PAYMENT CERTIFICATES				
5. COLLECTIONS				
6. DEPOSITS				
7. NEGOTIABLE INSTRUMENTS:				
A. TREASURY CHECKS	15,000.00			
B. MILITARY PAYMENT ORDERS				
C. OTHER *(Specify)*				
8. PAID VOUCHERS				
9. INCORRECT VOUCHERS RETURNED				
10.				
11.				
12. TOTAL FUNDS IN HANDS OF AGENT OFFICER		17,604.92		

STATEMENTS

DISBURSING OFFICER	AGENT OFFICER
[X] **ON ADVANCE:** I HAVE INTRUSTED FUNDS AND/OR OTHER ITEMS AS INDICATED IN THIS STATEMENT TO THE ABOVE NAMED AS MY AGENT OFFICER.	[X] **ON ADVANCE:** I, AS AGENT OFFICER, HAVE RECEIVED FUNDS AND/OR OTHER ITEMS AS INDICATED ABOVE. I HAVE ASSUMED PECUNIARY RESPONSIBILITY THEREFOR. I WILL NOTIFY THE DISBURSING OFFICER IMMEDIATELY UPON DISCOVERY OF ANY LOSS OR SHORTAGE, AND I HAVE RECEIVED AND UNDERSTAND WRITTEN INSTRUCTIONS CONCERNING MY DUTIES AND RESPONSIBILITIES AS AN AGENT OFFICER.
DATE 12/19/XX — SIGNATURE OF DISBURSING OFFICER K.S. ALEX, LTC, FC	DATE 12/19/XX — SIGNATURE OF AGENT OFFICER K.D. ANDREA, CPT, FC
[ ] **ON RETURN:** I HAVE RECEIVED FUNDS AND/OR OTHER ITEMS AS INDICATED ON THIS STATEMENT FROM THE ABOVE NAMED AGENT OFFICER.	[ ] **ON RETURN:** THE ABOVE STATEMENT OF ACCOUNT IS CORRECT.
DATE — SIGNATURE OF DISBURSING OFFICER	DATE — SIGNATURE OF AGENT OFFICER

DD Form 1081, MAY 75 PREVIOUS EDITION IS OBSOLETE 225/149

Figure 15-2. DD 1081, Statement of Agent Officer's Account (Continued)

Preparation Instructions for DD 1081, Statement of Agent Officer's Account

The DO or agent officer prepares this form to account for an advance or return of funds and/or cash vouchers to the DO. Prepare this form in an original only as a permanent record (typed or printed in ink).

Preparation of DD 1081 by the DO. A DO prepares an original and two copies of the DD 1081 to account for an advance of funds and/or cash vouchers from the DO. Identify the DO and agent officer in the two blocks under the form title.

Transactions Affecting Agent Officer's Account. Show cash transactions that increased the accountability of an agent officer in the Increase column. Show cash transactions that decreased the accountability of an agent officer in the Decrease column. Enter all totals in USDs.

Line 1: Balance Forward. The balance brought forward should equal the amount on line 12, column e, Ending Balance (In Agent's Account), of the last DD 1081. If this is a subsequent advance and the last DD 1081 was not for a return, the beginning balance would be the total on line 12, column c, Beginning Balance (In Agent's Account), of the last DD 1081. If no DD 1081 has been submitted, the beginning balance is zero.

Line 2: U.S. Dollars and 3: Foreign Currency. In column c, enter on the appropriate line the amount of currency included in the current advance. Enter the foreign currency units and conversion rate on line 3, column a. Show the USD value of the foreign currency units on line 3, column b, Increase.

Line 4: Military Payment Certificates. Line is not applicable since Military Payment Certificates are no longer used.

Line 5: Collections. Only use column d, Decrease (Turned in by Agent), for collections.

Line 6: Deposits. Only use column d for deposits.

Lines 7A: Treasury Checks and 7C: Other (Specify). In column b, enter the amount of U.S. Treasury checks and/or any other negotiable instruments included in the advance. As space permits, enter the check number(s) on the corresponding line, continuing the list on the reverse of the form if necessary.

Line 7B: Military Payment Orders. Line is not applicable since Military Payment Orders are no longer used.

Line 8: Paid Vouchers. As appropriate, use only for return of paid vouchers in columns c, d, or e.

Figure 15-2. DD 1081, Statement of Agent Officer's Account (Continued)

Line 9: Incorrect Vouchers Returned. In column b, enter the dollar value of incorrect vouchers returned to the agent officer.

Lines 10 and 11. Identify other applicable items that are not previously described as part of the advance of funds. Enter the amount of each item in column b.

Line 12: Total Funds in Hands of Agent Officer. In column c, enter the total of the amount of line 1 plus the total of the amounts of lines 2 through 11. Line 12, column c represents the balance in the agent officer's account after the advance.

Statements

Disbursing Officer. Place an X in the On Advance box to indicate that the form is to account for an advance of funds to the agent officer. Complete the Date and Signature of the Disbursing Officer blocks to authenticate the statement. Provide the signed original and a copy of the form with the funds to the agent officer. Retain a copy of the DD 1081 pending return of the signed original by the agent officer.

Agent Officer. Verify that the items received agree with the amounts on the DD 1081. Place an X in the On Advance box to indicate that the form accounts for the items received by the agent officer. Complete the Date and Signature of the agent officer blocks to authenticate the statement. Return the original DD 1081 to the DO as a receipt for the funds and retain a copy.

Figure 15-2. DD 1081, Statement of Agent Officer's Account (Continued)

Return of Funds

STATEMENT OF AGENT OFFICER'S ACCOUNT

DISBURSING OFFICER'S NAME, ADDRESS, DISBURSING STATION SYMBOL NO.	AGENT OFFICER'S NAME, GRADE, DoD ID, UNIT ADDRESS *(Include ZIP Code/APO number and Telephone number.)*
K. S. ALEX, LTC, FC FORT FINANCE, IN 46216 C0001	K. D. ANDREA, CPT, FC AGENT CAMP DOLLAR, IN 46032

TRANSACTIONS AFFECTING AGENT OFFICER'S ACCOUNT

TRANSACTIONS *a*	INCREASE *(Received by Agent)* *b*	BEGINNING BALANCE *(In Agent's Account)* *c*	DECREASE *(Turned in by Agent)* *d*	ENDING BALANCE *(In Agent's Account)* *e*
1. BALANCE FORWARD		17,604.92		
2. U.S. DOLLARS				
3. FOREIGN CURRENCY 250 @ 5.82432			42.92	
4. MILITARY PAYMENT CERTIFICATES				
5. COLLECTIONS	1,200.00			
6. DEPOSITS			702.00	
7. NEGOTIABLE INSTRUMENTS:				
A. TREASURY CHECKS				
B. MILITARY PAYMENT ORDERS				
C. OTHER *(Specify)*				
8. PAID VOUCHERS			3,960.00	
9. INCORRECT VOUCHERS RETURNED				
10.				
11.				
12. TOTAL FUNDS IN HANDS OF AGENT OFFICER		18,804.92		14,100.00

STATEMENTS

DISBURSING OFFICER	AGENT OFFICER
[ ] **ON ADVANCE:** I HAVE INTRUSTED FUNDS AND/OR OTHER ITEMS AS INDICATED IN THIS STATEMENT TO THE ABOVE NAMED AS MY AGENT OFFICER.	[ ] **ON ADVANCE:** I, AS AGENT OFFICER, HAVE RECEIVED FUNDS AND/OR OTHER ITEMS AS INDICATED ABOVE. I HAVE ASSUMED PECUNIARY RESPONSIBILITY THEREFOR. I WILL NOTIFY THE DISBURSING OFFICER IMMEDIATELY UPON DISCOVERY OF ANY LOSS OR SHORTAGE, AND I HAVE RECEIVED AND UNDERSTAND WRITTEN INSTRUCTIONS CONCERNING MY DUTIES AND RESPONSIBILITIES AS AN AGENT OFFICER.
DATE / SIGNATURE OF DISBURSING OFFICER	DATE / SIGNATURE OF AGENT OFFICER
[X] **ON RETURN:** I HAVE RECEIVED FUNDS AND/OR OTHER ITEMS AS INDICATED ON THIS STATEMENT FROM THE ABOVE NAMED AGENT OFFICER.	[X] **ON RETURN:** THE ABOVE STATEMENT OF ACCOUNT IS CORRECT.
DATE 12/21/XX / SIGNATURE OF DISBURSING OFFICER K.S. ALEX, LTC, FC	DATE 12/21/XX / SIGNATURE OF AGENT OFFICER K.D. ANDREA, CPT, FC

DD Form 1081, MAY 75 PREVIOUS EDITION IS OBSOLETE 225/149

Figure 15-2. DD 1081, Statement of Agent Officer's Account (Continued)

Preparation of DD 1081 by the Agent Officer. An agent officer prepares an original and two copies of the DD 1081 to account return of funds and/or cash vouchers to the DO. Identify the DO and agent officer in the two blocks under the form title.

Transactions Affecting Agent Officer's Account. Show cash transactions that increased the accountability of an agent officer in the Increase column. Show cash transactions that decreased the accountability of an agent officer in the Decrease column. Enter all totals in USDs.

Line 1: Balance Forward. Enter the balance carried forward from line 12, column c of the previous DD 1081.

Lines 2: U.S. Dollars and 3: Foreign Currency. In column d, enter on the appropriate line the amount of currency included in the return. Enter the foreign currency units and conversion rate on line 3, column a. Show the USD value of the foreign currency units on line 3, column b.

Line 4: Military Payment Certificates. Line is not applicable since Military Payment Certificates are no longer used.

Line 5: Collections. In column b, enter the amount of agent officer collections in the form of cash or negotiable instruments.

Line 6: Deposits. In column d, enter the amount of deposits (deposit ticket) made by the agent officer to the credit of the Treasury for the DO's DSSN.

Lines 7A: Treasury Checks, 7B: Military Payment Orders, and 7C: Other (Specify). In column d, enter the amount of U.S. Treasury checks and/or any other negotiable instruments being returned to the DO, e.g., items previously advanced by the DO, but not used.

Line 8: Paid Vouchers. In column d, enter the amount of vouchers paid in cash by the agent officer included in the return.

Line 9: Incorrect Vouchers Returned. Leave blank. Line does not pertain to the agent officer.

Lines 10 and 11. In column a, enter an identification of items other than those listed on previous lines, and enter the amount of these items in column d.

Line 12: Total Funds in Hands of Agent Officer. In column c, enter the total of the amount on line 1 plus the total of the amounts in column b on lines 2 through 11. In column e, enter the grand total of the amount in column c of this line minus the total of the amounts in column d on lines 2 through 11. This grand total represents the balance in the agent officer's account as a result of the return.

Figure 15-2. DD 1081, Statement of Agent Officer's Account (Continued)

Statements

Disbursing Officer. Place an X in the On Return box to indicate that the form is to account for a return of funds. Complete the Date and Signature of the Disbursing Officer blocks to authenticate the statement. Provide the signed original and a copy of the form to the agent officer. Retain a copy of the DD 1081 pending return of the signed original by the agent officer.

Agent Officer. Verify that the items received agree with the amounts on the DD 1081. Place an X in the On Return box to indicate that the form accounts for the items returned by the agent officer. Complete the Date and Signature of the agent officer blocks to authenticate the statement. Return the original DD 1081 to the DO and retain a copy.

Figure 15-3. DD 2657, Daily Statement of Accountability

1st Day of Month (Front)

DAILY STATEMENT OF ACCOUNTABILITY				1. DSSN 6432	2. DATE 9/01/XX
SECTION I - TRANSACTIONS AFFECTING ACCOUNTABILITY					
a. LINE	**b. DESCRIPTION**			**c. TODAY**	**d. MONTH-TO-DATE**
1.0	**ACCOUNTABILITY - Beginning of Day**			68,350.00	68,350.00
2.1A	I	CHECKS ISSUED IN PAYMENT OF VOUCHERS			
2.1B	N	CHECKS ISSUED - ALL OTHERS			
2.3	C	OTHER TRANSACTIONS (Do not report on SF 1219)			
2.34	R	DISCREPANCIES IN DO ACCOUNT - CREDITS (Do not use this line)			
2.36	E	PAYMENTS BY ANOTHER DO (Do not use this line)			
2.37	A	TRANSFERS FROM OTHER DOs			
2.8	S	IPAC PAYMENTS AND COLLECTIONS			
2.9	E	TOTAL ACCOUNTABILITY INCREASES		68,350.00	68,350.00
3.0	**GROSS ACCOUNTABILITY**				
4.1A		Gross Disbursements			
4.1B		Less – Refunds			
4.1C		Net Disbursements			
4.1D		Less – Receipts			
4.1E		Less - Reimbursements			
4.1F	D	NET EXPENDITURES			
4.2A	E	DEPOSITS PRESENTED OR MAILED TO BANK			
4.2B	C	EFT DEBIT VOUCHERS			
4.3	R	OTHER TRANSACTIONS (Do not report on SF 1219)			
4.34	E	DISCREPANCIES IN DO ACCOUNT - DEBITS (Do not use this line)			
4.36	A	PAYMENTS FOR OTHER DOs (Do not use this line)			
4.37	S	TRANSFERS TO OTHER DOs			
4.9	E	TOTAL ACCOUNTABILITY DECREASES			
5.0	**ACCOUNTABILITY - End of Day**			68,350.00	68,350.00
SECTION II - DISTRIBUTION OF ACCOUNTABILITY - INCUMBENT DO					
a. LINE	**b. DESCRIPTION**		**c. DAILY INCREASE**	**d. DAILY DECREASE**	**e. MONTH-TO-DATE**
6.1	DESIGNATED DEPOSITARY Bk of London (Pounds)				8,000.00
6.2A	U.S. CURRENCY/COINAGE ON HAND				37,850.00
6.2B	FOREIGN CURRENCY/COINAGE ON HAND (Pounds)				
6.3A	UNDEPOSITED COLLECTIONS - GENERAL				
6.3B	OTHER UNDEPOSITED INSTRUMENTS ON HAND				
6.4	CUSTODY OR CONTINGENCY CASH				
6.5	FUNDS WITH AGENTS				20,000.00
6.6	ADVANCES TO CONTRACTORS				
6.7	CASH IN TRANSIT				
6.8	PAYROLL CASH				2,500.00
6.9	OTHER				
7.1	DEFERRED VOUCHERS				
7.2A	ACCOUNTS RECEIVABLE - CHECK OVERDRAFTS				
7.2B	ACCOUNTS RECEIVABLE – OTHER				
7.3	LOSS OF FUNDS				
7.4	DISHONORED CHECKS RECEIVABLE				
7.5					
7.6					
7.7					
8.0	**TOTAL INCUMBENT DO ACCOUNTABILITY**				68,350.00
SECTION III - DISTRIBUTION OF ACCOUNTABILITY - PREDECESSOR DOs					
a. LINE	**b. DESCRIPTION**		**c. DAILY INCREASE**	**d. DAILY DECREASE**	**e. MONTH-TO-DATE**
9.2A	ACCOUNTS RECEIVABLE - CHECK OVERDRAFTS				
9.2B	ACCOUNTS RECEIVABLE – OTHER				
9.3	LOSS OF FUNDS				
9.4	OTHER				
10.0	**TOTAL PREDECESSOR DO's ACCOUNTABILITY**				
SECTION IV - DISTRIBUTION OF ACCOUNTABILITY – COMBINED					
a. LINE	**b. DESCRIPTION**		**c. DAILY INCREASE**	**d. DAILY DECREASE**	**e. MONTH-TO-DATE**
11.0	**TOTAL DSSN ACCOUNTABILITY**				68,350.00
3. DISBURSING OFFICER NAME, RANK OR GRADE, TITLE (Type or Print)			4. DISBURSING OFFICER OR DEPUTY		5. DATE

DD Form 2657, AUG 93

Figure 15-3. DD 2657, Daily Statement of Accountability (Continued)

1st Day of Month (Back)

SECTION V - DISTRIBUTION OF CASH ON HAND				
LOCATION	FOREIGN CURRENCY - RATE: 2.50		U.S.CURRENCY	OTHER
	UNITS	U.S. EQUIVALENT		
VAULT CASH			30,000.00	
DISBURSING OFFICER			5,950.00	2,500.00
DDO – A	3,200	8,000.00	1,500.00	
DDO – B				
DDO – C			10,000.00	
DDO – D				
CASHIER – A			400.00	
CASHIER – B				
CASHIER – C			10,000.00	
OTHER Imprest Fund				

Figure 15-3. DD 2657, Daily Statement of Accountability (Continued)

2nd Day of Month (Front)

DAILY STATEMENT OF ACCOUNTABILITY				1. DSSN 6432	2. DATE 9/02/XX
SECTION I - TRANSACTIONS AFFECTING ACCOUNTABILITY					
a. LINE	**b. DESCRIPTION**			**c. TODAY**	**d. MONTH-TO-DATE**
1.0	**ACCOUNTABILITY - Beginning of Day**			68,350.00	68,350.00
2.1A	I	CHECKS ISSUED IN PAYMENT OF VOUCHERS		6,000.00	6,000.00
2.1B	N	CHECKS ISSUED - ALL OTHERS			
2.3	C	OTHER TRANSACTIONS (Do not report on SF 1219)			
2.34	R	DISCREPANCIES IN DO ACCOUNT - CREDITS (Do not use this line)			
2.36	E	PAYMENTS BY ANOTHER DO (Do not use this line)			
2.37	A	TRANSFERS FROM OTHER DOs			
2.8	S	IPAC PAYMENTS AND COLLECTIONS			
2.9	E	TOTAL ACCOUNTABILITY INCREASES		6,000.00	6,000.00
3.0	**GROSS ACCOUNTABILITY**			74,350.00	74,350.00
4.1A		Gross Disbursements		6,000.00	6,000.00
4.1B		Less – Refunds			
4.1C		Net Disbursements		6,000.00	6,000.00
4.1D		Less – Receipts			
4.1E		Less – Reimbursements		2,000.00	2,000.00
4.1F	D	NET EXPENDITURES		4,000.00	4,000.00
4.2A	E	DEPOSITS PRESENTED OR MAILED TO BANK			
4.2B	C	EFT DEBIT VOUCHERS			
4.3	R	OTHER TRANSACTIONS (Do not report on SF 1219)			
4.34	E	DISCREPANCIES IN DO ACCOUNT - DEBITS (Do not use this line)			
4.36	A	PAYMENTS FOR OTHER DOs (Do not use this line)			
4.37	S	TRANSFERS TO OTHER DOs			
4.9	E	TOTAL ACCOUNTABILITY DECREASES		4,000.00	4,000.00
5.0	**ACCOUNTABILITY - End of Day**			70,350.00	70,350.00
SECTION II - DISTRIBUTION OF ACCOUNTABILITY - INCUMBENT DO					
a. LINE	**b. DESCRIPTION**		**c. DAILY INCREASE**	**d. DAILY DECREASE**	**e. MONTH-TO-DATE**
6.1	DESIGNATED DEPOSITARY Bk of London (Pounds)				8,000.00
6.2A	U.S. CURRENCY/COINAGE ON HAND		1,900.00		39,750.00
6.2B	FOREIGN CURRENCY/COINAGE ON HAND (Pounds)				
6.3A	UNDEPOSITED COLLECTIONS – GENERAL				
6.3B	OTHER UNDEPOSITED INSTRUMENTS ON HAND				
6.4	CUSTODY OR CONTINGENCY CASH				
6.5	FUNDS WITH AGENTS				20,000.00
6.6	ADVANCES TO CONTRACTORS				
6.7	CASH IN TRANSIT				
6.8	PAYROLL CASH				2,500.00
6.9	OTHER				
7.1	DEFERRED VOUCHERS				
7.2A	ACCOUNTS RECEIVABLE - CHECK OVERDRAFTS				
7.2B	ACCOUNTS RECEIVABLE – OTHER				
7.3	LOSS OF FUNDS		100.00		100.00
7.4	DISHONORED CHECKS RECEIVABLE				
7.5					
7.6					
7.7					
8.0	**TOTAL INCUMBENT DO ACCOUNTABILITY**		2,000.00		70,350.00
SECTION III - DISTRIBUTION OF ACCOUNTABILITY - PREDECESSOR DOs					
a. LINE	**b. DESCRIPTION**		**c. DAILY INCREASE**	**d. DAILY DECREASE**	**e. MONTH-TO-DATE**
9.2A	ACCOUNTS RECEIVABLE - CHECK OVERDRAFTS				
9.2B	ACCOUNTS RECEIVABLE – OTHER				
9.3	LOSS OF FUNDS				
9.4	OTHER				
10.0	**TOTAL PREDECESSOR DOs ACCOUNTABILITY**				
SECTION IV - DISTRIBUTION OF ACCOUNTABILITY – COMBINED					
a. LINE	**b. DESCRIPTION**		**c. DAILY INCREASE**	**d. DAILY DECREASE**	**e. MONTH-TO-DATE**
11.0	**TOTAL DSSN ACCOUNTABILITY**		2,000.00		70,350.00
3. DISBURSING OFFICER NAME, RANK OR GRADE, TITLE (Type or Print)			4. DISBURSING OFFICER OR DEPUTY		5. DATE

DD Form 2657, AUG 93

Figure 15-3. DD 2657, Daily Statement of Accountability (Continued)

2nd Day of Month (Back)

SECTION V - DISTRIBUTION OF CASH ON HAND				
LOCATION	FOREIGN CURRENCY - RATE: 2.50		U.S.CURRENCY	OTHER
	UNITS	U.S. EQUIVALENT		
VAULT CASH			30,000.00	
DISBURSING OFFICER			7,850.00	2,500.00
DDO – A	3,200	8,000.00	1,500.00	
DDO – B				
DDO – C			10,000.00	
DDO – D				
CASHIER – A			400.00	
CASHIER – B				
CASHIER – C			10,000.00	
OTHER Imprest Fund				
TOTAL	3,200	8,000.00	59,750.00	2,500.00

DD Form 2657, AUG 93 (Back)

Figure 15-3. DD 2657, Daily Statement of Accountability (Continued)

15th Day of Month (Front)

DAILY STATEMENT OF ACCOUNTABILITY				1. DSSN 6432	2. DATE 9/15/XX
SECTION I - TRANSACTIONS AFFECTING ACCOUNTABILITY					
a. LINE	**b. DESCRIPTION**			**c. TODAY**	**d. MONTH-TO-DATE**
1.0	**ACCOUNTABILITY - Beginning of Day**			70,350.00	68,350.00
2.1A	I	CHECKS ISSUED IN PAYMENT OF VOUCHERS		35,000.00	41,000.00
2.1B	N	CHECKS ISSUED - ALL OTHERS		5,000.00	5,000.00
2.3	C	OTHER TRANSACTIONS (Do not report on SF 1219)			
2.34	R	DISCREPANCIES IN DO ACCOUNT - CREDITS (Do not use this line)			
2.36	E	PAYMENTS BY ANOTHER DO (Do not use this line)			
2.37	A	TRANSFERS FROM OTHER DOs			
2.8	S	IPAC PAYMENTS AND COLLECTIONS			
2.9	E	TOTAL ACCOUNTABILITY INCREASES		40,000.00	46,000.00
3.0	**GROSS ACCOUNTABILITY**			110,350.00	114,350.00
4.1A		Gross Disbursements		45,000.00	51,000.00
4.1B		Less – Refunds			
4.1C		Net Disbursements		45,000.00	51,000.00
4.1D		Less – Receipts			
4.1E		Less - Reimbursements			2,000.00
4.1F	D	NET EXPENDITURES		45,000.00	49,000.00
4.2A	E	DEPOSITS PRESENTED OR MAILED TO BANK			
4.2B	C	EFT DEBIT VOUCHERS			
4.3	R	OTHER TRANSACTIONS (Do not report on SF 1219)			
4.34	E	DISCREPANCIES IN DO ACCOUNT - DEBITS (Do not use this line)			
4.36	A	PAYMENTS FOR OTHER DOs (Do not use this line)			
4.37	S	TRANSFERS TO OTHER DOs			
4.9	E	TOTAL ACCOUNTABILITY DECREASES		45,000.00	49,000.00
5.0	**ACCOUNTABILITY - End of Day**			65,350.00	65,350.00
SECTION II - DISTRIBUTION OF ACCOUNTABILITY - INCUMBENT DO					
a. LINE	**b. DESCRIPTION**		**c. DAILY INCREASE**	**d. DAILY DECREASE**	**e. MONTH-TO-DATE**
6.1	DESIGNATED DEPOSITARY Bk of London (Pounds)				8,000.00
6.2A	U.S. CURRENCY/COINAGE ON HAND			19,750.00	20,000.00
6.2B	FOREIGN CURRENCY/COINAGE ON HAND (Pounds)				
6.3A	UNDEPOSITED COLLECTIONS - GENERAL				
6.3B	OTHER UNDEPOSITED INSTRUMENTS ON HAND		9,750.00		9,750.00
6.4	CUSTODY OR CONTINGENCY CASH				
6.5	FUNDS WITH AGENTS		5,000.00		25,000.00
6.6	ADVANCES TO CONTRACTORS				
6.7	CASH IN TRANSIT				
6.8	PAYROLL CASH				2,500.00
6.9	OTHER				
7.1	DEFERRED VOUCHERS				
7.2A	ACCOUNTS RECEIVABLE - CHECK OVERDRAFTS				
7.2B	ACCOUNTS RECEIVABLE – OTHER				
7.3	LOSS OF FUNDS				100.00
7.4	DISHONORED CHECKS RECEIVABLE				
7.5					
7.6					
7.7					
8.0	**TOTAL INCUMBENT DO ACCOUNTABILITY**		14,750.00	19,750.00	65,350.00
SECTION III - DISTRIBUTION OF ACCOUNTABILITY - PREDECESSOR DOs					
a. LINE	**b. DESCRIPTION**		**c. DAILY INCREASE**	**d. DAILY DECREASE**	**e. MONTH-TO-DATE**
9.2A	ACCOUNTS RECEIVABLE - CHECK OVERDRAFTS				
9.2B	ACCOUNTS RECEIVABLE – OTHER				
9.3	LOSS OF FUNDS				
9.4	OTHER				
10.0	**TOTAL PREDECESSOR DO's ACCOUNTABILITY**				
SECTION IV - DISTRIBUTION OF ACCOUNTABILITY – COMBINED					
a. LINE	**b. DESCRIPTION**		**c. DAILY INCREASE**	**d. DAILY DECREASE**	**e. MONTH-TO-DATE**
11.0	**TOTAL DSSN ACCOUNTABILITY**		14,750.00	19,750.00	65,350.00
3. DISBURSING OFFICER NAME, RANK OR GRADE, TITLE (Type or Print)			4. DISBURSING OFFICER OR DEPUTY		5. DATE

DD Form 2657, AUG 93

Figure 15-3. DD 2657, Daily Statement of Accountability (Continued)

15th Day of Month (Back)

SECTION V - DISTRIBUTION OF CASH ON HAND				
LOCATION	FOREIGN CURRENCY - RATE: 2.50		U.S.CURRENCY	OTHER
	UNITS	U.S. EQUIVALENT		
VAULT CASH			10,000.00	
DISBURSING OFFICER			8,100.00	12,250.00
DDO – A	3,200	8,000.00	1,500.00	
DDO – B				
DDO – C			10,000.00	
DDO – D				
CASHIER – A			400.00	
CASHIER – B			5,000.00	
CASHIER – C			10,000.00	
OTHER Imprest Fund				
TOTAL	3,200	8,000.00	45,000.00	12,250.00

DD Form 2657, AUG 93 (Back)

Figure 15-3. DD 2657, Daily Statement of Accountability (Continued)

Last Day of Month (Front)

DAILY STATEMENT OF ACCOUNTABILITY			1. DSSN 6432	2. DATE 9/30/XX
SECTION I - TRANSACTIONS AFFECTING ACCOUNTABILITY				
a. LINE		**b. DESCRIPTION**	**c. TODAY**	**d. MONTH-TO-DATE**
1.0		**ACCOUNTABILITY - Beginning of Day**	65,350.00	68,350.00
2.1A	I	CHECKS ISSUED IN PAYMENT OF VOUCHERS	15,500.00	56,500.00
2.1B	N	CHECKS ISSUED - ALL OTHERS		
2.3	C	OTHER TRANSACTIONS (Do not report on SF 1219)		
2.34	R	DISCREPANCIES IN DO ACCOUNT - CREDITS (Do not use this line)		
2.36	E	PAYMENTS BY ANOTHER DO (Do not use this line)		
2.37	A	TRANSFERS FROM OTHER DOs		
2.8	S	IPAC PAYMENTS AND COLLECTIONS	10,000.00	10,000.00
2.9	E	TOTAL ACCOUNTABILITY INCREASES	25,500.00	71,500.00
3.0		**GROSS ACCOUNTABILITY**	90,850.00	139,850.00
4.1A		Gross Disbursements	25,500.00	76,500.00
4.1B		Less – Refunds		
4.1C		Net Disbursements	25,500.00	74,500.00
4.1D		Less – Receipts		
4.1E		Less – Reimbursements		2,000.00
4.1F	D	NET EXPENDITURES	25,500.00	74,500.00
4.2A	E	DEPOSITS PRESENTED OR MAILED TO BANK	9,750.00	9,750.00
4.2B	C	EFT DEBIT VOUCHERS		
4.3	R	OTHER TRANSACTIONS (Do not report on SF 1219)		
4.34	E	DISCREPANCIES IN DO ACCOUNT - DEBITS (Do not use this line)		
4.36	A	PAYMENTS FOR OTHER DOs (Do not use this line)		
4.37	S	TRANSFERS TO OTHER DOs		
4.9	E	TOTAL ACCOUNTABILITY DECREASES	35,250.00	84,250.00
5.0		**ACCOUNTABILITY - End of Day**	55,600.00	55,600.00

SECTION II - DISTRIBUTION OF ACCOUNTABILITY - INCUMBENT DO				
a. LINE	**b. DESCRIPTION**	**c. DAILY INCREASE**	**d. DAILY DECREASE**	**e. MONTH-TO-DATE**
6.1	DESIGNATED DEPOSITARY Bk of London (Pounds)			8,000.00
6.2A	U.S. CURRENCY/COINAGE ON HAND	100.00		20,100.00
6.2B	FOREIGN CURRENCY/COINAGE ON HAND (Pounds)			
6.3A	UNDEPOSITED COLLECTIONS – GENERAL			
6.3B	OTHER UNDEPOSITED INSTRUMENTS ON HAND		9,750.00	
6.4	CUSTODY OR CONTINGENCY CASH			
6.5	FUNDS WITH AGENTS			25,000.00
6.6	ADVANCES TO CONTRACTORS			
6.7	CASH IN TRANSIT			
6.8	PAYROLL CASH			2,500.00
6.9	OTHER			
7.1	DEFERRED VOUCHERS			
7.2A	ACCOUNTS RECEIVABLE - CHECK OVERDRAFTS			
7.2B	ACCOUNTS RECEIVABLE – OTHER			
7.3	LOSS OF FUNDS		100.00	
7.4	DISHONORED CHECKS RECEIVABLE			
7.5				
7.6				
7.7				
8.0	**TOTAL INCUMBENT DO ACCOUNTABILITY**	100.00	9,850.00	55,600.00

SECTION III - DISTRIBUTION OF ACCOUNTABILITY - PREDECESSOR DOs				
a. LINE	**b. DESCRIPTION**	**c. DAILY INCREASE**	**d. DAILY DECREASE**	**e. MONTH-TO-DATE**
9.2A	ACCOUNTS RECEIVABLE - CHECK OVERDRAFTS			
9.2B	ACCOUNTS RECEIVABLE – OTHER			
9.3	LOSS OF FUNDS			
9.4	OTHER			
10.0	**TOTAL PREDECESSOR DO's ACCOUNTABILITY**			

SECTION IV - DISTRIBUTION OF ACCOUNTABILITY – COMBINED				
a. LINE	**b. DESCRIPTION**	**c. DAILY INCREASE**	**d. DAILY DECREASE**	**e. MONTH-TO-DATE**
11.0	**TOTAL DSSN ACCOUNTABILITY**	100.00	9,850.00	55,600.00

3. DISBURSING OFFICER NAME, RANK OR GRADE, TITLE (Type or Print)	4. DISBURSING OFFICER OR DEPUTY	5. DATE
John R. Doe, Major, USAF	SIGNATURE	9/30/XX

DD Form 2657, AUG 93

Figure 15-3. DD 2657, Daily Statement of Accountability (Continued)

Last Day of Month (Back)

SECTION V - DISTRIBUTION OF CASH ON HAND				
LOCATION	FOREIGN CURRENCY - RATE: 2.50		U.S.CURRENCY	OTHER
	UNITS	U.S. EQUIVALENT		
VAULT CASH			10,000.00	
DISBURSING OFFICER			8,200.00	2,500.00
DDO – A	3,200	8,000.00	1,500.00	
DDO – B				
DDO – C			10,000.00	
DDO – D				
CASHIER – A			400.00	
CASHIER – B			5,000.00	
CASHIER – C			10,000.00	
OTHER Imprest Fund				
TOTAL	3,200	8,000.00	45,100.00	2,500.00

DD Form 2657, AUG 93 (Back)

Figure 15-3. DD 2657, Daily Statement of Accountability (Continued)

Preparation Instructions for DD 2657, Daily Statement of Accountability

Every DO prepares and keeps an original DD 2657 for each day they transact business. Prepare this form in an original only as a permanent record (typed or printed in ink). The DD 2657 may be provided to other functional areas for reconciliation of cumulative disbursement and collection totals with the daily accounting records. Other functional areas must return the DD 2657 for filing.

Item 1. DSSN. Enter the DO's DSSN.

Item 2. Date. Enter the business date the form is being prepared.

Section I – Transactions Affecting Accountability

Line 1.0: Accountability – Beginning of Day. Enter the end of day accountability from line 5.0 of the DD 2657 for the previous business day in column c, Today. Enter the month-to-date amount from line 5.0 of the SF 1219 for the previous month. The amount entered in column d, Month-to-Date, must be the same on each DD 2657 prepared during the month.

Increase:

Line 2.1A: Checks Issued in Payment of Vouchers. In column c, enter the total value of Treasury checks issued during the business day to pay vouchers including regular and special payrolls and the value of any check issue adjustments. Support all check issue adjustments with FMS 5206 or OF 1017-G (see Chapter 7, section 0715). Note: When a DD 2657 is prepared for the first day of a month, enter the amount normally placed in column c into column d; otherwise, add the column c amount to column d amount from the previous day's DD 2657, and enter the total in column d.

Line 2.1B: Checks Issued – All Others. In column c, enter the total value of Treasury checks issued during the business day for purposes other than voucher payments including check issue adjustments affecting such checks, e.g., checks written to obtain operating cash, for purchase of foreign currency, or for providing funds to paying agents. Support all check issue adjustments with a FMS 5206 or OF 1017-G. See note from line 2.1A.

Line 2.3: Other Transactions (Do not report on SF 1219). Enter unexplained overages during the business day for vouchering on the next business day. Do not enter overages occurring on the last day of the month on this line. Do not report amounts entered on this line on line 2.3 of the SF 1219.

a. When preparing the voucher on the next business day, decrease the amount on this line and increase line 4.1E (4.1D if collected to a receipt account). In some instances, such as collections from dining facilities, assign only one collection voucher number

Figure 15-3. DD 2657, Daily Statement of Accountability (Continued)

for the entire month; prepare the formal collection voucher on the last business day of the month. Daily receipts of this nature are reported on line 2.3 and on line 6.2A.

b. When processing the formal collection voucher at the end of the month, remove the accumulated collections from this line and include them as reimbursements on line 4.1E. Also, use this line to record accumulated small exchange gains supported by a net gain and loss voucher on the last day of the month (rather than daily).

Line 2.34: Discrepancies in DO Account - Credits (Do not use this line). Do not use this line.

Line 2.36: Payments by Another DO (Do not use this line). Do not use this line.

Line 2.37: Transfer from Other DOs. Enter the total amount of transfers received from other DOs during the reporting period. An example is the final accountability of a deactivated DSSN being assumed by the DO (see Chapter 2, section 0208). Show this same figure on line 4.37 of the deactivated DSSN's SF 1219. Coordinate with that disbursing office to ensure it reports this amount on line 4.37 of SF 1219 for the same reporting period. The amount entered must be the same as that shown in column d, line 2.37 of the final DD 2657 for the reporting period.

Line 2.8: IPAC Payments and Collections. DOs participating in Treasury's IPAC system use this line. See Chapter 8, subparagraph 080301.A.1.d and Chapter 9, subparagraph 090502.B for detailed information. In column c, enter the net daily IPAC transactions for certain supplies and services rendered including any adjustments for the current business day. When collections exceed disbursements, record the amount as a negative. See note from line 2.1A.

a. If an IPAC transaction is processed in the Treasury's system at the end of a prior month but vouchered for the agency's accountability in the current month, a second line 2.8 is required. Annotate month and year on each of the description lines to differentiate between accounting months. For example, the amount reported in IPAC with a January 30th processing date is not vouchered and reported in daily accountability until the February 2nd business date. The February DD 2657 and SF 1219 will have two 2.8 lines, one for the net total of IPAC transactions processed by Treasury in February and one for the January amount.

b. If an erroneous amount was reported in a prior month use additional 2.8 lines. Treasury notifies the agency on FMS Form 6652, Statement of Differences – Disbursing Office Transactions. Report a separate line for the month in which an error occurred.

Line 2.9: Total Accountability Increases. Enter the total of lines 2.1A through 2.8 in both columns c and d. Prove column d by adding the total in column c to the column d total from line 2.9 of the previous day's DD 2657. If the DD 2657 is for the first business day of a month, the amounts will be the same.

Figure 15-3. DD 2657, Daily Statement of Accountability (Continued)

Line 3.0: Gross Accountability. Enter the total of lines 1.0 and 2.9 in columns c and d.

Line 4.1A: Gross Disbursements. Disbursements are payments from (or charged to) an appropriation or fund, supported by formal disbursement vouchers (see Chapter 9). Collection of payments made in error that are processed as bracketed (negative) amounts on disbursement vouchers are negative disbursements (see Chapter 8). Enter total gross disbursements (including IPAC payments), before refunds and negative reimbursements, for the disbursement vouchers paid on the business day being reported. The amount entered includes negative disbursements occurring on disbursement vouchers but does not include refunds occurring on collection vouchers (reported on line 4.1B) and negative reimbursements occurring on disbursement or collection vouchers (reported on line 4.1E). See note from line 2.1A.

Line 4.1B: Less - Refunds. If a refund requires a reversal of a refund, process a collection voucher (with the amount bracketed) as a negative refund. Refunds occurring on disbursement vouchers (voucher deductions) are also considered to be negative disbursements. Include them on line 4.1A as reductions of gross disbursements. Enter the total of refunds from collection vouchers. Do not include refunds from disbursement vouchers (negative disbursements) on this line. See note from line 2.1A.

Line 4.1C: Net Disbursements. Net Disbursements are gross disbursements less refunds. In both columns c and d, subtract line 4.1B from line 4.1A, and enter the respective differences on line 4.1C. Prove column d by adding the total in column c to the column d total from line 4.1C of the previous day's DD 2657. If the DD 2657 is for the first business day of a month, the amounts will be the same.

Line 4.1D: Less - Receipts. Receipts are collections credited to Treasury's miscellaneous receipt accounts supported by formal collection vouchers. See note from line 2.1A.

Line 4.1E: Less - Reimbursements. Reimbursements are collections for property sold or services furnished, credited to appropriations on formal collection vouchers. Return over-collection of reimbursements to remitters vouchering them as bracketed (negative) amounts on collection vouchers or positive amounts on disbursement vouchers. Treat the transactions as negative reimbursements and reduce the amount reported as reimbursements. In column c, enter the total of collections classified as appropriation reimbursements (including IPAC collections) less any negative reimbursements, whether from collection or disbursement vouchers. See note from line 2.1A.

Decrease:

Line 4.1F: Net Expenditures. In both columns c and d, subtract lines 4.1D and 4.1E from line 4.1C and enter the respective differences on line 4.1F. Report column d amount from the final DD 2657 for the accounting period on line 4.1 of the SF 1219. Note: Net Expenditures on the DD 2657 are the same on line 4.1 (Net Disbursements) of the SF 1219.

Figure 15-3. DD 2657, Daily Statement of Accountability (Continued)

Line 4.2A: Deposits Presented or Mailed to Bank. In column c, enter the total of all deposits mailed or presented to an FRB or general depositary (for credit to the TGA) during the business day (see Chapter 11, subparagraph 110801.B). This is a total of all deposit tickets including deposited canceled checks, mutilated or decomposed currencies, SNAP debit card transactions, and credit card collections. Deposits to a LDA are not included on this line. Reduce the total entered by the value of any debit voucher processed during the day, except for those debit vouchers for EFT payments to a bank that are recorded on line 4.2B.

a. Report deposits prepared, verified, dated, and removed from an agent's or cashier's possession but still on hand at the close of the business day as an undeposited collection on line 6.3A.

b. On the DD 2657 for the next business day (or the day when the deposit is actually presented or mailed to the bank), remove the amount from line 6.3A and include it on line 4.2A. This will be routine for DOs depositing collections received on a business day but reporting them on the next business day. See note from line 2.1A.

Line 4.2B: EFT Debit Vouchers. Use this line to record the debit voucher used for EFT payroll or vendor payments bracketed to denote a reduction of total deposits.

Line 4.3: Other Transactions (Do not report on SF 1219). Use this line to record small exchange losses resulting from accommodation exchanges or LDA transactions vouchered on the last day of the accounting period.

Line 4.34: Discrepancies in DO Account – Debits (Do not use this line). Do not use this line.

Line 4.36: Payments For Other DOs (Do not use this line). Do not use this line.

Line 4.37: Transfers to Other DOs. Enter the total amount of transfers to other DOs during the reporting period. An example is when the final accountability of a deactivating DSSN is assumed by another DO (see Chapter 2, section 0208). Coordinate with the disbursing office receiving the transfer to ensure it reports this amount on line 2.37 of SF 1219 for the same reporting period. The amount entered must be the same as that shown in column c on line 4.37 of the final DD 2657 for the reporting period.

Line 4.9: Total Accountability Decreases. In both columns c and d, enter the total of lines 4.1F through 4.37. Amounts from line 4.1A through 4.1E are not included. Check column d by adding the amount in column c to the column d total from line 4.9 of the previous day's DD 2657. If the DD 2657 is for the first business day of a month, the amounts should equal.

Figure 15-3. DD 2657, Daily Statement of Accountability (Continued)

Line 5.0: Accountability – End of Day. In columns c and d, subtract line 4.9 from line 3.0 and enter the difference on this line. These amounts must agree. This amount represents a DO's accountability to the Treasury at the close of that particular business day. Carry the column c amount forward as the beginning accountability line 1.0 on the DD 2657 for the next business day.

Section II – Distribution of Accountability – Incumbent DO

Report all amounts in USDs or U.S. dollar equivalents (USDEs), as appropriate. To compute each day's ending balance, column e, begin with the previous day's column e amount, add the current day's column c amount, and subtract the current day's column d amount.

Line 6.1: Designated Depositary. LDAs are normally foreign currency checking accounts held in a DO's own name, similar to an individual's personal checking account. Unless a detailed schedule is on the back of the DD 2657 or on an attachment, show the name and location of the LDA and the foreign currency unit (e.g., pesos) in the blank space under column d, Description, for line 6.1. Report all entries (in USDs) in column c, Daily Increase; column d, Daily Decrease; and column e, Month-to-Date (see Chapter 14). If the amount on this line includes both USDs and USDEs of foreign currency, show the USDE of foreign currency as a memo entry in column b; otherwise, the memo entry in the column b is not required. Complete line 6.1 as explained in the following subparagraphs.

a. Enter the USDE amount of all LDA deposits made during the business day in column c. Include any earned interest credited by the bank on that day. Report interest earnings with an appropriate Treasury miscellaneous receipt account collection voucher on line 4.1D. Also include any gain resulting from a beginning of day revaluation of the foreign currency on deposit, reporting these gains on line 4.1E.

b. Enter the USDE total of LDA checks issued during the business day in column d. Include any service charges made by the bank on that day. Offset the service charges with a disbursement voucher charging the disbursing activity's operating funds, and report it on line 4.1A. Also include any loss resulting from a beginning of day revaluation of the foreign currency on deposit and offset revaluation losses with a disbursement voucher ***SF 1034***, Public Voucher for Purchases and Services Other Than Personal, reported on line 4.1E.

Line 6.2A: U.S. Currency/Coinage on Hand. Include only U.S. currency and coins on hand in the disbursing office safe or vault and with DDOs, cashiers, and disbursing agents located in the main disbursing office (see Chapter 3). Also include vouchers returned to DDOs, cashiers, and disbursing agents. Do not include currency and coins identified on lines 6.3 through 6.9 (e.g., currency and coins held by DDOs, disbursing agents, paying agents, and cashiers at locations other than the main disbursing office, or cash held for payrolls).

Figure 15-3. DD 2657, Daily Statement of Accountability (Continued)

a. When the amount of U.S. currency and coinage on hand exceeds the end of day amount of cash on hand from column e of the previous day's DD 2657, enter the amount of the increase in column c, leaving column d blank.

b. When the amount of U.S. currency and coinage on hand is less than the end of day amount of cash on hand from column e of the previous day's DD 2657, enter the amount of the decrease in column d, leaving column c blank.

Line 6.2B: Foreign Currency/Coinage on Hand. Include only foreign currency and coins on hand in the disbursing office safe or vault and with DDOs, cashiers, and disbursing agents located in the main disbursing office. Also include vouchers returned to DDOs, cashiers, and disbursing agents. Do not include foreign currency and coins included on lines 6.3A through 6.9 (e.g., foreign currency and coins held by DDOs, cashiers, and disbursing agents at locations other than the main disbursing office or cash held for payrolls). If more than one type of foreign currency is maintained, show a detailed schedule of each type of currency on the back of the DD 2657 or on a separate attachment. Add "See Attached" in column b. Unless scheduling on the back or in an attachment, show the foreign currency unit (e.g., pesos) in the blank space in column b. Enter the USDE of the particular foreign currency in all three columns. Complete line 6.2B as follows:

a. If the amount of foreign currency and coinage on hand is more than the end of day amount of foreign cash on hand from column e of the previous day's DD 2657, enter the USDE amount of the increase in column c, leaving column d blank.

b. If the amount of foreign currency and coinage on hand is less than the end of day amount of foreign cash on hand from column e of the previous day's DD 2657, enter the USDE amount of the decrease in column d, leaving column c blank.

Line 6.3A: Undeposited Collections – General. Undeposited collections normally result when a deposit ticket is prepared, dated, verified to the items to be deposited, and removed from a DDO's, agent's or cashier's possession, but is still on hand (not yet mailed or presented to a bank) at the close of the business day. Report these deposits on line 6.3A. These amounts are not considered a part of the DO's cash authority. Do not delay preparation of the DD 2657 merely to record a prepared deposit on line 4.2A instead of line 6.3A.

a. Enter the amount in column c of line 6.3A.

b. In column d, enter the amount of deposits presented or mailed to the bank that were recorded in column c of the DD 2657 for the previous business day.

Line 6.3B: Other Undeposited Instruments on Hand. There will normally be no reason to carry undeposited negotiable instruments beyond the current or next business day. However, exceptions may occur. For example, a check received by the DO may not have been signed (or

Figure 15-3. DD 2657, Daily Statement of Accountability (Continued)

may contain other errors) and the person presenting (or mailing) the check is unavailable to correct the document in the same business day the collection is recorded.

a. Enter the amount of negotiable instruments that cannot be deposited in column c.

b. When finally deposited, enter the amount of negotiable instruments deposited in column d.

Line 6.4: Custody or Contingency Cash. The amount reported on this line includes cash held under custody account agreements in overseas Military Banking Facilities (MBFs) (see Chapter 13, paragraph 130203) or cash held for approved contingency requirements (as approved by the Treasury).

a. If the amount of custody or contingency cash on hand exceeds the end of day amount on hand from the column e total of the previous day's DD 2657, enter the amount of the increase in column c, leaving column d blank.

b. If the amount on hand is less than the end of day amount on hand from the column e total of the previous day's DD 2657, enter the amount of the decrease in column d, leaving column c blank.

Line 6.5: Funds with Agents. Enter the total amount of funds in the hands of DDOs, cashiers, disbursing agents, paying agents, collection agents, imprest fund cashiers, and change fund custodians at locations other than the main disbursing office, including vouchers returned to an agent by the DO. Do not include amounts held by DDOs, cashiers, and disbursing agents in the main disbursing office. Reflect amounts from the latest DD 1081 submitted by the DDOs, cashiers, and disbursing agents. Show a detailed schedule on the back of the DD 2657 or on a separate attachment, adding the words “See Attached” in the Description column on the face of the DD 2657. Include the foreign currency denomination (e.g., Euros), the currency rate of exchange valued, the number of foreign currency units, and the USDE. When the DO’s rate of exchange differs from the rate used on the DD 1081, the DO prepares a gain or loss voucher DD 1131 or SF 1034 (as appropriate) to account for the difference.

a. If the amount on the latest DD 1081 is more than the amount in column e of the DD 2657 for the previous day, enter the amount of the increase in column c.

b. If the amount on the latest DD 1081 is less than the amount in column e of the DD 2657 for the previous day, enter the amount of the decrease in column d.

c. The computed total in column e must equal the combined total of all the individual DD 1081s.

Figure 15-3. DD 2657, Daily Statement of Accountability (Continued)

Line 6.6: Advances to Contractors. Enter cash advanced to contractors under advance payment pool agreements. Compute the amounts for columns c, d, and e in the same manner as for line 6.5 (see Chapter 9, section 0906).

Line 6.7: Cash in Transit. Enter the amount of all cash in transit. Foreign currency funds in transit may or may not be involved (see Chapter 3, subparagraph 030205.G and Chapter 13, subparagraph 130602.E).

a. In column c, enter cash not yet received (Treasury exchange-for-cash checks have been drawn or mutilated, or decomposed currency forwarded to the FRB). Also enter foreign currencies to designated DOs, which reimbursement has not yet been received; cash transferred to other DOs, which a Treasury check has not yet been received; and unconfirmed credit card collection deposits reported to the designated financial agent (supported by DD 1131s).

b. In column d, enter the total cash and U.S. Treasury checks received, which were included in the amounts entered in column d of the previous day's DD 2657, and the amount of confirmed bank credit card deposits that were included in column c of a previous day's DD 2657, which are now reported in column c of line 4.2A. If a charge-back is received from the bank, notify the appropriate functional area and prepare a negative DD 1131 for the amount of the charge-back.

Line 6.8: Payroll Cash. Enter the value of cash held for payday requirements. Compute the amounts to be entered in columns c, d, and e in the same manner as for line 6.2A.

Line 6.9: Other. Enter the amount of Treasury exchange-for-cash checks prepared in advance and prepositioned Treasury checks awaiting pickup by a DDO, disbursing agent, or cashier. Any other category of cash or cash items to be reported on this line requires the approval of the servicing DFAS site. Compute the amounts to be entered in columns c, d, and e in the same manner as for line 6.2A. Whenever possible, clear the items on this line before preparing the SF 1219.

Line 7.1: Deferred Vouchers. Deferred vouchers are paid vouchers that have not been recorded in the accounting system. Vouchers paid by DDOs, cashiers, or disbursing agents not yet examined by the DO may be deferred until this review is complete (see Chapter 9, paragraph 090411).

a. Enter the amount of any paid vouchers being recorded as deferred during the business day in column c. These deferred items are excluded from gross disbursements on line 4.1A.

b. Enter the amount of any vouchers reported on line 4.1A that were deferred on a previous DD 2657 in column d.

Figure 15-3. DD 2657, Daily Statement of Accountability (Continued)

c. The computed amount entered in the current column e must equal the total of deferred vouchers outstanding.

Line 7.2A: Accounts Receivable – Check Overdrafts

a. Enter any check issue overdraft increases supported by FMS 5206 or OF 1017-G in column c (see Chapter 7, paragraph 070807).

b. Enter any collections or disbursements against an undercharged appropriation reducing the check issue overdraft amount reported on a previous DD 2657 in column d.

c. The DO or primary DDO reviews accounts receivable for check overdrafts at least monthly to assure all necessary actions are being taken to clear the overdrafts.

Line 7.2B: Accounts Receivable – Other

a. Enter any accounts receivable increases not included on line 7.2A in column c.

b. Enter any accounts receivable reductions not included on line 7.2A in column d.

c. The DO or primary DDO reviews accounts receivable at least monthly to assure all necessary actions are being taken to clear the receivables.

Line 7.3: Loss of Funds

a. In column c, enter any physical losses of cash, SNAP, negotiable instruments, and uncollected dishonored check amounts to be reported to the supporting DFAS site (see Chapter 6, section 0604).

b. Enter any recoveries of losses or reimbursements by the supporting DFAS site in column d.

c. This amount must equal the total of all outstanding loss cases.

Line 7.4: Dishonored Checks Receivable

a. In column c, enter the amount of dishonored checks received during the business day via a debit voucher to be retained in DO accountability (e.g., not returned to the activity who originally accepted them) (see Chapter 4, section 0404).

Figure 15-3. DD 2657, Daily Statement of Accountability (Continued)

b. In column d, enter the amount of dishonored checks collected or for which relief has been granted that are currently carried in DO accountability.

c. The computed amount must equal the total of all dishonored checks on hand at the close of the business day.

Lines 7.5 through 7.7. On the final DD 2657 for the accounting period, use these lines to summarize USDEs of foreign currency amounts reported in Section II. Enter in column b by country and type of currency the total foreign currency units and USDEs. Lines 6.1 and 6.2B always involve foreign currency. Line 6.5 could involve foreign currency. Leave columns c, d, and e blank.

Line 8.0: Total Incumbent DO Accountability. Enter the totals of lines 6.1 through 7.4 in each of the respective columns. Prove the total for column e by adding the amount in column e to, and deducting the amount in column d from, the column e total of the DD 2657 for the previous business day. The figures must be the same.

Section III – Distribution of Accountability - Predecessor DOs

DOs charged with the responsibility to settle accounts of predecessor DOs use this section as prescribed in Chapter 2, section 0210.

Line 9.2A: Accounts Receivable – Check Overdrafts. Compute all three column amounts for check overdrafts applicable to previous DOs in the same manner as prescribed for line 7.2A. The DO or primary DDO reviews accounts receivable for check overdrafts at least monthly to assure all necessary actions are being taken to clear the overdrafts.

Line 9.2B: Accounts Receivable – Other. Compute other accounts receivable amounts applicable to previous DOs in the same manner as prescribed for line 7.2B. The DO or primary DDO reviews accounts receivable at least monthly to assure all necessary actions are being taken to clear the receivables.

Line 9.3: Loss of Funds. Compute loss of funds amounts incurred by previous DOs in the same manner as prescribed for line 7.3.

Line 9.4: Other. Compute the amounts for other accountable items for previous DOs in the same manner as prescribed for line 7.4.

Line 10.0: Total Predecessor DO's Accountability. Enter the total of lines 9.2A through 9.4 in each of the respective columns.

Figure 15-3. DD 2657, Daily Statement of Accountability (Continued)

Section IV – Distribution of Accountability - Combined

Line 11.0: Total DSSN Accountability. Enter the total of lines 8.0 plus 10.0 in each of the respective columns. The computed total of column e must also equal column d of line 5.0, or the DD 2657 is out-of-balance. Resolve any out-of-balance condition before preparing the DD 2657 for the next business day.

Item 3. Disbursing Officer Name, Rank or Grade, Title (Type or Print). Type or print the name, rank or grade, and title of the DO.

Item 4. Disbursing Officer or Deputy. The DO or a designated DDO signs the DD 2657 to attest to the accurate representation of accountability.

Item 5. Date. Enter the date the DD 2657 is signed.

Section V – Distribution of Cash on Hand. This section shows the physical location of all U.S. and foreign cash on hand, including custody or contingency cash, and payroll cash. It includes cash held by both on and off site DDOs, disbursing agents, and cashiers (including mobility-line cashiers). It does not include: funds in designated depositaries (from line 6.1), undeposited collections (from line 6.3A), funds with contractors (from line 6.6), or cash in transit (from line 6.7). The last line of the form is titled Total. Summarize the amounts displayed in each column and list them accordingly. The totals represent the balance of cash on hand distributed.

Figure 15-4. SF 1219, Statement of Accountability

Front

STANDARD FORM 1219
Revised April 1982
Department of the Treasury
1-TFM 2-3100

STATEMENT OF ACCOUNTABILITY

NAME OF DISBURSING OFFICER		LOCATION OF DISBURSING OFFICER *(Mailing Address)*
John R. Doe, Major, USAF		5090 Support Wing/ACF APO AE 09106
NAME OF AGENCY Air Force		
PERIOD OF ACCOUNT FROM 1 Jun XX	THROUGH 30 Jun XX	AGENCY LOCATION CODE (ALC) *(Show main check symbol number)* 6700

SECTION I. - GENERAL STATEMENT OF ACCOUNT

PART A. – TRANSACTIONS DURING PERIOD AFFECTING ACCOUNTABILITY

1.00	TOTAL ACCOUNTABILITY BEGINNING OF PERIOD		46,770.07
	INCREASES IN ACCOUNTABILITY		
2.1	CHECKS ISSUED ON U.S. TREASURY	138,000.00	
2.3	OTHER TRANSACTIONS		
2.34	DISCREPANCIES IN D.O. ACCOUNTS – CREDITS		
2.36	PAYMENTS BY ANOTHER D.O.		
2.37	TRANSFERS FROM OTHER DISBURSING OFFICERS		
2.39			
2.9	TOTAL INCREASES IN ACCOUNTABILITY		138,000.00
3.0	SUBTOTAL		184,770.07
4.0	DECREASES IN ACCOUNTABILITY		
4.1	NET DISBURSEMENTS	162,914.39	
4.2	DEPOSITS PRESENTED OR MAILED TO BANK	2,000.00	
4.3	OTHER TRANSACTIONS		
4.34	DISCREPANCIES IN D.O. ACCOUNTS - DEBITS		
4.36	PAYMENTS FOR ANOTHER D.O.		
4.37	TRANSFERS TO OTHER DISBURSING OFFICERS		
4.39			
4.9	TOTAL DECREASES IN ACCOUNTABILITY		164,914.39
5.00	TOTAL ACCOUNTABILITY CLOSE OF PERIOD		19,855.68

PART B. - ANALYSIS OF INCUMBENT OFFICER'S ACCOUNTABILITY

6.1	CASH ON DEPOSIT IN DESIGNATED DEPOSITARY Bank of London England (Pounds) *(Name and location of depositary)*	1417.00
6.2	CASH ON HAND (Pounds 40.80)	6,643.27
6.3	CASH - UNDEPOSITED COLLECTIONS	775.00
6.4		
6.5	CASH IN CUSTODY OF GOVERNMENT CASHIERS	1,900.00
6.6	ADVANCES TO CONTRACTORS	500.00
6.7	CASH IN TRANSIT	
6.8	PAYROLL CASH	8,000.00
6.9	OTHER CASH ITEMS	
7.1	DEFERRED CHARGES – VOUCHERED ITEMS	300.00
7.2	RECEIVABLES - CHECK OVERDRAFTS	60.00
7.3	LOSSES OF FUNDS	80.00
7.4	RECEIVABLES – DISHONORED CHECKS	30.41
7.5		
7.6		
7.7		
7.8		
7.9		
8.0	TOTAL OF MY ACCOUNTABILITY	19,705.68

PART C. - ANALYSIS OF PREDECESSOR OFFICERS' ACCOUNTABILITY

9.2	RECEIVABLES - CHECK OVERDRAFTS	50.00
9.3	LOSSES OF FUNDS	100.00
9.4	OTHER ACCOUNTABILITY	
10.0	TOTAL PREDECESSOR OFFICERS' ACCOUNTABILITY	150.00
11.0	TOTAL DISBURSING OFFICE ACCOUNTABILITY *(Same as line 5.00 above)*	19,855.68

I certify that this is a true and correct statement of accountability for the period stated at the office referred to above.

NAME AND TELEPHONE NUMBER OF CONTACT	SIGNATURE AND TITLE OF CERTIFIER	DATE
D. M. JACKSON DSN 123-4321		1 Jul XX

NSN 7540-00-634-4245 (OVER) PREVIOUS EDITION NOT USABLE 1219-106

Figure 15-4. SF 1219, Statement of Accountability (Continued)

Back

SECTION II – SUMMARY BY SYMBOL OF CHECK AND DEPOSIT TRANSACTIONS WITH U.S. TREASURY

PART A. – CHECKS ISSUED AND ADJUSTMENTS FOR PRIOR PERIODS*

CHECK SYMBOL	AMOUNT OF CHECKS ISSUED THIS PERIOD	ADJUSTMENTS FOR PRIOR MONTH'S ISSUES (+ or -)				TOTAL CHECKS ISSUED† (Columns 2 + 3 and + 4)
		BY TFS FORM 5206		OTHER		
		ISSUE (Month and year)	AMOUNT	ISSUE (Month and year)	AMOUNT	
(1)	(2)	(3)		(4)		(5)
	TC 210		TC 211		TC 212	
6700	137,660.00	12/XX	50.00	2/XX	400.00	
		1/XX	(10.00)	4/XX	(100.00)	138,000.00
TOTALS‡	137,660.00		40.00		300.00	138,000.00

PART B. – SUMMARY OF DEPOSITS PRESENTED OR MAILED TO BANK (Line 4.2)

DEPOSIT SYMBOL	DEPOSITS PRESENTED OR MAILED TO BANK THIS MONTH	DEPOSITS PRESENTED OR MAILED TO BANK IN PRIOR MONTHS BUT RECORDED IN ACCOUNTS THIS MONTH		TOTAL DEPOSITS PRESENTED OR MAILED TO BANK** (Column 2 + 4)
		MONTH PRESENTED OR MAILED TO BANK	AMOUNT	
(1)	(2)	(3)	(4)	(5)
	TC 420		TC 420	
6700	1,800.00	3/XX	.03	
		4/XX	74.97	
		5/XX	225.00	
		5/XX	(100.00)	2,000.00
TOTALS	1,800.00		200.00	2000.00

* The totals reported in these columns must be in agreement with the corresponding amounts reported on the SF 1179.
† The total reported in this column must be in agreement with the total shown on Line 2.1 on the face of this statement.
‡ For use only if more than one (1) symbol is listed.
** The total reported in this column must be in agreement with the total shown on Line 4.2 on the face of this statement.

STANDARD FORM 1219 (BACK)
REVISED 4-82

Figure 15-4. SF 1219, Statement of Accountability (Continued)

Preparation Instructions for SF 1219, Statement of Accountability

Every DO submits an SF 1219 monthly for each DSSN assigned whether or not any transactions occur or any accountable balance is involved. Prepare this form in an original only as a permanent record (typed or printed in ink). A DO being relieved submits a final SF 1219 regardless of the fact that the last day of the accounting period may be other than the last day of the month. Plainly mark the final SF 1219 "FINAL" in the blank space directly above the name line. Erasures, strikeovers, or marks of any description other than legitimate entries are not permitted on the SF 1219. Use cumulative month-to-date totals from the final DD 2657 for the accounting period (e.g., month) to complete the similarly numbered lines of the SF 1219. Combine certain alpha-suffixed cumulative line totals on the DD 2657 for entering on the SF 1219.

Heading

a. Name of Disbursing Officer. Enter the DO's full name and rank or grade.

b. Location of Disbursing Officer (Mailing Address). Enter the disbursing activity's unit identification code, name, and location.

c. Name of Agency. Enter "Army," "Navy," "Air Force," or "Marine Corps," as applicable. Defense agencies enter the appropriate Service based on which one obtained the DSSN.

d. Period of Account. Enter the first and last days of the reporting period. Normally, the reporting period begins on the first day of each calendar month and ends on the last day. A reporting period may not extend beyond the last day of a calendar month. Exceptions to the calendar month as the reporting period depend on situations such as when a DO is relieved from disbursing duties before the last day of the month, or when a DO commences disbursing duties on other than the first day of the month.

e. Agency Location Code. Enter the four-digit DSSN under which the DO is operating. Prepare a separate SF 1219 for each DSSN.

Section I. – General Statement of Account

Part A. - Transactions During Period Affecting Accountability

Line 1.00: Total Accountability Beginning of Period. Enter the column d total from line 1.00 of the final DD 2657 for the reporting period. This amount must agree with the amount reported as the Accountability Close of Period (line 5.0) of the SF 1219 for the previous reporting period. In the case of relieving DOs, this amount must be the same as that shown on line 11.0 of the relieved DO's final SF 1219. Note: Relieving DOs assigned to tactical units and naval vessels follow the instructions in Chapter 2 for this line. DOs reporting foreign currency

Figure 15-4. SF 1219, Statement of Accountability (Continued)

enter the amount of foreign currency (including LDAs) held at the beginning of the reporting period in the blank space opposite the caption for line 1.0.

Line 2.1: Checks Issued on U.S. Treasury. Enter the combined column d totals of lines 2.1A and 2.1B of the final DD 2657 for the reporting period (see Chapter 7, section 0715). This amount must agree with the amount in column 5, Part A, Section II, on the reverse of the SF 1219 and with the net total of checks issued as reported on the SF 1179. The total of checks issued (including adjustments) entered refers only to checks drawn on the U.S. Treasury; it does not include LDA checks. Treat LDA checks as cash transactions and reflect them on line 6.1.

Line 2.3: Other Transactions

Line 2.34: Discrepancies in D.O. Accounts – Credits. Do not use this line.

Line 2.36: Payments by Another D.O.. Do not use this line.

Line 2.37: Transfers from Other Disbursing Officers. Enter the total amount of transfers received from other DOs during the reporting period. An example is the final accountability of a deactivated DSSN being assumed by the DO (see Chapter 2, section 0208). Show this same figure on line 4.37 of the deactivated DSSN's SF 1219. Coordinate with that disbursing office to ensure it reports this amount on line 4.37 of its SF 1219 for the same reporting period. The amount entered must be the same as that shown in the Month-to-Date column on line 2.37 of the final DD 2657 for the reporting period.

Line 2.39. Designated DOs participating in Treasury's IPAC system use this line. Refer to Chapters 8 and 9 for detailed information regarding the use of IPAC. The paper version of the SF 1219 has not yet been revised by the Treasury to include line 2.8, IPAC Payments and Collections. However, Treasury has revised the requirements for disbursing offices that electronically prepare and submit the SF 1219. The electronic format includes line 2.8 specifically for IPAC. When preparing the SF 1219 manually, strike out the caption 2.39 and insert 2.8, IPAC Payments and Collections. Enter the net monthly IPAC transactions, including any adjustments, for the current month. The amount entered must equal column d, line 2.8 of the final DD 2657 for the reporting period. Treasury FMS will compare customer and billing agencies' SF 1219 IPAC transactions with the IPAC data.

a. When there is a difference in the comparison, Treasury will generate FMS 6652. Investigate the differences and report necessary corrections on the next month's SF 1219 as a separate line 2.8. Annotate the month and year on each of the description lines to differentiate between the accounting months.

Figure 15-4. SF 1219, Statement of Accountability (Continued)

b. Use separate lines for IPAC transactions processed in the Treasury's system at the end of a prior month but vouchered for the agency's accountability in the current month.

Line 2.9: Total Increases in Accountability. Enter the sum of lines 2.1 through 2.39. This must agree with the column d total on line 2.9 of the final DD 2657 for the reporting period.

Line 3.0: Subtotal. Enter the sum of lines 1.0 and 2.9. This must agree with column d on line 3.0 of the final DD 2657 for the reporting period.

Line 4.0: Decreases in Accountability. Do not use this line.

Line 4.1: Net Disbursements. Enter the column d total from line 4.1F of the final DD 2657 for the reporting period.

Line 4.2: Deposits Presented or Mailed to Bank. Enter the combined column d totals from lines 4.2A and 4.2B of the final DD 2657 for the reporting period (see Chapter 11, subparagraph 110804.B). The amount must agree with the amount in column (5), Part B, Section II on the reverse of the SF 1219.

Line 4.3: Other Transactions

Line 4.34: Discrepancies in D.O. Accounts - Debits. Do not use this line.

Line 4.36: Payments for Another D.O. Do not use this line.

Line 4.37: Transfers to Other Disbursing Officers. Enter the total amount of transfers to other DOs during the reporting period. An example is the final accountability of your deactivating DSSN being assumed by another DO (see Chapter 2, section 0208). Coordinate with that disbursing office to ensure it reports this amount on line 2.37 of its SF 1219 for the same reporting period. The amount entered must be the same as that shown in the Month-to-Date column on line 4.37 of the final DD 2657 for the reporting period.

Line 4.39: Blank entry. Use as needed.

Line 4.9: Total Decreases in Accountability. Enter the sum of lines 4.1 through 4.39. The amount must agree with the Month-to-Date column total on line 4.9 of the final DD 2657 for the reporting period.

Line 5.00: Total Accountability Close of Period. Subtract the amount on line 4.9 from the amount on line 3.0 and enter the result. This amount must agree with the Month-to-Date column total on line 5.0 of the final DD 2657 for the reporting period.

Figure 15-4. SF 1219, Statement of Accountability (Continued)

Part B. - Analysis of Incumbent Officer's Accountability

Line 6.1: Cash on Deposit in Designated Depositary. Enter the Month-to-Date column total from line 6.1 of the final DD 2657 for the reporting period. When there is only one LDA, show the name and location on the Name and Location of Depositary line of the description column (see Chapter 14). When a DSSN maintains more than one LDA, attach a schedule to each copy of the SF 1219 showing the name, location, foreign currency unit, and USDE for each LDA. Show the total amount for all LDAs on line 6.1 and enter "See Attached" on the Name and Location of Depositary line. Report the amount on this line, which must agree with the DOs computed LDA checkbook balance, in USDs.

Line 6.2: Cash on Hand. Enter the combined Month-to-Date column totals of lines 6.2A and 6.2B of the final DD 2657 for the reporting period. Show a parenthetical USDE of foreign currencies on hand (from line 6.2B of the DD 2657) after the description (see Chapter 3, subparagraph 030401.A). Do not include currency and coins held by DDOs, cashiers, and disbursing agents at locations other than the main disbursing office or cash held for payrolls on this line. Report cash held by DDOs, cashiers, and disbursing agents at locations other than the main disbursing office on line 6.5. Report cash held for payrolls on line 6.8.

Line 6.3: Cash – Undeposited Collections. Enter the combined Month-to-Date column totals of lines 6.3A and 6.3B of the final DD 2657 for the reporting period. Include all undeposited cash and cash items (e.g., checks and money orders) on hand at the close of the reporting period that is for deposit to the TGA. Do not include deposits already mailed or presented for credit to the TGA.

Line 6.4. Enter the caption "Custody or Contingency Cash" in the description column (see Chapters 13 and 10). This amount entered includes cash held under custody account agreements in overseas contract MBFs or when separately approved by the Treasury, cash held as cash reserves for contingency requirements. Enter the Month-to-Date column total from line 6.4 of the final DD 2657 for the reporting period.

Line 6.5: Cash in Custody of Government Cashiers. Amounts entered on this line include coin and currency in the hands of DDOs, cashiers, disbursing agents, imprest fund cashiers, collection agents, paying agents, and change fund custodians at locations other than the main disbursing office. Do not include amounts held by DDOs, cashiers, disbursing agents in the main disbursing office. Enter the Month-to-Date column total from line 6.5 of the final DD 2657 for the reporting period. Also, enter in parentheses (in the space between the caption and the amount column) the USDE of foreign currencies included in the amount reported.

Line 6.6: Advances to Contractors. Enter the caption "Advances to Contractors" in the description column (see Volume 10, Chapter 4, paragraph 040101). Enter the Month-to-Date column total from line 6.6 of the final DD 2657 for the reporting period.

Figure 15-4. SF 1219, Statement of Accountability (Continued)

Line 6.7: Cash in Transit. Enter the caption "Cash in Transit" in the description column (see Chapter 3, subparagraph 030205.G and Chapter 13, subparagraph 130602.E). Enter the Month-to-Date column total from line 6.7 of the final DD 2657 for the reporting period.

Line 6.8: Payroll Cash. Enter the caption "Payroll Cash" in the description column. Enter the Month-to-Date column total from line 6.8 of the final DD 2657 for the reporting period.

Line 6.9: Other Cash Items. Enter the caption "Other Cash Items" in the description column. Enter the Month-to-Date column total from line 6.9 of the final DD 2657 for the reporting period.

Line 7.1: Deferred Charges - Vouchered Items. Enter the Month-to-Date column total from line 7.1 of the final DD 2657 for the reporting period.

Line 7.2: Receivables - Check Overdrafts. Enter the combined Month-to-Date column totals from lines 7.2A and 7.2B of the final DD 2657 for the reporting period.

Line 7.3: Losses of Funds. Enter the Month-to-Date column total from line 7.3 of the final DD 2657 for the reporting period (see Chapter 6, subparagraph 060402.B.2).

Line 7.4: Receivables - Dishonored Checks. Enter the Month-to-Date column total from line 7.4 of the final DD 2657 for the reporting period (see Chapter 4, section 0404).

Lines 7.5 through 7.9. Use these lines as needed.

Line 8.0: Total of My Accountability. Enter the total of lines 6.1 through 7.4. This amount must agree with the Month-to-Date column total from line 8.0 of the final DD 2657 for the reporting period.

Part C – Analysis of Predecessor Officers' Accountability

Line 9.2: Receivables - Check Overdrafts. This line is used by DOs charged with the responsibility to settle the accounts of predecessor DOs as prescribed in Chapter 2, section 0210. Enter the combined Month-to-Date column totals from lines 9.2A and 9.2B of the final DD 2657 for the reporting period.

Line 9.3: Losses of Funds. DOs responsible for settling accounts of predecessor DOs use this line (see Chapter 2, section 0210). Enter the Month-to-Date column total from line 9.3 of the final DD 2657 for the reporting period.

Line 9.4: Other Accountability. DOs responsible for settling accounts of predecessor DOs use this line (see Chapter 2, section 0210). Enter Month-to-Date column total from line 9.4 of the final DD 2657 for the reporting period.

Figure 15-4. SF 1219, Statement of Accountability (Continued)

Line 10.0: Total Predecessor Officers' Accountability. DOs responsible to settle the accounts of predecessor DOs use this line (see Chapter 2, section 0210). Enter the total of lines 9.2 through 9.4. This total must agree with the Month-to-Date column total from line 10.0 of the final DD 2657 for the reporting period.

Line 11.0: Total Disbursing Office Accountability (Same as line 5.0 above). Enter the total of lines 8.0 and 10.0. This total must agree with the amount entered in Part A on line 5.0, and the Month-to-Date column total from line 11.0 of the final DD 2657 for the reporting period.

Certification. Type the name and telephone number (both commercial (including area code) and Defense Switched Network) of the person to contact should any questions arise regarding the SF 1219. The DO or, during periods of his/her authorized absence, the authorized DDO, signs the certification in the space provided. The signature must be in the same form as that used to sign Treasury checks. Type the date of submission in the space provided. In the case of a DO being relieved from disbursing duty, the relieving DO certifies the receipt of accountability at the bottom of the SF 1219 (see Chapter 2, paragraph 020807).

Air Force Merged Accountability and Fund Reporting (MAFR) System Balancing. Air Force DOs add the following lines in the bottom margin of the SF 1219 to facilitate balancing of the MAFR system.

Line 4.11: Gross Disbursements. Enter the cumulative amount from line 4.1A of the last DD 2657 prepared for the accounting period (month). When not using line 4.1A, enter the amount from line 4.1C of the DD 2657.

Line 4.12: Refunds. Enter the cumulative amount from line 4.1B of the last DD 2657 prepared for the accounting period (month). When not using line 4.1B, enter zero.

Line 4.13: Receipts. Enter the cumulative amount from line 4.1D of the last DD 2657 prepared for the accounting period (month).

Line 4.14: Reimbursements. Enter the cumulative amount from line 4.1E of the last DD 2657 prepared for the accounting period (month).

Line 4.15: Total Collections. Enter the total of the amounts included in lines 4.12, 4.13, and 4.14.

Section II - Summary by Symbol of Check and Deposit Transactions with U.S. Treasury

Part A. – Checks Issued and Adjustments for Prior Periods. The column headings indicate the detailed information to be reported in this part. Show information for the DSSN under which there were check issues or check issue adjustment transactions in the current

Figure 15-4. SF 1219, Statement of Accountability (Continued)

reporting period. The amounts reported in the respective columns must agree with amounts reported on the SF 1179 for the same reporting period.

Column (1) – Check Symbol. Enter the DSSN covered by the SF 1219.

Column (2) – Amount of Checks Issued this Period. Enter the total amount of Treasury checks issued during the reporting period. Include check issue adjustments using OF 1017-G applicable to checks issued during the current reporting period (after such checks have been reported as check issues to the Treasury) in the total in this column. When overdrafts or underdrafts are discovered before reporting these same checks under Level 8 Check Issue Reporting, change the Level 8 Check Issue Report (e.g., without a check issue adjustment).

a. For an overdraft, make an accountability-balancing increase to line 7.2A of the DD 2657.

b. For an underdraft, issue another check and record it in the normal manner, citing both check numbers on the disbursement voucher. The amount entered in this column must agree with the amount reported on line 1 of the summary portion of the SF 1179. LDA check issues are not entered in this column.

Column (3) – Adjustments for Prior Months' Issues by TFS Form 5206. Enter the issue month and year and the amount of each adjustment applicable to checks issued in prior periods and documented by FMS 5206. Entries in this column may include check issue adjustments for checks issued and reported under Level 8 Check Issue Reporting in the same reporting period (month). The total of this column must equal the amount shown on line 2(a) in the summary portion of the SF 1179. Note: TFS 5206 and FMS 5206 are synonymous.

Column (4) – Adjustments for Prior Months' Issues by Other. Enter the issue month and year and the amount of each adjustment applicable to checks issued in prior periods initiated locally by a DO on OF 1017-G to correct a difference for which an FMS 5206 has not been received. Entries in this column can include check issue adjustments for checks issued and reported under Level 8 Check Issue Reporting in the same reporting period (month). The total of this column must equal the amount shown on line 2(b) in the summary portion of the SF 1179.

Column (5) – Total Checks Issued. Enter the amount of column (2), plus or minus the amounts entered in columns (3) and (4). The total reported in column (5) must match both the amount reported on line 2.1 of Section I, Part A on the face of the SF 1219 and on line 3 in the summary portion of the SF 1179.

Part B – Summary of Deposits Presented or Mailed to Bank. Show an analysis by DSSN of the deposit tickets and debit vouchers that have been taken up in the accounts of the DO during the current reporting period.

Column (1) – Deposit Symbol. Enter the DSSN of the depositing activity.

Figure 15-4. SF 1219, Statement of Accountability (Continued)

Column (2) – Deposits Presented or Mailed to Bank This Month. Enter the total of all deposit tickets presented or mailed to an FRB or general depositary during the current

reporting period (month) regardless of whether the deposits have been confirmed by the depositary. Include all debit vouchers that are accounted for by the depositary during the same period for which the SF 1219 is being prepared. A debit voucher reduces total deposits. Note that deposits presented or mailed to a depositary during the first few days of the month that are physically dated in the previous month are excluded from this column and included in columns (3) and (4).

Columns (3) and (4) – Deposits Presented or Mailed to Bank in Prior Months But Recorded in Accounts This Month. Enter in column (3) the month and year of presentation or mailing of all deposit tickets and debit vouchers taken into the accounts during the current month with a presentation or mailing date (block 2 of the forms) in a prior month. In column (4) enter the total amount of the deposits less the debit vouchers. If more than one prior month is involved in the total of such deposits reported, show each month and year in column (3) and separate totals for each month shown in column (4).

Column (5) – Total Deposits Presented or Mailed to Bank. Enter the total of columns (2) and (4). This amount must agree with the amount shown on line 4.2 in Section I, Part A on the face of the SF 1219.

VOLUME 5, CHAPTER 16: "SAFEKEEPING FUNDS AND VALUABLES FOR INDIVIDUALS AND MORALE, WELFARE, AND RECREATION ACTIVITIES"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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

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

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

The previous version dated May 2016 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current administrative instructions.	Revision

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CHAPTER 16

SAFEKEEPING FUNDS AND VALUABLES FOR INDIVIDUALS AND MORALE, WELFARE, AND RECREATION ACTIVITIES

1601 GENERAL

160101. Overview

Department of Defense (DoD) disbursing officers (DOs), deputy DOs (DDOs), and agents may accept cash and checks from individuals and morale, welfare, and recreation (MWR) activities for which safe custody otherwise would not be available. When a DO, DDO, or agent is unavailable, or when it is impractical for one of them to accept and account for safekeeping deposits, a commander may appoint and terminate any military member or DoD civilian employee as a safekeeping custodian to accept and account for safekeeping deposits using a separate DoD ***(DD) Form 577***, Appointment/Termination Record – Authorized Signature (see Chapter 2, section 0203).

A. Safekeeping of Deposits. Keep safekeeping deposits in a secured safe and establish appropriate procedures to maintain accountability. Consider funds accepted for safekeeping as funds held in trust for which the United States is accountable, but are not within the DO's financial accountability to be reported to the Department of the Treasury (Treasury) on the ***Standard Form (SF) 1219***, Statement of Accountability.

B. Restrictions. Deposits and withdrawals are subject to local command regulations that establish necessary and proper restrictions as to the time, place, and frequency of deposits and withdrawals, and the types of objects classified as valuables. Impose controls to prohibit interruption of the activity's priority fiscal operations (e.g., special and regular payroll activities). Safekeeping services should not be abused by the deposit of objects that are not usually afforded additional protection. Limit deposited valuables to funds; negotiable instruments including bonds, credit cards, travelers' checks, and checkbooks; and objects classified as jewelry having an intrinsic value requiring additional protection. Items such as wallets, snapshots, keys, or items lacking any intrinsic value are prohibited.

C. Responsibility for Deposits

1. Custodians. Commanders appoint custodians to be responsible for the proper handling of and accounting for safekeeping deposits (see paragraph 160301). Appointments must state the specific duties authorized to be performed by the custodian. Pecuniary liability does not attach to safekeeping deposits as they are not public funds. Section 1602 applies to the safekeeping of nonappropriated funds for MWR activities. Note that losses of nonappropriated funds are not recorded on the DO's SF 1219. If a loss occurs, notify the depositor of their right to submit a claim for reimbursement of the loss under applicable DoD Component regulations. Submission of a claim need not be deferred to await findings of any investigation initiated to determine responsibility for the loss.

2. Assistant Custodians. When the volume or nature of safekeeping deposit transactions warrants, the custodian may formally appoint an assistant custodian for initial receipt and temporary custody of safekeeping deposits pending their delivery to the designated custodian. Provide separate safekeeping facilities for the assistant custodian. Cover all custody transfers between the custodian and assistant custodian with receipt. An assistant custodian is responsible for proper accounting and handling, including receipt and delivery of safekeeping deposits to a permanent custodian. Process losses under subparagraph 160101.C.1.

D. Deposit of Postal Funds. Receive and handle safekeeping deposits of postal funds under the DoD Postal Manual, ***DoD 4525.6-M***, identifying these as postage stamp fund or postal money order fund, as applicable, on the safekeeping deposit receipt.

E. Deposit of Funds Under Emergency Conditions. Follow paragraph 160202 to receive and handle safekeeping deposits of funds by military banking facilities, nonappropriated fund custodians, and other DoD sponsored activities. Identify on the safekeeping deposit receipt the deposit, depositing agency, and the custodian making the deposit.

160102. Purpose

This chapter provides DoD's policy for appointed custodians and assistants to receive and safeguard cash and other valuables belonging to individuals or MWR activities.

160103. Authoritative Guidance

Title 31, United States Code (U.S.C.), ***section 3302*** authorizes DOs to have custody of public funds for disbursement purposes and requires them to safeguard the funds.

1602 SAFEKEEPING OF NONAPPROPRIATED FUNDS FOR MWR ACTIVITIES

160201. Accounting for Separate Funds

Place each safekeeping deposit in a separate, sealed envelope following subparagraph 160202.A, except as provided in paragraph 160202. Process withdrawals in accordance with the procedures provided in subparagraph 160202.B.

160202. Accounting for Commingled Funds

Custodians may collocate the funds when the volume of safekeeping deposits warrants and it is desirable to accommodate more than one deposit or withdrawal transaction in (non-individual) safekeeping deposit accounts at non-tactical activities. Place the deposits in a separate container identified as safekeeping funds to prevent commingling with official funds. At activities other than Navy ships, if the total value of commingled safekeeping funds on hand is large, a bank checking account may be established (see paragraph 160203).

A. Deposits

1. Receipt for Deposit. Use a ***DD 2674***, Record and Receipt of Deposits and Withdrawals of Safekeeping Funds, for each deposit and assign a consecutive series of deposit numbers beginning with the number "1" preceded by the letter "D." Assign each depositor a depositor's account number using a consecutive series of numbers beginning with the number "1." The information on the DD 2674 should identify the depositor, depositor's account number, date of deposit, and the amount deposited. The custodian gives the signed original DD 2674 to the depositor and retains a copy.

2. Individual Ledger Sheets. For each depositor, the custodian keeps a separate ledger control sheet, the heading of which includes the following: depositor's account number, name and location of the depositing MWR activity, and signature of the MWR activity representative making the deposit. The custodian enters the amount of each deposit in the debit column of the ledger sheet, the total amount on deposit in the balance column, the date of each deposit, and deposit receipt number.

3. Cash-On-Hand Ledger Control Sheet. In addition to the individual ledger sheets described in subparagraph 160202.A.2, the custodian also keeps a cash-on-hand ledger control sheet entering the amount of each deposit in the debit column and the total amount on deposit by all depositors in the balance column. If preferred, a daily summary posting may be made to the ledger control sheet showing inclusive deposit numbers. The balance of the ledger control sheet must agree with the combined balances of the individual depositors' ledger sheets.

B. Withdrawals. The depositor presents the original deposit receipt(s) to the custodian when requesting a full or partial withdrawal of the funds on deposit. The custodian confirms the depositor's account balance and obtains a signature in the applicable section of the retained copy of the DD 2674 verifying it against the signature on the deposit record and/or the individual ledger sheet before releasing the funds requested. If the request is for a full withdrawal, the custodian voids the original DD 2674 in the presence of the depositor. A depositor may make up to three partial withdrawals of a safekeeping deposit. If the deposit is not withdrawn in full after two requests, the custodian voids the original DD 2674 and issues a new DD 2674 for the new deposit amount. The custodian enters the withdrawal as a credit in the depositor's individual ledger sheet and the custodian's ledger control sheet. In lieu of individual entries, the custodian may post a daily summary showing inclusive withdrawal numbers on the ledger control sheet.

1. Currency Withdrawals. Return the identical currency that was presented by the depositor when the deposit is withdrawn (e.g., a deposit made in Japanese Yen cannot be withdrawn in U.S. dollars).

2. Check Withdrawals. Enter the check number on the withdrawal request. See subparagraph 160203.A for more information regarding checks for the deposit of safekeeping funds.

160203. Bank Account Procedures

A. General. Custodians of commingled safekeeping funds, with command approval, may establish and maintain a checking account in a local bank or credit union (insured by either the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, as appropriate) for the deposit of safekeeping funds if the amount available for deposit is large enough to preclude the payment of service charges or other fees. The financial institution collateralizes funds in excess of the insured limits in accordance with Title 31, Code of Federal Regulations (CFR), ***Part 202***. Establish the account in the name of the disbursing activity, the safekeeping fund, and the custodian (e.g., "U.S. Naval Activity, Boston, MA, Safekeeping Deposit Fund, Lieutenant J. A. Hancock, SC, U.S. Navy, Custodian"). Loans or investments from safekeeping deposit funds are prohibited.

B. Check Records. All checks must be serially pre-numbered. A complete record of all checks drawn, deposits made to the safekeeping checking account, and a running account balance must be maintained in the checkbook. Reconcile statements from the financial institution immediately upon receipt and file them with the bank ledger control sheet. Mark spoiled checks as "VOID" and file them in sequence.

C. Deposits to Safekeeping Fund Bank Account. Deposit checks, money orders, and cash received for safekeeping to the authorized account, except for cash required to be kept on hand to meet safekeeping withdrawal requirements. Checks and money orders may be accepted for deposit, subject to collection. Withdrawals are not authorized until sufficient time has elapsed for the checks and money orders to clear through the banking system.

D. Disbursements From Safekeeping Fund Bank Account. Draw checks for withdrawals of safekeeping funds on the safekeeping deposit fund account whenever practical. Checks may be drawn on the safekeeping fund account only for payment to a depositor for withdrawal, an authorized transfer of a depositor's account to another activity, replenishment of cash-on-hand (through an exchange-for-cash check) needed to meet safekeeping withdrawal requirements, or transfer of unclaimed monies.

E. Cancellation of Checks. Checks drawn on the safekeeping deposit fund account must bear the following stamped endorsement on the reverse side: "This check is not valid unless presented for payment within 12 months from its date of issue." If a check is canceled, the custodian confirms the stop payment action with the financial institution and credits the depositor's safekeeping account for the amount of the canceled check. An effort should be made to locate the depositor and make the payment.

F. Account Closure. If the depositor cannot be located, close the account by drawing a check payable to the Treasury for deposit. The custodian prepares a ***DD 1131***, Cash Collection Voucher. When the amount is less than $25, credit **R1060, Forfeitures of Unclaimed Money and Property. For amounts of $25 or more, credit 20X6133, Payment of Unclaimed Moneys. Include all information available as to the identity and location of the depositor on the collection voucher. The custodian presents the check and DD 1131 to the DO for collection. Send

any claim subsequently received for the funds to the supporting Defense Finance and Accounting Service site for processing, with a copy of the related DD 1131.

G. Bank Ledger Control Sheet. In addition to the cash-on-hand ledger control sheet, the custodian keeps a separate ledger control sheet for cash-in-bank. When cash, checks, or money orders are deposited in the bank, the custodian debits the cash-in-bank ledger control sheet and credits the cash-on-hand ledger control sheet. Post exchange-for-cash checks as credits to the bank ledger control sheet and debits to the cash-on-hand ledger control sheet. Post withdrawals by check as credits to the bank ledger control sheet and debits to the individual ledger sheet. The sum of the cash-in-bank and cash-on-hand ledger control sheets must agree with the combined balances of the individual depositors' ledger sheets.

1603 SAFEKEEPING OF PERSONAL FUNDS AND VALUABLES OF INDIVIDUALS

160301. Deposits

The custodian records all deposits on a DD 2674. Use a series of consecutive numbers beginning with the number "1" for assignment to safekeeping deposits. Assign each deposit, at the time it is made, the next number in the series. The custodian enters in the appropriate spaces of the DD 2674 the deposit number, date of deposit, description of the deposit (if money, describe the amount in figures and words), and the signature and rank of the custodian (or assistant custodian) receiving the deposit. The depositor must enter their social security number (SSN), signature, and rank or rate in the spaces provided. The custodian gives the signed original of the DD 2674 to the depositor and retains a copy.

160302. Withdrawals

A depositor wishing to withdraw a deposit presents the original DD 2674 to the custodian, who verifies the depositor's signature and determines that the serial number, date, and description correspond with the data appearing on the retained copy of the form. The depositor acknowledges receipt of the deposit by entering their signature and the date of withdrawal in the space provided on the retained copy of the DD 2674. The custodian destroys the original DD 2674 in the presence of the depositor. If the receipt has been lost, the deposit may be returned to the depositor only after the custodian is satisfied as to the identity of the depositor and the depositor's entitlement to the deposit. The entries on the DD 2674 constitute the official record of the deposit. The entire deposit must be withdrawn at the time of withdrawal. Partial withdrawals are not authorized, but a new deposit in a new amount is authorized subject to any restrictions prohibiting unreasonable repeated deposits.

160303. Withdrawal of Funds or Valuables Subsequent to Transfer of Depositor

If a depositor is transferred before withdrawing safekeeping deposits, the custodian delivers the depositor's cash balance to the DO in exchange for a Treasury check payable to the depositor. Send the check and the depositor's valuables (if any) with a letter of transmittal to the commander of the activity where the depositor was transferred to for delivery to the depositor.

Include in the transmittal letter all available details about the depositor and request acknowledgement of receipt. Insert data regarding the transfer on the file copy of the DD 2674.

160304. Deposit and Withdrawal of Funds by Incapacitated Persons

To process deposits and withdrawals of funds and valuables, an officer or any other person designated by the commander must accompany an incapacitated person to witness and sign each transaction. Deliver receipts for safekeeping deposits to the commander.

160305. Deposits of Deceased or Missing Persons

The custodian delivers cash on deposit to the DO in exchange for a Treasury check payable to the payee designated by the officer (or inventory board) appointed by the commander to take custody of the depositor's personal effects. The Treasury check is drawn as "Exchange-for-Cash, Safekeeping Deposit No. _____, name, rank or rate, SSN." Deliver the check and any depositor valuables to the appointed officer (or inventory board) for disposition following applicable DoD Component regulations. Obtain a receipt for the check and any valuables transferred under these instructions. Enclose a retained copy of the DD 2674 with a notation describing the disposition, and destroy the receipt portion of the DD 2674, if available.

1604 BALANCING AND VERIFICATION OF SAFEKEEPING DEPOSITS

160401. Balancing

The safekeeping custodian balances all safekeeping deposits on the last day of each month. The cash-on-hand and any safekeeping fund bank account balance must equal the total of the amounts credited in all of the active depositors' accounts as shown on the retained copies of the DD 2674s, or the individual ledger sheets and ledger control sheet. The custodian certifies that balancing was accomplished on the ledger control sheet or the last DD 2674 issued with the following statement:

> All safekeeping deposits, serial Nos. _____ through _____,
> balanced and verified (date). Total cash deposits equal $_____
>
> _____
> (Signature and rank of custodian)

160402. Verification

A. General. At unannounced intervals, at least once during each calendar quarter, a cash verification team appointed by the commander verifies safekeeping deposits in the presence of the custodian. Include the results of the verification in the report of verification to the commander.

B. Separate Deposits. Separate deposits should be confirmed by verifying the contents of each envelope against the retained copies of the DD 2674s. The verifying officers must certify with the following statement:

> All safekeeping deposits, serial Nos. _____ through _____, verified (date). Total cash deposits equal $_____
>
> _____
> (Signature and rank of verifying officer)
>
> _____
> (Signature and rank of verifying officer)

C. Commingled Funds. The custodial office verifies commingled funds by counting the cash held for safekeeping comparing it with the total of the individual depositors' ledgers and with the balance shown on the ledger control sheet. At activities maintaining a safekeeping deposit fund checking account, examine the latest statement from the financial institution and verify the amount on deposit in the checking account. The verifying officers certify the last entry on the ledger control sheet with the following statement:

> We, the undersigned, on (date), verified the commingled safekeeping funds by actual count and certify that the total amount on hand is $_____, which agrees with active safekeeping accounts, Nos. _____ through _____, and with the ledger control sheets.
>
> _____
> (Signature and rank of verifying officer)
>
> _____
> (Signature and rank of verifying officer)

D. Reporting a Shortage or Overage. By accepting custody of safekeeping funds, the United States is accountable for them and assumes a trust responsibility for their care and safekeeping, even though it has no beneficial interest in them. The custodian must promptly report any shortage or overage of safekeeping deposits to the commander who takes actions similar to those prescribed in Chapter 6, section 0604 for a shortage or overage of public funds.

160403. Transfer of Safekeeping Deposits Upon Relief of Custodian

In preparation for being relieved of custodial duties, the outgoing custodian must balance safekeeping deposits, prepare a duplicate list of all active deposits, and give the list and all active deposits to the relieving custodian, who must then verify all deposits and receipts. The DD 2674 and any other records of commingled deposits must be transferred to the relieving custodian. If a checking account is maintained, it must be reconciled and transferred to the relieving custodian. The outgoing custodian must arrange with the financial institution to transfer the checking account to the relieving custodian.

VOLUME 5, APPENDIX A: "QUARTERLY VERIFICATION OF CASH AND OTHER ASSETS"

SUMMARY OF MAJOR CHANGES

All changes are in blue font.

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

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

Hyperlinks are in ***bold, italic, blue, and underlined font***.

The previous version dated February 2016 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current administrative instructions.	Revision
A10201.M	Deleted information concerning maintenance of the Department of Defense Form 2658, Returned and Undeliverable Check/Bond Record, for bonds. The U.S. Treasury Bureau of Fiscal Service is responsible for bonds.	Deletion
A10201	Changed subparagraph numbers due to realignment of chapter information.	Revision
A10201.V.7	Deleted the subparagraph to reduce duplicate information.	Deletion
A10201.W	Deleted the subparagraph to reduce duplicate information.	Deletion
A10202	Revised the paragraph to clarify "Report of Verification."	Revision

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APPENDIX A

QUARTERLY VERIFICATION OF CASH AND OTHER ASSETS

A101 GENERAL

A10101. Overview

Chapter 3, subparagraph 030302.A.1, requires that a cash verification team conduct an unannounced verification of the cash and other assets under the accountability of the disbursing officer (DO) at least once during each calendar quarter. The cash verification team ensures that the DO and his or her agents are given neither formal nor informal advance notification of the intent to conduct the verification. Verification scheduling should be random to ensure it does not predictably fall during a particular period each quarter. Generally, it is not practical to verify cash on days involving unusually high volumes of disbursing transactions. The commander may omit a second quarterly cash verification, if an audit of the DO's cash and assets has been conducted as a part of a transfer of accountability, or if other official audits verifying the accountability were conducted during the same quarter. The cash verification team must prepare a written statement for the commander's signature specifying the circumstances for omitting a cash verification.

A10102. Purpose

This appendix provides a checklist for conducting a surprise verification of the cash and other assets under the accountability of the DO.

A10103. Authoritative Guidance

Title 31, United States Code, ***section 3302*** authorizes DOs to have custody of public funds for disbursement purposes and requires them to safeguard the funds.

A102 CASH VERIFICATION CHECKLIST

*A10201. Checklist

Use this checklist as a guide for the cash verification process and to assist in preparing the official report of verification. The senior member of the verification team, in consultation with the DO, determines which checklist items pertain to the DO's operations and operating environment, and explains any deviations or omissions from the checklist in the official report.

A. The senior member of the cash verification team notifies the DO's immediate supervisor upon arrival to conduct the surprise verification of cash and other assets. The cash verification team presents a copy of its letter of appointment, and with the presence of the DO or a deputy, assumes control over all cash and other assets in the DO's accountability. If access is refused, the senior member of the verification team immediately notifies the commander.

B. Secure all accessible vaults, safes, security containers, and cash drawers housing cash or other assets holding DO cash accountability. Inventory the cash and other assets by actual count in the presence of the person accountable for their safekeeping.

C. Require the DO to prepare a Department of Defense ***(DD) Form 2657***, Daily Statement of Accountability, for the close of business of that day and validate amounts reported for items due the U.S. Government that are included in the balance. It is also required that the custodian of public funds prepares a ***DD 2665***, Daily Agent Accountability Summary.

D. No custodian of public funds may conduct further business until the cash verification team has completed the count of that custodian's funds. Normally, the duty cashier's funds are verified first to minimize the impact on disbursing operations. Compare amounts of cash held at personal risk by the DO and his or her agents to the authorization to hold such cash as indicated by the approved cash holding authority (CHA) (see Chapter 3, section 0302).

E. If the commander determines that it is not practical to inventory the funds in the possession of some of the DO's agents because of inaccessibility or geographic separation, the cash verification team verifies the amounts shown on custody receipts either by telephone with the accountable person, examination of the permanent file of cash verifications and certification held by the disbursing office, or any other means available to complete the verification. The verification team notes actions taken and describes any limits to the verification in the report.

F. Commence the actual count of currency and other assets.

1. Cash

a. Count all currency and coin in the presence of the accountable individual.

b. Count all items representing cash, including exchange-for-cash checks, in the presence of the accountable individual.

c. Verify that cash and receipts held by agents in the disbursing office equal the receipts signed by those agents and held by the DO.

d. Count all negotiable instruments representing cash held by the DO awaiting deposit in the presence of the accountable individual.

2. Other Assets

a. Review and total all receipts for cash held by agents of the DO located outside the disbursing office.

b. Review and total deposit transactions via Over the Counter Channel Application and confirm deposit transactions utilizing the Collection Information Repository (see Chapter 11, section 1111).

c. Review the debit voucher and associated dishonored checks; require the DO to initiate collection action.

d. Review exchange-for-cash checks in transit (see Chapter 7, section 0707).

e. Review Financial Management Service Form 5206, Advice of Check Issue Discrepancy, representing overdrafts and underdrafts (see Chapter 7, section 0708).

f. Review actions on previously reported losses of funds.

g. Verify bank statements and balances of foreign currency held in limited depositary checking accounts (see Chapter 14, paragraphs 140309 and 140310).

h. Verify the amount of foreign currency by actual count against the subsidiary records and the foreign currency reports.

G. Immediately after verifying the DO's cash accountability, the cash verification team verifies all safekeeping deposits and the postal stamp funds (if applicable) with procedures provided in Chapter 16, paragraph 160402. No quarterly verification of agent cash is considered to have been made if any agent's cash accountability is not physically verified, when the DO's cash accountability is verified.

H. The cash verification team verifies the imprest and change funds at least once each quarter. This may be simplified by appointing an individual rather than a team. Accomplish these verifications by totaling all receipts and counting all cash to prove the total shown on the cash receipt held by the DO. Investigate any receipts for cash advanced by the imprest fund cashier more than five days old if not redeemed before the report is issued, and document on the cash verification report. Change fund custodians must certify in writing that their funds are present at the time of the cash verification. Change fund verification consists of verifying that the cash drawer contains the amount shown on the change fund documentation, after adjusting for any sales proceeds or receipts on the day of verification. Verifications of both imprest fund cashiers and change fund custodians ensure that none of the funds include personal checks from the cashier/custodian, any of their supervisors, or the individual charged with accountability for the funds (see Chapter 2, paragraphs 020706 and 020707).

I. Review all vouchers supporting gains and deficiencies on foreign currency transactions (see Chapter 13, paragraph 130402).

J. Review the DO's compliance with the provisions for cashing personal checks and the collection of dishonored checks (see Chapter 4, section 0403).

K. Ensure that checks representing collections are properly identified and supported by collection vouchers so that dishonored personal checks received as collections may be charged back to the receiving activity and not held as losses due to accommodation exchanges made by the DO (see Chapter 4, section 0404).

L. Review previous cash verification reports to ensure that repeat deficiencies being reported in the current cash verification report are noted as significant and advise the commander of the action necessary to remedy the deficiencies of the DO.

M. Review maintenance of the ***DD 2658***, Returned and Undeliverable Check/Bond Record, or automated system if used, to ensure that no undelivered checks are missing, none exceed the time limit to be held, and all are properly safeguarded (see Chapter 7, paragraph 071003).

N. Verify all undeposited checks in relation to the prescribed frequency and timeliness of deposits (see Chapter 11, subparagraph 110803.A.1).

O. Examine undeposited checks to ensure that they are negotiable instruments the DO is authorized to exchange-for-cash and that checks received as collections are maintained separately from those checks received in accommodation exchange transactions.

P. Verify that the DO deposits receipts daily. If daily deposits of less than $5,000 are impractical, verify that receipts are accumulated until the total reaches $5,000 and then deposited. Also, verify that deposits are made by Thursday of each week, regardless of the amount accumulated (see Chapter 11, subparagraph 110803.A.1).

Q. Compare military payroll vouchers and money lists with related pay accounts to ensure payments are posted to the member's account.

R. Review the cash held at personal risk is commensurate with needs and in compliance with the authorized CHA (see Chapter 3, section 0302).

S. Verify safekeeping deposits, postal funds, postage stamp stock, and postal money order stock (see Chapter 16, paragraph 160402).

T. Inventory and verify the safekeeping of all smart cards (see Chapter 10, paragraphs 100209 and 100212).

U. Inventory all blank checks (both working and bulk stock), examine all voided and spoiled checks pending local destruction to ensure they are properly defaced and stored in authorized containers. Where roll stock of blank checks is used, conduct the inventory by recording the ending number from the reels rather than unrolling the reel, which could destroy the stock.

V. Finalization

1. Verify totals from the reviews with the amounts reported on the DD 2657.

2. Advise the DO of any discrepancies or deficiencies noted.

3. Notify the DO's immediate superior and the commander of any deficiencies and advise them that a written report will be prepared.

4. Sign and certify the results of the cash verification on the DD 2657 or a paper attached to the DD 2657. Results must be signed by all members of the cash verification team.

5. Insert the following statement on (or attach to) the DD 2657 and ensure it is signed by the senior member of the cash verification team.

> "On (date) at (time), the undersigned verified by actual cash count in the amount of $ (amount), together with all documents supporting collections and disbursements, which (is/is not) in agreement with this daily statement of accountability."
>
> _____
> Signature and Rank of Verifying Official

6. Distribute the cash verification report as directed in paragraph A10202.

*A10202. Report of Verification

The cash verification team reports all findings in writing to the appointing official immediately upon completion of verification of both official funds and safekeeping deposits. If the appointing official is not the DO's commander, address the report jointly to the appointing official and the DO's commander so both receive an original of the verification report. Where safekeeping of personal funds and valuables is authorized and the designated safekeeping custodian is not the DO, send a copy of the report to the safekeeping custodian. The senior member of the cash verification team maintains a copy of the report as a permanent part of the cash verification team's records. Include the following in the report:

A. The date the verification was conducted;

B. The date of the preceding verification;

C. A statement as to whether or not the DO complies with the safekeeping requirements in Chapter 3, section 0303;

D. The identity of each person holding cash under the DO's cash accountability that was not verified by actual count, the amount of cash each held, and the method of contact made with each custodian. If such contact was made, include a statement as to whether or not the verified cash accountability of the DO agrees with the DD 2657 cash and other asset totals;

E. A list of undeposited checks containing a description of those not handled;

F. A statement as to whether or not the DO is taking timely action to clear debit vouchers, check issue discrepancies, check issue reporting gaps, duplicate payments, forgery recoveries through the banks, and reissue of limited payability check cancellations; and

G. A statement as to whether or not safekeeping deposits amounts verified agreed with safekeeping deposit records.

VOLUME 5, "DEFINITIONS"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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

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

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

The previous version dated August 2014 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current administrative instructions.	Revision
A	Changed "Scope" to "General" and added clarifying language to comply with administrative instructions.	Revision
B	Deleted section on "Acronyms" and renumbered subsequent section accordingly.	Deletion
C	Added definitions for Central Accounting Reporting System, Disbursing Officer, Foreign National Personnel, and Statement of Differences.	Addition
C	Deleted the reference to "Serrano versus United States, 612 F.2d 525 (United States. Court of Claims 1979)" from "Presumption of Negligence." Title 31 United States Code, section 3527 is the law supporting the definition.	Deletion
C	Deleted the following definitions since they are not used in Volume 5: "Administrative Contracting Officer," "Agent (of Disbursing Officer (DO))," "Annuity," "Certified Air Carrier," "Check Status Inquiry," "Contributed Currencies," "Convening Authority," "Country Use Currency," "Credit Union Facility," Creditor Component or Agency," "Currency Use Payments (CUP)," "Current Limited Depositary Check," "Deposit-In-Transit System (DITS)," "Direct Deposit System," "Discrimination," "Dishonored Instrument," "Disposable Pay," "Department of Defense (DoD) Executive Agent," "Domestic DoD Installation," "Electronic Certification," "Electronic Federal Tax Payment System (EFTPS)," "Financial Electronic Data Interchange (FEDI)," "Foreign Currency Fund Account," "Interim Government," "Irregularity in a DO's Account," "Malpractice," "Military Post Office Addresses," "Ministerial Adjustment," "Oversea	Deletion

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
	DoD Installation," "Part-time Military Banking Facility," "Paying Agency," "Payments, Claims & Enhanced Reconciliation (PACER) System," "Procurement Contracting Officer," "Recovered Check," "Regulatory Agency," "Remittance Express (REX)," "Routine Pay Adjustment," "Safekeeping Custodial Officer," "Small Difference Account," "Special Drawing Right (SDR)," "Spending Plan," "State Bank," "Tactical Disbursing Activity," "Thrift Institution," "Treasury Cash Management System (TCMS)," "Treasury Offset Program (TOP)," "Uncurrent Limited Depositary Check," "U.S.-Owned Foreign Currency," U.S. Use Currency," "Vendor Express," "Vested Assets" and "Write-off."	

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DEFINITIONS

*A. General

The following list defines general terms of significance or importance in financial accounting policies for the Federal Government or the Department of Defense (DoD) that are discussed in various chapters of this volume. These definitions are provided for general information; it is by no means an exhaustive list of all financial management terms, and it does not define terms when standard dictionary definitions apply. Authoritative guidance with more detailed explanations or nuances may be found in specific chapters. These definitions apply throughout this volume.

B. List of Definitions

Accommodation Exchange

The exchange of U.S. Treasury (Treasury) checks or other U.S. dollar instruments for U.S. dollars (i.e., check cashing) for the convenience of authorized personnel, the exchange of U.S. dollars or dollar instruments for foreign currency for the convenience of authorized personnel or, where permitted, the exchange of foreign currencies for U.S. dollars or dollar instruments.

Accounts Receivable Office

The Accounts Receivable Office, normally located at a Defense Finance and Accounting Service site, records and reports accounts receivable and may be responsible for debt management and collection.

Agency Location Code (ALC)

A 3-digit Regional Finance Center, 4-digit Non-Treasury Disbursing Office (NTDO), or 8-digit Treasury Disbursing Office identifier assigned by Treasury's Bureau of the Fiscal Service (FS). An 8-digit ALC's first two digits identify the department or agency, the third and fourth identify the particular bureau within the department, and the remaining four identify the particular agency account within that bureau. DoD Disbursing Station Symbol Numbers (DSSNs) are NTDOs whose ALCs begin with four zeros and include the DSSN (e.g., 00001234).

Approving Official

A person responsible for one or more Government Purchase Card (GPC) holders or for approving travel vouchers using the Defense Travel System.

Automated Information Systems (AIS) Administrator

A person who programs, schedules, or operates computerized programs, and maintains one or more AIS.

Automated Teller Machine (ATM)

A machine that dispenses cash, accepts deposits, and may perform other functions (e.g., funds transfers among a customer's various accounts). It generally is activated by a plastic card in combination with a personal identification number. Typically, when the cardholder's account is with a financial institution other than the one operating the ATM, its use results in the assessment of a fee by the ATM network (e.g., Armed Forces Financial Network, Cirrus) that processes the transaction.

Basic Agreement

An intergovernmental instrument negotiated with the government of a friendly nation that states in general terms the policies of ***DoD Directive 5530.3***, and authorizes the implementation of those provisions by mutual consent.

Canceled Treasury Check

The process whereby an issued Treasury check that has not been presented for payment is put in a paid status in the Treasury's Check Processing and Reconciliation System (CP&R).

Canceled Treasury Check Types

a. Canceled available check: A check in the possession of a Disbursing Officer (DO) and either canceled due to non-entitlement, or because it is mutilated or otherwise undeliverable.

b. Canceled unavailable check: A properly vouchered and issued check not held by a DO or payee (not received by payee, i.e., lost, stolen, or destroyed).

c. Mass-canceled check: A check issued before October 1, 1989 automatically canceled by the Treasury if not cashed by October 1, 1990.

d. Limited-payability canceled check: A check issued on or after October 1, 1989 automatically canceled by the Treasury if not cashed within 12 months from its date of issue.

Card Acquiring Service

The government's means of collecting obligations via credit or debit card transactions, and whose objective is to increase electronic collections received by the government and process them in an efficient, timely and cost-effective manner.

Cardholder

A person an agency designates to be issued a GPC and/or government travel card.

Cashier

A military member or DoD civilian employee appointed by a DO to perform duties involving the handling of cash. The recruitment, screening, and selection of persons for these positions should be accomplished with primary regard to the sensitive nature of the position.

*Central Accounting Reporting System (CARS)

CARS is the central accounting system of record for the department of Treasury, Bureau of FS.

Certification

The act of attesting to the legality, propriety, and accuracy of a voucher for payment. See Title 31, United States Code (U.S.C.), ***section 3528***.

Change Fund Custodian

A person who operates from an appropriated fund sales activity (e.g., dining hall, hospital, commissary), and is responsible for safeguarding the cash provided, and may be held pecuniary liable for any loss in the change fund.

Check Issue Discrepancy

Occurs when the issue amount reported by the disbursing office differs from the amount for which the check was issued as evidenced by the printed amount on the check when presented for payment.

a. Check Issue Overdraft: Occurs when the amount printed on either a Treasury or limited depositary (LD) check and paid by the Treasury or LD, as applicable, is greater than the issue amount of that check reported by a DO on the check issue report, or when the amount printed on a check and paid by the Treasury or LD is greater than the amount due shown on the payment voucher.

b. Check Issue Underdraft: Occurs when the amount printed on either a Treasury or LD check and paid by the Treasury or LD bank, as applicable, is less than the issue amount of that check as reported by a DO on the check issue report, or when the amount printed on a check and paid by the Treasury or LD bank is less than the amount due shown on the payment voucher.

Civilian Pay

Addresses entitlements to DoD civilian employees and is also a functional area within the payment process.

Coin

Metallic specie representing either U.S. dollars and foreign currency fractional units or multiples thereof.

Coalition Forces

Temporary alliances of nations or factions for a specific purpose, e.g., those engaged internationally in times of conflict or war.

Collection Agent

An individual appointed by a local commander to perform duties relating to the collection of official funds, including funds held as safekeeping deposits, at a point other than a disbursing office. Performs duties under the general supervision of, and as prescribed by, the appointing officer. Should not be involved with billing or accounting for funds received, and may not be appointed from among disbursing office personnel. Responsibility for duties and functions should be segregated between receipt of funds, recordkeeping, determination of the amount owed, and making demands on the debtor to minimize opportunities for unauthorized, fraudulent, or otherwise irregular acts.

Collections Information Repository (CIR)

Formerly the Transaction Reporting System (TRS). A collections reporting tool, supplying the latest information on deposits and details of collection transactions to federal agencies. It allows financial transaction information from all collections systems and settlement mechanisms to be exchanged in a single system.

Commander/Director

A person assigned as a combatant commander, base or installation commander, commanding officer, officer-in-charge, director of a defense activity, U.S. Property and Fiscal Officer (National Guard), or equivalent civilian head.

Continental United States

The 48 contiguous states and the District of Columbia.

Contingency Operation

A military operation designated by the Secretary of Defense (SecDef) in which members of the U.S. Armed Forces are or may become involved in military actions, operations, or hostilities against an enemy of the U.S. or an opposing military force; or results in the call, order to, or retention of, active duty of members of the Uniformed Services under ***10 U.S.C. § 688***, ***12301(a)***, ***12302***, ***12304***, ***12305***, ***12306***, or any other law during a war or a national emergency declared by

the President or the Congress. Includes, but is not limited to, a combat, peacekeeping, or noncombatant evacuation, or humanitarian assistance or disaster relief effort.

Contract Pay

The entitlement process to pay contractors.

Contractor

Any person, organization, or business concern engaged in a profession, trade or business, and may also be a not-for-profit entity operating as a contractor, including state and local governments and foreign entities, but excluding federal entities and foreign governments, doing business under a contract with an element of the U.S. Government.

Credit Card Collections

A government-wide network under Treasury's Pay.gov program enabling federal agencies to accept collections by credit card over the Internet for offered products and services.

Credit Gateway

A deposit program that the Treasury's FS uses for the receipt of federal agency Fedwire and Automated Clearing House (ACH) credit transactions. A component of FS's Collections and Cash Management Modernization initiative, a multi-year effort to simplify and modernize FS's collections and cash management programs.

Credit Union

A cooperative nonprofit association, incorporated under ***12 U.S.C. § 1751*** *et. seq.* (the Federal Credit Union Act) or similar state statute, to encourage thrift among its members and creating a source of credit at a fair and reasonable rate of interest.

Currency

Paper money in the form of U.S. dollars and foreign banknotes.

Custody Account

An arrangement approved by the Treasury allowing safety stocks of U.S. currency held as a 100% cash reserve on the books of overseas military central funding officers physically held in the government's contractor-operated Military Banking Facility (MBF), with daily settlement between the MBF operator and central funding officer. Absent ready-access to the Federal Reserve System, assures the availability of U.S. currency to support the dollar economy exported to support U.S. Armed Forces stationed overseas.

Defense Check Reconciliation Module

A check register that records the issuance of DoD manual checks. It includes Check Issue and Unavailable Check Cancellation subsystems.

Deputy Disbursing Officer (DDO)

A person appointed as a deputy to a DO to act in the name of and for that DO to perform any and all acts relating to the receipt, disbursement, custody, and accounting for public funds. The appointing DO may restrict the acts a deputy is authorized to perform. DDOs must be U.S. citizens.

Disbursing

The paying of public funds to entities to whom the Government is indebted; the collection and deposit of monies; the safeguarding of public funds; and the documenting, recording, and the reporting of these transactions.

Disbursing Agent

An agent of a DO, not appointed as a DDO, who generally operates a permanently-located disbursing office that is often geographically separated from the disbursing office.

Disbursing Office

An activity or the organizational unit of an activity whose principal function consists of the disbursement, collection and reporting of public funds. Includes both tactical and non-tactical disbursing activities. Each has a DO and at least one DDO under the DO's direct control. Disbursing offices within DoD formerly were referred to as Finance and Accounting Offices, Accounting and Finance Offices, and Finance Offices.

*Disbursing Officer (DO)

An officer or employee of a Federal Department, Agency or Corporation designated to disburse money and render accounts according to laws and regulations governing the disbursement of public money. DOs must be U.S. citizens.

Disbursing Station Symbol Number (DSSN)

A four-digit number assigned to each disbursing office by the Treasury. Also an identification number that indicates the authority to receive and disburse public funds and issue checks on behalf of the Treasury. See "Agency Location Code (ALC)."

Doctrine of Laches

A legal term based upon neglect or omission to do what one should do in a reasonable amount of time so as not to prejudice the adverse party. The defense can be used against an untimely claim to establish a presumption of abandonment of a right or claim, e.g., if a payee neglects or fails to file a timely request, the payer can presume that the payee has abandoned the claim.

DoD Activity

A ship, camp, post, station, base, activity, unit, installation, or facility operating within the DoD.

DoD Personnel

All military personnel; DoD civil service employees; other civilian employees, including special government employees of all offices, agencies, and departments performing functions on a DoD installation (including nonappropriated fund instrumentalities), and their dependents.

Duplicate Check

A check issued by a DSSN with the same serial number as a previously-issued check.

Electronic Commerce

A range of financial functions performed using data communications techniques.

Electronic Signature

An electronic sound, symbol, or process, attached to or logically associated with a contract or other record and executed or adopted by a person with the intent to sign the record. See ***15 U.S.C. § 7006(5)***.

Emergency Condition

Any situation resulting from war, armed aggression, or other hostilities against U.S. personnel or interests; and sudden, extensive natural or manmade disasters.

Employee

A civilian paid from appropriated (or non-appropriated, if applicable) funds.

Erroneous Payment

A fiscal irregularity resulting from routine or non-routine processed payments that are not in strict conformity with laws and regulations, including but not limited to, an overpayment to a

payee; two or more payments to a payee for the same entitlement (i.e., a duplicate payment); a payment to the wrong payee; a Treasury check issue overdraft (in some cases); a shortage caused by negotiation of both an original and a substitute Treasury check; payment based on fraudulent, forged, or altered documents; or a payment made in violation of law or regulation.

Exchange-for-Cash Check

A check issued by a DO to obtain cash funds for disbursements or in exchange for cash for official or accommodation purposes.

Facsimile Signature

An impression of a signature made by a rubber stamp and authenticated by the initials of the certifying officer or the designated individual. May also be a metal plate or electronic digitized facsimile signature medium.

Financial Services

Commonly associated with financial institutions in the U.S., such as electronic banking (e.g., ATMs and personal computing banking); in-store banking; checking, share and savings accounts; funds transfers; sales of official checks, money orders, and travelers checks; loan services; safe deposit boxes; trust services; sale and redemption of U.S. Savings Bonds, and acceptance of utility payments; and any other services provided by financial institutions.

Fiscal Irregularity

Any action (or lack thereof), event, practice, or circumstance (or lack thereof) that causes an out-of-balance condition in the financial accountability to the U.S. of a DO, deputies, agents, and cashiers entrusted with public funds. Includes irregularities resulting from physical losses of funds or erroneous payments.

Foreign Exchange

Identifies the conversion (exchange) of foreign currencies; i.e., the legal monetary unit of a foreign nation, and negotiable instruments, such as travelers checks, money orders, and bank drafts payable in such monetary units.

*Foreign National Personnel

A foreign national employee is an individual who is employed by or performing work for U.S. forces outside the United States, its territories, and possessions in a system of employment. Under the direct hire arrangement, the legal employer of the foreign national assumes responsibility for all administrative and management functions related to foreign national employment. Under the indirect hire arrangement, the host government serves as the legal employer of U.S. forces foreign nationals.

Fraudulent Claim

Any claim against the government involving the presentation of false information, or misrepresentation on the part of a claimant or any other party having an interest in a claim.

Functional Area

A specialized entitlement area (also known as a subject matter area) not under the direct cognizance/control of the DO. Functional areas are responsible for specific types of transactions, e.g., accounts control, travel, military pay, commercial sales, and civilian pay. Functional areas are not considered part of the disbursing office.

General Depositary

A financial institution designated by the Treasury to accept deposits of cash and checks from specifically authorized DOs.

Government-Wide Accounting and Reporting Modernization

A project addressing the central accounting and reporting functions and processes associated with budget execution, accountability, and cash/other asset management. Includes the collection and dissemination of financial management and accounting information from and to federal program agencies. Also includes the business processes in the FS that are related to ledger accounting for each appropriation, fund, and receipt account's Fund Balance with Treasury, General Ledger accounting for the cash and monetary assets of the Government, and the preparation of the Monthly Treasury Statement and the U.S. Government Combined Statement and Appendix. This project improves timeliness and accuracy to support financial analysis and decision-making.

Holder in Due Course

A person, financial institution, or business other than the original payee who in good faith takes possession of a check through endorsement. A claim to payment by a holder-in-due-course will be honored, even if the original payee is not due or entitled to the check.

Host Nation

A nation supported by the forces and/or supplies of allied nations; and/or coalition partners located on, operating in, or transiting through its territory.

Imprest Fund

A cash fund of a fixed amount established by an advance of funds, with or without charge to an appropriation, from a DO to a duly appointed cashier, for disbursement as needed in making cash payments for relatively small purchases.

Imprest Fund Cashier

An individual appointed by the local commander to make authorized cash payments for materials or services. An imprest fund cashier is required to maintain custody of public funds and to file periodic vouchers to account for and replenish the imprest fund. Disbursing personnel are not eligible for appointment as imprest fund cashiers.

International Treasury Services

Treasury's comprehensive international payment and collection system, and the preferred payment method for foreign-currency transactions.

Intra-governmental Pay and Collection (IPAC) System

A Treasury automated system used for the payment and collection of intra-governmental billing services and supplies.

a. IPAC Adjustment: A reversal of a transaction by the receiving agency up to but not to exceed the amount of the original transaction reported in the accounting month in which they are processed in IPAC. Receiving agencies cannot reject IPAC transactions that have been processed by the Treasury.

b. IPAC Billing Agency: The agency originating a collection or receiving a payment transaction. In the Treasury's Disbursing and Adjustment menu screens, the billing ALC represents the originator of the transaction.

c. IPAC Corrections: Refers to erroneous reporting on the SF 1219, Statement of Accountability. The error can be caused by amounts being over or understated or by the failure of an agency to record the transaction in the proper month of accountability.

d. IPAC Customer Agency: Originates a payment or receives a collection transaction. In the Treasury's Disbursing menu screen, the customer ALC represents the agency receiving the transaction. In the Treasury's Adjustment menu screen, the Billing ALC of Original Bill field represents the agency receiving the adjustment transaction.

Limited Depositary (LD)

A U.S. or foreign commercial bank designated by the Treasury to receive deposits from DOs for credit to their official LD checking accounts.

Limited Depositary Account (LDA)

A LDA is a checking account, generally in a foreign currency, maintained in an LD by a DO, DDO, or another agent specifically designated by the DO, in his or her own name.

Lockbox Service

A collection and processing service provided by a financial institution to accelerate cash flow to Treasury's General Account.

Member

A person appointed, enlisted, or conscripted into a Uniformed Service or a person retired from active duty (including those receiving retainer pay) or a reserve component.

Micro-purchase Threshold

See the Federal Acquisition Regulation, ***FAR, Section 2.101***

Military Banking Facility (MBF)

A banking office located on a DoD installation operated by a financial institution that the Treasury specifically has authorized under its designation as a "Depository and Financial Agent of the U.S. Government" to provide certain banking services at the installation.

Military Pay

An entitlement and pay process for military members. Also refers to a functional pay area. Examples:

a. AA: Central and South America, e.g., Army Post Office (APO) and Fleet Post Office (FPO) Miami are now APO and FPO AA, respectively.

b. AE: Canada, Europe, Africa, and the Middle East, e.g., APO and FPO New York are now APO and FPO AE, respectively.

c. AP: Pacific area, e.g., APO and FPO San Francisco, and APO and FPO Seattle are now APO and FPO AP, respectively.

National Bank

An association approved and chartered by the Comptroller of the Currency to operate a banking business.

Negligence

The failure to act as a reasonably prudent person would act under similar facts, conditions, and circumstances.

Non-tactical Disbursing Activity

Any disbursing activity permanently assigned to an installation and not subject to mobilization or deployment.

Officer or Military Officer

A commissioned or warrant officer (appointed officer) of the Uniformed Services.

Official Authorization List

Identifies all individuals who are authorized to transact business and provide instructions to the Federal Reserve Bank on behalf of a Component.

On-base

Refers to physical presence on a domestic or overseas DoD installation.

Original Signature

A signature is in permanent dark blue, blue-black, or black ink.

Outstanding Check

A check that Treasury's CP&R system shows as issued but not paid.

Over-the-Counter Channel Application (OTC)

A web-based application that integrates Check Capture and Deposit Reporting functionalities in one system. Created from two legacy systems, Paper Check Conversion Over the Counter and Treasury General Account (TGA) Deposit Reporting Network, the OTC application design accommodates check capture and deposit reporting using electronic collection mechanisms instead of paper based processing. The OTC application check capture activities are primarily performed online; however, there is an offline check capture capability for agencies operating in locations where Internet connectivity and bandwidth are intermittent or unavailable.

Overage of Funds

An amount greater than the amount shown to be on hand by the daily accountability records.

Overseas

Any area outside the U.S., the District of Columbia, or the Commonwealth of Puerto Rico.

Paid Status

Identifies a Treasury check presented to the Treasury for payment through the banking system, or reported as void (zero value issue), or canceled.

Pay (Salary)

Includes basic, special, incentive, retired or retainer pay; consultant's fees; and any other authorized pay and allowances.

Pay.gov

A program developed to meet the commitment to process collections electronically using internet technologies. Satisfies agencies and consumers demands for electronic alternatives by providing the ability to complete forms, make payments and submit queries 24 hours a day electronically.

Pay Period

Normally biweekly for civilians working for federal agencies, may be monthly or twice monthly for active duty military personnel, monthly for retirees, or periodically based on completion of active or inactive duty for training for Reserve Component personnel.

Payability

The length of time during which a Treasury check is negotiable. Also relates to "claimability," the length of time a payee may present a claim of non-receipt, loss, or theft of a Treasury check to a government agency. Claims are valid on underlying obligations until expiration of the statute of limitations, normally six years. If a payee's right to entitlement has expired, the claim is denied, but under ***31 U.S.C. § 3702***, the SecDef may waive this for claims not exceeding $25,000.

Paying Agent (PA)

A military member or DoD civilian employee appointed by a commander to act as an agent of a DO to make specific payments, currency conversions, or check cashing transactions from cash the DO temporarily advances to the agent. An individual whose regular duties do not involve disbursing functions and who is not organizationally located in the disbursing office. Appointed to the position of PA as an additional duty, is under the exclusive supervision of the DO in all matters concerning custody and disposition of cash advanced, and complies with all instructions and regulations pertaining to their PA duties issued by the DO. All payments or currency conversions a PA makes are for and in the name of the DO to whom the PA is appointed. A PA holds the advanced cash at personal risk, and must account for them to the DO immediately upon completion of the transaction(s) for which advanced.

Payment Information Repository

A centralized information repository for federal payment-related data to improve and increase the transparency of government payments and streamline the reporting of accounting classification information from NTDOs, e.g., DoD DOs.

Payment Review Official

A person who conducts pre-payment and post-payment reviews (not an inherently-governmental function), issues and controls inquiries regarding possible financial irregularities, but is not subject to pecuniary liability because of not being in an accountable position.

Pecuniary Liability

Personal financial liability for fiscal irregularities of accountable officials, as an incentive to guard against errors and theft by others, as well as, protect the government against errors and dishonesty by the officers themselves.

Physical Loss of Funds

A physical loss of funds includes:

a. A loss of U.S. government cash by theft, embezzlement, unexplained disappearance, or cash handling errors;

b. A loss of paid vouchers and/or negotiable instruments from a disbursing office;

c. A loss of an official deposit in route from a disbursing office to a depositary or after confirmation by a depositary;

d. Any payment based on fraudulent, forged, or altered documents prepared or presented by individuals, both accountable and non-accountable disbursing personnel, who work in the disbursing office;

e. A loss or theft of cash from an imprest fund;

f. A failure to obtain (or loss of) official receipts and/or documents representing cash;

g. A loss or destruction by fire, accident, or natural disaster;

h. Stale or unidentifiable DO suspense account charges; or

i. Losses associated with counterfeit currency transactions.

Presumption of Negligence

Title ***31 U.S.C. § 3527***, is the basis for automatically holding a certifying officer or DO pecuniary liable for a fiscal irregularity. The Presumption of Negligence established by law does not apply to DAOs.

Prevailing Rate of Exchange

The most favorable rate legally available to the U.S. Government for acquisition of foreign currencies for its official expenditures and accommodation exchange transactions.

Public Funds

Include cash, paid vouchers, or cash collected by a disbursing official for goods or services subject to the control or regulation of the U.S. or any of its officers, agents, or employees.

Receiving Official

A military member or DoD civilian employee authorized to substantiate the receipt, inspection, and acceptance of goods and/or services.

Recertified Payment

A replacement payment by Treasury check with a check serial number different from that of the original check. The replacement Treasury check may be issued after the presentation and review of required documentation to replace any lost, stolen, or destroyed original check (except for holder-in-due-course situations), regardless of the disbursement purpose (e.g., pay, travel, or vendor payment).

Relief from Liability

Pursuant to 31 U.S.C. § 3527, an action taken by an individual with appropriate legal authority to relieve DOs, certifying officers, or other accountable officials of pecuniary liability for a fiscal irregularity.

Replacement Check

A check issued to replace a check that is for a proper payment but has been classified as void, not been reported to the Treasury as a valid check issue, or is not cashable due to misprint or mutilation during the issue process.

Retiree

A military person retired from active duty or a Reserve Component, including those receiving retainer pay.

Review Official

A military member or DoD civilian employee appointed in writing to conduct pre-payment and post-payment reviews, to initiate and control inquiries, and to initiate investigations of possible fiscal irregularities.

Salary Offset

A deduction from a current pay account to liquidate a debt. May be from basic, special, incentive, retired, and/or retainer pay; or in the case of an individual not entitled to basic pay, other authorized pay.

Seized Funds

Cash confiscated by coalition forces during military operations and governed by the laws and usages of war. Normally captured foreign currency is delivered promptly into the custody of the State Department's U.S. Disbursing Officer (USDO) supporting the particular country involved. Any DoD DO acquiring captured foreign currency safeguards and delivers it to the USDO as soon as possible, but does not collect them into his or her accountability.

Settlement Office

A disbursing office designated to clear outstanding transactions and/or deficiencies from the accounts of predecessor DOs. The DO assigned to the settlement office is referred to as settlement officer.

Smart Cards

Includes: Stored Value Cards (SVC), debit cards and combination cards (hybrids that contain both SVC and debit card features). These cards store or provide access to "electronic money" and provide a more secure method of handling funds, alleviate the need to carry cash and provide electronic payment to vendors for items purchased or services rendered.

Spoiled Check

A check that has been reported to the Treasury as a valid issue, has been returned by the payee as not cashable due to mutilation or defect, represented a valid payment to the payee, and is less than one year old.

*Statement of Differences

A Statement of Difference (SOD) is a report produced by Treasury in the CARS which identifies discrepancies between what an agency or disbursing office has submitted in their reports for (1) deposits/debit vouchers, (2) IPAC, (3) Treasury check issuances, and/or (4) Treasury disbursements & IPAC. The SODs are keyed to the month a transaction occurs so a discrepancy may be due to reporting not reflecting transactions as from the original month they occurred.

Supplemental Agreement

Statement of local operating procedures formulated and used by the commanders of the Armed Forces of two friendly foreign nations, whose governments have signed a basic agreement, as contemplated under DoD Directive 5530.3. Use these procedures in territories of mutual concern to provide each other with emergency financial support, under the policies of the basic agreement. Supplemental agreements may be entered into by commanders of unified or separate armed forces, as considered appropriate.

Tactical Disbursing Activity

Any tactical unit (including Navy ships) authorized to provide disbursing services under an assigned DSSN and is subject to movement from one location to another. Some of these activities provide disbursing services on a full-time basis (e.g., Navy ships); others perform them only while deployed (or mobilized). When not deployed, the DSSNs are held in reserve, in an inactive status, for use on short notice as required.

Tolled

To suspend or stop temporarily, e.g., an event that suspends the running of time related to a statute of limitations.

Transaction Reporting System (TRS)

See Collections Information Repository (CIR).

Travel Authorizing Official

An individual designated in writing by organizational title having authority to issue travel orders, sign/approve travelers' claims, verify that all transactions made were necessary expenses, and were accomplished in accordance with the Joint Travel Regulations.

Travel Order

A document authorizing official government travel.

Traveler

A military member, DoD civilian employee, or invitational traveler traveling in an official capacity.

Treasury Check Information System

A system that records and reconciles the worldwide issuance and payment of Treasury checks. It also allows end users to query the Payments, Claims & Enhanced Reconciliation system for claim status on ACH payments.

Treasury General Account (TGA)

A demand account in a designated commercial bank specifically authorized by the Treasury Department to maintain that account in the name of the Treasury account titled TGA for the purpose of accepting deposits. A non-U.S. bank located overseas (an International TGA) may also be authorized to perform this function.

Undeliverable Check

A check not delivered to the payee within 60 days after the month of issue.

Valuables

Any articles, things, or representations of value in which the U.S. has any interest, or in connection with which it has any obligation or responsibility.

Vendor

See "Contractor."

Vendor Pay

The process of computing the amount due a contractor or vendor for all contract/purchase orders, except those administered by the Defense Contract Management Agency, or a functional pay area.

Voided Check

A check pre-numbered with a serial number, invalidated for any reason before issuance by a DO, and reported with a zero dollar value.

Voucher

A document certified by a certifying officer to a DO (under ***31 U.S.C. § 3325***) to make a payment.

DoD 7000.14 - R

DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

VOLUME 6A: "REPORTING POLICY"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

VOLUME 6A, CHAPTER 2: "FINANCIAL REPORTS, ROLES AND RESPONSIBILITIES"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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

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

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

The previous version dated August 2011 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Reworded and reformatted chapter for clarity. Updated references and added hyperlinks.	Revision
All	Updated references to the Treasury Financial Management Service (FMS) with the new title. Beginning on October 7, 2012, FMS and the Bureau of the Public Debt were consolidated into the new Bureau of the Fiscal Service (Fiscal Service).	Revision
020202.A.2	Added a requirement for Department of Defense (DoD) Components to verify reported balances pass established pre-processing edits in preparation for upload into departmental reporting systems.	Addition
020202.A.3 & 020202.B.3	Added a requirement for Defense Finance and Accounting Service and DoD Components to record adjustments made to DoD Component submissions in accounting systems-of-record.	Addition
020202.A.5 & 020210	Clarified requirements for certifications implemented by Title 31, United States Code, section 1501(a).	Addition
020202.B.1	Clarified requirements for retaining feeder file submissions.	Addition
020202.B.2 & 020207.B.2 & 020207.B.2.b	Clarified documentation and retention requirements for adjustments made to DoD Component submissions.	Addition
020203.B	Added information on documenting business rules and processes to maintain audit trails throughout the financial statement preparation process.	Addition
020205.A	Clarified the reporting schedule for resolving issues identified in the financial statement preparation process.	Addition

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
020207.A & 020208.A & 020208.A.1 & 020208.B.4 & 020208.C	Identified adjustment types, which fall under the journal voucher (JV) guidelines outlined in this chapter. Clarified transactions that occur in the normal course of business impacting financial records are processed using systemic controls in place. Therefore, they do not fall within the scope of this chapter.	Addition
020208.B.1	Added a requirement for JV documentation to include steps in the process to prevent the need for similar adjustments in future periods.	Addition
020208.B.4	Provided clarification on system-generated JVs.	Addition
020208.C.2.b	Clarified reporting timeline for quality and compliance reviews.	Revision
020208.C.2.b.(1)	Added guidance pertaining to computing acceptable sample sizes for quality and compliance reviews.	Addition
020208.C.2.d	Added requirement for DoD Components to perform quality and compliance reviews used to assess the accuracy and support for JVs.	Addition
020208.D	Added guidance pertaining to required critical elements associated with JV preparation.	Addition
020210	Removed year-end certification requirement for balances previously reported on the Fiscal Service Form 2108, Year-end Closing Statement. Fiscal Service eliminated the Fiscal Service Form 2108 from the Governmentwide Treasury Account Symbol Adjusted Trial Balance System, as the report is no longer required for year-end reporting.	Deletion

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CHAPTER 2

FINANCIAL REPORTS ROLES AND RESPONSIBILITIES

0201 GENERAL

020101. Purpose

This chapter defines the roles and responsibilities in the preparation and issuance of financial reports for Department of Defense (DoD) Components. DoD Components and the Defense Finance and Accounting Service (DFAS) are responsible for the proper and consistent preparation of financial reports at the DoD Component departmental, intermediate, and installation level. In some instances, DoD Components prepare their own financial reports without accounting support from DFAS. Ultimately, each DoD Component is responsible for the accuracy and completeness of financial information in the reports that present the financial effects of its operations.

A. The policies within this chapter apply to all DoD Components and include those entities whose departmental, intermediate, and installation level financial reports are prepared by DFAS, DoD Components and organizations operating Enterprise Resource Planning (ERP) systems under an approved Memorandum of Understanding with DFAS, certain DoD Components which prepare their own financial reports (e.g., the Army Corps of Engineers), and organizations required to perform their own accounting due to security considerations.

B. In those instances in which DFAS does not have financial report preparation responsibility, the reporting entity will fulfill the responsibilities assigned in this chapter at both the DFAS and DoD Component level. This chapter does not include the requirements for the audited or interim financial statements addressed within Office of Management and Budget (OMB) Circular ***A-136***, "Financial Reporting Requirements." Volume 6B, "Form and Content of the Department of Defense Audited Financial Statements," contains those requirements.

*020102. Authoritative Guidance

This chapter prescribes the roles, responsibilities, and authoritative guidance for preparation and issuance of financial reports for DoD Components. This chapter implements OMB Circular ***A-123***, "Management's Responsibility for Enterprise Risk Management and Internal Control," which requires entities to implement an effective internal control structure to provide assurance that significant weaknesses in the design or operation of internal controls are prevented or detected in a timely manner. The chapter also contains requirements outlined in the Office of the Under Secretary of Defense (Comptroller) (OUSD(C)) Financial Improvement and ***Audit Readiness guidance***.

0202 RESPONSIBILITIES

020201. Stewardship and General Responsibilities

The U.S. Congress provides resources to finance the programs, missions, and functions of DoD and its Components. Financial reports are a tool to display the status and uses of those resources at a point in time. DoD Components and DFAS have responsibilities to ensure that financial information is accurate and timely in order for managers to make sound decisions and exercise proper stewardship over these resources.

A. OUSD(C). OUSD(C) is responsible for the development and approval of DoD policy on financial reports and oversight of the issuance and implementation of such policy. This responsibility includes determination of policies governing:

1. Division of responsibilities between DoD Components and DFAS;

2. Establishment of internal controls and audit trails required for the preparation of financial reports and the processing of associated transactions;

3. Reconciliation of subsidiary records with financial balances;

4. Establishment and approval of schedules required to meet financial reporting requirements and deadlines;

5. Approval and adjustment of draft annual reports, as well as adjudication of adjustments and other issues where there is a disagreement between the DoD Component and DFAS;

6. Types and levels of adjustments that DFAS is authorized to make without the specific prior approval of DoD Components;

7. Types of acceptable documentation required to support adjustments to the official accounting records;

8. Preparation, approval, and review of journal vouchers (JVs);

9. Release of reports; and

10. Requirements for certifications.

B. DoD Components. DoD Components are responsible for:

1. Ensuring the accuracy, completeness, timeliness, and documentary support for all data generated and input into finance and accounting systems and submitting data to DFAS for input and/or recording in the finance and accounting systems and financial reports.

Documentary support includes compliance with records management and retention policies described throughout this chapter; in Volume 5, Chapter 15, "Disbursing Officer Accountability Reports;" in Volume 1, Chapter 9, "Financial Records Retention;" and in Volume 15, Chapter 6, "Case Files";

2. Establishing, maintaining, and reviewing appropriate internal controls;

3. Reviewing all DFAS generated reports to assess the accuracy of reported financial information. The applicable appropriation manager(s) should be involved in such reviews for financial reports prepared at or below the appropriation level;

4. Performing program and management analyses on the information contained in the financial reports;

5. Identifying any conditions in the financial reports indicating either potential or apparent violations of the Antideficiency Act and initiating an investigation in accordance with Volume 14, Chapter 2, "Antideficiency Act Violations"; and

6. Complying with relevant guidance in this chapter.

C. DFAS. DFAS will establish procedures to ensure that:

1. Data provided by the DoD Component (including data input into finance and accounting systems by the DoD Component) is recorded accurately and timely in accordance with established standards, and processed in the finance and accounting systems. DFAS will perform designated disbursing and accounting operations on behalf of the DoD Component and record the results of those operations in a timely and accurate manner. Maintain documentary support and audit trails, including compliance with records management and retention policies described throughout this chapter, in Volume 5, Chapter 15; Volume 1, Chapter 9; and Volume 15, Chapter 6;

2. The process for preparing financial reports is consistent, timely, and auditable, and controls are implemented to provide for the accuracy of the reports;

3. Repetitive financial reports are consistent and prepared in the same manner by use of the same procedures, practices, and systems. The introduction of improvements to these policies, procedures, and systems is not prohibited or limited;

4. Appropriate internal controls are established, maintained, and reviewed;

5. Reports are edited and validated for accuracy and consistency between reports from the same source and between reports of prior periods and the current period; and

6. Classified financial information is properly safeguarded.

*020202. Internal Controls

A. DoD Components. DoD Components will establish appropriate internal controls to ensure that data input in DoD Component-controlled systems or provided to DFAS to be recorded in the accounting systems and subsequently used in financial reports is accurate, complete, supportable, and input timely into the finance and accounting systems. DoD Components will perform and document periodic reviews of system functionality to ensure controls are in place to verify the authorization of recorded transactions and compliance with the Federal Information System Control Audit Manual (***FISCAM***) framework. DoD Components will maintain or create controls to ensure that:

1. All financial transactions are submitted to DFAS. These controls should include tools to identify and track the quantity, types, and dollar amounts of transactions submitted to DFAS;

* 2. All transactions are reviewed for accuracy before submission to DFAS, e.g., the transaction is identified correctly in terms of the transaction type, reported quantity, and dollar amount(s). DoD Components are responsible for ensuring their reported transactions pass established pre-processing edits used to review data submissions in preparation for upload into departmental reporting systems. These edits include compliance with standardized General Ledger (GL) transaction sets as defined in the DoD United States Standard General Ledger (USSGL) ***Transaction Library***;

* 3. Transactions that have occurred during the reporting period are uniquely identified with the reporting period and transmitted to DFAS in adequate time for processing to meet the reporting schedule due dates. DoD Components and DFAS will work together to record adjustments made to DoD Component data in accounting systems-of-record. The last day of the reporting period and the final due date for transactions may be established for a date other than the last day of each month, quarter, or fiscal year when agreed upon by DFAS and the DoD Component and approved by OUSD(C);

4. Draft reports provided by DFAS for review, certification, or approval are returned to DFAS, with proposed adjustments, for verification with final reported balances by the pre-established due dates;

* 5. Annual certifications required for the documentary evidence requirement for Government obligations identified in Title 31, United States Code (U.S.C.), section ***1501(a)*** are prepared and submitted when required. In addition, 31 U.S.C. § ***3512*** contains additional instructions pertaining to financial reporting;

6. The DoD Component validates and approves the Defense Working Capital Fund Accounting Report (Monthly) (AR(M)) 1307 each month. Guidance concerning the general preparation of this report is contained in Chapter 15, "Defense Working Capital Fund Accounting Report [Accounting Report (Monthly) 1307]"; and

7. Actual or potential Antideficiency Act violations are reported, reviewed, and investigated in accordance with Volume 14, Chapter 2.

B. DFAS. DFAS will establish internal controls to ensure that data provided by each DoD Component is recorded accurately and processed timely for financial reporting.

* 1. DFAS will maintain or create controls to ensure all transactions and trial balances are processed correctly. These controls should include tools to identify and track numbers, types, and dollar amounts of the transactions received and generated by DFAS. DFAS will maintain feeder files used in financial reporting from accounting systems-of-record, in accordance with records retention guidance contained in Volume 1, Chapter 9. Feeder file inventory control reports are designed to identify the number of transactions contained in field submissions and should be maintained and readily available for auditors and other personnel who may need the data for analysis and decision-making.

* 2. DFAS will maintain or create controls to ensure all transactions are reviewed for accuracy, e.g., that the transaction is identified correctly in terms of the transaction type, reported quantity, and dollar amount. DFAS will perform and document periodic reviews of DFAS system functionality to ensure controls are in place to verify the authorization of recorded transactions and compliance with the FISCAM framework. Sufficiently document adjustments to DoD Component submissions to support the validity of the adjustments prepared during the reporting period. Include corrections to systems-of-record trial balances made in intermediate edit systems prior to uploading into departmental reporting systems.

a. Supporting documentation for corrections made to DoD Component submissions in intermediate edit systems should be maintained and be readily available as part of the audit trail for the reporting period.

b. DFAS will provide any adjustments made to DoD Component submissions so they can be recorded in the accounting systems-of-record, if not already recorded in the accounting systems-of-record in the current or subsequent period, before the beginning of the next reporting cycle. DFAS and the DoD Component must make every effort to resolve any discrepancies prior to the end of the reporting period. DFAS and the DoD Components must track unresolved discrepancies for research and correction as soon as possible after the end of the reporting period.

* 3. DFAS will maintain or create controls to ensure specific pre-processing edits are applied in each DFAS finance or accounting system, by transaction type, to verify financial data is reported accurately before upload into departmental reporting systems. Maintain records to support adjustments to DoD Component submissions and assign transactions that fail to pass edits to DFAS or the DoD Component for research and correction. Make every effort to resolve any discrepancies prior to the end of the reporting period. Examples of input transactions that may require research by the DoD Component include, but are not limited to:

a. Personnel transactions from the payroll system that exclude required data to pay employees;

b. Obligation transactions as a result of contracts or purchase orders that exclude data essential for recording the transactions in accounting or payment systems;

c. Receipt and acceptance transactions that exclude data essential for recording the transactions in accounting or payment systems; and

d. Disbursements that do not match obligations or receipts because of missing program data.

4. DFAS will maintain or create controls to ensure transactions that occur during a reporting period are uniquely identified with the reporting period and processed in order to meet the reporting schedule due dates.

5. DFAS will maintain or create controls to ensure the preparation of all financial reports is consistent from one reporting period to another reporting period and the same financial information is used as the source for different reports whenever the same information is reported.

6. DFAS will maintain or create controls to ensure ending balances for one reporting period will be perpetuated as the beginning balances for the subsequent reporting period and carried forward without change.

7. DFAS will maintain or create controls to ensure reports prepared are supportable, reliable, and accurate. These controls include tools to ensure that:

a. All transactions applicable to the effective period of the report have been edited and posted to the official accounting records;

b. Proposed adjustments to a previously issued report are edited, validated, documented, and posted to the official accounting records;

c. Reported amounts are verified to the amounts contained in the official accounting records;

d. Report lines have the proper sign (positive or negative);

e. Mathematical calculations on each report are validated;

f. Identified relationships between amounts on report lines within a report and from one report to another report are checked and validated;

g. Current reports are compared to prior reports, and checks are made to identify significant errors, omissions, and distortions; and

h. Applicable corrections are made to the reports before release to the recipients.

8. DFAS will maintain or create controls to ensure actual or potential Antideficiency Act violations are reported to DoD Components for their review and investigation in accordance with Volume 14, Chapter 2.

*020203. Audit Trails

A. DoD Components. DoD Components will maintain audit trails in sufficient detail to permit tracing of transactions and balances from their sources to their transmission to DFAS. DoD Components will perform and document periodic reviews of system functionality to ensure controls are in place to verify the authorization of recorded transactions and compliance with the FISCAM framework. Audit trails are necessary to demonstrate the accuracy, completeness, and timeliness of the transaction. In addition, audit trails provide documentary support for all data generated by the DoD Component and submitted to DFAS for recording in the accounting systems and use in financial reports.

* B. DFAS. DFAS will clearly document processes and internal controls and maintain a complete and documented audit trail to support the reports it prepares. The organization that translates the information into an electronic mode will retain supporting documents or images of the supporting documents. DFAS will establish documented business rules and internal controls to ensure feeder file data is received, processed, and compiled in departmental reporting system output files. DFAS will perform and document periodic reviews of DFAS system functionality to ensure controls are in place to verify the authorization of recorded transactions and compliance with the FISCAM framework.

1. DFAS will sufficiently document adjustments to DoD Component submissions to support the validity of the adjustments prepared during the reporting period. DFAS will provide any adjustments made to DoD Component submissions so they can be recorded in the accounting systems-of-record before the beginning of the next reporting cycle, if not already recorded in the accounting systems-of-record in the current or subsequent period.

2. DFAS will maintain supporting documentation for corrections made to DoD Component submissions in intermediate edit systems, and ensure documentation is readily available as part of the audit trail for the reporting period. The documentation should be readily available for assisting auditors and those involved in financial statement preparation understand how feeder file records are processed. Established internal controls ensure that the transactions are:

a. Reviewed for accuracy and completeness;

b. Controlled from unauthorized access and use;

c. Identified, tracked, and controlled to ensure that the numbers, types, and dollar amounts are complete;

d. Authorized and approved by duly designated officials; and

e. Readily available for auditors and other personnel for analysis and decision-making.

020204. Reconciliation

Many financial balances (e.g., GL proprietary and budgetary accounts, such as assets, liabilities, commitments, and undelivered orders) require supporting subsidiary records to validate the amount of the financial balance. Such subsidiary records will be reconciled to financial balances in accordance with the policies, requirements, and frequencies prescribed in this Regulation.

A. DoD Components

1. DoD Components maintain the supporting records for many financial balances that are outside the control of DFAS. An individual authorized by each DoD Component will periodically validate the accuracy of such subsidiary records against applicable physical assets or other appropriate confirmations of the source documents, and must sign and date these validations.

a. Various regulations require periodic counting or another physical verification in the case of equipment, inventories, supplies and materials, and real property depending upon the nature of the asset.

b. Periodic validation is required in the case of commitments, obligations, accounts receivable, and accounts payable. These validations will include the review of the documentary evidence that initiated the financial transaction to ensure the integrity of source data. See Volume 3, Chapter 8, "Standards for Recording and Reviewing Commitments and Obligations."

2. Document and provide changes in the source data to DFAS for proper recording. The reconciliation of source data with reported balances is a joint responsibility of DFAS and the DoD Component.

B. DFAS

1. DFAS will establish procedures to ensure that all GL balances and other associated financial balances requiring supporting subsidiary records are reconciled with amounts contained in supporting records, including source data, in accordance with DoD policy. See Volume 3, Chapter 8.

a. DFAS will establish and maintain supporting subsidiary detail transactions that are traceable and reconcile to reported financial statement balances. DoD Components will participate in the reconciliation process for these subsidiary records when the source documents, or transactions that require research to complete the reconciliation, are retained by the DoD Component.

b. When the DoD Component maintains accounting system and trial balance subsidiary records, DFAS will establish a reconciliation schedule, mutually agreed to by the DoD Component and subject to approval by OUSD(C), to reconcile the subsidiary records with the financial balance. DFAS will maintain supporting detail transactions that reconcile with reported financial statement balances. The reconciliation of such supporting records with the financial balance is a joint responsibility of DFAS and the DoD Component.

2. Investigate unreconciled differences in accordance with applicable provisions of this Regulation and document adjustments required to balance the GL amount and the amount of the subsidiary records.

3. When unreconcilable differences between the GL and the subsidiary records exceed $1 million, perform reconciliations on a monthly basis in order to determine the cause of the differences and take appropriate corrective actions to ensure the accuracy and integrity of the accounting system and monthly reports.

*020205. Reporting Schedules

* A. DFAS will establish procedures requiring joint development of report preparation schedules with DoD Components according to the timeframes established by the Department of the Treasury Bureau of the Fiscal Service (***Fiscal Service***). DFAS and the DoD Components will work to resolve issues identified in the report preparation process according to the Fiscal Service schedule. The purpose of these schedules is to meet the reporting due dates consistent with the policy in this chapter.

B. Reporting schedules for reports provided to external recipients will include the opportunity to present a draft of the report to the DoD Component for review and approval prior to release to the recipients.

020206. Draft Reports

A. DoD Components. DoD Components will review DFAS reports to assess the accuracy of the financial information reported. The review should attempt to identify errors, omissions, and significant diversions from budgeted or planned amounts and levels of activity. The DoD Component will:

1. Research and propose adjustments to correct abnormal balances. A GL balance is abnormal when the reported balance does not comply with the normal debit or credit balance established in the DoD Standard Reporting ***Chart of Accounts***. The DoD Standard Reporting Chart of Accounts identifies whether each account has a normal debit or credit balance. DoD Components must retain support for requested adjustments to financial reports and provide the support to DFAS;

2. Research any unusual trends and comparisons with the prior year and/or prior period amounts to determine whether corrective action is required;

3. Ensure that the amounts in the financial reports are consistent and reconcilable with the same financial data included in management reports prepared by the DoD Component;

4. Not change draft reports provided by DFAS, nor release the reports to external recipients. To do so will result in the official accounting records being unreconcilable to such reports and reports will not be supported fully with documented audit trails for all of the transactions impacting the reports. For errors or omissions identified in a draft report, submit a request to DFAS to revise the report and include changes in the final report; and

5. Validate reports created within their ERP systems. DoD Components will perform quality reviews to confirm that:

a. Amounts on the report are mathematically correct;

b. Internal relationships of amounts included in a report that are interdependent are correct;

c. Abnormal account balances, such as negative balances or unusual amounts, are researched and resolved, if possible; and

d. Unusual trends and comparison with the prior year and/or prior year amounts are identified and researched.

B. DFAS. DFAS will validate reports to ensure that the reported amounts agree with the official accounting records prior to release to DoD Components for review and approval or release to external recipients. DFAS will perform quality reviews to confirm that:

1. Amounts on the report are mathematically correct;

2. Internal relationships of amounts included in a report that are interdependent are proven to be correct;

3. Abnormal account balances, such as negative balances or unusual amounts, are researched and resolved, if possible;

4. Reported amounts for the same data elements for the same report period are consistent across all similar financial reports; and

5. Unusual trends and comparisons with the prior year and/or prior period amounts are identified and called to the attention of the DoD Component.

C. OUSD(C). Refer DoD Component-proposed changes to the draft reports, with which DFAS does not concur, to OUSD(C) for adjudication before the end of the current reporting cycle. The DoD Component or DFAS may submit requests for adjudication.

*020207. Current Period Adjustments

* A. Current period adjustments are all adjustments, including JVs, recorded in system transaction registers and the GL identifying summary-level adjustments to the GL. Current period adjustments are required for several reasons, including instances when subsidiary records do not reconcile with the financial balances, transactions need correction, and adjustments are required to align obligations, accruals, or expenses with the liquidation amounts for receipts, acceptances, and/or disbursements. Current period adjustments do not include transactions and processes used to record detail amounts in subsidiary ledgers as standard business transactions.

B. Either DFAS or the DoD Components may identify the need to make adjustments. Both DFAS and DoD Components will support adjustments with sufficiently detailed written documentation to provide an audit trail to the source transaction(s) that require the adjustments. The documentation will include the rationale and justification for the adjustment, supporting documentation, and dollar amount of errors or conditions related to the transaction(s) or record(s) proposed for adjustment, date of adjustment, and name and position of the individual approving the adjustment. The documentation must be readily available and complete in hardcopy, systemically stored electronic records, electronic files maintained in an external system or location, or a combination of these media.

1. DoD Components. When, during the applicable reporting period, a DoD Component identifies an adjustment pertaining to information included in a monthly, quarterly, semiannual, or annual report, the adjustment need not be reported separately, but will be made and reflected in the information included in the applicable report.

* 2. DFAS. When DFAS identifies a required adjustment to the official accounting records of a DoD Component, it will refer the proposed adjustment to the DoD Component who will review and approve the adjustment. DFAS must document proposed adjustments to DoD Component submissions and provide supporting documentation. DoD Components must respond with approval or disapproval for proposed adjustments within reporting cutoff dates for the relevant period. The following paragraphs provide the exceptions to this policy.

a. When DFAS makes an adjustment of less than $1 billion to correct errors made by DFAS in the preparation of a report, e.g., calculation errors and similar mistakes, they may be corrected by DFAS without prior referral to the affected DoD Component. Examples of corrections that may be made by DFAS without referral to a DoD Component are:

(1) Adjustments to correct systems processing deficiencies;

(2) Adjustments to correct an error made by DFAS in processing a transaction or a previous adjustment;

(3) Adjustments to correct a financial balance to equal the sum of subsidiary records; and

(4) Adjustments to align funding, obligation, accrual, or expense amounts with the liquidation amount for receipts, acceptances, and/or disbursements when the applicable supporting information requires such adjustments.

* b. DFAS will notify DoD Components at least once each month of the reports impacted, total amounts, types, and categories of reasons for adjustments made without prior referral to the DoD Component under circumstances specified in the preceding paragraph and provide corrected reports if applicable. DFAS will keep adequate records of all such notifications and DFAS and the DoD Component will work together to record adjustments made by DFAS in the accounting systems-of-record before the beginning of the next reporting cycle. DFAS and the DoD Component must make every effort to resolve any discrepancies prior to the end of the reporting period.

*020208. JV Preparation

* A. General. Proper preparation of, and adequate support for, JVs are important to ensure they accurately record accounting, financial, or other GL-related events and that documentation for a detailed audit trail exists. Use JVs to process monthly, quarterly, and annual adjustments to unadjusted GL account balances in the field and higher-level accounting and reporting systems. Unadjusted GL account balances represent the listing of GL account balances at the end of the reporting period, before period-end adjusting JVs are recorded. In various level financial reporting systems, the unadjusted GL balances reported are summaries of transaction data used to record specific homogeneous types of transactions and balances that aggregate to specific classifications on the financial statements.

* 1. All summary-level entries included in system transaction registers identifying adjustments to the GL are considered JVs for the purposes of this chapter and must be adequately documented to support the validity of the transactions. In accounting systems-of-record (execution systems), manual adjustments to the GL are considered JVs. Transactions and processes used to record detail amounts in subsidiary ledgers are not considered JVs.

2. Proper preparation of, and adequate support for, JVs are the responsibility of DFAS and the DoD Components. Memorandum-style entries to the GL affecting neither Fiscal Service level reporting nor subordinate records are not considered JVs for the purposes of this chapter.

B. Appropriate Uses of JVs. JVs have the following primary uses within DoD:

* 1. Correcting Entries. Correcting entry JVs adjust for errors identified during the reports review process. This entry includes specific amounts, accounts, and/or transactions related to the required correction. If possible, the JV supporting documentation will note the required steps in the process to prevent the need for similar adjustments in future periods.

a. In some cases, correcting entries are required to adjust for errors on previously prepared JVs. In those instances, correcting entries should both reverse the effect of incorrect entries and record the correct amount.

b. In some cases, both entries can be made with one JV and a single set of supporting documentation. Regardless of whether a single JV or multiple JVs are prepared, the correcting JV will include a copy of the original JV, documentation supporting the correct amount, and a narrative explanation regarding how it is known that the original entry is incorrect and why the correcting entry is accurate/more accurate.

2. Source Entries. Source entry JVs record those accounting entries that, due to system limitations or timing differences, have not been otherwise recorded. By nature, source entry JVs are usually summarized at the entity level by GL account. The source entry accounting transaction will be supported by documentation for the summarized amounts and identify the location of the transaction level supporting detail. Source entry JVs generally are used for month-end closing, year-end processing and closing purposes, and also may include postings of information provided through data calls, such as those required to record values for property, plant, and equipment recognition.

3. Summarized Entries. Both correcting and source entry JVs will normally be summarized (net) amounts for which documentation is required. In these situations, the summarized accounting entry represents the amount to record the effect of the detailed transactions. In all such cases, the summarized accounting entry will include documentation of the effect of the detailed transactions and identify the location of the transaction level supporting detail.

* 4. System-Generated Entries. For the purposes of this chapter, system-generated JVs are all system-generated and controlled entries included in system transaction registers identifying summary-level adjustments to the GL. Reporting entities will document and retain system-generated entries adjusting reported amounts to final reported balances in the financial statements. Such system-generated entries must be maintained and available upon request to support the audit trail for the reporting period. Reporting entities must maintain adequate documentation, audit trails, and internal controls over these types of adjustments and review such automated events as part of system controls and table maintenance. System-generated JVs do not include transaction input or processes establishing detail amounts recorded in subsidiary ledgers.

5. Subcategories. Further separate correcting and source entry JVs into the following two subcategories:

a. Audit Recommended JVs. When auditors recommend a JV adjustment, the proper authoritative source (see paragraph 020207) will perform an analysis of the recommendation using the auditors' workpapers and other relevant information to determine if the recommended adjustments are valid. Any decision resulting in a determination that a JV should, or should not, be prepared will document why the adjustment is, or is not, required; indicate how the duly authorized official determined that the audit recommendation should be, or should not be, followed; and identify the audit recommendation serving as the basis for the actions taken.

b. DoD Component Requested JVs. When a DoD Component requests an adjustment that complies with the JV requirements of this Regulation, a JV will be prepared. In addition, the JV will document why the adjustment is required, indicate how the duly authorized official determined that the entries included on the JV are correct, and identify the DoD Component's request serving as the basis for the adjustment. The DoD Components' JV request to DFAS will include supporting records and related analysis. A request for a JV entry that is not properly authorized or supported by accurate or proper documentation will be returned to the JV requestor with an indication of what additional information is required to process it, along with any applicable authoritative guidance.

* C. Internal Controls. OMB Circular A-123 identifies operational internal controls to ensure JVs are recorded properly. These controls will be in place for all transactions included in system transaction registers identifying summary-level adjustments to the GL. These controls do not apply to transaction input or processes establishing detail amounts recorded in subsidiary ledgers.

1. JVs may be prepared at the installation (execution) or departmental (reporting) level and must be:

a. Systematically tracked and reflected in a JV log. Reporting entities must implement controls to ensure JVs are tracked and readily available for audit;

b. Categorized by each of the applicable categories listed in subparagraph 020208.F;

c. Reviewed and validated to ensure the transaction utilizes the correct accounts and posts correctly;

d. Documented to support the validity and the amount of the JV transaction. The documentation requirement applies to all transactions included in system transaction registers identifying adjustments to the GL;

e. Authorized, approved, and documented at the appropriate level of management or designee. The organizational level within accounting centers, accounting stations, finance offices, and other accounting locations approving JVs will vary by the dollar amount of the voucher as shown in Table 2-1. The dollar amount for each JV is the sum of the debit entries on that voucher.

(1) The approving officials listed in Table 2-1 provide a framework for approving JVs based on identified thresholds. Reporting entities may adapt the approving officials identified based on the entity's organizational structure. Within each of the listed thresholds, other approval thresholds with lower dollar values than those specified in Table 2-1 may be established to accommodate the organizational level of those preparing the JV. In addition, unless other DoD Component approval thresholds with lower dollar values are established in memorandums of understanding between DFAS and a DoD Component, all JVs over $1 billion will be coordinated with the affected DoD Component.

(2) Approving officials may delegate their authority in writing to lower-level supervisors or other duly authorized officials with sufficient knowledge of the accounting matters addressed by the JV. The delegation does not relieve approving officials of their responsibilities as outlined in this chapter. See additional guidance in subparagraph 020208.C.2;

Table 2-1. JV Approval Thresholds

Threshold	Dollar Amount	Approving Official Supporting the Reporting Entity
1	Under $100 Million	Branch Chief
2	$100-$500 Million	Supervisor of Branch Chief
3	Over $500 Million-$1 Billion	Director for Accounting or Finance
4	Over $1 Billion	Site Director

f. Processed under procedures that ensure the separation of duties for preparing, approving, recording or posting, and validating to the maximum extent possible. The preparer and approver cannot be the same person;

g. Annotated with the name, title, and office symbol of currently authorized preparers, reviewers, and approvers. In an electronic environment, the name, title, and office symbol may be represented by user identification;

h. Maintained and readily available in hard copy, electronic form, or a combination if there is a manual approval of an automated system JV. All JVs must be documented, approved by the appropriate level, readily available, and in compliance with published guidance; and

i. Retained in accordance with records retention guidance contained in Volume 1, Chapter 9.

2. Maintain adequate managerial internal controls at each level of management, as directed in OMB Circular A-123, to ensure there is proper oversight of JV preparation. As a minimum, such managerial internal controls will entail the following:

a. Within 10 workdays after the accounting centers' issuance of quarterly financial statements for the first through third quarters, approving officials, at the levels of authority designated in Table 2-1, must perform and document a high-level integrity review of all JVs for which they delegated approval authority. Integrity reviewers are required to review each delegated JV for compliance with the terms of the delegation but are not required to review all documentation supporting the JV (refer to subparagraph 020208.C.1.e). A fourth quarter review must take place prior to submission of the Agency Financial Report to OMB (no later than November 15).

* b. Within 30 calendar days of the issuance of the financial statements, whether quarterly or annually, the DFAS Director for Accounting (or designee) must perform a quarterly quality and compliance review after submission of the quarterly and annual reports to OUSD(C). Conduct the review on a random sample of all JVs to determine if JVs are correctly prepared and processed, adequately described and supported, and approved at the proper managerial level within the limitations set forth in subparagraph 020208.C.2.a. The review must be conducted by an entity outside the immediate office that created the JV. The entity conducting the review must have sufficient auditing expertise to perform the review and must sign, date, and retain documentation to support the completed review.

* (1) Conduct the review in accordance with Volume 1, ***Section 450***, "Sampling Control Tests," of the U.S. Government Accountability Office/President's Council on Integrity and Efficiency Financial Audit Manual (FAM). The FAM provides guidance pertaining to acceptable sample sizes and error rates for typical internal control samples. Figure 450.1, "Sample Sizes and Acceptable Numbers of Deviations," of the FAM includes tables to compute the acceptable number of deviations for testing controls. Within DoD, compute the acceptable number of deviations using a 90 percent confidence level and a 5 percent tolerable error rate. When the tolerable error rate is exceeded, review current JV procedures for possible revision to ensure compliance;

(2) Identify and correct errors and notify the affected DoD Component as necessary. Identify root causes and implement corrective actions as appropriate. If errors materially impacted the financial statements, evaluate the need to restate/reissue the financial statements;

c. The internal review office must conduct an assessment of the organization's JV processing procedures, in accordance with OMB Circular A-123, to ascertain if JVs are properly prepared and supported. Volume 1, Chapter 3, "Federal Financial Management Improvement Act Compliance," discusses the necessity and importance of independent reviews.

* d. DoD Components must perform a compliance review of JVs within their accounting systems to ascertain if the JVs are correctly prepared and processed, adequately described, supported, and approved at the proper managerial level at least on a quarterly basis.

* D. Critical Elements. Critical elements are items that, if reported incorrectly for financial reporting purposes, would have a direct effect on the amounts presented on the financial statements. Reporting fields deemed critical must be populated in order to provide sufficient information for the approving official and others, such as auditors, to understand the reason for preparing the JV, determine if it is proper and accurate, and identify whether the JV entries are supported or unsupported by subsidiary records. This paragraph outlines critical elements for most JV categories and applies to JVs recorded in all systems. Additional items may be deemed critical depending on the category of adjustment being made. At a minimum, JVs should include items listed in subparagraphs 020208.D.1-5.

1. Correct Appropriation/Accounting Data. JVs will contain accurate financial information in order to populate the required input fields for entry into the accounting systems.

2. Balanced Adjustments. JV debits and credits will equal and reflect correct dollar amounts.

3. Approvals. JVs will contain required approvals according to the thresholds outlined in subparagraph 020208.C.1.e.

4. Documentation. JVs will include adequate documentation, with cross-referencing to other documentation (hard copy or electronic form), to support the validity and amount of the transaction. Attach supporting documentation to the JV as described in subparagraph 020208.E.

5. USSGL. JVs will contain valid GL accounts to record the adjustments. Approved DoD postings (transactions) are available at the DoD USSGL Transaction Library.

E. Documentation. Proper documentation in hard copy, electronic form, or a combination of both is necessary to support all JV entries. JV documentation will include reporting elements deemed critical to assess the accuracy and completeness of financial information, applicable criteria to support the rationale for preparing the adjustment, specific expenditure or receipt accounts (if applicable), and the calculation of the dollar amount of the adjustment. Maintain clear documentation of the JV preparer, reviewer, and approver(s) with the JV documentation. Attach supporting documentation to a copy of the JV. In some cases, it may not be practical to attach all of the documentation to the JV because of the large number of detailed transactions summarized on it. In those cases, attach specific and detailed information summarizing the content and identifying the location of the supporting documentation to the JV.

F. JV Categories. Regardless of the method of documentation used for the JVs, the dollar amount(s) on the JVs must be clearly and readily identifiable within the supporting documentation for the categories in subparagraphs 020208.F.1-10.

1. Category A — Reversing Entries for Prior Reporting Period. JVs will include documentation regarding the original accrual entry and an explicit statement that the JV is a reversing entry.

2. Category B — Data Call Entry. Source entry information may be provided by data calls where the data are not recorded on a detailed transaction basis. Prepare JVs to record the summarized data call amounts in these situations in the GL trial balance. Support the data call entry with documentation for the summarized amount and identify the source or location of the transaction level supporting detail and/or information for the entry. Examples of data call entries include property, plant and equipment; operating materials and supplies; environmental liabilities; contingent liabilities; and employee benefit data.

3. Category C — Balancing Entries for Eliminations. When the duly authorized official has determined that entries are necessary to balance buyer side data with seller side data, a correcting JV will be prepared prior to eliminating selected intragovernmental accounts. The documentation will include the appropriate worksheets that show in detail the seller side data received, the buyer side control values requiring adjustment, and the calculation of the adjustment amount. The supporting documentation for these JVs will also include a narrative that summarizes the procedures used to make buyer side adjustments. Refer to Volume 6B, Chapter 13, "Adjustments, Eliminations, and Other Special Intragovernmental Reconciliation Procedures," for guidance on eliminations.

4. Category D — Recognition of Undistributed Disbursements and Collections. Undistributed disbursements and collections represent the difference between the amount of disbursements and collections reported to DFAS centers by the Department of the Treasury finance network and the amount of disbursements and collections recorded by the operating level activities. Record entries to adjust an entity's Fund Balance with Treasury, as reported, for the amount of supported undistributed disbursements and collections reported in the departmental expenditure system.

a. The proper supporting documentation for this JV consists of identifiable amounts that are in transit from other sources (such as DFAS or Federal agencies). Many amounts at the detailed transaction level are not available due to timing differences, and support consists solely of transmitted sums. In such a case, evidence available to support the JV adjustments consists of summarized transmittal amounts. However, for audit trail purposes, obtain the detailed transaction level amounts from the transmittal source when the amounts become available.

b. Further evidence includes documentation of procedures and the allocation process used to apply undistributed disbursements and collections to accounts payable and accounts receivable, respectively.

5. Category E — Reconciliation of Trial Balance and Budget Execution Reports. Make JV entries in this category to match trial balances or other source data reported by field accounting sites and/or accounting stations to the DoD Component's budget execution reports. Consider trial balances or other source data correct and only adjust to budget execution data in instances where budget execution data is determined to be more accurate. The JV will document why a discrepancy exists in the data, the reason the budget execution data or other data are considered to be more accurate, the evidence to support this reason, and how it was determined that the entries on the JV are correct.

6. Category F — Supply Management Inventory. A correcting JV will be prepared when the duly authorized official has determined that inventory values for supply management activities need adjustment from the standard price to approximate historical cost. The supporting documentation will include appropriate references to Volume 4, Chapter 4 "Inventory and Related Property" and a clear explanation of the method used to comply with the policy in this Regulation to value inventory and cost of goods sold.

7. Category G — Reclassification of Accounts. A correcting JV will be prepared to crosswalk data from installation level accounts to the USSGL when the duly authorized official has determined that the accounting systems are unable to provide data at the required level of detail for financial statement and footnote presentation. Target systems are required to report using the DoD Standard Reporting Chart of Accounts and Standard Financial Information Structure. The supporting documentation will include a narrative that explains the reason the reclassification is necessary and the reason the systems are unable to provide the data at the required level of detail.

8. Category H — Identified Errors and Reasonableness Checks. Evidence to support either an authorized official or auditor identified correcting JV will include a detailed listing of identified errors, a narrative explaining how it is known that the original entry is incorrect, a related analysis documenting the calculation of the correct amount, and the sources of the data that were used in the analysis.

9. Category I — Adjustment to Balance Reports Internally. A correcting JV may be necessary when the authorized official has determined that a reconciliation of data supporting two different reports is not possible. Evidence to support this type of JV will include documentation of the reconciliation efforts made before determining that the reports cannot be reconciled.

10. Category J — Other Accruals. The supporting documentation for other accrual JVs will include a narrative explaining the basis for the accrual and any subsequent reversal.

020209. Release of Reports

A. DoD Components. DoD Components will approve draft annual reports and return those reports to DFAS for appropriate revision, validation, and distribution as final reports. The DoD Components will not release any reports, including monthly recurring reports, such as budget execution reports, to any organization external to the DoD Components. Only DFAS will release such reports. Volume 6B, Chapter 2, "General Instructions for the Financial Statements," contains the requirements for the audited and interim financial statements.

B. DFAS. DFAS will validate all final reports using the official accounting records prior to release to their intended recipients. The release of reports occurs only after final validation that corrections and adjustments have been made and that the report agrees with the official accounting records.

*020210. Certifications

A. DoD Component/Reporting Entity. A reporting entity is an organization represented by the financial information in a financial statement or report and may be a DoD Component or a subordinate command/organization. For example, a reporting entity may include an individual command or activity such as a shipyard or a supply depot, or it could encompass a number of activities within a business area, such as all shipyards or aircraft depot maintenance activities in a Military Department. A reporting entity can also be at a DoD Component level.

1. The reporting entity, rather than DFAS, is responsible for annual certifications required in the implementation of 31 U.S.C. § 1501(a). See Chapter 4 for additional information related to year-end reporting.

2. Reporting entities having working capital funds are responsible for signing the AR(M) 1307 addressed in Chapter 15.

B. DFAS. DFAS' role in processing financial data and in preparation of financial reports for DoD Components includes certain responsibilities. Accordingly, DFAS will provide the following to the DoD Component:

1. Assurances and certifications, when requested, to the reporting entity regarding the quality of accounting and report preparation services performed for the DoD Component;

2. Signed monthly, quarterly, and semiannual reports on behalf of the DoD Component following review and approval by the DoD Component. An exception is the AR(M) 1307, which the DoD Component is required to sign. Volume 6B, Chapter 2 contains the requirements for the audited and interim financial statements; and

3. A certification provided by the chief of the applicable reports section confirming accuracy of the balances reported on the AR(M) 1307.

VOLUME 6A, CHAPTER 3: "MONTHLY REPORTING OF OUTLAYS AND RECEIPTS"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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

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

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

The previous version dated Dec 2015 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Reworded and reformatted the chapter for clarity. Revised references and added electronic links.	Revision
030202	Included information on the reporting processes used within the Central Accounting Reporting System (CARS).	Addition
030202.E	Included information on the Payment Information Repository and the Collections Information Repository used to submit payment and collection data to CARS.	Addition
030206.A	Included information on the Monthly Treasury Statement used to summarize financial activities of the Federal Government.	Addition

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CHAPTER 3

MONTHLY REPORTING OF OUTLAYS AND RECEIPTS

0301 GENERAL

030101. Purpose

This chapter prescribes guidance for the monthly reporting of outlays and receipts to the Department of the Treasury (Treasury). The policies included in this chapter apply to Department of Defense (DoD) reporting entities authorized to prepare and submit consolidated monthly reports of outlays and receipts to the Treasury, Bureau of the Fiscal Service (Fiscal Service).

030102. Authoritative Guidance

The Treasury Financial Manual (TFM), Volume I, Part 2, Chapters 3100 and 3300 (TFM ***2-3100*** and TFM ***2-3300***, respectively), requires a monthly detailed reporting of disbursements and collections (outlays/receipts). TFM 2-3100 contains the reporting instructions for entities that perform their own disbursing while TFM 2-3300 contains the reporting instructions for entities that receive disbursing support from the Treasury.

0302 STATEMENT OF TRANSACTIONS (SOT)

030201. General

Entities responsible for their own disbursing will report DoD outlays and receipts using a Fiscal Service-prescribed format, Standard Form (SF) 1220, "Statement of Transactions According to Appropriations, Funds, and Receipt Accounts," in support of the ***SF 1219***, "Statement of Accountability" (SOA). The SOT is a companion report to the SOA and represents the detailed support behind the summarized "net disbursements" reported by the disbursing officer in the SOA. TFM 2-3100 and Volume 5, Chapter 15 contain SOA reporting, preparation, and submission requirements.

*030202. Central Accounting Reporting System (CARS)

The ***CARS*** system handles Treasury-level accounting and reporting for all federal agencies and is the system of record for Fiscal Service. CARS handles financial management and accounting information across Federal Program Agencies (FPA) and provides agencies access to submit and retrieve data and information from Treasury. CARS captures and records Treasury Account Symbol (TAS) information for payments, deposits, and intragovernmental transactions and provides agencies a daily status of their Fund Balance with Treasury. All agencies must use CARS applications and submit the CARS TAS/Business Event Type Code (***BETC***) reporting classification for each payment, deposit, and intragovernmental transaction.

A. BETC. A BETC is a code used to indicate the type of activity reported, such as payments, collections, or investments. Use the BETC, along with the TAS and the dollar amount, to classify each transaction against the Fund Balance with Treasury.

B. Classification Key (C-Key). A C-Key is a unique agency accounting code assigned to a transaction. C-Keys include agency accounting or collection mechanism data (e.g., account code, fund code, Merchant Identification Number), which translates directly to a TAS/BETC. Agencies establish C-Keys in the Shared Accounting Module (***SAM***) for collection transactions used to drive the appropriate values of TAS/BETC.

C. SAM. The SAM is an application that carries out the process of validating or deriving TAS/BETC combinations to assist in classifying financial transactions as they occur.

D. Classification Transactions and Accountability (CTA). The CTA is a system used by FPAs to report their monthly accounting activity to Fiscal Service. The Reclassification Component provides FPAs with a central location to correct or change accounting information that pertains to their reconciliation processes. Users of reclassification have the ability to reclassify the TAS/BETC and dollar amount of a transaction. CTA functionality for DoD is under development.

* E. CARS Daily Reporters. "CARS Daily Reporters" submit the TAS/BETC reporting classification of each payment or collection daily to CARS via the Payment Information Repository (***PIR***) or Collections Information Repository (***CIR***), respectively. DoD disbursing officers report cash disbursements via the CTA system.

1. PIR. The PIR is a centralized information repository for federal payment-related data that includes details on all federal payments made by Treasury Disbursing Officer agencies, as well as Non-Treasury Disbursing Officer (NTDO) agencies. The PIR serves as a repository for all Government payment data and supports Government transparency initiatives by improving the way Fiscal Service collects, analyzes, and reports on payment-related data. Reporting entities submit payment and accounting data to the PIR using the Standard Reporting Format (***SRF***). The SRF is a Fiscal Service input file specification defining the data elements and validation rules that all NTDO use to report issued payments and associated TAS/BETC information.

2. CIR. The CIR is a web-based information repository that gives federal agencies information on deposits and collections. The CIR streamlines financial transaction information from all collections and settlement systems into one location. Reporting entities use the CIR to obtain detailed and summary-level information on collections received.

F. CARS Non-Daily Reporters. Agencies not classified as "CARS Daily Reporters" must report disbursements and collections through monthly reporting on "Statements of Transactions" (SF 224, "Statement of Transactions (Classified According to Appropriation, Fund and Receipt Account; and Related Control Totals)" or SF 1220 and SF 1219) in accordance with TFM Volume I, Part 4A, ***Chapter 4000***, Section 4030.

030203. Fiscal Service Disbursing Support

Entities that receive disbursing support from Fiscal Service (with regard to the operations of designated Defense Agencies) must report using SF 224. TFM 2-3300 contains instructions for reporting using the SF 224.

030204. Report Preparation

The SF 1220 SOT must show a detailed account classification of the disbursements and collections processed in disbursing officers' accounts for the current accounting period, as referenced in TFM 2-3100, Appendix 4. Column titles for the SOT and required content are as follows:

A. Appropriation, Fund, or Receipt Account. Show the established symbol of the appropriation, fund, or receipt account for the transactions reported. In certain cases, special reporting of transactions is required below the level of appropriation or fund account. Assign separate subclass identification codes to the agencies as a parenthetical prefix to the account. When classifying transactions below the account level, segregate by type of transaction using the appropriate subclass codes referenced in TFM 2-3100, Appendix 5 and paragraph 030205.

B. Receipts and Collections Credited to Appropriation or Fund Accounts. Report receipts and collections for the following types of transactions in accordance with TFM 2-3100, Appendix 4:

1. Available receipts,
2. Unavailable receipts,
3. "F" receipt clearing accounts,
4. Collections credited to appropriation or fund accounts,
5. Borrowing from the public (issuing agency),
6. Sale of federal securities (by investing agency), and
7. Loan repayments.

C. Gross Disbursements. Report gross charges to appropriation and fund accounts for the following types of transactions in accordance with TFM 2-3100, Appendix 4:

1. "F" clearing accounts;
2. Current fiscal year collections credited to an appropriation or fund account. The following types of current fiscal year transactions are the only exceptions in which collections should be netted against gross disbursements:

a. Refunds of payments made in the current fiscal year;

b. Canceled or returned checks originally issued in the current fiscal year; and

c. Other corrections of errors made in the current fiscal year;

3. Investments in federal securities;

4. Redemption of federal securities (by issuing agency);

5. Loan disbursements;

6. Automated clearing house payments affected by a debit voucher; and

7. Cash and investments held outside of Treasury (this applies to Subclass 41 transactions as defined by TFM Volume I, Part 2, Chapter 3400 (***TFM 2-3400***)).

030205. Special Reporting

A. Borrowing Authority. Borrowing authority is statutory authority to incur obligations and to make payments for specified purposes out of borrowed money. It must be established as needed by the acquisition of property subject to a mortgage, and withdrawn upon payment of the mortgage principal. When the buyer assumes the mortgage, the borrowing authority is disestablished.

1. A DoD Component becomes the mortgagor when it acquires property subject to a previous mortgage under the DoD Homeowners Assistance Program, or when it borrows money to finance, or issues a mortgage instead of immediate payment for new construction under the DoD Family Housing Program. See Volume 3, Chapter 15 for additional guidance on borrowing authority.

2. Report the total acquisition cost of the property, including mortgages payable included in the sale of non-guaranteed Government agency securities, as a disbursement with prefix "22" to liquidate the entire related obligation. Report the amount of the mortgage assumed, which is included in the sale of non-guaranteed Government agency securities, as a reimbursement with prefix "97."

3. Report payments to the mortgagee in two parts: Payments on principal, which are associated with the redemption of non-guaranteed Government agency securities, as disbursements with prefix "87"; and interest payments with prefix "22."

4. Report the sale of property subject to a previous mortgage assumed by the buyer as a reimbursement in the amount of the total sales price, using prefix "22." Report only the portion of this balance that relates to the redemption of non-guaranteed Government

agency securities. Report the amount of the existing mortgage assumed by the buyer, related to the redemption of non-guaranteed Government agency securities, as a disbursement with prefix "87."

B. Trust Fund Investments

1. Report U.S. Government securities, purchased as an investment by a trust fund, as a disbursement at par value with prefix "88."

2. Report the sale of securities at par value as a receipt with prefix "98."

3. Further guidance on reporting related to the purchase and sale of U.S. Government securities, including use of prefix "75" with the purchase of unrealized discount on investments, can be found in TFM Volume I, Part 2, Chapter 4300 (***TFM 2-4300***).

C. Cash. TFM 2-3400 contains additional reporting guidance on cash held outside of the U.S. Treasury (prefix "41").

*030206. Submission Method

* A. Fiscal Service coordinates with reporting entities to ensure appropriate submission and reporting procedures are in place to accomplish the monthly reporting requirement. Reporting entities compile expenditure accounting information from their reporting activities, and electronically submit a monthly consolidated report to Fiscal Service in accordance with due dates established by Fiscal Service. Due dates are consistent with the requirements of the Office of the Under Secretary of Defense (Comptroller) Program/Budget (OUSD(C)(P/B)) Program and Financial Control Directorate. Fiscal Service uses outlay and receipt information submitted by reporting entities to produce the Monthly Treasury Statement (***MTS***), which summarizes the financial activities of the Federal Government and conforms to the Budget of the U.S. Government. MTS data includes information provided by federal entities, disbursing officers, and Federal Reserve Banks. It presents a summary of receipts and outlays, surplus or deficit, and means of financing on a modified cash basis.

B. Section 3140 of TFM Volume I, Part 2, Chapter 3100 lists the submission requirements for the SOT and SOA. The Fiscal Service consolidated submission consists of the SOA and SOT, including intragovernmental activity disbursed and collected for others.

030207. Distribution

Each reporting entity that collects or disburses for another reporting entity must provide an SOT or other acceptable notification to the entity responsible for the funds. In addition, the reporting entity electronically submits the SOT to OUSD(C) (P/B).

030208. Reconciliation of Monthly Information

A. The Defense Finance and Accounting Service (DFAS) and Components must incorporate controls into their processes to ensure amounts reported daily or monthly to Treasury reconcile to collections and disbursements processed through the disbursing systems and reflect amounts reported in the accounting systems. Monthly Treasury reporting includes SF 224, SF 1219, and SF 1220 submissions by reporting entities.

B. DFAS and Components must perform timely reconciliations and implement effective and efficient reconciliation processes. Effective reconciliations serve as a detection control for identifying unauthorized and unrecorded transactions at the entities and Treasury. Volume 4, Chapter 2 prescribes DoD policy for reporting and reconciling transactions affecting an entity's Fund Balance with Treasury. Effective reconciliations are also important in preventing entity disbursements from exceeding appropriated amounts and providing an accurate measurement of the status of available resources.

C. The totals reported on the SOT and/or supplemental report will be consistent with the summarized "net disbursements" submitted by the reporting entities.

030209. Supplemental Reporting

A supplemental report may be submitted to Fiscal Service to adjust data after submitting the SOA and SOT. Under special circumstances, Fiscal Service may request a supplemental report from the reporting entity.

030210. Reporting for Accounting Periods When No Transactions Occur

An SOA must be submitted for periods when no transactions occur, whereas an SOT is not required.

VOLUME 6A, CHAPTER 4: "APPROPRIATION AND FUND STATUS REPORTS"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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

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

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

The previous version dated May 2011 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Reworded and reformatted the chapter for clarity. Revised references and added electronic links.	Revision
All	Revised Treasury Financial Management Service (FMS) references with the new title. On October 7, 2012, the FMS and the Bureau of the Public Debt merged into the new Bureau of the Fiscal Service (Fiscal Service).	Revision
040102	Included clarifying language on the appropriation and fund status reporting requirements mandated within Title 31, United States Code, sections 1512(d) and 1554(b)1.	Addition
040203	Incorporated requirements for the Governmentwide Treasury Account Symbol Adjusted Trial Balance System (GTAS), which merged the functionality of the Federal Agencies' Centralized Trial Balance System (FACTS) I, FACTS II, Intragovernmental Fiduciary Confirmation System, Intragovernmental Reporting and Analysis System, and the United States Standard General Ledger Interactive Database.	Addition
040203.D	Updated subparagraph with current Directorate responsible for approving new Treasury symbols used for budget execution reporting on the Standard Form (SF) 133, Report on Budget Execution and Budgetary Resources.	Revision
040204	Added guidance on the Standard Financial Information Structure (SFIS) used in financial reporting.	Addition
0403	Revised instructions for reporting unexpended appropriation and fund balances previously reported on the Fiscal Service Form 2108, Year-end Closing Statement. Fiscal Service eliminated the Fiscal Service Form 2108 from GTAS, as the report is no longer required for year-end reporting.	Revision

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
040402.C	Added guidance on the SF 133 exemptions used in financial reporting.	Addition
040403.B	Updated submission process used in GTAS reporting.	Revision
040404.A	Updated section titles used in SF 133 reporting.	Revision
0405 & Figure 2	Revised the format and reporting requirements for the Report on Reimbursements and Refunds (Accounting Report (Monthly) (AR(M)) 725).	Revision
040505.G	Included reference to the SFIS containing approved transactions and data elements used to record reimbursements and refunds.	Addition
040605.B.6 & 040606	Added reporting and reconciliation requirements used to report Trust and Special Fund balances.	Addition
040606	Updated the column descriptions used for budget execution reporting on the Appropriation Status by Fiscal Year Program and Subaccounts AR(M) 1002.	Revision
040607	Updated reporting and reconciliation requirements used to reconcile AR(M) 1002 balances with Department of Defense (DD) Form 1414, Base for Reprogramming Actions, and DD Form 1416, Report of Programs.	Revision
Figure 1 (Previous Version)	Deleted reference to the Fiscal Service Form 2108 as Fiscal Service no longer requires this report.	Deletion
Figure 1	Updated figure with current SF 133 reporting requirements.	Revision
Policy Memo	The Deputy Chief Financial Officer's policy memorandum, "Appropriation Status by Fiscal Year Program and Subaccounts," dated May 10, 2013 was incorporated into the chapter and cancelled.	Cancellation

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CHAPTER 4

APPROPRIATION AND FUND STATUS REPORTS

0401 GENERAL

040101. Purpose

This chapter prescribes the reporting requirements and policy to follow when preparing appropriation and fund status reports at the departmental level. These reports identify, for the Defense Finance and Accounting Service (DFAS) and its customers, the status of accounting transactions on a monthly, quarterly, and annual basis. This chapter does not prescribe the reporting requirements of the intermediate command and installation levels. The provisions apply to all Department of Defense (DoD) Components, and cover the following types of appropriations and fund accounts:

A. General Fund;

B. Management Fund;

C. Public Enterprise Revolving Fund;

D. Intragovernmental Revolving Fund (including Working Capital Funds);

E. Special Fund; and

F. Trust Non-Revolving and Trust Revolving Funds.

*040102. Authoritative Guidance

The reports defined by this chapter fulfill the requirement in Title 31, United States Code (U.S.C.), ***section 1512(d)*** that the President review Federal expenditures at least four times a year. The chapter also fulfills the requirement in ***31 U.S.C. § 1554(b)1*** to report unliquidated obligations, unobligated balances, canceled balances, and adjustments made to appropriation accounts during the fiscal year (FY).

0402 REPORTING

040201. Report Formats and Control Numbers

The report formats and control numbers for the appropriation and fund status-type reports are identified within the respective paragraphs. Figures 1 through 3 contain sample fund status reports.

040202. Frequency and Distribution

The frequency and distribution of each report are designated within the respective paragraphs.

*040203. Governmentwide Treasury Account Symbol Adjusted Trial Balance System (GTAS)

A. The Department of the Treasury (Treasury), Bureau of the Fiscal Service (***Fiscal Service***), administers and maintains ***GTAS*** to facilitate preparation and consolidation of the ***Financial Report*** of the U.S. Government (FR). GTAS is a web-based system that merges the functionality of former systems used to collect and report trial balance data: Federal Agencies' Centralized Trial-Balance System (FACTS) I and FACTS II, Intragovernmental Fiduciary Confirmation System, Intragovernmental Reporting and Analysis System, and the United States Standard General Ledger (USSGL) Interactive Database. Reporting Agencies now submit both proprietary and budgetary data simultaneously in one bulk file ***submission***. Systemic edits validate data across both budgetary and proprietary reporting. Refer to Chapter 6 for DoD policy related to the submission of financial data using GTAS.

B. GTAS collects budget execution and resource data from all Federal agencies. GTAS compiles these submissions to prepare reports that fulfill the requirements of the Report on Budget Execution and Budgetary Resources (Standard Form (SF) 133), FR, and Office of Management and Budget (OMB) reporting requirements. In addition, a significant amount of the data populates the prior-year data in the Program and Financing Schedule of the President's Budget.

C. The budgetary accounts record budgetary resources (e.g., contract authority and authority from offsetting collections) and the status of resources in the context of obligational authority (e.g., obligations incurred, unobligated balances, and balances not available for obligation).

* D. Reporting entities are required to submit requests for new Treasury symbols to be used in GTAS reporting to the Office of the Under Secretary of Defense (Comptroller), Program/Budget (OUSD(C)(P/B)), Program and Financial Control (P&FC) Directorate, along with justification that cites the specific authorizing legislation. P&FC will review requests and coordinate with OMB and the Treasury to establish new accounts when authorized.

*040204. Standard Financial Information Structure (SFIS)

Appropriation and fund status reporting will utilize the data structure and reporting elements outlined in ***SFIS***. SFIS is a comprehensive data structure that supports requirements for budgeting, financial accounting, cost/performance, and external reporting needs across DoD. SFIS enables decision-makers to compare programs and their associated activities and costs across DoD and provides a basis for common valuation of DoD programs, assets, and liabilities. System owners and reporting entities must use the SFIS reporting elements prescribed in the SFIS data structure in reporting DoD financial information.

*0403 YEAR-END REPORTING

040301. Purpose

This section contains instructions for reporting unexpended appropriation and fund balances required by Treasury Financial Manual, Volume I, Part 2, ***Chapter 4200***.

040302. Scope

This section pertains to all DoD reporting entities reporting unexpended appropriation and fund balances previously reported on the Fiscal Service Form 2108, Year-end Closing Statement. Fiscal Service discontinued use of the Fiscal Service Form 2108 and removed references to the form from current Fiscal Service guidance.

040303. Reporting

Reporting entities now utilize GTAS and the Fiscal Service ***Year-End Module*** to report unexpended appropriation and fund balances. Use the Year-End Module, in addition to GTAS, to initiate year-end cancelation and adjustment transactions previously presented on the Fiscal Service Form 2108. Fund holders are responsible for verifying the accuracy of reported balances and providing final confirmation of amounts reported in GTAS to DFAS Accounting Standards and Reporting, Budget Execution and Analysis via signed documentation for electronic certification.

0404 REPORT ON BUDGET EXECUTION AND BUDGETARY RESOURCES (SF 133)

040401. Purpose

This section contains instructions for implementing the requirements of OMB ***Circular*** A-11, Preparation, Submission, and Execution of the Budget, for the monthly SF 133. The SF 133 shows the status of budgetary resources and related financial data. The report is intended for use, with other available information, in reviewing apportionments and the U.S. Government's budgetary programs, in managing the rate of incurring obligations and outlays, and as a basis for initiating requests for reapportionments and transfers.

*040402. Scope

A. Applicability. The requirements of this section apply to all DoD Components.

B. Basic Report. Prepare an SF 133 for each unexpired (current) or expired account. These reports constitute the "basic report" and consist of the following:

1. Military Functions Accounts:

a. General Fund;

b. Management Fund;

c. Public Enterprise Revolving Fund;

d. Intragovernmental Revolving Fund (including Working Capital Funds);

e. Special Fund; and

f. Trust Non-Revolving and Trust Revolving Funds;

2. Civil Functions Accounts;

3. Security Assistance Program Accounts; and

4. Credit Financing Accounts.

* C. Exemptions. Do not submit SF 133s for: deposit fund accounts, receipt accounts (including clearing accounts and suspense accounts), and closed Treasury Appropriations Fund Symbol (TAFS) (TAFS with canceled balances), unless required by OMB.

*040403. Frequency and Distribution

A. Fiscal Service. Fiscal Service receives monthly budget execution information via GTAS from DFAS (and U.S. Army Corps of Engineers Finance Center for their civil accounts) according to the Fiscal Service ***reporting window schedule***. Fiscal Service prepares the monthly SF 133 for OMB based upon GTAS USSGL information and attributes forwarded by DoD. DFAS sites submitting departmental level reports use GTAS to prepare and electronically transmit the required number of reports, as follows, by the prescribed Fiscal Service reporting due dates:

	SF 133
OUSD(C)(P/B)(P&FC)	2 (BEX & PDF file)
Treasury	1 (GTAS)
OMB	1 (GTAS)
DoD Components and Other Authorized Users (As Applicable)	1

* B. Reporting Entities. Reporting entities submit both proprietary and budgetary data simultaneously through the bulk file submission process into GTAS. Systemic edits validate data across both budgetary and proprietary reporting. Volume 6B addresses the form and content of DoD audited financial statements. Volume 6B, Chapter 1 contains a list of DoD Component reporting entities.

C. Reports on Allocation and Appropriation Transfer Accounts

1. Administering (Transfer To) Account. DoD Components administering allocation accounts (including those established pursuant to obligational authority contained in Operation and Maintenance (O&M), Defense Agencies operating budgets) or transfer appropriation accounts will not include related SF 133s in their basic reports. Instead, submit these reports to the DoD Component, or Federal agency outside of the Department, that administers the parent account.

2. Parent (Transfer From) Account. DoD Components administering parent accounts will combine the data on the SF 133 covering the allocation or transfer appropriation accounts with the parent accounts. Include the consolidated SF 133s in the basic reports.

D. Submission Schedule

1. Except for reports on allocation and transfer appropriation accounts, submit reports by the departmental level reporting entities as of the end of each month. Submit regular reports in accordance with due dates established by DFAS and consistent with the requirements of Fiscal Service, OMB, and OUSD(C).

2. Reports on allocation and transfer appropriation accounts submitted to the parent agency will be furnished in accordance with the schedule prescribed by that agency and consistent with the timeframe provided in Section II.4.2.5 of OMB Circular A-136.

*040404. Preparation

* A. The SF 133 is divided into four sections: Budgetary Resources; Status of Budgetary Resources; Change in Obligated Balance; and Budget Authority and Outlays, Net. Report cumulative amounts from the beginning of the FY to the end of the period reported. Include all footnotes at the end of the report. Forward any information used to supplement or clarify the submitted reports directly to OMB.

B. Section 130 of OMB Circular A-11 contains exhibits of sample SF 133 reports.

C. The DoD implementation of the USSGL is contained in Volume 1, Chapter 7. Crosswalks from the SF 133 to the USSGL are contained in Section V of the current FY's version of the ***USSGL***. Fiscal Service issues the annual update to this section (for reporting in the following FY) shortly after the release of the revised OMB Circular A-136, and it is usually available no later than October.

D. OMB Circular A-136 contains additional information on the reporting requirements for the SF 133.

040405. The Expired Phase: Budget Execution Reporting Procedures

Report obligated and unobligated balances on the SF 133 for each expired TAFS that has not been canceled.

A. Section 130.10 of OMB Circular A-11 contains instructions for budget execution reporting procedures on expired TAFS that have not been canceled.

B. Section 130.11 of OMB Circular A-11 contains instructions for reporting upward and downward adjustments to expired TAFS.

040406. The Expired Phase: Obligation Adjustments for Contract Changes

Upward adjustments to obligations in expired appropriation accounts caused by contract changes that exceed certain thresholds are subject to additional reporting and approval requirements. A contract change represents an order relating to an existing contract under which a contractor is required to perform additional work. A contract change does not include adjustments related to an escalation clause.

A. Section 130.11 of OMB Circular A-11 specifies the thresholds, reporting requirements, and approval requirements for contract changes.

B. The Under Secretary of Defense (Comptroller), as the Secretary of Defense's designee, fulfills the duties and responsibilities designated to "the agency head" in this section of the OMB Circular.

040407. The Expired Phase: Alternatives for Payment of Old Obligations

The length of the expired phase of a TAFS may only be changed by law. When DoD requires payment of obligations beyond the normal 5-year expired phase (such as the Navy Shipbuilding and Conversion appropriation), the Assistant Secretary of the Military Department Financial Management and Comptroller (FM&C) must submit proposed changes to appropriation language for the budget year through OUSD(C)(P/B) to OMB for approval.

A. Request this authority only when historical outlay data indicates that payment of old balances from unexpired funds regularly exceeds the 1 percent limitation or when such payments would severely affect the current program.

B. Report such authority to Treasury to prevent premature automatic cancelation of the account. Without this authority, DoD must seek reappropriation of canceled balances and defer payment until the appropriation is available, or pay from current appropriations, as described in Volume 3, Chapter 10.

040408. Reporting on Expired Appropriations Being Closed

Report expired obligated and unobligated balances as canceled on the final, September 30, SF 133 before closing the TAFS. Once an amount is reported as canceled, it should not be reported again. Technically, TAFSs are closed, while appropriations and balances are canceled. Section 130.13 of OMB Circular A-11 contains instructions for budget execution reporting related to expired TAFS.

040409. SF 133 and the Statement of Budgetary Resources (SBR)

The compilation of an agency's SF 133s should generally agree with the agency's SBR. Section 130.19(e) of OMB Circular A-11 explains the few differences between the SF 133 and SBR.

040410. Consistency of Amounts Reported

Amounts reported in the fourth quarter SF 133 must be consistent with information reported to Treasury as part of the year-end closing procedures and must be based on actual accounting information pursuant to 31 U.S.C. ***§ 3512***. Actuals submitted to OMB for inclusion in the President's annual budget, which is submitted to the Congress, should agree with those submitted to the Treasury and those submitted on the fourth quarter SF 133. Section 130.19 of OMB Circular A-11 provides more

040411. Additional Preparation Instructions

OMB Circular A-11, Appendix F contains preparation instructions for the SF 133. Figure 1 contains the current report format for the SF 133.

*0405 REPORT ON REIMBURSEMENTS AND REFUNDS (ACCOUNTING REPORT (MONTHLY) (AR(M)) 725)

040501. Purpose

This report identifies supplemental budget execution data with respect to reimbursements and refunds, in terms of their sources and the FY programs being executed. The AR(M) 725 identifies reimbursable activity during the reporting period and includes refunds of prior-year orders from direct appropriations. The data are required for use, with other available information, in the review and analysis of program and budget formulation and execution, including the detection of trends in the collection of monies due the U.S. Government.

040502. Scope

A. The provisions of this section apply to all DoD Components.

B. Reports are required electronically for the following:

1. All current appropriations or other fund accounts for military or civil functions of DoD reported on the SF 133;

2. All expired appropriations or other fund accounts;

3. Trust fund accounts if reimbursements or refunds are from non-Federal sources;

4. Trust revolving fund accounts if the reimbursements or refunds are from U.S. Government accounts; and

5. Allocation and transfer accounts for DoD Components from appropriations made to the Office of the Secretary of Defense (Treasury Index (TI) Code 97).

C. Unless specifically requested in writing by the OUSD(C), reports are not required for the following:

1. Trust fund accounts, except those in subparagraph 040502.B.3;

2. Trust revolving fund accounts, except those in subparagraph 040502.B.4;

3. Deposit fund accounts;

4. Other Defense, civil programs; and

5. Security assistance appropriation accounts.

040503. Report Format

The AR(M) 725 will be prepared in accordance with the guidance provided in paragraph 040505. Figure 2 contains the current report format for the AR(M) 725.

040504. Frequency and Distribution

A. Electronically submit monthly reports in accordance with due dates established by DFAS, and consistent with the requirements of OUSD(C). Submit the report at the same time as the AR(M) 1002, Appropriation Status by Fiscal Year Program and Subaccounts.

B. Include the AR(M) 725 with the SF 133.

C. Distribute reports electronically as follows:

	Report on Reimbursements and Refunds
DoD Components and Other Authorized Users (As Applicable)	1

*040505. Preparation

A. Basis of Reporting. Amounts reported will agree with corresponding data recorded in the following USSGL accounts, as appropriate:

422100	Unfilled Customer Orders Without Advance
422200	Unfilled Customer Orders With Advance
425100	Reimbursements and Other Income Earned – Receivable
425200	Reimbursements and Other Income Earned – Collected
425300	Prior-Year Unfilled Customer Orders With Advance – Refunds Paid
487200	Downward Adjustments of Prior-Year Prepaid/Advanced Undelivered Orders - Obligations, Refunds Collected
497200	Downward Adjustments of Prior-Year Paid Delivered Orders - Obligations, Refunds Collected

B. Unit of Entries. Round reported amounts to the nearest thousand.

C. Description (Column A). This column identifies whether the transaction is from a "Federal" or "Non-Federal" source.

D. Reimbursements Receivable (Column B). Enter the amount of receivables brought forward from the prior-year. The total of this column must agree with column I of the year-end AR(M) 725 report from the prior-year.

E. Unfilled Customer Orders Without Advance (Column C). Enter the amount of unfilled orders brought forward from the prior-year. The total of this column must agree with column J of the year-end AR(M) 725 report from the prior-year.

F. Total Anticipated Reimbursements (Column D). Enter the estimate of reimbursements expected to be earned during the current FY, subject to OMB apportionment, other authorized reimbursements, and/or other income for which current year obligational authority is automatically established based on orders received.

* G. Earned Reimbursements and Refunds (Column E). This column represents the amount recognized when a performing organization renders actual or constructive performance on a reimbursable order. Generally, reimbursements must recover the cost elements outlined in Volume 11A, Chapter 3 and Volume 11B, Chapter 3.

1. The SFIS reporting structure identifies approved USSGL transactions and data elements used to record transactions between buyers and sellers. This column also includes refunds of prior-year orders from direct appropriations. Refunds are the repayments of excess payments and are directly related to previous obligations incurred and outlays made against the appropriation. Process refunds received to the appropriation or fund account charged with the original obligations.

2. Section 20.9 of OMB Circular A-11 provides guidance for processing refunds in both current and prior years.

H. Changes in Unfilled Customer Orders (Column F). This column represents the net change in unfilled customer orders during the period. The balance in this column increases with new customer orders and decreases with earned customer orders.

I. Anticipated Orders for Rest of Year (Column G). For transactions with the public, this column represents estimated collections, including advances expected to be received and reimbursements expected to be earned. In transactions between U.S. Government entities, this balance represents orders expected to be received, but which have not been accepted.

J. Reimbursements and Refunds Collected (Column H). This column includes collections received on a reimbursable basis for goods, services provided, and refunds of prior-year orders from direct appropriations.

K. Reimbursements Receivable (Column I). This column represents the balance of outstanding collections, for goods and services provided on a reimbursable basis, at the end of the reporting period.

L. Unfilled Customer Orders Without Advance (Column J). This column represents the balance of unfilled customer orders, at the end of the reporting period, for goods and services without an advance. This line applies only to transactions between U.S. Government entities.

040506. Edits

The ***FY End Departmental Level Handbook*** for Funds Executed by Defense Agencies contains a copy of the current checklists for the AR(M) 725 report. A copy of the current handbook is located in the Army Budget section of the Assistant Secretary of the Army FM&C website.

0406 APPROPRIATION STATUS BY FISCAL YEAR PROGRAM AND SUBACCOUNTS (AR(M) 1002)

040601. Purpose and Report Control Number

This section prescribes the preparation and submission of reports on the application and status of appropriation and other fund accounts. The reports present budget execution data with respect to obligational authority in terms of the FY programs executed at budgetary subdivisions not found on the SF 133. Maintain program value, obligation, unobligated balance, unexpended balance, and expenditure balance data integrity, by line item, throughout an account's unexpired and expired availability periods. Expired account adjustments, which move resources between Budget Line Items (BLI), must reflect the appropriate change to that line item's program value amount, obligations, unobligated balance, unexpended balance, and expenditure data on the AR(M) 1002.

040602. Scope

A. The provisions of this section apply to all DoD Components.

B. Reports are required for all general and special fund appropriations for military and civil functions of the Department that are reported on the SF 133, except those accounts specifically exempted in subparagraph 040602.C.

C. Reports are not required for the following unless specifically requested in writing by the OUSD(C):

1. Revolving funds that do not have direct appropriation funds available, except for accounts 97 X 4555, 4090, 4965, and 0833;

2. Receipt accounts, deposit funds, and trust funds, except for 97 X 8097, 8098, and 8335;

3. Civil funds of the U.S. Army Corps of Engineers and the U.S. Soldiers' and Airmen's Home; and

4. Transfer appropriation accounts.

040603. Report Format

Prepare the AR(M) 1002 in accordance with the guidance provided in subparagraph 040605. Report 1002 data in accordance with the Business Enterprise Architecture included in SFIS. The AR(M) 1002 format includes budget and fiscal account classifications required to align with information included in annual DoD budget requests. See the "***SFIS Matrix***" for business rules and examples of acceptable budgetary values. The Defense Departmental Reporting System – ***Budgetary*** contains the official report mapping for the AR(M) 1002. Figure 3 contains the current report format for the AR(M) 1002.

040604. Frequency and Distribution

A. Electronically submit monthly reports in accordance with the due dates established by DFAS, and consistent with the requirements of OUSD(C).

B. Arrange the reports in the same order as the SF 133s they support.

C. Distribute reports electronically as follows:

	AR(M) 1002
OUSD(C)(P/B)(P&FC)	1 (BEX)
DoD Components and Other Authorized Users (As Applicable)	1

*040605. Preparation

A. Units of Entry. Round all amounts to the nearest thousand and no attempt need be made to adjust the rounded figures so that they will add to column totals. Rounded amounts will never exceed the actual amounts by more than ± $2,000.

B. Direct Programs

1. Military Personnel

a. General. Report at least two classification levels for distinct sets of TI Codes 17 (Navy), 21 (Army), and 57 (Air Force); FY program; and Treasury account number (main account code (previously basic symbol)).

b. Level One. Budget Activity (BA) equals the M-1 (Military Personnel Programs) BA. Use the set of distinct M-1 BA records to present the BA stub entries.

c. Level Two. Budget Sub-Activity (BSA) equals the M-1 BSA and is the M-1 line item detail and lowest classification level. Use the set of distinct M-1 BSA records to present the BSA stub entries. Present the BSA stub entries under their respective BA.

d. Level Three (Optional). BLI equals the President's Budget Exhibit PB-30J, Summary of Entitlements by Sub-activity, and is the lowest classification level. Use the same set of distinct entitlement stub entries on the AR(M) 1002 displayed in Budget Exhibit PB-30J. Present the BLI stub entries under their respective BA and BSA.

2. O&M

a. Report three classification levels for distinct sets of TI Codes 17, 21, and 57; FY program; and main account code.

(1) Level One. BA equals the O-1 (O&M Programs) BA. Use the set of distinct O-1 BA records to present the BA stub entries.

(2) Level Two. BSA equals the O-1 Budget Activity Group (BAG). Use the set of distinct O-1 BAG records to present the BSA stub entries. Present the BSA stub entries under their respective BA.

(3) Level Three. BLI equals the O-1 Sub-activity Group (SAG) and is the O-1 line item detail and lowest classification level. Use the set of distinct O-1 SAG line items to present the BLI stub entries. Present the BLI stub entries under their respective BA and BSA.

b. Report two classification levels for distinct sets of TI Code 97, FY program, and main account code as prescribed by DFAS Manual ***7097.01***.

(1) Level One. BA equals the O-1 BA. Use the set of distinct O-1 BA records to present the BA stub entries.

(2) Level Two. Defense Level Organization (DLO) equals the O-1 Defense Agencies. Use the set of distinct O-1 Defense Agencies to present the DLO stub entries. Present the DLO stub entries under their respective BA. The DFAS Manual 7097.01 Budget Project Codes appropriation chapters identify the valid Defense Agencies. Within each chapter is a list of valid limitations where the first two digits of the limitation identify the Defense Agency allotment holder.

3. Procurement

a. Report three classification levels for distinct sets of TI Code 17, 21, and 57; FY program; and main account code.

(1) Level One. BA equals the P-1 (Procurement Programs) BA and BA Title. Use the set of distinct P-1 BA records to present the BA stub entries. A subtotal at the BA level is required for Procurement Accounts.

(2) Level Two. BSA equals the P-1 BSA and BSA Title. Use the set of distinct P-1 BSA records to present the BSA stub entries. Present the BSA stub entries under their respective BA. A subtotal at the BSA level is not required for Procurement Accounts.

(3) Level Three. BLI equals the P-1 Line Item and Line Item Title and is the P-1 line item detail and lowest classification level. Use the set of distinct P-1 line item records to present the BLI stub entries. Present the BLI stub entries under their respective BA and BSA.

b. Report three classification levels for distinct sets of TI Code 97, FY program, and main account code as prescribed by DFAS Manual 7097.01.

(1) Level One. BA equals the P-1 BA and BA Title. Use the set of distinct P-1 BA records to present the BA stub entries.

(2) Level Two. DLO equals the P-1 Organizational Title. Use the set of distinct P-1 Defense Agencies to present the DLO stub entries. The DFAS Manual 7097.01 Budget Project Codes appropriation chapters identify a valid list of Defense Agencies. Within each chapter is a list of valid limitations where the first two digits of the limitation identify the Defense Agency allotment holder.

(3) Level Three. BLI equals the P-1 Line Item and Line Item Title and is the P-1 line item detail and the lowest classification level. The DFAS Manual 7097.01 Budget Project Codes appropriation chapters identify a valid list of line items/budget projects. Use the set of distinct P-1 line item records to present the BLI stub entries. Present the BLI stub entries under their respective DLO.

4. Research, Development, Test, and Evaluation (RDT&E)

a. Report at least two classification levels for distinct sets of TI Code 17, 21, and 57; FY program; and main account code.

(1) Level One. BA equals the R-1 (RDT&E Programs) BA and BA Title. Use the set of distinct R-1 BA records to present the BA stub entries.

(2) Level Two. BLI equals the R-1 Program Element (PE) and PE Title and is the R-1 line item detail and the lowest classification level. Use the set of distinct PE records to present the BLI stub entries under their respective BA.

b. Report at least three classification levels for distinct sets of TI Code 97, FY program, and main account code as prescribed by DFAS Manual 7097.01.

(1) Level One. BA equals the R-1 BA and BA Title. Use the set of distinct R-1 BA records to present the BA stub entries.

(2) Level Two. DLO equals the R-1 Organizational Title. Use the set of distinct R-1 Defense Agencies to present the DLO stub entries. The DFAS Manual 7097.01 Budget Project Codes appropriation chapters identify a valid list of Defense Agencies. Within each chapter is a list of valid limitations where the first two digits of the limitation identify the Defense Agency allotment holder.

(3) Level Three. BLI equals the R-1 Line Item and Line Item Title and is the R-1 line item detail and the lowest classification level. The DFAS Manual 7097.01 Budget Project Codes appropriation chapters identify a valid list of budget activities/program elements. Use the set of distinct R-1 line item records to present the BLI stub entries. Present the BLI stub entries under their respective DLO.

5. Military Construction and Family Housing

a. Report three classification levels for distinct sets of TI Code 17, 21, 57, and 97; FY program; and main account code. For TI Code 97, report the three classification levels by Defense Agency as prescribed by the DFAS Manual 7097.01 Budget Project Codes appropriation chapters.

(1) Level One. BA equals the C-1 (Construction Programs) BA and BA Title. Use the set of distinct C-1 BA and BA Title records to present the BA stub entries.

(2) Level Two. BSA equals the C-1 Location, Location Title, and State-Country. Use the distinct sets of C-1 Location, Location Title, and State-Country record combinations to report the set of locations. Present the location stub entries under their respective BA.

(3) Level Three. BLI equals the C-1 Project and Project Title. Use the distinct set of C-1 Project and Project Title record combinations to report C-1 line items. Present the C-1 line items under their respective location and BA.

b. Report one classification level for distinct sets of TI Code 17, 21, 57, and 97; FY program; and Military Construction BA of Minor Construction, or Planning and Design, Family Housing Construction BA of Construction Improvements or Planning and Design. The line item classification equals the C-1 BA and BA Title. Use the set of distinct C-1 BA records to present the BA stub entries. For TI Code 97, report the BA by Defense Agency.

c. Report one classification level for distinct sets of TI Code 17, 21, 57, and 97; FY program; and main account code for Family Housing O&M or DoD Family Housing Improvement Fund (FHIF). The line item classification equals the C-1 BA and BA Title. Use the set of distinct C-1 BA records to present the BA stub entries.

d. For Base Realignment and Closure (BRAC), follow the report classification levels prescribed by the DFAS Manual 7097.01 Budget Project Codes appropriation chapter guidance for BRAC Accounts, Parts II, III, and IV. Report the BA of Major Construction information by location and title, and report all other BAs at the BA lump-sum level by FY and Service Component or Defense Agency.

e. For the FHIF (97 X 0834), follow the guidance in subparagraph 040605.B.5.a once project funds have transferred from Family Housing Construction to the FHIF.

* 6. Trust and Special Funds

a. Report one classification level for each trust or special fund.

b. The line item classification equals the BA as found in the President's budget exhibits, DoD Military Programs, or Other Defense – Civil Programs, as appropriate.

C. Reimbursable Programs

1. Report all reimbursable program data separately from direct program data. A subtotal for the direct program will be followed by a one-line reimbursable program, followed by a "Grand Total," which is the sum of the direct and the reimbursable programs.

2. For all the aforementioned appropriation functional titles, report reimbursable program data at the lump-sum level for distinct sets of TI Code 17, 21, and 57; FY program; and main account code.

3. For TI Code 97:

a. Main account codes for BRAC and Procurement accounts report reimbursable program data at the lump-sum level by FY program and Defense Agency.

b. All other main account codes report reimbursable program data at the lump-sum level by FY program.

*040606. Column Descriptions

The composition and amounts in each column are detailed in subparagraphs 040606.A through 040606.C.

A. General

1. Budget Activity (Column A). Valid values for the report stub entries are the program codes contained in the publicly published ***President's Budget***. The nomenclature is equal to the line items found in the President's Budget Exhibits M-1, O-1, R-1, P-1, C-1; Family Housing and BRAC Programs; DoD Military Programs; and Other Defense – Civil Program documents. Arrange the separate FY appropriation accounts of an appropriation title in consecutive order, starting with the most current FY or multiple-year account. Arrange the FY programs within a multiple program year account in consecutive order, starting with the most current FY program. Subtotals are required for each level contained in the report.

2. Base for Reprogramming (Column B). The balance in this column matches the enacted amounts as published in the Department of Defense (DD) Form 1414, Base for Reprogramming Actions for most appropriation types. Once established, the dollar values in the column will not change and will continue to be reported for the life cycle of the account (until the account closes). The exceptions to this are the Trust and Special Funds. Column B will match current year authority for these funds.

B. Cumulative Columns

1. Approved Program (Column C). The balance in this column shows the approved program for the FY-to-date. Column C includes the distribution of the effect of approved reprogramming actions on DD Form 1415-1, Reprogramming Action - Prior Approval, and/or DD 1415-3, Reprogramming Action - Internal; supplemental appropriations; and rescissions. The amounts in this column will change to reflect congressionally approved changes to the program. This column reflects the cumulative program-to-date, and will continue to be reported for the life cycle of the account (until the account closes). Guidance for reprogramming is contained in Volume 3, Chapters 6 and 7. The exceptions to this are the Trust and Special Funds. Column B will match current year authority for these funds.

2. Revised Program (Column D). The balance in this column shows the effect of below threshold reprogramming (BTR) actions initiated by a DoD Component that occur during execution.

a. Note that the grand total for column C and column D will be the same. The difference between the two columns is column D incorporates BTRs and column C does not. BTR actions provide DoD Components with the discretionary flexibility to realign funding within prescribed limits. BTR actions are minor actions not otherwise requiring congressional approval that may be accomplished within the DoD Components and are measured cumulatively over the entire obligation availability of the appropriation. The grand totals for column C and column D will be the same; however, differences will exist below the grand total level if BTRs have been recorded which realigned previous funding levels.

b. No-year accounts follow the same guidance as other accounts but are individually reported by FY account. No-year accounts are tracked and reported by the FY in which the funds were appropriated. The period of availability (POA) start year for no-year accounts reflects the year money was appropriated; the POA end year reflects XXXX. For example, the POA for no-year money appropriated in FY 2009 would be reflected as 2009/XXXX on the AR(M) 1002. Continue to report these funds separately until the account is closed. The exceptions to this are the Trust and Special Funds. Column B will match current year authority for these funds, which report either current year authority or apportionment amount as appropriate.

3. Cumulative Obligations (Column E). Enter the amount of obligations occurring from the inception of the program to the end of the reporting period. Obligation transactions will include both obligations incurred and adjustments of prior-year obligations. The exceptions to this are the Trust and Special Funds, which report current year obligations plus unpaid obligations from prior year.

4. Cumulative Unobligated Balance (Column F). The balance shown in this column represents the difference between columns D and E.

5. Cumulative Expenditures (Column G). Enter the distribution of the gross disbursements (net of refunds) from the inception of the program to the end of the reporting period. Within an FY program, enter the difference between amounts distributed by subaccounts

and total disbursements identifiable to that FY program on the line "Undistributed Disbursement." Enter disbursements not immediately distributable by FY program, or by subaccount in accounts without FY program subdivisions, on the line "Undistributed Disbursement" immediately before the total line for the appropriation account. For expired year accounts, unless specifically exempted by the OUSD(C), report the direct and reimbursable programs at the same level of detail as they were reported as unexpired accounts. The total of column G plus the total of column H must equal column D.

6. Cumulative Unexpended Balance (Column H). Enter the distribution of the unexpended balance for the inception of the program to the end of the reporting period. Column H will equal the difference between columns D and G.

7. Commitments (Column I). The use of column I is optional for operating appropriations. Enter, by subaccount, the amount of outstanding commitments recorded. The entry in this column may properly exceed the amount of the unobligated balance in column F if a program reduction was approved in anticipation of a cancelation or downward adjustment of commitments outstanding. If there was no approved program reduction, then an excess of commitments outstanding over total unobligated balance indicates the program was implemented in excess of the approved amount.

C. Current FY Columns

1. Amount Obligated in Current FY (Column J). Enter the amount of obligations occurring from the beginning of the current FY to the end of the reporting period. Obligation transactions include both obligations incurred and adjustments of prior-year obligations.

2. Amount Expended in Current FY (Column K). Enter the distribution of the gross disbursements (net of refunds) for the period from the beginning of the current FY to the end of the reporting period. Within an FY program, enter the difference between amounts distributed by subaccounts and total disbursements identifiable to that FY program on the line "Undistributed Disbursement." Enter disbursements not immediately distributable by FY program, or by subaccount in accounts without FY program subdivisions, on the line "Undistributed Disbursement" immediately before the total line for the appropriation account. For expired year accounts, unless specifically exempted by the OUSD(C), report the direct and reimbursable programs at the same level of detail as they were reported as unexpired accounts.

*040607. Reconciliation of AR(M) 1002 With the DD 1414; DD Form 1416, Report of Programs; and Other Reports Submitted to Congress

A. Military Personnel Accounts

1. The DD 1414 is prepared annually directly after the DoD Appropriations Act is passed. The Base for Reprogramming column (normally the last column on the DD 1414 report) amounts must reconcile with the amounts in the AR(M) 1002 column B at

the BA level. See Volume 3, Chapter 6 for additional information on the reprogramming of DoD appropriated funds and related reports.

2. The Reserve Component Military Personnel Report is prepared in accordance with the yearly appropriations acts.

B. O&M Accounts

The DD 1414 is prepared annually immediately following the passage of the DoD Appropriations Act. The Base for Reprogramming column (normally the last column on the DD 1414 report) amounts must reconcile with the amounts in the AR(M) 1002 column B at the BA level. See Volume 3, Chapter 6 for additional information on the reprogramming of DoD appropriated funds and related reports.

C. RDT&E and Procurement Accounts

1. The DD 1414 is prepared annually directly after the DoD Appropriations Act is passed. The Base for Reprogramming column (normally the last column on the DD 1414 report) amounts must reconcile with the amounts in the AR(M) 1002 column B at the P-1/R-1/BLI line item level. See Volume 3, Chapter 6 for additional information on the reprogramming of DoD appropriated funds and related reports.

2. The DD 1416 is prepared quarterly upon receipt of enactment of the DoD Appropriations Act. The OUSD(C) will provide guidance for reporting under continuing resolutions. The last column of the DD 1416, Total Revised Program, must reconcile with column D of the AR(M) 1002 by P-1/R-1/BLI. See Volume 3, Chapter 6 for additional information on the reprogramming of DoD appropriated funds and related reports.

D. Military Construction Accounts. The "Semiannual Audit Trail Report – Military Construction and Family Housing" report is prepared at the end of March and September. Column E of that report should reconcile with column D of the AR(M) 1002 by project.

040608. Special Instructions for Selected Accounts

A. Obligation Limitation for Annual Accounts. Each year, the general provisions of the DoD Appropriations Act require a certification that not more than 20 percent of the appropriations in that act, which are limited for obligation during the current FY, will be obligated during the last 2 months of the FY, with the following exceptions:

1. The Reserve Components record obligations for support of active duty training or the Reserve Officers' Training Corps records obligations for summer camp training.

2. The Foreign Military Financing and International Military Education and Training accounts for the Defense Security Cooperation Agency (DSCA) require a certification that not more than 15 percent of the appropriations in that act, which are limited for

obligation during the current FY, are to be obligated during the last month of the FY. The DSCA will provide a certification in a manner similar to the certifications provided by the Military Departments and other DoD Components in subparagraph 040608.B, except that the certifications will be on the August AR(M) 1002, and the "85/15" rule will be applied. Review the general provisions each year to ensure there are no changes that might affect the certification.

B. Certification. Each year, DoD Components must provide one of the following certifications, depending upon the level of obligations incurred, on the July AR(M) 1002 for those annual appropriations to which the limitation applies:

1. This certification usually is referred to as the "80/20" criterion. In determining direct obligational authority, the amount of transfers in or out within the applicable DoD Appropriations Act will be considered. If obligations are 80 percent or more of direct authority, the certification will be as follows:

> "I hereby certify that direct obligations have been incurred equal to or in excess of 80 percent of the funds subject to the congressional limitation on year-end spending."

2. If obligations are less than 80 percent, then the certification will be as follows:

> "I hereby certify that action has been taken to assure that not more than 20 percent of the funds subject to the congressional limitation on year-end spending remain available for obligation during the remainder of the FY."

0407 REPORTING OBLIGATION AND OUTLAY DATA

040701. Purpose

Reporting entities will report obligation and outlay planning and execution data to OUSD(C)(P/B) (P&FC). This data is a valuable assessment tool for monitoring the planned monthly execution of approved DoD programs. Volume 6B, Chapter 1 contains a list of DoD Component reporting entities.

A. OUSD(C) updates requirements for planning data on an annual basis. Specific electronic and hard-copy report format requirements are updated on a yearly basis by memorandum to the Assistant Secretaries of the Military Departments' FM&C.

B. OUSD(C) updates requirements for execution data on an annual basis. Specific electronic and hard-copy report format requirements are updated on a yearly basis by memorandum to DFAS.

C. Report obligation and outlay execution data on the SF 133. These reports, provided monthly by DFAS to OUSD(C) and the Military Departments, must be consistent with

data reported to Treasury via GTAS. Provide the monthly SF 133 to OUSD(C)(P/B)(P&FC) in electronic format. These reports are also to be made available to DoD reporting entities.

040702. Scope

Planning and execution data for obligations and outlays applies to DoD Components with respect to obligations incurred for all military functions, including obligations incurred in connection with related allocation and transfer appropriation accounts. This includes all DoD Military accounts as well as related receipt accounts.

*Figure 1. SF 133: Report on Budget Execution and Budgetary Resources

SF 133 Report on Budget Execution and Budgetary Resources

Month/Year Certified
Agency:
Appropriation Title and Symbol:

	FY	FY (-1)	FY (-2)	FY (-3)	FY (-4)	FY (-5)	Total
BUDGETARY RESOURCES							
Unobligated balance:							
1000 Unobligated balance brought forward, October 1							
Nonexpenditure transfers:							
1010 Unobligated balance transferred to other accounts (-)							
1011 Unobligated balance transferred from other accounts							
1012 Unobligated balance transfers between expired and unexpired accounts (+ or -)							
1013 Unobligated balance of contract authority transferred to or from other accounts (net) (+ or -)							
Adjustments:							
1020 Adjustment to unobligated balance brought forward, October 1 (+ or -)							
1021 Recoveries of prior year unpaid obligations							
1022 Capital transfer of unobligated balances to general fund (-)							
1023 Unobligated balances applied to repay debt (-)							
1024 Unobligated balance of borrowing authority withdrawn (-)							
1025 Unobligated balance of contract authority withdrawn (-)							
1026 Adjustment for change in allocation of trust fund limitation or foreign exchange valuation							
1027 Adjustment in unobligated balances for change in investments of zero coupon bonds (special and non-revolving trust funds)							
1028 Adjustment in unobligated balances for change in investments of zero coupon bonds (revolving funds)							
1029 Other balances withdrawn to Treasury (-)							
1030 Other balances withdrawn to special or trust funds (-)							
1031 Other balances not available (-)							
1032 Refunds and recoveries temporarily precluded from obligation (special and trust funds) (-)							
1033 Recoveries of prior year paid obligations							
1035 Unobligated balance precluded from obligation (limitation on obligations) (-)							
Anticipated transfers and adjustments:							
1040 Anticipated nonexpenditure transfers of unobligated balances (net) (+ or -)							
1041 Anticipated recoveries of prior-year unpaid and paid obligations							
1042 Anticipated capital transfers and redemption of debt (unobligated balances) (-)							
1050 Unobligated balance (total)							
Expired unobligated balance available for adjustment only:							
1060 Expired unobligated balance brought forward, October 1							
1070 Expired unobligated balance transferred to other accounts (-)							
1071 Expired unobligated balance transferred from other accounts							
1072 Expired unobligated balance transfers between expired and unexpired accounts (-)							
1080 Adjustment of expired unobligated balance brought forward, October 1 (+ or -)							
1081 Recoveries of prior year unpaid obligations in expired accounts							
1082 Capital transfer of expired unobligated balances to general fund (-)							
1083 Expired unobligated balances applied to repay debt (-)							
1086 Adjustment for change in allocation of trust fund limitation in expired accounts							
1089 Other expired unobligated balances withdrawn to Treasury (-)							
1090 Other expired unobligated balances withdrawn to special or trust funds (-)							
1093 Recoveries of prior year paid obligations in expired accounts							
1099 Expired unobligated balance (total)							
Budget authority:							
Appropriations, discretionary:							
1100 Appropriation							
1101 Appropriation (special or trust fund)							
1102 Appropriation (previously unavailable)							
1103 Appropriation available from subsequent year							
1104 Appropriation available in prior year (-)							
1105 Reappropriation							
Nonexpenditure transfers:							
1120 Appropriations transferred to other accounts (-)							
1121 Appropriations transferred from other accounts							
Adjustments:							
1130 Appropriations permanently reduced (-)							
1131 Unobligated balance of appropriations permanently reduced (-)							
1132 Appropriations temporarily reduced (-)							
1133 Unobligated balance of appropriations temporarily reduced (-)							
1134 Appropriations precluded from obligation (-)							
1135 Appropriations applied to repay debt (-)							
1136 Appropriations reduced by offsetting collections (collected) or offsetting receipts (-)							

*Figure 1. SF 133: Report on Budget Execution and Budgetary Resources (continued)

SF 133 Report on Budget Execution and Budgetary Resources

Month/Year Certified
Agency:
Appropriation Title and Symbol:

	FY	FY (-1)	FY (-2)	FY (-3)	FY (-4)	FY (-5)	Total
1137 Appropriations applied to liquidate contract authority (-)							
1138 Appropriations applied to liquidate contract authority withdrawn (-)							
1139 Appropriations substituted for borrowing authority (-)							
Anticipated appropriations:							
1150 Anticipated appropriation (+ or -)							
1151 Anticipated nonexpenditure transfers of appropriations (net) (+ or -)							
1152 Anticipated capital transfers and redemption of debt (appropriations) (-)							
1153 Anticipated reductions to appropriations by offsetting collections or offsetting receipts (-)							
1160 Appropriation, discretionary (total)							
Advance appropriations, discretionary:							
1170 Advance appropriation							
1171 Advance appropriation (special or trust fund)							
Nonexpenditure transfers:							
1172 Advance appropriations transferred to other accounts (-)							
1173 Advance appropriations transferred from other accounts							
Adjustments:							
1174 Advance appropriations permanently reduced (-)							
1175 Advance appropriations temporarily reduced (-)							
Anticipated advanced appropriations:							
1176 Anticipated nonexpenditure transfers of advanced appropriations (net) (+ or -)							
1180 Advance appropriation, discretionary (total)							
Appropriations, mandatory:							
1200 Appropriation							
1201 Appropriation (special or trust fund)							
1203 Appropriation (previously unavailable)							
1204 Reappropriation							
Nonexpenditure transfers:							
1220 Appropriations transferred to other accounts (-)							
1221 Appropriations transferred from other accounts							
Adjustments:							
1230 Appropriations and/or unobligated balance of appropriations permanently reduced (-)							
1232 Appropriations and/or unobligated balance of appropriations temporarily reduced (-)							
1234 Appropriations precluded from obligation (-)							
1235 Capital transfer of appropriations to general fund (-)							
1236 Appropriations applied to repay debt (-)							
1238 Appropriations applied to liquidate contract authority (-)							
1239 Appropriations substituted for borrowing authority (-)							
Anticipated appropriations:							
1250 Anticipated appropriation (+ or -)							
1251 Anticipated nonexpenditure transfers of appropriations (net) (+ or -)							
1252 Anticipated capital transfers and redemption of debt (appropriations) (-)							
1260 Appropriation, mandatory (total)							
Advance appropriations, mandatory:							
1270 Advance appropriation							
1271 Advance appropriation (special or trust fund)							
Nonexpenditure transfers:							
1272 Advance appropriations transferred to other accounts (-)							
1273 Advance appropriations transferred from other accounts							
Adjustments:							
1274 Advance appropriations permanently reduced (-)							
1275 Advance appropriations temporarily reduced (-)							
Anticipated advanced appropriations:							
1276 Anticipated nonexpenditure transfers of advanced appropriations (net) (+ or -)							
1280 Advance appropriation, mandatory (total)							
Borrowing authority, discretionary:							
1300 Borrowing authority							
Adjustments:							
1320 Borrowing authority permanently reduced (-)							
Anticipated borrowing authority:							
1330 Anticipated reductions to current fiscal year borrowing authority (-)							
1340 Borrowing authority, discretionary (total)							
Borrowing authority, mandatory:							
1400 Borrowing authority							
Adjustments:							
1420 Borrowing authority permanently reduced (-)							
1421 Borrowing authority temporarily reduced (-)							

*Figure 1. SF 133: Report on Budget Execution and Budgetary Resources (continued)

SF 133 Report on Budget Execution and Budgetary Resources

Month/Year Certified
Agency:
Appropriation Title and Symbol:

	FY	FY (-1)	FY (-2)	FY (-3)	FY (-4)	FY (-5)	Total
1422 Borrowing authority applied to repay debt (-)							
1423 Borrowing authority precluded from obligation (limitation on obligations) (-)							
Anticipated borrowing authority:							
1430 Anticipated reductions to current fiscal year borrowing authority (-)							
1440 Borrowing authority, mandatory (total)							
Contract authority, discretionary:							
1500 Contract authority							
Nonexpenditure transfers:							
1510 Contract authority transferred to other accounts (-)							
1511 Contract authority transferred from other accounts							
Adjustments:							
1520 Contract authority and/or unobligated balance of contract authority permanently reduced (-)							
1522 Contract authority precluded from obligation (limitation on obligations) (-)							
Anticipated Contract Authority:							
1530 Anticipated nonexpenditure transfers of contract authority (net) (+ or -)							
1531 Anticipated adjustments to current year contract authority (+ or -)							
1540 Contract authority, discretionary (total)							
Contract authority, mandatory:							
1600 Contract authority							
1603 Contract authority (previously unavailable)							
Nonexpenditure transfers:							
1610 Contract authority transferred to other accounts (-)							
1611 Contract authority transferred from other accounts							
Adjustments:							
1620 Contract authority and/or unobligated balance of contract authority permanently reduced (-)							
1621 Contract authority temporarily reduced (-)							
1622 Contract authority precluded from obligation (limitation on obligations) (-)							
Anticipated contract authority:							
1630 Anticipated nonexpenditure transfers of contract authority (net) (+ or -)							
1631 Anticipated adjustments to current year contract authority (+ or -)							
1640 Contract authority, mandatory (total)							
Spending authority from offsetting collections, discretionary:							
1700 Collected							
1701 Change in uncollected payments, Federal sources (+ or -)							
1702 Offsetting collections (previously unavailable)							
Nonexpenditure transfers:							
1710 Spending authority from offsetting collections transferred to other accounts (-)							
1711 Spending authority from offsetting collections transferred from other accounts							
Adjustments:							
1720 Capital transfer of spending authority from offsetting collections to general fund (-)							
1722 Spending authority from offsetting collections permanently reduced (-)							
1723 New and/or unobligated balance of spending authority from offsetting collections temporarily reduced (-)							
1725 Spending authority from offsetting collections precluded from obligation (limitation on obligations) (-)							
1726 Spending authority from offsetting collections applied to repay debt (-)							
1727 Spending authority from offsetting collections applied to liquidate contract authority (-)							
1728 Spending authority from offsetting collections substituted for borrowing authority (-)							
Anticipated spending authority from offsetting collections:							
1740 Anticipated collections, reimbursements, and other income							
1741 Anticipated nonexpenditure transfers of spending authority from offsetting collections (net) (+ or -)							
1742 Anticipated capital transfers and redemption of debt (spending authority from offsetting collections) (-)							
1750 Spending authority from offsetting collections, discretionary (total)							
Spending authority from offsetting collections, mandatory:							
1800 Collected							
1801 Change in uncollected payments, Federal sources (+ or -)							
1802 Offsetting collections (previously unavailable)							
Nonexpenditure transfers:							
1810 Spending authority from offsetting collections transferred to other accounts (-)							
1811 Spending authority from offsetting collections transferred from other accounts							

*Figure 1. SF 133: Report on Budget Execution and Budgetary Resources (continued)

SF 133 Report on Budget Execution and Budgetary Resources

Month/Year Certified
Agency:
Appropriation Title and Symbol:

	FY	FY (-1)	FY (-2)	FY (-3)	FY (-4)	FY (-5)	Total
Adjustments:							
1820 Capital transfer of spending authority from offsetting collections to general fund (-)							
1822 Spending authority from offsetting collections permanently reduced (-)							
1823 New and/or unobligated balance of spending authority from offsetting collections temporarily reduced (-)							
1824 Spending authority from offsetting collections precluded from obligation (limitation on obligations) (-)							
1825 Spending authority from offsetting collections applied to repay debt (-)							
1826 Spending authority from offsetting collections applied to liquidate contract authority (-)							
1827 Spending authority from offsetting collections substituted for borrowing authority (-)							
Anticipated spending authority from offsetting collections:							
1840 Anticipated collections, reimbursements, and other income							
1841 Anticipated nonexpenditure transfers of spending authority from offsetting collections (net) (+ or -)							
1842 Anticipated capital transfers and redemption of debt (spending authority from offsetting collections) (-)							
1850 Spending authority from offsetting collections, mandatory (total)							
1900 Budget authority (total)							
1910 Total budgetary resources							
STATUS OF BUDGETARY RESOURCES							
New obligations and upward adjustments:							
Direct:							
2001 Category A (by quarter)							
2002 Category B (by project)							
2003 Exempt from apportionment							
2004 Direct obligations (total)							
Reimbursable:							
2101 Category A (by quarter)							
2102 Category B (by project)							
2103 Exempt from apportionment							
2104 Reimbursable obligations (total)							
2170 New obligations unexpired accounts							
2180 Obligations ("upward adjustments"), expired accounts							
2190 New obligations and upward adjustments (total)							
Unobligated balance							
Apportioned, unexpired accounts							
2201 Available in the current period							
2202 Available in subsequent periods							
2203 Anticipated (+ or -)							
Exempt from apportionment, unexpired accounts							
2301 Available in the current period							
2302 Available in subsequent periods							
2303 Anticipated (+ or -)							
Unapportioned, unexpired accounts							
2401 Deferred							
2402 Withheld pending rescission							
2403 Other							
2412 Unexpired unobligated balance: end of year							
2413 Expired unobligated balance: end of year							
2490 Unobligated balance, end of year (total)							
2500 Total budgetary resources							
Memorandum (non-add) entries:							
2501 Subject to apportionment - excluding anticipated amounts							
2502 Exempt from apportionment - excluding anticipated amounts							
2503 Direct unobligated balance, end of year - excluding anticipated amounts							
2504 Reimbursable unobligated balance, end of year - excluding anticipated amounts							
CHANGE IN OBLIGATED BALANCE							
Unpaid obligations:							
3000 Unpaid obligations, brought forward, October 1							
3001 Adjustment to unpaid obligations, brought forward, October 1 (+ or -)							
3010 New obligations, unexpired accounts							
3011 Obligations ("upward adjustments"), expired accounts							
3020 Outlays (gross) (-)							
3030 Unpaid obligations transferred to other accounts (-)							

*Figure 1. SF 133: Report on Budget Execution and Budgetary Resources (continued)

SF 133 Report on Budget Execution and Budgetary Resources

Month/Year Certified
Agency:
Appropriation Title and Symbol:

	FY	FY (-1)	FY (-2)	FY (-3)	FY (-4)	FY (-5)	Total
3031 Unpaid obligations transferred from other accounts							
3040 Recoveries of prior year unpaid obligations, unexpired accounts (-)							
3041 Recoveries of prior year unpaid obligations, expired accounts (-)							
3050 Unpaid obligations, end of year							
Uncollected payments:							
3060 Uncollected payments, Federal sources, brought forward, October 1 (-)							
3061 Adjustment to uncollected payments, Federal sources, brought forward, October 1 (+ or -)							
3070 Change in uncollected payments, Federal sources, unexpired accounts (+ or -)							
3071 Change in uncollected payments, Federal sources, expired accounts (+ or -)							
3080 Uncollected payments, Federal sources transferred to other accounts							
3081 Uncollected payments, Federal sources transferred from other accounts (-)							
3090 Uncollected payments, Federal sources, end of year (-)							
Memorandum (non-add) entries:							
3100 Obligated balance, start of year (+ or -)							
3200 Obligated balance, end of year (+ or -)							
BUDGET AUTHORITY AND OUTLAYS, NET							
Discretionary:							
Gross budget authority and outlays:							
4000 Budget authority, gross							
Outlays, gross							
4010 Outlays from new discretionary authority							
4011 Outlays from discretionary balances							
4020 Outlays, gross (total)							
Offsets against gross budget authority and outlays:							
Offsetting collections (collected) from:							
4030 Federal sources (-)							
4031 Interest on Federal securities (-)							
4033 Non-Federal sources (-)							
4034 Offsetting governmental collections (-)							
4040 Offsets against gross budget authority and outlays (total) (-)							
Additional offsets against gross budget authority only:							
4050 Change in uncollected payments, Federal sources, unexpired accounts (+ or -)							
4051 Change in uncollected payments, Federal sources, expired accounts (+ or -)							
4053 Recoveries of prior year paid obligations, unexpired accounts							
4054 Recoveries of prior year paid obligations, expired accounts							
4055 Anticipated offsetting collections (+ or -)							
4060 Additional offsets against budget authority only (total)							
4070 Budget authority, net (discretionary)							
4080 Outlays, net (discretionary)							
Mandatory:							
Gross budget authority and outlays:							
4090 Budget authority, gross							
Outlays, gross							
4100 Outlays from new mandatory authority							
4101 Outlays from mandatory balances							
4110 Outlays, gross (total)							
Offsets against gross budget authority and outlays:							
Offsetting collections (collected) from:							
4120 Federal sources (-)							
4121 Interest on Federal securities (-)							
4122 Interest on uninvested funds (-)							
4123 Non-Federal sources (-)							
4124 Offsetting governmental collections (-)							
4130 Offsets against gross budget authority and outlays (total) (-)							
Additional offsets against gross budget authority only:							
4140 Change in uncollected payments, Federal sources, unexpired accounts (+ or -)							
4141 Change in uncollected payments, Federal sources, expired accounts (+ or -)							
4143 Recoveries of prior year paid obligations, unexpired accounts							
4144 Recoveries of prior year paid obligations, expired accounts							
4145 Anticipated offsetting collections (+ or -)							
4150 Additional offsets against budget authority only (total)							
4160 Budget authority, net (mandatory)							
4170 Outlays, net (mandatory)							
Discretionary and Mandatory:							
Budget authority and outlays, net (total)							
4180 Budget authority, net (total) [discretionary and mandatory]							
4190 Outlays, net (total) [discretionary and mandatory]							

*Figure 2. AR(M) 725: Report on Reimbursements and Refunds

Security Classification
AR(M) 725 Report on Reimbursements and Refunds
DOD COMPONENT:

PERIOD ENDING:
Month / Year

AR(M) 725 Report on Reimbursements and Refunds
APPROPRIATION:
"Appropriation Title"
Appropriation Symbol

	Balance as of "month"		New Orders and Reimbursements and Refunds					Balance as of EOP	
			Reimbursements						
Description	Reimbursements Receivable	Unfilled Customer Orders Without Advance	Total Anticipated Reimbursements	Earned Reimbursements and Refunds	Changes in Unfilled Customer Orders	Anticipated Orders for Rest of Year	Reimbursements and Refunds Collected	Reimbursements Receivable	Unfilled Customer Orders Without Advance
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)
FEDERAL SOURCES									
REIMBURSEMENTS									
UNDISTRIBUTED									
UNEARNED REVENUE									
REFUNDS									
FEDERAL TOTAL									
NON-FEDERAL SOURCES									
REIMBURSEMENTS									
UNDISTRIBUTED									
UNEARNED REVENUE									
REFUNDS									
NON-FEDERAL TOTAL									
GRAND TOTAL									

Figure 3. AR(M) 1002: Appropriation Status by Fiscal Year Program and Subaccounts

Preparing Activity		Fiscal Year	Period Ending		Appropriation Title and Symbol				Report Control Symbol: **Acct Rpt (M) 1002**	
Budget Activity * Level I Level II Level III (If applicable)	Base for Reprogramming	Approved Program	Revised Program	Cumulative Obligations	Cumulative Unobligated Balance	Cumulative Expenditures	Cumulative Unexpended Balance	Commitments	Amount Obligated in Current FY	Amount Expended in Current FY
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)

* Levels come from President's Budget Exhibit M-1, O-1, R-1, P-1, C-1 documents.

VOLUME 6A, CHAPTER 6: "GOVERNMENTWIDE FINANCIAL REPORT SYSTEM AND GOVERNMENTWIDE TREASURY ACCOUNT SYMBOL ADJUSTED TRIAL BALANCE SYSTEM REPORTING"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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

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

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

The previous version dated December 2015 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Reworded and reformatted the chapter for clarity. Revised references and added electronic links.	Revision
060201	Revised definition of the Governmentwide Financial Report System to mirror the definition used by the Bureau of the Fiscal Service (Fiscal Service).	Revision
060202	Added information pertaining to the Governmentwide Treasury Account Symbol Adjusted Trial Balance System based on current Fiscal Service guidance.	Addition
060302.A.3	Clarified submission and verification of data guidance based on revisions to Treasury Financial Manual, Volume I, Part 2, Chapter 4700, "Agency Reporting Requirements for the Financial Report of the United States Government."	Revision
060303.A	Identified current Fiscal Service systems used to submit closing package information.	Revision
060303.C	Updated to reflect current process used to submit adjusted trial balance information to Fiscal Service.	Revision
060304	Included information on the Digital Accountability and Transparency Act requiring Federal agencies to report financial and payment information according to data standards established by the Department of the Treasury and the Office of Management and Budget.	Addition

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CHAPTER 6

GOVERNMENTWIDE FINANCIAL REPORT SYSTEM AND GOVERNMENTWIDE TREASURY ACCOUNT SYMBOL ADJUSTED TRIAL BALANCE SYSTEM REPORTING

0601 GENERAL

060101. Purpose

This chapter prescribes policy for the submission of financial data through the Governmentwide Financial Report System (***GFRS***) and the Governmentwide Treasury Account Symbol Adjusted Trial Balance System (***GTAS***). The chapter applies to Department of Defense (DoD) reporting entities authorized to prepare and submit consolidated annual financial statements to the Department of the Treasury (Treasury), Bureau of the Fiscal Service (Fiscal Service).

060102. Authoritative Guidance

The chapter addresses the basic reporting requirements detailed in Treasury Financial Manual (TFM), Volume I, Part 2, Chapter 4700 (***TFM 2-4700***), "Agency Reporting Requirements for the Financial Report of the United States Government" (***FR***).

0602 REPORTING

*060201. GFRS

GFRS is an application used to collect closing package information from populated reclassified financial statements from GTAS and Federal Program Agencies. The closing package is a set of prescribed financial statements of an agency's department-level comparative, audited, financial data.

*060202. GTAS

Fiscal Service administers and maintains GTAS to facilitate preparation and consolidation of the FR. GTAS is a web-based system that merges the functionality of former systems used to collect and report trial balance data. Reporting Agencies now submit both proprietary and budgetary data simultaneously in one ***bulk file submission***. Systemic edits validate data across both budgetary and proprietary reporting. Volume 6B addresses the form and content of DoD audited financial statements.

A. GTAS Reporting. The GTAS data submitted by agencies are United States Standard General Ledger (USSGL)-based trial balances used to populate the Standard Form (SF) 133, Report on Budget Execution and Budgetary Resources; the past-year actual column of the Program and Financing Schedule (Schedule P) of the Budget; and the Statement of Budgetary Resources (SBR).

B. Reporting Schedule. Reporting entities must report budgetary data according to the yearly GTAS Reporting Window ***Schedule***, which includes due dates for budgetary and proprietary submissions, extension requests, bulk file submissions, and material difference reporting.

C. Agency Financial Statements. Agencies may use the same trial balance information submitted to GTAS as the basis for compilation of agency financial statements and notes to aid in the alignment of agency financial statements with the closing package.

D. Consistency of Data. Agencies must ensure budgetary information used to prepare the SBR is consistent with the budgetary information reported to GTAS during the fourth quarter window. The information submitted through GTAS will be used to produce the fourth quarter SF 133 and much of the initial data that will appear in the prior year column of Schedule P.

E. GTAS Super Master Account File (SMAF). The ***SMAF*** is the combination of the legacy Federal Agencies' Centralized Trial Balance System I and II Master Appropriation Files and contains the valid Treasury Account Symbol balances and attributes used for budgetary and proprietary adjusted trial balance (ATB) submissions.

F. Canceled "C" Treasury Account Symbol (TAS). GTAS establishes the default ***"C" TAS*** used to report canceled proprietary payables and receivables and assets. Report expired obligated and unobligated balances as canceled on the final, September 30, SF 133 before closing a Treasury Appropriation Fund Symbol (TAFS). While budgetary USSGL balances are not required to be reported to Treasury and the Office of Management and Budget (OMB) after a TAFS is canceled, Section 130.14 of OMB Circular ***A-11*** requires a tracking process monitoring obligations pertaining to canceled appropriations in order to prevent overpayment.

060203. FR

The FR presents and discusses the Federal Government's financial position and condition, its revenues and costs, assets and liabilities, and other responsibilities and commitments, as well as important financial issues that affect the nation and its citizens both now and in the future. The FR also includes consolidated financial statements and related disclosures, as well as reports on stewardship responsibilities. All Executive agencies must submit their pre-closing ATBs through GTAS to be used in the compilation of the FR.

0603 POLICY

060301. Fiscal Service and DoD Financial Reporting Guidance

TFM 2-4700 describes how agencies provide data for the FR using GFRS and GTAS, along with specific reporting requirements, due dates, and definitions of terms. The DoD Financial Reporting ***Guidance*** (Annual and Quarterly Guidance) provides reporting requirements in addition to the quarterly and year-end schedules.

*060302. Submission and Verification of Data

A. Reporting Requirements. DoD reporting entities will:

1. Comply with Fiscal Service (GFRS and GTAS) reporting requirements for the reconciliation and confirmation of balances;

2. Ensure submitted data is timely and reliable; and

* 3. Verify due dates are met according to TFM 2-4700, DoD Financial Reporting Guidance, and this chapter, for both Significant Entities and Other Entities. Significant Entities must verify and submit a closing package and provide Chief Financial Officer Representations for Federal intragovernmental activity and balances. Appendix 5 of TFM 2-4700 provides a list of Significant Entities and Other Entities. Other Entities include all other executive branch agencies. All Treasury reporting entities (Significant or Other) submit GTAS ATB data and complete GFRS FR Notes and other FR data for fiscal year reporting. The Defense Security Cooperation Agency – Security Assistance Accounts will provide both GFRS and GTAS submissions as a Significant Entity.

B. Edits and Validations. Reporting entities must comply with established GTAS ***edits and validations*** to verify the integrity of data submissions and that all attributes are submitted according to the USSGL attributes and domain value rules and exceptions, as defined by the USSGL. ***Section VII*** of the bi-annual USSGL Bulletin contains a listing of edits and validations used in GTAS. In addition to Treasury-level tie-point type edits incorporated in GTAS, reporters will perform more detailed DoD-level tie-point reconciliations before submitting finalized data through GTAS.

C. Standard Financial Information Structure (SFIS). ***SFIS*** is a comprehensive data structure that supports requirements for budgeting, financial accounting, cost/performance, and external reporting needs across DoD. SFIS enables decision-makers to compare programs and their associated activities and costs across DoD and provides a basis for common valuation of DoD programs, assets, and liabilities. Entities reporting DoD financial information must use the SFIS reporting elements prescribed in the SFIS data structure.

*060303. TFM 2-4700 Reporting Requirements

* A. Closing Package Requirements. The closing package is a prescribed format of financial statements needed to prepare the FR. DoD Financial Reporting Directorate provides Fiscal Service with required fiscal year-end data to prepare the FR. DoD prepares and submits financial data using the closing package process via GFRS and GTAS at the department-level. The closing package is a designed methodology used to link the agencies' comparative, audited consolidated, department-level financial statements to the FR.

B. Intragovernmental Requirements. DoD reporting entities comply with Fiscal Service requirements for the reconciliation and confirmation of intragovernmental balances.

Volume 6B, Chapter 13 contains detailed guidance for accounting and reconciling intragovernmental balances.

* C. ATB Requirements. DoD Components and the offices responsible for the preparation and submission of ATBs, listed in Table 6-1, will ensure timely and reliable GTAS data is prepared and electronically submitted to Fiscal Service. Fiscal Service collects ATB data to aid in its analytical process. ATB data should link directly to the agencies' comparative, audited consolidated, department-level financial statements. Agencies prepare and submit pre-closing GTAS ATBs at the TAS level using USSGL accounts and attributes. The GTAS ATBs include USSGL account balances reflecting the pre-closing adjusting entries needed to produce the financial statements. Significant entities and other entities use the same USSGL data on the GTAS ATBs used to prepare the current fiscal year audited entity consolidated financial statements due to OMB.

*060304. Digital Accountability and Transparency (DATA) Act

A. The ***DATA Act***, enacted in FY 2014, requires Federal agencies to report financial and payment information according to data standards established by Treasury and OMB. The purpose of the DATA Act is to make Federal spending data more accessible, searchable, and reliable while also serving as a tool for better oversight, data-centric decision-making, and innovation both inside and outside of government. To help agencies comply with the DATA Act, OMB and Treasury created the ***DATA Act Playbook*** identifying key steps that, if followed together, assist agencies in leveraging existing capabilities with DATA Act implementation. Accurate financial reporting through GTAS and GFRS enables reporting entities to submit USSGL accounts and SFIS data elements required to comply with the DATA Act.

B. The purposes of the DATA Act are to:

1. Expand the Federal Funding Accountability and Transparency Act of 2006 by disclosing direct Federal agency expenditures and linking Federal contract, loan, and grant spending information to programs of Federal agencies to enable taxpayers and policy makers to track Federal spending more effectively;

2. Establish governmentwide data standards for financial data and provide consistent, reliable, and searchable governmentwide spending data that is displayed accurately for taxpayers and policy makers on ***USASpending.gov***;

3. Simplify reporting for entities receiving Federal funds by streamlining reporting requirements and reducing compliance costs while improving transparency;

4. Improve the quality of data submitted to USASpending.gov by holding Federal agencies accountable for the completeness and accuracy of the data submitted; and

5. Apply approaches developed by the Recovery Accountability and Transparency Board to spending across the Federal Government.

C. Submitting information for the DATA Act is a multi-step process requiring the identification of Federal contract, loan, and grant spending information, the submission of relevant information, the validation of submissions for accuracy, and the certification of final data for publication.

Table 6-1. DoD Reporting Entities Required to Submit ATBs

DoD Reporting Entity	Treasury Index (T.I.)	Budget Functional Classification	Responsible Office for GTAS Submission to the Fiscal Service
Defense Security Cooperation Agency – Security Assistance Accounts	T.I. 11	152	DFAS-Indianapolis
Department of the Navy*	T.I. 17	051	DFAS-Cleveland
Department of the Army	T.I. 21	051	DFAS-Indianapolis
Department of the Air Force	T.I. 57	051	DFAS-Columbus
U.S. Army Corps of Engineers (USACE)	T.I. 96	301/304	USACE Finance Center
Defense Working Capital Fund, Army	T.I. 97X4930.001	051	DFAS-Columbus
Defense Working Capital Fund, Navy*	T.I. 97X4930.002	051	DFAS-Cleveland
Defense Working Capital Fund, Air Force	T.I. 97X4930.003	051	DFAS-Columbus
Defense Working Capital Fund, Defense Commissary	T.I. 97X4930.004	051	DFAS-Columbus
Defense Working Capital Fund, Defense Agencies	T.I. 97X4930.005	051	DFAS-Indianapolis
Other Defense Organizations General Funds	T.I. 97 all other	051	DFAS-Indianapolis
Medicare Eligible Retiree Health Care Fund	T.I. 97X5472	551	DFAS-Indianapolis
Military Retirement Trust Fund	T.I. 97X8097	602	DFAS-Indianapolis
*includes U.S. Marine Corps			

VOLUME 6A, CHAPTER 7: "FOREIGN CURRENCY REPORTS"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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

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

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

The previous version dated May 2011 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Reworded and reformatted chapter for clarity. Revised references and added electronic links.	Revision
070102	Added reference to authoritative guidance.	Addition
070201	Clarified multiple definitions and added the definition of a Foreign Currency Fluctuation account.	Revision
070202 & 070203.	Clarified existing guidance to require charging the same fiscal year as the underlying obligation for foreign currency exchange rate gains or losses for both the "Foreign Currency Fluctuations, Defense" and "Foreign Currency Fluctuations, Construction, Defense" accounts.	Revision
070401 & Figure 7-1	Updated reporting format requirements for the Department of Defense Comptroller (Monthly) 1506 Report.	Revision

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CHAPTER 7

FOREIGN CURRENCY REPORTS

0701 GENERAL

070101. Purpose

This chapter establishes reporting requirements for tracking all transactions that increase or decrease the foreign currency fluctuations accounts. Foreign Currency Fluctuations, Defense (FCF, D) and Foreign Currency Fluctuation, Construction, Defense (FCF, C, D) appropriations were established by Congress to reduce the adverse impact of foreign currency fluctuation losses on the Department of Defense (DoD)'s operating budget.

*070102. Authoritative Guidance

The authoritative guidance governing this chapter is referenced in paragraph 070202 and paragraph 070203.

0702 SCOPE

The provisions of this chapter apply to all DoD Components unless a specific written exception has been granted by the Office of the Under Secretary of Defense (Comptroller) (OUSD(C)).

*070201. Definitions

A. Foreign Currency Unliquidated Obligations. Foreign currency unliquidated obligations are unpaid obligations recorded in the accounting system at the budget rate of the foreign currency cited within the obligating document. These "unpaid obligations" represent a key component of the monthly reporting process and are required to compute the "accrued variance." At time of disbursement, foreign currency unliquidated obligations in excess of the outlay amount must be adjusted to the actual outlay amount and net gains transferred to the Foreign Currency Fluctuation (FCF) Account.

B. Foreign Currency Liquidated Obligations. Foreign currency liquidated obligations are paid obligations "liquidated" in the accounting system at the budget rate of the foreign currency cited within the obligating document. These liquidated obligations represent a key component of the monthly reporting process and are required to compute the "realized variance."

C. Budget Rate. Budget rates are OUSD(C) published foreign currency exchange rates for use during the formulation, preparation, and submission of DoD's operating budgets. These published "budget rates" will also be used as the basis for recording budgetary obligations that are associated with approved overseas programs into the accounting systems of

DoD. Do not use "internal" or unapproved exchange rates on official accounting or disbursing records.

D. Accrued Variance. An accrued variance is the difference between the value of unliquidated obligations recorded at the budget rate and the value of those same unliquidated obligations calculated at the current foreign currency exchange rate. The computed accrued variance provides DoD decision makers a monthly estimate of the net gains or losses that would be "realized" if payment had to be made as of the report date.

E. Realized Variance. A realized variance is the calculated difference between obligations recorded at the budget rate and liquidated at the foreign currency exchange rate in effect at the time of payment. When the budget rate used in recording the original obligation is less than the current exchange rate, disburse the realized variance (loss) from the applicable FCF account if funds are available. When the budget rate used in recording the original obligation is more than the current foreign currency exchange rate, collect the realized variance (gain) into the applicable FCF account.

F. Centrally Managed Allotment (CMA). A centrally managed allotment is used by DoD to manage budgetary authority provided by the FCF accounts. CMAs provide DoD Components the internal control structure required to account for all transfers, expenditures, and collections resulting from the effects of foreign currency fluctuations. Funding transfers from a CMA to cover realized losses are contingent on funds availability. Should CMA funding be insufficient, component level operating funds must be used to cover any realized losses. CMAs are managed at the DoD level.

G. FCF Account. An FCF account is used by service components to manage realized gains and losses in direct programs due to fluctuations in foreign exchange rates. Funding is normally provided as a budgetary line item as part of a component's annual funding authorization. FCF accounts are maintained at various budgetary levels within the service components.

*070202. Foreign Currency Fluctuation, Defense (FCF, D)

In fiscal year (FY) 1979, Congress authorized an appropriation to facilitate the transfer of funds to (and from) DoD operating appropriations to cover substantial net losses from foreign exchange rate fluctuations. Substantial net gains from foreign currency exchange rate fluctuations will also be transferred to this appropriation, entitled "Foreign Currency Fluctuations, Defense" (FCF, D), Department of the Treasury Account Symbol (TAS) 97X0801. The purpose of the appropriation is to alleviate the adverse effect of substantial fluctuations in the specified currency exchange rates on authorized DoD programs funded by Operation & Maintenance (O&M) and Military Personnel (MILPERS) appropriations. Charge net gains or losses from foreign currency exchange rate fluctuations funded by the FCF, D appropriation to the same FY as the underlying obligation. As FCF gains are realized by de-obligation of the unneeded portion of the direct program, transfer the gains to the FCF account. In areas participating in the FCF program, the occurrence of a gain or loss on an FCF transaction is an expected, normal component of an obligation and should be treated as an ordinary event. Record the gain or loss

using the same general ledger accounts as the original obligation. The following statutes provide authority for the FCF, D appropriation:

A. The "DoD Appropriation Act, 1979" established the FCF, D appropriation.

B. ***Title 10, United States Code (U.S.C.), section 2779(a)*** allows previously transferred FCF, D funds to be transferred back to the FCF, D appropriation so long as the transfer is made no later than the end of the second FY after the FY that the appropriation to which the funds were originally transferred is available for obligation. This is allowed only if the funds are not needed to finance increased obligations due to fluctuations in currency exchange rates because of subsequent favorable fluctuations in currency exchange rates or because other funds are, or become, available to finance these cost increases.

C. ***Title 10, U.S.C., section 2779(d)*** states any transfer made pursuant to the authority provided in this subsection shall be limited such that the balance in the appropriation FCF, D, does not exceed $970 million at the time of the unobligated balance transfer.

*070203. Foreign Currency Fluctuation, Construction, Defense (FCF, C, D)

In FY 1987, Congress enacted the current authority for an FCF appropriation to protect DoD Military Construction, Family Housing, and North Atlantic Treaty Organization (NATO) infrastructure programs from substantial gains or losses resulting from foreign currency fluctuations. The title of this appropriation is the "Foreign Currency Fluctuation, Construction, Defense" (FCF, C, D), TAS 97X0803.

A. The FCF, C, D account was initially capitalized by transferring unobligated balances from the family housing and military construction appropriations. Pursuant to authority conferred by recurring annual Military Construction Appropriations Act general provisions, unobligated balances from family housing and military construction appropriation accounts may be transferred into the FCF, C, D account during the 5-year period after the appropriations expire for original obligation purposes. Charge net gains or losses from foreign currency exchange rate fluctuations funded by the FCF, C, D appropriation to the same FY as the underlying obligation. As FCF gains are realized by de-obligation of the unneeded portion of the direct program, transfer the gains to the FCF account. In areas participating in the FCF program, the occurrence of a gain or loss on an FCF transaction is an expected, normal component of an obligation and should be treated as an ordinary event. Record the gain or loss using the same general ledger accounts as the original obligation.

B. OUSD(C) will approve all amounts transferred from this appropriation to other appropriations available for construction.

070204. Standards

A. Use the foreign currency appropriations (FCF, D and FCF, C, D) to offset losses sustained because of unfavorable foreign currency fluctuations realized upon payment for goods and services in local currency. The appropriations are not available to finance cost increases

resulting from changes in the scope of programs, inflation increases, or other such changes, nor to finance Prompt Payment Act interest payments. Other important provisions of the FCF appropriations relate to obligation/expenditure limitations and financial accounting procedures related to foreign currency exchange fluctuations.

1. Authorizations or limitations now or hereafter contained within appropriations or other provisions of law limiting the amounts that may be obligated or expended will be increased to the extent necessary to reflect fluctuations in foreign currency exchange rates from those used in preparing the applicable budget submission.

2. Contracts or other obligations entered into that are payable in foreign currencies may be recorded as obligations based on currency exchange rates used in preparing budget submissions, as amended by Congress, and adjustments to reflect fluctuations in such rates will be recorded as disbursements are made.

B. Funds transferred from the FCF appropriations will be available for funding CMAs established in the applicable O&M, construction, family housing, or NATO infrastructure appropriations to cover losses or account for gains in direct programs due to fluctuations in foreign exchange rates. Base these transfers on need, funds available to cover such losses DoD-wide, and other budgetary considerations. Consequently, such losses may not be fully funded.

C. The DoD Components will record foreign currency obligations at the installation level in dollars, at the budgeted rate or at the congressionally established budget exchange rate for direct program of affected appropriations as reflected in applicable committee reports or the appropriate appropriation acts.

1. OUSD(C) will provide these rates to the DoD Components.

2. Foreign currency obligations are those obligations that are either payable in specified foreign currency or payable in dollars, the amount of which is determined by the rate of exchange.

3. When payment is made, charge the variance between the budget rate and the current rate directly to the applicable FCF account. If the transaction results in a gain, credit the FCF account in the amount de-obligated from the original FCF, C, D obligation. For example, a military construction project was included in the FY 2012 President's Budget. Funds for the project were obligated in FY 2013 using FY 2012 funds, and all the project expenditures disbursed in FY 2014. In this example, record the obligations in the accounting system using the FY 2012 budgeted rates. There would be no effect on the military construction FCF account prior to FY 2014 since no disbursements were made until FY 2014. The foreign currency reports in each of those years, however, would identify accrued variances, i.e., the differences between the project obligations carried at the FY 2012 budgeted rate and the project obligations valued at the current exchange rate. Use this accrued variance to identify the projected disbursement requirements of the component FCF account. The realized foreign currency variance would be recorded against the military construction FCF account for FY 2012 at the time of the actual disbursements.

D. The central accounting activity supporting each affected component will determine the total foreign currency unliquidated obligations at the budget exchange rate provided by OUSD(C) for each appropriation, and identify and accumulate both favorable and unfavorable variances. The supporting activity will also determine the "accrued variance" at the end of each month based on the difference between unliquidated obligations at the budget rate and unliquidated obligations at the current rate, using the exchange rate on the last day of the month. The accrued variance will never be obligated in the official accounting documents.

E. Each DoD Component holding an FCF account is responsible to establish internal controls and carefully monitor funds availability at all times, as Antideficiency Act provisions apply to each FCF account. Establish controls to reserve sufficient funds within the appropriation's availability to finance projected disbursement requirements for the FCF account. For family housing and construction, a 6-month requirement is recommended. Should FCF account funding availability drop below that level, take immediate action to avoid overobligation. Such action will include providing additional funds from current accounts and, if necessary, advising all disbursing officers to cease payments from the FCF account without prior certification until funding is obtained. Do not take any action that presumes relief through a transfer of funds from the FCF appropriations, owing to the limited capital available in these accounts.

F. OUSD(C) publishes lists of specific currencies in the FCF program and associated exchange rates. Currencies may be added and deleted by OUSD(C) as conditions warrant. The ***OUSD(C) FCF site*** provides a report containing the list of currencies, the applicable budget rate, and the current period adjusting rate.

0703 REPORTING PROCEDURES

070301. Appropriation Transfers

OUSD(C) manages the FCF, D and FCF, C, D appropriations and instructs the Defense Finance and Accounting Service (DFAS) Departmental Reporting Directorate-Indianapolis on the amount of the funds to transfer to and from the applicable appropriations. DFAS-Indianapolis transfers the designated amounts by means of a Standard Form ***1151,*** Nonexpenditure Transfer Authorization.

070302. General Reporting Guidance

A. Other than calculating the monthly accrued variance described in paragraph 070204.D, no further adjustment to the original obligation is necessary until disbursement is made or until the appropriation is closed.

B. FCF procedures described in this chapter do not apply to reimbursable programs. The performing activity will continue to accept reimbursable orders, incur obligations, and bill for reimbursement at the current foreign currency exchange rate using the procedures found in Volume 3, Chapter 9 and Volume 11A, Chapter 1. However, when the performing activity and the benefiting activity are DoD organizations, the performing activity will notify the benefiting activity of the amounts obligated that are to be paid in foreign currency. The benefiting

activity will record that portion of its obligation for direct programs at the budget rate in the manner prescribed in subparagraph 070204.C. Record the realized variance determined at the time of the disbursement in the respective FCF account of the benefiting activity.

C. Do not adjust normal operating budgets or other funding documents issued for the affected appropriations by DoD Components for foreign currency exchange rate fluctuations.

D. Prior to closing the financial records at year-end, each component holding an FCF account will review the status of that account. Transfer net gains in an FCF account to the applicable FCF appropriation. Components will also determine the portion of the losses that can be absorbed by the FCF account, and transfer to the FCF appropriation any remaining balances that are not required.

E. FCF procedures described in this chapter do not apply to Gains and Deficiencies on Exchange Transactions (TAS 6763). Volume 5, Chapter 4 provides guidance regarding deficiencies. See Volume 5, Chapter 13 for guidance regarding gains and losses by revaluation.

F. FCF procedures described in this chapter do not apply to Burdensharing funds received from other countries. See Volume 12, Chapter 24 for guidance regarding Burdensharing funds.

0704 REPORTING FORMATS

*070401. Department of Defense Comptroller (Monthly) (DD-COMP (M) 1506) – Foreign Currency Fluctuations, Defense Report (O&M)

A. DFAS-Indianapolis is responsible for submitting the consolidated monthly report to the Office of the Deputy Comptroller (Program/Budget) (ODC (P/B)), OUSD(C).

B. The central accounting activities, National Security Agency (NSA), DoD Education Activity (DoDEA), and Defense Security Cooperation Agency will provide a monthly report to DFAS-Indianapolis using the format in Figure 7-1.

1. Submit the report in accordance with due dates established by DFAS-Indianapolis and consistent with the requirements of OUSD(C).

2. The report will include the following:

a. Column 1 – Currency/Submitter. Alphabetically list the specified country. Include the official currency (monetary unit) next to each country.

b. Column 2 – Unliquidated Obligations. Enter the dollar amount of foreign currency unliquidated obligations at the budget rate. Derive this amount by taking the obligations incurred at the budget rate less the disbursements at the budget rate.

c. Column 3 – Accrued Variances. Enter the accrued variances for the unliquidated obligations shown in column 2. This amount may change from month to month as the current foreign currency exchange rate changes and/or as the amount of unliquidated obligations changes.

d. Column 4 – Liquidated Obligations. Enter the dollar amount of foreign currency obligations liquidated in the accounting system at the budget rate of the foreign currency cited within the obligating document.

e. Column 5 – Realized Variances. Enter the actual dollar amount of the variance resulting from liquidated obligations to date. This amount represents the variance (difference) between obligations at the budget rate and amounts actually disbursed.

f. Column 6 – Obligations Incurred. Enter the dollar amount of total foreign currency obligations incurred to date at the budget rate. Compute this amount from actual accounting data of obligations incurred at the budget rate. It will not be a derived number.

g. Column 7 – Planned Overseas Program. The planned overseas program for execution at the budget rate should agree with the current year (CY) column of the PB-18 exhibit (Foreign Currency Exchange Data). Volume 2B, Chapter 19 contains the format for exhibit PB-18, which is required to support the President's budget request for the budget year. Explain any increases or decreases to the planned overseas program during the execution of the CY by country in the monthly report.

3. The report will also include footnotes showing:

a. The total funding provided to the FCF account by source including;

(1) Transfers from the FCF, D appropriation;

(2) Transfers from the component's O&M availability; and

(3) Total FCF account funding;

b. The anticipated gains or losses for the remainder of the FY. Estimate the anticipated gains or losses on projected disbursements to the end of the year by computing the variance that would occur if the current foreign currency exchange rates were to remain in effect during the remainder of the year;

c. Transfers to FCF, D due to favorable realized variances;

d. Projected liquidations (budget rate) for the FY. Estimate the obligations (budget rate) that will be disbursed during the FY; and

e. An explanation of deviations from planned overseas program by country. This is required when substantial variances from the "obligations incurred" column exist. This explanation can occur any time prior to the canceling of funds.

070402. Foreign Currency Fluctuation, Defense Report (MILPERS)

A. Foreign currency rate variances increase or decrease the value of allowances paid to service members. To maintain the value of that portion of allowances members receive to purchase foreign currency, adjust allowances to offset increases or decreases in foreign currency rates. For purposes of FCF, D transfers, the calculated effect on MILPERS disbursements that result from changes in foreign currency rates (foreign currency variance) is the difference in dollars required for the allowance at budget exchange rates and the current allowance rates. However, FCF, D transfers are approved only for Cost-of-Living Allowances (COLA) and Overseas Housing Allowances (OHA).

B. DFAS Departmental Reporting Directorate-Indianapolis is responsible for submitting this consolidated monthly report to the ODC (P/B), OUSD(C).

C. The process for identifying the foreign currency impact on COLA and OHA is as follows:

1. Identify total expenditures by the Military Departments for COLA and OHA by officer and enlisted for the country currencies included in the FCF, D account.

2. The Per Diem, Travel, and Transportation Allowance Committee (PDTATAC) will report to the DFAS central accounting activities the appropriate COLA and OHA index based on current exchange rates. For FCF, D, the PDTATAC will also report COLA and OHA indices based on the budget exchange rates.

3. DFAS central accounting activities will access affected personnel pay accounts and identify the COLA and OHA disbursements, by officer and enlisted, according to designated location codes.

4. DFAS central accounting activities will calculate the foreign currency impact by estimating the differences between budget exchange rates and current exchange rates applied to the total expenditures for COLA and OHA.

5. Consolidate foreign currency amounts and identify the remaining expenditures for the end-of-month recorded disbursements.

D. The COLA foreign currency report format structure is:

1. Service,

2. Country (FCF, D country),

3. Budget Rate,

4. COLA Rate,

5. COLA Code,

6. COLA Code Change Indicator,

7. Budget Index,

8. Allowance Index,

9. COLA Factor,

10. Actual COLA Enlisted Disbursement,

11. Budgeted COLA Enlisted Amount MILPERS appropriation,

12. COLA Realized Variance Enlisted,

13. Actual COLA Officer Disbursement,

14. Budgeted COLA Officer Amount MILPERS appropriation,

15. COLA Realized Variance Officer,

16. Actual COLA Officer/Enlisted Disbursement Total,

17. Budgeted COLA Officer/Enlisted Amount MILPERS Appropriation Total, and

18. COLA Realized Variance Officer/Enlisted Total.

E. The OHA foreign currency report format structure is:

1. Service,

2. Country (FCF, D country),

3. Budget Rate,

4. OHA Rate,

5. OHA Factor,

6. Actual OHA Enlisted Disbursement,

7. Budgeted OHA Enlisted Amount MILPERS appropriation,

8. OHA Realized Variance Enlisted,

9. Actual OHA Officer Disbursement,

10. Budgeted OHA Officer Amount MILPERS appropriation,

11. OHA Realized Variance Officer,

12. Actual OHA Officer/Enlisted Disbursement Total,

13. Budgeted OHA Officer/Enlisted Amount MILPERS appropriation Total, and

14. OHA Realized Variance Officer/Enlisted Total.

F. Report the following information by PDTATAC and use it to prepare the monthly COLA and OHA foreign currency execution report:

1. Column A – Country. This column lists the budget countries subject to FCF, D procedures.

2. Column B – Budget Rate. This column identifies the FY budget exchange rates as set by OUSD(C).

3. Column C – COLA Rate. This column identifies the current market exchange rate upon which both COLA and OHA are set (allowance rate).

4. Column D – COLA Code. For countries with multiple COLAs, many locations are linked and receive the same index. This code identifies linked locations for COLA purposes.

5. Column E – COLA Code Change Identifier. This column identifies whether a change has been made this period to the COLA Code.

6. Column F – Budget Index. This column represents the COLA index based on budget rate.

7. Column G – Allowance Index. This column represents the COLA index based on allowance rate.

8. Column H – COLA Factor. This column represents the multiplication factor for COLA disbursements based on budget and allowance indices.

9. Column I – OHA Factor. Compute the balance for this column by taking the budget rate minus the OHA rate divided by OHA rate.

070403. DD-COMP (M) 1761 – Foreign Currency Fluctuations, Construction, Defense Report

A. DFAS-Indianapolis is responsible for submitting this consolidated monthly report to ODC (P/B), OUSD(C).

B. The central accounting activities, NSA, and DoDEA will provide a monthly report to the DFAS Departmental Reporting Directorate-Indianapolis using the format in Figure 7-2.

1. Submit the reports in accordance with due dates established by DFAS-Indianapolis and consistent with the requirements of OUSD(C).

2. The report will include the following:

a. Column 1 – Country. Alphabetically list the specified country.

b. Column 2 – Monetary Unit. Enter the monetary unit of the country.

c. Column 3 – Foreign Currency Unliquidated Obligations. Enter the dollar amount of unliquidated obligations at the budget rate. Report unliquidated obligations by FY.

d. Column 4 – Accrued Variance. Enter the accrued variance for the unliquidated obligations in column 3. This amount may change from month to month as the current foreign currency exchange rate changes. Report accrued variances by FY.

e. Column 5 – Foreign Currency Liquidated Obligations. Enter the dollar amount of total obligations liquidated for the report month at the budget rate.

f. Column 6 – Realized Variance. Enter the actual dollar amount of the variance resulting from liquidated obligations for the month. This amount represents the variance (difference) between obligations at the budget rate and the amount actually disbursed. Charge all realized variances against the applicable FCF accounts for construction, military family housing operations and maintenance, and military family housing construction.

g. Column 7 – FCF account Projected 6-Month Disbursements. Enter the projected 6-month disbursements from the FCF accounts based on historical outlay data, contract requirements, and payment schedules.

3. The report will also include footnotes showing:

a. The anticipated gains or losses for the rest of the FY (estimate this by computing the variance that would occur if the present currency exchange rates were to remain unchanged during the remainder of the FY).

b. The total amount of funding transferred to the FCF accounts from the FCF, C, D appropriation.

*Figure 7-1. Foreign Currency Fluctuations, Defense Report: DD-COMP(M)1506

FOREIGN CURRENCY FLUCTUATIONS, DEFENSE REPORT
FOR (Component and Appropriation)
AS OF: (DATE) (YYMMDD)
DD-COMP(M)1506

Currency/ Submitter	Unliquidated Obligations	Accrued Variances	Liquidated Obligations	Realized Variances	Obligations Incurred	Planned Overseas Program
(List Alphabetically)	(Budget Rate)		(Budget Rate)		(Budget Rate)	(Budget Rate)

FOOTNOTES:

(1) FCF Account Funding

Transfers from FCF, D

Transfers from O&M

Total FCF Account Funding

(2) Anticipated Gains/Losses

(3) Transfers to FCF, D (Favorable Fluctuations)

(4) Projected Liquidations (Budget Rate)

(5) Explanation of Deviation From Plan

Figure 7-2. Foreign Currency Fluctuations, Construction, Defense Report: DD-COMP(M)1761

FOREIGN CURRENCY FLUCTUATIONS, CONSTRUCTION, DEFENSE REPORT
FOR (Component and Appropriation)
AS OF: (DATE) (YYMMDD)
DD-COMP(M)1761

Country (List Alphabetically)	Monetary Unit	Foreign Currency Unliquidated Obligations (Budget Rate)	Accrued Variance	Foreign Currency Liquidated Obligations (Budget Rate)	Realized Variance	FCF Account Projected 6-Month Disbursements

FOOTNOTES:

(1) Anticipated Gains/Losses remainder of year

(2) Total funding provided from FCF, C, D

VOLUME 6A, CHAPTER 9: "ACCOUNTING AND REPORTING FOR OPERATION AND MAINTENANCE OF THE FAMILY HOUSING PROGRAM"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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

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The previous version dated February 2016 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current administrative instructions.	Revision
090103	Updated "Authoritative Guidance" paragraph in accordance with current administrative instructions.	Revision
0902	Updated office name for Office of the Assistant Secretary of Defense for Energy, Installations, and Environment.	Revision

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CHAPTER 9

ACCOUNTING AND REPORTING FOR OPERATION AND MAINTENANCE OF THE FAMILY HOUSING PROGRAM

0901 GENERAL

090101. Overview

This chapter provides accounting support for Family Housing Operation and Maintenance (O&M) requirements and prescribes an accounting structure that accumulates Family Housing O&M costs consistent with guidance set forth in Volume 2B, Chapter 6. Congress established the Family Housing O&M appropriation to separate the funding of Family Housing O&M from other O&M programs. Charge all obligations incurred for O&M to support the military Family Housing Program to the Family Housing O&M appropriation.

090102. Purpose

The purpose of the account structure is to provide uniform procedures for consistently identifying, accumulating, and reporting family housing program costs. It is important that methods for computing costs for the Family Housing Program are as uniform as practicable among the Department of Defense (DoD) Components. Such uniformity is essential to permit intra-DoD and inter-DoD Component program, budget, and cost comparison, irrespective of the management service, the agency, or the accounting system used at the installation. Cost identification and computation methods specified herein should minimize the accounting effort and detail required to compute costs. Costs for operating and maintaining family housing facilities must be identified as prescribed in this chapter and are the basis for reports referenced herein.

*090103. Authoritative Guidance

The Family Housing Program encompasses Military Family Housing, as defined and authorized by the provisions of ***Title 10, United States Code (U.S.C.), Chapter 169***, and includes all DoD Component family housing in the Defense Family Housing Property Account, leases of real property utilized by DoD Components for family housing, and associated family housing support services programs. The policies prescribed throughout this chapter pertaining to the accounting and reporting for O&M costs of the Family Housing Program are based upon 10 U.S.C., Chapter 169 and the laws and regulations cited herein.

*0902 SCOPE

This policy applies to all DoD Components that support military family housing under the Family Housing Program. Military Departments' Housing Privatization support costs associated with the Military Housing Privatization Initiative (***MHPI***) Program, such as assessments/studies; portfolio, program, and asset management; construction oversight; consultant fees; and other administrative costs, are funded by the Family Housing O&M appropriation and fall within the parameters of this policy. The Office of the Assistant Secretary of Defense for Energy,

Installations, and Environment (OASD(EI&E)) and Defense Finance and Accounting Service (DFAS) MHPI Program administrative support costs are separately budgeted, accounted for, and reported in the Defense-wide Family Housing Improvement Fund (FHIF) Program account.

0903 ACCOUNT STRUCTURE AND CONTENT

090301. Accounts Used for Accumulating Costs

A series of accounts has been established and maintained for accumulating Family Housing O&M costs incurred and reimbursements earned through the Family Housing Program. Compute and identify costs and reimbursements to the accounts in accordance with the guidance herein. Use the accumulated costs and reimbursements in the accounts to support budget exhibits and budget execution reports.

090302. Required Summary and Subordinate Accounts

The following is a list of required summary and subordinate accounts.

A. Operations Account

1. Management Account. This account accumulates costs of management, administrative, and support-type services at the installation level involving:

a. Administration costs for installation housing offices, including management office personnel, supplies, equipment, and utilities pertaining to the functions of a family housing office. These costs also include administrative support services provided in supply, comptroller, maintenance, and other installation offices when the costs for such services are attributable to family housing;

b. Costs for administering and providing housing referral services and assistance in locating and inspecting privately owned family housing for DoD personnel;

c. Costs for requirements surveys and preliminary studies, including Family Housing market analyses, condition assessments, survey requirements for construction plans, and concept development. This account also includes community liaison and planning for improvement and rental guarantee projects and inspection; and

d. Other identifiable management costs that directly support the Family Housing Program.

2. Services Account. This account accumulates costs for authorized services for Government-owned family housing units. For privatized housing, the developers are financially responsible for the reimbursement or payment of services provided.

a. Refuse Collection and Disposal. These services include collecting garbage, trash, ashes, debris, and refuse disposal for family housing, such as the O&M of incinerators, sanitary fills, and regulated dumps. These services also include acquisition, maintenance, and repair of garbage and trash containers, and operation of can-washing facilities.

b. Fire Protection. This service includes costs for protection and fire prevention efforts for family housing facilities.

c. Police Protection. This service includes the costs for law enforcement, traffic control, and protection of family housing facilities.

d. Entomological Services. These services include costs of all control measures against fungi, insects, and rodents within family housing dwellings, facilities, and areas.

e. Custodial Services. These services include costs of janitorial and custodial services performed in common service areas and the cost of elevator operation in family housing facilities.

f. Snow Removal. This service includes the costs of removing, hauling, and disposing of snow; ice alleviation; and erection, maintenance, repairs, and removal of snow fences for family housing areas.

g. Street Cleaning. This service includes the costs of cleaning streets comprised of sweeping, flushing, and picking up litter.

h. Municipal Type Services. These services include costs of miscellaneous municipal type services not identifiable to other listed accounts.

i. Other Services. The costs of all other authorized services for family housing fall into this category.

3. Furnishings Account. This account accumulates costs for initial acquisition, maintenance, repair, and replacement of furnishings, furniture, movable household equipment, and authorized miscellaneous items. This account also includes costs of controlling, handling, record keeping, and moving of Government-owned furnishings into and out of dwelling units; charges for connecting and disconnecting equipment; and handling costs incident to storage. Also included are furnishings for Special Command Positions and Senior Leadership as prescribed in DoD Manual ***4165.63***, "DoD Housing Management."

4. Miscellaneous Account. This account accumulates costs of operational items that do not fall into management, services, or furnishings accounts. This account includes:

a. Lease, rents, and permit payments for housing and trailer spaces leased by the Government from private sources or provided by the Federal Housing Administration (***FHA***) or the U.S. Department of Veterans Affairs (***VA***);

b. Reimbursement costs for dwellings provided by State (e.g., International Cooperative Administrative Support Services), municipal, or foreign governments, or by Federal agencies other than the FHA or VA. This includes payments from the Military Departments to the U.S. Coast Guard for family housing provided to their military personnel;

c. German land taxes paid to the Federal Republic of Germany under the North Atlantic Treaty Organization Status of Forces Agreement for local taxes on land and improvements of family housing property;

d. Fire insurance charges paid to the Federal Republic of Germany to cover fire damage to family housing dwelling units;

e. United Kingdom accommodation charges paid in accordance with the country-to-country agreement for housing provided to U.S. Forces; and

f. Other miscellaneous operations costs not covered elsewhere.

B. Utility Account. This is a summary account for accumulating costs for utilities consumed in family housing, including electricity, water, sewage, natural gas, fuel oil, or other heating fuels. This account excludes the costs of maintenance and repair of utility systems identified to the family housing property covered under the Maintenance Account. Exclude other costs reported as "Services" from the utility operations account.

C. Maintenance Account

1. Dwellings Account. This account accumulates costs of maintenance and repair, including all interior utilities and installed equipment, of all family housing buildings in real property category codes 711, 712, and 714, as defined in DoD Instruction ***4165.03***, "DoD Real Property Categorization," which establishes the ***DoD Real Property Classification System***. Typically, accumulating costs for this account involve:

a. Service calls for minor work, including emergency and temporary repairs normally not in excess of 16 work hours;

b. Routine maintenance for occupancy work and other maintenance usually scheduled annually or more frequently;

c. Repairs and replacements for rehabilitations and replacement of major components and installed equipment;

d. Interior and exterior painting and the necessary preparation; and

e. Contract cleaning between occupancy, where authorized.

2. Exterior Utilities Account. This account accumulates costs of maintenance and repair of electric, gas, water, sewage, and other utility distribution, collection, or service systems assigned to family housing. Street and area lighting systems are included in exterior utilities beginning at a point 5 feet from the house line and ending at a point where the utility system joins a common use main or terminates.

3. Other Real Property Account. This account accumulates costs for maintenance other than to dwellings and exterior utilities, including:

a. Maintenance, care, and repair of improved and unimproved grounds, storm sewerage, and drainage structures; and costs of acquisition, maintenance, and repair of Government-owned minor equipment, such as hand-operated lawnmowers used for grounds maintenance by occupants;

b. Maintenance and repair of paved or stabilized streets, roads, walks, and driveways; utility, service, and parking areas, as well as curbs, gutters, signs, and other road appurtenances; and

c. Maintenance and repair of facilities other than dwellings, such as fences when the facility is dedicated to housing, athletic and recreation facilities, community buildings, service facilities, and the costs of maintenance of trailer sites including outlets.

4. Alterations and Additions Account. This account accumulates costs for incidental additions, expansions, extensions, and alterations to existing real property. These costs include payments made to military personnel for telephone reconnection charges when maintenance or repair work necessitates Government-directed nonpermanent change-of-station moves, and charges resulting from improvement or repair projects funded in part from the family housing construction account.

D. Leasing Account

1. Lease Cost – Foreign Account. This account accumulates costs for charges and other payments specified in the lease agreement for housing in foreign countries under 10 U.S.C., ***section 2828***.

2. Lease Cost – Foreign Account Government Rental Guarantee Program (GRGP). This account accumulates costs for charges and other payments specified in the lease agreement for housing in foreign GRGPs, e.g., Europe under the Army GRGP programs.

3. Lease Cost – Domestic Account. This account accumulates costs for charges and other payments specified in the lease agreement for housing in the United States, including U.S. possessions and territories, as specified in 10 U.S.C. § 2828.

4. Lease Cost – Section 2835 Account. This account accumulates costs for charges and other payments specified in the lease agreement for 10 U.S.C. *§ 2835* housing contracts for the lease of facilities on or near military installations, essentially a build-to-lease guarantee to a local property developer.

5. Rental Guarantee – Section 2836 Account. This account accumulates costs accounted for under rental guarantees for a minimal occupancy rate or rental income for 10 U.S.C. *§ 2836* housing. This program allows the DoD Components to enter into lease agreements guaranteeing that tenants occupy rental housing on or near installations.

6. Other O&M Cost. This series of accounts accumulates costs for maintenance, utilities, and contracted services not provided by the lessor for foreign, GRGP, domestic, and 10 U.S.C. § 2835 and § 2836 housing. They include initial make-ready costs, costs of Government-owned furnishings, any pro rata share of the costs of installation services, and administrative costs, such as assignment, travel, and inspection by installation personnel. Reimbursements to the Department of State for foreign affairs administrative support costs are also included.

E. Mortgage Insurance Premiums Account. This is a summary account for accumulating the costs for service members' mortgage insurance premium payments pursuant to 12 U.S.C. *§ 1701*, also referred to as the "National Housing Act." See Volume 2B, Chapter 6 for more guidance.

F. Foreign Currency Fluctuations Account. This is a summary account for accumulating the gains or losses arising from foreign currency exchange rate fluctuations in accordance with the requirements in Chapter 7.

G. Reimbursements Account. This is a summary account for accumulating reimbursements collected during the current fiscal year for Family Housing O&M rental and service charges billed to occupants and for proceeds from handling or disposing of excess housing property. Identify reimbursements for Foreign Military Sales (FMS) funded and Non-FMS-funded accounts separately.

1. FMS-Funded Account. This account accumulates all reimbursements from FMS-funded activities or sources. Identify the amounts within the account as to the nature of the reimbursements, for example, recovery of the costs of operations, utility operation, maintenance of real property facilities, or proceeds from property handling or disposal.

2. Non-FMS-Funded Account. This account accumulates reimbursements from other than FMS-funded activities or sources. Identify the amounts within the account as to the nature of the reimbursements, for example, recovery of the costs of operations, utility operation, maintenance of real property facilities, or proceeds from property handling or disposal.

H. Housing Privatization Support Account. Use this account for accumulating costs the Government incurs in direct support of the MHPI program with the exception of the costs

included as part of the privatization project. These costs are associated with the support of the MHPI program and specifically for:

1. Site assessment costs, including environmental baseline assessments, environmental assessments, environmental impact statements, and any efforts required by the Government prior to privatization for environmental mitigation, site surveys, or real estate costs;

2. Project costs, including project feasibility studies, concept development, consultant fees, solicitation, procurement, contracting, execution, transition, construction management, post-award management and monitoring, and portfolio management; and

3. Administrative costs, including civilian pay, travel, training, supplies, equipment, and services provided by a Defense agency in support of the privatization program.

0904 COST IDENTIFICATION PROCEDURES

090401. Obligations Incurred

The DoD Components must identify the obligations incurred, both in-house and by contract, to operate and maintain family housing programs.

090402. Identifiable and Measurable Costs

Charge costs to the applicable family housing account to the extent they are reasonably identifiable and measurable to the housing program. This practice does not prevent the use of engineered standards or estimates in charging utilities when metering devices are not used.

090403. Obligations for Administrative Costs

Limit obligations incurred for administrative support and supervision efforts to those incurred at installation level and do not include those incurred at echelons of command above the installation. An exception is made when amounts for administrative support and supervision are included in charges assessed by a field office of a construction agent.

090404. Criteria for Support Costs

Assign other efforts, goods, or services provided to family housing programs to appropriate family housing accounts based on relative workload, benefit, or other measurement. Use the following general criteria in assigning support costs to the Family Housing Program:

A. When the support provided is predominantly personnel-intensive, costs must be allocated based on a pro rata basis of workload or actual costs, whenever possible. This would

include collateral duty management assignments involving command or policy determinations related to personnel, financial management, legal, procurement, or similar areas;

B. When the support provided has a mix of personnel, equipment, materials, or supplies, allocate costs based on workload (e.g., printing or reproduction services or computer support involving a mix of resources) or actual costs, whenever possible. Use the proportion of workload for the Family Housing Program to the total workload to compute the portion of the total costs identified to the Family Housing Program; and

C. When the support provided predominantly involves specific goods or services (e.g., electricity, gas, water, or sewer), allocate costs based on the relative amount consumed or quantity used or actual costs, whenever possible.

090405. General or Flag Officers Costs

When a set of quarters is intended for or occupied by officers of General or Flag rank, identify the costs accumulated for the O&M of each set of quarters within the accounts specified in this chapter and reported in accordance with the requirements prescribed by the OASD(EI&E).

090406. Costs Identified to the Family Housing Program

When identifying Family Housing O&M costs to the program, the general premise is to assign all applicable costs. When an incidental level of effort, supplies, or services are provided on a nonrecurring basis, costs need not be identified to the program if they are insignificant and it is not cost effective to measure and assign the costs. As a general rule, cost identification is necessary when the support is more than incidental.

090407. Installation Managers Responsibility

Installation management officials, such as the installation commander, public works officer, housing director, or comptroller, are responsible for identifying the O&M costs for the Family Housing Program, whether funded by Family Housing O&M or other appropriations. Installation managers must periodically review manning standards, workload and consumption methods, and other factors used to identify efforts in support of the program. When variances occur in efforts, workload, or other resources consumed, reset the basis of allocating such costs to the program. Management must also review charges to the accounts specified herein to ensure that none have been inadvertently omitted or erroneously included.

0905 COST ELEMENTS AND COMPUTATION OF CHARGES

090501. Full Absorption Basis

Charge costs to the program in proportion to the actual efforts used, goods consumed, or services received by the Family Housing Program. Fully charge dedicated efforts or responsibilities for the program. For example, charge total costs for full-time management and staff to the Family

Housing Program. Compute and expense all costs of providing program support to the program on a full absorption basis, i.e., full cost for dedicated support and pro rata cost for other support.

A. Apply the normal business fund overhead rates to family housing support for Defense Working Capital Fund (DWCF) real property maintenance activities, which have a primary mission of facility maintenance.

B. Apply the applicable rate to direct work or service in support of family housing for other funded real property maintenance activities with established shop or productive expense rates.

090502. Labor Costs

Compute the labor effort of military or civilian personnel assigned and identified to family housing for pay and benefits using a labor distribution system, if available, or the guidance in Volume 11A, Chapter 1. Review and validate personnel efforts annually to support charges to family housing. Accumulate and classify military labor as an unfunded cost within the account structure since the cost is not a reimbursable charge to the program.

090503. Material and Supplies Costs

Compute costs for material and supplies based upon the relative or actual amount consumed, or the quantity used. Compute material and supplies at acquisition price if directly (locally) purchased or at standard inventory price if issued through the supply system.

090504. Costs of Services

Compute and charge upon receipt services provided by Government forces or contractors, such as refuse collection and disposal, entomological, and custodial activities. Family housing must bear the full cost of these services when it is the sole customer. Charge a partial cost to family housing when the family housing portion of such services is readily separable and distinct. When the service operation is too intertwined or complex to enable ready identification of proper family housing costs, charge costs to family housing based on the proportionate amount of service received on a unit of service basis, such as number of refuse pickups or square feet of floor area receiving custodial service.

090505. Utility Costs

Compute utility costs based upon consumption. All DWCF funded activities providing utilities must compute the charges consistent with their normal procedures. All other activities must compute the charge to family housing at the rate the utility is purchased from the supplier. If not metered, then base consumption on documented engineering estimates.

090506. Equipment Usage Costs

Compute equipment usage costs for rented property at the lease or rental rate. Limit cost computation in the case of Government-owned equipment to the expenses of operating and maintaining the equipment and charges for the operator's time when provided by other than family housing. Do not compute acquisition costs or periodic depreciation charges.

090507. Unfunded Costs

Treat military labor and headquarters costs, included in construction agent administrative support and supervision effort above the installation level, as unfunded costs in computing Family Housing O&M costs.

0906 REIMBURSEMENTS

090601. FMS-Funded and Non-FMS-Funded Accounts

Use FMS-funded and non-FMS-funded accounts to accumulate reimbursements for charges initially financed by the Family Housing O&M appropriation for the Family Housing Program or proceeds from handling or disposing of family housing property. Record all reimbursements in the family housing reimbursement accounts.

090602. Reimbursements

Ordinarily, reimbursements are for rental and service charges paid by occupants or users of family housing facilities. Some collections are refunds that include the costs of repairing damages and replacement of items to family housing facilities.

090603. Reimbursements for Recovery of Expenses

Reimbursements involve the recovery of expenses for handling and disposing of excess family housing property as well as the proceeds from sales of such property. Collections are used for various purposes, such as defraying O&M expenses or the payment of debt. Volume 2B, Chapter 6 provides policy guidance governing such collections, use, and reporting.

0907 INTERNAL CONTROL

Management must develop and implement internal control techniques to ensure effective control over and accountability for the resources charged to this program and for the full and prompt receipt of all proceeds from reimbursements for rents, service charges, and disposal or handling of excess family housing property.

0908 REPORTING

090801. Responsibility of DoD Components

The DoD Components responsible for operating and maintaining family housing facilities are required to prepare the reports described in this chapter. Administrators of Housing programs under MHPI are required to prepare these reports for the FHIF and Unaccompanied Housing Improvement Fund program accounts. The FHIF Financing accounts, however, require only the Standard Form (SF) 133, Report on Budget Execution and Budgetary Resources.

090802. Reports

Data derived from the uniform account structure identified in this chapter must be used when preparing and submitting the following reports:

A. Appropriation Status by Fiscal Year Program and Subaccounts Report (Accounting Report (Monthly) 1002). The DoD Components must prepare and distribute the report in accordance with the guidance contained in Chapter 4.

B. SF 133. The DoD Components must prepare and distribute the monthly report for the annual portion of the Family Housing O&M category of the family housing appropriation in accordance with the guidance prescribed in Chapter 4.

090803. Military Departments/DFAS and Intermediate/Installation Level Report Requirements

Reporting requirements for family housing reports at the center/service and intermediate/installation level are addressed in manuals and instructions published by the individual Services or DFAS central accounting activities.

VOLUME 6A, CHAPTER 13: "INTERNATIONAL BALANCE OF PAYMENTS REPORTING AND ESTIMATING"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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

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

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

The previous version dated May 2011 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Reworded and reformatted for clarity. Revised references and added electronic links. Renumbered paragraphs.	Revision
130102	Added Authoritative Guidance paragraph.	Addition
130207.B, Table 13-8	Updated the location for obtaining country codes used for International Balance of Payments (IBOP) reporting.	Revision
Table 13-1, Table13-2	Updated Tables to include Main Account.	Revision
Table 13-5	Updated table to reflect current reporting requirements for IBOP reporting.	Revision
Table 13-7, Table 13-14	Updated table to reflect current reporting requirements for Military Postal Service (MPS) transactions.	Revision
Table 13-11	Updated the current list of International Organizations used for IBOP reporting.	Revision

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CHAPTER 13

INTERNATIONAL BALANCE OF PAYMENTS REPORTING AND ESTIMATING

1301 GENERAL

Department of Defense (DoD) Components are required to report expenditures and receipts that affect the United States (U.S.) International Balance of Payments (IBOP). The IBOP report provides information required by the Department of Commerce and the Department of the Treasury for control of IBOP financial transactions.

130101. Purpose

This chapter establishes the policies and procedures for the accounting and reporting of DoD international transactions related to U.S. balance of payments data, including grants and credits extended to foreign countries.

*130102. Authoritative Guidance

Authoritative guidance for this chapter is derived from Office of Management and Budget (OMB) Statistical Directive 19: "Reports of the ***Department of Commerce*** on International Transactions".

1302 REPORTING OVERVIEW

130201. Applicability and Scope

A. These requirements apply to the Office of the Secretary of Defense (OSD), the Military Departments (Army, Navy, Air Force, and Marine Corps), Defense Agencies (including the Military Postal Service (MPS) and nonappropriated fund activities), and DoD Field Activities (hereafter referred to collectively as "DoD Components"). DoD Components are responsible for reporting transactions affecting the IBOP. Each Defense Finance and Accounting Service (DFAS) Site (Indianapolis, Columbus, and Cleveland) is responsible for consolidating the data for the DoD Components and submitting a final report to the Department of Commerce. While DFAS reports a majority of the IBOP data, the Department of Commerce has identified specific information to be reported directly by select DoD components.

B. The procedures cover all transactions that relate to the IBOP report, including specified data on DoD assets and liabilities abroad and foreign currency transactions, DoD international investments, Foreign Military Sales, transfers of property and services abroad, and foreign grants and credits. This chapter's requirements apply to all transactions, regardless of payment method (e.g., U.S. dollars, foreign currency, and purchase card) accounted for in any of the following:

1. Fund Types. Expenditures from or reimbursements to U.S. dollar appropriation and fund accounts (general and special funds, public enterprise funds, deposit funds, and trust fund accounts for military and civilian functions);

2. Transfer Appropriation Accounts. Transfer appropriation accounts including Foreign Military Sales;

3. General Fund Receipt Accounts. General fund receipt accounts established by the Department of the Treasury for collection of miscellaneous receipts for which the DoD has billing and collecting responsibility;

4. DoD Foreign Currency (Foreign Transaction (FT)) Accounts. Expenditures or receipts of foreign currencies charged or credited to other than U.S. dollar appropriation and fund accounts (such as to "FT" accounts);

5. Receipts. Receipts or donations of commodities or services;

6. Transfers. Transfers under special drawdown authority of the President, Excess Defense Articles (EDA) program, or international treaties;

7. DoD Nonappropriated Fund Accounts. Nonappropriated fund activities, such as commissaries, post exchanges, and officers' clubs; and

8. MPS Accounts. All MPS transactions, such as meters (including Postage Validation Imprinters Sales), stamps, and money orders.

130202. Report Formats and Rules

The report formats and edit and validation rules for submission are provided in Tables 13-1 through 13-4. Sample formats are shown in Tables 13-5 through 13-7.

130203. Definitions

A. Abroad. Includes all foreign countries and the Panama Canal Commission, but excludes the U.S., its possessions, Puerto Rico, Guam, and the U.S. Virgin Islands.

B. Accommodation Sales. The sale of foreign currencies for dollars to U.S. personnel for their personal use in a foreign country.

C. Collection. Receipt in currencies (both foreign and U.S.), checks, or other negotiable instruments and net of repayments.

D. Constructive Delivery. The delivery of materiel to a carrier for transportation to the consignee, the delivery of materiel to the customer or the designated forwarder at point of production, testing or storage, delivery at dockside, at airports, or to a U.S.

post office for shipment to the consignee. Completed shipping documents or listings of delivery to the U.S. Post Office provide evidence of delivery.

E. Contract. Any type of agreement or order for procurement of materiel, supplies, and services of any amount including purchase orders, delivery orders, service orders, and similar authorizations.

F. DoD Components. See subparagraph 130201.A.

G. Delivery. The performance of services for the customer or requisitioner; the constructive delivery of materiel as defined in subparagraph 130203.D; or collections for services, transportation, and materiel when they are normally recorded in the billing and collection cycle immediately following performance.

H. Foreign Military Sales. The sale of materiel, supplies, equipment, services, and any other support for cash or credit by a DoD Component to a foreign government or international organization as authorized by the "Arms Export Control Act of 1976" (AECA), as amended.

I. Foreign Resident. The government of a foreign country and all its agencies and subdivisions, corporations, and any individuals residing in a foreign country, except for those defined in the following:

1. Corporation. Consider a corporation a resident of the country in which it is incorporated. Count a subsidiary as a separate corporation and as a resident in the country where it is incorporated. Business offices and branches of U.S. corporations are residents of the countries where they are located. A corporation operating in a foreign country without a subsidiary or foreign business office or branch is a resident of the country in which it is incorporated. A business representative, however, such as the ticket office of a U.S. transportation company or a sales agent, is not considered a foreign business office;

2. Individual. An individual, including a retired U.S. citizen, is a resident of the country in which he or she resides, and not the country of his or her citizenship; or

3. International Organization. An international organization with multi-governmental members is not considered a resident of any particular country.

J. Gross Pay Foreign Nationals. Amount paid to or on behalf of a foreign national citizen or organization, including U.S. contributions to the foreign government, and fees charged by a foreign government under contracts for indirect hire.

K. Net Pay U.S. Personnel. Includes earned entitlements (pay and allowances) for U.S. military forces, allowances to enlisted personnel for subsistence, and amounts earned or otherwise payable to U.S. civilian employees. Net pay excludes U.S. contributions (e.g., life insurance, retirement, health benefits, and social security), but includes

amounts that may be withheld from personnel for these items or that are allotted to designated individuals or institutions.

L. Guaranty Financing. Includes items associated with the guaranty of private credit by the U.S. Government under the AECA of 1976, as amended.

M. Interest. Includes interest collected on military assistance or foreign military long-term credit, interest collected by finance and accounting officers for short-term deposits made in financial institutions that share in interest remitted to a DoD Component under Guaranty Financing arrangements, and interest on advances to foreign residents.

N. Joint Weapons Production and Exchange Agreements. Includes both production of military end items by a foreign country or resident with participation by a DoD Component through payment of cash, or the provision in kind of materiel, assemblies, components, or services, and a joint sharing of the end items as determined by the agreement. Also includes co-production, cost sharing, exchange agreements, joint production, North Atlantic Treaty Organization (NATO) consortiums, and others as authorized by the AECA of 1976, as amended.

O. Military Assistance Grant Aid. The provision of any type of assistance in the form of materiel, supplies, equipment, facilities, training, transportation and services, or otherwise by a DoD Component to a foreign government or international organization. The AECA of 1976 and the "Foreign Assistance Act of 1961" authorize such assistance. These provisions include Foreign Military Financing (FMF), International Military Education and Training (IMET), the Military-to-Military Contact Program, Special Drawdown Authority, the EDA Program, and Building Partnership Capacity (BPC) programs.

P. MPS. The MPS is the single DoD point of contact with the U.S. Postal Service (USPS). An agreement between the DoD and the USPS establishes the MPS as an extension of the USPS abroad and in the continental U.S., as applicable.

Q. Net Pay. Net pay is the part of gross pay that is given, mailed, or electronically transferred directly to the individual by cash, check, or electronic transfers. This can include paychecks mailed or transferred by a disbursing officer to any bank or financial institution for credit to the individual account of U.S. personnel stationed abroad. Net pay includes allotment checks for U.S. personnel stationed abroad or in the U.S. (for dependent support, personal accounts) mailed to a foreign address (including Army Post Offices (APOs), Fleet Post Offices (FPOs), and Diplomatic Post Offices (DPOs) for foreign addressees), but excludes allotment checks mailed to a U.S. address.

R. Other Assistance Grant Aid. The DoD outlays from appropriations or sections of appropriations that specifically support U.S. foreign assistance (as authorized under the Foreign Assistance Act (FAA) as amended and other legislation) are IBOP grant aid. These DoD outlays represent the value of goods and services delivered to foreign individuals, governments, or international organizations under specific U.S. foreign assistance programs that include, but are not limited to: Overseas Humanitarian, Disaster, and Civic Aid Defense

(97X0819); Cooperative Threat Reduction Account, Defense (97X0134); Drug Interdiction and Counter-Drug Activities, Defense (in-country support only of 97X0105); and Overseas Costs for Contingency Operations under section 607 of the FAA (reimbursed by special supplement appropriations).

S. Payment. Includes payment in currencies (both foreign and U.S.), checks, or other negotiable instruments and net of refunds.

T. Personnel Afloat. Includes U.S. personnel whose duty station is aboard ship.

U. Progress Payment. Progress payments are payments made by a DoD Component to a contractor or other supplier on contractual procurement of goods or services as work progresses for delivery on a foreign military sale.

V. Real Property Transfer. Includes items associated with the conveyance of military real property by a Military Department to a foreign resident or international organization.

W. Returns to the U.S. The portion of payments to contractors or suppliers that is remitted to the U.S., or spent or held in the U.S., as the result of procurement of U.S. end products, U.S. services, and transportation on U.S. flag carriers for supply, service, or construction contracts. For rules applicable to the identification and reporting of returns to the U.S., see the Defense Federal Acquisition Regulation Supplement ***(DFARS)***, section 225.1103(1) and the clause at 252.225-7005.

X. U.S. Personnel. Includes U.S. military forces (active duty and Reserve Components, but excludes retired military personnel) and U.S. civilian employees (civil service, nonappropriated fund, and individual contract hire).

130204. Frequency and Distribution

The IBOP report should be prepared quarterly and is due to the Department of Commerce no later than 45 calendar days following the end of the quarter. DFAS Operations Directorates will provide specific due dates to their respective DFAS Sites.

130205. Policy

It is DoD policy to operate overseas activities efficiently and effectively, and to reduce the balance of payments impact of these activities, when such reduction is consistent with U.S. national security goals and objectives. To support this policy, the Department maintains a mechanism to manage and control DoD transactions that enter the IBOP. This system provides for:

A. DoD-wide accounting for and reporting of IBOP transactions;

B. Evaluation and explanation of DoD IBOP transactions;

C. Use of uniform criteria, definitions, and procedures to report IBOP transactions; and

D. Integration of IBOP management and the overall system of management within the Department.

130206. Responsibilities

A. Heads of the DoD Components and Director, DFAS must:

1. Develop procedures for implementing the reporting requirements;

2. Ensure reports and data required under this Regulation are submitted on time and are complete and accurate; and

3. Identify, for the Department of Commerce, the office responsible for submitting required data and points of contact (POCs) within respective organizations that can both provide supplemental information on specific IBOP transactions and resolve problems associated with collecting and processing data.

B. The DFAS Site Directors must:

1. Administer and monitor, as necessary, the reporting requirements for their field reporting offices;

2. Ensure the procedures prescribed are uniformly implemented;

3. Work with other DFAS Sites to provide technical assistance on collecting required data and preparing reports. Each DFAS Site acts as the focal point for the assigned reporting organizations (sites) in providing technical assistance; and

4. Submit directly to the Bureau of Economic Analysis, U.S. Department of Commerce, data required by OMB Statistical Directive 19, "***Reports of the Department of Commerce on International Transactions***", May 3, 1978, as amended.

130207. Reporting Guidelines

A. Finance and Accounting Data

1. Installation Level Procedures. The DoD Components and supporting DFAS Sites must accumulate the data on payments and collections made by their respective disbursing activities as an integral part of installation level procedures. The IBOP reports must include all collection and disbursement data for the period covered by the report.

2. Nonappropriated Funds and MPS. Accumulate data on nonappropriated funds and MPS accounts and include them in the quarterly reports.

* B. Category and Country Codes on Vouchers

1. Codes. Code all payment and collection vouchers processed overseas with the appropriate category code and foreign country or international organization code, as prescribed in Tables 13-8 and 13-9, prior to time of payment or collection. Vouchers processed overseas not entering the IBOP must be coded with the "U.S." country code.

2. Country Codes. Code country codes to vouchers processed in the U.S. only for those transactions entering the IBOP. A current list of country codes is available on the National Geospatial-Intelligence Agency (***NGA***) website ((Geopolitical Entities, Names and Codes (GENC) Standard) (Formerly Federal Information Processing Standards (FIPS) Publication (PUB) 10-4)). If countries are not listed in the current guidance, a request can be sent to NGA at ***ccwgsecretariat@nga.mil*** for a new code.

C. Coded Authorizations. To ensure that payment vouchers are coded properly to indicate category, procurement of U.S. end products, transportation or services, and country or international organization, authorizations such as purchase orders, delivery orders, and contracts that result in expenditures entering the IBOP must be coded at the time of preparation whenever possible. Enter these same codes on the payment vouchers. When the authorization covers procurements of U.S. end products, transportation, or services, enter the percentage or amounts applicable to each procurement return category. Enter codes on all authorizations for the following types of transactions:

1. Construction and Other Service Contracts, Including Contracts for Scientific and Technical Knowledge to Be Performed Abroad. In all cases where the contract, delivery order, or other procurement document is issued to a U.S. resident, appropriate codes that identify returns to the U.S. must be included in the accounting classification.

2. Contracts for Procurement of Materiels, Supplies, and Equipment Abroad. When the terms of the contract require the use of U.S. end products, appropriate codes that identify returns to the U.S. must be included in the accounting classification on all contracts or other procurement documents issued to U.S. residents.

D. New or Discontinued Appropriations. Each DFAS Site is responsible for modifying their associated tables to reflect new or discontinued accounts that affect IBOP. The Department of the Treasury's ***Federal Account Symbols and Titles (FAST) Book*** lists receipt, appropriation, and other fund account symbols and titles assigned by the Department. The FAST Book lists accounts separately that were created or discontinued since the previous revision. Each DFAS Site must notify their submitters of any changes to the appropriations reported in the IBOP report. Send any changes to Enterprise Solutions & Standards, Corporate Reporting, for implementation at other sites, if appropriate.

E. Transaction Review. Review IBOP transactions prior to submission for accuracy to ensure the final report is complete and includes all of the required data elements for submission to the Department of Commerce. The DoD Components, accounting activities, and other reporting entities in the U.S. and at overseas locations must ensure that reported IBOP transactions are consistent with total transactions reported on the FMS (Financial Management Service) Form 1220, "Statement of Transactions According to Appropriations, Funds, and Receipt Accounts" (SOT), and supporting FMS Form 1219, "Statement of Accountability" (SOA), including FT accounts.

F. Cross-Disbursing. Under cross-disbursing procedures, the appropriate disbursing office must provide data on payment and receipt transactions to the DoD Component assigned reporting responsibility. Under these procedures, reports must include all of the data necessary for the DoD Component to report balance of payment expenditures and receipts for its accounts in accordance with the requirements of this chapter. The data must include all supplementary information that is necessary to identify returns to the U.S. as stated in subparagraph 130208.B.l.c. The DoD Component having management control of the funds must include these transactions in its IBOP report. Subparagraph 130207.N.4 identifies cross-disbursing reporting procedures for each Military Department.

G. Appropriation Reimbursements. Enter appropriation reimbursements from foreign entities on the appropriate Collections lines in the Accounting Report (AR)-1, as shown in Table 13-5. Enter collections from U.S. personnel abroad in the appropriate "Less Receipts from U.S. Personnel" lines (i.e., "Payments").

H. Delivery Data. As outlined in Defense Security Cooperation Agency (DSCA) 5105.38-M, Security Assistance Management Manual (***SAMM***), data regarding Foreign Military Sale deliveries, BPC deliveries, FMF grant aid deliveries, transfers under Special Drawdown Authority and the EDA program, Military-to-Military Contact Program, IMET Program, and transfers of real property must be prepared by the appropriate agencies.

I. Loans of Property. For any defense item loaned to a foreign government, central offices in each DoD Component must maintain a record as outlined in SAMM.

J. Advances to Foreign Residents or Countries. Report advances made to foreign residents or countries by a DoD Component as payments on the same lines in AR-1, as shown in Table 13-5, for future contract payments. Use Line Item 190000 of AR-1 to report interest collections for advances.

K. Other Foreign Aid Under FAA. Report data on DoD outlays resulting from serving as the executive agent for other U.S. foreign assistance programs (as authorized by the FAA) as IBOP Other Assistance Grant Aid by the appropriate DoD Component assigned the responsibility for those programs. Such assistance includes, but is not limited to the following programs: Overseas Humanitarian, Disaster, and Civic Aid Defense; Cooperative Threat Reduction Account, Defense; Drug Interdiction and Counter-Drug Activities, Defense (In-Country Support only); and Overseas Costs for Contingency Operations under section 607 of the FAA.

L. Records Retention. Maintain records reflecting balance of payments transactions at each DFAS Site consolidation point for 12 months following the end of the reporting period.

M. Foreign Currencies

1. Report data on foreign currencies in dollar equivalents.

2. The DSCA must report expenditures and collections for all FT accounts under its control, including those for which the DSCA has financial management responsibility in connection with Foreign Military Sales, Public Law (PL) ***480-83*** currencies, as well as those provided under joint weapons production and exchange agreements.

3. Use the respective reporting system utilized by each DoD Component to provide data on accommodation sales to individuals by military disbursing officers.

4. Banking facilities on U.S. Government installations abroad must report on accommodation sales of foreign currencies made to U.S. personnel.

N. Submission of Reports

1. Prepare reports of performance and transactions entering the IBOP by DoD Components as outlined in the detailed instructions provided in Tables 13-1 through 13-4. Sample formats are shown in Tables 13-5 through 13-7.

2. Submit ARs to the Department of Commerce through DFAS as follows:

a. Department of the Army (DA) – ARs-1 and 2;

b. Department of the Navy (including U.S. Marine Corps) – ARs-1 and 2;

c. Department of the Air Force – ARs-1 and 2;

d. MPS - AR-3; and

e. All other Defense Agencies, such as the DSCA and Defense Intelligence Agency (DIA) - AR-1.

3. The DSCA must report all Foreign Military Sales and BPC delivery data.

4. Submit cross-disbursing data submitted by the DoD Component as follows:

a. Forward IBOP transactions between the Air Force and the Army no later than 32 calendar days following the end of the quarter to their corresponding offices. Each Service will send its IBOP files to the other Services using the current automated technology.

b. Forward vouchers and control listings of IBOP transactions of the Navy for the Army and the Air Force, the Army for the Air Force and the Navy, and the Air Force for the Navy and the Army to the designated accounting and finance offices quarterly.

c. Forward electronic transmissions of Army, Navy, Air Force, and Marine Corps IBOP transactions for the Defense Agencies and OSD no later than 45 calendar days following the end of the quarter to the Department of Commerce.

d. Report salary payments to U.S. personnel as the net amount paid to individuals, excluding all deductions, such as amounts withheld for taxes, contributions, allotments, or savings bonds.

5. Complete the headings on each report as indicated in Tables 13-5 through 13-7. Round dollar amounts to the nearest $1,000. Round amounts from $1 to $499 downward; amounts from $500 to $999 are rounded upward.

6. The Treasury Department publication, Treasury Financial Manual (TFM), Volume 1, Part 2, contains requirements for reporting foreign grants, loans, credits, and contingent liabilities (see ***TFM*** Part 2, Chapter 4500).

*130208. Criteria for Determining and Identifying IBOP Transactions

A. Introduction. In establishing a basis for reporting IBOP transactions, assume that purchases of materiel and services are equal to related disbursements, since payments by DoD Components normally are made within the month following receipt of the materiel and services. Similarly, report DoD outlays from appropriations supporting various U.S. foreign assistance programs to signify the delivery of that assistance to foreign entities. It is necessary, however, to report Foreign Military Sales on a delivery basis. State collections separately to reflect the changes in financial status. Accounting reports prescribed by this chapter reflect these reporting concepts. Table 13-10 contains a glossary of automated data processing (ADP) terms and symbols.

B. Transactions Entering the IBOP. The following transactions enter the DoD IBOP for reporting purposes.

1. Payments

a. Disbursing Officers (DOs). All payments, including advance and progress payments by DOs (whether located abroad or in the U.S., its territories and possessions, and Puerto Rico) from their accounts and all payments from the accounts of nonappropriated funds and the MPS to:

(1) Foreign residents, including all amounts deposited in foreign or U.S. banks to their credit; (e.g., a deposit to the account of a foreign entity maintained in a U.S. bank). Foreign residents include foreign governments, corporations, contractors, and individuals;

(2) U.S. personnel stationed, or employed, or who live abroad, or on ships homeported abroad, for pay disbursed or mailed abroad when on temporary duty (TDY) abroad and per diem for TDY abroad;

(3) International organizations, including all amounts deposited to their credit in foreign or U.S. banks;

(4) U.S. corporations for materials, supplies (excluding petroleum products), and equipment, title to which is acquired by the U.S. Government abroad as evidenced by an accomplished materiel inspection and receiving report;

(5) U.S. contractors for construction or services performed abroad, except for travel and transportation as described in subparagraph 130208.D.2.g; and

(6) U.S. and foreign corporations for petroleum products that will be identified to the country shown as the product source as described in subparagraph 130208.D.2.h.(2).

b. Foreign Currency Payments. Includes counterpart foreign currency payments by a foreign government held by the foreign government for U.S. uses under special arrangements such as Euros disbursed by the Spanish Government for constructing and maintaining U.S. facilities.

c. Returns to the U.S. Contracts or other procurement documents for procurement of supplies and services for use outside the U.S. and contracts for construction, maintenance, and repair of real property facilities may require that U.S. end products or that certain specified services be performed in the U.S. Additionally, U.S. contractors performing construction and service contracts overseas may acquire, on their own initiative, certain U.S. end products, services, or transportation on U.S. flag carriers in fulfillment of construction or service contracts. Identify and report the amount of such procurements of U.S. end products, services, and transportation on U.S. flag carriers in AR-1, as shown in Table 13-5. The following rules apply only to contractors who are U.S. residents:

(1) The amounts remitted by a supplier to the U.S. for procurement of U.S. end products and the amounts paid by the supplier to a U.S. transportation company for transportation of goods on U.S. flag carriers must be identified and reported as reductions to procurement payments.

(2) Identify and report the following amounts as reductions to contractual service payments:

(a) The amount of U.S. end products procured from the U.S. by the contractor for incorporation in the project, (whether required by the terms of the contract or voluntarily procured from the U.S. without contractual requirements);

(b) The amount remitted to or retained in the U.S. by the contractor for services performed in the U.S. and for profit, overhead, amortization costs, employee tax withholdings, and other indirect expenses, including that portion of the salaries of contractor personnel remitted to or retained in the U.S; and

(c) The amount paid to transportation companies in the U.S. by the contractor for transportation provided on U.S. flag carriers.

(3) Reporting requirements and procedures for contracts exceeding the simplified acquisition threshold are set forth in DFARS 225.1103(1) and the clause at 252.225-7005.

(4) Exclusions

(a) The amounts reported as returns under subparagraph 130109.B.1.c, must exclude payments by the contractor to a DoD Component for supplies or services such as utilities and telephone services.

(b) Foreign residents who use U.S. end products or services to fulfill DoD contracts will not report returns to the U.S.

2. Collections

a. Collections by DOs. All collections by DOs credited to their accounts or to Treasury accounts (for which the Department has billing and collection responsibility) and all receipts in nonappropriated funds and the MPS from the following:

(1) Foreign residents;

(2) U.S. personnel who are stationed, employed, residing, or traveling abroad, or on ships homeported abroad (for reporting purposes, however, these collections are treated as a reduction to pay of personnel);

(3) International Organizations;

(4) U.S. contractors in connection with their performance of contracts with the U.S. Government or private firms abroad; and

(5) Foreign governments or other foreign entities for goods and services sold for delivery or use under the Foreign Military Sales program, other sales programs, and the DoD Reutilization and Marketing Program.

b. Foreign Currency Collections. Collections of foreign currency contributed by foreign governments for the support of U.S. Military Assistance Advisory Groups (MAAGs) and Missions.

c. Foreign Military Financing. Do not deposit FMF receipts into the U.S. Treasury. The FMF receipts are recorded in successor account 11*1082 (Foreign Military Financing Program, Funds Appropriated to the President), via a Treasury Standard Form (SF)-133 allocation by the Department of State in the year received, and finally apportioned in the same year on an OMB Apportionment And Reapportionment Schedule (SF-132).

3. Deliveries

a. Materials, Supplies, Equipment, and Services. All deliveries of materials, supplies, equipment, and services to foreign countries and international organizations including:

(1) Foreign Military Sales deliveries outlined in the AECA of 1976, as amended;

(2) Sales by property disposal officers as represented by collections;

(3) Loans and leases of aircraft, vessels, and other equipment to foreign entities;

(4) Transfers of real property and deliveries of materiel and services under logistical support agreements and otherwise; and

(5) Deliveries of goods and services for foreign assistance reimbursed by the Agency for International Development (AID), Department of State, or from Funds Appropriated to the President.

b. Delivery Data. This chapter requires that delivery data pertaining to Military Assistance Grant Aid be included.

4. Special Transactions

a. Transfers. Transfers from Deposit Account 6500 (Advances Without Orders from Non-Federal Sources) and Clearing Account 3875 (Budget Clearing Account (suspense)) to other accounts must be included when recorded as a collection in deposit fund accounts or in applicable receipt (including miscellaneous receipt), appropriation, or other fund accounts. For example, a bid deposit of a successful purchaser of surplus, excess, foreign excess, scrap, or salvage will be recorded in IBOP at the time transferred to account 3845 (Proceeds of Sales, Personal Property). Treat returns of deposits to depositors as IBOP transactions. Exclude amounts initially recorded in these suspense accounts from IBOP reporting requirements.

b. Settlements. Treat offsetting settlements between DoD accounts made in place of payments to, and collections from, a foreign government as IBOP transactions as if the transaction had been carried out with the foreign government.

c. Outlays. Report DoD outlays in support of Other Assistance Grant Aid.

C. Transactions Not Entering the IBOP. The following transactions do not enter the DoD reporting of IBOP:

1. Payments and Receipts. Payments to and receipts from any DoD or other U.S. Government agency or activity, including any DoD nonappropriated fund or postal service activity, except special transactions noted in subparagraph 130208.B.4;

2. Transfers Between the DoD or other U.S. Government Accounts. All transfers between the Department or other U.S. Government accounts, except those from Deposit Account 6500 and Clearing Account 3875, as noted in subparagraph 130208.B.4.a;

3. Goods Produced in the U.S. Payments to foreign residents for goods produced in the U.S. if title is transferred within the U.S. Include payments to the foreign resident when title is transferred to the U.S. if the goods were originally delivered to the foreign resident under the Foreign Military Sales program; and

4. Goods Imported into the U.S. Payments to foreign residents for goods produced abroad and imported into the U.S. when title is transferred to the U.S. Government after the goods are imported. Consider goods imported when they clear the U.S. Customs Service.

D. Identification of Transactions to Country or International Organizations

1. General. Identify transactions, except those relating to international organizations designated in Table 13-11, generally to the country of residence of the payee or remitter, rather than the location of the disbursing officer. Identify transactions with international organizations not listed in Table 13-11 to the country to which payment is sent or from which payment is received. In cases where country of residence cannot be determined, identify transactions as follows:

a. Cash. Payments or collections by cash will be coded to the country in which disbursed or collected;

b. Check. Code payments or collections by check to the country to which check is sent or from which check is received; or

c. Electronic. Code payments or collections by electronic transfer to the country to which transfer is sent or from which transfer is received;

2. Payments. Identify payments to the designated international organization or country of residence of the payee. More specifically, identify payments as follows:

a. Government-to-Government Payments. Identify these payments to the country of the foreign government involved;

b. Foreign Corporations. Identify payments to foreign corporations and individuals to the country of residence. A current list of country codes is available on the NGA website (GENC Standard (Formerly FIPS PUB 10-4)); and

c. U.S. Personnel Payments

(1) U.S. Personnel Ashore. Code net pay to the foreign country to which payment is made or the check is addressed.

(2) U.S. Personnel Afloat (Homeported Abroad). Code net pay to the foreign country to which payment is made or the check is addressed.

(3) U.S. Personnel Afloat (U.S. Homeported). Code net pay as a U.S. payment. A statistical determination will be made, by country, of the expenditures ashore by these individuals.

(4) Allotments of Pay. Allotments to individual persons will be identified to the country to which addressed. Identify all other allotments to the country of residence of the allottee.

(5) Contributions. Identify U.S. Government and service member contributions (Federal Insurance Contributions Act, retirement and health benefits) to the U.S.

d. Retired and Survivors Pay. Identify the amount of the payment to the foreign country to which the check is mailed or payment is electronically transferred.

e. Foreign Nationals

(1) Direct Hire of Foreign Nationals. Identify net pay to the foreign country, which employs the individual. In addition, identify the payment of all U.S. Government contributions, and the payments of all amounts withheld from the employee's pay, at the time of payment, to the country addressed.

(2) Indirect Hire of Foreign Nationals. Identify payments under contracts for indirect hire of foreign nationals, including retirement accruals or separation allowances when paid, to the country addressed.

(3) Foreign Nationals Aboard Ships. Identify net pay to the country in which the individual maintains his or her "home of record." In addition, the payment of all U.S. Government contributions and payments of all amounts withheld from the employee's pay must be identified, at the time of payment, to the country to which addressed.

f. Construction and Services Performed Abroad Other Than Travel and Transportation (Discussed in subparagraph 130208.D.2.g). Identify payments for construction or services performed abroad to the country in which construction or service is performed, regardless of where the check is mailed.

g. Travel and Transportation

(1) Transportation. Code payments for transportation of persons or things (trip requests, bills of lading, warrants, or cash) paid to a transportation company to the country of residence of the transportation company.

(2) Travel Allowances. Code payments for per diem allowances, relocation allowances, and other incidental travel expenses, including transportation expenses or mileage allowances paid to individuals, according to the following guidance:

(a) For permanent change of station (PCS), to the country in which the greater part of the allowances was earned or expenses incurred. Code relocation allowances in the country to which the individual's family moves.

(b) For TDY, to the country in which the TDY was performed, except TDY performed aboard ship that must be coded to the U.S. Where TDY is performed in several countries and it is not feasible to identify the per diem to each country, code the payment to the country in which the greater part of the allowances was earned.

h. Materials, Supplies, and Equipment

(1) Payments to a U.S. corporation for materials, supplies (excluding petroleum products), and equipment acquired by a DoD Component abroad must be coded to the country where it is delivered or accepted by the DoD Component. Code payments to foreign contractors (excluding petroleum products) to the country of residence of the payee.

(2) Identify payments to a U.S. or foreign corporation for petroleum products according to the following guidance:

(a) To the country shown as the product source in the "product source" clause of the contract under which the payment is made. If a region (e.g., the Caribbean or Persian Gulf) is shown rather than a country, code the payment to the country shown in section 9 of the DD Form 250-1 ("Tanker/Barge-Material Inspection and Receiving Report"). If the product source cannot be established, it will be coded to the country where acquired by the DoD Component.

(b) When the product source for petroleum is the U.S. and the petroleum has been transported by the Military Sealift Command (MSC), or transported by commercial vessels directly to a DoD Component abroad, code the payment to the U.S. If the petroleum is not consigned directly to a DoD Component, code the payment to the country where it is delivered and code the amount of the petroleum product and the transportation furnished by U.S. flag carriers as a return to the U.S.

(c) Code petroleum services, other than ocean transportation, to the country in which the service is performed.

i. NATO Infrastructure. In processing NATO Infrastructure and International Military Headquarters Payments for NATO infrastructure, refer to ***DoD Directive 2010.5*** (The NATO Security Investment Program). Code such payments to the country or to the appropriate NATO command that is the recipient of the payment. Code payments to international military headquarters, including those located in the U.S.

3. Deliveries and Collections

a. Materiel or Services. Code deliveries of materiel or services to the country or international organization to which the collection for that delivery must be identified. Code collections to the countries making payments. Code collections from international organizations to the international organization making payment.

b. Recipient Country. Code delivery transactions involving Military Assistance Grant Aid and reimbursement from AID, Department of State, or Funds Appropriated to the President, to the recipient country or international organization.

4. Special Transactions

a. Balance of Payment Transactions. Transactions for Guam, Puerto Rico, the Commonwealth of the Northern Marianas, and the U.S. Virgin Islands must not be included in any summary totals of balance of payments transactions since transactions involving these areas do not enter the U.S. balance of payments except when compiling special reports. In special reports, apply country codes to these areas.

b. Guantanamo Bay. Code transactions at Guantanamo Bay, other than pay of foreign nationals, as U.S. transactions not entering the IBOP. However, treat the pay of foreign nationals employed at Guantanamo Bay as IBOP transactions and code to their country of residence.

130209. Entries for DoD Transactions Entering the IBOP – AR-1

A. Purpose. This format prescribes line items, columnar data, and line ID codes used for reporting IBOP transactions in AR-1. This submission provides for summarizing DoD IBOP transactions under appropriation and category groupings.

B. General

1. Separate AR-1. Prepare a separate AR-1 for each foreign country and international organization listed in Tables 13-8 and 13-11, and for each foreign area grouping shown in Table 13-9. In addition, submit a separate AR-1 (using the format and criteria established by this Regulation) for Guam, Puerto Rico, the Commonwealth of the Northern Marianas, and the U.S. Virgin Islands. However, these transactions and those for other U.S. possessions must not be included in the subtotals for foreign area groupings or worldwide totals.

2. DoD Component. Each DoD Component must submit AR-1 electronically. Data on the electronic transfer submissions must carry the line item numbers for AR-1 precisely as shown in Table 13-12. A sample format of AR-1 is shown in Table 13-5.

3. Assemble Reports. Documentation for countries without transaction data is not required when assembling supporting documentation for IBOP reporting.

4. Report Data. Report data for each line item entry listed in Table 13-12. To facilitate summarizing data, each line entry must be identified by the same line ID Code shown in Table 13-12. Line items for which no amount is reported for the current quarter or cumulative columns must not be shown on the report.

5. Reporting Responsibilities. Data reported for all lines for transactions involving the FMF, Foreign Military Sales Program, BPC Program, IMET, Drawdowns, EDAs, and Military-to-Military Contact Programs are established under SAMM.

6. Dollar Collections. Report as dollar collections all collections of foreign currency not obtained by purchase with U.S. dollars, used for authorized expenditure purposes rather than deposited to Treasury FT accounts.

7. Trust Fund Expenditures. Treat refunds to foreign governments for Foreign Military Sales as trust fund expenditures. In the DoD balance of payment presentations, net such refunds against receipts rather than treated as expenditures on AR-l.

C. Line Entries - Descriptions and Codes. Line item identification (ID) codes, line item captions, and descriptions for AR-1 are shown in Table 13-12.

130210. Entries for DoD Transactions Entering the IBOP – AR-2

A. Purpose. This format prescribes line items, columnar data, and line ID codes for reporting IBOP transactions in AR-2, i.e., financial data relating to DoD nonappropriated fund activities abroad. Use these data to develop amounts available for spending abroad by U.S. personnel.

B. General

1. Nonappropriated Fund Activities. Each reporting activity must include all nonappropriated fund activities under its command jurisdiction. When one activity serves more than one command in a given area, make local arrangements to have the data submitted through only one command, thus avoiding duplications (e.g., the Army and Air Force Exchange Service). Nonappropriated fund activities aboard ship must include only receipt and payment transactions abroad, which are included with activities ashore and enter the IBOP.

2. Submit Separate Reports. The reporting activities must submit separate reports for the following:

a. Exchange Service Operations

b. Other Nonappropriated Fund Activities

3. Payments and Receipts. These reports must include only payments and receipts affecting nonappropriated funds. Exclude payments and receipts from appropriated funds used in operating a nonappropriated fund activity.

4. Reported Quarter. Amounts shown in the report must cover the reported quarter.

5. Schedules. Submit separate schedules for the Navy and Marine Corps.

C. Line Entries - Descriptions and Codes. Line ID codes, line item captions, and descriptions for AR-2 are shown in Table 13-13.

130211. Entries for DoD Transactions Entering the IBOP - AR-3

A. Purpose. This format prescribes line items, columnar data, and line ID codes used for reporting IBOP transactions in AR-3, i.e., financial data relating to military postal services to individuals. Use these data to develop the amounts available for spending abroad by U.S. personnel.

B. General

1. MPS. Submit one report to cover all MPS operations, excluding FPO operations aboard ship.

2. Payments and Receipts. Exclude from the report payments and receipts of appropriated funds used for operating expenses of MPS facilities.

3. Agencies and Activities. Exclude sales to or receipts from federal agencies and activities and DoD-sponsored nonappropriated fund activities.

4. Reported Quarter. The amounts shown in the report must cover the reported quarter only and will be noncumulative.

C. Line Entries - Descriptions and Codes. Line ID codes, line item captions, and descriptions for AR-3 are shown in Table 13-14.

1303 INTERMEDIATE/INSTALLATION LEVEL REPORTING REQUIREMENTS

Each DFAS site develops and monitors the reporting requirements, at the intermediate /installation level, for its IBOP reporting. Consistently apply reporting formats for the intermediate/installation levels in accordance with the procedures outlined in paragraphs 130201 through 130211.

*Table 13-1: Edit and Validation Rules for Submitting IBOP Data to the Department of Commerce

The following includes the record edit and validation rules that apply to all transaction data records submitted on IBOP transactions.

Data Record Position(s)	Description of Item	Rules
1	Coded Report No.	Must be 1, 2, or 3
2	Coded Report No.	Must be blank except for Accounting Report 2
3-4	Fiscal Year	Must be numeric
5	Quarter of Fiscal Year	Must be 1, 2, 3 or 4
6	Dept. Code	Must be one of the alpha characters shown in Table 13-15
7-8	Country or Organizational Code	Position 7 must be alpha. Position 8 must be A/N. Cannot be blank (Tables 13-8 and 13-11).
9-14	Line ID No.	May be alpha, numeric, or A/N
15-21	$ Amount this Qtr.	Must be numeric
22-25	Main Account	Must be numeric
26-29	Blank	Must be blank
30	Reserved	Must be blank
31	Data Originator	Must be blank except for Accounting Report 1
32-80	Blank	Must be blank

*Table 13-2: Record Format Accounting Report 1

Data Record Position(s)	Alphabetic or Numeric	Description of Item	Special Instructions
1	N	Coded Report No.	Must be 1
2	Blank	Blank	Blank
3-4	N	Fiscal Year	Last 2 digits
5	N	Quarter of Fiscal Year	Must be 1, 2, 3, or 4
6	A	Dept. Code	Table 13-15
7-8	A	Country or Organizational Code	Tables 13-8 and 13-11
9-14	A/N	Line ID No.	Table 13-12
15-21	N	$ Amount this Qtr.	Rounded to the nearest thousand. Place a zero in vacant high order position(s).
22-25	N	Main Account	
26-29	Blank	Blank	Blank
30		Reserved	
31	A	Data Originator	Table 13-15
32-80	Blank	Blank	Blank

Table 13-3: Record Format Accounting Report 2

Data Record Position(s)	Alphabetic or Numeric	Description of Item	Special Instructions
1	N	Coded Report No.	Must be 2
2	N	Coded Report No.	Must be 1 or 2(*)
3-4	N	Fiscal Year	Last 2 digits
5	N	Quarter of Fiscal Year	Must be 1, 2, 3, or 4
6	A	Dept. Code	Table 13-15
7-8	A	Country or Organizational Code	Tables 13-8 and 13-11
9-14	A/N	Line ID No.	Table 13-13
15-21	N	$ Amount this Qtr.	Rounded to the nearest thousand. Place a zero in vacant high order position(s).
22-80	Blank	Blank	Blank

(*) Must be 21 on Submission for Exchange Service Operations.
Must be 22 on Submission for Other Nonappropriated Fund Activities

Table 13-4: Record Format Accounting Report 3

Data Record Position(s)	Alphabetic or Numeric	Description of Item	Special Instructions
1	N	Coded Report No.	Must be 3
2	Blank	Blank	Blank
3-4	N	Fiscal Year	Last 2 digits
5	N	Quarter of Fiscal Year	Must be 1, 2, 3, or 4
6	A	Dept. Code	Table 13-15
7-8	A	Country or Organizational Code	Tables 13-8 and 13-11
9-14	A/N	Line ID No.	Table 13-14
15-21	N	$ Amount this Qtr.	Rounded to the nearest thousand. Place a zero in vacant high order position(s).
22-80	Blank	Blank	Blank

*Table 13-5: Sample Accounting Report 1

DoD INTERNATIONAL BALANCE OF PAYMENTS ACCOUNTING REPORT 1 FOR QUARTER ENDING_____			
LINE ID NUMBER	**LINE ITEM DESCRIPTION**	**CURRENT QUARTER**	**FISCAL YEAR TO DATE**
	(See instructions for each line item in Table 13-12)		

Table 13-6: Sample Accounting Report 2

DEPARTMENT OF DEFENSE INTERNATIONAL BALANCE OF PAYMENTS
NONAPPROPRIATED FUND TRANSACTIONS
(Thousands of Dollars)

DEPARTMENT/AGENCY:_____ _____
EXCHANGE/OTHER

QUARTER ENDING:_____

Page _____ of _____ Pages

Country	Sales	Other Revenues	Total Receipts	Net Pay U.S. Personnel	Gross Pay Foreign Nationals	Foreign Payments For Procurement of Merchandise for Resale	Other Foreign Payments	Total Foreign Payments	Net Excess of Payments or Receipts	Memo: Payments in Excess & Near Excess Foreign Currency	Memo: Net Accommodation Sales (Foreign Currency)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
TOTAL											

*Table 13-7: Sample Accounting Report 3

DEPARTMENT OF DEFENSE INTERNATIONAL BALANCE OF PAYMENTS

MILITARY POSTAL SERVICE AGENCY TRANSACTIONS

DEPARTMENT_____

Page ____ of ___ Pages

	RECEIPTS			PAYMENTS		
Country	Meter/Postage Validation Imprinter Sales	Stamp Sales	Money Order Sales	Money Order Fees	Money Orders Cashed	Net Sales
(1)	(2)	(3)	(4)	(5)	(6)	(7)
TOTAL						

*Table 13-8: Countries and Codes to be Used to Prepare IBOP Accounting Reports

NGA provides basic geographical-political entities (countries, dependencies, and areas of special sovereignty) and a coding structure that identifies each entity used to prepare IBOP reports. A current list of country codes is available on the NGA website. Send inquiries concerning countries not listed in the current guidance to NGA at ***ccwgsecretariat@nga.mil*** to request a new code be established.

FIPS PUB 10-4 was withdrawn by the National Institute of Standards and Technology on September 2, 2008 based on Public Law 104-113. The NGA, as the maintenance agency for FIPS PUB 10-4, continued to maintain and provide regular updates to its content in a document known as Geopolitical Entities and Codes (GEC) (Formerly FIPS PUB 10-4). NGA discontinued maintenance of GEC effective December 31, 2014. Updates to the GEC content will no longer be posted.

The GENC Standard has subsequently been designated as the replacement standard for FIPS PUB 10-4. The GENC Standard provides a list of the basic geopolitical entities in the world, together with the principal divisions that comprise each entity. The names of the political entities are derived from official meeting records of the Foreign Names Committee of the U.S. Board on Geographic Names. GENC Edition 1 was published on November 27, 2012. GENC Edition 2 was published on March 31, 2014.

Table 13-9. Geographical Areas, Countries, and International Organizations to be Used in Preparing IBOP Accounting Reports

This table lists the countries and geographical areas to be shown in the hard copy IBOP reports. Alternatively, each country having an IBOP transaction (not only those shown in this enclosure) may be listed alphabetically followed by the area totals (A through E) and the "Grand Total."

A. Western European Countries and International Organizations

1. Austria
2. Belgium/Luxembourg
3. Bosnia/Herzegovina
4. Croatia
5. Denmark (include Greenland)
6. France
7. Germany (Unified)
8. Greece (includes Crete)
9. Iceland
10. Italy (includes Sicily)
11. Netherlands
12. Norway
13. Portugal
14. Spain
15. Switzerland
16. Turkey
17. United Kingdom
18. Other Western European Countries and International Organizations

Total Western Europe

B. Japan

C. Canada

(continued on following page)

Table 13-9 Geographical Areas, Countries, and International Organizations Used in Preparing IBOP Accounting Reports (Continued)

D. Other Countries

1. Australia
2. Bahrain
3. Bermuda
4. China, Republic of (Taiwan)
5. Korea, Republic of
6. Morocco
7. Netherlands Antilles
8. Pakistan
9. Republic of the Philippines
10. Saudi Arabia
11. Thailand
12. Trinidad and Tobago
13. Venezuela
14. Vietnam
15. Other American Republic
16. Other (all other countries not elsewhere listed)

Total Other Countries

E. Other International Organizations

1. South East Asia Treaty Organization (SEATO) Military Headquarters
2. United Nations (UN)
3. Other

Total Other International Organizations

F. GRAND TOTAL (World Wide)

Table 13-10: Glossary of ADP Terms and Symbols

Term or Symbol	Definition
Accounting Reports	The series of reports specifically referenced in this chapter.
0	The representation of numeric zero unless it is otherwise specified.
0 Fill Unused High Order Positions	Fill assigned field spaces to the left of the most significant numeric digit in ALL $ Amount fields. May also be expressed as "Right Justify."
BLANK	Shown on record formats to indicate a blank space in a record.
FY	Fiscal Year
PY	Prior Fiscal Year
CY	Current Fiscal Year. If the current fiscal year is FY 2010, the PY is FY 2009, and the CY is FY 2010.
Line ID No.	As used in this Regulation, a special six (6) digit alpha/numeric code used ONLY for IBOP reporting to identify an exact line item in a report.
QTR	Numeric quarter of the Fiscal Year. Must be 1, 2, 3, or 4.

*Table 13 -11. International Organization List

INTERNATIONAL ORGANIZATION LIST

List of International Organizations and Codes used for DoD IBOP reporting. This list is based on the Security Cooperation Customer Codes provided in DSCA 5105.38-M.

Future additions and/or changes to this list will be transmitted to the DoD Components by the Department of Commerce. Such changes will become effective in each DoD Component's IBOP reporting system within 90 days after receipt.

Organization	Code
Organization of American States (OAS)	A1
Supreme Headquarters Allied Powers Europe (SHAPE)	A2
African Union (AU)	A3
United Nations Office for the Coordination of Humanitarian Assistance to Afghanistan (UNOCHA)	A4
United Nations Department of Humanitarian Affairs (UNDHA)	A5
NATO Air Command and Control System Management (NACMA)	A6
Economic Community of West African States (ECOWAS)	A7
Organization of Security and Cooperation in Europe (OSCE)	A8
Southern African Development Community (SADC)	A9
Non-Proliferation, Anti-terrorism, Demining, and Related Programs (NADR) Overseas Continuing Operations, FY12/13	B1
Emergency Supplemental Appropriations (PL 109-234) (Jun 15, 2006) Afghanistan Security Forces Fund	B2
Emergency Supplemental Appropriations (PL 109-234) (Jun 15, 2006) Iraq Security Forces Fund	B3
National Defense Authorization Act (NDAA) for Fiscal Year 2006 (PL 109-163), Section 1206	B4
NDAA for Fiscal Year 2007 (PL 109-364), Section 1206	B5
Fiscal Year 2007 DoD Appropriations Act (PL 109-289) (Sep 29, 2006)) as supplemented by PL 110-28 (May 25, 2007) Afghanistan Security Forces Fund	B6
Fiscal Year 2007 DoD Appropriations Act (PL 109-289) (Sep 29, 2006)) as supplemented by PL 110-28 (May 25, 2007) Iraq Security Forces Fund	B7
NDAA for Fiscal Year 2007 PL 109-364, Section 1206; and NDAA for Fiscal Year 2008 PL 110-181, Section 1206 for the Pakistan Frontier Corps	B8
NDAA for Fiscal Year 2009 (P.L. 110-417), all Section 1206 for foreign military forces and Section 1201 for the Pakistan Frontier Corps	B9
Foreign Military Sales Agreements (Reported via Government Treasury Account Symbol Adjusted Trial Balance System (GTAS), DSCA)	C2
Economic Community of Central African States (ECCAS)	C3

*Table 13-11. International Organization List (Continued)

List of International Organizations and Codes used for DoD IBOP reporting.	
Organization	**Code**
FAA Section 481 for International Narcotics Control and Law Enforcement (INCLE), FY11/12	C4
Afghanistan Security Forces Fund (ASFF) Contributions	C5
FAA Section 481 for INCLE, FY12/13	C7
Counterterrorism Assistance For East Africa (1203 EA), FY13	C8
Counterterrorism Assistance For Yemen (1203 YE), FY13	C9
Special Defense Acquisition Fund (SDAF)	D2
Security Assistance Automated Resource Management Suite (SAARMS) database	E1
United Nations Transitional Authority in East Timor (UNTAET)	E2
Consolidated Appropriations Act, 2008 (PL 110-161) Afghanistan Security Forces Fund	E3
Consolidated Appropriations Act, 2008 (PL 110-161) Iraq Security Forces Fund	E4
Supplemental Appropriations Act, 2008 (PL 110-252) Afghanistan Security Forces Fund (FY2009 Bridge Funds)	E5
Supplemental Appropriations Act, 2009 (PL 111-32) Afghanistan Security Forces Fund (FY2009 Supplemental Funds)	E6
Coalition Readiness Support Program (CRSP) for Fiscal Years 2008, 2009, 2010 and 2011	E7
Coalition Readiness Support Program (CRSP) for FY12/13	E8
Coalition Readiness Support Program (CRSP), FY13	E9
F-16, Belgium	F1
F-16, Denmark	F2
F-16, Netherlands	F3
F-16, Norway	F4
Supplemental Appropriations Act, 2009 (PL 111-32) Pakistan Counter-insurgency Fund (FY2009 Supplemental Funds)	G2
Supplemental Appropriations Act, 2009 (PL 111-32) Iraq Security Forces Fund (FY2009 Supplemental Funds)	G3
Supplemental Appropriations Act, 2009 (PL 111-32) Pakistan Counter-insurgency Capability Fund (PCCF) (FY2009 Supplemental Funds), as transferred into Pakistan Counterinsurgency Funds (PCF)	G4

*Table 13-11. International Organization List (Continued)

List of International Organizations and Codes used for DoD IBOP reporting.	
Organization	**Code**
NDAA for Fiscal Year 2010 (P.L. 111-84) and Department of Defense Appropriations Act, 2010 (P.L.111-118), as supplemented by P.L. 111-212 Afghanistan Security Forces Fund (ASFF)	G5
NDAA for Fiscal Year 2011 (PL 111-383) and Department of Defense and Full Year Continuing Appropriations Act, 2011 (PL 112-10) for ASFF	G6
NDAA for Fiscal Year 2010 (PL 111-84) and Department of Defense Appropriations Act, 2010 (PL 111-118), for section 1206 programs	G7
Supplemental Appropriations Act, 2010 (PL 111-212) Iraq Security Forces Fund (FY2010 Supplemental Funds)	G8
Supplemental Appropriations Act for Fiscal Year 2009 (PL 111-32) and Continuing Appropriations Act 2011 (PL 111-322) for Pakistan Counterinsurgency Capability Fund	G9
NDAA for Fiscal Year 2006 (PL 109-163), as amended, and Department of Defense and Full Year Continuing Appropriations Act, 2011 (PL 112-10) for Section 1206 programs	H2
Ike Skelton NDAA, 2011 (PL 111-383) and Department of Defense (DoD) and Full Year Continuing Appropriations Act (CAA), 2022 (PL 112-10), Iraq Security Forces Fund (ISFF)	H3
NDAA for Fiscal Year 2006 (PL 109-163), as amended, Section 1206 for FY12	H4
ASFF for Fiscal Year 12 (PL 112-74)	H5
NDAA for Fiscal Year 2012 (PL 112-81, Section 1207(n)(1)(A) or (B)), for East Africa	H6
NDAA for Fiscal Year 2012 (PL 112-81, Section 1207(n)(1)(C)), for Yemen	H7
NDAA for Fiscal Year 2006 (PL 109-163), as amended, Section 1206 for FY13	H8
ASFF, FY13/14	H9
USG Transition Support (Iraq)	IZ
NATO Support Agency (NSPA)-F104 + C-130	K2
EF2000 and Tornado Dev, Prod, & Log Management Agency (NATO Eurofighter and Tornado Management Agency (NETMA))	K3
C3 Agency (NC3A)	K4
Supreme Allied Commander, Atlantic (SACLANT)	K5

*Table 13-11. International Organization List (Continued)

List of International Organizations and Codes used for DoD IBOP reporting.	
Organization	**Code**
Airborne Early Warning & Control Operations & Support (O&S) Budget	K7
NATO Airlift Management Organization (NAMO)	K8
NATO EFA Development Production and Logistics Management Agency (NEFMA)	M1
Military Assistance Property Sales and Disposal (MAPSAD)	M2
MAP Owned Materiel (DSCA Records)	M3
NSPA-Weapons	M5
NATO Hawk Production and Logistics Organization (NHPLO)	M6
Southern Region Signal/ Communications	M7
Program Management Office - NATO Airborne Early Warning and Control Program Management Organization. (NAPMO)	N1
NATO	N2
Seasparrow (Sec 1004, P.L. 98-525)	N3
NSPA General + Nike	N4
Headquarters	N6
NSPA-HAWK	N7
Mutual Weapons Development Program (MWDP)	N8
NATO Missile Firing Installation (NAMFI)	N9
FAA Section 551 for Peacekeeping Operations (PKO), FY12	P2
FAA Section 551 for PKO, FY12/13 and FY13	P3
European Participating Group F-16 follow on	PG
FAA Section 551 for PKO and the Global Peacekeeping Operations Initiative (GPOI), FY12	Q2
FAA Section 551 for PKO and the GPOI, FY13	Q3
European	R2
Near East/South Asia	R3
East Asia/Pacific	R4
American Republic	R5
Africa	R6
FAA Sec 632 Transactions	S4
FAA Sec 607 Sales, Reimbursable (Delayed Payment)	S5
FAA Sec 607 Sales, Payment in Advance	S6
NDAA, Section 1033 Transactions	S7
NDAA, Section 1004 Transactions	S8
Presidential Drawdowns (DSCA authorized use only)	S9

*Table 13-11. International Organization List (Continued)

List of International Organizations and Codes used for DoD IBOP reporting.

Organization	Code
Central Treaty Organization (CENTO) (ceased 1979)	T3
SE Asia Treaty Organization (ceased 24 Sep 75)	T4
International Civil Aviation Organization (ICAO)	T7
International Civil Defense Organization (ICDO)	T8
United Nations	T9
Airborne Warning and Control System	W1
NATO Medium Extended Air Defense System Management Agency (NAMEADSMA)	W2
NATO Alliance Ground Surveillance Management Agency (NAGSMA)	W3
Section 1107 of FY04 Supplemental (Train and Equip Authority) for the Afghanistan National Army	Y2
Section 1107 of FY04 Supplemental (Train and Equip Authority) for the New Iraqi Army	Y3
Uzbekistan - Emergency Wartime Supplemental Appropriations Act 2003 (PL 108-11)	Y4
Section 9006 of FY05 Defense Appropriations Act (PL 108-287) for Afghanistan	Y5
Section 9006 of FY05 Defense Appropriations Act (PL 108-287) for Iraq	Y6
Emergency Supplemental Appropriations Act for Defense and for the Reconstruction of Iraq and Afghanistan, 2004 (PL 108-106) for Iraq	Y7
Afghanistan Security Forces Fund - FY05 Emergency Supplemental Appropriations Act (PL 109-13)	Y8
Iraq Security Forces Fund - FY05 Emergency Supplemental Appropriations Act (PL 109-13)	Y9

Table 13-12: Line Item Captions and Descriptions Accounting Report 1

LINE ITEM ID CODES	LINE ITEM CAPTIONS AND DESCRIPTIONS ACCOUNTING REPORT 1
	A. Payments
	1. Pay, U.S. Personnel - This includes payments to U.S. personnel for "net pay" as defined in paragraph 130203.Q., PCS and TDY travel expenses, dislocation allowances for which the individual is reimbursed, and claims paid to U.S. personnel. Enter payments on the line indicating the appropriation cited in the voucher. Use other lines under this heading to record adjustments to payments to U.S. personnel to arrive at the amount of pay available for spending on the local economy.
01A000	a. Military Personnel, Reserve Personnel, and National Guard Personnel (Including afloat personnel homeported abroad)
01A020	b. Printing and Reproduction, Civilian Personnel
01B000	c. Operation and Maintenance (O&M), Civilian Personnel
01C000	d. Military Construction, Civilian Personnel
01D000	e. Family Housing Construction, Civilian Personnel
01E000	f. Military Assistance Appropriations and Funds, Civilian Personnel
01F000	g. Other Appropriations and Funds, Civilian Personnel
	h. Total Net Pay, U.S. Personnel - Enter the sum of lines A.1.a. through A.1.g.
	i. Travel Payments to U.S. Personnel Stationed Abroad (See subparagraph 130208.D.2.g)
01H010	(1) Travel Payments to Military Personnel, Reserve Personnel, and National Guard Personnel Stationed Abroad
01H020	(2) Total Subsistence and Per Diem
01H030	(3) Travel Payments to Other U.S. Personnel Stationed Abroad.
	(4) Total Travel Payments to U.S. Personnel Stationed Abroad - Enter the sum of lines A.l.i.(l) through A.1.i.(3).
01I000	j. Travel Payments to U.S. Personnel Stationed in the U.S.
	k. Expenditures by U.S. Personnel at Foreign Non-Duty Locations
01J010	(1) Expenditures Ashore by U.S. Personnel Afloat with Homeports in U.S. Report the amounts as determined by current personnel surveys and other statistical methods. The basis used by the reporting DoD Component for developing data for each country will be provided annually to Department of Commerce upon request.
01J020	(2) Reserved

Table 13-12: Line Item Captions and Descriptions Accounting Report 1 (Continued)

LINE ITEM ID CODES	LINE ITEM CAPTIONS AND DESCRIPTIONS ACCOUNTING REPORT 1
01J030	(3) Expenditures by U.S. Personnel on Rest and Recuperation (R&R) Leave - Report the amounts spent by U.S. Personnel while on R&R at locations outside the country in which they are assigned. Positive entries (+) will be used for countries where the individual is on R&R, and negative entries (-) will be used to reflect the adjustment to the "Pay Available for Spending" in the country in which the individual is stationed.
0lK000	l. Deposits (Savings)
01L000	m. Claims, Defense Personnel - (Excluding death gratuities)
	n. Nonappropriated Fund Transactions
01M010	(1) Exchange Service Money Orders - Enter the total amount of money order sales and fees.
01M020	(2) Other Nonappropriated Funds - Enter the net increase (-) or decrease (+) in column (10) of AR-2. (Table 13-11)
	(3) Total Nonappropriated Fund Transactions - Enter the sum of lines A.l.n.(1) and A.1.n.(2).
01N000	o. MPS Agency Transactions - Enter the net increase (-) or decrease (+) in column 8 of AR-3 (Table 13-12) (reported only by Defense Postal Service).
	p. Less Receipts from U.S. Personnel (-)
01O010	(1) Commissary Store Sales to Individuals - (Excluding collections from nonappropriated funds)
01O020	(2) Other Sales to Individuals - This includes laundry, dry-cleaning, and family housing management funds, sales of meals to individuals and dependents, clothing store sales, and sales of gasoline coupons.
	(3) Total Receipts from U.S. Personnel - Enter the sum of lines A.l.p.(1) and A.1.p.(2).
	q. Civilian Pay & Benefits
01Q000	(1) Full-Time Civilian Pay & Benefits
01Q010	(2) Other Civilian Pay & Benefits
01Q020	(3) Insurance Claims, Indemnities, and Refunds
	(4) Total Civilian Pay & Benefits – Enter the sum of lines A.1.q. (1) through A.1.q (3).
	r. Total Pay Available for Spending - Enter the sum of line A.1.h., line A.1.i.(4)., line A.1.j., lines A.1.k.(1) thru A.1.k.(3), line A.1.l., line A.1.m., line A.1.n.(3), line A.1.o., less line A.1.p.(3), plus line A.1.q.(4).
	2. Direct Hire Foreign Nationals - This includes the total gross pay of foreign nationals from appropriations and funds as defined in subparagraph 130203.J.

Table 13-12: Line Item Captions and Descriptions Accounting Report 1 (Continued)

LINE ITEM ID CODES	LINE ITEM CAPTIONS AND DESCRIPTIONS ACCOUNTING REPORT 1
02A000	a. O&M, Direct Hire Foreign Nationals
02B000	b. Military Assistance Appropriations and Funds, Direct Hire Foreign Nationals
02C000	c. Military Construction Appropriations and Family Housing, Direct Hire Foreign Nationals
02D000	d. Other Appropriations and Funds, Direct Hire Foreign Nationals
	e. Total Direct Hire Foreign Nationals - Enter the sum of lines A.2.a. through A.2.d.
	3. Indirect Hire Foreign Nationals - This includes the total gross pay of indirect hire of foreign nationals from appropriations and funds as defined in subparagraph 130208.D.2.e.(2).
03A000	a. O&M, Indirect Hire Foreign Nationals
03B000	b. Military Assistance Appropriations and Funds, Indirect Hire Foreign Nationals.
03C000	c. Military Construction Appropriations and Family Housing, Indirect Hire Foreign Nationals.
03D000	d. Other Appropriations and Funds, Indirect Hire Foreign Nationals
	e. Total Indirect Hire Foreign Nationals - Enter the sum of lines A.3.a. through A.3.d.
	4. Materials, Supplies, and Equipment - This includes total payments for material identified to object classes 26 and 31 from appropriations and funds and the amount of returns to the U.S. This excludes military construction and major procurement.
	a. Subsistence
04A010	(1) Military Personnel
04A020	(2) Stock Funds
	(3) Subtotal - Enter the sum of lines A.4.a.(1) and A.4.a.(2).
	(4) Less Returns to U.S. (-)
04A04A	(a) U.S. End Products
04A04B	(b) U.S. Services
04A04C	(c) U.S. Transportation
	(d) Total Returns - Enter the sum of lines A.4.a.(4)(a) through A.4.a.(4)(c).
	(5) Total Subsistence - Enter the net of lines A.4.a.(3) and A.4.a.(4)(d).
	b. POL - (Petroleum including product, transportation, storage and handling)

Table 13-12: Line Item Captions and Descriptions Accounting Report 1 (Continued)

LINE ITEM ID CODES	LINE ITEM CAPTIONS AND DESCRIPTIONS ACCOUNTING REPORT 1
04B010	(1) O&M, POL
04B020	(2) Stock Funds, POL
04B030	(3) Industrial Funds and Other, POL
	(4) Subtotal - Enter the sum of lines A.4.b.(1) through A.4.b.(3).
	(5) Less Returns to U.S. (-)
04B05A	(a) U.S. End Products
04B05B	(b) U.S. Services
04B05C	(c) U.S. Transportation
	(d) Total Returns - Enter the sum of lines A.4.b.(5)(a) through A.4.b.(5)(c).
	(6) Total POL – Enter the net of line A.4.b.(4) and A.4.b.(5)(d).
	c. Offshore Procurement
04C010	(1) Procurement – Aircraft
04C020	(2) Procurement – Missiles
04C030	(3) Procurement – Ships
04C040	(4) Procurement – Combat Vehicles
04C050	(5) Procurement – Tactical & Support Vehicles
04C060	(6) Procurement – Weapons
04C070	(7) Procurement – Ammunition
04C080	(8) Procurement – Communication Equipment
04C090	(9) Procurement – Other Support Equipment
04C100	(10) Procurement – Supplies
	(11) Subtotal – Enter the sum of lines A.4.c.(1) through A.4.c.(10)
	(12) Less Returns to U.S. (-)
04C12A	(a) U.S. End Products
04C12B	(b) U.S. Services
04C12C	(c) U.S. Transportation
	(d) Total Returns - Enter the sum of lines A.4.c.(12)(a) through A.4.c.(12)(c).
	(13) Total Offshore Procurement – Enter the net of lines A.4.c.(11) and A.4.c (12)(d).
	d. Other Materials, Supplies and Equipment
04D010	(1) O&M, Other Materials, Supplies and Equipment
04D020	(2) Research, Development, Test, and Evaluation (RDT&E)
04D030	(3) Military Assistance Appropriations and Funds, Procurement other than Offshore Procurement from line A.4.c.(13)
04D040	(4) Stock Funds, Other Materials, Supplies and Equipment

Table 13-12: Line Item Captions and Descriptions Accounting Report 1 (Continued)

LINE ITEM ID CODES	LINE ITEM CAPTIONS AND DESCRIPTIONS ACCOUNTING REPORT 1
04D050	(5) Other Appropriation and Funds - (Excluding Military Construction Materiel and Major Procurement)
	(6) Subtotal – Enter the sum of lines A.4.d.(1) through A.4.d.(5)
	(7) Less Returns to U.S. (-)
04D07A	(a) U.S. End Products
04D07B	(b) U.S. Services
04D07C	(c) U.S. Transportation
	(d) Total Returns - Enter the sum of lines A.4.d.(7)(a) through A.4.d.(7)(c).
	(8) Total Other Materials, Supplies, and Equipment - Enter the net of lines A.4.d.(6) and A.4.d.(7).d.
	e. Total Materials, Supplies, and Equipment - Enter the sum of lines A.4.a.(5), A.4.b.(6), A.4.c.(13), and A.4.d.(8).
	5. Major Procurement - Report all procurement charged to Major Procurement Appropriations under the following categories, including transportation and services (A.5.a. through A.5.e.).
05A000	a. Aircraft and Related Equipment and Spares
05B000	b. Missiles and Related Equipment and Spares
05C000	c. Shipbuilding and Related Equipment and Spares
05D000	d. Ground Electronics and Related Equipment and Spares
05E000	e. Other - Major Procurement
	f. Subtotal – Enter the sum of lines A.5.a through A.5.e
	g. Less Returns to U.S. (-)
05G010	(1) U.S. End Products
05G020	(2) U.S. Services
05G030	(3) U.S. Transportation
	(4) Total Returns - Enter the sum of lines A.5.g.(1) through A.5.g.(3).
	h. Total Major Procurement - Enter the net of lines A.5.f. and A.5.g.(4).
	6. Construction - Report payments to foreign contractors and U.S. contractors for foreign construction projects charged to the appropriations listed and payments for construction materiel charged to the Military Construction and Family Housing Appropriations. Include all payments for services charged to Military Construction and Family Housing Construction Appropriations.
	a. Foreign Contractors
06A010	(1) Military Construction

Table 13-12: Line Item Captions and Descriptions Accounting Report 1 (Continued)

LINE ITEM ID CODES	LINE ITEM CAPTIONS AND DESCRIPTIONS ACCOUNTING REPORT 1
06A020	(2) Family Housing, Defense Construction
06A030	(3) Military Assistance Appropriations and Funds, Construction, Foreign Contractors
06A040	(4) Counterpart Foreign Currency Payments
	(5) Subtotal – Enter the sum of lines A.6.a.(1) through A.6.a.(4).
	(6) Less Returns to the U.S. (-)
06A06A	(a) U.S. End Products
06A06B	(b) U.S. Services
06A06C	(c) U.S. Transportation
	(d) Total Returns - Enter the sum of lines A.6.a.(6)(a) through A.6.a.(6)(c).
	(7) Total Construction Foreign Contractors - Enter the net of lines A.6.a.(5) and A.6.a.(6)(d).
	b. U.S. Contractors
06B010	(1) Military Construction
06B020	(2) Family Housing, Defense Construction
06B030	(3) Military Assistance Appropriations and Funds, Construction, U.S. Contractors
06B040	(4) Counterpart Foreign Currency Payments
	(5) Subtotal - Enter the sum of lines A.6.b.(1) through A.6.b.(4).
	(6) Less Returns to U.S.
06B06A	(a) U.S. End Products
06B06B	(b) U.S. Services
06B06C	(c) U.S. Transportation
	(d) Total Returns - Enter the sum of lines A.6.b.(6)(a) through A.6.b.(6)(c).
	(7) Net Payments to U.S. Contractors for Construction - Enter the net of lines A.6.b.(5) and A.6.b.(6)(d).
	c. Construction Materiel - This includes the procurement of materials, supplies, and equipment acquired for foreign construction projects. Report government-furnished materiel provided to contractors, procured abroad with construction funds when the material is purchased.
06C010	(1) Military Construction
06C020	(2) Family Housing, Defense Construction Categories
	(3) Subtotal - Enter the sum of lines A.6.c.(1) and A.6.c.(2).
	(4) Less Returns to the U.S. (-)
06C04A	(a) U.S. End Products
06C04B	(b) U.S. Service
06C04C	(c) U.S. Transportation

Table 13-12: Line Item Captions and Descriptions Accounting Report 1 (Continued)

LINE ITEM ID CODES	LINE ITEM CAPTIONS AND DESCRIPTIONS ACCOUNTING REPORT 1
	(d) Total Returns - Enter the sum of lines A.6.c.(4)(a) through A.6.c.(4)(c).
	(5) Net Payments for Construction Material – Enter the net of lines A.6.c.(3) and A.6.c.(4)(d).
	d. NATO Infrastructure
06D000	(1) Foreign Military Sales – Land and Structures
06D010	(2) NATO Infrastructure
06D020	(3) NATO Air Defense Ground Environment (NADGE)
	(4) Total NATO Infrastructure - Enter the sum of lines A.6.d.(1) through A.6.d.(3).
	e. Total Construction - Enter the sum of lines A.6.a.(7), A.6.b.(7), A.6.c.(5), and A.6.d.(4).
	7. Transportation - Report payments to foreign carriers for transportation of individuals or transportation of household goods and materiel, including those furnished on U.S. Government bills of lading, travel requests, and similar documents charged to the following appropriations and funds, excluding amounts reported under POL and subsistence stock funds.
07A000	a. Military Personnel, Reserve Personnel, and National Guard Personnel
07B000.	b. O&M, Transportation
07C000	c. Military Assistance Appropriations and Funds, Transportation
07D000	d. Other Appropriations and Funds, Transportation
	e. Subtotal – Enter the sum of lines A.7.a through A.7.d.
	f. Less Returns to the U.S. (-)
07F010	(1) U.S. End Products
07F020	(2) U.S. Services
07F030	(3) U.S. Transportation
	(4) Total Returns – Enter the sum of lines A.7.f.(1) through A.7.f.(3).
	g. Total Transportation - Enter the net of lines A.7.e. and A.7.f.(4).
	8. Services - Report payments for services performed overseas, including real property maintenance, repair, and minor construction, (Object classes 23, 24, and 25, excluding indirect hire, foreign nationals) from the following appropriations and funds.
	a. Foreign Contractors
	(1) O&M
08A01A	(a) Rents, Communications and Utilities

Table 13-12: Line Item Captions and Descriptions Accounting Report 1 (Continued)

LINE ITEM ID CODES	LINE ITEM CAPTIONS AND DESCRIPTIONS ACCOUNTING REPORT 1
08A01B	(b) Contract Maintenance of Equipment and Related Payments
08A01C	(c) Real Property Maintenance, Repair, and Minor Construction
08A01D	(d) Other O&M
	(e) Total Services, Foreign Contractors, O & M - Enter the sum of lines A.8.a.(1)(a) through A.8.a.(1)(d).
08A020	(2) RDT&E
08A030	(3) Military Assistance Appropriations and Funds, Services, Foreign Contractors
08A040	(4) Other Appropriations and Funds, Services, Foreign Contractors
	(5) Subtotal – Enter the sum of lines A.8.a.(1)(e) and A.8.a.(2) through A.8.a.(4).
	(6) Less Returns to the U.S. (-)
08A06A	(a) U.S. End Products
08A06B	(b) U.S. Services
08A06C	(c) U.S. Transportation
	(d) Total Returns – Enter the sum of lines A.8.a.(6)(a) through A.8.a.(6)(c).
	(7) Total Payments to Foreign Contractors for Services - Enter the net of lines A.8.a.(5) and A.8.a.(6)(d).
	b. U.S. Contractors
	(1) O&M
08B01A	(a) Real Property Maintenance, Repair, and Minor Construction
08B01B	(b) Other O&M
	(c) Total Services, U.S. Contractors, O & M - Enter the sum of lines A.8.b.(1)(a) and A.8.b.(1)(b).
08B020	(2) RDT&E
08B030	(3) Military Assistance Appropriations and Funds, Services, U.S. Contractors
08B040	(4) Other Appropriations and Funds, Services, U.S. Contractors
	(5) Subtotal - Enter the sum of lines A.8.b.(1)(c) and A.8.b.(2) through A.8.b.(4).
	(6) Less Returns to U.S. (-)
08B06A	(a) U.S. End Products
08B06B	(b) U.S. Services
08B06C	(c) U.S. Transportation
	(d) Total Returns - Enter the sum of lines A.8.b.(6)(a) through A.8.b.(6)(c).
	(7) Net Payments to U.S. Contractors for Services - Enter the net of lines A.8.b.(5) and A.8.b.(6)(d).

Table 13-12: Line Item Captions and Descriptions Accounting Report 1 (Continued)

LINE ITEM ID CODES	LINE ITEM CAPTIONS AND DESCRIPTIONS ACCOUNTING REPORT 1
	c. Net Payments to U.S. and Foreign Contractors for Services - Enter the sum of lines A.8.a.(7) and A.8.b.(7).
	9. Grants to Foreign Entities - Report cash grants paid from the following appropriations and funds. Exclude grants under Military Assistance Grant Aid authorized by the Arms Export Control Act of 1976, as amended.
09A000	a. RDT&E
09B000	b. Reserved
09C000	c. Other Appropriations and Funds
	d. Total Grants to Foreign Entities - Enter the sum of lines A.9.a through A.9.c.
	10. Other Payments - Report all other payments made abroad, not elsewhere classified.
10A000	a. O&M
10A020	b. O&M, Army
	c. Military Assistance Appropriations and Funds
10B010	(1) International Military Headquarters (Project R 1)
10B020	(2) Other Military Assistance Appropriations and Funds
	(3) Subtotal - Enter the sum of lines A.10.c.(1) and A.10.c.(2).
10B040	(4) Weapons Production Program - (Project R 5 0)
10B050	(5) Research and Development - (Projects P 1 0 and P 2 0)
	(6) Total Other Payments, Military Assistance - Enter the sum of lines A.10.c.(3), A.10.c.(4) and A.10.c.(5).
10C000	d. Retired Pay, Defense - Report payments to retired personnel living abroad.
10D000	e. Other Claims - Report claims, including death gratuities, other than personnel claims (Code 01L000).
10E000	f. Counterpart Foreign Currency Payments
10F000	g. Other Appropriations and Funds
	h. Subtotal – Enter the sum of lines A.10.a, A.10.b., A.10.c.(6), and A.10.d through A.10.g.
	i. Less Returns to the U.S. (-)
10H010	(1) U.S. End Products
10H020	(2) U.S. Services
10H030	(3) U.S. Transportation
	(4) Total Returns – Enter the sum of lines A.10.i.(1) through A.10.i.(3).

Table 13-12: Line Item Captions and Descriptions Accounting Report 1 (Continued)

LINE ITEM ID CODES	LINE ITEM CAPTIONS AND DESCRIPTIONS ACCOUNTING REPORT 1
	j. Total Other Payments - Enter the net of lines A.10.h. and A.10.i.(4).
110000	11. FT Accounts - Enter all payments from FT accounts for which management responsibility has been delegated to the DoD. The amounts reported on this line must be consistent with the total of all FT accounts reported on the Statement of Transactions and Accountability for the same period.
	12. Summary
	a. Total Payments - Enter the sum of lines A.1.r., A.2.e., A.3.e., A.4.e., A.5.h., A.6.e., A.7.g., A.8.c., A.9.d., A.10.j. and A.11.
12B000	b. Reserved
12C000	c. Reserved
12D000	d. Less Payments Reimbursable from AID, Department of State, or Funds Appropriated to the President - Enter the amount as a negative (-).
12E000	e. Less Fines, Penalties, and Forfeitures
12F000	f. Less Interest & Dividends
	g. Total Net Payments - Enter the net of line A.12.a. and lines A.12.b. through A.12.f.
	B. Collections
	13. Collections for DoD Cash Sales
13A000	a. Foreign Military Sales Trust Fund, Account 8242 - (Excludes reimbursements for prior expenditures from Account 8242)
13B000	b. Less: Refunds to the account of foreign governments from Foreign Military Sales Account 8242 - Enter the amount as a negative (-).
13C000	c. Military Assistance Appropriations, Accounts 11X1080, 11X1081, 11X1088, and 11X4116
13D000	d. Other Sales Accounts
13E000	e. Other Collections for DoD Cash Sales
	f. Total Collections for DoD Cash Sales - Enter the sum of lines B.13.a. through B.13.e.
140000	14. Advances from Foreign Countries on Sale Agreements - This line applies only to sales under long-term credits where an advance has been received this period. It does not apply to cash sales.

Table 13-12: Line Item Captions and Descriptions Accounting Report 1 (Continued)

LINE ITEM ID CODES	LINE ITEM CAPTIONS AND DESCRIPTIONS ACCOUNTING REPORT 1
	15. Repayment of Loans - Enter repayments of principal on Foreign Military Sales loans and Other DoD Loans.
15A000	a. Collection of Principal Miscellaneous Receipt Account Treasury Account 2968
15B000	b. Liquidation of Foreign Military Sales Trust Fund Account
15C000	c. Collections for Guaranty Reserve Fund 11X4121
15D000	d. Reserved
15E000	e. Reserved
15F000	f. Ryukyu Islands Power System
	g. Total Repayment of Loans - Enter the sums of lines B.15.a. through B.15.f.
	16. Joint Weapons Production and Exchange Agreements - Enter collections resulting from transactions under this program.
16A000	a. Reserved
16B000	b. Other
	c. Total Collections for Joint Weapons Production and Exchange Agreements - Enter the sum of lines B.16.a. and B.16.b.
170000	17. Contributed Currencies - Report currencies contributed by foreign governments that reimburse the U.S. Government for operating costs of MAAGs and Missions. See Volume 12, Chapter 24: "Burdensharing and Overseas Relocation Contributions By Foreign Allies."
180000	18. Collections for Sales by Property Disposal Officers - Report collections and reimbursements for all sales of surplus, excess, foreign excess, scrap, salvage, timber and lumber products, sold overseas, including the bid deposits of successful bidders recorded in: Accounts from Sales of Personal Property pursuant to exchange/sales procedures and industrial fund accounts. Exclude bid deposits recorded in Deposit Account 6500, Clearing Account 3875, and collections made directly into account 8242.
	19. Collections of Interest - Report the interest collected from foreign debtors on direct long-term credits, including fees and premiums on guaranteed loans, and other interest such as that collected on deposits in foreign banks and on advances.
190000	a. Interest Received from Loans & Financing Accounts

Table 13-12: Line Item Captions and Descriptions Accounting Report 1 (Continued)

LINE ITEM ID CODES	LINE ITEM CAPTIONS AND DESCRIPTIONS ACCOUNTING REPORT 1
19A000	b. Miscellaneous Receipt Accounts - (Other than those shown in B.19.a., B.19.c, B.19.f., and B.19.g)
19B000	c. Foreign Military Credit Sales, Account 1468
19C000	d. Foreign Military Sales Account 8242
19D000	e. FT accounts
19E000	f. Ryukyu Islands Power System Loan
19F000	g. Interest on Advances
	h. Total Collections of Interest - Enter the sum of lines B.19.a. through B.19.g.
200000	20. Collections for Deliveries of DoD Materiel and Services Billed Locally to Foreign Residents - Report collections for all logistical support or sales abroad at the amount billed and collected locally to foreign residents. Includes sales of foreign non-excess personal property and all services rendered.
210000	21. Collections for Deliveries Billed Centrally for Logistical Support - Report the amount of collections for all material and services billed centrally for logistical support furnished by a DoD Component to a foreign resident or international organization. Reported collections on this line are separate and apart from collections reported on line B.13. and will encompass all other arrangements for support of foreign country or international organization forces by the DoD Component.
220000	22. Collections for Loans and Leases of Aircraft, Vessels, and Other Equipment - Enter all reimbursements received for loan or lease of aircraft and vessels. Exclude collections for such transfers under Foreign Military Sales and Military Assistance Grant Aid - Enter all reimbursements received for loan or lease of aircraft and vessels. Exclude collections for such transfers under Foreign Military Sales and Military Assistance Grant Aid.
230000	23. Reserved
240000	24. Barter/Sales of Surplus Agricultural Products - Enter only in the worldwide summary report the amount paid to the Commodity Credit Corporation (CCC) representing barter sales of surplus agricultural products pursuant to a barter contract.
	25. Total Collections. - Enter the sum of lines B.13.f., B.14., B.15.g., B.16.c., B.17., B.18., B.19.h., and B.20. through 24.

Table 13-12: Line Item Captions and Descriptions Accounting Report 1 (Continued)

LINE ITEM ID CODES	LINE ITEM CAPTIONS AND DESCRIPTIONS ACCOUNTING REPORT 1
	C. Deliveries - Delivery data for the following categories will be prepared by appropriate agencies pursuant to DSCA 5105.38-M (Security Assistance Management Manual). Level of detail for each category and method of reporting will be established by agreement between the Office of the Under Secretary of Defense (Comptroller) (OUSD(C)) and the appropriate agency and will be implemented by the effective date of this Instruction.
260000	26. Reserved
270000	27. DoD Deliveries – Foreign Military Sales and Building Partner Capacity - Deliveries of materiel and services relative to direct sales authorized by the Arms Export Control Act of 1976, as amended, as indicated by the generic codes in DSCA 5105.38-M.
280000	28. Deliveries under Joint Weapons Production and Exchange Agreements - The value of components or services provided by the U.S. Government under weapons production programs and delivered to countries outside the U.S. by the categories stated in DSCA 5105.38-M.
	29. Interest - Do not report delivery data for interest.
	30. Deliveries by Property Disposal Officers - Do not report deliveries by Property Disposal Officers.
	31. Contributed Currencies - Do not report delivery data for contributed currencies.
	32. Deliveries of DoD Materiel and Services Billed Locally to Foreign Entities - Do not report deliveries of DoD materiel and services billed locally to foreign entities.
	33. Deliveries Billed Centrally for Logistical Support - Do not report deliveries billed centrally for logistical support.
	34. Transfers Without Reimbursement, Military Assistance Program (Grant Aid) - Transfers to foreign countries and international organizations as Military Assistance Grant Aid relative to the FAA of 1961, as amended, as indicated by the generic codes in DSCA 5105.38-M.
34A000	a. Special Drawdown Authority
34B000	b. EDA Program

Table 13-12: Line Item Captions and Descriptions Accounting Report 1 (Continued)

LINE ITEM ID CODES	LINE ITEM CAPTIONS AND DESCRIPTIONS ACCOUNTING REPORT 1
34C000	c. Under International Treaties and Agreements
	35. Loans and Leases of Aircraft, Vessels, and Other Equipment - This includes the value at unit inventory prices as carried on the books of the DoD Component at centrally controlled management offices of equipment loaned or leased to foreign governments. It excludes transfers under Foreign Military Sales and Military Assistance Grant Aid.
35A000	a. Original Deliveries
35B000	b. Less: Returns of Aircraft, Vessels, and Other Equipment (-)
35C000	c. Net Loans and Leases of Aircraft, Vessels, and Other Equipment Enter the net of lines C.35.a and C.35.b.
360000	36. Transfers of Real Property - This includes the transfer of land, buildings, utilities, and improvements, excluding leases, by a DoD Component to a foreign government or international organization, at the amount carried on the real property records. Refer to ***DoD Instruction 4165.14*** (Real Property Inventory & Forecasting).
370000	37. Joint Weapons Production and Exchange Agreements - This includes the value of end products furnished to the U.S. under joint weapons production and exchange agreements.
380000	38. Deliveries under Reimbursement from the AID, Department of State, or Funds Appropriated to the President - This includes the value of end items furnished to foreign governments.
	39. Outlays from Appropriations, Other Assistance Grant Aid - Include outlays from appropriations in support of other U.S. foreign assistance.
39A	a. Overseas Humanitarian, Disaster, and Civic Aid Defense. (97 0819)
39A000	(1) Overseas Humanitarian, Disaster, and Civic Activities 97 0819 (Gross Appropriation Amount).
39A020	(2) Less: Returns to the U.S. (97 0819).
39B	b. Cooperative Threat Reduction Account, Defense (97 0134)
39B000	(1) Former Soviet Union Threat Reduction 97 0134 (Gross Appropriation Amount).
39B020	(2) Less: Returns to the U.S. – (97 0134).
39C	c. Drug Interdiction and Counter-Drug Activities, Defense, in-country support only - Outlays from 97 0105 only for in-country support.

Table 13-12: Line Item Captions and Descriptions Accounting Report 1 (Continued)

LINE ITEM ID CODES	LINE ITEM CAPTIONS AND DESCRIPTIONS ACCOUNTING REPORT 1
39C000	(1) Drug Interdiction and Counter-Drug Activities 97 0105 (Gross Appropriation Amount).
39C020	(2) Less: Returns to the U.S. – (97 0105).
39D	d. Contingency Operations - Incremental costs collected by DFAS-Columbus under section 607 of the FAA of 1961, as amended.
39D000	(1) Contingency Operations – Incremental Costs Incurred (Gross Appropriation Amount).
39D020	(2) Less: Returns to the U.S.
39E	e. Afghanistan Security Force Fund, Army (21 2091).
39E000	(1) Afghanistan Security Force Fund, Army 21 2091 (Gross Appropriation Amount).
39E020	(2) Less: Returns to the U.S.
39F	f. Iraq Security Force Fund, Army (21 2092).
39F000	(1) Iraq Security Force Fund, Army 21 2092 (Gross Appropriation Amount).
39F020	(2) Less: Returns to the U.S.
39G	g. Commander's Emergency Relief Program (21 2020 Project 13600000000).
39G000	(1) Commander's Emergency Relief Program 21 2020 Project 13600000000 (Gross Appropriation Amount).
39G020	(2) Less: Returns to the U.S.
39H	h. Commander's Humanitarian Relief and Reconstruction Program (21 2020 Project 13619800000).
39H000	(1) Commander's Humanitarian Relief and Reconstruction Program 21 2020 Project 13619800000 (Gross Appropriation Amount).
39H020	(2) Less: Returns to the U.S.
39I	i. Iraq Relief and Reconstruction Fund, Army (21 X 2089).
39I000	(1) Iraq Relief and Reconstruction Fund, Army 21 X 2089 (Gross Appropriation Amount).
39I020	(2) Less: Returns to the U.S.
39J	j. Natural Resources Risk Remediation Fund, Defense (NRRRF) (97 X 0142).
39J000	(1) Natural Resources Risk Remediation Fund, Defense (NRRRF) 97 X 0142 (Gross Appropriation Amount).
39J020	(2) Less: Returns to the U.S.
39K	k. Global HIV/AIDS Initiative (19-97 x 1030) and Global Health and Child Survival (19-97 x 1031) 632a transfers.

Table 13-12: Line Item Captions and Descriptions Accounting Report 1 (Continued)

LINE ITEM ID CODES	LINE ITEM CAPTIONS AND DESCRIPTIONS ACCOUNTING REPORT 1
39K000	(1) Global HIV/AIDS Initiative (19-97 1030) and Global Health and Child Survival (19-97 1031) 632a transfers (Gross Appropriation Amount).
39K020	(2) Less: Returns to the U.S.
39L	l. Pakistan Counterinsurgency Fund, Army (21 2095).
39L000	(1) Pakistan Counterinsurgency Fund, Army 21 2095 (Gross Appropriation Amount).
39L020	(2) Less: Returns to the U.S.
400000	40. Military Gross Pay U.S. Personnel - This includes payments to U.S. personnel for “gross pay”.

Table 13-13: Line Item Captions and Descriptions Accounting Report 2

LINE ITEM ID CODES	LINE ITEM CAPTIONS AND DESCRIPTIONS ACCOUNTING REPORT 2
	1. Country (column 1) - List each country abroad according to the guidance provided by the NGA (see Tables 13-7 and 13-8) for which there are nonappropriated fund transactions entering the IBOP. Show data for Puerto Rico and other U.S. territories and possessions separately following the "Total" line, but not included in "Total."
202XXX	a. Sales (column 2) - This includes receipts from the sales of merchandise and services, including commissions from concessionaires. It excludes concessionaire sales and receipts from any U.S. Government agency or activity.
203XXX	b. Other Revenues (column 3) - This includes such receipts as membership dues, chaplain's funds, and net receipts from bingo or slot machines.
	c. Total Receipts (column 4) - Enter the sum of the receipts shown in columns 2 and 3.
205XXX	d. Net Pay, U.S. Personnel (column 5) - This includes net pay of U.S. civilian personnel (part time or full time), and U.S. military personnel employed while off duty.
206XXX	e. Gross Pay, Foreign Nationals (column 6) - This includes gross pay of all direct or indirect hire, foreign nationals, as well as all payments to or on behalf of the foreign nationals.
207XXX	f. Foreign Payments for Procurement of Merchandise for Resale (column 7) - This includes foreign payments for merchandise purchases for resale. It excludes payments for purchases from any U.S. Government agency or activity other than to the CCC under barter agreements.
208XXX	g. Other Foreign Payments (column 8) - This includes other payments for operating expenses, construction, renovation, and equipment not included in columns 5, 6, and 7. It excludes payments to any U.S. Government agency or activity other than to the CCC under barter agreements.
	h. Total Foreign Payments (column 9) - Enter the sum of columns 5 through 8.
210XXX	i. Net Excess of Payments or Receipts (column 10) - Enter the net of column 4 and column 9. If the payments (column 9) are greater than the receipts (column 4), the difference will be shown as a positive figure. If the receipts (column 4) are greater than the payments (column 9), the differences will be shown as a negative figure. The entry is the same as that for line 01M020 in AR-l. (Table 13-13)

Table 13-13: Line Item Captions and Descriptions Accounting Report 2 (Continued)

LINE ITEM ID CODES	LINE ITEM CAPTIONS AND DESCRIPTIONS ACCOUNTING REPORT 2
211XXX	j. Payments in Excess and Near Excess Foreign Currency (column 11) - This includes payments included in all lines made in currencies of countries designated as excess or near excess currency countries. Include only those payments with currencies obtained from official U.S. sources, i.e., military disbursing officers or U.S. Treasury disbursing officers. Do not report any payments made with currencies obtained from commercial banks or other non-U.S. official sources.
212XXX	k. Net Accommodation Sales (Foreign Currency) (column 12) - Enter the net amount of accommodation sales of foreign currency to U.S. personnel in facilities operated by nonappropriated fund or exchange activities as a memorandum entry for each country. Include the total amount sold to individuals less purchases, if any, from individuals.

*Table 13-14: Line Item Captions and Descriptions Accounting Report 3

LINE ITEM ID CODES	LINE ITEM CAPTIONS AND DESCRIPTIONS ACCOUNTING REPORT 3
	Country (column 1) – List each country abroad according to the guidance provided by the NGA (see Tables 13-7 and 13-8) for which there are MPS transactions entering the IBOP. Show data for Puerto Rico and other U.S. territories and possessions separately following the "Total" line, but not included in "Total."
301XXX	a. Meter/Postage Validation Imprinter Sales (column 2)
302XXX	b. Stamp Sales (column 3) - This includes sales to individuals
303XXX	c. Money Order Sales (column 4) - This includes sales to individuals, including fees. It excludes sales of international money orders.
304XXX	d. Money Orders Fees (column 5)
305XXX	e. Money Orders Cashed (column 6) - This includes cashed by individuals.
	f. Net Sales (column 7) - Enter the sum of columns 2 through 5, less column 6. If the payments (column 6) are greater than the receipts (columns 2 through 5), the differences will be shown as a negative figure. If the receipts (columns 2 through 5) are greater than the payments (column 6), the difference will be shown as a positive figure.

Table 13-15: DoD Component Identification Codes

The following is a list of standard codes identifying DoD Components.

DoD Component	Code
Department of the Army	A
Department of the Navy	N
Department of the Air Force	F
U.S. Marine Corps (code is M, but include with Navy)	N
Defense Contract Audit Agency (DCAA)	R
Defense Contract Management Agency (DCMA)	BL
Defense Information Systems Agency (DISA)	K
Defense Intelligence Agency (DIA)	L
Defense Logistics Agency (DLA)	S
Defense Security Cooperation Agency (DSCA)	D
National Security Agency (NSA)	U
Washington Headquarters Services, Budget and Finance Division	E

VOLUME 6A, CHAPTER 14: "DEPOT MAINTENANCE REPORTING"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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

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

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

The previous version dated March 2009 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current administrative instructions.	Revision
All	Updated organization titles.	Revision
140102	Included an "Authoritative Guidance" section.	Addition
140307.B	Added guidance for reporting contract depot maintenance costs.	Addition
140401	Realigned from paragraph 140201 to consolidate guidance. Clarified reporting category requirements. Added waiver requirement.	Revision
Addendum 1	Revised to identify only major depot maintenance activities.	Revision
Addendum 2	Revised current list of activity identifying codes used for Depot Maintenance Cost System (DMCS) reporting.	Revision
Addendum 4	Revised current list of work breakdown structure codes used for DMCS reporting.	Revision
Addendum 5	Replaced Software Support with Software Maintenance code definition.	Revision

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CHAPTER 14

DEPOT MAINTENANCE REPORTING

1401 GENERAL

140101. Purpose

This chapter prescribes Depot Maintenance Cost System (DMCS) requirements that are necessary to provide a comprehensive accounting of Department of Defense (DoD) depot maintenance workloads. The DoD Components must satisfy these requirements with regard to reporting the accomplishment and status of DoD depot maintenance workloads in:

A. DoD depot maintenance facilities;

B. Private-sector facilities;

C. Other DoD and Federal Government facilities; and

D. State, local, and foreign government facilities.

*140102. Authoritative Guidance

These requirements apply to DoD depot maintenance workloads the Components identify pursuant to Title 10 United States Code (U.S.C.) ***section 2466*** under which DoD reports to the Congress the respective depot maintenance workload levels in the public and private sectors.

1402 COST DATA GUIDANCE

140201. Scope

These requirements apply to all depot maintenance workloads regardless of DoD funding source, e.g., Defense Working Capital Fund (DWCF), Research and Development, Procurement, General Purpose Forces, Special Operations Forces, Operation and Maintenance, or other appropriations; or non-DoD funding source, such as work done for private-sector customers or other Federal, state, local, and foreign governments. Additional guidance is provided in:

A. Addendum 1 – DoD Major Depot Maintenance Activities;

B. Addendum 2 – Reporting Activity Identifying Codes;

C. Addendum 3 – DMCS Data Editing Tool Input File Format;

D. Addendum 4 – Work Breakdown Structure Codes; and

E. Addendum 5 – Work Performance Category (WPC) Codes.

140202. Cost Data Collection

The uniform recording, accumulation, and reporting of costs incurred in depot maintenance operations are required to document the use of DoD resources and to assist management in the: measurement of productivity and efficiency; development and use of performance measurement and cost standards; and identification of areas in need of increased management emphasis. In addition, the data will assist in the assessment of total DoD maintenance capability, duplication of capacity, and opportunities for areas of interservice support of maintenance workloads.

140203. Managerial Use of Cost Data

Specifically, management should have depot maintenance information to assist in:

A. Developing inputs to meet Departmental and Congressionally mandated requirements;

B. Comparing repair costs with replacement costs;

C. Overseeing the utilization of depot maintenance resources;

D. Evaluating budgets for customers and providers of depot maintenance;

E. Comparing cost trends among organic DoD depots and between organic and contract (private-sector) sources;

F. Formulating managerial direction and guidance for depot maintenance programs;

G. Evaluating depot maintenance activities for efficient use of resources;

H. Estimating depot maintenance requirements;

I. Monitoring DoD Component compliance with various congressionally mandated reporting requirements;

J. Examining the behavior of cost drivers over time; and

K. Identifying and evaluating total ownership costs.

140204. Cost Definition

To ensure that all workloads are accounted for and reported in DMCS, regardless of funding source, reporting requirements have been stratified to facilitate reporting of total DoD costs, both funded and unfunded, for organic and contract depot maintenance. For DMCS reporting purposes:

A. Funded costs are those charged to the operating funds of the performing activity or the activity reporting contract depot maintenance. Funded costs are defined from the perspective of the activity performing the work or, in the case of contract maintenance, from the perspective of the program manager or administrator responsible for reporting contract costs. Costs incurred by a DWCF or direct-funded organic activity in performance of reimbursable orders are categorized as funded, as these costs are charged to the operating account of the performing activity. Funded costs at DoD organic activities normally include items such as payroll, operating materials, supplies, and services.

B. Unfunded costs are costs financed by a DoD appropriation, activity, or entity other than that of the performing activity, or the reporting activity in the case of contract depot maintenance. In other words, financial responsibility resides with an entity other than the DMCS reporting unit. Material, such as a modification kit or other government-furnished material financed by a procurement appropriation not available to the performing activity, is an unfunded cost. For a direct-funded activity, depreciation of plant and equipment financed by procurement appropriations and facilities maintenance financed by a regional command are examples of unfunded costs.

1403 REPORTING REQUIREMENTS

140301. General Reporting Requirements

The DMCS reporting requirements contained in this chapter, including any subsequent data and format revisions, are the responsibility of the Deputy Assistant Secretary of Defense for Maintenance Policy and Programs, (DASD (MPP)), Office of the Under Secretary of Defense (Acquisition, Technology & Logistics). The DASD (MPP) must provide the data revisions and report format changes to the Office of the Under Secretary of Defense (Comptroller), Accounting & Finance Policy Directorate, for publication in subsequent revisions of this chapter. The senior official with responsibility for logistics in each DoD Component is responsible for timely reporting. The Assistant Secretary responsible for financial management in the Military Departments (or equivalent in other DoD Components) is responsible for providing complete and accurate financial data to the report preparer in sufficient time for report submission.

140302. Applicability of Reporting Requirements

The depot maintenance cost report required by this chapter applies to all Military Services and other DoD activities that accomplish depot maintenance workloads or have depot maintenance workloads accomplished by contract. This includes all work performed by DoD depot maintenance activities, as well as all DoD depot-level maintenance accomplished by other Government activities and contractors.

A. Performing and Reporting Activities.

1. Addendum 1 identifies the major DoD depots, shipyards, and other depot maintenance activities that historically have performed depot maintenance workloads. Report work performed at major depot maintenance activities listed in that addendum as

specified in subparagraph 140401.A. Report work performed by DoD activities not listed in Addendum 1 in accordance with subparagraph 140401.B. Report all other work (i.e., that performed by contractors; other Federal Government activities; and state, local, and foreign governments) as stipulated in subparagraph 140401.C by the program administering offices designated by the official in each DoD Component responsible for reporting DMCS data.

2. Addendum 2 is a list of reporting activity identifying codes. Activities performing depot maintenance not listed in Addendum 2 that are required to report will request an appropriate identifying code from DASD (MPP) or its designated agent.

B. Cost Reporting By DoD Performing Activities. Report records from DoD performing activities must reflect total costs incurred, including the cost of any subsidiary ordering from other government activities or contracting with commercial firms incident to accomplishing workloads. Due to the increasing use of contractual labor support, the report accommodates separate reporting of direct labor hours and costs of contract labor used to augment the workforce when the hours and associated costs are obtainable from local cost accounting data.

C. Cost Reporting By Other Activities.

1. Report records for DoD depot-level maintenance performed by contractors and DoD activities not listed on Addendum 1 must include all costs to DoD incurred in performing the work. These reports must:

2. Exclude intermediate-level, organizational-level, and other non-depot-level maintenance services (unless those maintenance services are an integral part of a depot-level task or contract);

3. Include the depot-level maintenance portion of Contractor Logistics Support (CLS), Interim Contractor Support (ICS), Performance-Based Logistics (PBL), and similar contracts. Report the direct costs of the depot maintenance performed, as well as associated overhead and other costs attributable to the depot-level maintenance portion of the contracts;

4. Include the cost of Government-furnished material and Government-furnished services consumed in producing a product or service, even though financed or provided by a source other than the primary reporting office or entity; and

5. Provide all appropriate categorization codes, including Item Identification, Weapon or Support System Code (WSSC), Work Breakdown Structure, WPC, and the average number of Shop Flow Days.

140303. Work Performance Categories

Addendum 5 contains the WPCs that identify the nature of work performed. In cases where there may be overlap between WPC categories, report costs in the highest level of repair.

For example, if manufacture is required to complete an overhaul because critical parts are not available, report costs as overhaul.

140304. DMCS Data Submission Process

A. Frequency and Timing of Submittal. Annual DMCS data submissions must be provided to DASD (MPP) or its designated agent no later than December 31 following the end of the fiscal year. Reporting requirement symbol AP-MP(A)1397 is assigned to this reporting requirement. Paragraph 140201 lists the parties responsible for data submission.

B. Accompanying Documents.

1. Include a transmittal memorandum with each data submission to the DASD (MPP) that includes a brief discussion of any anomalies in the data, significant changes from previous submissions, or other pertinent information to aid in processing the data. The transmittal memorandum for the report must identify a point of contact within the submitting activity for issues and questions related to the reported data.

2. Within 90 days of the initial submission due date, submit a brief narrative analysis (three to five pages) explaining trends in the data to the DASD (MPP). The focus of the narrative analysis must be on the factors driving year-to-year changes in cost and direct labor hours. These factors include changes in workload; changes in contract support (both in level of effort and in price); changes in the prices paid for labor, material, and other resources; and, when applicable, significant changes in organic maintenance processes and financial policies. Express the impact of the factors in quantitative terms (for example, an average 3.2 percent material price change or a 2.1 percent improvement in direct labor productivity).

C. Quality Control and Editing of Data Prior to Submission. The AP-MP(A)1397 report serves as a principal database in support of DASD (MPP) weapon systems depot maintenance cost and production analyses and external reporting, as well as the principal joint-service database on depot maintenance production operations. The DASD (MPP) provides a data editing and submission file creation tool in the form of a relational database application. This tool, which provides Component-specific and general edits, facilitates accuracy and consistency of data submitted by the individual Components. The use of this tool is a required element of the submission process. Provide appropriate personnel within each reporting activity with training in tool usage. In addition, the DASD (MPP) will provide each Component with tool updates on an annual basis prior to the end of the fiscal year.

D. Data Input to the Data Editing Tool. The format and content of DMCS data input to the Data Editing Tool must be in accordance with Addendum 3. The individual Military Services and the DASD (MPP) or its designated agent may agree upon alternative formatting of data.

E. Form and Method of DMCS Data Submissions. Annual AP-MP(A)1397 data must be submitted to DASD (MPP) or to its designated agent using the DMCS Data Editing Tool described in subparagraph 140304.D. The tool containing the data and associated

documentation may be compressed and submitted in a variety of ways, for example, compact disk, file transfer protocol, email, or other medium agreed upon by the DASD (MPP) or its designated agent and the reporting activity.

F. DoD-Level Review Process. The review and update of annual AP-MP(A)1397 submissions must be accomplished as follows:

1. Within 15 days of receipt of each Component submission, the DASD (MPP) or its designated agent must perform an edit of the data and provide each reporting activity or Component data consolidation point with preliminary versions of summary tables and the applicable section of the "DoD Depot Data Highlights Report." Review any data discrepancies at this time with the individual reporting activities or consolidation points;

2. Within a further 30 days, the Component must review and make appropriate updates or provide explanations to support the data as initially submitted;

3. Within 30 days following receipt of all revised Component data, the DASD (MPP) or its designated agent must prepare and publish the final versions of summary tables and the "DoD Depot Data Highlights Report." At that time, a final fiscal year database must be established as a historical file for subsequent analysis by the Office of the Secretary of Defense, the Components, and other authorized activities; and

4. Within a further 15 days, the Components must submit the narrative analyses described in subparagraph 140304.B.2.

G. Retention of Submitted Data by Reporting Facilities. Reporting activities must retain submission files for a minimum of 5 years.

140305. DMCS Data Maintenance Requirements

The Components must ensure that cost and production reporting systems retain the capability to provide an audit trail back to individual job order cost records or other data sources when needed to support DMCS report records.

140306. Report Record Data Requirements

A report record is required for each type of depot maintenance work (Field 14) performed for each different weapon system or item identification number as indicated by different data entries in Addendum 3. Consolidate data for similar job orders provided the item repaired, services performed, and other report record fields are consistent. All fields in Addendum 3 are mandatory except for those explicitly identified as "Not Used." "Not Used" fields may be employed by Reporting Activities for internal use or left blank. Where quantitative data such as costs and man-hours are required, enter "0" (zero) if there are no data associated with the fields. Null mandatory fields are not acceptable.

A. The DASD (MPP) or its designated agent must maintain lookup tables of pertinent data elements and codes for use by the Military Departments in compiling the DMCS report. These tables will include Weapon or Support System Codes, Performing Activity Identification Codes, Reporting Activity Identification Codes, WPC Codes, Item Identification Codes and Nomenclature, Work Breakdown Structure Codes, and Customer Codes. Components will review the codes annually and notify the DASD (MPP), or the designated representative, of any needed additions or deletions. Do not change codes at any other time except by agreement between the DASD (MPP) or its designated agent and the individual Components.

B. The Defense Finance and Accounting Service (DFAS) must work with the Components to ensure that DFAS financial systems retain the capability to provide cost detail needed to satisfy the reporting requirements of this chapter. Preparation of the DMCS report must be the responsibility of the DoD Component performing the work or managing the contract.

C. Each depot maintenance reporting activity must implement quality assurance procedures to be applied to each DMCS record as it is created and populated. Such procedures must include validity checks to prevent errors, such as identifying an F/A-18A aircraft as a submarine or a High Mobility Multipurpose Wheeled Vehicle (HMMWV) as a tank. Each reporting activity that consolidates DMCS organic and contract records must also implement quality control procedures for all its performing facilities. Prior to data submission, reporting facilities must use the DMCS Data Editing Tool or similar application to validate the records.

*140307. Report Record Type

The data submission report must consist of two types of report records. For both types, the costs reported must be cumulative from inception.

A. The first type is cumulative costs for financially completed work. Identify all reported transaction records with a "C" in Field 51 for financially completed customer orders. The reported amount for work completed by contractors must equal the total cost (funded and unfunded) incurred.

* B. The second type is cumulative costs for not financially complete work. Report these costs in order to form a complete picture of the work accomplished at each activity performing depot maintenance. Identify report records for financial work that is incomplete with a "W" in Field 51. When reporting contract costs (Field 36), enter the sum of the contract costs accumulated since inception of the contract that are attributable to the work accomplished.

140308. Report Record Corrections

Once an annual DMCS report cycle is completed and the results published, the data should remain unchanged. Therefore, it is important to incorporate corrections and adjustments in the original report records. The only exceptions must be for corrections or adjustments that materially change a total for an entire performing facility. In the event significant corrections to

prior year data become necessary, contact the DASD (MPP) or its designated agent to coordinate processing the necessary changes.

140309. Additional Reporting Requirements

In addition to the reporting requirements outlined in this chapter, depot maintenance activities are subject to reporting requirements specified in other chapters.

1404 REPORTING CATEGORIES AND DATA REQUIREMENTS

*140401. Workload Reporting Activities

Depot maintenance is performed at DoD depots, at private-sector commercial contractor facilities, and at other DoD activities, such as intermediate maintenance facilities (IMF), arsenals, ordnance stations, or public works centers. The DoD depot maintenance activities that are funded by DWCF are required to follow the formal job order accounting requirements specified in Volume 11B, Chapter 13, "Cost Accounting Requirements for Depot Maintenance." Other DoD activities performing depot maintenance workloads may use other cost finding procedures to satisfy the reporting requirements specified in Section 1403.

All activities performing depot maintenance will report workload identification data, as required, in Fields 1-16. Cost and production data reporting requirements (Fields 17-54) vary, depending upon the category of activity performing the work. Reporting categories and data requirements must be as follows:

A. DoD Major Depot Maintenance Activities. Addendum 1 lists the major depot maintenance activities under the headings: Army Depot; Naval Shipyards; Fleet Readiness Centers; Marine Corps Depots; and Air Force Depots. Funded and unfunded DoD costs for these activities are reported in Fields 17 through 35, with an owner/operator code (Field 7) of "1." The cost of work suballocated, in part, by a depot to another DoD facility or commercial firm must be reported as an "other direct-funded cost" (Field 30). These major maintenance activities must report all work accomplished by the activity;

B. DoD Activities Not Listed in Addendum 1. The program manager or DoD entity (as determined by each Component's DMCS reporting official) responsible for program oversight must report funded and unfunded DoD costs for these activities in Fields 17 through 35, with an owner/operator code (Field 7) of "2". If the cost finding procedures of the reporting facility are not sufficiently robust to adequately identify the detailed costs required in Fields 17 through 35, a waiver must be requested from DASD (MPP) to permit reporting costs in Fields 36, 37, and 41; and

C. Non-DoD Facilities. Work performed at commercially-owned/ commercially-operated (COCO) facilities; government-owned/contractor-operated (GOCO) facilities; non-DoD government activities; and state, local, and foreign government facilities must be reported by the DoD activity initiating the order (e.g., systems program offices, program managers, major commands, major subordinate commands, Fleet Forces Command, the Naval

Inventory Control Points, and other activities that use DoD funds, regardless of source, to obtain depot maintenance from non-DoD entities). Reporting activities must ensure that data submissions for depot maintenance performed at non-DoD activities are complete and accurate and that report records reflect an owner/operator code of "3" in Field 7, non-DoD entity costs in Field 36, and government-furnished materials and services costs in Fields 37 and 41. Government-furnished materials and services include goods and services funded or provided by a sponsor or contract other than administered by the primary reporting entity.

140402. Primary Workload Reporting Data Fields

The DMCS reports from all activities must identify the item worked on, the WPC, and work breakdown structure classification to the extent economically feasible.

1405 SPECIAL REPORTS

Any one-time or additional reports required must be as prescribed by the Director for Accounting & Finance Policy or the DASD (MPP).

*ADDENDUM 1 - DoD Major Depot Maintenance Activities

*ADDENDUM 1
DoD MAJOR DEPOT MAINTENANCE ACTIVITIES
(Activities That Report With a "1" in Field 7)

DEPARTMENT OF THE ARMY

Army Depots	Location
Anniston Army Depot	Anniston, Alabama
Corpus Christi Army Depot	Corpus Christi, Texas
Letterkenny Army Depot	Chambersburg, Pennsylvania
Red River Army Depot	Texarkana, Texas
Tobyhanna Army Depot	Tobyhanna, Pennsylvania

DEPARTMENT OF THE NAVY

Naval Shipyards	Location
Norfolk Naval Shipyard	Portsmouth, Virginia
Pearl Harbor Naval Shipyard and IMF	Pearl Harbor, Hawaii
Portsmouth Naval Shipyard	Kittery, Maine
Puget Sound Naval Shipyard and IMF	Bremerton, Washington

Fleet Readiness Centers (FRCs)	Location
FRC East	Cherry Point, North Carolina
FRC Southeast	Jacksonville, Florida
FRC Southwest	North Island, California

MARINE CORPS

Marine Corps Depots	Location
Maintenance Center Albany	Albany, Georgia
Maintenance Center Barstow	Barstow, California

DEPARTMENT OF THE AIR FORCE

Air Force Depots	Location
Ogden Air Logistics Center (ALC)	Hill Air Force Base (AFB), Utah
Oklahoma City ALC	Tinker AFB, Oklahoma
Warner-Robins ALC	Robins AFB, Georgia

Aerospace Maintenance and Regeneration Group (AMARG) (report may be submitted in conjunction with Ogden Air Logistics Center)	Davis-Monthan AFB, Arizona

*ADDENDUM 2 - Reporting Activity Identifying Codes

*ADDENDUM 2 REPORTING ACTIVITY IDENTIFYING CODES (Codes To Be Used in Field 8)		
IDENTIFYING CODE	**ACTIVITY NAME**	**DoD COMPONENT**
0ZTW5	Aerospace Maintenance and Regeneration Group (AMARG)	Air Force
98747	Ogden Air Logistics Center (ALC)	Air Force
98748	Oklahoma City ALC	Air Force
98752	Warner-Robins ALC	Air Force
H0000	Aviation and Missile Command (AMCOM)–Air	Army
L0000	AMCOM–Missile	Army
75117	Anniston Army Depot (AD)	Army
HQAMC	Army Materiel Command Headquarters	Army
G0000	U.S. Army Communications-Electronics Command (CECOM)	Army
0SDA4	Corpus Christi AD	Army
0NDM7	Letterkenny AD	Army
67101	Red River AD	Army
B0000	Research, Development and Engineering Command (RDCOM)	Army
M0000	U.S. Army Tank–Automotive and Armaments Command (TACOM) Rock Island	Army
K0000	TACOM Warren	Army
14850	Tobyhanna AD	Army
99998	Defense Supply Center, Richmond, Product Center 12	DLA
67004	Marine Corps Logistics Command (MCLC)	Marine Corps
67854	Marine Corps Systems Command (SYSCOM)	Marine Corps
67100	Marine Depot Maintenance Command (MDMC)	Marine Corps
94700	MDMC, Production Plant Albany	Marine Corps
93636	MDMC, Production Plant Barstow	Marine Corps
65923	FRC East	Navy
65886	FRC Southeast	Navy
44321	FRC West	Navy
44329	FRC Northwest	Navy
65888	FRC Southwest	Navy
44327	FRC Mid-Atlantic	Navy
66021	FRC Western Pacific	Navy
68778	FRC Support Equipment Facility	Navy
30003	Naval Air Systems Command (NAVAIR) Headquarters	Navy
00383	Navy Supply Systems Command, Weapon Systems	Navy

*ADDENDUM 2
REPORTING ACTIVITY IDENTIFYING CODES
(Codes To Be Used in Field 8)

IDENTIFYING CODE	ACTIVITY NAME	DoD COMPONENT
	Support (NAVSUP WSS), Philadelphia	
00104	NAVSUP WSS-Mechanicsburg	Navy
81601	Norfolk Naval Shipyard (NSY)	Navy
89103	Pearl Harbor NSY and Intermediate Maintenance Facility (IMF)	Navy
81316	Portsmouth NSY	Navy
82522	Puget Sound NSY and IMF	Navy
00164	Naval Surface Warfare Center (NSWC) Crane	Navy
00253	Naval Underwater Warfare Center (NUWC) Keyport	Navy
66001	Space and Naval Warfare Systems Center (SSC), Pacific	Navy
65236	SSC Atlantic	Navy
32253	Hawaii Regional Maintenance Center (RMC)	Navy
4523A	Northwest RMC	Navy
40025	Mid-Atlantic RMC	Navy
69097	Southwest RMC	Navy
40027	Southeast RMC	Navy
62758	Japan RMC	Navy
W4G8AA	U.S. Army Communications – Electronics Research, Development and Engineering Center (CERDEC)	Army
W1DFAA	U.S. Army Aviation and Missile Research Development and Engineering Center (AMRDEC)	Army
W4GHAA	U.S. Army Tank Automotive Research, Development and Engineering Center (TARDEC)	Army
66630	Naval Air Warfare Center Weapons Division (NAWCWD), Point Mugu	Navy
68936	NAWCWD, China Lake	Navy
68335	NAWC, Lakehurst	Navy

ADDENDUM 3 - Section A: DMCS Data Editing Tool Input File Format

ADDENDUM 3 SECTION A DMCS DATA EDITING TOOL INPUT FILE FORMAT			
FIELD NO.	**DESCRIPTION OF DATA**	**POSITIONS**	**NO. OF POSITIONS**
RECORD IDENTIFICATION:			
1	Not Used (Leave Blank)	1	1A/N
2	Not Used (Leave Blank)	2	1A/N
3	Fiscal Year	3–4	2N
IDENTIFICATION OF FACILITY:			
4	a. Not Used (Leave Blank) b. Reporting Component	5-9 10	5A/N 1A
5	Performing Activity Identifying Code a. Organic Activity Identifying Commercial and Government Entity (CAGE) or Other Identifying Code b. Not Used (Leave Blank)	 11-15 16-24	 5A/N 9A/N
6	Not Used (Leave Blank)	25	1A/N
7	Owner and/or Operator Code	26	1N
8	Reporting Activity Identifying Code	27–31	5A/N
IDENTIFICATION OF ITEM AND/OR SERVICE AND CUSTOMER:			
9	Item Identification Code	32–44	13A/N
10	Item Nomenclature	45–64	20A/N
11	Not Used (Leave Blank)	65–74	10A/N
12	WSSC	75–78	4A/N
13	Work Breakdown Structure Code	79–81	3A/N
14	WPC	82–84	3A/N
15	a. Customer Code b. Not Used (Leave Blank)	85 86	1A/N 1A/N
16	Not Used (Leave Blank)	None	0
LABOR HOUR AND COST DATA:			
17	Direct Civilian Labor—Funded Costs	87–94	8N

ADDENDUM 3
SECTION A
DMCS DATA EDITING TOOL INPUT FILE FORMAT

FIELD NO.	DESCRIPTION OF DATA	POSITIONS	NO. OF POSITIONS
18	Direct Civilian Labor—Funded Hours	95–102	8N
19	Contract Labor Augmentation of Direct Workforce—Funded Costs	103–110	8N
20	Contract Labor Augmentation of Direct Workforce—Funded Hours	111–118	8N
21	Direct Military Labor—Funded Costs	119–126	8N
22	Direct Military Labor—Funded Hours	127–134	8N
23	Direct Military Labor—Unfunded Costs	135–142	8N
24	Direct Military Labor—Unfunded Hours	143–150	8N
25	Direct Material—Funded Costs	151–158	8N
26	Direct Material—Unfunded Costs	159–166	8N
27	Direct Civilian Labor—Unfunded Costs	167–174	8N
28	Direct Civilian Labor—Unfunded Hours	175–182	8N
29	Not Used (Leave Blank)	183–190	8A/N
30	Other Direct—Funded Costs	191–198	8N
31	Other Direct—Unfunded Costs	199–206	8N
32	Operations Overhead—Funded Costs	207–214	8N
33	Operations Overhead—Unfunded Costs	215–222	8N
34	General and Administrative—Funded Costs	223–230	8N
35	General and Administrative—Unfunded Costs	231–238	8N
36	Contract and/or Other Maintenance Activity—Funded and Unfunded Costs	239–246	8N
37	Government-Furnished Material—Funded and Unfunded Costs	247–254	8N
38	Not Used (Leave Blank)	255–262	8A/N
39	Not Used (Leave Blank)	263–270	8A/N
40	Not Used (Leave Blank)	271–278	8A/N
41	Government-Furnished Services—Funded and Unfunded Costs	279–286	8N

ADDENDUM 3
SECTION A
DMCS DATA EDITING TOOL INPUT FILE FORMAT

FIELD NO.	DESCRIPTION OF DATA	POSITIONS	NO. OF POSITIONS
42	Not Used (Leave Blank)	287–294	8A/N
43	Not Used (Leave Blank)	295	1A/N
PERFORMANCE-PRODUCTIVITY (PRODUCTION) DATA:			
44	Not Used (Leave Blank)	296–310	15A/N
45	Total Production Quantity	311–318	8N
46	Report Data Record Identifier	319–326	8A/N
47	Not Used (Leave Blank)	327–334	8A/N
48	Not Used (Leave Blank)	335–342	8A/N
49	Not Used (Leave Blank)	343–350	8A/N
50	Shop Flow Days	351–354	4N
51	Work Status Code	355	1A
52	Not Used (Leave Blank)	356	1A/N
53	Not Used (Leave Blank)	357	1A/N
54	Not Used (Leave Blank)	358–360	3A/N

ADDENDUM 3
SECTION B
EXPLANATION OF ENTRIES REQUIRED FOR DMCS REPORTING

1. Field 1—Not Used

2. Field 2—Not Used

3. Field 3—Fiscal Year. Enter the two terminal digits of the current fiscal year being reported.

4. Field 4—Reporting Component. In position 10, enter A (Army), F (Air Force), M (Marine Corps), N (Navy), or S (Defense Logistics Agency) to designate the DoD Component providing the report.

5. Field 5—Performing Activity Identifying Code

   a. Organic Activity Identifying Code. If the activity is Government-operated (Code 1 or 2 in Field 7), then enter the identifying code in positions 11 through 15 for the activity identified in Addendum 2.

   b. Contractor CAGE or Identifying Code. If the maintenance is contractor-performed (Code 3 in Field 7), then enter the contract activity's CAGE code or other unique, approved 5-digit identifier as specified by the Defense Logistics Information Service (DLIS). Start in position 11 and leave positions 16 through 24 blank. Request a CAGE code if one has not been established for a contractor.

6. Field 6—Not Used

7. Field 7—Owner and/or Operator Code. Enter one of the following to indicate the type of activity performing the maintenance.

   Code 1—DoD Major Depot Maintenance Activities (DoD Component organic maintenance activities listed in Addendum 1). When Code 1 is entered in Field 7, report costs in Fields 17 through 35. Fields 36, 37, and 41 must be zero filled.

   Code 2—Other DoD Facilities (DoD Component in-house maintenance activities not listed in Addendum 1). When Code 2 is entered in Field 7, report costs in Fields 17 through 35. Fields 36, 37 and 41 must be zero filled.

   Code 3—COCO, GOCO, and other non-DoD entities (other Federal Government activities; state, local, and foreign governments). When Code 3 is entered, report costs in Fields 36, 37, and 41. Fields 17 through 28 and 30 through 35 must be zero filled.

8. Field 8—Reporting Activity Identifying Code. A code identifying the reporting activity, including activities contracting for depot maintenance work with commercial contractors. Enter the reporting activity's identifying code as specified in Addendum 2. Depot maintenance activities performing in-house work for all other DoD activities, including other depot maintenance activities, must report their work by using their own identifying code in this field.

9. Field 9—Item Identification Code. A code to identify the specific item on which depot maintenance was or is being performed. Do not use punctuation or special characters such as dashes, slashes, or blank spaces between characters. Start in position 32 and enter left justified up to 13 characters; zero fill unused positions. Sample entries for this field are as follows:

   a. If the item is an aerospace vehicle (aircraft, guided missile, rocket, or probe), then show the mission design series according to ***DoD Directive 4120.15E*** and listed in ***DoD 4120.15-L***, "Model Designation of Military Aerospace Vehicles."

ITEMS	POSITIONS												
	32	33	34	35	36	37	38	39	40	41	42	43	44
Basic (Standard) Mission Aircraft	F	1	6	C	Ø	Ø	Ø	Ø	Ø	Ø	Ø	Ø	Ø
Modified (Special) Mission Aircraft	M	H	5	3	E	Ø	Ø	Ø	Ø	Ø	Ø	Ø	Ø
Special Test (Permanent) Aircraft	N	K	C	1	3	5	E	Ø	Ø	Ø	Ø	Ø	Ø
Basic (Standard) Missile	U	G	M	1	3	3	A	Ø	Ø	Ø	Ø	Ø	Ø
Basic (Standard) Rocket	R	U	R	5	A	Ø	Ø	Ø	Ø	Ø	Ø	Ø	Ø
Basic (Standard) Probe	P	W	N	1	2	A	Ø	Ø	Ø	Ø	Ø	Ø	Ø

NOTE: Ø is numeric; O is alphabetic.

   b. If the item is an aerospace vehicle propulsion engine, equipment or aeronautical support equipment, or photographic item, then show the type designation according to Military Handbook 1812, "Type Designation, Assignment, and Method for Obtaining."

ITEMS	POSITIONS												
	32	33	34	35	36	37	38	39	40	41	42	43	44
Turbofan Engine	F	1	1	8	G	E	1	Ø	Ø	A	Ø	Ø	Ø
Turboshaft, Turboprop Engine	T	F	3	4	G	E	1	Ø	Ø	B	Ø	Ø	Ø
Solid Propellant Rocket Motor	S	R	1	1	Ø	A	D	1	A	Ø	Ø	Ø	Ø
Manufacturer's Model Engine	C	F	M	5	6	2	A	2	Ø	Ø	Ø	Ø	Ø
Reconnaissance Camera	K	A	7	A	Ø	Ø	Ø	Ø	Ø	Ø	Ø	Ø	Ø
Crash/Fire Truck	A	S	3	2	P	2	6	Ø	Ø	Ø	Ø	Ø	Ø
Chemical Alarm Unit	A	E	2	3	D	3	Ø	Ø	Ø	Ø	Ø	Ø	Ø

NOTE: Ø is numeric; O is alphabetic.

c. If the item is a vessel, then show ship type and hull number in the first eight positions and zero fill the remaining five positions.

d. If ammunition rework or renovation is performed by a depot-level maintenance activity, then total cost must be recorded by work breakdown structure code H3 (Field 13) only and this field must be zero filled.

e. If items "a" through "d" for Field 9 do not apply, and the job order is for repair of items with the same national stock number (NSN) identification, then enter that NSN, such as 6730001161618 in positions 32 through 44.

f. If items "a" through "e" for Field 9 do not apply, enter the letters or numbers used for the identification of the job order. The first 4 digits should identify the Federal Supply Class and, of the remaining nine positions, one must be alphabetic. Zero fill when WPC (Field 14) is "Other Work (T)."

10. Field 10—Item Nomenclature. A 20-digit field describing the specific item on which maintenance was performed, or the support service that was performed. Use common abbreviations if more than 20 positions would otherwise be required. Start in position 45 and leave blank, unused positions to the right (left justify).

a. For aircraft and missiles, use popular names, if assigned, such as Patriot, Cobra, Phoenix, Falcon, Minuteman, and Harrier. If a popular name has not been assigned or is unknown, then use the basic mission of the aircraft or missile, such as Fighter Aircraft, Trainer Aircraft, Cargo Trans Aircraft, Util Helicopter, or Surface Attack Missile. DoD 4120.15-L, "Model Designation of Military Aerospace Vehicles," includes a current complete listing.

b. For aircraft and rocket engines, use the name of the engine type. Examples are Turbofan Engine, and Rocket Motor.

c. For vessels, use the name of the ship. An example is the U.S. Ship (USS) Georgia.

d. For conventional ammunition, use "Ammunition."

e. For items with an NSN, use the standard description maintained by DLIS in the Federal Logistics Information System (FLIS).

f. For all other items, use the noun and modifiers that adequately describe the item.

11. Field 11—Not Used

12. Field 12—Weapon or Support System Code. A code identifying a specific weapon or support system. Use code 997 if an item cannot be identified to a specific weapon or support system, but can be identified in Field 13 to a major commodity group (such as aircraft, and missiles) and to a category (such as fighters and bombers) within the major commodity group. Use code 998 if identification is possible only to the major commodity group and not to a category. Use code 999 if identification cannot be made to a major commodity group and the Work Breakdown Structure Code L11 is used in Field 13.

13. Field 13—Work Breakdown Structure Code. A code to identify the specific type of weapon or support system to which the item described by the Item Identification Code (Field 9) and Item Nomenclature (Field 10) applies. Use the Work Breakdown Structure Code established in Addendum 4, to this chapter. Use code L11 if the item, service, or investment cannot be identified with a specifically listed Work Breakdown Structure Code and Code 999 is used in Field 12.

14. Field 14—WPC. A code to categorize the type of maintenance work performed on the item identified in Field 9 or the type of maintenance service provided. Use the Codes in Addendum 5. Subcategorize basic alpha codes with a numerical designation by each Component as required for internal management and analysis, budget review, and justification. If the report record is "N" (Technical Assistance) or "T" (Other Work), then Fields 45 and 50 must be zero.

15. Field 15—Customer Code. A code identifying the DoD Program and Department or Agency billed for the maintenance cost (that is, "Sales code"). In Position 85, enter A (Army), N (Navy), F (Air Force), M (Marine Corps), or D (Defense Agency) to designate a DoD customer. Enter Y for other Federal agencies or a Z for all non-Federal customers. Leave position 86 blank.

16. Field 16—Not Used

Fields 17–42—Labor Hour and Cost Data. The direct labor hours and summary elements of reported costs are set forth in Addendum 3. The various elements of cost are explained in detail in the basic chapter. Some clarifying notations are included for certain fields. In addition:

a. "Funded" and "Unfunded" costs are defined in paragraph 140204.

b. Entries in direct labor hour's fields must be the actual hours expended rather than standard (or "earned") hours.

17. Field 17—Direct Civilian Labor—Funded Costs

18. Field 18—Direct Civilian Labor—Funded Hours

19. Field 19—Contract Labor Augmentation of Direct Workforce—Funded Costs. Funded costs for direct labor performed by contract personnel who augment the organic workforce, working side by side with Government personnel, and whose time is recorded in the local time and attendance system. This excludes contract personnel working at a Government depot under a contract for delivery of a specific product such as painting an aircraft for a fixed price per aircraft. Also excluded are contract personnel performing indirect or overhead support functions.

20. Field 20—Contract Labor Augmentation of Direct Workforce—Funded Hours. Funded hours for direct labor performed by contract personnel who augment the organic workforce, working side by side with Government personnel, and whose time is recorded in the local time and attendance system. This excludes contract personnel working at a Government depot under a contract for delivery of a specific product, such as painting an aircraft for a fixed price per aircraft. Also excluded are contract personnel performing indirect or overhead support functions.

21. Field 21—Direct Military Labor—Funded Costs. Since the majority of military personnel at depot maintenance activities are there for reasons other than business requirements, their cost is to be reported based upon civilian equivalent rates that are provided by the DoD Comptroller. These are the rates reflected in DWCF activity budgets.

22. Field 22—Direct Military Labor—Funded Hours

23. Field 23—Direct Military Labor—Unfunded Costs. The labor cost for military personnel not funded by the performing activity. The cost calculation is based upon civilian equivalent rates that are provided by the DoD Comptroller. This Field includes military personnel at a direct-funded activity or military personnel temporarily working under the supervision of a DWCF activity.

24. Field 24—Direct Military Labor—Unfunded Hours. The labor hours for military personnel not funded by the performing activity. This Field includes military personnel at a direct-funded activity or military personnel temporarily working under the supervision of a DWCF activity.

25. Field 25—Direct Material—Funded Costs

26. Field 26—Direct Material—Unfunded Costs. Includes material provided at no cost to the performing activity.

27. Field 27—Direct Civilian Labor—Unfunded Costs. The civilian labor cost for Government (Civil Service) employees not funded by the performing activity. This Field excludes contractor personnel used for workforce augmentation.

28. Field 28—Direct Civilian Labor—Unfunded Hours. The civilian labor hours for Government (Civil Service) employees not funded by the performing activity. This Field excludes contractor personnel used for workforce augmentation.

29. Field 29—Not Used

30. Field 30—Other Direct—Funded Costs. For example, contracted services.

31. Field 31—Other Direct—Unfunded Costs. For example, customer provided services.

32. Field 32—Operations Overhead—Funded Costs

33. Field 33—Operations Overhead—Unfunded Costs. For example, military personnel cost for indirect effort.

34. Field 34—General and Administrative—Funded Costs

35. Field 35—General and Administrative—Unfunded Costs

36. Field 36—Contract and/or Other Maintenance Activity—Funded and Unfunded Costs. When code 3 is entered in Field 7, this field must be the total cost of the contract. Report government-furnished material or services consumed in the production of contract maintenance in Field 37 or Field 41 as applicable. When code 1 or 2 is entered in Field 7, this field must be zero filled.

37. Field 37—Government-Furnished Material—Funded and Unfunded Costs

38. Field 38—Not Used

39. Field 39—Not Used

40. Field 40—Not Used

41. Field 41—Government-Furnished Services—Funded and Unfunded Costs

42. Field 42—Not Used

43. Field 43—Not Used

44. Field 44—Not Used

45. Field 45—Total Production Quantity

    a. If Field 51 is a "C," then enter the total quantity of items for which work was completed and reported by this transaction record (including contractor-performed work reported with a "3" in Field 7). This field must be zero filled for WPCs "N" and "T."

    b. If Field 51 is a "W," then enter the total quantity of items covered by job orders that are not yet financially complete at the end of the period covered by the report record. This field must be zero filled for WPCs "N" and "T."

46. Field 46—Report Data Record Identifier. A unique DoD Component alpha and/or numeric code used to identify each individual report transaction record. Use the field to permit the unique identification of each report record. For DoD organic activities, it is recommended that the job order number or similar production control number be entered. In all cases, the numbering scheme should:

    a. Uniquely identify each job order, consolidation of similar job orders, or similar production control number;

    b. Support queries into the source of data appearing in DMCS report records; and

    c. Support year-to-year tracking by job order number (or similar production control number).

47. Field 47—Not Used

48. Field 48—Not Used

49. Field 49—Not Used

50. Field 50—Shop Flow Days

    a. If Field 51 is a "C," then report the average number of days that the items being reported were in process; that is, from the date an item is physically inducted to the date the item is completed, passed its final inspection, and is ready for delivery to the customer. The field may be left blank for contractor-performed work or for work performed at another depot maintenance activity if the number of days in process cannot be determined. Make reasonable efforts to provide accurate data for all applicable records submitted.

    b. If Field 51 is a "W," then report the average number of days that each item was in process; that is, since the date of physical induction.

51. Field 51—Work Status Code. A single-digit alpha code that indicates if the transaction being reported has been financially completed, or is still in process at the time of the report.

    a. Enter a "C" if the reported transaction is financially complete.

    b. Enter a "W" if the transaction being reported is not financially complete as of the report date.

52. Field 52—Not Used

53. Field 53—Not Used

54. Field 54—Not Used

*ADDENDUM 4 - Work Breakdown Structure Codes

*ADDENDUM 4 WORK BREAKDOWN STRUCTURE CODES (Codes To Be Used in Field 13)			
POSITION			**DESCRIPTION**
79	**80**	**81**	
A	0	0	Aircraft
	1	0	Fighters
		1	Basic Aircraft
		2	Engine
		3	Aircraft and Engine Accessories and Components
		4	Electronics and Communications Equipment
		5	Armament
		6	Support Equipment
		7	Other
		8	Software
	2	0	Bombers
		*	Same as for Fighters
	3	0	Cargo and/or Transports
		*	Same as for Fighters
	4	0	Trainers
		*	Same as for Fighters
	5	0	Utility (Includes fixed-wing aircraft with a "U" designation and "C" series aircraft used in an executive aircraft role)
		*	Same as for Fighters
	6	0	Attack
		*	Same as for Fighters
	7	0	Patrol
		*	Same as for Fighters
	8	0	Antisubmarine
		*	Same as for Fighters
	9	0	Other/Multiple Aircraft Types
		*	Same as for Fighters
	A	0	Tankers
		*	Same as for Fighters
	B	0	Attack Helicopters
		*	Same as for Fighters
	C	0	Transport Helicopters
		*	Same as for Fighters
	D	0	Unmanned Aerial Vehicles/Systems
		*	Same as for Fighters
B	0	0	Automotive

*ADDENDUM 4
WORK BREAKDOWN STRUCTURE CODES
(Codes To Be Used in Field 13)

POSITION			DESCRIPTION
79	80	81	
	1	0	Tactical Vehicles
		1	Basic Vehicle (Hull and/or Body Frame and Installed Systems)
		2	Engine
		3	Vehicle and Engine Components and Accessories
		4	Electronic And Communications Equipment
		5	Armament
		6	Support Equipment
		7	Other
		8	Software
	2	0	Support Vehicles
		*	Same as for Tactical Vehicles
	3	0	Administrative
		*	Same as for Tactical Vehicles
	4	0	Unmanned Vehicles/Systems
		*	Same as for Tactical Vehicles
C	0	0	Combat Vehicles
	1	0	Tanks
		*	Same as for Tactical Vehicles
	2	0	Armored Personnel Carriers
		*	Same as for Tactical Vehicles
	3	0	Self-Propelled Artillery
		*	Same as for Tactical Vehicles
	4	0	Other/Multiple Combat Vehicles
		*	Same as for Tactical Vehicles
	5	0	Amphibious Vehicles
		*	Same as for Tactical Vehicles
	6	0	Unmanned Combat Vehicles/Systems
		*	Same as for Tactical Vehicles
D	0	0	Construction Equipment
	1	0	Tractors and Earth Moving Equipment
		1	Basic Vehicle (Hull and/or Body Frame and Installed Systems)
		2	Engine
		3	Vehicle and Engine Components and Accessories
		4	Other
		5	Software
	2	0	Cranes and Shovels
		*	Same as for Tractors and Earth Moving Equipment

*ADDENDUM 4
WORK BREAKDOWN STRUCTURE CODES
(Codes To Be Used in Field 13)

POSITION			DESCRIPTION
79	80	81	
	3	0	Other
		*	Same as for Tractors and Earth Moving Equipment
E	0	0	Electronics and Communications Systems
	1	**	Radio
	2	**	Radar
	3	**	Computer
	4	**	Wire and Communications
	5	**	Other
	6	**	Electro Optical or Infra Red
	7	**	Software
F	0	0	Missiles
	1	0	Ballistic Missiles
		1	Basic Missile (Frame)
		2	Propulsion System and Components
		3	Missile Accessories and Components
		4	Support and Launch Equipment
		5	Guidance System and Components
		6	Surface Communications and Control Systems
		7	Payload System and Components
		8	Other
		9	Software
	2	0	Other Missiles
		*	Same as for Ballistic Missiles
	3	0	Tactical Missiles
		*	Same as for Ballistic Missiles
G	0	0	Ships
	1	0	Cruisers
		1	Hull Structure
		2	Propulsion Plant
		3	Electric Plant
		4	Command and Surveillance
		5	Auxiliary Systems
		6	Outfit and Furnishings
		7	Armament
		8	Engineering (Direct Support)
		9	Ship Support Service
		A	Software

*ADDENDUM 4
WORK BREAKDOWN STRUCTURE CODES
(Codes To Be Used in Field 13)

POSITION			DESCRIPTION
79	80	81	
	2	0	Aircraft Carriers
		*	Same as for Cruisers
	3	0	Destroyers
		*	Same as for Cruisers
	4	0	Submarines – Attack
		*	Same as for Cruisers
	5	0	Patrol Vessels
		*	Same as for Cruisers
	6	0	Mine Warfare Vessels
		*	Same as for Cruisers
	7	0	Auxiliary and Amphibious Vessels
		*	Same as for Cruisers
	8	0	Service Craft and Miscellaneous Vessels
		*	Same as for Cruisers
	9	0	Frigates
		*	Same as for Cruisers
	A	0	Submarines – Ballistic
		*	Same as for Cruisers
	B	0	Littoral Combat Ships
		*	Same as for Cruisers
	C	0	Unmanned Undersea Vehicles/Systems
		*	Same as for Cruisers
H	0	0	Ordnance Weapons and Munitions
	1	**	Nuclear Weapons
	2	**	Chemical and Biological Weapons
	3	**	Conventional Arms and Explosives
	4	**	Small Arms
	5	**	Artillery and Guns
	6	**	Other
	7	**	Software
I			Not Used
J			Not Used
K	0	**	General Purpose Equipment
	1	**	Rail Equipment
	2	**	Generator or Sets
	3	**	General Purpose Maintenance Tooling and Equipment
	4	**	Other Items (includes Medical, Chaplain, Musical, and Personal Equipment, Tents, and Tarpaulins)

*ADDENDUM 4
WORK BREAKDOWN STRUCTURE CODES
(Codes To Be Used in Field 13)

POSITION			DESCRIPTION
79	80	81	
	5	**	Federal Supply Group 34 Metalworking Machinery
	6	**	Test, Measurement, and Diagnostic Equipment (includes Calibration Equipment)
	7	**	Software
L	1	1	All Other Items Not Identified

* See the referenced table entries.
** Report to the second level only.

*ADDENDUM 5 - WPC Codes

*ADDENDUM 5
WPC CODES
(Codes To Be Used in Field 14)

Code A—Overhaul. Returning an unserviceable item of equipment to serviceable condition by restoring most or all internal tolerances to "like new" specification. Overhaul is synonymous with "rework" and "rebuild."

Code B—Progressive Maintenance. A predetermined amount of work that represents a partial overhaul under a program that permits the complete overhaul by means of two or more scheduled work efforts in the maintenance process. Progressive maintenance is synonymous with "cycle maintenance," "restricted availability," "preventive servicing," "recondition," and "phased" or "incremental maintenance."

Code C—Conversion. The alteration of the basic characteristics of an item to such an extent as to change its mission, performance, or capability.

Code D—Activation. The process of returning an item from preservation, storage, or inactive status to an active, serviceable status by means of removal from storage and containers, stripping, inspection, servicing, testing, and repair, replacement of components, assemblies, or subassemblies as required.

Code E—Inactivation. The servicing and preservation of an item prior to placement in storage or an inactive status.

Code F—Renovation. The proof and test, evaluation, inspection, and rework of ammunition or ordnance items as required for retaining their desired capability.

Code G—Analytical Inspection. The disassembly, inspection, data gathering, and engineering analysis of an equipment item to compare actual wear characteristics and failure patterns with predicted values. Data collected during analytical inspection is used to validate the adequacy of maintenance planning and execution. Analytical rework is synonymous with the "age exploration analysis" phase of reliability-centered maintenance.

Code H—Modification. A physical change made to weapon systems or equipment such that one or more measurable characteristic is altered. Modifications are often made to improve equipment performance, but may also be designed to increase reliability, improve supportability, or enhance safety. Synonymous with "upgrade."

Code I—Repair. Returning an unserviceable item of equipment to serviceable condition by restoring failed structures or components to acceptable standards. "Acceptable" may mean "restore to 'like new' specification," or it may be less stringent, depending upon the demands of the equipment user.

Code J—Inspection. The examination of an item to reveal information about its physical condition. Inspection results are typically compared with specifications, standards, or the results of other inspections to determine whether the item under inspection is acceptable for use. Inspections are also an important part of engineering investigations that seek to establish cause-and-effect relationships between observed characteristics and external influences.

Code K—Manufacture. The fabrication of a component or end item from raw materials or components. Can include engineering, design, test, and production. Does not include manufacturing that takes place as a part of the normal repair or overhaul processes.

Code L—Reclamation. The authorized processing of end items, assemblies, or subassemblies to obtain parts or components retained in operating materials and supplies prior to taking disposal action on the end item, assembly, or subassembly. Includes demilitarization actions on items prior to disposal when the demilitarization is incidental to the reclamation.

Code M—Storage. The inspection, preservation, periodic re-preservation, and maintenance in storage status of weapons, subsystems, and components in the supply system.

Code N—Technical Assistance. The use of qualified depot maintenance personnel to provide technical information, instructions, or guidance, or to perform specific work requiring special skills for operational activities or other maintenance organizations. Includes all demilitarization other than that incidental to reclamation when reporting is required.

Codes O, P, Q, R, and S—Not Used.

Code T—Other Work. Used to complete the reporting of all maintenance workforce costs incurred. Any costs incurred at a depot maintenance activity funded by the Working Capital Fund that do not meet the criteria for reporting under the other WPCs must be reported in this category. This includes any maintenance support costs funded by a DWCF activity. Maintenance support includes centralized programming and planning support, technical and engineering services, preparation of maintenance publications and engineering data, and technical and administrative training.

*Code U – Software Maintenance. Those software activities carried out following initial operating capability to include all events that maintain operational capability, correct faults, improve performance, and adapt the software to environmental changes or new requirements. Software maintenance must be reported regardless of location or funding source. For software or related hardware modifications/upgrades, includes the labor associated with the application of the modification.

Code V—Calibration. The comparison of a measurement system or device of unknown accuracy to a system or device of known and greater accuracy. The system or device of greater accuracy is a measurement standard.

Code W—CLS, ICS, PBL, and Similar Contracts. The CLS, ICS, PBL, and similar contracts provide commercial support for weapon systems and equipment that do not have an organic

support base established. Contractors provide total logistics support, including depot maintenance for the equipment, end item, and components. Only those maintenance functions that would be classified as depot-level, if the equipment were maintained organically, will be included.

Codes X, Y, and Z—Not Used

VOLUME 6A, CHAPTER 15: "DEFENSE WORKING CAPITAL FUND ACCOUNTING REPORT [ACCOUNTING REPORT (M) 1307]"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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

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

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

The previous version dated October 2011 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated organization names and office symbols to reflect current designations. Reworded and reformatted chapter for clarity. Revised references and added electronic links.	Update
All	Modified heading instructions and content to reflect current accounting naming conventions for all financial statements affected.	Update
All	Updated reporting line items with the associated USSGL Accounts.	Update
All	Modified the title for Part VI, Capital Program with the current naming convention.	Update
All	Modified the title for Part VII, Inventory Management Report – Supply Management Business Area.	Update
Multiple	Added new reporting requirement for Part V, Recoverable Operating Results. This new requirement reports differences between historical and latest acquisition costs for inventory valuation.	Add
150102.B	Revised FMR reference to the correct chapter.	Update
150203, 150403, 150503	Added "Section Headings" for consistency with other sections and to reflect the current reporting format.	Add
150203.BE	Modified title name for Part II- Changes in Net Position, "Total AOR End of Period."	Update
150203.BF	Modified title name for Part II- Changes in Net Position, "Invested Capital – End of Period."	Update
150303.E	Clarifies treatment of bad debt write-offs.	Update
150303.AE	Clarifies the identification of activities compiling reports.	Update

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
150603.K (NOTE)	Modified invalid FMR reference. Information concerning Supply Management Operations was consolidated into Volume 4 Chapter 4 "Inventory and Related Property".	Update
150803.J (NOTE)	Modified to reflect current reporting relationships for the AR(M) 1307.	Update
Figure 15-9	Updated report to reflect current reporting format.	Update
Figure 15-10	Updated DWCF Financial Reporting Activities to reflect current designations.	Update

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CHAPTER 15

DEFENSE WORKING CAPITAL FUND ACCOUNTING REPORT [ACCOUNTING REPORT (M) 1307]

1501 GENERAL PREPARATION INSTRUCTIONS

150101. Purpose

This chapter identifies the reporting requirements and provides guidance on the Defense Working Capital Fund (DWCF) Accounting Report [Accounting Report (Monthly) 1307] (AR(M) 1307).

150102. General

A. The DWCF AR(M) 1307 consists of three principal statements.

1. Statement of Financial Position. This statement discloses the reporting entity's assets, liabilities, and net position.

2. Statement of Cash Flow. This statement discloses the reporting entity's gross cash receipts and disbursements with an explanation of the changes in cash for the reporting period.

3. Statement of Operations. This statement discloses the results of the reporting entity's operations for the reporting period, including the changes in the entity's net position from the end of the prior reporting period.

* B. An identification of the hierarchy of accounting standards to be followed in preparing the DWCF Accounting Report is contained in Volume 1, Chapter 2, "Federal Accounting Standards Hierarchy".

C. Notes, being an integral part of the principal statements, shall provide additional disclosures necessary to make the principal statements fully informative and not misleading.

D. The DWCF Accounting Report was designed based on fiscal year 2009 Volume 6B, "Form and Content of DoD Audited Financial Statements" of this Regulation. Annually, the Office of the Under Secretary of Defense (Comptroller) (OUSD(C)) updates Department of Defense (DoD) guidance on the form and content of financial statements. Additionally, the United States Standard General Ledger (USSGL) on which the report is based is updated at least annually and is posted by both the Office of the ***Deputy Chief Management Officer (DCMO)*** and the ***Treasury Financial Management Service (FMS)***. Accordingly, the DWCF Accounting Report will be revised to maintain comparability.

* E. The Statement of Operations consists of seven parts.

1. Part I, "Statement of Operations" identifies the cumulative year-to-date Net Operating Results (NOR) and the Recoverable NOR, i.e. the amount that must be recovered in the activity's rates.

2. Part II, "Changes in Net Position" identifies the arithmetic difference between the total assets and total liabilities recognized on a component entity's balance sheet.

3. Part III, "Cost of Goods Sold," identifies the components of cost of goods sold.

4. Part IV, "Expenses" identifies detailed expense information.

5. Part V, "Recoverable Operating Results" reconciles Net Operating Results to the operating results used for rate-setting purposes.

6. Part VI, "Capital Program" identifies the approved program, obligations and outlays for the Capital Program, by fiscal year.

7. Part VII, "Inventory Management Report – Supply Management Business Area" reports inventory management data for the Supply Management and Commissary Resale business areas.

* F. The AR(M) 1307 is prepared based on the activity's proprietary trial balance, except for some items in Part VI, Capital Program and Part VII, Inventory Management Report – Supply Management Business Area, which includes obligation data. The AR(M) 1307 complements the information provided in the Standard Form (SF) 133, Report on Budget Execution and Budgetary Resources, which is prepared using the activity's budgetary trial balances. Both reports provide information required to manage the DWCF activities.

150103. Reporting Requirement

A. Applicability. The provisions of this chapter apply to all DoD Components operating a DWCF activity. A listing of DWCF financial reporting activities is located in Figure 15-10 of this chapter. Within the attached listing, an asterisk (*) symbol indicates the lowest level for which individual AR(M) 1307 reports are required. DWCF Activities may generate the AR(M) 1307 at different levels in order to manage their business effectively. The levels for which a consolidated AR(M) 1307 report are required are indicated in the attached listing by a pound (#) symbol. Consolidated statements are required for each DoD Component business area.

B. Report Formats. The financial report formats contained herein show the report formats that must be used. The reports shall be prepared or reproduced on letter size paper (8 ½" x 11"). Reports produced by automated data processing equipment may be substituted for the formats illustrated. The following reports shall be submitted:

Statement of Financial Position
Statement of Cash Flow
Statement of Operations
Part I – Statement of Operations
Part II – Changes in Net Position
Part III – Cost of Goods Sold
Part IV – Expenses
Part V – Recoverable Operating Results
Part VI – Capital Program
Part VII – Inventory Management Report – Supply Management Business Area

C. Reporting Responsibilities. DoD Components are responsible for the information included in the AR(M) 1307 report and for arranging for the preparation and submission of the report.

D. Frequency of Reports. Unless otherwise specified by the OUSD(C), the AR(M) 1307 reports shall be prepared and submitted monthly. Submit regular reports in accordance with due dates established by the Defense Finance and Accounting Service (DFAS) and consistent with the requirements of the OUSD(C).

E. Distribution.

1. Consolidated DoD Component and Business Area Reports. A copy of consolidated DWCF business area reports will be submitted to the:

a. Director for Revolving Funds, Office of the Deputy Comptroller (Program/Budget), OUSD(C).

b. Office of the Assistant Secretary of the Army (Financial Management and Comptroller), Office of the Assistant Secretary of the Navy (Financial Management and Comptroller), Office of the Assistant Secretary of the Air Force (Financial Management and Comptroller), the Defense Commissary Agency (DeCA) Comptroller, and Other Defense Organizations (i.e. the Defense Logistics Agency Comptroller).

c. Management Command responsible for the oversight of a business area, if requested by a DoD Component.

2. Activity Level Reports. A copy of DWCF activity level reports will be submitted to the:

a. Offices of the Assistant Secretary of the Army, Navy and Air Force (Financial Management and Comptroller), the Defense Commissary Agency (DeCA), and the Comptrollers of Other Defense Organizations, if requested by a DoD Component.

b. Management Command responsible for the oversight of a business area, if requested by a DoD Component.

c. The DWCF activity whose operations are being reported. The report provided to a DWCF activity shall disclose any adjustments made to the financial data submitted by that activity.

*150104. Detail Instructions

A. The instructions to the AR(M) 1307 identify the specific data, and appropriate source of that data, for amounts to be entered into each line of each report.

B. Amounts will be reported in thousands of dollars ($000) for all parts of the report and related footnotes (that is, $1,000 = $1; $10,000 = $10; $100,000 = $100).

C. Report lines that require identification of the nature of specific amounts will be footnoted, and will be provided with each report.

D. Adjustments for amounts otherwise accounted for or reported at the DoD Component level should be allocated or assigned to the applicable business areas. Similarly, adjustments for amounts otherwise submitted for or reported at the business area level should be allocated or assigned to the applicable individual activities. Such allocations shall be made by DFAS, in accordance with direction received from the DoD Components. However, as a general rule, and where reasonable, all such adjustments should be allocated to individual activities. Adjustments made at the business area level shall be shown separately as a business area adjustment. Adjustments allocated to the individual activity level shall be entered into the activity's installation level accounting records.

E. Policies that, if implemented retroactively, could have a significant adverse impact on the accuracy and integrity of financial reports will not be retroactively implemented without a clearly offsetting benefit or unless directed by an external authority such as Congress.

F. The report is based on current fiscal year data. All references to year in this instruction apply to fiscal year.

G. Entities are only required to report lines on the AR(M) 1307 in which there is activity.

H. This chapter cites USSGL accounts that populate each line. The DoD requires the use of the ***DoD Chart of Accounts***, which is comprised of the USSGL accounts, followed by a four position further breakout.

Figure 15-1: Statement of Financial Position

DEFENSE WORKING CAPITAL FUND
STATEMENT OF FINANCIAL POSITION
(DoD COMPONENT/BUSINESS AREA/ACTIVITY)
MONTH ENDING _____, 20XX
($ in thousands)

ASSETS				
1. Fund Balance with Treasury			$	XXX
a. Funds Collected – Operating Program	$	XXX		
b. Funds Collected – Capital Program		XXX		
c. Funds Disbursed – Operating Program		XXX		
d. Funds Disbursed – Capital Program		XXX		
e. Funds Transferred In (Out)		XXX		
f. Funds with Treasury – Operating Program		XXX		
g. Funds with Treasury – Capital Program		XXX		
2. Cash on Hand and Other Monetary Assets				XXX
3. Accounts Receivable, Net				XXX
a. Accounts Receivable, Intragovernmental		XXX		
b. Accounts Receivable, Intragovernmental, Undistributed		XXX		
c. Accounts Receivable, Non-Federal		XXX		
d. Accounts Receivable, Non-Federal, Undistributed		XXX		
4. Advances Paid and Prepayments				XXX
5. Inventories, Net				XXX
a. Inventory Items				
(1) Latest Acquisition Cost (LAC)		XXX		
(2) Moving Average Cost (MAC)		XXX		
b. Allowance for Gains or (Losses) on Inventories		XXX		
6. Work in Process				XXX
7. Operating Materials and Supplies, Net				XXX
8. Stockpile Materials, Net				XXX
9. Property, Plant and Equipment, Net				XXX
a. Structures, Facilities and Leasehold Improvements, Net		XXX		
b. Construction in Progress		XXX		
c. Equipment, Net		XXX		
d. ADP Software, Net		XXX		
e. Software Development in Progress		XXX		
f. Assets Under Capital Lease, Net		XXX		
g. Other Property, Net		XXX		
10. Other Assets, Net				XXX
11. Total Assets			$	XXX

Figure 15-1: Statement of Financial Position (continued)

LIABILITIES			
12. Liabilities Covered by Budgetary Resources		$	XXX
a. Accounts Payable, Net			XXX
(1) Accounts Payable, Intragovernmental	XXX		
(2) Accounts Payable, Intragovernmental, Undistributed	XXX		
(3) Accounts Payable, Non-Federal	XXX		
(4) Accounts Payable, Non-Federal, Undistributed	XXX		
b. Accrued Payroll and Benefits			XXX
(1) Salaries and Wages	XXX		
(2) Accrued Annual Leave	XXX		
(3) Severance Pay and Separation Allowance	XXX		
c. Progress Billings			XXX
d. Advances and Prepayments from Others			XXX
e. Debt			XXX
f. Interest Payable			XXX
g. Lease Liabilities			XXX
h. Other Liabilities			XXX
13. Liabilities Not Covered by Budgetary Resources			XXX
14. Total Liabilities			XXX
NET POSITION			
15. Net Position			XXX
a. Unexpended Appropriations	XXX		
b. Accumulated Operating Results (AOR)	XXX		
c. Invested Capital	XXX		
16. Total Liabilities and Net Position			XXX

1502. FORMAT OF THE STATEMENT OF FINANCIAL POSITION (FIGURE 15-1)

150201. General

The Statement of Financial Position, Figure 15-1, discloses the reporting entity's assets, liabilities, and net position.

150202. Heading

Complete the heading of the form to indicate: (a) the reporting DoD Component, (b) the reporting DWCF business area or activity, (c) the reporting period (month), and (d) the calendar year.

*150203. Line Item Instructions

Instructions for the content of each line item are as follows:

A. Section Heading - ASSETS

B. Line 1 – Fund Balance with Treasury. This item represents the aggregate amount of the entity's accounts with Treasury for which the entity is authorized to make expenditures and pay liabilities. Accounts have been established to separately identify disbursements and collections applicable to the operating program and capital program to comply with ***United States Code,*** Title 10, Section 2208, which requires DoD to establish a capital asset sub-account. Report the balance by the specified applicable categories:

C. Line 1.a. – Funds Collected - Operating Program. Report the portion of the balance of the following account as it relates to funds collected for the operating program during the current fiscal year.

1010 Fund Balance with Treasury (Funds Collected - Operating Programs)

D. Line 1.b. – Funds Collected - Capital Program. Report the portion of the balance of the following account as it relates to funds collected for the capital program during the current fiscal year. Note: the amount of collections allocated from the operating program to the capital program will be based on the activities DWCF-funded depreciation expenses and capital surcharge. In all cases, at the end of the Fiscal Year (FY), the amount collected must be sufficient to ensure the ending Fund Balance with Treasury – Capital Program is not negative.

1010 Fund Balance with Treasury (Funds Collected – Capital Program)

E. Line 1.c. – Funds Disbursed - Operating Program. Report the portion of the balance of the following account as it relates to funds disbursed for the operating program during the current fiscal year.

1010 Fund Balance with Treasury (Funds Disbursed - Operating Programs)

F. Line 1.d. – Funds Disbursed - Capital Program. Report the portion of the balance of the following account as it relates to funds disbursed for the Capital Program during the current fiscal year. This amount shall agree with the amount reported on Part VI, "Total Outlays", for the current year.

1010 Fund Balance with Treasury (Funds Disbursed - Capital Program)

G. Line 1.e. – Funds Transferred In (Out). Report the portion of the balance to the following account as it relates to funds transferred in or out during the current fiscal year.

1010 Fund Balance with Treasury (Current Year Transfers)

H. Line 1.f. – Funds with Treasury – Operating Program. Report the beginning fiscal year balance of the operating program account, which is the net of prior year funds collected and funds disbursed related to operating programs.

1010 Fund Balance with Treasury (Funds with Treasury - Operating Programs)

I. Line 1.g. – Funds with Treasury – Capital Program. Report the beginning fiscal year balance of the Capital Program account, which is the net of prior year funds collected and funds disbursed related to capital programs.

1010 Fund Balance with Treasury (Funds with Treasury - Capital Program)

J. Line 2. – Cash on Hand and Other Monetary Assets. Consists of (a) coins, paper currency and readily negotiable instruments such as money orders, checks and bank drafts on hand or in transit for deposit, (b) amounts on demand deposit with banks or other financial institutions, and (c) cash held in imprest funds. Report the balance of the following accounts:

1110 Undeposited Collections
1120 Imprest Funds
1130 Funds Held by the Public
1190 Other Cash
1195 Other Monetary Assets
1200 Foreign Currency
1531 Seized Monetary Instruments
1532 Seized Cash Deposited

K. Line 3. – Accounts Receivable, Net. Accounts receivable are amounts due from others when the right to receive funds accrues. This may result from the performance of services, the delivery of goods, or court-ordered assessment. This is a summary line for lines 3.a.-Accounts Receivable, Intragovernmental through 3.d.-Accounts Receivable, Non-Federal, Undistributed.

L. Line 3.a. – Accounts Receivable, Intragovernmental. Report the amount of accounts receivable in the following accounts that relate to accounts receivable from other Federal Agencies. Note: Allowance for loss accounts are not included in this line because it is expected that all Federal Agencies will pay their bills.

1310 Accounts Receivable (except as reported on Line 3.b.)
1320 Employment Benefit Contributions Receivable
1330 Receivable for Transfers of Currently Invested Balances
1335 Expenditure Transfers Receivable
1340 Interest Receivable – Not Otherwise Classified
1360 Penalties and Fines Receivable – Not Otherwise Classified
1370 Administrative Fees Receivable – Not Otherwise Classified

M. Line 3.b. – Accounts Receivable, Intragovernmental, Undistributed. Report the amount of accounts receivable in the following account related to accounts receivable from other Federal agencies recorded for undistributed collections. Undistributed collections represent the difference between the amount of collections reported to DFAS by the Department of the Treasury finance network and the amount of collections recorded by the operating level activities.

1310 Accounts Receivable (except as reported on Line 3.a.)

N. Line 3.c. – Accounts Receivable, Non-Federal. Report the amount of accounts receivable in the following accounts that relate to accounts receivable from other than Federal agencies.

1310 Accounts Receivable, (except as reported on Line 3.d.)
1319 Allowance for Loss on Accounts Receivable
1320 Employment Benefit Contributions Receivable
1325 Taxes Receivable
1329 Allowance for Loss on Taxes Receivable
1340 Interest Receivable – Not Otherwise Classified
1347 Allowance for Loss on Interest Receivable – Not Otherwise Classified
1360 Penalties and Fines Receivable – Not Otherwise Classified
1367 Allowance for Loss on Penalties and Fines Receivable – Not Otherwise Classified
1370 Administrative Fees Receivable – Not Otherwise Classified
1377 Allowance for Loss on Administrative Fees Receivable- Not Otherwise Classified

O. Line 3.d. – Accounts Receivable, Non-Federal, Undistributed. Report the amount of accounts receivable in the following account related to accounts receivable from other than Federal agencies recorded for undistributed collections. Undistributed collections represent the difference between the amount of collections reported to DFAS by the Department of the

Treasury finance network and the amount of collections recorded by the operating level activities.

1310 Accounts Receivable, (except as reported on Line 3.c.)

P. Line 4. – Advances Paid and Prepayments. Report the amount of the following accounts:

1410 Advances and Prepayments

The amount reported shall agree with the amount reported on Line 5, "Advances and Prepayments, End of Period" of the "Supplemental Report on Budget Execution".

Q. Line 5. – Inventories, Net. Inventory is tangible personal property that is (a) held for sale, (b) in the process of production for sale, (c) to be consumed in the production of goods for sale or in the provision of services for a fee, (d) held for repair or (e) excess, obsolete, and unserviceable. This line is the net sum of line 5.a. "Inventory Items" and line 5.b. "Allowance for Gains or (Losses) on Inventories".

R. Line 5.a. – Inventory Items. Report the sum of line 5.a.(1). Inventory at Latest Acquisition Cost (LAC) and line 5.a.(2). Inventory at Moving Average Cost (MAC).

S. Line 5.a.(1). – Latest Acquisition Cost (LAC). Report the amount of inventory whose value is maintained at LAC in the following accounts. This amount will be the amount reported on Part III - Cost of Goods Sold, Line 2.i. " Minus: Ending Inventory – LAC".

1521 Inventory Purchased for Resale
1522 Inventory Held in Reserve for Future Sale
1523 Inventory Held for Repair
1524 Inventory - Excess, Obsolete, and Unserviceable
1525 Inventory - Raw Materials
1527 Inventory - Finished Goods

T. Line 5.a.(2). – Moving Average Cost (MAC). Report the amount of inventory maintained at MAC in the following accounts:

1521 Inventory Purchased for Resale
1522 Inventory Held in Reserve for Future Sale
1523 Inventory Held for Repair
1524 Inventory - Excess, Obsolete, and Unserviceable
1525 Inventory - Raw Materials
1527 Inventory - Finished Goods

U. Line 5.b. – Allowance for Gains or (Losses) on Inventories. Report the balance of the following account as it relates to gains or losses on inventories. A credit balance

will be reported as a negative [deduct] amount; a debit balance will be reported as a positive [add] amount.

1529 Inventory – Allowance

V. Line 6. – Work in Process. Work in process is, for the DWCF, the amount of direct, indirect, and general and administrative costs assigned or otherwise properly allocated to a final cost objective (generally, a job order) prior to completion of that final cost objective in its entirety or in discrete elements. When revenue is recognized on a percent of completion basis, the work in process associated with the revenue recognized should be removed from work in process and recorded as cost of goods sold. This line applies only to DWCF activities that accumulate costs to a final cost objective (generally, a job order) such as those within the Depot Maintenance, Research and Development (R&D) and Base Support business areas. This line does not ordinarily apply to activities that do not accumulate costs to a final cost objective such as the Supply Management business area or DeCA. The balance in the following account shall be reported:

1526 Inventory - Work-in-Process
1529 Inventory – Allowance

This amount shall agree with the amount reported on Part III, Line 1.g., "Minus: Ending Work-In-Process".

W. Line 7. – Operating Materials and Supplies, Net. Operating materials and supplies consist of tangible personal property to be consumed in the course of normal operations. This line can be applicable to any DWCF activity. Report the balance of the following accounts:

1511 Operating Materials and Supplies Held for Use
1512 Operating Materials and Supplies Held in Reserve for Future Use
1513 Operating Materials and Supplies - Excess, Obsolete, and Unserviceable
1514 Operating Materials and Supplies Held for Repair
1519 Operating Materials and Supplies - Allowance

X. Line 8. – Stockpile Materials, Net. Stockpile materials are strategic and critical materials held due to statutory requirements for use in national defense, conservation, or national emergencies. They are not held with the intent of selling in the ordinary course of business. Report the balance of the following accounts:

1571 Stockpile Materials Held in Reserve
1572 Stockpile Materials Held for Sale

Y. Line 9. – Property, Plant and Equipment, Net. Property, plant and equipment (PP&E) are tangible assets that (1) have an estimated useful life of 2 or more years, (2) are not intended for sale in the ordinary course of business, and (3) are intended to be used or available for use by the entity. The line is the value of the activity's real and personal property,

i.e., land, structures and facilities, construction in progress, purchased and self-developed software, equipment and related improvements that have been capitalized, net of accumulated depreciation, if any. Line 9 also includes assets acquired by capital leases and leasehold improvements; and property owned by the reporting entity in the hands of the reporting entity or contractors. This line is the sum of the following Line 9 sub-lines. See Annex 4 of Volume 4, Chapter 6 for additional guidance regarding PP&E.

Z. Line 9.a. – Structures, Facilities and Leasehold Improvements, Net. Report the balance of the following accounts:

1711 Land and Land Rights
1712 Improvements to Land
1719 Accumulated Depreciation on Improvements to Land
1730 Buildings, Improvements, and Renovations
1739 Accumulated Depreciation on Buildings, Improvements, and Renovations
1740 Other Structures and Facilities
1749 Accumulated Depreciation on Other Structures and Facilities
1820 Leasehold Improvements
1829 Accumulated Amortization on Leasehold Improvements

AA. Line 9.b. – Construction in Progress. Report the balance of the following account:

1720 Construction-in-Progress

AB. Line 9.c. – Equipment, Net. Report the balance of the following accounts:

1750 Equipment
1759 Accumulated Depreciation on Equipment

AC. Line 9.d. – ADP Software, Net. Report the balance of Automated Data Processing (ADP) Software in the following accounts:

1830 Internal-Use Software
1839 Accumulated Amortization on Internal-Use Software

AD. Line 9.e. – Software Development in Progress. Report the balance of the following account:

1832 Internal-Use Software in Development

AE. Line 9.f. – Assets Under Capital Lease, Net. Report the balance of the following accounts:

1810 Assets Under Capital Lease
1819 Accumulated Depreciation on Assets Under Capital Lease

AF. Line 9.g. – Other Property, Net. Report the balance of the following accounts:

1840 Other Natural Resources
1849 Allowance for Depletion
1890 Other General Property, Plant, and Equipment
1899 Accumulated Depreciation on Other Property, Plant, and Equipment

AG. Line 10. – Other Assets, Net. Report the balance of the following accounts:

1340 Interest Receivable – Not Otherwise Classified
1347 Allowance for Loss on Interest Receivable – Not Otherwise Classified
1350 Loans Receivable
1359 Allowance for Loss on Loans Receivable
1541 Forfeited Property Held for Sale
1542 Forfeited Property Held for Donation or Use
1549 Forfeited Property – Allowance
1561 Commodities Held Under Price Support and Stabilization Support Programs
1569 Commodities – Allowance
1591 Other Related Property
1599 Other Related Property - Allowance
1990 Other Assets

AH. Line 11 – Total Assets. Report the net total of line 1 through line 10.

AI. Section Heading - LIABILITIES

AJ. Line 12. – Liabilities Covered by Budgetary Resources. Liabilities incurred which are covered by available budgetary resources. Available budgetary resources include (1) new budget authority, (2) reimbursements and other income, (3) recoveries of unexpired budget authority, and (4) remaining unobligated balances of amounts available at the beginning of the year or transferred in during the year, and (5) assets held, or resources collected on behalf of another which are not yet remitted according to Section 301 of the ***Quarterly Guidance***. Report the net total of lines 12.a. through 12.h.

AK. Line 12.a. – Accounts Payable, Net. The amounts owed by a DWCF activity for goods and services from, progress in contract performance made by, and rents due to DoD and other Federal and non-Federal entities. Report the net total of lines 12.a.(1) through 12.a.(4).

AL. Line 12.a.(1). – Accounts Payable, Intragovernmental. Report the amount of the following accounts that is owed to Federal entities:

2110 Accounts Payable (except as reported on Line 12.a.(2))
2120 Disbursements in Transit
2140 Accrued Interest Payable – Not Otherwise Classified
2155 Expenditure Transfers Payable

AM. Line 12.a.(2). – Accounts Payable, Intragovernmental, Undistributed. Report the amount of accounts payable in the following account that is owed to Federal entities recorded for undistributed disbursements. Undistributed disbursements represent the difference between the amount of disbursements reported to DFAS by the Department of the Treasury finance network and the amount of disbursements recorded by the operating level activities.

2110 Accounts Payable (except as reported on Line 12.a.(1))

AN. Line 12.a.(3). – Accounts Payable, Non-Federal. Report the amount of the following accounts that are owed to non-federal entities:

2110 Accounts Payable (except as reported on Line 12.a.(4))
2120 Disbursements in Transit
2140 Accrued Interest Payable – Not Otherwise Classified

AO. Line 12.a.(4). – Accounts Payable, Non-Federal, Undistributed. Report the amount of accounts payable in the following account that is owed to non-federal entities recorded for undistributed disbursements. Undistributed disbursements represent the difference between the amount of disbursements reported to DFAS by the Department of the Treasury finance network and the amount of disbursements recorded by the operating level activities.

2110 Accounts Payable (except as reported on Line 12.a.(3))

AP. Line 12.b. – Accrued Payroll and Benefits. Report the amount of payroll and benefits payable. Report the net total of lines 12.b.(1) through 12.b.(3).

AQ. Line 12.b.(1). – Salaries and Wages. Report the portion of the balance as it relates to salaries and wages of the following accounts:

2210 Accrued Funded Payroll and Leave
2213 Employer Contributions and Payroll Taxes Payable

AR. Line 12.b.(2). – Accrued Annual Leave. DWCF activities are required to fully fund annual leave in their rates. This balance in the account represents the value of employee annual leave that has not yet been taken. Report the portion of accrued annual leave in the following account:

2210 Accrued Funded Payroll and Leave

AS. Line 12.b.(3). – Severance Pay and Separation Allowance

2211 Withholdings Payable
2215 Other Post Employment Benefits Due and Payable
2216 Pension Benefits Due and Payable to Beneficiaries
2217 Benefit Premiums Payable to Carriers
2218 Life Insurance Benefits Due and Payable to Beneficiaries

AT. Line 12.c. – Progress Billings. Report the portion of the balance of the following account as it relates to progress billings.

2110 Accounts Payable

AU. Line 12.d. – Advances and Prepayments from Others
Report the value of advances and prepayments received for goods to be delivered or services to be performed in the following account:

2310 Liability for Advances and Prepayments

The amount reported shall agree with the amount reported on line 6, "Unearned Revenue, End of Period" of the "Supplemental Report on Budget Execution".

AV. Line 12.e. – Debt. This item represents the amount of borrowings from the Treasury, the Federal Financial Bank, or other Federal Agencies. Report the balance of the following accounts as they relate to debt:

2141 Accrued Interest payable - Debt
2510 Principal Payable to the Bureau of the Public Debt
2520 Principal Payable to the Federal Financing Bank
2590 Other Debt

AW. Line 12.f. – Interest Payable. Report the portion of the interest payable balance as it relates to other than debt interest in the following account. Exclude amounts already listed on line 12.e.

2140 Accrued Interest Payable – Not Otherwise Classified

AX. Line 12.g. – Lease Liabilities. This item represents the portion of the liability for capital leases which is covered by budgetary authority. Capital leases and lease purchases entered into must be fully funded in the first year of the lease in accordance with ***Office of Management and Budget Circular A-11, Appendix B***. Report the balance of the following account:

2940 Capital Lease Liability

AY. Line 12.h. – Other Liabilities. This item represents other liabilities that are not recognized in other specific categories. Include in this line the total amount due the federal entities for other liabilities covered by budgetary authority that are not included on other lines. Report the balance of the following accounts as they apply to transactions with other Federal and non-Federal entities:

2130 Contract Holdbacks
2190 Other Liabilities With Related Budgetary Obligations
2320 Other Deferred Revenue
2400 Liability for Nonfiduciary Deposit Funds, Clearing Accounts, and Undeposited Collections
2610 Actuarial Pension Liability
2620 Actuarial Health Insurance Liability
2630 Actuarial Life Insurance Liability
2650 Actuarial FECA Liability
2690 Other Actuarial Liabilities
2920 Contingent Liabilities
2970 Liability for Capital Transfers to the General Fund of the Treasury
2985 Liability for Non-Entity Assets Not Reported on the Statement of Custodial Activity

AZ. Line 13. – Liabilities Not Covered by Budgetary Resources. Liabilities incurred which are not covered by available budgetary resources result from the receipt of goods or services or the occurrence of other eligible events for which revenues or other sources of funds necessary to pay the liabilities have not been made available through Congressional appropriations or current earnings of the reporting entity. Not withstanding an expectation that the appropriations will be made, whether they in fact will be made is completely at the discretion of the Congress. Report only the amount of the liability for which an available budgetary resource does not exist. If any such liabilities exist, report the amount and disclose its nature by footnote if material.

2110 Accounts Payable
2140 Accrued Interest Payable – Not Otherwise Classified
2160 Entitlement Benefits Due and Payable
2170 Subsidy Payable to the Financing Account
2190 Other Liabilities with Related Budgetary Obligations
2220 Unfunded Leave
2225 Unfunded FECA Liability
2290 Other Unfunded Employment Related Liability
2320 Other Deferred Revenue
2510 Principal Payable to the Bureau of the Public Debt
2520 Principal Payable to the Federal Financing Bank
2590 Other Debt
2610 Actuarial Pension Liability
2620 Actuarial Health Insurance Liability
2630 Actuarial Life Insurance Liability

2650 Actuarial FECA Liability
2690 Other Actuarial Liabilities
2910 Prior Liens Outstanding on Acquired Collateral
2920 Contingent Liabilities
2940 Capital Lease Liability
2960 Accounts Payable from Canceled Appropriations
2990 Other Liabilities Without Related Budgetary Obligations
2995 Estimated Cleanup Cost Liability

BA. Line 14. – Total Liabilities. Report the total of lines 12 and 13.

BB. Section Heading – NET POSITION

BC. Line 15. – Net Position. The components of net position are classified as follows. Report the net total of lines 15.a. through 15.c.

BD. Line 15.a. – Unexpended Appropriations. This line is equal to the "Equals: Unexpended Appropriations – End of Period" from Statement of Operations, Part II - Changes in Net Position, Line 1.A.(3). Normally DWCF activities will not have unexpended appropriations as they are immediately expended upon receipt to provide budgetary authority.

*BE. Line 15.b. – Accumulated Operating Results (AOR). This line is equal to the "Total AOR End of Period" from Statement of Operations, Part II - Changes in Net Position, Line 1.B.(3).

*BF. Line 15.c. – Invested Capital. This line is equal to the "Invested Capital – End of Period" from Statement of Operations, Part II - Changes in Net Position, Line 1.D.(4).

BG. Line 16. – Total Liabilities and Net Position. Report the total of lines 14 and 15.

The amount reported shall agree with the amount reported on Statement of Financial Position, Line 11, "Total Assets".

Figure 15-2: Statement of Cash Flow

DEFENSE WORKING CAPITAL FUND
STATEMENT OF CASH FLOW
(DoD COMPONENT/BUSINESS AREA/ACTIVITY)
MONTH ENDING _____, 20XX
($ in thousands)

CASH FLOWS FROM OPERATIONS:			
1. Net Operating Results (NOR) (Part I, Line 11)		$	XXX
OPERATING ADJUSTMENTS:			
2. Appropriated Capital Used (-)			(XXX)
3. Decrease (Increase) in Accounts Receivable			XXX
4. Decrease (Increase) in Advances and Prepayments			XXX
5. Decrease (Increase) in Inventories:			XXX
a. Inventory	XXX		
b. Work in Process	XXX		
c. Operating Materials and Supplies, Net	XXX		
d. Stockpile Materials, Net	XXX		
6. Decrease (Increase) in Other Assets			XXX
7. Increase (Decrease) in Accounts Payable			XXX
8. Increase (Decrease) in Accrued Payroll and Benefits			XXX
9. Increase (Decrease) in Other Liabilities			XXX
10. Depreciation and Amortization			XXX
11. Other Adjustments:			XXX
a. Prior Period Adjustments	XXX		
b. Non-Cash Transfers	XXX		
c. Other	XXX		
12. Total Operating Adjustments			XXX
13. NOR Plus/Minus Operating Adjustments			XXX
CAPITAL ADJUSTMENTS:			
14. (Increase) Decrease of Property, Plant and Equipment, Net			XXX

Figure 15-2: Statement of Cash Flow (continued)

APPROPRIATIONS AND CASH TRANSFERS:		
15. Appropriations (Current Warrants)		XXX
16. Transfers of Cash		XXX
a. Transfers In	XXX	
b. Transfers Out	XXX	
17. Total Appropriations and Cash Transfers		XXX
18. Repayments on Loans from the Treasury and the Federal Financing Bank		XXX
19. Net Change In Cash For Accounting Period		XXX
20. Fund Balance, Beginning		XXX
21. Fund Balance, Ending		XXX
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
22. Total Interest Paid		XXX

1503. FORMAT OF THE STATEMENT OF CASH FLOW (FIGURE 15-2)

150301. General

The Statement of Cash Flow, Figure 15-2, discloses the DWCF cash receipts and disbursements with an explanation of the changes in cash or cash equivalents for the reporting period.

150302. Heading

Complete the heading of the form to indicate: (a) the reporting DoD Component, (b) the reporting DWCF business area or activity, (c) the reporting period (month), and (d) the calendar year.

150303. Line Item Instructions

Instructions for the content of each line item are as follows:

A. Section Heading - CASH FLOWS FROM OPERATIONS

B. Line 1 – Net Operating Results (NOR) (Part I, Line 11). This line is equal to the NOR from Part I – Statement of Operations, Line 11.

C. Section Heading - OPERATING ADJUSTMENTS

D. Line 2 – Appropriated Capital Used (-). The amount of appropriated funds expended is a negative adjustment to the cash flow from operations. Report the balance of the following account:

5700 Expended Appropriations

*E. Line 3 – Decrease (Increase) in Receivables. A decrease in accounts receivable adds to, and an increase in accounts receivable reduces, the DWCF cash balance. Decreases due to bad debt write-offs should not be included in the accounts receivable calculation. Report the current year change in the following accounts:

1310 Accounts Receivable
1319 Allowance for Loss on Accounts Receivable
1320 Employment Benefit Contributions Receivable
1325 Taxes Receivable
1329 Allowance for Loss on Taxes Receivable
1330 Receivable for Transfers of Currently Invested Balances
1335 Expenditure Transfers Receivable
1340 Interest Receivable – Not Otherwise Classified
1349 Allowance for Loss on Interest Receivable – Not Otherwise Classified

1360 Penalties and Fines Receivable – Not Otherwise Classified
1367 Allowance for Loss on Penalties and Fines Receivable – Not Otherwise Classified
1370 Administrative Fees Receivable – Not Otherwise Classified
1377 Allowance for Loss on Administrative Fees Receivable- Not Otherwise Classified

Report the balance of the preceding September 30, Statement of Financial Position, line 3, "Accounts Receivable, Net", minus the current balance reported on line 3 of the Statement of Financial Position.

F. Line 4 – Decrease (Increase) in Advances and Prepayments. A decrease in advances and prepayments adds to, and an increase in advances and prepayments reduces, the DWCF cash balance. Report the current year change in the following account:

1410 Advances and Prepayments

Report the balance of the preceding September 30th, Statement of Financial Position, line 4, "Advances and Prepayments", minus the current balance reported on line 4 of the Statement of Financial Position.

G. Line 5 – Decrease (Increase) in Inventories. Net total of the decrease or increase of the four sub-categories of inventory on lines 5.a through 5.d.

H. Line 5.a. – Inventory. A decrease in inventory adds to, and an increase in inventory reduces, the DWCF cash balance. Report the current year change in the following accounts:

1521 Inventory Purchased for Resale
1522 Inventory Held in Reserve for Future Sale
1523 Inventory Held for Repair
1524 Inventory - Excess, Obsolete, and Unserviceable
1525 Inventory - Raw Materials
1527 Inventory - Finished Goods
1529 Inventory – Allowance

Report the balance of the preceding September 30, Statement of Financial Position, line 5.a., "Inventory, Items", minus the current balance reported on line 5.a. of the Statement of Financial Position.

I. Line 5.b. – Work in Process. A decrease in work in process adds to, and an increase in work in process reduces, the DWCF cash balance. Report the current year change in the following account.

1526 Inventory - Work-in-Process

J. Line 5.c. – Operating Materials and Supplies, Net. A decrease in operating materials and supplies adds to, and an increase in operating materials and supplies reduces, the DWCF cash balance. Report the current year change in the following accounts:

1511 Operating Materials and Supplies Held for Use
1512 Operating Materials and Supplies Held in Reserve for Future Use
1513 Operating Materials and Supplies - Excess, Obsolete, and Unserviceable
1514 Operating Materials and Supplies Held for Repair
1519 Operating Materials and Supplies - Allowance

K. Line 5.d. – Stockpile Materials, Net. A decrease in Stockpile materials adds to, and an increase in Stockpile materials reduces, the DWCF cash balance. Report the current year change in the following accounts:

1571 Stockpile Materials Held in Reserve
1572 Stockpile Materials Held for Sale

L. Line 6. – Decrease (Increase) in Other Assets. A decrease in other assets adds to, and an increase in other assets reduces, the DWCF cash balance. Report the current year change in the following accounts:

1340 Interest Receivable – Not Otherwise Classified
1347 Allowance for Loss on Interest Receivable – Not Otherwise Classified
1350 Loans Receivable
1359 Allowance for Loss on Loans Receivable
1541 Forfeited Property Held for Sale
1542 Forfeited Property Held for Donation or Use
1549 Forfeited Property – Allowance
1561 Commodities Held Under Price Support and Stabilization Support Programs
1569 Commodities – Allowance
1591 Other Related Property
1599 Other Related Property - Allowance
1990 Other Assets

Report the balance of the preceding September 30th, Statement of Financial Position, line 10, "Other Assets", minus the current balance reported on line 10 of the Statement of Financial Position.

M. Line 7. – Increase (Decrease) in Accounts Payable. An increase in accounts payable adds to, and a decrease in accounts payable reduces, the DWCF cash balance. Report the current year change in the following accounts:

2110 Accounts Payable

2120 Disbursements in Transit
2140 Accrued Interest Payable – Not Otherwise Classified
2155 Expenditure Transfers Payable

Report the balance of the preceding September 30th, Statement of Financial Position, line 12.a., "Accounts Payable, Net", minus the current balance reported on line 12.a. of the Statement of Financial Position.

N. Line 8. – Increase (Decrease) in Accrued Payroll and Benefits. An increase in accrued payroll and benefits adds to, and a decrease in accrued payroll and benefits reduces, the DWCF cash balance. Report the current year change in the following accounts:

2210 Accrued Funded Payroll and Leave
2211 Withholdings Payable
2213 Employer Contributions and Payroll Taxes Payable
2215 Other Post-Employment Benefits Due and Payable
2216 Pension Benefits Due and Payable to Beneficiaries
2217 Benefit Premiums Payable to Carriers
2218 Life Insurance Benefits Due and Payable to Beneficiaries

Report the balance of the preceding September 30th, Statement of Financial Position, line 12.b., "Accrued Payroll and Benefits", minus the current balance reported on line 12.b. of the Statement of Financial Position.

*O. Line 9. – Increase (Decrease) in Other Liabilities. An increase in other liabilities adds to, and a decrease in other liabilities reduces, the DWCF cash balance. Report the current year change in the following accounts:

2110 Accounts Payable
2130 Contract Holdbacks
2140 Accrued Interest Payable – Not Otherwise Classified
2160 Entitlement Benefits Due and Payable
2170 Subsidy Payable to the Financing Account
2190 Other Liabilities With Related Budgetary Obligations
2220 Unfunded Leave
2225 Unfunded FECA Liability
2290 Other Unfunded Employment Related Liability
2310 Liability for Advances and Prepayments
2320 Other Deferred Revenue
2400 Liability for Nonfiduciary Deposit Funds, Clearing Accounts, and Undeposited Collections
2510 Principal Payable to the Bureau of the Public Debt
2520 Principal Payable to the Federal Financing Bank
2590 Other Debt
2610 Actuarial Pension Liability
2620 Actuarial Health Insurance Liability

2630 Actuarial Life Insurance Liability
2650 Actuarial FECA Liability
2690 Other Actuarial Liabilities
2910 Prior Liens Outstanding on Acquired Collateral
2920 Contingent Liabilities
2940 Capital Lease Liability
2960 Accounts Payable From Canceled Appropriations
2970 Liability for Capital Transfers to the General Fund of the Treasury
2985 Liability for Non-Entity Assets Not Reported on the Statement of Custodial Activity
2990 Other Liabilities Without Related Budgetary Obligations
2995 Estimated Cleanup Cost Liability

Report the balance of the preceding September 30th, Statement of Financial Position, lines 12.h. "Other Liabilities" and 13 "Liabilities Not Covered by Budgetary Resources", minus the current balance reported on lines 12.h. and 13 of the Statement of Financial Position.

P. Line 10. – Depreciation and Amortization. The depreciation and amortization for the period are not paid in cash and therefore require a positive adjustment to the net cash flow from operations. Include only the amount in the account associated with items that were funded by the DWCF activity.

6710 Depreciation, Amortization, and Depletion

Q. Line 11. – Other Adjustments. The net of the period's other non-cash related adjustments from its three subcategories in lines 11.a. through 11.c.

R. Line 11.a. – Prior Period Adjustments. Enter prior period adjustments for the period that are not cash related transactions.

7400 Prior-Period Adjustments Due to Corrections of Errors
7401 Prior-Period Adjustments Due to Changes in Accounting Principles

S. Line 11.b. – Non-Cash Transfers. Enter transfers in and transfers out for the period which are not cash related transactions.

5720 Financing Sources Transferred In Without Reimbursement
5730 Financing Sources Transferred Out Without Reimbursement

T. Line 11.c. – Other. Enter current period amounts for the following accounts:

5790 Other Financing Sources

U. Line 12. – Total Operating Adjustments. Sum of lines 2 through 11.

V. Line 13. – NOR Plus/Minus Operating Adjustments. Sum of lines 1 and 12.

W. Section Heading – CAPITAL ADJUSTMENTS. This section adjusts the cash flow for the impact of acquiring and disposing of property, plant and equipment and other assets used in the production of goods and services. Most sales within the DWCF are recorded as revenue and thereby included in line 1 of this statement. However, if an incoming cash flow is not a result of revenue, that cash flow should be identified within this section as either a result of a sale of property, plant and equipment or other cause. See Annex 4 of Volume 4, Chapter 6 for further guidance.

* X. Line 14. – (Increase) Decrease of Property, Plant and Equipment, Net. The net amounts of cash proceeds received from the sale of surplus real and personal property (i.e., buildings, docks and piers, and equipment) which adds to the DWCF cash balance and the amounts disbursed for acquisitions of plant, property, and equipment which reduces the DWCF cash balance.

1711 Land and Land Rights
1712 Improvements to Land
1719 Accumulated Depreciation on Improvements to Land
1720 Construction-in-Progress
1730 Buildings, Improvements, and Renovations
1739 Accumulated Depreciation on Buildings, Improvements, and Renovations
1740 Other Structures and Facilities
1749 Accumulated Depreciation on Other Structures and Facilities
1750 Equipment
1759 Accumulated Depreciation on Equipment
1810 Assets Under Capital Lease
1819 Accumulated Depreciation on Assets Under Capital Lease
1820 Leasehold Improvements
1829 Accumulated Amortization on Leasehold Improvements
1830 Internal-Use Software
1832 Internal-Use Software in Development
1839 Accumulated Amortization on Internal-Use Software
1840 Other Natural Resources
1849 Allowance for Depletion
1890 Other General Property, Plant, and Equipment
1899 Accumulated Depreciation on Other General Property, Plant, and Equipment

Report the balance of the preceding September 30, Statement of Financial Position, line 9, "Property, Plant and Equipment, Net", minus the current balance reported on line 9 of the Statement of Financial Position.

Y. Section Heading - APPROPRIATIONS AND CASH TRANSFERS. This section identifies the impact on cash flow from resources obtained in the form of appropriations from the Congress, or by transferring from or to other reporting entities. Appropriations may, or may not, be distributed to the individual activity level. If appropriations are not distributed, then they may be reported by the DWCF level that is holding those balances or allocated by that DWCF level, for reporting purposes, to the appropriate activity(ies).

Z. Line 15. – Appropriations (Current Warrants). The amount of appropriations received, net of rescissions, for the current fiscal year. Report the balances in the following accounts:

3101 Unexpended Appropriations - Appropriations Received
3102 Unexpended Appropriations - Transfers-In
3103 Unexpended Appropriations - Transfers-Out
3106 Unexpended Appropriations – Adjustments
3108 Unexpended Appropriations – Prior-Period Adjustments Due to Corrections of Errors
3109 Unexpended Appropriations – Prior-Period Adjustments Due to Changes in Accounting Principles

The total of Line 15, "Appropriations (Current Warrants)" shall agree with the total of the amounts reported on line 3.A.1. "Budgetary Authority, Appropriation, Actual" and line 6.B., "Enacted reductions (-) of the Standard Form 133, "Report on Budget Execution and Budgetary Resources".

AA. Line 16. – Transfers of Cash. The net amounts of cash transferred to and from all Federal sources, except the Department of the Treasury. This line is the sum of the two sub categories in lines 16.a. and 16.b.

AB. Line 16.a. – Transfers In. The amount of cash transferred from all Federal sources, except the Department of the Treasury. Report cash transfers in from other Federal sources as an increase. The amounts to be reported are those related solely to transferred-in cash balances. A transfer of cash as a result of work performed (reimbursable sales) shall not be reported on this line.

5755 Nonexpenditure Financing Sources - Transfers-In - Other

This amount shall agree with the amount reported on Part II, line 1.D.(2)b. "Plus: Transfers In of Cash".

AC. Line 16.b. – Transfers Out. The amounts of cash transferred to all Federal agencies, except the Department of the Treasury. Report cash transfers out to other Federal sources as a reduction. The amounts to be reported are those related solely to transferred-out cash balances. A transfer of cash as a result of work performed (reimbursable sales) shall not be reported on this line.

5765 Nonexpenditure Financing Sources - Transfers-Out - Other

This amount shall agree with the opposite amount reported on Part II, line 1.D.(2)c. "Minus: Transfers Out of Cash".

AD. Line 17. – Total Appropriations and Cash Transfers. The net total of lines 15 and 16.

*AE. Line 18. – Repayments on Loans from the Treasury and the Federal Financing Bank. This item represents the amounts disbursed to liquidate loans from the Department of the Treasury, the Federal Financing Bank, or other Federal Agencies. This line applies only to the Military Sealift Command (MSC).

2510 Principal Payable to the Bureau of the Public Debt
2520 Principal Payable to the Federal Financing Bank

AF. Line 19. – Net Change in Cash For Accounting Period. The net total of lines 13, 14, 17 and 18.

AG. Line 20. – Fund Balance, Beginning. The sum total of the following account balances at the beginning of the fiscal year. Undistributed amounts will be reported at the lowest organizational level to which they can be identified.

1010 Fund Balance with Treasury
1110 Undeposited Collections
1120 Imprest Funds
1130 Funds Held by the Public
1190 Other Cash
1195 Other Monetary Assets
1200 Foreign Currency
1531 Seized Monetary Instruments
1532 Seized Cash Deposited

Report the balance of the preceding September 30th, Statement of Cash Flows, line 21., "Fund Balance, Ending". This amount will not change during the fiscal year.

AH. Line 21. – Fund Balance, Ending. Net total of lines 19 and 20. The amounts will equal the sum of amounts reported on the Statement of Financial Position for line 1, "Fund Balance with Treasury", and line 2, "Cash on Hand and Other Monetary Assets."

AI. Section Heading – SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION. Report additional information related to the statement of cash flow.

AJ. Line 22. – Total Interest Paid. Report the current year change to the following accounts:

2140 Accrued Interest Payable – Not Otherwise Classified
2141 Accrued Interest Payable – Debt
6310 Interest Expense on Borrowings from Bureau of Public Debt or Federal Financing Bank (if used by the Military Sealift Command)
6330 Other Interest Expenses

Figure 15-3: Statement of Operations, Part I – Statement of Operations

DEFENSE WORKING CAPITAL FUND
STATEMENT OF OPERATIONS: PART I – STATEMENT OF OPERATIONS
(DoD COMPONENT/BUSINESS AREA/ACTIVITY)
MONTH ENDING _____, 20XX
($ in thousands)

Revenues and Financing Sources:				
1. Appropriated Capital Used			$	XXX
2. Revenue from Sales of Goods and Services				XXX
a. Gross Revenue from Sales	$	XXX		
b. Minus: Credits Allowed on Sales		XXX		
3. Other Revenue and Financing Sources				XXX
4. Total Revenue and Financing Sources				XXX
Expenses:				
5. Program or Operating Expenses (Supply and Service Activities)				XXX
6. Cost of Goods and Services Sold				XXX
7. Other Losses				XXX
8. Total Expenses				XXX
NET OPERATING RESULTS:				
9. Revenue Less Cost Incurred Before Extraordinary Items				XXX
10. Plus (Minus) Extraordinary Items				XXX
11. Net Operating Results (NOR)				XXX
Net Operating Results for Rate Purposes:				
12. Plus (Minus) Deferred Operating Results and Depreciation (Part V)				XXX
13. Recoverable Net Operating Results			$	XXX

1504. FORMAT OF THE STATEMENT OF OPERATIONS: PART I - STATEMENT OF OPERATIONS (FIGURE 15-3)

150401. General

Part I – Statement of Operations provides data on current operating results by DWCF business areas.

150402. Heading

Complete the heading of the form to indicate: (a) the reporting DoD Component, (b) the reporting DWCF business area or activity, (c) the reporting period (month), and (d) the calendar year.

*150403. Line Item Instructions

Instructions for the content of each line item are as follows:

A. Section Heading – REVENUES AND FINANCING SOURCES

B. Line 1. – Appropriated Capital Used. Appropriations, primarily for War Reserve Material and Commissary Operations, may be provided directly to the DWCF. USSGL account 5700, Expended Appropriations is used to record an amount equal to accrued expenses (versus outlays) of appropriated funds provided directly to the Fund. The purpose of the account is to match current period expenses to the appropriated funds used to finance those expenses. The amounts to be recorded in account 5700 shall be equal to the amount of program expenses recorded in the 6100 series of accounts but shall not include any expenses applicable to revenue accounts other than account 5700. In other words, expenses incurred against an appropriation made directly available to the DWCF should be recorded separately from expenses incurred against ordinary DWCF reimbursable financing. Volume 4, Chapter 17 contains additional information on USSGL account 5700. Report the balance in the following account:

5700 Expended Appropriations

C. Line 2. – Revenue from Sales of Goods and Services. Report the net total of sub-lines 2.a. and 2.b.

D. Line 2.a. – Gross Revenue from Sales. Report the balances in the following accounts:

5100 Revenue from Goods Sold
5200 Revenue from Services Provided

E. Line 2.b. – Minus: Credits Allowed on Sales. Reporting activities within the Supply Management business area shall report the dollar amount of credits allowed on

amounts due (accounts receivable) as a result of sales or Depot Level Repairable (DLR) exchanges. Report the balances in the following accounts:

5109 Contra Revenue for Goods Sold
5209 Contra Revenue for Services Provided

F. Line 3. - Other Revenue and Financing Sources. Report revenues and financing sources not reported on lines 1 or 2. Include cash donations. Identify the nature of each miscellaneous gain. Report the total recorded in the following accounts:

5310 Interest Revenue – Other
5319 Contra Revenue for Interest Revenue - Other
5320 Penalties and Fines Revenue
5324 Contra Revenue for Penalties and Fines
5325 Administrative Fees Revenue
5329 Contra Revenue for Administrative Fees
5400 Benefit Program Revenue
5409 Contra Revenue for Benefit Program Revenue
5500 Insurance and Guarantee Premium Revenue
5509 Contra Revenue for Insurance and Guarantee Premium Revenue
5600 Donated Revenue - Financial Resources
5609 Contra Revenue for Donations - Financial Resources
5610 Donated Revenue - Nonfinancial Resources
5619 Contra Donated Revenue - Nonfinancial Resources
5640 Forfeiture Revenue – Cash and Cash Equivalents
5649 Contra Forfeiture Revenue – Cash and Cash Equivalents
5650 Forfeiture Revenue – Forfeitures of Property
5659 Contra Forfeiture Revenue – Forfeitures of Property
5740 Appropriated Earmarked Receipts Transferred In
5745 Appropriated Earmarked Receipts Transferred Out
5750 Expenditure Financing Sources - Transfers-In
5755 Non-Expenditure Financing Sources – Transfers In – Other
5760 Expenditure Financing Sources - Transfers-Out
5765 Non-Expenditure Financing Sources – Transfers Out – Other
5766 Nonexpenditure Financing Sources – Transfers-Out – Capital Transfers
5775 Nonbudgetary Financing Sources Transferred In
5776 Nonbudgetary Financing Sources Transferred Out
5780 Imputed Financing Sources
5790 Other Financing Sources
5791 Adjustment to Financing Sources – Downward Reestimate or Negative Subsidy
5792 Financing Sources To Be Transferred Out – Contingent Liability
5795 Seigniorage
5900 Other Revenue
5909 Contra Revenue for Other Revenue

5993 Offset to Non-Entity Collections – Statement of Changes in Net Position
5994 Offset to Non-Entity Accrued Collections – Statement of Changes in Net Position
7110 Gains on Disposition of Assets – Other
7180 Unrealized Gains
7190 Other Gains

G. Line 4. – Total Revenue and Financing Sources. Report the total of lines 1 through 3. Revenue should equal net sales plus any other reimbursable revenue and financing source.

H. Section Heading – EXPENSES

I. Line 5. – Program or Operating Expenses (Supply and Service Activities). This line is a summary of expenses for the current period. It will equal the sum of Part IV – Expenses, lines A through J, minus Part III, line 1.F. "Plus: Operating Expenses" for Supply and Service Activities.

J. Line 6. – Cost of Goods and Services Sold. Report the total of Part III - Cost of Goods Sold, lines 1.i. "Equals: Cost of Goods and Services Sold" and "2.o. Equals: Cost of Goods Sold from Inventory" (for Service and Supply Business Areas).

K. Line 7. – Other Losses. Amount reported on line K "Other Losses" of Part IV - Expenses.

L. Line 8. – Total Expenses. Sum of lines 5 through 7.

M. Section Heading – NET OPERATING RESULTS

N. Line 9. – Revenue Less Cost Incurred Before Extraordinary Items. The net amount of line 4 less line 8.

O. Line 10. – Plus (Minus) Extraordinary Items. Extraordinary items are both unusual in nature and infrequent in occurrence. Identify, as a footnote, the nature of each extraordinary gain or loss. Report the balance in the following account:

7300 Extraordinary Items

P. Line 11. – Net Operating Results (NOR). The sum of line 9 plus (or minus) line 10.

Q. Section Heading – NET OPERATING RESULTS FOR RATE PURPOSES

R. Line 12. – Plus (Minus) Deferred Operating Results and Depreciation (Part V). Report the sum of the amounts shown on lines 2 and 3 of Part V - Recoverable Operating Results. Amount will include the total deferred operating results and depreciation on non-DWCF acquired plant, property and equipment.

S. Line 13. – Recoverable Net Operating Results. The sum of line 11 plus (or minus) line 12.

Figure 15-4: Statement of Operations, Part II – Changes in Net Position

DEFENSE WORKING CAPITAL FUND
STATEMENT OF OPERATIONS: PART II-CHANGES IN NET POSITION
(DoD COMPONENT/BUSINESS AREA/ACTIVITY)
MONTH ENDING _____, 20XX
($ in thousands)

1. Changes in Net Position				
A. Unexpended Appropriations				
(1) Appropriations Available – Beginning of Year	$	XXX		
(2) Plus or Minus: Changes in Appropriation Balance		XXX		
(3) Equals: Unexpended Appropriations – End of Period			$	XXX
B. Accumulated Operating Results (AOR)				
(1) Recoverable AOR				
a. AOR Beginning of Year (Unadjusted)		XXX		
b. Plus or Minus: Prior Period Adjustments		XXX		
c. Equals: AOR Beginning of Year (Adjusted)		XXX		
d. Plus or Minus: Net Operating Results		XXX		
e. Equals: Recoverable AOR End of Period		XXX		
(2) Deferred AOR				
a. AOR Beginning of Year (Unadjusted)		XXX		
b. Plus or Minus: Prior Period Adjustments		XXX		
c. Equals: AOR Beginning of Year (Adjusted)		XXX		
d. Plus or Minus: Net Operating Results		XXX		
e. Equals: Recoverable AOR End of Period		XXX		
(3) Total AOR End of Period				XXX
C. Operational Equity Position – End of Period			$	XXX
D. Invested Capital				
(1) Assets Capitalized				
a. Assets Capitalized – Beginning of Period		XXX		
b. Plus: Transfers In of Property		XXX		
c. Minus: Transfers Out of Property		XXX		
d. Minus: Depreciation, Non-DWCF Acquired PP&E		XXX		
e. Equals: Assets Capitalized – End of Period		XXX		

Figure 15-4: Statement of Operations, Part II – Changes in Net Position (continued)

(2) Fund (Cash) Assets		
a. Fund (Cash) Assets – Beginning of Period	XXX	
b. Plus: Transfers In of Cash	XXX	
c. Minus: Transfers Out of Cash	XXX	
d. Equals: Fund (Cash) Assets – End of Period	XXX	
(3) Liabilities Assumed		
a. Liabilities Assumed – Beginning of Period	XXX	
b. Plus: Transfers In of Liabilities	XXX	
c. Minus: Transfers Out of Liabilities	XXX	
d. Equals: Liabilities Assumed – End of Period	XXX	
(4) Equals: Invested Capital – End of Period		XXX
2. Net Position – End of Period		XXX

1505. FORMAT OF THE STATEMENT OF OPERATIONS: PART II - CHANGES IN NET POSITION (FIGURE 15-4)

150501. General

Part II – Changes in Net Position, Figure 15-4, provides data on the current equity position of the DWCF.

150502. Heading

Complete the heading of the form to indicate: (a) the reporting DoD Component, (b) the reporting DWCF business area or activity, (c) the reporting period (month), and (d) the calendar year.

*150503. Line Item Instructions

Instructions for the content of each line item are as follows:

A. Section Heading – Changes in Net Position

B. Section Heading – Unexpended Appropriations

C. Line 1.A.(1). – Appropriations Available-Beginning of Year. Report the balance of appropriations available at the end of the preceding fiscal year (line 1.A.(3) on September 30 of the preceding fiscal year). The amount reported will not change during the fiscal year. The following account should be used:

3100 Unexpended Appropriations - Cumulative

D. Line 1.A.(2). – Plus or Minus: Changes in Appropriation Balance. This is equal to the difference between the beginning of the fiscal year balance and the balance as of the end of the reporting period. The amount should be equal to the net sum of the following accounts:

3101 Unexpended Appropriations - Appropriations Received
3102 Unexpended Appropriations - Transfers-In
3103 Unexpended Appropriations - Transfers-Out
3106 Unexpended Appropriations - Adjustments
3107 Unexpended Appropriations - Used
3108 Unexpended Appropriations - Prior-Period Adjustments Due to Corrections of Errors
3109 Unexpended Appropriations - Prior-Period Adjustments Due to Changes in Accounting Principles

E. Line 1.A.(3). – Equals: Unexpended Appropriations – End of Period. Report the net total of lines 1.A.(1) and 1.A.(2). The amount reported should agree with the

amount reported on line 15.a "Unexpended Appropriations" of the Statement of Financial Position.

F. Section Heading – Accumulated Operating Results (AOR)

G. Section Heading – Recoverable AOR

H. Line 1.B.(1).a. – AOR Beginning of Year (Unadjusted). Report the balance of recoverable AOR available at the end of the preceding fiscal year (line 1.B.(1).e. on September 30 of the preceding fiscal year). This amount will not change during the fiscal year. Report the amount of recoverable AOR contained in the following account:

3310 Cumulative Results of Operations

I. Line 1.B.(1).b. – Plus or Minus: Prior Period Adjustments. A credit balance is reported as a plus; a debit balance is reported as a negative. Report prior period adjustments related to recoverable AOR in the following accounts:

7400 Prior-Period Adjustments Due to Corrections of Errors
7401 Prior-Period Adjustments Due to Changes in Accounting Principles

J. Line 1.B.(1).c. – Equals: AOR Beginning of Year (Adjusted). Report the net total of line 1.B.(1).a plus or minus, as applicable, line 1.B.(1).b.

K. Line 1.B.(1).d. – Plus or Minus: Net Operating Results. Report the amount shown on line 13 "Recoverable Net Operating Results", of Part I – Statement of Operations.

L. Line 1.B.(1).e. – Equals: Recoverable AOR End of Period. Report the net total of lines 1.B.(1).c and 1.B.(1).d.

M. Section Heading – Deferred AOR

N. Line 1.B.(2).a. – AOR Beginning of Year (Unadjusted). Report the balance of deferred AOR available at the end of the preceding fiscal year (line 1.B.(2).e on September 30 of the preceding fiscal year.) This amount will not change during the fiscal year. Report the amount of deferred AOR contained in the following account:

3310 Cumulative Results of Operations

O. Line 1.B.(2).b. – Plus or Minus: Prior Period Adjustments. A credit balance is reported as a plus; a debit balance is reported as a negative. Report prior period adjustments related to deferred AOR recorded in the following accounts:

7400 Prior-Period Adjustments Due to Corrections of Errors

7401 Prior-Period Adjustments Due to Changes in Accounting Principles

P. Line 1.B.(2).c. – Equals: AOR Beginning of Year (Adjusted). Report the net total of line 1.B.(2).a plus or minus, as applicable, line 1.B.(2).b.

Q. Line 1.B.(2).d. – Plus or Minus: Net Operating Results. Report the opposite of the amount shown on Part V, Recoverable Operating Results, line 2, "Deferred Operating Results (Gain/Loss) Net".

R. Line 1.B.(2).e. – Equals: Deferred AOR End of Period. Report the net total of lines 1.B.(2).c. and 1.B.(2).d.

S. Line 1.B.(3). - Total AOR End of Period. Report the net total of lines 1.B.(1).e. and 1.B.(2).e.

T. Line 1.C. – Operational Equity Position – End of Period. Report the net total of lines 1.A.(3). and 1.B.(3).

U. Section Heading – Invested Capital

V. Section Heading – Assets Capitalized

W. Line 1.D.(1).a. – Assets Capitalized – Beginning of Period. Report the portion of assets capitalized available at the end of the preceding fiscal year (line 1.D.(1).e on September 30 of the preceding fiscal year). This amount will not change during the fiscal year. Report the amount related to the asset capitalization program contained in the following account:

3310 Cumulative Results of Operations

X. Line 1.D.(1).b. – Plus: Transfers In of Property. Report the value of non-cash capital assets received without reimbursement. Report the portion related to non-cash capital transfers in the following account:

5720 Financing Sources Transferred In Without Reimbursement

Y. Line 1.D.(1).c. – Minus: Transfers Out of Property. Report the value of non-cash capital assets transferred out without reimbursement. Report the amounts related to non-cash capital transfers out in the following account:

5730 Financing Sources Transferred Out Without Reimbursement

Z. Line 1.D.(1).d. – Minus: Depreciation, Non-DWCF Acquired PP&E. Report the amount of depreciation expense recorded for non-DWCF acquired PP&E from Part IV – Expenses, line I "Depreciation, Non-DWCF Acquired PP&E", plus gains and losses. This amount must be disclosed in a footnote.

AA. Line 1.D.(1).e. – Equals: Assets Capitalized – End of Period. Report the net total of lines 1.D.(1).a through 1.D.(1).d.

AB. Section Heading – Fund (Cash) Assets

AC. Line 1.D.(2).a. – Fund (Cash) Assets – Beginning of Period. Report the portion of fund (cash) assets available at the end of the preceding fiscal year (line 1.D.(2).d on September 30 of the preceding fiscal year). This amount will not change during the fiscal year. Report the amount related to the asset capitalization program contained in the following account:

3310 Cumulative Results of Operations

AD. Line 1.D.(2).b. – Plus: Transfers In of Cash. Report the value of cash assets received without reimbursement. Report the amounts related to cash transfers-in in the following accounts:

5755 Nonexpenditure Financing Sources - Transfers-In - Other

AE. Line 1.D.(2).c. – Minus: Transfers Out of Cash. Report the value of cash assets transferred out without reimbursement. Report the amounts related to cash transfers out in the following accounts:

5730 Financing Sources Transferred Out Without Reimbursement
5765 Nonexpenditure Financing Sources - Transfers-Out - Other

AF. Line 1.D.(2).d. – Equals: Fund (Cash) Assets – End of Period. Report the net total of lines 1.D.(2).a through 1.D.(2).c.

AG. Section Heading – Liabilities Assumed

AH. Line 1.D.(3).a. – Liabilities Assumed – Beginning of Period. Report the portion of liabilities assumed at the end of the preceding fiscal year (line 1.D.(3).d on September 30 of the preceding fiscal year). This amount will not change during the fiscal year. Report the amount related to the liabilities assumed in the following account:

3310 Cumulative Results of Operations

AI. Line 1.D.(3).b. – Plus: Transfers In of Liabilities. Report the value of liabilities transferred in for the following account:

5720 Financing Sources Transferred In Without Reimbursement

AJ. Line 1.D.(3).c. – Minus: Transfers Out of Liabilities. Report the value of liabilities transferred out in the following account:

5730 Financing Sources Transferred Out Without Reimbursement

AK. Line 1.D.(3).d. – Equals: Liabilities Assumed – End of Period. Report the net total of lines 1.D.(3).a through 1.D.(3).c.

AL. Line 1.D.(4). – Equals: Invested Capital – End of Period. Report the total of lines 1.D.(1).e., 1.D.(2).d. and 1.D.(3).d.

AM. Line 2. - Net Position – End of Period. Report the total of lines 1.C and 1.D.(4).

Figure 15-5: Statement of Operations, Part III – Cost of Goods Sold

DEFENSE WORKING CAPITAL FUND
STATEMENT OF OPERATIONS: PART III-COST OF GOODS SOLD
(DoD COMPONENT/BUSINESS AREA/ACTIVITY)
MONTH ENDING _____, 20XX
($ in thousands)

1. Cost of Goods and Services Sold:		
a. Beginning Work-in-Process	$ XXX	
b. Plus/Minus: Prior Period Adjustments to Work-in-Process	XXX	
c. Equals: Adjusted Beginning Work-in-Process	XXX	
d. Minus: Transfers Out of Work-in-Process	XXX	
e. Plus: Transfers In of Work-in-Process	XXX	
f. Plus: Operating Expenses	XXX	
g. Minus: Ending Work-in-Process	XXX	
h. Minus: Work for Activity Retention	XXX	
i. Equals: Cost of Goods and Services Sold		$ XXX
2. Cost of Goods Sold from Inventory:		
a. Beginning Inventory-LAC	XXX	
b. Plus/Minus: Prior Period Adjustments to LAC Inventory	XXX	
c. Equals: Adjusted Beginning Inventory-LAC	XXX	
d. Minus: Beginning Allowance for Unrealized Holding Gains (Losses)	XXX	
e. Plus: Purchases at Cost	XXX	
f. Plus: Customer Returns-Credit Given	XXX	
g. Plus: DLR Exchange Credits	XXX	
h. Minus: Inventory Losses (Gains) Realized	XXX	
i. Minus: Ending Inventory-LAC	XXX	
j. Plus: Ending Allowance for Unrealized Holding Gains (Losses)	XXX	
k. Minus: Transfers Out of Inventory at LAC	XXX	
l. Plus: Transfers In of Inventory at LAC	XXX	
m. Equals: Cost of Goods Sold at LAC		XXX
n. Plus: Cost of Goods Sold at MAC		XXX
o. Equals: Cost of Goods Sold from Inventory		XXX

1506. FORMAT OF THE STATEMENT OF OPERATIONS: PART III - COST OF GOODS SOLD (FIGURE 15-5)

150601. General

Part III – Cost of Goods Sold, Figure 15-5, reflects all costs, including gains and losses, applicable to the production of goods and services sold to customers during the reporting period. The total of line 1.i., "Equals Cost of Goods & Services Sold", or 2.o., "Equals: Cost of Goods Sold from Inventory" must agree with the amount shown on Part I -Statement of Operations, line 6, "Cost of Goods and Services Sold".

150602. Heading

Complete the heading of the form to indicate: (a) the reporting DoD Component, (b) the reporting DWCF business area or activity, (c) the reporting period (month), and (d) the calendar year.

150603. Line Item Instructions

Instructions for the content of each line item are as follows:

A. Line 1 – Cost of Goods and Services Sold. This line is to be used by all WIP business areas. The Supply Management and Commissary Resale business areas shall use line 2 of this part to compute its cost of goods sold. Service business activities do not produce goods for sale and their operating expenses will be reported on Part I – Statement of Operations, line 6, "Cost of Goods and Services Sold".

B. Line 1.a. – Beginning Work-in-Process. Enter the total of the balances in the following account at the end of the preceding reporting period. This amount will not change during the fiscal year, and will be the same as the amount on line 1.g, "Ending Work-in-Process" from the previous year's September 30 report:

1526 Inventory - Work-in-Process

C. Line 1.b. – Plus/Minus: Prior Period Adjustments to Work-in-Process. Report the amount of increase or decrease to Inventory-Work-in-Process related to a prior period adjustment included in the following account:

7400 Prior-Period Adjustments Due to Corrections of Errors
7401 Prior-Period Adjustments Due to Changes in Accounting Principles

D. Line 1.c. - Equals: Adjusted Beginning Work-in-Process. Report the net total of lines 1.a. and 1.b.

E. Line 1.d. - Minus: Transfers Out of Work-in-Process. Report the amount of Work-in-Process transferred out without reimbursement to another activity included in the following account:

5730 Financing Sources Transferred Out Without Reimbursement

F. Line 1.e. – Plus: Transfers In of Work-in-Process. Report the amount of Work-in-Process transferred in without reimbursement from another activity included in the following account:

5720 Financing Sources Transferred In Without Reimbursement

G. Line 1.f. – Plus: Operating Expenses. Enter the total of the amounts reported on Part IV, "Expenses", lines A. through I.

H. Line 1.g. – Minus: Ending Work-in-Process. Enter the total of the balance in the following account as of the end of the current reporting period:

1526 Inventory – Work-in-Process

I. Line 1.h. – Minus: Work for Activity Retention. Report the value of assets developed or manufactured for use and retention by the performing business area activity. Enter the balance in the following accounts:

6500 Cost of Goods Sold

J. Line 1.i. Equals: Cost of Goods and Services Sold. Report the net total of lines 1.c. through 1.h.

K. Line 2. – Cost of Goods Sold from Inventory. This category of costs is reported only by the Supply Management and Commissary Resale Business Areas.

*NOTE: The ***Statement of Federal Financial Accounting Standards Number 3***, "Accounting for Inventory and Related Property" sets forth the accounting principles that shall be followed by Federal Government entities when accounting for and reporting inventory and related property. An illustration of the DoD implementation of those principles is contained in ***Volume 4*** Chapter 4, "Inventory and Related Property" of this Regulation (for DoD Components recording inventory at its latest invoice price). The referenced illustrations demonstrate the application of inventory related accounts and must be read to more fully understand the reporting requirements contained in section 2 of Part III - Cost of Goods Sold.

L. Line 2.a – Beginning Inventory – LAC. Report the balance as shown on line 2.i "Minus: Ending Inventory - LAC" on September 30 of the preceding fiscal year, as this amount will not change during the fiscal year. LAC is "Latest Acquisition Cost."

1521 Inventory Purchased for Resale

1522 Inventory Held in Reserve for Future Sale
1523 Inventory Held for Repair
1524 Inventory – Excess, Obsolete, and Unserviceable
1525 Inventory – Raw Materials
1527 Inventory – Finished Goods

M. Line 2.b. – Plus/Minus: Prior Period Adjustments to LAC Inventory. Report the portion of the amount from the following account as it relates to LAC inventory adjustments:

7400 Prior-Period Adjustments Due to Corrections of Errors
7401 Prior-Period Adjustments Due to Changes in Accounting Principle

N. Line 2.c. – Equals: Adjusted Beginning Inventory-LAC. Report the net total of lines 2.a and 2.b.

O. Line 2.d. – Minus: Beginning Allowance for Unrealized Holding Gains (Losses). Report the balance as shown on line 2.j. "Plus: Ending Allowance for Unrealized Holding Gains/Losses" on September 30 of the preceding fiscal year, as this amount will not change during the fiscal year. Holding gains (or losses) are recognized in the valuation of inventory. Holding gains or losses may be unrealized or realized. "Unrealized" refers to any gain or loss associated with inventory still held by the entity. "Realization" of the holding gain or loss occurs only when an item of inventory is sold or otherwise leaves the supply management stocking point.

P. Line 2.e. – Plus: Purchases at Cost. Report amounts paid or payable for all inventory purchases during the reporting period in the following account:

1529 Inventory Allowance (Purchased at Cost)

Q. Line 2.f. – Plus: Customer Returns – Credit Given. Report amounts of credit given on materiel returns in the following account:

1529 Inventory Allowance (Customer Returns-Credit Granted)

R. Line 2.g. – Plus: DLR Exchange Credits. Report the amounts of credits given on DLR exchanges in the following account:

1529 Inventory Allowance (DLR Exchange Credit)

S. Line 2.h. – Minus: Inventory Losses (Gains) Realized. The realization of most inventory gains (and losses) are recognized through reduction of the unrealized holding gains/losses accounts as a result of sales; that is, those gains and losses are realized when inventory items are sold and are recognized in the cost of good sold. However, decreases in inventory occurring as a result of disposal and events other than sale also result in a reduction of the unrealized holding gains/losses accounts. As those inventory decreases are not the result of

sales, they should not affect the cost of goods sold. Therefore, the value of those losses shall be removed from the cost of goods sold and reported on Part IV – Expenses, line K.4, "Net Other Inventory (Gains) Losses".

7210 Losses on Disposition of Assets – Other
7290 Other Losses

T. Line 2.i. – Minus: Ending Inventory – LAC. Report the end of period inventory value of the following accounts:

1521 Inventory Purchased for Resale
1522 Inventory Held in Reserve for Future Sale
1523 Inventory Held for Repair
1524 Inventory – Excess, Obsolete, and Unserviceable
1525 Inventory – Raw Materials
1527 Inventory – Finished Goods

U. Line 2.j. – Plus: Ending Allowance for Unrealized Holding Gains (Losses). Report the total of balances in the following account:

1529 Inventory – Allowance

V. Line 2.k. – Minus: Transfers Out of Inventory at LAC. Report the portion of the following account that relates to inventory maintained at LAC, which was transferred out of the activity.

5730 Financing Sources Transferred Out Without Reimbursement

W. Line 2.l. – Plus: Transfers In of Inventory at LAC. Report the portion of the following account that relates to inventory maintained at LAC, which was transferred in to the activity.

5720 Financing Sources Transferred In Without Reimbursement

X. Line 2.m. – Equals: Cost of Goods Sold at LAC. Report the net total of lines 2.c. through line 2.l.

Y. Line 2.n. – Plus: Cost of Goods Sold at MAC. Report the amount of the following account as was reported from activities maintaining inventory at MAC value.

6500 Cost of Goods Sold

Z. Line 2.o. – Equals: Cost of Goods Sold from Inventory. Report the net total of lines 2.m. and 2.n.

Figure 15-6: Statement of Operations, Part IV – Expenses

DEFENSE WORKING CAPITAL FUND
STATEMENT OF OPERATIONS: PART IV-EXPENSES
(DoD COMPONENT/BUSINESS AREA/ACTIVITY)
MONTH ENDING _____, 20XX
($ in thousands)

	($000)	($000)
A. Personnel Services and Benefits - Civilian		XXX
1. Personal Compensation	XXX	
2. Annual Leave	XXX	
3. Personnel Benefits	XXX	
4. Benefits for Former Personnel	XXX	
B. Travel and Transportation		XXX
1. Travel and Transportation of People	XXX	
2. Transportation of Things	XXX	
C. Rents, Communications and Utilities		XXX
1. Rents, Communications and Utilities	XXX	
2. Printing and Reproduction	XXX	
D. Contractual Services		XXX
1. Military Personnel Services	XXX	
2. Purchased Services	XXX	
E. Supplies, Materials and Other Non-Capitalized Assets		XXX
1. Supplies and Materials	XXX	
2. Equipment	XXX	
F. Grants and Fixed Charges		XXX
1. Grants and Contributions	XXX	
2. Insurance Claims and Indemnifications	XXX	
3. Other Interest Expenses	XXX	
G. Other Expenses		XXX
H. Depreciation		XXX
1. Depreciation and Equipment	XXX	
2. Depreciation of Real Property	XXX	
3. Amortization of Leasehold Improvements and Other Intangible Assets	XXX	

Figure 15-6: Statement of Operations, Part IV – Expenses (continued)

I. Depreciation – Non-DWCF Acquired PP&E		XXX
1. Non-Recoverable Depreciation of Equipment	XXX	
2. Non-Recoverable Depreciation of Real Property	XXX	
3. Non-Recoverable Amortization	XXX	
J. Bad Debts		XXX
K. Other Losses and Gains		XXX
1. Losses on Disposition of Assets	XXX	
2. Net (Gains) Losses on Inventory Shrinkage/Deterioration	XXX	
3. Net (Gains) Losses on Inventory Excess/Obsolescence/ Spoilage	XXX	
4. Net Other Inventory (Gains) Losses	XXX	
5. Other Miscellaneous Losses	XXX	
Expended Appropriation	XXX	
Direct Labor Hours – Regular	XXX	
Direct Labor Hours – Overtime	XXX	
Direct Labor Hours – Total	XXX	

1507. FORMAT OF THE STATEMENT OF OPERATIONS: PART IV - EXPENSES (FIGURE 15-6)

150701. General

Part IV – Expenses, Figure 15-6, reflects all expenses incurred during the reporting period. The total of lines A thru I should agree, except for rounding, with the amount shown on Part I – Statement of Operations, Line 5 "Program or Operating Expenses (Supply and Service Activities)" for Supply and Service Activities or Part III – Cost of Goods Sold, line 1.f. "Plus: Operating Expenses" for all other activities.

150702. Heading

Complete the heading of the form to indicate: (a) the reporting DoD Component, (b) the reporting DWCF business area or activity, (c) the reporting period (month), and (d) the calendar year.

150703. Line Item Instructions

Instructions for the content of each line item are as follows:

A. Line A. – Personnel Services and Benefits – Civilian. Report the amount of expense related to personnel services and benefits. Report the net total of sub-lines A.1. through A.4.

B. Line A.1. – Personnel Compensation. Report the total amount of expense related to personnel compensation. Include the amount of the following account as it relates to personnel compensation.

6100 Operating Expenses/Program Costs

C. Line A.2. – Annual Leave. Report the total amount of expense related to annual leave. Include the amount of the following accounts related to annual leave.

6100 Operating Expenses/Program Costs
6800 Future Funded Expenses

D. Line A.3. – Personnel Benefits. Report the total amount of expense related to personnel benefits. Include the amount of the following accounts related to personnel benefits.

6100 Operating Expenses/Program Costs
6400 Benefit Expense
6850 Employer Contributions to Employee Benefit Programs not Requiring Current-Year Budget Authority (Unobligated)
7600 Changes in Actuarial Liability

E. Line A.4. – Benefits for Former Personnel. Report the total amount of expense related to benefits for former personnel. Include the amount of the following accounts related to benefits for former personnel.

6100 Operating Expenses/Program Costs
6400 Benefit Expense

F. Line B. – Travel and Transportation. Report the amount of expense related to travel and transportation. Report the net total of sub-lines B.1 and B.2.

G. Line B.1. – Travel and Transportation of People. Include the amount of the following account related to travel and transportation of persons.

6100 Operating Expenses/Program Costs

H. Line B.2. –Transportation of Things. Include the amount of the following account related to travel and transportation of things.

6100 Operating Expenses/Program Costs

I. Line C. – Rents, Communications and Utilities. Report the amount of expense related to rents, communications, utilities, and printing and reproduction. Report the net total of sub-lines C.1 and C.2.

J. Line C.1. – Rents, Communications and Utilities. Include the amount of the following account related to rents, communications and utilities.

6100 Operating Expenses/Program Costs

K. Line C.2. – Printing and Reproduction. Include the amount of the following account related to printing and reproduction.

6100 Operating Expenses/Program Costs

L. Line D. – Contractual Services. Report the amount of expense related to military personnel services and other contractual services. Report the net total of sub-lines D.1 and D.2.

M. Line D.1. – Military Personnel Services. Include the amount of the following account related to military personnel.

6100 Operating Expenses/Program Costs

N. Line D.2. – Purchased Services. Include the amount of the following account related to purchased services.

6100 Operating Expenses/Program Costs

O. Line E. – Supplies, Materials and Other Non-Capitalized Assets. Report the amount of expense related to supplies, materials and other non-capitalized assets. Report the net total of sub-lines E.1 and E.2.

P. Line E.1. – Supplies and Materiels. Include the amount of the following account related to supplies and materiels.

6100 Operating Expenses/Program Costs

Q. Line E.2. – Equipment. Include the amount of the following account related to equipment (not capitalized).

6100 Operating Expenses/Program Costs

R. Line F. – Grants and Fixed Charges. Report the amount of expense related to grants, subsidies, contributions, insurance, claims, and indemnifications. Report the net total of sub-lines F.1 through F.3

S. Line F.1. – Grants and Contributions. Include the amount of the following accounts related to grants, subsidies and contributions.

6100 Operating Expenses/Program Costs

T. Line F.2. – Insurance Claims and Indemnifications. Include the amount of the following account related to insurance claims and indemnifications.

6100 Operating Expenses/Program Costs

U. Line F.3. – Other Interest Expenses. Report the balances in the following accounts:

6310 Interest Expenses on Borrowing From the Bureau of the Public Debt and/or the Federal Financing Bank
6330 Other Interest Expenses

V. Line G. – Other Expenses. Report amounts that do not coincide to the description of the other elements of expense and identify the type of expense reported in this line.

6100 Operating Expenses/Program Costs
6600 Applied Overhead
6610 Cost Capitalization Offset
6730 Imputed Costs
6790 Other Expenses Not Requiring Budgetary Resources

6800 Future Funded Expenses
6850 Employer Contributions to Employee Benefit Programs Not Requiring Current-Year Budget Authority (Unobligated)
6900 Non-production Costs

W. Line H. – Depreciation. Include the amount of depreciation to be recouped to the operating budget of the activity. Report the net total of sub-lines H.1 through H.3

X. Line H.1. – Depreciation of Equipment. Include the amount of the following account related to depreciation of equipment.

6710 Depreciation, Amortization, and Depletion

Y. Line H.2. – Depreciation of Real Property. Include the amount of the following account related to depreciation of real property.

6710 Depreciation, Amortization, and Depletion

Z. Line H.3. – Amortization of Leasehold Improvements and Other Intangible Assets. Include the amount from the following account(s) related to amortization of leasehold improvements and other intangible assets.

6710 Depreciation, Amortization, and Depletion

AA. Line I. – Depreciation – Non-DWCF Acquired PP&E. The amount of depreciation on Plant, Property and Equipment acquired by the activity with funds other than DWCF Revolving Funds. Report the net total of sub-lines I.1 through I.3

AB. Line I.1. – Non-Recoverable Depreciation of Equipment. Include the amount of the following account related to depreciation of equipment acquired by the activity with funds other than DWCF Revolving Funds.

6710 Depreciation, Amortization, and Depletion

AC. Line I.2. – Non-Recoverable Depreciation of Real Property. Include the amount of the following account related to depreciation of real property acquired by the activity with funds other than DWCF Revolving Funds.

6710 Depreciation, Amortization, and Depletion

AD. Line I.3. – Non-Recoverable Amortization. Include the amount from the following account related to amortization of leasehold improvements and other intangible assets acquired by the activity with funds other than DWCF Revolving Funds.

6710 Depreciation, Amortization, and Depletion

AE. Line J. – Bad Debts. Report the balances in the following accounts:

6190 Contra Bad Debt Expense - Incurred for Others
6720 Bad Debt Expense

AF. Line K. – Other Losses and Gains. This represents expenses not captured elsewhere. Report the net total of sub-lines K.1 through K.5.

AG. Line K.1. – Losses on Disposition of Assets. Report the amounts from the account(s) listed as they related to losses on disposition of assets identified for the following categories: Non-Supply Management Activities; Non-Recoverable Disposal of Equipment/Capital Assets, Non-Federal; Non-Recoverable Base Realignment and Closure (BRAC) Cost, Non-Federal; and Other Expense-Non-Supply Management, Non-Federal.

7210 Losses on Disposition of Assets – Other

AH. Line K.2. – Net (Gains) Losses on Inventory Shrinkage/Deterioration. Report the amounts from the account(s) listed as they related to losses on inventory shrinkage/deterioration as reported by non-Supply Management activities.

7190 Other Gains
7290 Other Losses

AI. Line K.3. – Net (Gains) Losses on Inventory Excess/Obsolescence/Spoilage. Report the amounts from the account(s) listed as they related to losses on inventory excess, obsolescence and spoilage as reported by non-Supply Management activities.

7290 Other Losses

AJ. Line K.4. – Net Other Inventory (Gains) Losses. Report the amounts from the account(s) listed as they related to (gains) losses on inventory identified in the following break down. The following items should be included on this line:

Non-Recoverable Gains or Losses on Disposal of Excess Inventory, Supply Management
7110 Gains on Disposition of Assets - Other
7190 Other Gains
7210 Losses on Disposition of Assets - Other
7290 Other Losses

Other Inventory Losses, Non-Supply Management
7290 Other Losses

AK. Line K.5. – Other Miscellaneous (Gains) Losses. Report the amounts from the account listed as it related to losses not specifically identified to another sub-category of Other Losses. The following items should be included on this line:

7180 Unrealized Gains
7190 Other Gains
7280 Unrealized Losses
7290 Other Losses

AL. For Information Only. Report miscellaneous information not otherwise defined.

AM. Expended Appropriation. The amount of appropriations used during the fiscal year when goods and services are received or benefits provided.

5700 Expended Appropriation

AN. Direct Labor Hours – Regular. Report the amount of year to date non-overtime direct labor hours for Industrial activities.

AO. Direct Labor Hours – Overtime. Report the amount of year to date overtime direct labor hours for Industrial activities.

AP. Direct Labor Hours – Total. Report the sum of "Direct Labor Hours – Regular" and "Direct Labor Hours – Overtime".

*Figure 15-7: Statement of Operations, Part V – Recoverable Operating Results

DEFENSE WORKING CAPITAL FUND
STATEMENT OF OPERATIONS: PART V-RECOVERABLE OPERATING RESULTS
(DoD COMPONENT/BUSINESS AREA/ACTIVITY)
MONTH ENDING _____, 20XX
($ in thousands)

1. NET OPERATING RESULTS (NOR)		$	XXX
2. Deferred Operating Results (Gains/Losses) Net			XXX
a. Net (Gains) Losses on Disposal of Excess Inventory (+/-)	XXX		
b. Disposal of Equipment/Capital Assets (-)	XXX		
c. Non-Reimbursable Base Closure (BRAC) Costs (+/-)	XXX		
d. Capital Asset Surcharge (-)	XXX		
e. Cash Surcharge	XXX		
f. Inventory Replenishment	XXX		
g. Other Approved Gains and Losses (Must Be Footnoted)	XXX		
3. Depreciation, Non-DWCF Acquired PP&E			XXX
4. Net Recoverable Operating Results from Current Year Operations		$	XXX

1508. FORMAT OF THE STATEMENT OF OPERATIONS: PART V - RECOVERABLE OPERATING RESULTS (FIGURE 15-7)

150801. General

Part V – Recoverable Operating Results, Figure 15-7, is intended to disclose differences, if any, between net operating results reported on Part I, - Statement of Operations, and the operating results used in the budget formulation of stabilized billing rates. As a matter of policy, any amounts that a DoD Component requests be excluded from its DWCF rates—whether identified in the Office of the Under Secretary of Defense (Comptroller) guidance as permissible or requested by the DoD Component—must be adequately documented and quantified. Further, all such amounts must be approved by the Office of the Under Secretary of Defense (Comptroller). Amounts not explicitly approved by the Office of the Under Secretary of Defense (Comptroller) for exclusion from customer rates shall be excluded from this report.

150802. Heading

Complete the heading of the form to indicate: (a) the reporting DoD Component, (b) the reporting DWCF business area or activity, (c) the reporting period (month), and (d) the calendar year.

150803. Line Item Instructions

Instructions for the content of each line item are as follows.

A. Line 1 – Net Operating Results (NOR). Enter the amount reported on Part I – Statement of Operations, line 11, "Net Operating Results (NOR)."

B. Line 2 – Deferred Operating Results (Gains/Losses) Net.

1. Data reported on this line and its sublines, unless otherwise specified below, are restricted to specific exclusions approved by the Office of the Deputy Comptroller (Program/Budget).

2. These exclusions shall include those amounts determined by the reporting Agency to be adjustments for the difference between the historical and latest acquisition costs for inventory valuation. This difference is attributed to the value of inventory reflected in the COGS at historical cost versus the value of inventory at latest acquisition cost. This difference must be reflected on the AR 1307 to adjust the NOR to Net Recoverable Operations Results based on replacement costs that preserve the Working Capital Funds ability to replenish stock.

3. Amounts to be reported on monthly activity reports should be obtained from, or approved by, the activity, management command of the reporting business area or the DoD Component departmental level. Report the net total of lines 2.a through 2.g.

C. Line 2.a – Net (Gains) Losses on Disposal of Excess Inventory. This line applies only to supply management business areas. Report those losses on potential excess/actual inventory for which an exclusion has been approved by the Office of the Deputy Comptroller (Program/Budget). Report the amount of gains/losses on the disposal of excess inventory as reported in the following accounts:

7110 Gains on Disposition of Assets – Other
7190 Other Gains
7210 Losses on Disposition of Assets – Other
7290 Other Losses

D. Line 2.b – Disposal of Equipment/Capital Assets. Report losses (or gains, if applicable) realized upon the disposal of excess equipment and other capital assets when the Office of the DoD Comptroller (Program/Budget) has approved the exclusion. NOTE: Losses on excess equipment and other capital assets disposed of as a result of base closure shall not be reported on this line but shall, instead, be reported on line 2.c. Report the amount of losses related to the disposal of equipment and capital assets as reported in the following accounts:

7110 Gains on Disposition of Assets – Other
7210 Losses on Disposition of Assets – Other

E. Line 2.c – Non-Reimbursable Base Closure (BRAC) Costs. Report losses (or gains, if applicable) in excess of reimbursement directly resulting from a base closure when the Office of the Deputy Comptroller (Program/Budget) has approved the exclusion. Report the amount of gains/losses related from BRAC costs as reported in the following accounts:

7110 Gains on Disposition of Assets – Other
7190 Other Gains
7210 Losses on Disposition of Assets – Other
7290 Other Losses

F. Line 2.d – Capital Asset Surcharge. Capital asset surcharge amounts, positive or negative, included in revenue will be adjusted to avoid either the return of an apparent gain or loss in the development of the subsequent year rate structure. This line is left blank when there is no capital surcharge revenue. A capital asset surcharge shall be included in customer rates only if approved by the Office of the Deputy Comptroller (Program/Budget). A capital asset surcharge might be approved when the amount of depreciation expense of existing capital assets included in stabilized rates is either less or greater than the budgeted Capital Program. As the capital asset surcharge does not have an offsetting expense, in isolation from other transactions, it would be anticipated to result in a gain (or loss) to net operating results. That gain/loss must be deducted from Net Operating Results to prevent its return or charge to customers in subsequent years through stabilized rates that are lower than they would be otherwise. Capital asset surcharge amounts may be reported without the prior approval of the Office of the Deputy Comptroller (Program/Budget). See Annex 4 of Volume 4, Chapter 6 for further guidance. Report the amount of revenue related to capital asset surcharges as reported in the following accounts:

5100 Revenue From Goods Sold
5200 Revenue From Services Provided

G. Line 2.e – Cash Surcharge. Similar to capital asset surcharges, activities may include a cash surcharge in their rates. Report the amount of revenue related to cash surcharges as reported in the following accounts:

5100 Revenue From Goods Sold
5200 Revenue From Services Provided

H. Line 2.f – Inventory Replenishment. The difference between the historical and latest acquisition costs for inventory valuation. Report the amount of revenue related to inventory replenishment as reported in the following accounts:

5100 Revenue From Goods Sold

I. Line 2.g – Other Approved Gains and Losses (Must Be Footnoted). Report any other approved gain or loss not already identified. May include, but is not limited to the following accounts:

5100 Revenue From Goods Sold
5700 Expended Appropriations
6710 Depreciation, Amortization, and Depletion
7110 Gains on Disposition of Assets - Other
7190 Other Gains
7290 Other Losses

J. Line 3 – Depreciation, Non-DWCF Acquired PP&E. Report the amount of depreciation from non-DWCF acquired Plant, Property and Equipment which is identified as an asset capitalized on Part II – Changes in Net Position, line 1.D.(1).d. "Minus: Depreciation, Non-DWCF Acquired PP&E." Report the amount from Part IV – Expenses, Line I, "Depreciation on non-DWCF Acquired PP&E", minus gains and losses." This amount must be reflected in a footnote.

K. Line 4 – Net Recoverable Operating Results from Current Year Operations. Report the net total of lines 1 through 3.

*150804. Year End Procedures

At fiscal year end, the Net Operating Results is closed to Cumulative Results of Operations. Since part of that amount may be a non-recoverable deferred amount and an amount related to depreciation for non-DWCF acquired PP&E, those amounts should be separately identified in financial records. These amounts should be identified with attributes.

A. The amount reported on Line 2, "Deferred Operating Results (Gains/Losses) Net" should be the opposite of Part II – Changes in Net Position, Line 1.B.(2).d.

"Plus or Minus: Net Operating Results" during the fiscal year and closed to deferred Cumulative Results of Operations during the year-end close process. The amount on Line 3, "Depreciation, Non-DWCF Acquired PP&E" should be reported on Part II – Changes in Net Position, Line 1.D.(1).d "Minus: Depreciation, Non-DWCF Acquired PP&E" during the fiscal year and closed to "Assets Capitalized – Beginning of Period" during the year end close process. The amount on Line 4, "Net Recoverable Operating Results from Current Year Operations" should be reported on Part II – Changes in Net Position, Line 1.B.(1).d. "Plus or Minus: Net Operating Results" during the fiscal year and closed to Cumulative Results of Operations – Recoverable during the year end close process.

Figure 15-8: Statement of Operations, Part VI – Capital Program

DEFENSE WORKING CAPITAL FUND
STATEMENT OF OPERATIONS: PART VI-CAPITAL PROGRAM
(DoD COMPONENT/BUSINESS AREA/ACTIVITY)
MONTH ENDING _____, 20XX
($ in thousands)

	Approved Program			Obligations			Outlays		
Program Year	Original Program	Program Adjustments	Current Program	This Fiscal Year	Prior Fiscal Year(s)	Total	This Fiscal Year	Prior Fiscal Year(s)	Total
FY 20PY – X	$ XXX	$ XXX	$ XXX	$ XXX	$ XXX	$ XXX	$ XXX	$ XXX	$ XXX
FY 20PY – 4	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
FY 20PY – 3	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
FY 20PY – 2	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
FY 20PY – 1	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
FY 20PY	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
FY 20CY	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX
Total	$ XXX	$ XXX	$ XXX	$ XXX	$ XXX	$ XXX	$ XXX	$ XXX	$ XXX

1509. FORMAT OF THE STATEMENT OF OPERATIONS: PART VI – CAPITAL PROGRAM (FIGURE 15-8)

150901. General

A. Part VI – Capital Program, Figure 15-8, reflects the program, obligations, and outlays for each fiscal year of the program. A capital asset for this report must meet the Working Capital Fund Investment Threshold for the program year reported and have a useful life of 2 years or greater.

B. For reporting these amounts, the reporting period is defined as the year to date amounts, i.e., amounts reported since the end of the prior fiscal year to the end of the reporting month shown in the heading.

150902. Heading

Complete the heading of the form to indicate: (a) the reporting DoD Component, (b) the reporting DWCF business area or activity (c) the reporting period (month), and (d) the calendar year.

*150903. Columnar Instructions

The contents of the columns should be as follows:

A. Program Year (Column 1). Separate fiscal year program identification is required. All prior fiscal years must be separately identified until all obligations and outlays for the approved program have been fully concluded. The fiscal year programs will be arranged in consecutive order, starting with the least current fiscal year program.

B. Approved Program - Original Program (Column 2). The original program amount will be capital authority approved for the reporting fiscal year on the initial Annual Operating Budget (AOB) for the fiscal year. Carryover from prior fiscal years is already reported as part of the initial program for that year. The amount reported should not change in subsequent years. Changes in the Capital Program amounts are shown in "Program Adjustments" (Column 3).

C. Approved Program - Program Adjustments (Column 3). Amounts included in this column shall be adjustments (generally, deductions) to the initial approved Capital Program amounts. Adjustments to the initial approved program amounts are disclosed in the AOBs for a subsequent program year. The amount reported in this column may change annually as of the beginning of a fiscal year, but should not change during a fiscal year except at year-end. The amount reported in this column will change at the end of each fiscal year to allow the value of Current Program (column 4) to equal the amount of Obligations-Total (column 7).

D. Approved Programs - Current Program (Column 4). This is the sum of the original program (column 2) and program adjustments (column 3). These amounts will be subject to the provisions of ***31 U.S.C. 1517 (a)***, "Prohibited Obligations and Expenditures".

E. Obligations – This Fiscal Year (Column 5). Amounts included in this column shall be the total amount of obligations incurred in the current fiscal year.

F. Obligations – Prior Fiscal Year(s) (Column 6). Amounts included in this column shall be the cumulative amount of obligations (Column 7) as of the end of the prior fiscal year. The amount reported should not change during the reporting fiscal year.

G. Obligations – Total (Column 7). This is the sum of Obligations-Current Fiscal Year (column 5) and Obligations-Prior Fiscal Year(s) (column 6). The amount reported in Column 4 "Current Program" must be greater than or equal to the amount reported in column 7 "Obligations Total".

H. Outlays – This Fiscal Year (Column 8). Amounts included in this column shall be the total amount of outlays incurred in the current fiscal year.

I. Outlays – Prior Fiscal Year(s) (Column 9). Amounts included in this column shall be the cumulative amount of outlays (Column 10) as of the end of the prior fiscal year. The amount reported should not change during the reporting fiscal year.

J. Outlays – Total (Column 10). This is the sum of Outlays-Current Fiscal Year (column 8) and Outlays-Prior Fiscal Year(s) (column 9). The amount reported in Column 7 "Obligations Total" must be greater than or equal to the amount reported in column 10 "Outlays Total".

*Figure 15-9: Statement of Operations: Part VII – Inventory Management Report-Supply Management Business Area

DEFENSE WORKING CAPITAL FUND
STATEMENT OF OPERATIONS: PART VII – INVENTORY MANAGEMENT REPORT – SUPPLY MANAGEMENT BUSINESS AREA
(DoD COMPONENT/BUSINESS AREA/ACTIVITY)
MONTH ENDING _____, 20XX
($ in thousands)

	Current Year To Date	Planned To Date	Variance
A. Customer Orders Accepted – Cumulative	$ XXX	$ XXX	$ XXX
B. Gross Reimbursable Sales of Property, Inventory, & Services – Cumulative	XXX	XXX	XXX
C. Unfilled Customer Orders	XXX	XXX	XXX
D. Customer Returns – Credits Granted – Cumulative	XXX	XXX	XXX
E. Net Reimbursable Sales – Cumulative	XXX	XXX	XXX
F. Purchases at Cost (LAC) – Cumulative	XXX	XXX	XXX
G. Obligations – Cumulative	XXX	XXX	XXX
H. Obligations – Reimbursable	XXX	XXX	XXX
I. Obligations – Augmentation – Cumulative	XXX	XXX	XXX
J. Obligations – Mobilization – Cumulative	XXX	XXX	XXX
K. Outstanding Commitments	XXX	XXX	XXX
L. Inventories – Stock on Hand	XXX	XXX	XXX
M. Other Inventories	XXX	XXX	XXX
N. Inventories in Transit	XXX	XXX	XXX
P. Total Inventories	XXX	XXX	XXX
Q. Customer Returns Without Credit – Cumulative	XXX	XXX	XXX
R. Transfers to Reutilization and Market – Cumulative	XXX	XXX	XXX
S. Material Returns to Suppliers – Cumulative	XXX	XXX	XXX
T. Undelivered Orders	XXX	XXX	XXX
U. Fund Balance with Treasury	XXX	XXX	XXX
V. Funds Collected – Cumulative	XXX	XXX	XXX
W. Funds Disbursed – Cumulative	XXX	XXX	XXX
X. Accounts Receivable – Intragovernmental	XXX	XXX	XXX
Y. Accounts Receivable – Non-Federal	XXX	XXX	XXX
Z. Accounts Payable	XXX	XXX	XXX

1510. FORMAT OF THE STATEMENT OF OPERATIONS: PART VII – INVENTORY MANAGEMENT REPORT – SUPPLY MANAGEMENT BUSINESS AREA (FIGURE 15-9)

*151001. General

Part VII - Inventory Management Report – Supply Management Business Area, Figure 15-9, compares fiscal data from the supply management business area general ledger with the approved operating program for the purpose of monitoring the execution of the current year budget. This report applies solely to Supply Management Business areas for the reporting of inventory related transactions.

151002. Heading

Complete the heading of the form to indicate: (a) the reporting DoD Component, (b) the reporting DWCF business area or activity, (c) the reporting period (month), and (d) the calendar year.

151003. General Reporting Requirements

A. Form. Each DoD Component shall submit an Inventory Management Report for each supply management business area division on forms consistent with the example provided. Division reports shall show entries only for column one "Current Year To Date".

151004. Specific Reporting Requirements

A. Description of Line Entries. Specific descriptions of entries for each line on the Inventory Management Report are provided in section 151005.

B Current Year to Date. Column 1, "Current Year to Date," shall reflect the current amount through the month reported.

C. Planned to Date. Column 2, "Planned to Date," shall reflect the cumulative programmed amount (from the component's approved operating program), at the total DoD Component level, for the month being reported.

D. Variance. On only the DoD Component supply management business area summarized report Column 3, "Variance," shall reflect the difference between column 1 and column 2 in terms of the dollar amount.

151005. Description of Entries

A. Line A – Customer Orders Accepted – Cumulative. Enter the total amount of customer orders received for the Fiscal Year to date. Report the net change for the year of the following general ledger accounts:

4221 Unfilled Customer Orders Without Advance

4222 Unfilled Customer Orders With Advance
4251 Reimbursements and Other Income Earned – Receivable
4252 Reimbursements and Other Income Earned – Collected
4253 Prior-Year Unfilled Customer Orders With Advance – Refunds Paid

B. Line B – Gross Reimbursable Sales of Property, Inventory, & Services – Cumulative. Enter the total sales for this Fiscal Year to date. The amount reported shall equal the amount reported on line 2.a "Gross Revenue from Sales" of Part I of the Statement of Operations. Report the balance of the following general ledger accounts:

5100 Revenue From Goods Sold
5200 Revenue From Services Provided

C. Line C – Unfilled Customer Orders. Enter the amount of requisitions or orders outstanding from customers. Report the balance of the following general ledger accounts:

4221 Unfilled Customer Orders Without Advance
4222 Unfilled Customer Orders With Advance

D. Line D – Customer Returns – Credits Granted – Cumulative. Enter the amount of credit granted to customers for material returns for the Fiscal Year to Date. The amount reported shall equal the amount reported on line 2.b. "Minus: Credits Allowed on Sales" of Part I of the Statement of Operations. Report the amount of credit granted to customers for material returns from the following general ledger accounts:

5109 Contra Revenue for Goods Sold
5209 Contra Revenue for Services Provided

E. Line E – Net Reimbursable Sales – Cumulative. Enter the net sales for this Fiscal Year to date. The amount reported shall equal the amount reported on line 2. "Revenue from Sales of Goods and Services" of Part I of the Statement of Operations. Report the result of line B. less line D.

F. Line F – Purchases at Cost (LAC) – Cumulative. Enter the amount of purchases at cost for this Fiscal Year to date. The amount reported shall equal the amount reported on line 2.e. "Plus: Purchases at Cost" of Part III, "Cost of Goods Sold," of the Statement of Operations. Report the portion of the following general ledger account, which identifies purchases at cost:

1529 Inventory - Allowance

G. Line G – Obligations – Cumulative. Enter the total obligations incurred this Fiscal Year to date. (The sum of report lines H., I., and J.)

H. Line H – Obligations – Reimbursable. Enter the amount of operating obligations incurred this Fiscal Year to date. The amount reported should not include obligations reported on lines I. and J. Report net change for the Fiscal Year of the following accounts:

4801 Undelivered Orders - Obligations, Unpaid
4802 Undelivered Orders - Obligations, Prepaid/Advanced
4881 Upward Adjustments of Prior-Year Undelivered Orders – Obligations, Unpaid
4882 Upward Adjustments of Prior-Year Undelivered Orders – Obligations, Prepaid/Advanced
4901 Delivered Orders - Obligations, Unpaid
4902 Delivered Orders - Obligations, Paid
4981 Upward Adjustments of Prior-Year Delivered Orders – Obligations, Unpaid
4982 Upward Adjustments of Prior-Year Delivered Orders – Obligations, Paid

I. Line I – Obligations – Augmentation – Cumulative. Enter the amount of obligations incurred this Fiscal Year to date for inventory augmentation, initial issue. Inventory augmentation purposes are defined in ***Volume 2B***, Chapter 9, of this Financial Management Regulation. The amount reported should not include obligations reported on lines H. and J. Report net change for the Fiscal Year of the following accounts:

4801 Undelivered Orders - Obligations, Unpaid
4802 Undelivered Orders - Obligations, Prepaid/Advanced
4831 Undelivered Orders - Obligations Transferred, Unpaid
4832 Undelivered Orders - Obligations Transferred, Prepaid/Advanced
4871 Downward Adjustments of Prior-Year Unpaid Undelivered Orders - Obligations, Recoveries
4872 Downward Adjustments of Prior-Year Prepaid/Advanced Undelivered Orders - Obligations, Refunds Collected
4881 Upward Adjustments of Prior-Year Undelivered Orders – Obligations, Unpaid
4882 Upward Adjustments of Prior-Year Undelivered Orders – Obligations, Prepaid/Advanced
4901 Delivered Orders - Obligations, Unpaid
4902 Delivered Orders - Obligations, Paid
4981 Upward Adjustments of Prior-Year Delivered Orders – Obligations, Unpaid
4982 Upward Adjustments of Prior-Year Delivered Orders – Obligations, Paid

J. Line J – Obligations – Mobilization – Cumulative. Enter the amount of obligations incurred this Fiscal Year to date for war reserve purposes. War reserve purposes are defined in ***Volume 2B***, Chapter 9**,** of this Financial Management Regulation. The amount reported should not include obligations reported on lines H. and I. Report net change for the Fiscal Year of the following accounts:

4801 Undelivered Orders - Obligations, Unpaid
4802 Undelivered Orders - Obligations, Prepaid/Advanced

4831 Undelivered Orders - Obligations Transferred, Unpaid
4832 Undelivered Orders - Obligations Transferred, Prepaid/Advanced
4871 Downward Adjustments of Prior-Year Unpaid Undelivered Orders - Obligations, Recoveries
4872 Downward Adjustments of Prior-Year Prepaid/Advanced Undelivered Orders - Obligations, Refunds Collected
4881 Upward Adjustments of Prior-Year Undelivered Orders – Obligations, Unpaid
4882 Upward Adjustments of Prior-Year Undelivered Orders – Obligations, Prepaid/Advanced
4901 Delivered Orders - Obligations, Unpaid
4902 Delivered Orders - Obligations, Paid
4981 Upward Adjustments of Prior-Year Delivered Orders – Obligations, Unpaid
4982 Upward Adjustments of Prior-Year Delivered Orders - Obligations, Paid

K. Line K – Outstanding Commitments. Enter the amount of commitments outstanding that has not resulted in obligations. Report the balance of the following general ledger account:

4700 Commitments - Programs Subject to Apportionment

L. Line L – Inventories – Stock On Hand. Enter the total amount of inventory on hand at the end of the report period after adjustment to LAC. Report the net total balance of the following general ledger accounts after adjustment to estimated cost:

1521 Inventory Purchased for Resale
1522 Inventory Held in Reserve for Future Sale
1523 Inventory Held for Repair
1524 Inventory - Excess, Obsolete, and Unserviceable
1529 Inventory - Allowance

M. Line M – Other Inventories. Enter the total amount of other inventories (except inventories in transit reported on Line N.) consisting of Work in Progress, On Loan to Others for Use, and With Agents. Report the net total balance of the following general ledger accounts:

1525 Inventory - Raw Materials
1526 Inventory - Work-in-Process
1527 Inventory - Finished Goods

N. Line N – Inventories in Transit. Enter the amount of material in transit. Report the balance of the following account that is identified as being in transit:

1521 Inventory Purchased for Resale

1523 Inventory Held for Repair
1525 Inventory - Raw Materials
1527 Inventory - Finished Goods

O. Line P – Total Inventories. Enter the sum of the amounts reported on lines L., M., and N.

P. Line Q – Customer Returns Without Credit – Cumulative. Enter the amount of returns from customers without credit. The amount reported should equal the net of the total amount of returns from customers less the amount reported on line D. "Customer Returns – Credits Granted – Cumulative". Report the balance of the following general ledger accounts:

1529 Inventory - Allowance
7190 Other Gains

Q. Line R – Transfers to Reutilization and Market – Cumulative. Enter the net amount transferred to DRMOs (Defense Reutilization & Marketing Service) from the Fiscal Year to date. Report the amount from the following general ledger accounts that apply to transfers to reutilization and marketing offices:

7210 Losses on Disposition of Assets – Other

R. Line S – Material Returns to Suppliers – Cumulative. Enter the total amount of returns to Non-Federal suppliers and contractors.

S. Line T – Undelivered Orders. Enter the total amount of undelivered orders outstanding. Report the balance of the following general ledger accounts:

4801 Undelivered Orders - Obligations, Unpaid
4802 Undelivered Orders - Obligations, Prepaid/Advanced
4831 Undelivered Orders - Obligations Transferred, Unpaid
4832 Undelivered Orders - Obligations Transferred, Prepaid/Advanced
4871 Downward Adjustments of Prior-Year Unpaid Undelivered Orders - Obligations, Recoveries
4872 Downward Adjustments of Prior-Year Prepaid/Advanced Undelivered Orders - Obligations, Refunds Collected
4881 Upward Adjustments of Prior-Year Undelivered Orders – Obligations, Unpaid
4882 Upward Adjustments of Prior-Year Undelivered Orders – Obligations, Prepaid/Advanced

T. Line U – Fund Balance with Treasury. Enter the total amount of Funds Balance with Treasury. This amount shall equal the total of lines 1.f. and 1.g. of the Statement of Financial Position. Report the balance of the following general ledger account:

1010 Fund Balance with Treasury

U. Line V – Funds Collected – Cumulative. Enter the amount of the collections for the Fiscal Year to date. The amount reported shall equal the amount reported on lines 1.a. and 1.b. of the Statement of Financial Position. Report the amounts that apply from the following general ledger account:

1010 Fund Balance with Treasury

V. Line W – Funds Disbursed – Cumulative. Enter the amount of the disbursements for the Fiscal Year to date. The amount reported shall equal the amount reported on lines 1.c. and 1.d. of the Statement of Financial Position. Report the amount that applies from the following general ledger account:

1010 Fund Balance with Treasury

W. Line X – Accounts Receivable – Intragovernmental. Enter the amount of receivables outstanding that are due from other federal governmental entities. Report the amounts that apply from the following accounts:

1310 Accounts Receivable
1320 Employment Benefit Contributions Receivable
1330 Receivable for Transfers of Currently Invested Balances
1335 Expenditure Transfers Receivable
1340 Interest Receivable – Not Otherwise Classified
1350 Loans Receivable
1360 Penalties and Fines Receivable – Not Otherwise Classified
1370 Administrative Fees Receivable – Not Otherwise Classified

X. Line Y – Accounts Receivable – Non-Federal. Enter the amount of receivables outstanding that are due from Non-Federal entities. Report the amounts that apply from the following accounts:

1310 Accounts Receivable
1319 Allowance for Loss on Accounts Receivable
1320 Employment Benefit Contributions Receivable
1325 Taxes Receivable
1329 Allowance for Loss on Taxes Receivable
1340 Interest Receivable – Not Otherwise Classified
1349 Allowance for Loss on Interest Receivable – Not Otherwise Classified
1350 Loans Receivable
1360 Penalties and Fines Receivable – Not Otherwise Classified
1367 Allowance for Loss on Penalties and Fines Receivable – Not Otherwise Classified
1370 Administrative Fees Receivable – Not Otherwise Classified

1377 Allowance for Loss on Administrative Fees Receivable- Not Otherwise Classified

Y. Line Z – Accounts Payable. Enter the total amount of accounts payable outstanding. Report the net total balance of the following accounts:

2110 Accounts Payable
2120 Disbursements in Transit

Z. Footnotes. Include in a footnote, the estimated balance of line U "Fund Balance with Treasury" that is the result of appropriations by type of appropriation, i.e., inventory augmentation or War Reserves and the estimated amount from operations. Include in a footnote, the amounts of line L., "Inventories – Stock on Hand", at standard price.

*Figure 15-10: DWCF Financial Reporting Activities

DEPARTMENT OF THE ARMY (97X4930.1)
DWCF Financial Reporting Activities

ARMY SUPPLY MANAGEMENT
Army Managed Items
* Aviation and Missile Life Cycle Management Command (AMCOM LCMC), Huntsville, AL
* Communications Electronics Lifecycle Management Command (CECOM LCMC), Ft. Monmouth, NJ
* Tank and Armaments Lifecycle Management Command (TACOM LCMC), Warren, MI
* Army Material Command Mobilization (AMC-MOB), Ft. Belvoir, VA

Non-Army Managed Items
* Non-Army Managed Items – Product Support / Integration Directorate (NAMI-PSID), Rock Island, IL

ARMY INDUSTRIAL OPERATIONS
Industrial Operations
* Tooele Army Depot, Tooele, UT
* Anniston Army Depot, Bynum, AL
* Bluegrass Army Depot, Richmond, KY
* Sierra Army Depot, Herlong, CA
* Letterkenny Army Depot, Chambersburg, PA
* Red River Army Depot, Texarkana, TX
* Tobyhanna Army Depot, Tobyhanna, PA
* Corpus Christi Army Depot, Corpus Christi, TX
* Pine Bluff Arsenal, Pine Bluff, AR
* Rock Island Arsenal, Rock Island, IL
* Watervliet Arsenal, Watervliet, NY
* McAlester Army Ammunition Plant, McAlester, OK
* Crane Army Ammunition Activity, Crane, IN

Key to Symbols
= DWCF Consolidation Point
* = DWCF Financial Reporting (AR(M) 1307) Entity

*Figure 15-10: DWCF Financial Reporting Activities (continued)

DEPARTMENT OF THE NAVY (97X4930.2)
DWCF Financial Reporting Activities

NAVY SUPPLY MANAGEMENT
Navy Managed Items
* Navy Supply Systems Command, Mechanicsburg, PA
* Marine Corps Supply Management, Albany, GA

NAVY LOGISTICS SUPPORT ACTIVITIES

NAVY DEPOT MAINTENANCE
Shipyards
* Norfolk Naval Shipyard, Portsmouth, VA
* Portsmouth Naval Shipyard, Kittery, ME
* Long Beach Naval Shipyard, Long Beach, CA

Aviation
* Fleet Readiness Center Southwest, North Island, CA
* Fleet Readiness Center East, Cherry Point, NC
* Fleet Readiness Center Southeast, Jacksonville, FL

Marine Corps Depots
* Marine Corps Depot, Albany, GA
* Marine Corps Depot, Barstow, CA

Navy Base Support
* Naval Facilities Engineering Command, Mid-West, Great Lakes, IL
* Naval Facilities Engineering Command, Marianas, Guam
* Naval Facilities Engineering Command, Far East, Yokosuka, Japan
* Naval Facilities Engineering Command, Hawaii, Pearl Harbor, HI
* Naval Facilities Engineering Command, Mid-Atlantic, Norfolk, VA
* Naval Facilities Engineering Command, Washington, Washington, DC
* Naval Facilities Engineering Command, Southwest, San Diego, CA
* Naval Facilities Engineering Command, Northwest, Silverdale, WA
* Naval Facilities Engineering Command, Europe, Naples, Italy
* Naval Facilities Engineering Command, Southeast, Jacksonville, FL
* Naval Facilities Engineering Service Center, Port Hueneme, CA

Key to Symbols
= DWCF Consolidation Point
* = DWCF Financial Reporting (AR(M) 1307) Entity

*Figure 15-10: DWCF Financial Reporting Activities (continued)

NAVY RESEARCH & DEVELOPMENT
Naval Air Warfare Centers
* Naval Air Warfare Center-Aircraft Division, Patuxent River, MD
* Naval Air Warfare Center-Weapons Division, China Lake, CA

Naval Surface Warfare Centers
* Naval Surface Warfare Center, Carderock Division, West Bethesda, MD
* Naval Surface Warfare Center, Corona Division, Corona, CA
* Naval Surface Warfare Center, Crane Division, Crane, IN
* Naval Surface Warfare Center, Dahlgren Division, Dahlgren, VA
* Naval Surface Warfare Center, Indian Head Division, Indian Head, MD
* Naval Surface Warfare Center, Port Hueneme Division, Port Hueneme, CA
* Naval Surface Warfare Center, Panama City Division, Panama City, FL
* Naval Surface Warfare Center, Explosive Ordnance Disposal Technology Division, Indian Head, MD

Naval Undersea Warfare Centers
* Naval Undersea Warfare Center, Keyport Division, Keyport, WA
* Naval Undersea Warfare Center, Newport Division, Newport, RI

Space and Naval Warfare Systems Centers (SSC)
* SSC Pacific, San Diego, CA
* SSC Atlantic, Charleston, SC

* Naval Research Laboratory, Washington, DC

Navy Transportation
* Military Sealift Command, Washington DC

Key to Symbols
= DWCF Consolidation Point
* = DWCF Financial Reporting (AR(M) 1307) Entity

*Figure 15-10: DWCF Financial Reporting Activities (continued)

DEPARTMENT OF THE AIR FORCE (97X4930.3)
DWCF Financial Reporting Activities

AIR FORCE DEPOT MAINTENANCE
Air Force Depot Maintenance Program
* Warner Robins Air Logistics Center, Robins Air Force Base, Warner Robins, GA
* Ogden Air Logistics Center, Hill Air Force Base, Ogden, UT
* Oklahoma City Air Logistics Center, Tinker Air Force Base, Oklahoma City, OK
* Aerospace Maintenance & Regeneration Group, Davis-Monthan Air Force Base, Tucson, AZ

AIR FORCE SUPPLY MANAGEMENT
Air Force Supply Management Activity Group
* Medical-Dental Division: Air Force Medical Logistics Office, Frederick, MD
* Academy Cadet Store: U.S. Air Force Academy, Colorado Springs, CO
* Material Support Division: HQ, Air Force Materiel Command, Wright-Patterson Air Force Base, Dayton, OH

UNITED STATES TRANSPORTATION COMMAND
* Air Mobility Command, Scott Air Force Base, IL
* Military Sealift Command (MSC), Washington, DC
* Surface Deployment and Distribution Command (SDDC), Scott Air Force Base, IL
* US Transportation Command, Scott Air Force Base, IL
* Defense Courier Division (DCD), Scott Air Force Base, IL

DEFENSE COMMISSARY AGENCY (97X4930.4)

* Commissary Resale
* Commissary Operations

Key to Symbols
= DWCF Consolidation Point
* = DWCF Financial Reporting (AR(M) 1307) Entity

*Figure 15-10: DWCF Financial Reporting Activities (continued)

DEFENSE AGENCIES (97X4930.5)
DWCF Financial Reporting Activities

 # OTHER DEFENSE ORGANIZATIONS (ODO)

* Defense Logistics Agency, Ft, Belvoir, VA
* Defense Distribution Center, New Cumberland, PA
* Defense Energy Support Center, Ft. Belvoir, VA
* Defense Logistics Management Standards Office, Ft. Belvoir, VA
* Defense Logistics Information Service, Battle Creek, MI
* Defense Reutilization and Marketing Service, Battle Creek, MI
* Defense Supply Center, Richmond, VA
* Defense Supply Center, Philadelphia, PA
* Documentation Automation and Production Services, Mechanicsburg, PA

 # DEFENSE INFORMATION SYSTEMS AGENCY (DISA)

* DISA Africa Command
* DISA Central Command, MacDill Air Force Base, FL
* DISA Continental United States Field Command, Scott Air Force Base, IL
* DISA Europe Field Command, Stuttgart, Germany
* DISA Joint Forces Command, Norfolk, VA
* DISA Northern Command, Peterson Air Force Base, CO
* DISA Pacific Field Command, Ford Island, HI
* DISA Special Operations Command, MacDill Air Force Base, FL
* DISA US Army Reserve Element, Gettysburg, PA
* DISA Southern Command, Miami, FL
* DISA United States Strategic Command, Offutt Air Force Base, NE
* DISA TRANSCOM Field Office, Scott Air Force Base, IL
* DISA Field Security Operations, Chambersburg, PA

 # DEFENSE FINANCE AND ACCOUNTING SERVICE

* Financial Operations, Arlington, VA

 # OSD HEADQUARTERS ACCOUNT

#COMPONENT LEVEL

Key to Symbols
= DWCF Consolidation Point
* = DWCF Financial Reporting (AR(M) 1307) Entity

DoD 7000.14 - R

DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

VOLUME 6B: "FORM AND CONTENT OF THE DEPARTMENT OF DEFENSE AUDITED FINANCIAL STATEMENTS"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

VOLUME 6B, CHAPTER 1: "INTRODUCTION TO THE FORM AND CONTENT OF THE FINANCIAL STATEMENTS"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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

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

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

The previous version dated June 2012 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
Multiple	Updated hyperlinks.	Revision
Multiple	Added clarifying language to improve readability.	Revision
010103	Added authoritative guidance paragraph in accordance with current administrative instructions.	Addition
0103	Updated information on reporting dates of financial statements per Office of Management and Budget (OMB) Circular A-136.	Revision
010405	Added clarifying paragraph to delineate non-OMB reporting entities.	Addition
010501	Updated language to identify the Agency Head Message as optional for reporting entities per OMB Circular A-136.	Revision
Table 1-1	Updated table to reflect new reporting requirements of OMB Circular A-136.	Revision
Table 1-2	Added table of non-OMB Reporting Entities.	Addition

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CHAPTER 1

INTRODUCTION TO THE FORM AND CONTENT OF THE FINANCIAL STATEMENTS

0101 GENERAL

010101. Overview

Under the provisions of ***Title 31, United States Code (U.S.C.), section 3515***, the Department of Defense (DoD) is required to have annual audited financial statements covering all accounts and associated activities of the Department. As implemented by the Office of Management and Budget (OMB), the Department is required to prepare both Agency-wide annual audited financial statements and separate audited financial statements for several individual reporting entities, i.e., Army, Navy, and the Air Force general funds (GF) and working capital funds (WCF), Military Retirement Trust Fund, and United States Army Corps of Engineers Civil Works. The financial statements are expected to provide information to DoD program managers, Congress, and the public, thereby facilitating both effective allocation of resources and assessment of management performance and stewardship. The objective is to produce financial statements that can and will be used to improve the management of the Department. Additionally, consistent with the objectives of the Statements of Federal Financial Accounting Concepts ***(SFFACs)*** and Statements of Federal Financial Accounting Standards (***SFFASs***), the Department continues to work toward the integration of budget and financial information in order to provide for more effective program management at all levels.

010102. Purpose

The provisions within this chapter constitute guidance on the form and content of quarterly and annual financial statements prepared within the DoD. This guidance is intended to provide a framework within which each DoD Component has the flexibility to develop and include information useful both to its financial managers and to program managers in making decisions. This guidance applies to all DoD reporting entities identified in section 0104 and identifies the level at which functions and/or funds should be reported on a consolidated basis, notes the basis of accounting to be utilized, prescribes the specific authoritative guidance on financial statement format and disclosures, and provides other instructions necessary for the preparation of annual audited financial statements and quarterly unaudited financial statements. When recording accounting transactions, follow the accounting standards hierarchy found in Volume 1, Chapter 2.

*010103. Authoritative Guidance

The primary authoritative guidance for this chapter is ***OMB Circular A-136***, "Financial Reporting Requirements," and 31 U.S.C. § 3515. Additional authoritative sources are listed throughout the chapter.

0102 BACKGROUND

Federal agencies traditionally prepared financial reports to monitor and control the obligation and expenditure of budgetary resources. With the enactment of ***Public Law 101-576***, "Chief Financial Officers Act of 1990" (CFO Act), and ***Public Law 103-356***, "Government Management Reform Act of 1994" (GMRA), the Congress called for the production of audited financial statements. The statements must fully disclose a federal entity's financial position and results of operations, and provide information not only for the effective allocation of resources but also with which Congress, Agency managers, the public, and others can assess management performance and stewardship. Accordingly, OMB in consultation with the CFO Council, the Council of the Inspectors General on Integrity and Efficiency, and other interested parties developed the formats and instructions for financial statements described in this volume. The annual audited financial statements must be organized as shown in Table 1-1.

*0103 REQUIRED REPORTING DATES

The provisions of this volume require the preparation of annual audited financial statements for the period ending on September 30 of each fiscal year and the quarterly unaudited financial statements for periods ending December 31, March 31, and June 30 of each fiscal year. Agencies will submit unaudited interim financial statements to OMB 21 business days after the end of the third quarter of the fiscal year and footnotes and other information 45 days after the end of the third quarter of the fiscal year. Annual audited financial statements are due to OMB, the Government Accountability Office, and the Congress by November 15.

0104 DEPARTMENT OF DEFENSE REPORTING ENTITIES

010401. Audited Financial Statements and Quarterly Unaudited Financial Statements Required by OMB

Executive Branch agencies must generally prepare and submit audited financial statements to OMB. The CFO Act, as amended by the GMRA, requires major agencies of the Federal Government to prepare and submit audited financial statements. Additionally, OMB requires the Department and other major agencies to prepare agency-wide quarterly unaudited financial statements according to OMB Circular A-136. The DoD Agency-wide financial statements provide the financial status of the entire Department. There are Component reporting entities within the Department that, while included in the DoD Agency-wide statements, also are required by OMB to prepare stand-alone audited financial statements and quarterly unaudited financial statements. The Component reporting entities are:

A. Army GF;

B. Army WCF;

C. Navy GF;

D. Navy WCF;

E. Air Force GF;

F. Air Force WCF;

G. Military Retirement Trust Fund; and

H. United States Army Corps of Engineers Civil Works.

010402. Audited Financial Statements and Quarterly Unaudited Financial Statements Required by the Senate Select Committee on Intelligence

In addition to the reporting entities identified in paragraph 010401, the following entities will prepare audited annual and unaudited quarterly financial statements to the Senate Select Committee on Intelligence:

A. Defense Intelligence Agency;

B. National Reconnaissance Office;

C. National Geospatial-Intelligence Agency; and

D. National Security Agency.

010403. Other Defense Organizations (ODO)

In addition to the reporting entities identified in paragraph 010401, the remaining accounts of the Department are reported in three columns of the consolidating balance sheet for the DoD Agency-wide audited financial statements and quarterly unaudited financial statements. The ODO-WCF column will include the financial activity of the WCF organizations that are not identified in paragraph 010401. The ODO-GF column will include the financial activity of the non-WCF organizations that are not identified in paragraph 010401. The Medicare-Eligible Retiree Health Care Fund (MERHCF) column is material to the DoD Agency-wide financial statements and is shown separately.

010404. Consolidation of ODO Audited Financial Statements and Quarterly Unaudited Financial Statements

The consolidation of reporting entity financial statements for Treasury Index "097" funds, reported as "ODO-General Funds," must follow the flow of funds from the apportionment of an appropriation to allotment, allocation, and suballocation. The primary advantage of this consolidation method is that program managers and auditors can follow the flow of funds upward and downward and validate the receipt and execution of funds at all levels. For financial statement reporting, accounting activities must consolidate allotment and suballotment information consistent with the flow (distribution) of funds. The consolidating and combining statements must include a column for each of its general funds and WCF subentities.

*010405. Non-OMB Reporting Entities

The non-OMB reporting entities represent all others not identified in paragraphs 010401 and 010402. These entities are not required "reporters" per OMB A-136. A listing of the main non-OMB reporting entities is in Table 1-2. A detailed listing of all reporting entities is available in the DFAS Financial Reporting ***Guidance***. This listing can be viewed by accessing the quarterly guidance and viewing the "Entity Code Listing."

A. DoD Designated Audit Entities. DoD has designated certain reporting entities to adhere to the same audit readiness efforts as congressionally mandated OMB reporting entities. These reporting entities must perform all audit readiness efforts in accordance with the Financial Improvement and Audit Readiness (FIAR) Methodology, and must undergo annual stand-alone financial statement audits. A listing of these entities is provided in Section 5 of the ***FIAR*** Guidance.

B. Other Material Defense Agencies and Remaining Entities. Other Material Defense Agencies are reporting entities that must undergo annual examinations or other independent validations of their financial statement balances. Remaining Entities include other defense agencies, organizations, and funds not material to the DoD consolidated financial statements. Remaining Entities must perform audit readiness efforts to improve their internal controls and will be included in the DoD consolidated financial statement audit. A listing of these entities is also available in Section 5 of the FIAR Guidance.

1. To support the preparation of the Agency-wide financial statements, these entities must continue to submit trial balances and corresponding adjustments within Defense Departmental Reporting System – Audited Financial Statements (DDRS-AFS), DDRS-Budgetary, and DDRS - Data Collection Module. Additionally, these entities are still required to provide information as outlined by the quarterly Agency-wide reporting schedules and guidance. To ensure continued improvement to financial reporting in accordance with Department objectives, Other Material Defense Agencies and Remaining Entities must continue value-added financial improvement efforts including evaluation and improvements to internal controls over financial reporting. Reasonableness reviews of financial statements for Other Material Defense Agencies and Remaining Entities during non-reporting periods may result in questions being forwarded for explanation and/or future corrective action. The Office of the Under Secretary of Defense (Comptroller) (OUSD(C)) delegated financial statement review of the entity's financial information and OUSD(C) oversight of these reporting entities to the respective Component's Comptroller or senior financial manager. However, designated Defense Finance & Accounting Service (DFAS) Financial Reporting staff will remain available to assist in responding to issues or inquiries.

2. Based on the FIAR strategy, cost mitigation requirements, and expected progression towards full assertion of auditability, each Other Material Defense Agency and Remaining Entity will determine their internal reporting and audit requirements, as deemed necessary for continued improvement of financial data and achievement of audit objectives. Entities currently receiving an unmodified audit opinion should consider the cost versus value of the audit in determining requirements and objectives.

010406. Audit Compliance

DoD Component reporting entities will prepare financial statements as denoted in paragraph 010401. All DoD Components (both reporting entities and non-reporting entities) are required to comply with the ***FIAR*** requirements and other guidance issued by the OUSD(C). Each Component, after completing their assertion of auditability, and with the advice of the DoD Office of the Inspector General (OIG), must establish an audit committee to oversee its financial audit. The purpose of the audit committee is to establish audit requirements, identify contract deliverables, monitor the execution of the contract, and identify and assist with resolution of obstacles to an unmodified opinion. Once DOD Component reporting entities are deemed auditable, the audit committee's focus should be on ensuring a forum exists to address ongoing accounting and auditing issues. Audit committees for OMB reporting entities identified in paragraph 010401 must include a representative of DoD OIG. Audits of Federal financial statements are conducted in accordance with the requirements found in ***OMB Bulletin 17-03*** of September 29, 2017, "Audit Requirements for Federal Financial Statements." The provisions of this Bulletin apply to audits of financial statements of executive departments, agencies, and government corporations and certain components of these agencies. The Bulletin reflects changes that apply as a result of other revised OMB guidance, including OMB Circular A-136.

0105 CONTENT OF ANNUAL AUDITED FINANCIAL STATEMENTS AND QUARTERLY UNAUDITED FINANCIAL STATEMENTS

*010501. Major Sections of the Audited Financial Statements

The annual audited financial statements of the OMB Reporting entities identified in paragraph 010401 must be comprised of eight major sections. A reporting entity has the option to include a dated transmittal letter signed by the Agency Head to be located at the beginning of the report, as explained in Chapter 3, section 0302. Non-OMB reporting entities not identified elsewhere in this chapter are to follow the requirements outlined in paragraph 010405. The quarterly unaudited financial statements required for third and fourth quarters must be comprised of the principal statements and notes to the principal statements and, if applicable, supporting consolidating and/or combining statements. Although the second quarter principal statements must be prepared, the preparation of accompanying notes for the second quarter is not required. A more detailed outline appears in Table 1-1. Specific instructions for the preparation of the contents of each section are provided in individual chapters of this volume. The eight required major sections and the sequence of their presentation are as follows:

A. Management's Discussion and Analysis (MD&A);

B. Principal Statements;

C. Notes to the Principal Statements;

D. Supporting Consolidating/Combining Statements (if applicable);

E. Required Supplementary Stewardship Information;

F. Required Supplementary Information;

G. Other Information; and

H. Audit Opinion.

010502. MD&A

MD&A of the reporting entity is integral to the annual financial statements and should be regarded as Required Supplementary Information (RSI). MD&A requirements are stated in ***SFFAC 3,*** "Management's Discussion and Analysis;" ***SFFAS 15***, "Management's Discussion and Analysis;" and OMB Circular A-136. MD&A is an important vehicle for communicating managers' insights about the reporting entity, increasing the understandability and usefulness of the financial statements, and providing understandable and accessible information about the entity and its operations, service levels, successes, and challenges. MD&A also should address significant events, conditions, risks, uncertainties, trends, and contingencies that may affect future operations. Guidance for preparation of MD&A is provided in Chapter 3.

010503. Principal Statements and Notes to the Principal Statements

Principal statements and notes to the principal statements summarize financial information for individual funds and accounts within reporting entities and subentities. The amounts reported on the principal statements are based on specific general ledger account balances. Instructions for the preparation of the principal statements are contained in Chapters 4, 5, 6, and 7. Reconciliations and edits used within DoD can be viewed with proper authorization in the DDRS-AFS by selecting "Reports" from the menu and then accessing "Reconciliations." Additional reconciliation information is available in the Financial Reporting Audited Financial Statement Reconciliation ***Manual***.

A. Principal Statements. The principal statements must include:

1. Balance Sheet (Consolidated);

2. Statement of Net Cost (Consolidated);

3. Statement of Changes in Net Position (Consolidated); and

4. Statement of Budgetary Resources (Combined).

B. Notes to the Principal Statements. The notes to the principal statements are an integral part of the financial statements. They include a summary of the accounting principles and methods of applying those principles that management has concluded are the most appropriate for presenting the entity's significant assets, liabilities, equity, revenues, expenses, and budgetary information. The notes also provide further detail of the amounts reported on the statements. In cases where individual line items of the financial statements cannot be obtained or a substitution is made from the requirements herein, the deficiencies must be explained and the reason for

noncompliance annotated in the notes. Where data used is known to be incomplete, deemed to be unreliable, or is an estimated (partial or full) amount, the note pertaining to the line(s) where such data is reported in the statement must contain a reference to such data. The reference must include the amount and explanation of the circumstances regarding the availability and use of such data. The notes also contain disclosures required by the SFFASs. Instructions for the preparation of the required footnotes are contained in Chapter 10.

010504. Supporting Consolidating/Combining Statements

The consolidating and combining statements use a multi-column format to present information on the reporting entity's major component. The total column for consolidating and combining statements must equal the amount reported in the consolidated or combined statements. Although publishing the consolidating/combining statements is not required by the DoD, it is very important these statements are reviewed for completeness and consistency with the consolidated statements.

010505. Required Supplementary Stewardship Information (RSSI)

Specific guidance for reporting RSSI is contained in Chapter 11.

010506. RSI

All Federal agencies are required to report RSI. Certain information is designated as RSI and defined in OMB Circular A-136. Specific guidance for reporting RSI is contained in Chapter 12.

010507. Other Information (OI)

Specific guidance for reporting OI is contained in Chapter 3.

010508. Audit Opinion

A. DoD Reporting Entity Audits. DoD OIG must render an audit opinion on the DoD Agency-wide financial statements and OMB required entities in paragraph 010401. In addition, OIG must provide an endorsement to the audit opinion for each of the reporting entity financial statements opined on by a contract auditor.

B. ODO Audits. DoD OIG will not issue separate audit opinions on the financial statements of ODO included in the DoD Agency-wide financial report. The ODO financial statements and records must be included in the audits performed to support the opinion issued by OIG on the DoD Agency-wide audited financial statements.

*Table 1-1. Detailed Outline of DoD Financial Statements

DETAILED OUTLINE OF ANNUAL AUDITED DOD FINANCIAL STATEMENTS			
Section Sequence	**Major Components of Financial Statements (Hard copy and files for Internet)**	**DoD Entity Reports**	**DoD Agency-Wide**
1	Cover	Required	Required
2	Table of Contents	Required	Required
3	Message(s) from the Secretary of the Military Department; Chief, U.S. Army Corps of Engineers; or the Director of a Defense Agency, as applicable, for the reporting entity.	Not Required	Not Required
4	Management's Discussion and Analysis	Required	Required
5	Performance Information	Not Required	Not Required
6	Financial Section		
6.1	Signed CFO letter	Required	Required
6.2	Principal Statements		
6.21	Balance Sheet, Consolidated	Required	Required
6.22	Statement of Net Cost, Consolidated	Required	Required
6.23	Statement of Changes in Net Position, Consolidated	Required	Required
6.24	Statement of Budgetary Resources, Combined	Required	Required
6.3	Notes to the Financial Statements	Required	Required
6.4	Required Supplementary Stewardship Information		
6.41	Stewardship Investments		
6.41A	Nonfederal Physical Property	As Applicable	Required
6.41B	Human Capital	As Applicable	Required
6.41C	Research and Development	As Applicable	Required
6.5	Required Supplementary Information		
6.51	Deferred Maintenance and Repairs	As Applicable	Required
6.52	Statement of Disaggregated Budgetary Resources	As Applicable	Required
6.6	Other Information (OI)		
6.61	Management Challenges	Not Required	Required
6.62	Summary of Financial Statement Audit and Management Assurances	Required	Required
6.63	Payment Integrity	As Applicable	Required
6.64	Fraud Reduction Report	As Applicable	Required
6.65	Other Agency-specific Statutorily Required Reports	As Applicable	Required
6.66	Reduce the Footprint	Not Required	Required
6.67	Civil Monetary Penalty Adjustment for Inflation	As Applicable	Required
6.68	Grants Oversight & New Efficiency Act Requirements	As Applicable	Required
7	Audit Opinion(s)		
7.1	Inspector General, DoD Audit Opinion or Endorsement	Not Applicable	Required
7.2	Audit Opinion of Contract Auditor (e.g., for the Military Retirement Fund)	As Applicable	Not Applicable

*Table 1-2. Non-OMB Reporting Entities

Non-OMB Reporting Entities	Fund Type
Chemical and Biological Defense Program	GF
Defense Advanced Research Projects Agency	GF
Defense Commissary Agency	GF and WCF
Defense Contract Audit Agency	GF
Defense Contract Management Agency	GF
Defense Finance and Accounting Service	GF and WCF
Defense Health Agency (DHA)	GF
DHA - Contract Resource Management	GF
DHA - Financial Operations Division	GF
DHA - Service Medical Activity Air Force	GF
DHA - Service Medical Activity Army	GF
DHA - Service Medical Activity National Capitol Region	GF
DHA - Service Medical Activity Navy	GF
DHA - Uniformed Services University of Health Sciences	GF
Defense Information Systems Agency	GF and WCF
Defense Logistics Agency	GF and WCF
Defense Logistics Agency – Strategic Materials	GF
Defense Security Cooperation Agency	GF
Defense Technical Information Center	GF
Defense Threat Reduction Agency	GF
DoD Component Level Accounts	GF
DoD Education Activity	GF
Joint Chiefs of Staff	GF
Medicare Eligible Retiree Health Care Fund	GF
Military Retirement Trust Fund Payment	GF
Missile Defense Agency	GF
Office of the Inspector General (OIG), DoD	GF
Other “97” Funds Provided to the Air Force by OSD	GF
Other “97” Funds Provided to the Army by OSD	GF
Other “97” Funds Provided to the Navy by OSD	GF
Other Defense Agencies - Burden Sharing Account by Foreign Allies (BSAFA)	GF
Other Defense Agencies - Defense Acquisition University (DAU)	GF
Other Defense Agencies - Defense Business Transformation Agency (DBTA)	GF
Other Defense Agencies - Defense Cooperation Account	GF
Other Defense Agencies - DoD Education Benefits Fund (DoDEBF)	GF
Other Defense Agencies - Defense Emergency Response Fund (ERF)	GF

Table 1-2. Non-OMB Reporting Entities (Continued)

Non-OMB Reporting Entities	Fund Type
Other Defense Agencies - Defense Gift Fund (DGF)	GF
Other Defense Agencies - Defense Human Resources Activity (DHRA)	GF
Other Defense Agencies - Defense Media Activity (DMA)	GF
Other Defense Agencies - Defense Operational Test and Evaluation (DOT_E)	GF
Other Defense Agencies - Defense Prisoner of War/Missing In Action Accounting Agency (DPAA)	GF
Other Defense Agencies - Defense Prisoner of War/Missing Personnel Office (Accounting limit valid thru FY 2018)	GF
Other Defense Agencies - Defense Security Service (DSS)	GF
Other Defense Agencies - Defense Technology Security Administration (DTSA)	GF
Other Defense Agencies - Homeowners Assistance Fund (HAF)	GF
Other Defense Agencies - Host Nation Support for US Relocation Activities (HNSRA)	GF
Other Defense Agencies - Military Housing Privatization Initiative (MHPI)	GF
Other Defense Agencies - Mutually Beneficial Activities (MBA)	GF
Other Defense Agencies - National Security Education Trust Fund (NSETF)	GF
Other Defense Agencies - National Defense University (NDU)	GF
Other Defense Agencies - Office of Economic Adjustment (OEA)	GF
Other Defense Agencies - Support for US Relocation to Guam Activities (SRGA)	GF
Other Defense Agencies - Voluntary Separation Incentive Trust Fund (VSITF)	GF
U.S. Marine Corps	GF and WCF
U.S. Special Operations Command	GF
U.S. Transportation Command	GF
Washington Headquarters Service (WHS)	GF
WHS - Building Maintenance Fund, Defense	GF
WHS - Civilian Military Program	GF
WHS - Court of Appeals of the Armed Forces	GF
WHS - Defense Legal Services Agency	GF
WHS - Defense Test Resource Management Center (DTRMC)	GF
WHS - Office of the Secretary of Defense (OSD)	GF
WHS - Pentagon Reservation Maintenance Revolving Fund	GF

VOLUME 6B, CHAPTER 2: "GENERAL INSTRUCTIONS FOR THE FINANCIAL STATEMENTS"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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

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

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

The previous version dated May 2012 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
Multiple	Updated references to the Governmentwide Treasury Account Symbol Adjusted Trial Balance System which replaced Federal Agencies' Centralized Trial-Balance System (FACTS) I and FACTS II.	Revision
0201	Revised the General section to incorporate Purpose and Authoritative Guidance sections.	Revision
020101 and Table 2-1 (previous version)	Deleted the reference and content involving Table 2-1 to avoid duplication with the reporting activities listed in Chapter 1, the Financial Improvement and Audit Readiness (FIAR) Guidance, and the Defense Finance and Accounting Service (DFAS) Annual and Quarterly Financial Statement (A&QFS) Guidance.	Deletion
020102	Added updated authoritative guidance references.	Addition
020102 and Table 2-2 (previous version)	Deleted Table 2-2 and related content to avoid duplication and potential conflicts with individual memorandums of agreements reporting entities have with their service provider(s), and/or requirements and reporting responsibilities outlined in the FIAR Guidance and the DFAS A&QFS Guidance.	Deletion
020103 and Table 2-3 (previous version)	Deleted reference and content involving Other Defense Organization Subentities and Table 2-3 to avoid duplication with the reporting activities listed in Chapter 1, the FIAR Guidance, and the DFAS A&QFS Guidance.	Deletion
020202.B	Updated the Treasury Account Symbols associated with the Executive Office of the President in accordance with Treasury's Federal Account Symbols supplement to the Treasury Financial Manual.	Revision

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
020301	Clarified requirements from Office of Management and Budget (OMB) Circular A-136, and the DFAS A&QFS Guidance for the third quarter interim financial reporting submissions to OMB. Also, recognized that other financial reporting requirements are identified in the FIAR Guidance.	Revision
020302.A	Added requirement for the submission of the draft Agency Financial Report (AFR) to OMB 10 business days before issuing the final in accordance with OMB Circular A-136.	Addition
020302.B	Added the requirements for posting the final AFR to the reporting entity's website as required by OMB Circular A-136.	Addition
020402	Updated the references to reflect the current applicable OMB circular and auditing standard.	Revision
020405.E	Added the requirement for the Secretary of Defense or Deputy Secretary of Defense to also sign the final Management Representation Letter (MRL) as the head of the agency in accordance with OMB A-136.	Addition
020501	Updated the reference to reflect the current applicable OMB bulletin.	Revision
020502.B	Updated the requirements for reporting to DFAS the management schedules involving legal cases in accordance with the DFAS A&QFS Guidance.	Revision
020503	Revised the guidance reference to reflect the most recent OMB bulletin issuance.	Revision
020604	Revised the requirement that notes should contain the information necessary for full disclosure of both years as stated in OMB Circular A-136.	Revision
020608	Clarified policy regarding financial statement notes that are determined to be not applicable to an entity.	Revision
020615	Revised policy to require the OMB reporting entities to post their individual financial statements on their public website in accordance with OMB Circular A-136.	Revision
020616.A	Clarified that DFAS is responsible for preparing the Financial section of the AFR, and ensuring the financial statements in the AFR agree with the Government-wide Financial Reporting System financial statements.	Revision
020616.B	Revised policy to add "repairs" as part of the nomenclature associated with the Required Supplementary Information reporting in accordance with OMB Circular A-136.	Revision
020616.C	Added the requirement for Office of the Under Secretary of Defense (Comptroller) to submit the final Agency-wide MRL to OMB.	Added

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CHAPTER 2

GENERAL INSTRUCTIONS FOR THE FINANCIAL STATEMENTS

*0201 GENERAL

020101. Purpose

This chapter identifies the general requirements for preparation and submission of financial statements and the required disclosures, as required by the Office of Management and Budget (OMB) and other Departmental guidance. It establishes the roles and responsibilities of departmental and agency financial managers, and provides specific instructions for preparation of the Management Representation Letter (MRL) and the Legal Representation Letter (LRL).

*020102. Authoritative Guidance

Guidance on the content and submission of the financial statements is defined in the OMB ***Circular A-136*** "Financial Reporting Requirements" and Bulletin ***Number 15-02*** "Audit Requirements for Federal Financial Statements". Applicable accounting principles are contained in the Statement of Federal Financial Accounting Standards (***SFFAS***) and Statements of Federal Financial Accounting Concepts (***SFFAC***). The Financial Improvement and Audit Readiness (FIAR) Directorate under the Office of the Under Secretary of Defense (Comptroller) (OUSD)(C) developed guidance for reporting entities and service providers working toward the goal of audit readiness. The ***FIAR Guidance*** details the roles and responsibilities of reporting entities and service providers, as well as the processes they should follow, to achieve audit readiness. The Department's financial reporting entities and related information are identified in Chapter 1.

0202 RESPONSIBILITIES

020201. Responsibility for Preparation of the Financial Statements

The primary responsibility for the financial statements rests with the reporting entity's management. Responsibility for preparation of the principal statements and notes, however, may be shared with the accounting organization responsible for maintaining the financial records of the reporting entity. Additional information for the responsible accounting activities who prepare the required supporting statements and the responsible officials for those statements can be found in the Defense Finance and Accounting Service (DFAS) Annual and Quarterly Financial Statement Guidance, hereafter referred to as "***DFAS A&QFS Guidance***". The responsible official must ensure that: (1) known business processes/systems that could materially impact the financial statements are communicated; (2) all necessary data that originates in nonfinancial processes and systems (e.g., inventory and property data) is provided; (3) combining statements are reviewed and analyzed; and (4) feedback is provided to the entity's supporting accounting center as required or upon request.

020202. Reporting of Foreign Military Sales and Other Security Assistance

The Defense Security Cooperation Agency administers certain Foreign Military Sales (FMS) and other security assistance programs on behalf of the Executive Office of the President (EOP). While FMS activity is primarily reported separately from Department of Defense (DoD) activity, OMB has approved the following provisions regarding the specific information on the financial activity of FMS programs that is to be included in the DoD financial statements.

A. Revenue and expense amounts pertaining to FMS goods or services provided from the stocks of the DoD Components on a reimbursable basis must be reported in the financial statements of the applicable selling DoD Component and in the DoD Agency-wide consolidated statements.

* B. Principal statements for the following EOP accounts are to be prepared by DFAS and reported separately from the DoD Agency-wide financial statements: 11*1081, 11*1082, 11*1085, 11X4116, 11X4121, 11X4122, 11X4174, and 11X8242. Descriptions of these accounts are contained in Volume 15, Chapter 1.

0203 REPORTING SCHEDULES AND QUALITY CONTROL REVIEWS

*020301. Interim Financial Reporting

A. Interim financial reporting requirements are detailed in the OMB Circular A-136 and in the DFAS A&QFS Guidance. All DoD financial reporting entities are required to support the DFAS preparation and analysis of the Department's quarterly Agency-wide financial statements that must be submitted to OMB 21 business days after the end of the third quarter of the fiscal year. The OMB designated reportable entities are required to submit their interim unaudited Balance Sheet, Statement of Net Cost (SNC), and Statement of Budgetary Resources (SBR) to OMB 21 business days after the end of the third quarter of the fiscal year. More detailed reporting and timing requirements are contained in the DFAS A&QFS Guidance.

B. The DoD Agency-wide submission for the interim quarter and for the fiscal year end must include an analysis of any material differences between the unaudited SBR and the department-wide Standard Form (SF) 133, "Report on Budget Execution and Budgetary Resources". The two reports should be reconciled, however, only an explanation of any material differences between the SBR and SF 133 for comparable line items related to unobligated balance brought forward, gross budget authority, obligations incurred, actual offsetting collections, net outlays, and distributed offsetting receipts need be provided.

C. DFAS may require the OMB reportable entities to prepare and submit full note disclosures, variance analyses, and SBR to SF 133 reconciliations as part of other Departmental reporting and analyses activity to support the Agency-wide submission due to OMB 45 days after the interim quarter and at fiscal year-end. Specific requirements and timelines are detailed in the DFAS A&QFS Guidance.

D. Additionally, the FIAR Guidance establishes other financial reporting requirements (e.g., development and examination of the Schedule of Budgetary Activity) to assist in achieving full auditability. These FIAR related financial reporting requirements and timelines are detailed within the FIAR Guidance.

E. Chapter 10 requires the disclosure of all abnormal balances appearing on the individual note schedules or financial statement lines. These disclosures are reported in the accompanying notes to the financial statements in the third and fourth quarters of each fiscal year. In support of the DFAS preparation and submittal of the Agency-wide interim reports, all Components must investigate and correct abnormal balances. Further, all Components must explain material abnormal proprietary and budgetary United States Standard General Ledger (***USSGL***) accounts on the summary level trial balance within Defense Departmental Reporting System–Audited Financial Statement (DDRS-AFS) System of $500,000 or greater. They must also explain any abnormal balance that appears on the statements or note schedule, regardless of amount. Refer to the DFAS A&QFS Guidance for detailed disclosure requirements.

020302. Annual Financial Statements

* A. In accordance with OMB Circular A-136, the Department is required to submit a draft of the Agency Financial Report (AFR) to OMB's Office of Federal Financial Management and the appropriate Resource Management Office 10 business days before issuing the final. This draft should include all sections of the Agency-wide AFR, as identified in Chapter 1, except the audit report if it is not available at that time. The draft audit report is to be provided to OMB as soon as it is available.

* B. Each of the reporting entities identified in Chapter 1 is required to submit audited financial statements no later than 45 days after the end of the fiscal year. A detailed financial statement reporting schedule is contained in the DFAS A&QFS Guidance. The final AFR should be posted to the reporting entity's public website the same day the report is submitted to OMB, the Government Accountability Office (GAO), and the Congress.

020303. Quality Control Reviews of Financial Statements and Notes

Each Component, along with their supporting accounting center, must review their financial statements and notes to ensure the completeness of financial information provided by both the accounting activity and the various Component functional organizations.

020304. Key Financial Statements Preparation Due Dates

The development and publication of the financial statements requires coordinated actions by entity management, the supporting accounting organization, and the audit community. Additional information regarding the key financial statement preparation milestones is in the financial statement reporting schedule in the DFAS A&QFS Guidance.

0204 MANAGEMENT REPRESENTATION LETTERS

020401. Preparation and Submission

A. Auditors require the responsible senior manager to prepare and submit an MRL, for each reporting entity audited, prior to the conclusion of an audit. The MRL should be signed by those members of management with overall responsibility for financial and operating matters. Members of management are those that the auditor believes are responsible for and knowledgeable about, directly or through others in the organization, the matters covered by the representations. Such members of management generally include the head of the agency, the Chief Financial Officer (CFO), and any others deemed responsible for matters presented in the MRL.

B. During the audit, management makes many representations to the auditor, both oral and written, in response to specific inquiries and through the submission of the financial statements. In the MRL, the senior responsible manager confirms the representations explicitly or implicitly given to the auditor, states and documents the continuing appropriateness of such representations, and reduces the possibility of misunderstanding concerning the matters that are the subject of the representations. Representations by management generally relate to: (1) the financial statements; (2) completeness of the information; (3) recognition, measurement, and disclosure; and (4) subsequent events. Specifically, the management function must represent that the financial statements do, or do not, present fairly in accordance with federal generally accepted accounting principles.

*020402. Management Representations

Management representations must include all representations that are required by generally accepted auditing standards and OMB Bulletin Number 15-02 Section 8. General representations must, however, be modified to be consistent with findings reported by the auditor. In accordance with United States (U.S.) Auditing Standards ***AU-C Section 580*** "Written Representations", management's representations may be limited to matters that are considered either individually or collectively material to the financial statements, provided management and the auditor have reached an understanding on materiality for this purpose. MRLs are due to the office performing the entity's audit prior to the conclusion of the audit. The schedules for the draft and final letters are contained in the DFAS A&QFS Guidance.

020403. Materiality

As required by OMB A-136, Section V.5, the MRL should include a representation regarding the materiality of unrecorded financial statement adjustments aggregated by the auditors. A list of any uncorrected misstatements, including those audit adjustments waived by the Component-level, should be attached to the MRL.

020404. Representation of Budgetary Data

Management is required to include a representation that addresses the consistency of budgetary data reported on the SBR and the budgetary data submitted through the Governmentwide Treasury Account Symbol Adjusted Trial Balance System (GTAS) to prepare the year-end SF 133s. Management may consider using the following sample representation: "The information presented on the Department's Statement of Budgetary Resources is reconcilable to the information submitted on the Department's year-end Reports on Budget Execution and Budgetary Resources (SF 133s). This information will be used as input for the fiscal year (FY) 20xx actual column of the Program and Financing Schedules reported in the FY 20xz Budget of the U.S. Government. Such information is supported by the related financial records and related data."

020405. Signature Levels of Representation Letters

Signature levels for MRLs are as follows:

A. The Secretary or Under Secretary of the Military Department concerned must sign an MRL in support of the audited financial statements for a Military Department's General Fund and Working Capital Fund.

B. The Director or Deputy Director of the Defense Agency concerned must sign an MRL in support of the audited financial statements for a Defense Agency.

C. The fund manager of the trust or revolving fund concerned must sign an MRL in support of financial statements for a trust or revolving fund managed by the Office of the Secretary of Defense or Defense Agency.

D. The head of the Component for other reporting entities not described in 020405.A through 020405.C, but listed in Chapter 1, must if applicable, sign an MRL in support of their audited financial statements.

* E. The Secretary of Defense or Deputy Secretary of Defense, and the Under Secretary of Defense (Comptroller) (USD(C)) must sign the final MRL for the DoD Agency-wide financial statements.

020406. Referrals to Office of the Deputy Chief Financial Officer

Auditor requests for MRLs below levels cited in paragraph 020405 should be referred to the USD(C), Office of the Deputy Chief Financial Officer (ODCFO).

020407. Date of Management Representation Letter

Generally, the date of an MRL must be the date the auditor issues the audit report on the entity's financial statements. Coordinating the two dates is essential. The due dates for the MRLs are specified in the financial statement reporting schedule in the DFAS A&QFS

Guidance. Management must not provide auditors with pre-signed, undated letters or with predated letters. If auditors need an advance copy of the intended management letter, then auditors must include that requirement when submitting the initial request for the MRL. Active cooperation and interaction between auditors and management is expected so that the MRL reaches the auditors on the due date. Refer to the DFAS A&QFS Guidance for additional requirements and timelines in support of the DoD Agency-wide financial statement submittal.

0205 LEGAL REPRESENTATION LETTERS

*020501. Inquiries of Legal Counsel

According to OMB Bulletin Number 15-02 Section 9 the auditor will request entity management to send a letter of inquiry to those lawyers with whom management consulted concerning litigation, claims, and assessments. Refer to the Government Accountability Office/***President's Council on Integrity and Efficiency Financial Audit Manual*** Section 1002B, Example Legal Letter Request, and subsequent revisions, for an illustrative letter of inquiry from entity management to legal counsel. Management should document in a schedule how the information contained in the legal counsel's response(s) was considered in preparing the financial statements. In accordance with OMB A-136, Section V.4, legal representation letters (LRLs) and management's schedules are required for the audits of entity financial statements and the special-purpose financial statements used to compile the Financial Report (FR) of the United States Government.

020502. Obtain Legal Representations

A. It is the responsibility of the senior financial management official of the entity being audited to request interim or final LRLs from their General Counsel (GC). Judge Advocates General must not be requested to furnish LRLs, rather the LRLs requested from the GC of the Military Departments must include the request that the GC report matters involving both military and civilian counsel.

* B. Requests for an LRL pertaining to the Agency-wide financial statements and to any defense-wide account audited separately, such as the Military Retirement Fund, must be sent to the GC, DoD. Copies of any letters prepared by the GC of the Military Departments and DoD Components must be provided to the GC, DoD, Attention: Deputy General Counsel (Fiscal) (DGC(F)) and to the Inspector General (IG), DoD or other independent auditors performing the audit. In letters provided to the GC, DoD must report only cases at or above the materiality threshold established for that year's Agency-wide financial statement audit. Additionally, management schedules with cases above the threshold for reporting by individual DoD Component, but less than the DoD materiality threshold, must also be reported to DFAS, A&QFS. The U.S. Army Corps of Engineers (USACE) must also prepare a LRL. The USACE LRL and supporting management schedules must be submitted directly to DFAS. Each year, the DGC(F) must advise the counsels preparing the LRLs of the mandatory times for submission of them as specified in the financial statement reporting schedule within the DFAS A&QFS Guidance. The DGC(F) must also advise them of the applicable Agency-wide materiality threshold for that year's Agency-wide financial statement.

*020503. Preparation of Legal Representation Letters

When preparing the LRLs, the GC should reference the guidance found in OMB Bulletin 15-02 Section 9, as amended. Report cases and claims using the legal representation format and guidance on the Department of Justice (***USDOJ***) website under the "Civil Division Documents and Forms". In addition to reporting the status of pending contingent liabilities, the interim LRLs should also include the cases reported in the previous year's legal representations that are no longer pending. The final representation letter should be limited to new information (i.e., cases that arise subsequent to the interim letter or changes in the status of cases that were reported in the interim letter). The final letter should not repeat information from the interim letter that has not changed. Any subsequent changes in cases that arise after the final representation letter, but before the end of the audit fieldwork on the financial statements must be communicated to the auditor. The required summaries of the legal letters must be submitted to the cognizant audit agency for the reporting entity, to the entity's supporting accounting activity, and to the ODCFO.

020504. Determination of Legal Cases

An assessment as to whether pending threatened litigation or unasserted claims should be reported or disclosed in the financial statements must be made by management. This determination extends to cases in which legal counsel has classified the likelihood of loss as "unknown." The name and telephone number of the individual who is able to answer questions regarding the presentation of legal claims and assessments in the financial statements should also be provided. The required summaries of the legal letters must be submitted to the cognizant audit agency for the reporting entity, the entity's supporting accounting activity, and the ODCFO. DoD due dates for the interim and updated legal letters and the associated summaries are reflected in the financial statement reporting schedule in the DFAS A&QFS Guidance.

020505. Summary of Legal Representation Letters

Rather than having the cognizant auditors submit copies of the interim and updated LRLs, along with the summaries of the information contained in these responses for each reporting entity, the GAO has agreed to use the single summary of the various LRLs prepared for submission with the Agency-wide statements. The IG, DoD and ODCFO must make the required submission to the OMB, the Department of the Treasury, the USDOJ, and the GAO per the due dates in the financial statement reporting schedule contained in the DFAS A&QFS Guidance.

0206 GENERAL PREPARATION INSTRUCTIONS

020601. Generally Accepted Accounting Principles

The principal statements and notes embody the generally accepted accounting principles contained in the SFFASs and SFFACs. The SFFAS and SFFAC are incorporated into accounting policy and guidance contained in this Regulation. Preparers of financial statements seeking additional guidance should follow the hierarchy contained in Volume 1, Chapter 2.

020602. United States Standard General Ledger

Direct preparers of financial statements and notes must crosswalk their unique general ledger accounts to the USSGL chart of accounts and at a lower level of detail to include Treasury Department's Bureau of the Fiscal Service (Fiscal Service) GTAS attributes, ***Standard Financial*** Information Structure elements, DoD's trading partner information, and other DoD required attributes to prepare the financial statements and note schedules. The USSGL, with GTAS attributes and other DoD required attributes, must be used to populate the DDRS-AFS system used to populate financial statements and related note schedules. Additional information regarding the input and timelines for importing information into DDRS-AFS is in the quarterly DFAS A&QFS Guidance.

020603. Agreement Between Totals in Statements and Notes

DoD Components/reporting entities preparing quarterly interim and fiscal year-end financial statements and related supporting notes and other schedules must ensure the total figures agree with the amounts presented in the body of the financial statements. The chosen rounding level must be maintained consistently throughout the principal statements and notes. In addition, rounded totals must agree between the principal statements as applicable (e.g., ending balances from the Statement of Changes in Net Position (SCNP) equal the Total Net Position line on the Balance Sheet). Individual line items must sum to the totals. (This may require adjusting the individual detail line items for differences created by the rounding process rather than adjusting column totals).

*020604. Comparative Data

Comparative financial statements are required. Data presented in the fiscal year-end prior year column must be identical with the amounts reported on the financial statements of the prior year. Information for the current and preceding years should be presented regardless of the type of audit opinion rendered by the auditor. The notes should contain the information that is necessary for full disclosure of both years. Refer to Chapter 10 for additional policy regarding the notes required for the financial statements.

020605. Variance Analysis/Fluctuations

A comprehensive financial statement variance analysis report is prepared each quarter solely for the Agency-wide financial statements for material fluctuations between comparative periods on report lines of the Balance Sheet, SNC, and selected lines of the SCNP, SBR and supporting note schedules. Only Components materially contributing to the Agency-wide variances must explain significant variances when requested by DFAS A&QFS. A significant variance is a fluctuation from the same quarter in the prior year to the current year which is greater than or equal to 10 percent of the change of individual lines or 2 percent of total assets, and where the fluctuation amount is greater than the applicable threshold. The detailed explanations for the significant variances should provide concise answers to the following questions pertaining to the comparative periods:

A. What is the dollar amount of the fluctuation?

B. Who caused the fluctuation?

C. What business event caused the fluctuation?

D. Why did the fluctuation happen?

E. When, during the last four quarters, did the primary business event occur causing the fluctuation? Responding to this question helps identify which disclosures are likely to be in effect for the current fiscal year-end.

020606. Statement Consolidation

User judgment must be exercised to determine if it is appropriate to exclude some statement line items, notes, and lines or columns in notes from the final published statements that do not apply to the reporting entity. In order to ensure consistent and accurate aggregation of amounts from suborganizations, however, such lines may not be excluded prior to the submission of the final published version. Due to the short timeframes available for statement consolidation at the agency level, preparers are not authorized to combine lines for which the referenced account balances are immaterial.

020607. Disclose Material Balances

Do not designate in the notes as "other" any discrete balances of a material amount. Material balances must be separately disclosed and designated by name. Material is defined for this purpose as any component of a line item that represents 10 percent or more of the value of the line in the principal statement.

*020608. Notes to the Financial Statements

The note numbering sequence contained in Chapter 10 must be maintained in all working versions of the notes in order to ensure consistent and accurate aggregation to the DoD agency-wide level. For notes that are not applicable to the reporting entity, indicate the note is not applicable after the note number and title. Entity's must retain this determination of nonapplicability in the working versions of the notes to document to outside auditors that an overt decision was made regarding the note disclosure applicability. The notes identified as nonapplicable will be excluded in preparation of the final statements, and all remaining notes sequentially renumbered to allow for a more informative financial statement presentation. If additional notes are necessary to provide other required disclosures, then number them sequentially as explained in Chapter 10. Refer to Chapter 10 for more detailed guidance on the preparation and presentation of notes to the principal financial statements.

020609. Consistency in Reporting

The accounting policies and procedures must be applied consistently throughout the financial statements. Ensure the amounts reported throughout the financial statements, notes, supplemental information, and the Management Discussion and Analysis section are consistently reported. Also ensure that schedules presented in the notes, in support of amounts presented on financial statements, have total figures that agree with the amounts presented in the financial statements. Financial information reported in multiple notes or other sections must be reported in a consistent manner. To the extent that information is not available for the accelerated reports, a reliable, alternative method of estimating amounts and balances must be developed and adequately disclosed.

020610. Consolidated or Combined Statements

The Balance Sheet, SNC, and the SCNP principal statements must be prepared as consolidated statements, net of intra-entity transactions. The SBR must be prepared as a combined statement. Components have the discretion to prepare consolidating or combining financial statements and include as part of their AFR.

020611. Rounding

DoD Agency-wide final published financial statements and notes must display dollars rounded to millions with one decimal point. All Component statements must display dollar amounts rounded to the nearest whole thousand on the final published principal statements and in the tables/schedules contained in the notes to the principal statements. Dollar amounts in note narratives must be reported with a maximum of three position integers and a single decimal value followed by an identifier, such as millions or billions (e.g., $324.1 million; not $324,100 thousand). To improve communication among preparers, reviewers and auditors during the preparation process and to avoid excessive workload associated with the resolution of rounding errors, all accounting activities must report amounts as dollars and cents on all draft/working versions of the principal statements and note schedules prior to submission by the reporting entity of the final audited financial statements.

020612. Additional Information

Reporting entities that choose to present additional financial statements or information must include these in the “Other Information” section (see Chapter 3).

020613. Organization of the Financial Statements

The financial statements of the reporting entities will be organized as outlined in Chapter 1, Table 1-1.

020614. Requirements for Audited Financial Statements

Reporting entity managers are responsible for the preparation and printing of the final complete annual audited version of their financial statements. These specific requirements are outlined in DFAS A&QFS Guidance.

*020615. Posting the Financial Statements

DoD's agency-wide financial statements and the AFR are be posted on the Office of the Under Secretary of Defense (Comptroller) ***(OUSD(C))*** public website. Reporting entity managers must post their individual financial statements on their public website and provide the ODCFO with electronic links to these reports by the due date specified in the financial statement reporting schedule. The files must be prepared in the Portable Document File (PDF) type. If the reporting entity includes a large number of digital images, then the PDF can be very slow for users to access on the website. In those cases it is beneficial, and encouraged, to prepare separate files for each section of the financial report.

020616. Responsibility for Sections of DoD Agency-wide Financial Statements

The Office of the Under Secretary of Defense (Acquisition, Technology, and Logistics) (OUSD(AT&L)) and OUSD(C) have responsibility for various sections of DoD Agency-wide financial statements and for providing information to Treasury's Fiscal Service for inclusion in the FR of the U.S. Government.

* A. DFAS is responsible for preparing the draft/working versions and final version of the Financial section of the AFR that includes the Agency-wide financial statements and notes, the Required Supplementary Information (RSI) section (except for the deferred maintenance and repairs information), and the Other Information section of DoD Agency-wide financial statements. In addition, DFAS must ensure that the GTAS adjusted trial balances are transmitted to Fiscal Service for inclusion in the FR of the U.S. Government. DFAS will input the required footnote information into the Government-wide Financial Reporting System (GFRS) for use in the FR of the U.S. Government. DFAS is also responsible for ensuring the GFRS financial statements agree with the financial statements contained in the DoD AFR. Refer to Volume 6A, Chapter 6 for guidance on GTAS and GFRS reporting.

* B. OUSD(AT&L) is responsible for compiling the complete Required Supplementary Stewardship Information (RSSI) section and the deferred maintenance and repairs information for the RSI section of DoD's Agency-wide financial statements. OUSD(AT&L) must provide this information, electronically, to DFAS for inclusion in the working versions and final version of DoD Agency-wide financial report per the due dates in the financial statement reporting schedule. In addition, OUSD(AT&L) must provide the RSSI and RSI deferred maintenance and repairs information to DFAS for inclusion in GFRS.

* C. OUSD(C) is responsible for preparing the Management Discussion and Analysis section of the Agency-wide financial statements and for the submission of the DoD Agency-wide financial statements to OMB and the Congress. OUSD(C) is also responsible for submitting the final MRL to OMB.

VOLUME 6B, CHAPTER 3: "AGENCY HEAD MESSAGE, MANAGEMENT'S DISCUSSION AND ANALYSIS, PERFORMANCE SECTION, FINANCIAL SECTION, AND OTHER INFORMATION"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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

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

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

The previous version dated May 2012 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
Multiple	Updated hyperlinks.	Revision
030102	Added "Authoritative Guidance" paragraph in accordance with current administrative instructions.	Addition
0302	Updated reference to Agency Head Message as an optional inclusion to the Agency Financial Report per Office of Management and Budget (OMB) Circular A-136.	Revision
030309	Added information on compliance assessment and assurance statement per OMB Circular A-136.	Addition
030604	Added paragraph on Fraud Reduction Report to comply with OMB Circular A-136.	Addition
030606	Added paragraph on Reduce the Footprint to comply with OMB Circular A-136.	Addition
030607	Added paragraph on Civil Monetary Penalty Adjustment for Inflation to comply with OMB Circular A-136.	Addition
030608	Added paragraph on Grants Oversight and New Efficiency Act Requirements to comply with OMB Circular A-136.	Addition

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CHAPTER 3

AGENCY HEAD MESSAGE, MANAGEMENT'S DISCUSSION AND ANALYSIS, PERFORMANCE SECTION, FINANCIAL SECTION, AND OTHER INFORMATION

0301 GENERAL

030101. Purpose

The Agency Head Message, the Management's Discussion and Analysis (MD&A), the Performance Section, the Financial Section, and Other Information (OI) are components of the Agency Financial Report (AFR) applicable to Office of Management and Budget (OMB) reporting entities identified in Chapter 1, paragraph 010401. Within the guidance of OMB Circular ***A-11***, "Preparation, Submission, and Execution of the Budget," and ***OMB Circular A-136***, "Financial Reporting Requirements," the Department of Defense (DoD) prepares and submits the AFR and a separate Annual Performance Report (APR). DoD reporting entities are required to prepare the AFR according to the policies prescribed by OMB Circular A-136 as implemented in this volume. These formats and instructions provide a framework within which individual agencies have flexibility to provide information useful to the Congress, agency managers, and the public. Subcomponents are not required to prepare an APR. Within the AFR framework, subcomponents are not required to prepare OI, but may choose to do so using the format specified in this chapter.

*030102. Authoritative Guidance

The primary authoritative guidance for this chapter is Title 31, United States Code (U.S.C.), ***section 3515***, "Financial Statements of Agencies," and OMB Circular A-136. Additional authoritative sources are referenced throughout the chapter.

*0302 AGENCY HEAD MESSAGE

An agency has the option to include a dated transmittal letter signed by the agency head to be located at the beginning of the report. If included, it must include a brief message from the agency head highlighting:

A. The agency's mission, goals, and accomplishments upholding the mission;

B. An assessment of whether financial and performance data in the report is reliable and complete, identifying material internal control weaknesses and corrective actions the agency is taking to resolve them (the letter may reference a more detailed discussion of this topic elsewhere in the report); and

C. An acknowledgement the agency is using an alternative to the Performance and Accountability Report (PAR). DoD prepares the AFR and APR, but does not prepare the optional Summary of Performance and Financial Information.

0303 MD&A

030301. General

The MD&A should provide a clear and concise description of the reporting entity's performance measures, financial statements, systems and controls, compliance with laws and regulations, and actions taken or planned to address problems. To be useful, the MD&A must be concise, easy to read to a non-technical audience, and use visual references to present summary information. The MD&A should focus on the most important matters and provide a balanced analytical assessment of key program and financial performance that includes both positive and negative information. The MD&A should provide management's view of actual current performance and financial results, as well as expectations about the future. It should be grounded in facts and provide meaningful explanatory data to support an accurate assessment of agency performance by the audience. The MD&A should present a balanced discussion of negative as well as positive results, and it should relate financial results, especially costs, to performance and strategic goals.

030302. Highlights

The MD&A should include select highlights of key performance goals and results (shortfalls and successes) for the applicable year related to strategic goals. The agency should also provide a high-level discussion of selected key performance measures associated with the agency's goals. The high-level discussion need not provide a thorough detailed analysis and summary of performance results for the year, as this information will be provided in the APR to be issued in conjunction with the President's Budget. It should clearly delineate the details on when and where the APR will be available to the public.

030303. Purpose

The MD&A should serve as a brief overview of the entire annual financial report. Conformance to generally accepted accounting principles (GAAP) for federal entities requires the inclusion of the MD&A in the financial statements and related information. The MD&A should inform the reader, at a high level, on progress toward accomplishing the entity's mission and associated strategic goals. The discussion should deal with the most important matters that would likely affect the judgments and decisions of people who rely on the AFR as a key source of information. It should address most important matters that could:

A. Lead to significant actions or proposals by senior management;

B. Be significant to the managing, budgeting, and oversight functions of Congress and the Administration; or

C. Significantly affect the judgment of stakeholders about the efficiency and effectiveness of the entity.

030304. Responsibility

Management is responsible for the content of the MD&A. Its preparation should be a joint effort of both the financial management office and program offices. Management has considerable discretion in preparing and presenting the MD&A, subject to the inclusion of the required components and the pervasive requirement that the MD&A not be misleading. The MD&A provides management with a vehicle for communicating insights about the entity, increasing the understandability of financial information, and providing information about the entity, its operations, service levels, successes, challenges, and the future. The preparer must develop and retain adequate documentation supporting the financial, statistical, and other information presented in the MD&A section.

030305. Scope

The MD&A is an integral part of the AFR and should be regarded as Required Supplementary Information (RSI). The MD&A reporting requirements are summarized in Federal Accounting Standards Advisory Board (FASAB) Statement of Federal Financial Accounting Standards ***(SFFAS) 15*** and ***Statement of Federal Financial Accounting Concepts 3***. Pursuant to SFFAS 15, the MD&A may reference information in other discrete sections of the financial statement, or it may be based on information contained in reports separate from the financial statement. In addition, the MD&A must include a brief overview or executive summary explaining the MD&A. An overview section gives the reader a useful summary of what is to come. Some agencies include an overview or executive summary in the "Mission and Organizational Structure" section of the MD&A. At a minimum, the MD&A should address the entity's:

A. Mission and organizational structure;

B. Performance goals, objectives, and results;

C. Financial statements;

D. Systems, controls, and legal compliance; and

E. Forward-looking information about the possible effects of the most important existing performance and financial demands, events, conditions, and trends. Management should discuss important problems that need to be addressed and actions that have been planned or taken to address such problems. The actions that are needed, planned, and taken must be discussed within the sections listed in this paragraph or in a separate section of the MD&A.

030306. Mission and Organizational Structure

The MD&A should contain a brief description of the mission(s) of the entity and describe its related organizational structure, consistent with the entity's strategic plan. This section should:

A. Name the reporting entity in a clear manner that leaves no doubt as to whether the reporting entity is an entire organization or an activity or group of activities within an organization;

B. Identify the commercial functions and the revolving, trust, and other fund accounts covered by the financial statements;

C. State the mission and major goals of the reporting entity, including reference to the entity's legislative mandate, if appropriate;

D. Identify the type and provide information on the numbers of individuals and/or groups served by or benefiting from the entity's major program(s);

E. Provide indicators of the size of the major program(s) (e.g., dollars expended, population served, and the numbers of military and civilian personnel employed in carrying out the major program(s));

F. Describe the manner in which the reporting entity is organized to provide the major program(s), including information related to the geographic locations of the organization (e.g., numbers of local, district, state, and regional offices); and

G. Include a discussion and analysis of those matters the entity's management believes could lead to significant actions or proposals by senior management or significantly affect the judgment of stakeholders about the effectiveness of the entity.

030307. Performance Goals, Objectives, and Results

The MD&A should highlight the "most important" performance goals and results (positive and negative) for the applicable year related to and consistent with goals and objectives in the entity's strategic and performance plans, including performance trend data. This applies to goals being evaluated by quantitative and descriptive criteria. For agencies producing an AFR and APR, the agency should provide a high-level discussion of key performance measures and goals. The high level discussion of performance information should include the most important performance matters that would likely affect the judgments and decisions of people who rely on the AFR as a key source of information. The MD&A should include a discussion and analysis of those matters that the entity's management believes could: 1) lead to significant actions or proposals by senior management; or 2) significantly affect the judgment of stakeholders about the effectiveness of the entity.

030308. Analysis of Financial Statements and Stewardship Information

The MD&A should help users understand the entity's financial results, position, and condition conveyed in the principal financial statements. The MD&A should include comparisons of the current year to the prior year and should provide an analysis of the agency's overall financial position and results of operations to assist users in assessing whether the financial position has improved or deteriorated as a result of the year's activities. This section should also include a

discussion of key financial related measures emphasizing financial trends and assessing financial operations. Additionally, it should give users the benefit of management's understanding of the following:

A. Major changes in types or amounts of assets, liabilities, costs, revenues, obligations, and outlays (explaining the underlying causes of the changes);

B. Relevance of particular balances and amounts shown in the principal financial statements, particularly if relevant to important financial management issues;

C. Entity's stewardship information; and

D. In addition, the following items may be useful to include in the financial statement analysis:

1. Explanations for variances exceeding ten percent and are material to the agency;

2. Significant issues qualitative in nature and relating to financial management; and

3. Overall financial condition and financial management issues occurring since the previous reporting period that impact the agency's current financial status.

*030309. Analysis of Systems, Controls, and Legal Compliance

A. Agencies are required to provide assurances to the status and effectiveness of the internal controls and financial management systems that support the preparation of the financial statements. Management should provide its assurances related to the Federal Managers' Financial Integrity Act of 1982 ***(FMFIA)*** and its compliance determination required by the Federal Financial Management Improvement Act of 1996 ***(FFMIA)*** in a separate section entitled "Management Assurances." The FMFIA assurance statement should:

1. Provide management's assessment of the effectiveness of the organization's internal controls to support effective and efficient programmatic operations, reliable financial reporting and compliance with applicable laws and regulations, and whether the financial management systems conform to relevant financial systems requirements;

2. Provide a separate assessment of the effectiveness of the internal controls over financial reporting as a subset of the overall FMFIA assurance statement; and

3. Include a summary of material weaknesses and non-compliance, a summary of assurance, and a summary of corrective actions to resolve the material weaknesses and non-compliance. Illustrative assurance statements and further guidance on corrective action plans can be found in ***OMB Circular A-123***, "Management's Responsibility for Enterprise Risk Management and Internal Control."

B. Management should include its FFMIA compliance assessment in this section. Management is required to provide its assessment of the organization's financial management systems compliance with the federal financial management systems requirements, standards promulgated by FASAB, and the U.S. ***Standard General Ledger*** at the transaction level. Financial management systems include both financial and financially-related (or mixed) systems. Further guidance on the financial systems requirement can be found in OMB Circular A-123, Appendix D, "Compliance with the Federal Financial Management Improvement Act of 1996." Briefly discuss the agency's financial management systems strategy and how it will achieve the goals of improving financial and budget management agency-wide. Include an overview of the agency's current and future financial management systems framework and a synopsis of critical projects currently underway or planned to achieve the target framework. For areas of FFMIA non-compliance, the agency must identify remediation activities that are planned and underway and include projected dates to achieve compliancy.

C. Management should also review its FMFIA assurance statements and its FFMIA compliance determination for consistency with the findings specified in the annual financial statement audit report(s). The Office of the Inspector General (OIG) or auditor must compare material weaknesses disclosed during the audit with those material weaknesses reported in the agency's FMFIA report and document any material weaknesses disclosed by audit that were not reported in the agency's assurance statements. The financial audit responsibilities are established in ***OMB Bulletin 17-03***, "Audit Requirements for Federal Financial Statements," Section 6. The reports may be different, but they should not be in direct conflict. When conflicting discrepancies exist, it is management's responsibility to ensure that outstanding issues are reported appropriately. For material weaknesses related to an error requiring a restatement, if the agency asserted in its MD&A that it received an unmodified opinion on any previously issued financial statement, management should include a high-level discussion of the events that gave rise to the restatement, which should include the nature of the error.

030310. Other Management Information, Initiatives, and Issues

Management has the discretion to include a summary in the MD&A of other information, initiatives, and issues it identifies. This could include a summarization of entity progress towards implementation of key management initiatives and financial management systems framework. The AFR should present an overview of the agency's current and future financial management systems framework and describe financial management systems critical to effective agency-wide financial management, financial reporting, or financial control. The AFR should include in the overview a synopsis of critical projects currently underway or planned to achieve the target framework per ***OMB Memorandum M-13-08***, "Improving Financial Systems Through Shared Services;" ***OMB Memorandum M-13-09***, "Fiscal Year 2013 PortfolioStat Guidance: Strengthening Federal IT Portfolio Management;" and OMB Circular A-123, Appendix D. Identify FFMIA remediation activities that are planned and underway, describing target dates and offices responsible for bringing systems into substantial compliance with FFMIA.

030311. Limitations of the Financial Statements

The MD&A should include a section articulating the limitations of the principal financial statements. This section should state the following:

A. The principal financial statements have been prepared to report the financial position and results of operations of the entity, pursuant to the legislative requirements of 31 USC § 3515 (b);

B. While the statements have been prepared from the books and records of the entity in accordance with GAAP for federal entities and the formats prescribed by OMB Circular A-136, the statements are in addition to the financial reports used to monitor and control budgetary resources that are prepared from the same books and records; and

C. The statements should be read with the realization that they are for a Component of the U.S. Government, a sovereign entity.

0304 PERFORMANCE SECTION

DoD has chosen to produce an AFR and APR. The APR is included with the Congressional Budget Justification. Additional guidance on the Performance Section can be found in OMB Circular A-136, Section II.3.

0305 FINANCIAL SECTION

The Financial Section of the AFR must contain the Auditor's Report and Financial Statements and Notes. The guidance for the Financial Statements and Notes is in Chapters 4 through 10.

0306 OI

The OI section of the AFR follows the RSI section of the statements and should contain the following, when appropriate and applicable:

030601. Management Challenges

OMB Circular A-136 states the PAR or AFR must include a statement prepared by the agency's OIG summarizing what the OIG considers the most serious management and performance challenges facing the agency and briefly assesses the agency's progress in addressing those challenges. This statement must be provided to the agency head at least 30 days before the AFR due date. These audit responsibilities are established in OMB Bulletin 17-03, Section 12, paragraph 12.1. Comments by the agency head may be appended to the OIG's statement. The agency head may comment on, but not modify the OIG statement. Additional guidance can be found in OMB Circular A-136, OI.

030602. Summary of Financial Statement Audit and Management Assurances

Components are required to prepare a Summary of Financial Statement Audit and a Summary of Management Assurances. OMB Circular A-136 requires agencies to include these summaries as OI or to explain how and why DoD uses an alternative method for reporting that information. Each material weakness should be listed using a unique, short, and easily understood name. These names should be kept constant, so that a weakness reported in FMFIA sections or by the auditor has the same name. To the extent possible, weakness names should also be kept constant from year to year. Significant deficiencies are not required to be reported. Refer to OMB Circular A-136 for additional guidance regarding format and content of the summary report.

030603. Payment Integrity

Guidance for reporting improper payments is contained in Volume 4, Chapter 14 and OMB Circular A-136, Section II.5.5.

*030604. Fraud Reduction Report

Under the Fraud Reduction and Data Analytics Act of 2015 (Public Law 114-186, Title 31 U.S.C., ***section 3321***), each agency must include in its AFR or PAR a report on its fraud reduction efforts undertaken. This requirement became effective beginning with the final quarter of Fiscal Year (FY) 2016. The report must include information on the agency's progress in implementing financial and administrative controls established pursuant to the Act, the fraud risk principle in the Standards for Internal Control in the Government, and OMB Circular A-123 with respect to leading practices for managing fraud risk. The report must also include information on agency progress in identifying risks and vulnerabilities to fraud (including with respect to payroll, beneficiary payments, grants, large contracts, and purchase and travel cards) and agency progress on establishing strategies, procedures, and other steps to curb fraud.

030605. Other Supporting Statements for Foreign Military Sales (FMS) Reporting

DoD administers FMS programs on behalf of the Executive Office of the President. Principal statements must be prepared for all applicable FMS-related trust, general, and revolving funds. The Balance Sheet, Statement of Net Cost, Statement of Changes in Net Position, and Statement of Budgetary Resources will be reported as OI.

*030606. Reduce the Footprint

Consistent with Section 3 of the ***OMB Memorandum M-12-12***, "Promoting Efficient Spending to Support Agency Operations," and OMB Management Procedures Memorandum ***2015-01*** (the "Reduce the Footprint" policy implementing guidance), all Chief Financial Officers Act entities must set annual targets to reduce the total square footage of their domestic office and warehouse inventory compared to the FY 2015 baseline. Pursuant to the requirements in the "Reduce the Footprint" policy implementing guidance, agencies must:

A. Report the total square office and warehouse footage associated with the agency's assets subject to the "Reduce the Footprint" policy;

B. Report the annual operating costs as reported in the most recent Federal Real Property Profile submittal for owned and direct lease facilities (direct lease facilities does not include General Services Administration occupancy agreements) that are subject to the "Reduce the Footprint" policy; and

C. Provide a brief narrative highlighting actions the agency is taking to reduce its FY 2015 Reduce the Footprint office and warehouse baseline, the cost of its lease portfolio, and operation and maintenance costs of unneeded property. An illustrative table is provided for reference in OMB Circular A-136, Section II.5.8.

*030607. Civil Monetary Penalty Adjustment for Inflation

Under the Federal Civil Penalties Inflation Adjustment Act Improvements Act of 2015, agencies must make annual inflation adjustments to civil monetary penalties and report on the adjustments in their AFR or PAR. Agencies are encouraged to include the illustrative table referenced in OMB Circular A-136, Section II.5.9.

*030608. Grants Oversight and New Efficiency (GONE) Act Requirements

A. All agencies must submit a brief high-level discussion on a subset of GONE Act information, including:

1. A summary table (as identified in OMB Circular A-136, Section II.5.10) of the total number of federal grant and cooperative agreement awards and balances for which closeout has not yet occurred but for which the period of performance has elapsed by more than two years; and

2. A brief narrative of the challenges leading to delays in grant and cooperative agreement award closeout and planned corrective actions to address these challenges.

B. If an agency is unable to submit all of the required information, it must explain why the information is not available or practical to collect, stating any shortcomings with and plans to improve existing grant systems, including financial management and payment data systems.

VOLUME 6B, CHAPTER 4: "BALANCE SHEET"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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

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

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

The previous version dated May 2009 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
Multiple	Restructured and renamed sections and paragraphs to align with the Balance Sheet and for clarity purposes.	Revision/ Addition
Multiple	Deleted duplicative information related to the content and presentation of the notes required for the Balance Sheet; the information removed is appropriately contained and explained in Chapter 10.	Deletion
040102	Revised the "Purpose" paragraph to clarify that this chapter only presents the form and content of the Department of Defense (DoD) Balance Sheet; it does not provide line-by-line instructions for preparing the asset, liability, and net position sections of the Balance Sheet.	Revision
040202	Added a paragraph clarifying that separate reporting on the Balance Sheet is appropriate if the amounts are significant.	Addition
040302.F	Revised the "General Property, Plant and Equipment (PP&E)" subparagraph by further delineating the components or elements of General PP&E into ten subparagraphs. In addition, added policy requiring DoD reporting entities to recognize impairments of General PP&E that will remain in use in accordance with Statements of Federal Financial Accounting Standards (SFFAS) 44, "Accounting for Impairment of General Property, Plant and Equipment Remaining in Use", include Contractor Financing Payments in construction-in-process, and report land in accordance with SFFAS 6, "Accounting for Property, Plant and Equipment (PP&E)", as amended by SFFAS 50, "Establishing Opening Balances for General Property, Plant, and Equipment: Amending SFFAS 6, SFFAS 10, SFFAS 23, and Rescinding SFFAS 35".	Revision

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
040303.F	Added a definition for "Contingent Liability".	Addition
040303.H	Added a definition for "Interest Payable" and clarified that DoD reporting entities must report interest payable as a component of the appropriate liability accounts.	Addition
040304.F	Added policy requiring DoD reporting entities to report cleanup costs related to hazardous waste, if immaterial, as other liabilities on the Balance Sheet in accordance with the Office of Management and Budget (OMB) Circular A-136. In addition, added policy requiring DoD reporting entities to recognize a contingent liability for contingencies not related to pending or threatened litigation when the future outflow or other sacrifice of resources is measurable and "more likely than not to occur" in accordance with SFFAS 12.	Addition
040304.H	Added policy requiring DoD reporting entities to disclose on Line 6 of the Balance Sheet and in Note 16 any contingencies that do not meet any of the conditions for liability recognition and for which there is at least a reasonable possibility that a loss or an additional loss may have been incurred in accordance with OMB Circular A-136.	Addition
040305	Revised the "Net Position" paragraph by changing all references of earmarked funds to funds from dedicated collections in accordance with OMB Circular A-136.	Revision
040305.A through 040305.D	Revised the paragraphs related to net position by changing all references of earmarked funds to funds from dedicated collections in accordance with OMB Circular A-136.	Revision

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CHAPTER 4

BALANCE SHEET

0401 GENERAL

040101. Overview

The Balance Sheet is a statement of financial position required to be completed by the Department of Defense (DoD) reporting entities (i.e., those entities identified in Chapter 1). It is a principal financial statement that presents comparative fiscal year data (i.e., current and preceding), as of a specific time. Moreover, it reports amounts of future economic benefits owned or managed by reporting entities (assets), amounts owed by the entities (liabilities), and amounts which comprise the difference (net position). In addition, note disclosures supplement or enhance the Balance Sheet. Notes to the Balance Sheet are required to clarify or provide additional, more detailed information on the individual asset, liability, and net position line items reported on the face of the Balance Sheet.

*040102. Purpose

This chapter presents the form and content of the DoD Balance Sheet. It identifies general requirements for each asset, liability, and net position line item, and related note disclosures, reported on the Balance Sheet. This chapter does not address the accounting requirements for each asset or liability line reported on the Balance Sheet. For detailed accounting policy, please see the individual asset and liability chapters published in Volume 4. Moreover, this chapter does not address Balance Sheet schedules/timelines or the format, content, preparation, and presentation of the specific notes required for the Balance Sheet. For detailed information regarding schedules/timelines and/or specific notes, please see the Defense Finance and Accounting Service (DFAS) Annual and Quarterly Financial Statement Guidance, hereafter referred to as ***DFAS A&QFS Guidance***, and/or Chapter 10.

040103. Authoritative Guidance

A. Federal Accounting Standards Advisory Board (FASAB) ***Statement of Federal Financial Accounting Standards (SFFAS)***. These statements are the accounting standards for the United States (U.S.) government and serve as the authoritative source of generally accepted accounting principles (GAAP) for federal entities.

B. Office of Management and Budget (OMB) ***Circular A-136***, "Financial Reporting Requirements". This Circular is the central point of reference for all Federal financial reporting guidance for Executive Branch departments, agencies, and entities required to submit audited financial statements.

C. U.S. Department of the Treasury (Treasury) U.S. Standard General Ledger ***(USSGL) Supplement Part 2***, Section II: "Accounts and Definitions". This section provides basic information about each USSGL account, including Account Title, Account Number, Normal Balance of the Account (Debit or Credit), and Account Definition.

D. U.S. Treasury ***USSGL Supplement Part 2***, Section V: "USSGL Crosswalks to Standard External Reports…", Balance Sheet. This section uses crosswalks to map USSGL accounts to the specific asset, liability, and net position line items on the Balance Sheet in accordance with reporting guidance from OMB and FASAB.

E. DFAS A&QFS Guidance. This guidance provides annual and quarterly financial statement reporting requirements as well as quarterly and year-end reporting schedules.

0402 BALANCE SHEET FORMAT

040201. General

The Balance Sheet should present summary or detailed information necessary to make the statement most useful to readers. However, DoD reporting entities must avoid placing substantial detail on the Balance Sheet thereby rendering it incomprehensible to readers. Accordingly, the Balance Sheet should only contain summary information; where substantial detail is required to properly explain specific line items, the detail must be reported in the notes. For instructions regarding the preparation and presentation of notes for each specific line item on the Balance Sheet, please see OMB Circular A-136 and Chapter 10. Individual statement crosswalks are prepared using the Bureau of the Fiscal Service, Treasury ***USSGL***. The crosswalk for each line of the Balance Sheet is incorporated into the Defense Departmental Reporting System ***(DDRS) Audited Financial Statements (AFS)*** and can be accessed with proper authorization by selecting "Query" from the main DDRS AFS menu, then selecting option "Referential Data" and option "Report Map."

*040202. Significant Amounts

Separate reporting of items on the Balance Sheet is appropriate if the amounts are significant to the Balance Sheet. Significant is defined as any item (i.e., asset or liability) that represents more than 10 percent of the value of total assets or total liabilities. If an item is determined to be significant, DoD reporting entities may report the item separately on the face of the Balance Sheet.

040203. Final Published Balance Sheet

The format presented in Figure 4-1 will be used for the final DoD-wide consolidated Balance Sheet. The final DoD-wide consolidated Balance Sheet and notes will display dollars rounded to millions with one decimal point. All DoD reporting entity Balance Sheets and notes must display dollar amounts rounded to the nearest whole thousand. Dollar amounts in note narratives must be reported with a maximum of three position integers and a single decimal value followed by an identifier, such as millions or billions (e.g., $340.1 million, not $340,100

thousand). Foreign currency account balances reported on the Balance Sheet must be translated into U.S. dollars at exchange rates determined by Treasury and which are effective at the financial reporting date. Additionally, the Balance Sheet will use pre-closing balances for all amounts. The line numbers shown in Figure 4-1 (e.g., 1.A.1) will not be included on the final published versions (i.e., DoD-wide or reporting entity) of the Balance Sheet. The line numbers are for reference purposes only.

0403 THE BALANCE SHEET

040301. Definitions and Concepts in the Assets Section

A. Assets. Assets are tangible or intangible items owned by DoD, which have probable economic benefits that can be obtained or controlled by a DoD reporting entity. Assets are defined in accordance with ***SFFAS 1***, "Accounting for Selected Assets and Liabilities."

B. Entity Assets. Assets a reporting entity has authority to use in its operations. The authority to use funds in an entity's operations means that the entity's management has the authority to decide how funds are used, or management is legally obligated to use funds to meet entity obligations, e.g., repay loans from Treasury.

C. Nonentity Assets. Assets held by an entity, but not available to the entity. An example of nonentity assets is payroll income tax receipts pending remittance to the Internal Revenue Service, which the entity collects for the U.S. Federal Government but has no authority to spend.

D. Disclosure of Entity and Nonentity Assets. The Balance Sheet combines entity and nonentity assets. For example, entity intragovernmental accounts receivable and nonentity intragovernmental accounts receivable are combined and reported as a single intragovernmental accounts receivable line item on the Balance Sheet. However, DoD reporting entities must separately disclose nonentity assets in Note 2 to the financial statements.

E. Intragovernmental Assets. Intragovernmental assets arise from transactions within or between federal entities. Intragovernmental assets are claims by a DoD reporting entity against other federal entities. DoD reporting entities must report intragovernmental assets separately from nonfederal assets on the Balance Sheet. Nonfederal includes domestic and foreign persons and organizations outside the U.S. Federal Government. DoD reporting entities must classify Foreign Military Sales (FMS) Trust Fund assets (accounts receivable) as intragovernmental. DoD reporting entities should review the TFM, Volume 1, Part 2, Chapter 4700, Appendix 10, "Intragovernmental Transaction (IGT) Guide" for guidance on the accounting, reporting, and reconciliation of IGT activity with their federal trading partners.

040302. Assets

A. Intragovernmental Assets.

1. Fund Balance with Treasury (FBWT), Line 1.A.1. FBWT is the aggregate amount of funds (i.e., entity and nonentity) in a DoD reporting entity's accounts with Treasury for which the reporting entity is authorized to make expenditures and pay liabilities. FBWT is an asset account because it represents an entity's claim to the U.S. Federal Government's resources. FBWT is disclosed in Note 3 to the financial statements. Reporting entities, who maintain deposit accounts not available for use, must report and disclose such accounts in Note 2 as nonentity assets (Note: Clearing and suspense accounts are entity assets). FBWT meeting the definition of fiduciary FBWT is not recognized on the Balance Sheet, but should be separately disclosed in accordance with the provisions of ***SFFAS 31***, "Accounting for Fiduciary Activities". It does not include any amounts for which Treasury is willing to accept corrections to cancelled appropriation accounts, in accordance with SFFAS 1. The amount reported must include extended obligation authority for obligations incurred in closing and closed accounts.

Note: For a detailed definition and accounting policy regarding FBWT, please see Volume 4, Chapter 2.

2. Investments, Line 1.A.2. Intragovernmental investments are federal securities. Federal securities include nonmarketable par value Treasury securities, market-based Treasury securities expected to be held to maturity, marketable Treasury securities expected to be held to maturity, and securities issued by other federal entities. Investments are disclosed in Note 4 to the financial statements. DoD reporting entities must report their investments on the Balance Sheet at their acquisition cost, adjusted for amortization of a premium or discount, if appropriate.

3. Accounts Receivable, Line 1.A.3. Intragovernmental accounts receivable are DoD claims to cash or other assets due from other federal entities. Accounts receivable are disclosed in Note 5 to the financial statements. Receivables related to direct or guaranteed loans are not included on this line. DoD reporting entities must report receivables related to direct or guaranteed loans in Note 8. No allowance for estimated uncollectible amounts is recognized for intragovernmental receivables because they are considered collectible. For accounts receivable elimination requirements, please see Chapter 13.

4. Other Assets, Line 1.A.4. Intragovernmental other assets are assets not reported in a separate category under the Intragovernmental Assets section of the Balance Sheet. This line reports other intragovernmental advances and prepayments, including advance payments, and other intragovernmental assets that are immaterial to an entity and do not warrant separate reporting. Other assets are disclosed in Note 6 to the financial statements. For other assets elimination requirements, please see Chapter 13.

5. Total Intragovernmental Assets, Line 1.A.5. This line is the sum of Lines 1.A.1 through 1.A.4.

B. Cash and Other Monetary Assets, Line 1.B. This line reports entity and nonentity cash and other monetary assets. The amount of cash and other monetary assets that the DoD reporting entity holds and is authorized to spend is entity cash. The assets under this category that a DoD reporting entity collects and holds on behalf of the U.S. Federal Government or other entities are nonentity cash and other monetary assets; report both on this line. This line also includes DoD disbursing officers' cash from the Standard Form ***1219*** "Statement of Accountability" and the total U.S. dollar equivalent of foreign currencies held in special program foreign currency fund accounts. Cash and other monetary assets are disclosed in Note 7 to the financial statements.

1. Cash consists of:

a. Coins, paper currency and readily negotiable instruments, such as money orders, checks, and bank drafts on hand or in transit for deposit;

b. Amounts on demand deposit with banks or other financial institutions including nonconfirmed collections and disbursements;

c. Cash held in imprest funds;

d. Foreign currencies translated for accounting purposes into U.S. dollars at the exchange rate on the financial statement date; and

e. Investments held outside of Treasury.

2. Other Monetary Assets include:

a. Gold;

b. Special drawing rights; and

c. U.S. Reserves in the International Monetary Fund.

C. Accounts Receivable, Net, Line 1.C. This line reports DoD claims to cash or other assets due from nonfederal entities, net of an allowance for estimated doubtful amounts. It also includes interest receivable from nonfederal entities and supported undistributed collections. However, DoD reporting entities must report interest receivable related to direct loans and acquired defaulted guaranteed loans as a component of loans receivable on Line 1.D. Accounts receivable, net, are disclosed in Note 5 to the financial statements.

D. Loans Receivable, Net, Line 1.D. This line reports the net value of direct loans receivable (i.e., prior to 1992 and post-1991) and acquired defaulted guaranteed loans receivable. The net value of credit program receivables and related foreclosed property are considered entity assets if the entity has the authority to determine the use of the funds collected or is legally obligated to use the funds to meet entity obligations (e.g., loans payable to the Treasury). If a DoD reporting entity administers a loan guarantee program and forecloses on property, then refer to ***SFFAS 2***, "Accounting for Direct Loans and Loan Guarantees" for detailed requirements. When a loan guarantee program (generating a negative subsidy) guarantees a loan and the lender has not disbursed the loan as of the Balance Sheet date, a proprietary receivable from borrowings should not be reported. The undelivered order recorded to obligate the funds is sufficient disclosure when reported as part of the total undelivered orders. Loans receivable, net, are disclosed in Note 8 to the financial statements.

E. Inventory and Related Property, Line 1.E. This line includes inventory, operating materiel and supplies (OM&S), and stockpile materiel. Inventory and related property are disclosed in Note 9 to the financial statements. The following categories make up this line:

1. Inventory. Inventory is tangible personal property that is:

a. Held for sale, including raw materials and work in process,

b. In the process of production for sale,

c. To be consumed in the production of goods for sale or in the provision of services for a fee; and

d. To be transferred to entities within or outside of the U.S. Federal Government.

2. Operating Materiel and Supplies (OM&S). OM&S are tangible personal property to be consumed in normal operations. OM&S consist of secondary supply items and munition items that a logistics activity holds in stock pending issue, without reimbursement, to the unit or organization that will consume the item in normal operations.

3. Stockpile Materiel. Stockpile materiel is strategic and critical materiel held due to statutory requirements for use in national defense, conservation, or national emergencies as required by the ***Strategic and Critical Materials Stock Piling Act***. Specifically, this line reports only materiel applicable to and reported by the Defense Logistics Agency (DLA). The DLA National Defense Stockpile Center manages DoD stockpile materiel and only the DLA National Defense Stockpile Transaction Fund is authorized to use this inventory category and associated accounts.

Note: For accounting policy regarding inventory, please see Volume 4, Chapter 4, including applicable ***Policy Memoranda*** related to this chapter (on the DoD Financial Management Regulation website).

* F. General Property, Plant and Equipment (PP&E), Net, Line 1.F. This line reports all PP&E (net of accumulated depreciation) as defined in ***SFFAS 6***, "Accounting for Property, Plant and Equipment (PP&E)" and Volume 4, Chapter 6, including applicable Policy Memoranda related to this chapter. DoD reporting agencies must recognize impairments of General PP&E that will remain in use by the entity, in accordance with ***SFFAS 44***, "Accounting for Impairment of General Property, Plant and Equipment Remaining in Use". General PP&E, Net, is disclosed in Note 10 to the financial statements. Moreover, although the value of stewardship assets does not appear on the Balance Sheet, it is also disclosed in Note 10 to the financial statements. General PP&E, Net, includes:

1. Capitalized PP&E. Capitalized PP&E includes general and personal property and any related modifications, modernizations, upgrades, and improvements whose values or costs meet or exceed the capitalization thresholds established by the Department. For additional policy regarding capitalization, please see Volume 4 and applicable Policy Memoranda related to this volume.

2. Real Property. Real property includes buildings, structures, linear structures, facilities, installed building equipment (e.g., control systems, heating, cooling, electrical, and emergency lighting), and related capital improvements. Moreover, DoD reporting entities must record the value of Base Realignment and Closure real property (once the mission of that installation terminates or transfers) in USSGL account 189000, "Other General Property, Plant and Equipment". This account is reported as General PP&E.

3. Assets Acquired through Capital Leases, including Leasehold Improvements. Capital leases are leases that transfer substantially all the benefits and risks of ownership to the lessee. For additional policy regarding capital leases, please see SFFAS 6. DoD reporting entities must separately disclose capital leases in Note 10.

4. Government Furnished Equipment (GFE) and Contractor Acquired Property (CAP). GFE is property in the possession of, or directly acquired by, the Government and subsequently furnished to the contractor for performance of a contract. CAP means property acquired, fabricated, or otherwise provided by the contractor for performing a contract and to which the Government has title. DoD reporting entities must use the most reliable source of information available as a means to report the value of GFE and CAP. For additional policy regarding GFE and CAP, please see Volume 4, Chapter 6, including applicable Policy Memoranda related to this chapter.

5. Working Capital Fund (WCF) PP&E. DoD WCF reporting entities operate as business-type activities. DoD WCF reporting entities must categorize all PP&E used in the performance of their missions as General PP&E, whether or not it meets the definition of other PP&E categories.

6. Internal Use Software. DoD reporting entities must capitalize, as an asset (under General PP&E), the cost of software, whether commercial off-the-shelf, internally developed, or contractor-developed, that meets the DoD capitalization criteria for General PP&E. For further policy on internal use software, please see ***SFFAS 10***, "Accounting

for Internal Use Software"; Federal Financial Accounting and Auditing ***Technical Release 16***, and Volume 4, Chapter 6, including applicable Policy Memoranda related to this chapter.

7. Depreciation. Depreciation is the expense associated with the use of General PP&E. It is a contra-asset account that reduces the amount reported for PP&E. DoD reporting entities must recognize depreciation on all General PP&E, except land and land rights of unlimited duration. For additional policy regarding depreciation, please see Volume 4, Chapter 6, including applicable Policy Memoranda related to this chapter.

8. Multi-use Heritage Assets. Heritage assets predominantly used in general government operations (e.g., buildings, such as the Pentagon which is used as an office building) are classified as multi-use heritage assets. As required by ***SFFAS 29***, "Heritage Assets and Stewardship Land", DoD reporting entities must capitalize as General PP&E and depreciate the cost of acquiring, improving, and reconstructing all multi-use heritage assets.

9. Construction-in-Progress (CIP). CIP is a temporary asset account in which DoD reporting entities must record the costs of constructing real property and general equipment. CIP accounts include all costs incurred to bring the asset to a form and condition suitable for its intended use. Capital expenditures or Contract Financing Payments (CFPs), coinciding with the portion of the work completed for real property and/or general equipment, must be recorded in a CIP account. For additional policy regarding CIP and/or CFPs, please see Volume 4, Chapters 5 and 6, including applicable Policy Memoranda related to these chapters.

10. Land. General PP&E includes land and land rights acquired for or in connection with other General PP&E. Acquired for or in connection with other General PP&E is defined as land acquired with the intent to construct General PP&E and land acquired in combination with General PP&E, including not only land used as the foundation, but also adjacent land considered to be the General PP&E's common grounds. DoD reporting entities that have not yet undergone a financial statement audit where they received an unmodified audit opinion must exclude (or adjust their land and land rights opening balances to zero) the value of land and land rights from opening balances of General PP&E on their balance sheets in accordance with SFFAS 6, as amended by ***SFFAS 50***, "Establishing Opening Balances for General Property, Plant, and Equipment: Amending SFFAS 6, SFFAS 10, SFFAS 23, and Rescinding SFFAS 35". Moreover, these entities must continue to exclude and expense future land and land rights acquisitions. Conversely, DoD reporting entities that have received an unmodified audit opinion will continue to account for land and land rights in accordance with SFFAS 6. All DoD reporting entities must disclose, in Note 10, with a reference on the balance sheet, the number of acres of General PP&E land and land rights held as of the period of its first audited financial statement. DoD reporting entities must report this acreage amount separately from Stewardship Land. There are no disclosure requirements for General PP&E land rights not measured in acres in establishing opening balances.

Note: For accounting policy regarding General PP&E, please see Volume 4, Chapter 6, including applicable Policy Memoranda related to this chapter.

G. Investments, Line 1.G. This line reports investments in nonfederal securities. DoD reporting entities must report investments in nonfederal securities separately from investments in federal securities. Nonfederal securities include those issued by state and local governments, government-sponsored enterprises, and other private corporations. Nonfederal securities are reported at acquisition cost or amortized acquisition cost (less an allowance for losses, if any). This line represents other DoD investments as allowed by public law. Specifically, ***Public Law 104-106***, Section 2801 authorizes DoD to enter into limited partnerships in support of the Military Housing Privatization Initiative. Investments are disclosed in Note 4 to the financial statements.

H. Other Assets, Line 1.H. Other assets are nonfederal assets that are not reported in a separate category on the Balance Sheet. Other assets are disclosed in Note 6 to the financial statements.

1. Other assets reports the values of all advances and prepayments made to nonfederal entities, and includes travel advances and those assets that are immaterial to the entity and do not warrant separate reporting.

2. This line does not include invoice payments, to include payments for partial deliveries or lease and rental payments. In addition, CFPs are not Other Assets. DoD reporting entities must record CFPs in a CIP account and report them on the General PP&E line of the Balance Sheet.

I. Total Assets, Line 2. This line is the sum of Line 1.A.5. and Lines 1.B. through 1.H.

J. Stewardship PP&E, Line 3. Stewardship PP&E consists of assets whose physical properties resemble those of General PP&E. However, due to their unique nature, stewardship assets are not capitalized and carry no book value. DoD reporting entities must demonstrate accountability over these assets by reporting on their existence and condition. Stewardship PP&E includes:

1. Heritage Assets. Heritage assets consist of collection type assets (i.e., objects gathered and maintained for exhibition) and non-collection type heritage assets (i.e., parks, memorials, monuments, and buildings). These assets are preserved indefinitely. Heritage PP&E are unique for one or more of the following reasons:

a. Historical or natural significance;

b. Cultural, educational, or artistic importance; or

c. Significant architectural characteristics.

2. Stewardship Land. Stewardship land is land and land rights owned by DoD reporting entities, but not acquired for or in connection with items of General PP&E. Examples of stewardship land include land used as forests and parks or land used for wildlife and grazing.

3. SFFAS 29. This standard reclassified heritage assets and stewardship land information as basic information, with the exception of condition reporting, which is considered Required Supplemental Information (RSI). Specifically, it requires reporting entities to reference a note on the face of the Balance Sheet that discloses information about heritage assets and stewardship land, but report no asset dollar amount. Rather than use a separate note, DoD discloses Stewardship PP&E in Note 10 to the financial statements.

040303. Definitions and Concepts in the Liabilities Section

A. Liability. A liability is a probable future outflow or other sacrifice of resources resulting from past transactions or events. Financial statements must recognize probable and measurable future outflows or other sacrifices of resources arising from:

1. Past exchange transactions;

2. Government-related events;

3. Government-acknowledged events; and

4. Nonexchange transactions that are unpaid amounts due as of the reporting date.

B. Liability Recognition.

1. ***SFFAS 5***, "Accounting for Liabilities of the Federal Government," describes the general principles governing the recognition of a liability. The concept of a liability includes not only those liabilities that routinely recur in normal operations and are due within a fiscal year (e.g., accounts payable, as outlined in SFFAS 1), but also contingent liabilities resulting from an existing condition that involve uncertainty as to possible loss.

2. DoD reporting entities must recognize liabilities resulting from normal operations when they are incurred, regardless of whether they are covered by available budgetary resources. This requirement includes liabilities related to appropriations canceled under "M" account legislation included in ***Title 31, United States Code, section 1552*** "Procedure for Appropriation Accounts Available for Definite Periods".

C. Liabilities Covered and Not Covered by Budgetary Resources. Liabilities covered by budgetary resources and liabilities not covered by budgetary resources are combined on the Balance Sheet. For example, intragovernmental accounts payable covered by budgetary resources and intragovernmental accounts payable not covered by budgetary resources are combined and reported as a single intragovernmental accounts payable line item on the Balance Sheet.

1. Liabilities Covered by Budgetary Resources.

a. These are liabilities incurred which are covered by realized budgetary resources as of the Balance Sheet date. Budgetary resources encompass not only new budget authority, but also other resources available to cover liabilities for specified purposes in a given year. Available budgetary resources include:

(1) New budget authority;

(2) Unobligated balances of budgetary resources at the beginning of the year or net transfers of prior year balances during the year;

(3) Spending authority from offsetting collections (credited to an appropriation or fund account); and

(4) Recoveries of unexpired budget authority through downward adjustments of prior year obligations.

b. Liabilities are considered covered by budgetary resources when they are funded by permanent indefinite appropriations, which have been enacted and signed into law and are available for use as of the Balance Sheet date. The resources must be apportioned by OMB without further action by the Congress and without a contingency having to be met first. DoD policy is to classify custodial liabilities as "covered" by the assets that are collected and held for eventual transfer to other entities.

2. Liabilities Not Covered by Budgetary Resources. This category is for liabilities that are not covered by budgetary resources, as provided in paragraph 040303.C.1.b. DoD reporting entities must disclose liabilities not covered by budgetary resources separately in Note 11.

D. Current Liability. An amount that is due to be paid within 12 months of the Balance Sheet date.

E. Noncurrent Liability. An amount that is due to be paid beyond 12 months of the Balance Sheet date.

* F. Contingent Liability. A potential liability that may occur, depending on the outcome of an uncertain future event. A contingent liability is recorded if the contingency is probable and the amount of the liability can be reasonably estimated.

G. Intragovernmental Liabilities. Intragovernmental liabilities arise from transactions within or between federal entities. Intragovernmental liabilities are claims against a DoD reporting entity by other federal entities. DoD reporting entities must report intragovernmental liabilities separately from nonfederal liabilities, including government-sponsored enterprises and the Federal Reserve System, on the Balance Sheet. Liabilities with the FMS Trust Fund are classified as intragovernmental.

* H. Interest Payable. Interest payable is a current liability that is used to report the amount of interest incurred, but not paid by DoD reporting entities as of the date of the Balance Sheet. DoD reporting entities must report interest payable as a component of the appropriate liability accounts. Interest payable to federal entities is an intragovernmental liability and must be accounted for separately from interest payable to nonfederal entities (or the public).

040304. Liabilities

This paragraph includes those liabilities incurred as of the reporting date.

A. Intragovernmental Liabilities.

1. Accounts Payable, Line 4.A.1. Intragovernmental accounts payable are amounts owed by a DoD reporting entity for goods and services received from other federal entities. They include payables for progress made in contract performance by other federal entities and rents due to other federal entities. DoD reporting entities must adjust accounts payable for undistributed disbursements. Accounts payable are disclosed in Note 12 to the financial statements. For intragovernmental accounts payable elimination requirements, please see Chapter 13.

2. Debt, Line 4.A.2. This line reports the amounts of borrowings from the Treasury, the Federal Financing Bank, or other federal agencies under general or specific financing authority (e.g., Treasury bills, notes, bonds and Federal Housing Administration debentures). DoD reporting entities must classify all debt not covered by budgetary resources, except for direct loan and guaranteed loan financing account debt to Treasury, and that portion of other debt covered by budgetary resources, at the Balance Sheet date. Debt is disclosed in Note 13 to the financial statements.

3. Other Liabilities, Line 4.A.3. Intragovernmental other liabilities are liabilities not reported in a separate category under the Intragovernmental liabilities section of the Balance Sheet. This line reports the total amount due (i.e., current and noncurrent) to federal entities for liabilities owed by DoD reporting entities that are not included on lines 4.A.1 and 4.A.2. This amount includes, but is not limited to, deferred credits, advances and prepayments received from other federal entities for goods to be delivered or services to be performed, deposit fund amounts held in escrow, and capital leases. This line also includes pecuniary liability to the Treasury for DoD disbursing officer's cash reported on FMS 1219. Other liabilities are disclosed in Note 15 to the financial statements.

4. Total Intragovernmental Liabilities, Line 4.A.4. This is the sum of Lines 4.A.1 through 4.A.3.

B. Accounts Payable, Line 4.B. Accounts payable are amounts owed by a DoD reporting entity for goods and services received from nonfederal entities. They include payables for progress made in contract performance by nonfederal entities and rents due to nonfederal entities. DoD reporting entities must report interest payable as a component of the accounts payable on this line. Accrued interest payable is also included in this line as detailed by the ***Prompt Payment Act***. DoD reporting entities must adjust accounts payable for undistributed disbursements. Accounts payable are disclosed in Note 12 to the financial statements.

C. Military Retirement and Other Federal Employment Benefits, Line 4.C. This line is applicable to and reports military retirement pension benefits, retired military health benefits, and other employment related actuarial liabilities for civilian and military personnel.

1. DoD reporting entities responsible for the administration of pensions, other retirement benefits, including health benefits for retirees and other post-employment benefits, must calculate and report these liabilities and related expenses in accordance with SFFAS 5 and ***SFFAS 33***, "Pensions, Other Retirement Benefits, and Other Post-Employment Benefits: Reporting the Gains and Losses from Changes in Assumptions and Selecting Discount Rates and Valuation Dates". Liabilities for federal employee and veterans' benefits include the actuarial portion of these benefits. They do not include liabilities related to ongoing continuous expenses (e.g., employee accrued salary and accrued annual leave), which are reported on the Other Liabilities line.

2. Military retirement and other federal employment benefits are disclosed in Note 17 to the financial statements.

D. Environmental and Disposal Liabilities, Line 4.D. Environmental and disposal liabilities include the costs to remove, contain, and dispose of hazardous waste from General PP&E; as well as the costs to remove, contain, and dispose of materiel and property that is deemed to be hazardous waste at a permanent or temporary closure or shutdown of associated General PP&E. SFFAS 5 provides criteria for recognizing a contingent liability and DoD reporting entities must apply such criteria to determine when cleanup costs are recognized as liabilities and disclosed in the notes. SFFAS 6 supplements the liability standard by providing policy for recording cleanup costs related to General PP&E and Stewardship PP&E used in federal operations. Environmental and disposal activities are disclosed in Note 14 to the financial statements.

Note: For accounting policy regarding Environmental and Disposal Activities, please see Volume 4, Chapter 13, including applicable Policy Memoranda related to this chapter.

E. Loan Guarantee Liability, Line 4.E. This line reports the present value of the estimated net cash flows to be paid as a result of loan guarantees after 1991. For loan guarantees prior to 1992, the amount of known and estimated losses to be payable must be included. When the total loan guarantee liability for all credit programs of a DoD reporting

entity is negative, the entity must report the loan as an asset. If a loan guarantee liability is the result of both positive and negative amounts for the various components, then the total must be shown as a liability and negative components disclosed. Liabilities for loan guarantees are disclosed in Note 8 to the financial statements.

* F. Other Liabilities, Line 4.F.

1. Included Amounts. This line reports the total amount due (i.e., current and noncurrent) to nonfederal entities for other liabilities owed by DoD reporting entities that are not included on lines 4.A through 4.E. This amount includes, but is not limited to, liabilities related to deferred credits from nonfederal entities, accrued liabilities related to ongoing continuous expenses, such as federal employee salaries, accrued employee annual leave, capital leases, advances and prepayments received from other nonfederal entities for goods to be delivered or services to be performed, deposit fund amounts held in escrow, and estimated losses for contingencies. In addition, cleanup costs are reported as other liabilities if they are not material to the Balance Sheet. Cleanup costs that exceed the materiality threshold are reported separately as environmental and disposal liabilities. Other liabilities are disclosed in Note 15 to the financial statements.

2. Accrued Entitlement Benefits. Accrued entitlements benefits include:

a. Salaries and wages which represent the estimated liability for salaries and wages of civilian personnel that have been earned, but are unpaid; and the estimated military personnel funded compensation earned, but unpaid, as of the end of the current accounting month; and

b. Both funded and unfunded accrued annual leave, which represent the accrued leave for civilians and military personnel earned and expected to be paid in the future.

3. Commitments and Contingencies. A loss contingency is an existing condition, situation, or set of circumstances involving uncertainty as to possible loss to an entity. The uncertainty should ultimately be resolved when one or more future events occur or fail to occur.

a. DoD reporting entities must recognize a contingent liability when a past event or exchange transaction has occurred; a future outflow or other sacrifice of resources is probable; and the future outflow or sacrifice of resources is measurable. Contingencies that do not meet any of the conditions for liability recognition and there is at least a reasonable possibility that a loss or an additional loss may have been incurred, must be disclosed in a separate note (i.e., Note 16). For additional policy regarding contingent liabilities, please see SFFAS 5, as amended by ***SFFAS 12***, and Volume 4, Chapter 12.

b. DoD reporting entities must also disclose, in Note 16, the following commitments:

(1) An estimate of obligations related to canceled appropriations for which the reporting entity has a contractual commitment for payment: and

(2) Amounts for contractual arrangements that may require future financial obligations.

c. DoD reporting entities must recognize a contingent liability for pending or threatened litigation and unasserted claims when the future outflow or other sacrifice of resources is measurable and "likely to occur" as detailed by SFFAS 12.

d. DoD reporting entities must recognize a contingent liability for contingencies not related to pending or threatened litigation when the future outflow or other sacrifice of resources is measurable and “more likely than not to occur” as detailed in SFFAS 12. If a contingency exists for clean-up costs related to Stewardship PP&E, DoD reporting entities must recognize a contingent liability when the Stewardship PP&E is placed in service. DoD reporting entities must report such liability on Line 4.D.

4. Lease Liabilities. DoD reporting entities must report the liability for nonfederal capital leases, including those capital leases entered into during Fiscal Year 1992 and thereafter, and required to be fully funded in the first year of the lease. DoD reporting entities must disclose capital lease liabilities in Note 15.

G. Total Liabilities, Line 5. This line is the sum of Line 4.A.4 and Lines 4.B. through 4.F.

* H. Commitments and Contingencies, Line 6. DoD reporting entities must disclose on Line 6 and in Note 16 any contingencies that do not meet any of the conditions for liability recognition and for which there is at least a reasonable possibility that a loss or an additional loss may have been incurred.

*040305. Net Position

Net Position is comprised of unexpended appropriations and cumulative results of operations, including those attributable to funds from dedicated collections. Funds from dedicated collections are financed by specifically identified revenues, provided to the government by non-federal sources, often supplemented by other financing sources, which remain available over time. These specifically identified revenues and other financing sources are required by statute to be used for designated activities, benefits or purposes, and must be accounted for separately from the Government’s general revenues. ***SFFAS 27***, as amended by ***SFFAS 43***, requires disclosure of all funds from dedicated collections for which the reporting entity has program management responsibility. Funds from dedicated collections are disclosed in Note 23 to the financial statements. The elements of net position are classified as follows:

* A. Unexpended Appropriations, Dedicated Collections, Line 7.A. This amount includes the portion of the entity's appropriations represented by undelivered orders and unobligated balances related to funds from dedicated collections. DoD reporting entities must report unexpended appropriations attributable to funds from dedicated collections separately on the Balance Sheet. The prior period columns of the basic financial statements and related disclosures must not be restated in the year funds from dedicated collections are initially reported by an entity.

* B. Unexpended Appropriations, Other Funds, Line 7.B. This amount includes the portion of the entity's appropriations represented by undelivered orders and unobligated balances that do not relate to funds from dedicated collections. The amount of unexpended appropriations (including the amount of dedicated collections) reported on the Balance Sheet should equal the amount of unexpended appropriations reported on the Statement of Changes in Net Position (SCNP).

* C. Cumulative Results of Operations, Dedicated Collections, Line 7.C. This line reports the net results of operations since inception, plus the cumulative amount of prior period adjustments related to funds from dedicated collections. DoD reporting entities must report the cumulative results of operations attributable to funds from dedicated collections separately on the Balance Sheet and in accordance with SFFAS 27, as amended by SFFAS 43. The prior period columns of the basic financial statements and related disclosures must not be restated in the year funds from dedicated collections are initially reported by an entity.

* D. Cumulative Results of Operations, Other Funds, Line 7.D. This line reports the net results of operations since inception plus the cumulative amount of prior period adjustments that do not relate to funds from dedicated collections. This includes the cumulative amount of donations and transfers of assets in and out without reimbursement. The amount of cumulative results of operations (including the amount of dedicated collections) reported on the Balance Sheet should equal the amount of cumulative results of operations reported on the SCNP.

E. Total Net Position, Line 8. This line is the sum of Lines 7.A. through 7.D.

F. Total Liabilities and Net Position, Line 9. This line is the sum of Lines 5 and 8.

Figure 4-1. Department of Defense (Reporting Entity) Balance Sheet

DEPARTMENT OF DEFENSE (REPORTING ENTITY) **BALANCE SHEET** **As of Fiscal Year 20XX**				
(Amounts in thousands)		**(Current FY)**		**(Prior FY)**
1. ASSETS (Note 2):				
A. Intragovernmental:				
1. Fund Balance with Treasury (Note 3)	$	xxx	$	xxx
2. Investments (Note 4)		xxx		xxx
3. Accounts Receivable (Note 5)		xxx		xxx
4. Other Assets (Note 6)		xxx		xxx
5. Total Intragovernmental Assets	**$**	**xxx**	**$**	**xxx**
B. Cash and Other Monetary Assets (Note 7)	$	xxx	$	xxx
C. Accounts Receivable, Net (Note 5)		xxx		xxx
D. Loans Receivable, Net (Note 8)		xxx		xxx
E. Inventory and Related Property, Net (Note 9)		xxx		xxx
F. General Property, Plant and Equipment, Net (Note 10)		xxx		xxx
G. Investments (Note 4)		xxx		xxx
H. Other Assets (Note 6)		xxx		xxx
2. TOTAL ASSETS	**$**	**xxx**	**$**	**xxx**
3. STEWARDSHIP PROPERTY, PLANT & EQUIPMENT (Note 10)				
4. LIABILITIES (Note 11)				
A. Intragovernmental:				
1. Accounts Payable (Note 12)	$	xxx	$	xxx
2. Debt (Note 13)		xxx		xxx
3. Other Liabilities (Note 15 & 16)		xxx		xxx
4. Total Intragovernmental Liabilities	**$**	**xxx**	**$**	**xxx**
B. Accounts Payable (Note 12)	$	xxx	$	xxx
C. Military Retirement and Other Federal Employment Benefits (Note 17)		xxx		xxx
D. Environmental and Disposal Liabilities (Note 14)		xxx		xxx
E. Loan Guarantee Liability (Note 8)		xxx		xxx
F. Other Liabilities (Notes 15 & 16)		xxx		xxx
5. TOTAL LIABILITIES	**$**	**xxx**	**$**	**xxx**
6. COMMITMENTS AND CONTINGENCIES (Note 16)				
7. NET POSITION				
A. Unexpended Appropriations, Dedicated Collections (Note 23)	$	xxx	$	xxx
B. Unexpended Appropriations , Other Funds		xxx		xxx
C. Cumulative Results of Operations, Dedicated Collections (Note 23)		xxx		xxx
D. Cumulative Results of Operations, Other Funds		xxx		xxx
8. TOTAL NET POSITION	**$**	**xxx**	**$**	**xxx**
9. TOTAL LIABILITIES AND NET POSITION	**$**	**xxx**	**$**	**xxx**

VOLUME 6B, CHAPTER 5: "STATEMENT OF NET COST"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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

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

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

The previous version dated May 2012 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated the chapter to comply with current administrative instructions.	Revision
050301.D.1.b	Added reference for additional guidance on inter-entity costs.	Addition
050301.E	Added language on Statement of Federal Financial Accounting Standards 33 as it pertains to instructions for completing the Statement of Net Cost.	Addition
050302.C.2	Clarified instructions for deducting earned revenue from the cost of outputs or outcomes.	Addition

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CHAPTER 5

STATEMENT OF NET COST

0501 GENERAL

050101. Overview

The Statement of Net Cost (SNC) is designed to show the components of the net cost of the reporting entity's operations for the period. The net cost of operations is the gross cost incurred by the reporting entity less any exchange revenue earned from its activities.

050102. Purpose

This chapter prescribes the policy for preparing the Department of Defense (DoD) SNC. Additionally, this chapter provides standard formats for the published and working versions of the SNC.

050103. Authoritative Guidance

The concept of exchange revenue incorporated throughout this chapter is described in the Statement of Federal Financial Accounting Standards ***(SFFAS) 7***, "Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting;" Office of Management and Budget (OMB), Circular ***A-136***, "Financial Reporting Requirements;" and Treasury Financial Manual, Volume 1, Part 2, ***Chapter 4700***, "Agency Reporting Requirements for the Financial Report of the United States Government."

0502 FORMATS FOR THE SNC

050201. Format for the Working Version of the Consolidated SNC

The format presented in Figure 5-1 will be used for the consolidated statements. All versions of the statements and notes leading up to the final submission of the "published" version to the Defense Finance and Accounting Service (DFAS) Financial Reporting Audited Financial Statement Directorate are considered "working versions." The working versions of all statements will include the line numbers as shown in Figure 5-1. All amounts will remain dollars and cents in the working versions of the statement and note schedules in order to improve communication among the preparers, the reviewers, and the auditors during the financial statements preparation process.

050202. Format for the Working Version of the Consolidating SNC

The format presented in Figure 5-2 will be used for the consolidating statement. All amounts will remain dollars and cents in the working versions of the statement. The working versions of this statement will also include the line numbers as shown in Figure 5-2. Consolidating statements are not required by OMB Circular A-136. However, they are useful for financial management and may be published in a reporting entity's annual financial report.

050203. Published SNC Format

The final DoD published statements, including the SNC, and the notes to the principal statements will display dollars rounded to the nearest millions with one decimal point. All Component statements will display dollar amounts rounded to the nearest whole thousand on the final published principal statements and in the tables/schedules contained in the notes to the principal statements. Dollar amounts in note narratives will be reported with a maximum of three position integers and a single decimal value followed by an identifier, such as millions or billions (e.g. $340.1 million, not $340,100 thousand). The line numbers shown in Figure 5-1 and Figure 5-2 are for reference only and are not to be included in the final version.

0503 INSTRUCTIONS FOR THE PREPARATION OF THE SNC

*050301. General Instructions

A. Net Cost of Operations. All figures used on the SNC are pre-closing trial balances.

1. Pre-closing trial balances include end of period adjusting entries to recognize on an accrual basis, revenues and expenses, and the proper amounts for assets, liabilities, and net position amounts. They do not include closing entries, which reduce nominal accounts to zero. The Consolidating SNC is organized in a manner that allows users of the financial data to differentiate between costs and revenues resulting from both program and non-program operations and provides the framework for analysis of metrics and outcomes of the various DoD programs and activities.

2. Net program costs are the gross program costs incurred by the reporting entity, plus losses (gains) from actuarial assumption changes for military retirement or other postemployment benefits, less any exchange program revenue earned from its activities. This amount represents the net cost of a sub-organization or entity funded by sources other than exchange revenues. The gross cost of a program consists of the full cost of the outputs produced by that program, as defined by ***SFFAS 4***, "Managerial Cost Accounting Standards and Concepts," plus any nonproduction costs that are assignable to the program. Nonproduction costs are costs linked to events other than the production of goods and services. Note 18, "General Disclosures Related to the Statement of Net Cost," is designed to provide additional detail on the composition of net cost.

B. Programs Reported. DoD has identified performance measures in the Financial Improvement and Audit Readiness (***FIAR***) Guidance, Section 5.D.2.2, "Gross Costs." DoD currently does not accumulate costs for major programs based on performance measures, in part because financial processes and systems do not yet fully collect costs in line with these measures. DoD divides programs by the seven major appropriation groupings addressed in paragraph 050401. The DoD Consolidating SNC, shown in Figure 5-2, will be prepared by displaying financial data by program appropriation groupings horizontally and by the vertical presentation of net cost by sub-organizations.

C. Sub-Entity Programs

1. Preparers of the SNC decide the exact classification of sub-entities and major programs based on:

a. Metrics and outcomes described in the entity's strategic and performance plans, as required by the Government Performance and Results Act (***GPRA***), as amended by the GPRA Modernization Act of 2010 ***(GPRAMA)***;

b. Entity's budget structure;

c. Guidance for defining and structuring responsibility segments presented in SFFAS 4; and

d. Requirements of the GPRAMA.

2. When data is available at the program element level, reporting entities may provide information as a supplemental schedule in the note to the SNC or in "Other Information." The SNC and related supporting schedules must show the net cost of operations for the reporting entity as a whole and its sub-entities and program elements, as applicable. In the Consolidating SNC, DoD identifies Components by the reporting entities described in Chapter 1. The Components may further break out the Consolidating SNC and provide any additional supporting schedules in Note 18. Chapter 10 contains guidance for preparation of the notes.

D. Imputed Costs. SFFAS 4 requires reporting entities to measure and report the full costs of their outputs (products and services) in financial reports. SFFAS 4 defines the full cost of an output from a responsibility segment as the sum of the costs of resources consumed by the segment that directly or indirectly contributes to the output and the costs of identifiable supporting services provided by other responsibility segments (internal or external to the reporting entity). Imputed costs and financing sources included in the SNC must be identifiable to a specific trading partner. The entity providing the goods or services has the responsibility to provide the receiving entity with information on the full cost of such goods or services through either billing or other advice. Recognition of inter-entity costs that are not fully reimbursed is limited to material items that (1) are significant to the receiving entity's output, (2) form an integral or necessary part of the receiving entity's output, and (3) can be identified or matched to the receiving entity with reasonable precision. Broad and general support services provided by an entity to all or most other entities generally should not be recognized unless such services form a vital and integral part of the operations or output of the receiving entity.

1. Inter-Entity Imputed Costs

a. Inter-entity imputed costs represent costs that are paid in total or in part by entities external to DoD. Costs displayed on the SNC include certain imputed costs as directed by OMB. All federal agencies are required to report imputed costs for the categories described in subparagraphs 050301.D.1.a.(1) through 050301.D.1.a.(3) to ensure

consistency in reporting across the Government. The recognition of inter-entity imputed costs includes the following three categories:

(1) Civilian employee pension, post-retirement health, and life insurance benefits;

(2) Other post-employment benefits for retired, terminated, and inactive employees, to include unemployment and workers compensation under the Federal Employees' Compensation Act; and

(3) Losses in litigation proceedings. Interpretation of Federal Financial Accounting Standards 2: "Accounting for Treasury Judgment Fund Transactions: ***An Interpretation of SFFAS 4 and SFFAS 5***," provides additional details for this cost category.

* b. ***SFFAS 30***, "Inter-entity Cost Implementation: Amending SFFAS 4, Managerial Cost Accounting Standards and Concepts," requires entities to report the full cost of services provided by other entities whether or not the providing entity is fully reimbursed. Additional guidance on inter-entity costs is available in Federal Accounting Standards Advisory Board ***(FASAB) Technical Release 8***, "Clarification of Standards Relating to Inter-Entity Costs." Intragovernmental full costs and earned revenues, and public costs and earned revenues will be disclosed in Note 22.

2. Intra-Entity Imputed Costs

a. Intra-entity imputed costs represent costs that are paid in total or in part by other entities within DoD. Costs displayed on the SNC include intra-entity imputed costs as required by ***Interpretation of Federal Financial Accounting Standards 6***: "Accounting for Imputed Intra-departmental Costs: An Interpretation of SFFAS No. 4." Imputed intra-entity cost is the unreimbursed portion of the full costs of goods and services received by the entity from a providing entity that is part of the same entity or larger reporting entity (i.e. other bureaus, components, or responsibility segments within the entity or larger reporting entity). An example of an intra-entity imputed cost would be a DoD tenant receiving rent-free business space from another DoD entity. Volume 4, Chapter 6 provides additional detail on intra-entity costs for real property. DoD reporting entities should report the following intra-entity imputed costs:

(1) Imputed Costs for Military Pension Expense. DoD reporting entities will recognize an imputed cost that is equal to the reported employer entity pension expense for the accounting period, as computed using factors provided by the Office of the Under Secretary of Defense (Personnel and Readiness) (OUSD(P&R)), less any accounting period contributions by the Military Departments to the Military Retirement Fund. Administrative entity expenses are reported only in the Military Retirement Fund audited financial statements.

(2) Imputed Costs for Military Health Benefits. DoD reporting entities will recognize imputed costs equal to the employer entity expense for the military health benefits that is attributable to the Military Department (as computed using factors provided

by the OUSD(P&R)) for the accounting period. The administrative entity for the military health benefits is the OUSD(P&R). The administrative entity's actual expenses are reported only in the Medicare Eligible Retiree Health Care Fund, Defense Health Agency, and Other Defense Organizations - General Funds financial statements.

b. DoD management, in accordance with the full cost provision of SFFAS 4, determines how intragovernmental costs incurred within DoD will be assigned, allocated, or imputed for purposes of accounting for the full cost of a program and its output(s). As a result, recognition of intra-entity imputed costs is not limited to specific cost categories as in the case of inter-entity imputed costs.

* E. ***SFFAS 33***. In Fiscal Year 2009, the FASAB released SFFAS 33, "Pensions, Other Retirement Benefits, and Other Postemployment Benefits: Reporting the Gains and Losses from Changes in Assumptions and Selecting Discount Rates and Valuation Dates." The standard requires entities reporting liabilities for Federal civilian and military employee pensions, other retirement benefits, and other postemployment benefits, including veterans' compensation, to report changes in those liabilities that result from gains and losses due to changes in long-term assumptions as a separate line item on the SNC. In general, Military Departments are not affected by this standard since they report imputed costs but not the liabilities.

*050302. Line Item Instructions

The Department of the Treasury provides a ***United States Standard General Ledger*** (USSGL) crosswalk detailing the accounts and attributes that are to be included in each line item of the SNC. DFAS ensures the Defense Departmental Reporting System, Audited Financial Statements is updated with all crosswalk changes made by the Department of the Treasury.

A. Program Costs - Line 1. This line includes the full costs of each program's outcome. It consists of both direct and indirect costs of the output and the costs of identifiable supporting services provided by other segments within the reporting entity and by other reporting entities. To the extent accounting systems and defined DoD business rules allow, the reporting entity will accumulate and assign costs using the costing methodology found in SFFAS 4. Program costs also include any nonproduction costs that can be assigned to the program but not to its outputs. Costs related to the production of outputs must be reported separately from nonproduction costs that cannot be traced to the production of outputs. The costs of program outputs include costs of services provided by other entities whether or not the providing entity is fully reimbursed.

1. The cost of Stewardship Property, Plant, and Equipment (PP&E) will be recognized as a cost in the SNC in the period it is incurred reported separately from other nonproduction costs and disclosed in Note 18. This includes the cost of acquiring, constructing, improving, reconstructing, or renovating heritage assets, other than multi-use heritage assets, and the cost of acquiring stewardship land. The entity that received the funds reports these costs and separately discloses them in Note 18. Report heritage assets and stewardship land, in terms of physical units, in the PP&E note to the financial statements. See Chapter 10, section 1012. Additional information can also be obtained in ***SFFAS 29***, "Heritage Assets and Stewardship Land."

2. Reporting entities will consider differentiating other significant costs when, by doing so, the usefulness of the statements would be improved either because the amount of a particular cost is large or because of its special nature. Elements of other nonproduction costs are considered significant when the element represents 10 percent or more of the value of the line.

B. Gross Costs - Line 1.A. This line contains costs that arise from the purchase of goods or services. The effects of intra-entity business transactions are eliminated in the reporting entity's statements. See Chapter 13 for elimination reporting requirements.

C. Less: Earned Revenue - Line 1.B

1. This line contains exchange revenues that arise when a federal entity provides goods and services to the public or another government entity for a price. The full amount of exchange revenue is reported on the SNC or supplementary schedule regardless of whether the entity is permitted to retain the revenue in whole or in part. Any portion of exchange revenue of the entity that cannot be retained by the entity is reported as a transfer out on the Statement of Changes in Net Position (SCNP). Interest collected on delinquent receivables and subsequently transferred to the General Fund of the U.S. Treasury is one example of the transfer out of exchange revenue.

* 2. Earned revenue should be deducted from the full cost of outputs or outcomes to determine their net cost unless it is not practical or reasonably possible to do so. If that cannot be done, deduct earned revenue from the gross cost of programs to determine the net program costs. When that is not practical or reasonably possible, deduct earned revenue from the costs of sub-organizations to determine the sub-organizations' net cost of operations. As there are no precise guidelines to determine the degree to which earned revenue can reasonably be attributed to outputs, outcomes, programs, or sub-organizations, the attribution of earned revenue requires the exercise of managerial judgement. In exercising this judgement, it is important to provide users of the SNC with the ability to ascertain whether the exchange revenues are sufficient to cover the costs incurred to produce the goods and services involved.

D. Losses/(Gains) from Actuarial Assumption Changes for Military Requirement Benefits – Line 2. This line contains gains and losses from changes in long-term assumptions used to measure military retirement benefits (i.e., Military Retirement Fund and Medicare-Eligible Retiree Health Care Fund). See SFFAS 33 for further guidance on gains and losses from long-term assumptions. In general, Military Departments are not affected by this standard since they report imputed costs but not the liabilities.

E. Net Program Expenses Including Assumption Changes - Line 3

F. Costs Not Assigned to Programs – Line 4

1. A reporting entity and its sub-organizations may incur:

a. High-level general management and administrative support costs that cannot be directly traced, assigned on a cause and effect basis, or reasonably allocated to segments and their outputs; and

b. Nonproduction costs that cannot be assigned to a particular program.

2. These costs are part of the entity and sub-organization costs and should be reported on the SNC as "Costs Not Assigned to Programs." Exchange transactions resulting in the recognition of "Extraordinary" items not properly assignable to specific programs will be included in this line. Extraordinary items are costs or income as unusual in type or amount as to be accorded special treatment in the general ledger accounts. Disclose extraordinary items if they represent 10 percent or more of this line.

G. Less: Earned Revenue Not Attributable to Programs - Line 5. Earned revenue that is insignificant or cannot be attributed to particular outputs or programs is reported separately as a deduction in arriving at net cost of operations of the sub-organization or reporting entity as a whole.

H. Net Cost of Operations – Line 6. This line is the gross cost incurred by the reporting entity less any exchange revenue earned from its activities. This amount represents the net cost of a sub-organization or entity that must be financed by sources other than exchange revenues. The financing sources required to fund the "Net Cost of Operations" are reported on the SCNP.

0504 PROGRAM PRESENTATION

050401. DoD Agency-wide Program Presentation

Report the program data from the SNC for the consolidated DoD financial statements by major appropriation grouping until financial processes and systems are upgraded. The seven appropriation groupings to be reported are:

A. Military Retirement Benefits;

B. Civil Works;

C. Military Personnel;

D. Operations, Readiness and Support;

E. Procurement;

F. Research, Development, Test, and Evaluation; and

G. Family Housing and Military Construction.

050402. DoD Reporting Entities

Managers of the DoD reporting entities identified in Chapter 1 may report the program distribution of net costs by existing entity program units or by appropriation grouping as specified in paragraph 050401. If management chooses a program distribution other than by the appropriation group in paragraph 050401, a supplemental SNC by appropriation grouping must be provided. This supplemental schedule is required in order to prepare the consolidated DoD SNC.

Figure 5-1. Statement of Net Cost

DEPARTMENT OF DEFENSE
[Agency]

STATEMENT OF NET COST
FOR THE YEARS ENDED SEPTEMBER 30, 20(CY) AND 20(PY)

(Amounts in dollars and cents)	Current Year	Prior Year
1. Program Costs:		
A. Gross Costs		
Military Retirement Benefits	$ $$$	$ $$$
Civil Works	$$$	$$$
Military Personnel	$$$	$$$
Operations, Readiness & Support	$$$	$$$
Procurement	$$$	$$$
Research, Development, Test & Eval	$$$	$$$
Family Housing & Military Construction	$$$	$$$
B. (Less: Earned Revenue)	($$$)	($$$)
C. Net Costs before Losses/Gains from Actuarial Assumption Changes for Military Retirement Benefits	$ $$$	$ $$$
2. Losses/(Gains) from Actuarial Assumption Changes for Military Retirement Benefits	$$$	$$$
3. Net Program Expenses Including Assumption Changes	$ $$$	$$$
4. Costs Not Assigned to Programs	$$$	$$$
5. (Less: Earned Revenue Not Attributable to Programs)	($$$)	($$$)
6. Net Cost of Operations	$ $$$	$ $$$

The accompanying notes are an integral part of these financial statements.

Figure 5-2. Consolidating Statement of Net Cost

DEPARTMENT OF DEFENSE
[REPORTING ENTITY]
STATEMENT OF NET COST
For the Years Ended September 30, 20(CY) and 20(PY)

	Subentity A	Subentity B	Subentity C	Combined Total	Elimination	20(CY) Consolidated	20(PY) Consolidated
1. Program Costs							
Military Retirement Benefits							
A. Gross Costs	$ $$$	$ $$$	$ $$$	$ $$$	$ $$$	$ $$$	$ $$$
B. (Less: Earned Revenue)	($$$)	($$$)	($$$)	($$$)	($$$)	($$$)	($$$)
C. Net Cost before Losses/Gains from Actuarial Assumption Changes for Military Retirement	$ $$$	$ $$$	$ $$$	$ $$$	$ $$$	$ $$$	$ $$$
Civil Works							
A. Gross Costs	$ $$$	$ $$$	$ $$$	$ $$$	$ $$$	$ $$$	$ $$$
B. (Less: Earned Revenue)	($$$)	($$$)	($$$)	($$$)	($$$)	($$$)	($$$)
C. Net Cost before Losses/Gains from Actuarial Assumption Changes for Military Retirement	$ $$$	$ $$$	$ $$$	$ $$$	$ $$$	$ $$$	$ $$$
Military Personnel							
A. Gross Costs	$ $$$	$ $$$	$ $$$	$ $$$	$ $$$	$ $$$	$ $$$
B. (Less: Earned Revenue)	($$$)	($$$)	($$$)	($$$)	($$$)	($$$)	($$$)
C. Net Cost before Losses/Gains from Actuarial Assumption Changes for Military Retirement	$ $$$	$ $$$	$ $$$	$ $$$	$ $$$	$ $$$	$ $$$
Operations, Readiness & Support							
A. Gross Costs	$ $$$	$ $$$	$ $$$	$ $$$	$ $$$	$ $$$	$ $$$
B. (Less: Earned Revenue)	($$$)	($$$)	($$$)	($$$)	($$$)	($$$)	($$$)
C. Net Cost before Losses/Gains from Actuarial Assumption Changes for Military Retirement	$ $$$	$ $$$	$ $$$	$ $$$	$ $$$	$ $$$	$ $$$
Procurement							
A. Gross Costs	$ $$$	$ $$$	$ $$$	$ $$$	$ $$$	$ $$$	$ $$$
B. (Less: Earned Revenue)	($$$)	($$$)	($$$)	($$$)	($$$)	($$$)	($$$)
C. Net Cost before Losses/Gains from Actuarial Assumption Changes for Military Retirement	$ $$$	$ $$$	$ $$$	$ $$$	$ $$$	$ $$$	$ $$$
Research, Development, Test & Evaluation							
A. Gross Costs	$ $$$	$ $$$	$ $$$	$ $$$	$ $$$	$ $$$	$ $$$
B. (Less: Earned Revenue)	($$$)	($$$)	($$$)	($$$)	($$$)	($$$)	($$$)
C. Net Cost before Losses/Gains from Actuarial Assumption Changes for Military Retirement	$ $$$	$ $$$	$ $$$	$ $$$	$ $$$	$ $$$	$ $$$
Family Housing & Military Construction							
A. Gross Costs	$ $$$	$ $$$	$ $$$	$ $$$	$ $$$	$ $$$	$ $$$
B. (Less: Earned Revenue)	($$$)	($$$)	($$$)	($$$)	($$$)	($$$)	($$$)
C. Net Cost before Losses/Gains from Actuarial Assumption Changes for Military Retirement	$ $$$	$ $$$	$ $$$	$ $$$	$ $$$	$ $$$	$ $$$
2. Losses/(Gains) from Actuarial Assumption Changes for Military Retirement Benefits	$ $$$	$ $$$	$ $$$	$ $$$	$ $$$	$ $$$	$ $$$
3. Net Program Expenses Including Assumption Changes	$$$	$$$	$$$	$$$	$$$	$$$	$$$
4. Costs Not Assigned to Programs:							
5. (Less: Earned Revenue Not Attributable to Programs)	($$$)	($$$)	($$$)	($$$)	($$$)	($$$)	($$$)
6. Net Cost of Operations	$ $$$	$ $$$	$ $$$	$ $$$	$ $$$	$ $$$	$ $$$

The accompanying notes are an integral part of these statements.

VOLUME 6B, CHAPTER 6: "STATEMENT OF CHANGES IN NET POSITION"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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

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

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

The previous version dated April 2013 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Clarified existing language and updated hyperlinks.	Revision
060301	Added guidance on mixed or commingled funds per Office of Management and Budget (OMB) Circular A-136.	Addition
060302.J	Corrected computation to arrive at the Cumulative Results of Operations to comply with instructions in OMB Circular A-136.	Revision

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CHAPTER 6

STATEMENT OF CHANGES IN NET POSITION

0601 GENERAL

060101. Purpose

This chapter prescribes the policy surrounding preparation of the Department of Defense (DoD) Statement of Changes in Net Position (SCNP). It provides details for the formatting required for the SCNP and instructions for preparing the Cumulative Results of Operations and Unexpended Appropriations sections thereof.

060102. Authoritative Guidance

The requirements of this chapter apply to all reporting entities found in Chapter 1, section 0104. The SCNP reports the change in net position during the reporting period. Guidance from Office of Management and Budget (OMB) ***Circular A-136***, "Financial Reporting Requirements," and Treasury Financial Manual (TFM), Volume 1, Part 2, Chapter 4700, "Agency Reporting Requirements for the Financial Report of the United States Government," ***(TFM 2-4700)*** is incorporated throughout this chapter.

0602 FORMAT FOR THE SCNP

060201. General Information

The SCNP reports the change in net position during the reporting period. The net position is affected by changes to its two components: Cumulative Results of Operations and Unexpended Appropriations. The SCNP format displays both components of net position separately to enable the user to better understand the nature of changes to net position as a whole.

060202. Format for the SCNP

The SCNP will be prepared in accordance with the format presented in Figure 6-1. The working versions of all statements and notes must include line numbers as shown in Figure 6-1. All amounts are in dollars and cents in the working versions of the statements and notes in order to facilitate communication among the preparers, reviewers, and auditors during the financial statements preparation process. This process minimizes the additional time and workload required to round and reconcile dollar amounts.

060203. Format for the Final Published SCNP

The final published DoD principal statements, including the SCNP, and notes to the principal statements display dollars rounded to millions with one decimal point. All Component statements, and notes to the statements, display dollar amounts rounded to the nearest thousand on the final published principal statements and in the tables/schedules contained in the notes to the

principal statements. Dollar amounts in note narratives must be reported with a maximum of three position integers and a single decimal value followed by an identifier, such as millions or billions (e.g., $340.1 million, not $340,100 thousand). The line numbers shown in Figure 6-1 are for reference purposes only. Line number references are not included on the final published statements.

0603 INSTRUCTIONS FOR THE PREPARATION OF THE SCNP

*060301. General Instructions

A. Preparation. The SCNP is prepared from information utilizing Department of the Treasury (Treasury) United States Standard General Ledger (USSGL) accounts and crosswalks. System users can access crosswalk information within the USSGL section of the ***TFM*** for current fiscal year reporting. The crosswalk for each line of the SCNP is included in the Defense Departmental Reporting System - Audited Financial Statements ***(DDRS-AFS)***. Authorized DDRS users may access the most current mapping of the SCNP by selecting "Query" from the main DDRS-AFS menu, then selecting "Referential Data," and then SCNP under one of the "Report Map" options.

B. Dedicated Collections

1. Generally, funds from dedicated collections are financed by specifically identified revenues provided to the government by non-federal sources, often supplemented by other financing sources, which remain available over time. These specifically identified revenues and other financing sources are required by statute for designated benefits, activities, or purposes, and must be reported separately from the Federal government's general revenues. The Statement of Federal Financial Accounting Standards ***(SFFAS) 43***, "Funds from Dedicated Collections: Amending Statement of Federal Financial Accounting Standards 27, Identifying and Reporting Earmarked Funds," contains the complete definition and criteria for dedicated collections. Report the portions of Cumulative Results of Operations and Unexpended Appropriations attributable to dedicated collections in Note 23, "Funds from Dedicated Collections," of the notes to the financial statements.

2. Resources from "Funds from Dedicated Collections" derived from trust or special fund receipts are often commingled or mixed with resources from the General Fund of the U.S. Government. If the predominant source of a mixed fund is "Funds from Dedicated Collections," the entire fund may be reported in the financial statements as "Funds from Dedicated Collections." Whether a mixed fund is reported as "Funds from Dedicated Collections" depends upon the predominant use of the fund and whether the fund as a whole meets the definition of "Funds from Dedicated Collections" in SFFAS 43.

C. Prior Period Adjustments. A prior period adjustment is an adjustment to balances of a prior period due to a change in accounting principle or correction of a material error (or an aggregation of errors). Prior period adjustments for correction of material errors require restatement of prior period balances, while adjustments for changes in accounting principles generally do not. Immaterial errors must be corrected in the period discovered, using the accounts

that would have been posted had the transactions occurred in the current period. For additional guidance, refer to ***SFFAS 21***, "Reporting Corrections of Errors and Changes in Accounting Principles, Amendment of SFFAS 7, Accounting for Revenue and Other Financing Sources," and the ***Prior-Period and Prior-Year Adjustment Scenarios***.

1. Requests for Prior Period Adjustments. Prior period adjustments will be included in the quarterly financial statements in accordance with the guidance found in Section 405 of the DoD Financial Reporting Guidance, hereafter referred to as "***DoD FRG***." Components should not record prior period adjustments in USSGL accounts without prior approval from Defense Finance and Accounting Service (DFAS) Financial Reporting Directorate. Forward all requests for prior period adjustments to DFAS Financial Reporting, accompanied by prior period adjustment packages with required supporting documentation, as outlined in the DoD FRG.

2. Calculating Materiality. Calculate materiality separately at the DoD reporting entity level, and against a materiality base. If the misstatement involves assets, then the materiality base should be total assets. If the misstatement involves liabilities, then the materiality base should be total liabilities. If the misstatement involves expenses, then the materiality base should be total expenses. Calculate the materiality base net of intragovernmental balances. For DoD reporting entities, an error (or aggregate of errors) is material when it equals or exceeds one percent of the materiality base. See the DoD FRG for additional information.

3. Disclosure of Prior Period Adjustments. Prior period adjustments that require restatements are included in Note 26, "Restatements." Note disclosures to the principal financial statements are explained in Chapter 10. Disclosures include the nature of the errors and the effect on relevant balances in the current period. Financial statements of subsequent periods need not repeat the full disclosures, but should disclose whether there are prior period adjustments not reflected in comparative balances. A note disclosure is required when management becomes aware of a potential misstatement due to material error(s) whether or not the exact amount is known or has been corrected at the time financial statements are prepared. Disclose the nature of a prior period adjustment as the result of a change in accounting principle in accordance with the guidance found in Chapter 10, Note 19, "Disclosures Related to the Statement of Changes in Net Position."

4. Management's Responsibility and Notification of Auditors. Upon discovery that material errors escaped detection and were included in the published audited financial statements, management must assume responsibility for any false or misleading information in the financial statements, or omissions that render information or disclosures made in the financial statements misleading. As soon as possible after the detection of an error, management must notify their auditors and the primary users of their financial statements of the error and management's plans to correct it in the financial statements. Components with prior period adjustments will immediately notify DoD Financial Reporting Directorate (Audited Financial Statements) of the material error. The Office of the Secretary of Defense will make the formal notification to the Congress, OMB, Treasury, and the Government Accountability Office. The general public can see the revised statements on the Office of the Under Secretary of Defense ***(Comptroller)*** web site. The notification should include the cause of the error, an

estimated dollar amount of the error, and whether a previously issued financial statement(s) will or may be restated.

5. Auditor's Responsibility. If a "Subsequent Discovery of Facts" exists on the date of the auditor's report, the auditors will determine whether action is required to prevent future reliance on the published audit report. The auditors may determine if revised financial statements and a revised auditor's report are required. The auditors may decide to change the audit opinion if it is determined that subsequently discovered information is not reliable. Therefore, it is imperative management work with their auditor as soon as possible after the detection of an error and assist in any actions to resolve the audit finding.

*060302. Line Item Instructions for the Preparation of the SCNP

A. Section Heading - Cumulative Results of Operations. This section displays the beginning balances brought forward from the prior year, in addition to any prior period adjustments which affect the beginning balance.

B. Beginning Balances, Line 1. The total for beginning balances for the "Consolidated Cumulative Results of Operations" must agree with the total of the ending balances for "Consolidated Cumulative Results of Operations" of the prior year.

C. Prior Period Adjustments, Line 2. Report prior period adjustments separately for "Changes in accounting principles" (Line 2.A) and "Corrections of errors" (Line 2.B).

1. Changes in accounting principles, Line 2.A. A change in accounting principle is a change from one generally accepted accounting principle (GAAP) to another one that can be justified as preferable. Adoption of a new Federal Accounting Standards Advisory Board (FASAB) standard is a change in accounting principle. Unless otherwise specified in transitioning instructions of a new FASAB standard, report the cumulative effect of the change on prior periods on this line. Record the adjustment to the beginning balance of "Cumulative Results of Operations" in the SCNP for the period the change is made. Prior period financial statements will not be restated (see SFFAS 21).

2. Corrections of errors (+/-), Line 2.B. Errors in financial statements can result from mathematical mistakes, mistakes in the application of accounting principles, and/or oversight or misuse of the facts that existed at the time the financial statements were prepared. For errors discovered after the issuance of the financial statements, if the misstatement to the financial statements is material absent correction of the errors, then corrections are required and treated as prior period adjustments. Use the following criteria to determine proper display of financial statements containing material corrections of errors in prior periods (see SFFAS 21).

a. When only the current period statements are presented, report the cumulative effect of correcting the error as a prior period adjustment on Line 2.B., "Corrections of errors," and the beginning position restated on Line 3, "Beginning Balances, as adjusted."

b. When comparative financial statements are presented, correct the error in the earliest affected period presented by correcting any individual amounts on the financial statements. If the earliest period presented is not the period in which the error occurred and the cumulative effect is attributable to prior periods, report the cumulative effect as a prior period adjustment on Line 2.B., "Corrections of errors," of the earliest period presented. The beginning position of the earliest period presented is also restated on Line 3, "Beginning balances, as adjusted."

D. Beginning balances, as adjusted, Line 3. This line is the sum of the beginning balances of "Cumulative Results of Operations" and "Prior Period Adjustments."

E. Budgetary Financing Sources, Line 4. This section displays financing sources and nonexchange revenue that are also budgetary resources or adjustments to those resources, as reported on the Statement of Budgetary Resources (SBR) and defined as such by OMB ***Circular A-11***, "Preparation, Submission, and Execution of the Budget," as amended.

1. Other adjustments (+/-), Line 4.A. This amount includes adjustments to "Cumulative Results of Operations" that also have an impact on budgetary resources.

2. Appropriations used, Line 4.B. Appropriations are considered used as a financing source when goods and services are received or benefits are provided. This statement is true whether the goods, services, and benefits are payable or paid as of the reporting date and whether the appropriations are used for items that are expensed or capitalized. "Appropriations used" does not include undelivered orders or unobligated appropriations. "Appropriations used" does not increase "Net Position" since it is subtracted from "Unexpended Appropriations" and added to "Cumulative Results of Operations" for a net zero effect on "Net Position" as a whole.

3. Nonexchange revenue, Line 4.C. This includes revenues the Federal Government obtains through the use of its sovereign powers. ***SFFAS 7***, "Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting," discusses the recognition and measurement criteria for taxes and other nonexchange revenues. If Federal securities investment revenue is material, report it as a separate line item on the SCNP.

4. Donations and forfeitures of cash and cash equivalents, Line 4.D. This amount includes voluntary gifts and involuntary forfeitures of resources to the Federal Government by nonfederal entities. Donations of financial resources include cash, cash equivalents, and securities. Involuntary forfeitures include seized cash and cash equivalents.

5. Transfers-in/out without reimbursement (+/-), Line 4.E. This amount includes intragovernmental non-appropriated balance transfers-in or out during the current reporting year. This line includes financing sources and revenue not reported as "Unexpended Appropriations." Exchange revenue (included in calculating an entity's net cost of operations) transferred to the Treasury or another Federal entity must be recognized as a transfer-out.

6. Other budgetary financing sources (+/-), Line 4.F. This line includes other financing sources that affect budgetary resources and are not included in Lines 4.A through 4.E. Disclose in Note 19 of the Financial Statements all items equaling 10 percent or more of the value reported on Line 4.F.

F. Other Financing Sources, Line 5. This section displays financing sources and nonexchange revenue that do not represent budgetary resources reported on the SBR and are not defined by OMB Circular A-11.

1. Donations and forfeitures of property, Line 5.A. This amount includes voluntary gifts and involuntary forfeitures of resources to the Federal Government by nonfederal entities, such as land or buildings. ***SFFAS 6***, "Accounting for Property, Plant, and Equipment," contains additional guidance for recognizing revenue arising from donations/involuntary forfeitures of non-financial resources.

2. Transfers-in/out without reimbursement (+/-), Line 5.B. This amount includes intragovernmental transfers-in/out of capitalized assets during the current reporting year. Record the amount of the transfer at the net book value of the transferring entity. If the net book value is unknown, then the amount recognized will be the asset's estimated fair value at the date of the transfer. Both parties to the transfer must confer when fair value is used to ensure balanced intragovernmental entries are recorded.

3. Imputed financing from costs absorbed by others, Line 5.C. This amount includes financing of certain costs by one Federal entity on behalf of another Federal entity. "Imputed financing from costs absorbed by others" must equal the amount of imputed costs reported on the Statement of Net Cost (SNC). Refer to ***SFFAS 4***, "Managerial Cost Accounting Standards and Concepts," and ***Interpretation 6***, "Accounting for Imputed Intra-departmental Costs: An Interpretation of SFFAS No. 4," for additional guidance on the recognition of inter-entity and material intra-entity unreimbursed costs.

4. Other (+/-), Line 5.D. This line includes other financing sources that do not represent budgetary resources and are not included in Lines 5.A through 5.C. Disclose in Note 19 of the Financial Statements all items equaling 10 percent or more of the value reported on Line 5.D.

G. Total Financing Sources, Line 6. This line is a summation of "Budgetary Financing Sources" (Lines 4.A through 4.F) and "Other Financing Sources" (Lines 5.A through 5.D).

H. Net Cost of Operations (+/-), Line 7. This amount must agree with the "Net Cost of Operations" as reported on the SNC.

I. Net Change, Line 8. This line represents the net change in "Cumulative Results of Operations" during the period. Subtract Line 7, "Net Cost of Operations," from Line 6, "Total Financing Sources."

* J. Cumulative Results of Operations, Line 9. The "Net Cost of Operations" on Line 7 is subtracted from the totaled amount of Line 6, "Total Financing Sources" and Line 3, "Beginning balances, as adjusted," to yield the "Cumulative Results of Operations" balance on Line 9.

K. Section Heading – Unexpended Appropriations. This section displays the unexpended balances brought forward from the prior period, in addition to any prior period adjustments which affect the beginning balance.

L. Beginning Balances, Line 10. The total for beginning balances for the consolidated "Unexpended Appropriations" must agree with the total of the ending balances for consolidated "Unexpended Appropriations" of the prior year.

M. Prior Period Adjustments, Line 11. Report prior period adjustments separately for "Changes in accounting principles" (Line 11.A) and "Corrections of errors" (Line 11.B).

1. Changes in accounting principles, Line 11.A. A change in accounting principle is a change from one GAAP to another GAAP that can be justified as preferable. Changes in accounting principles include those that result from the adoption of a new FASAB standard. This line reports the cumulative effect of the change on prior periods as a change in accounting principle. Do not restate the prior periods financial statements (see SFFAS 21).

2. Corrections of errors (+/-), Line 11.B. Errors in financial statements can result from mathematical mistakes, mistakes in the application of accounting principles, and/or oversight or misuse of the facts that existed at the time the financial statements were prepared. For errors discovered after the issuance of the financial statements, if the misstatement to the financial statements is material absent correction of the errors, then corrections are required and treated as prior period adjustments. Use the following criteria to determine proper display of financial statements containing material corrections of errors in prior periods (see SFFAS 21).

a. When only the current period statements are presented, report the cumulative effect of correcting the error as a prior period adjustment on Line 11.B, "Corrections of errors," and restated on Line 12, "Beginning balances, as adjusted."

b. When comparative financial statements are presented, correct the error in the earliest affected period presented by correcting any individual amounts on the financial statements. If the earliest period presented is not the period in which the error occurred and the cumulative effect is attributable to prior periods, report the cumulative effect as a prior period adjustment on Line 11.B, "Corrections of errors," of the earliest period presented. The beginning position of the earliest period presented is restated on Line 12, "Beginning balances, as adjusted."

N. Beginning balances, as adjusted, Line 12. This line is the sum of the adjusted "Beginning Balances" (Line 10) of "Unexpended Appropriations" and "Prior Period Adjustments."

O. Budgetary Financing Sources, Line 13. This section displays financing sources that represent budgetary resources or adjustments to those resources, as reported on the SBR and defined by OMB Circular A-11.

1. Appropriations received, Line 13.A. This amount includes appropriations received during the current reporting period. This amount does not always agree with the appropriations received amount reported on the SBR because of differences between proprietary and budgetary accounting concepts and reporting requirements. For example, certain dedicated collections are recorded as appropriations received on the SBR, but are recognized as exchange or nonexchange revenue (i.e., in special and nonrevolving trust funds) and reported on the SCNP in accordance with SFFAS 7.

2. Appropriations transferred-in/out (+/-), Line 13.B. This line is the amount of appropriations received in the current or prior year(s) that have been transferred-in or out during the current reporting year.

3. Other adjustments (e.g. rescissions) (+/-), Line 13.C. This amount includes adjustments to unexpended appropriations. Some examples of adjustments include reductions of appropriations and cancellations of expired appropriations/expenditure accounts.

4. Appropriations used, Line 13.D. Appropriations are considered used as a financing source when goods and services are received or benefits are provided. This statement is true whether the goods, services, and benefits are payable or paid as of the reporting date and whether the appropriations are used for items that are expensed or capitalized. "Appropriations used" does not include undelivered orders or unobligated appropriations. "Appropriations used" does not increase "Net Position" since it is subtracted from "Unexpended Appropriations" and added to "Cumulative Results of Operations" for a net zero effect on "Net Position" as a whole.

P. Total Budgetary Financing, Line 14. This line is a summation of "Budgetary Financing Sources" (Lines 13.A through 13.D).

Q. Unexpended Appropriations, Line 15. This line represents the total amount of "Unexpended Appropriations" for the period. The calculated value results from adding Line 14, "Total Budgetary Financing Sources," to Line 12, "Beginning balances, as adjusted."

R. Net Position, Line 16. This line represents the summation of Line 9, "Cumulative Results of Operations," and Line 15, "Unexpended Appropriations." The value for this line must agree with the "Total Net Position" reported on the "Balance Sheet."

Figure 6-1. Statement of Changes in Net Position

Department of Defense **Reporting Entity** **Statement of Changes in Net Position** **For the Years Ending September 30 2XXX and 2XXX**		
	Current Year	**Prior Year**
CUMULATIVE RESULTS OF OPERATIONS:		
1. Beginning Balances	$ XXX	$ XXX
2. Prior Period Adjustments:		
2.A. Changes in accounting principles	$ XXX	$ XXX
2.B. Corrections of errors (+/-)	$ XXX	$ XXX
3. Beginning balances, as adjusted (Includes Funds from Dedicated Collections - See Note 23)	$ XXX	$ XXX
4. Budgetary Financing Sources:		
4.A. Other adjustments (+/-)	$ XXX	$ XXX
4.B. Appropriations used	$ XXX	$ XXX
4.C. Nonexchange revenue	$ XXX	$ XXX
4.D. Donations and forfeitures of cash and cash equivalents	$ XXX	$ XXX
4.E. Transfers-in/out without reimbursement (+/-)	$ XXX	$ XXX
4.F. Other budgetary financing sources (+/-)	$ XXX	$ XXX
5. Other Financing Sources:	$ XXX	$ XXX
5.A. Donations and forfeitures of property	$ XXX	$ XXX
5.B. Transfers-in/out without reimbursement (+/-)	$ XXX	$ XXX
5.C. Imputed financing from costs absorbed by others	$ XXX	$ XXX
5.D. Other (+/-)	$ XXX	$ XXX

Figure 6-1. Statement of Changes in Net Position (continued)

Department of Defense **Reporting Entity** **Statement of Changes in Net Position** **For the Years Ending September 30 2XXX and 2XXX**		
	Current Year	**Prior Year**
6. Total Financing Sources (Includes Funds from Dedicated Collections - See Note 23)	$ XXX	$ XXX
7. Net Cost of Operations (+/-) (Includes Funds from Dedicated Collections - See Note 23)	$ XXX	$ XXX
8. Net Change	$ XXX	$ XXX
9. Cumulative Results of Operations (Includes Funds from Dedicated Collections - See Note 23)	$ XXX	$ XXX
UNEXPENDED APPROPRIATIONS		
10. Beginning Balances (Includes Funds from Dedicated Collections - See Note 23)	$ XXX	$ XXX
11. Prior Period Adjustments:		
11.A. Changes in accounting principles	$ XXX	$ XXX
11.B. Corrections of errors (+/-)	$ XXX	$ XXX
12. Beginning balances, as adjusted	$ XXX	$ XXX
13. Budgetary Financing Sources:		
13.A. Appropriations received	$ XXX	$ XXX
13.B. Appropriations transferred-in/out (+/-)	$ XXX	$ XXX
13.C. Other adjustments (e.g. rescissions) (+/-)	$ XXX	$ XXX
13.D. Appropriations used	$ XXX	$ XXX
14. Total Budgetary Financing (Includes Funds from Dedicated Collections - See Note 23)	$ XXX	$ XXX
15. Unexpended Appropriations (Includes Funds from Dedicated Collections - See Note 23)	$ XXX	$ XXX
16. Net Position	$ XXX	$ XXX

VOLUME 6B, CHAPTER 7: "STATEMENT OF BUDGETARY RESOURCES"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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

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

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

The previous version dated May 2012 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
070102	Revised format in accordance with the Department of Defense Financial Management Regulation Revision Standard Operating Procedures published in June 2015 by adding "Authoritative Guidance" and removing "Scope."	Revision
070201.A.	Added language for reconciling the Statement of Budgetary Resources to the Standard Form 133, "Report on Budget Execution and Budgetary Resources" and to the data included in the Budget of the United States Government.	Addition
070201.B.	Added references and hyperlinks to Defense Finance and Accounting Service guidance on quarterly financial statements, and Bureau of the Fiscal Service (Fiscal Service) guidance on Federal Account Symbols and Titles.	Addition
070301.B.	Added reference to OMB Bulletin 15-02, published August 4, 2015.	Addition
070302.C.	Added lines 2412 and 2413 in accordance with OMB Circular A-136, revised October 7, 2016.	Addition
070302.D.	Added lines 3006, 3012, 3020, 3042, 3050, 3060, 3066 and 3200 in accordance with OMB Circular A-136, revised October 7, 2016.	Addition
070302.E.7.	Added line 4185 in accordance with OMB Circular A-136, revised October 7, 2016.	Addition

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
070302.E.10.c.	Added guidance pertaining to Section II.4.6.8 "Budget Authority and Outlays, Net" of OMB Circular A-136, revised October 7, 2016. Added the "Fiscal Service Quarterly Distributed Offsetting Receipts by Department" hyperlink.	Addition
Figure 7-1	Conformed lines to OMB Circular A-136, revised October 7, 2016, as described in paragraph 070302.	Addition
Figure 7-2	Conformed lines to OMB Circular A-136, revised October 7, 2016, as described in paragraph 070302.	Addition

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CHAPTER 7

STATEMENT OF BUDGETARY RESOURCES

0701 GENERAL

070101. Purpose

This chapter prescribes the policy surrounding preparation of the Department of Defense (DoD) Statement of Budgetary Resources (SBR). It provides details for the formatting used in various versions of the SBR and instructions for preparing the SBR subsections of Budgetary resources, Status of budgetary resources, Change in obligated balance, and Budget authority and outlays, net.

*070102. Authoritative Guidance

Guidance from Office of Management and Budget (OMB) Circular ***A-11***, "Preparation, Submission, and Execution of the Budget" and OMB Circular ***A-136***, "Financial Reporting Requirements" is incorporated throughout the chapter.

0702 FORMAT FOR THE SBR

070201. Format for the Working Version of the SBR

Format the SBR to the Standard Form (SF) 133, Report on Budget Execution and Budgetary Resources using the guidance published in ***Section 130*** of OMB Circular A-11. The SBR is prepared at the DoD Component level and is a summarization of the individual appropriation account level SF 133s. Use the format presented in Figure 7-1 for the working version of the combined SBR. All amounts are in dollars and cents in the working versions of the statements and notes in order to improve communication among the preparers, the reviewers, and the auditors during the financial statements preparation process. Reporting all amounts in dollars and cents minimizes the additional time and workload required to round and reconcile dollar amounts.

* A. OMB Circular A-136 requires that DoD distinguish between budgetary and non-budgetary credit reform financing accounts, and identify net outlays of specific distributed offsetting receipt values. Reserve the "Non-budgetary Credit Reform Financing Account" section of the SBR for reporting general ledger account balances for the financing and loan guarantee entries included in section 185.11 of OMB Circular A-11. Data requirements for the respective schedules used to report financing and loan guarantee account balances are included in section 185.11. Information on the SBR should be reconciled to the budget execution information reported on the SF 133 and with information reported in the Budget of the United States (U.S.) Government to ensure the integrity of the numbers presented.

* B. OMB Circular A-136 provides the reconciliation requirements for the SBR to the Governmentwide Treasury Account Symbol Adjusted Trial Balance System ***(GTAS)***. The DoD ***Annual and Quarterly Financial Statement Guidance*** provide additional instructions for this reconciliation. The guidance is produced by the DoD Audited Financial Statements, Reporting and Analysis section of the Defense Finance and Accounting Service and is referred to as the "DoD AFS R&A Guidance."

1. The following are defined in the Bureau of the Fiscal Service (Fiscal Service) Book I "Federal Account Symbols and ***Titles***" of the Treasury Financial Manual (TFM). These accounts represent DoD non-budgetary financing and loan guarantee accounts:

21X4275	Arms Initiative, Guaranteed Loan Financing Account, Army
97X4166	Department of Defense Family Housing Improvement Fund, Direct Loan, Financing Account
97X4167	Department of Defense Family Housing Improvement Fund, Guaranteed Loan, Financing Account
97X4168	Defense Export Loan Guarantees, Financing Account

2. Disclose as Other Information, the following Executive Office of the President Accounts administered by DoD as non-budgetary financing and loan guarantee accounts:

11X4121	Foreign Military Loan Liquidating Account, Funds Appropriated to the President
11X4122	Foreign Military Financing, Direct Loan Financing Account, Funds Appropriated to the President
11X4174	Military Debt Reduction Financing Account

070202. Format for the SBR

The final published DoD principal statements and the notes to the principal statements display dollars rounded to millions with one decimal point. Component principal statements and the notes to the principal statements display dollars rounded to the nearest thousand on the final published principal statements and in the tables/schedules contained in the notes to the principal statements. Dollar amounts in note narratives are reported with a maximum of three position integers and a single decimal value followed by an identifier, such as millions or billions (e.g., $340.1 million, not $340,100 thousand). The line numbers on the working versions of all statements, including the illustrative DoD statements, are for reference purposes only. Line number references are not included on final published statements.

070203. Note Disclosure

Explain material differences between amounts reported on the financial statements and budgetary reports in Note 20, as described in OMB Circular A-136. These material disclosures are consistent with the reconciliation requirements for the SBR, GTAS, and other budgetary reporting, that is essentially the information reported in the Budget of the U.S. Government.

The Component and their auditor will discuss any material changes to budgetary information subsequent to the publication of the audited SBR to determine whether a restatement or note disclosure is necessary. Note 20 discloses any material differences between comparable information contained in the SBR and the Budget of the U.S. Government at the Agency-wide level.

0703 INSTRUCTIONS FOR THE PREPARATION OF THE SBR

070301. General Instructions for the Preparation of the SBR

Information on the SBR must be consistent with budget execution information reported on GTAS submissions and with information reported in the Budget of the U.S. Government. The SBR is prepared from information utilizing Fiscal Service U.S. Standard General Ledger (***USSGL***) accounts and crosswalks. The Fiscal Service website contains USSGL information and crosswalks for the SBR. The Defense Departmental Reporting System Audited Financial Statements (***DDRS-AFS***) includes the crosswalk logic from the trial balance to each line of the SBR. Authorized users can access report crosswalks in DDRS-AFS by selecting "Query" and "Referential Data" from the main DDRS-AFS menu, and selecting a report under one of the "Report Map" options.

A. The SBR is the only financial statement predominantly derived from the entity's budgetary general ledger in accordance with budgetary accounting rules. Consistency between the budgetary information presented in the financial statements and the Budget of the U.S. Government at the Agency-wide level is critical to ensure the integrity of the numbers presented. GTAS helps to ensure consistency of data.

1. GTAS data submitted by agencies are USSGL based trial balances used to populate the SF 133 and the actual column of the Program and Financing Schedule of the Budget. Use the USSGL based trial balances to prepare the SBR. The primary purpose of the GTAS revision period is to make GTAS consistent with the amounts in the prior year (PY) column of the Budget. Due to timing differences, subsequent changes whether material or non-material may be made to budgetary information included in the Budget after the SBR has been published. Make all subsequent changes whether material or non-material in GTAS during the September revision period.

2. The agencies and their auditors will discuss any material changes to budgetary information subsequent to the publication of the audited SBR to determine if restatement or note disclosure is necessary. At a minimum, disclose any material difference between comparable information contained in the SBR and the Budget, in Note 20.

* B. Budgetary information aggregated for purposes of the SBR should be disaggregated for each of the reporting entity's major budget accounts and presented as Required Supplementary Information (RSI), as described in Chapter 12. Base the recognition and measurement of budgetary information reported on the guidance described in Appendix F of OMB Circular A-11. Appendix F provides definitions and instructions for each line item

reported in this statement. ***OMB Bulletin 15-02***, "Audit Requirements for Federal Financial Statements" provides additional guidance.

C. OMB Circular A-136 requires a combined SBR. The SBR presents budgetary information using a combined basis, which is consistent with the aggregate of the account level information presented on GTAS submissions. Do not perform a line-by-line consolidation of this statement since it would require a line-by-line elimination of inter-entity balances. The statement distinguishes between budgetary and non-budgetary credit reform financing accounts and identifies distributed offsetting receipt values. These additional requirements facilitate the reconciliation of information among the SBR, GTAS, and actual information reported in the President's Budget.

D. Divide the SBR into four general sections: Budgetary Resources; Status of budgetary resources; Change in obligated balance; and Budget authority and outlays, net.

1. Aggregate the SBR to reflect all activity of the reporting entity for the year covered by the financial statement. Present PY information so the reader may make appropriate comparisons with PYs. Information must be consistent with budget execution information reported on GTAS submissions and with information reported in the President's Budget.

2. Present separate columns for the current year (CY) and PY non-budgetary credit reform financing accounts in the SBR. The presentation allows for a clear distinction between budgetary and non-budgetary credit reform financing account information. OMB Circular A-136 contains guidance supporting separate SBR reporting. Report all non-budgetary credit reform financing accounts separately from the budgetary totals in the President's Budget.

3. Line 4200 is included for distributed offsetting receipts on the SBR. Distributed offsetting receipts offset budget authority and outlays at the Component level in the President's Budget, but are not required on the SF 133, which provides appropriation account level information only. Since the SBR functions as a Component-wide report, the values of distributed offsetting receipts are included to reconcile with the President's Budget.

E. Monitor budget execution at the individual appropriation account level for DoD Component reporting entities. Aggregate all budgetary information for the combined SBR principal statements. Disaggregate budgetary information for the reporting entity's combining statement by major budget account groups and present in the RSI section of the financial statements as identified in section 0704. Small budget accounts may be aggregated. The major accounts and the aggregate of small budget accounts should agree, in total, with the amounts reported on the face of the SBR.

070302. Line Item Instructions for the Preparation of the SBR

A. SBR Format. Information on the SBR should be reconcilable to the budget execution information reported on the SF 133 and with information reported in the

Budget of the U.S. Government. OMB Circular A-136 provides additional guidance for the types of data included in each section of the SBR.

B. Budgetary Resources. The Budgetary Resources section identifies the total budgetary resources available to the reporting entity. Budgetary resources include, but are not limited to, new budget authority, unobligated balances at the beginning of the period, transfers in and out of budgetary resources, recoveries of PY obligations, spending authority from offsetting collections, and any adjustments to these resources.

1. Unobligated balance brought forward, October 1, Line 1000. Line 1000 includes the available, unobligated balance brought forward from the prior fiscal year (FY) as of October 1 of the CY that is available for obligation.

2. Adjustment to unobligated balance brought forward, October 1 (+ or -), Line 1020. Line 1020 includes any changes to unobligated balances brought forward from a prior FY as of October 1 of the CY not recorded in the unobligated balance.

3. Unobligated balance brought forward, October 1, as adjusted, Line 1020.5. Report the sum of Lines 1000 and 1020.

4. Recoveries of unpaid prior year obligations, Line 1021. Line 1021 includes amounts for any cancellations or downward adjustments of obligations incurred in prior FYs that were not outlayed

5. Other changes in unobligated balance (+ or -), Line 1043. Line 1043 includes any other adjustments which affect the unobligated balance brought forward reported on Line 1020.5.

6. Unobligated balance from prior year budget authority, net, Line 1051. Line 1051 reports the total net amount of the unobligated balance brought forward from the prior FY as of October 1 of the CY that is available for obligation.

7. Appropriations (discretionary and mandatory), Line 1290. Amount of appropriations specified in appropriations acts or in substantive laws that become available for obligation on or after October 1 of the CY (actual and anticipated).

8. Borrowing authority (discretionary and mandatory), Line 1490. Amount of new borrowing authority, primarily from the Fiscal Service, used to finance obligations and outlays.

9. Contract authority (discretionary and mandatory), Line 1690. Amount of new contract authority to incur obligations requiring a separate appropriation of liquidating cash before making payments, or the amount of contract authority substituted and liquidated by offsetting collections.

10. Spending authority from offsetting collections (discretionary and mandatory), Line 1890. Line 1890 is the summation of lines 1700 through 1742, and 1800 through 1842 on the SF 133.

11. Total budgetary resources, Line 1910. Line 1910 is the summation of lines 1020.5 through 1890, and represents all budgetary resources available for new obligations.

* C. Status of budgetary resources. The Status of budgetary resources section displays information about the status of budgetary resources at the end of the reporting period. It consists of the obligations incurred and the unobligated balances at the end of the reporting period. The total amount displayed for the status of budgetary resources will equal the total budgetary resources available to the reporting entity as of the reporting date.

1. New obligations and upward adjustments (total), Line 2190. Report the amount of obligations incurred during the reporting period.

2. Unobligated balance, end of year

a. Apportioned, unexpired accounts Line 2204. Report the amount apportioned at the end of the CY.

b. Exempt from apportionment, unexpired accounts Line 2304. Report the amount of the total unobligated balance exempt from apportionment.

c. Unapportioned, unexpired accounts Line 2404. Report the amount of the total unobligated balance not apportioned.

d. Unexpired unobligated balance, end of year Line 2412. Report the amount of the unexpired unobligated balance at the end of the year.

e. Expired unobligated balance, end of year Line 2413. Report the amount of the expired unobligated balance at the end of the year.

3. Unobligated balance, end of year (total), Line 2490. Report the sum of Lines 2204 through 2413.

4. Total budgetary resources, Line 2500. Line 2500 is the summation of lines 2190 and 2490, and identifies the amount of obligations incurred and unobligated balances remaining at the end of the year.

* D. Change in obligated balance. The Change in obligated balance section of the statement displays the change in obligated balances during the reporting period.

1. Section Heading – Unpaid obligations:

2. Unpaid obligations, brought forward, October 1, Line 3000. Line 3000 will equal the sum of the beginning balance of accounts payable and undelivered orders.

3. Adjustment to unpaid obligations, start of year (+ or -), Line 3006. Line 3006 shows the sum of material adjustments made to accounts payable and undelivered orders at the beginning of the CY.

4. New obligations and upward adjustments, Line 3012. Line 3012 shows the amount of obligations incurred during the reporting period.

5. Outlays (gross) (-), Line 3020. Line 3020 shows the amount of gross disbursements made during the reporting period.

6. Actual transfers, unpaid obligations (net) (+ or -), Line 3032. Line 3032 shows the unpaid obligations from other Federal government accounts transferred to (+) or from (-) the account during the CY.

7. Recoveries of prior year unpaid obligations (-), Line 3042. Line 3042 shows the cancelled amounts or downward adjustments of obligations incurred in PYs that were not outlayed.

8. Unpaid obligations, end of year, Line 3050. Line 3050 shows the amount of undelivered orders and accounts payable as supported by evidence of receipts of goods and services carried forward to the subsequent period.

9. Section Heading – Uncollected payments:

10. Uncollected payments, Federal sources, brought forward, October 1 (-), Line 3060. Line 3060 shows the sum of the beginning balance of accounts receivable from other Federal government and nonfederal customers (but only when specifically authorized by law to obligate against orders from the nonfederal customers). Line 3060 also shows unfilled customer orders from other Federal government accounts not accompanied by an advance, unless specifically authorized by law to obligate against orders from the nonfederal accounts.

11. Adjustment to uncollected payments, Federal sources, start of year (+ or -), Line 3066. Line 3066 shows the sum of material adjustments made to accounts receivable from other Federal government and nonfederal customers at the beginning of the CY.

12. Change in uncollected payments, Federal sources (+ or -), Line 3072. Line 3072 shows the amount of reimbursements from another Federal agency earned, but not collected, during the CY.

13. Actual transfers, uncollected payments, Federal sources (net) (+ or -), Line 3082. Line 3082 shows the uncollected customer payments from other Federal government accounts transferred to (+) or from (-) the account during the CY.

14. Uncollected payments, Federal sources, end of year (-), Line 3090. Line 3090 shows the sum of the ending balance of accounts receivable from other Federal government and nonfederal customers (but only when specifically authorized by law to obligate against orders from the nonfederal customers). Line 3090 also shows unfilled customer orders from other Federal government accounts not accompanied by an advance, unless specifically authorized by law to obligate against orders from the nonfederal accounts. Do not include refunds receivable on this line.

15. Section Heading – Memorandum (non-add) entries:

16. Obligated balance, start of year (+ or -), Line 3100. Line 3100 shows the net obligated balance after recording any obligation adjustments affecting the obligated balance brought forward from the previous period.

17. Obligated balance, end of year (+ or -), Line 3200. Line 3200 includes unpaid obligations, e.g., undisbursed direct loans, negative subsidies or other obligations.

* E. Budget authority and outlays, net. The Budget authority and outlays, net section displays net totals for budget authority and agency outlays.

1. Budget authority, gross (discretionary and mandatory), Line 4175. Line 4175 shows the gross budget authority consisting of appropriations, borrowing authority, contract authority, and spending authority from offsetting collections.

2. Actual offsetting collections (discretionary and mandatory) (-), Line 4176. Line 4176 shows the amount of reimbursements from other Federal government accounts and other collections recorded during the reporting period. Refunds of payments originally made in PYs received in the CY are included.

3. Change in uncollected payments, Federal sources (discretionary and mandatory) (+ or -), Line 4177. Line 4177 shows the amount of reimbursements from another Federal agency earned, but not collected, during the CY.

4. Recoveries of prior year paid obligations (discretionary and mandatory), Line 4178. Line 4178 shows the downward adjustments of PY prepaid/advanced undeliverable orders and PY paid delivered orders - obligations, refunds collected.

5. Anticipated offsetting collections (discretionary and mandatory) (+ or -), Line 4179. Line 4179 shows any offsetting collections anticipated for the rest of the year.

6. Budget authority, net (total) (discretionary and mandatory), Line 4180. Line 4180 shows gross budget authority reduced by actual offsetting collections, changes in uncollected customer payments, and anticipated offsetting collections.

* 7. Outlays, gross (discretionary and mandatory), Line 4185. Line 4185 shows the amount of gross outlays recorded during the reporting period. Gross outlays (also known as disbursements) are the amount of obligations paid.

8. Actual offsetting collections (discretionary and mandatory) (-), Line 4187. Line 4187 shows the amount of reimbursements from other Federal government accounts and other collections recorded during the reporting period. Refunds of payments originally made in prior FYs received in the CY are also included.

9. Outlays, net (total) (discretionary and mandatory), Line 4190. Line 4190 shows the amount of net outlays recorded during the reporting period. Line 4190 equals gross outlays less any offsetting collections.

10. Distributed offsetting receipts (-), Line 4200. Line 4200 shows the amount of distributed offsetting receipts recorded during the reporting period. Offsetting receipts are composed of proprietary receipts from the public, receipts from intragovernmental transactions, and offsetting governmental receipts. The amount of offsetting receipts distributed to Components and reported in this statement matches the deductions for offsetting receipts as reported in the Budget of the U.S. Government.

a. Offsetting receipts are collections credited to general fund (GF), special fund, or trust fund receipt accounts and offset gross outlays. Unlike offsetting collections, which are credited to expenditure accounts and offset outlays at the account level, offsetting receipts are credited to receipt accounts and offset outlays at the Component or governmentwide level.

b. Offsetting receipts may be distributed to Components or remain undistributed. Distributed offsetting receipts offset the outlays of the Component, while undistributed offsetting receipts offset governmentwide outlays. Distributed offsetting receipts typically offset the outlays of the Component that conducts the activity generating the receipts and the subfunction to which the activity is assigned. Offsetting receipts are composed of:

(1) Proprietary receipts from the public;

(2) Receipts from intragovernmental transactions; and

(3) Offsetting governmental receipts.

* c. The SBR includes all distributed offsetting receipts for the Component. Section II.4.6.8 "Budget Authority and Outlays, Net" of Circular A-136 defines and describes distributed offsetting receipts. The Fiscal Service, Quarterly Distributed Offsetting Receipts by Department ***Report***, contains a listing of distributed offsetting receipt accounts.

d. The amount of distributed offsetting receipts reported in the SBR should be the aggregate of cash collected in these receipt accounts and reported to the Fiscal Service on a monthly basis via the Financial Management Service (FMS) 224, Statement of Transactions, and the FMS 1220, Statement of Transactions According to Appropriations, Funds, and Receipt Accounts. The TFM Volume 1, Part 2, Chapters ***3100*** and ***3300*** contains the instructions for preparing these forms. TFM 2-3100 has the reporting instructions for entities that perform their own disbursing (FMS-1220) while TFM 2-3300 has the reporting instructions for entities that receive disbursing support from the Fiscal Service (FMS-224).

e. The amount of offsetting receipts distributed to Components and reported in this statement will match and reconcile to deductions for offsetting receipts reported in the Budget of the U.S. Government. The SBR does not include undistributed offsetting receipts credited to governmentwide outlay totals.

11. Agency outlays, net (discretionary and mandatory), Line 4210. Line 4210 shows net totals for agency outlays. Reduce gross outlays (disbursements) by actual offsetting collections to derive net outlays. Reduce net outlays by any distributed offsetting receipts to derive "Agency outlays, net." The outlays (gross and net) will agree with, and reconcile to, the disbursements and collections reported to the Fiscal Service for the CY to date.

0704 DISAGGREGATED SBR

Prepare and report the Disaggregated SBR in the RSI section of the financial statements. Figure 7-2 illustrates the current report format for the disaggregated SBR.

A. The DoD-wide Disaggregated SBR. Disaggregate the DoD-wide SBR into seven appropriation/fund groupings. Provide column headings and breakout by: Military Personnel; Procurement; Research, Development, Test and Evaluation (RDT&E); Military Construction and Family Housing; Military Retirement Benefits; Civil Works; and Operations, Readiness and Support.

B. Military Department GFs Disaggregated SBR. Disaggregate the Department of the Army GF, the Department of the Navy GF, and the Department of the Air Force GF SBR into five appropriation/fund groupings. Provide column headings and breakout by: Military Personnel; Procurement; RDT&E; Military Construction and Family Housing; and Operations, Readiness and Support.

C. Military Retirement Fund and U.S. Army Corps of Engineers (USACE) Disaggregated SBR. A disaggregated SBR for the Military Retirement Fund is not applicable. The USACE Civil Works may disaggregate as appropriate for the Treasury Index 96 accounts in the stand-alone USACE financial statements.

D. Medicare-Eligible Retiree Health Care Fund Disaggregated SBR. A disaggregated SBR for the Medicare-Eligible Retiree Health Care Fund is not applicable.

E. The Working Capital Fund (WCF) Disaggregated SBR. Disaggregate the stand-alone Army WCF, Navy WCF, and Air Force WCF SBR by business activity.

F. All Other Defense Entities Disaggregated SBR. The stand-alone Other Defense Entities may disaggregate as appropriate for their entities.

*Figure 7-1. Statement of Budgetary Resources

Department/Agency/Reporting Entity
STATEMENT OF BUDGETARY RESOURCES
For the Years Ended September 30, 2xxx (CY) and 2xxx (PY)
(in dollars/thousands/millions)

		2XXX (CY) Budgetary	2XXX (CY) Non-Budgetary Credit Reform Financing Account	2XXX (PY) Budgetary	2XXX (PY) Non-Budgetary Credit Reform Financing Account
Budgetary Resources					
1000	Unobligated balance brought forward, October 1	xxx	xxx	xxx	xxx
1020	Adjustment to unobligated balance brought forward, October 1 (+ or -)	xxx	xxx	xxx	xxx
1020.5*	Unobligated balance brought forward, October 1, as adjusted	xxx	xxx	xxx	xxx
1021	Recoveries of unpaid prior year obligations	xxx	xxx	xxx	xxx
1043*	Other changes in unobligated balance (+ or -)	xxx	xxx	xxx	xxx
1051*	Unobligated balance from prior year budget authority, net	xxx	xxx	xxx	xxx
1290*	Appropriations (discretionary and mandatory)	xxx	xxx	xxx	xxx
1490*	Borrowing authority (discretionary and mandatory)	xxx	xxx	xxx	xxx
1690*	Contract authority (discretionary and mandatory)	xxx	xxx	xxx	xxx
1890*	Spending authority from offsetting collections (discretionary and mandatory)	xxx	xxx	xxx	xxx
1910	Total budgetary resources	xxx	xxx	xxx	xxx
Status of budgetary resources					
2190	New obligations and upward adjustments (total) Unobligated balance, end of year:	xxx	xxx	xxx	xxx
2204*	Apportioned, unexpired accounts	xxx	xxx	xxx	xxx
2304*	Exempt from apportionment, unexpired accounts	xxx	xxx	xxx	xxx
2404*	Unapportioned, unexpired accounts	xxx	xxx	xxx	xxx
2412	Unexpired unobligated balance: end of year	xxx	xxx	xxx	xxx
2413	Expired unobligated balance: end of year	xxx	xxx	xxx	xxx
2490	Unobligated balance, end of year (total)	xxx	xxx	xxx	xxx
2500	Total budgetary resources	xxx	xxx	xxx	xxx
Change in obligated balance					
	Unpaid obligations:				
3000	Unpaid obligations, brought forward, October 1	xxx	xxx	xxx	xxx
3006*	Adjustment to unpaid obligations, start of year (+ or -)	xxx	xxx	xxx	xxx
3012*	New obligations and upward adjustments	xxx	xxx	xxx	xxx
3020	Outlays (gross) (-)	xxx	xxx	xxx	xxx
3032*	Actual transfers, unpaid obligations (net) (+ or -)	xxx	xxx	xxx	xxx
3042*	Recoveries of prior year unpaid obligations (-)	xxx	xxx	xxx	xxx
3050	Unpaid obligations, end of year	xxx	xxx	xxx	xxx
	Uncollected payments:				
3060	Uncollected payments, Federal sources, brought forward, October 1 (-)	xxx	xxx	xxx	xxx
3066	Adjustment to uncollected payments, Federal sources, start of year (+ or -)	xxx	xxx	xxx	xxx
3072*	Change in uncollected payments, Federal sources (+ or -)	xxx	xxx	xxx	xxx
3082*	Actual transfers, uncollected payments, Federal sources (net) (+ or -)	xxx	xxx	xxx	xxx
3090	Uncollected payments, Federal sources, end of year (-)	xxx	xxx	xxx	xxx
	Memorandum (non-add) entries:				
3100	Obligated balance, start of year (+ or -)	xxx	xxx	xxx	xxx
3200	Obligated balance, end of year (+ or -)	xxx	xxx	xxx	xxx
Budget authority and outlays, net					
4175*	Budget authority, gross (discretionary and mandatory)	xxx	xxx	xxx	xxx
4176*	Actual offsetting collections (discretionary and mandatory) (-)	xxx	xxx	xxx	xxx
4177*	Change in uncollected payments, Federal sources (discretionary and mandatory) (+ or -)	xxx	xxx	xxx	xxx
4178	Recoveries of prior year paid obligations (discretionary and mandatory)	xxx	xxx	xxx	xxx
4179*+	Anticipated offsetting collections (discretionary and mandatory) (+ or -)	xxx	xxx	xxx	xxx
4180	Budget authority, net (total) (discretionary and mandatory)	xxx	xxx	xxx	xxx
4185*	Outlays, gross (discretionary and mandatory)	xxx	xxx	xxx	xxx
4187*	Actual offsetting collections (discretionary and mandatory) (-)	xxx	xxx	xxx	xxx
4190*	Outlays, net (total) (discretionary and mandatory)	xxx	xxx	xxx	xxx
4200*	Distributed offsetting receipts (-)	xxx	xxx	xxx	xxx
4210*	Agency outlays, net (discretionary and mandatory)	xxx	xxx	xxx	xxx

* Represents a line number that is unique to the SBR. Further information on the descriptions and composition of these lines can be found in OMB Circular A-11, Appendix F.
+ Not applicable for the fourth quarter
The accompanying notes are an integral part of these statements.

*Figure 7-2. Statement of Disaggregated Budgetary Resources

Statement of Disaggregated Budgetary Resources
For the Years Ended September 30, 2xxx and 2xxx
Dollars in Millions

		Military Personnel	Procurement	Research, Development, Test and Evaluation	Military Construction and Family Housing	Military Retirement Benefits	Civil Works	Operations, Readiness and Support	CY Combined	PY Combined AFR
Budgetary Financing Account										
Budgetary resources										
1000	Unobligated balance brought forward, October 1	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
1020	Adjustment to unobligated balance brought forward, October 1 (+ or -)	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
1020.5*	Unobligated balance brought forward, October 1, as adjusted	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
1021	Recoveries of unpaid prior year obligations	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
1043*	Other changes in unobligated balance (+ or -)	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
1051*	Unobligated balance from prior year budget authority, net	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
1290*	Appropriations (discretionary and mandatory)	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
1490*	Borrowing authority (discretionary and mandatory)	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
1690*	Contract authority (discretionary and mandatory)	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
1890*	Spending authority from offsetting collections (discretionary and mandatory)	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
1910	Total budgetary resources	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Status of budgetary resources										
2190	New obligations and upward adjustments (total) Unobligated balance, end of year:	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
2204*	Apportioned, unexpired accounts	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
2304*	Exempt from apportionment, unexpired accounts	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
2404*	Unapportioned, unexpired accounts	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
2412	Unexpired unobligated balance: end of year	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
2413	Expired unobligated balance: end of year	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
2490	Unobligated balance, end of year (total)	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
2500	Total budgetary resources	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Change in obligated balance										
	Unpaid obligations:									
3000	Unpaid obligations, brought forward, October 1	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
3006*	Adjustment to unpaid obligations, start of year (+ or -)	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
3012*	New obligations and upward adjustments	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
3020	Outlays (gross) (-)	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
3032*	Actual transfers, unpaid obligations (net) (+ or -)	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
3042*	Recoveries of prior year unpaid obligations (-)	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
3050	Unpaid obligations, end of year	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
	Uncollected payments:									
3060	Uncollected payments, Federal sources, brought forward, October 1 (-)	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
3066	Adjustment to uncollected payments, Federal sources, start of year (+ or -)	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
3072*	Change in uncollected payments, Federal sources (+ or -)	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
3082*	Actual transfers, uncollected payments, Federal sources (net) (+ or -)	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
3090	Uncollected payments, Federal sources, end of year (-)	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
	Memorandum (non-add) entries:									
3100	Obligated balance, start of year (+ or -)	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
3200	Obligated balance, end of year (+ or -)	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Budget authority and outlays, net										
4175*	Budget authority, gross (discretionary and mandatory)	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
4176*	Actual offsetting collections (discretionary and mandatory) (-)									
4177*	Change in uncollected payments, Federal sources (discretionary and mandatory) (+ or -)	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
4178	Recoveries of prior year paid obligations (discretionary and mandatory)	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
4179*+	Anticipated offsetting collections (discretionary and mandatory) (+ or -)	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
4180	Budget authority, net (total) (discretionary and mandatory)	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
4185*	Outlays, gross (discretionary and mandatory)	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
4187*	Actual offsetting collections (discretionary and mandatory) (-)	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
4190*	Outlays, net (total) (discretionary and mandatory)	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
4200*	Distributed offsetting receipts (-)	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
4210*	Agency outlays, net (discretionary and mandatory)	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx

* Represents a line number that is unique to the SBR. Further information on the descriptions and composition of these lines can be found in OMB Circular A-11, Appendix F.
+ Not applicable for the fourth quarter.

The accompanying notes are an integral part of these statements.

*Figure 7-2. Statement of Disaggregated Budgetary Resources (continued)

Statement of Disaggregated Budgetary Resources For the Years Ended September 30, 2xxx and 2xxx Dollars in Millions				
		Other	CY Combined	PY Combined
Non Budgetary Financing Account				
Budgetary resources				
1000	Unobligated balance brought forward, October 1	xxx	xxx	xxx
1020	Adjustment to unobligated balance brought forward, October 1 (+ or -)	xxx	xxx	xxx
1020.5*	Unobligated balance brought forward, October 1, as adjusted	xxx	xxx	xxx
1021	Recoveries of unpaid prior year obligations	xxx	xxx	xxx
1043*	Other changes in unobligated balance (+ or -)	xxx	xxx	xxx
1051*	Unobligated balance from prior year budget authority, net	xxx	xxx	xxx
1290*	Appropriations (discretionary and mandatory)	xxx	xxx	xxx
1490*	Borrowing authority (discretionary and mandatory)	xxx	xxx	xxx
1690*	Contract authority (discretionary and mandatory)	xxx	xxx	xxx
1890*	Spending authority from offsetting collections (discretionary and mandatory)	xxx	xxx	xxx
1910	Total budgetary resources	xxx	xxx	xxx
Status of budgetary resources:				
2190	New obligations and upward adjustments (total) Unobligated balance, end of year:	xxx	xxx	xxx
2204*	Apportioned, unexpired accounts	xxx	xxx	xxx
2304*	Exempt from apportionment, unexpired accounts	xxx	xxx	xxx
2404*	Unapportioned, unexpired accounts	xxx	xxx	xxx
2412	Unexpired unobligated balance: end of year	xxx	xxx	xxx
2413	Expired unobligated balance: end of year	xxx	xxx	xxx
2490	Unobligated balance, end of year (total)	xxx	xxx	xxx
2500	Total budgetary resources	xxx	xxx	xxx
Change in obligated balance				
	Unpaid obligations:			
3000	Unpaid obligations, brought forward, October 1	xxx	xxx	xxx
3006*	Adjustment to unpaid obligations, start of year (+ or -)	xxx	xxx	xxx
3012*	New obligations and upward adjustments	xxx	xxx	xxx
3020	Outlays (gross) (-)	xxx	xxx	xxx
3032*	Actual transfers, unpaid obligations (net) (+ or -)	xxx	xxx	xxx
3042*	Recoveries of prior year unpaid obligations (-)	xxx	xxx	xxx
3050	Unpaid obligations, end of year	xxx	xxx	xxx
	Uncollected payments:			
3060	Uncollected payments, Federal sources, brought forward, October 1 (-)	xxx	xxx	xxx
3066	Adjustment to uncollected payments, Federal sources, start of year (+ or -)	xxx	xxx	xxx
3072*	Change in uncollected payments, Federal sources (+ or -)	xxx	xxx	xxx
3082*	Actual transfers, uncollected payments, Federal sources (net) (+ or -)	xxx	xxx	xxx
3090	Uncollected payments, Federal sources, end of year (-)	xxx	xxx	xxx
	Memorandum (non-add) entries:			
3100	Obligated balance, start of year (+ or -)	xxx	xxx	xxx
3200	Obligated balance, end of year (+ or -)	xxx	xxx	xxx
Budget authority and outlays, net				
4175*	Budget authority, gross (discretionary and mandatory)	xxx	xxx	xxx
4176*	Actual offsetting collections (discretionary and mandatory) (-)	xxx	xxx	xxx
4177*	Change in uncollected payments, Federal sources (discretionary and mandatory) (+ or -)	xxx	xxx	xxx
4178	Recoveries of prior year paid obligations (discretionary and mandatory)	xxx	xxx	xxx
4179*+	Anticipated offsetting collections (discretionary and mandatory) (+ or -)	xxx	xxx	xxx
4180	Budget authority, net (total) (discretionary and mandatory)	xxx	xxx	xxx
4185*	Outlays, gross (discretionary and mandatory)	xxx	xxx	xxx
4187*	Actual offsetting collections (discretionary and mandatory) (-)	xxx	xxx	xxx
4190*	Outlays, net (total) (discretionary and mandatory)	xxx	xxx	xxx
4200*	Distributed offsetting receipts (-)	xxx	xxx	xxx
4210*	Agency outlays, net (discretionary and mandatory)	xxx	xxx	xxx

VOLUME 6B, CHAPTER 10: "NOTES TO THE FINANCIAL STATEMENTS"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by a * preceding the section, paragraph, table, or figure that includes the revision.

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

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

The previous version dated September 2008 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated the terminology as required by SFFAS No. 43 to change from "earmarked funds" to "funds from dedicated collections."	Update
All	Revised references to the Office of the Under Secretary of Defense Financial Reporting Guidance. Department of Defense Audited Financial Statements Reporting & Analysis (DoD AFSR&A) now produces this guidance.	Update
1003	Changed title of disclosure 1.J to "Cash and other Monetary Assets", added a new requirement/disclosure for 1.Y "Military Retirement and Other Federal Employment Benefits", and corrected order of "Significant Events" and "Fiduciary Activities" disclosures to be consistent with the Agency Financial Report.	Update
100501	Updated reference for fiduciary activities related to FBWT. Fiduciary activities are reported in section 1026 (Note 3).	Update
100502	Added reference for fiduciary activities related to Fund Balance with Treasury (FBWT). Fiduciary activities are reported in section 1026(Note 3).	Add
100502.E	Updated FBWT reconciliation amount to include detailed disclosure of discrepancies and materiality threshold used for disclosure to address prior audit recommendations (Note 3).	Add
100701	Updated prior year note schedule for Accounts Receivable (Note 5).	Update
101016	Added prior year note schedule for Guaranteed Loans Outstanding (Note 8).	Add
101103	Updated prior year note schedule for Inventory (Note 9).	Update

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
101104.E	Added reference to Volume 4, Chapter 4 regarding the use of the net realizable value for excess inventory (Note 9).	Add
101105	Updated prior year note schedule for Operating Materiel and Supplies, Net (Note 9).	Update
101106.D	Added reference to Volume 4, Chapter 4 regarding the use of net realizable value for Operating Materiel and Supplies, Net (Note 9).	Add
101107	Updated prior year note schedule for Stockpile Materiel, Net (Note 9).	Update
101201	Added prior year note schedule for General Property, Plant and Equipment (PP&E), Net (Note 10).	Add
101203	Added section on Heritage Assets with note schedule and disclosure requirements per Statement of Federal Financial Accounting Standards (SFFAS) No. 29 (Note 10).	Add
101204	Added section on Stewardship Land with note schedule and disclosure requirements per SFFAS No. 29 (Note 10).	Add
101401	Updated prior year note schedule for Accounts Payable (Note 12).	Update
101501	Updated prior year note schedule for Debt (Note 13).	Update
101601	Updated prior year note schedule for Environmental Liabilities and Disposal Liabilities (Note 14).	Update
101601	Revised lines for Environmental Disposal for Military Equipment/Weapons Programs and Chemical Weapons Disposal Program (Note 14).	Update
101601	Removed current and noncurrent columns in Environment Liabilities note schedule (Note 14).	Delete
101701	Updated prior year note schedule for Other Liabilities (Note 15).	Update
101703 101704	Update prior year note schedule for Capital Lease Liability (Note 15).	Update
101901 101902	Updated prior year note schedule for Military Retirement and Other Federal Employment Benefits (Note 17).	Update
101903	Added new schedule for Change in Actuarial Liabilities per SFFAS No. 33 (Note 17).	Add
101904	Added instructions for preparing the Change in Actuarial Liabilities (Note 17).	Add
102001	Added note schedules for General Disclosures Related to the Statement of Net Cost (Note 18).	Add
102002	Added instructions (format) for preparing the General Disclosures Related to the Statement of Net Cost (Note 18). Also, added an additional line (Line 3) for Losses (Gains) from actuarial assumption changes for Military Retirement Benefits.	Add

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
102502	Updated guidance for Note 23 using SFFAS No. 43. This Statement amended SFFAS No. 27 by changing the term "earmarked funds" to "funds from dedicated collections" and modifying the definition.	Update
1026	Added new note for fiduciary activities per SFFAS 31 and Office of Management and Budget (OMB) A-136 (Note 24).	Add
1027	Updated the presentation of Fiscal Years on the note schedule for Other Disclosures (Note 25).	Add

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CHAPTER 10

NOTES TO THE FINANCIAL STATEMENTS

1001 OVERVIEW

100101. Purpose

This chapter prescribes the format, content, and instructions for the preparation and presentation of notes to the principal financial statements. This chapter supplements the reporting requirements of Office of Management and Budget (OMB) Circular ***A-136***, "Financial Reporting Requirements". The major Department of Defense (DoD) components and reporting entities listed in section 0105 of Volume 6B, Chapter 1 will prepare quarterly and fiscal year end comparative financial statements and notes.

100102. Consistency and Agreement

The supporting schedules presented in the notes must have total figures which agree with the amounts presented in the body of the financial statements. Maintain the consistency of the chosen rounding level throughout the financial statements and notes. Rounded totals must agree between the financial statements as applicable (e.g., Net Position line on the Statement of Changes in Net Position (SCNP) should equal the Total Net Position line on the Balance Sheet). Individual line items must sum to the totals which may require adjusting the individual detail line items for differences created by the rounding process rather than adjusting column totals. The prior year column must be consistent with the amounts published on the financial statements and notes in the prior year.

100103. Noncompliance with United States Generally Accepted Accounting Principles (USGAAP)

The underlying financial systems and operations that produce these statements were not designed to generate auditable financial statements in compliance with the form and content guidance. As a result of such long standing system deficiencies, many DoD organizations may not be fully compliant with USGAAP and OMB A-136. DoD is developing long-term systems improvements that will correct these deficiencies and ensure compliance with USGAAP. In cases where individual line items of the financial statements cannot be obtained or a substitution is made from the requirements herein, explain the deficiencies and the reason for the noncompliance in the related note. In addition, identify departures from USGAAP in Note 1, "Significant Accounting Policies."

1002 GENERAL NOTE INSTRUCTIONS

100201. General

The objective of the notes to the financial statements is to provide additional disclosures to ensure that the financial statements are more informative and not misleading. Consider the

audience when writing the note narrative. Users of the general purpose financial reports, including internal users, tend to have different levels of knowledge about government operations, accounting, and finance. Prepare the financial statements such that individuals without a detailed knowledge of accounting principles and specific business practices can understand them. DoD's financial statements are provided to various internal users within DoD as well as external users such as OMB, Department of the Treasury (Financial Management Service (FMS)), Congress, and the general public.

100202. Narrative

The narrative should explain issues in "plain English" and with sufficient detail so that a person with general knowledge of the subject matter would understand. The narrative should describe the balances rather than a list or statement as to which component the balance is attributable.

100203. Multiple Sources

Narratives from various sources should be reviewed for consistency. Additional research may be necessary to ensure that a similar level of detail for all entities is presented in the note narrative.

100204. Amounts in Narrative

The narrative should readily agree with the line item(s) on the financial statements and note schedules.

100205. Other Lines

Include a narrative for any line item entitled "Other." All items that include 10 percent or more of the "Other" line item must be disclosed. If no amount encompasses 10 percent or more of the "Other" line item, state that the amount is attributable to multiple items.

100206. Intragovernmental Amounts

Intragovernmental amounts disclosed in a table to a note must contain a statement concerning the entity's ability to reconcile with its trading partner.

100207. Format of Notes

A consistent format is required for the narrative portion of notes. The narrative will first explain abnormal balances followed by definitions and other relevant disclosures. References to financial regulations or other notes are not required in the note narrative.

100208. Abnormal Balances

Abnormal account balances are those in which the normal balance (debit or credit) is reversed. Disclose any abnormal account balances found in the financial statement lines and note schedules, as abnormal balances may be offset or hidden by other account balances. Disclosures should include the dollar amount, the business event that caused the abnormal balance, the reason why the abnormality occurred, the fiscal time period in which the abnormal balance occurred, and when it will be corrected. Also, disclose material abnormal proprietary and budgetary United States Standard General Ledger (USSGL) accounts at the reporting entity's consolidated level trial balance within the Defense Departmental Reporting System – Audited Financial Statements (DDRS-AFS). Some accounts are allowed to have either a debit or credit balance and would not be considered abnormal. Refer to DoD Audited Financial Statements Reporting and Analysis (***DoD AFSR&A***) Financial Reporting Guidance (Annual and Quarterly Guidance, hereafter referred to as "DoD AFSR&A Guidance") for additional information.

*1003 NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

100301. Content of Note

Note 1 to the financial statements must describe the reporting entity, identify its major components, and summarize the accounting principles and the methods of applying those principles that management has concluded are the most appropriate for presenting the entity's assets, liabilities, equity, net cost of operations, changes in net position, and budgetary resources. Without duplicating details presented elsewhere as part of the notes to the financial statements, the disclosure of accounting policies must identify and describe the accounting principles followed by the reporting entity and the methods of applying those principles. In general, the disclosure should encompass important judgments as to the valuation, recognition, and allocation of assets, liabilities, expenses, revenues, and other financing sources. Include in Note 1 a description of changes in USGAAP that impact the financial statements and an explanation of concepts, such as Fund Balance with Treasury (FBWT) and Funds from Dedicated Collections, unique to Federal financial statements. In addition, the summary of significant accounting policies must disclose any significant changes, from the prior year, in the composition of the reporting entity or significant changes in the manner in which the reporting entity aggregates information for financial reporting purposes.

100302. Note 1 Format

Figure 10-1 outlines the Note 1 format and includes the reporting requirements and some sample disclosure statements. A particular reporting requirement is discussed in each section. Each reporting entity must review its financial processes, systems, and data and modify or expand the sample disclosure statements for a complete and accurate representation of each issue. The specific language shown in sample disclosure statements may not be applicable to all DoD Components. Do not include narratives that are not applicable. The left-hand column includes the reporting requirement and/or sample disclosure statements. The right-hand column

identifies the applicable reporting entity(s). Review ***DoD AFSR&A*** guidance for additional information related to this disclosure.

Figure 10-1. Note 1. Significant Accounting Policies

Note 1 Content Requirement and Format	
REQUIREMENT AND/OR DISCLOSURE STATEMENT	**REPORTING ENTITY**
1.A. Basis of Presentation	
Disclose how the financial statements are prepared, any limitation that prevents compliance with USGAAP, and auditor identified material weaknesses. Include a disclosure that the financial statements have been prepared to report the financial position and results of operations as required by the Chief Financial Officer's Act (CFO) of 1990, expanded by the Government Reform Act of 1994, and other legislation. Include the following disclosure statements: "The financial statements have been prepared from the books and records of the [Reporting Entity] in accordance with, and to the extent possible, U.S. generally accepted accounting principles promulgated by the Federal Accounting Standards Advisory Board (FASAB), OMB Circular A-136, "Financial Reporting Requirements", and DoD Financial Management Regulation (FMR)." Classified activity should be reported only by those entities recording the data.	All Entities
1.B. Mission of the Reporting Entity	
For each Reporting Entity, enter a brief mission statement.	All Entities
1.C. Appropriations and Funds	
Identify and define the type of funding that the reporting entity receives, including funds from dedicated collections and parent/child allocation transfers where budget authority is transferred to, or received from another Federal entity.	All Entities

Figure 10-1. Note 1. Significant Accounting Policies (continued)

1.D. Basis of Accounting	
Describe limitations that prevent compliance with full accrual accounting as required by USGAAP.	All Applicable Entities
1.E. Revenues and Other Financing Sources	
Disclose the accounting policy for revenue recognition, the reporting entity's pricing policy, and any limitation that may hinder revenue recognition in accordance with USGAAP. Also, provide policy information on: (1) other financing sources; and (2) nonmonetary support provided by U.S. allies for common defense and mutual security, where applicable.	All Entities
1.F. Recognition of Expenses	
Disclose the accounting policy for recognizing operating expenses and any limitation that may hinder recognition in accordance with USGAAP. Also define Operating Materiel & Supplies (OM&S) operating expenses, its recognition method and any limitations.	All Entities
1.G. Accounting for Intragovernmental Activities	
Describe the reporting entity's: (1) methodology for eliminating transactions among entities within DoD and between other Federal agencies; (2) any limitation that prevents the elimination of the intragovernmental transactions; and (3) actions the reporting entity is taking to correct the problem(s). Disclose that DoD's proportionate share of public debt and related expenses including interest cost of the Federal Government is not included.	All Applicable Entities

Figure 10-1. Note 1. Significant Accounting Policies (continued)

1.H. Transactions with Foreign Governments and International Organizations	
Describe the authority to sell defense articles and services to foreign countries and international organizations.	All Applicable Entities
1.I. Funds with the U.S. Treasury	
Include the following disclosure statements: "The Reporting Entity's monetary resources are maintained in U.S. Treasury accounts." Also, include any other information relevant to understanding Funds with the U.S. Treasury. Entities (Defense Agencies) with zero funds balance reported in their financial statements should disclose: "Appropriations are suballocated to [Reporting Entities] by DoD. Differences between the U.S. Treasury and DoD balances are reconciled at the Department level."	All Entities
1. J. Cash and Other Monetary Assets	
Include the following disclosures: (1) description of cash and foreign currency; (2) any restrictions on cash or foreign currency; (3) classification of these assets; and (4) procedures for handling exchange rate gains and losses.	All Applicable Entities
1.K. Accounts Receivable	
Include the following disclosures: (1) categories of receivables included in the amount reported in accounts receivable on the Balance Sheet; and (2) allowance methods for uncollectible accounts due from the public and Federal agencies.	All Entities
1.L. Direct Loans and Loan Guarantees	
Include the following disclosures: (1) a description of the credit reform programs; and (2) the authorities that authorized the programs.	All Applicable Entities

Figure 10-1. Note 1. Significant Accounting Policies (continued)

1.M. Inventories and Related Property	
Include the following disclosures: (1) the method for valuing inventory and related property; (2) an approximation of the percent of resale inventory valued using the moving average cost method and other methods; and (3) any limitations in valuing inventory in accordance with Statement of Federal Financial Accounting Standards ***(SFFAS) No. 3***, "Accounting for Inventory and Related Property", or uncertainties about completeness and existence of reported values of inventory. Also, describe the Related Property; Excess, Obsolete, and Unserviceable; Held for Repair and Work in Process accounts.	All Applicable Entities
1.N. Investments in U.S. Treasury Securities	
Include the following disclosures: (1) the method for valuing investments; (2) the amortization method for premiums and discounts; (3) the provision for unrealized gains or losses; (4) a description of the types of securities purchased; and (5) the information on investment in limited liability partnerships.	All Applicable Entities
1.O. General Property, Plant and Equipment	
Include the following disclosures: (1) the method for valuing military equipment; (2) the capitalization threshold; (3) any limitations in valuing General Property, Plant & Equipment (PP&E) in accordance with Federal standards; and (4) the policy for reporting property provided to contractors.	All Applicable Entities
1.P. Advances and Prepayments	
Describe advances and prepayments. Disclose DoD's policy for reporting advances and prepayments. If the reporting entity is not in compliance, provide an explanation for noncompliance.	All Applicable Entities

Figure 10-1. Note 1. Significant Accounting Policies (continued)

1.Q. Leases	
Describe the conditions under which capital and operating leases would be recorded. Identify the method used to determine the value for capital leases. Describe how the discount rate for the present value calculation is determined.	All Applicable Entities
1.R. Other Assets	
Identify the majority of items reported as "Other Assets". Describe contract financing payments and the circumstances under which the reporting entity uses them.	All Applicable Entities
1.S. Contingencies and Other Liabilities	
Define a contingency and identify the condition in which it would be reported on the Balance Sheet as a liability or condition where financial statement reporting is limited to a note disclosure. Describe the liabilities that arise from anticipated disposal costs.	All Applicable Entities
1.T. Accrued Leave	
Describe accrued leave. Sick leave is not included in accrued leave.	All Applicable Entities
1.U. Net Position	
Describe Net Position and its two major components of unexpended appropriations and cumulative results of operations.	All Entities

Figure 10-1. Note 1. Significant Accounting Policies (continued)

1.V. Treaties for Use of Foreign Bases	
Describe the use, purchase, and limits on land, buildings, and other overseas facilities obtained through various international treaties and agreements.	All Applicable Entities
1.W. Undistributed Disbursements and Collections	
Define undistributed disbursements and collections. Describe DoD's policy for reporting them in the financial statements.	All Entities
1.X. Fiduciary Activities	
Disclose information concerning fiduciary activities in accordance with ***SFFAS No. 31***, "Accounting for Fiduciary Activities". Fiduciary activities are reported on the financial statement note schedules, and not recognized on the proprietary financial statements. Define the reporting entity's fiduciary activities. Disclose that fiduciary cash and other assets are not assets of the Federal Government.	All Applicable Entities
1.Y. Military Retirement and Other Federal Employment Benefits	
Describe transactions involving Military Retirement and Other Federal Employment Benefits. The Department applies SFFAS No. 33, "Pensions, Other Retirement Benefits, and Other Post-employment Benefits: Reporting Gains and Losses from Changes in Assumptions and Selecting Discount Rates and Valuation Dates", in selecting the discount rate and valuation date used in estimating actuarial liabilities.	All Applicable Entities
1.Z. Significant Events	
Describe any significant event(s) that has an effect on the financial statements and accompanying notes.	All Entities

1004 NOTE 2. NONENTITY ASSETS

Figure 10-2. Nonentity Assets, Note Schedule Format

Note 2.	**Nonentity Assets**				
As of ***[Current Fiscal Period End Date]***		Current FY		Prior FY	
(Amounts in thousands)					
1. Intragovernmental Assets					
A. Fund Balance with Treasury	$	$$$	$	$$$
B. Accounts Receivable		$$$		$$$
C. Other Assets		$$$		$$$
D. Total Intragovernmental Assets	$	$$$	$	$$$
2. Nonfederal Assets					
A. Cash and Other Monetary Assets	$	$$$	$	$$$
B. Accounts Receivable		$$$		$$$
C. Other Assets		$$$		$$$
D. Total Nonfederal Assets	$	$$$	$	$$$
3. Total Nonentity Assets	$	$$$	$	$$$
4. Total Entity Assets	$	$$$	$	$$$
5. Total Assets	$	$$$	$	$$$

100401. Instructions

Disclose "Nonentity Assets" consisting of the categories shown in Figure 10-2, in accordance with the instructions provided in this chapter. Disclose and explain abnormal balances in accordance with paragraph 100208. Refer to the financial reporting guidance at ***DoD AFSR&A*** for additional information related to this disclosure.

A. Nonentity Assets (Lines 1 and 2). These are assets that are held by an entity (as manager, custodian or fiduciary), but are not available for the entity's own operational use. Within DoD, cash held by a disbursing officer, as an agent of the U.S. Treasury, is an example of nonentity assets. Another example is out-of-service debt due from members of a Military Service that, when collected, is not available for the reporting entity's use and is required to be deposited with the U.S. Treasury as a miscellaneous receipt to the U.S. Government General Fund. The amounts reported on Lines 1.A through 1.C are totaled and reported on Line 1.D. The amounts reported on Lines 2.A through 2.C are totaled and reported on Line 2.D.

B. Total Nonentity Assets (Line 3). This line is a summation of the totals reported on lines 1.D "Total Intragovernmental Assets" and 2.D "Total Nonfederal Assets".

C. Total Entity Assets (Line 4). These are assets that the reporting entity has authority to use. For example, an entity's assets may be used in entity operations (such as equipment), be sold or exchanged for other assets (such as inventory for cash), or be used to liquidate (pay) entity liabilities.

D. Total Assets (Line 5). This line represents the sum of Line 3, "Total Nonentity Assets", and Line 4, "Total Entity Assets". The amount on Line 5 should equal to the Total Assets line (Line 2) on the Balance Sheet.

E. Other Information. Disclose in the narrative a description of each current year nonentity asset focusing on the nature of the assets that causes it to be classified as "Total Nonentity Assets" (Line 3).

F. Other Nonentity Assets. Describe any item that is greater than, or equal to, 10 percent of Lines 1.C, "Other Assets" and 2.C, "Other Assets".

1005 NOTE 3. FUND BALANCE WITH TREASURY

Figure 10-3. Fund Balance with Treasury, Note Schedule Format

Note 3.	**Fund Balance with Treasury**			
As of ***[Current Fiscal Period End Date]***		**Current FY**		**Prior FY**
(Amounts in thousands)				
1. Fund Balances:				
A. Appropriated Funds	$	$$$	$	$$$
B. Revolving Funds		$$$		$$$
C. Trust Funds		$$$		$$$
D. Special Funds		$$$		$$$
E. Other Fund Types		$$$		$$$
F. Total Fund Balances	$	$$$	$	$$$
2. Fund Balances Per Treasury Versus Agency:				
A. Fund Balance per Treasury	$	$$$	$	$$$
B. Fund Balance per Agency		$$$		$$$
3. Reconciling Amount	$	$$$	$	$$$

*100501. Instructions

Report FBWT by fund type. Do not include Fiduciary FBWT in this note. Refer to section 1026 for the reporting of fiduciary activities. Disclose and explain abnormal balances in accordance with paragraph 100208. Refer to the financial reporting guidance at ***DoD AFSR&A*** for additional information related to this disclosure.

A. Fund Balances (Lines 1.A through 1.E). FBWT is an asset which represents the total of all unobligated and obligated undisbursed account balances, as well as collections with the U.S. Treasury as reflected in an entity's record. Disclose FBWT by fund types, including appropriated funds, revolving funds, trust funds, special funds, and other fund types. Other fund types should include balances in deposit accounts, such as for collections pending litigation, awaiting determination of the proper accounting disposition (e.g., clearing and suspense accounts), or being held by the entity in the capacity of a banker or agent of others, including miscellaneous receipt accounts. Do not include Fiduciary FBWT on these lines. Refer to section 1026 for the reporting of fiduciary activities. Describe any item that is greater than, or equal to, 10 percent of Line 1.E. "Other Fund Types". The amount on Line 1.F, "Total Fund Balances", should agree with Line 2.B, "Fund Balance per Agency".

B. Classifications. Treasury account symbols are the basis for reporting the Department's financial transactions. U.S. Treasury, FMS classifies receipt or expenditure accounts and assigns them to a fund group based on their characteristics and the nature of the

transactions they support. FMS assigns account symbols to agencies after considering the government's relationship to the accounts, the sources of the receipts, and the availability of the funds for expenditure. FMS classifies receipt and expenditure accounts according to the Federal Account Symbols and Titles ***(FAST)*** Book, Supplement to Volume 1 of the Treasury Financial Manual (TFM). For descriptions of fund groups and how they are used, refer to Volume 12, Chapter 1.

Fund Group	**Major Class**	**Entity/NonEntity**
Appropriated Funds		
General Funds	0000-3799, 3830, 3840, 3850	Entity
Clearing Accounts	3800-3899*	Entity
Management Funds	3960-3999	Entity
Revolving Funds		
Public Enterprise	4000-4499	Entity
Intragovernmental	4500-4999	Entity
Special Funds	5000-5999	Entity
Deposit Funds	6000-6999	Nonentity
Trust Funds		
Trust Funds	8000-8399; 8500-8999	Entity
Trust Revolving Funds	8400-8499	Entity
*With the exception of 3882 and 3886 (Civilian Thrift Savings Plan (TSP) and Military TSP), which are considered Nonentity. These are not officially published Treasury Fund Symbols.		

C. Total Fund Balances (Line 1.F). The amount on Line 1.Frepresents the sum of Lines 1.A through 1.E. The total of the amounts reported on Line 1.F of this note should agree with the amounts reported on the reporting entity's Balance Sheet.

D. Fund Balances per Treasury Versus Agency (Line 2). Insert FBWT amounts from the U.S. Treasury on Line 2.A, "Fund Balance per Treasury". Insert the sum of the reporting entity's fund balances from Line 1.F, "Total Fund Balances" of the note schedule on Line 2.B, "Fund Balance per Agency". Compute any difference and report the variance on Line 3, "Reconciling Amount" of this note.

1. Fund Balance per Treasury (Line 2.A). This line should reflect the amounts reported for DoD by the U.S. Treasury in reports available in the Government On-Line Accounting Link System II (***GOALS II***) and the Government-wide Accounting (***GWA***) Account Statement application. Refer to the financial reporting guidance at ***DoD AFSR&A*** for the proper methodology to extract Fund Balance per Treasury from GWA.

2. Fund Balance per Agency (Line 2.B). Insert the total from Line 1.F, "Total Fund Balances". The total of the amount reported on Line 2.B of this note should agree with the amounts reported on the reporting entity's Balance Sheet. Enter the reporting entity's name in the "Reporting Entity" field.

*E. Reconciling Amount (Line 3). This line is the difference between Line 2.A, "Fund Balance per Treasury" and Line 2.B, "Fund Balance per Agency". Explain the cause

of any reconciling amounts reported on Line 3, "Reconciling Amount". The reconciling difference will also include fund balances related to fiduciary activities. These balances are not included in Fund Balance per Agency and are not reported on the audited financial statements. Narrative explanations should include sufficient information to describe discrepancies between both fund balances, not simply disclosures of adjustments made. The differences may be composed of transfer account inclusions and exclusions, timing differences, and erroneous postings. Discrepancies may also be the result of issued check discrepancies, Intergovernmental Payment and Collection (IPAC) differences and deposit differences. Material check issues, IPAC and deposit differences must be disclosed. Compare the combined absolute values of the three types of differences to the materiality threshold to determine if a disclosure is necessary. The materiality threshold used in this note disclosure should be the same as the materiality threshold for the reporting items in the management representation letters. Refer to the financial reporting guidance at ***DoD AFSR&A*** for the material threshold calculation. Discrepancies due to time lags should be reconciled and discrepancies due to errors should be corrected.

F. Other Information Related to FBWT. Provide other information that is necessary for understanding the nature of the FBWT.

Figure 10-4. Status of Fund Balance with Treasury, Note Schedule Format

Status of Fund Balance with Treasury				
As of *[Current Fiscal Period End Date]*	**Current FY**		**Prior FY**	
(Amounts in thousands)				
1. Unobligated Balance				
A. Available	$	$$$	$	$$$
B. Unavailable		$$$	$	$$$
2. Obligated Balance not yet Disbursed		$$$	$	$$$
3. Nonbudgetary FBWT		$$$	$	$$$
4. NonFBWT Budgetary Accounts		$$$	$	$$$
5. Total	**$**	**$$$**	**$**	**$$$**

*100502. Instructions

The "Status of Fund Balance with Treasury" is the total of the entity's FBWT, as reflected in the entity's general ledger and represented by Line 1, "Unobligated Balance" and Line 2, "Obligated Balance not yet Disbursed" balances. Unobligated and obligated not yet disbursed balances presented in this section may not equal related amounts reported on the Combining Statements of Budgetary Resources since unobligated and obligated balances reported on the Combining Statements of Budgetary Resources are supported by FBWT, as well as other budgetary resources that do not affect FBWT (e.g., contract and borrowing authority and budgetary receivables). Do not include fiduciary activity on these lines. Refer to section 1026 for the reporting of fiduciary activities. The mapping for the lines within this schedule is based on the USSGL crosswalks for the respective columns in the Department of the Treasury, FMS 2108 Year End Closing Statement. Pertinent ***USSGL*** accounts can be found on the Department of the Treasury website and in the Standard Financial Information Structure (***SFIS) Transaction Library***. Disclose and explain abnormal balances in accordance with paragraph 100208. Explain differences between the amount reported on Line 1.F "Total Fund Balances" of the FBWT schedule (Figure 10-3), and the amount reported on Line 5 "Total" of the Status of FBWT schedule (Figure 10-4). Refer to the financial reporting guidance at ***DoD AFSR&A*** for additional information related to this disclosure.

A. Unobligated Balance (Line 1). This line represents the cumulative amount of budgetary authority that has not been set aside to cover outstanding obligations. Unobligated balance is classified as available or unavailable. In the 4th quarter of the fiscal year, this balance must agree with the sum of available and unavailable unobligated ending balances as reported in column 11, "Unobligated Balance" of the Year End Closing Statement.

1. Available (Line 1.A). This line represents the amount of unexpired, unobligated balance that has been apportioned or not subject to apportionment. This amount is immediately available for new obligations. In the 4th quarter of the fiscal year, this

balance must agree with the sum of available account balances as reported within column 11, "Unobligated Balance" of the Year End Closing Statement.

2. Unavailable (Line 1.B). This line represents the amount of unexpired, unobligated balance that has not been apportioned, deferred, withheld pending rescission or other similar limits on resources usage. It also may include expired budgetary resources that remain available only for obligation adjustments until the account is closed. In the 4th quarter of the fiscal year, this balance must agree with the sum of unavailable account balances as reported within column 11, "Unobligated Balance" of the Year End Closing Statement.

B. Obligated Balance not yet Disbursed (Line 2). This line represents funds that have been obligated for goods that have not been received; services that have not been performed; and goods and services that have been delivered and received, but not paid. In the 4th quarter of the fiscal year, this balance must agree with the sum of "Undelivered Orders and Contracts" (column 9), and "Accounts Payable and Other Liabilities" (column 10) of the Year End Closing Statement.

C. Nonbudgetary FBWT (Line 3). Include entity and nonentity FBWT accounts which represent adjustments that do not have budgetary authority, such as unavailable receipt accounts and certain clearing accounts.

D. NonFBWT Budgetary Accounts (Line 4). The line represents adjustments to budgetary accounts that do not affect FBWT. This category reduces the Status of FBWT. Disclose the items that comprise the amount reported as NonFBWT Budgetary Accounts such as, contract authority, borrowing authority, investments accounts, and accounts receivable, as well as the unfilled orders without advance from customers.

*E. Total (Line 5). This amount represents the sum of Lines 1.A, "Available", 1.B, "Unavailable", 2, "Obligated Balance not yet Disbursed", and 3, "Nonbudgetary FBWT" less Line 4, "NonFBWT Budgetary Accounts". The total of the amounts reported should agree with Line 1.F, "Total Fund Balances" of the FBWT table within this note and the amounts reported on the reporting entity's Balance Sheet. An explanation for any differences between this line and Line 1.F of the FBWT table and the amounts reported on the Balance Sheet must be provided in the note.

F. Explanation of Unobligated Unavailable Balances. Unobligated balances are segregated to show available and unavailable amounts in the note schedule. Certain unobligated balances may be restricted to future use and are not apportioned for current use. Disclose and explain restrictions on unobligated balances. If there are no restrictions on unobligated balances, disclose that there are no restrictions on unobligated balances.

1006 NOTE 4. INVESTMENTS AND RELATED INTEREST

Figure 10-5. Investments and Related Interest, Note Schedule Format

Note 4.	**Investments and Related Interest**									
As of *[Current Fiscal Period End Date]*	**Current FY**									
	Cost		**Amortization Method**	**Amortized (Premium) / Discount**		**Investments, Net**		**Market Value Disclosure**		
(Amounts in thousands)										
1. Intragovernmental Securities										
A. Nonmarketable, Market-Based										
1. Military Retirement Fund	$	$$$		$	$$$	$	$$$	$	$$$	
2. Medicare-Eligible Retiree Health Care Fund		$$$			$$$		$$$		$$$	
3. US Army Corps of Engineers		$$$			$$$		$$$		$$$	
4. Other Funds		$$$			$$$		$$$		$$$	
5. Total Nonmarketable, Market-Based		$$$			$$$		$$$		$$$	
B. Accrued Interest		$$$					$$$		$$$	
C. Total Intragovernmental Securities	$	$$$		$	$$$	$	$$$	$	$$$	
2. Other Investments										
A. Total Other Investments	$	$$$		$	$$$	$	$$$		N/A	
As of *[Prior Fiscal Period End Date]*	**Prior FY**									
	Cost		**Amortization Method**	**Amortized (Premium)/ Discount**		**Investments, Net**		**Market Value Disclosure**		
(Amounts in thousands)										
3. Intragovernmental Securities										
A. Nonmarketable, Market-Based										
1. Military Retirement Fund	$	$$$		$	$$$	$	$$$	$	$$$	
2. Medicare-Eligible Retiree Health Care Fund		$$$			$$$		$$$		$$$	
3. US Army Corps of Engineers		$$$			$$$		$$$		$$$	
4. Other Funds		$$$			$$$		$$$		N/A	
5. Total Nonmarketable, Market-Based		$$$			$$$		$$$		$$$	
B. Accrued Interest		$$$					$$$		$$$	
C. Total Intragovernmental Securities	$	$$$		$	$$$	$	$$$	$	$$$	
4. Other Investments										
A. Total Other Investments	$	$$$		$	$$$	$	$$$		N/A	

100601. Instructions

Disclose the reporting entity's investments in Federal securities and other investments. Investments in Federal securities include market-based U.S. Treasury securities issued by the Bureau of the Public Debt. Investments are normally reported on the Balance Sheet at their par value or acquisition cost, adjusted for the amortization of the premium or discount recorded at the time of acquisition. Net Investments (column 4) are equal to Cost (column 1), plus Amortized (Premium)/Discount (column 3). Securities are normally recognized at amortized cost on the Balance Sheet. However, market value is used for Balance Sheet purposes when: (a) there is intent to sell the securities before maturity; and (b) there is a reduction in value that is more than temporary. Market Value (column 5) discloses the fair value of all nonmarketable market-based securities. Other investments are comprised of investments of funds with developers of family housing. Disclose and explain abnormal balances in accordance with paragraph 100208. Refer to the financial reporting guidance at ***DoD AFSR&A*** for additional information related to this disclosure.

A. Nonmarketable, Market-Based Intragovernmental Securities (Line 1.A). Nonmarketable, market-based U.S. Treasury securities are not traded on any securities exchange, but mirror the prices of marketable securities with similar terms. All investments maintained by the Defense Finance and Accounting Service Trust Fund Accounting Office are nonmarketable, market-based U.S. Treasury securities (e.g., DoD Education Benefits Fund and Military Retirement Fund). Disclose any item that is greater than, or equal to, 10 percent of Line 1.A.4 "Other Funds".

B. Accrued Interest (Line 1.B). The amount recorded as Accrued Interest represents the amount of interest accrued on intragovernmental investment securities, but not received as of the date of the statements. The accrued interest amount is applicable only to columns 1, 4, and 5.

C. Total Intragovernmental Securities (Line 1.C). This line represents the sum of Intragovernmental Securities Cost (column 1), Amortized (Premium)/Discount (column 3), and Intragovernmental Net Investments (column 4) for the current period reported. The total amount reported in column 4 of this line should equal the amount reported on the reporting entity's Balance Sheet.

D. Other Investments (Line 2). The Military Family Housing Revitalization Act of 1996 provides for DoD Family Housing Improvement Fund. The legislation permits investment of funds into ventures with developers to provide family housing. For example, the ventures will be real estate ventures, rent differential payments, investment in limited partnerships, and investments in equity or debt instruments related to family housing. Additionally, provide a description of the accounting method used and the amount of cash and non-cash assets conveyed to the venture.

E. Prior Year, Intragovernmental Securities (Line 3). The prior year amounts for nonmarketable, market-based U.S. Treasury securities are reported on Line 3.

F. Prior Year, Total Other Investments (Line 4). The prior year amounts for other investments are reported on Line 4.

G. Intragovernmental Investments for Funds from Dedicated Collections. The following is a required disclosure for any reporting entity reporting funds from dedicated collections: "The Federal Government does not set aside assets to pay future benefits or other expenditures associated with funds from dedicated collections (or name(s) of fund(s)). The cash generated from funds from dedicated collections is deposited in the U.S. Treasury, which uses the cash for general government purposes. U.S. Treasury securities are issued to funds from dedicated collections as evidence of its receipts. U.S. Treasury securities are an asset to the [Reporting Entity] and a liability to the U.S. Treasury. Because the [Reporting Entity] and the U.S. Treasury are both parts of the government, these assets and liabilities offset each other from the standpoint of the government as a whole. For this reason, they do not represent an asset or a liability in the U.S. Government wide financial statements. U.S. Treasury securities provide the [Reporting Entity] with authority to draw upon the U.S. Treasury to make future benefit payments or other expenditures. When the [Reporting Entity] requires redemption of these securities to make expenditures, the government finances the securities out of accumulated cash balances, by raising taxes or other receipts, by borrowing from the public or repaying less debt, or by curtailing other expenditures. This is the same way that the government finances all other expenditures."

H. Other Information. Disclose any additional information relative to understanding the nature of reported investments, such as permanent impairments.

1007 NOTE 5. ACCOUNTS RECEIVABLE

Figure 10-6. Accounts Receivable, Note Schedule Format

Note 5.	**Accounts Receivable**					
As of *[Current Fiscal Period End Date]*	**Current FY**					
	Gross Amount Due		Allowance For Estimated Uncollectibles		Accounts Receivable, Net	
(Amounts in thousands)						
1. Intragovernmental Receivables	$	$$$	N/A		$	$$$
2. Nonfederal Receivables (From the Public)	$	$$$	$	$$$	$	$$$
3. Total Accounts Receivable	$	$$$	$	$$$	$	$$$
As of *[Prior Fiscal Period End Date]*	**Prior FY**					
	Gross Amount Due		Allowance For Estimated Uncollectibles		Accounts Receivable, Net	
(Amounts in thousands)						
1. Intragovernmental Receivables	$	$$$	N/A		$	$$$
2. Nonfederal Receivables (From the Public)	$	$$$	$	$$$	$	$$$
3. Total Accounts Receivable	$	$$$	$	$$$	$	$$$

*100701. Instructions

Present the gross receivables, the allowance for uncollectible accounts (from the public) and the net amount due for the current year and prior year. The amount represented in this note includes both entity and nonentity receivables. Do not include receivables related to direct or guaranteed loans. These amounts are reported in Note 8, "Direct Loan and Loan Guarantees". Disclose and explain abnormal balances in accordance with paragraph 100208. Refer to the financial reporting guidance at ***DoD AFSR&A*** for additional information related to this disclosure.

A. Intragovernmental Receivables (Line 1). An allowance for uncollectible accounts should not be reported for Intragovernmental Receivables. The amount on Line 1, column 3, of this note should equal the amount reported on the reporting entity's Balance Sheet.

B. Nonfederal Receivables (From the Public) (Line 2). The term "nonfederal entities" encompasses domestic and foreign persons and organizations outside the U.S.

Government. The amount on Line 2, column 3, of this note should equal the amount reported on the reporting entity's Balance Sheet.

C. Total Accounts Receivable (Line 3). The amount reported on Line 3 equals the sum of Lines 1 and 2 for each column.

D. Other Information. Disclose any other information needed to understand the nature of the Accounts Receivable.

1008 NOTE 6. OTHER ASSETS

Figure 10-7. Other Assets, Note Schedule Format

Note 6.	**Other Assets**			
As of *[Current Fiscal Period End Date]*		**Current FY**		**Prior FY**
(Amounts in thousands)				
1. Intragovernmental Other Assets				
A. Advances and Prepayments	$	$$$	$	$$$
B. Other Assets		$$$		$$$
C. Total Intragovernmental Other Assets	$	$$$	$	$$$
2. Nonfederal Other Assets				
A. Outstanding Contract Financing Payments	$	$$$	$	$$$
B. Advances and Prepayments		$$$		$$$
C. Other Assets (With the Public)		$$$		$$$
D. Total Nonfederal Other Assets	$	$$$	$	$$$
3. Total Other Assets	**$**	**$$$**	**$**	**$$$**

100801. Instructions

Report the amount of Other Assets. Disclose and explain abnormal balances in accordance with paragraph 100208. Refer to the financial reporting guidance at ***DoD AFSR&A*** for additional information related to this disclosure.

A. Intragovernmental Other Assets (Line 1). Separately categorize the intragovernmental other assets.

1. Advances and Prepayments (Line 1.A). Include advances and prepayments to other Federal entities.

2. Other Assets (Line 1.B). Include other assets categorized as Federal.

3. Total Intragovernmental Other Assets (Line 1.C). The amount reported on this line equals the sums of Lines 1.A and 1.B and the amount reported on the Balance Sheet.

B. Nonfederal Other Assets (Line 2). Separately categorize the nonfederal other assets.

1. Outstanding Contract Financing Payments (Line 2.A). Include contract financing payments as defined in Volume 4, Chapter 5.

2. Advances and Prepayments (Line 2.B.). Include advances and prepayments categorized as nonfederal.

3. Other Assets (With the Public) (Line 2.C). Include other assets categorized as nonfederal.

4. Total Nonfederal Other Assets (Line 2.D). The amount reported on this line equals the sum of Lines 2.A through 2.C and the amount reported on the Balance Sheet.

C. Total Other Assets (Line 3). The amount reported on this line equals the sum of Lines 1.C, "Total Intragovernmental Other Assets" and 2.C, "Other Assets (With the Public)". The total amount reported on Line 3 should equal the sum of Federal and Nonfederal Other Assets on the Balance Sheet.

D. Information Related to Other Assets. Identify other relevant information for other assets reported on the Balance Sheet.

1. If any of the individual components of Line 1.B, "Other Assets" and Line 2.C, "Other Assets" (With the Public), represent 10 percent or more of the value of the line, those components must be separately disclosed.

2. Components with contract financing payments must review the financial statement guidance at ***DoD AFSR&A*** for additional required instructions.

1009 NOTE 7. CASH AND OTHER MONETARY ASSETS

Figure 10-8. Cash and Other Monetary Assets, Note Schedule Format

Note 7.	**Cash and Other Monetary Assets**			
As of ***[Current Fiscal Period End Date]***		Current FY		Prior FY
(Amounts in thousands)				
1. Cash	$	$$$	$	$$$
2. Foreign Currency		$$$		$$$
3. Other Monetary Assets		$$$		$$$
4. Total Cash, Foreign Currency, & Other Monetary Assets	**$**	**$$$**	**$**	**$$$**

100901. Instructions

Report the current and prior FY amount of Cash and Other Monetary Assets. Disclose and explain abnormal balances in accordance with paragraph 100208. Refer to the financial reporting guidance at ***DoD AFSR&A*** for additional information related to this disclosure.

A. Cash (Line 1). The total of cash resources under the control of the reporting entity, which includes coin, paper currency, purchased foreign currency, negotiable instruments, and amounts on deposit in banks and other financial institutions. Cash available for agency use should include petty cash funds and cash held in revolving funds which will not be transferred into the General Fund of the Treasury.

B. Foreign Currency (Line 2). The total U.S. dollar equivalent of nonpurchased foreign currencies held in foreign currency fund accounts. Nonpurchased foreign currency is limited to the Treasury Index 97X7000 fund account.

C. Other Monetary Assets (Line 3). This amount represents other items, including gold, special drawing rights, and U.S. Reserves in the International Monetary Fund. Deposits made but not confirmed can be included on this line. Describe any item that is greater than, or equal to, 10 percent of "Other Monetary Assets".

D. Total Cash, Foreign Currency, & Other Monetary Assets (Line 4). The amount reported on this note equals the sum of Lines 1, 2, and 3. Also, this line amount should equal the amount reported on the Balance Sheet.

E. Other Information. Provide other relevant information that is needed to understand the nature of cash and other monetary assets. Disclose any restrictions on cash and the dollar amount. Restricted cash includes holdings which are unavailable for agency use (nonentity cash) and have not been transferred to the General Fund. Restrictions are usually imposed on cash deposits by law, regulation, or agreement. While nonentity cash is always

restricted, entity cash may be restricted for specific purposes. Examples of restricted cash: (a) cash held in escrow to pay property taxes and insurance related to property associated with defaulted loans; as well as other amounts of legally restricted cash for specific purposes; (b) seized cash, recognized as an asset per ***SFFAS No. 3***; (c) bid deposits held in a commercial bank, and (d) funds from dedicated collections (refer to section 1025). Disclose any restrictions on the use or conversion of foreign currencies. If there are no restrictions on cash or the use or conversion of foreign currencies, include a statement in the narrative disclosing that there are no restrictions. Disclose significant effects, if any, of changes in the foreign currency exchange rate on the entity's financial position that occurred after the end of the reporting period but before the issuance of financial statements (if applicable).

1010 NOTE 8. DIRECT LOAN AND LOAN GUARANTEES

101001. General Information on Direct Loans and Loan Guarantees

A. Federal Credit Reform Act of 1990. The Federal Credit Reform Act of 1990 divides direct loans and loan guarantees into two groups: Pre-1992 and Post-1991. Pre-1992 means the direct loan obligations or loan guarantee commitments made prior to fiscal year (FY) 1992 and the resulting direct loans or loan guarantees. Post-1991 means the direct loan obligations or loan guarantee commitments made after FY 1991 and the resulting direct loans or loan guarantees. Refer to OMB Circular **A-11**, Part 5, Section 185 for definitions and explanations of terms and concepts in these instructions. The reporting entity should disclose direct loan obligations and loan guarantee commitments made after FY 1991, and the resulting direct loans or loan guarantees, are governed by the Federal Credit Reform Act of 1990. This Act governs all amended direct loan obligations and loan guarantee commitments made after FY 1991 resulting in direct loans or loan guarantees. ***SFFAS No. 2***, "Accounting for Direct Loans and Loan Guarantees" provides that the present value of the subsidy costs (which arise from interest rate differentials, interest subsidies, delinquencies and defaults, fee offsets, and other cash flows) associated with direct loans and loan guarantees be recognized as costs in the year the direct or guaranteed loan is disbursed.

1. Direct Loans. These loans are reported at the net present value of the following projected cash flows: loan disbursements, repayments of principal, payments of interest, and other payments over the life of the loan after adjusting for estimated defaults, prepayments, fees, penalties, and other recoveries.

2. Loan Guarantee Liabilities. These liabilities are reported at the net present value. The cost of the loan guarantee is the net present value of the following estimated projected cash flows: payments by DoD to cover defaults and delinquencies; interest subsidies, or other payments offset by payments to DoD including origination; and other fees, penalties, and recoveries.

B. Pre-1992 Direct Loans and Loan Guarantees. The reporting entity should disclose whether Pre-1992 direct loans and loan guarantees are reported on a present value basis, or are reported under the allowance for loss method. Under the allowance for loss method, the nominal amount of the direct loans is reduced by an allowance for uncollectible amounts, and the

liability for loan guarantees is the amount the agency estimates will more likely than not require a future cash outflow to pay default claims. Under the present value method, the nominal amount of direct loans is reduced by an allowance equal to the difference between the nominal amount and the present value of the expected net cash flows from the loans. The liability for loan guarantees is the present value of expected net cash outflows due to the loan guarantees. DoD has elected to report Pre-1992 direct loans and loan guarantees using the allowance for loss method.

1. Note Format. Depending on the reporting method selected by management, agencies must choose the appropriated note format which includes the net present value method or the allowance for loss method.

2. Changing Reporting Methods. Changing from one method to the other is not permitted without the advance approval of OMB. If a reporting entity needs guidance related to Pre-1992 direct loans or loan guarantees, contact the Office of the Under Secretary of Defense (Comptroller), Office of the Deputy Chief Financial Officer. The reporting entity should disclose that their loans receivable, net, or their value of assets related to direct loans, is not the same as the proceeds that they would expect to receive from selling their loans.

C. Payments Made on Behalf of Borrowers. When the reporting entity has made payments on behalf of borrowers (which should be collected from the borrowers), the resulting receivables must be reported in the same column as loans receivable for either direct loans or defaulted guaranteed loans.

D. Direct Loan or Loan Guarantee Programs. Enter the names of the direct loans and loan guarantee programs operated by the reporting entity. An example of a DoD direct loan program is the Military Housing Privatization Initiative. The Armament Retooling and Manufacturing Support Initiative is an example of a DoD guaranteed loan program.

E. Other Information. Disclose events and changes in economic conditions, other risk factors, legislation, credit policies, and subsidy estimation methodologies and assumptions: (a) that have had a significant and measurable effect on subsidy rates, subsidy expense, and subsidy reestimates; and (b) that are events and changes in conditions that have occurred and are more likely than not to have a significant impact, but the effects of which are not measurable at the reporting date.

Figure 10-9. Summary of Direct Loans and Loan Guarantees, Note Schedule Format

Note 8. Summary of Direct Loans and Loan Guarantees				
As of *[Current and Prior Fiscal Period End Date]*	**Current FY**		**Prior FY**	
(Amounts in thousands)				
Loans Receivable				
Direct Loans				
1. Military Housing Privatization Initiative	$	$$$	$	$$$
2. Total Direct Loans		$$$		$$$
Defaulted Loan Guarantees				
3. A. Military Housing Privatization Initiative	$	$$$	$	$$$
B. Armament Retooling & Manufacturing Support Initiative		$$$		$$$
4. Total Default Loan Guarantees	$	$$$	$	$$$
5. Total Loans Receivable	$	$$$	$	$$$
As of *[Current and Prior Fiscal Period End Date]*	Current FY		Prior FY	
(Amounts in thousands)				
Loan Guarantee Liability				
1. Military Housing Privatization Initiative	$	$$$	$	$$$
2. Armament Retooling & Manufacturing Support Initiative		$$$		$$$
3. Total Loan Guarantee Liability	$	$$$	$	$$$

101002. Instructions

Summarize the total amounts for loans receivable and loan guarantee liability reported in Note 8. The "Total Loans Receivable" (Line 5) should agree with the amount reported on the Balance Sheet. The "Total Loan Guarantee Liability" (Line 3) should agree with the amount reported on the Balance Sheet. Disclose and explain abnormal balances in accordance with paragraph 100208. Refer to the financial reporting guidance at ***DoD AFSR&A*** for additional information related to this disclosure.

Figure 10-10. Direct Loans Obligated, Note Schedule Format

Note 8.	**Direct Loans Obligated**				
As of *[Current and Prior Fiscal Period End Date]*		Current FY		Prior FY	
(Amounts in thousands)					
Direct Loans Obligated After FY 1991 (Present Value Method):					
1.	**Military Housing Privatization Initiative**				
	A. Loans Receivable Gross	$	$$$	$	$$$
	B. Interest Receivable		$$$		$$$
	C. Foreclosed Property		$$$		$$$
	D. Allowance for Subsidy Cost (Present Value)		$$$		$$$
	E. Value of Assets Related to Direct Loans, Net	$	$$$	$	$$$
2.	**Total Direct Loans Receivable**	**$**	**$$$**	**$**	**$$$**

101003. Instructions

Present information for direct loans obligated. Disclose and explain abnormal balances in accordance with paragraph 100208. Refer to the financial reporting guidance at ***DoD AFSR&A*** for additional information related to this disclosure.

A. Military Housing Privatization Initiative (Lines 1.A through 1.E). Report in column 1 (current year): the Loans Receivable Gross, the Interest Receivable, the estimated net realizable value of related Foreclosed Property, the Allowance for Subsidy Cost (Present Value Method), and the Value of Assets Related to Direct Loans, Net. Line 2 is the sum of Lines 1.A through 1.E. Report amounts from the prior year in column 2.

B. Total Direct Loans Receivable (Line 2). The amount reported in this line should agree with the amount reported on the reporting entity's Balance Sheet. Loan receivables for defaulted loan guarantees will also be included on the reporting entity's Balance Sheet.

C. Other Information. If you have foreclosed property resulting from credit reform activities, disclose changes from prior year's accounting methods; restrictions on the use/disposal of the property; the number of properties held and average holding period by type or category; and the number of properties for which foreclosure proceedings are in process at the end of the period. Disclose management's method for accruing interest revenue and recording interest receivable and management's policy for accruing interest on nonperforming loans.

D. Additional Instructions for Foreclosed Property. Value foreclosed property associated with Post-1991 direct loans at the net present value of the projected cash flows. At the time of foreclosure, foreclosed property may be recorded at the estimated net realizable value. A portion of the related allowance for subsidy account should apply to the foreclosed property, but that amount need not be separately determined.

Figure 10-11. Total Amount of Direct Loans Disbursed, Note Schedule Format

Total Amount of Direct Loans Disbursed				
As of *[Current and Prior Fiscal Period End Date]*	**Current FY**		**Prior FY**	
(Amounts in thousands)				
Direct Loan Programs				
1. Military Housing Privatization Initiative	$	$$$	$	$$$
2. Direct Loan Programs Total	**$**	**$$$**	**$**	**$$$**

101004. Instructions

Report the total amount of direct loans disbursed after FY 1991. Refer to the financial reporting guidance at ***DoD AFSR&A*** for additional information related to this disclosure.

A. Direct Loan Programs Disbursed. DoD administers a direct loan program on behalf of the Executive Office of the President, which is reported in Other Accompanying Information. Disclose the amount of direct loans disbursed for each program the reporting entity manages. DoD has one direct loan program that disburses direct loans, Military Housing Privatization Initiative.

B. Direct Loan Programs, Total (Line 2). Report the total of the amount of direct loans disbursed for the current and prior reporting years.

C. Other Information. Provide other information related to direct loans disbursed necessary to understand the nature of the loans.

Figure 10-12. Subsidy Expense for Direct Loan by Program, Note Schedule Format

Subsidy Expense for Direct Loan by Program

As of *[Current and Prior Fiscal Period End Date]*

(Amounts in thousands)

Current FY	Interest Differential	Defaults	Fees	Other	Total
1. New Direct Loans Disbursed: Military Housing Privatization Initiative	$ $$$	$ $$$	$ $$$	$ $$$	$ $$$
Total	**$ $$$**	**$ $$$**	**$ $$$**	**$ $$$**	**$ $$$**

Prior FY	Interest Differential	Defaults	Fees	Other	Total
2. New Direct Loans Disbursed: Military Housing Privatization Initiative	$ $$$	$ $$$	$ $$$	$ $$$	$ $$$
Total	**$ $$$**	**$ $$$**	**$ $$$**	**$ $$$**	**$ $$$**

Current FY	Modifications	Interest Rate Reestimates	Technical Reestimates	Total Reestimates	Total
3. Direct Loan Modifications and Reestimates: Military Housing Privatization Initiative	$ $$$	$ $$$	$ $$$	$ $$$	$ $$$
Total	**$ $$$**	**$ $$$**	**$ $$$**	**$ $$$**	**$ $$$**

Prior FY	Modifications	Interest Rate Reestimates	Technical Reestimates	Total Reestimates	Total
4. Direct Loan Modifications and Reestimates: Military Housing Privatization Initiative	$ $$$	$ $$$	$ $$$	$ $$$	$ $$$
Total	**$ $$$**	**$ $$$**	**$ $$$**	**$ $$$**	**$ $$$**

	Current FY	Prior FY
5. Total Direct Loan Subsidy Expense: Military Housing Privatization Initiative	$ $$$	$ $$$
Total	**$ $$$**	**$ $$$**

101005. Instructions

For each direct loan program, report the direct loan subsidy expense, at present value. Disclose and explain abnormal balances in accordance with paragraph 100208. Refer to the financial reporting guidance at ***DoD AFSR&A*** for additional information related to this disclosure.

A. Subsidy Expense for New Direct Loans Disbursed – Current Year (Line 1). Report in column 1 the present value amount of the current year's subsidy expense attributable to the interest rate differential between the interest rate charged to the borrowers and the discount rate used to calculate the present value of the direct loans and the subsidy costs; in column 2, report the present value of the estimated delinquencies and defaults (net of recoveries) for the current year; in column 3, report the present value of the estimated fees collected (offsetting expense) for the current year; in column 4, report the present value of other cash flows for the current year, including prepayments and proceeds of loan asset sales; and in column 5, report the total of columns 1 through 4.

B. Subsidy Expense for New Direct Loans Disbursed – Prior Year (Line 2). Report in column 1 the present value amount of the prior year's subsidy expense attributable to the interest rate differential between the interest rate charged to the borrowers and the discount rate used to calculate the present value of the direct loans and the subsidy costs; in column 2, report the present value of the estimated delinquencies and defaults (net of recoveries) for the prior year; in column 3, report the present value of the estimated fees collected (offsetting expense) for the prior year; in column 4, report the present value of other cash flows for the prior year, including prepayments and proceeds of loan asset sales; and in column 5, report the total of columns 1 through 4.

C. Direct Loan Modifications and Reestimates – Current Year (Line 3). Report in column 1 the current year's subsidy cost of modifications of direct loans previously disbursed; in column 2 report the current year's subsidy cost for interest rate reestimates which are due to a change in interest rates from the rate assumed in budget preparation and used in calculating the subsidy expense to the rates that are prevailing at the time the direct loan is disbursed; in column 3, report the current year's subsidy cost for technical reestimates which are due to changes made in projected cash flows under the terms of direct loans after reevaluating all the risk factors as of the financial statement date, except for the effect of interest rate reestimates; in column 4, report the total of columns 2 and 3; and in column 5, report the total of direct loan modifications and reestimates for the current year which is the total amount is the sum of columns 1 and 4.

D. Direct Loan Modifications and Reestimates – Prior Year (Line 4). Report in column 1 the prior year's subsidy cost of modifications of direct loans previously disbursed; in column 2 report the prior year's subsidy cost for interest rate reestimates; in column 3, report the prior year's subsidy cost for technical reestimates; in column 4, report the total of columns 2 and 3; and in column 5, report the total of direct loan modifications and reestimates for the prior year which is the total amount is the sum of columns 1 and 4.

E. Total Direct Loan Subsidy Expense – Current Year (Line 5). Report in column 1 the total subsidy expense for current year's direct loans, modifications, and reestimates; and in column 2, report the total subsidy expense for prior year's direct loans, modifications, and reestimates.

F. Other Information. Identify other information related to direct loan subsidy expense for Post-1991 direct programs. If modifications were made, explain the nature of the modifications, the discount rate used in calculating the expense, and the basis for recognizing a gain or loss related to the modifications. Also, if appropriate, disclose that the subsidy expense resulting from reestimates that is included in the financial statements is not reported in the budget until the following year.

Figure 10-13. Subsidy Rate for Direct Loans by Program, Note Schedule Format

Subsidy Rate for Direct Loans by Program					
As of *[Current Fiscal Period End Date]*	Interest Differential	Defaults	Fees and Other Collections	Other	Total
Budget Subsidy Rates for Direct Loans:					
1. Military Housing Privatization Initiative	XX.XX%	XX.XX%	XX.XX%	XX.XX%	XX.XX%

101006. Instructions

Disclose the budget subsidy rates estimated for the cohorts of the current reporting year. Disclose the subsidy rate for the following components: interest differential costs; default costs (net of recoveries); fees and other collections; and other costs. These estimated subsidy rates for direct loans are in the current year's budget (President's Budget). Refer to the financial reporting guidance at ***DoD AFSR&A*** for additional information related to this disclosure.

A. Subsidy Rate. These rates should be consistent with rates published in the Direct Loans: Assumptions Underlying the FY Subsidy Estimates Table contained in the Federal Credit Supplement to the ***Budget of the U.S. Government***.

B. Relevant Information for Comprehension. Subsidy rates pertain to the loan agreements contracted during the current fiscal year. These rates cannot be applied to the direct loans disbursed during the current reporting year to yield the subsidy expense. The subsidy expense for new loans disbursed in the current year could result from disbursement of loans from both current and prior year loan agreements. The subsidy expense reported in the current year also includes modifications and reestimates.

C. Subsidy Rate Amount. Each subsidy rate is the dollar amount of the total subsidy or a subsidy component as a percentage of the direct loans obligated in the cohort year. Entities are encouraged to use trend data to display significant fluctuations in subsidy rates. Trend data, if used, should be accompanied with an analysis to explain the underlying causes for the fluctuations.

Figure 10-14. Schedule for Reconciling Subsidy Cost Allowance Balances for Post-1991 Direct Loans, Note Schedule Format

Schedule for Reconciling Subsidy Cost Allowance Balances for Post-1991 Direct Loans				
As of *[Current and Prior Fiscal Period End Date]*	**Current FY**		**Prior FY**	
(Amounts in thousands)				
Beginning Balances, Changes, and Ending Balance:				
1. Beginning Balance of the Subsidy Cost Allowance	$	$$$	$	$$$
2. Add: Subsidy Expense for Direct Loans Disbursed During the Reporting Years by Component				
A. Interest Rate Differential Costs	$	$$$	$	$$$
B. Default Costs (Net of Recoveries)		$$$		$$$
C. Fees and Other Collections		$$$		$$$
D. Other Subsidy Costs		$$$		$$$
E. Total of the above Subsidy Expense Components	$	$$$	$	$$$
3. Adjustments				
A. Loan Modifications	$	$$$	$	$$$
B. Fees Received		$$$		$$$
C. Foreclosed Property Acquired		$$$		$$$
D. Loans Written Off		$$$		$$$
E. Subsidy Allowance Amortization		$$$		$$$
F. Other		$$$		$$$
G. Total of the above Adjustment Components	$	$$$	$	$$$
4. Ending Balance of the Subsidy Cost Allowance Before Reestimates	$	$$$	$	$$$
5. Add or Subtract Subsidy Reestimates by Component				
A. Interest Rate Reestimate	$	$$$	$	$$$
B. Technical/Default Reestimate		$$$		$$$
C. Total of the above Reestimate Components	$	$$$	$	$$$
6. Ending Balance of the Subsidy Cost Allowance	**$**	**$$$**	**$**	**$$$**

101007. Instructions

Display the reconciliation between the beginning and ending balances of the subsidy cost allowance for outstanding direct loans reported in the reporting entity's Balance Sheet based upon the following instructions in this paragraph. The reconciliation is required for direct loans obligated on or after October 1, 1991, the effective date of the Federal Credit Reform Act of 1990. Reporting entities are encouraged, but not required, to display reconciliations for direct loans obligated prior to October 1, 1991, in schedules separate from the direct loans obligated after October 1, 1991. Disclose and explain abnormal balances in accordance with paragraph 100208. Refer to the financial reporting guidance at ***DoD AFSR&A*** for additional information related to this disclosure.

A. Beginning Balance of the Subsidy Cost Allowance (Line 1). Report the Beginning Balance of the Subsidy Cost Allowance.

B. Subsidy Expense for Direct Loans Disbursed During the Reporting Years by Component (Lines 2.A through 2.E). Report the components of subsidy expense for direct loans: Interest Rate Differential Costs; Default Costs (Net of Recoveries); Fees and Other Collections; and Other Subsidy Costs. Total the components of subsidy expense for direct loans.

C. Adjustments (Lines 3.A through 3.G). Report the adjustments for direct loans: Loan Modifications, Fees Received; Foreclosed Property Acquired; Loans Written Off; Subsidy Allowance Amortization; and Other Adjustments. Total the adjustments for direct loans.

D. Ending Balance of the Subsidy Cost Allowance Before Reestimates (Line 4). Report the sum of Lines 1, 2.E, and 3.G.

E. Add or Subtract Subsidy Reestimates by Component (Lines 5.A through 5.C). Report the Interest Rate Reestimate and Technical/Default Reestimate for direct loans. Total the reestimates for direct loans.

F. Ending Balance of the Subsidy Cost Allowance (Line 6). Report the sum of Lines 4 and 5.C.

Figure 10-15. Defaulted Guaranteed Loans, Note Schedule Format

Defaulted Guaranteed Loans				
As of *[Current and Prior Fiscal Period End Date]*	**Current FY**		**Prior FY**	
(Amounts in thousands)				
Defaulted Guaranteed Loans from Post-1991 Guarantees (Present Value Method):				
1. Military Housing Privatization Initiative				
A. Defaulted Guaranteed Loans Receivable, Gross	$	$$$	$	$$$
B. Interest Receivable		$$$		$$$
C. Foreclosed Property		$$$		$$$
D. Allowance for Subsidy Cost (Present Value)		$$$		$$$
E. Value of Assets Related to Defaulted Guaranteed Loans Receivable, Net	$	$$$	$	$$$
2. Armament Retooling & Manufacturing Support Initiative				
A. Defaulted Guaranteed Loans Receivable, Gross	$	$$$	$	$$$
B. Interest Receivable		$$$		$$$
C. Foreclosed Property		$$$		$$$
D. Allowance for Subsidy Cost (Present Value)		$$$		$$$
E. Value of Assets Related to Defaulted Guaranteed Loans Receivable, Net	$	$$$	$	$$$
3. Total Value of Assets Related to Defaulted Guaranteed Loans Receivable	**$**	**$$$**	**$**	**$$$**

101008. Instructions

Report the defaulted loan guarantees for applicable credit reform program. If the reporting entity does not have defaulted guaranteed loans, state "Not Applicable" after the note number and title. Disclose and explain abnormal balances in accordance with paragraph 100208. Refer to the financial reporting guidance at ***DoD AFSR&A*** for additional information related to this disclosure.

A. Military Housing Privatization Initiative (Lines 1.A through 1.E). Report the: Defaulted Guaranteed Loans Receivable, Gross; Interest Receivable; the estimated value of related Foreclosed Property; the Allowance for Subsidy Cost (Present Value); and the Value of Assets Related to Defaulted Guaranteed Loans Receivable, Net.

B. Armament Retooling and Manufacturing Support Initiative (Lines 2.A through 2.E). Report the: Defaulted Guaranteed Loans Receivable, Gross; Interest Receivable;

estimated value of related Foreclosed Property; Allowance for Subsidy Cost (Present Value); and the Value of Assets Related to Defaulted Guaranteed Loans Receivable, Net.

C. Total Value of Assets Related to Defaulted Guaranteed Loans Receivable (Line 3). Report the total Value of Assets Related to Defaulted Guaranteed Loans Receivable from Lines 1.E and 2.E. The sum of these lines should equal the amount reported on the Balance Sheet as loans receivables. (Loans receivable for direct loans will also be included on the reporting entity's Balance Sheet).

D. Other Information. If you have foreclosed property resulting from credit reform activities, disclose: (1) changes from the prior year's accounting methods, if any; (2) restrictions on the use/disposal of the property; (3) number of properties held and average holding period by type or category; and (4) number of properties for which foreclosure proceedings are in process at the end of the period. Disclose management's method for accruing interest revenue and recording interest receivable, and management's policy for accruing interest on nonperforming defaulted guaranteed loans. If modifications were made, explain the nature of the modifications, the discount rate used in calculating the expense, and the basis for recognizing a gain or loss related to the modifications. When appropriate, disclose that the subsidy expense resulting from reestimates that is included in the financial statements is not reported in the budget until the following year.

E. Additional Instructions for Foreclosed Property. Foreclosed property associated with Post-1991 direct and acquired defaulted guaranteed loans must be valued at the net present value of the projected cash flows associated with the property. Foreclosed property may be recorded at the estimated net realizable value at the time of foreclosure. A portion of the related allowance for subsidy account should apply to the foreclosed property, but that amount need not be separately determined. Rather, the allowance account is subtracted from the sum of the credit program assets to determine the net present value of the assets.

Figure 10-16. Guaranteed Loans Outstanding

Guaranteed Loans Outstanding				
As of *[Current and Prior Fiscal Period End Date]*	Outstanding Principal of Guaranteed Loans, Face Value		Amount of Outstanding Principal Guaranteed	
(Amounts in thousands)				
Current FY				
Guaranteed Loans Outstanding				
1. Military Housing Privatization Initiative	$	$$$	$	$$$
2. Armament Retooling & Manufacturing Support Initiative		$$$		$$$
3. Total	**$**	**$$$**		**$$$**
Prior FY				
Guaranteed Loans Outstanding				
1. Military Housing Privatization Initiative	$	$$$	$	$$$
2. Armament Retooling & Manufacturing Support Initiative		$$$		$$$
3. Total	**$**	**$$$**	**$**	**$$$**
Current FY				
New Guaranteed Loans Disbursed				
1. Military Housing Privatization Initiative	$	$$$	$	$$$
2. Armament Retooling & Manufacturing Support Initiative		$$$		$$$
3. Total	**$**	**$$$**	**$**	**$$$**
Prior FY				
New Guaranteed Loans Disbursed				
1. Military Housing Privatization Initiative	$	$$$	$	$$$
2. Armament Retooling & Manufacturing Support Initiative		$$$		$$$
3. Total	**$**	**$$$**	**$**	**$$$**

101009. Instructions

Present the outstanding amount of guaranteed loans for each loan guarantee program. Refer to the financial reporting guidance at ***DoD AFSR&A*** for additional information related to this disclosure.

A. Loan Valuation (Lines 1 and 2). For each loan guarantee program, report in column 1 the face value of outstanding principal of guaranteed loans disbursed by a third party. In column 2, report the amount of this outstanding principal that is guaranteed. Also report the amount of new guaranteed loans disbursed for the current and prior reporting years.

B. Total (Line 3). Present the total of lines 1 and 2 for each category.

C. Other Information. Identify other information related to guaranteed loans outstanding that is necessary to understand the nature of the loan.

Figure 10-17. Liabilities for Loan Guarantees

Liabilities for Loan Guarantees				
As of *[Current and Prior Fiscal Period End Date]*	**Current FY**		**Prior FY**	
(Amounts in thousands)				
Liabilities for Loan Guarantees from Post-1991 (Present Value):				
1. Military Housing Privatization Initiative	$	$$$	$	$$$
2. Armament Retooling & Manufacturing Support Initiative		$$$		$$$
3. Total Loan Guarantee Liability (Post-1991)	$	$$$	$	$$$

101010. Instructions

Present the liabilities for loan guarantees for each loan guarantee program. Disclose and explain abnormal balances in accordance with paragraph 100208. Refer to the financial reporting guidance at ***DoD AFSR&A*** for additional information related to this disclosure.

A. Military Housing Privatization Initiative (Line 1). Report the present value of current and prior year estimated net cash flows (outflows less inflows) to be paid as a result of loan guarantees.

B. Armament Retooling & Manufacturing Support Initiative (Line 2). Report the present value of current year and prior year estimated net cash flows (outflows less inflows) to be paid as a result of loan guarantees.

C. Total Loan Guarantee Liability (Post–1991) (Line 3). Report the total of Post-1991 Loan Guarantee Liabilities from Line 1 and Line 2.

D. Other Information. Identify other information necessary to understand the nature of the loan guarantee liability.

Figure 10-18. Subsidy Expense for Loan Guarantees by Program

Subsidy Expense for Loan Guarantees by Program

As of *[Current and Prior Fiscal Period End Date]*

(Amounts in thousands)

(Current FY)	Interest Supplement	Defaults	Fees	Other	Total
1. New Loan Guarantees Disbursed:					
Military Housing Privatization Initiative	$ $$$	$ $$$	$ $$$	$ $$$	$ $$$
Armament Retooling & Manufacturing Support Initiative	$$$	$$$	$$$	$$$	$$$
Total	**$ $$$**	**$ $$$**	**$ $$$**	**$ $$$**	**$ $$$**
(Prior FY)	**Interest Supplement**	**Defaults**	**Fees**	**Other**	**Total**
2. New Loan Guarantees Disbursed:					
Military Housing Privatization Initiative	$ $$$	$ $$$	$ $$$	$ $$$	$ $$$
Armament Retooling & Manufacturing Support Initiative	$$$	$$$	$$$	$$$	$$$
Total	**$ $$$**	**$ $$$**	**$ $$$**	**$ $$$**	**$ $$$**
(Current FY)	**Modifications**	**Interest Rate Reestimates**	**Technical Reestimates**	**Total Reestimates**	**Total**
3. Modifications and Reestimates:					
Military Housing Privatization Initiative	$ $$$	$ $$$	$ $$$	$ $$$	$ $$$
Armament Retooling & Manufacturing Support Initiative	$$$	$$$	$$$	$$$	$$$
Total	**$ $$$**	**$ $$$**	**$ $$$**	**$ $$$**	**$ $$$**
(Prior FY)	**Modifications**	**Interest Rate Reestimates**	**Technical Reestimates**	**Total Reestimates**	**Total**
4. Modifications and Reestimates:					
Military Housing Privatization Initiative	$ $$$	$ $$$	$ $$$	$ $$$	$ $$$
Armament Retooling & Manufacturing Support Initiative	$$$	$$$	$$$	$$$	$$$
Total	**$ $$$**	**$ $$$**	**$ $$$**	**$ $$$**	**$ $$$**

	Current Year	Prior FY
5. Total Loan Guarantee:		
Military Housing Privatization Initiative	$ $$$	$ $$$
Armament Retooling & Manufacturing Support Initiative	$$$	$$$
Total	**$ $$$**	**$ $$$**

101011. Instructions

Report the estimated cash flows (on a present value basis) for the various subsidy expense components of the loan guarantee programs. Disclose and explain abnormal balances in accordance with paragraph 100208. Refer to the financial reporting guidance at ***DoD AFSR&A*** for additional information related to this disclosure.

A. Subsidy Expense for New Loan Guarantees Disbursed – Current Year (Line 1). For new guaranteed loans that were disbursed to the borrowers by the third party lenders during the current year, report related subsidy expense as follows: in column 1, interest supplement costs; in column 2, defaults (net of recoveries); in column 3, estimated fees collected (offsetting expense); in column 4, other (cash flows); and in column 5, the total of columns 1 through 4.

B. Subsidy Expense for New Loan Guarantees Disbursed – Prior Year (Line 2). For new guaranteed loans that were disbursed to the borrowers by the third party lenders during the prior year, report related subsidy expense as follows: in column 1, interest supplement costs; in column 2, defaults (net of recoveries); in column 3, estimated fees collected (offsetting expense); in column 4, other (cash flows); and in column 5, total of columns 1 through 4.

C. Loan Guarantee Modifications and Reestimates – Current Year (Line 3). Report in column 1 the current year's subsidy cost of modifications of loan guarantees previously made; in column 2, report the current year's subsidy cost for interest rate reestimates which are due to a change in interest rates from the rate assumed in budget preparation and used in calculating the subsidy expense to the rates that are prevailing at the time the guaranteed loan is disbursed; in column 3, report the current year's subsidy cost for technical reestimates due to changes made in projected cash flows under the terms of the loan guarantees after reevaluating all the risk factors as of the financial statement date, except for the effect of interest rate reestimates; in column 4, report the total of columns 2 and 3; and in column 5, report the total of loan guarantee modifications and reestimates for the current year which is the sum of columns 1 and 4.

D. Loan Guarantee Modification and Reestimates – Prior Year (Line 4). Report in column 1 the prior year's subsidy cost of modifications of loan guarantees previously made; in column 2, the prior year's subsidy cost for interest rate reestimates; in column 3, the prior year's subsidy cost for technical reestimates; in column 4, the total of column 2 and 3; in column 5, the total of loan guarantee modifications and reestimates for the prior year which is the sum of columns 1 and 4.

E. Total Loan Guarantee Subsidy Expense – Current Year (Line 5). Report in column 1 (Current FY) the total subsidy expense for the current year's loan guarantees, modifications, and reestimates. In column 2 (Prior FY), report the total subsidy expense for the prior year's loan guarantees, modifications, and reestimates.

F. Other Information. Identify other relevant information for loan guarantee programs subsidy expenses. If modifications were made, explain the nature of the modifications, the discount rate used in calculating the expense, and the basis for recognizing a gain or loss related to the modifications. Also, if appropriate, disclose that the subsidy expense resulting from reestimates that is included in the financial statements is not reported in the budget until the following year.

Figure 10-19. Subsidy Rates for Loan Guarantees

Subsidy Rates for Loan Guarantees by Program					
As of *[Current Fiscal Period End Date]*	Interest Supplements	Defaults	Fees and Other Collections	Other	Total
(Amounts in thousands)					
Budget Subsidy Rates for Loan Guarantees:					
1. Military Housing Privatization Initiative	XX.XX%	XX.XX%	XX.XX%	XX.XX%	XX.XX%
2. Armament Retooling & Manufacturing Support Initiative	XX.XX%	XX.XX%	XX.XX%	XX.XX%	XX.XX%

101012. Instructions

Report information on the subsidy rates for loan guarantees. Refer to the financial reporting guidance at ***DoD AFSR&A*** for additional information related to this disclosure.

A. Military Housing Privatization Initiative and Armament Retooling & Manufacturing Support Initiative (Lines 1 and 2). Disclose the estimated subsidy rates for the following components: Interest Supplement costs (column 1); Default costs (net of recoveries) (column 2); Fees and Other Collections (column 3); and Other costs (column 4). These estimated subsidy rates for loan guarantees are in the current year's budget (President's Budget).

1. Subsidy Rates. These rates should be consistent with rates published in the Loan Guarantees: Assumptions Underlying the FY Subsidy Estimates Table, contained in the Federal Credit Supplement to the Budget of the U.S. Government, which is a supporting document to the budget. Refer to the ***OMB Supplemental*** website for additional information.

2. Subsidy Rate Amount. Each subsidy rate is the dollar amount of the total subsidy or a subsidy component as a percentage of the guaranteed loans obligated. Entities may use trend data to display significant fluctuations in subsidy rates. Such trend data, if used, should be accompanied with analysis to explain the underlying causes for the fluctuations.

3. Subsidy Rate Applicability. The subsidy rates disclosed pertain only to the current year's cohorts. These rates cannot be applied to the guarantees of loans disbursed during the current reporting year to yield the subsidy expense. The subsidy expense for new loan guarantees reported in the current year could result from disbursements of loans from both current year cohorts and prior year(s) cohorts. The subsidy expense reported in the current year also includes modifications and reestimates.

Figure 10-20. Schedule for Reconciling Loan Guarantee Liability Balances for Post-1991 Loan Guarantees

Schedule for Reconciling Loan Guarantee Liability Balances for Post-1991 Loan Guarantees				
As of *[Current Fiscal Period End Date]*	**Current FY**		**Prior FY**	
(Amounts in thousands)				
Beginning Balance, Changes, and Ending Balance:				
1. Beginning Balance of the Loan Guarantee Liability	$	$$$	$	$$$
2. Add: Subsidy Expense for Guaranteed Loans Disbursed during the Reporting Years by Component				
A. Interest Supplement Costs	$	$$$	$	$$$
B. Default Costs (Net of Recoveries)		$$$		$$$
C. Fees and Other Collections		$$$		$$$
D. Other Subsidy Costs		$$$		$$$
E. Total of the above Subsidy Expense Components	$	$$$	$	$$$
3. Adjustments				
A. Loan Guarantee Modifications	$	$$$	$	$$$
B. Fees Received		$$$		$$$
C. Interest Supplements Paid		$$$		$$$
D. Foreclosed Property and Loans Acquired		$$$		$$$
E. Claim Payments to Lenders		$$$		$$$
F. Interest Accumulation on the Liability Balance		$$$		$$$
G. Other		$$$		$$$
H. Total of the above Adjustments	$	$$$	$	$$$
4. Ending Balance of the Loan Guarantee Liability Before Reestimates	$	$$$	$	$$$
5. Add or Subtract Subsidy Reestimates by Component				
A. Interest Rate Reestimate		$$$		$$$
B. Technical/Default Reestimate		$$$		$$$
C. Total of the above Reestimate Components	$	$$$	$	$$$
6. Ending Balance of the Loan Guarantee Liability	**$**	**$$$**	**$**	**$$$**

101013. Instructions

Display the reconciliation between the beginning and ending balances of the liability for outstanding loan guarantees reported in each entity's Balance Sheet based upon the following instructions. The reconciliation is required for loan guarantees committed on or after October 1, 1991, the effective date of the ***Federal Credit Reform Act of 1990***. Reporting entities are encouraged, but not required, to display reconciliations for loan guarantees committed prior to October 1, 1991, in schedules separate from the loan guarantees committed after September 30, 1991. Schedules for Pre-1992 loan guarantees would not have all the same reconciling items as for Post-1991 loan guarantees. Disclose and explain abnormal balances in accordance with paragraph 100208. Refer to the financial reporting guidance at ***DoD AFSR&A*** for additional information related to this disclosure.

A. Beginning Balance of the Loan Guarantee Liability (Line 1). Report on Line 1 the beginning balance of the loan guarantee liability.

B. Add: Subsidy Expense for Guaranteed Loans Disbursed during the Reporting Years by Component (Lines 2.A through 2.E). Report the components of subsidy expense for guaranteed loans disbursed: Interest Supplemental Costs; Default Costs (Net of Recoveries); Fees and Other Collections; and Other Subsidy Costs. Total the components of subsidy expense for guaranteed loans.

C. Adjustments (Lines 3.A through 3.H). Report the following adjustments for loan guarantees: Loan Guarantee Modifications; Fees Received; Interest Supplements Paid; Foreclosed Property and Loans Acquired; Claim Payments to Lenders; Interest Accumulation on the Liability Balance; and Other adjustments. Total the adjustments for loan guarantees.

D. Ending Balance of the Loan Guarantee Liability Before Reestimates (Line 4). Report on Line 4 the sum of Lines 1, 2.E, and 3.H.

E. Add or Subtract Subsidy Reestimates by Component (Lines 5.A through 5.C). Report Interest Rate Reestimates and Technical/Default Reestimates for loan guarantees and report the total for loan guarantees.

F. Ending Balance of the Loan Guarantee Liability (Line 6). Report the sum of Lines 4 and 5.C.

101014. Administrative Expenses

Administrative expenses are salaries and other administrative expenses that have been accounted for in support of the direct loan or loan guarantee programs. Disclose the administrative expenses related to the direct loans and loan guarantee programs.

1011 NOTE 9. INVENTORY AND RELATED PROPERTY

101101. Note Schedule Format

Figure 10-21. Inventory and Related Property

Note 9.	**Inventory and Related Property**				
As of *[Current and Prior Fiscal Period End Date]*			**Current FY**		**Prior FY**
(Amounts in thousands)					
1.	Inventory, Net	$	$$$	$	$$$
2.	Operating Materiel & Supplies, Net		$$$		$$$
3.	Stockpile Materiel, Net		$$$		$$$
4.	**Total**	**$**	**$$$**	**$**	**$$$**

101102. Instructions

In Figure 10-21, summarize the total amounts of Inventories and Other Related Property reported in Note 9. The Total (Line 4) should agree with the amount reported on the Balance Sheet. Disclose and explain abnormal balances in accordance with paragraph 100208. Refer to the reporting guidance at ***DoD AFSR&A*** for additional information related to this disclosure.

Figure 10-22. Inventory, Net

Inventory, Net				
As of *[Current Fiscal Period End Date]*	Current FY: Inventory, Gross Value	Current FY: Revaluation Allowance	Current FY: Inventory, Net	Valuation Method
(Amount in thousands)				
1. Inventory Categories				
A. Available and Purchased for Resale	$ $$$	$ $$$	$ $$$	LAC, MAC
B. Held for Repair	$$$	$$$	$$$	LAC, MAC
C. Excess, Obsolete, and Unserviceable	$$$	$$$	$$$	NRV
D. Raw Materiel	$$$	$$$	$$$	MAC, SP, LAC
E. Work in Process	$$$	$$$	$$$	AC
F. Total Inventory, Net	**$ $$$**	**$ $$$**	**$ $$$**	**$ $$$**
As of *[Prior Fiscal Period End Date]*	Prior FY: Inventory, Gross Value	Prior FY: Revaluation Allowance	Prior FY: Inventory, Net	Valuation Method
(Amount in thousands)				
1. Inventory Categories				
A. Available and Purchased for Resale	$ $$$	$ $$$	$ $$$	LAC, MAC
B. Held for Repair	$$$	$$$	$$$	LAC, MAC
C. Excess, Obsolete, and Unserviceable	$$$	$$$	$$$	NRV
D. Raw Materiel	$$$	$$$	$$$	MAC, SP, LAC
E. Work in Process	$$$	$$$	$$$	AC
F. Total Inventory, Net	**$ $$$**	**$ $$$**	**$ $$$**	**$ $$$**
Legend for Valuation Methods				
LAC = Latest Acquisition Cost	NRV = Net Realizable Value	MAC = Moving Average Cost		
SP = Standard Price	LCM = Lower of Cost or Market			
AC = Actual Cost	O = Other			

101103. Instructions

Report the current year and prior year net amount of each inventory category in accordance with the instructions provided in this chapter. Inventory categories include: Inventory Available and Purchased for Resale; Held for Repair; Excess, Obsolete and Unserviceable; Raw Materiel; and Work in Process. Disclose and explain abnormal balances in accordance with paragraph 100208. Refer to the financial reporting guidance at ***DoD AFSR&A*** for additional information related to this disclosure.

A. Valuation. Disclose the following for each category of inventory: in column 1, the gross amount recorded in the inventory system; in column 2, the revaluation allowance for holding gains (losses) on inventory, if any; in column 3 (column 1 plus column 2),

the net book value of the inventory; and in column 4, the valuation method used. The revaluation allowance represents adjustments to the recorded values in column 1 required to arrive at the value in column 3, in accordance with the applicable valuation methodology in column 4.

B. Valuation Method. Enter the appropriate valuation method using the codes from the legend for column 4: Latest Acquisition Cost (LAC) adjusted for holding gains and losses; Standard Price (SP); Actual Cost (AC); Net Realizable Value (NRV); Lower of Cost or Market (LCM); Other (O); and Moving Average Cost (MAC).

C. Available and Purchased for Resale (Line 1.A). Report inventory that is held for sale which includes consumable spare and repair parts, and repairable items owned and managed by DoD. This inventory includes materiel held due to a managerial determination that these items should be retained to support military or national contingencies.

D. Held for Repair (Line 1.B). Report inventory, held for repair, which includes damaged inventory that requires repairs to make it suitable for sale. DoD often relies on weapon systems and machinery no longer in production and encourages the repair and rebuilding of certain items. Inventory that has been identified as unserviceable, but not yet reviewed to determine its reparability, must be reported as held for repair. When an assessment has been conducted and it has been determined that it is not economically feasible to repair the item, the item must be reported as excess, obsolete and unserviceable.

*E. Excess, Obsolete, and Unserviceable (Line 1.C). Report inventory estimated to be potentially excess, obsolete, or beyond economic repair. Excess, obsolete, and unserviceable inventory must be valued at its expected net realizable value. Refer to the Volume 4, Chapter 4, paragraph 040303.D regarding the use of the net realizable value for excess inventory once this policy has been fully implemented by DoD.

F. Raw Materiel (Line 1.D). Report the raw materiel inventory.

G. Work in Process (Line 1.E). Report inventory that is work in process which includes costs related to the production or servicing of items, including direct materiel, direct labor, applied overhead, and other direct costs. This may also be used to accumulate the amount paid to a contractor under cost reimbursable contracts, including the amount withheld from payment to ensure performance, and the amount paid to other government plants for accrued costs of end items of materiel ordered but not yet delivered. Also, report work in process at depot maintenance activities.

H. Total Inventory, Net (Line 1.F). Report the sum of Lines 1.A. through 1.E. The amounts reported in columns 3 and 4 of this note should equal the amounts reported on Line 1 of Note 9 (the summary note for Inventory and Other Related Property), paragraph 101101.

I. Definitions of Inventory Gross Value, Revaluation Allowance, and Inventory, Net Columns. Column 1, Inventory, Gross Value, represents the standard value used

for inventory transactions in the financial system. Column 2, Revaluation Allowance, represents the difference between standard inventory values and either historical cost or net realizable value. Column 3, Inventory, Net, is approximate historical cost or net realizable value. Column 4, is the applicable valuation methodology used to arrive at the net inventory value.

J. Other Information (Related to Inventory). Disclose other information for the inventory component of the Inventory and Related Property line item on the reporting entity's Balance Sheet. At a minimum, reporting entities must disclose the following required information for Inventory, Net: (1) general composition of inventory, (2) changes from prior year's accounting methods, (3) restrictions on the use, sale and disposition of inventory or a statement disclosing that there are no restrictions, (4) restrictions on disposition of inventory as related to environmental or other liabilities, (5) decision criteria for identifying the category to which inventory is assigned, and (6) changes in the criteria for identifying the category to which inventory is assigned.

Figure 10-23. Operating Materiel and Supplies, Net

Operating Materiel and Supplies, Net				
As of *[Current Fiscal Period End Date]*	Current FY			
	OM&S, Gross Value	Revaluation Allowance	OM&S, Net	Valuation Method
(Amounts in thousands)				
1. OM&S Categories				
A. Held for Use	$ $$$	$ $$$	$ $$$	SP,LAC,MAC
B. Held for Repair	$$$	$$$	$$$	SP,LAC,MAC
C. Excess, Obsolete, and Unserviceable	$$$	$$$	$$$	NRV
D. Total OM&S	**$ $$$**	**$$$**	**$ $$$**	
As of *[Prior Fiscal Period End Date]*	**Prior FY**			
	OM&S, Gross Value	**Revaluation Allowance**	**OM&S, Net**	**Valuation Method**
(Amounts in thousands)				
1. OM&S Categories				
A. Held for Use	$ $$$	$ $$$	$ $$$	SP,LAC,MAC
B. Held for Repair	$$$	$$$	$$$	SP,LAC,MAC
C. Excess, Obsolete, and Unserviceable	$$$	$$$	$$$	NRV
D. Total OM&S	**$ $$$**	**$$$**	**$ $$$**	

Legend for Valuation Methods:		
LAC = Latest Acquisition Cost	NRV = Net Realizable Value	O = Other
SP = Standard Price	LCM = Lower of Cost or Market	
AC = Actual Cost	MAC = Moving Average Cost	

101104. Instructions

Report the current year and prior year net amount of each OM&S category in accordance with the instructions provided in this chapter. OM&S include spare and repair parts, ammunition, tactical missiles, aircraft configuration pods, and centrally managed aircraft engines. OM&S categories include held for use; held for repair; and excess, obsolete, and unserviceable. Disclose and explain abnormal balances in accordance with paragraph 100208. Refer to the financial reporting guidance at ***DoD AFSR&A*** for additional information related to this disclosure.

A. Valuation. Disclose the following for each category of OM&S: in column 1, the gross amount reported in the inventory system; in column 2, the allowance for gains (losses) on OM&S, if any; in column 3 (column 1 plus column 2), the net book value; in column 4, the valuation method used. The amounts identified in column 2, revaluation allowance, represent the adjustment to the recorded value in column 1 that is required to arrive at the historical cost reported in column 3.

B. Held for Use (Line 1.A). Report OM&S Held for Use, which includes all issuable materiel.

C. Held for Repair (Line 1.B). Report OM&S Held for Repair, which includes all economically reparable materiel. OM&S that has been identified as unserviceable, but not yet reviewed to determine its reparability, must be reported as Held for Repair. When an assessment has been conducted and it has been determined that it is not economically feasible to repair the item, then the item must be reported as excess, obsolete, and unserviceable.

*D. Excess, Obsolete, and Unserviceable (Line 1.C). Report OM&S estimated to be potentially excess, obsolete, or beyond economic repair. Excess, obsolete, and unserviceable operating materials and supplies must be valued at their expected net realizable value. Refer to Volume 4, Chapter 4, paragraph 040202.C. regarding the use of the net realizable value for excess operating materials and supplies.

E. Total OM&S (Line 1.D). Report the sum of Lines 1.A through 1.C. The amounts reported on Line 1.D, column 3 of this note should equal the amounts reported on Line 2 of Note 9 (the summary note for Inventory and Related Property), paragraph 101101.

F. Valuation Method. Enter the appropriate valuation method using the codes from the following legend for column 4: Latest Acquisition Cost (LAC), adjusted for holding gains and losses; Standard Price (SP); Actual Cost (AC); Net Realizable Value (NRV); Lower of Cost or Market (LCM); Other (O); and Moving Average Cost (MAC).

G. Other Information (Related to OM&S). Disclose other information for the OM&S component of the Inventory and Related Property line item on the entity's Balance Sheet. At a minimum, reporting entities must disclose the following required information for OM&S, net: (1) general composition of OM&S; (2) changes from prior year's accounting methods; (3) restrictions on the use of OM&S or a statement disclosing that there are not restrictions; (4) decision criteria for identifying the category to which OM&S is assigned; and (5) changes in the criteria for identifying the category to which OM&S is assigned where applicable.

Figure 10-24. Stockpile Materiel, Net

Stockpile Materiel, Net				
As of *[Current Fiscal Period End Date]*	Current FY: Stockpile, Materiel Amount	Current FY: Allowance for Gains (Losses)	Current FY: Stockpile Materiel, Net	Valuation Method
(Amount in thousands)				
1. Stockpile Materiel Categories				
A. Held for Sale	$ $$$	$ $$$	$ $$$	AC, LCM, MAC
B. Held in Reserve for Future Sale	$$$	$$$	$$$	AC, LCM
C. Total	**$ $$$**	**$ $$$**	**$ $$$**	
As of *[Prior Fiscal Period End Date]*	Prior FY: Stockpile, Materiel Amount	Prior FY: Allowance for Gains (Losses)	Prior FY: Stockpile Materiel, Net	Valuation Method
(Amount in thousands)				
1. Stockpile Materiel Categories				
A. Held for Sale	$ $$$	$ $$$	$ $$$	AC, LCM, MAC
B. Held in Reserve for Future Sale	$$$	$$$	$$$	AC, LCM
C. Total	**$ $$$**	**$ $$$**	**$ $$$**	

Legend for Valuation Methods

LAC = Latest Acquisition Cost
SP = Standard Price
AC = Actual Cost
NRV = Net Realizable Value
LCM = Lower of Cost of Market
O = Other
MAC = Moving Average Cost

101105. Instructions

This category of inventory is reserved for use exclusively within the Department by the National Defense Stockpile Transaction Fund. Report the current year and prior year net amount of each inventory category in accordance with the instructions provided in this chapter. The stockpile materiel categories are "Held for Sale" and "Held in Reserve for Future Sale". Stockpile materiel is strategic and critical materiel, held due to statutory requirements, for use in national defense, conservation or national emergencies. All materiel held by the Defense National Stockpile is classified as Materiel Held in Reserve until congressional action declares the materiel no longer required to be stockpiled, and available for sale on the open market. When the authorization to offer materiel for sale is received, the materiel is reclassified to Materiel Held for Sale. Disposals cannot be made from the stockpile except for: (1) necessary upgrading, refining, or processing; (2) necessary rotation to prevent deterioration; (3) determination as excess with potential financial loss if retained; or (4) as authorized by law.

Disclose and explain abnormal balances in accordance with paragraph 100208. Refer to the financial reporting guidance at ***DoD AFSR&A*** for additional information related to this disclosure.

A. Valuation. For each category of Stockpile Materiel, disclose the amount reported in the logistics system in column 1; the allowance for gains (losses) on stockpile materiel, if any, in column 2; and the net book value of stockpile materiel (column 1 plus column 2) in column 3.

B. Valuation Method. Enter the appropriate valuation method using the codes from the legend for column 4: Latest Acquisition Cost (LAC), Standard Price (SP), Actual Cost (AC), Net Realizable Value (NRV), Other (O), Lower Cost of Market (LCM), and Moving Average Cost (MAC.)

C. Total Stockpile Materiel (Line 1.C). Report the total amounts for Stockpile Materiel in columns 3. These total amounts should equal the amounts reported on Line 3 of Note 9 (the summary note for Inventory and Related Property), paragraph 101101.

D. Other Information. Disclose other information for the Stockpile Materiel component of the Inventory and Other Related Property, Net line item on the Balance Sheet. At a minimum, the following information must be disclosed: (a) general composition of the stockpile materiel; (b) changes in prior year accounting methods; (c) restrictions on the use of materiel; (d) decision criteria for any stockpile materiel “Held for Sale;” (e) changes in the criteria for categorizing stockpile materiel as “Held for Sale;” and (f) estimated market price of stockpile materiel "Held for Sale."

1012 NOTE 10. GENERAL PROPERTY, PLANT, AND EQUIPMENT, NET

Figure 10-25. General PP&E, Net, Note Schedule Format

Note 10. General PP&E, Net

As of *[Current Fiscal Period End Date]*	▪ Current FY				
	Depreciation/ Amortization Method	**Service Life**	**Acquisition Value**	**(Accumulated Depreciation/ Amortization)**	**Net Book Value**
(Amounts in thousands)					
1. Major Asset Classes			▪	▪	▪
A. Land	N/A	N/A	$$$	N/A	$$$
B. Buildings, Structures, and Facilities	S/L	20 or 40	$$$	$$$	$$$
C. Leasehold Improvements	S/L	Lease Term	$$$	$$$	$$$
D. Software	S/L	2-5 or 10	$$$	$$$	$$$
E. General Equipment	S/L	5 or 10	$$$	$$$	$$$
F. Military Equipment	S/L	Various	$$$	$$$	$$$
G. Assets Under Capital Lease[1]	S/L	Lease Term	$$$	$$$	$$$
H. Construction-in-Progress (Excludes Military Equipment)	N/A	N/A	$$$	N/A	$$$
I. Other			$$$	$$$	$$$
J. Total General PP&E			**$ $$$**	**$ $$$**	**$ $$$**

* See [1] Note 15 for additional information on Capital Leases

Legend for Depreciation/Amortization Methods:	
S/L = Straight Line	N/A = Not Applicable

Figure 10-25. General PP&E, Net, Note Schedule Format (continued)

As of *[Prior Fiscal Period End Date]*	Prior FY				
	Depreciation/ Amortization Method	**Service Life**	**Acquisition Value**	**(Accumulated Depreciation/ Amortization)**	**Net Book Value**
(Amounts in thousands)					
1. Major Asset Classes					
A. Land	N/A	N/A	$ $$$	N/A	$ $$$
B. Buildings, Structures, and Facilities	S/L	20 or 40	$$$	$$$	$$$
C. Leasehold Improvements	S/L	Lease Term	$$$	$$$	$$$
D. Software	S/L	2-5 or 10	$$$	$$$	$$$
E. General Equipment	S/L	5 or 10	$$$	$$$	$$$
F. Military Equipment	S/L	Various	$$$	$$$	$$$
G. Assets Under Capital Lease[1]	S/L	Lease Term	$$$	$$$	$$$
H. Construction-in-Progress (Excludes Military Equipment)	N/A	N/A	$$$	N/A	$$$
I. Other			$$$	$$$	$$$
J. Total General PP&E			**$ $$$**	**$ $$$**	**$ $$$**

* See [1] Note 15 for additional information on Capital Leases

Legend for Depreciation/Amortization Methods:	
S/L = Straight Line	N/A = Not Applicable

101201. Instructions

Report the current year and prior year General PP&E by major class. Recognition and measurement criteria for general PP&E are in the ***SFFAS No. 6***, "Accounting for Property, Plant, and Equipment," as amended by ***SFFAS No. 11*****,** "Amendments to Accounting for PP&E – Definitional Changes," ***SFFAS No. 16,*** "Amendments to Accounting for PP&E - Multi-Use Heritage Assets," and ***SFFAS No. 23,*** "Eliminating the Category National Defense Property, Plant, and Equipment." Additional references to review are ***SFFAS No. 10***, "Accounting for Internal Use Software" and ***SFFAS No. 35,*** "Estimating the Historical Cost of General Property, Plant, and Equipment - Amending Statements of Federal Financial Accounting Standards 6 and 23." Disclose and explain abnormal balances in accordance with paragraph 100208. Refer to the financial reporting guidance at ***DoD AFSR&A*** for additional information related to this disclosure.

A. Depreciation/Amortization Method (Column 1). Report the depreciation or amortization method used: Straight Line (S/L) or Not Applicable (N/A).

B. Service Life (Column 2). Report the range of service life by Major Asset Class (e.g., 5, 10, 20 or 40 years) based on DoD Standard Recovery Periods contained in Volume 4, Chapter 6.

C. Acquisition Value (Column 3). Report acquisition costs or estimated values by major asset class.

1. Assets Under Capital Lease (Line 1.G). For assets under capital lease, report the lesser of the present value or the fair value of the asset. The present value will be calculated (using either the lessor's implicit rate or the U.S. Treasury borrowing rate) of the rental or other lease payments during the lease term, and will exclude that portion of the payments representing executory costs paid to the lessor. Include a cross-reference to Note 15, "Other Liabilities", for additional information on capital leases.

2. Other (Line 1.I). Separately disclose as a subcomponent of Line 1.J any material amounts by Major Asset Class. Material is defined as any component of the "other" line that is greater than, or equal to, 10 percent of the value of the line.

D. Accumulated Depreciation/Amortization (Column 4). Report the accumulated depreciation/amortization through the current reporting period depreciation, by Major Asset Class.

E. Net Book Value (Column 5). Report the net book value of each Major Asset Class (acquisition cost less accumulated depreciation/amortization) in column 5 (column 3 plus column 4). The total of this column (Line 1.J) should agree with the amounts on the reporting entity's Balance Sheet.

F. General PP&E in the Possession of Contractors. Property in the hands of contractors is to be reported in accordance with Volume 4, Chapter 6.

G. Other Information. Disclose in the narrative sections of this note other relevant information for the General PP&E line item on the reporting entity's Balance Sheet.

1. Adjustments. If adjustments are required to existing PP&E in the period that the standards are implemented, in order to comply with the recognition and measurement criteria, the adjustments should be made and disclosed by Major Asset Class in accordance with the standard.

2. General Disclosures Related to General PP&E. Disclose the required information pertaining to General PP&E, such as: (a) restrictions on the use or convertibility of General PP&E (e.g., Outside the Continental U.S. real property) or a statement disclosing that there are no restrictions; (b) capitalization thresholds, including any changes in thresholds during the period; and (c) adjustments from changes in the accounting standards. If the acquisition cost is unknown for certain types or significant amounts of General PP&E, DoD Components must disclose the valuation method used to estimate the value reported.

3. Other. Disclose any item that is greater than, or equal to, 10 percent of the line titled "Other" (Line 1.I).

*101202. Heritage Assets

Heritage Assets are items of historical, natural significance, cultural, educational, or artistic (e.g., aesthetic) importance; or items with significant architectural characteristics. Heritage Assets are expected to be preserved indefinitely. Entities with Stewardship PP&E are required by ***SFFAS No. 29***, "Heritage Assets and Stewardship Land", to reference a note on the Balance Sheet where required disclosures relative to these assets are contained. Rather than a separate note, DoD discloses Heritage Assets with the General PP&E note.

Figure 10-26. Heritage Assets

Categories	Measure Quantity	Beginning Balance	Additions	Deletions	Ending Balance
Buildings and Structures	Each	$$$	$$$	$$$	$$$
Archeological Sites	Each	$$$	$$$	$$$	$$$
Museum Collection Items (Objects, Not Including fine art)	Each	$$$	$$$	$$$	$$$
Museum Collection Items (Objects, fine art)	Each	$$$	$$$	$$$	$$$

A. Reporting. Reporting entities will disclose the beginning counts, additions, deletions, and ending counts of their Heritage Assets, by category for the period presented. Disclose the quantity of Multi-Use Heritage Assets (i.e., Heritage Asset buildings used predominantly for government operations) in the schedule, as well as reported as General PP&E.

Categories. Heritage Assets will be reported within the following categories.

a. Buildings and Structures. Building and Structures include buildings and structures that are listed on or eligible for listing on the National Register of Historic Places, including Multi-Use Heritage Assets. This category also includes National Historic Landmarks; buildings or structures that are contributing elements to districts listed on or eligible for the National Register of Historic Places or a National Historic Landmark District; and buildings and structures designated eligible in the National Register of Historic Places for purposes of Program Alternatives.

b. Archeological Sites. Archeological Sites include sites that have been identified, evaluated, and determined to be eligible for or are listed on the National Register of Historic Places.

c. Museum Collection Items. Museum Collection Items include items which are unique for one or more of the following reasons: historical or natural significance; cultural, educational or artistic importance; or significant technical or architectural characteristics. Museum collection items are divided into two subcategories: fine art and

objects. Fine art includes paintings, sculptures and other three dimensional art. Objects are current use, excess, obsolete, or condemned material; war trophies; personal property such as uniforms, medals, or diaries, and military equipment.

B. Disclosures. The following disclosures will be made for Heritage Assets (no asset dollar amounts will be made with the disclosures). Refer to the financial reporting guidance at ***DoD AFSR&A*** for additional information related to this disclosure.

1. A concise statement explaining how heritage assets relate to the reporting entity's mission.

2. A brief description of the reporting entity's stewardship policies for heritage assets. Stewardship policies for heritage assets are the goals and principles the reporting entity established to guide its acquisition, maintenance, use, and disposal of heritage assets consistent with statutory requirements, prohibitions, and limitations governing the entity and the heritage assets and/or stewardship land.

3. A concise description of each of the major categories of heritage assets. The appropriate level of categorization should be meaningful and determined by the reporting entity based on the entity's mission, types of assets, and how it manages the assets.

4. The number of physical units by major category of heritage assets use for which the entity is the steward, as of the end of the reporting period; physical units added and withdrawn during the year, and a description of the methods of acquisition and withdrawal.

5. Deferred Maintenance and Repair information regarding heritage assets should be reported in Required Supplementary Information (RSI) at year end only.

*101203. Stewardship Land

Stewardship Land is land and land rights owned by the Federal Government, but not acquired for, or in connection with, items of General PP&E. "Acquired for or in connection with" is defined as including land acquired with the intent to construct General PP&E and land acquired in combination with General PP&E. Each DoD Component responsible for such land will report Land classified as Stewardship Land. Without exception, all land provided to the Department from the public domain or at no cost, will be classified as Stewardship Land, regardless of its use. ***SFFAS No. 29*** requires entities with Stewardship PP&E to reference a note on the Balance Sheet where required disclosures relative to these assets are contained. Rather than a separate note, DoD discloses Stewardship Land within the General PPE note.

Figure 10.27. Stewardship Lands

Facility Code	Facility Title	Beginning Balance	Additions	Deletions	Ending Balance
9110	Government Owned Land	X	X	X	X
9111	State Owned Land	X	X	X	X
9120	Withdrawn Public land	X	X	X	X
9130	Licensed and Permitted Land	X	X	X	X
9140	Public Land	X	X	X	X
9210	Land Easement	X	X	X	X
9220	In-leased Land	X	X	X	X
9230	Foreign Land	X	X	X	X
				Grand Total	X
				TOTAL - All Other Lands	X
				TOTAL – Stewardship Land	X

A. Reporting. Reporting entities will disclose the beginning counts, additions, deletions, and ending counts of their Stewardship Land, by category. Report the facility codes and category descriptions. The predominant categories authorized for use as per Department of Defense Instruction (DoDI) ***4165.14***, "Real Property Inventory and Forecasting".

1. Government Owned Land (Facility Code 9110) and State Owned Land (Facility Code 9111). This is land held in public trust and will be reported as Stewardship Land;

2. Withdrawn Public Land (Facility Code 9120). This is land held in public trust and will be reported as Stewardship Land;

3. Licensed and Permitted Land (Facility Code 9130);

4. Public Land (Facility Code 9140). This is land held in public trust and will be reported as Stewardship Land;

5. Land Easement (Facility Code 9210);

6. In-leased Land (Facility Code 9220); and

7. Foreign Land (Facility Code 9230).

B. Disclosures. The following disclosures will be made for Stewardship Land (no asset dollar amounts will be made with the disclosures). Refer to the financial reporting guidance at ***DoD AFSR&A*** for additional information related to this disclosure.

1. A concise statement explaining how stewardship land relates to the reporting entity's mission.

2. A brief description of the reporting entity's stewardship policies for stewardship land. Stewardship policies for stewardship land are the goals and principles the reporting entity established to guide its acquisition, maintenance, use, and disposal of heritage assets consistent with statutory requirements, prohibitions, and limitations governing the entity and the heritage assets and/or stewardship land.

3. A concise description of each of the major categories of stewardship land. The appropriate level of categorization should be meaningful and determined by the reporting entity based on the entity's mission, types of lands, and how it manages the land.

4. The number of physical units by major category of stewardship land use for which the entity is the steward as of the end of the reporting period. This includes physical acres added and withdrawn during the year and a description of the methods of acquisition and withdrawal.

5. Deferred Maintenance and Repair for stewardship land should be reported in RSI at year end only.

101204. Note 10. Assets Under Capital Lease, Note Schedule Format

Figure 10-28. Assets Under Capital Lease

Assets Under Capital Lease				
As of *[Current Fiscal Period End Date]*	**Current FY**		**Prior FY**	
(Amounts in thousands)				
1. Entity as Lessee, Assets Under Capital Lease				
A. Land and Buildings	$	$$$	$	$$$
B. Equipment		$$$		$$$
C. Accumulated Amortization		$$$		$$$
D. Total Capital Leases	**$**	**$$$**	**$**	**$$$**

101205. Instructions

Report the Assets under Capital Lease by categories of land, building or equipment. Disclose and explain abnormal balances in accordance with paragraph 100208. Refer to the financial reporting guidance at ***DoD AFSR&A*** for additional information related to this disclosure.

A. Summary of Assets Under Capital Lease (Lines 1.A through 1.D). By major category of asset, report the gross assets under capital lease and the total accumulated amortization. Sum the total of Lines 1.A through 1.C on Line 1.D. The amounts reported on line 1.D. should equal the amount reported on line 1.G of Figure 10-25, "General PP&E, Net".

B. Information Related to Assets Under Capital Leases. Disclose any additional information related to assets under capital leases. Provide a narrative with all dollar amounts and reasons for this additional disclosure.

1013 NOTE 11. LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

Figure 10-29. Liabilities Not Covered by Budgetary Resources

Note 11.	**Liabilities Not Covered by Budgetary Resources**			
As of *[Current Fiscal Period End Date]*		**Current FY**		**Prior FY**
(Amounts in thousands)				
1. Intragovernmental Liabilities				
A. Accounts Payable	$	$$$	$	$$$
B. Debt		$$$		$$$
C. Other Liabilities		$$$		$$$
D. Total Intragovernmental Liabilities	$	$$$	$	$$$
2. Nonfederal Liabilities				
A. Accounts Payable	$	$$$	$	$$$
B. Military Retirement Benefits and Other Federal Employee Benefits		$$$		$$$
C. Environmental Liabilities		$$$		$$$
D. Other Liabilities		$$$		$$$
E. Total Nonfederal Liabilities	$	$$$	$	$$$
3. Total Liabilities Not Covered by Budgetary Resources	$	$$$	$	$$$
4. Total Liabilities Covered by Budgetary Resources	$	$$$	$	$$$
5. Total Liabilities	**$**	**$$$**	**$**	**$$$**

101301. Instructions

Report the Liabilities Not Covered by Budgetary Resources which are liabilities for which Congressional action is needed before budgetary resources can be provided. Disclose and explain abnormal balances in accordance with paragraph 100208. Refer to the financial reporting guidance at ***DoD AFSR&A*** for additional information related to this disclosure.

A. Liabilities Not Covered by Budgetary Resources (Lines 1 and 2). The amounts reported on Lines 1.A through 1.C of this note represent the portion of intragovernmental liabilities not covered by budgetary resources for Accounts Payable (Line 1.A); Debt (Line 1.B); and Other (intragovernmental) Liabilities (Line 1.C). Report on Line 1.D the sum of intragovernmental liabilities (Lines 1.A through 1.C). The amounts reported on Lines 2.A through 2.D of this note represent the portion of nonfederal liabilities not covered by budgetary resources for Accounts Payable (Line 2.A); Military Retirement Benefits and Other

Federal Employee Benefits (Line 2.B); Environmental Liabilities (Line 2.C); and Other (nonfederal) Liabilities (Line 2.D). Report on Line 2.E. the sum of nonfederal liabilities (Lines 2.A through 2.D).

B. Total Liabilities Not Covered by Budgetary Resources (Line 3). Report on Line 3 the sum of Line 1.D and Line 2.E.

C. Total Liabilities Covered by Budgetary Resources (Line 4). Report on Line 4 the total amount of liabilities covered by budgetary resources. Budgetary resources include: (1) new budget authority; (2) spending authority from offsetting collections; (3) recoveries of unexpired budget authority through downward adjustments of prior year obligations; (4) unobligated balances of budgetary resources at the beginning of the year or net transfers of prior year balances during the year; and (5) permanent indefinite appropriations or borrowing authority, which have been enacted and signed into law as of the Balance Sheet date, provided that the resources may be apportioned by the OMB without further action by the Congress or without a contingency first having to be met.

D. Total Liabilities (Line 5). The amount reported on Line 5 is the sum of Line 3 and Line 4. Line 5 should equal the amount reported on the reporting entity's Balance Sheet.

E. Information Related to Liabilities Not Covered by Budgetary Resources. Disclose why material amounts and sensitive areas such as accounts payable and debt are not covered. Provide other information needed to understand the nature of liabilities not covered by budgetary resources. All entities reporting a balance on line 2B should disclose that Military Retirement Benefits and Other Federal Employment Benefits Not Covered by Budgetary Resources which comprise various employee actuarial liabilities not due and payable during the current fiscal year. These liabilities are primarily comprised of [Identify the content of Line 2B] $XXX. Refer to Note 17, "Military Retirement and Other Federal Employment Benefits", for additional details and disclosures.

F. Other Liabilities. Disclose all items that are greater than, or equal to, 10 percent of the total Intragovernmental Other Liabilities and Nonfederal Other Liabilities. If no amount encompasses 10 percent or more, state the amount is attributable to multiple items.

1014 NOTE 12. ACCOUNTS PAYABLE

Figure 10-30. Accounts Payable

Note 12. Accounts Payable			
As of *[Current Fiscal Period End Date]*	**Current FY**		
	Accounts Payable	**Interest, Penalties, and Administrative Fees**	**Total**
(Amounts in thousands)			
1. Intragovernmental Payables	$ $$$	N/A	$ $$$
2. Nonfederal Payables (to the Public)	$ $$$	$ $$$	$ $$$
3. Total	**$ $$$**	**$ $$$**	**$ $$$**
As of *[Prior Fiscal Period End Date]*	**Prior FY**		
	Accounts Payable	**Interest, Penalties, and Administrative Fees**	**Total**
(Amounts in thousands)			
1. Intragovernmental Payables	$ $$$	N/A	$ $$$
2. Nonfederal Payables (to the Public)	$ $$$	$ $$$	$ $$$
3. Total	**$ $$$**	**$ $$$**	**$ $$$**

101401. Instructions

Report the current year and prior year accounts payable for intragovernmental and nonfederal payables. Disclose and explain abnormal balances in accordance with paragraph 100208. Refer to the financial reporting guidance at ***DoD AFSR&A*** for additional information related to this disclosure.

A. Intragovernmental Payables (Line 1). Disclose in column 1, that portion of the reporting entity's payables owed to other Federal entities (intragovernmental), e.g., for goods or services ordered and received but not yet paid. Interest, penalties and administrative fees in column 2 are not applicable to intragovernmental payables. In column 3, report the sum of columns 1 and 2. Report in column 3 the prior period amount for Intragovernmental Accounts Payable. The amount reported in column 3 must equal the total Intragovernmental Accounts Payable reported on the Balance Sheet.

B. Nonfederal Payables (to the Public) (Line 2). Disclose in column 1, the portion of the reporting entity's accounts payable that are owed to the public, e.g., for goods or services ordered and received but not yet paid. Report the interest, penalties, and administrative

fees in column 2. In column 3, report the sum of columns 1 and 2. The amount reported in column 3 must equal the total Nonfederal Accounts Payable reported on the Balance Sheet.

C. Total (Line 3). Report the sum of Lines 1 and 2 for columns 1 through 3.

D. Other Information. Disclose any other information needed to understand the nature of accounts payable being reported. Reporting Entities who are unable to track customer information at the transaction level must make additional disclosures. Disclose that the Reporting Entity's systems do not track intragovernmental transactions by customer at the transaction level. Therefore, internal DoD buyer-side balances are adjusted to agree with internal seller-side balances for revenue, accounts receivable, and unearned revenue. Accounts payable were adjusted by [Cite methodology: (1) reclassifying accounts between Federal and nonfederal accounts payable or (2) accruing additional accounts payable and expenses].

1015 NOTE 13. DEBT

Figure 10-31. Debt

Note 13. Debt			
As of *[Current Fiscal Period End Date]*	Current FY		
	Beginning Balance	Net Borrowing	Ending Balance
(Amounts in thousands)			
1. Agency Debt (Intragovernmental)			
A. Debt to the Treasury	$ $$$	$ $$$	$ $$$
B. Debt to the Federal Financing Bank	$$$	$$$	$$$
C. Total Agency Debt	$ $$$	$ $$$	$ $$$
2. Total Debt	**$ $$$**	**$ $$$**	**$ $$$**
As of *[Prior Fiscal Period End Date]*	Prior FY		
	Beginning Balance	Net Borrowing	Ending Balance
(Amounts in thousands)			
1. Agency Debt (Intragovernmental)			
A. Debt to the Treasury	$ $$$	$ $$$	$ $$$
B. Debt to the Federal Financing Bank	$$$	$$$	$$$
C. Total Agency Debt	$ $$$	$ $$$	$ $$$
2. Total Debt	**$ $$$**	**$ $$$**	**$ $$$**

101501. Instructions

Report the net amount of debt in accordance with the instructions provided in this chapter. Agency Debt (Intragovernmental) includes debt to the U.S. Treasury and debt to the Federal Financing Bank. Disclose and explain abnormal balances in accordance with paragraph 100208. Refer to the financial reporting guidance at ***DoD AFSR&A*** for additional information related to this disclosure.

A. Agency Debt (Lines 1.A through 1.C). For the current year and prior year, report the amount of debt owed to the U.S. Treasury, which includes direct loan and guaranteed loan financing account liabilities to the U.S. Treasury, as well as other debt owed to the U.S. Treasury on Line 1.A. Report the amount of debt owed to the Federal Financing Bank on Line 1.B. Line 1.C is the sum of Lines 1.A and 1.B. Report the beginning balance of borrowings in column 1; the current year net borrowing in column 2; and the ending current year balance in column 3.

B. Total Debt (Line 2). Report the amount reported on Line 1.C. Also, the Ending Balance on Line the 2 of this note must equal the balance for "Debt" on the reporting entity's Balance Sheet.

C. Information Related to Debt. Provide other information needed to understand the nature of debt (e.g., write offs of debts owed to the U.S. Treasury or the Federal

Financing Bank) which includes direct loans and guaranteed loans financing account liabilities disclosed in paragraph 101001.

1. Disclose that the outstanding debt consists of interest and principal due to the U.S. Treasury and the Federal Financing Bank. State the specific purpose for which the reporting entity borrows funds.

2. Disclose that the reporting entity must pay the debt if borrowers (e.g. foreign country, ship leasing, or housing builder) default on the loan. For loan guarantees, the reporting entity must pay the amount of outstanding principal guaranteed.

1016 NOTE 14. ENVIRONMENTAL LIABILITIES AND DISPOSAL LIABILITIES

Figure 10-32. Environmental Liabilities and Disposal Liabilities

Note 14.	**Environmental Liabilities and Disposal Liabilities**	
As of *[Current Fiscal Period End Date]*		**Current Year Total**
(Amounts in thousands)		
1. **Environmental Liabilities—Nonfederal**		
A. Accrued Environmental Restoration Liabilities		
1. Active Installations - Installation Restoration Program (IRP) and Building Demolition and Debris Removal (BD/DR)		$ $$.$$
2. Active Installations - Military Munitions Response Program (MMRP)		$$.$$
3. Formerly Used Defense Sites - IRP and BD/DR		$$.$$
4. Formerly Used Defense Sites - MMRP		$$.$$
B. Other Accrued Environmental Liabilities - Non BRAC		
1. Environmental Corrective Action		$$.$$
2. Environmental Closure Requirements		$$.$$
3. Environmental Response at Operational Ranges		$$.$$
4. Asbestos		$$.$$
5. Non-Military Equipment		$$.$$
6. Other		$$.$$
C. Base Realignment and Closure Installations		
1. Installation Restoration Program		$$.$$
2. Military Munitions Response Program		$$.$$
3. Environmental Corrective Action / Closure Requirements		$$.$$
4. Asbestos		$$.$$
5. Non-Military Equipment		$$.$$
6. Other		$$.$$
D. Environmental Disposal for Military Equipment/Weapons Programs		
1. Nuclear Powered Military Equipment/Spent Nuclear Fuel		$$.$$
2. Non-Nuclear Powered Military Equipment		$$.$$
3. Other Weapon Systems		$$.$$
E. Chemical Weapons Disposal Program		
1. Chemical Demilitarization – Chemical Materials Agency (CMA)		$$.$$
2. Chemical Demilitarization – Assembled Chemical Weapons Alternatives (ACWA)		$$.$$
3. Other		$$.$$
2. Total Environmental Liabilities		**$ $$.$$**

Figure 10-32. Environmental Liabilities and Disposal Liabilities (continued)

Note 14.	Environmental Liabilities and Disposal Liabilities		
As of *[Current Fiscal Period End Date]*			Prior Year Total
(Amounts in thousands)			
1. Environmental Liabilities—Nonfederal			
A. Accrued Environmental Restoration Liabilities			
1. Active Installations - Installation Restoration Program (IRP) and Building Demolition and Debris Removal (BD/DR)		$	$$.$$
2. Active Installations - Military Munitions Response Program (MMRP)			$$.$$
3. Formerly Used Defense Sites - IRP and BD/DR			$$.$$
4. Formerly Used Defense Sites - MMRP			$$.$$
B. Other Accrued Environmental Liabilities - Non BRAC			
1. Environmental Corrective Action			$$.$$
2. Environmental Closure Requirements			$$.$$
3. Environmental Response at Operational Ranges			$$.$$
4. Asbestos			$$.$$
5. Non-Military Equipment			$$.$$
6. Other			$$.$$
C. Base Realignment and Closure Installations			
1. Installation Restoration Program			$$.$$
2. Military Munitions Response Program			$$.$$
3. Environmental Corrective Action / Closure Requirements			$$.$$
4. Asbestos			$$.$$
5. Non-Military Equipment			$$.$$
6. Other			$$.$$
D. Environmental Disposal for Military Equipment/Weapons Programs			
1. Nuclear Powered Military Equipment/Spent Nuclear Fuel			$$.$$
2. Non-Nuclear Powered Military Equipment			$$.$$
3. Other Weapon Systems			$$.$$
E. Chemical Weapons Disposal Program			
1. Chemical Demilitarization – Chemical Materials Agency (CMA)			$$.$$
2. Chemical Demilitarization – Assembled Chemical Weapons Alternatives (ACWA)			$$.$$
3. Other			$$.$$
2. Total Environmental Liabilities		**$**	**$$.$$**

101601. Instructions

Present current year and prior year Environmental Liabilities in accordance with the instructions provided in this chapter, and the corresponding policy guidance presented in Volume 4, Chapter 13. Disclose and explain abnormal balances for any line item on the financial statement and applicable note schedule in accordance with paragraph 100208. Refer to the financial reporting guidance at ***DoD AFSR&A*** for additional information related to this disclosure.

A. Total Environmental Liabilities. The total environmental liability must be reported for each line in the schedule at Figure 10-32.

1. Environmental Liabilities Cost Estimates. Cost estimates consider, on a current cost basis, the anticipated costs of the level of effort required for remediating environmental cleanup sites, in compliance with associated environmental legal and regulatory requirements, and estimated environmental costs associated with the future closure of operations, including closure and disposal of PP&E. Such cost estimates must be based on the current technology available. The estimated liability may be a specific amount or a range of amounts. If some amount within the range is considered a better estimate than any other estimate, that amount must be used. If no amount within a range is considered a better estimate than the other estimates, the minimum amount in the range must be used, and the range disclosed under the note narrative.

a. The amount to be reported should be based on site level investigations and characterizations. Any estimate produced must be based on site specific information and cost models validated in accordance with DoDI ***5000.61***.

b. As investigation at a specific site proceeds, the estimate should be refined and reported as appropriate. NOTE: If a site (Site "A") is similar to another site (Site "B") for which valid cost estimates have been derived (through site level investigation and characterization), the estimate for recognizing a liability for the site (Site "A") could be based on the valid cost estimate for the similar site (Site "B"). Additionally, the estimated cost of a future study (if required) must be recognized. If there is no comparable site, then the remediation cost for the site (Site "A") is not considered reasonably estimable at this time, but the anticipated cost of conducting a future study plus any other required costs must be recognized.

c. All methods used to estimate the costs for this line (including the number of sites and costs estimates that are derived using data from similar sites) must be disclosed in note narrative, as well as any elements that could not be estimated.

B. Nonfederal Environmental Liabilities. All environmental liabilities are nonfederal liabilities and should be reported on lines 1.A.1 through 1.E.3. of the schedule at Figure 10-32.

1. Accrued Environmental Restoration Liabilities (Line 1.A). Accrued Environmental Restoration (cleanup) Liabilities represent the cost to correct past environmental problems that are funded from the Environmental Restoration Accounts in accordance with "Management Guidance for the Defense Environmental Restoration Program (***DERP***)" and Volume 4, Chapter 13. These liabilities relate to PP&E, including acquired land and Stewardship Land, which are major asset categories described in Volume 4, Chapter 6. Environmental restoration activities may be conducted at operating installations and Formerly Used Defense Sites (FUDS), and other than operational ranges. Site inventory and estimated cost data prepared for the Defense Environmental Program Annual Report to the Congress is the baseline for environmental restoration (cleanup) liability measurement (e.g., the current cost to

acquire the required services). The following subparagraphs describe in more detail the categories of liabilities to be reported, as well as the applicable lines.

a. Active Installations - Installation Restoration Program (IRP) and Building Demolition and Debris Removal (BD/DR) (Line 1.A.1). This line represents the environmental liabilities associated with remedial actions eligible for funding under the ***DERP***. NOTE: Cleanup not eligible for DERP funding is reported in Line 1.B.1. These remedial actions may address:

(1) Hazardous substances, pollutants, and contaminants as defined in the Comprehensive Environmental Response, Compensation Liability Act (CERCLA);

(2) Hazardous waste or hazardous constituents addressed under the Resource Conservation Recovery Act (RCRA) corrective action process or other Federal or state statutes and regulations;

(3) Military munitions (e.g., Unexploded Ordnance (UXO) or Waste Military Munitions (WMM)), chemical residues from military munitions, and munitions scrap at locations other than operational ranges associated with an active installation, when the environmental restoration activity is incidental to the IRP environmental restoration activity; or

(4) Building Demolition/Debris Removal (BD/DR) program category is the demolition and removal of unsafe buildings and structures at facilities or sites owned by, leased to, or otherwise possessed by the U.S. and under the jurisdiction of the Secretary of Defense. For additional detail, refer to the Management Guidance for the ***DERP*** (Chapters 6 and 7) for program category definitions and funding eligibility criteria, respectively.

b. Active Installations-Military Munitions Response Program (MMRP) (Line 1.A.2). This line represents the environmental liabilities associated with the MMRP category that is defined as response actions (e.g., the identification, investigation, and removal actions, remedial actions, or a combination of removal and remedial actions) to address military munitions (e.g., UXO or WMM) or the chemical residues of munitions at locations other than operational ranges. The contamination may include munitions, chemical residues from military munitions and munitions scrap at ranges other than operational ranges associated with active installations that pose a threat to human health or the environment. Refer to the Management Guidance for the ***DERP*** (Chapters 6 and 7) for more details on the definition of the MMRP category and funding eligibility criteria, respectively.

c. Formerly Used Defense Sites-IRP and BD/DR (Line 1.A.3). This line represents properties that meet the FUDS eligibility criteria described in the Management Guidance for the ***DERP***. Include only those projects that address DoD hazardous, toxicological, and radiological waste (HTRW) and containerized HTRW (CON/HTRW) (e.g., storage tanks). Include environmental response actions related to hazardous substances (as defined in the CERCLA), pollutants or contaminants (as defined in the CERCLA), and DoD-unique materials. The BD/DR program category is defined as the demolition and removal of

unsafe buildings and structures at facilities or sites that are or were owned by, leased to, or otherwise possessed by the U.S. and under the jurisdiction of the Secretary of Defense. For additional detail, refer to the Management Guidance for the ***DERP*** (Chapters 6 and 7) for program category definitions and funding eligibility criteria, respectively.

d. Formerly Used Defense Sites - MMRP (Line 1.A.4). This line represents properties that meet the FUDS eligibility criteria described in the Management Guidance for the ***DERP***. This line represents the environmental liabilities associated with the identification, investigation, and removal or remedial actions (or a combination of removal and remedial actions) to address military munitions (e.g., UXO or WMM), chemical residues from military munitions, and munitions scrap for those sites that are FUDS eligible. NOTE: Liabilities associated with remediation of contamination from non-munitions related activities must be included in line 1.A.3.

2. Other Accrued Environmental Liabilities - Non BRAC (Line 1.B). This line represents the costs to remediate cleanup sites that are not eligible for funding from Environmental Restoration Accounts. Other Accrued Environmental Liabilities also include environmental costs associated with the future closure of operations, including closure and disposal of PP&E. Although hazardous waste cleanup and disposal activities are normally thought of as a cost of ongoing operations, associated activities remain a liability if not disposed of or cleaned up by the financial reporting date. Thus, environmental conditions that result from current operations and require immediate cleanup, e.g. an oil spill or routine hazardous waste disposal, are not considered environmental liabilities and should be recognized as a current operating expense, assuming the DoD Component completes the cleanup, closure and disposal action in the current reporting period. The following subparagraphs describe in more detail the categories of liabilities to be reported, as well as the applicable lines.

a. Environmental Corrective Action (Line 1.B.1). This line represents those environmental liabilities associated with the cleanup sites not eligible for funding under the DERP, typically conducted under RCRA or other Federal or state statutes and regulations.

b. Environmental Closure Requirements (Line 1.B.2). This line represents the environmental liability associated with the future closure/decommissioning of facilities on an active installation that have environmental closure requirements. Examples include the future costs associated with closing a solid waste landfill, waste water treatment plant, fuel storage tanks, or permit requirements associated with treatment, storage and disposal facilities, and open burn/open detonation sites.

c. Environmental Response at Operational Ranges (Line 1.B.3). This line represents the environmental liability associated with the identification, investigation, and removal and remedial actions to address environmental contamination emanating from an operational range.

d. Asbestos (Line 1.B.4). This line represents environmental liability associated with the removal, containment, and/or disposal of friable (immediate health

threat) and nonfriable (not an immediate health threat): (1) asbestos-containing materials from property, or (2) material and/or property that consists of asbestos-containing material at permanent or temporary closure or shutdown of associated PP&E on non-Base Realignment and Closure (BRAC) installations.

e. Non-Military Equipment (Line 1.B.5). This line represents environmental liabilities resulting from the disposal of non-military equipment on non-BRAC installations. Non-Military equipment is equipment that is not intended to carry out battlefield missions. Environmental liability cost estimates associated with disposal include, on a current cost basis, the anticipated level of effort required to comply with environmental Federal, state, and/or local statute, regulation, or other legal agreement specific to the equipment decommissioning and/or disposal.

f. Other (Line 1.B.6). This line covers environmental liabilities not covered by lines 1.B.1 through 1.B.5. Disclose the specific liabilities addressed in this line in a schedule.

3. Base Realignment and Closure (BRAC) Installations (Line 1.C). This line includes the cost to address environmental cleanup at bases that are realigning or closing. These liabilities can be from either past activities which are part of DERP or from activities that are not covered by DERP.

a. Installation Restoration Program (IRP) (Line 1.C.1). This line represents the environmental liabilities associated with remedial actions eligible for funding under the DERP. NOTE: BRAC cleanup not eligible for DERP funding is reported in Line 1.C.3. These remedial actions may address:

(1) Hazardous substances, pollutants, and contaminants as defined in the CERCLA,

(2) Hazardous waste or hazardous constituents being addressed under the RCRA corrective action process or other Federal or state statutes and regulations,

(3) Military munitions (e.g., UXO or WMM), chemical residues from military munitions, and munitions scrap at BRAC installations, when the environmental restoration activity is incidental to the IRP environmental restoration activity.

b. Military Munitions Response Program (MMRP) (Line 1.C.2). This line represents the environmental liabilities associated with the MMRP that is defined as response actions (e.g., the identification, investigation, and removal actions, remedial actions, or a combination of removal and remedial actions) to address military munitions (e.g., UXO or WMM) or the chemical residues of munitions at locations other than operational ranges. The contamination may include munitions, chemical residues from military munitions, and munitions scrap at BRAC Installations (e.g., MMRP that pose a threat to human health or the

environment). Refer to the Management Guidance for the ***DERP*** for more details on the definition of the MMRP category and funding eligibility criteria, respectively.

c. Environmental Corrective Action/Closure Requirements (Line 1.C.3). This line represents those environmental liabilities associated with cleanup sites not eligible for funding under the DERP, typically conducted under RCRA or other Federal or state statutes and regulations. This line also includes the environmental liability associated with the future closure of facilities that have environmental closure requirements. Examples include the future costs associated with closing a solid waste landfill, waste water treatment plant, fuel storage tanks, or permit requirements associated with treatment, storage and disposal facilities, and open burn - open detonation sites.

d. Asbestos (Line 1.C.4). This line represents environmental liability associated with the removal, containment, and disposal of friable (immediate health threat) and nonfriable (not an immediate health threat). The environmental liability includes: (1) asbestos containing materials from property, or (2) material and property that consist of asbestos containing material at permanent or temporary closure or shutdown of associated PP&E on BRAC installations.

e. Non-Military Equipment (Line 1.C.5). This line represents environmental liabilities resulting from the disposal of non-military equipment on BRAC installations. Non-military equipment is considered equipment that is not intended to carry out battlefield missions. Environmental liability cost estimates associated with disposal include, on a current cost basis, the anticipated level of effort required to comply with environmental Federal, state, and local statute, regulation, or other legal agreement specific to the equipment decommissioning and disposal.

f. Other (Line 1.C.6). This line covers environmental liabilities not covered by lines 1.C.1 through 1.C.5. Disclose the specific liabilities addressed in this line in a schedule.

4. Environmental Disposal for Military Equipment/Weapons Programs (Line 1.D). This line represents environmental disposal liabilities related to the final disposition of military equipment. Military equipment is comprised of items such as weapon systems and other equipment designed to carry out battlefield missions such as combat aircraft, pods, combat ships, support ships, satellites, and combat vehicles. Report the Environmental Disposal Liabilities on lines 1.D.1 through 1.D.3.by the following line items:

a. Nuclear Powered Military Equipment/Spent Nuclear Fuel (Line 1.D.1). This line represents environmental disposal liabilities related to the nuclear powered military equipment and used fuel.

b. Non - Nuclear Powered Military Equipment (Line 1.D.2). This line represents environmental disposal liabilities related to the non-nuclear powered military equipment and used fuel.

c. Other Weapons Systems (Line 1.D.3). This line covers environmental liabilities associated with disposal of military equipment/weapons systems not covered by lines 1.D.1 and 1.D.2. Disclose the specific liabilities addressed in this line in a schedule.

5. Chemical Weapons Disposal Program (Line 1.E). This line represents environmental remediation and disposal liabilities related to chemical agents. Report on lines 1.E.1 through line 1.E.3. Environmental Disposal Liabilities by the following line items:

a. Chemical Demilitarization – Chemical Materials Agency (Line 1.E.1). This line covers liabilities associated with the disposal of chemical constituents of military munitions, including the chemical byproducts of detonation, deflagration, or other reactive processes. These constituents are unconsumed explosives (even in trace concentrations) from the detonation of military munitions, explosives released by the structural compromise of unfired waste military munitions, and chemical agents released from chemical munitions.

b. Chemical Demilitarization – Assembled Chemical Weapon Alternatives (Line 1.E.2). This line covers liabilities associated with assembled chemical weapon alternatives. Assembled chemical weapon alternatives refer to weapons that contain a chemical agent in addition to explosives, propellant, and packaging materials. Examples include rockets, projectiles, and bombs.

c. Other (Line 1.E.3). This line covers environmental liabilities associated with chemical weapons disposal not covered by lines 1.E.1 through 1.E.2.

C. Total Environmental Liabilities (Line 2). The amount reported on this line equals the sum of lines 1.A.1 through 1.E.3.

D. Other Information Related to Environmental Liabilities. Provide the narrative disclosures as outlined; each section will have captions so the disclosures are readily segregated.

1. Applicable Laws and Regulations of Cleanup, Closure, and/or Disposal Requirements. DoD Components should address each of the applicable laws and regulations that are the source of their environmental liabilities. DoD is required to clean up contamination resulting from past waste disposal practices, leaks, spills, and other past activities, which have created a public health or environmental risk. DoD does this in coordination with regulatory agencies, and if applicable, with other responsible parties. The Department is also required to recognize closure and post-closure environmental costs for its General PP&E and environmental corrective action costs for current operations. Each of the Department's major reporting entities is responsible for tracking and reporting all required environmental information related to environmental restoration costs, other accrued environmental costs, environmental disposal costs of weapons systems, and environmental costs related to the BRAC actions. Examples of relevant laws and regulations that should be considered for discussion include, but are not limited to:

a. CERCLA

b. Superfund Amendments and Reauthorization Act

c. Clean Water Act

d. Safe Drinking Water Act

e. Clean Air Act

f. RCRA

g. Toxic Substances Control Act

h. Atomic Energy Act

i. Nuclear Waste Policy Act

j. Low Level Radioactive Waste Policy Amendments Act

2. Methods for Assigning Total Cleanup, Closure, and/or Disposal Costs to Current Operating Periods.

a. DoD Components should provide the method for assigning the estimated total cleanup, closure, and disposal costs to the current operating periods. DoD Components should not confuse this with how they budget for the liabilities. The Department policy is to comply with the accounting standards.

b. The Department uses engineering estimates and independently validated models to estimate environmental costs. The models are contained within the Remedial Action Cost Engineering Requirements and the Normalization of Data System. The Department validates the models in accordance with DoDI ***5000.61*** and primarily uses the models to estimate the liabilities based on data received during a preliminary assessment and initial site investigation. The Department primarily uses engineering estimates after obtaining extensive data during the remedial investigation/feasibility phase of the environmental project. Once the environmental cost estimates are complete, the Department complies with accounting standards to assign costs to current operating periods. The Department has already expensed the costs for cleanup associated with General PP&E placed into service prior to October 1, 1997 unless the costs are intended to be recovered through user charges. If the costs are recovered through user charges, then the Department expenses that portion of the asset that has passed since the General PP&E was placed into service and is systematically recognizing the remaining cost over the life of the assets. For General PP&E placed into service after September 30, 1997, the Department expenses the associated environmental costs systematically over the life of the asset. The Department expenses the full cost to cleanup contamination for stewardship PP&E at the time the asset is placed into service. The Department uses two methods

for systematic recognition: physical capacity for operating landfills and life expectancy in years for all other assets.

3. Provide a Description of the Types of Environmental Liabilities and Disposal Liabilities Identified. DoD Components should provide a general statement describing the types of their environmental and disposal liabilities. An example which could apply is as follows: "DERP sites at active installations, BRAC installations, FUDS, sites at active installations that are not covered by DERP, weapon systems programs, and chemical weapons disposal programs are required to provide a description of the environmental and/or disposal liabilities. DoD Components are required to cleanup DERP and sites not covered by DERP in coordination with regulatory agencies, other responsible parties, and current property owners. The weapons systems program consists of chemical weapons disposal, nuclear powered aircraft carriers, nuclear powered submarines, and other nuclear ships."

4. Nature of Estimates and the Disclosure of Information Regarding Possible Changes due to Inflation, Deflation, Technology, Plans or Applicable Laws and Regulations. DoD Components should specifically identify any environmental liabilities that they know may change due to inflation, deflation, technology, plans and/or pending changes to applicable laws and/or regulations. If no known changes are pending, DoD Components should state that they are not aware of any pending changes but the liabilities can change in the future due to changes in laws and regulations, changes in agreements with regulatory agencies, and advances in technology.

5. Provide a Description of the Level of Uncertainty Regarding the Accounting Estimates used to Calculate the Reported Environmental Liabilities. DoD Components should provide a detailed description of the uncertainties regarding estimates of significant situations, (e.g., BRAC closures, environmental related disposals, ranges, chemical agents, and munitions). The disclosure should include a general statement followed with the specific details known about the uncertainties. The general statement could apply as follows: "The environmental liabilities for the Department are based on accounting estimates which require certain judgments and assumptions that we believe are reasonable based upon information available to us at the time of calculating the estimates. The actual results may vary materially from the accounting estimates if agreements with regulatory agencies require remediation to a different degree than anticipated when calculating the estimates. The liabilities can be further impacted if further investigation of the environmental sites discloses contamination different than known at the time of the estimates." The disclosure should provide specific details such as: "In addition to the liabilities reported, (*DoD Component*) has a liability to take environmental restoration/corrective action for buried chemical munitions and agents. (*DoD Component*) is unable to provide a reasonable estimate at this time because the extent of the buried chemical munitions and agents is not known." DoD Components should also disclose in this paragraph any liabilities that based on a range of estimated amounts.

6. Unrecognized Costs. DoD Components should provide the unrecognized portion of the estimated total cleanup, closure, or disposal costs associated with General PP&E. For General PP&E placed in service on or after October 1, 1997, DoD Components should systematically recognize the liability over the useful life of the assets. The

unrecognized portion of the total cleanup should equal the estimated total cleanup costs less the amount that is recognized on the financial statements. Please refer to Volume 4, Chapter 13, paragraph 130202 for further information on General PP&E requiring systematic recognition of the environmental liability.

7. Other Disclosures. DoD Components should provide any other information they believe material to the users of the financial statements.

101602. Definitions

The term liability, as defined by the FASAB, means a probable and measurable future outflow of resources arising from past transactions or events. While some categories of environmental liabilities and environmental disposal liabilities in Note 14 are self-explanatory (e.g., nuclear powered aircraft carriers, submarines, and other ships), the definitions are provided for clarity and to ensure consistency of reporting.

A. Environmental Liabilities. An environmental liability is a future outflow or expenditure of resources that exist as of the financial reporting date for environmental cleanup, closure, and/or disposal costs resulting from past transactions or events. A DoD environmental liability exists when: (1) contamination is present or likely to be present; (2) environmental cleanup, closure, and/or disposal is required by lease contracts, Federal, state, and/or local statute, regulation, or other legal agreement; and (3) the operations that created the liability are DoD related. An environmental liability may also exist if environmental contamination is not DoD related, but DoD enters into a binding agreement that formally accepts financial responsibility for cleanup, closure, and/or disposal. For accounting policy on measuring, recognizing, and disclosing environmental liabilities refer to Volume 4, Chapter 13.

B. Military Munitions. Military munitions are all ammunition products and components produced or used by or for DoD or the U.S. Armed Services for national defense and security, including military munitions under the control of DoD, the U.S. Coast Guard, the U.S. Department of Energy (DOE), and National Guard personnel. The term “military munitions” includes confined gaseous, liquid, and solid propellants; explosives; pyrotechnics; chemical and riot-control agents; smokes and incendiaries used by DoD Components, including bulk explosives and chemical warfare agents, chemical munitions, rockets, guided and ballistic missiles, bombs, warheads, mortar rounds, artillery ammunition, small arms ammunition, grenades, mines, torpedoes, depth charges, cluster munitions and dispensers, demolition charges, and devices and components. Military munitions do not include wholly inert items, improvised explosive devices, nuclear weapons, nuclear devices, and nuclear components. However, the term does include non-nuclear components of nuclear devices, managed under DOE's nuclear weapons program, after all required sanitation operations under the Atomic Energy Act of 1954, as amended, have been completed. Military munitions include munitions scrap, unexploded ordnance, WMM, and chemical residue.

1. Munitions Scrap. Munitions scrap includes the metal components of military munitions that remain from the destruction, detonation, demilitarization, or treatment of military munitions. Munitions scrap does not include concentrations of explosives or other

materiel associated with the scrap munitions that pose hazards to health, safety, or the environment.

2. Unexploded Ordnance. UXO includes military munitions that have been primed, fused, armed, or otherwise prepared for action, and have been fired, dropped, launched, projected, or placed in such a manner as to constitute a hazard to operations, installations, personnel, or materiel and remain unexploded either by malfunction, design, or any other cause.

3. Waste Military Munitions. For purposes of this document, WMM are defined as:

a. An unused munition that was abandoned by being disposed of, burned or incinerated, or treated prior to disposal.

b. A used or fired munition that was recovered, collected, and disposed of by burial, land-filling, or land treatment.

c. Explosive contaminated environmental media (e.g., soils, water, or air) where the concentration of the explosive present is sufficient to detonate or deflagrate when exposed to a strong initiating force or when the explosives are present at a concentration sufficient to make the soil a reactive hazardous waste under Title 40, Code of Federal Regulations, Section ***261.23***. Such contaminated media are to be managed as explosives and are subject to the explosives safety requirements (e.g., the hazard classification) applicable to the explosive present.

4. Chemical Residues from Military Munitions. Chemical residues from military munitions include the chemical byproducts of detonation, deflagration, or other reactive processes. Examples include unconsumed explosives (even in trace concentrations) from the detonation of a military munitions; explosives released by the structural compromise of an unfired waste military munitions; residues from the destruction of excess propellant bags in the course of training; and chemical agents released from chemical munitions.

C. Ranges. Ranges are designated land or water area set aside, managed, and used to conduct research, develop, test, and evaluate military munitions and explosives, other ordnance or weapon systems, or to train military personnel in their use and handling. Ranges include firing lines and positions, maneuver areas, firing lanes, test pads, detonation pads, impact areas, and buffer zones with restricted access and exclusionary areas. Military ranges also include bodies of water located within the boundaries of a military range (e.g., a stream, lake, or pond) or that are themselves a range (e.g., an offshore range in the Atlantic or Pacific Ocean). Such water areas include all waters of the U.S. (as defined under the Clean Water Act) and those ocean waters extending out to 200 nautical miles from the U.S. coast. A military range may be a single site or may be comprised of several sites. For the purposes of this document, there are two types of ranges, operational and other than operational, as described.

1. Operational Range. For purposes of this document, an operational range includes military ranges that are currently in service and are being regularly used for range activities. Operational ranges also include military ranges that are not currently being used, but: (a) are still considered by the cognizant Military Service to be a potential range area; and (b) have not been put to a new use that is incompatible with range activities.

2. Other Than Operational Range. For purposes of this document, a range that is other than operational includes closed, transferring, and transferred ranges. It is important to note that while other than operational ranges that meet the funding eligibility criteria for the MMRP category are addressed by DERP; there are MMRP sites that are not associated with a range. For more details, refer to the Management Guidance for the ***DERP*** (Chapters 6 and 7) for program category definitions and funding eligibility criteria, respectively.

a. Closed Range. A closed range is a military range that has been taken out of service as a range and that either has been put to new uses that are incompatible with range activities or is not considered by the military to be a potential range area. A closed range is still under the control of a DoD Component. For purposes of funding, a range that is transferring from DoD control through land transfer actions other than BRAC should be considered "closed." For purposes of funding, a range transferred from DoD control that was not transferred as a result of BRAC and that is not FUDS eligible is considered "closed."

b. Transferred Range. A transferred range is a property formerly used as a military range that is no longer under military control and has been leased by DoD, transferred, or returned from DoD to another entity, including Federal entities. A transferred range includes a military range that is no longer under military control, but was used under the terms of a withdrawal, executive order, special use permit or authorization, right-of-way, public land order, or other instrument issued by the Federal land manager. For purposes of funding, a range transferred from DoD control that is not transferred as a result of BRAC and that is not FUDS eligible is considered "closed."

c. Transferring Range. A transferring range is a military range that is proposed to be transferred or returned from DoD to another entity, including Federal entities. A transferring range includes a military range that is used under the terms of a withdrawal, executive order, act of Congress, public land order, special use permit or authorization, right-of-way, or other instrument issued by the Federal land manager or property owner. An active, inactive, or a closed range will not be considered a "transferring range" until the transfer is imminent. For purposes of funding, a range that is transferring from DoD control through land transfer actions other than BRAC is considered "closed."

1017 NOTE 15. OTHER LIABILITIES

Figure 10-33. Other Liabilities

Note 15. Other Liabilities				
As of *[Current Fiscal Period End Date]*	Current FY			
	Current Liability	Noncurrent Liability	Total	
(Amount in thousands)				
1. Intragovernmental				
A. Advances from Others	$ $$$	$ $$$	$ $$$	
B. Deposit Funds and Suspense Account Liabilities	$$$	$$$	$$$	
C. Disbursing Officer Cash	$$$	$$$	$$$	
D. Judgment Fund Liabilities	$$$	$$$	$$$	
E. FECA Reimbursement to the Department of Labor	$$$	$$$	$$$	
F. Custodial Liabilities	$$$	$$$	$$$	
G. Employer Contribution and Payroll Taxes Payable	$$$	$$$	$$$	
H. Other Liabilities	$$$	$$$	$$$	
I. Total Intragovernmental Other Liabilities	$ $$$	$ $$$	$ $$$	
2. Nonfederal				
A. Accrued Funded Payroll and Benefits	$ $$$	$ $$$	$ $$$	
B. Advances from Others	$$$	$$$	$$$	
C. Deferred Credits	$$$	$$$	$$$	
D. Deposit Funds and Suspense Accounts	$$$	$$$	$$$	
E. Temporary Early Retirement Authority	$$$	$$$	$$$	
F. Nonenvironmental Disposal Liabilities:				
(1) Military Equipment (Nonnuclear)	$$$	$$$	$$$	
(2) Excess/Obsolete Structures	$$$	$$$	$$$	
(3) Conventional Munitions Disposal	$$$	$$$	$$$	
G. Accrued Unfunded Annual Leave	$$$	$$$	$$$	
H. Capital Lease Liability	$$$	$$$	$$$	
I. Contract Holdbacks	$$$	$$$	$$$	
J. Employer Contribution and Payroll Taxes Payable	$$$	$$$	$$$	
K. Contingent Liabilities	$$$	$$$	$$$	
L. Other Liabilities	$$$	$$$	$$$	
M. Total Nonfederal Other Liabilities	$ $$$	$ $$$	$ $$$	
3. Total Other Liabilities	**$ $$$**	**$ $$$**	**$ $$$**	

Figure 10-33. Other Liabilities (continued)

As of *[Prior Fiscal Period End Date]*	Prior FY		
	Current Liability	Noncurrent Liability	Total
(Amount in thousands)			
1. Intragovernmental			
A. Advances from Others	$ $$$	$ $$$	$ $$$
B. Deposit Funds and Suspense Account Liabilities	$$$	$$$	$$$
C. Disbursing Officer Cash	$$$	$$$	$$$
D. Judgment Fund Liabilities	$$$	$$$	$$$
E. FECA Reimbursement to the Department of Labor	$$$	$$$	$$$
F. Custodial Liabilities	$$$	$$$	$$$
G. Employer Contribution and Payroll Taxes Payable	$$$	$$$	$$$
H. Other Liabilities	$$$	$$$	$$$
I. Total Intragovernmental Other Liabilities	$ $$$	$ $$$	$ $$$
2. Nonfederal			
A. Accrued Funded Payroll and Benefits	$ $$$	$ $$$	$ $$$
B. Advances from Others	$$$	$$$	$$$
C. Deferred Credits	$$$	$$$	$$$
D. Deposit Funds and Suspense Accounts	$$$	$$$	$$$
E. Temporary Early Retirement Authority	$$$	$$$	$$$
F. Nonenvironmental Disposal Liabilities:			
(1) Military Equipment (Nonnuclear)	$$$	$$$	$$$
(2) Excess/Obsolete Structures	$$$	$$$	$$$
(3) Conventional Munitions Disposal	$$$	$$$	$$$
G. Accrued Unfunded Annual Leave	$$$	$$$	$$$
H. Capital Lease Liability	$$$	$$$	$$$
I. Contract Holdbacks	$$$	$$$	$$$
J. Employer Contribution and Payroll Taxes Payable	$$$	$$$	$$$
K. Contingent Liabilities	$$$	$$$	$$$
L. Other Liabilities	$$$	$$$	$$$
M. Total Nonfederal Other Liabilities	$ $$$	$ $$$	$ $$$
3. Total Other Liabilities	**$ $$$**	**$ $$$**	**$ $$$**

101701. Instructions

Present Other Liabilities for the current and prior fiscal years that are not included elsewhere on the Balance Sheet based upon the instructions in the chapter. Disclose and explain abnormal balances in accordance with paragraph 100208. Refer to the financial reporting guidance at ***DoD AFSR&A*** for additional information related to this disclosure.

A. General Guidance on Other Liabilities

1. Other Liabilities include, but are not limited to capital lease liabilities; insurance; advances and prepayment from others; deposit fund amounts held in escrow; contingent liabilities; contract holdbacks; accrued liabilities related to ongoing continuous expenses, such as Federal employee salaries and accrued employee annual leave; and resources payable to the U.S. Treasury and other accrued liabilities.

2. Clean up costs will not be included in Other Liabilities because they are reported as environmental liabilities or the environmental portion of disposal costs in the Environmental Liabilities and Disposal Liabilities note (Note 14).

3. Contingent liabilities must be reported on the Other Liabilities line of the Balance Sheet. All the following conditions must be met for a contingent liability to be recognized: (a) a past event or exchange transaction has occurred; (b) a future outflow or other sacrifice of resources is probable; and (c) the future outflow or sacrifice of resources is measurable. The amount to be reported (recognized) on the Balance Sheet is the total amount of the estimated probable loss. Examples of claims or other contingencies include: (a) indemnity agreement reimbursements due to licensees or contractors for losses incurred in support of Federal activities; (b) adjudicated claims against the Federal Government that are in the process of judicial proceedings; and (c) the unfunded portion of total liabilities to international institutions.

4. Current liabilities represent debt due to be paid within 12 months of the Balance Sheet date. Noncurrent liabilities represent debt that is due to be paid beyond 12 months from the Balance Sheet date.

B. Intragovernmental (Lines 1.A through 1.H). Report Intragovernmental Other Liabilities on Lines 1.A through 1.H.

1. Advances from Others (Line 1.A). Report in column 1 the current portion of the liability. Report in column 2 the noncurrent portion of the liability. Report in column 3 the sum of column 1 and column 2, representing the total.

2. Deposit Funds and Suspense Account Liabilities (Line 1.B). Report in column 1 the current portion of the liability. Report in column 2 the noncurrent portion of the liability. Report in column 3 the sum of column 1 and column 2, representing the total.

3. Disbursing Officer Cash (Line 1.C). Report in column 1 the current portion of the liability. Report in column 2 the noncurrent portion of the liability. Report in column 3 the sum of column 1 and column 2, representing the total.

4. Judgment Fund Liabilities (Line 1.D). Report in column 1 the current portion of the liability. Report in column 2 the noncurrent portion of the liability. Report in column 3 the sum of column 1 and column 2, representing the total. Include liabilities for

reimbursements due to the judgment fund for claims paid by the judgment fund related to the DoD reporting entity.

5. Federal Employees' Compensation Act Reimbursement to the Department of Labor (Line 1.E). The Federal Employees' Compensation Act (FECA) provides benefit coverage for death, disability, medical, and miscellaneous costs for approved cases of on the job incidents. FECA claims are submitted to and approved by the Department of Labor (DOL). DOL pays the claim holders, then prepares a charge back billing to the responsible Agencies. Public law 93-416, Section 8147 essentially gives agencies two years to pay this charge back bill, allowing time for the amount to be included in their budgets. Under the FECA law, once funding is received, it should be paid within 30 days. If DoD still has some amounts outstanding, these amounts should be reflected as covered by budgetary resources and an explanation for late payment is required. Report in column 1 the current portion of the liability. Report in column 2 the noncurrent portion of the liability. Report in column 3 the sum of column 1 and column 2, representing the total liability for FECA reimbursement to the DOL.

6. Custodial Liabilities (Line 1.F). Report in column 1 the current portion of the liability. Report in column 2 the noncurrent portion of the liability. Report in column 3 the sum of column 1 and column 2, representing the total.

7. Employer Contribution and Payroll Taxes Payable (Line 1.G). Report in column 1 the current portion of the liability. Report in column 2 the noncurrent portion of the liability. Report in column 3 the sum of column 1 and column 2, representing the total.

8. Other Liabilities (Line 1.H). Report in column 1 the current portion of the liability. Report in column 2 the noncurrent portion of the liability. Report in column 3 the sum of column 1 and column 2, representing the total.

9. Total Intragovernmental Other Liabilities (Line 1.I). The amounts reported represent the sum of Lines 1.A through Lines 1.H. for each column (1, 2, and 3). Also, line 1.I of this note should equal the amount reported on the reporting entity's Balance Sheet. In addition, disclose the total Intragovernmental portion of other liabilities not covered by budgetary resources in the Liabilities Not Covered by Budgetary Resources, Note 11.

C. Nonfederal Other Liabilities (Lines 2.A through 2.L). Report Nonfederal Other Liabilities.

1. Accrued Funded Payroll and Benefits (Line 2.A). Report in column 1 the current portion of the liability. Report in column 2 the noncurrent portion of the liability. Report in column 3 the sum of column 1 and column 2, representing the total.

2. Advances from Others (Line 2.B). Report in column 1 the current portion of the liability. Report in column 2 the noncurrent portion of the liability. Report in column 3 the sum of column 1 and column 2, representing the total.

3. Deferred Credits (Line 2.C). Report in column 1 the current portion of the liability. Report in column 2 the noncurrent portion of the liability. Report in column 3 the sum of column 1 and column 2, representing the total.

4. Deposit Funds and Suspense Accounts (Line 2.D). Report in column 1 the current portion of the liability. Report in column 2 the noncurrent portion of the liability. Report in column 3 the sum of column 1 and column 2, representing the total.

5. Temporary Early Retirement Authority (Line 2.E). Report in column 1 the current portion of the liability. Report in column 2 the noncurrent portion of the liability. Report in column 3 the sum of column 1 and column 2, representing the total.

6. Nonenvironmental Disposal Liabilities (Line 2.F). Report in column 1 the current portion of the liability. Report in column 2 the noncurrent portion of the liability. Report in column 3 the sum of column 1 and column 2, representing the total. Breakout the Nonenvironmental Disposal Liabilities by the following categories: (a) Military Equipment (Non-nuclear); (b) Excess and/or Obsolete Structures; and (c) Conventional Munitions Disposal.

7. Accrued Unfunded Annual Leave (Line 2.G). Report in column 1 the current portion of the liability. Report in column 2 the noncurrent portion of the liability. Report in column 3 the sum of column 1 and column 2, representing the total.

8. Capital Lease Liability (Line 2.H). Report in column 1 the current portion of the liability. Report in column 2 the noncurrent portion of the liability. Report in column 3 the sum of column 1 and column 2, representing the total.

9. Contract Holdbacks (Line 2.I). Report in column 1 the current portion of the liability. Report in column 2 the noncurrent portion of the liability. Report in column 3 the sum of column 1 and column 2, representing the total.

10. Employer Contribution and Payroll Taxes Payable (Line 2.J). Report in column 1 the current portion of the liability. Report in column 2 the noncurrent portion of the liability. Report in column 3 the sum of column 1 and column 2, representing the total.

11. Contingent Liabilities (Line 2.K). Report in column 1 the current portion of the liability. Report in column 2 the noncurrent portion of the liability. Report in column 3 the sum of column 1 and column 2, representing the total. Refer to the financial reporting guidance at ***DoD AFSR&A*** for additional information on contingent liabilities.

12. Other Liabilities (Line 2.L). Report in column 1 the current portion of the liability. Report in column 2 the noncurrent portion of the liability. Report in column 3 the sum of column 1 and column 2, representing the total.

13. Total Nonfederal Other Liabilities (Line 2.M). The amounts reported on Line 2.M represent the sum of Lines 2.A through Lines 2.L for each column (1, 2 and 3). Also, Line 2.M of this note should equal the amount reported on the reporting entity's Balance Sheet. In addition, disclose the total nonfederal portion of other liabilities not covered by budgetary resources in the Liabilities Not Covered by Budgetary Resource, Note 11.

D. Total Other Liabilities (Line 3). The amounts represent the sum of Lines 1.I and 2.M for each column (1, 2, and 3).

E. Other Information Pertaining to Other Liabilities. Report other information relevant to other liabilities that is not in the categories. Disclose all items that are greater than, or equal to, 10 percent of the line value for Intragovernmental Other Liabilities and Nonfederal Other Liabilities. In addition, disclose any delinquent FECA bills due to the DOL for FECA, including amounts.

Figure 10-34. Capital Lease Liability

As of *[Current Fiscal Period End Date]*	Current FY Asset Category			
	Land and Buildings	Equipment	Other	Total
(Amounts in thousands)				
1. Future Payments Due				
A. Current Fiscal Year (CY)	$ $$$	$ $$$	$ $$$	$ $$$
B. Fiscal Year 1 (CY + 1)	$$$	$$$	$$$	$$$
C. Fiscal Year 2 (CY + 2)	$$$	$$$	$$$	$$$
D. Fiscal Year 3 (CY + 3)	$$$	$$$	$$$	$$$
E. Fiscal Year 4 (CY + 4)	$$$	$$$	$$$	$$$
F. Fiscal Year 5 (CY + 5)	$$$	$$$	$$$	$$$
G. After 5 Years	$$$	$$$	$$$	$$$
H. Total Future Lease Payments Due	$ $$$	$ $$$	$ $$$	$ $$$
I. Less: Imputed Interest Executory Costs	$$$	$$$	$$$	$$$
J. Net Capital Lease Liability	**$ $$$**	**$ $$$**	**$ $$$**	**$ $$$**
2. Capital Lease Liabilities Covered by Budgetary Resources				**$ $$$**
3. Capital Lease Liabilities Not Covered by Budgetary Resources				**$ $$$**

As of *[Prior Fiscal Period End Date]*	Prior FY Asset Category			
	Land and Buildings	Equipment	Other	Total
(Amounts in thousands)				
1. Future Payments Due				
A. Prior Fiscal Year (PY)	$ $$$	$ $$$	$ $$$	$ $$$
B. Fiscal Year 1 (PY + 1)	$$$	$$$	$$$	$$$
C. Fiscal Year 2 (PY + 2)	$$$	$$$	$$$	$$$
D. Fiscal Year 3 (PY + 3)	$$$	$$$	$$$	$$$
E. Fiscal Year 4 (PY + 4)	$$$	$$$	$$$	$$$
F. Fiscal Year 5 (PY + 5)	$$$	$$$	$$$	$$$
G. After 5 Years	$$$	$$$	$$$	$$$
H. Total Future Lease Payments Due	$ $$$	$ $$$	$ $$$	$ $$$
I. Less: Imputed Interest Executory Costs	$$$	$$$	$$$	$$$
J. Net Capital Lease Liability	**$ $$$**	**$ $$$**	**$ $$$**	**$ $$$**
2. Capital Lease Liabilities Covered by Budgetary Resources				**$ $$$**
3. Capital Lease Liabilities Not Covered by Budgetary Resources				**$ $$$**

*101702. Instructions

Present capital lease liabilities for the current and prior FY in accordance with the instructions provided in this chapter. OMB ***A-136*** requires note disclosures for the lessee and the lessor and disclosure of capital and operating leases. Refer to the financial reporting guidance at ***DoD AFSR&A*** for additional information related to this disclosure. OMB A-136 instructions for this note schedule reflect future payment disclosure requirements for five fiscal years and all remaining payments due in later years (after 5 years). While OMB A-136 presentation is appropriate for end of year reporting, quarterly reporting requires an additional Line "1.A" for payments due in the remaining current year and will result in the reporting of 6 fiscal years during quarters 1 through 3, instead of the 5 fiscal years displayed in OMB A-136.

A. Future Payments Due (Lines 1.A through 1.G). Report the future lease payments, by major category (columns 1, 2, and 3) for all noncancelable leases with terms longer than 1 year. Enter the total information in column 4.

B. Total Future Lease Payments Due (Line 1.H). Report the total future lease payments due for columns 1, 2, and 3. Enter the total information in column 4.

C. Less: Imputed Interest Executory Costs (Line 1.I). Report the imputed interest and executory costs for columns 1, 2, and 3. Enter the total information in column 4.

D. Net Capital Lease Liability (Line 1.J). The Net Capital Lease Liability should equal the total reported on the Other Liabilities, Note 15 for nonfederal Capital Lease Liability. Enter the total information in column 4.

E. Covered by Budgetary Resources Versus Not Covered by Budgetary Resources (Lines 2 and 3). Separately disclose the portions of the capital lease liability covered by budgetary resources and not covered by budgetary resources. (Refer to ***Appendix B*** of the OMB Circular A-11 for additional guidance, but notice a difference in terminology. The term “capital leases” as used in this volume includes “capital leases and lease purchases”).

F. Fiscal Year Information. The information presented in the Future Payments Due column should be an actual fiscal year. For example, if the report is for FY 2009, then Line 1.A, Current Year, must be displayed as FY 2009. Fiscal Year 1 (Line 1.B) must be displayed as FY 2010 and Year 2 (Line 1.C) must be displayed as FY 2011. For quarterly reporting, report the payments remaining for the current FY (e.g., FY 2009) on Line 1.A.

1018 NOTE 16. COMMITMENTS AND CONTINGENCIES

101801. Instructions

A loss contingency is an existing condition, situation, or set of circumstances involving uncertainty as to possible loss to an entity. The uncertainty should ultimately be resolved when one or more future events occur or fail to occur. The likelihood that the future event or events will result in the loss or the incurrence of a liability can range from probable to remote. ***SFFAS***

No. 5, "Accounting for Liabilities of the Federal Government" as amended by ***SFFAS No. 12***, "Recognition of Contingent Liabilities Arising from Litigation: An Amendment to SFFAS 5, Accounting for Liabilities of the Federal Government", contains the criteria for recognition and disclosure of contingent liabilities. It provides an exception to the contingent liability standard for recognizing loss contingencies on matters of pending or threatened litigation and unasserted claims. Refer to the financial reporting guidance at ***DoD AFSR&A*** for additional information related to this disclosure.

A. Disclosure versus Recognition of Contingent Liabilities. Use the commitment and contingencies note to disclose contingent liabilities that do not meet the criteria for recognition on the books of a reporting entity. The contingent liabilities that meet the recognition criteria are recorded on the books of the reporting entity and are included on the applicable liability line(s) of the Balance Sheet (e.g., Environmental Liabilities and Disposal Liabilities; and Other Liabilities) and in notes, as appropriate.

B. Criteria for Disclosure of a Contingent Liability. A contingent liability must be disclosed if any of the conditions for liability recognition are not met and there is at least a reasonable possibility that a loss or an additional loss may have been incurred. Disclosure in this context refers to the reporting information in notes regarded as an integral part of the basic financial information.

C. Required Disclosures. Include contingent liabilities that meet the criteria for disclosure:

1. Each reporting entity should review its financial processes, systems, and data and modify or expand, as necessary. The disclosure statement should be a complete and accurate representation of contingent liabilities. An example of the disclosure statement is: "The reporting entity is a party in various administrative proceedings and legal actions, and claims. The Balance Sheet includes an estimated liability for those legal actions where the management and Chief Counsel consider adverse decisions "probable" and the amount of loss is measurable. In the event of an adverse judgment against the Government, some of the liabilities may be payable from the Judgment Fund. The reporting entity records Judgment Fund liabilities in Note 15, "Other Liabilities" and Note 12, "Accounts Payable." Refer to Notes 15 and 12 for details."

2. Disclose the nature of the contingency and an estimate of the possible liability, an estimate of the range of the possible liability, or a statement that such an estimate cannot be made. Amounts disclosed for litigations claims, and assessments are fully supportable and agree with the agency's legal representation letters and management summary schedule. (This disclosure refers to the Management Representation Letter and the supporting Management Summary Schedule. This disclosure is applicable only to entities audited by DoD Inspector General (IG) or an independent accounting firm.)

3. Disclose amounts for potential future financial obligations, such as contractual arrangements including fixed price contracts with escalation, price redetermination, or incentive clauses; contracts authorizing variations in quantities; and contracts where allowable

interest may become payable based on contractor claims under the "Disputes" clause contained in contracts. Amounts disclosed should represent future potential liabilities and should not include amounts already recognized as contingent liabilities in Note 15, "Other Liabilities." Consideration should be given to disclosing the difference between the maximum or ceiling amounts and amounts recognized in Note 15 when it is reasonably possible that the maximum amount may be paid.

4. In addition to the contingent liability disclosures required, the following must be disclosed as required by OMB: (1) an estimate of obligations related to canceled appropriations for which the reporting entity has a contractual commitment for payment; (2) amounts for contractual arrangements which may require future financial obligations.

5. Disclose any other applicable contingencies, along with additional information to clarify the nature of the contingency. If a contingent liability has been recognized for all or part of the item(s), disclose it in Note 15, "Other Liabilities" and do not include in Note 16.

6. For reporting entities that are unable to disclose contingencies related to specific contracts, disclose that the reporting entity "is a party in numerous individual contracts that contain clauses, such as price escalations, award fee payments, or dispute resolution, that may or may not result in future outflow of expenditures. Currently, the entity does not have a systemic process by which it captures or assesses these potential contingent liabilities. Therefore, the amounts reported may not fairly present the reporting entity's contingent liabilities."

1019 NOTE 17. MILITARY RETIREMENT AND OTHER FEDERAL EMPLOYMENT BENEFITS

Figure 10-35. Military Retirement and Other Federal Employment Benefits

As of *[Current Fiscal Period End Date]*	Current Fiscal Year		
	Liabilities	**(Less: Assets Available to Pay Benefits)**	**Unfunded Liabilities**
(Amounts in thousands)			
1. Pension and Health Benefits			
A. Military Retirement Fund	$ $$$	$ $$$	$ $$$
B. Military Pre Medicare-Eligible Retiree Health Benefits	$$$	$$$	$$$
C. Military Medicare-Eligible	$$$	$$$	$$$
D. Total Pension and Health	$ $$$	$ $$$	$ $$$
2. Other Actuarial Benefits			
A. FECA	$ $$$	$ $$$	$ $$$
B. Voluntary Separation Incentive Programs	$$$	$$$	$$$
C. DoD Education Benefits Fund	$$$	$$$	$$$
D. Other	$$$	$$$	$$$
E. Total Other Benefits	$ $$$	$ $$$	$ $$$
3. Total Military Retirement and Other Federal Employment Benefits	**$ $$$**	**$ $$$**	**$ $$$**

Actuarial Cost Method Used:
Assumptions:
Market Value of Investments in Market-based and Marketable Securities:

Figure 10-35. Military Retirement and Other Federal Employment Benefits (continued)

As of *[Prior Fiscal Period End Date]*	Prior Fiscal Year		
	Liabilities	**(Less: Assets Available to Pay Benefits)**	**Unfunded Liabilities**
(Amounts in thousands)			
1. Pension and Health Benefits			
A. Military Retirement Fund	$ $$$	$ $$$	$ $$$
B. Military Pre Medicare-Eligible Retiree Health Benefits	$$$	$$$	$$$
C. Military Medicare-Eligible	$$$	$$$	$$$
D. Total Pension and Health	$ $$$	$ $$$	$ $$$
2. Other Actuarial Benefits			
A. FECA	$ $$$	$ $$$	$ $$$
B. Voluntary Separation Incentive Programs	$$$	$$$	$$$
C. DoD Education Benefits Fund	$$$	$$$	$$$
D. Other	$$$	$$$	$$$
E. Total Other Actuarial Benefits	$ $$$	$ $$$	$ $$$
3. Total Military Retirement and Other Federal Employment Benefits	**$ $$$**	**$ $$$**	**$ $$$**

Actuarial Cost Method Used:
Assumptions:
Market Value of Investments in Market-based and Marketable Securities:

*101901. Instructions

Present Military Retirement Benefits and Other Federal Employment Benefits for the current and prior FY based on the following instructions. NOTE: The information required in the note should be reported by the entity that administers the benefit(s), except for Line 2.A, FECA. Include amounts owed to DOL for estimated actuarial liabilities for future workers' compensation benefits. Refer to the ***DOL website*** for the DOL Actuarial Memorandum which will provide information to assist in answering the following information. Disclose and explain abnormal balances in accordance with paragraph 100208. Refer to the financial reporting guidance at ***DoD AFSR&A*** for additional information related to this disclosure.

A. Pension and Health Actuarial Benefits (Lines 1.A through 1.C). Report the pension and health benefit liabilities for Military Retirement Fund (MRF), Military Pre Medicare-Eligible Retiree Health Benefits, and Military Medicare-Eligible Retiree Benefits.

1. Liabilities (Column 1). Report the actuarial present value of projected benefits accrued to date. For pensions, this would be the projected benefit obligation.

a. MRF accumulates funds used to pay pensions and annuities to retired military personnel and their survivors. MRF is a single employer defined benefit plan. MRF will report the actuarially determined present value of all future pensions earned to date, using the "aggregate entry age" normal cost method. This is a method whereby projected retirement costs are spread over the projected future salaries of a new entrant cohort. (Refer to Volume 4, Chapter 10 for further guidance.)

b. The Military Pre Medicare-Eligible Retiree Health Benefits will include beneficiaries of the Defense Health Program (DHP), retirees, their dependents, and survivors who are not yet Medicare-eligible. The DHP will report the actuarially determined present value of all retirement benefits earned to date, using the "aggregate entry age" normal cost method. This is a method whereby projected medical costs are spread over the projected future service of a cohort at the point of entry. (Refer to Volume 4, Chapter 10 for further guidance).

c. The Military Medicare-Eligible Retiree Health Care Fund (MERHCF) accumulates funds to pay for health care programs for Medicare-eligible Military and other Uniformed Service retirees and their Medicare-eligible dependents or survivors. The Military MERHCF will report the actuarial present value of projected benefits accrued to date, using the "aggregate entry age" normal cost method. This is a method whereby projected retiree medical plan costs are spread over the projected service of a new entrant cohort.

d. Total Pension and Health Benefits line is the sum of lines 1.A through 1.C.

2. Less: Assets Available to Pay Benefits (Column 2). Report the net assets, if any, available to pay benefits.

3. Unfunded Liabilities (Column 3). Report the actuarial liabilities not covered by budgetary resources, e.g., the actuarial present value of projected benefits (column 1) less funded assets available to pay benefits (Column 2).

B. Other Actuarial Benefits (Lines 2.A through 2.D). Report Other Employment Related Actuarial Liabilities.

1. Liabilities (Column 1). Report the actuarial present value of projected benefits accrued to date. Total Other Actuarial Benefits line (2.E) is the sum of lines 2.A through 2.D.

2. Less: Assets Available to Pay Benefits (Column 2). Report the net assets, if any, available to pay benefits.

3. Unfunded Liabilities (Column 3). Report the actuarial liabilities not covered by budgetary resources, e.g., the actuarial present value of projected benefits (column 1) less funded assets available to pay benefits (Column 2).

C. Total Military Retirement and Other Federal Employment Benefits (Line 3). Enter the sum of the totals from Lines 1.D and 2.E in the corresponding columns in Figure 10-35. The Liabilities (column 1) should agree with the amount reported on the Balance Sheet. The Unfunded Liabilities (column 3) should agree with Note 11, Line 2.B, "Military Retirement Benefits and Other Federal Employee Benefits".

D. Other Information Pertaining to Military Retirement and Other Federal Employment Benefits. Report the minimum disclosures related to pensions and other actuarial liabilities.

1. Total Liability. Disclose the separate amounts for the liabilities covered by budgetary resources and not covered by budgetary resources and the total liability.

2. Actuarial Cost Method Used. Provide a description of the actuarial cost method used to compute the projected plan benefit cost.

3. Assumptions. Disclose the actuarial, economic, and health care cost trend and discount rate assumptions used in the calculations of the liability. Refer to ***SFFAS No. 5*** and ***SFFAS No. 33*** for discount rate assumptions. Include the statement that the estimated actuarial liability is updated only at the end of each fiscal year.

4. Expense Components. Disclose the individual components of the expense for the period.

5. Fair Value of Investments. Disclose the fair value of investments in market-based and marketable securities.

6. Changes. Disclose the changes in actuarial liability since the previous calculation and provide a brief summary of the program(s) for which actuarial liabilities are computed.

7. Material. Disclose all items that encompass 10 percent or more of the line value included in "Total Military Retirement and Other Federal Employment Benefits."

Figure 10-36. Change in Actuarial Liability

As of *[Current Fiscal Period End Date]*	Current Fiscal Year				
	Military Retirement Pension	Military Pre Medicare-Eligible Retiree Health Benefits	Military Medicare-Eligible Retiree Health Benefits	Voluntary Separation Incentive Programs	DoD Education Benefits Fund
Beginning Actuarial Liability	$ $$$	$$$	$$$	$$$	$$$
Normal Cost Liability	$$$	$$$	$$$	$$$	$$$
Plan Amendment Liability	$$$	$$$	$$$	$$$	$$$
Assumption Change Liability	$$$	$$$	$$$	$$$	$$$
Benefit Outlays	$$$	$$$	$$$	$$$	$$$
Interest Cost	$$$	$$$	$$$	$$$	$$$
Actuarial (gains)/losses due to changes in experience	$$$	$$$	$$$	$$$	$$$
Actuarial (gains)/losses due to changes in trend assumptions	$$$	$$$	$$$	$$$	$$$
Actuarial (gains)/losses due to other factors	$$$	$$$	$$$	$$$	$$$
Ending Actuarial Liability	$$$	$$$	$$$	$$$	$$$
Change in Actuarial Liability	$ $$$	$$$	$$$	$$$	$$$

*101902. Instructions

Provide a reconciliation of the changes in actuarial liabilities from beginning and ending balances. ***SFFAS No. 33*** requires the display of the components of pension expense, as well as the gains and losses from changes in long-term assumptions used to estimate liabilities for Federal employee pensions, other retirement benefits, and other postemployment benefits including a discount rate assumption.

1020 NOTE 18. GENERAL DISCLOSURES RELATED TO THE STATEMENT OF NET COST

Figure 10-37. General Disclosures Related to the Statement of Net Cost

Note 18.	**General Disclosures Related to the Statement of Net Cost**			
Intragovernmental Costs and Exchange Revenue				
As of [Current and Prior Fiscal Period End Date]		**Current FY**		**Prior FY**
(Amounts in thousands)				
Military Retirement Benefits				
1. Gross Cost				
A. Intragovernmental Cost	$	$$$	$	$$$
B. Nonfederal Cost	$	$$$	$	$$$
C. Total Cost	$	$$$	$	$$$
2. Earned Revenue				
A. Intragovernmental Revenue	$	$$$	$	$$$
B. Nonfederal Revenue	$	$$$	$	$$$
C. Total Revenue	$	$$$	$	$$$
3. Losses/(Gains) from Actuarial Assumption Changes for Military Retirement Benefits	$	$$$	$	$$$
Total Net Cost	$	$$$	$	$$$
Civil Works				
1. Gross Cost				
A. Intragovernmental Cost	$	$$$	$	$$$
B. Nonfederal Cost	$	$$$	$	$$$
C. Total Cost	$	$$$	$	$$$
2. Earned Revenue				
A. Intragovernmental Revenue	$	$$$	$	$$$
B. Nonfederal Revenue	$	$$$	$	$$$
C. Total Revenue	$	$$$	$	$$$

Figure 10-37. General Disclosures Related to the Statement of Net Cost (continued)

Note 18.	General Disclosures Related to the Statement of Net Cost (Cont'd)			
Intragovernmental Costs and Exchange Revenue				
As of *[Current and Prior Fiscal Period End Date]*		**Current FY**		**Prior FY**
(Amounts in thousands)				
3. Losses/(Gains) from Actuarial Assumption Changes for Military Retirement Benefits	$	$$$	$	$$$
Total Net Cost	$	$$$	$	$$$
Military Personnel				
1. Gross Cost				
A. Intragovernmental Cost	$	$$$	$	$$$
B. Nonfederal Cost	$	$$$	$	$$$
C. Total Cost	$	$$$	$	$$$
2. Earned Revenue				
A. Intragovernmental Revenue	$	$$$	$	$$$
B. Nonfederal Revenue	$	$$$	$	$$$
C. Total Revenue	$	$$$	$	$$$
3. Losses/(Gains) from Actuarial Assumption Changes for Military Retirement Benefits	$	$$$	$	$$$
Total Net Cost	$	$$$	$	$$$
Operations, Readiness & Support				
1. Gross Cost				
A. Intragovernmental Cost	$	$$$	$	$$$
B. Nonfederal Cost	$	$$$	$	$$$
C. Total Cost	$	$$$	$	$$$
2. Earned Revenue				
A. Intragovernmental Revenue	$	$$$	$	$$$
B. Nonfederal Revenue	$	$$$	$	$$$
C. Total Cost	$	$$$	$	$$$

Figure 10-37. General Disclosures Related to the Statement of Net Cost (continued)

Note 18.	General Disclosures Related to the Statement of Net Cost (Cont'd)			
Intragovernmental Costs and Exchange Revenue				
As of [Current and Prior Fiscal Period End Date]		**Current FY**		**Prior FY**
(Amounts in thousands)				
3. Losses/(Gains) from Actuarial Assumption Changes for Military Retirement Benefits	$	$$$	$	$$$
Total Net Cost	$	$$$	$	$$$
Procurement				
1. Gross Cost				
A. Intragovernmental Cost	$	$$$	$	$$$
B. Nonfederal Cost	$	$$$	$	$$$
C. Total Cost	$	$$$	$	$$$
2. Earned Revenue				
A. Intragovernmental Revenue	$	$$$	$	$$$
B. Nonfederal Revenue	$	$$$	$	$$$
C. Total Revenue	$	$$$	$	$$$
3. Losses/(Gains) from Actuarial Assumption Changes for Military Retirement Benefits	$	$$$	$	$$$
Total Net Cost	$	$$$	$	$$$
Research, Development, Test & Evaluation				
1. Gross Cost				
A. Intragovernmental Cost	$	$$$	$	$$$
B. Nonfederal Cost	$	$$$	$	$$$
C. Total Cost	$	$$$	$	$$$

Figure 10-37. General Disclosures Related to the Statement of Net Cost (continued)

Note 18.	General Disclosures Related to the Statement of Net Cost (Cont'd)			
Intragovernmental Costs and Exchange Revenue				
As of [Current and Prior Fiscal Period End Date]		**Current FY**		**Prior FY**
(Amounts in thousands)				
2. Earned Revenue				
A. Intragovernmental Revenue	$	$$$	$	$$$
B. Nonfederal Revenue	$	$$$	$	$$$
C. Total Revenue	$	$$$	$	$$$
3. Losses/(Gains) from Actuarial Assumption Changes for Military Retirement Benefits	$	$$$	$	$$$
Total Net Cost	$	$$$	$	$$$
Family Housing & Military Construction				
1. Gross Cost				
A. Intragovernmental Cost	$	$$$	$	$$$
B. Nonfederal Cost	$	$$$	$	$$$
C. Total Cost	$	$$$	$	$$$
2. Earned Revenue				
A. Intragovernmental Revenue	$	$$$	$	$$$
B. Nonfederal Revenue	$	$$$	$	$$$
C. Total Revenue	$	$$$	$	$$$
3. Losses/(Gains) from Actuarial Assumption Changes for Military Retirement Benefits	$	$$$	$	$$$
Total Net Cost	$	$$$	$	$$$
Consolidated				
1. Gross Cost				
A. Intragovernmental Cost	$	$$$	$	$$$
B. Nonfederal Cost	$	$$$	$	$$$
C. Total Cost	$	$$$	$	$$$

Figure 10-37. General Disclosures Related to the Statement of Net Cost (continued)

Note 18.	**General Disclosures Related to the Statement of Net Cost (Cont'd)**			
Intragovernmental Costs and Exchange Revenue				
As of [Current and Prior Fiscal Period End Date]	**Current FY**		**Prior FY**	
(Amounts in thousands)				
2. Earned Revenue				
A. Intragovernmental Revenue	$	$$$	$	$$$
B. Nonfederal Revenue	$	$$$	$	$$$
C. Total Revenue	$	$$$	$	$$$
3. Losses/(Gains) from Actuarial Assumption Changes for Military Retirement Benefits	$	$$$	$	$$$
4. Costs Not Assigned to Programs	$	$$$	$	$$$
5. (Less: Earned Revenues) Not Attributed to Programs	$	$$$	$	$$$
Total Net Cost	$	$$$	$	$$$

*102001. Instructions

Disclose information related to the Statement of Net Cost (SNC). Disclose and explain abnormal balances in accordance with paragraph 100208. Refer to the financial reporting guidance at ***DoD AFSR&A*** for additional information related to this disclosure.

A. Intragovernmental Cost (Line 1.A). This line contains costs that arise from exchange transactions made between two reporting entities within the Federal Government. The effects of intraentity (that is, trading with itself) business transactions are eliminated from reporting entity statements in order to prevent overstating costs. Intragovernmental Costs are reported for Military Retirement Benefits; Civil Works; Military Personnel; Operations, Readiness and Support; Procurement; Research, Development, Test and Evaluation; and Family Housing and Military Construction and on the Consolidated Gross Cost lines.

B. Nonfederal Cost (Line 1.B). This line contains costs that arise from exchange transactions made between the reporting entity and a nonfederal entity. Nonfederal Costs are reported for Military Retirement Benefits; Civil Works; Military Personnel; Operations, Readiness and Support; Procurement; Research, Development, Test and Evaluation; and Family Housing and Military Construction and on the Consolidated Gross Cost lines.

C. Total Cost (Line 1.C). This is the sum of Lines 1.A and 1.B which represents gross costs. Line 1.C should agree with the amounts reported on the SNC.

D. Intragovernmental Revenue (Line 2.A). This line contains revenues that arise from exchange transactions made between two reporting entities within the Federal Government. The effects of intraentity (that is, trading with itself) business transactions are eliminated from reporting entity statements in order to prevent overstating revenue. Intragovernmental Earned Revenue is reported for Military Retirement Benefits; Civil Works; Military Personnel; Operations, Readiness and Support; Procurement; Research, Development, Test and Evaluation; and Family Housing and Military Construction and on the Consolidated Gross Cost lines.

E. Nonfederal Revenue (Line 2.B). This line contains revenues that arise from exchange transactions made between the reporting entity and a nonfederal entity. Nonfederal Earned Revenue is reported for Military Retirement Benefits; Civil Works; Military Personnel; Operations, Readiness and Support; Procurement; Research, Development, Test and Evaluation; and Family Housing and Military Construction and on the Consolidated Gross Cost lines.

F. Total Revenue (Line 2.C). This is the sum of Lines 2.A and 2.B which represents total revenues earned. Line 2.C should agree with the amounts reported on the SNC.

G. Losses/(Gains) from Actuarial Assumption Changes for Military Retirement Benefits (Line 3). This line contains the losses and gains from actuarial assumption changes for military retirement benefits and reported for Military Retirement Benefits; Civil Works; Military Personnel; Operations, Readiness and Support; Procurement; Research, Development, Test and Evaluation; and Family Housing and Military Construction and on the Consolidated line.

H. Total Net Cost. This line is the cost incurred by the reporting entity (Line 1.C) less any exchange revenues earned (Line 2.C) plus or minus the losses or gains from actuarial assumption changes for military retirement benefits (Line 3). This amount should agree with the amount reported on the SNC, SCNP, and Reconciliation of Net Cost of Operations to Budget.

I. Costs Not Assigned to Programs (Line 4). This line is the costs not assigned to programs and is added to the Consolidated Section to arrive at the Total Net Cost.

J. Less: Earned Revenues Not Attributed to Programs (Line 5). This line is the revenue not attributed to programs and is subtracted for the Consolidated Section to arrive at the Total Net Cost.

K. General Disclosures

1. Disclose that the SNC is unique because its principles are driven on understanding the net cost of programs and organizations that the Federal Government supports through appropriations or other means. This statement provides gross and net cost information that can be related to the amount of output or outcome for a given program and organization administered by a responsible reporting entity.

2. Disclose that intragovernmental costs and revenue are related to transactions made between two reporting entities within the Federal Government.

3. Disclose that public costs and revenues are exchange transactions made between the reporting entity and a nonfederal entity. For public earned revenue, the buyer of the goods or services is a nonfederal entity. For intragovernmental costs, the seller is a Federal entity. If a Federal entity purchases goods or services from another Federal entity and sells them to the public, the exchange revenue would be classified as public, but the related costs would be classified as intragovernmental. The purpose of this classification is to enable the Federal Government to provide consolidated financial statements, and not to match public and intragovernmental revenue with costs that are incurred to produce public and intragovernmental revenue.

4. Reporting Entities who are unable to track customer information at the transaction level must make additional disclosures. Disclose that many of the reporting entity's systems do not track intragovernmental transactions by customer at the transaction level. Therefore, internal DoD buyer-side balances are adjusted to agree with internal seller-side balances for revenue. Expenses were adjusted by [cite methodology]: (1) reclassifying amounts between Federal and nonfederal expenses or (2) accruing additional accounts payable and expenses.

5. If the reporting entity was able to compare its intragovernmental costs and revenues with corresponding balances of its intragovernmental trading partners (other Federal entities), then it must disclose any material differences identified. Additionally, provide an explanation for the material differences identified and whether or not the differences were resolved.

102002. Other Disclosures

A. Cost Disclosure Specific to General Funds. Disclose if applicable, that the reporting entity does not meet specific accounting standards and that information presented is based on budgetary obligations, disbursements, and collection transactions, as well as nonfinancial feeder systems adjusted to record known accruals for major items such as payroll expenses, accounts payable, and environmental liabilities.

B. Cost Disclosure Specific to Working Capital Fund (WCF). Disclose if applicable, that the reporting entity does not meet specific accounting standards. Each reporting entity should review its financial processes, systems and data and disclose, if applicable, that

while the WCF generally record transactions on an accrual basis, the systems do not always capture actual costs in a timely manner. Information presented on this statement is primarily based on budgetary obligation, disbursements, or collection transactions, as well as information from nonfinancial feeder systems.

102003. Stewardship PP&E

Stewardship PP&E assets include heritage assets and stewardship land. Disclose, if applicable, the following:

A. If the cost of heritage assets and stewardship land transferred from other Federal entities is not known, then the receiving entity must disclose their fair value. Heritage assets and stewardship land acquired through donation or devise will not be recognized as a cost in calculating net cost, but the fair value of the property must be disclosed. If the fair value is not known or reasonably estimable, information related to the type and quantity of assets received must be disclosed.

B. Disclose any amounts expensed during the current period in the SNC for the costs of acquiring, constructing, improving, reconstructing, or renovating heritage assets (other than multi-use heritage assets), and the cost of acquiring stewardship land and any costs to prepare stewardship asset for its intended use. If the accounting system does not provide the necessary information to make the required disclosure for all or part of these expenses, the reporting entity must make the following disclosure to recognize the weakness and to disclose the portion of the expense that are known. (If no portion of the expenses is known, include only the first sentence of the disclosure.)

C. Disclose that the reporting entity's accounting system does not capture information relative to Heritage Assets separately and distinctly from normal operations. Where it was able to separately identify the cost of acquiring, constructing, improving, reconstructing or renovating heritage assets, the reporting entity has identified the dollar amount for the fiscal year.

1021 NOTE 19. DISCLOSURES RELATED TO THE STATEMENT OF CHANGES IN NET POSITION

102101. Instructions

Disclose information related to the SCNP. Disclose and explain abnormal balances in accordance with paragraph 100208. Refer to the financial reporting guidance at ***DoD AFSR&A*** for additional information related to this disclosure.

102102. Other Disclosures

A. Appropriations Received. Disclose, if applicable, that Appropriations Received on SBR does not agree with Appropriations Received on SCNP. Refer to Note 20, "Disclosures Related to the Statement of Budgetary Resources" for additional details.

B. Material Contributions of Commodities. Disclose material contributions of commodities from other nations in support of the Overseas Contingency Operations as donated revenue (if applicable as a Transferring Entity). A separate disclosure for immaterial amounts is not needed; however they should be recorded as donated revenue and included in the SCNP.

C. Other Information. Discuss other information to help the user understand the SCNP. Describe any item that is greater than, or equal to, 10 percent of the statement lines titled "Other".

1022 NOTE 20. DISCLOSURES RELATED TO THE STATEMENT OF BUDGETARY RESOURCES

Figure 10-38. Disclosures Related to the Statement of Budgetary Resources

Note 20.	**Disclosures Related to the Statement of Budgetary Resources**			
As of *[Current and Prior Fiscal Period End Date]*		**Current FY**		**Prior FY**
(Amount in thousands)				
1. Net Amount of Budgetary Resources Obligated for Undelivered Orders at the End of the Period	$	$$$	$	$$$$
2. Available Borrowing and Contract Authority at the End of the Period		$$$		$$$

102201. Instructions

Disclose information related to the SBR. Disclose and explain abnormal balances in accordance with paragraph 100208. Refer to the financial reporting guidance at ***DoD AFSR&A*** for additional information related to this disclosure.

A. Net Amount of Budgetary Resources Obligated for Undelivered Orders at the End of Period (Line 1). Disclose the net amount of budgetary resources obligated for undelivered orders as of the end of the reporting period.

B. Available Borrowing and Contract Authority at the End of Period (Line 2). Disclose the amount of borrowing and contract authority available at the end of the reporting period.

C. Excluded Amounts. This note should not include any amounts from cancelled accounts for which the U.S. Treasury is willing to accept corrections in accordance with the ***SFFAS No. 1***.

D. Other Information. Disclose other information necessary to understand the SBR.

1. Disclose the amount of direct and reimbursable obligations incurred and which apportionment category they are under (either Category A, B or E). Category E is exempt from apportionment. The summation of the categories should be equivalent to Line 2190 on the SBR.

2. Disclose that intraentity transactions have not been eliminated because the statements are presented as combined.

3. Disclose repayment requirements, financing sources for repayment, and other terms of borrowing authority used.

4. Disclose material adjustments made to budgetary resources available at the beginning of the year and provide an explanation.

5. Disclose the existence, purpose, and availability of permanent indefinite appropriations.

6. Disclose information about legal arrangements affecting the use of unobligated balances of budget authority, such as time limits, purpose, and obligation limitations. For example, the [Reporting Entity] unobligated balances of budget authority represent the portion of trust fund receipts collected in the current FY that: (1) exceed the amount needed to pay benefits or other valid obligations, and (2) exceed the receipts temporarily precluded from obligation by law. The receipts are assets of the trust fund and available for obligation as needed in the future.

7. Explain any contributed capital received during the reporting period including the amount, the source, and the reason for these additional funds. (Only applies to those who received funds in excess of their original appropriation).

8. Identify and explain material differences between amounts reported on SBR and the Report on Budget Execution (SF133).

9. Disclose that Appropriations Received on SBR does not agree with Appropriations Received on SCNP. Cite the total difference and summarize significant components of the difference in the note, "Disclosures Related to the Statement of Changes in Net Position."

10. Disclose any other relevant information relating to the reporting entity that promotes a better understanding of the entity's SBR.

1023 NOTE 21. DISCLOSURES RELATED TO THE RECONCILIATION OF NET COST OF OPERATIONS TO BUDGET

Figure 10-39. Disclosures Related to the Reconciliation of Net Cost of Operations to Budget

Note 21.	**Reconciliation of Net Cost of Operations to Budget**			
As of ***[Current and Prior Fiscal Period End Date]***		**Current FY**		**Prior FY**
Resources Used to Finance Activities:				
Budgetary Resources Obligated:				
1. Obligations incurred	$	$$$	$	$$$
2. Less: Spending authority from offsetting collections and recoveries (-)		$$$		$$$
3. Obligations net of offsetting collections and recoveries	$	$$$	$	$$$
4. Less: Offsetting receipts (-)		$$$		$$$
5. Net obligations	$	$$$	$	$$$
Other Resources:				
6. Donations and forfeitures of property		$$$		$$$
7. Transfers in/out without reimbursement (+/-)		$$$		$$$
8. Imputed financing from costs absorbed by others		$$$		$$$
9. Other (+/-)		$$$		$$$
10. Net other resources used to finance activities	$	$$$	$	$$$
11. Total resources used to finance activities	$	$$$	$	$$$
Resources Used to Finance Items not Part of the Net Cost of Operations:				
12. Change in budgetary resources obligated for goods, services and benefits ordered but not yet provided:				
a. Undelivered Orders (-)	$	$$$	$	$$$
b. Unfilled Customer Orders		$$$		$$$
13. Resources that fund expenses recognized in prior Periods (-)		$$$		$$$
14. Budgetary offsetting collections and receipts that do not affect Net Cost of Operations		$$$		$$$
15. Resources that finance the acquisition of assets (-)		$$$		$$$
16. Other resources or adjustments to net obligated resources that do not affect Net Cost of Operations:				
a. Less: Trust or Special Fund Receipts Related to exchange in the Entity's Budget (-)		$$$		$$$
b. Other (+/-)		$$$		$$$
17. Total resources used to finance items not part of the Net Cost of Operations	$	$$$	$	$$$
18. Total resources used to finance the Net Cost of Operations	$	$$$	$	$$$

Figure 10-39. Disclosures Related to the Reconciliation of Net Cost of Operations to Budget (continued)

As of *[Current and Prior Fiscal Period End Date]*	Current FY	Prior FY
Components of the Net Cost of Operations that will not Require or Generate Resources in the Current Period:		
Components Requiring or Generating Resources in Future Periods:		
19. Increase in annual leave liability	$ $$$	$ $$$
20. Increase in environmental and disposal liability	$$$	$$$
21. Upward/Downward reestimates of credit subsidy expense (+/-)	$$$	$$$
22. Increase in exchange revenue receivable from the public (-)	$$$	$$$
23. Other (+/-)	$$$	$$$
24. Total components of Net Cost of Operations that will Require or Generate Resources in future periods	$ $$$	$ $$$
Components not Requiring or Generating Resources:		
25. Depreciation and amortization	$ $$$	$ $$$
26. Revaluation of assets or liabilities (+/-)	$$$	$$$
27. Other (+/-)		
a. Trust Fund Exchange Revenue	$$$	$$$
b. Cost of Goods Sold	$$$	$$$
c. Operating Material and Supplies Used	$$$	$$$
d. Other	$$$	$$$
28. Total Components of Net Cost of Operations that will not Require or Generate Resources	$ $$$	$ $$$
29. Total components of Net Cost of Operations that will not Require or Generate Resources in the current period	$ $$$	$ $$$
30. Net Cost of Operations	$ $$$	$ $$$

102301. Reconciliation Objective

SFFAS No. 7, "Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting" requires a reconciliation explaining the relationship between budgetary obligations incurred by the entity and the net cost of operations of the entity. The Reconciliation of Net Cost of Operations to Budget is the mechanism to accomplish this reconciliation. The objective of the Reconciliation of Net Cost of Operations to Budget is to help the users understand how information on the use of budgetary resources relates to information on the cost of program operations. This is accomplished by means of a reconciliation of budgetary obligations and nonbudgetary resources available to the reporting entity with its net cost of operations. It explains how those resources were used to finance orders for goods and services not yet delivered, to acquire assets and liabilities, and to fund the entity's

net cost of operations. Also, the computation and presentation of items in the schedule demonstrate that the budgetary (obligation based amount) and proprietary (accrual based amounts) cost information in an entity's financial management systems agree. This reconciliation was formerly called the Statement of Financing. In FY 2007, OMB and the Chief Financial Officers Council decided that this reconciliation would be better placed and understood as a note titled, "Reconciliation of Net Cost of Operations to Budget" rather than as a basic statement.

102302. Budgetary to Proprietary Accounting Reconciling Differences

Because different accounting bases are used for budgetary and proprietary accounting, some transactions may appear in only one set of accounts due to legislative requirements or USGAAP (e.g., accrual of unfunded environmental and disposal liabilities which are recorded only in the proprietary records). Furthermore, not all obligations or offsetting collections may result in expenses or exchange revenue (e.g., purchase of a building is capitalized on the Balance Sheet in the proprietary accounts, but obligated and outlayed in the budgetary accounts). Differences due solely to budgetary and proprietary accounting are summarized in this reconciliation. Other differences encountered must be researched and corrected. DDRS has automated proprietary to budgetary reconciliations (Section V Reconciliations) that highlight certain discrepancies between budgetary and proprietary data. The reconciliation manual can be found at ***DoD AFSR&A***.

102303. Reconciliation Crosswalk

It is imperative to comply with the "Additional Information Required" column in the crosswalk. This column limits or provides further detail on items that can be reported in these lines. A crosswalk for this note is available in the query section of DDRS.

102304. Instructions

Preparers of financial statements should perform a detailed reconciliation of net obligations and other resources to net cost of operations, identifying all applicable reconciling items. Preparers should also refer to the FASAB's Implementation Guide to ***SFFAS No. 7*** for detailed guidance on preparing the schedule. The schedule is structured to first identify total resources (budgetary and other) used by an entity during the period and then makes adjustments (Lines 12 through 29) to the resources based upon how they were used to finance net obligations or net cost of operations. Budgetary resources reported in this schedule are those resources reported on the SBR and defined in OMB Circular No. ***A-11***. Other resources reported in this schedule are also reflected in the SCNP. Refer to the financial reporting guidance at ***DoD AFSR&A*** for additional information related to this disclosure.

A. Resources Used to Finance Activities (Lines 1 through 11). This section reflects the budgetary resources obligated and other resources used to finance the activities of the agency. The obligations of budgetary resources are net of offsetting collections, recoveries and offsetting receipts. The other resources are financing sources that increase net position but are not budgetary resources.

1. Budgetary Resources Obligated

a. Obligations Incurred (Line 1). This amount should equal the obligations incurred as reported for the current year on line 2190 of the SBR. This line includes amounts for such items as new orders placed, contracts awarded, services received, undelivered orders, and expended authority (paid or unpaid).

b. Less: Spending Authority from Offsetting Collections and Recoveries (Line 2). This line consists of three primary components: offsetting collections, recoveries of budget authority, and changes in unfilled customer orders. Offsetting collections are collections from the public that result from business type or market oriented activities and collections from other government accounts (e.g., collections from other Federal agencies for various activities, in which the Department engages; trust funds, and credit program collections). The recoveries of the prior year authority component consist of budget authority that was recovered during the current year due to a reduction in a prior year obligation. Unfilled customer orders are considered to be a budgetary resource at the time the order is accepted. Collections on those orders are also considered a resource. In order to avoid double counting when relating net obligations to net outlays, the change in unfilled customer orders from the beginning of the period to the end of the period must be deducted from obligations incurred.

c. Obligations Net of Offsetting Collections and Recoveries (Line 3). This line item is the sum of lines 1 and 2.

d. Less: Offsetting Receipts (Line 4). Refer to Chapter 7, paragraph 070202 for detail information pertaining to offsetting receipts. This line item will agree with the offsetting receipts as reported on the SBR, line 4200.

e. Net Obligations (Line 5). This line item is the difference between the two preceding lines. Net obligations reflect obligations incurred net of offsetting collections, recoveries, and offsetting receipts.

2. Other Resources (Lines 6 through 10). The line items in this section represent nonexchange revenue and other financing sources that increase net position, but are not budgetary resources as reported on the SBR or defined as such in OMB Circular No. A-11. The items in this section will agree with the corresponding line items as reported on the SCNP.

a. Donations and Forfeitures of Property (Line 6). This line item represents resources generated from donations or forfeitures of property, excluding cash. This line agrees with the SCNP, line 5.A.

b. Transfers In/Out Without Reimbursement (Line 7). This line includes intragovernmental transfers in or out of investment, inventory, capitalized assets, Defense Working Capital Fund cash transfers, and the quarterly rollup of disbursements and collections to the component level. Capitalized assets transferred should be recorded at the book value of the transferring entity. If the book value is not known, the amount recorded should be

the asset's estimated fair value at the date of the transfer. This line does not include appropriations transferred in or out shown on the SCNP line 13.B or appropriated dedicated collections and expenditure financing sources transferred on line 4.E. This line agrees with the SCNP, line 5.B.

c. Imputed Financing from Costs Absorbed By Others (Line 8). This line represents the costs that are paid on behalf of the Department by another Federal entity (e.g., the payment of certain employee benefit costs by Office of Personnel Management (OPM) for the Department). This line agrees with the SCNP line, 5.C.

d. Other (Line 9). This line represents other nonexchange resources not previously disclosed that do not have a budgetary impact. This line agrees with the SCNP, line 5.D.

e. Net Other Resources Used to Finance Activities (Line 10). This line is the sum of lines 6 through 9.

3. Total Resources Used to Finance Activities (Line 11). This line is the sum of lines 5 and 10.

B. Resources Used to Finance Items Not Part of the Net Cost of Operations (Lines 12 – 17). This section adjusts total resources used to finance the activities of the entity to account for items that were included in net obligations and other resources but were not part of the net cost of operations. This section would include items in which the expense was recognized in a prior period, but the budgetary resource and obligation are recognized in the current period (e.g., unfunded environmental liabilities expense accrued in the prior period but funded, obligated, and delivered in the current period). It would also include budgetary resources and obligations recognized in the current period that do not affect the net cost of operations (e.g., the acquisition of assets reflected in net obligations and on the Balance Sheet but not in net cost of operations for the period).

1. Change in Budgetary Resources Obligated for Goods, Services and Benefits Ordered But Not Yet Provided (Line 12). This amount reflects undelivered orders or adjustments, included in net obligations, but not part of the net cost of operations.

a. Undelivered Orders (Line 12a). Net increases in undelivered orders and upward adjustments of prior year undelivered orders should be subtracted from the net obligations because they have no impact on the entity's net cost of operations. Net decreases in undelivered orders and downward adjustments of prior year undelivered orders should be added. Increases in undelivered orders are shown as negative amounts; decreases are shown as positive amounts.

b. Unfilled Customer Orders (Line 12b). This line reverses the effect of unfilled customer orders included in net obligations, but not part of net cost of operations. Therefore, net increases in unfilled customer orders should be added to net

obligations; net decreases in unfilled customer orders should be subtracted. Unfilled customer orders were included in line 2.

2. Resources That Fund Expenses Recognized in Prior Periods (Line 13). This line item reflects the net decrease in future funded liabilities. Net increases in future funded liabilities would be reported on lines 19 through 24. This line includes obligations of budgetary resources in the current period for expenses previously classified as future funded and included in the net cost of operations in a prior period. These expenses were reported on this statement in a prior period as "Components Requiring or Generating Resources in Future Periods" (lines 19 through 24). Examples include decreases in annual leave and environmental cleanup liabilities. This line item represents credit balances of unfunded expense accounts or net decreases in the unfunded liabilities. This line also includes vendor overpayments collected.

3. Budgetary Offsetting Collections and Receipts That Do Not Affect Net Cost of Operations (Line 14). This line item reflects offsetting collections and receipts (lines 2 and 4) not reported as exchange revenue on the SNC. It consists of the credit reform financing fund collections that increase liabilities for loan guarantees or allowance for subsidy and offsetting collections or receipts that are included in "Total Resources Used to Finance Activities," but are not exchange revenue. Since all offsetting collections and receipts are included in the determination of "Resources Used to Finance Activities" and only exchange revenue is reported on the SNC, this line adjusts net obligations for the portion of offsetting collections and receipts that are not reported on the SNC. Examples of nonexchange revenues include amounts for accrued interest from U.S. Treasury securities held by special and trust funds, and the nonbudgetary portion of other revenue associated with nonexchange revenue. Amounts on line 14 should agree with those reported on the SCNP as part of financing sources other than exchange revenue.

a. Certain collections in the financing account represent budgetary resources but do not affect net cost. These collections adjust amounts on the Balance Sheet. For example, the accounting for subsidy expense illustrates this reconciling item. In determining net obligations, in the "Resources Used to Finance Activities" section, subsidy expense is reflected as both a component of obligations incurred and offsetting collections. The program account obligates the subsidy expense and the financing account collects and retains the subsidy until disbursement of a loan or default claim. The subsidy expense is reflected as both an obligation on the SBR and an expense on the SNC. The collection, however, is reflected as an offsetting collection on the SBR, but reflected as a contra asset or liability on the Balance Sheet.

b. Other transactions generating differences between net obligations and net cost of operations that are reflected on this line include the collection of exchange revenue receivable from the public and advances received for work not yet performed.

4. Resources That Finance the Acquisition of Assets (Line 15). This line item reflects budgetary resources obligated that are not expenses as reported on the SNC. Examples include purchases of General PP&E, nonfederal securities, and investments. Report the current year purchase only. If an entity cannot derive current year purchases from the change

in the asset accounts, the entity may accumulate the amounts needed for capitalized purchases in memorandum accounts. Other items reported on this line include credit reform financing funds, delivered orders or adjustments thereto, and losses incurred when an asset is sold or disposed of and a budgetary resource is recognized. Two options exist for reporting such losses on the Statement of Financing. The first option is to include the book value on line 15 and exclude the loss in "Components Not Requiring or Generating Resources" (lines 25 through 28). The second option is to include the loss in "Components Not Requiring or Generating Resources" (lines 25 through 28) and include the book value less the loss on line 15. Increases in this line are subtracted from net obligations and reflected on the Reconciliation of Net Cost of Operations to Budget as a credit balance. Net decreases are reflected as a debit on the note.

5. Other Resources or Adjustments to Net Obligated Resources That Do Not Affect Net Cost of Operations (Line 16). This line includes Trust or Special fund receipts related to exchange revenue in the entity's budget.

a. Other Resources or Adjustments to Net Obligated Resources That Do Not Affect Net Cost of Operations, Other (Line 16a). An activity reported on line 16a is an element of net cost. This activity would normally be classified as offsetting collections, but is not reported as such based on instructions in OMB ***A-11***. This line adjusts obligations, in the same manner as offsetting collections reported on line 2.

b. Other Resources or Adjustments to Net Obligated Resources That Do Not Affect Net Cost of Operations, Other (Line 16b). This line item includes activities not otherwise classified. This activity may include non-cash recoveries of prior year obligations. Recoveries are budgetary resources that offset obligations on the SBR, but are not a proprietary financing source used to offset costs on the SNC. Other examples include prior period adjustments, transfers of current year authority and transfers of property. These examples are reported as other resources in the first section of this statement, but are not reported on the SNC or Budgetary Resources. Disclose in note 21 any element of this line that represents more than 10 percent of the value of this line.

6. Total Resources Used to Finance Items Not Part of the Net Cost of Operations (Line 17). This line is the sum of lines 12 through 16.

C. Total Resources Used to Finance the Net Cost of Operations (Line 18). This line is the sum of line 11 and 17.

D. Components of the Net Cost of Operations that will not Require or Generate Resources in the Current Period (Lines 19 through 29). This section adjusts total resources used to finance the activities of the entity to account for items that were part of the net cost of operations, but were not included in net obligations. This section includes items in which the expense was recognized in the current period, but the budgetary resource and obligation will be recognized in a future period (e.g., unfunded environmental liabilities expense accrued in the current period that will be funded, obligated, and liquidated in a future period). It would also include current period expenses that affect the net cost of operations, but will not require budgetary resources and obligations in a future period (e.g., depreciation expense).

1. Components Requiring or Generating Resources in Future Periods. The costs of the Federal Government are not always funded in the period the costs are incurred. This section identifies items that are recognized as a component of the net cost of operations for the period, but the budgetary resources (and related obligations) will not be provided (or incurred) until a subsequent period.

a. Increase in Annual Leave Liability (Line 19). This line item includes the expense related to the increase in annual leave liability for which the budgetary resources will be provided in a subsequent period. This line reports the debit balance of the future funded expense account applicable to annual leave. Decreases in annual leave are reported on line 13.

b. Increase in Environmental and Disposal Liability (Line 20). This line item includes the expense related to the increase in environmental and disposal liability for which the budgetary resources will be provided in a subsequent period. This line reports the debit balance of the future funded expense account applicable to environmental and disposal liability. Decreases in environmental and disposal liability are reported on line 13.

c. Upward/Downward Reestimates of Credit Subsidy Expense (+/-) (Line 21). This line item includes the expense recognized as a result of an upward/downward reestimate of credit program subsidy cost, for which the budgetary resources (or obligation) will be provided (or incurred) in a subsequent period. Even though budgetary resources are not provided in the current period, credit subsidy reestimates should be reflected as liabilities covered by budgetary resources since the budget authority to fund the reestimates is permanent and indefinite and no further congressional action is needed to provide the resources.

d. Increase in Exchange Revenue Receivable from the Public (-) (Line 22). This line item represents exchange revenue not in the entity's budget. It reflects nonfederal accounts or interest receivable generated from exchange revenue. It accounts for the difference in the way budgetary and proprietary accounting recognizes public exchange revenue. According to OMB ***A-11***, budgetary resources are normally not recognized from the public until collected, but these revenues with the public are recognized and reported on the SNC when earned (proprietary accounting). Future collection of public receivables would be considered a budgetary resource, but not financial revenue because it had already been recorded as financial revenue upon the establishment of the account receivable. Examples of public interest revenue include interest earned on donations and investments in trust funds. Changes in public receivables should be subtracted as a reconciling item in order to arrive at the net cost of operations on the Reconciliation of Net Cost of Operations to Budget. Line 22 excludes accounts receivable related to vendor overpayments and interest receivable related to credit reform financing.

e. Other (Line 23). This line item represents net increases in future funded liabilities other than annual leave and environmental and disposal liabilities. It includes net increases in actuarial pension, health and life liabilities, contingent liabilities, other unfunded employment related liabilities, and FECA liability billed to the agency by DOL for FECA payments that were made on the agency's behalf. It also includes the actuarial present

value of future FECA benefits provided to Federal employees or their beneficiaries as a result of work related deaths, disabilities, or occupational diseases. DOL computes and provides the actuarial value. Net decreases in these future funded liabilities are reported on line 13. Disclose in Note 21 any element of this line that represents more than 10 percent of the value of this line.

f. Total Components of Net Cost of Operations That Will Require or Generate Resources in Future Periods (Line 24). This line is the sum of lines 19 through 23.

2. Components Not Requiring or Generating Resources. This section includes items that are recognized as part of the net cost of operations for the period, but will not generate or require the use of resources.

a. Depreciation and Amortization (Line 25). This line item includes the depreciation and amortization of assets reflected as a component of the net cost of operations for the period. For capitalized assets, budgetary resources are obligated when the asset is acquired, not when it is depreciated.

b. Revaluation of Assets or Liabilities (Line 26). This line item includes exchange transaction gains and losses recognized during the revaluation of assets or liabilities.

c. Other (Line 27). This line item represents items not requiring or generating resources other than depreciation, amortization, and revaluation of assets or liabilities.

(1) Trust Fund Exchange Revenue (Line 27a). This line item represents undistributed offsetting receipts related to trust funds with exchange revenue. It consists primarily of benefit program revenue and interest revenue generated from the investments.

(2) Cost of Goods Sold (Line 27b). Cost of goods sold is a current period expense that affects the net cost of operations, but will not require additional budgetary resources or obligations. The budgetary resources or obligations were recognized when the item was purchased.

(3) Operating Material & Supplies Used (Line 27c). This line item represents the consumption of operating material and supplies. It is reported in USSGL 6790, Other Expenses Not Requiring Budgetary Resources. It is a current period expense that affects the net cost of operations, but will not require additional budgetary resources or obligations. The budgetary resources or obligations were recognized when the item was purchased.

(4) Other (Line 27d). This line item includes activities not otherwise classified. It includes amounts for bad debts related to uncollectible noncredit reform receivables, net credit balance for vendor overpayment receivables, and extraordinary

items. Disclose in Note 21 any element of this line that represents more than 10 percent of the value of this line.

d. Total Components of Net Cost of Operations That Will Not Require or Generate Resources (Line 28). This line is the sum of lines 25 through 27.

3. Total Components of Net Cost of Operations That Will Not Require or Generate Resources in the Current Period (Line 29). This line is the sum of lines 24 and 28.

E. Net Cost of Operations (Line 30). This amount is the sum of line 18, "Total Resources Used to Finance the Net Cost of Operations" and line 29, "Total components of Net Cost of Operations that will not Require or Generate Resources in the current period." This line item will agree with the net cost of operations as reported on the SNC.

102305. Narrative Disclosures

Report any information relating to the reporting entity that provides a further understanding of the entity's note. At a minimum, discuss the following:

A. Abnormal Balance. Disclose and explain abnormal balances in accordance with paragraph 100208.

B. Adjustment to Align Budgetary Data to Proprietary Data. For reporting entities whose budgetary data does not agree with proprietary data, disclose that because of the reporting entity's financial system limitations, budgetary data will not be in agreement with proprietary expenses and assets capitalized. The differences between budgetary and proprietary data are a previously identified deficiency. Also, disclose the amount (absolute value) of the adjustment to the note to bring it into balance with the SNC. Report the adjustment in one of three categories: Resources That Finance the Acquisition of Assets; Other Components Not Requiring or Generating Resource; or Revaluation of Assets or Liabilities (if applicable).

C. Budgetary Information. Disclose that the following note schedule lines are presented as combined instead of consolidated due to interagency budgetary transactions not being eliminated:

1. Obligations Incurred (Line 1)

2. Less: Spending Authority from Offsetting Collections and Recoveries (Line 2)

3. Obligations Net of Offsetting Collections and Recoveries (Line 3)

4. Less: Offsetting Receipts (Line 4)

5. Net Obligations (Line 5)

6. Undelivered Orders (Line 6)

7. Unfilled Customer Orders (Line 7)

D. Other Lines (Line 9, Line 23, Line 27d). Describe any item that is greater than, or equal to, 10 percent of the note lines titled "Other."

1024 NOTE 22. DISCLOSURES RELATED TO INCIDENTAL CUSTODIAL COLLECTIONS

102401. Instructions

Reporting entities collecting immaterial custodial revenues that are incidental to their primary mission may disclose the sources and amount of collections and the amounts distributed to others in the accompanying notes. Disclose and explain abnormal balances in accordance with paragraph 100208. Refer to the financial reporting guidance at ***DoD AFSR&A*** for additional information related to this disclosure.

A. Disclose that the reporting entity collected [$XXX] of incidental custodial revenues generated primarily from [identify the source of collections]. Also, disclose that the reporting entity distributed [$XXX] to [name of organization or agency] or that the reporting entity has not yet distributed the incidental custodial revenues collected.

B. Disclose other information relating to the further understanding of Incidental Custodial Collections.

1025 NOTE 23. FUNDS FROM DEDICATED COLLECTIONS

Figure 10-40. Funds from Dedicated Collections

Note 23. Funds from Dedicated Collections					
As of [Current Fiscal Period End Date]	Current Year				
	Harbor Maintenance Trust Fund	Rivers and Harbors Contributed and Advance Fund	Other Funds	Eliminations	Consolidated Total
(Amounts in thousands)					
BALANCE SHEET					
ASSETS					
Fund Balance with Treasury	$ $$$	$ $$$	$ $$$	$ $$$	$ $$$
Investments	$$$	$$$	$$$	$$$	$$$
Accounts and Interest Receivable	$$$	$$$	$$$	$$$	$$$
Other Assets	$$$	$$$	$$$	$$$	$$$
Total Assets	**$ $$$**	**$ $$$**	**$ $$$**	**$ $$$**	**$ $$$**
LIABILITIES and NET POSITION					
Accounts Payable and Other Liabilities	$ $$$	$ $$$	$ $$$	$ $$$	$ $$$
Total Liabilities	$$$	$$$	$$$	$$$	$$$
Cumulative Results of Operations	$$$	$$$	$$$	$$$	$$$
Total Liabilities and Net Position	**$ $$$**	**$ $$$**	**$ $$$**	**$ $$$**	**$ $$$**
STATEMENT OF NET COST					
Program Costs	$ $$$	$ $$$	$ $$$	$ $$$	$ $$$
Less Earned Revenue	$$$	$$$	$$$	$$$	$$$
Net Program Costs	$ $$$	$ $$$	$ $$$	$ $$$	$ $$$
Less Earned Revenues Not Attributable to Programs	$$$	$$$	$$$	$$$	$$$
Net Cost of Operations	**$ $$$**	**$ $$$**	**$ $$$**	**$ $$$**	**$ $$$**
STATEMENT OF CHANGES IN NET POSITION					
Net Position Beginning of the Period	$ $$$	$ $$$	$ $$$	$ $$$	$ $$$
Net Cost of Operations	$$$	$$$	$$$	$$$	$$$
Budgetary Financing Sources	$ $$$	$ $$$	$ $$$	$ $$$	$ $$$
Other Financing Sources	$$$	$$$	$$$	$$$	$$$
Change in Net Position	$ $$$	$ $$$	$ $$$	$ $$$	$ $$$
Net Position End of Period	**$ $$$**	**$ $$$**	**$ $$$**	**$ $$$**	**$ $$$**

Figure 10-40. Funds from Dedicated Collections (continued)

Note 23.	Funds from Dedicated Collections				
As of [Current Fiscal Period End Date]	Prior Year				
	Harbor Maintenance Trust Fund	Rivers and Harbors Contributed and Advance Fund	Other Funds	Eliminations	Consolidated Total
(Amounts in thousands)					
BALANCE SHEET					
ASSETS					
Fund balance with Treasury	$ $$$	$ $$$	$ $$$	$ $$$	$ $$$
Investments	$$$	$$$	$$$	$$$	$$$
Accounts and Interest Receivable	$$$	$$$	$$$	$$$	$$$
Other Assets	$$$	$$$	$$$	$$$	$$$
Total Assets	**$ $$$**	**$ $$$**	**$ $$$**	**$ $$$**	**$ $$$**
LIABILITIES and NET POSITION					
Accounts Payable and Other Liabilities	$ $$$	$ $$$	$ $$$	$ $$$	$ $$$
Total Liabilities	$$$	$$$	$$$	$$$	$$$
Unexpended Appropriations	$$$	$$$	$$$	$$$	$$$
Cumulative Results of Operations	$$$	$$$	$$$	$$$	$$$
Total Liabilities and Net Position	**$ $$$**	**$ $$$**	**$ $$$**	**$ $$$**	**$ $$$**
STATEMENT OF NET COST					
Program Costs	$ $$$	$ $$$	$ $$$	$ $$$	$ $$$
Less Earned Revenue	$$$	$$$	$$$	$$$	$$$
Net Program Costs	$ $$$	$ $$$	$ $$$	$ $$$	$ $$$
Less Earned Revenues Not Attributable to Programs	$$$	$$$	$$$	$$$	$$$
Net Cost of Operations	**$ $$$**	**$ $$$**	**$ $$$**	**$ $$$**	**$ $$$**
STATEMENT OF CHANGES IN NET POSITION					
Net Position Beginning of the Period	$ $$$	$ $$$	$ $$$	$ $$$	$ $$$
Net Cost of Operations	$$$	$$$	$$$	$$$	$$$
Budgetary Financing Sources	$ $$$	$ $$$	$ $$$	$ $$$	$ $$$
Other Financing Sources	$$$	$$$	$$$	$$$	$$$
Change in Net Position	$ $$$	$ $$$	$ $$$	$ $$$	$ $$$
Net Position End of Period	**$ $$$**	**$ $$$**	**$ $$$**	**$ $$$**	**$ $$$**

*102501. Instructions

Funds from Dedicated Collections are financed by specifically identified revenues and are required by statute to be used for designated activities or purposes, and must be accounted for separately from the Federal Government's general revenues. ***SFFAS No. 27***, "Identifying and Reporting Earmarked Funds," required disclosure of all funds from dedicated collections for which the reporting entity had program management responsibility. ***SFFAS No. 43***, "Dedicated Collections: Amending SFFAS No. 27, Identifying and Reporting Earmarked Funds" changed the term "earmarked funds" to "funds from dedicated collections" and modified the definition. The modified definition clarifies that at least one source of funds must be external to the federal government for a fund to qualify as a fund from dedicated collections. It explicitly excludes any fund established to account for pensions, other retirement benefits, other postemployment or other benefits provided for federal employees (civilian and military). Optional formats are available for displaying information on the face of the Balance Sheet and Statement of Changes in Net Position. The number of DoD "Earmarked Funds" will be reduced due to the revised description of these funds, to be known as "Dedicated Collections" beginning in FY2013. The identified revenues excluded from being classified as "dedicated collections" are required to be provided primarily by non-federal sources. Funds established to account for pensions, other retirement benefits, other postemployment benefits, and other employee benefits are also excluded. The note schedule must show current year and prior year data. Disclose and explain abnormal balances in accordance with paragraph 100208 of. Report eliminations between funds from dedicated collections and other funds within the reporting entity. If a Component entity reports a different portion of a fund from dedicated collections than it reported in prior years, it should not restate its prior year financial statements, but disclose the change in the note. This applies if a DoD Component entity does not report a fund from dedicated collection, or a portion thereof, that it reported in the previous year. Refer to the financial reporting guidance at ***DoD AFSR&A*** for additional information related to this disclosure.

*1026 NOTE 24. FIDUCIARY ACTIVITIES

Figure 10-41. Schedule of Fiduciary Activity

Note 24. Fiduciary Activities			
Schedule of Fiduciary Activity			
As of *[Current Fiscal Period End Date]*		**Current FY**	**Prior FY**
(Amounts in millions)			
1. Fiduciary net assets, beginning of year	$	$$$	$$$
2. Fiduciary revenues		$$$	$$$
3. Contributions		$$$	$$$
4. Investment earnings		$$$	$$$
5. Gain (Loss) on disposition of investments, net		$$$	$$$
6. Administrative and other expenses		$$$	$$$
7. Disbursements to and on behalf of beneficiaries		($$$)	($$$)
8. Increase/(Decrease) in fiduciary net assets		**$$$**	**$$$**
9. Fiduciary net assets, end of period	**$**	**$$$**	**$$$**

Figure 10-42. Schedule of Fiduciary Net Assets

Schedule of Fiduciary Net Assets			
As of *[Current Fiscal Period End Date]*		**Current Year**	**Prior Year**
(Amounts in millions)			
FIDUCIARY ASSETS			
1. Cash and cash equivalents	$	$$$	$$$
2. Investments		$$$	$$$
3. Other Assets		$$$	$$$
FIDUCIARY LIABILITIES			
4. Less: LIABILITIES		$$$	$$$
5. TOTAL FIDUCIARY NET ASSETS	**$**	**$$$**	**$$$**

102601. Instructions

Disclose the fiduciary assets, liabilities and flows of the reporting entity in accordance with ***SFFAS No. 31***. Also, disclose and explain abnormal balances in accordance with paragraph 100208. Refer to the financial reporting guidance at ***DoD AFSR&A*** for additional information related to this disclosure.

102602. Fiduciary Activities

Fiduciary activities collect the receipt for cash or other assets in which nonfederal individuals or entities (or "nonfederal parties") have an ownership interest that the Federal Government must uphold. The fiduciary relationship must be based on statutory or other legal authority and the fiduciary activity must be in furtherance of that relationship. Fiduciary activities are not recognized on the proprietary financial statements, but they are required to be reported on schedules in the notes to the financial statements. Fiduciary activities may involve a variety of fiduciary assets, liabilities, and transactions. Examples include but not limited to:

A. Cash. Fiduciary cash may be held in a variety of ways. Cash may be represented by balances on deposit with the U.S. Treasury or commercial banks.

B. Investments. Fiduciary assets may include investments in Treasury securities or non Treasury securities.

C. Other Assets. Fiduciary assets may include assets other than cash, e.g., real or personal property held temporarily pending disposition, or held long-term in a fiduciary capacity.

D. Liabilities. A fiduciary activity may include expenses that will be paid with fiduciary assets. This may result in fiduciary liabilities that will be settled with fiduciary assets.

E. Inflows. A fiduciary activity may include collections of cash or other assets that represent contributions from or for beneficiaries or revenue derived from fiduciary assets.

F. Outflows. A fiduciary activity may include expenses that will be paid with fiduciary assets and distributions of assets to the beneficiaries.

102603. Exclusions

The following are exclusions from the reporting requirements for fiduciary activities, and recognized in the principal financial statements of the Federal Component entity and not in the fiduciary note disclosure:

A. Unpaid Payroll Withholdings and Garnishments. Amounts related to unpaid payroll withholdings and garnishments are excluded from the reporting requirements of this standard. Liabilities for unpaid payroll withholdings and garnishments should be recognized as accounts payable according to ***SFFAS No. 1***.

B. Unearned revenue. Unearned revenue should not be reported as fiduciary activity and should be recognized as a liability according to ***SFFAS No. 1*** and ***SFFAS No. 7***. Assets collected or received by a Federal entity that represent prepayments or advance payments for which the components are expected to provide goods or services should not be classified as fiduciary activities. This exclusion applies broadly to amounts a customer advances for orders that may be placed in the future or deposits made as part of a bid or settlement process, even if

these amounts are not specifically classified as "unearned revenue" by the entity due to uncertainty about the ultimate realization of the revenue.

C. Operating Revenues and Expenses. Amounts related to operating revenues and expenses may be excluded, also.

D. Seized property, including seized monetary instruments. Seized property is not subject to the reporting requirements for fiduciary activities because it does not meet the definition of a fiduciary activity. Seized assets, including seized monetary instruments, should continue to be reported in accordance with ***SFFAS No. 3***.

102604. Reporting

Reporting on fiduciary activities is required in two notes to the financial statements. In the Significant Accounting Policies (Note 1), provide a statement that says: "Fiduciary assets are not assets of the [Federal Component entity] and are not recognized on the Balance Sheet." In the Fiduciary Activities (Note 24), provide a description of the fiduciary relationship, such as the applicable legal authority, the objectives of the fiduciary activity, and a general description of the beneficial owners or class of owners. Also, disclose fiduciary activities in the following schedules:

A. Schedule of Fiduciary Assets. Disclose for all periods presented:

1. The beginning balance of net assets,

2. The inflows from the fiduciary activities by category (e.g., contributions, investment earnings) and outflows by category (e.g., benefit payments, refunds, administrative expenses),

3. The change in net assets, and

4. The ending balance of net assets.

B. Schedule of Net Fiduciary Assets. Disclose the current and prior period ending balances of cash and any other assets by category (e.g., Fund Balance with Treasury, accounts receivable), liabilities by category (e.g., accounts payable, refunds payable), and a variance analysis addressing significant changes from prior period.

C. Non monetary Fiduciary Assets. Include a description of the composition of the assets, the method(s) of valuation, and changes (if any) from prior period accounting methods.

D. Non valued Fiduciary Assets. No dollar value is required. These assets may include land held in trust. Component entities holding non valued fiduciary assets should disclose them in a Schedule of Changes in Non Valued Fiduciary Assets, which should include a

description of non valued fiduciary assets, beginning quantity, quantity received, quantity disposed of, net increase/decrease in non valued fiduciary assets, and ending total quantity.

*1027 NOTE 25. OTHER DISCLOSURES

Figure 10-43. Other Disclosures

Note 25.	Other Disclosures							
4. As of *[Current Fiscal Period End Date]*		Current FY Asset Category						
		Land and Buildings		Equipment		Other		Total
(Amounts in thousands)	5.							
	6.							
1. Entity As Lessee	7.							
Operating Leases								
Future Payments Due								
Fiscal Year								
A. Current Fiscal Year (CY)		$	$$$	$	$$$	$	$$$	$ $$$
B. Fiscal Year 1 (CY + 1)			$$$		$$$		$$$	$$$
C. Fiscal Year 2 (CY + 2)			$$$		$$$		$$$	$$$
D. Fiscal Year 3 (CY + 3)			$$$		$$$		$$$	$$$
E. Fiscal Year 4 (CY + 4)			$$$		$$$		$$$	$$$
F. Fiscal Year 5 (CY + 5)			$$$		$$$		$$$	$$$
G. After 5 Years			$$$		$$$		$$$	$$$
2. Total Future Lease Payments Due		**$**	**$$$**	**$**	**$$$**	**$**	**$$$**	**$ $$$**

102701. Instructions

Disclose information relating to the reporting entity's financial position and results that are not applicable to any other notes. Refer to the financial reporting guidance at ***DoD AFSR&A*** for additional information related to this disclosure.

A. Entity as Lessee - Operating Leases

1. Description of Operating Lease Arrangements. Report information that would disclose the level of the agency's funding commitments which include the following items in the disclosure: the major asset categories and associated lease terms; existence and terms of renewal options; escalation clauses; contingent rental restrictions imposed by lease agreements; deviations from the standard lease terms; and the lease period.

2. Future Payments Due for Operating Leases. Enter future lease payments, by major category, for all irrevocable leases with terms longer than one year. OMB ***A-136*** instructions for this note schedule reflect future payment disclosure requirements for five fiscal years and then all remaining payments due in later years (after 5 years). While this OMB A-136 presentation is appropriate for end of year reporting, quarterly reporting requires an additional line "1.A" for payments due in the remaining current year and will result in the reporting of 6 fiscal years during quarters 1 through 3, instead of the 5 fiscal years displayed in OMB A-136.

1028 NOTE 26. RESTATEMENTS

102801. General Disclosures

Refer to the financial reporting guidance at ***DoD AFSR&A*** for additional information related to this disclosure. Disclosure is required when management becomes aware of a potential misstatement due to material error(s) whether or not the exact amount is known or has been corrected at the time financial statements are prepared.

A. Where amount of the misstatement is known the disclosure must include the following:

1. The nature of the error and reason for the restatement,

2. The year(s) being restated,

3. Specific financial statement(s) and line items restated,

4. Amount of the error,

5. The effect of the restatement on the financial statements taken as a whole (e.g., change in overall net position and change in audit opinion), and

6. Actions taken by management after discovering the error in published financial statements. Refer to OMB ***A-136***, II.4.5.4, "Management Actions Related to Correction of Errors."

B. Where management has become aware that a material error has occurred but the exact amount is not known and/or financial statements have not yet been corrected:

1. A statement disclosing that a material error (or potential error) affecting previously issued statements has been identified but the specific amount(s) and effect(s) are not yet known;

2. The nature and causes of the error;

3. An estimate of the magnitude of the error and the related effects (financial statements and line items affected) that are known and a statement that the specific amount(s) and related effect(s) cannot be determined without further research; and

4. A statement disclosing that a restatement to previously issued financial statements will or may occur.

VOLUME 6B, CHAPTER 11: "REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION REPORTING"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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

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

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

The previous version dated November 2011 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
110102	Renamed paragraph as Authoritative Guidance in accordance with current administrative instructions.	Revision
110203.C	Clarified existing guidance regarding reporting Required Supplementary Stewardship Information (RSSI) based on expenses versus outlays per Statement of Federal Financial Accounting Standards (SFFAS) 8.	Revision
110302.B	Clarified existing guidance regarding reporting RSSI based on expenses versus outlays per SFFAS 8.	Revision
110401	Clarified existing guidance to indicate that not all Research, Development, Testing, and Evaluation costs should be listed in RSSI; only those that meet the RSSI criteria per SFFAS 8 should be listed.	Revision
110402	Clarified existing guidance regarding reporting RSSI based on expenses versus outlays per SFFAS 8.	Revision

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CHAPTER 11

REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION REPORTING

1101 GENERAL

110101. Purpose

This chapter provides the Department of Defense (DoD) guidance and instructions for preparing and reporting Required Supplementary Stewardship Information (RSSI). The stewardship objective of federal financial reporting requires DoD to report on its stewardship over certain resources entrusted to it and certain responsibilities assumed by it that cannot be measured in traditional financial reports. These resources and responsibilities do not meet the criteria for assets and liabilities that are required to be reported in the financial statements, but are important to understanding the operations and financial condition of DoD at the date of the financial statements and in subsequent periods.

*110102. Authoritative Guidance

All federal agencies are required to report RSSI per Office of Management and Budget ***Circular A-136***, "Financial Reporting Requirements." Additional RSSI reporting guidance may be found in Statement of Federal Financial Accounting Standards ***(SFFAS) 8***, "Supplementary Stewardship Reporting."

1102 STEWARDSHIP INVESTMENTS

110201. Description

Stewardship investments are substantial investments made by DoD for the benefit of the nation, but are not physical assets owned by DoD. These items merit special treatment so that users of DoD's financial reports know the extent of investments made for long-term benefit.

110202. Measurement

Stewardship investments are comprised of and measured in terms of expenses incurred for: (1) federally-financed, but not federally owned physical property (Nonfederal Physical Property); (2) certain education and training programs (Human Capital); and (3) federally-financed research and development (Research and Development).

*110203. Minimum Reporting Requirements

Figure 11-1 provides a summary of DoD's minimum reporting requirements for investments in Nonfederal Physical Property and Research and Development. DoD is not required to report Human Capital investments. More detailed reporting requirements for Nonfederal Physical Property and Research and Development are discussed in sections 1103 and 1104, respectively.

A. The costs associated with stewardship investments are treated as expenses in the financial statements in the year the costs are incurred. Depending on the nature of the resources, stewardship reporting could consist of financial or nonfinancial data.

B. Existing DoD financial systems are, for the most part, not yet capable of fully supporting Generally Accepted Accounting Principles (GAAP) reporting requirements for RSSI. GAAP requires RSSI to be reported at the full cost of the annual investment in Nonfederal Physical Property and Research and Development. Full cost as defined by SFFAS 8 includes appropriate accrual adjustments, general and administrative overhead, and a share of the cost of facilities.

* C. In some cases, in accordance with SFFAS 8, paragraph 87, DoD reporting entities will report RSSI on the basis of annual outlays rather than expenses. This occurs when records are maintained on the basis of outlays, and it is not cost effective to reconstruct the accounts on the basis of expense information.

1103 NONFEDERAL PHYSICAL PROPERTY

110301. General

Nonfederal Physical Property investments are expenses included in calculating net cost incurred by the reporting entity for the purchase, construction, or major renovation of physical property owned by state and local governments. Include costs identified for major additions, alterations and replacements, purchases of major equipment, and purchases or improvements of other nonfederal assets. RSSI reporting of Nonfederal Physical Property will include federally owned physical property transferred to state and local governments. Grants for maintenance and operations are not considered investments for the purposes of RSSI reporting.

*110302. Reporting Requirements

A. Annual RSSI reporting of Nonfederal Physical Property will be provided for the current fiscal year (CFY) and each of the four preceding fiscal years. Reporting of data for additional years is encouraged if such data would provide a better indication of investment. Annual RSSI reporting of Nonfederal Physical Property will include a description of federally owned physical property transferred to state and local governments.

* B. In some cases, the required information is not available because DoD Components have maintained records on the basis of outlays rather than expenses. It may not be cost effective to reconstruct their accounts on the basis of expense data. Derive the investment in Nonfederal Physical Property costs reflected in this report from alternative financial sources of the highest quality. DoD Components will continue to report historical data on an outlay basis for any years for which expense data are not available or not cost effective to obtain. See subparagraph 110203.C.

C. Reporting will be at a meaningful category or program level. The report format shown in Figure 11-2 identifies General Property, Plant, and Equipment (PP&E) as the

most probable category. Additional information may be provided in the narrative statement accompanying the Nonfederal Physical Property information if the costs are significant and warrant individual disclosure.

D. Reporting will include a description of the categories or programs involving investments in Nonfederal Physical Property, as well as a description of programs or policies under which non-cash assets are transferred to state and local governments.

110303. Reporting Format

Disclose the Nonfederal Physical Property information in the report format found in Figure 11-2. The columns in the report will provide the following information:

A. Column (a). Classify assets as either transferred or funded. Transferred assets are assets that had a physical existence (e.g., buildings or land), and were subsequently transferred to state and local governments. Funded assets result from DoD payments used to acquire assets (e.g., funding the acquisition of an armory).

B. Columns (b), (c), (d), (e), and (f). Report the investments in physical property owned by state and local governments by fiscal year. Express reported amounts in millions of dollars and represent costs incurred for that fiscal year column only. Investments in Nonfederal Physical Property are not reported on a cumulative basis. Report the investments for the CFY in column (b). The four preceding fiscal years should be reported in the following sequence: column (c) will contain investments from the prior fiscal year (CFY-1); column (d) will contain investments from (CFY-2); column (e) will contain investments from (CFY-3); and column (f) will contain investments from (CFY-4).

C. Narrative Statement. A narrative statement must be included in the report and contain a description of the categories and programs. Include in the statement a description of programs or policies under which non-cash assets are transferred to state and local governments. When the value of the assets differs materially from the expense reported, the narrative statement will address this difference. For example, discuss material differences between the fair market value and historical cost of base closure assets.

D. Statement of Systems Limitations. Include the following verbatim statement if system limitations require use of outlay (expenditure) data: "Investment values included in this report are based on Nonfederal Physical Property outlays (expenditures). Outlays are used because current DoD systems are unable to capture and summarize costs in accordance with the GAAP requirements."

1104 RESEARCH AND DEVELOPMENT

*110401. General

Investments in research and development are incurred in the search for new or refined knowledge and ideas and for the application or use of such knowledge and ideas for the

development of new or improved products and processes, with the expectation of maintaining or increasing national economic productive capacity or yielding other future benefits. DoD uses Research, Development, Testing, and Evaluation (RDT&E) budget activities to fulfill the reporting requirements for Research and Development RSSI. Not all RDT&E costs should be listed in RSSI; only those that meet RSSI criteria should be listed. The RDT&E budget activities are broad categories reflecting different types of RDT&E efforts described in Volume 2B, Chapter 5.

*110402. Reporting Requirements

A. DoD Components must report RDT&E investments for the fiscal year ending in this reporting period, as well as the investments in the four preceding fiscal years. Reporting of data for additional years is encouraged if such data would provide a better indication of the investment.

B. In some cases, the required information is not available because DoD Components have maintained records on the basis of outlays rather than expenses. It may not be cost effective to reconstruct their accounts on the basis of expense data. Derive Research and Development RSSI costs reflected in this report from alternative financial sources of the highest quality. DoD Components will continue to report historical data on an outlay basis when expense data are not available or not cost effective to obtain. See subparagraph 110203.C.

C. If outlay (expenditure) data is used due to system limitations, Research and Development RSSI costs must be derived from RDT&E outlays reported in the budget execution reports entitled "Appropriation Status by FY Program and Subaccounts (Accounting Report (Monthly) 1002)." Volume 6A, Chapter 4 contains the format of this report. Costs for each year must represent total outlays (expenditures) against all outstanding appropriations paid during the reporting period.

110403. Reporting Format

Present Research and Development information in the report format of Figure 11-3. The columns in the report will provide the following information:

A. Column (a). List the Research and Development RSSI categories and subcategories in the same order described in subparagraph 110403.C. Additional meaningful category or program information may be provided in the narrative statement when appropriate.

B. Columns (b), (c), (d), (e), and (f). Express reported amounts in millions of dollars and represent costs incurred only for that fiscal year column. Investments in research and development are not reported on a cumulative basis. Report the investments for the CFY in column (b). The four preceding fiscal years should be reported in the following sequence: column (c) will contain investments from the prior fiscal year (CFY-1); column (d) will contain investments from (CFY-2); column (e) will contain investments from (CFY-3); and column (f) will contain investments from (CFY-4).

C. Narrative Statement. A statement will be included in the report following the table and include a specific narrative:

1. The following verbatim statements explaining each type of Research and Development Category (in compliance with SFFAS 8) and Subcategory must be included in the report:

a. "Basic Research is the systematic study to gain knowledge or understanding of the fundamental aspects of phenomena and of observable facts without specific applications, processes, or products in mind. Basic Research involves the gathering of a fuller knowledge or understanding of the subject under study. Major outputs are scientific studies and research papers."

b. "Applied Research is the systematic study to gain knowledge or understanding necessary for determining the means by which a recognized and specific need may be met. It is the practical application of such knowledge or understanding for the purpose of meeting a recognized need. This research points toward specific military needs with a view toward developing and evaluating the feasibility and practicability of proposed solutions and determining their parameters. Major outputs are scientific studies, investigations, research papers, hardware components, software codes, and limited construction of, or part of, a weapon system to include non-system specific development efforts."

c. "Development takes what has been discovered or learned from basic and applied research and uses it to establish technological feasibility, assessment of operability, and production capability. Development is comprised of five subcategories:

(1) Advanced Technology Development is the systematic use of the knowledge or understanding gained from research directed toward proof of technological feasibility and assessment of operational and producibility rather than the development of hardware for service use. This subcategory employs demonstration activities intended to prove or test a technology or method.

(2) Advanced Component Development and Prototypes evaluates integrated technologies in as realistic an operating environment as possible to assess the performance or cost reduction potential of advanced technology. Programs in this phase are generally system specific. Major outputs of Advanced Component Development and Prototypes are hardware and software components, or complete weapon systems, ready for operational and developmental testing and field use.

(3) System Development and Demonstration concludes the program or project and prepares it for production. It consists primarily of preproduction efforts, such as logistics and repair studies. Major outputs are weapons systems finalized for complete operational and developmental testing.

(4) Research, Development, Test and Evaluation Management Support is support for installations and operations for general research and

development use. This subcategory includes costs associated with test ranges, military construction maintenance support for laboratories, operation and maintenance of test aircraft and ships, and studies and analyses in support of the Research and Development program.

(5) Operational System Development is concerned with development projects in support of programs or upgrades still in engineering and manufacturing development, which have received approval for production, for which production funds have been budgeted in subsequent fiscal years."

2. The report must include a description of significant accomplishments for no more than two programs in each (if resourced) of the three major categories (Basic, Applied, and Development) for a maximum of six program descriptions. The programs selected for discussion should be significant in terms of the use of resources, have significant visibility, and have a high impact to the war fighter. As an introductory statement, the following disclosure should be included verbatim: "The following are representative program examples for the above major categories."

3. Outputs or outcomes must be reported as follows depending upon availability:

a. Output. When available, significant and substantial scientific outputs will be presented as a tabulation, calculation, or recording of activity or effort that can be expressed in an aggregated and brief quantitative or qualitative manner. Outputs will have two key characteristics: (a) an output will be systematically or periodically captured through an accounting or management information system, and (b) there will be a logical connection between the reported measure and purpose of the RDT&E program. In RDT&E programs, this could consist of data for the year concerning the number of new projects initiated, the number continued from the prior year, the number completed, and the number terminated. It also could consist of such quantitative measures as bibliometrics (e.g., publication counts, citation counts and analysis, and peer evaluation), patent counts and analysis, and science indicators that assess the ongoing vitality of the research.

b. Outcome. When available, present outcomes in an aggregated and brief manner as an assessment of the results of a program compared to its intended purpose. Because of the difficulty of measuring the results of research and development programs in financial, economic, or quantitative terms, outcome data for such programs will consist of a narrative discussion of the major results achieved by the program during the year. Outcome information must be concisely written in a plausible manner for judging the extent to which the program is achieving its purpose.

Figure 11-1. Summary of Minimum Stewardship Reporting Requirements

INFORMATION REPORTED	NONFEDERAL PHYSICAL PROPERTY	RESEARCH AND DEVELOPMENT
1. Annual investment by category or level *	Include full cost of the investment made for the current year, including description of federal property transferred to state and local governments, and the preceding 4 years. Report additional years of data if it provides a better indication of investment.	Include full cost of the investment made for the current year and the preceding 4 years. Report additional years of data if it provides a better indication of investment.
2. Description of major programs	Describe major programs involving federal investments, including description of programs or policies under which non-cash assets are transferred to state and local governments.	Describe major Research and Development programs.
* The DoD Components will continue to report historical data on an outlay basis for any years for which reporting is required and for which expense data are not available.		

Figure 11-2. Nonfederal Physical Property Format

NONFEDERAL PHYSICAL PROPERTY
Yearly Investment in Physical Property Owned by State and Local Governments
For the Current and Four Preceding Fiscal Years
(In Millions of Dollars)

(a) Categories	(b) CFY	(c) CFY-1	(d) CFY-2	(e) CFY-3	(f) CFY-4
Transferred Assets:					
1. General PP&E					
Funded Assets:					
2. General PP&E					
Total					

Figure 11-3. Research and Development Format

INVESTMENTS IN RESEARCH AND DEVELOPMENT
Yearly Investment in Research and Development
For the Current and Four Preceding Fiscal Years
(In Millions of Dollars)

(a) Categories	(b) CFY	(c) CFY-1	(d) CFY-2	(e) CFY-3	(f) CFY-4
1. Basic Research					
2. Applied Research					
3. Development					
a) Advanced Technology Development					
b) Advanced Component Development and Prototypes					
c) System Development and Demonstration					
d) Research, Development, Test and Evaluation Management Support					
e) Operational System Development					
Totals					

VOLUME 6B, CHAPTER 12: "REQUIRED SUPPLEMENTARY INFORMATION"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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

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

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

The previous version dated February 2012 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
120102	Added an Authoritative Guidance section in accordance with Departmental administrative guidance.	Addition
1203	Added paragraphs to this section to improve readability and focus of various policy content.	Addition
120301 (previous version)	Deleted the deferred maintenance and repair (DM&R) information to be reported as Required Supplementary Information (RSI) that was based on Statement of Federal Financial Accounting Standards (SFFAS) No. 40. (SFFAS No. 42 replaced SFFAS No. 40 RSI reporting requirements.)	Deletion
120302 (previous version)	Deleted the guidance and table preparation instructions for reporting on real property DM&R. (The reporting requirements were changed by SFFAS No. 42.)	Deletion
120302	Added definition for DM&R as stated in SFFAS No. 42.	Addition
120303 (previous version)	Deleted the paragraph containing guidance and table preparation instructions for reporting on military equipment DM&R.	Deletion
120303.A	Added the required reporting of DM&R in RSI as established in SFFAS No. 42. Also added a reference to the Defense Finance and Accounting Service reporting guidance for details on required reporting formats and timing.	Addition
120303.B	Added the methods permitted by SFFAS No. 42 to measure DM&R.	Addition
120303.C	Added guidance from SFFAS No. 42 to assist in determining whether a change is significant to warrant discussion in the RSI narrative.	Addition

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
120303.D	Added language to specify that SFFAS No. 42 requires consistent application of condition standards, assessments, and reporting formats, and that it eliminated the previous requirement to report condition information in the RSI.	Addition
120303.E	Added references to existing policy that identifies which DoD Component is responsible for reporting RSI for DM&R.	Addition
120303.F	Added requirement to present RSI on a comparative basis when it would be meaningful to users of the agency financial report.	Addition
1204 (previous version)	Deleted the section "Heritage Assets and Stewardship Land Condition Information" since SFFAS No. 42 deleted the requirement to report condition information.	Deletion

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CHAPTER 12

REQUIRED SUPPLEMENTARY INFORMATION

1201 GENERAL

120101. Purpose

This chapter provides the Department of Defense (DoD) policy and guidance for reporting Required Supplementary Information (RSI) to accompany the basic financial statements.

*120102. Authoritative Guidance

A. Statement of Federal Financial Accounting Standards (***SFFAS) 42***, "Deferred Maintenance and Repairs: Amending Statements of Federal Financial Accounting Standards 6, 14, 29 and 32" establishes the detailed reporting requirements for deferred maintenance and repairs (DM&R) in the RSI.

B. The Office of Management and Budget ***(OMB) Circular A-136***, "Financial Reporting Requirements" provides overall agency and government-wide financial reporting guidance.

C. DoD Deputy Chief Financial Officer (DCFO) policy memorandum dated September 30, 2015 entitled "Accounting Policy Update for Financial Statement Reporting for Real Property Assets", hereafter referred to as "***DCFO Memo***" in this chapter, provides the guidance for determining which DoD reporting entity is responsible for reporting real property on its financial statements. The memo will be incorporated into relevant chapters in Volume 4.

1202 DISAGGREGATED STATEMENT OF BUDGETARY RESOURCES (SBR)

DoD reporting entities must prepare and report the disaggregated SBR as RSI. The format of the disaggregated SBR must follow the format contained in Chapter 7. As stated in OMB Circular A-136, for purposes of this presentation, small budget accounts may be aggregated. DoD has elected to aggregate smaller budget accounts within an account grouping titled "Other Accounts." The major account groupings and the aggregate of smaller budget accounts must, in total, agree with the amounts reported on the face of the reporting entity's SBR. The DoD Agency-wide SBR must be disaggregated into the following appropriation/fund account groupings: (1) Military Retirement Benefits; (2) Civil Works; (3) Military Personnel; (4) Operations, Readiness, and Support; (5) Procurement; (6) Research, Development, Test, and Evaluation; and (7) Family Housing and Military Construction. Refer to Chapter 7 for additional guidance and detail on the disaggregated SBRs for the various military departments, funds, and other Defense entities.

*1203 DEFERRED MAINTENANCE AND REPAIRS (DM&R)

120301. Policy

DoD reporting entities are required to report material amounts of DM&R on property, plant, and equipment (PP&E) (if applicable) as supplementary information to accompany their annual financial statements. PP&E related accounting policy and definitions are contained in Volume 4.

*120302. Definition

As defined in SFFAS 42, DM&R are maintenance and repairs that were not performed when they should have been or were scheduled to be, and which are put off or delayed for a future period. Maintenance and repairs (M&R) are activities directed toward keeping fixed assets in an acceptable condition. M&R activities include preventive maintenance; replacement of parts, systems, or components; and other activities needed to preserve or maintain the asset. Maintenance and repairs, as distinguished from capital improvements, exclude activities directed towards expanding the capacity of an asset or otherwise upgrading it to serve needs different from, or significantly greater than, its current use. The amounts reported must include both funded and unfunded DM&R, but need not be separately reported as such in the RSI.

*120303. Required Reporting in RSI

* A. In accordance with SFFAS No. 42, DoD reporting entities, if applicable, are required to:

1. Describe their M&R policies and how they are applied (i.e., method of measuring DM&R);

2. Discuss how they rank and prioritize M&R activities among their other activities;

3. Identify the factors considered in determining acceptable condition standards;

4. State whether DM&R relates solely to capitalized general PP&E and stewardship PP&E or also to non-capitalized or fully depreciated general PP&E;

5. Identify the PP&E for which management does not measure and/or report DM&R, and provide the rationale for the exclusion of other than non-capitalized or fully depreciated general PP&E;

6. Provide estimated beginning and ending DM&R balances for each major category of PP&E (i.e., general PP&E; heritage assets; and stewardship land), for which M&R has been deferred. (Refer to the Defense Finance and Accounting Service (DFAS)

"***Annual and Quarterly Financial Statement Guidance***" for specific reporting formats and timing);

7. Explain significant changes in estimated DM&R balances by category (i.e., general PP&E, heritage assets, and stewardship land) from the prior year; and

8. Explain significant changes in the policies and factors subject to the reporting requirements from the prior year.

* B. SFFAS 42 permits the following methods to measure DM&R:

1. Condition assessment surveys, which are periodic visual (i.e., physical) inspections of PP&E to determine their current condition and estimated cost to correct any deficiencies;

2. Life cycle cost forecasts, which are acquisition techniques that consider operating, maintenance, and other costs in addition to the acquisition cost of assets; or

3. Other methods similar to the condition assessment survey or life cycle cost forecast methods.

* C. To comply with the guidance in subparagraph 120303.A.7 and A.8, the determination of whether a change is significant is a matter for professional judgement at the reporting entity level. Significance is separate and distinct from materiality and could consider:

1. The absolute dollar amount or the percentage change in DM&R estimates,

2. The perceived importance of the reason for the change to the financial statement users, or

3. The potential consequences arising from the change (e.g., the effect on mission).

* D. SFFAS No. 42 also requires that condition standards, related assessment methods, and reporting formats be consistently applied unless management determines that changes are necessary. Although condition information is essential in developing DM&R amounts, SFFAS No. 42 eliminated the previous requirement to report condition information.

* E. The DoD Component that reports the real property in its financial statements in accordance with the DCFO Memo identified in paragraph 120102 is primarily responsible for preparing, compiling and reporting the RSI for deferred maintenance and repairs on that real property. Volume 6B, Chapter 2 provides additional Component responsibilities involving preparation of the draft/working versions and final version of the Financial section of the Agency Financial Report that includes the RSI.

* F. Information presented in the RSI should be presented on a comparative basis when the information would be meaningful to the user of the financial report.

VOLUME 6B, CHAPTER 13: "ADJUSTMENTS, ELIMINATIONS, AND OTHER SPECIAL INTRAGOVERNMENTAL RECONCILIATION PROCEDURES"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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

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

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

The previous version dated June 2009 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Reworded and reformatted chapter for clarity and ease of reading. Revised electronic links in accordance with Financial Management Regulation (FMR) updating procedures.	Update
All	Revised references to the Office of the Under Secretary of Defense (Comptroller) (OUSD(C)) Financial Reporting Guidance. This guidance is now produced by Department of Defense Audited Financial Statements Reporting & Analysis (DoD AFSR&A).	Update
All	Updated references to the Intragovernmental Transactions Accounting Policy Guide (APG). This information has been incorporated into Volume 1, Part 2, Chapter 4700 of the Treasury Financial Manual (TFM), "Agency Reporting Requirements for the Financial Report of the United States Government."	Update
1303	Deleted the list of categories used to report reciprocal intra-governmental transactions and provided a link to Volume 1, Part 2, Chapter 4700 of the TFM that contains an updated list of these categories.	Delete
130503.B	Updated chapter to reflect the current procedures to be followed for elimination waiver adjustments.	Update
130904	Updated to reflect the current reporting requirement to report all transactions with the Foreign Military Trust Fund as federal.	Update

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CHAPTER 13

ADJUSTMENTS, ELIMINATIONS, AND OTHER SPECIAL INTRAGOVERNMENTAL RECONCILIATION PROCEDURES

1301 OVERVIEW

*130101. Purpose

This chapter provides general instructions for preparing worksheets in support of trading partner exchange of data, eliminating intragovernmental transactions from the Department of Defense (DoD) quarterly and annual financial statements, and providing elimination information to the Department of Treasury (hereafter referred to as "Treasury"), for use in preparing the Governmentwide financial statements. Additional information regarding the elimination process and adjusting entries can be found in the DoD Audited Financial Statements Reporting & Analysis ***(DoD AFSR&A)*** Financial Reporting Guidance, hereafter referred to as "DoD AFSR&A Guidance."

130102. Scope

For the most part, DoD's current accounting systems do not capture trading partner information at the level required to eliminate intragovernmental transactions. Therefore, current systems cannot produce the data necessary for reconciliations between buyers and sellers. This chapter provides interim policies and procedures to be used until required systems and process improvements can be implemented.

1302 BACKGROUND

*130201. Intragovernmental Balances

All DoD reporting entities are required to report intragovernmental account balances in their financial statements and eliminate appropriate intra-DoD balances. Intragovernmental account balances are classified by category and level. The category of transaction refers to the nature of the accounting event that resulted in the transaction. Refer to section 1303 of this chapter for information addressing categories of transactions. The level of the transaction refers to the nature of the trading partner involved. Refer to section 1305 of this chapter for information addressing the levels of intragovernmental trading partners. The objective of eliminating intragovernmental account balances is to offset the effect of transactions between a DoD Component and other federal agencies, DoD reporting entities, and organizations within a DoD Component. The Statement of Budgetary Resources is presented as a combined statement and thus intragovernmental budgetary accounts are currently not coded or eliminated. For intra-DoD accounts receivable, revenues, and advances from others (unearned revenue) it is presumed that the amounts reported by the seller are more accurate than the corresponding amounts reported by the buyer. As a result, the Defense Finance and Accounting Service (DFAS) and DoD reporting entities use information from the DoD reporting entity making sales, or providing services ("seller-side"), to another DoD reporting entity who would be the recipient and

purchaser of those goods or services ("buyer-side") as the basis for reporting most of its intra-DoD balances. For DoD reporting entities that are not waived from elimination adjustments, intra-DoD accounts payable, expenses, advances, and assets (where the information is available) must be adjusted to match the seller records. Refer to paragraph 130503.B of this chapter for waiver requirements. Additional information on the intragovernmental process can be found in the ***DoD AFSR&A*** Guidance and the Defense Departmental Reporting System - Audited Financial Statements (DDRS-AFS) User Manuals, "***Module IX-Query.***"

*130202. Eliminating Entries

Eliminating entries shall be based on the information provided by the seller/service provider unless a waiver is obtained. Refer to paragraph 130503.B. of this chapter for waiver requirements. Information regarding the data that is required for financial reporting and the steps DoD reporting entities and accounting centers (DFAS Centers and United States Army Corps of Engineers (USACE) – Finance Center) must take to collect, review, and adjust summary level trading partner data prior to eliminating the effect of intra-DoD transactions can be found in the ***DoD AFSR&A*** Guidance. This guidance also includes examples of basic journal entries that should be made at the departmental level to record adjustments for unrecorded buyer-side transactions needed to match seller performance and eliminate the effects of intra-DoD transactions. As information for current year capitalized assets is captured, buyer side adjustments may include that information. Refer to section 1304 of this chapter for information addressing intragovernmental capitalized purchases.

1303 RECIPROCAL ACCOUNT TRANSACTIONS

*The transactions for which intragovernmental data shall be collected will be divided into the reciprocal categories and the reciprocal United States Standard General Ledger (USSGL) accounts that comprise these categories. These requirements are identified in Appendices 6 and 7 of Volume 1, Part 2, ***Chapter 4700*** of the Treasury Financial Manual (TFM), "Agency Reporting Requirements for the Financial Report of the United States Government" (TFM 2-4700). Refer to paragraph 130502.A. of this chapter, for intragovernmental transaction guidance.

1304 INTRAGOVERNMENTAL CAPITALIZED PURCHASES

*All current year capitalized asset purchase amounts must be captured and reported in USSGL accounts 8801 "Offset for Purchases of Assets," 8802 "Purchases of Property, Plant, and Equipment," 8803 "Purchases of Inventory and Related Property," and 8804 "Purchases of Assets – Other." These accounts must identify whether the items capitalized were purchased from nonfederal sources or federal agencies. Where the capitalized items are from federal agencies, the agencies trading partner codes must be captured. This information will be used to prepare the financial statements and reconcile reciprocal accounts with the federal trading partners. The full reconciliation equation "expense plus current year capitalized acquisitions from a federal agency will equal the reciprocal federal agency revenue" is reflected in the Buy/Sell Costs/Revenues category for elimination of intragovernmental transactions and is addressed in ***TFM 2-4700***.

1305 LEVELS OF INTRAGOVERNMENTAL TRADING PARTNERS

130501. Trading partners

The USSGL accounts shall be assigned either a federal (F) or a nonfederal (N) attribute. When an account is assigned an "F" attribute, a trading partner identification attribute shall also be assigned. There are three levels of intragovernmental trading partners for which intragovernmental transactions must be identified.

130502. Level 1 Trading Partners – Non-DoD Federal Agencies

Level 1 transactions are between DoD and other federal agencies, e.g., between the Department of the Air Force and the Department of Commerce. Level 1 transaction balances are identified by the Treasury Trading Partner codes and attributes attached to the USSGL accounts and are used to eliminate intragovernmental transactions during preparation of the "Financial Report of the United States Government" (***FR***). Level 1 transactions include sales of goods and services and specialized transactions, such as loans, interest receivable, other post-employment benefits, or civil service retirement benefit payments. DoD reporting entities are to document the procedures used to identify and verify the accuracy of their intragovernmental assets, liabilities, revenues and expense balances.

*A. Intragovernmental Transactions. Treasury Financial Management Service (FMS) issued the TFM 2-4700 to streamline the accounting procedures regarding intra-governmental transactions and provide a means for federal entities to ensure accurate recording, reporting, and reconciliation. All DoD entities executing or participating in intragovernmental acquisitions (either internal to DoD or external with other federal partners) are required to follow the Intragovernmental Business Rules contained in appendix 10 of the TFM 2-4700, and to exchange and capture the pertinent data elements specified. Treasury eliminates all Intragovernmental transactions when preparing the FR. Since Treasury eliminates these amounts, the accounting centers must ensure that the balances confirmed with the trading partners agree with the balance submitted via the Federal Agencies' Centralized Trial-Balance System (***FACTS***) I and in the Governmentwide Financial Reporting System (***GFRS***).

B. Intragovernmental Fiduciary Transactions. Selected Level 1 information for transactions with the Treasury Investments, Borrowings, and Federal Financing Bank; the Department of Labor Federal Employees Compensation Act transactions; and the Office of Personnel Management (OPM) Employee Benefit transactions for Retirement, Health Insurance, and Life Insurance are specifically required to be fully reconciled. Reconciliation of the intragovernmental fiduciary transactions is performed in the Treasury web-based Intra-governmental Fiduciary Confirmation System (***IFCS***). Treasury eliminates these amounts when preparing the FR. Accounting centers shall ensure that the balances confirmed with the trading partners agree with the balances submitted via FACTS I and in GFRS.

130503. Level 2 and 3 Trading Partners – Other DoD Reporting Entities

Level 2 balances result from transactions between DoD reporting entities, e.g., between the Department of the Army Working Capital Funds (WCF) and the Department of the Navy General Funds (GF). The DoD reporting entities are identified in section 0105 of Volume 6B, Chapter 1. Level 2 transactions are identified by trading partner codes and supplemental internal DoD codes. Level 3 trading partners are within a DoD Component. Level 3 transactions are between Components of the DoD audited financial statement reporting entities, i.e., Army WCF, Supply Management and Army WCF, Depot Maintenance, Other; and Department of the Navy GF, Operations and Maintenance and Department of the Navy GF, Research Development, Test, and Evaluation. There are up to four sublevels of eliminations. The elimination totals are shown on the DoD Component's supporting consolidating statements. For example, the Navy GF Level 3 eliminations would be between: (A) Navy and Marine Corps; (B) Navy Military Personnel and Navy Procurement; (C) Navy Military Personnel trial balance AT17AA1_1453 and Navy Reserve Personnel trial balance AT17AA1_1405; and (D) internally within Navy Military Personnel trial balance AT17AA1_1453.

A. Elimination Adjustments. Accounting centers, in conjunction with the supported DoD reporting entities, will accumulate seller-side data at the buyer entity code trial balance level and use it to adjust buyer side accounts. These steps are for Levels 2 and 3 only. This action will not affect the Level 1 balances identified in paragraph 130502 of this chapter.

1. Step 1. DoD reporting entities will ensure that their reported seller-side balances are accurate and compliant, including proper revenue recognition and timely liquidation of receivables to avoid erroneous adjustments being forced to their customer's buyer-side balances. The accounting centers shall work with their customers to aggregate the seller-side balances at the buyer's entity code trial balance level. When gathering, reviewing, and exchanging data with trading partners internal to DoD at all levels, the accounting centers shall ensure that the seller-side data provided is complete and accurate. The accounting centers must review data with the customers before exchanging the data with their DoD trading partners. This review shall identify any abnormal balances, such as negative revenue. The accounting centers shall work with their customers to resolve the abnormal balances and correct them before exchanging DoD trading partner data. These balances will include all Level 2 and 3 transaction amounts for the reciprocal accounts described in section 1303 of this chapter, for the entity code trial balance levels they service. In conjunction with the identification and application of supported undistributed collections (refer to Volume 6B, Chapter 4 for guidance related to the application of undistributed transactions) to outstanding accounts receivable, sellers may identify a portion of such undistributed transactions as relating to federal partners and may allocate a portion to reduce accounts receivable for specific partners. Supported undistributed collections applied to reduce accounts receivable balances should be identified to the respective partners during the information exchange previously discussed. No supported undistributed collections or disbursements should be allocated to either accounts receivable or payable balances with waived entities (refer to paragraph 130503.B. of this chapter), however, specifically identifiable amounts will be assigned to waived entities. Each accounting center shall input the seller-side totals (adjusted for waived buyers) into DDRS-AFS.

2. Step 2. After the seller-side balances are input into DDRS-AFS, the accounting center maintaining the departmental level general ledger accounts for the buyer reporting entity will generally post departmental level adjusting entries to balance the appropriate account balances with the seller-side records in DDRS-AFS. DoD buyers with supporting documentation may challenge DoD sellers in accordance with timeframes contained in the Financial Statement and Agency Financial Report Schedule.

3. Step 3. Any changes made to seller-side data after data was exchanged with a trading partner shall be communicated to the trading partner. These changes shall be communicated by reissuing only the revised seller-side data to respective trading partners.

4. Step 4. The Level 2 and Level 3 eliminations shall be computed as part of the process of preparing the entity and supporting schedule level financial statements. The accounting centers must ensure that the buyer-side and seller-side data are in balance before the elimination entries are prepared.

5. Step 5. All elimination adjusting entries shall be reversed at the beginning of the next reporting period.

*B. Waiver from Elimination Adjustments. In some instances, a DoD reporting entity may believe that its buyer-side data is more complete, accurate, and supported than is the associated seller-side data. The DoD reporting entity with the supported buyer-side data must send a memorandum to DoD AFSR&A requesting a waiver from elimination adjustments. The request must be submitted by December 1 of each fiscal year. The request must include independent auditor validation (internal or external) of trading partner data submitted for the financial statements of the most recent fiscal year ended. The independent validation should include random sampling of an established population and procedures must be adequate to support a determination as to the validity of the submitter's data. Results of the test, including record counts and amounts tested and outcomes, must accompany the request. Initial requests must always be accompanied by this independent validation. If approved, the waiver shall remain in effect indefinitely, until such time as conditions warrant reconsideration. All waived entities shall certify by December 1 of each year that the conditions that existed when the waiver was granted continue to exist. Specifically, Components shall confirm that:

1. No changes to their intragovernmental procedures have occurred since the waiver was granted; and

2. There are no auditor- and management-identified internal control weaknesses associated with intragovernmental transaction processing and reporting; and

3. The Component has not experienced significant valid challenges to the waived entity's reported balances

C. Approved Waivers. Exemptions from elimination adjustments must be coordinated in advance of the December 1 waiver request due date. If the waiver request is approved, all of the following apply:

1. The DoD reporting entities will identify both seller-side and buyer-side balances to their supporting accounting center. The accounting center supporting the reporting entity will provide the customer buyer-side details to the accounting center supporting the seller. The accounting center supporting the seller will identify any adjustments that may be required to force seller-side balances to agree with the buyer-side balances provided. The desired sellers may challenge the buyer-side balances in accordance with procedures in paragraph 130503.C.2. The accounting center supporting the seller will enter the final seller-side balances into DDRS-AFS.

* 2. If the seller disagrees with the buyer-side balances supplied by waived entities, they should dispute the balances. If waived buyer-side balances are disputed, the waived entity must work with their supporting accounting center to provide documentation to support the buyer-side data. If the reconciliation identifies that adjustments are required, such adjustments will be recorded in accordance with time frames established annually by the ***DoD AFSR&A*** Guidance. Both the buyer and seller will report all waived entity challenges to DoD AFSR&A, regardless of outcome, within 30 days of the quarter-end.

* 3. If both the buyer and seller have been waived from buyer-side adjustments, the waived entities shall work with one another and their respective accounting centers to reconcile the balances and to identify any reconciling items that must be considered during the eliminations process. Both waived entities will report all challenges to DoD AFSR&A, regardless of outcome, within 30 days of the quarter-end.

*1306 ELIMINATION OF BUDGETARY ACCOUNTS (4000 SERIES ACCOUNTS)

The budgetary information shall be presented on a combined basis, with no elimination of budgetary accounts, in order to be consistent with information reported on the "Report on Budget Execution and Budgetary Resources" ***(SF 133)*** in accordance with Office of Management and Budget (OMB) Circular ***A-11***, "Preparation, Submission, and Execution of the Budget."

1307 RECONCILIATION WITH OTHER REPORTS

All information reported in any other external reports shall be reviewed for consistency with the information included in the quarterly and the annual audited financial statements.

1308 RECONCILIATION WITH LEVEL 1 TRADING PARTNERS

*130801. Reconciliation

OMB Circular ***A-136***, "Financial Reporting Requirements," requires reporting entities to reconcile intragovernmental reciprocal accounts described in section 1303 of this chapter, with

their trading partners. The TFM 2-4700 includes guidance to facilitate the reconciliation of intragovernmental transactions.

130802. Legacy Systems

The lack of federal identifiers within the legacy systems limits the ability of some DoD reporting entities to accurately compile and report intragovernmental balances with other federal partners. This may require that some DoD reporting entities devise methodologies to estimate the associated partner balances. When applicable, the affected DoD reporting entities shall develop and document an estimation methodology. This methodology may include, but is not limited to, the assessment of balances provided or previously reported by Level 1 partners. If Level 1 partner balances are used to estimate DoD balances for reporting, those balances must first be either reconciled with the Level 1 partners, or at a minimum, assessed for reasonableness by the DoD reporting entity.

*130803. Intragovernmental Reporting and Analysis System (IRAS)

Each quarter, Treasury populates detailed trading partner data into IRAS. The IRAS provides comparisons of balances reported by all federal partners and facilitates intragovernmental consolidation and elimination required for Governmentwide reporting. As an output of the IRAS comparison, Treasury will provide quarterly Intragovernmental Material Differences Reports by Treasury Index to each Military Service (Departments 17, 21, 57), USACE (Department 96), and the Other Defense Organizations (Department 97). These reports will be reviewed and explanations for differences will be provided to Treasury in accordance with requirements contained in the ***TFM 2-4700***, and in the ***DoD AFSR&A*** Guidance.

130804. FACTS I & GFRS

Treasury shall use the Level 1 trading partner amounts reported in FACTS I, along with information submitted in GFRS, to compile the elimination entries necessary to prepare the FR.

1309 FEDERAL TRADING PARTNER CODES

130901. Trading Partner Codes

Trading partner code information is reported to Treasury by FACTS I Attributes and in GFRS. The trading partner codes are used in conjunction with the general ledger account information to identify amounts that must be eliminated when preparing financial statements. Treasury requires the Treasury Index agency code to be used by all federal agencies for these purposes. A complete list of trading partner codes and additional guidance may be found in Appendix 5 of the (TFM 2-4700).

130902. Trading Partner Effect of Prior Period Adjustments

When it is determined that a prior period adjustment is necessary for a transaction involving another federal agency, the accounting centers shall identify the trading partner and

determine how the transaction was recorded. Additionally, the accounting centers must work with the trading partner to inform the Treasury about the prior period adjustment. This will assist Treasury with eliminations on the Governmentwide financial statements.

130903. Nonfederal Trading Partners

All accounting centers and DoD reporting entities are responsible to properly identify transactions and account balances as federal or nonfederal. The identification of transactions as federal or nonfederal is not always clear, as nonfederal entities may have names suggesting they are federal. For example, the U.S. Department of Agriculture (USDA) Graduate School is a nonfederal trading partner.

*130904. Foreign Military Sales Trust Fund Reporting

In general, DoD Components performing reimbursable activities on behalf of the Foreign Military Sales Trust Fund (11X8242) shall recognize related accounts receivable and revenue as federal citing entity code 11X8242 as the Level 1 trading partner. Administrative service-related transactions with the Defense Security Cooperation Agency (DSCA), which manages the Trust Fund, are recorded as intragovernmental activities. Revenue and accounts receivable related to activities performed by the Defense Contract Management Agency (DCMA), as well as contract audit or financial management activities performed by the Defense Contract Audit Agency (DCAA) and DFAS for the Trust Fund, are intragovernmental and are funded through the surcharge to cover administrative items. Transactions occurring prior to a final transaction with the Trust Fund may be coded as intragovernmental. For example, if a foreign country bought planes, which required modification by the Department of the Navy, the aircraft modifications performed by the Navy WCF for the Navy GF would be intragovernmental. The actual transfer of the planes to the Trust Fund would be classified as federal. All Non-Trust Fund Sales to foreign countries, such as acquisition and cross-servicing agreements, shall be recognized as nonfederal.

DoD 7000.14 - R

DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

VOLUME 7A: "MILITARY PAY POLICY - ACTIVE DUTY AND RESERVE PAY"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

VOLUME 7A, CHAPTER 1: "BASIC PAY"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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

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

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

The previous version dated April 2016 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
Table 1-7 Table 1-8 Table 1-9 Table 1-10	Basic Pay rates increased effective January 1, 2017 in accordance with Public Law 114-328 signed December 23, 2016 and the Executive Order 13756 signed December 27, 2016.	Revision
Bibliography	Updated references.	Revision

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CHAPTER 1

BASIC PAY

0101 GENERAL

010101. Purpose

This chapter prescribes the criteria for determining creditable service for military members; provides examples for computing valid creditable service; states periods of service that are not creditable for pay purposes; cites conditions for the payment of military pay entitlements; explains the computation of leave and conditions for leave accrual; and provides for situations where enlistments are not valid. Tables 1-1 through 1-15 outlining various conditions in which military pay is payable and basic pay charts for all grades of military personnel are at the end of this chapter. See the Joint Travel Regulations (JTR), Chapter 10 for entitlement to Basic Allowance for Housing (BAH), and Chapter 25, Table 25-1, for Basic Allowance for Subsistence (BAS) payments.

010102. Authoritative Guidance

The bibliography at the end of this chapter lists the authoritative references.

0102 CREDITABLE SERVICE

010201. Service Which is Creditable

A. General

1. The several military pay and personnel systems use a variety of dates to determine various entitlements. Among them is the date that denotes how much service a member has for the purpose of determining longevity pay rates. The Army refers to this as the "pay entry basic date", the Navy and Marine Corps refer to this as the "pay entry base date", while the Air Force calls it the "pay date". This chapter will refer to this data element as the "basic pay date", which is defined as reflecting all service that is creditable towards longevity.

2. The member's servicing personnel office is responsible for providing, when necessary, a statement of service that can include the basic pay date, total active Federal military service date, total commissioned Federal military service date, and a variety of other dates, depending on the nature of the individual member's service. This regulation details only the computation of the basic pay date, since Military Service personnel regulations control the computation of all other dates.

B. Computation of Creditable Service. For most members who enter and serve on active duty without a break in service, the basic pay date is the date the member enters active or inactive service. If, however, there is a break in service, the time between periods of service usually is not included. Also, there are statutory periods when service in a particular component may not be counted. Conversely, there are periods for which some members are given constructive

service, even though they were not actually serving on active or inactive duty. Use the following guidance to compute the basic pay date when there has been a break in service of any kind or if there is a need to include constructive service.

C. Creditable Service Periods. Include active or inactive service in any of the following components without restriction:

1. Regular service in the Army, Air Force, Navy, Coast Guard, and Marine Corps;

2. Army, Naval, Marine Corps, Air Force, and Coast Guard Reserve;

3. Army of the United States (service without specification of a component);

4. Army National Guard;

5. Army National Guard of the United States;

6. National Guard;

7. National Guard of the United States;

8. Air Force of the United States (service without specification of a component);

9. Air National Guard;

10. Air National Guard of the United States;

11. Nurse Corps and Nurse Corps Reserve of the Public Health Service; or

12. Public Health Service and Reserve Corps of the Public Health Service.

D. Other Creditable Service (with restrictions noted in this subparagraph and in subparagraph 010202.A). Include the following periods of service:

1. Officer, deck officer, or junior engineer service in the National Oceanic and Atmospheric Administration, including similar periods of service in the former Corps of the Environmental Science Services Administration and the U.S. Coast and Geodetic Survey;

2. Service on a Military Service retired list, temporary disability retired list, or honorary retired list of any Uniformed Service or service as a member of the Fleet Reserve or Fleet Marine Corps Reserve;

3. Any period of service during which a member is entitled to retired, retirement, or retainer pay from any Uniformed Service;

4. Service as a cadet or midshipman at a military academy is always creditable service for an enlisted member who is not commissioned and reverts back to his/her enlisted status to complete their enlistment contract. See Table 1-1 to determine whether such service is creditable for commissioned and warrant officers;

5. Credit the time when an enlisted member is retained after the expiration of term of service of an Armed Force for medical care or hospitalization for disease or injury incident to service. Do not credit such periods of service if the underlying medical condition requiring medical care or hospitalization was due to the member's misconduct;

6. Service otherwise creditable that is performed before a member reaches the statutory age for enlistment, unless the enlistment contract was voided or invalidated for fraud;

7. Active service performed as a temporary member of the U.S. Coast Guard Reserve;

8. Service terminated by desertion or dishonorable discharge unless the enlistment was fraudulent and was voided for that reason;

9. Periods of service when a member is detailed to and receiving pay and allowances from any other agency of the United States, even though accrual of military pay and allowances is suspended;

10. Service as a member of the Army, Navy, or Air Force Reserve Officers' Training Corps (ROTC), provided the member has concurrent Selected Reserve (drilling status) for duty performed on or after August 1, 1979;

11. Service as an officer, Army field clerk, flight officer, aviation midshipman, or enlisted member of a uniformed service;

12. Service as an enlisted member in a Reserve Component, including Ready Reserve service (inactive and active) under the Delayed Entry (Enlistment) Program (DEP), before beginning active duty or an initial period of Active Duty Training (ADT), provided the Reserve enlistment was entered into before January 1, 1985. As of January 1, 1985, the following restrictions went into effect as and when stated:

a. For enlistments in a Reserve Component under Title 10, United States Code (U.S.C.), section 12103(b) or (d), including enlistments under a DEP, that were entered into between January 1, 1985, and November 28, 1989, the period served in the Reserve Component before beginning active duty or an initial period of ADT is not creditable; or

b. For enlistments entered into on or after November 29, 1989:

(1). A period of enlisted service in a Reserve Component under 10 U.S.C. § 12103(b) or (d), including inactive service under a DEP, is creditable service only if the member performs Inactive Duty Training (IDT) before beginning active duty or an initial period of ADT; or

(2). Service performed as an enlisted member in a Reserve Component under 10 U.S.C. § 513, other than a period of active duty, is not creditable service; or

13. Any period of service which was creditable under any Federal statute in effect on January 10, 1962.

E. Constructive Service

1. Some medical and dental officers are entitled to extra credit for longevity purposes to reflect the time spent in medical or dental school. Medical and dental officers must meet one or more of the following criteria to be entitled to the constructive credit:

a. On or before September 15, 1981, the officer already had the constructive service credit; the credit is not lost if there is a break in service either before or after that date. This includes Public Health Service officers.

b. On September 14, 1981, the individual was enrolled either in the Armed Forces Health Professions Scholarship Program or in the Doctor of Medicine (DOM) program at the Uniformed Services University of Health Sciences (USUHS), completed that program, and was appointed as a medical or dental officer.

c. On September 14, 1981, the individual was participating in a program that credited years of service and led to an appointment as an officer in the Army, Navy, Air Force, or Marine Corps.

2. Medical and dental officers who meet the criteria in subparagraph 010201.E.1 are entitled to 4 years of constructive service credit. Also, those medical officers who have completed a medical internship or its equivalent, or who entered military status while serving such an internship, are entitled to a fifth year of constructive service credit.

3. Where a member is entitled to service credit for a period covered by the constructive credit, reduce the constructive service credit by an amount equal to the actual service credit.

Example 1:

1. An individual completed dental school on June 11, 1977 and accepted a commission as a dental officer on August 3, 1977.

The member was credited with 4 years of constructive service and a basic pay date of August 3, 1973.

2. An individual completed a medical internship on June 30, 1979 and accepted a commission as a medical officer on August 11, 1979. The member was credited with 5 years of constructive service and a basic pay date of August 11, 1974.

3. An individual entered medical school in 1970 and accepted a commission on January 12, 1972. He graduated from medical school on June 10, 1974 and completed a civilian residency during the period from July 1, 1974 through June 30, 1975. Compute basic pay date as follows:

First, compute dual status period, which is the period of time between the date of commission and date of graduation:

	YR	MO	DAY
Graduated:	74	06	10
Commission Date:	72	01	12
Dual Status Period:	02	04	28+1 (inclusive day)

Then, compute constructive service credit, which is the 4 years constructive credit less the time already credited as commissioned service:

Maximum Constructive Service Credit:	03	11	30 (4 years)
Less Dual Status Time:	02	04	29
Constructive Credit:	01	07	01

The member's basic pay date was 1 year, 7 months, and 1 day before his commission date of January 12, 1972 or June 11, 1970.

Example 2: The scenario is the same as in the previous subparagraph, except the member accepted a commission on July 12, 1974 after starting the internship. The member was entitled to 5 years of constructive service credit instead of 4 years:

	YR	MO	DAY
Date Finished Internship:	75	06	30
Commission Date:	74	07	12
Dual Status Period:	00	11	18+1 (inclusive day)

Maximum Constructive Service Credit:	04	11	30 (5 years)
Less Dual Status Time:	00	11	19
Constructive Credit:	04	00	11

The member's basic pay date was 4 years, no months, and 11 days before his commission date, or July 1, 1970.

Example 3: An officer, commissioned on November 19, 1962, entered dental school on September 9, 1970 and graduated on May 28, 1974. To compute constructive service credit:

First, compute dual status.

	YR	MO	DAY
Graduated:	74	05	28
Started School:	70	09	09
Dual Service:	03	08	19+1 (inclusive day)

Then, deduct the dual service from the 4-year constructive credit period to arrive at net constructive service credit:

	YR	MO	DAY
Maximum Constructive Service Credit:	03	11	30 (4 years)
Less Dual Service:	03	08	20
Constructive Credit:	00	03	10

Change the member's basic pay date to 3 months and 10 days before the previous one (November 19, 1962) to August 10, 1962.

010202. Service Not Creditable

A. General. Do not use any service that is not listed as creditable service to compute a basic pay date. The following list includes a few types of service that are not creditable:

1. The time served in an enlistment that is terminated, voided, or invalidated as fraudulent;

2. The time served as a commissioned officer in the Philippine Army;

3. The constructive time authorized by the Act of December 28, 1945 (59 Stat. 664), for determining grade and eligibility for promotion;

4. The period of time a member was on the Emergency Officers' Retired List;

5. The time an individual was a member of a state, home, or territorial guard;

6. For commissioned officers, any period of service performed in the ROTC after October 12, 1964 and prior to August 1, 1979, even if such member held concurrent Reserve status;

7. Time an individual was a member of the inactive National Guard. This does not apply to an individual who was a member of the National Guard Reserve and the National Guard of the United States. Time during which the individual had dual status, enlisted or commissioned, in the inactive National Guard and the National Guard of the United States is creditable;

8. The time, subsequent to September 14, 1981, a member serves while enrolled in the Armed Forces Health Professions Scholarship and Financial Assistance Programs, or while a DOM student at the USUHS. Use any service creditable on the date of the officer's entry into DOM USUHS to compute the officer's basic pay for longevity purposes while a USUHS student, not to exceed the maximum rate of O-1 pay in Table 1-7 or, if applicable, the maximum O-1E pay in Table 1-8, or the member's former pay grade as outlined in subparagraph 010303.A;

9. The time served in a Reserve Component before beginning active duty or an initial period of ADT for enlistment in a Reserve Component under 10 U.S.C. § 12103(b) or (d) that was entered into between January 1, 1985, and November 28, 1989;

10. For enlistments entered into on or after November 29, 1989:

a. A period of enlisted service in a Reserve Component under 10 U.S.C. § 12103(b) or (d), including inactive service under a DEP, if the member does not perform IDT before beginning active duty or an initial period of ADT; or

b. Service performed as an enlisted member in a Reserve Component under 10 U.S.C. § 513, other than a period of active duty.

B. Effect of Lost Time Absence From Duty on Creditable Service

1. Prior to February 11, 1996, a commissioned or warrant officer was entitled to credit for every day in a commissioned or warrant status, without regard to an absence of any kind, whether authorized or unauthorized, and including confinement prior to and during trial. In addition, absence during which a member was serving on active duty as an enlisted member was creditable if the enlisted member also held a commission as a Reserve officer. After February 10, 1996, a commissioned or warrant officer may not count the following periods of absence for any purpose other than that of computing length of service for basic pay:

a. Desertion;

b. Absence from organization, station, or duty for more than 1 day without proper authority, as determined by proper authority;

c. Confinement by military or civilian authorities for more than 1 day in connection with a trial, whether before, during or after the trial; or

d. The officer's inability for more than 1 day, as determined by competent authority, to perform assigned duties because of the officer's intemperate use of drugs or alcoholic liquor, or because of disease or injury resulting from the officer's misconduct.

2. See Table 1-2 to determine the creditability for absence while in an enlisted status.

010203. Active Enlisted and/or Warrant Officer Service for Members in Basic Pay Grades O-1E, O-2E, or O-3E

A. Service Counted

1. General. Commissioned officers with over 4 years of prior active service as an enlisted member, warrant officer, or combined service in both grades are entitled to count such service for purposes of computing basic pay for longevity purposes. Such prior service includes all active service, in either the Regular or Reserve Component or both (i.e., ADT in enlisted or warrant officer status, annual Reserve training duty, and full-time National Guard duty). Service on active duty or ADT and IDT for at least 4 years and 1 day satisfy the over 4 years of service requirement under this section.

2. Creditable Prior Enlisted Service. Commissioned officers in pay grades O-1, O-2, or O-3 who are credited with over 4 years (i.e., at least 4 years and 1 day) of prior active service as an enlisted member are entitled to the special rate of basic pay for pay grade O-1E, O-2E, or O-3E.

3. Creditable Prior Warrant Officer Service. Commissioned officers in pay grades O-1, O-2, or O-3 who are credited with over 4 years (i.e., at least 4 years and 1 day) of prior active service as a warrant officer are entitled to the special rate of basic pay for pay grade O-1E, O-2E, or O-3E.

4. Creditable Combined Prior Service. Effective October 1, 1993, commissioned officers in pay grades O-1, O-2, or O-3 who are credited with over 4 years (i.e., at least 4 years and 1 day) of combined prior active service as an enlisted member and warrant officer are entitled to the special rate of basic pay for pay grade O-1E, O-2E, or O-3E.

5. Creditable Service for Certain Reserve Commissioned Officers. Effective January 1, 2002, commissioned officers in pay grades O-1, O-2, and O-3 who are paid from funds appropriated for Reserve personnel and credited with 1,460 points for retirement

computed under 10 U.S.C. § 12732(a)(2) service as a warrant officer and/or enlisted member are entitled to the special rate of basic pay for pay grade O-1E, O-2E, or O-3E.

6. Creditable Service for Certain Commissioned Officers. Effective November 24, 2003, the restriction that members must be paid from reserve appropriated funds to qualify for the special rate of basic pay for pay grades O-1E, O-2E, and O-3E based upon creditable service points is eliminated. Therefore, effective that date, commissioned officers in pay grades O-1 through O-3 with more than 1,460 points computed under 10 U.S.C. § 12732(a)(2) for service as a warrant officer and/or an enlisted member are entitled to the special rate of pay.

7. Leap Year. Reserve Component members who perform duty during a leap year earn a point for the extra day of duty in the month of February under 10 U.S.C. § 12732(a)(2). A leap year represents 1 year of service for basic pay purposes. Thus, the extra point does not qualify the member for having earned the equivalent of over 4 years of active service, and the member would not be eligible for the O-1E, O-2E, or O-3E rate of basic pay. The member would have to serve more than 4 years of active service to qualify for the special rate of basic pay.

8. Creditable Service while Graduate Students at USUHS. The Secretary of Defense shall establish such selection procedures, service obligations, and other requirements as the Secretary considers appropriate for graduate students (other than medical students) in a postdoctoral, postgraduate, or technological institute established pursuant to 10 U.S.C. § 2113(e). The subparagraph 010202.A.8, does not apply to graduate students.

B. Service Not Counted. In computing active service, do not count:

1. Active service in a dual status (temporary officer/permanent enlisted) in the Navy or Marine Corps;

2. Service as a National Guard technician; or

3. Except for periods of active duty service performed while a USUHS DOM student, time served as a DOM student at USUHS. See subparagraph 010202.A.8 and applicable notes to Tables 1-7 and 1-8.

010204. Computation of Creditable Service

A. Computing a Basic Pay Date

1. All basic pay date computations start from the date of the member's most recent entry on duty without a break in service. Use the following dates:

a. For enlisted members, the date of enlistment, but see subparagraph 010201.D.10, for service under a DEP;

b. For officers, the date of acceptance of a commission. The date of acceptance for officers graduating from a Military Service academy is the date of graduation; or

c. For officers entitled to count service as an acting assistant surgeon, intern, or hospital steward in the Public Health Service or the Public Health Marine Hospital Service, the date of acceptance of the appointment. Do not count service performed before that date.

2. After determining initial basic pay date, compute creditable service for all service prior to that date. Use the following to compute basic pay date. If the member had any periods of service during which there was lost time, do not use those periods here. Instead, compute according to subparagraph 010204.A.3.

a. List beginning dates of service for each separate period of service, without changing any of them, and add them together.

b. List all ending dates. If the day is the 31st day of the month, change it to 30. If the day is February 28 in a non-leap year, change it to February 30 for computation purposes. If the day is February 29, change it to February 30 for computation purposes. Do not change February 28 of a leap year to February 30. Add all ending dates together.

c. Subtract the beginning day result from the ending day result.

d. For each non-continuous period of service, add 1 day to account for inclusive days. Explanation: Any period of service is at least one day. If, for example, the member had one day of service on January 17, 2012, the computation would look like this:

	YR	MO	DAY
Ending Day:	12	01	17
Less Beginning Day:	12	01	17
	00	00	00

It is necessary to add 1 day for inclusive days to avoid this erroneous answer.

e. Convert to full years, months, and days. The result is years of service creditable for pay purposes.

EXAMPLE:

Member served as follows:

	From:	To:
Active Duty Army (Enlisted)	Jan 1, 81	Feb 29, 84
Army National Guard (ARNG) (Com)	Jun 1, 84	May 26, 91
Air National Guard (ANG) (Com)	Aug 1, 93	Mar 31, 98
U.S. Air Force (Com)	Apr 1, 98	Jun 4, 05

Beginning dates:			Ending Dates:		
YR	MO	DAY	YR	MO	DAY
1981	01	01	1984	02	30
1984	06	01	1991	05	26
1993	08	01	2005	06	04
5958	15	03	5980	13	60

Convert February 29, 1984 to February 30, 1984 since 1984 was a leap year.

Convert March 31, 1998 to March 30, 1998 since the 31st day of a month does not count as an ending date, though it would count as a beginning date. The period from August 1, 1993 through June 4, 2005 is continuous, so it is all included in the third line of the computation.

Subtract total of beginning dates from the total of ending dates:

YR	MO	DAY	
5980	13	60	(total of ending dates)
5979	25	60	(borrowed 12 months from year column)
5958	15	03	
21	10	57	

Add 1 day for each of the 3 periods used in the computation. The result is 21 years, 10 months, and 60 days, which converts to exactly 22 years of creditable service.

3. Regarding computations involving lost time, if a member has lost time, compute the creditable service for the period served separately. Add the results to any creditable service computed separately under subparagraph 010204.A.2.

a. When there is a period of lost time that has not been made good, compute the lost time on a 30-day month basis; but, if the lost time begins on the 31st day of a month, include that day as a lost day. Compute as follows:

Determine the years, months, and days of lost time and deduct that amount from the total service during the period.

Example 1: A member enlisted for 4 years on July 18, 2000 but was Absent Without Leave (AWOL) from February 10, 2003 through March 16, 2003. The member received a hardship discharge on August 10, 2003 without making up the lost time. The member reenlisted February 20, 2005. Compute creditable service and basic pay date as follows:

First compute the lost time.

	YR	MO	DAY
Ended AWOL:	03	03	16
Began AWOL:	03	02	10
Lost Time:	00	01	06+1 (inclusive day)

Then compute first period of service.

Discharged:	03	08	10
Entered Active Duty:	-00	07	18
Subtotal:	03	00	22+1 (inclusive day)
Deduct Lost Time:	-00	01	07
Creditable Service:	02	11	16

Subtract 2 years, 11 months, and 16 days from reenlistment date of February 20, 2005 to arrive at a new basic pay date of March 4, 2002.

b. A member who makes good the lost time does so on a day-to-day basis. When the member makes good lost time and completes the enlistment or contract period, compute the period of lost time on both a 30-day month basis and a day-to-day basis and use the result that is most advantageous to the member. To illustrate, if a member is AWOL on March 30 through April 1, it would be 3 days on the day-to-day basis but only 2 days on a 30-day month basis. Compute creditable service as follows (and separately from periods of service which do not have lost time):

(1) First step: Compute total lost time on both a 30-day basis and a day-to-day basis. Convert the day-to-day basis computation to years, months and days, and compare it to the computation on the 30-day basis. Discard the one which shows a higher total of days lost.

(2) Second step: Compute the gross amount of service during the period by subtracting the entry date from the discharge date and adding 1 day for inclusive day.

(3) Third step: Subtract the lost time from the result of the second step. If the result is at least as long as the enlistment contract, use that amount. If the result is less than the enlistment contract, increase it to equal the enlistment contract.

(4) Fourth step: Add this creditable service to any other periods and use the total to figure the member's basic pay date.

Example 2: Assume the member in example 1 had not received a hardship discharge; instead, he or she had completed the enlistment contract, including making good the lost time. He made up the 35 days of lost time computed on a day-to-day basis. The days served to make good the lost time were July 18-31, 2004 (14 days) and August 1-21, 2004 (21 days).

When the member reenlists on February 20, 2005, compute creditable service as follows:

YR	MO	DAY	
04	08	21	(ending date of the last period of service)
-00	07	18	(beginning date of the last period of service)
04	01	03	+1(inclusive day)

The result is 4 years, 1 month and 4 days before deducting lost time. Note that the lost time computed on a 30-day month basis was 37 days, but was only 35 days when computed on a day-to-day basis. Subtract the 35 days lost time from the period of service computed above.

YR	MO	DAY
04	01	04
-00	01	05
03	11	29 (total service)

The result is less than the enlistment contract of 4 years, but since the member completed the enlistment contract, he or she is entitled to credit for the entire 4 years. Set basic pay date at February 20, 2001, when the member reenlists on February 20, 2005.

Example 3: A member enlisted on July 18, 2000, for 4 years. She was AWOL from July 28, 2003 through September 3, 2003, which is 38 days on a day-to-day basis (July 28-31, 4 days; August 1-31, 31 days; and September 1-3, 3 days). She is discharged on August 24, 2004 after making good the 38 days of bad time by serving July 18-31 (14 days) and August 1-24 (24 days).

Step 1. When she reenlists on February 20, 2005, compute prior service as follows:

YR	MO	DAY	
04	08	24	(ending date of the last period of service)
-00	07	18	(beginning date of the last period of service)
04	01	06+1	(inclusive day)

The result is 4 years, 1 month and 7 days before deducting lost time.

Step 2. Lost time on a day-to-day basis was 38 days. Compute lost time on a 30-day month basis as:

July 28-31, 2003	03 days
August 1-30, 2003	30 days
September 1-3, 2003	03 days
Total	36 days

Step 3. Following the rule set out in step 2, above, deduct the lost time in the manner most beneficial to the member.

YR	MO	DAY	
04	01	07	(service before deducting lost time)
-00	01	06	(lost time)
04	00	01	

Step 4. Set the basic pay date at February 19, 2001 when the member reenlists on February 20, 2005.

4. Adjusting basic pay date when member has lost time. Lost time does not change an officer's basic pay date (See paragraph 010202.B). When an enlisted person returns to duty after a period of lost time, add the number of days lost time to the member's basic pay date to reflect the lost time.

Example: An enlisted member with no prior service enlisted on July 18, 2003. He was AWOL from February 10, 2005 through March 16, 2005. When member returns to duty status, change his basic pay date as follows:
Compute lost time:

February 10-30	21 days
March 1-16	16 days
	37 days lost time

YR	MO	DAY	
03	07	18	(original basic pay date)
+00	01	07	
03	08	25	

The new basic pay date is August 25, 2003.

B. Procedure When Basic Pay Date Falls on February 29. When basic pay date falls on February 29, entitlement to longevity increases begins on March 1 in non-leap years and on February 29 in leap years.

0103 COMPUTATION OF PAY

010301. Basic Pay Entitlements

A. When Entitled to Basic Pay. The pay of Military Service members is prescribed by law. Current basic pay rates are contained in Tables 1-7, 1-8, 1-9, 1-10 and at the Defense Finance and Accounting Service website. Members are entitled to receive pay according to their pay grades and years of service if they are:

1. On active duty in a pay status; and

2. Not prohibited by law from receiving such pay.

B. Employment of Members in Another Capacity

1. Employment Under the Government

a. Unless otherwise provided by law (such as during the period a member is on terminal leave pending retirement, separation, or release from active duty under honorable conditions), a member may not be employed in another capacity by the government and receive pay, other than the pay and allowances that accrue by reason of the military status. A member may be employed, however, on a voluntary basis during off-duty hours in connection with non-appropriated fund activities.

b. Under agreements such as that between the Department of Defense and the Agency for International Development (AID) of the Department of State, military members may be detailed to agencies such as AID for certain types of service for specified periods. As provided in pertinent agreements, members so detailed are entitled to the pay and allowances of employees of the agency (AID Foreign Service personnel, in the case of that agency) holding comparable positions. Such members are paid by the agency in which service is performed, not by the Military Service involved.

2. Acceptance or Holding Civil Office

a. An officer of an Armed Force on active duty may not be employed on civil functions if the civil duties separate the member from the parent organization or interfere with the performance of military duties. This applies to employment on civil works or internal improvements, by an incorporated company, or as acting paymaster or disbursing agent of the Bureau of Indian Affairs.

b. Unless otherwise provided by law, an officer of a Regular Component of the Army, Navy, Air Force, or Marine Corps may not hold a civil office by election or appointment under the United States, a territory, possession, or state. Acceptance of such position terminates the officer's appointment and any further entitlement to receive pay and allowances whether or not the officer continues to fulfill the duties as an officer subsequent to accepting the office.

3. Medical Officers. Medical officers on active duty who receive any compensation or stipend payments for services they perform as interns or resident physicians in private or public institutions (state, county, municipal, or privately owned hospitals) receive such payments for the benefit of the United States. Collect these payments from medical officers for deposit to the U.S. Treasury.

C. Formal Acceptance of Appointment by Officers

1. Pay and allowances generally accrue from the date of acceptance of appointment as an officer. The normal method of acceptance is taking the oath of office. Commencement of travel in compliance with an order is considered acceptance for pay purposes, but payment will not be made until formal signing of the oath of office. See Table 1-3 for specifics and for graduates of the academies.

2. An officer need not take the oath of office upon promotion if the service has been continuous since the last oath.

Note: See Table 1-4 for other situations regarding effective dates for promotions or restoration of grade.

D. Restriction Against Dual Payments

1. A Reserve member who is called to active duty for more than 30 days in time of war or national emergency is entitled while on that active duty to the pay and allowances prescribed for active duty. Exception is authorized if the member is entitled to a pension, retired pay, or disability compensation for earlier military service, in an amount greater than that prescribed for active duty.

2. Except as prescribed in subparagraph 010301.D.1, a Reserve member who is entitled to payments for earlier military service, and is called to active duty and is entitled to pay, may elect to receive either:

a. The payments for the earlier military service, or

b. If member specifically waives those payments, the pay and allowances authorized for the active duty.

E. Posthumous Promotions. Members may be promoted posthumously. The amount of bonus, gratuity, pay, or allowances is not changed by these promotions. This payment restriction does not apply to promotions of members while in a missing status where a determination by the Secretary of the Military Department concerned is subsequently made that the member died before the date of the promotion.

010302. Computing Monthly Pay

A. Monthly Pay

1. Service of 30 Days or More. Compute monthly compensation as if each month had 30 days. When service begins on an intermediate day of the month, pay for the actual number of days served during that calendar month, but only through the 30th day of that month. If active military service begins on the 31st day of any month, compensation does not accrue for that day. Any person who enters active service during February and serves until the end of the month is entitled to pay for 1 month (30 days), less the prorated amount for the number of days expired before entry on duty. If the service ends before the last day of February, pay the member only for the actual number of days served.

2. Service of Less Than 30 Days. Members of the Uniformed Services entitled to receive compensation for continuous periods of less than 1 month are entitled to pay and allowances for each day of the period at the rate of 1/30 of the monthly amount of such pay and allowances. Include the 31st day of a calendar month in the computation. Members who are obligated to serve on active duty for 30 days or more, but who were released before performing such active duty for at least 30 days, are entitled to receive pay and allowances on a day-to-day basis.

B. Absence Without Pay

1. Deduct 1/30 of 1 month's pay for each day's absence in a nonpay status.

2. No pay is lost for unauthorized absence on the 31st day of a month, except when it is the first day of absence or when the member is paid for the day under subparagraph 010302.A.2.

3. Absence in a nonpay status on the 28th of February in a non-leap year results in loss of pay for 3 days. If the member is absent only on the 28th day of February in a leap year, deduct the pay for 1 day for the 28th. If the absence occurs on the 29th of February, deduct pay for 2 days. When payment is made under subparagraph 010302.A.2, on the basis of each day served, deduct only for the actual period of unauthorized absence.

C. Annual Salary. Annual salary is divided into 12 equal installments. One installment represents the pay for each calendar month. The daily rate is 1/30 of the monthly rate. The instructions in subparagraph 010302.B, for monthly pay also apply to annual salary.

D. Basic Pay Rates. Tables 1-7 through 1-10 contain monthly rates of basic pay.

010303. Saved Pay and Allowances

A. Enlisted. An enlisted member who accepts an appointment as an officer will, following appointment, be paid the greater of:

1. The pay and allowances to which such member would be entitled if the member had remained in the last enlisted grade held before appointment as an officer and continued to receive increases in pay and allowances authorized for that grade, or

2. The pay and allowances to which the member thereafter becomes entitled as an officer.

B. Warrant Officers. A warrant officer who accepts an appointment as a commissioned officer will, following appointment, be paid the greater of:

1. The pay and allowances to which the member thereafter becomes entitled as a commissioned officer, or

2. The pay and allowances to which such member would be entitled if the member had remained in the last warrant officer grade held before appointment as a commissioned officer and continued to receive increases in pay and allowances authorized for that grade, or

3. In the case of an officer who was formerly an enlisted member, the pay and allowances to which entitled, under subparagraph 010303.D.3, before appointment as an officer.

C. Prior Service Medical Students. Members selected to participate as a DOM student at the USUHS or in the Health Professions Scholarship and Financial Assistance Program who have prior active service, including members who have had a break in service, in a pay grade with years of service greater than the rate of second lieutenant or ensign, will be authorized saved pay for the basic pay rate of the former grade. The former basic pay rate will be increased on January 1 of each year by the average percentage increase authorized for that year. The member will continue to receive the former pay rate until the date, occurring before or after graduation or participation in the program, that the member's actual grade and years of service basic pay rate exceeds the former grade rate. This saved pay provision applies only to basic pay. The member's other pay entitlements will be paid at the member's actual grade and years of service.

D. Restrictions

1. Except for prior service medical students discussed in subparagraph 010303.C, a member entitled to saved pay is not authorized the pay for one grade and an allowance for another grade.

2. The saved pay amount may be reduced when the member loses entitlement to specific items; however, these specific items will be included in saved pay if the member again qualifies for such items. (See subparagraph 010303.D.7.)

3. In the case of a Navy or Marine Corps promotion under the authority of 10 U.S.C. § 5596, a member in a temporary appointment is not entitled to saved pay because of a permanent promotion.

4. BAH may be continued as an item of saved pay and will be paid whenever it is not forfeited because the member is assigned to government quarters.

5. For enlisted members, BAS is the alternative for subsistence in kind. Since officers are not authorized subsistence in kind, a member eligible for saved pay is entitled to the appropriate BAS rate (including the "when permitted to mess separately rate" even when subsistence in kind otherwise would be provided or made available) under the conditions prevailing for enlisted members at their permanent station. Credit BAS at the "when permitted to mess separately rate" at all times, except when the member would otherwise be entitled to a different rate. (See Chapter 25, subparagraph 250202.C.)

6. For appointments accepted before January 6, 2006, special duty assignment pay, incentive pay for hazardous duty, special pay for diving duty, special pay for sea duty, and hardship duty pay may be retained as an item of saved pay only for as long as the member continues to perform the duty and would be eligible to receive payment had the member remained in the former status.

7. For appointments accepted on or after January 6, 2006, in determining the amount of pay and allowances of a grade formerly held by an officer who was an enlisted member and accepted an appointment as an officer, the following special and incentive pays may be considered only so long as the officer continues to perform the duty that creates the entitlement to, or eligibility for, that pay and would otherwise be eligible to receive that pay in the former grade:

a. Incentive pay for hazardous duty;

b. Submarine duty pay;

c. Special pay for diving duty;

d. Hardship duty pay;

e. Career sea pay;

f. Special pay for service as a member of a Weapons of Mass Destruction Civil Support Team;

g. Assignment incentive pay;

h. Special pay for duty subject to hostile fire or imminent danger;

i. Special pay or bonus for an extension of duty at a designated overseas location;

j. Foreign language proficiency pay; and

k. Critical skill retention bonus.

8. The enlisted cash clothing allowances prescribed in Chapter 29 may not be included in the saved pay computation if the officer is entitled to the initial uniform allowance prescribed in Chapter 30, section 3002.

9. Family Separation for Housing (FSH) may be continued as an item of saved pay under the same conditions as BAH (See subparagraph 010303.D.4). If the member was entitled to FSH due to an enforced separation from the member's family at the time of appointment, the allowance may be included in the computation of saved pay until the entitlement ends. FSH may be reinstated for future periods if the member again qualifies for FSH due to an enforced separation from the family. Similarly, other items of overseas station allowance and/or special or incentive pay may be reinstated if a member again qualifies for them.

10. Effective January 6, 2006, the following special and incentive pays are dependent on a member being in an enlisted status and may not be considered in determining the amount of pay and allowances of a grade formerly held by an officer:

a. Special duty assignment pay;

b. Reenlistment bonus;

c. Enlistment bonus; and

d. Career enlisted flyer incentive pay.

E. Breaks in Service. A break in service (e.g., released from active duty, discharged) does not disqualify an officer for the saved pay and allowances entitlements of this section.

010304. Increased Basic Pay During a Period of Service Essential to the Public Interest

A. Entitlement to Increased Basic Pay. This section applies only to enlisted members of the Regular Navy or Marine Corps, or Naval or Marine Corps Reserve, whose enlistments expire while serving on a naval vessel in foreign waters.

1. Retention in Service. Such members may be retained on active duty until the naval vessel returns to the Continental United States (CONUS) if the period of retention is determined "service essential to the public interests." The senior officer present afloat makes this determination.

2. Pay and Allowances. During the period of retention, except in time of war, members are entitled to regular pay and allowances, plus a 25-percent increase in the basic pay, to which they were entitled on the day before the period of retention began.

B. Members Not Eligible for Increase

1. Enlisted members are not entitled to the increased basic pay if retained on active duty after the expiration of enlistment:

a. At shore stations;

b. On ships on duty in waters in or around possessions and territories of the United States;

c. On ships on duty in ports or waters within the sovereign jurisdiction of the United States;

d. Due to lack of transportation; or

e. Merely because it is desirable to continue their services or some benefit may be derived there from.

2. A member of the Naval Reserve or Marine Corps Reserve is not entitled to the 25-percent increase while retained beyond the period of obligated service as distinguished from normal date of expiration of enlistment.

C. Restrictions in Use. Do not use the 25-percent increase in computing:

1. Cash settlement for unused leave on discharge;

2. Physical disability or temporary disability retired pay;

3. Disability severance pay; or

4. Reenlistment bonus.

D. Termination of Increase in Basic Pay. The 25-percent increase in basic pay continues through date of:

1. Discharge, if the member is discharged within 30 days after arrival in CONUS; or

2. Transfer to a hospital for treatment. (See Table 1-5, rule 19 for the date of termination of normal pay and allowances.)

010305. Allowable Travel Time for Reserve Members Called To or Released From Active Duty

A. Pay and Allowances Entitlement for Allowable Travel Time

1. Reserve members called to active duty are entitled to active duty pay and allowances for the time allowed for necessary travel from:

a. Home to a first duty station; or

b. Last duty station to home (except when released from active duty for retirement or dismissal, when discharged, or upon resignation).

2. Pay and allowances for allowable travel time is an earned entitlement. The payment for the return home may be made upon the member's release from such duty without regard to actual performance of the travel. If the member dies after payment but before payment would otherwise be due, no part of the payment will be recovered by the United States.

B. Terms and Special Conditions

1. Allowable travel time is considered active duty for all purposes normally ascribed to active duty. The computation of allowable travel time, whether actual or constructive will:

a. For periods of active duty of 30 days or less, be based upon the rules contained in Table 1-6; or

b. For periods of active duty of more than 30 days, be based upon the rules and provisions in Chapter 57.

2. A member of a Reserve Component is entitled to active duty pay and allowances for allowable travel time, if any, when:

a. Ordered to perform ADT;

b. Performing authorized IDT immediately before or after ADT at or near the same site; or

c. Receiving orders that direct performance of necessary travel to and from the ADT site immediately before and after combined ADT/IDT. The travel date will be specified in the active duty orders. Full retirement point credit is earned for the period of IDT performed.

0104 ABSENCE FROM DUTY, EFFECT ON PAY, AND ALLOWANCES

010401. Authorized Leave

A. Authority. All Military Service members on active duty for 30 consecutive days or more are entitled to accrue leave under applicable Military Service leave regulations. While on authorized leave, they are entitled to full pay and allowances except as otherwise provided in Table 1-11.

B. Applicable Service Leave Regulations. Applicable Military Service leave regulations are:

1. Army. AR 600-8-10;

2. Navy. MILPERSMAN 1050 series;

3. Air Force. AFI 36-3003; and

4. Marine Corps. MCO 1050.3J.

C. Pay and Allowances During Leave

1. Entitlement. See Table 1-11.

2. Full Pay and Allowances Defined. This term means (includes) the following:

a. Basic pay;

b. Special pays;

c. Incentive pay for hazardous duty;

d. BAS (enlisted leave rations);

e. BAH;

f. Personal money allowances;

g. Clothing maintenance allowances;

h. Family separation allowances; and

i. Station allowances (CONUS Cost of Living Allowance, and Temporary Lodging Allowance). (See JTR, Chapter 9.)

D. Advance Leave Carryover or Change to Excess Leave (Effective November 14, 1986)

1. When Carryover Allowed. Members may elect to carry all or part of an advance leave balance over to a new term of service when discharged for the purpose of:

a. Reenlisting within 24 hours of discharge or extending an enlistment, or

b. Accepting an appointment as a warrant or commissioned officer of the Armed Forces. Carryover will not exceed the number of days or fraction of days the member will accrue in the new enlistment or term of service or 30 days, whichever is less.

Example 1: A member's current term of service ends April 30, 2007. The member reenlists for 6 years on March 1, 2007 and has a 5.0-day advance leave balance. The 5.0-day advance leave balance can be carried into the new term of service.

Example 2: A member's current term of service ends September 30, 2007. On May 1, 2007, the member agrees to serve a 12-month extension and has a 12.5-day advance leave balance that will be offset by leave accrual through September 30, 2007. Between May 1, 2007 and September 30, 2007, the member was charged for 30 days of leave. When the extension became operative (October 1, 2007), the member could elect to carry the 30.0-day advance leave balance into the new term of service (12-month extension).

2. Excess Leave. Advance leave becomes excess leave and requires collection of pay and allowances under the following conditions:

a. Discharge for the purpose of reenlisting, extending an enlistment, or accepting a warrant or commission, and advance leave exceeds 30 days;

b. Advance leave balance exceeds that which will accrue in the new enlistment or term of service (for example, enlistment or extension(s)), including when an agreement to extend is cancelled by the Military Service. If an agreement to extend is canceled by the member for the purpose of immediate reenlistment, collect the advance under subparagraph 010401.D.2.a, if applicable;

c. Relief from active duty;

d. Appointment as a cadet or midshipman at a Service academy;

e. Death; or

f. Return from a period of leave that was in excess of the number of days of leave and fractions thereof that the member will accrue before the normal expiration of current enlistment or term of active service. The term of an extension(s) will be considered when determining the normal expiration of current enlistment or term of active service. Extension(s) will be considered from the date the member agrees to the extension(s). Excess leave properly charged before the date a member extends a term of service (reenlistment, appointment or agrees to extend voluntarily or is involuntarily extended) will not be affected and under no circumstances will pay and allowances previously collected be refunded. (See subparagraph 010401.E. when it is known at the time leave is granted that the member will be in excess leave status.)

Example 3: A member's current term of service ended on March 31, 1988. The member reenlisted for 6 years on January 1, 1987 and had a 35.5-day advance leave balance. The member carried 30.0 days of advance leave into the new term of service. The remaining 5.5-day advance leave balance changes to excess leave and requires immediate collection of pay and allowances. Subparagraph 010401.E. applies.

Example 4: Same as example 2, except that the member took 34 days of leave between May 1, 1987 and September 30, 1987. Since a maximum of 30.0 days of advance leave could be carried into the new term of service (12-month extension), immediate collection of pay and allowances for the remaining 4.0 days was required when the leave was used. Subparagraph 010401.E applies.

3. Amount to be Collected. Compute collection under subparagraph 010401.D.2 on the basis of pay and allowances received by the member during the period of leave involved.

E. Pay and Allowances During Excess Leave. Members on excess leave are not entitled to pay and allowances. Apply as follows:

1. When the complete period of leave is granted as excess leave, pay and allowance accrual will be stopped beginning with the first day of leave.

2. When a portion of the leave is granted as advance leave and a portion granted as excess leave, pay and allowance accrual will be stopped beginning with the first day of excess leave. Members in an excess leave status are considered to have a rate of pay.

F. Leave Pending Review of Certain Court-Martial Convictions. Under regulations prescribed by the Secretary of the Military Department concerned, members sentenced to unsuspended dismissal or unsuspended dishonorable or bad conduct discharge by court-martial may be required to take leave pending review of their conviction as provided by Article 76a, Uniform Code of Military Justice (UCMJ).

1. Such leave will be charged against any accrued leave to the member's credit on the day before the day such leave begins unless the member elects to be paid for accrued leave under Chapter 35, subparagraph 350201.B.

a. If the member does not elect to be paid for accrued leave or does not have sufficient accrued leave to cover the total period of leave required to be taken, the leave not covered by accrued leave will be charged as excess leave.

b. If the member elects to be paid for accrued leave, the entire period of leave will be charged as excess leave and pay and allowances will not accrue for such period except under the provisions of subparagraph 010401.F.2.

2. A member required to take leave under Article 76a, UCMJ, whose sentence by court-martial to dismissal or dishonorable or bad-conduct discharge is set aside or disapproved on appellate review, will accrue pay and allowances for the period of leave charged as excess leave (except for any day of accrued leave for which the member has been paid under subparagraph 010401.F.1.b), unless a rehearing or new trial is ordered and dismissal or dishonorable or bad-conduct discharge results from the rehearing or new trial and such dismissal or discharge is later executed.

a. Computation of Payment. The amount of gross pay and allowances accrued under this subparagraph will be reduced by the total gross income from wages, salaries, tips, other personal service income, unemployment compensation, and public assistance benefits from any government agency during the period the member is deemed to have accrued gross pay and allowances. The total gross income, however, cannot reduce the amount of gross pay and allowances to the extent that the member becomes indebted to the government.

(1) Approved Sentence Does Not Include Reduction. Pay and allowances under this section will be paid in the pay grade held by the member on the day before the day on which the court-martial sentence was approved by the convening authority.

(2) Approved Sentence Includes Reductions. If the pay grade of the member was reduced to a lower grade as a result of the court-martial sentence and the reduction has not been set aside, disapproved, or otherwise vacated, pay and allowances accrued under this paragraph will be paid at the lower pay grade.

b. Time of Payment

(1) Payment will be made within 60 days from the date of the order setting aside or disapproving the sentence by court-martial to a dismissal or a dishonorable or bad-conduct discharge if no rehearing or new trial has been ordered.

(2) Payment will be made within 180 days from the date of the order setting aside or disapproving the sentence by court-martial to a dismissal or a dishonorable or bad-conduct discharge if a rehearing or new trial has been ordered, but charges have not been referred to a rehearing or new trial within 120 days from the date of that order.

(3) If a rehearing or new trial has been ordered, and a dismissal or a dishonorable or bad-conduct discharge is not included in the result of the rehearing or new trial, payment will be made within 60 days of the date of the announcement of the result of such rehearing or new trial.

(4) If a rehearing or new trial has been ordered, and a dismissal for a dishonorable or bad-conduct discharge is included as the result of such rehearing or new trial, but such dismissal or discharge is not later executed, payment will be made within 60 days of the date of the order which set aside, disapproved, or otherwise vacated such dismissal or discharge.

(5) If a member who is entitled to be paid under this section fails to provide sufficient information in a timely manner regarding his/her income when such information is requested under subparagraph 010401.F.3, the periods of time prescribed in this paragraph will be extended until 30 days after the date on which the member provides the requested information.

3. In all cases where payment must be made under subparagraph 010401.F.2, the member solely is responsible for providing the information as to sources and amounts of income received by the member during periods of required appellate leave. Pay will be computed only on the basis of a written record. Information as to sources and amounts of income should include, at a minimum, copies of all pertinent income tax returns, employer statements of income earned from wages, salaries, tips, and documentation of other personal service income. In cases where the member has been unemployed, the required information will include affidavits or written evidence of lack of employment and documentation to verify the duration of unemployment compensation and public assistance benefits received from any government agency.

010402. Unauthorized Absence and Other Lost Time

A. Effect on Pay and Allowances. The types of unauthorized absences and other lost time and their effect on pay and allowances are shown in Table 1-12. (Compute for forfeitures of pay and allowances as instructed in subparagraph 010302.B.)

B. Unauthorized Absence and Desertion

1. Determination by Court-Martial. A member found guilty of unauthorized absence by a court-martial forfeits pay and allowances for the period of absence. An acquittal (or disapproval by the reviewing authority, in case of conviction) affects only the disciplinary aspects of the absence. It does not prevent an administrative determination that the member was absent without leave.

2. Administrative Determination of Unauthorized Absence. When a member is in an unauthorized absence status, an administrative determination must be made as to whether the absence was unavoidable. Table 1-13 contains rules for determining whether the

absence was unavoidable. If it is not excused as unavoidable, the member (including one mentally incompetent) forfeits pay and allowances for the period of absence. This applies even though a court-martial finds the member not guilty of a charge of unauthorized absence, or when a finding of guilty has been disapproved by the reviewing authority.

3. Discharge for Desertion. A discharge for desertion is conclusive evidence of desertion for the purpose of forfeiture of pay, even in the absence of trial by court-martial.

4. Dropped From Rolls. A commissioned officer of the Army or Air Force who is dropped from the rolls by the President for absence without authority for 3 months forfeits all pay due or to become due. Pay and allowances due at the time the officer is dropped from the rolls, however, will be used to satisfy debts due the United States and its instrumentalities.

5. Disposition of Forfeitures as a Result of Desertion. When an enlisted member, warrant officer, or limited duty officer forfeits pay as a result of desertion, deposit the gross amount of such forfeited pay to the Armed Forces Retirement Home Trust Fund. Do not, however, deposit this pay beyond the expiration of term of enlistment for enlisted members.

C. Computing Periods of Unauthorized Absence. Unauthorized absence of 24 consecutive hours or less does not affect pay or allowances. This applies even though the absence involves parts of 2 days. When the period of unauthorized absence exceeds 24 consecutive hours, use Table 1-14 to determine the first and last day of the period of absence.

D. Absence in the Hands of Civil Authorities

1. General. Pay the member all pay and allowances earned through the day before the first day of unauthorized absence. If the member is delivered to civil authorities by military authorities, he or she is entitled to all pay and allowances earned through the day prior to the date of such delivery. For entitlement to pay and allowances during confinement, see Table 1-12, rules 4, 5, and 6.

2. Finding of Insanity. An administrative determination under the rules contained in Table 1-13 must be made as to whether the absence was unavoidable when a member is found not guilty by reason of insanity by a civil court and transferred to a mental institution for an indefinite period of time. Table 1-12 contains rules for determining the effect of absences on pay and allowances.

3. Work Release Program. In some states and local jurisdictions, a person convicted and sentenced to a term of civil confinement may be released from the confinement facility to the cognizance of an employer during the normal workday. Work release, job rehabilitation, or employment retention programs of this type generally are conducted for the purpose of providing prisoners a means to continue support of their dependents and to demonstrate that they are capable of self-rehabilitation. When members are paroled to military authorities under a “work release” or similar program, they are entitled to pay and allowances for each day of full duty performed commensurate with their grade and military specialty.

E. Absence Due to Disease

1. When Pay Is Forfeited. See Table 1-12, rule 3.

2. When Pay Is Not Forfeited. Pay is not forfeited for absence from duty caused by:

a. An injury;

b. A disease, except under Table 1-12, rule 3;

c. Simple drunkenness, if not coupled with chronic alcoholism or intemperate use of habit-forming drugs; or

d. Venereal disease, whether or not due to misconduct.

3. Personal Expense Money. A member whose pay is forfeited under Table 1-12, rule 3 for more than 1 month is entitled to $5 for personal expenses for each full month that he or she forfeits pay. This payment will be made even though the member is indebted to the United States. The term "full month" is the period from a date in 1 month through the preceding date in the following month. For example, July 3 through August 2 is 1 month.

F. Military Confinement. Pay and allowances accrue to a member in military confinement except when:

1. Confined by military authorities, for civil authorities. See Table 1-12, rules 6 and 8l;

2. Pay and allowances are forfeited by court-martial sentence. See Chapter 48 and Table 1-12, rule 10; and

3. The term of enlistment expires. See subparagraph 010402.G.

G. Term of Enlistment Expires

1. General. Pay and allowances accrue to a member upon return to a full-duty status. Full duty is attained when a member, not in confinement, is assigned useful and productive duties (as opposed to duties prescribed by regulations for confinement facilities) on a full-time basis which are not inconsistent with the grade, length of service, and military occupational specialty (MOS). While placement in the same MOS is not essential, the decision to place a member in that MOS or to assign the member available duties consistent with the grade and service rests with the appropriate military commander.

2. Absentee Returned to Military Control. An absentee who surrenders or is apprehended after a term of enlistment has expired is not entitled to pay and allowances until restored to a full-duty status for the purpose of making good the lost time. While held in retention,

a member may be assigned duties as prescribed by regulations governing detained prisoners without being returned to full-duty status.

3. Enlistment Expires Before Trial. An enlisted member retained in the Military Service for the purpose of trial by court-martial is not entitled to pay for any period after the expiration of the enlistment unless acquitted or the charges are dismissed, or the member is retained in or restored to a full-duty status.

4. Confined Awaiting Trial by Court-Martial. If a member is confined awaiting court-martial trial when the enlistment expires, pay and allowances end on the date the enlistment expires. If the member is acquitted when tried, pay and allowances accrue until discharge.

5. Confined Serving Court-Martial Sentence. If a member is confined serving a court-martial sentence when the enlistment expires, pay and allowances end on the date the enlistment expires unless the sentence is completely overturned or set aside as specified in Chapter 48, section 4808. Pay and allowances will not accrue again until the date the member is restored to a full-duty status.

6. Confined While in a Status of Being Held in the Service to Make Up Lost Time. If confined while in a status of being held in the Military Service to make up lost time, an enlisted member continues in a pay status, except to the extent that pay may be forfeited by court-martial, the same as during the regular enlistment period. This pay status terminates if the member is in confinement on the date the normal term of service as extended to make up lost time would have expired, even if restored to duty at a later date.

7. Confinement Deferred or Prisoner Restored to Duty. A prisoner in a nonpay status is entitled to pay and allowances when service of sentence to confinement is deferred or the member is restored to a full-duty status. The date restored to duty is the date the member reported present for duty.

8. Absentee Confined Upon Return to Military Control. An enlisted member whose term of enlistment has expired while in a status of absence without leave or desertion is not entitled to pay and allowances upon return to military control while confined awaiting trial and disposition of the case if the conviction becomes final and the member has not been returned to a full-duty status. A member, however, who is returned to military control and restored to full duty for the purpose of making good the lost time before being confined to await trial, continues in a pay status except to the extent that pay may be forfeited by court-martial, the same as during the regular enlistment period. This pay status terminates if the member is in confinement on the date the normal term of service is extended to make up lost time would have expired, even if he or she is restored to duty at a later date.

9. Confined Under Sentence of Death. The pay and allowances of a member, serving in confinement under sentence of death and pending completion of the appellate review of the record of trial, do not accrue after the expiration of the enlistment.

10. Appellate Review of Court-Martial Sentence. A confined member who is pending appellate review of his or her court-martial sentence is not entitled to pay and allowances after the expiration of term of enlistment, unless the conviction is completely overturned or set aside.

H. Reserve Officer Absent From Duty. A Reserve officer whose term of active service expires while confined as a result of court-martial action continues to be entitled to pay and allowances, except when forfeited under an approved sentence of a court-martial or a period of service is terminated by proper orders.

0105 PAYMENT IN CASES OF VOID, VOIDABLE, OR REJECTED ENLISTMENTS OR INDUCTIONS

010501. Voidability of Contract

A fraudulent contract of enlistment or induction is not void but is voidable at the option of the government. When the government becomes aware of the fraud, it may void the contract or waive the objection and allow the contract to stand. (See Table 1-15.)

010502. Fraudulent Enlistments – Pay and Allowances

Members under investigation or determined to be serving in fraudulent enlistments are due pay and allowances for periods shown in Table 1-15.

010503. Travel Payments

See JTR, Part X, Paragraph 7645.

010504. Disbursing Officer Entitled to Credit

A disbursing officer is entitled to credit for proper payments to a member who fraudulently enlisted if payments were made without the knowledge of the fraud and before the government rescinded the contract.

010505. Failure to Discover Physical Condition of Enlistee or Inductee

Failure to discover that the physical condition of an enlistee or inductee was such as would warrant rejection for military service does not deprive member of right to pay and allowances or of the status of being entitled to basic pay. (See Table 1-15.)

Table 1-1. Service as Cadet or Midshipman - Officers

	A	B	C	D

RULE	When a member currently serving as an officer has had service as a cadet or midshipman in	to which appointed	and member	then the period involved is
1	any of the military academies		held no concurrent enlisted and/or Reserve status	not creditable.
2		after June 25, 1956	had an enlistment contract or period of obligated service that was not terminated	
3			concurrently retained a commission or warrant in the Army or Air Force Reserve	creditable.
4		on or after January 1, 1953	concurrently retained a commission or warrant in the Naval Reserve	

Table 1-2. Absence From Duty in Enlisted Status

RULE	A When the absence is	B and	C then the period of absence is
1	authorized leave or authorized excess leave		creditable.
2	unauthorized absence of more than 1 day (24 consecutive hours) (including detention of Army or Air Force members by or for civil authorities)	is administratively excused as unavoidable	
3		is not administratively excused as unavoidable	not creditable (note 1).
4	civil detention of a Navy or Marine Corps member	occurred before July 24, 1956, and the member was not acquitted or released without trial, and without making restitution	
5		occurred on or after July 24, 1956, and the member was absent under sentence or awaiting (and during) trial which resulted in conviction (note 2)	
6	inability to perform duty for more than 1 day (24 consecutive hours) because of intemperate use of alcohol or drugs, or disease or injury resulting from misconduct		
7	Desertion		
8	because of confinement for more than 1 day (24 consecutive hours) while awaiting trial (if the trial results in conviction) or confinement as the result of a court-martial sentence (note 3)	the member was a member of the Army or Air Force	
9	absence of a Navy or Marine Corps member because of confinement of more than 1 day (24 consecutive hours) while awaiting trial (if the trial results in conviction) or confinement as the result of a court-martial sentence	the confinement occurred on or after July 24, 1956 (note 3)	
10		the confinement occurred before July 24, 1956	(note 4).

Table 1-2. Absence From Duty in Enlisted Status (Continued)

NOTES:

1. Prior to February 11, 1996, absence during which a member was serving on active duty as an enlisted member and was also a Reserve officer is creditable. After February 10, 1996, a commissioned or warrant officer may not count the periods of absence for any purpose other than for computing length of service for basic pay. Also, see subparagraph 010202.B.
2. If the member is released without trial or acquitted, or if conviction is set aside on legal grounds (as distinguished from clemency), the period of absence is creditable. If the member is released upon agreement to make restitution or is later convicted by court-martial on the same facts, the period of absence is not creditable.
3. Period spent in confinement is creditable when the member is acquitted or the sentence is set aside or disapproved.
4. The period of absence is not creditable only if the confinement was under general court-martial sentence and/or while waiting (and during) trial which resulted in a sentence by a general court-martial to confinement and total loss of pay and allowances.

Table 1-3. When Active Duty Pay Begins

RULE	A	B	C	D	E
	When a person is	**in the**	**and**	**then active duty pay and allowances**	
				begin on:	**are authorized for:**
1	originally appointed as a permanent officer	Regular Army, Navy, Marine Corps, or Air Force (note 1)		date of formal acceptance of appointment (see subparagraph 010301.C.).	
2	an enlisted member temporarily appointed to a warrant or commissioned officer grade	Navy or Marine Corps			
3	an enlisted member or warrant officer on active duty appointed to a commissioned officer grade under 10 U.S.C. § 12201	Reserve	continues on active duty in that commissioned officer grade		
4	an enlisted, reenlisted, or inducted	Regular Army, Navy, Marine Corps, or Air Force		date of enlistment, reenlistment, or induction.	
5	a service academy graduate commissioned as a second lieutenant or ensign	Regular Army or Air Force		date of graduation (note 2).	
6		Regular Navy or Marine Corps		date of formal acceptance of appointment.	
7	a reserve or retired member called or recalled to active duty	Army, Navy, Marine Corps, or Air Force		date member necessarily complies with active duty order (note 3).	

Table 1-3. When Active Duty Pay Begins (Continued)

RULE	A	B	C	D	E
	When a person is	**in the**	**and**	**then active duty pay and allowances**	
				begin on:	**are authorized for:**
8	a temporary officer (without component) called to active duty	Army or Air Force		date member necessarily complies with active duty orders (note 3).	
9	a reserve or retired member ordered to active duty to take a physical examination incident to being ordered to active duty for more than 30 days	Navy, Marine Corps, Army, or Air Force			period of the examination, and allowable travel time in connection therewith (notes 3, 4, 5, and 6).
10	an Army National Guard or Air National Guard member called into Federal service	Army or Air Force	the period of Federal service is 30 days or less	the date on which the member, in person or by authorized telephonic or electronic means, contacts the member's unit.	
11			the period of Federal service is more than 30 days or an indefinite period	date member necessarily complies with active duty orders (notes 3 and 7).	
12	a separated Service academy cadet required to serve a period of enlisted active duty	Regular Army, Navy, Marine Corps, or Air Force		date following date of approval of cadet’s separation from the academy.	

Table 1-3. When Active Duty Pay Begins (Continued)

NOTES:

1. Original appointments include officers appointed from warrant officer, enlisted member, or civilian status.
2. Pay accrues from date of graduation, even though appointment is issued and accepted at later date.
3. See paragraph 010305 and Table 1-6 for allowable travel time to include in computation. Pay and allowances do not accrue if the member begins travel or reports earlier than the travel time necessary to comply with the active duty orders.
4. If member passes the physical examination, pay and allowances accrue for travel time to first duty station when later ordered to active duty for more than 30 days.
5. If the member fails the physical examination, pay and allowances accrue for period required for the examination and travel time to and from the examination.
6. If the member is ordered to active duty solely to take a physical examination, not incident to being ordered to active duty, active duty pay and allowances do not accrue.
7. Pay status does not begin if the ARNG or ANG member is unable to respond to the call to active duty because of illness or other reason.

Table 1-4. Increases in Pay on Promotion or Restoration of Grade

RULE	A When member is a(n)	B and action is	C in the	D and	E then effective date of increase in pay and allowances is
1	officer	designation of special assignment under 10 U.S.C. § 601(a)	Army, Air Force, or Marine Corps as General or Lt General; or Navy as Admiral or Vice Admiral		date officer assumes the designated duty (note 1).
2	Reserve officer not on the active duty list	promotion to grade above O-2	Navy or Marine Corps		date officer becomes eligible for promotion to the higher grade.
3		promotion to grade O-2			date of rank.
4	officer	promotion to grade above O-1	Uniformed Services		effective date of the promotion.
5	Reserve officer on active duty (other than for training) (but not on the active duty list)	permanent promotion to a higher Reserve grade	Army or Air Force	officer is ordered to serve on active duty in the higher permanent Reserve grade	effective date of orders to serve on active duty in the higher permanent Reserve grade (note 2).
6				officer is serving on active duty and assigned to a position requiring a grade equal to or higher than the grade to which promoted	effective date of orders or letter announcing promotion (note 3).
7		temporary promotion to a higher Reserve grade			effective date of orders announcing promotion; or date shown in special orders confirming verbal orders.
8	enlisted member	advancement in rank or rating	Navy	effective date is specified in the letter authorizing the advance	effective date as stated, or date of the letter, whichever is later (note 4).

Table 1-4. Increases in Pay on Promotion or Restoration of Grade (Continued)

RULE	A When member is a(n)	B and action is	C in the	D and	E then effective date of increase in pay and allowances is
9	enlisted member	advancement in rank or rating	Navy	effective date is not stated in letter	date advance was actually affected, but not before date member's commander receives the authority (note 4).
10			Marine Corps	effective date is specified in the directive authorizing the advance	effective date as stated in the directive or date of the directive, whichever is later (note 4).
11				promotion is not effected by directive	date certificate of appointment is signed by issuing authority (note 4).
12		appointment or promotion to a higher grade	Army or Air Force		1. date cited in orders, or date of orders, whichever is later (note 5); or 2. date of oral appointment or promotion, if later confirmed in writing (note 4).
13		restoration of former grade		reason for reduction was non-judicial punishment	may be retroactive to date of reduction.
14				reason for reduction was inefficiency	date of restoration orders.

Table 1-4. Increases in Pay on Promotion or Restoration of Grade (Continued)

NOTES:

1. If the officer's assignment is terminated because of:
   a. Assignment to another position also designated a special assignment: the officer will continue to draw the pay rate of the terminated assignment through the day before assuming the new position.
   b. Hospitalization: the officer will continue to draw the pay rate of the terminated assignment for the full period of hospitalization, but for not more than 180 days.
   c. Retirement: the officer will continue to draw the pay rate of the terminated position through the day before retirement, but for not more than 90 days.
2. A retroactive amendment of active duty orders is authority to serve in the higher grade from date of the amendment only. Increased pay and allowances are authorized from that date. Such orders do not create entitlement to increased pay and allowances for the retroactive period.
3. A retroactive promotion date is to be used only for consideration of seniority and time in grade for future promotions. Such orders do not create entitlement to increased pay and allowances for the period between the eligibility date for promotion and the effective date of the promotion order or letter. The effective date of promotion for purposes of entitlement to increased pay and allowances must not be earlier than the date the officer is assigned to a position requiring a grade equal to or higher than the grade to which promoted.
4. An appointment, promotion, or advancement to a higher grade with an effective date beyond the expiration date of the current enlistment and which is contingent upon the member's extension of enlistment or reenlistment, entitles the member to increased pay and allowances from the effective date of extension or reenlistment, whichever is later. Payment for the higher rank or rating is not authorized for a period prior to date of current enlistment.
5. This restriction does not prevent payment to enlisted members for retroactive promotions or advancements that are made pursuant to 10 U.S.C. §1552(a)(2) (retroactive promotion or advancement without decision of the Board for Correction of Military Records), effective October 23, 1992.

Table 1-5. Termination or Reduction of Active Duty Pay and Allowances

RULE	A If member is in the	B and status is an	C and action is	D and reason for retention is	E then pay and allowances are authorized through date
1	Regular Army, Navy, Marine Corps, or Air Force	officer holding permanent appointment	resignation, discharge, or dismissal		1. shown as official date of separation in official notice; or 2. officer receives official notice, if no official date of separation is shown (note 1).
2		officer holding temporary appointment or promotion	discharge or dismissal from permanent status		of termination of appointment.
3			resignation		
4			transfer to Fleet Reserve, or Fleet Marine Corps Reserve (note 2)		before date placed on the retired list.
5			involuntary retirement under Officer Personnel Act of 1947		
6			retirement on last day of month after month member completed 30 years of active service		
7			retirement, other than as shown in rules 5 and 6; includes physical disability retirement		
8			permanent appointment as an officer		before date of acceptance of permanent appointment.

Table 1-5. Termination or Reduction of Active Duty Pay and Allowances (Continued)

RULE	A If member is in the	B and status is an	C and action is	D and reason for retention is	E then pay and allowances are authorized through date
9	Regular Army, Navy, Marine Corps, or Air Force	officer holding temporary appointment or promotion	termination of appointment for any other reason		of termination of appointment.
10	Army, Navy, Marine Corps, or Air Force Reserve	officer or enlisted member	release from active duty		of allowable travel time after release (see Table 1-6).
11			release from active duty for retirement		before date placed on retired list.
12			discharge, dismissal, or a resignation		shown in official separation notice, or date member receives official notice of separation.
13	Army, Navy, Marine Corps, or Air Force	enlisted member	retirement (including physical disability retirement)		before date placed on retired list.
14			transfer to Fleet Reserve or Fleet Marine Corps Reserve		of transfer.
15			discharge		of discharge (note 3).
16			retention in service after expiration of term of service (note 4)	convenience of the government	of the period of retention.
17				to make good lost time	of the period of retention, if retained in full duty status or if authorized to perform duty.

Table 1-5. Termination or Reduction of Active Duty Pay and Allowances (Continued)

RULE	A If member is in the	B and status is an	C and action is	D and reason for retention is	E then pay and allowances are authorized through date
18	Army, Navy, Marine Corps, or Air Force	enlisted member		probation after confinement	of the probational period, if duty is performed during such period.
19				medical care or hospitalization (with member's consent)	of release from medical care or hospitalization (note 5).
20				service is essential to public interest (see paragraph 010304)	of discharge (note 6).
21				court-martial action	see subparagraph 010402.G.
22			demotion (administrative)		before date of demotion orders at the higher rate; and at the reduced rate on and after date of demotion orders.
23		officer or enlisted member	death		of death.
24			revoking a promotion (erroneous promotion through administrative error)		before date of discovery at the higher rate; at the reduced rate on or after date of discovery (note 7).
25			retirement	late delivery of retirement orders	retirement orders are delivered or member is notified that retirement orders were issued.

Table 1-5. Termination or Reduction of Active Duty Pay and Allowances (Continued)

NOTES:

1. Discharge orders do not of themselves relieve the government of its obligation to an officer. The officer must have received actual or constructive notice by the effective date, unless the officer willfully avoids notice of separation. If kept in Military Service without fault, in ignorance of an order of dismissal, the officer is entitled to all salaries and benefits of the office. If held in Military Service under orders after the date shown in separation orders, the officer is entitled to pay if there is nothing in the records showing non-entitlement.
2. A member who reverts from a temporary officer appointment to a permanent enlisted or warrant officer grade is entitled, if otherwise proper, to the active duty pay and allowances of the temporary officer grade through and including the date of reversion.
3. Includes discharge for underage enlistment. Does not include discharge for fraudulent contract of enlistment. (See section 0105.)
4. A member whose enlistment is extended involuntarily by law comes under rule 15, not rules 16-21.
5. If medical care or hospitalization was due to member's misconduct, pay and allowances terminate on date of expiration of term of Military Service.
6. See subparagraph 010304.D for date of termination of the 25 percent increase in basic pay.
7. An erroneous promotion is later voided by revoking promotion orders (certificates of appointment or other documents used by the Military Service concerned to administratively effect promotions) from the original effective date. Payment of the pay and allowances of the higher grade through the date prior to the date of discovery is contingent, in each case, upon an administrative determination of the commander, that service performed while serving in the higher grade may be regarded as service performed in a "de facto" status, that is, the member was promoted by competent authority and performed duties of the higher grade. (See procedural regulations of the Military Service concerned.)

Table 1-6. Allowable Travel Time – Travel Between Places Within the United States

RULE	A If order to active duty is for	B and travel by (note 1)	C then travel time allowed is	D using (notes 3 and 4).
1	30 days or less	all transportation is reasonably available	computed on the basis of air transportation (not more than 1 day for travel between places within the CONUS) (note 2)	actual commercial air schedules, and including the actual or estimated time to travel to and from air terminal(s) (but not more than 2 hours for each trip).
2		air transportation is not reasonably available for entire travel	computed as if actually performed by public surface transportation	actual schedules of fastest available mode.

NOTES:

1. When the air terminal is within 50 miles of the active duty station and direct or connecting flights are obtainable within 50 miles of the place from which ordered to active duty.
2. Additional time may be allowed when there is an actual delay in air travel. The delay must have been due to reasons beyond the control of the member, such as mechanical failure, adverse weather conditions, excess passenger load, cancelled flights, illness of other passengers, or other circumstances.
3. Travel is not expected to start or end between midnight and 0600.
4. Travel days will not exceed the computed travel time. In the computation of travel time, use existing commercial schedules to determine the latest departure time that would permit arrival at the duty station on the reporting date and hour. On release from active duty, use earliest schedule after release which would permit arrival home by fastest available means, without regard to actual performance of travel. A member of a Reserve Component who:
   a. is ordered to perform ADT;
   b. performs authorized IDT immediately before or after ADT at or near the same site; and
   c. receives orders which direct performance of necessary travel to and from the ADT site immediately before and after combined ADT/IDT is entitled to active duty pay and allowances for allowable travel time per subparagraph 010305.B. The travel date will be specified in the active duty orders. Full retirement point credit is earned for the period of IDT performed.

*Table 1-7. Monthly Rates of Basic Pay – Commissioned Officers, Academy Cadets and Midshipmen and ROTC Members - Effective January 1, 2017

MONTHLY RATES OF BASIC PAY (Note 1)						
	Cumulative Years of Service					
Pay Grade (Note 2)	**2 or less**	**Over 2**	**Over 3**	**Over 4**	**Over 6**	**Over 8**
O-10 (Note 3)						
O-9 (Note 3)						
O-8 (Note 3)	10,155.00	10,487.70	10,708.50	10,770.00	11,045.70	11,505.90
O-7 (Note 3)	8,438.10	8,829.90	9,011.40	9,155.70	9,416.70	9,674.70
O-6 (Note 4)	6,398.70	7,029.90	7,491.30	7,491.30	7,519.80	7,842.30
O-5	5,334.30	6,009.30	6,424.80	6,503.40	6,763.20	6,918.30
O-4	4,602.60	5,327.70	5,683.50	5,762.40	6,092.40	6,446.40
O-3 (Note 5)	4,046.70	4,587.00	4,950.90	5,398.20	5,657.10	5,940.90
O-2 (Note 5)	3,496.50	3,982.20	4,586.10	4,741.20	4,839.00	4,839.00
O-1 (Notes 5 & 6)	3,034.80	3,159.00	3,818.70	3,818.70	3,818.70	3,818.70

MONTHLY RATES OF BASIC PAY (Note 1)						
	Cumulative Years of Service					
Pay Grade (Note 2)	**Over 10**	**Over 12**	**Over 14**	**Over 16**	**Over 18**	**Over 20**
O-10 (Note 3)						15,583.20
O-9 (Note 3)						14,352.00
O-8 (Note 3)	11,612.70	12,049.80	12,175.20	12,551.70	13,096.50	13,598.70
O-7 (Note 3)	9,972.90	10,270.20	10,568.70	11,505.90	12,296.70	12,296.70
O-6 (Note 4)	7,884.60	7,884.60	8,332.50	9,124.80	9,589.80	10,054.50
O-5	7,259.70	7,510.50	7,834.20	8,329.80	8,565.00	8,798.10
O-4	6,887.40	7,230.30	7,468.50	7,605.60	7,684.80	7,684.80
O-3 (Note 5)	6,124.20	6,426.00	6,583.50	6,583.50	6,583.50	6,583.50
O-2 (Note 5)	4,839.00	4,839.00	4,839.00	4,839.00	4,839.00	4,839.00
O-1 (Notes 5 & 6)	3,818.70	3,818.70	3,818.70	3,818.70	3,818.70	3,818.70

Table 1-7. Monthly Rates of Basic Pay – Commissioned Officers, Academy Cadets and Midshipmen and ROTC Members - Effective January 1, 2017 (Continued)

MONTHLY RATES OF BASIC PAY – Continued (Note 1)					
	Cumulative Years of Service				
Pay Grade (Note 2)	**Over 22**	**Over 24**	**Over 26**	**Over 28**	**Over 30**
O-10 (Note 3)	15,583.20	15,583.20	15,583.20	15,583.20	15,583.20
O-9 (Note 3)	14,559.30	14,857.80	15,378.60	15,378.60	15,583.20
O-8 (Note 3)	13,933.80	13,933.80	13,933.80	13,933.80	14,282.70
O-7 (Note 3)	12,296.70	12,296.70	12,359.70	12,359.70	12,606.90
O-6 (Note 4)	10,318.80	10,587.00	11,106.00	11,106.00	11,328.00
O-5	9,062.70	9,062.70	9,062.70	9,062.70	9,062.70
O-4	7,684.80	7,684.80	7,684.80	7,684.80	7,684.80
O-3 (Note 5)	6,583.50	6,583.50	6,583.50	6,583.50	6,583.50
O-2 (Note 5)	4,839.00	4,839.00	4,839.00	4,839.00	4,839.00
O-1 (Notes 5 & 6)	3,818.70	3,818.70	3,818.70	3,818.70	3,818.70

MONTHLY RATES OF BASIC PAY – Continued (Note 1)					
	Cumulative Years of Service				
Pay Grade (Note 2)	**Over 32**	**Over 34**	**Over 36**	**Over 38**	**Over 40**
O-10 (Note 3)	15,583.20	15,583.20	15,583.20	15,583.20	15,583.20
O-9 (Note 3)	15,583.20	15,583.20	15,583.20	15,583.20	15,583.20
O-8 (Note 3)	14,282.70	14,639.70	14,639.70	14,639.70	14,639.70
O-7 (Note 3)	12,606.90	12,606.90	12,606.90	12,606.90	12,606.90
O-6 (Note 4)	11,328.00	11,328.00	11,328.00	11,328.00	11,328.00
O-5	9,062.70	9,062.70	9,062.70	9,062.70	9,062.70
O-4	7,684.80	7,684.80	7,684.80	7,684.80	7,684.80
O-3 (Note 5)	6,583.50	6,583.50	6,583.50	6,583.50	6,583.50
O-2 (Note 5)	4,839.00	4,839.00	4,839.00	4,839.00	4,839.00
O-1 (Notes 5 & 6)	3,818.70	3,818.70	3,818.70	3,818.70	3,818.70

Table 1-7. Monthly Rates of Basic Pay – Commissioned Officers, Academy Cadets and Midshipmen and ROTC Members - Effective January 1, 2017 (Continued)

NOTES:

1. Basic pay rate for Academy Cadets/Midshipmen and ROTC members/applicants is $1,062.30.
2. For rank titles, see Volume 7A Comparable Grades.
3. Basic pay is limited to the rate of basic pay for level II of the Executive Schedule in effect during calendar year 2017, which is $15,583.20 per month for officers at pay grades O-7 through O-10. This includes officers serving as:
    a. Chairman or Vice Chairman of the Joint Chiefs of Staff;
    b. Chief of Staff of the Army;
    c. Chief of Naval Operations;
    d. Chief of Staff of the Air Force;
    e. Commandant of the Marine Corps;
    f. Commandant of the Coast Guard;
    g. Chief of the National Guard Bureau; or
    h. Commander of a unified or specified combatant command (as defined in 10 U.S.C. 161(c)).
4. Basic pay for pay grades O-6 and below is limited to the rate of basic pay for Level V of the Executive Schedule, which is $12,641.70.
5. O-1, O-2, and O-3 rates do not apply to commissioned officers who have been credited with over 4 years (i.e., at least 4 years and 1 day) of active duty service as an enlisted member or as a warrant officer or as both an enlisted member and a warrant officer.
6. These rates or, when applicable, the O-1E rates in Table 1-8 apply during periods of active service while as a DOM student of the USUHS. Also see subparagraph 010202.A.8.

*Table 1-8. Monthly Rates of Basic Pay – Commissioned Officers Credited With Over 4 Years of Active Duty Enlisted and/or Warrant Officer Service - Effective January 1, 2017

MONTHLY RATES OF BASIC PAY (Note 1)						
Cumulative Years of Service						
Pay Grade (Note 2)	**2 or less**	**Over 2**	**Over 3**	**Over 4**	**Over 6**	**Over 8**
O-3E (Note 3 & 4)				5,398.20	5,657.10	5,940.90
O-2E (Note 3 & 4)				4,741.20	4,839.00	4,992.90
O-1E (Note 3& 4)				3,818.70	4,077.60	4,228.50

MONTHLY RATES OF BASIC PAY (Note 1)						
Cumulative Years of Service						
Pay Grade (Note 2)	**Over 10**	**Over 12**	**Over 14**	**Over 16**	**Over 18**	**Over 20**
O-3E (Note 3 & 4)	6,124.20	6,426.00	6,680.70	6,827.10	7,026.00	7,026.00
O-2E (Note 3 & 4)	5,253.00	5,454.00	5,603.70	5,603.70	5,603.70	5,603.70
O-1E (Note 3& 4)	4,382.40	4,533.90	4,741.20	4,741.20	4,741.20	4,741.20

MONTHLY RATES OF BASIC PAY – Continued (Note 1)					
Cumulative Years of Service					
Pay Grade (Note 2)	**Over 22**	**Over 24**	**Over 26**	**Over 28**	**Over 30**
O-3E (Note 3 & 4)	7,026.00	7,026.00	7,026.00	7,026.00	7,026.00
O-2E (Note 3 & 4)	5,603.70	5,603.70	5,603.70	5,603.70	5,603.70
O-1E (Note 3& 4)	4,741.20	4,741.20	4,741.20	4,741.20	4,741.20

MONTHLY RATES OF BASIC PAY – Continued (Note 1)					
Cumulative Years of Service					
Pay Grade (Note 2)	**Over 32**	**Over 34**	**Over 36**	**Over 38**	**Over 40**
O-3E (Note 3 & 4)	7,026.00	7,026.00	7,026.00	7,026.00	7,026.00
O-2E (Note 3 & 4)	5,603.70	5,603.70	5,603.70	5,603.70	5,603.70
O-1E (Note 3& 4)	4,741.20	4,741.20	4,741.20	4,741.20	4,741.20

Table 1-8. Monthly Rates of Basic Pay – Commissioned Officers Credited With Over 4 Years of Active Duty Enlisted and/or Warrant Officer Service - Effective January 1, 2017 (Continued)

NOTES:

1. Basic pay rate for Academy Cadets/Midshipmen and ROTC members/applicants is $1,062.30.
2. For rank titles, see Volume 7A Comparable Grades.
3. Creditable service to be taken into account for purposes of this table is active service as an enlisted member or as a warrant officer or as both an enlisted member and a warrant officer, in the case of a commissioned officer on active duty who is paid from funds appropriated for active-duty personnel; or a commissioned officer on active Guard and Reserve duty. Effective November 24, 2003, creditable service to be taken into account for purposes of this table in the case of a commissioned officer is service as an enlisted member or as a warrant officer, or as both an enlisted member and a warrant officer, for which more than 1,460 points have been credited to the officer for the purposes of title 10, U.S.C. § 12732(a)(2)**.**
4. These rates do not apply to DOM students of the USUHS who do not have over 4 years (i.e., at least 4 years and 1 day) of active duty service as an enlisted member or as a warrant officer or as both an enlisted member and a warrant officer. See Table 1-7 for applicable rates. DOM USUHS students with over 4 years of prior enlisted and/or warrant officer service are entitled to the O-1E rate of basic pay in this table during such active duty periods. Also see subparagraphs 010202.A.8.

*Table 1-9. Monthly Rates of Basic Pay – Warrant Officers - Effective January 1, 2017

MONTHLY RATES OF BASIC PAY (Note 1)						
	Cumulative Years of Service					
Pay Grade (Note 2)	**2 or less**	**Over 2**	**Over 3**	**Over 4**	**Over 6**	**Over 8**
W-5						
W-4	4,182.00	4,498.50	4,627.50	4,754.70	4,973.40	5,190.00
W-3	3,819.00	3,978.30	4,141.50	4,195.20	4,365.90	4,702.50
W-2	3,379.50	3,699.00	3,797.40	3,864.90	4,084.20	4,424.70
W-1	2,966.40	3,285.60	3,371.40	3,552.90	3,767.40	4,083.60

MONTHLY RATES OF BASIC PAY (Note 1)						
	Cumulative Years of Service					
Pay Grade (Note 2)	**Over 10**	**Over 12**	**Over 14**	**Over 16**	**Over 18**	**Over 20**
W-5						7,436.10
W-4	5,409.30	5,738.70	6,027.90	6,303.00	6,528.30	6,747.60
W-3	5,052.90	5,218.20	5,409.00	5,605.50	5,959.20	6,198.00
W-2	4,593.60	4,759.50	4,962.90	5,121.60	5,265.60	5,437.80
W-1	4,231.20	4,437.30	4,640.40	4,800.30	4,947.00	5,125.80

MONTHLY RATES OF BASIC PAY – Continued (Note 1)					
	Cumulative Years of Service				
Pay Grade (Note 2)	**Over 22**	**Over 24**	**Over 26**	**Over 28**	**Over 30**
W-5	7,813.20	8,094.00	8,405.10	8,405.10	8,826.00
W-4	7,070.10	7,335.00	7,637.40	7,637.40	7,789.80
W-3	6,340.80	6,492.60	6,699.30	6,699.30	6,699.30
W-2	5,550.90	5,640.60	5,640.60	5,640.60	5,640.60
W-1	5,125.80	5,125.80	5,125.80	5,125.80	5,125.80

MONTHLY RATES OF BASIC PAY – Continued (Note 1)					
	Cumulative Years of Service				
Pay Grade (Note 2)	**Over 32**	**Over 34**	**Over 36**	**Over 38**	**Over 40**
W-5	8,826.00	9,266.70	9,266.70	9,730.80	9,730.80
W-4	7,789.80	7,789.80	7,789.80	7,789.80	7,789.80
W-3	6,699.30	6,699.30	6,699.30	6,699.30	6,699.30
W-2	5,640.60	5,640.60	5,640.60	5,640.60	5,640.60
W-1	5,125.80	5,125.80	5,125.80	5,125.80	5,125.80

Table 1-9. Monthly Rates of Basic Pay – Warrant Officers - Effective January 1, 2017 (Continued)

NOTES:

1. Basic pay rate for Academy Cadets/Midshipmen and ROTC members/applicants is $1,062.30.
2. For rank titles, see Volume 7A Comparable Grades.

*Table 1-10. Monthly Rates of Basic Pay – Enlisted Members - Effective January 1, 2017

MONTHLY RATES OF BASIC PAY (Note 1)						
	Cumulative Years of Service					
Pay Grade (Note 2)	**2 or less**	**Over 2**	**Over 3**	**Over 4**	**Over 6**	**Over 8**
E-9 (Notes 3 & 4)						
E-8						4,136.10
E-7	2,875.20	3,138.00	3,258.30	3,417.30	3,541.80	3,755.10
E-6	2,486.70	2,736.60	2,857.20	2,974.80	3,097.20	3,372.60
E-5	2,278.20	2,431.50	2,549.10	2,669.10	2,856.60	3,052.50
E-4	2,088.90	2,195.70	2,314.80	2,432.10	2,535.60	2,535.60
E-3	1,885.80	2,004.30	2,125.80	2,125.80	2,125.80	2,125.80
E-2	1,793.40	1,793.40	1,793.40	1,793.40	1,793.40	1,793.40
E-1 (Note 5)	1,599.90	1,599.90	1,599.90	1,599.90	1,599.90	1,599.90

MONTHLY RATES OF BASIC PAY – Continued (Note 1)						
	Cumulative Years of Service					
Pay Grade (Note 2)	**Over 10**	**Over 12**	**Over 14**	**Over 16**	**Over 18**	**Over 20**
E-9 (Notes 3 & 4)	5,052.60	5,166.90	5,311.50	5,481.00	5,652.60	5,926.50
E-8	4,318.80	4,432.20	4,567.80	4,715.10	4,980.30	5,114.70
E-7	3,875.40	4,088.70	4,266.60	4,387.80	4,516.80	4,566.60
E-6	3,480.30	3,688.20	3,751.50	3,797.70	3,851.70	3,851.70
E-5	3,213.60	3,232.80	3,232.80	3,232.80	3,232.80	3,232.80
E-4	2,535.60	2,535.60	2,535.60	2,535.60	2,535.60	2,535.60
E-3	2,125.80	2,125.80	2,125.80	2,125.80	2,125.80	2,125.80
E-2	1,793.40	1,793.40	1,793.40	1,793.40	1,793.40	1,793.40
E-1 (Note 5)	1,599.90	1,599.90	1,599.90	1,599.90	1,599.90	1,599.90

Table 1-10. Monthly Rates of Basic Pay – Enlisted Members - Effective January 1, 2017 (Continued)

MONTHLY RATES OF BASIC PAY – Continued (Note 1)					
	Cumulative Years of Service				
Pay Grade (Note 2)	**Over 22**	**Over 24**	**Over 26**	**Over 28**	**Over 30**
E-9 (Notes 3 & 4)	6,158.70	6,402.60	6,776.40	6,776.40	7,114.80
E-8	5,343.60	5,470.50	5,782.80	5,782.80	5,898.90
E-7	4,734.60	4,824.60	5,167.50	5,167.50	5,167.50
E-6	3,851.70	3,851.70	3,851.70	3,851.70	3,851.70
E-5	3,232.80	3,232.80	3,232.80	3,232.80	3,232.80
E-4	2,535.60	2,535.60	2,535.60	2,535.60	2,535.60
E-3	2,125.80	2,125.80	2,125.80	2,125.80	2,125.80
E-2	1,793.40	1,793.40	1,793.40	1,793.40	1,793.40
E-1 (Note 5)	1,599.90	1,599.90	1,599.90	1,599.90	1,599.90

MONTHLY RATES OF BASIC PAY – Continued (Note 1)					
	Cumulative Years of Service				
Pay Grade (Note 2)	**Over 32**	**Over 34**	**Over 36**	**Over 38**	**Over 40**
E-9 (Notes 3 & 4)	7,114.80	7,470.60	7,470.60	7,844.70	7,844.70
E-8	5,898.90	5,898.90	5,898.90	5,898.90	5,898.90
E-7	5,167.50	5,167.50	5,167.50	5,167.50	5,167.50
E-6	3,851.70	3,851.70	3,851.70	3,851.70	3,851.70
E-5	3,232.80	3,232.80	3,232.80	3,232.80	3,232.80
E-4	2,535.60	2,535.60	2,535.60	2,535.60	2,535.60
E-3	2,125.80	2,125.80	2,125.80	2,125.80	2,125.80
E-2	1,793.40	1,793.40	1,793.40	1,793.40	1,793.40
E-1 (Note 5)	1,599.90	1,599.90	1,599.90	1,599.90	1,599.90

Table 1-10. Monthly Rates of Basic Pay – Enlisted Members - Effective January 1, 2017 (Continued)

NOTES:

1. Basic pay rate for Academy Cadets/Midshipmen and ROTC members/applicants is $1,062.30.
2. For rank titles, see Volume 7A Comparable Grades.
3. Basic pay for senior enlisted member (grade E-9) is $8,165.10 regardless of years of service while serving as:
    a. Senior Enlisted Advisor of the Chairman, Joint Chiefs of Staff;
    b. Sergeant Major of the Army;
    c. Master Chief Petty Officer of the Navy;
    d. Chief Master Sergeant of the Air Force;
    e. Sergeant Major of the Marine Corps;
    f. Master Chief Petty Officer of the Coast Guard; or
    g. Senior Enlisted Advisor to the Chief of the National Guard Bureau.
4. If a member is placed on terminal leave pending retirement immediately following the completion of service as the senior enlisted member of a Military Department, the member is entitled to the higher senior enlisted pay $8,165.10 up to a maximum of 60 days. If a member is hospitalized, and during or immediately before such hospitalization, completed service as the senior enlisted member of that Military Department's Armed Force, the member will continue to be entitled, for not more than 180 days while so hospitalized, to the rate of basic pay authorized for a senior enlisted member.
5. Applicable to E-1 with 4 months or more of active duty. Basic pay for an E-1 with less than 4 months of active duty is $1,479.30.

Table 1-11. Authorized Absence - Effect on Pay and Allowances

RULE	A When member is absent from duty	B and	C then the member is	D and the period of absence is
1	on authorized leave	such leave is: a. ordinary accrued leave b. emergency leave c. reenlistment leave d. delay en route	entitled to otherwise proper credit of full pay and allowances during the period of absence	charged as leave.
2		in advance of that accrued		charged against leave as it accrues (note 1).
3		such leave is: a. graduation leave b. sick or convalescent leave c. pass or liberty d. proceed time		not chargeable against leave.
4	at home on Permanent Change of Station (PCS) orders awaiting final action on physical evaluation board proceedings		entitled to pay and allowances as follows: a. basic pay b. special pay (if a health professional officer) c. BAS for officers and enlisted (as applicable) (note 2) d. BAH (note 3) e. clothing maintenance allowance	chargeable to leave to the extent possible (note 4).
5	on excess leave		not entitled to pay and allowances (note 5)	not chargeable to accrued leave (note 6).

Table 1-11. Authorized Absence - Effect on Pay and Allowances (Continued)

RULE	A When member is absent from duty	B and	C then the member is	D and the period of absence is
6	on authorized educational leave of absence not to exceed 2 years, or 3 years if pursuing a program of education in the health care profession		entitled to basic pay (member is not entitled to BAH, BAS, or any other pay and allowance to which member might otherwise be entitled for period of leave of absence)	not chargeable to accrued leave.
7	on authorized rest and recuperative absence for not more than 30 days for extending duty under Chapter 14, sections 1402 and 1403		entitled to otherwise proper credit of full pay and allowances during the period of absence (note 7)	not chargeable to accrued leave.

NOTES:

1. See subparagraph 010401.D for collection requirements when advance leave is changed to excess leave.
2. Enlisted members are entitled to BAS at the rate shown in Chapter 25, subparagraph 250202.B.1 except for days of leave specifically authorized by the PCS orders. Pay BAS at the rate shown in Chapter 25, subparagraph 250202.C for the PCS order-authorized leave period.
3. Members without dependents are entitled to BAH as prescribed in Table 1-5, rules 20 and 21.
4. A negative leave balance which existed prior to the member being ordered home continues until separation or retirement and will be collected as excess leave.
5. A member separating effective Mar 1, whose separation leave period through February 28 (or through February 29 during leap year) results in excess leave, is not entitled to pay and allowances for February 29 and 30 (or for February 30 during leap year). These days are not considered days of excess leave; however, the member is considered to be in a nonpay status through February 30. See subparagraph 010302.B.

Table 1-11. Authorized Absence - Effect on Pay and Allowances (Continued)

NOTES (continued):

6. Under Department of Defense Instruction (DoDI) 1327.06, "Leave and Liberty Policy and Procedures", a member does not accrue leave during periods of excess leave (here referred to as "nonaccrual"). Computation of the number of days involved in an excess leave balance which accounts for this nonaccrual may result in a total which includes a fraction. Effective with leave taken on or after Feb 1, 1987, the total is not rounded to eliminate the fraction when pay and allowances are collected for excess leave. The fractional one-half day is considered to occur on the first day of the excess leave involved. Collect pay and allowances for the number of days, to include fractional days, according to subparagraph 010401.D or 010401.E.
7. Member is not entitled to special pay under Chapter 14, section 1402.

Table 1-12. Unauthorized Absence and Other Lost Time - Effect on Pay and Allowances

RULE	A When member is absent from duty	B and	C then the member
1	without authority, (AWOL) or excess leave, delays en route, pass or liberty	the absence is excused as unavoidable	is entitled to otherwise proper credits of pay and allowances (note 1).
2		the absence is not excused as unavoidable	is not entitled to pay and allowances (note 2).
3	for more than 24 consecutive hours as a result of a disease	the disease is caused by and immediately follows intemperate use of alcoholic liquors or habit-forming drugs	is entitled to allowances but not to basic pay, special, or incentive pay (note 3).
4	in confinement by civil authorities	is being detained as a witness before a civil court	is entitled to otherwise proper credits of pay and allowances.
5		the absence is excused as unavoidable (see Table 1-13)	
6		the absence is not excused as unavoidable (see Table 1-13)	is not entitled to pay and allowances, except for that part of the period that is covered by authorized leave, liberty, or pass (note 4).
7	in confinement by military authorities for a foreign civil offense	is not considered “constructively absent” from duty (note 5)	is entitled to otherwise proper credits of pay and allowances.
8		is considered “constructively absent” from duty (note 6)	is not entitled to pay and allowances except for that part of the period that is covered by authorized leave, unless the absence is excused as unavoidable (see Table 1-13).
9	in military confinement (other than for civil authorities)	is awaiting trial by court-martial or serving a sentence of confinement which did not include a forfeiture of pay	is entitled to otherwise proper credits of pay and allowances.
10		is serving a court-martial sentence which includes a forfeiture of pay and allowances	is entitled to pay and allowances accruing before the date the sentence was approved by the convening authority and to any unforfeited pay and allowances accruing after that date.

Table 1-12. Unauthorized Absence and Other Lost Time – Effect on Pay and Allowances (Continued)

RULE	A When member is absent from duty	B and	C then the member
11	as a deserter	is found guilty of deserting by court-martial or is administratively discharged for desertion or dies prior to return to military control or while awaiting trial by court-martial for the charge of desertion	forfeits all pay and allowances including that due on the first day of desertion (note 7).
12	without authority for 3 months while serving as an Army or Air Force officer	is dropped from the rolls by the President	forfeits all pay and allowances due or to become due (note 7).

NOTES:

1. Enlisted members are entitled to BAS at the rate prescribed when permission to ration separately is granted unless they were subsisted at government expense.
2. See JTR, Chapter 10, for entitlement to BAH in a non-pay status. See Chapter 10 for entitlement to Hostile Fire Pay which is payable in full for each month in which qualification is made.
3. A member is not entitled to pay or allowances for period of hospitalization after expiration of enlistment.
4. A member is not entitled to pay and allowances if granted a pass or liberty to serve civil confinement.
5. In any case where the commander of the military installation retains the discretionary authority to decide to incarcerate a member (or to merely restrict to the duty station and assign to perform useful and productive duties on a full-time basis), such member will not be considered as being "constructively absent" for the purposes of entitlement to pay and allowances.
6. Under existing DoD policy and Status of Forces Agreements, the U.S. Commander always retains discretionary authority to incarcerate or restrict a Military Service member to the installation when such a member is pending civil charges, even in cases where incarceration or restriction is requested by foreign authorities. Such member is not considered as being "constructively absent" for the purpose of entitlement to pay and allowances.
7. Pay and allowances due on date of desertion and on date an officer was dropped from the rolls will be used to satisfy debts due the United States and its instrumentalities.

Table 1-13. Rules for Determining Whether Absence Is Unavoidable

RULE	A When member is absent from duty	B and	C and	D then absence may
1	in confinement by civil authorities or by military authorities for civil authorities	is tried and acquitted		be excused as unavoidable.
2		charges are dismissed or member is released (or dies) without trial	it is clear that arrest and detention were not due to member's misconduct	
3		is released without trial upon agreement to make restitution or reparation for the alleged offense	the commander determines that absence was not due to member's misconduct	
4		is admitted to bail and trial is postponed indefinitely	it is apparent that the case will not be prosecuted	
5		was released because the case was discontinued by the prosecutor or plaintiff or because the jury failed to agree		
6		is tried and convicted		not be excused as unavoidable.
7		is released under bond (not in a full-duty status) pending appeal of the case to a higher court	the appeal does not result in acquittal	
8		is discharged because of imprisonment or conviction by a civil court		
9		confinement is due to failure to obey a decree of a civil court		
10	in confinement by civil authorities	is tried and found not guilty by reason of insanity	is transferred to a state mental institution	be excused as unavoidable.
11	without authority, (AWOL) or excess leave	the absence could not have been avoided by the member or by military authorities	the absence was not due to member’s misconduct	be excused as unavoidable.
12	over pass or liberty	the absence could not have been avoided by the member or by military authorities	the absence was not due to member’s misconduct	be excused as unavoidable.
13		the absence could have been prevented by member or by military authorities		not be excused as unavoidable.

Table 1-14. Computing Periods of Unauthorized Absence

RULE	A When a member	B and he/she is in the	C and the hour of expiration of leave, pass, or liberty, or authorized travel	D and the member	E then
1	leaves the post of duty, place of service, or organization without authority	Army, Air Force, Navy or Marine Corps		remains absent more than 24 consecutive hours	the day of departure will be counted as the first day of unauthorized absence.
2	fails to report to the organization or post of duty on the last day of authorized leave, pass, or liberty, or authorized travel time	Navy, or Marine Corps	is before 2400 hours as specified in leave orders	does not report on or before the specified hour of the following day	the last day of leave, pass, or liberty, or authorized travel time is the first day of unauthorized absence.
3			is 2400 hours as specified in leave orders		the day following the last day of leave, pass, or liberty, or authorized travel time is the first day of unauthorized absence.
4	fails to report to the organization or post of duty on the last day of authorized leave, pass, or liberty		is not specified in leave orders	does not report before normal duty hours of the following day (note)	the day following the last day of leave, pass, or liberty is the first day of unauthorized absence.
5		Army or Air Force			
6	fails to report to the organization or post of duty by 2400 hours on the last day of authorized travel time	Army, Air Force, Navy, or Marine Corps	is not specified in orders		the day following the last day of authorized travel time is the first day of unauthorized absence.

Table 1-14. Computing Periods of Unauthorized Absence (Continued)

RULE	A When a member	B and he/she is in the	C and the hour of expiration of leave, pass, or liberty, or authorized travel	D and the member	E then
7	is AWOL	Army, Air Force, Navy, or Marine Corps		returns to the place of duty, or organization, or otherwise to the jurisdiction of the Armed Forces	the day before the member's return is the last day of unauthorized absence.

NOTE:

The unauthorized absence begins at the normal duty hour. No unauthorized absence exists unless the member remains absent for more than 24 hours after the beginning of the normal duty hour.

Table 1-15. Void, Voidable, or Rejected Enlistments or Inductions – Pay and Allowances

RULE	A When an individual	B and	C then pay and allowances
1	is under investigation for a fraudulent enlistment or induction		will continue to be paid until a determination of fraud is made.
2	is determined to be serving under a fraudulent enlistment or induction; or enlists in the Army or Air Force before 17, and the government discovers the defect after the member reaches minimum age; or enlists in the Army or Air Force while 17 without parent's or guardian's consent	the government neither voids the enlistment or induction nor waives the fraud (or defect)	are suspended (including unpaid pay and allowances) from the date the disbursing officer is notified of the determination of fraud until the government either voids the enlistment or induction, or allows it to stand.
3		the government voids the enlistment or induction	will not be paid (note 1).
4		the government waives the fraud (or defect)	continue and the service is as valid as that of any other member.
5	enlists in the Army or Air Force before 17 , and the government discovers the defect before the member reaches minimum age		do not accrue between date of notification to disbursing officer and date of discharge (note 1).
6	enlists in the Army or Air Force while 17 , without parent's or guardian's consent	is discharged upon application of parent or guardian	accrue to include the date of discharge or release.
7	enlists in the Navy or Marine Corps while under the minimum statutory age (17)		
8	was judicially declared to have been mentally incompetent before entry on active duty	is released from military control for such reason	do not accrue for any part of the period involved (note 2).

Table 1-15. Void, Voidable, or Rejected Enlistments or Inductions – Pay and Allowances (Continued)

RULE	A When an individual	B and	C then pay and allowances
9	was not judicially declared to be mentally incompetent before entry on active duty but is later found to have been mentally incompetent at the time of entry on active duty	is released from military control for such reason	accrue from the time of entry on active duty until release from military control.
10	enlisted or inducted into the Military Service is discovered by Military Service medical authorities to have been medically unfit for induction at the time of entrance into the Military Service		accrue from the time of entry on active duty through the date of release from military control.

NOTES:

1. Individual retains amounts received before disbursing officer is notified, if otherwise proper.
2. Individual retains amounts received while performing active duty before release from military control.

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VOLUME 7A, CHAPTER 2: "REPAYMENT OF UNEARNED PORTION OF BONUSES AND OTHER BENEFITS"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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

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

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

The previous version dated July 2014 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current administrative instructions.	Revision
0201	Added "Purpose" and "Authoritative Guidance" paragraphs to comply with current administrative instructions.	Addition
020303.E	Revised content to comply with current administrative instructions	Revision
Bibliography	Changed section 0202 to "POLICY," and updated statutes and references.	Revision

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CHAPTER 2

REPAYMENT OF UNEARNED PORTION OF BONUSES AND OTHER BENEFITS

0201 GENERAL

*020101. Purpose

This chapter establishes policy pertaining to the repayment of unearned portions of bonuses and other benefits. A member, of the uniformed services, who enters into a written agreement with specified service conditions for receipt of a bonus, special or incentive pay, educational benefits, stipend, or similar payment (hereinafter referred to as "pay or benefit") is entitled to the full amount of the pay or benefit if the member fulfills the required conditions. Failure to fulfill the conditions specified in the written agreement may result in termination of the agreement and the member may be required to repay the unearned portion of the pay or benefit. Such repayment will be pursued unless the member's failure to fulfill the specified conditions is due to circumstances determined reasonably beyond the member's control. Conditions under which repayment will not be sought are set forth in section 0203.

*020102. Authoritative Guidance

The bibliography at the end of this chapter lists the authoritative references.

0202 POLICY

020201. Payment Disposition

The Secretary of the Military Department concerned may establish, by regulation, procedures for determining the amount of the repayment required. Service regulations will apply the rules in Table 2-1 for disposition of unearned portions of the pay or benefit.

020202. Definition

The term "service," as used in this chapter, refers to an obligation willingly undertaken by a member of the uniformed services in exchange for a pay or benefit offered by the Secretary of Defense or the Secretary of the Military Department concerned to do one or more of the following:

A. Remain on active duty;

B. Remain in an active status in a Reserve Component;

C. Perform duty in a specified skill, with or without a specified qualification or credential;

D. Perform duty at a specified location; or

E. Perform duty for a specified period of time.

020203. Bankruptcy

An obligation to repay a pay or benefit to the United States is, for all purposes, a debt owed to the United States. A discharge in bankruptcy does not discharge a person from such debt if the discharge order is entered less than 5 years after:

A. The date of the termination of the agreement or contract on which the debt is based; or

B. The date of the termination of service on which the debt is based, in the absence of such agreement or contract.

0203 REPAYMENT AND NON-REPAYMENT CONDITIONS

020301. Conditions Under Which Repayment Will Be Sought

A. When the conditions of a written agreement are not fulfilled and repayment is determined appropriate, the member will be required to repay the United States the unearned portion of a pay or benefit. In cases other than death of a member, the Secretary of the Military Department concerned will advise the Defense Finance and Accounting Service (DFAS) of the disposition of any unearned portion of a pay or benefit.

B. Repayment will be sought, and any unpaid balances may not be paid to members who incur a disability because of their misconduct.

020302. Delegation of Authority

The Secretary of the Military Department concerned may, through regulation, delegate the authority to make repayment determinations consistent with the criteria set forth in section 0203, but not below the O-6 or equivalent level. If delegated, then the Military Departments will specify the level and the scope of the authorized delegation in implementing regulations.

*020303. Conditions Under Which Repayment Will Not Be Sought

As a general rule, repayment action will not be pursued in situations in which the member's inability to fulfill specified service conditions related to a pay or benefit is due to circumstances determined reasonably beyond the member's control. Payment of any unpaid portion of pay or benefit will be subject to the rules in Table 2-1, which in appropriate circumstances provide discretion to the Secretary of the Military Department concerned to pay unearned portions based on case-by-case determinations.

A. Repayment will not be sought, and any remaining unpaid portion of a pay or benefit due to a member under a written agreement that existed at the time of the member's

death, which was not the result of the member's misconduct, is payable as a lump sum in the settlement of the decedent's final military pay entitlements.

B. Repayment will not be sought, and any remaining unpaid portion of a pay or benefit due to a member under a written agreement will be paid at the time of separation or retirement for a disability incurred in the line of duty in a combat zone designated by the President of the United States or the Secretary of Defense, or in a combat-related operation designated by the Secretary of Defense, and/or for a combat-related disability. In such case, any remaining unpaid portion of a pay or benefit due to a member will be paid to the member upon separation from service.

C. Subject to the enlistment authorities, and the relevant regulations of the Secretary of the Military Department concerned, a member who was paid a bonus or special pay for a period of enlistment in a Military Department, who is discharged for immediate reenlistment or appointment in a Military Department for which no bonus or special pay is paid, may be considered to have completed the full term of service specified in the former enlistment contract, provided the term of the latter reenlistment or appointment includes the remaining period of service from the former enlistment. The member's enlistment bonus or special pay entitlements will be addressed prior to discharge from a Military Department.

D. Repayment will not be sought, and the Secretary of the Military Department concerned will not pay any remaining unpaid portion of a pay or benefit under the following circumstances, unless otherwise authorized by the Secretary of the Military Department concerned under subparagraph 020304.B:

1. The member's employment in another military specialty or assignment rotation is directed;

2. The member's military specialty or assignment is phased out or eliminated;

3. The member's military specialty or assignment is otherwise affected by force structure or other mission essential requirements; or

4. The member is separated from service under a hardship separation or sole survivor discharge.

* E. Pursuant to ***Title 10 United States Code (U.S.C.), section 1171***, enlisted members who are discharged within 12 months before the expiration of an enlistment, reenlistment, or extension of enlistment are considered to have completed the terms of the enlistment, reenlistment, or extension of enlistment for which the bonus was paid. Thus, recoupment is not required for the unearned portion of the pay or benefit arising from the early discharge. The Military Departments are responsible for determining whether a member's early discharge is made pursuant to 10 U.S.C. § 1171 and advising DFAS of the determination.

020304. Conditions Under Review by the Secretary of the Military Department

A. In instances involving a member's separation for medical reasons, which were not the result of the member's misconduct, the Secretary of the Military Department concerned has the discretion to determine whether to require repayment of the unearned portion of pay or benefit, or to pay an unpaid balance of a pay or benefit.

B. Under circumstances not specifically mentioned in this chapter, the Secretary of the Military Department concerned has the discretion to, at some point in the process, render a case-by-case determination. See Table 2-1.

Table 2-1. Disposition of Unearned Portions of Bonuses, Special Pay, Educational Benefits, or Stipends

	A	B	C	D	E
RULE	**If a member under a written agreement for a pay or benefit**	**and**	**then repayment of the unearned portion of the pay or benefit**	**and**	**any unpaid portion of the bonus, special pay, or student loan repayment under 10 U.S.C. or 37 U.S.C.**
1	Dies, through no misconduct of the member		will not be sought		will be paid in the member's final pay.
2	Incurs an injury or illness, through no misconduct of the member, that precludes the member from fulfilling the service conditions specified in the written agreement	the member is separated or retired for disability under 10 U.S.C. Chapter 61.	will not be sought	if such separation or retirement is for a disability incurred in the line of duty in a combat zone designated by the President of the United States or the Secretary of Defense, or in a combat-related operation designated by the Secretary of Defense, and/or involves a combat-related disability as defined in 10 U.S.C § 1413a(e)	will be paid to the member upon separation.
3		the member is separated, other than as described in Rule 2, for medical reasons as a result of an injury or illness	will not be sought, unless the Secretary of the Military Department concerned determines that repayment of the unearned portion is appropriate due to a personnel policy or management objective, equity or good conscience, or it is in the best interest of the United States		will not be paid, unless the Secretary of the Military Department concerned makes a determination consistent with Rule 9, Column E.
4		the member continues in service in another capacity	will not be sought if the Secretary of the Military Department concerned determines that to recoup the unearned portion would be contrary to a personnel policy or management objective, against equity or good conscience, or contrary to the best interest of the United States		will not be paid, unless the Secretary of the Military Department concerned makes a determination consistent with Rule 9, Column E.

Table 2-1. Disposition of Unearned Portions of Bonuses, Special Pay, Educational Benefits, or Stipends (Continued)

	A	B	C	D	E
RULE	**If a member under a written agreement for a pay or benefit**	**and**	**then repayment of the unearned portion of the pay or benefit**	**and**	**any unpaid portion of the bonus, special pay, or student loan repayment under 10 U.S.C. or 37 U.S.C.**
5	Is an enlisted member paid a bonus or special pay and is discharged for immediate reenlistment or appointment in a Military Department for which no bonus or special pay is paid	the term of the latter reenlistment or appointment includes the remaining period of service from the former enlistment	will not be sought if the Secretary of the Military Department concerned determines that to recoup the unearned portion would be contrary to a personnel policy or management objective, against equity or good conscience, or contrary to the best interest of the United States		will not be paid unless the Secretary of the Military Department concerned makes a determination consistent with Rule 9, Column E. *(In this case, the member may be considered to have completed the full term of service on the former enlistment contract.)*
6	Is directed by the Service concerned to transfer into another military specialty or assignment rotation		will not be sought		will not be paid, unless the Secretary of the Military Department concerned makes a determination consistent with Rule 9, Column E.
7	Is in a military occupational specialty or assignment that is phased out or eliminated, or otherwise affected by a force structure or other mission essential requirement		will not be sought		will not be paid, unless the Secretary of the Military Department concerned makes a determination consistent with Rule 9, Column E.
8	Is separated from service under a hardship separation or a sole survivor discharge		will not be sought		will not be paid, unless the Secretary of the Military Department concerned makes a determination consistent with Rule 9, Column E.

Table 2-1. Disposition of Unearned Portions of Bonuses, Special Pay, Educational Benefits, or Stipends (Continued)

	A	B	C	D	E
RULE	**If a member under a written agreement for a pay or benefit**	**and**	**then repayment of the unearned portion of the pay or benefit**	**and**	**any unpaid portion of the bonus, special pay, or student loan repayment under 10 U.S.C. or 37 U.S.C.**
9	Does not fulfill the service conditions for the pay or benefit under any other circumstances		will be sought, unless the Secretary of the Military Department concerned, at some point in the process makes a case-by-case determination that to require repayment of an unearned portion of the pay or benefit would be contrary to a personnel policy or management objective, against equity or good conscience, or contrary to the best interest of the United States		will not be paid unless the Secretary of the Military Department concerned, at some point in the process, makes a case-by-case determination that to refrain from paying an unpaid portion of the pay, benefit, or student loan would be contrary to a personnel policy or management objective, against equity or good conscience, or it is in the best interest of the United States.

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10 U.S.C. § 1413a(e)
020303.E 10 U.S.C. § 1171
020304.A 10 U.S.C., Chapter 61

Table 2-1 USD (P&R) Memo, May 21, 2008
USD (P&R) Memo, February 6, 2009

Rule 2 10 U.S.C., Chapter 61
10 U.S.C. § 1413a(e)

VOLUME 7A, CHAPTER 03: "SPECIAL PAY – OFFICERS ONLY"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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

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

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

The previous version dated October 2015 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current administrative instructions.	Revision
030101	Changed "Overview" to "Purpose" to comply with current instructions.	Revision
030201.B	Changed payment amount not to exceed $50,000 to comply with Public Law 114-92, November 25, 2015.	Revision
030201.D	Extended the "Duration of Authority" for the Nuclear Power Accession Bonus to December 31, 2016.	Revision
030202.E	Extended the "Duration of Authority" for the Nuclear-Qualified Officer Extending Period of Active Service Continuation Pay (COPAY) to December 31, 2016.	Revision
030203.B.2	Extended the "Duration of Authority" for Nuclear Career Annual Incentive Bonus (AIB) to December 31, 2016.	Revision
030203.C	Changed payment amount from $22,000 to $25,000 to comply with Public Law 114-92, November 25, 2015.	Revision
030406, 030504, 030705, 030805	Revised content in the subparagraphs for clarity.	Revision
030706	Extended the "Duration of Authority" for Accession Bonus for Officer Candidates to December 31, 2016.	Revision
030806	Extended the "Duration of Authority" for Accession Bonus for New Officers in Critical Skills to December 31, 2016.	Revision
030906	Extended the "Duration of Authority" for Retention Incentive for Critical Military Skills to December 31, 2016.	Revision
031007	Extended the "Duration of Authority" for Incentive Bonus Transfer Between Armed Forces to December 31, 2016.	Revision
Bibliography	Updated statutes and references.	Revision

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CHAPTER 3

SPECIAL PAY – OFFICERS ONLY

0301 GENERAL

*030101. Purpose

The Secretaries of the Military Departments may pay a bonus or special pay to persons or officers, as appropriate, to support accession and retention efforts for a designated military specialty, career field, unit, grade, or to meet some other condition or conditions of service imposed by the Secretary of the Military Department concerned. This chapter establishes policy pertaining to the payments of bonuses or special pay in support of accession and retention efforts.

030102. Authoritative Guidance

The bibliography at the end of this chapter lists the authoritative references.

0302 SPECIAL PAYS FOR NUCLEAR-QUALIFIED OFFICERS

*030201. Nuclear Power Accession Bonus Program

A. Eligibility

1. Nuclear Officer Accession Bonus. An accession bonus is payable to officers or prospective officers who are selected for officer naval nuclear propulsion training and execute a written agreement to participate in a program of training for duty in connection with the supervision, operation, and maintenance of naval nuclear propulsion plants.

2. Nuclear Career Accession Bonus. Officers who are on active duty and who successfully complete the nuclear propulsion training program, leading to qualification for duty in connection with the supervision, operation, and maintenance of naval nuclear propulsion plants, are entitled to payment of an accession bonus upon successful completion of the nuclear propulsion training program.

* B. Payment. Under ***Title 37, United States Code (U.S.C.), section 333(d)(1)***, Nuclear Officer Bonuses may not exceed $50,000 for each 12-month period. Bonus rates for this program are contained in Chief of Naval Operations Instruction ***(OPNAVINST 7220.11E)***, dated December 29, 2014.

C. Repayment. An officer, who receives an accession bonus and does not satisfactorily commence or complete the nuclear power training, will be subject to the repayment provisions of Chapter 2.

* D. Duration of Authority. Unless otherwise authorized by the Congress, the provisions of section 0302 will be effective only in the case of officers who, on or before December 31, 2016, have been accepted for training for duty in connection with the supervision, operation, and maintenance of naval nuclear propulsion plants.

*030202. Nuclear-Qualified Officer Extending Period of Active Service Continuation Pay (COPAY)

A. Entitlement. The Secretary of the Navy may pay Nuclear Officer COPAY to nuclear-qualified officers who agree to remain on active duty for an additional 3, 4, 5, 6, or 7 years beyond their existing service obligation.

B. Eligibility. Officers who meet the criteria defined in OPNAVINST 7220.11E, dated December 29, 2014, are eligible to receive COPAY upon acceptance of their written agreement to remain on active duty in connection with supervision, operation, and maintenance of naval nuclear propulsion plants.

C. Payment. The amount payable may not exceed $30,000 for each year of the active service agreement. The rates and effective dates are contained in the governing regulation, OPNAVINST 7220.11E, dated December 29, 2014.

D. Repayment. An officer, who does not complete the period of active duty he or she agreed to serve in connection with the supervision, operation, and maintenance of naval nuclear propulsion plants, will be subject to the repayment provisions of Chapter 2.

* E. Duration of Authority. Unless otherwise authorized by the Congress, the provisions of section 0302 will be effective only in the case of officers who, on or before December 31, 2016, execute the required written agreement to remain in active service.

*030203. Nuclear Career Annual Incentive Bonus (AIB)

A. Entitlement. The Secretary of the Navy may pay Nuclear Career AIB to nuclear-trained and nuclear-qualified officers who are on active duty and who complete their initial service requirement, and to nuclear-trained and nuclear-qualified limited duty and warrant officers who serve in an assignment with duties in connection with direct supervision, operation, or maintenance of naval nuclear propulsion plants.

B. Eligibility

1. Warrant Officers in pay grades W-2 through W-5 and Officers in pay grades O-1 through O-6 are eligible for AIB. Officers serving in a period of obligated service associated with paragraph 030202 are not eligible for AIB during that period of their obligated service.

* 2. In order to be eligible for an annual bonus for any nuclear service year, a qualified officer must have been on active duty on the last day of that nuclear service

year. For the purpose of this section, a "nuclear service year" is any fiscal year beginning before December 31, 2016.

* C. Payment. Under 37 U.S.C. § 333(d)(1)(B), Nuclear Career Annual AIB may not exceed $25,000 for each 12-month period of qualifying service. The current rates and payment procedures are contained in the governing regulation, OPNAVINST 7220.11E, dated December 29, 2014.

NOTE: An officer of the United States Navy who is not on active duty on the last day of a nuclear service year may be paid a bonus on a pro rata basis if otherwise qualified, unless termination of active duty or loss of qualifications was voluntary or was the result of his own misconduct.

0303 SPECIAL PAY FOR OFFICERS SERVING IN POSITIONS OF UNUSUAL RESPONSIBILITY AND OF A CRITICAL NATURE

030301. Entitlement

The Secretary concerned may designate positions of unusual responsibility that are of a critical nature to an Armed Force under his or her jurisdiction and authorize special pay to officers performing the duties of such a position. Officers billeted in a designated position, and entitled to the basic pay for active duty or compensation for inactive duty in grade 0-6 and below, are entitled to this special pay. This special pay will be referred to as responsibility pay.

030302. Rates Payable

The monthly rates of responsibility pay are:

Pay Grade	Amount
0-6	$150
0-5	$100
0-4 and below	$50

030303. Authorized Payees

Subject to other entitlement conditions and restrictions, officers are entitled to responsibility pay while serving as a commanding officer or commander of a unit listed in directives issued under the authority of the Secretary concerned. Responsibility pay will continue to accrue while on temporary duty, leave, or similar temporary absences from duty where there is no permanent relief. Responsibility pay accrues from the date the assignment begins through the date the assignment ends.

030304. Restrictions

Responsibility pay is not authorized for:

A. Officers temporarily in command;

B. Officers assigned in designated "Officer in Charge" billets, unless specifically designated in directives issued under the authority of the Secretary concerned; and

C. More than one officer per designated billet, except for the dates of assumption of and relief from command.

0304 SPECIAL PAY: WARFARE OFFICERS EXTENDING PERIOD OF ACTIVE DUTY

030401. Defined

The term ''special warfare officer'' means an officer of a uniformed service who is:

A. Qualified for a military occupational specialty or designator identified by the Secretary of the Military Department concerned, as a special warfare military occupational specialty or designator; and

B. Serving in a position for which that specialty or designator is authorized.

030402. Retention Bonus Authorized

In addition to any other pay and allowances, a special warfare officer who meets the eligibility requirements specified in paragraph 030403, and who executes a written agreement to remain on active duty in special warfare service for at least 1 year, may, upon the acceptance of the agreement by the Secretary of the Military Department concerned, be paid a retention bonus as provided in section 0304.

030403. Eligibility Requirements

A special warfare officer may apply to enter into an agreement if the officer:

A. Is in pay grade O–3, or is in pay grade O–4 and is not on a list of officers recommended for promotion at the time the officer applies to enter into the agreement;

B. Has completed at least 6, but not more than 14, years of active commissioned service; and

C. Has completed any service commitment incurred to be commissioned as an officer.

030404. Amount

The amount of a retention bonus paid under section 0304 may not be more than $15,000 for each year covered by the agreement.

030405. Payment Methods

Upon acceptance of an agreement by the Secretary of the Military Department concerned, the total amount payable pursuant to the agreement becomes fixed. The amount of the retention bonus may be paid as follows:

A. The Secretary of the Military Department concerned may make a lump-sum payment equal to half the total amount payable under the agreement. The balance of the bonus amount will be paid in equal annual installments on the anniversary of the acceptance of the agreement.

B. The Secretary of the Military Department concerned may make graduated annual payments. The first payment is payable at the time the agreement is accepted by the Secretary and subsequent payments are payable on the anniversary of the acceptance of the agreement.

*030406. Repayment

An officer who, has received a bonus, fails to complete the period of obligated service or other condition of service specified in the written agreement for which the bonus is paid will be subject to the repayment of any unearned portion of the bonus, according to the provisions in Chapter 2.

0305 SURFACE WARFARE OFFICER COPAY

030501. Defined

In this section, the term ‘‘eligible surface warfare officer’’ means an officer of the Regular Navy or Navy Reserve on active duty who:

A. Is qualified and billeted as a surface warfare officer;

B. Has been selected for assignment as a department head on a surface vessel; and

C. Has completed any service commitment incurred through the officer’s original commissioning program or is within 1 year of completing such commitment.

030502. Special Pay Authorized

In addition to any other pay and allowances, an eligible surface warfare officer who executes a written agreement to remain on active duty, and completes one or more tours of duty for which the officer may be ordered as a department head on a surface vessel, may, upon the acceptance of the agreement by the Secretary of the Navy, be paid an amount not to exceed $50,000.

030503. Payment Methods

Upon acceptance of the written agreement by the Secretary of the Navy, the total amount payable pursuant to the agreement becomes fixed. The Secretary will prepare an implementation plan, specifying the amount of each installment payment under the agreement and the number of installment payments.

*030504. Repayment

An officer who, has received a bonus, fails to complete the period of obligated service or other condition of service specified in the written agreement for which the bonus is paid will be subject to the repayment of any unearned portion of the bonus, according to the provisions in Chapter 2.

0306 JUDGE ADVOCATE COPAY

030601. Defined

The term ‘‘eligible judge advocate’’ means an officer of the Armed Forces on full-time active duty who:

A. Is qualified and serving as a judge advocate as defined in ***10 U.S.C. § 801***; and

B. Has completed the active duty service obligation incurred through the officer’s original commissioning program; or

C. In the case of an officer detailed as a student at law school, the active duty service obligation incurred as part of that detail.

030602. Special Pay Authorized

In addition to any other pay and allowances, an eligible judge advocate who executes a written agreement to remain on active duty for a period of obligated service specified in the agreement may, upon the acceptance of the agreement by the Secretary of the Military Department concerned, be paid COPAY under section 0306. The total amount paid to an officer under one or more agreements under section 0306, may not exceed $60,000.

030603. Payment Methods

Upon acceptance of an agreement by the Secretary of the Military Department concerned, the total amount payable pursuant to the agreement becomes fixed. The Secretary of the Military Department concerned will prepare an implementation plan, specifying the amount of each installment payment under the agreement and the number of installment payments.

030604. Repayment

An officer who, has entered into a written agreement and has received all or part of the amount payable under the agreement, does not complete the total period of active duty specified in the agreement will be subject to the repayment provisions of Chapter 2.

0307 ACCESSION BONUS FOR OFFICER CANDIDATES

030701. Authorization

Under regulations prescribed by the Secretary of the Military Department concerned, a person who executes a written agreement may be paid an accession bonus under section 0307, upon acceptance of the agreement by the Secretary of the Military Department concerned.

030702. Amount

The amount of an accession bonus may not exceed $8,000.

030703. Eligibility

A written agreement referred to in paragraph 030701 is a written agreement by a person to:

A. Complete officer candidate school;

B. Accept a commission or appointment as an officer of the Armed Forces; and

C. Serve on active duty as a commissioned officer for a period specified in the agreement.

030704. Payment Method

Upon acceptance of a written agreement by the Secretary of the Military Department concerned, the total amount of the accession bonus payable under the agreement becomes fixed. The agreement will specify whether the accession bonus will be paid as a lump-sum or in installments.

*030705. Repayment

An officer candidate who, has received a bonus, fails to complete the period of obligated service or other condition of service specified in the written agreement for which the bonus is paid will be subject to the repayment of any unearned portion of the bonus, according to the provisions in Chapter 2.

*030706. Duration of Authority

Unless authorized by the Congress, no agreement under section 0307 may be entered into after December 31, 2016.

0308 ACCESSION BONUS FOR NEW OFFICER IN CRITICAL SKILLS

030801. Authorization

A person, who executes a written agreement to accept a commission or an appointment as an officer of the Armed Forces and serve on active duty in a designated critical officer skill for the period specified in the agreement, may be paid an accession bonus in an amount determined by the Secretary of the Military Department concerned.

030802. Eligibility

The Secretary of the Military Department concerned will designate the critical officer skills. A skill may be designated as a critical officer skill for an Armed Force under section 0308 if:

A. In order to meet requirements of the Armed Force, it is critical for the Armed Force to have a sufficient number of officers who are qualified in that skill; and

B. In order to mitigate a current or projected significant shortage of personnel in the Armed Force who are qualified in that skill, it is critical to access into that Armed Force in sufficient numbers, persons who are qualified in that skill or are to be trained in that skill.

030803. Amount

The amount of an accession bonus may not exceed $60,000.

030804. Payment Method

Upon acceptance of a written agreement by the Secretary of the Military Department concerned, the total amount of the accession bonus payable under the agreement becomes fixed. The agreement will specify whether the accession bonus will be paid by the Secretary of the Military Department concerned as a lump-sum or in installments.

*030805. Repayment

An officer who, has received a bonus, fails to complete the period of obligated service or other condition of service specified in the written agreement for which the bonus is paid will be subject to the repayment of any unearned portion of the bonus, according to the provisions in Chapter 2.

*030806. Duration of Authority

Unless authorized by the Congress, no agreement under section 0308 may be entered into after December 31, 2016.

0309 RETENTION INCENTIVE FOR CRITICAL MILITARY SKILLS

030901. Authorization

In addition to any other pay and allowances, an officer serving on active duty in a Regular Component, or in an active status in a Reserve Component (RC), who is qualified in a critical military skill designated, or accepts an assignment to a high-priority unit, may be paid a retention bonus if the officer executes a written agreement to remain on active duty for at least 1 year.

030902. Eligibility

The Secretary of Defense, and the Secretary of Homeland Security with respect to the Coast Guard when it is not operating as a part of the Navy, may designate a critical military skill or designate a unit as a high-priority unit for which a retention bonus will be provided to a member of the Armed Forces who agrees to accept an assignment to the unit.

030903. Payment Methods

A bonus under section 0309 may be paid in a single lump-sum or in periodic installments.

030904. Amount

An officer may enter into an agreement more than once to receive a bonus under section 0309. However, an officer may not receive a total of more than $200,000 (or $100,000 in the case of a RC officer) in payments under section 0309. The limitation on the total bonus payments does not apply with respect to an officer who is assigned duties as a health care professional.

030905. Repayment

An officer who, having received all or part of the bonus under a written agreement, fails to remain qualified in the critical military skill or satisfy the other eligibility criteria for which the bonus was paid, will be subject to repayment, according to the provisions of Chapter 2.

*030906. Duration of Authority

Unless authorized by the Congress, no agreement under section 0309 may be entered into after December 31, 2016.

0310 INCENTIVE BONUS: TRANSFER BETWEEN ARMED FORCES

031001. Authorization

A bonus may be paid to an eligible officer of a Regular Component or RC of an Armed Force who executes a written agreement to:

A. Transfer from such Regular Component or RC to a Regular Component or RC of another Armed Force; and

B. Serve pursuant to such agreement for a period of not less than 3 years in the Component to which transferred.

031002. Eligibility

In addition to any other pay and allowances, an officer is eligible to enter into an agreement to transfer if, as of the date of the agreement, the officer is eligible to continue in service in a Regular or RC of the Armed Forces and has fulfilled the requirements for transfer to the Component of the Armed Forces that is established by the Secretary of the Military Department having jurisdiction over such Armed Force.

031003. Limitation

An officer may enter into an agreement to transfer to a Regular Component or RC of another Armed Force only if the Secretary, having jurisdiction over such Armed Force, determines that there is a shortage of trained and qualified personnel in such Component.

031004. Amount and Payment of Bonus

The bonus amount may not exceed $10,000. The bonus will be paid by the Secretary of the Military Department concerned having jurisdiction of the Armed Force to which the member to be paid the bonus is transferring. The Secretary of the Military Department concerned paying the bonus will:

A. Disburse the bonus to the officer in one lump-sum when the transfer for which the bonus is paid is approved by the chief personnel officer of the Armed Force to which the member is transferring; or

B. Make annual installments in such amounts as may be determined by the Secretary of the Military Department concerned paying the bonus.

031005. Repayment

An officer, who having received all or part of the bonus under a written agreement and who, voluntarily or because of misconduct, fails to serve for the period covered under the agreement, will be subject to the repayment provisions of Chapter 2.

031006. Regulations

The Secretaries of the Military Departments concerned will prescribe regulations to carry out section 0310. Regulations prescribed by the Secretary of the Military Department concerned, under section 0310, will be subject to the approval of the Secretary of Defense.

*031007. Duration of Authority

Unless authorized by the Congress, no agreement under section 0310 may be entered into after December 31, 2016.

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0303 – SPECIAL PAY FOR OFFICERS SERVING IN POSITIONS OF UNUSUAL RESPONSIBILITY AND OF A CRITICAL NATURE

37 U.S.C. § 306

0304 – SPECIAL PAY: WARFARE OFFICERS EXTENDING PERIOD OF ACTIVE DUTY

37 U.S.C. § 318

0305 – SURFACE WARFARE OFFICER COPAY

37 U.S.C. § 319

0306 – JUDGE ADVOCATE COPAY

37 U.S.C. § 321
030601.A 10 U.S.C. § 801
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0307 – ACCESSION BONUS FOR OFFICER CANDIDATES

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0309 – RETENTION INCENTIVE FOR CRITICAL MILITARY SKILLS

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0310 – INCENTIVE BONUS: TRANSFER BETWEEN ARMED FORCES

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VOLUME 7A, CHAPTER 5: "HEALTH PROFESSIONS OFFICER (HPO) SPECIAL AND INCENTIVE PAY"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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

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

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

The previous version dated August 2016 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
Title	Updated to reflect chapter contents.	Revision
All	Updated to meet the requirements in the Department of Defense Instruction 6000.13 and the Assistant Secretary of Defense, Health Affairs Memo, dated September 27, 2016. Chapters 6, 7, and 21 are archived and consolidated into this chapter.	Revision
Bibliography	Updated references.	Revision

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CHAPTER 5

*HEALTH PROFESSIONS OFFICER (HPO) SPECIAL AND INCENTIVE PAY

0501 GENERAL

050101. Purpose

The purpose of this chapter is to establish policy pertaining to Health Professions Special & Incentive (HPS&I) Pay.

050102. Authoritative Guidance

The bibliography at the end of this chapter lists the authoritative references.

0502 PROVISIONS

Each HPS&I pay is in addition to any other pay or allowance to which an HPO is eligible except as specified in sections 0503 through 0508.

050201. Legacy Special Pays

A. HPOs who entered into a written agreement for receipt of a special pay (Multiyear Special Pay; Incentive Special Pay; Additional Special Pay) on or before January 27, 2018 will, if otherwise qualified, continue to receive payments until completion of the written agreement. Effective January 28, 2018, all new agreements for special pays will be administered in accordance with 050202. The criteria for legacy pays can be found in the archived Chapters 5, 6, 7 and 21.

B. Subject to acceptance by the Secretary concerned, an HPO who entered into a written agreement in accordance with the legacy special pay authorities may request termination of that agreement to enter into a new agreement with an equal or longer obligation at the annual rate in effect at the time of execution of the new agreement. The new obligated period will not retroactively cover any portion or period that was executed under the old agreement.

050202. Consolidated Special Pays (CSP)

HPOs may be paid special pay at the rate for the specialty for which they are fully qualified. The specialty or subspecialty must be the same for all pays received. The HPO may only receive Incentive Pay (IP) and a Retention Bonus (RB) for one specialty, even if the HPO holds qualifications in two or more specialties. The IP and RB must be effective on the same date. The eligibility for each HPS&I pay is described in sections 0504 through 0508.

050203. Restrictions

A. The amount of HPS&I pay is not included in computing the amount of any increase in pay or in computing retired, separation, severance, or readjustment pays.

B. An HPO may not receive Special pays pursuant to paragraphs 050201 and 050202 simultaneously. Once an HPO receives a Special pay pursuant to paragraph 050202, the HPO cannot revert back to Special pays in paragraph 050201.

050204. Eligibility

To be eligible to participate in the CSP, an HPO must:

A. Not have reached the mandatory retirement or removal date due to age or years of service and will complete any additional service obligation incurred before the individual's mandatory retirement or removal date, unless granted a waiver;

B. Have a current, valid, and unrestricted license or approved waiver;

C. Maintain all licensing, credentialing, and specialty qualifications;

D. Meet privileging requirements; and

E. Sign a service agreement indicating:

1. The amount of bonus or pay;

2. The method of payment of the bonus or pay;

3. The period of obligated service for the bonus or pay;

4. Whether the service will be performed on Active Duty (AD) or in active status in a Reserve Component (RC);

5. The type or conditions of the service; and

6. The circumstances that may result in termination of the agreement and repayment of any unearned portion of the bonus or pay if the officer fails to fulfill the conditions of the bonus or pay, to include an unfulfilled service obligation or eligibility requirement.

0503 ACCESSION BONUS (AB)

050301. Eligibility

To be eligible for an AB, an individual must:

A. Meet the eligibility criteria itemized in paragraph 050204;

B. Be a graduate of an accredited school in a health profession;

C. Be qualified for an appointment as a commissioned officer in a regular or RC of a Uniformed Service (an individual must accept an appointment as an HPO before the bonus will be paid);

D. Execute a written agreement to accept an appointment as an HPO of the Army, Navy or Air Force to serve on AD in a regular component or in an active status in an RC in a health profession for a specified period;

E. When appointed, have completed the service obligation for receipt of financial assistance from the Department of Defense (DoD or DD) to pursue a course of study in a health profession. This includes, but is not limited to, participants and former participants of the:

1. Reserve Officers' Training Corps;

2. Armed Forces Health Professions Scholarship Program;

3. Financial Assistance Program;

4. Uniformed Services University of the Health Sciences; and

5. Other commissioning programs;

F. Have been honorably discharged or released from any prior service;

G. Be qualified in the specialty to which appointed; and

H. Have been discharged from any Uniformed Service at least 24 months before execution of the written agreement to receive an AB, and no longer hold an appointment, if a former HPO.

050302. Amounts

AB amounts are listed in Table 5-1.

0504 CRITICAL WARTIME SKILLS ACCESSION BONUS (CWSAB)

050401. Eligibility

To be eligible for CWSAB, an individual must:

A. Meet the eligibility criteria itemized in subparagraphs 050301.A through F;

B. Be fully qualified in the critically short wartime specialty to which appointed; and

C. Have been discharged from any Uniformed Service at least 24 months before execution of the written agreement to receive a CWSAB, and no longer hold an appointment, if a former HPO.

050402. Amounts

CWSAB amounts are listed in Table 5-2.

0505 BOARD CERTIFICATION PAY (BCP)

050501. Eligibility

A. HPOs must:

1. Meet the eligibility criteria itemized in paragraph 050204;

2. Be serving in an Active Component (AC) or an RC of a Military Service and entitled to basic pay under Title 37, United States Code (U.S.C.), section 204 or compensation pursuant to 37 U.S.C. § 206;

3 Be serving on AD or in an active Reserve status in a designated health professional clinical specialty;

4. Have a post-baccalaureate degree in a clinical specialty (a post Master's certificate acceptable to the Secretary concerned can satisfy this requirement); and

5. Be certified by a professional board in a designated health profession clinical specialty.

B. All Officers, to include General/Flag officers at the rank of O-7 and above, are eligible for the BCP.

050502. Amount

The annual amount payable is $6,000, to be prorated monthly.

0506 IP

050601. General Provisions

A. IP When Not Participating in an RB Agreement. Subject to acceptance by the Secretary concerned, an HPO who is eligible for and not in an existing RB agreement, and who is no longer obligated pursuant to a previous IP agreement, may enter into a new 1-year IP

agreement at the rate in the HPS&I pay plan. IP agreements must be for at least 1 year and cannot be prorated. If, during the IP agreement, the HPO becomes eligible for a higher IP, the HPO may terminate and renegotiate at that higher rate, obligating for at least a year from the date of renegotiation.

B. IP When Participating in an RB Agreement. An HPO who enters into an RB contract may also be eligible for IP for the same specialty at the amount in the HPS&I pay plan. An HPO who elects this option will continue IP eligibility, at the rate in effect at the time the RB agreement is effective, for each active year of the RB contract. Any renegotiation of either the RB or IP will require signing a new RB contract at the annual rate in effect at the time of signature, with an obligation that ends after the obligation of the original agreement.

C. Effective Date. The effective date of the IP agreement will be calculated from the date the member completes the qualifying training plus 3 months.

050602. Eligibility

A. To be eligible for IP, an HPO must be:

1. Serving in an AC or RC of a Military Service and entitled to basic pay under 37 U.S.C. § 204 or compensation pursuant to 37 U.S.C. § 206;

2. Serving on AD or in an active Reserve status in a designated health professional specialty; and

3. Eligible as prescribed in paragraph 050204;

B. Medical Corps and Dental Corps Officers at the rank of O-7 and above are eligible for the HPO IP at the General Medical Officer (GMO) or General Dental Officer rate, respectively. All other General/Flag officers are authorized the HPO IP rate for their credentialed specialty.

050603. Amounts

Annual payment amounts for IP contracts are listed in Tables 5-3 through 5-6 and paid in equal monthly payments. General/Flag officers at the rank of 0-7 and above are eligible for the General Medical Officer IP rate shown on Table 5-4.

0507 RB

050701. General Provisions

A. Subject to acceptance by the Secretary concerned, an HPO with an existing multiyear special pay pursuant to 37 U.S.C. Chapter 5, Subchapter I, or with an RB contract pursuant to 37 U.S.C. Chapter 5, Subchapter II, may request termination of that contract to enter into a new RB contract with an equal or longer obligation at the RB annual rate in effect at the

time of execution of the new contract. The new obligation period will not retroactively cover any portion or period that was executed in accordance with the prior contract.

B. The Secretary concerned may pay an RB to HPOs based on their clinical specialty or subspecialty regardless of their ability to spend appropriate time in a clinical setting.

050702. Eligibility

To be eligible for an RB, an HPO must:

A. Meet the eligibility criteria itemized in paragraph 050204;

B. Have completed qualifications for the specialty or subspecialty for which the RB is being paid before the beginning of the fiscal year during which a written agreement is executed;

C. Enter into a written agreement, accepted by the Secretary concerned, to remain on AD or in an active status in an RC as an HPO for 2, 3, or 4 years;

D. Be below the grade of O-7; and

E. Meet one of the following requirements:

1. Have completed any AD or reserve duty service commitment incurred for any and all pre-commissioning education and training; or

2. Have completed the service obligation for an AB (an individual eligible for an AB may decline the AB and accept the RB).

050703. Amounts

Annual payment amounts for AC RB contracts are listed in Tables 5-5 through 5-8.

0508 RC

050801. AB

A. To be eligible for an AB, an RC participant must:

1. Execute a written agreement to remain a satisfactory participant in the Selected Reserves (SELRES) in accordance with DoD Instruction (DoDI) 1215.13;

2. Be qualified in a critical skill identified on the RC HPS&I Pay Plan; and

3. Meet the provisions outlined in paragraphs 050204 and 050301.

NOTE: An HPO in the SELRES who transfers to the Individual Ready Reserve or Standby Ready Reserve is not eligible for payments and will have the special pay suspended during this period.

B. Payment amounts for RC AB contracts are listed in Table 5-9.

050802. Affiliation Bonus for RC (AFBRC)

A. Eligibility

To be eligible for an AFBRC, an HPO must:

1. Meet the eligibility criteria itemized in paragraph 050204;

2. Be serving on AD or have served on AD and have a DD Form 214, "Certificate of Release or Discharge from Active Duty," that verifies an honorable discharge or release;

3. Provide the original DD 214 (copy 1 or copy 4) or a reproduction with a certified true-copy stamp and the appropriate Federal Government authenticating seal imprinted for each period of service;

4. Be qualified to hold an appointment as an HPO;

5. Be qualified in the specialty in which they agree to serve;

6. Execute a written agreement to serve 3 years in the SELRES; and

7. Not have previously received an AB in the SELRES, unless granted a waiver.

B. Amount

The Secretary concerned may pay an AFBRC up to $10,000 to eligible officers.

050803. BCP

A. Eligibility

An HPO must meet the provisions outlined in paragraph 050501.

B. Payment

If eligible, an RC member will be paid at the daily rate of one-thirtieth of the BCP monthly rate as defined in paragraph 050502 for any period in which the member is entitled to basic pay under 37 U.S.C. § 204 or compensation pursuant to 37 U.S.C. § 206.

050804. IP

A. Eligibility

An HPO must meet the provisions outlined in paragraph 050602.

B. Payment

If eligible, an RC member will be paid at the daily rate of one-thirtieth of the IP monthly rate for any period in which the member is entitled to basic pay under 37 U.S.C. § 204 or compensation pursuant to 37 U.S.C. § 206. See paragraph 050603.

050805. RB

A. Eligibility

To be eligible for an RB, an HPO must meet the provisions outlined in paragraph 050702.

B. Payment

Payment amounts for RC RB contracts are listed in Table 5-9.

0509 TERMINATION

050901. Reasons

The Secretary concerned may terminate at any time an HPO special pay agreement. The Secretary concerned will establish regulations that specify the conditions and procedures for termination, and they will be included in the written service agreement for the specific special pay. Reasons for termination may include, but are not necessarily limited to:

A. Loss of privileges;

B. Court-martial conviction;

C. Failure to maintain a current, valid, and unrestricted license or approved waiver; or

D. Reasons that are in the best interest of the Military Department.

050902. Proration

If an agreement for one or more special pays is terminated, the HPO will be paid on a pro-rata basis for the portion served until the official date of termination.

050903. Repayment

An HPO who fails to maintain the eligibility requirements for a special pay, does not complete the obligation period for the pay, or whose pay is terminated by the secretary concerned, as described in paragraph 050801, will be subject to the repayment provisions of 37 U.S.C. § 373 and Chapter 2. These repayment authorities will be stipulated in the written service agreement.

050904. Reinstatement

If an HPO's special pay is terminated due to failure to maintain a valid license, the member can become eligible for special pays again. Once the HPO's license is reinstated and eligibility is re-established, the HPO may negotiate new contractual special pay agreements. Regardless of whether the HPO receives special pays, the HPO will be held responsible for the original contracted special pay service obligation until completed or until involuntary separation from military service occurs.

Table 5-1. AB

NURSE	AB	
3 Year Obligation	$20,000	
4 Year Obligation	$30,000	
SPECIALTY	**AB**	
	3-Year Obligation	**4-Year Obligation**
Pharmacist	$0	$30,000
Physician Assistant	$37,500	$60,000
Psychologist	$37,500	$60,000
Public Health Officer (Air Force)	$22,500	$40,000
Social Worker	$18,750	$30,000
Veterinary Officer	$0	$20,000

Table 5-2. CWSAB

DENTAL SPECIALTY	CWSAB 4-YEAR OBLIGATION
Comprehensive Dentistry	$300,000
Endodontics	$300,000
General Dentistry	$150,000
Oral and Maxillofacial Surgery	$300,000
Prosthodontics	$300,000
MEDICAL SPECIALTY	**CWSAB 4-YEAR OBLIGATION**
Aerospace Medicine	$180,000
Anesthesia	$396,000
Diagnostic Radiology	$364,000
Emergency Medicine	$276,000
Family Practice	$252,000
General Surgery	$400,000
Internal Medicine	$240,000
Neurosurgery	$400,000
Obstetrics/Gynecology (OB/GYN)	$240,000
Ophthalmology	$200,000
Orthopedics	$356,000
Otolaryngology	$252,000
Pediatrics	$220,000
Preventive Medicine	$220,000
Psychiatry	$272,000
Pulmonary Medicine	$292,000
Urology	$280,000
Vascular Surgery	$400,000

Table 5-3. Dental Corps IP

DENTAL CORPS	FULLY QUALIFIED IP ONLY 1-YEAR RATE (PRORATED MONTHLY)	OR	FULLY QUALIFIED IP RATE PAID WITH A 2-, 3-, OR 4-YEAR RB (PRORATED MONTHLY)
Advance Clinical Practice: Endodontics; Exodontia; General Dentistry; Periodontics; and Prosthodontics	$25,000		$25,000
Comprehensive/Operative Dentistry	$25,000		$25,000
Dental Research	$25,000		$25,000
Endodontics	$25,000		$25,000
General Dentistry	$20,000		$20,000
Oral: Diagnosis; Medicine; Pathology	$25,000		$25,000
Oral Maxillofacial Surgery	$55,000		$75,000
Orthodontics	$25,000		$25,000
Pedodontics	$25,000		$25,000
Periodontics	$25,000		$25,000
Prosthodontics	$25,000		$25,000
Public Health Dentistry	$25,000		$25,000
Temporomandibular Dysfunction/ Orofacial Pain	$25,000		$25,000

Table 5-4. Medical Corps IP

MEDICAL CORPS	IP ONLY 1-YEAR RATE (PRORATED MONTHLY)		
General Medical Officer	$20,000		
Initial Residency	$8,000		
Internship	$1,200		
POST RESIDENT OR FELLOW GRADUATE	**FULLY QUALIFIED IP ONLY 1-YEAR RATE (PRORATED MONTHLY)**	**OR**	**FULLY QUALIFIED IP RATE PAID WITH A 2-, 3-, OR 4-YEAR RB (PRORATED MONTHLY)**
Aerospace Medicine	$43,000		$43,000
Anesthesiology	$59,000		$73,000
Cardiology-Adult/Pediatric	$59,000		$64,000
Dermatology	$43,000		$43,000
Emergency Medicine	$49,000		$53,000
Family Practice	$43,000		$43,000
Gastroenterology	$49,000		$52,000
General Internal Medicine	$43,000		$43,000
General Surgery	$52,000		$73,000
Neurology	$43,000		$43,000
Neurosurgery	$59,000		$83,000
OB-GYN	$54,000		$54,000
Ophthalmology	$51,000		$53,000
Orthopedics	$59,000		$73,000
Otolaryngology	$53,000		$58,000
Pathology	$43,000		$43,000
Pediatrics	$43,000		$43,000
Physiatrist/Physical Medicine	$43,000		$43,000
Preventative/Occupational Medicine	$43,000		$43,000
Psychiatry	$43,000		$43,000
Pulmonary/Critical Care Medicine	$46,000		$49,000
Radiology	$59,000		$65,000
Subspecialty Category I (Note 1)	$59,000		$80,000
Subspecialty Category II (Note 2)	$51,000		$51,000
Subspecialty Category III (Note 3)	$46,000		$49,000
Subspecialty Category IV (Note 4)	$43,000		$43,000
Subspecialty Category V (Note 5)	$59,000		$64,000
Urology	$51,000		$51,000

Table 5-4. Medical Corps IP (Continued)

NOTES:

1. Requires primary specialty in General Surgery or as listed:
   a. Cardio Thoracic Surgery;
   b. Colon Rectal Surgery;
   c. Fellowship trained Orthopedic Surgeons;
   d. Oncology Surgery;
   e. Organ Transplant;
   f. Pediatric Surgery;
   g. Plastic Surgery;
   h. Trauma/Critical Care Surgery; or
   i. Vascular Surgery.
2. Nuclear Medicine Internists only.
3. Internal Medicine/Pediatric Fellowship subspecialties in:
   a. Allergy/Immunology;
   b. Hematology/Oncology;
   c. Neonatology; or
   d. Nephrology.
4. All internal medicine and pediatric subspecialties not listed in subspecialty category 1 and 3 listed separately:
   a. Clinical Pharmacology;
   b. Developmental Pediatrics;
   c. Endocrinology;
   d. Geriatrics Fellowship training;
   e. Infectious Disease; or
   f. Rheumatology.
5. Physicians who Fellowship trained in:
   a. OB/GYN;
   b. Ophthalmology;
   c. Otolaryngology; or
   d. Urology.

Table 5-5. Nurse Corps IP and RB

NURSE CORPS	FULLY QUALIFIED IP ONLY 1 YEAR RATE (PRORATED MONTHLY)	PAID ANNUALLY		
		RB 2-Year Rate	RB 3-Year Rate	RB 4-Year Rate
Certified Registered Nurse Anesthetist	$15,000	$10,000	$20,000	$35,000
Community/Public Health Nursing	$0	$10,000	$15,000	$20,000
Critical Care Nursing	$0	$10,000	$15,000	$20,000
Emergency Nursing	$0	$10,000	$15,000	$20,000
Flight Nursing	$0	$10,000	$15,000	$20,000
Medical-Surgical Nursing	$0	$10,000	$15,000	$20,000
Neonatal Intensive Care	$0	$10,000	$15,000	$20,000
Nurse Midwife	$0	$10,000	$15,000	$20,000
Nurse Practitioner	$0	$10,000	$15,000	$20,000
OB/GYN Nursing	$0	$10,000	$15,000	$20,000
Pediatric Nursing	$0	$10,000	$15,000	$20,000
Perioperative Nursing	$0	$10,000	$15,000	$20,000
Psychiatric/Mental Health Nursing	$0	$10,000	$15,000	$20,000

Table 5-6. Specialty IP and RB

SPECIALTY	PAID ANNUALLY				
	ENTRY LEVEL, IN TRAINING OR TRAININGS ADSO 1-YEAR RATE	FULLY QUALIFIED IP RATE (WITH OR WITHOUT RB)	RB 2-Year Rate	RB 3-Year Rate	RB 4-Year Rate
Optometrist	$1,200	$1,200	$5,000	$8,000	$10,000
Pharmacist	$0	$0	$15,000	$15,000	$15,000
Physician Assistant	$0	$5,000	$10,000	$15,000	$20,000
Psychologist	$0	$5,000	$10,000	$15,000	$20,000
Public Health Officer (Air Force)	$0	$5,000	$5,000	$6,250	$7,500
Social Worker	$0	$0	$5,000	$8,000	$10,000
Veterinary	$2,500	$5,000	$2,500	$3,750	$5,000

Table 5-7. Dental Corps RB

DENTAL CORPS	PAID ANNUALLY		
	2-Year Rate	3-Year Rate	4-Year Rate
Advance Clinical Practice: Endodontics; Exodontia; General Dentistry; Periodontics; and Prosthodontics	$18,000	$27,000	$35,000
Comprehensive/Operative Dentistry	$25,000	$38,000	$50,000
Dental Research	$25,000	$38,000	$50,000
Endodontics	$25,000	$38,000	$50,000
General Dentistry	$13,000	$19,000	$25,000
Oral: Diagnosis; Medicine; Pathology	$25,000	$38,000	$50,000
Oral Maxillofacial Surgery	$25,000	$38,000	$50,000
Orthodontics	$25,000	$38,000	$50,000
Pedodontics	$25,000	$38,000	$50,000
Periodontics	$25,000	$38,000	$50,000
Prosthodontics	$25,000	$38,000	$50,000
Public Health Dentistry	$25,000	$38,000	$50,000
Temporomandibular Dysfunction/ Orofacial Pain	$25,000	$38,000	$50,000

Table 5-8. Medical Corps RB

POST RESIDENT OR FELLOW GRADUATE	PAID ANNUALLY		
	2-Year Rate	3-Year Rate	4-Year Rate
Aerospace Medicine	$13,000	$19,000	$25,000
Anesthesiology	$25,000	$40,000	$60,000
Cardiology-Adult/Pediatric	$21,000	$34,000	$51,000
Dermatology	$17,000	$25,000	$38,000
Emergency Medicine	$17,000	$26,000	$40,000
Family Practice	$17,000	$25,000	$38,000
Gastroenterology	$22,000	$33,000	$50,000
General Internal Medicine	$13,000	$23,000	$35,000
General Surgery	$25,000	$40,000	$60,000
Neurology	$13,000	$19,000	$25,000
Neurosurgery	$25,000	$40,000	$60,000
OB-GYN	$17,000	$25,000	$35,000
Ophthalmology	$13,000	$19,000	$25,000
Orthopedics	$17,000	$33,000	$50,000
Otolaryngology	$17,000	$25,000	$33,000
Pathology	$13,000	$20,000	$30,000
Pediatrics	$13,000	$20,000	$30,000
Physiatrist/Physical Medicine	$12,000	$13,000	$20,000
Preventative/Occupational Medicine	$13,000	$20,000	$30,000
Psychiatry	$17,000	$28,000	$43,000
Pulmonary/Critical Care Medicine	$21,000	$31,000	$45,000
Radiology	$25,000	$40,000	$60,000
Subspecialty Category I (Note 1)	$23,000	$36,000	$55,000
Subspecialty Category II (Note 2)	$12,000	$18,000	$27,000
Subspecialty Category III (Note 3)	$12,000	$17,000	$25,000
Subspecialty Category IV (Note 4)	$13,000	$19,000	$25,000
Subspecialty Category V (Note 5)	$21,000	$31,000	$45,000
Urology	$20,000	$30,000	$45,000

Table 5-8. Medical Corps RB (Continued)

NOTES:

1. Requires primary specialty in General Surgery or as listed:
   a. Cardio Thoracic Surgery;
   b. Colon Rectal Surgery;
   c. Fellowship trained Orthopedic Surgeons;
   d. Oncology Surgery;
   e. Organ Transplant;
   f. Pediatric Surgery;
   g. Plastic Surgery;
   h. Trauma/Critical Care Surgery; or
   i. Vascular Surgery.
2. Nuclear Medicine Internists only.
3. Internal Medicine/Pediatric Fellowship subspecialties in:
   a. Allergy/Immunology;
   b. Hematology/Oncology;
   c. Neonatology; or
   d. Nephrology.
4. All internal medicine and pediatric subspecialties not listed in subspecialty category 1 and 3 listed separately:
   a. Clinical Pharmacology;
   b. Developmental Pediatrics;
   c. Endocrinology;
   d. Geriatrics Fellowship training;
   e. Infectious Disease; or
   f. Rheumatology.
5. Physicians who Fellowship trained in:
   a. OB/GYN;
   b. Ophthalmology;
   c. Otolaryngology; or
   d. Urology.

Table 5-9. RC AB and RB Paid Annually
(See Note)

DENTAL CORPS	AB	RB
Dental Officer, Clinical/General	$25,000	$25,000
Dentist, Comprehensive	$25,000	$25,000
Endodontist	$25,000	$25,000
Oral & Maxillofacial Surgeon	$25,000	$25,000
Periodontist	$25,000	$25,000
Prosthodontist	$25,000	$25,000
Public Health Dentist	$25,000	$25,000
MEDICAL CORPS	**AB**	**RB**
Aerospace Medicine	$25,000	$25,000
Anesthesiology	$25,000	$25,000
Critical Care Pulmonary Disease	$25,000	$25,000
Emergency Medicine	$25,000	$25,000
Family Medicine/ Family Practice	$25,000	$25,000
Field Surgeon	$25,000	$25,000
Flight Surgeon; Aviation/Aerospace GMO; Aviation/Aerospace; Residence Trained	$25,000	$25,000
Infectious Disease	$25,000	$25,000
Internist	$25,000	$25,000
Neurosurgery	$25,000	$25,000
OB-GYN	$25,000	$25,000
Ophthalmology	$25,000	$25,000
Orthopedic Surgeon	$25,000	$25,000
Otolaryngologist	$25,000	$25,000
Pediatrician	$25,000	$25,000
Preventive Medicine	$25,000	$25,000
Psychiatrist	$25,000	$25,000
Radiologist, Diagnostic	$25,000	$25,000
Radiologist, Special Procedures	$25,000	$25,000
Surgeon, General	$25,000	$25,000
Surgeon, Thoracic	$25,000	$25,000
Undersea Medicine	$25,000	$25,000
Urologist	$25,000	$25,000

Table 5-9. RC AB and RB Paid Annually (Continued)
(See Note)

NURSE CORPS	AB	RB
Anesthetist	$25,000	$25,000
Clinical, Critical Care	$25,000	$25,000
Clinical, Obstetrics	$25,000	$25,000
Flight	$25,000	$25,000
Mental Health	$25,000	$25,000
Midwife	$15,000	$15,000
Operating Room	$25,000	$25,000
Practitioner	$25,000	$25,000
Practitioner, Mental Health	$25,000	$25,000
Practitioner, Pediatric	$15,000	$15,000
Public Health	$25,000	$25,000
Trauma/Emergency	$25,000	$25,000
SPECIALTIES	**AB**	**RB**
Aeromedical Evacuation	$20,000	$20,000
Audiologist	$20,000	$20,000
Clinical Laboratory	$20,000	$20,000
Clinical Psychologist	$25,000	$25,000
Entomologist	$20,000	$20,000
Health Service Administration	$10,000	$10,000
Microbiologist	$20,000	$20,000
Optometrist	$20,000	$20,000
Physician Assistant	$25,000	$25,000
Plans/Operations/Medical Intelligence	$15,000	$15,000
Social Worker	$20,000	$20,000
VETERINARY CORPS	**AB**	**RB**
Clinical Medicine	$25,000	$25,000
Laboratory Animal Medicine	$25,000	$25,000
Pathology	$25,000	$25,000
Preventive Medicine	$25,000	$25,000

NOTE:

Authorized for an HPO holding a critical skill including those filling a command or immaterial position who would have otherwise been eligible. Amounts only apply to Services with a critical shortage specialty.

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VOLUME 7A, CHAPTER 8: "SPECIAL PAY - SPECIAL DUTY ASSIGNMENT PAY - ENLISTED MEMBERS"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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

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

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

The previous version dated August 2015 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current administrative instructions.	Revision
080101	Changed the paragraph name to "Purpose" to comply with current administrative instructions.	Revision
080303	Revised content in accordance with Department of Defense Instruction 1304.27, April 10, 2009, Incorporating Change 1, Effective April 22, 2015.	Revision
Bibliography	Updated statutes and references.	Revision

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CHAPTER 8

SPECIAL PAY - SPECIAL DUTY ASSIGNMENT PAY - ENLISTED MEMBERS

0801 GENERAL

*080101. Purpose

An enlisted member entitled to basic pay may qualify for Special Duty Assignment Pay (SDAP) when the member performs duties designated by the Secretary of the Military Department concerned as extremely difficult or involving an unusual degree of responsibility. A member entitled to SDAP may receive such pay in addition to any other pay or allowances to which the member is entitled. SDAP is awarded according to the applicable regulations of the Military Service concerned.

080102. Authoritative Guidance

The bibliography at the end of this chapter lists the authoritative references.

0802 SDAP DEFINITIONS

080201. Military Specialty

A. A military specialty is an element of the enlisted classification structure (Military Occupational Specialty (MOS), Air Force Specialty Code (AFSC), Navy Enlisted Classification (NEC), career field subdivision, career management field, and occupational field, as appropriate to the Military Service concerned) that identifies an individual position, or group of closely related positions, on the basis of the similarity of the duties involved. It is also the primary identifier of individuals, who possess the ability, knowledge, and other occupational qualifications required for effective performance in such positions.

B. A military specialty: (1) provides occupational standards for procurement, training, classification, and career development; (2) identifies military skills so closely related that a degree of interchangeability exists between members assigned to the military specialty; and (3) provides a normal career progression pattern for members within that military specialty.

080202. Production Recruiter

A production recruiter is an individual assigned to recruiting duties under regulations issued by the Military Services.

080203. Special Duty Assignment

Special Duty Assignment is a duty assignment that is characterized by extremely demanding duties or duties demanding an unusual degree of responsibility. SDAP is a monthly

payment made, in addition to any other pay and allowances to which an enlisted member is entitled, to compensate for assignment to duties designated as extremely difficult or involving an unusual degree of military skill.

0803 ENTITLEMENT RATES

080301. Rates

SDAP is payable at the following rates:

Special Duty Assignment	Monthly Rate
SD-1	$75
SD-2	$150
SD-3	$225
SD-4	$300
SD-5	$375
SD-6	$450

080302. Service Designations

Designations of military specialties and assignments for SDAP are in the applicable regulations of the Military Service concerned. The criteria for designation of military specialties and assignments eligible for SDAP is in Department of Defense (DoD) 1312.1-I, "Occupational Conversion Index," March 2001, and implemented in DoD Instruction ***1304.27***, "Award and Administration of Special Duty Assignment Pay."

*080303. Department of Defense Designations

The SDAP levels for the following duty assignments established by the Principal Deputy Under Secretary of Defense (PDUSD) for Personnel and Readiness (P&R) may not exceed the maximum allowed under ***Title 37, United States Code (U.S.C.), section 307***:

A. Production Recruiter: SD-6;

B. White House Communications Agency: SD-2 through SD-5, depending on position;

C. Defense Threat Reduction Agency: SD-2;

D. Defense Courier Operations: specified positions, SD-1;

E. Senior Enlisted Advisor (SEA) to the Joint Chiefs of Staff: based on the parent service's SDAP rate for individuals serving as SEA to the Service Chief, not to exceed SD-6; and

F. Personnel assigned to the Personal Security Detail for the Secretary of Defense (SecDef): The authorized levels are: SD-1 for E-5s, SD-2 for E-6s, and SD-3 for E-7s.

080304. Special Operations Forces (SOF)

Effective March 1, 2013, SOF operators who serve in an authorized Major Force Program - 11 documented positions shall receive SDAP at a minimum SD-5 level. The only exception is for Navy Special Warfare Combatant Crewman operators who shall receive SDAP at a minimum SD-4 level. SOF operators are individuals with the following critical specialties:

A. Army: Special Operations (SpecOps) Weapons Sergeant (MOS 18B); SpecOps Engineer Sergeant (MOS 18C); SpecOps Medical Sergeant (MOS 18D); SpecOps Communication Sergeant (MOS 18E); Special Forces Assistant Operations and Intelligence Sergeant (MOS 18F); and Special Forces Senior Sergeant (MOS 18Z);

B. Navy: Enlisted Sea Air and Land Operations (NEC 5326) and Special Warfare Combatant Crewman (NEC 5352);

C. Air Force: Combat Control (AFSC 1C2XX), Pararescue (AFSC 1T2XX), Tactical Air Control Party (AFSC 1C4X1) and SpecOps Weather (AFSC 1W0X2); and

D. Marine Corps: Critical Skills Operator (MOS 0372).

0804 CONDITIONS OF ENTITLEMENT

080401. Eligibility Requirements

A member who meets the requirements in Table 8-1 may be awarded a special duty assignment rating as prescribed in regulations of the Military Service concerned.

080402. Conditions Affecting Entitlement

Conditions affecting entitlement to SDAP are shown in Table 8-2.

080403. Certification

Appropriate authorities annually review eligibility and payment authority for each member receiving SDAP. Payment stops automatically on the annual anniversary date if positive certification is not made that a member is still eligible for SDAP.

080404. Date to Stop SDAP

Table 8-2 shows how to determine the last day on which SDAP accrues to a member. Stop SDAP on the date shown in this table, unless an earlier date is specified in the order terminating such pay status.

080405. Effect of SDAP on Other Computations

SDAP is not used in the computation for an enlistment bonus, severance pay, separation pay, or cash settlement of accrued leave.

080406. Collection of Erroneous Payments

Collect from a member when a purported special duty assignment is revoked because assignment was made without original basis of authority.

080407. Removal from Rating Status without Original Basis of Authority

Military Service administrative regulations allow certain authorities to revoke orders that removed a member from a special duty assignment if the removal was without original basis of authority. When orders are so revoked, the member is entitled to SDAP for the entire period involved if otherwise entitled to the pay.

080408. Tax

SDAP is subject to withholding of income tax, but not subject to withholding of Federal Insurance Contributions Act taxes.

Table 8-1. Eligibility Requirements for SDAP

RULE	A	B	C
	When an enlisted member	**and**	**then**
1	is an Active Component member in a pay status; is serving in pay grade E-3 or higher; is qualified for and serving in the designated special duty assignment	meets other conditions of eligibility as prescribed by the Secretary of the Military Department concerned	the member may be awarded the prescribed monthly rate of SDAP.
2	is a Reserve Component (RC) member called or ordered to active duty (including active duty for training) in a pay status; is serving in pay grade E-3 or higher; is qualified for and serving in the designated special duty assignment		
3	is an RC member on Inactive Duty for Training (IDT) in a pay status; is serving in pay grade E-3 or higher; is qualified for and serving in the designated special duty assignment		the member may be awarded SDAP at 1/30th of the prescribed monthly SDAP rate for the performance of each authorized period of IDT with pay.
4	attains eligibility under rules 1 to 3, before the date of termination of award in any special duty assignment designated for termination of award		the member may be awarded SDAP.

Table 8-2. Conditions Affecting Entitlement to SDAP

RULE	A **When a member receiving SDAP**	B **and**	C **then special duty assignment status**	D **and entitlement to SDAP**
1	has the SDAP rating withdrawn for any reason		is withdrawn	continues through the date stated in the order withdrawing the SDAP rating.
2	fails to maintain the minimum level of qualification required for satisfactory performance in the military skill			stops on the date established by the authority determining the level of qualification does not meet established standards.
3	is discharged or relieved from active duty	does not reenlist within 24 hours	is withdrawn on the date of discharge	continues through the date of discharge (note 1).
4	is confined	confinement is the result of a court-martial sentence or non-judicial punishment	will be withdrawn on the date of confinement resulting from a court-martial sentence or non-judicial punishment	continues through the day prior to the date of confinement resulting from a court-martial sentence or non-judicial punishment.
5	is Absent Without Leave (AWOL)		continues	stops during the entire period of AWOL status.
6	is reported in a missing status		continues (note 2)	continues.
7	is in a patient status, including convalescence leave	patient status is due to disease resulting from intemperate use of alcohol or habit-forming drugs	continues	stops while the member is in a patient status or convalescent leave status.
8		patient status is not due to disease resulting from intemperate use of alcohol or habit-forming drugs, but exists for more than 12 months	will be withdrawn on the first day of the 13th month when a patient status continues to exist (note 2)	continues through the last day of the 12th month.

Table 8-2. Conditions Affecting Entitlement to SDAP (Continued)

RULE	A **When a member receiving SDAP**	B **and**	C **then special duty assignment status**	D **and entitlement to SDAP**
9	is hospitalized due to a wound, injury, or illness	receiving allowances under the Pay and Allowance Continuation Program (PAC) in Chapter 13	may continue for 1 year from the date the member was first hospitalized (unless stopped earlier by the PAC termination criteria in Chapter 13)	continues through the last day of the 12th month (note 3).
10	is demoted	the grade to which reduced is below that for which either pay is authorized	will be withdrawn on the date of demotion	continues through the day prior to the date of demotion.
11	is on temporary duty (TDY) or temporary additional duty (TAD)	is not performing duties requiring use of skills on which pay is based	continues for not more than 90 days	continues through the 90th day of TDY or TAD.
12		is performing duties requiring use of the skills on which pay is based	continues during entire period of TDY or TAD	continues through entire period of TDY or TAD.
13	is reassigned to a permanent change of station (PCS) or permanent change of assignment (without PCS) or detailed to duty not requiring use of skills on which SDAP is based	the commanding officer determines the reassignment or detail is permanent (over 90 days)	is withdrawn	continues through the day prior to the date of departure from special duty assignment.
14		the commanding officer determines the reassignment or detail is less than 90 days but it exceeds 90 days	is terminated on the 91st day of the reassignment or detail	continues through the 90th day of the detail or reassignment.
15	enters retraining status	the military skill into which member is retraining is not designated for SDAP	is withdrawn	continues through the day prior to the date member enters retraining status.

Table 8-2. Conditions Affecting Entitlement to SDAP (Continued)

RULE	A	B	C	D
	When a member receiving SDAP	**and**	**then special duty assignment status**	**and entitlement SDAP**
16	is reclassified out of the military skill on which the pay is based	the military skill to which reclassified is not designated for an award of SDAP	is withdrawn on the date of reclassification	continues through the day prior to the date of reclassification.
17	is attending a course of instruction	the course of instruction is necessary for member's continued qualification in the special duty assignment	continues	continues.
18		the course of instruction is not necessary to qualify the member for special assignment in the military skill, but the member will be reassigned to the military skill on which the pay is based upon completion of the training	continues for no more than 90 days	continues through the 90th day.
19		the course of instruction is not necessary to qualify the member for a special assignment in the military skill and the member will not be reassigned to the military skill on which the pay is based upon completion of training	is withdrawn on the date of departure for training	continues through the date of departure for training.
20		the course of instruction leads to commission or warrant officer status	is withdrawn	stops on the date of departure for entry into training.
21	is on authorized leave		continues	continues.

Table 8-2. Conditions Affecting Entitlement to SDAP (Continued)

RULE	A **When a member receiving SDAP**	B **and**	C **then special duty assignment status**	D **and entitlement to SDAP**
22	is serving in a military specialty designated for termination of award	the member continues to be qualified and serves in the military specialty		continues at one-half of the rate for the 1 year period following the effective date of the termination (note 4).
23	is serving in a military specialty designated for reduction of award			continues at the rate for the reduced award on the effective date of the reduction.
24	is reassigned PCS requiring use of the skills on which pay is based	the member continues to be qualified and performs the special duties		continues during leave en route, for periods of allowable travel time between assignments and for duty at the new permanent duty station.

NOTES:

1. If a Navy member fails to reenlist on board, then SDAP continues through the date of discharge or release from active duty.
2. SDAP may be awarded, withdrawn, increased, or decreased while member, otherwise eligible, is in a patient or missing status.
3. The PDUSD (P&R) may extend the 1 year termination date, for members who are hospitalized for the treatment of a wound, injury or illness, in 6 month increments under extraordinary circumstances.
4. The PDUSD (P&R) may waive the SDAP termination limits and prescribe other rates and time limits for specific situations.

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VOLUME 7A, CHAPTER 9: "ACTIVE DUTY ENLISTED MEMBERS ENLISTMENT, REENLISTMENT, AND RETENTION BONUSES"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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

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PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
090201.C.5 090301.D.5 090501.D.5 090701.B.5 090801.B.5	Updated eligibility in accordance with the Department of Defense Instruction 1304.31.	Revision
090301	Inserted Bonus conditions that can be set by the Secretary of the Military Department and must be approved by the Under Secretary of Defense Personnel & Readiness.	Addition
090206 090309 090406 090505 090605 090704 090804	Updated the "Duration of Authority" to December 31, 2017 in accordance with Public Law 114-328.	Revision
Bibliography	Updated References.	Revision

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CHAPTER 9

ACTIVE DUTY ENLISTED MEMBERS ENLISTMENT, REENLISTMENT AND RETENTION BONUSES

0901 GENERAL

090101. Purpose

This chapter establishes policy guidance pertaining to active duty enlistment, reenlistment, and retention bonuses.

090102. Authoritative Guidance

The bibliography at the end of this chapter lists the authoritative references.

0902 ENLISTMENT BONUS

The Enlistment Bonus criteria contained in this section reflect the transition to Title 37, United States Code (U.S.C.), Chapter 5, Subchapter II, effective October 1, 2013. Any contracts executed on or before September 30, 2013 should be paid under 37 U.S.C., Chapter 5, Subchapter I until the expiration of those respective contracts. Entitlement criteria for 37 U.S.C., Chapter 5, Subchapter I are outlined in the August 2012 version of Chapter 9.

*090201. Eligibility

An enlistment bonus is authorized for individuals who enlist in a Military Service for a specific period and, if applicable, for service in a military skill that is experiencing critical personnel shortages as designated by the Secretary of the Military Department concerned. The individual must meet the qualifications listed in subparagraphs 090201.A-H:

A. Possess a high school diploma, a completion or attendance certificate in lieu of a high school diploma, or a General Educational Development program certificate;

B. The individual must be an initial enlistee, a prior Military Service enlistee, or a reservist not on active duty who enlists in a Regular Component of the Military Service as defined in subparagraphs 090201.B.1 and 2.

1. Initial/Non-prior Service Enlistee. An Initial or Non-prior Service Enlistee is a person who has either never served or has served, and was released from such service before completing the basic training requirements of the Service of which the person was a member and the service was characterized as either honorable or uncharacterized.

2. Prior Military Service Enlistee. A Prior Military Service Enlistee is a person who has prior military experience but has not previously received an enlistment or

reenlistment bonus or who currently is not entitled to a Selective Retention Bonus (SRB) under section 0903, or a Critical Skill Retention Bonus (CSRB) under section 0904, or a Prior Service Enlistment Bonus under section 0905;

C. Enlist for at least 2 years or extend an initial period of obligated service to a total of at least 2 years in a Regular Component of a Military Service and serve for a specified period of obligated service in at least one of the following categories:

1. A designated military skill,

2. Career field,

3. Unit,

4. Grade, or

* 5. Other condition or conditions imposed by the Secretary of the Military Department concerned;

D. Execute a written agreement with the Secretary of the Military Department concerned that specifies the:

1. Amount of the bonus;

2. Method of bonus payment - lump sum amount or periodic installments;

3. Period of obligated service; and

4. Designated military skill or specialty, career field, unit, grade, or such other condition or conditions of service imposed by the Secretary of the Military Department concerned;

E. Not have previously received an enlistment or reenlistment bonus, a retention bonus, an affiliation bonus, or a transfer bonus for the same period of service;

F. Not have previously received and not be eligible to receive an SRB under section 0903 or a CSRB under section 0904;

G. Successfully complete training and become technically qualified in a designated skill if completion of such training and technical qualification forms the basis under which the bonus is paid; and

H. Meet any additional military service specific eligibility criteria and quality standards established by the Secretary of the Military Department.

090202. Amount

The Secretary of the Military Department concerned will determine the amount of the enlistment bonus awarded for a designated military skill. The bonus payment for a designated military skill or cumulative amount of enlistment bonuses to any individual is not to exceed $40,000.

090203. Computation

The Secretaries of the Military Departments are required to establish rules of computation for enlistment bonuses.

090204. Method of Payment

A. The bonus may be paid either in periodic installments or a single lump sum. The timing of the initial payment is at the discretion of the Secretary of the Military Department concerned, except that it must not be paid before the member completes basic recruit training. For individuals enlisted for specialties requiring formal training, the Service concerned may withhold the initial payment until the individual completes the training and qualifies in the military skill, so that the bonus serves as an incentive to complete the training needed to qualify in the skill.

B. Members with prior military service who do not require formal training to be technically qualified in the skill for which the bonus is being paid must be paid the first installment no earlier than 30 days after arrival at the first permanent duty station following re-entry to active duty.

C. If paid in installments, after the initial payment, the remainder of the bonus must be paid in equal periodic installments.

090205. Repayment

A. A member who does not complete the term of enlistment or extension of enlistment or who is not technically qualified in the skill for which the bonus was paid will be subject to the repayment provisions of Chapter 2.

B. A member who is discharged 12 months or less before the expiration of enlistment or extension of enlistment may be considered to have completed the terms of enlistment or extension of enlistment for which the bonus was paid. The Military Departments will determine and advise when repayment is required, since this 12-month rule is not applicable to all early discharges.

*090206. Duration of Authority

Unless authorized by Congress, no agreement under this section may be entered into after December 31, 2017.

0903 SRB

The SRB criteria contained in this section reflect the transition to 37 U.S.C., Chapter 5, Subchapter II, effective October 1, 2013. Any contracts executed on or before September 30, 2013 should be paid under 37 U.S.C., Chapter 5, Subchapter I until the expiration of those respective contracts. Entitlement criteria for 37 U.S.C. Chapter 5, Subchapter I are outlined in the August 2012 version of Chapter 9.

*090301. Eligibility

The Secretary of the Military Department concerned may designate a unit, grade, or impose such other condition or conditions of service with respect to the SRB, as determined necessary to mitigate a significant current or projected personnel shortage or changing force structure requirements. An SRB based on unit, grade, or such other condition or conditions of service are subject to Under Secretary of Defense Personnel & Readiness (USD (P&R)) approval. The member must:

A. Serve in a pay grade E-3 or higher;

B. Reenlist for a period of at least 3 years or voluntarily extend an enlistment for a period of at least 1 year on active duty;

C. Execute a written agreement with the Secretary of the Military Department concerned that specifies the:

1. Amount of the bonus;

2. Method of bonus payment - lump sum amount or periodic installments;

3. Period of obligated service; and

4. Designated military skill, career field, unit, or grade, or such other condition or conditions of service imposed by the Secretary of the Military Department concerned;

D. Agree to serve for a specified period in at least one of the following reenlistment or extension categories:

1. A designated military skill,

2. Career field,

3. Unit,

4. Grade, or

* 5. Other condition or conditions imposed by the Secretary of the Military Department concerned;

E. Meet skill qualification prior to payment of the SRB for a member transferring into a designated military skill;

F. Qualify under any additional eligibility criteria prescribed by the Secretary of the Military Department concerned;

G. Not be in receipt of an enlistment bonus, a retention bonus, an affiliation bonus, or a transfer bonus for the same period of service; and

H. Meet any additional military service specific eligibility criteria and quality standards established by the Secretary of the Military Department.

090302. Limitations

A. A re-entry or reenlistment must occur no later than 3 months (or within a lesser period if so prescribed by the Secretary of the Military Department concerned) after the date of discharge or release from active duty.

B. Veterans with more than a 3-month but less than a 4-year break in active duty may qualify for a broken service, or a prior service re-entry, SRB program in accordance with regulations prescribed by the Secretary of the Military Department concerned. The 24-hour period begins on the day following the date of discharge or separation. For reenlistees reentering active duty with a break in active duty greater than 24 hours, only the original Defense Department (DD) Form 214, Certificate of Release or Discharge from Active Duty, (copy 1 or copy 4) or a reproduction of the DD 214, with a certified true-copy stamp and appropriate Federal Government authenticating seal imprinted thereon, is acceptable documentation and identification.

C. Members with prior enlisted service and subsequent service as an officer, who were discharged or released from active duty and who, within 3 months after discharge or release from active duty as an officer, reenlist in the same Regular Component of a Military Service in which they previously served as an enlisted member may be eligible for an SRB. The individual must meet all other requirements established in paragraphs 090301 and 090302.

D. Two or more extensions may not be combined to gain eligibility for SRB. Additionally, eligibility gained through an extension may not be increased by future extensions.

E. Members who reenlist or voluntarily extend an enlistment to obtain sufficient obligated service to participate in a program leading to commissioned or warrant officer status are not eligible for SRB.

F. A member is not eligible for an SRB if the member was discharged or released from active duty or service in an active status based upon a determination of misconduct, substandard duty performance, or moral or professional dereliction.

G. An SRB may not be paid to an enlisted member who has completed more than 20 years of active duty or service in an active status, or who will complete a total of 24 years of service before the end of the period of active duty or active status for which the bonus is offered.

H. Generally, a member may not use any preexisting period of obligated service to satisfy an obligated service requirement under an SRB agreement, unless such service is determined by the Secretary of the Military Department concerned to be consistent with the requirements of 37 U.S.C., section 371 and:

1. Such preexisting period of obligated service is necessary for the member to qualify for continuous submarine duty incentive pay and is service for which no bonus was previously authorized or payable; or

2. Such preexisting period of obligated service includes no more than a 2-year period of an unserved voluntary extension of enlistment for which no bonus was previously authorized or payable, and the member agrees to an additional 2-year period of obligated service in connection with the SRB.

090303. Amount

The SRB may not exceed $25,000 for each year of obligated service in a Regular Component. The maximum amount for an SRB is $100,000.

A. The Secretary of the Military Department concerned must determine the amount of the SRB based on a business case model that targets the retention of adequate levels of enlisted personnel in a reenlistment or extension category.

B. Members may receive more than one SRB for a career, but the total combined SRB payments over a career must not exceed $200,000.

C. SRB amounts may be prorated for extension requests greater than one year and reenlistments greater than 3 years. The additional service time will be calculated on a monthly basis at a rate equal to 1/12th the annual amount. Total bonus amounts are limited to $100,000.

090304. Computation

The Secretaries of the Military Departments are required to establish and publish the rules for computing the SRB.

090305. Method of Payment

The bonus may be paid either in periodic installments or a single lump sum. If the Secretary of the Military Department concerned elects to pay SRBs in installments:

A. The installment amount will be at the discretion of the Secretary of the Military Department concerned, and may be paid at the time of reenlistment, or at the beginning of the member's service commitment for the voluntary extension of enlistment. All payments must be made before the member completes a total of 24 years of service.

B. An initial installment to a member who reenlists after a break in active duty service greater than 24 hours is to be made no earlier than 30 days after arrival at the first permanent duty station following reenlistment.

C. Where there is lost time, the subsequent installment payments will be delayed by the number of days of lost time.

D. Discharge for the purpose of immediate reenlistment does not affect a member's entitlement to subsequent SRB installment payments.

090306. Additional Obligated Service

Additional obligated service is defined as any active service commitment beyond an existing contractual service agreement. Existing contractual service agreements include enlistments, extensions of enlistment, and reenlistments.

090307. Reduction and Termination of Awards

A. When a military specialty is designated for reduction or termination of an award, the effective date for reduction or termination of an award must be established and promulgated to the field at least 30 days in advance. Except as provided in subparagraph 090307.B, all awards on and after the effective date of the military specialty designated for reduction of an award will be at a reduced level, and no new awards will be made on or after the effective date in a military specialty designated for termination of award.

B. A member who agrees to train and reenlist for military service in a skill, that at the time of that agreement is designated for an award of an SRB, may be paid a bonus for that skill at the award level in effect at the time of agreement or the award level in effect at the time of reenlistment, whichever is higher, on completion of qualification training and reenlistment in that skill. The bonus would still be payable if the member otherwise qualifies for the bonus, even if that skill is no longer designated for an award of the SRB at the time the member becomes eligible for payment of the bonus.

090308. Repayment

A. A member who does not complete the term of reenlistment or extension of reenlistment or who is not technically qualified in the skill for which the bonus was paid will be subject to the repayment provisions of Chapter 2.

B. A member who is discharged 12 months or less before the expiration of reenlistment or extension of reenlistment may be considered to have completed the terms of reenlistment or extension of enlistment for which the bonus was paid. The Military Departments will determine and advise when repayment is required, since this 12-month rule is not applicable to all early discharges.

*090309. Duration of Authority

Unless authorized by Congress, no agreement under this section may be entered into after December 31, 2017.

0904 CSRB

090401. Eligibility

An enlisted member of the Armed Forces who is serving on active duty in a Regular Component, who is qualified in a critical military skill designated by the Secretary of Defense, may be paid a retention bonus as provided in this section, if the member is not serving on an indefinite enlistment and reenlists or voluntarily extends the enlistment for at least 1 year.

NOTE: The member will not be paid a retention bonus if the member received a bonus or incentive pay under 37 U.S.C., Chapter 5, Subchapter I and Subchapter II for the same activity, skill, or period of service.

090402. Limitations

A. A retention bonus may not be given under paragraph 090401 to a member of the Armed Forces who has completed more than 25 years of active duty or who will complete the 25th year before the end of the period of active duty or active status for which the bonus is offered. This limitation does not apply with respect to a member who is qualified in a skill related to special operations forces.

B. The USD (P&R) or the Principal Deputy, USD (PDUSD) (P&R) may waive the 25-year service limitation on eligibility with respect to a member who, during a period of active duty or service in an active status, in a Reserve Component for which the bonus is being offered, is assigned duties in a skill designated as critical.

C. CSRB payments may not be made before the start of the active duty service period for which the CSRB is being awarded, unless specifically authorized by the PDUSD (P&R).

090403. Amount

A. A member may enter into an agreement, reenlist, or voluntarily extend enlistment more than once to receive a bonus under this section. However, a member may not receive a total of more than $200,000 in payments under this section.

B. A CSRB amount may not exceed $30,000 unless PDUSD (P&R) has granted an exception.

NOTE: The combined total of CSRB and SRB, in accordance with Department of Defense Directive (DoDD) 1304.21, during an individual's career shall not exceed $200,000, unless the PDUSD (P&R) authorizes it for the skill concerned as an exception to policy.

090404. Method of Payment

A bonus under this section may be paid in a single lump sum or periodic installments.

090405. Repayment

A. A member who does not complete the terms of the retention bonus or who is not technically qualified in the skill for which the bonus was paid will be subject to the repayment provisions of Chapter 2.

B. A member who is discharged 12 months or less before the expiration of the terms of the retention bonus may be considered to have completed the terms of the retention bonus for which the bonus was paid. The Military Departments will determine and advise when repayment is required, since this 12-month rule is not applicable to all early discharges.

*090406. Duration of Authority

Unless authorized by Congress, no agreement under this section may be entered into after December 31, 2017.

0905 PRIOR SERVICE ENLISTMENT BONUS

*090501. Eligibility

The Secretary of the Military Department concerned may pay an individual with prior military service who reenlists in a Regular Component of a Military Service after a break in active duty. The individual must:

A. Enlist in a Regular Component of a Military Service;

B. Reenlist for a period of at least 3 years or extend the initial period of obligated service to a total of 3 years;

C. Execute a written agreement with the Secretary of the Military Department concerned that specifies the:

1. Amount of the bonus;

2. Method of bonus payment - lump sum amount or periodic installments;

3. Period of obligated service; and

4. Designated military skill or specialty, career field, unit, grade, or such other condition or conditions of service imposed by the Secretary of the Military Department concerned;

D. Agree to serve for a specified period in at least one of the following reenlistment or extension categories:

1. A designated military skill,

2. Career field,

3. Unit,

4. Grade, or

* 5. Other condition or conditions imposed by the Secretary of the Military Department concerned;

E. Successfully complete training or re-training and become technically qualified in a designated military skill, when additional training is required;

F. Not be in receipt of an enlistment bonus, a retention bonus, an affiliation bonus, or a transfer bonus for the same period of service;

G. Provide the original DD 214 (copy 1 or copy 4), "Certificate of Release or Discharge from Active Duty," or a reproduction of the DD 214 with a certified true-copy stamp and the appropriate Federal Government authenticating seal imprinted thereon for any period of prior military service, or other official documentation verifying member's satisfactory participation for all periods of prior service in the Regular Component;

H. Qualify under any additional eligibility criteria prescribed by the Secretary of the Military Department concerned; and

I. Meet any additional military service specific eligibility criteria and quality standards established by the Secretary of the Military Department.

090502. Amount

The Prior Service Enlistment Bonus or the cumulative amount of enlistment bonuses will not exceed $40,000.

090503. Method of Payment

A. The Secretary of the Military Department concerned must establish a method of payment for the bonus (lump sum or periodic installments). Payment should be disbursed based on training milestones, amounts, and length of enlistment. The Secretary of the Military Department concerned must not pay a person or member any portion of the bonus prior to completion of basic recruit training.

B. Members with prior military service who do not require formal training to be technically qualified in the skill for which the bonus is being paid will receive their first installment no earlier than 30 days after arrival at the first permanent duty station following entry on active duty.

090504. Repayment

A. A member who does not complete the term of enlistment or who is not technically qualified in the skill for which the bonus was paid will be subject to the repayment provisions of Chapter 2.

B. A member who is discharged 12 months or less before the expiration of enlistment may be considered to have completed the terms of enlistment for which the bonus was paid. The Military Departments will determine and advise when repayment is required, since this 12-month rule is not applicable to all early discharges.

*090505. Duration of Authority

Unless authorized by Congress, no agreement under this section may be entered into after December 31, 2017.

0906 MILITARY OCCUPATIONAL SPECIALTY (MOS) CONVERSION BONUS

090601. Eligibility

The Secretary of the Military Department concerned may pay a conversion bonus to a member of the Armed Forces, who agrees to execute a written agreement to convert to, and serve for a period of not less than three years in, a MOS for which there is a shortage of trained and qualified personnel. The member must:

A. At the time the agreement is executed, be serving in a pay grade E-6, with not more than 10 years of service, or be serving in a pay grade E-5 or below, regardless of years of service;

B. Have completed all service obligations incurred for receipt of an enlistment bonus as prescribed in section 0902, a retention bonus as prescribed in section 0903, or CSRB as prescribed in section 0904;

C. Meet all eligibility requirements prescribed in section 090201;

D. Execute a written agreement with the Secretary of the Military Department concerned that specifies the:

1. Amount of the bonus;

2. Method of bonus payment - lump sum amount or periodic installments;

3. Period of obligated service; and

4. Designated military skill, career field, unit, grade, or such other condition or conditions of service imposed by the Secretary of the Military Department concerned; and

E. Not be in receipt of an enlistment bonus, a retention bonus, an affiliation bonus, or a transfer bonus for the same period of service.

090602. Amount

The bonus payment will not exceed $4,000.

090603. Method of Payment

The bonus will be disbursed in one lump sum when the member's conversion to the MOS is approved by the chief personnel officer of the member's Armed Force.

090604. Repayment

A. A member who does not complete the terms of the conversion bonus or who is not technically qualified in the skill for which the bonus was paid will be subject to the repayment provisions of Chapter 2.

B. A member who is discharged 12 months or less before the expiration of the terms of the conversion bonus may be considered to have completed the terms of the conversion bonus for which the bonus was paid. The Military Departments will determine and advise when repayment is required, since this 12-month rule is not applicable to all early discharges.

*090605. Duration of Authority

Unless authorized by Congress, no agreement under this section may be entered into after December 31, 2017.

0907 BONUS FOR TRANSFER BETWEEN MILITARY SERVICES

*090701. Eligibility

The Secretary of the gaining Military Department may pay a bonus to an enlisted member who agrees to transfer and serve in another Military Service, for a specified period in a designated military skill, career field, unit, grade, or to meet some other condition or conditions imposed by the Secretary of the gaining Military Department. The member must:

A. Execute a written agreement with the Secretary of the Military Department concerned that specifies the:

1. Amount of the bonus;

2. Method of bonus payment - lump sum amount or periodic installments;

3. Period of obligated service; and

4. Designated military skill, career field, unit, grade, or such other condition or conditions of service imposed by the Secretary of the Military Department concerned;

B. Agree to serve for a specified period in at least one of the following reenlistment or extension categories:

1. A designated military skill,

2. Career field,

3. Unit,

4. Grade, or

* 5. Other condition or conditions imposed by the Secretary of the Military Department concerned;

C. Not have failed to satisfactorily complete any term of enlistment in a Military Service;

D. Qualify for reenlistment in the Regular Component of the Military Service to which the member is transferring;

E. Prior to the transfer, fulfill the requirements established by the Secretary with jurisdiction over the Military Service to which the member is transferring;

F. Not be in receipt of an enlistment bonus, retention bonus, an affiliation bonus, or a transfer bonus for the same period of service; and

G. Meet any additional military service specific eligibility criteria and quality standards established by the Secretary of the Military Department to which the member is transferring.

090702. Amount and Method of Payment

The Secretary of the gaining Military Department may pay the transfer bonus in one $10,000 lump sum amount upon approval of the transfer by the Secretary of that Military Department. Alternatively, the bonus may be paid in annual installments, the total of which may not exceed $10,000.

090703. Repayment

A. A member who does not complete the terms of the transfer bonus or who is not technically qualified in the skill for which the bonus was paid will be subject to the repayment provisions of Chapter 2.

B. A member who is discharged 12 months or less before the expiration of the terms of the transfer bonus may be considered to have completed the terms of the transfer bonus for which the bonus was paid. The Military Departments will determine and advise when repayment is required, since this 12-month rule is not applicable to all early discharges.

*090704. Duration of Authority

Unless authorized by Congress, no agreement under this section may be entered into after December 31, 2017.

0908 BONUS FOR TRANSFER BETWEEN COMPONENTS OF A MILITARY SERVICE

*090801. Eligibility

The Secretary of the Military Department concerned may pay a bonus to an enlisted member who agrees to transfer from the Regular Component to the Ready Reserve or vice versa of the same service. The member must:

A. Execute a written agreement with the Secretary of the Military Department concerned that specifies the:

1. Amount of the bonus;

2. Method of bonus payment - lump sum amount or periodic installments;

3. Period of obligated service; and

4. Designated military skill, career field, unit, grade, or such other condition or conditions of service imposed by the Secretary of the Military Department concerned;

B. Agree to serve for a specified period in at least one of the following reenlistment or extension categories:

1. A designated military skill,

2. Career field,

3. Unit,

4. Grade, or

* 5. Other condition or conditions imposed by the Secretary of the Military Department concerned;

C. Not be in receipt of an enlistment bonus, retention bonus, an affiliation bonus, or a transfer bonus for the same period of service;

D. Satisfactorily complete all terms of enlistment within their current component;

E. Qualify for reenlistment in the Regular Component of the Military Service to which the member is transferring; and

F. Meet any additional military service specific eligibility criteria and quality standards established by the Secretary of the Military Department.

090802. Amount and Method of Payment

The Secretary of the Military Department concerned must establish the amount and method of payment for the bonus (lump sum or periodic installments). The bonus for transfer between components of a Military Service may not exceed $10,000 and is payable upon approval of the Secretary concerned.

090803. Repayment

A. A member who does not complete the terms of the transfer bonus or who is not technically qualified in the skill for which the bonus was paid will be subject to the repayment provisions of Chapter 2.

B. A member who is discharged 12 months or less before the expiration of the terms of the transfer bonus may be considered to have completed the terms of the transfer bonus for which the bonus was paid. The Military Departments will determine and advise when repayment is required, since this 12-month rule is not applicable to all early discharges.

*090804. Duration of Authority

Unless authorized by Congress, no agreement under this section may be entered into after December 31, 2017.

*BIBLIOGRAPHY

CHAPTER 9 – ACTIVE DUTY ENLISTED MEMBERS ENLISTMENT, REENLISTMENT, AND RETENTION BONUSES

0902 – ENLISTMENT BONUS

	090201	Department of Defense Instructions (DoDI) 1304.31, March 12, 2013 37 U.S.C. § 331(h)
	090202	DoDI 1304.31, Enclosure 3, March 12, 2013
	090205.A	37 U.S.C. § 373
	090205.B	10 U.S.C. § 1171
*	090206	Public Law 114-328, § 614(1), December 23, 2016

0903 – SRB

	090301	DoDI 1304.31, March 12, 2013 37 U.S.C. § 331(h)
	090301.H	DoDI 1304.31, Enclosure 3, March 12, 2013
	090308.A	37 U.S.C. § 373
	090308.B	10 U.S.C. § 1171
*	090309	Public Law 114-328, § 614(1), December 23, 2016

0904 – CSRB

	090401	DoDD 1304.21, January 31, 2005
	090402	DoDI 1304.29, December 15, 2004 37 U.S.C. § 355(h)
	090405.A	37 U.S.C. § 373
	090405.B	10 U.S.C. § 1171
*	090406	Public Law 114-328, § 614(10), December 23, 2016

0905 – PRIOR SERVICE ENLISTMENT BONUS

	090501	DoDI 1304.31, March 12, 2013 37 U.S.C. § 331(h)
	090502	DoDI 1304.31, Enclosure 3, March 12, 2013
	090504.A	37 U.S.C. § 373
	090504.B	10 U.S.C. § 1171
*	090505	Public Law 114-328, § 614(1), December 23, 2016

0906 – MILITARY OCCUPATIONAL SPECIALTY CONVERSION BONUS

	090601	37 U.S.C. § 326(g)
	090604.A	37 U.S.C. § 373

	090604.B	10 U.S.C. § 1171
*	090605	Public Law 114-328, § 615(7), December 23, 2016

0907 – BONUS FOR TRANSFER BETWEEN MILITARY SERVICES

	090701	DoDI 1304.31, March 12, 2013 37 U.S.C. § 331
	090703.A	37 U.S.C. § 373
	090703.B	10 U.S.C. § 1171
*	090704	Public Law 114-328, § 615(8), December 23, 2016

0908 – BONUS FOR TRANSFER BETWEEN COMPONENTS OF A MILITARY SERVICE

	090801	DoDI 1304.31, March 12, 2013 37 U.S.C. § 331
	090803.A	37 U.S.C. § 373
	090803.B	10 U.S.C. § 1171
*	090805	Public Law 114-328, § 614(1), December 23, 2016

VOLUME 7A, CHAPTER 10: "SPECIAL PAY - DUTY SUBJECT TO HOSTILE FIRE OR IMMINENT DANGER"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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

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

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

The previous version dated January 2016 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
100402	Added clarification for the entitlement to Hostile Fire and/or Imminent Danger Pay during hospitalization.	Addition
Figure 10-1	Updated Philippines to reflect the stop date of December 31, 2015.	Revision
Bibliography	Updated statutes and references.	Revision

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CHAPTER 10

SPECIAL PAY - DUTY SUBJECT TO HOSTILE FIRE OR IMMINENT DANGER

1001 GENERAL

100101. Purpose

This chapter prescribes the policy for payment of Hostile Fire Pay (HFP) and Imminent Danger Pay (IDP) and lists the areas where members are authorized to receive these entitlements.

100102. Authoritative Guidance

The bibliography at the end of this chapter lists the authoritative references.

1002 ENTITLEMENT PROVISIONS

100201. Policy

A member may be paid special pay for duty subject to hostile fire or imminent danger for any month when the member, while entitled to basic pay for active duty or compensation for inactive duty, also meets the qualifying criteria of this chapter. A member is not authorized to receive concurrent payments for hostile fire and imminent danger duty.

A. HFP. This entitlement is paid at the rate of $225 per month when, as certified by the appropriate commander, a member is:

1. Subjected to hostile fire or explosion of a hostile mine; or

2. On duty in an area in close proximity to a hostile fire incident and the member is in danger of being exposed to the same dangers actually experienced by other members subjected to hostile fire or explosion of hostile mines; or

3. Killed, injured, or wounded by hostile fire, explosion of a hostile mine, or any other hostile action.

B. IDP. This entitlement is paid on a daily prorated basis, not to exceed $225 per month, when a member is on official duty in a designated IDP area (Figure 10-1).

100202. Payment

Effective December 31, 2011, IDP is payable on a prorated daily basis not to exceed a monthly rate of $225. It is payable in addition to all other pays or allowances, except when receiving HFP, as stated in paragraph 100201. The proration does not apply to the 31st of a month for Active and Reserve component members who are on active duty for 30 days or more. HFP will not be prorated. Members will receive the maximum monthly rate of special pay for

the month in which the hostile fire or hostile fire mine explosion event occurred. Payment will be made for the full month, if a member is exposed to hostile fire or a hostile mine explosion on the 31st day of a month, and the member has not already received credit for the full monthly allowance. The following examples for payment on the 31st are provided:

Example 1: A member, on active duty for more than 30 days in an IDP area for the period March 31 through April 29, will receive IDP only for the period April 1 – 29.

Example 2: A member, on active duty for more than 30 days in an IDP area for the period March 31 through April 29, and is exposed to hostile fire or a hostile mine explosion on March 31, will be entitled to HFP for the entire month of March and IDP for the period April 1 – 29.

Example 3: A member, on active duty for less than 30 days in an IDP area for the period March 29 – April 20, will be entitled to IDP for the period March 29 through 31 and April 1 through 20 for a total of 23 days.

Example 4: A member, on active duty for less than 30 days in an IDP area for the period March 29 – April 20, and is exposed to hostile fire or a hostile mine explosion on March 31, will be entitled to the full monthly amount of HFP of $225 for the month of March, and daily IDP for the period April 1 – 20.

1003 DETERMINATIONS OF FACT

100301. Eligibility

The appropriate commander will certify that the member has met the requirements for entitlement to HFP for a given month.

A. Certification of entitlement will be made at the lowest level of command that includes all the vessels, aircraft, or units subjected to the hostile fire or explosion of hostile mine incident. For example, in the case of a single vessel subjected to hostile fire or explosion of hostile mines, the vessel's commanding officer should certify payment eligibility for all members on board. If two or more vessels are involved, then the commanding officer of the unit that includes all of the vessels should certify eligibility.

B. Certification will include the name and social security number of each member entitled to the hostile fire pay, a short description of the incident, and when and where it occurred. The certification should be forwarded directly to the servicing financial support office, with a copy to the cognizant regional combatant commander.

C. When the airspace is specifically included in an IDP area designation, members who perform official duty while flying over the area are eligible for IDP, even if they do not land in the area. When airspace is not specifically designated, members who perform duty over the area are not entitled to IDP unless they land in the area.

D. A member who performs duty on a vessel performing operational duty while in an area designated for IDP is eligible for IDP payments.

E. A death certificate or injury report may be substituted in place of the certification, if the document establishes the cause of the death or injury was due to hostile fire or an explosion of a hostile mine.

F. A member is not considered to be on official duty in a designated IDP area, and therefore, is not eligible for IDP pay, if the member is in the area:

1. While on leave from a duty station outside the IDP area, even if the outside location is another IDP area; or

2. While merely transiting (as distinguished from performing official duty) by any means (including vessel, aircraft, and land conveyance) the IDP area as a consequence of traveling between two points, both outside the IDP; or

3. Solely for personal convenience.

100302. Administration

Any determinations of fact made by commanders in the certification of hostile fire are conclusive. Such determinations are not subject to review by any officer or agency of the government, unless there has been fraud or gross negligence. Such determinations, however, may be changed on the basis of new evidence or for other good cause.

1004 SPECIAL SITUATIONS

100401. Member Captured or Missing

A member entitled to HFP and/or IDP immediately before entering a status of missing, missing-in-action, interned in a foreign country or captured by a hostile force will continue to be credited with HFP and/or IDP for each month while in such a status. See Chapter 34 for additional information.

*100402. Hospitalization

A member entitled to HFP and/or IDP, who is hospitalized for a wound or injury incurred as a result of hostile action, or while in the line of duty, incurs a wound, injury, or illness in a combat operation or combat zone designated by the Secretary of Defense, and is hospitalized outside of the theater of the combat operation or the combat zone for the treatment of the wound, injury, or illness, is entitled to HFP and/or IDP for each month hospitalization continues, up to an additional 3 months after the month in which the wound, injury, or illness occurred. Members may be entitled to HFP and/or IDP for up to 12 months from the date of hospitalization under the Pay and Allowance Continuation (PAC) Program. See Chapter 13 for PAC entitlement eligibility.

100403. Absences

The following examples are provided for absences from the IDP area:

A. A member, who takes leave in the IDP designated area that the member is assigned for duty, remains entitled to the payment of IDP.

B. A member, who takes leave in an IDP area that the member is not assigned for duty, is not eligible for the payment of IDP. See subparagraph 100301.F.1.

C. A member, who takes leave in an area not designated as an IDP area, is not eligible for the payment of IDP for the period of the absence.

D. A member, assigned for duty in an IDP area that performs temporary duty in an area not designated as an IDP area, is not eligible for the payment of IDP for the period of absence.

*Figure 10-1. Imminent Danger Pay Areas

Area	Includes	Effective Dates	
		From	Through
Afghanistan	Land area and airspace	Nov 1, 1988	
Algeria	Land area	Mar 7, 1995	
Sea areas adjacent to the Arabian Peninsula to include: Persian Gulf	The surface area of the following sea boundaries: Red Sea, Gulf of Aden, Gulf of Oman, and Arabian Sea north of 10°00'N latitude and west of 68°00'E longitude Water area and airspace	Sep 19, 2001 Mar 1, 1998	May 31, 2014 May 31, 2014
Azerbaijan	Land area	Jun 9, 1995	
Bahrain	Land area and airspace	Jun 13, 1997	May 31, 2014
Burundi	Land area	Nov 29, 1996	
Chad	Land area	Aug 11, 2008	
Colombia	Land area	Jun 1, 1985	
Congo, Democratic Republic of (formerly Zaire)	Land area	Jan 1, 1997	
Cote D'Ivoire	Land area	Feb 27, 2003	
Cuba	Limited to Service members performing duties within the Joint Task Force Guantanamo Bay Detention Facilities	Dec 26, 2006	
Djibouti	Land area	Jul 31, 2002	
East Timor	Land area	Nov 1, 2001	May 31, 2014
Egypt	Land area	Jan 29, 1997	
Eritrea	Land area	Jul 31, 2002	
Ethiopia	Land area	Sep 13, 1999	
Greece	Land area within a 20-km radius from the center of Athens (38-01 N, 23-44 E)	Mar 27, 2007	
Haiti	Land area	Nov 23, 1994	May 31, 2014
Indonesia City of Jakarta Provinces of: Central Java, East Kalimantan, Central Sulawesi and Papua Region of Aceh	Land area	Oct 31, 2001 June 1, 2014 June 1, 2014 June 1, 2014	May 31, 2014

*Figure 10-1. Imminent Danger Pay Areas (Continued)

Area	Includes	Effective Dates	
		From	Through
Iran	Land area	Nov 4, 1979	
Iraq	Land area and airspace	Sep 17, 1990	
Israel	Land area	Jan 31, 2002	
Jordan	Land area	Jan 29, 1997	
Kenya	Land area	July 31, 2002	
Kosovo	Land area and airspace	June 22, 1992	
Kuwait	Land area and airspace	Aug 6, 1990	May 31, 2014
Kyrgyzstan	Land area	Sep 19, 2001	May 31, 2014
Lebanon	Land area	Oct 1, 1983	
Liberia	Land area	Aug 6, 1990	May 31, 2014
Libya	Land area and airspace	Mar 19, 2011	
Malaysia State of Sabah	Land area	Oct 31, 2001 June 1, 2014	May 31, 2014
Mali	Land area	Feb 5, 2013	Sep 30, 2013
Mediterranean Sea	Water area of the Mediterranean Sea extending from the North African Coast northward into Mediterranean Sea, bounded on the east at 26° 00' E longitude, extending north to 34° 35' N latitude, extending west to the East Coast of Tunisia	Mar 19, 2011	
Montenegro	Land area and airspace	Jun 22, 1992	May 31, 2014
Oman	Land area	Sep 19, 2001	May 31, 2014
Pakistan	Land area	Nov 29, 1996	
*Philippines	Land area	Oct 31, 2001	Dec 31, 2015
Qatar	Land area and airspace	Aug 7, 1997	May 31, 2014
Rwanda	Land area	Oct 6, 1997	May 31, 2014
Saudi Arabia	Land area and airspace	Aug 2, 1990	May 31, 2014
Serbia	Land area and airspace (includes the province of Vojvodina)	Jun 22, 1992	May 31, 2014
Somalia	(1) Land area and airspace	Sep 28, 1992	
Somalia Basin	(2) Water area of the Somalia Basin with coordinates: 1110N-5115E, 0600N-4830E, 0500N-5030E, 1130N-5334E; and 0500N-5030E, 0100N-4700E, 0300S-4300E, 0100S-4100E, 0600N-4830E	Dec 26, 2006	

*Figure 10-1. Imminent Danger Pay Areas (Continued)

Area	Includes	Effective Dates	
		From	Through
South Sudan	Land area and airspace	July 9, 2011	
Sudan	Land area and airspace	Oct 4, 1993	
Syria	Land area Airspace	Jul 31, 2003 Sep 21, 2014	
Tajikistan	Land area	Mar 31, 1997	May 31, 2014
Tunisia	Land area and airspace	Mar 19, 2011	
Turkey	Land area, excluding the Turkish Straits (i.e., the Dardanelles, the Sea of Marmara, and the Bosporus Straits) and including the limited airspace south of 37-45N and east of 43-00E.	Mar 1, 1998	
Izmir	Geographic area encompassing 40-mile radius from center of Izmir, Turkey	Mar 1, 1998	Oct 23, 2014
Uganda	Land area	Jan 19, 2000	
United Arab Emirates (UAE)	Land area	Sep 19, 2001	May 31, 2014
Uzbekistan	Land area	Sep 19, 2001	May 31, 2014
Yemen	Land area	May 25, 1999	

NOTES:

1. The designation of a land area encompasses all internal waters, unless otherwise noted. For HFP and/or IDP purposes, the term "internal waters" is defined as waters landward of the baseline, drawn in accordance with international law.
2. The designation of a water area (such as the Persian Gulf) includes the territorial seas of those waters, but not the internal waters of the coastal lands. For example, all waters of the Persian Gulf seaward of the baseline of the coastal states, drawn in accordance with international law, would be included in the Persian Gulf designation.
3. Unless otherwise specifically indicated, airspace is NOT part of the included area. When airspace is specifically included, it will normally be that space directly vertically above the approved land or sea area.
4. This figure reflects all designated areas, which were active within the last ten years.

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100202	37 U.S.C. § 310(a)

1004 – SPECIAL SITUATIONS

100402	37 U.S.C. § 310(c)

Figure 10-1

Afghanistan	Office of the Under Secretary of Defense Personnel and Readiness (OUSD (P&R)) Memo, March 27, 2007 USD (P&R) Memo, December 31, 2013
Algeria	ASD (FM&P) Memo, March 7, 1995 OUSD (P&R) Memo, March 27, 2007 USD (P&R) Memo, December 31, 2013
Arabian Peninsula and Adjacent Seas	OUSD (P&R) Memo, March 27, 2007 USD (P&R) Memo, December 31, 2013
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Burundi	ASD (FM&P) Memo, November 29, 1996 OUSD (P&R) Memo, March 27, 2007 USD (P&R) Memo, December 31, 2013

Chad	OUSD (P&R) Memo, August 11, 2008 USD (P&R) Memo, December 31, 2013
Colombia	OUSD (P&R) Memo, March 27, 2007 USD (P&R) Memo, December 31, 2013
Congo, Democratic Republic of	OUSD (P&R) Memo, March 27, 2007 USD (P&R) Memo, December 31, 2013
Cote D'Ivoire	OUSD (P&R) Memo, March 27, 2007 USD (P&R) Memo, December 31, 2013
Cuba	USD (P&R) Memo, December 31, 2013
Djibouti	OUSD (P&R) Memo, March 27, 2007 USD (P&R) Memo, December 31, 2013
East Timor	USD (P&R) Memo, December 31, 2013
Egypt	OUSD (P&R) Memo, March 27, 2007 USD (P&R) Memo, December 31, 2013
Eritrea	OUSD (P&R) Memo, March 27, 2007 USD (P&R) Memo, December 31, 2013
Ethiopia	OUSD (P&R) Memo, March 27, 2007 USD (P&R) Memo, December 31, 2013
Greece	OUSD (P&R) Memo, March 27, 2007 USD (P&R) Memo, December 31, 2013
Haiti	USD (P&R) Memo, December 31, 2013
Indonesia	ASD (FM&P) Memo, October 31, 2001 OUSD (P&R) Memo, April 13, 2007 USD (P&R) Memo, December 31, 2013
Iran	OUSD (P&R) Memo, March 27, 2007 USD (P&R) Memo, December 31, 2013
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Kuwait	OUSD (P&R) Memo, March 27, 2007 USD (P&R) Memo, December 31, 2013
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Liberia	OUSD (P&R) Memo, March 27, 2007 USD (P&R) Memo, December 31, 2013
Libya	OUSD (P&R) Memo, April 26, 2011 USD (P&R) Memo, December 31, 2013
Malaysia	ASD (FM&P) Memo, October 31, 2001 OUSD (P&R) Memo, April 13, 2007 USD (P&R) Memo, December 31, 2013
Mali	OUSD (P&R) Memo, February 19, 2014
Mediterranean Sea	USD (P&R) Memo, April 26, 2011 USD (P&R) Memo, December 31, 2013
Montenegro	OUSD (P&R) Memo, March 27, 2007 OUSD (P&R) Memo, March 26, 2009 USD (P&R) Memo, December 31, 2013
Oman	OUSD (P&R) Memo, March 27, 2007 USD (P&R) Memo, December 31, 2013
Pakistan	OUSD (P&R) Memo, March 27, 2007 USD (P&R) Memo, December 31, 2013

Philippines	ASD (FM&P) Memo, October 31, 2001 USD (P&R) Memo, December 31, 2013
*	OASD (M&RA) Memo, December 31, 2015
Qatar	ASD (FM&P) Memo, August 7, 1997 OUSD (P&R) Memo, March 27, 2007 USD (P&R) Memo, December 31, 2013
Rwanda	ASD (FM&P) Memo, October 6, 1997 OUSD (P&R) Memo, March 27, 2007 USD (P&R) Memo, December 31, 2013
Saudi Arabia	OUSD (P&R) Memo, March 27, 2007 USD (P&R) Memo, December 31, 2013
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Somalia	OUSD (P&R) Memo, March 27, 2007 USD (P&R) Memo, December 31, 2013
South Sudan	Office of Assistant Secretary of Defense (OASD) Manpower and Reserve Affairs Memo, July 31, 2015
Sudan	OUSD (P&R) Memo, March 27, 2007 USD (P&R) Memo, December 31, 2013
Syria	OUSD (P&R) Memo, March 27, 2007 USD (P&R) Memo, December 31, 2013 OASD Readiness and Force Management (R&FM) Memo December 8, 2014
Tajikistan	OUSD (P&R) Memo, March 27, 2007 USD (P&R) Memo, December 31, 2013
Tunisia	OUSD (P&R) Memo, April 26, 2011 ASD (FM&P) Memo, March 31, 1997 USD (P&R) Memo, December 31, 2013
Turkey	OUSD (P&R) Memo, March 27, 2007 USD (P&R) Memo, December 31, 2013
Izmir	ASD (R&FM) Memo, October 24, 2014
Uganda	OUSD (P&R) Memo, March 27, 2007 USD (P&R) Memo, December 31, 2013

United Arab Emirates	OUSD (P&R) Memo, March 27, 2007 USD (P&R) Memo, December 31, 2013
Uzbekistan	OUSD (P&R) Memo, March 27, 2007 USD (P&R) Memo, December 31, 2013
Yemen	OUSD (P&R) Memo, March 27, 2007 USD (P&R) Memo, December 31, 2013

VOLUME 7A, CHAPTER 11: "SPECIAL PAY – DIVING DUTY"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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

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

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

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PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated formatting to comply with current administrative instructions.	Revision
Bibliography	Updated statutes and references.	Revision

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CHAPTER 11

SPECIAL PAY - DIVING DUTY

1101 GENERAL

110101. Purpose

The purpose of this chapter is to provide the policy governing special pay entitlements applicable to diving duty for all of the Military Services.

110102. Authoritative Guidance

The bibliography at the end of this chapter lists the authoritative references.

1102 ENTITLEMENT

110201. Requirements

Members entitled to basic pay are entitled to special pay for diving duty for periods during which they are:

A. Assigned by orders to diving duty;

B. Required to maintain proficiency as a diver by frequent and regular dives; and

C. They are either:

1. Actually performing diving duty while serving in an assignment for which diving is a primary duty; or

2. Meeting the requirements to maintain proficiency as described in subparagraph 110201.B, while serving in an assignment that includes diving duty other than as a primary duty.

110202. Suspension

In time of war, the President may suspend diving duty pay.

110203. Conditions

Table 11-1 contains conditions, which further affect entitlement to diving duty pay.

1103 QUALIFICATIONS FOR DIVING DUTY

110301. Army

Except as noted in Tables 11-2 and 11-3, an Army member must be a rated diver in accordance with ***Army Regulation (AR) 611-75*** and be assigned to:

A. A Table of Organization and Equipment or Table of Distribution and Allowance position in Skill Classification/Military Occupational Specialty, Special Qualification Identifier, or Additional Skill Identifier (ASI) specified in AR 611-75; or

B. A position designated as diving duty by the Deputy Chief of Staff Personnel.

110302. Navy and Marine Corps

Members must be designated divers, be assigned to diving duty under competent orders, and maintain their qualifications for diving.

110303. Air Force

Members must:

A. Successfully complete an approved Department of Defense course for underwater swimmers;

B. Be under orders for diving duty as authorized by their Major Command; and

C. Meet the other qualification standards prescribed by current Air Force Instructions.

1104 RATES PAYABLE

110401. Officers

Officers assigned to diving duty are entitled to special pay for diving duty at a rate of not more than $240 per month.

110402. Enlisted Members

Enlisted members assigned to diving duty are entitled to special pay for diving duty at a rate of not more than $340 per month.

110403. Specific Rates Payable

See Tables 11-2 through 11-9.

1105 RESTRICTION ON PAYMENT

110501. Diving Duty Pay and Hazardous Duty Incentive Pay

When assigned by orders to both diving duty and hazardous duty for the same period, a member may be paid special pay for diving duty and not more than two incentive payments for hazardous duty from among those listed in Chapter 22, section 2201 and Chapter 24, section 2402.

110502. Lapsed Qualifications

No member is entitled to receive special pay for performing diving duty after diving qualifications have lapsed. Upon requalification, no payments will be made for the period of the lapsed qualification.

Table 11-1. Diving Duty Pay - Conditions of Entitlement

RULE	A When a member entitled to diving duty pay	B and	C then diving duty pay
1	is removed from diving duty or the member's diving qualifications lapse		ceases on the date of removal or lapse.
2	is hospitalized as a result of a diving accident		accrues for not more than 90 days while hospitalized.
3	is hospitalized not as a result of a diving accident		accrues for the first 30 days.
4	is on leave in a pay status		
5	is on Temporary Additional Duty (TAD)/Temporary Duty (TDY) other than diving duty		
6	is on TAD/TDY for diving duty purposes		continues to accrue (note 1).
7	is in confinement awaiting trial by court-martial	is subsequently acquitted or charges are dismissed	accrues retroactively to date of confinement.
8		is subsequently convicted	does not accrue from first day of confinement through the day before the date restored to a full duty status.
9	is in confinement under sentence of a court-martial		
10	is reassigned Permanent Change of Station (PCS) and no TAD/TDY is required enroute to the new duty station	is ordered to and actually performs diving duty at the new duty station	continues to accrue (notes 1 and 2).
11	is reassigned PCS and no TAD/TDY is required enroute to the new duty station	is not ordered to diving duty at the new duty station	accrues through the date of detachment from the old duty station.
12	is reassigned PCS and TAD/TDY is required enroute to the new duty station	PCS orders require diving duty at the TAD/TDY station and new duty station, and actually performs diving duty	continues to accrue (notes 1 and 2).
13		PCS orders require diving duty at the TAD/TDY station but not the new duty station	continues to accrue through the date of detachment from the TAD/TDY station (notes 1 and 2).

Table 11-1. Diving Duty Pay - Conditions of Entitlement (Continued)

RULE	A When a member entitled to diving duty pay	B and	C then diving duty pay
14	is reassigned PCS and TAD/TDY is required enroute to the new duty station	PCS orders do not require diving duty at TAD/TDY station	accrues through the date of detachment from the old duty station.
15	is a member of a Reserve Component	is released from active duty	ceases not later than the date the member departs for home from the last duty station.
16	is discharged and immediately reenlists at the same station without a break in service	diving duty orders are not specifically terminated	continues to accrue.
17		diving duty orders are specifically terminated	ceases on the date stated in the orders.

NOTES:

1. If the member is removed from diving duty, or the member's qualifications lapse during this period, then the member's entitlement to diving duty pay terminates on the date removed from diving duty or the date qualifications lapse.
2. If a member is reassigned PCS and takes leave enroute, then diving duty pay will continue to accrue up to 30 days, if the member has otherwise met the requirements for diving duty pay.

Table 11-2. Diving Duty Pay Rates - Army Enlisted

RULE	A	B
	If an Army enlisted member is (note 1)	**then the member is entitled to diving duty pay at the monthly rate of**
1	assigned to diving duty under instruction at an approved Armed Services diving school (note 2)	$110
2	Master Diver	$340
3	Diver First Class	$215
4	Salvage Diver	$175
5	Diver Second Class	$150
6	Combat Diver (note 3)	$215

NOTES:

1. Except as otherwise noted, entitlement commences on the date of assignment to diving duty under a listed category after graduation from the requisite diving course.
2. Entitlement commences on the date of first dive and continues through the date dropped from the course or the date of graduation, whichever is earlier.
3. The combat diver rating applies to members serving primarily in Special Operations Forces (SOF) units who are assigned to positions that require Special Forces Underwater Operations Systems qualifications and hold a combat diver rating in accordance with AR 611-75.

Table 11-3. Diving Duty Pay Rates - Army Officers

RULE	A	B	C
	If an Army officer is (note 1)	**and has a special identifying code**	**then the officer is entitled to diving duty pay at the monthly rate of**
1	assigned to diving duty under instruction at an approved Armed Services diving school (note 2)		$110
2	Marine Diving Officer	ASI 5V	$240
3	Combat Diver (note 3)		$215
4	Diving Medical Officer		$215

NOTES:

1. Except as otherwise noted, entitlement commences on the date of assignment to diving duty under a listed category after graduation from the requisite diving course.
2. Entitlement commences on the date of first dive and continues through the date dropped from the course or the date of graduation, whichever is earlier.
3. The combat diver rating applies to members serving primarily in SOF units who are assigned to positions that require Special Forces Underwater Operations Systems qualifications and hold a combat diver rating in accordance with AR 611-75.

Table 11-4. Diving Duty Pay Rates - Navy Enlisted

RULE	A If a Navy enlisted member is (note 1)	B with an Navy Enlisted Classification of	C then the member is entitled to diving duty pay at the monthly rate of
1	assigned to diving duty under instruction at an approved Armed Services diving school (note 2)		$150
2	Master Diver	5341	$340
3	Master Underwater Construction Technician Diver	5933	$340
4	Diver First Class	5342	$315
5	Advanced Underwater Construction Technician	5931	$215
6	Basic Underwater Construction Technician	5932	$150
7	Diver Second Class	5343	$215
8	Self-Contained Underwater Breathing Apparatus (SCUBA) Diver	5345	$150
9	Fleet Marine Force (FMF) Reconnaissance Independent Duty Corpsman	8403	$215
10	FMF Reconnaissance Corpsman	8427	$215
11	Medical Deep Sea Diving Technician	8493	$215
12	Deep Sea Diving Independent Duty Corpsman	8494	$215
13	Explosive Ordnance Disposal (EOD) Mobile Unit Apprentice	5339	$150
14	Basic EOD Technician	5333	$215
15	Special Warfare Operator	5326	$215
16	Special Warfare Operator – Student	5320	$150
17	Senior EOD Technician	5335	$215
18	Master EOD Technician	5337	$215
19	SEAL Delivery Vehicle Pilot/Navigator	5323	$340

NOTES:

1. Except as otherwise noted, entitlement commences on the date of graduation from the requisite diving course, with assignment to diving duty under a listed category.
2. Entitlement commences on the date of first dive.

Table 11-5. Diving Duty Pay Rates - Navy Officers

RULE	A	B	C
	If a Navy officer is	**and has a designator of**	**then the officer is entitled to diving duty pay at the monthly rate of**
1	assigned to diving duty under instruction at an approved Armed Services diving school (note 1)	various	$150
2	Diving Officer (SCUBA) (note 2)	various	$150
3	Diving Officer (note 3)	various	$240
4	EOD Officer (note 4)	114X, 119X, 648X, 748X	$240
5	Special Warfare Officer (note 5)	113X, 615X, 715X	$240
6	Special Warfare Officer – Student (note 1)	118X	$150
7	Medical (Diving Undersea) Officer (note 4)	210X	$240
8	Diving Chief Warrant Officer (note 5)	720X	$240

NOTES:
1. Entitlement commences on the date of first dive.
2. Must have completed SCUBA course of instruction, Course Identification Number A-433-0023.
3. Entitlement commences in accordance with paragraph 110201.
4. Except as otherwise noted, entitlement commences on the date of graduation from the requisite diving course, with assignment to diving duty under a listed category.
5. Entitlement commences on assignment of the designator.

Table 11-6. Diving Duty Pay Rates - Marine Corps Enlisted

RULE	A	B	C
	If a Marine Corps enlisted member is (note 1)	**and has a special identifying code of**	**then the member is entitled to diving duty pay at the monthly rate of**
1	assigned to diving duty under instruction at an approved Armed Services diving school (note 2)		$150
2	Combatant Diver	0324/0326/8024/ 8026	$215

NOTES:
1. Except as otherwise noted, entitlement commences on the date of assignment to diving duty under a listed category after graduation from the Combatant Diver course.
2. Entitlement commences on the date of first dive and continues through the date dropped from the course or the date of graduation, whichever is earlier.

Table 11-7. Diving Duty Pay Rates - Marine Corps Officers

RULE	A	B	C
	If a Marine Corps officer is (note 1)	**and has a special identifying code of**	**then the member is entitled to diving duty pay at the monthly rate of**
1	assigned to diving duty under instruction at an approved Armed Services diving school (note 2)		$150
2	Combatant Diver	8024/8026	$240

NOTES:

1. Except as otherwise noted, entitlement commences on the date of assignment to diving duty under a listed category after graduation from the Combatant Diver course.
2. Entitlement commences on the date of first dive and continues through the date dropped from the course or the date of graduation, whichever is earlier.

Table 11-8. Diving Duty Pay Rates - Air Force Enlisted

RULE	A	B
	If an Air Force enlisted member is	**then the member is entitled to diving duty pay at the monthly rate of**
1	SCUBA Diver	$110
2	Para rescue Diver	$150

Table 11-9. Diving Duty Pay Rates - Air Force Officers

RULE	A	B
	If an Air Force Officer is	**then the officer is entitled to diving duty pay at the monthly rate of**
1	assigned to diving duty	$150

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SPECIAL PAY - DIVING DUTY

1101 - GENERAL

* Title 37, United States Code (U.S.C.), section 304

1103 - RATES PAYABLE

110401-110403 37 U.S.C. § 304(b)

1105 - RESTRICTION ON PAYMENT

110502 37 U.S.C. § 304(a)(2)

Table 11-3

Rule 4 Department of the Army (DA), Office of the Deputy Chief of Staff (ODCS) G-1 Memo, May 10, 2007

* DA ODCS G-1 Memo, May 24, 2007
AR 611-75, July 20, 2007

Table 11-5 Department of the Navy, Bureau of Naval Personnel (BUPERS), 7220 Series BUPERS - 3/377, June 18, 2009

VOLUME 7A, CHAPTER 12: "PURPORTED MARRIAGES"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated formatting and references to comply with current administrative instructions.	Revision

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CHAPTER 12

PURPORTED MARRIAGES

1201 GENERAL

120101. Purpose

The purpose of this chapter is to establish policy for purported marriages and the related impact to military pay.

120102. Authoritative Guidance

The bibliography at the end of this chapter lists the authoritative references.

1202 VALIDATION OF PAYMENTS BASED ON PURPORTED MARRIAGES

120201. Authority for Validation

A payment of an allowance based on a purported marriage that is made under Title 37, United States Code (U.S.C.), section 423 or prior laws, before the marriage is annulled or terminated is valid if:

A. A court of competent jurisdiction adjudges or decrees that the military member entered the marriage in good faith; or

B. In the absence of such judgment or decree, the Secretary of the Military Department concerned or a person designated by the Secretary of the Military Department concerned makes a finding of good faith.

120202. Responsibility for Validation

Findings of good faith under subparagraph 120201.B are submitted to the offices listed in the Joint Travel Regulations (JTR), Chapter 10, Part B, subparagraph 10104.G.3, Determination and Validations. Purported marriages requiring such findings are listed in the JTR, Chapter 10, Part B, subparagraph 10104.G.

120203. Payments Not Validated

Payments based on invalid marriages are erroneous payments or overpayments unless validated.

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CHAPTER 12 – PURPORTED MARRIAGES

1202 – VALIDATION OF PAYMENTS BASED ON PURPORTED MARRIAGES

37 U.S.C. § 423

VOLUME 7A, CHAPTER 13: "ILLNESS OR INJURY PAYMENT PROGRAMS"

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130101 130102	Added "Purpose" and "Authoritative Guidance" paragraphs to further define the "General" section.	Addition
130202	Removed the "Definitions" section and renamed it "Eligibility" to align with the Pay and Allowance Continuation (PAC) Program criteria.	Revision
1303	Revised the "Special Compensation for Assistance with Activities of Daily Living (SCAADL)" section in accordance with Department of Defense Instruction 1341.12, August 10, 2015.	Revision
130305.C.2	Added "Note" to clarify SCAADL payment of a deceased service member.	Additon
Bibliography	Updated references.	Revision

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CHAPTER 13

ILLNESS OR INJURY PAYMENT PROGRAMS

1301 GENERAL

*130101. Purpose

This chapter describes the payment programs authorized for military personnel, who, while serving in the line of duty, are either injured, wounded, or became ill, or who have a permanent catastrophic injury or illness and require a caregiver.

*130102. Authoritative Guidance

The bibliography at the end of this chapter lists the authoritative references.

1302 PAY AND ALLOWANCE CONTINUATION (PAC) PROGRAM

130201. General

Effective May 15, 2008, the Secretary of Defense authorized the Payment and Allowance Continuation Program (PAC) for service members of the Regular or Reserve Components (RC).

*130202. Eligibility

To be eligible, service members must have been wounded, ill, or injured in a combat zone, a hostile fire area, or while exposed to a hostile fire event, and hospitalized for treatment of such wound, injury, or illness. Service members may be considered hospitalized if their orders indicate attachment or assignment to a medical/patient unit for duty. The phrase "medical or patient unit" may be subject to refinement, consistent with statute, by the Military Department concerned.

130203. Entitlement

A. Service members of the Regular or RC who incur a wound, injury, or illness in the line of duty while serving in a combat operation or a combat zone, while serving in a hostile fire area, or while exposed to a hostile fire event (regardless of location), and are hospitalized for treatment of the wound, injury, or illness, will continue to receive the pay and allowances he/she was receiving at the time of hospitalization. These pay and allowances include special and incentive pays, bonuses, and the daily incidental expense portion of the temporary duty allowance authorized for members deployed in a combat operation or combat zone.

B. For purposes of Hardship Duty Pay – Location (HDP-L), service members serving on a temporary deployment, or attached duty of more than 30 days in a designated hardship duty location, and who are wounded, injured, or become ill within the first 30 days of

serving in the designated area, will be considered eligible for HDP-L at the time the wound, injury or illness is incurred.

130204. Commencement of Payment

Continuation of pay and allowances under the PAC begins on May 15, 2008, or the date of the member's eligibility, whichever occurs later.

130205. Termination of Entitlement

The pay and allowances for service members that meet the PAC Program eligibility requirements will continue until the end of the first month beginning after the earliest of the following dates:

A. The date on which the service member is returned for assignment to other than a medical or patient unit for duty;

B. The date on which the service member is discharged, separated, or retired (including temporary disability retirement) from the uniformed services; or

C. One year after the date on which the service member is first hospitalized for the treatment of the wound, injury, or illness. The Principal Deputy Under Secretary of Defense (PDUSD) for Personnel and Readiness (P&R) may extend the termination date in 6-month increments under extraordinary circumstances.

*1303 SPECIAL COMPENSATION FOR ASSISTANCE WITH ACTIVITIES OF DAILY LIVING (SCAADL)

130301. General

The provisions of the SCAADL Program apply only to those service members with qualifying injuries or illnesses incurred on or after August 31, 2011. The Secretary concerned may pay special compensation to eligible service members of the Active or RC who have incurred or aggravated a permanent catastrophic illness or injury in the line of duty, and require a caregiver who provides non-medical care, support, and assistance to the member. The Department of Defense Instruction (DoDI) ***1341.12***, "Special Compensation for Assistance with Activities of Daily Living Program", dated August 10, 2015 contains detailed instructions and procedures for initiating the SCAADL entitlement.

130302. Eligibility

In order to receive the SCAADL compensation, service members must:

A. Have a determination made, by a licensed Department of Defense (DoD) physician or a VA-licensed physician, that he/she has a permanent catastrophic injury and needs

assistance from another person to perform the personal functions required in everyday living, or requires constant supervision to avoid harm to self or others;

B. Have a determination made, by a DoD or a VA-licensed physician, that he/she requires hospitalization, nursing home care, or other residential institutional care in the absence of such assistance;

C. Be an outpatient and no longer an inpatient at a military treatment facility, VA medical center, civilian hospital, nursing home, or other residential institutional care facility. Although individuals may be temporarily placed in an inpatient status for tests, examinations, or treatment, they remain eligible for the full monthly SCAADL payment if they are an outpatient at least 16 cumulative days a month. If the service member is admitted as an inpatient for a period of at least 16 cumulative days in a month, then payment should be suspended until a post-discharge re-evaluation occurs to determine SCAADL eligibility;

D. Have a designated primary caregiver who provides assistance with at least one of the following activities of daily living (ADL) due to the service member's:

1. Inability to dress or undress;

2. Inability to bathe or groom in order to stay clean and presentable;

3. Frequent need of adjustment of any special prosthetic or orthopedic appliances, which by reason of the particular disability, cannot be done without aid. This does not include the adjustment of appliances that routinely require assistance for another person, such as supports, belts, and lacing at the back;

4. Inability to attend to toileting without assistance;

5. Inability to eat meals through loss of coordination of upper extremities or through extreme weakness or inability to swallow; or

6. Inability to guard against hazards or dangers incident to a regular, daily environment;

E. In addition to meeting at least one of the criteria in subparagraph 130302.D.1 through 6, the service member must:

1. Require continual medical management or be at high risk for personal safety and unable to live independently in the community without caregiver support;

2. Require hospitalization, nursing home, or other residential institutional care, unless caregiver support provides personal care services at home in an ongoing manner;

3. Receive no concurrent services by another federal entity; and

4. Not be returned to duty by a physical evaluation board;

F. Be unable to perform the duties of their office, grade, rank or rating; and

G. Receive final eligibility certification from the unit commander or service designated representative.

130303. Restrictions

The following restrictions apply:

A. Service members will not designate another military member in a pay status as their primary caregiver for the purpose of receiving SCAADL. All primary caregivers, with the exception of the service member's spouse, must be at least 18 years of age.

B. SCAADL is not paid to a service member:

1. If any other federal agency is providing outpatient or in-home services to assist the member with ADL or with supervision to avoid the service members harming themselves or others;

2. If the service member receives aid and attendance allowance from the VA in accordance with Title 38, United States Code (U.S.C.), section 1114(r)(2);

3. If the service member's primary caregiver receives a monthly caregiver stipend from the VA's Comprehensive Assistance for Family Caregivers Program;

4. If the service member qualifies for and accepts in-home assistance with ADL (custodial care), paid with supplemental health care program funds and provided by a TRICARE-authorized home health agency; or

5. If the service member is found fit by a Service physical evaluation board, or otherwise returned to duty status as unfit, but retained on active duty. The service member will be removed from the SCAADL program in accordance with the Military Department's regulations.

C. Service members or their designated representatives may appeal disapproval to receive SCAADL in accordance with respective Military Service appeal guidelines.

D. Qualifying payments to service members who receive SCAADL, in accordance with subparagraph 130203 will terminate as detailed in subparagraph 130305.C.

E. Service members must complete a re-evaluation every 6 months to validate dependency level and assure uninterrupted payment of the SCAADL benefit.

F. Pursuant to 38 U.S.C. § 373, Service members no longer satisfying SCAADL eligibility requirements will repay any SCAADL allowances received after the member is returned to duty or removed from the SCAADL program.

G. Service members in receipt of SCAADL will recertify compensation upon a change in clinical status or geographical location.

H. All service members hospitalized for 16 cumulative days or more of a month will be required to recertify upon release from the hospital.

130304. Monthly Compensation

An online ***SCAADL Calculator*** is available to compute the approximate monthly SCAADL compensation. The military services will use the Department of Defense ***Form 2948***, Special Compensation for Assistance with Activities of Daily Living (SCAADL) Eligibility, to document the Service member's eligibility for SCAADL. The following guidelines apply:

A. Monthly compensation is computed based on the Bureau of Labor Statistics (BLS) wage rate for a home health aide, using the 75th percentile of the hourly wage rate in the service member's geographic area of residence. The BLS wage rates are updated annually and published effective January of each year. The amount of monthly compensation is calculated using the zip code of the geographic location where the service member currently resides and the service member's dependence level.

B. A three-tier system recognizing the variation in complexity of care required by the service member and provided by the caregiver determines the monthly compensation. The member's primary care manager (PCM) will assess the service member's dependency level and assign a point value corresponding to the number of hours of care the member requires each week. Based upon the evaluation, the service member is rated as follows:

1. High Tier. It is presumed that a service member who scores 21 or higher will require at least 40 hours per week of caregiver assistance.

2. Medium Tier. It is presumed that a service member who scores 13-20 will require at least 25 hours per week of caregiver assistance.

3. Low Tier. It is presumed that a service member who scores 1-12 will require at least 10 hours per week of caregiver assistance.

C. Service members or their designated representatives may appeal a PCM's determination of dependency level to their Service headquarters. The dependency level may also change if the service member's condition changes and a reevaluation of the member's level of dependency are conducted.

*130305. Payment Period

The following guidelines apply to the period that the SCAADL entitlement may be paid:

A. Service members become eligible for the SCAADL entitlement on the date a licensed DoD or VA physician certifies that the member meets the eligibility criteria. If the certification is not on the first of the month, and the entitlement is continuous for more than 1 month, the first month will be prorated based on a 30-day month computation. The 31st day of the first month will be excluded.

B. Service members entitled to SCAADL for a continuous period of less than 1 month will receive payment for the actual number of days at the rate of 1/30th of the monthly amount. The 31st day of a calendar month may not be excluded from this computation.

C. SCAADL entitlement stops on:

1. The last day of the month in which a 90-day period ends after the date the service member separates or retires. (For example, March 15 (separation date) plus 90 days equals June 13 (last day of entitlement is June 30));

* 2. The last day of the month during which a service member dies (See Note);

3. The last day of the month a physician determines that a service member no longer meets the eligibility requirements for SCAADL; or

4. The last day of the month preceding the month during which the service member begins receiving aid and attendance from the VA under 38 U.S.C. § 1114(r)(2), or the service member's primary caregiver begins receiving a monthly caregiver stipend from the VA under 38 U.S.C. § 1720G.

*Note: This last SCAADL payment should be paid to the beneficiary in the unpaid pay and allowances.

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Public Law 110-181, section 661,
January 28, 2008
USD (P&R) Memo, May 15, 2008
PDUSD (P&R) Memo, October 30, 2008
Acting USD(P&R) Memo, January 29, 2009

1303 – Special Compensation for Assistance with Activities of Daily Living

37 U.S.C. § 439
* DoDI 1341.12, August 10, 2015
* DoD Manual 1341.12, August 10, 2015

VOLUME 7A, CHAPTER 14: "INCENTIVE FOR QUALIFIED MEMBERS EXTENDING DUTY AT DESIGNATED LOCATIONS OVERSEAS"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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

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

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

The previous version dated August 2014 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current administrative instructions.	Revision
1401	Added the "Purpose" and "Authoritative Guidance" paragraphs to comply with current administrative instructions.	Addition
140404	Replaced Marine Corps Order (MCO) P1300.8R with MCO 1300.8.	Revision
Bibliography	Updated references in the bibliography.	Revision

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CHAPTER 14

INCENTIVE FOR QUALIFIED MEMBERS EXTENDING DUTY AT DESIGNATED LOCATIONS OVERSEAS

*1401 GENERAL

*140101. Purpose

This chapter establishes policy pertaining to the incentive for qualified members extending duty at designated locations overseas.

*140102. Authoritative Guidance

The bibliography at the end of this chapter lists the authoritative references.

1402 SPECIAL PAY OR BONUS

140201. Eligibility

Members of the Armed Forces may be entitled to a special pay or bonus if they:

A. Are entitled to basic pay;

B. Have a specialty that is designated by the Secretary of the Military Department concerned for the purposes of this entitlement;

C. Have completed a tour of duty (as defined in accordance with regulations prescribed by the Secretary concerned) at a location outside the Continental United States (CONUS) that is designated by the Secretary of the Military Department concerned for the purposes of this entitlement; and

D. Have completed that tour of duty and then execute an agreement to extend that tour for a period of not less than 1 year.

140202. Amount

When the Secretary of the Military Department concerned accepts the member's agreement to extend the tour of duty, the member becomes entitled, subject to the restrictions identified in paragraph 140205, to receive one of the following benefits:

A. Special pay in monthly installments in an amount prescribed by the Secretary, but not to exceed $80 per month; or

B. An annual bonus in an amount prescribed by the Secretary, but not to exceed $2,000 per year. The Secretary may pay a bonus in either a lump sum or monthly installments.

140203. Selection

Not later than the date the Secretary of the Military Department concerned accepts the agreement described in subparagraph 140201.D providing for the extension of a member's tour of duty, the Secretary of the Military Department concerned will notify the member regarding whether the member will receive special pay or bonus. The payment rate for the special pay or bonus will be fixed at the time of the agreement and may not be changed during the period of the extended tour of duty.

140204. Repayment

A member who, having entered into a written agreement to extend a tour of duty described in subparagraph 140201.D, and who receives a bonus payment but does not complete the obligated service in accordance with the agreement will be subject to the repayment provisions of Chapter 2.

140205. Restriction

A member, who elects to receive one of the benefits specified in section 1403 as part of the extension of a tour of duty, is not entitled to the special pay or bonus authorized in this section for the period of extension of duty for which the benefit is provided.

1403 SPECIAL REST AND RECUPERATIVE (SR&R) ABSENCE

140301. Eligibility

A member who meets the eligibility requirements defined in paragraph 140201 may, in lieu of receiving the special pay or bonus, elect to receive one of the entitlements described in paragraph 140302.

140302. Entitlement

A member may elect, in lieu of a special pay or bonus, either:

A. A period of SR&R absence for not more than 30 days; or

B. A period of SR&R absence for not more than 15 days for members whose qualifying tour of duty is 12 months or less, and round-trip transportation at Government expense from the location of the extended tour of duty to the nearest port in the 48 contiguous States and return, or to an alternative destination and return at a cost not to exceed the cost of round-trip transportation from the location of the extended tour of duty to such nearest port; or

C. A period of SR&R absence for not more than 20 days for members whose qualifying tour of duty is longer than 12 months, and round-trip transportation at Government expense from the location of the extended tour of duty to the nearest port in the 48 contiguous States and return, or to an alternative destination and return at a cost not to exceed the cost of round-trip transportation from the location of the extended tour of duty to such nearest port.

NOTE: The provisions of SR&R are not effective unless the Secretary concerned determines that the application will not adversely affect combat or unit readiness.

140303. Travel Time

Travel time from the CONUS port, or alternate destination, to the SR&R absence point, and return is included in the 15-day or 20-day SR&R absence. This period will begin the day after the member arrives at the aerial port of debarkation and continue until the day before the member returns to the designated port. The non-chargeable leave period will continue until the day before the date of return to the designated port. Travel time to or from the CONUS port, or alternate destination, and overseas location is non-chargeable and not included in the 15-day or 20-day SR&R.

140304. Limitations

The 15-day or 20-day SR&R absence and round-trip transportation option may not be combined with any Temporary Assigned Duty, Temporary Duty, or transportation entitlement that would result in the cost of the round-trip portion of the option exceeding the round-trip cost from the member's tour of duty station to the nearest CONUS port.

1404 SERVICE REGULATIONS

The following paragraphs provide hyperlinks for service entitlements, policies, and procedures for the previous prescribed incentives:

140401. Army

Army Regulation 614-30

140402. Navy

Military Personnel Manual 1306-300

140403. Air Force

Air Force Instruction 36-2110

*140404. Marine Corps

Marine Corps Order 1300.8

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1402 – SPECIAL PAY OR BONUS

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1403 – SPECIAL REST AND RECUPERATIVE (SR&R) ABSENCE

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* DoDI 1327.06, June 16, 2009, Incorporating Change 3, May 19, 2016

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SUMMARY OF MAJOR CHANGES

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PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
150101 150102	Added the "Purpose" and "Authoritative Guidance" paragraphs to comply with current administrative guidance and renumbered subsequent paragraphs.	Addition
1502	Changed section name to "Department of Defense AIP Criteria" and renumbered remaining sections accordingly.	Revision
150204.A	Extended the "Duration of Authority" to December 31, 2016 for AIP in accordance with Public Law 114-92.	Revision
150301.C	Extended the period of authority for entitlement to Naval Special Warfare Development Group AIP to December 31, 2016.	Revision
150302	Reestablished the Sea Duty Incentive Pay AIP effective February 19, 2016 through December 31, 2016.	Revision
1504	Extended period of entitlement to Army AIP through September 30, 2016.	Revision
150401.C	Added Restrictions to Army Korea AIP.	Addition
150402	Added the "Exception to Policy to the Korea AIP.	Addition
150403	Changed the Explosive Ordnance Disposal AIP termination date to October 1, 2015 and removed subsequent criteria.	Revision
150404.D	Extended the period of entitlement to Asymmetric Warfare Group (AWG) AIP to September 30, 2016.	Revision
150405	Changed the 780th Military Intelligence Brigade AIP termination date to September 30, 2014 and removed subsequent criteria.	Revision
150406	Changed the Special Mission Units (SMU) AIP termination date to September 30, 2014 and removed subsequent criteria.	Revision

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
150407	Changed the Army Special Operations Aviation AIP termination date to September 30, 2014 and removed subsequent criteria.	Revision
150408	Changed the Career Management Field termination date to September 30, 2014 and removed subsequent criteria.	Revision
150409.C	Added the "Restrictions" subparagraph to the Joint Special Operations Command (JSOC) AIP.	Addition
150409.D	Extended the period of entitlement to the JSOC AIP to September 30, 2016.	Revision
150410	Added new paragraph for the Army Special Operations Command AIP.	Addition
150411	Added new paragraph for the Army Cyber Command AIP.	Addition
150412	Added new paragraph for the 14th Missile Defense Battery (MDB) AIP.	Addition
150501.A	Extended the period of authority for entitlement to Korea AIP to December 31, 2017.	Revision
150502	Extended the period of authority for entitlement to the 724th Special Tactics Group AIP to December 31, 2020.	Revision
150505	Extended the period of authority for entitlement to the Headquarters Air Force Special Operations Command AIP to December 31, 2019.	Revision
150506	Extended the period of authority for entitlement to the Intercontinental Ballistic Missile Field Operations AIP to December 31, 2017.	Revision
150507	Added new paragraph for Kingsley Field, Klamath Falls, Oregon.	Addition
1506	Changed section title to "Marine Corps AIP for SMU Operators."	Revision
150601	Extended the period of authority for entitlement to the Marine Corps SMU Operators AIP to December 31, 2016.	Revision
Table 15-1	Deleted table as being obsolete.	Deletion
Bibliography	Updated statutes and references.	Revision

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CHAPTER 15

SPECIAL PAY – ASSIGNMENT INCENTIVE PAY (AIP)

1501 GENERAL

*150101. Purpose

This chapter prescribes the general policy applicable to the payment of AIP.

*150102. Authoritative Guidance

The bibliography at the end of this chapter lists the authoritative references.

*1502 DEPARTMENT OF DEFENSE AIP CRITERIA

150201. Entitlement

A member of a uniformed service entitled to basic pay may be paid Assignment Incentive Pay (AIP) for performing service in an assignment designated by the Secretary concerned. The Secretary concerned has approval authority for AIP programs under $1,500 per month. Programs over $1,500 per month and all "blanket" AIP programs (applied to every member at a specific assignment location regardless of skill proficiency or fill rates) require approval by the Assistant Secretary of Defense (Readiness and Force Management).

150202. Eligibility

The member must be serving on active duty to be eligible for AIP. The Secretary concerned may require the member to enter into a written agreement in order to qualify for AIP. The written agreement will specify the monthly rate, and the period for which the member will be paid AIP.

150203. Payment

Incentive pay paid under this section is in addition to any other pay and allowances to which the member is entitled, except as may be noted under each program. This payment may be made in a lump sum, installments, or monthly increments as authorized for each program. The maximum monthly amount of AIP payable to any service member may not exceed $1,500. Monthly pay will be prorated for partial months served, except as noted under each program.

150204. Restrictions for All AIP Programs

The following restrictions, which affect the entitlement to AIP, apply to all programs listed in this chapter.

* A. Under Title 37 United States Code (U.S.C.) section 307a, no agreement for any AIP program may be entered into after December 31, 2016.

B. A member is not entitled to AIP during a period of terminal leave which ends upon discharge or release of the member from active duty.

C. Service members are not authorized to receive more than one AIP simultaneously for the same period of service. If a Service member is eligible for more than one AIP, the higher dollar value AIP will be paid.

D. Reserve Component (RC) members are not authorized AIP for assignments at their permanent duty station.

150205. Special Provisions

The service of a member in a designated assignment will be considered continuous in any period of temporary absence during which the member is performing temporary duty pursuant to orders or on authorized leave other than transition leave.

1503 NAVY AIP PROGRAMS

*150301. Pilot Programs

A. On May 29, 2003, the Navy was authorized a Pilot Program for AIP. The entitlement conditions are:

1. Entitlement begins upon reporting to the assigned duty and terminates when permanently detached from the assigned duty;

2. The Service member and the Navy negotiate to determine the payment rates, which may be different for members in the same location. For partial months served in a designated assignment, payment will be prorated;

3. Payment for AIP may not be made to Navy members receiving a Selective Reenlistment Bonus for Location for the same assignment; and

4. This program will remain in effect until the Assistant Secretary of the Navy (ASN) Manpower and Reserve Affairs (M&RA) rescinds the program or higher authority cancels the program.

B. On February 9, 2007, the Navy announced the Naval Special Warfare Development Group (NSWDG) AIP program. The entitlement conditions are:

1. Enlisted personnel must successfully complete the required NSWDG training;

2. Enlisted personnel must be assigned to NSWDG designated billets;

3. Enlisted personnel will sign an agreement or accept orders to voluntarily remain in an NSWDG billet for an additional 12 months from the date of the agreement or date of the first AIP payment, whichever is later;

4. Personnel who have been assigned to a designated NSWDG billet for:

a. less than 3 years since completion of the required training will receive AIP at $750 per month; or

b. 3 years or more since completion of the required training will receive AIP at $1000 per month; and

5. Payment of the AIP will terminate when the member permanently detaches from the assigned duty at NSWDG. AIP will not be paid to members in a disciplinary or not fit for operational duty status; and

6. This program will remain in effect until the ASN (M&RA) rescinds the program or higher authority cancels the program.

* C. On October 1, 2013, the Navy announced a new AIP for NSWDG personnel assigned to Combat Support (CS) positions. The ASN (M&RA) reauthorized the continuance of AIP for personnel assigned to CS positions effective December 11, 2015 through December 31, 2016. The requirement conditions are:

1. Qualified CS personnel are eligible to receive an AIP flat-rate of $500 or $750 (for Explosive Ordinance Disposal personnel with more than 3 years of NSWDG Service) per month for each month after completing initial qualification.

2. A written agreement is required to receive this AIP.

*150302. Sea Duty Incentive Pay (SDIP) Program

On March 15, 2007, the Navy implemented the SDIP program. Since then, there have been multiple reauthorizations of the program by the Navy. On January 2, 2015, after a break of 1 day, the SDIP program was reestablished and ended on December 31, 2015. Any agreements entered into on January 1, 2015 are considered unauthorized. Effective February 19, 2016, the ASN (M&RA) reestablished the program through December 31, 2016. Any agreements entered into after December 31, 2015 and before February 19, 2016 are unauthorized.

A. Programs

1. Sea Duty Incentive Pay – Extension (SDIP-E). SDIP-E is authorized for Sailors who sign a written agreement to voluntarily extend their sea duty

assignments on ships, submarines, or aviation squadrons by a minimum of 12 months and a maximum of 48 months (36 months for an assignment outside the Continental United States (CONUS), including Hawaii).

2. Sea Duty Incentive Pay – Curtailment (SDIP-C). SDIP-C is authorized for Sailors who voluntarily curtail their shore duty assignments a minimum of 6 months prior to their original planned rotation date, and return to sea duty assignments on a ship, submarine, or to an aviation squadron for a minimum of 12 months and a maximum of 48 months (36 for an assignment outside the continental United States, including Hawaii).

3. Sea Duty Incentive Pay – Back-To-Back (SDIP-B). SDIP-B is authorized for Sailors who voluntarily extend their sea duty when assigned to a Type 2/4 command for rotational purposes upon transfer to ships, submarines, or aviation squadrons by a minimum of 12 months and a maximum of 48 months, based upon Department of Defense area or minimum activity tour length requirements.

B. Eligibility. To be eligible for SDIP, the service member must:

1. Be serving in or selected for advancement (including frocked members) in one of the eligible ratings, skills, and pay grades listed in the SDIP Eligibility Chart; and

2. Be serving in a permanent duty assignment on a ship, submarine, or aviation squadron designated as sea duty for the purpose of rotation, and home ported in CONUS, Hawaii, or overseas for SDIP-E. Members considered assigned as excess of authorized billets are ineligible for SDIP-E; and

3. Be serving:

a. In a permanent shore duty assignment at an activity located in CONUS, Hawaii, Alaska, or overseas that is designated as shore duty for purposes of rotation for SDIP-C. Members currently receiving AIP for their shore duty assignment are not eligible for SDIP-C; or

b. In a permanent duty assignment on a Type 2/4 sea duty for purposes of rotation and transfer to a ship, submarine, or aviation squadron and home ported in CONUS, Hawaii, or overseas for SDIP-B. Ships under construction that have not yet been delivered and commissioned are not eligible for SDIP.

4. Incur sufficient obligated service to fulfill the service time required by the SDIP-E, SDIP-C, or SDIP-B agreement. Additional obligated service will be incurred prior to payment of SDIP-E and SDIP-B, and prior to detachment from the shore duty unit/command for SDIP-C.

C. Restrictions

1. RC Sailors are not eligible for SDIP.

2. Sailors are not eligible for SDIP and any other AIP allowance simultaneously.

D. Payment. The Department of the Navy determines the SDIP rates, which change frequently and vary by pay grade and skill/rating. The SDIP Eligibility Chart contains the current monthly entitlement rates for the SDIP program.

E. Recoupment and Repayment. Recoupment of unearned portions of the SDIP lump sum payment will be as follows:

1. Sailors who fail to complete the full period of additional sea duty service as required by their SDIP agreement will be required to repay the percentage of the SDIP lump sum payment representing the unexecuted portion of their required service. Situations requiring recoupment include, but are not limited to:

a. Approved request for voluntary release from the written agreement if; due to unusual circumstances, it is determined that such release would clearly be in the best interests of both the Navy and the sailor;

b. Approved voluntary request for relief from an SDIP assignment;

c. Disability resulting from misconduct, willful neglect, or incurrence during a period of unauthorized absence;

d. Removal from the SDIP assignment for cause, including misconduct;

e. Separation for cause, including misconduct; or

f. Separation for weight control and/or failure of a physical readiness test.

2. Recoupment of payments already received will not be required if a sailor becomes ineligible for SDIP for any of the following reasons:

a. Disability, injury, or illness, not the result of misconduct or willful neglect, or not incurred during a period of unauthorized absence;

b. Separation from the naval service by operation of laws or regulations independent of misconduct;

c. Death; or

d. Where the Secretary of the Navy determines repayment would be against equity and good conscience, or contrary to the best interests of the United States.

3. In the event a sailor dies before the SDIP is received or before the sailor completes the sea duty assignment/extension for which SDIP is payable (and death is not caused by the sailor's misconduct), the unpaid /unearned balance of the SDIP will be payable in the settlement of the deceased sailor's final military pay account. The unpaid SDIP will be payable in a lump sum. If death is determined to be voluntary or the result of the sailor's own misconduct, termination of any future payment and proration or recoupment of the SDIP, as applicable, will be made in accordance with procedures established for sailors whose inability to complete a contracted period of service is voluntary or the result of misconduct.

*1504 ARMY AIP PROGRAMS

The Department of the Army (DA), Office of the Deputy Chief of Staff (ODCS) G-1 authorizes AIP programs for Army personnel in amounts of $1,500 per month or less. All Headquarters Department of the Army (HQDA) authorized programs have a termination date of September 30, 2016. No new agreements may be entered into after this date without DA reauthorization of the programs. The programs listed in paragraphs 150401 through 150411 are DA programs and fall under these guidelines.

*150401. Korea AIP (KAIP) Program

A. Eligibility

1. Soldiers must be permanently assigned to Korea in the grades of E-4 and above.

2. Soldiers must not be serving in command select list positions.

3. Soldiers must be in good standing and not be under Uniform Code of Military Justice (UCMJ) action at the time of approval, and must remain in good standing throughout the AIP tour.

4. Soldiers assigned to Korea for more than 40 months at the end of their current tour are not eligible to apply.

5. Soldiers serving on their initial assignment after graduating from initial entry training or newly appointed officers are not authorized to apply.

B. Payment

Payments will be made with the following restrictions:

1. The maximum monthly rate payable is $500. For agreements entered into on or after October 1, 2015, lump sum payments will be paid on the approval of the AIP agreement extending the soldier's assignment; and

2. Soldiers are limited to a maximum 24 month extension under this AIP program. Payment for an extension beyond 24 months or a subsequent extension when combined with a previous extension(s) that exceeds 24 months is not authorized; and

3. The commander determines the monthly entitlement rate based on the needs of the Army and may be different for soldiers serving in similar positions at the same location but will not exceed the monthly rate of $500; and

4. If a soldier elects a monthly payment to extend their current tour, AIP payments for the period of the extension will begin on the first month of the extension period; and

5. Lump sum payments will be computed by multiplying the monthly rate authorized by the Commander at the time the soldier enters into the written agreement, by the number of continuous months for which the AIP is authorized.

* C. Restrictions

1. Soldiers are not authorized to receive more than one AIP simultaneously for the same period of service (i.e., KAIP and Overseas Extension Special Pay/Bonus program outlined in Chapter 14). If the soldier is eligible for more than one AIP, he or she will receive the higher of these AIPs.

2. Soldiers are not authorized to receive more than one incentive for the same period of service. If the soldier is eligible for more than one incentive program, the soldier may choose the incentive program they believe will be in their best interest.

3. RC members are not authorized AIP for assignments at their permanent duty station.

*150402. Exception To Policy (ETP) to KAIP

The DA, ODCS G-1 approved the following exceptions to the KAIP Program:

A. On September 24, 2015, the DA, ODCS G-1 approved an ETP to pay KAIP to first term Soldiers assigned to units taking part in the relocation of Eighth Army forces to Camp Humphreys. The exception only applies to soldiers under Eligibility paragraph 150401.A.1 and A.5 and only for those soldiers needed to maintain the unit's readiness during the relocation. The ETP will remain in effect until terminated by the Eighth Army Commander; however, no new agreements will be entered into under this exception after September 30, 2016.

B. The DA, ODCS G-1 approved an ETP to pay KAIP to the following:

1. Commissioned Officers

a. Air Defense Artillery Officers in Career Specialty 14 and Warrant Officers in Career Specialty 140.

b. Army Medical and Dental Officer.

c. Aviation Officers in Career Specialty 15 and Warrant Officers in Career Specialty 150.

2. Enlisted Service Member. Enlisted first term Soldiers in Military Occupational Specialties: 13B, 13D, 13F, 13M, 13P, 13R, 14G, 14H, 14S, 14T, 15S, 15Q, 25L, 25P, 25R, 31K, 35M, 35P, 35T, 68A, 68C, 68D, 68E, 68J, 68R, 68Q, 68W, and 74D (with L3 and L6 Additional Skill Identifier (ASI)).

C. The exception only applies to soldiers under Eligibility paragraph 150401.A.1 and A.5.

D. This ETP terminates on September 30, 2016. No new agreements will be entered into under this exception after September 30, 2016.

*150403. Enlisted Explosive Ordnance Disposal (EOD) Program

Per Memorandum from HQDA, ODCS, G-1, dated September 24, 2015, the EOD Program was not renewed for Fiscal Year (FY) 2016. Any approved AIP agreements in existence prior to October 1, 2015 will remain valid under its terms until the termination date of the agreement. Any agreements approved after September 30, 2015 are invalid.

*150404. Asymmetric Warfare Group (AWG) AIP

A. Eligibility

1. Soldiers in grade E5 to E9, W2 to W4, and O2 to O4, and permanently assigned to an authorized Operational Advisor position within the group or operational support billet in an operational squadron.

2. Soldier must have completed the appropriate training and have been awarded the ASI “U9” (Operational Advisors) or “U8” (Operational Support).

3. Soldiers must be in good standing and not be under UCMJ action at the time of approval and must remain in good standing throughout the AIP tour.

4. Soldier must enter into a written agreement to serve 1 to 2 years in an AWG approved billet. The written agreement will specify the period for which the AIP will be paid and the monthly amount of AIP.

B. Payment

1. Eligible Soldiers serving in an Operational Advisor (U9) billet may be paid $400 per month.

2. Eligible Soldiers serving in an Operational Support (U8) billet in an operational squadron may be paid $300 per month.

C. Restrictions

1. Soldiers are not authorized to receive more than one AIP simultaneously for the same period of service. If the soldier is eligible for more than one AIP, he or she will receive the higher of these AIPs.

2. RC members are not authorized AIP for assignments at their permanent duty stations.

* D. Termination

The AWG AIP program is subject to annual budget constraints; therefore, no new agreements will be entered into after September 30, 2016, without HQDA reauthorization of the program.

*150405. 780th Military Intelligence Brigade AIP

The program self-terminated on September 30, 2014. These members are entitled to AIP under the Army Cyber (ARCYBER) Command AIP program in paragraph 150411.

*150406. Special Mission Units (SMU) AIP

The program self-terminated on September 30, 2014. These members are entitled to AIP under the United States Army Special Operations Command (USASOC) AIP program in paragraph 150410.

*150407. Army Special Operations Aviation AIP

The program self-terminated on September 30, 2014. These members are entitled to AIP under the USASOC AIP program in paragraph 150410.

*150408. Career Management Field 18 Program

The program self-terminated on September 30, 2014. These members are entitled to AIP under the USASOC AIP program in paragraph 150410.

*150409. Joint Special Operations Command (JSOC) SMU AIP Program

A. Eligibility

1. Soldiers must be permanently assigned to a JSOC SMU Operator billet.

2. Soldiers must be in good standing and not be under UCMJ action at the time of approval and must remain in good standing throughout the AIP tour.

3. Soldiers must have less than 35 years of active federal service in order to qualify for continued payment.

4. Soldiers must sign a written agreement to serve 1 to 3 years in a JSOC SMU Operator assignment.

B. Payment

1. SMU Operators with less than 25 years of active federal service may apply for the following:

a. SMU Operators with less than 3 years of service in a SMU Operator billet may be paid $750 per month; or

b. SMU Operators with 3 years or more of service in a SMU Operator billet may be paid $1,000 per month.

2. SMU Operators with 25 years or more of active federal service may apply for the following:

a. SMU Operators with 3 years or more of service in a SMU Operator billet may be paid $500 per month. Agreements will terminate at 28 years of active federal service; or

b. SMU Operators serving in a specified Key Leadership/Development position may be paid $1,000 per month. Agreements will terminate at 35 years of active federal service.

* C. Restrictions

1. Soldiers are not authorized to receive more than one AIP simultaneously for the same period of service. If the soldier is eligible for more than one AIP, he or she will receive the higher of these AIPs.

2. RC members are not authorized AIP for assignments at their permanent duty stations.

* D. Termination

The JSOC SMU AIP program is subject to annual budget constraints; therefore, no new agreements will be entered into after September 30, 2016, without HQDA reauthorization of the program.

*150410. United States Army Special Operations Command (USASOC) AIP

A. Eligibility

1. Soldiers must be permanently assigned to an authorized Major Force Protection 11 billet in the grade of E-5 and above.

2. Soldiers must be in good standing and not be under UCMJ action at the time of approval and must remain in good standing throughout the AIP tour.

3. Soldier must have less than 35 years of active federal service in order to qualify for continued payment.

B. Payment

1. The maximum monthly rate payable to any soldier in this AIP program is $1,200.

2. The Commander determines the monthly entitlement rate based on the needs of the Army and may be different for soldiers serving in similar positions at the same location, but will not exceed the monthly rate of $1,200.

3. Lump sum payments will not exceed the maximum monthly rate authorized by the commander at the time the soldier enters into the written agreement, multiplied by the number of continuous months in the period for which the AIP will be paid, pursuant to the agreement. Lump sum payment will be paid on the approval of the AIP agreement.

C. Restrictions

1. Soldiers are not authorized to receive more than one AIP simultaneously for the same period of service. If the soldier is eligible for more than one AIP, he or she will receive the higher of these AIPs.

2. RC members are not authorized AIP for assignments at their permanent duty stations.

D. Termination

The USASOC AIP program is subject to annual budget constraints; therefore, no new agreements will be entered into after September 30, 2016, without HQDA reauthorization of the program.

*150411. Army Cyber (ARCYBER) Command AIP Program

On January 29, 2015, the DA, ODCS G-1 approved AIP payments effective February 1, 2015 to select soldiers permanently assigned to ARCYBER. AIP terminated September 30, 2015. Renewal of the program on September 24, 2015 with an effective date effective October 1, 2015 extends the AIP through September 30, 2016.

A. Eligibility

1. Enlisted Soldiers, Warrant Officers, and Commissioned Officers must be personnel permanently assigned to an authorized cyber position.

2. Soldiers must have completed the appropriate training and have been awarded the appropriate certifications located inside from the Cyber Mission Force.

3. Soldiers must be in good standing and not be under UCMJ action at the time of approval and must remain in good standing throughout the AIP tour.

4. Soldiers must enter into a written agreement to serve 1 to 3 years in an ARCYBER approved billet.

B. Payment

1. The maximum monthly rate payable to any soldier certified as an ARCYBER Apprentice will not exceed $200.

2. The maximum monthly rate payable to any soldier certified as an ARCYBER Journeyman will not exceed $300.

3. The maximum monthly rate payable to any soldier certified as an ARCYBER Master will not exceed $500.

*150412. 14th Missile Defense Battery (MDB) AIP

On January 13, 2015, the Assistant Secretary of the Army (ASA) (M&RA) approved the payment of AIP to soldiers assigned to the 14th MDB at Kyogamisaki, Japan. The DA, ODCS G-1 on September 25, 2015, reauthorized the payment of AIP through September 30, 2016.

A. Eligibility

1. Soldiers must be permanently assigned to the 14th MDB at Kyogamisaki, Japan.

2. Soldiers must be in good standing and not be under UCMJ action at the time of approval and must remain in good standing throughout the AIP tour.

3. Soldiers must sign a written agreement acknowledging the limitations and restrictions as a condition to receive AIP.

B. Payment

The maximum monthly rate payable to soldiers serving in an approved assignment will not exceed $1,500. This amount will be adjusted if the request for Basic Allowance for Subsistence II (see Chapter 25, paragraphs 250201.B.2 and 250202.B.2) is approved for enlisted soldiers, and/or the soldiers are furnished meals or rations at no charge from an appropriated fund dining facility or are subsisted at no charge on behalf of the Government.

C. Restrictions. The following restrictions apply:

1. Soldiers are not authorized to receive more than one AIP simultaneously for the same period of service. If the soldier is eligible for more than one AIP, he or she will receive the higher of these AIPs.

2. RC members are not authorized AIP for assignments at their permanent duty stations.

D. Termination

1. The 14th MDB will terminate once the life support area is established or soldiers are being subsisted by or on behalf of the Government.

2. The 14th MDB AIP program is subject to annual budget constraints; therefore, no new agreements will be entered into after September 30, 2016, without Army G-1 reauthorization of the program.

1505 AIR FORCE AIP PROGRAMS

*150501. KAIP

On April 27, 2004, the Air Force was authorized AIP Korea assignment program. On June 30, 2008, the Principal Deputy Under Secretary of Defense (PDUSD) Personnel and Readiness (P&R) provided permanent approval of this program and on April 6, 2009, the Under Secretary of Defense (USD) P&R modified the eligibility requirements based on tour length changes for Korea. All changes are subject to congressional reauthorization of Title 37 United States Code (U.S.C.), section 307a or the Secretary of Defense implementation of 37 U.S.C. § 352.

* A. Secretary of the Air Force (SAF) Memorandum, dated October 20, 2015. The SAF authorized KAIP through December 31, 2017. In accordance with the Department of Defense Instruction 1340.26, February 26, 2013, AIP, and subject to the availability of appropriated funds, enlisted and officer personnel will be able to receive KAIP. Members will continue to receive their AIP payments until the end-date specified in their agreements or their departure from Korea.

1. Airmen who are:

a. Selected for a 12-month unaccompanied tour who agrees to serve either, an additional 12 or 24-month unaccompanied tour, will receive $300.00 per month regardless of rank or Air Force Specialty Code (AFSC).

b. Offered and have accepted a Command Sponsorship Program billet who elects, to serve the 36-month accompanied tour, will receive $300.00 per month regardless of rank or AFSC.

2. The AIP will be stopped upon termination of the contract or curtailment of the agreed tour of duty for any reason, either voluntary or involuntary. The entitlement to AIP will be terminated if the member is determined to be Absent Without Leave or enters confinement.

3. Airmen who elect AIP for Korea will not be eligible for Home basing, Follow-on Assignment, or concurrent Overseas Tour Extension Incentive Program or In-Place Consecutive Overseas Tour.

B. USD (P&R) Memorandum dated April 6, 2009. The memorandum establishes three categories of assignments applicable for AIP payments. All categories require a written agreement by the member. The categories are:

1. Members who volunteer for a 36-month initial assignment to Pyeongtaek, Osan, Daegu, Chinhae, or Seoul may be paid $300 per month in AIP, to be paid on a monthly basis, upon commencement of the assignment.

2. Members who volunteer for a 24-month initial assignment to Uijongbu or Dongducheon may be paid $300 per month in AIP, to be paid on a monthly basis, upon commencement of the assignment.

3. Members who accept an initial tour to Korea in any location and later elect to extend their assignment length for 12 or 24 months may be paid $300 per month, to be paid on a monthly basis, upon commencement of the tour with an extension agreement, or entering the extension, whichever is earlier.

* C. Restrictions. No agreements will be entered into after December 31, 2017. At any time during the authorized period, the SAF (M&RA) may terminate the KAIP program if it is no longer required.

*150502. 724th Special Tactics Group Incentive Program

On December 30, 2011, the SAF established this program with a monthly payment of $1,000 being authorized to eligible personnel. The program terminated on September 30, 2012, and reestablished on October 17, 2012. Any payments made for the period October 1 through October 16, 2012 are considered invalid. Effective December 22, 2014, the SAF reauthorized the program through December 31, 2020, subject to Congressional reauthorization of 37 U.S.C. § 307a.

A. Eligibility

Enlisted SMU members are eligible for this program.

B. Payment

1. SMU Operators who have a cumulative assignment time of less than 48 months will be paid $750 per month.

2. SMU Operators who have a cumulative assignment time of 48 months or more will be paid $1,000 per month.

150503. Air Force Remote Piloted Aircraft (RPA) - Aviation Incentive Pay (AVIP)

See chapter 22, section 2205.

150504. Air Force RPA Career Enlisted AVIP

See chapter 22, section 2206.

*150505. Headquarters Air Force Special Operations Command (AFSOC), BP0VFX3H, Program

On September 4, 2014, the SAF established an AIP program for enlisted and officers when assigned to the AFSOC unit designated by Personal Accounting Symbol (PAS) code BP0VFX3H. On October 31, 2014, the SAF authorized the program for a period of 5 years ending September 3, 2019, subject to Congressional reauthorization of 37 U.S.C. § 307a.

A. Eligibility Requirements

1. Officers and enlisted members must be assigned to operator positions within the PAS code BP0VFX3H.

2. Members must have successfully completed the unit's required operator training and certification.

B. Payment. Eligible personnel will be paid:

1. $750 per month for personnel who have a post-training cumulative unit assignment time of less than 36 months; or

2. $1,000 per month for personnel who have a post-training cumulative unit assignment time of 36 months or more.

*150506. Intercontinental Ballistic Missile Field Operations Program

On September 29, 2014, the SAF established an AIP program for officers assigned to Minot Air Force Base (AFB), Malmstrom AFB, or F.E. Warren AFB during the period of October 1, 2014 through December 31, 2014. On December 22, 2014, the SAF reauthorized the program effective October 1, 2014, and subject to Congressional reauthorization of 37 U.S.C. § 307a, extended this program through December 31, 2017.

A. Eligibility Requirements

1. Missile and Nuclear Operations (13N), Missile Maintenance (21M), and Security Forces (31P) officers who are qualified to perform nuclear position duties are eligible.

2. Officers will be assigned to qualifying positions at Minot AFB, Malmstrom AFB, or F.E. Warren AFB and regularly perform duties in missile fields at these locations.

3. "Regular performance of duties" that requires dispatch on orders to a missile field for a minimum number of hours within a 90-day calendar quarter (example: 210 hours out of a 90-day period). This pay is not intended for those who go to the missile field sporadically.

B. Payment. An officer meeting the requirements will receive $300 per month. The unit commander will sign the AIP roster certifying the officer has met all the requirements.

*150507. Kingsley Field, Klamath Falls, Oregon

A. All Active Duty enlisted Airmen and Company Grade Officers assigned to the 173rd Fighter Wing, Kingsley Field, Klamath Falls, Oregon effective July 18, 2016 are eligible for monthly AIP.

B. Members who meet the eligibility provisions outlined in 150507.A, will be authorized $400 AIP per month or a portion of, as applicable, by the member's duty status effective or termination date. When the member has met all eligibility requirements per the unit commander eligibility memorandum, the first day of eligibility is the effective date of the AIP.

C. AIP shall be terminated immediately if the member is Absent Without Leave, placed in confinement, or removed from field duties by the commander for cause. Also, for Officers effective the day prior to promotion to the grade of Major. The effective date of termination is the last day the airman met the requirements before removal.

D. AIP shall terminate upon Permanent Change of Station, to a location other than the 173rd Fighter Wing, Kingsley Field, Klamath Falls, Oregon or upon starting permissive leave in conjunction with terminal leave status.

E. This program is approved through January, 1 2018 (subject to annual congressional approval of the pay authority, 37 U.S.C. § 307a). No AIP shall be initially awarded (initial eligibility start date) after this date unless the program is officially extended/authorized beyond this date by an appropriate approving authority.

*1506 MARINE CORPS AIP FOR SMU OPERATORS

*150601. General

AIP for SMU Operators was established for Marine Corps personnel on November 28, 2007. After multiple reauthorizations of the program, the Navy reauthorized the program effective December 16, 2014 through December 31, 2015. On December 11, 2015, the ASN reauthorized the program through December 31, 2016.

150602. Payment

A. Qualified SMU operators with less than 3 years of SMU service are eligible to receive a flat-rate AIP of $750 per month.

B. Qualified SMU operators with more than 3 years of SMU service are eligible to receive $1,000 per month for each month after completing qualification requirements. Marines will serve in their SMU billets for 12- to 48-month periods while in receipt of this AIP.

1507 AIP PROGRAMS FOR INVOLUNTARY EXTENSIONS IN AFGHANISTAN OR CERTAIN THEATER UNITS

The AIP program for involuntary extensions beyond 12-months Boots on the Ground (BoG) in Iraq, Afghanistan, or certain theater units entitled qualified members to $800 per month in AIP. There are four independent qualifying effective dates with criteria as follows:

150701. January 20, 2004 PDUSD (P&R) Memo

On January 20, 2004, AIP was authorized for members assigned or attached to specified units identified by the Combatant Commander as having been required to remain in Iraq beyond the normal 12-month rotation return date. Additionally, the individual member must have been deployed to Iraq (including staging time in Kuwait) and/or Afghanistan for 12 months within a 15-month period (365 days out of 450 days). (The authority issued on January 20, 2004, was rescinded, but replaced by the policy issued on April 12, 2004, by memorandum with no material change).

150702. April 22, 2004 PDUSD (P&R) Memo

On April 22, 2004, AIP was authorized for members assigned to theater units not based in Iraq, who routinely conduct operations in Iraq or support units that conduct operations in Iraq. The only qualifying units are those specified by the Combatant Commander as having been involuntarily extended beyond the normal 12-month rotation return date. Additionally, the individual member must have been deployed to Iraq (including staging time in Kuwait) and/or Afghanistan and/or the location of the unit for 12 months within a 15-month period (365 days out of 450 days).

150703. June 24, 2005 PDUSD (P&R) Memo

On June 24, 2005, continued payment of AIP in effect under the April 12 and April 22, 2004 memoranda for members in units involuntarily extended beyond 12-months BoG in Iraq was authorized. The program was also expanded to include Afghanistan and any individual member involuntarily extended beyond 12-months BoG in Iraq, Afghanistan or in certain theater units (units that routinely conduct operations or support units that conduct operations in Iraq or in Afghanistan, but are not based in those countries). The authority issued on June 24, 2005, rescinded the April 12th and 22nd, 2004 memoranda referenced in subparagraphs 150701 and 150702.

150704. November 13, 2008 PDUSD (P&R) Memo

On November 13, 2008, the PDUSD (P&R) authorized the payment of $1,000 for AIP effective on and after December 1, 2008. Members will be provided a written statement specifying the period of the approved involuntary extension for which the AIP will be paid.

150705. Payment Exception

Payment will not be prorated for partial months, but rather will be paid in full for any partial month of qualification. This is an exception to the usual practice of prorating AIP.

1508 AIP IN LIEU OF POST-DEPLOYMENT MOBILIZATION RESPITE ABSENCE (PDMRA) PROGRAM

The Secretary of Defense directed on January 19, 2007 that a program be established to recognize members who mobilize or deploy more frequently than established rotation policy goals. The PDMRA program was established to allow a member to earn days of administrative absence, not chargeable to the member's accrued leave account, dependent on the length of time the member deployed beyond the rotation policy goals. The program also allows members to receive monetary compensation in lieu of administrative absence days in certain situations.

150801. May 24, 2007 Under Secretary of Defense (USD) Memorandum

The USD (P&R) authorized the Secretary concerned to offer the option of payment of AIP in lieu of taking administrative absence under the PDMRA program in certain situations. RC members (as described in paragraph 150801.A) may elect to receive AIP for PDMRA days earned instead of taking the administrative absence. The programs are not effective until the Services publish their implementation instructions.

A. Eligible Members. RC members who are also federal, state, or local government civilian employees and precluded by law from being paid by two entities for simultaneously serving in a RC status and in their civilian government jobs may elect the payment of AIP instead of taking administrative absence.

B. Requirement. The member must elect to receive the AIP instead of the PDMRA administrative absence days before the PDMRA days are earned.

C. Payment. Members electing to be paid the AIP will receive $200 for each PDMRA day earned. Members are not authorized to be paid for any PDMRA days earned before an election is made.

D. Restrictions

1. Payment of the AIP will not exceed the monthly limit of $1,500; and

2. The PDMRA payment benefit is not eligible for combat zone tax exclusion (CZTE).

E. Service Instructions. Effective dates for the implementation are:

1. Marine Corps: July 27, 2007;

2. Navy: August 2, 2007;

3. Army: August 7, 2007; and

4. Air Force: October 1, 2007.

150802. Authority

Public Law 111-84, section 604, dated October 28, 2009, authorized the Secretary of Defense to prescribe regulations allowing the Secretary concerned to provide current and former members with payment for administrative absence days earned under the PDMRA program during the period January 19, 2007 through the date the Service implemented their respective PDMRA program. The USD (P&R) issued guidance on February 1, 2010, authorizing the Secretary concerned to issue implementing guidance. The discretionary authority to pay this benefit expires on October 28, 2010.

A. Eligible members

1. Former members who were discharged or released from the Armed Forces under honorable conditions are eligible.

2. Current active and RC members who, during the period described in paragraph 150802, qualified for PDMRA days.

B. Payment

1. Former members may receive $200 for each PDMRA day earned.

2. Current members who, during the period of January 19, 2007, through the date the member's service implemented the PDMRA benefits as stated in subparagraph 150801.E, would have earned PDMRA days and may receive either one day of administrative absence for each PDMRA day earned or paid not to exceed $200 per day during that time frame as directed by the Secretary concerned.

3. Payment may be paid in a lump sum or installments, at the election of the Secretary concerned.

C. Restrictions

1. Payment of the AIP will not exceed the monthly limit of $1,500.

2. The PDMRA payment benefit is not eligible for combat zone tax exclusion.

150803. Qualifying Deployments and Mobilizations on or after January 19, 2007

The following is the program guidance for qualifying deployment and mobilizations on or after January 19, 2007, but before October 1, 2011:

A. Frequency Thresholds

1. Active Component (AC) members deployed in excess of 12 months during the most recent 36-month period qualify for PDMRA.

2. RC members mobilized in excess of 12 months during the most recent 72-month period qualify for PDMRA.

B. Creditable Time

1. Creditable time for AC members includes the day of the member's arrival at the deployed location through departure of BoG.

2. Creditable time for RC members includes mobilizations under 10 U.S.C. § 12301(a), § 12302, or § 12304. Mobilization for this purpose includes the day the member is mobilized through the date the mobilization is terminated.

3. The Secretary concerned may include other deployments or mobilizations in conjunction with an expanded program for the Service concerned.

4. For AC members, computation of creditable time commences 36 months prior to the member's deployment and continues during the deployment.

5. For RC members, computation of creditable time commences 72 months prior to the member's mobilization and continues during the deployment.

6. The Secretary concerned will establish policy on the crediting of time when court-martial or other adverse administrative actions have been initiated.

7. PDMRA days are authorized for each month or portion of a month that a member is deployed (AC) or mobilized (RC) beyond the frequency thresholds at subparagraph 150803.A. The number of PDMRA days awarded to AC and RC members are:

a. One day of administrative absence per month in excess of 12 months during the qualifying period;

b. Two days of administrative absence per month in excess of 18 months during the qualifying period; or

c. Four days of administrative absence per month in excess of 24 months during the qualifying period.

8. The Secretary concerned may develop supplementary tables, including other non-monetary recognition programs, delivering comparable or greater benefits to members meeting the frequency thresholds at subparagraph 150803.A.

9. RC members must be on active duty during the days they take their earned PDMRA days.

C. Payment

1. Under current law, RC members who are also Federal, State, or local government civilian employees are not permitted to receive their civilian pay on the same days they are serving on active duty. Affected members may elect to receive AIP at $200 for each day of absence that otherwise would have been authorized, not to exceed $1,500 monthly, in lieu of being awarded administrative absence days.

2. There is no option to cash in administrative absence days already earned. The AIP election must be made by the affected RC member prior to the days being earned.

150804. Qualifying Deployments and Mobilizations on or after October 1, 2011

The following is Program Guidance for Qualifying Deployments and Mobilizations on or after October 1, 2011, including that portion of an ongoing Deployment or Mobilization that occurs on or after October 1, 2011.

A. Deployment and Mobilization Frequency Requirements and/or Thresholds

1. AC members who, on the first day of their current deployment, had deployed in excess of 12 months out of the previous 36 months, and who meet the other eligibility criteria contained in this section, qualify for PDMRA days.

2. RC members who, on the first day of their current qualifying mobilization, had been mobilized pursuant to 10 U.S.C. § 12301(a), § 12302, or § 12304 in excess of 12 months out of the previous 72 months, and who meet the other eligibility criteria contained in this section, qualify for PDMRA days. The 12-month qualifying period may include service pursuant to section 10 U.S.C. § 12301(d) when designated by the Secretary concerned.

3. The Secretary concerned may utilize the deployment-to-dwell ratio of 1:2 for AC members or mobilization-to-dwell ratio of 1:5 for RC members as the qualifying threshold for providing PDMRA benefits, as opposed to the requirements contained in paragraphs 150803.A and 150803.B.

B. Two Days PDMRA Accrual Conditions

1. AC Service members accrue 2 administrative absence days per month when the deployment threshold established in paragraph 150804.A is exceeded, and the AC member is:

a. Deployed to Iraq or Afghanistan; or

b. Deployed to a CZTE area when the area has been designated as a 2-day per month PDMRA accrual location by the Secretary concerned.

2. RC Service members accrue 2 administrative absence days per month when the mobilization threshold established in paragraph 150804.A is exceeded, and the RC member is serving:

a. In Iraq or Afghanistan pursuant to 10 U.S.C. § 12301(a), § 12302, or § 12304;

b. In Iraq or Afghanistan pursuant to 10 U.S.C § 12301(d) when designated by the Secretary concerned; or

c. In a CZTE area under the authority of 10 U.S.C. § 12301(a), § 12301(d), § 12302, or § 12304 when the CZTE area has been designated as a 2-day per month PDMRA accrual location by the Secretary concerned.

C. One Day PDMRA Accrual Conditions

1. AC members accrue 1 administrative absence day per month when the deployment threshold established in paragraph 150804.A is exceeded for deployments to a qualifying CZTE area when the CZTE area has been designated as a 1-day per month PDMRA accrual location by the Secretary concerned.

2. RC members accrue 1 administrative absence day per month when the mobilization threshold established in paragraph 150804.A is exceeded, and the RC member is serving:

a. Outside of the United States pursuant to 10 U.S.C. § 12301(a), § 12302, or § 12304;

b. Outside of the United States pursuant to 10 U.S.C. § 12301(d) when designated by the Secretary concerned; or

c. In a CZTE area pursuant to 10 U.S.C. § 12301(d) when the CZTE area has been designated as a 1-day per month PDMRA accrual location by the Secretary concerned.

D. PDMRA Accrual Conditions

1. Service members, at a minimum, must meet PDMRA eligibility criteria contained in paragraph 150803 and 150804 for 30 consecutive days in order to begin accruing PDMRA days. Upon meeting the minimum 30 consecutive day requirement:

a. PDMRA accrual for AC members includes the day that the member arrives at the deployed location through the day that the member redeploys.

b. PDMRA accrual for RC members includes the day that the member is ordered to duty pursuant to 10 U.S.C. § 12301(a), § 12302, or § 12304 through the date that the member's service is terminated under that same authority.

2. When designated as qualifying for PDMRA by the Secretary concerned pursuant to subparagraphs 150804.B.2.b, 150804.B.2.c, 150804.C.2.a, or 150804.C.2.b, include the day that the member enters service pursuant to 10 U.S.C. § 12301(d) through the date that the member's service is terminated under that same authority.

E. Extensions of Mobilization Orders to Utilize Accrued PDMRA Days. The Secretary concerned may extend the mobilization orders of RC Service members, within statutory limitations, to allow these members to utilize PDMRA days accrued during the mobilization. RC members do not accrue PDMRA days during the time that mobilization orders are extended for the purpose of utilizing PDMRA days.

F. Election of Payment for PDMRA Days

1. Under current law, RC members who are also Federal, State, or local government civilian employees are not permitted to receive their civilian pay while on active duty utilizing accrued PDMRA days.

2. To resolve this pay restriction, the Secretary concerned may offer such RC members a special PDRMA payment which permits such members to elect to receive AIP pursuant to 37 U.S.C. § 307a, in lieu of being awarded PDMRA administrative absence days.

3. If this option is offered, the AIP election must be made by the RC Service member prior to the PDMRA days being earned. The AIP would be valued at a rate of $200 for each day of administrative absence that otherwise would have been authorized under the PDMRA program, not to exceed the statutory $1,500 monthly maximum limit of AIP payable to an individual member under 10 U.S.C. § 307. This option may NOT be used to cash in administrative absence days already earned.

G. Crediting PDMRA Time. The Secretary concerned will establish policy on crediting PDMRA time when court-martial or other adverse administrative actions have been initiated.

H. RC Use of Administrative Absence Days. RC members must be serving pursuant 10 U.S.C. § 12301(a), § 12301(d), § 12302, or § 12304 in order to utilize the administrative absence days accrued under the PDMRA Program.

150805. Public Law 112-120, dated May 25, 2012

A. Public Law 112-120 clarified the entitlement to PDMRA days for RC members. The law allows for the Secretary of Defense to determine that provisions of entitlement outlined in Department of Defense Instruction 1327.06 will not apply to RC members whose qualified mobilization commenced before October 1, 2011 and continued on and after that date until the date the mobilization terminated.

B. The USD (P&R) issued implementation guidance for Public Law 112-120 on July 11, 2012. The guidance stipulated that:

1. Each Military Department Secretary will publish implementing guidance and establish an application process to allow qualifying current and former RC members to apply for benefits authorized by Public Law 112-120.

2. Benefits are only authorized for RC members who deployed outside the CONUS and whose qualified mobilization commenced before October 1, 2011.

3. Each military Department Secretary will provide qualifying applicants with a PDMRA day, or a payment of $200 for each PDMRA day that the individual would have qualified for had the October 1, 2011 guidance changes not applied to the individual.

4. Each Military Department's application for benefits will require qualifying RC members to elect to receive either PDMRA day or payment of $200 for each qualifying PDMRA day. The application will caution members who are no longer mobilized in a status where they can use the PDMRA days and elect PDMRA days in lieu of payment that:

a. The PDMRA days will be banked and cannot be used until the next qualifying period of service, and

b. Banked PDMRA days will be lost if the member is separated from the military prior to using the PDMRA days. Banked PDMRA days cannot be subsequently sold.

5. Qualifying former RC members will only receive $200 per day for each PDMRA day.

6. Former RC members who were discharged or released from the Armed Forces under other than honorable conditions are not eligible for benefits.

7. Each Military Department Secretary may elect to pay qualifying individuals a lump sum payment or installments.

8. The authority to provided benefits under Public Law 112-120 expires on October 1, 2014. This expiration does not affect PDMRA days earned prior to but used or paid for after October 1, 2014. The member must have elected the payment option before October 1, 2014.

150806. Public Law 112-239 dated January 2, 2013

A. Public Law 112-239 allows for the payment of $200 per day to individuals who were eligible to participate as a member of the Armed Forces in the PDMRA program, but who did not participate in 1 or more days in the program due to Government error. Those individuals must apply for payment of PDMRA days with an application for the correction of their military records pursuant to 10 U.S.C. § 1552, or other process as prescribed by the Secretary concerned.

B. A claim for a deceased individual, who would have been authorized to apply for the payment of $200 in subparagraph 150806.A, may be submitted by the deceased individual's legal representative. Payment for a deceased member will be made pursuant to 10 U.S.C. § 1552 (c)(2), or other process as determined by the Secretary concerned.

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	150806	Public Law 114-92, section 615, November 25, 2015
		Public Law 112-239, section 605, January 2, 2013

VOLUME 7A, CHAPTER 17: "SPECIAL PAY – HARDSHIP DUTY"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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

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

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

The previous version dated January 2016 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
Figure 17-1	Updated Jordan Hardship Duty Pay to $100 effective June 28, 2016.	Revision
Bibliography	Updated references.	Revision

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CHAPTER 17

SPECIAL PAY – HARDSHIP DUTY

1701 GENERAL

170101. Purpose

This chapter prescribes the policy for Hardship Duty Pay (HDP). HDP is payable to members entitled to basic pay, at a monthly rate not to exceed $1,500 while the member is performing duty designated by the Secretary of Defense (SecDef) as hardship duty. Except for the Mission Assignment Entitlement outlined in paragraph 170201, the provisions of Chapter 1, paragraph 010302, pertaining to the payment of monthly pay, applies to this entitlement. The SecDef established Service members will receive HDP, for performing a designated hardship mission, when assigned to a designated location, or when mobilized/deployed in an operational environment for periods which exceed rotational norms. This chapter contains approved HDP mission, locations, and Service Tempos with the applicable HDP rates. HDP rates are payable in addition to all other pays and allowances, except as noted under section 1704, Restrictions on Payment.

170102. Authoritative Guidance

The bibliography at the end of this chapter lists the authoritative references.

1702 ENTITLEMENT

170201. Mission Assignment Entitlement

Hardship Duty Pay for Mission Assignment (HDP-M) is payable to members, both officer and enlisted, for performing designated hardship missions. HDP-M is payable at the full monthly rate, without prorating or reduction, for each month, during any part of which, the member performs a specified mission.

A. Active and Reserve Component members, who qualify, at any time during a month, will receive the full amount of HDP-M, regardless of the period of time on active duty or the number of days they receive basic pay during the month.

B. A member assigned to, on temporary duty with, or otherwise under the operational control of the Defense Prisoner of War/Missing Personnel Office, the Joint Task Force-Full Accounting, or the Central Identification Lab-Hawaii, may qualify for HDP-M based on performance of a hardship mission.

C. Eligible members are entitled to receive HDP-M for each month in which they perform investigative or remains recovery duty in a remote, isolated area (including, but not limited to, areas in Laos, Cambodia, Vietnam, and North Korea) in the recovery of U.S. Service member remains.

170202. Location Assignment Entitlement

Hardship Duty Pay for Location Assignment (HDP-L) is payable to members for either permanent change of station duty or temporary/deployed/attached duty of over 30 days duration in specified locations. This entitlement is payable to both officers and enlisted members when assigned for duty in the locations designated in Figure 17-1, under the conditions set forth in Table 17-1.

170203. Tempo Assignment Entitlement

A. Mobilized or deployed members who are required to perform duties in an operational environment for periods which exceed rotation norms (e.g., voluntary or involuntary rotations that are often, or that involve extensions beyond established goals), are authorized to receive payment for Hardship Duty Pay for Tempo (HDP-T). The SecDef and Secretaries of the Military Services establish guidance for rotation norms.

B. Payment of HDP-T was effective September 17, 2014 and terminates on October 1, 2016.

C. Only consecutive days in an operational deployment, as defined in Office of the Under Secretary of Defense (Personnel and Readiness) (OUSD (P&R) Memorandum, "OUSD (P&R) Deployment-to-Dwell, Mobilization-to-Dwell Policy Revision, November 1, 2013) will count towards accumulation of days for HDP-T.

1703 RATES PAYABLE

170301. Mission Assignment Rate

HDP-M is payable to all members at the rate of $150 per month.

170302. Location Assignment Rates

HDP-L is payable to all members at the rates shown in Figure 17-1.

170303. Tempo Assignment Rate

A. The Navy received approval to pay officers and enlisted members HDP-T at the monthly rate of $495 for Sailors and Marines when deployed beyond the 220th day of a consecutive operational deployment. Sailors and Marines will receive a prorated HDP-T based on the number of days in the month that they are eligible, subject to the provisions of Chapter 1, paragraph 010302.

B. Payment for HDP-T may commence on September 17, 2014, but members who are on a qualifying operational deployment/mobilization on September 17, may count the consecutive number of days of deployment/mobilization prior to September 17 for the purpose of being eligible for the payment of HDP-T.

170304. Concurrent Payments

A member is authorized concurrent payment of HDP-M, HDP-L, and HDP-T during any 1 month, provided the amount does not exceed the monthly statutory maximum rate of $1,500 for HDP.

1704 RESTRICTIONS ON PAYMENT

170401. General Restrictions

A. The legal maximum total of HDP-M, HDP-L, and HDP-T a member may receive in any 1 month is $1,500.

B. The maximum total HDP-M a member may receive in any 1 month is $150.

C. The maximum total HDP-L a member may receive in any 1 month is $150.

D. The maximum total of HDP-T a member may receive in any 1 month is $495.

E. As of February 1, 2007, if a member in receipt of Hostile Fire Pay (HFP) and/or Imminent Danger Pay (IDP), then the maximum amount of HDP-L is $100. The total entitlement of HDP-L plus HFP/IDP in any 1 month may not exceed $325.

170402. HDP-L Ending Dates

HDP-L entitlement ends:

A. On the day the member departs the station as a result of permanent change of station reassignment; or

B. On the last day of the effective period as stated in Figure 17-1; or

C. On the day specified in Table 17-1 for specific situations.

*Figure 17-1. Hardship Duty Location Pay Areas

Designated Location	Monthly Rates	Effective Dates	
		From	Through
Afghanistan	$100	November 1, 2001	
Alaska:			
Annette Island	$150	July 11, 2002	
Area above 66°33'N latitude	$150	January 1, 2001	
Clear	$150	July 28, 2008	
Cordova	$150	February 23, 2006	
Eareckson AS	$150	July 1, 2002	
Fort Greely	$150	October 1, 2002	
Unalaska	$150	November 1, 2001	
Other	$0	January 1, 2001	
Albania	$150	April 1, 2002	
Algeria	$100	September 1, 2007	
American Samoa	$50	June 15, 2005	
Angola	$150	September 1, 2007	
Antarctic Region (below 60° S latitude)	$150	January 1, 2001	
Antigua AS	$50	April 18, 2002	
Arctic Region (above 66°33' N latitude)	$150	January 1, 2001	
Armenia	$150	January 1, 2001	
Ascension AAF	$150	April 18, 2002	
Australia:			
Alice Springs	$50	January 1, 2001	
Other	$0	January 1, 2001	
Azerbaijan	$100	October 31, 2007	
Azores, Portugal	$50	February 1, 2004	
Bahamas:			
Andros Island	$50	January 1, 2001	
Other	$0	January 1, 2001	
Bahrain	$50	June 1, 2014	
Bangladesh	$150	January 1, 2001	
Belarus	$150	January 1, 2001	
Belize:			
Belize City	$100	February 1, 2004	
Other	$150	February 1, 2004	
Benin	$150	January 1, 2001	
Bolivia:			
Cochabamba	$50	January 1, 2001	
La Paz	$150	September 1, 2007	
Santa Cruz	$50	June 1, 2012	
Other	$150	September 1, 2007	
Bosnia-Herzegovina	$150	April 1, 2012	

*Figure 17-1. Hardship Duty Location Pay Areas (Continued)

Designated Location	Monthly Rates	Effective Dates	
		From	Through
Botswana:			
Selebi Phikwe	$150	April 1, 2012	
Other	$50	April 1, 2012	
Brazil:			
Brazilia	$50	February 1, 2004	
Fortaleza, Ceara; Recife, Pernambuco: and the states of Amazonas, Goias, Maranhao, Mato, Grosso, Mato Grosso do Sul, Para, Piaui, Rondonia, & Roriama	$50	January 1, 2001	
Rio de Janiero	$50	February 1, 2004	
Sao Paulo	$50	October 14, 2001	
Other	$0	January 1, 2001	
Brunei	$100	January 1, 2001	
Bulgaria	$50	June 1, 2012	
Burkina Faso	$150	January 1, 2001	
Burma	$150	January 1, 2001	
Burundi	$100	May 10, 2005	
Cambodia	$150	October 11, 2001	
Cameroon	$150	September 1, 2007	
Canada:			
…Northwest Territory	$150	January 1, 2001	
…Other	$0	January 1, 2001	
Cape Verde	$150	January 1, 2001	
Central African Republic	$150	January 1, 2001	
Chad	$100	August 11, 2008	
Chagos Archipelago:			
Diego Garcia	$150	January 1, 2001	
Other	$50	January 1, 2001	
China:			
Beijing	$100	December 1, 2007	
Chengdu, Shenyang, Guangzhou	$150	January 1, 2001	
Hong Kong	$50	February 1, 2004	
Shanghai	$100	April 1, 2012	
Other	$150	February 1, 2004	
Colombia	$50	December 1, 2001	
Congo, Republic of:			
Brazzaville	$150	January 1, 2001	
Other	$150	April 1, 2012	
Congo, Democratic Republic of (formerly Zaire)	$100	June 7, 2005	

*Figure 17-1. Hardship Duty Location Pay Areas (Continued)

Designated Location	Monthly Rates	Effective Dates	
		From	Through
Cook Islands:			
Rarotonga	$50	January 1, 2001	
Other	$100	January 1, 2001	
Costa Rica	$50	December 2, 2004	
Cote D'Ivoire	$100	June 1, 2003	
Croatia	$0	June 1, 2012	
Cuba:			
Guantanamo Bay	$100	October 4, 2006	
Guantanamo Bay, Joint Task Force	$150	October 4, 2006	
Guantanamo Bay, Joint Task Force –when required to perform duties within the detention facility (note 3)	$100	December 26, 2006	
Havana	$150	January 1, 2001	
Other	$50	January 1, 2001	
Djibouti	$100	August 1, 2002	
Dominican Republic	$100	June 1, 2012	
East Timor	$100 $150	November 1, 2001 June 1, 2014	May 31, 2014
Ecuador:			
Guayaquil	$100	January 1, 2001	
Quito	$50	June 1, 2012	
Other	$50	June 1, 2012	
Egypt	$100	April 1, 2012	
El Salvador	$100	June 1, 2012	
Equatorial Guinea	$150	September 1, 2007	
Eritrea	$100	August 1, 2002	
Estonia	$50	January 1, 2001	
Ethiopia	$100	January 18, 2002	
Fiji	$150	April 1, 2012	
Gabon:			
Libreville	$100	June 1, 2012	
Other	$150	January 1, 2001	
Gambia	$150	January 1, 2001	
Georgia	$150	November 1, 2007	
Ghana	$150	January 1, 2001	
Greece:			
Athens	$50	April 1, 2012	
Elefsis	$50	April 1, 2012	
Ellinikon	$50	April 1, 2012	
Kavala Relay Station	$100	December 1, 2004	

*Figure 17-1. Hardship Duty Location Pay Areas (Continued)

Designated Location	Monthly Rates	Effective Dates	
		From	Through
Greece (Continued):			
Mt. Parnis	$50	April 1, 2012	
Mt. Pateras	$50	April 1, 2012	
Nea Makri	$50	April 1, 2012	
Piraeus	$50	April 1, 2012	
Tanagra	$50	April 1, 2012	
Other (includes Iraklion & Souda Bay, Crete)	$0	January 1, 2001	
Greenland	$150	January 1, 2001	
Grenada	$50	January 1, 2001	
Guatemala:			
Guatemala City	$100	April 1, 2012	
Other	$150	April 1, 2012	
Guinea	$150	January 1, 2001	
Guinea Bissau	$150	January 1, 2001	
Guyana	$150	January 1, 2001	
Haiti	$100 $150	December 1, 2001 June 1, 2014	May 31, 2014
Honduras	$100	June 1, 2012	
Hungary:			
Budapest	$0	January 1, 2001	
Other	$50	January 1, 2001	
Iceland:			
Keflavik-Grindavik	$0	April 1, 2012	
Reykjavik	$50	September 1, 2007	
Other	$50	April 1, 2012	
India	$150	February 1, 2004	
Indonesia	$100	November 1, 2001	
Iraq:	$100	August 23, 2010	
Jamaica:			
Kingston	$100	September 1, 2007	
Other	$0	January 1, 2001	
*Jordan:	$100	June 28, 2016	
Other	$50	January 18, 2002	June 27, 2016
Kazakhstan	$150	January 1, 2001	
Kenya	$100	May 23, 2002	
Kiribati, Republic of, Kiritimati (Christmas) Island	$50	February 8, 2011	
Korea, Democratic Republic of	$150	January 1, 2001	

*Figure 17-1. Hardship Duty Location Pay Areas (Continued)

Designated Location	Monthly Rates	Effective Dates	
		From	Through
Korea, Republic of:			
Area 1 (includes: Camp Edwards, Bull's Eye #1 & #2, Warrior Base, Camp Howze, Camp Garry Owen North, Camp Giant, Camp Bonifas, Stanton (H-112), Camp Greaves, Charlie Block, Freedom Bridge, Liberty Bell, Papyonsan ATC, DMZ South Half, Joint Security Area Swiss-Swede Camp, Alamo ASA (Det L), Bayonet Training Area, Camp Casey, Camp Hovey, Camp Nimble, Gimbols Gun Training Area, Mobile, Camp Castle, Shinbuk Relay (Hill 754), Watkins Range, Yongpyong (Indian Head TC), Kamaksan ASA (Det M), H220 Heliport, Camp Essayons, Camp Page, Camp Red Cloud, Camp Stanley, Camp Falling Water, Concord, Camp Kyle, La Guardia, Hwaakson Evn ATC, Camp Jackson, Camp Sears, Camp Kwang Sa-Ri	$150	January 1, 2001	
Camp Yongin	$100	February 1, 2003	
Gwang Ju AB	$100	October 1, 2004	
Pohang	$100	November 1, 2003	
Other	$50	January 1, 2001	
Kosovo	$100	September 1, 2007	
Kuwait	$50	June 1, 2012	
Kyrgyzstan	$100 $150	November 1, 2001 June 1, 2014	May 31, 2014
Laos	$150	January 1, 2001	
Latvia	$50	January 1, 2001	
Lebanon	$100	December 1, 2004	
Lesotho	$150	December 1, 2004	
Liberia:	$150	June 1, 2014	
Monrovia	$100	August 25, 2003	May 31, 2014
Other	$100	April 1, 2012	May 31, 2014
Libya	$100	April 26, 2011	
Lithuania	$50	April 1, 2012	
Macedonia	$50	June 1, 2012	
Madagascar	$150	January 1, 2001	
Malawi	$150	December 1, 2004	

*Figure 17-1. Hardship Duty Location Pay Areas (Continued)

Designated Location	Monthly Rates	Effective Dates	
		From	Through
Malaysia	$50	October 14, 2001	
Mali	$150 $100(note 3) $150	January 1, 2001 February 5, 2013 October 1, 2013	February 4, 2013 September 30, 2013
Malta	$50	September 1, 2007	
Marshall Islands: Kwajalein Atoll & Other Majuro	 $50 $150	 January 1, 2001 April 1, 2012	
Mauritania	$150	January 1, 2001	
Mauritius	$50	January 1, 2001	
Mexico: Ciudad Juarez Guadalajara Hermosillo Matamoros Mazatlan Merida Metapa Mexico City Monterrey Nogalos Nuevo Laredo Reynosa Tapachula Tijuana Tuxtia Gutierrez Other	 $50 $50 $100 $50 $50 $100 $100 $100 $50 $50 $50 $50 $100 $50 $50 $0	 June 1, 2012 April 1, 2012 April 1, 2012 April 1, 2012 April 1, 2012 April 1, 2012 September 1, 2007 February 1, 2004 September 1, 2007 September 1, 2007 February 1, 2004 April 1, 2012 January 1, 2001 September 1, 2007 January 1, 2001 January 1, 2001	
Micronesia, Federated States of	$150	December 1, 2004	
Moldova	$150	January 1, 2001	
Mongolia	$150	January 1, 2001	
Montenegro: Podgorica Other	 $100 $150 $50	 September 1, 2007 June 1, 2014 June 1, 2012	 May 31, 2014
Morocco Casablanca	 $50	 April 1,2012	
Mozambique	$150	January 1, 2001	
Namibia	$50	September 1, 2007	
Nepal	$150	January 1, 2001	

*Figure 17-1. Hardship Duty Location Pay Areas (Continued)

Designated Location	Monthly Rates	Effective Dates	
		From	Through
Nicaragua: Managua Other	 $100 $150	 December 1, 2007 February 1, 2004	
Niger	$150	January 1, 2001	
Nigeria	$150	January 1, 2001	
Oman: Muscat Salalah Other	 $0 $100 $150	 June 1, 2012 April 1, 2002 April 1, 2012	
Pakistan	$100	November 1, 2001	
Palau	$50	January 1, 2001	
Panama: Panama City Other	 $0 $50	 January 1, 2001 January 1, 2001	
Papua New Guinea	$150	January 1, 2001	
Paraguay	$50	January 1, 2001	
Peru	$100	June 1, 2012	
Philippines	$100	January 1, 2001	
Qatar: Al Udeid AB, Camp Snoopy and Camp As Syliyah Other	 $50 $50	 April 1, 2002 April 1, 2012	
Romania: Bucharest Cluj Other	 $50 $50 $50	 June 1, 2012 June 1, 2012 June 1, 2012	
Russia: Khabarovsk, Vladivostok & Yekaterinburg Moscow St. Petersburg Other	 $150 $100 $100 $150	 January 1, 2001 June 1, 2012 June 1, 2012 October 14, 2001	
Rwanda	$100 $150	April 1, 2005 June 1, 2014	May 31, 2014
Samoa (formerly Western Samoa, does not include American Samoa)	$150	April 1, 2012	
Sao Tome and Principe	$150	January 1, 2001	
Saudi Arabia	$100 $150	September 1, 2007 June 1, 2014	May 31, 2014
Senegal	$150	April 1, 2012	

*Figure 17-1. Hardship Duty Location Pay Areas (Continued)

Designated Location	Monthly Rates	Effective Dates	
		From	Through
Serbia	$100 $150	September 1, 2007 June 1, 2014	May 31. 2014
Sierra Leone	$150	November 1, 2007	
Slovakia	$50	December 1, 2004	
Solomon Islands	$100	January 1, 2001	
Somalia	$100	April 1, 2012	
South Africa	$50	September 1, 2007	
South Sudan	$100	April 1, 2012	
Sri Lanka	$150	October 14, 2001	
Sudan	$100	April 1, 2012	
Suriname	$150	February 1, 2004	
Swaziland	$100	April 1, 2012	
Syria	$100	July 31, 2003	
Taiwan: Kaohsiung Taipei Other	 $50 $50 $100	 June 1, 2012 December 1, 2007 June 1, 2012	
Tajikistan	$100 $150	November 1, 2001 June 1, 2014	May 31, 2014
Tanzania	$150	February 1, 2004	
Thailand: Bangkok & Chiang Mai Songkhla Other	 $50 $150 $150	 January 1, 2001 September 1, 2007 December 1, 2004	
Togo	$150	January 1, 2001	
Trinidad and Tobago	$50	June 1, 2012	
Tunisia	$50	January 1, 2001	
Turkey: Afyon Batman Corlu Diyarbakir Eskisehir Gaziantep Iskendrun Konya Mardin Mersin Nusaybin Oguzeli	 $100 $100 $100 $100 $50 $100 $100 $100 $100 $100 $100 $100	 August 5, 2003 August 5, 2003 August 5, 2003 August 5, 2003 May 23, 2002 August 5, 2003 August 5, 2003 August 5, 2003 August 5, 2003 August 5, 2003 August 5, 2003 August 5, 2003	

*Figure 17-1. Hardship Duty Location Pay Areas (Continued)

Designated Location	Monthly Rates	Effective Dates	
		From	Through
Turkey (Continued):			
Pirinclik	$100	August 5, 2003	
Sabiha Gokcen	$100	August 5, 2003	
Sanliurfa	$100	August 5, 2003	
Tasucu	$100	August 5, 2003	
Other	$0	May 23, 2002	
Turkmenistan	$150	January 1, 2001	
Uganda	$100	June 23, 2004	
Ukraine	$150	January 1, 2001	
United Arab Emirates:			
Abu Dhabi	$0	December 1, 2007	
Dubai	$0	January 1, 2001	
Other	$100	January 1, 2001	
Uzbekistan	$100	November 1, 2001	May 31, 2014
	$150	June 1, 2014	
Vanuatu	$100	September 1, 2007	
Venezuela	$150	November 28, 2008	
Vietnam	$150	January 1, 2001	
Western Sahara (Disputed Territory):			
Laayoune	$150	December 1, 2001	
MINURSO UN Team Site locations	$150	December 1, 2001	
Other	$0	December 1, 2001	
Yemen	$100	February 1, 2004	
Zambia:			
Lusaka	$100	June 1, 2012	
Other	$150	January 1, 2001	
Zimbabwe:			
Harare	$150	August 1, 2003	
Other	$150	September 1, 2007	

NOTES:

1. All members on qualifying duty at places within the listed country, state, or region are entitled to HDP-L. Only land areas are designated for hardship duty, except that any installations located on an ice shelf inside the Antarctic or Arctic Circle Regions are also included in the designation for that area.
2. The special pay is currently payable when ending date is not shown in "Through" column.
3. The HDP-L monthly entitlement decreases to a maximum payment of $100 when Service members are authorized a concurrent payment of $225 for Hostile Fire Pay/Imminent Danger Pay. See paragraph 170401.E.

Table 17-1. Hardship Duty Location Pay - Conditions of Entitlement

RULE	A When a member	B and	C and	D then hardship duty location pay
1	is assigned to permanent duty in a location listed in Figure 17-1 as a hardship duty area		reports permanent change of station (PCS) to the area	starts on day of arrival for duty (note 1).
2			leaves the area permanently	continues through day of departure (note 2).
3			is discharged and immediately re-enlists at the same duty station	continues to accrue.
4			is on authorized leave and remains within the area	
5			is also entitled to payment of HFP/IDP during the same month	is limited to a maximum entitlement of $100 for that month effective February 15, 2007.
6		official status is accompanied	leaves the area temporarily to perform more than 30 days of operational flight duty, temporary duty/temporary additional duty (TDY/TAD), or for hospitalization in one or more HDP-L areas	accrues at the higher area rate during the temporary assignment until return to the permanent duty station (PDS) (note 3).
7		official status is unaccompanied		accrues at the higher area rate during the first 30 days at the temporary assignment and at the temporary area rate until return to the PDS (note 3).
8		official status is accompanied	leaves the area temporarily for reasons other than to perform more than 30 days of operational flight duty, TDY/TAD, or for hospitalization in one or more HDP-L areas	continues to accrue.
9		official status is unaccompanied		continues for first 30 days.

Table 17-1. Hardship Duty Location Pay - Conditions of Entitlement (Continued)

RULE	A When a member	B and	C and	D then hardship duty location pay
10	is not assigned to permanent duty in a location listed in Figure 17-1 as a hardship duty area		is on operational flight duty, TDY/TAD, or hospitalized in one or more HDP-L areas for a continuous period of more than 30 days (including date of arrival and date of departure)	accrues at the applicable area rate retroactive from the date of arrival (notes 1 and 4). Entitlement is limited to $100 when Hostile Fire Pay/Imminent Danger Pay is payable during the same month.
11	is entitled to hardship duty location pay for temporary assignment in an area listed in Figure 17-1		leaves the area temporarily to perform more than 30 days of operational flight duty, TDY/TAD, or for hospitalization in one or more HDP-L areas	accrues at the higher area rate during the first 30 days at the follow-on assignment and then continues at the follow-on area rate until return to the original temporary area or through day of departure, if not returning (notes 3 and 4).
12	is entitled to hardship duty location pay for temporary assignment in an area listed in Figure 17-1		leaves the area temporarily for reasons other than to perform more than 30 days of operational flight duty, TDY/TAD, or for hospitalization in one or more HDP-L areas	continues for first 30 days.
13			leaves the area permanently	continues through day of departure (note 2).
14	is otherwise entitled to hardship duty location pay for assignment in an area listed in Figure 17-1 as a hardship duty area		is in confinement awaiting trial by court-martial and is acquitted or has charges dismissed	accrues retroactive to first day of confinement.
15			is in confinement awaiting trial by court-martial and is convicted	does not accrue from first day of confinement through the day before the date restored to full duty (note 5).
16			is in confinement as result of court-martial sentence	

Table 17-1. Hardship Duty Location Pay - Conditions of Entitlement (Continued)

NOTES:

1. If already in a location when it is designated a hardship duty area, the day of designation starts pay for those on permanent duty. Absences from an HDP-L area of less than 24 hours do not break continuity. A member, on operational flight duty, temporary duty, or hospitalized in an area on the date it becomes designated for HDP-L, may count the number of consecutive days already served in that area immediately preceding the date of designation. Additionally, the member may count the number of consecutive days served in a different designated area or areas, if the member served in such area(s) immediately preceding arrival in the newly designated area. In any case, entitlement to payment for HDP-L cannot accrue for any area prior to the date it is designated.
2. Rule 3 applies when a medical evacuee has been reassigned on PCS from the designated area for medical treatment.
3. Any enroute TDY/TAD, travel time, or leave will accrue HDP-L at the PDS/prevailing area rate. HDP terminates if more than 30 days pass before a member (other than a member with accompanied status at an HDP-L PDS) reports for duty in another designated area.
4. If time from more than one designated area is combined to meet the 30 day qualifying criteria, pay the rate for the area at which the greatest time was earned during the first 30 days. After the first 30 days pay the applicable rate for the area in which duty is served, prorated if necessary.
5. Non-judicial punishment does not result in loss of hardship duty pay.

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CHAPTER 17 - SPECIAL PAY - HARDSHIP DUTY

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Title 37, United States Code, (U.S.C.), section 305

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170304	OUSD (P&R)) Memo, December 21, 2000

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170401.A	37 U.S.C. § 305
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Figure 17-1

Afghanistan	ASD (FM&P) Memo, December 21, 2000
Alaska	ASD (FM&P) Memo, October 31, 2001 ASD (FM&P) Memo, July 1, 2002 ASD (FM&P) Memo, July 11, 2002 OUSD (P&R) Memo, July 28, 2008 OUSD (P&R) Memo, March 7, 2012
Albania	ASD (FM&P) Memo, March 13, 2002
Algeria	OUSD (P&R) Memo, August 29, 2007

American Samoa	OUSD (P&R) Memo, June 15, 2005
Angola	OUSD (P&R) Memo, August 29, 2007
Antarctic Region	ASD (FM&P) Memo, December 21, 2000
Antigua Air Station	ASD (FM&P) Memo, April 18, 2002
Arctic Region	ASD (FM&P) Memo, December 21, 2000
Armenia	ASD (FM&P) Memo, December 21, 2000
Ascension AAF	ASD (FM&P) Memo, April 18, 2002
Australia	ASD (FM&P) Memo, December 21, 2000 ASD (FM&P) Memo, July 11, 2002 OUSD (P&R) Memo, March 7, 2012
Azerbaijan	OUSD (P&R) Memo, October 31, 2007
Azores, Portugal	OUSD (P&R) Memo, January 28, 2004
Bahamas	ASD (FM&P) Memo, December 21, 2000
Bahrain	OUSD (P&R) Memo, December 31, 2013
Bangladesh	ASD (FM&P) Memo, December 21, 2000
Belarus	ASD (FM&P) Memo, December 21, 2000
Belize	OUSD (P&R) Memo, January 28, 2004
Benin	ASD (FM&P) Memo, December 21, 2000
Bolivia	ASD (FM&P) Memo, December 21, 2000 OUSD (P&R) Memo, August 29, 2007 OUSD (P&R) Memo, March 7, 2012
Bosnia-Herzegovina	OUSD (P&R) Memo, March 27, 2007 OUSD (P&R) Memo, March 7, 2012
Botswana	OUSD (P&R) Memo, August 29, 2007 OUSD (P&R) Memo, March 7, 2012
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	OUSD (P&R) Memo, January 28, 2004
Brunei	ASD (FM&P) Memo, December 21, 2000
Bulgaria	OUSD (P&R) Memo, January 28, 2004 OUSD (P&R) Memo, March 7, 2012
Burkina Faso	ASD (FM&P) Memo, December 21, 2000
Burma	ASD (FM&P) Memo, December 28, 2001
Burundi	OUSD (P&R) Memo, May 10, 2005
Cambodia	ASD (FM&P) Memo, October 11, 2001
Cameroon	ASD (FM&P) Memo, December 21, 2000 OUSD (P&R) Memo, August 29, 2007
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Central African Republic	ASD (FM&P) Memo, December 21, 2000
Chad	OUSD (P&R) Memo, August 11, 2008
Chagos Archipelago	ASD (FM&P) Memo, December 21, 2000
China	ASD (FM&P) Memo, December 21, 2000 OUSD (P&R) Memo, April 10, 2003 OUSD (P&R) Memo, January 28, 2004 OUSD (P&R) Memo, August 29, 2007 OUSD (P&R) Memo, March 7, 2012
Colombia	OUSD (FM&P) Memo, November 30, 2001
Congo, Democratic Republic of	OUSD (P&R) Memo, June 7, 2005 OUSD (P&R) Memo, March 7, 2012
Cook Islands	ASD (FM&P) Memo, December 21, 2000
Costa Rica	OUSD (P&R) Memo, November 17, 2004 OUSD (P&R) Memo, August 29, 2007
Cote d'Ivoire	OUSD (P&R) Memo, March 21, 2003

Croatia	OUSD (P&R) Memo, March 27, 2007 OUSD (P&R) Memo, August 29, 2007 OUSD (P&R) Memo, March 7, 2012
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Ecuador	ASD (FM&P) Memo, December 21, 2000 OUSD (P&R) Memo, March 7, 2012
Egypt	OUSD (P&R) Memo, August 5, 2003 OUSD (P&R) Memo, August 29, 2007 OUSD (P&R) Memo, March 7, 2012
El Salvador	ASD (FM&P) Memo, May 30, 2001 OUSD (P&R) Memo, August 29, 2007 OUSD (P&R) Memo, March 7, 2012
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Eritrea	ASD (FM&P) Memo, July 31, 2002
Estonia	ASD (FM&P) Memo, December 21, 2000
Ethiopia	ASD (FM&P) Memo, January 18, 2002
Fiji	OUSD (P&R) Memo, January 28, 2004 OUSD (P&R) Memo, March 7, 2012
Gabon	ASD (FM&P) Memo, December 21, 2000 OUSD (P&R) Memo, August 29, 2007 OUSD (P&R) Memo, March 7, 2012

Gambia	ASD (FM&P) Memo, December 21, 2000
Georgia	OUSD (P&R) Memo, March 27, 2007
Ghana	ASD (FM&P) Memo, December 21, 2000
Greece	ASD (FM&P) Memo, December 21, 2000 OUSD (P&R) Memo, November 17, 2004 OUSD (P&R) Memo, March 7, 2012
Greenland	ASD (FM&P) Memo, December 21, 2000
Grenada	ASD (FM&P) Memo, December 21, 2000
Guatemala	OUSD (P&R) Memo, January 28, 2004 OUSD (P&R) Memo, March 7, 2012
Guinea	ASD (FM&P) Memo, December 21, 2000
Guinea Bissau	ASD (FM&P) Memo, December 21, 2000
Guyana	ASD (FM&P) Memo, December 21, 2000
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Samoa (formerly Western Samoa)	ASD (FM&P) Memo, October 14, 2001 OUSD (P&R) Memo, March 7, 2012
Sao Tome and Principe	ASD (FM&P) Memo, December 21, 2000
Saudi Arabia	OUSD (P&R) Memo, August 5, 2003 OUSD (P&R) Memo, August 29, 2007 OUSD (P&R) Memo, December 31, 2013
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Serbia	OUSD (P&R) Memo, August 29, 2007 OUSD (P&R) Memo, December 31, 2013
Sierra Leone	OUSD (P&R) Memo, March 27, 2007
Slovakia	OUSD (P&R) Memo, November 17, 2004
Solomon Islands	ASD (FM&P) Memo, December 21, 2000
Somalia	OUSD (P&R) Memo, March 7, 2012
South Africa	OUSD (P&R) Memo, November 17, 2004 OUSD (P&R) Memo, August 29, 2007 OUSD (P&R) Memo, March 7, 2012
South Sudan	ASD M&RA Memo, July 31, 2015
Sri Lanka	ASD (FM&P) Memo, October 14, 2001
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Taiwan	OUSD (P&R) Memo, January 28, 2004 OUSD (P&R) Memo, August 29, 2007 OUSD (P&R) Memo, March 7, 2012
Tajikistan	ASD (FM&P) Memo, October 31, 2001 OUSD (P&R) Memo, December 31, 2013
Tanzania	OUSD (P&R) Memo, January 28, 2004
Thailand	ASD (FM&P) Memo, December 21, 2000 OUSD (P&R) Memo, January 28, 2004 OUSD (P&R) Memo, November 17, 2004 OUSD (P&R) Memo, August 29, 2007
Togo	ASD (FM&P) Memo, December 21, 2000
Trinidad and Tobago	OUSD (P&R) Memo, November 28, 2008 OUSD (P&R) Memo, March 7, 2012
Tunisia	ASD (FM&P) Memo, December 21, 2000
Turkey	ASD (FM&P) Memo, May 23, 2002
Turkmenistan	ASD (FM&P) Memo, December 21, 2000
Uganda	OUSD (P&R) Memo, July 23, 2004
Ukraine	ASD (FM&P) Memo, December 21, 2000
United Arab Emerites	ASD (FM&P) Memo, December 21, 2000
Uzbekistan	OUSD (P&R) Memo, December 31, 2013
Vanatu	OUSD (P&R) Memo, August 29, 2007
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Rule 5	OUSD (P&R) Memo, February 15, 2007
Rule 10	OUSD (P&R) Memo, February 15, 2007
Notes 1 & 3	OUSD (P&R) Memo, March 31, 2003

VOLUME 7A, CHAPTER 18: "SPECIAL PAY – CAREER SEA PAY (CSP)"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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

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

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

The previous version dated July 2014 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
1801	Added "Purpose" and "Authoritative Guidance" paragraphs to comply with administrative instructions.	Addition
Table 18-2	Updated table to include notes for Army Career Sea Pay (CSP) and CSP-Premium (CSP-P) rates.	Revision
Table 18-4	Updated table to include notes for Air Force CSP and CSP-P rates.	Revision

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CHAPTER 18

SPECIAL PAY – CAREER SEA PAY (CSP)

*1801 GENERAL

180101. Purpose

This chapter establishes policy pertaining to CSP and CSP-Premium (CSP-P).

180102. Authoritative Guidance

The bibliography at the end of this chapter lists the authoritative references.

1802 PROVISIONS

180201. Entitlement

A member who is entitled to basic pay is entitled to CSP and CSP-P while serving on sea duty under regulations prescribed by the Secretary concerned and the provisions of this chapter.

180202. Definitions

A. CSP. CSP is special pay for recognition of the greater than normal rigors of assignment to sea duty.

B. CSP-P. CSP-P is special pay that is in addition to CSP and is paid for unusually long periods of continuous sea duty. A member entitled to CSP who has served 36 consecutive months of sea duty is also entitled to CSP-P for the 37th consecutive month and each subsequent consecutive month of sea duty served.

C. Sea Duty. Sea duty, for the purpose of entitlement to CSP and CSP-P, is duty performed by a member under orders meeting one of the following conditions:

1. While permanently assigned for duty to a ship, ship-based staff, or ship-based aviation unit and serving in a ship with a primary mission that is accomplished underway (includes ships designated as destroyers or submarine tenders). Periods when the member is on temporary duty (TDY), on leave, hospitalized, or otherwise temporarily absent under orders, not to exceed the first 30 consecutive days of each occurrence, are also counted;

2. While temporarily assigned for duty to a ship, ship-based staff, or ship-based aviation unit and serving in a ship with a primary mission that is accomplished underway (includes ships designated as destroyers or submarine tenders);

3. While permanently or temporarily assigned for duty to a ship or ship-based staff and serving in a ship with a primary mission that is accomplished in port, but

only during that period while the ship is away from its homeport. A ship is considered to be away from its homeport whenever it is at sea or is in a port that is more than 50 miles from its homeport; or

4. While serving as a member of the off-crew of a two-crewed submarine.

D. Cumulative Sea Duty (CSD). CSD is the total time a member has been assigned to qualifying sea duty during their service career, regardless of pay grade. Additionally, it will include all time during which a member is assigned to a ship or ship-based staff and actually served in a ship with a primary mission that is accomplished in port, regardless of whether the ship is at sea or away from homeport.

E. Ship. Ship, for the purpose of entitlement to CSP and CSP-P, means a self-propelled vessel in an active status, in commission, or in-service.

1803 CONDITIONS OF ENTITLEMENT

180301. General Conditions

The general conditions of entitlement to CSP are listed in Table 18-1. Additionally, entitlement to and the rate of CSP is dependent upon the branch of service, pay grade, and total CSD applicable to the member. All members in pay grades E-1 through O-6 are eligible for payment of CSP, except commissioned officers of the Army and Air Force with 3 or less years of CSD and enlisted members of the Air Force in pay grades below E-4.

180302. CSP-P Conditions

The conditions of entitlement to CSP-P require the member to first be entitled to CSP. The CSP-P is in addition to CSP; however, for certain pay grades, it has been included in the CSP rate tables and is not payable as a separate item. When payable as a separate item, CSP-P accrues from the first day following the completion of the 36th month of consecutive sea duty and will be prorated if beginning on other than the first day of a calendar month. For example, a member beginning a period of sea duty on January 15, 2011 would accrue CSP-P beginning January 15, 2014. The CSP-P is payable for the 37th and each subsequent consecutive month of sea duty regardless of the member's pay grade when the sea duty began, provided the member is concurrently entitled to CSP.

A. The following members of the Navy and Marine Corps may become entitled to CSP-P as a separate item of pay:

1. All officers in pay grades O-1 through O-6;

2. All warrant officers;

3. All enlisted members in pay grades E-1 through E-4; and

4. All enlisted members in pay grades E-5 through E-9 with not over 8 years of CSD.

B. The following members of the Army may become entitled to CSP-P as a separate item of pay:

1. All officers in pay grades O-1 through O-6; and

2. All enlisted members in pay grades E-1 through E-3.

C. The following members of the Air Force may become entitled to CSP-P as a separate item of pay:

1. All officers in pay grades O-1 through O-6;

2. All enlisted members in pay grade E-4; and

3. All enlisted members in pay grades E-5 through E-9 with not over 5 years of CSD.

D. Members not addressed in subparagraphs 180302.A, B, and C have CSP-P already included in their applicable CSP rate table or are otherwise not eligible to receive a separate CSP-P payment.

1804 RATES PAYABLE

180401. CSP

The Secretary concerned will prescribe the monthly rates for special pay applicable to members of each Military Service under the Secretary's jurisdiction. The monthly rate may not exceed $750.

A. The monthly rates of CSP for members of the Army are in Table 18-2.

B. The monthly rates of CSP and CSP-P (for E-5 through E-9 with over 8 years of CSD) for members of the Navy and Marine Corps are listed in Table 18-3.

C. The monthly rates of CSP for members of the Air Force are listed in Table 18-4.

180402. CSP-P

The Secretary concerned will prescribe the monthly rate for CSP-P applicable to members of each Military Service under the Secretary's jurisdiction. The monthly rate may not exceed $350.

1805 RESTRICTIONS

180501. Enroute and Transport Restrictions

Do not credit time for sea duty and do not pay CSP or CSP-P to members enroute to or from ships outside the Continental United States or onboard a ship for transportation, regardless of the length of the period. This restriction applies to the periods prior to a member reporting for permanent duty and after being permanently detached from duty onboard a ship.

180502. Midshipmen and Cadet Members

Do not credit time for sea duty and do not pay CSP or CSP-P to midshipmen, aviation cadets, or academy cadets.

180503. Navy and Marine Corps Members

Do not pay CSP-P to Navy and Marine Corps members entitled to CSP in Table 18-3 for duty if in pay grades E-5 through E-9 with over 8 years of CSD.

180504. Army Members

Do not pay CSP-P to Army members entitled to CSP in Table 18-2 for duty:

A. Between October 1, 2002 and June 30, 2003 if in pay grades E-5 through E-9; or

B. On or after July 1, 2003 if in pay grades E-4 through E-9 or W-1 through W-5.

180505. Air Force Members

Do not pay CSP-P to Air Force members entitled to CSP in Table 18-4 for duty if in pay grades E-5 through E-9 with over 5 years of CSD.

Table 18-1. CSP – Conditions of Entitlement

RULE	A	B	C	D	E
	When an eligible member	is serving on a ship whose primary mission is accomplished		and	then CSP
		underway	in port		
1	reports for permanent duty defined as sea duty	X			starts on reporting date.
2			X	member is onboard when ship departs from homeport	accrues from departure date.
3			X	member reports onboard while ship is away from homeport	accrues from reporting date.
4	is detached from permanent duty defined as sea duty	X	X		terminates on detachment date, provided member is otherwise entitled on that date.
5	is discharged while on sea duty	X	X	immediately reenlists onboard	continues to accrue, provided member is otherwise entitled.
6	on sea duty is entitled to CSP		X	ship returns to homeport	accrues through the date the ship returns to homeport.
7	on sea duty	X		is on TDY, Temporary Assigned Duty (TAD), temporarily based ashore, under orders, or hospitalized ashore (note 1)	accrues during the first 30 days member is in such status.
8			X		accrues during the first 30 days member is in such status, provided member is otherwise entitled and ship remains away from its homeport (note 2).
9	on sea duty is on authorized leave	X	X		accrues for the first 30 days of leave if otherwise entitled. There is no accrual during terminal leave.
10	is based on or stationed ashore	X		the type of duty is TAD or TDY	accrues from reporting date through detachment date (note 3).

Table 18-1. CSP – Conditions of Entitlement (Continued)

RULE	A	B	C	D	E
	When an eligible member	is serving on a ship whose primary mission is accomplished: underway	is serving on a ship whose primary mission is accomplished: in port	and	then CSP
11	is based on or stationed ashore		X		accrues as indicated in rules 2 and 3, as applicable, and terminates when the ship returns to homeport or detachment date if ship remains away from homeport.
12	is suspended or otherwise removed from duty or confined awaiting trial by court-martial	X	X	is acquitted or charges are dismissed	accrues retroactively from first day of confinement, suspension, or removal from duty, provided member is otherwise entitled.
13		X	X	is convicted	does not accrue beginning first day of confinement, suspension, or removal from duty through day prior to date of return to duty (note 4).
14	is confined as a result of court-martial	X	X		does not accrue beginning first day of confinement through day prior to date of release from confinement (note 4).
15	is permanently or temporarily assigned to duty on a ship which is undergoing alterations or repairs	X	X (note 5)	ship remains in an active status (in commission or in-service) (note 6)	continues to accrue.

Table 18-1. CSP – Conditions of Entitlement (Continued)

RULE	A	B	C	D	E
	When an eligible member	is serving on a ship whose primary mission is accomplished: underway	is serving on a ship whose primary mission is accomplished: in port	and	then CSP
16	is permanently or temporarily assigned to duty on a ship undergoing inactivation processing	X	X		stops when the ship reverts to inactive status.
17	is assigned to a Fleet Marine Force unit based on or stationed ashore	X		the type of duty is TAD or TDY	accrues from the embarkation date through the debarkation date (note 3).

NOTES:

1. "Temporarily based ashore" refers to a ship-based aviation unit or ship-based staff that has landed ashore with intent to return to a ship.
2. Entitlement terminates when the ship returns to the homeport.
3. Further TAD/TDY ashore from ship will not interrupt CSP entitlement for the first 30 days member is in such status, provided member is otherwise entitled and returns to the ship.
4. Where sentence is changed to restriction to ship and member performs duty, CSP is resumed. Nonjudicial punishment does not result in loss of CSP.
5. Entitlement accrues only when the ship is away from the homeport.
6. Chief of Naval Operations Instruction (OPNAVINST) 4700.8K series defines ship status assignments for United States Naval ships.

*Table 18-2. Monthly CSP Rates – Army
Effective October 1, 2002

Pay Grade	*Cumulative Years of Sea Duty*								
	1 or less	**Over 1**	**Over 2**	**Over 3**	**Over 4**	**Over 5**	**Over 6**	**Over 7**	**Over 8**
O-6				225	230	230	240	255	265
O-5				225	225	225	225	230	245
O-4				185	190	200	205	215	220
O-3				150	160	185	190	195	205
O-2				150	160	185	190	195	205
O-1				150	160	185	190	195	205
W-5	210	210	210	310	338	506	534	534	534
W-4	210	210	210	310	338	506	534	534	534
W-3	210	210	210	310	338	478	492	499	506
W-2	210	210	210	310	338	464	471	471	478
W-1	182	189	196	310	338	345	380	450	478
E-9	130	130	156	328	347	425	425	458	477
E-8	130	130	156	328	347	425	425	458	477
E-7	130	130	156	328	347	425	425	458	477
E-6	130	130	156	295	321	380	393	425	425
E-5	65	78	156	295	321	380	393	425	425
E-4	65	78	156	295	308	308	308	308	308
E-3	50	60	120	150	160	170	190	190	190
E-2	50	60	120	150	160	170	170	170	170
E-1	50	60	120	150	160	160	160	160	160

NOTES:

1. Do not pay CSP-P to Army members entitled to CSP for duty between October 1, 2002 and June 30, 2003 if in pay grades E-5 through E-9.
2. Do not pay CSP-P to Army members entitled to CSP for duty on or after July 1, 2003 if in pay grades E-4 through E-9 or W-1 through W-5.

Table 18-2. Monthly CSP Rates – Army (Continued)
Effective October 1, 2002

Pay Grade	*Cumulative Years of Sea Duty*								
	Over 9	**Over 10**	**Over 11**	**Over 12**	**Over 13**	**Over 14**	**Over 16**	**Over 18**	**Over 20**
O-6	280	290	300	310	310	325	340	355	380
O-5	250	260	265	265	265	285	300	315	340
O-4	220	225	225	240	240	270	280	290	300
O-3	215	225	225	240	240	260	270	280	290
O-2	215	225	225	240	240	250	260	270	280
O-1	215	225	225	240	240	250	260	270	280
W-5	534	590	625	660	660	730	730	730	730
W-4	534	590	625	660	660	730	730	730	730
W-3	534	590	625	660	660	695	695	695	695
W-2	534	576	576	625	625	625	625	625	625
W-1	520	555	555	555	555	555	555	555	555
E-9	490	490	503	516	555	588	620	646	646
E-8	490	490	503	516	555	588	620	646	646
E-7	490	490	503	516	555	588	620	620	620
E-6	445	445	445	464	484	503	523	555	555
E-5	425	425	425	425	425	425	425	425	425
E-4	308	308	308	308	308	308	308	308	308
E-3	190	190	190	190	190	190	190	190	190
E-2	170	170	170	170	170	170	170	170	170
E-1	160	160	160	160	160	160	160	160	160

NOTES:

1. Do not pay CSP-P to Army members entitled to CSP for duty between October 1, 2002 and June 30, 2003 if in pay grades E-5 through E-9.
2. Do not pay CSP-P to Army members entitled to CSP for duty on or after July 1, 2003 if in pay grades E-4 through E-9 or W-1 through W-5.

Table 18-3. Monthly CSP and CSP-P – Navy and Marine Corps
Effective May 1, 2014

Pay Grade	*Cumulative Years of Sea Duty*								
	1 or less	**Over 1**	**Over 2**	**Over 3**	**Over 4**	**Over 5**	**Over 6**	**Over 7**	**Over 8**
O-6	100	100	100	394	400	400	419	450	463
O-5	100	100	100	394	394	394	394	400	431
O-4	100	100	100	325	331	350	356	375	388
O-3	100	100	100	263	281	325	331	344	356
O-2	100	100	100	263	281	325	331	344	356
O-1	100	100	100	263	281	325	331	344	356
W-5	210	210	210	263	300	506	544	544	544
W-4	210	210	210	263	300	506	544	544	544
W-3	210	210	210	263	300	475	494	500	506
W-2	210	210	210	263	300	456	463	463	475
W-1	180	190	195	263	300	306	350	438	475
E-9	135	135	160	381	400	438	438	469	688
E-8	135	135	160	381	400	438	438	469	688
E-7	135	135	160	381	400	438	438	469	688
E-6	135	135	160	350	375	394	406	438	638
E-5	70	80	160	350	375	394	406	438	638
E-4	70	80	160	350	363	363	363	363	488
E-3	50	60	100	125	125	125	125	125	125
E-2	50	60	75	94	94	94	94	94	94
E-1	50	50	50	63	63	63	63	63	63

NOTE: CSP-P is $200 per month. Do not pay CSP-P to pay grades E5 through E9 with over 8 years of CSD. CSP-P is included in their CSP.

Table 18-3. Monthly CSP and CSP-P – Navy and Marine Corps (Continued)
Effective May 1, 2014

Pay Grade	*Cumulative Years of Sea Duty*								
	Over 9	**Over 10**	**Over 11**	**Over 12**	**Over 13**	**Over 14**	**Over 16**	**Over 18**	**Over 20**
O-6	494	506	525	544	544	569	594	625	669
O-5	438	456	463	463	463	500	525	550	594
O-4	388	394	394	419	419	475	494	506	525
O-3	375	394	394	419	419	456	475	494	506
O-2	375	394	394	419	419	438	456	475	494
O-1	375	394	394	419	419	438	456	475	494
W-5	544	613	656	700	700	750	750	750	750
W-4	544	613	656	700	700	750	750	750	750
W-3	544	613	656	700	700	744	744	750	750
W-2	544	594	594	656	656	700	700	700	700
W-1	525	569	569	594	594	631	656	656	656
E-9	700	700	713	725	750	750	750	750	750
E-8	700	700	713	725	750	750	750	750	750
E-7	700	700	713	725	750	750	750	750	750
E-6	656	656	656	675	694	713	731	750	750
E-5	638	638	638	638	638	638	638	638	638
E-4	488	488	488	488	488	488	488	488	488
E-3	125	125	125	125	125	125	125	125	125
E-2	94	94	94	94	94	94	94	94	94
E-1	63	63	63	63	63	63	63	63	63

NOTE: CSP-P is $200 per month. Do not pay CSP-P to pay grades E5 through E9 with over 8 years of CSD. CSP-P is included in their CSP.

*Table 18-4. Monthly CSP Rates – Air Force
Effective May 1, 1988

Pay Grade	*Cumulative Years of Sea Duty* (See Note)								
	1 or less	Over 1	Over 2	Over 3	Over 4	Over 5	Over 6	Over 7	Over 8
O-6				225	230	230	240	255	265
O-5				225	225	225	225	230	245
O-4				185	190	200	205	215	220
O-3				150	160	185	190	195	205
O-2				150	160	185	190	195	205
O-1				150	160	185	190	195	205
E-9	100	100	120	175	190	350	350	375	390
E-8	100	100	120	175	190	350	350	375	390
E-7	100	100	120	175	190	350	350	375	390
E-6	100	100	120	150	170	315	325	350	350
E-5	50	60	120	150	170	315	325	350	350
E-4	50	60	120	150	160	160	160	160	160

Table 18-4. Monthly CSP Rates – Air Force (Continued)
Effective May 1, 1988

Pay Grade	*Cumulative Years of Sea Duty* (See Note)								
	Over 9	Over 10	Over 11	Over 12	Over 13	Over 14	Over 16	Over 18	Over 20
O-6	280	290	300	310	310	325	340	355	380
O-5	250	260	265	265	265	285	300	315	340
O-4	220	225	225	240	240	270	280	290	300
O-3	215	225	225	240	240	260	270	280	290
O-2	215	225	225	240	240	250	260	270	280
O-1	215	225	225	240	240	250	260	270	280
E-9	400	400	410	420	450	475	520	520	520
E-8	400	400	410	420	450	475	500	520	520
E-7	400	400	410	420	450	475	500	500	500
E-6	365	365	365	380	395	410	425	450	450
E-5	350	350	350	350	350	350	350	350	350
E-4	160	160	160	160	160	160	160	160	160

NOTE: Do not pay CSP-P to Air Force members entitled to CSP in Table 18-4 for duty if in pay grades E-5 through E-9 with over 5 years of CSD.

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180102	Title 37, United States Code (U.S.C.), section 305a(e)

1803 – RATES PAYABLE

180302	37 U.S.C. § 305a(c)

1804 – RESTRICTIONS

180401	37 U.S.C. § 305a(d)
Table 18-2	Assistant Secretary of the Army Manpower and Reserve Affairs Memo, September 20, 2002
Table 18-3	OPNAVINST 7220.14, December 24, 2005 Secretary of the Navy Memo, March 4, 2014 Office of the Assistant Secretary of the Navy Memo, April 11, 2014
Table 18-4	Public Law 100-180, section 621, December 4, 1987

VOLUME 7A, CHAPTER 19: "FOREIGN LANGUAGE PROFICIENCY BONUS"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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

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

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

The previous version dated July 2016 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current administrative instructions.	Revision
190205	Added a note to reference the "Pay and Allowance Continuation Program" in accordance with Title 37, United States Code, section 372.	Addition
190305	Extended "Duration of Authority" to December 31, 2017.	Revision
Bibliography	Updated statutes and references.	Revision

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CHAPTER 19

FOREIGN LANGUAGE PROFICIENCY BONUS

1901 GENERAL

190101. Purpose

This chapter establishes policy pertaining to Foreign Language Proficiency Bonus (FLPB) for members of an Active Component (AC) or Reserve Component (RC) of the uniformed services.

190102. Authoritative Guidance

The bibliography at the end of this chapter lists the authoritative references.

1902 ENTITLEMENT

190201. General Provisions

A. The Secretary of the Military Department concerned will pay FLPB to a member of an AC or RC, that has been certified as proficient in one or more foreign languages, or dialects identified on the Department of Defense (DoD) Strategic Language List (SLL) in the Immediate and Emerging category (see Table 19-1, Payment Category A).

B. The Secretary may pay FLPB to a member of an AC or RC of the uniformed services who has been certified as proficient in one or more foreign languages or dialects:

1. Identified on the DoD or Service Secretary SLL in the Enduring category (Service Secretaries may choose to pay or not pay FLPB, see Table 19-1, Payment Category B); or

2. Not identified on the DoD SLL, but designated by the Secretary concerned as a foreign language or dialect for which proficient personnel are required to accomplish DoD Component specific missions (see Table 19-1, Payment Category B).

C. The Secretary may not vary the criteria or rates for the proficiency bonus paid for officers and enlisted members.

190202. AC Eligibility

A. The Secretary concerned will pay a FLPB to a member of an AC of the uniformed services who meets at least one of the following conditions:

1. Is qualified in a military career specialty requiring proficiency in a foreign language or dialect and is certified proficient in that foreign language or dialect;

2. Has received training, in accordance with regulations prescribed by the Secretary, designed to develop proficiency in a foreign language or dialect;

3. Is assigned to military duties requiring a proficiency in a foreign language or dialect for which the DoD or the Secretary concerned has identified a need; or

4. Is certified proficient in a foreign language or dialect in accordance with paragraph 190204 for which the DoD or the Secretary has identified a critical need.

B. The member must execute a written agreement with the Secretary concerned that specifies the:

1. Amount of FLPB awarded;

2. Period for which the FLPB will be paid;

3. Initial certification or recertification necessary for the FLPB payment; and

4. Repayment provision of the unearned portion of any remaining FLPB if the member does not satisfy the eligibility and certification requirements for the length of the written agreement.

C. The member must achieve a minimum of Interagency Language Roundtable (ILR) skill level 2/2 (ILR skill level 1/1 if authorized by the Secretary concerned) or higher in any two modalities on a DoD or Service Secretary SLL, Service-approved foreign language or dialect in order to receive FLPB, except as outlined in paragraphs 190206 and 190207.

190203. RC Eligibility

A. In order to receive FLPB in a similar fashion as a member of the AC, a member of the RC must:

1. Meet the eligibility certification requirements outlined in paragraph 190202, 190204, 190206, and 190207; and

2. Fulfill the minimum annual service requirements for retirement eligibility, as defined in ***Title 10, United States Code (U.S.C.), section 12732*** unless waived by the Secretary of the Military Department concerned.

B. An RC member must earn a minimum of 50 retirement points, regardless of the RC source, in each full anniversary year to have that year creditable towards verification of the total years of qualifying service for non-regular retired pay and payment of FLPB.

1. A partial qualifying year is any period of less than 12 full months during which the RC member earns a prorated share of 50 retirement points and an identical prorated share (or smaller percentage of full FLPB annual payment) of FLPB.

2. An RC member who performs a partial qualifying year of less than 12 full months and earn less than 50 retirement points in a year will have their FLPB prorated at a value of 2 percent for each retirement point less than 50 points.

C. The total of FLPB paid to an RC member in good standing, and who has not been adjudicated as an unsatisfactory performer in the previous 12 months, must equal the annual FLPB paid to an AC member with the same certified language proficiency.

D. For RC members, the requirement to attain 50 points during a separation year is waived for a FLPB calculation if the member separates before 12 months in the anniversary year. The RC member will be paid the standard FLPB monthly allotment for months in good standing, with the last month prorated if separation occurs before the last day of the month. RC members in a separation year, which are no longer in good standing, will have their FLPB terminated in the month in which they fall from good standing. The exception to the 50-point standard in a separation year is an RC member who serves the entire anniversary year. The individual must earn 50 points to collect the last month of FLPB prior to separation.

190204. Certification

A. A member must be eligible and certified by the Secretary concerned as being proficient in a foreign language or dialect for which the bonus is offered.

B. The certification of a member's foreign language or dialect proficiency will expire at the end of the 1-year period beginning on the first day of the first month after the certification date. A member must test annually in each foreign language or dialect in order to continue receiving FLPB, unless recertified under the conditions stipulated in paragraphs 190206 and 190207. The Secretary concerned may retest a member no earlier than 6 months from the last administration of a test in that foreign language or dialect unless the member has completed a significant language education or training event (at least 150 hours of immersion training or 6 consecutive weeks of 5-hour-a-day classroom training) in that foreign language or dialect.

C. A member must be certified as proficient in any combination of two of the three modalities (reading (R), listening (L), and speaking (S)) to receive FLPB, except as noted in Table 19-1, Note 2.

*190205. Amount and Method of Payment

A. The bonus rate of FLPB may not exceed $12,000 per 1-year certification period. The Secretary of the Military Department concerned may pay a bonus in monthly installments or a lump sum during the certification period.

B. The monthly rate will not exceed $500 per month for a single foreign language or dialect, or $1,000 per month for two or more foreign languages or dialects. The total annual FLPB amount may not exceed $12,000 for each 1-year period of certification.

C. To receive the maximum monthly bonus installment allowed in any payment category (A or B), a member must acquire 3/3/3 proficiency in all three modalities or achieve an ILR skill level 4/4 or above in any two modalities (see Table 19-1).

D. The Secretary concerned:

1. May authorize FLPB at either Payment A or B rates (see Table 19-1) for DoD-approved languages not on the SLL and where there is a need to ensure a sufficient number of proficient personnel to accomplish DoD Component specific missions;

2. May, in the case of foreign languages considered prevalent in the force, limit the payment of FLPB to those Service members whose duties require proficiency in such languages or as determined by the Secretary of the Military Department concerned; or

3. May authorize the payment of FLPB to Service members whose duties require an ILR skill below level 2 in the L, R, or S modalities.

*Note: Hospitalized members may be entitled to FLPB under the Pay and Allowance Continuation (PAC) Program. See Chapter 13 for PAC entitlement eligibility.

190206. Waiver of Recertification of Proficiency

A. The Secretary concerned may waive the certification requirement and pay FLPB to a member who:

1. Is assigned to duty in connection with a contingency operation;

2. Is unable to schedule or complete the test for certification because of that assignment; and

3. Except for the lack of such certification, satisfies the eligibility requirements cited in paragraphs 190202 or 190203.

B. The Secretary may treat the date the member was assigned to duty in connection with a contingency operation as equivalent to a certification date.

C. When a member whose certification will expire during a contingency operation assignment or within 6 months following return to the continental United States or to an overseas permanent duty station, the Secretary concerned will authorize the Service member those 6 months after returning as a mandatory grace period to recertify for FLPB.

D. If a member fails to obtain the required certification by the end of the 6-month period, then the Secretary may require the Service member to repay all or a portion of the FLPB received in accordance with paragraph 190303.

E. The Secretary may waive the annual certification in subparagraph 190204.B and the duration of certification requirements in paragraphs 190206 and 190207, if the Service FLPB regulation addresses the specific circumstances under which the Service Secretary may waive either or both of these certification requirements.

190207. Exceptions to Recertification

The Secretary concerned may elect to recertify a member's foreign language or dialect proficiency using their last recorded DoD Language Proficiency Test (DLPT) scores when:

A. A member is assigned to duty outside the continental United States (excluding Alaska and Hawaii) at a location where web-delivered testing facilities are not available or accessible. In such cases, member may complete the recertification requirements provided in paragraph 190204, no later than 6 months after the date released from the duty assignment. The Secretary is responsible for determining which locations qualify for this recertification and the duration (not to exceed 6 months) of the Service recertification grace period;

B. A member's certification expires while attending a significant language education or training event (at least 150 hours of immersion training or 6 consecutive weeks of 5-hour-a-day classroom training) or other significant events as defined by the Secretaries of the Military Departments, Defense Agencies, and DoD Field Activities heads. The next 1-year certification period will begin when they retest after they complete the significant language education or training event. The member's FLPB will continue while in training up until completion of the course retest event. Further FLPB entitlement will be based on the results from that event; or

C. A member who initially certifies or recertifies proficient through the DLPT system, at or above ILR skill levels 3/3 or 3/3/3 in a foreign language or dialect, must take an approved test within the DLPT system no less frequently than every 2 years for recertification, in which case recertification in the off year may be accomplished using a method selected by the Secretary of the Military Department.

*1903 CONDITIONS OF ENTITLEMENT

190301. Requirements

A member must qualify under any additional eligibility requirements prescribed by the Secretaries concerned, and is subject to Service specific certification requirements and amount of payment restrictions as outlined in:

A. DoD: DoD Instruction ***(DoDI) 1340.27***, Military Foreign Language Skill Proficiency Bonuses and ***DoDI 5160.71***, DoD Language Testing Program;

B. Army: Army Regulation ***11-6***;

C. Navy: Chief of Naval Operations Instruction ***7220.7G***;

D. Air Force: Air Force Instruction ***(AFI) 36-2605***, Attachment 10 and 14, and ***AFI 36-4002***; or

E. Marine Corps: Marine Corps Order ***7220.52F***.

NOTE: Pay authorizing officials must access the current DoD SLL and the Component's unique foreign language bonus pay authorizations, additional eligibility rules, and certification requirements in order to ensure the correct FLPB payment is authorized.

190302. Tax

FLPB is an item of pay subject to federal withholding tax. It is not subject to the Federal Insurance Contributions Act tax.

190303. Repayment

A member who receives FLPB, but does not satisfy eligibility and certification requirements specified in section 1902 will be subject to the repayment provisions of Chapter 2.

190304. Relationship to Other Pay and Allowances

A member may not be paid more than one Skill Incentive Pay or Proficiency Bonus in any month for the same period of service and skill. A member may be paid skill incentive pay or the proficiency bonus in section 1903, in addition to any other pay and allowances to which the member is entitled, except that a member may not be paid skill incentive pay or a proficiency bonus and hazardous duty pay in accordance with Chapter 24 for the same period of service in the same career field or skill.

*190305. Duration of Authority

Unless authorized by the Congress, no FLPB agreement may be entered into after December 31, 2017.

Table 19-1. FLPB Installment Rates (Note 1)

Proficiency in any combination of the R, L, and S modality of the Service's determination (note 2)	Payment Category A (A-rate) For Immediate and Emerging (note 3) DoD SLL Languages or Dialects (note 4)	Payment Category B (B-scale) For Enduring (note 5) Languages or Dialects (note 4)	Payment Category B (B-scale) for Languages and Dialects not on the DoD SLL (note 4)
ILR SKILL LEVELS	MONTHLY PAY (in $)	MONTHLY PAY (in $) (note 6)	MONTHLY PAY (in $) (note 6)
1/1 (note 5	$100.00	0-100.00	0-100.00
1+/1+ (note 5	$150.00	0-150.00	0-150.00
2/2 (note 3	$200.00	0-200.00	0-200.00
2/2+ (note 3)	$250.00	0-250.00	0-250.00
2+/2+ or 2/3 (note 3)	$300.00	0-300.00	0-300.00
2+/3(note 3)	$350.00	0-350.00	0-350.00
3/3 (note 3)	$400.00	0-400.00	0-400.00
3/3/3 or 4/4 (note 3)	$500.00	0-500.00	0-500.00

NOTES:

1. All possible ILR skill level proficiency combinations are not depicted. In the case where a member's certified proficiency falls between two skill levels depicted, the member must be paid at the next lower skill level depicted (if at or above ILR skill level 2/2) where both proficiencies meet or exceed that lowest depicted payment threshold.
2. The member must be certified as proficient using the proficiency skill levels shown in any combination of two of the three modalities (L, R, and S) of the Service's determination in order to receive FLPB.
   A. In the case of languages or dialects where there is only a single modality Office of the Under Secretary of Defense Personnel & Readiness (OUSD P&R)-approved test (L or R score), the Secretary concerned may:
      1. Require the member to also take an OUSD P&R-approved Oral Proficiency Interview (OPI) to achieve the requirement of two modality scores for FLPB eligibility; or
      2. Use a corresponding modality from a different dialect of the same language to serve as the second modality for FLPB eligibility (i.e., combine the Modern Standard Arabic R DLPT modality score with an L score from a different dialect of Arabic).
   B. In the case of foreign languages or dialects where a DLPT or another test approved by OUSD P&R does not exist but an OUSD P&R-approved OPI is available, the Secretary may pay FLPB for the single S modality only.
3. The Secretary must pay Immediate and Emerging DoD SLL category languages (at ILR skill level 2/2 and above).
4. The Secretary may pay FLPB at the Category B scale to Service members who test proficient in an additional DoD or Service-approved dialect of a language for which they receive FLPB at the Category A rate.
5. The Secretary has discretion to pay FLPB at the ILR skill levels 1/1 and 1+/1+.
6. The Secretary has discretion to pay or not pay FLPB on the scale bounded by zero and the Category A rate and at any 25 dollar increment between those lower and upper FLPB pay limits.

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1902 – ENTITLEMENT

	190201	DoDI 1340.27, May 21, 2013 37 U.S.C. § 353(b)(1) & (c)(2)
	190202	DoDI 1340.27, May 21, 2013
	190203	DoDI 1340.27, May 21, 2013
	190204	37 U.S.C. § 353(d)(1) & (2)
	190205	37 U.S.C. § 353(c)
*	Note	37 U.S.C. § 372
*		Public Law (P.L.) 110-181, section 661, January 28, 2008
	190206	37 U.S.C. § 353(d)(3)
	190207	DoDI 1340.27, May 21, 2013

1903 – CONDITIONS OF ENTITLEMENT

	190303	37 U.S.C. § 353(g)
	190304	37 U.S.C. § 353(h)
	190305	37 U.S.C. § 353(i)
*		P.L. 114-328, section 614 (9), December 23, 2016

Table 19-1	DoDI 1340.27, May 21, 2013

VOLUME 7A, CHAPTER 20: "AVIATION BONUS (AvB)"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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

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

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

The previous version dated July 2016 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Formatted chapter to comply with current administrative instructions.	Revision
2002	Extended "Duration of Authority" for aviation retention bonus to December 31, 2017 per Public Law 114-328, December 23, 2016.	Revision
200301	Added paragraph 200301 and revised paragraph 200302 to clarify "Eligibility Requirements" in accordance with the Department of Defense Instruction (DoDI) 7730.67, October 20, 2016.	Addition
200302	Clarified paragraph in accordance with DoDI 7730.67.	Revision
2004	Revised bonus amounts in accordance with DoDI 7730.67.	Revision
2005	Changed section 2005 title and updated in accordance with DoDI 7730.67.	Revision
Bibliography	Updated statutes and references.	Revision

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CHAPTER 20

AVIATION BONUS (AvB)

2001 GENERAL

200101. Purpose

The Secretaries of the Military Departments may offer an Aviation Bonus (AvB) to increase their respective Department's ability to attract and retain officers in a military aviation career. An AvB paid to an eligible officer is in addition to any other pay and allowance to which the officer is entitled, except that an officer may not receive a payment for the same skill and period of service.

200102. Authoritative Guidance

The bibliography at the end of this chapter lists the authoritative references.

*2002 DURATION OF AUTHORITY

No agreement under this chapter may be entered into after December 31, 2017, unless the Congress extends this bonus authority.

2003 ELIGIBILITY REQUIREMENTS

*200301. General

The Military Departments may offer an AvB on a selective basis, in accordance with Title 37, United States Code (U.S.C.), section 334(b), when there is a shortage or a projected shortage of Regular or Reserve Component (RC) officers qualified in critical aviation specialties. AvBs will be limited to those periods in an officer's aviation career in which AvBs can be expected to affect retention trends for the Military Service concerned.

*200302. Qualifications

To qualify for an AvB, an officer on active duty (AD) or in an active status must:

A. Be eligible for Aviation Incentive Pay at the time of incurring the initial AvB contractual obligation;

B. Be in a pay grade of O-5 or below at the time of incurring the initial AvB contractual obligation;

C. Serve in an aviation specialty or skill designated as critical by the Secretary of the Military Department concerned;

D. Have completed or is within one year of completing any service obligation incurred for undergraduate aviator training. In accordance with 10 U.S.C. § 653, the minimum service obligation of any Service member who successfully completes training in the Armed Forces as a pilot is 8 years if the member is trained to fly fixed-wing jet aircraft, or 6 years if the member is trained to fly any other type of aircraft;

E. Execute a written agreement to remain on AD in the Regular Component or to serve in an active status in the selected reserve for at least one year; and

F. Meet such other additional criteria as the Secretary of the Military Department concerned may prescribe.

*2004 PAYMENT METHODS AND AMOUNTS

200401. Payment Method

The Secretary of the Military Department concerned may pay an AvB to Regular or RC officers of a Uniformed Service who meet the qualification criteria in paragraph 200302 in a lump sum or in periodic installments, as determined by the Secretary concerned.

200402. Amounts

The AvB amount, covered by the written agreement described in paragraph 200501 between the Regular or RC officer and the Secretary of the Military Department concerned for each 12-month period of obligated service specified in 37 U.S.C. § 334(c)(1)(B), will not exceed the following, unless otherwise updated by the Assistant Secretary of Defense (ASD) (Manpower and Reserve Affairs (M&RA)):

A. $35,000 per year for Regular Component officers or RC Active Guard and Reserve officers performing qualified flying duty;

B. $35,000 per year for Regular Component officers or RC Active Guard and Reserve officers performing qualified flying duty related to Unmanned Aerial System (UAS) operators; or

C. $18,000 per year for all other RC officers performing qualified duty, to include UAS operators.

Note: The ASD (M&RA) may update the AvB amounts, in accordance with the Department of Defense Instruction (DoDI) 7730.67, October 20, 2016, Paragraph 2.1.b.

200403. Relationship to Other Pay and Allowances

Aviation pays and bonuses paid in accordance with DoDI 7730.67 will be in addition to any other pay or allowances to which the member is entitled, except as specified in the limitations and restrictions in paragraph 3.1.b. of DoDI 7730.67.

*2005 TERMS AND CONDITIONS

200501. Written Agreements

A. To receive an AvB, an officer must execute a written agreement with the Secretary of the Military Department concerned that specifies the amount of the AvB, the method of payment (lump sum or periodic installments), the period of obligated service (at least 1 year), and the type or conditions of service. No agreement may be executed that would take an officer beyond 25 Years of Aviation Service.

B. The Secretary of the Military Department concerned will not exceed the AvB amount covered by the written agreement for any 12-month period of obligated service specified in paragraph 200402 or 37 U.S.C. § 334(c).

C. Bonus agreements awarded under 37 U.S.C. § 301b, that were approved before October 1, 2017, will remain in effect, and payments may continue through the agreed-upon date in the written agreement.

200502. Acceptance

Upon acceptance of the written AvB agreement by the Secretary of the Military Department concerned, the period of obligated service and the total amount of AvB the Department will pay pursuant to the agreement will be fixed, unless otherwise renegotiated for a higher bonus amount in return for additional obligated service.

200503. Death of a Member

If a member dies before receiving the full amount of the bonus due (including contracted future year anniversary payments) and death is not caused by the member's misconduct, the remaining unpaid bonus balance is payable as a lump sum for inclusion in the settlement of the deceased member's final military pay account. If death is determined to be the result of the member's own misconduct, termination of future payments and proration or repayment of the bonus, as applicable, must be made in accordance with procedures established by the Military Department concerned.

2006 REPAYMENT

An officer, who fails to fulfill the service conditions specified in the written agreement for the retention bonus, will be subject to the repayment provisions of Chapter 2.

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CHAPTER 20 - AVIATION BONUS (AvB)

2001 – GENERAL

*	37 U.S.C. § 334(b)

2002 – DURATION OF AUTHORITY

*	Public Law (P.L.) 114-328, section 614(4), December 23, 2016

2003 – ELIGIBILITY REQUIREMENTS

*	37 U.S.C. § 334(b)
*	DoDI 7730.67, October 20, 2016
	37 U.S.C. § 334(b)
*	10 U.S.C. § 653

2004 – AMOUNT

*		37 U.S.C. § 334(c)(1)(B)
*		P.L. 114-328, section 616(a), December 23, 2016
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*		ASD Memo, April 26, 2017
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2005 – PAYMENT

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*		DoDI 7730.67, October 20, 2016
*		ASD Memo, April 26, 2017

2006 – REPAYMENT

*	37 U.S.C. § 373

VOLUME 7A, CHAPTER 22: "AVIATION INCENTIVE PAYS"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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

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

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

The previous version dated November 2016 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated formatting to comply with current administrative instructions.	Revision
2203	Replaced previous section on Aviation Career Incentive Pay (ACIP) with content regarding Aviation Incentive Pay (AvIP) per Department of Defense Instruction (DoDI) 7730.67, October 20, 2016. ACIP was discontinued October 1, 2017.	Revision
2204	Replaced previous section on Career Enlisted Flyers Incentive Pay (CEFIP) with content regarding AvIP per DoDI 7730.67. CEFIP was discontinued October 1, 2017.	Revision
2205	Replaced previous section on Remote Piloted Aircraft with content regarding Critical Skill Incentive Pay (CSIP) per DoDI 7730.67.	Revision
Table 22-6	Updated table to remove the ACIP and CEFIP conditions per DoDI 7730.67.	Revision
Table 22-8 Table 22-9	Updated tables to reflect the Air Force monthly rates for AvIP and CSIP effective October 1, 2017 per Department of the Air Force Memos, July 1, 2017 and August 29, 2017.	Revision
Table 22-10 Table 22-11	Removed tables due to the discontinuance of CEFIP.	Deletion
Bibliography	Updated statutes and references.	Revision

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CHAPTER 22

AVIATION INCENTIVE PAYS

2201 GENERAL

220101. Purpose

The purpose of this chapter is to describe the policies for Hazardous Duty Incentive Pay (HDIP), Aviation Incentive Pay (AvIP), and Critical Skill Incentive Pay (CSIP).

Note: Aviation Career Incentive Pay (ACIP) and Career Enlisted Flyers Incentive Pay (CEFIP), in accordance with Title 37, United States Code (U.S.C.), sections 301a, 301b, and 320, were discontinued after October 1, 2017.

220102. Authoritative Guidance

The bibliography at the end of this chapter lists the authoritative references.

2202 HDIP FOR FLYING DUTY

220201. General

Members required by competent orders to participate in regular and frequent aerial flights as crew or non-crewmembers, who otherwise meet the requirements of this section, are entitled to HDIP for flying duty.

A. Officers, including aviation cadets entitled to AvIP under section 2203, are not entitled to payments under this section for the same period of service.

B. Enlisted members receiving CSIP under section 2205 are not entitled to payments under this section for the same period of service.

220202. Monthly Rates

A. Rates

1. Crewmembers, except air weapons controller crewmembers, are shown in Table 22-1.

2. Air weapons controller crewmembers are shown in Table 22-2.

3. Non-crewmembers are $150.

B. Definitions

1. Aerial Flights. Aerial flights are flights in military aircraft or spacecraft, and also flights in nonmilitary aircraft when members are required by competent orders to fly in such aircraft. A flight begins when the aircraft or spacecraft takes off from rest at any point of support located on the surface of the earth and terminates when it next comes to a complete stop at a point of support located on the surface of the earth.

2. Aviation Accident. Aviation accident is an accident in which a member, who is required to participate frequently or regularly in aerial flights, is injured or otherwise incapacitated as the result. The injury or incapacitation, as certified by the appropriate medical authority of the Uniformed Service concerned, may result from:

a. Jumping from, being thrown from, or being struck by an aircraft or spacecraft, or any part or auxiliary thereof; or

b. Participation in any duly authorized aerial flight or other aircraft or spacecraft operations. This term also means an incapacity incurred as the result, as certified by appropriate medical authority, of performance of flying duty, even though such incapacity is not the result of an actual aviation accident.

220203. Flight Requirements

To be eligible for HDIP, a member must be required by competent orders to participate frequently and regularly in aerial flights, other than glider flights, and generally must complete 4 hours of aerial flight each month. Hours that are flown in excess of this requirement may be banked for application of up to 5 subsequent months where there may be deficiencies of flying hours. Additionally, a member who still has a shortage of flying hours after application of banked excess hours may, under certain conditions, enter a 3-month grace period wherein hours earned in future months may be retroactively applied to prior month requirements.

A. Minimum Flying Time Each Month

1. During 1 calendar month, 4 hours of aerial flight are required. If a member does not fly 4 hours in any month, any hours flown during the last 5 preceding months (which have not already been used to qualify for flight pay) may be applied to meet this 4-hour requirement.

2. During 2 consecutive calendar months when the requirements of subparagraph 220203.A.1, have not been met, 8 hours of aerial flight are required.

3. During 3 consecutive calendar months when the requirements of subparagraph 220203.A.2, have not been met, 12 hours of aerial flight are required.

B. Fractions of a Calendar Month. For fractions of a calendar month, calculate the percentage that the period in question is of the calendar month. The flying time required is that same percentage of the aerial flight time required for a full calendar month (see Table 22-3).

C. Fractions of 2 Consecutive Calendar Months. For fractions of 2 consecutive calendar months, consider the whole period in question. Calculate the percentage that the period in question is of the calendar month. The flying time required is that same percentage of the aerial flight time required for a full calendar month (see Table 22-3).

D. Application of Hours Flown. To the extent of hours available, hours flown in any month apply as follows:

1. First, to meet flight requirements for that month;

2. Next, if the member has entered a grace period for meeting flight requirements, to the prior month or months, as applicable; and

3. Next, in order, to the first, second, third, fourth, and fifth succeeding months, but only to the extent that the member fails, during each month, to fly the required 4 hours. (Hours available to meet requirements of later months are referred to as "excess" flight time.) See examples in Tables 22-4 and 22-5.

E. Military Operations or Unavailability of Aircraft. When under authority conferred by the Secretary of the Military Department concerned, the commanding officer certifies that a member is unable to meet normal flight requirements due to military operations (combat or otherwise), or the non-availability of aircraft in order to complete those requirements. The member may, however, comply with the minimum flight requirements by performing 24 hours of aerial flight over a period of 6 consecutive calendar months. The commanding officer will certify that only those conditions specified in this subparagraph prevented completion of normal flight requirements. The 24-hour flight requirement may be met at any time during the 6-calendar-month period and in any combination of flights.

1. If the member is in a 3-calendar-month grace period when military operations or aircraft non-availability prevents fulfillment of flight requirements, the 6-calendar-month period for meeting the 24-hour flight requirement under this subparagraph begins on the first day of the grace period.

2. If the member is not in a 3-calendar-month grace period, the first month in which military operations or aircraft non-availability prevents fulfillment of flight requirements is the beginning of the 6-calendar-month period for meeting the 24-hour flight requirement under this subparagraph.

3. During the 6-calendar-month period, HDIP for flying may be paid for any single month, or for multiple months, when minimum requirements have been met.

4. At the end of the 6-calendar-month period, HDIP for flying may be paid for missed months in the period to the extent that the remaining hours flown are applicable. Excess hours are applied prospectively under subparagraph 220203.D if the member continues to fly under the same orders.

220204. Determination of a 3-Calendar-Month Period

A. When 3-Month Period Starts and Ends. The 3-calendar-month period in which flight requirements must be met begins with the first month in which flight requirements are not met. If the member flies enough time in the second month to cover the first and second months, the period ends with the second month. If not, the period extends through the third month.

B. Deficiencies for a Fraction of a Month. If a member fails to qualify for a fraction of a month (because flying status or active duty began on an intermediate day of the month), the 3-month period ends on the last day of the second full month following the fractional month.

C. When Next 3-Month Period Starts

1. A new 3-month period starts with the first month in which flight requirements are not met following a month in which flight requirements were met.

2. For a new 3-month period to begin immediately after a prior 3-month period, flight requirements must have been met for the entire prior 3-month period, not merely for the last month.

3. If the requirements for the entire prior 3-month period were not met, a new period does not begin until flight requirements are met for at least 1 month after the prior 3-month period.

4. After a month when flight requirements are met, any month in which flight requirements are not met begins a new 3-month period. A new period may not start with the second or third month in which flight requirements are not met; nor may a new period start with the fourth month in which flight requirements are not met. There must be at least 1 month in which requirements are met before a new 3-month period begins. See Tables 22-4 and 22-5 for application of the rules listed in paragraph 220204.

220205. Entitlement to Pay When No Flights are Performed in the First Month of a 3-Month Period

Assume, for the purposes of this paragraph that the member had no excess flight time from prior months.

A. Second Month. If a member performs no aerial flights during the first month of a 3-month period and, in the second month, performs at least 4 hours but less than 8 hours, he or she is entitled to pay only for the second month. For example: In January, no aerial

flights are performed; in February, 5 hours of aerial flight are performed. Flight pay is payable only for February.

B. Third Month. If a member performs no aerial flights during the first 2 months of a 3-month period, he or she must perform 12 hours of aerial flight in the third month to be entitled to incentive pay for all 3 consecutive months. For example: If flight requirements are met for January and a member performs no flights during the months of February and March, he or she must perform at least 12 hours in April to be entitled to receive the incentive pay for the period February 1 to April 30. If the member performs 4 or more hours, but less than 12 hours in April, he or she is entitled to incentive pay only for April.

C. First and Third Months. If a member does not perform aerial flights during the first month and in the second month performs only sufficient flights to qualify for the second month, he or she must perform enough hours of flight during the third month to total 12 hours in order to qualify for the incentive pay for the first and third months of the 3-month period.

Example: In January, no aerial flights are performed; in February, 5 hours of aerial flight are performed. The deficiency in January must be made up in March; that is if at least 7 hours are accomplished in March, flight pay for January and March is payable. If only 6 hours are flown in March, flight pay is payable only for March (the payment for February previously having been made) and incentive pay for January is lost.

220206. Injury or Incapacity Resulting From Performance of Hazardous Duty

A. Flight Requirements. When a member in a flying status is injured or otherwise incapacitated as a result of performance of flying or other hazardous duty to which ordered, he or she is considered to have met flight requirements during the incapacity, but not for longer than 3 months. An appropriate medical authority determines the cause of the incapacity and the date of recovery. If the member has met flight requirements for the month in which the incapacity occurs, the 3-month period begins the first day of the following month. If the member has not met flight requirements for the month in which the incapacity occurs, the 3-month period begins the first day of the month in which the incapacity occurs.

B. Change of Station for Medical Treatment. When a member in receipt of flight pay, under the terms of subparagraph 220206.A, is ordered to a medical facility on permanent change of station, Temporary Duty (TDY), or Temporary Additional Duty (TAD) orders, he or she is entitled to flight pay for the period of incapacity, but not longer than 3 months, notwithstanding the change of station, provided his or her continued flying status is not terminated.

C. Incapacity Due to Shock, Derangement, or Exhaustion. A member who becomes incapacitated for flying duty by reason of shock, derangement, or exhaustion of the nervous system, which can be attributed to an aviation accident or the performance of aerial flights, is deemed to have met the flight requirements for not more than 3 months following the date of the incapacity, as determined by an appropriate medical authority. The 3-month period is determined under the provisions of subparagraph 220206.A. See also subparagraph 220202.B.

D. Hazardous Duty for a Stated Period. If a member has been placed on flying status for a definite period and is entitled to flight pay while incapacitated as a result of performance of flying duty, flight pay is not normally payable beyond the ending date of the duty period stated in the orders. If evidence is furnished that the member would have continued in a flying status, had it not been for the incapacity, flight pay may be paid beyond the ending date of the duty.

220207. Incapacity Not the Result of Performance of Hazardous Duty

The right of a member on flying status to flight pay during an incapacity, which is not the result of performing hazardous duty, depends on fulfillment of flight requirements under paragraph 220203.

220208. Right to Flight Pay Under Certain Conditions

See Table 22-6.

220209. Determinations Affecting Entitlement to Flight Pay

A. Flight Pay From Date of Reporting for Duty. A member is entitled to flight pay on and after the date that he or she reports for and enters on duty under competent orders, subject to meeting flight requirements. A member in a non-duty status (such as on leave or sick) at the time that flying status orders are issued is not entitled to flight pay for any period before he or she reports for and enters on duty under such orders.

B. Excess Flight Time. When authorized under paragraph 220203, flight time in excess of the time required or insufficient to qualify for a particular month may be applied to a later month in which minimum requirements are not met, provided that the orders under which flying time was logged remain in effect.

C. Change of Designation, Non-Crewmember to Crewmember or Vice Versa. A member whose status changes from non-crewmember to crewmember (or vice versa) within a month or other qualifying period may not combine time flown in both categories for pay purposes. The member is entitled to flight pay as a non-crewmember for the period of time member held that status if he or she met the pro rata requirements as a non-crewmember. The member is entitled to flight pay as a crewmember for the period of time he or she held that status if he or she met the pro rata requirements as a crewmember.

D. Change From One Crewmember Status to Another Crewmember Status. Flights as one type of crewmember may be combined with flights as another type of crewmember if the member remains on continuous active duty and continuous flying status. Total requirements may be met in either crewmember status or a portion may be met in each status.

Example: An aviation cadet is given a rating as a navigator and issued new flying status orders immediately following termination of his or her former orders.

E. Missing or Missing-in-Action

1. A member assigned to flying duty, who is declared missing by competent authority, is entitled to AvIP during the entire period of absence, and is entitled to AvIP for hospitalization and rehabilitation after termination of missing status, for an additional period, not to exceed one year.

2. Upon return from a missing status and completion of any required period of hospitalization and rehabilitation (not to exceed 1 year), entitlement to HDIP for flying duty will be contingent on a determination of continued eligibility under paragraph 220201 and the applicable flight requirement provisions of paragraph 220203.

3. A new 3-month grace period does not start when the missing status and hospitalization ends. The new 3-month grace period starts with the first month of deficiency, after entering a missing status.

4. If the missing status and hospitalization goes beyond the 3-month grace period, the member must meet flight requirements for at least 1 month to become entitled to flight pay again.

5. If the member does not meet flight requirements upon the completion of an authorized missing and hospitalization period, he or she is entitled to pro rata HDIP for flying duty through the date of such authorized period.

F. Death

1. Death Due to Aviation Accident. If death occurs on the date of an aviation accident, flight pay accrues to include the date of death. If, however, death occurs after the 3-month period has expired, flight pay is not authorized for any day after the expiration of that period. Flight pay for the month or period before the month in which the accident occurred is not authorized unless flight requirements were met for that period.

2. Death Due to Other Causes. If death occurs from causes other than an aviation accident, flight pay is payable to and including the date of death if the member has met pro rata flight requirements for the month of death and was on flying status.

220210. Suspensions from Flying Status, Effect on Flight Pay

A. Flight Pay for a Period of Suspension. Except under subparagraphs 220210.B and C, members are not entitled to flight pay for any period while suspended from flying status. Members are considered suspended on the effective date of suspension. Members are considered to be in a flying status on the day that the suspension is removed or terminated. Payment for a period of suspension cannot be made in any case until the suspension has been removed or terminated.

B. Suspension for Other Than Physical Incapacity for Members Required to Perform Minimum Flight Requirements. Members are entitled to flight pay for a period of suspension from flying status, provided the suspension is removed or terminated and they meet flight requirements as prescribed in paragraph 220203. If the member has excess flights performed before suspension, the grace period specified in paragraph 220203 begins on the first month of the period of suspension not covered by excess flights.

Example: A member was suspended from flying status on February 1. He had 16 hours excess flying time as of January 31. Flight pay is stopped on January 31. The suspension subsequently is removed (or terminated) on June 30. He flew 12 hours in the month of July. After removal of the suspension, pay flight pay for February 1 through May 31 on the basis of the 16 excess hours accumulated in the 5 months before February 1. The grace period, authorized as stated in paragraph 220203, started on June 1. The hours that were flown in July qualify the member for flight pay for June and July.

C. Suspension for Physical Incapacity of Members Subject to Minimum Flight Requirements. A member is entitled to flight pay during a period of grounding due to physical incapacity if he or she meets the flight requirements stated in paragraph 220203. The member also is entitled to flight pay during a period of suspension, if the suspension is removed or terminated and flight requirements are actually met. There are no flight requirements during the first 3 months of a period of incapacity incurred as the result of performance of an assigned hazardous duty. See paragraph 220206.

D. Suspension Removed or Terminated. If a suspension is removed or terminated after the member can no longer qualify for flight pay under subparagraphs 220210.B or C, there is loss of pay for any period that is not covered by paragraph 220203. Flight pay accrues after the suspension is removed or terminated for members required to meet minimum flight requirements from the date of reporting for flying duty after the suspension is removed or terminated, if flight requirements are met.

220211. Payment of Flight Pay and Incentive Pay for Other Hazardous Duty

A member who qualifies for flight pay and incentive pay for one or more other types of hazardous duty may receive the flight pay and incentive pay only for one other hazardous duty for the same period. Dual HDIP is limited to those members required by orders to perform specific multiple hazardous duty necessary for successful accomplishment of the mission of the unit to which assigned.

A. Conditions of Entitlement. The hazardous duties for which dual incentive pay is payable must be an integral part of the member's assigned mission. Accomplishment of the assigned mission must require the member to perform specific multiple hazardous duties. A member must meet minimum requirements for each of the hazardous duties, except for injury or incapacity that results from the performance of hazardous duty.

B. Types of Duties That Qualify Member for Dual Payment of HDIP. See Chapter 24, subparagraph 240205.A.

1. Air Force pararescue team members placed on orders to perform duties as both crewmembers and parachutists.

2. Other combinations of hazardous duties for which dual payments of incentive pay are authorized by the Military Services concerned.

C. Injury or Incapacity as a Result of Performance of Hazardous Duty or Dual Hazardous Duties. If a member, who is required to perform more than one hazardous duty, becomes injured or otherwise incapacitated as a result of any of the duties, he or she is entitled to dual incentive pay during the incapacity, but for no longer than 3 months. If not entitled to dual incentive pay at the time of the incapacity, the member is entitled to the type of incentive pay that he or she was receiving at the time of the incapacity. The beginning date of the 3-month period will be determined separately for each type of incentive pay. See paragraph 220206 or Chapter 24, Table 24-2, as applicable, to determine the 3-month period separately for each incentive pay.

220212. Restriction on Payment of Flight Pay and Diving Duty Pay

See Chapter 11, paragraph 110501.

220213. Authority to Issue Orders

Authority to issue orders requiring the performance of flying duty, granting waivers of performance requirements, or extending time periods during which requirements may be met is delegated by the Secretary of the Military Department concerned to specific commanders within each Military Service. Such delegations are contained in the personnel administrative regulations of the respective Military Services.

*2203 AvIP FOR AVIATORS IN OPERATIONAL FLYING DUTY (OFD) OR PROFICIENCY FLYING DUTY (PFD) POSITIONS

220301. General

The Secretaries of the Military Departments may offer AvIP(s) under 37 U.S.C. § 334(a) to increase their respective Department's ability to retain officers in a military aviation career and support the recruiting and retention of individuals with military aeronautical ratings or designations.

220302. Eligibility

The Secretary concerned may pay AvIP to aviation officers performing in OFD or PFD positions. AvIP may only be paid to an officer who:

A. Is entitled to basic pay pursuant to 37 U.S.C. § 206;

B. Maintains, or is in training to receive, an aeronautical rating or designation that qualifies the officer for OFD or PFD;

C. Engages in, or is in training to receive, frequent and regular performance of OFD or PFD;

D. Engages in or remains in aviation service for a specified period of time;

E. Achieves the minimum flight requirements of 4 hours during 1 calendar month or 24 hours during 6 consecutive months (the minimum flight hour requirement for Reserve Component (RC) officers not on active duty for a period of more than 30 consecutive days is 2 hours during 1 calendar month or 12 hours during 6 consecutive months). A certified flight simulator may be used to meet this requirement. The Secretary concerned may waive the minimum flight requirements:

1. For officers (except flight surgeons or medical officers) who meet the AvIP eligibility requirements in paragraph 220402 while assigned to OFD or PFD positions; or

2. In extreme circumstances (e.g., military operations (combat or otherwise) or non-availability of aircraft), when the Secretary concerned may authorize a commanding officer to certify that an officer is unable to meet minimum flight requirements; and

F. Meets all applicable eligibility requirements and such other criteria, as the Secretary concerned determines appropriate.

220303. Payments and Amounts

A. The National Defense Authorization Act for Fiscal Year 2017 authorized an increase to the maximum amount of monthly AvIP in 37 U.S.C. § 334 not to exceed the rate of $1,000 per month to officers while serving in an OFD or PFD assignment. Unless otherwise updated by the Assistant Secretary of Defense (ASD) in accordance with Department of Defense Instruction (DoDI) 7730.67, paragraph 2.1.b, officers performing qualifying duty or performing qualifying duty relating to unmanned aerial systems (UAS) may receive up to $1,000.

B. The Service Secretaries are authorized to create their own Service-specific AvIP rate tables, with their own years of aviation service (YAS), up to the maximum amounts in Table 22-7.

C. Under the provisions in subparagraphs 220303.A and B, the Department of the Air Force authorized an increase to the Air Force AvIP rates. The AvIP eligibility will be in accordance with Air Force Instructions (AFI) 11-401, AFI 11-402, and AFI 11-421. The Air Force monthly AvIP rates are calculated based upon YAS established by the Aviation Service Date and are reflected in Table 22-8.

D. The following are exceptions to the amounts in subparagraph 220303.B:

1. Warrant Officers with over 22 YAS may continue to receive AvIP at the over 10 YAS rate until retirement.

2. Officers performing OFD or PFD while piloting UASs with over 14 YAS may receive AvIP up to $1,000 per month up to 22 YAS, at which time the amounts in Table 22-7 will take effect.

E. AvIP for officers in aviation training will begin on the later of these two dates and will be prorated based on the number of days remaining in the month:

1. The date when the officer first reports to the aviation activity in which he or she will receive flight training in a specific aircraft leading to an aeronautical rating, and is placed on aeronautical orders; or

2. The date of commission.

F. AvIP payments for all other aviators will begin the day an officer signs in to an OFD or PFD assignment. The initial payment amount will be prorated based on the number of days remaining in the month.

G. At the discretion of the Secretary of the Military Department concerned, RC officers entitled to compensation under 37 U.S.C. § 206 are eligible for AvIP. The amount authorized will be equal to 1/30th of the monthly AvIP authorized by the Military Department concerned for each period of inactive duty training.

*2204 AvIP FOR AVIATORS NOT IN OFD OR PFD POSITIONS

220401. General

The Secretaries concerned may pay AvIP to an officer who is otherwise qualified but who is not currently engaged in the performance of OFD or PFD, who meets each of the following three conditions:

A. The officer meets the eligibility criteria listed in subparagraphs 220402.A through D;

B. The officer is assigned to a position listed in paragraph 220403; and

C. The AvIP payment is in the best interest of the Military Service.

220402. Eligibility

The Secretary concerned may pay AvIP to officers with an aeronautical rating (except flight surgeons or medical officers) with fewer than 25 YAS who are in non-OFD or PFD assignments and:

A. Are eligible for AvIP continuously through 12 YAS;

B. Have performed at least 96 creditable months of OFD or PFD upon completion of 12 YAS. These officers are eligible for up to 18 YAS as long as they are assigned to a non-OFD or non-PFD assignment;

C. Have performed at least 120 creditable months of OFD or PFD upon completion of 18 YAS. These officers are eligible for AvIP for up to 22 YAS as long as they are assigned to a non-OFD or non-PFD assignment; or

D. Have performed at least 144 creditable months of OFD or PFD upon completion of 18 years of aviation service. These officers are eligible for AvIP for up to 25 YAS as long as they are assigned to a non-OFD or non-PFD assignment. Aviation warrant officers may continue to receive AvIP beyond 25 YAS as long as they are assigned to an assignment in paragraph 220403.

220403. Non-OFD or Non-PFD Assignments

Qualified aviation officers (except flight surgeons or other medical officers) who meet the eligibility criteria in paragraph 220402 may receive AvIP when assigned to any of the following non-OFD or non-PFD assignments:

A. A Joint assignment or position on the Joint Duty Assignment List;

B. Attending resident professional military education or a fully-funded graduate education program authorized by the Secretary of the Military Department concerned;

C. Aviation-specific positions that must be filled by officers with an aeronautical rating; or

D. Career-enhancing assignments outside of aviation or based on the needs of the Military Services for a period not to exceed 48 consecutive months.

220404. Transition Period

Upon publication of Service regulation, officers in receipt of continuous ACIP pursuant to 37 U.S.C. § 301a may receive AvIP for the remaining period of aviation service as specified in 37 U.S.C. § 301a(a)(4)(5), or 48 months, whichever is less. After this time, an aviator must be assigned to a position in accordance with section 2203 or subparagraphs 220403.A through C.

220405. Payments and Amounts

A. The Secretaries concerned may pay monthly AvIP to aviators who meet the YAS criteria in paragraph 220402 and are serving in positions listed in paragraph 220403. The maximum AvIP rates are in Table 22-7.

B. At the discretion of the Secretary of the Military Department concerned, RC officers entitled to compensation under 37 U.S.C. § 206 are eligible for AvIP. The amount authorized will be equal to 1/30th of the monthly AvIP authorized by the Military Department concerned for each period of inactive duty training.

*2205 CRITICAL SKILL INCENTIVE PAY (CSIP)

220501. General

The Secretary concerned may designate a career field or skill as critical for the purposes of offering a skill incentive pay. The following specialties are designated as critical and are eligible for CSIP:

A. Qualified career enlisted Service members who meet the eligibility requirements in paragraph 220502; or

B. Enlisted UAS operators who meet the eligibility requirements in paragraph 220502.

Note: Once a Military Department offers CSIP payments under 37 U.S.C. § 353, CEFIP pay under 37 U.S.C. § 320 is no longer authorized.

220502. Eligibility

CSIP is payable on a monthly basis in accordance with 37 U.S.C. § 353 to a Regular or RC enlisted Service member who:

A. Is entitled to basic pay pursuant to 37 U.S.C. § 204 or to compensation under 37 U.S.C. § 206;

B. Serves in a military career enlisted aviation occupational specialty or rating designated as critical by the Secretary of the Military Department concerned;

C. Qualifies for aviation service under regulations prescribed by the Secretary of the Military Department concerned; and

D. Meets other criteria as the Secretary concerned determines appropriate.

220503. Terms and Conditions of CSIP Written Agreements

The Secretary concerned may require a Service member to enter into a written agreement in order to qualify for a CSIP payment. The agreement must specify the period for which the member will receive CSIP and the monthly rate of pay.

220504. Payments and Amounts

A. The Secretaries of the Military Departments concerned may pay monthly CSIP to eligible Service members who meet the CSIP requirements in an amount not to exceed $600 per month.

B. If a member does not satisfy the eligibility requirements specified in paragraph 220502 for an entire month, the Secretary concerned may prorate the payment amount to reflect the duration of the member's actual qualifying service during the month.

C. RC members entitled to compensation under 37 U.S.C. § 206 are eligible for CSIP at the discretion of the Secretary concerned. The amount will be equal to $1/30^{th}$ of the monthly CSIP authorized by the Military Department concerned for each period of inactive duty training.

220505. Relationship to Other Pay and Allowances

A Service member may not be paid more than once under 37 U.S.C. § 353 in any month for the same period of service and skill. Members may be paid CSIP in addition to any other pay and allowance to which they are entitled, except that they may not be paid CSIP and HDIP under 37 U.S.C. § 351 for the same period of service in the same career field or skill.

Table 22-1. Monthly HDIP for Aircrew Members (Except for Air Weapons Controller Crewmembers)
(Effective October 1, 1998)

Pay Grade	Amount	Pay Grade	Amount	Pay Grade	Amount
O-10	$150	W-5	$250	E-9	$240
O-9	150	W-4	250	E-8	240
O-8	150	W-3	175	E-7	240
O-7	150	W-2	150	E-6	215
O-6	250	W-1	150	E-5	190
O-5	250			E-4	165
O-4	225			E-3	150
O-3	175			E-2	150
O-2	150			E-1	150
O-1	150				

Table 22-2. Monthly HDIP Rates for Air Weapons Controller Crewmembers
(Effective February 18, 1997)

Pay Grade	2 or Less	Over 2	Over 3	Over 4	Over 6	Over 8	Over 10
O-7 & Above	$200	$200	$200	$200	$200	$200	$200
O-6	225	250	300	325	350	350	350
O-5	200	250	300	325	350	350	350
O-4	175	225	275	300	350	350	350
O-3	150	156	188	206	350	350	350
O-2	150	156	188	206	250	300	300
O-1	150	156	188	206	250	250	250
W-5	0	0	0	0	0	0	0
W-4	200	225	275	300	325	325	325
W-3	175	225	275	300	325	325	325
W-2	150	200	250	275	325	325	325
W-1	150	150	150	175	325	325	325
E-9	200	225	250	275	300	300	300
E-8	200	225	250	275	300	300	300
E-7	175	200	225	250	275	275	275
E-6	156	175	200	225	250	250	250
E-5	150	156	175	188	200	200	200
E-4 & Below	150	156	175	188	200	200	200

Table 22-2. Monthly HDIP Rates for Air Weapons Controller Crewmembers
(Effective February 18, 1997) (Continued)

Pay Grade	Over 12	Over 14	Over 16	Over 18	Over 20	Over 22	Over 24	Over 25
O-7 & Above	$200	$200	$200	$200	$200	$200	$200	$150
O-6	350	350	350	350	300	250	250	225
O-5	350	350	350	350	300	250	250	225
O-4	350	350	350	350	300	250	250	225
O-3	350	350	350	300	275	250	225	200
O-2	300	300	300	275	245	210	200	180
O-1	250	250	250	245	210	200	180	150
W-5	0	0	0	0	0	0	0	0
W-4	325	325	325	325	276	250	225	200
W-3	325	325	325	325	325	250	225	200
W-2	325	325	325	325	275	250	225	200
W-1	325	325	325	325	275	250	225	200
E-9	300	300	300	300	275	230	200	200
E-8	300	300	300	300	265	230	200	200
E-7	300	300	300	300	265	230	200	200
E-6	300	300	300	300	265	230	200	200
E-5	250	250	250	250	225	200	175	150
E-4 & Below	200	200	200	200	175	150	150	150

Table 22-3. Time of Aerial Flight Required for Fractional Part of the Month

Days	Hours of Aerial Flight		Days	Hours of Aerial Flight	
	Active Duty	Inactive Duty		Active Duty	Inactive Duty
1	.2	.1	16	2.2	1.1
2	.3	.2	17	2.3	1.2
3	.4	.2	18	2.4	1.2
4	.6	.3	19	2.6	1.3
5	.7	.4	20	2.7	1.4
6	.8	.4	21	2.8	1.4
7	1.0	.5	22	3.0	1.5
8	1.1	.6	23	3.1	1.6
9	1.2	.6	24	3.2	1.6
10	1.4	.7	25	3.4	1.7
11	1.5	.8	26	3.5	1.8
12	1.6	.8	27	3.6	1.8
13	1.8	.9	28	3.8	1.9
14	1.9	1.0	29	3.9	2.0
15	2.0	1.0	30-31	4.0	2.0

Table 22-4. Flight Examples Involving Basic 3-Month Grace Periods

Month	Example 1		Example 2		Example 3		Example 4	
	Hours	Entitled	Hours	Entitled	Hours	Entitled	Hours	Entitled
January	4	Yes (note 1)	4	Yes (note 1)	4	Yes (note 1)	4	Yes (note 1)
February	0	No (note 2)	0	No (note 2)	0	Yes (notes 2 - 5)	0	Yes (notes 2 - 6)
March	4	Yes (note 1)	0	No	0	Yes (note 5)	8	Yes (note 1)
April	0	No (note 3)	4	Yes (note 1)	12	Yes (note 1)	0	Yes (notes 2 - 5)
May	0	No (note 4)	0	No (note 4)	0	Yes (notes 2 - 5)	0	Yes (note 5)
June	4	Yes (note 1)	0	No	0	Yes (note 5)	12	Yes
July	4	Yes (note 1)	4	Yes (note 1)	12	Yes (note 1)		
August	0	No (notes 2 - 8)	0	No (notes 2 - 8)	0	No (notes 2 - 8)		

Table 22-4. Flight Examples Involving Basic 3-Month Grace Periods (Continued)

Month	Example 5		Example 6		Example 7	
	Hours	Entitled	Hours	Entitled	Hours	Entitled
January	4	Yes (notes 1 - 7)	2	Yes (notes 7 - 9)	0	Yes (note 5)
February	0	Yes (note 9)	0	Yes (note 9)	0	Yes (note 5)
March	0	Yes (note 9)	0	Yes (note 9)	12	Yes (note 1)
April	0	Yes (note 9)	0	No (note 2)	4	Yes (note 1)
May	0	Yes (notes 2 - 5)	0	No (note 8)	0	No (notes 2 - 8)
June	0	Yes (note 5)	7	Yes (notes 1 - 11)	0	No (notes 2 - 8)
July	12	Yes (note 1)			11	Yes (notes 1 - 9 and 11)
August					5	Yes (notes 1 – 9 and 11)

NOTES:
1. Entitled to incentive pay based on that month's flights.
2. Begins a 3-month grace period.
3. New 3-month period does not begin, since this is last month of first 3-month period.
4. New 3-month period does not begin, since flight requirements were not met for previous entire period.
5. Entitled to incentive pay based on 3-month period.
6. Entitled to incentive pay based on 2-month period.
7. Injured in aircraft accident.
8. Not entitled to incentive pay, unless sufficient flights performed in following 1 or 2-month period.
9. Free entitlement period.
10. Two unused hours from January lost.
11. Excess hours available for application in 5 succeeding months as required.

Table 22-5. Flight Examples Involving 3-Month Periods and Excess Time

Month	Hours Flown	Entitle-ment	Based on Hours Flown During	End of Month Excess and Unused Hours		Pertinent Factors
				That Month	Accumulated	
16–31 Jan	3.3	Yes	Jan	1.3	1.3	Placed on flying status
Feb	0	Yes	Jan 1.3, Mar 2.7	0	0	Jan 16
Mar	6.7	Yes	Mar	0	0	
Apr	9	Yes	Apr	5	5	
May	5.5	Yes	May	1.5	6.5	
Jun	0	Yes	Apr	0	2.5	
Jul	1.5	Yes	Jul 1.5, Apr 1, May 1.5	0	0	
Aug	2	No	(note 1)	2	2	
Sep	4	Yes	Sep	0	2	
Oct	5	Yes	Oct	1	3	
Nov	0	No	(note 2)	0	3	
Dec	3	Yes	Dec 3, Aug 1	0	2	
Jan	10	Yes	Jan	6	7	1 hour lost from Aug
Feb	0	Yes	Oct 1, Jan 3	0	3	
Mar	0	Yes	Jan 3, May 1	0	0	
Apr	0	Yes	May 4	0	0	
May	10	Yes	May	1	1	
Jun	0	Yes	May 1, Aug 3	0	0	
Jul	0	Yes	Aug 4	0	0	
Aug	17	Yes	Aug	6	6	
Sep	0	Yes	Aug 4	0	2	
Oct	2	Yes	Oct 2, Aug 2	0	0	
Nov	12	Yes	Nov	8	8	
Dec	0	Yes	Nov (note 3)	0	4	Suspended Dec 1
Jan	0	Yes	Nov 4 (note 3)	0	0	
Feb	0	No	(note 4)	0	0	
Mar	0	No		0	0	
Apr	0	No		0	0	
May	4	Yes	May	0	0	Suspension ended May 1
Jun	30	Yes	Jun	26	26	Physically incapacitated
Jul	0	Yes	Jun 4	0	22	Jun 20
Aug	0	Yes	Jun 4	0	18	
Sep	0	Yes	Jun 4	0	14	
Oct	0	Yes	Jun 4	0	10 (note 3)	Suspended Oct 1
Nov	0	Yes	Jun 4	0	0 (note 3)	6 hours lost from Jun
Dec	0	No		0	0	
Jan	0	No		0	0	
Feb	0	No		0	0	
Mar	0	No		0	0	
Apr	9	Yes	Apr	5	5	Suspension ended Apr 1

NOTES:

1. No excess hours available from previous 5 months and deficiency not made up within 2 following months.
2. Insufficient excess hours available from previous 5 months. New 3-month period does not begin since requirements were not met for entire 3-month period of August-October.
3. Payment made after the suspension ended.
4. Three-month grace period expired before suspension ended.

*Table 22-6. Entitlement to HDIP Under Certain Conditions

RULE	A When a member in flying status is	B and	C and	D then flight pay
1	sick in line of duty	flying status orders remain in effect	member meets or has met flight requirements or flight requirements do not apply	continues for the period of illness.
2	on authorized leave in pay status			continues for the period of leave (note 1).
3	on TDY or TAD			continues for the TDY or TAD period.
4	in a travel status (including authorized delay en route) on change of station			continues for the period of travel.
5	a Reservist released from active duty of more than 30 days	orders are not issued directing relief from all assigned duties	member has met flight requirements	continues for the period of allowable travel time home (note 2).
6	discharged and immediately reenlists at the same station without a break in service	flying status orders are not specifically terminated		entitlement is determined as if there had been no discharge.
7		flying status orders are specifically terminated		ceases on the date stated in orders.
8	incapacitated as a result of performance of flying duty			is payable as indicated in paragraphs 220206 or 220207.

*Table 22-6. Entitlement to HDIP, Under Certain Conditions (Continued)

RULE	A When a member in flying status is	B and	C and	D then flight pay
9	an enlisted crewmember whose flight orders include a termination date	is involuntarily removed from flying duty (note 3)	was given less than 120 days of advance notice of removal from flying duty (note 4)	continues either for 120 days after the date on which notified of such removal or until original flight orders termination date, whichever occurs first, without regard to the flight requirements of paragraph 220203.
10	an enlisted crewmember whose flight orders do not include a termination date		was given less than 120 days advance notice of removal from flying duty (note 4)	continues for 120 days after the date on which notified of such removal without regard to the flight requirements of paragraph 220203.

NOTES:

1. Do not count flights performed while on leave for pay purposes.
2. Do not pay flight pay beyond the last day of the calendar month for which requirements are met.
3. A member is not considered to be involuntarily removed from flying duty upon separation, confinement, relief for cause, reduction in grade, medical unfitness, absence without leave, or transfer to ground duty at own request.
4. Advance notice of removal from flying duty will be issued by a competent authority in writing. Advance notice may be provided verbally if a suitable memorandum for the record is made and later followed by written notification.

Table 22-7. Monthly Army, Navy, and Marine Corps AvIP Rates for Officers
(Effective October 17, 1998)

YAS	Monthly Rate
2 or less	$125
Over 2	156
Over 3	188
Over 4	206
Over 6	650
Over 14	840
Over 22	585
Over 23	495
Over 24	385
Over 25	250

*Table 22-8. Monthly Maximum Air Force AvIP Rates
(Effective October 1, 2017)

YAS	Monthly Rate
2 or less	$150
Over 2	250
Over 6	700
Over 12	1000
Over 22	700
Over 24	450

*Table 22-9. Monthly CSIP Rates for Air Force Enlisted Flyers
(Effective October 1, 2017)

YAS	Monthly Rate
4 or less	$225
Over 4	350
Over 8	500
Over 14	600

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CHAPTER 22 – AVIATION INCENTIVE PAYS

*2201 – GENERAL

*	220101	DoDI 7730.67, October 20, 2016

2202 – HDIP FOR FLYING DUTY

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220202	37 U.S.C. § 301(b) and (c)
220203	Executive Order (EO) 11929, July 26, 1976
220204.B	25 Comptroller General (Comp Gen) 534
220204.C	37 Comp Gen 183
	4 Comp Gen 975
	9 Comp Gen 487
220206.A	EO 11929, July 26, 1976
220206.C	22 Comp Gen 1038
	23 Comp Gen 267
220209.A	2 Comp Gen 370
220209.B	46 Comp Gen 776
220209.C	37 Comp Gen 322
220209.E	37 U.S.C. § 552
	23 Comp Gen 948
	Public Law (P.L.) 92-482, October 12, 1972
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220209.F.2	7 Comp Gen 476
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220210	9 Comp Gen 234
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2203 – AvIP FOR AVIATORS IN OPERATIONAL FLYING DUTY (OFD) OR PROFICIENCY FLYING DUTY (PFD) POSITIONS

*	220301	P.L. 114-328, § 614, December 23, 2016
*		37 U.S.C. § 334(a)
*	220302	P.L. 114-328, § 614, December 23, 2016
*		DoDI 7730.67, October 20, 2016

*	220303	37 U.S.C. § 334(a)
*	220303.C	Department of the Air Force (DAF) Memo, July 1, 2017
*		DoDI 7730.67, October 20, 2016

*2204 – AvIP FOR AVIATORS NOT IN OFD OR PFD POSITIONS

*	DoDI 7730.67, October 20, 2016

*2205 – CRITICAL SKILL INCENTIVE PAY (CSIP)

*	37 U.S.C. § 353
*	DoDI 7730.67, October 20, 2016

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37 U.S.C. § 301

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37 U.S.C. § 301(c)(2)(A)

Table 22-4

46 Comp Gen 776

Table 22-5

46 Comp Gen 776

Table 22-6

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Rule 9	EO 11929, July 26, 1976
Rule 10	EO 11929, July 26, 1976
Note 3	EO 11929, July 26, 1976
Note 4	EO 11929, July 26, 1976

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*	37 U.S.C. § 334(c)(1)(A)

*Table 22-8

*	37 U.S.C. § 334
*	DAF Memo, July 1, 2017
*	DAF Memo, August 29, 2017

*Table 22-9

*	37 U.S.C. § 353
*	DAF Memo, August 29, 2017

VOLUME 7A, CHAPTER 23: "SUBMARINE DUTY PAY"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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

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

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

The previous version dated December 2015 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated formatting to comply with current administrative instructions.	Revision
230101	Deleted the "Overview" paragraph.	Deletion
Bibliography	Updated statutes and references.	Revision

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CHAPTER 23

SUBMARINE DUTY PAY

2301 GENERAL

230101. Purpose

The purpose of this chapter is to provide policy pertaining to Submarine Duty Pay for members of the Navy, as authorized by law. A member of the Navy who is entitled to basic pay, but is not entitled to continuous monthly submarine duty incentive pay under section 2303, is entitled to submarine duty incentive pay for the frequent and regular performance of operational submarine duty required by orders (including a submarine of a foreign nation).

230102. Authoritative Guidance

The bibliography at the end of this chapter lists the authoritative references.

2302 INCENTIVE PAY FOR OPERATIONAL SUBMARINE DUTY

230201. Rates

A. The monthly rates of submarine duty pay for commissioned officers are in Table 23-1.

B. The monthly rates of submarine duty pay for warrant officers are in Table 23-2.

C. The monthly rates of submarine duty pay for enlisted members are in Table 23-3.

230202. Definitions

A. The term “operational submarine duty” means duty:

1. While attached under competent orders to a submarine;

2. While serving as an operator or crew member of an operational submersible (including an undersea exploration or research vehicle);

3. While undergoing training preliminary to assignment to a nuclear-powered submarine;

4. While undergoing rehabilitation after assignment to a nuclear-powered submarine;

5. In the case of a member qualified in submarines, while attached as a member of a submarine operational command staff whose duties require serving on a submarine during underway operations:

a. During 1 calendar-month: 48 hours, except that hours served underway in excess of 48 hours as a member of a submarine operational command staff during any of the immediately preceding 5 calendar-months and not already used to qualify for incentive pay, may be applied to satisfy the 48-hour underway time requirements for the current month;

b. During any 2 consecutive calendar-months when requirements of subparagraph 230202.A.5.a have not been met: 96 hours; or

c. During any 3 consecutive calendar-months when requirements of subparagraph 230202.A.5.b have not been met: 144 hours;

6. While receiving instructions to prepare for assignment to a submarine of advanced design; or

7. While receiving instructions to prepare for a position of increased responsibility on a submarine.

B. The term "submarine service" means the service performed by a member under regulations prescribed by the Secretary of the Navy. The years of submarine service are computed beginning with the effective date of the initial order to perform submarine service.

230203. Submarine Duty Pay Start and Stop Dates

See Table 23-4.

230204. Submarine Operational Command Staff Members

A. General rules for meeting underway time requirements, including determination of a 2- or 3-month grace period, are substantially the same as those for flying pay. (See Chapter 22.)

B. For the fractional part of a calendar month, or fractional parts of 2 consecutive calendar months (duty begins in 1 month and ends in the following month), the underway time required, based on the requirement of 48 hours for a calendar month, will be determined from Table 23-5.

230205. Temporary Additional Duty or Authorized Leave

A member, who is entitled to submarine duty pay, retains entitlement during periods of temporary additional duty or authorized leave. However, a submarine operational command staff member is required to fulfill the underway time requirements to retain entitlement during such

periods if not otherwise entitled to continuous monthly submarine duty pay in accordance with section 2303.

230206. Missing Status - Member's Entitlement

A member receiving submarine duty pay when declared missing by a competent authority is entitled to submarine duty pay during the period of absence and for the period, not to exceed 1 year, required for hospitalization and rehabilitation after termination of missing status. The member's entitlement to submarine duty pay, upon termination of the period of eligibility, will be contingent on a determination of continued eligibility under section 2301.

230207. Restriction

An officer who fails selection for assignment as an executive officer or commanding officer of a submarine, or who declines to serve in either such position, may not be paid submarine duty pay except for periods during which such officer is serving on a submarine during underway operations.

2303 CONTINUOUS MONTHLY SUBMARINE DUTY PAY FOR SUBMARINE SERVICE MEMBERS

230301. Entitlement

A member of the submarine service (as defined in subparagraph 230202.B) is entitled to continuous monthly submarine duty pay as follows:

A. Through 26 years of service (as computed under Chapter 1, section 0102), a member must perform operational submarine duties for at least 6 of the first 12 years, and at least 10 of the first 18 years of submarine service. However, if a member performs the prescribed operational submarine duties for at least 8 but less than 10 of the first 18 years of submarine service, then that member is entitled to continuous monthly submarine duty pay for the first 22 years of service (as computed under Chapter 1, section 0102).

NOTE: In the case of an officer, the period as an enlisted member, before initial appointment as an officer, is excluded.

B. If, upon completion of either 12 or 18 years of submarine service, it is determined that a member has failed to perform the minimum prescribed operational submarine duty requirements during the prescribed periods of time, the entitlement to continuous monthly submarine duty pay ceases. If entitlement to continuous monthly submarine duty pay ceases upon completion of 12 years of submarine service, entitlement to that pay may again commence upon completion of 18 years of submarine service if the minimum operational submarine duty requirements have been met, and such pay will continue for the period of time prescribed in this section. However, if entitlement to continuous monthly submarine duty pay ceases in the case of any member at the completion of either 12 or 18 years of submarine service or 26 years of service (as computed under Chapter 1, section 0102), such member will be entitled to that pay in the

amount specified in section 2302 for the performance of service as a member of a submarine operational command staff, if such member's duties require serving on a submarine during underway operations.

NOTE: In the case of an officer, any period as an enlisted member, before initial appointment as an officer, is excluded.

230302. Rates

The monthly rates of submarine duty pay are the same as indicated in Tables 23-1 through 23-3.

230303. Missing Status - Member's Entitlement

The provisions of paragraph 230206 are applicable to submarine duty pay entitlement under this section.

230304. Restriction

An enlisted member may not be paid continuous submarine duty pay while serving ashore between submarine sea duty assignments, unless the member has a sufficient period of enlistment (including any extension of an enlistment) remaining to be reassigned to submarine sea duty.

Table 23-1. Monthly Submarine Duty Pay Rates - Commissioned Officers Effective October 1, 2004

Years of Service Computed Under Title 37, United States Code (U.S.C.), section 205 (see note)														
Pay Grade	**2 or less**	**Over 2**	**Over 3**	**Over 4**	**Over 6**	**Over 8**	**Over 10**	**Over 12**	**Over 14**	**Over 16**	**Over 18**	**Over 20**	**Over 22**	**Over 26**
O–10	355	355	355	355	355	355	355	355	355	355	355	355	355	355
O–9	355	355	355	355	355	355	355	355	355	355	355	355	355	355
O–8	355	355	355	355	355	355	355	355	355	355	355	355	355	355
O–7	355	355	355	355	355	355	355	355	355	355	355	355	355	355
O–6	595	595	595	595	595	595	595	595	595	595	835	835	835	835
O–5	595	595	595	595	595	595	595	595	790	835	835	835	835	835
O–4	365	365	365	525	595	705	705	705	790	790	790	790	790	790
O–3	355	355	355	510	595	705	705	705	705	705	705	705	705	705
O–2	305	305	305	305	305	305	425	425	425	425	425	425	425	425
O–1	230	230	230	230	230	230	425	425	425	425	425	425	425	425

Table 23-2. Monthly Submarine Duty Pay Rates - Warrant Officers Effective October 1, 2002

Years of Service Computed Under 37 U.S.C. § 205 (see note)														
Pay Grade	**2 or less**	**Over 2**	**Over 3**	**Over 4**	**Over 6**	**Over 8**	**Over 10**	**Over 12**	**Over 14**	**Over 16**	**Over 18**	**Over 20**	**Over 22**	**Over 26**
W-5	285	375	375	425	425	425	425	425	425	425	425	425	425	425
W-4	285	375	375	425	425	425	425	425	425	425	425	425	425	425
W-3	285	375	375	425	425	425	425	425	425	425	425	425	425	425
W-2	285	375	375	425	425	425	425	425	425	425	425	425	425	425
W-1	285	375	375	425	425	425	425	425	425	425	425	425	425	425

Table 23-3. Monthly Submarine Duty Pay Rates - Enlisted Members Effective October 1, 2011

Years of Service Computed Under 37 U.S.C. § 205 (see note)														
Pay Grade	**2 or less**	**Over 2**	**Over 3**	**Over 4**	**Over 6**	**Over 8**	**Over 10**	**Over 12**	**Over 14**	**Over 16**	**Over 18**	**Over 20**	**Over 22**	**Over 26**
E-9	425	425	425	425	425	425	425	425	425	425	600	600	600	600
E-8	415	415	415	415	415	415	415	415	415	415	550	550	550	550
E-7	405	405	405	405	405	405	405	405	405	405	405	405	405	405
E-6	155	170	175	300	325	375	375	375	375	375	375	375	375	375
E-5	140	155	155	250	275	275	275	275	275	275	275	275	275	275
E-4	80	95	100	245	245	245	245	245	245	245	245	245	245	245
E-3	80	90	95	95	90	90	90	90	90	90	90	90	90	90
E-2	75	90	90	90	90	90	90	90	90	90	90	90	90	90
E-l	75	75	75	75	75	75	75	75	75	75	75	75	75	75

Table 23-4. Submarine Duty Pay - Start and Stop Dates

RULE	A	B	C	D
	If member under orders for submarine duty is	**and**	**then credit for incentive pay**	
			begins on	**continues**
1	attached to a submarine		the day of reporting for duty, and	through day of detachment.
2	assigned as prospective crewmember of submarine under construction			
3	attached to a nuclear-powered submarine manned by two crews or a crew and an augment crew (notes 1 and 2)		the day of reporting for duty as on-ship or off-ship crew, and	
4	undergoing instruction to qualify for duty on a submarine of advanced design or for duty with increased responsibility (note 3)		the day class convenes, and	through last day of instruction.
5	injured or incapacitated as a result of performing submarine duty	remains assigned to submarine duty		through date of detachment.
6		is transferred to a medical facility on temporary duty orders for treatment, rehabilitation or medical board review		for not more than 6 months after date of incapacity, as determined by medical authorities.
7		is reassigned to limited duty for treatment or rehabilitation		for not more than 6 months after date of assignment to Limited Duty or until disqualifying condition is determined to be permanent, whichever is earlier.

NOTES:

1. Attachment to a submarine means duty as a crew member either on board the submarine, or on duty ashore during periods of rehabilitation after reporting for permanent duty as a crew member, whether to the on-ship or off-ship crew.
2. When an off-ship crew member, in a training and rehabilitation status, performs travel in connection with a change of home port of the member's submarine by means other than the submarine, member's entitlement to submarine pay continues during period in transit.
3. This rule also applies to officers, who previously qualified in submarines as enlisted members, while attending the following:

   a. Submarine Officers' Basic Course or Submarine Officers' Indoctrination Course, for the specific purpose of preparing for a position in a nuclear-powered submarine; or

   b. A course of instruction listed in the Chief of Naval Operations Instruction (OPNAVINST) 7220.15, December 28, 2005, specifically preparing them for positions of increased responsibility in nuclear-powered submarines.

Table 23-5. Submarine Operational Command Staff Members Underway Time Required for Fractional Part of Month

SUBMARINE OPERATIONAL COMMAND STAFF MEMBERS UNDERWAY TIME REQUIRED FOR FRACTIONAL PART OF MONTH					
Days	**Underway Time**		**Days**	**Underway Time**	
	Hours	**Minutes**		**Hours**	**Minutes**
1	1	36	16	25	36
2	3	12	17	27	12
3	4	48	18	28	48
4	6	24	19	30	24
5	8	00	20	32	00
6	9	36	21	33	36
7	11	12	22	35	12
8	12	48	23	36	48
9	14	24	24	38	24
10	16	00	25	40	00
11	17	36	26	41	36
12	19	12	27	43	12
13	20	48	28	44	48
14	22	24	29	46	24
15	24	00	30-31	48	00

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CHAPTER – 23 SUBMARINE DUTY PAY

2301 – GENERAL

37 U.S.C. § 301c(a)(2)

2302 – INCENTIVE PAY FOR OPERATIONAL SUBMARINE DUTY

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230206	37 U.S.C. § 552
230207	37 U.S.C. § 301c(5)(c)(1)

2303 – CONTINUOUS MONTHLY SUBMARINE DUTY PAY FOR SUBMARINE SERVICE MEMBERS

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VOLUME 7A, CHAPTER 24: "INCENTIVE PAY - HAZARDOUS DUTY OTHER THAN AERIAL FLIGHTS"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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

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

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

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PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated chapter formatting to comply with current administrative instructions.	Revision
240101	Changed the paragraph name to "Purpose" to comply with current administrative instructions.	Revision
Bibliography	Updated statutes and references.	Revision

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2401 GENERAL

*240101. Purpose

This chapter prescribes the policies when a Military Service member is entitled to receive incentive pay (IP) for performing any of the hazardous duties listed in paragraph 240203 when the duty is performed under competent orders, and otherwise meets the requirements of this chapter.

240102. Authoritative Guidance

The bibliography at the end of this chapter lists the authoritative references.

2402 ENTITLEMENT

240201. Member of the Regular Force

When the requirements have been met, entitlement to Hazardous Duty Incentive Pay (HDIP) commences on the date the member reports for and enters on duty in compliance with competent orders. Entitlement ceases on the effective date published in orders for termination of such duty or the date the member is detached from and no longer required to perform the hazardous duty, whichever occurs first. When a member commences hazardous duty on a date other than the first day of a month, or terminates that duty on a date other than the 30th day of a month (28th or 29th of February, as appropriate) and otherwise meets the requirements of this chapter for the month, he or she is entitled to a prorated portion of the rate of pay for the month.

240202. Member of the Reserve Components (RC)

A. A member of the RC on Extended Active Duty (EAD), who is ordered to perform any of the hazardous duties listed in paragraph 240203, is entitled to pay based on the terms of this chapter.

B. A member of the RC on Active Duty Training (ADT), who is ordered to perform any of the hazardous duties listed in paragraph 240203, is entitled to pay based on Chapter 57, paragraphs 570302 and 570401 and Table 24-1, rules 9 through 13.

240203. Hazardous Duties

Hazardous duties include:

A. Duty involving parachute jumping as an essential part of military duty;

B. Duty involving frequent and regular participation in flight operation on the flight deck of an aircraft carrier or ship other than aircraft carrier from which aircraft are launched;

C. Duty involving the demolition of explosives as a primary duty, including training for such duty;

D. Duty inside a high- or low-pressure chamber;

E. Duty as a human acceleration or deceleration experimental subject;

F. Duty as a human test subject in thermal stress experiments;

G. Duty involving the servicing of aircraft or missiles with highly toxic fuels or propellants;

H. Duty involving fumigation tasks utilizing highly toxic pesticides;

I. Duty involving laboratory work utilizing live dangerous viruses or bacteria;

J. Duty involving handling of chemical munitions;

K. Duty involving maritime visit, board, search and seizure (VBSS) operations; and

L. Duty involving use of ski-equipped aircraft on the ground in Antarctica or on the Arctic Ice-Pack.

240204. Rates

A member who qualifies for HDIP under this chapter is entitled to such pay at a monthly rate of $150. The monthly rate for a High Altitude-Low Opening (HALO) parachutist who qualifies under this chapter is $225.

240205. Multiple Payments of HDIP

Members who qualify for IP for more than one type of hazardous duty may receive no more than two payments for the same period. Dual HDIP is limited to those members required by orders to perform specific multiple hazardous duties necessary for successful accomplishment of the mission of the unit to which assigned. Members must meet minimum requirements for each hazardous duty, unless excepted as provided in subparagraph 240206.D.

A. Types of Duties That Qualify Member for Dual Payments of HDIP. (See Chapter 22, subparagraph 220211.B.)

The following types of duties qualify members for dual payments of HDIP:

1. Members assigned to units who are required to perform parachute jumps in addition to and in connection with explosive ordnance demolition duties;

2. Air Force pararescue team members placed on orders to perform duties as both crew members and parachutists; and

3. Other combinations of hazardous duties for which dual payment of IP are authorized by the Secretary of the Military Department concerned.

B. Aviation Incentive Pay (AvIP) and HDIP. Officers entitled to Aviation Career Incentive Pay (AvCIP) and enlisted members entitled to Career Enlisted Flyer Incentive Pay (CEFIP), may receive not more than two types of HDIP under the provisions of this chapter provided the conditions for entitlement have been independently met. Officers and enlisted members entitled to HDIP for flying duty (in lieu of AvCIP or CEFIP), may receive not more than one other HDIP under the provisions of this chapter provided the conditions for entitlement have been independently met.

C. Restriction with Regard to Parachute Duty. Only one type of parachute duty payment (regular or HALO) is authorized for a qualifying period. When a member qualifies for both types of parachute duty, the higher rate of pay is authorized. Unless otherwise restricted by Military Service regulations (for example, restrictions on manning classification), a member who qualifies for a HALO rate for a month in which the member earlier qualified for the regular rate of parachute pay will be entitled to the difference between the monthly rate of $150 and $225.

D. Restriction with Regard to Flight Deck Duty. (See subparagraph 240401.D).

240206. Injury or Incapacity Resulting From Performance of Hazardous Duty

When a member, who is required to perform hazardous duty, is injured or otherwise incapacitated as a result of performing such duty, he or she is considered to have met the requirements for that duty during the incapacity, but for not longer than 3 months. Appropriate medical authority determines the cause of the incapacity and the dates thereof.

A. When to Start the 3-Month Entitlement Period. (See Table 24-2.)

B. Hazardous Duty for Definite Period. When a member has been placed on hazardous duty for a definite period and is entitled to IP while incapacitated as a result of performance of such duty, IP may not normally be paid beyond the ending date of the duty period stated in the orders. When evidence, however, is furnished that the member would have continued in the hazardous duty status had it not been for the incapacity, IP may be paid beyond the ending date of the duty stated in the orders.

C. Change of Station for Medical Treatment. See Table 24-3 for effect of permanent change of station (PCS). Temporary duty (TDY) or temporary additional duty (TAD) orders which specify a member's return to a permanent station do not affect assignment or

attachment to the hazardous duty. A member ordered to a medical facility under such orders continues to be entitled to IP during incapacity for no more than 3 months.

D. Injury or Incapacity While Performing Dual Hazardous Duties. If members, required to perform more than one hazardous duty, are injured or otherwise incapacitated as a result of either of those duties, they are entitled to dual IP during the incapacity but for no longer than 3 months. If not entitled to dual IP at the time of the incapacity, they are entitled to the type of IP they were receiving at the time of the incapacitation. The beginning date of the 3-month period must be determined separately for each type of IP. Use Chapter 22, paragraph 220206 or Table 24-2, as applicable, to determine the 3-month period separately for each IP.

240207. Incapacity Not Caused by Hazardous Duty

A member's right to IP during incapacity, which is not the result of performing hazardous duty, depends on fulfillment of hazardous duty requirements.

240208. Authority to Issue Orders

Authority of the Military Departments to issue orders requiring performance of hazardous duty is delegated by the Secretaries to specific commanders within each Military Service. These delegations are contained in personnel administrative regulations of the respective Military Services.

240209. Missing Status - Member's Entitlement

A member receiving IP of a type listed in paragraph 240301, when declared by competent authority to be missing (as defined in the Definitions Chapter) is entitled to such IP during the period of absence and for any period, not to exceed 1 year, required for hospitalization and rehabilitation after termination of missing status. The member's entitlement to IP of a type listed in paragraph 240203 upon termination of any required period of hospitalization and rehabilitation or the 1-year period after date of return from missing status, whichever is earlier, will be contingent on a determination of continued eligibility under section 2402 and the applicable IP requirements.

2403 PARACHUTE DUTY

240301. Entitlement

A. General. Qualified members are those who have received a designation as a parachutist, or are undergoing training for such designation; who is required by competent orders to engage in parachute jumping from an aircraft in aerial flight, and who meet the minimum performance requirements of Table 24-4.

B. Military Free Fall or HALO

1. Members must perform duty involving parachute jumping, as an essential part of such duty, in military free fall operations where parachute deployment by the jumper occurs without the use of a static line.

2. Qualifying members are those who have graduated from the U.S. Army Military Free Fall Course or a Military Service recognized equivalent course; have received a designation as a HALO parachutist, or are undergoing training for such designation; and are required by competent orders to engage in parachute jumping at high altitudes without use of a static line from an aircraft in aerial flight. Members will meet the requirements of Table 24-4. Performance requirements must be satisfied by free fall jumps.

240302. Parachute Jumps-Leave, PCS, TDY/TAD, or ADT

A. General. Qualifying jumps for entitlement to parachute pay will be performed during a period of duty requiring parachute jumping as established by competent orders. Parachute jumps performed under the following circumstances do not qualify a member for entitlement to parachute pay:

1. Parachute jumps performed by any member while on leave or during PCS or TDY/TAD not requiring parachute jumping as an essential part of the duty; and

2. Parachute jumps performed by a member of an RC while on ADT that does not require parachute jumping as an essential part of the duty.

B. Examples (Not All Inclusive)

1. Leave

a. Facts

(1) A member is placed on parachute jump status by competent orders effective January 15. Member performs a jump on March 15.

(2) The member is on leave for the period March 25 through April 25, and performs a jump on April 15 during the period of leave.

(3) The member returns to the permanent duty station April 26 and performs a jump on July 15.

b. Entitlements

(1) The member is entitled to parachute pay from January 15 through March 30 based on the jump performed March 15 (see Table 24-4, rule 1 and note 1).

(2) The member is entitled to parachute pay for May, June, and July based on the jump performed July 15 (see Table 24-1, rule 2, and Table 24-4, rule 1).

(3) The jump performed on April 15 is not a qualifying jump for parachute pay entitlement. Thus, the member is not entitled to parachute pay for April.

2. TDY/TAD

a. Facts

(1) The member is placed on parachute jump status by competent orders at permanent duty station. Member performs a jump on January 15.

(2) For the period January 25 through July 2, the member is assigned TDY/TAD where parachute jumping is not required by competent orders. The member performs a parachute jump on June 10 while on TDY/TAD.

(3) A member returns to permanent duty station on July 3 and performs a jump on: July 6, July 13, and August 6.

b. Entitlements

(1) The member is entitled to parachute pay for January, February, and March based on jump performed January 15 (Table 24-1, rule 3, and Table 24-4, rule 1).

(2) The member is entitled to parachute pay for May, June, and July based on jump performed July 6. The jump performed on July 13 is not applied for entitlement because it is one of multiple jumps performed in the same month. Only one jump per month is used for qualification to parachute pay (Table 24-4, rule 1).

(3) The member is entitled to parachute pay for August, September, and October based on jump performed August 6 (Table 24-4, rules 1 and 2).

(4) The jump performed on June 10 during TDY/TAD is not a qualifying jump for parachute pay entitlement (subparagraph 240302.A.1). No entitlement exists for parachute pay for April.

3. ADT Less Than 20 Weeks, RC Member Assigned to a Unit

a. Facts

(1) An RC member is placed on parachute jump status at unit of assignment by competent orders. At the unit of assignment, the member performs Inactive Duty Training (IDT) drills on January 14-15, February 12-13, and March 15-16. The member performs a parachute jump on January 15.

(2) The member is ordered to ADT for the period March 28 through May 22 (less than 20 weeks). The member is not placed on parachute jump status at ADT station, but the member performs a jump on April 5 while on ADT.

(3) The member returns to parachute duty at the unit of assignment upon completion of ADT and performs IDT on drills May 24-25, June 8-9, and July 9-10. He or she performs a parachute jump on July 10.

b. Entitlements

(1) The member is entitled to parachute pay for IDT drills in January, February, and March based on the jump performed January 15 (see Table 24-4, rule 1).

(2) The member is entitled to parachute pay for allowable travel time to the ADT station and for ADT days, March 28-30, also based on jump performed January 15 (see Chapter 58, paragraph 580305; Table 24-1, rule 13; Table 24-4, rule 1).

(3) The member is entitled to parachute pay for ADT May 1-22 plus allowable travel time from ADT station based on the jump performed July 10 (see paragraph 580305; Table 24-1, rule 13; Table 24-4, rule 2).

(4) Also based on jump performed July 10, the member is entitled to parachute pay for IDT drills performed in May, June, and July.

(5) The jump performed April 5 is not a qualifying jump for entitlement to parachute pay. Thus, no entitlement exists for April (see subparagraph 240302.A).

4. ADT Any Number of Weeks, RC Member, With or Without Unit of Assignment

a. Facts

(1) An RC member, if assigned to a unit, is not placed on parachute jump status at unit.

(2) The member is ordered to ADT, any number of weeks. He or she is placed on parachute jump status at the ADT station by competent orders.

(3) The member meets minimum performance requirements according to Table 24-4 by jumps performed during ADT.

b. Entitlements. The member is entitled to parachute pay for allowable travel time to and from the ADT station and for period of ADT (see Table 24-1, rules 9 and 11).

240303. Rates

See paragraph 240204.

240304. Performance Requirements

See Table 24-2.

240305. Table of Parachute Jumps

Table 24-5 gives examples of how minimum requirements are applied. This table does not necessarily cover all situations but is intended as a general guide. In each example, the member was required by orders to participate frequently and regularly in parachute jumps for the entire period. This table is not intended to show date of payment. In every case, the parachute duty requirements must be met before payment is made.

240306. Right to Pay Under Certain Conditions

See Table 24-1.

2404 FLIGHT DECK DUTY

240401. Entitlement

A. Conditions of Entitlement. A member is entitled to IP for flight deck duty (Flight Deck HDIP (FDHDIP) when the member:

1. Serves on the crew of an eligible air capable ship or an aviation unit operating from such a ship, fixed-wing-aircraft carrier or an aviation unit operating from that type of carrier;

2. Is ordered by competent authority to duty in a billet which requires frequent and regular participation in flight operations; and

3. Participates, within a calendar month, in 4 days of flight operations or their equivalent on the flight deck of eligible air capable ships.

B. Quotas and Billets. The number of members entitled to FDHDIP is subject to the monthly quotas applicable to the eligible air capable ships and type or combination of air units operating from such ships, as promulgated in the Chief of Naval Operations Instruction (OPNAVINST) 7220.4J series.

C. Members on TDY or TAD. Members on TDY or TAD in the crew of an eligible air capable ship or an aviation unit operating from such a ship may be ordered to flight deck hazardous duty billets (FDHDBs). When so ordered, they are entitled to FDHDIP for the actual period specified in the orders provided they meet the minimal participation requirements for an entire month (4 days of flight operations or their equivalent) within each calendar month.

D. Dual Payments. Members receiving IP for any other type of hazardous duty are not entitled to FDHDIP for the same period.

240402. Specialized Terms

A. Eligible Air Capable Ship. A ship having a flight deck that has been certified to launch or land aircraft under Chief of Naval Operations ship or helicopter facility certification program.

B. Flight Operations. The period of time during which launch and recovery of aircraft are in progress on the flight deck of an eligible air capable ship. It includes the turnup and movement of aircraft preparatory to launch and the movement and shutdown of aircraft immediately following recovery.

C. Day of Flight Operations. One day of flight operations will consist of a calendar day during which any combination of aircraft takeoffs and/or landings takes place, as specified for each ship by class in OPNAV Instruction 7220.4J series. Four days of such flight operations, or the equivalent thereof, will constitute the basic calendar month qualification criteria.

D. Equivalent of 4 Days of Flight Operations. Any single day, or combination of days during a calendar month in which the number of aircraft take-offs and/or landing equals the monthly total requirement for that class ship in OPNAV Instruction 7220.4J series will constitute the equivalent of 4 days of flight operations.

E. FDHDB. A billet that requires frequent and regular participation in flight operations on the flight deck of an eligible air capable ship as promulgated in OPNAV Instruction in the 7220.4J series.

F. Participation. Presence, during flight operations, at an assigned station in an FDHDB on the flight deck of an aircraft carrier or a ship other than an aircraft carrier from which aircraft are launched and recovered during flight operations.

240403. Rates

See paragraph 240204.

240404. Commencement and Termination of FDHDIP

Eligibility for entitlement to FDHDIP begins on the date a member is ordered to duty in a FDHDIP. Entitlement eligibility ends on the date the orders to such billet are revoked, or when a

member is permanently detached from the aircraft carrier or aviation unit, whichever occurs first. Orders may be terminated for other reasons but not for the sole purpose of providing FDHDIP for additional members.

240405. Prorated FDHDIP

Personnel, who otherwise meet entitlement criteria but who do not participate in a full calendar month of flight operations, will receive a prorated FDHDIP payment. The prorated amount will be determined by multiplying 1/30th of the monthly FDHDIP rate by the number of days the member actually performed in a FDHDIP billet aboard ship for the partial month.

240406. Right to Pay Under Certain Conditions

See Table 24-1.

2405 DEMOLITION DUTY

240501. Entitlement

A. Condition of Entitlement. A member entitled to basic pay, who is required by competent orders to perform duty involving the demolition of explosives, as prescribed by Military Service regulations, as a primary duty (including training for that duty), is entitled to IP under the conditions stated in this section. IP is payable for any full month, or is prorated under paragraph 240201 for any portion of a calendar month during which a member under competent orders performs demolition duty by use of live explosives.

B. Duty Involving Demolition of Explosives. Demolition duty is duty performed by members who engage in the following activities under competent orders and as a primary duty assignment:

1. Demolish by the use of explosives objects, obstacles, or other explosives, or recover and render harmless, by disarming or demolition, explosives that have failed to function as intended or which have become a potential hazard;

2. Participate as students or instructors in instructional training, including that in the field or fleet, for the duties described in subparagraph 240501.B.1 provided that live explosives are used in such training;

3. Participate in proficiency training, including that in the field or fleet, for the maintenance of skill in the duties described in subparagraph 240501.B.1 provided that live explosives are used in such training; or

4. Experiment with or develop tools, equipment, or procedures for the demolition and rendering harmless of explosives, provided that live explosives are used.

240502. Rates

See paragraph 240204.

240503. Performance Requirements

A member, who is assigned to demolition duty by competent orders and performs such duty during the month involved, is entitled to IP for that duty provided live explosives are used. Local commanders are responsible for ensuring that the finance officer is informed when a member fails to perform the monthly demolition duty required for entitlement to the IP.

240504. Right to Pay Under Certain Conditions

See Table 24-1.

2406 EXPERIMENTAL STRESS DUTY

240601. Entitlement

A. Condition of Entitlement. A member on active duty who is required by competent orders to perform experimental stress duty is entitled to IP under the conditions stated in this section. IP is payable for any full month, or is prorated in accordance with paragraph 240201 for any portion of a calendar month, during which experimental stress duty is performed under competent orders.

B. Duty Involving Experimental Stress. Experimental stress duties are limited to the following:

1. Human Acceleration or Deceleration Experimental Subject. Duty performed as human acceleration or deceleration experimental subjects utilizing experimental acceleration or deceleration devices.

2. Thermal Stress Duty. Duty performed as human thermal experimental subjects in thermal stress experiments.

3. Low-Pressure Chamber Duty. Duty performed within a low-pressure (altitude) chamber at physiological facilities as human test subjects, inside instructor-observer or inside observer-tender.

4. High-Pressure Chamber Duty

a. Duty performed within a high-pressure (hyperbaric or recompression) chamber or hyperbaric complex as a:

(1) Human test subject for approved protocols applicable to the research, development, testing and evaluation of diving, hyperbaric and underwater-related tools, systems, equipment and procedures;

(2) Human test subject in a recompression chamber/hyperbaric complex inside instructor-observer or inside observer-tender during the conduct of protocols; or

(3) Human test subject in a recompression chamber/hyperbaric complex inside instructor-observer or inside observer-tender during the conduct of hyperbaric treatment or hyperbaric therapy procedures which include, but are not limited to, treatment of ailments incidental to diving and hyperbaric/hypobaric exposure.

b. Navy Personnel Only. For a Navy member to qualify for this IP as a human test subject, inside instructor-observer or inside observer-tender in a recompression chamber/hyperbaric complex, all of the following conditions must be met. The member must:

(1) Possess one of the Navy Enlisted Classification/Navy Officer Billet Classification (NEC/NOBC) listed and is assigned by competent orders to a billet utilizing the following NEC/NOBC classifications:

Enlisted:	**NEC**
SEAL (Basic)	5320
Swimmer Delivery Vehicle	5323
SEAL	5326
Basic Explosive Ordnance Disposal (EOD) Technician	5332
Basic EOD Technician (Parachutist)	5333
Senior EOD Technician	5334
Senior EOD Technician (Parachutist)	5335
Master EOD Technician	5336
Master EOD Technician (Parachutist)	5337
Master Diver	5341
First Class Diver	5342
Second Class Diver	5343
Advanced Underwater Construction Technician	5931
Basic Underwater Construction Technician	5932

Enlisted:	**NEC**
Master Underwater Construction Technician	5933
Special Amphibious Reconnaissance Independent Duty Corpsman	8403
Fleet Marine Force Reconnaissance Corpsman	8427
Special Operations Independent Duty Corpsman	8491
Special Operations Technician	8492
Medical Deep Sea Diving Technician	8493
Medical Deep Sea Diving Technician	8494

Officer	NOBC
Undersea Medical (Diving) Officer	0107
Medical Service Corps (Diving) Officer	0107
EOD Officer	9230
EOD Mobile Unit Officer	9231
SEAL Officer	9293
Diving Officer (General)	9312;

(2) Be ordered to perform additional duty as a human test subject, inside instructor-observer or inside observer-tender as described in subparagraphs 240601.B.4.a., b, or c, or by the commanding officer having cognizance over the recompression chamber or hyperbaric complex; and

(3) Either be instructing or operating Navy approved underwater breathing equipment, support systems, and recompression chambers; or observing the other individual(s) for symptoms of diving injuries/illnesses and providing appropriate treatment, as ordered by competent authority.

c. The following types of similar duties do not entitle Navy personnel to HDIP as recompression chamber/hyperbaric complex inside instructor-observers or inside observer-tenders:

(1) Inside observer-tender and divers for surface decompression procedures incidental to the conduct of diving operations as this is considered a normal procedure related to the safe conduct of routine diving operations;

(2) Under instruction either inside instructor-observer, inside observer-tender, or trainees that includes saturation diving procedures and hyperbaric medical related training which is considered a normal requirement to establish or maintain proficiency and/or qualifications;

(3) Inside observer-tender or test candidates during pressure and/or oxygen tolerance tests;

(4) Inside observer-tender, technicians or others involved in recompression chamber or hyperbaric complex preventive or corrective maintenance or during the use of a chamber or complex for the purpose of conducting preventive or corrective maintenance procedures; and

(5) Patients undergoing hyperbaric treatment or therapy.

C. Restriction. A member is entitled to only one payment of IP for experimental stress duty during any 1 month.

240602. Rates

See paragraph 240204.

240603. Performance Requirements

A member is entitled to IP for experimental stress duty when assigned to that duty by competent orders and performs such duty during the month involved. Competent medical authorities of the Military Service concerned must determine if the member is engaged in one or more stress experiments involving risk of experimental hazard.

240604. Right to Pay Under Certain Conditions

See Table 24-1.

2407 TOXIC FUELS (OR PROPELLANTS) DUTY

240701. Entitlement

A. A member is entitled to HDIP for duty involving the servicing of aircraft or missiles with highly toxic fuels or propellants when this duty is performed as a primary duty according to the requirements set forth in subparagraphs 240702.A - D and G.

B. A member is entitled to HDIP for duty involving the servicing of aircraft or missiles with highly toxic fuels or propellants for the testing of aircraft or missile systems (or components of such systems) during which highly toxic fuels are used when this duty is performed as a primary duty according to the requirements listed in paragraph 240702.

240702. Requirements

Primary duty under this section requires:

A. Removal, replacement, and servicing of the emergency power unit of an aircraft with H-70 propellant (30 percent water, 70 percent hydrazine);

B. Participation by those personnel performing duties in subparagraph 240702.A, who must also participate in an emergency response force, spill containment, or spill cleanup involving H-70 propellant (30 percent water, 70 percent hydrazine);

C. Handling and maintaining the liquid propellants (liquid oxidizer-nitrogen tetroxide; unsymmetrical dimethyl hydrazine) used in the Titan weapon system if such duty requires the qualification in the use of the rocket fuel handler's clothing outfit and involves:

1. Launch duct operations, including flow, pressurization, on-load, off-load, set-up, or tear down involving propellant transfer operations;

2. Set-up, installation, or tear down for fuel/oxidizer flow;

3. Decontamination of equipment, including but not limited to the rocket fuel handler's clothing outfit;

4. Venting or pressurizing missile fuel or oxidizer tanks;

5. Removing or replacing missile components while missile fuel and oxidizer tanks are loaded with such propellants;

6. Transferring propellants between commercial and military holding trailers; or between holding trailers and fuel/oxidizer pump rooms; and

7. Normal preventive maintenance activities including but not limited to seal changes;

D. Handling and maintaining the propellants, unsymmetrical dimethyl hydrazine and inhibited red-fuming nitric acid used in the LANCE missile system;

E. Handling, transporting, or working with toxic fuels/propellants by members assigned to the Air Force Rocket Propulsion Lab who:

1. Directly manage and inspect the activities of crew members conducting operations involving experimental rocket propulsion systems and components;

2. Directly monitor and set up measurement instruments in operational areas where contamination is suspected or may be physically present;

3. Install and remove instrumentation devices from propulsion systems and components;

4. Perform final test preparation and immediate safety inspection duties around pressurized, active systems during pre-run and post-run test periods; or

5. Install and repair electrical systems;

F. Handling, loading/unloading, and transporting toxic fuels and oxidizers at the precision sled track while working with the liquid rocket sled which uses JP-X (a mixture of jet fuel (JP-4) and unsymmetrical dimethyl hydrazine) and red-fuming nitric acid and a propulsion; or

G. Involvement with other toxic substances contained in missile or aircraft weapon system fuels or propellants as determined by the Secretary concerned.

240703. Rates

See paragraph 240204.

240704. Restriction

The entitlement to the pay under this section is based upon the performance of such duty, which has the potential for accidental or inadvertent exposure to highly toxic fuels or propellants or related substances and not upon actual quantifiable exposure to such substances. Therefore, neither this construction of the term nor the receipt of the pay provided for in this section may be construed as indicating that any person entitled to such pay has been actually exposed to highly toxic fuels or propellants, or related substances contrary to the provisions of any statute, executive order, rule or regulation relating to health or, safety which is applicable to the Uniformed Services.

2408 TOXIC PESTICIDES DUTY

240801. Entitlement

A member is entitled to HDIP for duty involving frequent and regular exposure to highly toxic pesticides when the member is assigned by competent orders to the entomology, pest control, pest management, or preventive medicine functions of a Uniformed Service for a period of 30 consecutive days or more.

240802. Requirements

A. Fumigation Duties. Members must perform fumigation duties during a calendar month to receive HDIP for the month. Duty under this section covers any fumigation task utilizing: (1) phosphine, sulfuryl fluoride, hydrogen cyanide, methyl bromide, or (2) a fumigant of comparable high-acute toxicity and hazard potential.

B. Restrictions. The use of solid fumigant formulations such as aluminum phosphide, magnesium phosphide, and calcium cyanide in the outdoor control of burrowing animals does not qualify a member for IP under this section.

240803. Rates

See paragraph 240204.

2409 DANGEROUS VIRUSES (OR BACTERIA) LAB DUTY

240901. Entitlement

A member is entitled to HDIP for duty involving laboratory work that utilizes live dangerous viruses or bacteria as a primary duty.

240902. Requirements

Under this section members must perform primary duty while assigned by competent orders for a period of 30 consecutive days or more to participate in or conduct applied or basic research that is characterized by a changing variety of techniques, procedures, equipment, and experiments. Duty under this section is primary duty performed by members who work with microorganisms:

A. That cause disease:

1. With a high potential for mortality;

2. For which effective therapeutic procedures are not available; and

B. For which no effective prophylactic immunization exists.

240903. Rates.

See paragraph 240204.

2410 CHEMICAL MUNITIONS DUTY

241001. Entitlement

A member is entitled to HDIP for duty involving the handling of chemical munitions (or components of such munitions) as a primary duty.

241002. Requirements

A. Primary Duties. Primary duty under this section requires direct physical handling of:

1. Toxic chemical munitions incident to storage, maintenance, testing, surveillance, assembly, disassembly, demilitarization, or disposal of said munitions;

2. Chemical surety material defined by the Secretary of the Military Department concerned, incident to manufacture, storage, testing, laboratory analysis, detoxification, or disposal of said material;

3. Toxic chemical munitions incident to the technical escort of shipments of said munitions; or

4. Chemical surety material, defined by the Secretary concerned, incident to technical escort of shipments of said material.

B. Restrictions. HDIP under this section does not include the following duties:

1. Handling of the individual components of binary chemical agents or munitions;

2. User handling incident to loading, firing, or otherwise launching the toxic chemical munitions, or field storage operations during hostilities;

3. Handling of research, development, testing, and evaluation dilute solutions of toxic chemicals as defined by the Secretary concerned; and

4. Handling of riot control agents, chemical defoliants and herbicides, smoke, flame and incendiaries, and industrial chemicals.

241003. Rates

See paragraph 240204.

241004. Restriction

The entitlement to the pay under this section is based upon the performance of such duty that has the potential for accidental exposure to chemical agents and not upon actual quantifiable exposure to such agents. Therefore, neither the construction of the term nor the receipt of pay provided for in this section may be construed as indicating that any person entitled to such pay actually has been exposed to chemical agents contrary to the provisions of any statute, executive order, rule, or regulation relating to health and safety which is applicable to the Uniformed Services.

2411 MARITIME VBSS DUTY

241101. Entitlement

A member of a uniformed service who is entitled to basic pay is also entitled to IP for hazardous duty involving regular participation as a member of a team conducting VBSS operations aboard vessels in support of maritime interdiction operations.

241102. Duty Involving Maritime VBSS

Navy has established that in order to qualify for HDIP for any month under this section a member must:

A. Be assigned for an entire month to a billet designated as requiring frequent and regular participation in VBSS operations;

B. Be properly trained for the VBSS billet; and

C. Participate in a minimum of three boarding missions (excluding training exercises) during each month of qualification.

2412 POLAR REGION FLIGHT OPERATIONS DUTY

241201. Entitlement

A member of a uniformed service who is entitled to basic pay is also entitled to IP for hazardous duty involving use of ski-equipped aircraft on the ground in Antarctica or on the Arctic Ice-Pack.

241202. Requirements

A member will be eligible in any calendar month during which that member participated in a take-off from or landing on the ground in Antarctica or the Arctic Ice-Pack, or the servicing of, or the handling of cargo in connection with such aircraft on the ground in such a polar region. The appropriate commander will certify those members who under competent orders perform such duty in a calendar month.

241203. Rates

See paragraph 240204.

Table 24-1. IP for Hazardous Duty-Entitlement Under Certain Conditions

RULE	A When a member under orders to perform hazardous duty is	B and the hazardous duty involved is	C and	D then IP entitlement
1	sick in line of duty	any type of hazardous duty listed in paragraph 240203	orders to perform the hazardous duty involved remain in effect and the member performs the duty involved during the month involved, or when appropriate, performs the minimum performance requirements for the duty involved	continues for the period of the illness.
2	on authorized leave			continues for the period of leave (note 1).
3	on TDY or TAD			continues for the period of TDY or TAD.
4	reassigned PCS including TDY in conjunction with PCS			is not affected by the PCS (note 2).
5	on TDY or TAD	any type of hazardous duty listed in paragraph 240203	orders to perform hazardous duty involved are in effect at the TDY station only. Member meets minimum performance requirements at the TDY station	begins on the date of reporting for duty at the TDY location and exists for the period of TDY.
6	discharged and immediately reenlisted at the same station without a break in service		orders to perform hazardous duty involved are not specifically terminated	is determined as though there had been no discharge.
7			orders to perform the hazardous duty involved are specifically terminated	ceases on effective date shown in orders.

Table 24-1. IP for Hazardous Duty-Entitlement Under Certain Conditions (Continued)

RULE	A	B	C	D
	When a member under orders to perform hazardous duty is	**and the hazardous duty involved is**	**and**	**then IP entitlement**
8	removed from hazardous duty		removal is for cause, disqualification, or the member's own request	ceases on the date that cause or disqualification is determined to exist or the date the member is removed per request, which will be the effective date established in orders terminating the hazardous duty. (See note 2 for pay proration.)
9	a member of an RC being released from active duty performed either: a. while member is part of strength accountability of the active military establishment (EAD); or b. while member is accountable to an RC (ADT) (note 5)	parachute	orders are not issued directing relief from assigned duties and requirements have been met for the period involved	continues for the period of allowable travel time (notes 3 and 5).

Table 24-1. IP for Hazardous Duty-Entitlement Under Certain Conditions (Continued)

RULE	A When a member under orders to perform hazardous duty is	B and the hazardous duty involved is	C and	D then IP entitlement
10	being released from active duty performed either: a. while member is part of strength accountability of the active military establishment (EAD); or b. while member is accountable to an RC (ADT) (note 4)	demolition, flight deck, experimental stress, toxic fuels, toxic pesticides, dangerous viruses, handling chemical munitions, maritime VBSS, or polar region flight operations	orders are not issued directing relief from assigned duties and requirements have been met for the period involved	ceases on detachment from last duty station.
11	on ADT for any number of weeks (with or without a unit of assignment) (note 4)	any type of hazardous duty listed in paragraph 240203	orders to perform the hazardous duty involved are in effect at the ADT station. Member meets minimum performance requirements at ADT station	1. exists for the period of ADT. Entitlement for ADT is terminated per rules 9 or 10. 2. for IDT is determined under note 6.
12	on ADT for 20 weeks or more away from unit of assignment (note 4)		member is not ordered to perform the hazardous duty at the ADT station	1. does not exist for the period of ADT. 2. for IDT is determined under note 6.

Table 24-1. IP for Hazardous Duty-Entitlement Under Certain Conditions (Continued)

RULE	A When a member under orders to perform hazardous duty is	B and the hazardous duty involved is	C and	D then IP entitlement
13	on ADT for less than 20 weeks away from unit of assignment (note 4)		orders to perform the hazardous duty involved remain in effect at unit of assignment. Member is not ordered to perform hazardous duty at ADT station. Member meets minimum performance requirements during IDT at unit of assignment	1. exists for the period of ADT. Entitlement for ADT is terminated per rules 9 or 10. 2. for IDT is determined under note 6.

NOTES:

1. Performance of hazardous duty while on leave cannot be counted for pay purposes.
2. Orders to perform hazardous duty remain in effect when member is being reassigned PCS successively to hazardous duty. If the member cannot be immediately assigned to a hazardous duty position at a new station, orders to perform such duty will be terminated effective the date of arrival at new duty station and IP stopped as of that date. When successive assignment does not require hazardous duty as an essential part of military duty at the new permanent duty station, orders to perform such duty will be terminated effective the date of departure from old duty station (or TDY point if performance of hazardous duty is required as an essential part of military duty at the TDY point) and IP stopped as of that date. When effective date in the orders terminating hazardous duty is other than the last day of a calendar month and that month's performance requirements have been met, the month's hazardous duty pay will be prorated per subparagraph 240201.
3. Parachute pay may not be paid beyond the last day of the calendar month for which requirements are met.
4. ADT includes annual training, special tours of ADT, school tours, and the initial tour performed by enlistees without prior military service.
5. HDIP entitlement for ADT includes time allowed for necessary travel from home to first duty station (Chapter 1, paragraph 010305).
6. HDIP for IDT is paid per Chapter 58.

Table 24-2. When to Start the 3-Month Entitlement Period for Incapacity Resulting from Performance of Hazardous Duty

RULE	A	B	C
	When the type of duty is	**and**	**then the 3-month period during which requirements are considered to have been met begins**
1	demolition, experimental stress, toxic fuels, toxic pesticides, dangerous viruses, or handling chemical munitions		the first day of the month following the month in which the incapacity occurred.
2	parachute, flight deck, maritime VBSS, or polar region flight operations	performance requirements for the month of incapacity have been met	
3		performance requirements for the month of incapacity have not been met	the first day of the month in which the incapacity occurred.

Table 24-3. When IP for Incapacity Resulting from Hazardous Duty Stops on PCS

RULE	A	B
	When a member receiving IP as a result of incapacity resulting from hazardous duty is ordered on PCS to a medical facility for treatment during the 3-month entitlement period, and the hazardous duty involved is	**IP accrues**
1	parachute	after PCS through the end of the 3-month entitlement period.
2	flight deck, demolition, experimental stress, toxic fuels, toxic pesticides, dangerous viruses, handling chemical munitions, maritime VBSS, or polar region flight operations	through the date of departure from the old station.

Table 24-4. Parachute Jumps-IP for Parachute Duty-Performance Requirements

RULE	A When	B in	C then
1	a jump is performed	any calendar month	member qualifies for parachute duty pay for that month and one preceding and succeeding month; or that month and 2 preceding months; or that month and 2 succeeding months (note 1).
2	jumps are made	2 or more consecutive months	new 3 consecutive-calendar-month period starts with each month a jump is made, except when rule 3 applies.
3	a member is unable to perform a jump because of military operations of the command or the absence of jump equipment or aircraft	a 3-month period	member may qualify for parachute duty pay on a 12-month basis. He or she may qualify for the 3-month period plus the following 9 consecutive-calendar-months by performing four jumps any time during the 9-month period (note 2).
4	a member is unable to perform a jump by reason of being engaged in combat operations in a hostile fire area		minimum jump requirements may be waived by the member's commanding officer (note 2).
5	a member begins parachute training or reports for duty with a parachute unit	a fractional part of a month	the month the training or duty begins becomes the first month of the 3 consecutive-calendar-month period (note 1).

NOTES:

1. IP for parachute duty may be paid, provided prescribed requirements are met, only from the date of reporting for duty or training. If that day is other than the first day of a month, that month's rate of pay will be prorated in accordance with paragraph 240201.
2. Military operations, combat operations in a hostile fire area, or absence of jump equipment are the only authorized reasons for not complying with requirements over a 3-month period.

Table 24-5. Parachute Jump Examples

	Example 1		Example 2		Example 3		Example 4		Example 5		Example 6		Example 7	
	Jumps	Entitled	Jumps	Entitled	Jumps	Entitled	Jumps	Entitled	Jumps	Entitled	Jumps	Entitled	Jumps	Entitled
20--														
October	0	Yes[1]	0[3]	Yes[4]	0	Yes[1]	0	Yes[1]	0	Yes[1]	0	Yes[1]	0	Yes[1]
November	0	Yes[1]	0[3]	Yes[4]	1	Yes[2]	0	Yes[1]	0	Yes[1]	0	Yes[1]	0	Yes[1]
December	1	Yes[2]	0[3]	Yes[4]	0	Yes[1]	1	Yes[2]	1	Yes[2]	1	Yes[2]	1[5]	Yes[2]
20--														
January	0	Yes[1]	0[3]	Yes[4]	0[3]	Yes[4]	0[3]	Yes[4]	0[3]	Yes[4]	0[3]	Yes[4]	0[6]	Yes[7]
February	1	Yes[2]	0[3]	Yes[4]	0[3]	Yes[4]	0[3]	Yes[4]	0[3]	Yes[1]	0[3]	Yes[4]	0[6]	Yes[7]
March	0	Yes[1]	0[3]	Yes[4]	0[3]	Yes[4]	0[3]	Yes[4]	0[3]	Yes[1]	0[3]	Yes[4]	0[6]	Yes[7]
April	0	No	0[3]	Yes[4]	0[3]	Yes[4]	0[3]	Yes[1]	2	Yes[2]	0[3]	Yes[4]	0[6]	No
May	0	Yes[1]	0[3]	Yes[4]	0[3]	Yes[4]	0[3]	Yes[1]	0[3]	Yes[4]	0[3]	Yes[4]	0[6]	No
June	0	Yes[1]	0[3]	Yes[4]	0[3]	Yes[4]	2	Yes[2]	0[3]	Yes[1]	0[3]	Yes[4]	0[6]	No
July	2	Yes[2]	0[3]	Yes[4]	0[3]	Yes[4]	0[3]	Yes[4]	0[3]	Yes[1]	0[3]	Yes[1]	0[6]	No
August	0	No	0[3]	Yes[4]	0[3]	Yes[4]	0[3]	Yes[4]	1	Yes[2]	0[3]	Yes[1]	1	Yes[2]
September	0	No	4	Yes[2]	0[3]	Yes[1]	0[3]	Yes[4]	0[3]	Yes[1]	3	Yes[2]	0	Yes[1]
October	0	Yes[1]	0	Yes[1]	0[3]	Yes[1]	0[3]	Yes[1]	0[3]	Yes[1]	1	Yes[2]	0	Yes[1]
November	0	Yes[1]	1	Yes[2]	3	Yes[2]	0[3]	Yes[1]	1	Yes[2]	0[3]	Yes[4]	0	No
December	1	Yes[2]	0	Yes[1]	1	Yes[2]	2	Yes[2]	0[3]	Yes[4]	0[3]	Yes[4]	0	No
20--														
January	0	No	0	No	0	No	0	No	0	No	0	Yes[1]	0	No
February	0	No	0	No	0	No	0	No	0	No	0	Yes[1]	0	No
March	0	No	0	No	0	No	0	No	0	No	1	Yes[2]	0	No

NOTES:

1. Entitled to IP for parachute duty based on jumps performed in 3 consecutive calendar months.
2. Entitled to IP for parachute duty based on that month's jump.
3. No jumps performed because of absence of jump equipment or aircraft or on account of military operations.
4. Entitled to IP for parachute duty based on jumps performed in 12 consecutive calendar months.
5. Incapacitated by reason of parachute accident.
6. No jumps performed because of incapacitation resulting from parachute accident.
7. Entitled to IP for parachute duty accident.

*BIBLIOGRAPHY

CHAPTER 24 - INCENTIVE PAY - HAZARDOUS DUTY OTHER THAN AERIAL FLIGHTS

2402 - ENTITLEMENT

240201	Executive Order 13294, March 28, 2003 Title 37, United States Code (U.S.C.), section 301
240202	37 U.S.C. § 301(c)
240203	37 U.S.C. § 301(e)
240204	37 U.S.C. § 301(e)
240204.C	38 Comptroller General Decision 83

2403 - PARACHUTE DUTY

240301	37 U.S.C. § 301(a)(3) 37 U.S.C. § 301(c)(1)

2404 - FLIGHT DECK DUTY

240401	37 U.S.C. § 301(a)(8)
240402	OPNAVINST 7220.4 series
240403	37 U.S.C. § 301(c)
240405	OPNAVINST 7220.4 series

2405 - DEMOLITION DUTY

240501	37 U.S.C. § 301(a)(4)
240502	37 U.S.C. § 301(c)

2406 - EXPERIMENTAL STRESS DUTY

240601	37 U.S.C. § 301(a)(5),(6),(7)
240602	37 U.S.C. § 301(c)

2411 - MARITIME VBSS DUTY

*	241101	37 U.S.C. § 301(a)(11)

2412- POLAR REGION FLIGHT OPERATIONS DUTY

*	241201	37 U.S.C. § 301(a)(12)

VOLUME 7A, CHAPTER 25: "SUBSISTENCE ALLOWANCES"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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

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

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

The previous version dated May 2015 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
250202	Basic Allowance for Subsistence rates increased effective January 1, 2016 in accordance with the Office of the Assistant Secretary of Defense Manpower and Reserve Affairs Memo, November 24, 2015.	Revision
250205	Removed paragraph and unusable hyperlinks.	Deletion
250302.E	Eligibility for Family Subsistence Supplemental Allowance updated to reflect the current statute Title 37, United States Code 402a(b)(4).	Revision
Bibliography	Updated references.	Revision

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CHAPTER 25

SUBSISTENCE ALLOWANCES

2501 GENERAL

250101. Purpose

Each member of a uniformed service entitled to basic pay is entitled to Subsistence Allowances subject to the conditions set forth in this chapter.

250102. Authoritative Guidance

The bibliography at the end of this chapter lists the authoritative references.

2502 BASIC ALLOWANCE FOR SUBSISTENCE (BAS)

250201. Eligibility

Upon completion of initial basic military training, unless otherwise restricted as described in this chapter, a member becomes entitled to one of the following monthly BAS rates based upon their rank and circumstances.

A. Officer BAS. A single rate of BAS applies to all officers.

B. BAS for Enlisted Members. Enlisted members are entitled to one of the BAS rates listed below:

1. Enlisted BAS. The monthly standard rate of BAS enlisted members receive unless they qualify for, and proper authority approves, a higher rate of BAS.

2. Enlisted BAS II. Enlisted members on duty at a permanent station and assigned to single (unaccompanied) Government quarters, which do not have adequate food storage or preparation facilities, and where a government mess is not available, and the government cannot otherwise make meals available, may be entitled to BAS II. The BAS II rate is twice the rate for standard enlisted BAS. Effective February 10, 2006, the Navy authorized the payment of BAS II. Effective October 1, 2010; the Air Force authorized payment of BAS II to members at specific locations.

C. Continuity of Enlisted BAS Entitlement

1. Enlisted members continue their existing BAS entitlement without interruption upon discharge or retirement, if reenlistment or recall to active duty is completed at the same station within 24 hours.

2. Enlisted members continue their existing BAS entitlement without interruption during weekends, holidays, administrative absence, pass, or liberty (not including leave).

D. Enlisted BAS in Specific Situations. The following policy will be used in determining the rate of BAS to apply in specific situations:

1. Enlisted BAS rates will be applied uniformly for all enlisted members under similar conditions permanently assigned to the same installation, station, base, or ship. The installation commander/commanding officer will ensure the uniform application of BAS rates for members under similar conditions, whether from a single Service or more than one Service. If there is conflict between Service directives that prevent uniform application of BAS, the commander/commanding officer will report the differences, through appropriate channels, to the Secretaries of the Military Departments concerned, who will confer to ensure uniform determinations on the authorized BAS rate.

2. Enlisted members on authorized leave (including proceed time, authorized delays enroute between duty stations chargeable as leave and convalescent leave) are entitled to the standard enlisted BAS rate, regardless of the BAS rate authorized at their permanent station.

3. Enlisted members performing permanent change of station (PCS) travel (including temporary duty travel or temporary additional duty (TAD/TDY enroute)) under orders away from their designated post of duty are entitled to the standard enlisted BAS rate, regardless of the BAS type authorized at their previous or subsequent permanent station.

4. Enlisted members receiving BAS II at their permanent station who are hospitalized or performing regular or permissive TAD/TDY (including field duty, sea duty, Essential Unit Messing (EUM), or members traveling together with limited or no per diem travel) under orders away from their permanent station will revert to standard enlisted BAS for the period of hospitalization or absence from the permanent station.

*****250202. Payment

The BAS entitlement is paid as a monthly rate. Effective January 1, 2016, the rates for BAS are as follows:

A. The monthly BAS rate for officers is $253.63.

B. The monthly BAS rates for enlisted members are:

1. Enlisted BAS (standard) – $368.29; and

2. BAS II – $736.58.

C. Prorated Subsistence Allowances. Military members will not be provided meals or rations free of charge by or on behalf of the Government while entitled to BAS for the same period of service, except when a patient is in a hospital as defined in paragraph 250203.C. 1 and 2.

1. An enlisted member will be entitled to the standard enlisted BAS rate for any day they are under orders for leave or PCS travel. This includes the day of commencement and day of termination of the status under those orders.

2. An enlisted member who changes BAS status at the direction or by permission of a commander, under blanket authority, or at the member's request will have the entitlement change take effect at the beginning of the day specified in writing by the commander.

250203. Restrictions

A. Military members are not entitled to BAS under the following conditions:

1. When undergoing Basic Military Training, including initial officer training (Officer Candidate School, Officer Training School) unless, they have continuous prior enlisted service (active or reserve) at the time they start such training. In such cases, the member will be subsisted-in-kind.

2. When in an excess leave status.

3. When in an absent-without-leave status, in excess of 24 hours, unless the absence is excused as unavoidable.

4. When on an approved educational leave of absence not exceeding 2 years.

5. When a member with no dependents is training for, attending, or participating in Pan American games, Olympic Games, or other specifically authorized international amateur sport competitions and the sponsoring agency subsists them during that period.

6. When serving a court-martial sentence that includes confinement and total forfeiture of pay and allowances. BAS will stop on the date the sentence is adjudged, and the member is confined, or when total forfeitures become effective. In such cases, the member will be subsisted-in-kind.

B. Enlisted BAS II is not authorized when a government mess is temporarily closed for less than 14 days, or when a member is on leave, TAD/TDY away from the permanent station, or in the hospital.

C. Military members may not be provided meals or rations at no charge by or on behalf of the Government while entitled to BAS for the same period of service, except when a

patient is in a hospital undergoing medical recuperation or therapy, or is otherwise in the status of continuous care, including outpatient care at a medical treatment facility for an injury, illness or disease incurred while the member was on active duty in:

1. Any operation designated by the Secretary of Defense as a combat operation or in an area designated by the Secretary as a combat zone; or

2. Support of:

a. Operation Enduring Freedom;

b. Operation Iraq Freedom; or

c. Operation New Dawn.

250204. Special Provisions

A. Meal Collections. A military member being paid BAS must pay for all meals or rations received from a Government mess or provided on behalf of the government (except when a patient is in a hospital as defined in paragraph 250203.C.1 and 2). This is a personal obligation of the individual. Meals or rations may be paid for with cash tendered to the government mess, by collection/reduction of otherwise entitled subsistence travel per diem (a member under orders for EUM has no entitlement to subsistence travel per diem), or through pay account collection. When payment is made from a pay account, the payment is not considered a deduction from or reduction of the entitled BAS; rather it is a collection for a debt owed to the government (see Table 25-1).

1. Members receiving BAS while in certain situations may have the payment for government-provided meals made by mandatory pay account collection. These are circumstances where it is not feasible to control dining access or collect cash due to operational constraints or where efficiency of operation requires collection for all meals. When a commander/commanding officer requires mandatory collection, the pay account collection will be made for all meals available, whether the meals are actually eaten or not. Mandatory collections are made day-for-actual-day, not a 30-day month basis. Unless the member is receiving a per diem for subsistence, the collection will be at the discount meal rate. Mandatory pay account collection may be required in the following situations:

a. Field duty.

b. Sea duty.

c. Members traveling together with limited or no per diem travel.

d. Accession Pipeline Military Training.

e. EUM.

f. Essential Station Messing (ESM).

2. Mandatory pay account collections for meals do not apply under the following conditions:

a. Members on official leave, in a permanent change of station status, (including travel time and proceed time), in a hospital, or on TAD/TDY other than temporary duty to another situation requiring mandatory pay account collection for meals will be exempt from mandatory collections. In these instances, pay account collections will be suspended or adjusted with a credit and the government mess will be responsible for collecting from the individual for any meals served.

b. Members who have missed meals certified by the commanding officer/commanders or their designee are exempt from mandatory collections, and pay account collections will be suspended or adjusted with a credit.

3. Pay account collections will be at 25-percent of the discount meal rate for the first and last day of assignment in situations requiring mandatory collection. A member transitioning directly between two mandatory meal collection situations will be treated as though the collection period were continuous and will not receive the 25-percent reduced charge for the transition. The 25-percent reduced meal charge does not apply for leave periods. Full collections will be made on the duty days before and after the leave period.

4. In circumstances other than those requiring mandatory pay account collection, members receiving BAS will pay for meals obtained from a Government mess or provided on behalf of the government by using cash or by collection/reduction of subsistence per diem from their travel claims. Members on Joint Task Force operations, under per diem travel orders, usually will have the subsistence portion of their per diem withheld or deducted from their travel reimbursement as payment for meals provided in theater. Members deployed on regular TAD/TDY travel, who receive deductible meals (meals at “no cost”), will have the subsistence portion of their per diem reduced as payment for meals provided by or on behalf of the government.

5. The standard meal rate applies unless there is a specific exception allowing application of the discount meal rate. Members actually paid subsistence per diem for meals must pay the standard meal rate unless the per diem is withheld or disallowed as payment for the meals.

6. Members being subsisted by or on behalf of the Government, where no other collection means exists or where normal collections were not made, may have a collection for meals made through their pay account at the appropriate rate upon proper documentation for a debt owed to the Government.

B. Meal Collection Disposition. Collections from individual pay accounts for meals and rations provided by the Government or on behalf of the Government will be credited to the appropriation specified by each Military Service.

C. Specialized Terms. The following definitions apply to specialized terms used in this chapter:

1. ESM. ESM is declared by the installation, base, or station commander responsible for the single government quarters that is essential to operate the government mess efficiently and economically, or that are necessary for the health and safety of enlisted personnel permanently assigned to single quarters. Those categories of enlisted members included in ESM will be charged for all meals made available whether eaten or not, except for approved missed meals.

2. EUM. EUM is declared when members travel together with limited or no per diem. An appropriate authority declares essential for operational readiness, military operations, or effective training where members are required to use a government mess or meals provided on behalf of the government. Members will be in a travel status and are entitled to travel reimbursement for incidental expenses, but not for subsistence. Designation for EUM will apply only to organizational units and to operational elements and detachments, not to individual service members. All members on duty under circumstances where EUM has been declared will be charged for all meals made available whether eaten or not, except for approved missed meals.

3. Sea Duty. Sea Duty is any service performed in a self-propelled vessel with berthing and messing facilities that is in an active status, in commission, or in service. This term applies to members who are either permanent party or aboard for temporary duty. All members on sea duty, not a member of an authorized private mess will be charged for all meals made available whether eaten or not, subject to approved missed meals.

4. Subsisted on Behalf of the Government. Subsisted on behalf of the Government is a condition in which meals or rations are furnished without charge by a Government contractor or a foreign government, or through a fellowship, grant, or intern program, while a member is receiving basic pay, either under the terms of a contract or agreement or on a complimentary basis. Unless a member is entitled to be subsisted-in-kind, subsistence provided on behalf of the Government must be charged to the member.

5. Subsisted-in-Kind. Subsisted-in-Kind is meals or rations furnished by or on behalf of the Government at no charge when BAS or commuted rations are not otherwise payable to a member in a pay status.

D. Advance Payments. Specific circumstances for advance payment of BAS are contained in Chapter 32, section 320205.

E. Effect on Overseas Station Allowances. BAS is paid in conjunction with the overseas cost-of-living allowances authorized by the ***Joint Travel Regulations***.

2503 FAMILY SUBSISTENCE SUPPLEMENTAL ALLOWANCE (FSSA)

250301. General Provisions

The FSSA program was established to supplement an individual's basic allowance for subsistence to a level sufficient to remove that member's household from or eliminate the need for benefits under the United States Department of Agriculture (USDA) Supplemental Nutrition Assistance Program (SNAP), formerly known as the food stamp program. Officer and enlisted members entitled to BAS may also qualify for FSSA. FSSA is payable at a monthly rate as determined by the Military Service concerned under the guidance provided by the Secretary of Defense, and may not exceed $1,100. FSSA is a nontaxable allowance payable in addition to, all other pays and allowances.

*250302. Eligibility

FSSA is payable to any officer or enlisted member of the Armed Forces who meets all of the following criteria:

A. Is serving on active duty and receiving BAS;

B. Has a gross household income that would make the member eligible for assistance under the USDA SNAP program for a given household size;

C. At least one person in the Service member's household is a military dependent;

D. Has made an application for and been certified, at a specific payment level, by the appropriate office; and

* E. After September 30, 2016, only a member serving outside the United States, the Commonwealth of Puerto Rico, the United States Virgin Islands, or Guam is eligible for a supplemental subsistence allowance.

250303. Entitlement

FSSA is a monthly entitlement payable in whole dollar amounts not to exceed $1,100. It is not payable to any member, otherwise entitled, during periods in a non-pay status.

A. FSSA is payable in an amount that would bring the member's gross household income to 130 percent of the Federal poverty line as established by the USDA.

B. For periods of less than a full month of entitlement the FSSA is payable at 1/30 of the amount for each day of entitlement.

C. If an eligible member is receiving SNAP benefits, the amount of the FSSA entitlement will be equal to the calculated FSSA or the SNAP allotment, whichever is higher, not to exceed $1,100 per month.

250304. Military Income

For the FSSA program, the sources of revenue that will be counted as "military income" are basic pay, BAS, basic allowance for housing, or cash equivalent for those that are living in Government–provided housing; overseas housing allowance, all bonuses, and all special and incentive pays except those that are excluded in subparagraph B.

A. The monthly amount of military income attributable to a bonus will be the amount of the bonus, prorated over the period of time to which bonus is applicable. When a Service member lives in Government quarters while stationed overseas, the amount of the housing allowance to count as income for that member is the overseas housing allowance ceiling for the local area.

B. The following sources of revenue will not be counted as military income:

1. Hostile Fire Pay;

2. Imminent Danger Pay;

3. Continental United States Cost of Living Allowance (COLA);

4. Overseas COLA;

5. Family Separation Allowance;

6. Clothing Allowances; and

7. All travel, and transportation related allowances, and entitlements.

250305. Application and Certification

Individual members must make application to the appropriate organizational element as designated by their respective Service. The appropriate Service organization will make all decisions regarding eligibility and the amount of entitlement and will provide final certification for payment to include the entitlement start date.

250306. Termination and Recertification

A. Termination. Certain events will cause the termination of entitlement unless reapplication and recertification are completed. Each of the following events requires reapplication and recertification or termination of entitlement:

1. When the monthly household income increases by $100 or more as compared to the current amount the Service member is qualified to receive;

2. When there is any decrease to household size;

3. When the member is promoted. In the case of a promotion, the entitlement ends the day prior to the effective date of promotion;

4. When executing PCS move. In the case of a PCS move, the entitlement ends the day prior to the date the member officially reports for duty at the new duty station; and

5. Annually on February 1.

B. Recertification. An eligible member may reapply:

1. No earlier than 30 days prior to termination when an event that will require recertification is known in advance; or

2. No later than 30 days after an event that requires recertification without loss of continuity of entitlement.

NOTE: The effective date of recertification shall be the day following the last day of the previous certification period. In cases where the Service member does not reapply in 30 days after the lapse of certification, a re-certification shall be treated as an initial application. In such cases, continuity of entitlement will be lost, and the date for termination of the entitlement will be the date of the event requiring recertification.

250307. Recoupment

The difference between the amount of the current entitlement and the amount being recertified (if less) will be recouped if, during recertification, it is determined that the member's gross household income increased by greater than $100 more than 30 days prior to reapplication. The recoupment amount is calculated on a pro rata basis for each day, following the date the increased income exceeded $100 through the effective date of the recertification.

Table 25-1. Meal Collection Rates

Effective January 1, 2016 (Notes 1 & 2)

RULE	A When a member receiving BAS also receives subsistence (meals or rations) from a government mess or provided on behalf of the Government at the	B and the meal received is	C then the collection rate is (note 2)
1	discount meal rate (note 3)	breakfast	$2.60
2		lunch	$4.20
3		dinner	$3.65
4		daily total	$10.45
5	standard meal rate (note 4)	breakfast	$3.45
6		lunch	$5.55
7		dinner	$4.85
8		daily total	$13.85

NOTES:

1. Collections from a member's pay account will be made when the member has not otherwise paid for meals provided by or on behalf of the Government (i.e., by cash, a personal check or charge, or by deduction/reduction of per diem). Collections from pay will be deducted from the member's pay account and credited to the appropriation specified by the Military Service concerned.
2. For the prior year rates, see: ***Office of Secretary of Defense (Comptroller)*** website.
3. The discount meal rate applies to meals and rations provided by or on behalf of the U.S. Government to a member not paid per diem or other travel reimbursement for subsistence who is performing duty in a U.S. Government vessel, a U.S. Government aircraft, on maneuvers, war games, field exercises, or similar operations, members traveling together with limited or no per diem travel status, under EUM or assigned ESM. The discount meal rate also applies to meals and rations provided to a member assigned to Joint Task Force operations (for other than training) at temporary U.S. installations, or through a temporary dining facility.
4. The standard meal rate applies to meals and rations provided to any member not authorized the discount meal rate. This includes any member being paid per diem for subsistence, except those on Joint Task Force operations as described in note 3. Generally, when the standard meal rate is applicable, it will be collected, in cash from the member, by the dining facility.

*BIBLIOGRAPHY

CHAPTER 25 – SUBSISTENCE ALLOWANCES

2501 – GENERAL

Title 37, United States Code (U.S.C.) section 402

2502 – BASIC ALLOWANCE FOR SUBSISTENCE (BAS)

	250201	Department of Defense Directive (DoDD) 1418.05, October 6, 2003
	250201.B.2	Military Personnel Manual 7220-182, March 17, 2006 Office of the Assistant Secretary of the Air Force Financial Management Memo, June 8, 2010.
*	250202.A & B	Office of the Assistant Secretary of Defense Manpower and Reserve Affairs Memo, November 24, 2015
	250202.B.2	DoDD 1418.05, October 6, 2003
	250203.A.5	37 U.S.C. § 420(c)
	250203.A.6	10 U.S.C. § 857, § 858b
	250203.C	37 U.S.C. § 402(h)
	250204	37 U.S.C. § 1011 DoDD 1418.05, October 6, 2003 10 U.S.C. § 2603 5 U.S.C. § 5536

2503 – FAMILY SUBSISTENCE SUPPLEMENTAL ALLOWANCE (FSSA)

		37 U.S.C. § 402a Department of Defense Instruction 1341.11, March 4, 2008
*	250302.E	37 U.S.C. § 402a(b)(4)
*Table 25-1		Office of Under Secretary of Defense (Comptroller) Memo, December 18, 2015

VOLUME 7A, CHAPTER 27: "FAMILY SEPARATION ALLOWANCE (FSA)"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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

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

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

The previous version dated November 2015 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated formatting to comply with current administrative instructions.	Revision
270401.G Table 27-1 Rule 16	Updated to reflect the start date for FSA for the evacuation of dependents.	Revision
Table 27-1 Note 6	Removed obsolete "NOTE" referencing the Joint Travel Regulation and renumbered subsequent note.	Deletion

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CHAPTER 27

FAMILY SEPARATION ALLOWANCE (FSA)

2701 GENERAL

270101. Purpose

The chapter provides policy for FSA. FSA provides compensation for added expenses incurred because of an enforced family separation under one of the conditions in subparagraphs 270203.A.1 through 3. FSA is payable to qualified members serving inside or outside the United States. It is not authorized when a member performs duty at any station under permissive orders (except when subparagraph 270401.C applies).

270102. Authoritative Guidance

The bibliography at the end of this chapter lists the authoritative references.

2702 ENTITLEMENT PROVISIONS

270201. Types Authorized

FSA is payable to members with dependents. FSA is payable in addition to any other allowance or per diem, to which a member may be entitled. The member, however, may not receive more than one payment of FSA for the same period, even though qualified for FSA - Restricted (FSA-R), FSA - Ship (FSA-S), and FSA - Temporary (FSA-T).

270202. Definitions

A. Dependents. The term "dependents" has the same meaning as defined in the Volume 7A, Definitions and is further defined in subparagraphs 270202.A.1 through 270202.A.3:

1. Child. A dependent child(ren) is an unmarried child(ren) of the member who is in the legal custody of the member. Legal custody includes a circumstance in which the member has been awarded joint physical and legal custody of a dependent child(ren) as a result of a court ordered custody agreement or finalized divorce decree, which provides that the child(ren) physically reside with the member on an equal basis (no less than 14 days during a month) as compared to the time the child(ren) reside(s) with the former spouse, and the member's actual physical custody of the child(ren) is precluded due to an enforced family separation described under paragraph 270203. Such a custody arrangement must be stipulated in the signed court order or divorce decree, subject to the verification by the Secretary of the Military Department concerned. See subparagraph 270301.C.

2. Parents. The term "Parents" is defined in the Volume 7A, Definitions.

3. Spouse. An individual who is legally married to the Service member.

NOTE: Generally, a member of a Uniformed Service may not be paid an allowance (including FSA) for a dependent during any period for which the dependent is entitled to active duty basic pay. This does not negate an entitlement to FSA to a couple comprised of a member married to another member with no other dependents. Such a couple is entitled to FSA.

B. Duty Station. The term "duty station" is defined in the Volume 7A, Definitions.

C. Permanent Duty Station (PDS). The term "PDS" is defined in the Volume 7A, Definitions.

D. Household. The term "household" means the same as "home" or "family." It applies to a collection of persons living under one roof, having one head or manager who controls and supervises the affairs of the family. For FSA purposes, this applies only to secondary dependents.

270203. FSA

A. When Payable. FSA is payable to a member serving in any grade as a member with dependents. The member must meet all general requirements and one of the following conditions:

1. FSA - R

a. The member's dependents, including dependents acquired after the effective date of PCS orders (see Table 27-1 (FSA Commencement Dates), rules 8 and 9), do not live in the vicinity of the member's homeport/PDS, and their transportation to or near the PDS is not authorized at government expense (see paragraph 270401).

b. Transportation of dependents is authorized at government expense, but member elects an unaccompanied tour of duty because a dependent cannot accompany the member to, or at that homeport/PDS due to certified medical reasons, regardless of the date on which the member first made the election to serve an unaccompanied tour.

2. FSA - S. The member is on duty aboard a ship, and the ship is away from the homeport continuously for more than 30 days.

NOTE: The dependents are not required to reside in the vicinity of the homeport.

3. FSA - T. The member is on Temporary Duty (TDY) or Temporary Assigned Duty (TAD) away from the PDS continuously for more than 30 days, and the member's dependents do not reside at or near the TDY or TAD station. This includes members who are required to perform a period of the TDY or TAD before reporting to their initial station of

assignment. Members on an unaccompanied tour are entitled to FSA-T for TDY or TAD periods of over 30 continuous days if the member's dependents do not reside at or near the TDY or TAD station and they do not reside near the PDS as defined in paragraph 270303.

B. Amount Payable

Effective October 1, 2002, FSA is payable in a monthly amount of $250.

C. Conditions:

1. For specific commencement dates, see Table 27-1;

2. For overseas eligibility, see Table 27-2;

3. For specific dates to stop FSA, see Table 27-3; and

4. For specific conditions of entitlement, see Table 27-4.

D. Member Married to Member

1. FSA is payable to a member married to another member regardless of whether the member has any non-active duty dependents, when all other general conditions are met, and provided members were residing together immediately before being separated by reason of execution of military orders.

a. Except as provided in subparagraph 270203.D.2, not more than one monthly FSA may be paid with respect to a married military couple for any month. Each member may be entitled to FSA within the same month, but both cannot simultaneously be entitled. Payment will be made to a member whose orders resulted in the separation. If both members receive orders requiring departure on the same day, then payment will go to the senior member.

b. If a member meets the requirements for credit of FSA, but entitlement is precluded by an existing entitlement status of the spouse, then the second member may, if still qualified, immediately become entitled to FSA upon termination of the spouse's status. The couple may qualify for sequential entitlements to FSA provided military orders keep them continuously separated.

c. In order to qualify for a subsequent entitlement to FSA, a married member couple, no longer separated by reason of military orders, must reestablish a joint household and reside together.

2. Effective October 1, 2008, FSA is payable to both married members when they reside together with their dependents immediately before being separated from dependents, by competent orders to assignments prescribed in subparagraphs 270203.A.1 through 3. Each member's entitlement is determined individually based on assignment and separation from dependents. The dual allowance will continue until one of the members is no longer assigned to

one of those duty assignments. The other member will continue to receive the allowance until no longer assigned to one of those duty assignments. This is true even when both members are assigned to the same duty location away from their dependents.

3. In the case of a member married to another member, and the couple has a child, one member may claim the child for entitlement to Basic Allowance for Housing and the other member, when otherwise entitled, may claim the child for entitlement to FSA. The FSA entitlement may alternate between members based on the same dependent; however, FSA may not be paid simultaneously to both members on behalf of the same dependent, except as provided in subparagraph 270203.D.2. See subparagraph 270401.D.

2703 DEPENDENTS SEPARATION REQUIREMENTS

270301. Dependents

A member is not considered "a member with dependents" for FSA entitlement when:

A. The sole dependent is placed in an institution for a known period of over 1-year or for an indefinite period, which may be expected to exceed 1-year;

B. The sole dependent is a spouse legally separated or child(ren) in the legal custody of another person. An exception occurs when the member has joint physical and legal custody of the child(ren) and the child(ren) otherwise would reside with the member at least 14 days each month, for the current assignment. In such assignment, the member will be considered as a "member with dependents" for FSA entitlement;

C. The member has been awarded joint legal and physical custody of the child(ren) as a result of a court ordered custody agreement or finalized divorce decree, which provides that the child(ren) physically reside with the member less than 14 days during the month; or

D. The member's dependent parent does not reside in the home, which the member controls, supervises, and maintains for mutual use when circumstances permit.

270302. Temporary Social Visits by Dependents

A. FSA-R. Credit continues to accrue while the member's dependents visit at or near the member's PDS, but for no longer than 3 continuous months. Facts clearly must show that the dependents merely are visiting (not changing residence) and that the visit is temporary and not intended to exceed 3 months. If, for unforeseen reasons (due to illness or other emergency), a bona fide social visit extends beyond 3 months, then stop credit for FSA at the end of the 3-month period. If the visit initially is intended to exceed 3 months, then stop FSA credit the day before the dependents arrive at the member's PDS. Credit is again authorized on and after the day that the dependents depart from the PDS. A member is entitled to FSA-R, even though one or more (but not all) dependents visit for longer than 3 months if the member is entitled on behalf of the dependents who are not visiting the member.

B. FSA-S. Credit continues to accrue to the member whose dependents are visiting at or near the duty station (or any port) continuously for 30 days or less. Facts must show that the dependents merely are visiting. If the visit exceeds 30 days, then entitlement to FSA-S ends on the day preceding the date of dependent arrival, unless the visit is extended because of illness or other emergency. Under such circumstances, payment of FSA-S is limited to 30 days. Entitlement to FSA-S exists if one or more (but not all) of the dependents visit for longer than 30 days if the member otherwise is entitled to FSA-S on behalf of the dependents who are not visiting the member.

C. FSA-T. Credit continues to accrue to a member whose dependents visit at or near the TDY or TAD continuously for 30 days or less. Facts must show that the dependents are merely visiting. If the visit exceeds 30 days, then the member is not entitled to FSA-T for any part of the period, unless the visit is extended because of illness or other emergency. Under such circumstances, payment of the allowance is limited to 30 days. Entitlement to FSA-T resumes on the day that the dependents depart the TDY or TAD, if the member's TDY or TAD extends for more than 30 days from that date. Entitlement to FSA-T exists if one or more (but not all) of the dependents visit for longer than 30 days if the member otherwise is entitled on behalf of the dependents who are not visiting the member.

270303. Dependents Reside Near Duty Station

A. FSA does not accrue to a member if all of the dependents reside at or near the duty station. If some (but not all) of the dependents voluntarily reside near the duty station, then FSA may accrue on behalf of those dependents who do not reside at or near the duty station. Consider dependents as residing near a duty station if the member actually commutes daily, regardless of distance. Also, consider dependents as residing near a duty station if they live within a reasonable commuting distance of that station, whether or not the member commutes daily. A distance of 50 miles, one way, is normally considered to be within reasonable commuting distance of the station, but the 50-mile rule is not inflexible.

B. Unusual conditions may permit a determination that dependents do not live within a reasonable commuting distance, even though the distance involved is less than 50 miles one way. In a situation where the distance is less than 50 miles, but the time required to commute one way by commonly used route and method of transportation would exceed one and a half hours, the dependents will be considered as not residing near the member's duty station, unless the member actually commutes daily.

C. If dependents are authorized concurrent travel with the member to the duty station and are subsequently authorized to reside at a point over 50 miles from the member's duty station for personal reasons, rather than as a result of military restriction on dependents' travel, then FSA entitlement does not accrue.

D. In questionable cases, commanders may submit requests for determination through channels to the appropriate office listed:

1. Army: Deputy Chief of Staff, G-1
ATTN: DAPE-PRC
300 Army Pentagon
Washington, D.C. 20310

2. Navy: Chief of Naval Operations, (N130)
701 South Courthouse Rd
Arlington, VA 22204-2472

3. Air Force: Commander, Air Force Personnel Center
550 C Street West
Randolph AFB, TX 78150-6421

4. Marine Corps: Commandant of the Marine Corps (RFF)
James W. Marsh Center
3280 Russell Road
MCB Quantico, VA 22134

2704 CONDITIONS OF ENTITLEMENT

*270401. Entitlement Incident to Permanent Change of Station (PCS) Reassignments

A. Continental United States (CONUS) Assignments. Conditions of FSA entitlement incident to regular CONUS PCS reassignments and permissive PCS reassignments are detailed in subparagraphs 270401.A.1 through 270401.A.4.

1. Entitlement to FSA upon regular PCS is authorized only when movement of a member's dependents to the new PDS is not authorized at government expense.

2. Members are entitled to FSA-S when performing duty onboard a ship if the ship is away from the homeport for more than 30 continuous days. If, however, the ship arrives and remains at a port other than the homeport for a period of more than 30 days at a location where the member's dependents reside, then payment of the FSA-S is precluded if the member resides with the dependents. A member is entitled to FSA-S for redeployment if the member returned to the homeport after the original deployment for a period of 30 days or less and redeployed for a period of more than 30 continuous days.

3. A member who is otherwise entitled to transportation of dependents at government expense, but whose dependent cannot accompany the member to or at that homeport/PDS due to certified medical reasons, is entitled to FSA under this subparagraph.

4. A member who otherwise is authorized movement of dependents at government expense to PDS is not so authorized when he or she is voluntarily reassigned on PCS under permissive orders. Separation from dependents under these circumstances is not an enforced separation due to government requirements. The member, therefore, is not entitled to FSA under this subparagraph.

B. Waiver Provision. See subparagraph 270401.D. for circumstances in which waivers may be granted.

C. Overseas Assignments. Dependents are permitted in some areas overseas and not permitted in others (dependent-restricted areas). A member selected for PCS overseas to an area where his or her dependents are permitted must elect to serve either an unaccompanied or an accompanied tour.

1. Except as waived by the Secretary of the Military Department concerned, a member electing to serve an unaccompanied tour, in lieu of an accompanied tour at a PDS where his or her dependents are permitted, is not entitled to FSA-R for such a tour. A member who is in receipt of accompanied tour orders, and subsequently requests to serve an unaccompanied tour, to include a dependents-restricted tour, in lieu of an accompanied tour at a PDS where his or her dependents are permitted, is not entitled to FSA-R for such a tour. Secretarial waiver of this policy may be granted in situations where it would be inequitable to deny FSA-R to a member because of the unusual family or operational circumstances.

2. See applicable procedures for tour elections and secretarial waiver in the appropriate individual Military Service regulation.

3. Refer to Table 27-2 (FSA-R, Overseas Assignment) for FSA entitlement for otherwise eligible members assigned PCS overseas.

4. A member who voluntarily is reassigned PCS (overseas) under permissive orders from the station where he or she already is entitled to FSA-R remains entitled if reassigned to an area overseas where dependents are not permitted (dependent-restricted tour) or under circumstances authorized by secretarial waiver.

D. Unusual Family or Operational Circumstances Defined. Unusual family or operational circumstances are defined as those in which the Secretary of the Military Department concerned determines that it is in the best interest of the government to permit payment of FSA to members who, through no fault of their own, must relocate in an unaccompanied status under certain circumstances.

1. The Military Services may waive provisions of subparagraphs 270401.A.1, 2, and 3 when it is in the best interest of the government to permit payment to members who, through no fault of their own, must relocate in an unaccompanied status for reasons of equity in the unusual family or operational circumstances. Waiver under these circumstances is effective upon the date granted. This approval authority is hereby granted to:

a. Service Secretaries or their designated representatives at the headquarters level which governs compensation policy; or

b. Combatant commands and Service major commands.

2. Waiver authority should be used prudently.

3. Waiver under these circumstances is effective upon the date granted:

a. When ordered to a new overseas duty station where terrorist activity would make it inappropriate for dependents to accompany the member; or

b. When ships in overhaul make temporary homeport changes.

4. Provided the requirements of subparagraph 270203.A are met, other than the requirement that the member's dependents reside at the homeport or PDS, a waiver issued by the Secretary of the Military Department concerned will apply to the entire period of the deployment, an interim period, and redeployment.

E. Delays Caused by the Government (Table 27-2, Note 4). The following are examples of delays in transportation of dependents due to government reasons:

Example 1: On July 1, a member's advance application for concurrent travel of dependents to the overseas station was disapproved by the CONUS commander due to lack of available government-owned transportation facilities. The commander's disapproval contained a statement that the anticipated delay for movement of dependents is more than 60 days. The member departed the old station on July 6 and arrived at the overseas station on July 7 where government quarters were not available. Dependents joined the member on September 26 having performed travel under orders dated September 10. The member was entitled to FSA for the period July 6 through September 25.

Example 2: The member applied for a dependency determination for his or her dependent mother on June 3 and was transferred overseas on September 14. After arrival overseas, the member received approval of the dependency application for his or her dependent mother retroactive to May 1. The mother was not authorized concurrent travel to the member's PDS because the determination of dependency had not been made on the effective date of those orders. Delay in processing the dependency application was caused by the government. Before the transfer overseas, the member had maintained quarters to be shared with his or her mother. An enforced separation resulted upon transfer overseas. Credit for FSA accrues from the date the member departed from the PDS or the first day of authorized travel time, whichever is later, through the day before the date that his or her dependent mother arrived at the overseas station.

F. Changes in Tour Elections. See Table 27-2, rules 12 and 13.

* G. Dependents Evacuated. A member is entitled to FSA if separated from dependents as a result of either an authorized evacuation or an ordered evacuation, provided that the requirements for FSA are otherwise met. Payment does not begin until the 31st day of an ordered evacuation. FSA is not payable when evacuation is due to member or dependent misconduct.

H. Dependents' Travel Prohibited Under Immigration Laws. No entitlement to FSA-R accrues if a dependent is authorized transportation at government expense but is not eligible under immigration laws for entry into the United States before a member reports to the new PDS. (Entitlement to FSA-T or FSA-S is not affected by this subparagraph.)

270402. Unit Ordered on Exercise for More Than 30 Days

Otherwise qualified members of a unit are entitled to FSA-T when the unit is ordered on an exercise for more than 30 days.

270403. FSA During a Missing Status

FSA-T continues to accrue to a qualified member while in a missing status unless there is a change in the status of the dependents, which would terminate entitlement. See Table 27-3 (Date to Stop FSA). A member may qualify for FSA-T while in a missing status if a continuous period of more than 30 days is completed after entry into the missing status. See paragraph 270404.

Example: A member departed the PDS on TDY or TAD August 9, was downed by hostile fire while flying over enemy territory on September 2, remained in a missing status until November 4, and returned to PDS on November 10. The member qualified for FSA-T on September 8. If otherwise qualified, then entitlement exists to FSA-T for the period August 9 to November 9.

270404. Computation of Single or Multiple Periods of More Than 30 Days

A. FSA-T for Single Periods. Credit for FSA-T may not be applied until the member has been on TDY or TAD away from his PDS continuously for more than 30 days. Compute this period as follows:

1. Count actual number of days in the month, including the day the member departs the PDS on TDY or TAD and the day of return to the PDS. Include the 31st day of the month in this computation, even though payment is made on a 30-day month basis, as prescribed in Chapter 1, section 0102.

2. Include days of authorized travel time to and from the TDY or TAD station. When there is no delay enroute chargeable as leave, count the day of departure from the PDS and the day of return to the PDS. When delay enroute chargeable as leave is authorized, count the constructive day of departure and the constructive day of return. Compute these days as follows:

a. Constructive day of departure from the PDS either is the actual date of detachment plus days of authorized leave, proceed time, and permissive travel days used or the first day of authorized travel, whichever is later.

b. Constructive day of return to the PDS is the actual date of return minus number of days leave authorized and used, minus the number of permissive travel days actually used.

Example 1: The member permanently stationed at site A is ordered TDY or TAD to site B for training of approximately 30 days. Training is to begin June 1. The member is authorized travel by privately owned conveyance (POC) as more advantageous to the government, and 5 days of leave enroute. The member departs from site A on May 25 and uses 5 days of leave enroute to site B. The member completes the training on June 27, departs from site B on June 28, and returns to duty at site A on June 30. Constructive day of departure is May 30. The period of absence is 32 days (May 30 - June 30). If a member qualifies under paragraph 270203, then entitlement exists to FSA-T for 30 days (i.e., there is no entitlement for May 31 and June 30).

Example 2: Circumstances are the same as in Example 1, except that the member uses 5 days of leave after completion of training. The member departs from site A on May 30, completes training on June 27, departs from site B on June 28, and returns to duty at site A on July 5. The constructive day of return is June 30. The period of absence is 32 days, computed as in Example 1. If the member otherwise qualifies, then entitlement exists to FSA-T for 30 days.

3. When TDY or TAD is authorized in conjunction with PCS, include days of authorized travel time to the TDY or TAD station and from the TDY or TAD station to the new duty station. When there is no delay enroute or proceed time involved, count the day of departure from the old duty station and the day of arrival at the new duty station. When delay enroute and proceed time are authorized and used, the day of departure from the old station and the day of arrival at the new station will be constructed in the manner indicated in subparagraphs 270404.A.2.a and b. Proceed time authorized and used will be included with the delay when making the computation. Consecutive assignments to TDY or TAD in conjunction with PCS may be combined in determining the 30-day period.

4. Under specific circumstances, when travel in connection with TDY or TAD is performed by POC for the convenience of the traveler, payment based on actual travel expenses may be more economical to the government than payment based on constructive travel time over a usually traveled route. In that case, the Joint Travel Regulation (JTR) authorizes travel payment based on the actual mode of transportation. In computing the more than 30 days required for entitlement to FSA-T under these circumstances, ensure that the computation is based on the mode of transportation, which governed payment of a particular member's travel allowance. Computation for FSA-T entitlement under this subparagraph is not necessarily based on constructive travel time.

5. If a member's TDY or TAD status is interrupted, then do not combine days before the interruption with those after the interruption to compute a continuous period of more than 30 days. Periods of leave, hospitalization, military confinement in a pay status, or short visits to the PDS do not interrupt the period unless the member is relieved from the

attachment to the TDY or TAD station. A member who returns to the PDS to assume a duty status (such as participation in official flights) does interrupt a period of TDY or TAD. If leave enroute is authorized after detachment from the TDY or TAD station, then add constructive travel time from the TDY or TAD station to the PDS to the period of TDY or TAD in determining the 30-day period.

B. FSA-T for Multiple Periods of Deployment. Provided the conditions of subparagraph 270203.A.3 are met, the periods of FSA-T eligibility for multiple periods of TDY or TAD deployment, including the periods between such deployments, are calculated as follows:

1. Count. Although payment is made on a 30-day month basis, count the actual number of days in each applicable month, to include the 31st day of the month, as one of the actual days.

2. Computation. Calculate the FSA-T period of the initial TDY or TAD deployment to determine the initial deployment period as described in subparagraph 270404.A.

3. Interim and Redeployment Period

a. The interim period begins on the day after the initial deployment through the day prior to redeployment. The interim period must be 30 days or less.

b. The redeployment period begins the day that the member departs the PDS and ends upon return to the PDS. The redeployment period must be more than 30 days and will be added to the interim period.

Example 1: The member permanently stationed at site A is ordered to perform TDY or TAD at site B for 45 days, with departure from PDS on January 2 and return to PDS on February 15. The member departs from PDS on March 18 for redeployment of 35 days. Since the member qualified for FSA-T for the initial deployment, he or she is eligible for continued FSA-T for the total 65 days of interim/redeployment period (actual interim period of 30 days and redeployment of 35 days).

Example 2: The member permanently stationed at site A is ordered to perform TDY or TAD at site B for 60 days, with departure from PDS on March 1 and return to PDS on April 29. The member departs from PDS on May 31 for redeployment of 40 days. Although the member qualified for the initial 60-day period deployment, he or she is ineligible for the interim period. The actual interim period is 31 days (April 30 - May 30). The member would be entitled to FSA-T for the actual redeployment period (40 days).

Example 3: The member permanently stationed at site A is ordered to perform TDY or TAD at site B for 31 days, with departure from PDS on June 1 and returns to the PDS on July 1. The member departs from PDS on July 2 for redeployment

of 41 days. Since the member qualified for FSA-T for the initial deployment of 31 days, he or she is eligible for the continued FSA-T for the interim/redeployment period (actual interim period is 0 days, actual redeployment period is 41 days).

C. FSA-S for Single Periods. Credit for FSA-S may not be applied until the member has been on duty onboard a ship away from the homeport of the ship for a continuous period of more than 30 days. Periods of leave, TAD, hospitalization, military confinement in a pay status, or short visits by the member (not the ship) to the homeport of the ship do not interrupt the qualifying period unless the member is detached (PCS) from the ship. Consecutive assignments to duty onboard two or more ships away from the homeport may be combined to meet this requirement. See Example 5. In computing the continuous period of more than 30 days, count the actual number of calendar days (including the 31st day of the month) that the member was on duty onboard a ship while it was away from its homeport. Include in this computation the day of departure onboard a ship from its homeport (or the day the member joins or rejoins a ship away from its homeport, if applicable) and the day of return onboard a ship to its homeport. The following examples show how to compute the more-than-30-day period and the related amount of FSA-S payable.

Example 1: A member onboard a ship that departs its homeport on June 15 and returns on July 15 is entitled to FSA-S in the amount of $250 (actual period of 16 days in June and 15 days in July = 31 days; 16 days in June and 14 days in July = 30 days for payment).

Example 2: A member onboard a ship that departs its homeport on October 5 and returns on November 4 is entitled to FSA-S in the amount of $241.83 (actual period of 27 days in October and 4 days in November = 31 days; 26 days in October and 3 days in November = 29 days for payment).

Example 3: A member onboard a ship that departs from its homeport on February 25 (non-leap year) and returns on March 26 is not entitled to FSA-S since the absence is not more than 30 days (actual period of 4 days in February and 26 days in March).

Example 4: A member who reports onboard a ship on May 25 while it is away from the homeport and returns with the ship to the homeport on June 30 is entitled to FSA-S in the amount of $291.67 (actual period of 7 days in May and 30 days in June = 37 days; 6 days in May and 29 days in June = 35 days for payment).

Example 5: A member onboard a ship A that departed from its homeport on August 2 was transferred (PCS) to ship B on August 18 (detached and attached the same day) while ship B was away from its homeport. The member remains aboard ship B until it returns to the homeport on September 6. The member is entitled to FSA-S in the amount of $283.33 (actual period of 30 days in August and 6 days in September = 36 days; 29 days in August and 5 days in September = 34 days for payment).

D. FSA-S for Multiple Periods of Deployment. Provided the conditions of subparagraph 270203.A.2 are met, the periods of FSA-S eligibility for multiple periods of TDY or TAD deployment aboard a ship, including the period between such deployments, are calculated as follows:

1. Count. Although payment is made on a 30-day month basis, count the actual number of days in each applicable month by including the 31st day of the month as one of the actual days.

2. Computation. Calculate the FSA-S period of the initial deployment aboard a ship as described in subparagraph 270404.C.

3. Interim and Redeployment Period

a. The interim period begins on the day after the initial deployment through the day prior to redeployment. The interim period must be 30 days or less.

b. The redeployment period begins on the day that the member departs the ship's homeport and ends upon returning to the homeport. The redeployment period must be more than 30 days and will be added to the interim period.

Example 1: A member is onboard a ship that departed from the homeport on January 2 and returned to the homeport on February 15. The same member is onboard a ship that departed from the homeport on March 18 for a redeployment of 35 days. Since the member qualified for FSA-S for the initial deployment, the member is eligible for continued FSA-S for the total 65 days of interim/redeployment period (actual interim period of 30 days and redeployment of 35 days).

Example 2: A member is onboard a ship that departed from the homeport on March 1 and returned to the homeport on April 29. The member also was onboard a ship that departed the homeport on May 31 for a redeployment of 40 days. Although the member qualified for the initial 60-day deployment, the member is ineligible for the interim period. Consequently, the actual interim period is 31 days (April 30 through May 30). The member would be entitled to FSA-S for the actual redeployment (40 days).

Example 3: A member is onboard a ship that departed from the homeport on June 1 and returned to the homeport on July 1. The same member was onboard a ship that departed the homeport July 2 for a redeployment of 41 days. Since the member qualified for FSA-S for the initial deployment of 31 days, the member is eligible for the continued FSA-S for the interim/redeployment period (actual interim period is 0 days, actual redeployment period is 41 days).

E. Restrictions. The following restrictions apply to subparagraphs 270404.A and B:

1. There are separate 30-day requirements to qualify for FSA-T or FSA-S, and periods of TDY or TAD and duty aboard ship while away from homeport may not be combined for the purpose of FSA entitlement.

2. Periods of hospitalization or TDY or TAD for more than 30 days by the member at a place residing with his or her dependents may not be included when calculating whether the 30-day requirement was met.

270405. Ship Moves from Homeport

When a ship moves from its homeport to another port within 50 miles of the homeport (or one and a half hours travel time as prescribed in paragraph 270303), those members attached to the ship, whose dependents do not reside at or near such homeport under the criteria of paragraph 270303, do not become entitled to FSA-S.

Example 1: A member, upon reassignment to a ship, moves the family to a location outside the current 50-mile (or one and a half hours travel time) limit from the homeport of the ship. When the movement of the ship is less than 50 miles (or one and a half hours travel time) from the homeport, FSA-S is not payable to those members. If, however, the ship moves more than 50 miles (or one and a half hours travel time) from the homeport, then FSA-S is payable if members otherwise are entitled.

Example 2: A member, upon reassignment to a ship, moves the family to a location outside the current 50-mile (or one and a half hours) limit of the ship's homeport of the ship. Subsequently, the ship moves from the homeport and, on the 29th day, docks at a port inside the 50-mile (or one and a half hours travel time) limit of the homeport for 5 days. The ship then returns to the homeport. The docking of the ship within the 50-mile limit would, for purposes of this example, have the same consequence as if the ship had returned to its homeport since (a) the member's dependents do not reside at or near the homeport, and (b) the ship did not move to a location more than 50 miles (or one and a half hours travel time) from the port. Therefore, entitlement to FSA-S does not accrue.

Example 3: A member, upon reassignment to a ship, moves the family to a location outside the current 50-mile (or one and a half hours) limit of the homeport of the ship, but actually commutes. The movement of the ship from the homeport results in the member being unable to commute. In this example, the member's dependents would be considered as being in the area of the homeport. Since, after movement of the ship to a new location, the member is unable to commute, the member would meet the requirement for FSA-S, provided the dependents resided more than 50 miles (or one and a half hours travel time) from the new location.

Example 4: A member, upon reassignment to a ship, moves the family to a location within the 50-mile (or one and a half hours travel time) limit, the movement of the ship resulting in the residence being located outside the 50-mile (or one and

a half hours travel time) limit for some of the members, but not all. Those members whose dependents reside more than 50 miles (or one and a half hours travel time) from the ship's new location and who do not commute, would fulfill the vicinity requirement for entitlement to FSA-S. Those members whose dependents reside within 50 miles (or one and a half hours travel time) of the ship's new location of the ship would not become entitled to FSA-S by virtue of the ship's movement.

270406. Specific Conditions of Entitlement to FSA

See Tables 27-1, 27-2, 27-3, and 27-4.

*Table 27-1. FSA - Commencement Dates

RULE	A	B	C
	When an eligible member	and the member	then FSA credit
1	departs the PDS on PCS (not authorized FSA-R at old station), or TDY or TAD, including TDY or TAD in conjunction with PCS (note 1)	is not authorized proceed time or leave enroute	starts on date of detachment from old station (note 1).
2		is authorized proceed time or leave enroute	starts on the constructive date of detachment from the old PDS (either the actual date of detachment plus days of authorized leave and/or proceed time, or the first day of authorized travel, whichever is later) (note 1).
3	departs homeport aboard ship, including a ship in an inactive status	remains in this status continuously for more than 30 days	starts on date of departure (note 2).
4	joins or rejoins a ship away from homeport	remains on duty onboard a ship away from its homeport continuously for more than 30 days	starts on first day that member boards ship away from its homeport (note 2).
5	acquires an initial dependent after the date of departure from old station enroute to PCS overseas, but no later than the effective date of the PCS order (FSA-R) (notes 3 and 4)	meets conditions of Table 27-2, rule 1	starts on the date that a member acquires a dependent or the constructive date of detachment from old station (Table 27-2, rule 2), whichever is later.
6		meets conditions of Table 27-2, rule 13, note 3, or rule 14	(if any) starts according to Table 27-2, rule 13, note 3, or rule 14.
7	acquires an initial dependent after the date of departure from old station enroute to PCS overseas (member is not entitled to FSA-R, at the overseas station), but no later than the effective date of the PCS order (note 3)	is on TDY or TAD enroute with 30 days or more remaining after the date dependent is acquired, and not within commuting distance of dependent's residence	for the period of TDY or TAD starts on the date the member acquires dependent (FSA-T) (note 1).

Table 27-1. FSA - Commencement Dates (Continued)

RULE	A	B	C
	When an eligible member	and the member	then FSA credit
8	a. acquires dependent after the effective date of the PCS orders (note 3), but before member's date of departure on subsequent reassignment PCS, and b. dependent does not live at or near the member's PDS (where member is not entitled to FSA-R)	is not on TDY or TAD	starts FSA-R on date member acquires dependent.
9		is on leave (co-resident with dependent or not)	
10		is on TDY or TAD not within commuting distance of dependent's residence	starts FSA-T on date member acquires dependent.
11		is on TDY or TAD within commuting distance of dependent's residence (paragraph 270303)	starts FSA-R on member's date of return to PDS.
12		is on TDY or TAD with 30 days or more remaining after the date dependent is acquired, and not within commuting distance of dependent's residence	for the period of TDY or TAD starts on the date that the member acquires a dependent (FSA-T) (note 1).
13		remains away from homeport aboard ship for more than 30 days after the date the dependent is acquired	starts on the date that the member acquires a dependent (FSA-S) (note 1).
14	has newly acquired dependent who joins member at duty station at member's expense	confirms whether dependent is making change of residence or temporary social visit	is based on paragraph 270302 or subparagraph 270303.C.
15		relocates dependent away from duty station at member's expense	starts FSA-R on the date of a dependent's departure from the duty station (note 5).

Table 27-1. FSA - Commencement Dates (Continued)

RULE	A	B	C
	When an eligible member	and the member	then FSA credit
*16	has dependent depart overseas duty station at government expense because of evacuation (other than medical), under determination of the Secretary concerned as being in national interest, or for other emergency reasons not personal or caused by dependent's misconduct		starts on the 31st day of a dependent's departure from the duty station.
17	reports onboard a ship after a change of homeport has been declared	does not reside with dependents at or near the current homeport of the ship	starts on the date the member reports onboard a ship (note 6).

NOTES:

1. Do not pay FSA-T or FSA-S until the member has been on TDY or TAD or on duty aboard ship away from homeport continuously for more than 30 days (or, if applicable, for more than 30 days after the date that a dependent is acquired). In computing the amount payable, the 31st day of any month should be excluded from the computation and February should be treated as if it actually had 30 days. (See paragraph 270404.)
2. Does not apply if the ship is in a port (other than its homeport) located within commuting distance of the residence of the member's dependents continuously for more than 30 days. Also, see paragraph 270405.
3. The effective date of PCS orders is the date a member is required to begin travel from the old PDS or the last TDY or TAD, in order to arrive at the new PDS on the date authorized by the mode of transportation authorized. (JTR, Appendix A, Effective Date of PCS Order)
4. A member who acquired an initial dependent after the date of departure from old station enroute PCS to CONUS from overseas or enroute PCS within CONUS, but no later than the effective date of the PCS order, is entitled to travel for dependent at government expense based on JTR, Chapter 5; therefore, the member is not entitled to FSA-R. (In this case, no tour election provision exists to overcome the travel provision.)
5. If already started under paragraph 270302, then entitlement continues upon departure of dependents from the duty station.
6. FSA-R does not accrue if the member was onboard a ship when the change in homeport was declared, except under paragraph 270401.

Table 27-2. FSA-R - Overseas Assignment

RULE	A If an eligible member is	B and	C and	D then the member('s)
1	selected for PCS overseas	the accompanied tour is not authorized		is entitled to FSA-R for the entire unaccompanied tour (notes 1 and 2).
2		elects the unaccompanied tour instead of the authorized accompanied tour		is not entitled to FSA-R for the length of such tour, including tour extensions (note 3).
3		elects the accompanied tour	concurrent travel is authorized and dependents travel with member	is not entitled to FSA-R.
4		is assigned to an automatic concurrent travel area or an advance application area	application for concurrent travel has been approved by the area commander	is entitled to FSA-R if dependents do not travel with the member for government reasons (notes 4 and 5).
5		in status covered by rule 4	dependents arrive at member's overseas station	FSA-R stops the day before date dependents arrive.
6	selected for PCS overseas to an advance application area	application for concurrent travel is disapproved by area commander		is entitled to FSA-R until dependents arrive at overseas station. (This rule is qualified by rules 7 and 8.)
7			member fails to comply with area regulations for entry of the dependents	FSA-R is stopped when timely action is not taken under applicable regulations (note 6).
8			there is a delay of more than 60 days in dependent's arrival (60-day period begins on date of orders)	entitlement to FSA-R continues through the day before dependents arrive at overseas station, not to exceed 60 days from date transportation of dependents is authorized, unless additional delay is caused by the government (note 5).

Table 27-2. FSA-R - Overseas Assignment (Continued)

RULE	A If an eligible member is	B and	C and	D then the member('s)
9	assigned overseas	one or more of the dependents live at or near the overseas station	member qualifies for FSA-R for the dependents who are not authorized to travel to the overseas station	is entitled to FSA-R.
10		after arrival at overseas station, an accompanied tour is authorized (previously unavailable) and member elects the accompanied tour		entitlement to FSA-R continues through the day before dependents arrive at overseas station, not to exceed 60 days from date transportation of dependents is authorized, unless additional delay is caused by the government (note 5).
11	assigned overseas	after arrival at overseas station, an accompanied tour is authorized (previously unavailable) and member does not elect the accompanied tour		entitlements to FSA-R continues based on original assignment under rule 1.
12		has previously elected the accompanied tour, but concurrent travel is not performed	the member reelects the unaccompanied tour before dependents depart CONUS	is not entitled to FSA-R on and after the date reelection is approved (note 3).
13	assigned overseas	has failed to make a tour election before arrival at new duty station	makes unaccompanied tour election after arrival at the overseas station	is not entitled to FSA-R for the entire unaccompanied tour (note 3).

Table 27-2. FSA-R - Overseas Assignment (Continued)

RULE	A	B	C	D
	If an eligible member is	and	and	then the member('s)
14	assigned overseas	has failed to make a tour election before arrival at new duty station	elects accompanied tour after arrival at the overseas station	is entitled to FSA-R for the period starting with the date the tour is approved through the day before dependents arrive at overseas station, not to exceed 60 days from date transportation of dependents is authorized, unless additional delay is caused by the government (note 5).

NOTES:

1. In all cases, entitlement exists only if dependents do not live at or near the duty station. (See paragraph 270303.) In areas where dependents are not permitted, member does not have to apply for transportation of dependents or to elect type of tour.
2 These tours include dependent restricted tours and situations where the member is not authorized to serve an accompanied-with-dependents tour in those locations where such tours are authorized.
3. The Secretary of the Military Department concerned may waive the provision in this rule to authorize FSA-R in cases where unusual family or operational circumstances exist for the member. See subparagraph 270401.D for conditions subject to waiver and individual Military Service regulations for procedures for requesting a waiver from the Secretary of the Military Department concerned.
4. Where dependents' travel delay is not due to government reasons, but member is required to perform TDY or TAD enroute, family separation for period of TDY or TAD is considered to be due to military requirements and member is entitled to FSA-R under Table 27-4, rule 11.
5. Delays due to government reasons include:
   a. lack of transportation facilities,
   b. disapproval by CONUS commanders,
   c. disapproval for reasons of health (i.e., pregnancy of wife), and
   d. insufficient service retainability or time remaining in the overseas tour.
6. FSA-R continues if member acted timely to apply for transportation of the dependents and the application was disapproved because of the lack of service retainability or time remaining in the overseas tour.

Table 27-3. Date to Stop FSA

RULE	A	B
	If a member	then FSA credit continues through
1	has dependents who arrive at the duty station with intent to establish a residence	the day before dependents arrive (note 1).
2	on next reassignment, arrives at a station where member does not qualify for FSA	the day before the date on which the member arrives at new station (note 2).
3	returns from TDY or TAD of more than 30 days	the day before date of the member's return from TDY or TAD (note 3).
4	is in a non-pay status for any period	the day before the date entering such status, except as provided in Chapter 1, subparagraph 010402.E.
5	has a sole dependent in an institution, and if the stay in the institution continues	the day before 1-year from the date that the member's sole dependent entered an institution (note 4).
6	is onboard a ship away from its homeport	the day before ship returns to homeport or date of detachment from ship, whichever is earlier (note 5).
7	reports onboard a ship after a change of homeport has been declared	the effective date of the change of homeport.
8	has only secondary dependents who reside with relatives or friends	the day before the date the dependents move to home of relatives or friends.
9	completes period of TDY or TAD of more than 30 days in conjunction with PCS	the day before the date the member arrives at the new station (note 3).
10	has dependent(s) who return to the PDS after departing in conjunction with authorized or ordered evacuation	the day before the date dependent(s) return.

NOTES:
1. See paragraph 270302 for temporary social visits.
2. If a delay enroute and/or proceed time is authorized and used, then use a constructive date of arrival. Constructive date will be computed by deducting the number of days' leave and/or proceed time authorized and used from the actual date of arrival.
3. If delay enroute and/or proceed time is authorized, then use the constructive date. (See subparagraph 270404.A.)
4. Applies when stay in the institution is initially not expected to exceed 1-year.
5. FSA-S continues if the member is detached and attached the same day to another ship away from its homeport.

Table 27-4. FSA - Conditions of Entitlement

RULE	A	B	C	D
	If a member	and	and	then
1	is on TDY or TAD, including TDY or TAD within the United States	the member is entitled to FSA-R when entering such status (note 1)	the member's PDS remains unchanged	FSA-R credit continues during TDY or TAD.
2	is hospitalized at or away from member's PDS including hospitalization in the United States			FSA-R credit continues during period hospitalized.
3	is in military confinement or otherwise restricted by military authority			FSA-R credit continues during period confined or restricted.
4	is on authorized leave (accrued or advance) at or away from member's PDS, including leave in the United States			FSA-R credit continues during leave.
5	is on authorized leave (accrued or advance) at residence where member's dependents reside		member's leave is followed by a period of TDY or TAD (any number of days) within commuting distance of residence where member's dependents reside (paragraph 270303)	FSA-R credit continues during leave but is suspended during period of TDY or TAD.
6	is on any status covered by rules 1 through 4, or enters such status		member's PDS changes	FSA-R credit stops (note 2).

Table 27-4. FSA - Conditions of Entitlement (Continued)

RULE	A	B	C	D
	If a member	and	and	then
7	is reassigned PCS from a PDS in the United States to a hospital for observation or treatment	the member's application for transportation of dependents to the hospital is disapproved by the hospital commander upon determination that prolonged treatment is not expected (note 3)	member meets requirements in note 1	the member is entitled to FSA-R.
8	enters any status covered by rules 2, 3, and 4	the member is entitled to FSA-T when entering such status	member is not relieved from attachment to the TDY or TAD station	member continues to receive FSA-T.
9	is ordered to a hospital as a patient in attached status			the member is not entitled to FSA-T.
10	is on TDY or TAD for more than 30 days from member's PDS	the member does not qualify for FSA-R at PDS	member's PDS remains unchanged	the member is entitled to FSA-T for authorized travel time to and from TDY or TAD station and for duty at that station (note 4).
11	is performing recruit/basic training, pipeline school, Officer Candidate School (OCS), travel or TDY or TAD enroute to initial PDS	the member is entitled to FSA-R at new PDS (notes 1 and 4)		the member is entitled to FSA-R for recruit/basic training, pipeline school, OCS, travel or TDY or TAD and authorized travel period (note 4).

Table 27-4. FSA - Conditions of Entitlement (Continued)

RULE	A	B	C	D
	If a member	and	and	then
12	is on TDY or TAD for more than 30 days enroute to a new permanent assignment	the member does not qualify for FSA-R at this new station		the member is entitled to FSA-T for authorized travel time to and from the TDY or TAD station and for duty at that station (note 4).
13	is on TAD	the member is entitled to FSA-S when entering such status (note 1)	member remains assigned to duty aboard a ship which is away from its homeport	FSA-S accrues during the entire period of TDY or TAD (note 5).
14	is hospitalized away from the ship			FSA-S accrues during the period of hospitalization (note 5).
15	is on authorized leave			FSA-S accrues during period of leave (note 5).
16	is in military confinement on or away from the ship or otherwise restricted by military authority from performing duty			FSA-S accrues during the period that the member is confined or restricted.
17	is in any status covered by rules 13 through 16		the ship returns to homeport	entitlement to FSA-S ends on the day before ship returns to homeport.
18			member is detached from the ship while it is away from homeport	entitlement to FSA-S ends on date of detachment from ship (note 6).

Table 27-4. FSA - Conditions of Entitlement (Continued)

RULE	A	B	C	D
	If a member	and	and	then
19	is in any status covered by rules 13 through 16		member is detached from ship while it is away from homeport and is later reassigned to ship while it is away from its homeport	FSA-S accrues from date of reassignment to ship provided ship does not return to homeport in less than 31 days (note 6).
20	is on TDY or TAD redeployment of more than 30 days	current TDY or TAD follows earlier TDY or TAD of more than 30 days which qualified member for FSA-T	period between deployments is 30 days or less	member's entitlement to FSA-T continues.
21	is onboard a ship redeployed for more than 30 days	redeployment follows earlier deployment of more than 30 days which qualified member for FSA-S	period between deployments is 30 days or less	member's entitlement to FSA-S continues.
22	meets the qualifying requirements of any of the rules 1 through 21	member is married to another active duty member	the couple was residing together immediately before being separated by reason of military orders	member is entitled to FSA under the subparagraph 270203.A.3.
23	executes PCS orders causing a separation from the member's spouse			member is entitled to FSA-R under subparagraph 270203.A.1.
24	meets the qualifying requirements of any of the rules 1 through 21	the member is married to another active duty member and the couple has dependents	the couple and dependents were residing together immediately before each member is separated by reason of military orders	each member is entitled to FSA under the specific rule. (note 7)

Table 27-4. FSA - Conditions of Entitlement (Continued)

NOTES:
1. Must meet the requirements of paragraph 270203.
2. A new determination of entitlement is required if member's PDS changes.
3. More than 90 days is prolonged hospitalization.
4. Members are not entitled to FSA-R or FSA-T during authorized leave enroute or proceed time (see Table 27-1, rules 1 and 2). See Table 27-3, rule 9 for date to stop FSA.
5. If the dependent's residence is within commuting distance of the place where member is in such status, then FSA-S will continue for 30 days only.
6. Does not apply if member is detached and attached the same day to another ship away from its homeport (subparagraph 270404.B).
7. Not more than one monthly allowance may be paid with respect to each member of a married military couple for any month. The dual allowance will continue until one of the members is no longer assigned to one of those duty assignments. The other member will continue to receive the allowance until no longer assigned to one of those duty assignments.

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CHAPTER 27: - FAMILY SEPARATION ALLOWANCE (FSA)

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270202.D	46 Comp Gen 148
270203.A	37 U.S.C. § 427
270203.B	37 U.S.C. § 427(b)
270203.B.3	37 U.S.C § 427(a)
270203.D	37 U.S.C. § 427(d)
270203.D.3	60 Comp Gen 154

2703 - DEPENDENTS SEPARATION REQUIREMENTS

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270301.B	43 Comp Gen 332, (Question 23) MS Comp Gen B-213658, June 26, 1984 MS Comp Gen B-211693, July 15, 1983 MS Comp Gen B-179976, November 7, 1974
270301.C	45 Comp Gen 170 46 Comp Gen 148
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2704 - CONDITIONS OF ENTITLEMENT

270401	37 U.S.C. § 427(d)
270401.A.2	37 U.S.C. § 427 43 Comp Gen 527
270401.A.3	37 U.S.C. § 427
270401.A.4	37 U.S.C. § 427(c)
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270403.B	45 Comp Gen 633
270404.A.1	43 Comp Gen 596
	44 Comp Gen 537
270404.A.2	44 Comp Gen 537
270404.A.2.b (Example 1)	44 Comp Gen 537
270404.A.5	43 Comp Gen 755
	43 Comp Gen 748
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VOLUME 7A, CHAPTER 29: "CLOTHING MONETARY ALLOWANCES"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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

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

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

The previous version dated February 2016 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
2902	Revised and renumbered paragraphs within the section to comply with current administrative guidance.	Revision
290202	Deleted unusable hyperlinks.	Deletion
Tables 29-1, 29-2, 29-4, 29-6, 29-7, 29-8	Updated initial clothing and supplementary allowance rates effective October 1, 2016.	Revision
Bibliography	Updated references.	Revision

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CHAPTER 29

CLOTHING MONETARY ALLOWANCES

2901 GENERAL

290101. Purpose

The Secretary of Defense (SecDef) may, on an annual basis by law and under Presidential Executive Order, prescribe the quantity and kind of clothing to be furnished to an enlisted member of the Military Services and may prescribe the amount of cash allowance to be paid if the clothing is not furnished. It is Department of Defense (DoD) policy that the quantities and kinds of items of individual clothing to be furnished will be prescribed by the Service Secretary or the Commandant of the Marine Corps, under the parameters set by the Deputy Under Secretary of Defense – Military Personnel Policy (DUSD MPP).

290102. Authoritative Guidance

The bibliography at the end of this chapter lists the authoritative references.

*2902 ALLOWANCES

290201. Initial Clothing Allowance

Enlisted members receive the Initial Clothing Allowance upon initial enlistment or upon other special qualification for entitlement to a prescribed outfitting of uniforms. The initial issue may be an in-kind issue or a combination of in-kind issue and cash payment.

290202. Cash Clothing Replacement Allowance

Enlisted members receive the Cash Clothing Replacement Allowance, upon the anniversary month, each successive year following the provision of an initial clothing allowance. Cash clothing replacement allowances are for replacement of required uniform items based on a normal wear rate.

290203. Extra Clothing Allowances

Extra Clothing Allowances are additional to initial and replacement allowances and do not reduce, replace or otherwise affect them. Extra clothing allowances provide for unusual circumstances when:

A. an enlisted member may require additional uniform items; or

B. an officer (with a permanent duty station outside the United States) or enlisted member may require civilian clothes to perform their assigned duties.

2903 INITIAL CLOTHING ALLOWANCES

290301. Standard Initial Clothing Allowance – General Provisions

The Standard Initial Clothing Allowance is an in-kind issue, although a cash payment may be made for items not furnished in-kind. Each Service, as approved by the DUSD MPP, may prescribe cash payments for items specifically designated to be purchased by the member, rather than to be furnished in-kind. Additionally, if any of the items of clothing normally prescribed to be furnished in-kind are not available for issuance, then the initial allowance may be completed by paying the member the cash value of the balance remaining. The Standard Initial Clothing Allowance rates, including prescribed cash payments for personal purchase of specified items, are in Table 29-1.

A. The total monetary value of items furnished in-kind, plus any cash payments, may not exceed the amounts for the total value of the applicable Standard Initial Clothing Allowance as established in Table 29-1.

B. If a Service member dies, is discharged, or is released from active duty within 6 months of entitlement to an initial allowance, then the value of the initial allowance must be reduced to the items of clothing already supplied or amount credited up to that date.

C. Army and Marine Corps members, entitled to a Standard Initial Clothing Allowance, are furnished the allowance on an item or issue in-kind basis without establishing a monetary credit. Payment of the amount prescribed in the initial allowance as a cash allowance may be made immediately. Shortages of items being furnished on an in-kind basis must be recorded and issued when available to the Service member.

D. Navy and Air Force members, entitled to a Standard Initial Clothing Allowance, are credited with the amount of the allowance against which the authorized clothing is furnished. A member will receive the amount prescribed in the initial allowance as a cash payment for personal purchase of specified items. At the conclusion of the basic training period or within a period the Service considers appropriate, if any of the prescribed items of clothing to be furnished in-kind against the established credit are not available for issuance, then the initial allowance may be completed by paying the member the remaining balance in cash.

290302. Standard Initial Clothing Allowance – Entitlement Criteria

Enlisted personnel (except those entitled to a Special Initial Clothing Allowance) must be furnished a Standard Initial Clothing Allowance under one or more of the following circumstances:

A. Upon first enlistment in the Service, or reenlistment in the same branch of the regular Military Service, if 3 months has expired from the date of last discharge or release from active duty and the member is not reporting from a Reserve component that requires the member to maintain uniform clothing;

B. Upon enlistment or reenlistment in a Service, other than the one from which

last discharged;

C. Upon reporting for or upon recall to active duty for more than 6 months, after 3 months have expired from the date of last discharge or release from active duty with the clothing required for service in a Reserve Component. In these cases, the initial allowance must be reduced to a partial Standard Initial Clothing Allowance under regulations of the appropriate Service, to account for clothing required to be in the person's possession upon call or recall to active duty;

D. Upon being restored to duty, after being sentenced to confinement and punitive discharge, to the extent needed to fill the individual's clothing requirement;

E. Upon reenlisting within 3 months of last discharge or release from active duty, when the Service member did not receive the complete initial allowance or was required to turn in issued clothing. The amount allowed, will be the difference between the current initial clothing allowance and the current value of issued clothing that remained in the member's possession upon the date of last discharge or release from active duty, further reduced by any prior cash clothing payments toward the initial clothing allowance. The entitlement of replacement allowances, issues or payments are not considered the last authorization of the initial allowance;

F. Upon recall to active duty after 3 months from the date of the last release from active duty, or retired enlisted personnel (including Service members of the Fleet Reserve and the Fleet Marine Corps Reserve) recalled to active duty after 3 months from the date of the last release from active duty or retirement. Only one such allowance will be authorized during any period of four consecutive years;

G. Upon reversion to service on active duty for commissioned officers, or warrant officers, under temporary appointments who enlisted or reenlisted, or who reverted to service on active duty in an enlisted (other than Chief Petty Officer) status, except for purposes of retirement. Only one such allowance is authorized in any period of 4 consecutive years; or

H. Upon reversion to enlistment in or reenlistment in the regular Navy, Naval officer candidates, and Naval Reserve Chief Petty Officers, who revert to or are enlisted or reenlisted in the regular Navy in pay grade E-6 or below, except for purposes of retirement, provided they previously have not received a Standard Initial Clothing Allowance during their current period of continuous active duty.

290303. Special Initial Clothing Allowance – General Provisions

Enlisted members assigned to a tour of duty, or who attain a status, requiring the wear of uniform clothing (other than special dress uniforms), may be authorized a Special Initial Clothing Allowance. Special Initial Clothing Allowance is authorized only once during any period of continuous active duty. The Special Initial Clothing Allowance rates are in Table 29-2.

A. The Special Initial Clothing Allowance is provided in lieu of the Standard Initial Clothing Allowance when it is the first initial allowance qualified for and issued. The

Special Initial Clothing Allowance supersedes and replaces the Standard Initial Clothing Allowance and is considered the last authorization of an initial clothing allowance for a member who previously received a Standard Initial Clothing Allowance and subsequently qualifies for and is provided a Special Initial Clothing Allowance. The Special Initial Clothing Allowance may be issued in-kind, paid as a monetary payment, or provided as a combination, as established by the Service concerned.

B. Examples of uses for Special Initial Clothing Allowance are when members in an enlisted status enter an officer training program, are advanced to Chief Petty Officer in the Navy, or are assigned to a military band with uniform styles different than those for others in their pay grade.

290304. Special Initial Clothing Allowance – Eligibility Criteria

Enlisted members will be furnished a Special Initial Clothing Allowance under one or more of the following circumstances:

A. Upon selection and acceptance for specified officer-training programs;

B. In pay grade E-6 or below, upon assignment to either the U.S. Naval Academy Band, U.S. Navy Band, Washington, DC, or selection for temporary appointment as a Limited Duty Officer in the Navy;

C. Upon first advancement to or first enlistment as a Chief Petty Officer in the Navy, while serving on active duty, unless Special Initial Clothing Allowance was previously paid. Effective October 1, 2009, Chief Petty Officers of the Naval Reserve assigned to Selected Reserve and Voluntary Training Units are entitled to a full Special Initial Clothing Allowance upon first advancement to Chief Petty Officer;

D. For Chief Petty Officers in the Naval Reserve who were advanced before October 1, 2009, upon first reporting for active duty for a period of 6 months or greater as a Chief Petty Officer of the Naval Reserve, provided no Special Initial Clothing Allowance has been previously paid either on active or inactive duty. If a Special Initial Clothing Allowance has been previously paid on inactive duty, then the Chief Petty Officer is entitled to a partial Special Initial Clothing Allowance in accordance with the Note at Table 29-2; or

E. Upon active duty reenlistment or receipt of orders to active duty as a Chief Petty Officer in the Navy, provided all of the following requirements are met:

1. Over 3 months has expired from the date of last discharge, release from active duty or retirement;

2. The enlistment or reenlistment period is for a period of more than 6 months;

3. Appointment to temporary officer status is not coincident with the enlistment or reenlistment; and

4. The member has not received a Special Initial Clothing Allowance within the last 4 years while on inactive duty.

290305. Partial Initial Clothing Allowances

Enlisted members will be paid a reduced or partial initial clothing allowance when payment of a full Standard Initial Clothing Allowance or full Special Initial Clothing Allowance is not warranted, due to an enlisted member reporting for or being recalled to active duty for more than 6 months, after 3 months have expired from the date of last discharge or release from active duty with the clothing required for service in a Reserve component.

2904 CASH CLOTHING REPLACEMENT ALLOWANCES

290401. General

Enlisted members receive Cash Clothing Replacement Allowances for uniform items for the replacement of military unique items required for wear. Enlisted members engaged in officer training programs or who are attending academy preparatory schools are not eligible for Cash Clothing Replacement Allowances. See Table 29-3 for specific entitlement rules. See Table 29-4 for the Cash Clothing Replacement Allowance rates.

290402. Basic Cash Clothing Replacement Allowance

Basic Cash Clothing Replacement Allowance is a preliminary replacement allowance for uniform items. It is used during the first 3 years of active service subsequent to receipt of a Standard Initial Clothing Allowance or a reduced or partial Standard Initial Clothing Allowance.

A. Basic Cash Clothing Replacement Allowance accrues to each enlisted member, beginning the first day of the month following the date of completion of 6 months of active duty without regard to time lost. At the end of the member's anniversary month completing 1-year of uninterrupted active military service, the first payment is equal to one-half the applicable fiscal year rate then in effect.

B. When authorized under regulations of the Service concerned, enlisted members of a Reserve Component who received a reduced or partial Standard Initial Clothing Allowance may be authorized to accrue the Basic Cash Clothing Replacement Allowance, beginning with the first day of the month following the date of call or recall to active duty in a pay status.

C. The Basic Cash Clothing Replacement Allowance continues for the first 3 years of continuous active duty. It is payable for the second and third years at the end of the member's anniversary month, using the applicable rate then in effect.

290403. Standard Cash Clothing Replacement Allowance

Standard Cash Clothing Replacement Allowance provides for replacement of uniform items after completion of 3 years of active service subsequent to receipt of a Standard Initial Clothing Allowance or a reduced or partial Standard Initial Clothing Allowance. It is the preliminary replacement allowance during the first 3 years of active service, subsequent to receipt of a reduced or partial or Special Initial Clothing Allowance.

A. When used as the follow-on to the Basic Cash Clothing Replacement Allowance, the Standard Cash Clothing Replacement Allowance accrues beginning with the first day of the month following the date the member completes 36 months active duty, without regard to time lost. It continues during the remaining period of continuous active duty and is payable annually at the end of the Service member's anniversary month, using the applicable rate then in effect.

B. When used as the preliminary replacement allowance for the Special Initial Clothing Allowance, the Standard Cash Clothing Replacement Allowance accrues, beginning with the first day of the month following the date the Special Initial Clothing Allowance or a reduced or partial Special Initial Clothing Allowance was authorized without regard to time lost. It is payable annually, for the first 3 years of continuous active duty, at the end of the Service member's anniversary month, using the applicable rate then in effect.

290404. Special Cash Clothing Replacement Allowance

Special Cash Clothing Replacement Allowance provides for replacement of uniform items, after completion of 3 years of active service, subsequent to receipt of a Special Initial Clothing Allowance. It accrues beginning with the first day of the month following the date the member completes 36 months active duty, subsequent to receiving a Special Initial Clothing Allowance or a reduced or partial Special Initial Clothing Allowance, without regard to time lost, and continues during the remaining period of continuous active duty. It is payable annually at the end of the Service member's anniversary month, using the applicable fiscal year rate then in effect. During the period for which the Special Cash Clothing Replacement Allowance is payable, the Service member is not entitled to any other cash clothing replacement allowance.

2905 EXTRA CLOTHING ALLOWANCES

290501. General

Members may receive Extra Clothing Allowances, in addition to any other entitled clothing allowance. Entitlement to or payment of an Extra Clothing Allowance does not replace or reduce any other clothing allowance.

290502. Supplementary Clothing Allowances

In addition to any other clothing allowance authorized, an enlisted member may become entitled to a Supplementary Clothing Allowance. Supplementary Clothing Allowances may be authorized only for an enlisted member, assigned to duty in a special organization or detail, where the nature of the duty necessitates that he or she have, as a military requirement, additional

quantities or special items of individual uniform clothing normally not required for most enlisted members in the same Service. Except for maternity uniforms, Supplementary Clothing Allowances may not exceed 30 percent of the current value of the Standard Initial Clothing Allowance.

A. Entitlement

1. A Supplementary Clothing Allowance may be issued in-kind, as a cash payment, or as a combination of issued in-kind and a cash payment. Generally, Supplementary Clothing Allowances are cash payments to Navy and Air Force members, while Army and Marine Corps members receive in-kind issues.

2. A member scheduled to serve in a qualifying assignment for at least 6 additional months, may receive a subsequent Supplementary Clothing Allowance, on the anniversary of the initial Supplementary Clothing Allowance. A Service member who has received a Supplementary Clothing Allowance may not be authorized a subsequent supplementary allowance for the same items upon reassignment to duty if less than 12 months have elapsed since the last payment. Under circumstances deemed appropriate, the Service Secretary or the Commandant of the Marine Corps may waive this restriction.

3. As an exception to subparagraph 290502.A.2, an otherwise qualified member may not receive the Supplementary Clothing Allowance for maternity uniforms more often than once every 3 years.

B. Rates Payable

1. The Army provides Supplementary Clothing Allowances as in-kind issues as described in Army Regulation 700-84.

2. See Table 29-5 for the Navy Supplementary Clothing Allowance rates.

3. See Table 29-6 for the Air Force Supplementary Clothing Allowance rates.

4. The Marine Corps provides Supplementary Clothing Allowances as a combination of in-kind issues and cash payments. See Table 29-7 for the Marine Corps Supplementary Clothing Allowance cash payments.

290503. Civilian Clothing Allowances for Officers and Enlisted Personnel

In addition to any other clothing allowance authorized, Service members (officer or enlisted) directed by competent authority to dress in civilian clothing more than half the time when performing official duty, as a military requirement, may be authorized a Civilian Clothing Allowance. By law, an officer is authorized a Civilian Clothing Allowance only if his or her permanent duty station is outside the United States. During any period in which an enlisted

member is on an assignment requiring the wear of civilian clothing, the applicable replacement allowance for uniform items continues to accrue. The Service Secretary or the Commandant of the Marine Corps may prescribe reduced civilian clothing allowances, as appropriate for their respective Service, for personnel serving under conditions where the full authorized Civilian Clothing Allowances in Table 29-8 are not required.

A. Permanent Duty Civilian Clothing Allowances. The Permanent Duty Civilian Clothing Allowance has two parts: (1) the Initial Civilian Clothing Allowance; and (2) the Replacement Civilian Clothing Allowance. The Initial Civilian Clothing Allowance is payable upon assignment to qualifying permanent duty when authorized by the Service concerned. When entitled, the Replacement Civilian Clothing Allowance is payable annually at the end of the service member's anniversary month using the applicable rate then in effect. The rates payable for the Permanent Duty Civilian Clothing Allowances are in Table 29-8.

1. Initial Civilian Clothing Allowance. An Initial Civilian Clothing Allowance is paid only once in any 3-year period. It is not paid if the member has been out of a qualifying assignment for less than 12 months. If the member receives a follow-on permanent assignment requiring the wear of civilian clothing within 3 years of receiving an Initial Civilian Clothing Allowance, or within 12 months of occupying a qualifying assignment, then he or she will receive the Replacement Civilian Clothing Allowance at the end of the original anniversary month.

2. Replacement Civilian Clothing Allowance. At the end of the anniversary month of the member commencing the qualifying assignment, a Replacement Civilian Clothing Allowance is payable if it is projected that he or she will serve at least 6 additional months in a qualifying assignment. The member becomes entitled, upon authorization of the Service concerned. A Replacement Civilian Clothing Allowance is not payable if it is projected the member will remain in the assignment less than 6 months beyond the anniversary month. A Replacement Civilian Clothing Allowance is payable, if the member actually serves 6 or more months in the assignment past the anniversary month.

3. Lump-Sum Payments. A member who will continue to meet the eligibility criteria for a Civilian Clothing Allowance, on a career basis, may receive the Initial Civilian Clothing Allowance, and up to two Replacement Civilian Clothing Allowance payments, in an up-front lump-sum payment. The member may receive payment at the time of eligibility and only once in their career. During the member's first or second anniversaries after a lump-sum initial payment, if it is determined the member actually will not be remaining in a qualifying position for at least the next 6 months, the annual unearned portion for the year(s) not served will be recouped from the member. At the end of the anniversary months for the third and subsequent years of eligibility, the member will receive their Replacement Civilian Clothing Allowance payment.

4. Prior Civilian Clothing Payments. A member, authorized to receive Permanent Duty Civilian Clothing Allowance, will have that allowance reduced by the prevailing value of any Temporary Duty Civilian Clothing Allowance received within the preceding 12 months.

B. Temporary Duty Civilian Clothing Allowances. Generally, the Temporary Duty Civilian Clothing Allowance is used when the Permanent Duty Civilian Clothing Allowance is not applicable. The total amount of all Temporary Duty Civilian Clothing Allowances payable in any 36-month period will not exceed the maximum allowed for temporary duty of at least 30 days. The amounts authorized by the Service concerned will be within the rates established in Table 29-8. The Temporary Duty Civilian Clothing Allowance has two maximum rates:

1. 15-Days. When competent authority determines the member will be on temporary duty at least 15 consecutive or accumulative days within a 30-day period, the maximum amount payable is found in Table 29-8. The 15-day threshold requirement does not apply to Explosive Ordnance Disposal and Explosive Detector Dog Personnel on U.S. Secret Service Support Duty, Defense Courier Service couriers, or Defense Threat Reduction Agency military personnel. These personnel may receive the maximum payment for temporary duty of at least 30 days, upon their initial temporary duty assignment, regardless of the length of their temporary duty.

2. 30 Days. When competent authority determines that a member will be on temporary duty at least 30 consecutive or accumulative days within a 36-month period, the maximum amount payable will be found in Table 29-8, less any amount paid within the past 36-month period.

C. Additional Temporary Duty Payments. In exceptional circumstances, the appropriate official, or the designated official, may make an exception to the maximum allowance permitted in a 36-month period and may authorize an additional payment of a 15-day or 30-day allowance or some lesser amount. The Assistant Secretaries of the Army, Navy and Air Force for Manpower and Reserve Affairs (M&RA), or the Deputy Chief of Staff for M&RA in the Marine Corps, may approve the additional allowance. They cannot delegate their authority.

2906 MISCELLANEOUS CLOTHING PROVISIONS

290601. Reserve Component Allowances

Reserve Component personnel on active duty for periods of less than 6 months, or while on inactive duty, are generally furnished the required individual clothing items as in-kind issues. Reserve Component personnel may receive the Standard Initial Clothing Allowance cash portion for items designated to be personally procured and not issued in-kind. Members of Reserve Components on active duty for periods of less than 6 months or on inactive duty are not entitled to any Civilian Clothing Allowances. Further guidance for payment of clothing allowances for Reserve members is set forth in Chapters 57 and 58.

290602. Lost or Damaged Clothing

The Service concerned will compensate an enlisted member for clothing items destroyed, damaged, lost, abandoned, captured, or otherwise rendered unusable, by an incident to military training or service, not caused by any fault or negligence of the member.

290603. Clothing Price Adjustments

Enlisted members of the Navy and Air Force, entitled to an Initial or Partial Initial Clothing Monetary Allowance upon entering the Service, may require an adjustment to their pay records. A member's pay record is adjusted to reflect the difference between the old and the new fiscal year prices for items not issued, if the entitlement date is on or before September 30, for all clothing items not issued prior to October 1.

290604. Settlement of Cash Clothing Allowances

A member will receive the cash clothing replacement allowance on the last day of their anniversary month. A member will receive a prorated cash clothing replacement allowance when discharged before the end of their anniversary month. The authorizing official approves payment for Supplementary Clothing Allowances. See Table 29-9 for settlement of other cash clothing allowances.

*Table 29-1. Standard Initial Clothing Allowances
Effective October 1, 2016

RULE	A When an entitled enlisted member is	B and is	C then the total value of the Standard Initial Clothing Allowance is	D and the prescribed cash payment portion for purchase of specified items is	E and the Partial Initial Clothing Allowance for a member of the Reserves or Guard called to active duty is
1	Army	male	$1,659.35	$94.33	$0
2		female	$1,894.05	$396.65	$0
3	Navy (E1-E6)	male	$1,794.77	$262.90	$0
4		female	$1,955.58	$447.87	$0
5	Air Force	male	$1,396.27	$85.00	$0
6		female	$1,607.85	$377.56	$0
7	Marine Corps	male	$1,926.05	$0	$0
8		female	$1,865.75	$175.00	$0

*Table 29-2. Special Initial Clothing Allowances
Effective October 1, 2016

RULE	A When an entitled enlisted member is	B and is	C then the total value of the Special Initial Clothing Allowance is	D and the prescribed cash payment portion to be paid is	E and the Partial Initial Clothing Allowance for a member of the Reserves or Guard called to active duty is
1	in pay grade E-6 or below and assigned to the U.S. Navy Band, Washington, DC, or the U.S. Naval Academy Band or selected for temporary appointment as a Limited Duty Officer in the Navy	male	$1,041.94	$1,041.94	$0
2		female	$1,183.17	$1,183.17	$0
3	eligible to wear the uniform of a chief petty officer (E7-E9) (See Note)	male	$1,041.94	$1,041.94	$520.97
4		female	$1,183.17	$1,183.17	$591.59
5	selected for officer training in the Navy and enters Officer Candidate School, the Enlisted Commissioning Program, or the Seaman to Admiral Program	male	$1,878.12	$1,878.12	$0
6		female	$2,031.39	$2,031.39	$0
7	a direct civilian accession student to the Air Force Officer Training School (OTS)	male	$909.81	$909.81	$0
8		female	$1,177.85	$1,177.85	$0
9	an enlisted accession student to the OTS	male	$381.29	$381.29	$0
10		female	$381.29	$381.29	$0
11	assigned to the U.S. Air Force Academy Preparatory School	male	$1,000.42	$1,000.42	$0
12		female	$1,000.42	$1,000.42	$0

NOTE:

Navy Reserve personnel advanced to Chief Petty Officer on or after October 1, 2009 are entitled to the full Special Initial Clothing Allowance. Chief Petty Officers in the Navy Reserve who were advanced before October 1, 2009 were only paid a partial Special Initial Clothing Allowance and are entitled to a Partial Initial Clothing Allowance when called to active duty for 6 months or more.

Table 29-3. Entitlement to Cash Clothing Replacement Allowances

RULE	A When a member	B and is not	C then the member is entitled to an annual
1	completes 6 months of active duty after last entitlement to a standard initial, partial standard initial or reduced standard initial clothing allowance (Note 1)	missing, missing-in-action, captured, or detained in a foreign country; nor forfeiting total pay; nor in confinement under approved sentence providing a punitive discharge (Note 2); nor assigned to a command where clothing is replaced by an in-kind issue; nor undergoing training leading to a commission or attending an academy preparatory school; nor terminated from the status for which a special initial clothing monetary allowance was awarded	basic cash clothing replacement allowance, accruing from the first day of the month following the date of completion of 6 months active duty through the end of 36 months of active duty. On completion of 12 months of uninterrupted active duty, payment will be made for one-half the annual rate and the full annual rate thereafter. Annual payments will be made at the end of the member's anniversary month of active duty (Note 3).
2	completes 6 months of active duty as an officer candidate (Note 1)		
3	becomes entitled to a special initial, partial special initial or reduced special initial clothing allowance		standard cash clothing replacement allowance accruing from the first day of the month following the date the special initial clothing allowance is awarded and continuing for the first 36 months of such active duty. Annual payments will be made at the end of the member's anniversary month of active duty (Note 3).
4	completes 36 months of active duty after last entitlement to a standard initial, partial standard initial, or a reduced standard initial clothing allowance (Note 1)		standard cash clothing replacement allowance accruing from the first day of the month following the date of completion of 36 months active duty. Annual payments will be made at the end of the member's anniversary month of active duty (Note 3).
5	completes 36 months of active duty after last entitlement to a special initial, partial special initial, or a reduced special initial clothing allowance (Note 1)		special cash clothing replacement allowance accruing from the first day of the month following the date of completion of 36 months active duty. Annual payments will be made at the end of the member's anniversary month of active duty (Note 3).

NOTES:

1. The time period is computed without regard to lost time.

Table 29-3. Entitlement to Cash Clothing Replacement Allowances (Continued)

2. The term “approved sentence” means the date the sentence was approved by the convening authority.
3. If a member serves on this active duty less than 12 months or less than 12 months after the last annual payment, then a prorated amount will be paid, calculated at one-twelfth of the annual rate for each whole month or fractional month served. Example: A member on a 3-year enlistment leaves service after serving 2 years, 6 months, and 10 days. The final payment would be an amount equal to 7/12 of the annual amount.

*Table 29-4. Cash Clothing Replacement Allowances
(See Note)
Effective October 1, 2016

RULE	A	B	C	D	E
	When an entitled enlisted member is	and is	then the value of the Basic Cash Clothing Replacement Allowance is	and the value of the Standard Cash Clothing Replacement Allowance is	and the value of the Special Cash Clothing Replacement Allowance is
1	Army	male	$327.60	$468.00	$0
2		female	$345.60	$493.20	$0
3	Navy	male	$349.20	$500.40	$694.80
4		female	$345.60	$493.20	$651.60
5	Air Force	male	$245.34	$350.48	$0
6		female	$247.19	$353.13	$0
7	Marine Corps	Male	$442.80	$633.60	$0
8		female	$428.40	$615.60	$0

NOTE:

Members of the U.S. Naval Academy Band, the U.S. Navy Band, Washington, DC, and all Navy Chief Petty Officers receive Special Cash Clothing Replacement Allowances as follow-on to the Special Initial Clothing Allowances.

Table 29-5. Navy Supplementary Clothing Allowances
Effective October 1, 2016

RULE	A When a Navy enlisted member is assigned to	B then the supplementary clothing allowance to be paid in cash is	C and the frequency of payment is (Note 1)
1	shore duty in a Bureau of Personnel (BUPERS) controlled recruiting billet or a recruiting support billet (Note 2)	$220.00	annual.
2	the U.S. Navy Ceremonial Guard	$200.00	only upon assignment.
3	the Ceremonial Guard Unit, Naval Air Facility, Washington DC	$120.00	
4	duty in the executive part of the Department of the Navy located at the seat of government (field activities excluded)	$15.00	
5	duty in the Office of the SecDef including the Office of the Joint Chiefs of Staff	$15.00	
6	duty as a recruit company commander at Naval training centers or Naval Air Reserve training unit (Memphis) and meets eligibility requirements (Note 3)	$220.00	annual.
7	duty as a recruit drill instructor at naval training centers and meets eligibility requirements (Note 3)	$220.00	
8	duty with Naval Administrative Unit, Washington, DC	$125.00	only upon assignment.
9	the USS CONSTITUTION	$220.00	only upon assignment.
10	a unit of the armed forces police or permanent shore patrol	$50.00	only upon assignment.
11	duty as a member assigned to (1) Transient Monitoring Unit, Enlisted Personnel Management Center, New Orleans; (2) Personnel and Administrative Assistance Team, Atlantic; (3) Personnel and Administrative Assistance Team, Pacific; or (4) Reserve Personnel Management Assistance Team	$185.00	

Table 29-5. Navy Supplementary Clothing Allowances (Continued)
Effective October 1, 2016

RULE	A When a Navy enlisted member is assigned to	B then the supplementary clothing allowance to be paid in cash is	C and the frequency of payment is (Note 1)
12	duty as the Master Chief Petty Officer of the Navy or a Master Chief Petty Officer of a Fleet or Force	$220.00	annual.
13	active duty or Selected Reserve duty and the individual's condition requires the wearing of a maternity uniform	$350.35	once in 3 years.
14	duty as a musician with a Fleet/Area Band, U.S. Navy Band, Washington, DC or Naval Academy Band	$220.00	annual.
15	duty as a midshipmen company advisor in pay grade E7 – E9 at the U.S. Naval Academy	$220.00	

NOTES:

1. The supplementary clothing allowances listed are, unless otherwise noted, payable upon initial assignment to a normal tour of the duties described at the frequency specified in this table. Annual allowances will be paid upon assignment and upon each subsequent anniversary date of the initial assignment or entitlement, provided the member is projected to remain in the assignment for at least 6 additional months. Allowances to be paid as once in 3-year allowances, will be paid after 36 months from the date of any prior payment provided the individual's condition/duties continue to require the supplementary allowance, and they are projected to remain in the assignment for at least 6 additional months. Members will be paid allowances only when first assigned to specified duty. A supplementary allowance may not be paid more frequently than once per year for similar duty, even if at different locations or commands or for subsequent recalls to active duty within 1-year, except by special authority of the Service Secretary or designee.
2. Recruiting or recruiting support duty means active duty assignment to: Navy recruiting areas, Navy recruiting districts, Navy recruiting "A" stations, Navy recruiting stations, Military Entrance Processing Stations, or to Naval Reserve activities. It also includes Naval aviation cadet procurement teams at Naval Air Reserve activities. It is payable to recruiters after reporting to the enlisted Navy Recruiter Orientation Course or upon completion of the Veteran Recruiter Orientation. It is payable to recruiting support personnel upon receipt of orders to such duty. It is payable to members in BUPERS controlled recruiting billets or a recruit support billet upon initial assignment, when specialized training is not required prior to the recruiting assignment.
3. Eligibility requires completion of Recruit Company Commander or Recruit Drill Instructor School.

*Table 29-6. Air Force Supplementary Clothing Allowances
Effective October 1, 2016

RULE	A When an Air Force enlisted member is assigned to	B then the supplementary clothing allowance to be paid in cash is	C and the frequency of payment is (note 1)
1	duty as an in-flight passenger service steward	$200.09	annual.
2	Detachment 1, 4950th Test Wing	$200.09	
3	89th Air Wing Presidential Aircrew	$200.09	
4	Headquarters U.S. Air Force/Chief of Staff as member of the security police	$135.90	only upon assignment.
5	89th Air Wing as a member of the security police	$135.90	annual.
6	the U.S. Air Force Band, the Air Force Band of the Rockies, or a numbered Air Force Band	$200.09	once in 3 years.
7	Hammer Ace	$200.09	only upon assignment.
8	duty as a basic military training instructor or manager	$256.71	annual.
9	duty as a cadet military training advisor at the U.S. Air Force Academy	$200.09	
10	duty as a basic military training instructor at the U.S. Air Force Academy Preparatory School	$200.09	
11	a recruiting group or squadron	$256.71	
12	represent the Air Force as one of the 12 Outstanding Airmen of the Year	$256.71	only upon assignment.
13	duty as a professional military education instructor	$256.71	annual.
14	duty at a Major Command as a member of the security police Elite Guard	$135.90	only upon assignment.
15	duty as a member of the security police Elite Gate Guards	$135.90	
16	duty as a student at the Security Forces Specialist Course (Law Enforcement & Security Specialist Students)	$109.48	
17	duty as the Chief Master Sergeant of the Air Force	$256.71	annual.
18	duty as the Chief Master Sergeant of the Air Force Staff	$256.71	only upon assignment.
19	duty as a U.S. Air Force Academy radio maintenance work center technician	$166.10	once in 3 years.

*Table 29-6. Air Force Supplementary Clothing Allowances (Continued)
Effective October 1, 2016

RULE	A When an Air Force enlisted member is assigned to	B then the supplementary clothing allowance to be paid in cash is	C and the frequency of payment is (note 1)
20	a military entrance processing station	$166.10	annual.
21	active duty and the individual's condition requires the wearing of a maternity uniform (Note 2)	$366.18	once in 3 years.
22	active duty and the individual's condition requires the wearing of a maternity uniform when the individual is provided, as government issue, maternity working uniforms (e.g. hospital workers, Note 2)	$132.13	
23	duty as a Military Training Leader (Technical Training Schools)	$256.71	annual.

NOTES:

1. The supplementary clothing allowances listed are, unless otherwise noted, payable upon initial assignment to a normal tour of the duties described and at the frequency specified in this table. Annual allowances will be paid upon assignment and upon each subsequent anniversary date of the initial assignment or entitlement, provided the member is projected to remain in the assignment for at least 6 additional months. Allowances to be paid as once in 3-year allowances, will be paid after 36 months from the date of any prior payment provided the individual's condition/duties continue to require the supplementary allowance, and they are projected to remain in the assignment for at least 6 additional months. Members will be paid allowances only when first assigned to specified duty. A supplementary allowance may not be paid more frequently than once per year for similar duty, even if at different locations or commands or for subsequent recalls to active duty within 1-year, except by special authority of the Service Secretary or designee.
2. When the reduced maternity uniform allowance has been paid and the member subsequently qualifies for a full maternity uniform allowance within 3 years of the reduced payment, the member will receive only the difference between the two allowances. A member may not receive more than the full maternity uniform allowance value within any 36-month period. A reduced maternity uniform allowance may not be paid within 36 months of a full maternity uniform allowance.

*Table 29-7. Marine Corps Supplementary Clothing Allowances
Effective October 1, 2016

RULE	A	B	C
	When a Marine Corps enlisted member is assigned to	then the supplementary clothing allowance to be paid in cash is	and the frequency of payment is (note 1)
1	male Staff Non-Commissioned Officer (SNCO) White Trousers (note 2)	$58.00	only upon assignment.
2	female SNCO White Skirt (note 2)	$72.00	
3	female SNCO White Slacks (note 2)	$64.00	
4	duty as a male student at the Naval Academy Preparatory School	$1,321.94	
5	duty as a female student at the Naval Academy Preparatory School	$1,343.24	
6	Sergeant Major of the Marine Corps	$242.23	

NOTES:

1. The supplementary clothing allowances listed are, unless otherwise noted, payable upon initial assignment to a normal tour of the duties described and at the frequency specified in this table. Annual allowances will be paid upon assignment and upon each subsequent anniversary date of the initial assignment or entitlement, provided the member is projected to remain in the assignment for at 6 least additional months. Allowances to be paid as once in 3-year allowances, will be paid after 36 months from the date of any prior payment provided the individual's condition/duties continue to require the supplementary allowance, and they are projected to remain in the assignment for at least 6 additional months. Members will be paid allowances only when first assigned to specified duty. A supplementary allowance may not be paid more frequently than once per year for similar duty, even if at different locations or commands or for subsequent recalls to active duty within 1-year, except by special authority of the Service Secretary or designee.
2. Required for all SNCO whose approved duty assignment requires the white Skirt, Slacks, and Trousers.

*****Table 29-8. Civilian Clothing Allowances for Officer and Enlisted Members
Effective October 1, 2016

RULE	A When an officer or enlisted member is entitled to a Civilian Clothing Allowance for	B then the amount of payment is (notes 1 and 2)
1	permanent duty initial payment	$1,041.12
2	permanent duty annual replacement payment	$347.04
3	temporary duty of at least 15 days in a 30-day period (Note 3)	$347.04
4	temporary duty of at least 30 days in a 36-month period	$694.08

NOTES:

1. By law, an officer is authorized a civilian clothing allowance only if the officer's permanent duty station is outside the United States.
2. Unless exception is given, the maximum amount payable for all temporary duty performed in any 36-month period will not exceed the maximum prescribed for duty of at least 30 days.
3. The 15-day qualification requirement does not apply to Explosive Ordnance Disposal and Explosive Detector Dog personnel on U.S. Secret Service support duty, Defense Courier Service couriers, or Defense Threat Reduction Agency military personnel. These personnel may be authorized up to the maximum Temporary Duty Civilian Clothing Allowance for 30 days upon their initial temporary duty travel requirement.

Table 29-9. Settlement of Cash Clothing Allowances
(See Note)

RULE	A	B				C	D
		and is a member of the					
	When member is entitled to	Army	Navy	Marine Corps	Air Force	and has	then
1	a Standard Initial Clothing Allowance, a reduced or Partial Standard Initial Clothing Allowance		X			completed 6 months of active duty (Note)	settle balance of allowance due.
2			X		X	drawn clothing equaling or exceeding the allowance	settle amount, collect amount due from member, if appropriate.
3					X	completed 30 days of active duty (Note)	settle balance of allowance due.
4			X			completed recruit training	settle balance of allowance due.
5			X		X	reenlisted in the same branch of the Regular Service subsequent to expiration of 3 months from the date of last discharge or release from active duty	pay or credit amount authorized immediately.
6	a Special Initial Clothing Allowance or a reduced or Partial Special Initial Clothing Allowance		X		X		pay or credit amount authorized immediately.
7	an initial cash allowance for personal purchase of specified items	X	X	X	X	established entitlement to an initial clothing allowance	pay or credit amount authorized immediately.
8	a civilian clothing allowance	X	X	X	X		pay or credit amount authorized immediately.

Table 29-9. Settlement of Cash Clothing Allowances (Continued)

NOTE:

On discharge, release from active duty, or death, before completion of 6 months of active duty (Navy), or 30 days (Air Force), reduce the monetary clothing allowance to amount of clothing already supplied.

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2902 – CLOTHING ALLOWANCE ENTITLEMENT

	37 U.S.C. § 418 DoD Directive 1338.5, March 9, 1998 DoD Instruction (DoDI) 1338.18, January 7, 1998 Office of the Under Secretary of Defense Personnel and Readiness (OUSD (P&R)) Memo, April 18, 2008

2903 – INITIAL CLOTHING ALLOWANCES

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*Table 29-2	ASN M&RA Memo, October 7, 2016 DAF HQ AF/A1 Memo, September 10, 2016
*Table 29-4	ASA ALT Memo, October 4, 2016 ASN M&RA Memo, October 7, 2016 ASN M&RA Memo, February 7, 2017 DAF HQ AF/A1 Memo, September 10, 2016
*Table 29-5	ASN M&RA Memo, October 7, 2016
*Table 29-6	DAF HQ AF/A1 Memo, September 10, 2016
Rule 1	ASD (FMP) Memo, February 26, 1996
*Table 29-7	ASN M&RA Memo, October 7, 2016
*Table 29-8	DoDI 1338.18, January 7, 1998 ASD M&RA Memo, September 20, 2016

VOLUME 7A, CHAPTER 30: "OFFICERS' UNIFORM AND EQUIPMENT ALLOWANCE"

SUMMARY OF MAJOR CHANGES

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PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
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CHAPTER 30

OFFICERS' UNIFORM AND EQUIPMENT ALLOWANCE

3001 GENERAL

300101. Purpose

In accordance with guidance contained in this chapter, officers of the Armed Forces of the United States may be entitled to an initial uniform allowance and/or an additional active duty uniform allowance as reimbursement for the purchase of required uniforms and equipment.

300102. Authoritative Guidance

The bibliography at the end of this chapter lists the authoritative references.

3002 INITIAL UNIFORM ALLOWANCE

300201. General

Officers of the Armed Forces of the United States are entitled to an initial uniform allowance as provided in this section.

300202. When Payable

A. Except as provided in subparagraph 300202.B, the initial uniform allowance is payable only once to an officer upon:

1. First reporting for active duty (other than for training) for a period of more than 90 days. A member entering active duty as an officer in a Regular Component or upon Reserve Officer Training Corps (ROTC) graduation is considered to have entered into active duty for more than 90 days;

2. Completing at least 14 days of active duty or active duty for training as a member of a Reserve Component;

3. Completing 14 periods of inactive duty training as a member of the Ready Reserve. Each period of inactive duty training must be of at least 2 hours duration; or

4. Reporting for the first period of active duty required of a member of the Armed Forces Health Professions Scholarship Program.

B. In the case where a Reserve officer transfers to another Reserve Component that requires a different uniform, that Reserve officer may receive another initial uniform allowance.

300203. Amount Payable

All officer personnel, commissioned or appointed in the Regular or Reserve Components of the Army, Navy, Air Force, and Marine Corps, are authorized $400 as reimbursement for the purchase of uniform and equipment, regardless the source of commission or previous enlisted status.

300204. Restrictions

A. If a member has received an initial uniform allowance in any amount as an officer, under conditions other than those listed in subparagraph 300202.A, then the member cannot again be entitled to the initial uniform allowance.

B. Regular officers may not receive this allowance when transferring to another Military Service.

C. Only periods of duty that require wearing of the uniform are counted for entitlement to the initial uniform allowance.

D. An officer must be determined physically qualified for active duty before entitlement to an initial uniform allowance accrues.

3003 ADDITIONAL ACTIVE DUTY UNIFORM ALLOWANCE

300301. General

Officers of Reserve Components, officers of the Army or Air Force of the United States without specification of component, and ROTC graduates appointed in the Regular Components are entitled to an additional active duty uniform allowance as provided in this section.

300302. When Payable

A. The additional active duty uniform allowance is payable for each instance of entry or reentry into active duty, or active duty for training (including authorized travel time) for more than 90 days. The period served may be under orders specifying active duty for more than 90 days, or under two or more orders requiring a continuous period of more than 90 days active duty.

B. An officer commissioned in a Regular Component, upon ROTC graduation, accrues entitlement to the allowance on commencement of duty as a Regular officer. The officer is considered to have entered on active duty for more than 90 days.

300303. Amount Payable

The additional active duty uniform allowance is payable, to qualified officers in the amount of $200, as reimbursement for the purchase of required uniforms and equipment.

300304. Restrictions

A. The additional active duty uniform allowance is not payable if the officer has received an initial uniform allowance of more than $400 during the current tour of active duty, or within 2 years prior to entering the current tour.

B. The additional active duty uniform allowance is not payable when the tour of duty for which payment is being considered began within 2 years after the end of a previous period of active duty, or active duty for training, of more than 90 days. This applies whether or not a uniform allowance was paid for the previous tour of duty. It applies only if the prior service was performed as a Reserve officer, as an officer of the Army or Air Force of the United States without specification of component, or as a Regular officer commissioned upon ROTC.

C. An officer of a Reserve Component or of the Army or Air Force of the United States, without specification of component, is not due this allowance solely because of appointment in or transfer to the Army, Air Force, or another Reserve Component.

D. A Reserve officer ordered to an indefinite tour of active duty, or active duty for training, is not entitled to this allowance until the member completes more than 90 days of that tour.

E. Only periods of duty requiring the wearing of the uniform are counted for entitlement to the allowance prescribed in this paragraph.

F. To be entitled under this paragraph, an officer must be determined physically qualified for active duty.

300305. Computation of 2-Year Period

Compute the 2-year period during which no active duty or active duty for training was performed as follows:

A. When an officer is ordered to active duty, or active duty for training, for a period of more than 90 days, the 2-year period begins on the day following the day of release from active duty or active duty for training.

Example 1: A Reserve officer was ordered to active duty for training under orders specifying a 92-day tour of duty to begin March 1, 2012, and to end May 31, 2012. The officer actually was released from active duty for training May 31, 2012. The 2-year period began on June 1, 2012. Entitlement to the next additional active duty uniform allowance accrues if the officer is called to active duty, or active duty for training, for a period of more than 90 days on or after June 1, 2014.

Example 2: If the officer in Example 1 served 35 days of a tour of active duty under orders specifying duty of more than 90 days, and was

released from active duty for training April 4, 2012, then the 2-year period started April 5, 2012. Entitlement to the next additional active duty uniform allowance accrues if the officer is called to active duty, or active duty for training for a period of more than 90 days, on or after April 5, 2014. Refund of allowance or any portion thereof is not required since entitlement was based on reporting for active duty for a period of more than 90 days.

B. When an officer is ordered to active duty for training for an indefinite period, and serves more than 90 days, the 2-year period begins on the day following the day of release from active duty.

Example 1: A Reserve officer was ordered to active duty for training for an indefinite period to begin March 1, 2012. The officer was released from active duty July 1, 2012. On the 91st day of duty (May 30, 2012), the officer was entitled to the allowance as of the first day of duty (March 1, 2012) if other conditions of entitlement were met. The 2-year period starts July 2, 2012. Entitlement to the next additional active duty uniform allowance accrues if the officer is called to active duty, or active duty for training, for a period of more than 90 days on or after July 2, 2014.

Example 2: If the Reserve officer in Example 1 (subparagraph 300305.B) was released from active duty on April 4, 2012 after serving only 35 days, then he or she would not be entitled to the additional active duty uniform allowance for that period of active duty for training.

C. When an officer is separated from a Regular Component and is later appointed an officer in a Reserve Component and ordered to active duty, or active duty for training, for more than 90 days, the 2-year period restriction in subparagraph 300304.B does not apply. Exception: Regular officers appointed upon completion of ROTC training after October 12, 1994, are subject to the 2-year restriction.

Example: An officer was separated from a Regular Component on June 30, 2012, and was appointed an officer in a Reserve Component on July 1, 2012. The member reported for active duty for more than 90 days on May 1, 2014. The member was entitled to the additional active duty uniform allowance when reporting on the present tour of active duty, since the previous tour was as a Regular officer.

3004 DETERMINATIONS

300401. First Time Reporting for Active Duty and Allowances

An officer reporting for active duty for the first time, who meets the requirements for entitlement to the initial uniform allowance and the additional active duty uniform allowance, is entitled to receive both allowances subject to the restrictions of paragraphs 300204 and 300304.

300402. Received Initial Uniform Allowance

An officer who receives, or has previously received, an initial uniform allowance as an officer, under any conditions other than those listed in subparagraph 300202.A, is not eligible to receive the initial uniform allowance upon transfer to, or appointment in, another Reserve Component or the Army or Air Force of the United States, without specification of component.

300403. Reserve Officers' Uniform Allowance Entitlements

A Reserve officer who receives, or has previously received, an initial uniform allowance, under the conditions listed in subparagraph 300202.A, and again qualifies for the initial uniform allowance and/or the additional active duty uniform allowance by meeting the basic requirements, is eligible to receive the initial and/or the additional allowance upon transfer to, or appointment in, another Reserve Component or the Army or Air Force of the United States, without specification of component, if the wearing of a different uniform is required.

300404. Reserve Officers' Additional Allowance Entitlement

If otherwise eligible, a Reserve officer is entitled to be paid the additional active duty uniform allowance, even if the member has not received an initial uniform allowance.

3005 CIVILIAN CLOTHING MONETARY ALLOWANCE

300501. Officers' Civilian Clothing Allowance

Officers assigned to a permanent duty station outside the United States, who are required to wear civilian clothing all or a substantial portion of the time in the performance of official duty, may be authorized an allowance for civilian clothing.

300502. Entitlement and Rate for Civilian Clothing Allowance

Entitlement criteria and allowance rates for civilian clothing allowances are specified in Chapter 29, paragraph 290503.

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3003 – ADDITIONAL ACTIVE DUTY UNIFORM ALLOWANCE

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3004 – DETERMINATIONS

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3005 – CIVILIAN CLOTHING MONETARY ALLOWANCE

37 U.S.C. § 419

VOLUME 7A, CHAPTER 31: "PERSONAL MONEY ALLOWANCE"

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CHAPTER 31

PERSONAL MONEY ALLOWANCE

3101 GENERAL

*310101. Purpose

This chapter establishes policy pertaining to Personal Money Allowance.

310102. Authoritative Guidance

The bibliography at the end of this chapter lists the authoritative references.

3102 ENTITLEMENT

310201. Officers

Officers, in the capacities listed in Table 31-1 (Personal Money Allowance - Amounts Payable), who are entitled to receive basic pay are also entitled to receive a personal money allowance. This allowance is in addition to any other pay or allowance authorized.

310202. Allowance for Certain Naval Officers

A Naval officer, assigned to a position listed in rules 5 through 9 of Table 31-1 and who simultaneously serves in the grade of Admiral or Vice Admiral, is entitled to the Personal Money Allowance for his/her current grade in addition to the one set forth for the position.

310203. Enlisted Members

An enlisted member, serving as the Senior Enlisted member of his or her Military Service, is also entitled to receive a Personal Money Allowance. This allowance is in addition to any other pay or allowance authorized.

3103 MONTHLY AMOUNTS PAYABLE

See Table 31-1

3104 TAXABILITY AND WITHHOLDING TAX

Personal Money Allowance is subject to federal and state income tax withholding.

Table 31-1. Personal Money Allowance — Amounts Payable

RULE	A If the member is serving	B then the annual amount payable is	C and is paid monthly at the rate of
1	as Chairman of the Joint Chiefs of Staff, Vice Chairman of the Joint Chiefs of Staff, Chief of Staff of the Army or Air Force, Chief of Naval Operations, Commandant of the Marine Corps, Commandant of the Coast Guard, or Chief of the National Guard Bureau (note 1)	$4,000 (note 2)	$333.33
2	as a senior member of the Military Staff Committee of the United Nations and entitled to the grade, pay, and allowances of a lieutenant general or vice admiral (note 1)	$2,200 plus $500 authorized in rule 4	$225.00
3	in the grade of general or admiral	$2,200	$183.33
4	in the grade of lieutenant general or vice admiral	$500	$41.67
5	as the Director of Naval Intelligence (note 1)	$5,200	$433.33
6	as the Superintendent of the Naval Academy (note 1)		
7	as the President of the Naval War College (note 1)	$1,000	$83.33
8	as the Commandant of Midshipmen at the Naval Academy (note 1)	$800	$66.67
9	as the President of the Naval Postgraduate School (note 1)	$400	$33.33
10	as the Sergeant Major of the Army, the Master Chief Petty Officer of the Navy, the Chief Master Sergeant of the Air Force, the Sergeant Major of the Marine Corps, the Senior Enlisted Advisor for the Chairman of the Joint Chiefs of Staff, the Master Chief Petty Officer of the Coast Guard, or the Senior Enlisted Advisor to the Chief of the National Guard Bureau (note 1)	$2,000	$166.67

NOTES:

1. This allowance is based on a specific duty assignment, and it does not accrue before the date member starts or after the date member is released from such duty assignment.
2. This amount is in place of any other Personal Money Allowance authorized.

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CHAPTER 31 – PERSONAL MONEY ALLOWANCE

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	310203	37 U.S.C. § 414(c)

3103 – MONTHLY AMOUNTS PAYABLE

37 U.S.C. § 414(a)

3104 – TAXABILITY AND WITHHOLDING TAX

*	Title 26, Code of Federal Regulations (CFR), part 1.62-2
*	26 CFR 31.3401(a)-1
	31 CFR 215.8

Table 31-1	37 U.S.C. §§ 413-414
	37 U.S.C. § 414(c)

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PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current administrative instructions.	Revision
3201	Inserted "Purpose" and "Authoritative Guidance" paragraphs.	Addition

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CHAPTER 32

ADVANCE, LOCAL, PARTIAL AND EMERGENCY PARTIAL PAY

3201 GENERAL

*320101. Purpose

This chapter establishes policy pertaining to advance, local, partial and emergency partial pay for members of the active and reserve components.

*320102. Authoritative Guidance

The bibliography at the end of this chapter lists the authoritative references.

3202 ADVANCE PAYMENTS

320201. Advance Pay for Permanent Change of Station (PCS)

A. Commander's Responsibility. The member's commander has a responsibility to ensure that the advance of pay is used only to help with the financial burden of a PCS.

1. This financial burden can be complicated when a member files for bankruptcy. Commanders should be aware when a member has filed for bankruptcy and then makes a request for an advance pay. Some Bankruptcy Court jurisdictions hold that a creditor does not have the authority to recoup any post-petition debt, including advance pay, without permission from the Bankruptcy Court. This is true in cases when a member has filed a Chapter 13 bankruptcy.

2. In such instances, the government may not be able to collect any amount of the advance pay unless the Defense Finance and Accounting Service (DFAS) receives approval from the court or after the bankruptcy is discharged or terminated. Additionally, in situations when DFAS has withheld funds for repayment of the advanced pay, DFAS will have to return the funds to the member. Accordingly, commanders should approach such advance pay requests fully aware that the government may not be able to collect the advance pay from the member even though the advanced pay was issued after the member filed for bankruptcy.

B. Entitlement. The conditions and amounts payable are contained in Table 32-1.

C. Repayment. Advances are repaid per Table 32-2.

D. Effect on Allotments. Do not pay an advance of pay in an amount that will require the stoppage of allotments for insurance or support of dependents. No allotment may be started after the advance is made if that allotment would prevent repayment of the

advance of pay within the allowed period. If the separation of a member from the Service is imminent, then stop all allotments necessary to collect the advance.

320202. Advance of Pay and Allowances

An advance of pay is to ease hardships imposed by the lack of regular payments when a member is mobilized, ordered to duty at a distant station, or deployed aboard ship for more than 30 days.

A. Entitlement. The conditions and amounts payable are contained in Table 32-1.

B. Repayment. These advances are repaid per Table 32-2.

320203. Advance Pay for Assignment of 1 Year or More to Hostile Fire/Imminent Danger Pay Area

A. Entitlement. A member may be paid an advance of basic pay not to exceed 3 months less deductions. The conditions and amounts payable are contained in Table 32-1, rule 3.

B. Repayment. This advance is repaid based on Table 32-2, rule 11; however, advance pays not fully collected prior to the death of a member will not be collected against the estate of a deceased member.

320204. Advance Pay When Ordered to Indoctrination Center

A. Entitlement. A member may be paid an advance of basic pay not to exceed 15 days. The conditions and amounts payable are contained in Table 32-1, rule 4**.**

B. Repayment. Collect the advance in full from the member's next available payday.

320205. Advance of Basic Allowance for Subsistence (BAS)

A. Entitlement. An enlisted member may be paid an advance of BAS not to exceed 3 months if the member is entitled to BAS and the Commanding Officer (CO) authorizes the payment following a determination that it is necessary. Individual Military Service regulations may limit BAS advances to less than 3 months.

B. Repayment. This advance is repaid based on Table 32-2, rule 12.

320206. Advance Pay Upon Evacuation of Members or Dependents

The purpose of this advance is to give funds to evacuated members or dependents to cover costs of travel, food, and other needs.

A. Entitlement. The conditions and amounts payable are contained in Table 32-1, rule 5.

B. Repayment. The advances are repaid per Table 32-2, rule 13.

320207. Advance of Allotment(s) to Dependents

The purpose of this advance payment is to allow a member to be paid the amount of an allotment(s) to dependent(s) if the member is assigned or scheduled for assignment to sea duty or other duty with a unit or command deployed or to be deployed outside the United States and the allotment(s) is made by the member not more than 60 days before the scheduled date of the assignment of the member to this duty.

A. Entitlement. The conditions and amounts payable are contained in Table 32-1, rule 6.

B. Repayment. This advance is repaid per Table 32-2, rule 14.

320208. Advance Pay for Members of the Armed Forces Health Professions Scholarship Program (AFHPSP) on Active Duty

A. Entitlement. An advance of pay, not to exceed basic pay for 1 month, may be paid to a member of the AFHPSP when reporting for the annual 45-day active duty tour.

B. Repayment. Collect the advance in full by the end of the 45-day active duty tour.

320209. Advance of Housing Allowances

An advance of Basic Allowances for Housing and overseas housing allowance may be authorized under the terms and conditions in the Joint Travel Regulations (JTR), Chapters 9 and 10.

320210. Advance Pay for Senior Reserve Officer Training Corps (SROTC) Cadets and Midshipmen Ordered to Field Training or Practice Cruises

A. Entitlement. An advance of pay, not to exceed the entitlement for 1 month, or the amount the SROTC member will accrue for the training, whichever is less, may be paid to an SROTC member who is ordered to perform field training or a practice cruise.

B. Repayment. Collect the advance in full from the member's field training or practice cruise entitlement.

320211. Military Paydays

A. Payday is the first calendar day of the month after the month in which the entitlement was earned.

B. Except for payrolls otherwise payable on October 1, if the payday falls on a Saturday, Sunday, or Federal legal holiday, payment is authorized on the preceding workday, but not more than 3 days before the scheduled payday. This exception applies to foreign holidays recognized abroad by United States Forces. It also applies to payments made to members upon separation from the Military Service through retirement or discharge when the last day of active duty falls on a Saturday, Sunday, or Federal legal holiday.

C. For payrolls otherwise payable on October 1, the Secretary of Defense will determine if the payroll may be dated in September.

3203 LOCAL, PARTIAL, AND EMERGENCY PARTIAL PAYMENTS

320301. Local and Partial Payments

Local and partial payments are authorized only for overseas areas where on-base military banking facilities are not readily available. Exceptions may be granted for members assigned to classified or contingency operations where the exigencies of their assignments may require local cash or partial payments. In this circumstance, the member's commander may authorize immediate cash payments up to the amount of accrued entitlement to date, when deemed appropriate to the mission (see Table 32-3).

320302. Emergency Partial Payment

A. For members residing or assigned within the United States (including Alaska and Hawaii), this is a payment deemed time sensitive and required within 24 hours due to an unforeseen set of circumstances or the resulting state that calls for immediate action (see Table 32-3). Payment will be made in an expeditious manner, e.g., Direct Deposit (DD) or check payment. The supporting DFAS site may be able to affect overnight Electronic Funds Transfer (EFT) payment if circumstances warrant.

B. The member's commander, in coordination with the supporting finance office, may authorize emergency payments, up to the amount of accrued entitlement to date in the following circumstances:

1. Emergency pay and allowances earned to date as reflected on the member's pay account, when no pay was received on a regular payday or when there is a major medical emergency or death in the member's immediate family and payment is needed within 24 hours;

2. Emergency travel advance, when a traveler does not have a government travel charge card;

3. Discharge gratuity (as required by Chapter 35, Table 35-7), when payment is needed within 24 hours;

4. Payment of military death gratuity benefit to a beneficiary, when payment is needed within 24 hours;

5. Payment to military member of advance pay and allowances and/or evacuation allowance, when dependents must be evacuated as a result of a natural disaster or life threatening situations; or

6. Payment to dependents, when forfeiture of pay and allowances is waived under conditions defined in Chapter 48, subparagraph 480307.C.

Table 32-1. Advance Payments - Eligibility and Amounts Payable

RULE	A A member in receipt of orders for (to)	B and	C when approved in writing by	D may be paid an	E in an amount	F to be paid by the supporting DFAS site (note 1)
1	a PCS move, to include (note 2): -between stations -to new station upon reenlistment (following a break in service) -commencement of active duty by newly commissioned regular officer -change of home port -Reserve forces member in receipt of orders to active duty of 140 days or more -extended active duty (Reserve or retired members)	the member signs a form confirming that the intended uses of the funds are for the purposes stated in the form; and the PCS is not due to separation from service or trial by court-martial	the member's commanding or recruiting officer (including enlisted commandant of the Noncommissioned Officer (NCO) Academy) for grades E-3 and below (except as more restrictively prescribed in regulations of the Military Service concerned)	advance of basic pay	of 1 month of basic pay, less deductions (note 3)	to member's financial institution not earlier than 30 days prior to departure (note 4); en route; first duty station or after beginning travel to first duty station after completion of physical examination; or within 60 days after arrival at new/first duty station (home port, note 4) (note 5).
2			the member's commanding or recruiting officer (including enlisted commandant of the NCO Academy)		not to exceed 3 months of basic pay, less deductions, if warranted and justified (notes 3 and 6)	

Table 32-1. Advance Payments - Eligibility and Amounts Payable (Continued)

RULE	A A member in receipt of orders for (to)	B and	C when approved in writing by	D may be paid an	E in an amount	F to be paid by the supporting DFAS site (note 1)
3	assignment for duty (permanent or temporary) for 1 year or more (or extended beyond 1 year) to an area where the member would receive hostile fire/imminent danger pay under Title 37, United States Code (U.S.C.), section 310		the member's commanding or recruiting officer (including enlisted commandant of the NCO Academy)	advance of basic pay	of 1 month of basic pay, not to exceed 3 months, less deductions (notes 3 and 7)	to member's financial institution (note 8).
4	a training or indoctrination center on induction or enlistment		the center commander (including enlisted commandant of the NCO academy)		not to exceed 15 days of basic pay (notes 9 and 10)	advances will be deposited, via DD/EFT by the supporting DFAS site, to the basic trainee's account at the designated financial institution.

Table 32-1. Advance Payments - Eligibility and Amounts Payable (Continued)

RULE	A A member in receipt of orders for (to)	B and	C when approved in writing by	D may be paid an	E in an amount	F to be paid by the supporting DFAS site (note 1)
5	evacuation of member or dependents from a place outside the United States or other place as the Secretary of Defense designates (note 11)	evacuation of member or all military dependents in the area is ordered by the area commander, the State Department, or other authorized U.S. official		advance of basic pay, payable to member or to member's dependents, in one or more installments	as designated by the member, in a total amount of not more than 2 months of basic pay (net of any forfeiture and Montgomery G.I. Bill; no other deduction considered)	paid as an emergency local payment at permanent station or any military disbursing office either overseas or in the United States.
6	for assignment to sea duty or other duty with a unit or command deployed or to be deployed outside the United States (note 12)			amount of an allotment(s) for dependent(s)	equal to amount of the allot-ment(s) for 1 month (note 13)	
7	mobilization or recall to active duty under 10 U.S.C. § 12301, § 12302, § 12303, § 12304, or § 688	has reported for duty but cannot be paid pay and allowances due within 14 days of reporting for that duty	the member's commander (including enlisted commandant of the NCO academy)	advance of pay and allowances	not to exceed 3 months of pay and allowances less deductions (note 3 and rule 4)	to member's financial institution or mailed from DFAS central site to an address.

Table 32-1. Advance Payments - Eligibility and Amounts Payable (Continued)

RULE	A A member in receipt of orders for (to)	B and	C when approved in writing by	D may be paid an	E in an amount	F to be paid by the supporting DFAS site (note 1)
8	assignment to a distant duty station	pay and allowances cannot be paid regularly	the member's commander (including enlisted commandant of the NCO academy)	advance of pay and allowances	not more than 3 months of basic pay and allowances, less deductions (note 3)	to member's financial institution or mailed from DFAS central site to an address.
9	assignment to a distant duty station	pay and allowances cannot be paid regularly	the member's commander (including enlisted commandant of the NCO academy)	advance of pay and allowances	more than 3 months of basic pay and allowances, less deductions, when approved by: Army or Air Force--Major Command; Navy--Office of Comptroller; USMC--Commandant of the Marine Corps (note 3)	to member's financial institution or mailed from DFAS central site to an address.

Table 32-1. Advance Payments - Eligibility and Amounts Payable (Continued)

RULE	A A member in receipt of orders for (to)	B and	C when approved in writing by	D may be paid an	E in an amount	F to be paid by the supporting DFAS site (note 1)
10	deployment aboard ship for more than 30 days (Navy-Marine Corps only)	pay and allowances cannot be paid regularly	the member's commander (including enlisted commandant of the NCO academy.)	advance of pay and allowances	not more than the basic pay (plus submarine and sea duty pay for members attached to submarines) and allowances that will accrue during the period of deployment, less deductions (note 3).	to member's financial institution or mailed from supporting DFAS site to an address.

NOTES:

1. For emergency payment exceptions, see paragraph 320302.
2. Temporary duty en route does not preclude payment. An advance payment for a PCS move in the same geographical area of the member's prior duty station or home port, or place from which ordered to active duty, is authorized only when movement of the member's household at government expense is authorized per JTR, Chapter 5, Part A, Section 5.
3. Deductions:
    a. For advance pay computation (rules 1 and 2), the following deductions will be made:
        1. forfeitures;
        2. Montgomery G.I. Bill;
        3. Federal/state income tax;
        4. Federal Insurance Contribution Act;
        5. Servicemembers Group Life Insurance;
        6. Armed Forces Retirement Home;
        7. Dependent Dental Plan;

Table 32-1. Advance Payments - Eligibility and Amounts Payable (Continued)

NOTES: (Continued)

8. TRICARE;
9. monthly repayment of a prior advance;
10. indebtedness to the United States or its instrumentalities, whether scheduled (monthly debt installment) or unscheduled (one-time collection);
11. garnishments;
12. statutorily-required support allotments in force;
13. court-ordered bankruptcy payments; and
14. Thrift Savings Plan (TSP) (basic pay designation only).

b. For advance of pay and allowances computation (rules 6, 7, 8, 9) include total of all allotments in force and TSP designations i.e. special pay incentive pay, and bonuses (if paid monthly).

4. The "30-day window" may be expanded to not exceed 90 days prior, and the "60-day window" may be expanded to not exceed 180 days after, when justified for extenuating circumstances; requires written approval of the member's commander (including enlisted commandant of the NCO academy). The member must provide written justification indicating the specific circumstances requiring the early or late advance payment.
5. The request of Advance of Pay must be made not later than 60 days after effective date of change or 60 days after vessel arrives at new home port/home yard, whichever is later.
6. The member must provide written justification clearly showing that accrual or anticipated out-of-pocket PCS expenses equal or exceed the amount of advance requested; requires written approval of the member's commander. The advance payment may be made in 1, 2, or 3 installments.
7. Upon request, the member will be granted an advance payment equaling 1 month of basic pay. The Secretary concerned, at his discretion, may grant a request for up to 2 or 3 months of advanced basic pay if member can justify financial hardship.
8. The member may request the advance at any time during the period of assignment. The earliest that the member may apply and receive the advance is the effective or start date of the assignment, as specified in the member's orders. This is generally when the member is authorized to begin travel to comply with the assignment order.
9. This advance is collected in full when the member receives their first regular pay.
10. For Army members only. Advance will be paid using services Stored Value Cards. An exception to the 15-day limit is authorized and an Army member may be advanced up to 21 days of basic pay for the purpose of paying the cost of round trip travel to the member's home during annual holiday leave period (mid-December through early January). Collection of the advance will be made in the January processing cycle.
11. This advance is not payable for evacuation of individual dependents.
12. The advance payment may not be made more than 60 days before the scheduled date of the duty assignment.
13. Establish an allotment(s) for dependents in the member's pay record simultaneous to paying the advance.

Table 32-2. Repayment of Advances

RULE	A When a member was paid an	B and	C begin collecting (note 1)	D and when approved in writing by	E at the rate of
1	advance(s) of pay incident to a PCS		the first day of the month following payment of advance(s)		1/12 of the amount(s) advanced each month for the next 12 months (notes 2, 3, and 4).
2		when justified by the member that repayment within 12 months would create severe hardship (note 5)		the member's commander (including enlisted commandant of the non-commissioned officer (NCO) academy)	1/24 of the amount(s) advanced each month for the next 24 months (notes 2, 3, 6, and 7).
3		member's separation is imminent (includes members unexpectedly forced to retire under the Selected Early Retirement Board (SERB) (note 8)	immediately the remaining outstanding advance prorated over the remaining months of service		all unpaid pay and allowances, except enlisted separation advanced travel allowance, are used to collect the outstanding advance (notes 9, and 10).
4		member's orders are revoked/cancelled	immediately the outstanding balance in full.		
5		member dies			

Table 32-2. Repayment of Advances

RULE	A When a member was paid an	B and	C begin collecting (note 1)	D and when approved in writing by	E at the rate of
6	advance(s) of pay and allowances (for duty at a distant station or deployed aboard ships for more than 30 days)		the first day of the month following payment of advance(s)		1/12 of the amount(s) advanced each month for the next 12 months (notes 2, 3, and 4).
7		duty ends earlier than expected			equal monthly installments of not less the 1/12 of the unliquidated amount advanced per month for 12 months (notes 2 and 3).
8		member's separation is imminent (includes members unexpectedly forced to retire under the SERB (note 8)	immediately the remaining outstanding advance prorated over the remaining months of service		all unpaid pay and allowances, except enlisted advanced travel allowance, are used to collect the outstanding advance (notes 9 and 10).
9		member's orders are revoked/cancelled	immediately the outstanding balance in full.		
10		member dies			

Table 32-2. Repayment of Advances (Continued)

RULE	A When a member was paid an	B and	C begin collecting (note 1)	D and when approved in writing by	E at the rate of
11	advance of basic pay when deployed in a combat zone for 1 year or more		the advance on the first day of the first month beginning on or after the date on which the member receives the advance pay		1/12 of the amount(s) advanced each month for the next 12 months (notes 2, 11, and 12).
12	advance of BAS (enlisted members)		the first day of the first month beginning after the payment of the advance		the amount of BAS accruing to the member's credit. If entitlement to BAS ends before repayment, then collect the balance due as an overpayment.
13	advance pay for evacuation of member or dependents		the first day of the month following payment of advance(s) (note 13)		1/12 of the amount(s) advanced (or remaining amounts if waiver applies) each month for the next 12 months (notes, 2, 11, 13, and 14).
14	advance payment in the amount of an allotment(s) to dependents		the advance in the month following the month payment was made		1/6 of the amount(s) advanced each month for the next 6 months (notes 2 and 3).

Table 32-2. Repayment of Advances (Continued)

RULE	A When a member was paid an	B and	C begin collecting (note 1)	D and when approved in writing by	E at the rate of
15	advance of pay and allowances upon being mobilized or recalled under 10 U.S.C. 12301, 12302, 12303, 12304, or 688		the advance on the first day of the month after the payment of the advance		1/3 of the amount advanced each month for 3 months, or at the rate needed to repay the advance by the scheduled termination date of the orders, whichever is earlier.

NOTES:

1. The repayment period will, in all cases, be scheduled to repay the advance before the member's expected date of separation. In unusual circumstances, the initiation of collection action may be delayed if the delay is approved by the Director, DFAS, or designee.
2. Upon the member's request, repayment may be made in lump-sum or increased monthly amounts.
3. The repayment period will be scheduled to repay the advance before the member's expected date of separation. Repayment should be scheduled for completion before the start of a subsequent PCS move.
4. When executing PCS orders of less than 12 months, Reserve Component recipients of advance pay must accept a repayment schedule that provides for repayment by termination date of orders.
5. The member must provide written justification clearly showing that a 12-month repayment schedule would create severe financial hardship. The request must be approved in writing by the member's commander (including enlisted commandant of the NCO academy).
6. When request is disapproved, collection will be at the rate specified in rule 1.
7. When the repayment period is extended after the repayment schedule of less than 24 months is operating, repayment will be prorated per Military Service regulations, not to exceed the 24 months from the initial collection month.
8. If the member immediately reenlists, then repayment of the advance pay may be continued into the new enlistment. To extend repayment of an advance into retired pay, projected SERB retirees must submit a written request to extend repayment into retired pay that clearly demonstrates the circumstances of their hardship. The requests will be submitted via the member's chain of command to the servicing central site for review and approval on a case-by-case basis by DFAS-IN/SPR.

Table 32-2. Repayment of Advances (Continued)

NOTES: (Continued)

9. Uncollected advances are treated as accounts receivable in the accounts of the disbursing officer. Such amounts remain a debt owed the United States by the member.
10. If a member is entitled to separation payment under 10 U.S.C. § 1174, § 1174a, § 1175, or § 1175a and has a separation payment pending equal to or greater than the outstanding advance pay balance at separation, then the member may request that the repayment rate not be accelerated and the existing rate continue. That portion of the advance not collected prior to separation will be deducted from the separation payment.
11. The repayment period will, in all cases, be scheduled to repay the advance before the member's expected date of separation.
12. The estate of a deceased member will not be required to repay any portion of the advanced pay paid to the member and not repaid before the death of the member.
13. The Secretary of the Military Service concerned is authorized to waive recovery of an advance of not more than basic pay for 1 month when such recovery would be against equity and good conscience or against the public interest.
14. The Secretary of the Military Service concerned is authorized to extend repayment period up to a 24 month schedule.

Table 32-3. Payment Procedures

RULE	A	B	C
		then the payment practice for	
	If payment type is a/an	Overseas Command is (note 1)	Continental United States (includes Alaska and Hawaii) is
1	local partial payment (note 2)	to pay bonuses, annual special pays, separation, death, unpaid pay and allowance, health and comfort, waiver of forfeitures for dependents.	not authorized.
2	an emergency partial payment		no local payment is made (note 3).
3	advance PCS	to pay all pay grades 1 month pay (E-3 and below with CO's approval), max 3 months pay (E-4 and above) with CO's approval.	paid centrally via DD/EFT.
4	advance basic pay		to pay not more than 15 days basic pay at training or indoctrination center or centrally via DD/EFT as systems become available.
5	advance BAS	to pay a maximum of 3 months entitlement (note 2)	paid centrally via DD/EFT.
6	advance dependent evacuation allowance	to pay a maximum of 2 months entitlement (note 2)	to pay a maximum of 2 months of basic pay paid locally as an emergency partial payment.
7	advance for an AFHPSP participant		to pay a maximum of 1 month of basic pay when reporting for 45 days active duty tour; paid centrally via DD/EFT.
8	advance for a person in the SROTC		to pay 1-month entitlement or the amount the member will accrue for the training; paid centrally via DD/EFT.
9	advance overseas housing allowance	to pay 1 year accrued allowances determined on the basis of housing expenses, and the authorized overseas housing allowance and interim housing allowance may be paid locally if required.	not applicable
10	advance basic allowance for housing		paid centrally via DD/EFT.

Table 32-3. Payment Procedures (Continued)

RULE	A	B	C
		then the payment practice for	
	If payment type is a/an	Overseas Command is (note 1)	Continental United States (includes Alaska and Hawaii) is
11	advance for mobilization deployment of a member	to pay a maximum of 3 months pay.	paid centrally via DD/EFT.
12	advance for shipboard deployment of a member	to pay all pay due for Navy and Marine Corps members. Not applicable to Army and Air Force members.	
13	advance for distant duty	to pay a maximum of 3 months basic pay and allowances.	

NOTES:

1. Payments may be paid locally when consistent with mission requirements and nonavailability of DoD military banking facilities.
2. Local payments are authorized with commander's approval.
3. Emergency partial payment may be made when approved by the member's commander and coordinated with the local finance office for the following circumstances:
    a. Pay and allowances earned to date on the Master Military Pay Account when no pay was received on regular payday or when there is a major medical emergency or death in the immediate family of the member;
    b. Emergency travel advance when the traveler does not have a government travel charge card;
    c. Discharge gratuity (as required by Chapter 35 Table 35-7);
    d. Payment of death gratuity benefit to beneficiary;
    e. Payment to military member of advanced pay and allowances and/or evacuation allowance to evacuate dependents as a result of a natural disaster or life threatening situation; or
    f. Payment to dependents when a member's forfeiture is waived in favor of those dependents.

BIBLIOGRAPHY

CHAPTER 32 – ADVANCE, LOCAL, PARTIAL AND EMERGENCY PARTIAL PAY

3202 – ADVANCE PAYMENTS

320201	37 U.S.C. § 1006(a)
320202	37 U.S.C. § 1006(b)
320203	37 U.S.C. § 212
320205	37 U.S.C. § 402(c)
320206	37 U.S.C. § 1006(c)
320207	37 U.S.C. § 1006(a) (2)
320208	37 U.S.C. § 1006(i)
320209	37 U.S.C. § 1006(h)
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320210	37 U.S.C. § 403(a)
320211	37 U.S.C. § 1006(j)

Table 32-1

Rule 3	37 U.S.C. § 212
Rule 5	37 U.S.C. § 1006(c)
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Rule 5	37 U.S.C. § 1006
Rule 10	37 U.S.C. § 1006
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Rule 13	37 U.S.C. § 1006(c)
Note 6	Comptroller General B-144839, December 13, 1966
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Note 13	37 U.S.C. § 1006(c)

VOLUME 7A, CHAPTER 33: "PAYMENTS ON BEHALF OF MENTALLY INCOMPETENT MEMBERS"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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

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

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

The previous version dated January 2015 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated formatting to comply with current administrative instructions.	Revision
330101 330102	Added the "Purpose" and "Authoritative Guidance" paragraphs to comply with current administrative instructions.	Addition
Bibliography	Updated references in the bibliography.	Revision

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CHAPTER 33

PAYMENTS ON BEHALF OF MENTALLY INCOMPETENT MEMBERS

3301 GENERAL

*330101. Purpose

This chapter establishes policy for members entitled to active duty pay and allowances while serving on active duty even though mentally incapable of managing their own affairs. This includes miscellaneous payments authorized on separation from the Military Service. See Chapter 35, section 3507.

*330102. Authoritative Guidance

The bibliography at the end of this chapter lists the authoritative references.

3302 PAYMENT

The appointment of a guardian, trustee, or other legal representative is a prerequisite to payment. For the designation of trustee and payment offices, see Table 33-1.

3303 MEMBER MENTALLY INCOMPETENT BEFORE ENTRY ON ACTIVE DUTY

When it is shown that a member was judicially declared mentally incompetent before induction or enlistment, the member is not entitled to pay and allowances. See Chapter 1, paragraph 010505, and Table 1-15, rule 8.

3304 FINALITY OF PAYMENTS TO TRUSTEE

Any payments on behalf of a mentally incompetent member to a designated trustee(s) are a complete discharge of the obligation of the United States as to amounts paid.

3305 RESTRICTION AGAINST ACCEPTANCE OF FEES

A person serving in a legal, medical, fiduciary, or other capacity may not demand or accept a fee, commission, or other charge (except bonding fee) for any service performed in administration of a mentally incompetent member account.

Table 33-1. Payment of Mentally Incompetent Members

RULE	A When	B and member is in the	C then the trustee is	D and payment is made by
1	a court of competent jurisdiction has not appointed a guardian, committee, or other legal representative	Army or Air Force	designated by the Director, Defense Finance and Accounting Service - Cleveland (DFAS)-CL	DFAS-Indianapolis.
2		Navy or Marine Corps		DFAS-CL.
3	a court of competent jurisdiction has appointed a guardian, committee, or other legal representative	Army, Air Force Navy, or Marine Corps	not required	the appropriate office shown in rules 1 or 2, except as indicated in the note.

NOTE: Army Only: Local disbursing officer servicing the member's financial record may make payments.

*BIBLIOGRAPHY

CHAPTER 33: PAYMENTS ON BEHALF OF MENTALLY INCOMPETENT MEMBERS

3301 - GENERAL

	Title 37, United States Code, sections 601-604
Table 33-1	Deputy Secretary of Defense Memo, January 29, 1991
	Comptroller of the Department of Defense Memo, February 1, 1991
	DFAS Memo, August 26, 2010
	DFAS Memo, September 9, 2010
*	DFAS Memo, August 29, 2011

VOLUME 7A, CHAPTER 34: "PAY ENTITLEMENT OF MEMBERS MISSING, MISSING IN ACTION, INTERNED, AND PAYMENTS TO DEPENDENTS"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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

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

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

The previous version dated February 2015 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current administrative instructions.	Revision
340101 340102	Added the "Purpose" and "Administrative Guidance" paragraphs to the "General" section to comply with current administrative instructions.	Addition
Bibliography	Updated statutes and references.	Revision

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CHAPTER 34

PAY ENTITLEMENT OF MEMBERS MISSING, MISSING IN ACTION, INTERNED, AND PAYMENTS TO DEPENDENTS

3401 GENERAL

*340101. Purpose

This chapter establishes policy regarding pay entitlements of service members missing, missing in action (MIA), interned, and payments to dependents. A member in a missing status is entitled to the pay and allowances to which the member was entitled when the missing status began, or to which the member later becomes entitled. The fact that the member did not receive payment before entering a missing status does not affect the right to a certain pay or allowance.

*340102. Authoritative Guidance

The bibliography at the end of this chapter lists the authoritative references.

3402 DEPENDENT

See Volume 7A, Definitions for the general definition of a dependent. For the purposes of this chapter, the term dependent also means a person designated as a dependent in the "missing" member's official records, or a person determined to be a dependent of the "missing member" by the Secretary of the Military Service concerned or the Secretary's designee.

3403 AUTHORITY TO MAKE OFFICIAL DETERMINATIONS FOR THE ADMINISTRATION OF MISSING PERSONS' PAY ACCOUNTS UNDER THE MISSING PERSONS ACT

See Table 34-1.

Note: The Secretary of the Military Service concerned (or designee) makes official determinations on missing status or death.

3404 ENTITLEMENT TO PAY AND ALLOWANCES WHILE IN A MISSING STATUS

340401. General

See Table 34-2 for a list of all pay and allowances.

340402. Basic Allowance for Housing (BAH) and Basic Allowance for Subsistence (BAS) Entitlement

Members without dependents are entitled to BAH at the without-dependent rate. Enlisted members are entitled to BAS. Payments of these allowances are authorized from the beginning

of the missing status, even though there was no housing or subsistence allowance entitlement before the missing status began.

3405 ALLOTMENTS FOR MEMBERS IN MISSING STATUS

Allotments in effect before a member enters a missing status may be continued. As directed by the Secretary of the Military Service concerned (or designee), allotments may be initiated, suspended, resumed, increased, decreased, or discontinued where circumstances so warrant in the interests of the missing member, the dependents, or the government.

3406 TAX WITHHOLDING FOR MEMBERS IN MISSING STATUS

See Chapter 44, paragraph 440201 and subparagraph 440203.E.2.

3407 REVIEW OF CASE AFTER 12 MONTHS AND FINDING OF DEATH

340701. Review of Case After 12 Months

When a 12-month period (starting from the date of the member's absence) is about to end and the member has not been reported officially as dead, imprisoned or interned, the case is fully reviewed. After this review and when the 12-month period has ended, or following any later review warranted by information received, or other circumstances, the Secretary of the Military Service concerned (or designee):

A. Directs continuance of the member's missing status, if the member reasonably may be presumed to be living, or

B. Makes a finding of death.

340702. Continuance of Member's Missing Status

When a member continues in a missing status under subparagraph 340701.A, credit pay and allowances to his or her account. Allotments are continued, discontinued, increased, or initiated as provided in Chapters 40 through 43. When the Secretary of the Military Service concerned (or designee) officially reports that a missing member is alive and in the hands of a hostile force, or is interned in a foreign country, allotment payments are authorized. These payments on the member's behalf continue through the date on which the Secretary of the Military Department concerned (or designee) receives evidence that the member is dead. When a member returns to Military Service control, the member resumes control of allotments.

340703. Finding of Death

A finding of death includes the date upon which death is presumed to have occurred for the purposes of stopping pay and allowances, settlement of accounts, and payment of death gratuities. This date is the day following the day the member has been absent 12 months, unless

the missing status continues beyond that day. In this case, the date of death is the date determined by the Secretary of the Military Department concerned (or designee).

340704. Change in Date of Death

Payment of an account made following a report, determination, or finding of death may not be recovered, and the case may not be reopened, because of a later report or determination fixing an earlier date of death. If a later date of death is established, then the account is reopened and settled on the basis of the later date.

3408 CONCLUSIVENESS OF SETTLEMENTS

Settlements made under this chapter are conclusive upon the accounting officers of the government in effecting settlement of the accounts of a disbursing officer. The Secretary of the Military Department concerned (or designee) is authorized to settle members' accounts for payment under the Missing Persons Act. In the absence of fraud or criminal intent on the part of the disbursing officer, credit is allowed for any erroneous payment or overpayment made by the disbursing officer under this chapter. No recovery may be made from any officer or employee who authorizes any payment under this chapter in the absence of fraud or criminal intent on the part of that officer or employee.

3409 PAYMENT OF DEATH GRATUITY

See Chapter 36 for payments when a member in a missing status is reported dead, or for whom a finding of death is made.

3410 ACCRUED LEAVE

341001. Accumulation

Members, while in a missing status, can accumulate leave without regard to any leave accrual limitations stated in Chapter 35, paragraph 350202.B. However, a member whose death is determined under section 3407 may, in addition to leave accrued before entering a missing status, accrue not more than 150 days of leave during the period of a missing status, unless the actual date of death is found to have occurred on a date when the member had accrued leave in excess of 150 days. Leave accumulated while in a missing status may not be taken, but shall be paid.

341002. Settlement

Leave accumulated while in a missing status will be accounted for separately and settled as follows:

A. Return From Missing Status. Members will be paid for all leave accumulated while in a missing status as soon as possible after return from a missing status. Items to be included in the accrued leave payment are provided in Table 35-5. Computation will

be based on the rates to which the member was entitled on the date that his or her name was removed from the missing status.

B. Death in a Missing Status. Notwithstanding the death of a member while in a missing status, leave will continue to accrue to his or her account through the date that the Secretary of the Military Department concerned (or designee) receives evidence that the member is dead or through the date of death as prescribed or determined under section 3407. Although leave will accrue for the entire missing status period, the actual accrued leave settlement will vary according to circumstances.

1. Death Prior to Fifth Year MIA Status. Payment for unused leave accrued to the member's credit while in a missing status is for 150 days, providing that he or she was continued in a missing status for 5 or more years. Payment for 150 days is made even though it later is found that member's actual death occurred within the first 5 years after entry into missing status or upon entry into such status. Settlement for accrued leave is based on the amount of leave accrued to the member's credit before entering the missing status and the 150 days of leave described in paragraph 341001. Items to be included in the accrued leave payment are identified in Chapter 35, Table 35-5. Computation is based on the rates to which the member was entitled on the date of death.

2. Death Subsequent to Fifth Year MIA Status. When it is found that the member's actual death occurred subsequent to the fifth year after entry into a missing status, payment for unused leave accrued to his or her credit while in a missing status is for the total accrued until death. Settlement for accrued leave is based on the amount of leave accrued to the member's credit before entering the missing status plus the accrual until death described herein. Items to be included in the accrued leave payment are identified in Chapter 35, Table 35-5. Computation is based on the rates to which the member was entitled on the date of death.

3. Death, MIA Status Less Than 5 Years. Payment for unused leave accrued to a member's credit while in a missing status, when he or she was continued in a missing status for less than 5 years, is for the total accrued through the date that the Secretary of the Military Department concerned (or designee) makes a finding of death. Settlement for accrued leave is based on the amount of leave accrued to the member's credit before entering the missing status plus the accrual until finding of death described herein. Items to be included in the accrued leave payment are identified in Chapter 35, Table 35-5. Computation is based on the rates to which the member was entitled on the date of death.

4. Special Conditions of Entitlement. Settlement of accrued leave for a deceased member who was promoted while in a missing status is based on the amount of leave accrued to his or her credit before entering the missing status and the amount of leave accumulated in a missing status as provided in the applicable provisions of subparagraphs 341002.B.1, 2, or 3. Computation is based on the grade to which promoted and rate of pay in effect on the date of the presumed finding or the date of the determination of death. This will apply even though the Secretary of the Military Department (or designee) concerned later determines that the member died before the date of promotion. See Table 34-2, rule 6.

3411 REFERENCES

341101. Army

A. See Army Regulation ***600-8-1*** for casualty accounting, reporting, and notification.

B. See Defense Finance and Accounting Service Indianapolis (DFAS-IN) Regulation ***37-1*** and ***Joint Travel Regulation (JTR)*** for transportation of dependents, household goods, and personal effects.

341102. Navy

A. See Military Personnel Management (MILPERSMAN) ***1770*** series for casualty accounting, reporting, and notification.

B. See MILPERSMAN ***4050*** ***and*** ***4650*** series, and the JTR for transportation of dependents, household goods, and personal effects.

341103. Air Force

A. See Air Force Instruction ***36-3002*** for casualty accounting, reporting, and notification.

B. See the JTR for transportation of dependents, household goods, and personal effects.

341104. Marine Corps

A. See Marine Corps Order (MCO) ***3040.4*** for casualty accounting, reporting, and notification.

B. See MCO ***P4600.7C***, Marine Corps Transportation Manual, and the JTR for transportation of dependents, household goods, and personal effects.

Table 34-1. Authority to Make Official Determinations for the Administration of Missing Persons' Pay Accounts Under the Missing Persons Act

RULE	A If missing member is	B the authority to make all determinations is vested with the	C who has the authority to make determinations	D and all determinations
1	Army or Air Force	Director, DFAS	pertaining to facts of dependency, starting, stopping, or changing allotments of pay, waiving recovery of erroneous payment or overpayment, and settling accounts of members affected	are conclusive in the absence of fraud or criminal intent.
2	Navy			
3	Marine Corps			

NOTE: The approving authority pertaining to the disposition of net pay or deposits to the Savings Deposit Program for members held captive is the Secretary of the Military Service concerned (or designee). The Secretary of the Military Service concerned (or designee) makes official determinations on missing status or death.

Table 34-2. Pay and Allowances Which Accrue to Missing Members

RULE	A When the member is	B and is	C then the member is	D with accounts maintained in or administered by	E and
1	Army	missing, MIA, interned in a foreign country, beleaguered or besieged by a hostile force, or detained in a foreign country against the member's will	entitled to receive or have credited to the member's account the pay and allowances to which entitled when missing status began or to which the member becomes entitled later, as follows: Basic pay, Special pay, Incentive pay for hazardous duty, BAH (note 1), BAS (note 1), Family Separation Allowance (FSA) (note 2), Family Separation Housing (FSH), Station per diem allowances for not more than 90 days (note 3), and Hostile Fire Pay if the member qualified immediately before entry to a missing status (note 4)	DFAS-IN	payments continue through the date the Military Service concerned receives evidence of death of the member, or date of presumption of death made by the Secretary of the Military Department concerned or Secretary's designee, or date of return to Military Service jurisdiction (note 5).
2	Navy			DFAS-Cleveland (CL)	
3	Marine Corps			DFAS-CL	
4	Air Force			DFAS-IN	

Table 34-2. Pay and Allowances Which Accrue to Missing Members (Continued)

	A	B	C	D	E
	When the member is	**and is**	**then the member is**	**with accounts maintained in or administered by**	**and**
5	Army, Navy, Marine Corps, or Air Force	officially determined to be absent without authority rather than in a missing status	not entitled to pay and allowances for any such period.		
6		an officer, warrant officer, or enlisted member who receives a promotion while in a missing status (note 6)	entitled to pay and allowances of the pay grade to which promoted from the date of orders announcing the promotion.		
7		in a missing status and has a change of conditions upon which pay and allowances are based	entitled to the pay and allowances based on the changed conditions (note 7).		
8		an enlisted member who continues in missing status after expiration of term of service	entitled to continuance of pay and allowances.		
9		in receipt of or has placed to member's credit pay, wages, allowances, or other compensation from the hostile force	not charged or debited with any such amount against member's pay and allowances.		

NOTES:

1. Members without dependents are entitled to BAH at the without-dependent rate. Enlisted members are entitled to BAS. See paragraph 340402.

Table 34-2. Pay and Allowances Which Accrue to Missing Members (Continued)

NOTES (Continued)

2. A member may qualify for FSA-Temporary while in a missing status if the continuous period of more than 30 days is completed after entering the missing status. (See paragraphs 270303 and 270304.)
3. Travel per diem and clothing monetary allowances do not accrue during a missing status, even though member was entitled to them when missing status began.
4. See paragraph 440102 and subparagraph 440103.E.2 to determine possible Combat Zone Tax Exclusion implications.
5. When facts or events warrant, the Secretary of the Military Department concerned (or designee) may change or modify a prior determination.
6. This applies even though the Secretary of the Military Department concerned (or designee) is later made aware that the member died before the date of promotion.
7. For example, if the sole dependent of a missing member dies, credit for BAH at the with-dependent rate ceases, and any allotment in force in the dependent's favor is stopped and deductions cease.

*BIBLIOGRAPHY

CHAPTER 34 - PAY ENTITLEMENT OF MEMBERS MISSING, MISSING IN ACTION, INTERNED, ETC., AND PAYMENTS TO DEPENDENTS

3403 - AUTHORITY TO MAKE OFFICIAL DETERMINATIONS FOR THE ADMINISTRATION OF PERSONS' PAY ACCOUNTS UNDER THE MISSING PERSONS ACT

Title 37, United States Code (U.S.C.), section 555

3404 - ENTITLEMENT TO PAY AND ALLOWANCES WHILE IN A MISSING STATUS

340402 52 Comptroller General (Comp Gen) 23

3406 – TAX WITHHOLDING FOR MEMBERS IN MISSING STATUS

26 U.S.C. § 112 (d)

3407 - REVIEW OF CASE AFTER 12 MONTHS AND FINDING OF DEATH

37 U.S.C. § 555 and § 556

3408 - CONCLUSIVENESS OF SETTLEMENTS

37 U.S.C. § 557

3410 - ACCRUED LEAVE

10 U.S.C. § 701(g)

341002.A 37 U.S.C. § 501(h)
341002.B.4 51 Comp Gen 759

Table 34-1 37 U.S.C. § 551-557

* Department of Defense Directive (DoDD) 5118.03, section 6.v. (9), April 20, 2012

* DoDD 5118.05, section 6.s, April 20, 2012

Table 34-2 37 U.S.C. § 551-557

Note 1 45 Comp Gen 633
Note 7 52 Comp Gen 23

VOLUME 7A, CHAPTER 35: "SEPARATION PAYMENTS"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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

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

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

The previous version dated October 2015 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
350202.B.4	Clarified Special Leave Accrual carryover for Fiscal Year 2015 in accordance with Title 10, United States Code (U.S.C.), section 701.	Revision
350202.B.4 Example 3	Inserted an example supporting the revision to subparagraph 350202.B.4.	Addition
350301.A.1.b	Removed obsolete paragraph that references members who are no longer on active duty and renumbered subsequent paragraphs accordingly.	Deletion
350504.A.1 350504.A.2 350504.B 350504.D	Removed the directive type language and the statement "for the same illness or injury that caused the entitlement to disability severance pay," in accordance with 26 U.S.C. § 104.	Deletion
3508	Removed the obsolete section on Special Separation Benefit and renumbered subsequent sections and paragraphs accordingly.	Deletion
3509	Removed the obsolete section on Voluntary Separation Incentive and renumbered subsequent sections and paragraphs accordingly.	Deletion
Table 35-6 Rule 8	Removed obsolete rule for members involuntary discharged because of substandard performance of duty, moral or professional dereliction.	Deletion
Table 35-6 Rule 9	Removed obsolete rule for officers involuntary discharged because of written notification that member must show cause for retention and who subsequently requests discharge or release from active duty.	Deletion
Bibliography	Updated references.	Revision

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CHAPTER 35

SEPARATION PAYMENTS

3501 GENERAL

350101. Purpose

This chapter prescribes the policy for entitlements that members may receive when separating from military service.

350102. Authoritative Guidance

The bibliography at the end of this chapter lists the authoritative references.

3502 ACCRUED LEAVE PAY

350201. General Entitlement

A. A member who is discharged or separated under honorable conditions is entitled to payment of unused accrued leave unless the member continues on active duty under conditions that require accrued leave to be carried forward, or in the case of a Reserve Component member, the member elects to have the leave carried forward to the member's next period of active service. An enlisted member who voluntarily extends their enlistment for the first time is also entitled to payment for unused accrued leave.

1. Conditions for Payment of Unused Accrued Leave. See Tables 35-1 through 35-4 for specific rules governing whether a member may be paid for unused accrued leave.

2. Career Leave Payment Limitation of 60 days

a. Effective February 10, 1976, a military service member is entitled to receive payment for no more than 60 days of accrued leave during a military career. Payments for unused accrued leave made before that date will be excluded from this 60-day limitation.

b. A military service member eligible for an unused accrued leave settlement is authorized an election with regard to payment or carryover of the leave. The member may elect to receive payment for a portion of the unused leave, not to exceed a career total of 60 days, and to have the remaining accrued leave carried forward to a new or extended enlistment. The total of paid and carried forward leave may exceed 60 days.

3. One-Time Leave Payment. An enlisted member of the Armed Forces who would lose accumulated leave in excess of the 120 days in subparagraph 350202.B.2 may elect to be paid for such leave up to 30 days. This election can only be taken once during a

career. This leave payment does apply against the 60 days of leave paid during a career as stated in subparagraph 350201.A.2. This one-time payment exception applies to members who:

a. Serve on active duty for a continuous period of at least 120 days in an area in which the member is entitled to hostile fire pay/imminent danger pay;

b. Are assigned to a deployable ship or mobile unit, or to other duty designated by the Secretary of the Military Department concerned as qualifying;

c. On or after August 29, 2005, are performing duty designated by the Secretary of Defense (SecDef) as qualifying duty; or

d. Serve on active duty in a duty assignment in support of a contingency operation.

4. Exceptions to the 60-Day Career Leave Payment Limitation

a. Contingency Operations. The 60-day leave payment limitation does not apply with respect to leave accrued by a member of a Reserve Component or retired Reserve; a retired member of the Regular Army, Regular Navy, Regular Air Force, or Regular Marine Corps; or a member of the Fleet Reserve or Fleet Marine Corps Reserve during any period while the member also is:

(1) Serving on active duty in support of a contingency operation on or after December 5, 1991; or

(2) Serving on active duty in connection with the Persian Gulf conflict (other than for training) under authority of Title 10, United States Code (U.S.C.), section 688, § 12301, § 12302, § 12304, § 12306, or § 12307, on or after August 2, 1990.

b. Active Duty of 31 to 365 Days. The 60-day leave payment limitation does not apply to leave accrued by a member of a Reserve Component while serving on active duty, full-time National Guard duty, or active duty for training during a period of more than 30 days, but not in excess of 365 days, beginning on or after October 1, 2001.

c. Death on Active Duty. The 60-day leave payment limitation does not apply to leave accrued by a member who dies while on active duty (or a member or former member who dies after retirement or discharge, but before receiving payment of accrued leave). Payment of accrued leave for a deceased member is based upon the unused accrued leave that he or she carried forward into the leave year in which deceased, plus the unused leave that accrued during that leave year, beginning on or after February 10, 1996.

d. Career Leave Payment Total. Unused leave accrued specifically under the conditions of subparagraphs 350201.A.4.a through 350201.A.4.c is in addition to the member's career leave payment limitation of 60 days. Such unused leave may be

carried forward into a new contract period of active duty and later be eligible for payment in addition to other leave to which the 60-day career ceiling applies. See paragraph 350202 for rules that apply to accounting for accrued and used leave, and subparagraph 350203.B for calculating the payment amount and the possible application of the Combat Zone Tax Exclusion (CZTE).

Example: On January 1, 2001, a National Guard member on active duty, under Title 32, is mobilized for 3 years with his unit under 10 U.S.C. § 12301. Although previously paid for career leave of 48 days, the member elected to carry forward all 32 days of accrued unused leave from the pre-mobilization period.

On April 6, 2001, he was discharged and immediately ordered to active duty for another period of 3 years. The member used leave from April 2 through April 5, 2001 (4 days). He has 36 days accrued unused leave at discharge (32 days from his balance brought forward, plus 8 days accrued under the mobilization, minus the 4 days of leave used). He may elect to be paid for a maximum of 16 days of leave at discharge, which includes the 12 days up to the 60-day limitation, plus 4 days of excepted leave (earned 8 days excepted leave less the 4 days used).

The remaining balance of 20 days (or more, if he takes payment for less than the full 16 days of leave) may be carried forward into the new active duty period. If a payment is made for 12 days or less, then 4 days of the carryover are an exception to the 60-day payment limitation and may be paid in the future if they remain unused.

B. Under regulations prescribed by the Secretary of the Military Department concerned, a member sentenced to unsuspended dismissal or unsuspended dishonorable or bad-conduct discharge by court-martial may be required to take leave pending review of the conviction (for example, appellate leave) as provided by 10 U.S.C. § 876a. Such member may elect to be paid in a lump sum for the leave accrued to his or her credit as of the day before the day the leave begins. Otherwise, each day of appellate leave will be charged as a day of leave and the member paid accordingly until all of the member's accrued leave is used. Payment will be based on the rate of basic pay to which the member was entitled on the day before the day leave is to begin.

C. A member who is discharged under other than honorable conditions forfeits all accrued leave at the time of discharge and is not entitled to payment for accrued leave, regardless of the length of time the separated member has served.

D. Except as provided in subparagraph 350201.E, a member who receives an uncharacterized discharge before completing 6 months of active duty will be considered as having received an honorable discharge with payment of accrued leave being authorized.

E. A member, who is discharged before completing 6 months of active duty because of failure to serve satisfactorily, forfeits all accrued leave at the time of discharge. Such forfeiture also applies to any member with prior military service who had a break in service of 90 or more consecutive days. The following constitute reasons for failure to serve satisfactorily.

1. Enlisted reasons include:

a. Defective enlistment and induction (minority and fraudulent entry only);

b. Entry-level performance and conduct;

c. Unsatisfactory performance;

d. Drug and/or alcohol abuse rehabilitation failure;

e. Misconduct, moral, and/or professional dereliction;

f. Separation in lieu of trial by court-martial; or

g. Security (unless the member receives an honorable discharge).

2. Officer reasons include:

a. Separation for cause (e.g., officers separated for substandard performance of duty);

b. Dropped from the rolls;

c. Misconduct, moral, and/or professional dereliction;

d. Separation in lieu of trial by court-martial; or

e. Security (unless the member receives an honorable discharge).

*350202. Leave Accounting

A. Accrued leave must be carefully accounted for and accurately identified as to the time and circumstances under which it was earned. The number of days accrued and value of unused leave that is to be sold depends upon the timeframe and circumstances under which it was earned.

1. Leave accrued on or before August 31, 1976 is valued using basic pay, Basic Allowance for Housing (BAH), Basic Allowance for Subsistence (BAS),

and if applicable to the individual, Personal Money Allowance (PMA). This leave is generally called "saved leave."

2. Leave earned on or after September 1, 1976 is valued using only basic pay.

3. Leave accrued in a Combat Zone (CZ) or Qualified Hazardous Duty Area (QHDA), or while hospitalized as a result of action in such a zone or area, is generally known as CZTE leave. See Chapter 44, paragraph 440103 for full descriptions of the circumstances under which such leave accrues. CZTE leave for enlisted members is exempt from Federal and State income tax. CZTE leave for officers is exempt from Federal and State income tax up to a specified limit. See subparagraph 350203.B for a discussion of tax exclusion limits. All leave earned during a month in which a member serves for any period of time in a CZ or QHDA area is CZTE leave. A single day of qualifying service in such circumstance qualifies all leave accrued in that month as CZTE leave.

4. A member of a Reserve Component who accumulates leave during a period of active service may carry over any accumulated leave to the member's next period of active service without regard to separation or release from active service if the separation or release is under honorable conditions. This accumulated leave is subject to fiscal year carry forward limitations (75 days during the period October 1, 2008 to September 30, 2015, and 60 days otherwise).

B. Leave accrues to a military service member serving on active duty for 30 days or more. It accrues at the rate of 2½ days for each month of active service, excluding periods of absence from duty without leave, periods of confinement resulting from a court-martial, and periods of leave required to be taken pending review of a court-martial conviction. For partial months, it accrues at the rate of ½ day for any period of 6 days or less.

1. A member may not carry forward a leave balance of more than 60 days into a new fiscal year, except during the period October 1, 2008 through September 30, 2015, when 75 days may be carried forward or when entitled to Special Leave Accrual (SLA), as outlined in 350202.B.1, 350202.B.2, and 350202.B.3. Members with 75 days of leave under this provision will need to use 45 days of leave during the period from October 1, 2014 to September 30, 2015; otherwise, leave in excess of 60 days on September 30, 2015 will be lost.

2. A member who serves on active duty while entitled to hostile fire/imminent danger pay for a continuous period of at least 120 days may carry forward up to 120 days of SLA into the new fiscal year. Under this exemption, unused leave may be carried forward until the end of the third fiscal year following the fiscal year in which the service in the qualifying hostile fire/imminent danger area is terminated. If the 120 days of SLA were earned during the period October 1, 2008 through September 30, 2015, then unused leave may be carried forward until the end of the fourth fiscal year following the fiscal year in which the service in the qualifying hostile fire/imminent danger area is terminated.

3. A member not qualifying for SLA for service in a hostile fire/imminent danger area may qualify and carry forward up to 120 days of unused leave when assigned to a designated deployable ship, mobile unit, or other similar prescribed duty. On or after August 29, 2005, a member may also qualify and carry forward up to 120 days of unused leave if he or she is performing qualifying duties as designated by the Secretary of the Military Department concerned.

a. The duty assignment must be under conditions where operational mission requirements prohibit normal leave utilization as determined by the military service concerned or designated commander. Under this exemption, unused SLA leave may be carried forward until the end of the third fiscal year following the fiscal year in which the qualifying service is terminated.

b. If the 120 days of leave were accumulated during the period October 1, 2008 through September 30, 2015, then unused leave may be carried forward until the end of the fourth fiscal year following the fiscal year in which the service in the qualifying assignment or other similar prescribed duty is terminated.

* 4. The maximum amount of SLA leave that may be carried forward is the leave balance at the end of the fiscal year following the end of the SLA period not to exceed 120 days. The maximum amount will be reduced to a new level whenever the leave balance drops below the previously set level. If at any time the leave balance drops to or goes below 60 days, or 75 days during the period October 1, 2008 to September 30, 2014, then there is no longer any SLA protected leave. If the leave balance is over 60 days, but is below 75 days between October 1, 2014 and September 30, 2015, then the SLA is protected. Subject to this rule, if on October 1, 2015, a member had between 60 and 75 leave days and those leave days were entitled to SLA protection, the member will retain their SLA protected leave in accordance with 10 U.S.C. § 701.

a. Therefore, the actual maximum leave that can be carried forward into succeeding fiscal years is the lowest leave balance achieved following the completion of the SLA duty or the usual 60 days, or 75 days during the period October 1, 2008 to September 30, 2015, whichever is greater. If the SLA qualifying period crosses a fiscal year, then the entire leave balance (not to exceed 120 days) will be carried forward and the leave accrued from the beginning of the new fiscal year through the end of the SLA qualifying period will be added to establish the maximum.

b. Any portion of a leave balance in excess of 60 days that could have been taken before the end of the fiscal year had the member not been assigned to SLA qualifying duty will not be included in the carryover amount.

Example 1: On August 31, 2003, a member had a leave balance of 80 days. On September 15, 2003, he was assigned to duty qualifying for SLA as described in subparagraph 350202.B.1. Had the member not been assigned to SLA duty, he could have possibly taken 15 days leave from September 16 through September 30. If the member had taken leave during this period, then there would

still have been a loss of 7.5 days (82.5 days accrued through September 30, less the 15 days potentially taken and the normal 60-day carryover restriction) at the end of the fiscal year. Therefore, since only the portion that potentially could have been taken is protected, the member may carry forward 75 days and will lose 7.5 days of leave.

Example 2: The member in example 1 continued on SLA duty until September 15, 2004. No leave was permitted during this period, and the member's accrued leave totaled 105 days at the end of September. If the leave balance does not drop at any time below 105 days, then it may be carried forward for 3 fiscal years, until September 30, 2007.

If the member took 30 days of leave from April 1 through April 30, 2005, then this would result in a leave balance of 92.5 days (105 days accrued through September, plus 17.5 days accrued from October through April, less the 30 days of leave taken) and a new maximum amount of leave that may be carried forward. If no further SLA is earned and the leave balance is not further reduced to a new lower level, then the maximum leave the member may carry forward into succeeding fiscal years (until September 30, 2007) is 92.5 days.

* Example 3: On September 30, 2014, a member had a leave balance of 74 days. On October 1, 2014, the member's leave balance is still 74 days. This is because, on October 1, 2014, the authorized leave carry-over amount for all leave was 75 days. On the same date, October 1, 2014, the member was assigned to duty qualifying for SLA as described in subparagraph 350202.B.1. He remains on duty there for the entire fiscal year, earning 30 days of leave. On September 30, 2015, he has 104 days of leave. Since he has 104 days at the end of the fiscal year and is entitled to SLA protection, then on October 1, 2015, he still has 104 days.

5. Effective January 28, 2008, active duty members who serve in duty assignments in support of a contingency operation are authorized to accumulate annual leave in excess of 60 days, or 75 days for the period October 1, 2008 through September 30, 2015, as shown on the end of month September Leave and Earnings Statement (LES). These members are authorized to retain up to 120 days until the end of the second fiscal year after the fiscal year in which such service on active duty is terminated.

C. Leave will be accounted for by crediting it sequentially in the chronological order in which it is accrued. Generally, when used, leave will be charged with the most recently accrued leave charged first. This method is known as Last In, First Out. As an exception, CZTE leave will be charged first regardless of when it was earned. Saved leave, described in subparagraph 350202.A.1, will be charged last.

Example 1: On August 31, 2001, a member had accrued 65 days of unused leave, 55 days of which had been accrued and remained unused from a period before September 1, 1976 (i.e., saved leave), 10 days of regular leave, and 0 days of

CZTE leave. The member took leave from September 5 through September 24, 2001 (a period of 20 days). The leave taken is first applied to the 12 days accrued since September 1, 1976. This leaves 8 days to apply to the saved leave, reducing that balance to 47 days.

Example 2: On August 31, 2001, a member had accrued 75.5 days of unused leave, 55 days of which had been accrued and remained unused from a period before September 1, 1976 (i.e., saved leave), 13 days of regular leave, and 7.5 days of accrued unused CZTE leave. The CZTE leave had been earned for two separate periods, 5 days for active service from January 2 through February 6, 2001 in a CZ and 2.5 days for active service from August 7 through August 30, 2001 in a QHDA. The member took leave from September 5 through September 24, 2001, a period of 20 days. The leave taken is first applied to the 7.5 days of CZTE leave. This leaves 12.5 days to be applied to the non-CZTE leave earned since September 1, 1976, reducing that balance to 2.5 days as of September 24, 2001. The saved leave balance remains at 55 days.

350203. Leave Payments and Taxability

A. Payments for accrued leave are normally subject to taxation and income tax withholding. Payments for saved leave accrued before September 1, 1976 will also include non-taxable allowances. See Table 35-5 for determining the elements of pay to use in the computation of accrued leave payments.

B. Payments for CZTE leave are tax-exempt from Federal taxation and not subject to Federal or State income tax withholding up to the monthly limit specified by the Internal Revenue Service (IRS). That limit is different for enlisted members and officers. The limit is fully described in Chapter 44, subparagraph 440202.A and summarized as follows:

1. Enlisted members (E-1 and above) and warrant officers (W-1 through W-5) have no limitation or ceiling on the value of payments exempt from Federal or State taxes and Federal tax withholding for any month in which they qualify for an exemption.

2. Officers (O-1 and above) are subject to a limit on the value of federal tax-exempt payments and exemption from federal and state tax withholding for each month in which they qualify for an exemption. The exemption amount for officers is set at the value of the highest rate of enlisted basic pay plus the value of any hostile fire or imminent danger pay the officer may have been entitled to in that qualifying month. The applicable rate of enlisted basic pay would be that listed in Chapter 1, Table 1-10, Note 3 for the corresponding qualifying month. To determine whether the limitation will apply to a payment for accrued unused leave, the leave must be allocated to the months in which earned and for which the officer qualified for CZTE status.

a. The value of the leave for each individual month must be added to any payments the officer has received for that tax-exempt month and the total compared to the monthly limitation amount.

b. Tax exemption may only be given for the value of the portion of the CZTE leave that does not exceed the limitation available. Any payments for CZTE leave value that exceed the limitation available will be treated as taxable income.

Example: A Reserve Component O-6 with over 12 years of service began active duty on March 25, 2012 and reported temporary additional duty to a designated CZ on March 26, 2012. He departed the zone on May 2, 2012, and was separated from active duty and paid for unused accrued leave on May 4, 2012. The officer was entitled to monthly basic pay of $7,232.40 and to imminent danger pay of $225. The monthly basic pay for the most senior enlisted member in each military service was $7,489.80 per month during that period. The officer has been paid for his active duty service and is awaiting payment for his earned leave. He had previously sold back 58 days of leave at the end of other active duty periods.

The officer earned .5 days of leave in March and in May and 2.5 days for April. The total of 3.5 days leave when added to the 58 days previously sold would exceed the maximum of 60 days that may be sold in a career. This leave, however, is exempt from payment limitation since the Reserve officer was on active duty for a period of more than 30 but less than 366 days. Payment of the .5 days of leave for both March and May is fully exempt from income tax and income tax withholding since the prior tax-free payments for his basic pay and hostile fire/imminent danger pay in those 2 months was well below the tax exemption limitation value of $7,714.80 (senior enlisted basic pay of $7,489.80 and hostile fire/imminent danger pay of $225).

However, only a portion of the 2.5 days of unused accrued leave attributable to April is exempt from income tax and income tax withholding. The officer has already received tax-exempt treatment of his April salary and imminent danger pay using all but $257.40 of his available exemption (exemption equals $7,714.80 and the amount used was the officer's base pay of $7,232.40 plus the hostile fire/imminent danger pay of $225, equal to $7,457.40). The 2.5 days of leave is valued at $602.70, leaving $345.30 of the leave payment subject to tax and tax withholding.

350204. Leave Payments and Debts

Payments for accrued leave may be used to satisfy debts to the U.S. Government without restriction.

350205. Leave Payment to Beneficiaries

Payments for accrued leave owed at death will be paid to the eligible beneficiary or beneficiaries under the provisions of Chapter 36, section 3603.

A. If a member dies while on active duty of 30 days or more, then the accrued leave is payable along with all other unpaid pay and allowances to the eligible beneficiary.

B. If a member or former member dies after retirement or discharge, but before receiving any or all compensation for accrued leave, then the balance is payable to the eligible beneficiary and claims for payment must be submitted to the appropriate following address:

Army and Air Force Members:

Director
DFAS-Indianapolis
DFAS-JFL/IN
8899 E. 56th Street
Indianapolis, IN 46249-0845

Navy Members:

Director
DFAS-Cleveland
DFAS-JFLADA
1240 E. 9th Street
Cleveland, OH 44199-2055

Marine Corps Members:

Director
DFAS-Cleveland
MPO-JFLT
1240 E. 9th Street
Cleveland, OH 44199-2055

3503 SEPARATION PAY (NON-DISABILITY)

350301. Entitlement

A. Full Separation Pay. Full payment of non-disability separation pay is authorized to military service members of the Regular and Reserve Components who have been involuntarily separated from active duty and have met each of the following four conditions:

1. The member has met one of the following criteria for active military service:

a. The member is on active duty or full-time National Guard duty and has completed at least 6 years, but less than 20 years, of active service. Reserve members not on the active duty list when separated must have 6 years of continuous active duty or full-time National Guard duty immediately preceding separation. A period of active duty is considered continuous if any break in active service does not exceed 30 days; or

b. A member who is a Regular officer and is separated under 10 U.S.C. Chapter 36 (except under § 630(1)(A), § 643, § 580, or § 6383) must have completed at least 6 years, but less than 20 years, of active service;

2. The member's separation must be characterized as "honorable" and none of the conditions apply that are listed in paragraph 350302;

3. A member who is separated involuntarily, through either the denial of reenlistment or the denial of continuation on active duty or full-time National Guard duty, must meet one of the following four specific conditions:

a. The member must be fully qualified for retention but denied reenlistment or continuation. This includes a military service member who is eligible for promotion as established by the Secretary of the Military Department concerned, but is denied reenlistment or continuation on active duty under established promotion or high year of tenure policies;

b. The member must be fully qualified for retention but involuntarily separated under a Reduction in Force by authority designated by the Secretary of the Military Department concerned;

c. The member, if a Regular officer, commissioned or warrant, must be separated under 10 U.S.C. § 580, § 1165, § 6383, Chapter 36; if a Reserve commissioned officer other than a commissioned warrant officer, must be separated or transferred to the retired Reserve under 10 U.S.C. Chapters 573 or 861; or if a Reserve commissioned officer on the active duty list or a Reserve warrant officer must be separated for similar reasons under military service policies; or

d. The member must be denied reenlistment or continuation on active duty or full-time National Guard duty under subparagraphs 350301.A.3.a through 350301.A.3.c, and have accepted an earlier separation from active duty;

4. The member must have entered into a written agreement with the military service concerned to serve in the Ready Reserve in a Reserve Component of the Armed Forces for a minimum period of 3 years following the separation from active duty.

a. A member who enters into this written agreement and is qualified for service in the Ready Reserve will, upon separation from active duty, be enlisted or appointed, as appropriate, as a Reserve member by the military service concerned. If the person has a service obligation under 10 U.S.C. § 651 or any other law that is not completed at the time of separation from active duty, then the 3-year obligation begins on the day after the day the member completes the prior obligation;

b. A member who enters into this written agreement and is not qualified for enlistment or appointment in the Ready Reserve need not be enlisted or appointed

by the military service concerned to be considered to have met this condition of eligibility for separation pay.

B. Sole Survivorship Discharge

1. A sole survivorship discharge is the separation of a member from the Armed Forces at the member's request when the member is the only surviving child in a family in which:

a. The father, mother, or one or more siblings served in the Armed Forces, and was killed; died as a result of wounds, accident, or disease; is in a captured or missing in action status; or is permanently 100 percent disabled or hospitalized on a continuing basis (and is not employed gainfully because of the disability or hospitalization); and

b. The death, status, or disability did not result from the intentional misconduct or willful neglect of the parent or sibling and was not incurred during a period of unauthorized absence.

2. A member who receives a sole survivorship discharge will be entitled to full separation pay, even though the member completed less than 6 years of active service immediately before that discharge.

3 The amount of the full separation pay to be paid will be based on the years of active service actually completed by the member before the member's discharge.

4. These sole survivorship discharge provisions will apply to any sole survivorship discharge granted after September 11, 2001.

5. Effective October 28, 2009, members who receive a sole survivorship discharge will not be required to repay any unearned bonus, incentive pay, or similar benefit previously paid to the member.

6. Effective October 28, 2009, the Secretary of the Military Department concerned may grant an exception to the requirement to terminate the payment of any unpaid amounts of a bonus, incentive pay, or similar benefit if he determines that termination of the payment of the unpaid amounts would be contrary to a personnel policy or management objective, would be against equity and good conscience, or would be contrary to the best interests of the United States.

C. Half Separation Pay. Half Separation Pay of non-disability separation pay is authorized to members of the Regular and Reserve Components who are involuntarily separated from active duty and have met each of the following four conditions:

1. The member must meet one of the criteria for active service specified in subparagraph 350301.A.1;

2. The member's separation must be characterized as "honorable" or "general," and none of the conditions apply that are listed in paragraph 350302;

3. The member must be separated involuntarily by the military service concerned through either the denial of reenlistment or the denial of continuation on active duty or full-time National Guard Duty under one of the following specific conditions:

a. Is not fully qualified for retention and is denied reenlistment or continuation under any of the following conditions:

(1) Expiration of service obligation;

(2) Selected changes in service obligation;

(3) Convenience of the government;

(4) Drug abuse rehabilitation failure;

(5) Alcohol abuse rehabilitation failure;

(6) Security; or

(7) Weight control failure;

b. Separated under a military service specific program established as a half separation pay level by the Secretary of the Military Department concerned; or

c. Denied reenlistment or continuation on active duty or full-time National Guard duty under subparagraphs 350301.C.3.a and 350301.C.3.b, and accept an earlier separation from active duty; and

4. The member must have entered into a written agreement with the military service concerned to serve in the Ready Reserve for a minimum period of 3 years following separation from active duty.

a. A member who enters into this written agreement and is qualified for the Ready Reserve will, upon separation from active duty, be enlisted or appointed, as appropriate, as a Reserve member by the military service concerned. If the person has a service obligation under 10 U.S.C. § 651 or any other law that is not completed at the time of separation from active duty, then the 3-year obligation begins on the day after the day the member completes the prior obligation.

b. A member who enters into this written agreement and is not qualified for enlistment or appointment in the Ready Reserve need not be enlisted or appointed

by the military service concerned to be considered to have met this condition of eligibility for separation pay.

NOTE: In extraordinary instances, the Secretary of the Military Department concerned may award full separation pay to a member otherwise eligible for half separation pay when the specific reasons for the separation and the overall quality of the member's service have been such that denial of full separation pay would be clearly unjust.

350302. Limitations of Eligibility

Military service members separated under the following circumstances are not eligible for separation pay:

A. The member is separated from active duty at the member's own request. The following are considered to be separations at the member's own request:

1. A member declines training that the military service offers to qualify for a new skill or rating as a precondition to reenlistment or continuation on active duty;

2. A member requests separation under regulations established by the Secretary of the Military Department concerned as provided for in Department of Defense Directives (DoDD) 1332.14 and 1332.30;

3. A Reserve officer declines a Regular appointment at the mandatory integration point when an all-regular career force program is implemented by the Secretary of the Military Department concerned;

B. The member is separated from active duty during an initial term of enlistment or an initial period of obligated service. The initial term of enlistment or initial period of obligated service is the active service obligation that the member incurred upon initial enlistment or upon enrollment in a commissioning program. This limitation also applies to a member who desires to reenlist or continue at the conclusion of the initial term of enlistment or an initial period of obligation and is denied by the military service concerned;

C. The member is released from active duty for training or from full-time National Guard duty for training;

D. The member is immediately eligible at separation for retired or retainer pay based upon his or her military service;

E. The member is a warrant officer whose appointment is terminated and who then elects to enlist;

F. The member is separated as a result of the execution of a court-martial sentence;

G. The member is being dropped from the rolls of the military service concerned;

H. The member is being separated under other than honorable conditions;

I. The member is an enlisted member who is separated for unsatisfactory performance or misconduct, as set forth in DoDD 1332.14, except when half separation pay is authorized in subparagraph 350301.C;

J. The member is an officer who is separated for substandard performance or acts of misconduct or moral or professional dereliction, except when half separation pay is authorized in subparagraph 350301.C;

K. The member is separated under a military service-specific program established as a no-payment level by the Secretary of the Military Department concerned;

L. A determination is made by the Secretary of the Military Department concerned in an extraordinary case that the conditions under which the member is separated do not warrant a separation payment. This authority is not to be delegated. It is intended that only sparing use will be made of this discretionary authority to deny payment;

M. A Regular officer having twice failed for selection for promotion to the next higher grade is not entitled to separation pay if that officer, after such second failure of selection for promotion, is selected for and declines continuation on active duty for a period that is equal to or more than the amount of service required to qualify the officer for retirement; or

N. A Reserve officer who, is not selected for promotion to the next higher grade for the second time and is to be discharged or released from active duty, and after such failure of promotion, is selected for and declines continuation on active duty:

1. If the period of time for which the officer was selected for continuation on active duty is less than the amount of service that would be required to qualify the officer for retirement, then the officer's discharge or release from active duty will be considered involuntary; or

2. If the period of time for which the officer was selected for continuation on active duty is equal to or more than the amount of service that would be required to qualify the officer for retirement, then the officer's discharge or release from active duty will not be considered involuntary.

350303. Computation of Active Service

Compute active service time as follows:

A. Qualifying years, except as noted in subparagraph 350301.A.1, do not have to be continuous; however, the last phase of the qualifying term must end immediately before the separation from active duty occurs;

B. Fractions of years will be computed by counting each full month of active service, in addition to the number of full years of active service, as 1/12 of a year. Disregard any remaining fractional part of a month;

C. Periods for which a military service member previously has received separation pay, severance pay, or readjustment pay may be counted for eligibility purposes (to ensure the member meets the minimum required years of active duty), but may not be used in the multiplier to determine the amount of separation pay for a subsequent separation;

D. Count periods of active military service in a Regular or Reserve Component. Include periods of active duty for training;

E. Do not include periods of absence without leave, confinement time awaiting trial that results in a conviction, confinement time while serving a court-martial sentence, and time lost while not on duty. Count time in service to make up for lost time; and

F. Do not include service as a cadet or midshipman while in a military service academy or a Reserve Officer Training Program.

350304. Computation of Separation Pay

A. Compute full separation pay at 10 percent of 12, multiplied by the amount of monthly basic pay to which entitled at the time of separation from active duty, times the active service time as computed in paragraph 350303. Table 35-6 also contains information related to computation of full separation pay.

B. Compute half separation pay at 50 percent of what the full separation pay would have been. Table 35-6 also contains information related to computation of half separation pay.

350305. Recoupment of Separation Pay From Retired Pay, Retainer Pay, or Department of Veterans Affairs (VA) Disability Compensation

Military service members who receive separation pay under any provisions of law based on service in the Armed Forces, and, subsequently, either qualify for retired or retainer pay under 10 U.S.C. or 14 U.S.C., or become eligible for disability compensation administered by the VA, are subject to the recoupment of the gross taxable separation pay they received. Recoupment from retired pay, retainer pay, or VA disability compensation will be completed as follows:

A. Retired or Retainer Pay. Recoupment will be accomplished through monthly deductions from each payment of retired or retainer pay payable to the retired member until the total amount of the deductions equals the gross taxable amount of separation pay received by the member. See Volume 7B, Chapter 4 for guidance on the calculation of the recoupment.

B. VA Disability Compensation. Recoupment will be accomplished through a deduction from the VA disability compensation payable to the retired member in an amount that is equal to the gross taxable amount of separation pay made after September 30, 1996. The amount to be deducted from the VA disability compensation will be equal to the gross taxable amount of such separation pay, less the amount of Federal income tax withheld from such pay at the flat withholding rate for supplemental payments prescribed under Publication 15, Department of the Treasury, IRS. This reduction, however, will not apply to disability compensation for which the entitlement to that disability compensation is based on a later period of active duty than the period of active duty for which the separation pay was received. See Volume 7B, Chapter 4 for guidance on the calculation of the recoupment.

3504 READJUSTMENT AND SEVERANCE PAY (OTHER THAN DISABILITY) PROVISIONS

350401. Repay Readjustment or Severance Pay

Members, who received readjustment or severance pay before September 15, 1981 and who, on or after September 15, 1981 became entitled to retired or retainer pay under 10 U.S.C. or 14 U.S.C., are required to repay the readjustment or severance pay, in accordance with the laws in effect on September 14, 1981.

350402. Refund Upon Retirement

A Reserve member who received a readjustment payment on separation after June 28, 1962 and before September 15, 1981, and who later qualifies for retired or retainer pay under 10 U.S.C. or 14 U.S.C. (upon completing 20 years of active service), must refund 75 percent of the gross readjustment pay, without interest, by immediate deduction from retired or retainer pay. This is not required if readjustment pay had been waived or refunded under subparagraph 350403.

350403. Waiver or Refund Before Retirement

A member may waive entitlement to readjustment pay. Also, the full amount of readjustment pay may be refunded before retirement. Under either condition, the member will receive retired or retainer pay immediately upon retirement or transfer to the Fleet Reserve or Fleet Marine Corps Reserve.

350404. VA Disability Compensation

When a member who receives readjustment pay before September 15, 1981 becomes entitled to VA disability compensation, the VA deducts 75 percent of the readjustment payment from future VA compensation. The VA does not make a deduction when VA disability compensation is based on a later period of service. A member who elected, on or before June 27, 1962, to receive readjustment pay in lieu of VA disability compensation may have been awarded disability compensation effective on and after June 28, 1962. The VA reduces the disability compensation by 75 percent of the readjustment payment, unless readjustment pay was waived or refunded.

3505 DISABILITY SEVERANCE PAY

350501. Entitlement

A member separated from the military service for physical disability is entitled to severance pay, if qualified, as prescribed in personnel regulations of the military service concerned. When a member is entitled to disability severance pay, separation orders specify this entitlement. Academy cadets and midshipmen may be entitled to severance pay if it is determined that they have a qualifying disability, and they have separated as a result of that disability.

350502. Disability Incurred During Non-pay Status

A member who incurs a disability while in a total pay forfeiture status is not entitled to disability severance pay. This is true even though the Secretary of the Military Department concerned remits the unexecuted portion of the sentence, including all uncollected forfeitures.

350503. Computation

A. Formula. To compute disability severance pay, multiply the sum of basic pay for 2 months by the number of combined years (but not over 19) of active service and inactive duty points. Do not include as basic pay the 25-percent increase prescribed under certain conditions for a Navy or Marine Corps member retained on active duty after enlistment expires.

B. Years of Service. The member's separation orders will specify the total combined years of active service and inactive duty points to be counted in computing severance pay. Round this total to the nearest whole year, with 6 months or more rounded up. The maximum number of years of service for computing the disability severance pay will be 19 years. The minimum number of years for computation purposes will be:

1. Six years in the case of a member separated from the Armed Forces for a disability incurred in the line of duty in a CZ (as designated by the SecDef) or incurred during the performance of duty in combat-related operations as (designated by the SecDef); or

2. Three years in the case of any other member.

C. Grade at Which Disability Severance Pay is Computed. Compute severance pay on basic pay of the following highest grade or rank described:

1. The grade or rank in which the member is serving at separation;

2. The permanent Reserve grade held at separation;

3. The highest temporary or permanent grade or rank in which member served satisfactorily as determined by the Secretary of the Military Department concerned; or

4. For those selected for promotion, if the disability is found during a physical examination, then the grade or rank to which the member would have been promoted if there was no disability.

Example: An E-6 has 11 years, 4 months, and 9 days of active service and 76 inactive duty training periods (points) on the date of separation for physical disability. Compute the entitlement as follows:

11 years, 4 months, 9 days = 11.3583 years
76 points / 360 = .2111 years
Total Service = 11.5694 years

Since it is a decimal greater than or equal to .5, round the total upward to 12 years. 12 years times 2 months of basic pay of an E-6 over 10 equals the amount of disability severance pay.

NOTE: For purposes of this calculation, the number of points that may be considered may not exceed 60 points for any anniversary year that closed before September 23, 1996; 75 points for anniversary years that closed on or after September 23, 1996; 90 points for anniversary years that close on or after October 30, 2000; and 130 points for anniversary years that close on or after October 30, 2007.

350504. Taxability and Withholding

A. General. Disability severance pay is normally taxable income. However, it is not subject to tax withholding or reporting if at least one of the following two conditions exists:

1. The entitlement resulted from combat-related injury or illness, as determined by the Secretary of the Military Department concerned, which happens as a result of any of the following activities:

a. As a direct result of armed conflict;

b. While performing extra-hazardous service, even if the service does not directly involve combat;

c. Under conditions simulating war, including maneuvers or training;

d. By an instrumentality of war, such as weapons; or

2. The member has official notification from the VA approving entitlement to disability compensation.

B. Withholding Taxes. Income taxes are withheld from all payments of disability severance pay unless the member qualifies for an exemption under subparagraph 350504.A. Taxable payments of disability severance pay may become non-taxable if, after disability severance payment is made, the VA awards the member disability compensation.

NOTE: The VA may award disability compensation in either the same tax year or a subsequent tax year in which a member is paid disability severance pay. Depending upon when a member is awarded disability compensation, a refund of the income taxes withheld may be requested from DFAS or the IRS. For further information see subparagraphs 350504.C and 350504.D.

C. VA Disability Compensation Awarded in the Tax Year of the Disability Severance Pay Payment. A refund of taxes withheld from the gross taxable amount of their disability severance pay payment may be obtained from the supporting Defense Finance and Accounting Service (DFAS) site if disability compensation from the VA is awarded in the same tax year in which the member received disability severance pay. See subparagraph 350205.B for the addresses of the DFAS sites.

1. A refund request must be received and processed by December 31st of the year in which the disability severance pay payment was paid, along with documentation evidencing the VA's award of disability compensation in the same year that established the member's entitlement to disability severance pay.

2. A corrected IRS Form W-2, Wage and Tax Statement, reducing the member's taxable wages by the gross amount of the disability severance pay amount may be issued when supporting documentary evidence of the same year VA award is received by December 31 of that same year.

D. VA Disability Compensation Awarded in a Tax Year Subsequent to the Year of the Disability Severance Pay Payment. A member must obtain a refund for income taxes withheld from their disability severance pay payment from the IRS when the date of the VA's award of disability compensation is in a calendar year subsequent to the year in which the member received disability severance pay. DFAS will not issue corrected W-2 to a member for any VA documentation received in subsequent years after payment. The member is required , to claim any reduction in that year's taxable income from the IRS in accordance with their procedures.

350505. Availability to Liquidate Debts

Disability severance pay may be used to liquidate debts to the U.S. Government.

350506. Recoupment From VA Compensation

The VA deducts disability severance compensation from any VA compensation for the same disability to which the member or member's dependents become entitled. There are two exceptions:

A. No deduction will be made in the case of disability severance pay received by a member for a disability incurred in the line of duty in a CZ or incurred during performance of duty in combat-related operations (as designated by the SecDef); or

B. No deduction will be made from any death compensation to which a member's dependents become entitled after the member's death.

350507. Other Benefits and Claims

A member paid disability severance pay is not entitled to any payment from the military service for, or arising out of, service before separation. This does not prohibit payment if an amount is due the member on the date of separation or if a claim is allowed under law.

3506 CONTRACT CANCELLATION PAY AND ALLOWANCES

350601. Entitlement

Reserve members released from active duty (other than for training) without their consent before the end of their active duty agreement made under 10 U.S.C. § 12311(a) are entitled to a special payment under 10 U.S.C. § 12312. This payment is in addition to any pay and allowances to which the member is otherwise entitled.

350602. Computation

To compute the amount payable, multiply the number of years and fraction of years of the unexpired period of service under the contract, by the sum of basic pay, special pay, and allowances for 1 month to which the member is entitled on the day of release. Count a fraction of a month that is 15 days or more as a whole month and disregard a fraction of a month that is less than 15 days. Separation orders show the number of years and months of unexpired service for which contract cancellation pay and allowances are payable.

350603. Restrictions

A member is not entitled to the special payment authorized by this section if:

A. Dismissed or discharged under the sentence of a court-martial;

B. Released because of an unexplained absence without leave of at least 3 months;

C. Released because of conviction and sentence to confinement in a federal or state penitentiary or correctional institution which sentence has become final;

D. Released because of a physical disability resulting from intentional misconduct or willful neglect;

E. Eligible for retired pay, separation pay, or severance pay under another provision of law (this restriction does not apply to readjustment pay);

F. Placed on a temporary disability retired list; or

G. Released to accept an appointment, or to be enlisted, in a Regular Component of an Armed Force.

350604. Withholding Tax

Contract cancellation pay is subject to withholding tax.

350605. Availability to Liquidate Debts

Contract cancellation pay may be used to liquidate debts to the U.S. Government.

3507 MISCELLANEOUS SEPARATION PAYMENTS

350701. Discharge Gratuity

See Table 35-7.

350702. Travel Allowance on Separation

See Joint Travel Regulations (JTR), Chapter 5 and Volume 9.

3508 VOLUNTARY SEPARATION PAY (VSP)

350801. Entitlement

A member who separates voluntarily may, under conditions prescribed by the Secretary of the Military Department concerned, be paid VSP. The authority to separate a member in conjunction with VSP applies for the period October 17, 2006 through December 31, 2018.

350802. Eligibility

The Secretary of the Military Department concerned, may offer a member the opportunity to apply for VSP if the member:

A. Has served on active duty or full-time National Guard for more than 6 years but less than 20 years;

B. Has served at least 5 years of continuous active duty or full-time National Guard duty immediately preceding the date of separation from active duty;

C. Upon separation, is not immediately eligible for retired or retainer pay based upon his/her military service;

D. Meets such other requirements as the Secretary of the Military Department concerned, may prescribe, which may include requirements relating to years of service; skill; rating; military specialty; competitive category, grade, or rank; remaining period of obligated service; or any combination of these factors; or

E. Requests separation from active duty or full-time National Guard duty.

350803. Initial Term of Obligated Service

Effective January 1, 2009, the member is required to complete the initial term of obligated service in addition to meeting requirements in paragraph 350802 prior to separation. Prior to January 1, 2009, a member's obligation to complete an initial term of obligated service before separation will be subject to the discretion of the Secretary of the Military Departments concerned. For the purpose of this section, "initial term of obligated service" means the initial period of required active-duty service incurred upon commissioning or enlistment, together with any additional period of required active-duty service incurred during the initial period of required active-duty service.

350804. Ineligible for VSP

The Secretary of the Military Department concerned, will not offer a member the opportunity to apply for VSP if a member:

A. Does not meet any of the eligibility requirements of paragraph 350802;

B. Is discharged with disability severance pay under section 3505 (10 U.S.C. § 1212);

C. Is transferred to the temporary disability retired list under 10 U.S.C. § 1202 or § 1205;

D. Is being evaluated for disability retirement under 10 U.S.C. Chapter 61;

E. Has previously been discharged with VSP; or

F. Is subject to pending disciplinary action or is subject to administrative separation or mandatory discharge under any other provision of law or regulation.

350805. Application for VSP

A member may request and subsequently enter into a written agreement with the Secretary of the Military Department concerned to separate from active duty or full-time National Guard duty and accept an appointment or enlistment in, or transfer to, the Ready Reserve of a Reserve Component for a period of not less than 3 years, as a condition of receipt of VSP and benefits.

350806. Approval for VSP

The Secretary of the Military Department concerned will determine each year the number of military service members to be separated, and provided separation pay and benefits during the fiscal year beginning in such year. Eligible members will not be automatically entitled to receive VSP based solely upon request. The Secretary of the Military Department concerned will review all applications for voluntary separation and approve only those that meet the needs of the Military Departments. A member whose request is approved will be separated from active duty.

350807. Computation of VSP

A. The Secretary of the Military Department concerned will specify the amount of VSP to be paid to an individual, but the amount may not be greater than four times the full amount of separation pay that a member of the same pay grade and years of service would receive for an involuntary separation under 10 U.S.C. § 1174.

B. Compute years of active service according to the formula in subparagraphs 350303.B, D, E, and F. Do not count any period of prior military service for which the member has received separation pay under any provision of law relating to members of the Uniformed Services. When computing partial years of service, round the fractional parts of a year to the nearest 1/10 of 1 percent or 3 decimal points.

Example: If the officer has 10 years and 7 months of service, then the multiplier would be 10.583.

350808. Payment

VSP will be paid in a lump sum payment in the amount computed in paragraph 350807.

350809. Repayment of VSP When a Member Qualifies for and Receives Retired Pay

A. A member who is paid VSP and later qualifies to receive retired pay will have deducted from each payment of such retired pay a monthly installment as specified by the Secretary of the Military Department concerned. The total amount of retired pay deductions will equal the gross VSP amount paid to the member. More information can be found in Volume 7B, Chapter 4, section 0409.

B. The requirement to repay VSP following retirement from the Armed Forces does not apply to a member who is eligible to retire at the time the member applied for and was accepted for VSP benefits.

C. The Secretary of the Military Department concerned, may waive the requirement to repay VSP if it is determined that recovery would be against equity and good conscience and would be contrary to the best interests of the United States.

D. For exception, see paragraph 350811.

350810. VA Disability Compensation

A member who received the VSP and subsequently qualifies for disability compensation from the VA is subject to recoupment of the gross amount of VSP paid, less Federal income taxes withheld from such pay. The VA administers the recoupment program for affected members. If the disability for which the member receives VA compensation was incurred or aggravated during a period of later active duty, then no recoupment of VSP is required, regardless of when it was paid. In individual cases, the Secretary of the Military Department concerned, may waive the requirement to repay the VSP if it is determined that recovery would be against equity and good conscience and would be contrary to the best interests of the United States. A blanket waiver for multiple members within a service signed by a Secretary of the Military Department concerned is not authorized.

350811. Members Returned to Active Duty

A. Except for the provisions in subparagraphs 350811.B and 350811.C, members who return to active duty in a Regular or Reserve Component for 180 days or more will have deducted from each payment of basic pay a monthly installment amount specified by the Secretary of the Military Department concerned. The total amount of basic pay deduction will equal the gross amount of VSP paid to the member.

B. Recoupment will not be required for a member who is involuntarily recalled to active duty or full-time National Guard in accordance with 10 U.S.C. § 12301(a), (b), and (g); § 12302; § 12303; or § 12304; or 32 U.S.C. § 502(f)(1).

C. Recoupment will not be required for a member who is recalled or performs active duty or full-time National Guard duty, so long as the period of active duty is less

than 180 consecutive days with consent of the member in accordance with 10 U.S.C. § 101(d)(1), (2), and (5); § 12301(d); § 12319; § 12503; or 32 U.S.C. § 114; § 115; or § 502(f)(2).

D. The SecDef may waive, in whole or in part, repayment required under subparagraph 350811.A if the SecDef, determines that recovery would be against equity and good conscience or contrary to the best interest of the United States. Requests for waiver under this authority should be forwarded to the Under Secretary of Defense for Personnel and Readiness (USD (P&R)).

3509 RETROACTIVE STOP LOSS SPECIAL PAY COMPENSATION

350901. Authority

The Secretary of the Military Department concerned will provide Stop Loss Special Pay Compensation to members of the Armed Forces, including members of the Reserve Components, and former and retired members who served on active duty during the period beginning on September 11, 2001 and ending on September 30, 2009. To be eligible for compensation, the active duty service must have been subject to 10 U.S.C. § 123 or §12305, or any other provision of law (commonly referred to as a "stop loss authority") that authorizes the President to extend an enlistment or period of obligated service, or suspend an eligibility for retirement of a member of the Uniformed Services in time of war or of national emergency declared by Congress or the President. This compensation is payable to members:

A. Who served on active duty while the members' enlistment or period of obligated service was extended under a stop loss authority; or

B. Whose eligibility for retirement was suspended under a stop loss authority.

350902. Amount

The amount to be paid to or on behalf of an eligible member, retired member, or former member described in this section will be $500 per month for each month or portion of a month during the period specified that the member was retained on active duty as a result of application of the stop loss authority.

350903. Limitation

Claims for retroactive Stop Loss Special Pay Compensation under this section will be submitted to the Secretary of the Military Department concerned no later than October 21, 2012, which is 3 years after the date the implementing rules issued by the SecDef took effect. The Secretaries concerned may not pay claims that are submitted more than 3 years after the date the implementing rules took effect.

350904. Treatment of Deceased Members

If an eligible member, retired member, or former member, described in paragraph 351101, dies before the payment required by this section is made, the Secretary of the Military Department concerned will make the payment in accordance with 10 U.S.C. § 2771.

350905. Exclusion of Certain Former Members

A former member of the Armed Forces is not eligible for a payment under this section if the former member was discharged or released from the Armed Forces under other than honorable conditions.

350906. Relation to Other Stop Loss Special Pay

A member, retired member, or former member may not receive a payment, under this section and section 3508, for the same month or portion of a month during which the member was retained on active duty as a result of application of the stop loss authority.

350907. Effect of Subsequent Reenlistment or Voluntary Extension of Service

Effective December 19, 2009, military service members, who voluntarily reenlisted or extended their service after their enlistment or period of obligated service was extended, or after their eligibility for retirement was suspended, and who received a bonus for such reenlistment or extension of service, are not eligible to receive the Retroactive Stop Loss Special Pay.

3510 VOLUNTARY RETIREMENT INCENTIVE (VRI)

351001. Authority

The SecDef may authorize the Secretary of a Military Department to provide a VRI payment to an officer of the Armed Forces under that Secretary's jurisdiction. Any authority provided the Secretary of a Military Department concerned, will expire as specified by the SecDef, but not later than December 31, 2018. The total number of officers who may be provided a VRI payment may not exceed 675 officers.

351002. Eligible Officers

An officer of the Armed Forces is eligible for a VRI payment under this section if the officer:

A. Has served on active duty for more than 20 years, but not more than 29 years, on the approved date of retirement;

B. Meets the minimum length of commissioned service requirement for voluntary retirement as a commissioned officer in accordance with 10 U.S.C. § 3911, § 6323, or § 8911;

C. On the approved date of retirement, has 12 months or more remaining on active duty service before reaching the maximum retirement years of active service for the member's grade as specified in 10 U.S.C. § 633 or § 634;

D. On the approved date of retirement, has 12 months or more remaining on active duty service before reaching the maximum retirement age under any other provision of law; and

E. Meets any additional requirements for such eligibility as is specified by the Secretary of the Military Department concerned, including any requirement relating to years of service, skill rating, military specialty or competitive category, grade, any remaining period of obligated service, or any combination thereof.

351003. Ineligible Officers

The following officers are not eligible for a VRI payment under this section:

A. An officer being evaluated for disability under 10 U.S.C. Chapter 61;

B. An officer projected to be retired under 10 U.S.C. § 1201 or § 1204;

C. An officer projected to be discharged with disability severance pay under 10 U.S.C. § 1212;

D. A member transferred to the temporary disability retired list under 10 U.S.C. § 1202 or § 1205;

E. An officer subject to pending disciplinary action or subject to administrative separation or mandatory discharge under any other provision of law or regulation; or

F. Any member serving a service related commitment due to an accession or retention bonus program.

351004. Payment

The amount of the VRI payment will be an amount determined by the Secretary of the Military Department concerned, but not to exceed an amount equal to 12 times the amount of the officer's monthly basic pay at the time of the officer's retirement. The amount may be paid in a lump sum at the time of retirement.

351005. Members Returning to Active Duty

A. An officer, who after having received all or part of a VRI under this section, returns to active duty, will have deducted from each payment of basic pay, in such

schedule of monthly installments as the Secretary of the Military Department concerned will specify, until the total amount deducted equals the total amount of the VRI received.

B. The SecDef may waive, in whole or in part, repayment required under subparagraph 351005.A if the Secretary of the Military Department concerned, determines that recovery would be against equity and good conscience or would be contrary to the best interest of the United States. This authority may be delegated only to the USD (P&R) and the Principal Deputy USD (P&R).

C. Members who are involuntarily recalled to active duty or full-time National Guard duty under any provision of law will not be subject to repayment of this incentive.

Table 35-1. PAYMENT OF ACCRUED LEAVE – OFFICERS AND ENLISTED MEMBERS – SEPARATION WITHOUT IMMEDIATE REENTRY ON ACTIVE DUTY
(Note 1)

RULE	A	B	C
	If a member has been on active duty for 30 or more consecutive days and	**and**	**then accrued leave is**
1	is discharged (including as a result of resignation)	separation is under honorable conditions (note 2)	payable (notes 3 and 4).
2	is released from active duty (note 5)		payable (notes 3, 4, 6, and 7).
3	retires		payable (notes 3, 4, and 8).
4	is transferred to Fleet Reserve or Fleet Marine Corps Reserve		
5	is discharged for fraudulent enlistment after completing 6 months of active duty	discharge characterization is under other than honorable conditions	not payable (note 9).
6	is released from duty because of void enlistment or void induction due to erroneous enlistment or defective enlistment after completing 6 months of active duty	discharge characterization is under other than honorable conditions	
7	is discharged from service as a cadet or midshipman at a military service academy, or as a midshipman elsewhere		
8	dies on or after August 28, 1965, while on active duty	member was not put to death as lawful punishment for a crime or a military offense	payable to beneficiary with other unpaid pay and allowances as prescribed in Chapter 36, section 3603 (notes 4 and 10).

Table 35-1. PAYMENT OF ACCRUED LEAVE – OFFICERS AND ENLISTED MEMBERS – SEPARATION WITHOUT IMMEDIATE REENTRY ON ACTIVE DUTY (Continued)
(Note 1)

RULE	A	B	C
	If a member has been on active duty for 30 or more consecutive days and	**and**	**then accrued leave is**
9	receives a discharge that is not characterized before completing 6 months of active duty	separation is for failure to serve satisfactorily for any reason set forth in subparagraph 350201.E	not payable.
		separation is not for unsatisfactory performance or misconduct for any reason set forth in subparagraph 350201.E	payable.

NOTES:

1. Any member who is discharged under other than honorable conditions forfeits all accrued leave.
2. If member is discharged or relieved from active duty because of expiration of term of service (ETS) and is under investigation as an alleged security risk, do not pay accrued leave until investigation is completed and the character of the discharge determined. If discharge is under honorable conditions, then accrued leave may be paid.
3. The period when a member is home awaiting further orders in connection with physical evaluation board proceedings is charged as leave, to the extent that leave is available, beginning with the day after member arrives home or the day after constructive travel time ends, whichever is earlier. Limit payment to accrued leave remaining at time of retirement or discharge. Authorized absence under these circumstances in excess of accrued leave is not chargeable as leave.
4. On and after February 10, 1976, a member may be paid for a maximum of 60 days accrued leave during a military career. See subparagraph 350201.A.3 for exceptions.
5. A period of active duty as a Reserve or National Guard member meets the 30-day requirement if it covers 30 or more consecutive days, even though it may be directed by more than one order covering unrelated duties.
6. If a Reserve member is entitled to pay and allowances during a disability period after a specified tour of active duty has expired, then the period after that expiration date is not included in the period for which accrued leave is paid.

Table 35-1. PAYMENT OF ACCRUED LEAVE – OFFICERS AND ENLISTED MEMBERS – SEPARATION WITHOUT IMMEDIATE REENTRY ON ACTIVE DUTY (Continued)
(Note 1)

NOTES:

7. Reserve members may elect to carry forward unused accrued leave to their next period of active duty.
8. A member may not take accrued leave in lieu of payment beyond the effective date of retirement.
9. These rules do not apply when an individual inducted or enlisted into the military service is discovered by military service medical authorities to have been medically unfit for induction at the time of entrance into the military service and such individual is released from military control for such reason.
10. Accrued leave is payable retroactive to February 28, 1961 for a member in a missing status whose death is prescribed under Chapter 34, section 3407. Payment is made according to Chapter 34, section 3410.

Table 35-2. PAYMENT OF ACCRUED LEAVE – OFFICERS – SEPARATION WITH IMMEDIATE REENTRY ON ACTIVE DUTY

RULE	A	B	C	D
	If	**has been on active duty for 30 or more consecutive days and is**	**and**	**then accrued leave is**
1	an officer of any military service	retired	immediately reenters on active duty	not payable.
2		separated, on a day other than the end of the specified period of active duty, for the purpose of reentering on active duty in any status within any Uniformed Service (note 1)		
3		transferred to a different Uniformed Service by separation and immediate reappointment	immediately enters on active duty with the other military service	
4		separated for having failed selection to a higher grade	immediately reenters on active duty in an enlisted status	payable (notes 2 and 3).
5	a Reserve officer of any military service	released from active duty under honorable conditions under 10 U.S.C. § 12313 or similar laws authorizing release of Reserve officers at convenience of government, not for the purpose of reentering active service	immediately reenters on active duty (including active duty in enlisted or warrant officer status) for the purpose of retirement	payable (note 3).
6		released from active duty under honorable conditions at end of a specified period of time member agreed to serve or was obligated to serve (notes 1 and 4)	immediately reenters on active duty (note 1)	payable (notes 3 and 5).

Table 35-2. PAYMENT OF ACCRUED LEAVE – OFFICERS – SEPARATION WITH IMMEDIATE REENTRY ON ACTIVE DUTY (Continued)

RULE	A	B	C	D
	If	**has been on active duty for 30 or more consecutive days and is**	**and**	**then accrued leave is**
7	a commissioned officer of any military service, who simultaneously holds a warrant officer appointment	released from active duty as a commissioned officer	reverts to warrant officer status and continues on active duty	not payable.
8	a temporary officer of the Navy or Marine Corps whose enlistment has expired	reverted to enlisted status and simultaneously discharged	immediately reenlists	payable at rate of pay of rank held at time of reversion (note 3).

NOTES:

1. A National Guard member serving on active duty under Title 10 or Title 32, who is ordered to active duty under the other title (Title 10 or Title 32), is considered to have met the obligated service period for which the member agreed to serve (for the purposes of accrued, unused leave payment only), regardless of the unexpired time remaining on that Title 10 or Title 32 obligation. The member is not considered separated for the specific purpose of reenlisting or reentering active duty. Accrued unused leave is payable.
2. Officers who, after notification of an impending discharge, resign for the purpose of continuing a military career are not entitled to payment of accrued leave.
3. On or after February 10, 1976, a member may be paid for a maximum for 60 days of accrued leave during a military career. See subparagraph 350201.A.3 for exceptions.
4. A Reserve officer, who remains on active duty beyond ETS of initial obligation while awaiting Regular officer appointment, is not entitled to payment of unused accrued leave, as the separation to accept the appointment is not considered to be at the end of a specified period. The officer must be separated on the expiration date of the initial obligation for entitlement to exist.
5. Reserve members may elect to carry forward unused accrued leave to their next period of active duty.

Table 35-3. PAYMENT OF ACCRUED LEAVE – ENLISTED MEMBERS – SEPARATION WITH IMMEDIATE REENTRY ON ACTIVE DUTY

RULE	A	B	C	D
	If an enlisted member	**has been on active duty for 30 or more consecutive days and**	**and**	**then accrued leave is (note 1)**
1	of any military service	on or after October 5, 1999, is discharged for the specific purpose of enlisting or reenlisting (note 2)	immediately reenlists or immediately reenters on active duty	payable.
2		prior to October 5, 1999, is separated under honorable conditions upon expiration of enlistment or is released from active duty under honorable conditions at the end of a specified period of time or was obligated to serve (notes 3, 4, and 5)		
3		prior to October 5, 1999, is separated before ETS or obligated period of duty for the specific purpose of enlisting or reenlisting (notes 5 and 6)		not payable.
4		is discharged for the purpose of accepting a commission or appointment as a warrant officer in any Uniformed Service		
5		enlistment is extended		is contingent on rules in Table 35-4.
6		extension of enlistment is canceled before or during service under the extension		
7		is retired	continues on or is recalled to active duty	not payable.
8		accepts an appointment as a cadet or midshipman without being discharged from enlisted status	enters on duty as a cadet or midshipman	payable as though member was discharged on day before date appointment was accepted.

Table 35-3. PAYMENT OF ACCRUED LEAVE – ENLISTED MEMBERS – SEPARATION WITH IMMEDIATE REENTRY ON ACTIVE DUTY (Continued)

RULE	A	B	C	D
	If an enlisted member	**has been on active duty for 30 or more consecutive days and**	**and**	**then accrued leave is (note 1)**
9	inducted under the Universal Military Training and Service Act, or enlisted in the Regular Army under that Act	is separated under honorable conditions at the end of the period member is required to serve	immediately enlists or reenlists	payable.
10	of the Army or Air Force, who has more than 20 but less than 30 years of service,	is retired and transferred to the Reserve Component of the member's military service	is immediately ordered into active service	not payable.
11	of the Navy or Marine Corps	is transferred to the Fleet Reserve or Fleet Marine Corps Reserve	continues on active service without a break in active service	

NOTES:

1. On or after February 10, 1976, a member may be paid for a maximum of 60 days of accrued leave during a military career. See subparagraph 350201.A.3 for exceptions.
2. For these purposes, the term "discharge" means separation or release from active duty under honorable conditions, or termination of an enlistment in conjunction with the commencement of a successive enlistment (without regard to the date of the expiration of the term of the enlistment being terminated).
3. A member is considered as discharged upon expiration of enlistment if discharged not more than 1 year before the normal expiration date of the enlistment. The date of normal expiration of enlistment is excluded in computing the 1-year period.
4. An extension of the active duty obligation does not create an entitlement under this rule.
5. A National Guard member serving on active duty under Title 10 or Title 32, who is ordered to active duty under Title 10 or Title 32, is considered to have met the obligated service period for which the member agreed to serve (for the purposes of accrued unused leave payment only), regardless of the unexpired time remaining on that Title 10 or Title 32 obligation. The member is not considered separated for the specific purpose of reenlisting or reentering active duty. Accrued unused leave is payable.
6. A member is not considered as having been discharged for the purpose of enlisting or reenlisting if discharge occurs not more than 3 months before the normal expiration of the extension period (effective January 2, 1968). The date of normal expiration of the extension period is excluded in computing the 3-month period.

Table 35-4. PAYMENT OF ACCRUED LEAVE – ENLISTED MEMBERS – EXTENSION OF ENLISTMENT: DISCHARGE AND REENLISTMENT BEFORE EXTENSION IS COMPLETED

RULE	A If an enlisted member of	B has been on active duty for 30 or more consecutive days and	C and member	D then accrued leave is (note 1)
1	any military service	enlistment is involuntarily extended	continues on active duty in extension period	not payable until discharge.
2		voluntarily extends enlistment, regardless of duration of extension		payable on day before effective date of extension (leave accrued during extension is paid on discharge after extension is completed) (note 2).
3	any military service, whose enlistment has been involuntarily extended	is separated under honorable conditions upon expiration of the involuntary extension of enlistment	immediately reenlists	payable.
4		is separated under honorable conditions, before extension period expires, for purpose of reenlisting		
5	any military service, who has voluntarily extended enlistment	prior to October 5, 1999, extension is canceled before service under it begins and member is discharged under honorable conditions at normal expiration of enlistment		
6		prior to October 5, 1999, extension is canceled after service under it begins and member is discharged under honorable conditions, for purpose of reenlisting		not payable.

Table 35-4. PAYMENT OF ACCRUED LEAVE – ENLISTED MEMBERS – EXTENSION OF ENLISTMENT: DISCHARGE AND REENLISTMENT BEFORE EXTENSION IS COMPLETED (Continued)

RULE	A	B	C	D
	If an enlisted member of	**has been on active duty for 30 or more consecutive days and**	**and member**	**then accrued leave is (note 1)**
7	any military service, who has voluntarily extended enlistment	on or after October 5, 1999, extension is canceled after service under it begins and member is discharged under honorable conditions, for purpose of reenlisting		payable.

NOTES:
1. On and after February 10, 1976, a member may be paid for a maximum of 60 days of accrued leave during a military career. See subparagraph 350201.A.3 for exception.
2. No payment can be made on second or subsequent extensions.

Table 35-5. COMPUTATION OF ACCRUED LEAVE PAYMENT
(Note 1)

RULE	A	B	C			
	If member is entitled to accrued leave payment under Table 35-1, 35-2, 35-3, or 35-4, and is an	**and member has**	**the complete payment for the number of days accrued leave, but not more than 60 in a military career, to include (note 2):**			
			Basic Pay (note 3)	**BAS (note 1)**	**BAH (note 1)**	**and PMA (note 1)**
1	enlisted member in pay grades E-5 to E-9	dependents (note 4)	at rate applicable on date of separation (note 5)	at 70 cents per day	at $1.25 per day	none.
2		no dependents			none	
3	enlisted member in pay grades E-1 to E-4					
4	officer	dependents (note 4)		at rate applicable on date of separation (prorate for number of days of accrued leave)	at rate contained in JTR, Chapter 10 for member with dependents on date of separation (notes 5 and 6)	if officer was receiving this allowance on date of separation (limited to allowances listed in Chapter 31). Compute at rate payable on that date (note 5).
5		no dependents			at rate contained in JTR, Chapter 10 for member without dependents on date of separation (notes 5 and 6)	

Table 35-5. COMPUTATION OF ACCRUED LEAVE PAYMENT (Continued)
(Note 1)

NOTES:

1. Cash settlement of leave accrued as of August 31, 1976 will be on the basis of basic pay, BAS, BAH-II, and PMA, as appropriate. Cash settlement of leave accrued on and after September 1, 1976 will be on the basis of basic pay only for all grades, officer and enlisted. See paragraph 350202 for examples.
2. When the final leave balance includes a one-half day total, compute the amount to be paid by crediting the member with one-half of a day entitlement. Round the total to the nearest penny.
3. Do not include in basic pay the 25-percent increase authorized certain Navy and Marine Corps members retained beyond normal ETS.
4. A dependent who is on active duty is not considered a dependent in determining right to BAH.
5. Date of separation is date of discharge, release from active duty, transfer to Reserve, or death; day before effective date of retirement; day before date of appointment as cadet or midshipman; or day before effective date of extension of enlistment.
6. Pay BAH even though the member is not receiving BAH on date of separation because public quarters are occupied or available.

Table 35-6. SEPARATION PAY ENTITLEMENT AND COMPUTATION

RULE	A If a member is	B and is involuntarily discharged or released from active duty because of (note 1)	C then compute separation pay at
1	an officer (notes 2 and 3)	failure to be selected for promotion (note 4)	10 percent of 12 months of basic pay multiplied by years and fractions of a year based on additional full months of active service.
2	a warrant officer separated during the 3-year probationary period	failure to be selected for promotion	
3	a warrant officer	second failure to be selected for promotion and does not enlist or the request to enlist, is denied, and is not retained on active duty in grade above W-4	
4	a Reserve member	non-selection for an additional tour of active duty for which the member volunteered unconditionally	
5	a chaplain	failure to maintain professional qualifications	
6	a Reserve member	separation at any time prior to the completion of a specified period of active duty or indefinite period of active duty	
7	a warrant officer or Reserve officer	age (notes 5 and 6)	

NOTES:

1. Includes member's acceptance of an earlier release before the scheduled involuntary separation date, as directed by the Secretary of the military service concerned.
2. Includes a Regular commissioned officer with more than 6 years of commissioned service.
3. Includes a Regular officer continued on active duty pursuant to 10 U.S.C. § 637(a) or a Reserve officer continued on active duty after failure to be selected for promotion, upon expiration of the period of continuation on active duty, or upon separation if continuation is declined.
4. Includes officer not found qualified for promotion to grade of First Lieutenant or Lieutenant Junior Grade.
5. Includes members separated after expiration of Secretarial retention period.
6. If the member is eligible for voluntary retirement, then the member is not entitled to separation pay even though the member does not apply for retirement concurrently with release from active duty.

Table 35-7. ENTITLEMENT TO DISCHARGE GRATUITY

RULE	A If	B is	C and	D and	E and	F then
1	an enlisted member of any military service	a prisoner released from confinement in a military or contract prison to parole, appellate review leave, or expiration of sentence			has less than $25 in possession	pay the member the difference between funds in possession and $25 (note).
2		discharged for fraudulent enlistment	discharge is not for returning member to another branch of the Armed Forces on account of absence without authority from that branch	the member is present to receive the discharge		
3		discharged under other than honorable conditions				
4		discharged from active duty because of void enlistment	enlistment is void because it was contracted when member was under age			

Table 35-7. ENTITLEMENT TO DISCHARGE GRATUITY (Continued)

RULE	A If	B is	C and	D and	E and	F then
5	an enlisted member of any military service	discharged from active duty because of void enlistment	enlistment is void because it was contracted when member was mentally incompetent			do not pay a discharge gratuity.
6		discharged for minority with pay and allowances payable through date of discharge				

NOTE:

Funds in the member's possession include personal funds and any item paid at the time of discharge or release, excluding mileage and cash advanced incident to furnishing transportation in kind.

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VOLUME 7A, CHAPTER 36: "PAYMENTS ON BEHALF OF DECEASED MEMBERS"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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

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

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

The previous version dated February 2016 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated formatting and hyperlinks to comply with current administrative instructions.	Revision
360201.E	Clarified the subparagraph in accordance with Title 10, United States Code, section 1475(a)(3).	Revision
Bibliography	Updated statutes and references.	Revision

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CHAPTER 36

PAYMENTS ON BEHALF OF DECEASED MEMBERS

3601 GENERAL

360101. Purpose

The purpose of this chapter is to provide policy pertaining to the processing of payments on behalf of deceased military members.

360102. Authoritative Guidance

The bibliography at the end of this chapter lists the authoritative references.

3602 DEATH GRATUITY

*360201. Members for Whom Payable

Death gratuity will be paid, regardless of whether death occurred in the line of duty or as the result of a member's misconduct, to eligible beneficiaries of the following (except a temporary member of the Coast Guard Reserve):

A. A member who dies while on active duty or while traveling to or from such duty;

B. A former member who dies during the 120-day period beginning on the day following date of discharge or release, under honorable conditions, from active duty (including retirement for either disability or length of service). In this case, the Secretary of Veterans Affairs must determine that death resulted from disease or injury incurred or aggravated while the member was on active duty or while in authorized travel status to or from such duty;

C. Any person who dies either while traveling to, from, or while at a place for final acceptance or for entry upon active duty (other than for training) in the Military Service; who has been ordered or directed to go to that place, and who has been:

1. Provisionally accepted for that duty; or

2. Selected, under the Military Selective Service Act, for duty in that Military Service;

D. A member whose death is determined by administrative finding under the Missing Persons Act;

* E. A National Guard or Reserve member who dies while traveling directly to or from:

1. Active duty for training;

2. Inactive duty training (other than work or study in connection with a correspondence course of an Armed Force; or attendance, in an inactive status, at an educational institution under the sponsorship of an Armed Force or the Public Health Service);

3. Inactive duty training while studying in connection with a correspondence course of an Armed Force or attendance, in an inactive status, at an educational institution, under the sponsorship of an Armed Force or the Public Health Service); or

4. Inactive duty training while staying at the National Guard or Reserve member's residence when so authorized by proper authority, during the period of such inactive duty training or between successive days of inactive duty training; or

F. Any member of a Reserve Officers' Training Corps (ROTC) who dies while performing annual training duty under orders for a period of more than 13 days or while performing authorized travel to or from that annual training duty; or any applicant for membership in an ROTC who dies while attending field training or a practice cruise, or while performing authorized travel to or from the place where the training or cruise is conducted.

360202. Definitions

A. Active Duty. Active duty is full-time duty in the active service of a Uniformed Service, including active duty training (full-time training duty, annual training duty, or attendance, while in the active service, at a school designated as a Military Service school by law or by the Secretary concerned). (The exception to this definition is noted in subparagraphs 360201.B and 360201.C.)

B. Member. A member of the Military Service is a person appointed, enlisted, or inducted into a branch of the Military Services, including Reserve Components and cadets or midshipmen of the Military Service Academies.

C. Reserve Components. The Reserve Components consist of the U.S. Army National Guard, Army Reserve, Navy Reserve, Marine Corps Reserve, U.S. Air National Guard, and the Air Force Reserve.

360203. Beneficiaries

A. Designation. A member may designate one or more persons, to receive a portion of the amount payable under paragraph 360206. If a member provides conflicting information regarding designation of beneficiaries and their proportionate shares of the death gratuity in blocks 11 and 14 of the ***Department of Defense (DD) Form 93***, Record of Emergency Data, then payment will be made only to the extent that there are unambiguous designations.

Example: If a member completes block 11 by designating his mother to receive 100 percent of the death gratuity, and also completes block 14 by designating his mother and his sister to each receive 50 percent of the death gratuity, there are conflicting designations. In this situation, 50 percent of the death gratuity would be payable to the mother and the remaining 50 percent would be paid in accordance with subparagraph 360203.B. The amount payable to the designee must be specified in 10 percent increments. The balance of the amount of the death gratuity, if any, will be paid in accordance with subparagraph 360203.B. Effective January 28, 2008, if a member has a spouse, but designates a person other than the spouse to receive a portion of the amount payable, then the Secretary concerned will provide notice of the member's designation to the spouse.

1. Effective May 25, 2007 through June 30, 2008, a member may designate another person other than those on the survivor precedent list mandated by law at that time to receive up to 50 percent of the amount payable under paragraph 360206.

2. Effective July 1, 2008, a member may designate one or more persons to receive all or a portion of the amount payable under paragraph 360206.

B. Distribution. If a member does not make a designation under subparagraph 360203.A, or designates only a portion of the amount payable, then the remaining amount of the death gratuity not covered by a designation will be paid as follows:

1. To the surviving spouse of a member;

2. If no surviving spouse, then the child or children of the member and descendants of deceased children, by representation;

3. If no survivor in accordance with subparagraphs 360203.B.1 or 2, then the parents of the member, in equal shares, or to the surviving parent;

4. If no survivor in accordance with subparagraphs 360203.B.1 through 3, then the duly appointed legal representative of the member's estate; or

5. If no survivor in accordance with subparagraphs 360203.B.1 through 4, then the person(s) determined to be entitled under the laws of the state in which the member was domiciled.

C. Treatment of Parents. For the purpose of subparagraph 360203.B.3, only one father and one mother may be recognized in any case, and preference will be given to those who exercised a parental relationship on the date or most nearly before the date on which the member died.

D. Death of Eligible Survivor. If an eligible survivor dies before receipt of the death gratuity, it will be paid to the living survivor next in the order of precedence (see subparagraph 360203.B).

360204. Determining Eligible Beneficiaries

When officially notified that a member of his or her command has died, the commanding officer (CO) maintaining the member's personnel or service records determines if an eligible death gratuity beneficiary exists in accordance with paragraph 360203 or the categories shown in Table 36-1. Legal assistance officers will aid in cases involving a question of law.

A. Lawful Spouse. If a decedent is survived by a spouse, the following evidence will be used to determine whether an eligible beneficiary exists:

1. Entitlement to Basic Allowance for Housing (BAH) or evidence of assignment of government quarters to a member and spouse; or

2. Documentary evidence of marriage and proof of termination of any prior marriage of either the beneficiary or decedent.

B. Children. If a decedent is survived by a child or children, but is not survived by a spouse, the following evidence will be used to determine whether an eligible beneficiary exists:

1. Documentary evidence must show termination of any marriage, including a certified copy of the spouse's death certificate, divorce, or annulment decree.

2. Evidence must show entitlement to BAH for a child or children, or evidence of occupation of government quarters with the member before member's death.

3. Base eligibility of child or children upon documentary proof of relationship, including:

a. The original or certified copy of the original birth certificate; or

b. A certified court order of adoption in the case of a legally adopted child.

4. A certified copy of the appointment paper must be provided if a guardian of a minor child, or children, has been appointed by a court (as distinguished from being awarded physical custody).

5. If the death gratuity is $10,000 or less, then payment for a minor child may be made to the parent, including an adoptive parent, as natural guardian when all of the

following conditions exist (and the parent provides a notarized statement attesting to all of these conditions):

a. A legal guardian has not been appointed;

b. The parent has custody of the minor child;

c. The parent will hold the payment for the sole use and benefit of the minor until the minor reaches adulthood;

d. The parent will account to the minor for such amount when the minor reaches adulthood; and

e. The parent will hold the government harmless in the event the minor, when he/she reaches adulthood, brings any legal action challenging the government's payment to the minor's parent.

6. If the death gratuity is in excess of $10,000, then payment may only be made to the guardian or conservator appointed by a court to receive such payments for the minor's benefit, thereby providing the government a means of obtaining a good acquittance.

7. The relationship between a member and his or her stepchild can survive the end of the marriage from which it arose. If the marriage that created the relationship ended by death, then the relationship continues, absent evidence to the contrary. If the marriage ended by divorce, as distinguished from death, then the relationship ends unless clear and convincing evidence is furnished showing continuance of close family ties and intention to continue the prior relationship.

C. Parents. If the decedent is not survived by a spouse or child and has not officially designated any other individual(s) to receive the full death gratuity, then the parent beneficiary must furnish:

1. Documentary evidence that any marriage entered into by the decedent has been terminated; and

2. A statement, witnessed by two individuals, that there are no living children.

D. In Loco Parentis. A person who stood in loco parentis (in the place of a parent) does not qualify for the death gratuity as a "parent" of the member. A member must designate such a person in order for that person to qualify as an eligible beneficiary.

E. Mentally Incompetent Beneficiary. If the beneficiary is mentally incompetent, then a photostatic or certified copy of the court order appointing a guardian, trustee, committee, or other such person is required.

F. Effect of a Will. A will does not constitute a legal designation for death gratuity since such payment is not money or debt due the member and thus cannot become part of the member's estate.

360205. Determinations Affecting Entitlement

A. Death as Lawful Punishment. No death gratuity is payable in the case of a member whose death is the result of a lawful punishment for a crime or military offense, except when such death was inflicted by any hostile force with which the Armed Forces of the United States had engaged in armed conflict.

B. Member Killed by Beneficiary. No death gratuity is payable to a beneficiary or survivor who kills a member unless there is evidence that clearly absolves such beneficiary or survivor of any felonious intent.

C. Unauthorized Absence or Desertion

1. Absence Without Leave (AWOL) or Absence Over Leave (AOL). A death gratuity is payable in the case of a member whose death occurs while he or she is in an unauthorized absence status, either AWOL or AOL, including being in custody of civil authorities, provided the date of death is prior to the normal expiration of contracted duty.

2. Desertion. No death gratuity is payable in the case of a member who is a declared deserter at the time of his or her death unless it is later found that the declaration was in error.

360206. Amounts Payable and Exemptions

A. The amount of death gratuity is $100,000.

B. Death gratuity payments may not be used to satisfy indebtedness (including overpayments).

C. The death gratuity amount is excluded from gross income for tax purposes. Also, see Chapter 44, Table 44-1, Rule 16.

360207. Expediting Payments

Immediate payment of a death gratuity (within 24 hours, if possible) will be made when the eligible beneficiary can be determined, and there is no doubt as to the propriety of payment.

360208. Responsibility for Payment of Death Gratuity

See Tables 36-2 through 36-6.

360209. Erroneous Payment

An erroneous payment of death gratuity is one made to a person clearly not entitled to it because of administrative error and not because of statements of record made by the member.

A. Make a second payment to the rightful beneficiary when the error resulted from improper maintenance of records or administrative negligence. Do not delay this payment pending recovery of the erroneous payment from the ineligible recipient.

B. Do not make a second payment of death gratuity to a different person if the original payment was based on statements of record made by the member, and the government has no reason to doubt that the beneficiary's status was as stated.

3603 SETTLING DECEASED MEMBERS' ACCOUNTS

360301. General

Payment of any unpaid pay and allowances due on behalf of a deceased member of the Armed Forces will be made to the designated or non-designated beneficiary as defined in paragraphs 360303 or 360304. Unpaid pay and allowances include:

A. Pay and allowances due and unpaid at death, including settlement of accrued leave (subject to limitation in Chapter 35, subparagraph 350201.A.4.c). Entitlement restrictions apply.

1. Family Separation Allowance (FSA). If a member dies within the first 30-days of qualifying duty, then the member is not entitled to FSA-Ship (S) (Chapter 27, subparagraph 270203.A.2) or FSA-Temporary (T) (Chapter 27, subparagraph 270203.A.3). FSA-S and FSA-T will be excluded from the final settlement of the member's military pay account.

2. Hardship Duty Pay – Location (HDP-L). If a member dies within the first 30-days of qualifying duty, then the member is not entitled to HDP-L (Chapter 17, paragraph 170202). HDP-L will be excluded from the final settlement of the member's military pay account;

B. Amounts due for travel, per diem, transportation of dependents, and shipment of household goods;

C. Member's savings deposits and interest thereon;

D. If a member dies before receiving the full amount of the bonus due (including contracted future year anniversary payments) and if death is not caused by the member's misconduct, then the remaining unpaid bonus balance is payable as a lump sum for inclusion in the settlement of the deceased member's final military pay account. If death is determined to be the result of the member's own misconduct, then termination of future payments and proration or recoupment of the bonus, as applicable, will be made in accordance with procedures established

for members whose inability to complete a contracted period of service is voluntary or the result of misconduct; or

E. Proceeds of any checks for items in subparagraphs 360301.A through D, un-negotiated by the member before death.

360302. Entitlement

A. Upon official notification of the death or finding of death, any amounts due the decedent are paid to the person(s) determined to be the eligible beneficiary or beneficiaries.

B. Any payments made under this section prohibit recovery of those payments by any other person.

C. When a minor child, otherwise eligible, is a designated or non-designated beneficiary, payment will be made according to the provisions of subparagraphs 360204.B.5 and 360204.B.6.

360303. Designated Beneficiary

Current laws allow a member to designate anyone, related or not, to receive the member's unpaid pay and allowances upon death. Designation of a beneficiary for unpaid pay and allowances must have been executed by the member and filed in accordance with regulations governing such designations. When more than one beneficiary has been named, the percentages specified by the member govern payment. If no percentages have been specified, then payment will be divided equally among designated beneficiaries.

360304. Non-designated Beneficiary

A. Order of Precedence. In cases of deceased members who have not designated a beneficiary, the following rules apply in determining the order of precedence:

1. The surviving spouse of a member;

2. If no surviving spouse, then the child or children of the member and descendants of deceased children, by representation;

3. If no survivor in accordance with subparagraphs 360304.A.1 or 2, then the parents of the member, in equal shares, or to the surviving parent;

4. If no survivor in accordance with subparagraphs 360304.A.1 through 3, then the duly appointed legal representative of the member's estate; or

5. If no survivor in accordance with subparagraphs 360304.A.1 through 4, then the person(s) determined to be entitled under the laws of the state in which the member was domiciled.

B. Adopted Child. An adopted child is a legal heir in every state and is, therefore, entitled to payment of unpaid pay, and allowances if otherwise proper. If the deceased member's child is adopted by others, then the child is a beneficiary only in those states where an adopted child inherits from the child's natural parent.

C. Stepchild. A stepchild is not an eligible beneficiary unless adopted by the deceased member.

D. Illegitimate Child. An illegitimate child may be paid the unpaid pay and allowances of a deceased member when:

1. The child has been acknowledged in writing, and signed by the decedent;

2. The child has been judicially determined, before the decedent's death, to be the member's child;

3. The child has been otherwise proved, by evidence satisfactory to the Secretary of Veterans Affairs, to be child of the decedent; or

4. The decedent had been judicially ordered to contribute support.

360305. Responsibility for Settlement of Accounts

Accounts of deceased members are settled as prescribed in the procedural instructions of the Military Service concerned.

360306. Tax Abatement

See Chapter 44, paragraph 440204 if the member's death was caused by terrorist or military action overseas.

360307. Bonuses and Special Pays

If the decedent was receiving any bonuses and/or special pays, then the provisions of Chapter 2 will apply.

360308. Advance of Pay

The following applies to a deceased member's final pay computation:

A. Except for an advanced pay paid under the provisions of Chapter 32, paragraph 320203, when a member is in a combat zone and receiving imminent danger or hostile fire pay, advance pays that have not been repaid prior to the death of the member remain a debt to the United States for the unliquidated amount. Advance pays paid under paragraph 320203 and not fully collected at the time of death will not be collected against the estate of a deceased member.

B. A member may receive an early payment of pay and allowances due to a regular payday falling on a weekend or legal holiday. If the member dies before the last day of that pay period, then no collection will be taken for any extra days of pay received.

Table 36-1. Eligible Beneficiaries - Death Gratuity

RULE	A **Death gratuity is payable to the following living survivor(s), of the deceased member as listed (note 1)**	B **which is defined as**
1	lawful spouse	a man or woman legally married to a member at the time of death.
2	child, or children, without regard to age or marital status, in equal shares (note 2)	a legitimate child.
3		a legally adopted child.
4		a stepchild if such child was a member of the decedent's household. If the marriage that gave rise to the stepparent-stepchild relationship has ended, see subparagraph 360204.B.7 for guidance.
5		an illegitimate child if the father acknowledged the child in writing signed by him; or was judicially ordered to contribute to the child's support; or, was prior to his death judicially or otherwise shown by satisfactory evidence to be the father of the child; an illegitimate child of a female member as evidenced by birth certificate or other satisfactory evidence that member was mother of the child.
6	surviving parent(s) in equal shares (note 3)	the natural father or mother.
7		the father or mother through adoption.
8	other person(s)	any next of kin of the member entitled under the laws of the domicile of the member at the time of the member's death.

NOTES:

1. A member may elect to designate one or more persons instead of or in addition to his/her spouse as beneficiary as defined in paragraph 360203. Unless a specific percentage is shown, payment is divided equally among all designated beneficiaries. If no designation was made, then the death gratuity is to be paid to the living survivor(s) first listed in column A. See paragraph 360203.
2. If any of the member's children are deceased at the time of payment, payment is made to the descendants of deceased children, by representation. See subparagraph 360203.B.
3. Only one father or mother is recognized in any case. Give preference to those who exercised a parental relationship on the date, or most nearly before the date, on which the member died.

Table 36-2. Responsibility for Payment of Death Gratuity - General

RULE	A If the deceased	B then payment is made by
1	was a member of the Army, Army National Guard, or Army Reserves (note 1)	the Defense Finance and Accounting Service (DFAS) Indianapolis (IN) or the member's servicing finance center as specified in Table 36-3.
2	was a member of the Navy or Navy Reserves (note 1)	DFAS Cleveland (CL) or the designated disbursing officer as specified in Table 36-4.
3	was a member of the Air Force, Air National Guard, or Air Force Reserves (note 1)	DFAS-IN or the finance office located nearest the beneficiary as specified in Table 36-5.
4	was a member of the Marine Corps or Marine Corps Reserve (note 1)	DFAS-CL as specified in Table 36-6.
5	is retired and dies within 120-days of retirement (note 2)	DFAS-CL, Retired and Annuitant Pay
6	was discharged under honorable conditions, and dies within 120-days of separation (note 2)	the DFAS site responsible for servicing the deceased member's military pay account.
7	is a member whose death is determined by administrative finding under the Missing Persons Act	
8	was a member of a Senior ROTC (SROTC) (note 3)	
9	is a person who dies while traveling to, from, or while at a place for final acceptance or for entry upon active duty (other than for training) in the Military Service; who has been ordered or directed to go to that place, and who has been provisionally accepted for that duty; or selected, under the Military Selective Service Act, for duty in that Military Service	the DFAS site that would have maintained the individual's military pay account.

NOTES:

1. Includes a National Guard or Reserve member who dies while traveling directly to or from active duty for training or inactive duty training.
2. Includes a former member who dies during the 120-day period beginning on the day following date of discharge or release, under honorable conditions, from active duty (including retirement for either disability or length of service). In this case, the Secretary of Veterans Affairs must determine that death resulted from disease or injury incurred or aggravated while the member was on active duty or while in authorized travel status to or from such duty.
3. Any member of a SROTC who dies while performing annual training duty under orders for a period of more than 13-days or while performing authorized travel to or from that annual training duty; or any applicant for membership in an ROTC who dies while attending field training or a practice cruise, or while performing authorized travel to or from the place where the training or cruise is conducted.

Table 36-3. Responsibility for Payment of Death Gratuity - Army

RULE	A	B
	If the beneficiary is a(n)	**then death gratuity is settled by**
1	Adult	the deceased members' servicing finance office. (note 1)
2	Minor	DFAS-IN.
3	Doubtful case (note 2)	DFAS-IN.

NOTES:

1. The deceased member's servicing finance office will be responsible for making payment for all adult beneficiaries who fall within the established guides of paragraph 360203.
2. Doubtful cases include:
   a. All cases coming under subparagraphs 360205.A, B, C, or any questionable cases under paragraph 360204;
   b. Common law widow or widower; or
   c. A member's minor child, an adopted child without properly certified court adoption papers, and an illegitimate child.

Table 36-4. Responsibility for Payment of Death Gratuity - Navy

	A	B	C	D
RULE	**When eligibility of beneficiary or propriety of payment is**	**and determination is made that eligible beneficiary is**	**and**	**then death gratuity is paid by**
	not doubtful	a lawfully designated beneficiary	Navy Casualty Assistance (N135C) certifies beneficiary and payment amount,	DFAS-CL upon authorization from N135C.
2			beneficiary requests local payment, after N135C certifies beneficiary and payment amount,	the disbursing officer authorized by N135C to make payment.
3	doubtful (notes 1, 2, and 3)	required to be determined by N135C	N135C certifies beneficiary and payment amount,	DFAS-CL upon authorization from N135C.

NOTES:

1. Doubtful cases include “common law widow or widower.”
2. All cases coming under subparagraph 360204.F and paragraph 360205 are doubtful cases.
3. Doubtful cases include a member’s minor child, adopted child without properly certified court adoption papers, and an illegitimate child.

Table 36-5. Responsibility for Payment of Death Gratuity - Air Force

RULE	A When eligibility of beneficiary or propriety of payment is	B and determination is made that eligible beneficiary is	C and	D then death gratuity is settled by
1	not doubtful	a lawful spouse (notes 1 and 2); or adult child or children (notes 2 and 3); or a designated relative (notes 2, and 4). Minor children are paid by DFAS along with those identified in rule 3	upon receipt of notification of death (note 5)	the finance officer located nearest the residence of the beneficiary.
2		a designated non-relative		
3	doubtful	one of those listed in notes 1, 2, and 3		DFAS-IN.

NOTES:

1. DFAS-IN settles death gratuity payment to "common-law widow or widower."
2. DFAS-IN settles all cases coming under subparagraphs 360205.A, B, or C, and any questionable cases under subparagraph 360204.F.
3. DFAS-IN settles doubtful cases, including: all minor children, all adopted children without properly certified court adoption papers, and all illegitimate children.
4. Relatives consist of a member's parents, brothers, sisters, or any combination thereof.
5. If death occurs while a member is on a Permanent Change of Station move, then the "losing" home installation notifies.

Table 36-6. Responsibility for Payment of Death Gratuity - Marine Corps

RULE	A When the CO determines that the eligible beneficiary is	B and eligibility of beneficiary or propriety of payment is	C and	D and	E then death gratuity is paid by
1	a lawful spouse or a designated parent	not doubtful	the spouse or parent resides with the member at or near member's duty station or in the vicinity of the member's home port	the disbursing officer has access to member's pay and service records	DFAS-CL upon Commandant of the Marine Corps Casualty Section authorization.
2				payment is requested by the CO of an activity located in an outlying area	
3				member's unit is deployed, and the CO of the deployed unit requests by message that payment be made	
4	a lawful spouse, child or children,	doubtful (notes 2, 3, and 4)			
5	designated, or non-designated relatives (note1)	not doubtful	the relative did not reside with the member at or near member's duty station or home port		
6				payment is requested by the CO of an activity located near residence of the designated beneficiary	

NOTES:

1. Relatives consist of a member's parents, brothers, sisters and other next of kin of the member entitled under the laws of domicile of the member at the time of the member's death.
2. Doubtful cases include "common law widow or widower."
3. All cases coming under subparagraph 360204.F and paragraph 360205.
4. Doubtful cases include a member's minor child, an adopted child without properly certified court adoption papers, and an illegitimate child.

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CHAPTER 36 – PAYMENTS ON BEHALF OF DECEASED MEMBERS

3602 – DEATH GRATUITY

	360201	Title 10, United States Code (U.S.C.), sections 1475-1480
*	360201.E	10 U.S.C. § 1475(a)(3)
	360203	10 U.S.C. § 1477
	360204.B.6	24 Comptroller General (Comp Gen) 320
	360205.B	34 Comp Gen 103
	360205.C.1	29 Comp Gen 294 31 Comp Gen 645
	360206	10 U.S.C. § 1478
	360209	37 Comp Gen 131

3603 – SETTLING DECEASED MEMBERS' ACCOUNTS

	360301	10 U.S.C. § 2771 37 U.S.C. § 501(d)
	360301.A.1	37 U.S.C. § 427(a)(2)
	360301.A.2	Assistant Secretary of Defense Force Management Policy Memo, December 21, 2000
	360302	10 U.S.C. § 2771 Comp Gen B-187037, October 22, 1976
	360304.B and C	Comp Gen B-91021, February 6, 1950
	360304.D	10 U.S.C. § 1477(d)(5)
	360308.A	37 U.S.C. § 212(c) 37 U.S.C. § 1006(d)
	360308.B	37 U.S.C. § 1006 (h)
	Table 36-3	Military Pay E-Message 09-020
*	Table 36-4	Military Personnel Manual 1770-280, August 4, 2014

VOLUME 7A, CHAPTER 37: "BENEFITS FOR MEMBERS HELD AS CAPTIVES"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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

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

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

The previous version dated January 2015 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated chapter formatting to comply with current administrative instructions.	Revision
370101 370102	Added the "Purpose" and "Administrative Guidance" paragraphs to comply with current administrative instructions.	Addition
370202.A	Updated the address of the Office of the Under Secretary of Defense (Personnel and Readiness) (Military Personnel Policy/Compensation).	Revision
Bibliography	Updated statutes and references in the bibliography.	Revision

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CHAPTER 37

BENEFITS FOR MEMBERS HELD AS CAPTIVES

3701 GENERAL

*370101. Purpose

This chapter describes the policy provisions for benefits for members who are held as captives as determined by the Secretary of Defense (SecDef).

*370102. Authoritative Guidance

The bibliography at the end of this chapter lists the authoritative references.

3702 FORMER CAPTIVE PAYMENT

370201. Entitlement Provisions

A former captive is a member who was held in a captive status. Entitlement may only be authorized by the SecDef. Once the SecDef makes a "hostile action" determination, which is the authority for former captive payments, the Military Service Secretaries will provide the names and dates of entitlements to their respective Defense Finance and Accounting Services (DFAS) Center. Entitlement dates may not include any of the following without specific case-by-case approval of the SecDef:

A. Dates in a captive status which are not dates of actual physical custody by a hostile force (for example, dates evading capture where the presence of a hostile force prevented escape or rescue); or

B. Dates that are doubtful that the missing status was the result of hostile action or was the result of membership in the Uniformed Services. Commanders will forward any request with justification via the appropriate Military Service chain of command. When authorized, the DFAS Center concerned will make payment.

370202. Rates

* A. For each day a member was held in a captive status, payment is 50 percent of the world-wide average per diem rate. Status beginning and ending days (for example, day of return to military control) are days of entitlement. Payment must be made within 1 year after the member's captive status ends. Rates will be obtained from the Office of the Under Secretary of Defense (Personnel and Readiness) (Military Personnel Policy/Compensation), 1500 Defense Pentagon, Washington, D.C. 20301-1500.

B. Former captives may receive more than the 50 percent rate when specifically approved by the SecDef. Recommendations justifying a higher percentage will be forwarded through command channels via the appropriate Military Service Secretary.

370203. Death of Member

If a member dies while in a captive status, any amount due is considered pay and allowances for the purposes of Chapter 34.

370204. Exceptions

A. The SecDef may defer payment for anyone (within the 1-year payment window) charged with a captivity-related offense and may deny payment if the member is convicted. If convicted, whether or not payment has been made, commanders will forward the case to the SecDef with justified recommendations for payment determination. Payments previously made and later denied must be collected.

B. No payment is authorized when the Congress specifically provides for prisoner of war (POW) compensation for captivity periods. See section 3703.

370205. Taxability

Payments to former captives generally are not taxable if the captive status resulted from the deprivation of personal rights, such as terrorist activity. However, if the captive status resulted from an engagement with another nation's armed forces, then payment may be taxable and reported as taxable income. See Chapter 44, Table 44-1 for possible applicability of the combat zone tax exclusion.

3703 POW COMPENSATION

Payment authorized by the Congress, for a specific period of captivity as a POW, is made by the Secretary of the Treasury, and is not considered to be a Uniformed Services pay and allowances entitlement. DFAS is not involved in this payment procedure or its tax reporting consequences.

3704 SAVINGS ALLOTMENT

Military Service Secretaries may allot part or all of a captive's pay and allowances (except what is already allotted) to an interest-bearing savings fund that is maintained by the Secretary of the Treasury. The Secretary of the Treasury establishes the withdrawal procedures for this savings fund.

*BIBLIOGRAPHY

CHAPTER 37 - BENEFITS FOR MEMBERS HELD AS CAPTIVES

3702 Former Captive Payment

Title 5, United States Code (U.S.C.), Section 5569 (d) (2)
37 U.S.C. § 551
37 U.S.C. § 559 (c)
Public Law 96-449, October 14, 1980
Executive Order 12598, June 17, 1987

370204 37 U.S.C § 559 (a) (1)

3704 Savings Allotment

37 U.S.C. § 559 (b)

VOLUME 7A, CHAPTER 38: "SERVICE ACADEMY CADETS, MIDSHIPMEN, AND SERVICE ACADEMY PREPARATORY SCHOOL STUDENTS"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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

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

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

The previous version dated May 2015 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
Table 38-1	Updated the rations rate for the calendar year 2016 in accordance with the "Food Service Charges at Appropriated Fund Dining Facilities and the Military Academies" as listed on the Office of the Under Secretary of Defense-Comptroller website.	Revision
Bibliography	Updated references.	Revision

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CHAPTER 38

SERVICE ACADEMY CADETS, MIDSHIPMEN, AND SERVICE ACADEMY PREPARATORY SCHOOL STUDENTS

3801 GENERAL

380101. Purpose

This chapter establishes policy pertaining to the pay and allowances for cadets at the United States Military Academy, the United States Air Force Academy, the Coast Guard Academy, and midshipmen at the United States Naval Academy.

380102. Authoritative Guidance

The bibliography at the end of this chapter lists the authoritative references.

3802 ENTITLEMENTS

380201. Monthly Pay

Cadets at the United States Military Academy, the United States Air Force Academy, and midshipmen at the United States Naval Academy are entitled to pay at the monthly rate of 35 percent of the basic pay of a commissioned officer in the pay grade O-1 with less than 2 years of service. This monthly rate is prescribed in Chapter 1, Table 1-7.

380202. Rations

Cadets and midshipmen are entitled to commuted rations at the daily rate established by the Office of the Under Secretary of Defense (Comptroller) as prescribed in Table 38-1.

380203. Incentive and Special Pays

Cadets and midshipmen are not entitled to incentive pay for hazardous duty or special pay for duty subject to hostile fire or imminent danger.

380204. Start and Stop Dates

See Table 38-2.

380205. Continuance of Pay and Allowances

Pay and allowances continue to accrue to cadets or midshipmen while they are absent in an official missing or missing-in-action status. See Chapter 34. Cadets and midshipmen also are entitled to full pay while traveling under orders.

380206. Death Benefits

Death gratuity entitlement and settlement of unpaid pay and allowances instructions are contained in Chapter 36.

380207. Settlement for Unused Accrued Leave

Cadets and midshipmen do not earn leave; therefore, they are not entitled to lump-sum leave benefits.

3803 OTHER STUDENTS

380301. Service Academy Preparatory School Students

A. A student at the United States Military Academy Preparatory School, the United States Naval Academy Preparatory School, or the United States Air Force Academy Preparatory School, who was selected to attend the preparatory school from civilian life, is entitled to monthly student pay at the same rate as provided for cadets and midshipmen.

B. A student at the United States Military Academy Preparatory School, the United States Naval Academy Preparatory School, or the United States Air Force Academy Preparatory School, who, at the time of the student's selection to attend the preparatory school, was an enlisted member of the Uniformed Services, will receive the monthly basic pay at the rate prescribed for the student's pay grade and years of service as an enlisted member or at the rate provided for cadets and midshipmen under section 3802, whichever is greater.

380302. Foreign Cadets and Midshipmen

Persons from a foreign nation, who are receiving instruction at the Military Service academies are entitled to the same pay, commuted rations, and travel and transportation allowances as are authorized for United States cadets and midshipmen.

3804 DEDUCTIONS FROM MONTHLY PAY

380401. Allotments

The Military Department concerned determines whether cadets and midshipmen may register allotments of pay.

380402. Collections of Indebtedness

For general policies and requirements relating to the collection of indebtedness, see Volume 16. Private indebtedness for services (laundry, dry cleaning, shoe repair, e.g.) is not an indebtedness collectible under Volume 16.

380403. Servicemembers' Group Life Insurance (SGLI)

Academy cadets and midshipmen are eligible for SGLI coverage while on full-time duty as a cadet or midshipman at a Service academy. See Chapter 47. Details covering the administration of the SGLI program for cadets or midshipmen are contained in the pay procedural instructions of the Military Service academy concerned.

380404. Taxes

The basic pay of cadets and midshipmen is subject to Federal and state withholding tax (Chapter 44) and Federal Insurance Contribution Act tax (Chapter 45).

3805 ADVANCE PAY FOR CLOTHING AND EQUIPMENT PURCHASES

380501. General

The Secretary of the Military Department concerned prescribes the amount to be advanced each new cadet or midshipman to cover the cost of initial clothing and equipment. The amount advanced is deducted in regular installments from the cadet's or midshipman's monthly pay until fully collected. Any cadet or midshipman who is discharged (whether voluntarily or involuntarily) before graduation and before the total amount has been repaid, must turn in as much of the clothing and equipment of a distinctive military nature as is necessary to liquidate the balance owed.

380502. Discharge

If a cadet or midshipman is discharged and the value of the turned-in clothing and equipment does not cover the balance owed, then the value of the turned-in clothing and equipment is applied to the balance owed and the remainder of the advance owed is cancelled, regardless of reason for discharge.

3806 TRAVEL AND TRANSPORTATION ALLOWANCES

The travel and transportation allowances payable to cadets and midshipmen are prescribed in ***Joint Travel Regulations, Chapter 7, Part X, U7650***.

*Table 38-1. Ration Rates

Effective	Breakfast	Lunch	Dinner	Total
October 1, 1999	$1.05	2.15	2.15	$5.35
October 1, 2000	$1.05	2.20	2.20	$5.45
October 1, 2001	$1.10	2.25	2.25	$5.60
October 1, 2002	$1.15	2.30	2.30	$5.75
October 1, 2003	$1.20	2.35	2.35	$5.90
October 1, 2004	$1.25	2.55	2.55	$6.35
October 1, 2005	$1.30	2.60	2.60	$6.50
October 1, 2006	$1.30	2.65	2.65	$6.60
October 1, 2007	$1.35	2.80	2.80	$6.95
October 1, 2008	$2.10	3.85	3.85	$9.80
January 1, 2009	$2.30	4.25	4.25	$10.80
January 1, 2010	$2.30	4.25	4.25	$10.80
January 1, 2011	$2.30	4.25	4.25	$10.80
January 1, 2012	$2.45	4.55	4.55	$11.55
January 1, 2013	$2.50	4.60	4.60	$11.70
January 1, 2014	$2.55	4.65	4.65	$11.85
January 1, 2015	$3.45	5.55	4.85	$13.85
January 1, 2016	$3.05	4.90	4.30	$12.25

NOTE: If current year is not listed, see Reimbursable Rates at the Office of the Under Secretary Defense ***(Comptroller) Website***, Tab G.

Table 38-2. Dates to Start and Stop Pay and Allowances

RULE	A When a cadet or midshipman	B then pay and allowances
1	has been admitted officially to one of the Service academies	start on the day of admission (note 1).
2	has been discharged and later reappointed to one of the Service academies	are stopped on date of discharge, and start again on day of reappointment (note 1).
3	has been dismissed by sentence of court-martial	stop on the date of termination of service as specified in orders directing dismissal.
4	has been dismissed from the academy by other than court-martial action before graduating	stop on date of dismissal.
5	dies before graduation	stop on the date of death.
6	is appointed a second lieutenant in the Army or Air Force upon graduation	stop on the day before the date of graduation.
7	is commissioned in the Regular Navy or Marine Corps	stop on the day before the date of formal acceptance of appointment.
8	is placed voluntarily in a leave without pay status	stop on the day before the member enters a leave without pay status. If the member is readmitted to the academy, then the pay and allowances start again, on the day of readmission.
9	is not appointed a second lieutenant in the Army immediately upon graduation	continue until the member is appointed a second lieutenant or is discharged (note 2).

NOTES:

1. An Oath of Allegiance must be taken before first payment is made.
2. In case of appointment, active duty pay is payable from date of graduation (Table 1-3, Rule 5); therefore, an adjustment is necessary between cadet pay received and active duty pay due.

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CHAPTER 38 – SERVICE ACADEMY CADETS, MIDSHIPMEN, AND SERVICE ACADEMY PREPARATORY SCHOOL STUDENTS

3802 – ENTITLEMENTS

380201	Title 37 United States Code, (U.S.C.), Section 203 (c)
380202	37 U.S.C. § 422 (b) 43 Comptroller General (Comp Gen) 94
380203	30 Comp Gen 31 47 Comp Gen 781
380206	26 Comp Gen 373
380207	37 U.S.C. § 504

3803 – OTHER STUDENTS

380301.A	37 U.S.C. § 203 (e) (1)
380301.B	37 U.S.C. § 203 (e) (2)
380302	10 U.S.C. § 4344, 4345, 6957, 9344

3804 – DEDUCTIONS FROM MONTHLY PAY

380403	38 U.S.C. § 1965, 1967

3805 – ADVANCE PAY FOR CLOTHING AND EQUIPMENT PURCHASES

10 U.S.C. 4350; § 6960; 9350
DFAS DGD/DE Memo, May 21, 2002

*Table 38-1 Office of the Under Secretary of Defense – Comptroller Website, Calendar Year 2016 Reimbursable Rates, Tab G

Table 38-2

Rule 6	37 U.S.C. § 204 (f)
Rule 8	46 Comp Gen 261

VOLUME 7A, CHAPTER 39: "PAY OF SERVICE ACADEMY OFFICIALS"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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

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

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

The previous version dated October 2014 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current administrative instructions.	Revision
390101 390102	Inserted "Purpose" and "Authoritative Guidance" paragraphs to comply with administrative instructions.	Addition

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CHAPTER 39

PAY OF SERVICE ACADEMY OFFICIALS

3901 GENERAL

*390101. Purpose

This chapter establishes policy guidance pertaining to the pay of Military Service academy officials.

*390102. Authoritative Guidance

The bibliography at the end of this chapter lists the authoritative references.

3902 PROVISIONS

A commissioned officer serving as an appointed official at a Military Service academy is entitled to the pay grade, pay, and allowances held by law for the position. A commissioned officer detailed as an official at a Military Service academy is not entitled to an increase in pay and allowances because of such detail, except as provided. The leader of the Naval Academy Band has the pay grade prescribed for such positions by the Secretary of the Navy.

3903 PAY AND ALLOWANCES

The pay and allowances authorized for academy officials are indicated in Table 39-1 (Pay and Allowances - Academy Officials).

3904 PERSONAL MONEY ALLOWANCES

The personal money allowances authorized for the Superintendent of the United States Naval Academy and the Commandant of Midshipmen may be spent at their discretion for the contingencies of their positions. See Chapter 31.

3905 LIBRARIAN

An officer of the Regular Army retired from active service may be detailed on active duty to serve as librarian of the United States Military Academy. While serving as librarian, the officer is entitled to the pay and allowances prescribed for the officer's grade and cumulative years of service. Include the time spent in retirement in the computation of the officer's cumulative years of service.

3906 LEAVE OF ABSENCE - FACULTY AND OTHER OFFICERS

Professors, assistant professors, instructors, and other officers at either the United States Military Academy or the United States Air Force Academy may be granted a leave of absence for the period of suspension of the ordinary academic studies. Such leave is allowed to be granted by the superintendent concerned without deduction of pay and allowances.

3907 TRAVEL AND TRANSPORTATION ALLOWANCES

Members serving as officials at Military Service academies are entitled to the travel and transportation allowances prescribed in the Joint Travel Regulations, Chapter 4.

Table 39-1. Pay and Allowances — Academy Officials

RULE	A	B			C	D
	When an officer is serving as	at the United States			and	then the officer is entitled to the pay and allowances prescribed for
		Military Academy	Naval Academy	Air Force Academy		
1	Superintendent	X		X		the officer's military grade and cumulative years of service.
2			X			the officer's military grade and cumulative years of service, plus a personal money allowance of $5,200 per year.
3	Dean of the Academic Board	X				a brigadier general using the officer's cumulative years of service.
4	Dean of the Faculty			X		
5	Commandant of Cadets	X		X		the officer's military grade and cumulative years of service.
6	Commandant of Midshipmen		X			the officer's military grade and cumulative years of service, plus a personal money allowance of $800 per year (note 1).
7	Permanent Professor	X		X	is serving as head of a department or has been a permanent professor for more than 6 years	a colonel using the officer's cumulative years of service.
8					is not serving as head of a department and has been a permanent professor for 6 years or less	a lieutenant colonel using the officer's cumulative years of service (note 2).

Table 39-1. Pay and Allowances — Academy Officials (Continued)

RULE	A	B			C	D
	When an officer is serving as	at the United States			and	then the officer is entitled to the pay and allowances prescribed for
		Military Academy	Naval Academy	Air Force Academy		
9	Permanent Professor		X		has over 36 years of creditable service for pay purposes	the officer's military grade and cumulative years of service, plus additional pay of $250 per month (note 3).
10	Director of Admissions	X		X	has served as Director of Admissions for more than 6 years	a colonel using the officer's cumulative years of service (note 4).
11					has served as Director of Admissions for 6 years or less	a lieutenant colonel using the officer's cumulative years of service (notes 2 and 4).
12	Naval Academy Band Leader		X			the grade prescribed by the Secretary of the Navy (note 5).
13	Second Naval Academy Band Leader		X			a warrant officer W-1 using the officer's cumulative years of service.

NOTES:

1. See Chapter 31, Table 31-1, rule 8.
2. A person appointed from the Regular Army or the Regular Air Force as a permanent professor or the Director of Admissions, who has served in that position for 6 years or less, is entitled to the pay of a colonel after the date on which he or she would have been promoted had he or she been selected for promotion from among officers in the promotion zone.
3. Do not use the additional pay in computation of retired pay.
4. An officer detailed to serve as Director of Admissions, who is serving in a temporary grade higher than those shown in column D, rules 10 and 11, is entitled to the pay and allowances prescribed for the higher temporary grade in which the officer is serving.
5. Compute the applicable number of cumulative years of service as outlined in Chapter 1.

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CHAPTER 39 – PAY OF SERVICE ACADEMY OFFICIALS

3902 – PROVISIONS

Title 37, United States Code (U.S.C.), section 207(e)
37 U.S.C. § 424

3903 – PERSONAL MONEY ALLOWANCES

37 U.S.C. § 414(b)

3906 – LEAVE OF ABSENCE - FACULTY AND OTHER OFFICERS

10 U.S.C. § 4341
10 U.S.C. § 9341

Table 39-1

Rule 1	10 U.S.C. § 4334
	10 U.S.C. § 9334
Rule 2	37 U.S.C. § 414(b)
Rule 3	10 U.S.C. § 4335(b)
Rule 4	10 U.S.C. § 9335
Rule 5	10 U.S.C. § 4334
	10 U.S.C. § 9334
Rule 6	37 U.S.C. § 414(b)
Rule 7 & 8	10 U.S.C. § 4336(a)
	10 U.S.C. § 9336(a)
Rule 9	37 U.S.C. § 203(b)
Rule 10	10 U.S.C. § 4336(b)
	10 U.S.C. § 9336(b)
Rule 11	10 U.S.C. § 4336(b)
	10 U.S.C. § 9336(b)
Rule 12	37 U.S.C. § 207(d)
	37 U.S.C. § 424(d)
Rule 13	37 U.S.C. § 207(d)
	37 U.S.C. § 424(d)
Note 2	10 U.S.C. § 4336(a)
	10 U.S.C. § 9336(a)
Note 3	37 U.S.C. § 203(b)
Note 4	10 U.S.C. § 4336(c)
	10 U.S.C. § 9336(c)

VOLUME 7A, CHAPTER 40: "GENERAL PROVISIONS GOVERNING ALLOTMENTS OF PAY (OTHER THAN CHILD AND SPOUSAL SUPPORT ALLOTMENTS REQUIRED BY LAW)"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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

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PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
400101 400102	Added "Purpose" and "Authoritative Guidance" paragraphs to "General" section to comply with administrative guidance.	Addition
4002	Moved content in section 4008 from previous chapter, and renamed section 4002 "Administration of Allotments."	Revision
400302.F	Deleted allotment to Air Force Enlisted Village.	Deletion
400302 400303	Implemented new discretionary allotment policy, effective January 1, 2015.	Revision
400303	Renumbered paragraph 400303 to 400304.	Revision
4007	Deleted X-Class allotments. With mandated electronic fund transfer of pay and more efficient banking capabilities, locally paid allotments for dependents are obsolete.	Deletion
400701	Combined Army and Air Force payment office.	Revision
4008	Added new "Special Situations" section.	Addition
Table 40-1	Deleted table as the information is contained in the text of the chapter.	Deletion
Bibliography	Updated references.	Revision

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CHAPTER 40

GENERAL PROVISIONS GOVERNING ALLOTMENTS OF PAY (OTHER THAN CHILD AND SPOUSAL SUPPORT ALLOTMENTS REQUIRED BY LAW)

4001 GENERAL

*400101. Purpose

This chapter prescribes the general policy for all allotments authorized for deduction from a member's pay account. Military personnel identified in section 4004 may authorize allotments from their pay for the purposes set forth in Chapters 40, 42, and 43. The provisions of this chapter do not apply to child and spousal support allotments started as required by law when a member fails to make periodic payments under a support order. See Chapter 41 for applicable provisions under those circumstances.

*400102. Authoritative Guidance

The bibliography at the end of this chapter lists the authoritative references.

*4002 ADMINISTRATION OF ALLOTMENTS

400201. Establishment, Discontinuance, and Changes to Existing Allotments

An allotment may by established, discontinued, or changed using a properly executed form (e.g., Department of Defense (DD) ***Form 2558***, Authorization to Start, Stop or Change an Allotment), a written request from a member (or from an agent acting under a specific power of attorney), or an automated data exchange system (from specific organizations). A service member's written signature is not required to effect an allotment from pay when automated data exchange is utilized. Members are permitted to use automated computer programs that allow using a personal identification number to establish, discontinue, or change an allotment. Allotments will be established, discontinued, or changed only after the member's identity has been validated.

400202. Administrative Changes

An allottee may make administrative changes without the member's consent. Administrative changes are changes to a financial institution name, address, account number, or routing transit number. Administrative changes will only be made after validation of the allotee's identity.

400203. Administrative Stoppage

When a financial institution notifies the member's servicing allotment payment office that the member's account has been canceled or terminated, the payment office will

administratively stop the allotment. The servicing allotment payment office will immediately credit any monies it receives from the financial institution to the member's account and notify the member of the allotment stoppage.

4003 AUTHORIZED ALLOTMENTS

400301. General

Voluntary allotments of military pay and allowances by service members in active military service are limited to discretionary and non-discretionary allotments.

*400302. Discretionary Allotments

Members are authorized no more than six discretionary allotments. To start a discretionary allotment on and after January 1, 2015, members will certify that, "Under the penalty of the Uniform Code of Military Justice, I certify that this allotment is NOT for the purchase, lease, or rental of personal property or payment toward personal property." The types of authorized discretionary allotments include:

A. Deposits to a financial institution, mutual fund company, or investment firm (for other than the prohibited purposes listed in subparagraph 400303.A); or

B. Voluntary payment to a dependent or other relative. Members may designate discretionary allotments to a spouse, former spouse(s), other dependents, and/or relative(s) not legally designated as a dependent(s). Support allotments may be made payable directly to a court, a state agency, a court trustee, a welfare agency, or to a child's guardian or custodian. This allotment may be made payable to a financial organization for credit to the allottee's account; or

C. Payment of premiums for insurance; or

D. Payment of mortgage or rent for real property; or

E. Deposits into the Savings Deposit Program.

*400303. Discontinuance and Grandfathering of Discretionary Allotments

A. Discontinuance

Effective January 1, 2015, members are not authorized to start allotments for the purchase, lease, or rental of personal property. Personal property includes vehicles (e.g. automobiles, motorcycles, or boats), appliances or household goods (e.g., a washer, dryer, furniture), electronics (e.g., a laptop, tablet, cellphone, or television), and other consumer items that are tangible and movable.

B. Grandfathering

Allotments described in subparagraph 400303.A that exist on a member's pay account prior to January 1, 2015, may continue, and members may change the amount of these existing allotments.

400304. Non-Discretionary Allotments

Non-discretionary allotments of military pay and allowances by members in active military service are limited to the following:

A. Purchase of U.S. savings bonds through ***TreasuryDirect®***;

B. Repayment of loans to the Army Emergency Relief, Navy and Marine Corps Relief Society, Air Force Aid Society, and American Red Cross;

C. Voluntary liquidation of indebtedness to the United States that includes the following:

1. Indebtedness incurred due to defaulted notes insured by the Federal Housing Administration or guaranteed by the Department of Veterans Affairs; or

2. Payment of amounts due under the Retired Serviceman's Family Protection Plan, in the case of retired Military Service members serving on active duty;

D. Any other indebtedness to any department or agency of the United States Government (USG) (except to the Military Department that pays the member);

E. Any repayment of debts owed to an organization for funds administered on behalf of the USG and any such debts assigned to a collection agency;

F. Payment for pledges for charitable contributions to the following:

1. Combined Federal Campaign (CFC); only one such allotment is authorized for any Military Service member;

2. Army Emergency Relief, Navy and Marine Corps Relief Society, or Affiliates of the Air Force Assistance Fund; only one such allotment is authorized for any Military Service member;

G. Allotments to the Department of Veterans Affairs for deposit to the Post-Vietnam Era Veterans Educational Assistance Program. The allotment must be divisible by $5 and with a minimum amount of $25 and not more than $100. Upon the Service member's authorization, the allotment must run a minimum of twelve consecutive months, unless the member suspends participation or terminates enrollment due to personal hardship or release from active duty;

H. Payment of delinquent federal, state, or local income or employment taxes; or

I. Lease payments when members are assigned to privatized housing units under the Military Housing Privatization Initiative. See Chapter 43, section 4305.

4004 ELIGIBLE ALLOTTERS

400401. Members on Extended Active Duty

Commissioned and warrant officers, and enlisted members on extended active duty may make pay allotments.

400402. Allotments Continued to Retired Status

To aid members in the transition from active duty to retired status, members on active duty may transfer all existing authorized discretionary allotments to the retired pay system as approved allotments.

4005 PAY AND ALLOWANCES WHICH MAY BE ALLOTTED

400501. Maximum Amount for Allotment

For members assigned within the continental United States, include the following items in computing the maximum amount of pay and allowances that may be allotted:

A. Basic Pay;

B. Basic allowance for housing for members with dependents and members without dependents including family separation housing;

C. Basic allowance for subsistence;

D. Incentive Pays:

1. Aviation Career Incentive Pay;

2. Career Enlisted Flyer Incentive Pay;

3. Hazardous Duty Pay; and

4. Submarine Duty Pay;

E. Special Pays:

1. Assignment Incentive Pay;

2. Special Pays for Dental, Medical, Board Certified Nonphysician Health Care Provider, Nonphysician Health Care Provider, Nurse Anesthetists, Optometry, and Reserve Health Care Professionals in Critically Short Wartime Specialties, Reserve Medical, Veterinary, and Pharmacy officers;

3. Career Sea Pay;

4. Career Sea Pay Premium;

5. Continuation Pays for Nuclear-Qualified, Engineering and Scientific, Judge Advocate, and Surface Warfare Officers;

6. Designated Unit Pay;

7. Diplomate Pay for Psychologists;

8. Diving Duty Pay;

9. Enlisted Members Extending at Designated Overseas Locations;

10. Officers Holding Position of Unusual Responsibility and of a Critical Nature; and

11. Special Duty Assignment Pay.

400502. Members Assigned Outside the Continental United States

Include the following pay and allowance items in addition to those listed in paragraph 400501:

A. Cost-of-Living Allowance;

B. Family Separation Allowance – Restricted only;

C. Family Separation for Housing Allowance;

D. Hardship Duty Pay;

E. Hostile Fire/Imminent Danger Pay (applies only to members in a designated areas); and

F. Overseas Housing Allowance.

400503. Amounts Withheld from Pay and Allowances

The following amounts must be withheld from the maximum amount of pay and allowances that may be allotted:

A. Federal, state, and Federal Insurance Contributions Act taxes;

B. The repayment of debts properly chargeable against a member's pay account (does not include repayments of advance pay);

C. Premiums of Servicemembers' Group Life Insurance (SGLI) and Family SGLI; and

D. Montgomery GI Bill deduction.

400504. Commander's Restriction

Commanders may further restrict the total amount a member may allot when necessary to help the member meet essential personal needs.

4006 PERIODS OF ALLOTMENTS

Allotments will deduct for indefinite periods except those made to Military Service relief organizations; to the American Red Cross; to the USG for either repayment of indebtedness or payment of delinquent federal income taxes; for CFC charity drive donations; or for payment of delinquent state or local income or employment taxes.

4007 ALLOTMENT PAYMENT OFFICES

*400701. Air Force and Army

Defense Finance and Accounting Service (DFAS)-Indianapolis pays all Army and Air Force allotments.

400702. Marine Corps and Navy

DFAS-Cleveland pays all Marine Corps and Navy allotments.

*4008 SPECIAL SITUATIONS

400801. Minors

Allotments may not be made payable to children under 16 years of age, but may be made payable to the children's guardian or custodian. Members' spouses are authorized allottees regardless of their age.

400802. Mentally Incompetent Persons

Allotments may not be made payable to mentally incompetent persons. However, they may be made payable to a guardian or to the institution where a mentally incompetent person is confined.

400803. Power of Attorney

The holder of a member's special power of attorney may use that document to establish, change, or stop an allotment. The special power of attorney must specifically state the authority to establish, change, or stop allotments. A general power of attorney is not acceptable to establish, change, or stop an allotment.

400804. Member Awaiting Trial by Court Martial

A. Members may not register allotments between the date that a Court Martial is ordered and the date of the approval or disapproval of the sentence, except when the convening authority has instructed a member to establish an allotment for deferred forfeitures.

B. Discontinue allotments whenever:

1. It is necessary to permit collection of the forfeiture in the monthly amount specified and within the time limitation stated in the Court Martial sentence; or

2. A member is sentenced to forfeit all pay and allowances due from the date the convening authority approves the sentence. This applies even though the convening authority defers the forfeitures and suspends the discharge when ordering the sentence into execution.

C. A prisoner may register allotments provided the amount of pay and allowances not forfeited is sufficient to cover allotment deductions.

400805. Returned Absentees, Deserters, and Prisoners

Allotments will not be registered for a returned absentee or deserter, unless the paying DFAS site has verified the member's pay status.

400806. Fraudulent Enlistment

When pay is suspended pending final action on the determination of fraudulent entitlement, pay and allowances are not eligible for allotment.

400807. Reduced Pay of Allotter

Allotments are discontinued when a reduction in grade or stoppage of pay results in insufficient funds for allotments in effect.

4009 RIGHT TO ALLOTMENT IN CASE OF DEATH

400901. Death of Allotter

Upon the death of the member, all allotments are revoked. After receipt of notice of the member's death, the paying allotment office will not make further allotment payments. Deductions made from the member's pay, but not paid to the allottee, become part of the member's arrears of pay. The issuance of a check for an allotment does not constitute payment until it is negotiated and the payee collects the amount. Consequently, an amount for which an allotment check was issued becomes part of the member's arrears of pay when the allotment check is not negotiated. Allotments paid after the member's death may not be collected from the allottee, with two exceptions:

A. Allotments established erroneously after notice of the member's death; and

B. Unearned insurance premiums (insurance premiums paid 1 month in advance of the day payment is due). See Military Service procedural instructions for actions required by the disbursing officer maintaining the pay account.

400902. Death of Allottee

When an allottee does not cash or negotiate an allotment check prior to the allottee's death, the check, even if it has been endorsed, does not become part of an allottee's estate. It is not subject to any expense incurred by, or on behalf of, the allottee before or after death. Unnegotiated allotment checks will be returned to the office from which they were issued. Allotment checks that have been returned shall be credited to the member's account or paid in accordance with Military Service instructions if the member has been separated from the Military Service.

4010 ALLOTMENT OVERPAYMENT RESPONSIBILITIES

Reference Volume 5, Chapter 5, section 0507 for determination of liability for disbursing officers. For collections of debts owed to the Department of Defense, refer to Volume 16.

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4001 - GENERAL

Title 37 United States Code (U.S.C.), section 701

4003 - AUTHORIZED ALLOTMENTS

*	400302	Office of the Under Secretary of Defense (OUSD) Comptroller (C) Memo, November 21, 2014
*	400303	OUSD (C) Memo, November 21, 2014
	400304.G	38 U.S.C. § 3201-3243

4009 - RIGHT TO ALLOTMENT IN CASE OF DEATH

B-225873.2, March 28, 1991
B-225873, September 25, 1987
B-169453, April 20, 1970

VOLUME 7A, CHAPTER 41: "GARNISHMENTS AND OTHER INVOLUNTARY ALLOTMENTS"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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

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The previous version dated February 2015 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current administrative instructions.	Revision
410101 410102	Added "Purpose" and "Authoritative Guidance" paragraphs to the "General" section to comply with current administrative instructions.	Addition
410501	Changed paragraph name to "General."	Revision
410501.A	Added subparagraph to define the legal statutes for the processing of "Involuntary Allotments of Pay for Debt Collections Other than Child or Spousal Support."	Addition
Bibliography	Updated statutes and references in the bibliography.	Revision

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CHAPTER 41

GARNISHMENTS AND OTHER INVOLUNTARY ALLOTMENTS

4101 GENERAL

*410101. Purpose

This chapter establishes policy for garnishments assessed against members, allotments for child and spousal support, levies against member's pay and allowances for child support obligations, and involuntary allotments of pay for debt collections other than child or spousal support.

*410102. Authoritative Guidance

The bibliography at the end of this chapter lists the authoritative references.

4102 GARNISHMENT OF PAY FOR ENFORCEMENT OF CHILD SUPPORT AND ALIMONY OBLIGATIONS

410201. General

A. The processing of garnishment orders for child support and/or alimony from the pay of individuals receiving remuneration for employment from the United States is governed by Title 42, United States Code (U.S.C.), section ***659*** and Title 5, Code of Federal Regulations, part ***581***. The purpose of this section is to provide information unique to the collection of child support and/or alimony from the pay of active duty members and members of the Reserve Components (RC). The provisions of 42 U.S.C. § 659 and 5 CFR 581 take precedence when in conflict with this chapter.

B. Moneys due from or payable by the United States to active duty members and members of the RC not on active duty are subject to legal process to enforce a legal obligation to pay child support or alimony. Legal process issued by foreign courts may be honored under this authority if issued by a court of competent jurisdiction of a country with which the United States has an agreement, requiring the United States to honor such process. Such an agreement has been reached with the Federal Republic of Germany for cases where active duty members are stationed in the Federal Republic of Germany (see paragraph 410208 for additional information). When the law of the state or foreign nation in which the issuing court is located conflicts with the federal law, the more restrictive law applies.

410202. Legal Process Defined

Legal process is any writ, order, summons, or other similar process in the nature of a garnishment action. Legal process may be issued by:

A. A court of competent jurisdiction within any state, territory, or possession of the United States;

B. A court of competent jurisdiction in any foreign country with which the United States has entered into an agreement that obligates the United States to honor such process; or

C. An authorized official according to an order of such a court of competent jurisdiction or pursuant to state or local law.

410203. Pay Subject to Garnishment

Except for amounts excluded under paragraph 410204, all moneys due uniformed personnel, regardless of duty status or component, which are considered to be based upon remuneration for employment, are subject to garnishment. The items of pay and bonuses subject to legal process include the following:

A. Basic pay (including Military Service academy cadet, academy officials, and midshipmen pay), but excluding reduction for educational benefits under the Montgomery G.I. Bill (MGIB);

B. Special pay (including enlistment and reenlistment bonuses);

C. Incentive pay;

D. Accrued leave payments (basic pay portion only);

E. Readjustment pay;

F. Severance pay (including disability severance pay);

G. Lump-Sum Reserve bonus;

H. Inactive duty training pay; and

I. Separation pay, Voluntary Separation Incentive (VSI), Special Separation Benefit (SSB), Reservists' Special Separation Pay, and Reservists' Involuntary Separation Pay.

410204. Pay and Allowances Not Subject to Garnishment

The following items of pay and allowances are not subject to legal process:

A. Basic allowance for subsistence;

B. Basic allowance for housing;

C. Family separation allowance;

D. Station allowances;

E. Clothing allowances-enlisted;

F. Uniform allowances-officers;

G. Personal money allowance;

H. Discharge gratuity;

I. Position Pay (Navy only);

J. Reserve Officer Training Corps subsistence allowance;

K. Death gratuity;

L. Allowance for recruiting expenses;

M. Travel and transportation allowances; and

N. Armed Forces Health Professions Scholarship Program monthly stipend.

410205. Disposable Earnings

Disposable earnings are a member's gross pay subject to garnishment less deductions for the following items, which are not subject to legal process:

A. Amounts withheld in payment of debts owed to the United States, except that an indebtedness based on a levy for income tax under 26 U.S.C. § ***6331*** will not be excluded in complying with legal process for the support of minor children if the legal process was entered prior to the date of the levy;

B. Regular Federal income tax withholding (FITW) and State income tax withholding (SITW):

1. When required or authorized by law; or

2. When amounts withheld are not greater than would be the case if the individual claimed all dependents to which he/she were entitled.

A deduction for additional FITW is authorized when the individual presents evidence of a tax obligation which supports the additional withholding;

C. Federal Insurance Contribution Act (FICA) tax;

D. Armed Services Retirement Home;

E. Servicemember's Group Life Insurance premiums;

F. Retired Serviceman's Family Protection Plan premiums;

G. Survivor Benefit Plan premiums;

H. Thrift Savings Plan contributions; and

I. Other amounts required by law to be deducted (e.g., fines and forfeitures ordered by a court-martial or a commanding officer).

410206. Maximum Amount of Pay Subject to Garnishment

Unless a lower maximum garnishment limitation is provided by applicable State or local law, the maximum part of disposable earnings for any pay period which is subject to legal process will not exceed:

A. Fifty percent of disposable earnings if the member concerned asserts by affidavit or other acceptable evidence that he or she is providing over half of the support for a spouse or dependent child (other than a spouse or dependent child with respect to whose support the legal process is issued);

B. Sixty percent if the member concerned is not supporting a spouse or dependent child; or

C. If it appears from the face of the legal process that the member is in arrears for a period which is 12 weeks prior to the beginning of that pay period, then the maximum percentage under subparagraph 410206.A, is 55 percent and under subparagraph 410206.B, is 65 percent.

410207. Allotments to Be Discontinued

A. The following allotments are subject to legal process. When possible, allow the member to determine which allotments are to be stopped. If the member refuses or is unable to advise which allotment should be stopped to permit compliance with the legal process, then the allotments will be involuntarily stopped in the following order:

1. Combined Federal Campaign (CFC) - Charity Drive;

2. US Savings Bond;

3. Financial organizations;

4. MGIB contributions;

5. Repay loans to Service Relief Agencies and Red Cross;

6. Payment to dependents/relatives;

7. Emergency payment to dependents;

8. Repay home loans;

9. Insurance-commercial life, health, and dental insurance;

10. Navy-Mutual Aid Insurance; and

11. United States Government Insurance.

B. The allotments of pay for the repayment of indebtedness to the United States and repayment of delinquent federal taxes are not subject to legal process and should not be stopped.

410208. Agents Designated to Accept Legal Process

A. The Director, Garnishment Operations, or designated representatives, are responsible for receiving and processing all legal processes concerning active duty members and members of the RC not on active duty. Any legal process for the purpose of enforcing an obligation to pay child support and/or alimony served on Department of Defense (DoD) entities, other than those served in accordance with subparagraph 410208.B, will be forwarded to the following designated address for processing.

Director, Garnishment Operations
DFAS Cleveland
PO Box 998002
Cleveland, OH 44199-8002

B. In the case of active duty members stationed in the Federal Republic of Germany , all legal processes issued by German courts are to be served in the manner prescribed by German law to the appropriate liaison agency listed for such members.

1. Army, Navy and Marine Corps
Office of the Judge Advocate
HQ USAREUR
Postfach 42 02 24
65103 Wiesbaden

2. Air Force
HQ USAFE/JAIS
Gegaude 527
Ramstein-Flugplatz
66877 Ramstein-Miesenbach

Legal processes issued by German courts, and received by the liaison agencies listed in paragraph 410208.B, will be reviewed to determine whether they comply with applicable German law. In addition, the liaison agencies will determine whether the member was served notice and certification of service issued in accordance with the provisions of Article 32(1)(a) of the German Supplementary Agreement in the prior German court proceeding which resulted in an order creating the member's obligation to pay child support or alimony. Once the appropriate liaison agency listed in paragraph 410208.B determines that legal process issued by a German court is legally sufficient and in compliance with the notice provisions of Article 32(1)(a), the legal process will be implemented or forwarded to the appropriate official designated in subparagraphs 410208.A for appropriate processing. The legal process terminates when the active member is no longer stationed in the Federal Republic of Germany, or if the liaison agencies receive a termination order.

410209. Implementing Legal Process

Once a legal process has been served in the United States, the designated agent indicated in subparagraph 410208.A, will take, or initiate the following actions:

A. Review the legal process to determine whether it is regular on its face, appears to conform to the laws of the jurisdiction from which it was issued, was issued to enforce a member's legal obligation to provide child support and/or alimony, and contains sufficient information to accurately identify the member;

B. Notify the member within 15 calendar days after valid service of legal process. The written notification will explain the potential effect of the legal process on the member's pay, including allotments, and advise the member that the member has the burden of raising any available defenses, such as lack of personal jurisdiction or failure to comply with the Servicemembers Civil Relief Act, in the appropriate court. A copy of the legal process will be included with the written notice. The notice will be sent to the member's address of record in the military pay system. Where the designated agent has the capability to make notification through electronic means, such as E-mail, the notice will be made using those electronic means;

C. Within 30 calendar days of effective service, or such longer period as may be allowed by applicable State law:

1. Determine the amount of the member's disposable earnings;

2. Where required, file an answer to the legal process with the court in which the proceeding was brought and answer any interrogatories regarding the pay and

allowances due the member. The designated agent may use its standard answer form for this purpose; and

3. Pay the amount due pursuant to legal process. Governmental agencies, including DoD agencies, are not required to vary their pay or disbursing cycles to comply with legal process;

D. If the designated official is served with legal process concerning more than one legal obligation owed by the same member, then the legal obligations will be satisfied from the available funds in the following order of priority:

1. Legal process to enforce current support will have priority over legal process to enforce support arrearages;

2. Legal process to enforce current child support will have priority over legal process to enforce current alimony;

3. Legal process to enforce a child support and/or alimony obligation will have priority over involuntary allotments of pay to enforce commercial debts (see section 4105); and

4. If the legal process is to enforce more than one child support obligation, and there are not enough funds available to fully satisfy all legal processes served, then the available funds will be allocated among the obligations in proportion to the amounts of current child support due. All other obligations will be satisfied on a first-come, first-served basis; and

E. Where notice is received that the member has appealed either the legal process or the underlying alimony and/or child support order, payments of money subject to the legal process will be suspended (continue to be withheld), and will be retained by the Government until Defense Finance and Accounting Service (DFAS) is ordered by a court, or other authority, to resume payments or otherwise disburse the suspended amounts. Pending the outcome of the appeal, payments will comply with the applicable laws of the jurisdiction where the appeal is filed.

410210. Indemnification

A. Neither the DoD, nor any officer or employee, will be liable for any payment made from moneys due from, or payable by, the DoD to any individual pursuant to legal process regular on its face, if such payment is made in accordance with 42 U.S.C. § 659, 5 CFR 581, and this section.

B. Neither the United States, nor any disbursing officer or any governmental entity, will be liable under this part to pay monetary damages for failure to comply with a legal process.

4103 STATUTORY ALLOTMENTS FOR CHILD AND SPOUSAL SUPPORT

410301. General

A. The processing of statutory allotments for child support and/or alimony from the pay of active duty military members is governed by 42 U.S.C. § ***665*** and 32 CFR ***54***. These authorities take precedence when in conflict with this section.

B. Upon proper notification from an authorized person, DFAS will start a statutory child or child and spousal support allotment from the pay and allowances of a member on extended active duty when the member has failed to make periodic payments, under a support order, in an amount equal to the support payable for 2 months or longer.

410302. Definitions

The following definitions apply to this section.

A. Authorized Person. Any agent or attorney of any state having in effect a plan approved under 42 U.S.C. § 651 et seq., who has the duty or authority to seek recovery of any amounts owed by a member as child or child and spousal support; and the court that has the authority to issue an order against a member for the support and maintenance of a child, or any agent of such court.

B. Child Support. Periodic payments for the support and maintenance of a child or children, subject to and in accordance with state or local law. This includes, but is not limited to, payments to provide for health care, education, recreation, and clothing, or to meet other specific needs of the child or children.

C. Designated Official. The designated official is the DFAS Site Director or designee authorized to receive and to process notices under this chapter. The DFAS designated official and address is:

Director, Garnishment Operations
DFAS Cleveland
PO Box 998002
Cleveland, OH 44199-8002

D. Notice. A notice is a court order, letter, or similar documentation issued by an authorized person providing notification that a member has failed to make periodic support payments under a support order.

E. Spousal Support. Periodic payments for the support and maintenance of a spouse or former spouse, in accordance with state or local law. It includes, but is not limited to, separate maintenance, alimony while litigation continues, and maintenance. Spousal support does not include any payment for transfer of property or its value by an individual to his or her

spouse or former spouse in compliance with any community property settlement, equitable distribution of property, or other division of property between spouses or former spouses.

F. Support Order. Any order providing for child or child and spousal support issued by a court of competent jurisdiction within any state, territory, or possession of the United States, including Indian tribal courts, or in accordance with administrative procedures established under state law that affords substantial due process and is subject to judicial review.

410303. Disposable Earning

A. Include the following items in computing the disposable earnings for members assigned within the continental United States:

1. Basic pay (including Military Service academy cadet and midshipmen pay);

2. Basic allowance for housing for members with dependents, and for members without dependents in the grade of E-7 or higher;

3. Basic allowance for subsistence for commissioned and warrant officers;

4. Career sea pay;

5. Diving pay;

6. Flying pay (all crew members);

7. Proficiency pay or special duty assignment pay;

8. Special pay for medical, dental, optometry, and veterinary officers; and

9. Submarine pay.

B. Include the following additional items in computing the disposable earnings for members assigned outside the continental United States:

1. Family Separation Allowance - Restricted;

2. Hardship duty pay – location;

3. Special pay for duty subject to hostile fire and imminent danger (applies only to members permanently assigned in a designated area);

4. Special pay for overseas extensions;

5. Overseas housing allowance; and

6. Cost-of-living allowance.

C. After including the items in subparagraphs 410303.A and B, subtract the following items to compute the final disposable earnings value:

1. Amounts the member owes the United States;

2. Deductions for the Armed Forces Retirement Home;

3. Fines and forfeitures;

4. Federal and state employment and income taxes to the extent that the amount deducted is consistent with the member's tax liability;

5. Deductions for Servicemembers' Group Life Insurance;

6. Advances of pay the member received before the date the designated official received notice of the support allotment; (In computing future advance pay requests, deduct the amount of the allotment required by law. See Chapter 32, Table 32-1.)

7. Amount of salary offset for travel charge card debt; and

8. Other amounts required by law to be deducted.

410304. Notice to Designated Official

A. An authorized person will send to the designated official a signed notice that includes:

1. A statement that delinquent support payments equal or exceed the amount of support payable for 2 months under a support order, and a request that an allotment be established;

2. A certified copy of the support order. If the support order, on its face, appears to conform to the laws of the jurisdiction from which it was issued, then the designated official will not be required to ascertain whether the authority that issued the order had obtained personal jurisdiction over the member;

3. The amount of the monthly support payment. Such amount may include arrearages, if a support order specifies the payment of such arrearages. The notice will indicate how much of the amount payable will be applied toward liquidation of the arrearages;

4. A statement that delinquent support payments are more than 12 weeks in arrears, if appropriate;

5. The following information that identifies the member:

a. Full name;

b. Social security number; and

c. Military Service of the member;

6. The full name and address of the allottee. The allottee will be an authorized person, or designee, or the recipient named in the support order;

7. Any limitations on the duration of the support allotment; and

8. A certification that the official sending the notice is an authorized person.

B. The notice will be sent by mail or delivered in person to the designated official. The designated official will note the date and time of receipt on the notice.

C. The notice is effective when it is received in the office of the designated official.

410305. Notice to Member and Member's Commanding Officer

A. Upon receipt of a notice of delinquent support payments, together with all required supplementary documents and information, the designated official will review the notice in order to identify the member from whom moneys are due and payable.

B. If the notice does not sufficiently identify the member, or if the member identified in the notice is not currently entitled to receive military pay, then the notice will be returned directly to the authorized person with an explanation of the reason for its return.

C. In cases where the designated official is able to identify the member, then as soon as possible, but not later than 15 calendar days after the date of receipt of the notice, the designated official will send to the member, at his or her duty station, a copy of the notice and other legal documentation served on the designated official, along with a letter informing the member of the following:

1. That notice has been received from an authorized person;

2. That the maximum limitations provided in 15 U.S.C. § ***1673***, "Restrictions on Garnishments" apply, and a request that the member submit supporting affidavits or other documentation necessary for determining the applicable percentage limitation;

3. That the member may submit supporting affidavits or other documentation as evidence that the information contained in the notice is in error;

4. That by submitting supporting affidavits or other necessary documentation, the member consents to the disclosure of such information to the party requesting the support allotment;

5. The amount or percentage that will be deducted if the member fails to submit the documentation necessary to enable the designated official to respond to the notice within the prescribed time limits;

6. That a consultation with a judge advocate or legal officer will be provided by the Military Department concerned, if possible, and that the member should immediately contact the nearest legal services office; and

7. The date that the allotment is scheduled to begin.

D. The designated official will provide the member's commanding officer, or designee, with a copy of the notice and other legal documentation served on the designated official. The designated official will notify the member's commanding officer, or designee, of the need for consultation between the member and a judge advocate or legal officer.

E. The member's commanding officer, or designee, will confirm in writing to the designated official within 30 days of notice that the member received a consultation concerning the member's support obligation and the consequences of failure to make payments, or when appropriate, of the inability to arrange such consultation and the status of continuing efforts to fulfill the consultation requirement.

F. If, within 30 days of the date of the notice, the member has furnished the designated official affidavits or other documentation showing the information in the notice to be in error, then the designated official will consider the member's response. The designated official will return to the authorized person, without action, the notice for a statutory support allotment together with the member's affidavit and other documentation, if the member submits substantial proof of error, such as:

1. The support payments are not delinquent; or

2. The underlying support order in the notice has been amended, superseded, or set aside.

410306. Payments

A. The designated official will establish a statutory allotment in an amount necessary to comply with the support order and to liquidate arrearages, if provided by a support order by the first end-of-month payday after the designated official is notified that the member has consulted with a judge advocate or legal official, or that a consultation was not possible, but not later than the first end-of-month payday after 30 days have elapsed from the date of notice to the member. However, the military pay offices will not be required to vary their normal pay and disbursement cycles to comply with notice under this section.

B. The maximum amount to be allotted under this section, together with any other moneys withheld for support from the member, will not exceed:

1. Fifty percent of the member's disposable earnings for any month in which the member asserts by affidavit or other acceptable evidence that he or she is supporting a spouse, dependent child, or both, other than a party in the support order. When the member submits evidence, copies will be sent to the authorized person, together with notification that the member's support claim will be honored. If the authorized person contests the support claim, then that person may refer the matter to the appropriate court or other authority for resolution;

2. Sixty percent of the member's disposable earnings for any month in which the member fails to assert by affidavit or other acceptable evidence that he or she is supporting a spouse, dependent child, or both; or

3. Regardless of the limitations in subparagraph 410306.B.1 and 2, an additional 5 percent of the member's disposable earnings will be withheld when the notice states that the total amount of the member's support payments is 12 or more weeks in arrears.

C. If several notices are sent with respect to the same member, then payments will be satisfied on a first-come, first-served basis within the amount limitations in subparagraph 410306.B.

D. Payment of statutory allotments will be enforced over other voluntary deductions and allotments when the member's gross pay and allowances are not sufficient to permit all authorized deductions and collections. The member will be allowed to choose which discretionary allotments to cancel. If the member refuses or is unable to advise which allotments to cancel, then voluntary allotments will be cancelled in the following order:

1. CFC allotment;

2. Savings Bond allotment;

3. Discretionary allotment payable to a financial organization for deposit to the member's account (includes allotments payable to a mutual fund or investment firm and allotments to pay for personal or car loans);

4. MGIB contributions;

5. Allotment to repay loans to Military Service relief agencies and the American Red Cross; and

6. Discretionary allotments in the following order:

a. Payments to dependents/relatives;

b. Emergency payment to dependents;

c. Repayment of home loans and payment of rent;

d. Commercial life, health, and dental insurance;

e. Navy Mutual Aid Insurance; and

f. United States Government Insurance.

E. The authorized person or allottee will notify the designated official promptly if the operative court order upon which the allotment is based is vacated, modified, or set aside. The designated official will also be notified of any events affecting the allottee's eligibility to receive the allotment, such as the former spouse's remarriage, if a part of the payment is for spousal support, and notice of a change in eligibility for child support payments under circumstances of death, emancipation, adoption, or attainment of majority of a child whose support is provided through the allotment.

F. A statutory allotment established under section 4103 will be adjusted or discontinued upon notice from the authorized person.

410307. Indemnification

Neither the DoD, nor any of its officers or employees, will be liable for any payment made from moneys due from, or payable by, the DoD to any individual pursuant to notice regular on its face, if such payment is made in accordance with 42 U.S.C. § 659, 32 C.F.R. Part 54, and this section.

4104 LEVY ON PAY AND ALLOWANCES FOR ENFORCEMENT OF CHILD SUPPORT OBLIGATIONS

410401. Authority

The Secretary of the Treasury, upon receiving the certification of the Secretary of Health and Human Services, will assess and collect the amount certified as unpaid child support in the same manner as if the amount were a delinquent federal tax, the collection of which would be jeopardized by delay. (See Chapter 44, paragraphs 440301 and 440304.)

410402. Satisfaction of Levy

When the Secretary of the Treasury issues a notice of levy, satisfy the levy in the manner prescribed in Chapter 44, paragraph 440304. However, in the case of a first assessment against an active duty, retired (including members of the Fleet Reserve and Marine Corps Fleet Reserve), or Reserve member for unpaid child support, satisfaction of the levy will be stayed for a period of 60 days immediately following notice and demand. If a portion of such member's pay is being withheld in garnishment or attachment pursuant to a judgment entered by a court of competent jurisdiction for the support of minor children, then the amount of pay withheld is exempt from the levy.

4105 INVOLUNTARY ALLOTMENT OF PAY FOR DEBT COLLECTION OTHER THAN CHILD OR SPOUSAL SUPPORT

*410501. General

* A. The processing of Involuntary Allotments of Pay for Debt Collection Other than Child or Spousal Support is governed by 5 U.S.C. § ***5520a(k)***, 32 CFR ***112***, and 32 CFR ***113***. These authorities take precedence when in conflict with this section.

B. Moneys due from, or payable by, the United States to an active duty member are subject to involuntary allotment to satisfy a judgment for a debt for other than child or spousal support owed to a third party and issued by a court of competent jurisdiction within any state, territory, or possession of the United States.

410502. Definitions

The following definitions apply to section 4105:

A. Designated Agent. The agent responsible for receiving and processing the involuntary allotment application for active duty members;

B. Active Duty Member. A regular member or any member of a RC on active duty pursuant to a call or order for a period in excess of 180 days at the time an application for involuntary allotment is received by the DFAS, excluding members in a prisoner of war or missing in action status and retired members;

C. Exigency of Military Duty. A military assignment or mission-essential duty that, because of its urgency, importance, duration, location, or isolation, necessitates the absence of a member of the Military Services from appearance at a judicial proceeding or prevents the member from being able to respond to a notice of application for an involuntary allotment. Exigency of military duty is normally presumed during periods of war, national emergency, or when the member is deployed; and

D. Final Judgment. A valid, enforceable order or decree, issued by a court from which no appeal may be taken, or from which no appeal has been taken within the time allowed, or from which an appeal has been taken and finally decided.

410503. References

The following source directives contain detail on entitlements, policies, and procedures for allotments for commercial debts:

A. Army: Army Regulation ***37-104-4***, Military Pay and Allowances Policy and Procedures-Active Component;

B. Air Force: Air Force Instruction ***36-2906***, Personnel Personal Financial Responsibility; and

C. Marine Corps: Headquarters Marine Corps - Personnel & Readiness (Resources, Fiscal and Finance) ***7220.31S***, Automated Pay Systems Manual.

410504. Involuntary Allotment Application

A. Designated Agent. The designated agent is responsible for receiving and processing the involuntary allotment application concerning active duty members. The member may contact the designated agent at the following address:

Garnishment Operations
DFAS Cleveland
P.O. Box 998002
Cleveland, OH 44199-8002
Telephone 1-888-332-7411

B. Creditor's Application. The creditor initiates the Involuntary Allotment process by mailing a completed application package, which includes the original and three copies of the "Involuntary Allotment Application," Department of Defense (DD) Form ***2653***, and a certified copy of the final judgment to the designated agent named in subparagraph 410504.A. The imaging date of the documents is used as the date of service.

C. Review of Application

1. The designated agent will first identify the pertinent member, and determine whether the member has any funds available for the involuntary allotment. If the designated agent is unable to identify the member, then the designated agent will return the application package directly to the applicant with an explanation of the deficiency.

2. If the member does not have funds available, then the designated agent will stop any further legal processing, and notify the creditor in writing of the reason why no funds are available, and that the creditor must re-serve the involuntary allotment application at a later date. The reasons that no funds are available may include the following:

a. The member has separated from military service and is no longer receiving military pay;

b. Involuntary allotments are honored on a first-come, first-served basis. If the designated agent is already implementing a previously-served involuntary allotment against the member's pay, then no funds will be available until the previous involuntary allotment amount is satisfied; or

c. If the member's pay is subject to a previously-served garnishment or statutory allotment for spousal or child support, and the amount of the spousal or

child support deduction exceeds the maximum amount of pay subject to involuntary allotment (see subparagraph 410508.D.2), then no funds will be available for the involuntary allotment until the child support deduction is reduced to an amount that is less than the maximum amount of pay subject to involuntary allotment.

3. If the member has funds available for the involuntary allotment, then the designated agent will conduct a legal review of the application to ensure that it complies with the requirements of 32 CFR ***112*** and ***113***, to include compliance with the Servicemembers Civil Relief Act in the judicial proceeding resulting in the final judgment, and determining that the member's pay could be garnished under applicable state law.

4. When the designated agent receives an application package based upon a final judgment, which on its face, appears to conform to the laws of the jurisdiction from which it was issued, the designated agent will not be required to ascertain whether the court that issued the judgment had obtained personal jurisdiction over the member.

5. If the designated agent rejects the creditor's application after the legal review, then the designated agent will provide the creditor with a written notice of any deficiencies.

410505. Notice to Member and Member's Commanding Officer

A. Notice Package

1. The designated agent will send a notification letter, along with a copy of the application package and a DD Form ***2654***, "Involuntary Allotment Notice and Processing," to the pertinent member, and two copies to the member's commanding officer, in care of the member's unit address of record in the military pay system.

2. The notice letter to the member and the member's commanding officer will state that the involuntary allotment will be established against the member's pay if a response is not received within 90 calendar days from the original date of mailing, unless the member has been granted an extension to respond (see subparagraph 410506.A.2).

3. The DD Form 2654 itself provides step-by-step instructions for completing the form and returning it to the designated agent. Paragraph 410506 is a summary of the response process.

B. Final Notification Letter. If the designated agent has not received a response to the Notice Package within 60 days of the date the package was mailed, then the designated agent will send a letter to the member and the member's commanding officer stating that if no response is received or request for extension granted within 90 calendar days from the original date the notice package was mailed, then the involuntary allotment will be established against the member's pay.

410506. Response by Member and Member's Commanding Officer to Notice of Involuntary Allotment

A. Commanding Officer's Initial Actions

1. Upon receipt of the notice and accompanying documentation, the commander will determine whether the member is assigned to the commander's unit and available to respond to the involuntary allotment application.

2. If the member is temporarily unavailable to respond, then the member's commanding officer may grant a reasonable extension of time for the member's response. The commanding officer will notify the designated agent, by completing Section II of DD Form 2654 and returning a copy of the form to the designated agent, that the member has been granted an extension of time to respond, the date the response is due, and the reason(s) for the extension. The commanding officer should provide appropriate documentation supporting the determination. In the absence of any additional correspondence from the member's commanding officer, the involuntary allotment application may be automatically processed within 15 calendar days after the date a response was due, including any approved extension response date.

3. If the member is available for counseling, within 5 days of receipt of the application package and DD Form 2654, then the commanding officer will notify the member of the application, provide the member with a copy of the entire application package, and counsel the member using and completing Section III of DD From 2654. The commanding officer's counsel will include notifying the member that he or she has 15 calendar days from receipt of the commanding officer's notice to complete Section IV of DD Form 2654 and return it to the commanding officer.

B. Member's Response

1. After receiving the commanding officer's notification, the member completes Section IV of DD Form 2654. In Section IV, the member may acknowledge either that the applicant's judgment is valid and consent to the establishment of an involuntary allotment, or contest the involuntary allotment by asserting any of the following defenses, which the member must support with appropriate evidence:

a. That the member's rights under the Servicemembers Civil Relief Act were not complied with during the judicial proceeding upon which the application is based;

b. That exigencies of military duty caused the member's absence from appearance in a judicial proceeding forming the basis for the judgment upon which the application is sought;

c. That information contained in the application is false or erroneous in material part;

d. That the judgment has been fully satisfied, superseded, or set aside;

e. That the judgment has been materially amended, or partially satisfied; or

f. That there is a legal impediment to the establishment of the involuntary allotment. For example, the judgment debt has been discharged in bankruptcy, or the automatic stay of enforcement of debts applies because the member has filed for bankruptcy protection, or that the applicant is not the judgment creditor or a proper successor in interest to the creditor.

2. After completing Section IV, the member returns the DD Form 2654 to his or her commanding officer.

C. Commanding Officer's Completion and Return of DD Form 2654

1. The member's commanding officer completes Section V of DD Form 2654 and returns it to the designated agent, along with any supporting evidence provided by the member. In Section V, the commanding officer indicates one of the following:

a. The member refused to respond by the authorized suspense date, and the form is returned without Section IV being completed by the member; or

b. The member has completed Section IV, and the form is returned for appropriate action.

2. If the member has asserted an "exigencies of military duty" defense in Section IV of the DD Form 2654, then the commanding officer must determine whether the member has validly asserted this defense, and note his or her determination in Section V of the form.

3. If the commanding officer supports the member's "exigencies of military duty" defense, then the commanding officer must provide the title and address of an appeal authority in Section V in case the applicant wishes to appeal the commanding officer's determination. The appeal authority is the commander immediately superior to the commanding officer who made the determination. If the commanding officer does not designate an appeal authority, then the designated agent will return the DD Form 2654 to the commanding officer with instructions that this information must be provided in order to complete the form and support the member's "exigencies" defense.

410507. Review of Completed DD Form 2654 and Supporting Documentation

A. Member did not complete Section IV of DD Form 2654. If the member refused to complete Section IV of the DD Form 2654, then the designated agent will honor the

application and implement deductions against the member's pay to satisfy the judgment against the member.

B. Member completes Section IV of DD Form 2654

1. If the member completes Section IV of DD Form 2654 and has asserted the "exigencies" defense, and the member's commanding officer has confirmed the "exigencies" defense and provided an appeal authority in Section V of the form, then the designated agent will reject the involuntary allotment application, and provide the applicant with written notice advising the applicant of the following:

a. The reason for rejecting the application;

b. The name and address of the appeal authority;

c. The applicant has 60 days from the date of the designated agent's notice to appeal the commanding officer's "exigencies" determination to the appeal authority;

d. The appeal must be in writing and contain sufficient evidence to overcome the presumption that the commander's exigency determination was correct;

e. The appeal authority will decide an appeal within 30 days of its receipt, and promptly notify the applicant of the decision. The 30-day decision period may be extended in times of deployment, war, national emergency or other similar situations;

f. If the appeal is successful, then the applicant must submit a written request along with a copy of the appeal authority's decision to the designated agent within 15 days of receipt of the decision; and

g. Upon receiving notice of the successful appeal, the designated agent will continue the review of the application package and DD Form 2654.

2. If the member has completed Section IV of the DD Form, and has not asserted the "exigencies" defense, or has asserted it but the member's commanding officer did not confirm it, or if the applicant has successfully appealed an "exigencies" determination, then the designated agent will determine whether the member has successfully asserted any other defenses against the involuntary allotment.

a. If the designated agent determines that the member has successfully asserted one or more defenses against the involuntary allotment application, then the designated agent will reject the application, and notify the applicant in writing of the reason(s) for the rejection.

b. If the designated agent determines that the member has not successfully asserted any defenses against the involuntary allotment, then the designated agent will implement deductions against the member's pay to satisfy the judgment against the member.

410508. Pay Subject to Involuntary Allotment

A. Types of Pay Subject to Involuntary Allotment. Only the following types of pay are subject to the involuntary allotment process:

1. Basic pay (excluding the reduction for education benefits under the MGIB;

2. Special pay, to include:

a. Health care professionals (Including optometrists, dental officers, psychologists, nonphysician health care providers, registered nurses, nurse anesthetists, nurse corps officers, and medical officers);

b. Veterinarians;

c. Diving duty;

d. Foreign duty;

e. Career sea pay;

f. Responsibility pay;

g. International military headquarters;

h. Proficiency pay and special duty assignment pay for enlisted members;

i. Reenlistment bonus;

j. Enlistment bonus;

k. Prior service enlistment bonus;

l. Hostile fire or imminent danger pay;

m. Nuclear-qualified officers extending period of active duty;

n. Nuclear-trained and qualified enlisted members;

o. Nuclear career accession bonus;

p. Nuclear career annual incentive bonus;

q. Enlisted members extending duty at designated overseas locations;

r. Foreign language proficiency pay;

s. Officers in critical acquisition positions extending period of active duty;

t. Multi Year Special Pay;

u. Aviation Retention Bonus;

v. Continuation Pay for Engineering & Scientific Career; and

w. Selective Reenlistment Bonus;

3. Incentive pay, including:

a. Hazardous duty;

b. Aviation career; and

c. Submarine duty;

4. Accrued leave payments (basic pay portion only);

5. Readjustment pay; and

6. Severance pay, including disability severance pay.

B. Pay and Allowances Not Subject to Involuntary Allotment. Separation pay, VSI and SSB are not subject to the involuntary allotment. In addition, allowances paid under U.S.C. Titles 10 and 37, and other reimbursements for expenses incurred in connection with duty in the Military Service or allowances in lieu thereof, are not subject to the involuntary allotment.

C. Other Amounts Not Subject to Involuntary Allotment. After computing the pay subject to involuntary allotment, the following items must be deducted to compute the amount of disposable pay subject to involuntary allotment:

1. Federal and state income tax withholding (amount is limited to that which is necessary to fulfill the member's tax liability);

2. FICA tax;

3. Armed Forces Retirement Home;

4. Servicemember's Group Life Insurance;

5. Indebtedness to the United States (including tax levies);

6. Fines and forfeitures ordered by a court-martial or a commanding officer; and

7. Amounts otherwise required by law to be deducted from a member's pay (except payments for garnishments for child support, alimony or mandatory allotments for child or spousal support).

D. Maximum Amount of Pay Subject to Involuntary Allotment

1. The involuntary allotment will not exceed the lesser of 25 percent of a member's pay subject to involuntary allotment or the maximum percentage of pay subject to garnishment proceedings under the applicable state law.

2. If the member's pay is subject to a garnishment or statutory allotment for spousal or child support, in addition to the involuntary allotment application, then the combined amounts deducted from the member's pay will not exceed the lesser of 25 percent of a member's pay subject to involuntary allotment or the maximum percentage of pay subject to garnishment proceedings under the applicable state law. If the maximum percentage allowed for involuntary allotments would be exceeded by both deductions, then garnishments and statutory allotments for spousal and child support take priority over the involuntary allotment.

E. Voluntary Allotments to be Discontinued. Payment of an involuntary allotment will be enforced over other voluntary deductions and allotments when the member's net pay is not sufficient to permit all authorized deductions and collections. If necessary, voluntary allotments will be cancelled in the following order:

1. CFC;

2. Savings bonds;

3. Payment to a financial organization for deposit to the member's account (includes allotments payable to a mutual fund or investment firm and allotments to pay for personal or car loans);

4. MGIB Program contributions;

5. Repay loans to Military Service relief agencies and the American Red Cross; and

6. Discretionary allotments in the following order:

a. Payments to dependents/relatives;

b. Emergency payment to dependents;

c. Repayment of home loans and payment of rent;

d. Commercial life, health, and dental insurance;

e. Navy Mutual Aid Insurance; and

f. United States Government Insurance.

410509. Starting Involuntary Allotment Payments

A. The designated agent will begin involuntary allotment payments within 30 days after the designated agent has approved the application package. The designated agent will not be required to vary the normal military pay and disbursement cycles to comply with the application package.

B. Payment of involuntary allotments will be enforced over other voluntary deductions and allotments when the member's net pay is not sufficient to permit all authorized deductions and collections. The member will be allowed to choose which discretionary allotments to cancel. If the member refuses or is unable to advise which allotments to cancel, then allotments will be cancelled in accordance with subparagraph 410508.E.

410510. Stopping Involuntary Allotment Payments

A. Involuntary allotment payments will continue until the amount specified in the judgment is collected, including interest as annotated by the applicant in Section I of DD Form 2653, "Involuntary Allotment Application."

B. The designated agent will stop involuntary allotment payments prior to satisfying the judgment amount if one of the following conditions applies:

1. The member separates from active duty at which time the applicant will be informed that the allotment is discontinued because the member is no longer receiving military pay;

2. The applicant notifies the designated agent that the operative court order upon which the allotment is based has been vacated, modified, or set aside, or the designated agent is notified of an event affecting the applicant's eligibility to receive the allotment; or

3. The applicant requests that the involuntary allotment be discontinued.

C. The applicant will refund directly to the member any amounts overpaid within 30 days of discovery or notice of overpayment.

410511. Final Interest

A. Within 30 days following collection of the amount of the judgment, including interest annotated in Section I of the DD Form 2653, the applicant may submit one final statement showing any unpaid balance due to interest that accrued during the payment period.

B. The final statement must be accompanied by a statement of account showing how the remaining interest was calculated.

410512. Indemnification

Neither the DoD, nor any officer or employee thereof, will be liable for failure to make payment or for any payment made from monies due from, or payable by, the Military Services to any individual pursuant to an application package that is regular on its face, if such payment is made in accordance with this section and 32 CFR 112 and 113.

*BIBLIOGRAPHY

CHAPTER 41: GARNISHMENTS AND OTHER INVOLUNTARY ALLOTMENTS

4102- GARNISHMENT OF PAY FOR ENFORCEMENT OF CHILD SUPPORT AND ALIMONY OBLIGATIONS

	410201	42 U.S.C. § 659
		5 CFR 581
*	410204.I	5 CFR 581.104(h)(2)(i)
	410205	26 U.S.C. § 6331
	410209	5 CFR 581.302
		5 CFR 581.305(f)
	410210	42 U.S.C. § 659

4103- STATUTORY ALLOTMENTS FOR CHILD AND SPOUSAL SUPPORT

	410301	42 U.S.C. § 665
		32 CFR 54
	410302	32 CFR 54.3
	410303	32 CFR 54.6(b)
	410305	15 U.S.C. § 1673
		32 CFR 54.6
	410307	42 U.S.C. § 659
	410309.C.3	5 CFR 581.305(f)

4104- LEVY ON PAY AND ALLOWANCES FOR ENFORCEMENT OF CHILD SUPPORT OBLIGATIONS

	410401	26 U.S.C. § 6305

4105- INVOLUNTARY ALLOTMENT OF PAY FOR DEBT COLLECTION OTHER THAN CHILD AND OR SPOUSAL SUPPORT

	410501	5 U.S.C. § 5520a(k)
		32 CFR 112 and 113
*	410508	32 CFR 113.3
	410508.C.7	42 U.S.C. § 659
		42 U.S.C. § 665

VOLUME 7A, CHAPTER 42: "DISCRETIONARY ALLOTMENTS"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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

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

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

The previous version dated November 2012 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
4201	Changed section name to General with revised content and added the "Purpose" and "Authoritative Guidance" paragraphs to the General section.	Revision
4202	Deleted X-Class allotments. With mandated electronic fund transfer of pay and more efficient banking capabilities, locally paid allotments for dependents are obsolete.	Deletion
4202	New section named "Administration of Discretionary Allotments". Listed discontinued allotments, grandfathering provisions and other restrictions for discretionary allotments.	Revision
4203	Section changed to "Allotments to Financial Institutions".	Revision
4204	Section changed to "Allotments to Dependents or Relatives".	Revision
4205	Section changed to "Insurance Allotments." Updated hyperlinks and formatted to comply with administrative instructions.	Revision
4206	Section changed to "Allotments for Payment of Mortgage or Rent".	Revision
4207	Section changed to "Allotment for the Savings Deposit Program".	Revision
Table 42-3	Added missing condition criteria for Table 42-3, rules 5, 6, and 10.	Addition
Bibliography	Updated references.	Revision

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CHAPTER 42

DISCRETIONARY ALLOTMENTS

*4201 GENERAL

420101. Purpose

This chapter prescribes the policy for Military Service members having discretionary allotments. Members are authorized no more than six discretionary allotments. Additionally, members are authorized no more than one discretionary allotment to the same allottee. To start a discretionary allotment on and after January 1, 2015, members will certify that, "Under the penalty of the Uniform Code of Military Justice, I certify that this allotment is NOT for the purchase, lease, or rental of personal property or payment toward personal property." See sections 4203 through 4207 for examples of allowable allotments.

420102. Authoritative Guidance

The bibliography at the end of this chapter lists the authoritative references.

*4202 ADMINISTRATION OF DISCRETIONARY ALLOTMENTS

420201. Discontinuance

Effective January 1, 2015, members are not authorized to start allotments for the purchase, lease, or rental of personal property. Personal property includes vehicles (e.g. automobiles, motorcycles, or boats), appliances or household goods (e.g., a washer, dryer, furniture), electronics (e.g., a laptop, tablet, cellphone, or television), and other consumer items that are tangible and movable.

420202. Grandfathering

Allotments described in paragraph 420201 that exist on a member's pay account prior to January 1, 2015 may continue, and members may change the amount of these allotments. If for any reason an allotment described in paragraph 420201 is stopped, the allotment is not authorized to be restarted.

420203. Other Provisions

See Chapter 40, section 4003 for other administrative provisions regarding allotments.

*4203 ALLOTMENTS TO FINANCIAL INSTITUTIONS

Members may have an allotment to a financial institution, mutual fund company, or investment firm where the member is the owner of the account. If there are multiple accounts at the same financial institution, the payments must be combined into one allotment amount.

*4204 ALLOTMENTS TO DEPENDENTS OR RELATIVES

Members may authorize allotments of pay to their dependents, relatives, or former spouse(s). The allotment may be payable to an individual or to a financial organization for credit to the account of the allottee, or a joint account of the allotter and allottee.

*4205 INSURANCE ALLOTMENTS

420501. General

Members may have an allotment for the payment of insurance premiums.

420502. Commercial Insurers

Commercial insurers are eligible allottees. All new allotments for paying premiums on commercial insurance must be approved under the following Military Service regulations:

A. Army: Army Regulation (AR) ***37-104-4*** and ***AR 210-7***

B. Navy and Marine Corps: Secretary of the Navy Instruction (SECNAVINST) ***1740.2E Series***

C. Air Force: Air Force Instruction (AFI) ***36-2925***

All payments to an insurer are made to the home office of the agency issuing the policy or to a branch office named by the home office. A member is not authorized to establish an insurance allotment to a financial institution where the allotment is established for and/or controlled by the insurance company. A member may have more than one allotment for commercial insurance. If the member has more than one insurance policy with the same company, then premium payments must be combined into one allotment to that company.

420503. Navy Mutual Aid Insurance (Navy and Marine Corps only)

The Navy Mutual Aid is an authorized allottee for the payment of life insurance. If the member has both the regular premium and the extra hazardous duty premium, then the payments must be combined into one allotment.

420504. Effective Dates for Starting, Changing, and Stopping Allotments

Tables 42-1, 42-2, and 42-3 prescribe effective dates to start, change, or stop allotments.

*4206 ALLOTMENTS FOR PAYMENT OF MORTGAGE OR RENT

Members may authorize allotments of pay for mortgage or rent payment to a financial institution, mortgage company, realtor, or to a landlord.

*4207 ALLOTMENT FOR THE SAVINGS DEPOSIT PROGRAM

Members may authorize an allotment into the Savings Deposit Program. Such allotment will be processed in accordance with the procedural instructions of the Military Service concerned. The restrictions in Chapter 51 are applicable when starting this type of allotment.

Table 42-1. Dates to Start Insurance Allotments

RULE	A	B	C
	If a member of	**authorizes a/an**	**then start allotment effective the first day of the month**
1	the Army or Air Force	insurance allotment	specified by the member, if authorization will reach the allotment office before the date specified in Military Service procedural regulations. May be effective with the month allotter enters on duty but only when an enlisted member, warrant officer, or graduate of a Service academy is commissioned, or when an enlisted member is appointed a warrant officer.
2	the Navy or Marine Corps	commercial insurance or a Navy Mutual Aid allotment	specified by the member, if authorization will reach the allotment office before the date specified in Military Service procedural regulations.

Table 42-2. Dates to Change Insurance Allotments

RULE	A	B	C	D	E
	If a member of	**has a**	**and the**	**then start allotment effective the first day of the month**	**and start new allotment effective the first day of the month**
1	the Army or Air Force	commercial insurance	member or accounting and finance officer requests a change in the allotment	specified in the allotment document, if authorization will reach the allotment office before the date specified in Military Service regulations	following the month old allotment is stopped.
2	the Navy or Marine Corps	commercial insurance, or a Navy Mutual Aid allotment			

*Table 42-3. Dates to Stop Insurance Allotments

RULE	A If a member of the	B authorizes a	C and	D then stop allotment effective the first day of the
1	Army or Air Force	commercial insurance allotment	the member requests the allotment to be stopped	month specified by the member, if authorization will reach the allotment office before the date specified in Military Service procedural regulations.
2	Navy or Marine Corps	commercial insurance, or a Navy Mutual Aid allotment		
3	Army or Air Force	commercial insurance allotment	is absent without leave (AWOL) for 10 days or more	latest month in which enough pay accrues to satisfy deduction.
4	Navy or Marine Corps	commercial insurance or Navy Mutual Aid allotment	is AWOL for 15 days (or less, if allotment discontinuance is necessary to prevent overpayment)	month before the month in which absence began if authorization will reach allotment office before the date specified in Military Service procedural regulations; otherwise, the month absence began.
*5	Army or Air Force	commercial insurance allotment	the convening authority approves a court-martial sentence imposing total forfeiture of pay and allowances	latest month in which enough pay accrues to satisfy deduction.
*6	Navy or Marine Corps	commercial insurance, or Navy Mutual Aid allotment		month prior to the date in which the convening authority approves the court-martial sentence.
7	Army or Air Force	commercial insurance allotment	has insufficient "take home" pay to satisfy Internal Revenue Service (IRS) notice of levy	month before the month in which IRS notice of levy is received. (Stop insurance allotments only if discontinuance of other discretionary allotments will not satisfy levy.)
8	Navy or Marine Corps	commercial insurance, or Navy Mutual Aid allotment		
9	Army or Air Force	commercial insurance allotment	has insufficient pay, because of reduction in grade, nonpay status, or stoppage of pay, to warrant continuance of allotment	latest month in which enough pay accrues to satisfy deduction. Avoid stopping allotment unnecessarily or earlier than required.

Table 42-3. Dates to Stop Insurance Allotments (continued)

RULE	A **If a member of the**	**B** **authorizes a**	**C** **and**	**D** **then stop allotment effective the first day of the**
*** 10**	Air Force, Army, Navy or Marine Corps	commercial insurance, or a Navy Mutual Aid allotment	is separated, retires, or dies	(See procedural regulations of Military Service concerned.)

*BIBLIOGRAPHY

CHAPTER 42 – DISCRETIONARY ALLOTMENTS

Title 37 United States Code (U.S.C.), section 701

* Office of the Under Secretary of Defense Comptroller Memo, November 21, 2014

VOLUME 7A, CHAPTER 43: "NONDISCRETIONARY ALLOTMENTS"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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

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

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

The previous version dated November 2015 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated formatting and hyperlinks to comply with current administrative instructions.	Revision
430301	Clarified paragraph 430301 in accordance with Department of Defense Instruction 5035.01, June 6, 2017.	Revision
4304	Deleted the Post-Vietnam Era Veterans Educational Assistance Program section as it is no longer applicable and renumbered subsequent sections.	Deletion
430502	Updated the reference for the salary offset due process procedures from Volume 8 to Volume 16.	Revision
Bibliography	Updated statutes and references.	Revision

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CHAPTER 43

NONDISCRETIONARY ALLOTMENTS

4301 GENERAL

430101. Purpose

The purpose of this chapter is to provide the policies for members of the Armed Forces to initiate nondiscretionary allotment deductions from their pay accounts.

430102. Authoritative Guidance

The bibliography at the end of this chapter lists the authoritative references.

4302 ALLOTMENTS FOR THE PURCHASE OF SAVINGS BONDS

The U.S. Department of the Treasury (Treasury) discontinued the purchase of paper savings bonds through federal payroll deduction effective October 1, 2010. Military members may purchase electronic savings bonds by establishing a personal TreasuryDirect account with the Treasury and then initiating a nondiscretionary allotment made payable to the Treasury at their TreasuryDirect account. Members are authorized one nondiscretionary allotment for the purchase of bonds.

430201. Establishment of Allotment

Members electing to purchase electronic savings bonds will first create an account in ***TreasuryDirect***. This account can be used to purchase multiple bonds. Once created, members must either log into myPay or contact their servicing finance office to establish an allotment to the TreasuryDirect account. The following information is required to initiate the allotment:

A. The routing transit number for TreasuryDirect is 051736158,

B. The TreasuryDirect account number provided by the Treasury, and

C. The specific dollar amount (as opposed to a percentage of pay) to be deducted monthly.

NOTE: The myPay system also requires that the member designate an account type, either checking or savings, even though that designation is inapplicable to an allotment to a TreasuryDirect account.

430202. Change or Cancellation of Allotments

Members may change or cancel their allotments through myPay, or through their servicing finance office.

430203. Administration of Allotments

Details covering the administration of savings bond allotments are contained in the procedural instructions of the Military Service concerned.

430204. Safekeeping of Bonds

The Federal Reserve Bank printed and mailed all U.S. Savings Bonds previously stored in safekeeping by the Defense Finance and Accounting Service to members. Members who did not receive all their savings bonds will need to file a claim with the U.S. Treasury Bureau of Fiscal Services through TreasuryDirect. To file a claim, members need to follow the instructions found on the TreasuryDirect website. Members must create a TreasuryDirect account, as the reissued bonds will be deposited to the account electronically.

4303 CHARITABLE CONTRIBUTIONS

*430301. General

* A. Combined Federal Campaign (CFC). In accordance with Title 5, Code of Federal Regulations (CFR), part 950, annual solicitations for donations to various community charity drives have been coordinated into a single combined fund-raising campaign. Basic information on the CFC and the Department of Defense (DoD) CFC Overseas Campaign is contained in the DoD Instruction (DoDI) 5035.01, June 6, 2017.

B. Service Relief Organizations (SROs). Members are authorized to make charitable contributions by allotment to the Army Emergency Relief, Navy and Marine Corps Relief Society, or affiliates of the Air Force Assistance Fund.

C. Allotment. Members meeting the requirements of this section may authorize a class C allotment for a charitable contribution to the CFC (domestic or overseas) or to any of the Military SROs indicated in subparagraph 430301.B. All allotments authorized are paid centrally by the offices shown in Chapter 40, section 4007.

430302. Limitations

Allotments for CFC and SROs must be at least $1 per month, and each allotter is authorized only one CFC and one SRO allotment.

430303. Discontinuance (CFC Only)

Once an allotment is stopped, it may not be reinstated during the current allotment period. (This limitation does not apply to Navy or Marine Corps members when the allotment is stopped because of change in pay group.) Stop the allotment:

A. At the end of the authorized withholding period;

B. Upon member's written request; or

C. Upon separation (except when discharged and immediately reenlisted at the same station without a break in service), release from active duty, transfer to the Fleet Reserve or Fleet Marine Corps Reserve, retirement, or death.

430304. Transfer

Continue the allotment when a member participating in a CFC campaign is transferred, unless the member submits a written discontinuance request.

430305. Administration of Allotment

Details covering charitable contribution allotments are in the procedural instructions of the Military Department concerned.

4304 NONDISCRETIONARY ALLOTMENT FOR PRIVATIZED HOUSING PAYMENT

430401. General

The Military Housing Privatization Initiative (MHPI) authorizes assignment of Service members to privatized housing units. Service members assigned to privatized housing units are entitled to Basic Allowance for Housing (BAH). The member may be required to make lease payments for such housing in the form of an allotment. A member is authorized to initiate a nondiscretionary allotment for this payment.

430402. Restrictions

A. A member is authorized only one nondiscretionary allotment for the privatized housing payment.

B. A change to the member's BAH amount due to promotion, demotion, administrative, or legislative action may require a change to the allotment amount. Under these or other circumstances, the Service member is responsible for ensuring the allotment amount is changed.

C. The Service member is responsible for reconciling overpayments or underpayments with the property manager.

D. The nondiscretionary allotment is restricted to lease payments to entities participating in the MHPI. An allotment to private individuals, corporations, firms, partnerships, companies, state or local government, or housing authority of a state or local government, not associated with the MHPI, is not authorized.

4305 NONDISCRETIONARY ALLOTMENT (SALARY OFFSET) FOR DELINQUENT TRAVEL CHARGE CARD DEBT

430501. Authority

Under the provisions of the "Travel and Transportation Reform Act of 1998," heads of agencies may, upon written request of a federal contractor, collect, by deduction from the amount of pay owed to an employee of the agency, any undisputed amount of funds the employee owes to the travel charge card contractor that is delinquent. The Act defines the term 'employee' as an individual employed in or under an agency, including a member of any of the uniformed services. A member of one of the uniformed services is an employee of that uniformed service.

*430502. Procedures

The due process procedures applicable to military members are the same as for civilian employees of the Department. Therefore, salary offset for a military member's undisputed delinquent travel charge card debt must follow the procedures contained in Volume 16, Chapter 2, paragraph 020902. The amount deducted from a member's pay for any pay period may not exceed 15 percent of disposable pay for the pay period, unless the member consents in writing to the deduction of a greater percentage of pay. Disposable pay will be calculated in accordance with Chapter 41, paragraphs 410203 through 410205.

*BIBLIOGRAPHY

CHAPTER 43 - NONDISCRETIONARY ALLOTMENTS

4302 - ALLOTMENTS FOR THE PURCHASE OF SAVINGS BONDS

	430201	31 CFR 363
	430203	Title 37, United States Code (U.S.C.), section 553(a)

4303 - CHARITABLE CONTRIBUTIONS

*		5 CFR 950
*		DoDI 5035.01, June 6, 2017
*	430301.A	Executive Order 13743, October 13, 2016
*	430302-430304	DoDI 5035.01, June 6, 2017

4304 - NONDISCRETIONARY ALLOTMENT FOR PRIVATIZED HOUSING PAYMENT

10 U.S.C. § 2882

4305 - NONDISCRETIONARY ALLOTMENT (SALARY OFFSET) FOR DELINQUENT TRAVEL CHARGE CARD DEBT

	430501	5 U.S.C. § 5520a(k)(2) Public Law 105-264, section 2(d), October 19, 1998 5 U.S.C. § 5520a DoDI 1344.09, December 8, 2008
	430502	5 U.S.C. § 5514

VOLUME 7A, CHAPTER 44: "WITHHOLDING OF INCOME TAX"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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

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

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

The previous version dated December 2013 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
4401	Added new "General" section with "Purpose" and "Authoritative Guidance" and renumbered remaining sections accordingly.	Addition
440202.B	Updated Puerto Rico and Commonwealth of Northern Mariana Islands taxation to reflect current guidelines.	Revision
440203.A.4	Clarified "Qualified Hazardous Duty Area".	Revision
440203.B.5	Clarified the appropriate authority to designate "Direct Support Areas".	Revision
440203.E.2	Clarified "Tax Abatement in Case of Death".	Revision
440205	Removed the obsolete "Problem Cases" paragraph.	Deletion
Figure 44-1	Removed authorization of Combat Zone Tax Exclusion from Egypt; Israel; Mediterranean, Eastern; and Turkey.	Deletion
	Added Lebanon and The Federal Republic of Yugoslavia.	Revision
	Added Termination Date for Kyrgyzstan; Philippines; Tajikistan; and Uzbekistan.	Revision
	Added Notes for Combat Zones.	Addition
Figure 44-2	Renamed to "State and Territories That Entered Withholding Agreement With Treasury".	Revision
	Added Commonwealth of Northern Mariana Islands.	
Table 44-1	Removed obsolete rule 16 and note 11, which pertained to Death Gratuity payment and renumbered remaining rules and notes accordingly.	Deletion
Table 44-2	Removed rules 6, 7, 8, 9, and 10, which pertained to Retired Pay, and renumbered remaining rules accordingly. This information is contained in Volume 7B, Chapter 19.	Deletion
Bibliography	Updated References.	Revision

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CHAPTER 44

WITHHOLDING OF INCOME TAX

*4401 GENERAL

440101. Purpose

The purpose of this chapter is to describe the Federal Income Tax Withholding (FITW) and State Income Tax Withholding (SITW) requirements and procedures for Service member wages.

440102. Authoritative Guidance

The bibliography at the end of this chapter lists the authoritative references.

4402 WITHHOLDING FROM CURRENT PAY

440201. Wages Subject to FITW and SITW

The taxable pay of all Service members, except those listed in paragraph 440202, is subject to FITW and SITW. See Table 44-1. The taxable value of certain non-cash fringe benefits, (in excess of statutory limitations that are provided to some members), is also subject to federal and applicable state income taxes. See Table 44-1, rules 20 and 21.

*440202. Wages Not Subject to FITW and SITW

A. Combat Zone Tax Exclusion (CZTE)

1. Prior to March 20, 1996. All compensation a member (officer or enlisted) receives during a month in which a member performs active duty in a Combat Zone (CZ) qualifies the member for CZTE under subparagraph 440203.C. Commissioned Officers (0-1 and above) received a tax exclusion of $500.

2. Effective March 21, 1996. All compensation of an enlisted member or warrant officer received during a month in which the enlisted member or warrant officer performed active duty in a CZ or Qualified Hazardous Duty Area (QHDA) (defined in subparagraph 440203.B) qualifies the member for CZTE under subparagraph 440203.C. For commissioned officers, no more than an amount equal to the maximum CZTE in effect for any month during any part of which such officers perform active duty in a CZ or QHDA, qualifies them for CZ or QHDA tax exclusion under subparagraph 440203.B.

3. Maximum CZTE. The amount of the maximum CZTE in effect for a qualifying month equals the sum of the highest rate of enlisted basic pay payable under Chapter 1, Table 1-10, Note 2 and the amount of hostile fire/imminent danger pay actually

payable to the officer for the qualifying month. Also see Column B of rules 1 through 4 under Table 44-1.

* B. Puerto Rico and Commonwealth of Northern Mariana Islands (CNMI)

The U.S. Treasury Department has entered into an agreement with Puerto Rico and CNMI that requires the withholding of U.S. territorial income taxes instead of U.S. federal income tax for Service members who claim Puerto Rico or CNMI as their state of legal residence (as defined by the Internal Revenue Service (IRS)) and are serving:

1. On active duty status in the regular or reserve components of the:

(a) Army;

(b) Navy;

(c) Air Force;

(d) Marine Corps;

(e) Coast Guard; or

2. In the National Guard and participating in exercises or performing duty under Title 32 United States Code (U.S.C.) section 502; or

3. In the Ready Reserve and participating in scheduled drills or training periods or are serving on active duty for training under 10 U.S.C. § 10147.

*440203. CZTE for Active Service in a CZ, QHDA, or Direct Support Area

A. CZ and QHDA Defined

1. Effective January 17, 1991, Executive Order 12744 designated the following areas (including air space and adjacent waters) as CZs: Persian Gulf; Red Sea; Gulf of Oman; Gulf of Aden; that portion of the Arabian Sea that lies north of 10 degrees N. Lat., and west of 68 degrees E. Long.; and the total land areas of Iraq, Kuwait, Saudi Arabia, Oman, Bahrain, Qatar, and the United Arab Emirates.

2. Effective March 24, 1999, Executive Order 13119 designated the following areas (including the airspace above) as a CZ: The Federal Republic of Yugoslavia (Serbia and Montenegro), Albania, the Adriatic Sea, and the Ionian Sea north of the 39th parallel. (Note: The CZ designation for Montenegro and Kosovo (previously a province within Serbia) under Executive Order 13119 remains in force even though Montenegro and Kosovo became independent nations since Executive Order 13119 was signed in March 1999.)

3. Effective September 19, 2001, Executive Order 13239, December 12, 2001, designates Afghanistan, including the air space above, as an area in which Armed Forces of the U.S. are and have engaged in combat.

* 4. QHDAs are the following:

a. Any area of the Federal Republic of Yugoslavia (Serbia/Montenegro), Albania, the Adriatic Sea, and the northern Ionian Sea (above the 39th parallel). See Public Law 106-21, April 19, 1999; and

b. Bosnia, Herzegovina, Croatia, and Macedonia. See Public Law 104-117, effective November 21, 1995.

NOTE: In order to have CZTE treatment of wages for services performed in a QHDA, a member must be entitled to hostile fire or imminent danger pay while performing service in the QHDA.

B. Qualification for CZTE for Active Service in a CZ, QHDA, or Direct Support Area. A Service member is entitled to CZTE or QHDA exclusion for any month during any part in which he or she:

1. Performs active service in a CZ or QHDA designated in subparagraph 440203.A. Periods in the zone or area during which a member is absent from the duty assignment because of sickness, wounds, internment by the enemy, or other lawful cause is periods of active service.

2. Becomes a prisoner of war or missing in action while in active service in a CZ or QHDA. Such personnel are deemed, for the purposes of this paragraph, to continue in active service in the CZ or area for the period for which they are entitled to such status for military pay purposes.

3. Is granted official leave, or is authorized to depart from assigned duty in a CZ or QHDA for other lawful cause on or after November 21, 1995, and is directed to perform temporary duty (TDY), and the departure or return is on any day of the month. Exception: The tax exclusion does not apply for the calendar month in which a member is absent for:

a. leave;

b. Temporary Additional Duty (TAD); or

c. TDY.

4. Is present, however briefly, in the CZ or QHDA on official duty. When the airspace over a CZ or QHDA is included as part of the zone or area, a member who passes over or through the zone or area during the course of a trip between two points, both of

which lie outside the zone or area, is entitled to an exclusion only if the member is assigned to official TDY to the airspace of the zone or area, or qualifies for hostile fire or imminent danger pay as a result of the flight. If the airspace is not designated for hostile fire or imminent danger pay (but is part of the designated zone or area), then a member must be assigned to perform duty in the airspace rather than flying over the zone or area as in an incidental part of the trip to qualify for the exclusion. The fact that most members are in an official duty status when flying through a designated airspace should not be construed to mean they are assigned to the airspace to perform duty and therefore entitled to the exclusion. The following examples apply:

Example 1. Member A is assigned as a navigator in an air unit stationed outside the CZ. On June 4, during the course of a flight between his home base and another base outside the CZ, the aircraft on which he serves as a navigator flies over a CZ (given that the airspace is part of the designated CZ). Member A is not on official TDY in the airspace of the CZ and does not qualify for hostile fire or imminent danger pay as a result of the flight. Accordingly, he is not deemed to have served in a CZ since he passes through the zone without either being on official duty to the CZ or qualifying for hostile fire or imminent danger pay.

Example 2. Same scenario as example 1, except that the airspace is not part of the designated zone and Member B is entitled to hostile fire or imminent danger pay as a result of the flight. Member B is deemed to have served in a CZ and is entitled to the CZTE if his duties are determined to be in direct support of the military operation in the zone.

Example 3. Member C is a navigator in an air unit stationed outside a CZ. On June 4, she is ordered to perform duty (execute a mission) in the airspace over the CZ (which is part of the designated zone) and return to her home station outside the CZ. Member C is not entitled to hostile fire or imminent danger pay as a result of the flight. She is, however, entitled to the CZTE for the month of June for performing official TDY in the airspace (CZ) during that period.

* 5. Performs military duties in areas outside the CZ or QHDA in direct support of military operations in the CZ or QHDA and qualifies for hostile fire or imminent danger pay under 37 U.S.C. § 310. (The hostile fire or imminent danger pay entitlement must be related to activities or circumstances in the CZ or QHDA.) Unit commanders who believe that their personnel qualify for CZTE treatment under this provision must request the appropriate designation. The Principal Deputy Under Secretary of Defense for Personnel and Readiness is responsible for designating direct support areas in accordance with (IAW) Department of Defense Instruction (DoDI) 1340.25, paragraph 4(b)(3). Once the area has been designated as a direct support area, all members serving in that area, who also receives hostile fire or imminent danger pay will qualify for CZTE benefits, unless otherwise specified.

a. When members are entitled to tax exclusion under this paragraph, entitlement continues for periods of absence, prisoner or missing status, and TDY as stated for service in the actual CZ or QHDA in subparagraphs 440203.B.1, 2, 3, or 4.

b. Military service is considered to be in direct support if it has the effect of maintaining, upholding, or providing assistance for those involved in military operations in the CZ or QHDA. The following examples are provided to assist in determining whether personnel qualify for CZ or QHDA tax exclusion. In each case, personnel must also be entitled to hostile fire pay or imminent danger pay:

Example 1. Since the act of transporting necessary supplies is a function included within the concept of providing direct support of military operations, services rendered on a supply vessel transporting supplies to a CZ or QHDA are in direct support of military operations in the CZ or QHDA.

Example 2. If an aircraft in a nearby country outside the CZ or QHDA is used to transport supplies and personnel into the CZ or QHDA, then the members of the ground crews who load the aircraft and the maintenance personnel who maintain the aircraft all qualify for CZ or QHDA tax exclusion. In addition, members who maintain and control the airstrip (e.g., as a meteorologist or air traffic controllers) are performing services in direct support of military operations in the CZ or QHDA qualify for the tax exclusion.

Example 3. Members of a unit or installation who support and assist other members of that unit or installation who serve in direct support of military operations in a CZ or QHDA are considered to be serving in direct support of military operations in the CZ or QHDA. Generally, all members who serve in support of operations at an installation where some members serve in direct support of military operations in a CZ or QHDA are considered to be serving in direct support of military operations in that CZ or QHDA (e.g., unit or installation personnel for an airstrip would qualify).

6. Is hospitalized or re-hospitalized any place as a result of wounds, disease, or injury incurred while serving in a CZ or QHDA or while serving in areas identified in subparagraph 440203.B.5. A member is considered as hospitalized or re-hospitalized until such time as status as a hospital patient ceases by reason of discharge from the hospital. CZ or QHDA tax exclusion under this subparagraph will not apply to any months beginning more than 2 years after the date specified by the President in an Executive Order as the date of the termination of combatant activities in the CZ.

C. CZ Tax Relief for Personnel Serving in Direct Support of Combat Operations. Figure 44-1 lists the CZ tax relief areas and effective dates.

D. Periods for Which Tax Exclusion Does Not Apply. Members who are in the CZ or QHDA merely for their own convenience, e.g., while on leave from a duty station not in the zone or area, are not entitled to the exclusion.

* E. Tax Abatement in Case of Death

1. A member who dies in a CZ or QHDA or as a result of wounds, disease, or injury incurred while serving in the CZ or QHDA (Figure 44-1) is exempt from income tax for:

a. The taxable year in which death occurs;

b. Any prior taxable year ending on or after the first day served in a CZ or QHDA; or

c. Any such tax for prior years that remains unpaid at date of death.

* 2. If an individual in a CZ or a QHDA is in missing status and is declared dead by Secretarial determination, for purposes of the tax abatement rules stated in 440203.E.1, the date of death is the date of the determination and not earlier. The tax abatement rules in 440203.E.1 do not apply for any taxable year that begins more than 2 years after it is determined that the area in which Service member went missing is no longer a CZ or QHDA under 26 U.S.C. § 112.

F. Termination Date Other than Cases of Hospitalization. In no case will the tax exclusion authorized in subparagraph 440203.B.1 through B.6, for active duty members, extend beyond the effective date specified in an executive order terminating the designation of the CZ. In the case of QHDAs, the exclusion will not extend beyond the effective date of the termination of hostile fire or imminent danger pay for the area.

440204. Tax Abatement for Death Caused by Terrorist or Military Action Overseas

A member whose death was caused by terrorist or military action overseas (excluding training exercises) qualifies for federal tax abatement under the provisions of 26 U.S.C. § 692(c). The law forgives the deceased member's tax liability for the year of death and for all prior tax year(s) beginning with the tax year before the injuries or wounds occurred. The deceased member's survivors, executor, or administrator should contact the IRS for necessary guidance in claiming the tax exemption.

440205. Rate of Withholding

A. General. The FITW/SITW will be IAW Treasury Department Circular E and Treasury Department regulations governing state income tax withholding as implemented in Military Service directives.

B. Additional FITW and SITW. A member, entitled to CZTE while TAD or TDY, may authorize that regular withholding be continued. A member entitled to CZTE may authorize an additional amount to be withheld. The member's pay account will be adjusted for

the CZTE. See the applicable procedural instructions of the Military Service concerned for preparation of additional tax withholding requests and effective dates.

440206. State and Local Taxes

A. Tax Requirements. The state in which a member claims legal residence (i.e., domicile) may tax compensation and other income regardless of the member's location. Compensation for Military Service, however, is not taxable by any state, territory, possession, political subdivision, or district that is not the member's legal residence.

B. Legal Residence. Each member must designate a legal residence and report any changes of legal residence. A member's legal residence does not change because of a change of permanent station. Legal residence at the time of entry into the Armed Forces remains the same until changed by the member. A member makes notification of legal residence or change of legal residence by submitting a Department of Defense (DD) Form 2058, State of Legal Residence Certificate.

C. Native Americans. A Native American Service member who claims a federally recognized tribal reservation as their state of legal residence is not subject to state taxes. A Native American Service member makes notification of a federally recognized tribal reservation as a state of legal residence by submitting a DD Form 2058-2, Native American SITW Exemption Certificate.

D. Withholding. Compensation for military service that is subject to federal taxation also is subject to the mandatory withholding of income taxes on behalf of those states (including the District of Columbia) that have entered into an agreement for the purpose of such withholding with the Secretary of the Treasury. See Figure 44-2 for a list of the states that have entered into such an agreement and the effective date to start state tax withholding.

E. Disclosure of Withholding Information. The furnishing of annual wage and tax information of military members to states (including the District of Columbia) that have a withholding agreement with the Treasury Department must comply with the Privacy Act of 1974. Based upon regulatory provisions pertaining to disclosure to the states, the wages of a member who claims exemption from withholding should not be reported to a state without the member's consent. In lieu of reporting the wages of members who claim exemption from state tax withholding, name, social security number, and the member's claimed basis for exemption will be provided to the state. This rule applies to all Military Services and pay or personnel systems.

F. Delinquent Taxes. There is no authority for the involuntary collection of delinquent state tax liabilities of members.

440207. Nonresident Aliens

A. Definition. For the purpose of FITW, a nonresident alien is an individual who neither is a citizen of the U.S. nor a resident of the U.S. An alien (non-citizen) is a resident

of the U.S. if he or she is admitted lawfully to the U.S. for permanent residence, meets the substantial presence test, or makes an election to be treated as a resident during the first year of presence in the U.S., except as may be provided by tax treaty between the U.S. and the alien's country of residence.

1. Lawfully Admitted for Permanent Residence. An alien is considered lawfully admitted for permanent residence when he or she first arrives in the U.S. after his or her immigration status is approved as a permanent resident. Status as lawfully admitted for permanent residence continues, regardless of the alien's location, until the alien is outside the U.S. after his or her immigration status as a permanent resident is revoked or is determined by a court or administrative body to have been abandoned. Nominal presence in the U.S. of 10 days or less after revocation or abandonment of permanent resident status will be disregarded if the alien is substantially connected to a foreign country during that time.

2. Substantial Presence Test. An alien meeting the substantial presence test is a resident from the first day of presence in the U.S. in a calendar year in which the test is met, except that nominal presence for less than 10 days while still substantially connected to a foreign country is disregarded, until the alien leaves the U.S. and establishes connections closer to a foreign country than to the U.S.. Nominal presence in the U.S. of 10 days or less after this point is disregarded. Also, days of presence in the U.S. during which the alien is unable to leave the U.S. due to a medical condition that arose while in the U.S. are disregarded in applying the substantial presence test. An alien meets the substantial presence test if:

a. He or she is present in the U.S. on at least 31 days of the calendar year; and

b. The sum of the days on which the individual was present in the U.S. during the current calendar year, 1/3 of the days on which the individual was present in the first preceding calendar year, and 1/6 of the days on which the individual was present in the second preceding calendar year, equals or exceeds 183. Individuals do not meet the substantial presence test for the current year if they are present on less than 183 days in the current year and have, in the current year, a tax home in a foreign country to which they have closer connections than to the U.S., provided that they have not applied for an adjustment of immigration status or otherwise taken steps toward lawful permanent residence in the U.S.

B. Tax Liability. A Service member, who is a nonresident alien, is liable for U.S. income tax on pay attributable to service performed in the U.S., even if such pay is not subjected to FITW because of the provisions in subparagraph 440207.C. A nonresident alien member's pay attributable to service performed outside the U.S. is not subject to U.S. income tax. For purposes of this paragraph, service outside the U.S. means shore duty at a naval or other military installation outside the U.S. and the States of Alaska or Hawaii, or duty on board a seagoing vessel of the Navy (other than a vessel normally used only in coastal waters). Service in a possession of the U.S. is considered duty outside the U.S. A nonresident alien member is not disqualified from eligibility for any of the income exclusions or withholding exemptions set forth in Chapters 44 and 45 because of a nonresident alien status.

C. Income Tax Withholding. The pay of a nonresident alien for any period of service within the U.S. exceeding 60 calendar days is subject to FITW. Such pay also may be subject to SITW, depending on the state residency status of the alien. Pay for periods of service within the U.S. of 60 calendar days or less, or for service outside the U.S., is not subject to FITW or SITW. The nonresident alien member nevertheless is subject to federal income taxation, and may be subject to state income taxation, on pay for all days of service within the U.S. and is responsible for reporting, and paying any tax due on, all such income. The fact that income tax is not withheld on pay attributable to a particular day does not prevent that day from being counted as a day of presence in the U.S. for purposes of subparagraph 440207.A.

440208. Advance Payment of Earned Income Credit Amounts

The Advance Payment of Earned Income Credit was repealed for any taxable year after December 31, 2010.

4403 COLLECTION OF DELINQUENT FEDERAL TAXES BY LEVY

440301. Authority

When a member does not pay any federal income tax due within 30 days after the IRS has issued a notice and payment demand to the member, the IRS may collect the tax by levy on the member's salary or other income. Receipt by the cognizant Military Service (or Defense Finance and Accounting Service (DFAS) Site) of a levy notice is the legal authority to commence collection of the delinquent federal income taxes after taking into consideration the appropriate exemptions.

440302. Levy Processing Procedures

A. The IRS serves the tax levy by mail. The IRS Form 668-W(c), The Notice of Levy on Wages, Salary, and Other Income, includes instructions for the employer (Military Service) and the employee (member).

B. Upon receipt of the levy, the disbursing officer immediately:

1. Completes part 3 and returns the levy to the IRS if no funds are due the member (for example, higher precedence deductions (Chapter 52, Table 52-1) or if the member is in a status described in paragraph 440303); or

2. Forwards parts 2 through 5 to the member if funds are due or soon will become due.

C. The member certifies his or her filing status and number of personal exemptions and returns parts 3 and 4 to the disbursing officer within 3 days (or other period authorized by the IRS in coordination with the Military Service concerned and as established within Military Service regulations). If the member does not return parts 3 and 4, then the levy

will be processed as if the member is "married filing a separate return with one personal exemption."

D. The levy will continue in effect until the amount due in the levy notice is collected or until released by the IRS.

E. Forward a misrouted levy notice or levy release to the member's servicing DFAS Site.

440303. Effect on Members in a CZ or QHDA

A. The disbursing officer immediately will complete part 3, with appropriate notations, and return the levy to the IRS if the member is:

1. Serving (performing official duties) in a designated CZ or QHDA for any period of time;

2. Serving (performing official duties) outside a designated CZ or QHDA, but in direct support of military operations in a CZ or QHDA, and in receipt of hostile fire or imminent danger pay as a result of duties performed in direct support of designated CZ or QHDA operations;

3. Continuously hospitalized as a result of service in a designated CZ or QHDA (limited to 5 years of hospitalization in the U.S.); or

4. In a missing status.

B. Levy deferment remains in effect for 180 days after a member no longer meets any of the criteria listed in 440303.A. Entitlement begins again (including a new 180-day clock) when a member re-qualifies for deferment (again meets one of the criteria listed in 440303.A), with one exception. Re-hospitalization for a previously treated wound, illness, or injury does not re-qualify a member, nor does it stop/restart a 180-day clock.

440304. Attachment of Earnings and Payment to IRS

A. The member's "take home pay," minus exempt amounts claimed via the member's certified claim on part 3 of the levy, will be attached and sent to the IRS until the levy is satisfied or released by the IRS. The member's usual pay deductions will continue while the levy is in effect.

B. When exemptions are equal to or exceed the member's "take home pay," the disbursing officer will so advise the IRS office that served the levy.

4404 INSTALLMENT COLLECTION OF DELINQUENT TAXES

440401. Agreement for Liquidation of Federal Tax Indebtedness by Payroll Deductions

A member may arrange with the IRS to pay delinquent taxes by monthly deductions from pay using IRS Form 2159, Payroll Deduction Agreement. A member may not cancel an agreement once it is in effect. The Military Services handle agreements as follows:

A. Army. Collect and pay to IRS as prescribed for payment of indebtedness to instrumentalities and agencies of the government.

B. Navy and Marine Corps. Process the agreement as a T allotment if the period of liquidation is 3 months or longer. If the period is less than 3 months, then the disbursing officer pays each month to IRS in the amount of the deduction.

C. Air Force. Process as a Class T allotment.

440402. Change of Member's Status During Liquidation Period

See Table 44-2.

*Figure 44-1. CZ Tax Relief Areas

Location	Effective Dates	
	From	Through
Djibouti – Personnel serving in Djibouti due to their service in direct support of military operations in the Afghanistan CZ (note 1)	July 1, 2002	
*Federal Republic of Yugoslavia (Serbia and Montenegro) – Personnel serving in: 1. Albania 2. Adriatic Sea 3. Ionian Sea north of the 39th parallel. (notes 2 and 3)	March 24, 1999	
Jordan – Personnel serving in Jordan due to their service in direct support of military operations in the Afghanistan CZ (note 1)	September 19, 2001	
Jordan – Personnel serving in direct support of military operations in the Arabian Peninsula CZ (note 5)	March 19, 2003	
*Kyrgyzstan – Personnel serving in Kyrgyzstan due to their service in direct support of military operations in the Afghanistan CZ (note 1)	September 19, 2001	May 31, 2014 (note 4)
*Lebanon – Personnel serving in direct support of military operations in the Arabian Peninsula CZ (note 5)	February 12, 2015	February 11, 2020
Pakistan – Personnel serving in Pakistan due to their service in direct support of military operations in the Afghanistan CZ (note 1)	September 19, 2001	
*Philippines – Personnel deployed in conjunction with Operation Enduring Freedom based on their service in direct support of military operations in the Afghanistan CZ (note 1)	January 9, 2002	September 30, 2015
Somalia – Personnel serving in: 1. Somalia due to their service in direct support of military operations in the Afghanistan CZ 2. Somalia airspace 3. Water area of the Somali Basin including the following coordinates: ° 1110N3-05115E2, 0600N6-04830E5, 0500N5-05030E8, 1130N5-05334E5 ° 0500N5-05030E8, 0100N1-04700E1, 0300S3-04300E7, 0100S1-04100E5, 0600N6-04830E5 (note 1)	January 1, 2004 January 1, 2007 January 1, 2007	

*Figure 44-1. CZ Tax Relief Areas (Continued)

Location	Effective Dates	
	From	Through
Syria – Personnel serving in Syria due to their service in direct support of military operations in the Afghanistan CZ (note 1)	January 1, 2004	
*Tajikistan – Personnel serving in Tajikistan due to their service in direct support of military operations in the Afghanistan CZ (note 1)	September 19, 2001	May 31, 2014 (note 4)
*Uzbekistan – Personnel serving in Uzbekistan due to their service in direct support of military operations in the Afghanistan CZ (note 1)	September 19, 2001	May 31, 2014 (note 4)
Yemen – Personnel serving in Yemen due to their service in direct support of military operations in the Afghanistan CZ (note 1)	April 10, 2002	

***NOTES:**

1. The Afghanistan CZ is the area designated by Executive Order 13239.
2. The Federal Republic of Yugoslavia CZ is the area designated by Executive Order 13119.
3. The CZ designation for Montenegro and Kosovo (previously a province within Serbia) under Executive Order 13119 remains in force even though Montenegro and Kosovo became independent nations since Executive Order 13119 was signed in March 1999.
4. An individual serving in Kyrgyzstan, Tajikistan, and Uzbekistan who is not entitled to imminent danger pay, will still qualify for CTZE if in receipt of hostile fire pay, so long as those countries remain in "direct support" of a CZ.
5. The Arabian Peninsula CZ is the area designated by Executive Order 12744.

*Figure 44-2. State and Territories That Entered Withholding Agreement With Treasury

State	Effective Date To Start Withholding	State	Effective Date To Start Withholding
Alabama	July 1, 1977	Mississippi	July 1, 1978
Arizona	September 1, 1993	Missouri	January 1, 1993
Arkansas	March 30, 1981	Montana	October 29, 1977
California	February 1, 1978	Nebraska	September 1, 1977
Colorado	August 1, 1977	New Jersey	July 1, 1977
Connecticut	January 1, 1992	New Mexico	July 1, 1977
Delaware	July 1, 1977	New York	July 1, 1977
District of Columbia	August 1, 1977	North Carolina	July 1, 1977
Georgia	January 1, 1979	North Dakota	July 29, 1987
Hawaii	December 1, 1977	Ohio	September 1, 1978
Idaho	July 1, 1977	Oklahoma	September 1, 1977
Illinois	July 1, 1977	Oregon	November 1, 1977
Indiana	August 1, 1977	Pennsylvania	July 1, 1977
Iowa	July 1, 1977	Puerto Rico	February 15, 1998
Kansas	July 1, 1977	Rhode Island	August 1, 1977
Kentucky	September 1, 1977	South Carolina	July 1, 1977
Louisiana	September 1, 1977	Utah	July 1, 1977
Maine	November 1, 1977	Vermont	January 1, 1990
Maryland	August 1, 1977	Virginia	July 1, 1977
Massachusetts	August 1, 1977	West Virginia	July 1, 1977
Michigan	July 1, 1977	Wisconsin	August 1, 1977
Minnesota	November 1, 1977	Common Wealth of Northern Mariana Islands	December 2006

*Table 44-1. Taxability of Items of Military Pay and Allowances

RULE	A	B		
		then item is (notes 1, 2, and 3)		
	If item is	taxable and subject to FITW/SITW	taxable but not subject to FITW/SITW	not taxable
1	basic pay (note 4)	for any month CZ or QHDA exclusions do not apply (notes 5 and 6).		for pay earned by an enlisted member or warrant officer (W-1 through W-5) and beginning November 21, 1995, commissioned officers (O-1 and above) amounts up to the highest rate of pay payable to any enlisted member plus the amount of hostile fire/imminent danger pay that is actually payable to the officer for any month CZ or QHDA tax exclusion applies (notes 5 and 7); or, for any member while in a missing status and authorized tax exclusion under the provisions of subparagraph 440202.A. For periods on or before November 20, 1995 for commissioned officers (O-1 and above), up to $500 per month of such pay is not taxable for any month CZTE applies.
2	incentive pay for hazardous duty (see Chapters 22 through 24)			
3	special pay (see Chapters 3, 5, 6, 7, 8, 10, 11, 15, 17, 18 and 21)			
4	lump-sum payment of accrued leave (basic pay portion)			
5	a bonus entitlement (including installments)	if earned (reenlists, extends, signs agreement) in a month during which CZTE does not apply.		if earned (reenlists, extends, signs agreement) in a month during which CZ or QHDA exclusion applies, regardless if the act of earning the bonus takes place before entering or after returning from the CZ or QHDA. (note 6)

*Table 44-1. Taxability of Items of Military Pay and Allowances (Continued)

RULE	A	B		
		then item is (notes 1, 2, and 3)		
	If item is	taxable and subject to FITW/SITW	taxable but not subject to FITW/SITW	not taxable
6	National Call to Service Bonus (NCSB) or Student Loan Repayment Program (SLRP)			for the NCSB for the actual months that are served in a CZ or QHDA during the initial 15 month of service following initial entry training; and for the SLRP for the actual months served in a CZ or QHDA out of the 12-month period. (note 6 and note 8)
7	separation pay, readjustment pay, or severance pay (except for disability) (note 9)	and remains taxable income subject to reporting and withholding, even if paid during any month in which the CZ exclusion applies.		
8	contract cancellation pay			
9	pay forfeited by court martial sentence or non-judicial punishment			and is loss of entitlement to pay in the amount of the forfeiture (however, remaining pay is subject to tax withholding (note 10)).

*Table 44-1. Taxability of Items of Military Pay and Allowances (Continued)

RULE	A	B		
		then item is (notes 1, 2, and 3)		
	If item is	taxable and subject to FITW/SITW	taxable but not subject to FITW/SITW	not taxable
*10	payment(s) of travel and transportation costs incurred while carrying on business of U.S. Government (includes any temporary lodging entitlements)	if assignments are over 1 year. All travel reimbursement expenses are taxable, regardless of whether the reimbursements exceed the traveler's expenses IAW Internal Revenue Code 162(a) and Revenue Rule 99-7	if the amounts received are in excess of actual travel and transportation costs incurred while carrying on business of U.S. Government. The amount will not be reported on IRS Form W-2 or 1099, but the member will account for such payment(s) on applicable individual income tax returns	in temporary assignments lasting a year or less, if members receive the government per diem rate (or an amount less than the per diem rate. The amount received is not taxable, because the members' expenses are deemed to be substantiated IAW Revenue Procedure 2011-47.
11	an incentive payment paid to member for do-it-yourself move per Department of Defense Financial Management Regulation (DoD FMR) Volume 9, Chapter 6, paragraph 060302.	at time of payment		
12	muster duty allowance	at time of payment under the provisions of subparagraph 580205.B.		

*Table 44-1. Taxability of Items of Military Pay and Allowances (Continued)

RULE	A	B		
		then item is (notes 1, 2, and 3)		
	If item is	taxable and subject to FITW/SITW	taxable but not subject to FITW/SITW	not taxable
13	funeral duty allowance	at time of payment.		
14	personal money allowance	and will be reported on Form W-2.		
15	an allowance (Basic Allowance for Subsistence, Basic Allowance for Housing, Family Separation Allowance, clothing and uniform allowances, and overseas station allowances) (note 11)			at any time.
16	an otherwise taxable item of pay earned by member but unpaid at death		but will be reported on IRS Form 1099-MISC when paid to beneficiary (note 12).	if death occurs in month member was entitled to CZ or QHDA exclusion.

*Table 44-1. Taxability of Items of Military Pay and Allowances (Continued)

RULE	A	B		
		then item is (notes 1, 2, and 3)		
	If item is	taxable and subject to FITW/SITW	taxable but not subject to FITW/SITW	not taxable
17	special separation benefit or voluntary separation incentive (VSI)	at the flat withholding rate (currently 25 percent) for FITW and at the appropriate SITW rate for Special Separation Bonus (SSB) payments and initial VSI payments. Withhold taxes from VSI installment payments at the annual withholding rate contained in IRS Circular E (note 13).		
18	inactive duty training (IDT) pay	at time of payment (CZTE does not apply to pay for IDTs).		
19	former captive payment (see Chapter 37)		if payment is for former captive status resulting from a lawful action. Payment will be reported on IRS Form W-2 (note 12).	if payment is for former captive status resulting from the deprivation of personal rights.

*Table 44-1. Taxability of Items of Military Pay and Allowances (Continued)

RULE	A	B		
		then item is (notes 1, 2, and 3)		
	If item is	taxable and subject to FITW/SITW	taxable but not subject to FITW/SITW	not taxable
20	employer provided home-to-work transportation	even if transportation is provided for security reasons (note 14).		
21	employer-provided parking	to the extent that the value exceeds the monthly exclusion limit (note 14).		to the extent that the value is equal to or less than the monthly exclusion limit.
22	Thrift Savings Plan (TSP)	For traditional TSP contributions, taxes are deferred until contributions are withdrawn. However, taxes are withheld for those who make Roth TSP contributions, since Roth contributions are after-tax contribution.		if TSP contribution is made from pay earned in a CZ or QHDA (for commissioned officers, limited to maximum monthly CZTE amount).
23	waived portion of court martial forfeiture of taxable pay or pay and allowances (Chapter 48)	see subparagraph Chapter 48, 480307.C.		

*Table 44-1. Taxability of Items of Military Pay and Allowances (Continued)

NOTES:

1. The susceptibility of items of military pay and allowances to state income taxes depends upon the law of the member's state of legal residence. Items of pay and allowances, which are not subject to FITW, however, will not be subject to SITW. Items of pay and allowances subject to FITW will be subject to SITW if the member's state of legal residence has entered into a withholding agreement with the Secretary of the Treasury. The total or partial exclusion by states of military pay from income will be recognized in the computation of the amount of state income tax to be withheld.
2. If a member receives an overpayment of a taxable pay item, then the overpayment should be reported in the year paid unless the CZ or QHDA tax exclusion is applicable. If recovery of the overpayment is waived remitted, or canceled, then there is no additional tax reporting requirements. If the overpayment consists of a nontaxable pay item, then the overpayment should not be reported as taxable income if the resulting debt is waived, remitted, or canceled.
3. Taxable wages and withholding must reflect the debt in the year the payment was received. Collection action will reflect impact on taxable wages and withholding (if applicable) as collection is made, but only if made in the same year as the original payment.
4. Excludes the reduction of basic pay for educational benefits under the "New Montgomery GI Bill" after December 31, 1985. Members wishing to increase their Montgomery G.I. Bill benefits may contribute up to $600, IAW 38 U.S.C. § 3011(e). This contribution is not a reduction in basic pay and therefore, does not reduce a member's taxable wages.
5. Add the payments (rules 1 through 6) made currently or at a later date for a commissioned officer (O-1 and above) to other pay for the month (up to the highest rate of pay payable to any enlisted member) to calculate the maximum amount to be applied for CZ or QHDA tax exclusion. (See subparagraph 350203.B.)
6. Effective April 1, 1996 for CZ and QHDA tax exclusion for commissioned officers (O-1 and above), amounts over the highest enlisted grade (Sergeant Major of the Army, Master Chief Petty Officer of the Navy, Chief Master Sergeant of the Air Force, or Sergeant Major of the Marine Corps; (see Chapter 1, Table 1-10, note 2, for clarification) plus the amount of hostile fire/imminent danger pay that is actually payable to the officer for that month are taxable and subject to federal and state tax withholding.
7. Only pay and allowances actually earned during any month in which a CZ or QHDA designation applies are excludable, even if paid in a later, non-qualifying month. Entitlements earned during any non-qualifying month, but paid in a month the exclusion applies, remain taxable. Accrued leave payments qualify only for that portion of days that were actually earned during a qualifying month.
8. The tax exempt computation for the NCSB and SLRP will be the number of months in the CZ/QHDA divided by 15 months for the NCSB or 12 months for the SLRP. The resulting percentage will be multiplied against the bonus or loan amount. The result will be the tax exempt amount for the member.
9. See Chapter 35, paragraph 350504 for exceptions to the normally taxable payment of disability severance pay.

*Table 44-1. Taxability of Items of Military Pay and Allowances (Continued)

NOTES: (cont.)

10. This does not apply to fines imposed by courts-martial or non-judicial punishments. Withhold tax from the member's full pay credited before deducting the fine. Report the full amount of the pay credited, without deducting the fine, as taxable income.
11. Allowances considered nontaxable on September 9, 1986 remain nontaxable. Any allowance created after September 9, 1986 will be taxable for federal and state income tax purposes unless specified otherwise.
12. Exception is pay earned for any month CZ or QHDA exclusion applies. CZs and QHDAs are so designated by Executive Order or statute, respectively.
13. SSB and VSI payments remain taxable even if a member signs the agreement to separate while serving in a CZ or QHDA.
14. Home-to-work provided transportation and employer provided parking.
    a. Per the DoD Manual 4500.36-R, the USD Comptroller and USD (P&R) jointly will issue updated annual guidance concerning the valuation, on a monthly basis, of taxable government employer-provided home-to-work transportation fringe benefits provided to certain military members. Armed Forces Tax Council service representatives annually will distribute the updated guidance to the Military Services.
    b. Each DoD Component will determine the value, to be calculated on a monthly basis, of government employer-provided taxable parking fringe benefits provided to military members.
    c. Determination must be accomplished utilizing the provisions of the Internal Revenue Code (See IRS Publication 15-B) and Treasury Regulations and accordingly documented. Each member's Service will:

       (1) Identify members receiving government employer-provided home-to-work transportation and/or parking fringe benefit;

       (2) Certify fringe benefit was authorized, calculate and certify the value of the taxable fringe benefits, and submit the appropriate taxable gross income amounts to the servicing DFAS central site, no less often than once a year. Exception: When members receive taxable fringe benefits from active duty assignments outside their DoD Component, the agency providing the taxable fringe benefit (such as parking) calculates the value of the benefit provided, and the member's Service verifies the correctness of the calculation;

       (3) Keep members receiving such benefits advised of the tax liability annually accruing to them.
    d. Each member's certified taxable fringe benefit amount must be sent to the servicing DFAS central site no less often than annually and not later than December 15, each year, for processing to:

       (1) Include the taxable non-cash benefit amounts in members' gross income;

       (2) Withhold and deduct appropriate federal and state income taxes (not FICA taxes); and

       (3) Generate an IRS Form W-2 that reflects the adjusted gross income and withholding amounts. The military services' field finance offices are not authorized to process taxable fringe benefits as additional taxable wages, to withhold applicable taxes, or to generate a manual IRS Form W-2.

*Table 44-2. Collection of Delinquent Taxes by Installment - Change of Member's Status

RULE	A	B	C	D
	When a member who has arranged with IRS for installment collection of delinquent taxes	**and**	**then**	**and**
1	is discharged or released from active duty	immediately reenlists	deduct from member's pay as agreed with IRS without interruption	
2		does not immediately reenlist	deduct from final pay enough to liquidate the remaining indebtedness, or all available if the remaining indebtedness is more than is available	notify IRS of the member's separation.
3	enters a period of unauthorized absence for which pay and allowances are not payable	is a member of the Army or Air Force	deduct from member's pay, and pay to IRS for the month the absence begins the amount agreed to or as much as is available if less than agreed to	suspend further deductions and payments for tax indebtedness until member is restored to a pay status. If deductions and payments are suspended at the time additional payment is due, then notify IRS. Remove suspension when member is restored to a pay status. Deduct and pay for the month of restoration as much as is available if less than the agreed to amount.

*Table 44-2. Collection of Delinquent Taxes by Installment - Change of Member's Status (Continued)

	A	B	C	D
RULE	**When a member who has arranged with IRS for installment collection of delinquent taxes**	**and**	**then**	**and**
4	enters a period of unauthorized absence for which pay and allowances are not payable	is a member of the Navy or Marine Corps and a T allotment has not been established	deduct from member's pay, and pay to IRS for the month the absence begins the amount agreed to or as much as is available if less than agreed to	notify IRS of the member's separation.
5		is a member of the Navy or Marine Corps and a T allotment has been established	cancel the T allotment on the 15th day following the date absence began (or earlier if necessary to prevent allotment overpayment)	suspend further deductions and payments for tax indebtedness until member is restored to a pay status. If deductions and payments are suspended at the time additional payment is due, then notify IRS. Remove suspension when member is restored to a pay status. Deduct and pay for the month of restoration as much as is available if less than the agreed to amount.
6	has qualified for collection deferment because of service in a CZ or enters hospitalized/missing status as a result of service in a CZ (see note)		defer initiating collection effective the month entering such status	commence collection IAW paragraph 440203 B.6.

NOTE: Includes direct support of CZ operations.

*BIBLIOGRAPHY

CHAPTER 44 - WITHHOLDING INCOME TAX

4402 - WITHHOLDING FROM CURRENT PAY

	440201	Treasury Regulation 1.162-1(b)
	440202.A	26 U.S.C. § 3401(a)(1) IRS Publication 3
*	440202.B	IRS Publication 80 (2016) 31 Code of Federal Regulations (C.F.R.) Part 215 Treasury Financial Manual (TFM), Volume 1, Part 3, Chapter 5000
	440203.A and C	26 U.S.C. § 112
	440203.A.1	Executive Order 12744, January 17, 1991
	440203.A.2	Executive Order 13119, March 24, 1999
	440203.A.3	Executive Order 13239, September 19, 2001
*	440203.A.4	Public Law 106-21 26 U.S.C. § 112
*	440203.B.5	IRS Notice 2002-17, question, and answer 6 37 U.S.C. § 310 DoDI 1340.25
	440205.B	26 U.S.C. § 3402I
	440206	TFM, Volume 1, Part 3, Chapter 5000
	440206.B	50 U.S.C. Appendix 574
	440206.C	TFM, Part 3, Chapter 5000
	440206.D	TFM 3-5070 TFM, Part 3, Chapter 5000
	440207	26 U.S.C. § 871
	440207.A.2	26 C.F.R. 301.7701(b)-1
	440208	26 U.S.C. § 3507 Public Law 95-600, November 6, 1978 Public Law 111-226, August 10, 2010

4403 - COLLECTION OF DELINQUENT FEDERAL TAXES BY LEVY

	440301	26 U.S.C. § 6321(a) 26 U.S.C. § 6331 Public Law 100-647, November 10, 1988
	440303	26 U.S.C. § 7508 Internal Revenue (IR) Manual, 53(10)6.1 Treasury Regulation 1.112-1(j) Treasury Regulation 1.112-1(e)
	440304	26 U.S.C. § 6331, 6334 Public Law 100-647, November 10, 1988

Figure 44-1

	Djibouti	Under Secretary of Defense Personnel and Readiness (USD (P&R)) Memo, November 21, 2002
*	Federal Republic of Yugoslavia (Serbia and Montenegro)	USD (P&R) Memo, March 26, 2009
	Jordan	USD (P&R) Memo, December 14, 2001
*	Kyrgyzstan	USD (P&R) Memo, December 14, 2001 USD (P&R) Memo, December 31, 2013 26 (C.F.R.), Part 1, § 1.112-1 (e)
*	Lebanon	USD (P&R) Memo, October 21, 2015
	Pakistan	USD (P&R) Memo, December 14, 2001
	Philippines	Assistant Secretary of Defense (ASD) Force Management & Personnel Memo, October 31, 2002
*		ASD Manpower and Reserve Affairs Memo, December 31, 2015
	Somalia	USD (P&R) Memo, October 17, 2006
	Syria	USD (P&R) Memo, January 7, 2005
*	Tajikistan	USD (P&R) Memo, December 14, 2001 USD (P&R) Memo, December 31, 2013 26 C.F.R., Part 1, § 1.112-1 (e)
*	Uzbekistan	USD (P&R) Memo, December 14, 2001 USD (P&R) Memo, December 31, 2013 26 C.F.R., Part 1, § 1.112-1 (e)
	Yemen	ASD (FM&P) Undated Memo

Table 44-1

	Public Law 104-117, March 20, 1996, 109 Stat 827
Rules 5 and 6	Treasury Regulation 1.112-1
Rule 7	Public Law 104-117, March 20, 1996, 109 Stat 827 Waterman v. Commissioner, 179 F.3d 123 (4th Circuit. 1999)
Rule 10	Public Law 94-212, February 9, 1976
Rule 11	Revised Rule 77-350, IR Bulletin No. 40, October 3, 1977 Treasury Regulation 1.62-2 Treasury Regulation 31.3401(a) 31 CFR 215.8
Rule 15	Public Law 108-121, § 102, November 11, 2003
Rules 21 and 22	Treasury Regulation 1.162-1(b) (5) and 1.262-2(e) IRS Notice 94-3 10 U.S.C. § 2637
Notes 2 and 3	IRS Revenue Ruling 79-311 Treasury Regulation 1.61-12
Note 4	Public Law 106-419, § 105, November 1, 2000
Notes 5 and 12	Public Law 104-117, March 20, 1996, 109 Stat 827
Note 7	26 U.S.C. § 112

	Note 11	26 U.S.C. § 134
	Note 14	IRS Publication 15-B

Table 44-2

*	Rule 6	26 U.S.C. § 7508
	Note	IRS Notice 951 (February 1991)

VOLUME 7A, CHAPTER 45: "FEDERAL INSURANCE CONTRIBUTIONS ACT (FICA)"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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

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

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

The previous version dated August 2015 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current administrative instructions.	Revision
Table 45-1	Updated the table to reflect the 2016 and 2017 FICA percentages, maximum taxable wages, and maximum tax rates.	Revision

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CHAPTER 45

FEDERAL INSURANCE CONTRIBUTIONS ACT (FICA)

4501 GENERAL

450101. Purpose

FICA requires Federal Agencies to withhold Social Security and Medicare taxes from the basic pay of military members covered by the Social Security Act and to pay matching FICA taxes to the Social Security Administration. See Table 45-1 for the FICA tax component for Old Age, Survivors, and Disability Insurance (OASDI) tax, also called Social Security tax, and the FICA tax component for Hospital Insurance tax, also called Medicare tax. The OASDI tax rate applies only to those basic pay payments that do not exceed the annually variable OASDI wage base. There is no cap on wages subject to the withholding of Medicare tax.

450102. Authoritative Guidance

The bibliography at the end of this chapter lists the authoritative references.

4502 REQUIREMENTS

450201. Members Subject to FICA

Any member appointed to, enlisted in, or inducted into any Military Service is subject to FICA tax. This includes members serving in:

A. The Military Service Academies (excluding foreign nationals);

B. An aviation cadet status; or

C. A combat zone.

450202. Taxable Wages

The following wages are subject to FICA withholding:

A. Basic pay (excluding reduction for educational benefits under the Montgomery G.I. Bill);

B. Inactive duty compensation;

C. Taxable amounts earned but unpaid at the date of death (subject to the maximum earnings tax) if paid to the beneficiary during the same calendar year in which the member's death occurs;

D. Basic pay or compensation earned when absence is the result of injury, sickness, or hospitalization;

E. Taxable amounts received prior to the Government's voidance of the member's enlistment contract; and

F. Waived portions of forfeitures of basic pay payable to dependent(s) of a confined member as prescribed in Chapter 48, subparagraph 480307.C.

4503 DEDUCTION OF FICA TAX

450301. Amount

See the ***"Contribution and Benefit Base"*** on the Social Security Website or Table 45-1 for the withholding percentage rate and the total maximum tax.

450302. Maximum Tax

Discontinue deductions when the member's total active duty basic pay plus inactive duty compensation equals the annual maximum earnings subject to FICA withholding, and when the maximum tax has been deducted.

450303. Effect of Punishment, Absence, and Non-Pay Status

See Table 45-2.

450304. More Than One Employer

Deduct FICA taxes regardless of any amounts previously or currently being deducted by another employer. Each Military Service is considered a separate employer; however, cross-servicing of a member's pay account between the Military Services does not constitute a change of employer. A break in service of any length within the same Military Service does not constitute a change of employer. Consider all FICA tax withheld during the calendar year in determining the total amount withheld. If this amount is in excess of the maximum tax, then the member may claim the excess from the Military Service concerned, and adjustments will be made accordingly.

450305. Retroactive Entitlements and Deductions

Retroactive entitlements and deductions will adjust the pay for the year in which they are made and will be reflected in the tax reporting for the quarter in which paid. All retroactive payments are subject to FICA withholding at the rates in effect at the time of payment. If the member has been discharged, separated, or retired, then issue an Internal Revenue Service (IRS) Form W-2, Wage and Tax Statement.

450306. Indebtedness

FICA taxes previously withheld may not be used to offset any indebtedness.

*Table 45-1. FICA Percentages, Maximum Taxable Wages, and Maximum Tax

FICA PERCENTAGES, MAXIMUM TAXABLE WAGES, AND MAXIMUM TAX				
Year	Social Security (OASDI) Tax	Medicare (Hospital Insurance) Tax	Maximum FICA Wages	Maximum Tax
2002	6.20%		$84,900	$5,263.80
		1.45%	unlimited	
2003	6.20%		$87,000	$5,394.00
		1.45%	unlimited	
2004	6.20%		$87,900	$5,449.80
		1.45%	unlimited	
2005	6.20%		$90,000	$5,580.00
		1.45%	unlimited	
2006	6.20%		$94,200	$5,840.40
		1.45%	unlimited	
2007	6.20%		$97,500	$6,045.00
		1.45%	unlimited	
2008	6.20%		$102,000	$6,324.00
		1.45%	unlimited	
2009	6.20%		$106,800	$6,621.60
		1.45%	unlimited	
2010	6.20%		$106,800	$6,621.60
		1.45%	unlimited	
2011	6.20%		$106,800	$4,485.60
		1.45%	unlimited	
2012	6.20%		$110,100	$4,624.20
		1.45%	unlimited	
2013	4.20%		$113,700	$7,049.40
		1.45%	unlimited	
2014	4.20%		$117,000	$7,254.00
		1.45%	unlimited	
2015	6.20%		$118,500	$7,347.00
		1.45%	unlimited	
2016	6.20%		$118,500	$7,347.00
		1.45%	unlimited	
2017	6.20%		$127,200	$7,886.40
		1.45%	unlimited	

NOTE: If the current year is not listed, see the **"**Contribution and Benefit Base**"** on the Social Security Website.

Table 45-2. Effect of Punishment, Absence, and Non-Pay Status

RULE	A When a member	B then
1	is fined by court-martial and the fine is deducted from pay	the amount of the fine is subject to FICA tax.
2	is required to forfeit pay as the result of court-martial or nonjudicial punishment	the forfeiture is a loss of entitlement to the basic pay involved, and the lost amount is not subject to FICA tax. (Note)
3	has pay detained under court-martial or nonjudicial punishment	the amount detained is not subject to FICA tax until it is actually paid to the member.
4	is absent without leave	the amount of basic pay deducted for the period is not subject to FICA tax.
5	is confined by civil authorities under conditions that require loss of pay	

NOTE: The waived portion of a forfeiture is taxable income to the confined member and is subject to FICA under Chapter 48, subparagraph 480307.C and subparagraph 450202.F.

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CHAPTER 45 - FEDERAL INSURANCE CONTRIBUTIONS ACT (FICA)

4501 – GENERAL

	Title 42, United States Code (U.S.C.), section 410(1)

4502 – REQUIREMENTS

450201	42 U.S.C. § 410(1) 26 U.S.C. § 3121(m)
450202	42 U.S.C. § 409(d)

4503 – DEDUCTION OF FICA TAX

450301	26 U.S.C. § 3101; 3102
450304	26 U.S.C. § 3101
450305	26 U.S.C. § 3102 26 U.S.C. § 6205
Table 45-1	42 U.S.C. § 430 IRS Notice 1036
Table 45-2	
Rule 2	36 Comp Gen 79
Rule 3	26 U.S.C. § 451

VOLUME 7A, CHAPTER 46: "DEDUCTIONS FOR THE ARMED FORCES RETIREMENT HOMES"

SUMMARY OF MAJOR CHANGES

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The previous version dated July 2014 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
460101 460102	Added "Purpose" and "Authoritative Guidance" paragraphs to comply with current administrative instructions.	Addition
Bibliography	Updated references in the bibliography.	Revision

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CHAPTER 46

DEDUCTIONS FOR THE ARMED FORCES RETIREMENT HOMES

4601 GENERAL

*460101. Purpose

The Armed Forces Retirement Home (AFRH) is an independent establishment in the executive branch. The purpose of the Retirement Home is to provide residences and related services for retired and former members of the Armed Forces who meet the eligibility requirements of the AFRH. The AFRH includes the AFRH – Washington (Soldiers' and Airmen's Home) and the AFRH – Gulfport (Naval Home).

*460102. Authoritative Guidance

The bibliography at the end of this chapter lists the authoritative references.

4602 AMOUNT

The Secretary of Defense sets the monthly deduction from pay in an amount not to exceed $1.00. The deductions of pay, which are not prorated for partial months of service, are deposited in the AFRH Trust Fund.

4603 APPLICABILITY

460301. Members Subject to Deductions

The following members are subject to deductions:

A. Regular enlisted members,

B. Warrant officers,

C. Limited duty officers of the Armed Forces, and

D. Coast Guard members (when it is operating as a Military Service in the Navy).

460302. Members Not Subject to Deductions

The following members are not subject to deductions:

A. Reserve Component members,

B. Commissioned officers, and

C. Members in a non-pay status for the entire calendar month.

*BIBLIOGRAPHY

CHAPTER 46 - DEDUCTIONS FOR THE ARMED FORCES RETIREMENT HOMES

4601 - GENERAL

*	460101	Title 24 United States Code (U.S.C.), Chapter 10

4602 - AMOUNT

37 U.S.C. § 1007(i)

4603 - APPLICABILITY

37 U.S.C. § 1007(i)

VOLUME 7A, CHAPTER 47: "SERVICEMEMBERS' GROUP LIFE INSURANCE (SGLI) PROGRAM"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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

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

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

The previous version dated September 2016 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated formatting to comply with current administrative instructions.	Revision
471201	Updated "Reimbursement Allowance for SGLI Premium Deduction" for members serving in a designated duty assignment effective December 23, 2016.	Revision
Bibliography	Updated references.	Revision

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CHAPTER 47

SERVICEMEMBERS' GROUP LIFE INSURANCE (SGLI) PROGRAM

4701 GENERAL

470101. Purpose

The SGLI Program is administered by the Department of Veterans Affairs (VA). Eligible members, who receive basic pay for 1 or more days per month or members of the Ready Reserves who drill for points, are responsible for the payment of SGLI and Family SGLI (FSGLI) premiums, unless the eligible member elects to waive coverage. Coverage and premiums are discussed in sections 4702 and 4705, respectively.

470102. Authoritative Guidance

The bibliography at the end of this chapter lists the authoritative references.

4702 COVERAGE

470201. Full-and Part-Time Coverage

A. Full-Time Coverage. Full-time coverage automatically insures eligible members against death in the amount of $400,000 when a member is performing active duty or active duty for training for an ordered period of more than 30 days, or while on full-time duty as a cadet or midshipman at a Service Academy. All members of the Ready Reserve and National Guard, who are assigned or attached to a unit or position that may require performing active duty or active duty for training, and will be scheduled to perform at least 12 periods of inactive duty for training annually, are also eligible for full-time SGLI coverage. Members may elect coverage for an amount less than $400,000, in $50,000 increments, or may elect to waive coverage.

B. Part-Time Coverage. Part-time coverage is provided for the following members while performing active duty or active duty for training for an ordered period of less than 31 days:

1. Commissioned, warrant, or enlisted members of the Army, Navy, Air Force, Marine Corps and Coast Guard Reserves;

2. Members of the Individual Ready Reserve during 1-day call-ups;

3. Members of the Army and Air National Guard performing duty at:

a. Rifle ranges for the training of civilians in the use of military arms;

b. Required drills;

c. Field exercises;

d. National Guard Schools; and

e. Small arms competitions; and

4. Cadets, or midshipmen of the Senior Reserve Officers Training Corps while attending field training or practice cruises.

The eligible member is insured during the days of actual duty performed and becomes eligible for full-time coverage when the member performs active duty or active duty for training for an ordered period of more than 30 days.

C. Changes in Coverage. A member, who is covered for an amount less than maximum SGLI coverage, may apply later in writing for increased coverage, to an amount of up to maximum SGLI coverage, with proof of good health.

470202. Periods of Coverage

See Table 47-1.

470203. Forfeiture of Coverage

Any person guilty of mutiny, treason, spying, desertion, or who, because of conscientious objections, refuses to serve in the Armed Forces of the United States, or refuses to wear the uniform of the Armed Forces, forfeits all rights to any coverage. This insurance is not payable for death inflicted as a lawful punishment for crime or for military or naval offense, except when inflicted by an enemy of the United States.

4703 MARRIED MEMBER'S DESIGNATION OF A BENEFICIARY OTHER THAN THE SPOUSE

When a member designates a beneficiary for SGLI coverage other than his or her current lawful spouse or child(ren), or makes an election for reduced or no coverage, the Secretary concerned will notify the spouse in writing, at the last address of record. The advisory must be made as quickly as possible or within 30 days from the date of such election. The notification will not include the name(s) of the actual designated beneficiary(ies).

4704 APPELLATE LEAVE

When placed on appellate leave following confinement with total forfeiture of pay and allowances (during which coverage had been properly stopped, see Table 47-1, rule 9), coverage is not reinstated. If appellate leave is followed by a restoration to duty with pay, then coverage is reinstated on the date the member returns to full duty status and continues during the period of excess leave. Coverage is reinstated at the amount in effect on the day prior to its stoppage.

4705 SGLI PREMIUMS

470501. Premium Rates

The premium rates effective July 1, 2014 are included in subparagraphs 470501.A and B.

A. Full-Time Coverage. For members who meet the requirements for full-time coverage, the premium rate is 7 cents per month per $1,000 of coverage, $3.50 monthly for each $50,000, or $28.00 monthly for $400,000 of coverage. An additional $1 is charged each month for Traumatic Injury Protection SGLI (TSGLI). TSGLI coverage is automatic for those insured under basic SGLI and can be declined only by refusing basic SGLI coverage. When a member no longer meets the requirements for full-time SGLI coverage, the member's Service must notify the member of the pending termination of benefits. For rules concerning starting and stopping deductions, see Table 47-1. Monthly deductions are not prorated for partial months of service. Deduct the full monthly premium for any month in which a member is covered for at least 1 day. During months in which coverage amounts change, deduct the full month's premium for the higher coverage rate.

B. Part-Time Coverage. The premium rate for part-time coverage is $28.00 per year for $400,000 of coverage. An additional $1 is charged for TSGLI. The annual premium is collected from the member's pay account during the first period of duty in which the member is in a pay status. Members of the Individual Ready Reserve will be charged $1.00 for $400,000 of coverage for 1-day call-ups.

470502. Non-Pay Status

During any month in which a member is assigned to the Ready Reserve of a Uniformed Service, and is insured under a policy of insurance purchased by the Secretary concerned, the Uniformed Service concerned will contribute from the appropriation for active duty pay, the share of the cost attributable to insuring such member under this policy. Any amounts contributed on behalf of the member will be collected by deduction from the member's pay or otherwise, which may include establishing a debt against the member's pay account, and will be credited to the appropriation from which the contribution was made.

470503. Direct Remitters

Each Service must have clearly established programs to identify members who are required to make a direct remittance of premiums. Services must notify members at least 30 days in advance of the date the direct remittance is due. The notice will include the amount of the payment, the date it is due, and the Service's address to which the payment should be sent. The member must make remittance within 30 days from the date of the notice.

470504. Failure to Make Remittance within 60 Days

When the Secretary concerned determines that a member has failed to make direct remittance within 60 days of the due date, the Secretary concerned will send a "Notice of SGLI

Termination" to the member's official address. The notice must clearly state that effective 60 days from the date of such notice, the member's SGLI will be terminated. Termination of the insurance may be vacated if, before the expiration of 60 days from the date of the "Notice of SGLI Termination," the member remits all amounts past due for SGLI coverage and can justify the failure to make timely remittance to the Secretary concerned.

4706 REFUNDS

Refunds will not be made in the case of amounts deducted before the effective date of any election for reduced or waived coverage. When the Office of SGLI (OSGLI) rejects a request for reinstatement of coverage or increased coverage, any increase in premiums withheld pending OSGLI rejection will be credited to the member's pay account.

4707 EXTRA HAZARD COSTS

470701. Cost

In addition to a deduction from the member's pay, each Military Service contributes from its appropriations an amount (determined by the VA) attributable to the extra hazard cost of SGLI. This premium reflects the cost of death claims in excess of the level of death claims that would result from normal peacetime service.

470702. Payment

The Military Services centrally pay the premium for extra hazard costs, along with the member premiums to the VA.

4708 SETTLEMENT OF SGLI CLAIMS

Death claims are filed with the OSGLI. The order of precedence for payment is the same as prescribed in subparagraph 471010.C. The OSGLI will reduce the insurance proceeds by the amount of any member premiums not paid. Effective July 1, 2011, the SGLI Form (commonly named and referred to as SGLV) 8283, Claim for Death Benefits, and SGLV Form 8283A, Claim for Family Coverage Death Benefits, were updated to reflect electronic funds transfer as a settlement payment option for the beneficiaries.

4709 FSGLI

470901. Eligibility

FSGLI automatically covers spouses and dependent children (insurable dependents) of Uniformed Service members. In order for the spouse and children to be eligible for family coverage, the service member will be enrolled in the full-time SGLI coverage. Enrollment for members of the Uniformed Services is based on dependent information in the Defense Enrollment Eligibility Reporting System (DEERS). For Marine Corps members, enrollment is based on dependent information in the Marine Corps Total Force System (MCTFS).

NOTE: Effective October 10, 2008, coverage was expanded to include the member's stillborn child.

470902. Spousal Coverage

The spouse of an eligible member automatically is covered for $100,000. Coverage of a spouse, however, cannot exceed the member's SGLI coverage if such coverage is less than $100,000. For example, if the member's SGLI coverage is $50,000, then the coverage for the spouse cannot exceed $50,000.

470903. Cost

The premiums are based on the age and the amount of coverage. The premium rates for the spouse are as follows:

Effective July 1, 2010

Age	Monthly Rate (Per $1,000)	Monthly Cost (Per $100,000)
Under 35	$0.05	$5.00
35 – 39	$0.065	$6.50
40 – 44	$0.085	$8.50
45 – 49	$0.13	$13.00
50 – 54	$0.25	$25.00
55 – 59	$0.37	$37.00
60 and Over	$0.50	$50.00

470904. Children's Coverage

Each child is covered in the amount of $10,000 at no cost to the member. The member may not decline coverage or elect to insure any child for less than $10,000. In the case of a member married to another member, a child may not be insured by more than one member. The child will be insured by the coverage of the member whose eligibility for insurance occurred first, except in cases where the senior member does not have legal custody of the child. In such cases, the child will be insured under the coverage of the member who has custody of the child.

470905. Member Married to Member

A member married to another member is eligible for coverage under this program. Members who were married on or before January 1, 2013 were automatically enrolled for FSGLI when their marriage was reported to DEERS/MCTFS. Members married on and after January 2, 2013, who want the FSGLI coverage, must complete the FSGLI enrollment documentation through their servicing personnel offices.

470906. Effective Date

Family coverage under SGLI is effective with regard to dependents of a member on the latest of the following dates:

A. The date member enrolled in SGLI;

B. In the case of the spouse, the date of marriage; or

C. In the case of the child, the date of birth. If a child is not a natural child of the member, then the date in which the child acquires status as dependent of the member.

470907. Reinstatement or Increase in Coverage

The member must complete the SGLV 8286A, Spouse Coverage Election and Certificate, to increase or reinstate FSGLI if coverage was previously reduced or declined. Proof of good health is required. If the good health requirement is met, then the effective date of reinstatement or increase of coverage is the date the application is received by the member's branch of service.

470908. Termination of Coverage

Family coverage under SGLI will stop:

A. On the last day of the member's SGLI coverage; or

B. 120 days after:

1. The date of an election made in writing by the member to terminate the coverage (a premium is due for the month in which the election is received; no further premiums are due);

2. Date of the member's death;

3. Date the member separates from the Service; or

4. Date of termination of the dependent status of an insurable dependent of the member.

470909. Refunds

See section 4706.

470910. Beneficiary

The member is the primary beneficiary for family coverage. For the settlement of a claim, refer to section 4708.

4710 TSGLI

471001. Definitions

The following definitions are applicable only to this section.

A. Traumatic Event. A traumatic event occurs during the application of external force, violence, chemical, biological, or radiological weapons, or accidental ingestion of a contaminated substance causing damage to a living being. A traumatic event does not include cases involving adverse reactions to vaccinations, surgical trauma, or adverse outcomes of medical procedures.

B. Traumatic Injury Protection. Traumatic injury protection provides for the payment of a specified benefit amount to a member insured by SGLI who sustains a traumatic injury directly resulting in a scheduled loss.

471002. Eligibility

The TSGLI under the auspices of the SGLI program provides payments to severely injured members who suffer a scheduled loss as a direct result of serious trauma incurred under conditions in subparagraph 471001.A, such as loss of an arm or leg. If a member suffers more than one such qualifying loss as a result of traumatic injury from the same traumatic event, then payment will be made for a single loss providing the highest payment. This monetary assistance helps the member and his/her family through an often long and arduous treatment and rehabilitation period. In order for a member to be eligible for TSGLI benefits, the member must meet the following requirements:

A. Be a member of the Uniformed Services and insured by SGLI under paragraph 470201 on the date of the traumatic event. For this purpose, the member will be considered a member of the Uniformed Services until midnight on the date of termination of the member's duty status in the Uniformed Services that established eligibility for SGLI, notwithstanding an extension of SGLI coverage under Table 47-1;

B. Must suffer a scheduled loss (e.g., an arm, a leg) as a direct result of a traumatic injury and no other cause;

C. Must survive a period of not less than 7 full days from the date of the traumatic injury. The 7-day period begins on the date and Zulu (Greenwich Meridian) time of the traumatic injury and ends 168 full hours later; and

D. Must suffer a scheduled loss (e.g., an arm, a leg) within 2 years of the traumatic injury.

471003. Limitations

A benefit will not be paid if a scheduled loss is due to a traumatic injury caused by:

A. The member's attempted suicide, while sane or insane;

B. An intentionally self-inflicted injury or an attempt to inflict such injury;

C. Medical or surgical treatment of an illness or disease; or

D. Willful use of illegal or controlled substance, unless administered or consumed on the advice of a medical doctor.

471004. Other Limitations

A benefit will not be paid for a scheduled loss resulting from:

A. A physical/mental illness or disease, whether or not caused by a traumatic injury, other than a pyogenic infection or physical illness or disease caused by biological, chemical, or radiological weapons or accidental ingestion of a contaminated substance; or

B. A mental disorder whether or not caused by a traumatic injury.

471005. Exclusion

For the purposes of this section, if the member is insured under SGLI only as an insurable dependent of another service member, then the insurable dependent will not be considered a member insured under TSGLI.

471006. Effective Date

All members covered by the SGLI program will be automatically covered under TSGLI. Members must decline SGLI coverage in order to cancel TSGLI.

471007. Amount of Coverage

Members who suffer a loss from a traumatic injury are eligible to receive monetary compensation of not less than $25,000 and not more than $100,000.

471008. TSGLI Premium

Deduct a monthly premium of $1.00 in addition to SGLI premium from the member's pay the month the member's SGLI coverage begins. There is no cost for TSGLI coverage for a member while performing funeral honors and muster duties.

471009. Termination of TSGLI

A. TSGLI coverage terminates at midnight of the last day of the month that the member is no longer covered under SGLI, or at midnight of the date of the member's separation from service, whichever occurs first.

B. TSGLI coverage is not in effect during the 120-day post-separation period or during the 2-year SGLI disability extension.

C. TSGLI cannot be converted to Veterans' Group Life Insurance (VGLI) or commercial coverage.

471010. Payment of Traumatic Injury Protection Benefit

The payment of traumatic injury protection benefit will be paid to the member who suffered the scheduled loss, except under the following circumstances:

A. If the member is legally incapacitated, then the member's legal guardian, agent, or attorney acting under a valid Power of Attorney, will be paid the benefit on behalf of the member.

B. If no guardian, agent, or attorney is authorized to act as the member's legal representative, then a military trustee who has been appointed will be paid the benefit on behalf of the member. The military trustee will report the receipt of the traumatic injury benefit payment and any disbursements from that payment to the Department of Defense (DoD) per subparagraph 471103.D.

C. If a member who is eligible for payment of TSGLI benefits dies before payment is made, then the beneficiary or beneficiaries will be paid the benefit in the following order of precedence:

1. Beneficiary designated by the member in writing, if the designation is received by the Military Department concerned before the member's death;

2. Surviving spouse;

3. Children and their descendants, by representation. The term "children" includes the following:

a. Legitimate Children;

b. Legally Adopted Children; and

c. Illegitimate Children. The illegitimate child of a female member is an eligible beneficiary. An illegitimate child of a male member is an eligible beneficiary only if:

(1) The member acknowledges the child, in writing, with a signature;

(2) The member has been judicially ordered to contribute to the child's support;

(3) The member has been, before his death, judicially decreed to be the father of such child;

(4) Proof of paternity is established by a certified copy of the public record of birth or church record of baptism showing that the insured was the informant and was named as father of the child; or

(5) Proof of paternity is established from service department or other public records, such as school or welfare agencies, which show that with his knowledge the insured was named as father of the child;

NOTE: A stepchild is not an eligible beneficiary unless adopted by the deceased member.

4. Father and mother in equal parts or, if either is dead, then the survivor;

5. Legal representative of the deceased member's estate; or

6. Person entitled under the law of the domicile of the deceased member.

471011. Taxability

All benefits paid under any law administered by the VA are exempt from taxation. SGLI is a benefit administered by the VA; therefore, all benefits paid are not taxable. If an overpayment occurs and the overpayment is not returned, then the benefit may be taxable.

471012. Settlement of Claims

The member must complete SGLV 8600, Servicemembers' Group Life Insurance Traumatic Injury Protection Program (TSGLI), Part A of the Application for TSGLI Benefits Form, sign and submit the form to his/her Service representative for review and certification. Once the claim is approved, the Service representative will forward the claim to OSGLI for payment.

471013. Appeal of Eligibility Determination

To appeal the denial of a claim for TSGLI benefits, an appeal of eligibility determination must be submitted in writing by the member or member's legal representative, or by the beneficiary or the beneficiary's legal representative, within 1 year of the date of the denial of eligibility. The appeal must be submitted to the office of the Uniformed Service identified in the decision regarding the member's eligibility for the benefit.

4711 DESIGNATION OF FIDUCIARY OR TRUSTEE UNDER TSGLI

471101. Authority

The Secretary concerned, in consultation with the Secretary of VA, will develop a process for the designation of a fiduciary or trustee of a member of the Uniformed Services who is insured against traumatic injury under section 4710. The trustee will receive payment for a qualifying loss under section 4710 in the event that the member becomes medically incapacitated or experiences an extended loss of consciousness.

471102. Appointment of Fiduciary or Trustee

If a member is legally incapacitated and has no legal guardian, agent, or attorney acting on his or her behalf, then a fiduciary or trustee may be appointed to act on the member's behalf. The authority to appoint military trustees has been delegated to the Director, Defense Finance and Accounting Service (DFAS) Cleveland.

A. The fiduciary or trustee appointed by the Director, DFAS Cleveland, has the authority to receive, expend, and account for monies received from the military and, specifically under this section, TSGLI benefits. The trustee must use the monies received for the benefit of the incompetent member.

B. All applications to appoint a trustee and related documentation should be submitted to:

Defense Finance and Accounting Service
Retired Pay Department
P.O. Box 998021, Room 1579
Cleveland, OH 44199-8021

C. The Director, DFAS Cleveland, may designate one of the following persons as trustee for an incompetent military member, if the person (except for a lawful spouse) is 21 years of age or over:

1. Lawful spouse (not subject to age requirement);

2. Children:

   a. Legitimate Child; or

   b. Adopted Child;

3. Father and mother;

4. Head of an institution, if member is a patient; or

5. Any other person or persons, if determined to be in the best interest of the member.

471103. Authority of Fiduciary or Trustee

The fiduciary or trustee:

A. Will submit a DoD (DD) Form 2827, Application for Trusteeship, as verification of appointment as trustee of the member;

B. Has the ability to gain access to the Prudential's Alliance Account after providing written confirmation of his or her appointment of fiduciary or trustee by DFAS;

C. Can access the Prudential's Alliance Account and choose how to disburse the member's TSGLI benefit payment. The designated trustee must furnish a suitable bond when the amount received may exceed $1,000. The required bond must have as the surety, a company approved by the U.S. Government, and be in an amount stipulated by the Director, DFAS Cleveland. If a bond is required, then only the premium fee charged by the bonding company may be paid from funds received on behalf of the member. Other expenses incurred when securing the bond will not be paid with member funds; and

D. Must provide an annual accounting of any disbursements, including the TSGLI payments, to the Director, DFAS Cleveland. The report must show all funds received, all expenditures made on behalf of the member, and a statement of the condition of the trustee's account at the time the report is submitted. Upon request, the trustee may be required to provide receipts, cancelled checks, voucher accounts, savings account passbook, and other supporting financial documents of the trustee account.

4712 REIMBURSEMENT ALLOWANCE FOR SGLI PREMIUM DEDUCTION

*471201. General

Effective December 23, 2016, the Secretary concerned will pay an allowance to a member of the Armed Forces based on the SGLI premium of the SGLI coverage held by a member while serving in a designated duty assignment at any time during the month. For the purpose of reimbursement allowance for SGLI deduction, the term "designated duty assignment" means a permanent or temporary duty assignment outside the United States or its possessions in support of a contingency operation in an area that:

A. Has been designated a combat zone; or

B. Is in direct support of an area that has been designated a combat zone.

471202. Premiums

The reimbursement is the monthly premium for the first $150,000 of SGLI coverage plus the cost for TSGLI of $1.00, which is automatically extended to any member covered under the SGLI program. The allowance is equal to the SGLI premium for the SGLI coverage the member elected, not to exceed $400,000 plus TSGLI of $1.00. The member must complete a SGLV 8286, Servicemembers' Group Life Insurance Election and Certificate, to increase or decrease SGLI coverage. See the following example to determine the amount of the allowance.

Example: A member, deployed in August 2014 to a designated duty assignment, chooses to retain coverage of $400,000. That member's August 2014 premium would be $29.00 ($3.50 for $50,000 of coverage times 8, plus $1.00 for TSGLI). If a member chooses to retain coverage of $400,000, then the allowance reimbursement would equal the premium of $29.00.

471203. Tax Implication

The premium amount for the first $50,000 of coverage is excluded from taxable income. Therefore, and based on the example in paragraph 471202, the member's taxable amount is $25.50 ($29.00 less $3.50). The $25.50 amount may also be excludable from taxable income if the amount is earned while serving in a Combat Zone Tax Exclusion (CZTE) area. For officers, however, the exclusion of the allowance from taxable income is subject to application of the monthly maximum CZTE. See Chapter 44, paragraph 440202.

Table 47-1. Effective Dates of SGLI Coverage and Deductions (Full-Time and Part-Time)

RULE	A When a member required to perform duty described in section 4702, or Chapter 58, paragraphs 580205, or 580206	B then the effective date of	C and SGLI deduction (note 1)
1	enters such duty	coverage is the first day of entry on such duty (note 2). Maximum basic coverage is automatically in effect until the member elects reduced coverage or waives coverage (note 3)	starts the month of the date of entry.
2	resumes the obligation or reenters on such duty in the same Uniformed Service the day following termination of such period of obligation (note 4)	coverage (excluding elections of reduced or no coverage) is continuous (note 5)	continues at the appropriate rate.
3	elects a reduced amount of coverage after entry on such duty	coverage is the first day of the month following receipt by the Uniformed Service of the member's election, entered on SGLV 8286 (note 6)	starts in the reduced amount the first day of the month following receipt of the member's election. For deduction refunds, see section 4706.
4	applies for increase or reinstatement of coverage after entry on such duty	coverage is the date of receipt by the Uniformed Service of the application with evidence of good health (note 7)	starts the month of the date the application is received by the Military Service.
5	elects not to be covered (declines or cancels) after entry on such duty	termination is the first day of the month following receipt by the Uniformed Service of the member's election, entered on SGLV 8286 (note 6)	stops at the end of the month in which the member's election is received by the Military Service. For deduction refunds, see section 4706.
6	is covered full-time and is separated and does not reenter active duty or immediately resumes part-time coverage	termination is 120 days after separation (note 8)	stops at the end of the month of separation.

Table 47-1. Effective Dates of SGLI Coverage and Deductions (Full-Time and Part-Time) (Continued)

RULE	A When a member required to perform duty described in section 4702, or Chapter 58, paragraphs 580205, or 580206	B then the effective date of	C and SGLI deduction (note 1)
7	is covered on a part-time basis and qualified period of duty ends	termination is the day active duty or active duty for training ends, or the hour inactive duty ends (notes 3, 9 and 10)	see Chapter 58, paragraph 580805.
8	is a member of a Reserve Component not covered on a full-time basis and is called to Extended Active Duty, Active Duty for Special Work, or mobilization	coverage is the first day of active duty (maximum basic coverage is automatic unless a member applies for reduced or no coverage).	
9	is covered full-time and is Absent Without Leave, confined by civil authorities under a sentence adjudged by a civilian court, or confined by military authorities under a court-martial sentence involving total forfeiture of pay and allowances	termination is at the end of the 31st continuous day of such status (note 11)	stops at the end of the month in which the 31st day of such status is reached.
10	forfeits rights to SGLI under the provisions of section 4702 and Chapter 58, paragraph 580807	termination is the end of the day before the date of conviction, refusal to perform service, or refusal to wear the uniform (note 12)	stops at the end of the month in which coverage is terminated.

NOTES:

1. Members in an excess leave status normally remain eligible for coverage. (See section 4704 for the appellate leave exception.) Establish monthly premiums in such cases as deductions against member pay accounts or collect as cash according to procedures of the Military Service concerned.
2. First-time enlistees in the Ready Reserves are eligible for coverage on the date of enlistment when assigned to a Ready Reserve unit, regardless if they are or are not required to participate in periods of inactive duty training and have not yet been called to their initial active duty period. This does not apply to delayed entry active duty enlistees.

Table 47-1. Effective Dates of SGLI Coverage and Deductions (Full-Time and Part-Time) (Continued)

3. Elections made by Reserve Component members continue in effect during continuous obligation to perform duty in the same Uniformed Service. Reserve Component members are not required to reelect or reapply for their desired level of coverage each time they perform duty. For the exception, see rule 8.
4. A new period of coverage begins and new elections must be submitted when a member resumes an obligation to perform duty or reenters on duty in the same Uniformed Service more than 1 day following termination of previous obligation; or when a member assumes an obligation to perform duty and enters on duty in a different Uniformed Service at any time. A member entering active duty after a break in service is automatically covered by the maximum basic coverage, until the member elects otherwise, even though the member may have converted former SGLI coverage to an individual policy following last discharge or release from active duty. A former member, insured under the VGLI Program, who declines SGLI coverage solely to maintain VGLI coverage, upon termination of VGLI, will be automatically insured under maximum basic coverage if the member otherwise is qualified.
5. Any previous election for less than $400,000 is canceled. Maximum basic coverage is automatically in effect unless member again chooses a reduced amount.
6. For members covered on a part-time basis, an election for reduced or no coverage is effective at the end of the last day of the duty period being performed. If the election is made outside a duty period, then the reduced or waived coverage is effective when the election is received by the Military Service.
7. Increase or reinstatement of coverage is contingent upon written application by the member on SGLV 8286, Servicemembers' Group Life Insurance Election and Certificate, and approval by the OSGLI.
8. In the case of members totally disabled on the date of separation from such duty, the insurance will cease 1 year after the date of separation or on the date the insured ceases to be totally disabled, whichever is earlier, but in no event prior to the expiration of 120 days after separation.
9. Part-time coverage is in effect only on the days of:
    a. active duty;
    b. active duty for training;
    c. inactive duty training, if the site is outside reasonable commuting distance from the member's residence, and includes the time-period of travel to and from such duty, while remaining:
        1. overnight immediately before the commencement of inactive duty training;
        2. overnight between successive periods of inactive duty training; or
        3. in the vicinity of the site of the inactive duty training.
10. Coverage continues for 120 days after the period of duty if the member, during that duty period, incurs or aggravates a disability and the disability renders the member uninsurable at standard premium rates, according to good health standards approved by the VA, and as determined by the OSGLI.

Table 47-1. Effective Dates of SGLI Coverage and Deductions (Full-Time and Part-Time) (Continued)

11. Members carried in an absent without leave or confined status, except for an offense listed in paragraph 470203, remain eligible for coverage. Insurance terminated under the provisions of rule 9, together with any elections made, will be automatically reinstated as of the date the member is restored to duty with pay. Start premium deductions at the appropriate rate on the month of the date the member is restored to duty with pay.
12. Members restored to duty under conditions, which, in effect, result in a remission of sentence, may apply for reinstatement of coverage under rule 4.

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	471203	26 U.S.C. § 79 26 U.S.C. § 134

VOLUME 7A, CHAPTER 48: "COURT-MARTIAL SENTENCES"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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

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

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

The previous version dated December 2012 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
480104	Deleted paragraph as no longer relevant.	Delete
480105	Renamed, renumbered and moved to 480306.	Update
480306-480307	Renumbered to 480307 and 480308.	Update
480308 Bibliography	Clarified that forfeitures will not be collected during appellate leave or from lump sum accrued leave payments.	Update
480602.C	Clarified the collection for fines during appellate leave or from lump sum accrued leave payments.	Update

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CHAPTER 48

COURT-MARTIAL SENTENCES

4801 EFFECT OF SENTENCES ON PAY AND ALLOWANCES

480101. Forfeitures

A. A sentence to partial forfeiture of pay deprives a member of the amount of pay stated in the sentence. The sentence applies for the number of months or days expressly stated.

B. Forfeitures apply to pay (and allowances if total forfeitures of pay and allowances are specifically adjudged) becoming due on and after the date forfeitures are effective (see paragraph 480502), unless the convening authority suspends or remits the forfeiture.

480102. Fines

A fine is in the nature of a judgment. It makes a member pecuniary liable to the United States for the amounts specified in the sentence. Fines are not self-executing. They are debts to the government until:

A. Paid in cash by the member;

B. Collected by deduction from the member's current pay; or

C. Collected by deduction on settlement of a member's pay account at discharge.

480103. Forfeiture of Allowances

Allowances are forfeited only when a sentence by a general court-martial includes forfeiture of all pay and allowances.

4802 REQUIREMENT FOR REDUCTION IN GRADE UNDER CERTAIN COURT-MARTIAL SENTENCES

Unless otherwise provided in regulations of the Military Service concerned, a court-martial sentence, as approved by the convening authority which includes dishonorable or bad conduct discharge, confinement, or hard labor without confinement, by operation of law requires reduction of an enlisted member to pay grade E-1 effective on the date of that approval. If the sentence of a member who is thus reduced in pay grade is set aside or disapproved, or, as finally approved, does not include any of the above punishment, all rights and privileges denied the member because of the reduction are restored. The member is entitled to the pay and allowances to which member would have been entitled, for the period the reduction was in effect, had the

grade reduction not been applied. The Military Services apply reduction in this instance as follows:

480201. Army

An accused member may be retained in the grade held at the time of the sentence or in any intermediate grade if the convening or higher authority, taking initial action on the case, suspends all elements of the sentence which would otherwise require reduction to pay grade E-1 by operation of law and provides for retaining the member's present or intermediate grade as set forth in ***Army Regulation (AR) 600-8-19***. When the action set forth in AR 600-8-19 is not taken, the member is reduced to pay grade E-1 effective on the date the sentence is approved by the convening authority.

480202. Navy and Marine Corps

Exercising sole discretion, the convening authority or supervisory authority may retain the accused member in the pay grade held at the time of sentence or an intermediate pay grade and suspend the automatic reduction to pay grade E-1 which would otherwise be affected. The automatic reduction may be suspended without regard to whether any part of the approved sentence was suspended. Additionally, the convening authority may direct that the accused serve in pay grade E-1 while in confinement but be returned to the pay grade held at the time of sentence or an intermediate pay grade upon release from confinement. If, however, the adjudged sentence included a reduction in pay grade, the reduction should be suspended for the same period as the automatic reduction is suspended. Failure of the convening authority to address automatic reduction will result in the automatic reduction to pay grade E-1 on the date of the convening authority's action.

480203. Air Force

Reductions in grade must be expressly stated in the court-martial sentence. If the sentence includes an approved reduction, as well as punitive discharge, confinement at hard labor, or hard labor without confinement, the member will be reduced under ***Article 58a, Uniform Code of Military Justice (UCMJ)***, at the time of action by the convening authority. The reduction, if approved, will not be delayed until completion of appellate review under ***Article 71(c), UCMJ***.

480204. Effective Date of Automatic Reduction in Grade

If an enlisted member is reduced by operation of law to pay grade E-1, the effective date of the reduction is the date on which the sentence is approved by the convening authority.

480205. Reduction in Grade as a Result of Court-Martial Sentence

A reduction in grade that is imposed as part of a court-martial sentence takes effect on the date the sentence is approved by the convening authority, or on the 14th day after the sentence is adjudged, whichever is earlier.

4803 FORFEITURES

480301. Pay Subject to Forfeiture

Forfeitures, other than total forfeitures apply to:

A. Basic pay, based on the member's years of service, and

B. Career sea pay or hardship duty pay, provided such pay continues to accrue after the effective date of the sentence, and

C. An allotment made voluntarily.

480302. Pay Not Subject to Forfeiture

Forfeitures, other than total forfeitures, do not apply to special (other than sea or hardship duty pay) or incentive pay.

480303. Taxes

A forfeiture is a loss of entitlement to the pay involved. Consequently, forfeitures are not taxed. Compute the amount of pay to be forfeited before withholding for federal and state income and Federal Insurance Contribution Act (FICA) taxes. Compute taxes from the remaining pay not forfeited.

480304. Reduction in Grade

If a member's sentence includes or requires a reduction in grade, apply forfeitures to the pay of the grade to which reduced.

480305. Concurrent Forfeitures

When two or more sentences require forfeitures for a concurrent period, the amount stated in each sentence is forfeited only for the specified period. If each forfeiture results from a court-martial under which the maximum forfeiture which could be imposed is two-thirds of the pay subject to forfeiture, then collect only two-thirds of the pay subject to forfeiture for the concurrent period. Following the concurrent period, pay is forfeited under the remaining sentence at the rate specified in the sentence for the time remaining in that sentence.

*480306. Non-Collection of Ordered Forfeitures

If any amount ordered forfeited is not actually withheld or collected during the period specified by the approved sentence, such amount may be collected involuntarily as an erroneous payment as provided in Table 50-1, rule 3, at a rate not to exceed the maximum authorized by Table 50-6, rule 2.

480307. Forfeiture of Pay or Allowances During Certain Court-Martial Confinements

A. General Court-Martial. A member automatically forfeits all pay and allowances while in confinement or in a parole status when the member is sentenced to:

1. Death;

2. Confinement for more than six months; or

3. Confinement of any length and either a dishonorable discharge, a bad conduct discharge, or a dismissal.

B. Special Court-Martial. The forfeiture provisions in subparagraph 480307.A also apply for sentences adjudged by special court-martial. However, automatic forfeitures are limited to two-thirds of all pay.

C. Waiver of Forfeitures in Favor of Dependents. The convening authority or a person acting under ***10 United States Code (U.S.C.) 860*** may waive any or all of the forfeitures of pay and allowances that were imposed by operation of law ("automatically"). The portion waived is payable to the accused member's dependent(s) as directed by the convening authority or person taking action.

1. Intent of Waiver and Taxability of Waived Forfeiture Amount. Direct payments to dependents, of the waived portion of a forfeiture are intended to provide transitional compensation and direct financial assistance for a period not to exceed six months. Because the waived portion of the forfeiture remains wages generated by the member's military status, it is taxable income to the accused member, even though paid to the member's dependents. Therefore, after appropriate federal, state, and FICA taxes are withheld from the taxable portion of the waived forfeiture amount, and the remaining (net) waived amount is paid to the member's dependent(s), as directed. See Table 44-1, rule 24.

2. Other Deductions and Collections. The UCMJ contains no provisions for the deduction of any of the items appearing in Table 52-1 from the waived forfeiture of pay and allowances. Therefore, only applicable taxes listed in subparagraph 480307.C.1, may be deducted from the waived portion of pay and allowances that would otherwise be forfeited, with the remaining amount paid to the member's dependent(s), as directed by the convening authority. See Table 44-1, rule 24, and Table 45-2, rule 2.

3. Effective Date of Payments. The effective date of any payment is the date directed by the convening authority or, if not specifically stated, the date of the convening authority action on the waiver.

D. Effect of Disapproval, Set Aside, or Reduction of Punishment. If the sentence of a member who forfeits pay and allowances is set aside, disapproved or, as finally approved, does not provide for a punishment listed in subparagraph 480307.A, then pay the

member the pay and allowances that the member would been paid except for the forfeiture, for the period during which the forfeiture was in effect. The payment to the member should be reduced by the amount of any payments made to the member's dependents under subparagraph 480307.C.

NOTE: The net refundable automatic forfeiture amount to be paid to eligible members (see subparagraphs 480307.A and 480502.B) is current year taxable income subject to appropriate withholding of federal, state, and FICA taxes.

*480308. No Collection of Forfeitures of Pay During Appellate Leave

A member who has accrued leave before entering an appellate leave status will use his/her accrued leave for the period of appellate leave, unless the member elects to be paid for such accrued leave in a lump sum. Forfeitures will not be deducted from these leave payments in either situation.

4804 EXECUTION OF COURT-MARTIAL SENTENCES, APPELLATE REVIEW REQUIREMENTS

See Table 48-1.

4805 EFFECTIVE DATES OF FINES AND FORFEITURES

480501. Fines

Begin collection of fines on the date the convening authority orders execution of the sentence.

480502. Forfeitures

A. Forfeitures of pay or pay and allowances start on the date the convening authority approves that part of the sentence establishing the forfeiture, or on the 14th day after the date the sentence was adjudged, whichever is earlier.

B. Upon application by the accused, the convening authority may defer the start of the forfeiture until the date the convening authority approves the sentence. The convening authority may revoke the deferment at any time.

C. A convening authority may defer the execution of a forfeiture until a prior forfeiture is executed.

4806 COLLECTION

480601. Forfeitures

Since court-martial forfeitures constitute a loss of entitlement to the pay or pay and allowances concerned, they constitute a reduction of pay that takes precedence over all debts. (See Table 52-1, rule 1).

*480602. Fines

Fines constitute indebtedness to the United States. Collect fines as follows:

A. Current Pay. Fines may be collected involuntarily from the current pay of all members. They are collected after all other prior indebtedness for the period involved has been collected. If prior deductions reduce the member's pay by two-thirds of gross pay for any month, no pay accrues against which fines may be applied. In such case, defer collection of fines until pay accrues against which they may be applied.

B. Final Pay. Fines may be collected involuntarily from the final pay of all members. They are collected after all other indebtedness. Collections will not reduce pay received by enlisted members of the Army or Air Force to less than one-third of gross pay. Separation travel allowances and donations on discharge will not be used to liquidate an indebtedness for enlisted members. Otherwise, all final pay and amounts due the member at separation may be collected involuntarily. See Table 50-6, rule 2.

* C. Appellate Leave. Fines may be collected involuntarily from the member while the member is on appellate leave, or from any lump sum payment of accrued leave paid at the commencement of appellate leave.

480603. Rate of Collection

Charge forfeitures of pay against a member's pay at the rate required by the sentence until the sentence is fully satisfied. Forfeitures of pay are considered as collected from day to day as pay accrues. Prorate the monthly rate of forfeiture on a daily basis for a portion of a month. The amount of forfeiture or fine is governed by the language of the sentence. For example, a sentence to forfeit $20 per month for 6 months means a forfeiture of $120 to be collected at $20 per month. Pay cannot be forfeited by implication. For example, a sentence reading "to be confined for 2 months and to forfeit $60 of his or her pay for a like period," does not mean a forfeiture of $60 per month for 2 months, or a total of $120, but means a forfeiture of only $60.

480604. Non-Pay Status

During periods when a member is in a non-pay status, pay does not accrue against which forfeitures or fines can apply. Do not count such periods in computing the time during which pay is forfeited for a specific period.

480605. Restoration to Duty

A member restored to duty following a non-pay status is again entitled to pay against which forfeitures or fines may apply.

480606. Service Beyond Estimated Term of Service (ETS) for Medical Care

The pay and allowances of an enlisted member retained beyond ETS for medical care or hospitalization are subject to forfeitures and fines.

480607. Non-Collection Due to Administrative Error

Collect court-martial forfeitures not collected due to administrative error when the error is discovered. Collection may be made for the court-martial forfeiture or for erroneous payments made during the period covered by the sentence. Indebtedness of this type cannot be remitted under statutes authorizing remission of indebtedness.

480608. Pay Due or Accrued

Pay of a member subject to forfeiture by sentence of court-martial is pay which is earned on and after the effective date of the forfeiture. See section 4805.

480609. Forfeiture Based on Reserve Status in Certain Circumstances

All punishments (as the result of any offense committed on or after March 12, 1987) remaining unserved (A) at the time a member of a Reserve Component is released from active duty or (B) at the end of a period of active duty training or the end of any normal period of inactive duty training may be carried over to subsequent periods of inactive duty training or active duty. A forfeiture of pay may be collected from active duty and inactive duty training pay during subsequent periods of duty. See section 4812.

4807 REMISSION, SUSPENSION, AND CANCELLATION OF FORFEITURES

480701. Death or Separation

A. The death or discharge of a member under a suspended sentence operates as a complete remission of any unexecuted or unremitted part of a sentence.

B. Discharge, release from active duty (except under paragraph 480609), or death of a member under an unsuspended sentence to forfeiture cancels any uncollected portion of the forfeiture which would extend beyond the date of discharge, release, or death.

480702. End of Term of Service, Unauthorized Absence, or Desertion

The end of term of service of a member in military confinement, unauthorized absence or desertion of a member, stops collections of uncollected forfeitures since no pay accrues against

which forfeitures can operate. If an unauthorized absentee or deserter is restored to pay status, then resume otherwise proper collections.

480703. Extension of Enlistment

When an enlisted member begins a voluntary extension of enlistment, uncollected forfeitures attributable to the collection period that would extend beyond the normal expiration of term of service are cancelled. Involuntary extensions of enlistment do not interrupt collection of forfeitures.

480704. Restoration to Duty

If a member who was sentenced to a dishonorable or bad conduct discharge, total forfeitures and confinement, is released from confinement and restored to duty, (s)he is entitled to pay and allowances from the date restored to duty, and the forfeiture becomes inoperative thereafter. This applies even though no other action may have been taken to suspend, remit, or mitigate the sentence to total forfeiture. A restoration to duty to serve out an incomplete enlistment, from which an enlisted member has received a sentence of dishonorable or bad conduct discharge, revives partially unsatisfied forfeitures.

480705. Effective Date

An order remitting, mitigating, or suspending the unexecuted portion of a sentence is effective from the date of the order, except when a later date is specified. Such an order relieves the member of the unexecuted portion of the forfeiture or fine on and after the effective date.

480706. Results of Remission or Suspension

When an unexecuted portion of a sentence to forfeiture or fine is remitted or suspended, the member is no longer subject to the unexecuted forfeiture or fine.

480707. Vacation of Suspension

When a suspension of a forfeiture or fine is vacated, the uncollected forfeiture or fine is revived and proper for collection.

4808 SENTENCES DISAPPROVED OR SET ASIDE

480801. When New Trial or Rehearing Is Not Ordered

When a court-martial sentence is set aside or disapproved and a new trial or rehearing is not ordered, all rights, privileges, and property affected by the executed part of the sentence are restored to the member. Such restoration includes any executed forfeiture and any pay and allowances lost as a result of an executed reduction in grade.

480802. New Trial or Rehearing Ordered

A. When an executed court-martial sentence which includes a forfeiture is set aside or disapproved, and a new trial or rehearing is ordered that results in an approved sentence to forfeiture, credit the member with the amount of any forfeiture affected under the first sentence. When an unexecuted court-martial sentence which includes a forfeiture is set aside or disapproved and a rehearing is ordered, the member is entitled to full pay and allowances (subject to other proper deductions) for the period from the convening authority's action on the original sentence until the convening authority's action on the subsequent sentence. Entitlement to pay and allowances thereafter depends on the terms of the new sentence.

B. When a previously executed dishonorable or bad conduct discharge is not imposed by a new trial, the member is entitled to the pay and allowances which the member would have received had the dishonorable or bad conduct discharge not been executed. When a previously executed dismissal of an officer is not imposed by a new trial, an administrative discharge is substituted. The President may reappoint the officer to the grade and rank the officer would have attained if the officer had not been dismissed. The total time between the dismissal and reappointment is considered as actual service for all purposes, including pay and allowances.

4809 REIMBURSEMENT OF PAY WITHHELD UNDER ILLEGAL SENTENCES

A member is entitled to reimbursement for pay withheld under an illegal sentence of a court-martial.

4810 PAY AND ALLOWANCES WHILE ON PAROLE

A member released on parole from a disciplinary barracks is considered to be in an authorized leave status and is entitled to pay and allowances to the extent the member has unused accrued leave to the member's credit, less any fines and forfeitures still remaining in effect. Once the member's accrued leave has been used, the member is considered to be in an excess leave or leave without pay status and is not entitled to pay and allowances during this period unless, upon appellate review, the conviction is completely overturned or set aside. If the member is subject to a new trial or rehearing, however, apply the provisions of paragraph 480802.

4811 DISPOSITION OF COURT-MARTIAL FORFEITURES AND FINES

Armed Forces (regular and Reserve) court martial forfeitures and fines of enlisted members, warrant officers, and limited duty officers in excess of government indebtedness will be transferred to the Armed Forces Retirement Home Trust Fund. For purposes of this paragraph only, the term "government indebtedness" refers to an amount due from the member for reimbursement to the government. For example, the repayment of an advance of pay is a reimbursement but, an amount due to the Internal Revenue Service, while considered a debt to the government, is not a "reimbursement" or "government indebtedness," for purposes of this paragraph.

481101. Separation From Service Not Involved

When enlisted members, warrant officers or limited duty officers have been sentenced by court-martial to forfeit all or part of their pay, no part of the forfeiture is creditable to the Armed Forces Retirement Home Trust Fund until amounts equal to all outstanding indebtedness to the government have been withheld. Transfer only those amounts forfeited that are in excess of any government indebtedness or amounts owed any individuals. In addition, for the purposes of this paragraph, the term "amounts owed any individuals" refers to amounts owed from a member's pay by direction of a commanding officer pursuant to ***Article 139*** of the UCMJ.

481102. Members Who Are Being Separated From Service

A court-martial forfeiture of a limited duty officer, warrant officer, or enlisted member is not credited to the Armed Forces Retirement Home Trust Fund when the member has unsatisfied indebtedness at date of separation, except as shown in paragraph 481103. Such forfeitures remain in the military personnel appropriation. If the unsatisfied debt at separation is less than the forfeiture, credit the difference between the aggregate unsatisfied debt and the forfeiture to the Armed Forces Retirement Home Trust Fund. (For example: If the uncollected indebtedness is $500 and forfeiture is $600, credit to the Armed Forces Retirement Home Trust Fund the difference of $100 between the unsatisfied indebtedness and the forfeiture.) Transfer amounts collected afterward to counterbalance the indebtedness not to exceed the aggregate forfeiture, less amounts previously credited to the Armed Forces Retirement Home Trust Fund.

481103. Indebtedness After Forfeiture Becomes Effective

If debts occur to enlisted members, warrant officers or limited duty officers after a court-martial has been executed and before credit of the forfeiture has been made to the Armed Forces Retirement Home Trust Fund, such debts will not affect the disposition of the forfeiture. Credit the forfeiture to the Armed Forces Retirement Home Trust Fund as if the indebtedness did not exist.

481104. Remission of Indebtedness

If a court-martial forfeiture of enlisted members, warrant officers or limited duty officers is not credited to the Armed Forces Retirement Home Trust Fund due to outstanding debts, and the unliquidated portion of the debts are thereafter remitted or cancelled, do not credit the forfeiture that equals the amount of indebtedness remitted or cancelled to the Armed Forces Retirement Home Trust Fund. That amount remains in the military personnel appropriation.

481105. Commissioned Officers

Credit court-martial forfeitures and fines of commissioned officers (except limited duty officers and warrant officers) to the appropriation to which the member's pay is properly chargeable.

4812 FORFEITURE SENTENCES CARRIED OVER TO SUBSEQUENT RESERVE COMPONENT DUTY

481201. General

In the case of a forfeiture sentence carried forward according to paragraph 480609, convert the stated amount of forfeiture to a percentage using the monthly rate of basic pay in Table 1-7 through 1-10 for the member's grade and length of service on the date the forfeiture sentence is approved. Apply that percentage to the pay for every period of duty the member actually performs during the stated period of the forfeiture sentence.

481202. Collection

The forfeiture sentence is satisfied by collection from however few periods of duty the member performs during the stated period of forfeiture. With regard to collection, apply the following:

A. If a member performs periods of duty without forfeiture collection, the amount not collected on the basis of paragraph 481103 becomes an amount due the United States.

B. Otherwise, collect the forfeiture at the percentage rate computed according to paragraph 481201 from all periods of duty during the stated period of forfeiture.

481203. Time Restriction

Note that the forfeiture sentence is satisfied by collection from duty performed during the stated period of forfeiture only. If a member performs no duty during the stated period of the forfeiture sentence, no further collection action is necessary.

Example

A. A member, E-4, receives a sentence which includes a forfeiture (either nonjudicial punishment or court-martial sentence) of $200 a month for 2 months ($400).

B. The member's monthly rate of pay is $912.60.

C. Convert the original forfeiture to a percentage, (200/912.60) = 21.92%.

D. For each period of duty performed during the stated period of the sentence, collect 21.92% of the member's pay from active duty and inactive duty training pay.

Table 48-1. Execution of Court-Martial Sentences, Appellate Review Requirements

RULE	A **When a court-martial sentence**	B **the sentence to dismissal, dishonorable or bad conduct discharge may (note 1)**	C **who**
1	involves dismissal of a commissioned officer, a cadet, or midshipman	not be executed until reviewed by the Secretary of the Military Department concerned or by an Under Secretary or Assistant Secretary designated by the cognizant Secretary	will approve the sentence or any part or commuted form of the sentence, as the Secretary or designee sees fit. The Secretary or designee may suspend execution of any part of a sentence which the Secretary or designee approves.
2	includes a dismissal, dishonorable or bad conduct discharge and the appellate review is not waived or an appeal is not withdrawn	not be executed until reviewed by the Court of Criminal Appeals	will provide a final judgment of the legality of the proceedings.
3	includes a dismissal, dishonorable or bad conduct discharge and the appellate review is waived or appeal is withdrawn	not be executed until reviewed by the Judge Advocate.	

Note:

1. Any part of a court-martial sentence other than death, dismissal, dishonorable discharge or bad conduct discharge may be ordered executed by the convening authority or under regulations of the Secretary concerned, a commissioned officer commanding for the time being, a successor in command, or any person exercising general court-martial jurisdiction in place of the convening authority.

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41 Comp Gen 296 (1961)

4802 - REQUIREMENT FOR REDUCTION IN GRADE UNDER CERTAIN COURT - MARTIAL SENTENCES

10 U.S.C. 858a

480205 10 U.S.C. 857

4803 - FORFEITURES

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36 Comp Gen 755

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480306 10 U.S.C. 858(b)
* 480308 63 Comp Gen 341, 344 (1984)
10 U.S.C. 706(a)

4804 - EXECUTION OF COURT-MARTIAL SENTENCES - APPELLATE REVIEW REQUIREMENTS

10 U.S.C. 871

4805 - EFFECTIVE DATES OF FINES AND FORFEITURES

10 U.S.C. 857

480501 MCM 2008, Part II, Rule 1003
480502.C 42 Comp. Gen. 279

4806 - COLLECTION

36 Comp Gen 79
38 Comp Gen 788
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41 Comp Gen 269

480602.A 37 U.S.C. 1007(c)

480602.B	37 U.S.C. 1007(d)
480602.C	
480609	MCM 2008, Part II, Rule 204

4807 - REMISSION, SUSPENSION, AND CANCELLATION OF FORFEITURES

	10 U.S.C. 4837, 6161, and 9837
480703	10 U.S.C. 509, 37 U.S.C. 906
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4810 - PAY AND ALLOWANCES WHILE ON PAROLE

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4811 - DISPOSITION OF COURT-MARTIAL FORFEITURES AND FINES

24 U.S.C. 419 (a) (4)
10 U.S.C. 2772

4812 - FORFEITURE SENTENCES CARRIED OVER TO SUBSEQUENT RESERVE COMPONENT DUTY

MCM 2008, Part II, Rule 204

Table 48-1

Rule 1	10 U.S.C. 871(b)
Rule 2	10 U.S.C. 871(c)(1)
Rule 3	10 U.S.C. 871(c)(2)
Note 1	10 U.S.C. 871(c)(2)

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VOLUME 7A, CHAPTER 49: "NON-JUDICIAL PUNISHMENT"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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

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

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

The previous version dated July 2014 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current administrative instructions.	Revision
4901	Inserted "Purpose" and "Authoritative Guidance" paragraphs.	Addition

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CHAPTER 49

NON-JUDICIAL PUNISHMENT

4901 GENERAL

*490101. Purpose

This chapter prescribes the effect, and limitations of non-judicial punishment on a members' pay.

*490102. Authoritative Guidance

The bibliography at the end of this chapter lists the authoritative references.

4902 AUTHORIZED PUNISHMENTS AFFECTING PAY

Non-judicial punishments which affect pay are forfeiture of pay, reduction in grade, or a combination of these. Except as provided in this chapter, provisions of Chapter 48 relating to forfeiture of pay and reduction in grade by courts-martial also apply when such penalties are imposed as non-judicial punishment.

4903 LIMITATIONS

490301. Maximum Forfeiture of Pay

The maximum forfeiture of pay which may be imposed under Article 15, UCMJ, is outlined in the ***Manual for Courts-Martial (MCM), United States (2012 Edition), part V*** and ***Title 10, United States Code (U.S.C.), section 815***.

490302. Concurrent Courts-Martial and Non-Judicial Forfeiture of Pay

When non-judicial forfeitures of pay run concurrently with partial courts-martial forfeitures of pay which are subject to the two-third's limitation, the maximum total amount collectible is two-thirds of the pay subject to forfeiture.

490303. Reduction in Grade

When punishment includes both a reduction in grade, whether or not suspended, and a forfeiture of pay, the forfeiture of pay is based on the grade to which reduced.

4904 SUSPENSION, REMISSION, AND MITIGATION

See Table 49-1.

4905 EXECUTION OF PUNISHMENT DURING APPEAL PROCEDURES

A member who incurs non-judicial punishment considered unjust or out of proportion to the offense may, through proper channels, appeal to the next higher authority. The member may be required to undergo the adjudged punishment pending determination of the appeal.

4906 EFFECTIVE DATES

Forfeitures of pay and reductions in grade, if unsuspended, are effective on the date the commander imposes the punishment. (For Navy and Marine Corps members, however, non-judicial forfeitures of pay do not run concurrently. If a forfeiture of pay is imposed by a non-judicial punishment while a prior forfeiture of pay is still in effect, it will not commence until the prior forfeiture of pay is completed.) Pay accrued by a member before the imposition of the punishment is not subject to forfeiture. When a forfeiture of pay is suspended, the suspension takes effect on the date of the action. When a member is restored to a higher grade by suspension of a reduction in grade, the member is entitled to pay of the higher grade only from the date of suspension. If, however, a reduction in grade or forfeiture of pay is set aside and all rights, privileges, and property affected by it are restored, then the member is entitled to pay as though the reduction in grade had never been imposed. When the suspension of a punishment is vacated, the effective date for pay purposes is the date of the vacation.

4907 DISPOSITION OF FORFEITURES OF PAY COLLECTED BY NON-JUDICIAL PUNISHMENT

Disposition of pay forfeited as a result of a non-judicial punishment is treated similar to pay forfeited by court-martial action. Refer to Chapter 48, section 4811 for disposition policies.

Table 49-1. Suspension, Remission, Setting Aside, and Mitigation of Non-Judicial Punishment

RULE	A When non-judicial punishment is	B and the punishment has	C then the officer imposing the punishment, or the successor in command, may suspend the punishment probationally	D or
1	reduction in grade	not been executed	at any time	remit or set the reduction in grade aside, or mitigate it to a forfeiture of pay (note 2).
2	forfeiture of pay	not been executed (note 1)		remit or set the forfeiture of pay aside (in whole or in part), or mitigate it to lesser forfeiture of pay.
3	reduction in grade	been executed	only within 4 months after execution	set the reduction in grade aside in whole or in part, or mitigate it to forfeiture of pay (note 2 and 3).
4	forfeiture of pay			set the forfeiture of pay aside (in whole or in part) (note 3).

NOTES:

1. An uncollected forfeiture of pay is considered to be unexecuted during the period for which it was imposed. Upon the expiration of the forfeiture period all unsuspended forfeitures of pay, whether or not collected, are fully executed.
2. If mitigated, the amount of forfeiture of pay may not be greater than the amount that could have been imposed initially by the officer who imposed the reduction in grade, and the mitigation must be accomplished within 4 months of the date of execution.
3. Usually, executed punishments are set aside within 4 months after the punishment has been executed.

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CHAPTER 49 – NON-JUDICIAL PUNISHMENT

4901 – GENERAL

10 U.S.C. § 815

4902 – AUTHORIZED PUNISHMENTS AFFECTING PAY

10 U.S.C. § 815

4903 – LIMITATIONS

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10 U.S.C. § 815

4905 – EXECUTION OF PUNISHMENT DURING APPEAL PROCEDURES

10 U.S.C. § 815

4906 – EFFECTIVE DATES

10 U.S.C. § 815
MCM, United States (2012 Edition), part V

4907 – DISPOSITION OF FORFEITURES OF PAY COLLECTED BY NON-JUDICIAL PUNISHMENT

10 U.S.C. § 2772

Table 49-1

MCM, United States (2012 Edition), part V, paragraph 6
10 U.S.C. § 815

VOLUME 7A, CHAPTER 50: "BANKRUPTCY"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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

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

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

The previous version dated February 2016 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated formatting and references to comply with current administrative instructions.	Revision

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CHAPTER 50

BANKRUPTCY

5001 GENERAL

500101. Purpose

This chapter prescribes the policies to be followed when a Service member files a petition of bankruptcy under Title 11, United States Code (U.S.C.), Chapter 7 or 13.

500102. Authoritative Guidance

The bibliography at the end of this chapter lists the authoritative references.

5002 BANKRUPTCIES

500201. General Information

A. Filing. A member may file a petition of bankruptcy under 11 U.S.C., Chapter 7 or 13 of the Bankruptcy Code. The law waives the U.S. Government's sovereign immunity for purposes of compliance with payroll deduction orders issued by the bankruptcy courts. Accordingly, the Defense Finance and Accounting Service (DFAS) will honor the bankruptcy withholding orders.

B. Automatic Stay Provisions. An amount of indebtedness owed to the United States that was incurred prior to the filing date of the petition, is described as a pre-petition debt. Collecting debts by offset from the member's pay account is authorized only through the day prior to the date the bankruptcy petition is filed. Continuing deductions from the member's pay after the filing of a petition in a bankruptcy is improper and violates the automatic stay provisions of the bankruptcy statute. Amounts withheld after the date the bankruptcy petition is filed must be refunded to the member.

C. Proof of Claim. Upon notice or actual knowledge of the filing of a bankruptcy petition, when the member has listed the U.S. Government as a creditor, the military pay office will file a proof of claim with the bankruptcy court concerned for all Chapter 13 filings and if requested by the bankruptcy trustee in a Chapter 7 case. The proof of claim is filed with the bankruptcy court on Official Form 410.

D. Post-Petition Debt. If the bankruptcy is completed and the debtor receives a discharge, then, generally, the listed indebtedness to the United States is discharged with few exceptions. Any new debt that was incurred after the filing of the bankruptcy petition is known as a post-petition debt. The bankruptcy proceedings do not affect post-petition debts. However, prior to taking any collection action on post-petition debts, the matter should be coordinated with the DFAS Office of General Counsel, Garnishment Law Directorate.

E. Dismissal. If the court subsequently dismisses a bankruptcy case, then collection is permitted by offset if otherwise authorized.

500202. Procedures

A. All Bankruptcy Notices and Chapter 13 withholding orders should be submitted or faxed to:

DFAS Cleveland
Garnishment Law Directorate
P.O. Box 998002
Cleveland, OH 44199-8002
Commercial Fax: (877) 622-5930
(216) 367-3675

NOTE: DFAS Cleveland Garnishment Law Directorate is the designated agent for service of process for all military members' bankruptcy notices and bankruptcy withholding orders.

B. The following information should be included with the bankruptcy order full name, and full Social Security number.

C. The bankruptcy notice is effective when it is filed with the court and the provisions of the automatic stay are effective with that date.

D. When the notice does not sufficiently identify the member, it will be returned directly to the person who submitted the order, with an explanation of the deficiency.

E. Upon receipt of an effective bankruptcy order, together with all the required information, the Garnishment Law Directorate (office of the designated official) will review the case to determine if there are any involuntary allotments or garnishments that need to be terminated as a result of the automatic stay (child support, alimony, child support arrears, and alimony arrears are not terminated unless the bankruptcy order specifically states so). The Garnishment Law Directorate will then establish the withholding against the member's pay to comply with the bankruptcy order within 30 days. Withholdings will continue until the amount specified in the order is collected, or the order is cancelled or suspended.

1. Within 30 calendar days after the date of receipt of the order, the designated official will send notice to the member stating this fact.

2. The letter will inform the member of the date that the withholding is scheduled to begin and the amount or percentage that will be deducted.

3. When the member identified in the order is found not to be entitled to money due from, or payable by, DFAS, the designated official will return the order to the person who submitted it and advise him or her that no money is due from, or payable by, DFAS to the named individual. When it appears that amounts are exhausted temporarily or are otherwise unavailable, the authorized person will be told why and for how long any money is unavailable, if known.

500203. Chapter 13, Adjustment of Debts of an Individual With Regular Income - The Plan

A. A member may file a petition with the court to enter into a "Chapter 13 Plan" under the Bankruptcy Code. Under Chapter 13, a member must submit a proposed repayment plan to the bankruptcy court that provides, among other things, that all or a specified amount of future income as is necessary to pay claims under the plan will be sent to the control of the bankruptcy trustee.

B. When the plan is confirmed by the court, its provisions are binding upon the member and all creditors of the member, regardless of whether they are affected by the plan or have been included in the plan.

C. Once the bankruptcy court confirms a plan, it usually orders the employer to pay a specific amount of a member's income to the trustee named in the order.

D. The pay of a member is subject to payment to the trustee appointed by the court, pursuant to Chapter 13 of the Bankruptcy Act. The payment by DFAS of part of the member's pay in response to a court order issued under a Chapter 13 Wage Earner's Plan case does not conflict with 31 U.S.C., section 3713 (Priority of Government Claims). Compliance with such a court order gives the Government a valid acquittance against the member since the court order is binding on the member.

E. If the United States is both the employer and creditor when the member files a Chapter 13 Plan, then the Government's priority under 31 U.S.C. § 3713 (Priority of Government Claims) may be asserted in the absence of a judicial determination to the contrary. This is done through a filing of the proof of claim by the appropriate pay office.

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CHAPTER 50 – BANKRUPTCY

5001 – GENERAL 11 U.S.C. §§ 101 – 1330 (Bankruptcy Reform Act of 2005)

5002 – BANKRUPTCIES

500203.D 31 U.S.C. § 3713
500203.E 31 U.S.C. § 3713

VOLUME 7A, CHAPTER 51: "SAVINGS PROGRAMS"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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

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PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
5101	Inserted General section and renumbered remaining sections, paragraphs, and subparagraphs accordingly.	Revision
510201.A	Renamed Permanent Duty Assignment definition to Designated Duty Assignment.	Revision
510203	Deleted Military Operations no longer in effect for Saving Deposit Program (SDP).	Deletion
510301.B	Updated annual contribution limitation.	Revision
510303	Updated Catch-up Contributions.	Revision
Figure 51-1	Updated to include Assignment Incentive Pay.	Revision
Table 51-1 (Previous Version)	Deleted table since all eligible areas for SDP are contained in paragraph 510203.	Deletion
Table 51-1	Revised Rule 7 to clarify entitlement to SDP while away from authorized area.	Revision
Tables 51-2 (Previous Version)	Renumbered to Table 51-1. Deleted references to Persian Gulf Conflict. Deleted obsolete Military Operations cited in notes 4, 5, and 6.	Revision and Deletion
Table 51-3 (Previous Version)	Renumbered to Table 51-2. Deleted references to Persian Gulf Conflict.	Revision and Deletion
Table 51-2	Clarified Rule 1 SDP repayment guidance.	Revision
Bibliography	Updated statutes.	Revision

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CHAPTER 51

SAVINGS PROGRAMS

*5101 GENERAL

*510101 Overview

The chapter provides policy for Uniformed Services Savings Deposit Program (USSDP) and Thrift Savings Program (TSP).

*510102. Authoritative Guidance

The bibliography at the end of this chapter lists the authoritative references.

5102 UNIFORMED SERVICES SAVINGS DEPOSIT PROGRAM (USSDP)

Under joint regulations prescribed by the Secretaries concerned, a member of the Armed Forces, who is on a designated duty assignment outside the United States or its possessions may deposit during that tour of duty, not more than his un-allotted current pay and allowances in amounts of $5 or more, with any branch, office, or officer of a uniformed service. Amounts so deposited will be deposited in the Treasury and kept as a separate fund, and must be accounted for in the same manner as public funds.

*510201. Definitions

* A. Designated Duty Assignment. A designated duty assignment is a permanent or temporary duty assignment for which the Secretary concerned has determined that a member of the Armed Forces serving in such an assignment is eligible to participate in the USSDP.

B. Un-allotted Current Pay and Allowances. The amount of money a member is entitled to receive on the payday immediately before the date of deposit, less authorized deductions and allotments (e.g., for dependents or insurance). Pay and allowances include special continuation pay, reenlistment bonus, travel allowance on discharge, and pay, and allowances for unused accrued leave. Advance pay and travel allowance for permanent change of station and Temporary Duty (TDY) travel may not be deposited.

510202. Allotments

Active duty officers and enlisted members may make deposits into the USSDP by allotment. Such allotment must be processed in accordance with the procedural instructions of the Military Service concerned. However, the restrictions of this chapter are applicable when starting this type of allotment.

*510203. Authorized Operations and Geographical Areas

A. Effective November 1, 2001, any member assigned to Operation Enduring Freedom (OEF) became authorized to participate in the USSDP, provided that he or she had served for at least 30 consecutive days or at least 1 day in each of 3 consecutive months, in the OEF area of eligibility.

B. Effective February 1, 2003, any member serving in an assignment outside the United States or its possessions in support of OEF in an area that has been designated a combat zone or is in direct support of a combat zone is eligible to participate in the USSDP after the member has served in that assignment for at least 30 consecutive days or at least 1 day for each of 3 consecutive months.

C. The geographic area of eligibility for OEF consists of the total land area of Afghanistan, Pakistan, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan, the waters consisting of the Red Sea, Gulf of Aden, Gulf of Oman, and Arabian Sea (portion north of 10 degrees north latitude and west of 68 degrees east longitude), or in the airspace thereover. Effective February 1, 2003 the area of eligibility was expanded to any area that has been designated a combat zone or an area designated in direct support of a combat zone.

510204. Member in a Missing Status

The Secretary of the Military Department concerned may, in the interest of a member who is in a missing status (see Glossary) or his dependents, initiate, stop, modify, and change allotments for deposit of unpaid pay and allowances accruing in a missing member's pay account, and authorize withdrawal of deposits made under this chapter, even though the member had an opportunity to make deposits and elected not to do so. Interest may be computed from the day the member entered into a missing status, or January 1, 1991, whichever is later. The $10,000 limitation on the amount that interest is payable does not apply to deposit accounts of members in a missing status.

Examples:

1. A member entered into a missing status on February 1, 2008. Unpaid pay and allowances have been accruing in his pay account at the rate of $100 per month since that date. An account was opened for the member on May 1, 2008, with an initial deposit of $300 (February, March, and April). His account was credited with $100 per month on June 1, 2008, and the first day of each month thereafter while he remains in a missing status, or until modified, stopped, or repaid at the direction of the Secretary of the Military Department concerned. Interest accrued from February 1, 2008.

2. A member entered into a missing status on February 18, 2008. The amount of unpaid pay and allowance due to the member on the payday following February 18, 2008, determined the amount of the initial deposit. The member's account was opened on March 1, 2008, with the initial deposit and his account was credited with his un-

allotted pay and allowances monthly on the first day of each month thereafter as prescribed in example 1. Interest accrued from February 18, 2008.

510205. Deposits

A. Amounts. Amounts up to $10,000 may be deposited with interest accrual at the rate of 10 percent per annum. The maximum amount on which 10 percent interest is computed is $10,000 (principal and accrued interest combined). Deposits may not be more than the amount defined as un-allotted current pay and allowances in subparagraph 510201.B. When, however, the member can establish to the satisfaction of his commanding officer that he or she was unable to make a deposit in the normal manner, un-allotted pay in excess of current pay and allowances may be deposited. Members may not accumulate back pay prior to departing for a designated duty assignment outside the United States or its possessions in order to deposit the back pay once the member becomes eligible for the USSDP. When members arrive in a covered geographic area or a covered duty assignment, they may deposit the amount they could have, or did, accrue during the month of arrival, less authorized deductions. Members who are paid twice monthly may combine pay accrued at midmonth and pay accrued at end-of-month, or combine end-of-month pay with pay accrued on the following midmonth payday for a single deposit, provided the total amount deposited in a one month period does not exceed the amount they are entitled to be paid for 1 month.

B. Power of Attorney. An agent with a power of attorney from the member may make deposits, either by allotment or by cash, into the USSDP on behalf of the member, if the power of attorney states the authority to establish, change, or stop allotments. When accepting a cash deposit from the agent on the member's behalf, the disbursing officer must ensure that the amount deposited does not exceed the member's un-allotted pay and allowances for the period involved.

510206. Interest

A. Accrual of Interest. See Table 51-1.

B. Conditions Under Which Deposits, Plus Interest, Are Repaid. See Table 51-2.

C. Computation of Interest. Deposits made on or before the 10th of the month accrue interest from the 1st of the month. Deposits made after the 10th of the month accrue interest from the first day of the following month. The effective date of deposit is the date the deposit is made to the disbursing officer, finance officer, or any other designated officer of the Uniformed Service. Compute interest at the rate of 10 percent per annum, compounded quarterly, according to the calendar quarter. Compute the quarterly interest on the average quarterly balance on deposit. Ten percent is compounded quarterly on amounts less than $10,000. Once $10,000 is on deposit, simple interest will be computed on the $10,000. No interest is paid on amounts exceeding $10,000, except on amounts for a member who is in a missing status.

D. Taxability of Interest Paid. Interest paid on the amounts deposited into the USSDP is taxable.

510207. Computation

A. Computing Average Quarterly Balance

1. If there were no emergency withdrawals during the quarter, determine the average quarterly balance by adding amounts on deposit on the 10th day of each month of the quarter, and divide the total by three.

Example 1:

Date	Deposits	Amount On Deposits	On 10th Day of
Jan 5	$20.00	$20.00	Jan
Feb 3	20.00	40.00	Feb
Feb 20	20.00		
Mar 10	20.00	80.00	Mar
		$140.00	

$140.00 divided by 3 = $46.67 average quarterly balance.

Example 2:

Date	Deposits	Amount On Deposit	On 10th Day of
Jan	$0.00	$ 0.00	Jan
Feb 3	20.00	20.00	Feb
Feb 20	20.00		
Mar 3	20.00	60.00	Mar
		$80.00	

$80.00 divided by 3 = $26.67 average quarterly balance

2. Emergency withdrawals at any time during a quarter reduce the average quarterly balance on which interest accrues.

Example:

Date	Deposits	With-drawals	Amount On Deposit	On 10th Day of
Apr 1	$147.12 (BAL FWD)	$0.00		
Apr 3	20.00		$167.12	Apr
			167.12	May
May 15	10.00		--	
Jun 4	30.00		--	Jun
Jun 15		$80.00	127.12	Jun
			$461.36	

$461.00 divided by 3 = $153.79 average quarterly balance

3. Except for amounts on deposit, in the case of a member, who is in a missing status, the maximum amount upon which 10 percent interest is payable is $10,000 (principal and accrued interest combined).

Example:

Date	Quarterly Interest	Amount on Deposit
Jan 10	-0-	$10,000.00
Apr 1	250.00	10,250.00
July 1	250.00	10,500.00

B. Computation of Interest at 10 Percent Rate

Repay deposits, plus interest, under the conditions shown in Table 51-1. Compute interest at the rate of:

1 Month-1/12 of 10 percent or .00833…
2 Months-2/12 of 10 percent or .01666…
3 Months-(Full Quarter) .025

Example 1: Member's Request

A member has $355 on deposit (principal plus compounded interest as of June 30, 2009). The member requested repayment on August 12, 2009. The member was repaid $355 plus interest of $5.92 for the months of July and August (.01666… x $355) or $360.92.

Example 2: Ninety-Day Rule

Same example as 1, above, except the member requested repayment on October 15, 2009. The member was repaid $355 plus interest of $8.88 for the months of July, August, and September (.025 x $355) or $363.88. Interest for October 1-15, 1991, was not

allowed since the 90-day limitation period ended on October 12, 2009 (a day other than the last day of the month).

Example 3: Member Discharged

Same example as 1, above, except the member was discharged overseas for his or her convenience on July 15, 2009. The member was repaid $355 plus interest of $2.96 for the month of July (.00833… x $355) or $357.96, assuming full repayment was in effect in the month of July.

Example 4: Member Dies

On March 8, 2009, the member had on deposit the maximum amount of $10,000 (principal plus simple interest) and made no new deposits. On November 15, 2009, while assigned in the OEF area the member dies, and settlement of unpaid pay and allowances was made to member's heir(s) on December 15, 2009. The amount repaid was $10,000 plus simple interest of $833.33 for period March 1 through December 31, 2009 (.00833… x 10), or $10,833.33.

510208. Payment of Interest Upon Final Settlement of Deposit Account

A. Except when the 90-day limitation discussed in paragraph 510213 applies, interest will stop at the end of the month in which full repayment is made to the member or member's heirs.

B. In no case will interest accrue for a period longer than 90 days (computed on a day-for-day basis of actual elapsed time) after the member's eligibility to make deposits terminates. Should the 90-day limitation period end on any day other than the last day of the month, interest will accrue through the last day of the preceding month. If the 90-day limitation period ends on the last day of the month, interest accrues for that month. In determining when the 90-day limitation period terminates, the last day of the month is February 28 (February 29 in leap year), the 30th of a 30-day month, or the 31st day of a 31-day month.

510209. Withdrawal of Deposits - Emergency

Withdrawals may be made in an emergency only when the health or welfare of a member or his dependent(s) would be jeopardized if the withdrawal were not granted. Emergency withdrawals may be authorized by the member's commanding officer.

512010. Withdrawal of Deposits - Members in a Missing Status

Withdrawals may be made when directed by the Secretary of the Military Department concerned when deemed in the best interest of the member, the member's dependent(s) or the U.S. Government.

510211. Discharge While Eligible to Make Deposits

Members, eligible to make deposits, which are discharged and immediately reenlist, extend their enlistments, or who are discharged to accept a commission may not withdraw their deposits.

510212. Accounts Which Have Reached $10,000

In situations where the member's principal and interest on deposit reaches $10,000, any amounts representing interest accruing in the account subsequent to that time which causes the $10,000 total to be exceeded, may be withdrawn quarterly at the member's request.

510213. Automatic Refund

Accounts will accrue interest no more than 90 days after a member leaves a designated USSDP area. Members should withdraw their funds after the 90-day period. If no withdrawal is made within 120 days after the qualifying duty terminates, the Defense Finance and Accounting Service will automatically transfer the funds to the military pay account of the USSDP account owner.

510214. Application to Indebtedness or Forfeiture

Savings deposits and accrued interest are exempt from collection for members' debts, including debts owed to the United States Government or its agencies, except for levies issued by the Internal Revenue Service. Deposits are not subject to forfeiture by sentence of a court-martial and are not forfeited by desertion.

510215. Liability of Disbursing Officers

A disbursing officer who fails to process a deposit properly into his or her account is liable for the amount of the deposit, plus interest, from the effective date of the deposit to date of withdrawal or repayment.

5103 THRIFT SAVINGS PLAN (TSP)

TSP is a Government-sponsored retirement savings and investment plan. The traditional TSP offers tax deferral advantages similar to those offered by private corporations to their employees under 401(k) plans. There is also a Roth TSP option which offers the opportunity to make after-tax contributions. The Federal Retirement Thrift Investment Board (Board) operates and administers the plan solely for the benefit of the participants and their beneficiaries.

*510301. Participation

A. When to Begin TSP Deductions. Any member of the Uniformed Services may elect to participate in the TSP. The payroll deduction will commence the first full pay period after the service accepts the TSP Election Form (TSP-U-1).

* B. Contribution Limitations. A member is authorized to contribute from 1 to 92 percent of their basic pay. Members are not permitted to contribute more than 92 percent of their basic pay so that required deductions of Social Security and Medicare can be made. If a member is contributing to the TSP from basic pay, the member is also authorized to contribute bonuses, incentive, or special pay (See Figure 51-1).

* 1. Contribution for members not serving in a combat zone may not exceed $18,000 for 2015.

* 2. A member serving in a combat zone tax exclusion area, as defined in Volume 7A, Chapter10, can contribute a total of $53,000 in 2015.

C. Member Transfers

1. When members transfer between components or branches of the Uniformed Services, their TSP contributions may be continued. The member will notify their gaining servicing organization of their existing TSP contribution rates in order to continue TSP contributions and or loan payments without interruption.

2. If a member separates from the service and rejoins after a break in service of 31 days or more, the member may sign up immediately to contribute to TSP.

3. If a member separates from the service and rejoins after a break in service of less than 31 days, and the member had been contributing to the TSP, contributions to the TSP should resume the first pay period after rejoining the service.

4. A member of the Uniformed Service who is also a Federal civilian employee may contribute under both programs to the TSP. The yearly contribution limitations in subparagraph 510301.B will apply to the combined accounts and not to each account separately.

D. All TSP contributions must be made through payroll deduction. Make-up missing contributions for basic, special, incentive, and bonus payments are permitted only through payroll deductions.

E. The choice to stop contributing to TSP is permitted at any time. It is effective at the end of the pay period in which that election is accepted by the member's servicing activity. If basic pay contributions are terminated, TSP deductions for special, incentive and bonus pays will also be terminated with the same effective date.

510302. Roth TSP

Members may elect to contribute to a Roth TSP account instead of, or in addition to, a traditional TSP account. Any member eligible to contribute to a traditional TSP account may also contribute to a Roth TSP account.

A. Payroll Deductions. Roth TSP contributions are taken after-tax. In the same manner as a traditional TSP account, a payroll deduction will begin the first full pay period after the service accepts the TSP Election Form (TSP-U-1). Roth TSP contributions must be made through payroll deduction. Lump-sum contributions for special, incentive, and bonus payments are permitted only through payroll deductions.

B. Maximum Contribution Limits. The same maximum contribution limits apply to traditional TSP also apply to Roth TSP. The contribution limit is $18,000 in 2015. If a member elects to contribute to both traditional TSP and Roth TSP, the maximum contribution limits apply to the combined accounts, not to each account separately.

*510303. Catch-Up Contributions

A TSP participant age 50 years or older may make catch-up contributions to both traditional and Roth TSP accounts. Only deductions from basic pay are allowable. The amount of the catch-up will not exceed the annual limit of $6,000. To contribute, a member must self-certify on the Catch-Up Contribution Election Form (TSP-U-1-C) that he/she expects to contribute the maximum amount to the TSP or other eligible employer plans. That amount is $18,000 in 2015. Future catch-up amounts will be set by the IRS and announced by the Thrift Investment Board. The website is ***http://www.tsp.gov***. If a member elects to contribute catch-up contributions to both traditional TSP and Roth TSP, the maximum contribution limits apply to the combined accounts, not to each account separately.

510304. Matching Contributions

The Secretary concerned may enter into an agreement with a member to make matching contributions to the traditional TSP for the benefit of the member, if the member is in a specialty designated as critical to meet wartime or peacetime requirements. The member must commit to serve on active duty in that specialty for a period of 6 years.

A. The Secretary concerned will make these contributions for each pay period of the 6-year period that the member makes contributions.

B. Contributions are matched dollar for dollar for the first 3 percent of basic pay contributed per pay period and the 50 cents on the dollar for the next 2 percent of pay. Therefore, the member will not receive matching contributions for amounts contributed above 5 percent.

C. Participants in Roth TSP will be eligible for matching contributions, but those contributions will be applied to a traditional TSP account, not to a Roth TSP account.

510305. TSP Loan Program

A. General. All TSP participants are eligible to obtain a TSP loan. Members may borrow only from their own contributions and earnings. The minimum amount a member can borrow is $1,000. A member may have a total of two loans outstanding, one of each type

listed below. The total outstanding loans cannot exceed $50,000. When a member has both a civilian TSP account and a military TSP account, the maximum loan amount applies to the combined accounts and not to each account separately.

B. Types of Loans. Loans can be made for the following purposes:

1. Residential; or

2. General purpose.

C. Interest Rate. The interest rate will be the posted rate for the G Fund at the time that the loan application is processed by the TSP. The rate is fixed at that level for the life of the loan, and the interest paid on the loan is not tax deductible.

D. Tax Exempt Amount. When a participating member has contributions that are made from tax-exempt pay as well as from tax-deferred pay, the loan principal will be made and repaid on a pro rata basis from these funds. For additional information, see ***TSP Loans*** (June 2006).

510306. Breakage (Lost TSP Earnings) Due to Agency Error

A. Conditions. If a member receives pay from which member contributions should have been deducted, but as a result of agency error, all or any part of those deductions were not made, even if the member makes up those member contributions, the belated member contributions will not require payment of breakage. The following are applicable conditions that require payment of breakage:

1. Delayed or Erroneous Contributions When Member Received Pay

a. If a member receives pay, but as a result of an agency error all or any part of the agency matching contribution associated with that pay are not timely received by the TSP record keeper, the agency belated contributions will be subject to breakage.

b. If a member receives pay where contributions were properly deducted but, as a result of an agency error, all or any part of the associated agency matching contributions were not timely received by the TSP record keeper, the belated contributions will be subject to breakage.

c. If a member receives pay where contributions were properly deducted but, as a result of an agency error all or any part of those member contributions were not timely received by the TSP record keeper, the belated contributions will be subject to breakage.

2. Agency Delay in Basic Pay, Special Pay, Incentive Pay, and Bonus. Where, as the result of an agency error, a member does not timely receive all or any part

of pay to which entitled, all such belated member contributions and agency matching contributions will be subject to breakage.

3. Late Payroll Submissions. All contributions contained in a payroll submission received by the TSP record keeper more than one pay period after the pay date associated with that payroll submission will be subject to breakage.

4. Loan Allotments. Loan allotments deducted from the member's pay but not timely received by the TSP record keeper due to agency error will be subject to breakage.

B. Minimum Dollar Amount. Breakage on loan allotments and late contributions will be calculated by the TSP system only for those contributions and loan allotments that are $1 or more.

C. Agency Responsibility. The employing agency whose error caused a late or erroneous investment of money in the TSP is responsible for payment of any breakage resulting from that error. The paying office that submitted payment records or loan allotments that are subject to breakage is also responsible for submitting the appropriate payment records relating to those submissions. The amount of breakage that is calculated will be charged to the TSP clearing account of the submitting paying office. Where another employing agency caused the late or erroneous submission by the submitting paying office, the paying office that was charged for the amount of breakage calculated should seek reimbursement from the other employing agency.

D. Detailed Information on Breakage. For detailed information concerning the breakage (lost TSP earnings) process, refer to TSP regulations in ***5 Code of Federal Regulations, part 1605*** or TSP Bulletins. The TSP bulletins are available under Info for TSP Representatives on the TSP's website at http://www.tsp.gov.

*Figure 51-1. Pay Entitlements Available for TSP Contributions

DoD FMR, Volume 7A, Chapter section, paragraph, or subparagraph	Bonuses
0603	Accession Bonus (Dental)
070201	Accession Bonus (Pharmacy)
2102	Accession Bonus For Registered Nurses
0307	Accession Bonus for Officer Candidates
0308	Accession Bonus for New Officers in Critical Skills
20	Aviator Retention Bonus (Aviator Continuation Pay)
61	Bonus Program for the Individual Ready Reserve and Inactive National Guard
5705	Bonus for Reenlistment, Enlistment, or Voluntary Extension (Ready Reserve)
66	Career Status Bonus
0604	Critical Skills Wartime Accession Bonus (Dental)
0510	Critical Skills Wartime Accession Bonus (Medical)
0902	Enlistment Bonus
0905	Enlistment Bonus (Army)
5604	Enlistment Bonus (Selected Reserve)
5705	Enlistment Bonus (Ready Reserve)
1902	Foreign Language Proficiency Bonus
0609	Multiyear Retention Bonus (Dental)
0515	Multiyear Retention Bonus (Medical)
030201	Nuclear Career Accession Bonus
030203	Nuclear Career Annual Incentive Bonus
5606	Prior Service Enlistment Bonus
0903	Reenlistment Bonus
5605	Reenlistment Bonus (Selected Reserve)
5604	Reserve Affiliation Bonus
0904	Retention Bonus for Members Qualified in a Critical Military Skill
0309	Retention Incentive for Officers in a Critical Military Skills
14	Special Pay for Enlisted Members Extending Duty at Designated
5603	Selected Reserve Health Care Professionals In Critically Short Wartime Specialties
5602	Selected Reserve Officer Accession And Affiliation Bonus
030402	Special Warfare Officer Retention Bonus
03100 30402	Transfer between Armed ForcesSpecial Warfare Officer Retention Bonus
0310	Transfer between Armed Forces

Figure 51-1. Pay Entitlements Available for TSP Contributions (Continued)

DoD FMR, Volume 7A, Chapter section, paragraph, or subparagraph	Bonuses cont.
0513	Health Professions Officer Accession Bonus (Medical)
0706	Health Professions Officer Accession Bonus (Veterinarian)
0515	Health Professions Officer Retention Bonus
	Incentive Pays
*15	Assignment Incentive Pay
2203	Aviation Career Incentive Pay
2204	Career Enlisted Flyer Incentive Pay
24	Hazardous Duty Incentive Pays
23	Submarine Duty
0514	Health Professions Officer Incentive Pay (Medical)
0705	Health Professions Officer Incentive Pay (Veterinarian)
0516	Health Professions Officer Board Certification Incentive Pay
	Special Pays
0508	Board Certified Pay for Non-Physician Health Care Providers
180202.A	Career Sea Pay
180202.B	Career Sea Pay Premium
13	Combat-Related Injury Rehabilitation Pay
030202	Continuation Pay for Nuclear-Qualified Officers Extending Period of Active Service
0607	Dental Additional Special Pay
0608	Dental Board Certified Pay
0606	Dental Variable Special Pay
0605	Oral or Maxillofacial Dental Surgeon Incentive Special Pay
0610	Reserve Dental Officers Special Pay
580208	Designated Unit Pay
0508	Diplomate Pay for Psychologists
11	Diving Duty
0305	Engineering and Scientific Career Continuation Pay
140201.A	Enlisted Members Extending Duty at Designated Locations Overseas
17	Hardship Duty Pay

Figure 51-1. Pay Entitlements Available for TSP Contributions (Continued)

DoD FMR, Volume 7A, Chapter section, paragraph, or subparagraph	Special Pays cont.
10	Hostile Fire and Imminent Danger Pay
0306	Judge Advocate Continuation Pay
0506	Medical Additional Special Pay
0507	Medical Board Certified Pay
0504	Medical Incentive Special Pay
0505	Medical Variable Special Pay
0509	Special Pay for Reserve Medical Officers
0508	Non-physician Health Care Providers
21	Nurse Anesthetists
0303	Officers Holding Position of Unusual Responsibility and of Critical Nature
070302	Optometrists Regular Special Pay
070303	Optometrists Retention Special Pay
070202	Pharmacy Officers
5804	Reserve Health Care Professionals in Critically Short Wartime Specialties
08	Special Duty Assignment Pay for Enlisted Members
570501	Special Duty Assignment Pay (Guard and Reserve)
0305	Surface Warfare Officer Continuation Pay
070502	Veterinarians
010303.A	Weapons of Mass Destruction Civil Support Team

*Table 51-1. Savings Deposits, Special Determinations on Accrual of Interest

RULE	A **When an eligible member has a savings deposit account in effect and the member**	B **and**	C **then interest**
1	was in a deserter status	is returned to military control	accrues to the end of the month before the month the member entered a deserter status and resumes the first of the month after the month the member returns to military control (note 1).
2	returns to military control after desertion	has personnel records corrected to remove a mark of desertion	accrues during the period the member was originally considered to be a deserter (note 2).
3	is separated or discharged	repayment of deposits is delayed for any reason (note 3)	accrues to the end of the month in which repayment is made, not to exceed 90 days after eligibility to make deposits terminates.
4	does not request repayment after termination of eligibility to make deposits	within 90 days is again entitled to make deposits	continuously accrues.
5	is in a missing status	the Secretary of the Military Department concerned (or designee) directs repayment of total amount of deposit	accrues to the end of the month in which repayment is directed.
6		a finding of death is made	accrues to the end of the month in which repayment is made not to exceed 90 days after the date pay and allowances terminate.
*7	goes on official TDY or temporary additional duty (TAD) away from the USSDP authorized duty assignment or USSDP authorized area for a period of 90 days or more		accrues for the first 90 days of TDY or TAD, but not after 90 days (note 4).

NOTES:

1. Interest does not accrue on deposits during the period a member is in a desertion status.
2. Interest will be computed and retroactively credited.
3. Delays in repayment of deposits include withholding of issued discharge certificates pending release from confinement when sentenced to dishonorable discharge.
*4. Interest would again accrue upon return to the USSDP authorized duty assignment or the authorized USSDP area.

*Table 51-2. Savings Deposits, Conditions Under Which Deposits, Plus Interest Are Repaid

RULE	A When an eligible member has a savings account and the member	B then all deposits, plus interest will be repaid upon
*1	permanently departs the authorized USSDP area	the member's request upon departure from the USSDP authorized duty assignment or the USSDP authorized location. If no request is received after 90 days from the departure from the authorized SDP area, all deposits plus interest will be automatically repaid to the member.
2	is discharged or separated overseas (not for reentry into the Military Service)	discharge or separation from the Military Service or not to exceed 90 days thereafter.
3	is in a missing status	direction of the Secretary concerned or designee.
4	dies	settlement of member's unpaid pay and allowances as provided in Chapter 36 (note).

NOTE:
Interest on deposits stops at the end of the month in which full repayment is made. Do not continue interest beyond 90 days after the date of the member's death, or when a member's USSDP authorized duty assignment terminates, whichever is earlier. See Table 51-1, Rule 6, for death cases where a missing status is involved.

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CHAPTER 51 – SAVINGS DEPOSIT PROGRAMS

5102 – UNIFORMED SERVICES SAVINGS DEPOSIT PROGRAM (USSDP)

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	510203.C	OASD (FM&P) Memo, March 20, 1997
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	510301.A	5 U.S.C. 8440e
*	510301.B	IR-2014-99
	510302	5 U.S.C. 8432d
*	510303	26 U.S.C. 402(g)
		26 U.S.C. 414(v)
		IR-2014-99
	510305	5 U.S.C. 8433(g)
	510306	5 U.S.C. 8432a
		5 C.F.R. part 1605

Figure 51-1 37 U.S.C. Chapter 5

VOLUME 7A, CHAPTER 52: "PRIORITY OF PAY DEDUCTIONS AND COLLECTIONS"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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

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

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

The previous version dated February 2016 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated formatting to comply with current administrative instructions.	Revision

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CHAPTER 52

PRIORITY OF PAY DEDUCTIONS AND COLLECTIONS

5201 GENERAL

520101. Purpose

This chapter guides military service central site pay operations and field military finance/disbursing offices, henceforth referred to as "finance offices", concerning the sequence order for processing deductions and debt collections from a member's military pay entitlements when the member does not have sufficient pay. Finance offices must review a member's military pay entitlements to determine if the member has sufficient pay to offset all deductions and debt collections. If a member does not have enough pay, Table 52-1, Priority of Deductions and Collections, states which deduction/collection will collect first from the current pay. If a member has voluntary deductions for Thrift Savings Plan (TSP) contributions and/or discretionary allotments that prevent the finance office from collecting debts due the United States, or to other entities listed in Table 52-1, the finance office has the authority to stop those voluntary deductions and process the debt collection. The finance office will notify the member that he/she has 30 days to voluntarily change, their TSP contribution, or discretionary allotment amounts. If they fail to make the changes, the finance office will initiate stoppages and specify when the changes will appear on the member's military pay account. These actions will not substitute for, but may be included in, any indebtedness notification required by Volume 16.

520102. Authoritative Guidance

The bibliography at the end of this chapter lists the authoritative references.

Table 52-1. Priority of Deductions and Collections

RULE	When the amounts due to a member are not enough to cover authorized deductions or collections, collect applicable amounts shown in the following sequence:	
1	Reduction of pay entitlement	Losses of pay entitlement take precedence over all items for deduction or collection: a. Forfeiture (note 1) b. Reduction for educational benefit under "Montgomery G.I. Bill" (note 1)
2	Reimbursement to the United States	Collected amounts for deposit to the credit of the U.S. Treasury, in the following order: a. Federal Insurance Contribution Act tax b. Deductions for Armed Forces Retirement Homes c. Federal Income Tax Withholding (this includes any amounts voluntarily authorized by member in excess of the minimum withholding required) d. Deductions for Servicemembers' Group Life Insurance (SGLI), Family SGLI, and Traumatic SGLI
3	State income tax withholding	
4	Involuntary repayment of indebtedness to the United States	a. Routine pay adjustment as referenced in Volume 16, Chapter 3, paragraph 030306.D b. Repayment of advances of pay/allowances or advances of travel c. Other collections (overpayments of pay or allowances outside the scope of a routine pay adjustment) d. Repayment of public funds entrusted to an accountable member or funds obtained by any member through fraud, larceny, embezzlement, or other unlawful means e. Clothing allowance charges f. Transportation charges g. Subsistence charges h. Government property lost or damaged. (note 2) i. Telephone or telegraph charges j. Damage to assigned housing due to negligence or abuse k. Indebtedness to a Commissary, Department of Defense (DoD) contracted Military Banking Facility overseas, or other appropriated fund activity for an uncollectable check or defaulted loan l. Unpaid hospital bills for medical services furnished to a dependent m. Compensation or stipend payments received by a medical officer from state, county, municipal, or privately owned hospitals for medical services n. Jury duty fees received by a member o. Amounts due to other Uniformed Services or departments or agencies outside DoD, including court judgments
5	Garnishment for alimony and child support payments	

Table 52-1. Priority of Deductions and Collections (Continued)

RULE	When the amounts due to a member are not enough to cover authorized deductions or collections, collect applicable amounts shown in the following sequence:	
6	Statutorily-required child and spousal support allotments	
7	Reimbursement to individuals and agencies	Remittances to an individual or agency by disbursing officer making deductions as follows: a. Deductions for rental of premises occupied by dependents b. Deduction for payment for damages to private property
8	Court-ordered bankruptcy payments under Chapter 13 of the revised Bankruptcy Act	(note 3)
9	Indebtedness to a nonappropriated fund activity	
10	Amounts due Service relief society (Army Emergency Relief, Air Force Aid Society, Navy-Marine Corps Relief Society, or Coast Guard Mutual Assistance) only at final separation	
11	Voluntary repayment of indebtedness to the United States	In order specified by the Military Service member (note 4)
12	Involuntary allotment for commercial debts	(note 5)
13	TSP	Payments to TSP in the following order: a. TSP loan repayments b. TSP catch-up deductions c. TSP deductions d. Roth TSP deductions

Table 52-1. Priority of Deductions and Collections (Continued)

RULE	When the amounts due to a member are not enough to cover authorized deductions or collections, collect applicable amounts shown in the following sequence:	
14	Allotments	Payments made to an allotted by the United States will be disbursed in the following order: a. Emergency support of dependent b. Government insurance (discretionary allotment) c. Repayment of individual indebtedness or for payment to an individual or financial organization for disposition as authorized by the allotter (discretionary allotment) d. Purchase of U.S. Savings bonds e. Donation to charity drives f. Other discretionary allotments (note 5)
15	Internal Revenue Service paper levy for delinquent Federal income taxes	(See Chapter 44, section 4403 and Table 52-1, note 5)
16	Court-Martial fines	

NOTES:

1. Gross pay to which the Military Service member would otherwise be entitled must be reduced by the monthly amount of the forfeiture or educational benefit under the Montgomery G.I. Bill. The forfeiture or educational benefit is subtracted to determine a new, reduced monthly gross pay amount. Deductions based on gross pay will be computed on the reduced gross pay.
2. This is a voluntary indebtedness for members of the Navy or Marine Corps, who fall under Volume 16, Chapter 3, Table 3-3, Rule 5.
3. In cases where the U.S. Bankruptcy Court has mandated that a sum is to be deducted monthly, the court order will be followed as prescribed in Military Service regulations. The order of precedence in Table 52-1 will apply unless otherwise specified in the court order in which case the court's order prevails.
4. Upon separation, these become involuntary and fall under rule 4.
5. If the date of a tax levy is earlier than the effective date of a voluntary allotment or an involuntary allotment for commercial debts, then the tax levy should be collected before either allotment.

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Table 52-1

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Rule 2(c)	26 U.S.C. § 3402
Rule 2(d)	38 U.S.C. § 1969
Rule 3	5 U.S.C. § 5517
Rule 4	37 U.S.C. § 1007(c) 5 U.S.C. § 5514 31 U.S.C. § 3716
Rule 4(n)	5 U.S.C. § 5537
Rule 5	42 U.S.C. § 659
Rule 6	42 U.S.C. § 665
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Rule 9	37 U.S.C. § 1007(c)
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Rule 14	26 U.S.C. §§ 6331, 6334

VOLUME 7A, CHAPTER 54: "TRICARE DENTAL PROGRAM"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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

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

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

The previous version dated February 2016 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated formatting and hyperlinks to comply with current administrative guidance.	Revision
540101	Updated paragraph to reflect "United Concordia Companies, Inc." as the current Tricare Dental Program administrator.	Revision
540208	Updated paragraph with hyperlink to premium rates.	Revision
Bibliography	Updated statutes and references.	Revision

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CHAPTER 54

TRICARE DENTAL PROGRAM

5401 GENERAL

*540101. Purpose

The TRICARE Dental Program (TDP), administered by United Concordia Companies, Inc., is a worldwide dental care plan offered to eligible beneficiaries by the Department of Defense through the Defense Health Agency.

540102. Authoritative Guidance

The bibliography at the end of this chapter lists the authoritative references.

5402 TDP

540201. Enrollment Eligibility

The TDP is a voluntary dental plan available to eligible family members of all Active Duty Uniformed Service personnel and to Selected Reserve (SELRES) and Individual Ready Reserve (IRR) members and/or their eligible family members. To be eligible for the TDP, the sponsor must have at least 12 months remaining on his or her Service commitment with the parent Service at the time of enrollment. Individuals eligible to enroll in the TDP include the following:

A. SELRES and IRR Service members; and

B. Family members of active duty, SELRES, and IRR Service members. This includes spouses and unmarried children (including stepchildren, adopted children, and wards) under the age of 21. Family members will be eligible up to the end of the month in which they turn 21. Family members may be eligible after 21 if:

1. They are enrolled full-time at an accredited college or university and are more than 50 percent dependent on the sponsor for their financial support. These students are eligible to the end of the month in which they turn age 23. If the student terminates his or her education prior to turning 23, then eligibility ends at the end of the month in which education terminates; or

2. They have a disabling illness or injury that occurred before their 21st birthday or between the ages of 21 and 23 if enrolled as a full-time student at the time of illness or injury, and they were more than 50 percent dependent on the sponsor for financial support.

540202. Individuals Who Are Not Eligible for TDP Coverage

Active duty Service members are not eligible for the TDP. In addition, former spouses, parents, parents-in-laws, disabled veterans, foreign military personnel, Service members in the Transitional Assistance Management Program following activation for a contingency operation, and retirees and their families are not eligible for TDP benefits.

540203. Enrollment Period

All new enrollees must remain enrolled in the TDP for at least 12 months. Enrollment may continue on a month-to-month basis after completing the 12-month minimum enrollment lock-in period. Anyone who fails to pay premiums or disenrolls for other than a valid disenrollment reason is prohibited from reenrolling in the program for 12 months.

540204. Enrollment Form

The sponsor must initiate enrollment by completing a TDP Enrollment Form. If the sponsor is not available to complete and sign the form, an individual with a Power of Attorney (POA) can initiate enrollment, provided the POA allows the individual to enter into contracts. TDP Enrollment Forms are available at the local military dental treatment facility, TRICARE Service Center, Health Benefits Advisor/installation point of contact, or on ***TRICARE Dental***.

540205. Effective Date of Coverage

In most cases, coverage is effective the first day of the month after the month in which the TDP contractor receives the completed form and 1 month's premium payment. TDP Enrollment Forms must be received by the 20th of the month for coverage to begin on the first day of the next month. For applications received after the 20th of the month, coverage will not become effective until the first day of the second month.

540206. Disenrollment

New enrollees must remain enrolled in the TDP for a minimum of 12 months. Anyone who fails to pay premiums during the 12-month lock-in period or disenrolls for other than valid reasons, will be locked-out of the program for 12 months. The following are valid reasons for disenrolling from the TDP prior to completion of the mandatory 12-month enrollment:

A. When a sponsor or family member loses Defense Enrollment Eligibility Reporting System (commonly referred to as DEERS) eligibility due to death, divorce, marriage of a child, end of entitlement, or when a family member reaches age 21 (or 23 if enrolled full-time at an accredited college or university);

B. When TDP-enrolled members relocate outside the continental United States service area, the Service members may elect (within 90 calendar days of the relocation) to disenroll their family members and/or themselves from the TDP;

C. When an active duty member transfers with enrolled family members to a duty station where space-available dental care for the enrolled members is readily available at the local Uniformed Service dental treatment facility, the active duty member may elect (within 90 days of the transfer) to disenroll his/her family members from the TDP; or

D. When an active duty, SELRES or IRR member is transferred to the Standby Reserve or Retired Reserve.

540207. Other Disenrollment Situations

The TDP contractor will notify the sponsor of the disenrollment and explain the enrollment/disenrollment options and any associated premium changes and time limitations for the following situations:

A. If one member in a marriage of two Service members leaves the Uniformed Services and has family members assigned to him, then the family members can be reenrolled to the other Service member without incurring a new 12-month lock-in period;

B. When an Active Component member transfers to the Reserve Component (SELRES, Guard/Reserves on active duty, or IRR), the enrolled family members are disenrolled from the TDP;

C. When a member of the Reserve Component transfers to an Active Component, the enrolled member, and/or family members are disenrolled from the TDP;

D. When the sponsor changes from one branch of service to another;

E. When a member of the SELRES or IRR (Special Mobilization Category) changes status to IRR (other than Special Mobilization Category), the enrolled member, and/or family members are disenrolled from their current plan and automatically reenrolled into the appropriate plan. The reenrolled member/family members may elect to disenroll from the TDP if desired; or

F. When a member of the SELRES or IRR is called to active duty for more than 30 consecutive days, the member is disenrolled effective on the first day of the active duty orders. Enrolled family members remain enrolled in the current TDP plan until the last day of the month in which the sponsor changes status. Family members are automatically reenrolled in the program as active duty family members with the lower premium rate under the existing lock-in period.

*540208. Premium Amounts

The TDP premium rate period runs from May 1 through April 30 of each year. Premium rates are available at ***TRICARE Dental Costs***.

540209. Premium Billing Allotments

If the member has a payroll account, and there are sufficient funds available at the time of collection, then the Government will collect the member's share of the premium, in advance, through a Uniformed Service finance office, or on the TRICARE Dental website under the "Monthly Premiums" section, "Ongoing Recurring Payments" paragraph. Members must verify monthly that the correct dental allotment appears on their Leave and Earnings Statement.

540210. Direct Billing Process

If there are insufficient funds or no payroll account is available at the time of collection, then the member must pay the premium costs by means of direct billing. When this occurs, premium collection will transfer, from the Uniformed Service finance office or site payroll allotment, to direct billing by the TDP contractor. Once the TDP contractor direct bills, this payment process will continue, until the member requests the TDP contractor to restart the payroll allotment. The TDP contractor will immediately direct bill for premiums due from IRR Service members and from SELRES and IRR family members.

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5401 – GENERAL

* 540101 TDP Benefit Booklet, May 2017

5402 – TDP

Title 10, United States Code, section 1076a

VOLUME 7A, CHAPTER 55: "RESERVE INCOME REPLACEMENT PROGRAM"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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

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

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

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PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current administrative instructions.	Revision
550301 550302 550303	Revised paragraphs in accordance with Department of Defense Instruction 1241.05, October 21, 2013.	Revision
550503	Extended the payment authority to December 31, 2017 per Public Law 114-328, section 611, December 23, 2016.	Revision
Bibliography	Updated statutes and references.	Revision

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CHAPTER 55

RESERVE INCOME REPLACEMENT PROGRAM

5501 GENERAL

550101. Purpose

This chapter establishes policy pertaining to the Reserve Income Replacement Program (RIRP) for members of the Reserve Components (RC) as defined in Volume 7A Definitions.

550102. Authoritative Guidance

The bibliography at the end of this chapter lists the authoritative references.

5502 DEFINITIONS

550201. Average Monthly Civilian Income

The Secretary concerned determines the average monthly civilian income amount based on either:

A. The member's total earned income for the 12 full months immediately preceding the member's current mobilization, divided by 12; or

B. The earned income reported on the most recent federal income tax filing that covers a 12-month period prior to mobilization, divided by 12.

550202. Total Earned Income

Total earned income is defined in the Department of Defense Instruction (DoDI) 1241.05, October 21, 2013, RIRP, Part II Definitions, as wages, salaries, tips, professional fees, other compensation received for personal services and employee compensation that is included in gross income for the taxable year, plus any net earnings from self-employment for the taxable year. Earned income includes taxable compensation members of the RC receive. Employee pay is earned income if it is taxable. Nontaxable employee pay, such as certain dependent care benefits and adoption benefits, is not earned income. Earned income is shown in box 1 of an individual's Internal Revenue Service (IRS) Form W-2, Wage and Tax Statement, and is reported on line 7 of IRS Form 1040, U.S. Individual Income Tax Return or, line 1 of IRS Form 1040EZ, U.S. Income Tax Return for Single and Joint Filers With No Dependents.

550203. Involuntary Active Duty

For the purposes of this chapter, involuntary active duty is defined as an order to duty under Title 10, United States Code (U.S.C.), sections ***688***, ***12301(a)***, ***12301(g)***, ***12302***, ***12304***, ***12304a***, ***12304b***, or ***14 U.S.C. § 712*** without the

consent of the member, or is defined as an order to full-time NG duty under ***32 U.S.C. § 502(f)(1)*** without the consent of the member.

550204. Monthly Active Duty Income Differential

This differential is the difference between the average monthly civilian income of the member and the member's total monthly military compensation (TMMC), when the member's average monthly civilian income exceeds the TMMC.

550205. Regular Military Compensation (RMC)

RMC is the sum of basic pay, basic allowance for housing, basic allowance for subsistence (BAS) and the federal income tax advantage that accrues from allowances that are not subject to federal income tax (e.g., housing allowances and BAS). See ***37 U.S.C. § 101 (25)***. RMC does not include the tax advantage that accrues because of the Combat Zone Tax Exclusion.

550206. TMMC

The TMMC is the amount computed on a monthly basis, using the member's RMC and the amount of any special pays, incentive pays, and allowances (not included in RMC) that are paid on a monthly basis (e.g., Foreign Language Proficiency annual bonus that may be paid in monthly installments). Bonuses paid in a lump sum or anniversary installments, such as enlistments, reenlistment, and affiliation bonuses, will not be included in the TMMC. Cost of living allowances will be included in TMMC. Per diem, to include meals and incidental expenses, will not be included in TMMC.

*5503 RIRP ELIGIBILITY

*550301. Eligibility

An RC member currently serving on involuntary active duty is eligible for RIRP payments for any entire month of involuntary active duty (referred to in this chapter as a "service month") that is served after the member completes the requisite eligibility period and for which the member realizes a monthly active duty income differential.

*550302. Eligibility Period

An eligibility period may begin before August 1, 2006. However, RIRP payments are only payable for service months beginning on or after August 1, 2006. The eligibility periods are as follows:

A. For service months, falling between August 1, 2006 and January 28, 2008, an eligibility period is:

1. Eighteen continuous months of service on active duty under involuntary orders. Continuous involuntary active duty may be accumulated through successive orders to active duty, provided no break in service has occurred;

Example: If continuous service on active duty began on February 1, 2005, the member would meet the 18 continuous months of service at midnight on July 31, 2006. The first payment for the August entitlement would be paid on September 1, 2006.

2. Twenty-four months of involuntary active duty during the previous 60 months; or

3. Service on involuntary active duty for a period of 180 days or more, which commenced within 6 months following the member's separation from a previous period of involuntary active duty for a period of 180 days or more.

B. For service months beginning on or after January 29, 2008, an eligibility period is:

1. Completion of 547 continuous days of service on active duty under an involuntary order to active duty. Continuous involuntary active duty may be accumulated through successive orders to active duty, provided no break in service has occurred;

Example: If continuous service on active duty began on February 1, 2008, the 547 days to establish eligibility would end at midnight on July 31, 2009. The member would meet the eligibility requirement for RIRP on August 1, 2009, and would be entitled to RIRP payment on September 1, 2009, for the month of August 2009, if the member serves on active duty for the entire month of August.

2. Completion of 730 cumulative days of service on involuntary active duty during the previous 1,826 days; or

3. Service on involuntary active duty for a period of 180 days or more, which commenced within 180 days, following the member's separation from a previous period of active duty for a period of 180 days or more.

*550303. RIRP Entitlement

Payment for RIRP is based on each full month of active duty following the date on which the member meets the eligibility criteria in paragraph 550302. RIRP payments are based on full months of service only. Partial payments are not authorized. Changes in pay grade, longevity, number of dependents, and special pays will be taken into account in calculating the RIRP payment in the month following the change.

550304. Special Conditions

Effective January 29, 2008, the entitlement of an RC member to a RIRP payment will commence, or if previously commenced, will continue if the member satisfies the required number of days on active duty specified in paragraph 550302, or is, following an involuntarily mobilization, retained on active duty under 10 U.S.C. § 12301(h)(1)(A) or (B) because of an injury or illness incurred, or aggravated while assigned to duty in an area for which special pay under ***37 U.S.C. § 310*** is available.

5504 RESTRICTIONS

Effective January 1, 2011, a civilian employee of the Federal Government who is also a member of an RC is not entitled to a payment of RIRP for any period for which the employee is entitled to:

A. A civilian pay differential payment under ***5 U.S.C. § 5538*** or Volume 8, Chapter 3, paragraph 030509; or

B. A comparable civilian pay benefit under an administratively established program for civilian employees absent from a position of employment with the Federal Government in order to perform active duty in the Uniformed Services.

5505 PAYMENT

550501. Frequency

After an RC member has completed the requisite eligibility period, the member is entitled to RIRP payment on the first day of the calendar month after performing a preceding full calendar month of involuntary active duty service. See the example in subparagraph 550302.A.1.

550502. Limitation

A member who realizes a monthly active duty income differential greater than $50 is entitled to RIRP. The maximum RIRP payment will not exceed $3,000 per month.

*550503. Termination of Payment

Payment will terminate when one of the conditions in Table 55-1 is met. In addition, unless Congress extends the RIRP authority, RIRP will terminate on December 31, 2017, and no payments will be made after December 31, 2017, unless the member's entitlement to RIRP commenced prior to that date.

5506 TAXABILITY

550601. Federal and State Tax Deduction

RIRP payments are subject to federal and state income tax withholding.

550602. Federal Insurance Contribution Act (FICA)

RIRP payments are not subject to FICA withholding.

Table 55-1. Date to Terminate RIRP Payment

DATE TO TERMINATE RIRP PAYMENT		
RULE	**A**	**B**
	When the	then RIRP payment is terminated
1	member is released from a qualifying period of active duty	effective the last full month of service. A partial month is not pro-rated.
2	member no longer meets eligibility requirements due to changes in TMMC	
3	member's monthly active duty income differential decreases to $50 or less due to changes in current military compensation	
4	member's orders change his or her duty status from involuntary to voluntary	

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37 U.S.C. § 910

* 550101 37 U.S.C. § 101(24)

5502 – DEFINITIONS

DoDI 1241.05, Glossary

550201 37 U.S.C. § 910
* 550202 IRS Publication 596 (2016), Chapter 1, Rule 7 and Chapter 4
550203 10 U.S.C. §§ 688, 12301(a), 12301(g), 12302, 12304a, 12304b, 14 U.S.C. § 712
* 32 U.S.C. § 502(f)(1)
550204 37 U.S.C. § 910
550205 37 U.S.C. § 910
550206 37 U.S.C. § 101(25)

5503 – RIRP ELIGIBILITY

37 U.S.C. § 910

550304 37 U.S.C. § 310
DoDI 1241.05, Enclosure 3, paragraph 1

5504 – RESTRICTIONS

37 U.S.C. § 910(b)(3)
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VOLUME 7A, CHAPTER 56: "READY RESERVE (RR) ACCESSION, AFFILIATION, ENLISTMENT, AND RETENTION BONUSES"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated formatting to comply with current administrative instructions.	Revision
560201 560202	Defined the paragraphs in accordance with Department of Defense Instruction (DoDI) 1304.34, July 11, 2016.	Revision
5603	Removed section on "Critically Short Wartime Health Specialist In The SELRES" as this bonus is now included in Chapter 5, section 0504; renumbered the subsequent sections accordingly.	Deletion
560304 560404 560506 560706 560805 560904 561004	Extended "Duration of Authority" to December 31, 2017, per Public Law 114-328, section 614(1), December 23, 2016.	Revision
560502	Defined the "Limitations" paragraph in accordance with DoDI 1304.31.	Revision
560601	Defined the paragraph in accordance with DoDI 1304.31.	Revision
5607	Defined the section in accordance with DoDI 1304.31.	Revision
560702.H 560704.A	Defined the subparagraphs in accordance with DoDI 1304.31.	Revision
560801 560801.A 560801.B	Defined the paragraph and subparagraphs in accordance with DoDI 1304.31.	Revision
Bibliography	Updated statutes and references.	Revision

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CHAPTER 56

READY RESERVE (RR) ACCESSION, AFFILIATION, ENLISTMENT, AND RETENTION BONUSES

5601 GENERAL

560101. Purpose

The purpose of this chapter is to provide policy guidance pertaining to the accession, affiliation, enlistment, and retention bonuses for members of the RR.

560102. Authoritative Guidance

The bibliography at the end of this chapter lists the authoritative references.

5602 OFFICER ACCESSION AND AFFILIATION BONUS

*560201. Officer Accession Bonus

* A. Conditions of Entitlement. Pursuant to Title 37, United States Code (U.S.C.), section 332(a)(1), and implemented by Department of Defense (DoD) Instruction (DoDI) 1304.34, July 11, 2016, the Secretary concerned may pay an accession bonus to an eligible officer who enters into an agreement with the Secretary:

1. To accept an appointment as an officer in the Armed Forces; and

2. To serve in the Selected Reserve (SELRES) of the RR in a designated skill for the period specified in the agreement.

B. Skills Designation. The Secretary will designate the officer skills to which the bonus authority is to be applied. A skill may be designated if it is critical to increase the number of members accessed who are qualified in that skill or are to be trained in that skill, or to mitigate a current or projected significant shortage of personnel who are qualified in that skill.

*560202. Officer Affiliation Bonus

* A. Conditions of Entitlement. In accordance with 37 U.S.C. § 332(a)(2) and DoDI 1304.34, the Secretary may pay an affiliation bonus to an eligible officer in any of the Armed Forces who enters into an agreement with the Secretary to serve, for the specified period in the agreement, in the SELRES of the RR. The officer must enter into an agreement:

1. To serve in a critical officer skill designated by the Secretary; or

2. To meet a manpower shortage in:

a. A unit of that SELRES; or

b. A particular pay grade in that Armed Force.

B. Eligibility Criteria. An officer is eligible for an affiliation bonus if the officer either:

1. Is serving on active duty for a period of more than 30 days; or

2. Is a member of a Reserve Component (RC) not on active duty (if the member formerly served on active duty but was released from active duty under honorable conditions); and

3. Is not entitled to retired or retainer pay.

C. Critical Skills Designation. The Secretary concerned will designate the critical officer skills to which the bonus authority is to be applied. A skill may be designated as a critical officer skill if it is critical to have a sufficient number of officers who are qualified in that skill.

560203. Period of Obligated Service

An agreement entered into with the Secretary concerned will require the person entering into that agreement to serve in the SELRES for a specified period. The period specified in the agreement will be any period not less than 3 years that the Secretary determines appropriate to meet the needs of the RC in which the service is to be performed.

560204. Bonus Amounts

A. The maximum accession bonus may not exceed $60,000 for a minimum 4-year period of obligated service, nor may it exceed an annual amount of $15,000.

B. The maximum affiliation bonus may not exceed $10,000 for a minimum 3-year service obligation.

560205. Payment

A. Upon acceptance of a written agreement by the Secretary, the total amount of the bonus payable under the agreement becomes fixed. The agreement will specify whether the bonus is to be paid in one lump sum or installments.

B. A person entitled to a bonus who is called or ordered to active duty will be paid, during that period of active duty, any amount of the bonus that becomes payable to the member during that period of active duty.

560206. Relation to Other Accession Bonus

A person may not receive an affiliation bonus, accession bonus, and financial assistance for the same period of service.

*5603 ENLISTMENT BONUS

The Secretaries concerned may pay a bonus under 37 U.S.C. § 331(a)(2) to encourage a person or member to enlist in the RC or affiliate with the SELRES of an Armed Force. The bonus is authorized when the person enlists in or affiliates with the SELRES and agrees to serve for a specified period of obligated service in a designated skill, unit, or pay grade, or to meet some other condition or conditions imposed by the Secretary concerned.

560301. Eligibility

An enlistment bonus is authorized for individuals who enlist in an RC for a specific period and, if applicable, for service in a skill that is experiencing critical personnel shortages as designated by the Secretary concerned. The individual must:

A. Possess a high school diploma, a completion or attendance certificate in lieu of a high school diploma, or a General Educational Development (GED) program certificate;

B. Be an initial enlistee, a prior Service enlistee, or a reservist not on active duty who enlists in the RC of an Armed Force, as defined in subparagraphs 560301.B.1 and 2.

1. Initial/Non-prior Service Enlistee. An Initial or Non-prior Service Enlistee is a person who has either never served or has served, but was released from such service before completing the basic training requirements of the Service of which the person was a member and the service was characterized as either honorable or uncharacterized.

2. Prior Service Enlistee. A Prior Service Enlistee is a person who has prior experience but has not previously received an enlistment or retention bonus, or who currently is not entitled to a Selective Retention Bonus (SRB) under section 5607;

C. Enlist for at least 2 years in an RC of an Armed Force and serve for a specified period of obligated service in at least one of the following categories:

1. A designated skill;

2. Career field;

3. Unit; or

4. Grade;

D. Execute a written agreement with the Secretary concerned that specifies the:

1. Amount of the bonus;

2. Method of bonus payment;

3. Period of obligated service; and

4. Designated skill or specialty, career field, unit, or grade, or such other condition or conditions of service imposed by the Secretary concerned;

E. Not be in receipt of an enlistment bonus, a retention bonus, an affiliation bonus, or a transfer bonus for the same period of service;

F. Not have previously received or be eligible to receive an SRB under section 5607 or a Critical Skills Retention Bonus (CSRB);

G. Successfully complete training and become technically qualified in a designated skill if completion of such training and technical qualification forms the basis under which the bonus is paid; and

H. Meet any additional service specific eligibility criteria and quality standards established by the Secretary concerned.

NOTE: Reservists currently obligated to Military Service under the delayed entry program are not eligible for an enlistment bonus from another Military Service.

560302. Amount

The bonus amount to be paid will:

A. Be fixed upon acceptance of the agreement by the Secretary concerned;

B. Be paid in a lump sum or in periodic installments; and

C. Not exceed $20,000 for a minimum 2-year period of obligated service for an enlistment described in paragraph 560301.

560303. Repayment

A member who enters into an agreement and receives all or part of the bonus under the agreement, but who does not commence to serve in the SELRES or does not satisfactorily participate in the SELRES for the total period of service specified in the agreement, will be subject to the repayment provisions of 37 U.S.C. § 373 and the DoD FMR Volume 7A, Chapter 2.

*560304. Duration of Authority

Unless authorized by the Congress, no agreement under this section may be entered into after December 31, 2017.

5604 ENLISTED AFFILIATION BONUS

560401. Eligibility

The Secretary concerned may pay an affiliation bonus to an enlisted member who:

A. Is currently serving on active duty or has served on active duty and is discharged or released under honorable conditions;

B. Has less than 20 years of total uniformed service;

C. Provides the original DoD (DD) Form 214, Certificate of Release or Discharge from Active Duty (copy 1 or copy 4), or a reproduction with a certified true-copy stamp and the appropriate Federal Government authenticating seal imprinted thereon for each period of prior military service;

D. Executes an agreement to serve as an enlisted member in the SELRES of the RR of an Armed Force for a period of not less than 2 years as specified in subparagraph 560301.B, in a:

1. Skill;

2. Unit; or

3. Pay grade designated after being discharged or released from active duty under honorable conditions;

E. Executes a written agreement with the Secretary concerned that specifies the:

1. Amount of the bonus;

2. Method of bonus payment;

3. Period of obligated service; and

4. Designated skill or specialty, career field, unit, or grade, or such other condition or conditions of service imposed by the Secretary concerned;

F. Is not in receipt of an enlistment, retention, or transfer bonus for the same period of time as an affiliation bonus; and

G. Has not previously received an affiliation bonus in the SELRES.

560402. Amount

The bonus amount to be paid will:

A. Be fixed upon acceptance of the agreement by the Secretary concerned;

B. Be paid in a lump sum or in periodic installments; and

C. Not exceed $20,000 for a minimum 2-year period of obligated service for an affiliation described in paragraph 560401.

560403. Repayment

A member who enters into an agreement and receives all or part of the bonus under the agreement, but who does not commence to serve in the SELRES or does not satisfactorily participate in the SELRES for the total period of service specified in the agreement, will be subject to the repayment provisions of 37 U.S.C. § 373 and the DoD FMR Volume 7A, Chapter 2.

*560404. Duration of Authority

Unless authorized by the Congress, no agreement under this section may be entered into after December 31, 2017.

5605 PRIOR SERVICE ENLISTMENT BONUS

560501. Eligibility

The Secretary concerned may pay an individual with prior military service who reenlists in an RC of an Armed Force after a break in reserve duty. The individual must:

A. Enlist in an RC of an Armed Force;

B. Reenlist for a period of at least 2 years or extend the initial period of obligated service;

C. Execute a written agreement with the Secretary concerned to serve as an enlisted member in an RC that specifies the:

1. Amount of the bonus;

2. Method of bonus payment;

3. Period of obligated service; and

4. Designated skill or specialty, career field, unit, or grade, or such other condition or conditions of service imposed by the Secretary concerned;

D. Agree to serve for a specified period in at least one of the following reenlistment or extension categories:

1. A designated skill;

2. Career field;

3. Unit; or

4. Grade;

E. Successfully complete training or retraining and become technically qualified in a designated military skill, when additional training is required;

F. Provide the original DD 214 (copy 1 or copy 4), or a reproduction of the DD 214 with a certified true copy stamp and the appropriate Federal Government authenticating seal imprinted thereon for any period of prior uniformed service, or other official documentation verifying member's satisfactory participation for all periods of prior service in the Regular Component;

G. Qualify under any additional eligibility criteria prescribed by the Secretary concerned;

H. Possess a high school diploma, a completion or attendance certificate in lieu of a high school diploma, or a GED program certificate; and

I. Be an initial enlistee, a prior Service enlistee, or a reservist not on active duty who enlists in a SELRES of an Armed Force in subparagraph 560501.B.

*560502. Limitations

A member may not be paid a Prior Service Enlistment Bonus if he/she:

A. Has previously received an enlistment bonus;

* B. Has previously received or is currently entitled to an SRB per DoDI 1304.31 or a CSRB under 37 U.S.C. § 355;

C. Has more than 16 years of total uniformed service and received a less than honorable discharge at the conclusion of any of the prior periods of service;

D. Was released or is being released from active duty for the purpose of enlistment in an RC;

E. Is not projected to occupy a position for which the member previously served successfully and has completed training or retraining in the critical specialty for the position;

F. Does not execute an agreement to serve in the SELRES of the RR for a period of not less than 2 years as specified in subparagraph 560501.D; or

G. Fails to provide the original DD 214 as specified in subparagraph 560501.F.

560503. Amount

The bonus amount to be paid will:

A. Be fixed upon acceptance of the agreement by the Secretary concerned; and

B. Not exceed $40,000.

560504. Method of Payment

A. The Secretary concerned must establish the method of payment for the bonus (lump sum or periodic installments). Payment should be disbursed based on training milestones, amounts, and length of enlistment. The Secretary concerned must not pay a person or member any portion of the bonus prior to completion of basic recruit training.

B. Members with prior uniformed service who do not require formal training to be technically qualified in the skill for which the bonus is being paid will receive their first installment no earlier than 30 days after arrival at the first permanent duty station following entry on active duty.

560505. Repayment

A member who receives all or part of the bonus under the agreement, who does not complete the term of enlistment or who is not technically qualified in the skill for which the bonus was paid, will be subject to the repayment provisions of 37 U.S.C. § 373 and the DoD FMR Volume 7A, Chapter 2.

*560506. Duration of Authority

Unless authorized by the Congress, no agreement under this section may be entered into after December 31, 2017.

5606 NONAVAILABILITY

*560601. RR

Members of the RR who incur a period of authorized absence (such as temporary overseas residence, missionary obligation, or overseas employment obligation) will have their incentive suspended, and will not be entitled to incentive payments. The period of authorized absence may be up to 1 year for valid personal reasons as determined by the Secretary concerned. If subsequently assigned to the Reserve status and skill that they had previously contracted for, members may be reinstated in the incentive program if they extend their term of service, or service obligation, to be able to serve the full original incentive contract period. Entitlement to subsequent payments will resume on the adjusted anniversary date of satisfactory and creditable Reserve Service, as appropriate. The date will be adjusted for periods of authorized absence. Failure to meet reinstatement criteria will result in termination of the incentive and recoupment, as appropriate.

560602. SELRES

Members of the SELRES may incur a period of authorized absence of up to 1 year for valid personal reasons as determined by the Secretary concerned. These members will be:

A. Transferred to the Individual RR or the Inactive National Guard, as appropriate, during the period of authorized absence, and will be suspended from their incentive. During the period of authorized absence, the member will not be entitled to subsequent incentive payments or any incentives available to members of the RR, not in the SELRES; and

B. If, within 1 year, members are subsequently reassigned to a SELRES skill or unit type that they had previously contracted for, then the members may be reinstated in the incentives program if they extend their term of service, or contract for service, to be able to serve the full original incentive contract period. Entitlement to subsequent payments will resume on the adjusted anniversary date of satisfactory creditable SELRES service. The date will be adjusted for that period of authorized absence. Failure to meet reinstatement criteria will result in termination of the incentive and recoupment, as appropriate.

*5607 SRB

An SRB authorized under 37 U.S.C. § 331(a)(3) and implemented in DoDI 1304.31, provides a monetary incentive that may be offered to retain adequate numbers of qualified enlisted personnel in certain reenlistment categories. The bonus may be used to obtain the reenlistment or voluntary extension of an enlistment in exchange for a member's agreement to serve for a specified period.

560701. Eligibility

The Secretary concerned may pay an SRB to a person, including a member of the Armed Forces who reenlists in a Military Service for a specific period and, if applicable, for service in a

military skill that is experiencing critical personnel shortages as designated by the Secretary concerned. The individual must:

A. Serve in pay grade E-3 or higher;

B. Reenlist for a period of at least 3 years or voluntarily extend an enlistment for a period of at least 1 year in an active status in the SELRES in a Military Service;

C. Execute a written agreement with the Secretary concerned that specifies the:

1. Amount of the bonus;

2. Method of bonus payment (lump sum amount or periodic installments);

3. Period of obligated service; and

4. Designated skill or specialty, career field, unit, or grade, or such other condition or conditions of service imposed by the Secretary concerned;

D. Agree to serve for a specified period in at least one of the following reenlistment or extension categories:

1. A designated military skill;

2. Career field;

3. Unit; or

4. Grade;

E. Meet skill qualification prior to payment of an SRB for a member transferring into a designated skill; and

F. Qualify under any additional eligibility criteria prescribed by the Secretary concerned.

*560702. Limitations

A. A re-entry or reenlistment must occur no later than 3 months after the date of discharge or release from active duty.

B. Veterans with more than a 3-month but less than a 4-year break in active status may qualify for reentry after a break in service or prior service reentry, subject to the regulations prescribed by the Secretary concerned.

C. The original DD 214 (copy 1 or copy 4), a reproduction of the DD 214 with a certified true-copy stamp and appropriate Federal Government authenticating seal imprinted thereon, or other official documentation verifying the member's satisfactory participation for all periods of prior service in the active component and SELRES are acceptable documentation of prior active duty service for a break in active duty service greater than 24 hours.

D. Individuals with prior enlisted service and subsequent service as officers who were discharged or released from active duty and who, within 3 months after discharge or release from active duty as an officer, reenlist in the same RC of a uniformed service in which they previously served as an enlisted member may be eligible for an SRB. The individual must meet all other requirements established in paragraph 560701.

E. Members who reenlist or voluntarily extend an enlistment to gain sufficient obligated service to participate in a program leading to commissioned or warrant officer status are not eligible for an SRB.

F. A member is not eligible for an SRB if the member was discharged or released from active duty, or service in an active status based upon a determination of misconduct, substandard duty performance, or moral or professional dereliction.

G. Generally, a member may not use any preexisting period of obligated service to satisfy an obligated service requirement under an SRB agreement, unless such service is determined by the Secretary concerned to be consistent with the requirements of 37 U.S.C. § 371.

1. A preexisting period of obligated service is necessary for the member to qualify for continuous submarine duty incentive pay and is service for which no bonus was previously authorized or payable.

2. A preexisting period of obligated service includes no more than a 2-year period of an unserved voluntary extension of enlistment for which no bonus was previously authorized or payable, and the member agrees to an additional 2-year period of obligated service in connection with an SRB.

* H. An SRB may not be paid to an enlisted member who has completed more than 20 years of active duty or service in an active status, or who will complete a total of 24 years of service before the end of the period of active duty or active status for which the bonus is offered. The Deputy Assistant Secretary of Defense for Military Personnel Policy may waive this restriction based upon a request and justification submitted by the Secretary concerned.

560703. Amount

An SRB may not exceed $10,000 for each year of obligated service in an RC. The maximum amount for an SRB is $40,000.

A. The Secretary concerned must determine the amount of an SRB based on a business case model that targets retention of adequate levels of enlisted personnel in a reenlistment or extension category.

B. RC members may receive more than one SRB at a time, but the total combined SRB payments over a career must not exceed $80,000.

C. SRB amounts may be prorated for extension requests greater than 1 year and reenlistments greater than 3 years. The additional service time will be calculated on a monthly basis at a rate equal to 1/12th the annual amount. Total bonus amounts are limited to $40,000 per SRB and $80,000 over a career.

*560704. Method of Payment

An SRB may be paid either in installments or in a lump sum. If an SRB is paid in periodic installments:

* A. The installment amount will be at the discretion of the Secretary concerned and may be paid at the time of reenlistment, or at the beginning of the member's service commitment for the voluntary extension of enlistment. All payments must be made before the member completes a total of 24 years of service.

B. The initial payment to a Service member who reenlists after a break in active duty service greater than 24 hours is to be made no earlier than 30 days after arrival at the first permanent duty station following reenlistment.

C. Where there is lost time, the subsequent installment payments will be delayed by the number of days of lost time.

D. Discharge for the purpose of immediate reenlistment does not affect a member's entitlement to subsequent SRB installment payments.

560705. Repayment

A member who does not complete the term of enlistment within the element of the SELRES for which the bonus was paid to the member under this section will be subject to the repayment provisions of 37 U.S.C. § 373 and the DoD FMR Volume 7A, Chapter 2.

*560706. Duration of Authority

Unless authorized by the Congress, no agreement under this section may be entered into after December 31, 2017.

5608 MILITARY OCCUPATIONAL SPECIALTY (MOS) CONVERSION BONUS

*560801. Eligibility

Consistent with 37 U.S.C. § 331 the, Secretaries concerned may pay a conversion bonus to a member who agrees to convert to a designated military skill in which there is a shortage of trained and qualified personnel and to serve for a period of not less than 3 years on active duty, or in an active status in the SELRES in that military skill or specialty. In addition to other enlisted bonus program eligibility requirements specified in DoDI 1304.31, a member must:

* A. Be serving in a pay grade E-6 or below with no more than 12 years of service as computed in accordance with 37 U.S.C. § 205;

* B. Have completed all service obligations incurred for receipt of an enlistment or retention bonus, in accordance with 37 U.S.C. §§ 331 or 355 for a CSRB at the time of conversion.

560802. Amount

The bonus payment will not exceed $4,000 for a reenlistment or conversion that involves an agreement to convert to a designated military skill.

560803. Payment

The bonus may be payable in a lump sum, upon approval and completion of the conversion training.

560804. Repayment

A member who does not convert and complete the period of service in the MOS specified in the agreement will be subject to the repayment provisions of 37 U.S.C. § 373 and the DoD FMR Volume 7A, Chapter 2.

*560805. Duration of Authority

Unless authorized by the Congress, no agreement under this section may be entered into after December 31, 2017.

5609 TRANSFER BETWEEN COMPONENTS OF A MILITARY SERVICE BONUS

560901. Eligibility

The Secretary concerned may pay a bonus in accordance with 37 U.S.C. § 331(a)(4) to an enlisted member who agrees to transfer from the Regular Component to the RR or vice versa of the same service. The member must:

A. Execute a written agreement with the Secretary concerned that specifies the:

1. Amount of the bonus;

2. Method of bonus payment (lump sum amount or periodic installments);

3. Period of obligated service; and

4. Designated military skill or specialty, career field, unit, or grade, or such other condition or conditions of service imposed by the Secretary concerned;

B. Agree to serve for a specified period in at least one of the following reenlistment or extension categories:

1. A designated skill;

2. Career field;

3. Unit; or

4. Grade;

C. Not be in receipt of an enlistment bonus, retention bonus, an affiliation bonus, or a transfer bonus for the same period of service;

D. Satisfactorily complete all terms of enlistment within their current component; and

E. Qualify for reenlistment in the Regular Component or RC of the Armed Force to which the member is transferring.

560902. Amount and Method of Payment

The Secretary concerned must establish the method of payment for the bonus (lump sum or periodic installments). The bonus amount may not exceed $10,000 and is payable upon approval of the Secretary concerned.

560903. Repayment

A member who does not complete the terms of the transfer bonus or who is not technically qualified in the skill for which the bonus was paid will be subject to the repayment provisions of 37 U.S.C. § 373 and the DoD FMR Volume 7A, Chapter 2.

*560904. Duration of Authority

Unless authorized by the Congress, no agreement under this section may be entered into after December 31, 2017.

5610 TRANSFER BETWEEN MILITARY SERVICES BONUS

561001. Eligibility

The Secretary concerned may pay a bonus in accordance with 37 U.S.C. § 331(a)(5) to an enlisted member who agrees to transfer and serve in another uniformed service for a specified period in a designated skill, career field, unit, or grade, or to meet some other condition or conditions imposed by the Secretary concerned. The member must:

A. Execute a written agreement with the Secretary concerned that specifies the:

1. Amount of the bonus;

2. Method of bonus payment;

3. Period of obligated service; and

4. Designated skill, career field, unit, or grade, or such other condition or conditions of service imposed by the Secretary concerned;

B. Agree to serve for a specified period in at least one of the following reenlistment or extension categories:

1. A designated skill;

2. Career field;

3. Unit; or

4. Grade;

C. Not have failed to satisfactorily complete any term of enlistment in a Military Service;

D. Qualify for reenlistment in the Regular Component of the Armed Force to which the member is transferring;

E. Prior to the transfer, have fulfilled the requirements established by the Secretary with jurisdiction over the Armed Force to which the member is transferring; and

F. Not be in receipt of an enlistment bonus, a retention bonus, an affiliation bonus, or a transfer bonus for the same period of service.

561002. Amount and Method of Payment

The Secretary of the gaining Service may pay the transfer bonus in one $10,000 lump sum amount upon approval of the transfer by the Secretary concerned. Alternatively, the bonus may be paid in annual installments, the total of which may not exceed $10,000.

561003. Repayment

A member who does not complete the terms of the transfer bonus or who is not technically qualified in the skill for which the bonus was paid will be subject to the repayment provisions of 37 U.S.C. § 373 and the DoD FMR Volume 7A, Chapter 2.

*561004. Duration of Authority

Unless authorized by the Congress, no agreement under this section may be entered into after December 31, 2017.

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CHAPTER 56 – READY RESERVE (RR) ACCESSION, AFFILIATION, ENLISTMENT, AND RETENTION BONUSES

5602 – OFFICER ACCESSION AND AFFILIATION BONUS

*		DoDI 1304.34, July 11, 2016
*	560201	37 U.S.C. § 332(a)(1)
*	560202	37 U.S.C. § 332(a)(2)
*	560204	DoDI 1304.34, July 11, 2016

5603 – ENLISTMENT BONUS

*		DoDI 1304.31, March 12, 2013
	560401	37 U.S.C. § 331
*	560404	Public Law (PL) 114-328, section 614(1), December 23, 2016

5604 – ENLISTED AFFILIATION BONUS

		DoDI 1304.31, March 12, 2013
	560501	37 U.S.C. § 331
*	560504	PL 114-328, section 614(1), December 23, 2016

5605 – PRIOR SERVICE ENLISTMENT BONUS

		DoDI 1304.31, March 12, 2013
	560601	37 U.S.C. § 331
*	560606	PL 114-328, section 614(1), December 23, 2016

5606 – NONAVAILABILITY

*		DoDI 1304.31, March 12, 2013

5607 – SRB

		DoDI 1304.31, March 12, 2013
	560801	37 U.S.C. § 331
*	560806	PL 114-328, section 614(1), December 23, 2016

5608 – MILITARY OCCUPATIONAL SPECIALTY (MOS) CONVERSION BONUS

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	560901	37 U.S.C. § 331
*	560905	PL 114-328, section 614(1), December 23, 2016

5609 – TRANSFER BETWEEN COMPONENTS OF A MILITARY SERVICE BONUS

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	561001	37 U.S.C. § 331
*	561004	PL 114-328, section 614(1), December 23, 2016

5610 – TRANSFER BETWEEN MILITARY SERVICES BONUS

		DoDI 1304.31, March 12, 2013
	561101	37 U.S.C. § 331
	561104	PL 114-328, section 614(1), December 23, 2016

VOLUME 7A, CHAPTER 57: "RESERVE ENTITLEMENTS FOR ACTIVE DUTY (AD) (NOT EXTENDED)"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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

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

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

The previous version dated September 2014 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current administrative instructions.	Revision
5701	Added "Purpose" and "Authoritative Guidance" paragraphs to the "General" section to comply with current administrative guidance.	Addition
570709	Added clarifying information to paragraph to include the "TRICARE Dental Program" enrollment.	Addition
570710	Changed paragraph title to "Uniformed Services Savings Deposit Program (USSDP)."	Revision
Bibliography	Updated statutes and references.	Revision

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CHAPTER 57

RESERVE ENTITLEMENTS FOR ACTIVE DUTY (AD) (NOT EXTENDED)

5701 GENERAL

*570101. Purpose

This chapter establishes the policy guidance pertaining to reserve entitlements for AD (not extended).

*570102. Authoritative Guidance

The bibliography at the end of this chapter lists the authoritative references.

5702 PROVISIONS

570201. Entitlements

A. AD With Pay. A member of a Reserve Component (RC) serving on AD with pay is entitled to receive pay according to the member's years of service and the grade in which the member is serving.

NOTE: The term AD, as used in this chapter, includes AD training, AD for training (ADT), full-time training duty, annual training duty for operational support and attendance while in active service at a school designated as a Service school by law or the Secretary of the Military Department concerned, temporary AD when the pay is chargeable to a Reserve appropriation, or in the case of the National Guard, full-time training, and other full-time duties. It does not mean extended AD (EAD). EAD is defined as AD performed by a RC member when strength accountability passes from the RC to the active military establishment.

B. AD Without Pay. A RC member may, with his or her consent, be ordered to AD without pay when authorized by the Secretary of the Military Department concerned. See section 5705 for entitlement to allowances.

C. Combination AD and Inactive Duty. A RC member may be paid the equivalent total of more than 360 days of pay in a year, when so directed, if this total is based on a combination of AD pay and inactive duty training (IDT) pay.

D. Effective Date of Promotion for Increase in Pay and Allowances, Reserve and National Guard Officers. See Table 57-1.

E. Effective Date of Promotion for Increase in Pay and Allowances, Enlisted Members of the RC. Chapter 1, Table 1-4, rules 8 through 14 apply to these members.

570202. Saved Pay

The provisions of Chapter 1, paragraph 010303 apply to RC members.

570203. Limitation

A RC member cannot be paid inactive duty pay on any day that he or she is entitled to AD pay.

570204. Waiver of Benefits

A RC member who is drawing a pension, disability compensation, retainer pay, or retirement pay from the United States for prior Military Service, and who performs duty for which he or she is entitled to pay, may elect to receive either:

A. The payments for prior Military Service; or

B. If a member specifically waives those payments, then the pay and allowances authorized for the duty the member is currently performing.

1. Department of Veterans Affairs (VA) Disability Compensation. A reservist who is entitled to VA disability compensation must waive the equivalent VA compensation for 1 day for each Reserve AD day or each inactive duty period. Thus, the performance of two inactive duty periods in 1 calendar day requires waiver of the equivalent VA compensation for 2 days. These waiver requirements apply for all days in a calendar month.

2. Retired or Retainer Pay. A reservist who is entitled to retired or retainer pay must waive the equivalent of retired or retainer pay for 1 day for each Reserve AD day or inactive duty performance day. Thus, the performance of two inactive duty periods in 1 calendar day requires waiver of the equivalent retired or retainer pay. These waiver requirements apply for all days in a calendar month.

570205. Allotments of Pay

Except as prescribed in paragraph 570708, a RC member, not on EAD, may not have pay allotted. Members of the RC serving on AD, ADT, or full-time training duty under competent orders that specify periods of duty of more than 180 days, or upon involuntary recall, are excluded from this restriction when prescribed in Military Service regulations and may allot their pay, even though such pay is chargeable to Reserve or National Guard appropriations. Chapter 34, section 3405 applies should a member enter a missing status, and paragraph 570604 applies should a member incur a disability.

NOTE: Due to the Defense Joint Military Pay System – RC (DJMS-RC) system limitations, members of the RC on DJMS-RC are not able to make allotments from their pay.

570206. Leave

A RC member who serves on AD with pay for periods of 30 consecutive days or more accrues leave at the rate of 2.5 calendar days for each month of active service, excluding periods of:

A. Absence from duty without leave;

B. Absence over leave; or

C. Confinement, as a result of a court-martial.

NOTE: The member is entitled to lump-sum settlement of unused accrued leave upon completion of a tour per Table 57-2. When consecutive tours are involved, a member may be reimbursed for unused accrued leave or it may be carried forward, at the member's option, until completion of the final tour. When computing the length of a period of AD, include allowable travel time. See also Chapter 35, paragraphs 350201 and 350202, and procedural instructions of the Military Services concerned. Refer to Tables 35-1 through 35-4 for specific entitlement criteria.

570207. Allowable Travel Time For Pay Entitlement Purposes

The provisions of Chapter 1, paragraph 010305 apply to RC members.

5703 COMPUTATION OF PAY

570301. Annual Salary

The provisions of Chapter 1, paragraph 010302.C apply to RC members.

570302. Computation of Monthly Pay

A. AD for 30 Days or More. When a member is ordered to AD for 30 days or more, and a tour of duty starts on the first day or an intermediate day of a calendar month, the member is entitled to pay and allowances through the 30th day. Payment is not authorized for the 31st day of a calendar month. This includes a member who is ordered to AD for less than 30 days and is continued on AD for 30 days or more by new orders or an amendment to the original orders. When computing the number of days for which pay is due, include the entire period the member actually serves on AD, including allowable travel time. See Table 57-2, rules 1 and 2.

B. AD for Less Than 30 Days. A member ordered to AD for less than 30 days is entitled to pay and allowances at 1/30 of the monthly rate for each day actually served, including the 31st day of a calendar month. This includes a member ordered to AD for 30 days or more, but released before performing at least 30 days of AD, including allowable travel time. See Table 57-2, rule 3.

C. AD during February. See Table 57-2, rules 4 through 11.

570303. Absence From Duty

A. AD for Less Than 30 Days. Deduct 1/30 of the monthly rate of pay for each day of unauthorized absence.

B. AD of 30 Days or More. The provisions of Chapter 1, subparagraph 010302.A apply to RC members.

570304. Basic Pay Rates

Tables 1-7 through 1-10 contain current monthly rates of basic pay.

5704 SPECIAL AND INCENTIVE PAYS

570401. Entitlement

Members of a RC on AD are generally entitled to special and incentive pays under the same conditions as members on EAD and members of the Active Component. For exceptions, see paragraphs 570402 through 570407.

570402. Career Sea Duty and Hardship Duty Pay

For career sea duty and hardship duty pay, the ship or duty station at which a member is performing AD is considered the member's permanent duty station.

570403. Aviation Career Incentive Pay (ACIP) and Hazardous Duty Incentive Pay (HDIP) for the Performance of Aerial Flights

A. Entitlement. A RC officer is entitled to ACIP (continuous or conditional) while performing AD, as defined in subparagraph 570201.A, when the requirements of Chapter 22, section 2203 and the requirements for an Aviation Service Career (not on EAD nor on Active Guard and Reserve (AGR) Duty), as defined in the Volume 7A Definitions, have been met. AGR aviators on full-time AD on a career basis will be entitled to ACIP (continuous or conditional) under provisions of Chapter 22 on the same basis as officers on EAD.

B. Excess Flying Time. The excess flying time provisions in Chapter 22, section 2203 for rated officers, flight surgeons, and rated or designated warrant officers entitled to ACIP, and in section 2204 for enlisted crewmembers entitled to flying pay, apply to a RC member only if on continuous AD for a period of 30 days or more.

C. Combined Flight Requirements. When a member performs both AD and inactive duty with pay in the same month, designated flying time earned in that month may be combined to satisfy any ACIP or HDIP flight requirements for that month, as defined in Chapter 58, paragraph 580302.

D. Flying Pay for Allowable Travel Time. A member on AD for 30 days or less is entitled to flying pay (if otherwise entitled) for travel time from duty station to home, even though the period extends into the following calendar month. See Chapter 22, Table 22-6, Rule 5.

E. Entitlement to ACIP While on ADT for Members Who Perform IDT Without Pay. An officer who performs IDT without pay is entitled to ACIP when performing ADT only if member is considered to be performing aviation service on a career basis. See the Volume 7A Definitions for "Aviation Service Career" neither on EAD nor on AGR Duty.

570404. Parachute Duty Pay

Parachute jumps performed during periods of ADT or during IDT periods, if performed per Chapter 24, section 2403, may be used to qualify the member for parachute pay for either type of training. Parachute jumps performed while on EAD do not qualify a reservist for parachute pay in an IDT status.

570405. Weapons of Mass Destruction Civil Support Team Pay

When determined necessary to address recruitment and retention concerns, the Secretary of the Military Department concerned may pay up to $150 per month in special pay to RC members assigned to Weapons of Mass Destruction Civil Support Teams. In order to be eligible for Weapons of Mass Destruction Civil Support Team pay, a member must be:

A. Entitled to basic pay for full-time duty in the National Guard;

B. Fully qualified for Weapons of Mass Destruction Civil Support Team operations; and

C. Serving on an approved AD tour in excess of 139 days in the Department of Defense (DoD) designated and certified Weapons of Mass Destruction Civil Support Team position.

570406. Foreign Language Proficiency Bonus

An officer or enlisted member on ADT is entitled to Foreign Language Proficiency Bonus if otherwise entitled under Chapter 19.

570407. Assignment Incentive Pay (AIP)

A RC member may be authorized to receive AIP. See Chapter 15 for current programs.

5705 ALLOWANCES

570501. Basic Allowance for Subsistence (BAS)

A. Entitlement – AD with Pay. A RC member ordered to AD with pay is entitled to BAS as prescribed in Chapter 25.

B. Entitlement – AD without Pay. A RC member ordered to AD without pay is entitled to subsistence in kind or commutation thereof. When a member is ordered to AD without pay and allowances, no payment is authorized.

1. If commutation of subsistence in kind is authorized, then the commutation will be paid at the rate of BAS specified in Chapter 25 that is applicable to the situation.

2. If a military technician (dual status) is performing AD outside the United States without pay while on leave from technician employment as authorized under section ***6323*** of Title 5, United States Code (U.S.C.), then the Secretary of the Military Department concerned may authorize a per diem allowance in lieu of the commutation for subsistence.

570502. Basic Allowance for Housing (BAH)

The provisions of the ***Joint Travel Regulation (JTR), Chapter 10*** apply to members of the RC.

570503. Family Separation Allowance (FSA)

A. The provisions of Chapter 27 apply to a member of a RC on AD with pay for periods of more than 30 days.

B. A RC member may be entitled to FSA or Family Separation Housing, depending on the length of tour specified in orders and whether or not dependent travel is authorized at government expense under JTR Chapter 10 (for example, tour length of over 20 weeks).

570504. Station Allowances Outside the United States

The provisions of the ***JTR Chapter 9*** apply to members of the RC.

570505. Clothing Monetary Allowances – Enlisted Members

A. AD for Periods of 6 Months or Less. An enlisted member of a RC ordered to AD for 6 months or less is not entitled to a clothing monetary allowance, except as specified in 570505.C and 570505.D.

B. AD for Periods of More Than 6 Months. See Chapter 29 for specific references to enlisted members of the RC ordered to AD for periods of more than 6 months.

C. Initial Cash Allowance for Enlisted Member. An enlisted RC member is entitled to an initial cash allowance for the purchase of items specifically designated by the Secretary of the Military Department concerned to be purchased by the member rather than to be furnished in kind. See Chapter 29, paragraph 290201.

D. Maternity Clothing. Pregnant enlisted women of a RC are entitled to a supplemental maternity clothing allowance in accordance with the provisions of:

1. Army: ***Army Regulation 700-84***;

2. Navy: Chapter 29, Table 29-5;

3. Air Force: ***Air Force Instruction 36-3014***, and Chapter 29, Table 29-6; and

4. Marine Corps: ***Marine Corps Order P10120.28G.***

570506. Officers' Uniform and Equipment Allowances

See specific references to Reserve officers in Chapter 30.

5706 MISCELLANEOUS PAYMENTS

570601. Advance Pay

A. A RC member in receipt of orders for Permanent Change of Station movement (140 days or more) is entitled to advance pay per Chapter 32, paragraph 320201. Army and Air Force enlistees, with no prior service, may be paid an advance pay under the conditions set forth in Table 32-1, rule 4.

B. A member of a RC, the Fleet Reserve, or military retiree who is mobilized or recalled to AD for any period is entitled to advance pay and allowances per Chapter 32, paragraph 320202.

570602. Payments on Behalf of Mentally Incompetent Members

A. AD (Not for Training). The provisions of Chapter 33 apply to these members.

B. ADT. Except as provided in subparagraphs 570602.B.1 and 2, a member of a RC who becomes mentally incompetent while performing ADT has no entitlement to pay and allowances beyond the expiration or termination (whichever is earlier) of the orders that called the member to ADT.

1. A member may qualify for disability pay and allowances under the provisions of paragraph 570604.

2. A member may be entitled to miscellaneous payments resulting from separation (that is, travel allowance and accrued leave).

570603. Pay Entitlement of Members Missing, Missing in Action, Interned, and Payments to Dependents

The provisions of Chapter 34 apply to members of the RC.

570604. Disability Entitlements for the Reserve Forces

A. Entitlement. Aggravated disability entitlements are listed in Table 57-3. Pay and allowances under these provisions generally may not be paid for a period of more than 6 months. However, the Secretary of the Military Department concerned may extend the period of entitlement beyond 6 months in the interest of fairness and equity.

B. Miscellaneous Provisions

1. Duty Without Pay. Duty without pay is considered for all purposes as if it were a duty with pay. The rules in Table 57-3 apply equally to duty with and duty without pay. The rate of pay and allowances applicable is the rate the member would have been entitled to if in a pay status at the time the disability occurred.

2. Incentive Pay for Hazardous Duty. A member who is entitled to any of the incentive pays identified in Chapters 22 through 24 on the date of disability continues to be entitled through the ending date of the orders and for the disability period beyond, provided the orders to perform the hazardous duty remain in effect, all performance requirements were met, and any other conditions in Chapters 22 through 24 are satisfied.

3. Special Pays. A member who is entitled to any special pays on the date of disability continues to be entitled through the ending date of the orders and for the disability period beyond, provided the special conditions, if any, in Chapters 5 through 21 are satisfied.

4. Disability Not in Line of Duty (LOD)

a. In the case of ordered to AD, not in LOD determinations cause pay and allowances to cease on the date of expiration of the ordered AD plus allowable travel time, if any, or on the date the member is relieved from AD by competent authority.

b. In the case of inactive duty performance, not in LOD determinations cause pay to cease on the day disability occurs.

C. Termination of Pay and Allowances. Subject to the provisions in Table 57-3, a member's entitlement to pay and allowances while disabled terminates upon:

1. Retirement;

2. Separation for physical disability;

3. Determination by Military Service medical personnel that the member has recovered sufficiently to perform normal military duties, or when actually restored to normal military duties, whichever occurs first. The member must submit to timely Service medical examination(s) necessary for the preparation of required medical certificate(s) in order to extend entitlement to pay and allowances beyond the ordered duty or training period. This provision does not apply to Table 57-3, rules 3, 6, and 10 since the member's entitlements therein are based upon lost civilian income. Civilian earned income does not include retirement income; or

4. Discharge from the RC.

570605. Payments on Behalf of Deceased Members

A. Death Gratuity. The eligible beneficiaries of a member of a RC are entitled to payment of death gratuity under the provisions of Chapter 36.

B. Settling Deceased Members Accounts. The provisions of Chapter 36, section 3603 apply to members of the RC.

C. Allowance for Housing to Surviving Dependents. The provisions of the JTR Chapter 10 apply to the surviving dependents of RC members, who were on AD at the time of death.

570606. Disability Severance Pay

A. A member called or ordered to AD (other than ADT) for more than 30 days and separated for a physical disability, which was the proximate result of the performance of such duty, is entitled to severance pay if otherwise qualified under appropriate personnel regulations.

B. A member on AD for 30 days or less, or a member on AD training for any period (including ADT) and separated for physical disability resulting from injury, is entitled to severance pay when injury was the proximate result of performance of such duty, if otherwise qualified under appropriate personnel regulations.

C. Computation of severance pay will be as prescribed in Chapter 35.

570607. Incapacitation Pay

A. A RC member is entitled to medical and dental treatment and pay and allowances whenever such member is physically disabled as the result of an injury, illness, or disease incurred or aggravated in the LOD not as a result of gross negligence or misconduct of the member, while:

1. Performing AD; or

2. Performing IDT (other than work or study in connection with a correspondence course of an Armed Force or attendance in an inactive status at an educational institution under the sponsorship of an Armed Force or the Public Health Service); or

3. Traveling directly to or from such duty or training; or

4. Remaining overnight immediately before the commencement of IDT, or while remaining overnight between successive periods of IDT, at or in the vicinity of the site of the IDT; or

5. Serving on funeral honors duty; or

6. Traveling to or from the place at which the funeral honors duty was to be performed; or

7. Remaining overnight at or in the vicinity of the place at which funeral honors duty was to be performed immediately before serving on such duty, if the place is outside reasonable commuting distance from the member's residence.

NOTE: In the case of a member who receives earned income from nonmilitary employment or self-employment performed in any month in which the member is otherwise entitled to pay and allowances under subparagraph 570607.A, the total pay and allowances will be reduced by the amount of such income. Income from an income protection plan, vacation pay, or sick leave that the member elects to receive will be considered earned income for the purpose of the preceding sentence.

B. A RC member who is physically able to perform his/her military duties is entitled, upon request, to a portion of the monthly pay and allowances for each month for which the member demonstrates a loss of earned income from nonmilitary employment or self-employment, as a result of injury, illness, or disease incurred or aggravated as described in subparagraph 570607.A.

NOTE: The monthly entitlement may not exceed the member's demonstrated loss of earned income from nonmilitary or self-employment. In calculating such loss of income, income from an income protection plan, vacation pay, or sick leave that the member elects to receive will be considered earned income from nonmilitary or self-employment.

C. The total amount of pay and allowances paid under subparagraphs 570607.A and 570607.B for any period may not exceed the amount of pay and allowances provided by law or regulation for a member of a Regular Component of a uniformed service of corresponding grade and length of service for that period.

D. Pay and allowances may not be paid under subparagraphs 570607.A or 570607.B for a period of more than 6 months. The Secretary of the Military Department concerned may extend such period in the interest of fairness and equity.

E. A member is not entitled to benefits under subparagraphs 570607.A and 570607.B if the injury, illness, disease, or aggravation of an injury, illness, or disease is the result of the gross negligence or misconduct of the member.

5707 DEDUCTIONS AND COLLECTIONS

570701. Income Tax Withholding

A. Federal Income Tax Withholding (FITW). The FITW provisions of Chapter 44 apply to members of the RC.

B. State Income Tax Withholding. A reservist's taxable income for FITW purposes is also subject to state tax withholding providing the state has entered into a withholding agreement with the Secretary of the Treasury as published within the Treasury Financial Manual (TFM). See also Chapter 44, Figure 44-1 for states that have entered into such an agreement.

C. Legal Residence. Each member must designate a legal residence and report any change of legal residence. The provisions of Chapter 44, subparagraph 440106.B apply to members of the RC.

D. Local Tax Withholding. Only localities having agreements with the Department of the Treasury, as published in the TFM, are eligible for withholding as follows:

1. When the reservist resides and performs duty in the same city or county covered by the agreement, withholding is mandatory.

2. When the reservist performs duty in a city or county other than where he or she resides, but within the same state of legal residence, withholding is mandatory for all jurisdictions with agreements. This includes the reservist's city and county of residence, as well as the city and county where duty is performed.

3. When a reservist performs duty in a city or county located in a state where the reservist does not maintain a residency, and assuming all localities have agreements, withholding is voluntary for the city or county of duty and the city or county of residence.

570702. Federal Insurance Contributions Act

The provisions of Chapter 45 apply to members of the RC.

570703. Deductions for Armed Forces Retirement Home (AFRH)

A RC member's pay is not subject to deductions for AFRH.

570704. Servicemembers' Group Life Insurance

A. Duty in Excess of 30 Days Specified. The provisions of Chapter 47 apply to members of the RC, who are under a call or order to duty that does not specify a period of 30 days or less.

B. Duty of 30 Days or Less Specified. The provisions of Chapter 58, section 5808 apply to members of the RC, who are under a call or order to duty that specifies a period of 30 days or less.

570705. Court-Martial Sentences

The provisions of Chapter 48 apply to members of the RC.

570706. Non-judicial Punishment

The provisions of Chapter 49 apply to members of the RC.

570707. Stoppages and Collections Other Than Court-Martial Forfeitures

The provisions of Volume 16, Chapter 3, section 0303 apply to members of the RC.

570708. Allotments for National Guard Members

Members of the National Guard who are not on EAD are authorized to make one allotment from pay for the payment of premiums under a group life insurance program sponsored by the state military department in which such member holds a National Guard membership or by the state associations of the National Guard. Details covering the administration of the allotment program for National Guard members are contained in the pay procedural instructions of the Military Services concerned.

NOTE: Due to the DJMS-RC system limitations, members of the RC on DJMS-RC are not able to make allotments from their pay.

*570709. TRICARE Dental Program (TDP)

Reserve members on AD with dependents, who meet the eligibility requirements under Chapter 54, paragraph 540201 may enroll their dependents in the TDP. Enrollment forms are available at the local military dental treatment facility or TRICARE Service Center, with the Health Benefits Advisor or installation point of contact, or on ***TRICARE Dental***. Members must intend to be on AD for the minimum period of enrollment set in Chapter 54, paragraph 540203.

*570710. Uniformed Services Savings Deposit Program (USSDP)

Members serving on AD who meet the eligibility criteria as set forth in Chapter 51, section 5102 are eligible to participate in the USSDP.

Table 57-1. Increase in Pay on Promotion – Reserve and National Guard Officers

RULE	A When a Reserve officer is	B in the	C then the effective date of increase in pay and allowances is the
1	promoted to a higher Reserve grade	Army or Air Force Reserve or National Guard	effective date of the promotion stated in the orders (note 1).
2	promoted to a grade above lieutenant (junior grade)	Naval Reserve	date on which member became eligible for promotion to the higher grade (see note 2).
3	promoted to a grade above first lieutenant	Marine Corps Reserve	
4	promoted to the grade of lieutenant (junior grade)	Naval Reserve	date given as date of rank.
5	promoted to the grade of first lieutenant	Marine Corps Reserve	

NOTES:

1. For officers serving on AD (other than for training) which is not on the AD list, see Chapter 1, Table 1-4.

2. If an officer has not established the moral and professional qualifications prescribed by the Secretary of the Navy within 1 year after the date on which the President approved the selection board's recommendation for promotion, the officer is entitled to the pay and allowances of the grade to which promoted only from the date appointed to that grade.

Table 57-2. Entitlement to Pay and Allowances for Various Periods of AD

RULE	A	B	C	
	If a member serves on AD under competent orders for	during the period	then the member is entitled to pay and allowances for	
			AD for	and lump-sum settlement of accrued leave
1	31 days	May 1- 31	30 days (note 1)	yes
2	40 days	Jan 2-Feb 10	39 days (note 1)	yes
3	29 days	Jan 4-Feb 1	29 days	no
4	28 days	Feb 1-28 (not leap year)	28 days	no
5	28 days	Feb 1-28 (leap year)	28 days	no
6	29 days	Feb 1-29 (leap year)	29 days	no
7	33 days	Feb 6-Mar 10 (not leap year)	35 days (note 2)	yes
8	29 days	Feb 2- Mar 2 (not leap year)	29 days	no
9	30 days	Feb 2-Mar 2 (leap year)	31 days (note 3)	yes
10	31 days	Feb 1-Mar 2 (leap year)	32 days (note 3)	yes
11	29 days	Feb 1-Mar 1 (not leap year)	29 days	no
12	30 days	Jan 2-Jan 31	29 days (note 1)	yes

NOTES:

1. Member is not entitled to pay and allowances for the 31st day of the calendar month.
2. Member is entitled to pay and allowances for the constructive days of February 29 and 30.
3. Member is entitled to pay and allowances for the constructive day of February 30.

Table 57-3. Disability Entitlements for the Reserve Forces

RULE	A	B			C	D
	If a member is physically disabled in LOD while	and the member is			then the member is entitled to	and
		not fit for military duty	fit for military duty and can show lost civilian income			
			Yes	No		
1	serving on AD, or while traveling directly to or from such AD (notes 1 and 2)	X			AD pay and allowances for the period of the orders, plus authorized travel time. If the disability continues beyond this period, or if there is a subsequent recurrence of this disability, entitlement exists to pay and allowances, less the full amount of all civilian earned income received for the disability period, for not more than a total of 6 months. (notes 3, 4, 5, 6, and 7)	medical and dental care appropriate for the disability until it cannot be materially improved by further hospitalization or treatment. The member is entitled to travel and transportation, or a monetary allowance, for travel incident to medical and dental care. Member is also entitled to subsistence in kind during hospitalization when not entitled to BAS. (note 8).
2			X		AD pay and allowances for the period of orders, plus authorized travel time. Thereafter, the member is entitled, upon request, to a portion of pay and allowances in an amount equal to lost civilian earned income or full pay and allowances, whichever is less, for not more than a total of 6 months. (notes 3, 5, 6, 9, and 10)	
3				X	AD pay and allowances for the period of the orders, plus authorized travel time	
4	performing IDT or while, on the day of training, traveling directly to or from such training (notes 1 and 11)	X			IDT compensation for the day (both periods if two had been scheduled). If the disability continues beyond this period, or if there is a subsequent recurrence of this disability, entitlement exists to pay and allowances, less the full amount of all civilian earned income received for the disability period, for not more than a total of 6 months. (notes 3, 4, 5, 6, and 7)	
5			X		IDT compensation for the day (both periods if two had been scheduled). Thereafter, the member is entitled, upon request, to a portion of pay and allowances in an amount equal to lost civilian earned income or full pay and allowances, whichever is less, for not more than a total of 6 months. (notes 3, 5, 6, 9, and 10)	

Table 57-3. Disability Entitlements for the Reserve Forces (Continued)

RULE	A	B			C	D
	If a member is physically disabled in LOD while	and the member is			then the member is entitled to	and
		not fit for military duty	fit for military duty and can show lost civilian income			
			Yes	No		
6	performing IDT or while, on the day of training, traveling directly to or from such training (notes 1 and 11)			X	IDT compensation for the day (both periods if two had been scheduled).	medical and dental care appropriate for the disability until it cannot be materially improved by further hospitalization or treatment. The member is entitled to travel and transportation, or a monetary allowance, for travel incident to medical and dental care. Member is also entitled to subsistence in kind during hospitalization when not entitled to BAS. (note 8)
7	traveling directly to or from IDT on a day(s) other than the training day (notes 1 and 11)	X			beginning on the day of disability, pay and allowances less the full amount of all civilian earned income received for the disability period, for not more than a total of 6 months. (notes 3, 4, 5, 6, and 7)	medical and dental care appropriate for the disability until it cannot be materially improved by further hospitalization or treatment. The member is entitled to travel and transportation, or a monetary allowance, for travel incident to medical and dental care. Member is also entitled to subsistence in kind during hospitalization when not entitled to BAS. (note 8)
8			X		beginning on the day of disability, and upon request, a portion of pay and allowances in an amount equal to lost civilian earned income or full pay and allowances, whichever is less, for not more than a total of 6 months. (notes 3, 5, 6, 9, and 10)	
9				X		

Table 57-3. Disability Entitlements for the Reserve Forces (Continued)

RULE	A	B			C	D
	If a member is physically disabled in LOD while	and the member is			then the member is entitled to	and
		not fit for military duty	fit for military duty and can show lost civilian income			
			Yes	No		
10	remaining overnight immediately before the start of IDT, or while remaining overnight between successive periods of IDT, if the site is outside reasonable commuting distance from his or her residence	X			beginning on the day of disability, pay and allowances less the full amount of all civilian earned income received for the disability period, for not more than a total of 6 months. (notes 3, 4, 5, 6, and 7)	medical and dental care appropriate for the disability until it cannot be materially improved by further hospitalization or treatment. The member is entitled to travel and transportation, or a monetary allowance, for travel incident to medical and dental care. Member is also entitled to subsistence in kind during hospitalization when not entitled to BAS. (note 8)
11	remaining overnight immediately before the start of IDT, or while remaining overnight between successive periods of IDT, if the site is outside reasonable commuting distance from his or her residence		X		beginning on the day of disability, and upon request, a portion of pay and allowances in an amount equal to lost civilian earned income or full pay and allowances, whichever is less, for not more than a total of 6 months. (notes 3, 5, 6, 9, and 10)	
12				X	beginning on the day of disability, and upon request, a portion of pay and allowances in an amount equal to lost civilian earned income or full pay and allowances, whichever is less, for not more than a total of 6 months. (notes 3, 5, 6, 9, and 10)	

Table 57-3. Disability Entitlements for the Reserve Forces (Continued)

NOTES:

1. A member is considered to be traveling to the duty or training site upon departing residence with the intention of going directly to such duty or training site. A member is considered to be traveling from the duty or training site upon direct return to residence after completion of the duty or training.
2. A member who is called to AD to undergo a physical examination, not incident to a call to AD for more than 30 days, becomes entitled to provisions of rules 1, 2, or 3, as applicable, on the day of incurrence of disability.
3. Failure of the member to provide current and sufficient information as established by administrative regulations of the Military Service concerned may result in discontinuation of pay and allowances.
4. A member is entitled to compensation (but not retirement point credit) at the rate of 1/30 of monthly basic pay for each scheduled IDT period he or she is unable to attend because of the disability; however, there is no entitlement if, while traveling to or from the training or duty site, the member was disabled because of his or her gross negligence or misconduct. This entitlement will be factored into the pay and allowances payable so that total payments to the member for the disability period do not exceed the pay and allowances of a member of the Regular Component of a uniformed service of corresponding grade and length of service for that period.
5. The Secretary of the Military Department concerned may extend the period of entitlement beyond 6 months in the interest of fairness and equity.
6. There is no entitlement to pay and allowances beyond the training or duty period if the disability resulted from the member's gross negligence or misconduct.
7. Earned income is the total amount a member received from civilian employment or self-employment. It includes receipts from an income protection plan, vacation pay, or sick leave the member elects to receive.
8. There is no entitlement to medical and dental care if the member is disabled because of gross negligence or misconduct and the disability occurred while traveling to or from the training or duty site.
9. Lost civilian earned income is the difference between the member's normal wages or salary or other earnings (including self-employment earnings) that would have been payable for the disability period had the member been fully engaged in civilian employment, less any payments the member received. Civilian earned income does not include retirement income. The member must report all income from an income protection plan, vacation pay, or sick leave that is received during the disability period. If the sum of all these equals or exceeds the member's usual and customary earned income, then no pay and allowances payments will be made. Any payments to the member will first be paid as the basic pay element and then, if necessary, as allowances (BAH and BAS).
10. Any military duty, which the member performs, will be factored into the pay and allowances payable in note 2 so that the total payments to the member do not exceed the pay and allowances of a member of the RC of a uniformed service of corresponding grade and length of service for that period.
11. Does not include work or study in connection with a correspondence course of an Armed Force or attendance in an inactive status at an educational institution under the sponsorship of an Armed Force or the Public Health Service.

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CHAPTER 57 – RESERVE ENTITLEMENTS FOR ACTIVE DUTY (NOT EXTENDED)

5702 – GENERAL PROVISIONS

570201.A	10 U.S.C. § 12315
	37 U.S.C. § 204
570201.B	10 U.S.C. § 12315
	44 Comptroller General Decision (Comp Gen) 613
570201.C	Comp Gen B-207339, February 8, 1983
570202	37 U.S.C. § 907
570203	37 U.S.C. § 206
570204	10 U.S.C. § 12316
	Comp Gen B-207370, March 22, 1983
	Comp Gen B-179882, December 4, 1974
	Comp Gen B-207913, April 15, 1983
570205	Comp Gen B-176604, August 28, 1972
570206	10 U.S.C. § 701
	37 U.S.C. § 501
570207	Executive Order (EO) 10153, August 17, 1950, as amended by EO 10649, December 28, 1955

5703 – COMPUTATION OF PAY

570302.A	5 U.S.C. § 5505
	13 Comp Gen 75
	20 Comp Gen 165
	54 Comp Gen 952
	45 Comp Gen 395
570302.B	37 U.S.C. § 1004
	54 Comp Gen 952
570302.C	47 Comp Gen 515
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570303	13 Comp Gen 889
	20 Comp Gen 867
	23 Comp Gen 793
	12 Comp Gen 452
	5 U.S.C. § 5505

5704 – SPECIAL AND INCENTIVE PAY

570401	37 U.S.C. § 301-310
570405	37 U.S.C. § 305b
	Deputy Secretary of Defense Memo, March 19, 2005

5705 – ALLOWANCES

570501	37 U.S.C. § 1002
570503	37 U.S.C. § 427(b)
570505	37 U.S.C. § 418
570506	37 U.S.C. § 415-417

5706 – MISCELLANEOUS PAYMENTS

570604.A	37 U.S.C. § 204(i)
570604.B.1	10 U.S.C. § 12315
	37 U.S.C. § 1002
570604.B.4	37 U.S.C. § 204(b)
	9 Comp Gen 236
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570604.C.1	47 Comp Gen 531
570604.C.3	36 Comp Gen 692
	70 Comp Gen 350
570606	10 U.S.C. § 1203, 1206, 3687, 6148, 8687
570607	37 U.S.C. § 204(g)(h)(i)
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5707 – DEDUCTIONS AND COLLECTIONS

570701	5 U.S.C. § 5517
	5 U.S.C. § 5520
570708	37 U.S.C. § 707

Table 57-1

Rules 2, 3	37 U.S.C. § 905(a)
	10 U.S.C., Chapter 1405
Rules 4, 5	37 U.S.C. § 905(b)
	10 U.S.C. § 14308
Note 2	10 U.S.C. § 624

Table 57-2

Rules 1, 2, 7, 10	5 U.S.C. § 5505
Rules 3, 4, 5, 8, 9, 11	37 U.S.C. § 1004

Table 57-3

Rules 1, 4, 7	37 U.S.C. § 204(g)
Rules 2, 3, 5, 6, 8, 9	37 U.S.C. § 204(h)
	10 U.S.C. § 1074 and 1074a
Rules 10, 11, 12	37 U.S.C. § 204(g) and 204(h)
Column D	37 U.S.C. § 402
Note 1	58 Comp Gen 232
Note 2	33 Comp Gen 551
	Comp Gen B-181762, July 18, 1975
Note 3	Comp Gen B-195470, November 14, 1979
Notes 4, 5, 9, 10	37 U.S.C. § 204(h) and (i)
Note 6	37 U.S.C. § 204(i)
Note 7	37 U.S.C. § 204(g)
Note 8	10 U.S.C. § 1074a

VOLUME 7A, CHAPTER 58: "PAY AND ALLOWANCES FOR INACTIVE DUTY TRAINING (IDT)"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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

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

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

The previous version dated April 2016 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with administrative instructions.	Revision
580205.B	Updated the Muster Duty Allowance (MDA) rate for calendar year 2017.	Revision
580208.D	Extended Designated Unit Pay to December 31, 2017.	Revision
580804.B	Added subparagraph for "Member in a Non-Pay Status."	Addition
Table 58-1	Updated Table with 2017 MDA rate.	Revision
Bibliography	Updated statutes and references.	Revision

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CHAPTER 58

PAY AND ALLOWANCES FOR INACTIVE DUTY TRAINING (IDT)

5801 GENERAL

580101. Purpose

This chapter establishes policy pertaining to the pay and allowances for IDT for members of the National Guard and Reserve Component. For the purpose of this chapter, the term "Reserve Component" includes both National Guard and Reserve members unless stated otherwise.

580102. Authoritative Guidance

The bibliography at the end of this chapter lists the authoritative references.

5802 PROVISIONS

580201. Entitlement

A. IDT with Pay. A member of a Reserve Component is entitled to compensation at the rate of one-thirtieth of the basic pay prescribed for grade and years of service for the performance of each authorized period of:

1. Regular IDT (drill or Unit Training Assembly (UTA));

2. Equivalent training, instruction, or duty. For the:

a. Army. For details and exceptions, see ***Army Regulation 140-1*** and ***National Guard Regulation 350-1***,

b. Navy. See Bureau of Navy Personnel Instruction ***1001.39F Series***,

c. Air Force. See ***Air National Guard Instruction 36-2001*** and ***Air Force Instruction 36-2254 V1***, and

d. Marine Corps. See ***Marine Corps Order 1001R.1K***;

3. Appropriate duty;

4. Additional flying training period (AFTP);

5. Additional IDT; and

6. Duty or training that resulted in the successful completion of a course of instruction undertaken by the member, using electronic-based distributed learning

methodologies, to accomplish training requirements related to unit readiness or mobilization, as directed for the member by the Secretary of the Military Department concerned.

NOTE: To qualify for pay for a period of IDT, each member must engage in such duty or training for the period (not less than 2 hours) as prescribed by the Secretary of the Military Department concerned. Compensation will not accrue for periods of inactive duty performed in excess of the number authorized by the appropriate regulations of the Military Service concerned. A member cannot qualify for pay for more than two periods of IDT during a single calendar day.

B. IDT Without Pay. The Secretary of the Military Department concerned may authorize members of a Reserve Component, with their consent, to IDT without pay.

C. Combination Active Duty (AD) and Inactive Duty. Members of a Reserve Component may be paid the equivalent total of pay for more than 360 days in a year, when so directed based on the actual entitlement if the total is based on a combination of AD pay and IDT compensation.

580202. Limitation

A member cannot accrue compensation for IDT performed on a day on which he or she is also entitled to basic pay for AD or Active Duty for Training (ADT), or on a day on which entitled to Muster Duty Allowance (MDA).

580203. Waiver of Benefits

The provisions of Chapter 57, paragraph 570204 apply to members of a Reserve Component who perform IDT in a pay status.

580204. Allotment of Pay

Except as prescribed in Chapter 57, paragraph 570205, there is no authorization for members of a Reserve Component to allot IDT compensation.

*580205. MDA for Reservists

A. Entitlement. The Secretary of Defense may order a member of the Ready Reserve who is not a member of the National Guard or Selected Reserve (SELRES), without the member's consent, to muster duty one-time each year. A member ordered to muster duty will be required to perform a minimum of 2 hours muster duty, as determined by the Secretary of the Military Department concerned, on the day of muster.

* B. Amount Payable. The General Services Administration Office of Government-wide Policy, Office of Travel, and Relocation Policy calculates the Average Domestic Per Diem Rate to establish the MDA rate. The MDA is 125 percent of the average per diem rate in effect on September 30 of the calendar year preceding the calendar year in which the muster duty is performed. The 2017 rate is $230. See Table 58-1 for previous yearly rates.

C. Payment. A Ready Reservist may be paid the MDA before, on, or after the date on which he or she performs muster duty, but not more than 30 days after that date. The Ready Reservist is not entitled to other payment of any kind, including IDT compensation under paragraph 580201, for the performance of muster duty.

D. Retirement Point Credit. Muster duty will not be credited in determining entitlement to, nor computing, retired pay.

E. Collections. From the MDA, collect:

1. Federal Income Tax Withholdings (FITW) at the authorized rate for one-time payments;

2. State Income Tax Withholdings (SITW) at the authorized rate for one-time payments; and

3. The premium for Servicemembers' Group Life Insurance (SGLI) program. See Chapter 47, section 4705 for the premium rates and Table 47-1 for coverage effective dates.

NOTE: MDA is not subject to collection of the Federal Insurance Contributions Act (FICA) taxes.

580206. Electronic Screening Allowance (ESA) stipend for Reservists

A. Entitlement. The Secretary of the Military Department concerned may authorize payment of an ESA stipend to a member of the Individual Ready Reserve (IRR) for participating in the screening performed by electronic means. Electronic screening may be performed in lieu of muster duty performed. A maximum of one ESA is paid during a calendar year. The ESA stipend authorized may not be disbursed in kind. Payment of a stipend to a member of the IRR for participation in screening will be made on or after the date of participation in such screening, but not later than 30 days after such date.

B. Maximum Amount Payable. The aggregate amount of the ESA stipend paid to an IRR member, in any calendar year, may not exceed $50, regardless of pay grade.

C. Restriction. ESA stipend is the only monetary compensation authorized to be paid to a member for the performance of electronic screening and will constitute full payment to the member, regardless of the grade or rank in which the member is serving.

D. Collections. From the ESA stipend, collect:

1. FITW at the authorized rate for one-time payments;

2. SITW at the authorized rate for one-time payments; and

3. The premium for SGLI program. See Chapter 47, section 4705 for the premium rates and Table 47-1 for coverage effective dates.

NOTE: ESA stipend is not subject to collection of FICA taxes.

580207. Funeral Honors Duty Allowance (FHDA)

A. Entitlement. The Secretary of the Military Department concerned may authorize payment of FHDA to members of the Ready Reserves and the Retired Reserves. A member is entitled to FHDA for a minimum of 2 hours of funeral honors duty (FHD). A maximum of 1 FHDA may be earned and paid in 1 calendar day.

B. Amount Payable. FHDA is payable at $50 for each FHD period regardless of pay grade, or one-thirtieth of the member's basic pay rate for each FHD period.

C. Restriction. Except for expenses reimbursed for travel and transportation incident to FHD, the FHDA is the only monetary compensation authorized to be paid to a member for the performance of FHD and will constitute full payment to the member.

D. Collections. From the FHDA, collect:

1. FITW at the rate claimed on the member's Internal Revenue Service (IRS) Form W-4, "Employee's Withholding Allowance Certificate." When a W-4 is not submitted, collect at the rate authorized for one-time payments;

2. SITW at the rate claimed on the member's IRS Form W-4. When a W-4 is not submitted, collect at the rate authorized for one-time payments; and

3. The premium for SGLI coverage, if elected by Retired Reserve members when performing FHD. See Chapter 47, section 4705 for the premium rates and Table 47-1 for coverage effective dates.

NOTE: FHDA is not subject to collection of FICA taxes.

*580208. Designated Unit Pay

A. A member assigned to a unit designated as a high priority unit of the SELRES by the Secretary of the Military Department concerned is, while performing inactive duty training for compensation, entitled to a maximum of $50 Designated Unit Pay for the performance of each authorized period of:

1. Regular IDT (drill or UTA); or

2. Equivalent training, instruction, or duty, provided each authorized period is not less than 4 hours duration. Authorized periods may be performed on a Sunday or a legal holiday.

B. A member of a designated unit is entitled to Designated Unit Pay for authorized periods of drill or duty performed with a non-designated unit, but members of a non-designated unit may not receive Designated Unit Pay for authorized periods of drill or duty performed with a designated unit.

C. From the Designated Unit Pay, collect:

1. FITW at the rate claimed on the member's IRS Form W-4. When a W-4 is not submitted, collect at the rate authorized for one-time payments; and

2. SITW at the rate claimed on the member's IRS Form W-4. When a W-4 is not submitted, collect at the rate authorized for one-time payments.

NOTE: Designated Unit Pay is not subject to collection of the FICA taxes.

* D. No payment of Designated Unit Pay may be made for any period before the date the Secretary of the Military Department concerned designates a unit as a high priority unit, nor may any payment be made for any period of drill or instruction performed after December 31, 2017.

5803 INCENTIVE PAY (IP)

580301. Entitlement

Members of a Reserve Component who are in a pay status are entitled to IP for hazardous duty performed during periods of IDT if serving under competent orders and otherwise meeting the requirements of this section. Members entitled to IP for hazardous duty are entitled to an increase in compensation equal to one-thirtieth the applicable monthly rate for each authorized period of IDT of not less than 2 hours.

580302. Aviation Career Incentive Pay (ACIP), Continuous or Conditional, or Hazardous Duty Incentive Pay (HDIP) for Flying Duty

A. Entitlement

1. Members of a Reserve Component who perform IDT in a pay status are entitled to ACIP or IP for flying under the conditions of Chapter 22, sections 2202 or 2203. The provisions of Chapter 22, subparagraphs 220203.A.1 or 220303.A.1, regarding the use of hours flown during the preceding 5 months not already used to qualify for flight pay, are equally applicable to members otherwise eligible who are performing IDT. Exception: Minimum flight requirements are one-half of those prescribed for a member on AD - that is, 2 hours per month when the calendar month is the unit period. If a fraction of a calendar month is the unit period, then flying time required for such period will be as shown in Chapter 22, Table 22-3 under "Inactive Duty."

2. A member, who has performed less than the total number of regularly scheduled drills or UTA during a month or a fractional part of a month, must meet the minimum flight requirements for the month, or fraction thereof, in order to be entitled to any flying pay for the drills or UTA actually performed. When scheduled IDT was not attended and performed in a subsequent month, flying pay for such period(s) is payable, provided the member met minimum flight requirements for each period involved.

B. Combined Flight Requirements. When a member performs both active and inactive duty with pay in the same month, designated flying time earned in that month may be combined to satisfy any ACIP or HDIP flight requirements for that month.

1. Active and inactive duty flying time may be combined for application to flight requirements only in the month in which the flying is performed. The combined flying time that is in excess of the requirements of the month in which it was performed, or that otherwise cannot be used in the month earned, will be redistributed into active and inactive flying time categories. Combined flying time may be applied only to other monthly flight requirements (see Chapter 22) for the appropriate status category into which redistributed (i.e., AD flying time for AD requirements and inactive duty flying time for inactive duty requirements). Combined flying time will be applied and any excess or unused time will be divided and placed into appropriate categories as set forth in subparagraph 580302.B.1.a-d.

NOTE: Unless the member is performing continuous AD in excess of 30 days, or unless the AD period extends unbroken over parts of 2 months, the excess/unused active flying duty hours may not be banked for potential application to other requirements.

a. When the hours flown while on AD are in excess of the AD flight requirement of the month, and the hours flown during the inactive duty period are also in excess of the inactive duty flight requirement of the month, all excess hours will be retained in their respective categories for application to the requirements for other months, if otherwise allowable.

> Example 1: A member performed 15 days of AD and was in an IDT status 15 days in the same calendar month. The member performed 5.0 hours of flying duty while on AD and 1.5 hours while on inactive duty. The 5.0 hours earned while on AD are in excess to the 2 hours required, and the 1.5 hours earned while on inactive duty are in excess to the 1.0 hour required. The 3.0 hours that are in excess of the AD requirement will be "banked" as AD time if the criteria of the note in subparagraph 580302.A.1 are met. The 0.5 hour in excess of the inactive duty requirement will be banked as inactive duty time.

b. When the hours flown while on AD are in excess of the AD flight requirement of the month, and the hours flown during the inactive duty period are insufficient for the inactive duty flight requirement of the month, the excess AD hours will be applied to the inactive duty requirement. Any remaining excess or unused AD hours will be retained for application to the requirements for other months of AD, if otherwise allowable. If the excess AD hours applied to the inactive duty requirement are not sufficient to meet the inactive duty

requirement for that month, then any banked inactive hours will also be applied. If the inactive duty requirement is still not satisfied, then all hours revert to their respective categories to be used in meeting the requirements for other months, as allowable.

Example 2: A member performed 15 days of AD and was in an IDT status for 15 days in the same calendar month. The member performed 5.0 hours of flying duty while on AD and 0.5 hour while on inactive duty. The AD flying time is in excess of the AD requirement of 2.0 hours, while the inactive flying time is insufficient for the inactive duty requirement of 1.0 hour. Apply 0.5 of the excess AD hours to the inactive requirement. The remaining 2.5 excess AD hours may be banked as AD time, if the criteria of the note in subparagraph 580302.A.1 are met.

c. When the hours flown while on AD are insufficient for the AD flight requirement of the month, and the hours flown during the inactive duty period are in excess of the inactive duty flight requirement of the month, the excess inactive duty hours will be applied to the AD requirement. Any remaining excess or unused inactive duty hours will be retained for application to inactive duty requirements in a subsequent month. If the excess inactive duty hours applied to the AD requirement are not sufficient for a month's AD requirement, then any banked AD hours will be applied. If the AD requirement is still not satisfied, then all hours revert to their respective categories for use in meeting requirements for other months, as allowable.

Example 3: A member performed 15 days of AD and was in an IDT status 15 days in the same calendar month. The member performed 0.5 hour of flying duty while on AD and 1.5 hours while on inactive duty. The member has 0.0 hour of AD flying time and 3.0 hours of inactive flying time banked. The AD flying time is insufficient for the AD requirement of 2.0 hours and the inactive flying time is in excess of the inactive duty requirement of 1.0 hour. Apply the 0.5 excess inactive duty hours to the AD requirement. Combined, the AD and inactive duty flying time is short of the requirement by 1.0 hour. In this case, there are no banked AD hours, and the AD requirement remains unfulfilled. Therefore, the 0.5 unused AD hour may be banked as AD time if the criteria of the note in subparagraph 580302.A.1 are met and the 0.5 hour of unused inactive duty time will be banked as inactive duty time.

d. When the hours flown while on AD are insufficient for the AD flight requirement of the month, and the hours flown during the inactive duty period are also insufficient for the inactive duty flight requirement of the month, the hours will be applied in the following sequence. First, the inactive duty hours flown will be applied to the AD requirement. If the combined active and inactive duty hours flown is not sufficient for the AD requirement, then any banked AD hours will also be applied. If the AD requirement is still not satisfied, then the AD hours flown will instead be applied to the inactive duty requirement. If the combined active and inactive duty hours flown is not sufficient for the inactive duty requirement, then any banked inactive duty hours will also be applied. If the inactive duty requirement is still not satisfied, then all hours revert to their respective categories for use in meeting requirements for other months, as allowable.

Example 4: A member performed 15 days of AD and was in an IDT status 15 days in the same calendar month. The member performed 0.3 hour of flying duty while on AD and 0.4 hours while on inactive duty. The member has 0.1 hour of AD flying time (because of a period of AD that began near the middle of the previous month and was continuous into the present month) and 0.2 hours of inactive duty flying time banked. The AD flying time is insufficient for the AD requirement of 2.0 hours and the inactive flying time is insufficient for the inactive duty requirement of 1.0 hour.

First, apply the 0.4 hour of the inactive duty flying time to the AD requirement. Combined, the AD and inactive duty flying time is short of the requirement by 1.3 hours. In this case, there is 0.1 of banked AD hours, but that also is insufficient and the AD requirement remains unfulfilled.

Next, apply the 0.3 hour of the AD flying time to the inactive duty requirement. Again, the coverage is not sufficient, being 0.3 hours short of the inactive duty requirement. In this case, there is 0.2 hour of banked inactive duty hours, but that also is insufficient and the inactive duty requirement remains unfulfilled.

Finally, since neither the active nor the inactive requirements could be fulfilled, the unused time will be banked as allowed. The unused 0.3 hour of active flying time may be banked as AD time if the criterion of the note in subparagraph 580302.A.1 is met and the unused 0.4 hour of inactive flying time will be banked as inactive duty time.

2. AD of Less Than One Calendar Month Covering Parts of Two Calendar Months. When AD of less than 1 month covers parts of 2 consecutive calendar months, flights performed on IDT may be combined to satisfy requirements for the whole period of AD if the inactive duty flight requirements for both months have been met.

Example 1: A member performed 3.4 hours of flying while on an IDT status from April 1-23. The member did not fly during AD for the training period of April 24 to May 7, or while in an IDT status May 8-31. A total of 1.1 excess flying hours was accumulated before April 1. Flying time of 3.4 hours is first applied to the IDT flight requirements for April (1.6 hours) and then to AD flight requirements for April (1.0 hour). The 0.8 excess flying hours during April added to the 1.1 excess flying hours accumulated before April results in 1.9 excess flying hours available to apply against May flight requirements. Flight time in May totals 2.6 hours (24 days of inactive duty requires 1.6 hours; 7 days of AD requires 1.0 hour). See Chapter 22, Table 22-3. Accumulated excess hours first are applied to the IDT flight requirements. Do not credit pay for the period of May 1-7 since only 0.3 unused hour available is less than the 1.0 hour requirement.

Example 2: A member performed the following flights while on active and IDT during parts of 2 calendar months. No excess flying hours were available on March 1.

Periods	Time Flown	Flight Requirements
(Inactive) March 1	1.8 hours	1 hour
(Active) March 16-31	1.2 hours	2.2 hours
(Active) April 1-9	1.0 hour	1.2 hours
(Inactive) April 10-30	1.6 hours	1.4 hours

NOTE: The continuous period of ADT (March 16 to April 9) is a unit period of 25 days, which requires 3.4 hours flying time. For that reason, the 31st day of March imposes required flying time. Since this member is unable to meet the flight requirements for the AD flight period, which covers, parts of 2 calendar months, it is necessary to determine if the member can meet the requirements for a single month. Entitlement for the month of March requires a composite of only 3 hours of flying time, and the month of April requires 2.6 hours. Thus, a member qualifies for flying pay for each inactive duty period and for the ADT periods.

C. AFTP. A member, who performs an AFTP in a pay status, if otherwise qualified, is entitled to IP for flying if he or she meets the flight for the month in which the AFTP is performed. Flying time accumulated during an AFTP may be used to satisfy requirements for IDT and the provisions of subparagraphs 580302.A.1 and A.2 may also be used for requirements for periods of AD or ADT.

D. Operational Flying. Flying duty required by competent orders and performed by members of a Reserve Component, irrespective of unit of assignment, is considered to be operational flying.

580303. ACIP

An officer of a Reserve Component who performs IDT in a pay status is entitled to continuous ACIP so long as the requirements are met for an aviation service career (not on Extended AD (EAD)) as defined in the Definitions and the provisions of Chapter 22, section 2203.

580304. Submarine Duty Pay

A member of a Reserve Component, who participates in scheduled drills aboard a submarine during underway operations, while under competent orders and in a pay status, is entitled to IP for Submarine Duty.

580305. HDIP for Parachute Duty

A member of a Reserve Component who performs IDT in a pay status is entitled to IP for Parachute Duty under the provisions of Chapter 24, section 2403.

A. Parachute jumps performed during periods of IDT or ADT qualifies a member for IP for either duty.

B. Parachute jumps performed while on EAD do not qualify a member for IP for IDT (see Chapter 57, paragraph 570404).

580306. HDIP for Flight Deck Duty, Demolition Duty, and Experimental Stress Duty

A member of a Reserve Component who performs IDT in a pay status is entitled to IP under provisions of Chapter 24.

580307. Air Force Remotely Piloted Aircraft Aviation IP and Career Enlisted Aviation IP

A member of the Air Force Reserve Component who performs IDT in a pay status is entitled to IP under provisions of Chapter 22.

5804 SPECIAL PAY

580401. Entitlement

Members of a Reserve Component are not entitled to special pay for periods of inactive duty except as noted in the following paragraphs.

580402. Foreign Language Proficiency Bonus (FLPB)

The Secretary of the Military Department concerned may pay FLPB to a member of a Reserve Component who is proficient in at least two of the three language modalities of reading, listening and speaking with respect to foreign languages identified on the Strategic Language List. A member of a Reserve Component, who meets the requirements of Chapter 19, section 1902; and any additional requirements of the Military Service concerned, (see applicable Service FLPB Instructions) is entitled to FLPB for each regular period of instruction or period of appropriate duty at which the member is engaged for at least 2 hours. This includes instruction received or duty performed on a Sunday or holiday and each period of performance of such equivalent training, instruction duty, or appropriate duties as the Secretary of the Military Department concerned may prescribe. The total of FLPB for reservists must equal the annual FLPB paid to an AD member with the same certified language proficiency.

580403. Diving Duty Pay

The Secretary of the Military Department concerned may pay a member of a Reserve Component who is entitled to basic pay, a special pay in the amounts set forth in Chapter 11, Tables 11-2 through 11-9 for which the member:

A. Is assigned by orders to the duty of diving;

B. Is required to maintain proficiency as a diver by frequent and regular dives; and

C. Is either:

1. Actually performing diving duty while serving in an assignment for which diving is a primary duty; or

2. Meeting the requirements to maintain proficiency as described in Chapter 11, subparagraph 110201.B while serving in an assignment that includes Diving Duty other than as a primary duty.

NOTE: A member of a Reserve Component who meets the requirements of Chapter 11 and any additional requirements of the Military Service concerned is entitled to Diving Duty pay for each regular period of instruction or period of appropriate duty at which the member is engaged for at least 2 hours. This includes instruction received or duty performed on a Sunday or holiday and each period of performance of such equivalent training, instruction duty, or appropriate duties as the Secretary of the Military Department concerned may prescribe. The compensation for each such period will be equal to one-thirtieth of the monthly special pay authorized under Chapter 11, section 1104.

580404. Special Duty Assignment Pay (SDAP)

A. An enlisted member of a Reserve Component who is entitled to basic pay may qualify for SDAP when a member performs duties designated by the Secretary of the Military Department concerned as extremely difficult or involving an unusual degree of responsibility. A member entitled to SDAP may receive such pay in addition to any other pay or allowances to which entitled. SDAP status is awarded according to the applicable regulations of the Military Service concerned.

B. An enlisted member of a Reserve Component who meets the requirements of Chapter 8 and any additional requirements of the Military Service concerned is entitled to SDAP for each regular period of instruction or period of appropriate duty at which the member is engaged for at least 2 hours. This includes instruction received or duty performed on a Sunday or holiday and each period of performance of such equivalent training, instruction duty, or appropriate duties as the Secretary of the Military Department concerned may prescribe. The compensation for each such period will be equal to one-thirtieth of the monthly special pay authorized under Chapter 8, paragraph 080301.

580405. Officer Responsibility Pay

The Secretary of the Military Department concerned may designate positions of unusual responsibility that are of a critical nature to an Armed Force under his or her jurisdiction and authorize special pay to officers performing the duties of such a position. An officer of a Reserve Component, who meets the requirements of Chapter 3, section 0303, and any additional requirements of the Military Service concerned, is entitled to responsibility pay for each day of the

performance of duties in a designated position. This applies to days on which regular periods of instruction or periods of appropriate duty are performed, including periods of instruction received or duty performed on a Sunday or holiday and duties as the Secretary of the Military Department concerned may prescribe. The compensation for each such day will be equal to one-thirtieth of the monthly special pay authorized under Chapter 3, paragraph 030302.

NOTE: This is a departure from the usual compensation practice of paying one-thirtieth of a special pay for each inactive duty drill period.

580406. Hostile Fire Pay (HFP) or Imminent Danger Pay (IDP)

A member of a Reserve Component is entitled to HFP or IDP for any month when the member, while entitled to basic pay for AD or compensation for inactive duty, also meets the requirements of Chapter 10. This includes instruction received or duty performed on a Sunday or holiday and duties as the Secretary of the Military Department concerned may prescribe. A member is not authorized to receive concurrent payments for hostile fire and imminent danger duty.

A. HFP. HFP is paid at the rate of $225 per month when, as certified by the appropriate commander, a member is:

1. Subjected to hostile fire or explosion of a hostile mine; or

2. On duty in an area in close proximity to a hostile fire incident and the member is in danger of being exposed to the same dangers actually experienced by other service members subjected to hostile fire or explosion of hostile mines; or

3. Killed, injured, or wounded by hostile fire, explosion of a hostile mine, or any other hostile action.

B. IDP. IDP is paid on a daily pro-rated basis not to exceed $225 per month when a member is on official duty in a designated IDP area (Chapter 10, Figure 10-1).

C. Payment. Effective December 31, 2011, IDP is payable on a prorated daily basis not to exceed the monthly rate of $225. It is payable in addition to all other pays or allowances, except when receiving HFP as stated in Chapter 10, paragraph 100201. The proration does not apply to the 31st of a month for Active and Reserve Component members who are on AD for 30 days or more. HFP will not be prorated. Members will receive the maximum monthly rate of special pay for a month in which the hostile fire or hostile fire mine explosion event occurred. Payment will be made for the full month if a member is exposed to hostile fire or a hostile mine explosion on the 31st day of a month and the member had not already received credit for the full monthly allowance. The following examples for payment on the 31st are provided:

Example 1: A member on AD for more than 30 days in an IDP area for the period March 31 through April 29 will receive IDP only for the period April 1–29.

Example 2: A member on AD for more than 30 days in an IDP area for the period March 31 through April 29, and is exposed to hostile fire or a hostile mine explosion on March 31, will be entitled to HFP for the entire month of March and IDP for the period April 1–29.

Example 3: A member on AD for less than 30 days in an IDP area for the period March 29 through April 20 will be entitled to IDP for the period March 29 through 31st and April 1 through 20th for a total of 23 days.

Example 4: A member on AD for less than 30 days in an IDP area for the period March 29 through April 20, and is exposed to hostile fire or a hostile mine explosion on March 31, will be entitled to the full monthly amount of HFP of $225 for the month of March, and daily IDP for the period April 1 to 20.

580407. Assignment Incentive Pay (AIP)

The Secretary of the Military Department concerned may pay AIP to a member of a uniformed service who performs service, while entitled to basic pay, in an assignment designated by the Secretary of the Military Department concerned under the provisions of Chapter 15.

5805 ALLOWANCES

580501. Clothing Monetary Allowances, Enlisted Members

Except as provided for in subparagraphs 580501.A through C, an enlisted member of a Reserve Component is not entitled to any cash clothing allowances when on IDT.

A. Special Initial Clothing Monetary Allowance (Navy). Effective October 1, 2009, Chief Petty Officers of the Naval Reserve who are assigned to SELRES and Voluntary Training Units (VTU) are entitled to a special initial clothing monetary allowance upon first advancement to Chief. See Chapter 29, paragraph 290304.

B. Quarterly Maintenance Clothing Allowance (Navy). Effective October 1, 2009, Chief Petty Officers of the Naval Reserve who are assigned to SELRES and VTU and who maintain satisfactory reserve participation per current Bureau of Naval Personnel policy in the quarter concerned, are entitled to a quarterly Reserve Maintenance Clothing Allowance (RMA) in the amount of $30.60 per quarter. A Chief Petty Officer who is advanced to that grade or who becomes a member of a pay unit in a pay or non-pay status on other than the first day of a quarter is not entitled to a quarterly allowance until the first day of the next quarter. The allowance will not be paid for a fractional part of a quarter. New Chiefs are not entitled to the RMA until the first day of the following fiscal year after advancement.

C. Initial Cash Allowance for Enlisted Members. An enlisted member of a Reserve Component is entitled to an initial cash allowance for the purchase of items specifically designated by the Military Department concerned to be purchased by the member rather than to be furnished in kind. See Chapter 29, paragraph 290201.

580502. Officers' Initial Uniform Allowance

An officer of a Reserve Component is entitled to an initial uniform allowance upon completing 14 periods of IDT as an officer in the Ready Reserve, provided each period is of at least 2 hours duration. See Chapter 30, section 3002.

580503. Basic Allowance for Subsistence (BAS)

Enlisted members of a Reserve Component may receive subsistence in kind or a cash commutation for meals when not entitled to basic pay if the member's period of instruction or duty totals at least 8 hours in 1 day. This entitlement is at the discretion of the Secretary of the Military Department concerned who will issue written instructions specifying eligibility criteria. When a cash commutation is authorized, it will be paid at one-thirtieth of the applicable monthly BAS rate from Chapter 25 for each such day authorized, further pro-rated by meal. Breakfast will be pro-rated at 20 percent of the daily BAS rate; lunch and dinner will each be prorated at 40 percent of the daily BAS rate.

5806 MISCELLANEOUS PAYMENTS

580601. Pay and Allowances While Disabled

See Chapter 57, paragraph 570607 for entitlements when a member of a Reserve Component is disabled while performing IDT.

580602. Payment on Behalf of Deceased Members

A. Death Gratuity. The eligible beneficiaries of a member of a Reserve Component are entitled to payment of death gratuity, regardless of whether death occurred in the line of duty or was the result of the member's misconduct, if the member dies:

1. While on IDT;

2. While traveling directly to or from IDT; or

3. Within 120 days after discharge or release from IDT, if the Department of Veterans Affairs determines that the death resulted from an injury or disease incurred or aggravated while performing, or traveling directly to or from such training.

B. Eligible Beneficiaries. The provisions of Chapter 36, Table 36-1 apply to members of a Reserve Component.

C. Determining Eligible Beneficiaries. The provisions of Chapter 36, paragraph 360204 apply to members of a Reserve Component.

D. Determination Affecting Entitlement. The provisions of Chapter 36, paragraph 360205 apply to members of a Reserve Component.

E. Amounts Payable. The provisions of Chapter 36, paragraph 360206 apply to members of a Reserve Component.

F. Expediting Payments. The provisions of Chapter 36, paragraph 360207 apply to members of a Reserve Component.

G. Erroneous Payment. The provisions of Chapter 36, paragraph 360209 apply to members of a Reserve Component.

H. Settling Deceased Member's Accounts. The provisions of Chapter 36, section 3603, and Chapter 2 apply to members of a Reserve Component.

580603. Disability Severance Pay

A. A member who performs IDT, and is separated for physical disability due to injury, which was the proximate result of the performance of such duty, is entitled to severance pay, if otherwise qualified under appropriate personnel regulations.

B. Computation of severance pay will be as prescribed in Chapter 35.

580604. Reservists' Special Separation Pay (RSSP)

A. Eligibility. The Secretary of the Military Department concerned may pay RSSP to a reservist who has served more than 20 years of service but who has not reached his/her 60th birthday and meets the following conditions:

1. The member has applied for such pay and requests transfer to the Retired Reserve; and

2. The member will have completed at least 20 years of service, and be qualified to receive non-regular retired pay (except for having reached the age of 60), not later than December 31, 2001.

B. Limitations

1. Members who are authorized to receive early (completed at least 15 but less than 20 years of service) non-regular retired pay at age 60, are not authorized to receive RSSP.

2. Members are not eligible to receive RSSP if they are entitled to immediate payment of retired or retainer pay based solely on military service.

C. Computation of Annual Payment

1. Using an official statement of service, determine the member's total years of creditable service as of the date of transfer to the Retired Reserve. (Do not pay RSSP if the member has less than 20 years of service.) Round down total years to the nearest whole year.

2. Using the total years as determined in 580604.C.1, determine the multiplier from the following table:

Years of Service	Multiplier
20	5.0%
21	5.5%
22	6.0%
23	6.5%
24	7.0%
25	7.5%
26	8.0%
27	8.5%
28	9.0%
29	9.5%
30 or more	10.0%

Example 1: A member who was born June 5, 1961, and who has 23 years, 10 months of creditable service, and who has 28 years total service for pay purposes (includes service not creditable), transfers to the Retired Reserve on June 19, 2017, in the grade of E-8, and the Secretary of the Military Department concerned approves payment of RSSP. Years of creditable service for RSSP purposes is 23 years (the 10 months are rounded down), with a multiplier of 6.5 percent basic pay for an E-8 with 28 years for pay purposes is $2,808.60. The member's RSSP is $2,190.71 ($2,808.60 X 12 X .065). Pay an initial installment of $2,190.71 on June 19, 2017, with additional installments on June 19, 2018, June 19, 2019, and June 19, 2020. Since the member's 60th birthday will occur before the next installment date of June 19, 2021, no further payment will be made.

Example 2: On June 30, 2017, a member (who was born on December 5, 1958) transfers to the Retired Reserve with entitlement to two years of RSSP at the rate of $6,000 per year, as determined by the Secretary of the Military Department concerned. The initial payment is in the full amount. The second installment, however, is due on June 30, 2018, which is after the member's 59th birthday but before his 60th birthday. Prorate for each full month between the due date and the member's 60th birthday. In this case, the second installment is 5/12ths of $6,000, or $2,500.

3. Compute annual RSSP installment by multiplying 12 times the monthly basic pay to which the member would be entitled if the member were serving on AD on the date the member transfers to the Retired Reserve times the multiplier.

4. Pay the member a maximum of five installments, or the number of installments as determined by the Secretary of the Military Department concerned. Pay the first installment on the member's date of transfer to the Retired Reserve. Any additional installments are due on successive anniversary dates. Do not make any payments after a member reaches age 60. For transfers, that occur after October 5, 2013, prorate any installments, including the initial payment, which is due the member after the member's 59th birthday but before the member's 60th birthday. Prorate for each full month between the due date and the member's 60th birthday. See Example 2.

5. Collect FITW and SITW at the appropriate one-time rate from the initial payment. Withhold taxes from any other RSSP installment payments at the rate appropriate for salaries paid on an annual basis, currently set forth for federal withholding purposes in the ***IRS Publication 15***. Give appropriate consideration to any withholding exemptions claimed by the member on an IRS Form W-4 when withholding tax payments.

6. Receipt of these annual payments does not decrease or otherwise affect the retired pay to which the member is entitled at age 60.

7. In the event of the member's death, do not make any remaining annual payments.

580605. Reservists' Involuntary Separation Pay (RISP)

A. Payment. Upon approval by the Secretary of the Military Department concerned, and subject to the restrictions in this paragraph, pay RISP to a member of the SELRES who has at least 6 years but less than 15 years of service as of the date of discharge from a Reserve Component or involuntary transfer from the SELRES.

B. Computation

1. Using an official statement of service, determine years of service, computing to three decimal places and rounding to two decimal places. Do not include in the service any days or points for which the member previously received separation, severance, or readjustment pay.

2. Multiply the number of years of service times 15 percent times 62 times the member's daily rate of basic pay if serving on AD as of the date of separation or transfer from the SELRES. The product is the RISP.

Example: A member who is an E-5 over 8 years total service for pay purposes (daily rate of pay $47.55) and a total of 1,760 retirement points credit is approved for discharge on August 27, 2016, by the Secretary of the Military Department concerned. Compute RISP as follows: Divide total Retirement Points Credit 1,760 by 360 = 4.89 years (computing to 3 decimal places rounding to 2 decimal places) x 15 percent x 62 x $47.55 (daily rate of pay) = $2,162.43 RISP.

3. Withhold federal and state income taxes. RISP payments are not subject to FICA or Medicare taxes.

4. A recipient of RISP who later receives basic pay, IDT compensation, or retired or retainer pay will have such pay, compensation, or retired pay reduced by 75 percent until the total reductions equal the total RISP received.

5. A member who has received RISP, who later receives disability compensation from the Department of Veterans Affairs, will have deducted from such disability compensation the total amount of RISP. However, there will be no such reduction if the disability compensation is for a disability incurred or aggravated after the period for which the RISP was paid.

6. Members are not authorized to receive RISP when they are authorized to receive early (completed at least 15 but less than 20 years of service) non-regular retired pay at age 60.

5807 DEDUCTIONS AND COLLECTIONS

580701. Income Tax Withholding

See Chapter 44, paragraph 440201 for provisions for members of a Reserve Component who are performing IDT.

580702. FICA

See Chapter 45.

580703. Courts-Martial Sentences

The provisions of Chapter 48 apply to members of a Reserve Component who are performing IDT.

580704. Non-judicial Punishment

A. The provisions of Chapter 49, except paragraph 490302, apply to members of a Reserve Component who are performing IDT.

B. The maximum forfeiture to which a member of a Reserve Component is subject, while in an inactive duty status, is limited to one-half of the IDT compensation to which entitled during the period of the sentence. This applies also to a member who is on ADT when the non-judicial punishment is imposed, and reverts to an inactive duty status during the period of the sentence.

580705. Stoppages and Collections Other Than Courts-Martial Forfeitures

The provisions of Volume 16 apply to members of a Reserve Component who are performing IDT.

580706. Waiver of Claims for Erroneous Payment of Pay and Allowances

See Volume 16, Chapter 4, section 0404.

580707. Legal Process for the Enforcement of Child Support and Alimony Obligations

See Chapter 41, section 4103.

5808 SGLI PROGRAM FOR RESERVE COMPONENTS

580801. Basic Coverage

SGLI automatically insures eligible members against death for $400,000, unless the member elects a reduced coverage or declines coverage. SGLI is payable upon the member's death while insured.

580802. Periods of Coverage

See Chapter 47, Table 47-1.

580803. Changes in Coverage

See Chapter 47, Table 47-1. A member who is covered for an amount less than the maximum coverage may later apply for increased coverage in writing, up to $250,000 with proof of good health.

*580804. Full-Time Coverage

Members of a Reserve Component are eligible for full-time SGLI coverage while assigned to a unit or position in which they are required to perform AD or ADT, and each year will be required to perform at least 12 periods of IDT that is creditable for retirement purposes. Services' SGLI procedures must provide for timely determination of the effective start dates for eligible members and stop dates whenever a member does not meet the eligibility criteria. When a member ceases to meet the conditions of eligibility for full-time SGLI coverage, the Service must notify the member of the pending termination of benefits. Also, see Chapter 47, paragraph 470201.

A. Member in a Pay Status. SGLI premiums will be collected from the member's AD pay or drill pay whenever possible. This should apply to members who drill regularly, even if they are not scheduled to drill every month. Even though a member may not drill on a particular month and may not receive any pay, premium due is still included in the

monthly transfer of funds to the Department of Veterans Affairs and must be collected from the member as quickly as possible. This can be done by deduction either from pay or direct payment from the member. The Defense Finance and Accounting Service (DFAS) will establish a debt on the member's pay account and collect the total premium due when pay is due. When a member ceases to meet the conditions of eligibility for SGLI coverage, the member's parent Service must inform DFAS in a timely manner to allow any final premium liability to be deducted from final pay and to preclude further overpayments.

* B. Member in a Non-Pay Status. When a member is insured under an insurance policy purchased by the Uniformed Service, the Secretary concerned will contribute from the appropriation for active duty pay the share of the cost attributable to insuring the member under this policy during any month in which:

1. The member is in a non-pay status; and

2. The member is assigned to the Ready Reserve of a Uniformed Service which requires the member, each year, to perform at least 12 periods of IDT that is creditable for retirement purposes.

Note: Any amounts contributed on behalf of the member shall be collected by DoD via direct remittance, if the member has been identified by the Service concerned as a Direct Remitter. Collection may include establishing a debt against the member's pay account and monies collected shall be credited to the appropriation from which the contribution was made.

C. Direct Remitters. Each Service must have clearly established programs to identify members who are required to make a direct remittance of premiums. Services must notify members at least 30 days in advance of the date the direct remittance is due. The notice will include the amount of the payment, the date it is due, and the Service's address to which the payment should be sent. The member must make remittance within 30 days from the date of the notice.

1. Failure to Make Remittance Within 60 Days. When a member fails to make the direct remittance within 60 days from the due date, the Secretary of the Military Department concerned must notify the member of termination of SGLI coverage unless the member justifies the delinquency to the satisfaction of the Secretary of the Military Department concerned.

2. Termination of SGLI Coverage. When the Secretary of the Military Department concerned determines that the member failed to make direct remittance within 60 days of the due date, the Secretary will send a "Notice of SGLI Termination" to the member's official address. The notice must clearly state that effective 60 days from the date of such notice, the member's SGLI will be terminated. If a member fails to justify the delinquency within 60 days, then the Secretary of the Military Department concerned will send the "Final Notice of SGLI Termination" by certified mail to the member's official address. The Secretary of the Military Department concerned must notify DFAS of the member's effective date of termination. Once

SGLI coverage is terminated, it will remain terminated with reinstatement only as approved by the Secretary of Veterans Affairs.

3. Continuation of Coverage. SGLI coverage may be continued if, and only if, the member remits all required premiums within 60 days from the "Notice of SGLI Termination" and justifies the reason for the late payment (subject to approval by the Secretary of the Military Department concerned). A copy of all requests for continuation of SGLI coverage and the Service's final determination will be forwarded within 30 days to:

Director of Compensation
Attn: Termination of SGLI Coverage
ODASD(FMP)(MPP)(Comp)
Washington, DC 20301-4000

580805. Part-Time Coverage

Part-time coverage is available to certain eligible members of a Reserve Component who do not qualify for full-time coverage while performing AD or ADT under calls or orders of specified periods of 30 days or less. Members may elect coverage of $400,000 or less in $50,000 increments, or decline coverage. See Chapter 47, section 4705 for premium rates.

A. Election Changes. Amounts deducted for coverage before the effective date of a waiver of coverage or before an election of a lesser amount of coverage are not refunded. When a member elects increased coverage during a year in which a duty period has already been performed, collect the difference (between the higher annual premium and the premium previously collected) during the first period of duty in which the member is in a pay status that same year, if applicable. A proof of good health is required for any increase of coverage. A member may use the electronic ***SGLV 8286*** to make election changes.

B. Continuation of Coverage. Any election made continues in effect during continuous obligation to perform duty in the same Uniformed Service, including any AD for a period of more than 30 days. For mobilization, see Chapter 47, Table 47-1, rule 8.

580806. Appellate Leave

See Chapter 47, section 4704.

580807. Forfeiture of Coverage

See Chapter 47, paragraph 470203.

580808. Refunds

See Chapter 47, section 4706.

580809. Settlement of SGLI Claims

See Chapter 47, section 4708.

580810. Retired Reserve

Reservists with full-time coverage will, upon retirement, have the option of converting their SGLI coverage to Veterans Group Life Insurance (VGLI). On the day that a member is assigned to (or who upon application would be eligible for assignment to) the Retired Reserve, such member's SGLI coverage will remain in effect for 120 days after separation or retirement. Within this 120-day period, the member may apply for conversion to VGLI, and medical proof of insurability is not required.

580811. Family Coverage Under SGLI

See Chapter 47, section 4709.

*Table 58-1. MDA

MDA	
Effective	**Amount**
January 1, 2009	$197.86
January 1, 2010	$205.00
January 1, 2011	$215.63
January 1, 2012	$207.28
January 1, 2013	$209.71
January 1, 2014	$210.90
January 1, 2015	$216.25
January 1, 2016	$211.25
January 1, 2017	$230.00

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		37 U.S.C. § 1002
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	580205.B	37 U.S.C. § 433
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		10 U.S.C. § 12319
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VOLUME 7A, CHAPTER 59: "PAYMENT TO MEMBERS OF THE SENIOR RESERVE OFFICERS' TRAINING CORPS (SROTC)"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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

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

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

The previous version dated March 2016 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current administrative instructions.	Revision
590409	Extended the "Duration of Authority" for the SROTC Skill Proficiency Bonus to December 31, 2017.	Revision
Bibliography	Updated statutes and references in the Bibliography.	Revision

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CHAPTER 59

PAYMENT TO MEMBERS OF THE SENIOR RESERVE OFFICERS' TRAINING CORPS (SROTC)

5901 GENERAL

590101. Purpose

This chapter establishes policy pertaining to the pay and allowances for members of the SROTC.

590102. Authoritative Guidance

The bibliography at the end of this chapter lists the authoritative references.

5902 ENTITLEMENTS

590201. Pay While Attending Training

Under Title 37, United States Code (U.S.C.), section ***203(c)***, pay for cadets and midshipmen at the U.S. Military, Naval, and Air Force Academies is authorized at a prescribed rate. The rate for a cadet or midshipman, who is a member of the regular component of an armed force, will be at the rate of basic pay applicable to the member. These rates apply for:

A. A cadet or midshipman in the SROTC, while attending training or practice cruises, if the training or cruise is of at least four weeks duration and must be completed before the cadet or midshipman is commissioned; or

B. An applicant for membership in the SROTC program, while attending field training or practice cruises to satisfy the requirements for admission to advanced training.

NOTE: A member or applicant for membership in the SROTC program is not entitled to longevity increases or basic pay while performing authorized travel to or from training site.

590202. Advance Pay

See Chapter 32, paragraph 320210.

590203. SROTC Graduates Ordered to Active Duty

A. Officers Ordered to Extended Active Duty. The provisions of Chapters 1 through 55 apply to these officers.

B. Officers Performing Initial Periods of Active Duty Training Under ***Title 50***, War And National Defense. The provisions of Chapter 57 apply to these officers.

590204. Commutation In Lieu Of Uniforms

A. Army. See Army Regulation (AR) ***710-2***, Chapter 2, Section V, paragraph 2-27 (2).

B. Navy. See Regulations for Officer Development, Naval Service Training Command (NSTC) Manual ***1533.2A*** Series.

C. Air Force. See Holm Center Instructions 65-101.

NOTE: The Air Force ROTC Cadet Payment Programs (Holm Center Instructions 65-101), is available via the Air Force Portal.

590205. Textbook Allowances, Scholarship Cadets, and Midshipmen

A. Army. The Commander, U.S. Army Cadet Command prescribes the rates.

B. Navy. See Naval ROTC (NROTC), NSTC Manual 1533.2A Series.

C. Air Force. See Holm Center Instructions 65-101.

NOTE: The Air Force ROTC Cadet Payment Programs (Holm Center Instructions 65-101), is available via the Air Force Portal.

590206. Restrictions

A. Travel Allowances. A member or applicant for membership in the SROTC program is not entitled to travel allowances while performing field training or at-sea training, except as authorized in section 5908.

B. Special and Incentive Pay. A member or applicant for membership in the SROTC program is not entitled to special or incentive pay, except as provided in section 5904.

C. Navy Reserve Drill Pay. Drill payments to Navy SROTC members are authorized only for students selected for advanced training in their freshman and sophomore years, and who specifically request continuation in a drill status.

5903 SUBSISTENCE ALLOWANCE

590301. Scholarship Cadets or Midshipmen

Except as prescribed in paragraph 590307, a member of the SROTC program, selected for advanced training, is entitled to a monthly subsistence allowance as provided in Table 59-1. Entitlement begins on the day the cadet or midshipman starts advanced training and ends upon the completion of their instruction. In no event, however, will any member receive such pay for more than 30 months.

590302. SROTC Members Appointed In Reserves

Except as prescribed in paragraph 590307, a member of SROTC, enrolled in the first two years of a four-year program, is entitled to a monthly subsistence allowance as provided in Table 59-1 when appointed for a maximum of 20 months. A member, enrolled in the advanced course, is entitled to subsistence as prescribed in paragraph 590301.

590303. Non-scholarship SROTC Members Not In Advanced Training

A member of the SROTC, who has entered into an agreement under 10 U.S.C. § ***2103a***, is entitled to a monthly subsistence allowance at the rate provided in Table 59-1. That allowance may be paid to the member by reason of such agreement for a maximum of 20 months.

590304. Non-scholarship Cadets or Midshipmen

Non-scholarship cadets and midshipmen are not entitled to subsistence allowance, except as noted in paragraph 590407.

590305. Subsistence Allowance for Marine Corps Platoon Leaders Class

Except while serving on active duty, members of the Marine Corps Platoon Leaders Class program are entitled to subsistence allowance at the rates provided in Table 59-1. Only members in the sophomore, junior, and senior class (Levels II, III, and IV) are entitled to a subsistence allowance. Members of the freshman class are not entitled to a subsistence allowance. Detailed instructions, governing the payment of the subsistence allowance, are in the Marine Corps Total Force System Personnel Reporting Instructions Manual.

590306. Accelerated Completion of Military Instruction

A cadet or midshipman participating in advanced training, at an institution that has withdrawn from the program, may complete the third and fourth year (or the fourth and fifth year of a five-year program) of military training in the third year (or the fourth year of a five-year program) and be paid subsistence allowance during the fourth academic year (AY) (or the fifth year of a five-year program), as though enrolled for training in the fourth year (or the fifth year of a five-year program).

590307. Limitations

A. Deduction for Field Training and At-Sea Training. A cadet or midshipman is not entitled to subsistence allowance while performing field training or at-sea training. During the period of field training or at-sea training, the cadet or midshipman is entitled to basic pay as specified in paragraph 590201.

B. Vacation Periods

1. A cadet or midshipman, enrolled in the first 2 years of the program is not entitled to subsistence allowance for any period(s) between academic school years, such as for summer vacations between academic school years. Holiday breaks do not interrupt the entitlement.

2. A cadet or midshipman, enrolled in the advanced course, is entitled to subsistence allowance uninterrupted by any periods between academic school years, subject only to the overall 20 months (30 months in an approved five-year program) of entitlement limitation and subject to deduction for any periods of field training or at-sea training.

C. Government Meals Furnished Without Charge. SROTC members will have deducted from their subsistence allowance, on a per-meal basis, the charge for government meals furnished without charge. The total deduction for any day will not exceed 1/30th of the subsistence allowance. This recoupment provision does not apply, when meals are furnished, while participating in training events conducted during the AY.

590308. Payment Procedures

Detailed instructions governing the payment of subsistence allowance to the respective SROTC members are contained in:

A. Army. See AR ***145-1***;

B. Navy. See NROTC, NSTC Manual 1533.2A Series; and

C. Air Force. See Holm Center Instructions 65-101.

NOTE: The Air Force ROTC Cadet Payment Programs (Holm Center Instructions 65-101), is accessible via the Air Force Portal.

5904 SROTC SKILL PROFICIENCY BONUS (SPB)

590401. Eligibility

The Secretary of the Military Department concerned may pay an SROTC SPB under this section and the Department of Defense Instruction (DoDI) ***1340.27***, Military Foreign Language SPB, to a cadet or midshipman of SROTC who:

A. Is enrolled as a cadet or midshipman of SROTC, as determined in accordance with regulations prescribed by the Secretary of Defense;

B. Participates in a language immersion program approved for the purposes of SROTC, or in study abroad, or is enrolled in an academic course that involves instruction in a foreign language of strategic interest. A foreign language of strategic interest includes a language

listed on the Department of Defense (DoD) Strategic Language List, or other foreign language of strategic interest, which may be designated by the Secretary of the Military Department concerned as critical for purposes of foreign language SPB to the DoD, as designated by the Secretary of Defense for purposes of this section;

C. Enters into a written agreement under paragraph 590403;

D. Pursues a course of study to acquire a critical foreign language as defined by the Secretary of the Military Department concerned; and

E. Satisfactorily completes the course. To satisfactorily complete the course, a contracted cadet or midshipmen must attain a letter grade of "B" or higher to warrant the SPB payment.

NOTE: An SROTC member may be paid an SROTC SPB if the student is enrolled in SROTC, even though the student may not have completed the first year of a four-year SROTC course or has become an obligated member under the SROTC program.

590402. Limitations

A. SROTC SPB will not be paid retroactively for courses completed at another institution in the event a newly contracted cadet or midshipman transfers from that institution to a ROTC affiliated college, university, or ROTC consortium.

B. SROTC SPB will not be paid to cadets or midshipmen who take the College Level Examination Program test, distance learning, or on-line courses to receive college credit for foreign language or cultural studies classes.

590403. Written Agreement

The Secretary of the Military Department concerned will require a contracted cadet or midshipmen to enter into a written agreement. The written agreement will specify:

A. The required SROTC SPB critical skill course of study;

B. The amount of the SROTC SPB;

C. The academic period(s) in which the SROTC SPB will be paid;

D. The required SROTC SPB course of study; and

E. That the cadet or midshipman will be paid the SPB after satisfactory completion of the SROTC SPB course.

590404. Amounts

A. An SROTC SPB will not exceed $3,000 for each 12-month period that follows a qualifying academic period in which a cadet or midshipmen satisfactorily completes a course of study to develop an SROTC SPB critical skill.

B. Any SROTC SPB payments for summer language immersion or study abroad programs, combined with any previous SPB payments for that AY, must not exceed the 12-month (full AY) SROTC SPB entitlement (summer immersion payment plus previous SPB payments) limit of $3,000.

NOTE: The Secretary of the Military Department concerned may change the start and end dates of this 12-month period, to accommodate different schedules, for their ROTC affiliated colleges, universities, and ROTC consortiums, provided that the newly defined 12-month period reflects a minimum of 365 consecutive days.

590405. Method of Payment

The SROTC SPB, for a qualifying course(s) or immersion training, will only be paid in a lump sum payment, following the satisfactory completion of that course or immersion training.

590406. Certification of Proficiency and Waiver

The DoD may waive the annual proficiency certification requirement for an SPB. In order for the DoD to waive this requirement, the contracted cadet or midshipman must satisfactorily complete the course of study, during the qualifying academic period or year, preceding the payment of the SPB.

590407. Monthly Subsistence Allowance

During the period covered by the SROTC SPB, the student is entitled to a monthly subsistence allowance as detailed in section 5903, even though the student has not entered into an agreement under 10 U.S.C. § 2103a. If paid, the monthly subsistence allowance will be as authorized in Table 59-1. An SROTC cadet may only receive a single monthly subsistence allowance.

590408. Repayment

A member, who is paid a proficiency bonus under this section but does not satisfactorily complete participation in the language program or study as described in paragraph 590401 (or does not complete the requirements of the SROTC, as applicable), may be subject to the repayment provisions of Chapter 2. SROTC SPB must not be calculated in the cost of advanced education, should the Secretary of the Military Department concerned choose to exercise his/her written agreement option to seek reimbursement of the cost of a former student's advanced education.

*590409. Duration of Authority

Unless extended by the authority of the Congress, no agreement may be entered into for the SROTC SPB under this section after December 31, 2017.

5905 DEDUCTIONS

590501. General

The basic pay of a member or applicant for membership in the SROTC program is subject to Federal Income Tax Withholding and Federal Insurance Contributions Act taxes. See the Department of the Treasury Internal Revenue Service Publication ***15-A*** and Chapter 45, Table 45-1, for tax withholding rates.

590502. Servicemembers' Group Life Insurance (SGLI)

SGLI is authorized for SROTC members. Cadets and midshipmen are provided SGLI coverage while proceeding directly to or returning from the place where duty is performed. The following duty conditions apply:

A. Chapter 47 applies to members, cadets, or midshipmen of SROTC performing full-time duty while attending field training or practice cruises under calls or orders for 30 days or more.

B. Chapter 58, section 5808 applies to members, cadets, or midshipmen of SROTC performing full-time duty while attending field training or practice cruises under calls or orders for 30 days or more.

590503. Allotments

A member or applicant for membership in the SROTC program is not authorized to register allotments.

5906 DISABILITY BENEFITS

590601. Entitlements for Cadets and Midshipmen Disabled While En Route To or From Field or At-Sea Training

A cadet or midshipman, who is disabled en route to or from field or at-sea training, and is otherwise entitled to a subsistence allowance described in section 5903, is entitled to a subsistence allowance for the day of incurrence of the disability and continuing thereafter, subject to the provisions of section 5903.

590602. Entitlement for Cadets and Midshipmen Disabled While Attending Field or At-Sea Training

A cadet or midshipman, who is disabled while attending field or at-sea training, is entitled to the monthly cadet rate of pay prescribed in Chapter 1, Table 1-7 through the last day of the ordered training period. If the disability continues beyond the ordered tour, the cadet or midshipman, if otherwise entitled, is entitled to a subsistence allowance described in section 5903.

5907 PAYMENTS ON BEHALF OF DECEASED MEMBERS

Beneficiaries, of any member or applicant for membership in the SROTC program who dies under the conditions specified in paragraph 590602, are entitled to Death Gratuity under the provisions of Chapter 36, section 3602, and unpaid pay and allowances under section 3603.

5908 TRAVEL AND TRANSPORTATION ALLOWANCES

The travel and transportation allowances payable to SROTC cadets and midshipmen are prescribed in the Joint Travel Regulation***, Chapter 7, Part K, 7375***.

Table 59-1. SROTC Monthly Subsistence Allowance

SROTC MONTHLY SUBSISTENCE ALLOWANCE				
EFFECTIVE DATE	**FRESHMAN Level 1**	**SOPHOMORE Level 2**	**JUNIOR Level 3**	**SENIOR Level 4**
December 1, 2000	$250.00	$250.00	$300.00	$350.00
October 1, 2002	$250.00	$300.00	$350.00	$400.00
October 1, 2005 (note)	$300.00	$350.00	$450.00	$500.00

NOTE: These are alternative rates, effective October 1, 2005. The alternative rates are payable if approved by the Secretary of Defense.

*BIBLIOGRAPHY

CHAPTER 59 – PAYMENT TO MEMBERS OF THE SENIOR RESERVE OFFICERS' TRAINING CORPS (SROTC)

5902 – ENTITLEMENTS

	590201	37 U.S.C. § 203(c) 10 U.S.C., Subtitle A, Part III, Chapter 103
*		10 U.S.C. § 2104(b)(6)(A)(B)
*	590201.A & B	37 U.S.C. § 209(d)
*	590204	DoDI 1215.08, January 19, 2017, paragraph 3.9

5903 – SUBSISTENCE ALLOWANCE

*	590301	37 U.S.C. § 209(a)

5904 – SROTC SPB

	590401	37 U.S.C. § 353(b) DoDI 1340.27, May 21, 2013
	590408	10 U.S.C. § 2005(a)(3)
*	590409	Public Law 114-328, section 614(9), December 23, 2016

5906 – DISABILITY BENEFITS

	590601	10 U.S.C. § 2109
	590602	5 U.S.C. § 8140

5907 – PAYMENTS ON BEHALF OF DECEASED MEMBERS

10 U.S.C. § 1475-1480

5908 – TRAVEL AND TRANSPORTATION ALLOWANCES

37 U.S.C. § 422

Table 59-1	Assistant Secretary of Defense Memo, July 24, 2001 Office of the Under Secretary of Defense (Personnel & Readiness) Memo, August 22, 2005

VOLUME 7A, CHAPTER 60: "HEALTH PROFESSIONS SCHOLARSHIP PROGRAM FOR ACTIVE SERVICE"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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

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

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

The previous version dated November 2016 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
600403	Increased the stipend amount to $2,276.10 effective July 1, 2017 in accordance with the Assistant Secretary of Defense Health Affairs Memo dated May 8, 2017.	Revision
600410.F	Removed contradictory information and renumbered subsequent subparagraph accordingly.	Deletion
Bibliography	Updated references.	Revision

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CHAPTER 60

HEALTH PROFESSIONS SCHOLARSHIP PROGRAM FOR ACTIVE SERVICE

6001 GENERAL

600101. Purpose

The purpose of this chapter establishes policy pertaining to the Health Professions Scholarship Program for Active Service. The Secretary of the Military Department concerned may provide for the payment of all educational expenses incurred by a member of the Armed Forces Health Professions Scholarship Program (AFHPSP), including tuition, fees, books, and laboratory expenses. Such payments, however, will be limited to those educational expenses normally incurred by students at the institution and in the health profession concerned who are not members of AFHPSP.

600102. Authoritative Guidance

The bibliography at the end of this chapter lists the authoritative references.

6002 AFHPSP

600201. Purpose

The purpose of the AFHPSP is to obtain adequate numbers of commissioned officers on active duty who are qualified in the various health professions, including health professionals with specific skills to assist in providing mental health care to members of the Armed Forces.

600202. Responsibility

The Secretary of the Military Department concerned, under regulations prescribed by the Secretary of Defense, may establish and maintain a Health Professions Scholarship and Financial Assistance Program (FAP) for their department. The Secretary of the Military Department concerned will allocate a portion of the total number of scholarships available in their department to members of AFHPSP described in subparagraph 600201.B for assisting such members to pursue a degree at the master and doctoral level, with obligatory periods of military training, in any of the following disciplines:

A. Social work;

B. Clinical psychology;

C. Psychiatry; or

D. Other disciplines that contribute to mental health care programs in that Military Department.

600203. Eligibility

To be eligible for participation in the AFHPSP, a person must be a citizen of the United States and must:

A. Be accepted for admission to, or enrolled in, an institution in a course of study or selected to receive specialized training, or, if offered, agree to accept residency training in a health profession skill which has been designated by the Secretary of the Military Department concerned as a critically needed wartime skill;

B. Sign an agreement to:

1. Complete the educational phase of AFHPSP;

2. Accept an appropriate reappointment or designation within his or her military service, if tendered, based upon his or her health profession, following satisfactory completion of AFHPSP;

3. Participate in the intern program of his or her service, if selected for such participation;

4. Participate in the residency program of his or her service, if selected, or be released from active duty for the period required to undergo civilian residency, if selected for such training; or

5. Participate in military training while in AFHPSP, under regulations prescribed by the Secretary of Defense; and

C. Meet the requirements for appointment as a commissioned officer.

600204. Active Duty Obligation

A member of AFHPSP incurs an active duty obligation based upon the following conditions:

A. The period of obligation, as prescribed under regulations by the Secretary of Defense, may not be less than 1 year for each year of participation in AFHPSP.

B. A period spent as a military intern or in residency training will not be creditable in satisfying the active duty obligation.

C. A member of AFHPSP, who is dropped from AFHPSP for deficiency in conduct or studies or for other reasons, may be required to perform active duty in an appropriate military capacity in accordance with the active duty obligation imposed in this program.

D. The Secretary of the Military Department concerned may relieve a member of AFHPSP, who is dropped from AFHPSP, from an active duty obligation, but such relief will not relieve the member from any military obligation imposed by any other law.

E. A member of AFHPSP, who is relieved of the member's active duty obligation before the completion of that active duty obligation, may be given, with or without the consent of the member, any of the following alternative obligations, as determined by the Secretary of the Military Department concerned:

1. A service obligation in another Armed Force for a period of time not less than the member's remaining active duty service obligation;

2. A service obligation in a component of the Selected Reserve for a period not less than twice as long as the member's remaining active duty service obligation; or

3. Repayment of a percentage of the total cost incurred pursuant to the repayment provisions of Chapter 2.

F. If a member is relieved of an active duty obligation by reason of separation because of a physical disability, then the Secretary of Military Department concerned may give the member a service obligation as a civilian employee. The member may be employed as a health care professional, in a facility of the uniformed services, for a period equal to the member's remaining active duty service obligation.

6003 ACCESSION BONUS (AB)

600301. Eligibility

To be eligible for AFHPSP, an individual must meet the requirements of paragraph 600203.

600302. Amount

The Secretary of Defense may offer a member, who enters into an agreement under subparagraph 600203.B, an AB not to exceed $20,000.

600303. Relationship to Other Payments

An AB paid to a member is in addition to any other amounts payable under the AFHPSP.

600304. Repayment

A member who receives an AB under this section, but fails to comply with the agreement under subparagraph 600203.B, or fails to commence or complete the active duty obligation discussed in paragraph 600204, will be subject to the repayment provisions of Chapter 2.

6004 PAY ENTITLEMENTS

600401. Active Duty

A. Members participating in AFHPSP will be commissioned officers in the Reserve Component of the Armed Forces and will be ordered to active duty for a period of 45 days during each year of participation.

B. Members pursuing a course of study will serve on active duty in pay grade O–1 with full pay and allowances of that grade.

C. Members pursuing specialized training will serve on active duty in a pay grade commensurate with their educational level as determined by appointment, with full pay (including Reserve Medical Officers Special Pay) under Chapter 5, section 0509, and allowances of that grade for a period of 14 days, during each year of participation in AFHPSP.

D. Members will be detailed as students at accredited civilian institutions, located in the United States or Puerto Rico, for the purpose of acquiring knowledge or training in a designated health profession. This active duty period may be served at the location where the member is receiving specialized training, if it would otherwise interrupt the member's residency or fellowship training to serve elsewhere on active duty.

600402. Prior Active Service

Effective January 28, 2008, a member, who has been selected as a medical student and who has prior military service at a pay grade with years of service credited for pay, will be paid basic pay at such prior pay grade and years of service, if this rate of basic pay exceeds the rate of basic pay to which he would be entitled as a medical student. The amount of the basic pay will be increased on January 1 of each year by an average increase in basic pay for the year. The member will continue to receive the higher basic pay of his or her prior pay grade until the basic pay for the member's actual grade and years of service credited for pay exceeds the basic pay he or she is receiving, regardless of whether this occurs before or after the conclusion of his or her participation as a medical student.

*600403. Stipend

Except during periods of active duty (see paragraph 600401), members enrolled in this program are entitled to a monthly stipend of $2,276.10 per month, effective July 1, 2017. These rates are payable during periods of absence.

A. Payment. Payment starts on the date of execution of the oath of office, the date of execution of AFHPSP contract, or the date of commencement of the academic curriculum, whichever is latest. Payment normally continues until the date of graduation or completion of specialized training. The stipend is payable during the course of study and during vacation periods when members are not on active duty. The stipend is prorated for portions of a month at the beginning and end of the course of study, and the beginning and end of any active duty period.

B. Termination. If a member of AFHPSP is suspended or disenrolled from the designated course of training, stipend payments terminate on that date. Some students complete their professional degree requirements several months before the formal graduation ceremony and conferral of the professional degree. In those cases, where the actual award of a professional degree is a prerequisite to re-commissioning into a professional corps or utilization in the profession, and a lapse of time occurs for administrative reasons, the payment of the stipend should be terminated. The date for termination of the stipend should be the completion of the academic training, if this date precedes the date of graduation by more than 45 days.

C. Recoupment. Educational costs of AFHPSP and stipends are subject to recoupment when members of AFHPSP are dropped for deficiency in conduct or studies, or when members, for other reasons, fail to fulfill their contractual agreement as a result of action not initiated by the government.

600404. Advance Pay

Members may be paid an advance pay when reporting for the 45-day active duty tour. (See Chapter 32, paragraph 320208.)

600405. Travel Time

During the active duty period, including allowable travel time under Chapter 1, Table 1-6, members serve in pay grade O–1 and are normally entitled to full pay and allowances (see Chapter 57) for that grade.

600406. Officer's Initial Uniform Allowance

A member of the AFHPSP is entitled to an initial uniform allowance upon reporting for the first period of active duty. (See Chapter 30, section 3002.)

600407. Servicemembers' Group Life Insurance (SGLI)

Members, while under this program, are entitled to SGLI coverage for the 45-day active duty tour. For deductions during active duty periods, see Chapter 47, section 4705.

600408. Tax Withholding

A. Active duty pay paid under this program is subject to Federal Income Tax Withholding (FITW), State Income Tax Withholding (SITW) (if applicable), and Federal Insurance Contribution Act (FICA) withholding in the same manner as prescribed in Chapters 44 and 45.

B. Monthly stipends paid to students entering AFHPSP are subject to FITW and SITW.

C. Monthly stipends are not subject to FICA.

D. Amounts paid directly to schools on behalf of students for tuition, books, fees, laboratory expenses, and any reimbursements for such items paid to students participating at any time in AFHPSP are not subject to withholding for FITW, SITW, or FICA.

600409. Settlement of Deceased Member's Accounts

See Chapter 36, section 3603 for authority for payment of any unpaid pay and allowances (includes the amount of unpaid stipend).

600410. Creditable Service

A. Except as provided in subparagraph 600410.B, service performed while a member of AFHPSP will not be counted:

1. In determining eligibility for retirement, other than by reason of physical disability incurred while on active duty as a member of AFHPSP; or

2. In computing years of service creditable.

B. The Secretary of the Military Department concerned may authorize service performed by a member of AFHPSP, in pursuit of a course of study under this section, to be counted as creditable service, if the member:

1. Completes the course of study;

2. Completes the active duty obligation; and

3. Possesses a specialty designated by the Secretary of the Military Department concerned as critically needed in wartime.

C. Service credited under subparagraph 600410.B counts only for the award of retirement points for the computation of years of service and retired pay.

D. The number of points credited to a member under subparagraph 600410.B.1 for a year of participation in the course of study is 50. The points will be credited to the member at the end of each year after the completion of the course of study, when the member serves in the Selected Reserve and is credited with at least 50 points.

E. Service may not be counted under subparagraph 600410.B for more than 4 years of participation in the course of study as a member of AFHPSP.

F. A member is not entitled to any retroactive award of, or increase in, pay or allowances by reason of an award of service credit under subparagraph 600410.B.

6005 FAP

600501. Grant

Effective July 1, 2008, a member participating in the AFHPSP specialized training will be paid an annual grant in an amount not to exceed $45,000, in addition to the stipend under paragraph 600403.

A. A grant is paid annually based on the rate in effect on the date of entitlement.

B. A grant is prorated only for partial years of participation, to include the final payment. Subsequent installments are to be issued on the anniversary date of the initial payment.

C. The amount of the grant is reviewed and increased as appropriate in the same manner as provided for the stipend.

D. Payment starts on the date of execution of the oath of office, the date of execution of the FAP contract, or the date of commencement of the academic curriculum, whichever is latest.

E. Payment will continue until the date of graduation or completion of specialized training, unless the program participant is suspended or disenrolled from the designated course of study or specialized training or fails to comply with terms of the program agreement, Service policy, or regulation.

F. The authority to make the grant and stipend payments is not affected by any payments made to the member by the civilian training institution.

600502. Recoupment

A member of the FAP who fails to complete specialty training because of a deficiency in conduct or studies, or who, for other reasons, fails to fulfill the contractual agreement as a result of action not initiated by the government, may be required to reimburse the government for all or a portion of payments received during participation in FAP. Recoupment is subject to the repayment provisions of Chapter 2.

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CHAPTER 60 – HEALTH PROFESSIONS SCHOLARSHIP PROGRAM FOR ACTIVE SERVICE

6002 – AFHPSP

600201	Title 10, United States Code (U.S.C.), section 2121(a)(1)
600202	10 U.S.C. § 2121(a)(2)
600203	10 U.S.C. § 2122
600204	10 U.S.C. § 2123

6003 – ACCESSION BONUS (AB)

600301	Assistant Secretary of Defense Health Affairs (ASD (HA)) Memo, April 25, 2011
600302	10 U.S.C. § 2128(a)
600303	10 U.S.C. § 2128(b)
600304	10 U.S.C. § 2128(c)

6004 – PAY ENTITLEMENTS

600401	10 U.S.C. § 2121(c)(1)
600401.C	10 U.S.C. § 12207
600402	10 U.S.C. § 2121(c)(2)
600403	10 U.S.C. § 2121(d)
*	ASD (HA) Memo, May 8, 2017
600404	37 U.S.C. § 1006(i)
600406	37 U.S.C. § 415 10 U.S.C. § 2121(c)
600407	38 U.S.C. §§ 1965-1976
600408	26 U.S.C. § 117
600409	10 U.S.C. § 2771
600410	10 U.S.C. § 2126
600410.A.2	37 U.S.C. § 205
600410.B.1.b	10 U.S.C. § 2123(a)
600410.B.2	10 U.S.C. §§ 12732 and 12733
600410.B.3	10 U.S.C. § 12732(a)(2)
600410.B.5	10 U.S.C. §§ 12732(a) and 12733

6005 – FAP

600501	Department of Defense Instruction 6000.13 December 30, 2015, Incorporating Change 1, May 3, 2016
*	ASD (HA) Memo, May 8, 2017

VOLUME 7A, CHAPTER 61: "BONUS PROGRAM FOR THE INDIVIDUAL READY RESERVE (IRR) AND INACTIVE NATIONAL GUARD (ING)"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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

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

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

The previous version dated June 2016 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
6102	Updated the "Duration of Authority" to December 31, 2017.	Revision
Bibliography	Updated references.	Revision

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CHAPTER 61

BONUS PROGRAM FOR THE INDIVIDUAL READY RESERVE (IRR) AND INACTIVE NATIONAL GUARD (ING)

6101 GENERAL

610101. Purpose

The Secretary concerned may pay a bonus to an eligible member who enlists, reenlists, or voluntarily extends an enlistment in a Reserve Component (RC) of an Armed Force for assignment to an element (other than the Selected Reserve (SELRES)) of the IRR or an element of the ING.

610102. Authoritative Guidance

The bibliography at the end of this chapter lists the authoritative references.

*6102 DURATION OF AUTHORITY

A bonus may not be paid to any person for a reenlistment, enlistment, or voluntary extension of an enlistment after December 31, 2017.

6103 ELIGIBILITY

610301. Criteria

A person is eligible for a bonus if the person:

A. Is or has been a member of the Armed Forces;

B. Is qualified in a skill or specialty designated by Secretary of the Military Department concerned as a critically short wartime skill or critically short wartime specialty;

C. Has not failed to complete satisfactorily any original term of enlistment in the Armed Forces;

D. Enlists, reenlists, or extends an enlistment for 3 or 6 years beyond any other period of military service the person is obligated to serve; and

E. Has not completed more than 14 years of total military service.

610302. Transfers to Another Military Service

An individual who completes his/her obligation to one Military Service may be accepted by another Military Service for enlistment, provided the individual possesses a skill approved by the gaining Military Service for the payment of the bonus.

610303. Army

Army members who transfer from the ING to the IRR may continue to receive the bonus, provided such members continue to serve satisfactorily.

610304. Called or Ordered to Active Duty

A person entitled to a bonus, who is called or ordered to active duty, will be paid during that period of active duty any amount of the bonus that becomes payable to the member.

610305. Critically Short Wartime Skill

The Secretary concerned may designate a skill or specialty as a critically short wartime skill or critically short wartime specialty if:

A. The skill or specialty is critical to meet wartime requirements of the Armed Force; and

B. There is a critical shortage of personnel in that Armed Force who are qualified in that skill or specialty.

610306. Waiver

The Secretary concerned may waive the eligibility requirement in subparagraph 610301.B in the case of a reenlistment or voluntary extension of enlistment, by a member of the Armed Forces, while serving on active duty in Afghanistan in support of Operation Freedom's Sentinel, or Iraq and Kuwait in support of Operation Inherent Resolve.

6104 AMOUNTS PAYABLE

610401. Amount

An amount not to exceed $3,000 may be paid to a person who voluntarily enlists or reenlists for a period of 6 years, or $1,500 to a person who voluntarily enlists or reenlists for a period of 3 years.

A. A $500 bonus will be paid at the time of the enlistment, reenlistment, or extension for a period of 6 years, with the remainder paid in equal annual increments.

B. A bonus paid for a 3-year enlistment, reenlistment, or extension contract will be in equal annual increments.

610402. Additional Amount

An additional amount of up to $1,500 may be paid for a subsequent reenlistment or extension, provided the individual has met the eligibility criteria of section 6103.

6105 OBLIGATION

A member must be contractually obligated to serve satisfactorily, as prescribed by the regulations of the Military Service concerned, in the IRR or ING for the full term of enlistment, reenlistment, or extension. As a condition of receipt of the bonus, recipients must agree to participate in an annual muster of the RC or on active duty for training, as may be required by the Secretary concerned.

610501. Extensions

The use of extensions, in lieu of reenlistments, is authorized and encouraged to:

A. Reduce the administrative burden of the reenlistment process; and

B. Eliminate the need for the oath of enlistment or reenlistment.

610502. Service

Participants must obligate themselves to continue to serve in the same Military Occupation Specialty (MOS) unless excused for the convenience of the Government.

610503. Transfers

A bonus recipient who later transfers to the SELRES is not required to refund the IRR or ING bonus. Bonus recipients who transfer to the SELRES are not eligible for a SELRES reenlistment bonus during the period for which an IRR or ING bonus was paid.

6106 TERMINATION OF BONUS ENTITLEMENT

Entitlement to the IRR and ING bonus will be terminated under the following conditions in paragraphs 610601 through 610605.

610601. Participation

The member fails to participate satisfactorily in the IRR or ING in accordance with the regulations of the Military Service concerned.

610602. Civilian Position

The member accepts a civilian position where membership in the RC is a condition of employment (persons on temporary assignment excluded).

610603. Separation

The member is separated from the IRR or ING as an enlisted member for any reason (including enlistment or voluntary recall into the active forces).

610604. Officer Commissioning Program

The member becomes a simultaneous member of an authorized officer program drawing a stipend.

610605. Non-Qualified MOS

The member moves to a non-bonus-qualified MOS unless at the express direction of the Military Service concerned (through no fault of the member).

6107 RECOUPMENT OF PAYMENTS

610701. Obligation

Any refund made by a member will not affect the period of obligation of such member to serve as a Ready Reservist or ING. Recoupment of unearned portions of the IRR and ING bonus is required when the member:

A. Fails to satisfactorily complete the designated term of enlistment, reenlistment, or extension of enlistment for which the bonus was paid unless the failure was due to reasons beyond the control of the member (for example, death, injury, illness, or other impairment not the result of member's misconduct);

B. Accepts a civilian position where membership in the RC is a condition of employment, if less than one-half of the contract term for which a bonus is payable has been served (persons on temporary assignment excluded);

C. Separates from the IRR or ING as an enlisted member (including enlistment or voluntary recall into the active component) other than by death or to accept an appointment as an officer in the IRR or ING;

D. Accepts an immediate appointment as an officer in the IRR or ING, if less than 1 year of the term has been served; or

E. Moves to a non-bonus-eligible MOS, unless at the express direction of the Military Service concerned (through no fault of the member).

610702. Computation

Recoupment will be the amount of bonus received multiplied by the quotient produced by dividing the number of whole months remaining unserved by the number of months in the term of the bonus. The product is the amount recouped.

Example: An individual reenlists in the IRR for 3 years and receives the maximum bonus of $1,500. Five months later, the individual is disqualified from entitlement to the bonus:

Amount of bonus received	$1,500
Multiplied by: Number of whole months remaining divided by term of bonus: 31/36 = .8611	x .8611
Amount to be recouped	$1,291.65

610703. Repayment

A person, who does not complete the period of enlistment or extension of enlistment for which the bonus was paid, will be subject to the repayment provisions of Chapter 2.

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* Public Law 114-328, section 611(5), December 23, 2016

6103 – ELIGIBILITY

610301.A, B, & C	37 U.S.C § 308h(a)(2)
610301.D & E	Department of Defense Instruction (DoDI) 1205.21, September 20, 1999
610306	37 U.S.C. § 308h(a)(4) Secretary of Defense (SecDef) Memo, February 17, 2010 SecDef Memo, July 21, 2010 SecDef Memo, October 16, 2015

6104 – AMOUNTS PAYABLE

37 U.S.C. § 308h(b)

6105 – OBLIGATION

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DoDI 1205.21, September 20, 1999
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VOLUME 7A, CHAPTER 62: "HEALTH PROFESSIONS STIPEND PROGRAM FOR SELECTED RESERVE SERVICE"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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

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

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

The previous version dated November 2016 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
620201	Increased the stipend amount to $2,276.10, effective July 1, 2017, in accordance with the Assistant Secretary of Defense Health Affairs Memo dated May 8, 2017.	Revision
Bibliography	Updated references.	Revision

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CHAPTER 62

HEALTH PROFESSIONS STIPEND PROGRAM FOR SELECTED RESERVE SERVICE

6201 GENERAL

620101. Purpose

The chapter establishes policy guidance pertaining to the Health Professions Stipend Program for Selected Reserve service.

620102. Authoritative Guidance

The bibliography at the end of this chapter lists the authoritative references.

6202 PAY COMPUTATION

*620201. Stipend

When a participant has agreed to serve in the Selected Reserve, the amount of a stipend effective July 1, 2017 shall be $2,276.10 per month, or one-half of that rate if the participant has agreed to serve in the Individual Ready Reserve.

A. Payment. The stipend is payable during specialized advanced training, during vacation periods, and during periods when officers are participating in annual training with the Selected Reserve. The stipend is prorated for portions of a month at the beginning and end of the course of specialized advanced training.

B. Termination. When an officer's eligibility for the stipend program is terminated, the officer no longer is entitled to receive a stipend. The effective date of termination is set by program administrators and communicated to the paying activity. Termination is based on criteria set by the Department of Defense (DoD).

C. Recoupment. A member of the program who, under regulations prescribed by the Secretary of Defense, is dropped from the program for deficiency in training, or for other reasons, shall be required:

1. To perform 1 year of active duty for each year (or part thereof) for which such person was provided financial assistance under this section; or

2. To comply with the repayment provisions of Title 37 United States Code (U.S.C.), section 303a(e) and Chapter 2.

NOTE: The Secretary of the Military Department concerned may relieve a member who is dropped from the program from any requirement that may be imposed under subparagraph

620201.C, but such relief shall not relieve the member from any military obligation imposed by any other law.

D. Prohibition of Duplicate Benefits. Financial assistance may be provided under this section to a member receiving financial assistance under 10 U.S.C. § 2107.

620202. Servicemembers' Group Life Insurance

For coverage, see Chapter 47, section 4702. For deductions during active duty periods, see Chapter 47, section 4705.

620203. Tax Withholding

A. Active duty pay paid under this program is subject to Federal Income Tax Withholding (FITW) and Federal Insurance Contribution Act (FICA) withholding in the same manner as prescribed in Chapters 44 and 45.

B. Monthly stipends paid to students entering the program are subject to FITW.

C. Monthly stipends are not subject to FICA withholding.

620204. Settlement of Deceased Members' Accounts

See Chapter 36, section 3603 for authority for payment of any unpaid pay and allowances (includes the amount of unpaid stipend).

6203 REQUIRED ACTIVE DUTY TRAINING

620301. Selected Reserve

A person who is required under the agreements described in sections 6204 through 6208 to serve in the Selected Reserve shall serve not less than 12 days of active duty for training each year during the period of service required by the agreement.

620302. Nonavailability

Members of the Ready Reserve, who incur a period of authorized nonavailability, shall be suspended without recoupment from their incentive. If subsequently assigned to the Reserve status and skill originally contracted for, then members may be reinstated in the incentive program if they extend their term of service or contract for service to be able to serve the full original incentive contract period. Entitlement to subsequent payments shall resume on the adjusted anniversary date of satisfactory and creditable Reserve service, as appropriate. These members are assigned temporarily to the Standby Reserve or to the Inactive National Guard, as appropriate, during the period of authorized nonavailability and are required to extend their Selected Reserve service agreement for a period that equals the period of authorized nonavailability.

A. Members of the Selected Reserve may incur a period of authorized nonavailability for up to 1 year for valid personal reasons as determined by the Secretary of the Military Department concerned.

B. During the period of nonavailability, a member is suspended without concurrent recoupment. A member shall not be entitled to subsequent payments or any other available incentives.

C. An officer is entitled to stipend payments when the anniversary date of satisfactory and creditable Ready Reserve service is adjusted for the period of authorized nonavailability.

6204 MEDICAL AND DENTAL SCHOOL STUDENTS

620401. Eligibility

The Secretary of the Military Department concerned may enter into an agreement with a person who:

A. Is eligible to be appointed as an officer in a Reserve Component (RC);

B. Is enrolled or has been accepted for enrollment in an institution in a course of study that results in a degree in medicine or dentistry;

C. Signs an agreement that, unless earlier separated, the person will:

1. Complete the educational phase of the program;

2. Accept a re-appointment or re-designation within the person's RC, if tendered, based upon the person's health profession, following satisfactory completion of the educational and intern programs; and

3. Participate in a residency program; and

D. Agrees to apply for (if eligible) and accept (if offered), residency training in a health profession skill, which has been designated by the Secretary of Defense as a critically needed wartime skill.

620402. Agreement

A. The Secretary of the Military Department concerned shall agree to pay the participant a stipend, in the amount contained in paragraph 620201, for the period or the remainder of the period that the student is satisfactorily progressing toward a degree in medicine or dentistry while enrolled in an accredited medical or dental school.

B. The participant shall not be eligible to receive such stipend before appointment, designation, or assignment as an officer for service in the Ready Reserve.

C. The participant shall be subject to such active duty requirements as may be specified in the agreement and to active duty in time of war or national emergency as provided by law for members of the Ready Reserve.

D. The participant shall agree to serve in the Selected Reserve, upon successful completion of the program, for the period of 1 year for each 6 months, or part thereof, for which the participant is provided a stipend pursuant to the agreement.

NOTE: In the case of a participant who enters into a subsequent agreement under section 6205 and successfully completes residency training in a specialty designated by the Secretary of Defense as a specialty critically needed by the Military Department in wartime, the requirement to serve in the Selected Reserve may be reduced to 1 year for each year, or part thereof, for which the stipend was provided while enrolled in medical or dental school.

6205 PHYSICIANS AND DENTISTS IN CRITICAL WARTIME SPECIALTIES

620501. Eligibility

Under the stipend program, the Secretary of the Military Department concerned may enter into an agreement with a person who:

A. Is a graduate of a medical school or dental school; and

B. Is eligible for appointment, designation, or assignment as a medical officer or dental officer in the RC of the Armed Force concerned or has been appointed as a medical or dental officer in the RC of the Armed Force concerned; or

C. Is enrolled or has been accepted for enrollment in a residency program for physicians or dentists in a medical or dental specialty designated by the Secretary of the Military Department concerned as a specialty critically needed by that Military Department in wartime.

620502. Agreement

A. The Secretary of the Military Department concerned shall agree to pay the participant a stipend, in the amount contained in paragraph 620201, for the period or the remainder of the period of the residency program in which the participant enrolls or is enrolled.

B. The participant shall not be eligible to receive such stipend before appointment, designation, or assignment as a medical officer or dental officer for service in the Ready Reserve.

C. The participant shall be subject to such active duty requirements as may be specified in the agreement and to active duty in time of war or national emergency as provided by law for members of the Ready Reserve.

D. The participant shall agree to serve, upon successful completion of the program, 1 year in the Selected Reserve for each 6 months, or part thereof, for which the stipend is provided.

6206 REGISTERED NURSES IN CRITICAL SPECIALTIES

620601. Eligibility

Under the stipend program, the Secretary of the Military Department concerned may enter into an agreement with a person who:

A. Is a registered nurse;

B. Is eligible for appointment as a Reserve Officer for service in an RC as a nurse; and

C. Is enrolled or has been accepted for enrollment in an accredited program in nursing in a specialty designated by the Secretary of the Military Department concerned as a specialty critically needed by that Military Department in wartime.

620602. Agreement

A. The Secretary of the Military Department concerned shall agree to pay the participant a stipend, in the amount contained in paragraph 620201, for the period or the remainder of the period of the nursing program in which the participant enrolls or is enrolled.

B. The participant shall not be eligible to receive such stipend before being appointed as a Reserve Officer for service in the Ready Reserve as a nurse.

C. The participant shall be subject to such active duty requirements as may be specified in the agreement and to active duty in time of war or national emergency as provided by law for members of the Ready Reserve.

D. The participant shall agree to serve, upon successful completion of the program, 1 year in the Selected Reserve for each 6 months, or part thereof, for which the stipend is provided.

6207 BACCALAUREATE STUDENTS IN NURSING OR OTHER HEALTH PROFESSIONS

620701. Eligibility

Under the stipend program, the Secretary of the Military Department concerned may enter into an agreement with a person who:

A. Will, upon completion of the program, be eligible to be appointed, designated, or assigned as a Reserve officer for duty as a nurse or other health professional; and

B. Is enrolled, or has been accepted for enrollment, in the third or fourth year of:

1. An accredited baccalaureate nursing program; or

2. Any other accredited baccalaureate program leading to a degree in a health profession designated by the Secretary of the Military Department concerned as a profession critically needed by that Military Department in wartime.

620702. Agreement

A. The Secretary of the Military Department concerned shall agree to pay the participant a monthly stipend in the amount contained in paragraph 620201 for the period or the remainder of the period of the baccalaureate program in which the participant enrolls or is enrolled.

B. The participant shall not be eligible to receive such stipend before enlistment in the Ready Reserve.

C. The participant shall be subject to such active duty requirements as may be specified in the agreement and to active duty in time of war or national emergency as provided by law for members of the Ready Reserve.

D. The participant shall agree to serve, upon graduation from the baccalaureate program, 1 year in the Selected Reserve for each year, or part thereof, for which the stipend is paid.

6208 MENTAL HEALTH PROFESSIONALS IN CRITICAL WARTIME SPECIALTIES

620801. Eligibility

Under the stipend program, the Secretary of the Military Department concerned may enter into an agreement with a person who:

A. Is eligible to be appointed as an officer in an RC;

B. Is enrolled or has been accepted for enrollment in an institution in a course of study that results in a degree in clinical psychology or social work;

C. Signs an agreement that, unless earlier separated, the person will:

1. Complete the educational phase of the program;

2. Accept a re-appointment or re-designation within the person's RC, if tendered, based upon the person's health profession, following satisfactory completion of the educational and intern programs; and

3. Participate in a residency program if required for clinical licensure in a mental health profession skill; and

D. If required by regulations prescribed by the Secretary of Defense, agrees to apply for, if eligible, and accept, if offered, residency training in a mental health profession skill that has been designated by the Secretary of the Military Department concerned as a critically needed wartime skill.

620802. Agreement

A. The Secretary of the Military Department concerned shall agree to pay the participant a stipend, in the amount contained in paragraph 620201, for the period or the remainder of the period that the student is satisfactorily progressing toward a degree in clinical psychology or social work while enrolled in a school accredited in the designated mental health discipline.

B. The participant shall not be eligible to receive such stipend before appointment, designation, or assignment as an officer for service in the Selected Reserve.

C. The participant shall be subject to such active duty requirements as may be specified in the agreement and to active duty in time of war or national emergency as provided by law for members of the Selected Reserve.

D. The participant shall agree to serve, upon successful completion of the program, 1 year in the Selected Reserve for each 6 months, or part thereof, for which the stipend is provided.

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*	Assistant Secretary of Defense Health Affairs Memo, May 8, 2017
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	37 U.S.C. § 501(d)

6203 – REQUIRED ACTIVE DUTY TRAINING

620301	10 U.S.C. § 16202
620302	DoD Instruction 1205.21, September 20, 1999

6204 – MEDICAL AND DENTAL SCHOOL STUDENTS

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6205 – PHYSICIANS AND DENTISTS IN CRITICAL WARTIME SPECIALTIES

10 U.S.C. § 16201(c)

6206 – REGISTERED NURSES IN CRITICAL SPECIALTIES

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6207 – BACCALAUREATE STUDENTS IN NURSING OR OTHER HEALTH PROFESSIONS

10 U.S.C. § 16201(e)

6208 – MENTAL HEALTH PROFESSIONALS IN CRITICAL WARTIME SPECIALTIES

10 U.S.C. § 16201(f)

VOLUME 7A, CHAPTER 63: "ACCESSION AND CONTINUATION BONUSES FOR NURSE OFFICER CANDIDATES"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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

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PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
630401	Updated the agreement cutoff date to December 31, 2017.	Revision
630402	Updated the monthly stipend amount not to exceed $2,276.10 effective July 1, 2017.	Addition
Bibliography	Updated references.	Revision

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CHAPTER 63

ACCESSION AND CONTINUATION BONUSES FOR NURSE OFFICER CANDIDATES

6301 GENERAL

630101. Purpose

The Secretary of the Military Department concerned is authorized to provide financial assistance to full-time students enrolled in an accredited baccalaureate degree program in nursing to assist in the completion of degree requirements and acceptance of an appointment as a nurse officer. For the purpose of this chapter, "continuation bonus" and "monthly stipend" are synonymous.

630102. Authoritative Guidance

The bibliography at the end of this chapter lists the authoritative references.

6302 ELIGIBLE STUDENTS

The Accession and Continuation Bonuses are authorized for nursing students who execute an agreement under each of the following conditions:

630201. Senior Reserve Officers Training Corps (SROTC)

The student is enrolled full-time in an accredited nursing baccalaureate degree program at a civilian educational institution that either does not have an SROTC program established by the Secretary of the Military Department concerned who is selecting the student or has an SROTC for which the student is ineligible.

630202. Baccalaureate Degree Program

The student has completed the second year of an accredited baccalaureate degree program in nursing and has more than 6 months of academic work remaining before graduation.

630203. Officer Appointment

The student meets the qualifications for appointment as an officer of a Reserve Component (RC) of the Army, Navy, or Air Force as set forth in Title 10, United States Code (U.S.C.), section 12201 and the regulations of the Military Department concerned.

6303 AGREEMENT

The student described in section 6302 will execute a written agreement in which the student agrees to the following four provisions:

630301. Degree Completion

The student will complete the nursing degree program described in paragraphs 630201 and 630202.

630302. Reserve Enlistment

The student will, upon acceptance of the agreement by the Secretary of the Military Department concerned, enlist in an RC of the Armed Forces.

630303. Officer Appointment

The student will accept an appointment as an officer in the Nurse Corps of the Army or the Navy or as an officer designated as a nurse officer in the Air Force, upon graduation from the nursing degree program.

630304. Active Duty Obligation

The member will serve on active duty as an officer described in paragraph 630303 as follows:

A. For a period of 4 years in the case of a person whose agreement was accepted by the Secretary of the Military Department concerned during that person's fourth year of the nursing degree program; or

B. For a period of 5 years in the case of a person whose agreement was accepted by the Secretary of the Military Department concerned during that person's third year of the nursing degree program.

6304 AMOUNTS PAYABLE

*630401. Accession Bonus (AB)

The Secretary of the Military Department concerned may, upon acceptance of a written agreement, pay an AB to an eligible person in an amount not to exceed $20,000. The AB will be paid in periodic installments, as determined by the Secretary of the Military Department concerned at the time the agreement is accepted, except that the first installment may not exceed $10,000. Unless authorized by the Congress, no agreement may be entered into after December 31, 2017.

*630402. Monthly Stipend

In addition to the AB, a person selected into the program shall be entitled to a monthly stipend in an amount not to exceed $2,276.10 (effective July 1, 2017, for the Fiscal Year 2017-2018 school year). The stipend is payable for each month the individual is enrolled as a full-time student in an accredited baccalaureate degree program in nursing at a civilian educational institution approved by the Secretary of the Military Department concerned who selected the

individual. The continuation bonus may be paid for not more than 24 months.

NOTE: Accession and continuation bonuses are subject to Federal income tax withholding but not subject to Federal Insurance Contributions Act.

6305 REPAYMENT

A person will be subject to the repayment provisions of Chapter 2, section 0203, under any of the following conditions:

630501. Withdraws From Program

The student does not complete a nursing degree program in which the student is enrolled in accordance with section 6303.

630502. Commissioning

Having completed a nursing degree program, the student does not become an officer in the Nurse Corps of the Army or the Navy or an officer designated as a nurse officer of the Air Force.

630503. Fails to Complete Service Obligation

The member does not complete the period of obligated active service required under the agreement.

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CHAPTER 63 – ACCESSION AND CONTINUATION BONUSES FOR NURSE OFFICER CANDIDATES

6302 – ELIGIBLE STUDENTS

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* 37 U.S.C. § 303a(e)

VOLUME 7A, CHAPTER 65: "HIGH-DEPLOYMENT ALLOWANCE"

SUMMARY OF MAJOR CHANGES

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PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current administrative instructions.	Revision
650101 650102	Inserted "Purpose" and "Authoritative Guidance" paragraphs to comply with administrative instructions.	Addition
Bibliography	Updated references.	Revision

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CHAPTER 65

HIGH-DEPLOYMENT ALLOWANCE

6501 GENERAL

*650101. Purpose

A high-deployment allowance may be paid to members who perform lengthy or numerous deployments or frequent mobilizations. However, in a memorandum dated October 8, 2001, the Deputy Secretary of Defense indefinitely suspended the accumulation of deployment days for purposes of determining eligibility for high-deployment allowance due to national security issues.

*650102. Authoritative Guidance

The bibliography at the end of this chapter lists the authoritative references.

6502 ENTITLEMENT CRITERIA

650201. General

The Secretary of the Military Department concerned may pay a high-deployment allowance to a member for each month during which the member is:

A. Deployed and at any time during that month:

1. Has been deployed for 191 or more consecutive days, or

2. Has been deployed 401 or more days out of the preceding 730 days.

B. A Reserve member who is on active duty:

1. Under a call or order to active duty for a period of more than 30 days that is the second (or later) such call or order to active duty for that member in support of the same contingency operation, or

2. For a period of more than 30 days under a provision of law referred to in Title 10, United States Code (U.S.C.), section 101(a)(13)(B), if such period begins within one year after the date on which the member was released from previous service on active duty for a period of more than 30 days under a call or order issued under such provision of law.

650202. Payment

A. A member may be paid a monthly rate as determined by the Secretary of the Military Department concerned, not to exceed $1,000 per month.

B. Generally, the high-deployment allowance is taxable income. If the high-deployment allowance is earned while the member is serving within a combat zone, then the allowance is eligible for the Combat Zone Tax Exclusion (CZTE). For more information on CZTE, refer to Chapter 44.

650203. Deployment

There are five categories of deployments that must be tracked and counted towards the established management and pay thresholds. See Figure 65-1 for categories of Personnel Tempo (PERSTEMPO) events.

A. Operations. Operations is a military action or the carrying out of a strategic, tactical, service, training, or administrative military mission; providing support to domestic civil, humanitarian, or counter-drug military mission; and the process of carrying on combat, including movement, supply, attack, defense, and maneuvers needed to gain the objectives of any battle or campaign. Operations are generally named by the Joint Staff.

B. Exercise. An exercise is a named military maneuver or simulated wartime operation involving planning, preparation, and execution. It is carried out for the purpose of training or evaluation. It may be a combined, joint, or single-Service exercise, depending on participating organizations.

C. Unit Training. Unit training consists of all or part of a unit accomplishing a training objective at a location other than the permanent duty location. Unit training includes exercises that have not received an official designation.

D. Home Station Training/Local Operating Area of a Ship or Vessel. Home station training/local operating area of a ship or vessel training is conducted within the limits of an installation/base/local operating area of a ship or vessel. The area must have been predetermined and documented by appropriate authorities.

E. Mission Support Temporary Duty (TDY). Mission support TDY consists of duties that include meetings, conferences, staff visits, staff augmentation, and medical appointments.

650204. Nondeployment

For the purpose of this chapter, a member is not deployed or in a deployment when the member is:

A. A student or trainee at a school (including any government school);

B. Performing administrative, guard, or detail duties in garrison at the member's permanent duty station; or

C. Unavailable because of:

1. Hospitalization of the member at the member's permanent duty station or homeport or in the immediate vicinity of the member's permanent residence; or

2. Disciplinary action taken against the member.

650205. Exceptions to Deployment Time

A. Suspension. Pursuant to 10 U.S.C. § 991(d), the Secretary of the Military Department concerned may suspend the management of the PERSTEMPO program when such a suspension is in the "national security interests."

B. Day Away. A day away begins on one day and ends on another day. A day away does not require a full 24 hours to be considered a PERSTEMPO day, and the day of return will not count as a day away. For example, if a member departs on Monday afternoon and returns on Tuesday morning, only Monday counts as a PERSTEMPO day.

C. Leave While Deployed. Leave in conjunction with a deployment will not count as deployed time away from home. Exceptions to this may be granted at the discretion of the Secretary of the Military Department concerned for those circumstances under which personnel are required to take chargeable leave in order to be exempted from duty requirements or watch standing requirements. In general, leave that would extend the actual or projected deployed time away from home will not be counted as deployed time.

D. Hospitalization When Deployed. When a member is deployed and requires hospitalization away from the permanent duty station, the member is still considered deployed. If a member is deployed and requires hospitalization at the permanent duty station, then the member is no longer considered deployed. If a line of duty investigation determines injuries are due to member's misconduct, then deployment days do not accrue in the hospital.

Figure 65-1. PERSTEMPO Events

PERSTEMPO Event Type	PERSTEMPO Event Category	PERSTEMPO Event Purpose
Deployment	Operations (includes TDY)	Contingency Operations
		National Emergency
		War
		Counter-Drug
		Law Enforcement Operations
		U. S. Domestic Civil
		Humanitarian Assistance
		Peacekeeping
		Surveillance
		Forward Presence
		Hospitalization
	Named Exercise (includes TDY)	Joint/Combined Service
		North Atlantic Treaty Organization (NATO)
		Hospitalization
	Unit Training (includes TDY)	Combined Training Center
		Training Area
		Hospitalization
	Home Station Training/Local Operating Area of a Ship or Vessel	
	Mission Support TDY (includes meetings, conferences, staff visits, staff augmentation, and medical appointments)	
Non-Deployment (note)*	Individual Training/School TDY	
	Duty in Garrison (home station/home port duty)	
	Hospitalization (except deployed)	
	Discipline	
	Inactive Duty Training (if away from permanent training site (PTS))	
	Muster Duty (if away from PTS)	
	Funeral Honors Duty (if away from PTS)	

Note:

Reporting of these data elements has been suspended due to current limitations of Service personnel data systems.

BIBLIOGRAPHY

CHAPTER 65 – HIGH-DEPLOYMENT ALLOWANCE

6501 – GENERAL

Deputy Secretary of Defense Memo, October 8, 2001

6502 – ENTITLEMENT CRITERIA

10 U.S.C. § 991
37 U.S.C. § 436

VOLUME 7A, CHAPTER 66: "CAREER STATUS BONUS (CSB)/CONTINUATION PAY (CP)"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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

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

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

The previous version dated February 2015 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Formatted chapter to comply with current administrative instructions.	Revision
Title	Changed chapter title to incorporate Continuation Pay (CP) per Public Law 114-328, section 633, December 23, 2016.	Revision
660101 660102	Added the "Purpose" and "Authoritative Guidance" paragraphs to comply with current administrative instructions.	Addition
6602 660201	Changed section title to "CSB Entitlement" and added note to paragraph 660201 referring to section 6605 for "Discontinuation of CSB."	Revision
660202	Changed paragraph title to "Eligibility."	Revision
6605	Added the "Discontinuation of CSB" section and subsequent paragraphs.	Addition
6606	Added the "CP" section and subsequent paragraphs.	Addition
Bibliography	Updated statutes and references.	Revision

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CHAPTER 66

*CAREER STATUS BONUS (CSB)/CONTINUATION PAY (CP)

6601 GENERAL

*660101. Purpose

The purpose of this chapter is to provide policy pertaining to Career Status Bonus (CSB) as well as the Continuation Pay (CP) bonus, payable only to members who are in the Blended Retirement System (BRS).

*660102. Authoritative Guidance

The bibliography at the end of this chapter lists the authoritative references.

*6602 CSB ENTITLEMENT

*660201. General

The Military Retirement Reform Act of 1986, (henceforth referred to as REDUX), covered Uniformed Service members who first became a member beginning on or after August 1, 1986 and before January 1, 2018. These members could elect, upon completion of 15 years of Active Duty (AD) in the Uniformed Services, to either retire under the High-3 retirement system or receive a $30,000 CSB and remain under the REDUX retired pay system. For details on the REDUX retirement plan, see Title 10, United States Code (U.S.C.), section 1409.

*Note: After December 31, 2017, CSB could not be elected. See section 6605 for discontinuance of the CSB.

*660202. Eligibility

To be eligible for the opportunity to elect the CSB/REDUX, when the member completes 15 years of AD service, the member must simultaneously meet all the criteria for eligibility. A member who does not meet all criteria, but subsequently does, may not be given the opportunity to make a CSB/REDUX election, unless otherwise stated or approved by the Secretary of the Military Department concerned. A Uniformed Service member is eligible to make a CSB/REDUX Retirement election only when that member:

A. Is serving on AD, and

B. First became a Uniformed Service member on or after August 1, 1986 (has a Date of Initial Entry to Military/Uniformed Service (DIEMS)/Date Initial Entry Uniformed Service (DIEUS) of August 1, 1986 or later), and

C. Has completed 15 years of AD in the Uniformed Service, and

D. Is otherwise eligible, as determined by the Secretary of the Military

Department concerned, to serve continuously on AD until the completion of 20 years of AD service.

660203. CSB/REDUX Eligibility Notification

The Secretary of the Military Department concerned was required to notify all members with a DIEMS/DIEUS between August 1, 1986 and December 31, 2002, whether they were eligible to make a CSB/REDUX election. Notification letters were to be sent on or shortly before the date individuals completed 14 years and 6 months of AD. If a member was not eligible for the CSB/REDUX election, then the notification was to explain why, and inform the member whether, there was an opportunity to make an election in the future under exceptions established in guidance promulgated by the Secretary of the Military Department concerned if the member's impediment to eligibility was subsequently eliminated. The Secretary of the Military Department concerned promptly notified members who subsequently became eligible to make a CSB election. Effective July 1, 2017, letters notifying members serving on AD of their eligibility to make a CSB election were discontinued. See section 6605.

660204. CSB/REDUX Election

To make a CSB/REDUX election, a member was required to submit a Department of Defense (DD) Form 2839, Career Status Bonus (CSB) Election Form or Service equivalent form, and any other Service required forms as directed in the eligibility notification no later than the date the member attained 15 years of active military service or 6 months after the eligibility notification was sent, whichever was later. After December 31, 2017, CSB could not be elected.

6603 CSB PAYMENT

660301. Payments

Eligible members may elect to receive the CSB under one of the following options:

A. One payment of $30,000;

B. Two annual installments of $15,000 each;

C. Three annual installments of $10,000 each;

D. Four annual installments of $7,500 each; or

E. Five annual installments of $6,000 each.

660302. Timing of Payment

A. Initial Payment. The initial CSB payment must be paid not earlier than the date the member attains 15 years of active service and not later than the end of the first month that begins on or after the date that is 60 days after the date the election is effective.

Example: A member who will attain 15 years of AD service on October 10, 2002, should be sent the CSB/REDUX notification no later than April 10, 2002. The member may complete the necessary forms and return them as directed by the Service concerned, but the election is not effective until October 10, 2002. The Secretary concerned will pay the member the initial payment no earlier than October 10, 2002, and no later than January 31, 2003. The latter date is determined as follows: the date that is 60 days after the effective date of the election is December 9, 2002 so the first month that begins on or after that date is January 2003 – the member must be paid no later than the end of January 2003.

B. Second and Subsequent Payments. Subsequent annual installments will be paid on or about January 15th of each year following the calendar year of the initial payment. All CSB payments qualify for deposit to the Uniformed Services Thrift Savings Plan (TSP). For more information regarding TSP, see Chapter 51.

660303. Tax Consideration

The CSB, if taxable, is income as of the date on which the payment is made to the member. The CSB/REDUX is considered tax exempt if the effective date of the election falls within the month in which the member is entitled to combat zone tax exclusion. See Chapter 44, paragraph 440203, for more information.

6604 CSB RECOUPMENT

660401. Recoupment Computation

A CSB recipient who fails to serve continuously on AD until the completion of 20 years of AD must repay a comparable portion of the CSB received. This amount is calculated by multiplying $30,000 by a factor that is determined by dividing the uncompleted period of AD by the total period of continuous AD required as a result of the CSB/REDUX election. In making the calculation, months and days must be expressed as decimal fractions of a year (to the nearest .00000001). Each month is $1/12^{th}$ of a year, and each day is $1/360^{th}$ of a year, rounded to the eighth decimal place. (See Figure 66-1 for computation decimals.) See Examples 1 and 2. Use this same formula to compute the installment repayment amount, except use the completed (vice the uncompleted) time served to determine the bonus amount earned, and deduct the figure from the installment totals to determine the overpayment (See Example 3).

Example 1: A member's CSB/REDUX election is effective upon attaining 15 years of active service on October 10, 2001. The member is obligated to serve through October 10, 2006 (5 full years). If the member's last day of AD is

December 31, 2002, then the member will have failed to complete 3 years, 9 months and 10 days of required service. The member's repayment is computed as follows:

The period of agreed additional service is: 5 full years.

The service not completed is: 3 years, 9 months, and 10 days, or
3 + .75 + .02777778 = 3.77777778 years.

The required repayment is:
(3.77777778 / 5) x $30,000 = .75555556 x $30,000 = $22,666.67.

Example 2: A member not initially notified of eligibility for a CSB, was later notified and made a CSB/REDUX election that was effective upon attainment of 16 years, 6 months, and 23 days of service. The member thus agreed to complete an additional 3 years, 5 months, and 7 days of service, but later separated, failing to complete 2 years, 3 months, and 11 days of that time. This member's repayment is computed as follows:

The period of agreed additional service is:
3 + .41666667 + .01944444 = 3.43611111 years.

And the service not completed is:
2 + .25 + .03055556 = 2.28055556 years.

The required repayment is: (2.28055556 / 3.43611111) x $30,000
= .66370251 x $30,000 = $19,911.08.

Example 3. A member's CSB/REDUX election is effective after attaining 15 years of active service on October 10, 2002 and the member received the first installment of $15,000. The member is obligated to serve through October 9, 2007 (5 full years). The member's last day on AD is December 31, 2003, after completing only 1 year, 2 months and 20 days of required service. The member's repayment is computed as follows:

The period of agreed additional service is: 5 full years.

The service completed is:

1 year, 2 months, and 20 days, or 1 + .16666667 + .05555556 = 1.22222223 years.

The amount earned is: (1.22222223/5) x $30,000 = .24444444 x $30,000 = $7,333.33.

The required repayment is: $15,000 less $7,333.33 = $7,666.67.

660402. Waiver of CSB Recoupment

The Secretary of the Military Department concerned may waive, in whole or in part, the required CSB refund if the Secretary determines that recovery would be against equity and good conscience or contrary to the best interests of the United States.

A. The Secretary of the Military Department concerned will waive the required refund if the member:

1. Dies;

2. Is separated or retired as a result of a physical disability under 10 U.S.C., Chapter 61; or

3. Is separated under a Service offer for early retirement such as Temporary Early Retirement Authority (commonly referred to as TERA) or other separation program.

B. The Secretary of the Military Department concerned will not waive repayment if the member's separation is due to misconduct or if a waiver of repayment would be inconsistent with other prescribed law, regulation, or policy.

*6605 DISCONTINUATION OF CSB

660501. General

In accordance with section 631 of the National Defense Authorization Act (NDAA) for Fiscal Year (FY) 2016, Public Law (P.L.) 114-92, 37 U.S.C. § 354 was amended to discontinue authorization of any new CSB agreements after December 31, 2017.

660502. Limitations

An agreement to elect a reduced retirement multiplier in exchange for a CSB made on or prior to December 31, 2017, will remain in effect. Any payments pursuant to a CSB agreement entered into on or before December 31, 2017, may continue to be made on or after January 1, 2018. December 31, 2002 is the last date a member could have the qualifying DIEMS date and achieve 15 years of active military service required for CSB eligibility and be able to enter into an agreement for CSB.

*6606 CP

660601. General

Public Law 114-92, as amended by P.L.114-328 (section 633), established CP as a bonus payable on or after January 1, 2018. CP is a one-time, mid-career bonus payment for members of the Uniformed Services covered by the BRS, in exchange for an agreement to perform additional

obligated service. CP is only payable to members in the BRS. A CP payment is in addition to any other career field-specific incentives or retention bonuses.

Note: The Deputy Secretary of Defense (DepSecDef) memo, January 27, 2017; the DoD Financial Management Regulation 7000.14-R, Volume 7B; and Service regulations provide comprehensive policy and guidance regarding retirement under the BRS.

660602. Eligibility

A. The following Active Component members are eligible to receive CP. Any Active Component (AC) member who:

1. Is covered under the BRS;

2. Has completed not less than 8 and not more than 12 years of service (YOS), as computed from the member's Pay Entry Base Date (PEBD); and

3. Is eligible to enter into an agreement to serve not less than an additional 3 years in the AC.

B. The following Reserve Component (RC) members are eligible to receive CP. Any RC member who:

1. Is covered under the BRS;

2. Has completed not less than 8 and not more than 12 YOS as computed from the member's PEBD;

3. Is a member of the Selected Reserve (SELRES), or otherwise a member of the Ready Reserve in a status in which the member is eligible to receive basic pay or inactive duty pay;

4. Is eligible in accordance with criteria published by the Secretary of the Department concerned; and

5. Is eligible to enter into an agreement to serve not less than an additional 3 years in the SELRES.

660603. CP Amount

The Secretary concerned determines the CP amount, the timing of when CP is offered, and the duration of the associated additional obligated service. The amount of CP payable depends on whether a member is AC or RC.

A. For an AC member, CP will be not less than 2.5 times and not more than 13 times the monthly basic pay of an AC member based on the member's current paygrade and YOS.

B. For an RC member, CP will be an amount not less than 0.5 times and not more than 6 times the monthly basic pay of a member of the same grade and YOS on AD. An RC member performing active Guard and Reserve service, as defined in 10 U.S.C. § 101(d)(6), will be paid CP at the rate of an AC member subject to agreement to continue serving not less than an additional 3 years in active service as defined in 10 U.S.C. § 101(d)(3).

660604. Obligated Service

A. A Service member who accepts CP and enters into an agreement will serve not less than 3 years of additional service, the length of mandatory service to be determined by the Secretary concerned in the component they were serving in at the time of agreement, commencing upon acceptance by the Secretary concerned of the agreement to continue serving.

B. The obligated service will run concurrently with any other service obligations, unless other service obligations incurred specifically preclude concurrent obligations.

C. RC members will perform obligated service in the SELRES, subject to the conditions and requirements prescribed by the Secretary concerned.

D. RC members performing active Guard and Reserve service, as defined in 10 U.S.C. § 101(d)(6), who receive CP at the rate of an AD member, will perform obligated service on AD unless otherwise prescribed by the Secretary concerned.

660605. Payment

A member who qualifies for CP may elect to receive the payment in a single lump sum or elect a series of equal installment payments, not to exceed four annual payments over 4 consecutive years.

660606. Timing

A. Full TSP Members. In accordance with 37 U.S.C. § 356, the Secretary concerned will pay CP to full TSP members (as defined in 5 U.S.C. § 8440e(a)) who meet the eligibility requirements in paragraph 660602 and who have completed not less than 8 and not more than 12 YOS.

B. CP Multiple. The CP multiple used in calculating is the actual paygrade and YOS of a member on the day CP is authorized. See subparagraphs 660603.A and B for the AC and RC multiples for calculating CP.

C. YOS Rate. For CP payments, the following rates apply:

1. A member with at least 8 YOS but less than 10 YOS will be paid at the rate of over 8 YOS;

2. A member with at least 10 YOS but less than 12 YOS will be paid at the rate of over 10 YOS;

3. A member with exactly 12 YOS but no more than 12 YOS will be paid at the rate of over 12 YOS.

660607. Non-availability

Service members who incur a period of extended absence, subject to the approval of the Secretary concerned, which precludes meeting the terms of obligated service shall have installment payments suspended during this period. If subsequently re-assigned to the member's previous status, or a new status at the discretion of the Secretary concerned, CP installment payments may resume and the term of service extended accordingly to ensure fulfillment of the original agreement period. The date of completion of the obligated service shall be adjusted for periods of authorized absence. Failure to meet reinstatement criteria will result in termination of the CP and repayment, as appropriate.

660608. Repayment

A. A Service member who received CP but who fails to complete the period of obligated service described in paragraph 660604, or fails to maintain the skills for which an amount greater than the minimum amount specified in paragraph 660603 was paid, is subject to full or partial repayment in accordance with 37 U.S.C. § 373, and the repayment provisions in Chapter 2.

B. A Service member who received CP but is later discovered to be ineligible to enroll or whose enrollment is determined to be erroneous will have their enrollment voided. Such members will be placed under the correct retirement system upon discovery of the error. The Secretary concerned will initiate action to obtain repayment of CP, in accordance with 37 U.S.C. § 373 and Chapter 2.

C. The Secretary concerned may grant an exception to the repayment requirement and requirement to terminate the payment of unpaid amounts of CP if the Secretary concerned determines that the imposition of the repayment and termination requirements with regard to a member of the uniformed services would be contrary to a personnel policy or management objective, would be against equity and good conscience, or would be contrary to the best interests of the United States.

Note: The Secretary of the Military Department concerned will not grant the exception for repayment if the member's separation is due to misconduct or if a waiver of repayment would be inconsistent with other prescribed law, regulation, or policy.

Figure 66-1. Recoupment Computational Factors of Fractional Years

Months (Mos)	Days	Fractional Years	Mos	Days	Fractional Years	Mos	Days	Fractional Years	Mos	Days	Fractional Years
0	1	0.00277778	1	17	0.13055555	3	2	0.25555556	4	18	0.38333333
0	2	0.00555556	1	18	0.13333333	3	3	0.25833333	4	19	0.38611111
0	3	0.00833333	1	19	0.13611111	3	4	0.26111111	4	20	0.38888889
0	4	0.01111111	1	20	0.13888889	3	5	0.26388889	4	21	0.39166666
0	5	0.01388889	1	21	0.14166666	3	6	0.26666667	4	22	0.39444444
0	6	0.01666667	1	22	0.14444444	3	7	0.26944444	4	23	0.39722222
0	7	0.01944444	1	23	0.14722222	3	8	0.27222222	4	24	0.4
0	8	0.02222222	1	24	0.15	3	9	0.275	4	25	0.40277777
0	9	0.025	1	25	0.15277777	3	10	0.27777778	4	26	0.40555555
0	10	0.02777778	1	26	0.15555555	3	11	0.28055556	4	27	0.40833333
0	11	0.03055556	1	27	0.15833333	3	12	0.28333333	4	28	0.41111111
0	12	0.03333333	1	28	0.16111111	3	13	0.28611111	4	29	0.41388889
0	13	0.03611111	1	29	0.16388889	3	14	0.28888889	4	30	0.41666667
0	14	0.03888889	1	30	0.16666667	3	15	0.29166667	5	0	0.41666667
0	15	0.04166667	2	0	0.16666667	3	16	0.29444444	5	1	0.41944444
0	16	0.04444444	2	1	0.16944445	3	17	0.29722222	5	2	0.42222222
0	17	0.04722222	2	2	0.17222223	3	18	0.3	5	3	0.42499999
0	18	0.05	2	3	0.175	3	19	0.30277778	5	4	0.42777777
0	19	0.05277778	2	4	0.17777778	3	20	0.30555556	5	5	0.43055555
0	20	0.05555556	2	5	0.18055556	3	21	0.30833333	5	6	0.43333333
0	21	0.05833333	2	6	0.18333334	3	22	0.31111111	5	7	0.4361111
0	22	0.06111111	2	7	0.18611111	3	23	0.31388889	5	8	0.43888888
0	23	0.06388889	2	8	0.18888889	3	24	0.31666667	5	9	0.44166666
0	24	0.06666667	2	9	0.19166667	3	25	0.31944444	5	10	0.44444444
0	25	0.06944444	2	10	0.19444445	3	26	0.32222222	5	11	0.44722222
0	26	0.07222222	2	11	0.19722223	3	27	0.325	5	12	0.44999999
0	27	0.075	2	12	0.2	3	28	0.32777778	5	13	0.45277777
0	28	0.07777778	2	13	0.20277778	3	29	0.33055556	5	14	0.45555555
0	29	0.08055556	2	14	0.20555556	3	30	0.33333333	5	15	0.45833333
0	30	0.08333333	2	15	0.20833334	4	0	0.33333333	5	16	0.4611111
1	0	0.08333333	2	16	0.21111111	4	1	0.33611111	5	17	0.46388888
1	1	0.08611111	2	17	0.21388889	4	2	0.33888889	5	18	0.46666666
1	2	0.08888889	2	18	0.21666667	4	3	0.34166666	5	19	0.46944444
1	3	0.09166666	2	19	0.21944445	4	4	0.34444444	5	20	0.47222222
1	4	0.09444444	2	20	0.22222223	4	5	0.34722222	5	21	0.47499999
1	5	0.09722222	2	21	0.225	4	6	0.35	5	22	0.47777777
1	6	0.1	2	22	0.22777778	4	7	0.35277777	5	23	0.48055555
1	7	0.10277777	2	23	0.23055556	4	8	0.35555555	5	24	0.48333333
1	8	0.10555555	2	24	0.23333334	4	9	0.35833333	5	25	0.4861111
1	9	0.10833333	2	25	0.23611111	4	10	0.36111111	5	26	0.48888888
1	10	0.11111111	2	26	0.23888889	4	11	0.36388889	5	27	0.49166666
1	11	0.11388889	2	27	0.24166667	4	12	0.36666666	5	28	0.49444444
1	12	0.11666666	2	28	0.24444445	4	13	0.36944444	5	29	0.49722222
1	13	0.11944444	2	29	0.24722223	4	14	0.37222222	5	30	0.5
1	14	0.12222222	2	30	0.25	4	15	0.375			
1	15	0.125	3	0	0.25	4	16	0.37777777			
1	16	0.12777777	3	1	0.25277778	4	17	0.38055555			

See next page for 6 months or more.

Figure 66-1. Recoupment Computational Factors of Fractional Years (Continued)

Mos	Days	Fractional Years	Mos	Days	Fractional Years	Mos	Days	Fractional Years	Mos	Days	Fractional Years
6	0	0.5	7	17	0.63055555	9	2	0.75555556	10	18	0.88333333
6	1	0.50277778	7	18	0.63333333	9	3	0.75833333	10	19	0.88611111
6	2	0.50555556	7	19	0.63611111	9	4	0.76111111	10	20	0.88888889
6	3	0.50833333	7	20	0.63888889	9	5	0.76388889	10	21	0.89166666
6	4	0.51111111	7	21	0.64166666	9	6	0.76666667	10	22	0.89444444
6	5	0.51388889	7	22	0.64444444	9	7	0.76944444	10	23	0.89722222
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VOLUME 7A, APPENDIX A: "REIMBURSEMENT OF ADOPTION EXPENSES"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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

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

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

The previous version dated September 2015 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
A00402.A.1 A00402.A.2 A00501.A.1 A00501.A.2	Updated to reflect a member must submit an application for reimbursement no later than 2 years after the finalization of adoption.	Revision
A00402.B	Inserted guidance for deployed members to submit an application with a letter from their commander.	Addition
A00501.B	Inserted guidance for members to submit applications via postal mail or Department of Defense Enterprise (encrypted) email.	Addition
A00501.E.1 A00501.E.2	Removed subparagraphs concerning immigration forms based upon requirements specified in the U.S. Citizenship for an Adopted Child handout dated March 30, 2017, and renumbered subsequent subparagraphs accordingly.	Deletion
A00502	Removed obsolete paragraph on "Servicing Personnel Activity Responsibilities" and renumbered subsequent paragraphs accordingly.	Deletion
Bibliography	Updated references.	Revision

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APPENDIX A

REIMBURSEMENT OF ADOPTION EXPENSES

A001 GENERAL

A00101. Purpose

The purpose of this appendix is to prescribe the procedures necessary to reimburse adoption expenses to qualified members, as authorized by law.

A00102. Authoritative Guidance

The bibliography at the end of this appendix lists the authoritative references.

A002 APPLICABILITY AND SCOPE

This appendix applies to the Defense Finance and Accounting Service-Cleveland (DFAS-CL) site, each Military Service personnel activity, and Service members serving on continuous active duty for at least 180 days. This appendix also applies to full-time Active Guard/Reserve members on active duty orders for at least 180 days.

A003 POLICY

The members specified in section A004, whose adoption of a child under 18 years of age has been finalized, may be reimbursed a maximum of $2,000 per child for qualified expenses related to the adoption. In the event of multiple adoptions, the maximum reimbursable amount is $5,000 per calendar year. A benefit may not be paid for any expense paid to or for a member of the Armed Forces under any other adoption benefits program administered by the Federal Government or under any such program administered by a state or local government. The DFAS-CL site is responsible for paying all approved adoption reimbursement claims. DFAS-CL is also responsible for providing primary guidance concerning adoption expense reimbursement procedures. The date the claim is received by DFAS-CL determines the creditable calendar year for determining the maximum reimbursable amount for multiple adoptions

A004 ELIGIBILITY REQUIREMENTS

A00401. Active Duty Requirements

Service members must serve on continuous active duty for at least 180 days. In addition, members are not entitled to reimbursement expenses if they separate from active duty before the adoption is final. Members are eligible for reimbursement expenses if the adoption is finalized before separation from active duty, the claim form has been signed and certified by the member's commanding officer, and the claim is submitted to the DFAS-CL site prior to discharge. Members may request a voluntary extension of assignment beyond their normal expiration of the term of service to complete the adoption process.

*A00402. Period of Eligibility

A. A member described in paragraph A00401, who incurs expenses when adopting a child under 18 years of age, must have the adoption finalized while on active duty to be eligible for reimbursement. Prior to separation from active duty, members must submit an application for reimbursement no later than:

* 1. 2 years after finalization of the adoption; or

* 2. 2 years after obtaining U.S. citizenship if a foreign adoption.

* B. If deployment responsibilities impact the member's ability to comply with the 2-year deadline, DFAS can make exceptions. In these cases, the verifying official who signs the Department of Defense (DD) Form 2675, Reimbursement Request for Adoption Expenses, will submit a letter stating that the member's deployment impacted the member's ability to comply with the 2-year deadline.

A00403. Eligible Members

Adoption expense reimbursements may be paid to married or single members. If both parents are military members (including members of the Coast Guard when operating as a Military Service in the Navy), then only one member may be reimbursed for expenses related to the adoption of the same child.

A00404. Qualifying Adoptions

A. Adoption expenses that may be reimbursed include:

1. The adoption of a child under the age of 18;

2. An adoption by a single person;

3. An infant adoption;

4. An inter-country adoption;

5. An adoption of a child with special needs; and

6. An adoption of stepchildren.

B. Adoptions qualify for reimbursement only if the adoption is arranged by:

1. A qualified adoption agency; or

2. Other source authorized to place children for adoption under state or local law.

C. A qualified adoption agency means a state or local government agency that has:

1. Responsibility under state or local law for child placement through adoption;

2. A nonprofit, voluntary adoption agency that is authorized by state or local law to place children for adoption; or

3. Any other source authorized by a state to provide adoption placement, if the adoption is supervised by a court under state or local law. (As used in this appendix, "state or local" refers to a state or locality in the United States).

D. A qualified adoption agency for inter-country adoptions would be a foreign government or an agency authorized by a foreign government to place children for adoption, in any case which:

1. The adopted child is entitled to automatic citizenship under the Child Citizenship Act of 2000, section 320 of the Immigration and Nationality Act; or

2. A certificate of citizenship has been issued for such child under the Child Citizenship Act of 2000, section 322 of the Immigration and Nationality Act.

NOTE: In either case, documentation that describes the mission of the foreign agency and the authority delegated from the foreign government should be provided.

A005 RESPONSIBILITIES

*A00501. Member Responsibilities

A. A member must submit requests for reimbursement of qualified adoption expenses using a separate DD 2675 for each qualifying adoption. Hard-copy forms can be obtained from the member's servicing personnel activity. The completed DD 2675 and substantiating documentation must be submitted no later than:

* 1. 2 years after finalization of the adoption; or

* 2. 2 years after obtaining U.S. citizenship if a foreign adoption.

* B. A member must manually or digitally sign a thoroughly completed application for reimbursement and have it verified by the member's commander or designated verifying official.

1. When the DD 2675 is manually signed, the member's command may submit the application via postal mail, or Department of Defense (DoD) Enterprise (encrypted) email:

Defense Finance and Accounting Service-Cleveland Site
Special Actions Team/JFLADA
ATTN: Adoption Reimbursement
1240 East Ninth Street
Cleveland, OH 44199-2055
Email to: dfas.cleveland-oh.jfl.mbx.adoption-reimbursement-cle@mail.mil

2. When the completed DD 2675 is digitally signed, either the member's command or the member may submit a copy of the application via postal mail or DoD Enterprise (encrypted) email (see subparagraph A00501.B.1).

NOTE: The member must retain the original application, including all supporting documents and proof (e.g., postal tracking receipt or email message) that the application was submitted by the 2-year deadline.

C. If neither the member nor the spouse is able to appear personally at the servicing personnel activity, then the completed claim forms may be mailed to the personnel activity. The spouse of a Service member, who is unable to complete a claim package due to military duty, can sign a claim form under a power of attorney. All claims signed by a spouse must include the power of attorney as a part of the claims package.

D. Service members must substantiate all expenses with documentation, such as receipts marked "PAID" or canceled checks.

1. If the receipts are from a foreign entity, then they should list the U.S. currency equivalency.

2. Reconstruction of expense records is permissible when the original records are unavailable, and the member submits a notarized affidavit stating the costs.

3. The member must submit a full English translation of any foreign language document, to include the translator's certification that he or she is competent to translate the foreign language into English, and that his or her translation is complete and correct.

4. In addition, the member is responsible for providing the appropriate documentation, which establishes that the adoption is final and that it was arranged by a qualified adoption agency, as defined in paragraph A00404.

5. With respect to documents originating from a state or other authorized adoption agency, copies of those documents must be certified as true copies of the original by the state or adoption agency. If the original document is filed with the court, then the member must submit a copy of the adoption order certified by the clerk of courts.

NOTE: These documents will not be returned to the member.

E. In determining whether an adoption of a child in a foreign country is final, the member must submit a copy of the final court documents, as well as proof of U.S. citizenship for the child. The following documents are acceptable forms of proof of U.S. citizenship:

1. A copy of a U.S. court order that recognizes foreign adoption or documents the "re-adopting" of the child in the United States, granting the child U.S. citizenship;

2. A letter from the U.S. Citizenship and Immigration Services which states the status of the child's adoption, granting the child U.S. citizenship;

3. A copy of a U.S. passport (page with personal information only); or

4. A copy of a U.S. Certificate of Citizenship.

F. The member is responsible for maintaining a file for the reimbursement claim. This file should contain copies of all paperwork related to the claim, including the receipts, agency documentation, and court papers associated with the adoption proceedings or court-certified copies until the claim is paid or denied.

G. The member will submit only one reimbursement claim per adoption.

A00502. DFAS-CL Responsibilities

The DFAS-CL site is the central site location for review, certification, and payment of adoption expense reimbursement payments. DFAS-CL is the primary source for guidance concerning the adoption expense reimbursement program. DFAS-CL will also maintain data on expenditures on a fiscal year basis. The contact information for DFAS-CL adoption expense reimbursement program is:

DFAS-CL
(Code JFLADA)
Commercial phone: 216-522-5576/6701
DSN: 580-5576/6701
Email: dfas.cleveland-oh.jfl.mbx.adoption-reimbursement-cle@mail.mil

A00503. Military Services' Adoption Expense Reimbursement Funding Responsibilities

The Military Services provide funding authorization to DFAS-CL by memorandum each fiscal year. The DFAS-CL site charges the applicable Military Service provided appropriations according to standard cross-disbursing operating procedures.

A006 ADOPTION REIMBURSEMENT PROCEDURES

A00601. Authorized Reimbursable Expenses

The DFAS-CL site will pay documented, reasonable, and necessary adoption expenses, up to $2,000 per adoptive child. Not more than $5,000 will be paid per calendar year to any member. In the case of two married members (including the Coast Guard when operating as a Military Service in the Navy), only one member may claim expenses for each adopted child and the couple is limited to the $5,000 per calendar year maximum. The calendar year is determined by the date the claim is received by DFAS-CL for payment. Reasonable and necessary expenses include the following:

A. Public and private agency fees, including adoptive fees charged by an agency in a foreign country;

B. Placement fees, including fees charged adoptive parents for counseling;

C. Legal fees, including court costs, for services that are unavailable to a member for the Military Services;

D. Medical expenses, including hospital expenses, of the biological mother of the child to be adopted and of a newborn infant to be adopted; and

E. Temporary foster care charges when payment of such charges is required to be made before the adoptive child's placement.

A00602. Unqualified Expenses

The term "reasonable and necessary expenses" does not include:

A. Travel costs of the adopting parent; or

B. Any costs associated with an adoption arranged in violation of Federal, state, or local law.

A00603. Payment Processing Requirements

A. A separate DD 2675 must support each claim.

B. Eligibility for reimbursement is supported by the documentation submitted. If the eligibility for reimbursement cannot be determined from the documents provided or claimed expenses are not properly supported by receipts, then the DFAS-CL Director will retain the claim and request the necessary information or documentation.

C. The DFAS-CL site will issue the reimbursement by Electronic Funds Transfer (EFT) to the member's EFT account as designated on the DD 2675 within

30 days of receipt of a properly prepared and supported claim package. A member without access to an EFT method of payment must submit a request for EFT waiver to receive a check.

D. If the claim is denied, then DFAS-CL will send a letter to the member stating this fact. DFAS-CL will not return documents to the members.

A00604. Appeals

If a member receives a claim denial, they can request reconsideration in writing and add additional explanation or documentation. If, upon reconsideration, the member receives a notice of final action regarding the denial of the claim, the member may appeal to the Defense Office of Hearings and Appeals, in accordance with Department of Defense Instruction (DoDI) 1340.21, Enclosure 7. The request for appeal should include copies of all relevant court documents and statements of the member or other persons in support of the claim and be sent to DFAS at the address listed in subparagraph A00501B.1.

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VOLUME 7A, APPENDIX B: "DISPOSITION OF FORFEITURES AND FINES AS A RESULT OF COURTS-MARTIAL, NONJUDICIAL PUNISHMENT, AND DESERTION"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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

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PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated formatting to comply with current administrative instructions.	Revision
B00403.B	Removed "Transfer of Courts-Martial and Nonjudicial Punishment Forfeitures when Indebted to the Government for Members Who are Separated from the Service."	Deletion

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APPENDIX B

DISPOSITION OF FORFEITURES AND FINES AS A RESULT OF COURTS-MARTIAL, NONJUDICIAL PUNISHMENT, AND DESERTION

B001 GENERAL

B00101. Purpose

This appendix describes the transfer of certain forfeitures and fines as a result of courts-martial, nonjudicial punishment, and desertion to the Armed Forces Retirement Home Trust Fund (AFRHTF).

B00102. Authoritative Guidance

The bibliography at the end of this appendix lists the authoritative references.

B002 SCOPE

This appendix applies to each Defense Finance and Accounting Service (DFAS) Site that maintains a military pay system and to limited-duty officers, regular and Reserve warrant officers, and regular and Reserve enlisted members of the Army, Navy, Air Force, and Marine Corps.

B003 GENERAL POLICY

The Chief Operating Officer (COO) for the Armed Forces Retirement Home (AFRH) determines, on the basis of the financial needs of the AFRH, a percentage of forfeitures and fines adjudged by courts-martial and nonjudicial punishment, and amounts forfeited on account of desertion against limited-duty officers, warrant officers, and enlisted members to be transferred to the AFRHTF. The COO has determined that 100 percent of all forfeitures and fines will be transferred to the AFRHTF. Transfer only those amounts that are in excess of any indebtedness to the United States and amounts owed to individuals. For the purpose of this appendix, the term "indebted" or "debt" refers to amounts due from the member for reimbursement to the United States.

> Example: An amount due the Internal Revenue Service pursuant to a tax levy, which may ordinarily be thought of as a "debt" to the United States, is not a "reimbursement" or "debt" for purposes of this appendix. The term "amounts owed to individuals" refers to amounts owed from a member's pay by direction of a commanding officer, pursuant to Title 10, United States Code (U.S.C.), section 939, or Article 139 of the Uniform Code of Military Justice.

B004 PROCEDURES

B00401. Transfer of Fines

When a limited-duty officer, warrant officer, or enlisted member is sentenced by a court-martial or nonjudicial punishment to pay a fine, the DFAS Site will transfer the amount to the AFRHTF within 30 days from the end of the month in which the fine was collected.

B00402. Transfer of Courts-Martial and Nonjudicial Punishment Forfeitures

When a limited-duty officer, warrant officer, or enlisted member is sentenced to forfeit all or part of his/her pay, the DFAS Site will transfer the amount to the AFRHTF within 30 days from the end of the month in which the forfeiture is collected. Multiple-month forfeitures, or forfeiture amounts which are collected over 2 or more months, will be transferred on a monthly basis to the AFRHTF. Do not wait until the entire amount of the forfeiture has been collected before making such transfers.

Example: A member is sentenced to forfeiture of pay of $500 per month for 2 months, and the effective date of the forfeiture is November 29. The transfer would be $33.33 ($500 divided by 30 days, times 2 days left in the month) no later than December 30; $500 ($500 divided by 30 days times 30 days) no later than January 30; and $466.67 ($500 divided by 30 days times 28 days left uncollected) no later than March 2, into the AFRHTF.

B00403. Transfer of Courts-Martial and Nonjudicial Punishment Forfeitures When Indebted to the Government

When a limited-duty officer, warrant officer, or enlisted member is sentenced to forfeit all or part of his/her pay, and the member is indebted to the Government, the DFAS Site will not transfer any amounts to the AFRHTF until all known debts have been established. Any forfeiture amounts exceeding the uncollected indebtedness will be transferred to the AFRHTF. All amounts collected thereafter, not to exceed the total amount of the forfeiture, will be transferred to the AFRHTF.

Example 1: A member has a forfeiture of $200 per month for 2 months, with outstanding debts totaling $300. Transfer $100 to the AFRHTF only after the first $300 of forfeitures has been collected.

Example 2: If the debt is $500 and forfeiture is $600, then the DFAS Site will transfer the difference of $100 to the AFRHTF.

Example 3: If the debt is $800 and forfeiture is $500, then no amounts will be transferred to the AFRHTF at this time. If subsequent collection recovers $700, then the first $300 ($800 indebtedness minus $500 forfeiture) collected will be credited to the applicable military personnel appropriation, and the next $400 received will be credited to the AFRHTF.

B00404. Indebtedness After Forfeiture Becomes Effective

Debts incurred by a limited-duty officer, warrant officer, or enlisted member after a sentence has been executed, and before credit of the forfeiture to the AFRHTF, do not affect the disposition of the forfeiture. The forfeiture will be credited to the AFRHTF as if the indebtedness did not exist.

B00405. Remission of Indebtedness

If a forfeiture of a limited-duty officer, warrant officer, or enlisted member is not credited to the AFRHTF due to outstanding debts, and the unliquidated portion of the debts is thereafter remitted or canceled, then the DFAS Site will not credit the forfeiture that equals the amount of indebtedness remitted or canceled to the AFRHTF. It remains in the military personnel appropriation.

B00406. Commissioned Officers

The DFAS Site will credit forfeitures and fines of Regular and Reserve commissioned officers (except warrant and limited-duty officers), to the appropriation to which the member's pay is properly chargeable.

B00407. Forfeitures as a Result of Desertion

When a limited-duty officer, warrant officer, or enlisted member is declared a deserter, the amount of forfeitures on account of the desertion will be credited to the AFRHTF. For the purpose of this paragraph, the phrase "forfeitures on account of the desertion" refers to all pay and allowances due and unpaid at the time of a member's desertion that are automatically forfeited when a member is determined to be a deserter.

B00408. Transfer of Desertion Forfeitures

The DFAS Site will transfer desertion forfeitures according to the procedures in paragraph B00402.

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VOLUME 7A, APPENDIX C: "IMPLEMENTING PROCEDURES FOR MANDATORY ELECTRONIC FUNDS TRANSFER (EFT) OF MILITARY PAY"

SUMMARY OF MAJOR CHANGES

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PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated formatting to comply with current administrative instructions.	Revision
C00402.B C00402.C	Updated the addresses for the U.S. Military Retired and Annuitant Pay.	Revision

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APPENDIX C

IMPLEMENTING PROCEDURES FOR MANDATORY ELECTRONIC FUNDS TRANSFER (EFT) OF MILITARY PAY

C001 GENERAL

C00101. Purpose

This appendix provides the policy for the administration and delivery of payments to military members, retirees, and annuitants through the EFT method of payment.

C00102. Authoritative Guidance

The bibliography at the end of this chapter lists the authoritative references.

C002 POLICY

C00201. Department of Defense (DoD) Method of Payment

The prescribed method of payment within the DoD is the EFT method of payment. DoD considers the requirement to participate in the EFT method of payment as a reasonable condition of service or benefit for personnel including enlistments, commissions, promotions, reenlistments, retirements, and for survivor benefit annuitant recipients. This policy requires payments by the EFT method of payment on all new Active Duty (AD), reserve, retired, and annuitant payments unless the recipient of the new payment certifies in writing that he/she does not have a financial institution or authorized payment agent.

Example: I certify that I do not have a financial institution or authorized payment agent. Signature_____ Date _____

C00202. Applicability and Scope

A. All payments to AD members, reservists, retirees, survivor annuitants and allotments are paid by the EFT method of payment.

B. Emergency payments (defined in Chapter 32, Section 3203) and certification of no account with a financial institution, as described in paragraph C00201, are the only exceptions to the requirement for delivery by the EFT method of payment. All pay for which an exception to the EFT method of payment requirement has not been granted, and for which the payee has not designated an account for receipt, is held at the servicing Defense Finance and Accounting Service (DFAS) central site until the required financial institution information is provided. Check payments are mailed on payday from the servicing DFAS central site to the member's mailing address.

C003 PERSONNEL SUBJECT TO EFT PARTICIPATION

C00301. AD Military

AD military personnel and personnel entering or reentering the military service must provide the EFT method of payment information or certify in writing that they do not have a financial institution upon arrival at their respective military processing station. Personnel currently on AD but not enrolled in the EFT method of payment are required to submit EFT method of payment information when they perform Temporary Duty Travel, Permanent Change of Station travel, are promoted, reenlist, become eligible for a new payment, or certify in writing that they do not have a financial institution.

C00302. Reserve and National Guard (NG)

Reserve and NG personnel entering or reentering a Reserve Component (RC), upon processing into their respective component, or upon mobilization or recall to AD must provide the EFT method of payment information or certify in writing that they do not have a financial institution. Mobilized or recalled personnel are also required to continue participation after demobilization or deactivation. Personnel currently affiliated with a Reserve or NG unit, but not enrolled in the EFT method of payment, are required to submit the EFT method of payment information when they become eligible for any new payment, or certify in writing that they do not have a financial institution.

C00303. Military Retirees and Annuitants

All retirees, separated military personnel, and Survivor Benefit Plan annuitants who become eligible for new payments or annuities shall provide the EFT method of payment information or certify in writing that they do not have a financial institution. NOTE: Personnel currently receiving payments at a financial institution or address in a foreign country where the EFT method of payment is not available are exempt from this policy until the EFT method of payment becomes available.

C00304. Academy and Reserve Officer Training Corps (ROTC) Cadets and Midshipmen

Military Service Academy, ROTC cadets, and midshipmen are required to participate in the EFT method of payment. Personnel not presently enrolled shall enroll immediately or certify in writing that they do not have a financial institution.

C00305. Individual Ready Reservist (IRR)

IRRs and annual muster participants are required to participate in the EFT method of payment. Personnel not presently enrolled shall enroll immediately or certify in writing that they do not have a financial institution.

C004 PERSONNEL EXEMPT FROM EFT PARTICIPATION

C00401. Personnel

AD military, retirees, or survivor annuitants receiving payments in an overseas area where the EFT method of payment is not available are exempt from this policy until the EFT method of payment becomes available at a financial institution in their area or until they relocate to an area where the EFT method of payment is available.

*C00402. Written Certification Waiver

Individuals certify in writing that they do not have a financial institution as follows:

A. For AD members and reservists, certifications will be submitted in writing to the Unit Commander.

* B. For military retirees, certification will be submitted in writing to:

DFAS, U.S. Military Retired Pay
8899 E. 56th Street
Indianapolis, IN 46249-1200

* C. For survivor annuitants, certifications will be submitted in writing to:

DFAS, U.S. Military Annuitant Pay
8899 E. 56th Street
Indianapolis, IN 46249-1300

C005 REIMBURSEMENT FOR DISHONORED CHECK CHARGES

C00501. Reimbursements

Charges resulting from erroneous information provided by the individual or the financial institution to the servicing financial office are not the liability of the government and are not reimbursed. Reimbursement for dishonored check charges is authorized when an administrative or mechanical error on the part of the government causes the pay of a military member to be deposited late or in an incorrect manner or amount. Such reimbursements are limited to overdraft charges, minimum balance, or average balance charges levied by the financial institution.

C00502. DFAS Procedures

The servicing DFAS site contacts the financial institution to explain the error and requests that charges levied against the account holder be reversed. If the financial institution declines to reverse the charges, then government reimbursement of the charges is made via the EFT method

of payment, directly to the applicable account involved. Such charges are funded from the appropriation available for the pay of the member concerned.

C006 ALLOTMENTS

C00601. General

The EFT method of payment is the preferred method for paying all allotments and should be used whenever possible. It is DoD's intention to work with recipients of all allotments, such as courts receiving child support and/or alimony payments, dependents, spouses, insurance companies, and mortgage companies, to accept allotment payment by the EFT method of payment when systems become available for third party EFT method of payment.

C00602. Savings Allotments

The EFT method of payment is required for all savings allotments sent to financial institutions participating in the Federal Reserve System.

C00603. Allotments to Non-Individuals

The EFT method of payment is required for all discretionary allotments to non-individuals.

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APPENDIX C - IMPLEMENTING PROCEDURES FOR MANDATORY ELECTRONIC FUNDS TRANSFER (EFT) OF MILITARY PAY

C001 – GENERAL

Title 31, United States Code, section 3332
Title 31, Code of Federal Regulation, parts 205, 206, 208, 210, and 212

VOLUME 7A: "COMPARABLE GRADES"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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

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

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

The previous version dated September 2014 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	This Chapter is certified as current. No revision necessary.	Current

COMPARABLE GRADES

PAY GRADE	ARMY	NAVY	MARINE CORPS	AIR FORCE
O-10	General	Admiral	General	General
O-9	Lieutenant General	Vice Admiral	Lieutenant General	Lieutenant General
O-8	Major General	Rear Admiral (UH)	Major General	Major General
O-7	Brigadier General	Rear Admiral (LH)	Brigadier General	Brigadier General
O-6	Colonel	Captain	Colonel	Colonel
O-5	Lieutenant Colonel	Commander	Lieutenant Colonel	Lieutenant Colonel
O-4	Major	Lieutenant Commander	Major	Major
O-3	Captain	Lieutenant	Captain	Captain
O-2	1st Lieutenant	Lieutenant (JG)	1st Lieutenant	1st Lieutenant
O-1	2nd Lieutenant	Ensign	2nd Lieutenant	2nd Lieutenant
W-5	Chief Warrant Officer	Chief Warrant Officer	Chief Warrant Officer 5	
W-4	Chief Warrant Officer	Chief Warrant Officer	Chief Warrant Officer 4	
W-3	Chief Warrant Officer	Chief Warrant Officer	Chief Warrant Officer 3	
W-2	Chief Warrant Officer	Chief Warrant Officer	Chief Warrant Officer 2	
W-1	Warrant Officer		Warrant Officer	
E-9	Sergeant Major of the Army	Master Chief Petty Officer of the Navy	Sergeant Major of the Marine Corps	Chief Master Sergeant of the Air Force
E-9	Command Sergeant Major or Sergeant Major	Master Chief Petty Officer	Sergeant Major or Master Gunnery Sergeant	Chief Master Sergeant
E-8	First Sergeant or Master Sergeant	Senior Chief Petty Officer	First Sergeant or Master Sergeant	Senior Master Sergeant
E-7	Sergeant First Class	Chief Petty Officer	Gunnery Sergeant	Master Sergeant
E-6	Staff Sergeant	Petty Officer, 1st Class	Staff Sergeant	Technical Sergeant
E-5	Sergeant	Petty Officer, 2nd Class	Sergeant	Staff Sergeant
E-4	Corporal or Specialist	Petty Officer, 3rd Class	Corporal	Senior Airman
E-3	Private First Class	Seaman	Lance Corporal	Airman, First Class
E-2	Private	Seaman Apprentice	Private First Class	Airman
E-1	Private	Seaman Recruit	Private	Airman, Basic

VOLUME 7A, "DEFINITIONS"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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

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

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The previous version dated September 2014 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated formatting to comply with current administrative instructions.	Revision
Contingency Operation	Updated definition to comply with Title 10, United States Code (U.S.C.), section 101(a)(13)(b).	Revision
Inactive Duty Training	Updated definition to comply with 37 U.S.C. § 101(22).	Revision
Ready Reserves	Updated definition to comply with 10 U.S.C. § 12301 and § 12302.	Revision
Retired Reserves	Updated definition to comply with 10 U.S.C. § 10154.	Revision
Selected Reserves	Updated definition to comply with 10 U.S.C. § 10143 and 32 U.S.C. § 502(a).	Revision

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DEFINITIONS

A. General

The following list defines general terms of significance or importance relating to military pay entitlement policies for the Department of Defense (DoD) that are discussed in various chapters in Volume 7A. This list of definitions provides general information. It is by no means an exhaustive list of all financial management terms, and it does not define terms when standard dictionary definitions apply. Authoritative guidance with more detailed explanations or nuances may be found in Volume 7A specific chapters.

B. List of Definitions

Absence Over Leave

Absent beyond the period for which leave was authorized.

Absent Without Leave

Absence from a place of duty without permission or authorization and without the intention of deserting.

Active Duty

Full-time duty in the active service of a Uniformed Service, including full-time training duty, annual training duty, full-time National Guard duty, and attendance, while in the active service, at a school designated as a Military Service school by law or by the Secretary concerned.

Active Duty for a Period of More Than 30 Days

Active duty under a call or order that does not specify a period of 30 days or less.

Active Duty for Training

Full-time duty in the active Military Service of the United States for training purposes.

Active Duty List

A single list for the Army, Navy, Air Force, or Marine Corps which contain the names of all officers of that Armed Force who are serving on active duty, other than officers described in Title 10, United States Code (U.S.C.), section 641.

Active Service

Active service means service on active duty.

Advance Payment

Payment of pay (pay and allowances in certain cases) before it is earned.

Advanced Leave

Leave authorized before it is accrued.

Aerial Flights

Flights in military aircraft or spacecraft, and also flights in nonmilitary aircraft when required by competent orders to fly in such aircraft. A flight begins when the aircraft or spacecraft takes off from rest at any point of support located on the surface of the earth and terminates when it next comes to a complete stop at a point of support located on the surface of the earth.

Air National Guard of the United States

The part of the Air Force Ready Reserve that is a Federal military reserve force as well as the militia Air Force of:

a. Each U.S. state;

b. The District of Columbia;

c. The Commonwealth of Puerto Rico; and

d. The territories of:

1. Guam; and

2. The U.S. Virgin Islands.

Allotment

A definite portion of the pay and allowances of a person in the Military Service, which is authorized to be paid to a qualified allottee.

Allottee

The person or institution to whom the allotment is made payable.

Allotter

The person from whose pay the allotment is made.

Allowance

A monetary amount paid to an individual for specific needs, such as food or housing.

Appropriation

An amount of money specifically authorized by Congress against which obligations may be incurred and from which payments may be made.

Armed Forces of the United States

Includes the Army, Navy, Air Force, Marine Corps, and Coast Guard, and all components thereof.

Army National Guard of the United States

The part of the Army Ready Reserve that is a Federal military reserve force as well as the militia Army of:

a. Each U.S. state;

b. The District of Columbia;

c. The Commonwealth of Puerto Rico; and

d. The territories of:

1. Guam; and

2. The U.S. Virgin Islands.

Aviation Accident

An accident in which a member, who is required to participate frequently or regularly in aerial flights, is injured or otherwise incapacitated as the result. The injury or incapacitation, as certified by the appropriate medical authority of the Uniformed Service concerned, may result from:

a. Jumping from, being thrown from, or being struck by an aircraft or spacecraft, or any part or auxiliary thereof; or

b. Participating in any duly authorized aerial flight or other aircraft or spacecraft operations. This term also means an incapacity incurred as the result, as certified by appropriate medical authority, of performance of flying duty, even though such incapacity is not the result of an actual aviation accident.

Aviation Service

Service performed by an officer (except a flight surgeon or other medical officer), while holding an aeronautical rating or designation or while in training to receive an aeronautical rating or designation.

Aviation Service Career

a. Extended Active Duty or Active Guard/Reserve Duty

An officer on extended active duty or Active Guard/Reserve Duty who holds an aeronautical rating or is in flying training leading to a rating or designation shall be considered to be performing aviation service on a career basis, as prescribed in 37 U.S.C. § 301a**,** while he or she is:

1. A member of the authorized rated inventory;

2. In flying training leading to a rating or designation; or

3. Serving in pay grade O-6 or below and is qualified for aviation service under regulations prescribed by the Secretary of the Military Department concerned.

b. Not on Extended Active Duty or Active Guard/Reserve Duty

An officer not on extended active duty or Active Guard/Reserve Duty who holds an aeronautical rating and is qualified for aviation service under regulations prescribed by the Secretary of the Military Department concerned will be considered to be performing aviation service on a career basis, as prescribed in 37 U.S.C. § 301a**,** while he or she is:

1. Performing operational flying duty;

2. Assigned to a rated position as a Ready Reservist in the Selective Reserves; or

3. Considered by that DoD Component as an asset to the rated inventory.

Basic Allowance for Housing (BAH)

An amount of money prescribed and limited by law which an officer or enlisted member receives to pay for quarters not provided by the Government.

Basic Allowance for Subsistence (BAS)

An allowance payable to officers and enlisted members for the purpose of subsisting themselves. BAS is payable at all times when entitled to basic pay after completion of initial military training, except as otherwise prohibited by law.

Basic Pay

The pay of an officer or enlisted member, according to the rank and longevity, before additional amounts are added for quarters, subsistence, flying status, and/or overseas duty.

Beneficiary

The recipient of certain benefits due as a result of relationship to or designation by a member.

Captive Status

A missing status resulting from a member's involvement in a hostile action. Hostile action is determined by the Secretary of Defense.

Captivity-Related Offense

An offense, committed while in a captive status and related to the status, which is listed in 5 U.S.C. § 8312(b) or (c) or 10 U.S.C. Chapter 47, that is punishable by dishonorable discharge, dismissal, or confinement for a minimum of 1 year.

Certifying Officer

An individual appointed in writing to attest to the correctness of statements, facts, accounts, and amounts appearing on a voucher, and to certify that voucher for payment.

Clothing Monetary Allowance

Refers to the several types of clothing maintenance allowances paid by cash; (for example: standard, basic, or special).

Combat Operation

A military action that may involve carrying out a strategic, operational, or tactical mission against a hostile or unfriendly force, to include carrying on combat and any related movement, supply, attack, defense, and maneuvers needed to gain the objectives of a battle or campaign.

Combat Zone

An area designated by Executive Order under 26 U.S.C. § 112 as an area in which U.S. Armed Forces are or have engaged in combat. Generally, an area becomes a combat zone or ceases to be a combat zone on the dates designated by Executive Order.

Commissioned Officer

Unless otherwise qualified, a member of the Uniformed Services having rank or grade of second lieutenant, ensign, or above, either permanent or temporary, in any of the Uniformed Services.

Commuted Rations

The value of in-kind government subsistence (rations) converted to a cash equivalent payment.

Competent Orders

Orders issued by the Secretary concerned, or such officer or officers as the Secretary may designate, to members of their respective Service or to members of other Services when such latter members are performing duty with a Service other than their own.

Continental United States

Unless otherwise qualified, means the 48 contiguous states and the District of Columbia.

*****Contingency Operation

Any military operation that:

a. Is designated by the Secretary of Defense as an operation in which members of the U.S. Armed Forces are or may become involved in military actions, operations, or hostilities against an enemy of the United States or against an opposing military force; or

b. Results in the call or order to, or retention on, active duty of members of the Uniformed Services under 10 U.S.C**.** § 688, § 12301(a), § 12302, § 12304, § 12304a, § 12305, or § 12406; 10 U.S.C. Chapter 15; 14 U.S.C. § 712; or any other provision of law during a war or national emergency declared by the President or the Congress.

Critical Specialty

A medical specialty that is manned at, or is projected within two fiscal years to be manned at, less than 95 percent of budget authorized allowance with fully qualified physicians.

Dependent

The term dependent means:

a. Spouse;

b. Unmarried child under the age of 21, including an adopted child or a stepchild, but not after the divorce of the member from the stepchild's natural parent;

c. An unmarried illegitimate child under the age of 21 provided the parentage on the part of the member is established by court order, a signed statement of parentage submitted by the member, or in the case of a female member, the birth certificate showing the member as the natural mother of the child;

d. An unmarried child under the age of 21 who has been placed in the member's home by a local, state, or foreign government placement agency, or a government-approved adoption agency as a part of a normal adoption process provided the member produces a document from such agency establishing the fact of relationship and the effective date of relationship;

e. An unmarried child who is at least 21 years of age, but under 23 years of age, who is enrolled in a full-time course of study at an educational institution approved by the Secretary concerned, when the member demonstrates in a statement listing the child's income and expenses that the child is in fact dependent on the member for over one half of the child's support;

f. An unmarried child, 21 years of age or older, who is incapable of self-support because of a mental or physical incapacity and who is in fact dependent upon the member for more than one half of the incapacitated child's support;

g. A parent, including a stepparent, parent by adoption, or any person who has stood in loco parentis at any time for a continuous period of at least five years before the member's 21st birthday, or a parent, a stepparent, or adopted parent of the member's spouse, any of whose dependency on the member has been determined in accordance with the rules and regulations established by the Secretary concerned; and

h. Effective July 1, 1994, a ward, who is an unmarried person who meets each of the following criteria:

1. A court of competent jurisdiction in the United States, Puerto Rico, or a possession of the United States has placed the person in the custody of the member:

(a) either permanently; or

(b) for a period which lasts at least 12 months from the date of the order;

2. The person must be:

(a) Under 21 years of age;

(b) At least 21 years of age, but under 23, years of age who meets the criteria for a student set forth in item “e” of the dependent definition; or

(c) Incapable of self-support because of a mental or physical incapacity that occurred while the person was considered a dependent ward of the member;

3. The person must be dependent upon the member for over one half of the person's support;

4. The person must reside with the member unless separated either by the necessity of Military Service to receive institutional care as a result of disability or incapacitation, or under such other circumstances as the Secretary concerned may prescribe;

5. The person may not be a dependent of any member under any other part of this definition; and

6. The person is considered to be in the same class of dependents as a member's other children for the purpose of determining entitlement.

Desertion

Absence without leave with intent to remain away permanently.

Disbursing Officer

A military member or a civilian employee of a DoD Component designated to disburse monies and render accounts according to laws and regulations governing the disbursement of public money. Disbursing officers must be U.S. citizens.

Dual Status

Enlisted members of the Navy or Marine Corps Reserve on duty as temporary officers under 10 U.S.C. § 5596.

Duty Station

The place at which the member is assigned for regular duty. Also, the place at which the member performs an assigned duty.

Enforced Separation

Involuntary separation of the member from dependents as a result of official orders.

Enlisted Member

A person enlisted, enrolled, or conscripted into a Military Service.

Enlistee

A person who has voluntarily enlisted for Military Service.

Enlistment

The term enlistment refers to:

a. A voluntary entrance into Military Service under enlisted status, as distinguished from induction through Selective Service; or

b. A period of time, contractual or prescribed by law, which enlisted members serve between enrollment and discharge.

Entitlement

The legal right to receive items of pay and/or allowances.

Erroneous Payment

A payment of pay and/or allowances to a member to which he/she is not entitled.

Excess Leave

Leave granted in excess of that accrued or advanced.

Exigencies of the Service

Urgent demands of a Military Service.

Expiration of Term of Service

The end of a required or contracted period of service.

Extension of Enlistment

Contractual agreement which extends an enlisted member's current enlistment for a stated period beyond normal expiration of that enlistment.

Federal Insurance Contribution Act

The Federal statute that requires the withholding of tax from salaries of employees covered by the Social Security Act and the payment of employer's tax by Federal agencies.

Field Duty

The term Field Duty refers to:

a. Duty performed by troops participating in:

1. Maneuvers;

2. War games;

3. Field exercises; or

4. Similar types of operations; and

b. The member is subsisted in a government mess or with an organization drawing field rations, and is quartered in accommodations normally associated with field exercises; or

c. Students are participating in survival training and forage for subsistence and improvise their own shelter. Members furnished quarters and subsistence obtained by contract may also be considered as performing field duty when so declared by a competent official.

Financial Organizations

Any bank, savings and loan association or similar institution, or Federal or state chartered credit union.

Flag Officer

A Navy term for an officer comparable to Army, Air Force, and Marine Corps general officer.

Fleet Reserve or Fleet Marine Corps Reserve

A component of the Regular service to which members may be transferred and released from active duty after obtaining 20 or more years of active Federal service.

Flight Requirement

The number of hours or minutes of flying time required to qualify for entitlement to incentive pay for a specific period of time.

Flying Status

The status of a member who is required by orders to participate in frequent and regular aerial flights.

Former Captive

A member who was held in a captive status.

Full-Time National Guard Duty

Training or other duty, other than inactive duty, performed by a member of the Army or Air National Guard of the United States, as a member of the National Guard of a state or territory, Puerto Rico, or the District of Columbia under 32 U.S.C. § 316, § 502, § 503, § 504, or § 505, for which the member is entitled to (or has waived entitlement to) pay from the United States.

Fully Qualified

A physician that has completed a residency training program or is board certified or board eligible in a medical specialty and, if involved with independent patient care, is credentialed to practice medicine in that specialty by a credentialing authority.

Government Mess

A dining facility supported wholly with appropriated funds that provide meals or rations to military members subsisted in-kind or sold at food cost. The term includes the following activities: general mess, wardroom mess, officer's mess, chief petty officer's mess, field mess, dining hall, dining activity, dining facility, mess hall, galley, field kitchen, flight kitchen, or similar terms used to describe dining facilities funded totally by appropriated funds. It does not include activities operated with non-appropriated funds such as officer's club, enlisted club, squadron mess, organized mess, or similar terms, except when those activities provide meals or rations under contract or agreement with the applicable operating and food costs borne by appropriated funds.

Government Quarters or Housing Facilities

These terms include the following:

a. Any sleeping accommodations or family-type housing owned or leased by the U.S. Government;

b. Lodgings or other quarters obtained by U.S. Government contract;

c. Dormitories or similar facilities operated by cost-plus-a-fixed-fee contractors;

d. Any sleeping or housing facilities furnished by a foreign government on behalf of the U.S. Government;

e. Transient facilities such as guest houses, hostess houses, and hotel-type accommodations. (Accommodations built and operated by non-appropriated fund activities are

considered to be rental quarters for the purpose of BAH eligibility.) Payment of service charges for laundering of linens or janitorial services has no effect on whether the facilities are considered government quarters or housing facilities; or

f. Quarters in a state-owned National Guard camp.

He, His, Him

"He," "his," and "him" include the terms "she," "her," and "hers."

Home

The place recorded as home of record when the member was ordered to active duty.

Hostile Fire

An event including hostile fire, an explosion of a hostile explosive device, or any other hostile action that involves an attack or other use of force perpetrated by a foreign individual(s) or entity against the United States or a member of its Uniformed Services, or other designated persons or property. It also includes force used directly to impede the mission and/or duties of the Uniformed Services, such as the recovery of U.S. personnel or vital U.S. Government property.

*****Inactive Duty Training

This term describes:

a. Duty prescribed for members of a Reserve Component by the Secretary concerned under 37 U.S.C. § 206 or any other law;

b. Special additional duties authorized for members of a Reserve Component by an authority designated by the Secretary concerned and performed by them on a voluntary basis in connection with prescribed training or maintenance activities of the units to which they are assigned; and

c. Duties when performed by members of a Reserve Component in their status as members of the National Guard, but (except as provided in 37 U.S.C. § 206) does not include work or study in connection with a correspondence course of a Uniformed Service.

NOTE: For pay purposes, inactive duty training may be documented on a Service-prescribed form or order covering a specific assignment and prescribed time limit.

Inductee

One who is inducted.

Induction

The act of taking a person into any of the U.S. Armed Services without voluntary action on his or her part.

Initial Residency Training

The period of time spent by an officer in residency training prior to the officer first becoming eligible to take a specialty board examination to qualify for board certification.

In Loco Parentis

A person who stood in place of the natural parent(s) to the Military Service member. (See also "Parent.")

Issue in-Kind

An issue in goods rather than in money.

Legal Process

The term legal process means any writ, order, summons, or other similar process in the nature of garnishment, which:

a. Is issued by:

(1) A court of competent jurisdiction in any state, territory, or possession of the United States;

(2) A court of competent jurisdiction in any foreign country with which the United States has entered into an agreement which requires the United States to honor such process; or

(3) An authorized official pursuant to an order of such a court of competent jurisdiction or pursuant to state or local law; and

b. Is directed to, for the purpose to compel a governmental entity, that holds money which is otherwise payable to an individual, to make a payment from the money to another party in order to satisfy a legal obligation of the individual to provide child support or make alimony payments.

Lost Time

That period of time not included in determining cumulative years of service for all military purposes.

Medical Officer

An officer of the Medical Corps of the Army or Navy, or an officer of the Air Force designated as a medical officer, who is on active duty under a call or order to active duty for a period of not less than 1 year.

Medical or Osteopathic Internship

The first year of graduate medical education, immediately following medical or osteopathic school, whether a formal internship or the first year of a residency. For the purposes of variable special pay, this includes the period during which the active duty medical corps officer is waiting to begin internship training as well as the period in which such an officer is awaiting separation because of failure to complete that training.

Medical or Osteopathic Residency

A formal program of medical or osteopathic specialty or subspecialty training.

Medical or Osteopathic Specialty

Any specialty for which there is a specialty skill identifier number, a naval officer billet classification number, or an Air Force specialty code number.

Member

A person appointed or enlisted in, or conscripted into, Uniformed Service. (Cadets or midshipmen of the Service academies are considered members only for the purpose of establishing entitlement under the provisions of Chapter 34).

Military Specialty

An element of the enlisted classification structure Military Occupational Specialty, Air Force Specialty Code, Navy Enlisted Classification, career field subdivision, career management field, and occupational field, as appropriate to the Military Service concerned, that identifies an individual position or group of closely related positions on the basis of the similarity of the duties involved. It is also the primary identifier of members who possess the ability, knowledge and other occupational qualifications required for effective performance in such positions.

A military specialty provides occupational standards for procurement, training, classification, and career development; identifies military skills so closely related that a degree of interchangeability exists between members assigned to the military specialty; and provides a normal career progression pattern for members within that military specialty.

Missing Status

Includes missing, missing in action, interned in a foreign country, captured, beleaguered, besieged by a hostile force, or detained in a foreign country against a member's will.

National Guard

The National Guard includes the Army and the Air National Guard. The National Guard is the part of the organized militia of the 50 states, Puerto Rico, Guam, the Canal Zone, the Virgin Islands, and the District of Columbia, active and inactive, that is:

a. Either a land or an air force;

b. Trained and has its officers appointed under the U.S. Constitution, Article 1, Section 8, 16th Clause;

c. Organized, armed, and equipped, wholly or partly, at Federal expense; and

d. Federally recognized.

Nurse Corps Officer

An officer of the Nurse Corps of the Army or Navy, or an officer of the Air Force designated as a nurse.

Officer

A commissioned or warrant officer.

Operational Flying Duty

Flying performed under competent orders by rated or designated members, while serving in assignments in which basic flying skills normally are maintained in the performance of assigned duties, as determined by the Secretary concerned. This duty includes flying performed by members in training that leads to the award of an aeronautical rating or designation.

Overpayment

An amount paid to a member which is in excess of that to which entitled.

Parachute Accident

An accident which results in injury to a qualified parachutist or parachute rigger, or to a member in training for such rating during a regular tour of duty. To be considered a parachute accident, the injury must occur while the member is on board an aircraft incident to assigned

duties or as a result of jumping from, being thrown from, or being struck by an aircraft or any part or auxiliary thereof.

Parent

The natural father or mother, or father or mother through adoption. It also includes persons who have stood "in loco parentis" to a member. Also see definition for "Dependent."

Permanent Change of Station

The assignment, detail, or transfer of a member or unit to a different duty station under competent orders which neither specify the duty as temporary, nor provide for further assignment to a new station, nor direct return to the old station. (For a more detailed definition, see the Joint Travel Regulations (JTR), Appendix A1.)

Permanent Duty Station

In general, the post of duty or official station to which the member is assigned for permanent duty. (For a more detailed definition, see the JTR, Appendix A1.)

Prisoner of War

A member who was/is held in captivity by another nation's government as a result of hostilities between that nation and the United States (whether or not by declaration of war).

Punitive Discharge

A dishonorable or bad conduct discharge ordered as punishment under the Uniform Code of Military Justice (UCMJ).

Rations in-Kind

Meals or rations furnished by or on behalf of the government at no charge when BAS or commuted rations are not otherwise payable to a member in a pay status.

*Ready Reserve

The Ready Reserve is comprised of Service members of the Reserve and National Guard, organized in units or as individuals, or both. These Service members are accessible for involuntary order to active duty in time of war or national emergency pursuant to 10 U.S.C. § 12301 or § 12302 and 14 U.S.C. § 712 in the case of members of the Coast Guard Reserve. The Ready Reserve consists of three sub-categories: the Selected Reserve, the Individual Ready Reserve, and the Inactive National Guard.

Reenlistment Bonus

A monetary incentive offered to an enlisted member who reenlists under provisions of 37 U.S.C. § 308.

Reserve Components

The U.S. Army National Guard, Army Reserve, Navy Reserve, Marine Corps Reserve, U.S. Air National Guard, Air Force Reserve, Coast Guard Reserve, and the Reserve Corps of the Public Health Service.

Reserve Officers' Training Corps (ROTC)

A student who is enrolled in the senior ROTC of an Armed Force, under 10 U.S.C. Chapter 103.

Retired List

Any one of several lists of military members retired from the regular or Reserve Components of the U.S. Armed Forces.

*****Retired Reserve

The Retired Reserve consists of:

a. Reserves who are or have been retired under 10 U.S.C. § 3911, § 6323, or § 8911, or 14 U.S.C. § 291; or

b. Reserves who have been transferred to the Retired Reserve and retain their status as Reserves, if otherwise qualified.

Saved Pay

Special pay provisions that allow military members, under certain circumstances, to retain entitlement to amounts of pay and/or allowances authorized under prior laws or for a lower grade from which promoted.

*****Selected Reserves

Within the Ready Reserve of each of the Reserve Components there is a Selected Reserve. The Selected Reserves consists of units and, as designed by the Secretary concerned, are trained as prescribed in 10 U.S.C. § 10147(a)(1) or 32 U.S.C. § 502(a), as appropriate.

Separation

Discharge, release from active duty, retirement, death, or when a member completes their full military obligation.

Service Academy Cadet or Midshipman

A person in training at one of the Service academies to become a commissioned officer.

Statutory Limitations

The legal limits or restrictions as provided by law.

Stipend Payment

A fixed sum of money paid periodically for services or to defray expenses, especially payment to medical officers on duty at civilian medical facilities.

Temporary Officer Status

A member of the Navy or Marine Corps appointed as a temporary officer under the provisions of 10 U.S.C. § 5596.

Total Forfeiture

Forfeiture of all pay and allowances as punishment under the UCMJ.

Uniformed Services

The Army, Navy, Air Force, Marine Corps, Coast Guard, National Oceanic and Atmospheric Administration, and Public Health Service.

United States

The 48 contiguous states, the District of Columbia, the states of Alaska and Hawaii, Puerto Rico, and U.S. territories.

Warrant Officer

A person who is designated an officer by a warrant, as distinguished from a commissioned officer who is designated an officer by a commission, and a non-commissioned officer who is designated an officer, often by virtue of seniority.

DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

VOLUME 7B: "MILITARY PAY POLICY AND PROCEDURES - RETIRED PAY"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

VOLUME 7B, CHAPTER 1: "INITIAL ENTITLEMENTS – RETIREMENTS"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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

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

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

The previous version dated August 2012 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated the hyperlinks and subparagraph titles. Revised the chapter to comply with current administrative instructions.	Revision
010201.C.1	Added the extended period of the Temporary Authority to reduce minimum length of active service requirement per Public Law 112-239, section 505, January 2, 2013.	Addition
010208.F.1	Revised, pursuant to Public Law 113-291, section 625, December 19, 2014, (National Defense Authorization Act 2015), subparagraph is amended to read, "…serves on active duty or performs such active service in any fiscal year after January 28, 2008, or in any two consecutive fiscal years after September 30, 2014."	Revision
0106	Deleted section 0106, Federal Judges, is deleted; this pertains to civilian retirement which is covered in Volume 8.	Deletion
All	Renumbered Sections 0107 through 0109 to 0106 through 0108 to include paragraphs.	Revision
Table 1-1 and Table 1-2	Reorganized the numbering of notes to provide sequential order in table.	Revision
Table 1-1, Notes	Added note pertaining extension authority and reference to Public Law 112-239, section 505, January 2, 2013 to Note 3 of Table 1-1.	Addition
Table 1-4, Notes	Reorganized the numbering of notes to provide sequential order in table.	Revision
Table 1-5, Notes	Deleted Note 2 and reorganized the numbering of notes to provide sequential order in table.	Revision
Bibliography	Updated Bibliography accordingly.	Revision

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CHAPTER 1

INITIAL ENTITLEMENTS – RETIREMENTS

0101 GENERAL

010101. Overview

A general overview of the military retired pay entitlement is provided in this section. Specific details on eligibility, computation and payment are found in various chapters in Volume 7B.

A. Military retired pay is divided into three general categories: retired pay for regular service, retired pay for non-regular (reserve/guard) service, and retired pay for physical disability. With the exception of retirement for physical disability and certain temporary authorities for early retirement, a member must be credited with completion of at least 20 years of service in order to be eligible for retired/retainer pay. See Section 0102 for determining years of service for retired/retainer pay eligibility.

B. Retired pay for all categories is computed by applying a percentage multiplier to the member's monthly retired pay base, as determined in Section 0102. The percentage multiplier is generally 2.5 percent for each year of service; however, in the case of disability retirement, the percentage multiplier may optionally be the disability percentage awarded by the military service upon retirement.

C. All retiring members may participate in the Survivor Benefit Plan (SBP) that provides a continuing annuity for the lifetime of a surviving spouse or other beneficiary of up to 55 percent of the deceased member's retired pay. Both the retired pay and the survivor annuity are adjusted for inflation through annual Cost-of-Living Adjustments (COLA).

010102. Retired Pay Base

The retired pay base is determined based upon the date the member first entered military service and whether the member is retiring under regular, reserve, or disability provisions of law. Details are in Chapter 3.

A. The Date of Initial Entry into Military Service (DIEMS) determines whether the retired pay base is the monthly basic pay of the member just before retirement or an average of the highest 36-months of basic pay applicable during the member's career.

1. Final Basic Pay. For members who first entered military service before September 8, 1980, the retired pay base is generally the final basic monthly pay that the member is receiving at the time of retirement.

2. High–Three Average (High 36-Month Average). For members who entered the military service on or after September 8, 1980 the retired pay base is generally

the average of the highest three years (36-months) of monthly basic pay to which the member received for any 36-months of active service whether consecutive or not.

B. For a member entitled to retired pay for non-regular (reserve) service, the final basic pay or the high-36 average is usually determined using the rates to which the member was actually paid or to which the member would have been entitled if serving on active duty immediately before the date when retired pay is to begin.

010103. Retired Pay Multiplier

The retired pay multiplier is either 2.5 percent times the years of service creditable for computing retired pay or the percentage of disability awarded by military service at retirement. See Section 0103 for determining years of service creditable for computing retired pay.

A. The years of service for computing retired pay for regular retirement are generally the total of years of active service. For non-regular (reserve) members, the years of service are the total of accumulated drill points combined with one point each day of active duty divided by 360.

B. A member who retires for disability may choose a multiplier based on years of service or based on the disability percentage awarded by the Service. However, if the member chooses the Service disability percentage, then the percentage is capped at 75 percent.

C. Regular members who have a DIEMS date on or after August 1, 1986 may elect a reduced retirement (REDUX) accompanied by the Career Status Bonus (CSB). The retired pay multiplier is the same as computed in subparagraph 010103.A, except that it is reduced by one percentage point for each year the member retires short of completing 30 years of service. See Volume 7A, Chapter 66 for detailed information on the CSB entitlement and election.

010104. Retired Pay Formulae

If a member entitled to retired or retainer pay would otherwise be entitled to retired pay computed under more than one formula, then the member is entitled to be paid under the applicable formula that is most favorable to the member. The retired pay formulae are more fully covered in Chapter 3. The formulae are as follows:

A. For regular and non-regular (reserve) retirement, monthly retired pay is equal to retired pay base times 2.5 percent times Years of Service.

B. For disability retirement, the member may elect retired pay computed under subparagraph 010104.A, or monthly pay equal to retired pay base times military disability percentage.

C. For members retiring for regular service that elected the REDUX retirement and received the CSB, retired pay is as computed in subparagraph 010104.A, except

the multiplier is reduced by one percentage point for each year the member retires short of completing 30 years of service.

010105. Temporary Early Retirement Authority (TERA)

A. TERA provides the Secretary of Defense a temporary force management tool with which to affect the drawdown of military forces and yet maintain an adequate and effective well-trained military force. TERA provides the authority for voluntary retirement of members on active duty with at least 15 years, but less than 20 years of creditable service. An eligible member of the Armed Forces may apply for early retirement under the program and receive an annuity equivalent to 2.5 percent of retired pay base for each year of service completed and a deduction of 1 percent for each year short of 20 years of service. The request is subject to the approval of the Secretary concerned. Drawdown periods are referenced in subparagraph 010201.B. See Chapter 3 for computation of TERA payment.

B. A member of the Armed Forces approved for early retirement must:

1. Be currently serving on active duty;

2. Complete 15 or more years of active service upon the effective date of retirement;

3. Not be under evaluation for disability retirement under ***Title 10, Chapter 61***; and

4. Meet grade, skill, years of service, and other eligibility criteria as established by the Secretary of the Military Department concerned.

010106. Survivor Benefit Plan (SBP)

Retiring members may participate in the SBP program. The SBP program pays a lifetime annuity to the designated survivor of 55 percent of a base amount elected by the member not to exceed full retired pay. Upon receiving notice of having completed sufficient service to qualify for retirement, a non-regular (reserve) member (except for not having attained the requisite age) may also participate in the SBP program detailed information regarding the SBP program begins in Chapter 42.

010107. Cost of Living Adjustments (COLA)

Both retired pay and survivor annuities are adjusted annually by the change in the Consumer Price Index. See Chapter 8 for detailed information on COLAs.

0102 SERVICE CREDITABLE FOR RETIREMENT ELIGIBILITY

*010201. Creditable Service and Service Reduction for Retirement Eligibility

* A. Computation of Creditable Service for Determining Retirement Eligibility. A computation of creditable service for determining retirement eligibility may be required at any time during a member's military career. Generally, a member must complete at least 20 years of creditable service in order to qualify for retired or retainer pay. Upon completion of 20 years of creditable service, a member may request to be transferred to a retired or retainer status.

1. An enlisted member of the Army or Air Force who completes 20 years of creditable active service may request to be retired.

2. An enlisted member of the Navy or the Marine Corps who completes 20 years of creditable active service may request transfer to the Fleet Reserve or Fleet Marine Corps Reserve. See Chapter 2 for details regarding creditable service for transfers to the Fleet Reserve and Fleet Marine Corps Reserve.

3. An enlisted member of the regular Army, Navy, Marine Corps or Air Force who completes 30 years of creditable active service or an enlisted member in the Fleet Reserve or Fleet Marine Corps Reserve upon completion of a total of 30 years of combined active and fleet reserve service shall, upon request, be retired.

4. A regular or reserve commissioned officer may voluntarily be retired after completion of 20 years of active service, at least 10 years of which is active commissioned service.

5. A non-regular member who completes 20 years of creditable qualifying service, but has not yet attained the eligibility age applicable for retired pay, may request transfer to the inactive status list.

6. Members who incur a qualifying disability while serving on active duty; while called to active duty for training for 30 days or less; or while performing inactive duty training; may be retired for disability, at which time a service computation is required.

B. Reduction of the 20-Year Creditable Service Requirement. Under TERA The Secretary of the Military Department concerned may reduce the 20 years of creditable service requirement to as few as 15 years for retirements during the periods of December 31, 2011 and ending December 31, 2018 for regular retirements only. During the periods of October 23, 1992 and ending September 1, 2002, TERA provided for regular and non-regular retirements.

C. Reduction of the 10-Year Active Commissioned Service Requirement. The Secretary of the Military Department concerned may also reduce the 10-year active commissioned service requirement to not less than 8 years for retirements during the following periods:

* 1. January 7, 2011 and ending September 30, 2018;

2. January 6, 2006 and ending December 31, 2008; and

3. October 1, 1990 and ending December 31, 2001.

D. Active Duty Beyond 20 Years of Service. A member who continues on active duty after completion of 20 years of service may be retired for voluntary or involuntary reasons. Involuntary reasons include court martial sentence, poor performance, failure to qualify for promotion, high year tenure, and age.

E. Service Creditable for Retirement Eligibility. Service creditable for the purpose of determining retirement eligibility varies with each type of retirement. For retirement types and the specific service creditable for each type, see paragraphs 010202 through 010208. See paragraph 010209 for service that is not creditable.

010202. Service Creditable for Regular Voluntary Retirement – Enlisted Members (Table 1-1)

The following is service creditable for regular voluntary retirement for enlisted members:

A. All active service in the Uniformed Services; and

B. Service as a cadet or midshipman at Service academy.

010203. Service Creditable for Voluntary Retirement – Regular and Reserve Commissioned Officers (Table 1-1)

The following is service creditable for voluntary retirement for regular and reserve commissioned officers:

A. Active service in the Uniformed Services.

B. If an officer of the Regular Army or Regular Air Force in the Medical Corps, then include all full-time service performed as:

1. A contract surgeon;

2. An acting assistant surgeon; or

3. A contract physician, under a contract to serve full-time and to take and change station as ordered.

C. If retiring as an officer of the Regular Army or Regular Air Force in the Dental Corps, then include all full-time service performed as:

1. A contract dental surgeon; or

2. An acting dental surgeon.

010204. Service Creditable for Voluntary or Mandatory Retirement – Warrant Officers

The following is service creditable for voluntary or mandatory retirement for warrant officers:

A. Active service in the Uniformed Services.

B. All service as:

1. A contract surgeon;

2. A Reserve nurse;

3. A contract dental surgeon;

4. An acting dental surgeon; and

5. A veterinarian in the quartermaster department, cavalry, or field artillery.

010205. Service Creditable for Mandatory Retirement – Regular Commissioned Officers, Army and Air Force (Table 1-2)

Years of service credited at the time of original appointment in the Regular Army for the purpose of determining eligibility for promotion, except service in subparagraph 010209.C, plus all years of active commissioned service in the Regular Army after that appointment, or the applicable years of service computed as stated in 010205.A through 010205.G:

A. A Reserve judge advocate appointed in the Regular Army after becoming 21 years of age, after December 7, 1941, and before the date of that appointment, or the number of the days, months and years by which the member's age at the time of appointment exceeds 25 years, whichever is greater, plus years of active commissioned service in the Regular Army or Regular Air Force after that appointment;

B. Officer appointed in the Regular Army, except the Army Nurse Corps or Army Medical Specialist Corps before December 31, 1947, other than an officer covered by subparagraph 010205.A, or appointed in the Regular Army under the Act of December 28, 1945:

1. Years of active commissioned service in the Regular Army after that appointment, plus

2. Years of active commissioned service in the Army after becoming 21 years of age and after December 7, 1941, under any earlier appointment;

C. Officer appointed in the Regular Army, except the Army Nurse Corps or Army Medical Specialist Corps after December 31, 1947, other than an officer appointed in the Women's Army Corps, Regular Army, under section 108 of the Women's Armed Services Integration Act of 1948:

1. Years of active commissioned service in the Regular Army after that appointment, plus

2. Years of active commissioned service in the Army after becoming 21 years of age and after December 31, 1947, under any earlier appointment;

D. Officer of the Regular Air Force appointed in the Regular Army or Regular Air Force after December 31, 1947, under section 506 of the Officer Personnel Act of 1947, the sum of:

1. The years of active commissioned service in the Regular Army or Regular Air Force after that appointment;

2. The years of active commissioned service in the Armed Forces after becoming 21 years of age and after December 6, 1941, under any earlier appointment;

E. Officer of the Air Force who was appointed in the Regular Army or Regular Air Force after December 31, 1947, other than an officer covered by subparagraphs 010205.D, or 010205.F:

1. The years of active commissioned service in the Regular Army or Regular Air Force after that appointment;

2. The years of active commissioned service in the Air Force after becoming 21 years of age and after December 31, 1947, under any earlier appointment;

F. Officer of the Regular Air Force who was appointed in the Regular Air Force after July 19, 1956, other than an officer covered by subparagraph 010205.D, or who is designated as a medical or dental officer, the sum of:

1. The years of active commissioned service in the Regular Air Force after that appointment;

2. The years of active commissioned service in the Armed Forces after becoming 21 years of age and before appointment; and

3. The years credited for the purpose of determining grade, position on a promotion list, seniority, and eligibility for promotion under one of the following conditions:

a. Three years, if appointed in the Regular Air Force with a view to designation as a medical service officer, and if holding a degree of doctor of philosophy or comparable degree in science allied to medicine;

b. Not more than 8 years, if one of not more than 100 persons in any calendar year who are appointed from civil life or from Reserves of the Air Force who have qualifications not otherwise available from members of the Air Force on active duty;

c. Not more than 2 years, if appointed while on active duty in the Air Force; and

G. An officer of the Army or Air Force under the Defense Officer Personnel Management Act is credited with:

1. The years of active service; and

2. The years of service, other than active service in subparagraph 010205.G.1, with which the member was entitled to be credited on May 31, 1958, in computing basic pay.

010206. Service Creditable for Mandatory Retirement - Regular Officers, Navy and Marine Corps (Table 1-2)

The following is service creditable for mandatory retirement of regular officers of the Navy and Marine Corps:

A. The total commissioned service of an officer on the active list in the line of the Navy or of the Marine Corps is computed from June 30 of the fiscal year in which the officer accepted that appointment. The computation applies when the officer has served continuously on the active list since appointment in the grade of ensign or second lieutenant, either upon graduation from the Naval Academy or under Title 10, United States Code, section 2106 ***(10 U.S.C. 2106)***, ***2107***, or ***6909*** (repealed).

B. Every other officer on the active list in the line of the Navy or Marine Corps is considered to have the same service as in subparagraph 010206.A, who:

1. Has not lost numbers or precedence; and

2. Is, or at any time has been, junior to the other officer for the purposes of eligibility for promotion and selection for promotion during the other officer's latest period of continuous service on the active list.

C. The total commissioned service of each officer on the active list of the Navy in the Supply Corps or the Civil Engineer Corps who originally was appointed as a Regular or as a Reserve in the grade of ensign in the line, or any staff corps, or in the grade of lieutenant (junior grade) in the Civil Engineer Corps, and who has served continuously on active duty since that appointment, is computed from June 30 of the fiscal year in which the officer accepted that appointment, beginning August 7, 1947.

D. The total commissioned service of each officer originally appointed in the grade of lieutenant (junior grade) or ensign in any staff corps of the Navy, except the Supply Corps and the Civil Engineer Corps, who since that appointment has served continuously on the active list of the Navy, is computed from June 30 of the fiscal year in which the officer accepted that appointment. This provision does not apply, however, to officers appointed under the Act of April 18, 1946.

E. Every other commissioned officer on the active list of the Navy in any staff corps is considered to have the same total commissioned service as the officer in the same corps described in subparagraphs 010206.C and D, having the maximum total commissioned service who:

1. Has not lost numbers or precedence; and

2. Is, or at any time has been, junior to the other officer for the purposes of eligibility for promotion and selection for promotion during that other officer's latest period of continuous service on the active list.

F. Notwithstanding the provisions of subparagraph 010206.E, officers on the active list of the Navy in the Medical Service Corps, appointed under the Act of April 18, 1946, are considered to have total commissioned service equivalent to that of their running mates.

G. Officers on the active list of the Navy in the Nurse Corps are credited with:

1. Active service in the Nurse Corps and the Nurse Corps Reserve; and

2. Active service in the Nurse Corps and the Nurse Corps Reserve, which was abolished by the Army-Navy Nurses Act of 1947.

H. An officer of the Navy or Marine Corps under the Defense Officer Personnel Management Act is credited with:

1. The years of active service; and

2. The years of service, other than the service included in subparagraph 010206.H.1, with which member was entitled to be credited on May 31, 1958, in computing basic pay.

010207. Service Creditable for Disability Retirement (Table 1-3)

A. A member of a Regular Component of the Armed Forces is credited with the greater of all service he or she is considered to have for the purpose of separation or mandatory elimination from the active list, or the sum of:

1. All active service as a member of the Armed Forces as a nurse, Reserve nurse after February 2, 1901, contract surgeon, contract dental surgeon, or acting dental surgeon;

2. Active service as a commissioned officer of the National Oceanic and Atmospheric Administration (NOAA), or the Public Health Service (PHS). Active service as a member of the NOAA includes active service as a member of the Environmental Science Services Administration and of the Coast and Geodetic Survey, the predecessor organizations to NOAA and PHS; and

3. Service while participating in exercises or performing active duty training and drills in the National Guard, under ***32 U.S.C. 502***, ***503***, ***504***, and ***505***.

B. A member who is not a member of a Regular Component of the Armed Forces is credited with service calculated as the sum of subparagraphs 010207.B.1 through 010207.B.3, and divided by 360:

1. All days of active service;

2. All days of full-time service while performing annual training duty or attending prescribed periods of instruction designated as a Military Service school by law or by the Secretary concerned; and

3. One day for each point, but not more than 130 days in the year of service that includes October 30, 2007 and in any subsequent year of service credited for attendance at drills or periods of equivalent instruction prescribed for that year by the Secretary concerned that conform to requirements by law or are credited as service in the Health Professions Scholarship and Financial Assistance Program under ***10 U.S.C. 2126***. Between October 30, 2000 and October 29, 2007, the maximum number was 90 days. Between September 23, 1996 and October 29, 2000, the maximum number was 75 days, and 60 days before September 23, 1996. The credit includes points at the rate of 15 per year for membership in a Reserve Component of an Armed Force, in the Army or the Air Force without component, or service before July 1, 1949 in the categories provided in ***10 U.S.C. 12732***.

*010208. Service Creditable for Age and Service Retirement – Non-Regular Member (Table 1-4)

A. Creditable service for age and service retirement of non-regular member includes:

1. The Uniformed Services,

2. Years of service before July 1, 1949 pursuant to 10 U.S.C. 12732, or

3. Each 1-year period after July 1, 1949 in which the member earned at least 50 points on the following basis:

a. One point for each day of active service. Service as a cadet or midshipman at a Service academy is active service for non-Regular enlisted members only;

b. One point for each day of full-time service while performing annual training or attending a prescribed course of instruction at a school designated as a Service school by law or by the Secretary concerned;

c. One point for each attendance at a drill or period of equivalent instruction prescribed for that year by the Secretary concerned;

d. Points at the rate of 15 per year for membership in a Reserve Component of the Armed Forces, in the Army or Air Force without component, or in any other category covered by 10 U.S.C. 12732(a)(1), except a Regular Component; and

e. Points credited as service in the Health Professions Scholarship and Financial Assistance Program under 10 U.S.C. 2126.

B. A member of the Armed Forces Reserve or National Guard is entitled to retired pay computed under Chapter 3, Table 3-1, Rule 13, for non-Regular service upon application if he or she:

1. Has attained the eligibility age applicable to that member under subparagraph 010208.F;

2. Has performed at least 20 years of service (see subparagraph 010208.E), as shown in subparagraphs 010208.A;

3. Has completed at least 20 years of service as described in subparagraph 010208.B.2 before April 25, 2005, and performed the last 6 years of qualifying service while a member of any category named in 10 U.S.C. 12732(a)(1), but not while a member of a Regular Component, the Fleet Reserve, or the Fleet Marine Corps Reserve, except in the case of a member who completed 20 years of service before October 5, 1994, the number of years of such qualifying service shall be 8;

4. Is not entitled under any other provision of law to retired pay from the Armed Forces or retainer pay as a member of the Fleet Reserve or the Fleet Marine Corps Reserve, except as provided in Chapter 7, section 0701.

NOTE: For the purpose of subparagraphs 010208.B.1 through 010208.B.3, all service in the National Guard is treated as if it were service in a Reserve Component if the member was later appointed in the National Guard of the U.S. or Air National Guard of the U.S., or as a Reserve of the Army or Air Force and served continuously in the National Guard from date of Federal recognition to date of that appointment.

C. A member who has been notified that the years of service requirement has been met for eligibility for retired pay may not have that eligibility denied or revoked on the basis of any error, miscalculation, misinformation, or administrative determination of years of service performed, unless it resulted directly from fraud or misrepresentation of the member.

1. The notification of eligibility, which is based on the member's completion of the service requirement, conforms to applicable Military Department regulations. A nonconforming written notice, administratively issued, which shows completion of service requirements of eligibility for retired pay, may not result in the denial of retired pay unless evidence shows that the member caused the service record to be altered or confused.

2. The number of years of creditable service upon which retired pay is computed may be adjusted to correct any error, miscalculation, misinformation, or administrative determination. When a correction is made, the retiree is entitled to retired pay in accordance with the number of years of creditable service, as corrected, from the date the retiree is granted retired pay.

3. Notwithstanding subparagraph 010208.C.2, the granting of retired pay to a retiree under ***10 U.S.C., Chapter 1223*** is conclusive as to that retiree's entitlement to such pay only if the payment of retired pay began after October 14, 1966. A notification that a member has completed the years of service required for eligibility for retired pay under 10 U.S.C., Chapter 1223 is conclusive as to that member's subsequent entitlement to such pay only if the notification is made after October 14, 1966.

D. Under ***10 U.S.C. 12731***, members of a Reserve Component who have reached age 60 and have at least 20 years of qualifying Federal service are qualified for retired pay. A member who has qualified for retired pay, but retained under ***10 U.S.C. 12308***, with member's consent, may be credited with the service for all purposes. A member, however, who elects to receive retired pay under 10 U.S.C. 12731, may not be retained simultaneously on active duty or in active service under 10 U.S.C. 12308.

E. A temporary special retirement qualification authority, ***10 U.S.C. 12731a***, provides for the Secretary of the Military Department concerned to allow certain members with at least 15 years of creditable service to retire during the period beginning on October 23, 1992 and ending on December 31, 2001.

F. Subject to subparagraph 010208.F.1, the eligibility age for purposes of subparagraph 010208.B.1 is 60 years of age.

***** 1. After January 28, 2008, the eligibility age for purposes of subparagraph 010208.F shall be reduced subject to subparagraph 010208.F.5, below 60 years of age in the case of a member who, as a member of the Ready Reserve, serves on active duty or performs active service described in subparagraph 010208.F.2. The reduction shall be 3 months for each aggregate of 90 days on which the member serves on such active duty or performs such active service in any fiscal year after January 28, 2008, or in any two fiscal years after September 30, 2014. A day of duty may be included in only one aggregate of 90 days for purposes of this subparagraph.

2. Service on active duty is pursuant to a call or order to active duty under a provision of law referred to in ***10 U.S.C. 101(a)(13)(B)*** or under ***10 U.S.C. 12301(d)***. Such service does not include a call or order to active duty under ***10 U.S.C. 12310.***

3. Active service is also service under a call to active service authorized by the President or the Secretary of Defense under 32 U.S.C. 502(f) for purposes of responding to a national emergency declared by the President or supported by Federal funds.

4. If the member is wounded, otherwise injured, or becomes ill while serving on active duty pursuant to a call or order to active duty under subparagraph 010208.F.2, and the member is ordered to active duty under section 10 U.S.C. 12301(h)(1) to receive medical care for the wound, injury, or illness, then each day of active duty under that order for medical care shall be treated as a continuation of the original call or order to active duty for purposes of reducing the eligibility age of the member under this subparagraph.

5. The eligibility age for purposes of subparagraph 010208.F may not be reduced below 50 years of age for any member under subparagraph 010208.F.1.

010209. Service Not Creditable for Determining Retirement Eligibility

A. Enlisted Member's Lost Time. The following periods of absence from duty during a term of enlistment are not creditable to an enlisted member unless they are made up by the member upon return to full duty so as to complete the term for which the member was enlisted. The periods of absence from duty are:

1. Desertion;

2. Absence from organization, station, or duty for more than 1 day without proper authority, as determined by competent authority;

3. Confinement by military or civilian authorities for more than 1 day in connection with a trial, whether before, during, or after the trial; and

4. The member's inability for more than 1 day, as determined by competent authority, to perform assigned duties because of intemperate use of drugs or alcoholic liquor, or because of disease or injury resulting from the member's misconduct.

B. Officer's Lost Time. Prior to February 11, 1996, a commissioned or warrant officer was entitled to credit for every day in a commissioned or warrant status, without regard to absence of any kind, whether authorized or unauthorized, and including confinement prior to and during trial. In addition, absence during which a member was serving on active duty as an enlisted member was creditable if the enlisted member also held a commission as a Reserve officer. After February 10, 1996, a commissioned or warrant officer may not count the following periods of absence for any purpose other than the computation of length of service for basic pay:

1. Desertion;

2. Absence from organization, station, or duty for more than 1 day without proper authority, as determined by competent authority;

3. Confinement by military or civilian authority for more than 1 day in connection with a trial, whether before, during, or after the trial; or

4. Inability to perform assigned duties for more than 1 day, as determined by competent authority, because of intemperate use of drugs or alcoholic liquor, or because of disease or injury resulting from the member's misconduct. The period of such desertion, absence, confinement, or inability to perform duties may not be counted in computing, for any purpose other than basic pay under ***37 U.S.C. 205***, the officer's length of service.

C. Constructive Service. Constructive service, credited under 10 U.S.C. 3287(a)(2)(A) or (B) (repealed), 10 U.S.C. 3294(b) (repealed), or section 506(c) of the Officer Personnel Act of 1947, is not included in the service computation under subparagraph 010205.A. Constructive service creditable may be:

1. Three years, if appointed as a chaplain, or for service in the Judge Advocate General's Corps or in the Veterinary Corps of the Regular Army,

2. Three years, if appointed in the Medical Service Corps and if holding the degree of doctor of philosophy or comparable degree recognized by the Surgeon General, or

3. Four years (five, if member completed a 1-year internship) credited at the time of appointment in the Medical or Dental Corps for the purpose of determining grade, position on a promotion list, seniority in grade in the Regular Army, and eligibility for promotion.

D. Other Non-creditable Service. This service may not be counted for the purpose of determining retirement eligibility under paragraph 010207:

1. Service, other than active service, in an inactive section of the Organized Reserve Corps or Army Reserve, or inactive section of the officer's section of the Air Force Reserve,

2. Service, other than active service, after June 30, 1949, while on the Honorary Retired List of the Naval Reserve or of the Marine Corps Reserve,

3. Service in the inactive National Guard or in a non-federally recognized status of the National Guard,

4. Inactive service in the Fleet Reserve or Fleet Marine Corps Reserve, or

5. Service in any status other than that as a commissioned officer, warrant officer, nurse, flight officer, aviation midshipman, appointed aviation cadet, or enlisted member, and that is described in paragraph 010201 as creditable.

0103 SERVICE CREDITABLE FOR COMPUTING RETIRED PAY

010301. Service for Percentage Multiple

Service authorized to be used as a percentage multiple is specified in each law section authorizing computation of retired pay for each type of retirement. Information on retirement types and service for percentage multiple are provided in this section for each are:

010302. Voluntary Retirement - Enlisted Members

Service is credited under paragraph 010202.

010303. Voluntary Retirement Commissioned Officers

A. Active service is creditable in the Uniformed Services.

B. Crediting of constructive service for medical and dental officers or an internship is not authorized after September 14, 1981 unless a member was already enrolled in such a program and later graduated, and was commissioned as a medical or dental officer; however, post-September 14, 1981, time is creditable in computing retired pay provided the officer is retirement eligible.

Service creditable in computing retired pay should include time an officer served in the Uniformed Services University of Health Sciences (USUHS). For an officer of the Medical Corps or Dental Corps of the Army or Navy, an officer of the Air Force designated as a medical or dental officer or an officer of the Public Health Service commissioned as a medical or dental officer, credit actual time served in the program. Any credit otherwise accrued during the same period by reason of Reserve membership would not be used in determining the multiplier for computing retired pay.

Example: An O-6 with 20 years and 6 months service under 37 U.S.C. 205 (excludes time at USUHS) is receiving basic pay for an O-6 over 20 years. If this member served 4 years and 6 months at USUHS, then, upon retirement, the member is to receive retired pay computed

at 62.5 percent of basic pay as an O-6. The 62.5 percent is computed as 2.5 percent times 25 (20.5 plus 4.5) years of service as this computation will include the USUHS time.

C. The years of service, not included in subparagraph 010303.A or B, with which the member was entitled to be credited on June 1, 1958, in computing basic pay as stated in Volume 7A, Chapter 1, section 0102.

D. Years of service not included in subparagraphs 010303. A, B, or C, with which the member would be entitled to be credited under ***10 U.S.C. 12733***:

1. Days of active service.

2. Days of full-time service under ***32 U.S.C. 316*** and 32 U.S.C. 502 thru 505, while performing annual training duty or attending a prescribed course of instruction at a school designated as a Service school by law or by the Secretary of the Military Department concerned (or designee).

3. One day for each point, but not more than 130 days in any year of service that includes October 30, 2007, and in any subsequent year of service credited for attendance at drills or periods of equivalent instruction prescribed that year by the Secretary concerned that conform to requirements by law or credited as service in the Health Professions Scholarship and Financial Assistance Program under 10 U.S.C. 2126. Between October 29, 2007 and October 29, 2000, the maximum number was 90 days; between September 23, 1996 and October 29, 2000, the maximum number was 75 days; and before September 23, 1996, the maximum was 60 days. The credit includes points at the rate of 15 per year for membership in a Reserve Component of an Armed Force, in the Army or the Air Force without component, or service before July 1, 1949 in the categories named in 10 U.S.C. 12732.

010304. Voluntary Retirement - Warrant Officers

Service credited under subparagraph 010303.

010305. Mandatory Retirement

A. Army and Air Force service credited under paragraph 010205 or subparagraph 010303, whichever is more favorable.

B. Navy and Marine Corps service credited under paragraph 010206 or subparagraph 010303 whichever is more favorable.

010306. Disability Retirement

Service credited under paragraph 010207.

010307. Age and Service Retirement - Reservist

Total days of service, as stated in subparagraphs 010303.D.1 through 3, divided by 360 equals equivalent years and any fraction of a year of service.

0104 UNIFORM RETIREMENT DATE ACT (URDA) APPLICATION (*5 U.S.C. 8301*)

010401. Authority

A. Retirement is effective on the first day of the month after that in which retirement would otherwise be effective, except as otherwise specifically provided by statute.

B. Notwithstanding subparagraph 010401.A, the rate of pay is computed as of the date retirement would have occurred but for the provisions of subparagraph 010401.A. See Table 1-5. Members who enter a Uniformed Service after September 7, 1980 receive retired pay based on an average of basic pay rates for the period actually served, not to exceed a 36-month period. See Chapter 3 for gross pay computation.

010402. Application

A. Voluntary Retirement

1. Compute pay on the current active duty basic pay rate in effect on the first day of retirement if the member:

a. Retired on other than an active duty basic pay rate change date,

b. Retired on the same day as an active duty basic pay rate change, but was fully qualified for retirement or met requirements to be retired at least 1 month before the month immediately preceding the active duty basic pay rate change date, except for warrant officers retired under the provisions of *10 U.S.C. 580*, *1255* (repealed), *1263*, *1293*, and *1305*,

c. Retired as an enlisted member regardless of qualification date, or

d. Retired as a commissioned officer under provisions of *10 U.S.C. 6323*.

2. Compute pay on the active duty basic pay rate in effect on the day before the first date of retirement if the member:

a. Retired as a warrant officer under 10 U.S.C. 564 (repealed), 580, 1255 (repealed), 1263, 1293, and 1305, or

b. Retired on an active duty basic pay rate change date as a commissioned officer (other than an officer retired under 10 U.S.C. 6323) or warrant officer who first qualified for retirement during the month immediately preceding the active duty rate change date; however, refer to Table 1-5, Rule 6 for an exception to this rule.

B. Mandatory Retirement

1. Compute pay on the active duty basic pay rate in effect on the date when the member met the requirements for involuntary retirement, and is retired for mandatory reasons; or

2. The provision in subparagraph 010402.B.1 does not apply if:

a. Before the date scheduled for mandatory retirement, the member qualifies for and requests voluntary retirement that is approved before he or she is scheduled for mandatory retirement. See provisions for voluntary retirement in subparagraph 010402.A, or

b. The member is retained on active duty beyond the mandatory retirement date for physical evaluation to determine eligibility for disability retirement and is retired for disability. See paragraph 010207 to establish service creditable for disability retirement.

C. Fleet Reserve and Fleet Marine Corps Reserve. The provisions of the URDA do not apply to members transferred to the Fleet Reserve and Fleet Marine Corps Reserve.

D. Disability Retirement

1. Compute pay on the active duty rate in effect on the first day of retirement if the member:

a. Retired on other than an active duty basic pay rate change date, or

b. Retired on an active duty pay rate change date and otherwise is eligible for voluntary retirement and met those requirements at least 1 month before the month immediately preceding the new basic pay rates. The new rates apply only to the formula for computation of entitlement for voluntary retirement.

2. Compute pay on the active duty basic pay rate in effect on the day before the first day of retirement if the member:

a. Retired on an active duty rate change date as a commissioned officer, warrant officer, or enlisted member, and

b. Retired under disability retirement findings approved without the Secretary concerned having designated an earlier retirement date under ***10 U.S.C. 1221***. If an earlier retirement date is not specified by the Secretary, then the provisions of the URDA govern the effective date of retirement.

E. Non-Regular Service Reserve Retirement. Compute pay on the active duty basic pay rate in effect on the date when the member is granted retired pay.

010403. Special Provisions

Under specific circumstances, computation may be based on another basic pay rate that may provide greater pay. See Chapter 3, sections 0302, 0303, and 0304.

0105 RANK AND PAY GRADE

010501. General Determination

A. Grade at Retirement. Unless entitled to a higher grade under some other provisions of law, those Regular and Reserve members who retire other than for disability will retire in the Regular or Reserve grade they hold on the date of retirement. See Volume 7A, Comparable Grades.

B. Time in Grade Requirement. A commissioned officer, other than a commissioned warrant officer, of the Army, Navy, Air Force, or Marine Corps, who voluntarily retires in a grade above major or lieutenant commander, must serve on active duty in that grade for not less than 3 years. The President may waive this requirement in cases of hardship or exceptional or unusual circumstances. The Secretary of the Military Department concerned (or designee) may reduce the service-in-grade requirement to 2 years. This authority was made permanent under ***Public Law 108-136, section 506***, dated November 24, 2003.

C. Retirement to the Next Lower Grade. An officer who does not meet the service-in-grade requirement retires in the next lower grade in which the member served on active duty satisfactorily for at least 6 months.

D. Officers in Grades 0-9 and 0-10

1. An officer in the grade of general or admiral, or lieutenant general or vice admiral, may retire in that grade if the Secretary of Defense certifies, in writing, to the President and the Congress that the officer served on active duty satisfactorily in that grade.

2. The 3-year service-in-grade requirement cannot be reduced or waived if the officer is under investigation for alleged misconduct or if an adverse personnel action is pending against the officer for alleged misconduct.

E. Reserve Officers

1. Unless entitled to a higher grade, or to credit for satisfactory service in a higher grade under some other provision of law, a member who becomes entitled to a non-Regular service Reserve retirement shall, upon application, receive credit for satisfactory service in the highest grade held in the Armed Forces, as determined by the Secretary of the Military Department concerned (or designee).

2. To receive credit for satisfactory service in a grade below lieutenant colonel or commander, other than a warrant officer grade, a member must serve satisfactorily in that grade, as determined by the Secretary of the Military Department concerned (or designee) as a Reserve commissioned officer in an active status, or in a retired status on active duty, for at least 6 months.

3. To receive credit for satisfactory service in a grade above major or lieutenant commander, a member must serve satisfactorily in that grade, as determined by the Secretary of the Military Department concerned (or designee), as a Reserve commissioned officer in an active status, or in a retired status on active duty, for at least 3 years.

a. A member who completes at least 6 months of satisfactory service in grade, upon transfer from an active status or upon discharge as a Reserve commissioned officer for mandatory age or years of service, receives credit for satisfactory service in the grade in which serving at time of transfer or discharge in that grade.

b. If a member completes at least 6 months of satisfactory service in grade while serving as adjutant general under ***32 U.S.C. 314*** or as assistant adjutant general to such adjutant general, and the member is unable to complete 3 years of service in such grade because the appointment is terminated or vacated under ***32 U.S.C. 324(b)***, then the member may be credited with satisfactory service in that grade.

c. The Secretary of the Military Department concerned (or designee) may allow credit in a higher grade to a member who has been recommended for promotion but before promotion to the recommended grade. Such credit may be allowed when a member who is in the next lower grade serves in a position after recommendation where the minimum authorized grade for the position the member is serving in is the higher grade to which the member is recommended for promotion. The period of service credit may not include any period before the date that the Senate provides advice and consent for the appointment in the recommended grade.

d. A member who qualifies for Federal recognition in a higher grade and then serves in that grade in a position for which the higher grade is the minimum authorized grade may receive credit for having served in that grade. The credit, determined by the Secretary of the Military Department concerned (or designee), is contingent upon the member being appointed as a Reserve officer in that grade. The service credit is allowed only for the period the member served in the position after Senate advice and consent for the appointment.

e. A member who completes at least 6 months of satisfactory service in a grade above colonel (or, in the case of the Navy, in a grade above captain), and while serving in an active status, is involuntarily transferred (other than for cause) from active status, may be credited with satisfactory service for the grade in which serving even though he or she does not complete 3 years of service in that grade.

4. When a member's length of service in the highest grade held does not meet the service-in-grade requirements, the member receives credit for satisfactory service in the next lower grade in which the member serves satisfactorily for at least 6 months as determined by the Secretary of the Military Department concerned (or designee).

5. The Secretary of Defense may authorize the Secretary of a Military Department concerned (or designee) to reduce the 3-year period required in subparagraph 010501.E.3 for an officer above major or lieutenant commander, to a period of not less than 2 years. However, in the case of an officer who, upon transfer to the Retired Reserve or discharge, is to be credited with satisfactory service in a general or flag officer grade, the authority provided by the Secretary of Defense to the Secretary of a Military Department concerned (or designee) may be exercised with respect to that officer only if approved by the Secretary of Defense or another civilian official in the Office of the Secretary of Defense appointed by the President, by and with the advice and consent of the Senate.

F. Grade on Retirement for Physical Disability. Unless entitled to a higher grade under some other provision of law, members of the Armed Forces who retire for disability are entitled to the highest of:

1. The grade or rank in which serving when placed on the Temporary Disability Retired List or, if not carried on that list, on date of retirement,

2. The highest temporary grade or rank in which member satisfactorily serves, as determined by the Secretary of the Armed Force from which he or she retired,

3. The permanent Regular or Reserve grade to which the member would have been promoted had it not been for the disability for which the member is retired that was found upon physical examination, or

4. The temporary grade to which the member would have been promoted had it not been for the disability for which the member is retired, if eligibility for that promotion was required based on the cumulative years of service or years of service-in-grade, and the disability was found upon physical examination.

010502. Special Provisions

A. Commissioned officers of the Regular or Reserve Component of the Army or Air Force and Regular officers of the Navy or Marine Corps may, at the discretion of the

President, be retired by and with the consent of the Senate, in the highest grade held at any time on the active list if they have served as:

1. Chief of Staff to the President,

2. Chief of Staff of the Army,

3. Chief of Naval Operations,

4. Chief of Staff of the Air Force,

5. Senior member of the Military Staff Committee of the United Nations,

6. General or lieutenant general in a position of importance and responsibility designated by the President,

7. Admirals or vice admirals in positions of great importance and responsibility designated by the President under ***10 U.S.C. 601***.

8. Chief or assistant chief of a branch of the Regular Army for at least 4 years,

9. Surgeon General of the Army or Air Force in the grade of lieutenant general,

10. Permanent professor of the U.S. Military Academy or U.S. Air Force Academy. If the grade is below brigadier general and service as professor is long and distinguished, then the professor may, at the discretion of the President, be retired in the grade of brigadier general, or

11. Chiefs of Bureaus and Judge Advocate General.

B. Regular and Reserve commissioned officers of the Army and Air Force are entitled to the grade equal to the highest temporary grade in which they served on active duty satisfactorily for not less than 6 months. See exception in subparagraph 010501.B.

C. Where an existing statute authorizes computation of pay based on a grade in which the member served satisfactorily that is higher than the pay of the grade otherwise entitled, computation is based on the higher grade:

1. Without regard to whether that grade was temporary or permanent,

2. Even though the Military Service in which the member held that higher grade is not the Military Service in which retired.

D. Retired warrant officers of the Army and Air Force, and enlisted members of the Regular Army and Regular Air Force, are entitled to be advanced on the retired list to the highest grade in which they served on active duty satisfactorily, when their active service plus time on the retired list equals 30 years.

E. Unless otherwise entitled to a higher grade, officers of the Regular Navy or Regular Marine Corps holding a permanent grade of W-1 or above, retired with 30 or more years of service, are retired in the grade in which they are serving at the time of retirement.

F. Unless otherwise entitled to a higher grade, members of the Navy and Marine Corps retired while serving in a temporary grade to which they were appointed in time of war or national emergency that terminates on date of detachment are retired in the grade they would hold if they had not received such appointment.

G. Warrant officers of the Navy and Marine Corps who retire after completion of 20 years service may elect to be retired in the highest grade entitled under any provision of law.

H. Unless otherwise entitled to a higher grade, members, other than retired members of the Navy or Marine Corps, when retired, are advanced on the retired list to the highest officer grade in which they served satisfactorily under a temporary appointment.

I. A courtesy title is not to be used for computation of pay. The grade for pay purposes is determined under the criteria of general determinations and special provisions as prescribed in this paragraph, with specific reference to the section of law that authorizes the grade for pay purposes.

J. Members promoted while missing in action, whose status is changed to killed in action, are exempted from the 6-month time-in-grade requirement since promotions received while in a missing status are "fully effective for all purposes" under ***37 U.S.C. 552(a)***. NOTE: This provision is applicable only to members of the Army and Air Force.

K. A member who enters a Uniformed Service after September 7, 1980, and who later retires, may receive retired pay computed from a retired pay base made up of active duty pay rates from more than one grade.

010503. Satisfactory Service

The determination as to what constitutes satisfactory service for the purpose of retirement in the highest grade is within the discretionary power of the Secretary of the Military Department concerned (or designee).

0106 NON-CITIZENS

010601. Philippine Constabulary/Philippine Scout

The Act of February 2, 1901, as amended by the Act of May 16, 1908, authorized the President of the U.S. to organize a Military Component to be known as the Philippine Scouts and make it a part of the Regular Army. Retirement eligibility was the same as for enlisted men of the Regular Army. Officers were entitled to the same pay, privileges, and retirement benefits authorized officers of like grade and service of the Regular Army. The Philippine Constabulary/Philippine Scouts are not now maintained as a continuing part of the Army.

010602. Insular Force

The Insular Force of the U.S. Navy was established by Executive Order on April 5, 1901, as amended on June 25, 1901. The Secretary of the Navy was authorized to enlist 500 natives of the Islands of the Philippines and Guam. Members of the Insular Force were eligible for transfer to the Fleet Reserve or to the retired list. The Insular Force no longer maintained as a continuing part of the Navy.

010603. Payment

A. Philippine Scouts. Adjustments of retired pay of Philippine Scouts will be made to reflect changes in the Consumer Price Index as provided by ***10 U.S.C. 1401a***.

B. Change in Citizenship of Non-Regular Retirees. If a member's citizenship status changes after retirement, then it may have an impact on the member's retired pay. See Chapter 6 for additional information on change or loss of U.S. citizenship.

0107 HEROISM PAY

010701. Entitlement

A. Regular Retirement. Enlisted members of the Army, Air Force, Navy, and Marine Corps, retired after the completion of 20 or more but less than 30 years of active service for regular retired pay computation purposes, who are credited by the Secretary concerned with extraordinary heroism in the line of duty, shall receive a 10 percent increase to retired or retainer pay. Enlisted members of the Army and the Air Force, with 20 or more, but less than 30, years of service may not exceed a retired pay multiplier of 75 percent, including any heroism pay. Enlisted members of the Navy, Marine Corps, and Coast Guard with 20 or more, but less than 30, years of active service are eligible to have retired or retainer pay increased by 10 percent without restriction to a final multiplier of 75 percent.

B. Non-Regular Retirement. Enlisted members of the Reserve Component retired after the completion of less than 30 years of service for non-Regular retired pay computation purposes, who are credited by the Secretary concerned with extraordinary heroism in the line of duty, shall receive a 10 percent increase to their retired pay. Enlisted members so entitled may not exceed a retired pay multiplier of 75 percent. Entitlement to increased Reserve retired pay for heroism become effective October 1, 2002, and applies with respect to retired pay for months beginning on or after that date.

C. Disability Retirement. Enlisted members retired for disability who otherwise are eligible for voluntary retirement for 20 or more, but less than 30, years of service, and who are entitled to a 10 percent increase in pay for certified acts of extraordinary heroism, are entitled to an additional computation under the computation for a length-of-service retirement. However, in no case may the retired pay multiplier for a disability retirement based upon less than 30 years of service exceed 75 percent.

010702. Determination of Entitlement

The Secretary of the Military Department concerned (or designee) has the authority to grant 10 percent of additional retired pay to an individual who has performed an act of extraordinary heroism in the line of duty. The Secretary's determination as to extraordinary heroism is conclusive for all purposes.

010703. Special Provisions

A. Advancement on the Retired List. Retired enlisted members of the Regular Army or Air Force receiving the 10 percent additional increase in pay for extraordinary heroism are not entitled to the 10 percent increase when advanced to a higher grade on the completion of 30 years of service. See Chapter 9.

B. Recomputation After a Period of Active Duty. For detailed information on recomputation after subsequent active duty, see Chapter 7, section 0702.

1. Retired enlisted members of the Army and Air Force are entitled to the 10 percent increase in retired pay for extraordinary heroism when pay is recomputed to reflect active service performed after the date of retirement. The retired pay may not exceed 75 percent of the monthly basic pay upon which retired pay is based. Regardless of when the member's retired pay was recomputed, benefits shall not accrue under this provision for any period prior to November 1, 1992.

2. Enlisted members of the Navy and Marine Corps who elected to receive retainer pay are entitled to the 10 percent increase in their pay for extraordinary heroism when that pay is recomputed to reflect active service performed after date of transfer.

0108 PAYMENT

010801. Effective Date of Payment

Pay accrues on a day-to-day basis from and including the date on which retirement is effective, except members who are transferred to the Fleet Reserve/Fleet Marine Corps Reserve. These members become entitled to pay on the day after the date of transfer.

A. Regular Retirement. Except as otherwise provided by law, the effective date of retirement eligibility is the first day of the month after the month in which service requirements are fully met.

B. Disability Retirement. Placement on the Temporary and Permanent Disability Retired Lists may become effective on any day of the month as specified by the Secretary of the Military Service concerned (or designee).

C. Mandatory Retirement for Age and Service. Members attaining age and/or service requirements for involuntary retirements are retained on active duty through the last day of the month in which age or service requirements are met.

D. Non-Regular Retirement. Reservists are entitled to pay effective on the date on which the requirements for age and service have been met, or on the first day of any later month that the retiree may elect.

010802. Revocation of Retirement and/or Transfers

A. A member who is placed on the retired list is legally retired, and such status cannot thereafter be changed retrospectively because of a mistake or poor judgment on the part of the retiring authorities. Fully executed orders for retirement, if not cancelled before the date of retirement, are final and may not be reopened, revoked, or amended in the absence of fraud, manifest error, mathematical miscalculation, mistake of law, or substantial new evidence.

B. Transfer of members to the Fleet Reserve/Fleet Marine Corps Reserve and to the retired list of the Regular Navy or Marine Corps or the Retired Reserve is conclusive for all purposes. The Secretary may correct any error or omission in the determination as to the member's grade and years of creditable service.

C. Payment of active duty pay and allowances may be permitted after the first of the month in which retirement is effective until retirement orders are actually delivered to the member later in the same month, provided prior notice of retirement orders had not been received.

D. Where advance notice of retirement orders is given, but orders are not delivered, an attempt may be made to revoke them after they become effective and replace them with orders directing retirement at a later date. When it is apparent that the member had no knowledge of the lack of legal authority for this action, and active duty pay and allowances were received "under color of authority," the "de facto rule" permits repayment of active duty pay and allowances paid for the period and later collected.

010803. Computation

For detailed information on gross pay computation, see Chapter 3.

A. Monthly Pay. Compute monthly pay as if each month had 30 days. The daily rate is 1/30 of the monthly rate.

B. Intermediate Day. When retirement begins on an intermediate day of the month, compute pay at the rate of 1/30 for the actual number of days after date of retirement but only through the 30th day of that month. If pay begins on February 28, then pay accrues for 3 days. If the pay begins on February 29, then pay accrues for 2 days.

*Table 1-1. Voluntary Retirement

RULE	A A person who is	B of the	C and years of service total	D including at least	E may retire under 10 U.S.C.	F with retired pay computed under Table 3-1
1	an enlisted member	Army	20 (note 1)		3914	rule 4.
2		Air Force			8914	
3	a Regular enlisted member	Army	30		3917	
4		Air Force			8917	
5	a commissioned officer	Army	20 (note 2)	10 years of active commissioned service (Note 3)	3911	rule 5.
6		Air Force			8911	
7		Army	30 (note 2)		3918	
8		Air Force			8918	
9		Army	40 (note 2)		3924	
10		Air Force			8924	
11	a warrant officer	Armed Forces	20 (note 4)		1293	rule 3.
12		Army	40 (note 4)		3924	rule 5.
13		Air Force			8924	rule 5.
14	a Regular officer W-1 and above	Navy or Marine Corps Reserve	40 (note 2)		6321	rule 6.
15			30 (note 2)		6322	rule 7.
16			20 (note 2)	10 years of active commissioned service (Note 3)	6323 (note 5)	rule 6.

Table 1-1. Voluntary Retirement (Continued)

RULE	A A person who is	B of the	C and years of service total	D including at least	E may retire under 10 U.S.C.	F with retired pay computed under Table 3-1
17	a Regular enlisted member (note 6)	Navy or Marine Corps Reserve	30 (note 1)		6326	rule 7.
18	an officer or enlisted member		30 (note 2)		6327 (note 7)	rule 8.
19			20 (note 2)	10 years of active service served in the 11 years immediately before retirement		

NOTES:

1. Paragraph 010201 (***10 U.S.C. 3683*** (repealed), ***3925***, ***8683*** (repealed), and ***8925***). Under Temporary Early Retirement Authority, the Secretary of the Military Department concerned (or designee) may reduce the 20 years of creditable service requirement to 15 years of creditable service. ***Public Law 107-314, section 554***, December 2, 2002, extended this authority to September 1, 2002. ***Public Law 112-81, section 504***, December 31, 2011, reinstated this authority to September 30, 2018.
2. Paragraph 010201 (***10 U.S.C. 3926***, ***6321***, 6323, and ***8926***). Under Temporary Early Retirement Authority, the Secretary of the Military concerned (or designee) may reduce the 20 years of creditable service requirement to 15 years of creditable service. Public Law 107-314, section 554, December 2, 2002, extended this authority to September 1, 2002. Public Law 112-81, section 504, December 31, 2011, reinstated this authority to September 30, 2018.
* 3. Subparagraph 010201.C.1 (***10 U.S.C. 3911***, 6323, and ***8911***). Under the Temporary Authority to Reduce Minimum Length of Active Service as a Commissioned Officer Required for Voluntary Retirement as an Officer, the Secretary of the Military Department concerned (or designee) may reduce the 10-year active service requirement to not less than 8 years. ***Public Law 111-383, section 506***, January 7, 2011, extended this authority to September 30, 2013. ***Public Law 112-239, section 505***, January 2, 2013, extended this authority to September 30, 2018.
4. Paragraph 010201 (CCA 1949, Section 511; 10 U.S.C. 6321 and 6322). Under Temporary Early Retirement Authority, the Secretary of the Military Department concerned (or designee) may reduce the 20 years of creditable service requirement to 15 years of creditable service. Public Law 107-314, section 554, December 2, 2002, extended this authority to September 1, 2002. Public Law 112-81, section 504, December 31, 2011, reinstated this authority to September 30, 2018.
5. Members mandatorily retired under Public Law 86-155 thereafter are considered as having retired voluntarily pursuant to 10 U.S.C. 6323. See section 3, Public Law 86-155. No officers processed under Public Law 86-155 after June 1, 1966.
6. Including Regular enlisted members holding temporary appointment as commissioned officer or warrant officer.
7. Section ***6327***. This section applies only to persons who were members of the Navy Reserve or the Marine Corps Reserve on January 1, 1953. This section terminates on January 1, 1973.

*Table 1-2. Mandatory Retirement – Commissioned Officers and Warrant Officers

RULE	A A person who is a	B and has at least	C who holds the Regular grade of	D and time in grade is	E and is age	F is retired by Secretary of the Military Department concerned under 10 U.S.C.				G with retired pay computed under Table 3-1
						Army	Air Force	Navy or Marine Corps	Armed Forces	
1	regular commis-sioned officer of the Army or Air Force		below Maj Gen (note 1)		60	3883 (note 2)	8883 (note 3)			rule 10 or 12.
2					62 (note 23)	1251	1251	1251	1251	rule 9.
3		35 years (note 3)	Maj Gen	5 years	60	3884 (note 2)	8884 (note 2)			rule 10 or 12.
4					62	3885 (note 2)	8885 (note 2)			
5					64	3886 (note 2)	8886 (note 2)			
6		20 years (note 3)	any grade (note 5)			3913 (note 2)	8913 (note 2)			
7		28 years (note 3)	Lt Col (note 6)			3916 (note 2)	8916 (note 2)			
8		30 years (note 3)	any grade (note 7)	5 years		3919 (note 2)	8919 (note 2)			rule 10 or 12.
9			Col (note 8)			3921 (note 2)	8921 (note 2)			
10			Brig Gen			3922 (note 2)	8922 (note 2)			
11			Maj Gen			3923 (note 2)	8923 (note 2)			
12	regular officer of the Navy or Marine Corps	35 years of total commis-sioned service (note 3)	Rear Admiral (notes 9 and 11)					6371 (notes 10 and 2)		rule 11.
13			Rear Adm (notes 11 and 12)	7 years				6372 (notes 13 and 2)		
14			Maj Gen (notes 11 & 14)	5 years				6373 (note 2)		

Table 1-2. Mandatory Retirement – Commissioned Officers and Warrant Officers (Continued)

RULE	A A person who is a	B and has at least	C who holds the Regular grade of	D and time in grade is	E and is age	F is retired by Secretary of the Military Department concerned under 10 U.S.C.				G with retired pay computed under Table 3-1
						Army	Air Force	Navy or Marine Corps	Armed Forces	
15	regular officer of the Navy or Marine Corps	35 years of total commis-sioned service (note 3)	Rear Admiral (Navy) - Brig Gen (USMC) (note 9)					6374 (note 2)		rule 11.
16			Rear Admiral (Navy) Brig Gen (USMC) (notes 11 & 14)	5 years				6375 (note 15)		
17		30 years of total commis-sioned service (note 3)	Capt (Navy) Col (USMC) (notes 9 and 16)					6376 (note 2)		
18		31 years of total commis-sioned service (note 3)	Capt (Navy) Col (USMC) (notes 11 and 17)							
19		30 years of total commis-sioned service (note 3)	Capt (Navy) Col (USMC) (notes 12 & 16)					6377 (notes 18 & 2)		
20		31 years of total commis-sioned service (note 3)	Capt (Navy) Col (USMC) (notes 11, 12, & 17)					6377 (notes 18 & 2)		
21		26 years (note 3)	CDR (Nurse Corps) (notes 11, 12, & 16)							

Table 1-2. Mandatory Retirement – Commissioned Officers and Warrant Officers (Continued)

RULE	A A person who is a	B and has at least	C who holds the Regular grade of	D and time in grade is	E and is age	F is retired by Secretary of the Military Department concerned under 10 U.S.C.				G with retired pay computed under Table 3-1
						Army	Air Force	Navy or Marine Corps	Armed Forces	
22	regular officer of the Navy or Marine Corps	35 years (note 3)	Capt (Navy) CDR (Nurse Corps) (notes 7 & 12)		62			6378 (notes 19 & 2)		
23		26 years of total commis-sioned service (note 3)	CDR Lt Col (note 16)					6379 (note 2)		rule 11.
24		20 years of total commis-sioned service (note 3)	LCDR Major (note 16)					6380 (note 2)		
25		30 years of active naval service	any grade (note 20)					6383		
26			LCDR, Major (notes 16 & 20)							
27			any grade below Fleet Adm		62			6390 (note 2)		
28			Rear Admiral Maj Gen and Brig Gen					6394 (note 2)		

Table 1-2. Mandatory Retirement – Commissioned Officers and Warrant Officers (Continued)

RULE	A A person who is a	B and has at least	C who holds the Regular grade of	D and time in grade is	E and is age	F is retired by Secretary of the Military Department concerned under 10 U.S.C.				G with retired pay computed under Table 3-1
						Army	Air Force	Navy or Marine Corps	Armed Forces	
29	regular officer of the Navy or Marine Corps	20 years of active commis-sioned service (note 3)	LCDR and below (Nurse Corps)					6396 (note 2)		rule 11.
30	female regular officer of the Navy or Marine Corps	26 years of active commis-sioned service	CDR Lt Col (USMC)					6398 (note 2)		
31		30 years of active commis-sioned service	Captain Col (USMC) (note 21)							
32		20 years of active commis-sioned service	LCDR Maj (note 5) and below					6400 (note 2		
33	commis-sioned officer of the Army	30 years of commis-sioned service (note 22)	perma-nent profes-sor, USMA			3920				rule 10.
34	commis-sioned officer of the Air Force		perma-nent profes-sor, USAFA				8920			rule 12.
35	commis-sioned officer of the Army, Air Force	30 years of commis-sioned service (note 22)	perma-nent profes-sor, USMA or USAFA		64	1251	1251			rule 9.

Table 1-2. Mandatory Retirement – Commissioned Officers and Warrant Officers (Continued)

RULE	A A person who is a	B and has at least	C who holds the Regular grade of	D and time in grade is	E and is age	F is retired by Secretary of the Military Department concerned under 10 U.S.C.				G with retired pay computed under Table 3-1
						Army	Air Force	Navy or Marine Corps	Armed Forces	
36	permanent Regular warrant officer of the Armed Forces	20 years (note 23)	WO1, WO2, and WO3 (note 16)		64				0564 (repealed), 580	rule 9.
37		20 years (note 23)	WO1, WO2, WO3, and WO4		55 (note 24)				1255 (repealed)	rule 9.
38					62				1263	
39		30 years of service							1305	
40	Regular officer of the Army, Air Force, Marine Corps, or Navy	28 years of commissioned service	Lt Col, CDR (Navy)			633	633	633	633	
41		30 years of commissioned service	Col, Capt (Navy)			634	634	634	634	
42			Brig Gen Rear Admiral (Navy)	5 years		635	635	635	635	
43		35 years of commissioned service	Maj Gen Rear Admiral (Navy)			636	636	636	636	
44		38 years commissioned service	Lt General, Vice Admiral (Navy)							
45		40 years commissioned service	General, Admiral (Navy)							

Table 1-2. Mandatory Retirement – Commissioned Officers and Warrant Officers (Continued)

NOTES:

1. Except professor or registrar of U.S. Military Academy or Air Force Academy.
2. Sections repealed by Public Law 96-513, December 12, 1980, effective September 15, 1981.
3. Army or Air Force – Service under paragraph 010205 (***10 U.S.C. 3927***, ***8927*** were repealed by Public Law 96-513).
4. Except a permanent professor, Director of Admissions, or Registrar of U.S. Military Academy or U.S. Air Force Academy or a commissioned warrant officer, effective September 15, 1981.
5. Not recommended for promotion.
6. Promotion list lieutenant colonel.
7. Excessive number in any grade.
8. Promotion list colonel.
9. Not restricted in performance of duty.
10. ***Section 6371*** Executive Order 11284, May 27, 1966 was revoked by Executive Order 12553, February 25, 1986.
11. Not recommended for continuation on active duty.
12. Restricted in performance of duty.
13. ***Section 6372*** was repealed by Public Law 96-513, December 12, 1980 (94 Stat. 2898).
14. Serving as Commandant of Marine Corps.
15. Section 6375 was repealed by Public Law 87-123, August 3, 1961.
16. Twice failed selection for promotion to next higher grade not on promotion list.
17. Not on promotion list. Retirement subject to completion of 5 years of service-in-grade.
18. Section 6377(c) repealed by Public Law 90-130, November 8, 1967.
19. Any Navy captain or commander who will complete 35 years of total commissioned service or who will become age 62 in the fiscal year in which the selection board is convened is ineligible for consideration for retention.
20. Designated for limited duty.
21. Except female officers on promotion list or serving as assistant to Chief of Naval Personnel with rank of captain, or assistant to Commandant of Marine Corps with rank of colonel.
22. Service computed under paragraph 010203.
23. Service computed under paragraph 010204 .
24. Female regular warrant officer. This statute was repealed by Public Law 90-130, November 8, 1967 (81 Stat. 374).

Table 1-3. Disability Retirement

RULE	A A person who is	B of the	C ordered to active duty for	D and is determined	E may retire under 10 U.S.C.	F with retired pay computed under Table 3-1
1	an enlisted member, warrant officer, or commissioned officer	Armed Forces entitled to basic pay	30 days or less (note 1)	unfit to perform duties of his or her office, grade, rank, or rating because of physical disability (note 2)	1204	rule 1.
2					1205	rule 2.
3			more than 30 days (note 1)		1201	rule 1.
4					1202	rule 2.

NOTES:

1. Paragraph 010207 (***10 U.S.C. 1208***).
2. Disability rating must be at least 30 percent unless the member has 20 years of service (***10 U.S.C. 1201***, ***1202***, ***1204***, ***1205***).

*Table 1-4. Age and Service, Non-Regular Retirement

RULE	A A person who is	B of the	C and has at least	D and is age	E may retire under	F with retired pay computed under
1	an enlisted member, warrant officer, or commissioned officer	Armed Forces, Reserve, or National Guard (note 1)	20 years of service (note 2)	60 or is otherwise eligible (note 3)	10 U.S.C. 12731 (note 4)	Table 3-1, rule 13.

NOTES:

1. Who performed the last 6 years of qualifying service as a member of a Reserve Component, except that in the case of a member who completed 20 years of service computed under 10 U.S.C. 12732 before October 5, 1994, the number of years of such qualifying service shall be eight.
2. Paragraph 010208 (10 U.S.C. Sec 12732). Under Temporary Early Retirement Authority, the Secretary concerned may reduce the 20 years of satisfactory service requirement to 15 years of creditable service for retirement under 10 U.S.C. 12731(a). ***Public Law 106-398, section 571***, October 30, 2000, extended this authority to December 31, 2001.
3. The eligibility shall be reduced below 60 years of age by 3 months for each aggregate of 90 days on which the member so performs active duty or active service pursuant to a call or order under 10 U.S.C. 101(a)(13)(B) or section 12301(d) or 32 U.S.C. 502(f) in any fiscal year after January 28, 2008. The eligibility age may not be reduced below 50 years of age.
4. Not entitled to retired or retainer pay under any other provision of law.

*Table 1-5. Rate of Basic Pay for Retired Pay Computation (5 U.S.C. 8301(b))(note 1)

RULE	A A member who	B and is	C who fully qualified or met requirements to be retired	D and retirement is	E shall have retired pay computed using active duty basic pay rates in effect on
1	retires on other than the first day of an active duty basic pay rate change	an enlisted member, warrant officer, or commissioned officer	at any time	voluntary, mandatory, disability, Reservist (age and service)	the first day of retirement (notes 2 and 3).
2	retires on the first day of an active duty basic pay rate change	an enlisted member (note 3)		voluntary	the first day of retirement (note 2).
3		a warrant officer			the day before the first day of retirement (notes 2 and 3).
4		a commissioned officer	before the month immediately preceding the active duty basic pay rate change date (note 4)		the first day of retirement (note 2).
5			at any time prior to the active duty basic pay rate change date	voluntary (note 4)	
6			during the month immediately preceding the active duty basic pay rate change date	voluntary	the day before the first day of retirement unless the member specifically requests retirement on a day later than the first day of eligibility for voluntary retirement under the applicable statute; in which case, use active duty pay rates in effect on the first day of retirement. (notes 2 and 6).
7		a warrant officer	any time	mandatory	the day before the first day of retirement (note 2).
8		a commissioned officer			

Table 1-5. Rate of Basic Pay for Retired Pay Computation (5 U.S.C. 8301(b))(note 1) (Continued)

RULE	A **A member who**	**B** **and is**	**C** **who fully qualified or met requirements to be retired**	**D** **and retirement is**	**E** **shall have retired pay computed using active duty basic pay rates in effect on**
9	retires on the first day of an active duty basic pay rate change	an enlisted member, warrant officer, or commissioned officer	during the month immediately preceding the active duty basic pay rate change date without Secretarial action designating an earlier retirement date	disability (note 5)	the day before the first day of retirement (note 2).
10			any time	Reservist (age and service)	the date the member is granted retired pay (note 2).

NOTES:

1. A retired pay base is used in lieu of a basic pay rate in the computation of retired pay for members who enter the Uniformed Services after September 7, 1980.
2. For members who qualify for retirement on an earlier computation date under the same or some other provision of law, compute under rates in effect on that earlier date based on grade and service credited at that time, if that rate is greater (10 U.S.C. 1401a(f)).
3. Not applicable to Navy and Marine Corps enlisted members transferred to the Fleet Reserve or Fleet Marine Corps Reserve.
4. Applicable only to retirements under 10 U.S.C. 6323.
5. If otherwise retirement eligible, then follow rule for that retirement.
6. This rule is effective for retirements on or after December 1, 2000. For retirements prior to that date, compute retired pay using active duty basic pay rates in effect on the day before the first day of retirement, regardless of the date on which the member requested to be retired. See section 0104.

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Note 8	DoD/GC Opinion, November 9, 2000

VOLUME 7B, CHAPTER 2: "INITIAL ENTITLEMENTS - FLEET RESERVE/FLEET MARINE CORPS RESERVE"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated November 2015 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated this chapter with hyperlinks and formatted to comply with current administrative instructions.	Revision
020101	Added to the "Purpose" paragraph an introduction to the Modernized Retirement System, commonly known as the "Blended Retirement System (BRS)," which is effective January 1, 2018.	Addition
Bibliography	Updated "Bibliography" accordingly.	Revision

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CHAPTER 2

INITIAL ENTITLEMENT-FLEET RESERVE/ FLEET MARINE CORPS RESERVE

0201 GENERAL

*020101. Purpose

This chapter provides information for the entitlement to military retirement pay to the Fleet Reserve/Fleet Marine Corps Reserve. Pursuant to the National Defense Authorization Act (NDAA) for Fiscal Year (FY) 2016, as amended by the NDAA FY 2017, the Department of Defense (DoD) established the Modernized Retirement System, commonly known as the Blended Retirement System (BRS). The BRS is the retired pay system for all Service members who enter military service on or after January 1, 2018. Service members already in uniform before January 1, 2018, are grandfathered under the applicable legacy retirement system. The law permits active duty Service members with less than 12 years of service on December 31, 2017, or Service members in the Reserve Component who are in a paid status and have accrued less than 4,320 retirement points as of December 31, 2017, the option of electing to be covered under the BRS or to remain with their applicable legacy retirement system. The law provides a one year election period for those Service members eligible to opt into BRS from January 1, 2018, and ends on December 31, 2018. The decision to opt into BRS is irrevocable.

A. Fleet Reserve and Fleet Marine Corps Reserve.

The Fleet Reserve and Fleet Marine Corps Reserve were established to provide an available source of experienced former members of the Regular Navy or Navy Reserve and the Regular Marine Corps or Marine Corps Reserve. These members could be organized without further training to fill billets requiring experienced personnel in the first stages of mobilization during an emergency or in time of war.

1. Members of the Fleet Reserve and Fleet Marine Corps Reserve may be ordered to active duty without their consent in time of:

a. War or national emergency declared by the Congress, for the duration of the war or national emergency and for 6 months thereafter; or

b. National emergency declared by the President or when otherwise authorized by law.

2. In time of peace, any member of the Fleet Reserve or Fleet Marine Corps Reserve may be required to perform not more than 2 months' active duty for training during each 4-year period.

B. Retirement for Physical Disability.

If a member of the Fleet Reserve or Fleet Marine Corps Reserve is found physically unfit for duty, the member will be transferred to the Regular retired list or Reserve retired list of the Navy or Marine Corps, as appropriate. Such retirement is by reason of physical disability.

C. Retirement After 30 Years of Service.

1. Upon completion of 30 years of active and inactive service, a member of the Fleet Reserve or Fleet Marine Corps Reserve is transferred to the Regular retired list or the Reserve retired list of the Navy or Marine Corps, as appropriate.

2. Unless otherwise entitled to higher pay, each member transferred to the retired list or the Retired Reserve is entitled to retired pay at the same rate as the retainer pay to which he was entitled at the time of his transfer to the retired list or the Retired Reserve.

3. Upon placement on the retired list, a member may be advanced to the highest officer grade in which the member served satisfactorily under a temporary appointment with retired pay based on that grade. See Chapter 9, section 0903 for advancement on the retired list.

020102. Authoritative Guidance

The bibliography at the end of this chapter lists the authoritative references.

0202 TRANSFER ELIGIBILITY-SERVICE FOR PERCENTAGE MULTIPLE PURPOSES

020201. Minimum Required Service

Upon completion of at least 20 years of active service in the Armed Forces (to include service as a cadet or midshipman), enlisted members of the Regular Navy, Regular Marine Corps, Navy Reserve, or Marine Corps Reserve may request transfer to the Fleet Reserve or Fleet Marine Corps Reserve under ***Title 10, United States Code (U.S.C.), section 6330(d)***. In this section, service as a cadet or midshipman refers to service as a cadet at the U.S. Military Academy, U.S. Air Force Academy, or U.S. Coast Guard Academy; or service as a midshipman at the U.S. Naval Academy. This service is not creditable service for any Officer.

A. Prior to December 31, 1977, a member became eligible for transfer upon completion of 19 years and 6 months of active service since that part of a year that is 6 months or more was creditable as a whole year. If service is creditable to the member for such purpose before December 31, 1977, then:

1. A completed minority enlistment of the member is counted as 4 years of active service, and

2. An enlistment of the member terminated within 3 months before the end of the term of enlistment is counted as active service for the full term.

B. On or after December 31, 1977, a member must complete a total of 20 years of active service to be eligible for transfer to the Fleet Reserve or Fleet Marine Corps Reserve. For such members, service creditable under subparagraph 020201.A, which was not actually served by the member, may not be counted in determining eligibility for transfer.

020202. Service Creditable for Transfer to the Fleet Reserve or Fleet Marine Corps Reserve

The following service is creditable for transfer eligibility and percentage multiple purposes if performed in an active duty (and active duty for training) status after August 9, 1956:

A. Service in the Army, Navy, Air Force, Marine Corps, and Coast Guard;

B. Service as an appointed or enlisted aviation cadet in the Navy Reserve or Marine Corps Reserve; or

C. Service as a cadet or midshipman at a Service academy.

020203. Service Not Creditable for Transfer to the Fleet Reserve or Fleet Marine Corps Reserve

The following service is not creditable for transfer eligibility and percentage multiple purposes:

A. Service in the Philippine Constabulary;

B. Furlough without pay (FWOP);

C. Inactive service as a member of a Reserve Component;

D. Inactive service while on the Temporary Disability Retired List (TDRL); and

E. Time lost in excess of 1 day (24 consecutive hours) because of:

1. Sickness due to misconduct (SKMC) before June 17, 1955, the Bureau of Naval Personnel credited time lost due to SKMC for transfer purposes;

2. Nonperformance of duty before July 24, 1956, due to imprisonment because of a general court-martial sentence and while under arrest awaiting trial and during trial that results in conviction as finally approved;

3. Nonperformance of duty after July 23, 1956, due to confinement under a sentence by any court-martial, as finally approved, before, during, and after trial. If the member is acquitted or sentence is set aside and charges dismissed, the period of confinement is not considered time lost;

4. Absence while the member is in civil arrest (while in custody of civil authorities), unless the member is acquitted or released without making restitution or reparation; or

5. Unauthorized absence, which includes absence without leave (AWOL), absence over leave (AOL), and desertion (the latter of which previously was shown as AOL or AWOL and now is shown as Unauthorized Absence).

020204. Constructive Service

Constructive service is service for which credit is given although not actually performed. Constructive service earned prior to December 31, 1977, is creditable as service for transfer eligibility and percentage multiple purposes. Constructive service is not creditable for determining basic pay rate upon which retainer pay is computed. No constructive service is creditable after December 31, 1977.

A. Minority Enlistments. A minority enlistment is the enlistment of a male between the age of 14 and 18 or female between the age of 18 and 21 who enlists with the consent of his or her parents or guardians to serve in the Navy or Marine Corps until reaching the age of 21. (The Navy policy is to accept members for enlistment at 17 years of age with written parental consent or 18 years of age without parental consent.) A completed minority enlistment, or a minority enlistment which terminates within 3 months of the expiration date of the enlistment, is counted as 4 years of active service when actual day-for-day service performed totals at least the period constituting the member's minority status upon enlistment, less 3 months. After December 31, 1977, time which is not actually served by the member may not be counted.

B. Short-Term Enlistment. A short-term enlistment refers to an enlistment that is terminated within 3 months before the end of the term of enlistment. This enlistment is counted as active service for the full term when the actual day-for-day active service performed amounts to at least the full term of the enlistment, less 3 months. After December 31, 1977, time which is not actually served by the member may not be counted.

C. Involuntary Extension. An involuntary extension is when an enlistment (including a minority enlistment) is extended involuntarily for a specific period. Compute service based on the constructive service principle for short-term enlistments, which applies equally for computing service for transfer by the Bureau of Naval Personnel on and after March 15, 1966, and by the Commandant of the Marine Corps on and after January 1, 1968.

D. Voluntary Extension. A voluntary extension is when the member agrees to serve beyond the scheduled term, modify the original minority or term enlistment contract by increasing the period agreed to by the member. The same rule established for crediting constructive service for short-term enlistments applies for voluntary extensions.

E. Lost Time and Inactive Service. Before crediting constructive service for a period of service, deduct any lost time and any inactive service from the member's day-for-day service. After these deductions, if the member is eligible to receive constructive service for the period of enlistment, credit it. If, after deductions, the member is not eligible for constructive service

for a period of enlistment, give credit only for the actual day-for-day service. For the definition of lost time, see Chapter 1, subparagraphs 010309.A and B.

F. Waiver of Recoupment of Time Lost for Confinement. The circumstances under which the Secretary concerned may waive recoupment of time lost for confinement are provided in ***10 U.S.C. § 972(c)***.

020205. Conclusiveness of Transfer

All transfers of members to the Fleet Reserve or Fleet Marine Corps Reserve, when effected, are conclusive for all purposes, except that the Chief of Naval Personnel or the Commandant of the Marine Corps, acting for the Secretary of the Navy, may correct any error or omission in the determination as to a member's grade and years of creditable service. When such a correction is made, the member is entitled, when not on active duty, to retainer pay based on the grade and number of years of creditable service, as corrected, from the effective date of transfer.

0203 SERVICE FOR BASIC PAY PURPOSES

The total service for basic pay purposes follows the same principle as service for percentage multiple purposes. For an explanation of service creditable for basic pay purposes, see Volume 7A, section 0102.

0204 DATE OF TRANSFER

020401. Effective Date of Transfer

Members are transferred to the Fleet Reserve and Fleet Marine Corps Reserve only by the authority of, and on the date specified by, the Chief of Naval Personnel or the Commandant of the Marine Corps. Commanding officers may defer transfers to the Fleet Reserve up to 30 days beyond the date authorized when urgent operational commitments demand the member's service. Transfers to the Fleet Marine Corps Reserve may not be made on a date other than the date specified in the authority for release. The Commandant of the Marine Corps must authorize any change in this date prior to the effective date of transfer. The date of transfer is the member's last day of active duty and the member is entitled to active duty pay and allowances for that date.

020402. Application of Uniform Retirement Date Act

Since a transfer to the Fleet Reserve or Fleet Marine Corps Reserve is not considered a retirement, the Uniform Retirement Date Act (URDA), ***5 U.S.C. § 8301***, does not apply. Once the member has completed a total of 30 years of active service and is eligible for retirement, the member's date of retirement comes under the URDA. A transfer to the Fleet Reserve may be made on any intermediate day of a month as approved by the Chief of Naval Personnel. Transfers to the Fleet Marine Corps Reserve are made on the last day of the month except where transfer has been requested on the effective date of an expiration of enlistment. Except in time of war or national emergency, personnel transferred to the Fleet Marine Corps Reserve are released from active duty on the date of such transfer, unless an order to the contrary is received.

020403. Modification of "Not Earlier Than Date"

The Chief of Naval Personnel normally does not approve a requested change of authorized date for transfer to the Fleet Reserve. In case of hardship, meritorious circumstances, or unusual conditions, a member may submit a request for a change of authorized date for the transfer to the Chief of Naval Personnel through the commanding officer and appropriate personnel distribution. If an earlier date of transfer is requested, the commanding officer's endorsement must state whether the member's services can be spared. If approved, the Chief of Naval Personnel issues a message to the commanding officer and sends a copy to the Defense Finance and Accounting Service-Cleveland, Retired and Annuitant Pay.

020404. Effective Date of Retainer Pay

Members transferred to the Fleet Reserve and Fleet Marine Corps Reserve receive "retainer" pay versus "retired" pay, as they are considered to have their services retained for possible use. A member becomes entitled to retainer pay starting on the day after the effective date of transfer to the Fleet Reserve or Fleet Marine Corps Reserve.

020405. Retainer Pay Effective on the First Day of New Active Duty Pay Rates

A. When a member is transferred to the Fleet Reserve or Fleet Marine Corps Reserve, compute retainer pay using the rate of active-duty pay received at the time of transfer. For example, if a member is transferred on December 31, 1991, with retainer pay effective on January 1, 1992, compute the member's retainer pay using the January 1, 1991, active-duty pay rates. If a member transferred on January 1, 1992, with retainer pay effective on January 2, 1992, compute retainer pay using the January 1, 1992, active-duty pay rates.

B. If a member of the Fleet Reserve or Fleet Marine Corps Reserve first became entitled to a monthly retainer pay on or after January 1, 1971, that pay may not be less than the monthly retainer pay to which the member would be entitled if he or she had become entitled to retainer pay at an earlier date. Adjust this monthly retainer pay to reflect any applicable increase in such pay under ***10 U.S.C. § 1401a(f)***. In computing the amount of retainer pay to which the member would have been entitled on that earlier date, base the computation, subject to 10 U.S.C. § 1401a(f), on the member's grade, length of service, and the rate of basic pay applicable at that time. This subparagraph does not authorize any increase in the monthly retainer pay to which a member was entitled for any period before October 7, 1975.

0205 RANK AND GRADE

A member transferred to the Fleet Reserve or Fleet Marine Corps Reserve has retainer pay computed based on the pay grade in which serving on the date of transfer.

020501. Pay Grade

A member who served as a temporary officer but holds permanent enlisted status will revert to a permanent enlisted pay grade upon transfer to the Fleet Reserve or Fleet Marine Corps Reserve.

020502. Retainer Pay

A member who has served as the Master Chief Petty Officer of the Navy or as Sergeant Major of the Marine Corps is entitled to retainer pay at the highest basic pay rate to which the member was entitled while so serving, if that rate is higher.

0206 GROSS PAY COMPUTATION

020601. Computation

See Chapter 3, section 0302 for basic computation.

020602. Extraordinary Heroism

See Chapter 1, section 0108 for guidance. See Chapter 3, subparagraph 030203.C and paragraph 030506 for computation rules.

020603. Good Conduct (Markings)

For members retired and being paid under laws in effect before October 1, 1949, a 10 percent credit for good conduct may apply. To qualify for this credit, a member must have been retired under the specific citation that contains the authority for this increase, and the member's average marks for conduct for 20 or more years must not have been less than 95 percent of the maximum.

A. Section 203 of the Naval Reserve Act of 1938, which authorized the 10 percent "good conduct" increase added to retired pay of enlisted members of the Coast Guard who retire from the Coast Guard after 20 years of service, was repealed by Public Law 88-114, dated September 6, 1963.

B. The saving provision of Public Law 88-114 retained the 10 percent increase for members on active duty with the Coast Guard on or before September 6, 1963. The provision may apply to retired enlisted members of the Coast Guard who served on active duty in the Regular Coast Guard on or before September 6, 1963. Members who served in the Regular Coast Guard before September 6, 1963, but who were not serving in the Coast Guard on September 6, 1963, and who later retired from the Coast Guard, are entitled to the 10 percent good conduct increase, if otherwise qualified.

020604. Insular Force

Members of the Insular Force were eligible for transfer to the Fleet Reserve or to the retired list. The Insular Force is no longer maintained as a continuing part of the Navy. See Chapter 1, paragraph 010702 for guidance.

0207 PAYMENT DATE

See Chapter 1, section 0109.

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020101.C	10 U.S.C. § 6331
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0206 – GROSS PAY COMPUTATION

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	Public Law 88-114, September 6, 1963
	MS Comp Gen B-193199, Apr 11, 1979

VOLUME 7B, CHAPTER 3: "GROSS PAY COMPUTATION"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font*****.**

The previous version dated April 2015 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatted to comply with current administrative instructions.	Revision
030509	Added changes to modify the determination of retired pay base for officers retired in General and Flag Officer grades, pursuant to Title 10, United States Code, Section 1407a.	Addition

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CHAPTER 3

GROSS PAY COMPUTATION

0301 GENERAL

030101. Purpose

This chapter provides the standard way of computing basic retired pay, which includes Application of Saved Pay, Tower Amendment, and Special Provisions.

030102. Authoritative Guidance

The bibliography at the end of this chapter lists the authoritative references.

0302 BASIC COMPUTATION

030201. Overview

In most cases, retired or retainer pay is the product of multiplying the retired pay base by the years of service multiplier. In some military disability retirement cases, retired pay is the product of multiplying the retired pay base by the percentage of disability determined by the military service.

A. Retired Pay Base. The retired pay base is determined by using the active-duty basic pay entitlement of the member.

1. Pre-September 8, 1980 Member. For individuals who first became members before September 8, 1980, the retired or retainer pay base is the basic pay of the member on the day before retirement. See paragraphs 030202 through 030206 for exceptions.

2. Post-September 7, 1980 Member. For individuals who first became members after September 7, 1980, the retired or retainer pay base is the average of the highest 36-months of basic pay received.

a. The retired pay base for a member with 36 or more months of active service is the average monthly basic pay the member received over their highest earning 36-months. In the case of a Reserve component member, this is the total amount of basic pay to which the member was entitled during the member's high 36-months or to which the member would have been entitled if the member had served on "active-duty" during the entire period of the member or former member's high 36-months. Only months during which the individual was a member of a uniformed service may be used. Starting with the highest rate of pay, add together the monthly basic pay amounts until the total number of months equals 36-months. Divide the total pay derived from the sum of months by 36, and round to the nearest cent to obtain the retired pay base applicable to the member. Any lost time the member had is not to be included in the computation.

b. The retired pay base for a member with less than 36-months of active service is the member's basic pay for the entire period of the member's active service added together divided by the number of months (including any fractions thereof) of the member's active service. In the case of a Reserve component member, this is the total amount of basic pay to which the member was entitled or to which the member would have been entitled if the member had served on active-duty during the entire period before being retired. Divide the total pay by the total time expressed as months and days, count days that are less than 30 as 1/30th of a month. Round the result to the nearest cent.

c. A full month served counts as 1-month regardless of any interruption by a pay rate change and regardless of the number of days in that month. Service for an entire calendar month at a single rate of basic pay counts as 1-month under that rate of basic pay, regardless of the number of days in the month, i.e., 28, 29, 30, or 31-days. For a calendar month that has multiple rates of basic pay, compute service for an entire calendar month, for the number of days paid at each rate. For example, if a member has a longevity pay increase effective February 11, the old rate is applicable for 10-days and the new rate is applicable for 20-days (regardless of leap year). If a month has 31-days, ignore the 31st. For example, if the member has a longevity pay increase effective August 11, the old rate is applicable for 10-days and the new rate is applicable for 20-days. Allocate the computation of pay for a 30-day month in a straightforward manner.

d. When a member serves less than a full month, count only the number of days actually paid so that each total of 30-days equals one month. If a member serves less than a full month and one or more rates of basic pay apply, compute each rate as applicable for the number of days paid the member at the particular rate. For example, assume the member had a break in service and returned to active-duty on February 8, but has a longevity increase effective February 11. When a member serves through the end of February, consider the month to have 30 days. This member receives 3-days at one rate and 20-days at the new rate or 23-days of pay.

Example: A member receives monthly basic pay of $17,658.30 over 14-months and 11-days:

$$\frac{\$17{,}658.30}{\text{14-months + 11-days}} = \frac{\$17{,}658.30}{14.36667} = \$1{,}229.12 \text{ Retired Pay Base}$$

$1,229.12 Retired Pay Base
x ____% Retired Pay Multiplier

= $x,xxx.xx Retired Pay Rounded

3. Consider an individual to have first become a member of a Uniformed Service when that individual, on or after September 8, 1980, is first appointed or is enlisted in the Uniformed Services. A member who first enlists before September 8, 1980 under the delayed entry program; in a Reserve Component as part of the Senior Reserve Officers' Training Corps (ROTC) or ROTC Financial Assistance programs; as a student at the Uniformed

Services University of Health Sciences; or as a participant in the Armed Forces Health Professions Scholarship Program, is considered to have first become a member before September 8, 1980.

4. DFAS may use a save pay rate under the provisions of the Tower Amendment to compute retired pay when it is to the member's advantage. See paragraph 030403 for eligibility. The Tower Amendment authorizes the use of the basic pay rates in effect on the day before the effective date of the rates of monthly basic pay on which the member's retired pay would otherwise be based.

B. Retired Pay Multiplier

1. In computing retired or retainer pay, other than for disability or non-regular service retirement, the retired pay or retainer pay multiplier is the product of two and one-half percent and the member's years of creditable service. The term "years of creditable service" means the number of years of service that are creditable to a member in computing the member's retired or retainer pay, including credit for each full month of service in addition to full years of service. See Chapter 1, section 0103 for determining creditable years of service for computing retired pay.

2. The retired pay or retainer pay multiplier for a post-July 1986 member who has accepted the Career Status Bonus (CSB) and who retires with less than 30 years of creditable service is reduced at the time of retirement, if under age 62. See subparagraph 030210.B for the restoring of retired pay at age 62.

3. If retired before January 1, 2007, the retired pay or retainer pay multiplier is limited to 75 percent for a member with more than 30-years of creditable service. If retired after December 31, 2006, for other than disability, there is no restriction on the retired pay multiplier.

030202. Disability Retirement (Table 3-1, Rules 1 and 2)

A. The retired pay base pay for a disability retirement is determined as follows:

1. For a member who entered service before September 8, 1980, the retired pay base is the monthly basic pay of the grade or rank in which the member was serving when placed on the Temporary Disability Retired List (TDRL) or the highest temporary grade or rank in which the member served satisfactorily or to which the member was entitled on the day before retirement or placement on the TDRL, whichever is the higher.

2. For a member who entered service after September 7, 1980, the retired pay base is determined as prescribed in subparagraph 030201.A.

B. The retired pay multiplier for a disability retirement is determined as follows:

1. A member permanently retired for disability receives retired pay that is equal to the retired pay base under Table 3-1, Rule 1, multiplied by the member's election of either:

a. Two and one-half percent times the years of service credited for percentage purposes, except as provided in subparagraph c; or,

b. Percentage of disability, not to exceed 75-percent, on date retired.

c. For a member with 30 or more years of service, retiring on or before January 7, 2011, the retired pay multiplier may not exceed 75-percent. The retired pay multiplier is not limited for members with 30 or more years of service who retire on or after January 8, 2011.

2. A member placed on the TDRL receives retired pay that is equal to the retired pay base under Table 3-1, Rule 2, multiplied by the member's election of either:

a. Two and one-half percent times the years of service credited for percentage purposes; or,

b. Percentage of disability, not to exceed 75-percent, on the date when the concerned military department places the member's name on the TDRL.

3. If neither multiplier as described under subparagraphs 030202.B.1 and 030202.B.2 is at least 50-percent, DFAS will pay a minimum of 50-percent of the retired pay base while the member is on the TDRL.

4. For a member placed on the TDRL on or before January 7, 2011, the retired pay multiplier may not exceed 75-percent. The retired pay multiplier is not limited for members with 30 or more years of service who retire on or after January 8, 2011.

C. If a member is retired for disability and is eligible under another provision of law, follow the rule in Table 3-1 applicable to the section of law that is more advantageous to the member.

D. An adjustment under paragraph 030210 is unnecessary since disability retired pay is not computed using a retired pay multiplier that is determined under ***Title 10, United States Code (U.S.C.) section 1409***,

030203. Voluntary Retirement (Table 3-1, Rules 3 through 8)

A. The retired or retainer pay base pay for a voluntary retirement is determined as follows:

1. For a member who entered service before September 8, 1980, the retired or retainer pay base is the monthly basic pay rate applicable on the date of the member retirement for the grade or rank in which the member was retired or to which the member advances on the retired list. Compute the retired pay base as shown in Table 3-1, Rules 3 through 8, subject to subparagraphs a through d.

a. A Reserve enlisted member, who is retired in the highest enlisted grade satisfactorily held on active-duty (or in which the member served on full-time National Guard duty satisfactorily) after being administratively reduced in grade not as the result of the member's misconduct, may use the basic pay rate of the retired grade.

b. For Army and Air Force Reserve enlisted personnel, the basic pay applicable on the member's date of retirement for the retired grade is the retired pay base, in lieu of the retired pay base under ***10 U.S.C. § 1406(c) or (e)***.

c. For Navy and Marine Corps Reserve enlisted personnel transferred to the Fleet Reserve/Fleet Marine Corps Reserve (FR/FMCR) in the highest grade satisfactorily held on active-duty after being administratively reduced in grade not as the result of the member's misconduct, use the basic pay rate of the grade in which the member transferred for the retired or retainer pay base. This subparagraph applies to the member who entered a Uniformed Service before September 8, 1980 and who retired (or transferred to the FR/FMCR) after September 30, 1996.

d. For warrant officers, compute the retired pay base on the monthly basic pay to which the member would be entitled if serving on active-duty in the retired grade on the day before retirement. If the member, however, is entitled to a higher rate of pay using any other warrant officer grade satisfactorily held by the member on active-duty, retired pay may be computed using the basic pay for that warrant officer grade.

2. For a member who entered service after September 7, 1980, the retired pay base is determined as prescribed in subparagraphs 030201.A.2.a and b.

a. An Army or Air Force enlisted member with less than 30-years of service who is retired under ***10 U.S.C. § 3914*** or ***§ 8914*** will have the retired pay base computed using only the rates of basic pay for months of active-duty as an enlisted member.

b. A Navy and Marine Corps enlisted member who is transferred to the FR/FMCR in accordance with ***10 U.S.C. § 6330*** will have the retired pay base computed using only the rates of basic pay for months of active-duty as an enlisted member.

B. The retired or retainer pay multiplier for a voluntary retirement is determined in accordance with subparagraph 030201.B.

1. For service credited for percentage purposes of enlisted members, see Chapter 1, paragraph 010302.

2. For service credited for percentage purposes of commissioned officers, see Chapter 1, paragraph 010303.

3. For service credited for percentage purposes of warrant officers, see Chapter 1, paragraph 010304.

4. The retired pay multiplier for a member who enters a Uniformed Service after July 31, 1986, and who has accepted the CSB, is determined under subparagraph 030201.B.2.

5. See paragraph 030211 for retired pay computation for a member retired under the Temporary Early Retirement Authority (TERA).

C. DFAS may increase retired or retainer pay by 10 percent of retired pay for extraordinary heroism in the line of duty. See paragraph 030506.

030204. Mandatory Retirement (Table 3-1, Rules 9 through 12)

A. The retired pay base pay for a mandatory retirement is determined as follows:

1. For a member who entered service before September 8, 1980, the retired pay base is the basic pay rate of member's grade that is applicable on member's date of retirement. Do not use the grade of brigadier general if the member was a permanent professor at a military academy and was conferred such a title upon retirement. If a warrant officer is entitled to a higher rate of pay using any other warrant officer grade satisfactorily held by the member on active-duty, retired pay may be computed using the basic pay for that warrant officer grade.

2. For a member who entered service after September 7, 1980, the retired pay base is determined as prescribed in subparagraph 030201.A.

B. The retired pay multiplier for a mandatory retirement is determined in accordance with subparagraph 030201.B.

1. For service credited for percentage purposes of Army and Air Force retirees, see Chapter 1, subparagraph 010305.A.

2. For service credited for percentage purposes of Navy and Marine Corps retirees, see Chapter 1, subparagraph 010305.B.

3. The retired pay multiplier for a member who enters a Uniformed Service after July 31, 1986, and who has accepted the CSB, is determined under subparagraph 030201.B.2.

030205. Non-Regular Service Retirement (Table 3-1, Rule 13)

A. The retired pay base pay for a non-regular retirement is determined as follows:

1. For a member who entered service before September 8, 1980, the retired pay base is the monthly basic pay at the rate applicable on the date granted retired pay, at the highest grade held satisfactorily at any time in the Armed Forces.

2. For a member who entered service after September 7, 1980, the retired pay base is determined as prescribed in subparagraph 030201.A. The high 36-months of such a member are the 36-months for which the pay was the highest, whether or not consecutive, out of all the months before the member became entitled to retired pay or would have become entitled to retired pay. This will be the 36-months immediately preceding receipt of retired pay even though the member may not have been in an active status during such time. However, DFAS may only use months during which the individual was a member of a uniformed service for this purpose.

B. The retired pay multiplier for a non-regular retirement is determined by multiplying two and one-half percent times the years of service credited for percentage purposes. See Chapter 1; subparagraph 010207.B for service credited for percentage purposes. (Pursuant to ***10 U.S.C. § 12733***, the formula for converting retirement points into percentage years is total number of retirement points divided by 360. Carry the result to three decimal places; round to two decimal places. Example: 4,735 retirement points divided by 360 equals 13.152-years or 13.15-years for percentage purposes.)

030206. Fleet Reserve and Fleet Marine Corps Reserve (FR/FMCR) Transfer (Table 3-1, Rule 14)

When not on active duty, a member transferred to the FR/FMCR is entitled to retainer pay computed by multiplying the retainer pay base times two and one-half percent times the years of service credited for percentage purposes. In lieu of the retainer pay base computed in accordance with 10 U.S.C. § 1406(d), a Reserve enlisted member may use the monthly basic pay for the highest enlisted grade in which the member served satisfactorily, as determined by the Secretary of the Navy. This paragraph applies to an individual who first became a member of the Uniformed Service before September 8, 1980, and who at the time of transfer is serving on active-duty in a grade lower than the highest enlisted grade held by the member while on active-duty not as a result of the member's misconduct.

A. Pre-September 8, 1980 Member. The retainer pay base is the basic pay that the member received at the time of transfer to the FR/FMCR. The retainer pay base is multiplied by two and one-half percent times the number of years of active service (as adjusted in subparagraph 030201.A) in the Armed Forces.

B. Post-September 7, 1980 Member. The retainer pay base is the person's high-three average. The high-three average is the total amount of monthly basic pay for the

highest 36-months of member's active service, whether or not consecutive, divided by 36. When a member transfers to the FR/FMCR with less than 30-years of service, DFAS computes the high-36 average using only rates of basic pay applicable to months of active-duty as an enlisted member.

030207. Historical Pay Computations

A. The laws that governed the computation of retainer pay for a member transferred to the FR/FMCR from its inception in 1916 through June 30, 1938 are of no value since assimilated in the Naval Reserve Act of 1938, effective July 1, 1938. Therefore, the earlier computations are not included in this Regulation since they were restated effective July 1, 1938. See Table 3-2 for the pay computations.

B. A member transferred to the FR/FMCR was administratively placed in a class to differentiate between laws and conditions governing the computation of these pay entitlements. The following classes are applicable to these members:

COMPONENT	CODE	APPLICABLE TO
FR FMCR	F-4c 1-b	Member who is in the Naval service on July 1, 1925 and later transferred to the FR/FMCR after completion of 16-years but less than 20-years of active service.
FR FMCR	F-4d 1-c	Member who was in the Naval service on July 1, 1925 and later transferred to the FR/FMCR after completion of 20-years but less than 30-years of active service.
FR FMCR	F-5 H-1	Member who first enlisted in the Naval service after July 1, 1925, and later transferred to the FR/FMCR before August 10, 1946, after completion of 20-years but less than 30-years of active service.
FR FMCR	F-6 1-d	Member who first enlisted in the Naval service after July 1, 1925, and later transferred to the FR/FMCR on or after August 10, 1946, after completion of 20-years but less than 30-years of active service.

C. Longevity is the length of service performed by each member.

1. Before October 1, 1949, longevity pay was a significant factor in computing retainer pay. Certain pay laws contained provisions for computing longevity pay based on the member's length of service. During this period, base pay and longevity fitted into the framework of pay formulas to arrive at retainer pay. The computation for the longevity pay changed several times before being superseded by basic pay. The various computations and the periods applicable are:

a. Until May 31, 1942, for Navy members, the computation was 10-percent of base pay for the first increment of 4-years of Naval service, plus 5-percent of base pay for each 4-year increment thereafter, not to exceed 16-years, or 25-percent.

Example: Member served 18-years; on transfer to the Fleet Reserve, the longevity pay credit computed:

1. 10-percent – 4-years

2. 5-percent – 4-years

3. 5-percent – 4-years

4. 5-percent – 4-years

5. 0-percent – 4-years

b. From June 1, 1942 to September 30, 1949, the computation was 5-percent of base pay for each 3-years of service up to 30-years, maximum of 50-percent.

2. On October 1, 1949, when basic pay became an important factor, longevity pay was not computed separately but was included in the rate of basic pay.

a. A member who transferred to the FR/FMCR on or after October 1, 1949 was required to elect the formula under which DFAS would compute their pay. The two formulas were the fractional (under which a member would receive one third or one-half of base pay) and the percentage (two and one-half percent times years of active Federal service times basic pay). The authorization for transfer to the Fleet Reserve indicates such election.

b. Under Public Law 1028, effective August 10, 1956, a member who transfers to the FR/FMCR receives retainer pay computed on the formula included in the codification of the military pay laws under ***Title 10 U.S.C.*** The prior computations were still in effect for the members to whom they applied. A member who enters a Uniformed Service before September 8, 1980 receives retainer pay computed under this formula.

c. A member who enters the Uniformed Service after September 7, 1980 receives retainer pay under the formula codified in 1956, except the retainer pay base is used instead of a monthly basic pay rate.

030208. Service Credit Rounding of Months

For percentage purposes in computing retired or retainer pay:

A. A member who retired before January 1, 1982 receives credit for any fractional part of a year that is 6-months or more as an additional year. Disregard any portion of

a year that is less than 6-months. See Table 3-3. This applies to any member who, before January 1, 1982:

1. Applied for retirement;

2. Applied for transfer to the FR/FMCR;

3. Was being processed for retirement under the provisions of ***10 U.S.C. Chapter 61***; or

4. Was on the TDRL and thereafter retired under the provisions of ***10 U.S.C. § 1210(c) or (d)***.

B. Unless covered by subparagraph 030201.A, a member who became entitled to retired or retainer pay January 1, 1982 through September 30, 1983, inclusive, received credit on a month-by-month basis for each full month served of 6-months or more. Disregard any fraction of a year less than 6-months. See Table 3-3.

C. A member who became entitled to retired or retainer pay on or after October 1, 1983 receives credit for each full month served. Disregard less than full months. See Table 3-4.

NOTE: If a member retires October 1, 1983 or later and the member is entitled to retired pay under ***10 U.S.C. § 1401a(f)*** using a hypothetical retirement date which is before January 1, 1982, service credit of 6-months or more was rounded to a full year. However, funding limitations each fiscal year prohibited payment for months in excess of whole months actually served until permanent codification was effective July 1, 1986.

D. In calculating the percentage factor under subparagraphs 030208.B or C, round the percent to the nearest 1/100 of one percentage point. For example, 20-years, 7-months (20.58-years) time's 2.5-percent equals 51.45-percent. See Table 3-4. This rounding method will also be used if the member is entitled to retired pay computed under the saved pay provision in paragraph 030303 or under 10 U.S.C. 1401a(f) in section 0304.

030209. Rounding Retired Pay

Under Public Law 98-94, the 1984 DoD Authorization Act, round the monthly retired or retainer pay entitlement as initially computed and as subsequently adjusted.

A. Effective October 1, 1983, the initial computation of gross retired pay, if not a multiple of $1, round down to the next lower multiple of $1. Make all further reductions, deductions, withholdings, and allotments from this rounded figure. When retired pay is subsequently increased under 10 U.S.C. 1401a by cost-of-living adjustments, the retired or retainer pay, if not a multiple of $1, is rounded down to the next lower multiple of $1.

B. The retired or retainer pay for a member already retired on September 30, 1983 was not rounded until the next cost-of-living adjustment, December 1, 1984. If not a multiple of $1, round the retired or retainer pay to the next lower multiple of $1. The same rounding procedure applies to all subsequent cost-of-living adjustments.

030210. Special Computations for Career Status Bonus with Reduced Retirement (CSB/REDUX)

A. The retired pay or retainer pay multiplier of members who elected the CSB with REDUX retirement will be reduced one percentage point for each full year of creditable service less than 30 and 1/12th of one percent for each full month of creditable service less than a full year.

B. Effective on the first day of the month following the member's 62nd birthday, DFAS will recompute the retired pay of members who elected the CSB with REDUX to equal the amount of retired pay to which the member would have been entitled on that date if the member had not taken the CSB with REDUX retirement and had no reduction in their multiplier or COLA. Following the restoration discussed in the preceding sentence, DFAS will continue to apply the annual COLA reduction to the member's retired pay each year throughout the member's retirement.

C. Members who elected the CSB/REDUX retirement and accepted early retirement under the TERA program will have their retired pay recomputed as discussed in subparagraph 030210.A; however, they will be subject to the TERA reduction factor from Table 3-5 for the entirety of their retirement with no restoration of that reduction at age 62 or at any other time.

030211. Temporary Early Retirement Authority (TERA)

The TERA legislation provided the Secretary of Defense a temporary additional force management tool with which to affect the drawdown of military forces from October 23, 1992 through September 1, 2002. Congress amended that legislation and reinstated certain TERA provisions for the period beginning December 31, 2011 and ending on December 31, 2018. DFAS will compute the basic TERA retired pay entitlement for members of the Army, Navy, Marine Corps and Air Force as described in this paragraph.

A. Computation of Retired Pay. DFAS will multiply the applicable reduction factor from Table 3-5 to compute the amount of retired pay otherwise prescribed for a retiring member using years of creditable service, high-36 monthly average basic pay and a 2½ retired pay percentage factor. The resulting reduced amount of retired pay, if not a multiple of $1, round to the next lower multiple of $1. This rounded amount is the initial gross monthly retired pay entitlement.

B. Reduction Factor. To determine the appropriate reduction factor from Table 3-5, take the difference between 240-months (20-year career) and the number of months of

active service as of the date of the member's retirement or transfer to the Fleet Reserve or Fleet Marine Corps Reserve under TERA.

1. Round up to the next whole month any portion of a month of active service in excess of a whole month. For example, round up the total active service of 15-years, 7-months, and 13-days to 15-years, 8-months. Then compute the reduction factor based on 15-years and 8-months as: (15 × 12) + 8 = 188-months and the applicable reduction factor corresponds to the Table 3-5 entry for 240 less 188 or 52-months. The applicable reduction factor for 52-months from Table 3-5 is .95667.

NOTE: In computing the retired pay, disregard the 13-days in excess of 187-months of service. Compute retired pay based on 187-months. The rounding up is applied only to determine the TERA reduction factor.

2. As an example, the retired pay for a member retired under TERA as an E-7, with 15-years, 7-months, 13-days of creditable service and a high 36-monthly average basic pay of $3,783.50 would be computed as follows:

RPB - Retired Pay Base (i.e. high 36 monthly average basic pay)
AS - Active Service (in months)
MO - Months in a year
RPF - Retired Pay Percentage Factor
TRF - TERA Reduction Factor (Table 3-5)

RPB × ((AS ÷ MO) × RPF) × TRF =
$3,783.50 × ((187 ÷ 12) × .025) × .95667 =
$3,783.50 × (15.5833 ×.025) × .95667 =
$3,783.50 × .3896 × .95667 =
$1,410.18

(Since this is not a multiple of $1, round down to $1,410.00.)

C. TERA Computation Modified for Career Status Bonus (CSB)/Reduced Retirement (REDUX). DFAS must modify the basic TERA retired pay entitlement if a member has elected to receive a CSB and is subject to the REDUX retirement plan. In such case, the normal retired pay multiplier shall first be reduced by one twelfth of one percentage point for each month that the member's creditable service is less than 30-years (360-months) under the REDUX computation before the application of the TERA reduction factor from Table 3-5.

Using the example in subparagraph 030211.B.2, compute the TERA retired pay for a member who has elected to receive a CSB as follows:

RPB - Retired Pay Base
360 - 30-Years (360-months)
AS - Active Service (in months)
MO - Months in a year

RPF - Retired Pay Percentage Factor
RRF - REDUX Reduction Factor (1%)
TRF - TERA Reduction Factor (Table 3-5)

RPB × ((AS ÷ MO) × RPF) – (((360 – AS) ÷ MO) ×RRF)) × TRF =
$3,783.50 × ((187 ÷ 12) × .025) – (((360 – 187) ÷ 12) × .01)) × .95667 =
$3,783.50 × ((15.5833 ×.025) – ((173 ÷ 12) × .01)) × .95667 =
$3,783.50 × (.3896 – (14.42 × .01)) × .95667 =
$3,783.50 × (.3896 – .1442) × .95667 =
$3,783.50 × .2454 × .95667 =
$888.24

(Since this is not a multiple of $1, round down to $888.00.)

The amount determined in subparagraph 030211.C will be increased by the annual Cost of Living Adjustment (COLA) as determined for other members who have elected the CSB and REDUX retirement. This will result in a COLA that is reduced by one percentage whenever the standard military retirement COLA is greater than one percent and the same COLA whenever the standard is one percent or less.

D. Unlike the prior TERA eligibility period from 1992 through 2002, under the new TERA authority members may not earn additional credit for purposes of re-computing retired pay for any employment by a public service or community service organization.

E. Persons retired under the TERA provisions have all the same entitlement rights, privileges and responsibilities of participation in the Survivor Benefit Plan (SBP), as retired members of their respective branch of service.

1. Full coverage under SBP means coverage on the amount of retired pay computed in subparagraph 030211.A which is the initial computation of TERA retired pay as reduced by the applicable reduction factor from Table 3-5.

2. For a CSB/REDUX member, the base amount for full SBP coverage is the amount computed using the TERA formula in subparagraph 030211.A including the reduction from Table 3-5. The SBP full base amount for a CSB recipient does not include the REDUX retirement reduction in subparagraph 030211.C. If the member elects a reduced base amount, with spouse concurrence, at the time of retirement, even if based on the REDUX re-computation in subparagraph 030210.C, no increase will be made in that base amount as a result of the re-computation at age 62 other than an increase to restore the elected base amount to what it would have been in effect had full COLAs been in effect. No increase will be made in that base amount as a result of the re-computation at age 62 for the restoration of the retired pay multiplier.

030212. Exception to High-36 Month Retired Pay Computation for Members Retired Following a Disciplinary Reduction in Grade

Members or former members who entered the Uniformed Services on or after September 8, 1980 will have their retired pay base computed using the high 36-month average, except for the members described as follows, whose retired pay base is based on the final basic pay of the grade prescribed under 10 U.S.C. § 1406, rather than the highest 36-month average of basic pay.

A. Affected Members. A member or former member subject to the above exception is one who, by reason of conduct occurring after October 30, 2000:

1. In the case of an enlisted member retired or transferred to the FR/FMCR, is reduced in grade as a result of court-martial sentence, nonjudicial punishment, or an administrative action, unless the member was subsequently promoted to a higher enlisted grade or appointed to a commissioned or warrant grade, in which case see subparagraph 030212.B.

2. In the case of an officer, retired in a grade lower than the highest grade in which the officer served by reason of denial of a determination or certification under ***10 U.S.C. § 1370*** that the officer served on active-duty satisfactorily in that grade, apply this determination only in those circumstances where such determination is the result of conduct occurring after October 30, 2000. Conduct, for the purposes of this subparagraph will not include failure to complete the time necessary for certification under 10 U.S.C. § 1370, absent any other conduct bearing on such certification.

B. Special Rule for Enlisted Members. In the case of an enlisted member retired within 3 years after having been reduced in grade as prescribed in subparagraph 030212.A.1, and who was not subsequently promoted to a higher enlisted grade (or appointed to a warrant or commissioned grade), the retired pay base will be computed using the final basic pay rather than the high 36-month average. If, however, the member is subsequently promoted to a higher enlisted grade (or appointed to a warrant or commissioned grade), the member's retired pay will be computed using a high 36-month average computation. The computation will use the final 36-months of basic pay, except for the months in which the member served in a grade higher than the grade in which retired. The basic pay for such months will be the rates that would have applied to the member at that time if serving in the grade in which retired.

Examples:

1. An E-7 is reduced to E-5 and retired as E-5. This member comes under subparagraph 030212A.1., with retired pay base computed under the pre-September 1980 system, which is final pay rules using the pay of an E-5.

2. An E-7 is reduced to E-5 two years before retirement, is promoted 1-year later to E-6 and retired as an E-6. This member uses the "Special Rule" and computes a

high 36 as specified in subparagraph 030211.B rather than using the final pay of an E-6. In computing the high 36-average, it would include 12-months as an E-7, 12-months as an E-5, and 12-months as an E-6. The "Special Rule" requires that the time as an E-7 will be replaced in the high 36 formula with pay rates of an E-6.

0303 APPLICATION OF SAVED PAY

030301. Career Compensation Act, Effective October 1, 1949

A. An officer retired for disability before October 1, 1949 who failed to elect within a 5-year period to receive pay under the 1949 Act, or who did not qualify for pay under the 1949 Act, continued to receive pay under laws in effect before October 1, 1949, computed at 75-percent of the basic pay of the grade authorized.

B. A member who, on October 1, 1949, was a hospital patient and who, before January 1, 1951, retired for disability as the result of the disease or injury for which hospitalized could elect to receive retired pay:

1. Computed under laws in effect on September 30, 1949 at 75-percent of the basic pay of the grade authorized; or

2. Computed under section 402(d) of Public Law 81-351.

C. A member who, on October 1, 1949, was receiving or was entitled to receive retired pay under any provision of law was authorized to continue the entitlement to receive the pay to which entitled under the laws in effect on September 30, 1949.

030302. Military Pay Act, Effective June 1, 1958

A. A member who retired or transferred to the FR/FMCR on or after June 1, 1958 and before April 1, 1963, and who was receiving active-duty basic pay under the April 1, 1955, saved pay rates, continued to receive pay computed under the 1955 rates, based upon service credited for basic pay purposes as of June 1, 1958.

B. A member who retired or transferred to the FR/FMCR on June 1, 1958 was entitled to pay computed on the June 1, 1958 active-duty basic pay rates, or on the April 1, 1955 active-duty basic pay rates plus 6-percent, whichever was greater.

C. A member retired or transferred to the FR/FMCR after June 1, 1958, who was receiving active-duty saved pay, was entitled to retired pay computed on the April 1, 1955 active-duty basic pay rates, but was not entitled to the additional 6 percent increase.

030303. Military Pay Act, Effective October 1, 1967

A. With respect to a member entitled to retired pay computed under this paragraph, the retired or retainer pay may not be less than it would have been if the member had

become entitled to that pay based on the same basic pay grade, years of service for basic pay and percentage purposes, and percent of disability (if any) on the day before the effective date of the rates of monthly basic pay on which retired or retainer pay is based. Such members receive pay:

1. Computed under the current basic pay rates in effect on the date of retirement or transfer, or

2. Computed under the rates of basic pay in effect immediately before the current rates, whichever is greater.

B. The above computations were, in some instances, subject to the provisions of the Uniform Retirement Date Act. For application of this Act, see Chapter 1, paragraph 010402.

C. The "1-year look-back" provision codified at 10 U.S.C. § 1401a(e) was repealed by section 921 of the DoD Authorization Act, Fiscal Year 1984. Under the provisions of that repeal, this paragraph now applies only to:

1. A member retired or transferred to the FR/FMCR October 1, 1967, through September 24, 1983, inclusive; and

2. A member eligible for retirement or transfer on or before September 24, 1983, provided the member retires or transfers on or before September 24, 1986. If the member retires or transfers after September 24, 1986, the retired or retainer pay may not be less than it would have had the member actually retired or transferred on September 23, 1986.

0304 TOWER AMENDMENT

030401. Basic Provisions

A. A member, who retires or transfers to the FR/FMCR on or after January 1, 1971, and who fully qualifies for retirement on a date earlier than the actual retirement date, receives the most favorable rate of pay as though the member had actually retired or been transferred on the earlier date:

1. After becoming retirement-eligible on or after January 1, 1971 (see Chapter 1, section 0102),

2. Based upon the grade and the service creditable on the earlier computation date. (For retirements on or after October 5, 1994, the grade used in the computation cannot be higher than the grade in which the member is retired.),

3. Using the rate of basic pay applicable to the member on the earlier computation date in determining the retired pay base, or

4. Subject to the provisions of paragraph 030303.

B. A member, who retired or transferred to the FR/FMCR before October 7, 1975, the effective date of the Tower Amendment, is entitled to pay adjusted from October 7, 1975. No adjustment is authorized under the provisions of the amendment for any period before October 7, 1975.

C. A member who retired between October 1, 1988 and October 4, 1994 and who is reduced in grade under sentence of court-martial after initially becoming eligible for retired pay is not entitled to computation on a grade higher than the grade in which retired.

D. See subparagraph 030503.A for provision concerning an officer who served in a special position as Chairman or Vice Chairman of the Joint Chiefs of Staff or as a Chief of Service.

E. See paragraph 030505 for the provision concerning an enlisted member who served in a special position as a senior enlisted member.

030402. Earlier Computation Dates

A. Predetermined earlier computation dates are established for uniformity in computing the pay of a member who qualifies under 10 U.S.C. § 1401a(f), and the Tower Amendment, as amended. Generally, the day immediately preceding an active-duty basic pay rate change is the earlier date of voluntary retirement eligibility, unless the computation is more favorable based on the first day of the month preceding an active-duty basic pay rate change.

B. A member of the FR/FMCR may transfer on any intermediate day of a month. Therefore, the earlier computation date for this member is the day before new active-duty basic pay rates are effective.

C. A warrant officer retired under provisions of ***10 U.S.C. § 1293*** (see Table 3-1, rule 3), on the effective date of a change in the active-duty pay rates, receives retired pay computed by using the rate of basic pay in effect on the day before the date of retirement. Thus, the earlier retirement eligibility date under 10 U.S.C. § 1401a(f) computation would be one year earlier with retired pay based upon rates in effect on the day before the earlier eligibility date. If the member is entitled to use the saved pay rate under paragraph 030303, the rate in effect immediately prior to the rate in effect on the day before the earlier retirement eligibility date is used.

030403. Computation at the Time of Retirement or Transfer to the FR/FMCR

A. A member receives the most favorable retired pay, as adjusted by applicable cost-of-living adjustments, computed by using:

1. The active-duty basic pay rate applicable on the actual retirement or transfer date, or

2. One prior active-duty basic pay rate at the same grade and service applicable on the actual retirement or transfer date if the provisions of paragraph 030203 apply.

3. Any active-duty basic pay rate in effect on or after January 1, 1971, at the grade and service credited on the earlier computation date, if retirement-eligible on the earlier date. After this rule is used, apply subparagraph 030403.A.2 without further loss of grade and service.

B. A member retiring for disability who is eligible for voluntary retirement or transfer to the FR/FMCR on an earlier date may have gross retired pay entitlement computed in accordance with the provisions of 10 U.S.C. § 1401a(f) when more favorable; however, the basic pay rate applicable for an earlier retirement date under this condition for gross pay computation cannot be used for computing pay based upon the disability rating. DFAS calculates the rate of pay based upon degree of disability only on the basic pay rate applicable under subparagraph 030403.A.1 or A.2 (if applicable).

0305 SPECIAL PROVISIONS

030501. Entitlement Under More Than One Pay Formula

A member who is entitled to pay computed under more than one pay formula or provision of law is entitled to be paid under the formula that is most favorable.

030502. Commissioned Officer With More Than Four Years of Active Enlisted and/or Warrant Officer Service

A member, who at the time of retirement, is in pay grade O1E, O2E, or O3E, having served more than 4-years of active-duty as an enlisted member and/or warrant officer, receives pay computed on the special basic pay rate that is authorized.

030503. Commissioned Officer Serving in a Special Position

A. Joint Chief of Staff and Chief of Service. An officer who serves as Chairman or Vice Chairman of the Joint Chiefs of Staff or as a Chief of the Service may receive retired pay which is computed on the highest rate of basic pay applicable to the member while serving in the special position, if that rate is higher than the rate otherwise authorized as a retired pay base for a member who first became a member before September 8, 1980. Except as provided in paragraph 030509, effective January 1, 2007, the rate of basic pay cannot exceed Level II of the Executive Schedule. The term "Chief of Service" refers to one of the following:

1. Chief of Staff of the Army,

2. Chief of Naval Operations,

3. Chief of Staff of the Air Force,

4. Commandant of the Marine Corps, or

5. Commandant of the Coast Guard.

NOTE: The member may not use the rate of the special position for computation of retired pay if, during or after serving in the special position, and by the member's conduct after October 16, 1998, the officer is not certified as having served satisfactorily in the grade of general or admiral while serving in that position.

B. Special Rule for Computation of Retired Pay Base for Commanders of Combatant Commands. An officer who serves as a Commander of a Unified or Specified Combatant Command may receive retired pay that is computed on the highest rate of basic pay applicable to the member while serving in that position. The member may not use the rate of the special position for computation of retired pay if, during or after serving in the special position and by the member's conduct after October 16, 1998, the officer is not certified as having served satisfactorily in the grade of general or admiral while serving in that position. Effective January 1, 2007, the rate of basic pay cannot exceed Level II of the Executive Schedule. This special rule will apply with respect to officers who first become entitled to retired pay on or after November 23, 2004.

030504. Officer in Grade O-9 or O-10

A. An officer who served in grade O-9 or O-10 for not less than 3-years is entitled to retired pay based on that grade if the Secretary of Defense certifies in writing to the President and the Congress that the officer served on active-duty satisfactorily. DFAS may reduce the 3-year requirement to not less than 2-years for retirements effective during a specified period (see Chapter 1, subparagraph 010501.E.5). DFAS may not reduce or waive the 3-year time-in-grade requirement if the officer is under investigation for alleged misconduct or while an adverse personnel action is pending against the officer for alleged misconduct.

B. An officer who served in grade O-9 or O-10 for a period of less than 3-years before retirement will have retired pay based on the next lower grade, unless a waiver of the time in grade requirement has been granted by the appropriate authority. The granting of the waiver will affect only the pay computation for the date of retirement. Computations for earlier dates on which eligible to retire must be based on the next lower grade.

C. Section 601(e) of ***Public Law 106-65***, October 5, 1999, provides that retired pay be recomputed effective January 1, 2000, for certain members who retired during the period April 30, 1999 through December 31, 1999. As a result, DFAS will recompute the retired pay of members' grade 0-9 with over 26-years of service and 0-10s with over 16-years of service. The new rates will be for months beginning on or after January 1, 2000 and will be computed as if the Level II limit had applied at the time of a qualified member's retirement. No increased amount is payable for any period before January 1, 2000, as a result of this subparagraph. DFAS will recompute retired pay rates for affected members as though the following rates of basic pay had been applicable at the time of retirement:

0-9	Over 26-years of service:	$9,528.00
0-10	Over 16-years of service:	$9,528.00
0-10	Over 18-years of service:	$9,528.00
0-10	Over 20-years of service:	$10,167.00
0-10	Over 22-years of service:	$10,167.00
0-10	Over 24-years of service:	$10,167.00
0-10	Over 26-years of service:	$10,491.60

030505. Enlisted Member Serving in a Special Position

The senior enlisted member of an Armed Force may receive retired pay, which DFAS computes on the highest rate of basic pay applicable to the member while serving in that special position, if that rate is higher than the rate otherwise authorized as a retired pay base for a member who first became a member before September 8, 1980. The term "senior enlisted member" refers to one of the following:

A. Sergeant Major of the Army,

B. Master Chief Petty Officer of the Navy,

C. Chief Master Sergeant of the Air Force,

D. Sergeant Major of the Marine Corps, or

E. Master Chief Petty Officer of the Coast Guard.

NOTE: The member may not use the rate of the special position for computation of retired pay if, during or after serving in the special position, and by member's conduct after October 16, 1998, the member is reduced in grade by court-martial, nonjudicial punishment, or other administrative process.

030506. Heroism Pay

An enlisted member retired after 20-years of service, to include an enlisted member retired due to disability, may be entitled to an additional 10-percent retired pay for extraordinary heroism, if authorized. See Chapter 1, Section 0107.

030507. Computation Under the Uniformed Services Pay Act, October 2, 1963

A. Beginning October 1, 1963, a member retired between October 1, 1949 and May 31, 1958, including a member retired before October 1, 1949, receiving pay under the 1949 Act, received the greater of:

1. An increase of 5-percent in the retired pay to which entitled on September 30, 1963; or

2. Pay computed on the basic pay rates established under the June 1, 1958 Act without a 5-percent increase.

B. Beginning October 1, 1963, a member retired for service before October 1, 1949 and being paid under laws in effect on September 30, 1949 receives the greater of:

1. An increase of 5-percent in the retired pay to which entitled on September 30, 1963; or

2. Pay recomputed on the basic pay rates established by the Military Pay Act of 1958 without a 5-percent increase, based on actual active service creditable.

030508. Computation Under the Military Pay Act, May 20, 1958

A. The Military Pay Act, May 20, 1958, authorizes a member who first became entitled to retired pay on June 1, 1958, to receive pay computed on the new June 1, 1958 basic pay rates or on the April 1, 1955 active-duty basic pay rates plus 6-percent, whichever is greater.

B. A member retired after June 1, 1958 who was receiving active-duty saved pay was entitled to retired pay computed on the April 1, 1955 active-duty basic pay rate, but was not entitled to the additional 6-percent increase.

C. The basic pay rate used in the computation of pay was increased by increments of $200 for generals and admirals and $100 for lieutenant generals and vice admirals before the 6-percent increase on June 1, 1958 for a retired officer who:

1. Served in that grade for at least 180-days, and

2. Was entitled to retired pay on the day before the effective date of the Military Pay Act of 1958.

*030509. Retired Pay Base for Officers Retired in General or Flag Officer Grades

A. The retired pay base of a general or flag officer who retires between October 1, 2006 and December 31, 2014 will not be restricted by the requirement in ***37 U.S.C. § 203 (a)(2)*** to reduce basic pay in excess of Level II of the Executive Schedule. The retired pay base shall be determined using the rate of basic pay for such period provided by law, rather than such rate reduced.

B. A general or flag officer who retires on or after January 1, 2015 and who served at any point between October 1, 2006 and December 31, 2014 has partial preservation of the computation of the retired pay base using the rate of basic pay for such period provided by law, rather than such rate reduced with the following guidance as stated in ***10 U.S.C. § 1407a***:

1. The retired pay base amount for a general or flag officer under the Final Pay retirement system is based upon the higher of the following:

(a) The basic pay rate in effect for the highest grade in which the general or flag officer satisfactorily served and his or her years of service as of the date of retirement, as limited by the Executive Level II ceiling, or

(b) The basic pay rate in effect on December 31, 2014, not limited by the Executive Level II ceiling, for the grade and years of service for which the general or flag officer had satisfactorily served as of December 31, 2014.

2. The retired pay base amount for a general or flag officer under the high-36 retirement system may include the monthly basic pay rate for the general or flag officer's grade and years of service for:

(a) All months served during this period of October 1, 2006 and December 31, 2014, not limited by the Executive Level II ceiling, or

(b) A combination of months served during this period not limited by the Executive Level II ceiling and months served after January 1, 2015, now limited by the Executive Level II ceiling.

C. A general or flag officer who retires on or after January 1, 2015 and did not serve at any point between October 1, 2006 and December 31, 2014 will be restricted by the requirement in 37 U.S.C. § 203 (a)(2) to reduce basic pay in excess of level II of the Executive Schedule. The retired pay base shall be determined using the reduced rate of basic pay provided by law.

Table 3-1. Computation of Retired Pay

COMPUTATION OF RETIRED PAY							
RULE	A **A member of the**	B **who is**	C **under provisions of 10 U.S.C.**	D **receives the retired pay base**	E **multiplied by**	F **plus**	G **minus (note 8)**
1	Armed Forces	retired for disability	§ 1201 § 1204	computed under 10 U.S.C. § 1406(b) or § 1407 (note 1)	the percentage of disability assigned, not to exceed 75 percent or 2.5 percent times the years of service credited for percentage purposes, except for a member retiring on or before January 7, 2011, the multiplier is limited to 75 percent (note 3)		
2			§ 1202 § 1205			the amount necessary to increase the product of columns D and E to 50 percent of retired pay base	
3		voluntarily retired	§ 1293		the retired pay multiplier from 10 U.S.C. § 1409 for the years of service credited for percentage purposes (note 3)		excess over 75 percent of retired pay base upon which computation is based if member retires before January 1, 2007 (note 6)
4	Army or Air Force		§ 3914 § 3917 § 8914 § 8917	computed under 10 U.S.C. § 1406(c) - for Army, § 1406(e) - for Air Force or § 1407 (notes 1 and 10)		10 percent of the product of Columns D and E, if applicable (note 2)	
5			§ 3911 § 3918 § 3920 § 3924 § 8911 § 8918 § 920 § 8924				
6	Navy or Marine Corps		§ 6321 § 6323	computed under 10 U.S.C. § 1406(d) or § 1407 (note 1)			

Table 3-1. Computation of Retired Pay (Continued)

COMPUTATION OF RETIRED PAY							
RULE	**A** **A member of**	**B** **who is**	**C** **under provisions of 10 U.S.C.**	**D** **receives the retired pay base**	**E** **multiplied by**	**F** **plus**	**G** **minus/add (note 8)**
7	Navy or Marine Corps	voluntarily retired	§ 6322 § 6326	computed under 10 U.S.C. § 1406(d) or § 1407 (note 1)	retired pay multiplier from 10 U.S.C. § 1409 for years of service credited for percentage purposes (note 3)	10 percent of columns D and E if applicable (note 2)	excess over 75 percent of retired pay base upon which computation is based, if the member retired before January 1, 2007 (note 6)
8			§ 6327		50 percent (note 5)		
9	Armed Forces	Involuntarily retired	§ 580 § 633 § 634 § 635 § 636 § 1251 § 1263 § 1305 (note 9)	computed under 10 U.S.C. § 1406(b) or § 1407 (note 1)	retired pay multiplier from 10 U.S.C. § 1409 for years of service credited for percentage purposes (note 3)		excess over 75-percent of retired pay base upon which computation is based, if the member retired before January 1, 2007 (note 6)
10	Army		§ 3920 § 3921 (note 6)	computed under 10 U.S.C. § 1406(c) or § 1407 (note 1)			
11	Navy or Marine Corps		§ 6371 § 6383, (note 6)	computed under 10 U.S.C. § 1406(d) or § 1407 (note 1)			
12	Air Force		§ 8920 § 8921 (note 6)	computed under 10 U.S.C. § 1406(e) or § 1407 (note 1)	retired pay multiplier for the years of service credited for percentage purposes (note 3)		

Table 3-1. Computation of Retired Pay (Continued)

COMPUTATION OF RETIRED PAY							
RULE	**A**	**B**	**C**	**D**	**E**	**F**	**G**
	A member of	**who is**	**under provisions of 10 U.S.C.**	**receives the retired pay base**	**multiplied by**	**plus**	**minus/add (note 8)**
13	Armed Forces, Reserve, or National Guard	Reservist (meets age and service require-ment)	§ 12731	computed under 10 U.S.C. § 1406(b)(2) or § 1407 (note 1)	2.5 percent times the years of service credited for percentage purposes (notes 3 and 4)	10 percent of the product of columns D and E (note 2)	excess over 75 percent of retired pay base upon which computation is based if member retired before January 1, 2007 (note 6)
14	Navy or Marine Corps	transferred to the FR/FMCR	§ 6330	computed under 10 U.S.C. § 1406(d) or § 1407 (notes 1 and 7)	the retainer pay multiplier for the years of service credited for percentage purposes (note 3)		

NOTES:

1. For applicable active-duty basic pay rate, see sections 0304 and 0305 and paragraphs 010502 and 030301. For a person who first became a member of a uniformed service after September 7, 1980, use the high 36 month average. For exception to high 36 months retired pay computation for members retired following a disciplinary reduction in grade, refer to paragraph 030212.

2. Enlisted members credited with an act of extraordinary heroism in the line of duty. For Army and Air Force enlisted members, the total retired pay to include the 10 percent increase, may not exceed the maximum pay of 75 percent. For Navy and Marine Corps enlisted members, the total maximum retired pay is 75 percent plus the 10 percent increase. Members with more than 30 years of creditable service should also have retired pay computed without the 10 percent add-on and awarded the higher of the two calculations. All members who retire under the provisions of ***10 U.S.C. § 12731*** with credit for extraordinary heroism are restricted to a maximum pay of 75 percent.

3. See Chapter 1 of this volume for service creditable for percentage purposes:

Voluntary retirement:
Paragraph 010302—Enlisted members
Paragraph 010303—Commissioned Officers
Paragraph 010304—Warrant Officers

Mandatory retirement:
Subparagraph 010305.A—Army and Air Force
Subparagraph 010305.B—Navy and Marine Corps

Disability retirement:
Paragraph 010306

Reservist age and service retirement:
Paragraph 010307

4. Total number of retirement points divided by 360. Carry the resultant figure to three decimal places, round to two decimal places. EXAMPLE: 4735 retirement points divided by 360 = 13.152 or 13.15-years of service for percentage purposes (for the section 12731 retiree only) to be multiplied by 2-1/2 percent.

5. Members retired under ***10 U.S.C. § 6327*** are authorized to receive retired pay at 50 percent of the active-duty basic pay of their grade when not on active-duty. This provision applies only to persons who were members of the Naval Reserve or Marine Corps Reserve on January 1, 1953. The provisions of 10 U.S.C. § 6327 terminated on January 1, 1973. However, termination of the section did not affect any accrued rights to retired pay.

6. For members who retired on or after January 1, 2007, the retired pay multiplier is the sum of 75 percent for 30 years of service plus 2-1/2 percent for every year over 30 years.

Table 3-1. Computation of Retired Pay (Continued)

NOTES

7. In lieu of the retainer pay base computed under 10 U.S.C. § 1406(d), a Reserve enlisted member may be entitled to retainer pay computed by using the monthly basic pay for the highest enlisted grade in which the member served satisfactorily, as determined by the Secretary of the Navy. This provision applies to an individual who first became a member of the Uniformed Service before September 8, 1980 and who, at the time of transfer, is serving on active-duty in a grade lower than the highest enlisted grade held by the member while on active-duty not as a result of the member's own misconduct.

8. If a member was initially retired on or after October 1, 1983, the amount computed, if not a multiple of $1, shall be rounded to the next lower multiple of $1. Any future adjustments to such pay must be made on the rounded figure. Retired pay of members retired on September 30, 1983 will not be rounded until there is an adjustment under 10 U.S.C. § 1401a; then, and with each subsequent adjustment, the amount as adjusted, if not a multiple of $1, shall be rounded to the next lower multiple of $1. The rounded amount becomes the member's entitlement and any future adjustments shall be based on this rounded entitlement.

9. Section 564 repealed by Public Law 102-190, December 5, 1991. Section 1255 repealed by Public Law 90-130, November 8, 1967. An officer who was on active-duty on September 15, 1981 and who is retired under Section 1251 is entitled to retired pay of at least 50 percent of the basic pay upon which the retired pay is based.

10. For a Reserve enlisted member retired under 10 U.S.C. § 3914 or § 8914 after September 30, 1996, the retired pay base is the monthly basic pay of the member's retired grade (based on rates applicable on date of member's retirement) in lieu of the retired pay base under 10 U.S.C. § 1406(e).

Table 3-2. Historical Pay Computations – Fleet Reserve and Fleet Marine Corps Reserve

HISTORICAL PAY COMPUTATIONS – FLEET RESERVE AND FLEET MARINE CORPS RESERVE						
RULE	**A** **If member retires in class**	**B** **during period**	**C** **with years of service at least**	**D** **then pay computation formula is**	**E** **plus**	**F** **and applicable law is**
1	F-4c 1-b	pre-1938 to May 31, 1942	16; less than 20	1/3 x base pay rating in which transferred (note 1)	longevity pay (25 percent maximum), extraordinary heroism (10 percent)	52 Stat 1179, section 203, 34 U.S.C. § 854b.
2	F-4d 1-c		20; less than 30	1/2 x base pay rating in which transferred (note 1)	longevity pay (25 percent maximum), extraordinary heroism (10 percent), or good conduct (10 percent)	
3	F-5 H-1					52 Stat 1179, section 204, 34 U.S.C. § 854c.
4	F-4c 1-b	June 1, 1942 to August 9, 1946	16; less than 20	1/3 x base pay rating in which transferred (note 1)	longevity pay (50 percent maximum), extraordinary heroism (10 percent)	56 Stat 359, Public Law 607, June 6, 1942.
5	F-4d 1-c		20; less than 30	1/2 x base pay rating in which transferred (note 1)	longevity pay (50 percent maximum), extraordinary heroism (10 percent), or good conduct (10 percent)	
6	F-5, H-1					
7	F-4c 1-b	August 10, 1946 to September 30, 1949	16; less than 20 (note 2)	1/3 x base pay rating in which transferred (notes 1 or 2)	longevity pay (50 percent maximum), extraordinary heroism (10 percent)	60 Stat 993, Public Law 720, August 10, 1946.
8	F-4d 1-c		20; less than 30	1/2 x base pay rating in which transferred (note 2)	longevity pay (50 percent maximum), extraordinary heroism (10 percent), or good conduct (10 percent)	
9	F-6 (note 3) 1-d		20	1/2 x base pay rating in which transferred (note 1) or		
				2.5 percent x years of active federal service multiplied by base pay of rating in which transferred (note 2)	longevity pay (75 percent maximum), extraordinary heroism (10 percent)	

Table 3-2. Historical Pay Computations – Fleet Reserve and Fleet Marine Corps Reserve (Continued)

HISTORICAL PAY COMPUTATIONS – FLEET RESERVE AND FLEET MARINE CORPS RESERVE						
RULE	**A** **If member retires in class**	**B** **during period**	**C** **with years of service at least**	**D** **then pay computation formula is**	**E** **plus**	**F** **and applicable law is**
10	all classes	transferred before October 1, 1949, effective on October 1, 1949	at least 20	pay received on 9/30/49 (saved pay) or 2.5 percent x years of active service = percent; percent x basic pay of highest federally recognized rating satisfactorily held (note 4)		Public Law 351, 81st Congress, October 1, 1949.
11	F-4c 1-b	on or after October 1, 1949		1/3 x basic pay receiving at transfer (note 5) or 2.5 percent x years of active federal service = percent; percent x basic pay of rating in which transferred (notes 6 and 8)	extraordinary heroism (10 percent)	
12	F-4d 1-c			1/2 x basic pay receiving at transfer (note 5) or 2.5 percent x years of active federal service = percent; percent x basic pay of rating in which transferred (notes 6 and 8)	extraordinary heroism (10 percent), or good conduct (10 percent)	
13	F-6 1-d			1/2 x basic pay receiving at transfer (note 5) or 2.5 percent x years of active federal service = percent;	extraordinary heroism (10 percent)	

Table 3-2. Historical Pay Computations – Fleet Reserve and Fleet Marine Corps Reserve (Continued)

HISTORICAL PAY COMPUTATIONS – FLEET RESERVE AND FLEET MARINE CORPS RESERVE						
RULE	**A**	**B**	**C**	**D**	**E**	**F**
	If member retires in class	**during period**	**with years of service at least**	**then pay computation formula is**	**plus**	**and applicable law is**
14	F-6 1-d	on or after August 10, 1956	at least 20 years	2.5 percent x years of active service in Armed Forces = percent; percent x basic pay receiving at transfer (notes 7 and 8)	extraordinary heroism (10 percent)	Public Law 1028, August 10, 1956, 10 U.S.C. § 6330.

NOTES:

1. Fractional year of 6 months or more not creditable as 1 year for longevity or transfer.
2. Fractional year of 6 months or more creditable equals' full year for transfer and longevity, effective August 10, 1946.
3. Effective August 10, 1946, class F-5 changed to class F-6.
4. Six months or more equals 1 year for active service; 6 months or more does not equal 1 year for basic pay; nor good conduct or extraordinary heroism.
5. Six months equals 1 year for basic pay and not for computing years of Naval service for transfer.
6. Six months or more equals 1 full year for active service and basic pay.
7. Six months equals 1 year for active service (include constructive service in active service). Six months equals 1 year for basic pay (do not include constructive service in service for basic pay).
8. If member entered a Uniformed Service after September 7, 1980, substitute the retainer pay base for the base or basic pay.

Table 3-3. Pre-1982 Retirement Percentage Multiple Conversions

PRE-1982 RETIREMENT PERCENTAGE MULTIPLE CONVERSIONS							
At Least			Not More Than				
Years	Months	Days	Years	Months	Days	Converted Years	Percentage
0	6	0	1	5	29	1	2.5
1	6	0	2	5	29	2	5
2	6	0	3	5	29	3	7.5
3	6	0	4	5	29	4	10
4	6	0	5	5	29	5	12.5
5	6	0	6	5	29	6	15
6	6	0	7	5	29	7	17.5
7	6	0	8	5	29	8	20
8	6	0	9	5	29	9	22.5
9	6	0	10	5	29	10	25
10	6	0	11	5	29	11	27.5
11	6	0	12	5	29	12	30
12	6	0	13	5	29	13	32.5
13	6	0	14	5	29	14	35
14	6	0	15	5	29	15	37.5
15	6	0	16	5	29	16	40
16	6	0	17	5	29	17	42.5
17	6	0	18	5	29	18	45
18	6	0	19	5	29	19	47.5
19	6	0	20	5	29	20	50
20	6	0	21	5	29	21	52.5
21	6	0	22	5	29	22	55
22	6	0	23	5	29	23	57.5
23	6	0	24	5	29	24	60
24	6	0	25	5	29	25	62.5
25	6	0	26	5	29	26	65
26	6	0	27	5	29	27	67.5
27	6	0	28	5	29	28	70
28	6	0	29	5	29	29	72.5
29	6	0				30	75

NOTE: This Table applies to members retired before January 1, 1982, with several exceptions covered in paragraph 030208.

Table 3-4. Post-1981 Retirement Percentage Multiplier Conversions

POST-1981 RETIREMENT PERCENTAGE MULTIPLIER CONVERSIONS											
Service Multiplier			Service Multiplier			Service Multiplier			Service Multiplier		
Years	Months	(%)	Years	Months	(%)	Years	Months	(%)	Years	Months	(%)
		00.	3		7.50	6		15.00	9		22.50
	1	00.20	3	1	7.70	6	1	15.20	9	1	22.70
	2	00.43	3	2	7.93	6	2	15.43	9	2	22.93
	3	00.63	3	3	8.13	6	3	15.63	9	3	23.13
	4	00.83	3	4	8.33	6	4	15.83	9	4	23.33
	5	1.05	3	5	8.55	6	5	16.05	9	5	23.55
	6	1.25	3	6	8.75	6	6	16.25	9	6	23.75
	7	1.45	3	7	8.95	6	7	16.45	9	7	23.95
	8	1.68	3	8	9.18	6	8	16.68	9	8	24.18
	9	1.88	3	9	9.38	6	9	16.88	9	9	24.38
	10	2.08	3	10	9.58	6	10	17.08	9	10	24.58
	11	2.30	3	11	9.80	6	11	17.30	9	11	24.80
1		2.50	4		10.00	7		17.50	10		25.00
1	1	2.70	4	1	10.20	7	1	17.70	10	1	25.20
1	2	2.93	4	2	10.43	7	2	17.93	10	2	25.43
1	3	3.13	4	3	10.63	7	3	18.13	10	3	25.63
1	4	3.33	4	4	10.83	7	4	18.33	10	4	25.83
1	5	3.55	4	5	11.05	7	5	18.55	10	5	26.05
1	6	3.75	4	6	11.25	7	6	18.75	10	6	26.25
1	7	3.95	4	7	11.45	7	7	18.95	10	7	26.45
1	8	4.18	4	8	11.68	7	8	19.18	10	8	26.68
1	9	4.38	4	9	11.88	7	9	19.38	10	9	26.88
1	10	4.58	4	10	12.08	7	10	19.58	10	10	27.08
1	11	4.80	4	11	12.30	7	11	19.80	10	11	27.30
2		5.00	5		12.50	8		20.00	11		27.50
2	1	5.20	5	1	12.70	8	1	20.20	11	1	27.70
2	2	5.43	5	2	12.93	8	2	20.43	11	2	27.93
2	3	5.63	5	3	13.13	8	3	20.63	11	3	28.13
2	4	5.83	5	4	13.33	8	4	20.83	11	4	28.33
2	5	6.05	5	5	13.55	8	5	21.05	11	5	28.55
2	6	6.25	5	6	13.75	8	6	21.25	11	6	28.75
2	7	6.45	5	7	13.95	8	7	21.45	11	7	28.95
2	8	6.68	5	8	14.18	8	8	21.68	11	8	29.18
2	9	6.88	5	9	14.38	8	9	21.88	11	9	29.38
2	10	7.08	5	10	14.58	8	10	22.08	11	10	29.58
2	11	7.30	5	11	14.80	8	11	22.30	11	11	29.80

Table 3-4. Post-1981 Retirement Percentage Multiplier Conversions (continued)

POST-1981 RETIREMENT PERCENTAGE MULTIPLIER CONVERSIONS											
Service Multiplier			Service Multiplier			Service Multiplier			Service Multiplier		
Years	Months	(%)	Years	Months	(%)	Years	Months	(%)	Years	Months	(%)
12		30.00	15		37.50	18		45.00	21		52.50
12	1	30.20	15	1	37.70	18	1	45.20	21	1	52.70
12	2	30.43	15	2	37.93	18	2	45.43	21	2	52.93
12	3	30.63	15	3	38.13	18	3	45.63	21	3	53.13
12	4	30.83	15	4	38.33	18	4	45.83	21	4	53.33
12	5	31.05	15	5	38.55	18	5	46.05	21	5	53.55
12	6	31.25	15	6	38.75	18	6	46.25	21	6	53.75
12	7	31.45	15	7	38.95	18	7	46.45	21	7	53.95
12	8	31.68	15	8	39.18	18	8	46.68	21	8	54.18
12	9	31.88	15	9	39.38	18	9	46.88	21	9	54.38
12	10	32.08	15	10	39.58	18	10	47.08	21	10	54.58
12	11	32.30	15	11	39.80	18	11	47.30	21	11	54.80
13		32.50	16		40.00	19		47.50	22		55.00
13	1	32.70	16	1	40.20	19	1	47.70	22	1	55.20
13	2	32.93	16	2	40.43	19	2	47.93	22	2	55.43
13	3	33.13	16	3	40.63	19	3	48.13	22	3	55.63
13	4	33.33	16	4	40.83	19	4	48.33	22	4	55.83
13	5	33.55	16	5	41.05	19	5	48.55	22	5	56.05
13	6	33.75	16	6	41.25	19	6	48.75	22	6	56.25
13	7	33.95	16	7	41.45	19	7	48.95	22	7	56.45
13	8	34.18	16	8	41.68	19	8	49.18	22	8	56.68
13	9	34.38	16	9	41.88	19	9	49.38	22	9	56.88
13	10	34.58	16	10	42.08	19	10	49.58	22	10	57.08
13	11	34.80	16	11	42.30	19	11	49.80	22	11	57.30
14		35.00	17		42.50	20		50.00	23		57.50
14	1	35.20	17	1	42.70	20	1	50.20	23	1	57.70
14	2	35.43	17	2	42.93	20	2	50.43	23	2	57.93
14	3	35.63	17	3	43.13	20	3	50.63	23	3	58.13
14	4	35.83	17	4	43.33	20	4	50.83	23	4	58.33
14	5	36.05	17	5	43.55	20	5	51.05	23	5	58.55
14	6	36.25	17	6	43.75	20	6	51.25	23	6	58.75
14	7	36.45	17	7	43.95	20	7	51.45	23	7	58.95
14	8	36.68	17	8	44.18	20	8	51.68	23	8	59.18
14	9	36.88	17	9	44.38	20	9	51.88	23	9	59.38
14	10	37.08	17	10	44.58	20	10	52.08	23	10	59.58
14	11	37.30	17	11	44.80	20	11	52.30	23	11	59.80

Table 3-4. Post-1981 Retirement Percentage Multiplier Conversions (Continued)

POST-1981 RETIREMENT PERCENTAGE MULTIPLIER CONVERSIONS											
Service Multiplier			Service Multiplier			Service Multiplier			Service Multiplier		
Years	Months	(%)	Years	Months	(%)	Years	Months	(%)	Years	Months	(%)
24		60.00	27		67.50	30		75.00	33		82.50
24	1	60.20	27	1	67.70	30	1	75.20	33	1	82.70
24	2	60.43	27	2	67.93	30	2	75.43	33	2	82.93
24	3	60.63	27	3	68.13	30	3	75.63	33	3	83.13
24	4	60.83	27	4	68.33	30	4	75.83	33	4	83.33
24	5	61.05	27	5	68.55	30	5	76.05	33	5	83.55
24	6	61.25	27	6	68.75	30	6	76.25	33	6	83.75
24	7	61.45	27	7	68.95	30	7	76.45	33	7	83.95
24	8	61.68	27	8	69.18	30	8	76.68	33	8	84.18
24	9	61.88	27	9	69.38	30	9	76.88	33	9	84.38
24	10	62.08	27	10	69.58	30	10	77.08	33	10	84.58
24	11	62.30	27	11	69.80	30	11	77.30	33	11	84.80
25		62.50	28		70.00	31		77.50	34		85.00
25	1	62.70	28	1	70.20	31	1	77.70	34	1	85.20
25	2	62.93	28	2	70.43	31	2	77.93	34	2	85.43
25	3	63.13	28	3	70.63	31	3	78.13	34	3	85.63
25	4	63.33	28	4	70.83	31	4	78.33	34	4	85.83
25	5	63.55	28	5	71.05	31	5	78.55	34	5	86.05
25	6	63.75	28	6	71.25	31	6	78.75	34	6	86.25
25	7	63.95	28	7	71.45	31	7	78.95	34	7	86.45
25	8	64.18	28	8	71.68	31	8	79.18	34	8	86.68
25	9	64.38	28	9	71.88	31	9	79.38	34	9	86.88
25	10	64.58	28	10	72.08	31	10	79.58	34	10	87.08
25	11	64.80	28	11	72.30	31	11	79.80	34	11	87.30
26		65.00	28		72.50	32		80.00	35		87.50
26	1	65.20	29	1	72.70	32	1	80.20	35	1	87.70
26	2	65.43	29	2	72.93	32	2	80.43	35	2	87.93
26	3	65.63	29	3	73.13	32	3	80.63	35	3	88.13
26	4	65.83	29	4	73.33	32	4	80.83	35	4	88.33
26	5	66.05	29	5	73.55	32	5	81.05	35	5	88.55
26	6	66.25	29	6	73.75	32	6	81.25	35	6	88.75
26	7	66.45	29	7	73.95	32	7	81.45	35	7	88.95
26	8	66.68	29	8	74.18	32	8	81.68	35	8	89.18
26	9	66.88	29	9	74.38	32	9	81.88	35	9	89.38
26	10	67.08	29	10	74.58	32	10	82.08	35	10	89.58
26	11	67.30	29	11	74.80	32	11	82.30	35	11	89.80

Table 3-4. Post-1981 Retirement Percentage Multiplier Conversions (Continued)

POST-1981 RETIREMENT PERCENTAGE MULTIPLIER CONVERSIONS

Service Multiplier			Service Multiplier			Service Multiplier			Service Multiplier		
Years	Months	(%)	Years	Months	(%)	Years	Months	(%)	Years	Months	(%)
36		90.00	38		95.00	40		100.00	42		105.00
36	1	90.20	38	1	95.20	40	1	100.20	42	1	105.20
36	2	90.43	38	2	95.43	40	2	100.43	42	2	105.43
36	3	90.63	38	3	95.63	40	3	100.63	42	3	105.63
36	4	90.83	38	4	95.83	40	4	100.83	42	4	105.83
36	5	91.05	38	5	96.05	40	5	101.05	42	5	106.05
36	6	91.25	38	6	96.25	40	6	101.25	42	6	106.25
36	7	91.45	38	7	96.45	40	7	101.45	42	7	106.45
36	8	91.68	38	8	96.68	40	8	101.68	42	8	106.68
36	9	91.88	38	9	96.88	40	9	101.88	42	9	106.88
36	10	92.08	38	10	97.08	40	10	102.08	42	10	107.08
36	11	92.30	38	11	97.30	40	11	102.30	42	11	107.30
37		92.50	39		97.50	41		102.50	43		107.50
37	1	92.70	39	1	97.70	41	1	102.70	43	1	107.70
37	2	92.93	39	2	97.93	41	2	102.93	43	2	107.93
37	3	93.13	39	3	98.13	41	3	103.13	43	3	108.13
37	4	93.33	39	4	98.33	41	4	103.33	43	4	108.33
37	5	93.55	39	5	98.55	41	5	103.55	43	5	108.55
37	6	93.75	39	6	98.75	41	6	103.75	43	6	108.75
37	7	93.95	39	7	98.95	41	7	103.95	43	7	108.95
37	8	94.18	39	8	99.18	41	8	104.18	43	8	109.18
37	9	94.38	39	9	99.38	41	9	104.38	43	9	109.38
37	10	94.58	39	10	99.58	41	10	104.58	43	10	109.58
37	11	94.80	39	11	99.80	41	11	104.80	43	11	109.80

NOTE: To derive multipliers for service in excess of 43 years and 11 months, divide the number of whole months by 12, compute the quotient to 3 digits, round to 2 digits, and add this to the number of years. Then, multiply by .025.

Example 1: 20 years, 7 months, 13 days
7 months ÷ 12 = .583 (.58)
20.58 × .025 = 51.45%

Example 2: 44 years, 8 months, 28 days
8 months ÷ 12 = .667 (.67)
44.67 × .025 = 111.68%

Exception: Members who retire between January 1, 1982 and September 30, 1983 and meet requirements of paragraph 030207 will round service credit of 6 months or more, as shown on the Table.

Table 3-5. Reduction Factors Applicable to Temporary Early Retirement Authority

REDUCTION FACTORS APPLICABLE TO TEMPORARY EARLY RETIREMENT AUTHORITY					
Months Less than 240	**Reduction Factor**	**Months Less than 240**	**Reduction Factor**	**Months Less than 240**	**Reduction Factor**
1	.99917	2	.99833	3	.99750
4	.99667	5	.99583	6	.99500
7	.99417	8	.99333	9	.99250
10	.99167	11	.99083	12	.99000
13	.98917	14	.98833	15	.98750
16	.98667	17	.98583	18	.98500
19	.98417	20	.98333	21	.98250
22	.98167	23	.98083	24	.98000
25	.97917	26	.97833	27	.97750
28	.97667	29	.97583	30	.97500
31	.97417	32	.97333	33	.97250
34	.97167	35	.97083	36	.97000
37	.96917	38	.96833	39	.96750
40	.96667	41	.96583	42	.96500
43	.96417	44	.96333	45	.96250
46	.96167	47	.96083	48	.96000
49	.95917	50	.95833	51	.95750
52	.95667	53	.95583	54	.95500
55	.95417	56	.95333	57	.95250
58	.95167	59	.95083	60	.95000

NOTE: Mathematically, the reduction factor (RF) is one minus one twelve hundredth of the difference between 240 and the number of months or remaining portion of a month of active service of such member. Thus, for 188-months the reduction factor is computed as:

RF = 1.0 – [(240-188)/1200]
1.0 – [52/1200]
1.0 – .04333
.95667

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030203.A.2	10 U.S.C. § 1407
030204.A.1	10 U.S.C. § 1406(b)(1)
030204.A.2	10 U.S.C. § 1407
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VOLUME 7B, CHAPTER 4: "RECOUPMENT OF SEPARATION PAY"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font*.**

The previous version dated September 2014 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current administrative instructions.	Revision
0402	Relocated definitions from Section 0401 to Section 0402 and renumbered text.	Revision
040703.C.2	Rephrased subparagraph for clarity.	Revision

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CHAPTER 4

RECOUPMENT OF SEPARATION PAYMENTS

0401 GENERAL

040101. Purpose

This chapter provides guidance for the recoupment of payments made to members whose status transitions from involuntary discharge, release from active duty, disability separation, or voluntary separation, to retiree.

040102. Authoritative Guidance

The bibliography at the end of this chapter lists the authoritative references.

*0402 DEFINITIONS

040201. Readjustment Pay

Readjustment Pay is a lump-sum payment to members of a Reserve Component of any Military Service, members of the Army or Air Force without component, and Regular Army commissioned officers below the grade of O-4 who were on active duty (other than for training) on September 14, 1981, and were involuntarily released after completing at least 5 years of continuous active duty and who did not qualify for retirement. Separation Pay superseded Readjustment Pay.

040202. Nondisability Severance Pay

Nondisability Severance Pay is a lump-sum payment to certain commissioned and warrant officers, who were on active duty (other than for training) on September 14, 1981, and involuntarily discharged from active duty under certain conditions. Separation Pay superseded Nondisability Severance Pay. Note: This chapter uses the term "Nondisability Severance Pay" when referring to what is commonly known as "Severance Pay", as a mechanism to distinguish severance pay from disability severance pay.

040203. Separation Pay

Separation Pay is a lump-sum payment to a member of the Uniformed Services who is discharged involuntarily or released from active duty and who does not qualify for retired pay. For more information, see Volume 7A, Chapter 35.

040204. Disability Severance Pay (DSP)

The DSP is a lump-sum payment to a member of the Uniformed Services involuntarily separated from the military service for minor physical disability and who does not qualify for disability retired pay.

040205. Voluntary Separation Incentive (VSI)

The VSI is an annual payment to members who separated voluntarily from service before December 31, 2001, under conditions prescribed by the Secretary of the Military Department concerned (or designee). Voluntary Separation Pay (VSP) superseded VSI.

040206. Special Separation Benefit (SSB)

The SSB is a lump-sum payment to members who separated voluntarily from service before December 31, 2001, under conditions prescribed by the Secretary of the Military Department concerned (or designee). VSP superseded SSB.

040207. Voluntary Separation Pay (VSP)

The VSP is an annual or lump-sum payment to certain members to encourage them to leave active duty voluntarily. The authority to separate a member in conjunction with VSP applies for the period October 17, 2006 through December 31, 2018.

040208. Recoupment

To align entitlement to retirement benefits with applicable active service, this chapter uses the term recoupment in conjunction with the recovery of readjustment pay, nondisability severance pay, separation pay, DSP, VSI, SSB, or VSP previously received.

040209. Reserve Special Separation Pay (RSSP)

The RSSP is payable to Reserve members who had completed more than 20 years of service but who had not reached age 60. Payment of RSSP is not subject to recoupment from retired pay. For more information, see Volume 7A, Chapter 58.

0403 READJUSTMENT PAY

040301. General Provisions

A. A member who received readjustment pay before September 15, 1981, because of involuntary discharge or release from active duty after June 28, 1962, and who later qualifies for retired pay under Titles ***10*** or ***14*** of the United States Code (U.S.C.) upon completion of 20 years of active service, must have the retired pay withheld until a total of 75 percent of the readjustment pay has been recovered. For this purpose, consider a member who transferred to the Fleet Reserve or the Fleet Marine Corps Reserve to have "qualified for

retired pay under a statute authorizing retirement upon completion of 20 years of active service," even though such transfer may have occurred after completion of less than 20 years of actual service. See Table 4-1.

B. A Regular Army commissioned officer in the grade of O-1, O-2, or O-3 who received readjustment pay from December 30, 1974 through December 30, 1977, and who later qualifies for retired pay upon completion of 20 years of active service, must have the retired pay withheld until a total of 75 percent of the readjustment pay has been recovered. See Table 4-1.

C. A member of the Uniformed Services who served on active duty as a temporary officer and held a Reserve officer status upon release from active duty, and received readjustment pay after June 28, 1962, but before September 15, 1981, and who, later qualifies for retired pay upon completion of 20 years of active service, must have the retired pay withheld until a total of 75 percent of the readjustment pay has been recovered. See Table 4-1.

D. A member who received readjustment pay on September 15, 1981 or later, and who later qualifies for retired pay, must have the retired pay reduced until the recovery of the full amount of the readjustment pay. See subparagraph 040302.B.

040302. Recoupment of Readjustment Pay

A. Readjustment Pay Received Before September 15, 1981

1. The Defense Finance and Accounting Service (DFAS) will deduct a total of 75 percent of the gross readjustment pay without interest immediately from retired pay.

2. There is no entitlement to retired pay until the recovery of 75 percent of the lump-sum readjustment pay. During the period that the member is not entitled to retired pay, the member must pay the cost for coverage under the SBP by direct remittance to:

Defense Finance and Accounting Service, DFAS-CL
SBP and RSFPP Remittance
P.O. Box 979013
St. Louis, MO 63197-9000

B. Readjustment Pay Received September 15, 1981 or Later. A member who received readjustment pay on September 15, 1981 or later, and who subsequently qualifies for retired pay shall have the retired pay reduced in accordance with section 0410 until the recovery of the full amount of the readjustment pay.

0404 NONDISABILITY SEVERANCE PAY

040401. General Provisions

Before September 15, 1981, certain provisions of law governing separation from the active list required recoupment of nondisability severance pay upon a member's retirement. See Table 4-2 for conditions governing recoupment of nondisability severance pay received before September 15, 1981. Members who receive nondisability severance pay on September 15, 1981 or later, and who subsequently qualify for retirement, are subject to recoupment under paragraph 040402.

040402. Recoupment of Nondisability Severance Pay

The DFAS must recoup lump-sum nondisability severance pay by deducting from retired pay each month an amount as specified in section 0410 until the total deducted equals the amount of the nondisability severance pay received.

0405 SEPARATION PAY

040501. General Provisions

Separation pay has replaced readjustment pay and nondisability severance pay for involuntary separation of all members of the active and reserve forces other than those separated for disability. For information on eligibility requirements for separation pay, see Volume 7A, Chapter 35.

040502. Recoupment of Separation Pay

A. A member who received separation pay and who later qualifies for retired or retainer pay under Titles 10 or 14 of the U.S.C., shall have deducted from payment of such retired or retainer pay a monthly installment as specified in section 0410.

B. A member who receives separation pay, and who also is eligible for disability compensation from Department of Veteran Affairs (VA), will repay an amount equal to the total amount of separation pay received from the disability compensation awarded. The DFAS shall make no deduction for separation pay from disability compensation based on service performed after receiving separation pay.

0406 DISABILITY SEVERANCE PAY (DSP)

040601. General Provisions

Upon determination by the Secretary concerned that a member of the armed forces is unfit to perform the duties of his office, grade, rank or rating because of physical disability rated less than 30 percent, the department may separate the member with disability severance pay. For information on eligibility requirements for disability severance pay, see Volume 7A, Chapter 35.

040602. Recoupment of DSP

When the Secretary concerned approves a recommendation from the Physical Disability Board of Review (PDBR) to award military disability retirement, the DFAS must take action to recoup any disability severance pay previously paid to that member. Recoupment will be consistent with the parameters established in section 0410, except as noted in subparagraphs 040602.A and B.

A. In most cases, members entitled to disability severance pay will also qualify for VA disability compensation. In order to avoid duplicate collection, the DFAS shall reduce the recovery amount of disability severance pay by any amount already separately recovered by VA through reduction of VA disability compensation. In such cases, the amount deducted by the VA from the disability compensation shall reduce the gross amount of disability severance pay to be recouped by the Department of Defense (DoD).

1. To determine the retroactive entitlement of retired pay that is payable to the member, offset the entire VA disability compensation amount that is awarded (prior to any reduction of such VA disability compensation to offset the collection of disability severance pay) from the total retroactive retired pay entitlement. This will result in an amount of VA disability compensation plus military retired pay paid to the member that is equal to that which the member would have been entitled to had he/she originally been retired instead of separated.

2. The DFAS shall first apply the entire amount of any retroactive retired pay and/or Combat-Related Special Compensation (CRSC) entitlement to any required recoupment of disability severance pay without regard to the percentage limitations specified in section 0410. In determining the retroactive entitlement to retired pay, service members must be treated as though they were retired on the original date of separation, without regard to any disability severance payment received or any reduction in VA disability compensation to recoup previously paid disability severance pay. In order to determine the amount subject to recoupment, as well as any amount payable to a member, DFAS shall determine the amount of retired pay that would have been available had the member originally been retired instead of separated. The total amount to recoup will be the full gross amount of disability severance pay originally paid to the member.

3. As stated in subparagraph 040602.A, VA deducts disability severance compensation from any VA compensation for the same disability to which the member or member's dependents become entitled under any law administered by VA. There are two exceptions:

a. VA will make no deduction in the case of disability severance pay received by a member for a disability incurred in the line of duty in a combat zone or incurred during performance of duty in combat-related operations as designated by the Secretary of Defense.

b. VA will make no deduction from any death compensation to which a member's dependents become entitled after the member's death.

B. Members shall be promptly notified that future payments of disability retired pay will be subject to reduction until the gross amount of the disability severance pay has been recovered.

040603. Survivor Benefit Plan (SBP) Participation

A. Members whose record is corrected to a military disability retirement under the PDBR process, and who were married on the retirement effective date, shall receive automatic full spouse coverage under the SBP, unless the member makes an affirmative election on a Department of Defense (DD) ***DD Form 2656***, Data for Payment of Retired Personnel, for less than full spouse coverage within 90 days of being provided a DD 2656. If the member elects less than full spouse coverage, including an election not to participate in SBP program or an election for child-only coverage, the election must include a spousal concurrence signed by the person who was the member's spouse on the effective retirement date, as determined by the PDBR, unless such person is deceased. If the member was married on the effective retirement date, but has since divorced that spouse, the member must still submit a concurrence to elect less than full spouse coverage signed by the person who was the member's spouse on the effective retirement date, unless the whereabouts of the member's now former spouse are unknown and the member submits an affidavit verifying that the former spouse's whereabouts are unknown, along with a copy of the parties' divorce decree. The spouse's concurrence on the DD 2656 must be signed on or after the date of the member's signature and otherwise conform to an election regarding spouse coverage.

B. A spouse who was married to the member on the effective date of retirement, who was subsequently divorced from the member and who has not signed the spousal concurrence on DD 2656, has 1 year from the date of the approved PDBR recommendation authorizing disability retirement to make a deemed former spouse SBP election, provided there is already in effect a court-approved written agreement or court order requiring the member to elect to provide such an annuity to the former spouse.

C. If the member had a former spouse on the effective retirement date, the member may elect former spouse SBP coverage. There is no requirement for spousal concurrence for a former spouse election, although the member's current spouse should be provided written notice of the former spouse election. A member who was not married and had no dependent child on the effective date of retirement, who remarries or acquires a dependent child subsequent to the effective date of retirement, may elect to participate in the SBP. The member has 1 year from either the date of acquiring a spouse or dependent child or the date of the approved PDBR recommendation authorizing disability retirement, whichever is later.

D. If the member had no spouse or dependent child on the effective retirement date and is not otherwise required to provide former spouse coverage, the member may elect to provide an annuity for an insurable interest person if such individual would have been qualified on the effective date of retirement.

E. Monthly SBP premiums for automatic or properly elected coverage must be charged from the effective retirement date, with the exception that no SBP premiums will be due if the member elects not to participate in the SBP program with proper spousal concurrence within 90 days of the PDBR action awarding a disability retirement or 90 days of the date that the member has been provided a DD Form 2656 to elect SBP participation.

F. If a member, who is retired for disability as a result of an approved PDBR action, had previously made a Reserve Component Survivor Benefit Plan (RCSBP) election, that RCSBP election shall be considered of no effect if the PDBR action is approved prior to the date that the member would have become eligible for reserve retired pay under ***10 U.S.C., Chapter 1223***.

0407 VOLUNTARY SEPARATION INCENTIVE (VSI)

040701. General Provisions

Certain members who voluntarily separated before December 31, 2001, received annual payments of VSI based on their grade or rank at separation and number of years of service creditable for retirement purposes. See Volume 7A, Chapter 35 for eligibility requirements.

040702. Beneficiary Payment Procedures

Upon the death of the member, the DFAS-Cleveland Site will pay all remaining VSI installments to the designated beneficiaries. The DFAS will distribute VSI installment payments according to the legal order of precedence if there is no valid designation on file and maintained at the DFAS-Cleveland Site. See Chapter 23 for more information regarding beneficiary payment procedures.

*040703. Recoupment of VSI

A. A member who has received VSI, who later qualifies for retired or retainer pay under Titles 10 or 14 of the U.S.C., shall have deducted the amount of VSI received from each payment of such retired or retainer pay by a monthly installment not to exceed 40 percent of the member's gross retired pay as specified in paragraph 041004. The gross retired pay amount paid does not include any amounts offset because of the member's receipt of military compensation between the date of separation which caused the VSI to begin and the date that he or she became eligible for receipt of retired pay.

B. In a case in which a member is receiving simultaneous VSI and retired pay, the member may elect to terminate the receipt of VSI. Such election is permanent and irrevocable. Under these circumstances, effective after such election to terminate VSI, the DFAS shall reduce the rate of monthly recoupment from retired pay of VSI received in accordance with subparagraph 040703.A. The rate of recoupment shall be reduced in accordance with the following formula: Divide the total number of months that would not be paid as a result of the member's election to terminate the VSI by the number of months that the VSI was scheduled to be paid. Multiply the resulting fraction, which is a percentage rate of reduction, by the

percentage in subparagraph 040703.A to compute a percentage that is the proportionate rate of reduction; and, subtract the proportionate rate of reduction from the original rate of reduction in subparagraph 040703.A to determine the reduced rate of recoupment from retired pay.

C. A member who is receiving VSI payments shall not be deprived of this incentive by reason of entitlement to disability compensation under the laws administered by VA, but there shall be deducted from VSI payments an amount equal to the amount of any such disability compensation concurrently received. Notwithstanding the preceding sentence, the DFAS will make no deduction from VSI payments for any disability compensation received because of an earlier period of active duty if the member receives VSI because of discharge or release from a later period of active duty.

1. Any reduction in VSI as a result of receipt of VA disability compensation shall reduce the gross amount of VSI paid, as described in subparagraph 040703.A, and shall not be recovered through recoupment from retired pay.

* 2. In a case in which a member is receiving simultaneous VSI and retired pay, the DFAS will reduce the VSI payment by the amount of any VA disability compensation. In addition, the member's election to waive retired pay, as described under Chapter 12, subparagraph 120101.A.1, will also still apply. Furthermore, the DFAS will reduce the member's retired pay as described in subparagraph 040703.A.

0408 SPECIAL SEPARATION BENEFIT (SSB)

040801. General Provisions

Under conditions prescribed by the Secretary of the Military Department concerned (or designee), a member who separated voluntarily from a Military Service before December 31, 2001, could elect to receive an SSB.

040802. Recoupment of SSB

If a member who has received an SSB payment later qualifies for retired or retainer pay under Titles 10 or 14 of the U.S.C., the DFAS shall recoup the gross amount of SSB received at a monthly installment from each payment of such retired or retainer pay as specified in section 0410.

0409 VOLUNTARY SEPARATION PAY (VSP)

040901. General Provisions

Certain members who voluntarily separate between October 17, 2006 and December 31, 2018, may receive a lump-sum VSP in an amount up to four times the full amount of the separation pay a member may receive. See Volume 7A, Chapter 35 for more information on separation pay.

040902. Recoupment of VSP

A. A member who is paid VSP and who later qualifies for retired or retainer pay under Titles 10 or 14 of the U.S.C., shall have deducted from each payment of such retired or retainer pay a monthly installment specified by the Secretary of the Military Department concerned (or designee). The total amount of retired or retainer pay deductions shall equal the total amount paid to the member.

B. The requirement to repay VSP following retirement from the Armed Forces does not apply to an officer who was eligible to retire at the time the officer applied and was accepted for VSP benefits.

C. The Secretary of the Military Department concerned (or designee) may waive the requirement to repay VSP if it is determined that recovery would be against equity and good conscience and would be contrary to the best interests of the United States. Upon approval, the Military Department concerned shall forward a copy of all waivers to the Deputy Under Secretary of Defense, Military Personnel Policy.

D. Waivers by the Secretary of the Military Department concerned (or designee) must be determined on a case-by-case basis, which requires identification of the individual member, the amount of debt, and the circumstances of each case. The Principal Deputy Under Secretary of Defense, Personnel and Readiness, shall review, in coordination with the DoD Office of General Counsel, any waiver by a Secretary of the Military Department (or designee) that applies to more than one individual. This review process shall ensure a consistent consideration of the equities in such cases throughout DoD.

0410 RECOUPMENT OF SEPARATION PAY, NONDISABILITY SEVERANCE PAY, READJUSTMENT PAY, OR DISABILITY SEVERANCE PAY

041001. Members Affected

Service members who received separation pay, nondisability severance pay, or readjustment pay under any provision of law based on service in the Armed Forces, or a member awarded disability retirement from the PDBR, as described in 040602, who subsequently qualify under Titles 10 or 14 of the U.S.C. for retired or retainer pay shall have deducted an amount equal to the total amount of separation pay, nondisability severance pay, readjustment pay and DSP, without regard to any withholding for taxes. The DFAS will make such deductions from each payment of retired or retainer pay until the total amount recouped is equal to the total amount of separation pay, nondisability severance pay, readjustment pay, or DSP. The member may authorize a deduction in an amount greater than that required by law.

041002. Veterans Administration (VA) Disability Compensation

A. In some cases, members entitled to disability retired pay will also qualify for VA disability compensation. In such cases, the amount deducted to recoup the separation

payment by VA shall reduce the gross amount of separation, severance or readjustment pay to be recouped by DoD.

B. The DFAS will subtract the gross monthly amount of VA disability compensation from the gross monthly amount of the retired pay subject to recoupment. The DFAS will then use this adjusted gross retired pay in place of gross retired pay for members with a VA waiver. In cases where the amount of VA disability compensation award is greater than military retired pay, recoupment of disability severance pay will be suspended until, when or if, the amount of gross retired pay exceeds the monthly VA disability compensation except as provided in paragraph 041003.

041003. Concurrent Receipt Programs

Members who meet all the eligibility criteria for the CRSC program or the Concurrent Retired and Disability Pay (CRDP) programs shall have their CRSC or CRDP entitlement computed based on the full amount of retired pay and the full amount of the applicable VA disability compensation (i.e., before any reductions for recoupment of separation, nondisability severance, readjustment pay, or DSP). In other words, the DFAS shall compute the CRSC or CRDP entitlement amount without regard to the recoupment of separation, severance, or readjustment pay. The DFAS shall add the CRSC or CRDP entitlement to the adjusted gross retired pay remaining after VA disability compensation offset in determining the amount of the monthly disability severance pay recoupment and shall be, along with the adjusted gross retired pay, available for reduction.

041004. Recoupment Rates

The maximum rate of recoupment shall be no more than an amount equal to 40 percent of the member's gross retired pay.

A. The DFAS shall re-compute the monthly recoupment rate when there is an increase in gross or adjusted gross retired pay for cost-of-living adjustments, except when the member has authorized withholding at a higher monthly rate.

B. The DFAS will make no income tax withholding from retired pay used for satisfying the recoupment of separation pay, nondisability severance pay, readjustment pay, or DSP. Neither is such pay included on Internal Revenue Service Form 1099-R, Distribution from Pensions, Annuities, Retirement Profit Sharing Plans, IRAs, Insurance Contracts, nor is it reported as taxable income. The gross taxable income is the difference between the amount of the recoupment and gross retired pay.

C. The DFAS shall provide written notification to members subject to recoupment. The DFAS sends this notice 90 days in advance of the initial collection from their retired pay. It shall provide the current outstanding balance and the proposed monthly recoupment amount and explain the options of a more lenient repayment request if the member asserts that the maximum rate of recoupment imposes a financial hardship. See paragraph

041006. The written notification will also explain the requirement for concurrent recoupment of the separation or nondisability severance pay by both the DFAS and the VA.

041005. Exceptions

A. Those members whose recoupment rates were suspended in May 2009, by the direction of the Office of the Under Secretary of Defense (Comptroller) memorandum, dated May 18, 2009, and whose recoupment rates under the previous formula were less than the new maximum percentage shall be reinstated at the previously established lower rate.

B. Members may, at their personal discretion, request to increase their recoupment to a rate greater than the maximum, in order to shorten the term of recoupment.

041006. Financial Hardship

A member whose retired pay is subject to recoupment may, at any time, request a review of the amount recouped based upon materially changed circumstances such as disability, divorce, or illness that results in the imposition of undue financial hardship on the member and the member's dependents. A member requesting such a review shall submit the basis for claiming that the current rate of recoupment results in an undue financial hardship along with supporting documentation. The DFAS shall consider any information submitted and make a determination in accordance with the following procedures and standards.

A. A rate of recoupment results in an undue financial hardship for a member and his dependents if the recoupment amount prevents the member from meeting the costs necessarily incurred for essential subsistence expenses of the member and the member's dependents. These essential subsistence expenses include costs incurred for food, housing, necessary public utilities, clothing, transportation and medical care.

B. In determining whether the recoupment amount prevents the member from meeting the essential subsistence expenses described in subparagraph 041006.A, DFAS will consider the following:

1. The income from all sources of the member, the member's spouse, and dependents;

2. Whether these essential subsistence expenses have been minimized to the greatest extent possible; and

3. The extent to which the member and the member's spouse and dependents have other exceptional expenses that the DFAS should take into account and whether these expenses have been minimized to the greatest extent possible.

C. If there is an undue financial hardship, the DFAS will reduce the recoupment rate based on the member's financial condition. Any reduction of the recoupment rate will be effective for 1 year. Upon the expiration of 1 year, the recoupment rate will revert

back to 40 percent unless the member has reapplied for a reduction in rate and can again demonstrate financial hardship.

D. The DFAS shall adjust the rate of recoupment based on the following formula:

1. Subtract the total monthly living expenses from the total monthly income. The result is the net income available for monthly recoupment.

2. The net income available for monthly recoupment shall be divided by the gross monthly retired pay to determine the actual recoupment percentage. If the result is 40 percent or greater, the recoupment is limited to 40 percent. A result of 10 percent or less limits the recoupment to 10 percent. The DFAS shall apply any factor within the range of 10 to 39 percent as the actual percentage with any fractional portions of a percentage point rounded down to the lower whole percentage point.

3. Figure 4-1 provides two typical calculation examples.

Figure 4-1. Financial Hardship Calculation Examples

EXAMPLE A:

Gross Monthly Income:		**Actual Monthly Expenses:**	
Retired Pay	$ 3,000.00	Rent/Mortgage	$ 1,500.00
Other income	460.00	Electric	$ 80.00
Spouse's income	$ 500.00	Natural Gas	$ 125.00
Total Income	$ 3,960.00	Telephone	$ 35.00
		Water	$ 20.00
		Food	$ 400.00
		Car Payment	$ 280.00
		Health Care	$ 500.00
		Total Expenses	$ 2,940.00

Total Income	$ 3,960.00	
Total Expenses	$ 2,940.00	
Net Income	$ 1,020.00	(Available for recoupment)

Divide the member's Net Income ($1,020.00) by the gross retired pay ($3,000.00) which equals .34 or a recoupment rate of 34%.

EXAMPLE B:

Gross Monthly Income:		**Actual Monthly Expenses:**	
Retired Pay	$ 2,000.00	Rent/Mortgage	$ 800.00
Spouse's income	$ 500.00	Electric	$ 80.00
Total Income	$ 2,500.00	Natural Gas	$ 125.00
		Telephone	$ 35.00
		Water	$ 20.00
		Food	$ 200.00
		Car Payment	$ 280.00
		Health Care	$ 900.00
		Total Expenses	$ 2,440.00

Total Income	$ 2,500.00	
less: Total Expenses	$ 2,440.00	
Net Income	$ 60.00	(Available for recoupment)

Divide the member's Net Income ($60.00) by the gross retired pay ($2,000.00) which equals .03. In this case, it defers to the minimum recoupment rate of 10% or $200.00 as referenced in subparagraph 041006.D.2.

Table 4-1. Recoupment of Readjustment Pay Received Before September 15, 1981(Note 1)

	A	B	C	D
RULE	**If a member was a**	**and received before September 15, 1981 (note 1)**	**and later qualifies for retirement**	**then readjustment pay is**
1	Reserve member (or member of the Army or Air Force without component (temporary))	readjustment payment upon involuntary release after at least 5 years of continuous active service after June 28, 1962	after 20 years of active service (note 2)	recouped immediately upon retirement at the rate of 75 percent of the gross readjustment pay (note 3).
2	regular Army officer below the grade of O-4	readjustment payment upon involuntary release after at least 5 years of continuous active service because of a reduction in force for the period December 30, 1974 through December 30, 1977		
3	temporary officer on active duty and held a Reserve officer status	readjustment payment upon involuntary release after at least 5 years of continuous active service after June 28, 1962	for disability after a period of enlisted service and also qualifies for retirement for 20 years of active service	

NOTES:

1. For recoupment of readjustment pay received September 15, 1981, or later, see subparagraph 040302.B.
2. Includes transfer to Fleet Reserve or Fleet Marine Corps Reserve with less than 20 years of active service if otherwise qualified.
3. Payment of readjustment pay before June 28, 1962 is not recouped from retired pay.

Table 4-2. Recoupment of Nondisability Severance Pay Received Before September 15, 1981 (Note)

	A	B	C	D	E
RULE	**If a member was**	**and was discharged**	**and received before September 15, 1981 (note)**	**and later qualifies for**	**then**
1	a Regular commissioned Air Force or Army officer	because of failure of selection for promotion to grade O-3 or above	nondisability severance pay	retired pay	do not deduct nondisability severance pay.
2		because of moral or professional dereliction, or unsatisfactory performance			
3	a Regular commissioned officer of the Navy, Marine Corps, or Coast Guard	because of unsatisfactory performance with less than 20 years			deduct full amount of nondisability severance pay.
4		because of failure of selection for promotion to grade O-3 or above			
5	a Regular warrant officer of any Military Service	because of unfitness or unsatisfactory performance of duty and did not reenlist			
6		because of failure of selection for promotion and did not reenlist or was not retained on active duty as a regular warrant officer			
7	an officer of the Navy or Marine Corps	because found not qualified from causes arising from own misconduct upon reexamination for promotion			do not deduct nondisability severance pay.

Table 4-2. Recoupment of Nondisability Severance Pay Received Before September 15, 1981 (Note) (Continued)

RULE	A If a member was	B and was discharged	C and received before September 15, 1981 (note)	D and later qualifies for	E then
8	a female officer of the Regular Navy or Regular Marine Corps in grade O-3	because she is not on a promotion list and has completed 13 years of active service in the Navy or Marine Corps	nondisability severance pay	retired pay	do not deduct nondisability severance pay.
9	a female officer of the Regular Navy or Regular Marine Corps in grade O-2	because she is not on a promotion list and has completed 7 years of active service in the Navy or Marine Corps			
10	an ensign in the Navy or a second lieutenant in the Marine Corps	because found not professionally qualified upon reexamination for promotion			
11	a Reserve member of any Military Service	without the member's consent before active duty agreement under 10 U.S.C. § 12311(a) expired			
12	a Regular commissioned officer of the Coast Guard	because performance is below standard or because of moral or professional dereliction			

NOTE: For recoupment of nondisability severance pay received September 15, 1981 or later, see paragraph 040402.

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040203	10 U.S.C. § 1174
040204	10 U.S.C. § 1212
040205	10 U.S.C. § 1175
040206	10 U.S.C. § 1174a
040207	Public Law 112-81, section 526, December 31, 2011 10 U.S.C. § 1175a
040208	Public Law 102-484, section 4416, October 23, 1992 10 U.S.C. § 1331 10 U.S.C. § 12732

0403 – READJUSTMENT PAY

040301.A	10 U.S.C. § 687(f) (repealed) Public Law 96-513, section 109, December 12, 1980 10 U.S.C. § 611 note 50 U.S.C. § 1016 (repealed) 43 Comptroller General (Comp Gen) 402 Public Law 96-513, December 12, 1980 10 U.S.C. § 611 note
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0404 – NONDISABILITY SEVERANCE PAY

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040602	10 U.S.C. § 1554a(e)(2) DUSD (MPP) Policy Memorandum, August 10, 2010
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0407 – VOLUNTARY SEPARATION INCENTIVE (VSI)

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040702	10 U.S.C. § 1175(f) 10 U.S.C. § 2771(a)
040703.A	10 U.S.C. § 1175(e)(3)(A)
040703.B	10 U.S.C. § 1175(e)(3)(B)
040703.C	10 U.S.C. § 1175(e)(4) 38 U.S.C. § 5305

0408 – SPECIAL SEPARATION BENEFIT (SSB)

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0410 – RECOUPMENT OF SEPARATION PAY, NONDISABILITY SEVERANCE PAY, READJUSTMENT PAY, OR DISABILITY SEVERANCE PAY

041001	10 U.S.C. § 1174(h)(1) DUSD (MPP) Policy Memorandum, March 19, 2010
041002	10 U.S.C. § 1174(h)(2) DUSD (MPP) Policy Memorandum, March 19, 2010 Public Law 111-32, section 318, June 24, 2009 DUSD (MPP) Policy Memorandum, August 17, 2010
041003	DUSD (MPP) Policy Memorandum, March 19, 2010 OUSD (Compt) Memo, May 18, 2009 DUSD (MPP) Policy Memorandum, August 17, 2010
041004	DUSD (MPP) Policy Memorandum, March 19, 2010 Public Law 111-32, section 318, June 24, 2009
041005	DUSD (MPP) Policy Memorandum, March 19, 2010 DUSD (MPP) Policy Memorandum, August 17, 2010
041006	DUSD (MPP) Policy Memorandum, March 19, 2010 DUSD (MPP) Policy Memorandum, August 17, 2010

Table 4-1

Rule 1	10 U.S.C. § 687(f) (repealed) Public Law 96-513, section 631, December 12, 1980 10 U.S.C. § 611 note
Rule 2	10 U.S.C. § 3814a Public Law 96-513, December 12, 1980
Rule 3	46 Comp Gen 107 Public Law 96-513, December 12, 1980
Note 1	43 Comp Gen 402

Table 4-2

Rules 1 & 2	10 U.S.C. § 3303 (repealed), 3786 (repealed), 3796 (repealed), 8303, 8786, 8796
Rules 3 & 4	10 U.S.C. § 6382(c), 6383(f), 6384(b) 14 U.S.C. § 286
Rules 5 & 6	10 U.S.C. § 564, 1166, 1167(b)
Rule 7	10 U.S.C. § 5864
Rule 8	10 U.S.C. § 6401
Rule 9	10 U.S.C. § 6402
Rule 10	10 U.S.C. § 5865
Rule 11	10 U.S.C. § 12312
Rule 12	14 U.S.C. § 327

VOLUME 7B, CHAPTER 5: "EMPLOYMENT"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated June 2015 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks, statutes, and formatted to comply with current administrative instructions.	Revision
050203	Deleted information based on Title 18, United States Code, section 281. This section has been repealed and not replaced.	Deletion

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CHAPTER 5

EMPLOYMENT

0501 GENERAL

050101. Purpose

This chapter addresses employment of personnel who are drawing retired pay. This includes, but is not limited to foreign government employment, service in military forces of newly democratic nations, conflict-of-interest issues, and convictions of crimes affecting retired pay.

050102. Authoritative Guidance

The bibliography at the end of this chapter lists the authoritative references.

0502 CONFLICT-OF-INTEREST

050201. Statutes

A. Conflict-of-interest statutes are intended to safeguard the integrity of public administration and prevent government officials from using their positions and influence for personal gain.

B. Conflict-of-interest statutes are applicable, in general, to those whose government service has ended, and their purposes are accomplished by:

1. Imposing limitations in some cases upon the employment of former Department of Defense (DoD) procurement personnel by Defense contractors;

2. Requiring the employment of former DoD procurement personnel by Defense contractors in other instances be reported; or

3. Restricting the activities of former DoD officers and employees in representing or assisting their employers in claims-related matters or becoming personally involved in the process of "selling" to the government.

C. A comprehensive digest of laws, including conflict-of-interest laws applicable to retired military personnel, is set forth in the ***DoD Regulation 5500.7-R***, "Joint Ethics," Chapters 5 and 9, and Appendix A.

050202. Withholding Retired Pay

Retired pay may be withheld or forfeited when the employment falls under certain categories of activities prohibited under conflict-of-interest laws.

0503 CONVICTION FOR CRIMES AFFECTING RETIRED PAY

050301. Entitlement

Entitlement to retired pay is directly affected when a retiree is convicted of violating the law under ***Title 5, United States Code (U.S.C.), sections 8311 through 8322***.

050302. Violation of Title 5 U.S.C. § 8312

The receipt of retired pay by the retired member, or receipt of the annuity by the retired member's survivor or beneficiary is prohibited, subject to certain exceptions described in 5 U.S.C. § 8311(2) or (3):

A. If a retired member is convicted of any crime as described in 5 U.S.C. § 8312(b) after September 1, 1954, payment is prohibited.

B. If a retired member is convicted of any crime as described in 5 U.S.C. § 8312(c) after September 26, 1961, payment is prohibited.

C. If an individual, who was convicted of an offense named by 5 U.S.C. § 8312, or an offense constituting a violation of 5 U.S.C. § 8314 or § 8315, is pardoned by the President, in accordance with 5 U.S.C. § 8318, the right of the individual and his survivor or beneficiary to receive annuity or retired pay previously denied under this paragraph is restored as of the date of the pardon or the effective date of restoration prescribed by the President.

D. After January 6, 1996, the spouse of an individual, whose annuity or retired pay is forfeited under 5 U.S.C. § 8312 or § 8313, is eligible for spousal pension benefits, if the U.S. Attorney General determines that the spouse fully cooperated with the Federal authorities in the conduct of a criminal investigation and subsequent prosecution of the individual which resulted in the forfeiture.

050303. Convictions Under Other Statutes

A. An individual, or his or her survivor or beneficiary, may not be paid annuity or retired pay on the basis of the service of the individual which is creditable toward the annuity or retired pay, subject to the exceptions in 5 U.S.C. § 8311 (2) and (3), if the individual before, on, or after September 1, 1954:

1. Refuses, or knowingly and willfully fails to appear, testify, or produce documents relating to his or her service as an employee, before a Federal grand jury, U. S. court, court-martial, or congressional committee, in a proceeding concerning:

a. Past or present relationship with a foreign government; or

b. A matter involving or relating to a plan or attempt to interfere with or endanger, the national security or defense of the United States, according to 5 U.S.C. § 8314; or

2. Knowingly and willfully makes false, fictitious, or fraudulent statements or representations, concealing material facts concerning his or her past or present membership, affiliation, association with, or support of the Communist Party, chapter, branch, or subdivision, in or outside the United States, or other organization, party, or group advocating:

a. The overthrow, by force, violence, or other unconstitutional means, of the Government of the United States; or

b. Establishment, by force, violence, or other unconstitutional means, of a Communist totalitarian dictatorship in the United States; or

c. The right to strike against the United States; as stated in 5 U.S.C. § 8315.

B. The prohibition on payment of annuity or retired pay under subparagraph 050303.A.1, applies to the period after the date of the failure or refusal of the individual, or after September 1, 1954, whichever is later.

C. Fines levied for convictions under other statutes may result in debts to the United States. However, they do not affect a convicted member's entitlement to receive retired pay.

0504 FOREIGN GOVERNMENT EMPLOYMENT

050401. Background

A. Employment of retired members by a foreign government is restricted. The primary restriction is in Article I, section 9, clause 8 of the Constitution of the United States, which reads: "No Title of Nobility shall be granted by the United States: And no person holding any Office of Profit or Trust under them, shall, without the Consent of Congress, accept any present, Emolument, Office, or Title, of any kind whatever, from any King, Prince, or foreign State." The Comptroller General interpreted this to prohibit employment of all retired personnel, including members of the Fleet Reserve or Fleet Marine Corps Reserve, by a foreign government unless congressional consent is granted.

B. The conditions for accepting foreign employment were modified by Public Law (PL) 95-105, section 509(a)(1) and (2). The Congress granted consent for retired members to accept employment or compensation from foreign governments if the members obtain the approval of the Secretary of the Military Department concerned (or designee) and the Secretary of State before accepting employment or compensation.

1. The approval by the Secretary of the Military Department concerned (or designee) and Secretary of State for a member to accept foreign employment is only effective

prospectively from the date the approval is granted and may not be made retroactively to authorize foreign employment and compensation received before approval is granted.

2. The compensation received from the foreign government without approval is considered received by the retired member for the United States. A debt in favor of the government is created which is to be collected by withholding from retired pay. The debt is an amount equal to the compensation received from the foreign government. When the compensation earned during the period of unauthorized employment exceeds the amount of retired pay accrued during the same period, only the retired pay amount may be collected.

050402. Legislative History

A. The history of the constitutional provisions under consideration indicates that the condition intended to be avoided is the exercise of undue influence by a foreign government upon retired members of the United States.

B. In determining the existence of an employer-employee relationship between a retired member and a foreign government, or instrumentality thereof, the common law rules of agency are applied to determine whether such instrumentality has the right to control and direct an employee in performance of his or her work and the manner in which the work is done.

C. There are at least five criteria that may be considered in determining whether the relationship of employer and employee exists. They are:

1. The selection and engagement of the employee;

2. The payments of wages;

3. The power to discharge;

4. The power to control the employee's conduct; or

5. The relationship of the work to the employer's business, whether the work is a part of the regular business of the employer.

D. The decisive test to determine the existence of an employer-employee relationship is whether the employer has the right to control and direct the employee in the performance of his or her work and in the manner in which the work is to be done. Additionally, the Comptroller General has ruled that a corporation incorporated in the United States, which maintains a separate identity and appears to be a separate legal entity from its dominant shareholder, does not necessarily become an instrumentality of a foreign government when its principal shareholder is a foreign corporation substantially owned by a foreign government.

050403. Types of Employment

A. Employment by educational or commercial institutions owned, operated, or controlled by a foreign government is included within the scope of this restriction.

B. Employment with a foreign government which requires acquisition of foreign citizenship results in forfeiture of entitlement to retired pay. See Chapter 6 for additional information.

C. Employment by international agencies, such as the United Nations, is not prohibited.

050404. Adjustment to Retired Pay

A. Retired pay is withheld in an amount equal to the amount of compensation received from the foreign government. Compensation includes salary, free transportation, household goods shipments at employer's expense, housing allowances, and gifts. To determine the amount to be withheld from a member because of the non-military elements of compensation, the value should be set fairly, considering the actual value or estimates of the compensation received. A gift of more than minimal value is deemed to have been accepted on behalf of the United States. It is deposited by the donee for use and disposal as property of the United States.

B. Amounts of retired pay withheld from members of the Uniformed Services who accept foreign employment without congressional consent, as required by the United States Constitution, should be treated as though the member has no entitlement to them and should not be "held in trust" for them pending possible future congressional consent to their receipt.

0505 SERVICE IN MILITARY FORCE OF NEWLY DEMOCRATIC NATIONS

050501. Determination of Newly Democratic Nation

The Secretary of the Military Department concerned (or designee) and the Secretary of State jointly determine whether a nation is a newly democratic nation.

050502. Consent of Congress

A. Consent. The Congress consents to a retired member of the Uniformed Services: (1) accepting employment by, or holding an office or position in, the military forces of a newly democratic nation; and (2) accepting compensation associated with such employment, office, or position.

B. Approval Required. The consent provided for a member of the Uniformed Services to accept employment or hold an office or position applies to a retired member only if the Secretary of the Military Department concerned (or designee) and the Secretary of State jointly approve the employment or the holding of such office or position.

050503. Continued Entitlement to Retired Pay and Benefits

The eligibility of retired members to receive retired or retainer pay and other benefits, arising from the retired member's status as a retired member of the Uniformed Services, may not be terminated by reason of employment or holding of an office or position consented to in paragraph 050502. The eligibility of such retired member's dependents to benefits may not be terminated based on the retired member's status consented to in this section.

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0503 – CONVICTION OF CRIMES AFFECTING RETIRED PAY

050302	5 U.S.C. §§ 8311 - 8322 18 U.S.C. §§ 2151 - 2156 42 U.S.C. §§ 2272 - 2276
050303	5 U.S.C. §§ 8311 - 8315

0504 – FOREIGN GOVERNMENT EMPLOYMENT

050401.B	37 U.S.C. § 908
050401.B.2	58 Comp Gen 487, B-193562 65 Comp Gen 382, B-220860
050402.A	53 Comp Gen 753, B-180419
050402.C	Maloof vs United States 242 F. Supplement 175, 181 (1965)
050402.D	41 Comp Gen 715, B-147777 44 Comp Gen 130, B-154213 53 Comp Gen 753, B-180419 62 Comp Gen 432, B-210346
050403.A	Comp Gen B-152844
050404	5 U.S.C. § 7342 Comp Gen B-178538
050404.B	58 Comp Gen 487, B-193562

0505 – SERVICE IN MILITARY FORCE OF NEWLY DEMOCRATIC NATIONS

	10 U.S.C. § 1060

VOLUME 7B, CHAPTER 6: "FOREIGN CITIZENSHIP AFTER RETIREMENT"

SUMMARY OF MAJOR CHANGES

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The previous version dated March 2015 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Revised formatting to comply with current administrative instructions.	Revision
060102	Added "Purpose" paragraph.	Addition

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CHAPTER 6

FOREIGN CITIZENSHIP AFTER RETIREMENT

0601 GENERAL

060101. Overview

The right to retired pay based on years of active service or disability for Regular or Reserve officers and Regular enlisted personnel, is generally contingent upon the continuation of their military status.

A. Article I, section 9, clause 8 of the Constitution of the United State prohibits any person "holding any Office of Profit or Trust" under the United States from accepting any present, emolument, office or title, "of any kind whatever," from a foreign government without the consent of Congress. This provision prohibits employment by a foreign government of retired personnel with a continuing military status, including Fleet Reserve or Fleet Marine Corps Reserve, unless prior congressional consent is granted. Without prior congressional consent, it also subjects such persons to withholding of their retired pay in an amount equal to the amounts received from the foreign government. This constitutional provision also considers retired regular officer and enlisted members of regular components to hold an office under the U.S. military.

B. While receiving retired pay, a retiree remains subject to rules, regulations, and recall to active duty as required. A retired member of the Armed Forces who becomes a citizen of a foreign country by naturalization and who voluntarily renounces his or her U.S. citizenship loses the right to retired pay when entitlement to the retired pay depends upon the retiree's continued military status.

C. The effect of a member's loss of U.S. citizenship upon payment of retired pay must be determined by reviewing each case according to individual circumstances, governing laws and regulations.

*060102. Purpose

The purpose of this chapter is to provide guidance to retired members who have lost their citizenship, have dual citizenship, or are retired alien enlisted members living in foreign countries.

060103. Authoritative Guidance

The bibliography at the end of this chapter lists the authoritative references.

0602 FOREIGN RESIDENCE

A citizen of the United States may live outside the United States indefinitely without losing U.S. citizenship.

0603 LOSS OF U.S. CITIZENSHIP

060301. Loss of Citizenship

Generally, loss of U.S. citizenship requires a measure of voluntary positive action. A retiree cannot renounce U.S. citizenship on behalf of their minor child(ren) (reference subparagraphs 060301.E and F). After having attained age 18 years or older, a person who is a citizen of the United States loses that citizenship by voluntarily taking one of the following actions with the intention of relinquishing U.S. citizenship:

A. Obtaining citizenship in a foreign state upon the retired member's application or upon an application filed on his or her behalf by a duly authorized agent;

B. Taking an oath or making an affirmation or other formal declaration of allegiance to a foreign state or a political subdivision thereof;

C. Entering, or serving in, the Armed Forces of a foreign state if:

1. Such Armed Forces are engaged in hostilities against the United States, or

2. Such persons serve as a commissioned or non-commissioned officer;

D. Accepting, serving in, or performing the duties of any office, post, or employment under the government of a foreign state or a political subdivision thereof if:

1. The retired member has or acquires the nationality of such foreign state, or

2. The acceptance of the office, post, or employment requires the retiree to take an oath, affirmation, or declaration of allegiance thereof;

E. Making a formal renunciation of nationality before a diplomatic or consular officer of the United States in a foreign state, in such form as may be prescribed by the Secretary of State;

F. Making a formal written renunciation of nationality in such form as may be prescribed by, and before such officer as may be designated by, the Attorney General, whenever the United States is in a state of war and the Attorney General approves such renunciation as not contrary to the interests of national defense; or

G. Committing any act of treason against, or attempting by force to overthrow, or bearing arms against, the United States, violating or conspiring to violate any of the provisions of Title 18, United States Code (U.S.C.), ***section 2383***, or willfully performing any act in violation of ***18 U.S.C. § 2385***, or violating ***18 U.S.C. § 2384***, by engaging in a conspiracy to overthrow, put down, or to destroy by force the Government of the United States, or to levy war against them, if and when convicted thereof by a court martial or by a court of competent jurisdiction.

060302. Loss of Citizenship at Issue

If the loss of U.S. citizenship is put at issue in any action or proceeding commenced on or after September 26, 1961, the burden of proof is upon the person or party stating the claim. Any person who has renounced his or her citizenship or performs any act of expatriation under the provisions of this section or any other Act, is presumed to have done so voluntarily unless it can be proven otherwise by a preponderance of the evidence.

060303. Comptroller General (Comp Gen) Decisions on Loss of Citizenship

See Table 6-1 for decisions of the Comptroller General pertaining to loss of U.S. citizenship upon acquisition of foreign citizenship.

0604 CONDITIONS NOT SUBJECTED TO LOSS OF U.S. CITIZENSHIP AND/OR LOSS OF ENTITLEMENT TO RETIRED PAY

060401. Retired Pay for Non-regular Service

Retired pay benefits authorized for non-regular members of the uniformed services in ***10 U.S.C., Chapter 1223*** are viewed as a pension and entitlement to retired pay under ***10 U.S.C. § 12731*** is not dependent on the continuation of military status.

A. A member entitled to receive retired pay under 10 U.S.C. § 12731(a)(1), who acquires foreign citizenship and/or status in a foreign military service prior to becoming eligible to receive retired pay does not lose entitlement to retired pay at the age of eligibility. See Chapter 1, for information regarding entitlements to retired pay under 10 U.S.C. § 12731.

B. A member who receives retired pay, pursuant to 10 U.S.C. § 12731, is not required to forfeit such pay upon becoming a citizen of a foreign country. Further, if the retiree enters the Armed Forces of the foreign country, then the retiree's entitlement to retired pay continues if:

1. The foreign country is not one that is engaged in hostile military operations against the United States, or

2. The retiree is not serving as a commissioned or non-commissioned officer of the foreign services.

C. A right to retirement pay for non-regular members retired for disability under the provisions of the Act of August 27, 1940 is not conditioned on their remaining in military service. Therefore, these non-regular members are entitled to retirement pay without regard to whether they remain citizens of the United States, since that retired pay is viewed in the nature of a pension.

060402. Retired Alien Enlisted of the Armed Forces

A retired alien enlisted member of a Regular Component of the Armed Forces who lives in a foreign country does not lose the right to retired pay in the absence of some provision of law or regulation affecting the member's right in such circumstances.

0605 DUAL CITIZENSHIP AND/OR SERVICE IN THE ARMED FORCES OF A FOREIGN COUNTRY

060501. Dual Citizenship

A retired member of a Regular Component, who resides in a foreign country and acquires foreign citizenship by operation of that country's law, and who does not relinquish U.S. citizenship is considered to have dual citizenship. Dual citizenship alone does not require a member to lose entitlement to retired pay.

060502. Service in the Armed Forces of a Foreign Country

A. Service in the military force of a foreign country by a retired member of the Regular Component is inconsistent with the obligations of a regular retired status, as well as being prohibited without congressional consent under article I, section 9, clause 8 of the Constitution. Conditional congressional consent to accept foreign government "civil employment" granted by ***37 U.S.C. § 908*** does not apply to foreign military service.

B. Retired pay must be discontinued when a retired member becomes a member of a foreign military service without legislation indicating congressional intent. The eligibility of a retired member to receive retired or retainer pay and other benefits arising from the retired member's status as a retired member of the uniformed services, and the eligibility of dependents of the retired member to receive benefits based on the retiree's status, may not be terminated by reason of employment or holding of an office or position consented to by Congress. See Chapter 5, for provisions regarding service in military forces of newly democratic nations.

Table 6-1. Comp Gen Decisions-Foreign Citizenship

COMP GEN DECISIONS-FOREIGN CITIZENSHIP	
Decision Number	**Synopsis**
1. 37 Comp Gen 207	The right of a retired member of Regular Navy to receive retired pay is contingent upon continuation of a status in the Regular Navy and loss of U.S. citizenship by a member is inconsistent with continuation of military status. Therefore, the right to retired pay terminates if a member of the Regular Navy becomes a citizen of a foreign country.
2. 41 Comp Gen 715	a. Retired Reserve officers, receiving retired pay under laws other than 10 U.S.C. § 12731, who lose U.S. citizenship by acquiring foreign citizenship are no longer eligible for involuntary recall to active duty in times of war or national emergency, and the acquisition of foreign nationality would be inconsistent with the oath prescribed for Reserve officers to support and defend the Constitution of the United States. Therefore, in the absence of any law authorizing continuation of an officer's membership in a Reserve organization after the officer becomes a citizen of a foreign country, payment of retired pay may not be approved. b. A Reserve officer may not terminate retired status through resignation or other means, then acquire foreign citizenship and continue to receive retired pay. c. Retired enlisted members of the Regular Components remain a part of the Armed Forces, and their right to retired or retirement pay is dependent on continuation of their military status.
3. 44 Comp Gen 51	a. A retired enlisted member of a Regular Component of the Armed Forces who loses U.S. citizenship when the retired member acquires citizenship in a foreign country has taken a voluntary action so inconsistent with the oath of allegiance to the United States and status as a member of the Armed Forces to warrant termination of retired pay. b. U.S. citizenship is not a prerequisite to receipt of retired pay; however, if a citizen of the United States by birth acquires foreign citizenship, then his or her retired pay may be terminated
4. 44 Comp Gen 227	A retired member who voluntarily loses U.S. citizenship by becoming a citizen of a foreign country is regarded as having taken a voluntary action inconsistent with an oath of allegiance to the United States to warrant termination of retired pay.
5. 48 Comp Gen 699	Retired pay benefits authorized non-Regular service members under 10 U.S.C. § 12731, viewed as a pension, are not dependent on continuation of military status. Member acquiring foreign citizenship and/or status in a foreign military service before age 60 does not lose entitlement to retired pay at age 60. Neither is retired pay forfeited upon becoming a citizen of a foreign country, and/or entry in the armed forces of a foreign country, provided that country is not one engaged in hostile military operations against the United States.
6. 50 Comp Gen 269	Payment of retired pay to an alien who chooses to live outside the United States after retirement would not constitute a bar to the receipt of retired pay in the absence of some provision of law or regulation affecting retiree's right in such circumstances.
7. Manuscript (MS) Comp Gen B-144694, February 14, 1961	An enlisted member of the Regular Air Force: An alien who had met the statutory requirement for enlistment by filing a legal intention to become a citizen of the United States-when retired is entitled to receive retired pay. In the absence of a provision of law barring the payment of retired pay to an alien or indicating the lack of citizenship is consistent with status as a retired member of the Regular Air Force, it would appear that so long as member's allegiance status remains unchanged after retirement, the fact that the retired member chooses to live outside the United States after retirement would not in and of itself constitute a bar to the receipt of retired pay.
8. MS Comp Gen B-157646, October 5, 1965	A naturalized citizen retired for disability under 10 U.S.C. § 1201, who returned to the country of birth and resumes former nationality because of employment, loses retired status. Member receives retired pay, as distinguished from a grant of retirement pay, and upon transfer to the retired Reserve is subject to recall to active duty.

Table 6-1. Comp Gen Decisions-Foreign Citizenship (Continued)

COMP GEN DECISIONS—FOREIGN CITIZENSHIP	
Decision Number	**Synopsis**
9. 58 Comp Gen 566	a. A retired Regular Army officer residing in Israel acquired Israeli citizenship by operation of Israeli law, but also remains a U.S. citizen. While the loss of U.S. citizenship is inconsistent with status as a retired Regular officer and thus results in loss of status as an officer and loss of entitlement to retired pay, dual Israeli/U.S. citizenship alone does not require loss of entitlement to retired pay. b. A retired Regular Army officer residing in Israel who has dual Israeli/U.S. citizenship is subject to service in the Israel Defense Forces, the Israeli armed force. Such service in a foreign armed force by a retired Regular officer appears inherently inconsistent with the position as a Regular Army officer, as well as being prohibited (without congressional consent) by article I, section 9, clause 8 of the Constitution of the United States. Thus, service in the foreign armed force would make the status as a retired Army officer very doubtful. Retired pay may not be paid without authorizing legislation.
10. MS Comp Gen B-212481, February 2, 1984	A retired member of the Armed Forces who becomes a citizen of a foreign country by naturalization and who voluntarily renounces U.S. citizenship, loses the right to retired pay since entitlement to retired pay depends upon the continuation of the individual's status as a retired member of the military service available for service as required, and that status is incompatible with renunciation of U.S. citizenship. Such a person, however, who elected to participate in the Survivor Benefit Plan and from whose retired pay the required deductions were being made for coverage under the plan when U.S. citizenship is renounced, may continue coverage under the plan by making the required payments into the Treasury.

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060302	8 U.S.C. § 1481(b)

0604 – Conditions Not Subjected to Loss of U.S. Citizenship and/or Loss of Entitlement to Retired Pay

060401	48 Comp Gen 699 (B-166142) April 24, 1969 10 U.S.C., Chapter 1223 10 U.S.C. § 12731 37 Comp Gen 207 (B-132458) September 24, 1957
060402	44 Comp Gen 51 (B-154218) August 4, 1964 MS Comp Gen (B-144694) February 14, 1961

0605 – Dual Citizenship and/or Service in the Armed Forces of a Foreign Country

060502.B	10 U.S.C. § 1060

VOLUME 7B, CHAPTER 7: "ACTIVE/RESERVE DUTY AFTER RETIREMENT"

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Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated November 2015 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and statutes, and formatted to comply with current administrative instructions.	Revision
070101	Added a "Purpose" paragraph.	Addition
070201	Added definition for the term "active duty" for clarification.	Addition
070202	Added information for clarity concerning Reserve (non-regular) members who served in an active status in the Selected Reserve of the Ready Reserve.	Addition
070202.C	Added definition for the term "active status" for clarification.	Addition
070402	Added information for clarity concerning the Tower Amendment.	Addition
0706	Revised wording to reflect information referenced in Chapter 12.	Revision
Bibliography	Updated references.	Revision

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CHAPTER 7

ACTIVE/RESERVE DUTY AFTER RETIREMENT

0701 GENERAL

*070101. Purpose

The purpose of this chapter is to provide information for retired members who subsequently perform additional active/reserve duty and their entitlement to retired or retainer pay recomputation.

070102. Authoritative Guidance

The bibliography at the end of this chapter lists the authoritative references.

0702 ENTITLEMENT AND ELIGIBILITY

*070201. Entitlement to Recomputation of Retired Pay

A member of the Armed Forces who has become entitled to retired or retainer pay, and later serves on active duty (other than for training) is entitled to have retired or retainer pay recomputed upon his release from active duty to take into account any additional service. A retiree or member eligible for retired pay who serves in an active status in the Selected Reserve may be entitled to recomputation of their Reserve (non-regular) pay, if certain criteria described in paragraph 070202 or 070203 are met. The term "active duty" is defined under Title 10, United States Code (U.S.C.), ***section 101(d)(1)*** to mean "full-time duty in the active military service of the United States. Such term includes full-time training duty, annual training duty, and attendance, while in the active military service, at a school designated as a service school by law or by the Secretary of the military department concerned. Such term does not include full-time National Guard duty." As used here, it does not include training.

*070202. Active Reserve (Non-Regular) Service After Regular Retirement or Eligibility for Regular Retirement

A member who served in an active status in the Selected Reserve of the Ready Reserve after becoming eligible for regular retired or retainer pay based on years of service, without regard to whether the member actually retired or received retired or retainer pay for regular service, may apply for Reserve (non-regular) retired pay if the member:

A. Has attained the Reserve (non-regular) pay eligibility age of 60 years or such other reduced eligibility age as provided for in 10 U.S.C. ***§ 12731(f)***;

B. Has performed at least 20 years of service for a Reserve (non-regular) retirement; and

* C. After October 28, 2009, has completed two or more years of satisfactory service, as determined by the Secretary concerned, in an active status (excluding any period of active duty service) subsequent to the date upon which he or she previously became eligible for regular retired or retainer pay. The term "active status" means the status of a member of a reserve component who is not in the inactive Army National Guard or inactive Air National Guard, on an inactive status list, or in the Retired Reserve. See 10 U.S.C. § 101(d)(4). A member who was eligible for regular retired or retainer pay on or before October 27, 2009, whose service was determined to be satisfactory by the Secretary concerned, is not subject to the 2-year service requirement. See paragraph 070204 for exceptions to the 2-year requirement subsequent to the date upon which he or she previously became eligible for regular retired or retainer pay.

070203. Active Reserve Service After Reserve (Non-Regular) Retirement

The following subparagraphs address members of the Retired Reserve recalled to an active status in the Selected Reserve:

A. A member of the Retired Reserve serving in an active status in the Selected Reserve on October 28, 2009, or who thereafter serves in an active status in the Selected Reserve is entitled to recomputation of Reserve (non-regular) pay if the member serves in such status for not less than 2 years; or

B. A commissioned officer of the Retired Reserve who is recalled to an active status under the provisions of this paragraph and completes not less than 2 years of service in such active status is entitled to an adjustment in the retired grade, subject to service requirements.

070204. Exception to 2-Year Active Status Service

The Secretary concerned may reduce the minimum 2-year service requirement specified in subparagraph 070202.C and paragraph 070203 in the case of an officer of the National Guard who:

A. Completes at least 1 year of service in a position of adjutant general or assistant adjutant general; and

B. Fails to complete the minimum 2 years of service solely because the appointment of the person to such position was terminated or vacated as provided by:

1. The laws of the State of whose National Guard he or she is a member; or

2. The laws of the Commonwealth of Puerto Rico, or the District of Columbia, Guam, or the Virgin Islands, of whose National Guard he or she is a member.

0703 RECOMPUTATION FOR ACTIVE DUTY SERVICE OR ACTIVE STATUS IN THE SELECTED RESERVE AFTER RETIREMENT

070301. Basic Recomputation Formula

A retired member who subsequently serves on active duty is generally entitled, after completion of that active duty, to retired pay recomputed by multiplying a revised retired or retainer pay base by a revised retired pay multiplier.

070302. Revised Retired or Retainer Pay Base

The retired or retainer pay base for a recomputation of retired pay differs depending on the date the member first became a member of the uniformed services and whether the recomputation is for subsequent service in the Selected Reserve or subsequent active duty in a Regular Component.

A. Service in an Active Status in the Selected Reserve. A member, who after retirement or eligibility for retired or retainer pay serves in an active status in the Selected Reserve, subject to paragraph 070202 or 070203, is entitled to recomputed retired pay using the retired pay base.

1. Before September 8, 1980. If the member first became a member of the uniformed service before September 8, 1980, the retired pay base is the monthly basic pay determined at the rates applicable on the date the member completes the qualifying active Reserve service.

2. After September 7, 1980. If the member first became a member of the uniformed service after September 7, 1980, the retired pay base used is the average of the member's high-36 months (whether or not consecutive) out of all the months before the member became entitled to retired pay by reason of election of retired pay under the provisions of this paragraph.

B. Service on Active Duty. A member entitled to retired or retainer pay, who subsequently serves on active duty, other than for training, is entitled to recomputed retired or retainer pay using the retired pay base.

1. Before September 8, 1980. For a member who first became a member of the uniformed service before September 8, 1980, the revised retired or retainer pay base is the monthly basic pay of the grade determined as follows. If the member served:

a. Less than two continuous years on subsequent active duty, the member's revised retired or retainer pay base is the rate of basic pay under which the member's previous retired or retainer pay was computed upon entrance to subsequent active duty; increased by any applicable cost-of-living adjustment (COLA) issued during that period of active duty; or

b. Two or more continuous years on subsequent active duty, the member's revised retired or retainer pay base is the appropriate rate of basic pay of the grade and

years of service to which eligible if retired (or transferred to the Fleet Reserve (FR) or Fleet Marine Corps Reserve (FMCR)) upon release from this period of active duty. The revised retired or retainer pay base is computed using the pay tables in effect immediately prior to the tables under which the member was paid during the period of that active duty, increased by any applicable COLA issued during this period of active duty. In the rare case when a member serves for two or more continuous years of subsequent active duty under the same pay table and that table is in effect at the time of reversion to retired status, use the appropriate basic pay from that table.

2. After September 7, 1980. For a member who first became a member of the uniformed service after September 7, 1980, the revised retired or retainer pay base is the high-36 month average of all service, including subsequent active duty, as though retiring or transferring to the FR or the FMCR for the first time.

3. Optional Pay Base. A retired member entitled to recomputation of retired pay (for other than disability) after subsequent active duty, may elect to substitute the retired pay base in use upon entry to such active duty which is increased by any applicable COLA issued during the period of the subsequent active duty.

070303. Revised Retired Pay Multiplier

A. The years of service for determining the revised retired or retainer pay multiplier are those already credited in computing the original retired or retainer pay, plus all years of active service after having become entitled to retired or retainer pay.

1. Increase the years of service as follows:

	Year	Month	Day
Date released from active duty	2004	05	28
Date recalled to active duty	2001	09	09
Additional time on active duty	02	08	19 + 1
	(1 day added for inclusive dates)		
Service credited upon retirement	22	06	03
Plus additional active duty	02	08	20
Service credited for recomputation	25	02	23

2. After computing, convert to years and fraction of years by crediting each full month of service that is in addition to the number of full years of service creditable to the member as one-twelfth of a year and disregard any remaining fractional part of a month.

B. A member described in paragraph 070301 will have the years of service computed in accordance with ***10 U.S.C., Chapter 1223***, pertaining to Reserve (non-regular) retirement.

C. The percentage to apply to the years of service for determining the revised or retainer pay multiplier is generally 2.5 percent for each year of service. However, a member who

accepted the post July 31, 1986, reduced retirement (REDUX) and Career Status Bonus (CSB) remain subject to a 1 percent reduction in the final multiplier for each year less than 30 years of service. This reduction to the final multiplier will be decreased as a result of the additional active service credited.

070304. Special Considerations for Recomputation

The following subparagraphs address special considerations for recomputation of retired pay for members who first became a member of the uniformed services before September 8, 1980 (Final Pay Members).

A. A retiree advanced in grade on the retired list while serving on active duty after retirement may decline advancement to the higher grade upon release from active duty if advancement results in a reduction in retired pay entitlement. The retiree is entitled to recomputation using either:

1. The higher grade based on the basic pay rates applicable at the time of retirement increased by the applicable COLA in that pay (see Chapter 8); or

2. The grade held before advancement based on the basic pay rates replaced by those in effect upon release from active duty if active duty after retirement was for a continuous period of at least 2 years.

B. It is not mandatory that a retiree be advanced on the retired list. Once advanced, the retiree has retired pay rights determined under the section governing such advancement.

C. A retired officer recalled to active duty (other than for training) in the grade held on the retired list, under any law that authorized advancement on the retired list based on a special commendation for the performance of duty in actual combat, may have retired pay recomputed upon release from active duty based on that grade as prescribed in Table 7-1, rule 1 and on the basis of the rate:

1. In effect upon release from active duty if the retiree received these rates for a continuous period of at least 3 years; or

2. Replaced by those in effect upon release from active duty if the retiree did not receive the current rates for a continuous period of at least 3 years.

D. A retiree recalled to active duty after retirement and promoted in grade while on active duty may elect, upon release from that active duty, to have retired pay recomputed based on either:

1. The higher grade to which promoted in which the retiree served satisfactorily, if the member met service time-in grade requirements; or

2. The lower grade held at initial retirement.

E. A retiree recalled to active duty after retirement and demoted in grade while on active duty may elect, upon release from that active duty, to have retired pay recomputed based on either:

1. The grade to which demoted; or

2. The retired pay to which entitled in the grade held at initial retirement; increased by the applicable COLA.

070305. Special Considerations for Disability Retirees

A. A member who reverts to retired pay after active duty with a new or aggravated physical disability rated at 30 percent or more may elect to receive:

1. The retired pay to which they became entitled when previously retired, increased by any applicable subsequent COLA; or

2. Retired pay recomputed using a revised pay base and revised retired pay multiplier. The revised pay base for a member under high-36 rules is described in subparagraph 070302.A. The revised pay base for a member under final pay rules is the highest monthly basic pay received while on active duty after retirement or after the date when placed on the Temporary Disability Retired List (TDRL). The revised retired pay multiplier is as the member elects either 2.5 percent for each year of service creditable for a disability retirement or the highest percentage of disability, not to exceed 75 percent, attained while on active duty after retirement or after the date when placed on the TDRL.

B. A member who was retired for physical disability or whose name is on the TDRL who reverts to the retired list after subsequent active duty, but who did not incur a new or aggravate any existing physical disability while on the subsequent active duty, may elect to receive either:

1. Retired pay to which they became entitled when previously retired, increased by any applicable COLA; or

2. Retired pay as computed for a non-disability reversion under the provisions of paragraphs 070302 and 070303.

C. A member who retired or became eligible to retire due to a physical disability on the Permanent Disability Retired List, or TDRL, on or before January 7, 2011, may not have a retired pay multiplier in excess of 75 percent. A member who first becomes eligible to retire or retires for a physical disability on or after January 8, 2011, will not have their multiplier reduced if it is in excess of 75 percent.

D. A member placed on the TDRL may not have a retired pay multiplier less than 50 percent.

0704 COST-OF-LIVING ADJUSTMENT (COLA)

070401. Application of COLA Increases

Apply the COLA increases to recomputed retired pay in the same manner as for initial retirement. The first COLA after reversion to retired pay following a period of active duty may be a partial COLA depending upon the reversion date. When the recomputed retired pay is based on the original retired pay or the original retired pay base, apply all COLA increases from the date of initial retirement. See Figure 7-1 for application of the COLA increases to recompute retired pay. Chapter 8 contains the annual COLA rates.

*070402. Compare Basic Pay Rates to Tower Amendment Provisions

The Tower Amendment authorizes the use of the basic pay rates in effect on the day before the effective date of the rates of monthly basic pay on which the member's retired pay would otherwise be based. See the provisions in Chapter 3, regarding the Tower Amendment to determine if basic pay rates authorized under that provision afford greater retired pay entitlement than those computed under this chapter.

0705 HEROISM PAY

070501. Extraordinary Heroism

An enlisted member who has been credited by the Secretary concerned with extraordinary heroism in the line of duty during any period of active service in the armed forces and who is entitled to recomputation of retired pay based on subsequent active duty will have the recomputation of retired pay increased by 10 percent.

070502. Extraordinary Heroism and the Retired Pay Multiplier

The addition of heroism pay may not be allowed to increase the recomputed retired pay multiplier above 75 percent. For details on heroism pay refer to Chapter 1.

*0706 RETIRED PAY AND ACTIVE SERVICE

A retired member who elects to receive compensation for periods of active duty or inactive duty training must waive 1 day of retired pay for each calendar day while serving on active duty, inactive duty training, or in an active Reserve status. See Chapter 12.

Figure 7-1. Recomputation After Recall to Active Duty

Examples of Retired Pay Recomputation After Recall to Active Duty

1. Final Basic Pay Method

E-7 retired 8/1/2006 with exactly 27 years of service

Retired Pay Entitlement	$4,113.60 (E-7 over 26/2006 pay rates) X 67.5% (27 years X 2.5%) = $2,776.00 (initial retired pay)

Recalled to active duty 6/1/2008 and released 5/31/2010

Pay Recomputation:

10 U.S.C. § 1402(a) E-7 with 29 years (Notes 1, 2, and 5)

		$4,521.00 (E-7 over 28/2009 pay rates (Note 2)) X 72.5% (29 years X 2.5%) = $3,277.00 (recomputed retired pay)

10 U.S.C. § 1402(e) E-7 with 29 years (Notes 2, 3, and 5)

		$4,113.60 (E-7 over 28/2006 pay rates) X 72.5% (29 years X 2.5%) = $2,982.00)
12/2006 COLA	2.8%	$3,065.00 (2.8% X $2982.00 = $3,065.50) (partial COLA)
12/2007 COLA	2.3%	$3,135.00 (2.3% X $3065.00 = $3,135.50)
12/2008 COLA	5.8%	$3,316.00 (5.8% X $3135.00 = $3,316.83)
12/2009 COLA	0.0%	$3,316.00 (No COLA increase. Recomputed retired pay for 2009 remains the same as 2008)

Saved Pay (Notes 2, 4, and 5)

		$2,776.00 (initial retired pay)
12/2006 COLA	2.8%	$2,853.00 (2.8% X $2776.00 = $2,853.73) (partial COLA)
12/2007 COLA	2.3%	$2,918.00 (2.3% X $2853.00 = $2,918.62)
12/2008 COLA	5.8%	$3,087.00 (5.8% X $2918.00 = $3,087.24)
12/2009 COLA	0.0%	$3,087.00 (No COLA increase. Recomputed retired pay for 2009 remains the same as 2008)

Notes:
1. The 1402(a) recomputation utilizes a more current active duty pay table and the new total years of service.
2. Use the active duty pay rates in effect on date of release only if the member received pay from that rate table for at least 2 years. If recalled for over 2 years, but did not receive pay from the same table for 2 years, the immediately preceding rates of active duty pay are utilized. If recall is less than 2 years, utilize the pay table in effect upon original retirement.

Figure 7-1. Recomputation After Recall to Active Duty (Continued)

Notes (Continued):
3. The 1402(e) recomputation utilizes the pay table in effect at retirement, but uses the new service totals and updated by applicable COLAs. See Chapter 8 for the COLA rates.
4. Saved Pay is the member's original retired pay entitlement, as updated by the COLA.
5. The highest option is paid.

Figure 7-1. Recomputation After Recall to Active Duty (Continued)

2. High-36 Average Method

E-7 retired 10/1/2006 with exactly 22 years of service

Retired Pay Entitlement — $3,408.08 (high-36 average base)
X 55% (22 years X 2.5%) = $1,874.00 (initial retired pay)

Recalled to active duty 6/1/2008 and released 5/31/2010

Pay Recomputation:

10 U.S.C § 1402a(a) E-7 with 24 years (Note 1)
$3,963.75 (new high-36 with recall service)
X 60% (24 years X 2.5%) = $2,378.00

10 U.S.C § 1402a(e) E-7 with 24 years (Note 1)
$3,408.08 (original high-36 pay base)
X 60% (24 years X 2.5%) = $2,044.00

12/2006 COLA	0.0%	$2,044.00 (partial COLA)
12/2007 COLA	2.3%	$2,091.00 (2.3% X $2044.00 = $2,091.01)
12/2008 COLA	5.8%	$2,212.00 (5.8% X $2091.00 = $2,212.28)
12/2009 COLA	0.0%	$2,212.00 (No COLA increase. Recomputed retired pay for 2009 remains the same as 2008)

Note:
1. The higher option is paid.

Figure 7-1. Recomputation After Recall to Active Duty (Continued)

3. High-36 Average with REDUX/CSB Method

E-7 retired 10/1/2006 with exactly 20 years of service

Pay Entitlement — $3,351.03 (high average base)
X 40% (20 years X 2.5% less 10% (Note 1)) = $1,340.00

Recalled to active duty 6/1/2008 and released 5/31/2010

Pay Recomputation:

10 U.S.C. § 1402a(a) E-7 with 22 years (Note 1)
$3,816.61 (recomputed high-36 average base using the 24 months of subsequent service)
X 47% (22 years X 2.5% less 8% (Note 2)) = $1,793.00

10 U.S.C. § 1402a(e) E-7 with 22 years (Note 1)
$3,351.03 (original high-36 pay base)
X 47% (22 years X 2.5% less 8% (Note 2)) = $1,574.00

12/2006 COLA	0.0%	$1,574.00 (partial COLA)
12/2007 COLA	1.3%	$1,594.00 (1.3% X $1,574.00)
12/2008 COLA	4.8%	$1,670.00 (4.8% X $1,594.00)
12/2009 COLA	0.0%	$1,670.00 (No COLA increase. Recomputed retired pay for 2009 remains the same as 2008)

Notes:
1. The higher option is paid.
2. Reduced by 1% for each year less than 30 years.

Table 7-1. Computation of Retired Pay Following Active/Reserve Duty after Retirement or Eligibility for Retired Pay

COMPUTATION OF RETIRED PAY FOLLOWING ACTIVE/RESERVE DUTY AFTER RETIREMENT OR ELIGIBLITY FOR RETIRED PAY						
	A	**B**	**C**	**D**	**E**	**F**
RULE	**If**	**and**	**take**	**multiply by**	**add**	**subtract (Notes 4 & 5)**
1	a member previously retired for other than disability, reverts to retired status without a disability retirement (Note 1)	the member first became a member before September 8, 1980	monthly basic pay (note 2) of the grade in which member would be eligible: (1) to retire if retiring upon that release from active duty; or (2) to transfer to the FR or FMCR if transferring to either upon that release from active duty	2.5 percent of the sum of: (1) the years of service that may be credited to the retiree in computing retired pay or retainer pay; and (2) years of active service after becoming entitled to retired pay or retainer pay (Note 3)		the excess over 75 percent of pay upon which the computation is based, only if the member originally retired before January 1, 2007, with more than 30 years of service and did not serve at least 2 years on the recall to active duty.
2		the member first became a member after September 7, 1980	retired pay base or retainer pay base to which member would be entitled to use if: (1) retiring upon release from that active duty; or (2) transferring to the FR or FMCR upon that release from active duty	the retired pay multiplier or the retainer pay multiplier for a high-36 retiree (with reduction described under paragraph 070303 for post-August 1, 1986 members who elected the CSB with REDUX retirement) for the sum of: (1) the years of service that may be credited to the retiree in computing retired pay; and (2) years of active service after becoming entitled to retired or retainer pay		excess over 75 percent of retired or retainer pay based upon computation only if the member originally retired before January 1, 2007, with more than 30 years of service and did not serve at least 2 years on the recall to active duty.

Table 7-1. Computation of Retired Pay Following Active/Reserve Duty after Retirement or Eligibility for Retired Pay (Continued)

COMPUTATION OF RETIRED PAY FOLLOWING ACTIVE/RESERVE DUTY AFTER RETIREMENT OR ELIGIBLITY FOR RETIRED PAY.						
	A	**B**	**C**	**D**	**E**	**F**
RULE	**If**	**and**	**take**	**multiply by**	**add**	**subtract (Notes 4 & 5)**
3	a member reverts with a new or aggravated disability rating that qualifies for disability retirement (Note 6)	member first became a member before September 8, 1980	highest monthly basic pay that member received while on active duty after retirement or after date when member's name was placed on TDRL	as a member elects: (1) 2.5 percent of years of service credited under ***10 U.S.C. § 1208*** (Note 3); or (2) the highest disability percentage, not to exceed 75 percent, attained while on active duty after retirement or after the date member's name was placed on TDRL	the amount necessary to increase product of columns C and D to 50 percent of pay upon which computation is based, if member is on TDRL.	
4		member first became a member after September 7, 1980	the retired pay base			
5	a member previously retired for disability, reverts to retired status without incurring any additional or aggravating disability that would qualify for disability retirement (Note 6)		either the highest monthly pay they received on active duty or the retired pay base as appropriate under rule 3 or 4	2.5 percent of years of service credited under 10 U.S.C. § 1208 (Note 3).		

Table 7-1. Computation of Retired Pay Following Active/Reserve Duty after Retirement or Eligibility for Retired Pay (Continued)

COMPUTATION OF RETIRED PAY FOLLOWING ACTIVE/RESERVE DUTY AFTER RETIREMENT OR ELIGIBILITY FOR RETIRED PAY						
	A	**B**	**C**	**D**	**E**	**F**
RULE	**If**	**and**	**take**	**multiply by**	**add**	**subtract (Notes 4 & 5)**
6	a member entitled to or receiving regular retired pay based on years of service that has attained Reserve Retired pay eligibility and age and has performed at least 20 years of service qualifying for a Reserve retirement	served in an active status as a member of an RC on or after October 28, 2009, completing 2 or more years of satisfactory service after becoming eligible for regular retired pay based on years of service without regard to whether the member actually retired or received retired or retainer pay for regular service (Notes 7 & 8)	either the basic pay for the highest grade held while serving in the active status or the retired pay base computed through the new retirement date	2.5 percent times the years of service credited for percentage purposes (Note 9).		
7	a member of Retired Reserve serves in active status in Selected Reserve on or after October 28, 2009	serves for not less than 2 years in such active status	either the basic pay for the highest grade held while serving in the active status or the retired pay base computed through the date of release from duty	2.5 percent times the years of service credited for percentage purposes (Note 9).		

Table 7-1. Computation of Retired Pay Following Active/Reserve Duty after Retirement or Eligibility for Retired Pay (Continued)

Notes:
1. Alternatively, members eligible under rules 1 or 2 may elect to substitute the rate of basic or monthly retired pay base (high-36 average) under which the original retired pay was computed at the time of entering on this period of active duty (increased by any applicable adjustments in the COLA) for the amount in column C of the table.
2. For a member who has been entitled, for a continuous period of at least 2 years, to basic pay under the rates of basic pay in effect upon release from active duty, compute under those rates. For a member who has been entitled to basic pay for a continuous period of at least 2 years upon that release from active duty, but who is not covered by the preceding sentence**,** compute under the rates of basic pay replaced by those in effect upon that release from active duty. For any other member**,** compute under the rates of basic pay under which the member's retired pay or retainer pay was computed when member entered on that active duty.
3. Before applying percentage factor, credit each full month of service that is in addition to the number of full years of service creditable to the member as one-twelfth of a year. Disregard any remaining fractional part of a month.
4. The amount computed, if not a multiple of $1, is rounded to the next lower multiple of $1. Any future adjustments to such pay must be made on the rounded figure. The rounded amount becomes the member's entitlement and any future adjustments is based on this rounded entitlement.
5. The reduction only applies to a member who retired before January 1, 2007, with more than 30 years of creditable service who is recalled to active duty and serves on active duty for a continuous period of less than 2 years that ends after January 1, 2007.
6. Alternatively, members eligible under rules 3, 4, or 5 may elect to substitute the retired pay to which entitled when originally retired increased by any applicable adjustments in the COLA.
7. A member who was eligible for regular retired or retainer pay on or before October 27, 2009, whose service was determined to be satisfactory, is not subject to the 2-year requirement.
8. The 2-year service requirement may be reduced by the Secretary concerned if an officer of the National Guard completes at least 1 year of service in a position of adjutant general or assistant adjutant general and fails to complete the minimum years of service solely because the appointment to such position is terminated or vacated under applicable State or territorial law.
9. Total number of retirement points divided by 360. Carry the resultant figure to three decimal places, then round to two decimal places. Example: 4,735 retirement points divided by 360 = 13.152 or 13.15 years of service for percentage purposes (for the section 12731 retiree only) to be multiplied by 2.5 percent.

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070202.B	10 U.S.C. § 12731(a)
070203.A	10 U.S.C. § 12741
	Public Law 111-84, section 642, October 28, 2009
070203.B	10 U.S.C. § 12771(b)
070204	10 U.S.C. § 12739(e)(2)
	10 U.S.C. § 12741(a)(2)
070204.A	32 U.S.C. § 314
070204.B	32 U.S.C. § 324(b)

0703 – RECOMPUTATION FOR ACTIVE DUTY SERVICE OR ACTIVE STATUS IN THE SELECTED RESERVE AFTER RETIREMENT

070302.A	10 U.S.C. § 12741
	10 U.S.C. § 1406
	10 U.S.C. § 1407
070302.B	10 U.S.C. § 1406(b)(2)
	10 U.S.C. § 1402
	10 U.S.C. § 1402a
	10 U.S.C. § 1407(b)
	10 U.S.C., Chapter 1223
070302.B.1	10 U.S.C. § 1402
	10 U.S.C. § 1406

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070304.E.2	10 U.S.C. § 1402(e)
	10 U.S.C. § 1402a(e)
070305.B	10 U.S.C. § 1402(c)(2)

0704 – COST-OF-LIVING ADJUSTMENT (COLA)

070402	10 U.S.C. § 1401a(f)

0705 – HEROISM PAY

070501	10 U.S.C. § 3991

0706 – RETIRED PAY AND ACTIVE SERVICE

Comp Gen B-179882, December 4, 1974

VOLUME 7B, CHAPTER 8: "BASIC PAY RATES, LEGISLATIVE AND COST-OF-LIVING ADJUSTEMENTS (COLA) TO RETIRED PAY"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated April 2016 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated the hyperlinks and revised the chapter to comply with current administrative instructions.	Revision
080206	Deleted paragraph and renumbered succeeding paragraphs.	Deletion
080208	Deleted paragraph and renumbered succeeding paragraphs.	Deletion
080303	Integrated "One Percent Add-On" information from former paragraph 080206.	Revision
080513.A	Added Cost-of-Living Adjustment (COLA) rates for retired pay, effective December 1, 2016.	Addition
080513.B	Added monthly basic pay increase for members of the Uniformed Services, effective January 1, 2017.	Addition
Table 8-1	Updated Table 8-1, Full COLA Percentage Table.	Revision
Bibliography	Updated Bibliography.	Revision

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CHAPTER 8

BASIC PAY RATES, LEGISLATIVE AND COST-OF-LIVING ADJUSTMENTS (COLA) TO RETIRED PAY

0801 GENERAL

080101. Overview

Historical information on legislative actions for the application of special provision in determining the accuracy of retired pay from October 1949 to Fiscal Year (FY) 1993 is located in the archived Chapter 8, dated July 2013, to include Cost-of-Living Adjustment (COLA) rates for the period.

080102. Purpose

A. Accuracy of Retired Pay

Information in this chapter enables the reader to determine the accuracy of a member's current retired pay through a history of basic pay rates, retired pay increases, and the application of special provisions in determining retired pay. Retired pay for members who have entered a Uniformed Service after September 7, 1980 is computed using a retired or retainer pay base. See Chapter 3 for gross pay computation. This chapter explains the effect of legislation and COLA on retired pay that has been computed using a retired or retainer pay base.

B. The Use and Effect of Active Duty Pay Rate Increases on Retired Pay

Before June 1, 1958, all members (except the pre-October 1, 1949 "saved pay" accounts) received a direct percentage of the active-duty basic pay rates in effect October 1, 1949 through May 31, 1958. With the enactment of Public Law 85-422, effective June 1, 1958, it became increasingly more difficult to prepare and maintain tables reflecting the pay of members on the retired rolls and, eventually, preparing such tables was no longer feasible. Public Law 85-422 prohibited the recomputation of retired pay based on changes in the active-duty basic pay rates after retirement. The date of retirement was a factor in computing retired pay because the retired member's pay was fixed to the basic pay rate in effect on the date of retirement. The exceptions permitting members to use another basic pay rate under certain conditions and circumstances are outlined in later paragraphs. The applicable active-duty pay tables now serve as the basis for determining the rate of retired pay.

C. Service After September 7, 1980

For members who have entered a Uniformed Service after September 7, 1980:

1. The amount of retired pay is individualized. Members who retire with the same grade and years of service for percentage and basic pay purposes may not receive the same amount of retired pay.

2. The member's current retired pay can be verified from the retired or retainer pay base, years of service for percentage purposes or percentage of disability, retired pay increases, and the application of any special provisions in retired pay identified in this chapter.

080103. Authoritative Guidance

The bibliography at the end of this chapter lists the authoritative references.

0802. DEFINITIONS

080201. Base Index

The base index is the price index for the base quarter for the most recent adjustment under Title 10, United States Code (U.S.C.), ***section 1401a(b)***.

080202. Base Quarter

Base Quarter is the calendar quarter ending on September 30 of each year.

080203. Burchinal Decision

The Burchinal Decision is a Comptroller General decision (***53 Comp. Gen. 698 (1974)***) that retired pay is computed only under the current pay rates or the pay rates in effect immediately before the current rate pursuant to 10 U.S.C. § 1401a(e). Public Law 90-207, effective October 1, 1967, added subsection (e) under 10 U.S.C. § 1401a as a method to prevent pay inversion. See also paragraph 080304. On October 7, 1975, ***Public Law 94-106*** added subsection (f) under 10 U.S.C. § 1401a, which superseded 10 U.S.C. § 1401a(e).

080204. COLA

Percentage change increases are applied to retired pay based on laws using the Consumer Price Index (CPI), Urban Wage Earners and Clerical Workers–U.S. City Average (CPI-W), as published by the Bureau of Labor Statistics, to determine the amount of the increase. Full COLA percentages appear in Table 8-1.

A. Full COLA. Members on the retired rolls receive the full COLA if their retired pay is computed using the basic pay rates, which were effective before the previous COLA.

B. Partial COLA. Members whose retired pay is computed using the basic pay rates that become effective at the same time, or after the previous COLA, receive a partial COLA. This increase is effective from the later of the date of the full COLA or date of retirement.

080205. Legislative Increase

A legislative increase refers to any adjustment in retired pay authorized by legislation that identifies a percentage increase rather than being based on the CPI.

080206. Otherwise Qualified

This term refers to members, retired under a particular law, who are eligible for retirement under another law that may provide greater benefits. It pertains primarily to disability retirees when members have enough service to be retired for nondisability.

080207. Pay Table Code

Pay table code refers to the designation by number (or other means) used by the Defense Finance and Accounting Service (DFAS) to identify active-duty pay rates in effect during various time periods.

080208. Price Index

Price index refers to the CPI (all items, United States city average) published by the Bureau of Labor Statistics.

080209. Price Index for a Quarter

For purposes of this chapter, the price index for a calendar quarter is the arithmetical mean (average) of the price index for the three months comprising that quarter.

080210. Recomputation

Recomputation is the provision for recomputing retired pay using a pay table other than that used in the first computation of retired pay.

080211. Retired Pay

The term "retired pay" includes retainer pay.

080212. Retired Pay Base

The retired pay base is an average of the highest monthly basic pay rates applicable to a member, determined by the length of time the member was a member of a Uniformed Service (less than or at least 36 months) and/or the type of retirement (e.g., disability or voluntary). The retired pay base or retainer pay base applies to members who entered a Uniformed Service after September 7, 1980. It replaced the monthly basic pay rate formerly used to compute retired or retainer pay. See Chapter 3 for Pre-September 8, 1980 members.

080213. Uniform Retirement Date Act (URDA)

Pursuant to ***5 U.S.C. § 8301***, the URDA: (1) provides, under certain retirement laws, that members cannot be retired before the first day of the month after the date of first eligibility, and (2) determines the pay table used in computing retired pay. This provision is especially significant when the retirement date coincides with the effective date of an active-duty basic pay rate increase. The additional requirement to compute pay on the rates in effect as of the date retirement would have occurred except for this restriction.

080214. Years of Service for Basic Pay

Computation of service years creditable in determining the basic pay rate upon which retired pay is to be based may vary depending upon retirement law. See Volume 7A, Chapter 1.

080215. Years of Service for Percentage Multiplier

The years of service for percentage multiplier refers to service years creditable in determining the percentage multiplier factor (2.5 percent times years of service of basic pay) in retired pay computation. Computation of years of service may vary depending upon retirement law. For reserve retirements under ***10 U.S.C., Chapter 1223***, reserve service points are converted to years of service (i.e., total points divided by 360 equal years of service). See Chapter 1.

0803 MAJOR CHANGES IN THE USE OF BASIC PAY RATES AND CONDITIONS APPLICABLE TO COMPUTATION OF RETIRED PAY

080301. Retired Pay Based on the Consumer Price Index (CPI)

Effective October 1, 1963, 10 U.S.C. § 1401a, as added by Public Law 88-132, stipulated that future adjustments to retired pay would be based on the CPI. Each January the Secretary of Defense was to review the CPI from the previous calendar year and, if it had increased 3 percent or more, then would affect a percentage increase in retired pay as of April 1 using the percentages of increase in the CPI.

080302. Effects of Public Law 90-207 on Retired Pay Computation

Public Law 90-207, effective October 1, 1967, added subsections (c) through (e) under 10 U.S.C. § 1401a. Subsections (c) and (d) stipulated that retired pay, when computed from the current basic pay rates, would increase at the later of the next COLA or retirement date by a partial adjustment. The partial adjustment represented the percent by which the new base index exceeded the index in effect on the day before the basic pay increase. Subsection (e), a saved-pay provision, permitted computation of retired pay on the basic pay rates in effect immediately preceding those in effect on retirement date if they were more favorable because of a COLA. Public Law 98-94, section 921, effective September 24, 1983, repealed the 1-year look-back provision that was under 10 U.S.C. § 1401a(e).

Note: For additional information on the repealed section, see paragraph 080213 in archived Chapter 8. Section 8(a) of Public Law 90-207 provided that, effective January 1, 1968, whenever the General Schedule of Compensation for Federal classified employees increased, an adjustment in the monthly basic pay to authorized members of the Uniformed Services immediately would become effective.

*080303. One Percent Increase to COLA

Public Law 91-179, effective October 31, 1969, stipulated that 1 percent would be added to the percentage increase each time there was a general COLA to retired pay. Partial COLA increases did not include the 1 percent. The add-on was provided to make up for the 3-month time lag between the rise in the CPI and the actual increase in retired pay. ***Public Law 94-440***, effective October 1, 1976, eliminated the 1 percent increase.

080304. Pay Inversion

Public Law 85-422, effective June 1, 1958, prohibited recomputation of retired pay each time active-duty pay was increased. Therefore, it was assumed that members of the same pay grade and years of service who retired under later active-duty pay increases would receive a greater retired pay. Beginning in 1971, there were instances where the cumulative COLA applied to retired pay was greater than the increases in the active-duty pay rates, which was known as "pay inversion." Pay inversion created some retention problems because, through early retirement, members could increase their retired pay rather than remaining on active duty. Under 53 Comp. Gen. 698 (1974), known as the "Burchinal Decision," members were restricted to the greater amount of pay, based on two computations of retired pay, computed on the active-duty pay rates in effect:

A. At the time of retirement using the pay grade and years of service for both basic pay and percentage multiplier at the time of retirement, or

B. Immediately before the active-duty basic pay rates in effect on the date of retirement, plus the COLA in retired pay applicable to those basic pay rates. For this computation, the same pay grade and years of service for both basic pay and multiplier at the time of retirement were used even though the computation used the earlier basic pay rates.

080305. Tower Amendment

A. Public Law 94-106, dated October 7, 1975, added subparagraph (f) to 10 U.S.C. § 1401a. The new provision stipulated another method to offset, in part, the effect of "pay inversion." This method involved computing pay based "on any previous basic pay rates, on and after January 1, 1971, plus COLA, if the member was eligible for retirement at the time those rates were in effect." The computation was restricted to the pay grade and years of service at that earlier time (for retirements on October 5, 1994 or later, the computation may not be based on a grade higher than that held at the time of retirement). The statute applies to all members retired on or after January 1, 1971. There were no retroactive pay adjustments for the period before October 7, 1975.

B. Pursuant to ***Public Law 113-66***, dated December 26, 2013, for a retired member who first became a member of a uniformed service on or after September 8, 1980, and whose retired pay is computed using the high-three method, the Tower Amendment applies only at the time of retirement and not when the first COLA are announced. A member recalled to active duty after retirement is not entitled to recomputation of retired pay under the Tower Amendment upon release from that active duty. Pay recomputation upon that release is restricted to the methods prescribed in ***10 U.S.C. § 1402*** and covered in Chapter 7. The Tower Amendment did not repeal nor modify those provisions.

080306. Basic Pay Average

Public Law 96-342, dated September 8, 1980, as codified at ***10 U.S.C. § 1407***, established a retired pay base for use in computing retired or retainer pay. Title 10, U.S.C., section 1407 applies to members who have entered a Uniformed Service after September 7, 1980. The percentage of cost-of-living increases is determined by the most recent basic pay rate used in the computation of the retired or retainer pay base.

080307. Modification of COLAs Applicable to Military Retired and Retainer Pay

Public Law 98-270, dated April 18, 1984, amended ***5 U.S.C. § 8340(a) and (b)*** to modify COLAs that also applied to military retired and retainer pay under 10 U.S.C. § 1401a(b). The effective date for COLAs was changed from March 1 to December 1. The COLA equaled the percentage change in the price index for the base quarter of the year over the price index for the base quarter of the preceding year. Price index is defined at 080211. The partial COLA equaled the percentage increase of the average CPI for July, August, and September over the CPI for the preceding December.

080308. The Military Retirement Reform Act of 1986

The Military Retirement Reform Act of 1986, Public Law 99-348:

A. Reduced the retired pay multiplier for any member who first became a member of a Uniformed Service after July 31, 1986, and who retired before age 62 with less than 30 years of creditable service (excluding retirements under ***10 U.S.C., Chapter 61***, and 1223). The multiplier was reduced by:

1. One percentage point for each full year that the member's years of creditable service were less than 30; and

2. One-twelfth of 1 percentage point for each month by which the member's years of creditable service (after counting all full years of such service) was less than a full year.

B. Stipulated cost-of-living increases for any member who first became a member of a Uniformed Service on or after August 1, 1986, when the increase in the CPI exceeded 1 percent. The cost-of-living increase was 1 percentage point less than the increase in CPI.

C. Restored the reduction in retired pay multiplier under subparagraph 080308.A at age 62 and provided a one-time restoral at age 62 for the reduction in cost-of-living increase under subparagraph 080308.B.

0804 PROVISIONS OF PAY CHANGES, EXCEPTIONS, AND SPECIAL COMPUTATIONS BETWEEN DECEMBER 1, 1993 AND DECEMBER 1, 2005

For historical information on legislative actions affecting retired pay from October 1949 to December 1993, see archived Chapter 8, dated July 2013.

080401. COLA and Basic Pay Rates FY 1994

A. A COLA, effective December 1, 1993, provides the following increases (NOTE: ***Public Law 103-66*** prohibits the payment for months before March 1994 of any increase in retired pay associated with the COLA, except for those members retired for disability under 10 U.S.C., Chapter 61).

1. Pre-August 1986 members:

a. Members who first entered service before August 1, 1986, and whose retired pay has been computed on active-duty pay rates in effect before January 1, 1993, received a 2.6 percent adjustment.

b. Members who first entered service before August 1, 1986, and who became entitled to retired pay computed on the January 1, 1993 active-duty pay rate, received a 1.9 percent adjustment.

2. Post-August 1986 members:

a. Members who first entered service on or after August 1, 1986, and who became entitled to retired pay before January 1, 1993, received a 1.6 percent adjustment.

b. Members who first entered service on or after August 1, 1986, and who became entitled to retired pay on or after January 1, 1993, received a pro-rata initial adjustment as follows:

Retired Between	Percent Increase
January 1, 1993 – March 31, 1993	1.2
April 1, 1993 – June 30, 1993	0.7
July 1, 1993 – September 30, 1993	0.2
October 1, 1993 – December 31, 1993	-0-

B. For basic pay rates effective January 1, 1994, ***Executive Order 12886*** provided for:

1. Increased basic pay rates,

2. No increase for members retired before January 1, 1994, and

3. No entitlement to pay computed on the January 1, 1994 basic pay rates for members who retired on January 1, 1994, and who were subject to the URDA, warrant officers, Fleet Reservists, and Fleet Marine Corps Reservists (December 31, 1993 transfers). For additional information about the URDA, see Chapter 1. Additionally, URDA is defined at paragraph 080213.

080402. COLA and Basic Pay Rates FY 1995

A. A COLA, effective December 1, 1994, provides the following increases.

1. Pre-August 1986 members:

a. Members who first entered service before August 1, 1986, and whose retired pay has been computed on active-duty pay rates in effect before January 1, 1994, received a 2.8 percent adjustment.

b. Members who first entered service before August 1, 1986, and who became entitled to retired pay computed on the January 1, 1994 active-duty basic pay rate, received a 2.2 percent adjustment.

2. Post-August 1986 members:

a. Members who first entered service on or after August 1, 1986, and who became entitled to retired pay before January 1, 1994, received a 1.8 percent adjustment.

b. Members who first entered service on or after August 1, 1986, and who became entitled to retired pay on or after January 1, 1994, received a pro-rata initial adjustment as follows:

Retired Between	Percent Increase
January 1, 1994 – March 31, 1994	1.4
April 1, 1994 – June 30, 1994	1.2
July 1, 1994 – September 30, 1994	0.7
October 1, 1994 – December 31, 1994	-0-

B. For basic pay rates effective January 1, 1995, ***Executive Order 12944*** provided for:

1. Increased basic pay rates,

2. No increase for members retired before January 1, 1995, and

3. No entitlement to pay computed on the January 1, 1995 basic pay rates for members who retired on January 1, 1995, and who were subject to the URDA, warrant officers, Fleet Reservists, and Fleet Marine Corps Reservists (December 31, 1994 transfers). For additional information about the URDA, see Chapter 1. Additionally, URDA is defined at paragraph 080213.

080403. COLA and Basic Pay Rates FY 1996

A. In FY 1996, the COLA became effective December 1, 1995. Certain adjustments under 10 U.S.C. § 1401a(b)(2) and ***Public Law 104-106***, dated February 10, 1996, were not payable for periods before March 1996, which included the payment of increased retired or retainer pay for members and former members retired on the basis of longevity, age, or non-regular service (10 U.S.C., Chapter 1223). Adjustments, which became payable beginning December 1, 1995, included the increases in survivor annuities and SBP costs (including SBP base amounts and associated annuities and premiums), retired pay based on disability, and the exclusion amounts for dual compensation.

1. Pre-August 1986 members:

a. Members who first entered service before August 1, 1986, and whose retired pay had been computed on active-duty basic pay rates in effect before January 1, 1995, received a 2.6 percent adjustment.

b. Members who first entered service before August 1, 1986, and who became entitled to retired pay computed on the January 1, 1995 active-duty pay rate, received a 2.0 percent adjustment.

2. Post-August 1986 members:

a. Members who first entered service on or after August 1, 1986, and who became entitled to retired pay before January 1, 1995, received a 1.6 percent adjustment.

b. Members who first entered service on or after August 1, 1986, and who became entitled to retired pay on or after January 1, 1995, received a pro-rata initial adjustment as follows:

Retired Between	Percent Increase
January 1, 1995 – March 31, 1995	1.3
April 1, 1995 – June 30, 1995	0.8
July 1, 1995 – September 30, 1995	0.2
October 1, 1995 – December 31, 1995	-0-

B. For basic pay rates effective January 1, 1996, ***Executive Order 12990*** provided for:

1. Increased basic pay rates,

2. No increase for members retired before January 1, 1996, and

3. No entitlement to pay computed on the January 1, 1996 basic pay rates for members who retired on January 1, 1996, and who were subject to the URDA, warrant officers, Fleet Reservists, and Fleet Marine Corps Reservists (December 31, 1995 transfers). For additional information about the URDA, see Chapter 1. Additionally, URDA is defined at paragraph 080213.

080404. Initial Computation of Retiree COLAs and Basic Pay Rates FY 1997

The FY 1997 Department of Defense Authorization Act, ***Public Law 104-201***, clarified the method of computing the first COLA of retired pay for members who entered a Uniformed Service after September 7, 1980, but before August 1, 1986, and provided the following.

A. A COLA, effective December 1, 1996, provided for:

1. Pre-August 1986 members:

a. Members who first entered service before August 1, 1986, and whose retired pay has been computed under active-duty pay rates in effect before January 1, 1996, received a 2.9 percent adjustment.

b. Members who first entered service before September 8, 1980, and who become entitled to an initial amount of retired pay computed on the January 1, 1996 active-duty pay rate, received a 2.5 percent adjustment.

c. Members who first entered service after September 7, 1980, but before August 1, 1986, and who became entitled to an initial amount of retired pay on or after January 1, 1996, received a pro-rata initial adjustment as follows:

Retired Pay Effective Date	Percent Increase
January 1, 1996 – March 31, 1996	2.5
April 1, 1996 – June 30, 1996	1.5
July 1, 1996 – September 30, 1996	0.5
October 1, 1996 – December 31, 1996	-0-

2. Post-August 1986 members:

a. Members who first entered service on or after August 1, 1986, and who become entitled to retired pay before January 1, 1996, received a 1.9 percent adjustment.

b. Members who first entered service on or after August 1, 1986, and who became entitled to an initial amount of retired pay on or after January 1, 1996, received a pro-rata initial adjustment as follows:

Retired Pay Effective Date	Percent Increase
January 1, 1996 – March 31, 1996	1.7
April 1, 1996 – June 30, 1996	1.0
July 1, 1996 – September 30, 1996	0.2
October 1, 1996 – December 31, 1996	-0-

B. For basic pay rates effective January 1, 1997, ***Executive Order 13033*** provided for:

1. Increased basic pay rates,

2. No increase for members retired before January 1, 1997, and

3. No entitlement to pay computed on the January 1, 1997 basic pay rates for members who retired on January 1, 1997, and who were subject to the URDA, warrant officers, Fleet Reservists, and Fleet Marine Corps Reservists (December 31, 1996 transfers). For additional information about the URDA, see Chapter 1. Additionally, URDA is defined at paragraph 080213.

080405. COLA and Basic Pay Rates FY 1998

A. A COLA, effective December 1, 1997, provided for:

1. Pre-August 1986 members:

a. Members who first entered service before August 1, 1986, and whose retired pay has been computed under active-duty pay rates in effect before January 1, 1997, received a 2.1 percent adjustment.

b. Members who first entered service before September 8, 1980, and who became entitled to an initial amount of retired pay computed on the January 1, 1997 active-duty basic pay rate, received a 1.3 percent adjustment.

c. Members who first entered service after September 7, 1980, but before August 1, 1986, and who became entitled to an initial amount of retired pay on or after January 1, 1997, are entitled to a pro-rata initial adjustment as follows:

Retired Pay Effective Date	Percent Increase
January 1, 1997 – March 31, 1997	1.3
April 1, 1997 – June 30, 1997	0.8
July 1, 1997 – September 30, 1997	0.4
October 1, 1997 – December 31, 1997	-0-

2. Post-Aug 1986 members:

a. Members who first entered service on or after August 1, 1986, and who became entitled to retired pay before January 1, 1997, received a 1.1 percent adjustment.

b. Members who first entered service on or after August 1, 1986, and who became entitled to an initial amount of retired pay on or after January 1, 1997, received a pro-rata initial adjustment as follows:

Retired Pay Effective Date	Percent Increase
January 1, 1997 – March 31, 1997	0.6
April 1, 1997 – June 30, 1997	0.3
July 1, 1997 – September 30, 1997	0.1
October 1, 1997 – December 31, 1997	-0-

B. For basic pay rates effective January 1, 1998, ***Executive Order 13071***, effective January 1, 1998, provided for:

1. Increased basic pay rates,

2. No increase for members retired before January 1, 1998, and

3. No entitlement to pay computed on January 1, 1998 basic pay rates for members who retired on January 1, 1998, and who were subject to the URDA warrant officers, Fleet Reservists, and Fleet Marine Corps Reservists (December 31, 1997 transfers). For additional information about the URDA, see Chapter 1. Additionally, URDA is defined at paragraph 080213.

080406. COLA and Basic Pay Rates FY 1999

A. A COLA, effective December 1, 1998, provided for:

1. Pre-August 1986 members:

a. Members who first entered service before August 1, 1986, and whose retired pay has been computed under active-duty pay rates in effect before January 1, 1998, received a 1.3 percent adjustment.

b. Members who first entered service before September 8, 1980, and who became entitled to an initial amount of retired pay computed on the January 1, 1998 active-duty pay rate, received a 1.0 percent adjustment.

c. Members who first entered service after September 7, 1980, but before August 1, 1986, and who became entitled to an initial amount of retired pay on or after January 1, 1998, received a pro-rata initial adjustment as follows:

Retired Pay Effective Date	Percent Increase
January 1, 1998 – March 31, 1998	1.0
April 1, 1998 – June 30, 1998	0.9
July 1, 1998 – September 30, 1998	0.4
October 1, 1998 – December 31, 1998	-0-

2. Post-August 1986 members:

a. Members who first entered service on or after August 1, 1986, and who became entitled to retired pay before January 1, 1998, received a 0.3 percent adjustment.

b. Members who first entered service on or after August 1, 1986, and who became entitled to an initial amount of retired pay on or after January 1, 1998, are entitled to a pro-rata initial adjustment as follows:

Retired Pay Effective Date	Percent Increase
January 1, 1998 – March 31, 1998	0.3
April 1, 1998 – June 30, 1998	0.4
July 1, 1998 – September 30, 1998	0.1
October 1, 1998 – December 31, 1998	-0-

B. For basic pay rates effective January 1, 1999, ***Executive Order 13106*** provided for:

1. Increased basic pay rates,

2. No increase for members retired before January 1, 1999, and

3. No entitlement to pay computed on the January 1, 1999 basic pay rates for members who retired on January 1, 1999, and who were subject to the URDA, warrant officers, Fleet Reservists, and Fleet Marine Corps Reservists (December 31, 1998 transfers). For

additional information about the URDA, see Chapter 1. Additionally, URDA is defined at paragraph 080213.

080407. COLA and Basic Pay Rates FY 2000

A. A COLA, effective December 1, 1999, provided for:

1. Pre-August 1986 members:

a. Members who first entered service before August 1, 1986, and whose retired pay has been computed under active-duty pay rates in effect before January 1, 1999, received a 2.4 percent adjustment.

b. Members who first entered service before September 8, 1980, and who became entitled to an initial amount of retired pay computed on the January 1, 1999 active-duty basic pay rate, received a 2 percent adjustment.

c. Members who first entered service after September 7, 1980, but before August 1, 1986, and who became entitled to an initial amount of retired pay on or after January 1, 1999, are entitled to a pro-rata adjustment as follows:

Retired Pay Effective Date	**Percent Increase**
January 1, 1999 – March 31, 1999	2.0
April 1, 1999 – June 30, 1999	1.7
July 1, 1999 – September 30, 1999	0.7
October 1, 1999 – December 31, 1999	-0-

2. Officers in grades 0-7 through 0-10:

Recomputation of retired pay for certain members retired during the period April 30 through December 31, 1999:

a. ***Section 601(d) of Public Law 106-65*** revised the limits imposed on the rates of basic pay for members of the Uniformed Services. Pay rates for grades 0-7 and above were limited, effective January 1, 2000, to the pay rate for Level III of the Executive Schedule.

b. Section 601(e) of Public Law 106-65 provides that retired pay be recomputed, effective January 1, 2000, for certain members who retired during the period of April 30, 1999 through December 31, 1999. As a result, the retired pay of members in grade 0-9 with over 26 years of service and 0-10 with over 16 years of service will be recomputed. The new rates will be for months beginning on or after January 1, 2000, and will be computed as if the Level III of the Executive Schedule limit had applied at the time of a qualified member's retirement. No increased amount is payable for any period before January 1, 2000 as a result of this provision. Retired pay rates for affected members should be recomputed for their entitlement

for January 2000 as though the following rates of basic pay had been applicable at the time of retirement:

Pay Grade	Years of Service	Basic Pay
O-9	Over 26	$9,528.90
O-10	Over 16	$9,528.90
O-10	Over 18	$9,528.90
O-10	Over 20	$10,167.00
O-10	Over 22	$10,167.00
O-10	Over 24	$10,167.00
O-10	Over 26	$10,491.60

B. For basic pay rates effective January 1, 2000, ***Executive Order 13144*** provided for:

1. Increased basic pay rates,

2. No increase for members retired before January 1, 2000, and

3. No entitlement to pay computed on the January 1, 2000 basic pay rates for members who retired on January 1, 2000, and who were subject to the URDA, warrant officers, Fleet Reservists, and Fleet Marine Corps Reservists (December 31, 1999 transfers). For additional information about the URDA, see Chapter 1. Additionally, URDA is defined at paragraph 080213.

080408. COLA and Basic Pay Rates FY 2001

A. A COLA, effective December 1, 2000, provided for:

1. Pre-August 1986 members:

a. Members who first entered service before August 1, 1986, and whose retired pay has been computed under active-duty pay rates in effect before January 1, 2000, received a 3.5 percent adjustment.

b. Members who first entered service before September 8, 1980, and who became entitled to an initial amount of retired pay computed on the January 1, 2000 active duty basic pay rate, received a 2.8 percent adjustment. This adjustment includes any member whose retired pay is computed on a pay cell of the July 1, 2000 pay table that was unchanged from the rate of January 1, 2000.

c. Members who first entered service before September 8, 1980, and who became entitled to an initial amount of retired pay computed on the July 1, 2000 active-duty basic pay rate, received a 0.7 percent adjustment. This adjustment includes any member whose retired pay is computed on a pay cell of the July 1, 2000 pay table that was changed from the rate of January 1, 2000.

d. For those who first became members of a Uniformed Service on or after September 8, 1980, the retired pay COLA is set out according to the effective date of their retirement as follows:

Retired Pay Effective Date	Percent Increase
Before January 1, 2000	3.5
January 1, 2000 – March 31, 2000	2.8
April 1, 2000 – June 30, 2000	1.8
July 1, 2000 – September 30, 2000	0.7
October 1, 2000 – December 31, 2000	-0-

B. For basic pay rates effective January 1, 2001, ***Executive Order 13182*** provided for:

1. Increased basic pay rates,

2. No increase for members retired before January 1, 2001, and

3. No entitlement to pay computed on the January 1, 2001 basic pay rates for members who retired on January 1, 2001, and who were subject to the URDA, warrant officers, Fleet Reservists, and Fleet Marine Corps Reservists (December 31, 2000 transfers). For additional information about the URDA, see Chapter 1. Additionally, URDA is defined at paragraph 080213.

080409. COLA and Basic Pay Rates FY 2002

A. A COLA, effective December 1, 2001, provided:

1. For those who first became members of a Uniformed Service before September 8, 1980, the retired pay COLA is specified according to the effective date of the active-duty basic pay rate used to compute their retired pay as follows:

Retirement Effective	Percent Increase	10 U.S.C. Authority
Before January 1, 2001	2.6 percent	1401a(b)(2)
January 1, 2001**	2.0 percent	1401a(c)
July 1, 2001***	0.0 percent	1401a(c)

* The effective date in a pay cell (i.e., a pay rate specified for a given grade and years of service) of the July 1, 2001 pay table is considered to be January 1, 2001, if the pay rate for that cell is unchanged from the January rate.

** Includes those whose retired pay is computed based on a pay cell of the July 1, 2001 pay table, if the pay rate is unchanged from the rate for that pay cell in the January 1, 2001 pay table.

*** Includes those whose retired pay is computed based on a pay cell of the July 1, 2001 pay table changed from the rate for that pay cell in the January 1, 2001 pay table.

2. For those who first became members of a Uniformed Service on or after September 8, 1980, the retired pay COLA is specified according to the effective date of their retirement as follows:

Retirement Effective	Percent Increase	10 U.S.C. Authority
Before January 1, 2001	2.6 percent	1401a(b)(2)
January 1, 2001 – March 31, 2001	2.0 percent	1401a(d)
April 1, 2001 – June 30, 2001	1.1 percent	1401a(d)
July 1 – September 30, 2001	0.0 percent	1401a(d)
October 1 – December 31, 2001	0.0 percent	1401a(d)

NOTE: Because of an error in the CPI, all accounts were underpaid by .01 percent, effective December 1999. All accounts affected were corrected, recomputed, and paid by December 2001.

B. For basic pay rates effective January 1, 2002, ***Executive Order 13249*** provided for:

1. Increased basic pay rates,

2. No increase for members retired before January 1, 2002, and

3. No entitlement to pay computed on the January 1, 2002 basic pay rates for members who retired on January 1, 2002, and who were subject to the URDA, warrant officers, Fleet Reservists, and Fleet Marine Corps Reservists (December 31, 2001 transfers). For additional information about the URDA, see Chapter 1. Additionally, URDA is defined at paragraph 080213.

080410. COLA and Basic Pay Rates FY 2003

A. A COLA, effective December 1, 2002, provided:

1. For those who first became members of a Uniformed Service before September 8, 1980, the retired pay COLA is specified according to the effective date of the active-duty basic pay rate used to compute their retired pay as follows:

Retirement Effective	Percent Increase	10 U.S.C. Authority
Before January 1, 2002	1.4 percent	1401a(b)(2)
January 1, 2002	1.4 percent	1401a(c)

2. For those who first became members of a Uniformed Service on or after September 8, 1980, the retired pay COLA is specified according to the effective date of their retirement as follows:

Retirement Effective	Percent Increase	10 U.S.C. Authority
Before January 1, 2002	1.4 percent	1401a(b)(2)
January 1 – March 31, 2002	1.4 percent	1401a(d)
April 1, 2002 – June 30, 2002	1.4 percent	1401a(d)
July 1, 2002 – September 30, 2002	1.4 percent	1401a(d)
October 1, 2002 – December 31, 2002	0.0 percent	1401a(d)

B. For basic pay rates effective January 1, 2003, ***Public Law 107-314*** and ***Executive Order 13282*** provided for:

1. Increased basic pay rates,

2. No increase for members retired before January 1, 2003, and

3. No entitlement to pay computed on the January 1, 2003 basic pay rates for members who retired on January 1, 2003, and who were subject to the URDA, warrant officers, Fleet Reservists, and Fleet Marine Corps Reservists (December 31, 2002 transfers). For additional information about the URDA, see Chapter 1. Additionally, URDA is defined at paragraph 080213.

080411. COLA and Basic Pay Rates FY 2004

A. A COLA, effective December 1, 2003, provided:

1. For those who first became members of a Uniformed Service before September 8, 1980, the retired pay COLA is specified according to the effective date of the active-duty basic pay rate used to compute their retired pay as follows:

Retirement Effective	Percent Increase	10 U.S.C. Authority
Before January 1, 2003	2.1 percent	1401a(b)(2)
January 1, 2003	1.7 percent	1401a(c)

2. For those who first became members of a Uniformed Service on or after September 8, 1980, the retired pay COLA is specified according to the effective date of their retirement as follows:

Retirement Effective	Percent Increase	10 U.S.C. Authority
Before January 1, 2003	2.1 percent	1401a(b)(2)
January 1– March 31, 2003	1.7 percent	1401a(d)
April 1– June 30, 2003	0.7 percent	1401a(d)
July 1– September 30, 2003	0.4 percent	1401a(d)
October 1– December 31, 2003	0.0 percent	1401a(d)

B. For basic pay rates effective January 1, 2004, ***Public Law 108-136*** and ***Executive Order 13322*** provided for:

1. Increased basic pay rates,

2. No increase for members retired before January 1, 2004,

3. The added provision to ***10 U.S.C. § 1406*** that an individual who served as commander of a uniformed or combatant command will have retired pay computed using the rates of basic pay authorized for the Chairman/Vice Chairman of the Joint Chiefs of Staff and the Chiefs of Service, and

4. No entitlement to pay computed on the January 1, 2004 basic pay rates for members who retired on January 1, 2004, and who were subject to the URDA, warrant officers, Fleet Reservists, and Fleet Marine Corps Reservists (December 31, 2003 transfers). For additional information about the URDA, see Chapter 1. Additionally, URDA is defined at paragraph 080213.

080412. COLA and Basic Pay Rates FY 2005

A. A COLA, effective December 1, 2004, provided:

1. For those who first became members of a Uniformed Service before September 8, 1980, the retired pay COLA is specified according to the effective date of the active-duty basic pay rate used to compute their retired pay as follows:

Retirement Effective	Percent Increase	10 U.S.C. Authority
Before January 1, 2004	2.7 percent	1401a(b)(2)
January 1, 2004	2.7 percent	1401a(c)

2. For those who first became members of a Uniformed Service on or after September 8, 1980, the retired pay COLA is specified according to the effective date of their retirement as follows:

Retirement Effective	Percent Increase	10 U.S.C. Authority
Before January 1, 2004	2.7 percent	1401a(b)(2)
January 1– March 31, 2004	2.7 percent	1401a(d)
April 1– June 30, 2004	1.8 percent	1401a(d)
July 1– September 30, 2003	0.4 percent	1401a(d)
October 1– December 31, 2003	0.0 percent	1401a(d)
July 1– September 30, 2004	0.3 percent	1401a(d)
October 1– December 31, 2004	0.0 percent	1401a(d)

B. For basic pay rates effective January 1, 2005, ***Public Law 108-375*** and ***Executive Order 13368*** provided for:

1. Increased basic pay rates,

2. No increase for members retired before January 1, 2005, and

3. No entitlement to pay computed on the January 1, 2005 basic pay rates for members who retired on January 1, 2005, and who were subject to the URDA, warrant officers, Fleet Reservists, and Fleet Marine Corps Reservists (December 31, 2004 transfers). For additional information about the URDA, see Chapter 1. Additionally, URDA is defined at paragraph 080213.

0805 PROVISIONS OF PAY CHANGES, EXCEPTIONS, AND SPECIAL COMPUTATIONS STARTING DECEMBER 2005

080501. COLA and Basic Pay Rates FY 2006

A. A COLA, effective December 1, 2005, provided:

1. For those who first became members of a Uniformed Service before September 8, 1980, the retired pay COLA is specified according to the effective date of their retirement as follows:

Retirement Effective	Percent Increase	10 U.S.C. Authority
Before January 1, 2005	4.1 percent	1401a(b)(2)
January 1, 2005	3.4 percent	1401a(d)

2. For those who first became members of a Uniformed Service on or after September 8, 1980, the retired pay COLA is specified according to the effective date of their retirement as follows:

Retirement Effective	Percent Increase	10 U.S.C. Authority
Before January 1, 2005	4.1 percent	1401a(b)(2)
January 1 – March 31, 2005	3.4 percent	1401a(d)
April 1, 2005 – June 30, 2005	2.8 percent	1401a(d)
July 1 – September 30, 2005	1.4 percent	1401a(d)
October 1 – December 31, 2005	0.0 percent	1401a(d)

3. For those who first became members of the Uniformed Service on or after August 1, 1986, and who elected to receive a bonus under the provisions of ***37 U.S.C. § 322***, renumbered to ***37 U.S.C. § 354***, the retired pay COLA is specified according to their retirement as follows:

Retirement Effective	Percent Increase	10 U.S.C. Authority
Before January 1, 2005	3.1 percent	1401a(e)
January 1 – March 31, 2005	2.6 percent	1401a(e)
April – June 30, 2005	2.3 percent	1401a(e)
July 1 – September 30, 2005	1.1 percent	1401a(e)
October 1 – December 31, 2005	0.0 percent	1401a(e)

B. For basic pay rates effective January 1, 2006, ***Public Law 109-163*** and ***Executive Order 13393***, effective January 1, 2006, provided for:

1. Increase basic pay rates,

2. No increase for members retired before January 1, 2006, and

3. No entitlement to pay computed on the January 1, 2006 basic pay rates for members who retired on January 1, 2006, and who were subject to the URDA, warrant officers, Fleet Reservists, and Fleet Marine Corps Reservists (December 31, 2005 transfers). For additional information about the URDA, see Chapter 1. Additionally, URDA is defined at paragraph 080213.

080502. COLA and Basic Pay Rates FY 2007

A. A COLA, effective December 1, 2006, provided:

1. For those who first became members of a Uniformed Service before September 8, 1980, the retired pay COLA is specified according to the effective date of their retirement as follows:

Retirement Effective	Percent Increase	10 U.S.C. Authority
Before January 1, 2006	3.3 percent	1401a(b)(2)
January 1, 2006	2.8 percent	1401a(c)

2. For those who first became members of a Uniformed Service on or after September 8, 1980, the retired pay COLA is specified according to the effective date of their retirement as follows:

Retirement Effective	Percent Increase	10 U.S.C. Authority
Before January 1, 2006	0.3 percent	1401a(b)(2)
January 1, 2006 – March 31, 2006	2.8 percent	1401a(d)
April 1 – June 30, 2006	2.4 percent	1401a(d)
July 1 – September 30, 2006	0.6 percent	1401a(d)
October 1 – December 31, 2006	0.0 percent	1401a(d)

3. For those who first became members of the Uniformed Service on or after August 1, 1986, and who elected to receive a career status bonus under the provisions of 37 U.S.C. § 354, the retired pay COLA is specified according to their retirement as follows:

Retirement Effective	Percent Increase	10 U.S.C. Authority
Before January 1, 2006	2.3 percent	1401a(e)
January 1 – March 31, 2006	2.0 percent	1401a(e)
April 1 – June 30, 2006	1.9 percent	1401a(e)
July 1 – September 30, 2006	0.3 percent	1401a(e)
October 1 – December 31, 2006	0.0 percent	1401a(e)

B. For basic pay rates effective January 1, 2007, ***Public Law 109-364*** and ***Executive Order 13420*** provided for:

1. Increased basic pay rates,

2. No increase for members retired before January 1, 2007,

3. Increased targeted adjusted basic pay rates within each pay grade effective April 1, 2007,

4. Cumulative years of service pay rates expanded to over 40 years of service, and

5. No entitlement to pay computed on the January 1, 2007 basic pay rates for members who retired on January 1, 2007, and who were subject to the URDA, warrant officers, Fleet Reservists, and Fleet Marine Corps Reservists (December 31, 2006 transfers). For additional information about the URDA, see Chapter 1. Additionally, URDA is defined at paragraph 080213.

C. Public Law 109-364 provides the following changes in retirement computation:

1. The retired pay base for officers in pay grades O-7 through O-10 who retired after September 30, 2006 will have their retired pay computed using the rate of basic pay for such period provided by law rather than the rate capped at Level II of the Executive Schedule;

2. The removal of the 75 percent maximum cap for the retired pay multiplier under ***10 U.S.C. § 1409*** if the member retires after December 31, 2006 with more than 30 years of creditable service; and

3. The additional longevity pay increases for senior grades above 28 years of service, resulting in increased retired pay for future senior members retiring with over 30 years of creditable service.

080503. COLA and Basic Pay Rates FY 2008

A. A COLA, effective December 1, 2007, provided:

1. For those who first became members of a Uniformed Service before September 8, 1980, the retired pay COLA is specified according to the effective date of their retirement as follows:

Retirement Effective	Percent Increase	10 U.S.C. Authority
Before January 1, 2007	2.3 percent	1401a(b)(2)
January 1 – April 1, 2007	2.3 percent	1401a(c)

2. For those who first became members of a Uniformed Service on or after September 8, 1980, the retired pay COLA is specified according to the effective date of their retirement as follows:

Retirement Effective	Percent Increase	10 U.S.C. Authority
Before January 1, 2007	2.3 percent	1401a(b)(2)
January 1, 2007 – March 31, 2007	2.3 percent	1401a(d)
April 1, 2007 – June 30, 2007	2.3 percent	1401a(d)
July 1, 2007 – September 30, 2007	0.2 percent	1401a(d)
October 1 – December 31, 2007	0.0 percent	1401a(d)

3. For those who first became members of the Uniformed Service on or after August 1, 1986, and who elected to receive a career status bonus under the provisions of 37 U.S.C. § 354, the retired pay COLA is specified according to their retirement as follows:

Retirement Effective	Percent Increase	10 U.S.C. Authority
Before January 1, 2007	1.3 percent	1401a(e)
January 1, 2007 – March 31, 2007	1.3 percent	1401a(e)
April 1, 2007 – June 30, 2007	1.3 percent	1401a(e)
July 1, 2007 – September 30, 2007	0.0 percent	1401a(e)
October 1, 2007 – December 31, 2007	0.0 percent	1401a(e)

B. For basic pay rates effective January 1, 2008, ***Public Law 110-181*** and ***Executive Order 13454*** provided for:

1. Increased basic pay rates,

2. No increase for members retired before January 1, 2008, and

3. No entitlement to pay computed on the January 1, 2008 basic pay rates for members who retired on January 1, 2008, and who were subject to the URDA, warrant officers, Fleet Reservists, and Fleet Marine Corps Reservists (December 31, 2007 transfers). For additional information about the URDA, see Chapter 1. Additionally, URDA is defined at paragraph 080213.

080504. COLA and Basic Pay Rates FY 2009

A. A COLA, effective December 1, 2008, provided:

1. For those who first became members of a Uniformed Service before September 8, 1980, the retired pay COLA is specified according to the effective date of their retirement as follows:

Retirement Effective	Percent Increase	10 U.S.C. Authority
Before January 1, 2008	5.8 percent	1401a(b)(2)
January 1– December 31, 2008	5.0 percent	1401a(c)

2. For those who first became members of a Uniformed Service on or after September 8, 1980, the retired pay COLA is specified according to the effective date of their retirement as follows:

Retirement Effective	Percent Increase	10 U.S.C. Authority
Before January 1, 2008	5.8 percent	1401a(b)(2)
January 1 – March 31, 2008	5.0 percent	1401a(d)
April 1 – June 30, 2008	3.8 percent	1401a(d)
July 1 – September 30, 2008	1.2 percent	1401a(d)
October 1 – December 31, 2008	0.0 percent	1401a(d)

3. For those who first became members of the Uniformed Service on or after August 1, 1986, and who elected to receive a career status bonus under the provisions of 37 U.S.C. § 354, the retired pay COLA is specified according to their retirement as follows:

Retirement Effective	Percent Increase	10 U.S.C. Authority
Before January 1, 2008	4.8 percent	1401a(e)
January 1 – March 31, 2008	4.2 percent	1401a(e)
April 1 – June 30, 2008	3.3 percent	1401a(e)
July 1 – September 30, 2008	1.0 percent	1401a(e)
October 1 – December 31, 2008	0.0 percent	1401a(e)

B. For basic pay rates effective January 1, 2009, ***Public Law 110-417*** and ***Executive Order 13483*** provided for:

1. Increased basic pay rates,

2. No increase for members retired before January 1, 2009, and

3. No entitlement to pay computed on the January 1, 2009 basic pay rates for members who retired on January 1, 2009, and who were subject to the URDA, warrant officers, Fleet Reservists, and Fleet Marine Corps Reservists (December 31, 2008 transfers). For additional information about the URDA, see Chapter 1. Additionally, URDA is defined at paragraph 080213.

080505. COLA and Basic Pay Rates FY 2010

A. A COLA, effective December 1, 2009, provided:

1. For those who first became members of a Uniformed Service before September 8, 1980, the retired pay COLA is specified according to the effective date of their retirement as follows:

Retirement Effective	Percent Increase	10 U.S.C. Authority
Before January 1, 2009	0.0 percent	1401a(b)(2)
January 1 – December, 2009	0.0 percent	1401a(c) & 1401a(f)

2. For those who first became members of a Uniformed Service on or after September 8, 1980, the retired pay COLA is specified according to the effective date of their retirement as follows:

Retirement Effective	Percent Increase	10 U.S.C. Authority
Before January 1, 2009	0.0 percent	1401a(b)(2)
January 1 – March 31, 2009	0.0 percent	1401a(d) & 1401a(f)
April 1 – June 30, 2009	0.0 percent	1401a(d) & 1401a(f)
July 1 – September 30, 2009	0.0 percent	1401a(d) & 1401a(f)
October 1 – December 31, 2009	0.0 percent	1401a(d) & 1401a(f)

3. For those who first became members of the Uniformed Service on or after August 1, 1986, and who elected to receive a career status bonus under the provisions of 37 U.S.C. § 354, the retired pay COLA is specified according to their retirement as follows:

Retirement Effective	Percent Increase	10 U.S.C. Authority
Before January 1, 2009	0.0 percent	1401a(e)
January 1 – March 31, 2009	0.0 percent	1401a(e) & 1401a(f)
April 1 – June 30, 2009	0.0 percent	1401a(e) & 1401a(f)
July 1 – September 30, 2009	0.0 percent	1401a(e) & 1401a(f)
October 1– December 31, 2009	0.0 percent	1401a(e) & 1401a(f)

B. For basic pay rates effective January 1, 2010, ***Public Law 111-84*** and ***Executive Order 13525*** provided for:

1. Increased basic pay rates,

2. No increase for members retired before January1, 2010, and

3. No entitlement to pay computed on the January 1, 2010 basic pay rates for members who retired on January 1, 2010, and who were subject to the URDA, warrant officers, Fleet Reservists, and Fleet Marine Corps Reservists (December 31, 2009 transfers). For additional information about the URDA, see Chapter 1. Additionally, URDA is defined at paragraph 080213.

080506. COLA and Basic Pay Rates FY 2011

A. A COLA, effective December 1, 2010, provided:

1. For those who first became members of a Uniformed Service before September 8, 1980, the retired pay COLA is specified according to the effective date of their retirement as follows:

Retirement Effective	Percent Increase	10 U.S.C. Authority
Before January 1, 2010	0.0 percent	1401a(b)(2)
January 1 – December 31, 2010	0.0 percent	1401a(c) & 1401a(f)

2. For those who first became members of a Uniformed Service on or after September 8, 1980, the retired pay COLA is specified according to the effective date of their retirement as follows:

Retirement Effective	Percent Increase	10 U.S.C. Authority
Before January 1, 2010	0.0 percent	1401a(b)(2)
January 1 – March 31, 2010	0.0 percent	1401a(d) & 1401a(f)
April 1 – June 30, 2010	0.0 percent	1401a(d) & 1401a(f)
July 1 – September 30, 2010	0.0 percent	1401a(d) & 1401a(f)
October 1 – December 31, 2010	0.0 percent	1401a(d) & 1401a(f)

3. For those who first became members of the Uniformed Service on or after August 1, 1986, and also elected to receive a career status bonus under the provisions of 37 U.S.C. § 354, the retired pay COLA is specified according to the date of their retirement, as follows:

Retirement Effective	Percent Increase	10 U.S.C. Authority
Before January 1, 2010	0.0 percent	1401a(e)
January 1 – March 31, 2010	0.0 percent	1401a(e) & 1401a(f)
April 1 – June 30, 2010	0.0 percent	1401a(e) & 1401a(f)
July 1 – September 30, 2010	0.0 percent	1401a(e) & 1401a(f)
October 1 – December 31, 2010	0.0 percent	1401a(e) & 1401a(f)

B. For basic pay rates effective January 1, 2011, ***Executive Order 13561*** provided for:

1. Increased basic pay rates,

2. No increase for members retired before January 1, 2011, and

3. No entitlement to pay computed on the January 1, 2011 basic pay rates for members who retired on January 1, 2011, and who were subject to the URDA, warrant officers, Fleet Reservists, and Fleet Marine Corps Reservists (December 31, 2010 transfers). For additional information about the URDA, see Chapter 1. Additionally, URDA is defined at paragraph 080213.

080507. Removal of the 75 Percent Cap Subject to Provision

A member who retired, or became entitled to retired pay, due to physical disability on or before January 7, 2011, may not have a retired pay multiplier in excess of 75 percent. Under Public Law 111-383, a member with more than 30 years of creditable service who first becomes entitled to retired pay due to physical disability, on or after January 8, 2011, will not have their multiplier reduced if it is in excess of 75 percent.

080508. COLA and Basic Pay Rates FY 2012

A. A COLA, effective December 1, 2011, provided:

1. For those who first became members of a Uniformed Service before September 8, 1980, the retired pay COLA is specified according to the effective date of their retirement as follows:

Retirement Effective	Percent Increase	10 U.S.C. Authority
Before January 1, 2011	3.6 percent	1401a(b)(2)
January 1 – December 31, 2011	3.6 percent	1401a(c)

2. For those who first became members of a Uniformed Service on or after September 8, 1980, the retired pay COLA is specified according to the effective date of their retirement as follows:

Retirement Effective	Percent Increase	10 U.S.C. Authority
Before January 1, 2011	3.6 percent	1401a(b)(2)
January 1 – March 31, 2011	3.6 percent	1401a(d)
April 1 – June 30, 2011	2.4 percent	1401a(d)
July 1 – September 30, 2011	0.4 percent	1401a(d)
October 1 – December 31, 2011	0.0 percent	1401a(d)

3. For those who first became members of the Uniformed Service on or after August 1, 1986, and also elected to receive a career status bonus under the provisions of 37 U.S.C. § 354, the retired pay COLA is specified according to the date of their retirement, as follows:

Retirement Effective	Percent Increase	10 U.S.C. Authority
Before January 1, 2011	2.6 percent	1401a(e)
January 1 – March 31, 2011	2.6 percent	1401a(e)
April 1 – June 30, 2011	1.9 percent	1401a(e)
July 1 – September 30, 2011	0.1 percent	1401a(e)
October 1 – December 31, 2011	0.0 percent	1401a(e)

B. For basic pay rates effective January 1, 2012, ***Executive Order 13594*** provided for:

1. Increased basic pay rates,

2. No increase for members retired before January 1, 2012, and

3. No entitlement to pay computed on the January 1, 2012 basic pay rates for members who retired on January 1, 2012, and who were subject to the URDA, warrant officers, Fleet Reservists, and Fleet Marine Corps Reservists (December 31, 2011 transfers). For

additional information about the URDA, see Chapter 1. Additionally, URDA is defined at paragraph 080213.

NOTE: Members retiring in 2012 may be entitled to more retired pay using the 2011 pay rates increased by a partial COLA, instead of using the increased pay rates with more service credit. Under 10 U.S.C. § 1401a(f)(1), inversions to retired pay entitlements are prevented by allowing computation of retired pay based on retirement at an earlier date. In such computations, the grade and service credit must be those applicable on the earlier date being used. Also, the retiree must meet the retirement eligibility requirements as of the earlier date.

080509. COLA and Basic Pay Rates FY 2013

A. A COLA, effective December 1, 2012, provided:

1. For those who first became members of a Uniformed Service before September 8, 1980, the retired pay COLA is specified according to the effective date of their retirement as follows:

Retirement Effective	Percent Increase	10 U.S.C. Authority
Before January 1, 2012	1.7 percent	1401a(b)(2)
January 1 – December 31, 2012	1.7 percent	1401a(c)

2. For those who first became members of a Uniformed Service on or after September 8, 1980, the retired pay COLA is specified according to the effective date of their retirement as follows:

Retirement Effective	Percent Increase	10 U.S.C. Authority
Before January 1, 2012	1.7 percent	1401a(b)(2)
January 1 – March 31, 2012	1.7 percent	1401a(d)
April 1 – June 30, 2012	1.0 percent	1401a(d)
July 1 – September 30, 2012	0.2 percent	1401a(d)
October 1 – December 31, 2012	0.0 percent	1401a(d)

3. For those who first became members of the Uniformed Service on or after August 1, 1986, and also elected to receive a career status bonus under the provisions of 37 U.S.C. § 354, the retired pay COLA is specified according to the date of their retirement, as follows:

Retirement Effective	Percent Increase	10 U.S.C. Authority
Before January 1, 2012	0.7 percent	1401a(e)
January 1 – March 31, 2012	0.7 percent	1401a(e)
April 1 – June 30, 2012	0.5 percent	1401a(e)
July 1 – September 30, 2012	0.0 percent	1401a(e)
October 1 – December 31, 2012	0.0 percent	1401a(e)

B. For basic pay rates effective January 1, 2013, ***Executive Order 13641*** provided for:

1. Increased basic pay rates,

2. No increase for members retired before January 1, 2013, and

3. No entitlement to pay computed on the January 1, 2013 basic pay rates for members who retired on January 1, 2013, and who were:

a. Warrant officers,

b. Fleet Reservists, and Fleet Marine Corps Reservists (December 31, 2012 transfers), or

c. Subject to the URDA. For additional information about the URDA, see Chapter 1. Additionally, URDA is defined at paragraph 080213.

080510. COLA and Basic Pay Rates FY 2014

A. A COLA, effective December 1, 2013, provided:

1. For those who first became members of a Uniformed Service before September 8, 1980, the retired pay COLA is specified according to the effective date of their retirement as follows:

Retirement Effective	Percent Increase	10 U.S.C. Authority
Before January 1, 2013	1.5 percent	1401a(b)(2)
January 1 – December 31, 2013	1.5 percent	1401a(c)

2. For those who first became members of a Uniformed Service on or after September 8, 1980, the retired pay COLA is specified according to the effective date of their retirement as follows:

Retirement Effective	Percent Increase	10 U.S.C. Authority
Before January 1, 2013	1.5 percent	1401a(b)(2)
January 1 – March 31, 2013	1.5 percent	1401a(d)
April 1 – June 30, 2013	0.9 percent	1401a(d)
July 1 – September 30, 2013	0.4 percent	1401a(d)
October 1 – December 31, 2013	0.0 percent	1401a(d)

3. For those who first became members of the Uniformed Service on or after August 1, 1986, and also elected to receive a career status bonus under the provisions of 37 U.S.C. § 322 (renumbered 37 U.S.C. § 354), the retired pay COLA is specified according to the date of their retirement, as follows:

Retirement Effective	Percent Increase	10 U.S.C. Authority
Before January 1, 2013	0.5 percent	1401a(e)
January 1 – March 31, 2013	0.5 percent	1401a(e)
April 1 – June 30, 2013	0.4 percent	1401a(e)
July 1 – September 30, 2013	0.0 percent	1401a(e)
October 1 – December 31, 2013	0.0 percent	1401a(e)

B. For basic pay rates effective January 1, 2014, ***Executive Order 13655*** provided for:

1. Increased basic pay rates,

2. No increase for members retired before January 1, 2014, and

3. No entitlement to pay computed on the January 1, 2014 basic pay rates for members who retired on January 1, 2014, and who were:

a. Warrant officers,

b. Fleet Reservists, and Fleet Marine Corps Reservists (December 31, 2013 transfers), or

c. Subject to the URDA. For additional information about the URDA, see Chapter 1. Additionally, URDA is defined at paragraph 080213.

080511. COLA and Basic Pay Rates FY 2015

A. A COLA, effective December 1, 2014, provided:

1. For those who first became members of a Uniformed Service before September 8, 1980, the retired pay COLA is specified according to the effective date of their retirement as follows:

Retirement Effective	Percent Increase	10 U.S.C. Authority
Before January 1, 2014	1.7 percent	1401a(b)(2)
January 1 – December 31, 2014	1.7 percent	1401a(c)

2. For those who first became members of a Uniformed Service on or after September 8, 1980, the retired pay COLA is specified according to the effective date of their retirement as follows:

Retirement Effective	Percent Increase	10 U.S.C. Authority
Before January 1, 2014	1.7 percent	1401a(b)(2)
January 1 – March 31, 2014	1.7 percent	1401a(d)
April 1 – June 30, 2014	1.3 percent	1401a(d)
July 1 – September 30, 2014	0.1 percent	1401a(d)
October 1 – December 31, 2014	0.0 percent	1401a(d)

3. For those who first became members of the Uniformed Service on or after August 1, 1986, and also elected to receive a career status bonus under the provisions of 37 U.S.C. § 354, the retired pay COLA is specified according to the date of their retirement, as follows:

Retirement Effective	Percent Increase	10 U.S.C. Authority
Before January 1, 2014	0.7 percent	1401a(e)
January 1 – March 31, 2014	0.7 percent	1401a(e)
April 1 – June 30, 2014	0.7 percent	1401a(e)
July 1 – September 30, 2014	0.0 percent	1401a(e)
October 1 – December 31, 2014	0.0 percent	1401a(e)

B. For basic pay rates effective January 1, 2015, ***Executive Order 13686*** provided for:

1. Increased basic pay rates,

2. No increase for members retired before January 1, 2015, and

3. No entitlement to pay computed on the January 1, 2015 basic pay rates for members who retired on January 1, 2015, and who were:

a. Warrant officers,

b. Fleet Reservists, and Fleet Marine Corps Reservists (December 31, 2014 transfers), or

c. Subject to the URDA. For additional information about the URDA, see Chapter 1. Additionally, URDA is defined at paragraph 080213.

080512. COLA and Basic Pay Rates FY 2016

A. A COLA, effective December 1, 2015, provided:

1. Retired pay COLA for those who first became members of a Uniformed Service before September 8, 1980 is specified according to the effective date of their retirement as follows:

Retirement Effective	Percent Increase	10 U.S.C. Authority
Before January 1, 2015	0.0 percent	1401a(b)(2)
January 1 – December 31, 2015	0.0 percent	1401a(c) & 1401a(f)

2. For those who first became members of a Uniformed Service on or after September 8, 1980, the retired pay COLA is set out according to the effective date of their retirement as follows:

Retirement Effective	Percent Increase	10 U.S.C. Authority
Before January 1, 2015	0.0 percent	1401a(b)(2)
January 1 – March 31, 2015	0.0 percent	1401a(d) & 1401a(f)
April 1 – June 30, 2015	0.0 percent	1401a(d) & 1401a(f)
July 1 – September 30, 2015	0.0 percent	1401a(d) & 1401a(f)
October 1 – December 31, 2015	0.0 percent	1401a(d) & 1401a(f)

3. The retired pay COLA for those who first became members of the Uniformed Service on or after August 1, 1986, and also elected to receive a career status bonus under the provisions of 37 U.S.C. § 354 is specified according to the date of their retirement, as follows:

Retirement Effective	Percent Increase	10 U.S.C. Authority
Before January 1, 2015	0.0 percent	1401a(e)
January 1 – March 31, 2015	0.0 percent	1401a(e) & 1401a(f)
April 1 – June 30, 2015	0.0 percent	1401a(e) & 1401a(f)
July 1 – September 30, 2015	0.0 percent	1401a(e) & 1401a(f)
October 1 – December 31, 2015	0.0 percent	1401a(e) & 1401a(f)

B. For basic pay rates effective January 1, 2016, ***Executive Order 13715*** provided for:

1. Increased basic pay rates,

2. No increase for members retired before January 1, 2016, and

3. No entitlement to pay computed on the January 1, 2016 basic pay rates for members who retired on January 1, 2016, and who were:

a. Warrant officers,

b. Fleet Reservists, and Fleet Marine Corps Reservists (December 31, 2015 transfers), or

c. Subject to the URDA. For additional information about the URDA, see Chapter 1. Additionally, URDA is defined at paragraph 080213.

*080513. COLA and Basic Pay Rates FY 2017

* A. A COLA, effective December 1, 2016, provided:

1. For those who first became members of a Uniformed Service before September 8, 1980, the retired pay COLA is specified according to the effective date of their retirement as follows:

Retirement Effective	Percent Increase	10 U.S.C. Authority
Before January 1, 2016	0.3 percent	1401a(b)(2)
January 1 – December 31, 2016	0.3 percent	1401a(c)

2. For those who first became members of a Uniformed Service on or after September 8, 1980, the retired pay COLA is specified according to the effective date of their retirement as follows:

Retirement Effective	Percent Increase	10 U.S.C. Authority
Before January 1, 2016	0.3 percent	1401a(b)(2)
January 1 – March 31, 2016	0.3 percent	1401a(d)
April 1 – June 30, 2016	0.3 percent	1401a(d)
July 1 – September 30, 2016	0.3 percent	1401a(d)
October 1 – December 31, 2016	0.0 percent	1401a(d)

3. For those who first became members of the Uniformed Service on or after August 1, 1986, and also elected to receive a career status bonus under the provisions of 37 U.S.C. § 354, the retired pay COLA is specified according to the date of their retirement, as follows:

Retirement Effective	Percent Increase	10 U.S.C. Authority
Before January 1, 2016	0.3 percent	1401a(e)
January 1 – March 31, 2016	0.3 percent	1401a(e) & 1401a(f)
April 1 – June 30, 2016	0.3 percent	1401a(e) & 1401a(f)
July 1 – September 30, 2016	0.0 percent	1401a(e)
October 1 – December 31, 2016	0.0 percent	1401a(e)

* B. For basic pay rates effective January 1, 2017, ***Executive Order 13756*** provided for:

1. Increased basic pay rates,

2. No increase for members retired before January 1, 2017, and

3. No entitlement to pay computed on the January 1, 2017 basic pay rates for members who retired on January 1, 2017, and who were:

a. Warrant officers,

b. Fleet Reservists, and Fleet Marine Corps Reservists (December 31, 2016 transfers), or

c. Subject to the URDA. For additional information about the URDA, see Chapter 1. Additionally, URDA is defined at paragraph 080213.

*Table 8-1. Full COLA Percentage Table

No.	Date of COLA	Percent
1	Sep 1, 1965	4.4
2	Dec 1, 1966	3.7
3	Apr 1, 1968	3.9
4	Feb 1, 1969	4.0
5	Nov 1, 1969	4.3
6	Aug 1, 1970	5.6
7	Jun 1, 1971	4.5
8	Jul 1, 1972	4.8
9	Jul 1, 1973	6.1
10	Jan 1, 1974	5.5
11	Jul 1, 1974	6.3
12	Jan 1, 1975	7.3
13	Aug 1, 1975	5.1
14	Mar 1, 1976	5.4
15	Mar 1, 1977	4.8
16	Sep 1, 1977	4.3
17	Mar 1, 1978	2.4
18	Sep 1, 1978	4.9
19	Mar 1, 1979	3.9
20	Sep 1, 1979	6.9
21	Mar 1, 1980	6.0
22	Sep 1, 1980	7.7
23	Mar 1, 1981	4.4
24	Mar 1, 1982	8.7
25	Apr 1, 1983 (note 1)	3.3
		3.9
26	Dec 1, 1984	3.5
27	Dec 1, 1986	1.3
28	Dec 1, 1987	4.2 Pre-Aug 86 Member 3.2 Post-Aug 86 Member
29	Dec 1, 1988	4.0 Pre-Aug 86 Member 3.0 Post-Aug 86 Member
30	Dec 1, 1989	4.7 Pre-Aug 86 Member 3.7 Post-Aug 86 Member
31	Dec 1, 1990	5.4 Pre-Aug 86 Member 4.4 Post-Aug 86 Member
32	Dec 1, 1991	3.7 Pre-Aug 86 Member 2.7 Post-Aug 86 Member

Table 8-1. Full COLA Percentage Table (Continued)

No.	Date of COLA	Percent
33	Dec 1, 1992	3.0 Pre-Aug 86 Member 2.0 Post-Aug 86 Member
34	Dec 1, 1993 (note 2)	2.6 Pre-Aug 86 Member 1.6 Post-Aug 86 Member
35	Dec 1, 1994 (note 2)	2.8 Pre-Aug 86 Member 1.8 Post-Aug 86 Member
36	Dec 1, 1995 (note 2)	2.6 Pre-Aug 86 Member 1.6 Post-Aug 86 Member
37	Dec 1, 1996	2.9 Pre-Aug 86 Member 1.9 Post-Aug 86 Member
38	Dec 1, 1997	2.1 Pre-Aug 86 Member 1.1 Post-Aug 86 Member
39	Dec 1, 1998	1.3 Pre-Aug 86 Member 0.3 Post-Aug 86 Member
40	Dec 1, 1999 (note 3)	2.4 Pre-Aug 86 Member 2.4 Post-Aug 86 Member w/o Career Status Bonus (CSB) 1.4 Post-Aug 86 Member w/CSB
41	Dec 1, 2000 (note 3)	3.5 Pre-Aug 86 Member 3.5 Post-Aug 86 Member w/o CSB 2.5 Post-Aug 86 Member w/CSB
42	Dec 1, 2001 (note 3)	2.6 Pre-Aug 86 Member 2.6 Post-Aug 86 Member w/o CSB 1.6 Post-Aug 86 Member w/CSB
43	Dec 1, 2002 (note 3)	1.4 Pre-Aug 86 Member 1.4 Post-Aug 86 Member w/o CSB 0.4 Post-Aug 86 Member w/CSB
44	Dec 1, 2003 (note 3)	2.1 Pre-Aug 86 Member 2.1 Post-Aug 86 Member w/o CSB 1.1 Post-Aug 86 Member w/CSB
45	Dec 1, 2004 (note 3)	2.7 Pre-Aug 86 Member 2.7 Post-Aug 86 Member w/o CSB 1.7 Post-Aug 86 Member w/CSB
46	Dec 1, 2005 (note 3)	4.1 Pre-Aug 86 Member 4.1 Post-Aug 86 Member w/o CSB 3.1 Post-Aug 86 Member w/CSB
47	Dec 1, 2006 (note 3)	3.3 Pre-Aug 86 Member 3.3 Post-Aug 86 Member w/o CSB 2.3 Post-Aug 86 Member w/CSB

Table 8-1. Full COLA Percentage Table (Continued)

No.	Date of COLA	Percent
48	Dec 1, 2007 (note 3)	2.3 Pre-Aug 86 Member 2.3 Post-Aug 86 Member w/o CSB 1.3 Post-Aug 86 Member w/CSB
49	Dec 1, 2008 (note 3)	5.8 Pre-Aug 86 Member 5.8 Post-Aug 86 Member w/o CSB 4.8 Post-Aug 86 Member w/CSB
50	Dec 1, 2009 (note 3)	0.0 Pre-Aug 86 Member 0.0 Post-Aug 86 Member w/o CSB 0.0 Post-Aug 86 Member w/CSB
51	Dec 1, 2010 (note 3)	0.0 Pre-Aug 86 Member 0.0 Post-Aug 86 Member w/o CSB 0.0 Post-Aug 86 Member w/CSB
52	Dec. 1, 2011 (note 3)	3.6 Pre-Aug 86 Member 3.6 Post-Aug 86 Member w/o CSB 2.6 Post-Aug 86 Member w/CSB
53	Dec. 1, 2012 (note 3)	1.7 Pre-Aug 86 Member 1.7 Post-Aug 86 Member w/o CSB 0.7 Post-Aug 86 Member w/CSB
54	Dec. 1, 2013 (note 3)	1.5 Pre-Aug 86 Member 1.5 Post-Aug 86 Member w/o CSB 0.5 Post-Aug 86 Member w/CSB
55	Dec. 1, 2014 (note 3)	1.7 Pre-Aug 86 Member 1.7 Post-Aug 86 Member w/o CSB 0.7 Post-Aug 86 Member w/CSB
56	Dec. 1, 2015 (note 3)	0.0 Pre-Aug 86 Member 0.0 Post-Aug 86 Member w/o CSB 0.0 Post-Aug 86 Member w/CSB
***57**	Dec. 1, 2016 (note 3)	0.3 Pre-Aug 86 Member 0.3 Post-Aug 86 Member w/o CSB 0.3 Post-Aug 86 Member w/CSB

NOTES:

1. A COLA, effective April 1, 1983, provided for: (a) a 3.3 percent or 3.9 percent adjustment for members whose pay was computed on basic pay rates in effect before October 1, 1982. Members who are age 62 or older on March 1, 1983, or who retired by reason of physical disability under ***10 U.S.C., Chapter 61***, were entitled to a 3.9 percent increase. Members under age 62 on March 1, 1983 were entitled to a 3.3 percent increase. (b) No entitlement to a partial COLA on April 1, 1983 for members whose pay was computed on the basic pay rates effective October 1, 1982 (The CPI declined from 292.8 in September 1982 to 290.0 in December 1982).

2. See the associated COLA paragraph in section 0804 to determine whether member's COLA is delayed.

3. Separate retired pay COLA is applicable for those who first became members of a Uniformed Service on or after August 1, 1986, who elected to receive a CSB, Volume 7A, Chapter 66.

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080102	Public Law 96-342, September 8, 1980

0802 – DEFINITIONS

080203	53 Comptroller General (Comp Gen) 698
080210	10 U.S.C. § 1401a(h)
080213	Public Law 96-342, September 8, 1980
080215	5 U.S.C. § 8301

0803 – MAJOR CHANGES IN THE USE OF BASIC PAY RATES AND CONDITIONS APPLICABLE TO COMPUTATION OF RETIRED PAY

080305	Public Law 103-337, section 633, October 5, 1994 Public Law 113-66, section 631, December 26, 2013 10 U.S.C. § 1401a(f)
080306	Public Law 96-342, September 8, 1980

0804 – PROVISIONS OF PAY CHANGES, EXCEPTIONS, AND SPECIAL COMPUTATIONS PRIOR TO DECEMBER 1, 2005

080407	Office of the Secretary of Defense (OSD) (Force Management Policy (FMP)) (Comptroller (Comp)) Memo, December 10, 1999
080407.B	Executive Order 13144, December 21, 1999
080408.A	OSD (FMP) (Military Personnel Policy (MPP)) (Comp) Memo, November 9, 2000
080408.B	Executive Order 13182, December 23, 2000
080409.A	OSD (FMP) (MPP) (Comp) Memo, December 20, 2001
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	080501	Office of the Under Secretary of Defense (OUSD) (Personnel and Readiness (P&R)) Memo, November 28, 2005
	080502	OUSD (P&R) Memo, November 8, 2006
	080502.B	37 U.S.C. § 1009
	080502.C	10 U.S.C. § 1407a 37 U.S.C. § 1009
	080503.A	OUSD (P&R) Memo, November 9, 2007
	080503.B	37 U.S.C. § 1009
	080503.C.2	10 U.S.C. § 1409
	080504.A	OUSD (P&R) Memo, October 29, 2008
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	080505	37 U.S.C. § 1009 OUSD (P&R) Memo, November 17, 2009
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	080510.A	OASD (M&RA) Memo, November 14, 2013 OASD (M&RA) Memo, November 13, 2014
	080510.B	Executive Order 13655, December 23, 2013
	080511.A	OASD (M&RA) Memo, November 13, 2014
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*	080513.A	OASD (M&RA) Memo, November 21, 2016
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VOLUME 7B, CHAPTER 9: "ADVANCEMENTS ON RETIRED LIST"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated February 2015 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated formatting to comply with current administrative instructions.	Revision
090101	Added an "Overview" paragraph.	Addition
090103	Added an "Authoritative Guidance" paragraph.	Addition

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CHAPTER 9

ADVANCEMENTS ON RETIRED LIST

0901 GENERAL

*090101. Overview

Enlisted Service members and warrant officers who held a higher grade than their retired grade can be advanced on the retired list. ***Title 10, United States Code (U.S.C.), section 3964*** entitles certain retired members who retired with less than 30 years of active service to be advanced to the highest grade satisfactorily held when their active service plus service on the retired list totals 30 years.

090102. Purpose

This chapter provides an overview of the requirements for advancements on the retired list of:

A. Retired members;

B. Fleet Reservists, and Fleet Marine Corps Reservists, who are retired and whose active service, inactive service (Navy or Marine Corps members only), and service on the retired list or in the Fleet Reserve or Fleet Marine Corps Reserve totals 30 years; and

C. Members who are found not physically qualified for retention in the Fleet Reserve or Fleet Marine Corps Reserve.

*090103. Authoritative Guidance

The bibliography at the end of this chapter lists the authoritative references.

0902 RETIREMENT GRADE AND PLACEMENT

090201. Retired from Active Service

Chapter 1 covers members retired from active service in:

A. A higher grade because of serving on active duty in special positions;

B. The highest grade or rating held while serving on active duty; and

C. The grade to which members would have been promoted had it not been for the physical disability for which retired and which was found to exist as a result of physical examination for promotion.

090202. Grade at Placement on the Retired List

Chapter 1 provides guidance for members retired from active service in a higher grade at the time of initial placement on the retired list.

0903 ADVANCEMENTS

090301. Air Force

A member of the Air Force who retires with less than 30 years of active service is entitled, when his active service plus his service on the retired list totals 30 years, to be advanced on the retired list to the highest grade in which the member served satisfactorily (or in the case of the National Guard, in which he served on full-time duty satisfactorily), as determined by the Secretary of the Air Force. This applies to:

A. Warrant officers of the Air Force;

B. Enlisted members of the Air Force; and

C. Reserve enlisted members of the Air Force who, at the time of retirement, are serving on active duty (or, in the case of members of the National Guard, on full-time duty).

090302. Army

A. A member of the Army who retires with less than 30 years of service is entitled, when his active service plus service on the retired list totals 30 years, to be advanced on the retired list to the highest grade served on active duty satisfactorily, as determined by the Secretary of the Army.

B. The Army Grade Determination Review Board (AGDRB) will convene prior to a current active duty member's retirement and make a determination of the highest grade served on active duty satisfactorily, unless a reduction in grade was the result of misconduct, inefficiency or for cause.

C. Members who retired prior to July 12, 2002, without a grade determination review by the AGDRB, must apply to the AGDRB to initiate the grade determination process. Advancements will not occur until the member reaches the 30 year mark, in accordance with ***Army Regulation 15-80***. If an application is submitted after the 30 year mark, then the effective date of advancement and pay is retroactive to the date of the application to the AGDRB. This applies to:

1. Warrant officers of the Army;

2. Enlisted members of the Regular Army; and

3. Reserve enlisted members of the Army, who at the time of retirement, were serving on active duty (or, in the case of members of the National Guard, on full-time duty).

090303. Navy and Marine Corps

A. A member of the naval service who retires with less than 30 years of active service, or who is transferred to the Fleet Reserve or Fleet Marine Corps Reserve, is entitled when:

1. The member's active service plus their service on the retired list; or

2. The member's service in the Fleet Reserve or the Fleet Marine Corps Reserve totals 30 years, to be advanced on the retired list to the highest grade in which the member served on active duty satisfactorily, as determined by the Secretary of the Navy.

B. This applies to:

1. Warrant officers of the naval service;

2. Enlisted members of the Regular Navy and Regular Marine Corps; and

3. Reserve enlisted members of the Navy and Marine Corps who, at the time of retirement or transfer to Fleet Reserve or Fleet Marine Corps Reserve, are serving on active duty.

C. When a member of the Fleet Reserve or Fleet Marine Corps Reserve has completed 30 years of service, or when the member is found not physically qualified for retention in the Fleet Reserve or Fleet Marine Corps Reserve, as a result of the required quadrennial (every 4 years) physical examination, the member is transferred to the retired list.

0904 EFFECTS ON PAY

090401. Reduction in Pay Due to Advancement

There is no absolute requirement that a member of the Armed Forces be advanced on the retired list. If advancement and recomputation results in a reduction of retired pay for the member and is based solely on administrative determination, then, prior to the advancement, the member should be consulted by the military service and advised that the member's retired pay would be reduced if advanced.

A. If an enlisted member is advanced on the retired list, the retired pay must be recomputed even though a reduction of retired pay would result.

B. Warrant officers advanced on the retired list are entitled to use only years of active service in determining the percentage multiplier used in computing retired pay for the advanced grade.

090402. Computation of Retired Pay

Retired pay may be computed at the higher grade in which a member had served satisfactorily without regard to whether the higher grade was temporary or permanent, even though the Military Service in which the member held the higher grade is not the Military Service from which the member retired. Where required by statute, the Secretary of the Military Department (or designee) in which the member performed service at the higher grade must provide an administrative approval confirming the member's satisfactory performance at the higher grade.

090403. Extraordinary Heroism

An enlisted member, who when retired or transferred, was awarded a 10 percent increase in retired pay because of extraordinary heroism performed in the line of duty, is no longer eligible to continue receiving the additional 10 percent upon advancement to officer rank.

090404. Recomputation of Retired Pay

A member of the Armed Forces advanced on the retired list is entitled to a recomputation of retired pay by:

A. Using the rate of monthly basic pay for the grade on the initial date of retirement or transfer or using the high 36 months retired pay base if the member entered a Uniformed Service after September 7, 1980;

B. Multiplying 2.5 percent times the total number of years of active service using whole months actually served, in excess of whole years, as 1/12 of a year;

C. Reducing the percentage determined under subparagraph 090404.B, in the case of a member who first entered a uniformed service after July 31, 1986, has elected to receive a bonus under ***37 U.S.C. § 354***, has less than 30 years of creditable service, and is under the age of 62 at the time of retirement by:

1. One percentage point for each full year that the member's years of creditable service are less than 30; and

2. One-twelfth of 1 percentage point for each month by which the member's years of creditable service (after counting all full years of such service) are less than a full year; and

D. Applying all applicable cost-of-living adjustments from the date of initial retirement or transfer.

0905 RESTORATION OF FORMER GRADE

Each retired warrant officer, enlisted member of the Regular Army or Air Force, or enlisted member retired from the Fleet Reserve or Fleet Marine Corps Reserve who has been advanced on the retired list to a higher commissioned grade, within 3 months after advancement, may apply to the Secretary of the Military Department concerned (or designee) for restoration to the former warrant officer or enlisted grade. If the Secretary of the Military Department concerned (or designee) approves the request, then the member may be restored to the former warrant officer or enlisted grade. A member so restored thereafter is considered for all purposes to be a warrant officer or an enlisted member, as applicable.

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VOLUME 7B, CHAPTER 10: "CORRECTION OF RECORDS"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated April 2015 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated formatting to comply with current administrative instructions.	Revision
100101	Paragraph title renamed from "Overview" to "Purpose" to comply with current administrative instructions.	Revision
100102	Revised the "Authoritative Guidance" paragraph with the standard statement used with other chapters for consistency.	Revision
1002	Section title is appropriately renamed from "Corrections" to "Background."	Revision
100203	Paragraph is rewritten to address the statute of limitation for payment rather than statute of limitation for applying for the Boards for Correction of Military Records.	Revision
1005	Rephrased section to clarify the applicable appropriation that will be charged for the amounts due the claimant for periods before the date of approval by the Secretary of the Military Department concerned.	Revision
Bibliography	Updated Bibliography.	Revision

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CHAPTER 10

CORRECTION OF RECORDS

1001 GENERAL

*100101. Purpose

This chapter provides guidance on the payment of claims resulting from the correction of military records. The Boards for Correction of Military Records are the highest level of administrative review within the Department of Defense (DoD) with the mission to correct errors or remove injustices from military records.

*100102. Authoritative Guidance

The bibliography at the end of this chapter lists the authoritative references.

*1002 BACKGROUND

The Secretary of a Military Department concerned may correct any military record of the Secretary's department when the Secretary considers it necessary to correct an error or remove an injustice. The Secretary will establish procedures for the correction of a military record as approved by the Secretary of Defense. The Secretary of a Military Department, acting through a panel comprised of civilians (Board) of the executive part of that Military Department, will make such corrections. The responsibilities for the Correction of Records can be found under the DoD Directive (DoDD) ***1332.41***, "Boards for Correction of Military Records (BCMRs) and Discharge Review Boards (DRBs)."

100201. Final and Conclusive

Corrections of military records are final and conclusive on all officers of the United States except when such corrections were obtained through fraud.

100202. Reaffirmation of Existing Facts

A reaffirmation of existing facts already in the original record does not constitute a proper correction of that record. A proper correction and a right to the payment of money must be a result of a change of facts from those already in the original record, or an addition or deletion of a fact. A recounting of existing facts does not avoid the application of the statute of limitations.

*100203. Statute of Limitations

If a payment is due as a result of a correction of record, the claim for such payment accrues on the date of the correction. A claimant has 6 years from the date of the correction of record to claim the payment owed as a result of the correction of record.

Example: A member of the Navy is transferred to the Fleet Reserve or the Fleet Marine Corps Reserve on May 1, 1999, with 21 years and 3 months of service. On January 2, 2008, his or her record is corrected to show that at the time of transfer the member had 22 years and 3 months of service. Upon correction, the member is entitled to additional retainer pay from the date of transfer in accordance with his or her grade and corrected number of years of creditable service. The claim for the additional payment begins accruing on the date of the Board's decision (January 2, 2008), not on May 1, 1999. The statute of limitation period starts from the date of the record correction rather than from the date of transfer.

1003 PAY COMPUTATION

100301. Amounts

Payments based on a correction of military records must be made in the amounts determined to be due by applying pertinent laws and regulations to all the material facts shown in the corrected record. Generally, the payments resulting from the correction of military records are based on the:

A. Pay entitlement the member had before the correction;

B. Actual payments made for these entitlements; or

C. New pay entitlements that accrue as a result of the correction. For specific computation, see Chapter 3 concerning the entitlement to and computation of retired or retainer pay, Chapter 37 for participation in and payment of survivor annuities under the Retired Serviceman's Family Protection Plan (RSFPP), and/or Chapter 46 for the Survivor Benefit Plan (SBP).

100302. Settlement

The settlement of retired pay, retainer pay, or survivor annuities due as a result of the correction of a military record must be reduced, as applicable, by:

A. Any previous settlements of active duty pay and allowances involving the same periods;

B. Prior payments of readjustment pay or disability severance pay;

C. Prior payments of disability compensation, pensions, or Dependency and Indemnity Compensation made by the Department of Veterans Affairs;

D. Federal income tax;

E. Cost of participation in the RSFPP and/or SBP;

F. Dual compensation, if a retired Regular officer was employed by the United States Government prior to October 1, 1999; or

G. Prior payments of the mother's benefit received from Social Security and the amount of the spouse's Social Security entitlement, if any, resulting from the retiree's active military service.

100303. Deductions from Pay and Allowance

Earnings received from civilian employment, self employment, or any income protection plan for such employment during any period for which active duty pay and allowances are payable will be deducted from the settlement. To the extent authorized by law and regulation, amounts found due must be reduced by the amount of any existing indebtedness to the government arising from military service.

100304. Demand for Payment

When payment cannot be made to the member because of member's death, payment may be made to member's legal representative. In the absence of a demand for payment by the legal representative, payments are made:

A. To the surviving spouse, heir, or beneficiaries, in the order prescribed by the law applicable to that kind of payment; or

B. In the order of precedence in Chapter 30, subparagraph 30204.A.

100305. Claimants Acceptance

A claimant's acceptance of settlement fully satisfies the claim concerned. Settlement of this claim does not preclude payment of a separate and distinct claim and acceptance of settlement does not preclude recomputation and adjustment when there is a mutual mistake. Payments are not authorized for any claim compensated by private law before October 25, 1951.

1004 TAX ADJUSTMENT

See Chapter 24, section 2410.

*1005 APPROPRIATION CHARGES

Any amounts of retired pay, retainer pay, combat related special compensation, concurrent retirement and disability pay, and SBP annuities that are due in the future as a result of the correction are charged to the DoD Military Retirement Fund. Any other amounts due and payable for past periods as a result of the correction (for a time period before the date of approval by the Secretary of the Military Department) are paid utilizing an applicable appropriation.

1006 RESTRICTIONS

No payment resulting from a correction of records may be made for a benefit to which the claimant might later become entitled under the laws and regulations administered by the Secretary of Veterans Affairs.

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1006 – RESTRICTIONS	10 U.S.C. § 1552(e)

VOLUME 7B, CHAPTER 11: "REMOVAL FROM THE TEMPORARY DISABILITY RETIRED LIST (TDRL)"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

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PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatted chapter to comply with current administrative instructions.	Revision
110203.B	Added information based on the National Defense Authorization Act (NDAA) for Fiscal Year (FY) 2017.	Addition
110302.G	Added information based on the NDAA for FY 2017.	Addition
Table 11-1	Updated information based on the NDAA for FY 2017.	Revision
Bibliography	Updated Bibliography.	Revision

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CHAPTER 11

REMOVAL FROM THE TEMPORARY DISABILITY RETIRED LIST (TDRL)

1101 GENERAL

110101. Purpose

The purpose of this chapter is to provide information and guidance for the Secretary concerned and members who are on the TDRL or become eligible for placement on the TDRL because of physical disability in accordance with Title 10, United States Code (U.S.C.), Chapter 61. A Service member may be placed on the TDRL when the member meets the requirements for permanent disability retirement, except that the member's disability is not determined to be stable. A disability must be determined to be stable when the preponderance of medical evidence indicates the severity of the condition will probably not change. A determination on whether a disability is stable must occur within 5 years of the member being placed on the TDRL prior to January 1, 2017, or within 3 years for members placed on the TDRL on or after January 1, 2017. The TDRL must be managed to meet the requirements under 10 U.S.C., Chapter 61 for periodic physical examination, suspension of retired pay, and prompt removal from the TDRL.

110102. Authoritative Guidance

The bibliography at the end of this chapter lists the authoritative references.

1102 TEMPORARY DISABILITY RETIRED LIST (TDRL)

110201. Placement on the TDRL

If the Secretary concerned determines that a member is unfit to perform the duties of his or her office, grade, rank, or rating because of physical disability that would qualify for disability retirement, except that the member's disability is not determined to be stable, the member may be placed on the TDRL. For retired pay computations, see Chapter 3.

110202. Members Eligible to be Placed on the TDRL

The following members are eligible upon determination by the Secretary concerned for placement on the TDRL:

A. A member of a regular component of the Armed Forces entitled to basic pay;

B. Any other member of the Armed Forces entitled to basic pay who has been called or ordered to active duty (other than for training under ***10 U.S.C., section 10148(a)***) for a period of more than 30 days; or

C. Any other member of the Armed Forces who is on active duty but is not entitled to basic pay by reason of ***37 U.S.C. § 502(b)*** due to authorized absence to participate in an educational program, or for an emergency purpose, as determined by the Secretary concerned.

*110203. Requirements While on the TDRL

A member may be placed on the TDRL upon a determination by the Secretary concerned that the member meets the requirements for permanent disability retirement, except that the member's disability is not determined to be stable. The following requirements under ***10 U.S.C. § 1210*** must be met by the member and/or the Secretary of the Military Department concerned (or designee), as applicable, in maintaining the TDRL.

A. A member on the TDRL must be given a physical examination at least once every 18 months to determine whether there has been a change in the disability, for which the member was temporarily retired.

* B. The maximum period a member may be carried on the TDRL is:

1. Five years after the date the member's name was placed on the TDRL, if the member was placed on the TDRL prior to January 1, 2017; or

2. Three years after the date the member was placed on the TDRL, if the member was placed on the TDRL on or after January 1, 2017.

C. The Secretary of the Military Department concerned (or designee) may make a final determination as to the member's disability after a periodic physical examination and will make a final determination no later than the expiration date of the member's eligibility to be on the TDRL. If, at the time of that determination, the physical disability for which the member's name was carried on the TDRL still exists, it is considered to be of a permanent nature and stable.

1103 TERMINATION DATE OF TEMPORARY DISABILITY RETIRED PAY

110301. Final Determination by the Secretary of the Military Department Concerned

The Secretary concerned makes a final determination that a member on the TDRL is either fit for duty or unfit for duty. A qualified member found fit for duty may be returned to active duty, appointed, reappointed, enlisted or reenlisted in a reserve component, transferred to the inactive reserve, or transferred to the Fleet Reserve or the Fleet Marine Corps Reserve. If the member declines these options and is otherwise eligible, he or she may be retired or discharged without disability. A qualified member found unfit for duty will be separated with either a disability severance or transferred to the Permanent Disability Retired List (PDRL).

*110302. Termination of Disability Retired Pay

Unless immediately transferred to the PDRL, the disability retired pay of a member terminates on the earlier of the following:

A. The date of recall to active duty;

B. The date of resumption of status in Fleet Reserve or Fleet Marine Corps Reserve;

C. The date of appointment, reappointment, enlistment, or reenlistment in the reserve forces, including the inactive reserve;

D. The date of discharge, if a qualified member declines any offer in subparagraphs A through C;

E. The date a member's disability is determined to be less than 30 percent, if the member will be separated for physical disability;

F. Any date specified by the Secretary concerned in the event the member fails to report for a periodic physical examination, or

* G. If a member is not otherwise removed from the TDRL for any of the reasons stated in subparagraphs 110302.A. through F, the member's disability retired pay will terminate upon expiration of:

1. The 5-year period after the date the member was placed on the TDRL, if the member was placed on the TDRL prior to January 1, 2017, or

2. The 3-year period after the date the member was placed on the TDRL, if the member was placed on the TDRL on or after January 1, 2017.

110303. Notification to Department of Veterans Affairs (VA)

If a total or partial VA waiver of retired pay is in effect on the date of the retiree's discharge from the TDRL, the Defense Finance and Accounting Service, Cleveland site (DFAS-CL) must notify the appropriate VA office of the effective date of discharge. The notification, if applicable, should include the amount of disability severance pay entitlement, and whether the disability resulting in that pay incurred in the line of duty in a combat zone or from performance of duty in combat-related operations. When available, DFAS-CL will also provide the VA with the Department of Defense (DoD) assigned disability codes for which the disability severance pay was paid.

1104 FOUND FIT FOR DUTY

110401. Determined to be Physically Fit for Duty

If, as a result of the physical examination or determination by the Secretary of the Military Department concerned (or designee), as referenced in section 1102, it is determined that the member is physically fit to perform the duties of the office, grade, rank, or rating, the member will be removed from the TDRL. See Table 11-1.

110402. Available Options for Member Found Fit for Duty

Any member removed from the TDRL may, with his or her consent, be recalled to active duty, appointed, reappointed, enlisted, or reenlisted; resume status in the Fleet Reserve or Fleet Marine Corps Reserve; or be placed on the non-disability retired list, if eligible. A member found fit for duty, who does not consent to recall, appointment, reappointment, enlistment, reenlistment, resumption of status, or placement on a retired list, must be discharged without disability as soon as practicable.

1105 FOUND UNFIT FOR DUTY

110501. Determined to be Physically Unfit for Duty

If it is established by the physical examination or determination by the Secretary of the Military Department concerned that the member is physically unfit to perform the duties of the office, grade, rank, or rating, and that the disability is of a permanent nature, the member will be removed from the TDRL (referenced in section 1103). Except for members approved for permanent limited duty, a member who is found to be unfit will be retired, if eligible for retirement, or if not eligible for retirement, separated. Disability severance pay is described in Volume 7A, Chapter 35. See Table 11-1.

110502. Physical Disability of at Least 30 Percent

If the member's physical disability is determined to be at least 30 percent under the standard schedule of rating disabilities in use by the VA at the time of the determination, the member will be retired by reason of permanent physical disability.

110503. Physical Disability Less Than 30 Percent

A. If the member's physical disability is determined to be less than 30 percent under the standard schedule of rating disabilities in use by the VA at the time of the determination, and the member has at least 20 years of service, the member will be retired by reason of permanent physical disability.

B. If the member's physical disability is determined to be less than 30 percent under the standard schedule of rating disabilities in use by the VA at the time of the determination,

and the member has less than 20 years of service, the member may be separated by reason of permanent physical disability with disability severance pay.

1106 DISABILITY SEVERANCE PAY

110601. Disability Severance Pay

A member removed from the TDRL under subparagraph 110503.B may be separated with disability severance pay as described in Volume 7A, Chapter 35.

110602. Service Requirement for Disability Severance Pay

There is no minimum amount of service time required to be eligible for disability severance pay. The maximum number of years of service for computing the disability severance pay will be 19 years. The minimum number of years for computation purposes will be:

A. Six years in the case of a member separated from the Armed Forces for a disability incurred in the line of duty in a combat zone (as designated by the Secretary of Defense) or incurred during the performance of duty in combat-related operations as designated by the Secretary of Defense; or

B. Three years in the case of any other member.

110603. Tax Requirement

To determine the taxability of the disability severance pay, see Volume 7A, Chapter 35.

110604. Severance Pay and VA Disability Compensation

The amount of disability severance pay received under ***10 U.S.C. § 1212*** may be subject to recoupment by the VA. The member should contact the applicable VA office for more information. Effective January 28, 2008 and later, no deduction is made in the case of disability severance pay received by a member for a disability incurred in the line of duty in a combat zone or incurred during performance of duty in combat-related operations as designated by the Secretary of Defense. No deduction is made from any death compensation to which the former member's dependents become entitled after the member's death.

*Table 11-1. Removal From the TDRL

	A	B	C
RULE	**If the member's disability**	**the member may be**	**and is entitled to**
1	is less than 30 percent and member has less than 20 years of service as determined by ***10 U.S.C. § 1208***	discharged under 10 U.S.C § ***1203*** or ***1206***	disability severance pay computed under 10 U.S.C. § 1212 and Volume 7A, Chapter 35.
2	is less than 30 percent and member has at least 20 years of service	removed from the TDRL and retired under ***10 U.S.C. § 1201*** or ***1204***	retired pay computed under ***10 U.S.C. § 1401*** and Chapter 3. The TDRL entitlement terminates on date of removal and transfer to PDRL (Notes 1 and 2).
3	is 30 percent or more		
4	no longer exists and member is found fit for duty and is a member of the Army or Air Force (Note 3)	with his or her consent, recalled to active duty, appointed, reappointed, enlisted, or reenlisted	termination of disability retired pay, computed under 10 U.S.C § 1401 and Volume 7A, Chapter 35, on the date of appointment, reappointment, enlistment, reenlistment, or resumption of duties or status (Notes 1 and 2).
5	no longer exists and member is found fit for duty and is a member of the Navy, Marine Corps, or Coast Guard (Note 3)	with his or her consent, recalled to active duty, appointed, reappointed, enlisted, or reenlisted, or resume status in the Fleet Reserve or Fleet Marine Corps Reserve	
6	no longer exists and member is found fit for duty (Note 3)	discharged without disability severance pay if member does not consent to be recalled, appointed, reappointed, enlisted, or reenlisted	no retired pay after effective date of separation under 10 U.S.C. § 1203 or 1206 (Note 3).

Notes:
1. The date the member completes 5 years on the TDRL supersedes this effective date. See subparagraph 110203.B.1.
2. Effective January 1, 2017, this is the date the member completes 3 years if placed on the TDRL. See subparagraph 110203.B.2.
3. If the member is fit, there is no disability percentage. See 10 U.S.C. § 1210(f).

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110401	10 U.S.C. § 1210(f)
110402	10 U.S.C. § 1211(c)
1105 – FOUND UNFIT FOR DUTY	
110501	10 U.S.C. § 1210(c), (d) and (e)
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110602	10 U.S.C. § 1212(c)
110603	10 U.S.C. § 1212(d)

VOLUME 7B, CHAPTER 12: "WAIVER OF RETIRED PAY"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

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PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and reformatted to comply with current administrative instructions.	Revision
120307	Updated correspondence addresses for the Office of Personnel Management and the Foreign Service.	Revision

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CHAPTER 12

WAIVER OF RETIRED PAY

1201 GENERAL

120101. Purpose

This chapter provides guidance for the waiver of retired pay. It includes the member's rights to retired pay, explains the exception provisions as authorized by law to waive retired pay and the impact of Veterans benefits on retired pay.

A. Retired pay is a statutory right and, as such, cannot be waived except as authorized by law. Two statutes authorize a member to waive entitlement to retired pay:

1. ***Title 38, United States Code (U.S.C.), section 5305*** permits a member to waive military retired pay in order to receive compensation or pension from the Department of Veterans Affairs (VA).

2. ***Title 5, U.S.C., section 8332(c)***, ***section 8411***, and ***Title 5, Code of Federal Regulations, section 831.301*** permit a member to include creditable military service in computing a civil service retirement annuity.

B. A member may not waive his or her right to retired pay. Even if retired pay is not being sent to a member on a monthly basis (for example, the member's whereabouts are unknown), the retired pay continues to accrue. Since, for income tax purposes, such retired pay is deemed to have been constructively received by the member once it is made available and can be drawn upon, it is subject to the withholding and reporting requirements of ordinary wages.

C. VA benefits are nontaxable income for Federal, state, and local income taxation. See Chapter 24 for computation of taxable pay and Chapter 25 for Federal income tax withholding.

D. VA benefits may exceed the retired pay entitlement.

120102. Authoritative Guidance

The bibliography at the end of this chapter lists the authoritative references.

1202 DEPARTMENT OF VETERANS AFFAIRS BENEFITS

120201. Dual Benefits

A retiree receiving retired pay who is also eligible to receive disability compensation/pension from the VA is barred from receiving concurrent payments of both retired

pay and the VA benefit, unless the member elects to waive that portion of retired pay that is equal to the amount of the VA benefit awarded. However, the retiree may qualify to receive both retired pay and the VA benefit under the Concurrent Retirement and Disability Pay (CRDP) program. For information regarding the CRDP program, see ***10 U.S.C. § 1414***.

120202. Improved VA Pension

A retiree receiving retired pay who also is eligible to receive an improved VA pension from the VA is not required to waive any retired pay, effective October 1, 1980.

120203. Initial Award of VA Disability Compensation

A. The time frame for processing the initial waiver of military retired pay in favor of an initial award of VA disability compensation is in accordance with agreements set forth in the Memorandum of Understanding (MOU) between the Department of Veterans Affairs (VA) and the Department of Defense (DoD) – Retired Pay and Survivor Annuities, hereinafter referred to as "MOU".

B. Responsibility between the Defense Finance and Accounting Service (DFAS) and VA for recouping overpayments is in accordance with the MOU.

C. The Dual Compensation Act, ***5 U.S.C. § 5532***, which required a reduction in retired pay for military retirees employed in civil service positions, was repealed effective October 1, 1999. Prior to the repeal, when a regular retired officer employed by the Federal Government or instrumentality thereof waived his or her retired pay in lieu of VA benefits; during the period of a retroactive initial award of VA benefits, all amounts classified as retired pay were subject to reduction under the dual compensation formula. Disability compensation payable by the VA is not retired pay. Payments equal to the VA compensation entitlement, and received after the effective date of the waiver, are classified as disability compensation and have never been subject to reduction under the Dual Compensation Act. If a member executes a retroactive waiver of retired pay for a period prior to October 1, 1999, then the DFAS-Cleveland site must recompute any dual compensation reduction as of the retroactive effective date of the waiver. The member must authorize the VA in writing to pay any additional compensation due after deducting any retired pay overpayment. The VA will forward new pay data to the DFAS-Cleveland site in accordance with the MOU.

120204. Change in VA Disability Compensation Awards

A. For increased or reduced awards, or a statutory increase, see the MOU.

B. If a retiree is receiving Federal Employee Compensation Act benefits and is receiving VA benefits, the member will continue to receive both benefits unless the benefits are payable for the same injury.

120205. Withdrawal of Waiver

A retiree who has waived retired pay in favor of VA benefits may withdraw the waiver and elect to receive retired pay at any time. The retiree must submit a notification of the withdrawal of the previous waiver of retired pay to the VA on VA Form 21-526, Veteran's Application for Compensation and/or Pension. The retiree will check the box on VA Form 21-526, Part V, Item 25, under the statement, "NO, I DO NOT WANT VA COMPENSATION IN LIEU OF MILITARY PAY." This renouncement of VA benefits does not preclude the retiree from filing a new waiver of retired pay at a later date, enabling the retiree to receive VA benefits again. The effective date or reinstatement of retired pay is determined by the VA procedures outlined in subparagraphs 120205.A and B.

A. When the VA is the initial recipient of the request or withdrawal, the VA will notify the DFAS retired pay activity of the effective date of termination of VA benefits. The effective date is the first of the month after the month of the request for withdrawal or termination of VA benefits, whichever is later. See the MOU.

B. When the DFAS retired pay activity is the first recipient of the request for withdrawal, it will send the request to the appropriate VA office by a cover letter indicating the monthly gross retired pay. Upon receipt, the VA follows the procedure in subparagraph 120205.A.

120206. Withdrawal When the Retiree is Ruled Incompetent

The trustee or guardian may request withdrawal of a previously executed waiver of retired pay of a retired member who has become incompetent. The VA will terminate VA benefits and the DFAS will restore retired pay. The effective date for the restoration of retired pay will be the first day of the month following the month of the termination of VA benefits. See the MOU.

120207. Survivor Benefit Plan (SBP)

Any retiree participating in SBP who waives retired pay in favor of VA benefits may:

A. Authorize the VA to withhold the cost of the SBP from the benefits awarded and remit that amount to the cognizant retired pay activity (see Chapter 45 and 54); or

B. Be subject to involuntary collection action by the DFAS. Such collection action is subject to the provisions of ***31 U.S.C. § 3701(a)(1)*** and ***31 U.S.C. § 3716***.

1203 CIVIL SERVICE RETIREMENT & FEDERAL EMPLOYMENT RETIREMENT SYSTEM

120301. Credit of Military Service for Computing Civil Service Annuity

A retiree receiving retired pay, pursuant to any provision of law authorizing such payments, who applies for a retirement annuity under the laws administered by the Office of Personnel Management (OPM), or the Foreign Service, may elect to waive the retired pay in order to credit military service for computing civil service annuity. To avoid a delay in adjudicating a civil service retirement claim, the member should execute a waiver and send it to the DFAS at least 60 days before the anticipated starting date of the annuity.

120302. Creditable Service

If a member waives retired pay, then all periods of military service before the date of separation on which entitlement to military retired pay is based are creditable.

A. A member will receive credit for military service without waiver of retired pay, if the member was awarded retired pay:

1. On account of a service connected disability:

a. Incurred in combat with an enemy of the United States; or

b. Caused by an instrumentality of war and incurred in the line of duty during a period of war as defined by ***38 U.S.C. § 1101***. The term "period of war" includes, in the case of any veteran, any period of continuous service performed after December 31, 1946 and before July 26, 1947, if such period began before January 1, 1947.

2. For non-regular (reserve) service under ***10 U.S.C., Chapter 1223***.

B. A member who was awarded retired pay because of military service other than service described in subparagraph 120302.A will be required to waive retired pay in order to receive credit for military service for Civil Service Retirement.

120303. Initial Waiver

A retiree may request waiver of retired pay so that military service may be used in establishing eligibility for and/or computation of civil service retirement annuity. The retiree must submit the request for waiver of retired pay over the retiree's signature and should contain the effective date of the waiver of retired pay. Certain civil service annuities, starting on or after October 1, 1982, commence the first day of the month after separation from civil service or pay ceases and the service and age requirements for title to annuity are met. Individuals retiring during the first 3 days of a month are excluded; their annuities begin the following day. Also excluded are survivor annuities, disability annuities, or discontinued service annuities based on involuntary separation, death, or last day of pay. The member should also authorize the OPM to

withhold amounts necessary from the civil service retirement annuity to repay amounts of retired pay paid beyond the effective date of the waiver. The retired pay activity notifies the OPM of the date retired pay is waived. The OPM, in turn, advises the retired pay activity of the actual date a member's retirement annuity started, enabling the retired pay activity to make any final settlement that might be due the retired member.

120304. Dual Waivers

A. Federal law prohibits the credit of military service for civil service retirement annuity purposes if the retiree is receiving retired pay, except retired pay awarded in accordance with subparagraph 120302.A.

B. A retiree who is in receipt of retired pay may elect to waive the retired pay and have the military service added to civilian service for civil service annuity computation purposes subject to deposit requirements established by civil service law.

C. Individuals whose civilian retirement is not based on disability need not renounce VA benefits to receive credit for military service if they waive their military retired pay for civil service annuity computation purposes.

120305. Withdrawal of Waiver

The waiver of military retired pay to receive an increased civil service retirement annuity may be withdrawn and military retired pay reinstated under these conditions:

A. The waiver of military retired pay may be withdrawn when the member becomes a reemployed annuitant and the civil service annuity terminates.

B. Civil service retirement retiree, who becomes eligible for Social Security benefits based on the member's wages and/or self-employment income, must exclude their military service performed after 1956 from the computation of civil service annuity. The waiver may be withdrawn, and retired pay must be reinstated, but only if the military service was not used to establish eligibility for a civil service retirement annuity.

C. A member may revoke a waiver of military retired pay at any time providing this will not produce dual retirement benefits based on the same period of service.

120306. Relationship of Civil Service Survivor Annuity to Military SBP

When a retiree, who is participating in the survivor annuity program, elects to waive retired pay in favor of civil service retirement, the retiree is required to pay the SBP cost during the period the waiver is in effect unless the OPM notifies the DFAS that the member elected to provide spouse coverage under the civil service annuity program.

*120307. Addresses

The correspondence addresses for the Office of Personnel Management and the Foreign Service are:

U.S. Office of Personnel Management
Retirement Operations Center
Post Office Box 45
Boyers, PA 16017

Office of Retirement
Department of State, SA-1, H-620
2401 E. Street NW
Washington, D.C. 20522

1204 WAIVER OF PAY FOR RESERVE DUTY AFTER RETIREMENT

120401. Definitions

A. Retired member, as used in this section refers to a member of the Army, Navy, Air Force, Marine Corps or Coast Guard who because of earlier military service is entitled to pension, retired or retainer pay, or disability compensation.

B. Active duty, as used in this section, does not include extended active duty (more than 30 days) where strength accountability passes from the Reserve Components to the active military establishment.

120402. Reserve Training Category

Each Armed Forces Reserve Component is divided into three categories: Ready (active status), Standby (inactive status), and Retired (retired status).

A. Ready Reserve

1. A member of the Ready Reserve may, without consent, be ordered to active duty by the Secretary of the Military Department concerned (or designee) during a period of war or national emergency, or when otherwise authorized by law.

2. Retired personnel having Ready Reserve status may participate in active duty for training or inactive duty training required by virtue of their assignment in a Reserve Component. Each period of training must be at least 2 hours with a maximum of two training periods in 1 calendar day. Compensation for each regular period of instruction or period of appropriate duty is at the rate of 1/30 of the member's authorized monthly pay and allowance, including that performed on a Sunday or holiday. Where the duty performed is for a continuous period of less than 1 month, compensation for each day of the period is at the rate of 1/30 of the

monthly pay and allowances. The 31st day may not be excluded from the computation. A member may perform inactive duty training without pay.

a. Active Duty for Training. This duty may include full-time training, annual training tours, or attendance at a school designated as a Military Service school by the Secretary of the Military Department concerned.

b. Inactive Duty Training. This training may include assemblies, additional flying training periods, and other additional duties as authorized by the Secretary of the Military Department concerned.

B. Standby Reserve. A member of the Standby Reserve may be called to active duty only in time of war or national emergency declared by the Congress or when otherwise authorized by law. This member does not participate in the duty referred to in subparagraph 120402.A.2.a or b.

C. Retired Reserve. A member of the Retired Reserve who is entitled to retired pay may not be placed in the Ready Reserve unless the Secretary of the Military Department concerned (or designee) makes a special finding that the member's services in the Ready Reserve are indispensable. The Secretary or designee may not delegate authority in this instance.

120403. Entitlement

A reservist entitled to retired pay who performed Reserve training for compensation may elect to receive for that duty:

A. The retired pay to which entitled because of earlier military service; or

B. The pay and allowances authorized for the duty being performed, if the member specifically waives retired pay.

120404. Effect on Pay

A retired member who elects to receive compensation for periods of active duty for training or inactive duty training must waive 1 day of retired pay for each calendar day on which the Reserve training is performed. Performance of more than one drill in one calendar day requires the withholding of only 1 day of retired pay for that calendar day.

A. Waiver of Pay. The member must prepare in advance a waiver of retired pay for the entire or remainder of the fiscal year in which the training is to be performed. The waiver form should show, by month, the number of training periods for inactive duty and the inclusive dates of each anticipated active duty tour. Timely preparation of the waiver will prevent a possible overpayment of pay.

B. Supplemental Certificate of Waiver. The certificate is required when a member performs active or inactive duty not covered by the first declaration. This certificate shows the additional days of duty performed by month and is added to the first declaration.

C. Certificate of Recoupment. The certificate recovers previously waived benefits that exceed active or inactive duty training performed. This request for recoupment must be signed by the unit commander and may not be submitted earlier than the last day of the fiscal year involved. The schedule for both the active and inactive duty for training may be shown on the same waiver form or certificate.

D. Adjustment of Pay. Pay is adjusted on an individual basis. Procedures for liquidating an outstanding debt or for collecting cash for SBP coverage are the same as for all other retired members.

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120101.B	26 U.S.C. § 3402

1202 – DEPARTMENT OF VETERANS AFFAIRS BENEFITS

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120203	MOU between VA/DFAS, February 26, 2007
120203.A	MOU between VA/DFAS, February 26, 2007
120203.B	MOU between VA/DFAS, February 26, 2007
120203.C	MOU between VA/DFAS, February 26, 2007 5 U.S.C. § 5532 55 Comptroller General (Comp Gen) 1402
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	22 U.S.C., Chapter 14
	25 Comp Gen 631
	28 Comp Gen 367
	43 Comp Gen 551
	46 Comp Gen 404
120302	5 U.S.C. § 8332 (CSRS)
	5 U.S.C. § 8411 (FERS)
	10 U.S.C., Chapter 1223
	38 U.S.C. § 1101
120303	Public Law 97-253, Section 303 Sep 8, 1982
	5 U.S.C. § 8334 and note
	5 U.S.C. § 8342 and note
	5 U.S.C. § 8348
	Public Law 97-377, Section 768 Dec 21, 1982
	10 U.S.C. § 1210(c) and (d)
	10 U.S.C., Chapter 61
120304	5 U.S.C. § 8332(c)
	5 U.S.C. § 8334
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	5 C.F.R. 831.301
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120305.A.	49 Comp Gen 581
120305.B.	5 U.S.C. § 8332(j)
	49 Comp Gen 581
	41 Comp Gen 460
	52 Comp Gen 429
	50 Comp Gen 80
120305.C.	41 Comp Gen 460

1204 – WAIVER OF PAY FOR RESERVE DUTY AFTER RETIREMENT

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	32 C.F.R. 64.4

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CHAPTER 13

SUSPENSION OF PAY

1301 GENERAL

130101. Purpose

The pay account of a retiree may be placed in a suspended (nonpayment) status for a definite or indefinite period of time. The pay may be suspended to comply with statutory or regulatory requirements or Defense Finance and Accounting Service (DFAS) retired pay procedures. Such suspension may not necessarily affect continued or future entitlement when the requirements or procedures that were the basis for the suspension no longer apply. When a retired member is missing and there is no information concerning his or her whereabouts, the member's retired pay must be suspended from the date that he or she last was known to be alive.

130102. Authoritative Guidance

The bibliography at the end of this chapter lists the authoritative references.

1302 STATUTORY REQUIREMENTS

130201. Failure to Comply With Statutes

As specified herein, applicable statutes may prohibit the retiree's receipt of concurrent payments, payments after a specific period of time, or payments if a member fails to comply with statutory requirements.

130202. Retired Pay Suspended

A retiree's pay is suspended (see Table 13-1) if he or she:

A. Is recalled to active duty;

B. Requests waiver of retired pay because of:

1. An award of Department of Veterans Affairs (VA) disability compensation or pension payments, or

2. Military service being used for purposes of qualifying for a United States civil service retirement annuity;

C. Completes 5 years on the Temporary Disability Retired List (TDRL), subject to placement on the Permanent Disability Retired List (PDRL);

D. Fails to report for a required physical examination while on the TDRL or while a member of the Fleet Reserve/Fleet Marine Corps Reserve;

E. Is employed by a foreign government (to include local government units within a foreign country, as well as the national government itself) without applicable congressional or secretarial approvals; or

F. Is found to be mentally incapable of managing his or her personal affairs, and no guardian, trustee, or other legal representative has been appointed. See Chapter 16 for further information.

130203. Retired Pay Suspended by Secretary of the Military Department Concerned

A. The Secretary of the Military Department concerned may order a retiree's pay suspended after determining that:

1. A felony warrant has been issued against the absent member by the United States:

a. Under the authority of Title 18, United States Code (U.S.C.), ***section 1073***, "Flight to avoid prosecution or giving testimony," and the Department of Justice has sought extradition; or

b. For violation of the International Parental Kidnapping Act, ***18 U.S.C. § 1204***, or for a crime stated in ***5 U.S.C. § 8312***; and

2. The member is outside the United States and has willfully remained outside the United States to avoid criminal prosecution for 30 or more consecutive days subsequent to the date of issue of the felony warrant.

B. Upon receipt of an order issued by the Secretary of the Military Department concerned (or designee) that a retiree's pay be suspended:

1. The DFAS-Cleveland Site must immediately suspend retired pay. Payment of any amounts subject to involuntary withholding or paid as insurance premiums by previously established allotments must not be suspended, but must continue to be paid from the member's pay unless otherwise directed by the Secretary of the Military Department concerned (or designee).

2. Suspension continues until DFAS-Cleveland Site receives orders from the Secretary of the Military Department concerned (or designee) to resume monthly payments and to pay the balance of suspended payments. No interest may be paid on any suspended amounts.

1303 REGULATORY REQUIREMENTS

Retired pay may be suspended if certain situations exist where regulations prohibit making payments. For example, retired pay is suspended if the retiree requests that their check be mailed to addresses outside the United States listed in 31 Code of Federal Regulations (CFR) ***part 211.1***. Retiree requests for international Electronic Fund Transfer (EFT) receive specialized processing. The DFAS-Cleveland Site will send an inquiry to the Federal Reserve Bank to ascertain if the EFT is permitted to the foreign country. The retiree will be advised if the EFT is not permitted.

1304 ADMINISTRATIVE REQUIREMENTS

130401. Failure to Provide Timely Administrative Actions and Declines Further Payments

In accordance with the requirements of the Department of Defense Financial Management Regulation and DFAS-Cleveland Site, Office of Retired Pay procedures, the head of the retired pay activity may suspend retired pay if the retiree fails to take necessary administrative actions on time, or if the retiree declines further payments.

130402. Failure to Provide Proof of Existence and Address

Retired pay may be suspended if the retiree:

A. Fails to furnish the required proof of existence. See Chapter 15 for further information;

B. Fails to notify DFAS-Cleveland Site, Office of Retired Pay, of an address change and the retiree's current address is unknown; or

C. Refuses to accept further payments.

1305 EFFECT OF SUSPENSION ON TAXABLE INCOME, FEDERAL INCOME TAX WITHHELD, AND OTHER ACTIONS

130501. Taxable Income and Federal Income Tax Withheld

The suspension of a retiree's pay account for any reason cited in sections 1302 through 1304 may result in the suspension of any other reporting of taxable income and income taxes withheld. The reporting of taxable income and taxes withheld, if applicable, resumes upon removal of the suspension of pay. See Chapter 24 regarding taxable income, tax withheld, and issuance of Internal Revenue Service Form 1099R, "Distribution From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc."

130502. Allotment Deductions

Voluntary allotments of retired pay or retainer pay for military retirees are limited to discretionary and nondiscretionary allotments. General provisions governing allotments of retired pay and administrative procedures are located in Chapter 19.

130503. Survivor Annuity Deductions

Generally, the retiree's cost for participation in the Retired Serviceman's Protection Plan (RSFPP) and/or the Survivor Benefit Plan (SBP), while the retired pay is suspended, would be deducted from the accumulated retired pay upon reinstatement of retired pay. For special rules regarding SBP, refer to Chapter 45, Table 45-4.

Table 13-1. Suspension of Pay Statutory Requirements

SUSPENSION OF PAY — STATUTORY REQUIREMENTS			
RULE	**A**	**B**	**C**
	If a member of the	**has pay suspended for**	**then authority is**
1	Army	recall to active duty	***10 U.S.C. § 688***.
2	Air Force		
3	Navy or Marine Corps		10 U.S.C. § 688 or ***10 U.S.C. § 6485***.
4	Armed Forces	waiver of retired pay in favor of VA compensation or pension	***38 U.S.C. § 5305***.
5		waiver of retired pay in favor of civil service annuity	***5 U.S.C. § 8332***.
6		completion of 5 years on TDRL	***10 U.S.C. § 1210(h)***.
7		failure to report for periodic physical for TDRL or while a member of the Fleet Reserve/Fleet Marine Corps Reserve	10 U.S.C. § 1210(a).
8		employment by a foreign government without congressional or secretarial approvals	Article 1, section 9, clause 8, United States Constitution, ***37 U.S.C. § 908***.
9		being mentally incapable of managing own affairs	***37 U.S.C., Chapter 11***.
10		flight to avoid prosecution or giving testimony	18 U.S.C. § 1073.
11		international parental kidnapping	18 U.S.C. § 1204.
12		conviction of certain offenses as stated in 5 U.S.C. § 8312	5 U.S.C. § 8312.
13		being absent from the US to avoid prosecution	***Public Law 104-201***, section 633, September 23, 1996.

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130202.B.2	5 U.S.C. § 8332
130202.C	10 U.S.C. § 1210(h)
130202.D	10 U.S.C. § 1210(a)
130202.E	10 U.S.C. § 908 Article 1, Section 9, Clause 8, United States Constitution Comp Gen Decision B-251084, October 12, 1993
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1303 - REGULATORY REQUIREMENTS

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PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current guidance.	Revision
140101	Added clarifying information to the "Purpose" paragraph.	Addition
140203	Deleted paragraph due to the outdated procedures and the rescission of Treasury Department Circular 1081, December 28, 1976.	Deletion
140401.A	Replaced "five years" with "allowable duration" to establish a more accurate timeframe of either 3 or 5 years pursuant to Title 10, United States Code, section 1210.	Revision
Bibliography	Updated Bibliography.	Revision

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CHAPTER 14

PAYMENT RESTRICTIONS

1401 GENERAL

*140101. Purpose

This chapter provides information for certain payment restrictions to military retirement pay. Amounts of retired pay and retainer pay due to a retired member of the uniformed services will be paid on the first day of each month beginning after the month in which the right to such pay accrues.

A. Payment Date Falls on Saturday, Sunday, or Legal Holiday

When the payment date falls on a Saturday, Sunday, or legal holiday, the Director of Defense Finance and Accounting Service (DFAS) may authorize the payment of retired pay and retainer pay on the preceding workday but not more than three days before last day of the pay period.

B. Payrolls Paid On October 1

For payrolls otherwise payable on October 1, the Department of Defense (DoD) Comptroller will determine if the payroll may be dated in September.

140102. Authoritative Guidance

The bibliography at the end of this chapter lists the authoritative references.

1402 CHECKS

140201. Mailing of Checks to Foreign Countries

The Secretary of the Treasury has determined that the mailing of checks is prohibited to the countries listed in ***Title 31, Code of Federal Regulations (CFR), section 211.1*** because postal, transportation, and banking facilities in general, or local conditions, are such that there is not a reasonable assurance that a retiree or annuitant in listed countries will actually receive checks drawn against funds of the United States, or negotiate checks for full value. Powers of attorney for receipt or collection of checks, or for the proceeds of checks included within the determination of the Secretary of the Treasury, are not recognized.

140202. Claims

Claims for the release of checks withheld from delivery, or for proceeds thereof, are filed with the DFAS site that originally authorized issuance.

1403 ELECTRONIC FUNDS TRANSFER (EFT)

The prescribed method of payment within the DoD is EFT. See Volume 7A, Appendix C, for implementing DoD policy on EFT procedures for retirees and annuitants.

1404 LOSS OF ENTITLEMENT TO RETIRED PAY

*140401. Conditions

Each of the following may result in a loss of entitlement to retired pay. See appropriate corresponding chapter for additional information.

A. Expiration of Allowable Duration on the Temporary Disability Retired List. See Chapter 11.

B. Loss of United States Citizenship. See Chapter 6.

C. Employment by Foreign Government. See Chapter 5.

D. Conflict of Interest. See Chapter 5.

E. National Security Violations. See Title 5, United States Code (U.S.C.), ***sections 8311-8322***.

NOTE: The Hiss Act, codified as 5 U.S.C. §§ 8311-8322 as amended, prohibited the payment of retired pay to military personnel who were convicted of any criminal offense enumerated in the statute. The Act did not prohibit the payment of retired pay if both the criminal offense and the award of retired pay occurred before September 1, 1954. Retired pay awarded on or after September 1, 1954, however, could not be paid regardless of the date on which the offense or conviction occurred. If the individual involved received a presidential pardon or later was cleared by decision of a higher court, the right to retired pay was restored. ***Public Law 87-299***, September 26, 1961, amended the Hiss Act and limited provisions to cases involving national security. Members convicted by courts-martial or Federal civil courts of offenses for felonies or equivalent of felonies but not involving national security, were no longer subject to the provisions of the Hiss Act.

F. Denial Upon Certain Punitive Discharges or Dismissals. The non-Regular service retired pay entitlement of a member is denied when his or her court-martial sentence includes death or separation by dishonorable discharge, bad conduct discharge, or dismissal effective with court-martial sentences adjudged after February 10, 1996.

140402. Recall to Active Duty

A retiree who receives orders, issued by proper authority, for recall to active duty for an indefinite or definite period is not entitled to retired pay for the period of active duty. Members on active duty for training are covered in Chapter 12, section 1204.

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	31 U.S.C. § 3332
1404 –LOSS OF ENTITLEMENT TO RETIRED PAY	
140401.A	10 U.S.C. § 1210(b), (h) and note Public Law 114-328, section 525, December 23, 2016
140401.B	10 U.S.C. § 12731
140401.E	Public Law 103-337, section 639, October 5, 1994 Public Law 87-299, September 26, 1961 5 U.S.C. §§ 8311-8322
140401.F	Public Law 104-106, section 632, February 10, 1996 10 U.S.C. § 12740

VOLUME 7B, CHAPTER 15: "PROOF OF EXISTENCE"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

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PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated formatting to comply with current administrative instructions.	Revision
150102	Added "Authoritative Guidance" paragraph.	Addition
150202.C	Moved information from paragraph 150203 to this subparagraph for clarity.	Revision
Bibliography	Updated references.	Revision

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CHAPTER 15

PROOF OF EXISTENCE

1501 GENERAL

150101. Purpose

For the protection of the U.S. Government, certain safeguards are required for retired military paychecks mailed through the international postal system or payable to legal representatives of mentally incompetent members. The proof of existence protects the U.S. Government from continuing to issue payments to deceased retirees. Military retired pay, Combat-Related Special Compensation and/or Concurrent Retired and Disability Pay payments may not be negotiated after the retiree's death.

*150102. Authoritative Guidance

The bibliography at the end of this chapter lists the authoritative references.

1502 COMPETENT RETIREE

150201. Semiannual Submission of Report of Existence (ROE)

In order to receive a military paycheck in a foreign country, through the international postal system, a retiree must submit semiannual ROEs to the Defense Finance and Accounting Service Cleveland (DFAS-CL). The ROE, formally indexed as "DFAS-CL 1800/100," is available at ***http://www.dfas.mil/retiredmilitary/forms.html***. To submit the ROE electronically, the retiree must log in to the myPay system with his or her assigned login ID and password (***https://mypay.dfas.mil/mypay.aspx***). If the retiree does not have a myPay account, he or she may utilize the instructions on the website to create one. If not submitting electronically, fully executed paper ROEs should be mailed to the following address:

Defense Finance and Accounting Service
U. S. Military Annuitant Pay
P. O. Box 7131
London, KY 40742-7131

*150202. ROE Not Required

An ROE is not required when:

A. A competent retiree resides in the United States and his or her retired military paycheck is mailed to an address other than that of a financial institution;

B. The retiree's military paycheck is mailed to an Army/Air Post Office, Fleet Post Office, or a finance or disbursing officer at an overseas address; or

* C. The retiree's military paycheck is mailed to a financial institution in the United States. The financial institution's endorsement constitutes a certificate of existence for the retiree.

150203. Restriction

Retired military paychecks must not be addressed to a U.S. Consulate, Embassy, or Military Attaché unless the retiree is employed by that particular agency.

1503 MENTALLY INCOMPETENT RETIREE

150301. Checks to Mentally Incompetent Retirees

Forwarding checks directly to retirees who are found mentally incompetent to manage their affairs is prohibited. In the case of a mentally incompetent retiree, checks may be made payable to a legal guardian, trustee, or other legal representative after receipt of proper documentation verifying the authority of the guardian, trustee, or other legal representative to receive such payments. See Chapter 16 for appointment or designation of legal representatives.

150302. Legal Representative Requirement

The legal representative must sign and return the semiannual report of his or her ward's continued existence to the address listed in paragraph 150201 in order to continue receiving the member's retired military paycheck. The retired military paycheck may be mailed to the legal representative or to a financial institution established by the legal representative for the retiree (ward).

150303. Department of Veterans Affairs (VA) Hospital Authority

In the absence of the appointment of a guardian, trustee, or other legal representative for an incompetent retiree, payment may be made to the Administrator of the VA hospital to provide the retiree with health and comfort items. See Chapter 16.

1504 MAILING OF RETIRED MILITARY PAYCHECKS

Retired military paychecks are mailed at the end of each month, provided a signed ROE, when required, has been received and certifies the retiree's continued existence. Failure to return the required ROE will result in suspension of retired pay.

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CHAPTER 15 – PROOF OF EXISTENCE

1501 – GENERAL

Comptroller General (Comp Gen) B-206129, June 28, 1982
Title 31, Code Federal Regulations (CFR), part 240.15

1502 – COMPETENT RETIREE

150201	Comp Gen B-206129, June 28, 1982

1503 – MENTALLY INCOMPETENT RETIREE

150301	31 CFR 240.14 31 CFR 240.15 44 Comp Gen 208, October 12, 1964
150302	Title 37, United States Code (U.S.C.), section 602

1504 – MAILING OF RETIRED MILITARY PAYCHECKS

44 Comp Gen 208, October 12, 1964
Comp Gen B-206129, June 28, 1982
37 U.S.C. § 602
Comp Gen A-3551 Decisions, April 6, 1931; June 23, 1931; October 24, 1946; March 9, 1951; and February 3, 1964

VOLUME 7B, CHAPTER 16: "PHYSICAL OR MENTAL INCAPACITATION"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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All	Formatted this chapter to comply with current administrative instructions.	Revision
1602	Relocated "Definitions" from Section 1601 to Section 1602 and renumbered text.	Revision
160203	Added definition for the Competency Board pursuant to Title 37 United States Code Section 602.	Addition

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CHAPTER 16

PHYSICAL OR MENTAL INCAPACITATION

1601 GENERAL

160101. Purpose

This chapter provides information and guidance on the duties and responsibilities performed on behalf of a retiree determined by a competency board to be mentally and/or physically incapable of managing his or her affairs. This chapter applies to members of a Uniformed Service who are on a retired list of that Service and members of the Fleet Reserve or Fleet Marine Corps Reserve. Federal law provides legal authority for the payment of amounts due incompetent retirees of the Uniformed Services to designated persons for their use and benefit, and for the use and benefit of their dependents where the state court has not appointed a committee, guardian, or legal representative.

160102. Authoritative Guidance

The bibliography at the end of this chapter lists the authoritative references.

*1602 DEFINITIONS

160201. Physically or Mentally Incapacitated Retiree

A physically or mentally incapacitated retiree is an individual who is impaired by physical disability, mental illness, mental deficiency, advanced age, chronic use of drugs or alcohol, or other causes that prevent sufficient understanding or capacity to manage his or her own affairs competently.

160202. Committee

A committee is a person, assembly, or board of persons to whom (or which) the consideration or management of any matter is committed or referred by some court as a person or persons having guardianship of the person and property of an insane person.

*160203. Competency Board

The competency board consists of at least three qualified medical officers or physicians, one of whom is specially qualified in the treatment of mental disorders. The Secretary of the department having jurisdiction of the member appoints the board.

160204. Conservator

A conservator is a guardian, protector, or preserver; a maintainer.

160205. Court of Competent Jurisdiction

A court of competent jurisdiction has the power and authority of law at the time of acting to do the particular act; one that has jurisdiction both of the person and of the subject matter; one provided for in the United States (U.S.) Constitution; or created by the legislature and has jurisdiction of the subject matter and of the person.

160206. Guardian

A guardian is a person who legally has the care of the person or property (or both) of another person who is incompetent to act for himself or herself.

160207. Trustee

A trustee, as used in the legal sense, is:

1. A person who takes and holds the legal title to the trust property for the benefit of another,

2. One to whom another's property is legally committed in trust, or

3. A person holding the legal title to property under an expressed or implied agreement to apply it and the income arising from it, to the use and for the benefit of another person.

Note: As referenced in this chapter, a trustee is a person appointed by the Defense Finance and Accounting Service, Cleveland Site (DFAS-CL) to receive payment of retired or retainer pay on behalf of a retiree determined to be mentally incapable of managing his or her affairs.

1603 MENTAL INCAPACITY

160301. Legally Appointed Representative

A. Legally Appointed Representative. When a court of competent jurisdiction appoints a legal committee, guardian, or other representative for the retiree, DFAS will normally accept such appointment and will not appoint a trustee. For more information regarding court appointments see Section 1605.

B. No Legally Appointed Representative. Amounts due a retiree for retired or retainer pay who, according to a board of medical officers or physicians, is mentally incapable of managing his or her own affairs, may be paid for that retiree's use or benefit to any person designated by the Director, DFAS-CL under paragraph 160304 without the appointment in judicial proceedings of a committee, guardian, or other legal representative.

160302. Authorized Mental Health Determination

Federal agencies authorized to make determinations of the mental competency of a retired service member hospitalized in a facility under its jurisdiction are the:

A. Department of the Army,

B. Department of the Navy,

C. Department of the Air Force,

D. Department of Health and Human Services, and

E. Department of Veterans Affairs (VA).

160303. Competency Board Determination

Upon receipt of information that a retiree may be mentally incapacitated, a board of no fewer than three medical officers or physicians (including one specially trained in the treatment of mental disorders) is convened to determine whether the retiree is competent. The board also convenes when requested to do so by proper authority.

A. The convening authority ensures that three members of the board certify the board's findings.

B. The convening authority of the appropriate Military Service must send one copy of the board's findings, as applicable, to:

Defense Finance and Accounting Service
Retired Pay Department
P.O. Box 998021, Room 1579,
Cleveland, OH 44199-8021

160304. Appointment of Trustee

A. Appointed Trustee Authority. The authority of the Secretaries of the Military Departments to appoint trustees under Title 37, United States Code, section 602 (***37 U.S.C. § 602***) has been delegated to the Director, DFAS-CL.

B. Persons Eligible for Appointment as Designated Trustee

1. If a competency board finds a retiree mentally incapacitated and the retiree has no court appointed legal committee, guardian, or other representative, the Director, DFAS-CL, may appoint a trustee to act on the retiree's behalf. The Director, DFAS-CL, may designate one of the following persons as trustee for all incompetent military retirees if the trustee is 21 years of age or over:

a. Lawful spouse (not subject to the age requirement);

b. Legitimate son or daughter or legally adopted son or daughter;

c. Parents;

d. Head of an institution, if the retiree is a patient; or

e. Any other person or persons if in the best interest of the retiree.

2. While next of kin or other relatives of the retiree ordinarily are preferred for designation as trustee, DFAS may designate any other person, willing and suitable to act as such, as a temporary or permanent trustee unless a court of competent jurisdiction appoints a committee, guardian, or other legal representative. If more than one qualified person applies to be trustee for a mentally incompetent retiree, then the Director, DFAS-CL, will determine which applicant is the more appropriate trustee.

C. Submitting Application and Documentation for Appointment of Trustee

Submit all applications to appoint a trustee and related documentation to:

Defense Finance and Accounting Service
Retired Pay Department
P.O. Box 998021, Room 1579,
Cleveland, OH 44199-8021

160305. Bond Requirement for Appointed Trustee

The trustee designated to receive monies on behalf of the incompetent retiree must furnish a suitable bond in all cases when the amounts may exceed $1,000. The bond so required and furnished must have, as the surety a company approved by the U. S. Government and must be in such amount as required by the Retired Pay Department, DFAS-CL. The person designated as trustee acts in this capacity without remuneration; however, if a bond is required, the trustee may pay the premium fee charged by the bonding company from the funds received on behalf of the mentally incompetent retiree. The trustee may not pay any other expenses incurred in securing the bond from the amount payable to the incompetent retiree.

160306. Defense Finance and Accounting Service-Cleveland Appointed Trustee Authority

The trustee appointed by the Retired Pay Department, DFAS-CL, has the authority only to receive, expend, and account for monies received from the military. The appointment does not convey authority to act as a trustee in a civilian capacity without prior authority from a court of competent jurisdiction. The trustee must use the monies received for the benefit of the incompetent retiree. Payment made to a person so designated under 37 U.S.C. 602 discharges

the obligation of the U. S. as to the amount paid. The Government may not appoint a trustee in any case in which a court of competent jurisdiction has appointed a legal committee, guardian, or other representative.

160307. Required Reports and Documents

The designated trustee submits accounting reports annually or at such times as directed by the Retired Pay Department, DFAS-CL. The reports must show all funds received, all expenditures made on behalf of the incompetent retiree, and a statement of the condition of the trustee account. The trustee also may be required to provide all receipts, canceled checks, voucher accounts, savings account passbooks or statements, and/or other records concerning the trustee account. If the trustee fails to report promptly at the end of the accounting period, then the appointing authority may either temporarily suspend or terminate further payments to the trustee and may designate a successor trustee.

1604 PHYSICAL INCAPACITY

160401. Physical Infirmity

A. Physical infirmity alone does not warrant the appointment of a guardian for the estate of a person. In some cases, incompetence to manage an estate or property has been found primarily from evidence of advanced age and physical infirmity, and a guardian or conservator has been appointed. In some jurisdictions, there are statutes, held to be constitutional, which authorize the appointment of guardians of the estates of those who, because of old age or physical incapacity, are incapable of managing their property.

B. In the case of a retiree suffering from a physical condition, that renders him or her mentally incapable of managing his or her affairs, see section 1603 for guidance in preparing and submitting the application for trustee, and the DFAS-CL requirements in establishing and appointing a trustee.

160402. Conservator or Guardian

In several states, statutes authorize persons who, although of sound mind, believe themselves incapable of managing their own estates or of caring for their own property, to apply for, request, or consent to the appointment of a conservator or guardian of the estate or of their persons, or both. The conservator or guardian, when appointed, possesses over the estate substantially the same power and is subject to substantially the same duties as a guardian of an incompetent person. The following are examples for determining whether the appointment of a conservator may be necessary for a physically incapacitated retiree:

A. A person who is bedfast and physically incapacitated as the result of two strokes is not necessarily incompetent so as to require the appointment of a guardian.

B. A 77-year-old woman suffering from complete paralysis of the left side was unable to speak except for an occasional word, could not swallow, and could write only with

difficulty and very briefly, but could hear, read, watch television, walk with assistance, and could be out of bed and sit up for short periods of time. According to medical testimony, she was mentally competent, but the evidence was sufficient to support a finding that she was physically incompetent and unable to manage her property.

C. When an adult person has sufficient mental capacity to understand the nature and consequences of the application for a conservator, that person's wishes, if conducive to welfare and contentment of mind may properly be given great weight in determining whether a conservator (rather than a guardian) should be appointed.

D. The physical condition of the person for whom a conservator is required can be considered only insofar as it may affect the person's mental condition.

160403. Court Orders

Because of the variety of county and state statutes regarding the appointment of legal representatives for physically incapacitated retirees, DFAS-CL accepts and processes court orders appointing such representatives. It is not the responsibility of DFAS-CL to authenticate each order.

1605 COURT APPOINTMENT OF GUARDIAN OR OTHER LEGAL REPRESENTATIVE FOR PHYSICALLY OR MENTALLY INCAPACITATED RETIREE

160501. Request for Incapacity Determination

The incapacitated retiree or any person interested in the welfare of the retiree may petition a court of competent jurisdiction for a finding of incapacity and appointment of a guardian or other legal representative.

160502. Certification of Court Appointment

A copy of the appropriate court order certifying to the appointment of the guardian, committee, or conservator is required before DFAS may make payments to the appointee.

160503. No Requirement for Accounting Reports

Accounting reports similar to those identified in paragraph 160307 are not required. Such reports, if required by the court, are matters of concern between the court-appointed guardian or legal representative and the court.

1606 TERMINATION OF PAYMENTS AND DISCHARGE OF TRUSTEE

160601. Conditions for Termination of Payments

DFAS will terminate payments that are due an incompetent retiree and paid to the trustee upon notification receipt of:

A. Death of the incompetent retiree;

B. Death or disability of the trustee;

C. Appointment of a committee, guardian, or other legal representative for the incompetent retiree by a court of competent jurisdiction;

D. Failure of a trustee to render required accounting reports;

E. Probable cause to believe that there is improper use of monies received on behalf of the incompetent retiree; or

F. Findings from a board of medical officers or other appropriate medical authorities indicating that the retiree be capable of managing his or her own affairs. The appointing authority may accept, at his or her discretion, the findings of a VA or Public Health Service medical facility, or the findings of other public or private medical facilities that a person formerly found incompetent is now competent.

160602. Discharge of Trustee Duties

A. When payments to the trustee terminate as described in paragraph 160601, the trustee files a final accounting report with the Retired Pay Department, DFAS-CL. Upon approval of the final accounting report, the trustee is discharged and the surety is released of its bond.

B. If payment terminates for reasons described under subparagraph 160601.B, D, or E, then the Retired Pay Department, DFAS-CL, may appoint a successor trustee. Upon death or disability of a trustee, the trustee's legal representative makes the final accounting report.

160603. Death of Incompetent Retiree

Upon the death of the incompetent retiree, any funds remaining in the fiduciary account, maintained on behalf of the incompetent retiree by the trustee, must be made payable to the deceased retiree's estate.

1607 COMFORT ITEMS DURING HOSPITAL STAY

160701. Hospital Stay of Mentally or Physically Incompetent Retiree

The commanding officer of any military hospital or the director of a VA hospital may designate an officer under the command to receive and receipt for a sum of money from the accrued pay of a retiree who, as a patient at the hospital, is found physically or mentally incapacitated in a report of medical officers.

160702. Money Received For Comfort Items

During the retiree's hospital stay, the designated officer may use the sum of money received from the accrued pay of a retiree only for the purchase of comfort items for the use and benefit of that retiree when all of the following conditions exist:

A. DFAS did not designate a trustee and a court of competent jurisdiction did not appoint a guardian or other legal representative.

B. There are no other funds available for use on behalf of the retiree; and

C. Competent medical authority agrees that the purchase of items will serve the comfort of the retiree.

1608 GENERAL MAINTENANCE OF ACCOUNTS

Once the appointment of trustee, guardian, committee, or other official party has been made, DFAS-CL must change or update the account per the appropriate provisions of this Regulation.

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1603 – MENTAL INCAPACITY

160301	37 U.S.C. § 602(a) 37 U.S.C. § 602(e)
160302 – 160303	37 U.S.C. Chapter 11 37 U.S.C. § 601-604
160304	37 U.S.C. § 602(f)
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160402.D	Shapter vs. Pillar, 28 Col 209, 63P 302, 1900
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1606 – TERMINATION OF PAYMENTS AND DISCHARGE OF TRUSTEE

160601 – 160602	37 U.S.C. § 602(f)

VOLUME 7B, CHAPTER 17: "BANKRUPTCIES"

SUMMARY OF MAJOR CHANGES

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PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated chapter and format to comply with administrative instructions.	Revision
170101	Changed title from "Overview" to "Purpose" to comply with current administrative instructions.	Revision
170101.C	Updated "Official Form 10" to "Official Form B 410" and hyperlinked.	Revision
Bibliography	Updated Bibliography.	Revision

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CHAPTER 17

BANKRUPTCIES

1701 GENERAL

*170101. Purpose

This chapter applies to military retirees who have filed a bankruptcy petition under ***Title 11, United States Code (U.S.C.), Chapter 7*** or ***11 U.S.C., Chapter 13*** of the Bankruptcy Code. (Note: Scroll down on links to Chapter 7 and Chapter 13.) The law waives the U.S. Government's sovereign immunity for purposes of compliance with payroll deduction orders issued by the bankruptcy courts. Accordingly, the Defense Finance and Accounting Service (DFAS) will honor the bankruptcy withholding orders.

A. Voluntary Bankruptcy. Military retirees may seek protection of voluntary bankruptcy as "debtors."

B. Automatic Stay Provisions. Continued deduction from the retiree's pay of most types of debts, including debts owed to the United States, after the filing of a petition in a bankruptcy is improper and violates the automatic stay provisions of the bankruptcy statute. Such amounts withheld after the date the bankruptcy petition is filed must be refunded to the retiree's pay account. The automatic stay provisions of the bankruptcy statute do not preclude continued deductions based on court-ordered support obligations or divisions of retired pay. Coordinate with the DFAS Office of General Counsel (OGC) - Garnishment Operations if there are any questions about collecting a debt when a debtor has filed bankruptcy.

* C. Proof of Claim. Upon notice or actual knowledge of the filing of a bankruptcy petition, when the retiree has listed the U.S. Government as a creditor, DFAS-Cleveland, Retired and Annuitant Pay Operations will file ***Official Form B 410***, Proof of Claim, with the bankruptcy court concerned.

D. Post-Petition Debt. A new item of indebtedness incurred after the filing of the bankruptcy petition is known as a post-petition debt. Post-petition debt collection should be coordinated with the DFAS OGC - Garnishment Operations prior to taking any action.

170102. Authoritative Guidance

The bibliography at the end of this chapter lists the authoritative references.

1702 ADJUSTMENT OF DEBTS OF AN INDIVIDUAL WITH REGULAR INCOME, BANKRUPTCY, CHAPTER 13 (THE PLAN)

170201. Repayment Plan

A retiree may file a petition with the court to enter into a "Chapter 13 plan" under the Bankruptcy Code (11 U.S.C.). Under 11 U.S.C., Chapter 13, a retiree must submit a proposed repayment plan to the bankruptcy court that provides, among other things, that all or a specified amount of future income, as is necessary to pay priority claims under the plan, are under the control of the bankruptcy trustee. The plan will provide for the submission of such earnings or wages to the supervision and control of the court for the purpose of enforcing the plan.

170202. Provisions

When the plan is confirmed by the court, its provisions are binding upon the debtor and all creditors of the debtor, whether they are affected by the plan, they have accepted it and have filed their claims, or their claims have been scheduled or allowed, or are allowable.

170203. Authority

The court has authority to issue orders needed to implement the provisions of the plan including orders directed to an employer of the debtor.

170204. Retired Pay

The retired pay of a retiree may be used to pay the Chapter 13 plan and is payable to the trustee appointed by the court. The payment by DFAS of part of the retiree's pay in response to a court order issued in a Chapter 13 plan does not conflict with ***31 U.S.C. § 3713*** (Priority of Government Claims). Compliance with such a court order gives the government a valid acquittance against the retiree since the court order is binding on the retiree.

170205. Judicial Determination

If the U.S. Government is a creditor when the retiree files a Chapter 13 plan, the Government's priority under 31 U.S.C. § 3713 may be asserted in the absence of a judicial determination to the contrary.

170206. Delinquent Taxes

A retiree who is participating in a Chapter 13 plan must pay the delinquent taxes which he or she owes that had not been assessed before the date of confirmation of the plan. The retiree also is responsible for all taxes that may become due. The United States may accept the provisions of any plan that includes the assumption, settlement, or payment of any such delinquent taxes.

A. When DFAS-Cleveland, Retired and Annuitant Pay Operations sends the entire amount of the retiree's pay to the court-appointed trustee, the Internal Revenue Service (IRS) Notice of Levy should be forwarded to the court-appointed trustee for disposition.

B. When DFAS-Cleveland, Retired and Annuitant Pay Operations sends part of the pay due the retiree to the court-appointed trustee, the IRS Notice of Levy should be processed in the normal manner against the amount due the retiree. The court-appointed trustee is provided a copy of the IRS Notice of Levy and notified of the action taken in establishing the liquidation procedures on a continuing Notice of Levy.

1703 PROCEDURES

170301. Bankruptcy Notices and Withholding Orders

A. All bankruptcy notices and withholding orders should be submitted or faxed to:

DFAS Cleveland
Garnishment Operations
P.O. Box 998002
Cleveland, OH 44199-8002

Toll Free Fax: (877) 622-5930
Commercial Fax: (216) 367-3675

B. DFAS-Cleveland, Garnishment Operations is the designated agent for service of process for all military retiree bankruptcy notices and withholding orders.

C. The following information should be included with the withholding order:

1. Full name and

2. Full social security number.

D. The notice is effective when it is received in the office of the designated official.

E. When the notice does not sufficiently identify the retiree, it will be returned directly to the person who submitted the order with an explanation of the deficiency.

170302. Case Review and Execution of Bankruptcy Withholding Order

Upon receipt of notice of a bankruptcy, together with all the required information, the office of the designated official will review the case to determine if there are any garnishments or debt collections that must be terminated as a result of the automatic stay (child support, alimony, child support arrears, alimony arrears, and division of property awards are not terminated unless

the bankruptcy order requires it). If a bankruptcy withholding order is submitted, the office of the designated official will establish the withholding against the retiree's pay to comply with the bankruptcy order within 30 days. Withholdings will continue until the amount specified in the order is collected, or the order is canceled or suspended.

A. Within 30 calendar days after the date of receipt of the order, the designated official will send notice to the retiree.

B The letter will inform the retiree the date that the bankruptcy withholding is scheduled to begin and the amount or percentage that will be deducted.

C. When the retiree identified in the order is found not to be entitled to money due from or payable by DFAS, the designated official will return the order to the person who submitted it and advise him or her that no money is due from or payable by DFAS to the named individual. When it appears that amounts are exhausted temporarily or otherwise unavailable, the authorized person must be told why and for how long any money is unavailable, if known.

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CHAPTER 17 – BANKRUPTCIES

1701 – GENERAL

170101.A	11 U.S.C. § 109
170101.B	11 U.S.C. § 362
170101.C	11 U.S.C. § 501
170101.D	11 U.S.C. § 1305

1702 – ADJUSTMENT OF DEBTS OF AN INDIVIDUAL WITH REGULAR INCOME, BANKRUPTCY, CHAPTER 13 (THE PLAN)

170201	11 U.S.C. §§ 1301-1330
170202	11 U.S.C. § 1327
170203	11 U.S.C. § 105
170204	11 U.S.C. § 1326
170205	31 U.S.C. § 3713 47 Comptroller General (Comp Gen) 522 United States vs. Shannon, 342 US 288 1951
170206	31 U.S.C. § 3713 47 Comp Gen 522

VOLUME 7B, CHAPTER 18: "RELEASE OF INFORMATION"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated June 2015 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated chapter and format to comply with administrative instructions.	Revision
180101	Renamed paragraph title from "Overview" to "Purpose" to comply with administrative instructions.	Revision
1804	Changed section structure to comply with administrative instructions.	Revision
Bibliography	Updated Bibliography.	Revision

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CHAPTER 18

RELEASE OF INFORMATION

1801 GENERAL

*180101. Purpose

This chapter provides regulatory policy on the Freedom of Information and Privacy Acts. Guidance references are from United States Code (U.S.C.), Public Law (PL), Department of Defense (DoD) and agency regulations.

180102. Authoritative Guidance

The bibliography at the end of this chapter lists the authoritative references.

1802 FREEDOM OF INFORMATION ACT

PL 89-554, enacted September 6, 1966, commonly known as the Freedom of Information Act (FOIA) and codified in ***Title 5, U.S.C., section 552***, as amended, provides for openness in government and making information available to the public. ***Department of Defense Directive (DoDD) 5400.07***, DoD Freedom of Information Act Program, provides guidance on 5 U.S.C. § 552, as amended, and prescribes uniform policies and procedures for the DoD implementation of the FOIA.

1803 PRIVACY ACT

PL 93-579, enacted December 31, 1974, commonly known as the Privacy Act of 1974 and codified in 5 U.S.C. § 552a, as amended, safeguards individual privacy by governing the collection, safeguarding, maintenance, public notice, use, access, amendment, and dissemination of personal information. ***DoDD 5400.11***, DoD Privacy Program, provides guidance on 5 U.S.C. § 552a, as amended, and prescribes uniform procedures for implementation of the DoD Privacy Program.

*1804 ADMINISTRATION

Administration of the FOIA and the Privacy Act must be in accordance with the respective Component regulations and instructions.

180401. Army

Army administration of the FOIA and the Privacy Act must be in accordance with ***Army Regulations (AR) 25-55***, ***AR 25-22***, and Title 32, Code of Federal Regulations (CFR), ***part 518***.

180402. Air Force

Air Force administration of the FOIA and the Privacy Act must be in accordance with ***DoD 5400.7-R_Air Force Manual 33-302*** and ***Air Force Instruction 33-332***.

180403. Navy

Navy administration of the FOIA and the Privacy Act must be in accordance with Secretary of the Navy Instructions (SECNAVINST) 5720.42F and SECNAVINST 5211.5E.

180404. Marine Corps

Marine Corps administration of the FOIA and the Privacy Act must be in accordance with SECNAVINST 5720.42F and SECNAVINST 5211.5E.

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1802 – FREEDOM OF INFORMATION ACT

PL 89-554, September 6, 1966
PL 90-23, June 5, 1967
PL 93-502, November 21, 1974
PL 94-409, September 13, 1976
PL 95-454, October 13, 1978
PL 98-620, November 8, 1984
5 U.S.C. § 552, as enacted by PL 89-554, thereafter, amended by PL 90-23, PL 93-502, PL 94-409, PL 95-454, and PL 98-620
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DoD 5400.7-R, July 13, 2016

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PL 93-579, December 31, 1974
5 U.S.C. § 552a, as amended
DoDD 5400.11, October 29, 2014
DoD 5400.11-R, May 14, 2007

*1804 – ADMINISTRATION

AR 25-55
AR 25-22
32 CFR, part 51
DoD 5400.7-R_Air Force Manual 33-302
Air Force Instruction 33-332
SECNAVINST 5720.42F
SECNAVINST 5211.5E

VOLUME 7B, CHAPTER 19: "GENERAL PROVISION GOVERNING ALLOTMENTS OF RETIRED PAY"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated September 2015 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated chapter and format to comply with administrative instructions.	Revision
190202.A	Updated subparagraph to comply with Title 10, United States Code, section 1210(b).	Revision
190304.B	Updated the address for Savings Bond Allotment written requests.	Revision
Bibliography	Added reference for subparagraph 190202.A.	Addition

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CHAPTER 19

GENERAL PROVISIONS GOVERNING ALLOTMENTS OF RETIRED PAY

1901 GENERAL

190101. Purpose

A. Allotments are designed for the convenience and privilege of retirees and are not to be exploited or abused. The retired pay activity acts solely as an agent of the retiree in the payment of the allotments and assumes no liability concerning any contract between the retiree and the allottee. Allotments paid erroneously through administrative error must be recovered from the allottee, if possible, or may be collected from the retiree if such payment provided a benefit to that retiree.

B. Voluntary allotments of retired pay or retainer pay for military retirees are limited to discretionary and nondiscretionary allotments. To aid personnel in the transition from active duty to retired status, all existing authorized allotments of members on active military service may be continued as approved allotments. Authorized allotments include a maximum of six discretionary allotments, as outlined in paragraph 190201 and Volume 7A.

190102. Authoritative Guidance

The bibliography at the end of this chapter lists the authoritative references.

1902 DISCRETIONARY ALLOTMENTS

190201. Discretionary Allotments

Retirees are authorized no more than six discretionary allotments. A retiree may start a new allotment, as long as the total number of discretionary allotments does not exceed six. Discretionary allotments are identified as “class D” allotments. The retiree must certify that the allotment is within the limits of the law (e.g., allotments may not be used to repay gambling debts in a state where gambling is not permitted). Discretionary allotments include, but are not restricted to, the allotments described in this section. A retired member may terminate a discretionary allotment upon request using the procedures set out in paragraph 190402.

*190202. Allotments For Insurance Premiums

Allotments are authorized for paying various types of commercial insurance premiums. This includes payment for life, dental, health, and vehicle insurance. Premium payments are combined when a retiree has more than one life insurance allotment within the same company. All payments to an insurer are made via Electronic Funds Transfer (EFT). The insurer is responsible for establishing an account for these payments. The start, change and stop dates for the insurance allotments are set out in Tables 19-1, 19-2, and 19-3.

* A. Cash Deposit for Insurance. If a retiree's retired pay account is in a nonpay status due to full waiver of pay, failure to report for periodic physical examination, or the expiration of 3 years after the date the member's name was placed on the Temporary Disability Retired List, the member may request the Department of Veterans Affairs (VA) pay VA insurance premiums by deduction from disability compensation benefits, or the member may pay premiums by sending remittances directly to:

Department of Veterans Affairs
P.O. Box 7787
Philadelphia, PA 19101

B. Eligible Allottees. Eligible allottees include:

1. U.S. Government Life Insurance/National Service Life Insurance (USGLI/NSLI);

2. Navy Mutual Aid Association;

3. Army Mutual Aid Insurance;

4. Dental and Health Insurers;

5. Vehicle Insurers; and

6. Commercial Insurers.

190203. Allotments to Dependents or Relatives

Voluntary payment may be made by allotment to a spouse, other dependent(s), or to a relative(s) not legally designated as a dependent(s). Allotments must be made payable to the allottee through a financial institution for credit to the account of the allottee. An allottee can be a state agency, court trustee, welfare agency, former spouse, or a child's guardian or custodian. The member or allottee must make satisfactory arrangements with the financial institution to accept EFT payment before starting the allotment.

190204. Allotment Deposits to Financial Organizations

Retirees may authorize allotments of pay to financial organizations for credit to the account of the member. Allotments may be deposited to:

A. A financial organization for credit to a savings, checking, or trust account of the allotter; or

B. A mutual fund or other company or investment firm.

190205. Allotments for Payment of Mortgage or Rent

Retirees may authorize allotments for mortgage or rent payment to a financial institution, mortgage company, realtor, or landlord.

190206. Other Allotments

Retirees may authorize an allotment for payment of personal loans; however, the restrictions in paragraph 190408 apply. Personal loans may include, but are not limited to the following:

A. Payment of a car loan; and

B. Payment of a loan to repay consumer credit, such as to a finance company.

190207. Air Force Retired Members Only

Only retired Air Force members may authorize allotment payments to the Air Force Enlisted Members Widow's Home.

1903 NONDISCRETIONARY ALLOTMENTS

190301. Nondiscretionary Allotments

Nondiscretionary allotments of retired and retainer pay are limited to those described in this section.

190302. Voluntary Liquidation of Indebtedness

An allotment for repayment of indebtedness to the United States is registered for a definite period required to liquidate the indebtedness. Retired members may make allotments for payment of:

A. Indebtedness incurred due to defaulted notes insured by the Federal Housing Administration or guaranteed by the VA;

B. Any other indebtedness to any department or agency of the U.S. Government (except Department of Defense (DoD) debts), to include those assigned to a collection agency;

C. Delinquent Federal income taxes. A member may execute an agreement with the Internal Revenue Service (IRS) to pay delinquent taxes by monthly deductions from retired pay. Agreements are made by executing an ***IRS Form 2159***, Payroll Deduction Agreement;

D. Delinquent state or local income or employment taxes; and

E. Loan debt to Navy and Marine Corps Relief Society, Army Emergency Relief, Air Force Aid Society, and American Red Cross.

190303. Charitable Contributions

Retirees are authorized to establish an allotment for making charity contributions to any of the Service Relief Organizations which includes the Army Emergency Relief; Navy and Marine Corps Relief Society; or affiliates of the Air Force Assistance Fund. Payment of pledges for one of these specified charities is authorized. These payments are for a definite period. Individual organizations are responsible for identifying an account for payment issue.

*190304. Savings Bonds Allotments

A. Purchasing Savings Bonds by Allotment. As of October 1, 2010, the U.S. Treasury no longer issues paper savings bonds to federal employees (military, retired, and civilian personnel members) through payroll deduction. Retired members may purchase electronic savings bonds by establishing a personal TreasuryDirect account with the Treasury, and then initiating a nondiscretionary allotment made payable to Treasury at their TreasuryDirect account. Members are authorized one nondiscretionary allotment for the purchase of bonds. For information on TreasuryDirect, go to ***www.treasurydirect.gov***.

* B. Establishment of Savings Bonds Nondiscretionary Allotment. Retired members electing to purchase electronic savings bonds will first create a TreasuryDirect account at www.treasurydirect.gov. This account can be used to purchase multiple bonds. Once created, members must either contact the Defense Finance and Accounting Service (DFAS) Retired and Annuitant Pay or log into myPay to establish an allotment to the TreasuryDirect account. The following information is required to initiate the allotment:

1. The routing transit number for TreasuryDirect: 051736158;

2. The TreasuryDirect account number provided by Treasury; and

3. The specific dollar amount to be deducted monthly.

The myPay system also requires that the member designate the account type, either checking or savings, even though that designation is not applicable to an allotment to a TreasuryDirect account. Send written requests to begin Savings Bonds Allotments to:

Defense Finance and Accounting Service
U.S. Military Retired Pay
8899 East 56th Street
Indianapolis, IN 46249-1200

1904 ALLOTMENT ADMINISTRATION

190401. Excluded Amounts in Retired Pay Allotment

The amount of retired pay which may be allotted can be limited administratively to exclude amounts required to be withheld for:

A. Tax purposes;

B. Liquidation of an indebtedness determined under applicable provisions of law to be chargeable against the member's retired pay account;

C. Cost of participation in the Retired Serviceman's Family Protection Plan and/or Survivor Benefit Plan;

D. Garnishments;

E. Continuing tax levies;

F. VA compensation; and

G. Payments to a former spouse.

190402. Establishment, Discontinuance, and Changes to Existing Allotments

A properly executed DoD ***(DD) Form 2558***, Authorization to Start, Stop or Change an Allotment), a written request, or an automated data exchange (from specific organizations) may be used to establish, discontinue, or change an allotment. Automated computer programs that allow members to establish, discontinue, or change an allotment using a personal identification number are also permitted. In addition, requests may be accepted telephonically from members without written documentation, but only after the member's identity has been validated. Requests for allotment actions should be provided to DFAS, Retired and Annuitant Pay. Normally, allotments are not established retroactively.

190403. Administrative Changes

A. Changes beyond the control of the retiree are considered administrative in nature. These are dictated by events incidental to the purpose of the allotment. Examples include changes to the name, address, account number, and financial institution of the allottee. Other examples include amount changes due to contractual obligations existing at the time the allotment was executed (such as a mortgage payment changed because of variable rate mortgage or change in escrow requirement). Administrative changes may be made without the allotee's consent.

B. In addition to the situations described in subparagraph 190403.A, upon notice and request from the insurance allottee, administrative changes may be made without the member's consent under the following circumstances:

1. Death of retired member;

2. Policy terminated;

3. Policy has been surrendered;

4. Policy changed;

5. Policy paid up, no premiums due;

6. Policy not in force; and

7. Lapsed policy.

The allotment will be terminated or reduced at the insurance allottee's request; and refund and notification of the returned premium must be forwarded to the retired member.

190404. Duration of Allotments

Allotments are registered for an indefinite period except for the following circumstances:

A. Repayment of indebtedness to the United States, to include payment of delinquent Federal income taxes; and

B. Charitable contributions as specified in paragraph 190303.

190405. Allotment Overpayment Responsibilities

Any check issued and mailed to a recipient or transmitted via EFT to the recipients' financial institution for which entitlement does not exist must be recovered immediately by the issuing office. If an allotment payment is made after deductions from retiree's retired pay have stopped, and the recipient does not return the amount of that payment, then the office of issuance starts recovery action of an equal amount from the recipient, or the retiree, if that office determines that the retiree benefited from the payment. If the retiree is liable, then overpayment is recovered by deductions from retired pay due the retiree.

190406. Definitions

A. Allotment. An allotment is a definite portion of the retired pay of a person retired from a Military Service, which the retiree authorizes to be paid to a person, institution, or agency. This payment is for the purpose of supporting relatives or for any other purpose that the Secretary of the military department concerned considers proper.

B. Allottee. An allottee is a person, institution, or agency to whom the allotment is made payable.

C. Allotter. An allotter is the person from whose retired pay the allotment is made.

D. Financial Institution. A financial institution is a bank (to include a military banking facility), credit union, or thrift association.

190407. Method of Payment

EFT is the method of payment required for all individual allotments. For a list of exceptions to this requirement see Title 31, Code of Federal Regulations (CFR), part 208.4 (*31 CFR 208.4*) and Volume 8, Chapter 1.

190408. Restrictions

The following restrictions apply to allottees:

A. Minors. Allotments (except to purchase U.S. Savings Bonds) may not be made payable to children under 16 years of age. Allotments may be made payable to the child's guardian or custodian. Spouses of retirees may be named as allottees regardless of age.

B. Mental Incompetents. Allotments are not payable to mentally incompetent persons. Such allotments are payable to a guardian or the institution where confined.

C. Multiple Allotments. See restrictions in paragraphs 190101 and 190201.

D. Special Power of Attorney. A special power of attorney may be used to establish, change, or stop an allotment. This special power of attorney must specifically grant the authority to establish, change or stop allotments. A general power of attorney is not acceptable to establish, change, or stop an allotment.

E. Reduced Retired Pay of Allotter. When a stoppage or reduction of retired pay does not leave enough funds for deduction of allotments in force, then those allotments are stopped administratively by the disbursing officer without the signature of the retiree, as described in section 1904, and Figure 19-1.

F. Administrative Stops. Allotments may be stopped because of the required deductions from retired pay listed in paragraph 190401. When possible, the retiree is allowed to determine the allotments to be stopped. If, however, the retiree involved refuses, or is unable, to identify those that should be stopped, then the allotments of that retiree are involuntarily stopped. See Figure 19-1 for the order of precedence.

1905 RIGHT TO ALLOTMENTS IN CASE OF DEATH

190501. Death of Retiree

Entitlements to allotments end with the death of the member. No further allotment payments may be made after receipt of notice of the allotter's death. Deductions made from the retiree's pay, but not paid to the allottee, become part of the arrears of retired pay. Allotments paid after the retiree's death may not be collected from the allottee, except:

A. Allotments erroneously established after notice of death of the retiree; and

B. Unearned insurance premiums (insurance premiums are paid 1 month before the day payment is actually due).

190502. Death of Allottee

An allotment check, even though endorsed, does not become part of an allottee's estate if it is not cashed or negotiated before the allottee's death. It is not subject to any expense incurred by or on behalf of the allottee before or after death. All unnegotiated allotment checks must be returned to the office that issued them. Such checks are credited to the retiree's account.

Figure 19-1. Order of Precedence

ORDER OF PRECEDENCE		
Precedence	**Type**	**Letter Designation**
1	Charitable contributions to Army Emergency Relief, Navy and Marine Corps Relief Society, or Air Force Assistance Fund	See Table 19-4
2	Bonds	B
3	Savings	D
4	Loans to service organizations	L
5	Payment of delinquent state or local income or employment taxes	T
6	Dependents	D
7	Home loans	D
8	Commercial life insurance/Army Mutual Aid Insurance	D
9	Navy Mutual Aid Insurance	M
10	Government life insurance	N
11	Veterans Group Life Insurance	See Table 19-1
12	Deductions for court-ordered support	D
13	Repayment of indebtedness to the United States	T
14	Payment of delinquent Federal income taxes	T

Table 19-1. Effective Dates for Starting Insurance Allotments (D, M, V, or N)

EFFECTIVE DATES FOR STARTING INSURANCE ALLOTMENTS (D, M, V, OR N)				
	A	**B**	**C**	**D**
RULE	**If a retired member of**	**is authorized a class**	**and the**	**then start the allotment effective the first day of the month**
1	any Military Service	N allotment		before the month in which insurance premium is due (note).
2			insurance policy is dated back to save age	in which application is made. Retiree must pay the Reserve to cover previous months by direct payments to VA.
3	the Army or Air Force	D allotment		specified by retiree, if authorization reaches the servicing finance center before the date specified in Military Service procedural regulations.
4	the Navy or Marine Corps	D or M allotment		
5	any Military Service	D or V allotment		submitted by the Veterans Group Life Insurance through the automated data exchange process.

NOTE: A U.S. Government or NSLI allotment deducted for 1 month pays the premium for the succeeding month. For example, if premium for July is paid by allotment, then allotment must be effective June 1.

Table 19-2. Effective Dates for Changing Insurance Allotments (D, M, V, or N)

EFFECTIVE DATES FOR CHANGING INSURANCE ALLOTMENTS (D, M, V, OR N)					
	A	**B**	**C**	**D**	**E**
RULE	**If a retired member of**	**has a class**	**and**	**then stop present allotment effective the last day of the month**	**then start new allotment effective the first day of the month**
1	the Army or Air Force	D or N allotment	the retiree or fiduciary or guardian requests a change in allotment	specified in request if allotment change can be processed by the date specified in procedural regulations of the Military Service concerned	after the month old allotment is stopped.
2	the Navy or Marine Corps	D, M, or N allotment			
3	any Military Service	N allotment	allotment was authorized in incorrect amount or effective date	before its effective date	specified in original request or authorization of the date requested by the VA.
4		D or V allotment	the Office of Servicemembers' Group Life Insurance (OSGLI) automated data exchange provides a change in the allotment	as specified by the automated data exchange process	specified by the automated data exchange process.

Table 19-3. Effective Dates for Stopping Insurance Allotments (D, M, V, or N)

EFFECTIVE DATES FOR STOPPING INSURANCE ALLOTMENTS (D, M, V, OR N)				
	A	**B**	**C**	**D**
RULE	**If a retired member of**	**has a class**	**and**	**then stop allotment effective the last day of the**
1	the Army or Air Force	D or N allotment	the retiree requests the allotment be stopped	month specified by the retiree, if authorization reaches the servicing DFAS Site before the date specified in procedural regulations of the Military Service concerned.
2	the Navy or Marine Corps	D, M, or N allotment		
3	any Military Service	N allotment	the application for insurance is disapproved by the VA	month before the effective starting date of the allotment.
4	the Army or Air Force	D allotment	has insufficient "net" pay to satisfy IRS Notice of Levy for delinquent income tax determined by IRS to be a "problem case"	month before the month in which IRS levy is received (stop insurance allotments only if discontinuance of other voluntary allotments will not satisfy levy).
5	the Navy or Marine Corps	D or M allotment		
6	the Army or Air Force	D or N allotment	has pay suspended (note 1) or insufficient pay	last month in which enough pay accrues to satisfy deduction. Avoid stopping allotment unnecessarily or earlier than required.
7	the Navy or Marine Corps	D, M, or N allotment		
8	the Army or Air Force	D or N allotment	dies	(note 1.)
9	the Navy or Marine Corps	D, M, or N allotment		
10	any Military Service	D or V allotment	the retiree or OSGLI requests the allotment be stopped	month specified by the retiree, if authorization reaches the servicing DFAS Site before the date specified in Military Service procedural regulations; for OSGLI as specified by the automated data exchange process (note 2).

Table 19-3. Effective Dates for Stopping Insurance Allotments (D, M, V, or N) (Continued)

NOTES:
1. See procedural regulations of Military Service concerned.
2. Advise OSGLI immediately of reason for stoppage of allotment if it was discontinued by the automated data exchange process.

Table 19-4. Allotments of Retired Pay – General

ALLOTMENTS OF RETIRED PAY — GENERAL								
	A	B			C		D	
		and Service's letter designation is			and member is not on active duty and has allotment (notes 1 and 2)		then the allotment period required is	
RULE	When the purpose of allotment is for	Army	Navy/ USMC	Air Force	authorized for carryover from active duty	authorized for establish-ment from active duty	Indefinite	Definite
1	purchase of U.S. Savings Bonds	B	B	B	X	X	X	
2	payment to dependents (note 5)	D	D	D	X	X	X	
3	repayment of home loans	D	D	D	X		X	
4	commercial life insurance/Army Mutual Aid Insurance (note 3)	D	D	D	X	X	X	
5	repayment of loans to Navy and Marine Corps Relief Society, Army Emergency Relief, American Red Cross, or Air Force Aid Society	L	L	L	X	X		X
6	Navy Mutual Aid Insurance (note 2)	None	M	None	X	X	X	
7	USGLI and/or NSLI (note 4)	N	N	N	X	X	X	
8	repayment of loans on VA insurance (note 4)	N	N	N			X	
9	payment of financial institution or credit to account of retiree (note 6)	D	D	D	X		X	
10	payment of delinquent Federal income taxes and/or payment of indebtedness to the United States (note 7)	T	T	T		X		X
11	charitable contributions to the Army Emergency Relief, Navy and Marine Corps Relief Society, or affiliates of the Air Force Assistance Fund	L	C	F	X	X		X

Table 19-4. Allotments of Retired Pay - General (Continued)

ALLOTMENTS OF RETIRED PAY — GENERAL								
	A	B			C		D	
		and Service's letter designation is			and member is not on active duty and has allotment (notes 1 and 2)		then the allotment period required is	
RULE	When the purpose of allotment is for	Army	Navy/ USMC	Air Force	authorized for carryover from active duty	authorized for establish-ment from active duty	Indefinite	Definite
12	payment of delinquent state or local income or employment taxes (note 8)	T	T	T	X			X
13	Veterans Group Life Insurance	D	D,V	D		X	X	

NOTES:

1. Includes members of the Fleet Reserve or Fleet Marine Corps Reserve when not on active duty.
2. In addition to allotments authorized, member may continue any other allotments in effect (except Combined Federal Campaign and aviation premiums payable to the Navy Mutual Aid Association) at the time of retirement.
3. On the life of the allotter, spouse, and/or children.
4. Payment of allotments for insurance premiums and repayment of insurance loans are made by one NSLI or class N allotment.
5. Authorized to a spouse, former spouse, and/or children of the retired member having a permanent residence other than that of the retired member.
6. Includes credit unions within the United States, its possessions, Puerto Rico, and Panama Canal Zone operating under a Federal or state charter. Also includes credit unions authorized under Volume 5, Chapter 34 to operate an overseas U.S. military installation.
7. Delinquent Federal income taxes are payable to the applicable District Director, IRS.
8. Delinquent state or local and employment taxes are payable to the applicable state or local tax authorities.

*BIBLIOGRAPHY

CHAPTER 19 – GENERAL PROVISIONS GOVERNING ALLOTMENTS OF RETIRED PAY

1901 GENERAL

190101	Title 37, United States Code (U.S.C.), section 701

1902 – DISCRETIONARY ALLOTMENTS

190201	37 U.S.C. § 701
* 190202.A	10 U.S.C. § 1210(b)

1903 – NONDISCRETIONARY ALLOTMENTS

190304	31 CFR 363

1904 – ALLOTMENT ADMINISTRATION

190406	37 U.S.C. § 701
190407	31 U.S.C. § 3332

1905 – RIGHT TO ALLOTMENTS IN CASE OF DEATH

190501	Comptroller General B-225873.2 31 U.S.C. § 3727(e)(2)

VOLUME 7B, CHAPTER 22: "FUNERAL HONORS DETAIL STIPEND FOR RETIREES"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated November 2015 is archived

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatted to comply with current administrative instructions.	Revision
220101	Renamed paragraph to "Overview."	Revision
220102	Revised wording for "Purpose" paragraph.	Revision
220204.B	Updated reference to Standard Form 1164 to reflect Optional Form 1164.	Revision
Bibliography	Added the Fiscal Year 2017 stipend memorandum.	Addition

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CHAPTER 22

FUNERAL HONORS DETAIL STIPEND FOR RETIREES

2201 GENERAL

*220101. Overview

The Secretary of a Military Department is authorized to provide support for persons participating in a funeral honors detail, including retired military members, in the form of either transportation allowances (or reimbursement for transportation allowances) and expenses, or a daily stipend as prescribed by the Secretary of Defense. The prescribed daily stipend must be set at a single rate designed to defray the typical costs of transportation and other miscellaneous expenses for persons participating in a funeral honors detail who are members of the Armed Forces in a retired status and other persons who are not members of the Armed Forces or employees of the United States. See Volume 9, Chapter 4 for information regarding reimbursement for transportation allowances and expenses.

*220102. Purpose

This chapter provides policy for the entitlement, funding, and amount payable for funeral honors detail stipends.

220103. Authoritative Guidance

The bibliography at the end of this chapter lists the authoritative references.

2202 ENTITLEMENT TO STIPEND

Secretaries of Military Departments are asked to authorize stipend payments for retirees under ***Title 10, United States Code (U.S.C.), section 1491(d)*** in lieu of authorizing an allowance under ***37 U.S.C. § 495(a)***. These stipends ensure uniform payments to all volunteers who assist in providing funeral honors. A member of the Armed Forces in a retired status, including a member of the Retired Reserves without pay, may receive a daily stipend payment, in addition to any payment of retired or retainer pay or other compensation to which they are entitled, for performing funeral honors detail. Only one daily stipend may be earned and paid for 1 calendar day.

220201. Amount Payable

The Secretary of Defense is required to prescribe annually a flat rate daily stipend for certain individuals who volunteer to assist the active military in the delivery of funeral honors. The daily stipend payable to a member receiving retired or retainer pay, or a member of the Retired Reserves without pay, is currently $50.

220202. Taxability

The daily stipend payment under 10 U.S.C. § 1491(d) is not reported as taxable income.

220203. Funding

The approving Military Department must make the payment under this chapter from Operation and Maintenance funds for the fiscal year in which the payment is made.

*220204. Payments

A. Retirees considered for the stipend must be an authorized provider to participate in the specific honor detail and perform the honors as anticipated. The retirees that perform funeral honors should be a provider under the Authorized Provider Partnership Program (***AP3***). The Department of Defense (DoD) established the AP3 for the benefit of commanders who have the responsibility to provide funeral honors to active duty Service members, retirees, and veterans.

* B. The Military Department concerned is responsible for processing claims for authorized providers (retirees). The authorized provider (retiree) must complete Optional Form 1164, Claim for Reimbursement for Expenditures on Official Business, and submit to the parent Service of the honored veteran.

*BIBLIOGRAPHY

CHAPTER 22—FUNERAL HONORS DETAIL STIPEND FOR RETIREES

2201 — GENERAL	DoD Instruction (DoDI) 1300.15, October 22, 2007 10 U.S.C. § 1491(d)
2202 — ENTITLEMENT TO STIPEND	10 U.S.C. § 1491(d) Office of the Under Secretary of Defense (OUSD) Personnel and Readiness (P&R) Memorandum (Memo), October 27, 2016
220201	10 U.S.C. § 1491(d)(2) OUSD (P&R) Memo, October 27, 2016
220202	OUSD (P&R) Memo, February 10, 2014
220203	OUSD (P&R) Memo, October 27, 2016
220204	DoDI 1300.15, October 22, 2007

VOLUME 7B, CHAPTER 23: "SPECIAL AND VOLUNTARY SEPARATION INCENTIVE (VSI) PAY"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

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PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current administrative instructions.	Revision
230102	Added "Authoritative Guidance" paragraph.	Addition

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CHAPTER 23

SPECIAL AND VOLUNTARY SEPARATION INCENTIVE (VSI) PAY

2301 GENERAL

230101. Purpose

The purpose of this chapter is to provide policy for the authorization, administration, and payment of the Special Separation Benefits (SSB) and VSI programs to mid-career service members of the Military Services in over-strength inventories. See Title 10, United States Code (U.S.C.), sections ***1174a*** and ***1175***. The applicable period for SSB and VSI was January 1992 through October 1995. Both options required member affiliation with a Reserve Component. See Volume 7A, Chapter 35 for detailed information on SSB/VSI benefits, entitlements, and eligibility requirements.

*230102. Authoritative Guidance

The bibliography at the end of this chapter lists the authoritative references.

2302 RESPONSIBILITIES

230201. The Defense Finance and Accounting Service (DFAS)-Cleveland Site

The DFAS-Cleveland Site will:

A. Maintain the VSI account until all annual installments are paid, or until the death of the VSI member recipient. A member's entitlement to VSI is not transferable, except that the member may designate beneficiaries to receive the payments in the event of the member's death, in accordance with paragraph 230501; and

B. Make all VSI annual beneficiary payments. Following the death of a VSI recipient, the DFAS-Cleveland Site will provide customer service support for designated beneficiaries and be the primary source for VSI member beneficiary account assistance and maintenance.

230202. Defense Manpower Data Center (DMDC)

The DMDC will maintain a personnel database that identifies and tracks participation in the SSB/VSI programs. Because of the requirement for Reserve affiliation, the DMDC will provide advice of Reserve participation to the DFAS-Cleveland Site.

230203. Secretary of the Treasury

The Secretary of the Treasury administers the VSI Fund (hereafter referred to as the "Fund"). All VSI payments made by the Secretary of Defense after December 31, 1992,

pursuant to 10 U.S.C. § 1175, shall be paid out of the Fund. The Fund is classified as a trust fund and has been designated as account number 97X8335. This fund consists of a receipt and expenditure account.

230204. Department of Defense (DoD) Board of Actuaries

A. Prior to January 1, 1993. The DoD Board of Actuaries (hereafter referred to as the Board") determines an amount that is the total present value, as of January 1, 1993, of the future benefits payable to persons who separate under VSI prior to January 1, 1993.

B. On or after January 1, 1993 through September 30, 1999. The Board determines an amortization period and schedule for liquidating the original unfunded liability of the Fund. For members separated on or after January 1, 1993, the Secretary of Defense must deposit in the Fund during the period beginning on that date and ending on September 30, 1999:

1. The sums necessary to pay the current liabilities during that period, and

2. The amount equal to present value, as of September 30, 1999, of future benefits payable as determined by the Board.

C. For each fiscal year (FY) after September 30, 1999. The Board:

1. Carries out an actuarial valuation for the Fund and determines any new unfunded liabilities arising from gains and losses to the Fund,

2. Determines an amortization schedule for liquidating these new unfunded liabilities, and

3. Determines for the upcoming FYs the amount of DoD contributions to the Fund necessary to comply with the amortization schedules for the Fund's original and new unfunded liabilities in sufficient time to be included in the FY budget requests.

2303 PAYMENT PROCESSING

230301. VSI Payments

A. Upon separation, the Service member will complete a DoD (DD) Form ***2058***, State of Legal Residence Certificate, and Internal Revenue Service ***(IRS) Form W-4***, Employee's Withholding Allowance Certificate. Members who wish to designate beneficiaries must complete a ***DD 2864***, VSI Beneficiary Designation.

B. The DFAS-Cleveland Site will send annual VSI payments to the VSI recipient's bank via Electronic Funds Transfer (EFT). The Service member should

complete ***Standard Form (SF) 1199A***, Direct Deposit Sign-Up Form, to establish EFT payments. If an SF 1199A is not available, the VSI recipient must submit the routing transit number of the financial institution, a canceled check or deposit slip that shows his/her account number and bank address, and the member's signature.

C. After the initial payment, the DFAS-Cleveland Site will issue all subsequent annual payments on the anniversary of the member's separation. In the event that the anniversary date falls on a weekend or holiday, the DFAS-Cleveland Site will make the payment according to the same rules followed for regular active duty paydays.

230302. Effect of Disability Compensation

A member receiving VSI must not be deprived of the VSI by reason of entitlement to disability compensation under the laws administered by the Department of Veterans Affairs (VA).

A. Deduction. The amount of any such disability compensation concurrently received must be deducted from VSI payments.

B. No Deduction. No deduction is made from VSI for any disability compensation received because of an earlier period of active duty if the VSI is received because of discharge or release from a later period of active duty.

230303. Withholding Requirements

A. Federal Income Tax Withholding (FITW)

1. Initial SSB and VSI Payments. FITW is withheld at the applicable flat rate percentage of the gross payment from the initial SSB and VSI payment. All SSB and initial VSI payments are included with the member's other taxable pay amounts during that calendar year and reported via the IRS Form W-2, Wage and Tax Statement, in January of the following calendar year.

2. Annual VSI Payments. FITW is withheld from annual VSI payments based upon the annual Percentage Method of Withholding Table. A valid IRS Form W-4 is required to compute the proper withholding amount under this method. If the member does not submit an IRS Form W-4, the tax withholding is computed as if the member is single, with no withholding exemptions. All anniversary payments are produced and reported by the DFAS-Cleveland Site to the member via IRS Form W-2 in January of the calendar year following the payment.

B. State Income Tax Withholding. All SSB and VSI payments are subject to state income tax withholding for residents of states that have entered into an agreement with the Secretary of the Treasury. State withholding and reporting for the SSB and initial VSI payment are based on the member's legal residence at the time of separation from active duty. See Volume 7A, Chapter 44 for those states that have entered into an agreement with the Secretary of

the Treasury. For VSI anniversary payments, State income tax is withheld based upon the State of legal residence claimed on DD 2058, or if no new DD 2058 is submitted, State income tax is withheld based upon the State of legal residence claimed on the member's most recent DD 2058 on file.

C. Withholding of Federal Insurance Contributions Act (FICA). The servicing DFAS-Site will not withhold FICA or any other payroll taxes from SSB and VSI payments.

230304. Recoupment of SSB/VSI

A member who has received SSB/VSI and who later qualifies for retired or retainer pay will have the amount of SSB/VSI received deducted from each payment of such retired or retainer pay. SSB will also be deducted from disability compensation under the laws administered by the VA. See Chapter 4 for detailed information on recoupment.

2304 DEBT COLLECTION

230401. General

SSB/VSI payments are subject to offset for debt collection. When a Service member is released from active duty with debts due the United States (U.S.), the amount of the debt is offset from the initial SSB/VSI entitlement. In the case of VSI, if the debt is greater than the initial payment, then the remaining debt may be collected from subsequent installments. Collections are made according to the administrative offset provisions contained in ***31 U.S.C. § 3716***. The collection of debts from SSB/VSI payments must be consistent with standard debt collection procedures and policies in Volume 16.

230402. Debt Collection

A. VSI Overpayment

1. Overpayment of Initial VSI Installment. For collecting VSI overpayments, the servicing DFAS-Site will pursue collection action using out-of-service debt collection procedures. If the VSI account has already been transferred to the DFAS-Cleveland Site VSI pay system, the DFAS-Cleveland Site, Department Code JFBAAE, must be notified within 5 days with the correct payment information. If debt collection actions prove unsuccessful, the provisions of subparagraph 230402.C.2 must be followed.

2. VSI Anniversary Overpayment. The DFAS-Cleveland Site will pursue a debt incurred as a result of an anniversary overpayment, as an out-of-service debt. If the debt cannot be collected through these procedures, the amount owed is offset from subsequent installment payments. This offset will include any applicable interest, administrative, and/or penalty charges.

B. SSB Overpayment. The Service member's servicing DFAS-Site will treat a debt incurred as a result of overpayment of SSB entitlement as an out-of-service debt. This DFAS-Site must pursue the overpayment according to standard debt collection procedures in Volume 16.

C. Active Duty Debts

1. Amounts due the U.S. should be offset against the initial SSB/VSI payment at the time of the member's separation. The Service member's servicing DFAS-Site will pursue any uncollectible amounts using out-of-service debt collection procedures in Volume 16.

2. The DFAS-Cleveland Site will retain debts for VSI recipients as long as collection efforts are successful. If collection efforts prove unsuccessful, the servicing DFAS-Site will forward the debt to the DFAS-Cleveland Site for administrative offset against the next VSI installment payment at the following address:

Defense Finance and Accounting Service
Attn: VSI (Department Code JFBAAE)
P.O. Box 998011
Cleveland, OH 44199-8011

Such debts should be transferred to the DFAS-Cleveland Site no later than 90 days before the next VSI installment payment using a ***DD 139***, Pay Adjustment Authorization. The DD 139 must state that due process has been afforded the member. Once offset action has been taken, the DFAS-Cleveland Site will credit the proper military personnel appropriation and notify the appropriate DFAS-Site of the amounts collected. If the total debt cannot be liquidated from a single VSI anniversary installment, the respective DFAS-Site should resubmit the remaining debt for offset including any applicable interest, administrative, and/or penalty charges, until the total debt has been satisfied.

D. Debts from Non-Appropriated Fund Instrumentalities (NAFI). A member's annual VSI installments are available for collection of debts owed to NAFI activities.

1. The NAFI is responsible for providing notification of the existence of the debt and due process to the debtor. The initial NAFI notification to the debtor must include a demand for immediate payment in full of the debt.

2. To begin collection, the NAFI must send a DD 139 to the DFAS-Cleveland Site to the address listed in subparagraph 230402.C.2.

3. The entire amount of VSI entitlement is available for offset according to the administrative offset provisions contained in 31 U.S.C. § 3716.

E. Debts from Non-DoD Federal Agencies. DMDC will receive and certify all requests for administrative offset from non-DoD Federal Agencies. Once certified, the

DMDC will send the request, via a DD 139 or letter of transmittal, to the member's servicing DFAS-Site. This DFAS-Site will satisfy the request by administrative offset of the SSB or initial VSI payment. For VSI payments, once the account transfers to the DFAS-Cleveland Site refer any debts to the DFAS-Cleveland Site for offset against future VSI installments.

230403. Garnishments

Garnishment orders remain in effect. Garnishment cases for VSI recipients must be transferred to the DFAS-Cleveland Site for administration.

2305 BENEFICIARY PAYMENT

230501. Designation of Beneficiaries

A. Service members may designate beneficiaries to receive VSI installments that remain unpaid after the death of the member.

1. The VSI recipient should make designations using DD 2864. The VSI recipient may designate different percentages for multiple recipients to receive. In the event percentage elections are not made, payments are divided evenly among the designated beneficiaries.

2. After separation, the VSI recipient may change his/her beneficiary information by sending a signed and dated DD 2864 to the DFAS-Cleveland Site.

B. The DFAS-Cleveland Site will maintain beneficiary forms for all VSI accounts until the end of the VSI entitlement period, or until the person's death.

230502. Notification of Death and Beneficiary Claim

A. The DFAS-Cleveland Site requires notification of a VSI recipient's death. Proof of death, such as a civil death certificate, is required. Upon receipt of proof of death, the DFAS-Cleveland Site will close out the member account and establish the beneficiary account.

B. No specific form is required for making claim for beneficiary payments. A statement signed by the beneficiary claiming future VSI payments will be sufficient. The statement should include the beneficiary's social security number. Mail beneficiary claims to:

Defense Finance and Accounting Service
Attn: VSI
PO Box 998011
Cleveland, OH 44199-8011

230503. Beneficiary Payment

A. Death of the Member. Upon the death of the member, the DFAS-Cleveland Site will make all remaining annual installments to the member's designated beneficiaries for the remainder of the deceased VSI recipient's entitlement period. If a valid designation was not made or received, payments will be distributed to the person highest on the following list living on the date of death (see ***10 U.S.C. § 2771***):

1. Beneficiary designated by the member in writing, if the designation is received by the Military Department concerned before the member's death;

2. Surviving spouse;

3. Children and their descendants, by representation:

a. Adopted Child. An adopted child is a legal heir in every state and, therefore, is entitled to payment of unpaid pay and allowances, if otherwise proper. If others adopt the deceased member's child, the child is a beneficiary only in those states where an adopted child inherits from its natural parent.

b. Stepchild. A stepchild is not an eligible beneficiary unless adopted by the deceased retiree.

c. Illegitimate Child. An illegitimate child may not be paid unpaid pay and allowances of a deceased retiree unless that child is recognized for inheritance purposes under the laws of the jurisdiction involved.

4. Father and mother in equal parts or, if either is dead, the survivor;

5. Legal representative; or

6. Person entitled under the law of the domicile of the deceased retiree.

B. Death of the Beneficiary. Payments will be distributed to a beneficiary's estate in the event a beneficiary dies after a VSI recipient's date of death. The DFAS-Cleveland Site will make such payments according to the laws governing the beneficiary's state of legal residence.

C. Withholding Requirements

1. FITW is based upon the ***IRS Form W-4P***, Withholding Certificate for Pension or Annuity Payments, submitted by the recipient. If an IRS Form W-4P is not submitted, the DFAS-Site will calculate withholding as for a married person claiming three withholding allowances.

2. State income taxes or FICA will not be withheld from beneficiary payments.

3. The DFAS-Cleveland Site will issue an IRS Form 1099-R, Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc., to each beneficiary recipient.

D. Garnishment of Beneficiary Payments. The DFAS-Cleveland Site will not honor garnishment orders against beneficiary payments.

E. Offset of Beneficiary Payments. Beneficiary payments generally are not subject to offset. For instance, VSI beneficiary payments are not offset even though the beneficiary is entitled to receive Social Security on behalf of the deceased VSI recipient. However, if a beneficiary is indebted to the government, the debt may be collected from VSI installment payments.

230504. Report of Existence

The DFAS-Cleveland Site will send a Report of Existence letter annually to each beneficiary. For additional information on Report of Existence, see Chapters 15, 37, and 46.

2306 RESERVISTS DEBT COLLECTION

230601. General

Reservists' Special Separation Pay/Reservists' VSI (RSSP/RISP) payments are subject to offset for debt collection. Any debts remaining at time of separation/retirement are offset from the amount of the RSSP/RISP payment. In the case of RSSP, if the debt is greater than the initial payment, the remaining debt may be collected from any subsequent installment payments. Collections are made according to the administrative offset provisions contained in 31 U.S.C. § 3716.

A. RSSP. RSSP may be paid to Reservists who have performed more than 20 years of service and are under 60 years of age, provided the members receive the approval of the Secretary concerned and meets the eligibility requirements in Volume 7A, Chapter 58.

B. RISP. Subject to the approval of the Secretary concerned and restrictions contained in Volume 7A, Chapter 58, a member of the Selected Reserve may be paid RISP. RISP may be paid to a member who is separated from service on or after March 11, 1993, and has performed 6 years or more, but less than 15 years of service prior to date of discharge from a Reserve Component or involuntary transfer from the Selected Reserve.

230602. Debt Collection

A. RSSP Overpayment

1. Overpayment of the Initial RSSP Payment. The DFAS-Cleveland Site pursues collection action against the RSSP recipient. If the RSSP account has been transferred to the DFAS-Cleveland Site RSSP pay system, that Site, Department Code JFBAAE, will be notified of the correct payment information within 5 days. If debt collection actions prove unsuccessful, follow the provisions of subparagraph 230602.C.1. If the debt cannot be satisfied through RSSP offset, the DFAS-Cleveland Site forwards the uncollectible amount to the DFAS-Indianapolis Site for collection action. The offset from retired pay includes all appropriate interest, administrative, and/or penalty charges.

2. RSSP Anniversary Overpayments. The DFAS-Cleveland Site collects RSSP anniversary overpayments as an out-of-service debt. In the event the debt cannot be collected through these procedures, the DFAS-Cleveland Site offsets it from any subsequent installment payments. This offset will include all applicable interest, administrative, and/or penalty charges.

B. RISP Overpayments. The Reserve member's servicing DFAS-Site pursues all RISP overpayments according to out-of-service debt procedures.

C. Other DoD Debts

1. RSSP Payments. The Reserve member's servicing DFAS-Site offsets debts against the initial RSSP payment.

a. If debts are established after the initial payment, the RSSP recipient's servicing DFAS-Site pursues collection using out-of-service debt collection procedures. The RSSP recipient's servicing DFAS-Site retains the debt as long as collection actions are successful.

b. If collection actions prove unsuccessful, notice of the debt is forwarded to the DFAS-Cleveland Site, Department Code JFBAAE, for administrative offset against any remaining RSSP installment payments. The DFAS Site transfers the debt to the DFAS-Cleveland Site no later than 90 days from the next RSSP installment payment using a DD 139. Once offset action has been taken, the DFAS-Cleveland Site credits the proper Military Personnel Appropriation and notifies the appropriate DFAS-Site of the amount collected.

c. If the total debt cannot be liquidated from a single RSSP anniversary installment, the appropriate DFAS-Site resubmits the remaining debt for offset until the total debt has been satisfied.

d. If the debt is not satisfied by offset from the last RSSP payment, the RSSP recipient's servicing DFAS-Site collects against the Reserve member's retired pay.

2. RISP Payments. The DFAS-Site offsets amounts due the U.S. against the RISP payment at the time of the Reserve member's separation. If debts are established after an RISP payment, the DFAS-Site pursues the debt using out-of-service debt collection procedures.

D. Debts from non-DoD Federal Agencies. The DFAS-Cleveland Site/Department Code ABA receives and certifies all requests for administrative offset from non-DoD Federal Agencies. Once certified, the DFAS-Cleveland Site/Department Code ABA sends the requests to the DMDC site for locator service. Once the debtor's DFAS-Site has been identified, the requests for offset are sent via a letter of transmittal or cartridge to the Reserve member's servicing DFAS-Site. This DFAS-Site provides the member with a courtesy notice of salary offset beginning and satisfies the request by administrative offset of the RISP or initial RSSP payment. For RSSP payments, once the account is transferred to the DFAS-Cleveland Site, advice of any debts owed to non-DoD Federal Agencies are transmitted to the DFAS-Cleveland Site, Department Code JFBAAE, for offset against any future RSSP installment payments.

E. Other RISP Offsets

1. Individuals who subsequently receive basic pay, compensation for inactive duty training, or retired or retainer pay under a purely military retirement program will have such pay or compensation reduced by 75 percent until the total amount withheld equals the RISP entitlement.

2. Service members who subsequently receive disability compensation from the VA will have such compensation deducted from the total amount of RISP. However, there is no reduction if the disability compensation is for a disability incurred or aggravated after the period for which the RISP was paid.

230603. Garnishments

Garnishment orders remain in effect. Garnishment cases for RSSP recipients will be transferred to the DFAS-Cleveland Site for administration.

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CHAPTER 23 – SPECIAL AND VOLUNTARY INCENTIVE SEPARATION PAY

2302 – RESPONSIBILITIES

230201.	10 U.S.C. § 1174a(h)(2) 10 U.S.C. § 1175
230202.A	10 U.S.C. § 1175(f)
230202.C and D	10 U.S.C. § 1175(h)

2303 – PAYMENT PROCESSING

230302.	10 U.S.C. § 1175(e)(4)
230304.	10 U.S.C. § 1175(e)(3)(A) 10 U.S.C. §§ 1174a(g) and 1174(h)(1) 10 U.S.C. § 1175(e)(3) 10 U.S.C. §§ 1174(g) and 1174(h)

2305 – BENEFICIARY PAYMENT

230503.A	10 U.S.C. § 2771

2306 – RESERVIST DEBT COLLECTION

230601.	Public Law 102-484, section 4416, October 23, 1992 Volume 7A, Chapter 58

VOLUME 7B, CHAPTER 24: "COMPUTATION OF WAGES SUBJECT TO FEDERAL INCOME TAX WITHHOLDING (FITW)"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated August 2015 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated chapter and format to comply with administrative instructions.	Revision
240101	Changed title from "Overview" to "Purpose" to comply with current administrative instructions.	Revision
240902	Deleted paragraph due to information not relevant to this chapter.	Deletion

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CHAPTER 24

COMPUTATION OF WAGES SUBJECT TO FEDERAL INCOME TAX WITHHOLDING (FITW)

2401 GENERAL

*240101. Purpose

The purpose of this chapter is to provide information on retired pay subject to FITW. FITW is based on payments actually or constructively paid, regardless of the date on which they are earned. Retired pay is paid constructively when it is credited to the account or set apart for a retiree so that he or she may draw on it at any time, although it is not actually reduced to possession. It must have been credited to or set apart for the retiree without any substantial limitation or restriction as to the time or manner of payment or condition under which it is to be made and brought within the retiree's control and disposition.

240102. Authoritative Guidance

The bibliography at the end of this chapter lists the authoritative references.

2402 RETIRED PAY SUBJECT TO FITW AND NOT SUBJECT TO FITW

240201. Gross Retired Pay Subject to FITW

Retired pay is income and constitutes wages subject to FITW, except as otherwise indicated in this chapter.

240202. Gross Retired Pay Not Subject to FITW

The gross retired pay of a member is not subject to FITW if the member's retired pay is computed only on the basis of percentage of disability, and the member is on the temporary or permanent disability retired lists, if:

A. On or before September 24, 1975, the member was entitled to receive retired pay computed on the basis of percentage of disability Title 26, United States Code (U.S.C.), ***sections 104(a)(4) and 104(b)(2)(A);***

B. On September 24, 1975, he or she was a member of the Armed Forces (or Reserve Component thereof) or under a binding written commitment to become such a member (26 U.S.C. § 104(a)(4) and § 104(b)(2)(B)); or

C. The member receives disability retired pay because of a combat-related injury. The term "combat-related injury" means personal injury or sickness incurred as a direct result of armed conflict, or while engaged in extra hazardous service, or under conditions simulating war,

or caused by an instrument of war. This determination is made by the applicable Service at the time of discharge. See ***Department of Defense Instruction (DoDI) 1332.18***.

2403 EFFECT OF DISABILITY COMPENSATION AWARD ON FITW

A member is entitled to exclude the disability compensation, additional amount, and retroactive disability compensation from the taxable portion of retired pay.

240301. Disability Compensation

Disability compensation is the maximum amount that a member would be entitled to receive upon application to the Department of Veterans Affairs (VA).

240302. Additional Amount

An additional amount is the difference between a prospective VA disability compensation award and the amount excluded under section 2402.

240303. Retroactive Disability Compensation

The retroactive disability compensation is the amount of a VA disability compensation award not previously excluded from retired pay.

2404 GROSS PAY PARTIALLY TAXABLE

For members who are entitled to have their retired pay computed based on both percentage of disability and years of service, a portion of their retired pay may be subject to FITW. Any reduction of wages subject to FITW for disability retired pay must meet one of the conditions set forth in paragraph 240202.

240401. Post September 30, 1949

Compute the wages subject to FITW for members retired for disability on or after October 1, 1949, as follows:

A. If the member is placed on the Permanent Disability Retired List, subtract retired pay based on the percentage of disability from retired pay based on the years of service. The result of such subtraction is the amount of wages subject to FITW.

B. If the member is placed on the Temporary Disability Retired List, use one of these methods:

1. If the member's disability rating is 50 percent or more, compute as in subparagraph 240401.A.

2. If the member's disability rating is less than 50 percent and retired pay is computed based on years of service, subtract the amount of retired pay the member would have received if such pay were computed solely on the actual percentage of disability from the pay based on years of service, the result of the subtraction is the amount of wages subject to FITW.

3. If the member's disability rating is less than 50 percent and the member elects to receive disability retired pay based on the percentage of disability, the retired pay received is not subject to FITW.

240402. Before October 1, 1949

The wages subject to FITW for members who retired before October 1, 1949, fell into two categories. Such retired pay was either based on years of service and was fully taxable or it was based on disability and was nontaxable. Members retired for physical disability before October 1, 1949, were assigned a disability rating for purposes of computing retired pay entitlement under the provisions of the Career Compensation Act. These members could either continue to receive the nontaxable retired pay they were receiving on September 30, 1949, or elect to receive retired pay computed under the provisions of the Career Compensation Act based on the percentage of disability assigned or years of active service. If members chose to have their pay computed based on the Career Compensation Act, their wages subject to FITW were computed as described in paragraph 240202 or subparagraph 240401.A.

2405 FITW WAGE REDUCTIONS FROM DEDUCTIONS AND COLLECTIONS

Deductions and collections that reduce the amount of wages subject to FITW include participation in Retired Serviceman's Family Protection Plan (RSFPP), participation in Survivor Benefit Plan (SBP), and VA Disability Compensation.

240501. Participation in Retired Serviceman's Family Protection Plan (RSFPP)

The amount of the member's retired pay subject to FITW is reduced by the full amount of the RSFPP costs deducted from the member's retired pay in order to participate in the RSFPP. This deduction did not reduce taxable income until the tax laws were changed to permit a dollar-for-dollar reduction effective January 1, 1966. The tax implication for a member who pays for this protection by direct remittance is discussed in section 2409.

240502. Participation in Survivor Benefit Plan (SBP)

The amount of the member's retired pay subject to FITW is reduced by the full amount of the SBP costs deducted from the member's retired pay in order to participate in the SBP. The tax implication for a member who pays for this protection by direct remittance is discussed in section 2409.

240503. Veterans Affairs (VA) Disability Compensation

There is a waiver of military retired pay when a member receives disability compensation

or a pension from the VA.

Note: If a member is entitled to concurrent retirement and disability pay on or after January 1, 2014, the waiver provision does not apply.

A. If the member's gross retired pay is fully subject to FITW, subtract the amount of the VA waiver applied to wages. The VA waiver reduces the member's retired pay entitlement.

B. In the case of a member retired because of physical disability, reduce wages subject to FITW, if any, by the amount of the VA waiver applied or the portion of the member's retired pay based on the actual percentage of disability, whichever is greater.

2406 U.S. CITIZENS ABROAD

The retired pay of members who temporarily or permanently reside in a foreign country is subject to FITW as if they resided in the United States or its possessions. Thus, apply the withholding rules in section 2402.

2407 ARREARS OF PAY

See Chapter 30 for taxation policies that apply to deceased members and their beneficiaries.

2408 COLLECTION OF DELINQUENT TAXES

240801. Voluntary Withholding

A retiree may, with the consent of the Internal Revenue Service (IRS), have deductions made from his or her retired pay to satisfy a debt due to tax delinquency. The class T allotment has been designated to allow a member to make payments to the IRS in this manner.

240802. Involuntary Withholding

If a retiree neglects or refuses to pay his or her Federal income tax liability within 10 days after receiving notice of liability, the cognizant IRS District Director can collect the amount by placing a levy on the member's retired pay. The IRS is required to give the member 10 days' notice that a levy will be executed. This notice normally is included with the notification of liability. See Chapter 28.

2409 TAXABILITY OF SBP/RSFPP PREMIUMS

Premiums deducted from retired pay for SBP/RSFPP will reduce taxable retired pay.

2410 PROCESSING CORRECTION OF RECORDS CASES

If payment is made as the result of a correction of military records, that payment is processed as follows:

241001. Amounts Previously Paid and Reported

When amounts previously paid and reported as FITW wages are not subject to FITW as a result of the correction, the member is provided either a corrected IRS Form 1099-R, Distributions From Pension, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc., for the 3 calendar years before the year that the correction action is made or a letter citing the "before" and "after" amounts for each calendar year involved. The member may obtain a tax refund, if any is due, from the IRS based on his or her total tax liability for 3 years. In accordance with 52 Comp. Gen. 420 (1973), a claim for the refund of income taxes paid in years prior to the 3-year period may be treated as a claim for pecuniary benefits under ***10 U.S.C. § 1552*** and paid pursuant to the record correction.

241002. Retired Pay Subject to FITW

When the member's retired pay is subject to FITW, the payment is reported as FITW wages from applicable current year appropriations reserved for such payment.

2411 TAXABILITY AND WITHHOLDING OF DISABILITY SEVERANCE PAY

See Volume 7A, Chapter 35.

2412 TAXABILITY OF RETIRED PAY FOR FLEET RESERVIST/FLEET MARINE CORPS RESERVIST NOT PHYSICALLY QUALIFIED FOR RETENTION IN THE FLEET RESERVE/FLEET MARINE CORPS RESERVE (FR/FMCR)

The retired pay of a member of the FR/FMCR who is transferred to the retired list, when found not physically qualified for retention in the FR/FMCR (as stated in Chapter 2, subparagraph 020101.B), is subject to FITW.

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CHAPTER 24 - COMPUTATION OF WAGES SUBJECT TO FEDERAL INCOME TAX WITHHOLDING (FITW)

2402 – RETIRED PAY SUBJECT TO FITW AND NOT SUBJECT TO FITW

240201	Title 26, Code of Federal Regulations (CFR), part 31.3401(a)-1(b)
240202.A	26 U.S.C. § 104(a)(4) 26 U.S.C. § 104(b) 26 U.S.C. § 104(b)(2)(A)
240202.B	26 U.S.C. § 104(a)(4) 26 U.S.C. § 104(b)(2)(B)
240202.C	DoDI 1332.18, August 5, 2014

2403 – EFFECT OF DISABILITY COMPENSATION AWARD ON FITW

	26 U.S.C. § 104(b)(4)
240303	Strickland v. Commissioner of Internal Revenue, 540 F2d 1196(1976)

2404 – GROSS PAY PARTIALLY TAXABLE

240401	26 CFR 1.104-1
240402	Career Compensation Act of 1949, Public Law 351, 81st Congress, 63 Stat 802

2408 – COLLECTION OF DELINQUENT TAXES

240802	26 U.S.C. § 6331

2410 – PROCESSING CORRECTION OF RECORDS CASES

241001	Ray v. U.S., 453 F.2d 754, 197 Ct.Cl.2 (1972) 52 Comptroller General, 420 (1973) 10 U.S.C. § 1552

VOLUME 7B, CHAPTER 25: "COMPUTATION OF FEDERAL INCOME TAX WITHHOLDING (FITW)"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

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Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

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PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated chapter and format to comply with administrative instructions.	Revision
250101	Deleted the "Overview" paragraph; however, moved text to paragraphs 250201 and 250203.	Deletion
250101	Added a "Purpose" paragraph to comply with current administrative instructions.	Addition
250201	Modified with text from former subparagraph 250101.A.	Revision
250203	Modified with text from former subparagraph 250101.B.	Revision
250204.C.3	Changed address from "P.O. Box 7130, London, KY 40742-7130" to "8899 E. 56th Street, Indianapolis, IN 46249-1200."	Revision
Bibliography	Bibliography updated.	Revision

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CHAPTER 25

COMPUTATION OF FEDERAL INCOME TAX WITHHOLDING (FITW)

2501 GENERAL

*250101. Purpose

This chapter provides information pertaining to pay that is subject to FITW and how to compute the amount of FITW to withhold.

250102. Authoritative Guidance

The bibliography at the end of this chapter lists the authoritative references.

2502 RATES FOR REGULAR AND ADDITIONAL WITHHOLDING OF FEDERAL INCOME TAX

*250201. FITW

Federal income tax will be withheld in accordance with the Department of the Treasury, Internal Revenue Service, ***Publication 15 (Circular E) Employer's Tax Guide***. Taxable pay, as computed under provisions of Chapter 24, is subject to FITW.

250202. Request Additional FITW

Consistent with the member's tax liability and tax planning, a member may authorize an additional monthly amount of Federal income tax to be withheld.

*250203. FITW for an Annuitant

The gross monthly amount of the annuity, or the monthly amount of the Survivor Benefit Plan annuity remaining after it has been reduced by a Dependency and Indemnity Compensation award and/or Social Security offset, is taxable income and is subject to FITW unless the annuitant elects no withholding. See Chapter 37 and Chapter 46.

*250204. Nonresident Alien

A. Service Outside the United States. Members who are nonresident aliens are not liable for U.S. income tax on income received for service outside the United States, and such income is not subject to FITW. Service by a nonresident alien member assigned to a base outside the United States, or to a U.S. vessel (other than vessels normally used in coastal waters only) on which the enlisted members are entitled to sea duty pay, is considered service outside the United States.

B. Service Within the United States. For purposes of this paragraph, the United States includes the 50 states and the District of Columbia. Service onboard a coast-wide vessel is regarded as service within the United States. Duty on the Great Lakes, the Mississippi River, and other inland waters of the United States, or while serving on a vessel normally operating within the territorial limit of the United States, is considered service within the United States. Gross pay for this service is subject to FITW.

C. FITW Computation.

1. Step 1. Compute the member's FITW wages from gross retired pay as if he or she is a U.S. citizen.

2. Step 2. Determine the ratio of the number of days of active duty inside the United States to the total number of days of active duty.

* 3. Step 3. Multiply FITW wages determined under Step 1 by the ratio determined under Step 2. The resulting amount is subject to FITW at the rate of 30 percent, without being reduced by withholding allowances of personal exemptions, unless the member is a citizen of a country that has a tax treaty with the United States. Use the withholding rate specified in the treaty if the member files ***Form W-8BEN***, "Certificate of Foreign Status of Beneficial Owner for United States Tax Withholding and Reporting (Individuals)," with the Defense Finance and Accounting Service, U.S. Military Retirement Pay, 8899 E. 56th Street, Indianapolis, IN 46249-1200 and the Director of International Operations, Internal Revenue Service, Washington, DC 20225. Note that when the member files an income tax return, the Internal Revenue Service will refund any excess tax withheld. A member in this status is responsible for reporting the income to the country of the member's citizenship and paying any tax owed on this income.

2503 RATES OF FITW FOR ONE-TIME PAYMENTS

Special computation rules have been developed by the Internal Revenue Service for the computation of FITW for one-time payments. These rules differentiate whether the taxable portion of a one-time payment must be lumped together with normal taxable pay or treated separately. The rules are differentiated by whether the taxable portion of the one-time payment is made concurrently with a regular payment, or made separately from the regular monthly payment.

250301. One-Time Payments Made Concurrently With a Regular Monthly Payment

When a one-time payment is combined with the regular monthly payment, FITW may be computed at 25 percent on the one-time payment portion if it is separately identified and if tax is withheld on the monthly payment of retired pay at the appropriate rate. See Revenue Ruling 82-200 and Department of the Treasury, Internal Revenue Service, Publication 15 (Circular E) Employer's Tax Guide.

250302. One-Time Payment Made Separately From a Regular Monthly Payment

There are two computation rules available. The difference between the rules is not the type of payment, but whether Federal income tax previously was withheld from the member's regular monthly payment of retired pay.

A. When Federal income tax was not withheld because the member's exemptions exceeded the taxable portion of retired or retainer pay, the one-time payment must be combined with the wages paid for the last pay period (in the same calendar year) or with the wages paid for the current pay period. The amount of withholding is then computed as if this was a single payment.

B. When Federal income tax has been withheld, there are two alternatives:

1. Combine the taxable portion of the payments, as in subparagraph 250302.A, and compute the aggregate withholding amount. Then subtract the amount of Federal income tax previously withheld or the amount scheduled to be withheld for the current period. The excess amount then would be deducted from the one-time payment; or

2. Withhold a flat 25 percent of the taxable portion of the one-time payment without regard to the withholding exemptions claimed. This option cannot be used when the regular monthly payment does not have a FITW. (See Revenue Ruling 66-190, 1966-2 CB 457.)

*BIBLIOGRAPHY

CHAPTER 25 – COMPUTATION OF FEDERAL INCOME TAX WITHHOLDING (FITW)

2502 – RATES FOR REGULAR AND ADDITIONAL WITHHOLDING OF FEDERAL INCOME TAX

	250201	Department of the Treasury, Internal Revenue Service Publication 15 (Circular E) Employer's Tax Guide
	250204.A	Revenue Ruling 70-227, 1970-1 CB 155
*	250204.B	Title 26, United States Code, section 7701(a)(9) Title 26, Code of Federal Regulations (CFR), section 1.861-4 Revenue Ruling 70-227, 1970-1 CB 155
	250204.C.3	26 CFR 1.861-4

2503 – RATES OF FITW FOR ONE-TIME PAYMENTS

	250301	Department of the Treasury, Internal Revenue Service Publication 15 (Circular E) Employer's Tax Guide
*		26 CFR 31.3402(g)-1 Revenue Ruling 82-200
*	250302	26 CFR 31.3402(g)-1 Revenue Ruling 66-190, 1966-2 CB 457

VOLUME 7B, CHAPTER 26: "STATE TAXES"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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CHAPTER 26

STATE TAXES

2601 GENERAL

260101. Purpose

The state taxing authority of a member's residence(s) may tax the member's retired or retainer pay. The designated state must have a signed standard written agreement with the Department of Defense for the voluntary withholding of state income tax. This agreement will provide the Secretary concerned the authority to withhold state income tax from the member's monthly retired or retainer pay.

260102. Authoritative Guidance

The bibliography at the end of this chapter lists the authoritative references.

2602 WITHHOLDING

260201. State Income Tax Withholding (SITW)

A retiree may request voluntary SITW to be withheld from their retired or retainer pay. The request must include the member's full name, signature, Social Security number, the fixed amount withheld monthly from retired pay, the state designated to receive the withholding, and the member's current residence address. The retiree may submit the request via letter, email, or fax to the address in section 2604 or submit the request through the member's myPay account. If using myPay, the member's signature is not required. In the case of incompetence, the member's guardian or trustee must sign the request.

260202. Amount

The withholding amount requested must be in a whole dollar amount and at least $10, or the state's minimum, if that amount is higher.

2603 PAYMENTS AND REPORTS

260301. Amounts Withheld

Defense Finance and Accounting Service (DFAS) will disburse amounts withheld to the states in the month following the month of collection. Payment procedures and state income tax withholdings will follow the usual fiscal practices of the Uniformed Services.

260302. Internal Revenue Service (IRS) Form 1099-R

DFAS will provide each retiree an IRS Form 1099-R, Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc., that indicates the total tax withheld for each state, following each calendar year end.

2604 UNIFORMED SERVICES' RETIRED PAY OFFICE ADDRESSES

260401. U.S. Military

The address and web sites for the U.S. Military Retired Pay office follows:

Army, Navy, Air Force, and Marine Corps
Defense Finance and Accounting Service
U.S. Military Retired Pay
P.O. Box 7130
London, Kentucky 40742-7130

Phone: (800) 321-1080
Fax: (800) 469-6559

Web site for general tax information:
http://www.dfas.mil/retiredmilitary/manage/taxes.html

Web site for state withholding tax:
http://www.dfas.mil/retiredmilitary/manage/taxes/sitw.html

260402. United States Coast Guard (USCG), National Oceanic Atmospheric Administration (NOAA), and Public Health Service (PHS)

Submit change requests (mail, email, telephone, or fax) for retired members of the USCG, NOAA, and PHS to:

Commanding Officer (RAS)
U.S. Coast Guard Pay & Personnel Center
444 S.E. Quincy Street
Topeka, Kansas 66683-3591

Email: PPC-DG-RAS@uscg.mil
Phone: (800) PPC-USCG or (800) 772-8724
Commercial: (785) 339-3415
Fax: (785) 339-3770

USCG web site: ***http://www.uscg.mil/hq/cg1/psc/ras***
PHS web site: ***http://dcp.psc.gov/ccmis***

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CHAPTER 26 - STATE TAXES

2601 - GENERAL

Title 10, United States Code (U.S.C.), section 1045

2602 - WITHHOLDING

10 U.S.C. § 1045

2603 - PAYMENTS AND REPORTS

260301 Public Law 109-163, section 661, January 6, 2006
10 U.S.C. § 1045(a)

VOLUME 7B, CHAPTER 27: "GARNISHMENTS"

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270102	Added "Authoritative Guidance" paragraph and revised chapter content to comply with current administrative instructions.	Addition
2703	Updated fax number to the Defense Finance and Accounting Service, Director of Garnishment Operations.	Revision
Bibliography	Updated paragraph 270404 of the Bibliography with current statutes and references.	Revision

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Chapter 27

GARNISHMENTS

2701 GENERAL

270101. Purpose

The purpose of this chapter is to provide information unique to the collection of child support and/or alimony from military retired pay. The provisions of Title 42, United States Code, section 659 (*42 U.S.C. § 659*) and Title 5, Code of Federal Regulations, part 581 (*5 CFR 581*) take precedence when in conflict with this chapter.

A. Pursuant to 42 U.S.C. § 659(h)(1)(A) and 5 CFR 581.103, remuneration for employment includes retired and retainer pay, including disability retired pay. These entitlements are hereafter referred to as "retired pay."

B. The processing of garnishment orders for child support and/or alimony from the pay of individuals receiving remuneration for employment from the United States is governed by 42 U.S.C. § 659 and 5 CFR 581.

*270102. Authoritative Guidance

The bibliography at the end of this chapter lists the authoritative references.

2702 DEFINITIONS

270201. Alimony

Alimony is defined as periodic payments of funds for the support and maintenance of a spouse or former spouse. Subject to and in accordance with state law, alimony includes separate maintenance, alimony pending legal process, maintenance, and spousal support. It also includes attorney fees, interest, and court costs when, and to the extent that they are, expressly made recoverable as such by a decree, order, or judgment issued in accordance with applicable state law by a court of competent jurisdiction. Alimony, as used in Chapters 27 and 29, excludes payments or transfers of property made in compliance with any community property settlement, equitable distribution of property, or other division of property between the spouse(s) or former spouse(s).

270202. Child Support

Child support is defined as periodic payments of funds for the support and maintenance of a child or children. Subject to and in accordance with state law, child support includes (but is not limited to) payments to provide for health care, education, recreation, clothing, or other specific needs. It also includes related attorney fees, interest, court costs, and other relief.

270203. Disposable Earnings

Disposable earnings is defined as an individual's gross retired pay less deductions for the following items:

A. Amounts withheld in payment of debts owed to the United States, except that an indebtedness based on a levy for income tax under ***26 U.S.C. § 6331*** will not be excluded in complying with legal process for the support of minor children if the legal process was entered prior to the date of the levy;

B. Deductions required by law (e.g., Survivor Benefit Plan and Retired Serviceman's Family Protection Plan cost deductions and deductions for Department of Veterans Affairs waivers); and

C. Regular Federal income tax withholding (FITW) and state income tax withholding, if required or authorized by law and amounts withheld are not greater than would be the case if the individual claimed all dependents to which he/she were entitled. A deduction for additional FITW is authorized when the individual presents evidence of a tax obligation, which supports the additional withholding.

270204. Legal Process

Legal process is defined as any writ, order, summons, or other similar process in the nature of garnishment. Legal process may be issued by:

A. A court of competent jurisdiction within any state, territory, or possession of the United States;

B. A court of competent jurisdiction in any foreign country with which the United States has entered into an agreement that obligates the United States to honor such process; or

C. An authorized official according to an order of such a court of competent jurisdiction or pursuant to state or local law.

*2703 DESIGNATED AGENT

The Defense Finance and Accounting Service (DFAS), Director of Garnishment Operations, or his or her representative, is responsible for receiving and implementing all legal process concerning retired members. Legal process may be served by regular mail or by fax to:

Director, Garnishment Operations
DFAS Cleveland
P.O. Box 998002
Cleveland, OH 44199-8002
Fax: 216-367-3675; Toll-Free Fax: 877-622-5930

Any legal process served on Department of Defense (DoD) entities other than the designated agent, for the purpose of enforcing payment of child support and/or alimony, will be forwarded to the designated agent for processing. For additional information or assistance call:

Garnishment Operations Customer Service
Toll-Free: 888-DFAS411 (888-332-7411)

2704 IMPLEMENTING LEGAL PROCESS

270401. Legal Review

Once legal process has been served on the designated agent, the designated agent will review the legal process to determine that it is regular on its face, appears to conform to the laws of the jurisdiction from which it was issued, was issued to enforce a member's legal obligation to provide child support and/or alimony, and contains sufficient information to accurately identify the member.

270402. Written Notification

The designated agent will notify the member within 15 days after valid service of legal process. The written notification will explain the potential effect of the legal process on the member's pay, including allotments, and advise the member that the member has the burden of raising any available defenses, such as violation of the member's rights under the Servicemembers Civil Relief Act or lack of personal jurisdiction over the member, in the appropriate court. A copy of the legal process will be included with the written notice. The notice will be sent to the member's address of record in the retired pay system. Where the designated agent has the capability to make notification through electronic means such as email, the notice will be made using those electronic means.

270403. Response

Within 30 days of effective service, or such longer period as may be allowed by applicable state law, the designated agent will:

A. Determine the amount of the member's disposable earnings, as defined in paragraph 270203;

B. Where required, file an answer to the legal process with the court in which the proceeding was brought and answer any interrogatories regarding the disposable earnings due the member (the designated agent may use its standard answer form for this purpose); and

C. Establish deductions from the member's disposable earnings in an amount sufficient to satisfy legal process. In accordance with 5 CFR 581.305(f), governmental agencies, including DoD agencies, are not required to vary their pay or disbursing cycles to comply with the legal process.

270404. Maximum Amount of Pay Subject to Garnishment

A. Unless a lower maximum garnishment limitation is provided by applicable state or local law, the maximum part of disposable earnings for any pay period which is subject to legal process will not exceed:

1. Fifty percent of disposable earnings if the member concerned asserts by affidavit or other acceptable evidence that he or she is providing over half of the support for a spouse or dependent child (other than a spouse or dependent child with respect to whose support the legal process is issued);

2. Sixty percent if the member concerned is not supporting a spouse or dependent child as stated in subparagraph 270404.A.1; or

B. If it appears from the face of the legal process that the member is in arrears for a period that is 12 weeks prior to the beginning of that pay period, the maximum percentage under subparagraph 270404.A.1 is 55 percent and under subparagraph 270404.A.2 is 65 percent.

270405. Allotments to be Discontinued

If the member does not have enough net pay available to comply with the legal process, then one or more of the member's allotments will be stopped in accordance with the order of precedence for items 1 through 14 in Figure 19-1 of Chapter 19.

270406. Priority of Legal Obligation

If the designated official is served with legal process concerning more than one legal obligation owed by the same member, then the legal obligations will be satisfied from the available funds in the following order of priority:

A. Legal process to enforce current support will have priority over legal process to enforce support arrearages;

B. Legal process to enforce current child support will have priority over legal process to enforce current alimony; and

C. If the legal process is to enforce more than one child support obligation, and there are not enough funds available to fully satisfy all legal process served, then the available funds will be allocated among the obligations in proportion to the amounts of current child support due. Alimony obligations will be satisfied on a first-come, first-served basis.

2705 APPEALS

Where notice is received that the member has appealed either the legal process or the underlying alimony and/or child support order, payment of money subject to the legal process

will be suspended, i.e., money will continue to be withheld, but these amounts will be retained until the Government is ordered by the court, or other authority, to resume payments or otherwise disburse the suspended amounts. However, no suspension action will be taken where the applicable law of the jurisdiction wherein the appeal is filed requires compliance with the legal process while an appeal is pending.

2706 GARNISHMENT OF RENOUNCED RETIRED PAY

270601. Retired Pay Subject to Garnishment

Legal process, as defined in paragraph 270204, must be honored even though the member has renounced receipt of retired pay. The member's refusal to receive retired pay does not permit the Government to deny satisfying a writ, order, summons, or other similar process in the nature of a garnishment. The entitlement to retired pay, even if renounced, continues to be treated as an amount "due from or payable by" the United States, which accrues to a member's retired pay account and is subject to garnishment.

270602. Waiver of Retired Pay

The right to accrue retired pay may not be waived, except as authorized by law. See Chapter 12 concerning the waiver of retired pay.

2707 INDEMNIFICATION

270701. Liability for Payment

Neither the DoD, nor any disbursing officer or employee, will be liable for any payment made from money due from, or payable by, the DoD to any individual pursuant to the legal process, if such payment is made in compliance with 42 U.S.C. § 659, 5 CFR 581, and this chapter.

270702. Disciplinary Action, Civil or Criminal Liability, or Penalty for Disclosure of Information

DoD employees, whose duties include responding to relevant interrogatories, will not be subject to any disciplinary action, civil or criminal liability, or penalty for any disclosure of information made in connection with answering such interrogatories.

270703. Liability for Failure to Comply with Legal Process

Neither the DoD, nor any disbursing officer or employee, will be liable to pay monetary damages for failure to comply with legal process.

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	270404	15 U.S.C. § 1673(b) 42 U.S.C. § 659(h) 42 U.S.C. § 666(b)
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		Manuscripts Comptroller General B-196839, April 24, 1980
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	270701	5 CFR 581 42 U.S.C. § 659

VOLUME 7B, CHAPTER 28: "COLLECTION OF DELINQUENT FEDERAL TAXES BY LEVY"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font*.**

The previous version dated February 2013 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Chapter is formatted to comply with current administrative instructions.	Revision
All	Information in Chapter 28 titled "Collection of Debts" is moved to Volume 16, with the exception of the collection of delinquent federal taxes.	Revision
Title	Chapter 28 is re-titled to "Collection of Delinquent Federal Taxes".	Revision
280201.A	Rephrased subparagraph to state, "As soon as you receive the levy… instead of "Within 3 working days from the date of receipt of the levy…" to conform with instructions on Form 668-W(c).	Revision

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CHAPTER 28

COLLECTION OF DELINQUENT FEDERAL TAXES BY LEVY

2801 GENERAL

When a member does not pay any Federal income taxes due within 30 days after the Internal Revenue Service (IRS) has issued a notice and demand for payment to the member, the IRS may collect the tax by levy on the member's salary or other income, including retired or retainer pay. IRS tax levies are requests on IRS Form 668-W, Notice of Levy on Wages, Salary, and Other Income, for a continuous levy from a member's retired pay to collect taxes owed. The effect of a levy on wages, salary, or other income payable to or received by the member shall be continuous from the date such levy is first made until such levy is released by the IRS on Form 668-D, Release of Levy. Medal of Honor recipients are exempt from tax levy.

2802 COLLECTION OF DELINQUENT FEDERAL TAXES BY LEVY

*280201. Procedures

The IRS will transmit IRS Form 668-W or ***668-W(c)***, in five parts (the letter "c" designates a computer-generated form which is the same as the version of the form without the "c"). The IRS Form 668-W will identify the member, specify the amount of the tax liability, give instructions for providing due process, show how to compute the levy based on input from the taxpayer, and give the payment address. The General Processing Department (hereinafter, "Department") within the Defense Finance and Accounting Service (DFAS) Retired and Annuitant Pay Directorate must follow the instructions on the IRS Form 668-W. In general, the Department must notify the taxpayer, compute the amounts available for payment to the IRS, and make the payment. Currently, the IRS Form 668-W requires the employer to send to the IRS all of the taxpayer's net pay less what is exempt from levy. Net pay is gross retired pay less all deductions and allotments in effect as of the date of receipt of IRS Form 668-W. The Department must follow the instructions on that form when computing exemptions. Pursuant to the instructions, the Department must take the following actions:

* A. As soon as the Department receives the levy, it must notify the taxpayer by using a formal letter and enclosing the member's copies of the IRS Form 668-W. See Figure 28-1 for an example of the formal letter.

B. If the date of receipt of the levy is between the 1st and the 15th day of the month, the Department must advise the member that the deduction from retired pay will be on the first business day of the second month after the current month. If the date of receipt of the levy is between the 16th and the last day of the month, then the Department must advise the member that the deduction will be on the first business day of the third month after current month. Thus, for example, if DFAS receives the levy on November 11, 2014, the deduction will be made from the retired pay check issued January 1, 2015. If the receipt of the levy is November 28, 2014, then the deduction will be on February 1, 2015.

C. The Department must notify affected former spouses with divorce dates prior to February 3, 1991 (division of property settlement cases only) that future payments will be reduced to reflect an adjustment to the member's disposable retired pay. The Department may not disclose the reason for the adjustment.

D. Even if the member's declaration of exemption is not timely, it should be honored if received prior to the last date for making changes to the member's retired pay account.

280202. Problem Cases

When the IRS has determined the taxpayer's case is a "problem case," the taxpayer will be furnished with the IRS Form 668-W, a statement of the amount of delinquent taxes and a statement that "net pay" is not enough to pay the levy and that all available accrued pay should be sent to the IRS. Available accrued pay is gross retired pay less:

A. Withholding for current Federal taxes (statutory amounts only);

B. Amounts required to satisfy prior overpayments of pay;

C. Amounts waived in favor of compensation from the VA;

D. United States Government Life Insurance/National Service Life Insurance premiums;

E. Deductions for Retired Serviceman's Family Protection Plan and/or Survivor Benefit Plan costs;

G. Voluntary child-support allotments to satisfy court orders, provided the court order is dated prior to the date of the levy from the IRS;

H. Pay attached or garnished for child support or alimony; and

I. The levy exemptions calculated under normal levy procedures.

NOTE: The main difference between a regular levy and a problem case levy is that, under the latter, the Department must stop the member's voluntary allotments of retired pay to satisfy the levy. If it is not necessary to stop all allotments, the Department should request the member elect which allotments to stop. If the member does not respond to the request, the Department must stop such allotments as are necessary, stopping any commercial insurance allotments last.

Figure 28-1. Example of Notification Letter for IRS Notice of Levy

Defense Finance and Accounting Service
Retired and Annuitant Pay

December 1, 20XX

CMSGT John Doe, U.S. Air Force (Retired)
1240 East 97th Street
Cleveland, OH 44199-2055

Dear Chief Doe,

The IRS has sent us the attached IRS Form 668-W, (Notice of Levy on Wages, Salary, and Other Income). Please read the IRS Form 668-W carefully, as it may be advisable to discuss it with your attorney or other tax adviser.

Complete the attached form and return it to us within 3 working days to claim your partial exemption. If we do not receive the completed form, we will compute your exemption for you, using the exemption for a married person filing separately with one personal exemption. Please note that the exemptions you claimed for tax withholding purposes are NOT the same and we will not use them to compute your exemption from levy.

This is a continuous levy against your retired pay to collect delinquent federal taxes. We will deduct the levy from your (month/year) retired pay. We will make a specified collection from your retired pay and continue the collection until the levy has been satisfied. This levy remains in force and effect until the IRS serves our office with IRS Form 668-D, (Release of Levy).

If you have been awarded the Medal of Honor, you are exempt from levy. Send us a copy of the citation awarding you the Medal of Honor to prevent the levy of your retired pay.

Please contact the IRS office that issued the levy for questions that you may have concerning the levy.

Sincerely,

Military Pay Technician
Retired and Annuitant Pay

Attachment:
As stated

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CHAPTER 28 – COLLECTION OF DEBTS

2802 – COLLECTION OF DELINQUENT FEDERAL TAXES BY LEVY

26 U.S.C. 6321(a)
26 U.S.C. 6331, 6334

280201 Internal Revenue Manual – 5.11.2.1, April 15, 2014

VOLUME 7B, CHAPTER 29: "FORMER SPOUSE PAYMENTS FROM RETIRED PAY"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated September 2015 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks, renumbered, and formatted chapter to comply with current administrative instructions.	Revision
All	Updated to comply with the National Defense Authorization Act (NDAA) Fiscal Year (FY) 2017 change to Title 10, United States Code, section 1408.	Revision
290204	Added to the definition of court order to incorporate NDAA FY 2017 changes.	Addition
290405.B.	Added an example.	Addition
290607.A.	Clarified information on formula awards.	Addition
2908	Revised section and paragraph titles and content to cover Disposable Retired Pay under NDAA FY 2017. Renumbered subsequent sections.	Revision
Figure 29-2	Added Figure 29-2 with sample court order language to meet NDAA FY 2017 changes.	Addition
Bibliography	Added reference to NDAA FY 2017.	Addition

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CHAPTER 29

FORMER SPOUSE PAYMENTS FROM RETIRED PAY

2901 GENERAL

290101. Purpose

This chapter explains how a former spouse can apply for payments from a military member's military retired pay and how the former spouse's payments will be administered.

290102. Authoritative Guidance

The bibliography at the end of this chapter lists the authoritative references.

2902 DEFINITIONS

290201. Alimony

Alimony is a legal obligation where a member is ordered to pay an amount for the support and maintenance of a spouse or former spouse. This definition includes attorney's fees, interest, and court costs. Alimony does not include child support, property settlement, equitable distribution of property, or any other division of property.

290202. Child Support

Child support is a legal obligation where a member is ordered to pay an amount for the support and maintenance of a child. This definition includes costs for health care, arrearages, attorney's fees, interest, penalties, and other related relief.

290203. Court

Court means any court of competent jurisdiction of any state (in the United States), the District of Columbia, the Commonwealth of Puerto Rico, Guam, American Samoa, the Virgin Islands, the Northern Mariana Islands, and the Trust Territory of the Pacific Islands and any court of the United States, as defined in ***Title 28, United States Code (U.S.C.), section 451***. Court also includes a court of a foreign country with which the United States has an agreement requiring the United States to honor any court order of such country.

*290204. Court Order

Court order means a final decree of divorce, dissolution, annulment, or legal separation issued by a court, or a property settlement incorporated into such an order. Court order also includes orders issued incident to a divorce, such as an order dividing military retired pay or a qualified domestic relations order (QDRO) that divides military retired pay. NOTE: A QDRO is not required but will be accepted. A court order also includes a support order as defined in section

453 of the Social Security Act and ***42 U.S.C. § 653(p)***. A court order issued after the passage of the National Defense Authorization Act (NDAA), Fiscal Year (FY) 2017, dated December 23, 2016, for purposes of determining the member's disposal income, means the decree of divorce, dissolution, annulment, or legal separation.

290205. Creditable Service

Creditable service means years and full months of military service creditable for the purpose of computing a member's retired pay entitlement if the member is on active duty or the Reserve retirement points creditable if the member is a Reserve component member. See 10 U.S.C. § ***1405*** and ***12733***, Chapter 1, and Chapter 3.

290206. Designated Agent

Designated agent is the agent authorized to review applications for direct payments made. See paragraph 290403 for specific designations.

290207. Disposable Retired Pay

Disposable retired pay is defined in paragraphs 290701 and 290802.

290208. Entitlement

Entitlement is the legal right of a military member to receive military retired pay. The term refers to members who actually receive retired pay rather than those who qualify by completing the required years of service.

290209. Final Decree

A final decree is an order from which no appeal may be taken or from which no appeal has been taken within the time allowed for taking such appeals under the laws applicable to such appeals, or a decree from which timely appeal has been taken and such appeal has been finally decided under the laws applicable to such appeals.

290210. Former Spouse

Former spouse is the former husband or wife, or if the parties are legally separated, the current husband or wife, of a military member.

290211. Formula Award

A formula award computes a former spouse's property interest in a military member's retired pay based on the relationship of the length of the parties' marriage during the member's creditable service (numerator) to the member's total service that is creditable toward retirement (denominator). A formula award is stated as a marital fraction in which the numerator and denominator are multiplied by a given percentage.

A. For members qualifying for an active duty (i.e., regular service) retirement, the numerator is typically the number of months the parties were married while the member was performing creditable military service and the denominator is the number of months of the member's total creditable military service. The former spouse's award is usually calculated by multiplying the marital fraction by one half or 50 percent, or any other given percentage amount.

B. For members qualifying for a Reserve (i.e., non-regular service) retirement, the numerator is typically the number of Reserve retirement points earned during the parties' marriage, and the denominator is the member's total number of Reserve retirement points. The former spouse's award is usually then calculated by multiplying the marital fraction by one half or 50 percent, or any other given percentage amount.

290212. Garnishment Order

A garnishment order is an order directing an employer to issue payments from a member's pay to satisfy a legal obligation for child support, alimony, or division of property other than a division of military retired pay.

290213. Hypothetical Retired Pay Award

Hypothetical retired pay award is an award based on a percentage of retired pay that is calculated using variables provided in a court order that are different from the member's actual retirement variables. The retired pay calculated using the court ordered variables is called the member's hypothetical retired pay. A hypothetical award typically attempts to define the property interest in the retired pay as if the member had retired at the time the court divided the member's military retired pay based upon the member's rank, or high-3 amount, and years of service accrued to that point in time. Thus, the former spouse does not benefit from the member's pay increases due to promotions or increased service time after the divorce.

290214. Member

A member is an individual who is on active duty, one who is a reservist, or one who is retired from military service.

290215. Renounced Pay

Renounced pay is military retired pay to which a member is entitled, but which the member has waived receipt.

290216. Retired Pay

Retired pay is the statutory entitlement due a member based on conditions of the retirement law, pay grade or high-3 pay amount, years of service, and the date of retirement. Retired pay includes "retainer pay."

290217. Retired Pay Award

Retired pay award is a portion of disposable military retired pay awarded to a former spouse or current spouse by a court of competent jurisdiction as a property division.

290218. Standard Retired Pay Multiplier

The standard retired pay multiplier used to compute retired pay is the product of two and one-half percent and the member's years of creditable service. See Chapter 3.

290219. Uniformed Services Former Spouses' Protection Act (USFSPA)

Public Law 97-252, enacted on September 8, 1982, states that the section of Title 10 addressing former spouse protection may be cited as the "USFSPA." Therefore, USFSPA is used throughout and refers to the provisions of ***10 U.S.C. § 1408***.

2903 AWARDS THAT CAN BE COLLECTED UNDER THE USFSPA

290301. Child Support

A former spouse can collect child support if there is a court order that awards child support, and the former spouse and military member have ever been married to each other.

290302. Child Support Arrearages

To collect child support arrearages, a former spouse must submit a recent court order that lists the total arrearages. The order cannot be older than two years from the date the Defense Finance and Accounting Service (DFAS) receives it.

290303. Alimony

A former spouse can collect current alimony under the USFSPA, but not alimony arrearages.

290304. Retired Pay Award

A former spouse can collect current retired pay award payments, but not retired pay award arrearages.

290305. Property Other Than a Division of Retired Pay

A former spouse can collect a property division, other than a retired pay award, by garnishment if the order awards it to the former spouse and if the former spouse was also awarded alimony, child support, or a division of retired pay. See subparagraph 290401.B for more information.

2904 APPLICATION BY FORMER SPOUSE

290401. Application Process

A. The former spouse must submit a completed Department of Defense, (DD) ***Form 2293***, Application for Former Spouse Payments From Retired Pay, and a certified copy of the court order awarding alimony, child support, or military retired pay. A court order for child support arrearages cannot be older than 2 years from the date the designated agent receives it. The court order must be certified by the clerk of the court that issued the order.

B. If the former spouse is applying for a property division other than a retired pay award, the former spouse must submit a garnishment order in addition to the DD 2293 and the court order.

C. The former spouse may mail the application to the appropriate designated agent given in paragraph 290403, or may fax it to the number provided in paragraph 290403. Please read the instructions and certification on the DD 2293 carefully.

290402. Additional Documentation

A former spouse may need to provide additional documentation if the designated agent cannot determine whether the former spouse is eligible for USFSPA payments based solely on the DD 2293 and the court order.

290403. Where to Send an Application for USFSPA Payments

The former spouse should send all application documents to the following designated agent for the appropriate Uniformed Service:

A. Army, Navy, Air Force, Marine Corps.
DFAS-Cleveland (CL) Site
DFAS-HGA/CL
P.O. Box 998002
Cleveland, OH 44199-8002
Fax: 877-622-5930

B. U.S. Coast Guard
Commanding Officer (LGL)
Pay and Personnel Center
444 S.E. Quincy Street
Topeka, KS 66683-3591
Fax: 785-339-3788

C. Public Health Services
Submit to Coast Guard address

D. National Oceanic and Atmospheric Administration
Submit to Coast Guard address

290404. When to Apply for USFSPA Payments

A former spouse may apply for payments any time after the court has issued a court order enforceable under the USFSPA. Although payments will not start under the USFSPA until after the member starts to receive retired pay, the designated agent can conditionally approve a former spouse's application prior to that, and retain the application pending the member's retirement.

*290405. Conditional Preapproval

A. If the former spouse applies prior to the member receiving retired pay, the designated agent will perform a legal review of the application, and may conditionally approve it based on information available at the time of the review concerning the member's duty status (active or Reserve).

* B. At the time the member begins to receive retired pay, the designated agent will perform a second review prior to establishing the former spouse's direct payments. If the former spouse's award was based on a formula or hypothetical retired pay amount, and the member's status has changed since the initial legal review, it may be necessary to reject the application, and require the former spouse to submit a clarifying order providing the necessary information. For example, if the formula or hypothetical award lists the Reserve retirement points, but the member retires from active duty, DFAS would need a new court order that lists the active duty formula. (Note: See paragraph 290607 concerning formula awards, and paragraph 290608 concerning hypothetical retired pay awards.)

2905 NOTIFICATION

290501. Notification to Former Spouse of Approval or Disapproval

Within 30 days of the date of receipt of a former spouse's application, the designated agent will notify the former spouse if his or her application has been approved or disapproved. If approved, the designated agent will state the month the former spouse's payments will tentatively begin. If the designated agent cannot approve the application, the notice will include an explanation regarding the reason(s) why.

290502. Notification to the Member of Approval of an Application

If a former spouse's application is approved, the designated agent will notify the member affected within 30 days of the date of receipt of the application. The member will not be notified if the application is not approved.

290503. Second Notice

If the designated agent notified the member as part of a conditional preapproval more than 90 days prior to the member's becoming entitled to receive retired pay, the designated agent will provide a second notice to the member when the designated agent establishes the former spouse's payments at the time the member begins to receive retired pay.

290504. Contents of Notice to Member

A. The notice will explain that payments issued under the USFSPA cannot exceed 50 percent of the member's disposable retired pay (or 65 percent of the member's disposable pay when also withholding for an income withholding order issued pursuant to ***42 U.S.C. § 659***), and will contain the month that the payments will tentatively begin.

B. The notice will inform the member that he or she must notify the designated agent if the court order has been amended, superseded, or set aside.

C. The notice will inform the member that if he or she submits information in response to this notice, he or she consents to the disclosure of that information.

D. The notice will include a copy of the court order.

E. The notice will advise that the member's failure to respond within 30 days of the date that the notification is mailed may result in the payment of retired pay as set out in the notice to the member.

290505. How to Prevent USFSPA Payments from Starting

The member must provide documentary evidence that a former spouse's court order is legally defective or has been appealed, amended, or set aside. If the designated agent determines that the documentary evidence is sufficient to bar payments to a former spouse, the designated agent will not start the payments. The designated agent will then inform the former spouse that payments will not start, and provide copies of the documentary evidence to the former spouse.

2906 COURT ORDERS

290601. Contents of Court Order

A. The court order must be regular on its face. This means that a court of competent jurisdiction issued the order and nothing on its face provides reasonable notice that it was issued without authority of law.

B. The court order must award former spouse alimony, child support, or a retired pay award. There is no requirement in Federal law that specifies how military retired pay is to be divided.

C. If the order contains a retired pay award, that award must be expressed as a fixed dollar amount or as a percentage of disposable retired pay. A retired pay award expressed as a percentage will automatically receive a proportionate share of the member's cost-of-living adjustment (COLA), while one expressed as a fixed amount will not. There is no authority for a retired pay award to state a fixed dollar amount and also order COLAs. Retired pay awards phased in that manner will be construed as a fixed dollar amount.

D. The designated agent will construe all percentage awards (such as a percentage of gross retired pay) as a percentage of disposable retired pay, regardless of the language in the order.

E. If the former spouse and the member were divorced before the member became entitled to receive military retired pay, the retired pay award may be expressed as a formula or hypothetical retired pay award in accordance with paragraphs 290607 and 290608. Since the computation of formula and hypothetical retired pay awards result in a percentage, they are considered a type of percentage award, and would automatically receive a proportionate share of the member's retired pay COLA.

290602. Divorces Finalized While the Member is Still on Active Duty

A. For court orders issued prior to December 19, 2003, the court order must show that the member's rights under the Soldiers' and Sailors' Civil Relief Act of 1940 (50 U.S.C. Appendix 501 et. seq.) were complied with.

B. For court orders issued on or after December 19, 2003, the court order must show that the member's rights under the Service Members Civil Relief Act (50 U.S.C. Appendix 501 et. seq.) were complied with.

290603. Qualified Domestic Relations Order (QDRO)

There is no requirement in USFSPA that a former spouse submits a QDRO, but the designated agent will accept one if it is submitted and if it meets the requirements of the USFSPA.

290604. Requirements Specific to a Retired Pay Award

A. In the case of a retired pay award, the designated agent must be able to determine from the application that the court dividing military retired pay had jurisdiction over the member by reason of one of the following:

1. The member resided in the territorial jurisdiction of the court at the time of the legal proceeding due to other than military assignment;

2. The court finds that member's domicile was in the territorial jurisdiction of the court at the time of the legal proceeding; or

3. The member consented to the jurisdiction of the court. If the court order does not "explicitly" state that the member consented to the court's jurisdiction, DFAS Garnishment Operations will regard the member's participation in the legal proceeding, other than to contest the court's jurisdiction, as evidence of the member's consent to the court's jurisdiction in the proceeding dividing the member's military retired pay and making a retired pay award.

B. Also, in the case of a retired pay award, the designated agent must be able to determine from the application that the former spouse and the member were married for at least 10 years during which the member performed 10 years or more of service creditable toward retirement eligibility (the "10/10" requirement). There is no "10/10" requirement for payment of alimony or child support awards under USFSPA.

290605. State Law Jurisdiction

The satisfaction of state law jurisdictional requirements is not sufficient alone to satisfy the additional jurisdictional requirement stated in paragraph 290604. If the court states that it has USFSPA jurisdiction, it must state the basis for the finding, i.e., member's residence, member's domicile or member's consent.

290606. Member's Consent to a Separation Agreement

If the member signed a separation agreement, the designated agent will presume that the member consented to the jurisdiction of any court that at any time incorporates the agreement into a court order.

*290607. Acceptable Formula Awards

* A. If the former spouse's award is expressed in terms of a formula, all the variables needed to calculate the formula must be included in the court order, with the exception of a member's total number of months of creditable service or total number of Reserve retirement points, which DFAS Garnishment Operations will provide in accordance with 290607.B and C. If the order provides all the variables needed to do the calculation, including total months of military service or total Reserve retirement points, DFAS Garnishment Operations will calculate the formula using the variables provided, even if the figure is different from the member's actual total. If the member disagrees with the number listed in the court order (i.e., the denominator), the member will have to petition the court to get the order corrected to show the member's actual total months or points of military service. If any needed variable besides the total number of months of creditable service or total number of Reserve retirement points is not provided in the order, the court will have to clarify the award. All percentages derived from formulas will be carried out to four decimal places.

B. If the court order requires DFAS Garnishment Operations to supply the denominator of a marital or coverture fraction, and the member qualifies for an active duty (i.e., regular service) retirement, the formula award must be expressed in terms of whole months. Typically, the numerator of the formula fraction is the number of months of marriage during military service. This number must specifically be provided in the court order. The denominator

of the formula is typically the member's total number of months of creditable military service. DFAS Garnishment Operations will provide the denominator if needed to compute the formula. Any days or partial months of service will be dropped. If the award is expressed in terms of years instead of months, DFAS Garnishment Operations will convert years into whole months by rounding down to the nearest month.

C. If the court order requires DFAS Garnishment Operations to supply the denominator of a marital or coverture fraction, and the member qualifies for a Reserve (i.e., non-regular service) retirement, the formula award must be expressed in terms of Reserve retirement points. In the case of a Reserve retirement, the numerator of the formula typically is the number of Reserve retirement points earned during the marriage. This number must be provided in the court order. The denominator of the formula is typically the member's total number of Reserve retirement points. The DFAS Garnishment Operations will provide the denominator if needed.

D. The sample Military Retired Pay Division Order (Figure 29-1) provides examples of acceptable formula award language. All the blanks in the sample awards represent variables that must be provided in the court order. The sample language is not required, but any award expressed using the applicable sample language will be acceptable. The following is an example of an active duty formula:

> The court order awarded the former spouse a percentage of the member's disposable retired pay calculated by multiplying .5 times a fraction, where the numerator is 144 months of marriage during military service, and the denominator is the member's total months of active duty service. The member later retired after 20 years (or 240 months) of creditable service. The former spouse's award is 30 percent of the member's disposable retired pay (.5 x 144 months/240 months).

290608. Acceptable Hypothetical Retired Pay Awards

A. A hypothetical retired pay award is a percentage of a retired pay amount calculated using the standard method to compute retired pay, but using variables different from those used to calculate the member's actual retired pay. It is usually calculated as if the member had become entitled to receive retired pay at the time the court divided the member's retired pay.

B. To calculate a hypothetical retired pay award, the designated agent must first calculate the hypothetical retired pay amount. The hypothetical retired pay amount is calculated by multiplying the hypothetical retired pay multiplier times the hypothetical retired pay base. If the initial retired pay computation is not a multiple of $1, it is rounded down to the next lower multiple of $1. See Chapter 3 for retired pay calculations.

C. Retired Pay Multiplier

1. The standard retired pay multiplier is 2.5 percent times the member's years of creditable service. For example, the retired pay multiplier for an active duty member who serves 20 years will be 50 percent (.025 x 20 years = .5). In the case of a hypothetical retired pay award, the hypothetical retired pay multiplier is determined by multiplying 2.5 percent

times the hypothetical years of creditable service provided in the court order. The resulting percentage is rounded to two decimal places. See Chapter 3 for retired pay calculations.

2. A hypothetical retired pay award for a reservist must be expressed in terms of Reserve retirement points rather than years of creditable service. The Reserve retirement points are converted into years of creditable service by dividing the Reserve retirement points on which the award is based by 360. The resultant figure is carried to three decimal places; then rounded to two. See Chapter 3. This resultant figure is used to compute the hypothetical retired pay multiplier. For example: 5,258 Reserve retirement points would convert to 14.61 years of service for multiplier purposes (5,258 points/360 = 14.61 years).

D. Retired Pay Base

1. For members entering military service before September 8, 1980, the retired pay base is the member's basic pay at retirement. See Chapter 3. For these members, their hypothetical retired pay base would usually be their basic pay as of the hypothetical retirement date.

2. For members entering military service on or after September 8, 1980, the retired pay base is the average of the member's highest 36 months of basic pay at retirement (high-3 amount). See Chapter 3. For these members, their hypothetical retired pay base would usually be their average basic pay for the most recent 36 months prior to the hypothetical retirement date.

E. In order to enable the designated agent to calculate the hypothetical retired pay amount, the court order must provide:

1. The percentage the former spouse was awarded;

2. The hypothetical years of creditable service, or, in the case of a reservist, the Reserve retirement points on which the hypothetical retired pay is to be based;

3. The hypothetical retired pay base. In the case of members entering military service before September 8, 1980, the court order may provide either the member's hypothetical retired pay base or the member's hypothetical rank and years of service for basic pay purposes; and

4. The hypothetical retirement date.

F. If the court intends that the hypothetical retired pay be calculated based on the pay tables in effect at the time the member becomes entitled to receive military retired pay, the designated agent will use as the retired pay base either the basic pay for the hypothetical rank and years of service as of the date the member becomes eligible to receive retired pay, or the member's actual retired pay base, whichever is lower. The court order must provide:

1. The percentage the former spouse is awarded;

2. The hypothetical years of creditable service, or, in the case of a reservist, the Reserve retirement points on which the hypothetical retired pay is to be based and the member's years of service for basic pay purposes;

3. The member's hypothetical rank; and

4. An unequivocal statement that the calculation is to be made as of the member's actual retirement date.

G. If the award language is missing any necessary variables, the court will have to clarify the award. See the sample Military Retired Pay Division Order (Figures 29-1 and 29-2) for examples of acceptable hypothetical retired pay award language.

H. All percentage hypothetical retired pay awards will be converted into a percentage of a member's actual disposable retired pay according to the following example:

The court order awarded the former spouse 50 percent of the disposable retired pay the member would have received had the member retired with 17 years of creditable service, a retired pay base of $2,200.00 per month, and a hypothetical retirement date of June 1, 1999. The member actually retired on June 1, 2002, with 20 years of creditable service, a retired pay base of $2,400.00 per month, and an initial gross retired pay of $1,200.00 per month (.025 x 20 years = .5; .5 x $2,400.00 = $1,200.00).

First, the designated agent will calculate the member's hypothetical retired pay multiplier, which in this example is .425 (.025 x 17 years).

Next, the designated agent will calculate the hypothetical retired pay amount, which in this example is $935.00 per month (.425 x $2,200.00).

Then, the designated agent will apply retired pay COLAs to the hypothetical retired pay amount from the hypothetical retirement date to the date the member became eligible to receive retired pay, unless the court order directs otherwise.

This calculation will determine the present value of the hypothetical retired pay as of the member's actual retirement date. In this case, if the member had become eligible to receive retired pay on June 1, 1999, the hypothetical retirement date, the hypothetical retired pay would have been $1,008 per month on June 1, 2002, the actual retirement date.

In these examples, the partial annual COLAs would be as follows:

12/1/1999	1.7 %	$935.00 x 1.017 = $950.00 (rounded down)
12/1/2000	3.5 %	$950.00 x 1.035 = $983.00
12/1/2001	2.6%	$983.00 x 1.026 = $1,008.00

Finally, the designated agent will convert the former spouse's percentage of hypothetical retired pay, which is established by the designated agent in the retired pay system, to a percentage of the member's actual disposable retired pay as follows: .5 x $1,008.00/$1,200.00 = 42%.

I. The actual military retired pay of a post-July 1986 member who has accepted a Career Status Bonus (CSB) is calculated using a reduced multiplier. See Chapter 3. However, the CSB member's hypothetical retired pay will be calculated using the standard multiplier. The CSB member's retired pay will be recomputed using a standard multiplier effective the first day of the month after the member attains age 62. The former spouse's percentage will also be adjusted at the same time in accordance with subparagraph 290608.H, using the member's recomputed retired pay in the denominator of the conversion fraction. This adjustment will result in a lower percentage being applied to a higher disposable pay figure, and will ensure that the former spouse continues to receive the amount intended in the court order.

290609. Orders Issued Before June 26, 1981 that Did Not Divide Retired Pay

Any court order that contains a retired pay award, which was issued before June 26, 1981 will be honored if it otherwise satisfies the requirements and conditions shown in this chapter. If the pre-June 26, 1981, decree or property settlement incident to the decree did not divide the member's military retired pay, and did not reserve jurisdiction to divide it, DFAS Garnishment Operations cannot honor an application for payment based on an order issued on or after June 26, 1981, dividing retired pay as property.

290610. Survivor Benefit Plan (SBP) Premium

Pursuant to ***10 U.S.C. § 1452***, the SBP premium must be deducted from the member's retired pay. The SBP premium cannot be deducted from the former spouse's portion of the member's retired pay. Any provision in a court order stating that the premium should be deducted from the former spouse's portion is unenforceable by DFAS, Garnishment Operations. The former spouse and the member may make alternate payment arrangements outside of the stated procedures.

290611. Conflicting Retired Pay Awards

A. If the designated agent is served with court orders issued by different jurisdictions which contain conflicting awards enforceable under the USFSPA, the designated agent will deduct an amount equal to the largest amount required to be paid to the former spouse by either order, but will pay to the former spouse the least amount required to be paid. The

designated agent will retain the difference until served with an order certified by the member and former spouse to be valid, and then pay the retained funds in accordance with the order.

B. If the designated agent is served with a court order containing conflicting retired pay award language within the same court order, the designated agent will pay the former spouse the lower award amount. If one of the parties disagrees with the amount being paid, that party must provide the designated agent with a new court order stating the correct amount.

290612. Court Orders Modifying Retired Pay Awards

A. If the designated agent is served with a court order modifying or clarifying a retired pay award, the designated agent will implement the order issued most recently. The order issued most recently supersedes all prior orders.

B. If the designated agent is served with a court order modifying or clarifying a retired pay award that was issued by a court of a state other than the state that issued the prior court order, the designated agent may implement the new order only if the court issuing this order had jurisdiction over both the member and former spouse in the manner specified in subparagraph 290604.A.

290613. Conditional Awards

The designated agent cannot honor a court order that makes the former spouse's payments conditional on the occurrence of some other event. There is no authority for the designated agent to ascertain whether a condition in a court order has been satisfied. The former spouse will need to obtain a modified court order without the condition.

290614. Awards Based on Retired Pay Accrued During Marriage

The designated agent cannot honor awards based on the value of what has accrued because military retired pay does not accrue over time. Military retired pay is not a pension. Rather, it is a statutory entitlement computed at the time the member retires and it is based on the member's rank and total years of service at the time of retirement, or member's high-3 and total years of service.

290615. Awards of a Percentage of the Marital Portion

The designated agent cannot honor an award of a percentage of the marital portion of a member's retired pay unless the court order also provides all variables necessary for the calculation. See paragraphs 290607 and 290608 for examples.

290616. Factual Errors in Court Orders

If a party submits documentary evidence that shows a factual error in a court order, this will not be sufficient to modify or stop payments being made pursuant to the court order. The

party asserting the error must petition the court to correct the order. The designated agent does not have the authority to correct errors in court orders.

2907 DISPOSABLE RETIRED PAY

290701. Disposable Retired Pay

Disposable retired pay is defined by the USFSPA as a member's total monthly retired pay (gross pay) entitlement minus authorized deductions. See 10 U.S.C. § 1408(a)(4).

A. If the former spouse and member were divorced on or before February 2, 1991, then USFSPA authorizes the following deductions:

1. Amounts owed to the United States;

2. Amounts withheld as Federal and state income tax withholding, consistent with the member's current actual tax liability;

3. Fines and forfeitures ordered by a court-martial;

4. Amounts waived in order to receive compensation under Titles 5 or 38 of the U.S.C.;

5. SBP premiums paid, but only if the former spouse applying for a retired pay award payment under USFSPA is the beneficiary of the SBP; and

6. The amount of retired pay for a member retired under Title 10, Chapter 61 computed based on percentage of disability.

B. If the former spouse and member were divorced on or after February 3, 1991, then the USFSPA authorizes the following deductions:

1. Amounts owed to the United States due to the overpayment of retired pay, or amounts required to be recouped due to the member's entitlement to retired pay;

2. Fines and forfeitures ordered by a court-martial;

3. Amounts waived in order to receive compensation under Titles 5 or 38 of the U.S.C.;

4. SBP premiums paid but only if the former spouse applying for a retired pay award payment under USFSPA is the beneficiary of the SBP; and

5. The amount of retired pay for a member retired under Title 10, Chapter 61 computed based on percentage of disability.

290702. Other Deductions Included in Court Order

If a court order directs the use of deductions other than those authorized in paragraph 290701 to compute the former spouse's award, that provision of the court order is unenforceable. The designated agent will use only the deductions authorized in paragraph 290701 for the computation of disposable retired pay.

*2908 DISPOSABLE RETIRED PAY UNDER NDAA FY 2017, SECTION 641

290801. Application of NDAA FY 2017, Section 641

The NDAA FY 2017, section 641 applies to cases where the former spouse and member were divorced after December 23, 2016, when the court awards the former spouse a division of property and the member has not yet retired.

290802. NDAA FY 2017 Disposable Pay Limits

In addition to the definition of Disposable Retired Pay in paragraph 290701, and the authorized deductions in subparagraph 290701.B, the NDAA also includes limitations to disposable retired pay. In cases where the former spouse and member were divorced after December 23, 2016, the court awards the former spouse a division of property, and the member has not yet retired, the NDAA limits the member's disposable retired pay as follows:

A. The amount of retired pay is limited to that which the member would have been entitled using the member's retired pay base and years of service on the date of the final decree of divorce, dissolution, annulment, or legal separation; and

B. COLA would be added from the date of divorce, dissolution, annulment, or legal separation to the member's date of retirement.

290803. Variables Required to Calculate the NDAA FY 2017 Disposable Retired Pay

In order to enable the designated agent to calculate the NDAA FY 2017 disposable retired pay amount, the court order must provide the three variables listed in subparagraphs 290803.A or 290803.B:

A. If the member entered the service before September 8, 1980:

1. The fixed amount, the percentage, the formula, or the hypothetical award that the former spouse is granted;

2. The member's pay grade at the time of divorce; and

3. The member's years of creditable service, on the date of divorce, dissolution, annulment, or legal separation. In the case of a reservist, the Reserve retirement points, on the date of divorce, dissolution, annulment, or legal separation.

B. If the member entered the service on or after September 8, 1980:

1. The fixed amount, the percentage, the formula, or the hypothetical award that the former spouse is granted;

2. The member's retired pay base (high-3) amount at the time of divorce (the actual dollar figure); and

3. The member's years of creditable service, on the date of divorce, dissolution, annulment, or legal separation. In the case of a reservist, the Reserve retirement points, on the date of divorce, dissolution, annulment, or legal separation.

290804. Clarification

If the award language in the court order is missing any of the listed necessary variables in paragraph 280803, then the court will have to clarify the award.

2909 STARTING PAYMENTS

290901. Starting Payments

If the former spouse's application is approved, payments will start no later than 90 days after the date the designated agent received the former spouse's complete application, or no later than 90 days after the date the member becomes entitled to receive military retired pay, whichever is later.

290902. Timing of Payments

Payments will be issued in conformity with normal pay and disbursement cycles, which mean that payments will be issued monthly. Payments will be deducted from the month's pay and paid on the first business day of the following month. For example, a payment issued for the month of March would be sent at the beginning of April.

2910 PAYMENT AMOUNT

291001. Limitations

A. If the former spouse applies for payments under the USFSPA only, the maximum amount a former spouse can receive is 50 percent of the member's disposable retired pay.

B. If the former spouse applies for payments under the USFSPA and there is also a garnishment order for support, the maximum amount that can be paid toward both obligations is 65 percent of the member's disposable earnings calculated in accordance with 42 U.S.C. § 659 (child and spousal support statute) and its implementing regulation.

C. For garnishments for property other than a retired pay award, the maximum amount payable is 25 percent of disposable earnings in accordance with ***15 U.S.C. § 1673***.

291002. Cost-of-Living Adjustment (COLA)

If a retired pay award is expressed as a percentage of disposable retired pay, the former spouse will automatically receive a proportionate share of the member's COLAs unless the court order states otherwise. Formula and hypothetical retired pay awards are considered a type of percentage award, and thus will automatically include a proportionate share of the member's COLAs. If the retired pay award is a fixed amount, COLAs cannot be added, even if awarded in the court order, and the former spouse's payments will remain fixed.

291003. Offset of Former Spouse's Payment for Garnishment or Other Obligation

A former spouse's payment cannot be offset or garnished by DFAS for any legal obligation, including child support owed to the member.

2911 PRIORITY OF PAYMENTS

291101. Multiple Awards

If a court order includes multiple types of awards to a former spouse, the former spouse may designate the priority of payments on the DD 2293. If the former spouse does not specify otherwise, the designated agent will pay the retired pay award first, child support second and spousal support third.

291102. Multiple Former Spouses

If the designated agent is served with applications from more than one former spouse, the designated agent will honor the applications on a first-come, first-served basis. Subsequently served USFSPA applications shall be satisfied out of the disposable retired pay that remains after the satisfaction of all court orders which have been previously served, subject to the limitations of paragraphs 290802 and 291001.

291103. Garnishment Orders for Support and Applications under USFSPA

If the designated agent is served with both a garnishment for support and an application under USFSPA, the designated agent will pay whichever is served first. If the garnishment is served first and is payable directly to the former spouse, the former spouse may reverse the priority of payments by instructing the designated agent to terminate deductions pursuant to the garnishment, and then later requesting that garnishment deductions be reestablished.

2912 STOPPING PAYMENTS

291201. Erroneous Payment Information from Former Spouse

The former spouse has a continuing duty to provide the designated agent with correct payment instructions. If a former spouse's payments are returned due to erroneous payment instructions (i.e., invalid address or incorrect account number for direct deposit payments), the designated agent will send notice to the last known correspondence address that, unless new payment instructions are received within 30 days of the date of the notice, payments will stop. If the former spouse submits new payment instructions after the payments have terminated, the designated agent will restart the payments on a current basis, and will not make up any missed payments.

291202. Termination and Suspension of Retired Pay Award Payments

A. Unless the court order specifies otherwise, payments will stop upon the designated agent's receipt of notice of the death of either party. Payments will be prorated for the month of the death of either party.

B. Unless the court order specifies otherwise, retired pay award payments will not stop upon the designated agent's receipt of notice of the former spouse's remarriage.

C. If the designated agent is served with an order staying payments, the designated agent will stop the payments until served with an order indicating that the former spouse's payments are to resume.

D. If the designated agent has already started payments and is served with documentation showing that an appeal of the order has been filed within the forum state's appeal timeframe, payments will stop. The designated agent will not recoup any payments already issued.

E. A former spouse may stop payments under USFSPA by sending the designated agent a letter with his or her signature notarized withdrawing their application for payments under USFSPA. (A former spouse can later reapply for payments by submitting a new DD 2293 and certified copy of the court order that awards him/her the division of military retired pay.)

291203. Termination of Child Support Payments under USFSPA

Child support payments will stop in accordance with the provisions of the court order. If the court order is silent as to when the payments should stop, payments will stop in accordance with the law of the state that issued the court order. The member has the burden of providing sufficient documentation to justify stopping payments on or before a child's age of majority. The former spouse has the burden of providing sufficient documentation to justify continuing payments after a child's age of majority.

291204. Termination of Alimony Payments under USFSPA

Alimony payments will stop in accordance with the provisions of the court order. If the court order is silent as to when the payments should stop, payments will stop in accordance with the law of the state that issued the court order, or upon receiving a court order terminating the alimony payments. (NOTE: The law of some states does not provide that an alimony obligation automatically terminates upon a former spouse's remarriage. For such states, a court order terminating the alimony will need to be provided.) If the designated agent does not already have sufficient documentation to stop payments, additional evidence such as a marriage certificate will be required.

291205. Payments and Bankruptcy

Absent a court order, there is no authority to stop a former spouse's retired pay award, current and arrearage child support payments, and current spousal support payments, if a member files bankruptcy.

291206. Certification of Eligibility

The designated agent may request that a former spouse submit a signed certification of continued eligibility to receive payments under USFSPA. The certificate of eligibility should include notice of a change in status or circumstance that affects eligibility, if any such change exists. If the former spouse fails or refuses to comply with the certification requirement, the designated agent may stop the payments after notice to the former spouse.

2913 RETIRED PAY ARREARS OWED A DECEASED FORMER SPOUSE

291301. Applicability

This section applies to the settlement of arrears of a property division of retired pay that may be due a deceased former spouse pursuant to a previous application for direct payment completed under section 2904. Arrears of a retired pay property division may result from prorating a member's disposable retired pay for the month of the former spouse's death, from checks not negotiated before the former spouse's death, or the designated agent's failure to establish and/or make payments to the former spouse in the correct amount prior to the former spouse's death for a period that the former spouse was entitled to a property division.

291302. Documentation

To settle the arrears of retired pay owed a deceased former spouse, the following documentation must be on file:

A. Copy of Death Certificate. A notification of death from any source (next of kin, post office, or neighbor) is sufficient to suspend future payment of the retired pay property division. However, an official copy of a certificate of death for the former spouse is required before the arrears of a property division of retired pay are paid under this section.

B. Written Claim. A written claim must contain the claimant's signature and address, or that of the claimant's authorized agent or attorney. A ***Standard Form (SF) 1174*** is not required, but may be used for this purpose, as long as the claim specifies the claimant's relationship to the deceased former spouse and documents other living relatives of the deceased former spouse.

C. Additional Documentation as Required. A claimant may be required to submit any additional documentation DFAS deems necessary to establish the claimant's status and entitlement to the property division arrears including, but not limited to, marriage certificates, birth certificates, divorce decrees, or other documentation that validates the living beneficiaries of a former spouse in any class of persons entitled to the arrears pursuant to paragraph 291304.

291303. Recoupment of Outstanding Payments

All outstanding checks or direct deposits (not negotiated before the former spouse's death or made after the former spouse's death) or the proceeds thereof must be returned to DFAS-CL before a settlement of arrears may be made.

291304. Payment of the Arrears

Former spouse payments from retired pay are prorated in the month of the former spouse's death. When all documentation has been received and all outstanding payments have been recouped, payment of the arrears is made to the person living on the date of the former spouse's death who is highest on the order of precedence set forth in Chapter 30. For the purpose of payment of arrears under this paragraph, the provisions of subparagraphs 300204.C, D, and E apply, and all references to a "retiree" in subparagraphs 300204.A.2 through A.6, C, D, and E should be considered as referring to a deceased former spouse rather than a retiree.

291305. Indebtedness Resulting From Overpayment to a Former Spouse

Any indebtedness resulting from overpayment to a deceased former spouse must be liquidated before former spouse payment arrears can be settled.

291306. Claim for Arrears

A claim for arrears must be filed within the 6-year statute-of-limitation restriction. Any claim received 6 years after the date of the former spouse's death is barred.

291307. Taxability

In the case of deceased former spouses, one or more Treasury Department (TD) Forms ***1099-R***, Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc., may be used. If no former spouse arrears are paid, one TD 1099-R will be issued in the former spouse's name to cover any entitlement through date of death. If arrears are paid, an additional TD 1099-R is issued to each claimant to whom the arrears were paid.

2914 ADMINISTRATIVE APPEAL PROCESS

291401. Either Party Disagrees

If either party disagrees with the designated agent's determination concerning a former spouse's entitlement to payments under the USFSPA, that party may request reconsideration by writing to the designated agent. If the party requesting reconsideration asserts that the designated agent has erroneously overpaid the other party, the request for reconsideration will be considered a claim against the designated agent. An attorney will review the request and issue a decision in writing.

291402. Party Requesting Reconsideration Disagrees

If the party requesting reconsideration disagrees with the attorney's determination, that party may submit an appeal to the designated agent, which must be received within 30 days of the date of the initial determination. The designated agent will forward the appeal to the Defense Office of Hearings and Appeals for their decision.

291403. Additional Information

Parties are referred to Department of Defense Instruction ***1340.21*** for additional information concerning the submission of claims and appeals.

2915 LIABILITY

291501. Payments Made In Accordance With the USFSPA

Neither the United States nor any employee of the United States shall be liable regarding any payment made from retired pay to a retiree or former spouse pursuant to a court order that is regular on its face, if such payment is made in accordance with the USFSPA.

291502. Designated Agent Liability

If the designated agent processes a former spouse's USFSPA application and administers the former spouse's payments in accordance with the USFSPA and in accordance with all documentation in its files, the designated agent is not liable for any former spouse payments issued after a former spouse's eligibility to receive payments has ended. Nor is the designated agent

liable for any payments that the former spouse may have been entitled to prior to the designated agent's beginning direct payments pursuant to the former spouse's USFSPA application.

291503. Court Order

If the court order awarding child support or alimony appears on its face to conform to the laws of the jurisdiction from which it was issued, the designated agent will not be required to ascertain whether the court had obtained personal jurisdiction over the member.

Figure 29-1. Military Retired Pay Division Order (on or before December 23, 2016)

STATE OF _____ COURT OF _____
COUNTY OF _____ Case No. _____

_____
Petitioner

_____
Respondent

MILITARY RETIRED PAY DIVISION ORDER

(For Decree of Divorce, Dissolution, Annulment, or Legal Separation that occurs on or before December 23, 2016)

This cause came before the undersigned judge upon the petitioner/respondent's claim for a distribution of the respondent/petitioner's military retired pay benefits. The court makes the following:

FINDINGS OF FACT:

The Petitioner's Social Security Number is _____ and current address is _____.

The Respondent's Social Security Number is _____ and current address is _____.

The Parties were married on _____. Their marital status was terminated on _____ pursuant to a(n) _____entered in _____ County, State of _____. This current order is entered incident to the aforementioned order.

The parties were married for a period of ten or more years during which time the Petitioner/Respondent performed at least ten years of service creditable for retirement eligibility purposes.

If the military member was on active duty at the time of this order, Respondent/Petitioner's rights under the Service Members' Civil Relief Act, 50 U.S.C. App. 501-548 and 560-591, have been observed and honored.

This court has jurisdiction over the Respondent/Petitioner by reason of [choose those that apply] (A) his or her residence, other than because of military assignment, in the territorial jurisdiction of the court, during the [divorce, dissolution, annulment, or legal separation] proceeding, (B) his or her domicile in the territorial jurisdiction of the court during the [divorce, dissolution, annulment, or legal separation] proceeding, or (C) his or her consent to the jurisdiction of the court.

CONCLUSIONS OF LAW:

1. This court has jurisdiction over the subject matter of this action and the parties hereto.

2. Petitioner/Respondent is entitled to a portion of Respondent/Petitioner's U.S. military retired pay as set forth herein.

IT IS THEREFORE ORDERED THAT:
[Choose and complete one of the following. Please note that all awards expressed as a percentage of disposable retired pay, including hypothetical awards, will automatically include a proportionate share of the member's COLA unless this order states otherwise. Also, hypothetical retired pay amounts will be adjusted for all retired pay COLA from the hypothetical retirement date to the member's actual retirement date, unless this order states otherwise.]

Figure 29-1. Military Retired Pay Division Order (on or before December 23, 2016) (Continued)

Retired member: "**The former spouse is awarded ___ percent (or dollar amount) of the member's disposable military retired pay.**"

Active duty formula: "**The former spouse is awarded a percentage of the member's disposable military retired pay, to be computed by multiplying ____ percent times a fraction, the numerator of which is _____ months of marriage during the member's creditable military service, divided by the member's total number of months of creditable military service.**"

Reservist formula: "**The former spouse is awarded a percentage of the member's disposable military retired pay, to be computed by multiplying ____percent times a fraction, the numerator of which is _____ Reserve retirement points earned during the period of the marriage, divided by the member's total number of Reserve retirement points earned.**"

Active duty hypothetical calculated as of time of division, for all members regardless of service entry date: "**The former spouse is awarded _____percent of the disposable military retired pay the member would have received had the member retired with a retired pay base of _____ and with _____ years of creditable service on _____.**"

Active duty hypothetical calculated as of time of division; may only be used for members entering service before September 8, 1980: "**The former spouse is awarded _____percent of the disposable military retired pay the member would have received had the member retired with the rank of _____ and with _____ years of creditable service on _____.**"

Active duty hypothetical calculated as of member's actual retirement date: "**The former spouse is awarded _____percent of the disposable military retired pay the member would have received had the member retired on his actual retirement date with the rank of _____ and with _____ years of creditable service.**"

Reservist hypothetical calculated as of time of division, for all members regardless of service entry date: "**The former spouse is awarded _____percent of the disposable military retired pay the member would have received had the member become eligible to receive military retired pay with a retired pay base of _____ and with _____ Reserve retirement points on _____.**"

Reservist hypothetical calculated as of time of division; may be used for members entering service before September 8, 1980: "**The former spouse is awarded _____percent of the disposable military retired pay the member would have received had the member become eligible to receive retired pay on _____, with the rank of _____, with _____ Reserve retirement points, and with _____ years of service for basic pay purposes.**"

Reservist hypothetical calculated as of the date the member becomes eligible to receive retired pay: "**The former spouse is awarded _____percent of the disposable military retired pay the member would have received had the member become eligible to receive retired pay on the date he or she attained age 60, with the rank of _____, with _____ Reserve retirement points, and with _____ years of service for basic pay purposes.**"

This _____ day of _____, 20__.

_____
JUDGE

*Figure 29-2. Military Retired Pay Division Order (after December 23, 2016)

STATE OF _____ COURT OF _____
COUNTY OF _____ Case No. _____

_____
Petitioner

_____
Respondent

MILITARY RETIRED PAY DIVISION ORDER

(For Decree of Divorce, Dissolution, Annulment, or Legal Separation that occurs after December 23, 2016)

This cause came before the undersigned judge upon the petitioner/respondent's claim for a distribution of the respondent/petitioner's military retired pay benefits. The court makes the following:

FINDINGS OF FACT:

The Petitioner's Social Security Number is _____ and current address is _____.

The Respondent's Social Security Number is _____ and current address is _____.

The Parties were married on _____. Their marital status was terminated on _____ pursuant to a(n) _____ entered in _____ County, State of _____. This current order is entered incident to the aforementioned order.

The Parties were married for a period of ten or more years during which time the Petitioner/Respondent performed at least ten years of service creditable for retirement eligibility purposes.

If the military member was on active duty at the time of this order, Respondent/Petitioner's rights under the Service Members' Civil Relief Act, 50 U.S.C. App. 501-548 and 560-591, have been observed and honored.

This court has jurisdiction over the Respondent/Petitioner by reason of [choose those that apply] (A) his or her residence, other than because of military assignment, in the territorial jurisdiction of the court, during the [divorce, dissolution, annulment, or legal separation] proceeding, (B) his or her domicile in the territorial jurisdiction of the court during the [divorce, dissolution, annulment, or legal separation] proceeding, or (C) his or her consent to the jurisdiction of the court.

CONCLUSIONS OF LAW:

This court has jurisdiction over the subject matter of this action and the parties hereto.

Petitioner/Respondent is entitled to a portion of Respondent/Petitioner's U.S. military retired pay as set forth herein.

IT IS THEREFORE ORDERED THAT:

Choose and complete one of the following. (Please note that all awards expressed as a percentage of disposable retired pay, will automatically include a proportionate share of the member's COLA after the date the member retires, unless the court order states otherwise.)

*Figure 29-2. Military Retired Pay Division Order (after December 23, 2016) (Continued)

Award When the Member Has Already Retired From Active or Reserve Duty

"**The former spouse is awarded _____ percent (or) $_____ (dollar amount) of the member's disposable military retired pay.**"

Active Duty Awards

Complete only one of the following:

1 Fixed Award: "**The former spouse is awarded $_____ (dollar amount) of the member's disposable military retirement pay.**"

2. Percentage Award: "**The former spouse is awarded _____percentage of the member's disposable military retirement pay.**"

3 Formula Award: "**The former spouse is awarded a percentage of the member's disposable military retired pay, to be computed by multiplying _____ percent times a fraction, the numerator of which is _____months of marriage during the member's creditable military service, divided by the member's total number of months of creditable military service.**"

4. Hypothetical Retired Pay Award for members entering military service:

A. BEFORE September 8, 1980: "**The former spouse is awarded _____ percent of the disposable military retired pay the member would have received had the member retired with the rank of _____ and with _____ years of creditable service on _____.**"

B. ON OR AFTER September 8, 1980: "**The former spouse is awarded _____ percent of the disposable military retired pay the member would have received had the member retired with a retired base (high-3) of _____ and with _____ years of creditable service on _____.**"

AND (ONE OF THE BELOW SECTIONS MUST ALSO BE COMPLETED)

1. If the member entered the service BEFORE September 8, 1980

On the date of the decree, dissolution, annulment, or legal separation _____ (list the date), the member's military pay grade (rank) was _____, and the member had _____ years of creditable service (list amount of years and months).

2. If the member entered the service ON OR AFTER September 8, 1980:

On the date of the decree of divorce, dissolution, annulment, or legal separation _____ (list the date), the member's military retired pay base (high-3) was $_____ (must provide a dollar amount) and the member had _____ years of creditable service (list amount of years and months).

Reserve Awards When the Member is Still Drilling

1. Fixed award: "**The former spouse is awarded $_____ (dollar amount) of the member's disposable military retirement pay.**"

2. Percentage award: "**The former spouse is awarded _____ percentage of the member's disposable military retirement pay.**"

3. Formula award: "**The former spouse is awarded a percentage of the member's disposable military retired pay, to be computed by multiplying _____ percent times a fraction, the numerator of which is _____ Reserve retirement points earned during the period of the marriage, divided by the member's total number of Reserve retirement points earned.**"

*Figure 29-2. Military Retired Pay Division Order (after December 23, 2016) (Continued)

4. Reservist hypothetical retired pay award as of time of division;

A. May be used for members entering service BEFORE September 8, 1980: "**The former spouse is awarded ____ percent of the disposable military retired pay the member would have received had the member become eligible to receive retired pay on _____, with the rank of _____, with _____Reserve retirement points, and with _____years of service for basic pay purposes.**"

B. May be used for members entering service ON OR AFTER September 8, 1980: "**The former spouse is awarded _____ percent of the disposable military retired pay the member would have received had the member become eligible to receive military retired pay with a retired pay base (high-3) of _____ and with _____Reserve retirement points on _____.**"

AND (ONE OF THE BELOW SECTIONS MUST ALSO BE COMPLETED)

1. If the member entered the service BEFORE September 8, 1980:

On the date of decree of divorce, dissolution, annulment, or legal separation_____(list the date), the member's pay grade (rank) was _____ and the member had Reserve retirement points (enter amounts), and the member had _____years of service for basic pay purposes (list amount of years and months).

2. If the member entered the service ON OR AFTER September 8, 1980:

On the date of the decree of divorce, dissolution, annulment, or legal separation_____(list the date), the member's military retired pay base (high-3) was $_____, (must provide a dollar amount) and the member had _____ Reserve retirement points (enter amount).

This _____day of _____, 20___.

_____
JUDGE

*BIBLIOGRAPHY

CHAPTER 29 – FORMER SPOUSE PAYMENTS FROM RETIRED PAY

All	USFSPA
	10 U.S.C. § 1408
*	NDAA FY 2017, section 641

VOLUME 7B, CHAPTER 30: "DEATH OF RETIREE"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue and underlined font***.

The previous version dated June 2015 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks, statutes, and formatting in compliance with current administrative instructions.	Revision
300301.A	Deleted reference to January 1, 1957 based on change in statute.	Deletion

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CHAPTER 30

DEATH OF RETIREE

3001 GENERAL

300101. Purpose

This chapter provides policy on the death of a retiree. This includes but is not limited to: required documentation, arrears of pay (AOP), death gratuity, and taxable income.

300102. Authoritative Guidance

The bibliography at the end of this chapter lists the authoritative references.

3002 ARREARS OF PAY

300201. Basic Information

Entitlement to retired pay terminates on the date of the retiree's death. An AOP is the retiree's final prorated retired pay check to include all unencumbered amounts due to the deceased member. An AOP is not due if the retiree waived retired pay in favor of a civil-service annuity. Department of Veterans Affairs (VA) benefits terminate on the last day of the month before death. For members who waive retired pay for VA benefits, only retired pay is due on behalf of the member for the month of death. A retiree's account is placed in a suspended status upon receipt of a notification of death from any source until the date of death can be verified. The Defense Finance and Accounting Service (DFAS) must attempt to obtain proof of death before closing an account. Acceptable forms of proof of death documentation include:

A. Death certificate,

B. ***Department of Defense (DD) Form 1300***, Report of Casualty,

C. Funeral Director's Report,

D. VA Cemetery Files,

E. The Defense Enrollment Eligibility Reporting System,

F. Social Security Reports, or

G. Other forms of official notification of death.

300202. Related Inquiries

The Military Department concerned advises the surviving spouse to contact the VA or the Social Security Administration on matters relating to entitlement benefits payable by those agencies.

300203. Responsibilities

When the Military Department concerned receives notification of the death of a retiree, they will notify DFAS-Cleveland. The DFAS-Cleveland site:

A. Terminates payment of retired pay,

B. Recoups outstanding retired pay checks or direct deposit payments,

C. Discontinues and collects overpayments of allotments,

D. Pays death gratuity if applicable,

E. Collects debts,

F. Provides claim forms to prospective beneficiaries, and

G. Prepares vouchers and tax statements for final account settlement.

300204. Eligible Beneficiaries

Each Military Service periodically advises retirees of their right to designate a beneficiary or beneficiaries to receive an AOP amount due, and disposition to be made of unpaid amounts where no beneficiary or beneficiaries have been designated. Any person or persons, or legal entity, including the estate or trust of the member, may be designated. In order for the member's estate to be an eligible beneficiary, the estate must be established, pursuant to the laws of the member's domicile after the member's death. If the estate is not established, the designation to the estate will fail.

A. Pursuant to ***Title 10, United States Code (U.S.C.), section 2771***, pay arrears of retired pay to the person living on the date of the retiree's death in the following order of precedence:

1. Beneficiary designated by the member in writing, if received by the Military Department concerned before the member's death;

2. Surviving spouse;

3. Children and their descendants, by representation:

a. Legitimate Child;

b. Adopted Child. An adopted child is a legal heir in every state and, therefore, is entitled to payment of unpaid pay and allowances, if otherwise proper. If others adopt the deceased retiree's child, the child is a beneficiary only in those states where an adopted child inherits from its natural parent;

c. Illegitimate Child. An illegitimate child may not be paid unpaid pay and allowances of a deceased retiree unless that child is recognized for inheritance purposes under the laws of the jurisdiction involved; or

d. Stepchild. A stepchild is not an eligible beneficiary unless adopted by the deceased retiree;

4. Father and mother in equal parts or, if either is dead, the survivor;

5. Legal representative; or

6. Person entitled under the law of the domicile of the deceased retiree.

B. The retiree may change a beneficiary previously designated if the change is made in writing or electronically via ***myPay*** and received by the Military Department concerned before the retiree's death.

C. Where payment is to be made to the person entitled under the law of the domicile of the deceased individual in subparagraph 300204.A.6, DFAS may require the claimant(s) to submit evidence of entitlement under state law. This includes, but is not limited to funeral expense receipts, small estate affidavit, trust documents, court orders granting summary administration and where necessary, the deceased person's will.

D. If the beneficiary killed the retiree, the arrears are not paid to that person unless evidence is received which clearly absolves the beneficiary of any felonious intent. This does not preclude the person from receiving the arrears in the capacity of custodian or guardian of minor children.

E. If the beneficiary dies after the retiree but before receiving final settlement, an AOP goes to the beneficiary's estate. If the beneficiary does not have an estate established and an AOP is $3,000 or less, an AOP is payable to the deceased beneficiary's survivors in the order of precedence set out in subparagraph 300204.A.2 through 5. If an AOP is greater than $3,000, DFAS pays an AOP in accordance with laws of the domicile of the deceased beneficiary. If doubt exists as to entitlement, the Department of Defense (DoD) will settle the claim.

300205. Substantiating Documents and Collection of Overpayments

A. Substantiating Documents. To effect settlement, the following documents must be a matter of record:

1. Completed ***Standard Form 1174***, Claim for Unpaid Compensation of Deceased Member of the Uniformed Services, from the beneficiary;

2. ***DD 1300*** or a copy of the death certificate;

3. Retirement orders; and

4. Adoption papers, court orders of appointment, custodianship papers, or foreign status documentation (Internal Revenue Service Form ***W-8BEN***, Certificate of Foreign Status of Beneficial Owner for United States Tax Withholding and Reporting (Individuals)) if required.

B. Collection of Overpayments. Every attempt should be made to recover all outstanding checks or direct deposits (not negotiated before the retiree's death or outstanding checks forwarded past the date of entitlement) or the proceeds thereof. Unrecovered funds are treated as erroneous payments to the member or the withdrawer of funds with the indebtedness subject to the debt collection authority.

1. If the funds are not recovered, there is no AOP due until the arrears due to the retiree exceed the erroneous payment. In situations where the recipient of the member's erroneous payment is also the beneficiary for an AOP, the amount of arrears due the individual is offset administratively by the erroneous payments received by the individual. The remaining erroneous payment, if any, is still subject to the debt collection authority.

2. If there has been an erroneous payment of an AOP made to an individual not entitled to the retiree's AOP, and another individual is entitled to the retiree's AOP, the payment of the amount due as arrears must be made to the appropriate payee, regardless of whether collection has been made from the recipient of the erroneous pay.

300206. Questionable Date of Death

A. When the date of death is shown as a "found date," the Military Department concerned verifies whether an autopsy was performed. If an autopsy was performed, the date of death determined by the coroner is used. If the results of the autopsy are reported on the death certificate, a copy of the autopsy report is not required. If an autopsy was not performed, but the state has certified the date of death on the death certificate, that date is used. If two dates are shown, such as member died between 11:00 p.m. June 10, 2008, and 4:00 a.m. June 11, 2008, use the earlier date since that was the last date member was known to be alive. If neither is available, obtain a statement from one or more disinterested persons attesting to the last known date that the member was alive. When this statement is received, an AOP is settled based on that date.

B. In claims involving missing persons, provided there is no evidence to the contrary, assume the date of death to be the presumed date established by state court decree.

C. If evidence exists that a retiree died on a particular date several years before the date of presumptive death declared by a state court, an AOP is payable only through the earlier date of suspected death.

D. A judicial decree is not necessary to establish Retired Serviceman's Family Protection Plan or Survivor Benefit Plan annuity payments if a person has been missing for more than 30 days under circumstances from which a reasonably prudent person would conclude that such person is dead, and a determination by the Secretary of the Military Department concerned (or designee) is made that presumes the member to be deceased. See Chapters 37 and 42.

300207. Doubtful Claims

In accordance with ***Title 32, Code of Federal Regulations (CFR), part 282.5***, cases involving questions of fact or law are submitted to the Defense Office of Hearings and Appeals (DOHA) for resolution. These include cases when:

A. Doubt exists as to the amount or validity of the claim, or

B. Doubt exists as to the person or persons properly entitled to the payment. Upon receipt of a doubtful claim, notify the claimant that the claim has been forwarded to DOHA for approval of settlement.

300208. Six Year Statute of Limitations

A. Title ***31 U.S.C. § 3702*** provides general authority for settling claims against the United States. Section 3702 provides that any claim against the U.S. Government is barred forever unless such claim, bearing the signature and address of the claimant or authorized agent or attorney is received by the responsible agency within 6 years after the date such claim first accrued. Under authority delegated from the Secretary of Defense, the Director, DOHA, may waive the time limitation for late claims involving the pay, retired pay, and survivor benefits of military personnel. Any claim that became payable as a result of waiver of time limitation is limited to $25,000.

B. In any case where two or more beneficiaries are entitled to share an AOP equally, each claimant/beneficiary will become entitled to their own proportional share upon presentation of a timely claim. In the event that one (or more) of the claimant/beneficiaries fails to make a timely claim within 6 years, such claimant/beneficiary's claim will be barred under 31 U.S.C. § 3702 as untimely, however the time limitation may be waived by DOHA if appropriate. In no event will the share of the untimely claimant/beneficiary be paid to the claimant/beneficiary who submitted a timely claim.

300209. Death of Mentally Incompetent Retiree

If retired pay was waived in favor of VA compensation, but compensation was withheld because the retiree's estate exceeded $1,500, contact the VA to ascertain periods and reasons for nonpayment of VA compensation and verify whether withdrawal of the waiver was made by guardian or trustee before the retiree's death. See Chapter 12 regarding withdrawal of waiver.

NOTE: Nonpayment of compensation could occur at any time from the effective date of VA waiver through the month of death and is not limited to the month of death.

3003 DEATH GRATUITY

300301. Basic Information

A. Death gratuity is payable when the retiree's death occurs within the 120-day period which begins on the day after release from active duty or active duty for training. The VA must certify entitlement to death gratuity. The Secretary of the VA must determine that the decedent was discharged or released under conditions other than dishonorable from the last period of the duty of training that he or she performed; and that death resulted from an injury or disease that was incurred or aggravated during the period of service of active duty, inactive-duty training or travel directly to or from such duty. See ***10 U.S.C. § 1476***.

B. Death gratuity is not payable for a member who retires for non-Regular service (age and service) unless the member was on active duty the day before retirement.

C. Submit the application for Death Gratuity on a ***DD 397***, Claim Certification and Voucher for Death Gratuity Payment.

NOTE: For detailed information on Death Gratuity, see Volume 7A, Chapter 36.

300302. Eligible Beneficiaries

A. Eligible Beneficiaries Prior to July 1, 2008. Before May 25, 2007, payment of a death gratuity was made to or on behalf of the deceased retiree's living survivors as prescribed by the statute in effect at the time. Beginning on May 25, 2007, and ending on June 30, 2008, a qualified member was able to designate another person to receive not more than 50 percent of the death gratuity payable upon the death of the member with any remaining amount not designated paid in the order prescribed by statute. The designated amount of the death gratuity had to be specified in increments of 10 percent. Death gratuity payments were made to the deceased retiree's living survivors as prescribed by the statute at the time. (For order of precedence prior to July 1, 2008, please see the Archived Version of Chapter 30, paragraph 300204).

B. Eligible Beneficiaries On and After July 1, 2008. Effective July 1, 2008, a qualified member may designate up to 100 percent of their death gratuity entitlements, in 10 percent increments, to any person(s) of their choosing. If the qualified member has a spouse, but designates a person other than the spouse to receive all or a portion of the amount payable, the

Secretary concerned must provide notice of the designation to the spouse. If a qualified person does not make a designation or designates only a portion of the amount payable, then pay the amount of the death gratuity not covered by a designation as follows:

1. To the surviving spouse of the person, if any;

2. If there is no surviving spouse, any surviving children of the person and the descendants of any deceased children by representation. Surviving children without regard to age or marital status include:

a. Legitimate children,

b. Adopted children,

c. Stepchildren who were a part of the decedent's household at the time of his death, or

d. Illegitimate children of the decedent (see subparagraph 300303.A.4);

3. If there is no surviving spouse or children, the decedent's surviving parents in equal shares or the survivor of them. Surviving parents as prescribed by the following:

a. Parents include fathers and mothers through adoption,

b. Only one father and one mother may be recognized in any case,

c. Those who exercised a parental relationship on the date, or most nearly before the date of the retiree's death are given preference;

4. If there is no surviving spouse, child, or parent of the decedent, the duly appointed executor or administrator of the estate of the decedent; or

5. If there are no survivors as prescribed in subparagraphs 300302.B.1 through 300302.B.4, other next of kin of the person entitled under the laws of domicile of the person at the time of the person's death.

300303. Documentary Evidence

A. In some cases, the beneficiary must furnish proof of relationship:

1. Lawful Spouse. Documentation may be required to substantiate the marriage or proof of termination of prior marriages entered into by the beneficiary or deceased retiree;

2. Legally Adopted Child. A copy of adoption papers;

3. Stepchild. Information to prove that the child was a member of the deceased member's household;

4. Illegitimate Child. Documentation is required as proof that the retiree was the parent of the child and must include one of the following:

a. An acknowledgement in writing signed by the decedent;

b. A judicial determination made before the decedent's death that the claimant is a child of the decedent;

c. Evidence that the Secretary of VA has determined the claimant to be the child of the decedent; or

d. A copy of the court order that ordered the parent to contribute to the child's support; or

5. Designated Relative

a. Designated relative must provide documentary evidence that any marriage entered into by the deceased retiree has been terminated and a notarized statement that there are no living children.

b. Persons in loco parentis must furnish satisfactory evidence of the relationship as deemed necessary by the Military Department concerned.

B. Custodianship documents or court orders of guardianship appointments must support all payments made for minor children.

300304. Death of Eligible Survivor before Receipt of Death Gratuity

If a person entitled to all or a portion of a death gratuity under subparagraph 300302.B dies before the person receives the death gratuity, it will be paid to the living survivor next in the order prescribed in subparagraph 300302.B.

300305. Determinations Affecting Entitlement

A. Death as Lawful Punishment. No death gratuity is payable in the case of a retiree whose death is the result of a lawful punishment for a crime or military offense, except when such death was inflicted by any hostile force with which the Armed Forces of the United States was engaged in armed conflict.

B. Member Killed by Beneficiary. No death gratuity is payable to a beneficiary or survivor who kills a retiree, unless there is evidence that clearly absolves the beneficiary or survivor of any felonious intent.

300306. Amount Payable

A. Deaths On or After October 7, 2001. For deaths on or after October 7, 2001, the amount of death gratuity is $100,000.

B. Debt Collection. Do not collect debts from death gratuity payments.

300307. Erroneous Payment

An erroneous payment of death gratuity is one made because of administrative error to a person clearly not entitled to that payment, rather than a payment made reliant on statements of record made by the retiree about matters such as marital status and dependency status. Make a second payment to the rightful beneficiary when the error resulted from improper maintenance of records or administrative negligence. This payment should not be delayed pending recovery of the erroneous payment from the ineligible recipient. The respective DFAS site will follow the prescribed collection procedures in an attempt to recover an erroneous payment.

3004 TAXABLE INCOME

300401. Taxability of AOP

A. An AOP due the deceased retiree at time of death is taxable to the beneficiary who receives payment if the AOP was taxable to the retiree. The tax liability is in accordance with the Internal Revenue Code of 1986, as amended.

B. If an AOP is paid, a Treasury Department (TD) Form 1099-R is issued to each beneficiary using the tax identification number of the beneficiary. If no AOP is paid, the retired pay activity issues one TD Form 1099-R in the decedent's name.

300402. Taxability of Death Gratuity

A. Death Occurred Between August 20, 1990 and September 10, 2001. The amount of death gratuity payments made to survivors of military members who died after August 20, 1996 that is excludable from income may not exceed $3,000, regardless of the number of beneficiaries. If there are multiple beneficiaries, apply proportionately the $3,000 exclusion. All death gratuity payments are reported separately, using TD Form 1099-R. The total amount of the gross distribution is entered in Box 1. The appropriate taxable amount is entered in Box 2a. For members who died on or before August 20, 1996, the maximum exclusion amount is $5,000.

B. Death Occurred On or After September 11, 2001. The total amount of death gratuity is excludable from gross income for tax purposes.

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300204.A.4	Comp Gen B-113031, July 6, 1960
	Comp Gen B-113240, October 5, 1961
	Comp Gen B-59917, May 31, 1961
	Comp Gen B-93772, December 2, 1963
300204.A.5	Comp Gen B-151337, October 7, 1963
300204.B	10 U.S.C. § 2771
300204.D	Comp Gen B-187743, July 7, 1977
300204.E	Comp Gen B-69787-O.M.
300205	31 U.S.C. § 3716
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300206.A	Comp Gen A-58284, 14 Comp Gen 411
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300208	31 U.S.C. § 3702(b) and (e)(3)
300209	32 CFR 282, Appendix D, Processing a Claim
	31 U.S.C. § 3702(e)(2)
	38 U.S.C. § 5306
	Comp Gen B-156553, October 31, 1967

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300301.A	10 U.S.C. § 1476
300302.A	10 U.S.C. § 1477
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300305.A	10 U.S.C. § 1480
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3004 – TAXABLE INCOME

300402.A	Public Law 104-188, section 1402, August 20, 1996 26 U.S.C. § 134 Internal Revenue Service, Publication 3, Armed Forces' Tax Guide

VOLUME 7B, CHAPTER 31: "DEATH OF SURVIVOR ANNUITANT"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

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PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
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CHAPTER 31

DEATH OF SURVIVOR ANNUITANT

3101 GENERAL

310101. Purpose

This chapter addresses the settlement of the arrears of an annuity where the annuitant is a spouse with no eligible child annuitant, the last remaining child annuitant, or a natural person with an insurable interest. In accordance with the procedures in section 3102, the Defense Finance and Accounting Service (DFAS) pays the arrears of the annuity under Retired Serviceman's Family Protection Plan (RSFPP), Survivor Benefit Plan (SBP), and minimum income widow provisions of the SBP law.

310102. Authoritative Guidance

The bibliography at the end of this chapter lists the authoritative references.

3102 SETTLEMENT OF THE ARREARS

310201. Documentation

A notification of death from any source (next of kin, post office, or neighbor) is sufficient to suspend future payment of the annuity. To settle (pay) the arrears of an annuity, the following documentation must be on file:

A. A copy of the death certificate;

B. A written claim over the signature and address of the claimant or of the claimant's authorized agent or attorney; and

C. Proof of recoupment of outstanding payments. All outstanding checks or direct deposits (not negotiated before the annuitant's death or forwarded past the date of entitlement) or the proceeds thereof must be returned to the DFAS-Cleveland Site before a settlement of arrears of annuity may be made.

310202. Payment of the Arrears

The annuity is not prorated for the month of the annuitant's death. Entitlement stops as of the last day of the month before the date of the annuitant's death. When all documentation is received, payment of the arrears is made to the person living on the date of the annuitant's death who is highest on the order of precedence set forth in Chapter 30. For the purpose of payment of the arrears of an annuity under this section, the provisions of subparagraph 300204.C, D and E apply, and all references to a "retiree" in subparagraphs 300204.A.2 through A.6, D, and E should be considered as referring to the deceased annuitant rather than a retiree.

310203. Claim for Arrears

A claim for arrears of an annuity must be filed within the 6-year statute-of-limitation restriction. Any claim received 6 years after the date of the annuitant's death is barred.

3103 TAXABILITY

In the case of deceased annuitants, one or more Department of the Treasury - Internal Revenue Service (IRS) Form(s) ***1099-R***, Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, may be used. If no arrears of an annuity are paid, then one Form 1099-R will be issued in the annuitant's name to cover any payments received by the annuitant before death. If arrears of an annuity are paid, then an additional Form 1099-R is issued to each claimant to whom the arrears were paid.

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CHAPTER 31 – DEATH OF SURVIVOR ANNUITANT

3102 – SETTLEMENT OF THE ARREARS

310203 31 United States Code, section 3702(b)

VOLUME 7B, CHAPTER 32: "RECOVERY OF PAYMENTS MADE TO A FINANCIAL ORGANIZATION"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

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All	Updated hyperlinks and formatting to comply with current guidance.	Revision
320101	Updated the "Purpose" paragraph to provide clarity.	Revision

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CHAPTER 32

RECOVERY OF PAYMENTS MADE TO A FINANCIAL ORGANIZATION

3201 GENERAL

*320101. Purpose

This chapter provides information regarding the accountability of a financial organization for direct deposit payments returned to the Defense Finance and Accounting Service (DFAS) because of the death of a retiree or annuitant. By accepting a recurring benefit payment from the government, a receiving financial institution agrees to the provisions of Title 31, Code of Federal Regulations (CFR), ***Part 210***, including the reclamation actions and debiting of the financial institution's Federal Reserve Bank account for any reclamation for which it is liable. The government's right to reclaim funds is established in 31 CFR 210, section 210.10(a).

320102. Authoritative Guidance

The bibliography at the end of this chapter lists the authoritative references.

3202 LIABILITY OF FINANCIAL INSTITUTIONS FOR DIRECT DEPOSIT PAYMENTS

320201. Liability of Financial Institution

A financial institution is liable for all benefit payments received after the death or legal incapacity of a recipient, or death of a beneficiary, unless the financial institution meets the qualifications for limiting its liability under paragraph 320203.

320202. Reclamation

Upon the notification of the death of a military retiree or annuitant, the DFAS Cleveland Disbursing Officer (DO) will contact the decedent's financial institution to request the return of all payments made since the retiree's or annuitant's death.

A. The DO must initiate reclamation within 120 days after constructive receipt of notification of the death of a retiree or annuitant. The financial institution is not liable for payments made more than 6 years prior to date of reclamation.

B. Effective January 2, 2008, the Department of the Treasury, Financial Management Service (FMS) established a policy for the reclamation of federal payments disbursed electronically through the Automated Clearing House. On October 7, 2012, the FMS and the Bureau of the Public Debt were consolidated into the Bureau of the Fiscal Service. See the Department of the Treasury's ***Green Book*** for detailed instructions on the reclamation procedures.

320203. Limiting Liability

A financial institution may qualify to limit its liability by full compliance with the regulations if it:

A. Had no actual or constructive knowledge of the death at the time of the deposit of any post-death benefit payments;

B. Returns all post-death benefit payments it receives after it learns of the death of a retiree or annuitant; and

C. Responds to the reclamation to ensure that the appropriate amount is received by the DO within 60 days of the date on the reclamation.

320204. Calculating Limited Liability Amount

If a financial institution qualifies for limited liability, the amount which can be debited from the financial institution is the amount of the account balance at the time it first receives notice of death plus the lesser of the outstanding balance due (after any collection from the withdrawers) or the 45-day amount. The 45-day amount is the dollar amount of the post-death benefit payments received within 45 calendar days following the death. See the Department of the Treasury's Green Book for examples of calculating the limited liability amount.

3203 LIABILITY OF DISBURSING OFFICER

The accountability of the financial institution does not affect the liability of the DO for any amounts not recovered. The DO may be relieved of liability for amounts not recovered when the officer has shown that he or she did not know and could not have known of a retiree's or annuitant's death prior to making payments after the date of death.

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3202 - LIABILITY OF FINANCIAL INSTITUTIONS FOR DIRECT DEPOSIT PAYMENTS

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VOLUME 7B, CHAPTER 37: "RETIRED SERVICEMAN'S FAMILY PROTECTION PLAN (RSFPP) - ANNUITIES"

SUMMARY OF MAJOR CHANGES

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All	Updated hyperlinks and formatted to comply with current administrative instructions.	Revision
3703	Moved information from paragraphs 370103, 370104, and 370105 to section 3703.	Revision
370405	Added statement for waiving a claim for consistency with Chapter 30.	Addition
371502.D	Added information on the annual submission of the certificate of eligibility.	Addition
Table 37-1	Revised the wording in item 7 to reflect information referenced.	Revision

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CHAPTER 37

RETIRED SERVICEMAN'S FAMILY PROTECTION PLAN (RSFPP) – ANNUITIES

3701 GENERAL

370101. Purpose

An annuity payable under the RSFPP is not assignable or subject to execution, levy, attachment, or garnishment, except for child support or alimony, or to collect a debt caused by an overpayment described in section 3709. A debt to the United States or its instrumentalities incurred by the annuitant may be offset from the annuity. The annuity may be paid to a trustee through bankruptcy court proceedings.

370102. Authoritative Guidance

The bibliography at the end of this chapter lists the authoritative references.

3702 EFFECTIVE DATE OF ANNUITY

370201. Annuity Accrual

Each annuity payable normally accrues as of the first day of the month in which the member dies. If the Secretary concerned makes a determination that a participating member is presumed dead, the annuity accrues from the first day of the month in which retired or retainer pay was suspended on the basis of the member's missing status. When a member elects coverage for spouse and children (Option 3), an annuity is payable to the eligible children on the first day of the month in which the widow or widower becomes an ineligible annuitant. For the child who is at least age 18 and attending a recognized educational institution (see section 3715 for more information), the annuity accrues:

A. As of the first day of the month in which the retired member dies, if the eligible child's 18th birthday occurs in the same or a preceding month; or

B. As of the first day of the month in which the child's 18th birthday occurs, if the retired member died in the preceding month; or

C. As of the first day of the month in which the child becomes or again becomes eligible, if that child's 18th birthday and the retired member's death occurred in a preceding month or months.

370202. Application

The first payment of the annuity cannot be made until a completed application is received. If a properly completed application is received, the first payment must be made not later than the

15th of the month after the month in which the retired member dies, nor later than the 15th of the month after the month in which the Secretary of the Military Department concerned (or designee) has made a determination that the member is presumed dead. Payments are made in equal monthly installments thereafter as long as entitlement exists.

370203. Annuitant Eligibility

No annuity accrues or is paid for the month in which all annuitants lose eligibility.

370204. Special Circumstance

If a member retires and dies during the same month, the annuity is payable for the full month.

*3703 ANNUITY PAYMENTS

370301. Upon Death or Presumption of Death

Upon official notification of death or Secretarial determination that a participating member is presumed dead, annuity accounts are established in accordance with the provisions of the election made by or on behalf of the member. A Department of Defense ***(DD) Form 2656-7***, Verification for Survivor Annuity, validates the annuity account. Payment of annuity is barred when the member is retired for disability before completing 19 years of service (18 years of service before October 1968) if beneficiaries are eligible for Veterans Affairs (VA) Dependency and Indemnity Compensation (DIC). Payments for a representative payee of an RSFPP annuitant follow the same requirements as payment under the Survivor Benefit Plan. See Chapter 46 for more information.

370302. Additional Annuity Information

Annuities payable are in addition to any pension or other payment to which the beneficiaries may now or later be entitled by law, and may not be considered as income under any law administered by the VA, except when the annuitant is entitled to DIC as a parent of a veteran. For additional information affecting annuity payments, see Table 37-1.

370303. Settlement of Arrears

For information concerning the settlement of arrears of annuities, see Chapter 31.

3704 CLAIMS FOR ANNUITY

The claim for annuity payments must be properly completed and signed by the person or persons authorized to receive the annuity.

370401. Power of Attorney

An individual holding a valid power of attorney may complete (including the signature element) and file the annuity application form on behalf of an annuitant provided payments are to be made directly to the annuitant and, further, that the annuitant has not been determined to be incompetent of managing his or her own affairs by a state court, physician, or psychologist. For additional information on annuity payments, see Chapter 46. An annuitant whose application is signed with an "X" must be witnessed (by two disinterested persons) or notarized or countersigned by the person holding the power of attorney. A copy of the power of attorney and explanation why the annuitant required assistance must be submitted with the annuity application.

370402. Court Order

A claim signed by a legal representative must be accompanied by a copy of the court order of appointment.

370403. Custodianship

A claim signed by the custodian of a minor child or children must be accompanied by a document evidencing custodianship.

370404. Doubtful Claim

A doubtful claim must be submitted to the Defense Office of Hearings and Appeals (DOHA) for certification before payment.

*370405. Limitation

The Barring Act, found at ***Title 31, United States Code (U.S.C.), section 3702***, bars payment of any claim not received within 6 years from the date it accrues. A claim not received within 6 years of the member's death must be denied as untimely. When denying a claim based on untimely receipt, the denial letter must cite the applicable statute (31 U.S.C. § 3702), explain the reasons for the finding of untimely receipt, provide the claimant with notice that states their claim was not received within the statutory time limit and therefore, may not be considered, unless that finding is reversed on appeal, explain how the claimant may appeal the finding and explain how the claimant may apply for a waiver. Under authority delegated from the Secretary of Defense, the Director, DOHA, may waive the time limitation for late claims involving the pay, retired pay, and survivor benefits of military personnel. Any claim that became payable as a result of a waiver of the time limitation is limited to $25,000.

3705 ANNUITY AMOUNTS

370501. Single Option

A. Retirements Before November 1, 1968. The monthly annuity payable, as elected by the retiree, is one-eighth, one-quarter, or one-half of the retiree's reduced retired pay as computed on the date of retirement or effective date of election, whichever is later.

B. Retirements From November 1, 1968 Through September 20, 1972. The monthly annuity payable as elected by the retiree is:

1. One-eighth, one-quarter, or one-half of the retiree's gross retired pay on date of retirement; or

2. A specific dollar amount of not more than 50 percent, nor less than 12.5 percent of the retiree's gross retired pay on date of retirement, but in no case less than $25.

370502. Multiple Options

A. Retirements Before November 1, 1968. The monthly annuity payable for each option, as elected by the retiree, is one-eighth or one-quarter of the retiree's total reduced retired pay as computed on the date of retirement or effective date of election, whichever is later. The combined amount of annuities cannot exceed 50 percent of the retiree's total reduced retired pay.

B. Retirements From November 1, 1968 Through September 20, 1972. The monthly annuity payable for each option, as elected by the retiree, is:

1. One-eighth or one-quarter of the retiree's gross retired pay on date of retirement; or

2. A specific dollar amount of not more than 25 percent, nor less than 12.5 percent of the retiree's gross retired pay on date of retirement, but in no case less than $25.

370503. Rounding

All monthly annuities to which a survivor becomes entitled on or after October 1, 1983, if not a multiple of $1, is rounded to the next lower multiple of $1. Annuities to which survivors were entitled on September 30, 1983 were not rounded until there was an adjustment made in accordance with ***10 U.S.C. § 1401a***; then, and with each subsequent adjustment, the amount as adjusted, if not a multiple of $1, is rounded to the next lower multiple of $1. All subsequent adjustments are based on the rounded amount.

3706 PAYMENTS TO WIDOW OR WIDOWER

For unique conditions affecting entitlement of annuity payments to widow or widower, see Table 37-2 for decisions of the Comptroller General.

3707 PAYMENT TO CHILDREN

370701. Whom Payable

Annuities for a minor child or children are paid to the legal guardian or, if there is no legal guardian, to the natural parent who has care, custody, and control of the child or children as the custodian, or to a representative payee of the child or children.

370702. Majority Age

Annuities may be paid directly to the child when the law governing the state of residence stipulates the child to be majority age. The child is considered an adult for annuity payment purposes, and a custodian or legal fiduciary is not required. See Appendix H for majority age.

370703. Equal Shares

The annuity is payable in equal shares to or on behalf of all eligible children. If there are no other eligible children, the annuity entitlement terminates when the youngest child becomes an ineligible annuitant.

370704. Unique Conditions

For unique conditions affecting entitlement and payment of annuities for a child or children, see Table 37-3 for decisions of the Comptroller General.

3708 COST-OF-LIVING ADJUSTMENT (COLA)

370801. Annuities Payable On or After September 30, 1978

Annuities payable on September 30, 1978 to a spouse or child of a member who died on or before March 20, 1974 were increased by 66.1 percent, effective October 1, 1978. The 66.1 percent increase was the percentage change in retired and retainer pay authorized by 10 U.S.C. § 1401a from September 21, 1972 to September 30, 1978.

370802. Rounding

Whenever retired pay is increased through a COLA, each annuity payable on the day before the effective date of that increase to a spouse or child, or to a member who dies on or before March 20, 1974, is increased at the same time by the same percentage. Beginning October 1, 1983, after each COLA, the annuity as adjusted, if not a multiple of $1, is rounded to the next lower multiple of $1. All subsequent adjustments are based on the rounded amount.

3709 CAUSES OF OVERPAYMENTS

Overpayments in annuity payments may be caused by one or more of the following situations:

370901. Notification

Failure of the annuitant, custodian, or guardian to notify the Secretary of the Military Department concerned (or designee) of:

A. Remarriage of the annuitant, before age 60 or death;

B. Youngest child reaching age 18;

C. Marriage or death of a child annuitant;

D. Recovery of an incapacitated child;

E. Termination of student status;

F. Erroneous computation; or

G. Correction of member's military records.

370902. Concurrent Payment

Concurrent payment of RSFPP annuity and DIC if the RSFPP was payable based on the service of a member who retired for disability before completing 18 years of service after October 5, 1961, or before completing 19 years of service after November 1, 1968.

370903. Presumption of Death

A Secretarial determination that a member is alive after the Secretary of the Military Department concerned (or designee) previously determined that the member was presumed dead. The member is liable for any indebtedness created where the annuity payments were made based on the presumption of such member's death. The member's indebtedness cannot be considered for waiver under ***10 U.S.C. § 2774*** or ***10 U.S.C. § 1442***. If the member dies before those payments are fully recovered, the annuitant may be liable for the indebtedness if the annuitant was the recipient of the annuity payments made under the presumption of death. (See Volume 16, Chapter 3 and Table 3-7, for collection of indebtedness from retired or retainer pay.)

3710 RECOVERY OF OVERPAYMENTS

Upon discovery of an overpayment, start recovery action immediately. Advise the annuitant of the debt and the method in which the overpayment is being, or may be, recovered.

3711 METHOD OF RECOVERY

The debt resulting from an annuity overpayment will be liquidated by one of the following methods:

371101. Direct Remittance

Send a direct remittance to the Defense Finance and Accounting Service, Cleveland (DFAS-CL) Center.

371102. Future Payment Amounts

The DFAS-CL Center reduces the later RSFPP annuity payments, or withholding of future annuity payments until debt has been liquidated.

3712 WAIVER OF INDEBTEDNESS

When applicable, the DFAS-CL Center advises the annuitant of the right to request a waiver of indebtedness.

371201. Overpayment Recovery

Recovery of an overpayment of the RSFPP annuity is not required if, in the judgment of the DFAS Director or the Director's designee, there was no fault by the person to whom the amount was erroneously paid and recovery would be contrary to the purpose of the plan or against equity and good conscience. Proof of hardship is not required if the waiver otherwise is in order. Suspension of collection action may be authorized on receipt of a waiver request. Refund of an amount withheld before receipt of a request for waiver is not authorized. When a waiver is granted, refund amounts collected after receipt of the waiver request.

371202. Failure to Withhold

Failure to withhold the cost of coverage from retired pay of a member cannot be considered an overpayment of annuity to a designated beneficiary to authorize waiver of recovery of the overpayment.

371203. Correction of Records

RSFPP annuitants who obtain a correction of records for entitlement to additional survivorship annuity under a second election may not retain the benefits of the original election. A correction made under ***10 U.S.C. § 1552***, except when procured by fraud is final and conclusive on all officers of the United States. Recovery of overpayments that occur in these instances may not be waived under 10 U.S.C. § 1442. Repayment may be made over a reasonable period of time as determined by the retired pay activity.

3713 TERMINATIONS

371301. Time of Termination

Entitlement to the RSFPP annuity terminates as of the end of the month that precedes the month in which eligibility ceases.

371302. Reasons for Termination

The RSFPP annuity is terminated upon:

A. Death of Widow or Widower. Payments are terminated the last day of the month that precedes the month in which widow or widower dies. If children are involved, see paragraph 371402 for further information.

B. Remarriage of Widow or Widower Before Age 60. Payments are terminated the last day of the month that precedes the month in which widow or widower, younger than age 60, remarries. If children are involved, see paragraph 371402 for further information.

C. Loss of Eligibility by Child Annuitant. Reasons for loss are:

1. The youngest child reaching age 18 and not incapable of self-support (applicable to children of members who retired before November 1, 1968);

2. The youngest child reaching age 18 and not pursuing a full-time course of study nor incapable of self-support (applicable to children of members retiring on or after November 1, 1968);

3. The youngest child who is pursuing full-time course of study, reaching age 23 and not incapable of self-support (applicable to children of members who retired on or after November 1, 1968);

4. The marriage or death of child annuitant;

5. The recovery of an incapacitated child over age 18. Annuity may be suspended if the annuitant becomes independently capable of earning amounts sufficient for his or her own particular personal needs through substantial and sustainable gainful employment. The annuitant will receive advance written notice from DFAS prior to suspension. The annuitant will be given an opportunity to submit rebutting evidence. The annuity may be reinstated (see subparagraph 371402.B);

6. The termination of student status of a child over age 18 and under age 23 (applicable only to retirees who retired on or after November 1, 1968); or

7. The reinstatement to widow or widower of annuity previously terminated.

D. Secretarial Determination. Payments are terminated the last day of the month preceding the month in which the Secretary of the Military Department concerned (or designee) determines that a participating member previously presumed to be dead is now alive.

371303. Due and Unpaid Annuity

If, upon death of the annuitant, an amount remains payable to the annuitant but is unpaid because the annuity checks were not negotiated or because payments had not been established, the account is settled in accordance with Chapter 31. There is no designated beneficiary for settlement of arrears of an annuity.

3714 REINSTATEMENTS

371401. Remarriage Before Age 60

The RSFPP annuity is not reinstated.

371402. Reinstatement on Behalf of Children

A. If an annuity was terminated because of the death or remarriage of the widow or widower before age 60, and the member's election also included coverage for children, then the full annuity is reestablished in equal shares in favor of the eligible children (see section 3707). The effective date is the first day of the month in which the death or remarriage of the widow or widower occurred.

B. An annuity to an incapacitated child over 18 years of age may be reinstated upon either a recurrence of the original disability that rendered the annuitant incapable of self-support or upon receipt of evidence from the annuitant that, although engaged in substantial and sustainable gainful employment, wages are not sufficient to cover his or her particular needs.

371403. Annulment

A. Annulment of a Void Marriage

1. The annuity may not be reinstated for any period earlier than the date of separation after the discovery that the marriage was void. A void marriage is invalid and never existed therefore, it requires no formal termination.

2. The annuity may not be reinstated for any period in which annuity payments were made on behalf of children under paragraph 371402. When notice is received that the widow or widower's remarriage was void, payment to these children is suspended pending resolution of the issues involved.

3. In the absence of a judicial decree terminating the marriage as void, the case must be sent to the DOHA for a decision.

B. Annulment of a Voidable Marriage. The annuity may not be reinstated when a voidable marriage is annulled.

371404. Reinstatement After Age 60 Remarriage

If the annuity was terminated because of remarriage, and the widow or widower was 60 years of age or older, the annuity may be reinstated not earlier than October 1, 1978. The annuity will be increased by the COLA, if appropriate, in accordance with paragraph 370802.

3715 ANNUAL CERTIFICATE OF ELIGIBILITY (COE)

371501. Purpose

The certificate validates the continued eligibility of annuitants, whether widow or widower, or eligible child. Only the following persons are eligible to be made the beneficiaries of, or to receive payments under, an annuity elected by a member of the Armed Forces:

A. The spouse of the member on the date when the member is retired or becomes entitled to retired or retainer pay, or if the member was already retired or entitled to retired or retainer pay on November 1, 1953, the spouse on that date;

B. The children, living on November 1, 1953, of the member already retired or entitled to retired or retainer pay on that date, or the children who are living on the date the member retires with pay, and who:

1. Are unmarried;

2. Fall in one of the following age categories:

a. Under the age of 18;

b. At least 18, but under 23, years of age and pursuing a full-time course of study or training in a high school, trade school, technical or vocational institute, junior college, college, university, or comparable recognized educational institution. A child is considered to be pursuing a full-time course of study or training during an interval between school years that does not exceed 150 days if he has demonstrated to the satisfaction of the Secretary concerned that he has a bonafide intention of commencing, resuming, or continuing to pursue a full-time course of study or training in a recognized educational institution immediately after that interval. (This applies only to children of members who retired on or after November 1, 1968); or

c. More than 18 years of age and incapable of self-support because of being mentally defective or physically incapacitated, if that condition existed before they reached age 18;

3. Are legitimate or adopted children of the member, or step-children dependent upon the member for their support; or

4. Have not been adopted by a third person before the parent-member's death (36 Comp Gen 325).

NOTE: A child's eligibility for an annuity under the plan is not affected if a third person adopts the child after the parent-member's death.

*371502. Certification Frequency

A. Annually. A COE must be sent to the DFAS-CL Center each year by either of the following:

1. Widow or Widower of Any Age. The form must be signed by the widow or widower. An electronic signature may be used provided access to the Defense Retiree and Annuitant Pay System was gained using both the Social Security number and a personal identification number via myPay. The legal fiduciary must sign the form or use the electronic signature if the annuitant is mentally incompetent. If the electronic signature is used, it must include the annuitant's name.

2. Custodian or legal fiduciary for minor children. The COE form signed by the custodian or legal fiduciary must be accompanied by a document evidencing custodianship.

B. Biennially. A medical certification must be submitted every 2 years for any incapacitated child over 18 years of age, unless a medical prognosis indicates that the disability is permanent.

C. Other. A student between ages of 18 and 23 must provide evidence of intent to continue study or training at a recognized educational institution. The certificate is required for the school semester or other period in which the school year is divided.

1. Payments to students continue during any interval between school years that does not exceed 150 days if the students have demonstrated to the satisfaction of the DFAS-CL Center that they have a bona fide intention of starting, resuming, or continuing a full-time course of study or training in a recognized educational institution immediately after that interval.

2. An eligible student annuitant under the RSFPP who is properly enrolled in a recognized educational institution employing the usual quarter or semester system and who becomes ill or requires non-elective surgery during the school term retains the student status for the rest of that term.

* D. COE Not Required

1. Effective August 1, 2013. As of August 1, 2013, all annuitants over age 55, not mentally incompetent, living in the United States, or living outside the United States and receiving their pay by direct deposit will not be required to submit an annual COE.

2. Effective November 23, 2016. As of November 23, 2016, child annuitants under the age of 14 will not be required to submit an annual COE.

371503. Failure to Return COE

The annuity payment is suspended if the annuitant, custodian, or legal fiduciary fails to furnish the certificate as required. Payments will be restarted only after receiving satisfactory proof of eligibility.

3716 REPORT OF EXISTENCE (ROE)

371601. Purpose of ROE

The ROE fulfills the requirement for proof of existence for the following:

A. Annuitants Who Receive Payments Through Foreign Postal Channels. Annuity checks mailed to an Army Post Office, Fleet Post Office, finance officer, or disbursing officer at an overseas address does not require submission of an ROE. See ***Title 31, Code of Federal Regulations (CFR), section 211.1*** for specific conditions for withholding the delivery of checks to addresses outside the United States;

B. Mentally Incompetent Annuitants. Mentally incompetent annuitants who receive payments through a legal fiduciary; or

C. Third Party Annuitants. Annuitants whose payments are sent to a third party, other than a financial institution for negotiation under a power of attorney.

NOTE: Do not mail checks to an annuitant living in currency-blocked countries.

371602. ROE Requirement

An ROE is required on a semi-annual basis for those annuitants that meet the criteria of paragraph 371601. Receipt of the certificate within the prescribed timeframe verifies the annuitant's existence. Under no circumstances may the ROE be signed by other than the annuitant, custodian, or legal fiduciary; however, electronic signature as referenced in paragraph 371502 is authorized.

371603. Failure to Return ROE

The annuity payment is suspended if the annuitant, custodian, or legal fiduciary fails to return the ROE as required. Payments will be restarted only after receiving satisfactory proof of existence.

3717 FEDERAL INCOME TAX

Annuities paid under the RSFPP are taxable for Federal income tax purposes. Refunds for coverage premiums are taxable income to the annuitant. The refund of premiums may result from administrative error, corrections of record, late receipt of withdrawal request, or youngest child attaining age 18.

3718 FEDERAL INCOME TAX WITHHOLDING (FITW)

371801. General Provisions

RSFPP annuity payments are subject to FITW. An annuitant has the right to elect no withholding. In the absence of such an election, or if the annuitant does not otherwise submit a withholding certificate, the DFAS-CL Center will withhold on a "married-three exemptions" basis.

371802. Notice Requirements

The DFAS-CL Center must advise the annuitant of the withholding requirement and the right to elect "no withholding" when making the first payment to the annuitant. Thereafter, the DFAS-CL Center must send an annual notice to the annuitant of the right to elect no withholding, to revoke an election, or to submit a new withholding certificate. An annuitant also may submit a withholding certificate at any time to elect no withholding, revoke such election, or request any rate of withholding.

371803. One Time Payments

RSFPP annuity payments, other than the regular monthly entitlement, are subject to FITW at the rate of 20 percent unless the annuitant has elected no withholding.

3719 INCOME EXCLUSION

371901. Gross Income Exclusion

The annuitant may exclude from gross income:

A. Premiums for coverage deducted from retired pay before January 1, 1966 not previously excluded from the member's retired pay; and

B. The amount of direct remittance for any RSFPP premiums not previously excluded from the member's retired pay.

371902. Special Exclusion

In addition, the annuitant may exclude from the RSFPP annuity gross income an amount not to exceed $5,000 if the member retired on disability and dies prior to attaining retirement age

(Public Law (PL) 89-365). As of August 20, 1996, PL 104-188, section 1402(a) repealed the $5,000 exclusion.

3720 FEDERAL ESTATE TAX

The value of the annuity at the time of the member's death may be subject to Federal estate tax if any portion of the cost was paid by direct remittance, or if the value of the annuity exceeds the amount that may be excluded from the gross estate. The DFAS-CL Center may furnish the annuitant the current annuity amount and/or a summary of annual payments, and total cost paid (separate totals for deductions and direct remittances). For more information on the computation of the amount of an annuity that will be subject to the tax, if any, the executor of the member's estate may go to the Internal Revenue Service (IRS) ***website***.

3721 STATE TAXATION

Whether RSFPP annuities are subject to state inheritance or income tax and the method of calculating such tax depends upon the laws of the state concerned; however, the IRS Form 1099-R, Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc., information is furnished to the appropriate state tax authority.

3722 FURTHER TAX INFORMATION

Survivors should be advised that further information concerning taxation of RSFPP annuities may be obtained from the District Director of Internal Revenue or the state tax authority (see Appendix J, for state tax reporting addresses).

*Table 37-1. Comptroller General (Comp Gen) Decisions – Annuity Payments, General

COMP GEN DECISIONS - ANNUITY PAYMENTS, GENERAL		
Decision Number		**Synopsis**
1	35 Comp Gen 12 B-123191, July, 13, 1995 41 Comp Gen 500 B-147403, February 1, 1962	Unpaid Cost for Coverage. Any unpaid RSFPP cost at time of a retiree's death, including nonpayment of direct remittance or erroneous computation of cost, must be collected before payment of any annuities.
2	34 Comp Gen 664 B-123189, June 8, 1995	Retired Pay Status Relinquished. Personnel who relinquish retired status (either voluntarily or involuntarily) are not permitted to pay RSFPP costs to entitle beneficiaries to annuities.
3	43 Comp Gen 125 B-151843, August 5,1963	Effective Date of Payment. Annuity payments are paid under provisions of the RSFPP law as amended effective Oct 4, 1961, even though the election was made on Oct 4, 1961, before the hour in which the President signed the bill which amended the law.
4	34 Comp Gen 151 B-121144, October 4, 1954 38 Comp Gen 146 B-113387, August 25, 1958	Annuity Payment Adjustments. Annuity payments must be adjusted on the basis of proper retired pay at the time the election became effective as though the member had actually been receiving such pay at that time. This applies to elections by members who elected while in a "saved pay" status, who later elected and received pay under the Career Compensation Act retroactive to Oct 1, 1949.
5	Comp Gen B-156862, June 30, 1965	Failure to Submit Valid Election Form. After a member's death a copy of the RSFPP election is found in his personal effects. If it is not attested or notarized, and neither the original nor duplicate is located, it cannot be established that the member made an election. On the basis of information available, no annuity is payable.
6	43 Comp Gen 418 B-152520, October 25, 1963	Allocations of Annuity. The allocation of annuity payable under option 3 between the present spouse and the children of a former marriage applies to elections made before and after the October 4, 1961 RSFPP amendment. PL 90-485, August13, 1968.
***7**	Comp Gen B-139217, June 29, 1959 and August 12, 1960	Withholding Annuity to Satisfy Members Indebtedness. Annuity payments may not be withheld to satisfy the member's indebtedness for overpayment of retired pay since the annuitant is under no obligation to the United States. However, the annuitant may voluntarily agree to repay the indebtedness by withholding from the annuity.

Table 37-1. Comp Gen Decisions – Annuity Payments, General (Continued)

COMP GEN DECISIONS - ANNUITY PAYMENTS, GENERAL		
Decision Number		**Synopsis**
8	39 Comp Gen 481 B-141131, December 30, 1959	Valid Intent of Member to Elect Spouse and Child Coverage. Both the spouse and children are covered when it can be established that the member intended to cover the children listed on the election certificate even though the election was checked to show spouse only.
9	65 Comp Gen 621 B-221545, June 3, 1986	Annuity Payments. Should not be made payable to an agent acting under power of attorney when the annuitant is mentally incompetent even if a state statute had preserved the validity of a power of attorney executed before the annuitant was declared to be incompetent.
10	66 Comp Gen 340 B-226018, March 18, 1987	In the Absence of a Determination of Incompetence. Made by a state court, physician, or psychologist that an annuitant is incapable of managing his or her own affairs, payments may be made directly to the annuitant. An individual, in accordance with a valid power of attorney, may assist the annuitant in completing and filing the annuity application form. (65 Comp Gen 621, clarified).

Table 37-2. Comp Gen Decisions – Annuity Payments, Widow or Widower

COMP GEN DECISIONS - ANNUITY PAYMENTS, WIDOW OR WIDOWER		
Decision Number		**Synopsis**
1	Comp Gen B-158906, June 7, 1966	Validity of Annuitant's Marriage to the Member. Evidence must be of record to establish that a former marriage was legally ended. No annuity payments are authorized to be paid until legal proceedings are instituted to determine the validity of the marriage.
2	44 Comp Gen 480 B-155792, February 16, 1965	Foreign Divorce. The State of New York does not recognize a foreign divorce unless both parties appear personally or through authorized counsel in the country where the foreign divorce is obtained.
3	43 Comp Gen 567 B-153183, February 14, 1964	Foreign Divorce. A member's marriage to a woman who had previously obtained an illegal foreign divorce is not valid for annuity payment purposes.
4	Comp Gen B-154387, July 16, 1964	Interlocutory Decree of Divorce. An interlocutory decree does not end a marriage. A foreign divorce in the interim period is not valid. The final divorce decree terminates the marriage.
5	42 Comp Gen 112 B-149378, August 10, 1962	Divorce and Later Remarriage to Same Spouse. A spouse who divorces the member after retirement terminates eligibility for annuity. A later remarriage of the same people to each other does not reinstate eligibility to the annuity, even though deductions from pay are continued under terms of the member's election.
6	38 Comp Gen 208 B-136499, September 16, 1958	Annuity Elections at Time of Correction of Records. A member is regarded as having been in a retired status on November 1, 1953, effective date of the RSFPP law, if after that date a Correction of Records retired the member retroactive to a date before November 1, 1953. A spouse whom the member married after November 1, 1953 is not entitled to annuity since he or she was not the spouse on November 1, 1953.

Table 37-3. Comp Gen Decisions – Annuity Payments, Child or Children

COMP GEN DECISIONS - ANNUITY PAYMENTS, CHILD OR CHILDREN		
Decision Number		**Synopsis**
1	47 Comp Gen 270 B-160939, November 14, 1967	Custodianship of Minor Child. Payment of RSFPP Annuity. May be made to a natural parent having care and custody of minor child or children, without the appointment of a legal guardian, even though such payments might eventually exceed the sum of $1,000.
2	35 Comp Gen 521 B-126138, March 21, 1956	Custodianship of Minor Children. Payment. Can also be made to an adopting parent, as custodian of minor child since all rights and duties were acquired with the adoption.
3	47 Comp Gen 371 B-163102, January 18, 1968	Child Physically Incapacitated. A chiropractor's statement attesting to a child's physical incapacity is sufficient to substantiate eligibility as a beneficiary under RSFPP.
4	48 Comp Gen 167 B-165095, October 1, 1968	Ineligible Child. Child born May 1, 1950, became eligible for annuity benefits on May 1, 1968. Payment for month of April 1968 is proper.
5	Comp Gen, B-160876, April 18, 1967	Incapacitated Child. An incapacitated child does not have to meet that condition as of member's retirement date of Nov 1, 1953, if later (as required by Department of Defense Directive (DoDD) 1332.17, section 102c) to qualify as an eligible RSFPP beneficiary. Also, proof of continued incapacitation of a child annuitant is required at least every 2 years after age 18.
6	Comp Gen B-158411, March 10, 1966	Mentally Incapacitated Child. Mentally incapacitated child who married and whose marriage was annulled is considered unmarried and an eligible contingent beneficiary.
7	44 Comp Gen 280 B-154831, November 10, 1964	Unmarried Child. The term "unmarried child" is defined as not having a husband or wife at time of member's retirement, and without regard to the fact that the child may have been previously married.
8	Comp Gen B-131677, June 3, 1957	Legitimate Child. Children born from illegal marriage (one spouse not legally divorced from prior marriage) may be considered legitimate children for RSFPP annuity payments.
9	Comp Gen B-132012, June 17, 1957	Clarification of Election Fraction. A member who elected option 2 with both 1/2 and 1/8 factors checked, who failed to clarify the fraction desired, and who later stated a wish not to participate in the plan, must be assumed to have elected the minimum of 1/8 rate.
10	36 Comp Gen 325 B-129194, October 18, 1956	Adoption of Child. Child of deceased retired member receiving annuity under option 2 who is adopted after death of a retired member, is entitled to continue receiving the annuity. An adoption before death of retired member, or divorce from wife in which member elected option covering stepchild constitutes basis for terminating reduction of retired pay if option 4 included, and likewise voids entitlement to annuity upon later death of retiree.

Table 37-3. Comp Gen Decisions – Annuity Payments, Child or Children (Continued)

COMP GEN DECISIONS - ANNUITY PAYMENTS, CHILD OR CHILDREN		
Decision Number		**Synopsis**
11	35 Comp Gen 521 B-126138, March 21, 1956	Amendatory Birth Certificate. Amendatory birth certificate along with statement on election form is normally sufficient to substantiate date of birth and claimed relationship of adopted child.
12	62 Comp Gen 193 B-207764, February 8, 1983	Incapacitated Annuitant. Annuity payable to an incapacitated annuitant may not be suspended unless annuitant is capable of earning amounts sufficient for own particular personal needs through substantial and sustainable gainful employment. Advance written notice will be made prior to suspension and annuitant is given the opportunity to submit rebutting evidence.
13	62 Comp Gen 302 B-207626, April 13, 1983	Incapacitated Annuitant - Reinstatement of Annuity - Payment to Third Parties. An annuity may be reinstated upon the recurrence of original disabling condition. Annuity payments to incapacitated adult can be made to third parties only if appointed as guardian by court or under valid power of attorney. Power of attorney executed by mentally incapacitated annuitant may be invalid, even in absence of formal adjudication of incompetence. If annuitant suffering from mental illness has not been adjudged incompetent, and is considered by psychiatrist to be competent to manage annuity properly for personal maintenance, annuity may be paid directly to annuitant. If annuity cannot be paid directly to annuitant or properly paid to third party, annuity should accrue to annuitant's account until annuitant recovers or until guardian is appointed by court.

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26 U.S.C. § 2039(c)

VOLUME 7B, CHAPTER 42: "SURVIVOR BENEFIT PLAN (SBP) – APPLICATION OF THE PLAN"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated May 2015 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current administrative instructions.	Revision
420101	Added a "Purpose" paragraph.	Addition
4203	Added new section to comply with current administrative instructions. Information previously in 4202.	Addition
4204	Added new section to comply with current administrative instructions. Information previously in 420105.	Addition
420423	Updated the threshold amount for 2017.	Revision
Bibliography	Updated Bibliography accordingly.	Revision

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CHAPTER 42

SURVIVOR BENEFIT PLAN (SBP) - APPLICATION OF THE PLAN

4201 GENERAL

*420101. Purpose

This chapter provides an overview of the establishment of the SBP (referred to as the Plan), eligibility and benefits, and specialized terminology and definitions used when referring to the Plan.

420102. Authoritative Guidance

The bibliography at the end of this chapter lists the authoritative references.

4202 SBP OVERVIEW

420201. Establishment of SBP

On September 21, 1972, ***Public Law 92-425*** established the SBP to provide a survivor benefit program for military personnel in retirement to complement the survivor benefits under Social Security laws. The Plan gives all retiring Uniformed Services retirees an opportunity to elect to have their retired pay reduced by a designated amount in order to provide their survivors an annuity payable after the retiree's death.

A. Under the Plan, a member who retired before September 21, 1972, and who had previously elected to participate in the Retired Serviceman's Family Protection Plan (RSFPP) had the option to retain or cancel the RSFPP coverage when electing to participate in the SBP.

B. The Plan provides, without cost, a minimum guarantee to a widow or widower of a member who died before March 21, 1974. For additional information, see Chapter 46. A surviving spouse of a member who died before November 1, 1953, is entitled to an annuity, which may be in addition to the annuity payable under the minimum income annuity provisions.

420202. Additional Coverage

The Plan also includes:

A. Survivor benefits for the surviving spouse, dependent child, or former spouse of a member who dies on active duty;

B. A Reserve Component (RC) annuity on behalf of a member who is eligible to provide an RC annuity and dies:

1. Before notification of retirement eligibility;

2. During the 90-day period following notification of retirement eligibility if the member had not made an election; and

C. An RC annuity on behalf of a member who, under certain circumstances, dies in the line of duty during inactive duty training (IDT). See Chapter 54.

420203. Death Presumption Authority

A. The Plan provides for annuity payments under a determination by the Secretary of the Military Department concerned (or designee) that a participating member is presumed dead. Upon application of the beneficiary of a participant in the Plan who is missing, the Secretary of the Military Department concerned may determine that the participant is presumed dead.

B. A determination of presumed death is a determination by the Secretary of the Military Department concerned (or designee) that a participating member is presumed dead if:

1. The member's retired or retainer pay has been suspended or would have been suspended had the member been in receipt of pay; and

2. The member has been missing at least 30 days under circumstances that lead to a reasonable conclusion that the member is dead.

*4203 ELIGIBLE MEMBERS

420301. Members Eligible to Participate in the Plan

The following members are eligible to participate in the Plan:

A. Members entitled to retired pay; and

B. Members who would be eligible for RC retired pay, but have not yet become entitled to receive retired pay because of age. See Chapter 54.

420302. Participants in the Plan

A. Standard Annuity Participants. The Plan applies to a person who is eligible to participate in the Plan under subparagraph 420301.A and who is married or has a dependent child when the member becomes entitled to retired pay, unless the member elects (with the spouse's concurrence, if required) not to participate in the Plan.

B. RC Annuity Participants. The Plan applies to a person who is eligible to participate in the Plan under subparagraph 420301.B and is married or has a dependent child when the member is notified that he or she has completed the years of service required for eligibility for RC retired pay, unless the member elects (with spousal concurrence, if required) not to participate in the Plan. Note: If such member elects not to participate in the Plan (chooses option "A") upon

becoming entitled to retired pay, the member may elect to participate in the Plan as a Standard annuity participant under subparagraph 420302A.

420303. Exceptions

A member otherwise eligible according to subparagraph 420302.A or B, except that:

A. The member does not have a spouse or dependent child and did not elect coverage for a former spouse (if applicable) at the time of eligibility for the program, may elect coverage for a person who has an insurable interest in the member; or

B. The member does not have a spouse or dependent child at the time of eligibility for the program, may elect SBP or Reserve Component Survivor Benefit Plan (RCSBP) coverage upon notification to the Secretary concerned within the 1-year period after acquiring a spouse or dependent child. Such an election must be written, signed by the person making the election, and received by the Secretary concerned. An election is effective as of the first day of the first month following the month in which the Secretary concerned receives the election.

420304. Member on the Temporary Disability Retired List (TDRL)

A member's eligibility ends when the member is removed from TDRL without further entitlement to retired pay. The coverage continues when the member is transferred from TDRL to Permanent Disability Retired List (PDRL). If the member's retired pay is reduced to an amount less than the base amount originally elected, the full retired pay to which the member is entitled thereafter is considered the base amount.

420305. Mentally Incompetent Member

If a person to whom the Plan applies is determined to be mentally incompetent, the Secretary of the Military Department concerned, upon request, may act on behalf of the member and elect other than the maximum automatic coverage. In the absence of an eligible spouse or children, the Secretary of the Military Department concerned, upon request, may elect coverage for a natural person with an insurable interest. The person applying to have an election made is not given preference in designation as the beneficiary.

420306. Qualifying Member During an Open Enrollment Period

The Plan applies to any member who qualifies during an open enrollment period according to the provisions established by law. Open enrollment periods typically occur when there are major changes to the SBP program and must be specifically prescribed by law.

420307. Retired Member After a Record Correction

A. A member whose military record is corrected on or after September 20, 1972, to show retirement before September 21, 1972, is not automatically covered under the Plan. Coverage may be established upon request of the member if the election is received within 18 months from the date of notification of the correction action.

B. A member who retroactively becomes entitled to retired pay on a date on or after September 20, 1972, generally will be given automatic full coverage, unless the member elects reduced coverage or declines participation, with proper concurrence of the eligible spouse, if applicable.

*4204 DEFINITIONS

420401. Base Amount

A. The base amount is the money amount selected by the member, with the concurrence of the member's spouse if required, or the amount selected on behalf of a member by the Secretary of the Military Department concerned (or designee), on which the annuity is based.

B. The base amount may range from a $300 minimum up to full gross retired pay entitlement. Note: For a member who selected the Career Status Bonus (CSB), the amount is based on unreduced retired pay, not considering any reduction under 10 U.S.C. ***§ 1409(b)(2)***. Once selected, the base amount is adjusted consistent with cost-of-living increases in retired pay. If advancement or change from the TDRL to PDRL occurs, the member's new base amount is the new full gross retired pay entitlement. A member may not designate different base amounts between the spouse and the children.

420402. Change in Coverage

A change in coverage is an action taken because of a change in the member's family status that requires a change in beneficiaries.

420403. Change in Election

A change in election is an authorized change in the type of beneficiary eligible for survivor coverage because of a change in the retiree's family status.

420404. Consideration for Contract

The total amount of premiums paid by the participant member for the type of SBP selected is known as consideration for contract.

420405. Cost of Coverage

The cost of coverage is the cost for coverage under the Plan paid by deductions from retired pay or by direct remittance when member is not receiving retired pay.

420406. Cost Refund

A cost refund is the difference between cost paid by the member and the recalculated cost of the annuity after Dependency and Indemnity Compensation (DIC) reduction.

420407. Date of Receipt

The date of receipt is the day of receipt of an election or election change by the office administering payment of retired pay. The postmarked date of an election may be considered as date of receipt when the validity of such election might be prejudiced because of a limited time factor.

420408. DIC Offset

DIC offset is the reduction of the SBP annuity due to compensation entitlement from the Department of Veterans Affairs to the widow or widower of a member who dies from a service-connected or comparable disability.

420409. Former Spouse

A former spouse is the surviving former husband or wife of a person who is eligible to participate in the Plan.

420410. Maximum Level

The maximum level is the the full, gross retired pay used as a base amount for coverage. A member who elected to receive a CSB will, at the time of program election, have the maximum base amount computed as if that member had not been subject to the Military Retirement Reform Act of 1986 (referred to as REDUX) under 10 U.S.C. § 1409(b)(2).

420411. Minimum Income Widow

A minimum income widow is a person who on September 21, 1972 was, or during the period beginning on September 22, 1972 and ending on March 20, 1974 became, the widow of a person who was entitled to retired or retainer pay when they died. This individual must have income below the threshold and meet the eligibility criteria in Chapter 46.

420412. Natural Person With an Insurable Interest

A natural person with an insurable interest is a person who has a reasonable and lawful expectation of pecuniary benefits from the continued life of the participating member. For further information, see Chapter 44.

420413. Pre- and Post-September 21, 1972 Retiree

A pre-September 21, 1972 retiree is a member who retired before September 21, 1972; a post-September 21, 1972 retiree is a member who retired on or after September 21, 1972.

420414. Reduced Base Amount

The reduced base amount is an amount less than the member's full gross retired pay but not less than $300.

420415. Reduction Factor

The reduction factor is a four-digit actuarially determined decimal used to compute the monthly cost for reservists who become entitled to receive retired pay before age 60.

420416. RC Annuity

The RC annuity is the annuity provided to the survivor(s) of a reservist, who completed the years of service required for eligibility for RC retired pay or was a member of an RC and died in the line of duty during IDT. For additional information about the RCSBP, see Chapter 54.

420417. Recognized Educational Institute

A recognized educational institute means the high school, trade school, state law compliant home school (effective May 8, 2013), technical or vocational institute, junior college, college, university, or comparable educational institution. The term also includes home schools that operate in compliance with the compulsory attendance laws of the states in which they are located, whether treated as private schools or home schools under state law. The term "home school" is limited to courses of instruction for grades kindergarten through 12 only.

420418. Retired Pay

Retired pay includes retainer pay.

420419. Social Security Offset

Social Security offset means a reduction from the SBP annuity due to the widow's or widower's Social Security entitlements. Social Security offset was eliminated effective April 1, 2008.

420420. Standard Annuity

The standard annuity is the annuity provided to a survivor(s) by virtue of eligibility of persons entitled to retired pay.

420421. Supplemental Survivor Benefit Plan (SSBP)

A supplemental annuity is the annuity provided to a spouse or former spouse. SSBP was repealed effective April 1, 2008.

420422. Surviving Spouse

A surviving spouse applies to:

A. The surviving husband or wife of a retired member:

1. Married to the member at the time the member became eligible for retired pay. Members of the RC become eligible for retired pay upon completion of the requisite years of service necessary to become entitled to retired pay at a later age; or

2. If not married to the member at the time the member became eligible for retired pay:

a. Was married to the member for at least one year before the member's death, or

b. Is the parent of issue by that marriage;

B. The surviving spouse of a member who dies while on active duty:

1. While in the line of duty,

2. After becoming eligible to receive retired pay,

3. After qualifying for retired pay except that the member has not applied for or been granted that pay, or

4. After completing 20 years of active service but before the member is eligible to retire as a commissioned officer, because the member has not completed the required years of active commissioned service (usually 10 years);

C. The surviving spouse of a member who is eligible to provide an RC annuity and dies:

1. Before being notified under U.S.C. § 12731(d) that the member has completed the years of service required for eligibility for RC retired pay, or

2. During the 90-day period beginning on the date the member receives notification under 10 U.S.C. § 12731(d) that they have completed the years of service required for eligibility for RC retired pay if an election to participate in the Plan was not made, provided:

a. That the parties were married at the time the member became eligible for retired pay; or

b. If not married at the time the member became eligible for retired pay, was married to the member for at least one-year before the member's death, or is the parent of issue by that marriage; or

D. The surviving spouse of a member of an RC not described in subparagraphs 420401.E.1, 2, or 3 who dies before being eligible to elect to participate in the Plan from an injury or illness incurred or aggravated in the line of duty during IDT.

* 420423. Threshold

A threshold applies to one of the alternative cost formulas. In the cost formula of 2.5 percent of the first $XXX.XX, plus 10 percent of the remainder of the base amount, the portion of the base amount upon which the member is charged 2.5 percent cost is the threshold. The threshold is indexed. See Chapter 45. In 2017, the threshold is $799.

*BIBLIOGRAPHY

CHAPTER 42 - SURVIVOR BENEFIT PLAN (SBP) - APPLICATION OF THE PLAN

4202 - SBP OVERVIEW

420201	Department of Defense (DoD) Instruction 1332.42, June 23, 2009 10 U.S.C., Chapter 1223 10 U.S.C. § 1448-1452 DoD Directive 1332.27, June 26, 2003 53 Comptroller General (Comp Gen) 847 (B-179018), May 10, 1974 and August 6, 1976 53 Comp Gen 971 (B-179018), June 18, 1974 10 U.S.C. § 1448(f)
420203	10 U.S.C. § 1450(l)(1)

4203 - ELIGIBLE MEMBERS

420301 - 420304	10 U.S.C. § 1448
420305	10 U.S.C. § 1449
420306	10 U.S.C. § 1448
420307	54 Comp Gen 116 (B-180050), August 14, 1974

*4204 - DEFINITIONS

420401.A	10 U.S.C. § 1447(6)
420404	26 U.S.C. § 122(b)(2)
420408	10 U.S.C. § 1450(c) and 1451(c)(2)
420409	10 U.S.C. § 1447(6)(A)
420411	10 U.S.C. § 1448
420415	10 U.S.C. § 1447
420416	10 U.S.C. § 1447
420417	10 U.S.C. § 1447
420418	10 U.S.C. § 1447
420420	10 U.S.C. § 1451(e)(3) and (4)
420421	10 U.S.C. § 1447
420422	10 U.S.C. § 1447 10 U.S.C. § 12731(d)
420422.B.4	10 U.S.C. § 1448(d)(1)(A)(iii)

VOLUME 7B, CHAPTER 43: "SURVIVOR BENEFIT PLAN (SBP) - ELECTIONS AND ELECTION CHANGES"

SUMMARY OF MAJOR CHANGES

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PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated formatting to comply with current administrative instructions.	Revision
430101	Added "Purpose" paragraph.	Addition
430203	Added information concerning a deferred annuity for clarification.	Addition
430204.C	Added information for reduction of insurable interest coverage for clarification.	Addition
430504.D	Added information to comply with the National Defense Authorization Act (NDAA) Fiscal Year (FY) 2016.	Addition
430802	Added information for former spouse open enrollment based on the NDAA FY 2016.	Addition
Bibliography	Added Public Law 114-92 dated November 25, 2015.	Addition

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CHAPTER 43

SURVIVOR BENEFIT PLAN (SBP) - ELECTIONS AND ELECTION CHANGES

4301 GENERAL

*430101. Purpose

The purpose of this chapter is to provide information for SBP election options, changes to elections, coverage, and termination of coverage.

430102. Authoritative Guidance

The bibliography at the end of this chapter lists the authoritative references.

4302 ELECTION OPTIONS

430201. Base Amount

A member who participates in SBP must elect a base amount of maximum coverage or reduced coverage. The base amount at any level is adjusted with each cost-of-living increase after retirement. See Chapter 49. The annuity amount is 55 percent of the base amount elected.

430202. SBP Elections

In the case of a member electing a standard SBP annuity, the member must make such election before retired pay becomes payable, or if there is no eligible beneficiary at that time, within 1 year of acquiring an eligible beneficiary.

*430203. Reserve Component SBP (RCSBP) Elections

In the case of a member electing a Reserve Component annuity, the member must designate either an immediate or deferred annuity. The beneficiary of a Reserve Component member who elects an immediate annuity or who dies while eligible to make such an election will have that annuity commence the day following the death of the member. In the case of a member electing a deferred annuity, the annuity commences the later of the day following the member's death, or the date the member would have been age 60.

*430204. Special Rules Concerning Elections

A. In the case of a member electing SBP or RCSBP coverage for a spouse who was not married to the member at the time the member became eligible for retired pay, the surviving spouse must have been married to the member for at least 1 year immediately prior to the member's death or be the parent of issue by that marriage to be an eligible beneficiary.

B. A member who did not elect child coverage for a dependent child, either at the time of becoming eligible for retired pay (if applicable) or within 1 year of acquiring the first dependent child, may not elect child coverage for subsequently acquired child or children unless otherwise provided by law.

* C. A member who elected insurable interest coverage under Chapter 42 may upon death of such beneficiary, elect to cover a new beneficiary who is a natural person with an insurable interest in the member. Such an election must be made prior to the end of the 180-day period beginning on the date of the death of the previous beneficiary. The member is required to pay, if applicable, an additional amount and interest. The additional amount is equal to the difference in the amount of the reduction in the member's retired pay for the previous beneficiary and the reduction in retired pay that would have been made had the previous beneficiary not died and been a covered beneficiary through the date of the new election. The interest on the additional amount is computed from the date on which the retired pay would have been reduced and charged at such rate or rates as determined by the Secretary of Defense.

D. In the case of a member who is already participating in the SBP and elects to change spouse coverage or spouse and child coverage to former spouse coverage or former spouse and child coverage, any such election terminates any previous coverage under the SBP.

430205. Beneficiaries

Coverage may be provided for:

A. Spouse and/or child;

B. Former spouse or former spouse and child; or

C. Natural person with an insurable interest (at maximum level of coverage only).

4303 ELECTION DATA

430301. Elections by the Member

Department of Defense (DD) Form ***DD 2656***, Data for Payment of Retired Personnel, ***DD 2656-1***, Survivor Benefit Plan (SBP) Election Statement for Former Spouse Coverage, ***DD 2656-2***, Survivor Benefit Plan (SBP) Termination Request, ***DD 2656-6***, Survivor Benefit Plan Election Change Certificate, when available, are recommended for use by the member. Elections in writing signed by the member, other than a request for termination, which contain all information necessary for establishing or declining coverage, are acceptable. Spousal concurrence of certain elections has been required since March 1, 1986.

A. Former Spouse Elections (Retiring Members). A member who is retiring and is electing former spouse coverage should complete the former spouse election on a

DD 2656. In addition to the former spouse election, the member must also provide a separate written statement on a DD 2656-1 (when applicable), that is signed by the member and the former spouse certifying whether the former spouse election is pursuant to court order or a voluntary written agreement. Information concerning content of the separate written statement and the proper court order appears in paragraph 430504.

B. Change in Election Coverage Spouse to Former Spouse (Retired Members). Members who are already retired should complete changes from spouse coverage to former spouse coverage on a DD 2656-1.

430302. Deemed Elections Requested By the Former Spouse

A former spouse or former spouse's legal representative requesting the Secretary concerned to deem on his/her behalf must request the deemed election by completing the ***DD 2656-10***, Survivor Benefit Plan (SBP)/Reserve Component (RC) SBP Request for Deemed Election, and must be accompanied by a court order or a statement from the clerk of the court. Both the DD 2656-10 and court order must be provided. Information concerning content of the request by the former spouse or the former spouse's legal representative and the statement from the clerk of the court, where necessary, appears in subparagraph 430504.C.

430303. Election Data Requirements

The election data requirements are:

A. Identification. Enter the member's name, social security number, birth date, and date of retirement.

B. Base Amount. The election form must specify full coverage, in lieu of a dollar amount, when maximum coverage is selected. When a reduced base amount is chosen, the dollar amount must be specified on the election form. The reduced base amount must not be less than $300. When retired pay is less than $300, the election form must indicate full coverage.

C. Beneficiary. Provide the name, birth date, and social security number for each beneficiary named.

1. If coverage includes spouse, or former spouse, the member must provide the date of marriage and divorce, as applicable.

2. When the beneficiary is a natural person with an insurable interest, the address and relationship must be shown. For the natural person with an insurable interest, the member must provide a signed statement to show proof of financial benefit if the person designated is a cousin or anyone more distantly related than cousin if such statement is requested.

3. If the beneficiary designation is for a former spouse, then, in addition to the former spouse election, the member must set forth in writing whether the election is being made pursuant to a written agreement previously entered into voluntarily by the member

as a part of or incident to a proceeding of divorce, dissolution, or annulment and (if so), whether that voluntary written agreement has been incorporated in, ratified or approved by, a court order. This information should be provided on a DD 2556-1.

D. Signature. The member must sign and date the election. If the document is signed with an "X", two impartial persons must witness the signature. NOTE: An election made on behalf of the member through a power of attorney is not valid. Such an election is not binding and is without force or effect of law.

E. Spousal Concurrence. Written spousal concurrence is required when the member elects to decline coverage or provide the spouse with less than the maximum SBP coverage available, to include electing child-only coverage, and when a member eligible for RCSBP declines coverage or elects coverage that provides less than a maximum immediate spouse annuity. The signature of the spouse must be notarized. The requirement to have the spouse's signature notarized is not to suggest that the spouse has received additional counseling regarding the option being selected. It simply provides certification that the spouse signed the form and acknowledges the election made on the form.

1. If all requirements for an election needing the spouse's concurrence have not been satisfied prior to retirement, for whatever reason, full spouse costs and coverage will be implemented, regardless of any request by the member to do otherwise. In such cases, when the member has requested any form of child coverage, full spouse and child coverage will be implemented. A spouse's concurrence with, or request for, an election other than that requested by the member, will be disregarded. Any change in SBP election subsequent to retirement will be done through an administrative correction of records as permitted by law. The requirements for spousal concurrence do not affect any obligation or right of the member to provide coverage for a former spouse. If former spouse coverage is elected or deemed, the spouse's concurrence is not required; however, the spouse will be notified of that election.

2. The Secretary concerned may waive the requirement for spousal consent when the spouse's whereabouts cannot be determined or, when due to exceptional circumstances, requiring the member to seek the spouse's consent would otherwise be inappropriate. Exceptional circumstances, such as mental or physical incapacitation of the spouse, require appropriate documentation such as a physician's statement attesting to the spouse's incapacity. Exceptional circumstances will be evaluated on a case-by-case basis.

3. The Secretary concerned notifies the member's current spouse when a member who is eligible to provide an annuity to that spouse elects former spouse or former spouse and dependent child coverage.

4. The Secretary concerned notifies the affected beneficiary when a member elects to discontinue coverage for a former spouse or insurable interest beneficiary.

4304 IRREVOCABLE ELECTIONS, CORRECTIONS AND DISCONTINUED PARTICIPATION

430401. Election Exceptions

An election is irrevocable, except under the following circumstances:

A. A member retired March 1, 1986, or later, who elected and received less than maximum SBP coverage without the spouse's concurrence, will have such coverage changed to full coverage if the Secretary concerned later determines that the spouse's concurrence in such election was appropriate, but not obtained;

B. A member may voluntarily discontinue SBP participation during the 1-year period beginning on the second anniversary of the date of commencement of retired pay under paragraph 430701;

C. The Secretary concerned may revoke an election when necessary to correct an administrative error. Revocation or correction based on administrative error is a Secretarial prerogative and, except when procured by fraud, is final and conclusive on all officers of the United States;

D. A member may voluntarily discontinue participation as a totally disabled member, as rated by the Department of Veteran Affairs (VA), under paragraph 430704;

E. A member may voluntarily terminate SBP coverage for a natural person with an insurable interest (not a former spouse) under paragraph 430702; or

F. A mentally incapacitated member who is later determined to be mentally competent may revoke or change the SBP election within 180 days after such determination of judgment.

430402. Election Changes

The SBP election may be changed as explained in sections 4306 and 4307.

4305 ELECTION COVERAGE

430501. Spouse and/or Child

A. A member may elect coverage at the maximum level or at a reduced amount with spouse's concurrence, if required, for:

1. An eligible spouse only;

2. An eligible spouse and dependent child; or

3. Dependent child only.

B. Every retiring member who is married at retirement is automatically enrolled in SBP for full coverage unless the spouse consents in writing to reduced coverage or no coverage before the first day of eligibility to retired pay. See subparagraph 430501.D.

C. A member with an eligible spouse and dependent child on the date of retirement who:

1. Declines coverage is prohibited from electing into the SBP, except under section 4308;

2. Refuses coverage for an eligible spouse, and chooses to elect coverage for child only, is prohibited from electing spouse coverage at a later date, except under section 4308; or

3. Refuses coverage for the member's dependent child, and elects coverage for spouse only, is barred from electing child coverage at a later date.

D. A married member who is eligible to provide SBP may not, without the concurrence of their spouse, decline participation in SBP, elect a reduced annuity for the spouse, or elect an annuity for a dependent child, but not for a spouse, unless the member establishes to the satisfaction of the Secretary concerned that:

1. The spouse’s whereabouts cannot be determined; or

2. Due to exceptional circumstances, a requirement that the member seek the spouse’s consent would otherwise be inappropriate.

E. A member with a dependent child, who was unmarried on the date of retirement, may elect spouse coverage upon subsequent marriage regardless of whether coverage was elected for their dependent child. The election must be received by the Secretary concerned within 1 year of the marriage date.

F. A member with an eligible spouse who did not have a dependent child on date of retirement later may elect coverage for a dependent child. The election must be received by the Secretary concerned within 1 year of the date of acquiring a dependent child or children.

G. If a member elects to provide an SBP annuity for a former spouse or a former spouse and child and the member has remarried, the member’s spouse must be notified of that election. The member may make this election without spousal concurrence.

430502. Same-Sex Spouses

A. Any claims to SBP spouse coverage for same-sex spouses of eligible SBP participants for periods before June 26, 2013, are not valid as the Defense of Marriage Act was still the law and in effect prior to June 26, 2013. As a result, no SBP premiums for such coverage will be charged prior to June 26, 2013. Further, no SBP annuity payments for such coverage will be paid for deaths occurring before June 26, 2013.

B. Effective on June 26, 2013, a person who becomes eligible to participate under ***Title 10, United States Code (U.S.C.), section 1448(a)(1)*** and is married to a same-sex partner has the SBP program applied as for any other married couple under 10 U.S.C. § 1448, including the requirements for spousal consent for less than full annuity coverage of the spouse.

C. A person who was married to a same-sex partner upon becoming eligible to participate in the plan prior to June 26, 2013, and who had married that same-sex partner before June 26, 2013, had 1 year from June 26, 2013, to make a spouse election under 10 U.S.C. § 1448(a)(3). Such person may not participate at less than maximum coverage described in 10 U.S.C. § 1448(a)(3) without the concurrence of the person's spouse unless they already had provided an annuity for a dependent child. If an election was not received on or before June 25, 2014, full spousal coverage was entered and the member was responsible for payment of premiums effective from June 26, 2013.

D. A person who was not married upon becoming eligible to participate in the plan, but who married a same-sex partner before June 26, 2013, had 1 year from June 26, 2013, to make a spouse election under 10 U.S.C. § 1448(a)(5). The election must have been received on or before June 25, 2014, or the person was prohibited by law from making such election.

E. Generally, a person who is a participant in the plan and is providing coverage under SBP for a spouse, who later does not have an eligible spouse beneficiary may, under 10 U.S.C. § 1448(a)(6), elect not to provide coverage for a new spouse in the event of a remarriage.

1. For a person who enters into a same-sex marriage after June 26, 2013, the election to discontinue participation under 10 U.S.C. § 1448(a)(6) must be made within 1 year of the remarriage. If a member does not discontinue participation, pursuant to 10 U.S.C. § 1448(a)(6), spouse coverage will resume effective on the first anniversary of the marriage.

2. If the remarriage took place prior to June 26, 2013, the participant has 1 year from June 26, 2013 to elect out of SBP. If a member does not make such an election within 1 year of June 26, 2013, pursuant to 10 U.S.C. § 1448(a)(6), spouse coverage will resume effective no earlier than June 25, 2014.

3. Any such person falling within the parameters of 10 U.S.C. § 1448(g), had 1 year from June 26, 2013, or the date of any marriage subsequent to June 26, 2013, to elect to increase the level of coverage under 10 U.S.C. § 1448(g).

F. A person who is married to a same-sex partner on June 26, 2013, and has insurable interest coverage under 10 U.S.C. § 1448(b) may terminate the insurable interest coverage as provided for in that section and, if eligible, elect spouse coverage under 10 U.S.C. § 1448(a)(5) as described in paragraph 430504.C.

430503. Natural Person with Insurable Interest

An election for a natural person with an insurable interest may be made only when the member is not married and does not have any dependent children upon becoming eligible to participate. The Secretary concerned must receive the election before the first day of eligibility for retired pay. A member must elect full coverage when electing for a natural person with an insurable interest. If the member is retired for reasons of disability under ***10 U.S.C. Chapter 61***, refer to paragraph 430703.

*430504. Former Spouse or Former Spouse and Child

When a member elects former spouse coverage, the member and the former spouse must complete an election statement indicating whether the election is being made pursuant to the requirements of a court order or by a voluntary written agreement. If the member entered into a voluntary written agreement as a part of, or incident to, a proceeding of divorce, dissolution or annulment, the member must indicate on the written statement whether the agreement has been incorporated in, ratified or approved by, a court order. If the member has a spouse or child, a former spouse election prevents an annuity to that spouse or child (other than the child beneficiary under an election for a former spouse and child). If there is more than one former spouse, the member must designate which former spouse is to receive the annuity:

A. Upon Retirement (Retiring Members)

1. If a member becomes eligible to participate and has a former spouse and dependent child, who resulted from that marriage, they may elect former spouse or former spouse and child coverage.

2. If the former spouse is the member's former spouse at the time the member becomes eligible to participate in SBP, an election for former spouse must take place at or before the member's retirement.

3. If the former spouse is the member's former spouse at the time the member becomes eligible to participate in RCSBP (date of Notice of Eligibility (NOE)), an election for former spouse must take place at or before the end of the 90-day period following receipt of the NOE.

4. If a member has a former spouse upon becoming eligible to participate, but is not required by a court order or court-approved agreement to provide former spouse coverage, any subsequent court order that requires former spouse coverage will not be honored.

B. Following Retirement (Retired Members)

1. A member with spouse or spouse and child coverage may, within 1 year of date of the decree of divorce, dissolution, or annulment, whichever is later, change that election to provide an annuity to a former spouse or to a former spouse and child.

2. A member may elect coverage for a former spouse who the member acquired after becoming eligible for retired pay. The member and former spouse must have been married at least 1 year or the former spouse must be the parent of a child or children born of that marriage in order for the former spouse to be an eligible beneficiary. For provisions regarding the effective date of former spouse coverage, see subparagraph 430504.D.

C. Deemed Elections. Deemed elections are applicable in cases where a member enters, incident to a proceeding of divorce, dissolution, or annulment, into a written agreement to elect to provide an SBP annuity to a former spouse, and such agreement has been incorporated in, or ratified or approved by a court order, or has been filed with the court of appropriate jurisdiction in accordance with applicable State law, or in cases where the member is required by a court order to make a former spouse election. If such member fails or refuses to make such election, the member is deemed to have made such election if the Secretary concerned receives a completed DD 2656-10 from a former spouse or the former spouse's attorney on behalf of the former spouse. A copy of the pertinent court order or agreement referring to the SBP coverage must accompany the DD 2656-10. See subparagraph 430504.C.1. Effective September 27, 2008, use of the DD 2656-10 to make a deemed election is mandatory.

1. The former spouse will provide a copy of the court order, regular on its face, which requires such election, or incorporates, ratifies, or approves the written agreement of the member; a statement from the clerk of the court (or other appropriate official) that such agreement has been filed with the court in accordance with applicable state law; or for a deemed SBP election only, a copy of the court order which requires the SBP election. A court order which requires the member to elect SBP for a former spouse or former spouse and child or an agreement to provide former spouse or former spouse child coverage must be issued on or after November 14, 1986. If the member was ordered by a court to elect former spouse coverage before November 14, 1986, a second court order, issued on or after November 14, 1986, enforcing the original order which requires a former spouse election, constitutes a modification of the previous order and establishes a new 1-year period during which a request for a deemed election may be filed.

2. The Secretary concerned must receive the request from the former spouse within 1 year of the date of the court order or filing involved. If an election of former spouse coverage was agreed to or ordered by an earlier court order, a subsequent order or modification that merely restates the previous provision and imposes no new obligation on the member does not begin a new 1-year period. A subsequent court order holding a member in contempt of court for failing to fulfill the prior agreement is not the type of court order that can be used to begin a new 1-year period to deem an election.

3. No election may be deemed to have been made which could never have been made by the member concerned.

4. If a member dies before making an election, a former spouse's request, which is otherwise qualified, must be honored even if the date of the request is after the date of the member's death. However, if the request for a court order was initiated with the court after the member's death, the order will not be honored.

5. If a member has more than one former spouse, the first request for a deemed election received with complete documentation must be the one honored.

* D. Death of Former Spouse. The National Defense Authorization Act (NDAA) Fiscal Year (FY) 2016, Public Law (PL) 114-92, section 641, effective November 25, 2015, amended SBP to allow for members to elect spouse coverage after the death of a former spouse.

1. Married on the Date of Death of Former Spouse. The following applies when a person who is married at the time of the death of the former spouse beneficiary and elects to provide coverage to their spouse:

a The election must be received by the Secretary concerned within one year after the date of the death of the former spouse beneficiary;

b. The effective date of election will be the first day of the first calendar month following the death of the former spouse beneficiary

c. The level of coverage on the annuity base amount cannot be changed; and

d. The election under this paragraph is irrevocable.

2. Marriage after Death of Former Spouse Beneficiary. The following applies when a person who married after the death of the former spouse beneficiary and elects to provide coverage to their spouse:

a. The election must be received by the Secretary concerned within 1 year after the date on which that person marries;

b. The effective date of the election will be the first day of the first calendar month following the month in which the election is received by the Secretary concerned;

c. The level of coverage on the annuity base amount cannot be changed; and

d. The election under this paragraph is irrevocable.

430505. Federal Civil Service Retiree

A. A member with SBP coverage who: (1) retires under the civil service retirement program; (2) waives military retired pay to combine civilian and military service credits; and (3) elects survivor coverage, at any level, under the civil service retirement, has SBP coverage suspended while the waiver is in effect. If the waiver is terminated for any reason, SBP coverage resumes concurrent with the resumption of retired pay. The type of coverage and level of participation, as adjusted by any changes in retired pay during the period of waiver, is as first elected. If the retired service member dies while the waiver of military retired pay is in effect, no SBP annuity becomes due and payable to either the surviving spouse and/or child.

B. An election in SBP with concurrent cancellation of previous Retired Servicemen Family Protection Plan (RSFPP) coverage is without force or effect if retired pay previously was waived for civilian retirement and survivor coverage from the civilian annuity was elected.

C. A member who elects SBP coverage, and who does not waive military retired pay for civil service retirement, may have survivor coverage under both retirement plans.

D. Provisions in subparagraph 430505.A do not apply to a member who retired under ***10 U.S.C. § 12731*** or who retired due to a combat-incurred disability as determined by the service.

E. The survivor of a federal civil service employee who was awarded military retired pay based on any period of military service and whose death occurs before separation from civil service, will receive a survivor annuity computed using military service. The survivor annuity from civil service will be reduced by any military survivor benefits payable. The survivor may elect not to be covered by this provision, which automatically uses military service credit in computing the federal survivor annuity.

F. Except for participation in federal service survivor annuity programs, SBP coverage does not terminate when a member participates in other survivor benefit plans administered by the United States Government such as under the Foreign Service or Federal Judges Retirement systems.

4306 CHANGES IN ELECTION AND COVERAGE

430601. Later-Acquired Spouse and/or Child

A member who acquires a new spouse and/or child after retirement must make an election within 1 year of the event with the exception that there is no time restriction on the election period for a change under subparagraph 430601.B.5.

A. A member who is participating with spouse or spouse and child coverage and who does not have an eligible spouse beneficiary may, upon remarriage: resume coverage, increase the level of coverage up to and including full retired pay, or elect not to have spouse coverage resumed. Unless a member elects not to cover the new spouse within 1 year after the marriage, spouse coverage automatically resumes at the first anniversary of the marriage.

1. The member may not add child coverage by virtue of this remarriage alone if child coverage was previously bypassed; and

2. The level of SBP coverage may not be reduced nor may child coverage be eliminated.

3. SBP elections become effective when the new spouse becomes an eligible beneficiary, and any increase in premium, plus interest, has been paid. When the level of SBP coverage is increased, the member must pay the difference between the present premium and the premium that would have been incurred had the higher level of coverage been elected originally, plus interest. Interest is compounded monthly using a factor equal to the 12th root of one plus the current annual interest rate used by the Department of Defense (DoD) Board of Actuaries to calculate the retirement accrual costs. Interest is to be compounded monthly on the accumulated difference existing prior to any computation month. If payment of cost plus interest is not completed before the spouse becomes an eligible beneficiary, the election becomes null and void and a refund of cost and interest and reinstatement of original election coverage occurs. Cost plus interest will be paid to member's estate should the member die before refund is completed.

4. If a member has spouse or spouse and child coverage and elects not to resume SBP participation for the spouse, the spouse must be notified. An election to terminate spouse coverage is irrevocable. If the member elects to increase the level of spouse coverage to an amount less than full retired pay, the spouse must be notified.

B. If, on date of retirement the member:

1. Has no eligible beneficiaries and does not elect to participate; the member may, within 1 year of the acquisition of a spouse or child, elect for that spouse and/or child;

2. Has no eligible spouse and elected for child only; the member may, within 1 year after marriage or remarriage, include the spouse with coverage previously elected for the child;

3. Has no eligible child and elected for spouse only; the member may, within 1 year of acquisition of a child, include the child with coverage previously elected for the spouse;

4. Has no eligible spouse and declines coverage for an eligible child; the member may, within 1 year of the acquisition of a spouse, elect for that spouse; or

5. Has elected coverage for a former spouse or former spouse and child, or has elected coverage for a natural person with an insurable interest; the member may later change the election to spouse and/or child, if not otherwise prohibited. See paragraph 430602. The member is not required to change the election to spouse and/or child; however, if such a change is made, it permanently terminates the eligibility of the former spouse or the natural person

with insurable interest. It is not necessary that maximum level coverage be elected for the spouse and/or child. See subparagraph 430602.B and paragraph 430603, for additional information concerning changes in former spouse coverage.

430602. Change from Spouse or Spouse and Child

A member who elected spouse or spouse and child coverage may terminate that election for that spouse or spouse and child and provide an SBP annuity for a former spouse or former spouse and child, provided the child resulted from the member's marriage to that former spouse. If the member is married when the former spouse election is made, that spouse must be notified. See subparagraph 430501.G. A former spouse may request that an election be deemed by the Secretary concerned (or designee).

A. Notification

The Secretary concerned must notify the former spouse of any changes in the former spouse election.

B. Changes to a Former Spouse Election

1. If a member was required to elect former spouse coverage by a court order, incident to a proceeding of divorce, dissolution, or annulment, the member may change to spouse or child coverage if the member furnishes, to the Secretary concerned (or designee) a certified copy of a court order that permits such a change. The court order, regular on its face, must modify the provisions of all previous court orders relating to the former spouse election so that the member is permitted to change the election. The member must certify to the Secretary concerned that the court order is valid and in effect. These same restrictions apply to the member who elected former spouse coverage pursuant to a written agreement that was incorporated in, or ratified or approved by, a court order.

2. In the case of a written agreement that has not been incorporated or ratified or approved by a court order, the member must furnish, a statement signed by the member and the former spouse that evidences the former spouse's agreement to an election change to the Secretary concerned in a format prescribed by that Secretary. The member must certify that the statement is current and in effect.

430603. Change to Former Spouse Coverage under Insurable Interest

A member was allowed to change an election for former spouse coverage under the insurable interest category to former spouse coverage under the spouse category during the period November 8, 1985, through November 7, 1986. A member also could add child coverage to former spouse coverage provided the child was the result of the member's marriage to that former spouse and if the member is providing coverage for the former spouse under the spouse category. These election changes apply to elections effective before March 1, 1986.

430604. Changed Retirement Eligibility

If a member elects the RCSBP coverage and subsequently becomes eligible for retirement under another law, thereby losing eligibility under 10 U.S.C. § 12731, the RCSBP election remains effective until the member actually retires. A member may make a new election as any other retiring member.

430605. Mental Incompetency

The Secretary of the Military Department concerned may make an SBP or RCSBP election on behalf of a member who is declared incompetent by medical officers of the Armed Force concerned, or of the VA, or by a court of competent jurisdiction. In the event the member is later declared competent by one of these authorities, the member may elect to revoke that election within the 180-day period following a determination of competency. There are no refunds of premiums paid for coverage during a period of declared incompetence.

430606. Correction of Administrative Error

The Secretary of the Military Department concerned (or designee) may correct any election or any change or revocation of an election when the Secretary considers it necessary to correct an administrative error. See Chapter 42.

4307 DISCONTINUANCE OF PARTICIPATION

430701. Discontinuance of SBP Participation on Second Anniversary

A. An SBP participant may choose to voluntarily discontinue SBP participation during a 1-year period which begins on the second anniversary of the date of commencement of retired pay. The date of commencement of retired pay is defined as the date that the retiree becomes entitled to retired pay. A recall to active duty following retirement will not alter this date.

B. An SBP participant who is eligible to discontinue participation must send a written request to the Defense Finance and Accounting Services (DFAS) on a DD 2656-2. A request for information or a request for termination that is not on a DD 2656-2 is not considered a valid request to discontinue.

1. A married participant may not discontinue spouse coverage without the spouse's written concurrence, unless it is established that the spouse's whereabouts cannot be determined, or that, due to exceptional circumstances, obtaining the spouse's consent would be inappropriate. In exceptional circumstances, such as mental or physical incapacitation of the spouse, DFAS requires the appropriate documentation such as a physician's statement, which attests to the spouse's mental or physical incapacitation. Additionally, the incapacity must exist continuously since the date of the member's request.

2. If the SBP participant is providing former spouse coverage based on a court order, an amended court order should accompany the request, even if the former spouse concurs with the request.

C. If termination is not otherwise prohibited by ***10 U.S.C. § 1448***, a spouse or former spouse who concurs in the request for termination is considered notified in accordance with the law. A spouse or former spouse who changes his/her mind after concurrence has 30 days from the date of the first request to submit a letter withdrawing their concurrence. If concurrence is withdrawn within 30 days, the request to withdraw from SBP participation is void. The concurrence of the former spouse is applicable even though the coverage may be currently in a suspended status due to the former spouse's remarriage. Child concurrence is not required when a member elects to discontinue SBP participation for child coverage.

D. DFAS must ensure that a natural person or former spouse who is not required to concur in the request for termination is notified of the termination of SBP coverage by sending a letter to such beneficiary at the address in the retired member's file.

E. A member's participation terminates on the first day of the month following the month in which DFAS receives a request for discontinuance. Any premiums deducted for periods on or after the effective date must be refunded and the member notified of the final action concerning termination of coverage.

F. A member may withdraw the request to discontinue participation within 30 days of having submitted such request to DFAS. The 30-day period begins on the date that DFAS considers the withdrawal request received. Generally, this is the received date stamped on the DD 2656-2 by DFAS.

1. To withdraw the request to discontinue SBP participation, the member must notify DFAS by a legible, signed, written notice. The request must identify the member by name and social security number and state that the member no longer wants to discontinue SBP participation. When available, the request should include a photocopy of the original DD 2656-2.

2. If the member withdraws a request to discontinue participation within the prescribed 30-day period, the member's participation will not be discontinued. If the withdrawal notice is received after the prescribed date, it will have no effect and the member must be so notified within 30 days. If the member provides proof of the date of mailing and such date is favorable to honoring the member's withdrawal request, the date of mailing serves as the date submitted.

3. If the member effectively withdraws a request to discontinue participation, that member must be so notified within 30 days. If participation had already been discontinued, it must be reinstated as though no break in coverage existed. Premiums not collected or paid, or that were refunded will be collected from the member's retired pay and the member notified of the final action concerning participation.

G. Once participation is discontinued under this provision, no benefits may be paid in conjunction with the member's previous participation. No refund of any premiums properly collected will be made. The member may not resume participation in SBP for any category of beneficiary.

H. A member who discontinues SBP participation may not later elect SBP coverage upon acquisition of another class of beneficiary.

430702. Voluntary Termination of Coverage

A. A member who is participating in SBP with coverage for a natural person with an insurable interest (not a former spouse) may voluntarily terminate their participation in SBP.

B. A member considering termination of insurable interest coverage under RCSBP should contact the responsible agent at DFAS, or the Military Service Reserve Component Personnel Center (or an appropriately determined office for non-DoD Uniformed Services).

C. A member who is eligible and wants to terminate coverage may send a written request to the responsible agent identified in subparagraph 430702.B. The request, signed by the member, must identify the member and state that the member wants to terminate SBP participation. A request for information is not a request to terminate SBP participation.

D. When the responsible agent receives a request from an SBP participant eligible to terminate coverage, the agent will determine whether the request is for information or actually is a request to terminate participation. In either case, the member will be mailed two fact sheets that explain the procedures for terminating participation and the advantages and disadvantages of participation; and, the disadvantages of terminating participation. If the request is determined to be a request for termination, the member will be advised in the cover letter that a request for termination can be withdrawn within 30 days of the date of that letter.

E. No premiums are refunded as a result of terminating coverage. No premiums will be charged after the effective date of termination unless the member had RCSBP coverage. See Chapter 54, for recomputation of the original "add-on" portion of the RCSBP premium when member terminates coverage before age 60.

F. A member who wishes to withdraw the request to terminate participation must notify the Secretary concerned (or designee) using a legible, signed written notice to the member's responsible agent in subparagraph 430702.B. The notice must identify the member's name and social security number and state that the member no longer wants to discontinue SBP participation. Such requests are handled in accordance with the provisions of subparagraphs 430701.F.2 and 3.

G. The member may only resume SBP participation by electing coverage for a spouse or dependent child within 1 year of acquiring the family member.

430703. Invalidation of Certain SBP Elections Made by Disability

A. The SBP elections for a natural person with an insurable interest, other than for a person who is a qualified dependent, is void for members who retired for reasons of disability under 10 U.S.C., Chapter 61, if they die within 1 year after the disability retirement date, with the cause of death being related to the disability for which the member retired.

B. For voided election, SBP deducted from the member's retired pay is refunded to the person to whom the SBP annuity would have been paid pursuant to such election.

430704. Withdrawal by a Totally Disabled Member

A. Any person who elects to participate in SBP with a service-connected disability rated by the VA as totally disabling and is so rated for 10 or more continuous years (or, if so rated for a lesser period, at least 5 years from the date of last discharge or release from active duty) may request to discontinue participation in the Plan by submitting a request to the Secretary concerned (or designee). The initial date for determining the 5- or 10-year period is the effective date of the VA rating of total disability. Validation must be obtained from the VA if not available from the individual.

1. The request for discontinuance must be with the written consent of the beneficiary or beneficiaries under the Plan. Should that beneficiary be a dependent child, written consent may be accepted from a parent, stepparent, foster parent, guardian, or an individual appointed by a court of competent jurisdiction.

2. The Secretary concerned must furnish to each person requesting discontinuance, a written statement of the advantages of participating and the possible disadvantages of discontinuing participation in the plan. Such statement should include the criteria for the Special Survivor Indemnity Allowance, the ability to receive both SBP and Dependency and Indemnity Compensation (DIC) without offset for remarriage of an annuitant over age 57, and the possibility that legislative action could either partially or fully remove the SBP-DIC offset.

3. A person may withdraw the discontinuance request within 30 days of submission to the Secretary concerned.

4. Participation in the Plan and cost of SBP coverage is discontinued on the first day of the month after receipt of the request by the Secretary concerned.

5. If a member dies after the date that the request for withdrawal has been received by the Secretary concerned, but before the effective date of that request, the beneficiary is entitled to the annuity.

B. Upon the death of a person who has discontinued participation in the Plan, who is a totally disabled member, a refund of SBP amounts deducted from retired or retainer pay without interest will be made to the widow or widower.

C. Any person who has discontinued participation in the Plan may again elect to participate if the VA reduces the disability rating to less than total and the person applies within 1 year to participate in the Plan and includes the required information determined by the Secretary concerned.

1. Participation in the Plan and reduction in pay is effective the first day of the month after receipt of the application to the Secretary concerned on the DD 2656. Documentation attesting to the less than total disability rating must accompany the application.

2. If the member applies for resumption of participation, but dies before the effective date, the beneficiary is entitled to an annuity on the date the election would have been effective.

3. Resumption of participation is limited to the type and level of coverage initially elected allowing for beneficiary changes as otherwise provided for in Chapters 42 through 54.

4308 OPEN ENROLLMENT PERIODS

430801. Regular Recurring Open Enrollment

There are no regular recurring open enrollment periods. Open enrollment periods occur only when there are major changes to the SBP program and must be specifically prescribed by law. The last SBP open enrollment, which was authorized by PL 108-1375, began October 1, 2005 and ended September 30, 2006 under 10 U.S.C 1448. In the absence of such a legislatively prescribed period, members may only enroll or disenroll as specified in this chapter.

*430802. Former Spouse SBP Coverage Open Enrollment

The NDAA FY 2016 amended the SBP statute to give a member, who had made an election to provide SBP or RCSBP coverage for a former spouse, the ability to cover a subsequent spouse if the former spouse dies. The enactment of this legislation included provisions for an open enrollment period (November 25, 2015 through November 24, 2016) to accommodate members whose covered former spouse beneficiaries were already deceased when the legislation was enacted. This former spouse SBP coverage open enrollment did not apply if the member was not currently married or if the former spouse SBP coverage was discontinued for any reason other than the death as of November 25, 2015. See subparagraphs 430504.D and E.

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CHAPTER 43: SURVIVOR BENEFIT PLAN (SBP) - ELECTIONS AND ELECTION CHANGES

4301 – GENERAL

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4302 - ELECTION OPTIONS

	10 U.S.C. § 1447(2)
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430204.C	10 U.S.C. § 1452(c)(5)

4303 - ELECTION DATA

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430303.E	DoDI 1332.42, June 23, 2009

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	10 U.S.C. § 1448(a), 1454
430401.E	10 U.S.C. § 1448(b)(1)(B)

4305 - ELECTION COVERAGE

430501.A	10 U.S.C. § 1448(a)
430501.B	10 U.S.C. § 1448(a)
430501.C	10 U.S.C. § 1448(a)(4)
	10 U.S.C. § 1454
430501.D	10 U.S.C. § 1448(a)
	10 U.S.C. § 1458(a)
430501.F	10 U.S.C. § 1448(a)(5)
430501.E	10 U.S.C. § 1448
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430505.A	10 U.S.C. § 1450(d)
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4306 - CHANGES IN ELECTION AND COVERAGE

	10 U.S.C. § 1450(f)
430601.A	10 U.S.C. § 1448(a)(6)
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4307 - DISCONTINUANCE OF PARTICIPATION

430701	10 U.S.C. § 1448a
430701.B	10 U.S.C. § 1448
430701.C	10 U.S.C. § 1448(a)
430702.A.2	10 U.S.C. § 1452(g)(3)
	10 U.S.C. § 1448(b)(1)
430703	Office of the Under Secretary of Defense (Personnel and Readiness) Memo, April 27, 2004
430704.B	10 U.S.C. § 1452(g)

4308 OPEN ENROLLMENT PERIODS

430801	10 U.S.C §1448
430802	10 U.S.C §1448
	PL 114-92, section 641, November 25, 2015

VOLUME 7B, CHAPTER 44: "SURVIVOR BENEFIT PLAN (SBP) - BENEFICIARIES"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated January 2016 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated formatting to comply with current administrative instructions.	Revision
440201.F	Revised information based on the National Defense Authorization Act (NDAA) for Fiscal Year (FY) 2017.	Revision
440202.F	Revised information based on the NDAA for FY 2017.	Revision
440203.B	Revised information based on the NDAA for FY 2017.	Revision
440206.C	Revised information based on the NDAA for FY 2017.	Revision
440207	Added a new "Special Needs Trust (SNT)" paragraph based on the NDAA for FY 2015.	Addition
440208	Added a new "Exception" paragraph.	Addition
Bibliography	Updated Bibliography.	Revision

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CHAPTER 44

SURVIVOR BENEFIT PLAN (SBP) – BENEFICIARIES

4401 GENERAL

440101. Purpose

The eligible beneficiaries under the SBP (also referred to as the Plan) are the spouse and/or dependent children, a former spouse and/or dependent children, or a natural person with an insurable interest, providing they meet certain eligibility requirements. The election, if required, must be received within the time period allowed. An individual may not receive more than one annuity as the surviving spouse or former spouse of different members (see Chapter 46); however, an individual may be the recipient of two or more annuities concurrently, as long as only one is a spouse or former spouse annuity. For example, the child of two members could receive an annuity from each parent, or an individual who was a spouse beneficiary of one member could also be a beneficiary of another member under the insurable interest category.

440102. Authoritative Guidance

The bibliography at the end of this chapter lists the authoritative references.

4402 ELIGIBLE BENEFICIARIES

*440201. Spouse (Including the Spouse of a Common-Law Marriage)

A. If the spouse is married to a retiree on date of retirement, the spouse is an eligible beneficiary. The spouse is automatically designated as the beneficiary even if the beneficiary data is not received before date of retirement. However, the spouse is not automatically the beneficiary if prior to retirement the member elects, with spouse's concurrence, to not provide coverage for the spouse and/or children.

B. If the member elected spouse coverage at retirement and the member's previous spouse has become ineligible for SBP due to death or divorce, the spouse who marries the member after the date of retirement is the eligible beneficiary. Spouse coverage is resumed upon the first anniversary of remarriage or birth of a child of that remarriage, whichever is earlier, unless the member elects not to resume spouse coverage within 1 year of the remarriage.

C. If the spouse is married to the member after the date of retirement, and the member did not have a spouse at retirement and did not elect insurable interest coverage, the spouse is an eligible beneficiary only if the member elects to provide spouse SBP coverage within 1 year of the marriage. The spouse coverage is effective on the first anniversary of the marriage or birth of a child of that marriage, whichever is earlier.

D. If the spouse is married to a retiree at the time of retirement and the member elected spouse coverage, then divorced, and later remarried the same spouse, the spouse becomes

eligible immediately upon remarriage provided spouse coverage was resumed. However, the member has up to 1 year after remarriage to decide whether to resume spouse coverage.

E. If the spouse is married to a retiree after date of retirement, then divorces, and later remarries the member, the spouse becomes eligible upon the first anniversary of remarriage or date of the birth of a child of that remarriage. The election must be received within 1 year of the remarriage.

* F. A spouse who is married to a member who dies in the line of duty while on active or inactive duty, or to a retirement eligible member regardless of the line of duty determination, is an eligible SBP beneficiary. See Chapters 46 and 54.

G. A member may change election coverage from a natural person with insurable interest to coverage for a spouse within 1 year of marriage. The spouse becomes an eligible beneficiary upon the first anniversary of the marriage or the date of birth of a child of that marriage, whichever is earlier, provided the member changes to spouse coverage. Until the spouse and/or child are eligible, the previously elected class of beneficiary remains eligible.

H. A member may change election coverage from former spouse to coverage for a spouse in accordance with Chapter 43, paragraph 430602 at any time following remarriage, provided the former spouse is still living at the time the Secretary concerned receives the member's election. If the election change is requested more than 1 year from the date of the member's marriage, then the spouse becomes an eligible beneficiary on the date of the election receipt and the associated premium is effective on the first day of the month following receipt of election.

*440202. Children (Including Children of a Common-Law Marriage)

A. Child Is An Eligible Beneficiary. The child is an eligible beneficiary only if the child is:

1. Unmarried and:

a. Under age 18 (including a child serving on active duty in the Uniformed Services);

b. At least 18 but under 22 and pursuing a full-time course of study in a recognized educational institution; or

c. Incapable of self-support because of physical or mental incapacity, which existed before the 18th birthday or was incurred before age 22 while pursuing a full-time course of study; and

2. A child of the member, which includes:

a. A child determined by paternity test or a court of competent jurisdiction to be a child of the member (documentation will be required to substantiate a claim);

b. An adopted child; or

c. A stepchild, foster child, or recognized natural child, if that stepchild, foster child, or recognized natural child lived with the retiree in a regular parent-child relationship.

B. Special Eligibility Rules for Child Seeking Full-Time Course of Study. A child whose 22nd birthday occurs before July 1st or after August 31st of a calendar year, and while regularly pursuing such a course of study or training, is considered to have become 22 years of age on the first day of July after that birthday. Child eligibility terminates for school nonattendance. If the child resumes school attendance, then eligibility is reinstated. See Chapter 46.

C. Special Eligibility Rules for Foster Child. A foster child must have resided with the retiree at time of death, received over one-half of his or her support from the retiree, and not be cared for under a social agency contract.

D. Relatives or Grandchildren. A relative of the member (such as a grandchild) may qualify as an eligible child beneficiary if a foster parent/foster child relationship exists. Adoption of a grandchild is not required for the member to designate that child as an eligible child beneficiary.

E. Child of Former Spouse. A child of the member and the former spouse is an eligible child beneficiary, if the member elects former spouse and child coverage. If a member who elected spouse and child coverage later divorces, the child coverage continues after the divorce. However, if the coverage is changed to provide coverage for the former spouse, the child coverage will not continue unless the new coverage elected is former spouse and child coverage.

* F. Active or Inactive Duty. A child of a member who died on active or inactive duty is an eligible beneficiary provided:

1. There is no eligible former spouse established by a court order;

2. There is no eligible surviving spouse; or

3. The Service Secretary has determined the annuity is payable to the child(ren) in lieu of the surviving spouse. See Chapters 46 and 54.

G. Termination by Marriage. Child eligibility terminates by marriage of the child, regardless of whether the child is an incapacitated child entering into a valid marriage with another incapacitated individual. The termination of a child's marriage by death or divorce does not serve as a basis for reinstating child coverage, regardless of age or school attendance. An

annulment of the child's marriage which renders the marriage void or invalid, or a judicial decree by a court of competent jurisdiction declaring the marriage void, may serve as a basis for reinstating child coverage.

*440203. Spouse and Children

Eligibility requirements are as shown in paragraphs 440201 and 440202.

A. General. The spouse is the primary beneficiary with coverage passing to the children if the spouse remarries before age 55, dies, or otherwise becomes ineligible. If the spouse again becomes eligible due to a remarriage ending in death or divorce, the annuity to the spouse resumes.

* B. Death on Active or Inactive Duty. If the annuity is payable because the member dies on active or inactive duty, and there is no eligible spouse, the annuity will be paid to any dependent children. In the case of a surviving spouse and children, the Service Secretary may pay the annuity to the member's dependent children in lieu of an annuity to the spouse.

440204. Former Spouse

A former spouse is an eligible beneficiary if:

A. The former spouse was the member's former spouse when the member became eligible to participate in the Plan and the member elected the former spouse as beneficiary or the former spouse submits a valid deemed election (see Chapter 43); or

B. The former spouse was not the member's former spouse at the time the member became eligible to participate in the Plan, and the prior spouse election is changed to provide coverage for the former spouse or the former spouse submits a valid deemed election pursuant to Chapter 43, paragraph 430504. A former spouse acquired after the member became eligible to participate in the Plan may only be an eligible beneficiary if married to the member for at least 1 year or the parent of issue of the marriage.

440205. Former Spouse and Child

If coverage includes child, then the former spouse is the primary beneficiary with coverage passing to the children if the former spouse remarries before age 55, dies, or otherwise becomes ineligible. The child is an eligible beneficiary provided the conditions in subparagraph 440202.A are met and the child resulted from the member-former spouse's marriage.

*440206. Natural Person with Insurable Interest

An eligible natural person with insurable interest is:

A. A person who has a reasonable and lawful expectation of pecuniary benefit from the continued life of the member. This category may include parents, stepparents,

grandparents, grandchildren, aunts, uncles, sisters, brothers, half-sisters, half-brothers, dependent or non-dependent child or stepchild, or any other person more closely related than cousin;

B. Any individual having a reasonable and lawful basis, founded upon the relationship of parties to each other, either pecuniary or of blood or affinity, to expect some benefit or advantage from the continuance of the life of the retiree. Proof of financial benefit from the continuance of the life of the member is required for persons other than those listed in subparagraph 440205.A; or

* C. In the case of a member who dies on active or inactive duty and no other beneficiary is eligible to receive an annuity, a person who is, as determined by the Secretary concerned, a dependent of that member as defined in Title 10, United States Code (U.S.C.), ***section 1072(2)***.

*440207. Special Needs Trust (SNT)

Service members and retirees who elect child coverage may direct payment of an SBP annuity for a dependent child to an SNT. If an SNT was not designated as a beneficiary prior to the death of the Service member or retiree who had previously elected child coverage, the disabled dependent child's surviving parent, grandparent, or court-appointed legal guardian or fiduciary may irrevocably elect to designate an SNT as beneficiary. An SNT is also known as a supplemental needs trust. An SNT is a legal instrument that can be established by certain individuals in order to ensure that assets are retained that can be used for the supplemental needs of a certain disabled individual, without disqualifying that individual from other Federal or State benefits which that person may be entitled to receive. To be an eligible beneficiary, the SNT must be for the benefit of a person considered disabled under ***42 U.S.C. § 1382c(a)(3)*** and in accordance with the SBP statute. The SNT must also comply with 42 U.S.C. ***§ 1396p(d)(4)***. See Chapter 46 for further information regarding qualifying an SNT as a beneficiary.

*440208. Exception

If the beneficiary is responsible for the death of the retiree, the annuity may not be paid to that person unless evidence is received which clearly absolves the beneficiary of any felonious intent. This does not preclude the person from receiving the annuity in the capacity of custodian or guardian of minor children.

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CHAPTER 44 – SURVIVOR BENEFIT PLAN (SBP) – BENEFICIARIES

4401 – GENERAL

440101	10 U.S.C. § 1447 10 U.S.C. § 1450(a) and (b)

4402 – ELIGIBLE BENEFICIARIES

440201.A	10 U.S.C. § 1448(a)(2)
440201.B	Department of Defense Instruction (DoDI)1332.42, June 23, 2009
440201.C	10 U.S.C. § 1447(7) and (8) 10 U.S.C. § 1448(a)(6)
440201.D	10 U.S.C. § 1448(a)(6) 10 U.S.C. § 1447(7) and (8)
440201.E	53 Comptroller General (Comp Gen) 470, B-180407, January 16, 1974 58 Comp Gen 847, B-179018, May 10, 1974
440201.F	NDAA for FY 2017, Public Law (PL) 114-328, section 642 10 U.S.C. § 1448
440201.G	10 U.S.C. § 1447(7) and (8) 10 U.S.C. § 1448(a)(6)
440201.H	10 U.S.C. § 1450(f)(1)(C)
440202.B	DoDI 1332.42, June 23, 2009 10 U.S.C. § 1447(11)
440202.F	NDAA for FY 2017, PL 114-328, section 642 10 U.S.C. § 1448
440203	38 U.S.C. § 103 10 U.S.C. § 1448(d) 10 U.S.C. § 1448(f)
440203.B	NDAA for FY 2017, PL 114-328, section 642 10 U.S.C. § 1448
440204	10 U.S.C. § 1408 38 U.S.C. § 103 10 U.S.C. § 1448(b)
440205	10 U.S.C. § 1448(b)(4)
440206	Comp Gen, B-179465, July 19, 1974 52 Comp Gen 973, B-178270, June 26, 1973 10 U.S.C. § 1448(d)(6)(A)
440207	NDAA for FY 2015, PL 113-291, section 624 10 U.S.C. §§ 1448 and 1450
440208	Comp Gen B-187743, July 7, 1977

VOLUME 7B, CHAPTER 45: "SURVIVOR BENEFIT PLAN (SBP) PREMIUMS"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue and underlined font***.

The previous version dated November 2014 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated formatting to comply with current administrative instructions.	Revision
450101	Added "Purpose" paragraph.	Addition
450102	Added "Authoritative Guidance" paragraph.	Addition
4504	Revised examples in "Computation of Premiums" section to reflect latest rates in the 2015 factor table.	Revision
450403	Added information for a natural person with an insurable interest for clarification.	Addition
450603.B	Added information to clarify the "Premium Changes" when spouse is no longer eligible.	Addition
450603.F	Added information for coverage by reason of a court order.	Addition
450603.G	Added information for coverage for spouse after the death of the former spouse.	Addition
450606	Moved section 450606 to 450905.	Revision
450904	Added dates for an additional open enrollment period in the "Buy-In Premium" paragraph which was not included in previous version.	Addition
450905	Moved section 450606 to 450905.	Revision
450905.B	Added information for paid-up period for a member who became an SBP participant or increased the base amount coverage during April 1, 1992 through March 31, 1993.	Addition
4511	Added information for clarification concerning exclusion from taxable income.	Addition
4512	Added information in "Veterans Affairs (VA) Total Disability Ratings" for clarification.	Addition
Bibliography	Updated "Bibliography" to reflect new references and formatting.	Revision

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CHAPTER 45

SURVIVOR BENEFIT PLAN (SBP) PREMIUMS

4501 GENERAL

*450101. Purpose

The purpose of this chapter is to provide information on premiums for SBP coverage based on the type of coverage as well as the computation and payment of these premiums.

*450102. Authoritative Guidance

The bibliography at the end of this chapter lists the authoritative references.

4502 PREMIUM

450201. Premium Coverage

The premium for SBP coverage is based on the type of coverage (spouse and/or children, former spouse or former spouse and children, or natural person with an insurable interest (NIP)) and the base amount, maximum or reduced, as elected by or on behalf of the member. The SBP premium increases at the same time and by the same percentage as do increases for retired or retainer pay.

450202. Premium Collection

Members electing SBP coverage must pay a premium for such coverage. Premiums are collected either through reduction of retired pay or direct remittance.

450203. Premiums Not Specified

All premiums not specified in this chapter are calculated by the Department of Defense (DoD) using assumptions (as to mortality and economic conditions) approved by the DoD Board of Actuaries and the Director of Military Compensation. See ***Office of the Actuary***.

4503 BASIC SPOUSE/FORMER SPOUSE PREMIUM CALCULATION

450301. Initial Premium Calculation

There are two methods for calculating the initial premium for the standard SBP annuity coverage for a spouse or former spouse. These methods are:

A. An amount equal to 6.5 percent of the base amount; and

B. An amount equal to 2.5 percent of a "threshold amount" plus 10 percent of the difference between the base amount and the threshold amount. The threshold amount is adjusted at the same time and by the same percentage as the average increase in basic pay. See paragraph 450302. The original threshold amount of $300 has been increased by the same percentage increase as basic pay since October 1, 1985.

C. A person who became a member before March 1, 1990 or who is entitled to disability or non-regular (i.e., reserve) retirement, is entitled to whichever method is more favorable as described in 450301 A and B.

D. Effective March 1, 1990, the initial SBP premium formula for spouse or former spouse coverage for a member who did not have a disability or non-regular (i.e., reserve) retirement became 6.5 percent of the base amount as described in 450302.

E. Premium Calculation Members Before March 1, 1990

1. For a person who became a member of the Uniformed Services before March 1, 1990, the initial premium for spouse or former spouse coverage was computed on a standard cost formula of 2.5 percent of the threshold amount, plus 10 percent of the base amount in excess of the threshold amount. The threshold amount is increased as set out in paragraph 450302.

2. If the individual first became a member of a Uniformed Service before March 1, 1990, is providing spouse coverage, and the SBP premium exceeds 6.5 percent of the base amount, the SBP premium was recomputed effective March 1, 1990, on the flat-rate reduction formula of 6.5 percent.

450302. Threshold Amount Increase

The threshold amount is increased by:

A. The same percentage as the average increase in basic pay effective on or after October 1, 1985. The increase occurs at the same time. This applies to a member whose retired pay is computed on the basic pay rate in effect or after the effective date of such increase in basic pay; or

B. The same percentage as a cost-of-living adjustment (COLA) applied to the member's retired pay on or after October 1, 1985, if the member first participates in the SBP after the effective date of the COLA increase and after the effective date of the basic pay rates on which the member's retired pay is computed. This is in addition to the increase in subparagraph 450302.A and the increase occurs at the same time as the COLA increase.

450303. Children Coverage Charge

If the SBP coverage is for spouse and child, former spouse and child, or child only, a formula must be applied against the base amount (or base amount times 55 percent before

April 1983) to determine the charge for coverage of the children. The age of the youngest child is used to determine the premium. If there is an incapacitated child over 18 years of age and there also is a competent child over age 18 but younger than the incapacitated child, then use age 17 to determine the premium. The premium can be determined from the SBP Factor Tables by contacting the Defense Finance and Accounting Service-Cleveland (DFAS-CL) Site, Directorate Retired and Annuitant Pay. A cost computation can be obtained by contacting a SBP counselor at the nearest military installation.

*4504 COMPUTATION OF PREMIUMS

450401. Spouse Only or Former Spouse Only

See Table 45-1, Rule 1.

450402. Spouse and Child, Former Spouse and Child, or Children Only

See Table 45-1, Rules 2 and 3.

A. The following steps are used to compute the premium:

1. Determine the age of the:

a. Member, spouse, and child for spouse and child coverage;

b. Member, former spouse, and child for former spouse and child coverage; or

c. Member and child for child coverage.

2. Determine the cost factor from the appropriate SBP Factor Tables;

3. Multiply the base amount by the factor to determine the child premium; then

4. Add the child premium to the spouse (or former spouse) premium.

B. The following are examples of computing premiums:

Example 1: A member retires on July 1, 2010, with 20 years of active service. The gross retired pay is $1,000.00. The member elects maximum coverage for spouse and children. Birth dates are: member-February 2, 1971; spouse-September 2, 1975; child-May 1, 2001.

Step 1. Compute ages. Six months or more is considered a full year. Note: Months are computed in 30 day increments for pay purposes only.

Member	100701	Spouse	100701	Child	100701
	710202		750902		010501
	390429		340929		90200
	(39)		(35)		(9)

Step 2. Using the SBP Factor Table to locate the combination of a member age 39, spouse age 35, and child age 9. A cost computation can be obtained by contacting the DFAS-CL Site, Directorate Retired and Annuitant Pay or by contacting a SBP counselor at the nearest military installation.

Steps 3 and 4. Determine total premium:

Spouse premium:		
(Flat-rate formula)	$1,000.00	
	x .065	
	$ 65.00	$65.00
Child premium:	$1,000.00	
	x .00001	
	$ .01	+$ .01
Total Premium:		$65.01

Example 2: The spouse in Example 1 becomes an ineligible beneficiary on March 3, 2011. Coverage changes to child only.

Step 1. Recompute the ages for member and child.

Member	110303	Child	110303
	710202		010501
	400102		91003
	(40)		(10)

Step 2. The SBP Factor Table is used to locate the combination of a member age 40 and child age 10. The resulting factor is .0016.

Step 3. Determine total premium: $1,000.00 x .0016 = $1.60

Example 3a: The member elects spouse and child coverage (Example 1) at retirement on July 1, 2010. The spouse becomes an ineligible beneficiary (dies or divorces) and coverage changes to child only (Example 2) on March 3, 2011. The member marries a different spouse on May 14, 2011. The birth date for the new spouse is October 12, 1975. Spouse and child coverage resumes on May 14, 2012 unless the member elects not to resume spouse coverage. The new premium

for spouse and child is effective on May 14, 2012. See Table 45-3, Rule 9 and note 8.

Step 1. Recompute ages for member, spouse, and child.

Member	120514	Spouse	120514	Child	120514
	710202		751012		010501
	410312		360702		110013
	(41)		(37)		(11)

Step 2. The SBP Factor Table is used to locate the combination of a member age 41 spouse age 37, and child age 11.

Steps 3 and 4. Determine the total premium:

Spouse premium:		
(Flat-rate formula)	$1,000.00	
	x .065	
	$ 65.00	$ 65.00
Child premium:	$1,000.00	
	x .00001	
	$ .01	+ $ .01
Total Premium		$ 65.01

Example 3b: The member elects spouse and child coverage at retirement on July 1, 2010 (Example 1). The spouse becomes an ineligible beneficiary and coverage changes to child only (Example 2) effective March 3, 2011. The member remarries on May 14, 2011. The birth date for the new spouse is October 12, 1975. Coverage would have resumed for the spouse and child on May 14, 2012, the first anniversary of the marriage; however, the spouse becomes the parent of issue by that marriage before the first anniversary. Coverage changes to spouse and child on the date the child is born of that marriage. The new premium is effective the first day of the month following the birth. See Table 45-3, Rule 9 and note 8. Assume that the child is born March 27, 2012.

Step 1. Recompute ages for member, spouse, and child.

Member	120327	Spouse	120327	Child	120327
	710202		751012		120327
	410125		360515		000000
	(41)		(36)		(00)

Step 2. The SBP Factor Table is used to locate the combination of a member age 41, spouse age 36, and child age 0.

Steps 3 and 4. Determine total premium:

Spouse premium:		
(Flat-rate formula)	$1,000.00	
	x .065	
	$ 65.00	$ 65.00
Child premium:	$1,000.00	
	x .00001	
	$.01	+ $.01
Total Premium		$ 65.01

Example 4: The member elects spouse and child coverage at retirement on July 1, 2010 (Example 1). The member divorces on April 15, 2011, and coverage changes to child only. See Example 2 for recomputation. The member elects coverage for former spouse and child based on a court order dated June 2, 2011. The premium for the former spouse and the child is effective July 1, 2011. Recompute ages on the date the election is received.

Step 1. Recompute ages.

Member	110602	Former	110602	Child	110602
	710202	Spouse	750902		000501
	400400		350900		100101
	(40)		(36)		(10)

Step 2. The SBP Factor Table is used to locate the combination of a member age 40, spouse age 36, and child age 10.

Step 3. Determine the premium as in Example 1.

*450403. Natural Person with an Insurable Interest (NIP)

In some cases, the Insurable Interest category may include former spouse. The premium formula for the Insurable Interest category is 10 percent of retired pay plus 5 percent for each full five years the individual designated is younger than the member. However, the total Insurable Interest premium cannot exceed 40 percent and must be based on full retired pay. Refer to Table 45-1, Rule 4.

4505 EFFECTIVE DATE OF PREMIUM

See Table 45-2 or 45-3 as applicable.

4506 SUSPENSION, CHANGE, AND TERMINATION OF PREMIUM

450601. No Eligible Beneficiary

Premiums are suspended for spouse or former spouse coverage when there is no longer an eligible beneficiary. Premiums are also suspended for child coverage when there is no eligible child beneficiary, but see Chapter 54 for RC-SBP child coverage.

450602. School Nonattendance

If the SBP premium was adjusted or discontinued based on school nonattendance of the child beneficiary, the premium is adjusted retroactively to the first day of the month after the child resumed school attendance.

*450603. Premium Changes

The premium changes when:

A. Coverage is for spouse and children (or former spouse and children) and the last dependent child is no longer an eligible beneficiary. The premium for coverage is changed to spouse (or former spouse) only. See Table 45-3, Rule 8; or

* B. Coverage is for spouse only and the spouse is no longer eligible and the member remarries. Within 1 year after member's remarriage, the member may:

1. Resume coverage;

2. Elect not to resume spouse coverage;

3. Increase the base amount up to and including full retired pay for spouse or spouse and child coverage. The member may increase the base amount at any increment up to full coverage. An increase in level of coverage will result in an increased premium. When level of coverage is increased upon remarriage, a member must pay for premiums as if that level of spouse coverage had always been in effect. The member must pay for premiums which would have been charged had this level of coverage always been in effect less the amount of premiums already paid by the member. In addition, this amount owed will be charged with interest. Full coverage is based on full retired pay which means the spouse will receive 55 percent of the retirement pay. If lesser coverage is selected then the spouse will receive 55 percent of the elected base amount. See Table 45-3, Rule 6; or

C. Coverage is for spouse and children and the spouse is no longer eligible or the coverage is for former spouse and children and the former spouse is no longer eligible. See Table 45-3, Rule 7, for computation for the child premium. Within 1 year of a remarriage, the member with suspended spouse coverage has the same options as in subparagraph 450603.B, while the former spouse is still living; there is no time limitation for an election change to spouse coverage by a member with suspended former spouse coverage. Note: A member may not

increase spouse coverage on a spouse election that is made after the death of a former spouse. See Table 45-3, Rule 9;

D. Coverage is for spouse at the time of the member's retirement (or before March 21, 1974 for a pre-September 21, 1972 retiree), and the member subsequently divorces and then remarries that former spouse. The premium is effective the first day of the month following the remarriage, unless the remarriage is the first day of the month, then the premium is effective on the date of marriage; or

E. Coverage is for spouse after date of retirement and the member subsequently divorces and then remarries that former spouse. The premium of coverage is resumed the first day of the month following the first anniversary unless the remarriage is the first day of the month, then the premium resumes on the first day of the first anniversary; or

* F. Coverage is for spouse or spouse and child and is changed to former spouse under Chapter 43, paragraph 430603. In the case of a person required to make the election by reason of a court order or the filing of which is after October 16, 1998, then the premium is effective the first day of the month after the date of that court order or filing. See Table 45-3, Rule 10.

* G. Coverage for spouse after the death of the former spouse. Upon electing coverage for a spouse after the death of a former spouse, the member may not increase or decrease the amount of coverage.

1. Married for at least one year on the date of former spouse's death. If the member had been married for at least one year on the former spouse's date of death, and the member makes a spouse election within one year of the former spouse's death, premiums will resume on the first day of the first calendar month following the death of the former spouse.

2. Married within the one year period preceding the date of death of the former spouse. If the member married within the one year period preceding the date of death of the former spouse and the member makes a spouse election within one year of the former spouse's death, premiums will resume on the first day of the calendar month following the first anniversary of the marriage.

3. Married after the death of the Former Spouse. If the member marries after the former spouse's date of death, and the member makes a spouse election within one year of the marriage, premiums will resume on the first day of the month following the first anniversary of the marriage.

450604. Premium Termination

The SBP premium terminates for a NIP under the following circumstances:

A. When the beneficiary dies;

B. When the member terminates coverage for the NIP; or

C. On the date a spouse or child acquired after retirement becomes the eligible beneficiary if the member elected coverage for such spouse or child. The SBP premium is terminated as of the date shown in Table 45-4, Suspension and Termination of Premium. See Chapter 43, section 4307 for more information on termination procedures.

450605. Voluntary Termination

If a member voluntarily discontinues SBP participation under Chapter 43, the premium terminates on the effective date of the election which is the first day of the month following the date of the receipt of the request. Any premium deducted for periods on or after such effective date must be refunded and the member notified of the final action concerning termination of coverage.

* 450606. Other Suspension and Termination Situations

See Table 45-4 for other suspension and termination of premium situations.

450607. Cost of Living Adjustment (COLA)

SBP premiums normally increase at the same time, and by the same percentage, that retired pay increases by COLA. When the payment of increased retired pay resulting from a COLA is delayed, the increase to SBP premiums will occur at the same time the retired pay is increased rather than the effective date of the COLA increase (or the date that the retired pay would have increased if the member were currently in receipt of retired pay).

4507 PAYMENT OF PREMIUM

450701. Payments

A member who receives enough retired pay to cover the premiums for SBP has those premiums withheld from his or her retired pay. Voluntary allotments may be discontinued to satisfy the premiums for SBP coverage. See Chapter 19 for more information. The reduction in retired pay for the premium of SBP coverage is not treated as a collection for accounting purposes.

450702. Waiver of Retired Pay

A. For any period in which the member is not receiving retired pay because of non-entitlement to or waiver of such pay or the pay received is not enough to cover the total cost of coverage, the member must remit the amount due to the DFAS-CL Site. Deposits are due on the effective date of coverage. For example, member retires June 1; the first payment is due June 1, for the period June 1-30. A member who waives full retired pay for Veterans Affairs (VA) compensation may pay the premium by direct remittance or by deduction from the compensation payments.

B. If the member waives participation in the military survivor benefit program and elects participation in the civil service SBP, and the civil service waiver later becomes ineffective for any period for any reason, previous participation in the military survivor benefit program is resumed and military SBP premium is due from the member.

450703. Emergency Officer's Retired List (EORL)

A member on the EORL may pay premiums by direct remittance or by deduction from EORL payments.

450704. Active Duty Recall

If a member is recalled to active duty for more than 30 days after a break in service, the member does not pay the premium while on active duty.

450705. Active Judicial Duty

The member remains a SBP participant while on active judicial duty and is required to pay the SBP premiums while military retired pay is suspended.

4508 DELINQUENT SBP PREMIUMS

Interest is owed for any delinquent SBP premiums. The interest rate is a percentage that is compounded annually by the DoD Board of Actuaries. Any delinquent Retired Serviceman's Family Protection Plan premiums existing on date of conversion to SBP continue with interest, until paid. Upon the death of a retiree, any delinquency, plus interest, is collected from the annuitant's benefits before payment of any annuity will commence.

4509 PAID UP SBP PREMIUMS AFTER 30 YEARS AND AGE 70

450901. Coverage In Effect October 2008

Effective with the retired pay entitlement and SBP coverage in effect for the month of October 2008, SBP premium reductions will no longer be made if the member is a qualified SBP participant described in 450902. Deposits made by a SBP participant during a period when the participant is not entitled to retired pay qualify as premium reductions.

450902. Birthday Month

A member is a qualified participant for purposes of paid up SBP coverage if the retired member is age 70 or older whose retired pay has been reduced for SBP coverage for 360 months or more. If the member's 70th birthday occurs later than the 360th month for which the member paid SBP premiums, no SBP premiums will be made for that month regardless of the day on which the member becomes age 70.

450903. Effective Date

The first payment that can be affected is the payment for the period of retired pay entitlement beginning October 1, 2008 (due November 3, 2008).

*450904. Buy-In Premium

A member who elected or changed SBP coverage during the open enrollment periods March 1, 1999 through February 29, 2000 and October 1, 2005 through September 30, 2006 was charged a one-time buy-in premium in addition to the prospective monthly premium. The buy-in premium was due and payable in a lump sum payment at the time the member filed the election. A member who paid the lump sum, buy-in premium received credit toward the 360 months as if the member's retired pay had been reduced monthly for SBP premiums.

*450905. Paid Up Premiums

A. Premiums for SBP participation are permanently paid up (no further reductions to retired pay or remittances) when a member attains age 70 and has had 360 months of premium payments. See section 4509 for more information.

*B. A member who became an SBP participant or increased the base amount coverage during April 1, 1992 through March 31, 1993 was required to pay the basic SBP premium and an additional premium, which was a percentage of the basic premium determined by the actuary. The additional premium accounted for the premiums the member would have paid if the member had elected SBP at the earliest possible date. A member who paid the additional premium received credit towards the 360 months paid-up based upon the additional premium paid.

4510 TAXABILITY OF PREMIUMS

For federal income tax purposes, premiums for SBP coverage are excluded from taxable income when they are deducted from the member's retired pay. A member whose pay is subject to tax reporting will, while in a pay status, receive the tax benefit through a reduction in the taxable income reported to the Internal Revenue Service (IRS). No reduction against the taxable income can be given for interest paid on the delinquent premiums.

*4511 INCOME EXCLUSION

For federal income tax purposes, premiums for SBP/Retired Serviceman's Family Protection Plan coverage are excluded from taxable income when they are deducted from the member's retired pay. A member whose pay is subject to tax reporting will, while in a pay status, receive the tax benefit through a reduction in the taxable income reported to the IRS. No reduction against the taxable income can be given for interest paid on the delinquent premiums. Since a direct remitter has waived retired pay and has no taxable military retired pay he or she does not qualify for the tax benefit.

*4512 DISCONTINUATION DUE TO VA DISABILITY

451201. Discontinuing SBP Participation

A. A retiree may withdraw from participation if:

1. The retiree has a service connected disability rated by the VA as totally disabling for 10 or more continuous years; or

2. The retiree has had a total disability rating from the VA at least 5 continuous years from the last date of active duty.

B. Withdrawal is permitted because the surviving spouse will likely qualify for Dependency and Indemnity Compensation benefits from the VA and retiree's death will be presumed to be from service-connected reasons.

C. A request for withdrawal requires the written consent of the beneficiary. Upon death, the surviving spouse will be entitled to a refund of all the SBP costs that were paid.

451202. Written Statement

When a retiree requests withdrawal under these rules, DFAS must furnish a written statement outlining the advantages and disadvantages of withdrawing. The retiree must confirm receipt of the information and sign acknowledgment of intent to withdraw. An election is effective as of the first day of the first month following the month in which the Secretary concerned receives the confirmation and acknowledgment. The member may revoke the request to discontinue participation within the 30-day period following submission of such request to the Secretary concerned. If, for some reason, the VA disability rating is withdrawn or reduced, SBP coverage may be resumed at the request of the retiree. The request to resume must be made within 1 year after the VA rating has been withdrawn or reduced.

Table 45-1. Computation of SBP Premium on Establishment

COMPUTATION OF SBP PREMIUM ON ESTABLISHMENT		
RULE	**A**	**B**
	If beneficiary is	**the formula is**
1	spouse or former spouse (spouse category)	6.5 percent of the base amount (note 1) or 2.5 percent of the threshold amount (note 2), as adjusted, plus 10 percent of the remaining base amount. If gross retired pay is less than the threshold amount, use 2.5 percent of gross retired pay.
2	spouse (former spouse-spouse category) and children (notes 3 and 4)	determined under Rule 1, plus an additional premium for children computed by applying the factor from the SBP Factor Table against the base amount. See section 4504 for examples.
3	children only (notes 3 and 4)	shown in the SBP Factor Table, based on the ages of the member and youngest dependent child, against the base amount. See section 4504 for example.
4	NIP or former spouse (NIP category)	10 percent of the member's gross retired pay if the age of the beneficiary is equal to or greater than member's age. If the beneficiary's age is less than member's age, the formula is 10 percent of the member's gross retired pay, plus an additional 5 percent of the gross retired pay for each full 5 years that the beneficiary is younger than member. Six months or more is not counted as an additional year. Total premium may not exceed 40 percent of gross retired pay.

NOTES:

1. Members who first became a member of a Uniformed Service on or after March 1, 1990, and receive a regular retirement will have their spouse premium computed under the flat rate formula of 6.5 percent of the base amount. The following members are entitled to spouse premium computation under the formula that provides the lesser premium:
   a. A member who is entitled to retired pay based on disability;
   b. A member who is entitled to retired pay based on a non-Regular service retirement; or
   c. A member who first became a member of a Uniformed Service before March 1, 1990.
2. The threshold amount is subject to indexing equal to the percentage increases for active duty basic pay rates.
3. Do not recalculate premiums when a child different from the child first established as the youngest child becomes the youngest eligible child.
4. Dependent Child - use the age of the youngest child. Exception: Use age 17 for an incapacitated child over 18 years of age when there is a competent child also over 18, but younger than the incapacitated child.

Table 45-2. Effective Date of Premium - Initial Election

EFFECTIVE DATE OF PREMIUM - INITIAL ELECTION					
	A	B			
		the effective date of premium is first day of the month following			
RULE	If on the date of election (pre-September 21, 1972 retiree) or date of retirement (post-September 21, 1972 retiree), the member has	retirement	election by the Secretary of the Military Department concerned	receipt of the election	the first anniversary of the marriage
1	spouse, spouse and children, children only, or NIP (pre-September 21, 1972 retiree)			X	
2	spouse, spouse and children, children only, or NIP (post-September 21, 1972 retiree)	X			
3	no dependents, later marries (note 1)				X (note 4)
4	no dependents, later acquires dependent children (note 1)			X (note 2)	
5	no dependents, later marries and acquires dependent children (note 1)			X (note 3)	X (note 5)
6	been declared mentally incompetent (Secretary may make election)		X		
7	former spouse (post-September 7, 1982 retiree) or former spouse and children (post-February 28, 1986 retiree)	X (note 6)			

NOTES:

1. Member must elect within 1 year of marriage or acquiring dependent children.
2. Compute the child premium using the ages of the member and the youngest child as of date of receipt of the election.
3. The child only premium is established and continues until the first of the month following the first anniversary of the marriage. Compute child only premium using the ages of the member and youngest child on date of receipt of the election. When the spouse becomes an eligible beneficiary, child only coverage is changed to spouse and child coverage and compute the new premium using the ages of the member, spouse, and the youngest child on the date the spouse becomes an eligible spouse beneficiary.
4. If the first anniversary is on the first day of the month, the premium is changed for that month.
5. If a child is born of that marriage before the first anniversary, the premium for spouse and child coverage is effective the first of the month following the birth of the child. If the birth or anniversary is the first day of the month, the premium is charged for that month.
6. The effective date of the premium for an election for a former spouse election made from September 8, 1982 through January 31, 1983 is February 1, 1983.

Table 45-3. Effective Date for Change of Premium

EFFECTIVE DATE FOR CHANGE OF PREMIUM					
	A	B			
		the effective date of premium is first day of the month			
RULE	If on the date of election (pre-September 21, 1972 retiree) or date of retirement (post-September 21, 1972 retiree), the member has	following receipt of election	following family status change	following first anniversary of (re)marriage	after loss of eligibility or October 1, 1976, whichever is later
1	spouse, no child, later acquires children (notes 1 and 2)	X			
2	no spouse, child only, later acquires spouse (notes 1, 7 and 8)			X	
3	NIP (or former spouse), later marries (notes, 1, 7, 8 and 11)				
4	NIP (or former spouse), later acquires child (notes, 1, 3, 8 and 11)	X			
5	NIP (or former spouse), later acquires spouse and child (notes 1, 4, 7, 8 and 11)	X (child)		X (spouse)	
6	spouse, loses spouse, remarries (notes 1, 7, 8 and 9)			X	
7	spouse and child (or former spouse and child), loses spouse (or former spouse), premium is recomputed for child (notes 5 and 9)				
8	spouse and child (or former spouse and child), loses child (note 6)		X		
9	(a) Spouse and child, loses spouse, premium recomputed for child, member later marries (notes 4, 7, 8 and 11) (b) Spouse or spouse and child, divorces and changes to former spouse and child, loses former spouse, premium recomputed for child, member later marries (note 12) (c) Former spouse and child, loses former spouse, premium recomputed for child, member later marries and was not married at retirement (note 13)		X (child only until first anniversary)	X	

Table 45-3. Effective Date for Change of Premium (Continued)

EFFECTIVE DATE FOR CHANGE OF PREMIUM					
	A	B			
		the effective date of premium is first day of the month			
RULE	If on the date of election (pre-September 21, 1972 retiree) or date of retirement (post-September 21, 1972 retiree), the member has	following receipt of election	following family status change	following first anniver-sary of (re)marriage	and
10	spouse and/or child, acquires former spouse, changes coverage to former spouse or former spouse and child	X			
11	former spouse or former spouse and child, loses former spouse, changes coverage to spouse or spouse and child	X			
12	elected former spouse deemed by Secretary concerned (note 14).				
13	been declared mentally incompetent but later adjudged competent may, within 180 days, change a Secretarial election	X			

NOTES:

1. Member must elect within 1 year of (re)marriage or acquiring the dependent child or children. If the election change is from former spouse coverage to spouse coverage, there is no time limitation on the election period so long as the former spouse is still living. If the member elects to change from former spouse to spouse coverage after 1 year of remarriage, the coverage is effective on the date of election receipt and the associated premium is effective on the first day of the month after election receipt.
2. Compute premium for additional child using ages of member, spouse, and youngest child as of date of receipt of election.
3. Compute premium for child using ages of member and youngest child as of date of receipt of election.
4. Child only premium is effective until the first of the month following the first anniversary of the (re)marriage. Compute child only premium using ages of member and youngest child on the date of receipt of the election or on the day after the date spouse eligibility is lost (Rules 5 and 8). When spouse becomes an eligible beneficiary, child only coverage is changed to spouse and child coverage and compute child premium using ages of member, spouse, and youngest child on date spouse becomes an eligible spouse beneficiary.
5. Compute child only premium using ages of member and youngest child as of the first date following the date the spouse (or former spouse) became an ineligible beneficiary or October 1, 1976, whichever is later. If eligibility was lost the first day of the month, the child only premium begins the following month.
6. If member gives exact date of loss of last dependent child, the change in premium is effective the first of the month following date provided. If exact date is not given, use first day of the month after receipt of notification.

Table 45-3. Effective Date for Change of Premium (Continued)

7. The premium for spouse coverage is effective on the first day of the month following the birth of the child of that marriage if earlier than first anniversary of the marriage.
8. If birth or anniversary is the first day of the month, the premium is effective that month.
9. Before enactment of Public Law (PL) 94-496, October 14, 1976, the deduction for spouse premium continued past the date spouse became an ineligible beneficiary.
10. Member must make election within 1 year of the date of a decree of divorce, dissolution, or annulment of marriage to spouse. Election for former spouse only may not be effective before September 24, 1983 (earliest day for premium is October 1, 1983). Election for former spouse and child may not be effective before March 1, 1986 (earliest date for premium is March 1, 1986).
11. An election to terminate coverage for a NIP premium, a former spouse, a spouse or spouse and child must be done in accordance with Chapter 43.
12. If a member elects former spouse (or former spouse and child) coverage, and if the member is married at the time the former spouse dies, the member may elect spouse coverage within one year of the death of the former spouse (10 U.S.C. § 1448(a)(7)(B)(ii)).
13. If a member elects former spouse or former spouse and child coverage at the time the member becomes eligible to participate (10 U.S.C. § 1448(b)(2)), but is not married when the member becomes eligible to participate and remarries after the former spouse dies, the member may elect spouse coverage within one-year of the marriage to that spouse (10 U.S.C. § 1448(a)(5)).
14. The effective date of premium and coverage is on the later of: (a) member's retirement date; (b) the first day member could have voluntarily made such an election; or (c) the first day of month after the effective date of court order involved.

Table 45-4. Suspension and Termination of Premium

SUSPENSION AND TERMINATION OF PREMIUM				
RULE	**A**	**B**	**C**	**D**
	If a member	**the premium is**	**with an effective date**	**and the member is**
1	is deceased	terminated	of the date of the member's death.	
2	is recalled to active duty for more than 30 days	suspended	of the day before entry on active duty	not required to remit premium for coverage while on active duty.
3	waives retired pay for a civil service retirement		of the waiver as furnished by member	providing coverage elected under civil service retirement.
4	is removed from the Temporary Disability Retired List (TDRL) and retired pay is terminated (note 1)	terminated	of the removal from TDRL	not entitled to a refund of prior premiums.
5	elected for children and the last dependent child is no longer an eligible beneficiary (note 2)		of the first of the month after loss of eligibility (notes 3 and 4)	due a refund from first of month after loss of eligibility (note 5).
6	who has been declared mentally incompetent is restored to competency and, within 180 days, revokes election made on his or her behalf		of the first of month after receipt of election	not due a refund for period of coverage.
7	elected for spouse (or former spouse) and spouse (or former spouse) becomes an ineligible beneficiary	suspended	of the first day of month after that in which spouse became an ineligible beneficiary.	
8	elected coverage for a NIP (or former spouse in NIP category) who dies before the member	terminated	of the last day of month in which beneficiary dies.	
9	elected coverage for a NIP (not a former spouse) and member discontinues participation from the Plan (see Chapter 54, paragraph 541003 for the Reserve Component Survivor Benefit Plan participant).		of the first day of month after receipt of request.	
10	discontinues participation on the second anniversary of the date of retirement		of the first day of month after receipt of request.	

Table 45-4. Suspension and Termination of Premium (Continued)

SUSPENSION AND TERMINATION OF PREMIUM				
RULE	**A**	**B**	**C**	**D**
	If a member	**the premium is**	**with an effective date**	**and member is**
11	is age 70 and has paid 360 monthly premiums	terminated	of the later of: (a) The premium for October 2008; (b) First day of the month after the 360th monthly premium; or, (c) The first day of the month in which the member reaches age 70.	
12	elected former spouse coverage (or former spouse coverage was deemed) after retirement or eligibility to participate and former spouse dies and member did not change former spouse to spouse coverage while former spouse was still living (note 6)	terminated	of the last day of the month in which the beneficiary dies	no longer a participant in the SBP.

NOTES:

1. If the member returns to active duty and is subsequently retired, a new election must be made. Any election in effect while on TDRL is void.
2. A child is no longer an eligible beneficiary when he or she dies, marries, is between age 18 and 22 and not attending school, or has reached age 22 (see note 3).
3. A student whose 22nd birthday occurs before July 1 or after August 31 of any calendar year is considered age 22 on July 1 after that birthday and the premium is discontinued.
4. When the birthday is the first day of the month, the premium terminates the first day of that month.
5. If the member gives exact date of loss of last dependent child, cost is terminated the first of the next month. If exact date is not given, use first day of month after receipt of notification.
6. Once an election from spouse or spouse and child is changed to former spouse or former spouse and child, all previous coverage under the Plan terminates (10 U.S.C. § 1448(b)(3)). In that instance, if the member remarries, an election from former spouse coverage to spouse coverage can only be made while the former spouse is still living. However, if a member elects former spouse or former spouse and child coverage at the time the member becomes eligible to participate (10 U.S.C. § (b)(2)), but is not married when the member becomes eligible to participate and remarries after the spouse dies, the member may elect spouse coverage within one-year of the marriage to that spouse (10 U.S.C. § 1448(a)(5)).

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4501 - GENERAL

450101	10 U.S.C. § 1452(h)
450102	10 U.S.C. § 1452 Department of Defense Instructions (DoDI) 332.42, June 23, 2009 Office of the Under Secretary of Defense (OUSD) Personnel and Readiness (P&R) Memorandum (Memo), June 1, 2005

4502 - PREMIUM

	10 U.S.C. § 1452 10 U.S.C. § 183 10 U.S.C. § 1465 Department of Defense Directive (DoDD) 1332.27, June 26, 2003 DoDI 1332.42, June 23, 2009 PL 102-190, Section 653, December 5, 1991 OUSD P&R Memo, June 1, 2005 OUSD P&R Memo, August 1, 2005

4506 - SUSPENSION, CHANGE, AND TERMINATION OF PREMIUM

450601	10 U.S.C. § 1452(a)(3), (b)(2) DoDI 1332.42, June 23, 2009
450602	10 U.S.C. § 1452 65 Comptroller General (Comp Gen) 767, B-221945, August 4, 1986
450603	10 U.S.C. § 1448(a)(6) 10 U.S.C. § 1448(a)(7) 10 U.S.C. § 1448(b)(3) 10 U.S.C. § 1450(f)(3) 10 U.S.C. § 1452
450603.C	10 U.S.C. § 1450(f)(1)(C)
450603.D, E.	Comp Gen, B-195349 Defense Office of Hearings and Appeals Claims Case No. 96070219
450604	10 U.S.C. § 1452(c)(3)
450608	10 U.S.C. § 1452(a)(4)(B) 10 U.S.C. § 1452(h) PL 104-201, Section 635, September 23, 1996

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4507 - PAYMENT OF PREMIUM

450701	DoDI 1332.42, June 23, 2009
450702 & 450703	10 U.S.C. § 1452(d) 10 U.S.C. § 1452(e) Manuscripts (MS) Comp Gen B-212481, February 2, 1984 MS Comp Gen B-244827, September 9, 1992
450705	MS Comp Gen B-252391, October 22, 1993

4508 - DELINQUENT SBP PREMIUMS

	DoDI 1332.42, June 23, 2009

4509 - PAID UP SBP PREMIUMS AFTER 30 YEARS AND AGE 70

	PL 105-261, section 641, October 17, 1998 10 U.S.C. § 1436a PL 108-375, section 645 PL 106-65, section 654, October 5, 1999
450905	10 U.S.C. § 1452(j) OUSD P&R Memo, November 6, 2006

4512 – VA TOTAL DISABILITY RATING

	DoDI 1332.42, June 23, 2009 38 Code of Federal Regulations § 3.340

Table 45-1 Computation of SBP Premium on Establishment

Rules 1-4	10 U.S.C. § 1452 DoDD 1332.27, January 4, 1974, Chapter 5
Notes 1-4	10 U.S.C. § 1452 62 Comp Gen 553

Table 45-2 Effective Date of Premium - Initial Election

Rule 1	10 U.S.C. § 1448
Rule 2	10 U.S.C. § 1448
Rule 3	10 U.S.C. § 1448
Note 1	10 U.S.C. § 1448(a)(5)
Note 3	57 Comp Gen 847

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Note 4	57 Comp Gen 847
Note 6	Comp Gen Decision B-226018, March 18, 1987
	PL 97-252, September 8, 1982

Table 45-3 Effective Date for Change of Premium

Rules 2 & 3	10 U.S.C. § 1448
Rule 6	10 U.S.C. § 1448
Rules 7-9	57 Comp Gen 847
Rule 10	10 U.S.C. § 1448(b)
Rule 11	10 U.S.C. § 1448(b)
Rule 12	10 U.S.C. § 1449
Note 1	10 U.S.C. § 1448(a)(5)
	10 U.S.C. § 1450(f)(1)(C)
Notes 2-5	57 Comp Gen 847
	62 Comp Gen 553
Note 7	57 Comp Gen 847
Note 8	48 Comp Gen 167
Note 10	10 U.S.C. § 1448(b)(3)
Note 14	10 U.S.C. § 1448
	10 U.S.C. § 1450

Table 45-4 Suspension and Termination of Premium

Rule 2	10 U.S.C. § 1452(d)
Rule 3	10 U.S.C. § 1452(e)
Rule 4	10 U.S.C. § 1448(c)
Rule 5	62 Comp Gen 553
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Rule 10	10 U.S.C. § 1448a
Rule 12	PL 108-375, Section 644, October 28, 2004
Note 1	53 Comp Gen 971
	10 U.S.C. § 1448(c)
Notes 2 & 3	10 U.S.C. § 1447(5)

VOLUME 7B, CHAPTER 46: "SURVIVOR BENEFIT PLAN (SBP) – ANNUITIES"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font*****.**

The previous version dated July 2011 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated this chapter to comply with current administrative instructions.	Revision
460104.A.1.a	Provided information on due process notice when debt collection is required.	Revision
460104.A.5	Updated the reference for currency-blocked countries to 31 Code of Federal Regulations (CFR) 211.1.	Revision
460402.C.2	Provided information on due process notice when debt collection is required.	Revision
460701	Provided information on due process notice when debt collection is required.	Revision
461102	Clarified the requirement to provide a Certificate of Eligibility after the spouse/former spouse has reached age 55.	Revision
460501 & 461301	Combined two paragraphs, "General Causes of Overpayment" and "General Reason For Suspension Of Payment."	Revision
4614	Renumbered section to 4613, to include all paragraphs (461301-461306).	Revision
461301	Replaced reference to Table 46-3 with Internal Revenue Manual (IRM) 3.21.3.71.12.	Revision
4615	Renumbered section to 4614, to include all paragraphs (461401-461406).	Revision
Table 46-3	Deleted Table 46-3.	Deletion
Table 46-4	Renumbered table to Table 46-3.	Revision
Bibliography	Updated references.	Revision

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CHAPTER 46

SURVIVOR BENEFIT PLAN (SBP) ANNUITIES

*4601 GENERAL

460101. Overview

A. The Survivor Benefit Plan (SBP) provides a monthly annuity of 55 percent of the annuity base amount, cost-of-living adjusted, to the eligible spouse or children. The monthly annuity for a natural person with an insurable interest is 55 percent of the amount of the gross retired pay after cost of participation is subtracted.

B. If a former spouse election was effective prior to March 1, 1986, the annuity was provided under the insurable interest category. If a former spouse election was effective March 1, 1986 or later, or coverage was changed to spouse category with the former spouse's concurrence, the annuity is provided under the spouse category.

C. Effective October 1, 2005, the phased-elimination of the two-tier system began. After April 1, 2008, the SBP annuity for a spouse or former spouse was no longer reduced at age 62.

*460102. Authoritative Guidance

Authoritative guidance information for this chapter is located in the bibliography.

460103. Eligible Annuitants

A. Spouse Only. See Table 46-1. The SBP annuity for a spouse may be reduced by any Dependency and Indemnity Compensation (DIC) if the annuity is payable on behalf of the same member. See Section 4604.

B. Children Only. If there is more than one eligible child, the annuity is paid in equal shares. The annuity for children is not subject to DIC offset.

C. Spouse and Child or Former Spouse and Child. The annuity is paid to the spouse or former spouse as long as eligibility exists. If the surviving spouse or former spouse dies, remarries before age 55, or otherwise loses eligibility, the annuity is paid to the child annuitants. An election for the former spouse and child includes only the children that resulted from the member/former spouse marriage. The annuity amount for the spouse or former spouse is shown on Table 46-l. The annuity for children is divided into equal shares. If the spouse is not married to the member for one year prior to the member's death, the spouse qualifies as the eligible annuitant on the birth of a posthumous child resulting from the member's marriage.

D. Natural Person With an Insurable Interest. The annuity is payable only to the natural person with an insurable interest as designated by, or on behalf of, the member. The

annuity amount is 55 percent of the member's gross retired pay less the SBP premium cost at the time of member's death.

*460104. Payment of Annuity

A. Payments in General. The SBP annuity is paid monthly to the eligible annuitant. The SBP payment is effective the first day after the death of a member unless death occurs on the 30th day of a 31-day month. In that case, the annuity starts on the first day of the next month. Annuity payments end effective the last day of the month before the month in which the annuitant becomes ineligible.

* 1. Payments subject to offset:

a. When the payment of premiums is in arrears, no annuity may be paid until that debt with interest accrued has been recovered. See subparagraph 461301.C. No interest will accrue until the annuitant has been provided with due process notice in accordance with Chapter 28, Section 2805 or other implementing regulations pertaining to debt collection found elsewhere in this regulation to include the amount of the debt and the method in which debt may be liquidated. Thereafter, interest accumulates on any unpaid balance at the rate established by the Department of Defense (DoD) Board of Actuaries until the full amount has been repaid.

b. Debts to the United States or any of its instrumentalities incurred by the annuitant may be offset from the annuity.

2. Debts of a deceased member, other than for delinquent premiums, are not the responsibility of the annuitant and may not be offset involuntarily against the annuity.

3. The annuity is neither assignable nor subject to execution, levy, attachment, or garnishment (except for alimony or child support).

4. If the Secretary of the Military Department (Secretary) concerned determines that a participating member is presumed dead, the annuity accrues from the first day after retired or retainer pay was suspended or would have been suspended had the member been in receipt of pay on the basis that the member is missing.

* 5. Do not mail checks to an annuitant living in a currency-blocked country. See ***31 CFR 211.1*** for specific conditions for withholding the delivery of checks to addresses outside the United States.

B. Third Party Payees

1. Trustees in Bankruptcy. The annuity may be paid of behalf on an annuitant to a trustee in bankruptcy pursuant to the order of the bankruptcy court in a proceeding under ***Chapter 13*** of the Bankruptcy Code since such proceeding is voluntary.

2. Incapacitated Annuitants. An annuity may be paid to a third party on behalf of an incapacitated annuitant only if the third party has been appointed as guardian, custodian, or other fiduciary pursuant to the state court order or has been designated a representative payee under subparagraph 460103.C. Otherwise, the annuity may be paid only to the annuitant unless the annuitant has been determined to be incompetent of managing his or her own affairs by a state court, physician, or psychologist. If the annuity cannot be paid directly to the annuitant or to a third party, amounts will remain unpaid and credited on account until the annuitant is determined to be competent or until a third party has been properly appointed to receive the annuity on behalf of the annuitant. The annuity payment will still be treated as income to the annuitant. Regardless of whether the Representative Payee is a trustee, an Internal Revenue Service (IRS) Form 1099 (Miscellaneous Income) will be issued in the annuitant's name. See paragraph 461301.

3. Power of Attorney. An eligible survivor who is physically or mentally incapacitated (but who has not been determined to be mentally incompetent by a state court, physician, or psychologist) may accept assistance from a person holding a power of attorney in completing (including the signature element) and filing the annuity application form. Benefit payments based on an annuity application signed by the person holding the power of attorney must be made payable directly to the annuitant.

4. Minor Child Annuitants. An annuity for a minor child is paid to the legal guardian or, if there is no legal guardian, to the natural parent who has care, custody, and control of the child as the custodian, or to a representative payee of the child. An annuity may be paid directly to the child when the child is considered to be of majority age under the law in the state of residence. The child is considered an adult for annuity purposes and a custodian or legal fiduciary is not required. See Volume 7B, Appendix H for age of majority by state.

5. Surety Bonds. In cases where it appears necessary to protect the annuitant, the Secretary concerned may require a person receiving payments on behalf of the annuitant to provide a surety bond in an amount sufficient to protect the interests of the annuitant. The payee may pay for such bond(s) out of the SBP annuity. This is part of the periodic financial accounting by the payee. The Secretary concerned will determine the amount necessary in the surety bond(s) based on the amount of the SBP annuity payable. A surety bond ordinarily will not be required if the payee is a close family member or a government or financial institution.

6. Accounting. Any person receiving payment on behalf of the annuitant, except as stated below, shall be required to maintain and, upon request by the Secretary concerned, provide a periodic accounting of expenditures and investments of amounts paid to the payee. If the payee is a close family member or a government or financial institution, a periodic accounting will not be required, but may be requested. In situations where a periodic accounting is required, it ordinarily will be submitted annually, unless the Secretary concerned determines that a more frequent submission is required.

a. Final financial reporting will be required upon the loss of the beneficiary's eligibility, a change of representative payee, or the determination later that an annuitant is competent to manage their financial affairs.

b. Major expenditures (i.e., those in excess of $1,000 or the value of the annuity for 1 year, whichever is less) from the payee's bank account for the annuitant require prior written approval by the Secretary concerned.

c. If the Secretary concerned has evidence to suggest that the annuity funds have been or are being misused by the payee, the annuity may be suspended. An investigation will be conducted to determine if a new payee should be appointed or if payments may be resumed to the payee.

C. Representative Payee. The SBP annuity due a minor, mentally incompetent, or otherwise legally disabled person for whom a guardian or other fiduciary has not been appointed may be paid to a representative payee who, in the judgment of the Secretary concerned is responsible for the care of the annuitant. The representative payee is required to spend or invest the amount paid on behalf of the annuitant solely for the benefit of the annuitant. The representative payee must certify that SBP payments received on the annuitant's behalf are used for the annuitant's benefit.

1. An annuitant is determined to be incompetent if the Secretary concerned receives an actual determination of incompetency made either by a state court or by a physician or psychologist. A representative payee will not be established solely on the basis of a letter request from a third party that an annuitant is incapable of handling financial affairs. The annuitant will be notified of actions being taken to make a determination of incompetency and will be provided an opportunity to review the evidence being considered. The annuitant also will have the opportunity to submit additional evidence before a determination is made.

2. If a court order provides for payment of a fee to the representative payee, or if the Secretary concerned determines that payment of a fee is necessary in order to obtain the fiduciary services of a representative payee, a monthly fee will be allowed. In such circumstances, a fee of 4 percent of the monthly SBP annuity will be allowed, unless a court order dictates a lesser fee. In the case of a spouse or former spouse annuitant, the fee will be no more than 4 percent of the adjusted annuity (gross annuity less any DIC offset). Any court order that provides for a fee in excess of 4 percent shall be limited to 4 percent. The representative payee will be notified of the fee percentage allowed. The fee is not a separate payment mailed to a representative payee, but can be withheld by the representative payee from the monthly annuity payment. The fee is part of the periodic financial accounting by the representative payee.

3. The selection of a representative payee will be made on the basis of the individual annuitant's circumstances. Generally, the order of preference for appointing a representative payee is the:

a. Spouse,

b. Son or daughter or legally adopted son or daughter,

c. Brother or sister,

d. Parents,

e. Head of Federal or state institution,

f. Trustee of a private trust,

g. Any other individual whose appointment appears to be in the best interest of the annuitant. NOTE: If more than one person or institution requests to be named the representative payee of the annuitant, the Secretary of the Military Department concerned shall determine which applicant is a more appropriate payee.

4. In addition to SBP annuity payments (including payments to Minimum Income Widows covered under Section 4614), annuity payments under Uniformed Services Contingency Option Act Retired Serviceman Family Protection Plan (RSFPP), and Reserve Component SBP (RCSBP) also may be made to a representative payee.

5. The representative payee will be required to submit Reports of Existence and Certificates of Continued Eligibility as specified in Section 4611 or 4612.

6. An annuity paid to a person on behalf of the annuitant in accordance with these provisions discharges the obligation of the United States for the payment to the annuitant of the amount of the annuity paid.

D. Rounding. Monthly annuities, if not a whole dollar, shall be rounded to the next lower whole dollar (for example, if a monthly annuity is calculated to be $500.99 the annuity paid will be $500).

E. Cost of Living Adjustments

1. Normally, SBP annuities increase at the same time and by the same percentage that retired pay increases. Exception: When the payment of increased retired pay due to a cost-of-living adjustment is delayed by law, the increased annuity due to a cost-of-living adjustment is not delayed. The cost-of-living adjustment applies to the monthly gross annuity amount before any reductions, such as DIC.

2. See subparagraph 461402.A regarding cost-of-living adjustments for the minimum income widow annuity.

460105. Provisional Annuity Payments

A. In cases involving delayed receipt of an annuity application, the Director, Retired and Annuitant Pay Operations, Defense Finance and Accounting Service – Cleveland

(DFAS-CL) may authorize provisional annuity payments for 2 consecutive months, provided that all of the following conditions have been met:

1. The Military Service verifies that the member is deceased, and

2. The annuitant has been contacted, and

3. The SBP election confirms the beneficiary's identity and eligibility, and

4. The Military Service verifies school attendance for a dependent child annuitants age 18 to 22.

B. Upon receipt of the annuity application, there will be an adjustment for the difference between the actual annuity entitlement due and the provisional annuity payments made.

C. Annuity payments will be suspended if a completed annuity application is not received within 60 days of the first provisional payment.

4602 DEATH OF MEMBER ON ACTIVE DUTY

460201. Active Duty Deaths

A. SBP Benefits. SBP benefits under this section may be payable as provided in section 4601 for:

1. A member who dies while on active duty after:

a. becoming eligible to receive retired pay; or

b. qualifying for retired pay, except that the member has not applied for or been granted that pay; or

c. completing 20 years of service but before the member is eligible to retire as a commissioned officer, because the member has not completed 10 years of active commissioned or service; or

2. A member who dies on active in the line of duty on or after September 10, 2001. Active duty includes members on active duty for annual training. Reserve members on active duty are included whether or not their orders specify a period of more than 30 days. Limited benefits may be payable under this section when the death is not in the line of duty in the case of a member who is eligible to receive retired pay prior to the date of death.

B. Death in the Line of Duty. If the member was on active duty at the time of death and death is in the line of duty, the death qualifies for SBP benefits under this section.

C. Death is Not in the Line of Duty

1. If the member was on active duty and retirement eligible at the time of death, as described in paragraph 460201 and death is not in the line of duty, the SBP base amount is equal to the retired pay. The retired pay is computed as if the member were retired for length of service under applicable law of the respective service of the deceased member.

2. If the member was not on active duty, or was on active duty but not eligible for retired pay and death is not in the line of duty, the member's death does not qualify for SBP benefits.

460202. Qualified Annuitants

The annuity payment will be made based on the following priority:

A. Former Spouse Based on the Court Order. The annuity is payable to a former spouse if the member is required by a court order or spousal agreement or has made an election to provide such coverage. If there are multiple court orders for former spouse elections, the court order with the earliest date will take precedence.

B. Current Spouse. The annuity is payable to a surviving spouse unless the annuity is payable to a former spouse.

C. Children. The annuity is payable to the dependent children of the member when:

1. There is no eligible former spouse and either there is no eligible surviving spouse or the surviving spouse later dies; or

2. For a member who dies on or after October 7, 2001, the Secretary of the military department concerned, in consultation with the surviving spouse, determines it appropriate to provide an annuity for the dependent children instead of paying an annuity to the surviving spouse.

D. Insurable Interest Deemed Election. If no annuity is payable under subparagraphs 460202.A, 460202.B, or 460202.C, the Secretary concerned may pay an annuity to a natural person with an insurable interest in the member, if the person is a dependent of the member as defined in ***10 U.S.C. 1072(2)***.

460203. Annuity Amount

The annuity is computed with a base amount equal to the amount of retired pay that would have been paid to the member had the member been retired on the date of death, as follows:

A. Qualified Death in the Line of Duty. The SBP base amount is equal to the retired pay as if the member retired with a total (100 percent) disability which is equal to 75 percent of the appropriate retired pay base. The annuity is computed at 55 percent of the SBP base amount. For members of the Reserve Components who die while serving on active duty, the retired pay base will be computed as if the member had been entitled to basic pay for the 36 months preceding retirement or the entire period the member was a member of a uniformed service (if less than 36 months), regardless of whether the member served the entire period on active duty.

B. Qualified Death Not in the Line of Duty. The SBP base amount will be computed as if the member retired for length of service based on the final basic pay or high-36 average as applicable. However, for members who elected to receive the Career Status Bonus (see Volume 7A, Chapter 66, Section 6601), the SBP base will be computed using the Reduced Retirement (REDUX) method with the prescribed reduced cost-of-living adjustment. The annuity is computed at 55 percent of the SBP base amount.

C. Insurable Interest Deemed Election. If an annuity is payable pursuant to subparagraph 460202.D., the SBP base amount is equal to the retired pay computed as if the member retired with a total (100 percent) disability, which is equal to 75 percent of the appropriate retired pay base, less the cost of participation. The annuity is computed at 55 percent of the SBP base amount.

460204. Line of duty Determination

A. Purpose. For the purpose of determining eligibility for SBP benefits, a member's death will generally be considered to have occurred in the line of duty unless the death:

1. Occurred while the member was not serving on active duty;

2. Was the result of the member's own intentional misconduct or willful negligence; or

3. Occurred during a period of unauthorized absence.

B. Investigation to Determine the Cause of Death. The military services will conduct an investigation and make a written finding as to whether a member's death was in the line of duty while the member was on active duty. The written finding must describe the circumstances under which the member died, and it must also address whether the death was caused by the member's own intentional misconduct or willful negligence, or whether the death occurred during a period of unauthorized absence.

460205. Responsibilities

A. Military Services. The Military Services must review the death of each member who died on active duty to ascertain whether the death was in the line of duty and

whether there are any qualified survivors entitled to an SBP annuity. The Military Services will inform DFAS-CL Site of their line of duty determinations using the DD Form 1300, "Report of Casualty"; Block 10 of the DD Form 261, "Report of Investigation Line of Duty and Misconduct Status"; or any other form authorized under individual Service regulations. All line of duty determinations, however, must be supported by a written finding which describes the circumstances of death that support the line of duty determination.

B. DFAS-CL Site. DFAS-CL Site does not require a copy of the written finding, only an official communication from the Military Service to indicate the Military Service's determination that death is in the line of duty, i.e., "YES" or "NO." Once DFAS-CL Site receives the determination, DFAS-CL Site will compute and pay SBP annuities to qualified survivors for qualified deaths.

4603 INACTIVE-DUTY TRAINING DEATH

460301. Entitlement

A Reserve Component member who dies from injuries or illness incurred or aggravated while performing inactive-duty training and death is determined to have occurred in the line of duty is entitled to coverage under the SBP program.

A. Death in the Line of Duty. Qualified survivors of a member who is not retirement eligible and dies from injuries or illness incurred or aggravated while performing inactive-duty training and death is determined to be in the line of duty, may be eligible for SBP benefits.

B. Death Not in the Line of Duty. The death of a Reserve Component member who is not retirement eligible and whose death is determined to have occurred "not in the line of duty" does not qualify under this section.

460302. Qualified Annuitants

The annuity payment will be made based on the following priority:

A. Former Spouse by Court Order. The annuity is payable to the former spouse if the member was required under a court order or spousal agreement to provide an annuity to the former spouse upon becoming eligible to participate in the RCSBP or if the member has made an election to provide an annuity to the former spouse.

B. Current Spouse. The annuity is payable to the current surviving spouse unless the annuity is payable to the former spouse.

C. Children. The annuity is payable to children of a member when the former spouse is not eligible, and either there is no surviving spouse or the surviving spouse later dies. The children are not qualified annuitants if a surviving spouse loses entitlement to an annuity for a reason other than death, see Chapter 44, Section 4401.

460303. Annuity Amount

The annuity payable for a death that occurred while performing inactive-duty training under this section shall be the amount equal to 55 percent of the retired pay to which the member would have been entitled based on the member's years of service at the time of death. Retired pay base computed for a Reserve Component retirement includes points for drills and other time.

460304. Line of duty Determination

For the purpose of determining eligibility for SBP benefits, a service member's death will be generally considered being in the line of duty unless:

A. The death occurred while the member was not serving on inactive-duty training;

B. The death was the result of the member's own intentional misconduct or willful negligence; or

C. The death occurred from injuries or illness incurred or aggravated during a period of unauthorized absence.

460305. Responsibilities

The Military Services will make a determination and a written finding as to whether a member's death occurred in the line of duty from injuries or illness incurred or aggravated while performing inactive-duty. A written finding must describe the circumstances under which the member died, and it must also address whether the death was caused by the member's own intentional misconduct or willful negligence. Once DFAS-CL Site receives the determination, DFAS-CL Site will compute and pay the annuity to qualified survivors.

4604 DEPENDENCY AND INDEMNITY COMPENSATION (DIC) OFFSETS AND SPECIAL SURVIVOR INDEMNITY ALLOWANCE (SSIA)

460401. When Required

The gross SBP annuity payable to a surviving spouse must be offset by an award of DIC, unless the eligible surviving spouse remarries after age 57, and thereby, retains entitlement to DIC. A surviving spouse who receives DIC due to remarriage after age 57 becomes entitled to the full SBP annuity unreduced by DIC, as well as the full DIC entitlement.

*460402. DIC Offset

The Department of Veterans Affairs (VA) determines entitlement to and the amount of the DIC award. DIC rates are listed in Appendix L. DIC rates were based on pay grade of member until January 1, 1993. Effective January 1, 1993, DIC is payable at a flat rate, with the cost-of-living adjusted. The survivors of members who died before January 1, 1993 continue to

receive DIC rates based on pay grade if it exceeds the flat rate. The award is effective the first day of the month in which the retiree dies. The DIC payment begins on the first day of the month after the effective date of the award. Except as provided in subparagraph 460402.C, the SBP annuity is reduced by the amount of the DIC as of the date on which the DIC payment begins. The DIC offset if applicable, equals the actual DIC payment the spouse receives, and it increases each time DIC rates increase. For offset purposes, the DIC entitlement does not include any amount attributable to child entitlement or aid and attendance. Payment of the SBP annuity is not withheld or delayed pending verification of the DIC award if the annuitant signs a statement authorizing the VA to collect any overpayment that results from the overlap of the DIC and SBP payments.

A. Premium Refund Due to DIC Award

1. Partial Refund. When an annuity is reduced due to DIC entitlement, a refund of SBP premiums is made based on the difference between the actual premiums paid and the premiums that would have been needed to provide the annuity payable after the DIC reduction. If DIC entitlement is lost due to remarriage of the surviving spouse after age 55, but prior to age 57, SBP may be reinstated. See subparagraph 460402.C.

2. Full Refund. When DIC is equal to or greater than the annuity, the SBP annuity ends permanently, except under the conditions shown in subparagraph 460402.C. The SBP premium is refunded after any annuity debt is liquidated. If the annuitant dies before a refund of SBP premium is made, the refund shall be made to the annuitant's beneficiaries in the order of precedence. See Chapter 30, subparagraph 300104.A, for further information.

3. Supplement Survivor Benefit Plan (SSBP). SSBP premiums are not refunded.

B. Sample Computation of Refund. See Tables 46-2, 46-3, and 46-4 for a sample computation of a refund.

C. Reinstatement of SBP Annuity Upon Loss of Entitlement to DIC Because of Remarriage Between Ages 55 and 57

1. If the spouse whose SBP annuity entitlement was adjusted under subparagraph 460402.A subsequently loses entitlement to DIC because of remarriage occurring on or after the beneficiary's 55 birthday, but before age 57, the annuity is reinstated under conditions specified in subparagraph 460402.C.2 on the effective date of the loss of DIC entitlement. The annuity is adjusted to reflect all authorized cost-of-living adjustments.

* 2. The surviving spouse who loses entitlement to DIC must repay all amounts refunded under subparagraphs 460402.A.1. and 2., in either a lump sum or installments. If the repayment is in installments, the installment payments are deducted from the SBP annuity payable. The installment will be 50 percent of the DIC amount or 50 percent of the gross annuity, whichever is less. When annuity is increased by cost-of-living adjustment, the

same percentage increase will be applied to the installment deduction. No interest will accrue until the annuitant has been provided with due process notice in accordance with Chapter 28, Section 2805 or other implementing regulation pertaining to debt collection found elsewhere in this regulation to include the amount of the debt and the method in which debt may be liquidated. Thereafter, interest accumulates on any unpaid balance at the rate established by the Department of Defense (DoD) Board of Actuaries, until the full amount has been repaid. Thus, the remaining debt on the date of each installment deduction will be increased by a factor established by the DoD Board of Actuaries. This is based on the 12th root of 1 plus the current annual interest rate used by the DoD Board of Actuaries to determine the retirement accrual cost. Contact via email at ***http://actuary.defense.gov/*** at the "Other Points of Contact" section and select SPB.

D. Late Award of DIC. When a claim for DIC is not filed within 1 year after the member's death, and the spouse received an SBP annuity, no cost refund is made when DIC is later awarded. The effective date of the reduced annuity is the date that the VA received the claim.

E. Special Survivor Indemnity Allowance (SSIA). A surviving spouse who is receiving DIC and who is not collecting the full amount of SBP due to receipt of DIC may be entitled to an SSIA. SSIA is a separate fixed monthly entitlement, but may not exceed the amount of the annuity in any month that is subject to offset by the DIC. Receipt of the SSIA is conditioned upon the requirements enumerated in the law.

460403. Social Security Offset

Effective April 1, 2008, the Social Security Offset Method was eliminated permanently for all annuitants.

4605 CAUSES OF OVERPAYMENTS AND SUSPENSION OF PAYMENT

460501. General Causes of Overpayment

Generally, SBP annuity overpayments are caused by:

A. Failure to reduce an annuity by the amount of DIC,

B. Non-termination of annuity because of ineligibility,

C. Erroneous computation,

D. Insufficient or untimely information, or

E. A determination by the Secretary of the Military Department concerned (or designee) that a participating member is alive after the Secretary concerned previously determined that the member was presumed dead.

*460502. General Reasons for Suspension of Payment

Generally, payments are suspended for:

A. Non-receipt of certificate of eligibility or report of existence;

B. Non-receipt of verification of school attendance;

C. An annuitant will not receive annuity payments while there are still premiums owed on the SBP account. Once all premiums that are owed have been recouped, payment of the annuity will commence/recommence;

D. Adjustment of the annuity due to administrative error, and/or,

E. An incapacitated child over age 18 becomes independently capable of earning amounts sufficient for his or her own particular personal needs through substantial and sustainable gainful employment. Once suspended, payments can be reinstated. See paragraph 461002.

4606 LIABILITY

460601. Overview

The annuitant is liable for debts created from the overpayment of an annuity. The member is liable for any indebtedness created because annuity payments were made based on the presumption of such member's death. The member's indebtedness cannot be considered for waiver under ***10 U.S.C. 2774*** or ***10 U.S.C. 1453***. If the member dies before such payments are fully recovered, the annuitant may be liable for the indebtedness if such annuitant was the recipient of the annuity payments made under the presumption of death. (See Chapter 28, Table 28-1 for the collection of member's indebtedness.).

*460602. Frequency of Certification

A. Annually. A Certificate of Eligibility must be submitted annually for a spouse or former spouse annuitant under age 55, custodian, or legal fiduciary for a minor child. After the spouse/former spouse has reached age 55 the certificate is no longer required.

B. Biennially. A medical certification must be submitted to the DFAS-CL Site every 2 years for an incapacitated child over 18 years of age, unless medical prognosis indicates the disability is permanent.

C. Other. A student between the ages of 18 and 22 must submit evidence of intent to continue study or training at a recognized educational institution. The certificate is required for the school semester or other period in which the school year is divided.

1. A payment to a student continues during any interval between school years that does not exceed 150 days if the student demonstrates, to the satisfaction of the DFAS-CL Site, that he or she has a bona fide intention of resuming or continuing a full-time course of study or training in a recognized educational institution immediately after that interval.

2. An eligible student annuitant under SBP properly enrolled in a recognized educational institution employing the usual quarter or semester system, who becomes ill or requires non-elective surgery during the school term, retains his or her student status for the rest of that term.

4607 LIQUIDATION OF DEBT

*460701. Debt Liquidation

Upon discovery of an overpayment, provide the annuitant with due process notice in accordance with Chapter 28, Section 2805 or other implementing regulations pertaining to debt collection found elsewhere in this regulation including the amount of the debt and the method in which the overpayment is being, or may be, liquidated.

460702. Direct Remittance

The annuitant may liquidate the overpayment by making direct remittance to the DFAS-CL Site.

460703. Reduce DIC

The VA may reduce DIC and remit the amount collected to the DFAS-CL Site.

460704. Reduce SBP Annuity

The DFAS-CL Site may reduce later SBP annuity payments.

4608 WAIVER OF INDEBTEDNESS

460801. Request a Waiver of Indebtedness

When applicable, the DFAS-CL Site advises the annuitant of the right to request a waiver of indebtedness. The right to request a waiver does not constitute removal of the responsibility for repayment of the debt. If a waiver request is granted, repayment of the debt is not required.

460802. Receipt of Waiver Request

Suspension of collection action may be authorized upon receipt of a waiver request. Refund of an amount withheld before receipt of a request for a waiver is not authorized. When a waiver is granted, any amount collected after the receipt of the waiver request is refunded to the annuitant.

4609 TERMINATION OF ANNUITY

460901. Time of Termination

Entitlement to an SBP annuity terminates effective as of the first day of the month in which eligibility is lost. If a determination is made by the Secretary of the Military Department concerned (or designee) that a participating member is alive after the Secretary concerned previously determined that the member was presumed dead, the annuity is terminated immediately since no entitlement exists.

460902. Reasons for Termination

Terminate the SBP annuity when:

A. DIC equals or exceeds an SBP annuity that is subject to offset. No annuity is paid to children when the SBP annuity is no longer payable due to DIC, although the member had also provided coverage for children.

B. Spouse or former spouse (spouse category) annuitant remarries before age 55 or dies. If the member also provided coverage for children, the full annuity is payable, in equal shares, to the remaining eligible dependent children effective on the first of the month in which the spouse or former spouse dies or remarries.

C. Child or children annuitants lose eligibility because of:

1. Child's attaining age 18 and not pursuing a full-time course of study.

2. Marriage or death of child annuitant.

3. An incapacitated child over age 18 becomes independently capable of earning amounts sufficient for his or her own particular personal needs through substantial and sustainable gainful employment. This termination is not automatic; an annuitant will be given an opportunity to submit rebutting evidence. This annuity may be reinstated; see paragraph 460902.

4. Termination of student status (child over age 18 and under age 22). If the student reaches age 22 before July 1 or after August 31 of a calendar year, the child's annuity terminates on the first of July after the 22 birthday. If a student reaches age 22 between July 1 and August 31 (inclusive) of a calendar year, the student loses eligibility and the annuity terminates on the first day of the month in which the age of 22 was reached.

5. Reinstatement of a spouse or former spouse (spouse category) annuity following divorce or annulment.

D. A natural person with an insurable interest dies. The termination is final. There are no provisions for designating a contingent survivor annuitant.

E. A determination by the Secretary of the Military Department concerned (or designee) that a participating member is alive after the Secretary concerned previously determined that the member was presumed dead.

460903. Death of Annuitant

For the payment of any unpaid annuity amounts, see Chapter 31, Section 3101.

4610 REINSTATEMENT OF ANNUITY

461001. Reinstatement of Spousal Annuity

A. Remarriage Before Age 55 that is Terminated by Death of Spouse. Reinstate the annuity effective the first day of the month in which the death occurs. If annuity entitlement from the terminated marriage exists, the spouse or former spouse (may not receive both annuities but must elect the one desired. If the spouse or former spouse elects to receive the annuity which had formerly been terminated, update the annuity by any cost-of-living increases which occurred after termination.

B. Remarriage Terminated by Divorce or Annulment. Reinstate the SBP annuity effective the first day of the month in which the marriage terminated by divorce or annulment. Legal review is appropriate if discrepant information or annotations result in doubt or if divorce or annulment was granted by a court in a foreign country.

C. Loss of DIC Entitlement Because of Remarriage Between Ages 55 and 57. The annuity is reinstated effective as of the date of the loss of the DIC entitlement, adjusted to reflect all cost-of-living adjustments. See subparagraph 460402.C.

461002. Reinstatement of Child Annuity

A. Reinstatement of Annuity to Incapacitated Annuitant. An annuity to an incapacitated child over 18 years of age may be reinstated upon the recurrence of the original disability rendering the annuitant incapable of self-support, or if the annuitant furnishes evidence that, although engaged in substantial and sustainable gainful employment, wages are not sufficient to cover his or her particular personal needs.

B. Child Resumes School Attendance. The child's eligibility for an annuity which is terminated for school nonattendance is reinstated effective the first day of the month that the child resumes school attendance.

C. Child's Marriage Terminated by Annulment. An annulment of a child's marriage which renders the marriage void or invalid, or by a judicial decree by a court of competent jurisdiction declaring the marriage void, would serve as a basis for reinstating a child's eligibility for annuity prospectively from the date of the judicial decree. The termination of a child's marriage by death or divorce does not serve as a basis for reinstatement of annuity eligibility.

4611 CERTIFICATIONS OF ELIGIBILITY

461101. Purpose

The certificate validates continued eligibility of annuitants, whether eligible spouse, former spouse or children. The spouse, former spouse, and the child must meet eligibility requirements in Chapter 44, Section 4402.

461102. Failure to Furnish Certificate

Annuity payments are suspended if the annuitant, custodian, or legal fiduciary fails to furnish the certificate as required. Payments are restarted only after receiving satisfactory proof of eligibility.

461103. Method of Completing Certifications

The annuitant as identified in paragraph 460102 may submit the required certification in writing or by electronic signature via ***MyPay***. A valid electronic signature must include the annuitant's Social Security number and personal identification number. If annuity payments are made to a representative payee or other third party on behalf of the annuitant, the third party may submit the required certification by electronic signature via MyPay, but the annuitant's name must also accompany the electronic signature. An electronic signature is not authorized for medical certifications or intent to attend school.

4612 REPORT OF EXISTENCE (ROE)

461201. Purpose

The ROE fulfills the requirement for:

A. An annuitant who receives payment through foreign postal channels.

NOTE: The ROE is not required when the payment is addressed to a United States Consulate, American Embassy, military attaché, or FPO or APO address.

B. A mentally incompetent annuitant who receives payments through either a court-ordered legal representative or representative payee.

461202. Frequency

The ROE is required on a semiannual basis for an annuitant described in paragraph 461201. Receipt of the certificate semiannually verifies the annuitant's existence. Under no circumstances may the ROE be signed by other than the annuitant, custodian, or legal fiduciary; however, an electronic signature is authorized via MyPay. A valid electronic signature must include the annuitant's Social Security Number and personal identification number. If annuity payments are made to a representative payee or other third party on behalf of the annuitant, the

third party may submit the required certification by electronic signature via MyPay, but the annuitant's name must also accompany the electronic signature.

461203. Failure to Return Report of Existence

Annuity payments are suspended if the annuitant, custodian, or legal fiduciary fails to return the ROE as required. Payments are resumed only after receiving satisfactory proof of existence.

4613 TAXABILITY OF ANNUITIES

*461301. Taxability of SBP Annuity Payments

SBP annuity payments are taxable for Federal income tax purposes. See ***Internal Revenue Manual (IRM) 3.21.3.71.12*** for exceptions. In the case of a representative payee receiving an annuity payment on behalf of an annuitant, the income is attributable to the annuitant and an IRS Form 1099 will be issued in the annuitant's name.

461302. Taxability of SBP Cost Refunds

A refund of SBP costs (i.e., SBP premiums, resulting from an administrative error, correction of records, or awarding of DIC may or may not be taxable income to the member or the annuitant. The taxability of an SBP cost refund depends on the source from which it is made, as discussed in this section (also see Table 46-3). The SBP cost refund:

A. Constitutes taxable gross income to the retired member or the annuitant when it includes premium deductions taken from the retired member's taxable retired pay in order to pay for the cost of SBP coverage.

B. Does not constitute taxable gross income to the retired member or the annuitant when it is made from the retired member's direct remittance payments (by check or electronic mechanism, i.e., Pay.gov or Electronic Fund Transfer) to pay for the cost of SBP coverage, and

C. Does not constitute taxable gross income to the retired member or the annuitant when it is made from the retired member's VA disability compensation or by deduction from nontaxable military disability retired pay.

461303. Federal Income Tax Withholding (FITW)

A. Monthly or Periodic Payments. Monthly or periodic SBP annuity payments are treated as income for FITW purposes. An annuitant, however, may elect no withholding of Federal income tax. In the absence of an annuitant election, or if the annuitant does not otherwise submit a withholding certificate, the DFAS-CL Site will withhold on the basis of "married, three exemptions." The annuitant may use TD Form W-4P (Withholding Certificate for Pension and Annuity Payments) or any substitute form furnished by DFAS.

B. Notice Requirements. The DFAS-CL Site must advise the annuitant of the withholding requirement, as well as the right to elect that no tax be withheld, when making the first monthly or periodic payment to the annuitant. Thereafter, the DFAS-CL Site must provide annual notice to the annuitant of the right to elect no withholding, to revoke an election, or to submit a new withholding certificate. An annuitant also may submit a withholding certificate at any time to elect no withholding, revoke an election, or request any rate of withholding.

C. Lump-Sum (One-Time) or Nonperiodic Distribution Payments.

1. SBP Cost Refunds. An SBP cost refund is a refund of premiums rather than a distribution of benefits. As a nonperiodic distribution, an SBP cost refund is subject to FITW at the rate of 10 percent. The annuitant, however, may elect no withholding of FITW. The annuitant has the right to make an FITW election for this refund separately from any election already in operation for all other SBP annuity payments.

2. Other. Retroactive SBP annuity payments paid in a lump sum constitute periodic distributions and are subject to the tax withholding rules of subparagraph 461403.A. Likewise, if the lump sum payment of an SBP annuity is the result of administrative error or delay in the start of an annuity, the payment is treated as a periodic payment subject to the withholding rules of subparagraph 461303.A.

461304. Income Exclusion

A. Consideration for Contract. The SBP annuitant is entitled to an income exclusion when, upon death of the participant member, the "consideration for contract" has been excluded in whole from the member's gross income. The member's survivor receiving the annuity may exclude from gross income such annuity payments received until the total exclusion equals the portion of the "consideration of contract" not previously excluded from the member's taxable income. The DFAS-CL Site will accomplish the applicable direct reduction in taxable income for the annuitant and report the residual amount as taxable income on the annuitant's IRS Form 1099-R (Distributions From Pensions, Annuities, Retirement or Profit Sharing Plans, IRAs, Insurance Contracts, etc.). Contact the IRS for further assistance.

Example: When a member died, $1,000 of the total "consideration for contract" had not yet been excluded from the member's nondisability retired pay. DFAS-CL Site would report the taxable annuity less $1,000, and this reported residual amount would be used by the surviving spouse in his or her income-tax computation for the calendar year.

B. Direct-Cost Payments. The tax-free benefit on SBP premiums is not available to members who waived military retired pay to receive disability compensation from the VA (see Chapter 12, Section 1202). Instead, upon the member's death, the annuity paid to the member's survivor will be exempt from Federal income tax until the amount excluded equals the total of the member's direct cost payments.

461305. Amount of Annuity Subject To Federal Estate Tax

The value of the annuity at the time of the member's death may be subject to Federal estate tax if any portion of the cost was paid by direct remittance, or if the value of the annuity exceeds the amount that may be excluded from the gross estate. DFAS-CL Site may furnish the annuitant the current annuity amount and/or a summary of annual payments, and total cost paid (separate totals for deductions and direct remittances). For a computation of the amount of an annuity that will be subject to the tax, if any, the executor of the member's estate can contact the IRS for further assistance.

461306. State Taxation

The IRS Form 1099-R information is furnished to the appropriate state tax authority regardless of whether SBP annuities are subject to state inheritance or income tax. The method of calculating such tax depends upon the laws of the state concerned.

4614 MINIMUM INCOME WIDOW/SURVIVING SPOUSE

461401. Eligibility Criteria

An annuity under the minimum income widow/surviving spouse provision of the SBP law (see Chapter 42, paragraph 420102) is payable to surviving spouses who meet all of the following conditions:

A. The surviving spouse is not otherwise entitled to an annuity under other provisions of the SBP or to DIC from the VA.

B. The surviving spouse is eligible for a widow's non-service-connected death pension from the VA.

C. The surviving spouse has annual income from all sources (including amount of RSFPP annuity entitlement, but excluding the amount of VA pension), as determined by the VA, that is less than the annual income rate in Appendix R. If the surviving spouse previously was denied an annuity because of income in excess of income limitations, entitlement may exist upon notice from the widow or from the VA that his or her current yearly income, as determined by the VA, is less than the income limitation.

D. The surviving spouse is a person who, on September 21, 1972, was – or during the period beginning on September 22, 1972, and ending on March 20, 1974, became – a surviving spouse of a person who was entitled to retired or retainer pay when he or she died. Remarriage by the surviving spouse bars entitlement to an annuity under this provision of law unless the remarriage is terminated by an annulment. If there are questions as to whether an annuity should be reinstated after an annulment, refer the matter to the appropriate legal office.

NOTE: DD Form 1885 (Survivor Benefit Plan – Minimum Income Claim) and DD Form 1895 (Request for Veterans Administration Pension and Annual Income Information) are used in administering the minimum income widow annuity.

461402. Amount of Annuity

The maximum annuity payable is shown in Appendix R. The VA determines the yearly entitlement and advises DFAS-CL Site. This amount is prorated by the DFAS-CL Site and is paid on a monthly basis.

A. The amount of the annuity is neither rounded nor increased to reflect retired pay cost-of-living adjustments; however, the annual income rates (Appendix R) shall be increased by the same amount and shall have the same effective date whenever there is an increase in the limitation on annual income for the purposes of eligibility for pension benefits.

B. The annuity is subject to Federal income tax.

C. The annuity is neither assignable nor subject to execution, levy, attachment, or garnishment (except for alimony or child support).

461403. Effective Date of Entitlement

The effective date of entitlement is the date on which the requirements of law are met, subject to the 6-year statute of limitations.

461404. Annuitant, Mentally or Physically Incapacitated

A. If, for any reason, a minimum income surviving spouse is mentally or physically incapable of applying for or negotiating the payment of the annuity, a court-appointed guardian may act on his or her behalf. If no guardian has or will be appointed, the person having care, custody, and control of the incapacitated annuitant is authorized to act on his or her behalf.

B. An ROE is required when the annuitant receives payments through foreign postal channels, or through a third party if the annuitant is incapacitated. See Section 4611.

C. The yearly certificate of continued eligibility is not required.

461405. Changes and Termination

Changes in the amount of the annuity payable or termination of the annuity must be in accordance with the effective date of change or termination as shown by the VA. If termination is due to death of the annuitant, entitlement ceases as of the first day of the month in which death occurs. Any amounts which are due and payable at the time of annuitant's death may, upon receipt of a properly executed and documented claim, be paid to the person living on the date of the annuitant's death who is the highest in the order of precedence under, Chapter 30, subparagraph 300104.A.2. See also Chapter 31, paragraph 310103 (Payment of the Arrears).

461406. Reopened Claim

The DFAS-CL Site will reestablish an annuity that has been temporarily suspended because of the excessive income or net worth of the surviving spouse as of the first day of the month in which the surviving spouse meets the income level for an annuity as determined by the VA. Notification of any change in income is the responsibility of the surviving spouse.

461407. Causes of Overpayment

A. The minimum income annuity for the surviving spouse was not timely terminated when his or her annual income exceeded the applicable rates shown in Appendix R.

B. Erroneous computation.

C. Insufficient or untimely information.

461408. Liability

The annuitant is liable for debts caused by overpayment of the annuity. The annuity may not be used as an offset against an indebtedness incurred by the member. The debt may be liquidated by:

A. The annuitant by making direct remittance to the DFAS-CL Site.

B. The annuitant authorizing the VA to reduce the pension and remitting the amount collected to the DFAS-CL Site.

C. The DFAS-CL Site by reducing later annuity payments to minimum income widows.

461409. Waiver of Indebtedness

The request for waiver consideration is handled under the provisions of Section 4608.

Table 46-1. Annuity for Surviving Spouse or Former Spouse

ANNUITY FOR SURVIVING SPOUSE OR FORMER SPOUSE					
RULE	A If member dies or is declared dead	B and	C and the annuitant	D then the annuity is (notes 2 and6)	E and is offset by (note 9)
1	in a retired status	the member elected to participate in the program	was married to member on date of election or on date of retirement and is married to member at time of member's death (note 1)	55 percent of base amount of coverage on date of member's death	Dependency and Indemnity Compensation (DIC).
2		the member elected to participate in the program	was married to member a minimum of 1 year at time of member's death (note 3)		
3		the member elected to participate in the program	is the parent of a "living issue" of the marriage which occurred after the date of retirement (note 4)		
4		the member became eligible and elected to participate on or after September 8, 1982	is the former spouse of a member when member became eligible or the former spouse that a member acquired after becoming eligible to participate and who had been married to member at least 1 year or is the parent of issue of that marriage (note 4)		
5	on active duty	the member's death was found to be in the line of duty	is married to member on member's date of death, or was the former spouse of a member required under a court order or spousal agreement to provide an annuity upon becoming eligible to participate	55 percent of retired pay base to which member would have been entitled had they been retired for a 100% disability on the date of death	DIC.

Table 46-1. Annuity for Surviving Spouse or Former Spouse (Continued)

ANNUITY FOR SURVIVING SPOUSE OR FORMER SPOUSE					
	A	B	C	D	E
RULE	If member dies or is declared dead	and	and the annuitant	then the annuity is (notes 2 and 6)	And is offset by (note 9)
6	on active duty and was entitled to retired or retainer pay, (note 7)	the member's death was found to be NOT in the line of duty	is married to member on member's date of death, or was the former spouse of a member required under a court order or spousal agreement to provide an annuity upon becoming eligible to participate	55 percent of retired pay to which the member would have been entitled at date of death based upon the member's years of active service	DIC.
7	on active duty and qualified for retired pay but had not yet applied for or been granted such pay or after completing 20 years of active service, but before member is able to retire as a commissioned officer because member has less than 10 years of active commissioned service (note 7)	the member's death was found to be NOT in the line of duty	is married to member on member's date of death, or was the former spouse of a member required under a court order or spousal agreement to provide an annuity upon becoming eligible to participate	55 percent of retired pay to which the member would have been entitled at date of death based upon the member's years of active service, in the case of a member who first became a member before September 8, 1980, use the rate of basic pay in effect for the grade in which serving at time of death, unless, as determined by the Secretary concerned, the member would have been entitled to be retired in a higher grade	DIC.

Table 46-1. Annuity for Surviving Spouse or Former Spouse (Continued)

ANNUITY FOR SURVIVING SPOUSE OR FORMER SPOUSE					
RULE	A If member dies or is declared dead	B and	C and the annuitant	D then the annuity is (notes 2and 6)	E and is offset by (note 9)
8	while eligible to provide a Reserve Component annuity but: (a) before being notified of retirement eligibility, or (b) during the 90-day period beginning when member receives notification of retirement eligibility	the member had not made an RCSBP election	is married to member on member's date of death, or was the former spouse of a member required under a court order or spousal agreement to provide an annuity upon becoming eligible to participate	55 percent of retired pay to which the member would have been entitled on the date of death based upon the member's years of creditable service	DIC.
9	before becoming eligible to provide a Reserve Component annuity	the member's death is in the line of duty from injuries or illness incurred or aggravated while performing inactive-duty training (note 10)	is married to member on member's date of death, or was the former spouse of a member required under a court order or spousal agreement to provide an annuity upon becoming eligible to participate		DIC.

Table 46-1. Annuity for Surviving Spouse or Former Spouse (Continued)

ANNUITY FOR SURVIVING SPOUSE OR FORMER SPOUSE					
	A	B	C	D	E
RULE	If member dies or is declared dead	and	and the annuitant	then the annuity is (notes 2and 6)	and is offset by (note 9)
10	retired from both military and civil service	the member elected to participate in the program and did not waive military service for civil service purposes	is the spouse or former spouse of a member when member became eligible or the spouse or former spouse that a member acquired after becoming eligible to participate and who had been married to member at least 1 year or is the parent of issue of that marriage (notes 1, 2, 3, and 4)	55 percent of base amount of coverage on date of member's death	DIC.
11	retired from both military and civil service	the member elected to participate in the program and waived military retired pay for civil service purposes, but did not elect survivor coverage at any level under the civil service retirement			

NOTES:

1. For a member married to the same spouse at time of retirement and date of death, the statute does not require that an intervening divorce be followed by 1 year of remarriage immediately before date of death.
2. An annuity ends for a spouse of former spouse if remarried before age 55. If the annuity is terminated because of remarriage, it shall be reinstated if the new marriage ends.
3. Minimum requirement for a marriage is 1 year.
4. "Living issue" means the "issue by that marriage" or a child of such marriage who dies shortly after birth (such child's birth is the criterion, not the duration of the child's life).
5. If member is required under a court order or spousal agreement to provide an annuity to a former spouse upon becoming eligible to participate in the SBP or if a member has made an election to provide former spouse annuity, the Secretary of the Military Department concerned may not pay the annuity to the surviving spouse.
6. All SBP monthly annuities if not a multiple of $1, shall be rounded to the next lower multiple of $1.
7. If the "forgotten widow" is entitled to an SBP annuity resulting from a subsequent marriage to a member, the individual may not receive the two annuities, but must elect in writing which to receive. The annuity for a "forgotten widow" is effective December 1, 1980.
9. An offset for DIC shall be removed if an annuitant remarries subsequent to their 57th birthday.
10. See ***10 U.S.C.1448(f)*** for additional information.

Table 46-2. Refund of Monthly Premium for SBP Effective January 4, 1994

REFUND OF MONTHLY PREMIUM FOR SBP EFFECTIVE JANUARY 4, 1994 (See note)

The refund of premiums due a spouse or former spouse is determined using the following defined values:

Current Basic Premium (CBP): The actual current premium amount for the basic Survivor Benefit Plan (SBP) spouse coverage elected by the member. This does not include premiums for child coverage, Supplemental SBP (SSBP) premiums, open-enrollment premium additions, or any interest charges.

Current Recalculated Premium (CRP): The implied current premium associated with recalculated SBP basic annuity as reduced due to receipt of Dependency and Indemnity Compensation (DIC). This does not include premiums for child coverage, SSBP premiums, open-enrollment premium additions, or any interest charges.

Total Premiums (TP): The Total Premiums paid by the member for basic SBP. (Lump sum open enrollment buy-in premiums are not refundable). This does not include any premiums for child coverage, SSBP premiums, or interest charges. This amount may be obtained from historical pay files pertaining to the member and/or from a file of total spouse premiums to be produced under the Director of Compensation, ODASD (Military Personnel Policy) by the DoD Actuary and the Defense Manpower Data Center in coordination with the DFAS-CL Site.

Premium Refund (PR): This is the premium refund amount. The premium refund is determined according to the following formula:

PR = (1 - CRP/CBP) X TP

For example: Member is a retired 0-5, deceased July 1, 1993.
Data is for June 1994.

Retired Pay:	$2,297.00	
Current Basic Premium (CBP):	149.31	
SBP Spouse Annuity: .55 X 2,297 =	1,263.00 (note 1)	
DIC Annuity:	750.00	
Recalculated SBP Annuity	1,263.00 - 750.00 = 513.00	
Implied Base Amount = $513.00/.55	=	932.73
Current Recalculated Premium (CRP)	=	60.63
Total Premiums (TP) from Data Files	=	10,153.08

Premium Refund (PR) is:

PR = (1 - 60.63/149.31) X 10,153.08
= (1 - .4060679) X 10,153.08
= .5939321 X 10,153.08 = 6,030.24

NOTE: Table 46-2 is effective January 4, 1994 for deaths which occurred on or after January 1, 1993.
1. SBP Spouse Annuity amount is rounded down.

*Table 46-3. Taxability of SBP Cost Refunds

TAXABILITY OF SBP COSTS REFUND			
RULE	A	B	C
	If the source of refunded cost is for	then it is taxable to the member	then it is taxable to the annuitant
1	premium deductions from taxable retired pay	yes (note 1)	yes (note 2)
2	premiums paid from VA Disability compensation or premiums deducted from nontaxable military disability retired pay	no (note 3)	no (note 4)
3	premiums paid directly by member	no (note 5)	no (note 6)

NOTES:

1. ***Title 26 United States Code (U.S.C.) section 122*** caused amounts deducted from military retired pay to fund an SBP annuity to be excluded from income. Had the deducted amount been paid directly to the member instead, it would have been fully taxable. Consequently, refunded costs that were taken from military retired pay constitute gross income to the member.
2. Under ***26 U.S.C. 691***, the refund is income in respect of a decedent. The tax status of the refund is the same to the annuitant as it would have been had it been refunded to the member. Since the refund of costs deducted from military retired pay would have been gross income to the member, it is also gross income to the annuitant.
3. VA disability compensation is exempt from taxation, as shown in ***38 U.S.C. 5301***. Under certain circumstances, military disability retired pay is also nontaxable, as shown in ***26 U.S.C. 104***. If the deducted amount had been paid directly to the member instead, it would have been exempt from taxation. Consequently, refunded costs that were taken from VA disability compensation or nontaxable military disability retired pay are also exempt from taxation.
4. Under 26 U.S.C. 691, the refund is income in respect of a decedent. The tax status of the refund is the same to the annuitant as it would have been had it been refunded to the member. Since the refund of costs deducted from VA disability compensation or from nontaxable military disability retired pay would have been excluded from the gross income of the member, it is excluded from the gross income of the annuitant.
5. Amounts paid directly by the member to fund the SBP annuity were subject to tax before they were paid by the member. Direct payments by the member do not result in any tax benefit to the member. Consequently, refunds of premiums that were directly paid by the member constitute a nontaxable return of capital and do not constitute gross income.
6. Since the refund would have been a return of capital in the hands of the decedent (and would not have been includible in the decedent's gross income), it is also a return of capital to the decedent's beneficiary (and is not includible in the gross income of the beneficiary of the decedent).

*BIBLIOGRAPHY

CHAPTER 46 SURVIVOR BENEFIT PLAN (SBP) ANNUITIES

4601 – GENERAL

460101.A	10 U.S.C. 1451(a)
460101.B.	10 U.S.C. 1448 Public Law 99-145, section 723 November 8, 1985
460101.C.	10 U.S.C. 1451(a)(1)
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460103.C	10 U.S.C. 1447 (7)-(10) 10 U.S.C. 1450(b)) Public Law 99-661, section 643, November 14, 1986
460103.D	DoDI 1332.42, June 23, 2009
460104	10 U.S.C. 1450(b) DoDI 1332.42, June 23, 2009
460104.A.1.a	31 CFR 901.2
460104.A.4	66 Comp Gen 260, B-222190 (1987)
460104.A.5.	61 Comp Gen 245, B-205176 (1982) 31 CFR 211.1
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460202	10 U.S.C. 1448(d)
460202.C.2.	10 U.S.C 1448(d)(2)(B)
460202.D.	10 U.S.C. 1448(d)(6)(A)
460203	10 U.S.C. 1451(c)
460203.A.	10 U.S.C 1407(c)(3) 10 U.S.C. 1451(c)
460203.B.	10 U.S.C. 1401a(b)(3)
460203.C.	10 U.S.C. 1448(d)(6)(B)

4603 – INACTIVE-DUTY TRAINING DEATH

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460301.B.	10 U.S.C. 1448(f)(1)(B)
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460402.B.	10 U.S.C. 1450(e) 10 U.S.C. 1450(k) 61 Comp Gen 287
460402.C.1.	10 U.S.C. 1450(k) 61 Comp Gen 287 54 Comp Gen 838
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460501.E	10 U.S.C. 1450(l)(3)

4606 – LIABILITY

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4607 – LIQUIDATION OF DEBT

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460902.C.5	DoDI 1332.42, June 23, 2009 10 U.S.C. 1450(b)
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4610 – REINSTATEMENT OF ANNUITY

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4611 –CERTIFICATE OF ELIGIBILITY

461102.B	DoDI 1332.42, June 23, 2009
461102.C	10 U.S.C. 1447(11)

4612 – REPORT OF EXISTENCE (ROE)

461202 & 461203	44 Comp Gen 208

4614 – TAXABILITY OF ANNUITIES

461401	26 U.S.C. 3405
461402	26 U.S.C. 3402(o)(3) IRM 3.21.3.71.12
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4615 – MINIMUM INCOME WIDOW/SURVIVING SPOUSE

461501.D.	10 U.S.C. 1448, notes Public Law 92-425, September 21, 1972 Public Law 94-496, Section 2 October 14, 1976
461502	Public Law 92-425, Section 4, September 21, 1972, amended By Public Law 94-496, Section 2, October 14, 1976 10 U.S.C. 1450(i) Public Law 95-30, Section 501, May 23, 1977
461503	31 U.S.C. 3702
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Rule 1	10 U.S.C. 1447
Rule 2	10 U.S.C. 1448(a)
Rule 4	10 U.S.C. 1448
Rule 6	10 U.S.C. 1451(c)(1)(A)(ii)
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Rule 10	Public Law 108-136, section 644, November 24, 2003

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Note 8	Public Law 99-661, section 642, November 14, 1986
Note 10	Public Law 108-136, section 644, November 24, 2003
Table 46-3	DoD/GC(Fiscal) opinion March 7, 2000

VOLUME 7B, CHAPTER 49: "SURVIVOR BENEFIT PLAN (SBP) COST-OF-LIVING ADJUSTMENT (COLA)"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated July 2014 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	This chapter is updated and formatted to comply with current administrative instructions.	Revision
490101	Added "Purpose" paragraph.	Addition
490102	Added "Authoritative Guidance" paragraph.	Addition
490301	Updated information for "Periodic Adjustments for Cost-of-Living."	Revision

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CHAPTER 49

SURVIVOR BENEFIT PLAN (SBP) COST-OF-LIVING ADJUSTMENT (COLA)

4901 GENERAL

*490101. Purpose

This chapter addresses Survivor Benefit Plan (SBP) base amounts, which increase by the cost-of-living adjustment (COLA) at the same time and by the same total percentage as retired or retainer pay. See Chapter 54 for information pertaining to the computation of the Reserve Component Survivor Benefit Plan (RCSBP) and Chapter 8, Table 8-1 for COLA.

*490102. Authoritative Guidance

The bibliography at the end of this chapter lists the authoritative references.

4902 PREMIUMS

The COLA increases all SBP and RCSBP premiums.

4903 ANNUITIES

*490301. Periodic Adjustments for Cost-of-Living

A. Whenever retired pay is increased, each annuity that is payable under SBP must be increased at the same time.

B. The increase must, in the case of any annuity, be by the same percent as the percent by which the retired pay of the person providing the annuity would have been increased at such time if the person were alive (and otherwise entitled to such pay).

C. The amount of the increase must be based on the monthly annuity payable before any reductions, such as Dependency and Indemnity Compensation.

490302. Minimum Income Widow Annuities

See Chapter 46, regarding COLA for minimum income widow annuities.

490303. Rounding Down

The monthly amount of an annuity payable, if not a multiple of $1, is rounded to the next lower multiple of $1.

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4903 - ANNUITIES

10 U.S.C. § 1451(g)(1), (2)
10 U.S.C. § 1450(c)
10 U.S.C. § 1451(c)(2)

VOLUME 7B, CHAPTER 54: "RESERVE COMPONENT SURVIVOR BENEFIT PLAN (RCSBP)"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated May 2015 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and reformatted to comply with current administrative instructions.	Revision
540101	Renamed paragraph title from "Overview" to "Purpose" to comply with current administrative instructions.	Revision
540102	Replaced the "Authoritative Guidance" paragraph with the standard statement used with other chapters for consistency.	Revision
5402-5412	Relocated paragraph 540103 to section 5402 and renumbered the sections from 5402 through 5411 to 5403 through 5412, respectively.	Revision
540214	Deleted the fifth sentence in paragraph since the reduction in RCSBP coverage cannot occur for a member who does not survive to the age necessary to become actually entitled to retired pay.	Deletion
540305	Added paragraph to introduce "Special Needs Trust."	Addition
540403.B	Deleted subparagraph because members no longer elect a percentage of pay. Subsequent subparagraphs are renumbered 540403.B through 540403.D.	Deletion
540502.G.2	Consolidated formerly 540402.G.3.	Revision
540502.G.3	Consolidated formerly 540402.G.2 with the former 540402.H.1 and 540402.H.2.	Revision
540702.G	Deleted subparagraph due to RCSBP participation is irrevocable if not revoked before the end of the 90-day period beginning on the date on which notification is received for eligibility of Reserve Component retired pay.	Deletion
540702.Note	Deleted note. Discontinuance of Survivor Benefit Plan participation on second anniversary of the date of commencement of retired pay does not pertain to Reserve Component retirees. See section 5407.	Deletion

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
541002	Reorganized and rephrased paragraph (formerly paragraph 540902) to provide clarity and an accurate computation for Reserve Component Premium by using 1.61 percent (0.0161) which is the actual RCSBP rate derived from the RCSBP tables as determined by the actuary.	Revision
541002.B	Rephrased last sentence of previous subparagraph 540902.B for clarity.	Revision
541002.C	Modified example at previous subparagraph 540902.A to provide an accurate computation for Reserve Component Premium by using 1.61 percent (0.0161) which is the actual RCSBP rate derived from the RCSBP tables as determined by the actuary. Reorganized and rephrased subparagraph 541002.C.1 through 541002.C.3 (previously 540902.B through 540902.D) for clarity.	Revision
5413	Transferred section 4604 to 5413 and added information based on the Fiscal Year (FY) 2017 National Defense Authorization Act (NDAA).	Addition
5414	Renumbered section 5412 to 5414.	Revision
541401.B	Added information based on the FY 2017 NDAA.	Addition
5415 and 5416	Renumbered section from 5414 and 5415 to 5415 and 5416, respectively.	Revision
Table 54-2, Rule 7	Added to text at Rule 7, Column D, "Additionally, deduction for Insurable Interest coverage will be deducted and prorated based on the number of months that coverage was in effect in accordance with Note 1 and Rule 6."	Addition
Table 54-3	Added Table 54-3, RCSBP – General Information.	Addition
Table 54-4	Added Table 54-4, Reservist Who Dies Not in the Line of Duty or Not in a Duty Status.	Addition
Bibliography	Renumbered sections and paragraphs to coincide with text. Updated Bibliography references.	Revision

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CHAPTER 54

RESERVE COMPONENT SURVIVOR BENEFIT PLAN (RCSBP)

5401 GENERAL

*540101. Purpose

This chapter provides information for RCSBP. RCSBP extends eligibility to the Survivor Benefit Plan (SBP) to Reserve Component members who would otherwise be eligible to receive retired pay except they have not yet reached retirement age. RCSBP allows members to provide an annuity based on their retired pay to qualified survivors.

*540102. Authoritative Guidance

The bibliography at the end of this chapter lists the authoritative references.

*5402 DEFINITIONS OF SPECIALIZED TERMS

540201. Base Amount

The dollar amount selected by the member upon which the SBP premium and the annuity are calculated. A member may elect a full base amount or a reduced base amount. See paragraph 540403 for base amount elections.

540202. Date of Receipt of Election for RCSBP

The date of the receipt of the election by the member's records custodian, or the date of postmark on the envelope in which the records custodian received the election when the election intent may be prejudiced.

540203. Date of Retirement

The first day the member is entitled to receive retired pay or the first day the member would have received pay if alive at retirement age.

540204. The 90-Day Period

The 90-day period in which the member must complete an election for RCSBP begins on the date that the member receives notification that the member has completed the requisite years of service to be eligible for retired pay at a later age (usually age 60).

540205. Eligible for Retired Pay

A member becomes eligible for non-regular retired pay upon completion of 20 qualifying years of satisfactory service. Often notification is provided by letter referred to as the "20-year

letter" because it notifies the member that he has served the requisite years of service to be eligible for retired pay, but is not yet entitled to receive the pay because of his age. See Chapter 1, subparagraph 010208.F.

540206. Eligible to Participate in RCSBP

The date the member receives notice of eligibility for retired pay except for not having reached the age for entitlement to retired pay (usually age 60). The eligibility age cannot be reduced below age 50.

540207. Entitled to Retired Pay

A person who has completed the requisite service and reached the requisite age (usually age 60) and is entitled to receive retired pay for non-regular service.

540208. Member

A member of a Reserve Component.

540209. RCSBP

The RCSBP is a benefit plan that enables members who served in the Reserve Components to leave a benefit called an "annuity." An annuity is a monthly payment that normally lasts the lifetime of the beneficiary after the member passes away. The amount of the monthly payment is a percentage of the retired pay, and that percentage depends upon the election the member made when the member signed up for RCSBP.

540210. SBP

The SBP is for members of the Uniformed Services. NOTE: SBP (see Chapter 42) and RCSBP share many of the same terms. Chapter 42, section 4202 provides additional terms not specifically defined in this section.

540211. SBP Premium

SBP Premium is the combination of the "Standard Premium," the "Reserve Component Premium," and the "Survivor's Annuity Premium Deduction."

540212. Standard Premium

Standard Premium is the reduction in retired pay made to provide the member with SBP coverage for the period after a member becomes entitled to retired pay. The Standard Premium is described in Chapter 45. It is distinct and separate from the Reserve Component Premium and the Survivor's Annuity Premium Deduction which are described in paragraphs 540213 and 540214.

540213. Reserve Component Premium

When a Reserve member participates in the RCSBP after first becoming eligible based on 20 qualifying years of satisfactory service, coverage for the member's survivors commences but premiums are not paid until the member first becomes actually entitled to retired pay (usually age 60). Note: See also Chapter 1, subparagraphs 010208.F.1 through 5 which reduces the eligibility age below 60 years of age for a reservist to receive retirement pay. At that time, reductions in the member's retired pay are made that are specifically related only to the RCSBP coverage that was already provided while the member awaited the requisite age of entitlement to retired pay. These reductions are the Reserve Component Premium. They are made after the member begins receiving retired pay for the RCSBP coverage that was provided before the member received retired pay. They are distinct from the Standard Premium (in paragraph 540212) which are reductions made for the SBP coverage that is provided after the member becomes entitled to retired pay. They are also distinct from the Survivor's Annuity Premium Deduction.

540214. Survivor's Annuity Premium Deduction

When an RCSBP participant dies, any annuity payable to a survivor is reduced for the RCSBP coverage provided while the member awaited the requisite age of entitlement to retired pay. This reduction is unique to RCSBP coverage. The Department of Defense (DoD) Office of the Actuary, herein referred to as the Actuary, sets the rate of the reduction of the survivor's annuity and the rate is currently set at .0001 of the base amount. The reduction in the annuity is known as the Survivor's Annuity Premium Deduction. The Survivor's Annuity Premium Deduction is distinct from the Standard Premium and Reserve Component Premium described in paragraphs 540212 and 540213.

540215. Reserve Components

The following is a listing of the Reserve Components:

A. The Army National Guard of the United States,

B. The Army Reserve,

C. The Navy Reserve,

D. The Marine Corps Reserve,

E. The Air National Guard of the United States,

F. The Air Force Reserve, and

G. The Coast Guard Reserve.

*5403 ELIGIBLE BENEFICIARIES

Eligible beneficiaries under the RCSBP include spouse, child, former spouse, and natural person with an insurable interest. Members eligible to participate in RCSBP may elect coverage in one of the following coverage categories: spouse; spouse and child; child only; former spouse; former spouse and child; natural person with an insurable interest; or Special Needs Trust (SNT).

540301. Spouse (Including the Spouse of a Common-Law Marriage)

The spouse is an eligible beneficiary if:

A. Married to the member on the date that the member became eligible to participate in RCSBP and was continuously married to the member through the date when the member died;

B. Married to the member for at least 1 year after the date that the member became eligible to participate in RCSBP and met both of the following two conditions:

1. The member's election to provide spouse coverage was received within 1 year of the marriage; and

2. The spouse was continuously married to the member from the date of the election through the date when the member died;

C. Married to the member after the date that the member became eligible to participate in RCSBP, and married for less than 1 year before member's death, but is a parent of a living child from that marriage, and member's election received within 1 year of the marriage;

D. Married to a member who is eligible to provide a Reserve Component annuity and who dies before notified of eligibility of retired pay for non-regular service retirement or during the 90-day period if the member had not made an RCSBP election; or

E. Married to a member after the date that the member became eligible to participate in RCSBP, and was married to the member for at least 1 year or is a parent of a living child from that marriage and meet the following two conditions:

1. Member previously elected former spouse or former spouse and child coverage under ***Title 10, United States Code (U.S.C.), section 1448(b)*** for a person the member divorced after becoming eligible to participate in RCSBP; and

2. After a subsequent remarriage, the member changed the prior former spouse or former spouse and child election to cover the newly acquired spouse, or spouse and child under ***10 U.S.C. § 1450(f)***.

540302. Children (Including Children of a Common-Law Marriage)

Children are eligible beneficiaries if they are:

A. Children of a member who elected child coverage when he or she initially became eligible to participate in RCSBP. Note: Child age requirements are described in Chapter 44, paragraph 440202;

B. Children of a member who elected child coverage within 1 year of first acquiring such dependent child(ren) after initially becoming eligible to participate in RCSBP;

C. Children of a member who died after becoming eligible for retired pay, but before being notified of retirement eligibility or during the 90-day period immediately following such notification; or

D. Children of a member who elected spouse and child or former spouse and child coverage, if the spouse or former spouse dies, remarries before age 55 or otherwise becomes ineligible. If former spouse coverage is in place, only the child(ren) who resulted from the marriage to the former spouse are eligible beneficiaries.

540303. Former Spouse

The former spouse is an eligible beneficiary if he or she:

A. Is the member's former spouse when the member becomes eligible to participate in RCSBP and elected the beneficiary by the member or deemed as the beneficiary by the Secretary concerned upon request by the former spouse;

B. Was not the member's former spouse when the member became eligible to participate in RCSBP and a prior spouse election is changed to provide coverage for a former spouse in accordance with subparagraph 540702.C. A former spouse must have been married to the member for at least 1 year or be a parent of a child born of the marriage; or

C. Was the former spouse for whom coverage was provided under the insurable interest category for an election made before November 8, 1985. The former spouse will remain an eligible beneficiary following a remarriage, unless the remarriage is to a member who is providing the former spouse coverage.

540304. Natural Person With Insurable Interest

The natural person with an insurable interest is an eligible beneficiary if the beneficiary that member designated is:

A. A person who has a reasonable and lawful expectation of pecuniary benefit from the continued life of the member. This may include parents, stepparents, grandparents,

grandchildren, aunts, uncles, sisters, brothers, half-sisters, half-brothers, a dependent or non-dependent child or step-child, or any other person more nearly related than a cousin; or

B. Any individual having a reasonable and lawful basis, founded upon the relationship of parties to each other, either pecuniary or of blood or affinity, to expect some benefit or advantage from the continuance of the life of the retiree.

NOTE: Proof of financial benefit from the continuance of the life of the member may be required for other than persons listed in subparagraph 540304.A.

*540305. SNT

The National Defense Authorization Act (NDAA) for Fiscal Year (FY) 2015, Public Law (PL) 113-291, amended 10 U.S.C. §§ 1448, 1450, and 1455, to give Military Service members and retirees the option to direct payment of an annuity for a dependent child to an SNT. See Chapter 46.

*5404 ELECTION TO PARTICIPATE

540401. 90-Day Period

Any member who is notified of his or her completion of the years of service required for retired pay eligibility for non-regular retirement may elect to participate in RCSBP before the end of the 90-day period. A member who is married or has a dependent child, and who receives notice of eligibility for retired pay, after January 1, 2001, is automatically an immediate participant in RCSBP unless the member elects (with spousal concurrence, if required) not to participate or to defer the decision or delay coverage before the end of the 90-day period. See subparagraph 540502.G.

540402. Annuity Options

A member electing to participate must designate an immediate election, a deferred election, or indicate a decision to delay the election until reaching retirement age. These are described as Options A, B, or C.

A. Option A. The member defers a survivor annuity election or declines coverage until retirement age. There is no coverage for the years between becoming eligible for retirement and reaching retirement entitlement age. If a member dies before reaching retirement age, no survivor annuity is payable. At retirement age, regardless if that age is before age 60, the member may elect to participate in SBP as any other member becoming entitled to retired pay. If a married member chooses Option A, spousal concurrence is required. See subparagraph 540502.G.

B. Option B. The member elects to provide a deferred survivor annuity that begins on the date that the member would have attained the age of 60, or on the day after the member's death, whichever is later. If a married member chooses Option B, spousal concurrence is required. See subparagraph 540502.G.

C. Option C. The member elects to provide an immediate survivor annuity beginning on the day after the member's death, whether before or after reaching retirement age.

540403. Base Amount

A member who receives a 20-year notification of eligibility and who elects to participate in RCSBP must elect to cover:

A. One hundred percent of retired pay or a given dollar amount which is greater than or equal to $300, but less than 100 percent of retired pay;

B. One hundred percent of retired pay, if member's full retired pay computed as of the effective date of election, is less than $300.00;

C. One hundred percent of retired pay, if the member elects to cover a dollar amount greater than 100 percent of his or her retired pay as of the effective date of election; or

D. An elected dollar amount of retired pay, but which is not less than $300.00. However, any dollar election is converted to a percentage of retired pay as of the effective date of the election. A member who elects less than full base amount should be advised that his or her election will be converted to a percentage of retired pay as would be payable if he or she were of retirement age on the date the RCSBP election becomes effective. The base amount is that same percentage of retired pay regardless of the changes in the retired pay that may occur because of pay rate increases, additional points accumulated, promotion or longevity step increases. Note: Spousal concurrence is required when member elects spousal coverage for less than the maximum coverage. See subparagraph 540502.G.1.

540404. RCSBP Participation within 1 Year of Acquiring Eligible Beneficiary

Any Reserve member who does not have an eligible beneficiary when becoming eligible to participate in the RCSBP, who later marries or acquires a dependent child, may elect to participate in the RCSBP, if the election is completed within 1 year of acquiring a spouse or dependent child. See paragraph 540601 for specific rules.

540405. Natural Person With Insurable Interest

Pursuant to 10 U.S.C. § 1448(b), any Reserve member who is not married and does not have a dependent child, may elect to provide RCSBP coverage for a natural person with an insurable interest. Additionally, a member who is unmarried but who has one dependent child may provide coverage for that child under the insurable interest provision.

*5405 ELECTION DATA

540501. RCSBP Election Certificate

The DoD (DD) Form ***2656-5***, Reserve Component Survivor Benefit Plan (RCSBP) Election Certificate, is required for making an RCSBP election and is also required if the member defers the election under Option A in subparagraph 540402.A.

*540502. Contents of DD 2656-5

The contents of the election document should show:

A. The member's name, Social Security number, date of birth, and date of retirement (if known);

B. If participating, the member has elected coverage for:

1. Spouse and/or children,

2. Former spouse or former spouse and children, or

3. Natural person with an insurable interest (at maximum level of coverage only);

C. If participating, the member has elected coverage amount or percentage;

D. If participating, the member's election must contain an election for Option B or Option C. See subparagraphs 540402.B or C;

E. If participating, the member's designated beneficiary. Show the name, birth date, and Social Security number for each beneficiary named. If the coverage includes spouse, the member must furnish the date of marriage. Show the address and relationship when the beneficiary is a natural person with an insurable interest. For a natural person with an insurable interest, the member must provide a signed statement to show proof of financial benefit if the person designated is more distantly related than cousin;

F. The member must sign and date the election. The member's signature must be witnessed. The witness may not be the member's spouse or beneficiary. The witness should not be a minor, but minority of a witness will not necessarily invalidate the member's election. In the event a member is unable to complete his signature and instead makes his mark (such as an "X"), two disinterested persons must witness the election form. An addendum to DD 2656-5 will suffice in such situations. NOTE: An election made on behalf of the member through a power of attorney is not valid. Such an election is not binding and is without force or effect of law; and

G. Spousal concurrence in certain elections is a requirement. The spouse signature must appear on DD 2656-5, the spouse's signature must be notarized, and the spouse must sign after the member has signed the form.

1. A retirement eligible Reserve member who elects RCSBP spouse coverage for less than maximum coverage when the member becomes eligible to participate must obtain the concurrence of the spouse in writing. With respect to members who receive notification of retired pay eligibility pursuant to ***10 U.S.C. Chapter 1223*** after January 1, 2001, a retirement eligible Reserve member must obtain the concurrence of the spouse in writing. Spousal concurrence is required if the member declines coverage (Option A), elects deferred coverage (Option B), elects coverage for spouse at less than the maximum level, or elects coverage for a dependent child but not for the spouse. Without spousal concurrence, an election for less than maximum coverage is invalid

* 2. If a member marries during the 90-day period (see paragraph 540401), spousal concurrence is not required, but the spouse must be notified of the member's election. Note: The failure to retain evidence that the spouse was notified of the member's election will not invalidate the member's election.

* 3. If former spouse coverage is elected or deemed, the spousal concurrence is not required; however, the spouse must be notified of the former spouse coverage. Note: The failure to retain evidence that the spouse was notified of an election for coverage for a former spouse will not invalidate the former spouse election.

a. To elect former spouse coverage, the member must complete a ***DD 2656-1***, Survivor Benefit Plan (SBP) Election Statement for Former Spouse Coverage. If the member elects former spouse coverage, the election must include information setting forth whether the election was made pursuant to the requirements of a court order, or a voluntary written agreement previously entered into by the member as part of, or incidental to, a proceeding of divorce, dissolution, or annulment, and, if so, whether such agreement was incorporated, ratified, or approved by a court order.

b. In order for a former spouse to deem an election, the former spouse must, within 1 year of the date of the court order involved, complete and send a ***DD 2656-10***, Survivor Benefit Plan (SBP)/Reserve Component (RC) SBP Request for Deemed Election, and a copy of the court order, regular on its face, which requires the former spouse SBP election, or which incorporates, ratifies, or approves the voluntary, written agreement of such a person or a statement from the clerk of the court (or other appropriate official) that such agreement has been filed with the court in accordance with applicable State law. A deemed election will fail unless both the DD 2656-10 and a copy of the court order or written agreement are received in accordance with the applicable instructions in the form.

*5406 CHANGES IN ELECTION AND COVERAGE

540601. Later-Acquired Spouse and/or Child

This election must be received within 1 year of the event.

A. If a member has no eligible beneficiary at the end of the 90-day period, the member may later elect for an eligible class of beneficiary, if the election is completed within 1 year of acquiring a spouse or dependent child.

B. If a member with spouse or spouse and child coverage loses the spouse beneficiary through death or divorce, the member may, upon remarriage, increase the level of coverage up to and including full-retired pay, or elect not to resume spouse coverage. If a member takes no action, spouse coverage will automatically resume upon the 1-year anniversary of the remarriage at the coverage amount originally elected.

C. The member may not add child coverage by virtue of this marriage if child coverage was previously declined.

D. The member may not reduce the level of RCSBP coverage nor may child coverage be eliminated.

E. If the member elects not to resume spouse coverage or provides coverage at less than the maximum level, the spouse must be notified. Note: The failure to retain evidence that the spouse was notified of the member's election will not invalidate the member's election.

F. If the member has former spouse coverage, an election for a newly acquired child must be made within 1 year of acquiring a child.

G. If a member has insurable interest coverage, he or she may elect coverage for the newly acquired spouse and/or child if the member completes the election within 1 year of the marriage or acquisition of a dependent child. This election terminates the insurable interest coverage.

540602. Former Spouse or Former Spouse and Child Elections

A. General Rules.

1. A former spouse election prevents an annuity to the member's spouse and child (other than a child beneficiary under a former spouse and child election).

2. If the member is married at the time of the former spouse election, the spouse must be notified of the member's election for the former spouse. Note: The failure to retain evidence that the spouse was notified of an election for coverage for a former spouse will not invalidate the former spouse election.

3. The provisions for deemed former spouse elections shown in Chapter 43, paragraph 430302 under SBP apply to RCSBP deemed former spouse elections.

B. Former Spouse Elections when the Member Becomes Eligible to Participate.

1. A member who has a former spouse and/or dependent child when becoming eligible to participate may elect former spouse or former spouse and child coverage provided the child is the result of the member-former spouse marriage.

2. If there is no court order or voluntary written agreement requiring the member to elect former spouse coverage in place at the time the member makes his election, the former spouse's ability to retain former spouse coverage could be affected at a later date.

C. Former Spouse Elections After the Member Becomes Eligible to Participate but Before the Member Meets Age Requirements.

1. A member who elected spouse or spouse and child coverage when becoming eligible to participate in the RCSBP, may within 1 year of the date of the decree of divorce, dissolution, or annulment of that marriage, change that election to provide the RCSBP annuity to the former spouse or the former spouse and child.

2. An election of former spouse coverage may be deemed to have been elected for the former spouse under the following conditions:

a. The Secretary concerned may deem an election when a member is ordered by a court or voluntarily enters into a written agreement, incidental to a proceeding of divorce, dissolution, or annulment, to elect former spouse SBP coverage, and the agreement has been incorporated in, or ratified or approved by the court, and the member fails or refuses to make the election.

b. The former spouse or former spouse's attorney must request, that the Secretary concerned deem an election for former spouse coverage within 1 year of the date of the relevant court order.

540603. Natural Person with Insurable Interest

A member may make an election for a natural person with an insurable interest only when there is no eligible spouse or dependent child(ren). See paragraph 540405 for exceptions. A member must elect gross retired pay as the base amount under an election for a natural person with an insurable interest.

*5407 IRREVOCABLE ELECTIONS AND DISCONTINUED PARTICIPATION

540701. 90-Day Period

Elections filed during the 90-day period referred to in paragraph 540401 are generally irrevocable unless revoked before the expiration of the 90-day period.

540702. Exceptions

Exceptions to the general rule on irrevocability occur under the following circumstances:

A. The member discontinues participation as a totally disabled member as described in Chapter 43, paragraph 430704;

B. The mentally incapacitated member is later determined to be mentally competent and revokes or changes the RCSBP election within 180 days after such determination of judgment. See Chapter 43, subparagraph 430401.F;

C. The member elected less than maximum coverage without spousal concurrence and the member fails to establish to the Secretary of the Military Department concerned (or designee) that spousal concurrence was not required, either because the spouse's whereabouts cannot be determined or other exceptional circumstances prevent obtaining the spouse's consent. In this instance, the member's election is invalid. See subparagraph 540502.G.1;

D. The Secretary concerned revokes an election when necessary to correct an administrative error. Revocation or correction based on administrative error is a Secretarial prerogative and, except when procured by fraud, is final and conclusive on all officers of the United States;

E. A member may change the beneficiary election to provide former spouse coverage or to remove former spouse coverage as shown in Chapter 43, section 4306 and section 5406; or

F. The member voluntarily terminates RCSBP coverage for a natural person with an insurable interest who is not a former spouse.

540703. Changed Retirement Eligibility

If a member elects RCSBP coverage and subsequently becomes eligible for retirement under another law, thereby losing eligibility, the RCSBP election remains effective until the member actually retires. A member may make a new election as any other retiring member.

*5408 PREMIUMS

The Government does not subsidize the cost of providing RCSBP coverage under the immediate or deferred annuity option, but the members and beneficiaries who potentially will benefit from the coverage share the cost. The cost to the retiree, known as the Reserve Component Premium, is in the form of an additional deduction from his or her retired pay beyond the Standard Premium. The RCSBP, unlike SBP, requires a reduction in the survivor annuity. That reduction, known as the Survivor's Annuity Premium Deduction, begins when the survivor begins to receive an annuity. The Reserve Component Premium and the Survivor's Annuity Premium Deduction increase at the same time and by the same percentage that retired pay increases by cost-of-living adjustments.

*5409 RCSBP COST RATE TABLES

The Actuary provides RCSBP rate tables to reflect military-specific death rates, to include remarriage and divorce rates and to incorporate dynamic actuarial assumptions. The tables are built on a "years younger or older than member" concept. The ages at the nearest birthday to date of election receipt are used. When ages expressed in years are the same, the table is determined by comparing months and days. Note: The tables for child only rates use the ages of the member and child; not years younger or older.

*5410 CALCULATION OF THE RESERVE COMPONENT PREMIUM AND THE SURVIVOR'S ANNUITY PREMIUM DEDUCTION

541001. Premium Description

The SBP Premium consists of a Standard Premium, Reserve Component Premium, and a Survivor's Annuity Premium Deduction. The Standard Premium is the reduction in retired pay made to provide coverage for the period after a member becomes entitled to retired pay. The Reserve Component Premium is the reduction in retired pay made for the RCSBP coverage that was already provided while the member awaited the requisite age of entitlement to retired pay. The Survivor's Annuity Premium Deduction is a further premium applied to the survivor's annuity for the RCSBP coverage provided while the member awaited the requisite age of entitlement to retired pay. The premiums described in paragraph 541002 pertain only to the Reserve Component Premium and the Survivor's Annuity Premium Deduction. The method to compute the Standard Premium may be found in Chapter 45. The amount of the Reserve Component Premium depends on the type of beneficiary option elected, the annuity type elected, and the ages of the member and the beneficiary.

*541002. Calculating the Premiums Based on RCSBP Coverage Amount

* A. The member must elect a given dollar amount or full retired pay as the base amount. Convert any dollar election to a percentage of gross retired pay as of the effective date of an election to guarantee full indexing in proportion to member's retired pay.

* B. Address questions to the Actuary about the methods and assumptions used to determine the RCSBP rate in calculating the Reserve Component Premium. Go to ***http://actuary.defense.gov/*** and select "Contact Us" and then "Survivor Benefit Plan."

* C. The following table serves as an example for calculating the premium based on the RCSBP coverage amount:

Information at RCSBP election:	
Member's age =	52
Spouse's age =	45
Member's elected monthly base amount =	$300.00
Member's estimated current monthly retired pay =	$1,000.00
Ratio =	300/1000 = .30 (30 percent)
Eight years later:	
Member's monthly retired pay at age 60 =	$2,000.00
Member's base amount at age 60 =	.30 (30 percent) x $2,000.00 = $600.00
RCSBP rate from RCSBP table =	.0161
Reserve Component Premium at age 60 =	$9.66 ($600.00 x .0161)

1. If the given dollar amount exceeds 100 percent of the member's retired pay on the effective date of the election, the base amount is 100 percent of the monthly retired pay. If the given dollar amount is less than 100 percent of gross retired pay, but greater than $300.00 when computed against the retired pay, use the ratio against the gross retired pay entitlement at age 60, assuming the member has met age and service requirements.

2. To calculate the Reserve Component Premium, multiply the member's base amount at age 60 by the ratio of the elected base/retired pay of .30 (30 percent) and then by the rate from the RCSBP tables of 1.61 percent. See also subparagraph 541002.B. The example in subparagraph 541002.C provides the member's base amount at age 60 as $600.00 ($2,000.00 x .30). Therefore, the Reserve Component Premium would be computed as follows: $600.00 x .0161 = $9.66.

3. To calculate the Survivor's Annuity Premium Deduction, multiply the base amount by .0001, from the example in subparagraph 541002.C, the Survivor's Annuity Premium Deduction: .0001 x $600.00 = $0.06.

*5411 INITIAL PREMIUM AND EFFECTIVE DATE OF THE RESERVE COMPONENT PREMIUM

541101. Beginning Date

If a member has eligible beneficiaries, the Reserve Component Premium begins on the first day of the month after the member meets the age and service requirements necessary to be entitled to non-regular retired pay even if the member meets those age and service requirements before age

60. The payment of premiums will be required if the member chose Option B or Option C from paragraph 540402. If the member meets the age and service requirements on the first day of the month, the premium is effective that month. If the member specifies a retirement date which is after the date the member meets age and service requirements, or if the member delays application for retirement, the premium is retroactive to the date that the member meets age and service requirements.

541102. Member's Death

If a member who elected RCSBP (Option B or Option C) dies before he or she meets the age and service requirements, the Survivor's Annuity Premium Deduction for the pre-age 60 coverage begins with the immediate or deferred annuity as an actuarial reduction of the survivor's annuity.

541103. Coverage Change

In some instances, a member may change the type of coverage before premiums begin. The initial premium for election changes is effective on the first day of the month after the member meets age and service requirements (or, if the member meets age and service requirements on the first day of the month, the premium is effective that month). Such elections include:

A. A member has no spouse beneficiary when first becoming eligible to participate in RCSBP and acquires a spouse beneficiary effective before the member meets age and service requirements and elects to establish coverage for the newly acquired spouse within 1 year of the marriage;

B. An unmarried member elects child coverage when first becoming eligible to participate in RCSBP and later acquires a spouse beneficiary before the date member meets age and service requirements and elects to establish coverage for the newly acquired spouse within 1 year of the marriage;

C. A member has no child beneficiary when first becoming eligible to participate in RCSBP and later elects child coverage within 1 year of acquiring a child, which is before the member meets age and service requirements;

D. A member elects former spouse or former spouse and child when first becoming eligible to participate in RCSBP, later marries and requests change to spouse or spouse and child coverage effective before the member meets age and service requirements;

E. A member has no coverage and coverage is changed to a former spouse under a deemed election by the Secretary concerned; and

F. A member elects insurable interest coverage when first becoming eligible to participate in RCSBP, acquires a spouse and/or child before the date member meets age and service requirements and elects to establish coverage for the newly acquired spouse and/or child within 1 year of the marriage or acquisition of the dependent child.

*5412 RESERVE COMPONENT PREMIUM

541201. Changes in Reserve Component SBP Coverage

A change in the type of Reserve Component SBP coverage elected can impact the Reserve Component Premium that will be deducted from a member's retired pay. There are an extensive number of possible changes available under the law depending on changes to a member's individual family circumstances. The most prevalent election options and changes, and the impact of those elections and changes are reflected in Tables 54-1 and 54-2. Note: The premium deduction rules reflected on those tables pertain only to the Reserve Component Premiums.

541202. Reserve Component Premium Deductions

The Reserve Component Premiums are the deductions from the member's retired pay that are made for RCSBP coverage provided while the member waits to attain the requisite age necessary to become entitled to retired pay. The tables do not reflect the Standard Premium which is the reduction in the member's retired pay made to provide coverage for the period after a member becomes entitled to retired pay. Chapter 45 provides the method to compute the Standard Premium. The tables also do not reflect the Survivor's Annuity Premium Deduction which is a further premium applied to the survivor's annuity for the RCSBP coverage provided while the member awaited the requisite age of entitlement to retired pay.

*5413 DEATH OF MEMBER ON INACTIVE DUTY TRAINING (IDT)

Effective December 23, 2016, section 642 of the NDAA for FY 2017 amended 10 U.S.C. §§ 1448, 1450, and 1451. The amendments changed the calculation of SBP annuities paid to the survivors of Reserve Component members who die in the "line of duty" while performing IDT to align that benefit with the annuity paid to the survivors of Reserve Component members who die on active duty. Additionally, the amendments allow the payment of an RCSBP annuity in certain circumstances to dependent children of covered Reserve Component members who die in the line of duty on IDT or after completing the years of service required for a non-regular retirement and clarifies how retired pay is calculated for those Reserve Component members who die after completing the years of service but prior to notification or prior to electing RCSBP coverage. See also Table 54-3 and Table 54-4.

541301. Entitlement

A Reserve Component member who dies from injuries or illness incurred or aggravated while performing IDT in which the death is determined to have occurred in the line of duty is entitled to automatic coverage under the SBP program whether or not the member is retirement eligible.

A. Death in the Line of Duty

1. The Secretary concerned will make a written determination as to whether the member's death occurred while in the line of duty while performing IDT. A member who is determined to have died in the line of duty is one who is in an authorized duty status and whose death is determined not to be the result of his or her own intentional misconduct or willful negligence. Line of duty is defined in 37 U.S.C. § 204(g)(1). The finding must describe the circumstances under which the member died.

2. In accordance with PL 114-328, the survivor of a Reserve Component member who died in the line of duty while performing IDT will receive an RCSBP annuity calculated as if the member was a fully-disabled retiree on the date of his or her death. Survivors of Reserve Component members who died in the line of duty on IDT prior to December 23, 2016, are entitled to prospective recalculation of future benefits beginning December 23, 2016, or the date the survivor annuity commenced, whichever is later. Note: These calculations are not retroactive for any payments made prior to December 23, 2016.

B. Not in the Line of Duty Death Prior to Retirement Eligibility. The death of a Reserve Component member who is not retirement eligible and whose death is determined to have occurred "not in the line of duty" does not qualify under this section.

C. Not in the Line of Duty Death After Retirement Eligibility. The survivor of a Reserve Component member whose death is determined to have occurred "not in the line of duty" but after completing 20 qualifying years of satisfactory service is eligible for an RCSBP annuity. The annuity is computed based upon that member's or former member's years of service in accordance with 10 U.S.C. § 12731 and paid to the survivor of a member whose death is not in the line of duty and who died or who dies after:

1. Completing the years of service requirement to be eligible for a non-regular retirement, but

2. Before being notified of such completion as required under 10 U.S.C. § 12731(d).

D. Not in the Line of Duty Death Within 90 Days of Notification. The survivor of a Reserve Component member whose death is determined to have occurred "not in the line of duty" after completing 20 qualifying years of satisfactory service, but prior to notification of eligibility, or during the period that is 90 days from notification, is eligible for an SBP annuity. The annuity is computed based upon that former member's years of service and paid to the survivor of a member who died or who dies after he or she is notified of:

1. Having completed the years of service required to be eligible for a non-regular retirement, but within 90 days of that notification and before the member has made an election to participate in the RCSBP, and

2. Having died not in the line of duty.

541302. Qualified Annuitants

In order of precedence, qualified annuitants are former spouse by court order, current spouse, and children.

A. Former Spouse by Court Order. The annuity is payable to the former spouse if the member was required under a court order or spousal agreement to provide an annuity to the former spouse upon becoming eligible to participate in the RCSBP or if the member has made an election to provide an annuity to the former spouse.

B. Current Spouse. The annuity is payable to the current surviving spouse unless the annuity is payable to the former spouse.

C. Children

1. In the case the surviving spouse becomes ineligible to receive an annuity, the Secretary concerned may pay an annuity to the dependent children of that person under 10 U.S.C. §§ 1448(f)(2) and 1450(a)(2).

a. For deaths occurring prior to December 23, 2016, dependent children were not considered eligible annuitants if a surviving spouse lost entitlement to an annuity for a reason other than death. Note: Pursuant to NDAA FY 2017 and PL 114-328, December 23, 2016, dependent children became eligible annuitants if the surviving spouse lost entitlement to an annuity for reasons other than death.

b. For deaths occurring on or after December 23, 2016, if the annuity was suspended because the spouse became ineligible due to remarriage, that annuity may resume and be paid to a dependent child or children, if any. These payments may resume no sooner than December 23, 2016, or the date the annuity suspended, whichever is later.

2. If, in consultation with an eligible surviving spouse who has an eligible dependent child or children, the Secretary concerned determines it is more appropriate for the dependent child or children to receive the RCSBP annuity rather than the surviving spouse, the RCSBP annuity may be paid directly to a dependent child or children in lieu of payment to the eligible spouse.

541303. Line of Duty Determination

The Secretary concerned will make a written determination as to whether the member's death occurred while in the line of duty while performing IDT. For the purpose of determining eligibility for SBP benefits, a service member’s death will be generally considered being in the line of duty unless:

A. The death occurred while the member was not serving on IDT;

B. The death was the result of the member's own intentional misconduct or willful negligence; or

C. The death occurred from injuries or illness incurred or aggravated during a period of unauthorized absence.

*5414 ANNUITY AMOUNT

541401. General

A. RCSBP Annuity. Compute the amount of RCSBP annuity payable to a surviving spouse or former spouse beneficiary in the same manner as the SBP (see Chapter 46) except that the base annuity amount is 55 percent of the difference between the base amount and the cost of the Survivor's Annuity Premium Deduction. Compute the monthly annuity for a dependent child on the base annuity amount less the Survivor's Annuity Premium Deduction, multiplied by 55 percent. Compute the monthly annuity for a natural person with an insurable interest or former spouse (insurable interest category) as 55 percent of the difference between the member's retired pay and the sum of the premium reduction and cost of the Survivor's Annuity Premium Deduction. The Actuary determines amount of the Survivor's Annuity Premium Deduction. See section 5410. Round monthly RCSBP annuities, if not a multiple of $1.00, to the next lower multiple of $1.00.

1. If a member dies before attaining the eligibility age applicable to that member to begin receiving retired pay and elected the immediate annuity option, Option C, the initial annuity amount is payable beginning immediately following death and is computed on the basis of what the member's retired pay would have been on the date of the member's death using the basic pay rates on that date. Note: If a member retires before age 60 pursuant to ***10 U.S.C. § 12731***, and subsequently dies before what would have been his 60th birthday, the initial annuity amount is payable beginning immediately following death.

2. If a member dies before attaining the eligibility age applicable to that member to begin receiving retired pay and elected the deferred annuity option, Option B, the initial annuity amount is payable beginning the first day of the month following the date the member would have attained the age of 60. Compute the initial annuity amount based on the retired pay the member would have initially received.

* B. RCSBP Annuity - Death in Line of Duty. An annuity paid to the survivor of a member who died or who dies in the line of duty while performing IDT will be 55 percent of the retired pay the member was or would have been entitled to on the day the member died, computed as if the member was retired with a total (100 percent) disability under 10 U.S.C. § 1201.

C. Age 62 Offset. Prior to March 31, 2008, a spouse or former spouse incurred a reduction of RCSBP at age 62 because of entitlement to Social Security benefits. The age 62 offset was eliminated effective April 1, 2008.

541402. Eligible Annuitants and Amounts

A. Spouse or Former Spouse. See Chapter 46, Table 46-1. The RCSBP annuity may be less than 55 percent, depending on the Survivor's Annuity Premium Deduction, which is deducted in determining the annuity amount.

B. Children Only. If there is more than one eligible child, pay the annuity in equal shares. The annuity for children is not subject to Dependency and Indemnity Compensation (DIC) offset.

C. Spouse and Child or Former Spouse and Child. Pay annuity to the spouse or former spouse, as long as eligibility exists. If the surviving spouse or former spouse loses eligibility due to death or remarriage before age 55, or otherwise become ineligible, pay the annuity to the child annuitants. A former spouse and child election includes only the children of the member's marriage to the former spouse. See also Chapter 42 for definition of a surviving spouse.

D. Natural Person with an Insurable Interest. The annuity is payable only to the natural person with an insurable interest as designated by or on behalf of the member. The annuity is not transferable to another person.

541403. Payment of Annuity

The provisions in Chapter 46 for making annuity payments to representative payees also apply to the RCSBP program.

*5415 OFFSETS TO THE ANNUITY

See Chapter 46 for DIC offsets paid to a surviving spouse by the Department of Veteran Affairs. Note: The information in Chapter 46, excluding the minimum-income annuitant material, applies to the RCSBP annuitant.

*5416 TAXABILITY OF ANNUITY

The provisions of Chapter 46 regarding the taxability of annuities also apply to annuities under RCSBP.

Table 54-1. RESERVE COMPONENT PREMIUMS FOR SPOUSE, FORMER SPOUSE, AND CHILD ONLY COVERAGE

The Premium deduction rules reflected on this table pertain only to the Reserve Component Premiums. The Reserve Component Premiums are the deductions from the member's retired pay that are made for RCSBP coverage provided while the member waited to attain the requisite age necessary to become entitled to retired pay. This table does not reflect the Standard Premium which is the reduction in the member's retired pay made to provide coverage for the period after a member becomes entitled to retired pay. The method to compute the Standard Premium may be found in Chapter 45. This table also does not reflect the Survivor's Annuity Premium Deduction which is a further premium applied to the survivor's annuity for the RCSBP coverage provided while the member awaited the requisite age of entitlement to retired pay. The method to compute the Survivor's Annuity Premium Deduction may be found in section 5410.

RULE	A	B	C
	If the member made the below listed RCSBP election (Options B or C) when first eligible to participate in the RCSBP for	**and at the time the member met the age and service requirements to become actually entitled to receive retired pay, the below listed condition also existed:**	**then the below listed Reserve Component Premium deductions will be made from the member's retired pay:**
1.	Spouse Coverage	the spouse upon whom the initial election was based is still an eligible spouse beneficiary	full spouse premium deductions will be made until the earlier of: (a) the first day of the month in which the spouse is no longer eligible due to death, divorce, or annulment; or (b) the first day of the month following the month in which the member has retired pay reduced for a total of 360 months.
2.	Spouse Coverage	the spouse upon whom the initial election was based is no longer an eligible beneficiary due to death	no spouse premium deductions will be made for the period that RCSBP spouse coverage was previously provided before the spouse died. Note 1.

Table 54-1. RESERVE COMPONENT PREMIUMS FOR SPOUSE, FORMER SPOUSE, AND CHILD ONLY COVERAGE (Continued)

RULE	A	B	C
	If the member made the below listed RCSBP election (Options B or C) when first eligible to participate in the RCSBP for	**and at the time the member met the age and service requirements to become actually entitled to receive retired pay, the below listed condition also existed:**	**then the below listed Reserve Component Premium deductions will be made from the member's retired pay:**
3.	Spouse Coverage	the spouse upon whom the initial election was based is no longer an eligible spouse beneficiary due to divorce or annulment	no spouse premium deductions will be made for the period that spouse RCSBP coverage was previously provided before the marriage ended. Notes 1 and 2.
4.	Former Spouse Coverage	the former spouse upon whom the initial election was based is still an eligible former spouse beneficiary	full former spouse premium deductions will be made until the earlier of : (a) the first day of the month in which the former spouse is no longer eligible due to death, (b) the first day of the month in which the former spouse coverage is suspended due to remarriage before age 55, or (c) the first day of the month following the month in which the member has retired pay reduced for a total of 360 months. Note 3.
5.	Former Spouse Coverage	the former spouse upon whom the initial election was based is no longer an eligible beneficiary due to death	no former spouse premium deductions will be made for the former spouse coverage previously provided before the former spouse died. Note 4.

Table 54-1. RESERVE COMPONENT PREMIUMS FOR SPOUSE, FORMER SPOUSE, AND CHILD ONLY COVERAGE (Continued)

RULE	A	B	C
	If the member made the below listed RCSBP election (Options B or C) when first eligible to participate in the RCSBP for	**and at the time the member met the age and service requirements to become actually entitled to receive retired pay, the below listed condition also existed:**	**then the below listed Reserve Component Premium deductions will be made from the member's retired pay:**
6.	Former Spouse Coverage	coverage for the former spouse upon whom the initial election was based was suspended due to remarriage before age 55	former Spouse premium deductions for the period that former spouse coverage was previously provided are suspended. No premium deductions are made during the period of suspension. Note 5.
7.	Child Only Coverage	the member has any child who is still an eligible child beneficiary	child premium deductions will be made until the earlier of: (a) the first day of the month in which all of the children for whom RCSBP child only coverage was previously provided are no longer eligible due to death, or (b) the first day of the month following the month in which the member has retired pay reduced for a total of 360 months. Note 6.
8.	Child Only Coverage	the member has no living children for whom RCSBP coverage was provided	no child premium deductions will be made for the RCSBP child only coverage previously provided before the child(ren) died.

Table 54-1. RESERVE COMPONENT PREMIUMS FOR SPOUSE, FORMER SPOUSE, AND CHILD ONLY COVERAGE (Continued)

RULE	A	B	C
	If the member made the below listed RCSBP election (Options B or C) when first eligible to participate in the RCSBP for	**and at the time the member met the age and service requirements to become actually entitled to receive retired pay, the below listed condition also existed:**	**then the below listed Reserve Component Premium deductions will be made from the member's retired pay:**
9.	Child Only Coverage	all of the member's children have lost eligibility due to age or marriage	child premium deductions will be made until the earlier of: (a) the first day of the month in which all of the children for whom RCSBP child only coverage was previously provided are no longer eligible due to death, or (b) the first day of the month following the month in which the member has retired pay reduced for a total of 360 months. Note 6.

NOTES:

1. If the member subsequently remarried (i.e. acquired a subsequent spouse) before meeting the age and service requirements to become actually entitled to receive retired pay and spouse coverage was established for the subsequent spouse, full spouse premium deductions will be made in accordance with Rule (1) in Table 54-1. The premium rate is based on the ages of the member and the spouse for whom the initial election is made.

2. If, after the divorce from the spouse upon whom the initial election was based, former spouse coverage is elected by the member (or deemed to be elected by the former spouse) before the member meets the age and service requirements to become actually entitled to receive retired pay, full former spouse premium deductions will be made from the member's retired pay in accordance with Rule (4) in Table 54-1.

Table 54-1. RESERVE COMPONENT PREMIUMS FOR SPOUSE, FORMER SPOUSE, AND CHILD ONLY COVERAGE (Continued)

NOTES: (Continued)

3. If premiums are suspended because the former spouse loses eligibility due to remarriage before age 55, in the event that marriage ends due to death or divorce, the former spouse regains eligibility and deductions will be restarted and made until the earlier of (a) the first day of the month in which the former spouse is no longer eligible due to death; (b) the first day of the month that the former spouse coverage is suspended again due to remarriage before age 55; or (c) the first day of the month following the month in which the member has retired pay reduced for a total of 360 months.

4. If, after the former spouse died and before the time the member met the age and service requirements to become actually entitled to receive retired pay, the member had a spouse for whom and spouse coverage was established, full spouse premium deductions will be made from the member's retired pay for the spouse coverage until the earlier of (a) the first day of the month in which the spouse is no longer eligible due to death, divorce, or annulment; or (b) the first day of the month following the month in which the member has retired pay reduced for a total of 360 months.

5. If premiums are suspended because the former spouse lost eligibility due to remarriage before age 55, in the event that the former spouse's marriage ends due to death or divorce, the former spouse regains eligibility and deductions will be started and made until the earlier of (a) the first day of the month in which the former spouse is no longer eligible due to death; (b) the first day of the month that the former spouse coverage is suspended again due to remarriage before age 55; or (c) the first day of the month following the month in which the member has retired pay reduced for a total of 360 months.

6. As long as one of the children for whom RCSBP coverage was provided is still living, premium deductions will be made until member has retired pay reduced for a total of 360 months. The child only deductions are made even after the child(ren)'s eligibility is lost due to age or marriage. See the "Special Rule for Certain RCSBP Participants" in 10 U.S.C. § 1452(b)(3). If a member acquires a new youngest child, the original Reserve Component Premium will remain.

*Table 54-2. RESERVE COMPONENT PREMIUMS FOR INSURABLE INTEREST COVERAGE

The Premium deduction rules reflected on this table pertain only to the Reserve Component Premiums. The Reserve Component Premiums are the deductions from the member's retired pay that are made for RCSBP coverage provided while the member waits to attain the requisite age necessary to become entitled to retired pay. This table does not reflect the Standard Premium which is the reduction in the member's retired pay made to provide coverage for the period after a member becomes entitled to retired pay. The method to compute the Standard Premium may be found in Chapter 45. This table also does not reflect the Survivor's Annuity Premium Deduction which is a further premium applied to the survivor's annuity for the RCSBP coverage provided while the member awaited the requisite age of entitlement to retired pay. The method to compute the Survivor's Annuity Premium Deduction may be found in section 5410.

RULE	A	B	C	D
	If the member made the below listed RCSBP election (Options B or C) when first eligible to participate in the RCSBP	**and at the time the member met the age and service requirements to become actually entitled to receive retired pay, the below listed condition also existed:**	**and after the member started to receive retired pay, the below listed condition occurs:**	**then the below listed Reserve Component Premium deductions will be made from the member's retired pay:**
1.	Insurable Interest Coverage	the insurable interest beneficiary upon whom the initial election was based is still an eligible insurable interest beneficiary	no changes are made to the insurable interest coverage	full insurable interest premium deductions will be made until the earlier of: (a) the first day of the month in which the insurable interest beneficiary dies, or (b) the first day of the month following the month in which the member has retired pay reduced for a total of 360 months.

Table 54-2. RESERVE COMPONENT PREMIUMS FOR INSURABLE INTEREST COVERAGE (Continued)

RULE	A	B	C	D
	If the member made the below listed RCSBP election (Options B or C) when first eligible to participate in the RCSBP	**and at the time the member met the age and service requirements to become actually entitled to receive retired pay, the below listed condition also existed:**	**and after the member started to receive retired pay, the below listed condition occurs:**	**then the below listed Reserve Component Premium deductions will be made from the member's retired pay:**
2.	Insurable Interest Coverage	the insurable interest beneficiary upon whom the initial election was based is still an eligible insurable interest beneficiary	the insurable interest beneficiary dies	full insurable interest premium deductions will be made until the earlier of: (a) the first day of the month in which the insurable interest beneficiary dies, or (b) the first day of the month following the month in which the member has retired pay reduced for a total of 360 months.

Table 54-2. RESERVE COMPONENT PREMIUMS FOR INSURABLE INTEREST COVERAGE (Continued)

RULE	A	B	C	D
	If the member made the below listed RCSBP election (Options B or C) when first eligible to participate in the RCSBP	**and at the time the member met the age and service requirements to become actually entitled to receive retired pay, the below listed condition also existed:**	**and after the member started to receive retired pay, the below listed condition occurs:**	**then the below listed Reserve Component Premium deductions will be made from the member's retired pay:**
3.	Insurable Interest Coverage	the insurable interest beneficiary upon whom the initial election was based is still an eligible insurable interest beneficiary	the member voluntarily elected to terminate/discontinue insurable interest coverage under 10 U.S.C. § 1448(b)(1)(B)	full insurable interest premium deductions will be made until the earlier of : (a) the first day of the month in which the insurable interest beneficiary dies, or (b) the first day of the month following the month in which the member has retired pay reduced for a total of 360 months.

Table 54-2. RESERVE COMPONENT PREMIUMS FOR INSURABLE INTEREST COVERAGE (Continued)

RULE	A	B	C	D
	If the member made the below listed RCSBP election (Options B or C) when first eligible to participate in the RCSBP	**and at the time the member met the age and service requirements to become actually entitled to receive retired pay, the below listed condition also existed:**	**and after the member started to receive retired pay, the below listed condition occurs:**	**then the below listed Reserve Component Premium deductions will be made from the member's retired pay:**
4.	Insurable Interest Coverage	the insurable interest beneficiary upon whom the initial election was based is still an eligible insurable interest beneficiary	the member voluntarily elects to change the insurable interest election to provide an annuity to a spouse or dependent child under 10 U.S.C. § 1450(f).	full insurable interest premium deductions will be made until the earlier of: (a) the first day of the month following the month in which the member voluntarily elects to change the insurable interest election to provide an annuity to a spouse or dependent child under 10 U.S.C. § 1450(f), or (b) the first day of the month following the month in which the member has retired pay reduced for a total of 360 months.

Table 54-2. RESERVE COMPONENT PREMIUMS FOR INSURABLE INTEREST COVERAGE (Continued)

RULE	A	B	C	D
	If the member made the below listed RCSBP election (Options B or C) when first eligible to participate in the RCSBP	**and at the time the member met the age and service requirements to become actually entitled to receive retired pay, the below listed condition also existed:**	**and after the member started to receive retired pay, the below listed condition occurs:**	**then the below listed Reserve Component Premium deductions will be made from the member's retired pay:**
5.	Insurable Interest Coverage	the insurable interest beneficiary upon whom the initial election was based is no longer an eligible beneficiary due to death	no subsequent changes are made to the insurable interest coverage	no insurable interest premium deductions will be made for the RCSBP insurable interest coverage previously provided before the insurable interest beneficiary died.

Table 54-2. RESERVE COMPONENT PREMIUMS FOR INSURABLE INTEREST COVERAGE (Continued)

RULE	A	B	C	D
	If the member made the below listed RCSBP election (Options B or C) when first eligible to participate in the RCSBP	**and at the time the member met the age and service requirements to become actually entitled to receive retired pay, the below listed condition also existed:**	**and after the member started to receive retired pay, the below listed condition occurs:**	**then the below listed Reserve Component Premium deductions will be made from the member's retired pay:**
6.	Insurable Interest Coverage	the insurable interest beneficiary upon whom the initial election was based is no longer an eligible beneficiary because the member voluntarily elected to terminate/discontinue insurable interest coverage under 10 U.S.C. § 1448(b)(1)(B)		prorated insurable interest premium deductions will be made until the earlier of: (a) the first day of the month in which the insurable interest beneficiary dies, or (b) the first day of the month following the month in which the member has retired pay reduced for a total of 360 months. The deductions will be prorated based on the number of months that coverage was in effect in accordance with the Note.

Table 54-2. RESERVE COMPONENT PREMIUMS FOR INSURABLE INTEREST COVERAGE (Continued)

RULE	A	B	C	D
	If the member made the below listed RCSBP election (Options B or C) when first eligible to participate in the RCSBP	**and at the time the member met the age and service requirements to become actually entitled to receive retired pay, the below listed condition also existed:**	**and after the member started to receive retired pay, the below listed condition occurs:**	**then the below listed Reserve Component Premium deductions will be made from the member's retired pay:**
*7.	Insurable Interest Coverage	the insurable interest beneficiary upon whom the initial election was based is no longer an eligible beneficiary because the member voluntarily elected to change the insurable interest election to provide an annuity to a spouse or dependent child under 10 U.S.C. § 1450(f)		premiums will be deducted for the spouse or dependent child coverage that was elected under 10 U.S.C. § 1450(f). The premiums will be established in accordance with Table 54-1 and will be based on the ages of the member, spouse and/or child at the time the coverage is elected. Additionally, deduction for Insurable Interest coverage will be deducted and prorated based on the number of months that coverage was in effect in accordance with the Note.

Table 54-2. RESERVE COMPONENT PREMIUMS FOR INSURABLE INTEREST COVERAGE (Continued)

Note: An RCSBP participant who voluntarily terminates coverage for a natural person with an insurable interest (not a former spouse) before the member meets the age and service requirements to become actually entitled to receive retired pay, will pay a prorated Reserve Component Premium based on the number of months for which coverage was effective. To calculate the prorated premium, multiply the original RCSBP rate by the number of full months during which the member had coverage, dividing the result by the number of full months the member would have had coverage if coverage had not terminated before age 60. The result, rounded to 4 decimal places, will serve as the member's prorated Reserve Component Premium.

Revised RCSBP Rate	=	Original RCSBP rate	x	No. of months member had pre-age 60 coverage	÷	No. of months member would have had pre-age 60 coverage

*Table 54-3. RCSBP - GENRAL INFORMATION

RULE	A	B	C
	A reservist who is	**and dies in the line of duty, then**	**dies not in the line of duty, then**
1.	serving on Active Duty with fewer than 20 creditable years of service	the RCSBP annuity is calculated as if the member is totally disabled in accordance with 10 U.S.C. § 1201, or	the member is not eligible to participate in the RCSBP.
2.	serving on Active Duty with more than 20 creditable years of service		the RCSBP annuity is calculated based on years of active service in accordance with 10 U.S.C. § 1451 (c)(1)(A)(ii).
3.	serving on Inactive Duty with fewer than 20 creditable years of service		the member is not eligible to participate in the RCSBP.
4.	serving on Inactive Duty with more than 20 creditable years of service		the RCSBP annuity is calculated based on years of active service in accordance with 10 U.S.C. § 12733.

*Table 54-4. RESERVIST WHO DIES NOT IN THE LINE OF DUTY OR NOT IN A DUTY STATUS

RULE	A	B	C
	A reservist, who is not in the line of duty or not in a duty status, dies	**and**	**then**
1.	after completing 20 years of service	has not yet received a letter of notification of eligibility to retire,	the RCSBP annuity is calculated based on years of active service in accordance with 10 U.S.C. § 12733.
2.		within 90 days of receiving a letter of notification of eligibility to retire, has not yet elected RCSBP coverage,	
3.		received a letter of notification of eligibility to retire and elected to participate in RCSBP,	
4.	having not yet completed 20 years of service		the member is not eligible to participate in RCSBP.

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VOLUME 7B, CHAPTER 59: "VICTIMS OF ABUSE – RETIREMENT-ELIGIBLE MEMBERS"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font*.**

The previous version dated February 2015 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current administrative instructions.	Revision
All	Renumbered sections and paragraphs accordingly.	Revision
590101	Changed paragraph title from "Overview" to "Purpose" per current administrative instructions.	Revision
590102	Changed paragraph title from "Authority" to "Authoritative Guidance" per current administrative instructions.	Revision
5902	Relocated paragraph 590103 into section 5902 and renumbered.	Revision
590201	Renumbered and reformatted subparagraph 590201.C.2 for better flow of information and clarity.	Revision
590505	Rephrased paragraph for clarity.	Revision
Bibliography	Updated references.	Revision

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CHAPTER 59

VICTIMS OF ABUSE - RETIREMENT-ELIGIBLE MEMBERS

5901 GENERAL

*590101 Purpose

A member or former member, while in the Armed Forces and after becoming eligible to retire from the Armed Forces on the basis of years of service, may have his or her eligibility to receive retired pay terminated as a result of misconduct involving abuse of the spouse or dependent child. This chapter provides policy on benefits and payments of retired pay in compliance with a court order for spouses, former spouses, and dependent child(ren) of the retirement-eligible member or former member.

*590102. Authoritative Guidance

Title 10, United States Code (U.S.C.), section 1408(h) authorizes various benefits for the spouses, former spouses, and dependent child(ren) of retirement-eligible members who lose eligibility for retired pay because of misconduct involving abuse of dependents. Generally, the spouses and former spouses are provided the same rights and benefits that they would have received had there been no abuse and the member had retired under normal circumstances.

*5902 DEFINITIONS

*590201. Court Order

A court order is:

A. A final decree of divorce, dissolution, annulment, or legal separation issued by a court;

B. A court ordered, ratified, or approved property settlement incident to such a decree (including a final decree modifying the terms of a previously issued decree of divorce, dissolution, annulment, or legal separation); or

C. A court ordered, ratified, or approved property settlement incident to such previously issued decree, or a support order, as defined in the Social Security Act, ***42 U.S.C. § 653(p)***, which:

1. Is issued in accordance with the laws of the jurisdiction of that court; and

2. Provides for:

a. Payment of child support (as defined in ***42 U.S.C. § 659(i)(2)***);

b. Payment of alimony (as defined in 42 U.S.C. § 659(i)(3)); or

c. Division of property, which specifically provides for the payment of an amount, expressed in dollars or as a percentage of disposable retired pay, from the disposable retired pay of a member to the spouse or former spouse of that member.

590202. Dependent Child

In this chapter, dependent child means an unmarried legitimate child, including an adopted child or stepchild, of the member or former member who is:

A. Under 18 years of age;

B. Incapable of self-support because of a mental or physical incapacity that existed before 18 years of age and is dependent on the member or former member for over one-half of the child's support; or

C. Enrolled in a full-time course of study in an institution of higher education recognized by the Secretary of Defense for the purposes of this subparagraph, is less than 23 years of age and is dependent on the member or former member for over one-half of the child's support.

590203. Disposable Retired Pay

Disposable retired pay is the total monthly retired pay to which a member is entitled, less amounts which:

A. Are owed by that member to the United States for previous overpayments of retired pay and for recoupments from entitlement to retired pay as required by law;

B. Are deducted from the retired pay of such member as a result of forfeitures of retired pay ordered by a court-martial or as a result of a waiver of retired pay required by law in order to receive compensation under Titles 5 or 38 of the U.S.C.;

C. Are equal to the amount of the member's retired pay under ***10 U.S.C., Chapter 61***, computed using the percentage of the member's disability on:

1. The date when the member was retired; or

2. The date on which the member's name was placed on the temporary disability retired list; and

D. Are deducted because of an election under ***10 U.S.C., Chapter 73*** to provide an annuity to a spouse or former spouse to whom payment of a portion of such member's retired pay is being made pursuant to a court order under section 5902.

590204. Spouse or Former Spouse

The term spouse or former spouse means the husband or wife, or former husband or wife, respectively, of a member who, on or before the date of a court order, was married to that member.

590205. Retired Pay

The term retired pay includes retainer pay.

5903 ELIGIBILITY

590301. Eligibility

The following individuals are eligible for payments by the Defense Finance and Accounting Service (DFAS):

A. Spouse or Former Spouse. A spouse or former spouse is eligible if the spouse or former spouse was married to the member for a period of 10 years or more, during which the member performed at least 10 years of service creditable in determining the member's eligibility for retired pay; and

1. Was the victim of the abuse and married to the member or former member at the time of that abuse; or

2. Is a natural or adopted parent of a dependent child of the member or former member who was the victim of the abuse.

B. Dependent Child. A dependent child is considered eligible if the other parent of the child died because of misconduct that resulted in the termination of the member's retired pay.

590302. Court Order

A. The court order must specifically provide for the payment of an amount, expressed in dollars or as a percentage, from the disposable retired pay of a member to the spouse or former spouse of that member. The court order must satisfy the requirements of 10 U.S.C. § 1408(a)(2).

B. If a court order provides for the payment of child support from the disposable retired pay of a member or former member to an eligible dependent child of the member or former member, then the Secretary of the Military Department concerned (or designee) will:

1. Ensure payment of such amount is made to the dependent child; and

2. Ensure payments to the dependent child begin upon effective service of such court order.

590303. Court-Martial

If a member of the Armed Forces receives a sentence by a court-martial that will terminate the member's eligibility to receive retired pay, then the member's eligibility to receive retired pay, as determined by the Secretary of the Military Department concerned (or designee), is terminated effective upon the approval of the court-martial sentence.

590304. Civilian Court Conviction

If a member of the Armed Forces is convicted by a civilian court of a crime involving abuse of a spouse or dependent child(ren), after becoming eligible to be retired on the basis of years of service, and the Secretary of the Military Department concerned (or designee) discharges the member from the Armed Forces as a result of that civilian court conviction, then the member's eligibility to receive retired pay is terminated effective upon the member's discharge from the Armed Forces.

5904 APPLICATION FOR PAYMENT

An eligible spouse or former spouse must apply for payment from the supporting DFAS site in the same manner as an application for former spouse payments from retired pay, as described in Chapter 29, section 2904.

5905 CONDITIONS FOR PAYMENT

590501. Payment

A. The court or an eligible spouse or former spouse, or an eligible dependent child, of a member or former member of the Armed Forces, may request of the Secretary of the Military Department concerned (or designee) to provide certification of the amount of the monthly retired pay in connection with a civil action for the issuance of a court order. The Secretary of the Military Department concerned (or designee) will determine and certify the amount of the monthly retired pay (including any cost-of-living increases to retired pay through the date of certification) to which the member or former member would have been entitled on the date of the certification if:

1. The member or former member's eligibility for retired pay had not been terminated as a result of misconduct involving abuse of a spouse or dependent child; and

2. In the case of a member or former member not receiving retired pay immediately before termination of eligibility for retired pay, the member or former member had retired on the effective date of that termination of eligibility.

B. When certifying retired pay of a member separated for misconduct involving abuse of a dependent, the Secretary of the Military Department concerned (or designee) will ignore reductions in grade and forfeitures of pay or retired pay resulting from the administrative separation or court-martial for the misconduct.

C. The amount certified by the Secretary of the Military Department concerned (or designee) will be deemed to be the disposable retired pay of the member for the purposes of this provision. The total amount payable under this provision may not exceed 50 percent of such disposable retired pay.

D. A court order may provide that whenever retired pay is increased under ***10 U.S.C. § 1401a*** (or any other provision of law), the amount payable under the court order to the spouse or former spouse will be increased at that time and by the percent retired pay would have increased if the member or former member were receiving retired pay.

E. Payments will not be made more frequently than once a month, and the Secretary of the Military Department concerned (or designee) will not be required to vary normal pay and disbursement cycles for retired pay in order to comply with a court order.

F. If a member's eligibility for retired pay is terminated as described in paragraph 590303, then the effective date for computing retired pay will be the date that the sentence terminating eligibility for retired pay is approved by the appropriate official. If a member's retired pay eligibility is terminated as described in paragraph 590304, then the effective date for computing retired pay will be the effective date of the member's discharge.

G. Payments made to an eligible spouse based on being the natural or adopted parent of a dependent child, who was the victim of abuse, will not cease solely because the dependent child is no longer considered a dependent child. Payment requires only that the child was dependent at the time of the abuse, and not necessarily at the time of payment.

H. Payments will be made from funds in the Department of Defense Military Retirement Fund or, in the case of the Coast Guard, out of funds appropriated to the Department of Homeland Security for payment of retired pay for the Coast Guard.

I. Payments under this chapter must be coordinated with Transitional Compensation benefits payable to an eligible spouse under Chapter 60, paragraph 600401.

590502. Termination of Payment

A. Payments from the disposable retired pay of a member will terminate pursuant to the terms of the applicable court order, on the date of death of the member or former member, or on the date of death of the spouse or former spouse to whom payments are being made, whichever occurs first.

B. If a former spouse who is receiving payments under these conditions marries again after the payments begin, then his or her eligibility to receive further payments terminates on the date of the marriage. In the event of termination of that marriage by death, annulment, or divorce, payments resume as of the first day of the month in which the marriage is terminated. The monthly amount will be the amount that would have been paid if the continuity of the payments had not been interrupted by the marriage.

C. If the punishment that results in the termination of eligibility to receive retired pay is later remitted, set aside, or mitigated to a punishment that does not result in termination of eligibility, then benefits to the eligible dependent based on that punishment will cease. Such benefits cease on the first day of the first month after the month in which the Secretary of the Military Department concerned (or designee) notifies the recipient in writing that benefits will cease. The recipient will not be required to repay the benefits received prior to that effective date, excluding any erroneous payments.

590503. Other Entitlements

A. A spouse or former spouse, while receiving payments under this chapter, will be entitled to receive medical and dental care, commissary and exchange privileges, and any other benefits a spouse or former spouse of a retired member may be entitled as if the member or former member was entitled to retired pay. This entitlement includes the right to the Survivor Benefit Plan if the spouse or former spouse is an eligible beneficiary pursuant to ***10 U.S.C. § 1448***.

B. A dependent child, who was a member of the household of the member or former member at the time of the misconduct, is entitled to receive medical and dental care, commissary and exchange privileges, and any other benefits provided to dependents of retired members of the Armed Forces in the same manner as if the member or former member was entitled to retired pay.

590504. Accrual of Payments

No payments under this chapter will accrue for periods before October 23, 1992.

*590505. Taxability

The spouse or former spouse who receives payment under this chapter will be responsible for the tax liability. DFAS will withhold taxes and will issue the appropriate annual tax form, Form 1099-R, "Distribution From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRA's, Insurance Contracts, etc."

*BIBLIOGRAPHY

CHAPTER 59 – VICTIMS OF ABUSE – RETIREMENT-ELIGIBLE MEMBERS

5901 – GENERAL 10 U.S.C. § 1408

5902 – DEFINITIONS

590201 10 U.S.C. § 1408(a)(2)
590202 10 U.S.C. § 1408(h)(11)
590203 10 U.S.C. § 1408(a)(4)
590204 10 U.S.C. § 1408(a)(6)

5903 – ELIGIBILITY

590301.A 10 U.S.C. § 1408(d)(2)
590303 10 U.S.C. § 1408(h)(10)(A)

5905 – CONDITIONS FOR PAYMENT

590501.A 10 U.S.C. § 1408(h)(4)
590501.D 10 U.S.C. § 1408(h)(5)
590502.B 10 U.S.C. § 1408 (h)(7)
590503.A 10 U.S.C. § 1408(h)(9)(A)
590503.B 10 U.S.C. § 1408 (h)(9)(B)

VOLUME 7B, CHAPTER 60: "VICTIMS OF ABUSE – NONRETIREMENT ELIGIBLE MEMBERS (TRANSITIONAL COMPENSATION)"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated April 2016 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated the chapter with hyperlinks and revised to comply with current administrative instructions.	Revision
600101.B	Pursuant to Title 10, United States Code (U.S.C.), section 1059 and Department of Defense Instruction 1342.24, revised subparagraph for accuracy by adding the sentence, "No payment will be made for any period before November 30, 1993."	Addition
600302.A.2	Pursuant to 10 U.S.C. § 1059(m)(1), revised subparagraph for accuracy to read, "The former member was separated from active duty in a manner other than described in paragraph 600202, on or after November 24, 2003."	Revision
600403.A-C	Updated the "Dependency and Indemnity Compensation (DIC)" rates, effective December 1, 2016.	Revision
600403.A-C	Deleted "DIC" rates prior to 2010. Transitional compensation may be payable to abused dependents or former dependents of nonretirement eligible members of the Armed Forces for a period of not less than 12 and not more than 36 months.	Deletion
600405.A.2	Pursuant to 10 U.S.C. § 1059(f)(3) added, "If the payments to the spouse terminates due to remarriage and there are dependent children not living in the same household as the spouse or member, payment will be made to each dependent child."	Addition
Bibliography	Updated references at paragraph 600403.	Revision

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CHAPTER 60

VICTIMS OF ABUSE – NONRETIREMENT ELIGIBLE MEMBERS (TRANSITIONAL COMPENSATION)

6001 GENERAL

*600101. Purpose

This chapter covers transitional compensation that may be payable to abused dependents or former dependents of nonretirement eligible members of the Armed Forces for a period of not less than 12 and not more than 36 months. Transitional Compensation is a congressionally authorized program pursuant to Title 10, United States Code (U.S.C.), ***section 1059*** which provides temporary monetary payments and benefits to dependent family members of service members or former service members who are separated from the military due to dependent-abuse offenses. For information on benefits for spouses and former spouses of retirement-eligible members who lose eligibility for retired pay because of misconduct involving abuse of dependents, see Chapter 59.

A. Transitional compensation provisions apply to members who, on or after November 30, 1993:

1. Separate from active duty under a court-martial sentence resulting from a dependent-abuse offense,

2. Separate from active duty for administrative reasons if the basis for separation includes a dependent-abuse offense, or

3. Are sentenced to forfeiture of all pay and allowances by a court-martial that has convicted the member of a dependent-abuse offense.

* B. Transitional compensation is payable to dependents who qualify on or after November 30, 1993. No payment will be made for any period before November 30, 1993. In cases where a spouse or former spouse is receiving payments and there is an eligible dependent child or children not residing in the same household as the spouse, former spouse, or member, transitional compensation is payable to the dependent children for periods on or after November 1, 1998.

600102. Authoritative Guidance

The bibliography at the end of this chapter lists the authoritative references.

6002 DEFINITIONS

600201. Dependent-Abuse Offense

A dependent-abuse offense is conduct by a member of the Armed Forces, while on active duty for more than 30 days, that involves the abuse of the spouse or dependent child of the member and is a criminal offense defined by ***10 U.S.C.*** §§ ***801-940*** or other criminal code applicable to the jurisdiction where the act of abuse is committed. Crimes that may qualify as dependent-abuse offenses are sexual assault, rape, sodomy, assault, battery, murder, and manslaughter. The aforementioned offenses are not an exhaustive or exclusive listing of dependent-abuse offenses.

600202. Punitive or Other Adverse Actions

Punitive or other adverse actions are actions in which a member of the Armed Forces who has been on active duty more than 30 days and who, on or after November 30, 1993, is:

A. Convicted of a dependent-abuse offense that results in separation from active duty under a court-martial sentence or forfeiture of all pay and allowances under a court-martial sentence; or

B. Administratively separated, voluntarily or involuntarily, from active duty according to applicable Military Service regulations, if the basis for separation includes a dependent-abuse offense.

600203. Cohabitation

Cohabitation is when the spouse, former spouse, or dependent child is residing in the same household as the former member after punitive or other adverse action is executed against the member or former member.

600204. Dependent Child

A dependent child:

A. Is an unmarried child, including:

1. An adopted child or a stepchild residing with the member or eligible spouse at the time of the dependent–abuse offense resulting in the separation of the former member; or

2. A child who was carried during pregnancy at the time of the dependent-abuse offense resulting in the separation of the former member, and was subsequently born alive to the eligible spouse or former spouse (as defined in 10 U.S.C. § 1059(l)); and

B. Meets one of the following age requirements:

1. Is under age 18;

2. Is age 18 or older and incapable of self-support, due to a mental or physical incapacity that existed before age 18, and is (or, at the time a punitive or other adverse action was carried out in the case of the former member, was) dependent on the former member for over one-half of the child's support; or

3. Is age 18 or older, but less than age 23 and enrolled in a full-time course of study in an institution of higher learning approved by the Secretary of Defense, and is (or, at the time a punitive or other adverse action was carried out in the case of the former member, was) dependent on the former member for over one-half of the child's support.

600205. Spouse or Former Spouse

The term spouse or former spouse refers to the husband or wife, or former husband or former wife, respectively, of the member or former member at the time of the commission of the dependent-abuse offense resulting in separation from military service.

6003 ELIGIBILITY FOR TRANSITIONAL COMPENSATION

600301. Eligibility for Transitional Compensation Payment

The dependents of a member, or former member, who separated on or after November 30, 1993, and the basis for the separation includes a dependent-abuse offense, are eligible for transitional compensation payments. Payments begin on or after December 1, 1993, for eligible dependents. If a recipient is incapable of handling his or her affairs, then payments are made only to a court-appointed guardian. In the case of a dependent child under 18 years of age, payments are made only to a court-appointed guardian or a natural parent (who is not a spouse of the member) if the natural parent has legal custody of the dependent child.

A. Spouse or Former Spouse. In the case of a separation from active duty under punitive or other adverse action, payments are made to the person who was the member's spouse at the time of the offense. The spouse or former spouse does not have to be the victim in order to receive transitional compensation.

B. Dependent Child. Effective November 1, 1998, a dependent child of the member who does not reside in the same household as the member's spouse or former spouse may be paid transitional compensation benefits. Payments may be made to such dependent child as prescribed in paragraph 600401. A dependent child's eligibility is determined as of the date on which the member is convicted of the dependent-abuse offense or the date on which the member is administratively separated. Prior to November 1, 1998, there was no provision mentioned for the member's dependent children who did not reside in the same household as the eligible spouse or former spouse.

*600302. Exceptional Eligibility Authority

A. The Secretary of the Military Department concerned may authorize eligibility for transitional compensation benefits for dependents and former dependents of a former member of the Armed Forces for cases in which the dependents are not otherwise eligible for such benefits if the Secretary of the Military Department concerned determines that:

1. The former member engaged in conduct that is a dependent-abuse offense; and

* 2. The former member was separated from active duty in a manner other than those described in paragraph 600202, on or after November 24, 2003.

B. Benefits authorized under this section will be provided in the same manner as if the former member was an individual separated as described in paragraph 600202. The Secretary of the Military Department concerned will adjust the commencement and duration of payment provisions of paragraph 600401, as the Secretary considers necessary according to the circumstances, in order to provide benefits equivalent to those provided in the case of an individual separated in a manner described in paragraph 600202.

C. Exceptional eligibility authority by the Secretary of the Military Department concerned may not be delegated.

600303. Application

An individual can request transitional compensation through a Military Service representative. The Military Service representative may:

A. Approve payment;

B. Assist applicant in filling out the Department of Defense (***DD) Form 2698***, Application for Transitional Compensation;

C. Have the applicant submit a Standard Form 1199A, Direct Deposit Sign-up Form, completed by the applicant and the financial institution or a voided check/deposit slip with a written authorization for direct deposit of payments; and

D. Provide the Operation and Maintenance fund citation, and forward the application and information for direct deposit to the Defense Finance and Accounting Service (DFAS) at the following address:

Defense Finance and Accounting Service
Attn: VOA
P.O. Box 998011
Cleveland, OH 44199-8011

Facsimile Numbers:
DSN: 580-6470
Commercial Number: (216) 522-6470

6004 PAYMENT

600401. Recipients of Payments

Transitional compensation will be paid as follows:

A. If the member or former member was married at the time of the dependent-abuse offense, then compensation will be paid to the spouse or former spouse to whom the member or former member was married to at that time. An amount will be included for each, if any, dependent child of the member or former member, provided the child resides in the same household as the spouse or former spouse.

B. If a spouse or former spouse has forfeited his or her entitlement for reasons described in paragraph 600405, then compensation will be paid to each eligible dependent child who does not reside in the household of the member or the ineligible spouse or former spouse.

C. If there is no eligible spouse or former spouse, then such compensation will be paid to the dependent children of the member or former member.

600402. Commencement and Duration of Payment

A. In the case of a member convicted by a court-martial of a dependent-abuse offense, payments begin:

1. As of the date that the court-martial sentence is adjudged if the sentence, as adjudged, includes a dismissal, dishonorable discharge, bad-conduct discharge, or forfeiture of all pay and allowances; or

2. If there is a pretrial agreement that provides for disapproval or suspension of the dismissal, dishonorable discharge, bad-conduct discharge, or forfeiture of all pay and allowances, as of the date the court-martial sentence was approved by the person acting under ***10 U.S.C. § 860(c)***, only if the sentence as approved, includes an unsuspended dismissal, dishonorable discharge, bad-conduct discharge, or forfeiture of all pay and allowances.

B. In the case of a member being administratively separated based on a dependent-abuse offense, payment begins as of the date that the separation action was initiated by

the commander under regulations determined by the Secretary of the Military Department concerned.

C. Payments are made for a period of not less than 12 months, but cannot exceed 36 months, based on policies established by the Secretary of the Military Department concerned.

1. When the unserved portion of the member's obligated active duty service, as of the starting date of payment, is greater than 12 months and less than or equal to 36 months, the duration of payments will be no less than the unserved portion.

2. For enlisted members, the obligated active duty service is the time remaining on their term of enlistment. For officers, the obligated active duty service is indefinite unless the officer has a date of separation established, in which case it is the time remaining until the date of separation.

D. A dependent child who was carried during pregnancy at the time of the dependent-abuse offense resulting in the separation of the former member, who was subsequently born alive to the eligible spouse or former spouse (as defined in 10 U.S.C. § 1059(l)), will not receive payment until after the child is born. Payments to a child under this paragraph will not cover any period prior to the birth of the child. Payments under this provision are effective January 2, 2013. There is no authority for payments prior to January 2, 2013.

*****600403. Amount of Payment

* A. A spouse or former spouse receives transitional compensation at the same rate as monthly Dependency and Indemnity Compensation (DIC) under ***38 U.S.C. § 1311(a)(1)***.

DIC Rate	Effective Date
$1,154.00	December 1, 2010
$1,195.00	December 1, 2011
$1,215.00	December 1, 2012
$1,233.23	December 1, 2013
$1,254.19	December 1, 2014
$1,254.19	December 1, 2015
$1,257.95	December 1, 2016

NOTE: See the Veterans Administration website at ***http://benefits.va.gov/Compensation/current_rates_dic.asp*** for information on DIC and other rates.

* B. If the spouse or former spouse has custody of a dependent child or children of the member who resides in the same household as that spouse or former spouse, then transitional compensation is increased for each child by an amount equal to the monthly DIC amount payable for dependent children under 38 U.S.C. § 1311(b).

DIC Rate	Effective Date
$286.00	December 1, 2010
$296.00	December 1, 2011
$301.00	December 1, 2012
$305.52	December 1, 2013
$310.71	December 1, 2014
$310.71	December 1, 2015
$311.64	December 1, 2016

* C. If transitional compensation is payable to a dependent child under subparagraph 600101.B, then payments are made in equal shares, in an amount equal to the monthly DIC amount payable for dependent children under ***38 U.S.C. § 1313***.

DIC Child Rates

Effective	1 Child	2 Children	3 Children	Over 3 Children
December 1, 2010	$488.00	$701.00	$915.00	$915.00 plus $174.00 for each child over 3
December 1, 2011	$505.00	$726.00	$947.00	$947.00 plus $180.00 for each child over 3
December 1, 2012	$513.00	$738.00	$963.00	$963.00 plus $183.00 for each child over 3
December 1, 2013	$520.70	$749.07	$977.45	$977.45 plus $185.75 for each child over 3
December 1, 2014	$529.55	$761.80	$994.07	$994.07 plus $188.91 for each child over 3
December 1, 2015	$529.55	$761.80	$994.07	$994.07 plus $188.91 for each child over 3
December 1, 2016	$531.14	$764.09	$997.05	$997.05 plus $189.48 for each child over 3

D. Payments will be prorated for months when payments start or stop in the middle of a month (e.g., if the former spouse receiving transitional compensation remarries, then compensation terminates effective as of the date of the marriage).

E. When paying multiple children and the payment amount does not divide equally, the youngest child will receive the odd cent(s).

F. Transitional compensation payments will stop effective the date of death of the recipient. Arrears of compensation will not be paid.

G. Advance payment of transitional compensation benefits is not authorized.

600404. Effect of Continuation of Military Pay

In the case of payment of transitional compensation by reason of a total forfeiture of pay and allowances pursuant to a sentence of a court-martial, payment of transitional compensation will not be made for any period for which an order, in whole or in part:

A. Suspends that part of a sentence that includes forfeiture of the member's pay and allowances; or

B. Otherwise results in the continuation of the member's pay and allowances.

*600405. Forfeiture Provisions

A. The following will result in the forfeiture of transitional compensation payable to the spouse or former spouse:

* 1. Cohabitation. If, after a punitive or other adverse action has been executed, the former member resides in the same household as the spouse or former spouse or child who is receiving transitional compensation, compensation terminates as of the date the former member begins residing in the household. Any compensation paid before the member resides in the household will not be recouped. Once terminated for cohabitation, the payments do not resume.

2. Remarriage. If the former spouse receiving compensation remarries, then compensation terminates effective as of the date of the former spouse's remarriage. Payments do not resume if the subsequent marriage is terminated. If the payments to the spouse terminate due to remarriage and there are dependent children not living in the same household as the spouse or member, payment will be made to each of those dependent children.

3. Active Participation. If the victim was a dependent child, and the competent authority designated by the Secretary of the Military Department concerned has found that the spouse was an active participant in the conduct constituting the criminal offense, or actively aided or abetted the member in such conduct against that dependent child, then the spouse or former spouse may not be paid transitional compensation.

B. Annual certification is the certificate provided by the spouse or former spouse that certifies annually to the DFAS-Cleveland Site that he or she has not remarried and has not been cohabiting with the offender. The form to be used is a Certificate of Eligibility (COE).

1. DFAS-Cleveland Site Notification. The spouse or former spouse must notify the DFAS-Cleveland Site within 30 days of the date of remarriage or the date the member begins residing in the same household as the spouse, former spouse, or dependent child.

2. Parent or Court-Approved Guardian COE Requirement. The parent or court-approved guardian will certify annually that the dependent child or children are not residing with the offender or ineligible spouse via the COE process. If the COE is not received within 60

days of the date of the COE, then payments will be suspended until verification of eligibility is received.

600406. Termination of Payments

Transitional compensation is not payable when a member's court-martial sentence, which includes a dismissal, dishonorable discharge, or bad-conduct discharge, is remitted, set aside, or mitigated to a lesser punishment that does not include such punishment, or the administrative separation is disapproved. Any payment of transitional compensation that has started will stop effective the first day of the month after the Secretary of the Military Department concerned notifies the recipient in writing that payment will cease for such reason. The recipient is not required to repay transitional compensation received before the effective date of termination, excluding erroneous payments.

600407. Taxability

Transitional compensation payments are considered benefits that are excludable from taxation and should not be reported on Internal Revenue Service Form 1099R, Distribution From Pensions, Annuities, Retirement or Profit Sharing Plans, IRAs, Insurance Contracts, etc.

6005 OTHER BENEFITS

600501. Coordination of Benefits

A. Election of Benefits. A spouse or former spouse may not concurrently receive both payments of transitional compensation under 10 U.S.C. § 1059 and payments under ***10 U.S.C. § 1408(h)(1)*** (see Chapter 59 for spouses and former spouses of retirement-eligible members who lost eligibility for retired pay as a result of misconduct involving abuse of dependents). If a spouse or former spouse has obtained a court order awarding compensation pursuant to 10 U.S.C. § 1408(h)(1), then the spouse or former spouse will elect which benefit to receive. An application for payment under 10 U.S.C. § 1408(h), pursuant to the requirements of Chapter 59, will be considered an election to receive 10 U.S.C. § 1408(h) payments. See Chapter 59, paragraph 5903 for application requirements.

B. Effective Date. The election to receive benefits under 10 U.S.C. § 1408(h) is effective on the date that a complete application is received. If the applicant is not eligible to receive benefits under 10 U.S.C. § 1408(h) on the date the application is received, then the effective date will be the date the applicant becomes eligible for payments under 10 U.S.C. § 1408(h). Payments of transitional compensation under 10 U.S.C. § 1059 will be terminated and payments under 10 U.S.C. § 1408(h) will commence on the first day of the first month after the date the election to receive payments under 10 U.S.C. § 1408(h) is effective.

600502. Commissary and Exchange Benefits

A. A dependent or former dependent entitled to payment of monthly transitional compensation will, while receiving payments in accordance with 10 U.S.C. § 1059, be

entitled to use commissary and exchange stores to the same extent and manner as a dependent of a member of the Armed Forces on active duty for a period of more than 30 days.

B. If a dependent or former dependent is eligible or entitled to use commissary and exchange stores under another provision of law, then the eligibility or entitlement of that dependent or former dependent to use commissary and exchange stores will be determined under the other provision of law rather than under this paragraph.

600503. Medical and Dental Care

A. Eligible dependents may, while receiving transitional compensation, receive dental and medical care, including mental health services, through military facilities as TRICARE beneficiaries. Pursuant to the approval of the Secretary of the Military Department concerned, eligible dependents of a member or former member are entitled to medical and or dental care for problems associated with the abuse.

B. The Secretary of the Military Department concerned may furnish medical care in facilities of the uniformed services to the dependent for the treatment of any adverse health condition resulting from such dependent's knowledge of the abuse, or any injury or illness suffered by the abused person because of such abuse.

C. Medical and dental care furnished to a dependent of a former member of the uniformed services in facilities of the uniformed services will be limited to the health care prescribed by ***10 U.S.C. § 1077***, and subject to the availability of space, facilities, and the capabilities of the medical and dental staff.

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CHAPTER 60: VICTIMS OF ABUSE – NONRETIREMENT ELIGIBLE MEMBERS (TRANSITIONAL COMPESATION)

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6002 DEFINITIONS

600201-600205	10 U.S.C. § 1059
600204	10 U.S.C. § 1059(l) Public Law 112-239, section 564, January 2, 2013 Public Law 113-181, section 2, November 13, 2014

6003 ELIGIBILITY FOR TRANSITIONAL COMPENSATION

600301.B	10 U.S.C. § 1059(d)(2)
600302	10 U.S.C. § 1059(m)

6004 PAYMENT

600401	10 U.S.C. § 1059(d)
600402	10 U.S.C. § 1059(e)
600402.C	Principal Deputy Under Secretary of Defense for Personnel and Readiness Policy Memorandum, June 14, 2004
600403	Public Law 112-53, section 2(a) – (e), November 9, 2011 Public Law 112-198, section 2(a) – (d), November 27, 2012 Public Law 113-52, section 2(a) – (e), November 21, 2013 Public Law 113-181, section 2(a) – (e), November 13, 2014 Public Law 114-92, section 2(a) – (e), November 25, 2015 Public Law 114-328, section 2(a) – (e), November 29, 2016

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600403.C	38 U.S.C. § 1313
600405	10 U.S.C. § 1059(f)(3) 10 U.S.C. § 1059(g)
600406	10 U.S.C. § 1059(e)(3)(C)
600407	Armed Forces Tax Council Memorandum, December 16, 1994

6005 – OTHER BENEFITS

600501	10 U.S.C. § 1059(i)
600502	10 U.S.C. § 1059(j)
600503	10 U.S.C. § 1076(e)

VOLUME 7B, CHAPTER 61: "ANNUITIES FOR CERTAIN MILITARY SURVIVING SPOUSES (ACMSS)"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

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Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated March 2016 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current administrative instructions.	Revision
Table 61-1	Updated amount for "Annuities for Certain Military Surviving Spouses," effective December 1, 2016.	Revision
Bibliography	Added memorandum dated January 13, 2017.	Addition

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CHAPTER 61

ANNUITIES FOR CERTAIN MILITARY SURVIVING SPOUSES (ACMSS)

6101 GENERAL

610101. Purpose

The purpose of this chapter is to provide guidance, policy, delegation of authority, and assignment of responsibilities, as they apply to ACMSS.

610102. Authoritative Guidance

The bibliography at the end of this chapter lists the authoritative references.

6102 ELIGIBILITY FOR PAYMENT

610201. General

Effective November 18, 1997, ACMSS was established under Public Law (PL) 105-85 to provide annuity payments to certain qualified surviving spouses.

610202. Payment

An annuity is paid to the qualified surviving spouse of each member of the uniformed services who meets the criteria listed in paragraph 610401.

6103 ANNUITY APPLICATION

610301. General

An annuity application is required before payment will be made.

610302. Application Procedure

A. Application. A Department of Defense ***(DD) Form 2769***, Application for Annuity Certain Military Surviving Spouses, should be submitted to the Military Service concerned.

B. Documentation. If information is unavailable from existing records, such as the Defense Enrollment Eligibility Reporting System (DEERS), the applicant may be required to submit the following documentation to the Military Service concerned:

1. Certified copies of the member's death certificate and/or marriage certificate;

2. DD 214, Certificate of Release or Discharge from Active Duty;

3. Retirement order;

4. Retired pay statement; and

5. Any additional information needed to substantiate the claim.

C. Review and Approval. The Military Service concerned will then:

1. Review the claim and determine whether the applicant is qualified for an ACMSS annuity;

2. Notify the applicant on the disposition of the claim within 60 days; and

3. Forward approved claims to the Defense Finance and Accounting Service Cleveland (DFAS-CL) site for payment.

6104 QUALIFIED SURVIVING SPOUSE AND DECEASED RETIRED MEMBER

610401. Qualified Surviving Spouse

Only a surviving spouse who meets the following criteria qualifies for these annuity payments:

A. A spouse who:

1. Is not qualified for an annuity under any other provision of Title 10, United States Code (U.S.C.), Chapter 73;

2. Is not entitled to an annuity under PL 92-425, section 4 (Minimum Income Widow's benefit); and

3. Was married to a deceased retired member of a uniformed service, described in paragraph 610402, at the time of such member's death and has never been remarried; and

B. Who either:

1. Was married to the member at the time the member became eligible for retired pay; or

2. Had been married to the member for at least one year before the date of death (or was the parent of a child born of such marriage).

610402. Deceased Retired Member

A deceased retired member for the purpose of this annuity is one who did not decline participation in the Survivor Benefit Plan (SBP) or Reserve Component (RC) SBP, and either:

A. Retired before September 21, 1972, died before March 21, 1974, and was entitled to retired or retainer pay on the date of death; or

B. Was a member of an RC during the period beginning September 21, 1972 and ending October 1, 1978; died before October 1, 1978; and at the time of death, would have been entitled to retired pay under ***10 U.S.C., section 1331*** (renumbered by P.L. 103-337, effective December 1, 1994, to ***10 U.S.C. § 12731***), but for the fact that he or she was under 60 years of age.

6105 PAYMENT OF ANNUITY

610501. Payment Effective Date

Payment to a qualified surviving spouse begins within 30 days upon receipt of a validated claim endorsed by the Military Service, DFAS-CL site. The monthly payments begin effective December 1, 1997, except where entitlement is under subparagraph 610402.B, in which case entitlement begins effective October 1, 1999.

610502. Representative Payee

ACMSS payments due to a mentally incompetent or otherwise legally disabled person, for whom a guardian or other fiduciary has not been appointed, may be paid to a representative payee the same as the SBP. See Chapter 46.

610503. Report of Existence (ROE) and Certificate of Eligibility (COE)

The procedures for ROE and COE on SBP annuity payments also apply to ACMSS payments. See Chapter 46.

610504. Debt Collection

Overpayments of annuity are subject to the same collection action as SBP. See Chapter 46.

610505. Taxability

The taxability of ACMSS payments is similar to an SBP annuity. See Chapter 46.

610506. Death of Annuitant

The annuity terminates the first day of the month in which the annuitant dies.

Any amounts that are due and payable at the time of the annuitant's death may be paid in accordance with the provisions of Chapter 31. The unpaid annuity will only be paid upon receipt of a properly executed and documented claim, approved by the Secretary of the Military Department concerned (or designee).

610507. Remarriage

The annuity terminates the first day of the month in which the annuitant remarries, without regard to the age of the annuitant.

6106 ANNUITY AMOUNT AND OFFSET

610601. Amount

The annuity to a qualified surviving spouse was initially established at $165 per month. The amount is subject to the same cost-of-living adjustment (COLA) and at the same time as military retired pay increases. The first COLA was effective December 1, 1997 as shown on Table 61-1. The provision for rounding monthly SBP annuity is not applicable.

610602. Offset

The amount of annuity to which a surviving spouse is entitled under this section for any period shall be reduced (but not below zero) by any amount paid to the surviving spouse for the same period under any of the following:

A. Retired and RC SBP;

B. Retired Serviceman's Family Protection Plan;

C. Minimum Income Widow's benefit; or

D. Dependency and Indemnity Compensation.

6107 FUNDING

The approving Military Service must fund the annuities from operations and maintenance funds for the fiscal year in which the payment is made.

*Table 61-1. ACMSS ANNUITY AMOUNT

Date of Increase	Percent	Amount
November 1, 1997		$165.00
December 1, 1997	2.1	$168.47
December 1, 1998	1.3	$170.66
December 1, 1999	2.4	$174.76
December 1, 2000	3.6	$181.05
December 1, 2001	2.6	$185.76
December 1, 2002	1.4	$188.36
December 1, 2003	2.1	$192.32
December 1, 2004	2.7	$197.51
December 1, 2005	4.1	$205.61
December 1, 2006	3.3	$212.40
December 1, 2007	2.3	$217.29
December 1, 2008	5.8	$229.89
December 1, 2009	0	$229.89
December 1, 2010	0	$229.89
December 1, 2011	3.6	$238.17
December 1, 2012	1.7	$242.22
December 1, 2013	1.5	$245.85
December 1, 2014	1.7	$250.03
December 1, 2015	0	$250.03
December 1, 2016	0.3	$250.78

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VOLUME 7B, CHAPTER 63: "COMBAT-RELATED SPECIAL COMPENSATION (CRSC)"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated September 2015 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated chapter and format to comply with administrative instructions.	Revision
630101.C.2	Pursuant to Title 10, United States Code (U.S.C.), section 1452(d)(2), deleted subparagraph because Survivor Benefit Plan (SBP) premiums can now be deducted from CRSC. Subparagraph 630101.C.3 is renumbered to 630101.C.2.	Deletion
630803	Pursuant to 10 U.S.C. § 1452(d)(2), added paragraph that will deduct SBP premiums from the retiree's CRSC in lieu of deduction from retired pay.	Addition
630804	Pursuant to 10 U.S.C. § 1450(e), added paragraph that will refund SBP premiums to the surviving spouse or former spouse.	Addition
Bibliography	Added references to paragraphs 630803 and 630804.	Addition

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CHAPTER 63

COMBAT-RELATED SPECIAL COMPENSATION (CRSC)

6301 GENERAL

630101. Purpose

CRSC provides special compensation to members of the Uniformed Services who have retired pay reduced because of receiving U.S. Department of Veterans Affairs (VA) disability compensation where a portion of such VA disability compensation is the result of disabilities that are combat-related as determined by the Military Department.

A. Effective Date. The CRSC program became effective May 31, 2003. Payments are made on the first day of the first month following the month in which the compensation accrued, provided the member is receiving VA disability compensation for a disability that has been determined to be combat-related by the Military Department. No CRSC is payable for any month prior to June 2003.

1. For a member who qualifies on May 31, 2003, compensation accrues beginning in June 2003.

2. For an eligible member whose disability percentage is less than 60 percent, compensation is effective January 1, 2004.

3. For an eligible member who is retired under ***Title 10, United States Code (U.S.C.), Chapter 61*** with less than 20 years of active duty or with less than sufficient service and age to qualify for retirement under ***10 U.S.C., section 12731***, compensation is effective January 1, 2008.

4. For a member who did not meet the qualifications on June 1, 2003, January 1, 2004, or January 1, 2008, but who later meets the qualifications, entitlement accrues the first day of the following month.

B. Funding and Payment. CRSC is not military retired pay. It is a monthly entitlement that is paid only in whole-month increments. Prior to October 1, 2003, CRSC was payable from funds appropriated for pay and allowances payable by the Secretary of the Military Department concerned (or designee) for that fiscal year (FY). Effective October 1, 2003, the source of funding is the Department of Defense (DoD) Military Retirement Fund.

C. Relationship to Other Provisions.

1. CRSC is not retired pay, and it is not subject to the provisions of ***10 U.S.C. § 1408*** relating to payment of retired or retainer pay in compliance with court orders.

2. CRSC is subject to a Treasury offset to recover a debt owed to the United States as well as to garnishment for child support or alimony. In addition, debts due the government may be collected from CRSC, including overpayments of retired pay or erroneous payments of CRSC, by means of an administrative offset. An administrative offset of CRSC to collect a debt due the government is subject to the due process requirements of ***31 U.S.C. § 3716*** and ***31 Code of Federal Regulations (CFR), part 901***. Claims for overpayments of CRSC may be considered for waiver in accordance with ***10 U.S.C. § 2774***. Finally, CRSC payments are not subject to Chapter 13 bankruptcy court orders to pay a Chapter 13 trustee.

D. Tax Consideration.

CRSC payments are considered tax exempt from Federal income tax under provisions of ***26 U.S.C. § 104***.

630102. Authoritative Guidance

The bibliography at the end of this chapter lists the authoritative references.

6302 ENTITLEMENT

630201. Monthly Entitlement

CRSC is a monthly entitlement. A retiree is entitled to CRSC for each month during which, for the entire month, the member:

A. Has applied for and elected CRSC under these provisions (section 6303),

B. Meets preliminary CRSC criteria (section 6304), and

C. Meets final CRSC criteria (section 6305).

630202. Expanded Eligibility in 2008

As of January 1, 2008, section 641 of the FY 2008 National Defense Authorization Act and ***10 U.S.C. § 1413a*** provide special rules for CRSC-eligible retirees with fewer than 20 years of service, to include members who have waived their retired pay in order to receive VA disability compensation. This expanded authority includes both 10 U.S.C., Chapter 61 (10 U.S.C. §§ 1201-1222) disability retirees and Temporary Early Retirement Authority (TERA) retirees. However, a Reserve Component retiree who receives retired pay for early retirement with physical disabilities under ***10 U.S.C. § 12731b*** is specifically excluded from entitlement to CRSC by 10 U.S.C. § 1413a(c)(1).

6303 APPLICATION AND ELECTION

630301. Application and Election

A member may not be paid CRSC unless he or she has applied for and elected to receive compensation under the CRSC program by filing an application on DoD (DD) Form 2860, Claim For Combat-Related Special Compensation (CRSC), with the Military Department from which he or she retired. A member may submit an application for CRSC at any time and, if otherwise qualified for CRSC, compensation will be paid for any month after May 2003 for which all conditions of eligibility were met.

630302. Election of CRSC or Concurrent Retirement and Disability Payments (CRDP)

The law states that a member eligible for both CRSC, under 10 U.S.C. § 1413a, and CRDP, under ***10 U.S.C. § 1414***, may not receive both, but must elect which compensation to receive. The Defense Finance and Accounting Service (DFAS)-Cleveland site will advise the member which of the two payments is being paid pursuant to such election. In addition, the DFAS-Cleveland site will provide further notice in the event the amounts payable under either program result in a situation where a change in this election would result in greater compensation. The member will have one opportunity annually to reverse the current election. This will allow the member to assess the impact of annual adjustments to retired pay, VA disability compensation, CRSC, and CRDP. The DFAS-Cleveland site will advise members of their options and the procedures to make such elections. See also section 6405 for more information.

6304 PRELIMINARY CRITERIA

A retired member of the Uniformed Services must satisfy the following applicable conditions to meet the preliminary criteria to receive CRSC.

630401. Years of Service Requirement

A. On or after January 1, 2004. A retired member must have had 20 or more years of service for the purpose of computing retired pay.

B. January 1, 2004 through December 31, 2007. Beginning January 1, 2004, and prior to January 1, 2008, a retired member must have had 20 or more years of service for the purpose of computing retired pay or have been entitled to Reserve Component retired pay under 10 U.S.C. § 12731 (other than by reason of section 12731b) to be eligible for CRSC.

C. Before January 1, 2008. For the purposes of both subparagraphs 630401.A and 630401.B the following apply:

1. The 20 years of service required for computing retired pay may be inferred from the retired pay multiplier. Thus, a member who retired for years of service (not for disability under 10 U.S.C., Chapter 61) who has a retired pay multiplier of not less than 50 percent,

or a member retired under the Military Retirement Reform Act of 1986 (referred to as REDUX) who is still under age 62 with a retired pay multiplier of not less than 40 percent, may be presumed to have at least 20 years of service for retired pay computation purposes. A member who retired under 10 U.S.C., Chapter 61 should be evaluated in terms of what the multiplier would be if the member had not retired for disability. See subparagraph 630401.C.4.

2. A member retired under the provisions of section 4403 of ***Public Law 102-484***, October 23, 1992, as amended, and by section 504 of ***Public Law 112-81***, December 31, 2011 (commonly known as the TERA program) is generally not eligible unless the member is credited with sufficient service for a 50 percent multiplier or has been recalled to active duty long enough to accumulate 20 years or more of service in the Uniformed Services for the purpose of computing retired pay. Service in Public and Community Service positions under the provisions of section 4403 of Public Law 102-484, October 23, 1992, that is creditable for re-computation of retired pay at age 62 does not count for these purposes. A TERA retiree who has a retired pay increase of 10 percent granted on the basis of extraordinary heroism is not eligible under these provisions if the retired pay multiplier would otherwise be less than 50 percent.

3. Prior to January 1, 2004, a retired reservist had to have at least 7,200 points to be eligible for CRSC. Effective January 1, 2004, a retired Reservist with retired pay computed under 10 U.S.C. § 12731 is eligible for CRSC unless retired for disability under 10 U.S.C. § 12731b with more than 15 but less than 20 years as required under 10 U.S.C. § 12731(a)(2). Specifically, those retired under the Reserve TERA provisions, as prescribed in ***10 U.S.C. § 12731a***, who served fewer than 20 years, but were considered to meet the criteria of 10 U.S.C. § 12731(a)(2) are eligible under these provisions.

4. CRSC is payable to otherwise qualifying applicants receiving retired pay based on the DoD-assigned percentage of disability under 10 U.S.C., Chapter 61. For such members, the CRSC payment is subject to reduction as explained in paragraph 630805.

D. On or After January 1, 2008. A retired member who meets the criteria of paragraphs 630402 through 630404 satisfies the preliminary criteria to receive CRSC, without regard to having 20 or more years of creditable service for computing retired pay.

1. A member retired for disability under 10 U.S.C., Chapter 61**,** with less than 20 years of service is eligible to receive CRSC, subject to reduction under subparagraph 630805.B.

2. A member retired under the provisions of section 4403 of Public Law 102-484, October 23, 1992, as amended, and by section 504 of Public Law 112-81, December 31, 2011, (commonly known as the TERA program) is entitled to CRSC. The monthly amount of CRSC payable to qualifying TERA retirees will not be reduced under the special rules for CRSC-entitled disability retirees with less than 20 years of service which are applicable only to Chapter 61 retirees.

630402. Retired Status

A member must be in a retired status (i.e., on the retired rolls), or have been transferred to the Fleet Reserve or Fleet Marine Corps Reserve. A member who is recalled to, or retained on, active duty is not in a retired status and therefore is not entitled to CRSC for such period of active duty.

630403. Entitled to Retired Pay

A. A member must be entitled to retired pay, notwithstanding that such retired pay may be reduced due to receipt of VA disability compensation. A reservist who has not reached the requisite age to receive retired pay (generally age 60) is not eligible to receive CRSC payments. See Chapter 1, subparagraph 010208.F, for when the eligibility age of a reservist will be reduced below 60 years of age and become eligible for retired pay.

B. A member who waives retired pay in order to credit military service for the purposes of establishing eligibility for a civil service retirement, or for any reason other than to receive disability compensation from the VA, is not eligible to receive CRSC payments. A member who combines his military time with his civil service time for the sole purpose of enhancing his civil service retirement may be eligible for CRSC, if the member is still eligible to receive military retired pay. Members should consult the Civil Service Retirement System (CSRS) and Federal Employees Retirement System (FERS) ***Handbook for Personnel and Payroll Offices*** for further information on eligibility.

630404. Qualifying Disability Ratings (Percentages)

A. A member must be entitled to compensation for service-connected disabilities under ***38 U.S.C.***, as rated by the VA. The rating must be awarded prior to the member's date of death.

B. Disability ratings by the Secretary of the Military Department concerned (or designee), as of the date on which the member retired, may be used to help make determinations of whether the member meets preliminary CRSC criteria. The actual computation of the amount of CRSC payable to an eligible retiree is based solely on VA disability determinations and the amount of VA compensation paid, without regard to any disability that is not combat-related. Military retirement decisions may be used to determine whether such disabilities are combat-related.

6305 FINAL CRITERIA

In order for the member to be entitled to CRSC, the member must meet all four preliminary CRSC criteria (as prescribed in paragraphs 630401 through 630404), and the appropriate Service must determine that the member has a combat-related disability or disabilities, as defined by paragraphs 630501 and 630502, that are compensated by the VA.

630501. Purple Heart Disability

A. Purple Heart Disability is a disability with an assigned medical diagnosis code from the VA Schedule for Rating Disability (VASRD) that was attributed to injuries for which the member was awarded a Purple Heart.

B. If the member meets the preliminary CRSC criteria and has been awarded a Purple Heart, then the Military Department must determine which disabilities of the member, if any, are attributed to Purple Heart injuries. If the member was not awarded a Purple Heart, then no such determination will be made.

C. Determination that a disability is a Purple Heart Disability requires documentary information that there is a sufficient causal relationship between the disability and injury for which a Purple Heart was awarded to conclude that the disability is attributable to such injury. Such a disability will be classified as a Purple Heart Disability and will also be included in any other CRSC determinations based on combat-related disabilities.

630502. Other Combat-Related Disabilities

A combat-related disability is a disability with an assigned medical diagnosis code from the VASRD. The Military Departments will determine whether a disability is combat-related based on the following criteria:

A. As a direct result of armed conflict,

B. While engaged in hazardous service,

C. In the performance of duty under conditions simulating war, or

D. Through an instrumentality of war.

The Department will record for each disability determined to be combat-related which of the circumstances provided qualifies the disability as combat-related. A determination of combat-relatedness (see section 6306) will be made with respect to each separate disability with an assigned medical diagnosis code from the VASRD. A retiree may have disabilities that are not combat-related. Such disabilities will not be considered in determining eligibility for CRSC or the amount of CRSC payable. An uncorroborated statement in a record that a disability is combat-related will not, by itself, be considered determinative for purposes of meeting the combat-related standards for CRSC prescribed herein. CRSC determinations must be made on the basis of the program criteria.

6306 DETERMINATIONS OF COMBAT-RELATEDNESS

The following criteria, terms, definitions, and explanations will apply to making combat-related determinations in the CRSC Program.

630601. Direct Result of Armed Conflict

A. The disability is a disease or injury incurred in the line of duty as a direct result of armed conflict. To support a combat-related determination, it is not sufficient to only state the fact that a member incurred the disability during a period of war, in an area of armed conflict, or while participating in combat operations. There must be a definite causal relationship between the armed conflict and the resulting disability.

B. Armed conflict includes a war, expedition, occupation of an area or territory, battle, skirmish, raid, invasion, rebellion, insurrection, guerilla action, riot, or any other action in which Service members are engaged with a hostile or belligerent nation, faction, force, or with terrorists.

C. Armed conflict may also include such situations as incidents involving a member while interned as a prisoner of war or while detained against his or her will in custody of a hostile or belligerent force, or while escaping or attempting to escape from such confinement, prisoner of war, or detained status.

630602. While Engaged in Hazardous Service

Hazardous service is service that includes, but is not limited to, aerial flight, parachute duty, demolition duty, experimental stress duty, and diving duty. A finding that a disability is the result of such hazardous service requires that the injury or disease be the direct result of actions taken in the performance of such service. Travel to and from such service, or actions incidental to a normal duty status not considered hazardous, are not included.

630603. In the Performance of Duty Under Conditions Simulating War

In general, performance of duty under conditions simulating war covers disabilities resulting from military training, such as war games, practice alerts, tactical exercises, airborne operations, leadership reaction courses, grenade and live fire weapon practice, bayonet training, hand-to-hand combat training, repelling, and negotiation of combat confidence and obstacle courses. It does not include physical training activities such as calisthenics, jogging, formation running, or supervised sport activities.

630604. Instrumentality of War

A. There must be a direct causal relationship between the instrumentality of war and the disability. It is not required that a member's disability be incurred during an actual period of war. The disability must be incurred incident to a hazard or risk of the service.

B. An instrumentality of war is a vehicle, vessel, or device designed primarily for Military Service and intended for use in such Service at the time of the occurrence or injury. It may also include such instrumentality not designed primarily for Military Service if use of or occurrence involving such instrumentality subjects the individual to a hazard peculiar to Military

Service. Such use or occurrence differs from the use or occurrence under similar circumstances in civilian pursuits.

C. A determination that a disability is the result of an instrumentality of war may be made if the disability was incurred in any period of service as a result of such diverse causes as wounds caused by a military weapon, accidents involving a military combat vehicle, injury or sickness caused by fumes, gases, or explosion of military ordnance, vehicles, or materiel.

D. For example, if a member is on a field exercise, and is engaged in a sporting activity and falls and strikes an armored vehicle, then the injury will not be considered to result from the instrumentality of war (armored vehicle) because it was the sporting activity that was the cause of the injury, not the vehicle. On the other hand, if the individual was engaged in the same sporting activity and the armored vehicle struck the member, then the injury would be considered the result of an instrumentality of war.

6307 SPECIAL MONTHLY COMPENSATION (SMC)

630701. General

SMC, under ***38 U.S.C. § 1114***, is payable for service-connected disabilities caused by each anatomical loss or loss of use of specific organs or parts of the body. SMC is payable in addition to the basic rate of compensation otherwise payable on the basis of degree of disability, provided that the combined rate of compensation does not exceed the monthly rate set forth in 38 U.S.C. § 1114(k).

630702. Special Determination

Each Military Department will make a special determination regarding whether a member entitled to CRSC who also receives SMC from the VA under 38 U.S.C. § 1114(k) through (s) could receive increased CRSC as a result of an SMC determination. The Military Department will first determine whether all their VA-compensated disabilities have been determined to be combat-related disabilities under the CRSC program. For members with VA-compensated disabilities that are both combat-related and not combat-related, the Military Department will classify each award of SMC as either Combat-Related SMC (CR-SMC) or not (Non-CR-SMC), consistent with the corresponding determination of the diagnostic codes on which the SMC is based. The DFAS-Cleveland site will be notified of all such determinations and will include any CR-SMC in CRSC computations.

630703. Grades Not Requiring SMC Determinations

The Military Department need not make a combat-related determination for any member who would not receive added compensation even if SMC was determined to be combat-related. Any SMC on such member will be passed to DFAS as “undetermined combat-relatedness.”

6308 CRSC AMOUNT

The monthly amount of CRSC is equal to the full monthly amount prescribed in paragraph 630801, reduced as prescribed in paragraph 630805 and limited in accordance with paragraph 630802.

630801. Gross Monthly Amount

The monthly amount of disability compensation the member would be paid by the VA under the provisions of 38 U.S.C. if compensated solely for the disabilities determined to be attributable to an injury for which the member received the Purple Heart or determined to be otherwise combat-related. See section 6305. Applicable compensation is set forth in ***38 U.S.C., Chapter 11***.

> Example: A member with a spouse and two children has qualifying combat-related disabilities rated at 100 percent by the VA. The member's current monthly VA benefit amount is $3,264 which is the prescribed rate for a 100 percent disability for a veteran with a spouse and two children as of December 1, 2012. The gross monthly amount for CRSC purposes is based on this full rate and not just the veteran-alone amounts as applied to CRSC for periods on or after January 1, 2004.

A. Compensation of Dependents. Additional compensation for dependents is to be included as part of any applicable CRSC compensation. DFAS will use the same dependency rates for the combat-related compensation as VA uses to determine the member's full disability compensation. For example, if a member is compensated by VA at the 100 percent disability rate for a veteran with spouse and one child and the combat-related percentage is 60 percent, then the gross CRSC will be determined as the 60 percent rate for a veteran with a spouse and one child. The rates of such compensation are set forth in ***38 U.S.C. § 1115***.

B. SMC. The amount of SMC will be considered as part of gross CRSC compensation only if the SMC is paid on the basis of disabilities determined by the Military Department to be combat-related. See section 6307.

C. Retired Members Considered Unemployable. DFAS must coordinate with VA to ascertain whether a member is compensated by VA under 38 U.S.C. § 1114(j) by virtue of a rating of Individual Unemployability on the basis of being unemployable under the provisions of ***38 CFR 4.16*** or ***4.18***, for any member whose current combined combat-related disability percentage is 60 percent or greater. Such member will be given a combined gross CRSC disability, which is rated as total or 100 percent.

630802. Adjusted Amount

The CRSC payment may not exceed the current reduction in retired pay applicable to the retiree under ***38 U.S.C. §§ 5304*** and ***5305***. Thus, CRSC is not payable if there is no reduction because the member is not receiving any monthly disability compensation from VA, or because the member is not receiving retired pay (such as a reserve member before reaching retirement age

at 60 or other reduced retirement age), or for other reasons (such as a member who waives military retired pay in order to credit military service for a civil service retirement). The amount of a member's CRSC entitlement will be adjusted to be the lesser of the gross CRSC from paragraph 630801 or the reduction to the retired pay entitlement.

Example: The member, described in paragraph 630801 is retired after 22 years of service with a high-three pay base of $3,000, resulting in retired pay of $1,650 monthly (55 percent of $3,000). The potential retired pay of $1,650 is reduced to $0 by receipt of the VA disability compensation. Thus the adjusted amount of CRSC is the $1,650 reduction in retired pay since it is less than the gross amount of $3,264 determined in the example in paragraph 630801.

*630803. Deduction from CRSC When Retired Pay Not Adequate

Pursuant to 10 U.S.C. § 1452(d)(2), if a deduction from the member's retired pay for any period cannot be made in the full amount required to satisfy the Survivor Benefit Plan (SBP) premium, the premium will be deducted from the retiree's CRSC in lieu of deduction from the member's retired pay in the amount that would otherwise have been deducted from the member's retired pay for that period.

*630804. SBP Premium Deduction from CRSC When Dependency and Indemnity Compensation (DIC) Offset is Applicable

Pursuant to 10 U.S.C. § 1450(e), the SBP premium deducted from CRSC of the deceased will be refunded to the surviving spouse when DIC offset is applicable. See Chapter 46.

630805. CRSC Payment Reduction for 10 U.S.C., Chapter 61 Disability Retirees

The adjusted monthly amount specified in paragraph 630802 will be reduced according to the provisions of subparagraph 630805.A or 630805.B, whichever is applicable.

A. Reduction for periods prior to January 1, 2013.

1. Members retired for disability under 10 U.S.C., Chapter 61 with 20 or more years of creditable service computed under section ***10 U.S.C. § 1208*** will have the maximum CRSC payment reduced by the amount, if any, by which the amount of the member's gross retired pay under Chapter 61 exceeds the applicable retired pay to which the member would otherwise have been entitled under any other provisions of law. A retiree who accepted the Career Status Bonus will have the reduced amount calculated based on retired pay that would otherwise have been computed under ***10 U.S.C. § 1409(b)(2)***.

Example: The member described in paragraph 630802, who would have received $1,650 in retired pay had he retired for his years of service, was retired under 10 U.S.C., Chapter 61 with a disability rated at 60 percent. Thus, the member receives retired pay of $1,800 monthly (60 percent of $3,000). However, in this case, the member has a combined VA rating of 100 percent, but combat-related

disabilities rated at 60 percent. The member's current monthly VA benefit amount is $3,264, of which $1,365 is combat-related. The member has a total offset of retired pay. The maximum CRSC entitlement under paragraphs 630801 and 630802 is $1,365. The maximum CRSC entitlement will be reduced by the difference in the Chapter 61 retirement and the longevity retirement amounts, or $150 ($1,800 less $1,650). This reduction reflects the amount by which the member's disability retired pay exceeds his or her longevity retired pay. The member's CRSC benefit of $1,365 is reduced by $150 to $1,215. In this case, the member will receive $3,264 from the VA and $1,215 in CRSC from DoD.

2. Members retired for disability under 10 U.S.C., Chapter 61 with less than 20 years of creditable service computed under 10 U.S.C. § 1208 and who initially qualify for CRSC on or after January 1, 2008, will have the maximum CRSC payment reduced by the amount, if any, by which the amount of the member's gross retired pay under Chapter 61 exceeds the amount that is equal to 2½ percent of the member's years of creditable service multiplied by the member's retired pay base under ***10 U.S.C. § 1406(b)(1)*** or ***10 U.S.C. § 1407***, whichever is applicable to the member.

NOTE: A retired reserve member, retired under the provisions of 10 U.S.C., Chapter 61 is entitled to CRSC. The gross amount of CRSC determined under paragraph 630801 will be adjusted as required under paragraph 630802 and then further reduced under paragraph 630805. For Reserve Component members with less than 20 years of service as determined under ***10 U.S.C. § 12733***, reduce the adjusted CRSC amount by the amount, if any, by which the disability retired pay exceeds the amount equal to 2½ percent times the years of creditable service determined under 10 U.S.C. § 12733 multiplied by the member's applicable retired pay base. For Reserve Component members with 20 or more years of service as determined under 10 U.S.C. § 12733, reduce the adjusted CRSC amount by the amount, if any, by which the disability retired pay exceeds the retired pay to which the member would be entitled if the member were 60 years old.

B. Reductions for periods on or after January 1, 2013.

1. Members retired for disability under 10 U.S.C., Chapter 61 with 20 or more years of creditable service computed under section 10 U.S.C. § 1208 will have the maximum CRSC payment restricted to the amount, which when combined with any remaining retired pay after VA offset, will not exceed the applicable retired pay to which the member would otherwise have been entitled under any other provisions of law. A retiree who accepted the Career Status Bonus will have the reduced amount calculated based on retired pay that would otherwise have been computed under 10 U.S.C. § 1409(b)(2).

Example: The same member, as described in paragraph 630802, was retired under 10 U.S.C., Chapter 61, with a disability rated at 60 percent. Thus, the member receives retired pay of $1,800 monthly (60 percent of $3,000). However, in this case, the member has a combined VA rating of 100 percent, but combat-related disabilities rated at 60 percent. The member's current monthly VA benefit amount is $3,264, of which $1,365 is combat-related. The member has a total offset of retired pay. Since there is no residual retired pay after offset of the full VA benefit amount, the member's CRSC entitlement of $1,365, is fully payable as it does not exceed the applicable retired pay to which the member would otherwise have been entitled under any other provisions of law. In this case, the member will receive $3,264 from the VA and $1,365 in CRSC from DoD.

2. Members retired for disability under 10 U.S.C., Chapter 61, with less than 20 years of creditable service computed under 10 U.S.C. § 1208, and who are qualified for CRSC, on or after January 1, 2013, will have the maximum CRSC payment restrictions. The CRSC payment amount, which when combined with any remaining retired pay after VA offset, will not exceed the amount that is equal to 2½ percent of the member's years of creditable service multiplied by the member's retired pay base under 10 U.S.C. § 1406(b)(1) or 10 U.S.C. § 1407, whichever is applicable to the member.

NOTE: A retired reserve member, retired under the provisions of 10 U.S.C., Chapter 61, is entitled to CRSC. The gross amount of CRSC determined under paragraph 630801 will be adjusted as required under paragraph 630802. For Reserve Component members with less than 20 years of service as determined under 10 U.S.C. § 12733, the CRSC amount when combined with the amount of retired pay payable to the retiree after reduction for the full VA disability compensation, if any, may not exceed the disability retired pay amount that is equal to 2½ percent times the years of creditable service determined under 10 U.S.C. § 12733 multiplied by the member's applicable retired pay base. For Reserve Component members with 20 or more years of service as determined under 10 U.S.C. § 12733, the CRSC amount when combined with the amount of retired pay payable to the retiree after reduction for the full VA disability compensation, if any, may not exceed the disability retired pay to which the member would be entitled if the member were 60 years old.

C. Chapter 61 Disability Retiree Out-Year Deductions. In all cases, once established (based on date the member was first placed on either the Permanent or Temporary Disability Retirement List), the CRSC reduction amount will be increased by each increase in the retired pay cost of living allowance. It will not be re-computed using current pay tables unless the member otherwise qualifies for re-computation of retired pay by reason of recall to duty or correction of official records.

6309 COMBINED DISABILITY RATING PERCENTAGE

630901. The VA Combined Ratings Table

The combined disability rating table combines multiple disability ratings as set forth in ***38 CFR 4.25***. The table is based on the consideration of an individual's efficiency, as affected by the most disabling conditions, if any, in the order of severity. Thus, a person having a 60 percent disability is considered 40 percent efficient. Proceeding from this 40 percent efficiency, the effect of a further 30 percent disability is to leave only 70 percent of the efficiency remaining after consideration of the first disability (70 percent of 40 percent), leaving 28 percent efficiency altogether. The individual is thus 72 percent disabled.

630902. Multiple Combined Disability Ratings

When a retiree has two or more disability ratings, use the following formula to determine the combined rating of multiple disabilities:

A. Subtract each disability percent from 100 percent to obtain the remaining efficiency,

B. Multiply the remaining efficiencies together,

C. Subtract the result from 100 percent, and

D. Round to the nearest 10 percent (round upward for 5 percent and up, down for 4 percent and below) to determine the combined disability rating.

Example 1: Consider a retiree having three disabilities from VA, rated 50 percent, 40 percent, and 30 percent. If added together, then the total would be 120 percent. Instead, the member's combined rating is determined as follows:

1. The three disabilities leave efficiencies of 50 percent, 60 percent, and 70 percent respectively;

2. Multiply the three efficiencies together:

.50 x .60 x .70 = .21 or 21 percent;

3. The disability is 100 percent less 21 percent = 79 percent; and

4. Adjust the result upward to a combined disability rating of 80 percent.

Example 2: Now consider what happens if the Military Department determines that only the 40 percent and 30 percent disabilities are combat-related, then the member's combined disability rating for CRSC would be:

1. The two disabilities of 40 percent and 30 percent leave efficiencies of 60 percent and 70 percent;

2. Multiply the two efficiencies together:

.60 x .70 = .42 or 42 percent;

3. The disability is 100 percent less 42 percent = 58 percent; and

4. Adjust the result upward to a combined disability rating of 60 percent.

630903. VA Retroactive Increase

When VA makes a retroactive increase in a member's VA disability compensation pertinent to a member's combat-related disabilities under CRSC, DFAS and VA will exchange data to determine the additional retroactive amount that the member is entitled to receive as the result of CRSC. DFAS will compute the additional entitlement and advise VA in order for VA to pay the member the appropriate additional authorized VA disability compensation. Any increase affecting CRSC qualified disabilities in the current month requires that CRSC be re-computed.

6310 REVIEW PROCESS

631001. Basis for Determination

A. Determinations of whether a disability is combat-related will be based on the preponderance of available documentary information where quality of information is more important than quantity. All relevant documentary information is to be weighed in relation to known facts and circumstances, and determinations will be made on the basis of credible, objective documentary information in the records as distinguished from personal opinion, speculation, or conjecture.

B. The burden of proof that a disability is combat-related rests with the applicant, who is required to provide copies of documents in his or her possession to the best of his or her ability. A record submitted by a member may be used in support of his or her application if that record appears regular on its face and is consistent with Military Service documents and procedures in use at the time, based on the best information available. Military Departments may compile a list of typical documents used in various time periods. If necessary, the Military Departments, under agreement with VA may request copies of certain documents (i.e., DD 214, "Certificate of Release or Discharge From Active Duty", medical records, final VA ratings) from VA to support CRSC determinations.

631002. Processing of Applications

Each Military Department will receive and process applications submitted by members retired from that Military Department on DD 2860, Claim For Combat-Related Special Compensation (CRSC). Applications will be reviewed, and an application will be approved only if the applicant satisfies both preliminary and final CRSC criteria. An application must be received by the military department prior to the member's death in order to be considered. An application for CRSC submitted by member's survivors will not be considered. The DFAS-Cleveland site will be notified of each approved application for payment.

A. Initial Review. Each Service Department will review the member's application to determine if the member meets the preliminary criteria in section 6304. If a member does not satisfy each of the preliminary CRSC criteria, then the application will be denied and no further consideration is necessary. The member may reapply at such time as his or her ratings satisfy the specified thresholds and meet all four preliminary CRSC criteria in section 6304.

B. Final Review. If the member meets all four preliminary criteria in section 6304, then the Military Department will determine whether the member's disabilities are qualifying combat-related disabilities, as prescribed in section 6306. The Military Department will record each disability determined to be combat-related with assigned medical diagnosis code from VASRD. The Military Department will forward the approved claims with VASRD codes categorized as either combat or Purple Heart to the DFAS-Cleveland site for payment.

631003. Denial and Appeals

When a Military Department denies a CRSC application, they will provide a letter to the member specifying the reasons(s) for the denial. The Military Department will inform the member that he or she may seek reconsideration by submitting additional, clarifying, or new documentary information to the Military Department in support of his or her claim. The Military Department will review the additional or new information and will inform the member of the results of the review. The Military Department will also inform the member that CRSC is subject to the same appeals and correction processes applicable to military pay and allowances, including application to the appropriate Board for Correction of Military Records (BCMR) under the provisions of ***10 U.S.C. § 1552***. The Military Department will provide the member a ***DD 149***, Application for Correction of Military Record Under the Provisions of Title 10, U.S. Code, section 1552, and the address of the BCMR, including its website. In considering an application where the issue of whether a disability is combat-related for the purposes of CRSC, BCMR will seek an advisory opinion from the Director of Compensation, Office of the Deputy Under Secretary of Defense (Military Personnel Policy), and comply with the requirements of ***10 U.S.C. § 1556***. The BCMR will provide the Director of Compensation a copy of any final decision concerning any application involving a determination as to whether a disability is combat-related.

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6309 – COMBINED DISABILITY RATING PERCENTAGE

630901	38 CFR 4.25

6310 – REVIEW PROCESS

631003	10 U.S.C. § 1552 10 U.S.C. § 1556

VOLUME 7B, CHAPTER 64: "CONCURRENT RETIREMENT AND DISABILITY PAY (CRDP)"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated November 2014 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and reformatting to comply with current administrative instructions.	Revision
640101	Added "Purpose" paragraph.	Addition
640102	Added "Authoritative Guidance" paragraph.	Addition
640503	Paragraph rephrased for clarity.	Revision
Bibliography	Deleted references to Title 38, United States Code, sections 5304 and 5305.	Deletion

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CHAPTER 64

CONCURRENT RETIREMENT AND DISABILITY PAYMENT (CRDP)

6401 GENERAL

*640101. Purpose

Effective January 1, 2004, eligible military retirees are entitled to concurrent receipt of both retired pay and Department of Veterans Affairs (VA) disability compensation. The CRDP program provides for a 10-year phase-out of the offset to retired pay due to receipt of VA disability compensation. The CRDP program provides a restoration of monthly retired pay calculated on the circumstances of each entitled individual.

*640102. Authoritative Guidance

The bibliography at the end of this chapter lists the authoritative references.

6402 ELIGIBILITY

640201. Qualified Retiree

A qualified retiree must be a member or former member of the Uniformed Services who is entitled for any month to both retired pay and VA disability compensation that is based on a qualifying service-connected disability.

640202. Qualifying Service-Connected Disability

A qualifying service-connected disability is a service-connected disability (or combination of service-connected disabilities) that VA rates at 50 percent or higher.

640203. Physical Disability Retirement

Members retired for physical disability who have less than 20 years of service creditable for the purposes of computing retired pay are not eligible for CRDP, unless they have 20 years of service for determining entitlement to non-regular (reserve) retired pay and are otherwise eligible for such reserve retired pay.

640204. Non-Regular Retired Pay

Members eligible for retirement for non-regular service are not eligible to receive CRDP until they reach retirement age and have applied for and have become entitled to receive retired pay.

640205. Retired Pay Waived

A member who waives retired pay in order to credit military service for the purpose of establishing eligibility for a civil service retirement, or for any reason other than to receive VA disability compensation, is not eligible to receive CRDP payments. A member who combines his military time with his civil service time for the sole purpose of enhancing his civil service retirement may be eligible for CRDP. Members who are in receipt of a civil service retirement and believe they may be eligible for CRDP should consult the Civil Service Retirement System and Federal Employees Retirement System Handbook for Personnel and Payroll Offices for further information on eligibility. See also ***http://www.opm.gov/retire/pubs/handbook/hod.htm***.

6403 APPLICATION

A member is not required to submit an application to receive CRDP payments. The Defense Finance and Accounting Service (DFAS) will establish procedures to ensure that qualified retirees receive CRDP to which they are entitled pursuant to ***Title 10, United States Code (U.S.C.), section 1414***. Members who believe they are entitled to CRDP but are not receiving it should submit a written inquiry to DFAS to ascertain the reason they are not currently receiving CRDP. The claim should be sent to DFAS, U.S. Military Retired Pay, P.O. Box 7130, London, KY 40742-7130.

6404 MONTHLY PAYMENT AMOUNT

Subject to the provisions of paragraphs 640401 and 640402, the monthly amount of retired pay restored under CRDP will be the amount of the offset imposed by receipt of VA disability compensation.

640401. Special Rule for Disability Retirement

Members retired for disability under ***10 U.S.C., Chapter 61 §§ 1201 through 1222*** remain subject to the offset required under ***38 U.S.C. §§ 5304*** and ***5305*** for any retired pay they receive that is in excess of the amount of retired pay to which they would be entitled under any other provision of law based on service in the Uniformed Services, had they not retired for disability. Since retired pay in excess of the amount calculated for years in service is still subject to offset under the CRDP program, a member with an amount of retired pay remaining after offset of VA disability compensation, that is greater than the amount calculated for years of service, is not eligible for any increase in payment of retired pay under the CRDP program.

640402. Phase-in Period

During the phase-in period of January 1, 2004 through December 31, 2013, payments are limited to the amounts determined as described in subparagraphs 640402.A-E. Effective January 1, 2014, qualified retirees will receive full concurrent payments of both retired pay and VA disability compensation subject only to the restriction in paragraph 640401.

A. Restored retired pay computed under CRDP will be determined monthly. The values that determine the amount of retired pay to be restored are dynamic and may change from one month to another depending on a number of factors that cause retired pay and VA disability compensation payments to change. Therefore, CRDP will be recomputed for any month of the phase-in period in which changes to retired pay or VA disability compensation occur.

B. The formula for computing retired pay under the CRDP program during the phase-in period is:

(GRP - CBO) + ((CBO - 2004 Base) × Phase-in %) + 2004 Base

Where:

GRP = Gross Retired Pay before any offset for VA Disability Compensation.
CBO = Current Baseline Offset which is the lesser of ARP and VADC.
ARP = Applicable Retired Pay which is that portion earned for years of service.
VADC = VA Disability Compensation is the monthly disability compensation received.
VADP = VA Disability Percentage as currently assigned by VA.
Phase-in % = The cumulative percentage for a specific calendar year during the phase-in.
2004 Base = The value assigned by law for a specific VADP.

C. The 2004 CRDP base amounts are as follows:

VADP	2004 CRDP Base
100%	$750
90%	$500
80%	$350
70%	$250
60%	$125
50%	$100

D. The phase-in percentage rates for calendar years 2004 to 2013 are as follows:

Calendar Year	Phase-in Percentage
2004	00.00%
2005	10.00%
2006	28.00%
2007	49.60%
2008	69.76%
2009	84.88%
2010	93.95%

2011	98.18%
2012	99.64%
2013	99.96%

E. Calendar year 2004 is the baseline year for the phase-in. In calendar year 2004, the phase-in percentage is zero; therefore, a qualified retiree will be paid monthly CRDP that is equal to the amount, if any, of their GRP in excess of their CBO plus the 2004 CRDP baseline amount based on their VADP. The CRDP amount determined payable may not exceed the amount of retired pay to which the member would otherwise be entitled after the phase-in period. For calendar years 2005 to 2013, a qualified retiree will be paid monthly retired pay in accordance with the calculation in subparagraph 640402.B. Use the 2004 CRDP base amount applicable to the retired member's current VADP for the current month of entitlement being calculated, regardless of the VADP applicable in 2004. Use the phase-in percentage for the calendar year applicable to the current month of entitlement being calculated.

640403. Exception to Phase-in Period

In the case of a qualified retiree receiving VA disability compensation for a disability rated at 100 percent, or 100 percent by reason of a determination of individual unemployability (IU), payment of retired pay is subject to the phase-in only during the period beginning on January 1, 2004 and ending on December 31, 2004. Subsequently, qualified retirees who received VA disability compensation at 100 percent may be entitled to restoration of the full CRDP entitlement from the date of qualification, if the retiree 100 percent disability compensation was payable by reason of an IU rating and, if prior to October 1, 2008, it was subject to the phase-in.

6405 RELATION TO OTHER PROVISIONS

640501. Relation to Combat-Related Special Compensation (CRSC)

A member entitled to both CRDP and CRSC may receive either one, but not both. An approved application for CRSC will cause the member's CRDP payments to be reconsidered. Unless the member elects otherwise, CRSC will be paid instead of CRDP, if the member has applied for and been approved for such benefits and the gross CRSC entitlement is found to exceed the gross CRDP entitlement.

A. All members entitled to both CRDP and CRSC will be provided an annual open season period during which the member may elect to change between the two programs.

B. Eligible members will be notified of the opportunity to elect to change between CRDP and CRSC. The notification will be based on the entitlement information available at the time the notice is provided, and will specify the date that an election change will be effective.

C. Changes in the amount of a member's entitlement to either CRDP or CRSC, which occur after the close of an annual open season period, will not be the basis to alter a current election between CRDP and CRSC prior to the next annual open season. This limitation includes changes in a member's VA disability rating, which have a retroactive effective date prior to the date that DFAS is notified of the change. Note: The limitation in the prior sentence does not apply if maintaining the member's most recent CRDP or CRSC open season election would result in the member incurring a retired pay debt or losing the CRDP or CRSC entitlement altogether.

640502. Relation to Regular Retired Pay

As a restoration of retired pay, CRDP remains subject to the requirement to make direct payment of retired or retainer pay as property of a former spouse in compliance with court orders. Receipt of CRDP does not alter or affect any coverage under the Survivor Benefit Plan (SBP) but is available for deduction of any SBP premiums otherwise due. If a member has sufficient CRDP to cover SBP premiums, then SBP premiums will be deducted from CRDP. CRDP is also subject to a Treasury offset to recover a debt owed to the United States, as well as garnishment for child support or alimony. CRDP is subject to any other action or process, such as allotments, that applies to retired pay generally.

*640503. Taxability

The CRDP entitlement represents the ability of an eligible military retiree to receive both retired pay and VA disability compensation without regard to the waiver and offset requirement in 38 U.S.C. §§ 5304 and 5305. Accordingly, payments of CRDP are payments of retired pay and are taxable.

BIBLIOGRAPHY

CHAPTER 64 – CONCURRENT RETIREMENT AND DISABILITY PAYMENT (CRDP)

6401	General	Public Law 108-136, section 641, November 24, 2003 10 U.S.C. § 1414 38 U.S.C. § 5304 38 U.S.C. § 5305
6402	Eligibility	10 U.S.C. § 1414
	640203	10 U.S.C. § 1201(b)(3)(A) 10 U.S.C. § 1208 10 U.S.C. § 1405 10 U.S.C. § 12732
	640204	10 U.S.C. § 12731
	640205	5 U.S.C. § 8332 5 U.S.C. § 8411
6404	Monthly Payment Amount	38 U.S.C. § 5304 38 U.S.C. § 5305
	640401	10 U.S.C. §§ 1201 through 1222 10 U.S.C. § 12732 38 U.S.C. §§ 5304 and 5305
	640403	Public Law 108-375, section 642, October 28, 2004 10 U.S.C. § 1414(a)(1) 10 U.S.C. § 1414(c) Public Law 110-181, Section 642, January 28, 20
6405	Relation to Other Provisions	
	640501	10 U.S.C. §1413a 10 U.S.C. § 1414(d)

640502	10 U.S.C. § 1408 10 U.S.C. § 1452
640503	Title 26, Code of Federal Regulations, section 31.3401(a)-1(a)(2)

VOLUME 7B, APPENDIX F: "SURVIVOR BENEFIT PLAN (SBP)/RETIRED SERVICEMAN'S FAMILY PROTECTION PLAN (RSFPP) COMPOUND INTEREST TABLE"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated January 2015 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated "SBP/RSFPP Compound Interest Table" rates based on Memorandum dated October 21, 2016 from the Department of Defense Office of the Actuary.	Revision

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*SBP/RSFPP COMPOUND INTEREST TABLE 3

*APPENDIX F

*SBP/RSFPP COMPOUND INTEREST TABLE
(Period October 1, 2016 – Current Date)

Total Payments Due	Compound Interest Factor	Total Payments Due	Compound Interest Factor	Total Payments Due	Compound Interest Factor
1	1.00000	41	42.68805	81	87.85414
2	2.00201	42	43.77365	82	89.03031
3	3.00602	43	44.86143	83	90.20885
4	4.01205	44	45.95139	84	91.38974
5	5.02009	45	47.04354	85	92.57301
6	6.03016	46	48.13788	86	93.75865
7	7.04225	47	49.23441	87	94.94666
8	8.05637	48	50.33314	88	96.13706
9	9.07253	49	51.43407	89	97.32984
10	10.09072	50	52.53721	90	98.52502
11	11.11096	51	53.64257	91	99.72259
12	12.13324	52	54.75014	92	100.92257
13	13.15757	53	55.85993	93	102.12495
14	14.18396	54	56.97194	94	103.32974
15	15.21240	55	58.08619	95	104.53695
16	16.24290	56	59.20267	96	105.74658
17	17.27548	57	60.32139	97	106.95863
18	18.31012	58	61.44235	98	108.17312
19	19.34684	59	62.56556	99	109.39004
20	20.38563	60	63.69103	100	110.60940
21	21.42651	61	64.81875	101	111.83120
22	22.46948	62	65.94873	102	113.05546
23	23.51454	63	67.08098	103	114.28217
24	24.56169	64	68.21550	104	115.51134
25	25.61094	65	69.35229	105	116.74298
26	26.66230	66	70.49136	106	117.97708
27	27.71577	67	71.63272	107	119.21367
28	28.77135	68	72.77636	108	120.45273
29	29.82904	69	73.92230	109	121.69427
30	30.88886	70	75.07054	110	122.93831
31	31.95080	71	76.22108	111	124.18483
32	33.01487	72	77.37393	112	125.43386
33	34.08108	73	78.52909	113	126.68540
34	35.14942	74	79.68656	114	127.93944
35	36.21991	75	80.84636	115	129.19600
36	37.29254	76	82.00848	116	130.45508
37	38.36732	77	83.17293	117	131.71668
38	39.44426	78	84.33972	118	132.98081
39	40.52336	79	85.50885	119	134.24748
40	41.60462	80	86.68032	120	135.51669

*APPENDIX F

*SBP/RSFPP COMPOUND INTEREST TABLE (Continued)
(Period October 1, 2016 – Current Date)

Total Payments Due	Compound Interest Factor	Total Payments Due	Compound Interest Factor	Total Payments Due	Compound Interest Factor
121	136.78844	161	189.80534	201	247.24544
122	138.06274	162	191.18596	202	248.74125
123	139.33960	163	192.56934	203	250.24005
124	140.61902	164	193.95551	204	251.74186
125	141.90101	165	195.34445	205	253.24668
126	143.18556	166	196.73617	206	254.75452
127	144.47269	167	198.13069	207	256.26538
128	145.76241	168	199.52800	208	257.77927
129	147.05470	169	200.92812	209	259.29620
130	148.34959	170	202.33104	210	260.81617
131	149.64708	171	203.73678	211	262.33919
132	150.94717	172	205.14533	212	263.86526
133	152.24987	173	206.55671	213	265.39439
134	153.55517	174	207.97092	214	266.92659
135	154.86310	175	209.38797	215	268.46186
136	156.17365	176	210.80786	216	270.00021
137	157.48682	177	212.23059	217	271.54164
138	158.80263	178	213.65618	218	273.08616
139	160.12108	179	215.08463	219	274.63379
140	161.44218	180	216.51594	220	276.18451
141	162.76592	181	217.95012	221	277.73835
142	164.09231	182	219.38718	222	279.29530
143	165.42137	183	220.82712	223	280.85537
144	166.75309	184	222.26994	224	282.41857
145	168.08748	185	223.71566	225	283.98491
146	169.42455	186	225.16428	226	285.55439
147	170.76430	187	226.61581	227	287.12701
148	172.10673	188	228.07024	228	288.70279
149	173.45186	189	229.52759	229	290.28173
150	174.79968	190	230.98787	230	291.86384
151	176.15021	191	232.45107	231	293.44911
152	177.50345	192	233.91720	232	295.03757
153	178.85940	193	235.38628	233	296.62921
154	180.21807	194	236.85830	234	298.22404
155	181.57946	195	238.33328	235	299.82208
156	182.94358	196	239.81121	236	301.42331
157	184.31044	197	241.29211	237	303.02776
158	185.68004	198	242.77597	238	304.63542
159	187.05239	199	244.26281	239	306.24631
160	188.42748	200	245.75263	240	307.86043

*APPENDIX F

*SBP/RSFPP COMPOUND INTEREST TABLE (Continued)
(Period October 1, 2016 – Current Date)

Total Payments Due	Compound Interest Factor	Total Payments Due	Compound Interest Factor	Total Payments Due	Compound Interest Factor
241	309.47779	281	376.90218	321	449.95180
242	311.09838	282	378.65799	322	451.85409
243	312.72223	283	380.41731	323	453.76020
244	314.34934	284	382.18017	324	455.67013
245	315.97971	285	383.94656	325	457.58389
246	317.61334	286	385.71649	326	459.50149
247	319.25026	287	387.48997	327	461.42293
248	320.89045	288	389.26701	328	463.34823
249	322.53394	289	391.04761	329	465.27738
250	324.18072	290	392.83178	330	467.21041
251	325.83080	291	394.61953	331	469.14731
252	327.48419	292	396.41086	332	471.08810
253	329.14090	293	398.20579	333	473.03277
254	330.80093	294	400.00431	334	474.98135
255	332.46429	295	401.80645	335	476.93383
256	334.13098	296	403.61219	336	478.89023
257	335.80102	297	405.42156	337	480.85056
258	337.47440	298	407.23456	338	482.81481
259	339.15114	299	409.05119	339	484.78301
260	340.83124	300	410.87146	340	486.75515
261	342.51472	301	412.69539	341	488.73124
262	344.20156	302	414.52297	342	490.71130
263	345.89180	303	416.35422	343	492.69533
264	347.58542	304	418.18913	344	494.68333
265	349.28243	305	420.02773	345	496.67533
266	350.98285	306	421.87002	346	498.67131
267	352.68668	307	423.71600	347	500.67130
268	354.39393	308	425.56568	348	502.67530
269	356.10460	309	427.41907	349	504.68332
270	357.81870	310	429.27618	350	506.69537
271	359.53623	311	431.13701	351	508.71145
272	361.25721	312	433.00157	352	510.73158
273	362.98165	313	434.86988	353	512.75575
274	364.70954	314	436.74192	354	514.78398
275	366.44089	315	438.61773	355	516.81629
276	368.17572	316	440.49729	356	518.85266
277	369.91403	317	442.38063	357	520.89312
278	371.65582	318	444.26774	358	522.93767
279	373.40110	319	446.15863	359	524.98633
280	375.14989	320	448.05332	360	527.03909

Note: Source from Department of Defense Office of the Actuary, Memorandum dated October 21, 2016.

VOLUME 7B, APPENDIX H: "AGE OF MAJORITY BY STATE AND UNITED STATES POSSESSIONS"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated November 2015 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Chapter is certified as current. No revision is necessary.	Current

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AGE OF MAJORITY BY STATE AND UNITED STATES POSSESSIONS..... 3

AGE OF MAJORITY BY STATE AND UNITED STATES POSSESSIONS

State	Age	State	Age
Alabama	19	Nebraska	19
Alaska	18	Nevada	18
Arizona	18	New Hampshire	18
Arkansas	18	New Jersey	18
California	18	New Mexico	18
Colorado	18	New York	18
Connecticut	18	North Carolina	18
Delaware	18	North Dakota	18
District of Columbia	18	Ohio	18
Florida	18	Oklahoma	18
Georgia	18	Oregon	18
Hawaii	18	Pennsylvania	18
Idaho	18	Puerto Rico	21
Illinois	18	Rhode Island	18
Indiana	18	South Carolina	18
Iowa	18	South Dakota	18
Kansas	18	Tennessee	18
Kentucky	18	Texas	18
Louisiana	18	Utah	18
Maine	18	Vermont	18
Maryland	18	Virginia	18
Massachusetts	18	Virgin Islands	18
Michigan	18	Washington	18
Minnesota	18	West Virginia	18
Mississippi	21	Wisconsin	18
Missouri	18	Wyoming	18
Montana	18		

VOLUME 7B, APPENDIX J: "STATE TAX REPORTING"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue and underlined font***.

The previous version dated July 2015 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	This chapter is certified as current. No revision necessary.	Current

APPENDIX J

STATE TAX REPORTING

State	Mail Copy 1 of IRS TD 1099 or Automated Reports to:	State	Mail Copy 1 of IRS TD 1099 or Automated Reports to:
Alabama	Department of Revenue Income Tax Division Montgomery, AL 36102	Indiana	Gross Income Tax Division Indianapolis, IN 46204
Arizona	State Tax Commission Phoenix, AZ 85007	Iowa	Department of Revenue Lucas State Office Building Des Moines, IA 50319
Arkansas	Department of Finance and Administration Little Rock, AR 72203	Kansas	Department of Revenue Topeka, KS 66625
California	Franchise Tax Board Sacramento, CA 95876	Kentucky	Department of Revenue Frankfort, KY 40601
Colorado	Department of Revenue Denver, CO 80203	Louisiana	Department of Revenue Baton Rouge, LA 70821
Connecticut	Taxpayer Services Department of Revenue 92 Farmington Avenue Hartford, CT 06105	Maine	Bureau of Taxation Augusta, ME 04330
Delaware	Department of Finance 601 Delaware Avenue Wilmington, DE 19899	Maryland	Comptroller of the Treasury Income Tax Division Annapolis, MD 21404
District of Columbia	Department of Finance and Revenue Municipal Center Washington, DC 20001	Massachusetts	Department of Corporations and Taxation Boston, MA 02133
Georgia	Department of Revenue Trinity Washington Building Atlanta, GA 30334	Michigan	Department of Management and Budget Lansing, MI 48913
Hawaii	Department of Taxation Honolulu, HI 96813	Minnesota	Department of Revenue Centennial Office Building St Paul, MN 55145
Idaho	State Tax Commission P.O. Box 36 Boise, ID 83722	Mississippi	State Tax Commission P.O. Box 960 Jackson, MS 39205
Illinois	Department of Revenue Springfield, IL 62708	Missouri	Department of Revenue Jefferson City, MO 65101

APPENDIX J

STATE TAX REPORTING
(Continued)

State	Mail Copy 1 of IRS TD 1099 or Automated Reports to:	State	Mail Copy 1 of IRS TD 1099 or Automated Reports to:
Montana	Department of Revenue Mitchell Building Helena, MT 59620	Pennsylvania	Department of Revenue Harrisburg, PA 17127
Nebraska	Department of Revenue Lincoln, NE 68509	Puerto Rico	Director, Income Tax Division Treasury Department Box S-4515 San Juan, PR 00901
New Jersey	Department of the Treasury State House Trenton, NJ 08625	Rhode Island	Department of Administration State House Providence, RI 02903
New Mexico	Department of Finance and Administration State Capitol Santa Fe, NM 87501	South Carolina	State Tax Commission Columbia, SC 29201
New York	Department of Taxation and Finance State Campus Albany, NY 12227	Utah	Department of Finance 147 State Capitol Salt Lake City, UT 84114
North Carolina	Department of Revenue Raleigh, NC 27640	Vermont	Executive Department State of Vermont Montpelier, VT 05602
North Dakota	State Tax Commission Bismarck, ND 58505	Virginia	Department of Taxation Richmond, VA 23215
Ohio	Department of Taxation Columbus, OH 43215	West Virginia	State Tax Department Charleston, WV 25305
Oklahoma	State Tax Commission Oklahoma City, OK 73105	Wisconsin	Department of Revenue Madison, WI 53702
Oregon	Department of Revenue Salem, OR 97310	Commonwealth of Northern Mariana Islands	Department of Finance P.O. Box 5234 CHRB Saipan, MP 96950

NOTE: Information shown in this appendix was extracted from the Financial Management Service, ***Treasury Financial Manual, Volume 1, Part 3, Chapter 5000***. Forty-one states, the District of Columbia, Commonwealth of Northern Mariana Island, and Puerto Rico impose personal income taxes. New Hampshire and Tennessee apply income tax only to personal income earned from interest and dividends. Alaska, Florida, Nevada, South Dakota, Texas, Washington, and Wyoming do not tax personal income.

VOLUME 7B, APPENDIX L: "DEPENDENCY AND INDEMNITY COMPENSATION (DIC) RATES"

A **SUMMARY OF MAJOR CHANGES**

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated March 2016 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated "Dependency and Indemnity Compensation Rates," effective December 1, 2016.	Revision

*APPENDIX L

DEPENDENCY AND INDEMNITY COMPENSATION (DIC) RATES

DIC Rates: For deaths before January 1, 1993 (See notes 1 and 2)

Pay Grade	PL 109-461 Effective Dec 1, 2006	PL 110-111 Effective Dec 1, 2007	PL 110-389 Effective Dec 1, 2008	PL 112-53 Effective Dec 1, 2011 (See note 3)	PL 112-198 Effective Dec 1, 2012	PL 113-52 Effective Dec 1, 2013	PL 113-181 Effective Dec 1, 2014	PL 114-328 Effective Dec 1, 2016 (See note 4)
E1	$1,067	$1,091	$1,154	$1,195	$1,215	$1,233.23	$1,254.19	$1,257.95
E2	1,067	1,091	1,154	1,195	1, 215	1, 233.23	1,254.19	1,257.95
E3	1,067	1,091	1,154	1,195	1, 215	1, 233.23	1,254.19	1,257.95
E4	1,067	1,091	1,154	1,195	1, 215	1, 233.23	1,254.19	1,257.95
E5	1,067	1,091	1,154	1,195	1, 215	1, 233.23	1,254.19	1,257.95
E6	1,067	1,091	1,154	1,195	1, 215	1, 233.23	1,254.19	1,257.95
E7	1,104	1,129	1,194	1,236	1,257	1,275.86	1,297.55	1,301.44
E8	1,165	1,191	1,260	1,305	1,327	1,346.91	1,369.81	1,373.92
E9	1,215	1,242	1,314	1,361	1,384	1,404.76	1,428.64	1,432.93
Sgt Major — Army	1,312	1,342	1,419	1,470	1,494	1,516.41	1,542.19	1,546.82
Sr Enl Adv — Navy	1,312	1,342	1,419	1,470	1,494	1,516.41	1,542.19	1,546.82
Ch MSgt — Air Force	1,312	1,342	1,419	1,470	1,494	1,516.41	1,542.19	1,546.82
Sgt Major — Marines	1,312	1,342	1,419	1,470	1,494	1,516.41	1,542.19	1,546.82
MCPO of the Coast Guard	1,312	1,342	1,419	1,470	1,494	1,516.41	1,542.19	1,546.82
W-1	1,128	1,153	1,219	1,262	1,283	1,302.25	1,324.39	1,328.36
W-2	1,172	1,198	1,267	1,312	1,334	1,354.01	1,377.03	1,381.16
W-3	1,207	1,234	1,305	1,351	1,373	1,393.60	1,417.29	1,421.54
W-4	1,276	1,305	1,380	1,429	1,453	1,474.80	1,499.87	1,504.37
O-1	1,128	1,153	1,219	1,262	1,283	1,302.25	1,324.39	1,328.36
O-2	1,165	1,191	1,260	1,305	1,327	1,346.91	1,369.81	1,373.92
O-3	1,246	1,274	1,347	1,395	1,418	1,439.27	1,463.74	1,468.13
O-4	1,319	1,349	1,427	1,478	1,503	1,525.55	1,551.48	1,556.13
O-5	1,452	1,485	1,571	1,627	1,654	1,678.81	1,707.35	1,712.47
O-6	1,637	1,674	1,771	1,834	1,865	1,892.98	1,925.16	1,930.94
O-7	1,768	1,808	1,912	1,980	2,013	2,043.20	2,077.93	2,084.16
O-8	1,941	1,985	2,100	2,175	2,211	2,244.17	2,282.32	2,289.17
O-9	2,076	2,123	2,246	2,326	2,365	2,400.48	2,441.29	2,448.61
O-10	2,276	2,328	2,463	2,551	2,594	2,632.91	2,677.67	2,685.70
Chm Joint Chiefs of Staff	2,443	2,499	2,643	2,738	2,784	2,825.76	2,873.80	2,882.42
Chief of Staff – Army	2,443	2,499	2,643	2,738	2,784	2,825.76	2,873.80	2,882.42
Chief of Naval Operations	2,443	2,499	2,643	2,738	2,784	2,825.76	2,873.80	2,882.42
Chief of Staff – Air Force	2,443	2,499	2,643	2,738	2,784	2,825.76	2,873.80	2,882.42
Commandant – Marine Corps	2,443	2,499	2,643	2,738	2,784	2,825.76	2,873.80	2,882.42
Commandant – Coast Guard	2,443	2,499	2,643	2,738	2,784	2,825.76	2,873.80	2,882.42

DIC Rates: For deaths on or after January 1, 1993 (See notes 1, 3, and 4)

Flat Rate	Additional	Effective Date
$750	$165	January 1, 1993
769	169	December 1, 1993
790	173	December 1, 1994
810	177	December 1, 1995
833	182	December 1, 1996
850	185	December 1, 1997
861	187	December 1, 1998
881	191	December 1, 1999
911	197	December 1, 2000
935	202	December 1, 2001
948	204	December 1, 2002
967	208	December 1, 2003
993	213	December 1, 2004
1,033	221	December 1, 2005
1,067	228	December 1, 2006
1,091	233	December 1, 2007
1,154	246	December 1, 2008
1,154	246	December 1, 2009
1,154	246	December 1, 2010
1,195	254	December 1, 2011
1,215	258	December 1, 2012
1,233.23	261.87	December 1, 2013
1,254.19	266.32	December 1, 2014
1,254.19	266.32	December 1, 2015
1,257.95	267.12	December 1, 2016

NOTE 1: An additional amount may be payable if the veteran was receiving Service-connected disability compensation (or would have but for the receipt of retired or retainer pay) for at least 8 years immediately preceding death. If a veteran died before January 1, 1993, then DIC was payable based on the pay grade of the veteran. Effective January 1, 1993, DIC was payable at the flat rate of $750 (including $165, if applicable according to ***Title 38, United States Code, section 1311(a)(2)***) if it is more favorable than the DIC amount based on the veteran's pay grade. This table provides the historical flat rates (including additional amount, if applicable) through current.

NOTE 2: If current year is not listed, see the ***Dependency and Indemnity Compensation Rates*** at the Department of Veterans Affairs website. Additionally, see the Department of Veterans Affairs website for any rate effective before December 1, 2006.

NOTE 3: The DIC rates remained unchanged from December 1, 2008 through November 30, 2011.

NOTE 4: The DIC rates remained unchanged from December 1, 2014 through November 30, 2016.

VOLUME 7B, APPENDIX P: "DATA FOR PAYMENT OF RETIRED PERSONNEL"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

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Hyperlinks are denoted by ***bold, italic, blue and underlined font***.

The previous version dated February 2015 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current administrative instruction.	Revision
P00102	Added "Authoritative Guidance" paragraph.	Addition
P002	Revised section to reflect information provided in the Department of Defense Form 2656.	Revision
Bibliography	Added a Bibliography.	Addition

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APPENDIX P

DATA FOR PAYMENT OF RETIRED PERSONNEL

P001 GENERAL

P00101. Purpose

This Appendix provides for the administration and completion of the Department of Defense ***(DD) Form 2656***, Data for Payment of Retired Personnel, and ***DD 2656-1***, Survivor Benefit Plan (SBP) Election Statement for Former Spouse Coverage, if appropriate.

*P00102. Authoritative Guidance

The bibliography at the end of this chapter lists the authoritative references.

*P002 APPLICABILITY AND SCOPE

P00201. Establishing Retired/Retainer Pay Account

Those Service members requesting retirement or members transferring to the Fleet Reserve, Retired Reserve, or Inactive Reserve, and former members who qualify to retire under ***Title 10, United States Code (U.S.C.), Chapter 1223***, must complete the DD 2656 and DD 2656-1, if appropriate. The DD 2656 is the most important financial related document to complete in preparing for military retirement. The Defense Finance and Accounting Service Cleveland (DFAS-CL) will establish the service member's retired/retainer pay account based on the data provided on the form(s) and retirement/transfer orders.

P00202. Required Data

The service member's personnel office and SBP Counselor will assist them in the proper completion and submission of the DD 2656 and DD 2656-1, if appropriate. See section P003. The data provided is required to establish a retired/retainer pay account, including:

A. Direct deposit/electronic funds transfer information,

B. Designation of beneficiaries for unpaid retired pay,

C. Federal and state withholding tax information,

D. Information on dependents, and

E. An election of SBP coverage.

Note: The DD 2656 replaced Navy Comptroller Form 2272, Department of Army Form 4240, and Air Force Forms 1266, 1267, and 1268.

P003 RESPONSIBILITIES

P00301. DFAS-CL Site Responsibilities

The DFAS-CL Site is the primary source for information and technical guidance concerning the DD 2656 and DD 2656-1. The DFAS-CL Site processes the documents for military retirement submitted by the Military Services.

P00302. Military Service Responsibilities

Each respective personnel activity will provide pre-retirement counseling to prospective retirees. As part of the counseling process, each personnel activity will ensure that the prospective retirees properly complete DD 2656 and DD 2656-1, if appropriate. The personnel activity will forward the forms and appropriate documentation to the DFAS-CL Site electronically, or mail to:

DFAS
U.S. Military Retired Pay
P.O. Box 7130
London, KY 40742-7130

P00303. Service Member Responsibilities

Members requesting retirement or transfer to the Fleet Reserve, Retired Reserve, or Inactive Reserve, and former members who qualify under 10 U.S.C., Chapter 1223, will complete the DD 2656 and DD 2656-1, if appropriate. Completion of these forms is necessary to establish the retired/retainer pay account. See paragraph P00202.

*BIBLIOGRAPHY

APPENDIX P – DATA FOR PAYMENT OF RETIRED PERSONNEL

P001 – GENERAL
10 U.S.C., Chapter 73, subchapter II

P002 – APPLICABILITY AND SCOPE
10 U.S.C., Chapter 1223
Department of Defense Instruction 1332.42

VOLUME 7B, APPENDIX R: "ANNUAL INCOME RATES FOR MINIMUM INCOME ANNUITIES UNDER SURVIVOR BENEFIT PLAN (SBP)"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

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PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Added the "Minimum Annual Income" changes, effective December 1, 2016.	Addition
All	Revised the "Maximum Monthly Annuity Payable" rates for 2014 and 2015.	Revision
All	Added and amended notes for clarification.	Addition

APPENDIX R

ANNUAL INCOME RATES FOR MINIMUM INCOME ANNUITIES UNDER SURVIVOR BENEFIT PLAN (SBP)

MAXIMUM MONTHLY ANNUITY PAYABLE	MINIMUM ANNUAL INCOME	EFFECTIVE FROM
*721.33	8,656	December 1, 2016
*719.17	8,630	December 1, 2015
*719.17	8,630	December 1, 2014
707.08	8,485	December 1, 2013
696.58	8,359	December 1, 2012
684.92	8,219	December 1, 2011
661.08	7,933	December 1, 2010
661.08	7,933	December 1, 2009
661.08	7,933	December 1, 2008
624.83	7,498	December 1, 2007
610.75	7,329	December 1, 2006
591.17	7,094	December 1, 2005
567.83	6,814	December 1, 2004
552.83	6,634	December 1, 2003
541.42	6,497	December 1, 2002
533.92	6,407	December 1, 2001
519.75	6,237	December 1, 2000
502.17	6,026	December 1, 1999
490.33	5,884	December 1, 1998
484.00	5,808	December 1, 1997
470.75	5,649	December 1, 1996
457.33	5,488	December 1, 1995
445.58	5,347	December 1, 1994
433.33	5,200	December 1, 1993
422.25	5,067	December 1, 1992
409.83	4,918	December 1, 1991
395.08	4,741	December 1, 1990
374.67	4,496	December 1, 1989
357.67	4,292	December 1, 1988
343.75	4,125	December 1, 1987
329.75	3,957	December 1, 1986
325.42	3,905	December 1, 1985
315.50	3,786	December 1, 1984
304.67	3,656	December 1, 1983
294.25	3,531	June 1, 1982
273.75	3,285	June 1, 1981

ANNUAL INCOME RATES FOR MINIMUM INCOME ANNUITIES UNDER SURVIVOR BENEFIT PLAN (SBP) (Continued)

MAXIMUM MONTHLY ANNUITY PAYABLE	MINIMUM ANNUAL INCOME	EFFECTIVE FROM
245.83	2,950	June 1, 1980
214.67	2,576	June 1, 1979
195.00	2,340	October 1, 1978
175.00	2,100	October 1, 1976
116.67	1,400	September 21, 1972

NOTE 1: The rate remained unchanged from December 1, 2008 through November 30, 2011.
*NOTE 2: The rate remained unchanged from December 1, 2014 through December 1, 2015.
*NOTE 3: For current and historic rate charts refer to ***Survivors Pension Rate Tables***.

VOLUME 7B, "DEFINITIONS"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

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PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatted to comply with current administrative instructions.	Revision
Concurrent Retirement and Disability Pay	Added information for clarification.	Addition
Parent of Issue	Added definition based on Title 10, United States Code, section 1448.	Addition

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DEFINITIONS

A. General

The following list defines general terms of significance or importance relating to military retired pay policies for the Department of Defense that are discussed in various chapters. These definitions are provided for general information; it is by no means an exhaustive list of all financial management terms, and it does not define terms when standard dictionary definitions apply.

B. List of Definitions

Active Duty

Full-time duty in the active service of a Uniformed Service, including full-time training duty, annual training duty, and attendance while in the active service at a school designated as a Military Service school by law or by the Secretary of the Military Service concerned (or designee).

Active Duty List

A single list for the Army, Navy, Air Force, or Marine Corps which contains the names of all officers of that Armed Force, other than officers described in ***Title 10, United States Code (U.S.C.), section 641***, who are serving on active duty.

Amendatory Birth Certificate

A birth certificate that has been corrected, changed, or revised.

Annuitant

The person receiving a monthly payment as a result of a Service member's specific survivorship plan.

Annuity

A monthly payment made to a person as a result of a specific survivorship plan.

Armed Forces of the United States

A term used to denote collectively all components of the Army, Marine Corps, Navy, Air Force, and the Coast Guard when mobilized to augment the Navy.

Basic Pay

The active duty pay rates prescribed for an officer or enlisted member according to pay grade and years of service.

Beneficiary

The term beneficiary means the recipient of certain benefits due as a result of a relationship to or designation by a member.

Common-Law Marriage

A marriage not solemnized by religious or civil ceremony as defined in pertinent state law.

Combat Related Special Compensation (CRSC)

CRSC is a program that provides a special compensation to members of the Uniformed Services who have their retired pay reduced by reason of receiving Department of Veterans Affairs (VA) disability compensation where a portion of such VA compensation is the result of disabilities that are combat-related.

*Concurrent Retirement and Disability Pay (CRDP)

Under the CRDP program, regular or reserve members who are entitled to retired pay based on either length of service or disability, and who are also entitled to VA disability compensation based on a combined VA disability rating of 50 percent or greater may receive both retired pay and disability pay concurrently. Members retired under military disability provisions under 10 U.S.C., Chapter 61 must have at least 20 years of creditable service and otherwise be entitled to receive retired pay under another provision of law in order to be eligible for the CRDP program.

Cost-of-Living Adjustment

The percentage change applied to retired pay and Survivor Benefit Plan annuities based on laws using the Consumer Price Index, Urban Wage Earners, and Clerical Workers-U.S. City Average, as published by the Bureau of Labor Statistics.

Currency-Blocked Country

A country specified by the Treasury Department to which dollar instruments may not be transmitted.

Dependency and Indemnity Compensation

Compensation paid by the VA to the eligible survivors of Military Service members who died after December 31, 1956, from a service-connected or compensable disability.

Entitlement

Legally established benefits available to any person meeting eligibility requirements established by law.

Fiduciary

A person, legally designated, who holds something in trust for another person.

Fleet Reserve or Fleet Marine Corps Reserve

A Component of the Regular Service to which members may be transferred and released from active duty after obtaining 20 or more years of active Federal service.

Foreign Address

An address outside of the United States, its possessions and territories is a foreign address.

Inactive Duty Training

Inactive duty training refers to:

a. Duty prescribed for members of a Reserve Component by the Secretary of the Military Service concerned (or designee); or

b. Special additional duties authorized for members of a Reserve Component by an authority designated by the Secretary of the Military Service concerned and performed by them on a voluntary basis in connection with prescribed training or maintenance activities of the units to which they are assigned.

Military Retired Pay (Includes Fleet Reserve and Fleet Marine Corps Reserve Retainer Pay)

The gross entitlement for a member based on conditions of the retirement law, pay grade, years of service for basic pay, years of service for percentage multiplier, percentage of disability, if applicable, and date of retirement (transfer).

Missing Status

Includes missing, missing-in-action, interned in a foreign country, captured, beleaguered, besieged by a hostile force, or detained in a foreign country against a member’s will.

Overpayment

An amount paid to a retiree, annuitant, or legal fiduciary which is more than that to which entitlement exists.

*Parent of Issue

The biological parent, other than the member, of a child or other lineal descendants (direct bloodline) such as grandchildren and great-grandchildren.

Pay Grade

The step or degree in a graduated scale to which members of the Uniformed Services are assigned or distributed for military pay and allowances purposes. See Volume 7A, "Comparable Grades."

Reserve Component

With respect to the Armed Forces, the Army Reserve, the Naval Reserve, the Marine Corps Reserve, the Air Force Reserve, the Coast Guard Reserve, the National Guard of the United States, and the Air National Guard of the United States.

Retainer Pay

Pay received by a member of the Fleet Reserve/Fleet Marine Corps Reserve.

Retired List

Any one of several lists of military members retired from the Regular or Reserve Components of the Armed Forces.

Retired Saved Pay

Special pay provisions that allow retired members, under certain conditions, to retain entitlement to pay under prior laws when beneficial to the member.

Retirement Date

The term retirement date means the first day of entitlement to retired pay, not a day of active duty.

Service Connected

With respect to disability or death, such disability was incurred or aggravated or the death resulted from a disability incurred or aggravated in the line of duty in the active military, naval, or air service (VA definition only).

Surviving Spouse

A person who was legally married to the decedent on the date of the decedent's death and who survived the decedent is the surviving spouse. There may be additional requirements in order to qualify as surviving spouse for certain entitlements.

Tower Amendment

The law provided that a member retiring after January 1, 1971, may not receive less retired pay than the monthly retired or retainer pay to which he or she would be entitled if the member had become entitled to retired or retainer pay at an earlier date. A member who fully qualifies for retirement on a date earlier than the actual retirement date, receives the most favorable rate of pay as though the member actually retired on the earlier date.

Transfer Date (Fleet Reservists, Fleet Marine Corps Reservists)

Date of release from active duty (a day of entitlement to active duty pay and allowances).

Uniformed Services

The Army, Navy, Air Force, Marine Corps, Coast Guard, National Oceanic and Atmospheric Administration, and Public Health Service comprise the Uniformed Services.

United States

The United States includes the 50 states and the District of Columbia.

DoD 7000.14 - R

DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

VOLUME 8: "CIVILIAN PAY POLICY"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

VOLUME 8, CHAPTER 1: "INTRODUCTION AND OVERALL REQUIREMENTS"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

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PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current administrative instructions.	Revision
Previous 010302	Deleted paragraph on "Electronic Funds Transfer Enrollment" due to it being procedural guidance.	Deletion
010402.B	Revised information on deduction types and subject-to amounts for computation of applicable deductions for clarity.	Revision
010402.D	Deleted information regarding the Defense Civilian Pay System's (DCPS) pay record history due to it being procedural guidance.	Deletion
010403.C	Added statement concerning disposition of separated employees' records and included reference.	Revision
010403.D	Clarified references for current and separated employees.	Revision
010405.A	Clarified DCPS is updated through the personnel system used by the employee's component.	Revision

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CHAPTER 1

INTRODUCTION AND OVERALL REQUIREMENTS

0101 GENERAL

010101. Purpose

This chapter prescribes the principles, objectives, and related requirements for Department of Defense (DoD) employee pay operations and systems. The regulations provided in this chapter apply to payments made by the Defense Civilian Pay System (DCPS) to employees who are paid from appropriated, revolving, or trust funds. The Under Secretary of Defense (Comptroller)/Chief Financial Officer has determined DCPS is DoD's only approved standard payroll system. These requirements apply to the processes related to computing payments, leave, deductions, and maintaining records for permanent, temporary, full-time, part-time, irregular, and special category employees.

010102. Authoritative Guidance

The authority of DoD to establish payroll procedures is derived from Title 5, United States Code (U.S.C.), ***Chapters 53***, ***55***, and ***81***. Other responsibilities, duties, and liabilities are established under ***31 U.S.C., sections 3527***, ***3528***, ***3529***, and ***3541***. Specific statutes, regulations, and other guidance are referenced under each section of this chapter.

010103. Additional Guidance

Additional guidance referenced in this volume includes, but is not limited to, the following:

A. ***Title 5, Code of Federal Regulations (C.F.R.)***. Final rules pertaining to civilian pay operations are typically published in Title 5 of the C.F.R. Title 5 may be updated by interim changes published in the ***Federal Register*** (FR). Both publications must be read together to determine the latest version of any rule.

B. FR. The FR is the official journal of the Federal Government that makes publically available all government agency rules, proposed rules, and public notices. The FR is published daily, except on Federal holidays. The final rules posted by a Federal agency and published in the FR are then organized by topic or subject matter and codified in the C.F.R. See ***1 C.F.R., part 2***.

C. Executive Order. An executive order is an order or regulation issued by the President in order to implement, interpret, or give effect to a Federal law, treaty or provision of the Constitution. To have the effect of law, an executive order must be published in the FR.

D. Public Laws. After the President signs a bill into law, it is delivered to the Office of the FR where it is assigned a public law number. The public laws are compiled, indexed

and published in the United States Statutes at Large, the permanent bound volume of the laws for each session of Congress.

E. ***DoD Instruction (DoDI) 1400.25***. The DoDI 1400.25, Civilian Personnel Management, is composed of several volumes. The purpose of the Instruction is to establish and implement policy, establish uniform procedures, provide guidelines, provide model programs, delegate authority, and assign responsibilities regarding civilian personnel management within the DoD.

F. Policy and Guidance from the Office of Personnel Management (OPM). OPM provides leadership to other agencies on pay and leave administration policies and programs. OPM maintains pay tables for General Schedule employees, manages the Federal Wage System, and develops and provides government-wide regulations and policies on other pay and leave authorities. Each agency is responsible for complying with the law and regulations and following OPM's policies and guidance to administer pay policies and programs for its own employees. OPM issues policies and guidance in the following publications:

1. ***Benefits Administrative Letters (BALs)*** provide guidance to agencies on various aspects of benefits administration.

2. ***Handbooks*** provide information on various topics pertaining to employee pay, leave, and work schedules.

3. ***Memoranda*** are provided by the Chief Human Capital Officers Council (CHCOC), a forum of senior agency management officials who support OPM. The CHCOC memoranda are issued to agencies to advise and coordinate on matters such as legislation affecting human resources operations and organizations.

0102 OVERALL REQUIREMENTS

010201. Overview

A. The Defense Finance and Accounting Service (DFAS) is responsible for maintaining system requirements in compliance with all applicable laws and regulations, guidance issued by OPM, the Department of the Treasury (Treasury), the Department of State, the Department of Labor, and taxing authorities (federal, state, and/or local).

1. Any approved unique payroll system must be integrated or interfaced with other applicable systems, such as DCPS, general ledger systems, or installation-level general accounting systems.

2. The Director, DFAS must approve continued operation of any such unique payroll system.

B. DoD payroll operations and systems must meet the following objectives:

1. Make timely and accurate payments to employees entitled to be paid, in compliance with appropriate statutes and regulations, with consideration being given to all authorized deductions from gross pay;

2. Account for and disposition of all authorized deductions from gross pay;

3. Control, retention, and disposition of all payroll related documents;

4. Prepare adequate and reliable payroll records to support managerial responsibilities;

5. Plan, prepare, execute, and review the budget;

6. Prepare required internal and external reporting;

7. Support effective communication between employing activities and employees on payroll matters in addition to timely, accurate, and responsive customer service action to resolve payroll related inquiries from employees;

8. Control all phases of processing pay, leave, entitlements, and allowances;

9. Interface the payroll function with general ledger, cost accounting, and personnel functions, with provisions for reconciling common data elements in DCPS and these interrelated systems;

10. Provide capability to query current, historical, and/or archived data;

11. Provide audit trails to permit the tracing of transactions through DCPS;

12. Comply with accounting system development criteria specified in Volume 1;

13. Comply with internal control requirements, including data security and prevention of data disclosure, as specified in Volume 1; and

14. Comply with DoD direction to standardize data elements to promote cross-functionality and integration efforts.

010202. Funds Control

A. Funds used to pay DoD employees are appropriated by Congress and apportioned to the Department by the Office of Management and Budget. At least monthly, an

estimate of obligations must be made for the payroll. As the payments are made, estimates must be adjusted to reflect actual payment data.

B. DCPS must be integrated, or interfaced with, and support the accounting systems. DCPS must consist of detailed accounts and records that are kept as a subsidiary to, or support for, controlling or summary accounts in the general ledger of the accounting systems. DCPS must produce required obligation and accrual data needed by accounting systems.

010203. Requirements

The Director, DFAS, is responsible for the overall planning and general direction of the pay, leave, and allowance functions along with system requirements. This responsibility necessitates that adequate written procedures are established and implemented, that all personnel are adequately trained in their functions, and that sufficient internal controls are installed and management oversight is established and implemented to ensure compliance with DCPS objectives. See ***DoD Directive 5118.05***. The Director, DFAS must also ensure that DCPS meets legal criteria and the following requirements.

A. Payroll procedures must be:

1. Clearly written and be in accordance with applicable laws, regulations, and legal decisions;

2. Amended to reflect changes in applicable laws, regulations, and legal decisions;

3. As uniform as possible throughout DoD;

4. Distributed to payroll staff and be available to individual employees as needed to ensure efficient and effective operations; and

5. Reflective of clear assignments of responsibility, delegation of authority, and separation of duties for personnel who compute the payroll, certify payments, record payroll data in the accounts, distribute pay, review payroll transactions, and develop, test and maintain supporting computer systems.

B. Personnel engaged in pay, leave, and allowance activities must:

1. Be adequately trained and kept informed about the requirements of laws, regulations, and legal decisions;

2. Be adequately supervised to help prevent any unauthorized, fraudulent, or other irregular act;

3. Perform operations effectively, efficiently, and economically in accordance with laws, regulations, and legal decisions;

4. Review the operations, including internal controls, on an ongoing basis to ensure such performance; and

5. Identify and resolve inconsistencies in information submitted, processed, and reported during the various payroll cycles.

C. DCPS must be integrated or interfaced with:

1. Personnel systems to obtain current information on which to process pay entitlements, leave, and allowances. Timely information is needed to minimize the possibility of fraud, waste, and mismanagement and maximize the accuracy of employee payments;

2. The general ledger systems to provide information to prepare various financial statements;

3. Cost accounting systems to distribute and charge payroll labor cost data to appropriations, jobs, projects, programs, and departments. This also helps in properly evaluating operations and management; and to support budget formulation and execution; and

4. Other financial management systems to meet reporting and management objectives.

D. The interfaces discussed in subparagraph 010203.C must be used to assist in timely reconciliation of data elements and discrepancies noted between systems.

E. Transactions recorded in the pay, leave, and allowance records must be adequately supported by properly authorized documents.

F. Continuity of Operations Plans and associated procedures will be established and maintained to back-up data properly in the event of power failure, equipment malfunction, terrorist threat, natural disasters, or other hazards.

G. External audits and internal examinations of payroll operations must be made by persons not engaged in those operations to determine whether such operations are efficient, effective, economical, and are in accordance with laws, regulations, and legal decisions.

H. The frequency with which payrolls must be prepared has considerable bearing upon the cost of carrying out the payroll functions. So that payroll operations are performed without incurring undue cost, payroll must be computed on a biweekly basis, unless the law requires a different timeframe. Special payments are prohibited except as addressed in Chapter 8, paragraph 080202. Advances of pay are covered in Chapter 3, section 0309. All employees will be informed of the designated payday. Pay should be made available to the employees on the day designated as the payday. The payday lag between the close of the pay period and payday must not exceed 12 calendar days. When a payday falls on a holiday or an “in lieu of” holiday, the payday will be on the first preceding business day.

010204. Privacy Act Requirements

A. Privacy Act Statements. All forms used to collect personal information covered by the Privacy Act of 1974 (codified at ***5 U.S.C. § 552a***), must have a Privacy Act statement either incorporated in the body of the document, at the top of the form, or in a separate statement accompanying each form. See ***DoD 5400.11-R*** for information on what is included in the Privacy Act statement. A Privacy Act statement must be provided to an employee when they are required to furnish personal information such as name, date of birth, or Social Security Number (SSN) for inclusion in a system of records. Refer to the Office of the Secretary of Defense and Joint Staff ***Privacy Program*** or the ***Defense Privacy, Civil Liberties and Transparency Division*** for the Privacy Act system of records information pertaining to DCPS.

B. Access and Accountability. Refer to DoD 5400.11-R for guidance on employee access to records in accordance with the Privacy Act. Agencies responsible for maintaining Privacy Act information must maintain records of information released and process requests for correction of records in accordance with the DoD 5400.11-R.

0103 ELECTRONIC FUNDS TRANSFER (EFT) FOR FEDERAL CIVILIAN SALARY PAYMENTS

010301. General

A. Authority. All Federal payments must be made by EFT, with the exception of tax refunds. See ***31 U.S.C. § 3332*** and corresponding regulations published by Treasury, Financial Management Service at ***31 C.F.R. 208***.

B. Policy. The ***Treasury Financial Manual, Part 4A, section 2035*** requires participation in EFT unless a waiver applies. The policy covers all categories of DoD personnel including civilians, military, military retirees, non-appropriated fund (NAF) personnel, and annuitants. See Volume 5, Chapter 7, subparagraph 070204.A.

C. Agency Responsibilities. An agency must put into place procedures that allow recipients to provide the information necessary for the delivery of payments to the recipient by EFT to an account at the recipient's financial institution. See 31 C.F.R. 208.7.

1. The Director, DFAS, in conjunction with the Office of the Deputy Chief Financial Officer, must:

a. Publish EFT payment policy and implementation procedures for payment of all DoD civilian personnel;

b. Coordinate the presentation of issues and proposed exceptions in DoD's mandatory EFT policy to Treasury for approval;

c. Prepare appropriate reports for submission to Treasury;

d. Provide quarterly reports that reflect the level of EFT participation to DoD and non-DoD agencies serviced by DFAS (hereinafter referred to as "serviced agencies"); and

e. Furnish a report of employees paid by DFAS, who do not participate in EFT, to employing agencies at the end of each quarter.

2. DoD Component Personnel Directors must:

a. Ensure all employees are informed of the conditions under which participation in the EFT program is required, and

b. Promote EFT enrollment. After the end of each fiscal year quarter, employing activities will be provided a report containing a list of employees that are not enrolled in EFT.

3. Directors or Commanders of all DoD Activities must:

a. Ensure that all personnel are made aware of, and comply with, the mandatory EFT provisions;

b. Monitor EFT participation;

c. Ensure that waivers for all eligible employees are on file;

d. Ensure reimbursements are made to employees who incur charges due to the government's failure to accurately and timely deposit pay in their EFT accounts; and

e. Provide information for reporting purposes to DFAS sites when so requested including NAF personnel.

D. Waivers

1. Authorized Waivers. Payment by EFT is not required in all cases and may be waived under certain circumstances. See 31 C.F.R. 208.4.

2. Waiver Submission. An employee who requests a waiver must provide Treasury with a certification supporting that request, in such form that the Treasury may prescribe. The employee must attest to the certification before a notary public or otherwise file the certification in such form that Treasury may prescribe. See 31 C.F.R. 208.4.

010302. Reimbursement of Financial Institution Charges

Charges by financial institutions resulting from erroneous information provided by the individual or the financial institution to the civilian payroll office (PRO) are not the liability of

the government and will not be reimbursed. Reimbursement is authorized and limited to overdraft charges or minimum balance or average balance charges levied by the financial institution because of an administrative or mechanical error on the part of the government that causes pay to be deposited late, or in an incorrect manner or amount. See ***10 U.S.C. § 1594***.

010303. Reporting Requirements

Each quarter, the PROs will provide EFT participation and non-participation reports to the serviced agencies for managing EFT participation. For reporting guidance, refer to Chapter 9, paragraph 090304.

010304. Payments Other than EFT

A. The disbursing officer mails checks to the non-work address provided by the employee. On an exception basis, checks may be delivered to designated agents in the employing offices for delivery to the employees at the work locations.

B. In those situations when delivery of paychecks to individuals by designated agents is authorized, persons designated to deliver these paychecks must not participate in the following activities: preparing, approving, or certifying vouchers and personnel action documents; maintaining the payroll; time and attendance (T&A) records; and leave records. Each employee must be known by, or identified by, the person who delivers the employee's paycheck. Checks not delivered within the time specified by the disbursing officer must be returned to the disbursing or issuing officer. All checks must be kept in a safe or locked fireproof cabinet, pending distribution to the employee or return to the disbursing or issuing officer. See Volume 5, Chapter 7.

C. If, under extraordinary circumstances, payments must be made in cash, then employees must properly identify themselves and must acknowledge payment by signing a receipt form when payments are received. Requiring receipts in advance of actual cash payments are prohibited. All payments must be made only by persons who have been authorized to perform disbursing functions and who are not part of the pay computation process. See Volume 5, Chapter 9, section 0904.

0104 ESTABLISHMENT AND CONTROL OF EMPLOYEES' PAY RECORDS

010401. Use of the SSN for Identification

A. The SSN will be used to identify all employees paid by DFAS.

B. The SSN has nine digits, with hyphens as separators before the fourth and sixth digits. The Social Security Administration (SSA) does not issue SSNs containing alpha characters. Therefore, adding a prefix or suffix is not authorized for reporting purposes. Only the nine digits are used in internal computer processing; however, the hyphens may or may not be printed on output documents.

C. Employees who do not have and are not eligible to obtain a SSN from the SSA are issued an ***Individual Taxpayer Identification Number (ITIN)***.

D. Civilians who are concurrently employed in more than one position must use the same identifier (SSN or ITIN) across every position. Person identifier data will support the capability to correct and update a person's identity information. See ***DoDI 1444.02, Volume 1***.

*010402. Individual Employee Pay Records

A. Each employee must have an individual pay record maintained as part of the master pay record. Except in the case of multiple appointments, only one pay record must be active at any given time for each authorized position. If more than one pay record is maintained, then the rationale must be thoroughly documented and an audit trail maintained. Sufficient information on active pay records must be retained or be accessible at the PRO to facilitate manual input, payment, and/or performance of other required administrative functions.

* B. The pay record must contain all transaction information related to payments and deductions with an audit trail to the authorizing source document, subject to paragraph 010405. The pay record must contain information on rates of pay pertaining to:

1. All earnings separately identified by type (e.g., overtime, night differential, danger pay, etc.);

* 2. All deductions separately identified by type (e.g., charity, union, Federal Employees Health Benefits (FEHB), Federal Employees' Group Life Insurance (FEGLI), income taxes, payroll taxes, or retirement);

* 3. Subject-to amounts for computation of applicable deductions (e.g., subject-to income taxes, subject-to payroll taxes, subject-to Thrift Savings Plan (TSP), or subject-to retirement);

4. All government contribution amounts separately identified by type (e.g., FEHB, basic FEGLI, TSP matching); and

5. Gross and net pay amounts.

C. The pay records must be supported by T&A, leave records, and personnel records. T&A records contain all hours for a pay period based on the effective work schedule. All hours worked (regular and premium) and leave taken (paid and unpaid) are used in the computation of pay. Leave records include annual, sick, and any other leave earned, taken, lost, forfeited, restored, or advanced, including appropriate unused leave balances. The pay record must contain other information, such as year-to-date and quarter-to-date totals, as necessary, for computing pay and preparing reports.

* D. Year-to-date information must be maintained for the current and prior pay years. Disposition of pay records must be in accordance with the National Archives and Records Administration ***(NARA), General Records Schedule (GRS)2.4***.

*010403. Payroll Substantiating Document File

A. With a centralized civilian payroll function, separate document files are required and maintained for each employee. The PRO must maintain those documents applicable to the PRO functions and responsibilities. The Customer Service Representative (CSR)/employing activity must maintain those documents applicable to CSR responsibilities.

B. All source documents that substantiate the employee's entitlement to compensation, leave, benefits, and authorizations or support deductions, whether maintained in hardcopy or electronic format, must be safeguarded from improper, unauthorized access or use. Disposition of payroll related documents, whether maintained by the PRO or the CSR, must be in accordance with the NARA, GRS 2.4. Each agency may establish a specific document retention policy, however, the policy must not impose a lesser retention requirement than the NARA requirements.

* C. Other records incidental to the payroll process, such as employee requests for tax withholding, TSP deductions, savings bond records, and other records not pertaining to individuals, but rather to the general administration of the PRO and the payroll function, are addressed in the NARA, GRS 2.4. Employee separation records are addressed in the ***NARA, GRS 2.5***.

* D. All source documents must be readily available for research. The disposition of active and inactive files must be in accordance with NARA, GRS 2.4 for current employees and the NARA, GRS 2.5 in the case of separated employees.

E. All documents, manual and electronic, must be protected in accordance with Privacy Act requirements.

010404. Document Control

Retention sites control source documents in order to ensure timely processing of payroll documents, auditing, and reconciling individual pay accounts. Local document control procedures may be used as long as appropriate control and access are maintained.

*010405. Personnel Actions

* A. DCPS is integrated or interfaced with the personnel system used by the employee's agency. DCPS must use the information authorized by the personnel system as the basis for pay, leave entitlements, and some deduction calculations.

B. Source documentation for actions originating with the Human Resources Office (HRO) must be maintained by the HRO. For those instances where the systems do not permit

interface of the actions, the HRO must provide the PRO a hardcopy or electronic copy of the document, which also must be maintained by the PRO.

010406. Payroll Controls

Appropriate controls must be established for all payroll functions.

A. The controls must ensure the timely, correct, complete, accurate, and properly authorized processing of payroll documents, which include, but are not limited to, the following:

1. Corrections and Adjustments. An authorized official must approve in writing or through electronic signature (made by entering designated codes into an automated system under safeguards to prevent unauthorized use) corrections and other adjustments to data in official records, as follows:

a. Records of all changes made after records have been approved or certified must be generated and maintained;

b. Manual corrections to documents made after the documents have been approved or certified must be made in a way that does not obliterate the original entries. Corrections must be approved by a designated authorizing official; and

c. Automated system changes to data must be made in such a way that an audit trail is maintained to show or provide a reference to documents which show the original and new data and the authorization for the change. Such changes may be made only based on properly approved documents authorizing the changes;

2. Separation of Duties. Separation of duties refers to the PRO and system development personnel. In order to minimize opportunities for unauthorized, fraudulent, or otherwise irregular acts, the following list of payroll duties must be separated to ensure that no one person performs all phases of a transaction without the possibility of intervention or review by some other person or persons:

a. Certification of payments;

b. Payroll computation;

c. Recording of data to the employee's payroll account;

d. Distribution of pay;

e. Review of payroll transactions;

f. Automated system development;

g. System testing;

h. System implementation; and

i. System maintenance;

3. Access Restrictions. The following access must be restricted to authorized personnel:

a. Personnel, payroll, and disbursement records or data files;

b. Forms used in authorizing special entitlements, allowances, and pay rates; and

c. Payroll processing equipment and related software;

4. Employee Access. Employees must not maintain or service their own payroll and/or personnel records. This internal control must be incorporated into security system software that governs access to DCPS records. Employees may provide authorizing source documentation to the servicing CSR or input data using an electronic self-service application. Types of employee transactions maintained by the CSR or input by the employee through such an application are:

a. Distribution of net pay election and voluntary allotments;

b. Routine deductions, such as withholding elections for federal, state, and local tax purposes; and

c. T&A as provided for in Chapter 2, paragraph 020504;

5. CSR Access. Examples of transactions that the servicing CSRs have access to are:

a. Authorizations for charity contributions,

b. Authorizations for employee organization dues withholding,

c. Leave transferred-in for a new employee based on the employee's latest Leave and Earnings Statement, and

d. Restored annual leave; and

6. Computerized Access. To detect inappropriate data at the earliest time and to the extent practical, data entered into DCPS must be subjected to computerized edits at the time of entry.

B. Controls that help ensure that computerized payroll operations process transactions and produce reports accurately include but are not limited to the following techniques:

1. Employing generally accepted testing procedures for computer programs and changes to programs prior to placing them in the production/operation environment. Testing procedures must include testing the various data elements and computational procedures as needed to ensure that all are operating as intended;

2. Certifying acceptance of software changes by the DCPS acceptance team;

3. Performing periodic preventive maintenance on hardware, noting and promptly resolving problems;

4. Including the following techniques in the tests performed:

a. Ensure that the most current personnel data is available for verification and pay computations,

b. Use proper security authorization protocol by all authorized system users,

c. Accept data entry from authorized sources only,

d. Verify data entry using batch control procedures, when applicable, and

e. Provide system-generated research tools useful in the resolution of any detected anomalies; and

5. Providing audit trails for the detection and systematic correction of errors by enabling the system to trace or replicate transactions (including system-generated transactions) from the source to the resulting record or report and from the record or report back to the source.

010407. Reconciliation with the HRO

The PROs must ensure that payroll data is complete and accurate. DCPS and the HRO must each perform a reconciliation of employee records to ensure that shared data matches.

A. Reconciliation of common data (for example, work schedule, salary, and date of birth) between the human resources system and DCPS must be accomplished at least every 4 months. The appropriate HRO reviews the reconciliation and annotates any mismatches. The HRO resolves mismatches where possible and provides supporting documentation to the PRO for resolution in the cases of payroll record errors. The PRO must ensure thorough reviews of and necessary corrections to the DCPS database. The PRO must accomplish the payroll portion of the reconciliation within 10 workdays after receipt of the annotated reconciliation documentation from the HRO. The PRO must maintain historic records to ensure timely compliance with this reconciliation requirement.

B. Based on the predetermined schedule, DCPS will generate and transmit reconciliation files to the appropriate personnel system host. The schedule is established and published by the DCPS manager in conjunction with the personnel system manager.

VOLUME 8, CHAPTER 2: "TIME AND ATTENDANCE (T&A)"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated August 2015 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current administrative instruction.	Revision
All	Revised information for clarity.	Revision

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CHAPTER 2

TIME AND ATTENDANCE (T&A)

0201 GENERAL

020101. Overview

This chapter sets out T&A policy and requirements for the Department of Defense (DoD) agencies. It contains established policies, defines responsibilities, and prescribes internal controls in support of T&A recording and reporting requirements for the Defense Civilian Pay System (DCPS).

020102. Purpose

This chapter provides guidance on DoD civilian employee T&A policy and requirements.

020103. Authoritative Guidance

Statutes, regulations, and other guidance are referenced under each section of this chapter. For additional guidance, see "Maintaining Effective Control over Employee Time and Attendance Reporting" ***Government Accountability Office 03-352G***.

0202 RESPONSIBILITY OF EMPLOYING AGENCY, APPROVING OFFICIAL, AND TIMEKEEPER

020201. Employing Activity Responsibility

An employing activity must ensure compliance with the following T&A functions:

A. Individuals recording and approving T&A are properly trained;

B. The recording and approval of T&A are performed timely and accurately by the responsible individuals;

C. All supporting documentation is available for review and audit;

D. All procedural guidance is clear, adequate, and available to all individuals recording and approving T&A;

E. Every effort is made to correct errors within the pay period to which the changes apply;

F. A supervisor or other equivalent official approves all corrections or adjustments and promptly reports the approved corrections to the civilian payroll office (PRO); and

G. All individuals responsible for reporting, approving, reviewing, or processing T&A data, in any form, must be held accountable for the accuracy, integrity, and security of the information. The discovery of any violations of internal controls, improper input of T&A data, or security breaches must be immediately reported to an appropriate supervisory official.

020202. Approving Official's/Supervisor's Responsibility

An approving official, usually the employee's supervisor, maintains the primary responsibility for authorizing and approving T&A transactions. An approving official must perform the following T&A functions:

A. When approving T&A, all supervisors, other equivalent officials, or higher-level managers must certify, to the best of their knowledge, that work schedules are accurately recorded. An employee's supervisor should be aware of an employee's work schedule, leave taken, and any absence from duty and must review and approve the T&A to ensure its accuracy. Supervisors must ensure that exceptions to the employee's normal tour of duty are recorded in a timely and accurate manner.

B. The supervisor may assign responsibility for observing daily attendance or accurately recording T&A data to a timekeeper or, in limited circumstances, to the individual employee. However, the supervisor is still ultimately responsible for the timely and accurate reporting of the T&A in accordance with applicable policies, regulations, instructions, and bargaining agreements. The supervisor must inform the timekeeper when an employee is on leave or has worked any type of premium work. The supervisor may assign an alternate timekeeper to maintain T&A during the absence of the primary timekeeper.

020203. Timekeeper Responsibility

Timekeeping is a critical function that may be performed by the individual employee, a designated timekeeper (which can be a civilian employee, contractor, or military personnel), the employee's supervisor, or a combination of these individuals. A timekeeper must perform the following T&A functions:

A. A timekeeper must accurately and timely record T&A data and maintain all related documentation, and

B. A timekeeper must be aware of the employee's attendance and absence each day.

020204. Timekeeper Functions

Individuals performing the timekeeping function are specifically responsible for:

A. Recording all exceptions to the employee's normal tour of duty promptly and accurately;

B. Ensuring that employees have attested to the accuracy of both their current pay period's T&A (including any exceptions such as the use of leave) and to any adjustments or corrections to a previously approved T&A. If the employee is not available prior to the approval of the T&A, then attestation must be documented as soon as possible. An employee's attestations must be documented in writing or electronically and may be in the form of:

1. A manually completed hard copy document such as a sign-in, sign-out sheet;

2. A printout of an automated record such as a T&A report with the employee's signature written or electronic; or

3. T&A report with the employee's initials or an automated or electronic record showing that the employee has affirmed the correctness of the data; and

C. Ensuring that all entries for overtime, compensatory time earned, or holidays worked have been approved, and that total hours are correct, before submission for a supervisor's approval and certification.

0203 GENERAL T&A REQUIREMENTS

020301. Daily Record of Time

For each civilian employee, a daily record of time spent in pay and non-pay status must be maintained either by a designated timekeeper, who takes no part in preparing the payroll, or by automated or electronic devices, unless otherwise prohibited. When such devices are used, adequate supervisory surveillance must be maintained to ensure proper and accurate time recording.

020302. Time Period

The time period shown on the T&A must correspond to the length of a pay period. For example, if payment is made for a 2-week period, then the T&A must cover a 2-week period.

020303. Charge of Annual Leave

T&A must clearly indicate whether annual leave taken is to be charged against the employee's current leave account or to a separate leave account established for restored leave. The employee's regular leave account will be charged unless the annual leave taken is identified as being charged to the employee's restored leave account.

020304. Accounting for Time and Leave

The T&A must reflect a proper and accurate accounting of an employee's actual T&A and leave.

020305. Data Element Values

For each employee, the minimum data element values to be included on the T&A or supporting documentation are as follows:

A. Employee name;

B. Social Security number;

C. Pay period number or pay period dates;

D. Number of all hours worked by day, by type and totals;

E. Number of hours of premium work by type, to which the employee is entitled;

F. Dates and number of hours of leave by type;

G. Any required supporting documentation for absences, such as Office of Personnel Management (OPM) leave forms, jury duty orders, or military orders;

H. Handwritten signature or automated approval of the supervisor; and

I. Any other information as may be required in support of the T&A.

020306. Work Schedules

The work schedule defines the basic work requirement as the number of hours, excluding overtime hours, an employee is required to work or to account for by charging leave. Generally, a full-time employee's basic work requirement is 80 hours in a pay period. Attendance and absence must be consistent with the employment status for the individual. An approved work schedule for each employee will be maintained showing the planned arrival and departure for each day. Alternate Work Schedules (AWS) may be used by agencies. For additional guidance on AWS, refer to the ***OPM Handbook on Alternative Work Schedules***. Refer also to DoD Instruction (DoDI) ***1400.25, V610***.

A. Flexible Work Schedule (FWS)

Under certain flexible schedules, DoD civilian employees may work longer or shorter hours, including credit hours on any given workday, without taking leave or being paid overtime, so long as their basic biweekly work requirements are met. See Title 5, United States Code (U.S.C.), ***section 6121*** and DoDI 1400.25, V610. By electing to work hours in excess of their tour of duty, employees may also complete the biweekly basic work requirements in fewer than 10 workdays without being paid overtime or being charged leave for the non-workdays.

1. Material Variances or Deviations. Material variances or deviations, as determined by the FWS, must be approved by the supervisor before the change occurs, or

promptly after occurring, if not feasible prior to the change. Supervisors must verify that the dates and the material variances or deviations have been recorded in the T&A.

2. Types of FWS. Full-time employees with an 80-hour biweekly work requirement may determine their own schedule within the limits set by the employing activity. A part-time employee may determine his or her own schedule for a biweekly work requirement of less than 80 hours. According to the OPM Handbook of Alternative Work Schedules, the FWSs include the following:

a. Flexitour. Flexitour is a work schedule in which an employee is allowed to select starting and stopping times within the flexible hours. Once starting and stopping times are selected, the employee continues to adhere to these times until the employing activity provides further opportunities to select different starting and stopping times.

b. Gliding Schedule. Gliding schedule is a FWS in which an employee has a basic work requirement of 8 hours in each day and 40 hours in each week. Employees may select an arrival time each day and may change that arrival time daily as long as it is within the established flexible hours.

c. Maxiflex. Maxiflex is a FWS that contains core hours on fewer than 10 workdays in the biweekly pay period and in which an employee has a basic work requirement of 80 hours for the biweekly pay period. The employee may vary the number of hours worked on a given workday or the number of hours each week, within the limits established for the organization.

d. Variable Day Schedule. Variable day schedule is a FWS that contains core hours on each workday in the week. Under the variable day schedule, a full-time employee has a basic work requirement of 40 hours in each week of the biweekly pay period. The employee may vary the number of hours worked on a given workday within the week as long as the variation remains within the limits established for the organization.

e. Variable Week Schedule. Variable week schedule is a FWS that contains core hours on each workday in the biweekly pay period. Under the variable week schedule, a full-time employee has a basic work requirement of 80 hours for the biweekly pay period. The employee may vary the number of hours worked on a given workday or the number of hours each week, as long as the variation remains within the limits established for the organization. For more information regarding FWS, see ***OPM's FWS Fact Sheet***. Refer also to DoDI 1400.25, V610.

B. Compressed Work Schedule. A compressed schedule is a fixed schedule that enables a full-time employee to complete the basic work requirements of 80 hours in fewer than 10 full workdays in each biweekly pay period by increasing the number of hours in the workday. See 5 U.S.C. § 6121 and OPM's Fact Sheet on ***Compressed Work Schedules***.

1. Set Time and Days of Work. There is no flexibility in a compressed schedule. An employee's time of arrival and departure from work is set, as are the days on which the employee is to complete the basic work requirement.

2. Overtime. For employees working under compressed schedules, overtime pay will continue to be paid for work in excess of the compressed schedule. See ***5 U.S.C. § 6128***.

3. Absences. For employees working under compressed schedules, the recording of absences is treated in the same manner as for employees working a regular or alternative work schedule. Employees working a compressed work schedule must be charged leave in accordance with their basic work schedule.

4. Variations of the Compressed Work Schedule. Compressed work schedules are determined either by management or through negotiations with exclusive employee representatives. The following are variations of the compressed work schedule:

a. 4-10 Schedule. On the 4-10 schedule, employees work 10 hours a day for 4 days each workweek;

b. 5-4/9 Schedule. On the 5-4/9 schedule, employees work 9 hours a day for 8 days, 8 hours for 1 day, and record 1 non-working day each pay period; and

c. 3-day Workweek Schedule. On the 3-day workweek schedule, employees work 13 hours and 20 minutes a day for 3 days each workweek.

020307. Approval of Leave

Leave approval may be by handwritten or automated signature. Leave approvals must be granted in accordance with the requirements of Chapter 5.

020308. Overtime and Compensatory Time Earned Authorizations

The employee's supervisor must approve any overtime, compensatory time, or holiday work. The supervisor's approval must be documented in writing or electronically and must be retained for review and audit. Approval must be granted before the hours are worked, or if not feasible, as soon as possible after the work has been performed.

A. Regular vs. Irregular/Occasional Overtime. To properly determine an employee's overtime entitlement, the approving official should distinguish between regular overtime and irregular or occasional overtime.

B. Compensatory Time. Compensatory time earned may only be granted for irregular and occasional overtime work. Compensatory time is not authorized for regularly scheduled overtime work.

020309. Continuation of Pay (COP)

An employee who sustains a disabling job-related traumatic injury is entitled to the continuation of regular pay for up to 45 calendar days. See Chapter 6 for additional information regarding COP.

A. Counting COP Time. Controls will be established to ensure that employees do not exceed the 45-day limit. COP time will be accounted for as follows:

1. Calendar Days. Days are counted on a calendar basis. If an employee is charged COP on Friday and the disability continues through the weekend, then the employee is charged COP for Saturday and Sunday. Holidays, weekends, and regular days off following a COP day are counted as COP days. If 1 hour is used to see a physician and 7 hours are worked, the day is still counted as 1 full day of COP. The T&A must reflect the actual hours worked in order to accurately reflect the employee's work record.

2. Period Charged to COP. Unless the injury occurs before the beginning of the workday, time lost on the day of injury must be charged to administrative leave. The period charged to COP begins with the first day or shift of disability or medical treatment following the date of injury, provided the absence began within 45 days after the injury. COP must be charged for weekends and holidays if the medical evidence shows the employee was disabled on the days in question. For example, if the physician indicates that disability will continue only through Saturday for an individual who has Saturday and Sunday off, then COP will be charged only through Saturday.

3. Full Days Charged to COP. If work stoppage occurs for only a portion of a day or shift other than the date of injury, then a full day of COP will be counted against the 45 calendar day entitlement, even though the employee is not entitled to COP for the entire day or shift. For example, if an employee who has returned to work uses 3 hours in order to receive physical therapy for the effects of the injury, then the employee is entitled only to 3 hours of COP, even though 1 full calendar day will be charged against the 45-day limit. If an employee is absent for all or part of the same remaining workday, then the time lost must be covered by leave, as appropriate, since absence beyond the time needed to obtain the physical therapy must not be charged to COP.

4. Full Days Charged when Employee Works Partial Days. If the employee is only partially disabled following the injury and continues to work several hours each workday, then each day or partial day of absence from work is chargeable as a full day of COP against the 45-day period.

5. Disapproval of COP. Absences charged to COP and later disapproved by the Department of Labor will require conversion to sick or annual leave. If sick or annual leave is not available, then COP will be converted to leave without pay (LWOP) and reimbursements to the Government must be made for any gross earnings paid while in a COP status. Due process procedures apply to the collection of any such debt owed by an employee. The amount

collected must include payments made on behalf of the employee and any adjustments to the deposit fund accounts by the civilian PRO.

6. Return to Duty. The injury compensation program administrator may contact the attending physician in writing to inquire about the employee's estimated return to light duty and/or contact the servicing Office of Workers' Compensation Programs office for an expected date of return to duty.

B. Light Duty Status. When a determination has been made that an injured employee may return to duty in a light duty status within the first 45 days of disability following an injury, each day or portion of a day in light duty status may be counted as 1 day of COP. This also includes any day or portion of a day worked while under injury-related work restrictions imposed by a physician. See Chapter 6 for additional information on light duty status and when COP is payable.

1. Official Personnel Actions. An employee performing light duty because of an on-the-job injury normally is not charged COP. However, COP must be charged if an employee has been assigned light duty by a ***Standard Form 50***, Notification of Personnel Action, and pay loss results. The employee must be furnished with documentation of the personnel action before the effective date of the action.

2. Loss of Night Differential Pay. When an employee is detailed to a work schedule entailing loss of night differential pay earned before the injury, COP days will be charged, even though the employee is working. The cost of COP is calculated as the difference between the employee's normal pay and pay earned in the detail position.

020310. Temporary Duty (TDY)

A. Recording TDY on T&A. When an employee is on TDY, the hours worked and hours of leave must be recorded on the T&A. All time actually spent away from the permanent duty station during the basic workweek must be recorded at the employee's permanent duty station as time worked or leave taken. The travel order must support entries on the T&A for regular time.

B. Extended TDY. When an employee is on extended TDY (official Government-directed travel exceeding three weeks), the supervisor may require the employee to submit the T&A. Overnight mail, electronic mail, facsimile machine, or other acceptable means of communication may be used.

0204 T&A RECORDING

020401. Requirements

Scheduled starting and ending times of the day for each employee or for groups of employees must be established and recorded. The day that an employee's shift begins is designated as the day of work for night and shift differential purposes. These requirements must be modified for employees working a flexible or compressed work schedule under the AWS plans.

020402. Certification of Absences

Employees either must initial or sign for indicated absences, or submit an approved application for leave. A supervisor may require a medical certificate or other evidence of illness from an employee when granting sick leave. Such certification will be retained by the employing activity in accordance with section 0208.

020403. Verification of Leave Charges

Employees must confirm each leave charge, except for administrative leave, absent without leave charges, suspension, or holiday absences.

020404. Leave Charges

All leave types are charged to the employee by days, hours, or fractions of hours.

020405. Daylight Savings Time

A. Hour Lost. Civilian employees working on a tour of duty when daylight saving time goes into effect are credited with the actual number of hours worked on the tour of duty. The hour lost because of the change is charged to annual leave, compensatory time used, credit hours used, or LWOP, as requested by the employee. Employees may also be allowed to work 1 hour beyond the end of their shift.

B. Hour Gained. Civilian employees working on a tour of duty when standard time goes into effect are credited with the actual number of hours worked. Time worked in excess of 8 hours, or the regular tour of duty hours, must be paid as overtime, compensatory time earned, or recorded as credit hours.

020406. Recording Clock

A recording clock may not be used to record time of an employee of an executive department in the District of Columbia. See ***5 U.S.C. § 6106***.

0205 T&A CERTIFICATION

020501. Controls

A. The certification of T&A constitutes authorization for the expenditure of government funds. Each employee's T&A must be certified correct by the employee's supervisor, acting supervisor, other equivalent official, or a higher-level manager authorized to act as an alternate certifier at the end of the pay period.

B. Certification ordinarily must not be made earlier than the last workday of a pay period. In some circumstances, such as when a legal holiday falls on a Friday or Monday, it is not practical to operate without an early cutoff. In such cases, additional controls, which must be

demonstrated in the system design, must be in place and operating. These controls must ensure that any change in attendance or absence certified by a supervisor that occurs after the cutoff date is identified and reported before pay computation, or is reported for the next pay computation. The employee may initial the corrected entry(ies) or submit an ***OPM Form 71***, Request for Leave or Approved Absence, or locally approved electronic leave request, for such absence, as appropriate.

020502. Responsibility

All T&A and supporting documents must be reviewed and approved by the supervisor or designated alternate certifier. The supervisor or designated alternate certifier must be aware of his or her responsibilities for ensuring accuracy of the reports and must have knowledge of the time worked and absence of employees for whom approval is given.

A. Certification of T&A. The supervisor or designated alternate certifier must have a reasonable basis for relying on systems of internal control to ensure accuracy and legal compliance if he or she does not have personal knowledge of the presence and absence of, or other information concerning employees whose T&A are being approved. This basis must involve periodic testing of internal controls to ensure they are working as intended. Certification of T&A documents must be based on:

1. Knowledge from personal observation, work output, or timekeeper verification;

2. Checking data against other independent sources such as validating starting and ending times of work, using sign-in and sign-out sheets or time clock entries;

3. Reliance on other internal controls; or

4. A combination of controls.

B. Approval of T&A. Approvals must be made individually for each employee, and a handwritten or automated signature must be provided for each T&A.

C. Approval of Multiple T&As. A single supervisory or designated alternate certifier signature for a multiple employee T&A report may be made to approve the information recorded for all employees listed on the report. There are three prerequisites for a single signature:

1. The data elements itemized in paragraph 020305 must appear on the report for each employee listed on the report,

2. Supporting documents required for the information on the report must be reviewed by the supervisor or designated alternate certifier, and

3. The supervisor or designated alternate must initial or sign each page of the report and either sign the last page of the report or enter an approval code into an automated system.

D. Electronic Approval. When a computerized ("paperless") T&A system is used and T&A data is contained in a computer file and displayed on a terminal, a single automated code may be entered by the supervisor to approve the information contained in the file. However, the data elements itemized in paragraph 020305 must be contained in the file. Prior to approving the T&A, the supervisor or designated alternate certifier must review supporting documents or computerized files. A record of changes made to a file, once approved by someone other than the original approving official, must be generated and sent to either the original approving official, or a designated person other than the one who made the changes.

020503. Delay

Certification of the T&A may not be delayed for obtaining the employee's initials or signature for requested leave when the employee is not available. The employee must submit an OPM Form 71 upon return to duty to confirm the requested leave.

020504. Maintenance of T&A by Employee

A. When Maintenance of T&A by Employee is Appropriate. Situations in which employees may maintain their own official T&A are as follows:

1. The employee is the timekeeper,

2. Employees work flexible hours outside the hours of the timekeeper and supervisor,

3. An employee is working alone at a remote site,

4. Employees are based at the same location as their supervisors and timekeepers but are frequently away during working hours, or

5. The employing organization determines that individual timekeeping by all employees is warranted. The employing organization must maintain documentation demonstrating that the T&A reporting system has sufficient capacity and internal controls to ensure timely and accurate recording of T&A by these individual employees.

B. Controls. To provide reasonable assurance that employees are working when scheduled, supervisors must take reasonable measures, such as occasional telephone calls during the times they are scheduled to work, or an assessment of the reasonableness of output for the time spent, to determine the accuracy of T&As submitted by individuals who maintain their own T&A. The supervisor is responsible for the accuracy of the T&A data submitted by the individual.

020505. Prior Approval

When it is not practical for the supervisor to approve a T&A prior to the receipt of supporting documents, the employee may be paid and a subsequent review performed of the documents by the supervisor.

020506. Approval of T&A by Employee

Employees are generally prohibited from approving their own T&A. Exceptions to this general prohibition apply only when it is not feasible for employees to have their T&A approved by a supervisor. In such instances, the Component head, or his or her designee, must grant an official authorization in writing in order for the employee to approve his or her own T&A. An employee may be authorized to approve his or her own T&A under the following circumstances:

A. The employee works alone at a remote site for long periods;

B. The employee is based at, but frequently away from, the location of their supervisor and timekeeper during working hours; or

C. The employee is the head of an organization within an agency that has no supervisor on site.

0206 T&A REPORTING

020601. Methods

T&A data must be transmitted to the payroll system, as required, by using positive (100 percent) reporting or exception reporting. Under positive reporting, all T&A data is reported to the payroll system for each employee. Under exception reporting, only exceptions to the employee's scheduled tour of duty are reported to the payroll system. When reporting to the payroll system by source data automation, positive reporting must be required for each employee.

020602. Controls

Regardless of the reporting method, controls must ensure that all required T&A data, including current period corrections and prior period adjustments, are properly reviewed and approved by the supervisor and reported in a timely and accurate manner.

020603. Generating a Charge to Annual Leave

If any required T&A data is missing for an employee, then the civilian PRO must generate a charge against the employee's annual leave balance. If the annual leave balance is not sufficient to support the employee's regularly scheduled tour of duty, any remainder must be charged to another leave category in order to fulfill the employee's scheduled tour of duty. The employee's pay and leave record must be corrected upon submission of the certified T&A data. T&A data is considered missing if:

A. Under positive reporting, time has not been reported for the employee's entire scheduled tour of duty; or

B. Under exception reporting, the appropriate function key has not been pressed to denote that all exceptions have been reported.

0207 ADJUSTMENTS AND CORRECTIONS

020701. Current Period Corrections

Timekeepers must correct errors in data that are discovered when performing the steps discussed in section 020204.

020702. Prior Period Adjustments

If the T&A for the current pay period has been processed and a change is required, then the supervisor must certify an adjusted T&A for input to the payroll system or transmittal to the PRO via the customer service representative. The adjustment must be processed in the employee's pay and/or leave record no later than the pay period following receipt for on-line adjustments.

020703. Electronic Corrections

Electronic corrections for current period corrections and prior period adjustments must be made in accordance with the DCPS user manual.

020704. Manual Corrections

T&A corrections for pay periods no longer held in DCPS (offline records) require a hard copy of the certified T&A signed by the supervisor and forwarded to the PRO. The PRO will process the manual correction within DCPS in accordance with established procedural guidance.

020705. Corrected Time Cards for Back Pay Awards

If an appropriate authority corrects or directs the correction of an unjustified or unwarranted personnel action under the provisions of the Back Pay Act at ***5 U.S.C. § 5596***, time card corrections may be requested by the PRO for the period covered by the corrective action. Corrected time cards ensure the proper award of any pay, allowances, and differentials owed to the employee, including leave or other monetary employment benefits to which an employee is entitled by statute or regulation.

0208 RETENTION OF RECORDS

020801. Storage Location

Employing activities must establish a uniform practice to be followed as to the locations at which the T&A reports and related supporting documentation are to be maintained. T&A reports, together with approved applications for leave, overtime approvals, military orders, jury duty certification, or other supporting documents, may be retained by the timekeeper, supervisor, or sent to a designated storage location.

020802. Internal Controls

Sufficient internal controls must be established to prevent unauthorized changes to completed T&A, regardless of where they are retained.

020803. Retention Period

T&A records, to include leave application files, source records, input records, and leave records, must be retained by the employee's supervisor or activity in accordance with records retention requirements as set forth in the ***National Archives, General Records Schedule 2***. NOTE: There are different retention requirements for these four types of records.

0209 LABOR DISTRIBUTION

Civilian payroll systems must interface with cost accounting systems, if established, to ensure payroll labor costs are distributed and charged to appropriate cost centers. Organizations that operate a formal cost accounting system must ensure that costs are reconciled to the labor distribution processes at least once per month. See the Federal Financial Management Improvement Act of 1996 (Pub. Law 104-208, Title VIII, § 801 et seq., Sept. 30, 1996, which is set out as a note under ***31 U.S.C. § 3512***).

VOLUME 8, CHAPTER 3: "PAY ADMINISTRATION"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue, and underlined font.

The previous version dated April 2013 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Revised hyperlinks and formatted chapter to comply with current administrative instructions.	Revision
0301	Added "General," "Purpose," and "Authoritative Guidance" sections.	Addition
0302	Added an introduction to the "General Provisions on Pay" section.	Addition
030203.B.4	Reformatted "Deferring Payments" section for clarity.	Revision
030212	Added information regarding "Administratively Determined Pay Plans."	Addition
030304.C	Revised the "First 40-Hour Tour of Duty" section under "Sunday Premium Pay."	Revision
030402.A.2	Reformatted "Temporary Quarters Subsistence Allowance" section for clarity.	Revision
030402.G (Previous)	Deleted Tropical Differential pay information.	Deletion
030402.G	Revised the "Employees in a Non-Pay Status" section to add information for employees in a non-pay status.	Revision
030504	Deleted procedures for payment of Uniform Allowance in the "Uniform Allowance" section.	Deletion
030507	Revised information for the "Foreign Language Proficiency Pay" section to include employees performing intelligence duties.	Revision
0306	Added an introduction to the "Recruitment, Relocation, and Retention Incentives" section.	Addition
030906	Added information for "Advances in Pay for Newly Hired Employees."	Addition
031101.B.4	Revised information for Time-Off Awards.	Revision

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CHAPTER 3

PAY ADMINISTRATION

*0301 GENERAL

030101. Purpose

This chapter provides guidance on Department of Defense (DoD) civilian employee pay and entitlements.

030102. Authoritative Guidance

Specific statutes, regulations, and other guidance are referenced under each section of this chapter.

*0302 GENERAL PROVISIONS ON PAY

* This section provides general information on computing pay and transmitting pay data to the payroll office. This section also provides guidance on statutory limits on pay ("pay caps") and general information on computing pay for General Schedule (GS), Senior Executive Service (SES) and other categories of employees.

030201. Pay and Payroll Data

A. Computing Pay. Payroll computations must be based on statutorily authorized entitlements in accordance with Title 5 of the United States Code (U.S.C) and Title 5, Code of Federal Regulations (C.F.R.), Parts ***530***, ***531***, ***532***, ***534***, ***550***, ***551***, ***575***, ***581***, ***591***, ***595***, ***610***, and ***630*** and other statutory or regulatory requirements as stated herein. The payment of any entitlement must be supported by one or more of the following source documents, as appropriate:

1. Standard Form (SF) 50s and/or other similar personnel documents;

2. Certified copies of travel orders;

3. Time and attendance reports, including any necessary supporting documents such as sign-in and sign-out registers or Office of Personnel Management (OPM) Form 71, Request for Leave or Approved Absence; and

4. Authorizations or approvals of overtime and compensatory time worked.

B. Transmitting Documents to the PRO. If the Human Resources Office (HRO) electronically transmits the pay entitlement data from source documents to the Defense Finance and Accounting Service (DFAS) Civilian Payroll Office (PRO), the HRO is not also required to send the source documents to the PRO unless requested to do so. The HRO must

monitor feedback to ensure the integrity and accuracy of the data used in the pay computation process and must establish effective controls to ensure that all data transmits successfully. The HRO must retain source documents, along with transmittal and control data, for audit purposes in accordance with the National Archives General Records ***Schedule 2***.

C. PRO Must Ensure Payroll Data is Accurate. The PRO must ensure that payroll data is complete and accurate. Specifically, the PRO must ensure that an employee's compensation is consistent with his or her grade, position classification, other entitlements, and employment location. For example, an agency may not pay any foreign area allowances, regardless of authorizing documents, to an employee assigned to stateside duties. In this example, the PRO must request the HRO that issued such entitlement documents clarify and/or correct the documents.

D. Time and Attendance Records. The PRO must ensure pay computations are based on the completed time and attendance records maintained for each employee. The PROs must complete computations as soon as possible after the close of the pay period.

E. Reconciliation. The PRO, the HRO, and the customer service representative (CSR) must communicate to ensure that all appropriate entitlement information is considered for each pay computation and that the computations are supported by the appropriate documentation. At least every 4 months, personnel and pay data must be reconciled and discrepancies corrected. The functional area that entered the incorrect data has primary responsibility for reconciling discrepancies in common data. For additional information, see Chapter 1.

030202. Notification of Changes to Pay

The servicing HRO is responsible for notifying the PRO of changes to an employee's pay. The servicing PRO must adequately inform each employee in writing as to the nature and amount of the changes in gross pay from one pay period to the next. This information may be included on the employee's Leave and Earnings Statement (LES) rather than a separate written advisory. The notification must be in sufficient detail to show total pay, allowances, deductions, and net pay.

*030203. Statutory Limits on Compensation ("Pay Caps")

A. Premium Pay Limits

1. Biweekly Premium Pay Cap. Premium pay includes night pay, the dollar value of compensatory pay, overtime pay, premium pay on an annual basis, and pay for Sunday and holiday work. See 5 C.F.R. 550.103. Except as explained in 030203.A.2 and 3, the sum of an employee's basic pay and premium pay for any pay period may not exceed the greater of the biweekly rate of basic pay payable for: 1) GS-15, step 10 (including any applicable locality pay under ***5 U.S.C. § 5304*** or special rate of pay under ***5 U.S.C. § 5305***); or 2) Level V of the Executive Schedule. See ***5 U.S.C. § 5547(a)***, 5 C.F.R. 550.105, and ***OPM Pay and Leave***. When GS employees are receiving a locality-based comparability payment, the OPM GS Locality Pay Tables should be used to determine the maximum GS-15, step 10 rate payable for the employee's

locality. Employees in established special rate occupations and/or locations may have a higher biweekly limitation equal to the special rate for GS-15, step 10. The biweekly limitation does not apply to the following:

a. Overtime pay earned by employees who are nonexempt from (covered by) the Fair Labor Standards Act (FLSA),

b. Hazardous duty pay (HDP),

c. Pay earned by Federal Wage System (FWS) employees, who are excluded from coverage under 5 U.S.C. § 5547, or

d. Compensatory Time for National Guard Technicians. National Guard technicians are not paid for overtime work pursuant to ***32 U.S.C. § 709(h)***. Therefore, compensatory time earned by National Guard technicians will not be paid and computation of the biweekly statutory pay limits for the technicians should not include compensatory time worked.

2. Types of Pay Subject to Biweekly Cap when an Annual Premium Pay Cap Applies. In certain emergency or mission critical situations, an agency may apply an annual premium pay cap in lieu of a biweekly premium pay cap, subject to the conditions provided in law and regulation. See 5 U.S.C. § 5547(b) and 5 C.F.R. 550.106-550.107. However, the following types of premium pay remain subject to the biweekly limitation while other premium payments are subject to an annual limit under 5 C.F.R. 550.106:

a. Standby duty pay,

b. Administratively uncontrollable overtime (AUO) pay,

c. Availability pay for criminal investigators, and

d. Overtime pay for hours in the regular tour of duty of a firefighter.

3. Annual Premium Pay Cap. When the head of an agency, his or her designee, or OPM determines that an emergency exists, the biweekly caps on premium pay described in subparagraph 030203.A.1 will not apply to employees who are paid premium pay for work in connection with that emergency. However, such employees remain subject to an annual maximum earnings limitation. In these circumstances, the total basic pay and premium pay for most GS employees is limited to the annual rate for GS-15, step 10 (including locality-based comparability or special salary rates) or a Level V of the Executive Schedule for the calendar year. Pay exceeding the cap is forfeited and is not deferred for payment in the next calendar year. The cap does not apply to overtime earned by FLSA nonexempt (FLSA covered) employees. For more information on the annual maximum pay limits, refer to 5 U.S.C. § 5547(b) and 5 C.F.R. 550.106.

4. Increased Annual Premium Pay Limitation

a. In 2005, Congress authorized the Secretary of Defense to waive the annual premium pay cap under certain circumstances. Eligible DoD employees are authorized an increase to the annual premium pay limitation under 5 U.S.C. § 5547, not to exceed the annual rate of salary payable to the Vice President under ***3 U.S.C. § 104***. To be eligible, employees must perform work in response to an emergency declared by the President or in direct support of, or directly related to, a military operation. Waiver authority applies to eligible employees who perform work while in an overseas area of responsibility of the Commander of the United States (U.S.) Central Command (CENTCOM) or an overseas location that has been moved from the U.S. CENTCOM area of responsibility to the area of responsibility of the Commander of the Africa Command (AFRICOM).

b. Eligible DoD employees who are granted a waiver of the annual premium pay cap are entitled to premium payments as provided in yearly guidance published by the Office of the Under Secretary of Defense (OUSD), Personnel and Readiness based on ***Public Law*** (P.L.):

(1) Calendar Year 2005 authorized by ***P.L. 109-13***,

(2) Calendar Year 2006 authorized by ***P.L. 109-163***,

(3) Calendar Year 2007 authorized by ***P.L. 109-364***,

(4) Calendar Year 2008 authorized by ***P.L.110-181***,

(5) Calendar Year 2009 authorized by ***P.L.110-417***,

(6) Calendar Year 2010 authorized by ***P.L. 111-84***,

(7) Calendar Year 2011 authorized by ***P.L. 111-383***,

(8) Calendar Year 2012 authorized by ***P.L. 112-81***,

(9) Calendar Year 2013 authorized by ***P.L. 113-66***,

(10) Calendar Year 2014 authorized by ***P.L. 113-291***, and

(11) Calendar Year 2015 authorized by ***P.L. 114-92***.

B. Aggregate Limitation on Pay

1. Aggregate Limitation. The Federal Employees Pay Comparability Act (***FEPCA***) of 1990 and 5 C.F.R. 530, Subpart B established an aggregate limitation on pay. The aggregate limitation applies to most Federal employees, including most members of the SES who were previously covered by an aggregate limitation applied on a fiscal year basis under ***5 U.S.C. § 5383(b)***. Under ***5 U.S.C. § 5307***, a covered employee may not receive any allowance, differential, bonus, award, or other payment in any calendar year to the extent that such payment, in combination with the employee's basic pay, would cause the employee's aggregate compensation to exceed the rate payable for Level I of the Executive Schedule at the end of that calendar year.

2. Aggregate Compensation. Aggregate compensation is the total of basic pay, premium pay, allowances, differentials, bonuses, awards, incentives, and other similar cash payments. See 5 C.F.R. 530.202. Certain payments are excluded from aggregate compensation such as overtime pay under FLSA, severance pay, lump-sum payment for accrued annual leave, back pay awards, student loan repayments, and non-foreign area cost-of-living allowances (COLAs).

3. Payments of Excess Amounts. Amounts in excess of the aggregate limitation must be deferred and are generally paid in a lump-sum payment at the beginning of the next calendar year. See 5 C.F.R. 530.204. If an employee transfers to another agency, the gaining agency is responsible for this payment. If an employee separates from Federal service, the entire excess amount is payable following a 30-day break in service. If an employee dies, the agency must pay the entire excess amount as part of the deceased employee's unpaid compensation. See ***5 U.S.C. § 5582***; 5 C.F.R. 530.204.

* 4. Deferring Payments. An agency must defer payment of any portion of a discretionary payment that would cause an employee's aggregate compensation to exceed the aggregate limitation. After deferring discretionary payments, all nondiscretionary payments (other than basic pay) must be deferred if continuing to pay the nondiscretionary payments would cause the employee's aggregate compensation to exceed the aggregate limitation for the calendar year. See 5 C.F.R. 530.203(d) and (e); 5 C.F.R. 530.204.

a. Discretionary Payments. A discretionary payment is an optional payment that an agency has discretion to pay an employee (e.g. retention allowances, supervisory differentials, and physicians' comparability). 5 C.F.R. 550.202.

b. Nondiscretionary Payments. Nondiscretionary payments are payments made to an employee under the terms of a service agreement or preauthorized to be paid at a regular fixed rate each pay period (e.g. basic pay, locality-based comparability payments, COLAs, post differentials, and remote worksite allowances). An agency may not defer a nondiscretionary payment to make a discretionary payment. Basic pay may not be deferred or discontinued under any circumstances.

030204. Multiple Appointments

An employee is not entitled to receive pay from more than one position for more than an aggregate of 40 hours of work in one calendar week (Sunday through Saturday). See ***5 U.S.C. § 5533(a)***. Generally, there is no restriction on the number of appointments, only the number of hours, for which an employee may be paid. An employee may hold more than one simultaneous part-time or intermittent appointment, or an employee on leave without pay may accept another Federal appointment. However, the employee may not receive pay for more than 40 hours a week, unless the employee's regular tour of duty is for more than 40 hours a week under an authorized alternative work schedule (AWS) or from two sources for the same hours. The HRO will notify the PRO of multiple appointments via SF 50 data.

030205. General Schedule (GS) Employees

A. Basic Pay. Basic pay for GS employees is defined in 5 C.F.R. 531.203 as the rate of pay fixed by law or by administrative action for the position held by a GS employee prior to withholding any deductions and excludes additional pay of any kind.

B. Pay Computation. Computations of salaries are based on the rates contained in the OPM, Pay and Leave, ***OPM Salary Table***.

C. Determining Basic Rates

1. The hourly basic rate is determined by dividing the annual rate by 2,087, with the result adjusted to the nearest cent, counting one-half cent and over as a whole cent. See ***5 U.S.C. § 5504***.

2. The biweekly rate is determined by multiplying the hourly rate by 80 for full-time employees.

3. A daily rate is determined by multiplying the hourly basic rate by the number of daily hours of service.

4. For any employees whose pay is monthly or covers one calendar month, rules for division of time and computation of pay are governed by ***5 U.S.C. § 5505***.

D. Interim Geographic Adjustment (IGA). On February 1, 1996, OPM issued final regulations at ***61 Federal Register 3539*** to address the termination of IGAs. Locality-based comparability payments replaced the IGAs effective August 2, 1996.

E. Special Higher Minimum Base Rates for Law Enforcement Officers (LEO) at Grades GS-3 through GS-10. Special base rates for LEOs at grades GS-3 through GS-10 are authorized under section 403 of the FEPCA of 1990 and 5 C.F.R. 531.204 and are used in lieu of a GS rate. OPM publishes the special base rates for LEOs in a special salary table. These rates are the basis for computing locality payments under 5 C.F.R. 531, Subpart F. Special geographic

adjustments for LEOs under section 404 of the FEPCA of 1990 have been eliminated because they have been surpassed by regular locality payments under 5 U.S.C. § 5304.

F. Locality-Based Comparability Payments. Title 5 C.F.R. 531, Subpart F and 5 U.S.C. § 5304 govern locality payments for GS employees and other employment positions in locality pay areas. Locality pay is considered as basic pay for retirement, Federal Employees' Group Life Insurance (FEGLI), premium pay, advance pay, severance pay, lump-sum leave, and workers' compensation purposes. The HRO bases locality pay eligibility on where an employee's official duty station is, and not where he or she lives. Locality pay does not transfer with an employee from one pay locality to another. Employees must receive whatever rate of pay applies at his or her new duty station. Employees on temporary assignment in a different pay locality must continue receiving their current salary. Locality pay does not apply overseas. The official worksite for an employee covered by a telework agreement must be determined on a case-by-case basis using criteria established by OPM.

030206. Employees in Performance Management and Recognition System (PMRS)

A. General. The PMRS Termination Act of 1993 terminated the PMRS effective November 1, 1993. The provisions of this law applied to any employee covered by a PMRS position on October 31, 1993, and provided for the transition of former PMRS employees into their agency's Performance Management System and the GS pay plan. See OPM Performance Reference Materials, Instructions: How to Comply with ***P.L. 103-89***.

B. Identification of PMRS Employees. In order to identify all employees covered by the provisions of this law, OPM retained the General Merit (GM) pay plan code. The step for all employees using the GM pay plan code will continue to be zeros ("00").

C. Within-Grade Increases. All GS employees, including those still designated GM after October 31, 1993, will be eligible for within-grade increases according to the waiting periods established in the statute. The last PMRS merit increase received, including one for zero dollars, is an equivalent increase for the purpose of calculating and completing the prescribed waiting periods. Within-grade increases have the dollar value of one-ninth of the pay range. Employees will have the within-grade increase added to their basic pay rate, including an off-step rate, upon completion of the appropriate waiting period, provided performance has been at an acceptable level of competence.

D. Termination. An employee's coverage under the PMRS will end and his or her rate of basic pay will be adjusted to the designated GS step rate that meets or exceeds the current rate of pay, not to exceed step 10, if any of the following actions occur:

1. Promotion,

2. Change to a lower grade,

3. Break in service of more than 3 days,

4. Transfer to another non-DoD agency, or

5. Reassignment to a non-supervisory or non-management position.

030207. Senior Executive Service (SES) Positions

A. Definition. In accordance with ***5 U.S.C. § 3132(a)(2)*** and ***5 C.F.R. 317***, an SES position is any position within an agency above a GS-15 grade level under ***5 U.S.C. § 5108***, or in Level IV or V of the Executive Schedule, or an equivalent position, which is not required to be filled by an appointment by the President with Senate confirmation. The SES includes managerial, supervisory, and policy positions classified above a GS-15 or equivalent in the Executive Branch. Non-supervisory positions are not covered unless they carry significant policymaking responsibilities.

B. Rate of Pay. The SES pay range has a minimum rate of basic pay equal to 120 percent of GS-15, step 1, and a maximum rate equal to that of a Level III of the Executive Schedule. See ***5 U.S.C. § 5382*** and 5 C.F.R. 534.403. The maximum rate of basic pay for an SES employee covered by a performance appraisal system is set at the rate for Level II of the Executive Schedule. Minimum rates of basic pay for the SES rate range are adjusted by Executive Order issued by the President to allow for consistency with any increase in the minimum rate of basic pay for these positions. See ***5 U.S.C. § 5376***.

030208. Senior Level (SL) Positions

A. Definition. SL positions are non-SES positions classified above GS-15 pursuant to 5 U.S.C. § 5108 and ***5 C.F.R. 319.102***. These positions do not include administrative law judges or board of contract appeals positions that have their own pay schedules.

B. Rate of Pay. Title 5 U.S.C. § 5376 and 5 C.F.R. 534, Subpart E govern the rates of pay for SL positions and are located in the OPM Pay Tables, see section 030205 B. The Senior Professional Performance Act of 2008 established a new pay system for SL employees, effective April 12, 2009, providing pay ranges comparable to those available under the SES pay system. See 5 U.S.C. § 5304. The minimum rate of basic pay is set at 120 percent of GS-15, step 1, and the maximum rate equal to Level III of the Executive Schedule. The maximum rate of basic pay for an SL employee covered by a performance appraisal system is set at the rate for Level II of the Executive Schedule. Under the new pay system, locality pay is no longer paid in addition to the basic rate. There are no grades or steps under 5 U.S.C. § 5376; therefore, employees may be paid at any rate between the minimum and maximum rates.

030209. Scientific or Professional (ST) Positions

A. Definition. ST employees are those in non-executive positions classified above GS-15 who are engaged in high-level research and development in the physical, biological, medical or engineering sciences established under ***5 U.S.C. § 3104*** and 5 C.F.R. 319.103.

B. Rate of Pay. The rates of pay for ST level positions are governed by 5 U.S.C. § 5376 and 5 C.F.R. 534, Subpart E, and are located in the OPM Pay Tables, see section

030205 B. The Senior Professional Performance Act of 2008 established a new pay system for ST level employees, effective April 12, 2009, providing pay ranges comparable to those available under the SES pay system. The minimum rate of basic pay is set at 120 percent of GS-15, step 1, and the maximum rate equal to Level III of the Executive Schedule. The maximum rate of basic pay for a ST position employee covered by a performance appraisal system is set at the rate for Level II of the Executive Schedule. Under the new pay system, locality pay is no longer paid in addition to the basic rate. There are no grades or steps under 5 U.S.C. § 5376; therefore, employees may be paid at any rate between the minimum and maximum.

030210. Executive Schedule Positions

A. Definition. The Executive Schedule is, as defined in ***5 U.S.C. § 5311***, divided into five pay levels (Level I through Level V) and is the basic pay schedule for senior management positions described at ***5 U.S.C. § 5312 to 5316***. SES positions are not included.

B. Rate of Pay. The rate of pay for Executive Schedule positions is contained in the OPM Salary Table.

030211. Federal Wage System (FWS) Positions

A. Definition. The FWS was established for Federal trade, craft, and laboring employees to allow for the payment of wages comparable to prevailing private sector rates in each local wage area. These positions are also referred to "wage grade" or "wage board" positions. Title ***5 U.S.C. § 5342*** defines an FWS employee as a prevailing rate employee who is in a recognized trade or craft, other skilled mechanical craft, or in an unskilled, semi-skilled, or skilled manual labor occupation. Individuals in positions having trade, craft or laboring experience and knowledge as a paramount requirement, such as a supervisor or foreman, may be FWS employees. For additional information, see the OPM, ***FWS Overview*** and 5 C.F.R. 532. FWS employees are hourly rate employees who receive annual wage adjustments based on a review of comparability pay by wage area. Each area pay scale is divided into the following five parts or classes: wage grade, wage leader, wage supervisor, non-supervisory and supervisory employees covered by the production facilitating pay plan.

B. Rate of Pay. OPM adjusts the rates from time to time for comparable work within a local wage area. Basic pay for FWS employees means the scheduled rate of pay plus any night shift or environmental differential.

*030212. Administratively Determined Pay Plans

Pay rates may be established under an administratively determined (AD) pay system that was created under a separate statutory authority. An agency must have independent authority to administratively determine the rates of pay for any group or category of employees. See the OPM Pay and Leave, Pay Administration, Fact Sheet: ***Pay Plans***.

0303 PREMIUM PAY

030301. General

Premium pay consists of certain types of pay, such as overtime, night, and holiday pay for employees not in receipt of annual premium pay for standby duty, Sunday pay, annual premium pay for regularly scheduled standby duty, annual premium pay for administratively uncontrollable work, availability pay for LEOs, environmental pay for FWS employees, and hazard pay for GS employees. Rates and authorization for these various types of pay are contained in ***5 U.S.C. § 5542***, ***5543***, ***5544***, ***5545***, ***5545a***, ***5545b***, ***5546a***, 5547, ***5549,*** and 5 C.F.R. 550, Subpart A. SES employees, Teaching Position (TP) Pay Plan employees, and other employees identified under 5 C.F.R. 550.101 are not entitled to premium pay under any circumstances. However, the premium pay provisions apply to SL and ST positions. For information on statutory limits on premium pay, also referred to as biweekly and annual premium pay caps, see paragraph 030203.

030302. Overtime

Each employing activity is responsible for controlling overtime. Supervisors must ensure funds targeted for their employing activity will cover overtime worked. Approval or disapproval of overtime must be consistent with direction from the Deputy Secretary of Defense. The PRO may pay only approved overtime as certified on the employee's time and attendance report. Normally, employees must request approval to work overtime in writing in advance of performing the work. See 5 U.S.C. § 5542.

A. Overtime Pay

1. Regularly Scheduled. Title 5 C.F.R. 550, Subpart A sets out regulations on premium pay for overtime. Regular overtime work is overtime work that has been scheduled prior to the beginning of an employee's regularly scheduled administrative workweek. For a GS employee whose rate of pay does not exceed a minimum applicable rate for a GS-10, the overtime-hourly rate is one and one-half times the employee's hourly rate of pay. For an employee whose rate of basic pay exceeds the minimum rate for a GS-10, the overtime-hourly rate is equal to the greater of one and one-half times the applicable minimum hourly rate of basic pay for a GS-10 or the employee's hourly rate of basic pay. Agencies may authorize regular overtime for full-time, part-time, and intermittent GS employees. An intermittent work schedule is appropriate when work is unpredictable and sporadic and therefore, repetitive regularly scheduled overtime should seldom occur. See ***5 C.F.R. 340.403***.

2. Irregular/Occasional. Irregular or occasional overtime work is overtime work that is not part of an employee's regularly scheduled administrative workweek.

B. Overtime Pay for FLSA Nonexempt (Covered) Employees

1. General. Generally, the PRO must compensate a nonexempt FLSA employee pursuant to the provisions of 29 U.S.C. § 207 and 5 C.F.R. 551 Subpart E for all hours of work in excess of 8 hours a day or 40 hours in a workweek at a rate equal to one and one-half times the employee's hourly regular rate of pay. The "hourly regular rate" of pay for all nonexempt employees is computed by adding all includible payments for the week, then dividing by the total

hours of work and paid leave. See 5 C.F.R. 551.511 and 551.512 for complete instruction on overtime pay computation. The biweekly and annual premium pay caps discussed in paragraph 030203 do not apply to FLSA nonexempt employees.

a. Flexible Work Schedule. Overtime, when worked under a flexible work schedule pursuant to ***5 U.S.C. § 6122-6126,*** consists of hours officially ordered in advance and in excess of 8 hours per day or 40 hours per week. Pursuant to ***5 U.S.C. § 6121(6)***, overtime hours do not include credit hours worked voluntarily under a flexible work schedule.

b. Compressed Work Schedule. For a full-time employee, overtime work consists of all hours of work in excess of the established compressed work schedule. For a part-time employee, overtime work consists of hours in excess of the compressed work schedule for the day (more than at least 8 hours) or for the week (more than at least 40 hours).

2. Calculation of Overtime after FEPCA. Under section 210 of the FEPCA, effective May 4, 1991, overtime pay computations for FLSA nonexempt (covered) employees must be made solely in accordance with FLSA regulations at 5 C.F.R. 551, as amended. Agencies are no longer required to compare overtime pay entitlements for nonexempt employees under 5 C.F.R. 550 and 551 and pay whichever amount is greater. Entitlements prior to May 3, 1991, must be calculated using the previous rules. FLSA nonexempt employees continue to be covered by other premium pay provisions of 5 U.S.C., Chapter 55, Subchapter V for night, Sunday, or holiday and annual premium pay for regularly scheduled standby duty or AUO work.

3. Other. According to 5 U.S.C. § 5544(a), hours of work, as defined under 5 U.S.C. § 5542, in excess of 8 hours in a day are deemed to be overtime hours for the purposes of Section 7 of FLSA. See ***29 U.S.C. § 207(e)(7)***. The excess hours are considered overtime only if an employee is not receiving annual premium pay for regularly scheduled standby duty ***5 U.S.C. § 5545(c)(1)*** or annual premium pay for AUO work under 5 U.S.C. § 5545(c)(2), or 5 U.S.C. § 5544(a) for FWS employees. Under FLSA, such hours are overtime hours regardless of the total number of hours of work in the workweek. For example, an employee on a flexible work schedule who works 10 hours on the first day of the workweek and is on Leave Without Pay (LWOP) for the remainder of the workweek is entitled to 2 hours of overtime pay under FLSA, even though the employee has worked a total of only 10 hours in the workweek. However, an employee working a compressed work schedule of eight 10-hour days would not receive overtime pay until they work in excess of 10 hours on a scheduled day.

C. Callback Overtime. Pursuant to 5 C.F.R. 550.112(h), a minimum of 2 hours of overtime will be paid if an employee is required to return to the place of employment for unscheduled overtime work or to work unscheduled overtime on a nonscheduled workday. If the callback occurs on a holiday during the employee's regular schedule, then a minimum of 2 hours holiday premium pay is paid. Pursuant to 5 C.F.R. 551.401(e), when an FLSA nonexempt employee performs unscheduled overtime work on a day when work was not scheduled for the employee, or for which the employee is required to return to the place of employment, the employee is paid for 2 hours of work or the actual number of hours worked, whichever is greater. In all cases, the employee must record the actual time worked.

D. Excluded Employees. The provisions of ***5 U.S.C. § 5541*** exclude SES employees from premium pay. See 5 C.F.R. 534.408. Certain GS and all Executive Schedule employees are also excluded because premium pay may be paid only to the extent that aggregate pay does not exceed the maximum rate of pay for a GS-15 employee. See 5 U.S.C. § 5547. National Guard technicians are not entitled to premium pay for overtime; instead, they may earn compensatory time.

E. Compensatory Time Off

1. Eligibility. Under 5 U.S.C. § 5543 and 5 C.F.R. 550.114, eligible employees, including FWS and FLSA nonexempt employees, may request compensatory time off from their scheduled tour of duty instead of payment for an equal amount of time spent in irregular or occasional overtime work. Mandatory compensatory time off is required only for FLSA exempt employees (who are not prevailing rate employees) whose rate of basic pay is greater than the rate for GS-10, step 10. See 5 C.F.R. 550.114(c). An agency may not require FWS and FLSA nonexempt employees to take compensatory time off instead of being paid overtime pay, unless the employee requests compensatory time. See 5 C.F.R. 532.504 and 551.531.

2. Dollar Value of Compensatory Time Off and Premium Pay Cap Limitations. An employee must receive advanced written approval for compensatory time worked. Such approval must be made in accordance with Chapter 2. Compensatory time off is an alternative form of payment for overtime work. For the purpose of applying pay cap limitations or liquidating compensatory time, the dollar value of the compensatory time equals the amount of overtime pay the employee would otherwise have received for performing the same number of hours of overtime work. Pay limitations apply as follows:

a. Biweekly Premium Pay Cap. If invoking the biweekly cap, an employee cannot receive credit for compensatory time worked if the basic rate of pay equals or exceeds the maximum rate for grade GS-15, step 10, or Level V of the Executive Schedule. An employee whose basic rate is less than the maximum rate of GS-15, step 10, or Level V of the Executive Schedule, may earn compensatory time. However, it may only be credited to the extent that the monetary value of the compensatory time does not cause the total rate of pay to exceed the maximum earnings limitations under 5 C.F.R. 550.106(c).

b. Annual Premium Pay Cap. If invoking an annual premium pay cap, an employee may only receive credit for compensatory time to the extent that the monetary value of the compensatory time does not cause the total rate of pay to exceed the maximum earnings limitations. See 5 C.F.R. 550.106(c).

c. FLSA Considerations. The granting of compensatory time off in lieu of overtime pay under 5 U.S.C. § 5542 must not violate the overtime pay requirements of FLSA. For instructions on compensatory time off for nonexempt employees, refer to 5 C.F.R.551.531. For FLSA exempt employees, refer to 5 C.F.R. 550.114.

3. Occasional or Irregular Overtime Work. FWS, FLSA nonexempt and FLSA exempt GS employees may choose to earn compensatory time in place of payment for

an equal amount of time spent in occasional or irregular overtime work, i.e. overtime work not scheduled in advance of the employee's workweek. Compensatory time off may be approved in lieu of regularly scheduled overtime work for FLSA exempt employees who are ordered to work overtime hours under a flexible work schedule under 5 U.S.C. § 6122. Additionally, an FWS or FLSA nonexempt employee may request compensatory time off if the employee is on a flexible work schedule under 5 U.S.C. § 6122. In this situation, the compensatory time off is granted instead of payment under 5 C.F.R. 532.504 and 5 C.F.R. 551.501 for an equal amount of time spent in overtime work, without regard to whether the overtime work was irregular or occasional in nature.

4. Time Limits. Pursuant to 5 C.F.R. 550.114 and 551.531, the limit for the use of compensatory time off is the end of the 26th pay period after that in which the overtime was worked.

a. FLSA/FWS Employees. Compensatory time off must be granted to an FLSA exempt or non-exempt employee within a reasonable time after the overtime is worked. If an FLSA exempt or nonexempt employee fails to take earned compensatory time off within 26 pay periods, the unused compensatory time worked pays out at the overtime rate earned. If an FWS or FLSA nonexempt employee fails to use compensatory time before the expiration of the established period, the employee is entitled to receive payment for the overtime work at FLSA overtime rate in effect at the time it was earned. See 5 C.F.R. 532.504 and 5 C.F.R. 551.531.

b. National Guard Employees. National Guard employees are not entitled to overtime may not receive payment for unused compensatory time worked. National Guard employees must use their compensatory time by the end of the 26th pay period after it is earned or the compensatory time will be forfeited.

5. AWS. Employees on a flexible work schedule or compressed work schedule may earn compensatory time off in lieu of overtime pay.

a. Flexible Work Schedule. An agency may approve compensatory time off in lieu of overtime pay for non-SES employees under a flexible work schedule at the employee's request. See 5 U.S.C. § 6123(a)(1).

b. Compressed Work Schedule. Compensatory time off may be approved in lieu of overtime pay only for irregular or occasional overtime work by an employee as defined in 5 U.S.C. § 5541(2) or by an FWS prevailing rate employee as defined in 5 U.S.C. § 5342(a)(2), but may not be approved for an SES member. Mandatory compensatory time off is limited to FLSA exempt employees, who are not prevailing rate employees, whose rate of basic pay is greater than the rate for GS-10, step 10.

6. Compensatory Time Off in Relation to Night Pay. When a GS employee takes compensatory time off during his or her scheduled tour of duty that includes night pay, the employee is still entitled to night pay for that time only if the scheduled tour of duty is between 6 p.m. and 6 a.m. and the employee's leave total is less than 8 hours in a pay period. See 5 C.F.R 550.122.

7. Compensatory Time Off in Relation to Annual Leave. Compensatory time off may be granted before annual leave is approved except when annual leave would otherwise be forfeited. If the use of earned compensatory time off or credit hours that are about to expire results in the forfeiture of excess annual leave, the forfeited leave cannot be restored. See the OPM Pay and Leave, Pay and Leave Administration, Fact Sheet: ***Restoration of Annual Leave***.

8. Payment for Unused Compensatory Time

a. Separation or Transfers. When an FLSA exempt or nonexempt employee separates, dies, or transfers to another DoD Component (e.g., from Army to Navy, or Air Force to the Defense Logistics Agency) or the employee moves to a non-DoD agency (e.g., Army to Department of the Treasury), the losing Component must pay for any unused compensatory time balances. The agency must pay the balance at the overtime rate in effect when the employee earned the compensatory time. National Guard employees are not paid for unused compensatory time. For more information, see DoD Instructions (DoDI) ***1400.25, V550***, 5 C.F.R. 550.114 and 551.531.

b. Uniformed Service or Injury-on-the-Job. Agencies must pay an FLSA exempt or nonexempt employee for compensatory time off not used by the end of the 26th pay period after the pay period earned. Payment is at the overtime rate in effect when earned when the employee is unable to use the compensatory time off because of separation or placement in a leave without pay status because of:

(1) Performing service in the uniformed services (5 C.F.R. 550.114(f)), or

(2) An on-the-job injury with an entitlement to injury compensation under ***5 U.S.C., Chapter 81***.

F. Time Off for Religious Reasons. Employees may earn compensatory time off for religious observances under provisions of ***5 U.S.C. § 5550a*** and 5 C.F.R. 550.1002. The PRO records time off for religious reasons in a special leave account and the employee may work either before or after the time off. Time off balances do not transfer. When an employee separates, dies, or transfers to another DoD Component, any unused time off balance must be paid by the losing activity at the basic hourly rate in effect when the time was worked. If the employee has an advanced time off balance at the time of separation, death, or transfer, a debt must be created. Compensatory overtime worked in this manner is exempt from maximum pay limitations and all other provisions of overtime and premium pay contained in 5 C.F.R. 550.1001-1002, 5 U.S.C., Chapter 55, Subchapter V, and 29 U.S.C. § 207. For additional information on compensatory time off for religious reasons, see 5 U.S.C. § 5550a.

030303. Night Pay Differential (GS) and Night Shift Differential (FWS)

A. GS Employees. Under 5 U.S.C. § 5545(a), night pay differential, at the rate of 10 percent of the hourly basic rate, is payable to employees for regularly scheduled work performed between 6 p.m. and 6 a.m. Accordingly, the hourly basic rate is multiplied by 10 percent, with the result adjusted to the nearest cent, counting one-half cent and over as a whole cent. Night pay differential is not included in the rate of basic pay used to calculate overtime, Sunday, or holiday pay. Night pay differential is in addition to overtime, Sunday, or holiday pay. The head of a department may designate another time between 6 p.m. and 6 a.m., as the beginning and end of the night work for activities outside of the U.S. See 5 C.F.R 550.122(b). Employees are not entitled to night pay differential while engaged in training, except where the situation they are learning to handle occurs only at night. An employee is entitled to night pay differential under the following circumstances:

1. For the hours actually worked between 6 p.m. and 6 a.m. when such hours are part of the employee's regularly scheduled work;

2. For overtime work performed between the hours of 6 p.m. and 6 a.m. if the overtime is regularly scheduled in advance of the administrative workweek;

3. For a period of paid leave during night work hours, only when the total amount of leave in a pay period, including both night and day hours, is less than 8 hours. Exceptions to this rule are employees on court leave; military leave, including leave for law enforcement and encampment purposes; time off with pay for a holiday; official travel status; administrative leave; compensatory time used; credit hours used; Continuation of Pay (COP); and time-off awards;

4. When excused from night work during a tour of duty while on official travel status, whether performing actual duty or not. See 5 C.F.R. 550.122(a);

5. When temporarily assigned during the administrative workweek to a daily tour of duty that includes night work. See 5 C.F.R. 550.122(d); or

6. When excused from night work on a holiday or other non-workday. See 5 C.F.R. 550.122(a).

B. Part-Time Employees. Part-time GS employees are eligible for night pay differential for work performed between 6 p.m. and 6 a.m. as part of their regularly scheduled administrative workweek.

C. Intermittent Employees. Intermittent GS employees who have no regularly scheduled tour of duty are not eligible for night pay differential. These employees are eligible for night pay differential during temporary assignment to a regular tour of duty with night work.

D. FWS Employees. Under ***5 U.S.C. § 5343(f)***, FWS employees receive night shift differential at one of the two following rates: 1) the rate of 7.5 percent of their hourly rate for non-overtime work when a majority of their scheduled hours occur between 3 p.m. and midnight; or 2) 10 percent of their hourly rate for non-overtime work when the majority of

scheduled hours occur between 11 p.m. and 8 a.m. For additional information, see 5 C.F.R. 532.505. Night shift differential is considered as part of basic pay in the calculation of overtime pay, Sunday pay, holiday pay, and deductions for retirement and FEGLI. An employee regularly assigned to a night shift is entitled to night shift differential under the following circumstances:

1. For all non-overtime hours worked during an entire shift when the majority of hours fall within the specified periods;

2. On paid leave, such as court leave, holiday leave, compensatory time used, and administrative leave. See 5 C.F.R 532.505(e);

3. During a tour of duty while on official travel status, whether performing actual duty or not. See 5 C.F.R 532.505(c);

4. When temporarily assigned to a different tour of duty. See 5 C.F.R 532.505(d); or

5. When excused from night work on a holiday or other non-workday. See 5 C.F.R. 532.505(b).

E. National Guard Technicians. Army and Air National Guard technicians are not entitled to payment of night differential or premium pay for overtime pay during periods of overtime worked. National Guard technicians earn compensatory time.

*030304. Sunday Premium Pay

Additional pay at a rate of 25 percent of the hourly basic rate is payable to full and part-time employees whose regularly scheduled workweek, which does not include overtime hours, includes Sunday. Part-time employees are eligible for Sunday premium pay. See December 8, 2009, OPM Memorandum; Fathauer v. U.S. 566 F.3d 1352 (Fed. Cir. 2009). Sunday premium pay is payable for the entire period of non-overtime work during an employee's regularly scheduled daily tour of duty, not to exceed 8 hours, that begins or ends on a Sunday. Employees who do not actually perform work on Sunday do not earn Sunday premium pay. See 5 U.S.C. § 5546. Therefore, employees who are regularly scheduled to work on Sunday and who are on paid leave, excused absence, taking compensatory time off, using credit hours, or not working because Sunday is a holiday, are not entitled to Sunday premium pay. Intermittent employees are not entitled to Sunday premium pay. See 5 U.S.C. §§ 5544 and ***5546***. FWS employees are entitled to Sunday premium pay under 5 U.S.C. § 5544(a).

A. Flexible Work Schedule. A full-time or part-time employee on a flexible work schedule who performs regularly scheduled non-overtime work during a period of duty, a part of which is performed on Sunday, is entitled to Sunday pay for the entire period of duty, not to exceed 8 hours.

B. Compressed Work Schedule. A full-time or part-time employee on a compressed work schedule who performs non-overtime work during a period of duty, a part of

which is on Sunday, is entitled to Sunday pay for the entire period of duty on that day, even if the hours worked exceeded 8 hours. See ***5 U.S.C. § 6128***.

* C. First 40-Hour Tour of Duty. A first 40-hour tour of duty is regularly scheduled work. An employee under a first 40-hour schedule is entitled to up to 8 hours of Sunday premium pay when performing non-overtime work on a Sunday. See 5 C.F.R. § 610.111 and OPM, Pay and Leave, ***Work Schedules***. Any additional hours over 8 hours in a day are paid as overtime unless the employee is: 1) engaged in professional or technical engineering or scientific activities for whom the first 40 hours of duty in an administrative workweek is the basic workweek; or 2) the employee's basic pay exceeds the minimum rate for GS-10, step 1 (including any applicable locality-based comparability payment under section 5304 or similar provision of law and any applicable special rate of pay under section 5305 or similar provision of law) for whom the first 40 hours of duty in an administrative workweek is the basic workweek. An employee on a first-40 tour who does not fall under one of these two exceptions is entitled to overtime pay for hours worked in excess of 8 hours in a day or 40 hours in an administrative workweek. See 5 U.S.C. § 5542; 5 C.F.R. 550.111(d)(2).

D. Maximum hours. The maximum number of hours of Sunday premium pay that an employee is paid for one Sunday is 16 hours. The 16 hours would include two 8-hour tours: one starting on Saturday night and ending on Sunday morning; and the next tour starting Sunday night and ending on Monday morning.

E. Rate of Payment. The hourly basic rate is multiplied by 25 percent with the result adjusted to the nearest cent, counting one-half cent and over as a whole cent. See OPM Operating Manual, Federal Wage System - Appropriated Fund, ***Subchapter S8 4e***.

030305. Holiday Premium Pay

In accordance with 5 U.S.C. § 5546 and 5 C.F.R. 550.131, an employee who performs work on a holiday designated by Federal statute is entitled to holiday premium pay. Holiday premium pay is equal to the employee's rate of basic pay. An employee receives basic pay, plus holiday premium pay, for each hour of holiday work that is not in excess of their regularly scheduled non-overtime basic tour of duty, not to exceed 8 hours. An employee required to perform any work on a designated holiday is entitled to pay for at least 2 hours of holiday work. Holiday premium pay is in addition to overtime pay, night pay differential, or Sunday pay.

A. Flexible Work Schedule. For an employee working a flexible work schedule, holiday pay for non-overtime work is limited to 8 hours in a day. A part-time employee, scheduled to work on a day designated as an "in lieu of" holiday for full-time employees, is not entitled to a premium for work performed on that day. See 5 U.S.C. § 6123.

B. Compressed Work Schedule. For an employee working a compressed work schedule, holiday pay for non-overtime work is limited to the number of hours normally scheduled for that day. A part-time employee, scheduled to work on a day designated as an "in lieu of" holiday for full-time employees, is not entitled to a premium for work performed on that day. See 5 U.S.C. § 6128.

C. GS Employees. GS employees receive their basic pay, including any night differential, for holidays on which they are not required to work. Employees are entitled to additional holiday premium pay for work performed on a holiday not to exceed 8 hours, during the hours of their regularly scheduled tour of duty.

D. FWS Employees. FWS employees who have a regular tour of duty and are not required to work due to a holiday are entitled to the same rate of pay for that day as if they had worked. For work performed on a holiday, FWS employees are entitled to their basic rate plus premium pay at a rate equal to their basic pay for holiday work that is not more than 8 hours or is not overtime work. For additional information, see 5 C.F.R. 532.507.

E. Callback. Unscheduled overtime work performed by an employee on a day when work was not scheduled, or for which the employee is required to return to the place of employment is deemed to be at least 2 hours in duration. See 5 U.S.C. § 5542. If the callback occurs on a holiday during the employee's regular schedule, an agency must pay a minimum of 2 hours holiday premium. The employee must record the actual time worked for time and attendance purposes. Employees working more than 2 hours are entitled to pay for the actual number of hours worked.

F. Training. An employee is not entitled to holiday premium pay while engaged in training, except under limited circumstances set out at ***5 C.F.R. 410.402***.

030306. Annual Premium Pay for Standby Duty

Employees may receive premium pay on an annual basis when working in a position regularly requiring them to remain at, or within the confines of, their station during longer than ordinary periods of duty, and a substantial part of which consists of remaining in a standby status rather than performing work. See 5 U.S.C. § 5545(c); 5 C.F.R. 550.141-550.144. Annual premium pay for standby duty is in lieu of premiums for regularly scheduled overtime, night, holiday, and Sunday work.

A. Irregular or Unscheduled Overtime. Additional hours of irregular or unscheduled overtime duty in excess of the regularly scheduled weekly tour are not compensated by standby premium pay, but are eligible for overtime pay consideration under 5 U.S.C. § 5542 or the FLSA overtime provisions at 29 U.S.C. § 207.

B. Rate of Payment. Premium pay is determined as an appropriate percentage, not in excess of 25 percent, of the rate of basic pay for the position not exceeding the minimum applicable rate of basic pay for GS-10, including any applicable locality-based comparability payment or similar provision of law, and any applicable special rate of or similar provisions of law. See 5 C.F.R. 550.141 and 5 U.S.C. § 5304.

030307. Annual Premium Pay for Administrative Uncontrollable Overtime (AUO)

A. Eligibility Criteria. Premium pay may be paid on an annual basis instead of other premium pay (except premium pay for regular overtime work and work at night, on

Sundays, and on holidays) when an employee is in a position in which the hours of duty cannot be controlled administratively. The position must require substantial amounts of irregular, unscheduled overtime work, with the employee generally being responsible for recognizing, without supervision, circumstances that require an employee to remain on duty. The circumstances under which payment of AUO is appropriate are extremely limited; in particular, AUO is not appropriate for FLSA nonexempt employees.

B. Rate of Payment. Title 5 U.S.C. § 5545(c)(2) provides that premium pay for AUO is an appropriate percentage, not less than 10 percent nor more than 25 percent, of the employee's rate of basic pay. This includes any special rate of pay for LEOs, or special pay adjustment for LEOs under section 302 and 403 of the FEPCA, a locality-based comparability payment under 5 U.S.C. § 5304**,** and any applicable special rate of pay under 5 U.S.C. § 5305, or similar provision of law. See 5 C.F.R. 550.151. The HRO determines the rate and forwards the rate information to the PRO via SF 50 data. AUO for law enforcement personnel, which includes the office of special investigations agents, is subject to retirement and FEGLI deductions. See ***5 U.S.C. § 8331(3)(D)*** and ***8704(c)(2)***. The AUO for Open Mess/Club Managers is not subject to retirement or FEGLI deductions. See 5 U.S.C. § 8331(3)(C) and (D), and 5 U.S.C. § 8704(c)(1) and (2). For additional information, see CPM Guidance on AUO (***CPM 97-5***).

030308. Hazardous Duty Pay (HDP) and Environmental Differential Pay (EDP)

A. Hazardous Duty Pay

1. General. Under 5 U.S.C. § 5545(d) and 5 C.F.R. 550.901-907, GS employees who are assigned hazardous duty or duty involving physical hardship may be entitled to premium pay in the form of HDP. The HRO determines whether an employee is entitled to receive HDP. Hazardous duty means duty performed under conditions in which an accident could result in serious injury or death. Duty involving physical hardship means duty that may not be hazardous, but may causes extreme physical discomfort or distress that is not adequately alleviated by protective or mechanical devices. Some examples of duty involving physical hardship include duties involving exposure to extreme temperatures for a long period, arduous physical exertion, or exposure to fumes, dust, or noise that causes nausea, skin, eye, ear, or nose irritation.

2. Rate of Pay. The amount of HDP is determined by multiplying the percentage rate authorized for the exposure, found in 5 C.F.R. 550, Subpart I, by the employee's hourly rate of pay. The PRO multiplies that amount by the number of HDP hours to be paid. The PRO computes and pays HDP for overtime hours based on the employee's hourly rate of basic pay, not the hourly overtime rate.

3. Other

a. HDP is not included as part of the employee's basic rate of pay for computation of overtime, holiday pay, Sunday premium, or the amount of retirement, Thrift Savings Plan (TSP), and FEGLI deductions.

b. The PRO pays HDP for all hours in a pay status the day on which the exposure occurs.

c. Payment of HDP is not subject to the biweekly pay cap placed on other premium pay as discussed in subparagraph 030203.A. However, HDP is included in the aggregate limitation on pay as discussed in subparagraph 030203.B.

d. HDP may not be more than 25 percent of the employee's rate of basic pay.

e. TP Pay Plan employees are not authorized HDP.

f. Agencies may not pay HDP for hours of work during which an employee is paid annual premium pay for standby duty, AUO work, or availability pay.

B. Environmental Differential Pay

1. General. Under 5 U.S.C. § 5343(c)(4), an FWS employee is entitled to an environmental differential when exposed to a working condition or hazard that falls within one of the categories approved by OPM. Pursuant to 5 C.F.R. 532.511, EDP is included as part of an FWS employee's basic rate of pay for computation of overtime, holiday pay, Sunday premium, and the amount of retirement, TSP, and FEGLI deductions. It is not part of basic pay for purposes of lump-sum leave payments and severance pay. The HRO determines when EDP is payable and obtains approval from OPM for additional categories not listed in Appropriated Fund Operating Manual, ***Appendix J***, Federal Wage System. TP pay plan employees are not authorized EDP.

2. Pay Rate. EDP is payable on an actual exposure basis and is payable for all hours the employee is in a pay status on the day on which exposure to the situation occurs, including overtime hours. The amount that is payable is determined by multiplying the percentage rate authorized for the exposure by the basic hourly rate of a WG 10, step 2, then multiplying that amount by the number of EDP hours to be paid. When EDP is payable for actual exposure, each exposure is separately considered. Hours posted must not exceed the hours of active duty on the day of exposure. If the exposure is less than 1 hour, agencies must pay a minimum of 1 hour. If the exposure is longer than 1 hour, the actual amount of time exposed is payable in 15 minute increments. See 5 C.F.R. 532.511.

0304 FOREIGN AND NON-FOREIGN ALLOWANCES AND DIFFERENTIALS

030401. General

A. Foreign Area. Allowances and differentials payable to employees officially stationed in foreign areas are established by the Secretary of State and published in the Department of State Standardized Regulations (***DSSR***). See ***5 U.S.C. § 5921 - 5928***. DoD Instruction 1400.25, ***Volume (V)1250*** sets forth additional rules regarding foreign allowances and differentials for DoD civilian employees. The PRO will pay foreign differentials and allowances upon receipt through the interface of the ***SF 1190***, Foreign Allowances Application, Grant, and Report.

B. Nonforeign Area. Allowances and differentials payable to employees officially stationed in non-foreign areas and the 50 states are established by OPM. See ***5 U.S.C. § 5941*** and 5 C.F.R. 591. The HRO will interface SF 50 data to inform the PRO when an employee is eligible for a non-foreign differential or allowance.

*030402. Foreign Area Allowances and Differentials

A. Quarters Allowances. Quarters allowances are intended to reimburse an employee substantially for all costs associated with either temporary or residence quarters whenever government-owned or government-rented quarters are not provided to the employee without charge. See ***5 U.S.C. § 5923(a)(1) and (2)*** and DoDI 1400.25, V1250.

1. Living Quarters Allowance (LQA). The LQA entitlement is intended to reimburse an employee for rent and any costs not included in the rent amount for heat, light, fuel, gas, electricity, and water. Employees receiving LQA may not receive the Temporary Quarters Subsistence Allowance (TQSA) for the same period except under special circumstances as specified in DSSR, Chapter 100 ***sections 124.1*** and ***132.41***.

a. LQA Rate. The PRO determines the daily rate by dividing the annual amount by the number of days in a calendar year. This daily rate is paid for all applicable days in a pay period. Agencies pay LQA on a biweekly basis. LQA is not paid to an employee who is Absent Without Leave (AWOL) or on a suspension.

b. LQA Advance. Agencies may advance LQA for a period of not less than 3 months or more than 1 year (unless specifically approved by the officer designated to authorize allowances). Advanced LQA must not exceed the lesser of the total rent advanced to the lessor, or the employee's maximum LQA rate as authorized in the DSSR, Chapter 900, ***section 920***.

* 2. TQSA. TQSA is an allowance granted to an employee for the reasonable cost of temporary quarters, meals, and laundry expenses incurred by the employee and/or family members. See 5 U.S.C. § 5923; DSSR, Chapter 100, section 120, and DoDI 1400.25, V1250. TQSA is payable; 1) for a period not to exceed 90 days after first arrival at a new post in a foreign area, or for a period ending with the occupation of residence (permanent) quarters, if earlier; or 2) for a period not to exceed 30 days immediately preceding final departure from the post when the employee must vacate residence quarters. Receipts are required for lodging and laundry expenses, and the employee must submit a certified statement for the daily cost of meals. TQSA is based on the maximum per diem rate for the foreign location found in the DSSR, Chapter 900, ***Foreign Per Diem Rates by location***. In accordance with the DSSR, Chapter 100, section 120:

a. Travel. TQSA may continue during periods of official travel which authorize per diem, if the head of the agency determines the employee acted responsibly in retaining temporary quarters during the period of travel. See DSSR, Chapter 100, section 126.2.

b. Extension. The 90 and 30 day TQSE period may be extended up to 60 additional days if it is determined by the head of the agency that compelling reasons beyond the control of the employee require continued occupancy of temporary quarters. See DSSR, Chapter 100, section 122.2.

c. Post Allowance. Employees are not authorized post allowance while receiving TQSA. See DSSR, Chapter 100, section 127.

d. Payments. Payment of TQSA may be made:

(1) In advance for up to 30-day increments,

(2) In biweekly payments, or

(3) Upon completion of the TQSA period at the request of the employee and as authorized by the HRO.

e. Prior to Termination of LQA. The HRO may authorize payment of TQSA for up to 5 days prior to the termination of LQA when it is necessary to vacate permanent quarters in order to meet lease requirements for heavy cleaning, painting, or repairs when preceding final departure from the post. See DSSR, Chapter 100, section 124.1.

B. COLAs. COLAs are intended to reimburse an employee for certain excess costs, exclusive of any quarters cost, which result from being officially stationed in a foreign area. COLAs include post allowance, the foreign transfer allowance (FTA), the home service transfer allowance (HSTA), the separate maintenance allowance (SMA), the education allowance, and the educational travel reimbursement. See DSSR, Chapter 200 and ***5 U.S.C. § 5924***.

1. Post Allowance. Post Allowance is a COLA granted to an employee officially stationed at a post in a foreign area where the cost-of-living, exclusive of the cost of quarters, is substantially higher than in Washington, District of Columbia (D.C.). See DSSR, Chapter 200, section 220 and DoDI 1400.25, V1250.

a. Pay Rate. The amount paid is a flat rate varying only by basic salary, size of the family, and location of the assigned post. The PRO determines the daily rate by dividing the annual amount by the number of days in a calendar year, then multiplying the daily rate by the number of days involved to obtain the biweekly amount. The daily rate is paid for all applicable days in a pay period, with the exception of days on AWOL or a suspension. Post allowance is not authorized to be paid at the same time an employee is receiving TQSA.

b. Payment upon Separation. Post allowance is included in the computation of lump-sum leave payments upon separation from Federal service if the employee's official duty station is in the foreign area when the employee becomes eligible for the lump-sum payment.

2. Foreign Transfer Allowance (FTA). FTA is an allowance for extraordinary, necessary, and reasonable expenses, not otherwise compensated for, that the employee incurs incident to being established at any post of assignment in a foreign area. The subsistence expense portion of FTA reimburses an employee for allowable expenses incurred prior to departure from a post in the U.S., its territories, possessions, the Commonwealth of Puerto Rico, and the Commonwealth of the Northern Mariana Islands to a post in a foreign area. FTA consists of four elements of which the following three are authorized within DoD for payment: the miscellaneous expense portion, the lease penalty expense portion, and the subsistence expense portion. The wardrobe expense portion is not authorized for payment within DoD. See DSSR, Chapter 200, ***section 240*** and DoDI 1400.25, V1250.

3. Home Service Transfer Allowance (HSTA). HSTA is an allowance for extraordinary, necessary, and reasonable expenses, not otherwise compensated for, incurred by an employee in connection with a transfer to a post of assignment in the U.S. The employee must sign a certification indicating he or she agrees to complete 12 months of government service following the effective date of transfer. HSTA consists of four elements of which the following three are authorized within DoD for payment: the miscellaneous expense portion, the lease penalty expense portion, and the subsistence expense portion. The wardrobe expense portion is not authorized for payment within DoD. See DSSR, Chapter 200, ***section 250*** and DoDI 1400.25, V1250.

4. Separate Maintenance Allowance (SMA). SMA is an additional COLA paid to assist an employee to maintain a separate household other than at the employee's foreign post of assignment for the employee's family or a member of the family. The agency must determine the employee is compelled to obtain separate family quarters for reasons such as: 1) dangerous, notably unhealthy, or excessively adverse living conditions; 2) for the convenience of the government; or 3) because of special family needs. The rate is determined by the number of dependents maintained other than at the post of assignment and is computed at an annual rate. Agencies pay SMA for all applicable days in a pay period. The daily rate is determined by dividing the annual amount by the number of days in a calendar year. The biweekly amount is determined by multiplying the daily rate by 14. If any other period is involved, the amount payable is determined by multiplying the daily rate by the number of days involved. See DSSR, Chapter 200, ***section 260*** and DoDI 1400.25, V1250.

5. Education Allowance. The education allowance assists the employee with the extraordinary and necessary expenses incurred because of service in a foreign area in providing adequate elementary and secondary education for a child or children. The education allowance covers expenses for which the employee is not otherwise compensated. The education allowance is not authorized for payment within DoD. However, reimbursement is authorized for transportation costs of dormitory student family members of eligible employees between the employee's overseas duty station and the DoD Education Activity (DoDEA) approved school. See DSSR, Chapter 200, ***section 270***, 5 U.S.C. § 5924, and DoDI 1400.25, V1250.

6. Educational Travel. Educational travel is reimbursement for travel to and from a school in the U.S. for purposes of attending a full-time course for secondary or college education. Reimbursement will be limited to one annual roundtrip. An annual roundtrip

is defined as one roundtrip at any time within any one 12-month period. Any portion of the roundtrip not taken in the 12-month period does not accrue to a subsequent period. See DSSR, Chapter 200, ***section 280***, DoDI 1400.25, V1250, and 5 U.S.C. § 5924.

C. Representation Allowance. Representation allowances are intended to cover allowable items of expenditure by employees, including foreign national employees, whose official positions entail responsibility for establishing and maintaining relationships of value to the U.S. in foreign countries and by adult family members acting with, or on behalf of, these employees. Examples of allowable items are those of an entertainment or protocol nature, tips and gratuities, flowers and wreaths, or other representational expenses, which the head of an agency may authorize or approve as being of the type to promote the interest of the U.S. The employee's position first must be designated by the Deputy Under Secretary of Defense for Civilian Personnel Policy as eligible for the allowance. A voucher of expenses incurred will be the basis for payment. See DSSR, Chapter 300 and DoDI 1400.25, V1250.

D. Official Residence Allowance. The defraying of official residence expenses is intended to make possible the operation and maintenance of official residences in which a principal representative can properly represent the U.S. abroad. Such representation includes extending official (as distinct from personal) hospitality to foreign dignitaries and important visitors, receiving official deputations and callers, and holding requisite and appropriate ceremonies smoothly and with dignity. This representation also includes keeping the residence appropriately staffed and operating. The Secretary of State must designate eligible employees. See DSSR, Chapter 400, ***5 U.S.C. § 5913***, and DoDI 1400.25, V1250.

E. Post Hardship Differential. Post hardship differential is additional compensation paid as an established percentage over basic compensation ranging from 5 to 35 percent. Post hardship differential is paid on an employee living in a location with extraordinarily difficult living conditions, excessive physical hardship, or notably unhealthful conditions, as determined by the Secretary of State. Living costs are not considered in the determination. The PRO pays post hardship differential on a biweekly basis with regular salary and only for hours for which basic compensation is paid. Post hardship differential is included in gross income and is subject to Social Security (Old Age, Survivors, and Disability Insurance (OASDI)) and/or Medicare, Federal, state, and local tax withholding. For employees with tours of duty commencing on or after October 28, 1991, post hardship differential is excluded from the lump-sum leave payment. See DSSR, Chapter 500, ***5 U.S.C. § 5551***, ***5 U.S.C. § 5925***, and DoDI 1400.25, V1250. In accordance with the DSSR, Chapter 500:

1. Post hardship differential is granted to full-time employees and temporary employees who are appointed on a full-time basis and who are U.S. citizens permanently assigned or on extended detail to a post where the differential is granted.

2. Post hardship differential for employees permanently assigned to a post commences on the latest of the following dates:

a. The date the employee arrives at the post or the date the employee enters on duty if recruited locally,

b. The effective date of assignment, if the employee is already at the new post on detail or leave, or

c. The effective date a post is classified for a differential.

3. Post hardship differential for employees temporarily assigned to a post commences after the employee has spent 42 cumulative days at one or more differential locations without returning to a non-differential permanent post of assignment. The PRO pays the differential starting on day 43.

F. Danger Pay Allowance (DPA) and Imminent Danger Pay (IDP). Two forms of danger pay are available to eligible civilian employees:

1. DPA. DPA under the DSSR, ***Chapter 650***, section 652(f) may be paid to an employee serving in a foreign area or post where certain conditions exist, as established by the Secretary of State. Conditions include civil insurrection, civil war, terrorism, or wartime conditions that threaten physical harm or present imminent danger to the health or well-being of the employee. DPA is additional compensation of up to 35 percent of the basic pay of the employee.

a. The PRO pays DPA to full-time employees, temporary employees, and part-time and intermittent employees assigned for a minimum of 4 cumulative hours in 1 day to a danger pay post or area. All periods of leave taken while present at the danger pay post or areas may be included to meet the 4-hour requirement, but days of absence away from the post or area may not be included. When the employee is detailed to a danger pay post or area for 4 hours or more, he/she may receive DPA for the full day.

b. For full-time employees and temporary employees, the PRO computes DPA at the percentage of basic compensation established for the post or area. For part-time regularly scheduled employees and intermittent employees, the PRO computes DPA at the prescribed percentage of basic compensation earned during the applicable period. DPA is not subject to any ceiling that would provide less than the full percentage rate authorized for the post or area. DPA is paid only for those hours for which basic compensation is paid and is subject to OASDI and/or Medicare, Federal, state, and local tax withholding. Where there is no duplication of benefits for the same living condition, a civilian employee may receive DPA and post hardship differential pay for the same period. DPA is not included as part of the lump-sum leave payment. See DSSR Chapter 650, section 656.

2. IDP. IDP is paid to a civilian employee who accompanies U.S. military forces in areas designated by the Secretary of Defense as being subject to hostile fire or imminent danger. See ***5 U.S.C. § 5928***, DSSR, Chapters 650 and 652(g) and DoDI 1400.25, V1250. On October 1, 1995, the State Department, at DoD's request, added section 652(g) to the DSSR concerning IDP. The monthly amount of IDP is the same as the monthly flat rate paid to uniformed military personnel.

a. An employee may not receive IDP and a post hardship differential that would duplicate political violence credit. Nor may an employee receive IDP and DPA at the same time.

b. The PRO calculates IDP as a daily rate and pays it on a monthly basis. Daily rates are determined by dividing the monthly amount by the number of days in a month. This rate will change based on the number of days in a month. For periods of less than a month, an employee is entitled to the daily rate times the number of days in the month the employee is in the eligible area. IDP is subject to OASDI and/or Medicare, Federal, state, and local tax withholding. The IDP is not included as part of the lump-sum leave payment.

3. Commencement of DPA or IDP. DPA or IDP commences on the date of designation by the Secretary of State for employees already present at the post on assignment or detail. DPA or IDP commences on the date of arrival at the post or detail for subsequently assigned or detailed employees, or for employees returning after a temporary absence.

4. Receiving both DPA/IDP and a Post Hardship Differential. If authorized by the agency, an employee may receive both DPA/IDP and the post hardship differential. Extra pay from either an allowance or a differential is limited to no more than 35 percent of the employee's rate of basic pay. When an agency authorizes both an allowance and a differential, the total pay for the allowance and the differential may not exceed 70 percent of the employee's rate of basic pay.

* G. Employees in a Non-Pay Status. All allowances granted under the DSSR may continue during periods when the employee is in a non-pay status not in excess of 14 calendar days at any one time. If a non-pay status lasts longer than 14 calendar days, allowances are suspended as of the day the employee enters the non-pay status, and payment is not to be made for any part of such period, unless otherwise specifically provided under the DSSR. See DSSR, Chapter 000, ***section 051.2***. For information on the continuation of living quarters allowances during periods of a non-pay status, see DSSR, Chapter 100, section 132.2.b(2).

030403. Non-Foreign Area Allowances and Differentials

A. Non-Foreign COLA. Non-foreign COLA is an allowance that OPM established at a location in a non-foreign area where living cost is substantially higher than the living cost in the area of Washington, D.C. Rates are available on the OPM, Pay and Leave, ***Non-Foreign Areas*** website.

1. Non-foreign areas are the states of Alaska and Hawaii, the Commonwealths of Northern Mariana Islands and Puerto Rico, and territories and possessions of the U.S. and any additional areas as designated by the Secretary of State. See 5 U.S.C. § 5941.

2. The Non-foreign Area Retirement Equity Assurance Act transitioned the non-foreign area COLA authorized under 5 U.S.C. § 5941(a)(1) to locality pay authorized under 5 U.S.C. § 5304 in the non-foreign areas as listed in 5 C.F.R. 591.205. The Act

also extended locality pay to American Samoa and other non-foreign territories and possessions of the U.S. where no COLA rate applied. OPM phased in locality pay over a 3-year period beginning in January 2010. Under the law, COLA rates issued under 5 C.F.R. 591 were frozen on October 28, 2009, the date of enactment. As locality pay increased under the Act, payable COLA rates were reduced as specified in ***CPM Memorandum 2010-23***, Retained Rate Adjustments in Non-foreign Areas. Consequently, covered employees may have received both locality pay and a reduced COLA for a number of years.

B. Non-foreign Post Differential. Non-foreign post differential is payable under 5 U.S.C. § 5941(a)(2), if conditions of the duty station's environment differ substantially from the conditions of the environment in the continental U.S. and warrant an allowance as a recruitment incentive. Non-foreign post differentials are designed to attract persons from outside the non-foreign area to work for the Federal Government in the post differential area. Rates and locations are available on the OPM, Pay and Leave, Non-Foreign Areas website. Agencies must make these payments to all eligible civilian employees in the area whose basic pay is fixed by statute. Generally, allowances and differentials are not paid during periods an employee does not receive basic pay. The pay of FWS employees is based on the wages paid in the locality and is not covered under this section.

C. Processing Non-foreign COLA and Non-foreign Post Differentials

1. Limitation. Extra pay from an allowance or a differential, or both, may not exceed 25 percent of the employee's rate of basic pay. In areas where OPM has authorized both a non-foreign COLA and a non-foreign post differential, the employee receives the full COLA and a partial post differential so as not to exceed the 25 percent of the employee's hourly rate of basic pay. See 5 C.F.R. 591.238.

2. Computation. Employees receive non-foreign COLA and non-foreign post differential as a percentage of the employee's hourly rate of basic pay, including a retained rate of pay under ***5 U.S.C. § 3594(c)*** or ***5363***, for those hours during which the employee receives basic pay. This includes all periods of paid leave, detail, or travel status outside COLA or non-foreign post-differential area. See OPM, Pay and Leave, Non-Foreign Areas website for rates.

3. Taxation. Non-foreign COLA is not included in gross income for OASDI and/or Medicare, Federal, or state income tax withholding. Non-foreign post differential is included in gross income for OASDI and/or Medicare, Federal, state, and local income tax withholding. See Table 4-1of Chapter 4.

4. Treatment for the Purposes of Overtime and other Entitlements. Non-foreign COLA and non-foreign post differential may not be included as part of an employee's rate of basic pay for the purpose of computing entitlements to overtime pay, retirement, TSP, FEGLI or any other additional pay. See 5 C.F.R. 591.239. The allowance or differential is included in an employee's regular rate of pay for computing overtime pay for FLSA nonexempt employees. See 5 C.F.R. 591.239. The allowance or differential is included in the computation of lump-sum leave payments if the employee's official duty station is in the non-foreign area when

he or she becomes eligible for a lump-sum payment under 5 C.F.R. 550.1203. See 5 C.F.R 550.1205(b)(8).

0305 OTHER PAY, DIFFERENTIALS, AND ALLOWANCES

030501. Physicians' Comparability Allowance

A. Eligible Federal physicians who enter into service agreements with their agencies may be authorized a physician comparability allowance. See 5 C.F.R. 595 and ***5 U.S.C. § 5948***. The allowances are paid only for certain categories of physicians that are the subject of recruitment and retention problems for the agency. The allowance is fixed at the minimum amounts necessary. Unless otherwise provided in the agreement, if the physician fails to complete at least 1 year of service, either voluntarily or because of misconduct, the physician must refund of the total amount received (unless the head of the agency determines that the failure was beyond the control of the physician). If the physician completes more than 1 year of service, but fails to complete the full period of service specified in the agreement, the physician must refund the amount of allowance he or she received under the agreement for the 26 weeks of service immediately preceding the termination (or longer if specified in the service agreement).

B. The amount received must not exceed:

1. $14,000 per annum if, at the time the agreement is entered into, the government physician had served as a government physician for 24 months or less; or

2. $30,000 per annum if the government physician has served as a government physician for more than 24 months. See 5 U.S.C. § 5948(a).

C. The PRO may not pay an allowance pursuant to this section to any physician who:

1. Is employed less than 20 hours per week or on an intermittent basis,

2. Is employed in an internship or residency training position,

3. Is a reemployed annuitant, or

4. Is fulfilling a scholarship obligation to the U.S. Government.

D. Any allowance paid under this section is not considered basic pay for the purposes of 5 U.S.C. § 5551 (lump sum leave payments), ***5552*** (lump sum leave on entering active duty), and ***5595*** (severance pay), 5 U.S.C. Chapters 81 (compensation for work injuries), and ***87*** (FEGLI), or other benefits related to basic pay. See also 5 U.S.C. § 5948(h)(1). However, this allowance is included as basic pay for computing Civil Service Retirement System (CSRS), Federal Employees Retirement System (FERS) and TSP contribution amounts, and for computing disability retirement benefits and survivor benefits for death-in-service. See OPM Benefits Administration Letter ***(BAL) 04-102***.

E. The PRO must pay any allowance under this section for a government physician in the same manner and at the same time as the physician's basic pay is paid. This allowance is subject to retirement and TSP deductions. This allowance is subject to OASDI and/or Medicare, Federal, state, and local income tax withholding. The allowance is subject to the aggregate limitation on pay discussed in subparagraph 030203.B.

030502. Supervisory Differential

A. The authority to approve payment of supervisory differentials under ***5 U.S.C. § 5755*** and 5 C.F.R. 575, Subpart D is delegated through, and subject to, the authority of the head of the DoD Component and the Component chain of command to the official(s) who exercises personnel-appointing authority (normally, the head of an installation or activity). Only the Secretary or Deputy Secretary of Defense may approve a supervisory differential for an individual appointed to a Schedule C position, as defined by ***5 C.F.R. 213***. The DoDI 1400.25, ***V575*** contains additional detailed guidance on the supervisory differential entitlement. The agency authorizes payment of a supervisory differential to a GS employee who has supervisory responsibility for one or more non-GS employees. The agency may authorize the differential if one or more of the subordinate civilian employees would be paid more than the supervisory employee in the absence of such a differential.

B. The HRO will provide a dollar amount equal to the value of the authorized percentage by submission of SF 50 data. The PRO calculates the supervisory differential as a percentage of the supervisor's rate of basic pay. The PRO pays the supervisory differential in the same manner and at the same time as basic pay. The supervisory differential is not considered part of basic pay for any purpose, including retirement, FEGLI, or TSP. This differential is subject to OASDI and/or Medicare, Federal, state, and local income tax withholding. The supervisory differential is subject to the aggregate limitation on pay discussed in subparagraph 030203.B.

030503. Remote Site Allowance

The remote site allowance is paid to an employee who is assigned to duty, except temporary duty, at a site so remote from the nearest established community or suitable place of residence as to require an appreciable degree of expense, hardship, and inconvenience in commuting. Such hardships and inconveniences must extend beyond those normally encountered in metropolitan commuting. When so assigned, the employee is entitled to an allowance not to exceed $10 per day, in addition to pay otherwise due to the employee. See ***5 U.S.C. § 5942*** and 5 C.F.R. 591, Subpart C.

030504. Uniform Allowance

Defense agency employees required by law or regulation to wear uniforms during the performance of official duties may be reimbursed a uniform allowance in accordance with the rates posted in the DoDI 1400.25, ***V591***. The agency's authorized management official must approve the payment of a uniform allowance. Uniform allowances are not considered wages.

030505. Qualified Transportation Fringe Benefits

A. ***Title 5 U.S.C. § 7905*** authorizes Federal agencies to offer transportation fringe benefits to employees in accordance with ***26 C.F.R. 1.132-9***. Pursuant to ***26 U.S.C. § 132***, qualified transportation fringe benefits provided to employees, including transit passes, qualified parking, and transportation in commuter highway vehicles, is not included in gross income for Federal tax purposes. ***DoDI 1000.27*** implemented the Mass Transportation Benefit Program (MTBP) on October 28, 2008, for eligible DoD employees. The MTBP provides benefits for qualified means of transportation, such as commuter bus or train, subway or light rail, ferry or vanpool. A DoD employee who receives subsidized parking is not eligible to participate in the MTBP. Each DoD Component implements policy and procedures in accordance with the MTBP. Agencies may offer qualified Federal employees transit-pass-transportation fringe benefits in the National Capital Region as described in ***Executive Order 13150***. See 26 U.S.C. § 132 (f).

B. Each year, the Internal Revenue Service (IRS) sets limits on the amount that may be excluded from an employee's taxable wages each month for the total value of qualified transportation fringe benefits. See ***IRS Publication 15-B***, Employer's Tax Guide to Fringe Benefits. Amounts within the monthly limit are not considered wages and therefore, are paid through the servicing commercial accounts office. If the value of the benefit for any month is in excess of the qualified published limits, the amount over the limit is includible as gross income and is subject to OASDI and/or Medicare, Federal, state, and local income tax withholding. The value of the benefit is not subject to retirement, FEGLI, or TSP deductions. See Chapter 9 for reporting information.

030506. Government-Provided Home-to-Work Transportation

A. ***Title 26 C.F.R., section 1.61-21*** provides detailed rules for determining the employer-provided home-to-work benefit that is reported on an eligible employee's Form W-2, Wage and Tax Statement. The ***DoD 4500.36-R*** requires the OUSD Comptroller, in coordination with the OUSD for Personnel and Readiness, provide annual guidance concerning the valuation methods for home-to-work transportation. Employers are responsible for determining the value of the employer-provided benefit and reporting it to the DFAS for the employee's Form W-2. The benefit is subject to OASDI and/or Medicare, Federal, state, and local income tax withholding. The benefit is not subject to retirement, FEGLI, or TSP deductions.

B. Employers must submit the required information to the servicing payroll office by December 1 of each year. However, DoD employing activities will not report on a calendar year basis. Rather, they will report for the 12-month period from November 1 through October 31. The value of the benefits received in November and December will be considered paid in the next year as authorized by the IRS Publication 15-B.

*030507. Foreign Language Proficiency Pay (FLPP)

Under ***10 U.S.C. § 1596*** and ***1596a***, the Secretary of Defense is authorized to pay FLPP to eligible DoD employees who are performing intelligence or non-intelligence duties requiring proficiency in foreign languages. FLPP is not considered basic pay for any purpose and does not

count toward retirement, TSP, FEGLI or any other benefit related to basic pay. FLPP is not pay for the purposes of lump-sum payments for leave under 5 U.S.C. § 5551 or 5552. FLPP is considered a discretionary, continuing payment for calculation of the aggregate limitation on pay. See information regarding aggregate limitation on pay in subparagraph 030203.B. FLPP is not to be paid if the employee is in a LWOP or other unpaid status in excess of 10 consecutive work days, or in an extended paid absence in excess of 30 consecutive work days.

A. FLPP for Intelligence Interests under 10 U.S.C. § 1596. The annual rate of special pay under 10 U.S.C. § 1596 is determined by the Secretary of Defense. FLPP may be paid in addition to pay under 10 U.S.C. § 1602. See ***DoDI 1400.25, V2016***. The Secretary of Defense has the authority to pay special pay to an employee of DoD who:

1. Has been certified as being proficient in a foreign language identified by the Secretary of Defense as being a language in which proficiency by civilian personnel of the Department is important for the effective collection, production, or dissemination of foreign intelligence information; and

2. Is serving in a position, or is subject to assignment to a position, in which proficiency in that language facilitates performance of officially assigned intelligence or intelligence-related duties.

B. FLPP for Non-intelligence Interests under 10 U.S.C. § 1596a. The rate of special pay for an employee under 10 U.S.C. § 1596a shall be prescribed by the Secretary of Defense, but may not exceed 5 percent of the employee's rate of basic pay. Special pay under 10 U.S.C. § 1596a is in addition to any other pay or allowances to which the employee is entitled. See DoD Memorandum dated November 3, 2006 “Foreign Language Proficiency Pay for DoD Civilian Employees Performing Non-Intelligence Duties.” Pursuant to 10 U.S.C. § 1596a the Secretary of Defense has the authority to pay special pay to a DoD employee who:

1. Has been certified by the Secretary of Defense to be proficient in a foreign language identified by the Secretary of Defense as being a language in which proficiency by civilian personnel of the Department is necessary because of national security interests;

2. Is assigned duties requiring proficiency in that foreign language; and

3. Is not receiving special pay under 5 U.S.C. § 1596.

030508. Market Pay

A. Purpose. Under ***10 U.S.C. § 1599c***, each physician and dentist covered by DoDI 1400.25, ***V543***, is eligible for market pay in lieu of locality pay. Market pay is an element of annual pay (base pay rate plus market pay) intended to reflect the recruitment and retention needs for the specialty or assignment of a particular DoD physician or dentist.

B. Payment Determinations. A compensation panel must make a recommendation to an authorized management official regarding the appropriate market pay

amounts for individual physicians and dentists according to guidelines established by the Health Professions Civilian Compensation Standing Committee (HPCCSC). Market pay is based on criteria such as level of experience, need for medical specialty practice, the healthcare labor market, board certifications, and personal accomplishments. See DoDI 1400.25, V543.

1. The authorized management official determines the amount of market pay for the physician or dentist, which may require additional approval of the HPCCSC. Once set, market pay for an individual may not be reduced unless the physician or dentist changes assignment. The compensation panel must review the market pay of each physician or dentist upon changes in assignment and not less than once every 24 months.

2. The agency must approve market pay for newly appointed physicians or dentists within 30 days following their appointment; all payments are retroactive to the effective date of the appointment.

C. Limitations. Physicians or dentists who receive market pay are not eligible for the physicians' comparability allowance under paragraph 030501, or premium pay (such as overtime, night pay, compensatory time off) under paragraph 030301. A physician or dentist receiving market pay may not receive grade or pay retention under ***5 U.S.C. Chapter 53***. The sum of all payments paid to the physician or dentist including base pay, but excluding market pay, is subject to the Executive Level I annual limitation. The sum of all payments subject to the Executive Level I annual limitation and market pay cannot exceed the annual salary of the President, excluding expenses.

030509. Reservist Differential

A. Purpose. Under ***5 U.S.C. § 5538***, effective March 15, 2009, Federal agencies are required to make reservist differential payments to eligible Federal civilian employees who are members of the Reserve or National Guard called or ordered to active duty under certain specified provisions of law. A reservist differential is payable to an employee during a qualifying period in the amount of basic pay which would have been payable had they not been called or ordered to active duty in the uniformed service. Additional information on this topic is provided in OPM's ***Reservist Differential***, Agency Implementation Guidance and OPM ***Frequently Asked Questions***.

B. Payment. Reservist differential is payable when an eligible employee's projected civilian basic pay for a covered pay period exceeds actual military pay and allowances allocable to that pay period. See 5 U.S.C. § 5538. Payroll makes payments from the same appropriation that is used when the employee is in a pay status. Reservist differential is considered due no later than 8 weeks after the normal scheduled civilian pay date, unless the necessary information is not received 4 weeks prior to that date. Reservist differential is not considered as basic pay for any purposes; it is a supplemental payment based on a comparison of projected civilian basic pay and military pay and allowances. Payments are not subject to OASDI, and/or Medicare tax withholding for periods of active duty of more than 30 days. However, reservist differential is subject to:

1. Federal tax (must appear in box 1 of the Form W-2), and

2. OASDI and/or Medicare tax withholding for periods of active duty 30 days or less.

C. Leave and LWOP. An employee receiving reservist differential is still considered to be on LWOP unless on paid leave or paid time off (including military leave). An employee may not receive reservist differential for a period for which the employee receives basic pay for time worked, the use of any type paid leave, or other paid time off.

*0306 RECRUITMENT, RELOCATION, AND RETENTION INCENTIVES

Recruitment, relocation, and retention incentives are compensation flexibilities available to help Federal agencies recruit and retain employees. See 5 U.S.C. § 5753 and 5754 and 5 C.F.R. part 575, subparts A, B, and C.

030601. Recruitment Incentive

A. Purpose. Payment of recruitment incentives is authorized by ***5 U.S.C. § 5753*** and 5 C.F.R. 575, Subpart A. An agency may pay a recruitment incentive to an eligible newly appointed employee, under the conditions specified in the regulations**,** provided the agency has determined that the employee's position is likely to be difficult to fill in the absence of an incentive. The total amount of recruitment incentive payments paid to an employee in a service period may not exceed 25 percent of the annual rate of basic pay of the employee at the beginning of the service period multiplied by the number of years (including fractions of a year) in the service period, not to exceed 4 years. OPM may waive the 25 percent limitation based on critical agency need. The agency must document the justification for paying a recruitment incentive.

B. Service Agreement. Before a recruitment incentive may be paid, the employee must sign a written agreement to serve a specified period of employment with the agency. The service period may not be less than 6 months or more than 4 years. See 5 C.F.R. 575.110.

C. Payment Options. The agency authorizes and establishes payment options. See 5 C.F.R. 575.109. An agency may pay the recruitment incentive by any of the following methods, or combination thereof, as specified in the service agreement:

1. An initial lump-sum payment at the commencement of the service period, or before the start of the service period once the employee has signed the agreement;

2. Installment payments throughout the service period; or

3. A lump-sum payment upon completion of the full service period.

D. Payment of Recruitment Incentive. Recruitment incentives are not considered part of the employee's basic pay for any reason.

1. An incentive may only be paid to an employee who has received a written offer of employment and signed a written service agreement.

2. The recruitment incentive is subject to OASDI and/or Medicare, Federal, state, and local income tax withholding. This incentive is not subject to retirement, FEGLI, or TSP.

3. The recruitment incentive is included in the aggregate limitation on pay as discussed at subparagraph 030203.B. See 5 C.F.R. 530, Subpart B.

4. The incentive will be included with regular salary payments and separately identified on the LES.

E. Termination of a Service Agreement. An agency must notify an employee in writing when it terminates the service agreement. The employee may not grieve or appeal the termination of a service agreement.

1. Mandatory Termination. A demotion or separation for cause, or a less than "Fully Successful" or equivalent rating terminates the service agreement. An employee who fails to complete the period of service for these reasons, or otherwise fails to fulfill the terms of the agreement, must repay any portion of the incentive attributable to uncompleted service. The PRO prorates the full amount of the authorized recruitment incentive across the length of the service period to determine the amount attributable to completed and uncompleted service. The PRO must recover the amount owed by the employee in accordance with provisions established by debt collection regulations. See Volume 16. The HRO must notify the PRO of the recruitment incentive repayment/debt via SF 50 data.

2. Discretionary Termination. An authorized management official may terminate the agreement based solely on management needs, such as reduction in force or insufficient funds. An employee who does not fulfill a service agreement due to a termination based on management needs is entitled to all incentive payments already received.

F. Documentation and Recordkeeping. The HRO must document each recruitment incentive via information derived from an SF 50.

030602. Relocation Incentive

A. Purpose. Payment of relocation incentives is authorized by 5 U.S.C. § 5753 and 5 C.F.R. 575, Subpart B. An agency may pay a relocation incentive to a current eligible employee who must relocate, without a break in service, to accept a position in a different geographic area that is likely to be difficult to fill in the absence of an incentive. See 5 C.F.R. 575.205(b). The total amount of relocation incentive payments paid to an employee in a service period may not exceed 25 percent of the annual rate of basic pay of the employee at the beginning of the service period multiplied by the number of years (including fractions of a year) in the service

period, not to exceed 4 years. OPM may waive the 25 percent limitation based on critical agency need. Agencies must document the justification for paying a relocation incentive.

B. Service Agreement. Before a relocation incentive may be paid, the employee must sign a written agreement to serve a specified period of employment with the agency. The service period may not be more than 4 years. See 5 C.F.R. 575.210.

C. Group Relocation Incentives. An authorized management official may make a determination to approve group relocation incentives rather than on a case-by-case basis. The determination is appropriate if a group of employees is subject to a mobility agreement and relocation incentives are necessary to ensure continuation of operations, or when a major organization unit is relocating to a new duty station and the incentive will ensure continued operations of that unit without disruption. The group incentive is supported by written determinations that specifies the group and the period of time during which the authorization is valid.

D. Payment Options. The agency authorizes and establishes the payment options for relocation incentives. See 5 C.F.R. 575.209. An agency may pay the relocation incentive by any of the following methods as specified in the service agreement:

1. An initial lump-sum payment at the commencement of the service period, or before the start of the service period once the employee has signed the agreement;

2. Installment payments throughout the service period; or

3. A lump-sum payment upon completion of the full service period.

E. Payment of Relocation Incentive. The relocation incentive must not be considered a part of the employee's basic pay for any reason.

1. The relocation incentive is subject to OASDI and/or Medicare and Federal, state, and local income tax withholding. This incentive is not subject to retirement, FEGLI, or TSP.

2. The relocation incentive is included in the aggregate limitation on pay as discussed at subparagraph 030203.B. See 5 C.F.R. 530, Subpart B.

3. The incentive will be included with regular salary payments and separately identified on the LES.

4. The agency will not pay the incentive until the employee establishes a residence in the new geographic location.

F. Termination of a Service Agreement. An agency must notify an employee in writing when it terminates the service agreement for the relocation incentive. The employee may not grieve or appeal the termination of a service agreement.

1. Mandatory Termination. If the employee is demoted for cause, separates for cause, or the employee receives a less than "Fully Successful" or equivalent rating, the service agreement will terminate. An employee who fails to complete the period of service for these reasons, or otherwise fails to fulfill the terms of the agreement, must reimburse DoD for the amount of all benefits received under the agreement that is in excess of the amount attributable to completed service. The PRO must prorate the full amount of the authorized relocation incentive across the length of the service period to determine the amount of the relocation incentive attributable to completed service and uncompleted service. The PRO must recover the amount owed by the employee in accordance with agency debt collection regulations. See Volume 16. The HRO must notify the PRO of the relocation incentive repayment/debt via SF 50 data.

2. Discretionary Termination. An authorized management official may terminate the agreement based solely on management needs, such as reduction in force or insufficient funds. An employee who does not fulfill a service agreement due to the termination based on management needs is entitled to all incentive payments already received.

G. Documentation and Recordkeeping. The HRO must document each relocation incentive via an SF 50.

030603. Retention Incentive

A. Purpose. ***Title 5 U.S.C. § 5754*** and 5 C.F.R. 575, Subpart C authorizes a payment of retention incentives. An agency may offer a retention incentive of up to 25 percent of basic pay to a current eligible employee who has unusually high or unique qualifications or when the agency has a special need for the employee's services making it essential to retain the employee. See 5 C.F.R. 575.305. OPM may waive the 25 percent limitation based on critical agency need. Agencies must document justification for paying retention incentives.

B. Service Agreement. The employee must sign a written agreement to serve a specified period of employment with the agency before a retention incentive is paid. However, a service agreement is required for biweekly installment payments only when the incentive is granted under special provisions by the DoD or the employee receives a reduced percentage for each installment made prior to the final payment.

C. Group Retention Incentives. An authorized management official may make a determination to approve group retention incentives rather than on a case-by-case basis. The determination is appropriate if a group of employees has unusually high or unique qualifications or the group's services make it essential to retain the employees in that group. Additionally, there must be a high risk that a significant number of the employees in the group would be likely to leave Federal service without the retention incentive. Unless OPM authorizes a higher rate, group retention incentives may be up to 10 percent of an employee's rate of basic pay. Agencies may not pay group retention incentives to employees in SL, ST, or Executive Schedule positions or other employees with approved recruitment incentives from OPM.

D. Payment Options. Title 5 U.S.C. § 5754 and 5 C.F.R. 575.309 set out payment options for retention incentives. Agencies may not pay retention incentives as an initial

lump-sum payment at the start of a service period or as an installment paid in advance. An agency may pay retention incentives using the following methods as specified in the service agreement:

1. Installments after the completion of specified periods of service, or

2. A single lump-sum payment after completion of the full service period.

E. Payment of Retention Incentive. Retention incentives are not considered a part of the employee's basic pay for any purpose.

1. The retention incentive is subject to OASDI and/or Medicare and Federal, state and local income tax withholding. This incentive is not subject to retirement, FEGLI or TSP.

2. The retention incentive is included in the aggregate limitation on pay as discussed at subparagraph 030203.B. See 5 C.F.R. 530, Subpart B.

3. The incentive will be included with regular salary payments and separately identified on the LES.

F. Termination of a Service Agreement

1. Mandatory Termination. If an employee is demoted for cause, separates for cause, or the employee receives a less than "Fully Successful" or equivalent rating, the service agreement will terminate. An employee who fails to complete the period of service for these reasons, or otherwise fails to fulfill the terms of the agreement, must reimburse DoD for the amount of all benefits received under the agreement that are in excess of the amount attributable to completed service. The employee is entitled to retain any retention incentive payments attributable to completed service and is entitled to receive any portion of a retention incentive payment owed by the agency for completed service. The PRO must recover the amount owed by the employee in accordance with agency debt collection regulations. See Chapter 8 and Volume 16, Chapter 3. The HRO must notify the PRO of the retention incentive repayment/debt via SF 50 data.

2. Discretionary Termination. An authorized management official may terminate the agreement based solely on management needs, such as reduction in force or insufficient funds. An employee who does not fulfill a service agreement due to a termination based on management needs is entitled to all incentive payments already received.

3. Decisions to Terminate. Employees may not grieve or appeal decisions to terminate the service agreement.

G. Documentation and Recordkeeping. The HRO documents each retention incentive via an SF 50.

0307 LUMP-SUM LEAVE PAYMENTS

030701. Lump-Sum Payments for Annual Leave

Lump-sum payments for unused annual leave are generally payable when an employee separates from Federal service, dies, transfers to a position not under a leave system under ***5 U.S.C. Chapter 63, Subchapter I***, or enters active duty in the armed forces. See 5 U.S.C. § 5551, 5552, ***6306*** and 5 C.F.R. 550, Subpart L.

030702. Lump-Sum Payable

Lump-sum payments for accumulated and accrued annual leave are paid as follows:

A. Payment to Separated Employees. An employee, as defined by ***5 U.S.C. § 2105***, who separates or retires from Federal service is paid in a lump-sum for all unused annual leave through the last full pay period before separation. If the employee is separated or has a break in service (from one agency to another) and is reemployed in a position before a lump-sum is paid, then payment is made for the days the employee was not in the Federal service (less withholding tax). The remainder of the annual leave is transferred to the gaining agency.

B. Payment to Certain Other Employees. An employee is entitled to a lump-sum payment for accumulated and accrued annual leave when he or she:

1. Transfers to a position not under a leave system to which annual leave may be transferred;

2. Moves to a position as an intermittent employee with no established regular tour of duty or to a position as a temporary employee engaged in construction work at hourly rates;

3. Enters active duty in the armed forces, provided the employee does not elect to retain the annual leave to his or her credit. See 5 U.S.C. § 5552. However, leave previously restored under ***5 U.S.C. § 6304(d)*** must be liquidated by lump-sum payment when the employee enters active duty. The agency may not re-credit the previously restored leave when the employee returns to Federal service. See 5 U.S.C. § 6304(d)(2); or

4. Transfers to a public international organization, provided the employee does not elect to retain the annual leave to his or her credit. See ***5 U.S.C. § 3582***. However, leave previously restored under 5 U.S.C. § 6304(d) must be liquidated by lump-sum payment when an employee transfers to the public international organization. The agency may not re-credit the previously restored leave under these circumstances. Additionally, only employees who the agency reemploys within 6 months after the transfer are required to refund the lump-sum payment.

C. Payment to Beneficiary. The balance of the annual leave of a deceased employee shall be paid in a lump-sum to his or her designated beneficiary. If an employee has not

designated a beneficiary, a lump-sum is paid in the established order of precedence under 5 U.S.C. § 5582(b).

030703. Lump-Sum Not Payable

The PRO may not make a lump-sum payment to an employee for accumulated annual leave when he or she is:

A. An employee transferring to another Federal position to which annual leave is transferable without a break in service of one workday or more;

B. A DoD or non-appropriated fund employee who moves without a break in service of more than 3 days to an appropriated fund position within DoD. See ***5 U.S.C. § 6308(b)***;

C. A student trainee placed in an intermittent status between full-time tours of duty when no separation actually takes place;

D. An employee who transfers to the government of Washington D.C. or the U.S. Postal Service;

E. An employee employed in more than one part-time position who separates from one of the part-time positions. The former employing agency must transfer the accumulated and accrued leave to the current agency if the positions are in different agencies. If the positions are in the same agency, credit the accumulated and accrued leave to the employee's current leave account in the current position; or

F. An employee who elects to retain his or her leave upon accepting a Presidential appointment. See ***5 U.S C. 3392(c)***.

030704. Computation of Lump-Sum Payment

A. General. The PRO calculates the lump-sum payment for annual leave, including restored and reinstated annual leave, and includes all pay changes the employee would have received had he or she remained in a duty status throughout the projected leave period. See the OPM Pay and Leave, Pay and Leave Administration, Fact Sheet: ***Lump-Sum Payments*** for Annual Leave and 5 U.S.C. § 5551. Holidays count as workdays in projecting the lump-sum leave period. For example, an employee whose retained pay is scheduled to terminate during the projected leave period should have the lump-sum leave payment computed based on the pay being received at the time of separation for the period covered by the retained rate, with the remainder computed at the scheduled reduced rate. An employee is entitled to an adjustment in the lump-sum leave payment when a statutory change in pay becomes effective on a date that occurs during the projected leave period. Pay included in a lump-sum payment is as follows:

1. Rate of basic pay;

2. Locality pay or other geographic adjustment;

3. Within-grade increases (if waiting period met on date of separation);

4. Across-the-board annual pay adjustments;

5. AUO pay, availability pay, and standby duty pay;

6. Night shift differential (FWS employees only, see 5 U.S.C. § 5343(f));

7. Regularly scheduled overtime pay under FLSA for employees on uncommon tours of duty;

8. Supervisory differentials;

9. Non-foreign area COLAs and post differentials; and

10. Foreign area post allowances.

B. FWS Employees. The lump-sum payment for an FWS employee is adjusted if the separation occurs after the issue date of a wage schedule or after a wage survey was ordered, but before the effective date of the wage increase, as follows:

1. When an FWS employee separates before the effective date of a wage increase and his or her accrued annual leave extends beyond the effective date, the employee is entitled to have his or her lump-sum annual leave payment paid at the higher rate for the leave that extends beyond the effective date of the increase.

2. When an FWS employee separates after a wage survey is ordered, but before the date of the order granting the wage increase is issued, the employee is entitled to have the lump-sum annual leave payment paid at the higher rate for the leave that extends beyond the effective date of the increase. The order that grants the new wage rate must be issued before the effective date set by ***5 U.S.C. § 5344(b)(1) and (2)***.

C. Projecting the Leave. Lump-sum payments must equal the pay an employee would have received had he or she remained in Federal service and used this leave. Non-workdays, except holidays, do not count against the leave when projecting the period for payment of lump-sum leave. The period covered by a lump-sum leave payment is not counted as Federal civilian service. See ***5 U.S.C. § 6103*** and 5 C.F.R. 550.1204.

D. Reemployed Annuitants. The lump-sum payment for reemployed annuitants upon separation from the service is based on the full pay rate without any reduction by the amount of the annuity. See 5 C.F.R. 550.1203

E. Temporary Promotions. If the temporary promotion is not terminated prior to, or as of, the employee's separation date, the lump-sum leave will be paid at the rate of the temporary promotion through the not to exceed date. After that time, the rate will revert to the employee's permanent rate of pay.

F. Payment. DFAS pays lump-sum leave at the end of the pay period in which it receives the separation transaction. Thus, lump-sum leave may or may not be included with any regular pay earned, depending on when DFAS receives the separation transaction. DFAS identifies payments separately, allowing for taxation of the lump-sum leave at a flat 25 percent for Federal withholding, except when the employee's exemptions claimed on the Form W-4, Employee's Withholding Allowance Certificate, exceed the regular pay. In the latter situation, the lump-sum leave and the regular pay for the pay period are combined and the taxes will be computed as if the total were a single payment. Lump sum annual leave payments are not subject to deductions for FEHB, FERS, FEGLI or TSP. Payments are subject to offset for debts owed to the United States. See 5 CFR 550.1205.

030705. Refunds

When an employee receives a lump-sum leave payment, and subsequently returns to the Federal service in a position subject to a formal leave system, the employee is required to refund the unexpired portion of the period covered by the lump-sum leave payment. The refund amount is equal to the payment covering the period between the date of reemployment and the expiration of the lump-sum period. This refund is required because all such unexpired leave is subject to re-credit even though transfer to a different leave system is involved. Re-credit of leave will be determined subject to the following subparagraphs.

A. Regular Annual Leave

1. If reemployment is in the same leave year, any part of the refund (which is for a period of leave in excess of the employee's formerly established leave ceiling for the year) is subject to the regular procedures regarding forfeiture or possible restoration at the end of the leave year. The PRO may pay excess leave in another lump-sum payment if another separation occurs before the end of the leave year.

2. If reemployment is in a subsequent leave year, and any part of the refund is for a period exceeding the leave ceiling (e.g., 240 hours for stateside and 360 for overseas), a refund will be required of the unexpired portion. However, only a maximum of the leave ceiling hours may be credited to the regular leave account and any hours in excess of the leave ceiling are considered forfeited, unless it can clearly be established that the excess would have become restored in a separate account if the separation had not occurred.

B. Restored Annual Leave. A period of restored leave under 5 U.S.C. § 6304(d) is not subject to refund if the agency reemploys the employee prior to the expiration of the lump-sum leave period. The PRO subtracts such leave from the lump-sum leave period before calculating the refund. If the employee is reemployed, the agency will not credit restored annual leave to an employee prior to the expiration date of the lump-sum leave period.

030706. Payment for Restored Leave for Base Realignment and Closure (BRAC)

Title 5, U.S.C. § 5551 requires payment of restored annual leave under 5 U.S.C. § 6304(d)(3) in certain situations. A lump-sum payment must be made to any DoD employee moving to a position in any non-DoD Federal agency or to any position within DoD that is not located at an installation being closed or realigned under 5 U.S.C. § 6304(d)(3). The servicing HRO must notify the PRO via SF 50 data when the employee is no longer authorized the restored leave under this authority. The lump-sum payment calculation is the rate of pay at the time of the separation or transfer to the non-BRAC installation.

0308 SEVERANCE

030801. Qualifications

An employee who qualifies under 5 U.S.C. § 5595 is entitled to severance pay in regular pay period intervals and amounts equal to that paid immediately before separation. Title 5 U.S.C. § 5595(i) allows for the heads of DoD Components to authorize payment of severance pay in a lump-sum rather than on a biweekly basis for separations taking effect before October 1, 2014. An employee separated within a pay period rather than at the end of the pay period receives an initial payment of severance pay for the remainder of that pay period. The PRO will compute severance pay for employees with variable work schedules or rates of basic pay using the average rate of basic pay for the last position held during the 26 biweekly pay periods immediately preceding separation. See 5 C.F.R. 550.707(b).

030802. Payments

A. Severance Payments. The servicing payroll office pays authorized severance payments either biweekly or in a lump-sum based on the information processed on an SF 50. Severance payments for employees are subject to appropriate withholding for income and OASDI/Medicare taxes. See 5 C.F.R. 550.709(b).

B. Severance Payments upon Death of Employee. If an employee dies prior to the end of the period covered by severance pay, then the severance pay will continue to be paid as if the employee were still living (5 U.S.C. § 5595(e)), and must be paid to the employee's beneficiary in accordance with 5 U.S.C. § 5582(b). Appropriate withholding will be made for OASDI and/or Medicare and Federal, state, and local income taxes. Payments made to beneficiaries are not subject to Federal tax withholding requirements. However, if a beneficiary receives payment in the year in which the employee dies, the payment is subject to the withholding of OASDI and/or Medicare taxes.

C. Debt Collection and Garnishment. Collection of indebtedness from an employee's severance pay is permissible under ***31 U.S.C. § 3716***. These payments are subject to collection for any outstanding debts owed to the Government. Additionally, under 5 C.F.R. 581.103, severance pay is subject to court-ordered garnishments for alimony, child support, and commercial debts. Court-ordered garnishments are cancelled upon the death of the employee.

030803. Withholding Tax Reporting

Severance pay is taxable in the year that the employee receives the pay. The PRO must include this amount on the employee's Form W-2 and will withhold appropriate Federal and state taxes. If an employee dies, the PRO must report any severance pay paid to the beneficiaries on Form 1099-MISC.

030804. Termination of Severance Pay

If an agency reemploys a former employee in Federal service, severance pay will be discontinued when the PRO receives official notification from the HRO. Discontinuation of payments is effective on the date of reemployment. The losing agency must report the total of amounts paid to the gaining activity or agency. The agency uses this information to determine future entitlement to severance pay since total severance pay during an employee's lifetime cannot exceed one year's pay at the rate received immediately before separation. See 5 U.S.C. § 5595(c).

0309 ADVANCED PAY

030901. Foreign Post Assignment Advances

Advances of pay for DoD civilian employees proceeding to or arriving at a post of assignment in a foreign area are authorized, when applicable. An advance of pay is a prepayment made available to an employee in a pay status. With each permanent change of station (PCS) to a foreign area, an employee may be authorized a single, lump-sum pay advance of up to 3 months of base pay. The purpose of advances is to finance unusual employee expenses associated with overseas assignments and to aid foreign assignment recruitment and retention. Such expenses may include transportation, storage of household goods, shipping costs, deposits on living quarters overseas, and purchase of household items. See ***5 U.S.C. § 5927*** and DoDI 1400.25, V1250. For additional information pertaining to advances of LQA and TQSA, see subparagraphs 030402.A.

A. Eligibility. For purposes of this section, a DoD civilian employee is defined as a full-time DoD employee who is a U.S. citizen paid from appropriated, revolving, or trust funds. New hires that are in a pay status and traveling to a foreign area on travel orders are also included.

B. Foreign Areas. A foreign area is an area located outside the U.S., exclusive of the Commonwealth of Puerto Rico, territories of the U.S., and other areas designated by the Secretary of State.

C. Payment Procedures. Advances of pay for overseas transfers will be paid only by the disbursing officer (or the disbursing officer's overseas agent) who supports the PRO servicing the overseas area, or Outside the Continental U.S. (OCONUS) from a disbursing officer who is a deputy to the Continental U.S. (CONUS) office. Payment may be included in the next regular biweekly pay or made in a single lump-sum. An employee may request an advance of pay 3 weeks before the estimated departure date for an assignment to a foreign duty post or up to 2 months after arrival. The employee must request an advance on the SF 1190 for employees proceeding to or arriving at a post of assignment in a foreign area. The form serves as the request, authorization, and voucher document.

D. HRO Duties. The HRO responsible for the employee must verify the eligibility for an advance by confirming the travel orders and the appropriate pay grade and step at the foreign post. If the HRO does not provide confirmation of the foreign pay grade or step, the PRO may use the current gross pay at the time of the advance. The HRO counsels each employee

eligible for an advance concerning authorized purposes of the advance, repayment requirements, anticipated expenses at the foreign assignment, and application procedures.

030902. Advance Payments to Evacuees

Guidance on advance payments for DoD civilians ordered to evacuate can be found in ***5 U.S.C. § 5522***, 5 C.F.R. 550.403, 5 C.F.R. 550.404. For more information concerning emergency evacuation, see Chapter 6.

030903. Collection of Advance Payments

A. The PRO collects repayment by payroll deduction over a maximum of 26 pay periods. Deductions must begin the first pay period after receipt of the advance or following arrival at the foreign post, whichever is later. The losing agency must forward a copy of the SF 1190 to the gaining PRO for collection.

B. Partial or lump-sum repayments, in addition to payroll deductions, may be accepted.

C. When an employee separates or transfers, the outstanding balance is due in full. Advances of pay are recoverable from the employee or the employee's estate by deduction from accrued pay, amount of retirement credit, other amounts due the employee from the Government, or by other methods as provided by ***5 U.S.C. § 5514*** and 31 U.S.C. § 3716 and corresponding regulations.

D. The Defense Debt and Claims Management Office (DCMO), DFAS-Indianapolis Center, may waive, in certain cases, the Government's right of recovery of an erroneous pay advance in accordance with the requirements in the ***DoDI 1340.23***, Waiver Procedures for Debts Resulting from Erroneous Pay and Allowances and ***5 U.S.C. § 5584***.

030904. Other Requirements or Conditions for Advances

A. An employee is authorized only one outstanding advance at a time, regardless of the frequency of PCS. If an employee becomes eligible for a second advance, the employee must liquidate the first advance before the employee requests the first payment of the second advance.

B. More than one member of a household may be eligible for an advance.

C. Allotments and assignments of advances are not authorized.

D. Advances are paid to employees of another Federal agency on a reimbursable basis provided there is an agreement between the other agency and DFAS to make similar payments to DoD employees.

E. Submission of statements and documents from the employee establishing the need for, and the use of, an advance may be required.

F. Management must develop controls to ensure only authorized employees obtain an advance and that complete accountability procedures exist for the disbursement and collection of pay advances. Accounting records must include current, accurate, and complete records of obligations, receivables, and collections.

030905. Additional Advance Payments

Agencies may authorize an additional advance payment when circumstances warrant and the employee has not received the full amount of the maximum possible advance consistent with the employee's pay grade. Examples of exceptional circumstances warranting a second payment include: a substantial understatement of the maximum advance authorized; inadequate or inappropriate counseling on the purpose of the advance; and unforeseeable events leading to a significant increase in the cash outlay requirements of an employee at the foreign assignment location.

*030906. Advances in Pay for Newly Hired Employees

The head of agency has the authority to provide for the advance payment of basic pay to an employee who is newly appointed to a position in the agency. See 5 C.F.R. 550.203. The authority to advance pay is delegated to officials who exercise personnel appointing authority (normally the head of an installation or activity). This authority is delegated through and subject to the authority of the DoD Component heads to be used on a case-by-case basis. See DoDI 1400.25, V550.

0310 SPECIAL PAYMENTS

Special salary payments (e.g., beneficiary payments, employees erroneously omitted from the payroll) are made in accordance with Chapter 8.

0311 AWARDS

*031101. General

Title ***5 U.S.C. Chapter 45*** is the legal basis for the government wide incentive awards program for civilian employees. OPM regulations regarding agency award programs are published at ***5 C.F.R. Part 451***. The DoDI 1400.25, ***V451*** prescribes award policies governing the award program for DoD civilian employees.

A. Incentive Awards. DoDI 1400.25 delegates to the heads of the DoD Components the authority to pay cash awards, grant time off as an award, and incur the necessary expense for the honorary recognition of an employee (either as an individual or as a member of a group) based on:

1. Suggestions, inventions, superior accomplishments, productivity gains, or other personal efforts that contribute to the efficiency, economy, or other improvements of Government operations;

2. A special act or service in the public interest in connection with or related to official employment; or

3. Performance as reflected in the employee's most recent record of rating.

B. Time Off as an Incentive Award. Authorized by ***5 U.S.C. § 4502(e)***, a time-off award may be granted in lieu of cash. See 5 C.F.R. 451.101-451.107 and DoDI 1400.25, V451.

1. An employee must use the time off granted as an incentive award within 1 year from the effective date. Supervisors and employees are responsible for scheduling the use of this leave within 1 year. If an employee does not use the time-off award within the one-year timeframe, the employee will forfeit the incentive leave. There is no provision for restoring time-off awards.

2. Provisions should be made to accommodate employees who are on long term training, extended sick leave, called to active duty, or similar situations so that the employee does not forfeit his or her time-off award. Agencies may approve sick leave if an employee is unable to perform duty during a period of time off.

3. The maximum amount of time off granted to any one individual for a single achievement should not exceed 40 hours. The maximum amount of time off granted to any one individual within one leave year should not exceed 80 hours. Agencies may grant part-time employees or those with uncommon tours of duty a maximum of one-half the average number of hours in their biweekly tour of duty for a single achievement. The maximum amount of time off which can be granted to part-time employees and employees with uncommon tours of duty during any one leave year is the average number of hours of work in the employee's biweekly scheduled tour of duty.

* 4. A time-off award cannot be transferred between DoD Components or outside of the DoD. Managers and supervisors should make every effort to ensure that the employee is able to use the time-off award before he or she leaves the granting Component. DoD Components may establish procedures to accommodate the transfer of time-off awards within their respective Components. Time-off awards cannot be converted to a cash award under any circumstances. Unused time-off awards will be lost when an employee separates or transfers to another agency or component. See 5 C.F.R. 451.104(f) and DoD 1400.25, V451.

5. Awards are processed on an SF 50 and issued by the HRO to the PRO as authorization for payment of cash awards or granting of time-off awards. The award is paid to the employees in the same manner as their net pay. Incentive award payments are not distributed to the worksite.

6. Time-off awards must be posted to the employee's record and reduced when the time-off is taken and/or forfeited. Usage reported prior to the receipt of notification of the award shall be reflected as a negative balance in the civilian payroll system. Failure of HRO to provide notification of the granting of the award within two pay periods of the usage shall be assumed to be a time-and-attendance error.

C. Foreign Language Awards. An agency may pay a cash award, up to 5 percent of basic pay, to any law enforcement officer employed in or under such agency that possesses and makes substantial use of one or more foreign languages in the performance of official duties. Additional information is in 5 U.S.C Chapter 45, Subchapter III.

D. Presidential Rank Awards for SES Employees. The President may award the rank of Distinguished Executive and Meritorious Executive Service to an SES career appointee in accordance with the guidance in ***5 U.S.C. § 4507*** and 5 C.F.R. 451.301. To be eligible for a rank award, an SES must:

1. Hold a career appointment as defined by 5 U.S.C. § 3132(a)(4),

2. Be an employee of the agency, as defined at 5 U.S.C. § 3132(a)(1), and

3. Have at least 3 years of career or career-type Federal civilian service at the SES level.

E. Presidential Rank Awards for Senior Career Employees. The President may award the rank of Distinguished Senior Professional and Meritorious Senior Professional to a senior career employee as set forth in 5 U.S.C. § 4507a and 5 C.F.R. 451.302. To be eligible for a rank award, a senior career employee must:

1. Hold a career appointment in a SL or ST position as defined by 5 C.F.R. 319, Subpart A and paid under 5 U.S.C. § 5376 on the nomination deadline,

2. Be employed by the agency on the nomination deadline, and

3. Have at least 3 years of career or career-type Federal civilian service above a GS-15 level.

F. Referral Bonus Awards. A referral bonus award was established for agency heads to authorize award payments to employees, as defined by 5 U.S.C. § 2105, for referring new employees who are subsequently selected and employed in hard-to-fill positions in accordance with ***5 U.S.C. § 4503*** and 5 C.F.R. 451. Referral bonus awards are granted at management's discretion and are not considered an entitlement.

031102. Payment of Awards

A. Cash Awards. Cash award payments are subject to the withholding provisions of Federal, state, and local income tax laws. The payroll system will deduct 25 percent Federal tax automatically on special earnings of this nature. The PRO computes the applicable state and local tax and OASDI and/or Medicare withholding based on tax information in the employee's current master record. The PRO will not withhold state and local taxes for employees assigned to overseas duty locations unless requested by the employee.

B. Payment of Awards to Separated Employees

1. When possible, the agency must reestablish the employee on the payroll using the last known information on the employee's master account record for applicable deductions and mailing address.

2. If an agency cannot reestablish the employee on the payroll, the agency must pay the employee using an SF 1034, Public Voucher for Purchases and Services Other Than Personal.

C. Reporting Awards. Cash award payments must be included on an employee's LES as well as the Form W-2.

VOLUME 8, CHAPTER 4: "MANDATORY DEDUCTIONS"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue and underlined font*.**

The previous version dated September 2012 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated to comply with current format guidance.	Revision
Multiple	Updated hyperlinks.	Revision
040301.A.2	Added information regarding the Federal Employees Retirement System Revised Annuity Employees and the Further Revised Annuity Employees.	Addition
040302	Added sentence stating historical information on contribution agreements can be found in archived versions of the chapter.	Addition
040302.B-D (Previous Version)	Deleted paragraphs due to information being outdated.	Deletion
040508.A	Deleted statement regarding off-line payments for tax collection due to all payments must be made by Electronic Funds Transfer.	Deletion
040602.A.2.b	Deleted statement regarding Corps of Engineers Deposit Account since –X6275 is to be used regardless of agency.	Deletion
Table 4-3	Updated Table for Years 2012-2015.	Revision

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CHAPTER 4

MANDATORY DEDUCTIONS

0401 GENERAL

040101. General

Mandatory deductions are required by law, regulation, or by court order and include Federal or state income tax, Old-Age, Survivors and Disability Insurance (OASDI), Medicare, and child support. Voluntary deductions are implemented at the employee's request and require written authorization from the employee prior to withholding the deduction. Voluntary deductions include health and life insurance premiums, flexible spending account program contributions, and Thrift Savings Plan (TSP) contributions. See Chapter 11 for information on voluntary deductions and allotments.

040102. Mandatory Deductions

Mandatory payroll deductions withheld from a Department of Defense (DoD) employee's pay must:

A. Contain sufficient information to properly establish the deduction,

B. Be adequately documented and certified,

C. Be paid to the appropriate recipient in the correct amount, and

D. Be based on a particular provision of law or court order.

040103. Deduction Authorizations

Deduction authorizations must be retained in the Civilian Payroll Office (PRO), with the Customer Service Representative (CSR), or retained at a designated storage site in accordance with ***General Records Schedule 2***.

0402 ORDER OF PRECEDENCE

040201. Deductions

The Office of Personnel Management (OPM) issued policy guidance to standardize the order of precedence for processing mandatory and voluntary deductions when gross pay is not sufficient to permit all deductions. See OPM Memorandum "***PPM-2008-01***; Order of Precedence When Gross Pay Is Not Sufficient To Permit All Deductions" (July 30, 2008).

A. When Gross Pay is not Sufficient. If a DoD employee's gross pay is not sufficient to permit all required deductions, the order of precedence under which deductions must be withheld is as indicated in the following list.

1. Retirement Deductions

a. Civil Service Retirement System (CSRS)

b. Federal Employees Retirement System (FERS)

c. Civil Service Retirement System - Offset (CSRS-Offset)

d. Title 32 National Guard

e. Nonappropriated Fund Instrumentality (NAFI) Employee Retirement Contributions

2. OASDI (Social Security) taxes collected under the authority of the Federal Insurance Contribution Act (FICA)

3. Medicare Tax

4. Federal Income Tax

5. Health Insurance Premiums (may be pre-tax)

6. Basic Group Life Insurance Premiums

a. Federal Employees Group Life Insurance (FEGLI)

b. State Life Insurance Premiums

7. State Income Tax

8. Local Income Tax

9. Collection of Debts Owed to the United States (U.S.)

a. Continuous Levy under the Federal Payment Levy Program (tax debt)

b. Salary Offsets

10. Court-Ordered Collection/Debt

a. Child Support

b. Alimony

c. Bankruptcy

d. Commercial Garnishments

11. Optional Benefits (see Chapter 11)

a. Health Care/Limited-Expense Health Care Flexible Spending Accounts (pre-tax benefit under Federal Flexible Benefits Plan or cafeteria plan)

b. Dental (pre-tax)

c. Vision (pre-tax)

d. Health Savings Account (pre-tax)

e. Optional Life Insurance Premiums

f. Long-Term Care Insurance Premiums

g. Dependent Care Flexible Spending Accounts (pre-tax)

h. TSP

(1) Loan Payments

(2) Basic Contributions (pre-tax)

(3) Catch-up Contributions (pre-tax)

i. Other Optional Benefits

12. Other Voluntary Deductions/Allotments

a. Military Service Deposits

b. Professional Associations

c. Union Dues

d. Charities

e. Bonds

f. Personal Account Allotments (to savings or checking accounts)

g. Additional Voluntary Deductions (on first-come, first-served basis)

13. Internal Revenue Service (IRS) Paper Levies

B. Priority of Deductions vs. Net Pay Exclusions. The order of precedence is used to determine which authorized deductions from the employee's pay will be applied first in the event that the gross pay is not sufficient to cover all deductions. This issue is separate from determining the net amount of an employee's pay subject to a particular deduction. Pay applied toward certain other deductions may be excluded in determining the net amount of pay for which a given deduction is made; however, that does not necessarily mean that any of the other deductions listed are applied first. For example:

1. Federal income tax deductions are deducted from the net amount of pay subject to Federal income taxes (taxable pay). An employee's deduction for TSP contributions is pre-tax, meaning the contribution is excluded from the net amount of taxable pay. However, the TSP deduction is lower in the order of precedence than Federal income taxes.

2. Court-ordered alimony payments are deducted from the net amount of pay subject to garnishment (garnishable pay). An employee's TSP deduction is excluded from the net amount of garnishable pay (Title 5 Code of Federal Regulations, ***(C.F.R.) 581.105(e)***. However, the TSP deduction is lower in the order of precedence than the alimony garnishment.

040202. Available Pay

An employee's available gross pay is reduced by the amount of each deduction withheld in the specific order of precedence listed in paragraph 040201. After an authorized deduction is withheld, if an employee's remaining pay is not sufficient to allow for the deduction next in the order of precedence to be withheld in its entirety, the following applies:

A. Mandatory Deduction. If the deduction next in the order of precedence is a mandatory deduction, the PRO will use the remaining available pay to make a partial deduction. When this situation occurs, the employee's net pay will be zero.

B. Voluntary Deduction. If the deduction next in the order of precedence is a voluntary deduction, the PRO will not make the next voluntary deduction or any other deductions thereafter. The employee's remaining available pay should be paid to the employee as net pay.

0403 RETIREMENT DEDUCTIONS

*040301. CSRS, CSRS-Offset, and FERS Administration and Recordkeeping

A. General. The CSRS and FERS Handbook for Personnel and Payroll Offices (***CSRS and FERS Handbook***) contains the instructions necessary for the PRO to report:

1. The withholding of mandatory deductions from employees enrolled in the CSRS; and

* 2. The basic retirement benefits under FERS. Employees under the FERS program were hired after January 1, 1987. Employees who were hired from January 1, 2013, through December 31, 2013, are FERS Revised Annuity Employees (FERS-RAE). See 5 U.S.C. ***8401 (37)***. Employees hired on or after January 1, 2014, are FERS Further Revised Annuity Employees (FERS-FRAE). See 5 U.S.C. ***8401 (38)***.

B. Coverage. For employees subject to retirement deductions, the Standard Form (SF) ***50***, Notification of Personnel Action, will reflect the correct retirement system for each employee. See Table 4-1 for pay subject to retirement deductions. For current deduction rates and employer contributions, refer to the ***OPM website***.

C. Responsibilities. The PRO must fulfill the general responsibilities relating to CSRS, CSRS-Offset and FERS retirement contributions as listed in the CSRS and FERS Handbook Chapter 1, ***Section 1C3.1-D***.

D. Communication with OPM. Forward records of separated employees to OPM Retirement Operations Center, Boyers, PA, as follows:

1. Office of Personnel Management
CSRS Retirement Records
P.O. Box 45
Boyers, PA 16017

2. Office of Personnel Management
FERS Retirement Records
P.O. Box 200
Boyers, PA 16017

E. Maintaining the Individual Retirement Record (IRR) SF 2806/3100

1. General. The PRO will maintain the IRR for each employee subject to CSRS, CSRS-Offset or FERS according to the CSRS and FERS Handbook at Chapter 81, ***part 81A2***. Because the IRR is used by OPM to adjudicate the retirement rights of separated employees or their survivors, it is important that each IRR be complete, correct, clear in every detail, and properly certified. Timely and accurate maintenance of each IRR will expedite closeout when an employee is separated or transferred to the paying jurisdiction of another agency.

2. Required Information. Certain information is required to be posted on the IRR for all employees. There are additional requirements for law enforcement officers, firefighters, foreign nationals, customs officers, and employees who have any periods of active duty

service. All data should be obtained from the SF 50 and posted to the IRR as it occurs. The ***OPM Operating Manual,*** The Guide to Personnel Data Standards includes the standard abbreviations and remarks required for completing the IRR. Examples of how to post the service history are located in the CSRS/FERS Handbook at Chapter 81, Section 81A2.2-2. IRRs should be reviewed to ensure that the service history is complete and that accurate dates and types of appointments are reflected for each period of service.

a. Sick Leave. When an employee dies, retires, converts to FERS with a CSRS annuity component, has an uncommon tour of duty or applies for disability retirement, the amount of unused sick leave must be recorded on the IRR. An employee who has had a break-in-service is entitled to a recredit of sick leave (without regard to the date of his or her separation) if he or she returns to Federal employment on or after December 2, 1994. However, sick leave may not be recredited to employees who were reemployed in the Federal Service before December 2, 1994, and who previously forfeited sick leave under the former rules. See ***5 C.F.R. 630.502(b)***. For further information, see examples in the CSRS and FERS Handbook at Chapter 81, subchapter 81A2.3-1.

b. Health Benefits Data. IRRs sent to OPM for regular retirement, disability retirement, or deceased employees must be annotated with the status of health benefits. Examples are shown in the CSRS and FERS Handbook at Chapter 81, subchapter 81B.

c. FEGLI. FEGLI must be shown on the IRR as specified in the CSRS and FERS Handbook**.** For further information see the ***FEGLI Program Handbook***.

3. Closing Out the IRR. Information on the closing out, certification and forwarding to OPM of an IRR upon an employee's separation can be found in the CSRS and FERS Handbook at Chapter 81, Section 81A2.2-4.

a. Employee Death. When the PRO receives notification of an employee's death, the PRO must send the IRR to OPM within 5 days of the date the final pay is computed. The deceased employee's records and associated applications must be received by OPM within 30 days of the date of death. For information on retirement deductions and matching agency contributions in final pay, see ***CSRS and FERS Handbook at Chapter 80***.

b. Separation and Application for Refund of Retirement. A refund is the lump-sum payment to a former employee, or an employee who is no longer covered by CSRS or FERS, of the amount of his or her retirement contributions. An individual seeking a refund must meet certain eligibility requirements. The PRO is responsible for sending the employee's IRR to OPM with the employee's refund application (***SF 2802*** Application for Refund of Retirement Deductions CSRS) or ***SF 3106*** (Application for Refund of Retirement Deductions FERS). See ***CSRS and FERS Handbook at Chapter 32***, subchapter 32A (CSRS) and 32B (FERS). A refund payment may include any of the following:

(1) Retirement contributions deducted from basic pay, including CSRS-Offset contributions for employees covered under CSRS-Offset, or FERS basic annuity deductions from pay;

(2) Deposits and/or redeposits;

(3) Military service credit deposits;

(4) Voluntary contributions; or

(5) Interest payable under law.

c. Disability Retirement Separations. Disability cases require different close out procedures due to the approval or denial of the application submitted by the employee for disability retirement. Agencies must execute both a preliminary and final IRR. Information. Examples on closing out an IRR for disability retirement are located in the CSRS and FERS Handbook at Chapter 81, subchapter 81A.2.3-2.

d. Nondisability Retirement Separations. When a separation occurs for reasons other than a disability retirement, the PRO must close out, certify, and forward the IRR to the address annotated in subparagraph 040301.D. Information and examples on the process required to close out an IRR are located in the CSRS and FERS Handbook at Chapter 81, Section 81A2.3-1.

e. Service Credit Deposits for Post-1956 Military Service. Preparation of the IRR for deposits of creditable post-1956 military service is discussed in the CSRS and FERS Handbook at ***Chapter 23***. For additional information, see Chapter 11.

F. Storing, Safeguarding and Disposing of the IRR

1. IRRs not maintained in a mechanized manner must be stored in a lockable metal file cabinet or in a secured facility with limited access provided only to employees whose official duties require access. Manually maintained IRRs must be electronically stored after being manually posted, and must be stored separately from the record itself, in accordance with the OPM requirements.

2. Records of a claim for retirement, life insurance, health benefits, and tax withholdings are maintained permanently in paper and/or electronic imaged format. Medical records used to determine suitability are maintained for 18 months. Requests for review of health benefits claims should be maintained for up to 3 years.

3. Manual records should be disposed of by shredding.

G. Register of Separations and Transfers (SF 2807/SF 3103)

1. ***SF 2807*** (CSRS) and ***SF 3103*** (FERS), Register of Separations and Transfers, serve to authenticate the IRR for transmittal to other PROs and to OPM. Together with other fiscal and accounting data available to OPM, the SF 2807/SF 3103 is an essential document controlling retirement monies. For information on how to prepare and maintain the SF 2807/3103, see the CSRS and FERS Handbook at Chapter 81, part 81A3.

2. More than one IRR may be submitted with each SF 2807/3103. However, the transmittal of completed retirement records should not be delayed while other IRRs are being prepared for forwarding to OPM.

H. Adjustments and Corrections. Adjustments and Corrections to the IRR should be made on the retirement record if the error is detected before the record is submitted to OPM. If the error is detected after the record is sent to OPM, prepare an ***SF 2806-1 (CSRS)*** or ***SF 3101 (FERS)***, Notice of Correction of Individual Retirement Record. See CSRS and FERS Handbook at Chapter 81, part 81A2.3-3.

1. Current Employees

a. Overdeduction. If an overdeduction was made for retirement from the pay of a current employee, the PRO must make an adjustment during the next payroll cycle. The PRO must decrease the current retirement deductions from the employee's current pay period earnings, and make a corresponding adjustment in the employer's contributions.

b. Underdeduction. If an underdeduction occurred, or if deductions were not made for a period when an employee was covered by CSRS/FERS, then that employee must be afforded due process rights before being requested to repay the overpayment. If deductions were made for a nonappropriated fund (NAF) retirement plan when deductions are required for CSRS/FERS, then the PRO must adjust the NAF retirement deductions and contributions and the Social Security deductions and contributions in the next pay period. These amounts should then be offset against the amounts that should have been submitted for CSRS/FERS to determine the net amount that must be withheld from the employee's current period pay.

2. Separated Employees

a. Overdeduction

(1) When excess retirement amounts have been deducted from a former employee's pay and the IRR ***SF 2806 (CSRS)/3100 (FERS)*** has not yet been forwarded to OPM, the PRO must correct the amount in the current calendar year and correct the accumulated deductions posted on the SF 2806/3100 prior to forwarding to OPM.

(2) If an overdeduction for retirement is found after the IRR SF 2806/3100 was sent to OPM, the PRO must prepare an SF 2806-1 or an SF 3101 and submit the form to OPM.

(3) If an overdeduction from a former employee's pay results in excess employer contributions for retirement, the PRO must deduct the amount of the excess from the next pay period's submission of the Retirement and Insurance Transfer System (RITS) file.

b. Underdeduction

(1) When an insufficient amount for retirement has been deducted from a former employee's pay and the SF 2806/3100 has not yet been submitted to OPM, the PRO must note the amount of the deficiency on the SF 2806/3100. If the SF 2806/3100 has been submitted, then another SF 2806/3100 must be prepared and annotated "Supplemental" in the upper left margin.

(2) When an underdeduction from a former employee's pay results in insufficient employer retirement benefits contributions, the insufficient amount will normally be included in the RITS file for the next pay period.

3. Transferred Employees

a. Overdeduction

(1) When excess retirement amounts have been deducted from a transferred employee's pay and the SF 2806/3100 has not been forwarded to OPM, the PRO must correct the amount in the current calendar year and correct the total accumulative deductions posted on the SF 2806/3100 prior to forwarding.

(2) If the overdeduction for retirement is found after the SF 2806 was forwarded to another PRO within the Department, an SF 2806-1 must be prepared and submitted to the gaining PRO.

(3) When an overdeduction from a transferred employee's pay results in excess employer retirement contributions, the PRO must deduct the amount of excess employer contributions from the RITS file for the next pay period.

b. Underdeduction. When an insufficient retirement amount has been deducted from a former employee's pay and the SF 2806 has not yet been forwarded to another PRO within the same Component, the losing PRO must note the amount of underdeductions on the SF 2806. The losing PRO must prepare and forward a supplemental SF 2806 to the gaining PRO, if the SF 2806 has previously been submitted.

c. Service History Corrections. The PRO must correct the "Service History" portion of the SF 2806 if the error is detected before the record is sent to another PRO within the same Component. If the error is detected after the record is submitted, the losing PRO must prepare and submit an SF 2806-1 to the gaining PRO.

4. Retroactive Payments

a. The PRO must report CSRS/FERS deductions withheld from a retroactive salary payment for a separated employee by preparing a supplemental SF 2806/3100, and forwarding it to OPM using an SF 2807/3103.

b. For a current employee, the PRO must include CSRS/FERS deductions withheld from a retroactive salary payment in the current year salary deduction on the SF 2806/3100 being maintained for the employee.

c. A losing PRO must report CSRS/FERS deductions withheld from a retroactive salary payment for an employee transferred to another PRO within the same Component by preparing a supplemental SF 2806/3100. The losing PRO must send the SF 2806 to the gaining PRO using an SF 2807. The losing PRO must send the SF 3100 to OPM using an SF 3103.

I. Availability of Retirement Funds for Loans, Garnishments, and Indebtedness

1. Loans and Garnishments. See CSRS and FERS Handbook, Chapter 5. An employee cannot borrow from the retirement fund or use money credited to his or her account as security for a loan or any other purpose. Additionally, an employee's retirement account is not subject to the execution of levies, attachments, garnishments, or other legal processes except as follows:

a. OPM will comply with a garnishment or attachment order issued to enforce child support or alimony obligation.

b. OPM will comply with the assignment of retirement benefits in a qualifying state court order, decree, or community property settlement agreement in connection with a divorce, annulment of marriage, or legal separation of a Federal employee or retiree.

2. Indebtedness. The PRO may request OPM use administrative offset to collect a debt owed to the U.S. by use of administrative offset against any money due and payable to a separated employee from his or her CSRS or FERS benefits. See Chapter 8 for recovering debts from retirement funds. The PRO must ensure the former employee has been given due process rights as specified in Chapter 8. See also CSRS and FERS Handbook at Chapters 4 and 5.

J. Submission of Deductions and Contributions. Employee deductions and employer contributions for CSRS and FERS must be reported separately to OPM each pay period. PROs reporting to OPM via the RITS must report deductions and contributions using procedures described in Chapter 9. Employer contributions must be charged to the appropriation(s) from which the employee's salary is paid. See CSRS and FERS Handbook at Chapter 80.

*040302. State Retirement Programs for National Guard Technicians

Effective January 1, 1969, pursuant to ***32 U.S.C. 709***, all National Guard Technicians appointed in a position not excluded from coverage are considered Federal employees who are automatically covered by CSRS or FERS. However, technicians that were employed on December 31, 1968, had the option of irrevocably electing to remain covered by a state retirement system. The DoD negotiated agreements with states for Federal employee contributions to a state or state-sponsored contributory retirement program. For further information, see

CSRS and FERS Handbook at Chapter 12. Historical information on contribution agreements for state retirement programs may be found in archived versions of this chapter.

040303. DoD Employees Covered By Retirement Systems for Nonappropriated Fund Instrumentalities

A. General. NAF employees are Federal employees within DoD. However, NAF employees are not subject to many of the personnel laws administered by OPM for appropriated fund (APF) employees. The status of NAF employees is explained at ***5 U.S.C. 2105(c)*****.** NAF employee retirement benefits are not subject to the same requirements as that of civil service positions. Each NAF employer administers its own retirement program pursuant to DoD Instruction (DoDI) 1400.25-***V1408***, DoD Civilian Personnel Management System, Volume 1408, Insurance and Annuities for NAF Employees.

B. Portability. If a NAF employee moves to an APF position, unless specifically provided by law, the employee's NAF service is not creditable for civil service benefits. Likewise, service in an APF position is not creditable for NAF benefits. Laws and regulations regarding service credit and portability of benefits for employees who move between NAF and APF positions are discussed in this section and in the reference guide entitled, "***Portability of Benefits for Moves Between Civil Service and Nonappropriated Fund Employment Systems***" published by the DoD Civilian Personnel Management Service (CPMS). See also ***5 C.F.R. Part 847*** and ***5 C.F.R. Part 1620, subpart D***.

C. DoD Components that offer NAF Retirement Plans. The following DoD Components offer NAF retirement plans for eligible DoD NAF employees:

1. Department of the Army,
2. Department of the Air Force,
3. U. S. Marine Corps,
4. Bureau of Naval Personnel,
5. Navy Exchange Service Command,
6. Army and Air Force Exchange Service, and
7. Coast Guard.

D. History of Public Laws Relating to Portability of Retirement Benefits for NAF Employees.

1. NAFI Employee's Retirement Credit Act of 1986, Public Law (P. L.) 99-638, (***5 U.S.C. 8332***). The Act was the first to permit CSRS credit for former NAF service. The law required that NAF service be provided in certain morale, welfare, and recreation (MWR)

positions after June 18, 1952, and before January 1, 1966. Covered employees were primarily Army NAF employees in recreation, youth activities, or arts and crafts positions which were not covered with a NAF retirement system.

2. The Portability of Benefits for NAF Employees Act of 1990, P. L. 101-508, Section 7202, (5 U.S.C. 8332). The law provides pay and benefit portability for employees who move between NAF and APF positions. The law covers moves between DoD NAF and DoD APF positions made on or after January 1, 1987. An employee who moves with a break-in-service of no more than 3 days between such positions may be eligible for pay, leave, reduction-in-force, and retirement benefit protection. An employee who moves between positions may remain in his or her civil service or NAF retirement plan, if vested.

3. Fiscal Year 1996 National Defense Authorization Act, P. L. 104-106, Section 1043, (5 U.S.C. 8332). The law further expanded portability, primarily in the area of retirement coverage. Retirement election provisions were expanded to include moves to APF positions outside of DoD and to cover moves on or after August 10, 1996, with a break-in-service of not more than 1 year. Employees must be vested in the losing employment system's retirement plan in order to elect to retain coverage. The law provided eligible FERS or NAF employees the opportunity to combine FERS and NAF service credit retroactively if the move occurred on or after January 1, 1966, but before August 10, 1996, with an election deadline of August 11, 1997. Waivers of this deadline are authorized for employees who did not receive notice and counseling from their Human Resources Office (HRO).

4. Fiscal Year 2002 National Defense Authorization Act, P. L. 107-107, Sections 1131 and 1132, (5 U.S.C. 8332). The law further expanded the retirement election opportunity making it easier for employees who have performed service with a DoD or Coast Guard NAFI to continue retirement coverage after moving between NAF and APF positions. Section 1131 permits employees moving between NAF and APF positions on or after December 28, 2001, to continue coverage in the retirement plan under which they were covered immediately before the move, even if they were not vested in that retirement plan. Employee moves between retirement covered positions must not involve a break of more than 1 year. Additionally, section 1132 permits employees in CSRS and FERS to use prior NAF service to qualify for an immediate retirement on or after December 28, 2001. Credit for NAF service under section 1132 will not result in higher CSRS or FERS annuity benefits.

E. Elections to Continue Retirement Coverage After a Qualifying Move from a NAF Position. In accordance with ***5 C.F.R. 847.202***, NAF employees must meet the requirements of a qualifying move in order to be eligible to retain NAF retirement coverage after moving to a civil position covered by CSRS or FERS. A qualifying move for the following specified time periods is defined as follows:

1. Qualifying Move Between January 1, 1987, and August 9, 1996. A qualifying move occurring between January 1, 1987, and August 9, 1996, that would allow a NAF employee the opportunity to elect to continue retirement coverage under a NAF retirement system must meet all the following criteria:

a. Employee must not have had a prior opportunity to elect to continue NAF retirement system coverage,

b. Employee must have been a vested participant in the NAF retirement system prior to the move to the civil service,

c. Employee must have moved from an NAF to a CSRS or FERS covered position within DoD or the U.S. Coast Guard, and

d. Employee must be appointed to a CSRS or FERS covered position no later than 4 days after separation from retirement covered NAF employment.

2. Qualifying Move between August 10, 1996, and December 28, 2001. A qualifying move occurring on or after August 10, 1996, and before December 28, 2001, that would allow a NAF employee an opportunity to elect to continue retirement coverage under a NAF retirement system must meet all the following criteria:

a. Employee must not have had a prior opportunity to elect to continue NAF retirement system coverage,

b. Employee must have been a vested participant in the NAF retirement system prior to the move to a CSRS or FERS covered position,

c. Employee must have moved from a NAF to a civil service position subject to CSRS or FERS coverage, and

d. Employee must be appointed to a CSRS or FERS covered position no later than 1 year after separation from retirement covered NAF employment.

3. Qualifying Move after December 28, 2001. A qualifying move occurring on or after December 28, 2001, that would allow a NAF employee an opportunity to elect to continue retirement coverage under a NAF retirement system must meet all the following criteria:

a. Employee must not have had a prior opportunity to elect to continue NAF retirement system coverage,

b. Employee must have moved from a NAF to a civil service position subject to CSRS or FERS coverage, and

c. Employee must be appointed to a CSRS or FERS covered position no later than 1 year after separation from retirement covered NAF employment.

F. Electing NAF Retirement System Coverage after a Qualifying Move

1. Employees who elect to retain coverage under a NAF retirement system will have their SF 50 annotated as "5-Other" for the retirement code. The SF 50 will state that the employee has elected to retain coverage under a NAF retirement system.

2. Employees who elect to remain covered by a NAF retirement plan are excluded from coverage under CSRS or FERS during that and all subsequent periods of employment, including periods of service as a reemployed annuitant.

3. Employee retirement deductions, employer contributions, employee contributions to applicable 401(k) plans, and loan repayments will be made biweekly and submitted to the appropriate NAF employee benefit system. FICA must be withheld and reported in accordance with current guidance from the Department of the Treasury.

4. Employees who elect to retain coverage under a NAF retirement system are eligible to contribute to the applicable NAF 401(k) plan, but are not eligible to participate in TSP.

5. Employees who elect to retain NAF retirement coverage will continue to be covered with the NAF retirement plan in effect at the time of election.

040304. Uniformed Services University of the Health Sciences (USUHS) Faculty Retirement

A. The USUHS has established a policy on granting of retirement benefits for faculty and staff who are covered under the Administratively Determined (AD) pay plan. See ***10 U.S.C. 2113*** and ***USUHS Instruction 1418, Civilian Faculty Benefits Plan***. All full-time civilian faculty members of the USUHS appointed to an AD position with an appointment of more than 1 year may elect coverage under one the following plan options:

1. Teachers Insurance and Annuity Association College Retirement Equities Fund (TIAA-CREF). This is a tax-deferred retirement plan offering both fixed and variable annuity distributions which allows employees to enroll in any of 10 available funds. Amounts collected should be remitted to TIAA-CREF, 8500 Andrew Carnegie Blvd, Charlotte, NC 28626. Any offline collections will be deposited into and disbursed from deposit fund –X6875 and remitted to this same address. Additional information on TIAA-CREF may be found at the ***TIAA-CREF website***.

2. Fidelity Investments. This is a tax-deferred investment program through which the employee may enroll in any of 120 available funds. Amounts collected should be sent to Fidelity Retirement Services, P. O. Box 770002, Cincinnati, OH 45277-0089.

B. A total of 15 percent of the employee's total salary will be contributed to either TIAA-CREF or Fidelity Investments. The employer (USUHS) will contribute 10 percent and the employee will contribute a mandatory 5 percent through payroll deduction.

C. Part-time AD employees, visiting employees who carry a J-1 visa, faculty whose titles have the prefix Visiting and Postdoctoral Fellows are not eligible to participate in TIAA-CREF or Fidelity Investments.

0404 FEDERAL INSURANCE CONTRIBUTIONS ACT (FICA) TAX

040401. Authority

The Federal Insurance Contributions Act provides for a Federal system of OASDI and hospital insurance. See Title 26 U.S.C., ***Subtitle C, Chapter 21***. The OASDI program is financed by the Social Security tax, and the Hospital Insurance program is financed by the Medicare tax. Wages for covered employment are taxable regardless of the worker's age or whether the worker is receiving Social Security or Medicare benefits. Employers must match the taxes withheld from employee wages. The term FICA applies to the combined amount of the deductions withheld for both Social Security and Medicare. However, each of the taxes is reported separately. For purposes of this guidance, taxes withheld under FICA will be referred to separately as Social Security tax and Medicare tax. The guidance applies to both Social Security and Medicare withholding. For additional information, see the ***Social Security Handbook***.

A. Coverage. Federal employees are generally subject to both Social Security and Medicare tax withholding, but some employees are subject to only Medicare tax. Prior to 1984, most Federal civilian employment was exempt from Social Security coverage. However, for Federal employees hired on or after January 1, 1984, most services are covered by Social Security. Whether an employee is covered under Social Security is based on the type of appointment and is determined by the HRO and reflected on the SF 50. Federal employees became subject to Medicare withholding the first pay period in calendar year 1983. See ***Social Security Handbook at § 940.*** Social Security and/or Medicare taxes are withheld on the same wages, but only Social Security taxes have a wage base limit (i.e. the maximum wage amount subject to Social Security tax for the year). The deductions are shown separately on the ***IRS Form W-2*** (Wage and Tax Statement). The Department is considered one employer for purposes of determining the maximum wages subject to Social Security and/or Medicare withholding. Employees who are exempt from the Social Security and/or Medicare withholding are:

1. Noncitizens employed outside the U.S., the U.S. Virgin Islands, and Puerto Rico;

2. Interns, (except medical and dental interns and residents), student nurses, and other student employees of Federal hospitals (***26 U.S.C. 3121(b)(6)***);

3. Employees hired temporarily to handle fires, storms, earthquakes, floods, and other similar emergencies and disasters (26 U.S.C. 3121(b)(6));

4. If a civilian chaplain wants to be covered under Social Security and/or Medicare, he or she must apply as a self-employed person. If the order under which the chaplain belongs has elected its members to be covered by Social Security and/or Medicare, then the chaplain may also be covered by Social Security and/or Medicare;

5. Employees of instrumentalities of the U.S. Government that are specifically exempt from Social Security and/or Medicare by law (*26 U.S.C. 3112*); and

6. Title 32 National Guard technicians in Massachusetts and Nevada who elected to remain in the state employees retirement systems.

B. Transfers Between DoD Components. Beginning January 1, 1984, based on FICA, OPM directed that all newly hired Federal employees be subject to Social Security and Medicare withholding, as well as retirement deductions. If an employee transfers between DoD Components, then the gaining PRO must count those Social Security and/or Medicare taxes already deducted by the losing PRO in order not to exceed the maximum Social Security and/or Medicare tax liability due for that payroll year. When an employee transfers, the PRO must include Social Security and/or Medicare year-to-date wages, and Social Security and/or Medicare year-to-date taxes on the *SF 1150*, Record of Leave Data.

040402. Compensation Subject to Social Security and/or Medicare Taxes

A. Current Earnings and Allowances. For employees covered under FICA, compensation subject to Federal income tax (without regard to exemption status) is generally subject to Social Security and Medicare deductions (see Table 4-1). Employees covered under CSRS are subject only to Medicare withholding. The basis for Social Security and/or Medicare tax deductions is the employee's gross pay for each pay period.

B. Back Pay Awards. Employee and employer portions of Social Security and/or Medicare taxes computed for back pay awards must be calculated at the rate in effect at the time the payment of back pay is made.

040403. Tax Amounts

Social Security and Medicare taxes have different tax rate percentages, and Social Security is subject to a wage base limitation. Therefore, Social Security and/or Medicare taxes must be computed and reported separately.

A. Employee Deductions. For each pay period, deduct the appropriate Social Security and/or Medicare tax amount from the gross pay of each employee covered by Social Security and/or Medicare. With respect to the Social Security wage base limit, when the employee's earnings reach the applicable maximum limitation in a taxable year, discontinue the deductions for Social Security for the remainder of that tax year. Refer to IRS Publication 15, *IRS Circular E*, Employer's Tax Guide, for the yearly update. Maximum limitations for prior years are listed in Table 4-2 and Table 4-3.

B. Employer's Social Security and/or Medicare Tax. The U.S. Government must pay the employer's contribution equal to the same tax rate used for employees.

C. Official Social Security and Medicare Tax Tables. Tax tables are published in IRS Circular E.

040404. Voucher Entry

For each pay period, enter the employees' deductions and the employer's contributions for Social Security and/or Medicare taxes on the appropriate line of the ***Department of Defense (DD) Form 592***, Payroll for Personal Services Certification and Summary. The employer's portion is charged to the same appropriation(s) as the employee's salary.

040405. Adjustments

Adjustments due to errors and cancellation of paychecks are outlined in Chapter 8, Section 0808.

040406. Panama Social Security System

All non-U.S. citizens employed by the Panama Canal Commission after September 30, 1979, were covered by the Panama Social Security System (Social Security Provisions of the Agreement in Implementation of Article III of the Panama Canal Treaty). The employee's withholding was 7.25 percent of salary, and the employer's contribution was 12.45 percent of salary. Non-U.S. citizens covered by CSRS prior to October 1, 1979, and who were employed by the Panama Canal Company or Canal Zone Government and were covered by CSRS, continued to be covered under CSRS until termination. Note: The Panama Canal Treaty of September 7, 1977, relinquished U.S. control over the Canal and transferred authority to the Panama Canal Authority on December 31, 1999. The guidance contained in this paragraph is retained strictly for historical purposes. For further information, see ***22 U.S.C., Chapter 51***.

0405 FEDERAL INCOME TAX WITHHOLDING (FITW)

040501. General

A. Withholding Authority for Federal Income Tax. The Internal Revenue Code at ***26 U.S.C. 3402*** requires each Federal agency withhold Federal income taxes from wages paid to employees. The current IRS Circular E summarizes the employer's responsibilities and contains rates and tables for withholding. ***Title 26, U.S.C. Section 3306*** provides that services performed in the employ of the U.S. are exempt from the tax imposed under the Federal Unemployment Tax Act (FUTA).

B. Employer's Identification Number (EIN). An EIN is assigned by the appropriate District Director of the IRS to identify the tax accounts of employers. Only one identification number per PRO is authorized for use in reporting all Federal and Social Security and/or Medicare taxes. The PRO must collect Federal and Social Security and/or Medicare taxes from employee wages and report all taxes using ***IRS Form 941***, Employer’s Quarterly Federal Tax Return. The current IRS Circular E should be consulted for guidance on withholding and reporting Federal income tax and Social Security and/or Medicare.

C. Method of Withholding. The two most common methods for withholding tax provided by the IRS are the percentage method and the wage-bracket method. Refer to IRS Circular E for information on these two methods.

040502. Form W-4, Employee's Withholding Allowance Certificate

The PRO must use ***Form W-4*** to support statutory deductions for Federal income taxes from each employee. The W-4 states the number of exemptions claimed or extra withholding authorized by the employee. IRS Forms W-4 may be obtained from the nearest HRO or CSR. An employee is also allowed to process tax changes through an automated computer program, such as myPay, by using a personal identification code.

A. Withholding Allowances. At the start of employment, an employee must complete a Form W-4 and any additional forms required for withholding state or local taxes. The employee's marital status and number of allowances claimed provide the basis to compute FITW. If an employee fails to submit a Form W-4, the PRO must assume the employee is single and has zero withholding allowances. Once filed, a Form W-4 remains in effect until the employee amends it or files a new withholding certificate.

1. Permissible allowances are described on the Form W-4. Determining the accuracy of the number of allowances claimed is not the responsibility of the PRO.

2. The number of allowances claimed on the IRS Form W-4 may be different from the number of exemptions claimed on the employee's tax return. Employees may use the worksheet on the Form W-4 to determine if they qualify for claiming extra allowances.

B. Additional Withholding. An employee may claim additional withholding allowances, as computed using the table on Form W-4. An employee who wants to increase the amount of tax withheld may reduce the number of exemptions to which the employee is entitled. If an increase in Federal tax withholding is desired, the employee may also specify a fixed dollar amount to be withheld in addition to the amount of withholding based on filing status and withholding allowances claimed on Form W-4. The amount of withholding remains in effect until changed by the employee.

C. Reporting Certain Forms W-4 to the IRS

1. Employers may be directed by a written notice from IRS to send certain Forms W-4 to the IRS for review. If the PRO receives a written notice, then the PRO will contact the CSR to obtain a copy of the requested Form W-4. The PRO will follow the guidance in the written notice for submitting the Form W-4 to the IRS.

2. If the IRS determines that an employee does not have enough withholding, then the IRS may send the PRO a letter commonly called a lock-in-letter. The lock-in-letter will specify the maximum number of withholding allowances permitted for the employee. The PRO must furnish a copy of this letter to the employee within 10 business days of receipt of the letter. The PRO will begin the withholding based on the date specified in the letter.

040503. Allowance Status Change

If an employee submits a new Form W-4, the PRO will change the withholding effective the next pay period. No retroactive adjustment is permitted if an employee claims the Form W-4 on file is erroneous and submits a corrected one.

040504. Compensation Subject to Income Tax

See Table 4-1 for taxability of particular types of compensation.

040505. Withholding Allowances

A. Exemption from Withholding. An employer is not required to deduct and withhold any Federal income tax from wages paid to an employee who has certified to the employer (as prescribed by IRS) that the employee incurred no income tax liability for the preceding year and that the employee expects no liability for the current year. The employee uses the Form W-4 to make this certification. The employee must file a Form W-4 each year by February 15 to claim exemption from withholding. If the employee fails to file the Form W-4 claiming exemption from withholding by February 15, the PRO will withhold tax as if the employee is single with zero withholding allowances. If the employee provides a new Form W-4 claiming exemption from withholding on February 16 or later, the PRO will apply it to future wages but will not refund any taxes already withheld.

B. Retained Copies of IRS Form 941 and Related Reports. As forms become superseded or obsolete, the PRO should remove them from the active file and place in an inactive file. Treasury Department forms (e.g., IRS Forms 941 or W-4) do not have to be sent to the IRS District Director. However, if requested, the PRO must show that the information is on file as a supporting record.

040506. Tax Tables and Tax Periods

Refer to IRS Circular E for the current tax tables or applicable payroll system tax package.

040507. Adjustments in Tax Withheld

A. Underwithheld Taxes. If the PRO does not withhold income, Social Security, or Medicare taxes, or if less than the correct amount is withheld from the employee's wages, the adjustment to the employee's pay may be made in a later pay period of the same calendar year. The underpayment must be paid to the IRS by the employer. Underwithheld income tax should be recovered from the employee on or before the last day of the calendar year that the tax was due. See Chapter 8 and IRS Publication 15, Circular E for information on collection of a prior year tax debts. Make no adjustment if the error occurred in a prior calendar year or the employee is no longer on the payroll.

B. Refunding Taxes Incorrectly Withheld. If more than the correct amount of income, Social Security, or Medicare tax is withheld from employee's wages, the excess amount

must be refunded to the employee before the end of the 3-year statute of limitations that applies to tax refunds. For example, if excess Social Security taxes were withheld from an employee's pay in calendar year 2011, the excess Social Security taxes could be refunded to the employee through April 15, 2014.

040508. Tax Payments - Payment of Withheld Tax

A. Tax Collection. All Federal income, Social Security, and Medicare taxes collected by the PRO are directly remitted to IRS through the Electronic Federal Tax Payment System (EFTPS). EFTPS is a service offered by Treasury that allows an agency to electronically file and make payments for IRS Form 941 taxes each quarter.

B. Accounting. The PRO making the tax collection is responsible for preparing and issuing the ***Form W-2***, Wage and Tax Statement, to the employee.

C. Disbursement. The disbursing office will disburse all taxes withheld based on the information provided by the PRO and the frequency of the payroll involved. The taxes are remitted for amounts withheld from wages for Federal income, Social Security and/or Medicare taxes, and employer's contributions for Social Security and/or Medicare via the EFTPS.

040509. Resident and Nonresident Aliens

A. Withholding Tax. Wages paid to both resident and nonresident aliens for services performed in the U.S. are subject to the withholding of Federal income tax. The same regulations, procedures, and rates that govern U.S. citizens apply to resident and nonresident aliens. Generally, resident aliens are taxed in the same manner as U.S. citizens. However, for nonresident aliens, employers may be instructed to withhold an additional amount from a nonresident alien's wages. See IRS Circular E for any additional withholding adjustments.

B. Withholding Allowances and Exemptions. Resident aliens may claim the full number of withholding allowances to which they would be entitled if they were U.S. citizens. Generally, nonresident aliens may claim one withholding allowance on Form W-4. Nonresident aliens who are residents of Canada, Mexico or South Korea, or a student/business apprentice from India, or a U.S. National may be able to claim additional withholding allowances. See ***IRS Publication 519***, U.S. Tax Guide for Aliens, for additional information. In general, Federal income taxes on the wages of nonresident alien employees must be withheld. However, see ***IRS Publication 515***, Withholding of Tax on Nonresident Aliens and Foreign Entities, for exemptions to wage withholding.

C. Payment of Taxes and Tax Return. Federal income and Social Security/Medicare taxes withheld for resident and nonresident aliens covered in this chapter will be included with the total tax deposit payment and reported on the IRS Form 941.

040510. Lump-Sum Leave Payment Refunds

A. General. When a separated employee who received a lump-sum payment for annual leave is reemployed in Federal service prior to the end of the period covered by the lump-sum payment, the employee must refund an amount equal to the pay covering the period between the date of reemployment and the expiration of the lump-sum period. See ***5 U.S.C. 6306***. Refer to Chapter 8, Section 0808 regarding procedures on corrections of overpayments and underpayments.

B. Preparing a Statement Regarding Refunded Lump-Sum Leave Payments. When the entire amount of the refunded lump-sum leave payment has been collected from the reemployed individual, the PRO must prepare a statement (a sample format is shown in Figure 4-1) to be distributed as follows:

1. Send the original to the employee, with one copy for each taxing authority for which tax has been withheld from the employee's pay; and

2. Send one signed copy to the IRS, the state (if applicable), the city or county (if applicable), and any other authorized taxing authority.

040511. Advance Earned Income Credit (EIC)

The Education Jobs and Medicaid Assistance Act of 2010 (***P. L. 111-226***) signed into law on August 10, 2010, repealed the Advance EIC. After December 31, 2010, workers may not receive Advance EIC in their paychecks.

0406 STATE INCOME TAX WITHHOLDING (SITW)

040601. General

Title 5, U.S.C. Section 5517 provides for the withholding of state and territorial income taxes from the compensation of Federal employees if an agreement has been entered into between the Secretary of the Treasury and the proper official of the state or territory. Agreements exist between the Secretary of the Treasury and many of the states for withholding income tax from the compensation of Federal employees whose regular place of employment is within the state. See Treasury Financial Manual (TFM), Volume 1, Part Three, Chapter 5000, ***Appendix 2*** for additional information. If an agreement has not been reached between a state and the Secretary of Treasury, then the employee may elect to have discretionary withholding for a state.

A. Wages Subject to State Withholding. Wages and salaries subject to Federal income tax withholding are generally subject to state withholding. Cost-of-living allowances paid to employees in Hawaii are included as taxable income. Severance pay paid in accordance with ***5 U.S.C. 5595*** is included; however, state income tax should not be withheld from severance pay paid to the survivor of a deceased employee.

B. Withholding Requirements. When a state statute provides for the collection of a tax by the employer, withholding is required for any DoD employee who is subject to the tax

and whose regular place of Federal employment is within the state (if the state has entered into an agreement). Generally, the employee's official duty station is where the employee reports regularly to perform services. For an employee whose duties are performed at a place other than his or her official duty station, the regular place of Federal employment is the place where the employee actually and normally performs their duties.

C. Withholding Certificate. DoD employees must complete a state tax withholding certificate as a basis for proper withholding. The certificate must specify if the employee is subject to the tax as well as the employee's place of residence, regular place of employment, exemptions, and allowances. This certificate remains in effect until the employee submits a new certificate. If an employee does not furnish a withholding certificate for a designated state, the maximum amount applicable to the employee's annual compensation will be withheld.

D. Determination of Exemptions. The number of exemptions claimed may be based on the state withholding certificate or as shown on Form W-4 depending on individual state regulations or the agreements with the Secretary of the Treasury.

1. The PRO will withhold amounts based on personal exemptions and either:

a. The state withholding tax tables, or

b. Percentage or formula methods in accordance with the proper withholding agreement.

2. Generally, the tax withheld, after subtracting proper exemptions and allowances, should not be less than:

a. The amount set in the state withholding table, or

b. The amount determined by the percentage or formula method prescribed.

3. The PRO may use the employee's Form W-4 to determine state withholding in place of state forms if:

a. The withholding agreement authorizes it, and

b. The state and Federal exemptions allowed are the same.

4. Employees must file a state employee withholding exemption certificate if:

a. Exemptions under state law are not the same as under Federal law, or

b. The state requires the use of a separate form.

E. Reciprocal Agreements. The state requirements for withholding income tax may be modified by reciprocal agreements between states. The effect of reciprocal agreements generally is to relieve nonresident employees of their tax liability to the state in which they are employed. Reciprocal agreements also relieve the employer of the duty to withhold such taxes. To comply with Treasury-state withholding agreements, agencies must conform to the withholding provisions of reciprocal agreements. If an employee is subject to withholding in more than one state, use separate deduction codes to identify tax remittance for each state.

1. Employees usually are subject to withholding for the state in which their duty station is located. The employee's SF 50 shows the duty location. The duty station also governs withholding for employees in continual travel status. For an employee who performs duties at a place other than the official duty station, the place where the employee regularly performs his or her duties is considered the regular place of employment for state tax withholding purposes.

2. Reciprocal agreements between states may affect automatic withholding according to the duty station. In all disputed cases, the PRO will:

a. Withhold the tax, and

b. Advise the employee to negotiate the tax liability directly with the proper taxing authority.

F. Nonresident Employees

1. Some states permit nonresident employees to certify their compensation is not subject to that state's income tax. When the agreement or state law contains such a provision, the employee's signed statement is accepted as justification to discontinue withholding of state income tax. The statement is filed with the employee's IRS Form W-4.

2. Nonresident employees, who under the state income tax law are required to allocate at least three-fourths of their compensation to the state, are subject to withholding on their entire compensation. Nonresident employees, who under the state income tax law are required to allocate less than three-fourths of their compensation to the state, may elect to:

a. Have state income tax withheld on their entire compensation, or

b. Have no state income tax withheld on their compensation (***31 C.F.R. 215.10(a)***).

G. State Income Tax Discretionary Deductions

1. When a state provides for discretionary allotment withholdings, PROs will withhold state taxes only for those employees who have a legal obligation to pay and who

elect such withholding. This applies whether or not the Department of the Treasury has a withholding agreement with the state.

a. Employees must request the allotment on a proper withholding certificate.

b. Employee tenure does not affect the allotment.

2. Employees located in foreign areas must assume the responsibility for determining the need for state and local taxes. However, before submitting a request, an employee must be advised to:

a. Obtain assistance from the employing activity legal staff available to him or her; or

b. Contact the appropriate state or local income tax office as to the applicability of withholding taxes while on an overseas assignment. Preferably, this should be done prior to an employee's departure from the continental U.S. (CONUS). If the employee determines a withholding liability applies, then PROs will honor the request.

3. The PRO must comply with the agreement, regulations, and instructions of the state concerned.

a. The PRO will base the allotment amount on either:

(1) The amount (in whole dollars) set by an employee, or

(2) The withholding certificate filed by an employee and the state withholding tables or formulas.

b. The PRO will pay withheld state income taxes to each state concerned as prescribed for that state.

H. State Exemption Certificates. Employees are subject to mandatory withholding under Treasury-state withholding agreements; however, an employee may claim exemption from withholding under certain conditions. PROs must:

1. Require the use of state-furnished tax exemption certificates, if available.

2. Give the designated official of the taxing state the following information (on request) about employees claiming exemption:

a. Name,

b. SSN, and

c. The basis for the claimed exemption.

I. Military Spouses Residency Relief Act (MSRRA)

1. ***Public Law 111-97***, enacted November 11, 2009 (50 U.S.C. 571), allows for an employee who is a spouse of a military service member to claim an exemption from state withholding on wages because:

a. The employee's spouse is a member of the Armed Forces assigned to duty in the state of the employee's employment in compliance with military orders;

b. The employee is present in the state of employment solely to be with the employee's military spouse; and

c. The employee maintains a residence or domicile in another state.

2. Under the MSRRA, the employee must establish that the employee has a residence or domicile in a state other than the state of employment. An employee who is a military spouse is still liable for income taxes imposed by his or her state of legal residence or domicile. Once an employee establishes that the employee has a residence or domicile in a state other than the employee's state of employment, the employee may claim an exemption from state tax in the state of employment.

040602. Procedures

The PRO will send copies of Forms W-2 to states that have negotiated agreements with the Secretary of the Treasury with respect to employees who are subject to mandatory state withholding, or who may elect withholding under a state law (***TFM, paragraph 3-5070.10***).

A. Accounting for Withheld Taxes

1. Employee Pay Records. The PRO will record the amounts withheld each pay period on an employee's pay record when a special payment occurs; otherwise, the system will automatically update an employee's records.

2. Deposit Accounts. The PRO will:

a. List the total of withheld state taxes under the amount column of the Payroll Summary on DD Form 592, Payroll for Personal Services Certification and Summary.

b. Deposit the total in deposit fund account --X6275, (Withheld State Income Taxes). This account will be credited regardless of the employing activity of the employee, ***Federal Account Symbols and Titles (FAST) Book II*** .

3. Error Corrections. The PRO should correct a clerical error made in the prior pay period to the current calendar year if the employee is still on the payroll. If the error resulted in the underdeduction of taxes, the PRO must follow due process procedures to collect the taxes paid on behalf of the employee. If the error resulted in the overdeduction of withheld taxes, the PRO must refund the amount of the overdeduction to the employee on the next regular payroll cycle. The PRO will not make any adjustment if:

a. The employee is no longer on the payroll, or

b. The error was in a prior calendar year.

4. Paying Out Withheld Taxes

a. Frequency. PROs will comply with the state's current tax law, whether payment is required biweekly, monthly, or quarterly. PROs will not make payments more often than required under state tax law.

b. Payment Identification. The disbursing officer will issue checks on the basis of approved voucher prepared by the PRO. The PRO must prepare required tax payment documents.

5. Balancing State Wage and Tax Information. The PRO will balance the amounts reported on the Form W-2 or magnetic tape to each state with year-to-date control totals for state taxes withheld and state taxable wages. These amounts must be balanced before Forms W-2 are distributed to employees and forwarded to the states.

6. Collection of Delinquent Taxes. ***Title 5, C.F.R. Part 582*** authorizes the collection of a tax levy from a state or local government. The Defense Finance and Accounting Service-Cleveland Site (DFAS-CL/L) has been designated as the agent to accept legal process for DoD civilian employees for state or local tax levies. All state income tax liens will be sent to: Defense Finance and Accounting Service Cleveland Site, Office of General Counsel, Attention: Code L, P.O. Box 998002, Cleveland, Ohio 44199-8002.

7. Notice to Employees. The DoD Components should advise their employees that information returns will be sent to state and other taxing authorities of the employee's state of employment (and, in some cases, residence) where such authorities have requested the information. Only information properly releasable under the Privacy Act or the applicable notice of routine use may be released.

B. Recordkeeping

1. The PROs must retain the following records of state tax deductions:

a. EIN assigned by the state;

b. Amounts and dates of all payments and wages subject to state tax withholding;

c. Names, addresses, and Social Security Numbers (SSNs) of employees; and

d. Dates and amounts of tax deposits made.

2. The CSR will retain the following:

a. The employee's state withholding allowance certificate which will be kept until superseded or canceled, and

b. Dates of employment.

C. Annual Form W-2 Reporting. Refer to Chapter 9 for procedures.

D. Official State and Territory Codes and Abbreviations. The official abbreviations and state codes for all the states of the U.S. (including D.C.) and U.S. possessions and territories are listed in Table 4-4. No other abbreviations or codes may be used.

040603. Guam or the Commonwealth of Northern Mariana Islands Federal Income Taxes

The total amount of Federal income taxes withheld from employee salaries creditable to Guam or the Commonwealth of Northern Mariana Islands must be certified and submitted each calendar quarter to the IRS. The certifications must include the employer identification number, the quarter covered by the certifications, and the dollar amount withheld. The submission may contain one certification, but amounts attributable to Guam and the Commonwealth of Northern Mariana Islands must be reported separately. Refer to ***TFM, Part 3, section 4090*** for additional information.

0407 CITY AND LOCAL INCOME AND EMPLOYMENT TAX WITHHOLDING

040701. Withholding Authority

Title 5, U.S.C., Section 5520 authorizes withholding of city, county or employment tax from compensation of Federal employees who are subject to tax and whose regular place of Federal employment is within the city or county which has entered into a proper agreement with the Secretary of the Treasury. Withholding is also required if the employee is a resident of the city or county. Each DoD employee must complete a withholding certificate for city or local taxes as a basis for proper withholding. An out-of-state employee's consent to have city or local taxes withheld is also required when applicable.

A. Treasury Agreements. An agreement must be reached between the Secretary of the Treasury and the applicable city, county, or local taxing authority before withholding is required (***TFM, Part Three, Chapter 5000, Appendix 3***). The agreement provides for mandatory withholding of income or employment tax from the compensation of Federal employees whose regular place of employment is within the city or county or who are residents of the city or county.

Generally, this is based on where employees report for work. In the case of employees who perform their services other than where they report, the regular place of employment is where the employee regularly performs his or her services.

B. Wages Subject to City and County Withholding. PROs must apply policies .and follow procedures as prescribed for each state in the determination of employee wages subject to mandatory city and county withholding.

1. Basic Wages. All wages and salaries subject to Federal income tax withholding are normally subject to city and county withholding. Severance pay paid to an employee is generally included; however, severance pay paid to the survivor of a deceased employee is excluded.

2. Mandatory Withholding

a. The PRO must withhold tax from wages of Federal employees who reside in cities or counties that have entered into withholding agreements.

b. The PRO must withhold tax from the wages of Federal employees whose regular place of Federal employment is within a city or county where they are subject to tax. If employees reside in a state other than the state in which the city or county is located, then they are exempt from mandatory withholding.

c. The Federal employee's regular place of employment usually is the employee's official duty station that is shown on the SF 50. If an employee actually performs service at a location other than the official duty station, that alternate location will be considered the regular place of employment.

d. Many local ordinances tax only wages for services performed within the city or county; in most cases, this applies only to nonresident employees. Employees eligible to exclude part of their annual income under such provisions must submit a withholding certificate that specifies the amount or percentage. The PRO must reduce withholding accordingly. If the employee does not file a certificate, the PRO must withhold tax based on the employee’s total compensation. PROs must not make an adjustment in withholding if employees perform less than 25 percent of their services outside the city or county.

C. Withholding Certificates

1. Employees must submit withholding certificates. They must provide the CSR with all the information needed to properly deduct city or county income taxes. If employees do not provide a certificate, then the PRO must withhold tax at the highest level that applies to their annual wages; however, the PRO must not withhold any tax from wages of out-of-state employees until they present a form consenting to withholding.

2. Employing activities may use a withholding or exemption certificate furnished by a city or county only if it contains all required information. If the form does not contain all needed information, then employing activities may use Financial Management Service Form 7311, Employee Withholding Certificate for Local Taxes. See TFM, Volume 1, Part Three, Chapter 5000, ***section 5040.40***.

3. The CSR may provide copies of completed withholding forms to the city or county upon request. See ***TFM, Volume I, Part Three, Chapter 5000, section 5040.50***.

D. Discretionary Withholding of City or Local Tax

1. Nonresident Employees. An employee who does not reside in the state in which the city or county (place of employment) is located is exempt from mandatory withholding; however, the PRO may withhold tax with the employee's consent. The employee must submit a withholding certificate.

2. Allotment for Discretionary Deduction. Employees have the option of making discretionary allotments for the payroll deduction of taxes of their city or county of residence if they are employed outside that location. The fact that taxes are withheld for the city or county of employment does not affect the employee's discretionary allotment.

a. An employee may make a discretionary allotment for withholding even though the city or county does not have a withholding agreement.

b. The PRO must set the allotment amount on the city or county withholding method or deduct a whole dollar amount set by the employee. The employee must submit a proper withholding certificate.

3. Accounting for Discretionary Withholding. The PRO must account for discretionary tax deductions as prescribed for mandatory withholdings.

4. Amount of Withholding. The PRO must withhold tax based on:

a. The proper city or county tax withholding rate set in the city or county instructions,

b. The prescribed percentage or formula method, or

c. Computation of a set amount to be deducted from the employee's pay each pay period.

5. Minimum Withholding. The PRO must deduct an amount, at a minimum, nearly equal to the tax required by the city or county.

040702. Procedures.

The PRO must record amounts withheld each pay period in the employee's pay record when a special payment occurs; otherwise, the system will automatically update an employee's record.

A. Deposits. The PRO must make a one-line entry on the DD Form 592 as follows:

1. Enter withheld city (or county) income tax below state or territorial tax and the total amount withheld each pay period.

2. Credit the withheld tax to deposit fund account --X6275 for city and county tax.

B. Correcting Errors. PROs must apply the same instructions applicable to the withholding of state taxes. Refer to subparagraph 040602.A.3.

C. Paying Out Withheld Taxes. PROs must apply instructions for state tax.

D. Annual Form W-2 Reporting. See Chapter 9.

040703. Recordkeeping

A. PROs must keep all records of city or county income tax deductions. Records should include the:

1. EIN assigned by the city or county;

2. Amounts and dates of all wages subject to city or county tax withholding;

3. Names, addresses, and SSN of employees;

4. Dates and amounts of city or county tax paid; and

5. Copies of all returns filed.

B. The employing activity must retain withholding authorization certificates for city tax deductions for each employee until superseded or canceled.
Figure 4-1: Lump-Sum Annual Leave Repayment (Sample Format)

REPAYMENT OF LUMP-SUM ANNUAL LEAVE	Date
To:	From:

Under the provisions of the Lump-Sum Payment Act (December 21, 1944), the following statement is furnished for submission with your Federal and state income tax returns for calendar year

Name and Number of Employee

refunded during the calendar year _____ the sum of $_____, representing refund of Lump-Sum Annual Leave payment under the provisions of the Lump-Sum Payment Act. The Form W-2 (Wage and Tax Statement) for calendar year _____ has not been decreased by this amount.

Duty Station	Federal Employer's Identification Number
	State Identification Number
Typed Name, Title and Telephone	Signature

Copy Forwarded To:

Internal Revenue Service

State of

City or County of

Table 4-1: Mandatory Deductions Withheld From Civilian Pay for CSRS and FERS Employees

	FED. TAX	SOCIAL SECURITY	MEDI-CARE	STATE	CITY/ LOCAL	RET	TSP
1. Premium pay: Sunday, Holiday and Overtime;	YES	YES	YES	YES	YES	NO	NO
Standby Duty, Availability Pay, and Administratively Uncontrollable Overtime	YES	YES	YES	YES	YES	YES	YES
2. Basic Pay	YES	YES	YES	YES	YES	YES	YES
3. Differentials include Night, Hazardous, Post (nonforeign & foreign), Staffing, Supervisory	YES	YES	YES	YES	YES	NO	NO
4. Other Differentials: Shift, Environmental, and Tropical	YES	YES	YES	YES	YES	YES	YES
5. Lump-Sum Leave	YES	YES	YES	YES	YES	NO	NO
6. Severance Pay	YES	YES	YES	YES	YES	NO	NO
7. Awards	YES	YES	YES	YES	YES	NO	NO
8. Allowances include Living Quarters, Temporary Quarters Subsistence, Post, Foreign Transfer, Home Service Transfer, Separate Maintenance, Official Residence, Representation, Cuba Benefit	NO	NO	NO	NO	NO	NO	NO
9. Other Allowances: a. Non-foreign Cost-of-Living b. Physicians Comparability c. Remote Site d. Danger Pay	 NO YES YES YES	 NO YES YES YES	 NO YES YES YES	 * YES * YES	 * YES * YES	 NO YES NO NO	 NO YES NO NO
10. Recruitment, Relocation, and Retention Incentives	YES	YES*	YES	YES	YES	NO	NO
11. Separation Incentive Pay	YES	YES	YES	YES	YES	NO	NO

Varies by state and city/local taxing authority. See also Chapter 3 for additional guidance.

Table 4-2: 1963 through 1993 Percentage Rates of FICA: Social Security Tax and Medicare Tax Deductions and Total Maximum Tax

CALENDAR YEAR	MAXIMUM GROSS PAY (applies to both Social Security and Medicare taxes except where noted)	SOCIAL SECURITY	MEDICARE	-	TOTAL TAX RATE APPLIED TO MAXIMUM GROSS PAY* (Refers to combined Medicare and Social Security Tax Rates through 1993	MAXIMUM TAX PAYABLE (Refers to combined Medicare and Social Security tax through 1993)*
1963-1965	$4,800	3.625%	0.00%		3.625%	$174.00
1966	6,600	3.85%	0.35%		4.20%	277.20
1967	6,600	3.90%	0.50%		4.40%	290.40
1968	7,800	3.80%	0.60%		4.40%	343.20
1969-1970	7,800	4.20%	0.60%		4.80%	374.40
1971	7,800	4.60%	0.60%		5.20%	405.60
1972	9,000	4.60%	0.60%		5.20%	468.00
1973	10,800	4.85%	1.00%		5.85%	631.80
1974	13,200	4.95%	0.90%		5.85%	772.20
1975	14,100	4.95%	0.90%		5.85%	824.85
1976	15,300	4.95%	0.90%		5.85%	895.05
1977	16,500	4.95%	0.90%		5.85%	965.25
1978	17,700	5.05%	1.00%		6.05%	1,070.85
1979	22,900	5.08%	1.05%		6.13%	1,403.77
1980	25,900	5.08%	1.05%		6.13%	1,587.67
1981	29,700	5.35%	1.30%		6.65%	1,975.05
1982	32,400	5.40%	1.30%		6.70%	2,170.80
1983	35,700	5.40%	1.30%		6.70%	2,391.90
1984	37,800	5.70%	1.30%	**	6.70%	2,532.60
1985	39,600	5.70%	1.35%		7.05%	2,791.80
1986	42,000	5.70%	1.45%		7.15%	3,003.00
1987	43,800	5.70%	1.45%		7.15%	3,131.70
1988	45,000	6.06%	1.45%		7.51%	3,379.50
1989	48,000	6.06%	1.45%		7.51%	3,604.80
1990	51,300	6.20%	1.45%		7.65%	3,924.45
1991	53,400	6.20%	0.00%	***	6.20%	3,310.80
***	125,000	0.00%	1.45%		1.45%	1,812.50
1992	55,500	6.20%	0.00%	***	6.20%	3,441.00
	130,200	0.00%	1.45%		1.45%	1,887.90
1993	57,600	6.20%	0.00%	***	6.20%	3,571.20
	135,000	0.00%	1.45%		1.45%	1,957.50

*Table 4-3: 1994 to 2015 Percentage Rates of FICA: Social Security Tax and Total Maximum Tax

CALENDAR YEAR	MAXIMUM GROSS PAY (applies to Social Security tax only after 1994)	SOCIAL SECURITY	MEDICARE ****	MAXIMUM TAX PAYABLE (Refers Social Security tax only after 1994)*
1994	60,600	6.20%		3,757.20
1995	61,200	6.20%		3,794.40
1996	62,700	6.20%		3,887.40
1997	65,400	6.20%		4,054.80
1998	68,400	6.20%		4,240.80
1999	72,600	6.20%		4,501.20
2000	76,200	6.20%		4,724.40
2001	80,400	6.20%		4,984.80
2002	84,900	6.20%		5,263.00
2003	87,000	6.20%		5,394.00
2004	87,900	6.20%		5,449.80
2005	90,000	6.20%		5,580.00
2006	94,200	6.20%		5,840.40
2007	97,500	6.20%		6,045.00
2008	102,000	6.20%		6,324.00
2009-2010	106,800	6.20%		6,621.60
2011*****	106,800	4.20%		4,485.60
2012******	110,100	4.20%		4,624.20
2013*******	113,700	6.20%		7,049.40
2014	117,000	6.20%		7,254.00
2015	118,500	6.20%		7,347.00

*The OASDI program sets the limits on the amount of earnings subject to be taxed in any given year. Beginning in 1994, the limitation on maximum gross wages subject to Medicare tax was removed. Therefore, from 1963 to 1993, the "Maximum Tax Payable" column in Table 4-2 refers to the maximum amount of tax payable for both Social Security tax and Medicare tax. Beginning with 1994, the "Maximum Tax Payable" column refers only to the maximum amount of Social Security tax payable. Similarly, the "Total Tax Rate Applied to Maximum Gross Pay" is a sum total of the Medicare tax rate and the Social Security Tax rate until 1993.

**Beginning in 1984 the Social Security/Medicare rate was combined for a total of 7% and employees were given a .3% credit applied to the portion.

***From 1991 through 1993, the maximum gross wages subject to FICA tax were separated for Social Security and Medicare tax purposes. For 1991 through 1993, the maximum gross taxable wages subject to Social Security tax is listed on the chart first followed by the maximum amount of taxable wages for Medicare in the row below.

**** From 1994 to 2011, the Medicare tax is 1.45% with no limit on the maximum amount of taxable wages for Medicare. Beginning with the 2013 tax year, the employee's portion of the Medicare tax is increased by an additional 0.9% (for a total of 2.35%) for wages in excess of $200,000.

*****For 2011, the employee's portion of the Social Security tax is 4.2%. The employer's portion of the Social Security tax in 2011 remains at 6.2% for the employee's first $106,800 of taxable earnings. In addition to the Social Security tax, an employee is subject to a Medicare tax of 1.45%, with no limit on the maximum amount of taxable wages for Medicare. The employer must pay a Medicare tax of 1.45% and the combined Medicare tax for 2011 remains at 2.9% on all employee earnings.

******For 2012, the employee's portion of the Social Security tax remained at 4.2%.

Table 4-4: State Abbreviations and Numeric Codes

STATE	ABBREVIATION	CODE
Alabama	AL	01
Alaska	AK	02
Arizona	AZ	04
Arkansas	AR	05
California	CA	06
Colorado	CO	08
Connecticut	CT	09
Delaware	DE	10
District of Columbia	DC	11
Florida	FL	12
Georgia	GA	13
Hawaii	HI	15
Idaho	ID	16
Illinois	IL	17
Indiana	IN	18
Iowa	IA	19
Kansas	KS	20
Kentucky	KY	21
Louisiana	LA	22
Maine	ME	23
Maryland	MD	24
Massachusetts	MA	25
Michigan	MI	26
Minnesota	MN	27
Mississippi	MS	28
Missouri	MO	29
Montana	MT	30
Nebraska	NE	31
Nevada	NV	32
New Hampshire	NH	33
New Jersey	NJ	34
New Mexico	NM	35
New York	NY	36
North Carolina	NC	37
North Dakota	ND	38
Ohio	OH	39
Oklahoma	OK	40
Oregon	OR	41

Table 4-4: State Abbreviations and Numeric Codes (Continued)

STATE	ABBREVIATION	CODE
Pennsylvania	PA	42
Rhode Island	RI	44
South Carolina	SC	45
South Dakota	SD	46
Tennessee	TN	47
Texas	TX	48
Utah	UT	49
Vermont	VT	50
Virginia	VA	51
Washington	WA	53
West Virginia	WV	54
Wisconsin	WI	55
Wyoming	WY	56

AREAS OUTSIDE THE U.S.

POSSESSION OR TERRITORY	CODE
American Samoa	60
Defense Complex Panama	61
Canton and Enderbury Islands	62
Guam	66
Johnston Atoll	67
Midway Islands	71
Puerto Rico	72
Ryuku Islands, Southern	73
Swan Islands	74
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VOLUME 8, CHAPTER 5: "LEAVE AND OTHER ABSENCES"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated October 2015 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Reworded, renumbered, and reformatted chapter for clarity; updated references; and added hyperlinks.	Revision
050304.B.4	Added statement that employees who have a negative annual leave balance and transfer agencies will have their negative leave balance transfer with them to their new agency.	Addition
050306.D	Clarified the human resources office identifies annual leave to be restored and notifies the customer service representative.	Revision
050306.F	Clarified types of administrative error for restoring forfeited annual leave.	Revision
050801.A.2.	Clarified maximum leave donation amounts for a leave year for those with no use or lose leave.	Revision
050801.A.2.	Clarified maximum leave donation amounts for a leave year for those with use or lose leave.	Revision
051510.A.3	Clarified that employee's do not have the right to refuse jury duty fees.	Revision
051802	Added statement that an agency is authorized to pay the expenses of an official or an employee of the United States carrying out an official function as part of a funeral or memorial service.	Addition
052002	Clarified temporary employees who have their appointment extended are not entitled to military leave.	Revision
052003.A.1	Added statement that employees supporting a contingency operation are entitled to 22 workdays of military leave.	Addition
0525	Added section on disabled veteran leave.	Addition

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CHAPTER 5

LEAVE AND OTHER ABSENCES

0501 GENERAL

050101. Purpose

The Office of Personnel Management (OPM) provides government-wide information on Federal leave policies and programs. Each Federal agency is responsible for administering leave policies and programs for its employees. The purpose of this chapter is to provide information on leave policies specific to Department of Defense (DoD) employees as they apply to the various types of leave, including annual leave, sick leave, various forms of family friendly leave, leave sharing, leave under the Family and Medical Leave Act (FMLA), and time off for special circumstances, such as weather emergencies. The type, amount, and nature of leave benefits are dependent on the type and length of employment, military status, and other eligibility requirements.

050102. Authoritative Guidance

Specific statutes, regulations, and other guidance are referenced under each section of this chapter.

0502 GENERAL REQUIREMENTS AND RESPONSIBILITIES

050201. Objectives

Civilian Payroll Offices (PRO) and payroll systems areas are responsible for meeting the following objectives:

A. Maintaining leave records and balances for each employee as provided in paragraph 050203;

B. Recording accrued and accumulated leave. Accrued leave is leave earned by an employee during the current leave year that is unused at any given time in that year. Accumulated leave means unused leave remaining to the credit of an employee at the beginning of the leave year;

C. Reporting all leave taken; and

D. Reporting accurate data on leave use and accruals in order to simplify the collection of leave related debts and preparation of financial reports.

050202. Maintaining Leave Records

The PROs must maintain leave records for each employee in order to show:

A. Rate of accrual for each type of leave,

B. Hours or days accrued and type of leave used,

C. Hours or days of leave advanced by leave type, and

D. Leave balances.

050203. Rate of Leave Accrual

A. Leave Year. The leave year begins on the first day of the first full biweekly pay period in a calendar year. A leave year ends on the day immediately before the first day of the first full biweekly pay period in the following calendar year (or first complete pay period in the following calendar year). See the leave years for 2002 through 2020 at the OPM Fact Sheet, ***Leave Year Beginning and Ending Dates***.

B. System Requirements for Accurate Leave Records. To ensure proper accrual rates, the civilian payroll system must contain accurate information on the type of appointment for each employee and the types of leave hours or days to which the employee is entitled. The PRO must accurately record leave earned for each type of leave using the correct rates effective for the proper times.

C. Reductions in Leave Credits. Reductions in the leave balances are made at the beginning of each leave year for any accumulated leave that exceeds statutory limits. Reductions in leave credits must be made in accordance with Title 5, Code of Federal Regulations (C.F.R.), part ***630.208***.

D. Reductions Resulting in a Debit. When a reduction in leave credits results in a debit to an employee's annual leave account at the end of a leave year, the agency must:

1. Carry the debit forward as a charge against the annual leave to be earned by the employee in the next leave year; or

2. Require the employee to refund the amount paid him for the period covering the excess leave that resulted in the debit.

E. Recording Leave Credits and Usage. The PRO must post annual and sick leave earned for each pay period to the employee's leave record. The leave record must also reflect all leave used during the same pay period.

F. Prorating the Accrual of Leave. When an employee's service is interrupted by a non-leave-earning period, leave is earned on a pro rata basis for the portion of the pay period that the employee is in a pay status. See ***5 C.F.R. 630.204***. See Table 5-1 for proration of leave.

050204. Approval

To support the time and attendance record, employees must request approval of leave. Supervisors designated to approve leave must document leave used in writing. Documentation for leave used must show the dates, times, and types of leave taken.

050205. Minimum Charge

Heads of DoD Components and their designees have the authority to establish minimum charges for leave as outlined in the Department of Defense Instruction ***(DoDI) 1400.25-V630***. The minimum charge for leave will be 1 hour unless an agency determines a need to establish a minimum charge for leave of less than 1 hour or establishes a different minimal charge through negotiations. In any case, the agency may not charge for leave in increments of less than 6 minutes. See ***5 C.F.R. 630.206***.

0503 ANNUAL LEAVE

050301. General

Annual leave is an approved leave of absence from duty with pay for personal, emergency, or other reasons. An employee may use annual leave for vacations, rest and relaxation, and personal business or emergencies. Annual leave may be used for pregnancy, childbirth and recovery, bonding with or caring for a baby, or for other childcare responsibilities. An employee has a right to take annual leave, subject to the right of the supervisor to schedule the time at which annual leave may be taken. An employee will receive a lump-sum payment for accumulated and accrued annual leave when he or she separates from Federal service. An employee may also elect to have a lump-sum payment at the time they enter on active duty in the Armed Forces. See ***5 C.F.R. 630, subpart C*** and the OPM Handbook on Leave and Workplace Flexibilities for ***Childbirth, Adoption, and Foster Care***.

A. Creditable Service for Annual Leave Accrual. When a new employee is hired, the hiring agency establishes a Service Computation Date (SCD) at the time of the appointment. The SCD is used to determine the rate that the employee accrues annual leave (4, 6, or 8 hours per pay period for most employees). See subparagraph 050302.B and OPM's ***Creditable Service for Leave Accrual***.

B. Charging Annual Leave Accrued During the Same Pay Period. To ensure the proper documentation of leave, the PRO posts any annual leave earned in a pay period to the employee's record before charging the leave taken during the same pay period.

C. Substituting Annual Leave for Sick Leave. If requested by an employee (and approved by a supervisor), any absence that is otherwise chargeable to sick leave may be charged to annual leave. Retroactively substituting annual leave for sick leave is not authorized except to liquidate advanced sick leave indebtedness. The substitution of annual leave for sick leave may not be made retroactively for the purpose of avoiding a forfeiture of annual leave at the end of the leave year.

D. Scheduling of Annual Leave. Employees and their supervisors are mutually responsible for planning and scheduling the use of employees' annual leave throughout the leave year. Employees should request annual leave in a timely manner, and supervisors should provide timely responses to employees' requests.

050302. Annual Leave Accrual

A. General. Most employees earn leave based on their work schedule, status, and time in service. Paragraph 050302 does not apply to employees who are Senior Executive Service (SES), Senior Level (SL)/Scientific or Professional (ST) employees. See paragraph 050303 for leave accrual for SES, SL/ST employees.

B. Eligibility for Annual Leave. Generally, most employees are eligible to take authorized absences from work using accrued annual leave, subject to the following requirements:

1. Uncommon Tour of Duty. Full-time, part-time, temporary, and employees on uncommon tours of duty are eligible to accrue annual leave. Employees with an uncommon tour of duty accrue leave directly proportional (based on the number of hours in the biweekly tour of duty and the accrual rate of the corresponding leave category) to the standard leave accrual rates for employees who accrue and use leave on the basis of an 80-hour biweekly tour of duty. When an employee is converted to a different tour of duty for leave purposes, his or her leave balances shall be converted to the proper number of hours based on the proportion of hours in the new tour of duty compared to the former tour of duty. See ***5 C.F.R. 630.210(b)***.

2. Temporary Employees. Temporary employees with an appointment of less than 90 days are entitled to accrue annual leave only after being employed for a 90-day continuous period under successive appointments with no break in service. After completing the 90-day period of continuous employment, the employee is entitled to be credited with the leave that would have accrued during that period.

3. Intermittent and Seasonal Employees. Employees without an established scheduled tour of duty during the administrative workweek are not eligible to accrue annual leave. See ***5 C.F.R. 340, subpart D***.

C. Accrual Rates. Employees must be employed for the full pay period to accrue leave for that pay period. An employee is considered to be employed for a full pay period if they are employed during the days falling within that period, exclusive of holidays and non-workdays established by Federal statute, Executive Order, or administrative order. See ***Title 5, United States Code (U.S.C.), section 6302(b)***. The amount of annual leave earned is based on the length of Federal service, including creditable military service or service credit for prior non-Federal service under ***5 U.S.C. § 6303(e)***. Leave for full-time employees is earned as follows (see Table 5-1):

1. Full-time employees with less than 3 years of service earn 4 hours of annual leave per pay period or a total of 13 days per year.

2. Full-time employees with over 3 years, but less than 15 years of service, earn 6 hours per pay period or a total of 20 days per year. These employees earn an additional 4 hours in the last full pay period of the calendar year.

3. Full-time employees with 15 or more years of service earn 8 hours per pay period or a total of 26 days per year.

D. Nonpay Status and Annual Leave Accrual. The accumulation of nonpay status hours during the leave year may affect the accrual of annual leave. Each time the number of hours in a nonpay status in a full-time employee's leave year equals the number of base pay hours in a pay period, the civilian payroll system reduces leave credits by the amount of leave the employee earned during the pay period. When an employee's accumulated nonpay hours do not require a reduction of leave credits, the civilian payroll system drops the nonpay hours at the end of the employee's leave year. Annual leave does not accrue for employees who are in a nonpay status and who are receiving compensation from the Office of Workers' Compensation Program (OWCP). Therefore, for such employees, no reduction in leave credits is required. See 5 C.F.R. 630.208.

E. Part-Time Employee Annual Leave Accrual

1. Under 5 C.F.R. 630.303, part-time employees with regularly scheduled tours of duty earn annual leave on a pro rata basis for the time they are in a pay status. Leave is earned as follows:

a. Part-time employees with less than 3 years of service earn 1 hour of annual leave for each 20 hours in a pay status.

b. Part-time employees with 3 years but less than 15 years of service earn 1 hour of annual leave for each 13 hours in a pay status.

c. Part-time employees with 15 or more years of service earn 1 hour of annual leave for each 10 hours in a pay status.

2. Hours in a pay status that exceed the activity's basic work hours in a pay period (normally 80 hours) are disregarded when computing the leave earnings for part-time employees. See ***5 C.F.R. 630.202(b)***.

3. Part-time employees may carry forward from one pay period to the next those excess hours that are not evenly divisible by 10, 13, or 20 hours; as applicable, the PRO must add these hours to the next pay period work hours for leave accrual.

4. Part-time employees who work concurrently in two part-time Federal positions may earn annual leave on the same pro rata basis for the hours worked in each part-time position. Only the leave earned in the given part-time position may be used for absences from that position.

F. Uncommon Tours of Duty and Annual Leave Accrual. An uncommon tour

of duty means an established tour of duty that exceeds 80 hours of work in a pay period. See ***5 C.F.R. 630.201***. Employees working uncommon tours of duty accrue leave in direct proportion to the standard leave rates for employees who accrue and use leave based on an 80-hour biweekly tour of duty**.** See ***5 C.F.R. 630.210(a)***. See the Application of the Directionally Proportional Table in DoDI 1400.25-V630 to determine the appropriate amount of leave to credit an employee working an uncommon tour of duty. For employees on uncommon tours of duty, 1 hour of leave is charged for each hour of absence from the uncommon tour of duty.

050303. Annual Leave Accrual Rates for SES, SL/ST, or Defense Intelligence Senior Level (DISL) Employees

A. General. ***Section 202(b) of the Federal Workforce Flexibility Act of 2004***, effective October 30, 2004, provides a higher annual leave accrual rate of 1 full day (8 hours) per pay period, without regard to the length of service with the Federal Government. This act affects members of the SES (***5 U.S.C. § 5383***), SL and ST positions (***5 U.S.C. § 5376***), and DISL employees (***10 U.S.C. § 1607(a)***), hereinafter SES members. See ***5 U.S.C. § 6303(f)*** and ***5 C.F.R. 630.301***.

B. OPM Approval of Additional Categories of Employees. The head of an agency may request that OPM authorize an annual leave accrual rate of 1 full day (8 hours) for each pay period for additional categories of employees covered by ***5 U.S.C. § 6301***. The positions must be determined by OPM to be equivalent to positions subject to the pay systems under 5 U.S.C. § 5383 or 5376. Such requests must include an explanation of the rationale for considering the affected pay system to be equivalent to the SES member pay system. See ***5 C.F.R . 630.301(b)***. Once OPM approves an agency's request to cover additional categories of employees, the higher annual leave accrual rate will become effective for the pay period that OPM approves the agency's request. Agencies must credit annual leave at the 8-hour accrual rate for affected employees employed for the full pay period.

C. SES Members Who Change Positions

1. Revising Accrual Rates. SES members who move to a position not covered by the higher annual leave accrual rate will no longer be entitled to the higher rate. Upon movement to a non-covered position, an SES member's annual leave accrual rate must be determined based on his or her years of creditable service, as provided in ***5 U.S.C. § 6303(a)*** and ***5 C.F.R. 630.301(d)***.

2. Crediting Accumulated Annual Leave. An SES member moving from a position not covered by the higher annual leave accrual rate to a new position that is covered by the higher accrual rate retains any annual leave accumulated prior to the move and the leave remains to the employee's credit. See 5 C.F.R. 630.301(f).

a. Forfeited Leave. Annual leave accumulated before an employee moves to a position covered by the higher annual leave accrual rate that exceeds the amount allowed under ***5 U.S.C. § 6304(a) or (b)***, and that is not used by the beginning of the first full pay period in the next leave year, is subject to forfeiture under ***5 U.S.C. § 6304(c)***.

b. Special Circumstances. If an employee serves less than a full pay period in a position covered by the higher annual leave accrual rate, then the annual leave accrued for that portion of the pay period will be subject to the 720 hour (90 day) limitation on accumulation of annual leave. Annual leave accrued during the remainder of the pay period that the employee was not covered by the higher annual leave accrual rate is subject to the limitations under 5 U.S.C. § 6304 (a), (b), and (c), as appropriate.

D. Presidential Appointees. Executive Schedule employees appointed by the President do not accrue leave, and therefore, an absence from work is not charged as leave. See 5 U.S.C. § 6301(2)(x) and ***5 C.F.R. 630.211***.

1. Lump-Sum Payments of Accrued Annual Leave for Presidential Appointees. A current Federal employee who receives a Presidential appointment is not entitled to a lump-sum payment for his or her unused annual leave. See ***5 C.F.R. 550.1203(e)*** and Chapter 3, section 0307. Maintain the unused annual leave credit on the employee's record in the event the employee is reemployed in a position covered by the Federal leave system. However, if the employee separates from Federal service while under a Presidential appointment, the employee will receive a lump-sum payment for unused annual leave based on the rate of pay in effect for the position the employee held immediately before the employee accepted the appointment. See ***5 U.S.C. § 5551(b)***.

2. Exceptions for Certain SES Career Appointees. An SES career appointee appointed at a rate of basic pay equal to or greater than the rate payable for Level V of the Executive Schedule may elect to retain certain SES benefits, including annual and sick leave accrual, upon accepting the Presidential appointment. If the appointee elects to continue their leave benefits, then the liquidation of leave by lump-sum payment would not apply. See ***5 U.S.C. § 3392(c)***, 5 C.F.R. 550.1203(e), and ***5 C.F.R. 317.801***.

*050304. Advanced Annual Leave

A. General. Under ***5 U.S.C. § 6302(d)***, annual leave may be advanced to an employee in the amount not to exceed the total amount the employee would accrue within the leave year. A supervisor must have reasonable assurance the employee will be in a duty status long enough to earn the advanced leave. Leave must not be advanced to an employee when it is known or expected that the employee will not return to duty, such as when the employee has applied for disability retirement. Annual leave should be advanced to the maximum extent practicable for purposes related to pregnancy and childbirth.

B. Refunding Advanced Annual Leave

1. General. Advanced leave is liquidated with any subsequently earned annual leave. An employee who separates from Federal service must refund the amount of the advanced leave, or the agency may deduct the amount from any pay due the employee. See ***5 C.F.R. 630.209(a)***.

2. Exceptions. An employee who dies or retires for a disability is not

required to refund the amount of advanced leave due. An employee who has been determined by the employing office as having separated or resigned because of a disability is not required to refund the amount of advanced leave. However, medical evidence may be required by the employing office in order to determine if the disability prevents his or her return to duty or continued service. See ***5 C.F.R. 630.209(b)***.

3. Military Service. An employee who enters active military service with a right to restoration is not considered separated and is not required to refund the advanced annual leave when entering military service. The employee must liquidate the advanced annual leave after the employee returns to duty or refund the advanced leave if the employee is separated from Federal service. See 5 C.F.R. 630.209(a).

* 4. Transfers to Another Federal Agency. If an employee has been indebted for advanced annual leave and transfers to another Federal agency without a break in service, the losing agency must certify the annual leave account to the new agency for charge. An employee is not required to refund the advanced annual leave in order to achieve a zero balance before the time of transfer. In such cases, a negative annual leave balance will transfer with the employee to the employee's new agency. See ***5 C.F.R. 630.501*** and the OPM Fact Sheet, ***Advanced Annual Leave***.

050305. Annual Leave Ceilings

A. General. Under ***5 U.S.C. § 6304***, Federal employees are subject to a limit, or annual leave ceiling, on the maximum amount of annual leave that may be carried forward into the next leave year. Most employees may carry 240 hours (30 days) of annual leave from one year to the next. See 5 C.F.R. 630.302.

B. "Use or Lose" Annual Leave. "Use or lose" annual leave is the amount of leave in excess of the employee's annual leave ceiling. The employee forfeits excess leave not used by the final day of the leave year. Forfeited annual leave may be restored under certain circumstances. See paragraph 050306. "Use or lose" annual leave must be scheduled in writing before the start of the third pay period prior to the end of the leave year. The employee forfeits any annual leave not scheduled by that date and not used by the final day of the leave year.

C. Thirty-Day Annual Leave Ceiling for Federal Employees Stationed Within the United States. The maximum carried forward from one leave year to another is usually 240 hours (30 days). See paragraph 050306 regarding annual leave carryover for DoD employees who are employed at installations that are facing planned base closures. See 5 U.S.C. § 6304.

D. Forty-Five Day Annual Leave Ceiling for Federal Employees Assigned Outside of the Continental United States (OCONUS)

1. Forty-Five Day Limit and Effective Date. Employees stationed OCONUS, who meet the conditions for eligibility established by 5 U.S.C. § 6304(b) and 5 C.F.R. 630.302, may carry forward a maximum of 360 hours (45 days). The effective date that an employee becomes subject to 5 U.S.C. § 6304(b) is the:

a. Date of entry on duty when employed locally,

b. Date of arrival at a post of regular assignment for duty, or

c. Date on which the employee begins to perform duty in an area OCONUS when the employee is required to perform duty en route to his post of regular assignment for duty.

2. Returning From OCONUS Assignment. Employees returning from an OCONUS assignment may carry forward the balance of leave to their credit at the end of the pay period, including the date the employee departs for reassignment. If detailed to another OCONUS assignment, the date they cease to perform duty at the detailed post is considered the date of departure for reassignment. Annual leave in excess of 240 hours that was accumulated under 5 U.S.C. § 6304(b), by an employee who becomes subject to the 240-hour maximum carry forward, remains to the credit of the employee until used. Excess annual leave at the beginning of the first full pay period occurring in a leave year is reduced by the amount of annual leave the employee used during the preceding year that is in excess of the amount that accrued during that year. This process continues until the employee's accumulated leave does not exceed 240 hours.

E. Annual Leave Ceiling for Part-Time Employees. Part-time employees may not carry forward more than 240 hours of annual leave if serving in the United States or 360 hours of annual leave if serving OCONUS. See 5 C.F.R. 630.304.

F. Ninety-Day Annual Leave Ceiling for SES Members

1. General. Under 5 U.S.C. § 6304(f), the annual leave ceiling for SES members is 720 hours (90 days). Unused annual leave accrued by SES members must accumulate for use in subsequent years until the leave totals not more than 720 hours at the beginning of the first full pay period, or corresponding period for an employee whose pay is not based on a pay period, occurring in a calendar year. See 5 C.F.R. 630.301(e).

2. Personal Leave Ceiling for SES Members. There is a 90-day (720-hour) maximum limitation on the amount of annual leave that an SES member may carry forward from one leave year to the next. The 720-hour limit became effective October 13, 1994, under Public Law 103-56. Prior to this date, there was no limit. Effective October 13, 1994, any SES member who had accumulated annual leave that exceeded 720 hours was permitted to carry the balance forward as a personal leave ceiling. See ***5 C.F.R. 630.301(h)***.

a. The amount of annual leave credited to an SES member's personal leave ceiling will be based on the amount of annual leave accumulated by the employee as of the end of the pay period preceding the first applicable pay period beginning after October 13, 1994.

b. The PRO prorates annual leave accrued for any pay period during which only a portion the employee served under an appointment to the SES.

c. The personal leave ceiling is reduced by the number of hours used in excess of the number of hours earned during the previous year.

d. When the personal leave ceiling falls below 720 hours, the PRO eliminates the personal ceiling, and the SES member becomes subject to the regular 720-hour limit. See 5 C.F.R. 630.301(h).

3. Changing Positions

a. Partial Pay Periods. If an employee serves less than a full pay period in an SES appointment, only that portion of accrued annual leave that is earned while serving in that position must be subject to the 720-hour limitation. Annual leave accrued during the remainder of the pay period is subject to the limitations in 5 U.S.C. § 6304(a), (b), and (c), as appropriate. See 5 C.F.R. 630.301(f)(2).

b. Moving to an SES Appointment. If an employee moves from a non-SES appointment to an SES appointment, any annual leave accumulated in the non-SES position that exceeds the amount allowed for that position under 5 U.S.C. § 6304(a), (b), and (c) that is not used by the beginning of the first full pay period in the next leave year is subject to forfeiture. See 5 U.S.C. § 6304(c) and 5 C.F.R. 630.301(f)(1). Although an employee serving in an SES position may not accumulate credit hours, credit hours earned in a prior non-SES appointment may remain in the employee's account for use.

c. Moving From an SES Appointment. When the SES member moves to a non-SES position, any annual leave accumulated while serving in the SES position that is in excess of the amount allowed for the non-SES position under 5 U.S.C. § 6304(a), (b), and (c) remains to the employee's credit. Any excess annual leave must be subject to reduction as described under 5 U.S.C. § 6304(c) and 5 C.F.R. 630.301(g).

*050306. Restoring Forfeited Annual Leave

A. General. Agencies may restore annual leave that was forfeited due to being in excess of the maximum leave ceilings (e.g., 30, 45, or 90 days) if the leave was forfeited because of administrative error, exigency of the public business, or sickness of the employee.

1. The agency makes the determination as to what constitutes an administrative error.

2. Exigency of the public business means there is an urgent need for the employee to be at work such that excess annual leave cannot be used. An employee's use of earned compensatory time off or credit hours does not constitute an exigency of the public business. If the use of earned compensatory time off or credit hours that are about to expire results in the forfeiture of excess annual leave, the forfeited leave may not be restored.

3. An employee's sickness or injury must occur late in the leave year or be of such duration that it prevented the scheduling of the excess annual leave before the end of the leave year. See the OPM Fact Sheet, ***Restoration of Annual Leave***.

B. Requirements for Restoring Annual Leave. One of the following requirements must be met before consideration for restoration of forfeited leave:

1. An agency may consider for restoration annual leave that was forfeited due to an exigency of the public business or sickness of the employee only if the annual leave was scheduled in writing before the start of the third pay period prior to the end of the leave year; and

2. If restoration is based on exigency of the public business, the determination that an exigency is of major importance and that annual leave may not be used must be made by the head of an activity no lower than a major field headquarters or major field installation. See 5 C.F.R. 630.305.

C. Time Limit for Using Restored Annual Leave

1. General. Under 5 C.F.R. 630.306, and except as otherwise authorized by regulation, annual leave restored under 5 U.S.C. § 6304(d) must be scheduled and used not later than the end of the leave year ending 2 years after:

a. The date of restoration of the annual leave forfeited because of administrative error;

b. The date fixed by the agency head, or his or her designated official, as the termination date of the exigency of the public business that resulted in forfeiture of the annual leave; or

c. The date the employee is determined to be recovered and able to return to duty if the leave is forfeited because of sickness or injury.

2. Time Limits for SES Members. To avoid forfeiture of restored leave, the time limit established under 5 C.F.R. 630.306 must be met. The time limit is not changed when the employee receives an SES appointment.

3. Extended Exigency of the Public Business. For an extended exigency of the public business, the time period for use of restored leave is 2 years for each calendar year, or part thereof, during which the exigency existed. This time period starts at the beginning of the leave

year following the leave year in which the exigency is declared to be ended. Under ***5 C.F.R. 630.309***, an extended exigency is one that threatens the national security, safety, or welfare; lasts more than 3 calendar years; affects a segment of an agency or occupational class; and precludes subsequent use of both restored and accrued annual leave within the time limit specified in 5 C.F.R. 630.306.

4. National Emergency by Reason of Certain Terrorist Attacks. On March 4, 2002, OPM issued final regulations that permit "use or lose" annual leave to be restored to employees whose services are determined to be necessary for the current national emergency. Such employees are entitled to have their excess annual leave restored without the administrative burden of scheduling and canceling such leave. In addition, the time limitations for using restored annual leave are suspended for the entire period during which employees' services are determined to be essential for activities associated with the national emergency. A new time limit for using all restored leave available to the employee will be established at the end of the national emergency, or when the services of the employee no longer are determined to be necessary. See 5 C.F.R. 630.311.

* D. Separate Leave Account for Restored Annual Leave. The payroll system must maintain separate restored leave accounts for each calendar year. The HRO identifies the reason for restoration as well as the category of leave being restored. The HRO then provides the information to the CSR in writing. Credit restored annual leave to a separate leave account identifying the date of restoration, the date of forfeiture, the amount credited for use, the amount of usage, and the unused balance. Restored annual leave is not included in, and does not increase, the maximum annual leave carryover for an employee. See 5 U.S.C. § 6304(d)(2).

E. Time and Attendance Reports. Timekeeping instructions in Chapter 2 specify the method used to identify the leave account to be charged.

* F. Forfeiture of Restored Annual Leave. If restored leave is unused by the employee at the expiration of the time limitation, the leave is forfeited with no further right to restoration. This is the case even if the employee's failure to use the leave was due to an agency error. Administrative error may not serve as the basis to extend the time limit in which to use the restored leave. Administrative error includes failing to establish a separate leave account, failing to fix the date for the expiration of the time limit, or failing to properly advise the employee regarding the rules for using the restored annual leave.

G. Lump-Sum Payment. Upon separation, the PRO will pay employees entitled to lump-sum payment for their unused restored annual leave, excluding forfeited leave. If the leave is forfeited because of an administrative error, the employee must file a claim within 3 years of the discovery of the administrative error leading to the forfeiture. See 5 U.S.C. § 6304(e). Employees entering active duty in the Armed Forces may elect to have leave remain to their credit until their return from active duty. See ***5 U.S.C. § 5552*** and Chapter 3, section 0307.

H. Restored Annual Leave Resulting from Correction of Unjustified or Unwarranted Personnel Action Under the Back Pay Act. Annual leave that is restored to an employee resulting from the correction of an unjustified or unwarranted personnel action in excess of the maximum leave accumulation authorized by law must be credited to a separate leave account

for use by the employee. See ***5 C.F. R. 550.805(q)***. The restored leave, also referred to as reinstated leave, must be scheduled and used as provided in subparagraphs 050306.H.1 and 050306.H.2. Any unused restored leave, also referred to as reinstated leave, will be forfeited if not used within the prescribed timeframe. See ***5 U.S.C. § 5596(b)(1)(B)***. The restored leave must be scheduled and used as follows:

1. Full-Time Employees. Excess annual leave of 416 hours or less must be scheduled and used by the end of the leave year ending 2 years after the date on which the leave is credited to the separate account. This period is extended by 1 leave year for each additional 208 hours of excess annual leave or any portion thereof. See Table 5-2.

2. Part-Time Employees. These employees must schedule and use excess annual leave in an amount equal to or less than 20 percent of the employee's scheduled tour of duty over a period of 52 calendar weeks by the end of the leave year ending 2 years after the date that the annual leave credits to the separate account. This period is extended by one leave year for each additional number of hours of excess annual leave, or any portion thereof, equal to 10 percent of the scheduled tour of duty over a period of 52 calendar weeks. See Table 5-2.

I. Base Realignment and Closure (BRAC) Restored Leave. In accordance with 5 U.S.C. § 6304(d)(3), employees assigned to DoD activities designated by the BRAC Commission for closure or realignment, deemed to create an exigency of the public business, are entitled to have forfeited annual leave restored. The PRO will restore leave in excess of the statutory maximum (normally 240 hours) and place in a separate leave account. There is no requirement for an employee to use restored leave prior to using other available annual leave. Lump-sum payment of annual leave in a BRAC restored leave account is required under certain situations. Under ***5 U.S.C. § 5551(c)***, lump-sum payments are made to eligible DoD employees upon their being assigned to a position in any other Federal agency or department outside the DoD, or to any DoD position at an installation that is not being closed or realigned. If it is determined that the required lump-sum payment was not processed at the time of transfer, then see ***DoDI 1400.25-V1705*** for additional information on liquidating leave and computing any interest due.

050307. Lump-Sum Payments of Annual Leave Upon Retirement or Separation.

Lump-sum payments for unused annual leave are generally payable when an employee separates from Federal service, dies, or transfers to a position under a different leave system. Employees who enter active duty in the Armed Forces are entitled to elect to have their leave remain to their credit until they return from active duty. See ***5 U.S.C. §§ 5551***, 5552, and ***6306***; and ***5 C.F.R. 550, subpart L***. For details on requirements regarding lump-sum payments for accumulated and accrued annual leave, see Chapter 3, section 0307.

0504 SICK LEAVE

050401. General

Under ***5 U.S.C. § 6307*** and ***5 C.F.R. 630, subparts B*** and ***D***, sick leave is authorized for personal medical needs, care of a family member, care of a family member with a serious health condition, adoption-related purposes, and bereavement. See paragraph 050404 for authorized uses for sick leave.

A. Expanded Family and Medical Leave Policies. The Federal Employees Family Friendly Leave Act, October 22, 1994, expanded the use of accrued sick leave for family care or bereavement purposes. See subparagraph 050404.B. In addition, employees may be entitled to unpaid leave under FMLA to care for a family member or covered Service member. See section 0505. There is no certain order for using various family friendly leave policies. See Table 5-3 for information on leave flexibilities available to care for a family member or a covered Service member. See section 0506 for information on leave flexibilities for childbirth, adoption, and foster care.

B. Substituting Sick Leave for Annual Leave. Employees may substitute sick leave for annual leave if they become ill during a period of annual leave. See 5 C.F.R. 630.406.

C. Charging Sick Leave. The PRO posts earned sick leave to an employee's record each pay period before any sick leave taken in that period is charged against the employee's sick leave balance.

050402. Sick Leave Accrual

A. General. Full-time employees earn 4 hours of sick leave for each full pay period. Other employees accrue sick leave at different rates as follows:

1. Uncommon Tours of Duty. Employees working uncommon tours of duty accrue leave in direct proportion to the standard leave rates for employees who accrue leave based on an 80-hour biweekly tour of duty**.** See 5 C.F.R. 630.210(a). To determine the appropriate amount of sick leave to credit an employee working an uncommon tour of duty, see the Application of the Directionally Proportional Table in DoDI 1400.25-V630. For example, employees on uncommon tours of duty accrue 7 hours and 12 minutes of sick leave per pay period for a 72-hour workweek and 5 hours and 36 minutes of sick leave per pay period for a 56-hour workweek.

2. Part-Time Employees. Part-time employees earn 1 hour of sick leave for each 20 hours in a pay status. Part-time employees may not earn more than 4 hours of sick leave for 80 hours in a pay status during any pay period.

3. Other Employees. SES members and SL/ST employees earn sick leave at the same rate as non-SES employees. Employees without a regularly scheduled tour of duty do not earn sick leave.

B. Nonpay Status and Sick Leave Accrual. The accumulation of nonpay status hours during the leave year may affect the accrual of sick leave. Each time the number of hours in a nonpay status in a full-time employee's leave year equals the number of base pay hours in a pay period, the civilian payroll system reduces the employee's credits for sick leave by an amount equal to the amount of sick leave the employee earns during the pay period. When the employee's accumulated nonpay hours do not require a reduction of leave credits, the civilian payroll system drops the nonpay hours at the end of the employee's leave year. An employee in a nonpay status due to receiving compensation from the OWCP, or in a nonpay status due to absence while in Uniformed Service, does not accrue sick leave and a reduction in leave credits is not required. See 5 C.F.R. 630.208.

C. Limitation on Sick Leave Accrual. An employee may accumulate an unlimited amount of sick leave. See 5 U.S.C. § 6307.

D. Presidential Appointees. Executive Schedule employees appointed by the President do not accrue leave. See 5 U.S.C. § 6301(2)(x) and 5 C.F.R. 630.211. When an employee moves to an appointment under the Executive Schedule, the PRO certifies the employee's sick leave balance on a ***Standard Form (SF) 1150***, Record of Leave Data. The SF 1150 is sent to the Human Resources Office for retention in the Official Personnel Folder in the event the employee is reemployed in a leave accruing position or separated from the Executive Schedule position. SES Members appointed at a rate of basic pay equal to or greater than the rate payable for Level V of the Executive Schedule may elect to retain certain SES benefits, including annual and sick leave accrual. See 5 C.F.R. 317.801.

050403. Recrediting Sick Leave After Transfer or Break in Service

A. Transferring Employees. When an employee transfers to a different Federal agency using the same leave system under 5 U.S.C., Chapter 63, the losing agency must certify the employee's sick leave account to the gaining agency for credit or charge. If the employee is transferred to an agency operating under a different leave system, see ***5 U.S.C. § 6308*** and ***5 C.F.R. 630.502***.

B. Recredit After a Break in Service. Prior to 1994, regulations provided that an employee was entitled to a recredit of sick leave only if he or she was reemployed in another Federal position within 3 years after separation. On December 2, 1994, the 3-year break in service limitation on the recredit of sick leave for former employees was removed for those who were reemployed on or after December 2, 1994. Sick leave may not be recredited to employees who were reemployed in the Federal service before December 2, 1994, and who previously forfeited sick leave under the former rule. Therefore, under 5 C.F.R. 630.502, an employee who has a break in service and returns to work for the Federal Government on or after December 2, 1994 is entitled to the recredit of sick leave, regardless of the length of the break in service, unless:

1. The employee was reemployed in the Federal Government before December 2, 1994 and the employee forfeited the sick leave under the previous regulation; or

2. For reemployed annuitants, the sick leave was used in the

computation of an annuity for the employee. See 5 C.F.R. 630.407.

050404. Authorized Uses for Sick Leave

A. Granting Sick Leave. Pursuant to 5 C.F.R. 630.401, an agency must grant sick leave to an employee when the employee:

1. Is unable to perform duties because of physical or mental illness, injury, pregnancy, or childbirth;

2. Is receiving medical, dental, or optical examination or treatment;

3. Must provide care for a family member:

a. Who is incapacitated by a medical or mental condition, or attends to a family member receiving medical, dental, or optical examination or treatment;

b. With a serious health condition; or

c. Who would jeopardize the health of others by that family member's presence in the community because of exposure to a communicable disease (as determined by the health authorities having jurisdiction or by a health care provider);

4. Must make arrangements due to a death in the family or attend the funeral of a family member;

5. Would jeopardize the health of others by his or her presence on the job because of exposure to a communicable disease; or

6. Must be absent from duty for purposes relating to the adoption of a child.

B. Using Accrued Sick Leave to Care for Family Members

1. General. An employee is entitled to use accrued sick leave to care for a family member. A family member includes spouse, parents, parents-in-law, children, siblings, grandparents, and other family members as defined under 5 C.F.R. 630.201. An employee may be requested to document their relationship with the family member. An employee must request advanced approval for sick leave, to the extent possible, for caring for a family member, making arrangements necessitated by the death of a family member, attending the funeral of a family member, or for absence related to the adoption of a child. See 5 C.F.R. 630.404. In addition to using paid sick leave to care for a family member, an employee may be entitled to unpaid leave under the FMLA. See Table 5-3.

2. Limits Per Year

a. General Care of Family Member and/or Bereavement. A covered full-time employee may use a total of up to 104 hours (13 days) of accrued sick leave each year for general family care or for bereavement. For part-time employees and employees with an uncommon tour of duty, the amount of sick leave permitted for family care and bereavement purposes is the number of hours of sick leave the employee normally accrues during the leave year. See 5 C.F.R. 630.401(b).

b. Care of a Family Member With a Serious Health Condition. Most Federal employees may use a total of up to 480 hours (12 administrative workweeks) of accrued sick leave each leave year to care for a family member with a serious health condition. A serious health condition includes cancer, stroke, severe injuries, Alzheimer's disease, pregnancy, and other conditions as defined under 5 C.F.R. 630.1202. An employee is entitled to a total of 12 weeks of sick leave each year for all family care purposes. See 5 C.F.R. 630.401(c) and (d).

(1) For a part-time employee or an employee with an uncommon tour of duty, the amount of sick leave is equal to 12 times the average number of hours in the employee's scheduled tour of duty each week.

(2) For an employee who has previously used any portion of the 13 days of sick leave for family care or bereavement purposes in a leave year, the PRO must subtract that amount from the 12-week entitlement.

(3) For an employee who has already used 12 weeks of sick leave to care for a family member with a serious health condition, the employee cannot use an additional 13 days in the same leave year for general family care purposes.

C. Sick Leave for Adoption. An employee may use accrued sick leave for purposes related to the adoption of a child including appointments with adoption agencies, social workers, attorneys, court proceedings, required travel, and any other activities necessary to allow the adoption to proceed. This includes the time the employee is ordered by a court, or required by the adoption agency, to take time off from work to care for the child. There is no limit on the amount of sick leave that may be used for adoption-related purposes. The sick leave for adoption-related purposes does not count toward the 104-hour limit of sick leave for family care and bereavement purposes, or the overall limit of 12 weeks of sick leave for all family care purposes. The agency may advance up to 240 hours (30 days) of sick leave for adoption-related purposes. See 5 C.F.R. 630.401 and section 0505 regarding FMLA leave for adoption-related purposes.

D. Sick Leave for Exposure to a Communicable Disease. An employee is authorized to use accrued sick leave if health authorities or a health care provider determines that the employee's presence on the job would jeopardize the health of others because of exposure to a communicable disease. An employee may also use sick leave to care for a family member who has been similarly exposed. The agency determination as to what constitutes a communicable disease is based on guidance issued by the Center for Disease Control (CDC). The Secretary of Health and Human Services publishes a list of communicable diseases for which Federal isolation

and quarantine are authorized. The communicable diseases currently listed include, but are not limited to cholera, diphtheria, infectious tuberculosis, plague, smallpox, Severe Acute Respiratory Syndrome and influenza viruses that cause or have the potential to cause a pandemic. The current list of communicable diseases is available on the CDC website for use in the authorization of this type of sick leave. See 5 C.F.R. 630.401.

050405. Advanced Sick Leave

A. General. In cases of serious disability or illness, employees may be advanced sick leave. Before granting advanced sick leave, the approving authority must consider whether the employee expects to return to duty, the need for the employee's services, and the benefits to the agency of retaining the employee. Advanced sick leave is not available to an employee when it is known, or reasonably expected, that the employee will not return to duty. For example, advanced sick leave is not appropriate if the employee has applied for disability retirement. Advanced sick leave may be granted regardless of an employee's annual leave balance. Employees should submit requests in writing for advanced sick leave to the approving official. Employees must liquidate the advanced sick leave indebtedness as discussed in subparagraph 050405.C. See 5 C.F.R. 630.402.

B. Limitations. The maximum amount of advanced sick leave a full-time employee may have to their credit at any one time is 240 hours (30 days). Prorate the amount of advanced sick leave for part-time employees and employees on uncommon tours of duty based on the number of hours in the employee's biweekly work schedule. An agency may grant advanced sick leave in the amount of:

1. Up to 240 hours (30 days) to a full-time employee for the following reasons pursuant to 5 C.F.R. 630.402(a)(1):

a. The employee is unable to perform work duties due to incapacitation by physical or mental illness, injury, pregnancy, or childbirth;

b. The employee or a family member has a serious health condition;

c. The employee's presence on the job would jeopardize the health of others by his or her presence on the job because of exposure to a communicable disease;

d. The employee adopts a child; or

e. The employee cares for a covered Service member with a serious injury or illness, provided the employee is exercising his or her entitlement to FMLA leave to care for the covered Service member; or

2. Up to 104 hours (13 days) to a full-time employee for the following reasons (5 C.F.R. 630.402(a)(2)):

a. To receive medical, dental, or optical examinations or

treatment;

b. To provide care for a family member incapacitated by a medical or mental condition, or to attend to a family member receiving medical, dental, or optical examination or treatment;

c. To provide care for a family member who would jeopardize the health of others by their presence in the community because of exposure to a communicable disease; or

d. To make arrangements necessitated by the death of a family member or attend the funeral of a family member.

C. Liquidating Advanced Sick Leave Indebtedness

1. General. Advanced sick leave indebtedness is liquidated by subsequently earned sick leave, by charges against annual leave, or by a refund upon separation. An employee who is a participant in the agency's Voluntary Leave Transfer Program (VLTP) or Voluntary Leave Bank Program (VLBP) may liquidate the advanced sick leave by substituting donated annual leave for sick leave that was advanced on or after the date of the medical emergency. See 5 C.F.R. 630.906. The agency may also allow an employee to refund advanced sick leave in cash, at the pay rate in effect at the time the employee used the advanced sick leave.

2. Transferring Employees. If an employee with a debt for advanced sick leave transfers to another Federal agency without a break in service, the losing agency must certify the employee's sick leave account to the receiving agency for charge. An employee is not required to refund the advanced sick leave in order to achieve a zero balance before transfer. A negative sick leave balance transfers to the gaining agency. See Chapter 9, section 0903 for instructions on preparing the SF 1150 to transfer sick leave balances.

3. Separated Employees. If an employee indebted for advanced sick leave separates from Federal service, the employee must refund the amount of advanced sick leave, or the agency may deduct the amount from any pay due the employee upon separation. If the employee dies, retires for disability, or separates or resigns because of disability as determined by the agency, the repayment requirement does not apply. An employee who enters active military service with a right of restoration is not considered separated for refund purposes, and advanced sick leave should be liquidated either after the employee returns to duty or is separated from Federal service. See 5 C.F.R. 630.209.

050406. Unused Sick Leave Upon Separation

Employees are not paid for unused sick leave upon separation. Unused sick leave is used in the calculation of an employee or survivor's annuity based on retirement with an immediate annuity or a death in service. The PRO must show the unused sick leave balance upon retirement or death in the remarks column of the ***SF 2806***, Service History on the Civil Service Retirement System (CSRS) Individual Retirement Record, or the ***SF 3100***, Federal Employees Retirement System Individual Retirement Record. See 5 C.F.R. 630.209. Sick leave used in the computation of an annuity is charged against an employee's sick leave account and may not thereafter be used, transferred, or recredited. See ***5 U.S.C. § 8415(l)(2)***, ***5 U.S.C. § 8339(m)***, and 5 C.F.R. 630.407.

0505 FMLA

050501. General

FMLA provides eligible Federal employees with up to 12 administrative workweeks of leave without pay (LWOP) during any 12-month period for family and medical needs. See ***5 U.S.C. §§ 6381 to 6387*** and ***5 C.F.R. 630, subpart L*** (Note: OPM is responsible for the regulations for Title II of the FMLA that govern Federal employees. The Department of Labor (DOL) is responsible for regulations under Title I of the FMLA for the non-Federal sector). For definitions pertaining to FMLA, see 5 § U.S.C. 6381 and 5 C.F.R. 630.1202.

A. Entitlement. To qualify for FMLA leave, an employee must have completed at least 12 months of Federal service. See 5 C.F.R. 630.1201(b). FMLA leave is available to full and part-time employees; however, temporary employees serving under an appointment of 1 year or less and employees without a regularly scheduled tour of duty are not entitled to FMLA leave. A total of up to 12 administrative workweeks of unpaid leave, or 26 administrative workweeks if the leave is to care for a covered Service member, are available during any 12-month period. The 12-month period begins when FMLA leave is first used and ends 12 months later. An employee may elect to substitute annual leave, sick leave, educator leave, or leave made available to the employee under VLTP or VLBP for LWOP. See 5 C.F.R. 630.1205. The normal leave year limitations on the use of sick leave to care for a family member still apply, except when substituting sick leave to care for a covered Service member.

B. Calculating the FMLA Entitlement. FMLA leave is available in direct proportion to the number of hours in the employee's regularly scheduled administrative workweek. The PRO must calculate the 12 administrative workweeks of FMLA on an hourly basis, which equals 12 times the average number of hours in the regularly scheduled administrative workweek. For example, an 80-hour full-time employee will have 480 hours available for FMLA leave (40 hours per week x 12 weeks = 480 hours). If the employee's administrative workweek varies from week to week, the PRO must use a weekly average of the hours scheduled over the 12 administrative workweeks prior to the date FMLA leave begins for the calculation. Holidays and non-workdays that occur during the period that the employee is on FMLA do not count toward the 12 administrative workweek entitlement. See 5 U.S.C. § 6382 and 5 C.F.R. 630.1203.

C. Regular FMLA Leave. Under 5 C.F.R. 630.1203(a), an eligible employee may take 12 workweeks of FMLA leave in a 12-month period for one or more of the following reasons:

1. The birth of a child, or to care for the newborn child within 1 year of birth (may not be taken intermittently);

2. Placement of a child adopted, or foster care, and to care for the newly placed child within 1 year (may not be taken intermittently);

3. Care of a spouse, son, daughter, or parent with a serious health condition (may be taken intermittently);

4. Serious health condition that makes the employee unable to perform their duties (may be taken intermittently); or

5. A qualifying exigency arising out of the fact that the employee's spouse, son, daughter, or parent is a covered military member on covered active duty (or notified of an impending call or order) in the Armed Forces under ***10 U.S.C. § 101***. Leave may be taken intermittently. Employees must provide notice as soon as practicable if the need for leave is foreseeable. An employee may be requested to provide certification for the leave as provided under 5 C.F.R. 630.1209. See the OPM Fact Sheet, ***FMLA Qualifying Exigency Leave***. Under 5 C.F.R. 630.1204, qualifying exigencies include:

a. Addressing issues associated with short-notice deployment,

b. Attending military events and related activities,

c. Arranging and attending childcare and school activities,

d. Making financial and legal arrangements,

e. Attending counseling,

f. Spending time with a Service member on rest and recuperation,

g. Attending post-deployment activities, or

h. Addressing other events that arise out of the military member's covered active duty that qualify as exigencies.

D. FMLA Leave to Care for a Covered Service Member. An employee is eligible for 26 workweeks of unpaid leave during a single 12-month period to care for a covered Service member, who is a current member or veteran of the Armed Forces as defined under 5 U.S.C. § 6381, with a serious injury or illness. The covered Service member must be the

employee's spouse, son, daughter, parent, or next of kin. See the OPM guidance in Compensation Policy Memoranda ***2010-06***, issued March 5, 2010, for additional information regarding the following:

1. The injury or illness incurred by the Service member was in the line of duty while on active duty in the Armed Forces.

2. During a single 12-month period, an employee is entitled to a combined total of 26 weeks of regular FMLA leave and FMLA leave to care for a covered Service member. For example, if during the 12-month period the employee takes 6 weeks of regular FMLA leave for the birth of a child, the employee would have 20 weeks of FMLA leave to care for a covered Service member.

3. Use of FMLA leave to care for a covered Service member in one 12-month period does not limit the use of regular FMLA leave during any other subsequent 12-month period.

4. The normal leave year limitations on the use of sick leave to care for a family member do not apply. Specifically, the 480-hour (12 weeks) limitation per leave year on the use of sick leave to care for a family member with a serious health condition does not apply. The employee may substitute accrued sick leave or annual leave for any or all of the 26 workweeks of FMLA leave to care for a covered Service member. See ***5 C.F.R. 630.403***. An eligible employee may potentially take leave for up to 38 weeks of leave. For example, an employee may take 12 weeks of sick leave to care for a family member with a serious illness in addition to 26 weeks of FMLA leave to care for a covered Service member.

E. Intermittent FMLA Leave or Reduced Leave Schedule. Under certain conditions, FMLA leave may be taken intermittently, or the employee may work under a work schedule that is reduced by the number of hours of leave taken as FMLA leave. FMLA leave is in addition to other paid time off available to an employee. See 5 C.F.R. 630.1205.

050502. Advance Notice of FMLA Leave and Medical Certification

If FMLA leave is foreseeable, based on an expected birth, placement for adoption or foster care, or planned medical treatment, the employee must provide notice to the agency of his or her intention to take leave not less than 30 calendar days before the date the leave is to begin. See ***5 C.F.R. 630.1207***. An agency may require that a request for leave under certain circumstances be supported by evidence that is administratively acceptable to the agency. See ***5 C.F.R. 630.1208***.

0506 LEAVE FLEXIBILITIES FOR CHILDBIRTH, ADOPTION, AND FOSTER CARE

050601. General

A. On January 15, 2015, the President issued memorandum, Modernizing Federal ***Leave Policies for Childbirth, Adoption and Foster Care*** to Recruit and Retain Talent and Improve Productivity, a memorandum directing all Federal agencies to:

1. Offer 240 hours of advanced sick leave, at the request of an employee and in appropriate circumstances, in connection with the birth or adoption of a child, or for other sick leave eligible uses (see paragraph 050405); and

2. Offer the maximum amount of advanced annual leave, at the request of an employee, for foster care placement in their home or bonding with a healthy newborn or newly adopted child (see paragraph 050304).

B. Agencies have been directed to provide this advanced leave for purposes specified in law and regulation irrespective of existing leave balances.

050602. OPM Handbook

A. General. OPM has published a Handbook on Leave and Workplace Flexibilities for Childbirth, Adoption, and Foster Care. The handbook contains guidance on the use of advanced sick and annual leave policies as required by the President's memorandum, and provides information on the various leave entitlements and flexibilities available to assist employees.

B. Utilization of Leave Flexibilities. The Handbook is divided into three sections; each section addresses the specific circumstance of the employee related to:

1. Pregnancy and childbirth,

2. Adoption and foster care, and

3. Information on the interaction of the various leave programs and workplace flexibilities and how they can be used together.

0507 BONE MARROW OR ORGAN DONOR LEAVE

The use of up to 7 days (56 hours) of paid leave in a calendar year, in addition to sick or annual leave, to serve as a bone marrow donor, or up to 30 days (240 hours) of paid leave in a calendar year to serve as an organ donor is authorized under ***5 U.S.C. § 6327***. The directly proportional rule applies to an employee whose leave is administered on other than an 80-hour pay period. See DoDI 1400.25-V630. An individual having bone marrow removed and stored for their future personal use is not considered a donor and the benefit of 7 days of paid time off does not apply. In such a case, the employee must use sick leave, annual leave, or advanced annual and sick leave.

0508 FEDERAL LEAVE SHARING PROGRAMS

The VLTP allows Federal employees to donate annual leave to other employees who have personal or other family medical emergencies and who have exhausted their own leave. Alternatively, the VLBP allows members with medical emergencies to withdraw leave from the bank if they exhaust their own leave. Each agency has established its own method of administering

these programs and employees may participate in both programs. Additionally, an Emergency Leave Transfer Program (ELTP) has been established to transfer annual leave from donors to employees in other agencies who are adversely affected by disasters or emergencies.

* 050801. VLTP

In accordance with ***5 U.S.C. § 6332*** and ***5 C.F.R. 630, subpart I***, Federal employees may donate unused accrued annual leave directly to a specified employee (leave recipient) who needs leave because of a medical emergency and who has exhausted his or her available paid leave. Medical emergency is defined as a medical condition of an employee or a family member of an employee that is likely to require the employee to be absent from duty for a prolonged period, of at least 24 work hours, and result in a substantial loss of income to the employee because of the unavailability of paid leave. See 5 C.F.R. 630.902.

A. Leave Donors

1. General. A leave donor is an employee who makes a request to transfer annual leave to the annual leave account of a leave recipient. Leave donors may not contribute to an immediate supervisor. The annual leave donated must be accrued and available at the date of donation.

2. Maximum Donation Amount. Maximum limitations exist for the amount of leave an employee may donate in any one leave year. See 5 C.F.R. 630.908. Each agency shall establish written criteria for waiving the limitations on donating annual leave.

* a. In the case of the donor having annual leave projected which will not be forfeited at the end of the leave year (i.e. donors with no "use or lose" annual leave), the maximum amount of annual leave that may be donated is one-half of the amount of annual leave the leave donor would be entitled to accrue during the leave year in that the donation is made; or

* b. In the case of the donor having annual leave projected to be forfeited at the end of the leave year (i.e. donors who have "use or lose" annual leave), the maximum amount of annual leave that may be donated is the lesser of one-half of the amount of annual leave the donor would be entitled to accrue during the leave year in which the donation is made, or the number of hours remaining in the leave year, as of the date of the transfer, for which the donor is scheduled to work and receive pay.

B. Leave Recipients

1. General. A leave recipient is a current employee approved by the employing agency to receive annual leave from the annual leave accounts of one or more leave donors. There is no limit on the amount of donated annual leave a leave recipient may receive.

2. Limits on Use of Donated Leave. A leave recipient may use the donated leave transferred to his or her annual leave account under 5 C.F.R. 630.906 only for the purpose of a medical emergency for which the leave recipient was approved. See 5 C.F.R. 630.909.

Substitution of donated leave is permitted for a prior period of LWOP or to liquidate a debt for advanced annual or sick leave. Donated leave may not be included in a lump-sum payment for annual leave. The PRO may not recredit donated leave to a former employee who returns to Federal service. See 5 C.F.R. 630.906 and 630.909.

3. Requirement to Exhaust Accrued Annual and Sick Leave. Except for leave placed in a separate leave account (set aside leave account), any annual or sick leave accrued or accumulated by the leave recipient and available for the medical emergency must be exhausted before any donated leave may be used. See 5 C.F.R. 630.909. However, this does not apply to a recipient who:

a. Sustains a combat-related disability while a member of the Armed Forces, including a reserve component of the Armed Forces; and

b. Is undergoing medical treatment for that combat-related disability (see ***5 U.S.C. § 6333(b)(2)***); or

c. Exhausts a total of 12 weeks of sick leave for family care purposes. If an employee applies to receive donated leave for a medical emergency affecting a family member and the employee has already exhausted the 12 weeks of sick leave for family care purposes in that leave year, he or she would not be required to exhaust his or her sick leave balance before being eligible for donated leave.

4. Leave Recipient's Accrual of Annual and Sick Leave. A leave recipient may earn annual and sick leave while using donated leave, but only up to 40 hours of each type. In the case of a part-time employee or employee with an uncommon tour of duty, the employee may earn up to the average number of hours in the employee's weekly scheduled tour of duty.

a. Set Aside Leave Account. The PRO must place any accrued annual or sick leave earned by the leave recipient in a separate leave account, referred to as a set aside leave account. The accrued annual or sick leave in the set aside leave account is available for transfer to the leave recipient's regular leave account after the leave recipient either exhausts all donated leave or the medical emergency ends. Leave in a set aside leave account is not available for use until transferred to the leave recipient's regular leave account. See 5 C.F.R. 630.907.

b. Intermittent Use of Donated Leave and Accrued Leave. Leave accruals for an employee who uses donated leave intermittently must be prorated between the regular leave account and the set-aside leave account until it reaches the maximum accrual or the medical emergency ends. Accruals are prorated based on the number of hours of donated leave used within the pay period.

C. Interagency Transfers of Donated Leave. Under 5 C.F.R. 630.909(f), an agency must accept the transfer of annual leave from the leave donors employed by other agencies when any of the following conditions are met:

1. A family member of a leave recipient is employed by another agency

and requests the transfer of annual leave to the leave recipient;

2. If, in the judgment of the leave recipient's employing agency, the amount of annual leave transferred from leave donors employed by the leave recipient's employing agency may not be sufficient to meet the needs of the leave recipient; or

3. If, in the judgment of the leave recipient's employing agency, acceptance of leave transferred from another agency would further the purpose of the VLTP.

D. Restoring Transferred Leave to the Donor. Upon termination of the medical emergency, any unused donated leave must be transferred pro rata back to each donor. See 5 C.F.R. 630.911. The leave is not restored if the leave donor retires, dies, or separates from Federal service before the date the unused transferred annual leave can be restored. If returned to the leave donor's account, the leave is treated the same as other annual leave and becomes subject to the "use or lose" carryover limitations. Each donor may elect how the leave is to be recredited from the following options:

1. Crediting the donated annual leave to the donor's annual leave account in the current leave year;

2. Crediting the donated annual leave to the donor's annual leave account effective as of the first day of the first leave year beginning after the date of election; or

3. Donating it, in whole or part, to another leave recipient.

050802. VLBP

Under the VLBP at ***5 U.S.C. § 6361*** and ***5 C.F.R. 630, subpart J***, employees may contribute unused accrued annual leave to their agency's leave bank for use by other leave bank members who are experiencing a personal or family medical emergency and who have exhausted all available paid leave. Each agency establishes a leave bank board to administer the VLBP. See 5 C.F.R. 630.1003. An employee may participate in both the VLTP and the VLBP in the same agency for the same medical emergency if his or her agency has established both programs. See ***5 U.S.C. § 6373*** and 5 C.F.R. 630.1013.

A. Leave Bank Members and Minimum Donations. An employee must make an application to become a leave bank member and must contribute a minimum amount of annual leave to the leave bank each year. The minimum donation may not be less than the amount of annual leave the employee normally accrues in a pay period (e.g., 4, 6, or 8 hours). See 5 C.F.R. 630.1004(g) through (i). An employee must make the donation to establish leave bank membership during the annual open enrollment period, or within 30 days of the employee's appointment to the agency or return from extended absence.

B. Leave Bank Recipients

1. Application and Approval by Leave Bank Board. A leave bank member, or a personal representative on behalf of the employee, who is affected by a personal or family medical emergency must make a written application to the leave bank board in order to become a leave bank recipient. See 5 C.F.R. 630.1006. The board must find that the leave recipient's absence from duty without paid leave is expected to be at least 24 work hours for a full-time employee, this leave may be intermittent. A part-time employee or employee with an uncommon tour of duty expects to be absent without available paid leave at least 30 percent of the average number of hours in the employee's biweekly scheduled tour of duty. See 5 C.F.R. 630.1007.

2. Limits on Use of Leave From the Leave Bank. Donated annual leave withdrawn from the leave bank may be used only for the approved medical emergency. A leave recipient may use donated leave retroactively to substitute for a period of LWOP or to liquidate the advanced annual or sick leave that began on or after the date fixed by the leave bank board at the start of the medical emergency. Donated leave may not be included in a lump-sum payment for annual leave. The PRO may not recredit donated leave to a former employee who returns to Federal service. See 5 C.F.R. 630.1009.

3. Requirement to Exhaust Accrued Annual and Sick Leave. The leave bank recipient must use any available paid leave, but not leave from a set aside leave account, before using any donated leave. See 5 C.F.R. 630.1009.

4. Leave Bank Recipient's Accrual of Annual and Sick Leave. A leave bank recipient may earn annual and sick leave while using donated leave, but only up to 40 hours of each type. In the case of a part-time employee or employee with an uncommon tour of duty, the employee may earn up to the average number of hours in the employee's weekly scheduled tour of duty. See 5 C.F.R. 630.1008.

a. Set Aside Leave Account. The PRO must place any accrued annual or sick leave earned by the leave bank recipient in a separate leave account, referred to as a set aside leave account. The accrued annual or sick leave in the set aside leave account is available for transfer to the leave recipient's regular leave account after the leave recipient either exhausts all donated leave or the medical emergency ends. Leave in a set aside leave account is not available for use until transferred to the leave recipient's regular leave account. See 5 C.F.R. 630.1008.

b. Intermittent Use of Donated Leave and Accrued Leave. Leave accruals for an employee who uses donated leave intermittently must be prorated between the regular leave account and the set-aside leave account until the maximum accrual is reached or the medical emergency ends. Accruals are prorated based on the number of hours of donated leave used within the pay period.

C. Termination of the Medical Emergency. The PRO must return any unused leave withdrawn from the leave bank and not used before the termination of the leave recipient's medical emergency to the leave bank. The medical emergency of the leave recipient terminates when the following occurs:

1. The leave recipient's Federal service is terminated;

2. The leave recipient leaves the agency or participating organization, unless determined otherwise by the leave bank board;

3. At the end of the pay period in which the leave recipient provides written notice that the medical emergency is over;

4. At the end of the pay period in which the leave bank board determines, after written notice to the leave recipient and opportunity for response, that the medical emergency is over; or

5. At the end of the pay period in which the agency receives notice that the leave recipient has been approved for disability retirement.

D. Transferring Between Agencies

1. If an employee moves between an agency operating a leave bank to another agency operating a different leave bank, the following procedures apply:

a. On the date the employee moves to the new agency, the employee will become subject to the policies and procedures of the new agency's leave bank.

b. The employee's right to submit an application to become a leave contributor or leave recipient in accordance with the new agency's policies and procedures of the leave bank must not be restricted by 5 C.F.R. 630.1010(a)(2) or (b).

2. See 5 C.F.R. 630.1015 for similar procedures for transfers between an agency covered by a VLBP and an agency covered by a VLTP.

050803. ELTP

A. Authority. ***Title 5, U.S.C. § 6391*** and ***5 C.F.R. 630, subpart K*** provide that in the event of a major disaster or emergency, as declared by the President, resulting in severe adverse effects for a substantial number of Federal employees, the President may direct OPM to establish an ELTP. Such disasters or emergencies involve loss of life or property, serious injury, or mental illness because of a direct threat to life or health. Under the ELTP, an employee in an executive agency may donate annual leave for transfer to employees of the employing agency or to employees in other agencies adversely affected by such disaster or emergency.

B. Establishing ELTP Program. OPM will notify agencies of the establishment of an ELTP for a specific disaster or emergency, as declared by the President. Immediately after a disaster or an emergency, agencies can typically grant excused absence or advanced annual leave or sick leave as appropriate to affected employees. Once notified, each agency affected by the disaster or emergency is authorized to:

1. Determine the amount of donated annual leave needed by affected employees;

2. Approve emergency leave donors and/or emergency leave recipients within the agency, as appropriate;

3. Facilitate the distribution of donated annual leave from approved emergency leave donors to approved emergency leave recipients within the agency; and

4. Determine the period of time that donated annual leave may be accepted for distribution to approved emergency leave recipients.

C. ELTP Leave Donor. An employee may voluntarily submit a written request to transfer a specified number of hours of their accrued annual leave to the employing agency's ELTP using ***OPM Form 1638***, Request to Donate Annual Leave Under the ELTP. The donor may not contribute less than 1 hour nor more than 104 hours of annual leave in a leave year. Each agency may establish written criteria for waiving the 104-hour limitation per employee for donating annual leave in a leave year. After the initial 1 hour donation, leave may be donated in 15-minute increments. A donor may not donate annual leave for transfer to a specific emergency leave recipient; rather it goes to the ELTP bank. Annual leave donated to an ELTP is not applied against limits on donations of annual leave to a VLBP or VLTP. See 5 C.F.R. 630.1109 and 630.1110.

D. ELTP Leave Recipient

1. Eligibility. An employee, as defined in ***5 U.S.C. § 6331(1)***, who has been adversely affected by a major disaster or emergency may receive donated leave under the ELTP. An employee who has a family member adversely affected by a disaster or emergency and does not have reasonable access to other forms of assistance may receive donated leave under the ELTP. An employee is considered adversely affected if the disaster or emergency has caused severe hardship to the employee or family member to such a degree that the employee's absence from work is required. See 5 C.F.R. 630.1105.

2. Limitation on Amount of ELTP Leave Received. The ELTP recipient may receive a maximum of 240 hours of donated annual leave at any one time for each disaster or emergency. See 5 C.F.R. 630.1111 for exceptions.

3. Application and Notification of Approval/Disapproval. An employee, personal representative, or the agency on the employee's behalf must make a written application to become an ELTP recipient using OPM Form 1637, Application to Become a Leave Recipient Under the ELTP. Agency written notification of approval or disapproval must be issued to the employee within 10 calendar days (excluding Saturdays, Sundays, and legal public holidays) after the receipt of the application (or a date established by the agency if that date is later). If disapproved, the agency must state the reason(s) for the disapproval. If approved, the agency must specify the major disaster or emergency for which the recipient was approved.

4. Leave Recipient's Accrual of Annual and Sick Leave. An ELTP

recipient is not required to exhaust his or her accrued annual or sick leave before receiving donated leave under the ELTP. Annual and sick leave will continue to accrue to the credit of the recipient at the same rate as if the recipient were in a paid leave status.

5. Limitations on Use of ELTP Leave. Donated leave must be used only for the purposes related to the approved disaster or emergency for which the leave recipient was approved. Donated ELTP leave may be substituted retroactively by the recipient for any period of LWOP used because of the adverse effects of the disaster or emergency. ELTP leave may be used to liquidate indebtedness incurred by the ELTP recipient for any advanced annual or sick leave used due to the adverse effects of the disaster or emergency. The PRO must transfer the leave if the recipient transfers to another agency without a break in service. The ELTP leave transferred to a recipient may not be included in a lump-sum payment upon separation or entry into active duty, recredited to a former employee reemployed by a Federal agency, or used to establish eligibility for immediate retirement or to continue health benefits into retirement. See 5 C.F.R. 630.1113 and 630.1114.

E. Insufficient Agency ELTP Donated Leave. If a Federal agency does not have sufficient donated leave to meet the needs of its approved emergency leave recipients, then the agency must notify OPM. OPM will coordinate a government-wide transfer of annual leave from donating agencies to affected agencies for crediting to their emergency leave recipients. The OPM Form 1639, Transfer of Donated Annual Leave To or From the ELTP, is used for the purpose of donating or receiving annual leave from other agencies. OPM will facilitate the transfer of donated leave to/from agencies. See 5 C.F.R. 630.1112. In addition, an agency's VLBP under 5 U.S.C., Chapter 63, with the concurrence of the leave bank board, may also donate annual leave to the employing agency's ELTP or another agency's ELTP. See 5 C.F.R. 630.1104.

F. Procedures Upon Termination of Disaster or Emergency

1. Determining Termination of Disaster or Emergency. The disaster or emergency ends when OPM or the agency determines the termination or the recipient's Federal service terminates. See 5 C.F.R. 630.1116. The emergency terminates at the end of the pay period when:

a. The recipient or his or her personal representative notifies the agency that the recipient is no longer affected by the disaster or emergency;

b. The agency determines that the emergency leave recipient is no longer affected by such disaster or emergency (see 5 C.F.R. 630.1116(d) for notice requirements); or

c. The recipient's agency receives notice that OPM has approved an application for disability retirement.

2. Recrediting Donated Leave to Donors and Leave Banks. When a disaster or emergency affecting an emergency leave recipient terminates, the PRO must return any unused ELTP leave to the emergency leave donors, or if donated by a leave bank, to the leave bank.

The ELTP administrator will determine the amount of remaining annual leave to be restored to each emergency leave donor who, on the date of the leave restoration, is employed by a Federal agency. The unused ELTP leave returned must be proportional to the amount of annual leave donated by the employee (or leave bank) to the ELTP for such disaster or emergency. Annual leave donated to an ELTP for a specific disaster or emergency may not be transferred to another ELTP established for a different disaster or emergency. An emergency leave donor may request the agency restore unused donated annual leave by crediting the leave to the leave donor's annual leave account in either the current leave year, or on the first pay period of the following leave year. See 5 C.F.R. 630.1117.

0509 NON-APPROPRIATED FUND (NAF) TRANSFER OF LEAVE UNDER EMPLOYEE BENEFITS PORTABILITY PROGRAM

050901. General

In accordance with 5 U.S.C. §§ 5551(a), 6308(b), and ***6312***, an employee who transfers from a NAF position to an appropriated fund (APF) position, or the reverse, without a break in service of more than 3 days must transfer their entire annual and sick leave balances to the gaining employment office. The employee must not be paid for any accrued hours of annual leave. Leave will be administered in accordance with the rules of the gaining employment system (APF or NAF). The PRO credits the employee with the full amount of leave even in those cases where the employee may receive a higher rate of pay from the gaining employment system (APF or NAF). See ***DoDI 1400.25-V1401***, Personnel Policy for NAF Instrumentalities, and the OPM ***Benefits Officers Center***.

050902. Annual Leave Accrual Rates

Employees who move between DoD NAF and civil service positions without a break in service of more than 3 days receive service credit for annual leave purposes. Service in the losing employment system (civil service or NAF) is credited when determining the appropriate leave accrual rate. The employee's leave accrual rate is applied in exactly the same manner, regardless of whether the move is voluntary or involuntary, and regardless of the direction of the move, civil service to NAF or NAF to civil service.

0510 COMPENSATORY TIME

051001. General

Compensatory time off means time off in lieu of overtime pay for irregular or occasional overtime work. One hour of compensatory time off is granted for each hour of overtime. At the request of an employee, the head of an agency may grant an eligible employee compensatory time off from the employee's scheduled tour of duty instead of payment for an equal amount of time spent in irregular or occasional overtime work. Compensatory time off must be granted to an employee within a reasonable time after the overtime is worked. See ***5 U.S.C. §§ 5542***, ***5543***, ***5544***, ***6122***, ***6123***, ***6127***, and ***6128***; ***5 C.F.R. 550.114***; and ***5 C.F.R. 551.531***.

051002. Eligible Employees

A. Fair Labor Standards Act (FLSA) Exempt and Nonexempt Employees. Compensatory time off may be approved in lieu of overtime for irregular or occasional overtime work for both FLSA exempt and FLSA nonexempt (i.e. FLSA covered) employees who meet the definition of employee under ***5 U.S.C. § 5541(2)***. An agency may require that an FLSA exempt employee with a rate of basic pay the rate of General Schedule-10, step 10 receive compensatory time off for irregular or occasional overtime.

B. Prevailing Rate Employees. Compensatory time off may be approved for prevailing rate employees (wage employees), as defined at ***5 U.S.C. § 5342(2)***. There is no requirement to compensate a prevailing rate employee irregular or occasional overtime by granting compensatory time off.

C. Flexible Work Schedules. Compensatory time off may be approved (but not required) in lieu of regularly schedule overtime only for employees (including prevailing rate employees) who are ordered to work overtime hours under flexible work schedules. See 5 U.S.C. § 6123(a)(1).

051003. Forfeiture of Unused Compensatory Time Off

A. FLSA Exempt Employees. The time limit for using compensatory time is the end of the 26th pay period after the pay period during which it was earned. An agency may provide that an FLSA exempt employee who fails to take the compensatory time within 26 pay periods, or who transfers to another agency or separates from service before the compensatory time expires, must:

1. Receive payment for unused compensatory time at the overtime rate in effect when earned; or

2. Forfeit the unused compensatory time unless failure to use the compensatory time is due to an exigency of the service beyond the employee's control. An FLSA employee whose compensatory time off was forfeited due to an exigency of service beyond the employee's control must receive payment for the unused compensatory time at the overtime rate in effect when earned. See 5 C.F.R. 550.114.

B. FLSA Nonexempt (FLSA Covered) Employees. The time limit for using compensatory time is the end of the 26th pay period after the pay period when it was earned. If the FLSA nonexempt employee fails to take the compensatory time within 26 pay periods, or the employee transfers to another agency or separates from Federal service before the compensatory time expires, pay the earned compensatory time off at the overtime rate in effect when earned. See 5 C.F.R. 551.531.

C. National Guard Technicians. National Guard technicians are not paid for unused compensatory time worked. Compensatory time must be used by the end of the 26th pay period after it is earned or it will be forfeited. See ***32 U.S.C. § 709 (h)***.

051004. Separation or Transfer

When a DoD employee separates or transfers to another DoD Component or Federal agency before the expiration of the 26th pay period time limit, unused compensatory time balances must be paid at the overtime rate in effect when the compensatory time was earned. Title 32 National Guard technicians forfeit any unused compensatory time when they separate or transfer to another DoD Component or Federal agency.

051005. Compensatory Time Off for Religious Observances

An employee whose personal religious beliefs require not working during certain periods may elect to work compensatory time for the time lost to meet those religious requirements. See ***5 U.S.C. § 5550a*** and 5 C.F.R. 550, subpart J. An employee who works compensatory time for religious reasons must be granted equal compensatory time off from the scheduled tour of duty. The employee may work the compensatory overtime before or after the grant of compensatory time off. The PRO must credit compensatory overtime to the employee on an hour for hour basis, or authorized fraction thereof. See 5 C.F.R. 550.1002. See Chapter 3, section 0303 for additional information regarding compensatory time off for religious reasons.

051006. Compensatory Time Off for Travel

An employee may earn compensatory time off for travel for time spent in travel status away from the employee's official duty station. An employee may earn compensatory time off for travel only for hours that are not otherwise compensable. Because an employee is entitled to their rate of basic pay for travel during basic (non-overtime) holiday hours, an employee may not earn compensatory time off for travel during holiday hours. See ***5 C.F.R. 550, subpart N***; the OPM Fact Sheet, ***Compensatory Time Off for Travel***; and ***5 U.S.C. § 5550b***.

A. Eligible Employees. Compensatory time off for travel may be earned by an employee, as defined in ***5 U.S.C. § 5541(2)***, who is employed in an Executive agency, as defined in ***5 U.S.C. § 105***, without regard to whether the employee is exempt from or covered by the overtime pay provisions of the FLSA of 1938, as amended. The definition includes employees in SL and ST positions, but not members of the SES. Prevailing rate (wage) employees are eligible for compensatory time off for travel.

B. Employees Who Receive Availability Pay. Availability pay is premium pay paid to Federal law enforcement officers who are criminal investigators required to work substantial amounts of unscheduled duty. See ***5 C.F.R. 550.181***.

1. When Travel Hours Are Not Eligible. For availability pay recipients, travel hours are not eligible for compensatory time off if the hours are compensated by basic pay, regularly scheduled overtime hours creditable under 5 U.S.C. §§ 5542 or 5543, or unscheduled duty hours. Unscheduled duty hours means either irregular overtime hours, or the first 2 overtime hours on a day containing part of the employee's basic 40 hour workweek without regard to whether the hours are unscheduled or regularly scheduled, or any approved non-work availability hours. See ***5 C.F.R. 550.182(a), (c), and (d)***. An availability pay recipient may not earn compensatory time off

for travel during unscheduled duty hours because the employee is entitled to availability pay for those hours. Compensatory time off for travel is earned only for hours not otherwise compensable.

2. When Travel Hours Are Eligible. For availability pay recipients, travel hours are eligible for compensatory time off for travel when the employee is required to travel on a non-workday or on a regular workday (in excess of the basic workday) and the travel does not meet one of the four criteria listed under 5 U.S.C. § 5542(b)(2)(B) and ***5 C.F.R. 550.112(g)(2)***. In such cases, since the travel time is not compensable as overtime hours of work for regular overtime or availability pay, the employee may earn compensatory time off subject to the exclusions specified in 5 C.F.R. 550.1404(b)(2) and the requirements in 5 C.F.R. 550.1404(c), (d), and (e). See 5 U.S.C. § 5542(b)(2)(B) and 5 C.F.R. 550.112(g)(2) for information regarding when travel time is compensable as overtime hours of work.

C. Creditable Travel Time. To be creditable, travel time must be for work purposes and must be approved by an authorized agency official or otherwise authorized under agency policy. Once the employee arrives at a temporary duty station, the employee is not considered to be in a travel status just because he or she is away from the official duty station. In other words, do not credit the time spent at a temporary duty station between arrival and departure as time in a travel status. Time in travel status includes:

1. Time an employee actually spends traveling between the official duty station and a temporary duty station;

2. Time an employee spend traveling between two temporary duty stations; and

3. The usual waiting time that precedes or interrupts such travel, such as waiting at an airport or train station for departure. This does not include any extended or unusual waiting time between actual period of travel when the employee is free to rest, sleep, or otherwise use the time for his or her own purposes.

D. Deducting Commuting Time

1. Travel Between Home and Temporary Duty Station (or Transportation Terminal) Outside of Official Duty Station Limits. Time spent traveling directly between home and a temporary duty station (or transportation terminal) outside the limits of the employee's official duty station is creditable as travel time. However, the agency must deduct from such travel hours the time the employee would have spent in normal home-to-work or work-to-home commuting (the commuting time offset). See 5 C.F.R. 550.1404.

2. Between Home and Transportation Terminal Within Official Duty Station Limits. Time spent traveling outside of regular work hours between home and to or from a transportation terminal that is within the official duty station as part of travel away from that duty station is considered equivalent to commuting time and is not creditable travel time. See 5 C.F.R. 550.1404(d).

3. Between Worksite and Transportation Terminal Within Official Duty Station Limits. Time spent traveling outside of regular work hours between the employee's worksite and a transportation terminal is creditable travel time, and no commuting time offset applies.

E. Crediting Compensatory Time Off for Travel. An employee must comply with the procedures for requesting credit of compensatory time off for travel. Within five workdays after returning to the official duty station, the employee must submit his or her travel itinerary, or any other documentation acceptable to the employee's supervisor, in support of a request for credit for the compensatory time off. Upon receipt of a proper and complete request from the employee, the agency must credit the employee with compensatory time off for creditable time in a travel status. The agency may authorize credit in increments of one-tenth of an hour (6 minutes) or one-quarter of an hour (15 minutes). There is no limit on the amount of compensatory time off for travel an employee may earn. Agencies must track and manage compensatory time granted for time in a travel status separately from other forms of compensatory time off.

F. Use of Accrued Compensatory Time Off for Travel. An employee must request permission from his or her supervisor to schedule the use of his or her accrued compensatory time off in accordance with agency-established policies and procedures. Compensatory time off for travel may be used when the employee is granted time off from scheduled tour of duty established for leave purposes. An employee must use earned compensatory time off in increments of one-tenth of an hour (6 minutes) or one-quarter of an hour (15 minutes). If the employee elects to use earned compensatory time off for travel instead of using excess annual leave, there is no legal authority to restore an employee's forfeited annual leave.

G. Forfeiture of Unused Compensatory Time Off for Travel

1. Forfeiture. Compensatory time off for travel is forfeited in following circumstances. See ***5 C.F.R. 550.1407***.

a. Not Used Within 26 Pay Periods. Compensatory time off for travel is forfeited unless it is used by the end of the 26th pay period after the pay period it was credited.

b. Upon Transfer or Separation. When an employee voluntarily transfers to another agency or separates from Federal service, any unused compensatory time off for travel is forfeited. Agency means an Executive agency as defined in 5 U.S.C. § 105 (e.g., DoD). An employee does not receive a lump-sum payment for accrued compensatory time off for travel upon separation from an agency.

c. Upon Movement to Non-Covered Position. Compensatory time off for travel is forfeited when the employee transfers to a non-covered position (such as to the U.S. Postal Service).

2. Exceptions to the 26 Pay Period Limit

a. LWOP. Special circumstances apply when an employee has unused compensatory time off for travel and the employee separates from Federal service or is placed on LWOP status under the following circumstances. If the employee later returns to service with the same agency, the employee must use all of the compensatory time off by the end of the 26th pay period following the pay period that the employee returns to duty, otherwise the compensatory time off is forfeited. See 5 C.F.R. 550.1407(a)(2). LWOP status under this provision is as follows:

(1) LWOP to Perform Uniformed Service. The employee separates or is placed on LWOP status to perform service in the Uniformed Services, as defined in ***38 U.S.C. § 4303*** and ***5 C.F.R. 353.102***, and later returns to service through the exercise of a reemployment right provided by law, Executive order, or regulation.

(2) LWOP for Work Injury. The employee separates or is placed on LWOP status because of an on-the-job injury with entitlement to injury compensation under ***5 U.S.C., Chapter 81*** and later recovers sufficiently to return to work.

b. Exigency. If an employee fails to use compensatory time off for travel within 26 pay periods after earned due to an exigency of the service beyond the employee's control, an authorized agency official may extend the time limit for using such compensatory time off for up to an additional 26 pay periods. See 5 C.F.R. 550.1407(e).

H. Prohibition Against Payment for Unused Compensatory Time Off for Travel. As provided by 5 U.S.C. § 5550b(b), an individual must not receive payment under any circumstances for any unused compensatory time off for travel earned under 5 C.F.R. 550, subpart N. This prohibition against payment also applies to surviving beneficiaries of deceased employees.

I. Inapplicability of Premium Pay and Aggregate Pay Caps. Accrued compensatory time off for travel is not considered when applying the premium pay limitations established under ***5 U.S.C. § 5547*** and ***5 C.F.R. 550.105 through 550.107*** or the aggregate limitation of pay established under ***5 U.S.C. § 5307*** and ***5 C.F.R. 530, subpart B***. There is no pay cap limitation on the amount of compensatory time off for travel an employee may earn.

0511 HOLIDAY LEAVE

051101. General

Employees must be in a pay status or a paid time off status (e.g., leave, compensatory time off, compensatory time off for travel, or using credit hours) on their scheduled workdays either before or after a holiday in order to be entitled to regular pay for a holiday. Employees in a nonpay status for the workdays immediately before and after the holiday may not receive compensation for that holiday.

051102. Work Schedules

A. Full-Time Employees. Regular full-time employees who are not required to work on a holiday receive their regular straight-time pay, including night and shift differential.

1. Flexible Work Schedule. A full-time employee on a flexible work schedule, who is prevented from working on a holiday, or an in lieu of holiday, is entitled to 8 hours of holiday leave for each holiday. See ***5 U.S.C. § 6124***. Employees under flexible work schedules are credited with 8 holiday hours even if they would otherwise work more hours on that day.

2. Compressed Work Schedule. A full-time employee on a compressed work schedule who is prevented from working on a holiday, or an in lieu of holiday, is entitled to holiday leave for the number of hours of the compressed work schedule for the employee on that day. See ***5 U.S.C. § 6121(5)***. For example, if a holiday falls on a 9 or 10 hour basic workday, the employee's holiday is 9 or 10 hours, respectively. See ***5 C.F.R. 610.406***.

B. Part-Time Employees. Part-time employees receive their regular pay for holidays that fall on their regularly scheduled workdays; this does not include overtime work. When a holiday falls on a part-time employee's non-workday, there is no entitlement to pay for an in lieu of holiday. When prevented from working because the activity is closed due to an in lieu of holiday, the part-time employee may either be placed in an appropriate leave category or be excused, placed on administrative leave, without loss of pay for the number of hours they are regularly scheduled to work on that day. See ***DoDI 1400.25-V610***. For more information on part-time employees, see the OPM Fact Sheet, ***Federal Holidays - Work Schedules and Pay***.

1. Flexible Work Schedule. A part-time employee on a flexible work schedule who is prevented from working on a holiday is entitled to leave for the number of hours they would have worked but for the holiday, not to exceed 8 hours. See ***5 C.F.R. 610.405***.

2. Compressed Work Schedule. A part-time employee prevented from working on a holiday is entitled to leave for the number of hours of the compressed work schedule on that day. See 5 C.F.R. 610.406.

C. Intermittent Employment. Intermittent employees, including experts and consultants, means employees without a regularly scheduled tour of duty. Intermittent employees receive compensation only when work is actually performed.

0512 CREDIT HOURS

051201. General

Credit hours are any hours within a flexible schedule established under 5 U.S.C. § 6122 that are in excess of an employee's basic work requirement and that the employee elects (consistent with agency policy) to work to vary the length of a workweek or a workday. Credit hours are distinguished from overtime hours in that they are not officially ordered and approved in advance by management. See ***5 U.S.C. § 6121-6126***.

051202. Requirements for Earning and Using Credit Hours

A. Earning Credit Hours. Only full-time and part-time employees under flexible work schedules may earn credit hours. SES members may not earn credit hours. See ***5 C.F.R. 610.408***. Credit hours may be earned only within the flexible time bands established by the agency or union agreement. Work hours that count toward the employee's basic work requirement should not be considered credit hours. Credit hours are those hours that are in excess of the employee's basic work requirement (8 hours in a day, 40 hours in a week, or 80 hours in the pay period). There is no legal authority to advance credit hours to an employee. See 5 U.S.C. § 6121(4).

B. Using Credit Hours. Credit hours must be used within the tour of duty. Credit hours must be earned and used in the same increments as other absences with pay.

051203. Accumulation

A full-time employee may accumulate up to 24 credit hours to be carried forward for credit against a later pay period. The 24 credit hours carried forward must be accounted for the same as other types of absences with pay. See 5 U.S.C. § 6126.

051204. Part-Time Employees

A part-time employee under a flexible work schedule may earn credit hours. A part-time employee may carry forward credit hours from one pay period to a subsequent pay period, in an amount equal to 25 percent of the biweekly scheduled hours of work. See 5 U.S.C. § 6126(a).

051205. Payment for Credit Hours

Generally, an employee receives no additional pay for credit hours. When used by the employee, credit hours are considered a part of the basic work requirement (non-overtime work) in the pay period that they are applied. An employee is entitled to his or her basic rate of pay for any credit hours used. However, upon separation from Federal service, or when an employee is no longer subject to a flexible work schedule program or transfers to another employing activity (provided the agency and Major Claimant/Command changes), any accumulated credit hours must be liquidated/paid at the employee's current hourly rate. For full-time employees, not more than 24 accumulated credit hours may be paid. For part-time employees, accumulated credit hours may be paid in an amount that is not more than 25 percent of the employee's scheduled hours. See 5 U.S.C.

§ 6126(b). Premium pay limitations under 5 U.S.C. § 5547 do not apply to payment for credit hours even though the limits apply to payments for unused compensatory time off.

051206. Entitlement

A. Overtime. An employee must not use credit hours to increase the entitlement of overtime pay. No overtime pay or compensatory time off will be paid when employees earn credit hours or when credit hours are liquidated when Federal service ends. See 5 U.S.C. §§ 6123(b) and 6126.

B. Sundays. An employee will not be paid Sunday pay when earning credit hours on a Sunday. Sunday premium pay is limited to 8 hours for each regularly scheduled basic tour of duty that begins or ends on Sunday. Since credit hours may only be earned when employees work in excess of their regularly scheduled basic work requirement, Sunday premium pay may not be paid when employees earn credit hours on Sunday. Neither may employees receive Sunday premium pay if they use credit hours in order to be absent from regularly scheduled Sunday work. Employees may not receive Sunday premium pay for any period of time they do not actually perform work on a Sunday.

C. Nights. An employee must not be paid night pay when credit hours are earned at night. Night pay is authorized for work performed at night during an employee's regularly scheduled tour of duty. See ***5 U.S.C. § 5545(a)***. Since employees who earn credit hours are not performing regularly scheduled work, they may not be paid night pay for credit hours earned at night. Neither may employees be paid for credit hours used at night to be absent from the employee's basic tour of duty. There is no provision of law or regulation permitting night pay to be paid when credit hours are used to be absent from regularly scheduled night work. Credit hours are considered as daytime hours. For example, when an employee's schedule includes daytime and nighttime hours, credit hours are applied only to the daytime portion of the schedule. See 5 U.S.C. § 6123(c). For requirements on entitlement to night differential when credit hours are earned by prevailing rate (wage) employees and employees under 38 U.S.C (Title 38 employees), see 5 U.S.C. § 6123(c)(2).

D. Holidays. An employee may not earn additional compensation or credit hours for voluntarily working during holiday hours. If permitted by agency policy or negotiated agreements for union members, supervisors may approve requests from employees working under flexible work schedules to earn credit hours for work in excess of their basic work requirement on a holiday. Full-time employees under flexible work schedules are excused from 8 hours of their basic work requirement because of a holiday. See 5 U.S.C. § 6124. If an employee is scheduled to complete 9 or 10 hours of basic work requirement on a holiday, the agency may permit the employee to use previously accrued credit hours or annual leave in order to be absent with pay during the ninth and tenth hours.

E. Excused Absences. An employee may not earn credit hours during excused absences, such as a weather emergency. If employees work during the hours of their basic work requirement, despite being excused from work, they are not entitled to additional compensation or credit hours. However, if permitted by policy or negotiated agreements, a supervisor may approve a request from an employee to earn credit hours for work in excess of their basic work requirement

on a day when an excused absence is granted.

F. Training. An employee cannot earn credit hours for training required by an agency.

051207. Biweekly Pay Period

There is no limit on the accumulated number of credit hours during the biweekly pay period, subject to a supervisor's approval. Any credit hours worked in a pay period that exceeds the 24-hour maximum carryover will be forfeited if not used during that pay period. Credit hours must be earned before they are used. Employees may carry forward only 24 credit hours into the succeeding pay period. Credit hours under a maxi-flex schedule may be used during the pay period that they are earned.

0513 TIME OFF AS AN INCENTIVE AWARD

As authorized by ***5 U.S.C. § 4502(e)***, a time-off award may be granted in lieu of cash. See ***5 C.F.R. 451.101 through 451.107***. A time-off award is an absence with pay without charge to leave. See Chapter 3, section 0311.

0514 EXCUSED ABSENCE (ADMINISTRATIVE LEAVE)

051401. General

Excused absence is an absence from duty, administratively authorized, without loss of pay and without charge to leave. Excused absence is also referred to as administrative leave. Agencies have discretionary authority to grant excused absence to the extent that it does not interfere with agency operations. Periods of excused absence are considered part of an employee's basic workday even though the employee does not perform regular duties. The following are some of the more common situations in which agencies generally excuse absence without charge to leave. See DoDI 1400.25-V630 for additional situations.

051402. Blood Donation

Employees serving as blood donors may be excused from work without charge to leave for the time necessary to donate the blood, for recuperation following blood donation, and for necessary travel to and from the donation site. This provision does not cover an employee who gives blood for his or her personal use or receives compensation for giving blood.

051403. Closure of Installations or Activities

Administrative leave may be granted when employees are prevented from working due to extreme weather conditions or other severe disruptions.

051404. Tardiness and Brief Absence

If an employee is unavoidably or necessarily absent for less than one hour, or tardy, the agency, for adequate reason, may excuse the employee without charge to leave. See 5 C.F.R. 630.206.

051405. Registering and/or Voting

Excusal from duty for a reasonable period of time is authorized for registering and/or voting in any election. Generally, excuse employees from duty to permit them to report for work 3 hours after the polls open or to leave work 3 hours before the polls close, whichever results in the lesser amount of time off. Employees on flexible work schedules may only be excused for those hours that are not accommodated by their flexible schedules.

051406. Taking Examinations

This applies only to examinations given by or taken at the request of the employing activity. Excuse employees, without charge to leave or loss of pay, for all examinations required for converting to career-conditional appointments or for required noncompetitive examinations within the same employing activity.

051407. Attending Conferences or Conventions

Employees may be excused to attend conferences or conventions when it is determined that the attendance will serve the best interest of the Federal service. Such absences may be restricted to those situations that the employee is an official representative of the organization involved or is a contributor on the agenda. Employees may not be excused to attend conferences or conventions of political parties or partisan political groups or committees.

051408. Representing Employee Organizations

Representative leave hours must be reported using three separate categories. The categories are negotiations, grievance and appeals, and on-going labor and management committees. Absence charged as representative leave may be subject to the provisions of local negotiated agreements and/or supervisory approval. See ***5 C.F.R. 551.424***.

051409. Official Duty Status Funerals of Fellow Federal Law Enforcement Officers or Federal Firefighters

A Federal firefighter or Federal law enforcement officer may be excused from duty without charge to pay or leave in order to attend the funeral of a fellow Federal firefighter or Federal law enforcement officer who was killed in the line of duty. See ***5 U.S.C. § 6328***. When excused from duty, attendance at the funeral service is considered as official duty for the firefighter or officer. Under ***31 U.S.C. § 1345***, an agency may pay the expenses of an official or employee of the United States carrying out an official function.

051410. Absence of Veterans to Attend Funeral Services

An eligible employee may be excused from duty to participate as an active pallbearer, a member of a firing squad, or a guard of honor in a funeral ceremony for a member of the Armed Forces whose remains are returned from abroad for final interment in the United States (not to exceed 4 hours in any 1 day). See ***5 U.S.C. § 6321***.

051411. Excused Absence for Employees Returning From Active Military Duty

A. Entitlement. Pursuant to a Presidential Memorandum of November 14, 2003, a Federal employee is entitled to 5 days of excused absence after he or she returns from active military service in connection with the continuing Overseas Contingency Operations (OCO). Upon receiving notification from a returning employee of his or her intent to return to civilian duty on a specific date, an agency must grant an eligible employee 5 days of excused absence immediately prior to the employee's actual resumption of his or her duties. See the OPM Fact Sheet, ***5 Days of Excused Absence for Employees Returning from Military Duty***.

B. Usage. The commencement of the 5 days of excused absence represents a return to Federal employment, and the employee is obligated to report for work at the end of the 5-day period. The excused absence is intended to provide returning employees with continuous paid time off to spend with their families before returning to Federal service; therefore, the 5 days must be used consecutively. If the employee does not use all 5 days at once, the remaining days may not be carried over for later use.

C. Eligibility

1. Minimum Service Requirement. An employee must be on active duty in support of the OCO for at least 42 consecutive days to qualify for 5 days of excused absence. An employee does not qualify if the period of active duty is less than 42 days. The 42 days must be consecutively served, and an accumulation of 42 or more nonconsecutive days of active duty does not meet the requirement.

2. Multiple Deployments. An employee deployed on multiple occasions is entitled to receive 5 days of excused absence for each deployment as long as the deployment meets the 42-day requirement and the employee has not received 5 days of excused absence during the previous 365 days.

3. New Employees. A new employee who was not a Federal employee at the time of his or her activation does not qualify for the 5 days of excused absence.

4. Employees With an Uncommon Tour of Duty. The period of excused absence for an employee on an uncommon tour of duty or an employee on a part-time work schedule will be prorated according to the number of hours in the employee's regularly scheduled workweek.

0515 COURT LEAVE AND JURY DUTY

051501. General

Employees are authorized paid time off (court leave) when summoned to serve as a juror or as a witness in a nonofficial capacity on behalf of any party in connection with any judicial proceeding that the United States, the District of Columbia , or a state or local government is a party. See ***5 U.S.C. §§ 6322***, ***5537***, and ***5515***, and the OPM Fact Sheet, ***Court Leave***.

051502. Summoned While on Annual Leave

If an employee is on annual leave when called for jury duty or witness service, then the PRO may substitute court leave. No charge should be made to annual leave for the court service.

051503. Requirements

An employee who is under summons from a court to serve on a jury should be granted court leave for the entire period, regardless of the number of hours per day or days per week, the employee actually serves on the jury during the period. However, jury service for which an employee is entitled to court leave does not include periods when the employee is excused or discharged by the court, subject to call by the court, for an indefinite period or for a definite period in excess of 1 day. Therefore, an employee may be required to return to duty or be charged annual leave if excused from jury service for 1 day or even a substantial part of a day. However, the employee should not be required to return to work if it will cause a hardship.

051504. Intermittent Employment

Employees hired with no scheduled tour of duty are not eligible for court leave. See ***5 U.S.C. § 2105***.

051505. FLSA Nonexempt Employees

FLSA nonexempt (e.g., FLSA covered) employees must not have their pay reduced under FLSA due to court leave for jury duty or witness service during their regularly scheduled tour of duty. See 5 U.S.C. § 6322.

051506. Documentation Required

When an employee is called for court service (as a witness or juror), the court order, subpoena, or summons, if one was issued, must be presented to the supervisor as far in advance as possible.

051507. Jury Duty Service Payment

Employees may not retain fees paid for jury duty service. If an employee performs jury duty service for a state or local court and the employee is paid jury duty fees, the fees must be collected from the employee as provided under subparagraph 051510. Employees who perform jury duty service for the United States or the District of Columbia governments are not paid jury duty fees. See 5 § U.S.C. 5537.

051508. Official Capacity Witness

Employees who perform witness service in an official capacity on behalf of the United States or the District of Columbia government, a state or local government, or a private party must not be paid witness fees, nor must the time served as a witness be charged to court leave or annual leave. The time must be recorded as official duty. If any fees are paid, they must be turned in to the employing activity.

051509. Nonofficial Capacity Witness

An employee is not entitled to court leave if the employee testifies as a witness in a nonofficial capacity on behalf of a private party in a matter that the United States, the District of Columbia, a state, or local government is not a party. The employee must take annual leave or LWOP to serve in such a capacity. Employees are entitled to the fees and expenses related to such witness service.

*051510. Certificate of Attendance and Collection of Fees Paid

A. Amounts Subject to Collection

1. Fees for Jury Duty or Witness Services. Unless otherwise allowable under this section, an employee in a pay status may not retain fees received for jury duty or witness services. The employee must submit any fees received to their employing activity in the form of a money order or personal check.

2. Certificate of Attendance. A certificate of attendance from the clerk of the court must also be submitted to the employing activity. The certificate of attendance should show the dates of jury duty or witness service and any amount of fees the court paid to the employee. The certificate of attendance should separately identify fees and other allowances or expenses. If the certificate of attendance does not identify allowances separately, then all monies received are considered fees for jury duty or witness services and must be collected.

* 3. Employee Waiver or Refusal of Fees. An employee serving on a jury in a state or local court who waives or refuses to accept jury fees is still liable to the U.S. Government for the fees they would have received. Under 5 U.S.C. § 5515, the Federal government is entitled to be reimbursed for any fees available and the employee has no discretion to waive payment of the fees on the government's behalf. The amount of any waived or refused fees must be collected from the employee as a salary overpayment.

B. Amounts Not Subject to Collection.

1. Allowances or Reimbursement. The employee may keep reimbursements for expenses received from the court, authority, or party that summoned the employee. Allowances or reimbursement for expenses includes transportation or parking expenses.

2. Fees that Exceed Compensation. An employee may keep fees that exceed the employee's compensation for the days of service .

051511. Collection of Fees Paid Incorrectly

If fees are paid incorrectly to an employee who is serving in a nonofficial capacity, then the employee may not retain the fees. The fees must be turned in to the Customer Service Representative (CSR) at the employing activity.

051512. Holiday

When a holiday occurs during the time an employee is on jury duty or witness service, the employee may keep the jury duty or witness service fee paid for the holiday.

051513. Non-Workday

If called to jury duty on a non-workday, then the employee may keep the fees paid.

051514. Submission and Crediting of Fees Collected

Monies submitted to the CSR for fees collected by employees for jury duty or witness service must be accounted for on a DoD ***(DD) Form 1131***, Cash Collection Voucher. The PRO must credit the appropriation and accounting classification that paid the employee's salary while the employee was on jury duty or serving as a witness with these monies. See 5 U.S.C. § 5515.

051515. Employee Absence

See Table 5-4 for employee absences for court or court-related services.

051516. Payroll Deduction

Fees not submitted in a timely manner are subject to payroll deduction. Payroll deductions to collect the fees will be made in the next regular pay period. See 5 U.S.C. § 5515.

0516 SHORE LEAVE

051601. General

Shore leave means paid leave authorized under ***5 U.S.C. § 6305(c)*** and 5 C.F.R. 630, ***subpart G*** that is earned by an employee who is regularly assigned to duties onboard an oceangoing vessel. The employee appointed in the civil service can be an officer, crewmember, or other employee serving aboard an oceangoing vessel on an extended voyage. An employee is considered to be regularly assigned when his or her continuing duties are such that all or a significant part of them require that they serve aboard an oceangoing vessel. Temporary assignments of a shore-based employee, such as for limited work projects or for training, do not constitute a regular assignment. An eligible officer, crew member, or other employee serving onboard an oceangoing vessel on an extended voyage earns shore leave (5 U.S.C. § 6305(c) and 5 C.F.R. 630.701-704) at a rate not to exceed 1 day for each 15 calendar days of absence on one or more extended voyages.

051602. Extended Voyage

Shore leave is earned by eligible employees who are on an extended voyage. An extended voyage must be at least 7 consecutive calendar days in duration, including voyage-preparation time on board the vessel. See 5 C.F.R. 630.701.

051603. Computing Shore Leave

An employee earns shore leave at the rate of 1 day of shore leave for each 15-calendar days of absence on one or more extended voyages. The master of the vessel will keep a record of the accrual of shore leave for each employee. See 5 C.F.R. 630.703.

A. Officer and Crewmembers. For an employee who is an officer or crewmember, a voyage begins either on the date the employee assumes duties aboard an oceangoing vessel to begin preparation for a voyage or on the date the employee comes aboard when a voyage is in progress. The voyage terminates on the earliest of the following dates:

1. The employee ceases to be an officer or crewmember of the oceangoing vessel, or

2. The employee is released from assigned duties relating to the voyage aboard the oceangoing vessel at the port of origin or port of final discharge.

B. Other Employees. For an employee, other than an officer or crewmember, a voyage begins on the date of sailing and terminates on the earliest of the following dates:

1. The oceangoing vessel returns to a port where the employee will disembark in completion of his or her assignment aboard the vessel, or

2. The employee is released from the assignment aboard the vessel.

051604. Computing Days of Absence

The master of the vessel keeps a record on the use of shore leave for each employee. When computing the days of absence, an agency must use the guidance set out at 5 C.F.R. 630.703(c).

051605. Granting Shore Leave

An employee has an absolute right to use shore leave, subject to the right of the head of the agency to fix the time when shore leave may be used. Shore leave may be granted during a voyage at the written request of the employee. If so requested and denied, the denial must also be in writing. See 5 C.F.R. 630.704.

051606. Minimum Charge

The minimum charge for shore leave is 1 day; additional charges are in whole days.

051607. Time and Attendance Report

The PRO must accept shore leave taken on the time and attendance report.

051608. Limitation

Shore leave is in addition to annual leave, and it may be accumulated for future use without limitation.

051609. Lump-Sum Leave Payment

Shore leave is not included in a lump-sum leave payment.

051610. Terminal Leave

An agency must not grant shore leave to an employee as terminal leave. Terminal leave is an approved absence immediately before an employee's separation when an agency knows the employee will not return to duty before the date of their separation. The exception to this rule is that an agency must grant shore leave as terminal leave when the employee's inability to use shore leave was due to circumstances beyond their control and not due to his or her own act or omission.

051611. Forfeiture

Shore leave is forfeited if not granted before:

A. Separation from the service; or

B. An official assignment, other than by temporary detail, to a position in which the employee does not earn shore leave. To the extent administratively practicable, the employing activity must give an employee an opportunity to use the shore leave to their credit either before the

reassignment or not later than 6 months after the date of their reassignment when the employing activity is unable to grant the shore leave before the reassignment.

051612. Transfer

At the time of an employee's transfer to a position at another employing activity or agency, accumulated shore leave must be transferred if:

A. The employee is entitled to shore leave in the new position, and

B. There is no break in service.

0517 HOME LEAVE

051701. General

Home leave means leave authorized by ***5 U.S.C. § 6305(a)*** and ***5 C.F.R. 630.601*** and earned by service abroad. Home leave can be earned and granted to eligible employees who have been recruited for overseas duty and who meet the requirements of 5 U.S.C. § 6304(b) for the accumulation of a maximum of 45 days of annual leave. There is no maximum accumulation of home leave. Balances are posted on the SF 1150 for future use.

051702. Earning Home Leave

To determine the rate of accrual for home leave, the computation of service abroad must be completed. When computing service abroad full credit is given for the day of arrival and the day of departure.

A. Computation of Service Abroad. Service abroad means service on or after September 6, 1960, at a post of duty OCONUS and outside the employee's residence if it is in the Commonwealth of Puerto Rico or a territory or possession of the United States. Computation of service abroad:

1. Begins on the date of the employee's arrival at a post of duty OCONUS, or on the date of his entrance on duty when recruited abroad;

2. Ends on the date of the employee's departure from the post for separation or for assignment in the United States, or on the date of his separation from duty when separated abroad; and

3. Includes:

a. Absence in a nonpay status up to a maximum of 2 workweeks within each 12 months of service abroad,

b. Authorized leave with pay,

c. Time spent in the Armed Forces of the United States which interrupts service abroad (but only for eligibility, not leave-earning, purposes), and

d. A period of detail.

B. Earning Rates. For each 12 months of service abroad, an employee earns home leave at the following rate:

1. An employee who accepts an appointment to, or occupies, a position for which the agency has prescribed the requirement that the incumbent accept assignments anywhere in the world as the needs of the agency dictate earns 15 days.

2. An employee serving with a U.S. mission to a public international organization earns 15 days.

3. An employee serving at a post that payment of a foreign or non-foreign (but not a tropical) differential of 20 percent or more is authorized by law or regulation earns 15 days.

4. An employee not included in 051702.B.1, 2, or 3, who is serving at a post that payment of a foreign or territorial (but not a tropical) differential of at least 10 percent (but less than 20 percent) is authorized by law or regulation, earns 10 days.

5. An employee not included in 051702.B.1, 2, 3, or 4 of this section earns 5 days.

6. An employee not included in subparagraphs 051702.B.1 through 051702.B.5, whose service abroad is interrupted by a tour of duty in the Armed Forces of the United States, for the duration of such tour earns 0 days.

C. Home Leave Earning Table. The employee earns home leave under the rates fixed by ***5 C.F.R. 630.604*** for each month of service abroad. An agency must credit home leave to an employee's leave account, as earned, in multiples of 1 day as set forth in the table under ***5 C.F.R. 630.605***.

D. Varying Rates. When a change in the employee's earning rate occurs, the agency must credit the employee with the amount of home leave for the month at the rate that they were entitled to prior to the change.

051703. Home Leave Usage

A grant of home leave is at the discretion of the employee's agency. An agency may grant home leave in combination with other leaves of absence in accordance with established agency policy.

A. Entitlement. Except as otherwise authorized by statute, an employee is entitled to home leave only when they have completed a basic service period of 24 months of continuous service abroad. The 24 months of continuous service abroad is a one-time requirement. This basic service period is terminated by a break in service of 1 or more workdays or an assignment (other than a detail) to a position that an employee is no longer subject to 5 U.S.C. § 6305(a). An employee is entitled to home leave upon completion of 12-month overseas assignments in certain areas affected by OCO. See ***22 U.S.C. § 4083(a)***.

B. Limitations. An agency may grant home leave only under the following circumstances:

1. For use in the United States, the Commonwealth of Puerto Rico, or a territory or possession of the United States; and

2. During an employee's period of service abroad, or within a reasonable period after his or her return from service abroad when it is contemplated that the employee will return to service abroad immediately or on completion of an assignment in the United States. See 5 U.S.C. § 6305(a)(1) and ***5 C.F.R. 630.606***.

051704. Charging of Home Leave

The minimum charge for home leave is 1 day and additional charges are in multiples thereof.

051705. Indebtedness

An employee is indebted for the home leave used when the employee fails to return to service abroad after the period of home leave or after the completion of an assignment in the United States. However, a refund for this indebtedness is not required when:

A. The employee has completed at least 6 months service in an assignment in the United States following the period of home leave;

B. The agency determines the employee's failure to return was due to compelling personal reasons of a humanitarian or compassionate nature, such as physical or mental health issues, or circumstances of which the employee has no control; or

C. The agency that granted the home leave determines that it is in the public interest not to return the employee to their overseas assignment.

051706. Transfer and Recredit of Home Leave

An employee is entitled to have their home leave account transferred or recredited to his or her account when the employee moves between agencies or is reemployed without a break in service of more than 90 days. Home leave is not included in lump-sum leave calculations.

0518 FUNERAL LEAVE

051801. General

Funeral leave is granted to allow an employee to arrange for or to attend the funeral or memorial service for an immediate relative who died of wounds, disease, or injury incurred while serving as a member of the Armed Forces in a combat zone. Title ***5, U.S.C. § 6326*** and 5 C.F.R. 630, ***subpart H*** require an activity to grant an employee funeral leave as is needed and requested, not to exceed 3 workdays. The granting of funeral leave should not cause the employee to lose leave the employee is otherwise entitled to, or lose credit for time or service. The 3 days need not be consecutive, but if not, the employee must furnish the approving authority with satisfactory reasons justifying a grant of funeral leave for nonconsecutive days. Combat zone means those areas determined by the President under the authority of ***26 U.S.C. § 112***. An activity may grant funeral leave only from a prescribed tour of duty, including regularly scheduled overtime. An immediate relative is an individual with any of the following relationships to the employee:

A. Spouse and their parents;

B. Sons and daughters (including adopted, step, or foster) and their spouses;

C. Parents and their spouses;

D. Brothers and sisters, and their spouses;

E. Grandparents and grandchildren, and their spouses;

F. Domestic partner and their parents, including domestic partners of any individual in paragraph 051801 B. through E; or

G. Any person related by blood or affinity whose close association with the employee was the equivalent of a family relationship. See 5 C.F.R. 630.801-804 and 5 U.S.C. § 6326.

*051802. Official Duty Status

Under ***31 U.S.C. § 1345***, an agency is authorized to pay the expenses of an official or employee of the United States carrying out an official function as part of the funeral or memorial service. See paragraph 051409 for information concerning the official duty status of an employee in connection with funerals of fellow Federal law enforcement officers or Federal firefighters under 5 U.S.C. § 6328.

0519 CONTINUATION OF PAY (COP) AND OWCP

051901. General

The Federal Employees' Compensation Act, 5 U.S.C., Chapter 81, provides for the payment of workers' compensation benefits and authorized medical care for all civilian employees of the United States for disability due to personal injury sustained while in the performance of duty. For information on placing employees who are eligible for COP in a leave status for time lost from work due to injury in excess of the 45 days of COP, see Chapter 6. See also ***20 C.F.R. 10*** and the ***DoDI 1400.25-V810***.

051902. Use of Leave

An employee may use annual, sick, or advanced leave to cover all or part of an absence due to an injury.

0520 MILITARY LEAVE

052001. Four Types of Military Leave

Eligible employees are entitled to time off with full pay for certain types of active or inactive duty in the National Guard or as a Reserve of the Armed Forces. See ***5 U.S.C. § 6323***. The four types of military leave are as follows:

A. Leave under 5 U.S.C. § 6323(a) provides employees with 120 hours (15 days) of leave per fiscal year for active duty, active duty training, and inactive duty training. See paragraph 052002.

B. Leave under 5 U.S.C. § 6323(b) provides 22 workdays per calendar year for employees who perform military duties in support of civil authorities in the protection of life and property, or who perform full-time military service as a result of a call or order to active duty in support of a contingency operation. See paragraph 052003.

C. Leave under 5 U.S.C. § 6323(c) provides unlimited military leave to members of the National Guard of the District of Columbia for certain types of duty. See paragraph 052004.

D. Leave under 5 U.S.C. § 6323(d) provides that military reserve technicians are entitled to 44 workdays of military leave for duties overseas under certain conditions. See paragraph 052005.

*052002. Military Leave for Active Duty, Active Duty Training, and Inactive Duty Training Under 5 U.S.C. § 6323(a).

Military leave is available for active duty, active duty training, inactive duty training, funeral honors duty, or engaging in field or coast defense training. See 5 U.S.C. § 6323(a). Eligible

employees are entitled to 120 hours (15 days) of military leave on a fiscal year rather than a calendar year basis. Unused military leave must carry forward to the next fiscal year, not to exceed a maximum balance of up to 30 days. Eligible part-time employees are entitled to military leave on a prorated basis. See ***5 U.S.C. § 3401(2)***. Employees with temporary appointments of 1 year or less or intermittent work schedules are not entitled to military leave, even if the appointments are extended in 1 year increments without a break in service. Employees with appointments exceeding 1 year are entitled to military leave.

A. Receipt of Both Military Pay and Civilian Pay. Employees using military leave under 5 U.S.C. § 6323(a) keep both their military and civilian pay.

B. Crediting Military Leave. At the beginning of each fiscal year (October 1), eligible full-time employees must be credited with 120 hours (15 days) of military leave. Eligible part-time employees must be credited with leave on a prorated basis. The prorated percentage is determined by dividing 40 into the number of hours in the employee's regularly scheduled workweek during that fiscal year. Any portion of military leave unused at the end of the fiscal year, not to exceed 120 hours (15 days), must be carried forward to the next fiscal year (not to exceed a maximum balance of 240 hours (30 days)). Newly eligible employees and new members of Reserve Components must be credited with the full 120 hours (15 days) (prorated if employed part-time) when entering upon duty or upon joining the Reserve unit. The 120 hours must not be prorated for a partial year for newly eligible employees or new members of the Reserve unit.

C. Crediting Military Leave After Change in a Tour of Duty. If a civilian employee changes their tour of duty from part-time to full-time in the middle of the fiscal year, the PRO must first determine the number of days of military leave used by the employee during that fiscal year. The days of used leave are subtracted from the days authorized under the current tour of duty in the case of an employee who increases the hours in their workweek.

1. Example. An employee worked a 32 hour workweek and was entitled to 96 hours of military leave (120 hours x (32/40 = .8) = 96 hours). The employee used 40 military leave hours before the tour of duty was changed to full-time in the middle of the fiscal year. The employee had a balance of 56 hours. After changing to full-time, the employee's available military leave hours would equal the number of hours on the current full-time tour of duty (120) minus the number of used hours, on the previous tour of duty (40 hours) or 120-40 = 80 remaining hours of military leave.

2. Formula. The formula is as follows:

(military leave hours authorized in current tour) - (military leave hours used from previous tour) = military leave hours available for the remainder of the fiscal year.

D. Charging Leave. Military leave under 5 U.S.C. § 6323(a) is charged on a daily basis, and the minimum charge is 1 hour. Military leave may be taken intermittently, a day at a time, or all at one time, regardless of the number of training sessions. Hours in the regularly scheduled workday that are not chargeable to military leave must be worked or charged to another leave category such as annual leave, LWOP, or compensatory time. No charge is made for non-

workdays at the beginning and end of a period of absence on active military duty. Military leave is not charged for weekends and holidays that occur within the period of service. Under 5 C.F.R. 353.208, an employee performing military service must be permitted to also use any accrued annual leave, earned compensatory time off for travel, or accrued sick leave (consistent with requirements for using sick leave) during military service. An employee may use annual leave, military leave, and earned compensatory time off for travel or sick leave intermittently with LWOP while on active duty or active/inactive duty training.

E. Weekend Drills. Civilian employees whose regular workweek includes Saturday and Sunday may take military leave under 5 U.S.C. § 6323(a) to attend weekend drills.

F. Inactive Duty Training (Drills). Inactive duty training means authorized training performed by members of a Reserve component, not on active duty and performed in connection with the prescribed activities of the Reserve component. It consists of regular scheduled unit training periods, additional training periods, and equivalent training.

G. Using Carryover Leave. A maximum of 240 hours (30 days) of military leave may be used in any fiscal year. The military leave may be used during one or more periods of military duty during the fiscal year. Employees may take the full 120 hours (15 days) of military leave immediately at the beginning of a fiscal year, even if up to a maximum of 240 hours (30 days) had been taken during the prior fiscal year, and even if the military duty is continuous.

* 052003. Military Leave for Mobilized Federal Civilian Employees in Support of Contingency Operations or Employees Who Assist With Law Enforcement Under 5 U.S.C. § 6323(b)

A. Entitlement. There are two conditions under which employees are entitled to an additional 22 workdays of military leave under the provisions of 5 U.S.C. § 6323(b).

* 1. Military Service In Support of a Contingency Operation. Employees who perform full-time military service as a result of a call or order to active duty in support of a contingency operation as defined in ***10 U.S.C. § 101(a)(13)*** are eligible for an additional 22 workdays of military leave**.**

2. Military Duty In Support of Civil Authorities. Reservists or National Guard members who perform military duty in support of civil authorities in the protection of life and property are eligible for an additional 22 workdays of military leave.

B. Reduction of Civilian Pay for Leave Under 5 U.S.C. § 6323(b). An employee's civilian pay is reduced (offset) by the amount received by the employee for military service as a member of the Reserves or National Guard for the period the employee is granted military leave under 5 U.S.C. § 6323(b). The military pay to be offset against the civilian pay does not include travel, transportation or per diem paid by the military. If the military pay exceeds the employee's civilian pay, the employee retains that portion of military pay that exceeds the civilian pay. If the employee uses annual leave or compensatory time, the offset rules do not apply, and the employee receives full military pay and full civilian pay. See ***5 U.S.C. § 5519***.

C. Crediting Leave. The PRO must credit leave to the employee upon each eligible occurrence. Leave remaining at the end of the calendar year may not be carried over into the next calendar year.

D. Charging Leave. The 22 workdays (176 hours) are charged on the same basis as annual and sick leave. An employee working an uncommon tour of duty must have this additional leave entitlement adjusted on a pro rata basis. Leave may also be charged to the employee's accrued annual leave or to accrued compensatory time instead of being charged as leave to which the employee is entitled under this subsection. The period of absence may not be charged to sick leave.

052004. Leave for National Guard of the District of Columbia Under 5 U.S.C § 6323(c)

Employees who are members of the National Guard of the District of Columbia are entitled to unlimited military leave without loss of pay or leave for each day of a parade or encampment ordered or authorized under ***Title 49, District of Columbia Code***. This leave covers each day of service or a portion thereof the National Guard is ordered to perform by the commanding general. See 5 U.S.C. § 6323(c).

A. Reduction of Civilian Pay for Leave Under 5 U.S.C. §6323(c). Under the provisions of 5 U.S.C. § 5519, an employee's civilian pay is reduced (offset) by the amount received by the employee for military service as a member of the Reserve or National Guard for the period for which the employee is granted military leave under 5 U.S.C. § 6323(c). The military pay to be offset against the civilian pay does not include travel, transportation, or per diem paid by the military. If the military pay exceeds the employee's civilian pay, the employee may retain that portion of military pay that exceeds the civilian pay. If the employee uses annual leave or compensatory time, the offset rules do not apply and the employee receives full military pay and full civilian pay.

B. Crediting Leave. The PROs credit this leave to the employee upon each eligible occurrence. The balances at the end of each calendar do not carry into the next calendar year.

C. Charging Leave. The 22 workdays (176 hours) are charged on the same basis as annual and sick leave. An employee working an uncommon tour of duty must have this additional leave entitlement adjusted on a pro rata basis.

052005. Leave for Military Reserve Technicians (Military Technicians (Dual Status)) Under 5 U.S.C. § 6323(d)

Under 5 U.S.C. § 6323(d), employees who are defined by ***5 U.S.C. § 8401(30)*** as military reserve technicians are entitled an additional 44 workdays (352 hours) of military leave in a calendar year. This military leave is in addition to the military leave already available under 5 U.S.C. §§ 6323(a), (b), and (c). To be eligible, the military reserve technician must be on active duty without pay under ***10 U.S.C. §§ 12315***, ***12301(b)***, or ***12301(d)*** for participation in noncombat operations OCONUS, its territories, and its possessions. This military leave does not apply to active duty during

a war or national emergency declared by the President or the Congress. A copy of the military orders or a statement by the employee's commanding officer that shows either 10 U.S.C. §§ 12301(b) or 12301(d) authority is required as acceptable evidence that the military duty was performed and was without military pay.

A. No Offset of Civilian Pay. The compensation of an employee granted leave under 5 U.S.C. § 6323(d) will not be reduced by reason of such absence since the employee will be on active duty without pay. An employee will receive the same civilian pay they would have received for regularly scheduled work.

B. Charging Leave. There is no charge for holidays and non-workdays. At the employee's request, the period the employee is absent to perform service may be charged to the employee's accrued annual leave or available compensatory time. The period may not be charged to sick leave. See 5 U.S.C. § 6323(d)(2) for additional information. The unused portion of the 44 workdays may not be carried forward to the next calendar year.

052006. Substantiating All Military Leave Charges

To substantiate all types of military leave charges, the employee is required to submit a copy of their military orders or substantiating documentation directing them to report to active military duty. Upon return to civilian status from military leave, the employee is required to submit a certified verification of attendance. If an employee has separate sets of orders or orders that cover separate periods with return to civilian status between the periods covered in the orders, then the military leave must not be charged for the time the employee is returned to civilian status.

052007. Separation From Federal Service and Military Leave

Before a Reservist or National Guard member separates from civilian employment, they are given the chance to use any accrued military leave. If a member takes military leave and then separates, the date the separation is effective must be the date the military leave expires.

052008. FLSA Nonexempt Employees

FLSA nonexempt (e.g., FLSA covered) employees may not have their customary and regular pay, including overtime pay under the FLSA, reduced during periods of military leave. Thus, if overtime pay is a part of the employee's regularly scheduled administrative workweek (not irregular or occasional) the employee is entitled to receive the overtime pay even for pay periods in which military leave is used by the employee. In such a case, the employee's civilian pay will still be offset by the amount received by the employee for military service as provided under 5 U.S.C. § 5519. For example, an employee with a regularly scheduled tour of duty of 144 hours per biweekly pay period (106 hours plus 38 hours of overtime) is entitled to receive pay for all 144 hours while on military leave, provided the civilian pay is offset by military pay pursuant to 5 U.S.C. § 5519.

052009. Additional Information Regarding Absence During Uniformed Service

A. Deemed to be on Leave of Absence. The Uniformed Services Employment and Reemployment Rights Act (USERRA) at ***38 U.S.C. § 4316(b)(1)*** provides that when an employee is absent from employment due to service in the Uniformed Services, the employee is deemed to be on furlough or leave of absence. Service includes:

1. Active duty, active duty for training, initial active duty for training, or inactive duty training;

2. Full-time National Guard duty;

3. A period in which an employee is absent from duty for the purpose of an examination to determine the employee's fitness to perform any such duty; and

4. A period in which an employee is absent from duty for the purpose of performing funeral honors duty as authorized by ***10 U.S.C. § 12503*** or ***32 U.S.C. § 115***.

B. Provisions Under 5 U.S.C., Chapter 83 (CSRS). An absence from work to perform military duty for purposes of ***5 U.S.C., Chapter 83*** ordinarily should be processed as a military separation except during a period of war or national emergency when the provisions of 5 U.S.C. § 8332(g) have been explicitly invoked. Under 5 U.S.C. § 8332(g), an employee who enters on military duty will be granted a leave of absence unless the employee has applied for and received a lump-sum credit under 5 U.S.C., Chapter 83. See ***38 U.S.C., Chapter 43*** and 5 C.F.R., part 353.

C. Use of Other Leave. Regulations under 5 C.F.R. 353.208 implementing the USERRA provide that an employee performing service with the Uniformed Services must be permitted, upon request, to use any accrued annual leave, military leave, earned compensatory time off for travel, or accrued sick leave (consistent with the statutory and regulatory criteria for using sick leave) during such service. An employee is entitled to use these types of leave intermittently with LWOP while on active duty or active/inactive duty training.

0521 FURLOUGH

052101. General

There are two types of furloughs, shutdown and administrative. In a furlough situation, the PRO must rely on the detailed guidance issued by OPM and the Defense Civilian Personnel Advisory Service (DCPAS). See the OPM ***Pay and Leave Furlough Guidance*** and the DCPAS furlough guidance in ***Contingency Planning Guidance***. Furloughs of 30 calendar days or less are covered under adverse action procedures found under ***5 C.F.R. 752, subpart D***. Furloughs of more than 30 calendar days are covered under reduction in force procedures found under ***5 C.F.R. 351, subpart B***. Furloughs for SES members are covered in ***5 C.F.R. 359, subpart H***.

052102. Shutdown Furlough

A. General. A shutdown furlough (also referred to as an emergency furlough) occurs when funds are not available through an appropriations law or continuing resolution, and an agency no longer has the necessary funds to operate. Unlike an administrative furlough, agencies will not prepare an SF 50 for submission to the PRO at the outset of a shutdown furlough. At the conclusion of a shutdown furlough, OPM will release specific guidance on how to prepare an SF 50 for each individual subject to furlough. See the OPM ***Guidance For Shutdown Furloughs***. During a shutdown furlough, the agency must shut down any activities that are not excepted pursuant to the Antideficiency Act. See ***31 U.S.C. § 1341***. A furloughed employee cannot volunteer to do their job on a nonpay basis. See ***31 U.S.C. § 1342***. An employee scheduled for training during a furlough must be placed in furlough status and ordered not to attend the scheduled training. Excepted and exempt employees may continue to work during a shutdown furlough as follows:

1. Excepted Employees. Excepted employees are employees who are funded through annual appropriations but who are excepted from the furlough because they are performing work that, by law, may continue to be performed during a lapse in appropriations. Each agency must determine which employees are excepted employees.

2. Exempt Employees. Employees are exempt from furlough if not affected by the lapse in appropriations. This includes employees not funded by annually appropriated funds. Employees performing such functions will generally continue to be governed by the normal pay, leave, and other civil service rules.

B. Pay During a Shutdown Furlough

1. Furloughed Employees. Congress determines whether furloughed employees receive pay for the furlough period. Furloughed employees receive pay for any hours worked prior to the lapse in appropriations. If a furlough occurs in the middle of a pay period and an employee receives a partial paycheck, the PRO must use the order of precedence listed under Chapter 4, section 0402 in applying deductions.

2. Excepted Employees. Excepted employees who perform services during a furlough period will be paid when Congress passes and the President signs a new appropriation or continuing resolution. Excepted employees are permitted to earn premium pay in accordance with applicable rules and subject to relevant pay limitations.

3. Holidays. Furloughed employees and excepted employees who do not work on a holiday do not receive pay for a holiday that occurs during a shutdown furlough.

C. Previously Approved Leave During a Shutdown Furlough. The Antideficiency Act at 31 U.S.C. § 1341 does not allow for the authorization of any expenditure or obligation before an appropriation is made, unless authorized by law. Paid time off creates a debt that is not authorized by the Act. Therefore, all paid time off during a shutdown furlough must be cancelled. Any unpaid leave under the FMLA that was scheduled to be taken during a shutdown furlough does not count toward the employee's 12-week FMLA leave entitlement. Military leave

under 5 U.S.C. § 6323 must be cancelled for days covered by the furlough. Excepted employees:

1. Must either be performing excepted activities or be furloughed during any absence from work;

2. May not take previously approved paid time off or be granted new requests for paid time off during a shutdown furlough;

3. May be permitted to earn compensatory time off and credit hours during the shutdown furlough; and

4. Are not permitted to use the compensatory time off or credit hours during the shutdown period.

052103. Administrative Furlough

A. General. An administrative furlough is a planned event by an agency, which is designed to absorb reductions necessitated by downsizing, reduced funding, lack of work, or any budget situation other than a lapse in appropriations. Furloughs resulting from sequestration would generally be considered administrative furloughs. See the OPM ***Guidance for Administrative Furloughs***.

B. Covered Employees. Agencies are responsible for identifying the employees affected by administrative furloughs based on budget conditions, funding sources, mission priorities (including the need to perform emergency work involving the safety of human life or protection of property), and other mission-related factors.

1. All political appointees who are covered by the leave system in 5 U.S.C., Chapter 63, or an equivalent formal leave system, are subject to administrative furlough.

2. Individuals appointed by the President, with or without Senate confirmation, who are not covered by the leave system in 5 U.S.C., Chapter 63, or an equivalent formal leave system, are not subject to furlough. A leave-exempt Presidential appointee cannot be placed on non-duty status.

C. Pay During an Administrative Furlough

1. Ordered to Work. If an employee is ordered to work during the furlough hours, the assignment of work cancels the employee's furlough status for the duration of the order and such work is subject to normal compensation requirements.

2. Work Outside of Basic Workweek. Employees who are required to work hours outside of a basic workweek during which they have been furloughed are compensated with their rate of basic pay if overtime thresholds have not been met, and/or with overtime pay or compensatory time off in lieu of overtime pay, as appropriate, once the thresholds have been met.

3. Post Allowance. Post Allowance continues without interruption while the employee is in nonpay status not in excess of 14 consecutive calendar days, including periods outside the employee's regular tour of duty (e.g., weekends).

4. Living Quarters Allowance (LQA). LQA continues without interruption while the employee is in nonpay status not in excess of 30 consecutive calendar days at any one time. For periods in nonpay status longer than 30 consecutive calendar days, LQA payment must be suspended as of the day the employee enters such status, and payment is not to be made for any part of such period.

D. Voluntary Services. An employee on administrative furlough may not volunteer to do his or her job on a nonpay basis. See 31 U.S.C. § 1342.

0522 LWOP

052201. General

LWOP is a temporary nonpay status and absence from duty that, in most cases, is granted at the employee's request. In most instances, granting LWOP is a matter of supervisory discretion and limited by agency internal policy.

052202. Employee Request

An employee's request for paid leave of absence, such as for annual or sick leave, will convert to a request for LWOP if annual or sick leave is insufficient.

052203. Authorization

Authorizing LWOP is a matter of administrative discretion. An employee generally cannot demand LWOP as a matter of right. However, in some instances, employees may have an entitlement to LWOP.

A. FMLA. Employees may be entitled to unpaid leave under the FMLA to care for a family member or covered Service member. See section 0505.

B. Disabled Veterans. Disabled veterans are entitled to LWOP if required for medical treatment under Executive Order 5396, July 17, 1930.

C. Reserve and National Guard Members. Reserve and National Guard members are entitled to LWOP if required to perform military duties under 38 U.S.C. § 4316(b)(1). See paragraph 052002.

D. Workers' Compensation. For limited periods, employees are entitled to LWOP if receiving injury compensation under 5 U.S.C., Chapter 81. Generally, when receiving workers' compensation from the DOL, employees may not be in a pay status.

052204. Leave Conversion

LWOP that has been granted to an employee will not be converted to annual or sick leave except in the case of:

A. Administrative error;

B. Participation in the VLTP or VLBP;

C. Disability retirement and employee compensation cases in which claims are disallowed; or

D. When there has been a settlement or an order of an arbitrator, Administrative law judge, or Federal judge in an employee dispute.

052205. Reduction of Leave Accrual

When the number of LWOP status hours in a full-time employee's leave year equals the employee's biweekly tour of duty (e.g., 80, 112, or 144 hours), the employee's leave accrual is reduced by an amount equal to the amount of leave (sick and annual) earned during the pay period. For example, when reduction of accrual is required during the last pay period in the calendar year for an employee in the 6-hour accrual category (entitled to accrue 10 hours of leave in such period), leave accrual for that period reduces by 10 hours. When an employee has one or more breaks in service during the leave year, the PRO will include all hours in a LWOP status (other than nonpay status during a fractional pay period when no leave accrues). When an employee's number of LWOP hours at the end of the leave year is less than his or her biweekly tour of duty, the LWOP hours are dropped. See 5 C.F.R. 630.208.

0523 ABSENCE WITHOUT LEAVE (AWOL)

052301. General

If an employee who is required to work fails to report for duty without adequate reason for their absence, the agency may choose to place the employee on AWOL, and the employee may potentially be disciplined for the AWOL at the agency's discretion. The agency makes the determination as to whether the employee has adequate reason for his or her absence. An absence from duty which is not authorized or approved, or for which a leave request has been denied, is properly charged as AWOL.

052302. Reduction of Leave Accrual

The reduction of leave accrual is the same as for LWOP.

0524 SUSPENSION

Suspension is the placement of an employee in a temporary nonpay and non-duty status for disciplinary reasons. An SF 50 must be issued for all suspensions. See ***5 U.S.C., Chapter 75*** and ***5 C.F.R., part 752***.

*0525 DISABLED VETERAN LEAVE (DVL)

052501. Purpose

The ***Wounded Warriors Federal Leave Act of 2015***, passed on November 5, 2015, establishes a new leave category for newly hired veterans of military service with a service-connected disability rating of 30 percent or more from the Veterans Benefits Administration (VBA). The intent of the law was to grant newly-hired veterans immediate access to up to 13 days (104 hours) of paid leave so that the employee does not need to take unpaid leave for the treatment of their service connected injuries. An employee can use up to 104 hours of DVL to attend medical appointments related to their service connected disability during a 12-month period of eligibility beginning on their first day of employment, as defined under subsection 052502.B. DVL is a one-time benefit provided to an eligible employee. See ***5 U.S.C. § 6329***; ***5 C.F.R. 630, subpart M***; and the OPM Fact Sheet, ***Disabled Veteran Leave***.

052502. Eligibility and Submission of Certifying Documentation

A. Eligible Employees. An employee, hired on or after November 5, 2016, who is a veteran with a qualifying service-connected disability is eligible for disabled veteran leave. See ***5 C.F.R. 630.1304***. For the purposes of DVL, hired after November 5, 2016, means the following:

1. Receiving an initial appointment to a civilian position qualifying for DVL,

2. Receiving a qualifying reappointment to a civilian position qualifying for DVL, or

3. Returning to duty status in a civilian position qualifying for DVL when the return immediately follows a break in civilian duty to perform military service. Employee must be in a continuous civilian leave status during the break.

B. Eligibility Period. An employee may use disabled veteran leave during the 12-month eligibility period beginning on their first day of employment. For purposes of determining the 12-month period, the first day of employment means the later of:

1. The earliest date an employee is hired (after the effective date of the employee's qualifying service-connected disability as determined by the VBA), or

2. The effective date of the employee's qualifying service-connected disability as determined by the VBA.

C. Certifying Documentation. The employee must provide their employing agency with documentation from the VBA certifying the employee has a service-connected disability rating of at least 30 percent or more. The certifying documentation must be provided to the employing agency as follows:

1. Upon the first day of employment, if the employee has already received certifying documentation from the VBA; or

2. If the employee has not yet received certifying documentation from the VBA, as soon as practicable after the employee receives the documentation.

D. Eligibility Period if Certifying Documentation is Submitted Late. If the employee submits the certifying documentation on a date later than required under subsection 052502.C, the 12-month eligibility period is not affected and is still based on the first day of employment.

E. Changes in Eligibility. The employee must notify the agency if the disability rating is decreased below a 30 percent rating or discontinued in the 12-month eligibility period.

052503. Crediting and Offsetting DVL

After confirming the employee's eligibility for DVL, the PRO must credit the employee with the appropriate amount of DVL. The number of hours credited is based on the employee's work schedule. The total number of DVL hours initially credited must be offset by certain sick leave or "equivalent" disabled veteran leave as described below. See 5 C.F.R. 630.1305 and the OPM Fact Sheet for examples

A. Full-Time Employees. Full-time nonseasonal employees may receive a credit of 104 hours of DVL.

B. Part-Time Employees. The 104 hours is prorated based on the number of hours in the part-time schedule (as established for leave charging purposes) relative to a full-time schedule. For example, 52 hours of DVL is given to a half-time employee.

C. Seasonal Employees. The 104 hours is prorated based on the total projected hours to be worked in an annual period of 52 weeks relative to a full-time work year of 2,080 hours (for example, 52 hours for a seasonal employee who works full-time for half a year).

D. Uncommon Tour of Duty. The 104 hours is proportionally increased based on the number of hours in the uncommon tour of duty relative to the hours in a full-time tour (for example, 187 hours for an employee with a 72-hour weekly uncommon tour of duty).

E. Tour of Duty Change. If an employee's tour of duty is converted to a different

tour of duty, the employee's balance of DVL must be converted to the proper number of hours based on the proportion of hours in the new tour of duty. See ***5 C.F.R. 630.1305***.

F. Offsetting DVL Credits. When determining the initial number of hours of DVL credit, the PRO must offset the credit the following:

1. Sick Leave. Any hours of sick leave the employee has credited to their account as of the first day of employment (for example, if the employee is being reappointed and will have recredited sick leave, the DVL must be reduced by the recredited sick leave).

2. Equivalent Disabled Veteran Leave. Any hours of equivalent disabled veteran leave used by an employee in a position not covered under 5 U.S.C. 6329 (for example, if the employee has equivalent disabled veteran leave granted under other statutory authority such as for personnel with the Federal Aviation Administration, the DVL must be reduced by the equivalent leave hours). See 5 C.F.R. 630.1305(e).

052504. Requesting and Using DVL

An employee may only use DVL only for medical treatment of a qualifying service-connected disability. The medical treatment may include a period of rest if so directed by a medical provider for treatment of the service-connected disability. See ***5 C.F.R. 630.1306***.

A. Application for Leave. The application for leave may be a written, electronic, or oral request. The application must state the DVL will be used for medical treatment of the qualifying disability. The leave application must include the days and hours required of absence for treatment. The application must be submitted according to the employing agency's leave submission requirements.

B. Retroactive Substitution of DVL Leave. If an employee does not provide the agency with certification for the service-connected disability prior to having to take leave connected to treatment of the service-connected disability, the employee is entitled to substitute approved DVL retroactively for such absences in the 12-month eligibility period (excluding periods of suspension or AWOL). The DVL may be retroactively substituted for LWOP, sick leave, annual leave, compensatory time off, or other paid time off in the 12-month eligibility period. Upon substituting the DVL, the PRO must make appropriate adjustments to leave balances. If the employee retroactively substitutes DVL for advanced annual or advanced sick leave, the substitution will liquidate any leave indebtedness.

052505. Medical Certification

A. Required Documentation. In addition to the employee's request to utilize DVL as described in subparagraph 052504.A, an agency may require a signed written medical certification issued by a health care provider. The agency may request any of the following:

1. A statement by a health care provider affirming the medical treatment is for the service-connected disability that resulted in 30 percent or more disability rating;

2. The dates and times of treatment (if the treatment extends over several days, then the beginning and ending dates of treatment);

3. If the leave was not requested in advance, a statement that the treatment required was urgent or there were other circumstances that made advance scheduling impossible; and

4. Any additional information the agency deems necessary to verify the employee's eligibility.

B. Time Limit for Submission of the Medical Certification. An employee must provide any required written medical certification to the agency within 15 calendar days after the date requested by the agency. If the agency determines it is not practicable for the employee to provide the requested medical certification within 15 calendar days (despite the employee's diligent and good faith efforts), the employee may be allowed to provide the medical certification within a reasonable time period under the circumstances involved, but no later than 30 calendar days after the date the agency requests such documentation. If the employee does not provide the appropriate documentation within the allotted time, the employee is not entitled to use DVL. In such cases, the agency may charge the employee as AWOL or allow the employee to request that the absence be charged to LWOP, sick leave, annual leave, or other forms of paid time off. See ***5 C.F.R. 630.1307***.

052506. DVL Forfeiture, Transfer, and Reinstatement and Lump-Sum Payments

A. Forfeiture.

DVL not used during the 12-month eligibility period, may not be carried over to the next year and must be forfeited. If an employee's disability rating is decreased under 30 percent during the 12-month eligibility period, any unused DVL on the employee's leave account is forfeited effective the date of the change in rating.

B. Transfer or Reinstatement.

When an employee transfers between agencies or is reinstated to civilian service after a break in service, the following actions must be taken:

1. Transfer Between Agencies with No Break in Service. When an employee with DVL transfers or moves from a position in one agency to a different agency during the 12-month eligibility period without a break in service, the losing agency must certify the number of DVL hours available for credit by the gaining agency. The losing agency must also certify the expiration date of the employee's 12-month eligibility period. Any remaining unused DVL at the end of the 12-month eligibility period is forfeited.

2. Reinstatement After a Break in Service. When an employee with DVL has a break in service of at least 1 workday and is reemployed in a position covered by 5 U.S.C. 6329 within the same 12-month eligibility period, the employee is entitled to a recredit of the unused balance. The losing agency must certify the number of unused DVL hours available for recredit by

the gaining agency. The losing agency must certify the expiration date of the 12-month eligibility period. In absence of such certification by the losing agency, the recredit may be supported as set out under ***5 C.F.R. 630.1308(d)(3)***. Any remaining unused DVL at the end of the 12-month eligibility period must be forfeited.

C. Lump-Sum Leave Payments.

An employee will not receive a lump-sum payment for unused DVL under any circumstance.

Table 5-1. Leave Proration for Fractional Pay Periods

Pay Period Workdays	Hourly Accrual Rate		
	Category 1	Category 2	Category 3
	4-hour accrual	6-hour accrual	8-hour accrual
1	1	1	1
2	1	1	2
3	1	2	2
4	2	2	3
5	2	3	4
6	2	4	5
7	3	4	6
8	3	5	6
9	3	5	7
10	4	6	8

Note: Use Category 1 for sick leave purposes.

Table 5-2. Time Limitations for Use of Reinstated Leave

Full-Time Employees	
Hours in excess of maximum accumulation	Time limitation for use of reinstated leave (end of the leave year in progress after)
416 or less	2 years
417 – 624	3 years
625 – 832	4 years
833 – 1040	5 years
1041 – 1248	6 years

Part-Time Employees	
Hours in excess of maximum accumulation	Time limitation for use of reinstated leave (end of leave year in progress after)
If 208 or less multiply tour of duty by 20% (1040 × 20% = 208)	2 years
If 209 – 312 multiply tour of duty by 10% (1040 ×10% = 104)	3 years
313 – 416	4 years
417 – 520	5 years
521 – 624	6 years

Table 5-3. Leave Flexibilities Available to Care for a Family Member and/or a Covered Service Member

Entitlement	Amount of Hours	Purpose	Family Members for Whom Leave May be Taken
Accrued Sick Leave for General Care of a Family Member and Bereavement	13 days (104 hours) of paid leave	1-Provide care for a family member who is incapacitated by medical or mental condition. 2-Provide care for a family member with a serious health condition. 3-Provide care for a family member receiving medical, dental, or optical examination or treatment. 4-Make arrangements necessary due to a death of a family member or attend the funeral of a family member. 5-Who would, as determined by the health authorities having jurisdiction or by a health care provider, jeopardize the health of others by that family member's presence in the community because of exposure to a communicable disease.	See definition of a family member at 5 C.F.R. 630.201(b). Family members include: 1-Spouse and their parents 2-Sons/daughters and their spouses 3-Parents and their spouses 4-Brothers/sisters and their spouses 5-Grandparents/grandchildren and their spouses 6- Domestic partners and their parents (including domestic partners of any individual in 2-5) 7-Any individual related by blood or whose relationship with the employee is equivalent of a family.
Accrued Sick Leave for Care of a Family Member With a Serious Health Condition	12 weeks (480 hours) of paid leave	To care for a family member with a serious health condition as defined by 5 C.F.R. 630.1202.	See the definition of a family member at 5 C.F.R. 630.201(b).
Advanced Sick Leave	up to 30 days (240 hours) of paid leave	To care for a family member with a serious disability or ailment. (Agency discretion)	See the definition of a family member at 5 C.F.R. 630.201(b).
FMLA (Basic/Regular)	12 weeks (480 hours) of unpaid leave during a 12-month period	To care for a family member with a serious health condition. For the birth or adoption/foster care of a child For a qualifying exigency arising out the fact that the spouse, son, daughter or parent of the employee is on covered active duty.	Spouse, son, daughter or parent with a serious health condition. The son or daughter must be under 18, or over 18 but incapable of self-care due to a mental or physical disability (5 C.F.R. 630.1203(a)(3) and 630.1202). Newborn child within 1 year of birth or child placed with employee for adoption or foster care within 1 year of placement. Employee's spouse, son, daughter or parent.
FMLA to Care for a Covered Service Member	26 weeks (1,040 hours) of unpaid leave in a 12-month period	To care for a covered Service member with a serious injury or illness.	Spouse, son, daughter, parent, or next of kin of a covered Service member. Next of kin means the nearest blood relative of that individual.

Table 5-4. Employee Absences for Court or Court-Related Services

Nature of Service	Type of Absence			Fees			Government Travel Expenses	
	Court Leave	Official Duty	Annual Leave or LWOP	No	Yes		No	Yes*
					Retain	Turn Into Agency		
I. JURY SERVICE A. United States or District of Columbia .	X			X			X	
B. State or local court	X					X	X	
II. WITNESS SERVICE A. On behalf of the United States or District of Columbia court.		X		X				X
B. On behalf of state or local: 1. Official capacity, or		X				X		X
2. Nonofficial capacity	X					X	X	
C. On behalf of a private party: 1. Official capacity, or		X				X		
2. Nonofficial capacity: a. When party is United States, District of Columbia, or local government	X						X	X
b. When party is not United States, District of Columbia, or local government			X		X		X	

*Note: Offset to the extent paid by the court, authority, or party that caused the employee to be summoned.

VOLUME 8, CHAPTER 6 "MISCELLANEOUS ACTIONS (SPECIAL ACTIONS)"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated June 2015 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current administrative instructions.	Revision
060501	Updated to include information on "Invoking the Back Pay Act," "Equal Employment Opportunity Commission Cases," "Non-Appropriated Fund Employees," and "Lump Sum Payments."	Revision
060503.C.	Updated to include information on the duration of the statute of limitations.	Addition
060504.J.	Updated to include information on cash awards.	Addition
060505.B.3.	Updated to clarify the calculation of back pay when outside earnings exceed the back pay award.	Addition
060507.A.	Updated for clarity.	Revision
060508.E.	Updated back pay award information to include flexible spending account deductions.	Addition
060511.B.	Clarified back pay award information regarding thrift savings plan deductions.	Revision
060514	Updated back pay award information to include "Tax Withholding and Reporting for Back Pay Matters."	Addition

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CHAPTER 6

MISCELLANEOUS ACTIONS (SPECIAL ACTIONS)

0601 GENERAL

060101. Purpose

This chapter prescribes the policy and procedures for miscellaneous actions, which occur outside of normal payroll processing.

060102. Authoritative Guidance

Statutes, regulations, and other guidance are referenced under each section of this chapter.

0602 UNEMPLOYMENT COMPENSATION FOR FEDERAL EMPLOYEES (UCFE)

060201. General

A. Purpose. The UCFE program provides eligible former Federal civilian employees with unemployment compensation benefits during periods of unemployment. The Department of Labor (DOL) is responsible for implementing the UCFE Program.

B. UCFE Program Administration. UCFE is administered by the states as agents of the Federal Government under ***Title 5, United States Code (U.S.C.), Chapter 85*** and Title 20, Code of Federal Regulations (C.F.R.), ***Part 609***. UCFE operates under the same terms and conditions as those that apply to regular state unemployment insurance programs. Generally, UCFE benefits are determined under the law of the state where the employee's last official duty station as a Federal civilian employee was located. State laws are not uniform and there may be variations in eligibility requirements. Each Department of Defense (DoD) component is responsible for managing its respective UCFE. The employing agency is responsible for the payment of these benefits; therefore, there is no payroll deduction from a Federal employee's wages for UCFE protection. See Department of Defense Instruction (DoDI) ***1400.25-V850*** for additional information.

060202. UCFE Claim-Related Forms

There are two primary claim forms pertaining to UCFE. Various state employment security agencies (SESA) may require other claim forms. See DoDI 1400.25-V850 for other UCFE claim forms.

A. Standard Form (SF) 8, Notice to Federal Employees About Unemployment Insurance. The Human Resources Office (HRO) must issue the ***SF 8*** to the employee when the employee separates from Federal civilian service, transfers, or is placed in a non-pay status for 7 consecutive days or more. The form explains eligibility requirements for UCFE and provides general information on how to file a claim. The HRO should explain the form during an employee's out-processing. For additional information on the SF 8, see DoDI 1400.25-V850.

B. Employment Security (ES) Form 931 (Request for Wage and Separation Information). The SESA generates an ES 931 when a former Federal employee files an initial claim for unemployment compensation. The state forwards the ES 931 to the servicing HRO to obtain wage information for specific work-year quarters. The HRO must complete and return the ES 931 to the SESA within 4 workdays of receipt. For additional information, see ***20 C.F.R. 609.21-22*** and the ***"UCFE Instructions for Federal Agencies," Chapter VI***.

060203. Civilian Payroll Office (PRO) Duties

A. Provide Accurate Wage Data. For the SESA to accurately determine the former employee's weekly and maximum unemployment benefit amounts, the PRO must provide exact wage data to the SESA through the HRO. The PRO must accurately report all monetary information affecting the claim, such as lump-sum annual leave payments, severance pay, annuity pay, or incentive pay.

B. Defense Civilian Pay System (DCPS) Interface. The DCPS provides a biweekly interface extract to support the Injury Compensation-Unemployment Compensation (IC-UC) application. The servicing HRO uses this data to complete the ES 931. If requested, the PRO will provide additional information to the HRO for employees recently transferred to DCPS. If the PRO is unable to provide the requested information within a four workday period, the PRO must notify the HRO immediately and the HRO must follow the procedures in 20 C.F.R. 609.21(b).

C. Refer All Inquiries to HRO. The central point of contact for all UCFE matters is the servicing HRO. All inquiries received by the PROs (such as state queries, telephone calls, and requests for UCFE documentation) will be referred to the servicing HRO. The servicing HRO must contact the PRO for any additional information.

060204. Base-Period Wages and Annual Leave Information

A. Base-Period. Each state sets the amount and duration of unemployment compensation under UCFE that is payable to individuals. A "base-period" is used for determining the amount payable and is defined by state law. A base-period is comprised of either four consecutive quarters or 52 weeks. Most states use a base-period that includes the first four of the last five completed calendar quarters. The amount of unemployment compensation benefits is based on the gross Federal wages paid to or earned by an employee during the base-period preceding the date of claim. Most states require six or eight quarters of information, which is reported by the HRO on the ES 931.

B. Reportable Base-Period Federal Wages. Federal wages for purposes of UCFE means all allowances and pay in cash or in kind (including cash allowances and remuneration in any medium other than cash) for Federal civilian service. See ***5 U.S.C. § 8501***.

1. Report Gross Amount of Base-Period Federal Wages. The amounts to be reported as base-period wages are gross wages before deductions for Social Security/Medicare,

Civil Service Retirement System (CSRS), Federal Employees Retirement System (FERS), Thrift Savings Plan (TSP), and Federal, state, and local taxes. Gross wages also include allowances and pay in a medium other than cash. Do not include expenses for official business, such as taxi fares, per diem, or mileage. Do not include payments for uniform allowances.

2. Types of Wages Included in Base-Period Wages. DOL has determined the following specific types of wages are to be included in the amount reported as gross (base-period) wages:

a. Foreign and Non-Foreign Differentials and Allowances. Federal wages include cost-of-living differentials paid at various foreign posts and cash allowances for quarters and subsistence. An exemption from Federal income tax for any such item does not exclude the payment from gross wages for the purposes of UCFE.

b. Back Pay. Federal wages include back pay awards. Back pay awards are counted as wages in the period for which they are paid. Include wages paid during the base-period, even though earned prior to that period. For additional information, see section 0605.

c. Salaries Paid by DoD to Reemployed Annuitants. In the case of a civil service annuitant, who is being paid the difference between the salary rate and the amount of annuity, only the amount paid by the employing agency is considered Federal wages. Thus, Federal wages for UCFE is the amount equal to the difference between the salary of the position and the annuity received. The annuity paid by the Office of Personnel Management (OPM) is not Federal wages for UCFE purposes.

d. Increases in Rates of Compensation Authorized by Acts of Congress. Such increases must be reported as wages for the pay period in which the increases are paid. This is required even if the first payment covers a retroactive period. If the base-period begins or ends during the pay period in which this payment was made, then the entire payment should be allocated to the second week of the pay period.

3. Reporting Methods for Base-Period Wages. The PRO must report wages the same way the records are kept. Do not attempt to add or subtract wages earned by the employee for any days before the beginning of the quarter or the remaining days between the last payroll cutoff date and the end of the quarter. For example, if the pay period ends March 28, do not add March 29 through 31 to the wages reported for the January 1 to March 31 quarter. Do not report wages for periods other than, or in addition to, those periods requested. If the claimant had no base-period wages, then indicate it on the report.

C. Other Wages Reported, but not Included in Base-Period Wages

1. Lump-Sum Annual Leave. All lump-sum annual leave payments are Federal wages for purposes of UCFE, but are not reported as base-period wages. Report lump-sum leave payments separately from gross wages (base-period wages).

a. If the employee received a lump-sum payment for annual leave after the beginning date of the base-period, the PRO must furnish the following:

(1) Amount of payment,

(2) Date(s) of payment,

(3) Amount of annual leave (days and hours), and

(4) Period of lump-sum annual leave.

b. If lump-sum annual leave is payable but has not been paid, then report "annual leave payment due but not paid," and provide details (period covered, amount of payment, when it will be paid) if known.

2. Severance Pay. Severance payments are not reported as base-period wages, but are reported separately. If the employee receives or is entitled to receive severance pay, the PRO must report the information to the HRO via the interface supporting IC-UC. States with laws that require an offset of severance pay from UCFE benefits must be advised whether the former employee is receiving or will receive severance pay. The SESA obtains severance pay details from the employee's copy of the ***SF 50***, Notification of Personnel Action, and/or the ES 931, if appropriate.

3. Voluntary Early Retirement Authority (VERA) or Voluntary Separation Incentive Payment (VSIP). If the employee received authorization for VERA or VSIP, report the information in accordance with subparagraph 060204.C.2.

060205. Employees on Leave Without Pay (LWOP)

Upon the HRO's receipt of ES 931, the HRO must report the non-pay status of an employee to the SESA. The HRO must report LWOP from the starting date through the ending date and must include any other pertinent data. If the employee is in a non-pay status for more than 30 days, then the SF 50 provides the LWOP information. For LWOP of 30 days or less, the biweekly interface extract provides this information to the HRO. The HRO must indicate whether employees on LWOP are awaiting an on-the-job injury approval or disability retirement from the Office of Workers' Compensation Programs (OWCP). If an employee is awaiting an OWCP determination, then the SESA is responsible for contacting the OWCP for any necessary data it needs.

060206. Obtaining Data from the National Personnel Records Center (NPRC)

A. Requesting Official Records. If the necessary records required to furnish wage data to the HRO have already been forwarded to the NPRC, the records must be requested via written authorization. This information is subject to the ***Privacy Act of 1974***; therefore, the PRO must handle the records in accordance with the provisions of the Act. The written request must clearly identify the office requesting the information and be addressed to ***NPRC-Annex***, 1411 Boulder Blvd, Valmeyer, IL 62295. The request should state: "Unemployment insurance request for wages for four calendar quarters, enter period as shown on the ES 931, and statement of reasons for separation (last name, first name, and middle initial), (name under which employed, if different), (date of birth), and Social Security number (SSN)."

B. Prohibited Actions. The PRO should not send the ES 931 to the NPRC for completion, nor should the PRO ask the SESA to obtain data from the NPRC. Once the PRO has requested the necessary information from the NPRC, the PRO must inform the HRO who will inform the SESA that the information has been requested.

C. NPRC Reply. The NPRC will respond in writing and mail a photocopy of the individual's pay record to the PRO. The PRO will furnish wage data based on the information received from the NPRC. Upon receipt of the pay record, the PRO will compare it with all wage data furnished to the HRO. The PRO will identify errors and notify the HRO and the HRO will notify the SESA.

0603 EMPLOYMENT INSURANCE FOR CANADIAN EMPLOYEES

060301. The Canadian Employment Insurance Program

The U.S. Government participates in the ***Canadian Employment Insurance Program*** for Canadians employed in Canada by the DoD. The PRO must follow the procedures in this section for employment insurance withholdings and contributions for covered employees. Any DoD installation that employs personnel in Canada should follow the guidance as issued by the ***Canada Revenue Agency***.

060302. Policies Governing the DoD Participation

A. Modifications Specific to the DoD. The following requirements do not apply to the DoD:

1. Standing deposit of one month's combined contribution;

2. Application to operate on a calendar year basis. DoD installations will operate based on a payroll year, which for this purpose, will be a calendar year; and

3. Remittance of contributions and withholding by certified check.

B. Coverage

1. The PRO must use Canada Revenue Agency T4001 ***Employer's Guide*** - Payroll Deductions and Remittances to determine insurable employment and earnings for withholding. Exceptions are in subparagraph 060302.B.2.

2. The PRO may not withhold contributions from Canadian employees who are spouses of U.S. citizens that are employed by DoD Components or from U.S. civilians paid from appropriated and nonappropriated funds. If a Canadian employee's marital status changes such that it would affect the employee's insurability, then the Canadian employee must notify the HRO, and the HRO will, in turn, forward the information to the PRO. Deductions for Canadian Employment Insurance will stop at the end of the pay period in which notice of marital status change is received. If the Canadian employee receives notice of a divorce, then the deductions must start at the beginning of the next pay period after receipt of notification.

C. Refund of Deductions. If a refund of deductions is required, then DoD installations will refund only amounts totaling $1 or more.

D. Retroactive Payments. The DoD may not make retroactive payments of deductions to the Canada Revenue Agency if the employee concerned has not given correct information to the employing installation. This includes cases that have been adjudicated.

E. Audit by the Canada Revenue Agency. The DoD records of deductions, contributions, and remittances are subject to audit. The audit requirements may be met by sending copies of records of covered personnel and insurance remittance documents to the proper Canada Revenue Agency district office. The PRO must send copies of records required by Canadian authorities on request.

060303. Amount of Contributions

A. Employee's Share. The PRO must withhold funds from the pay of all insurable employees at the rate set in the Canada Revenue Agency T4001 Employer's Guide.

B. Employer's Share. The employer's share must equal 1.4 times the amount withheld from the employee's pay on each payroll voucher. The contribution must be charged to the fund from which employees' salaries are paid.

060304. Disposition of Contributions

A. Payroll Collection. The employee and employer contributions must be made as a voucher deduction on the payroll voucher. For example, the accounting classification for the DoD will be deposit fund account 97X6875, "Suspense, Department of Defense."

B. Remittance to Canada Revenue Agency. The PRO must request a bulk payment permit and information on deviation from remittance procedures from the Chief Coverage Officer, Employment Insurance Commission, Ottawa 1, Ontario, Canada. An SF 1049, Public

Voucher for Refunds, must be used to make the biweekly remittance to the Commission from the deposit fund account **X6875.

0604 CLAIMS FROM EMPLOYEES FOR ADDITIONAL COMPENSATION

060401. General

A. Authority to Settle Claims. Employees may file claims involving compensation or leave under ***31 U.S.C. § 3702***. The General Accounting Office Act of 1996, Public Law No. ***104-316***, transferred the claims settlement functions previously performed by the Government Accountability Office (GAO) to certain executive branch agencies. For additional information, see ***Functions Transferred to the Executive Branch***. Therefore, both former and current employees, must submit claims for additional compensation to the DoD employing activity in accordance with Volume 5, Chapter 12. Claims must be individually processed and an administrative determination must be made as to whether or not the employee is entitled to the amount claimed. If the claim relates to the determination of an entitlement or similar matter that is the responsibility of the HRO, then the claim should be negotiated and documented through the employing activity's personnel channels.

B. Review of Denied Claims. If a claim for payment is denied and the employee wishes to request further review, then the PRO must assemble all documentation pertaining to the claim, including documents from any review process, and forward the file to the Defense Finance and Accounting Service (DFAS), Directorate of Debt and Claims Management Office (DCMO), Department 3300, ATTN: Customer Care Center, 8899 East 56th Street, Indianapolis, IN 46249-3300. The OPM Office of Merit Systems Oversight and Effectiveness (OMSOE) maintains the final authority to settle claims involving Federal employees' compensation and leave and deceased employees' compensation. See ***5 C.F.R. 178*** and Volume 5, Chapter 12.

C. Fair Labor Standards Act (FLSA) Claims. If an employee is not required to file an FLSA claim using a negotiated grievance procedure, he or she may file a claim with either the employing agency during the claim period or the OPM, but not with both at the same time. An employee whose claim is denied by the agency may file the claim with the OPM. See ***5 C.F.R. 551*** subsections 551.703 and 551.705.

D. Statute of Limitations for Filing a Claim. Under 31 U.S.C. § 3702, a claim for payment must be filed within 6 years of the date the right to payment accrued. Claims for overtime pay under the FLSA are generally subject to a 2-year statute of limitations (3 years for willful violations). See 5 C.F.R. 178.104 and 551.702.

060402. Procedures for Submitting Claims

A. Filing a Claim. Claims should be filed with the activity at which the individual was/is employed during the period for which the additional compensation is claimed. When civilian pay claims cannot be resolved at the employing activity or major command level, the fully documented claim should be sent to the DCMO at the address listed in subparagraph 060401.B.

B. Processing Claims

1. Approved Claims

a. Paying Unquestionable Claims. Claims received by the PRO from the claimant may be approved and paid when there is no question of law or fact.

b. Claims Subsequently Approved by OPM. Any claim received by the PRO from the OPM, including those originally received by the DCMO and forwarded to the OPM for final review, must be acted upon in accordance with instructions in the letter or order transmitting the claim to the PRO. When payment is to be made by the PRO, the claim must be paid as part of the regular payroll.

2. Disapproved Claims. Claims not received through the OPM that are denied administratively by the PRO must be returned to the claimant with a letter providing a detailed explanation concerning why the claim was disapproved. If the employee appeals the denial of the claim, then the PRO must forward the claim with a transmittal letter (prepared by the PRO) to the OPM via the DCMO. See subparagraph 060401.B.

C. Content of Claims. All claims submitted by the claimant/employee to the employing activity must be in writing and signed by the claimant or his/her representative. While no specific form is required, the request should describe the basis for the claim and state the monetary amount sought.

D. Submission of Disapproved/Denied Claims to OPM for Review. If a denied claim is submitted at the claimant's request for final review by the OPM, the claim should include:

1. Claimant's name, address, telephone number, and facsimile number, if available;

2. Name, address, telephone number, and facsimile number of the agency employee who denied the claim;

3. A copy of the agency's denial of the claim; and

4. Any other information the claimant wants the OPM to consider.

E. Administrative Report. At the OPM's request, the PRO/DCMO will submit an administrative report, which will include:

1. Factual findings;

2. Conclusions of law with relevant citations;
3. Recommendation for the claims disposition;

4. Copy of any supporting regulations or policy memorandums;

5. A statement that the claimant is or is not a member of a collective bargaining unit and, if so, a statement that the claim is or is not covered by a negotiated grievance procedure that specifically excludes the claim from coverage; and

6. Any other information that the OPM should consider.

060403. Advance Decisions

The OPM maintains the authority to issue advance decisions for claims settlement.

0605 BACK PAY UNDER 5 U.S.C. § 5596 (THE BACK PAY ACT)

*060501. General

A. Authority. The Back Pay Act at ***5 U.S.C. § 5596*** provides the authority for the payment of back pay, interest, and reasonable attorney fees for the purpose of making a Federal employee financially whole (to the extent possible) after an unwarranted or unjustified personnel action. See also ***5 C.F.R. 550***, Subpart H.

B. Introduction. Back pay is appropriate when, based on a timely appeal or an administrative determination (including a decision relating to an unfair labor practice or a grievance), an appropriate authority finds that the employee was affected by an unjustified or unwarranted personnel action. Such action must have resulted in the withdrawal, reduction, or denial of all or part of the pay, allowances, and differentials otherwise due the employee under an applicable law, rule, regulation, or provision of a collective bargaining agreement. The HRO will determine an employee's entitlement to back pay and document the determination in the Remarks section of the SF 50.

C. Invoking the Back Pay Act. Some settlement agreements or orders may not directly invoke the requirements of the Back Pay Act by citing 5 U.S.C. § 5596. Generally, if an agreement or order uses an undefined term of art like "back pay" without defining it, DFAS will apply the regulatory or statutory definition of the term. In such cases, back pay will be processed pursuant to the Back Pay Act unless the agreement or order expresses a contrary intent.

D. Equal Employment Opportunity Commission Cases under Title VII. Title VII of the Civil Rights Act provides authority for agencies to award back pay to employees in discrimination cases. Such cases are independent of the Back Pay Act and back pay is authorized under Title VII without a finding of an unjustified or unwarranted personnel action. An award of back pay under Title VII is computed in the same manner as under the Back Pay Act regulations pursuant to ***29 C.F.R. 1614.501***. See ***42 U.S.C. § 2000e*** and ***§ 1981a***.

E. Non-Appropriated Fund (NAF) Employees. The Back Pay Act does not apply to NAF employees. NAF employees may receive back pay, but such payments are not made under the Back Pay Act and interest is not payable.

F. Lump Sum Payments in lieu of Back Pay. A lump sum payment "in lieu of back pay" is a payment offered in settlement of a case and is not considered back pay processed under the Back Pay Act. See 060514 for information on processing lump sum payments and proper tax reporting and withholding.

060502. Correcting an Unjustified or Unwarranted Personnel Action

A. Back Pay May Not Exceed Originally Owed Entitlements. When an unjustified or unwarranted personnel action is corrected or awaiting correction, the employee may receive credit for performing Federal service during the period covered by the corrective action (back pay period). The PRO must compute, for the back pay period, the employee's pay, allowances, and differentials as if the improper personnel action had never occurred. In no case may pay, allowances, or differentials (including leave benefits) paid under the Back Pay Act exceed what the employee would have been entitled to had the unwarranted personnel action not occurred. See 5 C.F.R. 550.805.

B. Employees Who Return to Duty or Resign from Duty. When an employee has been separated, corrective action will be completed on the date the DoD has reasonably set for the employee's return to duty. The DoD will notify the employee of the return date in writing. Until that date, the erroneous action remains in effect. Failure by the employee to report for duty on the date set by the DoD may result in the employee being charged annual leave, LWOP, or absence without leave for the period from the date set for return to duty until the date the employee actually returns to work. An employee who resigns instead of returning to duty is still entitled to back pay since there is no requirement that the employee return to duty. In that event, the employee will receive back pay up to the date that he or she is considered separated from Federal service, which may or may not be the date that he or she is requested to report for duty.

060503. Statute of Limitations

A. Six-Year Limitation. Under the Back Pay Act, an agency may not authorize pay, allowances, and differentials for a period beginning more than 6 years before the date of the filing of a timely written claim, or absent such filing, the date of the administrative determination that the employee is entitled to back pay. See 5 C.F.R. 550.804.

B. FLSA Claims. If a back pay claim involves an entitlement under the FLSA at ***29 U.S.C. § 207***, then an agency must apply a 2-year statute of limitations (3 years for willful violations). This applies to all FLSA claims filed on or after June 30, 1994. See 5 C.F.R. 551, Subpart G.

* C. Back Pay Act vs. Barring Act. The Barring Act statute of limitation under 31 U.S.C. § 3702 sets a time limit on how long an individual has to file a claim against the United States (within 6 years after the claim accrues). The Back Pay Act statute of limitation sets a time limit on the remedy received (no more than 6 years of back pay).

060504. Gross Back Pay Computations

A. General. When computing the amount of gross back pay due an employee, the agency must compute all pay, allowances, and differentials the employee would have received if the unjustified or unwarranted personnel action had not occurred. This includes pay, leave, and other monetary employment benefits the employee would have been entitled to receive during the back pay period. The PRO must include premium pay and any changes that would affect the amount of pay owed. See 5 C.F.R. 550.805.

B. Periods Excluded from Back Pay Computations. The following periods of time are not included in the computation of back pay. See 5 C.F.R. 550.805(c) and (d).

1. Periods of Incapacitating Illness. The PRO may not pay back pay for any period during which the employee was not ready, willing, and able to perform his or her duties because of an incapacitating illness. However, the employing agency must grant, upon request of the employee, any accrued sick or annual leave to cover the period of incapacity due to illness or injury.

2. Periods of Unavailability. The PRO may not pay back pay for any period during which the employee was unavailable for performance of his or her duties for reasons not related to, or caused by, the unjustified or unwarranted personnel action.

C. Within-Grade Increases (WGI). When computing an employee's pay, the PRO must include any WGI to which the employee became entitled during the back pay period. If the grant or denial of a WGI requires an acceptable level of competence determination under ***5 C.F.R. 531***, the requirements for such a determination, including the right of reconsideration and appeal, must be followed before the WGI may be included in the computation of the amount of back pay due the employee. This also applies to determinations made retroactively. Regulations governing WGIs allow for a waiver of the requirement of an acceptable level of competence determination when the employee has not served in any position for the minimum period during the final 52 calendar weeks of the waiting period because the employee received service credit under the Back Pay Act.

D. Overtime the Employee Would Have Earned. When computing the back pay of an employee who is restored to duty, any overtime the employee would have earned during the period of wrongful suspension or separation should be included in the back pay even though the overtime was not actually scheduled. The method of computing overtime incident to a back pay award due an employee may be based on the average number of overtime hours worked by fellow employees occupying similar positions during the same period.

E. Overtime Under a Collective Bargaining Agreement or Regulation. An employee who should have been selected for overtime work because a regulation or a collective bargaining agreement provided for assignment of overtime work in a prescribed manner is entitled to back pay for the overtime if the regulation or nondiscretionary provision of the agreement was violated. The appropriate authority must find that the action taken was unjustified or unwarranted, and direct that corrective action be taken. The overtime will be computed based on the number of hours worked by an employee who was actually selected to perform the overtime work during the same period.

F. Allowances or Differentials. The PRO must include in the back pay owed to the employee any allowances or differentials that the employee would have received if the improper personnel action had not occurred. This is true even though the employee did not physically remain in the location giving rise to the entitlement.

G. Hazardous Duty Pay. A General Schedule employee may have been entitled to irregular or intermittent pay for physical hardship or hazard duty. The PRO may assist the HRO to determine the number of days per week the employee performed the irregular or intermittent hardship or hazard duty during the 52 weeks preceding the wrongful suspension or separation for which the employee would have been compensated. The PRO may use an average of the amounts to make the necessary computations as authorized by the HRO.

H. Environmental Differentials. Payment of environmental differentials on an actual exposure basis, or based on hours in a pay status, must be computed in accordance with the OPM regulations and instructions. The DoD determines entitlement to such differentials based on the 52 weeks preceding the wrongful suspension or separation for which the Federal Wage System employee would have been compensated.

I. Intermittent Employees. When the DoD is not able to determine with certainty the number of hours that the intermittent employee would have worked during the back pay period, the HRO may estimate the amount of back pay due. This estimate is determined by taking an average of the number of hours worked by other DoD employees under the same type of appointment and performing the same kind of work that the employee would have been assigned to during this period. Alternatively, the HRO also may determine the average number of hours a week the employee actually worked to obtain a representative period preceding the unjustified or unwarranted personnel action (such as 26 or 52 weeks, whichever would represent a fairer approximation of the employee's earnings if he or she had actually worked). The HRO may use the average weekly hours to make the necessary computations.

* J. Cash Awards. Back pay includes any cash award the employee would have been entitled to had the unjustified or unwarranted personnel action not occurred. The award must be supported by the appropriate personnel action.

060505. Computation of Adjusted Gross Back Pay

A. General. Adjusted gross back pay means gross back pay less the offset for outside earnings under 5 C.F.R. 550.805(e)(1), but before adding interest. See Figures 6-1 and 6-2 for examples showing various entitlements, deductions for erroneous payments, and other authorized deductions in the computation of back pay.

B. Outside or Interim Earnings

1. Interim Earnings Defined. Under 5 C.F.R. 550.805(e)(1), interim or outside earnings refer to gross earnings, less any associated business loses or expenses, received by an employee for any employment or business enterprise undertaken to replace the employment

from which the employee was separated due to the unjustified or unwarranted personnel action. However, deductions for losses sustained in a venture unrelated to the separation are not allowable.

2. PRO Duties. The PRO must determine the adjusted gross back pay by offsetting (deducting) any outside earnings that were earned by an employee from other employment during the period of wrongful suspension or separation. The amount of back pay entitlement is the difference between the amount of compensation the employee would have earned in Government service, and the amount actually earned in other employment undertaken by the employee to replace the Government employment. Overtime earned during the period of wrongful suspension or separation that is in excess of that overtime which would have been earned in the position from which the employee was separated should not be offset. When an employee's total outside earnings (including those from other Federal employment) exceed the total amount of back pay, the excess amount may be retained by the employee.

* 3. Outside Earnings Exceed Back Pay. When an employee's outside earnings exceed the back pay award, the employee does not owe the difference to the Government. The employee must be indebted for any amounts owed for retirement contributions or health care premiums. See 060511 for TSP contributions.

C. Exception for Additional or "Moonlight" Employment. The only earnings from other employment that are not deducted from back pay are earnings from outside employment the employee already had before the period of wrongful suspension or separation. For example, if an employee usually worked 20 hours at a second part-time job ("moonlighting") prior to separation from Government employment, and during the period of separation worked 40 hours at the outside job, then the amount representing the extra 20 hours worked would be offset against the back pay computation. To clearly establish whether the pay for outside employment increased substantially during the period of separation, the DoD should obtain a statement or affidavits from the employee covering his or her outside earnings.

060506. Computation of Interest on Back Pay Awards

A. General. Under 5 U.S.C. § 5596, interest is paid on all back pay awards that are finalized on or after December 22, 1987. Interest begins to accrue on the effective date on which the employee would have received the pay, allowances, and differentials had the unjustified or unwarranted personnel action not occurred. As a result, most computations will involve a series of effective dates, one for each date (usually a pay date) on which the employee failed to receive an amount of pay, allowances, and differentials because of the unjustified or unwarranted personnel action. See 5 C.F.R. 550.806.

B. Outside Earnings Offset. Interest is paid on the adjusted gross pay amount (gross back pay less any offset for outside earnings). Interest is computed before making any deductions for erroneous payments. For purposes of computing back pay interest, an outside earnings offset is applied as a constant percentage offset to each payment of back pay for each pay period during the period covered by the corrected action. This percentage offset is determined by dividing the employee's outside earnings under 5 C.F.R. 550.805(e)(1) by the total amount of back pay owed to the employee prior to any deductions. See 5 C.F.R. 550.806(b).

C. Date Interest Accrual Ends. The DoD must issue interest within 30 calendar days of the date on which accrual of interest ends. If issuance of the interest payment is delayed more than 30 calendar days after the date on which accrual of interest ends, then interest must be recomputed based on a new ending date meeting the 30-day requirement. Back pay and interest should be paid simultaneously whenever possible. When the interest payment is issued after the payment of the back pay, see 5 C.F.R. 550.806(g) for calculation on any interest on interest owed.

D. Interest Rate. The applicable interest rate is the "overpayment rate" adjusted quarterly by the Secretary of the Treasury and published in an Internal Revenue Service (IRS) bulletin issued before the beginning of each quarter.

E. OPM Interest Calculator and Taxation of Interest. The PRO must compute interest in accordance with the formula or computer software provided to the PROs by the OPM. The PRO may not withhold taxes from interest payments on back pay awards. The PROs will provide employees with an IRS ***Form 1099-INT***, Interest Income, for all interest payments.

060507. Deductions of Erroneous Payments from Back Pay

* A. General. In the context of back pay, erroneous payments are payments that were received by an employee from the Government as a result of the unjustified or unwarranted personnel action. Erroneous payments must be returned to the appropriate Government agency or pay system. Such payments must be recovered from the back pay award. If the back pay award is insufficient to satisfy the full recovery, then a debt must be established against the employee. See 5 C.F.R. 550.805(e)(2).

1. Retirement Annuity Payments

a. An erroneously separated employee who received retirement annuity payments (either special payments or regular annuity payments) as a result of the separation is indebted to the Government for the gross amount of retirement annuity payments paid to the employee during the period of wrongful separation.

b. Because the gross amount of annuity payments has already been reduced by required health and life insurance premiums, the PRO will recover an annuity amount from the back pay award that equals the gross annuity less health and life insurance premiums.

c. The PRO must transfer the recovered annuity amount to the retirement system.

d. The Government will recover amounts paid from the CSRS or FERS gross annuity for health and life insurance premiums from the respective carriers for those programs, and as a result, the retired employee's account will be settled.

e. The PRO then must collect from the back pay any required health insurance premiums for coverage during the period following restoration and transfer that amount, plus the agency's share, to the OPM.

2. Refund of Retirement Contributions. ***Title 5, U.S.C. § 8342(a)*** authorizes a refund of an employee's retirement contributions only upon absolute separation from the service or transfer to a position not subject to the law. An employee must be separated or transferred for at least 31 consecutive days to be eligible for this refund. Therefore, a refund of retirement contributions paid to an employee based on a separation, which subsequently is found erroneous and canceled by restoring the employee to duty retroactively so that there was no break in service, removes the legal basis for the refund. A refund that was paid in error represents a debt due the retirement fund that must be deducted from any back pay entitlement. If the restored employee is entitled to back pay, then the PRO must contact the OPM to determine if the employee received such a refund and then offset the amount from the back pay entitlement. The PRO must remit the appropriate amount to the OPM.

3. Severance Pay. The gross severance pay paid to an erroneously separated employee at the time of his or her removal must be deducted from the back pay award upon restoration to duty.

4. Lump-Sum Payment for Annual Leave. Any erroneously separated employee who receives a lump-sum payment under ***5 U.S.C. § 5551(a)*** prior to separation, must repay the lump-sum payment upon reinstatement to duty. The PRO must restore the employee to duty and cancel the separation, thereby making the lump-sum payment erroneous. The PRO must offset any lump-sum payment received by the employee against the employee's back pay award and credit the leave to the employee's leave account. There is no authority that permits an employee to retain the lump-sum payment or receive credit for the leave.

B. Order of Precedence. The order of precedence for deducting erroneous payments from back pay awards when the net amount of back pay is insufficient to cover all the deductions is as follows:

1. Retirement annuity payments,

2. Refunds of retirement contributions,

3. Severance pay, then

4. Any lump-sum payment for accrued annual leave.

C. Waiver of Erroneous Payments

1. Retirement Fund Payments. Employees may request the OPM to waive recovery of erroneous payments from the Civil Service Retirement and Disability Fund (CSRDF). Requests for waiver should be submitted to the U.S. Office of Personnel Management, Office of Retirement Programs, Reconsideration and Debt Collection Division, Room 3H30, 1900 E Street, NW, Washington, D.C. 20415. Employees also may submit requests to the same address to repay debts owed to the CSRDF by installment deductions from salary.

2. Waiver of Lump-Sum Annual Leave and Severance Payments. For severance pay and lump-sum annual leave payments, any net indebtedness remaining after liquidation of back pay may be eligible for a waiver of repayment (by the GAO or DFAS, as applicable) under the authority of ***5 U.S.C. § 5584***.

060508. Other Authorized Deductions from Back Pay

Authorized deductions that would have been made from the employee's pay (if paid when due) should be made by the PRO in accordance with the normal order of precedence for deductions from pay. See 5 C.F.R. 550.805(e)(3). Authorized deductions include the following:

A. Mandatory Employee Retirement Contributions. The PRO must compute the employee retirement contributions on the employee's gross back pay subject to retirement, and deduct the contributions after subtracting the earnings from outside employment. Even if no amount of back pay is due because of excessive outside earnings, the employee must be indebted for the appropriate amount of retirement fund contributions. See ***5 U.S.C. § 8334(c)***. If an employee is retroactively placed in an LWOP status under the terms of a settlement agreement or order and no back pay is due, both the employee and agency contributions for the LWOP period must still be submitted to the OPM. Section ***5 C.F.R. 842.304(a)(4)*** granting retirement credit during periods of LWOP without requiring employee contributions does not apply to situations involving retroactively applied LWOP granted under a settlement agreement or order.

B. Social Security and Medicare Taxes. The PRO must compute and deduct the Social Security taxes, also known as Old Age Survivor Disability Insurance (OASDI), and Medicare taxes on the adjusted gross back pay.

C. Federal Income Tax Withholding. The PRO must compute income tax withholdings on the adjusted gross back pay less any part of back pay not subject to income tax deductions. Therefore, if the back pay amount includes any amount not subject to income tax deductions, such as non-foreign area cost-of-living allowances and contributions to TSP, the PRO must compute the taxes after reducing the adjusted gross back pay by these nontaxable amounts.

D. Insurance Premiums and TSP. If applicable, health and life insurance premiums and TSP contributions may be made from the remaining back pay due the employee. Health insurance premiums for an employee restored to duty following an erroneous separation for retirement must be deducted if coverage under the health benefits program continued without interruption during the erroneous retirement. The PRO must withhold any additional premiums the employee owes due to a retroactive increase in basic pay. See section 060510.

* E. Flexible Spending Accounts (FSA). At the request of the employee, FSA contributions may be deducted from the back pay award in the amount that would have been allotted to the employee's FSA had the unjustified or unwarranted personnel action not occurred. The FSA contributions may be used to cover eligible medical expenses incurred during the corresponding back pay period.

060509. Restoration of Leave

A. Annual Leave. Annual leave that is restored to an employee as a result of the correction of an unjustified or unwarranted personnel action in excess of the maximum leave accumulation amount authorized by law must be credited to a separate leave account for use by the employee. See 5 C.F.R. 550.805(g). The restored leave must be scheduled and used as provided in this section. If restored leave is not used within the prescribed time frames, it is forfeited. Refer to 5 U.S.C. § 5596(b)(1)(B) for additional information.

1. Full-Time Employees. For a full-time employee, excess annual leave of 416 hours or less must be scheduled and used by the end of the leave year in progress 2 years after the date on which the annual leave is credited to the separate account. This period is extended by 1 leave year for each additional 208 hours of excess annual leave or any portion thereof.

2. Part-Time Employees. A part-time employee must schedule and use excess annual leave in an amount equal to or less than 20 percent of the employee's scheduled tour of duty over a 52 calendar week period by the end of the leave year in progress 2 years after the date on which the annual leave is credited to the separate account. The agency will extend this period by 1 leave year for each additional number of hours of excess annual leave, or any portion thereof, equal to 10 percent of the employee's scheduled tour of duty over a period of 52 calendar weeks.

3. Additional Information

a. For both part-time and full-time employees, the ending date of the time limit for use of excess annual leave may not be exactly 2 years from the date on which the annual leave is credited to the separate account (or exactly at the end of any additional year added to the 2-year period). Rather, the time limit ends at the end of the leave year ending 2 years after the restoration. For example, if the 2-year period ends in July, an employee would have until the end of the current leave year (December or January) to use the restored annual leave.

b. To determine the time limitations for use of restored leave, see Volume 8, Chapter 5.

B. Sick Leave. If an employee is reinstated to an agency as a result of an appeal, the agency must reestablish the employee's sick leave account as a credit or charge as it was at the time of separation. See ***5 C.F.R. 630.502***. Upon request of an employee, the PRO may grant any sick or annual leave available to the employee for a period of incapacitation if the employee can establish that the period of incapacitation was the result of illness or injury. See subparagraph 060504.B.1 and 5 C.F.R. 550.805(d).

060510. Health Insurance and Life Insurance Coverage

A. Health Insurance. Under ***5 U.S.C. § 8908***, an employee who was removed or suspended without pay, and who was restored to duty on the grounds that the removal or suspension was unjustified, may elect one of the following options:

1. The employee may have the prior enrollment reinstated retroactive to the termination date, with appropriate adjustments made in contributions and claims, as if no removal or suspension had occurred. If the employee elects to have the enrollment retroactively reinstated, then payroll deductions for the period of suspension or removal must be made from the back pay award and the Government premium contributions should be made as though the suspension or removal had not occurred.

2. The employee may enroll in the same manner as a new employee.

B. Health Insurance Provision for Erroneous Retirement. The statutory provisions of 5 U.S.C. § 8908 do not apply to an employee separated erroneously for retirement under conditions entitling him or her to continued enrollment. In such cases, there is no need to restore health benefits coverage since coverage was transferred to the retirement system and automatically continued. For additional information, refer to the Federal Employees Health Benefits ***(FEHB) Program Handbook***.

C. Life Insurance

1. Withholding for Employees with Coverage at the Time of Removal. If an employee is retroactively restored to duty with back pay after a period of wrongful suspension or separation, no life insurance premium withholding is made from the retroactive pay adjustment for the period of suspension or separation. However, if death or dismemberment occurred during the period of wrongful suspension or separation, premiums are withheld from the back pay. Additionally, if the employee maintains Option C coverage and a covered family member dies during the period of separation or removal, Option C premiums should be withheld from the back pay award. See ***5 C.F.R. 880.304*** and the Federal Employees Group Life Insurance ***(FEGLI) Handbook*** for additional information.

2. Employees with Coverage Who Missed Open Season. If an employee had life insurance coverage prior to a wrongful suspension or removal, and the employee

is restored to duty after the closing date of an open season for life insurance that occurred during the employee's period of wrongful suspension or separation, the employee is entitled upon restoration to elect additional life insurance coverage as permitted during the open season. The effective date is the first day in a pay-and-duty status on or after the date the employing office receives the ***SF 2817***, Life Insurance Election.

3. Employees Who Had No Coverage Prior to Removal. If an employee had no life insurance coverage prior to a wrongful suspension or separation, and the employee is restored to duty after the closing date of open season for life insurance that occurred during the employee's period of wrongful suspension or separation, the employee is entitled upon restoration to elect life insurance coverage as permitted during the open season. Since coverage for basic life insurance is automatic, the effective date is the first day in a pay-and-duty status. For options A, B, and C, the effective date is the first day in a pay-and-duty status on or after the date the SF 2817 is received by the employing office.

060511. TSP

A. TSP Contributions from Back Pay Award. An erroneously separated employee may request that any employee TSP contributions not made during the period of erroneous separation be deducted from his or her back pay award. The makeup contributions may be elected by reinstating the employee's contribution election on file at the time of separation. Alternatively, the employee may submit a new contribution election if he or she would have been eligible to make such an election but for the erroneous separation. Breakage or "lost earnings" is paid on all makeup contributions at the G Fund rate of return (unless otherwise specified by the agency or reinstatement order). The employee will receive the tax benefit in the year the contributions are made. The PRO must calculate the TSP amount using the gross basic pay amount of the back pay award prior to any offset for outside earnings. For additional information, see ***5 C.F.R. 1605*** or refer to Chapter 11.

* B. TSP Contributions when Back Pay is Insufficient. An employee's outside earnings may offset the total amount of back pay owed, or the employee may otherwise have insufficient back pay to deduct TSP contributions. Basic pay is the only allowable source for TSP contributions. See ***5 U.S.C. § 8432***; 5 C.F.R. 1605.11. An employee's makeup contributions may only be made through payroll deductions. TSP contributions may not be made by check, money order, cash or other form of payment directly from the employee to TSP, or from the employee to DFAS for deposit with TSP. If no back pay is available for TSP contributions, a current or reinstated employee may only make up TSP contributions through future payroll deductions. See 5 C.F.R. 1605.

060512. Payment of Reasonable Attorney Fees

Title 5, U.S.C. § 5596(b)(1)(A)(ii) provides for payment of reasonable attorney fees in accordance with the standards established under ***5 U.S.C. § 7701(g)***, under certain conditions. Under 5 C.F.R. 550.807, an employee, or an employee's personal representative, may request payment of reasonable attorney fees related to an unjustified or unwarranted personnel action that resulted in the withdrawal, reduction, or denial of all or part of the amount due the employee.

060513. Back Pay and Offsetting UCFE

A. If a reinstated employee is entitled to back pay, then the HRO must determine if the employee applied for unemployment compensation via the UCFE Program within the last 52 weeks. If the employee applied for or received unemployment compensation, then the HRO must promptly notify the SESA of the date of the back pay payment, the amount, and the period covered.

B. The DoD will not deduct the amount of unemployment compensation paid during the back pay period from the back pay award unless state law requires the employer (rather than the employee) to reimburse the state for overpayments. In some cases, a state agency may also determine that an overpayment has occurred and notify the Federal Government as the employing agency. See "***Comparison of State Unemployment Insurance Laws***" published by the DOL at Chapter 5, Table 5-15, ***65 Comp. Gen 865 (1986)***. See also DoDI 1400.25-V850.

*060514. Tax Withholding and Reporting in Back Pay Matters

A. General. For information on proper tax withholding and reporting in back pay matters, refer to IRS Memorandum ***PMTA 2009-035***, Income and Employment Tax Consequences and Proper Reporting of Employment-Related Judgements and Settlements (October 22, 2008). For income tax purposes, the IRS treats all back pay as wages in the year paid.

B. Lump Sum Payments. A settlement or order may require a lump sum payment be issued to the employee in lieu of back pay or as an award of damages. To ensure proper tax reporting and withholding, employing agencies should make every effort to identify the nature of lump sum payment(s) awarded as being wages or non-wages. The PRO must review the nature of the payment before processing and should contact the agency if there is a question as to the identity or apportionment of a lump sum payment.

1. Wages. Generally, if a settlement or order requires the employee be paid a lump sum payment, such payment should be categorized as wages if it is not clearly described as a payment of damages or attorney fees. A lump sum representing wages must be submitted to the PRO as an individual award to ensure proper processing. All Federal and state taxes are withheld from a wage payment, along with OASDI and Medicare taxes. The payment is reported on a W-2.

2. Non-Wages. Lump sum payments of damages are processed by DFAS vendor pay (or other appropriate vendor pay office) and are reported on a 1099-MISC with no taxes withheld.

C. Attorney Fees. Payments to attorneys are generally taxable to the employee. An employee must include in their gross income the entire amount of the judgment or settlement, including the amount paid to the attorney. Depending on how the payment is made, there may be tax reporting to both the attorney and the employee.

D. Judgment Fund Payments. The United States Department of Treasury operates the Judgment Fund under ***31 U.S.C. § 1304***. Back pay awards may be paid out of the Judgment Fund. Treasury regulations require the agency that submits a request for payment from the Judgment Fund issue the tax reporting. Therefore, for employees paid by DFAS, DFAS will issue the tax reporting on behalf of the employing agency even when the award of back pay or damages is made from the Judgment Fund. See ***31 C.F.R. 256.51***.

0606 CONTINUATION OF PAY (COP) (INJURY COMPENSATION) FOR FEDERAL EMPLOYEES

060601. General

The Federal Employees' Compensation Act (FECA), at ***5 U.S.C. Chapter 81***, provides for the payment of workers' compensation benefits and authorized medical care for all civilian employees of the United States for disability due to personal injury sustained while in the performance of duty. Regulations governing injury compensation are contained in ***20 C.F.R. 10***. For additional information, see Injury Compensation in DoDI 1400.25-V810 and the DOL's ***FECA Procedure Manual***.

A. 45 Calendar Days of COP. Civilian employees are entitled to medical care and compensation for absences due to traumatic on-the-job injuries and disease sustained while in the performance of duty. Traumatic injury is not the same as disability from occupational disease. Eligible employees are entitled to up to 45 calendar days of COP for traumatic injury.

B. OWCP. The U.S. DOL OWCP administers the FECA through district offices. Each HRO maintains the address of the district office servicing its region.

060602. COP Procedures

A. Entitlement to COP. An employee who sustains a disabling job-related traumatic injury is entitled to the continuation of regular pay for a period not to exceed 45 calendar days for each occurrence. The pay is subject to OASDI and/or Medicare, Federal, state, and local tax, retirement, and all other normal deductions. The pay for a separated employee (unless the date of termination has been established prior to the injury) who is entitled to COP will be subject to OASDI and/or Medicare, Federal, state, and local tax, if appropriate. The PRO may not take any additional deductions. The injured employee's pay will continue unless the DOL denies the claim.

1. Regular Pay. For COP purposes, regular pay is defined as follows:

a. Full-Time and Part-Time Employees. For a full-time or part-time employee who works the same number of hours per week, the weekly pay rate must be equal to the number of hours regularly worked each week times the hourly pay rate on the date of injury including premium pay, night or shift differential, holiday pay, and other extra pay, exclusive of overtime.

b. Part-Time Employees Only. For a part-time employee who does not work the same number of hours per week, the weekly pay rate will be the average weekly earnings for the 1-year period before the date of injury, exclusive of overtime.

c. Intermittent Employees. For an intermittent or part-time employee, either permanent or temporary, who does not work each week of the year (or the period of appointment), the weekly pay rate equals the average of the employee's weekly earnings during the 1-year period before the injury. It is computed based on the total earnings divided by the number of weeks worked (partial weeks worked are counted as whole weeks). The annual earnings used for this computation must not be less than 150 times the average daily wage earned within 1 year before the date of injury.

2. Premium Pay. Standby premium, night or shift differential, holiday pay, or other extra pay should be included in regular pay in all instances. Overtime pay is not a part of COP, except in the case of firefighters and law enforcement officers. If a salary increase (e.g., pay raise, step increase, promotion) occurs during the 45-day period, then the PRO will use the new salary rate as of the effective date of the increase for computing the remaining COP.

B. Controverting a Claim. An agency may object to paying a claim for COP in a process referred to as "controverting a claim." The employing activity may controvert a claim by completing the indicated portion of ***Form CA-1***, Federal Employee's Notice of Traumatic Injury and Claim for COP/Compensation, and submitting detailed information in support of the objection to the OWCP. See 20 C.F.R. 10.221.

C. Denial of COP. COP is not payable when one of the following occurs (see 20 C.F.R. 10.220):

1. A traumatic injury is not the cause of the employee's disability;

2. The employee is not a U.S. or Canadian citizen;

3. The employee does not file a written claim within 30 days of the date of injury;

4. The injury was not reported until after separation from employment;

5. The employee received the injury away from the activity's premises and the employee was not performing his or her official duties;

6. The injury was due to the employee's own willful misconduct, intent to injure himself/herself or another person, or the injury was proximately caused by intoxication by alcohol or illegal drugs; or

7. The work did not stop until more than 45 calendar days after the injury.

D. Termination of COP Already Begun. Generally, COP should continue after the employee stops work due to a disabling injury. Pay may be stopped only when at least one of the following circumstances is present (see 20 C.F.R. 10.222):

1. The employee does not provide *prima facie* medical evidence of a work-related injury within 10 calendar days after he/she submits a claim for COP;

2. The treating physician provides medical information to the activity indicating that the employee is not disabled from his or her regular position;

3. The treating physician provides medical information to the activity indicating the employee is not totally disabled, and the employee refuses a written offer of a suitable alternative position;

4. The OWCP provides notification to the activity to terminate COP;

5. COP has been paid for 45 calendar days;

6. The employee's scheduled term of employment expires, and the date of termination is prior to the date of injury; and/or

7. The employee returns to work with no loss of pay.

E. COP Suspended When Employee Obstructs a Medical Examination. If an employee or his or her representative refuses or obstructs a medical examination, the right to receive COP is suspended until the refusal or obstruction ceases. COP already paid or payable for the period of suspension is forfeited. If already paid, COP may be charged to annual or sick leave or considered an overpayment of pay consistent with 5 U.S.C. § 5584. See 20 C.F.R. 10.223.

F. COP and Disciplinary Actions. If a preliminary notice regarding a disciplinary action was issued to the employee before the date of the injury and the action becomes final or otherwise takes effect during the COP period, COP may be interrupted or stopped. See 20 C.F.R. 10.222.

G. COP Period. The COP period is 45 calendar days. If the employee has stopped work because of the disabling effects of the injury, then the period starts at the beginning of the first full day or first full shift on which the disability begins. If disability occurs on the date of injury, do not count the remainder of that day or shift as COP. If the employee stops work for a portion of a day or shift, other than the day or shift when the disability begins, then that day or shift is 1 calendar day. When an employee is injured but not immediately disabled because of the injury, the 45 days begins on the first full day or the first full shift when the disability begins. The initial use of COP must begin within 45 days of the date of injury or the employee is only entitled to compensation from the OWCP. The employee's scheduled non-workdays are included in determining the 45 days if medical evidence supports that the employee is disabled; however, there will be no COP paid for those non-workdays. See 20 C.F.R. 10.215.

H. Light-Duty Status

1. When a determination is made that an employee is capable of performing light-duty after an on-the-job injury, COP is still chargeable against the 45-day entitlement if a personnel action has been issued in order to:

a. Assign or detail the employee to an identified position for which a position description exists which is classified at a lower salary level than that earned by the employee when injured,

b. Change the employee to a lower grade or to a lower rate of basic pay, or

c. Change the employee to a different schedule of work that results in loss of salary or premium pay (other than Sunday premium) authorized for the employee's normal administrative workweek.

2. An employee placed in light-duty who refuses to work after the offer of suitable work is not entitled to COP. See 20 C.F.R. 10.217 and 10.517.

I. Recurrence of Disability. If an employee returns to work and then becomes disabled again and stops work, the PRO may continue COP only if the 45 calendar days of entitlement to COP were not completely used during the initial period of disability. For COP to be continued, the employee must have experienced the recurrence of the disability and stopped working within 45 days of the time the employee first returned to work following the initial period of disability. When a recurrence happens after the 45-day window has expired, the PRO must discontinue the regular pay, even if some of the 45 days of COP eligibility may remain unused. In this event, the employee is only entitled to compensation payable by the OWCP and is not entitled to COP. See 20 C.F.R. 10.207.

J. Use of Annual or Sick Leave Instead of COP

1. Application of the 45-Day COP Period. An employee may use annual, sick, or advanced leave to cover all or part of an absence due to an injury. If an employee elects to use leave, then count each full or partial day the employee takes leave against the 45 days of COP entitlement. If an employee uses COP intermittently along with sick or annual leave, the COP entitlement period is still limited to 45 days. An employee may not use annual or sick leave to delay or extend the 45-day COP period.

2. One-Year Limitation to Elect COP in Lieu of Annual or Sick Leave. There are times when the employee may elect sick, annual, or advanced leave and the election is irrevocable. However, if an employee who has elected to use annual or sick leave for the period is otherwise eligible to elect COP instead, then the employing activity must make that change on a prospective basis from the date of the employee's request. The employee may receive COP in lieu of previously requested annual or sick leave provided the employee makes the request within 1 year of either the date the leave is used or written approval of the claim was granted, whichever

is later. To authorize a change from annual or sick leave to COP, a corrected time-and-attendance report is required.

3. Leave Status of Employees

a. Leave Status When Injury Exceeds 45 Days. Employees who are eligible for COP must be placed in a leave status for time lost from work due to injury that is in excess of the 45-day COP period. During this period, an employee may take annual leave, sick leave, advanced leave, or LWOP until the OWCP approves the employee's claim for compensation. The employee should be in an LWOP status if the employee is receiving the OWCP compensation after the 45-day period.

b. Leave Status of Employees Who Are Ineligible for COP. Employees who are ineligible for COP must be in a leave status during an absence due to injury. Employees may take annual leave, sick leave, advanced leave, or LWOP while awaiting a decision from the OWCP on their claims. Employees must be in an LWOP status while receiving the OWCP compensation. These employees may buy back, and have reinstated, annual and sick leave used for time lost from work due to injury if the OWCP approves their claims for compensation.

060603. Buy Back of Leave

A. General. If an employee is found eligible to receive OWCP compensation and the employee used sick, annual or a combination of both types of leave during a period of disability extending beyond the 45-day COP period, the employee may arrange with the PRO to buy back the leave used (referred to as "leave buy back"). Note: Any sick or annual leave used during the 45-day COP period is not eligible for leave buy back unless the employee was not entitled to COP (see subparagraph 060602.D). An employee may not receive dual compensation for pay and leave plus the OWCP compensation for lost time due to injury. Leave will be reinstated when bought back. See 20 C.F.R. 10.425.

B. Time Limit for Submitting a Claim for Leave Buy Back and Payment Arrangements. The ***CA-7***, Claim for Compensation, for leave buy back must be submitted within one year of the date the leave was used or the claim was accepted, whichever is later. The PRO will arrange with the OWCP to have compensation for the buy back period paid directly to that office. After receipt, the PRO will notify the employee of the repayment amount and method of repayment.

C. Effect of Leave Buy Back. Leave buy back will reduce an employee's earnings. An employee is placed in LWOP status, which may result in leave accrual reduction, reduced retirement contributions, and reduced TSP contributions. Employees may be required to pay health insurance and income taxes.

D. Leave that is Not Eligible for Buy Back. Employees who are eligible for COP who take annual, sick, or advanced leave for time lost due to injury instead of COP during the 45-day COP period are not eligible for the OWCP compensation for that leave. These employees may not buy back the annual or sick leave and have it reinstated.

E. Computation. The PRO must recover any gross amount paid for leave used during a period retroactively covered by the OWCP compensation. Certain deductions are recoverable by payroll adjustment. The amount recovered from the employee and/or the OWCP will depend on whether payment for leave is paid in the current or prior year. See Figures 6-3 and 6-4 for examples.

F. Current Year Recovery

1. Deductions. The amount collected for leave payments made in the current calendar year will be the net pay plus deductions for:

a. Bonds,

b. Savings allotments,

c. Alimony/Child support,

d. Rent,

e. Indebtedness to the United States, and

f. Other deductions the employee received value but not otherwise collected.

2. Reversed Deductions. Current Deductions that will be reversed (if applicable and if the moneys are recovered) in the payroll system are:

a. CSRS or FERS;

b. OASDI and/or Medicare;

c. Federal, state, and local taxes;

d. FEHB (if the OWCP payment is for more than 28 days);

e. FEGLI (basic and optional);

f. TSP;

g. Union dues;

h. Charitable contributions; and

i. Military service credit deposits and civilian service credit deposits.

3. Other. The PRO must make adjustments in the payroll system to earnings-to-date for those items other than the reversed deductions. Amounts collected from the employee and/or the OWCP must be taken up as a cash refund on a voucher for disbursement and/or collection.

G. Prior Year Recovery

1. Amount Collected. The amount to be collected for leave payments made during a prior year will be the gross amount less CSRS/FERS, OASDI and/or Medicare, TSP, FEHB (if the OWCP payment is for more than 28 days), and FEGLI (basic and optional). The PRO must post the credit to the CSRS/FERS as a separate credit line item on the ***SF 2806***, Individual Retirement Record CSRS, or the ***SF 3100***, Individual Retirement Record FERS, fiscal side indicating the year the adjustment was made with an explanation in the "Remarks" column. No adjustments are authorized for Federal, state, and local income taxes.

2. Separating Employees. When an employee separates or at the end of the payroll year, the PRO must prepare an IRS ***W-2***, Wage and Tax Statement, as appropriate, but may not include any tax adjustments for a prior year. The PRO must prepare a certified statement to go with the current year's W-2 stating that a refund for prior year was paid in the amount of $XX.XX, but that the gross wages shown on the current year W-2 were not reduced by the amount of the refund.

H. Partial Payroll Deductions. If circumstances warrant, the employee may repay through partial payroll deductions, the amount due from the employee (after recovery of the amount repaid by the OWCP). The PRO will not reverse deductions under subparagraph 060603.F.2 until the full amount is paid.

I. Recrediting of Leave. Credit the full amount of leave used during the buy back period to the employee's leave account. The PRO will not recredit leave bought back until the total amount is repaid.

0607 EMERGENCY EVACUATION PAYMENTS

060701. Purpose

The DoD Joint Travel Regulation, ***Chapter 6, Part B*** identifies the responsibilities of the PRO in the event the proper authorities declare an official emergency evacuation of civilian employees. The PROs will use the guidelines to determine whether it is appropriate to make advance payments to employees based on an ordered evacuation for military actions, natural disasters or other reasons that create imminent danger to lives and property. This section applies to areas located within the United States based on the provisions of 5 C.F.R., Part 550, Subpart D and outside of the United States based on the provisions of the Department of State Standardized Regulations (DSSR), ***Chapter 600***.

A. Eligibility. This guidance pertains to the DoD and DoD Component employees when an official evacuation is declared. For additional information, see the Defense Civilian Personnel Advisory Service ***Emergency Preparedness*** website.

B. Forms. The ***Department of Defense (DD) Form 2461***, Authorization for Emergency Evacuation Advance and Allotment Payments for DoD Civilian Employees, authorizes and records emergency payments to employees and dependents. The PRO is responsible for maintaining this record of payments on the employee's permanent pay account. In appropriate cases, information on this form may be disclosed to other Federal agencies (i.e., the Social Security Administration, the IRS, and the OPM), to state and local taxing/welfare authorities, and to certain private organizations for crediting payments to the employee's account. The PRO must receive DD 2461 before making payment of amounts due the evacuated civilian employees or family members.

C. Determining Entitlements and Payee. Determine specific rates of entitlement, duration of evacuation/departure payments, and eligible payees as follows:

1. For employees at foreign installations, use the DSSR, Chapter 600.

2. For employees within the United States, use 5 C.F.R. Subpart D.

D. Payments. Compute employee's payments at the rate they are entitled to immediately before the order of evacuation/departure. Adult family members or designated representatives may receive payments in the form of allotments. The PRO must make all advance payments (and any necessary adjustments) according to the DoD Component's procedures.

060702. Transmission of Data to Safe-Haven Post

A. Methods of Transmission. After authorities issue an evacuation order, the PRO must immediately forward all significant payroll data from the evacuated installation to the safe-haven post. The forwarding of data is critical in order to support further payments. Some possible methods of forwarding payroll data to the safe-haven post are the following:

1. Shipping machine or manual listings of data;

2. Shipping the last complete payroll together with appropriate notations and changes;

3. Transmitting essential data over available telephone, telegraph, or radio lines;

4. Shipping the actual payroll, leave, and other appropriate records; and/or

5. Providing the evacuated employees and dependents at the time that the evacuation is ordered with a statement of essential data in a locally reproduced format.

B. Considerations. The physical conditions and circumstances at the evacuation installation will determine the method and timing for transmitting data. Safeguarding and preserving payroll leave, and travel records are matters of primary concern because of the continuing need for the records after the conditions, which gave rise to the emergency evacuation have been resolved. Take all necessary steps to safeguard and preserve the records at the safe-haven post.

060703. Action Upon and During Evacuation

To the extent possible and practicable, the PRO must pay employees and dependents remaining at the evacuated installation in accordance with the normal fiscal procedures of that installation. A special advance payroll may be prepared in accordance with normal payroll procedures and charged against the appropriate funds available to the evacuated installation for authorized advance payments.

060704. Actions After Evacuation

A. Review of Accounts. The PRO having jurisdiction over the employee's account will review his or her account for the purpose of making adjustments at the earliest possible date after the evacuation is terminated (or earlier if circumstances apply), or after the employee returns to his or her duty station, or when the employee is officially reassigned. See 5 C.F.R. 550.408.

B. Reconcile Amounts Paid. The PRO will adjust the employee's pay on the basis of the rates of pay, allowances, or differentials, if any, to which he or she would otherwise be entitled. Any adjustments will reflect any advance payments the employee may have received. If it is found that the employee is indebted for any part of the advance payment(s) made to him or her, or to his or her dependent(s), or designated representative, the PRO having jurisdiction over the account must recover the debt, unless a waiver has been approved. See 5 C.F.R. 550.408.

060705. Evacuation Payments During a Pandemic Health Crisis

An agency may direct an employee to work from home or a mutually agreed upon alternative location during a pandemic health crisis. The designated location is the safe-haven location during a pandemic health crisis and is used as an alternate work site only during the pandemic crisis. The agency may make special allowance payments to the employee, as determined on a case-by-case basis, to help defray additional expenses caused by the crisis. See 5 C.F.R. 550.409.

Figure 6-1. Example 1 - Format of Back Pay Computation

An employee's gross back pay computation is $32,420, as follows:

Basic pay	$31,000.00
Overtime pay	$300.00
Holiday pay	$120.00
On-call pay	$1,000.00

The employee received lump-sum payments in the amount of $1,000, and net retirement payments (gross retirement less the amounts withheld for health insurance premiums and for post-retirement basic life insurance premiums) amounting to $10,000. During the period covered by the corrective action, the employee earned $11,000 from outside employment (interim earnings).

Gross back pay	$32,420.00
Less outside earning	($11,000.00)
Subtotal (Adjusted Gross Back Pay)	$21,420.00
Less erroneous payments	
Erroneous Retirement Annuity payments	$10,000.00
Erroneous lump-sum payments for annual leave	$1,000.00
Total	($11,000.00)
Subtotal	$10,420.00
Less other authorized deductions	
Retirement deductions (CSRS) computed on gross basic pay ($31,000)	$2,170.00
TSP computed on gross basic pay ($31,000 - if applicable)	00.00
Federal tax computed on adjusted gross back pay ($21,420)	$5,355.00
State tax computed on adjusted gross back pay ($21,420)	$856.80
Medicare computed on adjusted gross back pay ($21,420)	310.59
Health Insurance Premiums	$1,116.00
Total	($9,808.39)
Net back pay	$611.61

Figure 6-2. Example 2 - Format of Back Pay Computation

An employee's gross back pay computation (based on basic pay only) is $10,000. During the period covered by the corrective action, the employee earned $7,000 from outside employment (interim earnings).

Gross back pay	$10,000.00
Less interim earning	($7,000.00)
Subtotal (Adjusted Gross Back Pay)	$3,000.00
Less authorized deductions	
Retirement deductions (CSRS) computed on gross back pay ($10,000)	$700.00
Federal tax computed on adjusted gross back pay ($3,000)	$750.00
State tax computed on the adjusted gross back pay ($3,000)	$120.00
Medicare computed on the adjusted gross back pay ($3,000)	43.50
Total deductions	($1,613.50)
Net back pay	$1,386.50

Figure 6-3. Example 1 - Buy Back of Leave Computation – Sick Leave for Full Pay Period

PP#	HRS	GROSS	CSRS	FICA/ MED	TAX	FEHB	FEGLI	OPT FEGLI	CHARITY	UNION DUES
21	80	$680.80	47.66	9.87	120.57	31.50	5.50	16.00	2.00	1.75

ALLOT	TSP	NET
50.00	10.00	$385.95

Current Year Recovery:

Net Pay	$385.95
Allotment	50.00
Charity	2.00
Amount of repayment	(437.95)
Amount of OWCP check (75% X 680.80)	510.60
Amount due employee	$ 72.65

Prior Year Recovery:

Net Pay	$385.95
Allotment	50.00
Tax	120.57
Charity	2.00
Health Insurance Premiums	31.50
Union dues	1.75
Amount of repayment	(591.77)
Amount of OWCP check (75% X 680.80)	510.60
Amount due from employee	($81.17)

Figure 6-4. Example 2 - Buy Back of Leave Computation – Sick Leave for Less Than a Full Pay Period

PP#	HRS	GROSS	CSRS	FICA MED	TAX	FEHB	FEGLI	OPT FEGLI	CHARITY	UNION DUES	ALLOT	NET
20	80	$680.80	47.66	9.87	120.57	31.50	5.50	16.00	2.00	1.75	50.00	$395.95
Worked	47	$399.97	28.00	5.80	71.14	31.50	5.50	16.00	2.00	1.75	50.00	$188.28
Sick Lv	33	$280.83	19.66	4.07	49.43	-	-	-	-	-	-	$207.67
21	80	$680.80	47.66	9.87	120.57	31.50	5.50	16.00	2.00	1.75	50.00	$395.95
Worked	12	$102.12	7.15	1.48	18.09	31.50	5.50	16.00	2.00	1.75	-	$18.65
Sick Lv	68	$578.68	40.51	8.39	102.48	-	-	-	-	-	50.00	$377.30

Current Year Recovery:

Net Pay	$584.97
Allotment	50.00
Amount of repayment	($634.97)
Amount of OWCP check (75% X $859.51)	644.63
Amount due employee	$ 9.66

Prior Year Recovery:

Net Pay	$584.97
Allotment	50.00
Tax	151.91
Amount of repayment	($786.88)
Amount of OWCP check (75% X $859.51)	644.63
Amount due from employee	($142.25)

VOLUME 8, CHAPTER 7: "DEPARTMENT OF DEFENSE EDUCATION ACTIVITY (DoDEA) EMPLOYEES"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated January 2016 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current administrative instruction.	Revision
070501.E	Revised the subparagraph for clarification of the calculation and example.	Revision
All	Revised information for clarity.	Revision

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CHAPTER 7

DEPARTMENT OF DEFENSE EDUCATION ACTIVITY (DoDEA) EMPLOYEES

0701 GENERAL

070101. Purpose

This chapter establishes policy and procedures for the pay and leave of the DoDEA employees employed under the Teaching Position (TP) Pay Plan. These employees include teachers, principals, administrators, instructional systems specialists (ISS), guidance counselors, social workers, nurses, and school psychologists.

070102. Authoritative Guidance

Title 20, United States Code (U.S.C.), sections ***901-907*** govern the salaries and personnel practices applicable to educators employed overseas by the Department of Defense Dependents Schools (DoDDS) on a school year basis. The pay and personnel practices are implemented by policies and regulations issued by the DoDEA under the authority and direction of the Secretary of Defense. The regulations on pay include DoDEA Regulation ***1400.13***, Salaries and Personnel Practices Applicable to Teachers and Other Employees of the DoDDS; and Dependent Schools (DS) Regulation ***5301.4***, DoDDS Salaries and Personnel Practices Applicable to Principals and Assistant Principals. These policies and regulations differ considerably from those applicable to other federal civilian employees paid under Title 5 U.S.C. or other statutes.

0702 TP PAY PLAN

Individuals, such as educators and administrators who hold a TP (hereinafter referred to as educators, administrators, and ISS employees) as defined in 20 U.S.C. § 901 are governed by the policies and regulations prescribed by DoDEA. Educators including teachers, social workers, guidance counselors, school psychologists, and nurses earn a school year salary based on 190 duty days (also referred to as working days) and are paid out over 21 pay periods. Administrators including school principals and assistant principals earn a school year salary based on 222 duty days and are paid out over 26 pay periods. ISS employees (educator positions that support DoDEA schools above the school level, rather than at the school level) earn a school year salary based on 222 duty days and are paid out over 26 pay periods. Educators, administrators, and ISS employees do not earn annual, sick, or home leave under Title 5 U.S.C., but instead are entitled to "educator's leave" under 20 U.S.C. § 904.

070201. School Year

A. Educators. The school year for educators consists of 190 duty days and includes not less than 175 days of classroom instruction. The 190 duty days include the time required before and after the dates that school is in session when educators must prepare for the opening and closing of school. The school year calendar may be adjusted after the school year begins with no change in school year salary, as long as 190 duty days are required and not less

than 175 days of classroom instruction are provided. If the school year extends beyond 190 duty days, the educator will be compensated at the appropriate daily rate as of the 191st working day. Should an emergency preclude completion of a full school year, an educator will be furloughed, separated, or their salary continued until the full school year salary has been paid.

B. Administrators. The school year for administrators consists of 222 duty days and includes not less than 175 days of classroom instruction and whenever the services of a majority of educators at the school are required. The school year calendar may be adjusted after the school year begins with no change in school year salary as long as the 222 duty days are required for principals and assistant principals and not less than 175 days of classroom instruction are provided. If the school year extends beyond 222 duty days during a given school year (e.g., August 1 through July 31), the administrator is compensated at the appropriate daily rate as of the 223rd working day. Should an emergency preclude completion of the full school year, the administrator will be furloughed, separated, or their salary continued until the full school year salary has been paid.

C. ISS Employees. The school year for an ISS employee consists of 222 duty days (August 1 through July 31), the same schedule for administrators. ISS employees coordinate their 222-day schedule with their supervisors at the start of the school year.

D. Overseas School Year Calendars. Overseas school year calendars issued by DoDEA may vary due to local customs and holidays. The calendars identify the first and last duty days of the school year, instructional days, and recess days for educators and students. DoDEA provides a copy of school calendars to the servicing payroll office not later than 4 weeks prior to the first duty day of the new school year. Any changes to the calendars will be submitted as soon as possible.

070202. Work Schedules

Educators, administrators, and ISS employees are scheduled to work in full or half day increments and work either a seasonal part-time or seasonal full-time schedule. Substitute teachers work an intermittent work schedule.

070203. Salary Schedules

The Department of Defense (DoD) Wage and Salary Division (WSD) conducts an annual survey of the salaries of urban school jurisdictions in the United States with 100,000 or more population in order to establish the rates of basic compensation for teachers and TP in the DoD. The DoD WSD issues Pay Plan salary schedules in April or May of the current school year. The schedules are effective retroactive to August 1 of the current school year (i.e., the prior calendar year). Until the salary schedules for the current school year are issued, educator, administrator, and ISS employee salaries are based upon the prior school year salary schedules. Separate salary schedules are issued for educator, management, specialist, and administrator overseas school year positions. Salary schedules are further differentiated by step and academic salary lane (i.e., Bachelor's, Bachelor's plus 15, Bachelor's plus 30, Master's, Master's plus 15, Master's plus 30, and Doctorate). The following salary schedules currently are in use:

Schedule	Category	Duty Days
A	Substitute Teachers	190
C	Educators and Specialists	190
D	Speech Pathologists or Social Workers	190
E	Guidance Counselors	190
F	School Psychologists	190
K	School Principals	222
L	Assistant Principals	222
M	Management and Education Specialist Positions	190
N	Management and Education Specialist Positions	190
O	ISS – non-supervisory	222
P	Supervisory ISS	222

070204. Retroactive Pay Adjustment

After the DoD WSD issues the salary schedule in April or May of the current school year, the servicing human resources office processes a retroactive pay adjustment effective August 1 of the current school year (i.e., prior calendar year) using a, Standard Form ***(SF) 50***, Notification of Personnel Action. The servicing payroll office then reconciles educator, administrator, and ISS employee pay and makes any necessary "retro payments" based on increases in salary. The gross amount of the retroactive adjustment computed under the new salary schedules are subject to applicable withholdings (e.g., Civil Service Retirement System (CSRS) or Federal Employee Retirement System (FERS), federal income tax, Social Security tax, Medicare tax, and state income tax). When the retroactive adjustment is processed, biweekly deductions for the following will be adjusted accordingly:

A. Basic and Optional Federal Employees Group Life Insurance (FEGLI),

B. Thrift Savings Plan (TSP), and

C. TSP basic one percent and matching employer contributions for FERS employees.

Likewise, when the retroactive adjustment is processed, biweekly payments for foreign post allowance and foreign post differential will be adjusted accordingly.

070205. Daily/Biweekly Pay

See section 0705 regarding compensation for educators, administrators, and ISS employees.

070206. Step Increases

Step increases for educators, administrators, and ISS employees are similar to step increases for General Schedule (GS) employees. Generally, steps 1 through 14 are regular step increases and steps 15 through 18 are longevity steps. Substitute teachers are not eligible for step increases.

A. Eligibility.

1. A full-time educator assigned to a 190-day position may receive a regular step increase (steps 1 through 14) provided they have been in a pay status at least 150 duty days during their last previous school year as an educator.

2. A full-time educator assigned to a 190-day position may receive a longevity step increase (steps 15 through 18) provided they have been in a pay status at least 150 duty days during each of the previous 4 school years as an educator.

3. A half-time educator assigned to a 190-day position may receive a regular step increase (steps 1 through 14) provided they have been in a pay status at least one-half of 150 duty days during each of the previous 2 school years. A half-time educator may receive a longevity step increase (steps 15 through 18) after they have been in a pay status at least one-half of the 150 working day minimum during each of the previous 8 school years.

4. A full-time administrator assigned to a 222-day position may receive a step increase (steps 1 through 10) provided they have been in a pay status at least 175 duty days during their last previous school year as an administrator.

5. A full-time ISS employee assigned to a 222-day position may receive a regular step increase (steps 1 through 14) provided they have been in a pay status at least 175 duty days during their last previous school year as an educator.

6. A full-time ISS employee assigned to a 222-day position may receive a longevity step increase (steps 15 through 18) provided they have been in a pay status at least 175 duty days during each of the previous 4 school years as an educator.

7. A half-time ISS employee assigned to a 222-day position may receive a regular step increase (steps 1 through 14) provided they have been in a pay status at least one-half of 175 duty days during each of the previous 2 school years. A half-time educator may receive a longevity step increase (steps 15 through 18) after they have been in a pay status at least one-half of the 175 working day minimum during each of the previous 8 school years.

8. A full-time educator assigned to a 190-day position may be entitled to receive an annual step increase (or service credit towards a longevity step) for the last satisfactory year of service, plus an additional annual step (or service credit) for the first year of absence, only upon return to duty after successfully completing a program of study or employment of one or more years under the Administrative Reemployment Rights Program.

B. Effective Date. Step increases will be made effective August 1 of each school year following completion of the school year. However, the step increase is not payable until the educator returns to duty for the subsequent year. The effective date of a step increase is not changed by a movement to a higher or lower salary schedule.

070207. Late Arrival at Post

A. Educators newly recruited from the Continental United States are appointed with the understanding that they will serve for an entire school year or a specified partial month. An educator who through no personal fault and as a result of transportation or processing delays after selection for appointment, arrives late at the post of assignment, will be administratively excused and paid as if they arrived on time and actually served during the lost time. The offer letter from DoDEA must be dated 14 days prior to the teacher's reporting date.

B. Educators, other than as described in subparagraph 070207.A, who arrive late at the post of assignment after the start of the school year, will not be paid for the duty days occurring prior to the day of arrival at the assigned post unless granted paid leave by the supervisor.

070208. Early Arrival at Post

A. Educators who arrive at their post of assignment prior to the start of the school year normally are not entitled to compensation until the start of the school year except as provided in subparagraph 070208.B.

B. Educators who are required to report at their post of assignment and perform work prior to the start of the school year will be compensated at their daily salary rate from the prior school year salary schedule for each day worked. Note: This salary is not subject to retroactive adjustment.

070209. Late Departure from Post

Educators who are unable to depart promptly after the end of the school year for personal reasons or because of circumstances beyond their control (e.g., lack of available transportation), are not entitled to compensation for the period between the end of the school year and the date of departure.

070210. During Travel

While en route during a permanent change of station (PCS) between school years, an educator is in a non-pay status; therefore, basic compensation is not received. While en route during a PCS between school years, a principal or assistant principal otherwise in a non-pay, non-duty status will remain in a non-pay status and will receive appropriate per diem payments as provided in the ***Joint Travel Regulations***.

070211. Work at More than One Post of Assignment

A. When educators PCS during the school year, action will be taken to ensure that, after working the scheduled duty days during the remaining pay periods at the new post of assignment, the educator will receive the full school year salary to which they are entitled. If the total number of days actually worked during the school year, to include paid leave at the former duty station and the new duty station, exceed 190, the educator will be paid at the daily rate for any days worked in excess of 190 days.

B. When administrators or ISS employees PCS during the school year, action will be taken to ensure that, after working the scheduled duty days during the remaining pay periods at the new post of assignment, the administrator or ISS employee will receive the full school year salary to which he or she is entitled. If the total number of days actually worked during the school year, to include paid leave at the former duty station and the new duty station, exceed 222, the employee will be paid at the daily rate for any days worked in excess of 222 days.

070212. Substitute Teachers

A. School Year Substitute Teachers. A substitute teacher will receive the flat daily rate prescribed under Salary Schedule A. The minimum increment paid for substitute work is one-half day.

B. Summer School Substitute Teachers. The daily rate for a summer school substitute teacher is provided in the Salary Schedule for "Other Compensation" and is two-thirds of the regular school year substitute teacher rate established for the prior school year. This salary is not subject to retroactive adjustment. For example, the prior school year rate for a 2010 summer school substitute teacher is published in the 2009-2010 salary schedules. The minimum increment earned and paid is one-half day the equivalent of one-third of the regular substitute teacher rate. Substitute teachers who teach an academic enrichment K-8 program during the summer recess period will be paid a stipend as authorized by the memorandum of understanding (MOU).

070213. Allowances and Differentials

Educators, administrators, and ISS employees may be entitled to certain allowances and differentials such as government quarters, living quarters allowance (LQA), temporary quarters subsistence allowance (TQSA), separate maintenance allowance (SMA), post allowance, post differential and/or storage of household goods. See paragraph 070506 for payment information on post allowances and foreign post differentials for Pay Plan employees. See Chapter 3, paragraph 030402 for payment information on LQA, TQSA, and SMA. An educator employed as a substitute is not entitled to government quarters, quarters allowance, post allowance, post differential, or storage of household goods.

0703 LEAVE

070301. Accrual of Leave

A. Educators. Under 20 U.S.C. § 904, educators (excluding substitute teachers) are entitled to cumulative leave with pay. This leave is identified as educator leave. If the school year consists of less than 8 months, the leave accrues at the rate of 1 day for each calendar month worked or partial month. When the school year includes more than 8 months, an employee who serves the entire school year is entitled to 10 days of cumulative educator leave with pay for the school year. The full school year accumulation of leave is credited to the employee's leave record when the school year begins (normally in August) or whenever the employee enters on duty (e.g., after the start of the school year) under ***DS Regulation 5630.4***, DoDDS Absence and Leave.

B. Administrators and ISS Employees. Administrators and ISS employees are entitled to earn 13 days of cumulative educator leave with pay under 20 U.S.C. § 904 and DS Regulation 5301.4. Leave is credited to the employee's leave record on August 1st of each year.

C. Liquidation of Unused Leave Upon Separation. If the educator, administrator, or ISS employee is separated for any reason before the school year ends, any leave that has been credited but not earned will be subtracted from the leave balance or, if already used, a debt will be established and appropriate collection action taken.

D. Leave Accrual for Part-Time Educators and Part-Time ISS Employees. Educators and ISS employees who are regularly employed on a part-time basis earn leave in an amount proportionate to the amount of time the part-time employees are regularly employed as compared to full-time employment. Part-time ISS employees, such as those in a job-sharing arrangement, earn 6.5 days per year (or one-half day (4 hours) per pay period, if less than 8 months remain in the school year).

Example 1: A part-time educator appointed to a part-time position for the full school year. The educator is scheduled to work one-half day on each duty day during the regular school year. The educator is entitled to accrue 10 half days (5 full days) of educator leave.

Example 2: A part-time educator appointed to a part-time position for the full school year. The educator is scheduled to work each Tuesday and Thursday during the regular school year. The educator is entitled to accrue two-fifths (4 days) of the 10 days of educator leave that would be earned during full-time employment.

Example 3: A part-time educator appointed to a part-time position for the last semester (one-half) of the school year. The educator is scheduled to work one-half day on each scheduled duty day during the semester. The educator is entitled to accrue one-fourth (2.5 days) of educator leave.

E. Substitute Teachers. Substitute teachers are employed in positions on a temporary intermittent basis and are not entitled to earn leave.

F. Summer Recess Period. Educators and administrators who perform activities during the summer recess period do not earn leave.

070302. Leave Usage

A. Minimum Charge. The minimum charge for educator leave is one-half day, and additional charges are in multiples thereof. An occasional absence from duty of less than one-half day may be excused for adequate reasons without charge to educator leave, at the discretion of administrative authority. Leave charges are reported to the civilian payroll office on the TP educator's time and attendance report.

B. Authorized Absences. An educator, administrator, or ISS employee may use accrued educator leave during the school year for the following:

1. Maternity purposes;

2. Illness of the educator;

3. Illness, contagious disease, or death in the immediate family of the educator that requires his or her absence;

4. Any personal emergency; or

5. Any purpose.

With the appropriate advance notice and prior approval of the supervisor, an educator, administrator, or ISS employee may use up to 3 days of leave in a given school year for any purpose. Educator leave used for any purpose normally may not be used during orientation week or the first or last week of the school year. An exception may be made when an employee is accepted for an educational program and must report prior to the end of the school year.

C. Summer Recess Period. Accrued educator leave may not be used during any summer recess period. An absence during a summer recess period is without pay.

D. Non-work Days. Except for unique tours of duty established by the host nation (e.g., Bahrain), Saturdays, Sundays, regularly scheduled holidays including U.S. holidays and host nation holidays and other administratively authorized non-work days are not normally days of leave. See 20 U.S.C. § 904(b). Therefore, an educator, administrator, or ISS employee who is in a non-pay status immediately preceding and following a scheduled holiday is not charged Leave Without Pay (LWOP) for the scheduled holiday.

070303. Advances of Leave

Under unusual circumstances, up to 30 days of educator leave (above the amount already credited for the current school year) may be advanced to an educator, administrator, or ISS employee for use on any scheduled duty day within the school year. Such advance is subject to subsequent earning of educator leave, or repayment upon separation for leave advanced but not earned. The immediate supervisor may approve requests for up to 10 days of advance educator leave. Requests in excess of 10 days of advance educator leave will be submitted to the Area Director or District Superintendent, as appropriate. Approved requests are submitted to the civilian payroll office by the Customer Service Representative upon receipt from the approving official.

070304. Leave Without Pay (LWOP)

The immediate supervisor of an educator or ISS employee may approve an LWOP request of up to 3 days. The Area Director or District Superintendent may approve LWOP requests in excess of 3 days, but less than 30 days. The Area Director may approve LWOP requests of 30 days or more. The District Superintendent must approve LWOP requests in excess of 3 days, but less than 30 days for administrators. The Regional Director or their delegate must approve LWOP requests in excess of 30 days by administrators.

070305. Conversion of Leave for Federal Employees Transferring to DoDEA

A. Sick Leave. An employee of the federal government or the District of Columbia who is transferred without a break in service from a position under a different leave system to an educator, ISS employee or administrator position is credited with sick leave immediately prior to the effective date of their conversion, transfer, promotion, or reappointment to an educator, administrator, or ISS employee position. Sick leave so credited is included in the employee's balance of educator leave.

B. Annual Leave. Annual leave is not credited to an educator, ISS employee, or administrator's balance of educator leave when he or she transfers without a break in service from a position under a different leave system. The employee will receive a lump-sum payment for accrued annual leave from the previous employer. However, administrators who were converted from GS or General Merit positions to Salary Schedules K and L on October 11, 1987, were entitled to be credited for annual leave during the initial conversion.

070306. Transfer and Recredit of Educator's Leave

A. Reappointed to Another Educator, Administrator, or ISS Employee Position. When an educator, administrator, or ISS employee is separated from their current position and reappointed in another educator, administrator, or ISS employee position without a break in service of more than 3 years, the employee's educator leave is certified to the employing agency for credit as sick leave on the ***SF 1150***, Record of Leave Data.

B. Reappointed to Federal Position. When an educator, administrator, or ISS employee is separated from their position and reappointed without a break in service to another

federal position subject to another leave act, his or her leave account is certified to the employing agency for credit in accordance with Title 5, Code of Federal Regulations (C.F.R.), ***630.501***.

C. Temporary Employment During Recess. If an educator, administrator, or ISS employee accepts temporary employment with the federal government in a non-educator position during a recess period, their educator's leave account will not be transferred to the leave account of the summer position. Any sick leave earned during the temporary summer employment will be credited and any unused sick leave balance will be transferred to the educator's leave account when they return to duty in their regular educator or administrator position.

070307. Liquidation of Leave Upon Separation

A. Any annual leave earned under a different leave system and remaining to the credit of an educator, administrator, or ISS employee upon their separation will be liquidated by a lump-sum payment in accordance with ***5 U.S.C. § 5551*** and 20 U.S.C. § 904(f).

B. Educator leave may not be liquidated upon separation through lump-sum payment. Educator leave that may not be liquidated includes leave earned by an educator, administrator, ISS employee, or the leave balance pursuant to subparagraph 070305.A.

070308. Sabbatical Leave

A. Authority. Year-long educator leave at half-pay (sabbatical leave) may be authorized for an educator, administrator, or ISS employee, and for educational purposes, when the course of study is determined to be appropriate by the Area Director. An SF 50 is not required. The approved request for training should reflect that the educator, administrator, or ISS employee will be in an LWOP status one-half of each day during the year-long period.

B. Benefits and Entitlements During Sabbatical Leave. Educators and administrators granted sabbatical leave at half-pay will continue to receive life insurance and health benefits coverage in the same manner as if they were in full-pay status. Retirement contributions will be deducted for only one-half year; however, the employee is entitled to credit for a full year toward retirement. Educator leave is not earned, nor should it be deducted (i.e., used) from the employee's leave account during the training period. Any pay step increase that would have been authorized should be processed as if the educator or administrator had worked a full school year.

C. Pay Status Reporting During Sabbatical Leave. The educator or administrator's work schedule should not change during sabbatical leave. The time and attendance report for each pay period should reflect that the employee is in an LWOP status one-half of each day.

0704 PAY STATUS DURING SCHOOL YEAR AND SUMMER RECESS

070401. School year

An educator's school year consists of 190 duty days. In most overseas locations, these duty days fall on days during the normal workweek (i.e., Monday through Friday). An educator, however, does not work every Monday through Friday during the school year because of non-duty days during recess periods (i.e., Thanksgiving, winter and spring recess; federal holidays; and certain host nation holidays). As a result, the school year (i.e., from the educator's first through last duty day) may include 22 pay periods with approximately 213 days, Monday through Friday, between the educator's first and last duty day of the school year. There are typically 21 full pay periods, plus 3 additional days in the 22nd pay period in a given school year.

070402. Summer Recess

During the summer recess period, while school is not in session, educators ordinarily are in a non-pay status. An SF 50 is not required to place educators in a non-pay status or to return them to duty status at the beginning of the following school year. Educators who are returning to duty for the following full school year are entitled to have LQA payments continued during the summer recess period while they are in a non-pay status. See the Department of State Standardized Regulation ***(DSSR)***, Chapter 100, Quarter Allowances, and Chapter 700, DoD Teachers. The servicing human resources office will notify the servicing civilian payroll office of any change (e.g., transfer, resignation, or retirement) in the status of educators.

0705 COMPENSATION

070501. Educators with a 190-Day School Year

A. Daily/Biweekly Rate. Educators earn pay at a rate that differs from the typical rate used to pay employee salaries. If the usual pay calculations were used, the educator's seasonal work schedule, in conjunction with recess periods, would cause pay to fluctuate during each pay period of the school year. Therefore, in order to provide consistency, the biweekly pay for educators is calculated using the following information and formulas:

1. Duty Days and "Daily Rate" or "190 Rate" for Educators. The number of duty days in the school year is 190. The educator's daily rate, or "190-Rate," is the school year salary divided by 190.

2. School Year Days and "School Year Rate" or "213-Rate" for Educators. For most school years, the school year days will total 213 or 214 days, depending on the calendar year. School year days equal the total number of days (Monday through Friday) falling within an educator's first through last duty day during the school year. School year days include 190 duty days, as well as all other non-work recess days that occur on Monday through Friday during the regular school year. Non-work recess days include federal holidays (e.g., Labor Day) and school recess days (e.g., spring recess) when educators are not normally scheduled to work. The number of school year days is used to determine an educator's school year rate, or

"213-Rate." The school year rate is the daily rate used to provide a uniform payment for each biweekly pay period. The school year rate is multiplied by 10 days in order to determine the educator's biweekly basic pay amount. Educators who elect biweekly payments over 260, 261, or 262 days (depending on how many workdays are in the fiscal year (FY) will have the school year rate determined by dividing the school year salary by 260, 261, or 262 days.

3. Formula for Educator's Biweekly Pay. An educator's salary is normally paid out over 21 full and 1 partial pay periods. The following formula may be used to calculate the biweekly pay:

a. School Year Salary divided by 213, 214, 260, 261, or 262 = School Year Rate

b. School Year Rate multiplied by 10 days = Biweekly Pay

B. Educator Post Allowance. See paragraph 070506 regarding post allowances. In computing the post allowance for educators paid on a 190-day school year basis, divide the total annual amount of post allowance payable by the number of calendar days in the school year (i.e., school year days plus weekend days) to obtain the daily rate. Multiply the daily rate by the number of calendar days in the pay period (normally 14).

C. Reducing Pay for Absences Without Pay. For educators on non-paid absence (e.g., LWOP or absence without leave (AWOL)), the biweekly pay is reduced by 1/190th of the school year salary for each scheduled duty day that the educator is in a non-paid status. Since the educators are not paid for federal holidays or recess periods, the biweekly pay is not reduced when the educator is in a non-paid status before or after a federal holiday or recess day.

D. Biweekly Pay for Educators Beginning Work after Start of School Year. When the educator is appointed after the school year has started, the school year salary must be adjusted according to the number of duty days remaining in the school year. Multiply the daily rate ("190-Rate") by the number of duty days remaining in the school year in order to obtain the "adjusted school year salary." To determine the biweekly pay, divide the adjusted school year salary by the remaining number of school year days, and then multiply by 10 days. The following formula may be used to calculate the biweekly pay for educators who begin work after the start of the school year:

1. "190-Rate" multiplied by Duty Days Remaining = Adjusted School Year Salary.

2. Adjusted School Year Salary divided by School Year Days Remaining = Adjusted School Year Daily Rate.

3. Adjusted School Year Daily Rate multiplied by 10 days = Biweekly Pay.

Example: An educator reports for work after the beginning of the school year and receives a salary of $38,000 for working a full school year (i.e., 190 duty days). The educator would have a "190-Rate" (daily rate) of $200.00 ($38,000/190). This salary normally would be paid out over 213 school year days. However, the educator in this example begins work on October 1. Due to the late start, 23 duty days (August through September) will not be worked. The school year calendar indicates that 167 (190 - 23) duty days remain in the school year. Thus, the "adjusted school year salary" would be $33,400 ($200.00 x 167). To determine how the adjusted school year salary of $33,400 will be paid biweekly, the remaining school year days must be identified. In this example, 188 school year days remain (167 duty days + non-work recess days). The adjusted school year daily rate is computed as follows: $33,400/188 = $177.66. The biweekly pay equals the adjusted school year daily rate multiplied by 10: $177.66 x 10 = $1,776.60.

* E. Educators Who Separate Before the End of the School Year. When an educator separates (i.e., resigns, retires, or dies) before the end of a school year, the school year salary must be adjusted according to the number of duty days already worked. The adjusted school year salary is determined by multiplying the daily rate ("190-Rate") by the number of duty days worked (including any days in a paid leave status). The following formula may be used to calculate the adjusted school year salary for educators who separate before the end of the school year and to reconcile any difference in the salary actually paid.

1. "190 Rate" multiplied by Number of Duty Days Worked = Adjusted School Year Salary.

2. Adjusted School Year Salary divided by the Number of School Days Completed (duty days + non-work recess days) = Adjusted School Year Daily Rate.

Example: An educator separates before the end of the school year. The educator has been receiving a school year salary of $38,000 at the "190-Rate" (daily rate) of $200.00 ($38,000/190). This salary normally would be paid out over 21 full and 1 partial pay periods at the school year daily rate of $178.40 ($38,000/213 = 178.40). Should the educator resign after working only 120 of the scheduled 190 duty days in the school year, the adjusted school year salary would be $24,000 ($200.00 x 120). In this example, the number of school days completed by the educator (duty days worked + non-work recess days) for the school year was 123 (120 duty days worked + 3 non-work recess days). The adjusted school year daily rate would be $195.12 ($24,000/123). Any difference between the adjusted school year salary and the salary actually paid to date must be reconciled. Reconcile the adjusted school year salary and the salary actually paid by recomputing the entire school year using the adjusted school year daily rate to determine what the educator should have been paid from the start of the school year to the date of separation. In this example, the employee was actually paid $21,900 ($178.40 x 123). The educator should have been paid $24,000 ($195.12 x 123).

070502. Administrators with a 222-Day School Year (Non-ISS)

A. Daily/Biweekly Rate. Administrators earn pay at a rate that differs from the typical rate used to pay employee salaries. If the usual pay calculations were used, the administrator's seasonal work schedule, in conjunction with recess periods, would cause pay to fluctuate during each pay period of the school year. Therefore, to provide consistency, the biweekly pay for administrators is calculated using the following information and formulas:

1. Duty Days and "Daily Rate" or "222 Rate" for Administrators. The number of duty days in the school year for administrators is 222. The administrator's daily rate, or "222-Rate," is the school year salary divided by 222.

2. School Year-Days and "School Year Rate" or "260 Rate" for Administrators. The school year days for administrators will total between 260 and 262 days, depending on the calendar year. The days during the school year include those days that fall within, as well as outside of, the school year for educators. School year days for administrators include 222 duty days, as well as all other non-work recess days that occur on Monday through Friday during the regular school year. Non-work recess days include federal holidays (e.g., Labor Day) and school recess days (e.g., spring recess) when administrators are not normally scheduled to work. The number of school year days is used to determine an administrator's school year rate, or "260-Rate." The school year rate is the daily rate used to provide a uniform payment for each biweekly pay period. The school year rate is multiplied by 10 days to determine the administrator's biweekly basic pay amount.

3. Formula for Administrator's Biweekly Pay. An administrator's salary is normally paid out in even payments over 26 pay periods. The following formula may be used to calculate the biweekly pay:

a. School Year Salary divided by 260, 261, or 262 = School Year Rate.

b. School Year Rate multiplied by 10 days = Biweekly Pay.

B. Administrator Post Allowance. In addition to basic pay, administrators are entitled to a post allowance for employees assigned to foreign areas where the cost of goods and services is substantially higher. See ***20 U.S.C. § 906***. To compute the foreign post allowance for an administrator, divide the total annual amount of post allowance payable by 365 calendar days, or 366 during a leap year. See paragraph 070506 for additional information regarding post allowance.

C. Reducing Pay for Absences Without Pay. For administrators on non-paid absence (e.g., LWOP or AWOL) the biweekly pay is reduced by 1/222th of the school year salary for each scheduled duty day that the administrator is in a non-paid status. Since administrators are not paid for federal holidays or recess periods, the biweekly pay is not reduced when the administrator is in a non-paid status before or after a federal holiday or recess day.

D. Biweekly Pay for Administrators Beginning Work After Start of School Year. When an administrator is appointed after August 1st and will not work 222 duty days by July 31st, the school year salary must be adjusted according to the number of actual duty days remaining in the school year. Multiply the daily rate ("222-Rate") by the number of duty days remaining in the school year in order to obtain the "adjusted school year salary." To determine the biweekly pay, divide the adjusted school year salary by the remaining number of school year days and then multiply by 10 days. The following formula may be used to calculate the biweekly pay for administrators who begin work after the start of the school year:

1. "222-Rate" multiplied by Duty Days Remaining = Adjusted School Year Salary,

2. Adjusted School Year Salary divided by School Year Days Remaining = Adjusted School Year Daily Rate,

3. Adjusted School Year Daily Rate multiplied by 10 = Biweekly Pay.

Example: An administrator reports for work after the beginning of the school year and receives a salary of $55,500 for working a full school year (i.e., 222 duty days). The administrator has a "222-Rate" (daily rate) of $250.00 ($55,500/222). This salary would be paid out in even payments over 26 pay periods. However, the administrator in this example begins work on September 15. Due to the late start, 33 duty days are not worked. The administrator will work only 189 of the duty days remaining by July 31st. Thus, the adjusted school year salary is $47,250 ($250.00 x 189). To determine how the adjusted school year salary of $47,250 will be paid biweekly, the remaining school year days must be identified. In this example, 228 school year days remain (189 duty days + non-work recess days). The adjusted school year daily rate is computed as follows: $47,250/228 = $207.24. The biweekly pay equals the adjusted school year daily rate multiplied by 10: $207.24 x 10 = $2,072.40.

E. Administrators Separating Before End of School Year. When an administrator separates (i.e., resigns, retires, or dies) before the end of a school year, the school year salary must be adjusted according to the number of duty days already worked. The adjusted school year salary is determined by multiplying the daily rate ("222-Rate") by the number of duty days worked (including any days in a paid leave status). The following formula may be used to calculate the adjusted school year salary for administrators who separate before the end of the school year:

School Year Salary divided by 222 multiplied by the number of duty days worked = Adjusted School Year Salary for Separated Administrators.

Example: An administrator separates before the end of the school year. The administrator has been receiving a school year salary of $55,500 at the "222-Rate" (daily rate) of $250.00 ($55,500/222). This salary normally would be paid out over 26 pay periods. Should the administrator resign after working only 120 of the

scheduled 222 duty days in the school year, the adjusted school year salary would be $30,000 ($250.00 x 120). Any difference between the adjusted school year salary and the salary actually paid to date must be reconciled.

070503. ISS Employees with a 222-Day School Year

A. Daily/Biweekly Rate. ISS employees build their own calendar to schedule 222 duty days out of the 260 to 262 school year. The remaining 38 (or 39) days in the school year are considered non-work days for the purposes of this regulation. The schedule is established by the ISS employee and approved by the supervisor. If the ISS employee schedules work on a federal holiday, then the employee will not receive holiday pay and will still have the same number of non-work days (38 or 39) in the school year. However, if the employee schedules work on a holiday or a Sunday when normal school operations are in session, the employee is entitled to the appropriate premium pay. For example, if school is in session on Sundays due to local custom and the ISS employee's approved schedule allows for Sunday as a work day, the employee is entitled to Sunday premium pay. However, if Sunday is not normally a work day for school staff and the ISS employee schedules Sunday as a work day, the employee is not entitled to Sunday premium pay. To provide consistency, the biweekly pay is calculated as follows:

1. Duty Days and "Daily Rate" or "222 Rate" for ISS Employees. The number of duty days in the school year to ISS employees is 222. The ISS employee's daily rate, or "222-Rate," is the school year salary divided by 222.

2. School Year Days and "School Year Rate" or "260 Rate" for ISS Employees. The school year days for ISS employees will total between 260 and 262 days, depending on the calendar year. Thus, the days during the school year include those days that fall within, as well as outside of, the school year for educators. The school year days for ISS employees include 222 duty days, as well as all non-work recess days that occur on Monday through Friday during the regular school year. Non-work recess days include federal holidays (e.g., Labor Day) and school recess days (e.g., spring recess) when ISS employees are not normally scheduled to work. However, due to the flexibility in their schedule, ISS employees may elect to work on any federal holiday (but will not receive holiday pay) and may schedule their non-work days on days that other educators generally work. The number of school year days is used to determine an ISS employee's school year rate, or "260-Rate." The school year rate is the daily rate used to provide a uniform payment for each biweekly pay period. The school year rate is multiplied by 10 days in order to determine the ISS employee's biweekly basic pay amount.

3. Formula for ISS Employee's Biweekly Pay. An ISS employee's salary is normally paid out in even payments over 26 pay periods. The following formula may be used to calculate the biweekly pay:

a. School Year Salary divided by 260, 261, or 262 = School Year Rate.

b. School Year Rate multiplied by 10 days = Biweekly Pay.

B. ISS Employee Post Allowance. In addition to basic pay, ISS employees are entitled to a post allowance under 20 U.S.C. § 906. To compute the foreign post allowance for an ISS employee, divide the total annual amount of post allowance payable by 365 calendar days, or 366 during leap year.

C. Reducing Pay for Absences Without Pay. For ISS employees on non-paid absence (e.g., LWOP or AWOL) the biweekly pay is reduced by 1/222th of the school year salary for each scheduled duty day that the ISS employee is in a non-paid status. Since ISS employees are not paid for scheduled non-work days, the biweekly pay is not reduced when the ISS employee is in a non-paid status before or after a scheduled non-work day.

D. Biweekly Pay for ISS Employees Beginning Work After Start of School Year. When an ISS employee is appointed after August 1st and will not work 222 duty days by July 31st, the school year salary must be adjusted according to the number of actual duty days remaining in the school year. Multiply the daily rate ("222-Rate") by the number of duty days remaining in the school year in order to obtain the "adjusted school year salary." To determine the biweekly pay, divide the adjusted school year salary by the remaining number of school year days and then multiplying by 10 days. The following formula are used to calculate the biweekly pay for ISS employees who begin work after the start of the school year:

1. "222-Rate" multiplied by Duty Days Remaining Adjusted School year Salary,

2. Adjusted School Year Salary divided by School Year Days Remaining = Adjusted School Year Daily Rate,

3. Adjusted School Year Daily Rate multiplied by 10 = Biweekly Pay.

Example: An ISS employee reports for work after the beginning of the school year and receives a salary of $55,500 for working a full school year (i.e., 222 duty days). The ISS employee has a "222-Rate" (daily rate) of $250.00 ($55,500/222). This salary normally pays out in even payments over 26 pay periods. However, the ISS employee in this example begins work on September 15. Because of their late start, it may be difficult to schedule all 222 duty days by July 31 (in this example, the employee can only schedule 189 duty days for the rest of the school year). The adjusted school year salary equals the daily rate multiplied by the total number of scheduled duty days remaining. Thus, the adjusted school year salary is $47,250 ($250.00 x 189). To determine how the adjusted school year salary of $47,250 is paid biweekly, the remaining school year days must be identified. In this example, 228 school year days remain. The adjusted school year daily rate is computed as follows: $47,250/228 = $207.24. The biweekly pay equals the adjusted school year daily rate multiplied by 10: $207.24 x 10 = $2,072.40.

E. ISS Employee Separating Before End of School Year. When an ISS employee separates (i.e., resigns, retires, or dies) before the end of a school year, the school year

salary must be adjusted according to the number of actual duty days already worked. The adjusted school year salary is determined by multiplying the daily rate ("222-Rate") by the number of duty days worked including any days in a paid leave status. The following formula is used to calculate the adjusted school year salary for ISS employees who separate before the end of the school year:

(School Year Salary divided by 222) multiplied by the number of duty days worked = Adjusted School Year Salary for Separated ISS Employees.

Example: An ISS employee separates before the end of the school year. The ISS employee has been receiving a school year salary of $55,500 at the "222-Rate" (daily rate) of $250.00 ($55,500/222). This salary would normally be paid out over 26 pay periods. Should the employee resign after working only 120 of the scheduled 222 duty days in the school year, the adjusted school year salary would be $30,000 ($250.00 x 120). Any difference between the adjusted school year salary and the salary actually paid to date must be reconciled.

F. ISS Step Increases. While ISS employees work a 222 day school year, step increases are treated like regular school year appointments for classroom educators. ISS employees have 18 steps, of which the first 14 are similar to step increases for GS employees and provided the employee works at least 175 days. Steps 15 through 18 are longevity steps. See paragraph 070206 for other rules on step increases that apply to ISS employees.

070504. Premium Pay, Sunday Work, and Holiday Work

A. Overtime and Compensatory Time. Educators and administrators are ineligible for overtime pay or compensatory time off.

B. Work Performed on Sunday. Educators appointed to a 190-day position whose regular tour of duty requires them to work on a Sunday are entitled to basic pay, plus a premium of 25 percent of the daily rate ("190-Rate"). Administrators on a 222-day position whose regular tour of duty requires them to work on a Sunday (providing that is part of the 190 duty day school year or within summer school session) are entitled to basic pay, plus premium pay at a rate equal to 25 percent of the regular daily rate ("222-Rate"). If an ISS educator works on a Sunday when normal school operations are in session, the employee is entitled to the appropriate premium pay. See subparagraph 070503.A. for ISS employees.

C. Work Performed on a Federal Holiday. Educators appointed to a 190-day position whose regular tour of duty requires them to work on any of the federal holidays is entitled to basic pay, plus premium pay at a rate equal to the daily rate. Administrators on a 222-day position whose regular tour of duty requires them to work on any of the federal holidays (providing that is part of the 190 duty day school year or within summer school session) are entitled to basic pay, plus premium pay at a rate equal to the daily rate. If an ISS employee schedules work on a federal holiday, then the employee typically will not receive holiday pay. However, if the ISS employee schedules work on a federal holiday when normal school operations are in session, the ISS employee is entitled to the appropriate premium pay. See subparagraph 070503.A. for ISS employees. Federal holidays for the purpose of this paragraph include:

1. New Year's Day, January 1;

2. Dr. Martin Luther King Day, third Monday in January;

3. President's Day, third Monday in February;

4. Memorial Day, last Monday in May;

5. Independence Day, July 4;

6. Labor Day, first Monday in September;

7. Columbus Day, second Monday in October;

8. Veteran's Day, November 11;

9. Thanksgiving Day, fourth Thursday in November; and

10. Christmas Day, December 25.

070505. Employment During the Summer Recess Period

A. Educators. Educators are placed in a non-pay/non-duty status during the summer recess period; however educators may receive pay for certain duties performed during the summer recess period. An educator who participates in a non-summer school related activity (e.g., agency sponsored and approved training, early return, and late departure) during the summer recess period receives compensation at a daily rate of 1/190th of the prior school year salary. An educator who participates in a summer school related activity (e.g., teaching) typically receives two-thirds of the daily rate of their prior school year salary. However, exceptions are possible, and the educator may receive a different salary amount as stated on the employee's notification for teaching summer school. The minimum increment earned and paid for most summer recess period activities is one-half day. Educators who work an academic enrichment K-8 program during the summer recess period are paid a stipend as authorized by a MOU. An educator receives payment for participation in summer recess activities via the submission of a memorandum by DoDEA to the civilian payroll office, similar to the one used to authorize payment for extra-duty assignments. This period of employment is exempt from dual pay provisions, as provided by ***5 U.S.C. § 5533(d)(7)(D)*** and is not subject to CSRS, FERS, FEGLI, or TSP deductions.

B. Administrators and ISS Employees. An administrator or ISS employee who participates in a non-summer school related activity (e.g., agency sponsored and approved training) during the summer recess period that is in excess of the 222-day work year, receives compensation at a daily rate of 1/222nd of the prior school year salary. An administrator or ISS employee who participates in a summer school related activity receives two-thirds of the daily rate of the prior school year salary. The minimum increment earned and paid for all summer recess period activities is one-half day. An administrator or ISS employee receives payment for participation in summer recess activities via the submission of a memorandum by DoDEA to the civilian payroll

office, similar to the one used to authorize payment for extra-duty assignments. This period of employment is exempt from dual pay provisions, as provided by 5 U.S.C. § 5533(d)(7)(D) and is not subject to CSRS, FERS, FEGLI, or TSP deductions.

070506. Post Allowance and Foreign Post Differential

Payment of allowances and/or differentials is determined in accordance with the DSSR, and DoD Instruction 1400.25, DoD Civilian Personnel Management System, ***Volume 1250***, Overseas Allowances and Differentials.

A. Post Allowance. In addition to basic pay, under 20 U.S.C. § 906 full-time educators, administrators, and ISS employees are eligible to receive a post allowance for employees assigned to a foreign area where the cost of goods and services is substantially higher. The amount paid is a flat rate based on the employee's basic salary, family size and post assignment. The amount of the annual foreign post allowance is located on the ***SF 1190***, Foreign Allowances Application, Grant and Report. If an employee's annual salary is adjusted, the post allowance may also be adjusted and if so, the daily rate should be recomputed. Daily rates are computed as follows:

1. Educator Post Allowance Daily Rate. To compute the post allowance for educators paid on a 190-day school year basis, divide the total annual amount of post allowance payable (as shown on the SF 1190) by the number of calendar days in the school year (i.e., school year days plus weekend days) to obtain the daily rate. Multiply the daily rate by the number of calendar days in the pay period (normally 14).

2. Administrator Post Allowance Daily Rate. To compute the foreign post allowance for an administrator, divide the total annual amount of post allowance payable (as shown on the SF 1190) by 365 calendar days, or 366 during leap year.

3. ISS Employee Post Allowance Daily Rate. To compute the foreign post allowance for an ISS employee, divide the total annual amount of post allowance payable (as shown on the SF 1190) by 365 calendar days, or 366 during leap year.

B. Foreign Post (Hardship) Differential. An educator, administrator, or ISS employee may be paid a foreign post (hardship) differential under DSSR, Chapter 500. The foreign post differential is additional compensation paid to an eligible employee in a foreign area where conditions of the environment differ substantially from conditions in the United States and additional compensation is available as a recruitment and retention incentive. The foreign post differential is compensated based on 5 to 35 percent over basic compensation. The Department of State periodically reviews and updates rates based on changes in living conditions at various foreign posts. Rates are subject to change at any time. Additionally, any adjustment in an employee's annual salary may cause the foreign post differential to be adjusted. For example, assume that the current foreign post differential authorized for an educator in Ankara, Turkey is 10 percent of the educator's basic compensation. If their basic compensation during the current school year is $45,000, but is adjusted upward to $50,000, then the adjusted foreign post differential amount authorized for payment to the educator would be $5,000. The authorized

foreign post differential percentage would not change and would remain consistent with the dollar amount paid to the educator during that school year.

070507. Extra-Duty Program for Educators

This program applies to certain DoDDS employees who are employed under the pay plan who are assigned extra-duty assignments, such as coaching, activity sponsorship, or dormitory work, in addition to regular school duties. See ***DS Regulation 5550.9***, Compensation for Extra-Duty Assignments. Extra-duty compensation is paid when extra-duty assignments are conducted and completed outside the educator's duty day. When an educator is selected to perform an extra-duty assignment, the educator and school principal will sign an MOU. The MOU will identify the extra-duty assignment, and will include a description of duties, the hourly range (i.e., the number of hours predicted to complete the extra-duty assignment), the amount of compensation, and a statement that the duties will not be performed during duty hours when school is in session. Administrators are not eligible for extra-duty assignments and any extra-duty activities performed by an administrator will be considered voluntary. Compensatory time and holiday pay are not authorized forms of extra-duty compensation.

A. Compensation for Extra-Duty Assignments

1. Requirements for Pay. The rate of compensation for completing an extra-duty assignment is published by the DoD WSD as part of the yearly DoDDS salary schedules (Schedule for Other Compensation). The minimum number of hours established for a particular activity must be performed, and the activity must be completed before payment is made. The administrator must certify that the extra-duty assignment has been completed satisfactorily and that compensation is authorized. The administrator will forward a memorandum to the civilian payroll office as soon as possible, but not later than May 31st, to facilitate payment by the end of the school year.

2. Hourly Range of Assigned Duties. The Director of DoDEA determines an appropriate hourly range for the completion of each type of authorized extra-duty activity. The following hourly ranges have been established by the DoD WSD for extra-duty compensation:

a. 1 - 19 hours,

b. 20 - 39 hours,

c. 40 - 79 hours,

d. 80 - 119 hours,

e. 120 - 159 hours,

f. 160 – 199 hours,

g. 200 hours and over.

3. Reducing Compensation for Fewer Hours Worked. If the administrator determines the extra-duty assignment has been completed satisfactorily in less time than identified in the approved MOU, compensation must be reduced and the educator should be compensated at the rate established for the appropriate lower hourly range. When the hours worked fall short of the original range, or an educator is unable to complete the extra-duty assignment for a reason acceptable to the administrator, a lesser payment than the amount indicated in the approved MOU is paid on a pro rata basis. The formula for computing a lesser payment is the mid-point hour of the appropriate hourly range divided into the hours actually worked, the result then multiplied by the dollar value assigned to the regular hourly category. For the 200 and over range, the mid-point is 220.

Example: An educator works 10 hours towards a 20-39 hourly range extra-duty assignment ($720 for school year 2004-2005). When the mid-point (30 hours) is divided into the hours worked (10 hours), and the results rounded to 2 decimal places (.33) and is multiplied by the dollar value of the hourly range for the duty (.33 x $720), the payment due will be $237.60.

4. Substitutes. Substitute teachers are compensated using the rate of compensation for completing an extra-duty assignment as published by the DoD WSD.

B. Extra-Duty as Dormitory Counselor. An educator, assigned to a dormitory counselor, or supervisory dormitory counselor position, may receive additional compensation identified as "Condition of Employment Compensation" and "Additional Hours Compensation." See DS Regulation 5550.9 at App. H.

1. Condition of Employment Compensation. This is compensation for all sleep-in time and all night, holiday, and Sunday work. The remarks section of the SF 50 is annotated to indicate the employee is entitled to receive Condition of Employment Compensation. Condition of Employment Compensation is pro-rated over the school year and is paid on a bi-weekly basis while the dormitory counselor is in a pay status during the school year. The amount of Condition of Employment Compensation is published annually by the DoD WSD and is based on the employee's work schedule. The rates of Condition of Employment Compensation is paid at either the 5-day, 40 hour rate, or the 7-day, 40 hour rate, and is based upon whether the dormitory counselor works a 5-day or 7-day tour of duty. For example, during school year 2004-2005, the Condition of Employment Compensation was $1,625 in a 5-day dormitory and $3,285 in a 7-day dormitory.

2. Additional Hours Compensation

a. This is compensation paid to a dormitory counselor for scheduled or unscheduled additional work in excess of regularly scheduled work during the pay period in a 5-day or 7-day dormitory. Additional Hours Compensation is available for such activities as coordination with teachers, counselors, parents, and medical and military officials of the base; arranging for dormitory activities; and interruption of sleep-in time to perform

substantive duties. Additional Hours Compensation may be paid for each full hour worked (scheduled or unscheduled) and is paid on a bi-weekly basis upon completion and certification of the time worked. Compensation for Additional Hours is certified on the time and attendance report by the immediate supervisor. The number of additional hours paid during the school year will not exceed 190 hours regardless of the number of hours worked and may not exceed the annual rate established by the DoD WSD for Additional Hours Compensation.

b. To calculate the maximum amount payable in a 5-day dormitory, subtract the 5-day, 40 hour rate, published on the DoD WSD schedule from the 5-day, 45 hour rate. The difference is the maximum amount authorized for Additional Hours compensation in a 5-day dormitory during the school year. For the 7-day dormitory, subtract the 7-day, 40 hour rate, from the 7-day, 45 hour rate, to calculate the maximum amount payable for Additional Hours.

Example: Using a school year 2004-2005 schedule for a 5-day, 40-hour dormitory, subtract $1,625 (5-day, 40-hour rate) from $8,475 (5-day, 45-hour rate). The result is $6,850 which is the maximum school year amount payable for Additional Hours during school year 2004-2005. The hourly rate to be paid for Additional Hours in this example is $36.05 for a 5-day, 40-hour dormitory ($6,850/190 (maximum number of Additional Hours to be worked during the school year) = $36.05).

3. Substitutes. Substitute teachers are authorized to substitute for dormitory counselors, and are compensated in accordance with the Schedule A salary schedule published by the DoD WSD.

070508. Accelerated Deductions of Premiums and Allotments for Educators

A. FEGLI and Federal Employees Health Benefits (FEHB) Accelerated Premium Deductions. Deductions for FEGLI and FEHB premiums from an educator working a 190-day work schedule are accelerated to allow for the total annual premiums to be paid in 22 pay periods, rather than 26 pay periods. Accelerated premium deductions over the course of 22 pay periods allow the employee to maintain coverage and pay no additional premiums during the summer recess when the educator is in non-pay status. The coverage period typically runs from the first duty day of the school year until the day prior to the first duty day of the next school year. Accelerated premium deductions are not required for an administrator or ISS employee assigned to a 222-day work schedule.

B. Calculation of Accelerated Premium Deduction for FEGLI and FEHB.

1. FEGLI. To determine the amount of the accelerated biweekly premium deduction for FEGLI, first determine the normal (i.e., 26 pay period) biweekly premium rate deducted for other federal employees in the same salary bracket. Convert the biweekly rate to an annual rate by multiplying the biweekly rate by 26 (to arrive at the amount to be paid for the entire calendar year). Second, divide the annual rate by 22 (the number of pay periods over which the educator is normally paid) in order to determine the accelerated premium deduction for each

pay period for the educator. The calculation applies to both basic and optional insurance. For optional insurance, use the age band rate to convert the biweekly rate to an annual rate. The following formula may be used to calculate the accelerated premium deduction amount:

a. Biweekly Premium Rate x 26 Pay Periods = Annual Premium Rate,

b. Annual Premium Rate divided by 22 = Accelerated Premium Deduction.

2. FEHB. To determine the accelerated biweekly premium amount deducted from an educator's pay for FEHB, first determine the normal (i.e., 26 pay periods) biweekly premium rate deducted for other federal employees. Convert the biweekly rate to an annual rate by multiplying the biweekly rate by 26 (to arrive at the amount to be paid for the entire calendar year). Second, divide the annual rate by 22 (the number of pay periods over which the educator is normally paid) in order to determine the accelerated premium deduction for each pay period for the educator.

3. Accelerated Deductions Beginning After the Start of the School Year. If the educator begins work after the first scheduled duty day of the school year, the total annual premium rate for FEGLI and FEHB must be reduced by a proportionate amount for the coverage period remaining (i.e., through the day prior to the first scheduled duty day of the next school year). Divide the reduced annual premium rate by the number of pay periods remaining to determine the accelerated premium deduction amount. The following formula may be used to calculate the accelerated premium deduction amount:

Reduced Annual Premium Rate divided by Number of Pay Periods Remaining = Accelerated Premium Deduction.

C. Coverage Upon Separation or Movement Under FEGLI and FEHB. If an educator resigns at the close of the school year and he or she has elected coverage under FEGLI and/or FEHB, the actual date of separation will be delayed. The delayed separation date provides the employee with FEGLI and/or FEHB benefits throughout the period of time covered by the accelerated premium deductions. Thus, the period of coverage for an educator employed for a full school year typically continues until the day prior to the first duty day of the next school year. If the educator separates earlier than the end of the school year, their resignation will specify an earlier date for termination of coverage and require the employee to acknowledge that FEGLI and/or FEHB coverage will continue for only 31 days after the date of separation. An educator who separates before the end of the school year will be reimbursed proportionately if the separation date is earlier than the end of the extended period of prepaid FEHB coverage. If an educator is converted or appointed to a 222-day or calendar year work schedule, accelerated premium deductions may need to be refunded, if the effective date of the conversion or appointment occurs during the prepaid coverage period and withholding for the employee's new position would result in duplicate premium payments.

D. Deductions for Federal Flexible Spending Account (FSAFEDS) and Long Term Care (LTC). Educators, who are enrolled in the FSAFEDS Program and are paid over 21 pay periods, can elect the option to accelerate these allotments. The Federal LTC Program does not offer accelerated payments to educators who are paid over 21 pay periods. A "Bill for Uncollected Payroll Premium" will be mailed for any periods of non-pay status to the educator.

070509. Other Deductions

A. Allotments of Pay.

1. Labor Organization Dues

a. Allotments of pay for labor organization dues are effective the second pay period in October of each school year for an educator who is a bargaining unit member. The amount of the allotment will be the dues amount identified by the employee on the ***SF 1187***, Request for Payroll Deductions for Labor Organization Dues, or the amount identified on a list issued by each local or regional bargaining unit, divided by 12 full pay periods unless otherwise agreed to by the parties.

b. Educators who enter the dues withholding agreement at a time when less than 12 full pay periods remain in the school year will have their dues allotments prorated over the remaining full pay periods within the dues withholding period.

c. An SF 1187 authorization for dues withholding remains in effect when a "Not-to-Exceed" (NTE) employee is converted to an excepted service position in the bargaining unit prior to the expiration of the NTE appointment.

d. After each pay period, the civilian payroll office will prepare and forward the remittance to the designated labor organization. Remittance will be sent to the appropriate address in each area electronically. Each remittance will be accompanied by a report in the form of a listing of names and amounts withheld.

e. An educator's authorization for dues withholding is carried forward automatically to the next school year unless notification to stop the deduction is received from the employee. No later than September 1, educators may request that deductions for labor organization dues be cancelled by submitting a ***SF 1188***, Cancellation of Payroll Deductions for Labor Organization Dues, to Defense Finance and Accounting Service (DFAS). Employees are responsible for ensuring a properly completed SF 1188 is submitted in a timely fashion; an SF 1188 cancellation received after September 1st will not be honored for processing until the next school year.

f. No later than 2 weeks prior to the date withholding is to begin, the local or area units of the labor organization will forward a list of employees who have requested dues withholding. The list will identify the bargaining unit name or number, location, address, point(s) of contact and phone number(s). The list will also include the following

employee information: name, Social Security Number, location assigned, and amount of dues to be withheld for that school year.

2. Savings Allotments and Allotment Allowed for 190-Day Educators Assigned in Overseas Areas. Savings and other allotments, as authorized in Chapter 11, may be deducted over the number of full pay periods in the school year.

B. TSP. An educator, administrator, or ISS employee may elect to have either a percentage or dollar deduction for TSP in accordance with guidelines set forth in Chapter 11, section 1110. TSP deductions will be taken from the annual retroactive salary adjustment given to employees each year only if the educator, ISS employee, or administrator has specified that a percentage be withheld.

070510. Educators Appointed as Junior Reserve Officer Training Corps (JROTC)

DoDDS employs retired military officers and noncommissioned officers as educators in its JROTC overseas program. The school year salary of JROTC instructors is set using the comprehensive Schedule for Educators and Specialist (Schedule C).

070511. Waiver of Erroneous Payments of Pay and Allowances

The procedures outlined in Chapter 8 are followed when processing applications for waiver of erroneous payments of pay and allowances submitted by DoDDS employees. However, applications of DoDDS employees received by the civilian payroll office are forwarded to the DoDEA Human Resources Regional Service Center for adjudication rather than the Defense Debt and Claims Management Office at DFAS.

0706 DOD DOMESTIC DEPENDENT ELEMENTARY AND SECONDARY SCHOOLS

Title 10, U.S.C. § 2164 authorizes the Secretary of Defense to provide for the elementary or secondary education of the dependents of members of the Armed Forces and, under certain conditions, for dependents of civilian employees residing on a military installation in the United States, if a determination is made that appropriate educational programs are not available.

*VOLUME 8, CHAPTER 8: "UNDERPAYMENTS, COLLECTION OF NON-DEPARTMENT OF DEFENSE (DOD) DEBTS, BANKRUPTCY ACTION, GARNISHMENTS, AND TAX LEVIES"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated September 2012 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated to comply with current format guidance.	Revision
Multiple	Updated hyperlinks.	Revision
Multiple	Renumbered paragraphs and figure where applicable.	Revision
Title	Changed title of Chapter from "Underpayments and Indebtedness" to "Underpayments, Collection of Non-Department of Defense (DoD) Debts, Bankruptcy Action, Garnishments, and Tax Levies."	Revision
0801	Added "General" section, which includes "Purpose" and "Authoritative Guidance" paragraphs.	Addition
080201	Revised section for clarity.	Revision
080202	Revised section for clarity and updated with current information.	Revision
080301.A	Added information about an employee's debts transferring from a non-DoD agency to a DoD agency.	Addition
080301.B	Updated information regarding the "Statute of Limitations."	Revision
080302.C.1.a	Added address for the "Salary Offset Project Office."	Addition
080303.A	Added information regarding voluntary "State Tax Levies."	Addition
0804	Renamed section "Recovery of Court-Ordered Indebtedness, Including Judgements and Garnishment."	Revision
080402.E	Changed the address and fax numbers for Salary Offset Project Office.	Revision
080403	Added address and fax number for commercial debts and procedures the payroll office should take.	Addition
080501.C	Added information regarding "Post-Petition Debt."	Addition

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
080502	Added information regarding "Chapter 13."	Addition
0807	Renamed section due to the addition of tax guidance. Updated section with current information.	Revision
080704.B.2	Changed form to Internal Revenue Service (IRS) Form 941-X since it has replaced IRS Form 941c.	Revision
Figures 8-1 through 8-8	Deleted figures due to the information provided has been moved to Volume 16.	Deletion
Figure 8-9	Deleted Figure due to information being outdated.	Deletion
Previous 0802-080606, 080608-080811	Deleted sections due to the information provided pertaining to debt owed to the DoD was moved to Volume 16.	Deletion
Previous 080812	Deleted paragraph, "Military Pay of Reserve or National Guard Members for Duty to Aid Law Enforcement" due to it being covered in Chapter 5.	Deletion
Previous 080813	Deleted paragraph since "Collection of Dishonored Checks" is in Volume 5, Chapter 4.	Deletion

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CHAPTER 8

*UNDERPAYMENTS, COLLECTION OF NON-DEPARTMENT OF DEFENSE (DOD) DEBTS, GARNISHMENTS, BANKRUPTCY ACTION, AND TAX LEVIES

*0801 GENERAL

*080101. Purpose

This chapter establishes policy and procedures pertaining to underpayments, special payments, collection of non-DoD debts, processing garnishments, bankruptcy actions, tax levies, and processing and reporting pay corrections. For regulations governing the collection of debts owed to the DoD, see Volume 16.

*080102. Authoritative Guidance

Statutes, regulations, and other guidance are referenced under each section of this chapter.

0802 UNDERPAYMENTS

*080201. General

Salary underpayments to employees or former employees may be the result of the following:

A. Computation Errors. Underpayments may be the result of computation errors involving Federal withholding tax, retirement deductions, Social Security/Medicare tax, or the rate of pay. Every effort should be made to correct the underpayments by increasing or decreasing the pay factors affected on the first payroll prepared after the error is discovered.

B. Time and Attendance Errors. Underpayments may also be the result of time and attendance errors. All salary payments to employees must be paid in accordance with the time and attendance reported and certified by the employee's supervisor. Reported time and attendance, which is less than an employee's normal work schedule, is presumed to accurately reflect the employee's hours of work and non-work. Any errors in time and attendance must be corrected and certified in order to adjust underpayments.

C. Claims. Employees or former employees who believe they have not been credited with the proper amount of pay may follow the claims procedures prescribed in Chapter 6, section 0604.

*080202. Special Payments

Special payments may be made to employees in order to correct salary underpayments. Special payments are made outside of the normal payroll processing schedule. The issuance of a

special payment is an off-line process and employees do not receive a regular Leave and Earnings Statement (LES) at the time of the special payment. The civilian payroll office (PRO) must provide the employee with information regarding the special payment. A subsequent LES is issued reflecting information pertaining to the gross amount of the special pay and all applicable deductions upon processing the special pay through the Defense Civilian Pay System (DCPS). PROs report special salary payments on the Department of Defense ***(DD) Form 592***, Payroll for Personal Services Certification and Summary.

A. Guidelines for Special Payments

The PRO will process a special payment under the following circumstances when requested by the employing activity and determined appropriate by the PRO:

1. 90 Percent Guideline. To correct a salary underpayment where an employee has received less than 90 percent of their regular biweekly pay and allowances. The PRO Directors may waive the 90 percent rule for making special payments when extenuating circumstances exist.

2. Erroneous Payroll Omissions. To pay employees who are erroneously omitted from the payroll;

3. Employees on Leave Without Pay (LWOP). To pay employees placed in a LWOP status for payroll processing, and LWOP has been approved for conversion to advanced annual, sick, and/or donated leave. The commanding officer/director, after reviewing each case for hardship, may request a special payment provided the employee meets the 90 percent guideline.

4. Special Payments to Beneficiaries. To pay a beneficiary entitled to receive a deceased employee's unpaid compensation under Title 5, United States Code (U.S.C.), section ***5582***. See Chapter 10, section 1005.

B. Required Supporting Documentation for Special Payments.

Required documentation for a special payment request submitted to the PRO is as follows:

1. Biweekly Payment of Less Than 90 Percent. For an employee paid for less than 90 percent of his or her regular biweekly pay and allowances, a copy of the time and attendance report (or corrected time and attendance report) and a request by the commanding officer/director are required to support the special payment.

2. Erroneous Payroll Omission. If an employee is erroneously omitted from the payroll, a ***Standard Form (SF) 50***, Notification of Personnel Action, should be used to verify the individual's employment. Before the special payment is processed, the PRO must obtain a copy of the employee's certified time and attendance report, a request by the commanding officer/director for special payment, and any necessary source documents to support deductions.

3. Employee on LWOP. For an employee placed in an LWOP status, the time and attendance certifier must provide the PRO a corrected time and attendance report along with the commanding officer's/director's special payment request.

4. Special Payments to Beneficiaries. Beneficiaries of deceased employees may request a special payment by sending a letter to the PRO identifying the need for payment is to defray expenses. The PRO must issue the special payment if sufficient documentation to support the claim is received from the employing activity human resources office.

C. Disbursements of Special Payments

Employees must receive special payment disbursements in the same manner as they receive their net pay, typically by an electronic funds transfer (EFT). If the employee has received a waiver of the EFT requirement for payroll disbursements, the PRO will send the employee a Treasury check via express mail to the employee's address of record. Release of payment will normally be within 3 business days following the PRO's receipt of any special payment request and any required supporting documentation.

D. Computation of Special Payments

The PRO must compute the special payments using the "gross-to-net" method. Gross-to-net payments represent the regular biweekly pay and allowances normally due the employee (plus unpaid premium pay for the corresponding pay period, if applicable), less any required deductions and withholdings which are withheld from the employee's biweekly pay. The following procedures are applicable for gross-to-net special payment processing:

1. Biweekly Payment of Less than 90 Percent. The employee is entitled to the difference between what was paid and what should have been paid. The PRO will deduct additional amounts for applicable items listed in subparagraph 080202.F, unless previous payroll processing has satisfied the deductions. The employee is responsible for any existing voluntary allotments not deducted during the previous processing. All deductions and withholdings must resume the following pay cycle.

2. No Pay Received. The gross entitlements less any applicable deductions and withholdings are payable to the employee. The PRO must exclude deductions for voluntary allotments. The employee is responsible for any existing voluntary allotments. All deductions and withholdings must resume on the following pay cycle, including voluntary allotments.

3. Final Pay as Special Payment. An employee who receives their final pay as a special payment will receive pay for gross entitlements less all required deductions and withholdings of items listed in subparagraph 080202.E. The employee is responsible for voluntary allotments. The employee's final pay is subject to withholdings to liquidate any unsatisfied government indebtedness.

4. Special Payments to Beneficiaries. Unpaid compensation is computed pursuant to Chapter 10, section 100504.

E. Processing Special Payments Made After the Last Regular Pay Period of the Tax Year, But Prior to the End of the Calendar Year

1. Federal, State, and Local Taxes and Social Security/Medicare. For special payments made after the last regular pay period of the tax year, but prior to the end of the calendar year, the PRO must withhold any Federal, state, and local taxes, and Social Security /Medicare from the special payments. The PRO must forward the withholdings to the applicable offices as soon as possible. Note: When computing or making deductions for Social Security, the PRO will ensure the employee has not reached maximum withholdings for the year. In completing the supplemental DD 592 for any canceled checks or special payments, the PRO will include all deductions and contributions for Social Security/Medicare, Federal, state, and local taxes.

2. Internal Revenue Service (IRS) Form W-2, Wage and Tax Statement. The PRO will process updates to ensure special payments or canceled checks are included in the history totals. After the final pay period of the tax year, if the PRO identifies incorrect reporting on the W-2, the PRO will issue an ***IRS Form W-2c***, Corrected Wage and Tax Statement, in accordance with ***IRS Circular E***, Employer's Tax Guide, and ***IRS Form 941-X***, Adjusted Employer's Quarterly Federal Tax Return or Claim for Refund.

3. Thrift Savings Plan (TSP). Special payments for TSP participants are subject to TSP deductions provided the employee has not reached the maximum contribution level established by law. TSP deductions withheld from special payments after the last regular pay period in the tax year, but before the end of the calendar year, will be combined with the next pay cycle for reporting and submission to the Federal Retirement Thrift Investment Board.

F. Taxation of Retroactive Payments

1. Time and Attendance. The PRO must use the tax rate associated with the current ***IRS Form W-4***, Employee's Withholding Allowance Certificate, when processing all time and attendance retroactive transactions. The PRO must combine the retroactive wages with the wages from the last pay period (i.e. the pay period prior to the current pay period) to determine the basis for recomputing tax withholdings. The PRO must recompute the taxes and determine the retroactive tax withholdings by subtracting the taxes withheld during the last pay period from the recomputed taxes.

2. Retroactive Wage Increases. In most cases, retroactive wage increases are considered supplemental wages and taxed at a flat 25 percent tax rate. The flat 25 percent rate will apply to Federal tax withheld from regular wages during the last preceding payroll period for wages paid within the same calendar year. If those regular wages do not have taxes withheld, the PRO must then use the rate associated with the current W-4.

G. Special Payments Not Authorized.

The following special payments requests are not authorized:

1. Partial Payment of Salary. PRO will not honor a request for partial payment of salary before the regular payday.

2. Special Payments of Premium Pay. The PRO will not process a request for special payments for overtime or other premium pay earned but not reported and, therefore, not paid in the corresponding pay period. However, authorization for a special payment for other reasons will include the payment of any unpaid premium pay for the corresponding pay period.

0803 COLLECTION OF NON-DOD DEBTS

*080301. Salary Offset Requests From Non-DoD Federal Creditor Agencies

* A. Request for Salary Offset. A non-DoD Federal creditor agency is a non-DoD agency to which an employee owes a debt. When non-DoD Federal creditor agencies (except the IRS or U.S. Courts) identify DoD employees as having outstanding debts, those agencies must address their salary offset requests to the Secretary of Defense designee for such collection, which is the Defense Finance and Accounting Service-Cleveland (DFAS-CL):

DFAS-AHADC/CL
1240 East 9th Street
Cleveland, OH 44199

A request for offset must include certification that due process rights have been afforded to an indebted employee by the non-DoD creditor agency. Debts established in DCPS for collection from non-DoD employees serviced by DFAS, who later transfer and become DoD employees, should be transferred systematically to the employing DoD agency for continued collection.

* B. Statute of Limitations. There is no statute of limitations for collection of a debt by salary or administrative offset. Debts more than 10 years delinquent as of December 31, 2009, that were previously ineligible for collection may now be collected by administrative offset. Additional notice and due process requirements must be met. For further information, see Volume 16, Chapter 2.

*080302. Salary Offset Requests From the Travel Charge Card Contractor

A. Authority. ***Public Law (P.L.) 105-264*** authorizes Federal agencies to collect undisputed delinquent amounts incurred on an individually billed travel charge card issued to an employee from that individual's disposable pay. For further information, see Requiring Use of Travel Charge Card at ***5 U.S.C .§ 5701***. The amount deducted may not exceed 15 percent of an employee's disposable pay for each pay period, unless the employee has provided written consent for a greater amount. For further information, see the Federal Travel

Regulation (FTR), ***Part 301-54***; ***FTR, Part 301-76***; and Title 41, Code of Federal Regulations (C.F.R.), ***part 301-76***.

B. Request for Collection. After undisputed debts become 90 days delinquent, the travel charge card contractor must send a 90-day demand letter to the employee that includes all due process requirements for initiating salary offset. If the debt is not disputed or paid, or arrangements are not made for payment by installment agreement within the 30-day period following the final debt letter, then the travel charge card contractor may request initiation of the salary offset process through payroll deduction.

C. Responsibilities

1. Travel Charge Card Contractor

* a. Request for Offset. The travel charge card contractor must forward delinquent debts to the Salary Offset Project Office at:

DFAS-AHADC/CL
1240 E. 9th Street
Cleveland, OH 44199-8002

b. Record of Charges, Late Fees, and Costs. The undisputed 120-day old delinquent accounts referred for salary offset must contain the full balance of the account, regardless of whether some of the individual charges relate to an official travel document. In addition to the delinquent charges, the amount referred for salary offset must include any late fees assessed and costs of collection.

c. Financial Institution Information. The file must include the travel charge card contractor's financial institution and account routing information to facilitate electronic transmission of delinquent amounts collected.

d. Private Collection Agency Referrals. Any delinquent debt the travel charge card contractor has already forwarded to a private collection agency for collection must not be included in the salary offset process. Likewise, a travel charge card contractor must not refer any delinquent debt already submitted to DFAS for collection by salary offset to a private collection agency.

2. Salary Offset Project Office

a. Processing Requests. The Salary Offset Project Office (DFAS-AHADC/CL) must process the request for initiation of travel charge card delinquent debt salary offset in the same manner as is done for Federal salary offset requests from other Federal agencies.

b. Debt Balance. The Salary Offset Project Office (DFAS-AHADC/CL) must manage the debt balance during the salary offset process. If for any reason

changes to the debt balance occur, the travel charge card contractor must immediately advise the Salary Offset Project Office of those changes.

c. Reports from the PRO. The PROs must provide reports listing the collection transactions to the Salary Offset Project Office for each collection file in order to monitor amounts collected and remaining debt balances due.

3. Due Process - Inquiries, Disputes, and Hearing Process. Any inquiries or disputes regarding the debt and the 90-day demand notice, which are received by the travel charge card contractor prior to forwarding the debt to DFAS for collection, will be handled and resolved by the travel charge card contractor. If the employee wants to negotiate an installment agreement prior to the referral of the debt for salary offset, the employee will make any such agreement with the travel charge card contractor. If the employee is not satisfied with the travel charge card contractor's disposition of the dispute, he or she may submit a petition to the travel charge card contractor for a debt hearing.

*080303. Collection of State Debts

* A. State Tax Levies. The PRO must forward involuntary state tax levies to:

DFAS-Cleveland
Garnishment Operations
P.O. Box 998002
Cleveland, OH 44199-8002

Toll free fax (877) 622-5930
Commercial fax (216) 367-3675

The levies will be processed under the commercial garnishment section. The PRO can establish voluntary state tax levies as an allotment.

B. Other State Debts. Under ***31 U.S.C. § 3716(h)*** and ***31 C.F.R. 285.6***, a state may enter into a reciprocal agreement with the Department of Treasury to collect unpaid state debt by offset of Federal non-tax payments. Under the same agreement, the Federal government may collect delinquent Federal non-tax debt by offset of state payments. DFAS does not offset non-tax state debts from Federal employee salaries.

*0804 RECOVERY OF COURT-ORDERED INDEBTEDNESS, INCLUDING JUDGEMENTS AND GARNISHMENTS

080401. Judgment Against an Employee

When a court of the U.S., in an action or suit brought against a Federal employee by the U.S., determines the employee is indebted to the U.S. and enters a judgment against the employee, section 124 of P.L. 97-276 (published as a note to ***5 U.S.C. § 5514***) allows collection of the debt by deduction from the employee's current pay account. The employee's consent is not required. Any

Federal agency requesting salary offset under this authority must send a letter requesting offset to the PRO with a copy of the judgment entered against the employee. The PRO may request the DFAS Office of General Counsel review the judgment if questions arise. After confirmation of the validity or interpretation of the judgment, the PRO will:

A. Compute the amount to be collected each pay period using the percentage specified in the offset request. The maximum amount deducted for a pay period may not exceed 25 percent of the employee's disposable pay, unless a greater percentage is necessary to recover the amount owed within the time of the anticipated employment. Deductions may be made from basic pay, special pay, incentive pay, or in the case of an individual not entitled to basic pay, other authorized pay.

B. Collect the total unpaid balance as specified in the offset request. This amount may include accumulated interest and administrative charges. The agency requesting offset should notify the PRO approximately 90 days before completion of the judgment offset with the final judgment amount, which includes the balance of accrued interest charges.

C. Forward a copy of the offset request to the employee with written notification advising the employee of the deduction amount and pay period the deduction will start.

D. Apply final pay (salary and lump sum leave) to any unliquidated debt balance if the employee retires, resigns, dies, or if employment otherwise ends.

E. Forward payment each pay period to the agency requesting salary offset.

*080402. Child Support and Alimony Garnishments

A. Authority. ***Title 42, U.S.C. § 659*** provides consent by the U.S. to garnishment and similar proceedings for enforcement of child support and alimony obligations against employees. The PRO must deduct court-ordered garnishment under this section from the employee's pay in accordance with ***5 C.F.R. part 581***.

B. Pay Subject to Garnishment. All moneys due employees, the entitlement to which is based upon "remuneration for employment," are subject to court-order garnishment. The term "remuneration for employment" means all compensation paid or payable for personal services performed by an individual, whether such compensation is denominated as wages, salary, commission, bonus, pay, or otherwise, and includes, but is not limited to, those items set forth in ***5 C.F.R. 581.103***.

C. Pay Not Subject to Garnishment and Exclusions. Moneys paid as reimbursement (normally defined by law or regulations as allowances, awards paid for making suggestions, and injury compensation payments) are not deemed "remuneration for employment" and, therefore, are not subject to garnishment. Amounts not subject to garnishment are identified in ***5 C.F.R. 581.104***. Deductions, as identified in ***5 C.F.R. 581.105***, that will be excluded from garnishment are:

1. Civil Service Retirement System (CSRS)/Federal Employees Retirement System (FERS);

2. Social Security/Medicare;

3. TSP contributions;

4. Federal, state, or city/local income taxes (not including additional withholdings unless the employee presents evidence of a tax obligation which supports the additional withholding);

5. Federal Employees Health Benefits (FEHB);

6. Federal Employees' Group Life Insurance (FEGLI) (basic only);

7. Indebtedness due the U.S. Government, except where the employee's debt is for child support and the amount owed the U.S. results from an income tax lien or levy;

8. Other deductions required by law or regulations to be withheld.

D. Maximum Garnishment Limitations. Aggregate disposable earnings means the amount of any pay that is due or payable to an employee as "remuneration for employment" minus the deductions that are listed as exclusions. Unless a lower maximum garnishment limitation is provided by applicable state or local law, the maximum part of the aggregate disposable earnings subject to garnishment to enforce a support order (***5 C.F.R. 581.402***) will not exceed the percentages specified in the following subparagraphs:

1. Fifty percent of the employee's aggregate disposable earnings for any workweek if the employee is supporting a spouse, a dependent child, or both, other than the former spouse, child, or both for whose support is required by the garnishment order. An additional 5 percent of the employee's disposable earnings is subject to garnishment in each case if the outstanding arrearages are over 12 weeks old.

2. Sixty percent of the employee's aggregate disposable earnings for any workweek if the employee is not supporting a spouse, dependent child, or both, other than the former spouse, child or both for whose support is required by the garnishment order. An additional 5 percent of the employee's disposable earnings is subject to garnishment in each case if the outstanding arrearages are over 12 weeks old.

* E. Procedures. Send all court orders for child support and alimony to:

DFAS-Cleveland
Garnishment Operations
P.O. Box 998002
Cleveland, OH 44199-8002

Toll free fax	(877) 622-5930
Commercial fax	(216) 367-3675

Upon review of the court order, DFAS-CL will process the garnishment deduction in DCPS. A cancellation to the order will be automatic on the date of separation from DoD, upon death of the employee, or upon notification from the court that the garnishment is terminated. The employee cannot voluntarily stop these court ordered deductions.

*080403. Commercial Garnishments

A. Authority. ***Title 5, U.S.C.§ 5520a*** authorizes the garnishment of Federal employees' wages for commercial debts. The PRO must deduct commercial garnishments under this section from the employee's pay in accordance with ***5 C.F.R. part 582***.

B. Pay Subject to Commercial Garnishment. Pay due to employees, as defined in 5 U.S.C. § 5520a, is subject to commercial garnishment.

C. Pay Not Subject to Commercial Garnishment and Exclusions. Suggestion awards and injury compensation payments are not subject to garnishment. As identified in ***5 C.F.R. 582.103***, deductions that will be excluded from garnishment are:

1. CSRS/FERS;

2. Social Security/Medicare;

3. TSP contributions;

4. Federal, state, or city/local income taxes (not including additional withholdings unless the employee presents evidence of a tax obligation which supports the additional withholding);

5. FEHB;

6. FEGLI (basic only);

7. Indebtedness due the U.S. Government; and

8. Other deductions required by law or regulations to be withheld.

D. Maximum Garnishment Limitations. A maximum of 25 percent of an employee's disposable pay may be withheld to satisfy garnishments for commercial debts. The term disposable pay means the amount of any pay due or payable to an employee as remuneration for employment, minus the deductions listed in subparagraph 080403.C. If the employee already has a child support or alimony withholding order in effect, and the total deduction for child support and alimony equal or exceeds 25 percent of an employee's disposable pay, then do not process a deduction for a commercial debt. Further, limitations on the amount to be garnished are found

in ***5 C.F.R. 582.402***. There is no limit on the percentage amount for garnishment for Federal, state, or local tax obligations, or for bankruptcy court orders.

* E. Procedures. Send all court orders for commercial debts to:

DFAS-Cleveland
Garnishment Operations
P.O. Box 998002
Cleveland, OH 44199-8002

Toll free fax (877) 622-5930
Commercial fax (216) 367-3675

Upon review of the court order, DFAS-CL will process the commercial garnishment deduction information in DCPS. A cancellation to the court order will be automatic on the date of separation from DoD, upon death of the employee, or upon notification from the court that the garnishment is terminated. The employee cannot voluntarily stop court ordered deductions.

F. Administrative Fee. A $75.00 administrative fee will be added to the garnishment amount and collected from the employee. The administrative fee will be collected in full before any payments are remitted to the creditor. The $75.00 administrative fee will be assessed for each commercial garnishment that is received and processed.

0805 BANKRUPTCIES

*080501. General

This section applies to DoD employees who have filed a bankruptcy petition under ***Chapter 7*** or ***Chapter 13*** of Title 11 of the United States Code (Bankruptcy Code). The law waives the U.S. Government's sovereign immunity for purposes of compliance with payroll deduction orders issued by the bankruptcy courts. Accordingly, DFAS will process the collection in accordance with the instructions on the court order.

A. Automatic Stay Provisions. Collecting an amount of indebtedness owed to the U.S. that was incurred prior to the filing date of the petition is described as a prepetition debt. Collecting debts by offset from the employee's pay account is authorized only through the day prior to the date the bankruptcy petition is filed. Continuing deductions from the employee's pay after the filing of a petition in a bankruptcy is improper and violates the automatic stay provisions of the bankruptcy statute. Amounts withheld after the date the bankruptcy petition is filed must be refunded to the employee. The automatic stay provisions of the Bankruptcy Code do not preclude continued deductions based on court-ordered child support and spousal support obligations. Coordinate with the DFAS office of General Counsel (OGC), Garnishment Operations if there are any questions about collecting a debt when a debtor has filed bankruptcy.

B. Proof of Claim. Upon notice or actual knowledge of the filing of a bankruptcy petition, when the employee has listed the U.S. Government as a creditor, the PRO

files a proof of claim with the bankruptcy court concerned for all Chapter 13 filings and, if requested by the bankruptcy trustee, for Chapter 7 cases.

* C. Post-Petition Debt. If the bankruptcy is completed and the employee receives a discharge, then generally, the listed indebtedness to the United States is discharged with few exceptions. Any new debt that was incurred after the filing of the bankruptcy petition is known as a post-petition debt. The bankruptcy proceedings do not affect post-petition debts. However, prior to taking any collection action on post-petition debts, the matter should be coordinated with the DFAS Office of General Counsel, Garnishment Operations.

D. Court Dismissal. If the court subsequently dismisses a bankruptcy case, then collection of the previously suspended debt is permitted by offset if otherwise authorized.

E. Procedures

1. Submit or fax bankruptcy notices and Chapter 13 withholding orders to:

DFAS-Cleveland
Garnishment Operations
P. O. Box 998002
Cleveland, OH 44199-8002

Toll free fax (877) 622-5390
Commercial Fax (216) 367-3675

a. The employee's full name and full Social Security Number must be included with the bankruptcy order.

b. The bankruptcy notice is effective when it is signed by the court and the provisions of the automatic stay are effective on the date that the bankruptcy petition is filed.

c. When the notice does not sufficiently identify the employee, return it directly to the person who submitted the order with an explanation of the deficiency.

2. Upon receipt of an effective bankruptcy order, together with all the required information, Garnishment Operations will review the case to determine if there are any commercial garnishments that need to be terminated as a result of the automatic stay (child support, alimony, child support arrears, and alimony arrears are not terminated unless the bankruptcy order specifically so states). Garnishment Operations will then establish the withholding against the employee's pay to comply with the bankruptcy order within 30 days. Withholdings will continue until the amount specified in the order is collected, or the order is canceled or suspended.

a. Within 30 calendar days after the date of receipt of the order, the designated official will send notice to the employee.

b. The letter will inform the employee the date that the withholding is scheduled to begin and the amount or percentage that will be deducted.

c. When the employee identified in the order is found not to be entitled to money due from or payable by DFAS, the designated official will return the order to the person who submitted it and advise him or her that no money is due from or payable by DFAS to the named individual. When it appears that amounts are exhausted temporarily, or otherwise unavailable, the authorized person shall be told why and for how long any money is unavailable, if known.

*080502. Adjustment of Debts of an Individual With Regular Income - Chapter 13 (The Plan)

A. Under the Bankruptcy Code, an employee may file a petition with the court to enter into a "Chapter 13 Plan." ***Title 11, U.S.C. § 1325*** permits an indebted individual who has a regular income to file a Plan with the bankruptcy court designed to liquidate all or part of the creditor's claim. When a Plan has been approved, the court may order DoD to pay all or part of the employee's wages to a trustee for the employee.

B. When the court confirms the Plan, its provisions are binding upon the employee and all creditors of the employee, regardless of whether they are affected by the Plan or have been included in the Plan.

C. Once the bankruptcy court confirms a Plan, it usually orders the employer to pay a specific amount of an employee's income to the trustee named in the order.

D. The pay of an employee is subject to payment to the trustee appointed by the court pursuant to Chapter 13 of the Bankruptcy Code. Compliance with such a court order gives the government a valid acquittance against the employee since the court order is binding on the employee.

E. If the U.S. is both the employer and creditor when the individual files a Chapter 13 Plan, then the government's priority under ***31 U.S.C. § 3713*** may be asserted in the absence of a judicial determination to the contrary. This is done through a filing of the proof of claim by the appropriate PRO. The proof of claim is filed with the bankruptcy court Official ***Form B 410***, Proof of Claim.

0806 TAX LEVY FOR UNPAID FEDERAL INCOME TAX

*080601. Authority

The IRS District Directors are authorized under ***26 U.S.C. § 6331*** to collect delinquent Federal income taxes by levy on the salary or wages of any U.S. or Washington,

District of Columbia employee. When the employee fails to pay Federal income tax due within 30 days after the IRS issues a notice and payment demand, a levy against the employee's wages may be issued. The levy is served against the take home pay of the employee and attaches only to the salary check or cash disbursement the employee would receive on payday if it were not for the levy.

A. Allotments. After the PRO receives a levy, the PRO must not allow employees to increase or add any voluntary allotments. Changes that increase existing voluntary allotments are only authorized after the total tax liability is paid or arrangements are made with the IRS.

B. Time Limits. The IRS has the authority to collect outstanding Federal taxes for 10 years from the date the tax liability was assessed. However, the 10-year collection period can be suspended and the amount of time the suspension is in effect will be added to the time remaining in the 10-year period. For example, if the 10-year period is suspended for 6 months, the time left in the period the IRS will have to collect will increase by 6 months.

080602. Procedures

When the IRS serves the Form 668-W(c), Notice of Levy on Wages, Salary, and Other Income, the PRO will take immediate action to implement the levy. Once the PRO processes the levy, the levy will continue in effect until the collection is complete or until the IRS releases the levy.

A. Notice to Employee. The PRO must follow instructions as indicated on Form 668-W(c) and provide notice to the employee that a levy has been received.

B. Claiming of Exemptions. Employees are permitted to claim a biweekly personal exemption and a biweekly exemption for each dependent. The IRS changes the exemption amounts each year. The PRO must use the ***IRS Publication 1494*** schedule issued with the Form 668-W(c) for the current exemption amounts.

1. Employee Responsibilities. The employee must certify exemptions and provide the information to the PRO on Form 668-W(c) under "Statement of Exemptions and Filing Status." The employee must return the completed form to the PRO for processing. If the employee fails to provide exemption information to the PRO, a dependency exemption will not be allowed and only the minimum personal exemption for each pay period will be allowed. An employee may provide a new statement to the PRO at a later date to have the exempt amount recomputed. The employee does not have to return the form if they have no dependency exemptions to claim.

2. Court Judgment. If the employee is required by a court judgment (made before the date of the levy) to contribute to the support of minor children, that amount of salary, wages, or other income is already exempt from the levy and the employee may not claim the minor children as exemptions.

C. Computing Take Home Pay. The levy attaches to the employee's take home pay minus the allowable exceptions. Unless otherwise instructed by the IRS, the employee's payroll deductions in effect when the levy was received will be allowed when determining the employee's take home pay. However, a voluntary allotment may be disallowed if the deduction is so large it defeats the levy. The IRS may notify the PRO when different procedures should be followed for specific employees. To determine the employee's take home pay, the levy attaches to the gross amount of the employee's accrued wages or salary, less the following deductions:

1. Social Security/Medicare;

2. Retirement;

3. FEHB;

4. FEGLI;

5. Pay attached or garnished for child support or alimony;

6. Overpayments due the U.S. Government; and

7. Allowable personal exemptions, certified by the employee on Form 668-W(c).

D. Return Form 668-W(c) to the IRS. After the PRO makes the first deduction for the levy against the employee's pay, the PRO must follow instructions on the Form 668-W(c) and return Part 3 of the form to the IRS.

E. Employee Transfers or Separation

1. Transfers Within DoD. If the employee has been reassigned to an organization serviced by another PRO, then the losing PRO must inform the IRS District Director of the employee's new address. The losing PRO must mail the complete levy package to the new PRO for processing.

2. Other Employee Transfers or Separation. If the employee has moved from overseas, transferred to another Federal agency, separated or retired, then PRO will return the levy to the IRS District Director and provide the employee's new address, if known, on Form 668-W(c).

F. No Employee Record Found. If the PRO receiving the levy has no record that payroll service has been furnished for the employee, the PRO must annotate that fact on the bottom of the levy and return the levy to the IRS District Director.

080603. Voluntary Deductions for Unpaid Federal Income Tax

An employee may arrange with the IRS to liquidate a delinquent Federal income tax debt through voluntary biweekly payroll deductions. ***IRS Form 2159***, Payroll Deduction Agreement must be submitted to the PRO to initiate the deduction process.

*0807 PAY CORRECTIONS AND TAX REPORTING

080701. General

A. Purpose. This section provides guidance on how to process pay corrections and the corresponding tax reporting when an employee has been overpaid or underpaid earnings.

B. Authoritative Guidance. The authority used to derive procedures for this section includes IRS Circular E and corresponding statutes and regulations.

080702. Corrections for Underpayment of Earnings

For active or separated employees, there is no distinction between a payment for the current or prior calendar year. The adjusting payment is reported as wages at the time the payment is made. No correction on the ***IRS Form 941*** is required.

A. Active Employees. For active employees, the PRO must:

1. Process the payment in the next regular pay cycle;

2. Report the gross wages subject to Social Security/Medicare taxes withheld as current quarterly earnings on the IRS Form 941; and

3. Include the earnings and Social Security/Medicare taxes withheld on the W-2 for the current year.

B. Separated Employees. For separated employees, the PRO must:

1. Reestablish the employee on the payroll and process the payment in the current pay cycle;

2. Report the gross wages subject to Social Security/Medicare taxes withheld as current quarterly earnings on Form 941; and

3. Prepare W-2c if a W-2 was issued.

080703. Corrections for Overpayment of Earnings in the Current Year

A. Active Employees. For active employees, the PRO should:

1. Instruct the employee to refund the overpayment in accordance with due process procedures; and

2. Record the amount as a reversal in the base pay, gross pay, net pay, or other pay as applicable, after receipt of the refund or returned check from the employee.

B. Separated Employees. For separated employees, the PRO will follow debt collection procedures as outlined in Volume 16, Chapter 3.

1. Reestablish the employee on the payroll and process the reversals in the current pay cycle.

2. Prepare W-2c if W-2 was issued.

*080704. Corrections for Overpayment of Earnings for a Prior Year

If the overpayment occurred in a previous calendar year, then no correction of earnings for Federal, state, or local withholding taxes will be made for the current calendar year.

A. Active Employees. For active employees, the PRO will:

1. Prepare a W-2c in accordance with IRS Circular E for the prior year to reduce the gross wages subject to Social Security/Medicare and Social Security/ Medicare taxes withheld if the year of repayment is still within the 3-year statute of limitations for Social Security and/or Medicare tax refunds. Send copies to the employee and copy A to the Social Security Administration (SSA). Upon completion of the correction procedures, send a separate IRS Form W-3, Transmittal of Wage and Tax Statements, with the corrected W-2 to the SSA. If the repayment is beyond the 3-year statute of limitations, then do not make corrections to prior year W-2 and Form 941;

2. Attach the employer's copy of the W-2c to the retained W-2 previously issued for the prior year;

3. Prepare Form 941-X, to correct errors made on IRS Form 941;

4. Retain copies of the forms in the PRO;

5. Prepare a tax certificate for the employee after collection of the amount due from the employee. The amount entered on the certificate is the total amount of the reverse deductions plus the amount the employee repaid. The employee may be entitled to a deduction (or credit in some cases) for the repaid wages on the employee's income tax return for the year of repayment. See ***26 U.S.C. 1341*** and ***IRS Publication 525***.

6. Manually note the amount of the correction and the date of the collection on the employee's prior year individual pay record.

B. Separated Employees. For separated employees, the PRO will:

1. Follow procedures outlined in subparagraphs 080704.A, and

2. Keep a copy of the W-2c and Form 941-X to balance the annual Federal tax deposits.

VOLUME 8, CHAPTER 9: "RECORDS, FILES, AND REPORTS"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated June 2014 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Revised the entire chapter to include administrative updates and hyperlinks.	Revision
0901	Added "General" section, "Purpose," and "Authoritative Guidance" paragraphs.	Addition
090302.F.8	Added information regarding the Internal Revenue Service (IRS) Form 1095-C, Employer-Provided Health Insurance Offer and Coverage.	Addition
090302.F.9	Added information regarding the IRS Form 1094-C, Transmittal of Employer-Provided Health Insurance Offer and Coverage Information Returns.	Addition
090304.G	Updated "Reporting Workforce Information" due to forms being updated.	Revision
090306.A.4.c	Added information for the Payroll Office providing employees the Form 1095-C.	Addition
090306.D	Added subparagraph on reporting for "Child Development Programs."	Addition
090306.E	Added subparagraph on reporting for "Experts and Consultants."	Addition
090306.F	Added subparagraph on "Affordable Care Act Reporting."	Addition
090306.G	Added subparagraph on "Foreign Language Pay Reporting."	Addition

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CHAPTER 9

RECORDS, FILES, AND REPORTS

*0901 GENERAL

090101. Purpose

This chapter provides guidance on records, files, and reports kept by the Civilian Payroll Offices (PRO).

090102. Authoritative Guidance

Specific statutes, regulations, and other guidance are referenced under each section of this chapter.

0902 RECORDS AND FILES

090201. Payroll Documentation

A. Disbursement Documentation. Documentation in the form of a voucher must be prepared for each disbursement or group of disbursements authorized to be paid by any Department of Defense (DoD) Component. A voucher is the authority for payment and must be correctly prepared in accordance with all legal and regulatory guidance, supported with proper documentation, and certified by an authorized certifying official prior to disbursement. DoD agencies are not permitted to give an employee the authority to certify his or her own disbursements.

1. Disbursements to the Office of Personnel Management (OPM). Deductions for the Civil Service Retirement System (CSRS) and the Federal Employees Retirement System (FERS), life insurance, and health benefit programs with employer contributions are routinely paid to OPM each pay period. The automated ***Standard Form (SF) 2812-A***, Report of Withholdings and Contributions for Health Benefits by Enrollment Code, is used to report these deductions to OPM. A consolidated SF 2812-A must be submitted biweekly to OPM through the Retirement and Insurance Transfer System (RITS). For additional information on RITS, see subparagraph 090303.C.

2. Disbursements to Taxing Authorities. Federal income, Social Security, and Medicare taxes withheld must be paid to the Internal Revenue Service (IRS) as provided by the ***IRS Publication 15 (Circular E)***, Employer's Tax Guide. State or city/local income taxes withheld must be paid to the appropriate taxing authority in accordance with the Treasury Financial Manual (TFM), Volume I, Part 3, ***Chapter 5000*** and Title 31 Code of Federal Regulations (C.F.R.) ***Part 215***.

3. Disbursements to Thrift Savings Plan (TSP). Employee and employer contributions for traditional or Roth TSP accounts, and deductions for TSP loan

repayments must be paid to the TSP Record Keeping Service Provider. For additional information, see the ***TSP*** website.

4. Other Disbursements. All other amounts withheld must be paid in accordance with applicable regulations or instructions furnished by the employee.

B. Deduction Documentation. Payments to those for whom deductions are authorized to be paid must be reconciled on a cyclical basis, at least annually, with the amounts withheld plus the related employer contributions, if any, as shown by the pay or other records. This procedure is necessary to determine whether the correct amounts are being reported to those authorized to receive deductions and contributions withheld from the employee's pay. Payroll records must provide a clear audit trail from the gross pay calculation to the net pay received by the employee by pay period and by year-to-date totals.

1. Tax Withholding. The amounts reported on the annual ***IRS Form W-2***, Wage and Tax Statement must match the total amounts withheld during the year as shown by the PRO records.

2. Individual Retirement Record (IRR). A related control account and an ***SF 2806***, Individual Retirement Record (CSRS), or an ***SF 3100***, Individual Retirement Record (FERS), must be maintained in accordance with OPM requirements for each civilian employee for whom retirement deductions are made. For information on items reported on the Individual Retirement Record, refer to the CSRS/FERS Handbook, ***Chapter 81*** and Benefits Administration Letter ***15-102***.

3. Federal Employees' Group Life Insurance (FEGLI). Each DoD PRO must keep a record of the total amounts withheld from employees' salaries and the total amount of the employer's contributions for FEGLI for each calendar year. These records must be kept in a ledger or other appropriate form or represented by file copies of vouchers that were used to report information to OPM.

4. Federal Employees Health Benefit (FEHB). A record of employee deductions and the employer's contributions for health benefits must be kept by each enrollment code number. The PRO and the health benefit carrier must submit the enrollee data included in this record to the National Finance Center's (NFC) FEHB Centralized Electronic Enrollment Reconciliation Clearinghouse (CLER) System on a quarterly basis. The Human Resources Office (HRO) and the PRO must review any error codes identified in the CLER system and resolve the discrepancies. The discrepancies are resolved by comparing the health benefits coverage reported by the PRO, the health benefits coverage reported by the carriers, the ***SF 2809***, Health Benefits Election Form, and the ***SF 2810***, Notice of Change in Health Benefits Enrollment, sent in support of the coverage.

5. TSP Deductions. The HROs must maintain a record of traditional and/or Roth TSP deductions and agency contributions for each employee.

090202. Retroactive Computations Involving Former PROs

A. General. When retroactive payroll computations are required that involve one or more former PROs, the consolidated PRO maintains overall responsibility for the adjustment process. If it is determined that a former PRO is involved, the consolidated PRO is responsible for contacting each former PRO to obtain the necessary information.

B. Documentation Requests. If the consolidated PRO is unable to obtain the documentation necessary to perform the retroactive calculation, one or more of the following steps may be taken:

1. Request Archived Documents from the National Personnel Records Center (NPRC). When copies of the ***SF 135***, Records Transmittal and Receipt, are unavailable at the employee's former office, the current PRO must complete a National Archives and Records Administration (NARA) ***Optional Form (OF) 11***, Reference Request - Federal Records Centers, with all available information. The employee's name, Social Security number (SSN), known places of employment, names and payroll office numbers of applicable PROs, and year(s) for which the records are requested must be included in the description and remarks section of the Form.

2. Contact the Appropriate Human Resources Office (HRO). If the NPRC cannot locate the records, the PRO must prepare a memorandum to the appropriate HRO requesting copies of the ***SF 50***, Notification of Personnel Action, or other related pay and/or leave information. Since there may have been consolidations of both the PRO and the appropriate HRO prior to the Defense Civilian Pay System (DCPS) consolidations, it is imperative that both offices work together to obtain information that will assist in the determination of pay and leave adjustments for the employee.

3. Contact the Employee. If the PRO cannot locate documentation from the NPRC or the appropriate HRO, the PRO must contact the employee for the necessary documentation. If the employee has copies of the SF 50 and/or the Leave and Earnings Statement (LES), the PRO may accept this information and use it to reconstruct the pay and/or leave records.

4. Contact OPM. If the transmittal letters to OPM and/or copies of the retirement records cannot be located, the PRO may submit a request to OPM in writing to procure the necessary copies of the records. The PRO may use the information on the retirement records for reconstruction of pay information for adjustments.

0903 REPORTS

090301. General

DoD civilian payroll systems must conform to various legal and regulatory requirements by generating reports at regular intervals, on an as-needed basis or by producing reports to meet special requirements. The PRO must support management by generating reports that provide the necessary information to ensure the system's integrity. Individuals who create reports are responsible for correcting errors due to inaccurate reading or entering of data. Discrepancies in

reporting, transmitting, or depositing funds must be resolved promptly. Pursuant to the provisions of the Government Accountability Office (GAO) publication Maintaining Effective Control Over Employee Time and Attendance Reporting, ***GAO-03-352G***, reports must be:

A. Prepared accurately and promptly, distributed to the appropriate recipients to ensure receipt when the information will be of maximum benefit;

B. Based on, supported by, and periodically validated against appropriate detailed information in the payroll system;

C. Sent in a timely manner to officials who authorized, or were responsible for, processing payroll transactions, and reviewed by those officials for completeness and accuracy;

D. Discussed periodically with users and modified or eliminated as appropriate to meet user needs; and

E. Retained and disposed of in accordance with NARA General Records ***Schedule 2***, with sensitive data handled in accordance with the provisions of the Privacy Act. See ***5 C.F.R. 2606***.

*090302. As-Required Reports

A. Income and Employment Tax Reports. Income and employment tax reports are submitted to cities/localities that have an agreement with the Secretary of the Treasury and to cities/localities where voluntary deductions have been taken from employees. Reports are sent to the city/local taxing authorities based on the frequency prescribed by each municipality. See TFM, Volume I, Part 3, ***Chapter 5000***.

B. State Income Tax Reports. These reports are required by states that have reached an agreement with the Secretary of the Treasury. These reports are submitted to the state taxing authorities based on the frequency prescribed by each state. See TFM, Volume I, Part 3, Chapter 5000.

C. Report on Transfer of Employee

1. SF 1150, Record of Leave Data. The losing PRO must prepare an ***SF 1150*** at the time of the employee's separation if the employee transfers within DoD to another PRO or to another Federal agency. All blocks on the SF 1150 must reflect accurate data. In addition to reporting transferred leave data, the form contains other pertinent information for the employee in the Remarks section. This includes, but is not limited to: year-to-date wages for Social Security and/or Medicare tax purposes, year-to-date TSP deductions, last deduction for FEHB and FEGLI, date through which the insurance deductions were made, and overseas or territorial differential data.

a. The losing PRO forwards the completed SF 1150 to the losing HRO.

b. The losing HRO includes it in the employee's Official Personnel Folder (OPF) and forwards it to the gaining HRO.

c. The gaining HRO then forwards the SF 1150 to the gaining PRO.

2. Delayed Receipt of SF 1150. If there is a delay of the OPF containing the SF 1150 reaching the appropriate gaining HRO, and the employee is taking leave, the gaining PRO is responsible for determining the employee's leave balance. If necessary, the gaining PRO may request the leave balance electronically or by fax. This information is subject to the Privacy Act and handled accordingly. The gaining PRO may use the leave balance shown on the employee's last LES, subject to verification upon receipt of the SF 1150.

3. OPM Form 630, Application to Become a Leave Recipient Under the Voluntary Leave Transfer Program (VLTP). Use version A, B, or C as appropriate for the VLTP action requested. This form records the transfer of leave for leave recipients covered by the VLTP. The ***OPM 630*** is used when a current leave recipient transfers to another PRO or Federal agency without a break in service and will be attached to the SF 1150.

D. Request for Wage and Separation Information. The PRO must report wage data to the appropriate HRO in accordance with Chapter 6. The appropriate HRO maintains a file copy of all data furnished for 2 years in accordance with the General Records Schedule 2, and then destroyed.

E. SF 2806 and SF 3100. In accordance with Chapter 4, the PRO will prepare and maintain the SF 2806 and the SF 3100.

F. IRS Form W-2c, Corrected Wage and Tax Statement, and IRS Form W-3, Transmittal of Wage and Tax Statements. The Defense Finance and Accounting Service (DFAS) is responsible for:

1. Preparing an ***IRS W-2c*** in accordance with Circular E to correct prior year wages and tax withholdings as applicable;

2. Providing copies to the employee and copy A to the Social Security Administration (SSA);

3. Sending a separate ***IRS W-3*** with the corrected IRS W-2c to the SSA upon completion of the correction;

4. Retaining the employer's copy of the Form W-2c in the PRO;

5. Preparing an ***IRS Form 941c***, Supporting Statement to Correct Information Previously Reported on the Employer's Federal Tax Return, to adjust the gross wages subject to Social Security and/or Medicare taxes;

6. Attaching an IRS 941c to the current quarterly ***IRS Form 941***, Employer's Quarterly Federal Tax Return, and entering the amount of the adjustment on the IRS 941. Copies of both forms will be maintained in the PRO;

7. Retaining a copy of IRS W-2c and IRS 941c in the current year quarterly tax folder to balance annual Federal tax deposits;

* 8. Preparing the IRS ***Form 1095-C***, Employer-Provided Health Insurance Offer and Coverage, for the IRS and the employee for the previous tax year; and

* 9. Preparing the IRS ***Form 1094-C***, Transmittal of Employer-Provided Health Insurance Offer and Coverage Information Returns. This form is sent to the IRS in conjunction with the Form 1095-C.

090303. Biweekly Reports

A. Leave Earnings Statement (LES). The LES must show gross pay, deductions, net pay, and employer contributions for the current pay period and cumulative totals for the current year. The LES must reflect the accrued and used leave balances for the pay period and year-to-date values. The LES must be made available electronically by accessing the ***myPay*** website or mailed to the employee's non-work address every pay period.

B. SF 2812-A. The amount collected for employee retirement (CSRS and FERS), FEHB, and FEGLI deductions, military service deposits, reemployment offsets, and the agency's contributions for retirement (CSRS and FERS), FEHB, and FEGLI are transferred to OPM. As prescribed by OPM, the PRO uses a "no-check-issue" as the means of payment to OPM. Funds are transferred to OPM using the SF 2812-A. The SF 2812-A reports the total employee deductions and agency contributions for health benefits by health benefits plan enrollment code for the pay period (see subparagraph 090201.A.1).

C. Retirement and Insurance Transfer System (RITS)

1. RITS is part of the Intra-Government Payment and Collection (IPAC) system developed by OPM and the Department of the Treasury (Treasury) to report civilian retirement and insurance contributions. The automated RITS interface with the payroll system replaces the manual reporting to OPM of the SF 2812-A.

2. To process the RITS transactions, the PRO must provide the disbursing office with the payroll system-generated hard copy of the Department of Defense ***(DD) Form 592***, Payroll for Personal Services Certification and Summary, the SF 2812-A, and any disbursement vouchers for cash payments.

a. Cash payments received from employees, such as military deposits and health benefits payments, are considered current transactions. The funds are collected and disbursed from the deposit fund suspense account. The total of the DD 592 and cash

disbursement voucher must equal the total of the SF 2812-A. Cash collections for health benefit indebtedness received from pay accounts not carried forward from former payroll offices must be reported to OPM separately on a supplemental SF 2812-A using the Off-Line Bulk Data Transfer RITS software.

b. The disbursing office must ensure the voucher amounts agree and the vouchers contain proper certifying signatures before authorizing the transmission of the file to OPM. The delay between the creation of the system file and transmission is a necessary step in the process to establish adequate internal controls for the disbursement of Government funds. If the file is transmitted before the payment date, OPM must warehouse the data until the settlement date.

c. The IPAC transaction is a direct payment to OPM. Report the transaction on the ***SF 1219***, Statement of Accountability.

3. RITS provides the capability to report on a regular biweekly basis, as well as to report adjustments in a supplemental off-cycle mode. Reporting during the regular biweekly cycle is the preferred method and automated capabilities of the payroll system must be fully utilized in order to do so. Use of a supplemental reporting cycle must be limited to the greatest extent possible.

4. Consolidated PROs using RITS may find it necessary to report adjustments related to former PROs as well as adjustments related to the consolidated office. In these situations, the following may be applicable:

a. Adjustments for Accounts That Have Not Been Transferred to the Consolidated PRO. These accounts were inactive on former payroll office records and did not convert to the consolidated office. Responsibility for these adjustments is now with the consolidated payroll operation and is under the DFAS PRO operations. These adjustments could involve correction of a retirement plan, cash collection for military deposits, or health benefit indebtedness.

(1) Retirement Plan Correction. These adjustments must be reported to OPM via a hard copy SF 2812-A citing the PRO number that originally reported the deductions and contributions. Corrected retirement records and registers citing the former PRO must be prepared and forwarded to OPM. Copies of the SF 2812-A, registers, and records must be forwarded to the departmental reporter for the former payroll office so that cumulative balances may be adjusted.

(2) Cash Collections for Military Deposits. The PRO must report cash collections for military deposits via a hard copy SF 2812-A citing the PRO number that originally reported the deductions and contributions. Corrected retirement records and registers citing the former PRO must be prepared and forwarded to OPM. Copies of the registers, records, and SF 2812-A must be forwarded to the departmental reporter for the former PRO so that cumulative balances may be adjusted.

(3) Cash Collections for Health Benefit Indebtedness. Cash collections for health benefit indebtedness must be reported via RITS as a supplemental SF 2812-A from the consolidated payroll office using the consolidated PRO Number.

b. Adjustments for Accounts That Have Been Transferred to the Consolidated PRO. These accounts were active on former PRO records and converted to the consolidated office. Adjustments may be for accounts that have become inactive since consolidation or for those still in an active status. As part of the consolidated payroll operation, DFAS PRO is responsible for these adjustments. Records for both the former and consolidated payroll offices may need to be corrected, depending on the effective date of the correction involved.

(1) Retirement Plan Correction. The adjustment may involve both hard copy reporting via the SF 2812-A and reporting via RITS. Adjustments that are effective prior to the transfer to the consolidated office must be reported to OPM via the SF 2812-A citing the former PRO number. Corrected retirement records and registers for that portion applicable to the former PRO must be prepared and forwarded to OPM. A copy of the SF 2812-A, registers, and records must be forwarded to the departmental reporter for the former PRO so that cumulative balances may be adjusted. That portion of the adjustment applicable to the consolidated PRO must be corrected through the payroll system and reported via the RITS regular biweekly cycle. Adjustments for accounts that have become inactive since consolidation must be corrected through the payroll system by reactivating the account.

(2) Cash Collections for Military Deposits. Cash collections for military deposits must be reported via RITS during the regular reporting cycle. Collections for accounts that have become inactive since consolidation must be corrected through the payroll system by reactivating the account. Correction through the payroll system is necessary in order to maintain the proper sequencing of system-assigned register numbers.

(3) Cash Collections for Health Benefit Indebtedness. Cash collections for health benefit indebtedness must be reported via RITS during the regular biweekly reporting cycle.

D. TSP-2-F, Certification of Transfer of Funds and Journal Voucher. A "no-check-issue" procedure is used to transfer the amount collected for employee TSP deductions as well as the agency contributions to NFC. Funds are transferred to NFC using the ***TSP-2-F***.

E. DD 592. This payroll voucher is used to certify the accuracy of the payment. It also provides total payroll costs and detailed accounting data by appropriation and accounting activity in connection with the civilian payroll.

F. Reports of Salary Offsets for Non-DoD Federal Agencies

1. Report of Collections. The PRO must forward a biweekly report to each creditor agency of the collections made for the pay period. This report must include, at a minimum, the non-DoD agency to which the collections apply, the PRO name and address, the employee's name, the amount collected for each employee, the period for which the collection applies, and the total amount of collections remitted to the non-DoD agency.

2. Report of Employees with Salary Offset. The PRO forwards a biweekly report of employees with salary offsets for non-DoD Federal agencies to the DFAS site that originally forwarded the salary offset request to the PRO. This report must include, at a minimum, the employee's name, SSN, creditor agency, amount of the last biweekly collection amount, pay date of the last collection, and the debt balance amount. In the case of employees with more than one debt to a non-DoD Federal agency, the information required in this paragraph must be provided for each debt.

G. Reporting Union Dues to Labor Organizations or Associations of Management Officials or Supervisors. Each pay period, the PRO must prepare a listing for each recipient of withheld dues. At a minimum, the listing must include the name and address of the PRO, the labor organization or association for which the listing pertains, employee names and amount of dues deducted for each, total amount collected and system-generated remarks that explain the lack of deductions.

H. Combined Federal Campaign (CFC) Report

1. The PRO must provide a remittance report to the Principle Combined Fund Organization to include:

a. The employing agency, e.g., Army, Navy, Air Force;

b. The number of employees with a deduction by employing agency;

c. The total pay period amount deducted; and

d. The pay period date of the CFC data.

2. The PRO retains a summary report for each pay period date to include the CFC organization, the total number of employees with deductions, and the amount deducted for all employing agencies. See ***5 C.F.R. 950.901***.

*090304. Quarterly Reports

A. Continuation of Pay (COP) for Disabling, Job-Related Traumatic Injuries Sustained by Federal Employees. The Department of Labor requires a quarterly report on COP. The requirement applies to all PROs including National Guard units. See ***20 C.F.R. 10.200***.

B. Employment Statistics Program. Upon request, the PRO furnishes feeder data to the appropriate HRO on total wages paid to civilian employees for specific calendar quarters. The appropriate HRO must prepare and submit the final report.

C. IRS 941. Each PRO must report tax payment information to the IRS on IRS 941. The report must be completed and filed by the due date established by the IRS. This is normally the end of the month following the close of the quarter. If all taxes for the quarter are deposited when due, the PRO must file the IRS 941 by the 10th day of the second month following the close of the quarter. The tax payment information required under Schedule B, Record of Federal Tax Deposits, must be derived from the payment records. The total amount of tax payments during a quarter must agree with the total taxes due, with no further payment required to be made with IRS 941.

1. The PRO forwards the system generated IRS disbursement voucher "In Lieu of SF 1049," Public Voucher for Refunds, to the disbursing office at an agreed upon time preceding the payment date for transmitting the voucher data through the Electronic Federal Tax Payment System (EFTPS). EFTPS is a service offered by Treasury, which allows an agency to electronically file and make payments for IRS 941 taxes each quarter. See EFTPS Information on the ***IRS website***.

2. The DFAS Cleveland Disbursing Office makes the daily tax deposits that are reported on the IRS 941 through the EFTPS. The tax deposit information is entered on the tax return, IRS 941, using a fillable form available from the IRS website. After IRS 941 is prepared, it is reviewed and signed by a supervisor then e-faxed to the IRS point of contact.

3. The disbursing office returns the IRS 941 printout to the PRO the day following each IRS disbursement. This printout reflects the cumulative totals for the quarter.

4. The PRO must correct any discrepancies.

D. Health Benefits Reconciliation Data File. Each quarter, the OPM ***FEHB CLER*** data must be reported to NFC, which implements a system to reconcile health benefits data for government agencies. The quarterly report of enrollees must include enrollee names, the total amount for employee deductions, and the total amount for employer contributions. The quarterly report must include enrollment data for all health plans for the payroll paid during the 1st through the 15th of March, June, September, and December. If there are two payrolls paid during that period, the PRO reports only the enrollment data for the last payroll paid. The data in this report is first sorted by FEHB enrollment code and then SSN. The report must provide a subtotal for each enrollment code and a grand total for each plan.

E. Transportation Fringe Benefit Report. A fringe benefit is a form of pay for the performance of services that is in addition to the employee's regular salary or wages. Examples of transportation fringe benefits include the use of a business vehicle, transit passes, and the value of parking.

1. Employers are required to report the value of fringe benefits as taxable income for amounts that exceed the established IRS threshold.

2. The parking fringe benefit valuation must be reported by the employing activity directly to the servicing PRO on a quarterly basis to ensure proper reporting of income and collection of taxable wages on the IRS W-2.

3. The monthly value of the fringe benefit and the reportable taxable benefit must be included in the report.

4. Certain qualified transportation fringe benefit amounts may be excluded from an employee's wages each month. See Chapter 3 for information on qualified transportation fringe benefits and ***IRS Publication 15-B***, Employer's Tax Guide to Fringe Benefits.

F. Civilian Direct Deposit Participation Report. When directed, the PRO must furnish data to the appropriate functional organization on civilian employees participating in Direct Deposit/Electronic Funds Transfer (EFT). This feeder-type information is used by DoD managers to report payment volumes and the percentage of payments made by EFT to the Bureau of the Fiscal Services within 25 days after the end of each quarter.

* G. Reporting Workforce Information. OPM collects data from agencies relating to civilian employees in a manner and at times prescribed by OPM. See ***5 CFR 9.2***. The data reported is primarily used by the Office of Management and Budget (OMB) as a baseline for making policy decisions on personnel budget requests.

1. SF 113-A, Monthly Report of Federal Civilian Employment. The PRO must submit this report to OPM on a quarterly basis covering 3 months for the quarter or on a pay period basis covering the quarter. If the PRO submits data on a pay period basis, the PRO must report total employment "as of" September 30 for their September (fiscal year) submission. The report must reflect lump sum payments, wages, and salaries earned during the reporting period. The turnover data must include accessions and separations when the effective data occurs during the period covered. See ***SF 113-A***.

2. SF 113-G, Monthly Report of Full-Time Equivalent/Work-Year Civilian Employment. The PRO must provide feeder data to the Defense Manpower Data Center for reporting to OMB. See ***SF 113-G***.

090305. Semiannual Reports

A. Semiannual Headcount Report. OPM requires that a report of the withholdings and contributions for retirement, FEGLI, and FEHB be sent in the form of a semiannual headcount report. This report is required for the last pay period paid during the 1st through the 15th of March and September, in conjunction with the quarterly reporting of enrollment in all health benefits plans.

B. Report of Work Years and Personnel Cost. This report provides information required by OMB to estimate the cost of proposed Federal pay increases, evaluate the financial

effects of proposed legislation on civilian personnel compensation and benefits, and prepare analysis of pay and personnel benefits of Federal employees. The consolidated PRO provides feeder-type data on the leave data for part C of this report.

*090306. Annual Reports

A. Wage and Tax Statements

1. Wage and Tax Statements to SSA. IRS W-2 is used to report taxable income to the SSA and the IRS. The PRO must issue an IRS W-2 to employees no later than January 31 of the year following the applicable tax (calendar) year. This also applies to employees who died or separated during the year. Individuals may request the form at an earlier date by making their request in writing to the PRO. In such instances, the form is to be issued within 30 calendar days of receipt of the request or of the final payment, whichever is later. The DoD PROs are required to use the DFAS approved standardized IRS W-2 each year.

2. Wage and Tax Statements to States

a. The PRO provides this information to states that have entered into a Standard Agreement with Treasury or as authorized pursuant to a published routine use statement. See TFM Vol. 1, Part 3, ***Section 5070.10***. The PRO will issue returns with respect to those employees who:

(1) Are employed in the state and subject to mandatory withholding of state income tax; or

(2) Have established voluntary allotments for the state's income tax.

b. The PRO provides annual information returns on IRS W-2. Other forms prescribed by states should not be used.

c. The PRO includes in the returns only the information on IRS W-2.

d. The PRO must submit IRS W-2 to the states in print or electronically. The PRO must file all returns in accordance with regulations issued by the state taxing authorities. A list of state taxing authority contacts is available at the IRS website.

e. The PRO may need to report information to more than one taxing authority for the same employee. If so, it must supply a copy of IRS W-2 to the proper state, city, or local taxing authorities on request. Those authorities will decide if the employee is liable for any tax.

f. A state requirement to file information returns monthly does not affect existing arrangements to submit IRS W-2 only once a year.

3. Wage and Tax Statements to Cities or Other Localities

a. In the case of an agreement with the city or locality, the PRO will issue returns with respect to those employees who are:

(1) Employed in the city or locality and subject to the tax (whether or not tax is withheld); or

(2) Residents of the city or locality and are subject to the tax (whether or not tax is withheld). If the city or locality has not entered into a Standard Agreement, with the prior written consent of the employee, or if authorized pursuant to a published routine use statement, the PRO will issue returns to the taxing authority with respect to an employee who has voluntary deductions for the city or locality's income tax.

b. The PRO provides annual returns on IRS W-2. Other forms prescribed by cities or localities must not be used.

c. The PRO must include in the returns only the information on IRS W-2.

d. The PRO must submit IRS W-2 in accordance with regulations issued by the city or locality taxing authorities.

e. A city or locality requirement to file information returns monthly does not affect existing arrangements to submit IRS W-2 only once a year.

4. Wage and Tax Statements to Employees

a. If the employee has not yet transitioned to an electronic IRS W-2 format, the PRO must mail annual wage and tax information returns to each employee's non-work address by January 31 of the next year, unless the employee has consented to receive the IRS W-2 in an electronic format. The IRS W-2 must include the:

(1) Employee's name, SSN, and address;

(2) Wages subject to Social Security/Medicare, Federal, state, city, or local withholding;

(3) Social Security and/or Medicare, Federal, state, or local tax withheld, if any;

(4) Name of state, city, or county; and

(5) City and/or county assigned Employer Identification Number.

b. The PRO must mail corrections to the annual wage and tax information returns to an employee's non-work address as soon as an error is discovered. Refer to subparagraph 090302.F for information on the IRS W-2c and IRS W-3.

* c. The PRO must issue Form 1095-C to employees no later than January 31 of the year following the applicable tax (calendar) year.

B. Student Loans. Agencies are required to report annually to OPM on their use of the student loan repayment authority. Before March 31 of each year, agencies must submit their reports for the previous calendar year. See ***5 C.F.R. 537.110***. The reports must contain:

1. The number of employees, who received student loan repayment benefits,

2. The job classifications of the employees who received student loan repayment benefits, and

3. The cost to the Federal Government of providing student loan repayment benefits.

C. Telework. The Telework Enhancement Act of 2010 requires that agencies report an annual telework participation goal. OPM issues an annual report to Congress summarizing information provided by agencies on the status of their telework programs. See Status of Telework in the Federal Government ***Report for Congress***. The report provides a baseline for measuring each agency's progress toward meeting the requirements of the Telework Enhancement Act. Agencies are required to make an annual assessment of progress towards meeting participation goals. In cases where agencies do not meet goals, they must detail actions to be taken to identify and eliminate barriers to maximizing telework opportunities for the next reporting period. See ***Public Law 111-292, Section 6506***; see also ***Telework.gov***. Each report submitted must include:

1. The total number of employees in the agency;

2. The number and percent of employees in the agency who are eligible to telework; and

3. The number and percent of eligible employees in the agency who are teleworking:

a. Three or more days per pay period;

b. One or two days per pay period;
c. Once per month; or

d. Occasional, episodic, or short-term basis.

* D. Child Development Programs (CDPs). Agencies initiating a child care subsidy program are required to track and report the utilization of their funds to OPM annually on a ***DD Form 2605***, Department of Defense Child Development Program Summary of Operations. See ***5 C.F.R. 792.204***.

* E. Experts and Consultants. Each agency that used and paid experts and consultants is required to submit an annual report to OPM. See ***5 U.S.C. 3109(e)*** and 5 C.F.R. ***304.107***. This report must cover the entire agency for the year ending December 31st and be submitted by February 28th of the following year. See ***OPM Form 1623***, List of Experts and Consultants hired Under 5 U.S.C.3109. This report must contain:

1. The number of days the agency employed each paid expert or consultant; and

2. The total amount paid by the agency to each expert and consultant, not including payments for travel and related expenses.

* F. Affordable Care Act (ACA) Reporting. Applicable Large Employers (ALE) must report to the IRS whether the employer has made an offer of coverage to their full-time employees. An ALE is an employer with 50 or more employees. Reporting is made using Form 1095-C and the Form 1094-C for the previous tax year. See the IRS website on ***Information Reporting by Applicable Large Employers***.

* G. Foreign Language Pay Reporting. Each DoD Component with Defense Civilian Intelligence Personnel System (DCIPS) positions must submit to the Under Secretary of Defense for Intelligence through the Director, Human Capital Management Office a report on its foreign language pay program. See DoD Instruction ***1400.25-V2016***. These annual reports must:

1. Include a copy of the Component's current foreign language pay policy or guidance, and copies of any related documents or communications issued on foreign language pay since the previous report was submitted;

2. Identify the total number of language-coded authorizations and official tasking that requests language and proficiency in support of mission requirements;

3. Identify the total number of DCIPS employees receiving foreign language pay, and whether or not they are assigned to designated foreign language positions. Include a breakout of the number of DCIPS employees identified as receiving foreign language pay by each language;

4. Identify the total amount of foreign language payments made in the past calendar year and a breakout of the amounts by language;

5. Identify for Interagency Language Roundtable Level 3 proficiency and above (combined), the percentage of recipients paid, by language; and

6. Discuss the current state of recruitment and fill of foreign language positions, including overages, trends, shortfalls, recommendations regarding foreign language pay policy, trends in payments (by language and amount of payment) from the previous year, and a brief statement reflecting the effectiveness of incentive pay in the recruitment.

VOLUME 8, CHAPTER 10: "SPECIAL CATEGORY EMPLOYEES"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue and underlined font*.**

The previous version dated January 2014 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Revised hyperlinks and formatted to comply with current administrative instructions.	Revision
1001	Added "General," "Purpose," and "Authoritative Guidance" sections.	Additions
100509.B	Revised information for Death Gratuity under Title 5, United States Code, section 9904.	Revision
1011	Added information for Temporary and Term Appointments.	Addition
101503.A.3	Added information for on-duty sleep and meal periods for Emergency Medical Technicians.	Addition
1023	Added new section, "De Facto Employees" for clarity.	Addition
1024	Added new section for "Highly Qualified Experts (HQEs) and HQEs-Senior Mentors (HQEs-SMs)" with revised policy.	Addition

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CHAPTER 10

SPECIAL CATEGORY EMPLOYEES

*1001 GENERAL

100101. Purpose

This chapter provides guidance on special category employees. Special category employees include those whose retirement, leave, or pay may be specific to an occupational series or tour of duty. Special category employees also include employees deemed legally incompetent, missing or deceased, and de facto employees.

100102. Authoritative Guidance

Specific statutes, regulations, and other guidance are referenced under each section of this chapter.

1002 OVERSEAS EMPLOYEES

100201. General

The general pay provisions for General Schedule (GS) employees who work stateside also apply to GS employees stationed overseas. The Department of Defense Instruction (DoDI) ***1400.25***, Department of Defense (DoD) Civilian Personnel Management System, ***Volume (V)1250***, Overseas Allowances and Differentials, authorizes and governs the payment of allowances and differentials to DoD civilian employees who are citizens of the United States (U.S.) and located in a foreign area. The Department of State Standardized Regulations ***(DSSR)*** prescribe eligibility requirements, the applicable rates to be paid, and the provisions to be observed in paying overseas foreign area allowances and differentials to employees.

100202. Foreign Nationals

A. Authority. Title 22 United States Code (U.S.C.), section 3968 (***22 U.S.C. § 3968***) establishes the pay for foreign national employees. Delegation of authority is established by ***DoDI 1400.25 V1231***, Employment of Foreign Nationals. Authority is delegated to each military department to re-delegate to its Service Component Commanders the authority to establish salaries, wages, fringe benefits, related compensation items, and other terms of employment for foreign national employees. Additional guidance can be found in the DoD Manual for Foreign National Compensation, ***DoD Manual 1416.08***, which prescribes procedures and instructions for the development of compensation programs for foreign nationals employed by the U.S. Forces in foreign areas.

B. Entitlements. The Wage and Salary Division of the Defense Civilian Personnel Advisory Service (DCPAS) establishes wage schedules for foreign national employees

based on locality wage surveys, or other available data, as provided by the activity labor agreement between the U.S. and the foreign country. The basis for salary determinations and deductions are contained in the employing activity's applicable inter-country agreements and personnel regulations.

100203. Canadian Employees

A. General. Canadian national direct-hire employees receive compensation comparable to that paid to Canadian Government employees in the same locality and performing essentially the same work with relatively the same degree of responsibility.

B. Authority. DoDI 1400.25-V1231 contains the authority for the administration of foreign nationals, including Canadians.

C. Entitlements

1. Holidays. Canadian legal holidays are observed with no charge to leave. If an emergency requires work on a Canadian holiday, the pay for an additional day is provided, or the employee is given compensatory time off. The following are the legal Canadian holidays:

a. New Year's Day (January 1);

b. Good Friday (March-April);

c. Easter Monday (March-April);

d. Victoria Day (May 24);

e. Canada Day (July 1);

f. Civic Holiday (1st Monday in August);

g. Labor Day (1st Monday in September);

h. Thanksgiving Day (Oct-Nov);

i. Remembrance Day (November 11);

j. Christmas Day (December 25); and

k. Boxing Day (December 26).

2. Absence and Leave. Employees accrue sick leave at a rate of 4 and one-quarter hours each pay period except for the last pay period of the leave year. During the last

pay period, 6 and one-quarter hours accrue. The total annual accumulation is 112 and one-half hours or 15 days of sick leave.

3. Work-Related Injury or Illness. The Federal Employees' Compensation Act covers work-related injuries or illness.

D. Pay. Salaries are based on rates in approved agreements between the Treasury Board of Canada and the Public Service Alliance of Canada for Canadian Civil Service Employees. The effective dates are the same as in the basic Canadian agreements. Pay is in Canadian dollars on a biweekly basis.

E. Hours of Duty. The workday is 7 and one-half hours, and the workweek is 37 and one-half hours.

F. Step Increases. Employees receive step increases until they reach the top step. Step increases require written certification by the supervisor that an employee has demonstrated an acceptable level of competence during the waiting period. Certification is completed and forwarded to the Human Resources Office (HRO) for processing prior to the effective date of the step increase. Step increases are effective at the beginning of the first pay period following the effective date of the anniversary.

G. Retroactive Pay. Retroactive pay adjustments are made based on agreements covering Canadian Civil Service employees. These adjustments are payable to employees separated during the retroactive period.

H. Leave Without Pay (LWOP). Aggregate periods of LWOP of more than 80 hours during the waiting period for a step increase will delay the increase. Extended periods of LWOP also affect leave accruals.

I. Awards. Canadian National employees generally are eligible for all awards, except quality increases.

J. Canada Pension Plan. The civilian payroll office (PRO) deducts employee contributions for the Canada Pension Plan from employee salaries. The U.S. Government pays the employer's contribution.

K. Registered/Retirement Pension Plan. The U.S. Government pays an amount equivalent to the employees' contributions up to a legal maximum of annual salaries.

L. Severance Pay. Employees are paid a lump-sum amount according to the following:

1. Lay-Off. Two weeks of pay for the first complete year of continuous employment and 1 week of pay for each complete additional year of continuous employment with a maximum benefit of 28 weeks of pay.

2. Resignation. When an employee resigns with 10 or more years of continuous employment, they will be paid one-half week of pay for each complete year of continuous employment up to a maximum of 26 years with a maximum benefit of 13 weeks of pay.

3. Retirement. Upon retirement, when an employee would be entitled to an immediate annuity, or to an immediate annual allowance had the employee been under the Canadian Government Public Service Superannuation Act, an employee is paid 1 week of pay for each complete year of continuous employment with a maximum benefit of 28 weeks of pay.

4. Death. Upon death, the PRO pays 1 week of pay for each complete year of continuous employment, with a maximum benefit of 28 weeks of pay. Payment is made to the employee's estate.

M. Ontario Health Insurance Plan. Employees enrolled in the Ontario Health Insurance Plan, are reimbursed an amount equivalent to the Canadian Government contributions under the plan. Claims for reimbursement, supported by receipts, are submitted annually by the end of the calendar year.

N. Unemployment Insurance. The U.S. Government contributes an amount equal to that paid by a Canadian Government employer to the Canadian fund. The PRO deducts the employee's contribution from his or her salary. See information on unemployment insurance for Canadian employees in Chapter 6.

O. Canadian Income Tax. The PRO deducts an employee's tax contributions from his or her biweekly salary.

P. Accidental Life Insurance. This is a voluntary contribution deducted from the employee's biweekly salary at the employee's request.

1003 OTHER THAN FULL-TIME CAREER EMPLOYEES

100301. General

This section provides guidance regarding employees who do not work the typical 40-hour workweek established under ***5 C.F.R. 610.111***. Such employees include part-time, intermittent, seasonal, and piecework employees.

100302. Part-Time Employment

Part-time employment generally is no less than 16 hours and no more than 32 hours per week under a schedule consisting of an equal or varied number of hours per day. Agencies may permit employees to work less than the minimum 16 hours per week based on guidance provided in Title 5, Code of Federal Regulations (C.F.R.) ***Section 340.202(b)***. Employment may be between 32 and 64 hours in a biweekly pay period in the case of a flexible or compressed work schedule. See ***5 U.S.C. § 3401(2)***. Part-time employment does not include employment on a temporary or

intermittent basis. A part-time employee must have a regular schedule of at least 1 hour, set in advance, in each administrative workweek in each biweekly pay period. See 5 C.F.R. Part 340 and ***5 U.S.C. § 3401-3408***.

A. Benefits. Part-time permanent employees are eligible to receive the same benefits as full-time employees. On a prorated basis, part-time employees are eligible to receive leave, retirement, and health and life insurance coverage. See ***Office of Personnel Management (OPM) Hiring Authorities***.

1. Leave

a. Annual Leave. Part-time employees, who have a regular tour of duty established in advance of one or more days during each administrative workweek, earn annual leave on a prorated basis based on the total number of hours in a pay status in each biweekly pay period, excluding overtime hours. See ***5 U.S.C. § 6302***. Hours in a pay status include straight time and additional hours worked, up to a total 80 hours in the biweekly pay period. Maximum carryover at the end of the leave year is the same as for a full-time employee. Leave is charged for an absence during the hours an employee is regularly scheduled to work. See Chapter 5.

b. Sick Leave. Part-time employees with a regularly scheduled tour of duty shall earn and be credited with 1 hour for each 20 hours in a pay status. See ***5 U.S.C. § 6307***.

c. Other Leave. Part-time employees are eligible for other leave categories (e.g., absent without leave (AWOL), LWOP, court leave, funeral leave, or excused absences) on the same basis as full-time employees. The rules governing the Family and Medical Leave Act of 1993 and the Federal Employees Family Friendly Leave Act also apply to part-time employees. See Chapter 5.

d. Military Leave. Each member of a Reserve Component who is an employee of the U.S. is entitled to a leave of absence from his or her duties without loss of pay, time, or efficiency rating for each day, but for no more than 15 days in any fiscal year in which he or she is on active duty or training. Eligible part-time employees accrue military leave that is prorated based on the tour of duty. See ***5 U.S.C. § 6323(a)(2)*** and Chapter 5.

e. Holiday Leave. When a holiday falls on a scheduled workday, a part-time employee is entitled to basic pay for the number of hours the employee is regularly scheduled to work on that day, not to exceed 8 hours, unless covered by a compressed work schedule. A part-time employee is not entitled to pay for a holiday that falls on a day the employee is not normally scheduled to work.

f. "In Lieu of" Holiday. An "in lieu of" holiday is granted to replace the day designated as a holiday by Federal statute or executive order when the holiday falls on a full-time employee's non-work day. Under ***DoDI 1400.25-V610***, Hours of Duty, part-time employees are not entitled to "in lieu of" holidays. However, if a part-time employee is prevented

from working because the activity is closed, he or she may either be placed in an appropriate leave category or be excused (placed on administrative leave) without loss of pay for the number of hours that he or she is regularly scheduled to work on that day.

2. Retirement. Part-time employees are subject to deductions for retirement benefits on the same basis as full-time employees.

3. Federal Employees' Health Benefits (FEHB). Part-time employees are eligible to participate in the FEHB Program. See the ***FEHB Handbook***. The cost to the employee is the total cost of health benefits (both the employee and the employer's share) less the prorated government contribution. See Chapter 11 for more information on FEHB for part-time employees.

4. Federal Employee Group Life Insurance (FEGLI)

a. Part-time Eligibility. A part-time employee is eligible to participate in the FEGLI Program. Participation is voluntary and eligible part-time employees are automatically covered under the basic insurance option unless they waive the insurance coverage. The part-time employee's basic insurance amount is the greater of their annual rate of basic pay rounded up to the next even $1,000 plus $2,000, or a flat $10,000. Basic life insurance coverage is effective from the first day the employee is in an official duty status. Employees may elect additional optional insurance within 31 days from their appointment date. All new employees must complete a ***Standard Form*** (SF) 2817, Life Insurance Election, to cancel basic insurance or to elect additional optional insurance. If a part-time employee becomes a full-time employee in the middle of a pay period, the amount withheld for basic life insurance is based on the amount of insurance last in force for the employee during the pay period (that is, the full-time rate). See the ***FEGLI Program Handbook Introduction***.

b. Nonpay Status. FEGLI coverage continues for up to 12 months when an employee enters nonpay status. FEGLI ends at the end of the 12 months with a 31-day extension of coverage and a right to convert to an individual policy. If the employee is in nonpay status for part of the pay period, withholding for premiums and the government contribution is still required. The employee is not required to pay premiums while on LWOP unless they are receiving benefits from the Department of Labor, Office of Workers' Compensation Program (OWCP). See the FEGLI Handbook for special nonpay situations during which the employee must continue to make premium payments.

c. Part-Time Annual Rate of Basic Pay. For life insurance purposes, the annual pay for a part-time employee is the annual rate of basic pay applicable to his or her tour of duty in a 52-week work year. For example, an employee whose pay is $56,282 per annum, employed half-time, would have an annual pay for insurance purposes of $28,141.

d. Concurrent Part-Time Employment. An employee may be employed on a part-time basis in more than one Federal agency and eligible for FEGLI coverage in one or both of the positions. However, an employee may not maintain more than one FEGLI election even if he or she is serving in more than one position. See the FEGLI Handbook (under

"Concurrent Employment") for exceptions including guidance concerning part-time employees in nonpay status at one of the agency positions. The amount of insurance is based on the sum of annual pay for all positions including annual pay for a position excluded from life insurance coverage.

(1) The agency that pays the greater of the two salaries makes the withholding and pays the government contribution.

(2) The agency must contact the other employing office, confirm the salaries paid and assume responsibility for withholding all of the required premiums from the salary.

(3) The agency that pays the greater salary to the individual must also provide the government contribution for basic insurance based on the aggregate amount of basic coverage the employee has from all covered positions. This eliminates the need for the other employing office to make partial withholdings and government contributions.

B. Pay. Gross basic pay is computed by multiplying the employee's hourly rate of pay by the total of the hours worked and the hours of paid leave during the pay period.

1. Overtime Pay. Under ***5 U.S.C. § 5542***, overtime pay for eligible part-time employees is authorized only for work over 8 hours a day or 40 hours in a week.

2. Compensatory Time Off. Under ***5 U.S.C. § 5543***, part-time employees may elect to take compensatory time off in lieu of overtime pay. Under ***5 U.S.C. § 5550a***, part-time employees may elect to perform compensatory overtime work to replace time taken off for religious observances.

3. Sunday Premium Pay. Under ***5 U.S.C. § 5544(a)*** and ***5 U.S.C. § 5546(a)***, a part-time employee is entitled to pay at his or her rate of basic pay plus premium pay at a rate equal to 25 percent of his or her basic pay for each hour of Sunday work. Sunday premium pay may be paid only to a part-time employee who has Sunday as part of his or her non-overtime regularly scheduled tour of duty (for example: Sunday through Thursday basic workweek). An employee with a tour of duty of Monday through Friday who works either regularly scheduled overtime or irregular or occasional overtime work on a Sunday is entitled to overtime pay and is not entitled to Sunday premium pay. An employee must perform actual work to receive Sunday premium pay. Employees who do not work during their Sunday tour of duty because they are on paid leave or excused absence, using compensatory time off or credit hours, or because Sunday is a holiday, are not entitled to Sunday premium pay. See Fathauer v. United States, 566 F.3d 1352 (Fed. Cir. 2009) and ***OPM Memorandum***, dated December 8, 2009, for additional guidance. Information pertaining to Sunday premium pay for full-time employees is located in Chapter 3.

4. Night Differential Pay. Under ***5 U.S.C. § 5545***, GS part-time employees are entitled to night pay for work performed between 6:00 p.m. and 6:00 a.m. as part of their regularly scheduled administrative workweek. See Chapter 3.

5. Night Shift Differential Pay. Under ***5 U.S.C. § 5343(f)***, Federal Wage System (FWS) part-time employees who work a regular scheduled shift of 8 hours or less are entitled to night shift differential. A majority of the hours worked, however, shall be on the second or third shift. For information on pay for the second and third shifts, see Chapter 3.

6. Holiday Premium Pay. Under 5 U.S.C. § 5546, a part-time employee who works on a holiday that falls during his or her regularly scheduled hours is entitled to holiday premium pay only for those scheduled hours. However, part-time employees who are excused from work on a holiday may only receive their rate of basic pay for the hours they are regularly scheduled to work on that day. Additionally, part-time employees do not receive holiday premium pay for working on an "in lieu of" holiday that is scheduled for full-time employees. Part-time employees are not entitled to an "in lieu of" holiday and, therefore, they are not entitled to holiday premium pay for work performed on that day.

100303. Intermittent Employment

A. General. The term "intermittent" relates to an employee's work schedule and not the appointment type. Intermittent employees can be either permanent or temporary employees. Intermittent employees work sporadically and have no fixed or guaranteed schedules. This is other than full-time employment in which employees serve under an excepted or competitive service appointment without a regularly scheduled tour of duty. See 5 C.F.R. 340.403. An intermittent work schedule is appropriate for a position involving work that is sporadic and unpredictable such that a regular tour of duty cannot be scheduled in advance.

1. Pay. Intermittent employees are paid only for hours of work performed while in a duty status. The gross basic pay is computed by multiplying the employee's hourly rate of pay by the total of the hours worked during the pay period. Because employees working on an intermittent basis do not maintain a regularly scheduled workweek as defined in 5 C.F.R. 610.102, intermittent employees are not eligible for pay for holiday work, night pay or night shift differential or Sunday premium pay. See ***5 C.F.R. 532.509***, ***5 C.F.R. 550.121***, and 5 C.F.R. 550.103. Intermittent employees are entitled to overtime when appropriate. Intermittent employees receive their normal salary for working holidays, Sundays, or during a night shift. An exception exists for an FWS intermittent employee assigned to a regularly scheduled shift of fewer than 8 hours. The FWS employee in this situation is entitled to night shift differential pay if a majority of the hours are worked during the period when night shift differential is payable. See OPM Appropriated Fund Operating Manual for FWS Employees, ***Subchapter S8-4***. A GS intermittent employee is not eligible for night pay differential unless temporarily assigned to a regular tour of duty with night work.

2. Leave. Intermittent employees do not earn annual or sick leave.

3. Sick Leave Recredit upon Transfer. When a full or part-time employee transfers to an intermittent job to which he or she cannot transfer previously earned sick leave, the sick leave must be held in abeyance until the employee returns to the original leave system under which the leave was earned. The PRO must recredit the sick leave if the employee returns to the original leave system on or after December 2, 1994, without regard to the original date of transfer. See 5 C.F.R. 630.502.

4. Lump-Sum Annual Leave Payment. When a full-time or part-time employee is changed to an intermittent employee, any unused annual leave is paid as lump sum. A lump-sum payment is not required when the employee is part of a continuing program under which employees are required to return to full-time or part-time employment after a period of intermittent employment (e.g., student trainee). See 5 C.F.R. 550.1203.

C. Deductions

1. Retirement. Intermittent employees are not eligible for retirement coverage except when the intermittent employment follows employment in a covered position, and there has not been a break in service of more than 3 days. Intermittent employees are subject to Social Security and Medicare deductions. See ***5 C.F.R. 831.201***.

2. FEHB. Intermittent employees who are expected to work 130 hours per month for at least 90 days are eligible to enroll in an FEHB plan. These eligible employees will receive the same government contribution as full-time permanent employees. See ***5 C.F.R. 890.102(c)(6)*** and ***Benefits Administration Letter (BAL) 14-210***.

3. FEGLI. Intermittent employees are not eligible to participate in FEGLI except when the intermittent employment follows employment in a covered position, there has not been a break in service of more than 3 days, and the employee is expected to return to a covered position. For insurance purposes, the annual pay for intermittent employees is the annual rate that they were receiving at the end of the pay period or, in the event of death or dismemberment, the annual rate they were receiving at the time of the death or accident. For example, if an intermittent employee is paid $17.84 per hour, his or her rate of pay fixed by law is $37,232 (17.84 x 2,087 = $37,232). If this employee works only 2 days or 16 hours during a particular pay period, the annual rate of pay for insurance purposes is based on actual time worked during that pay period. In this example, $7,421 is the annual rate of pay for insurance purposes (17.84 x 16 x 26 = $7,421/year). However, insured employees whose annual pay is $8,000 or less are covered for the minimum $10,000 of basic insurance. See the FEGLI Handbook.

100304. Seasonal Employment

The term “seasonal” relates to an employee’s work schedule and not the appointment type. Seasonal employment was established to allow agencies to recruit and train employees for duty that occurs on a predictable yearly basis and is expected to last less than 12 months each year. See 5 C.F.R. 340.402. As with other career employees, seasonal employees are entitled to receive full

benefits. At the end of the season, the employee is placed into a non-duty/nonpay status and will be recalled at the onset of the next season in accordance with a pre-established agreement between the agency and the employee. Because there is no difference in "on-call employment" and "seasonal employment," OPM has eliminated the use of the term "on-call employment."

A. Pay. Gross basic pay is computed by multiplying the employee's hourly rate of pay by the total of the hours worked and the hours of paid leave during the pay period.

B. Leave. Employees in a seasonal position earn leave during the time in pay status and during the first 80 hours in nonpay status each year. A seasonal employee earns leave on the same basis as any other employee eligible to earn leave. See ***5 C.F.R. 630.208*** for information on leave during nonpay status.

C. Deductions

1. Regularly scheduled seasonal employees under career or career-conditional appointments and who are expected to work at least 6 months per year are subject to FEGLI and retirement deductions. These deductions are made on the same basis as those of full-time employees.

2. Employees in a seasonal position who are expected to work 130 hours per month for at least 90 days are eligible to enroll in an FEHB plan. These eligible employees will receive the same government contribution as full-time permanent employees. See 5 C.F.R. 890.102 and BAL 14-210.

100305. Piecework Employees

When Executive Agency employees are hired on a piecework basis, the employee's earnings are determined based on the amount of work produced. The general authority for entitlement of pay, scheduling of work, and excusing absences for piecework employees are granted under ***5 U.S.C. § 6104*** and 5 CF.R. 610.301-306. Employees working limited appointments of 1 year or less and being paid piecework rates are excluded from retirement coverage unless they are covered by an exception. See 5 C.F.R. 831.201(a)(5). To determine rates payable for piecework, see 5 C.F.R. 532.241.

A. FEGLI. For life insurance purposes, the annual pay for a piecework employee is the total basic earnings for the previous calendar (52-week) year, not counting premium pay for overtime or holidays. See ***5 C.F.R. 870.204(d)***.

B. FEHB. Piecework employees are excluded from FEHB coverage except for those with a work schedule that provides for full-time or part-time service with a regularly scheduled tour of duty. See 5 C.F.R. 890.102(c)(6).

1004 REEMPLOYED ANNUITANTS

100401. General

A retired Federal employee may be rehired in Federal service as a reemployed annuitant. The retired employee's annuity may continue to be paid upon reemployment, or may be terminated or suspended. Reemployment may result in an increase in the employee's retirement and death benefits. Special provisions apply to annuitants reemployed by DoD on or after November 25, 2003, and to former members of Congress.

A. Employees Retired from Competitive Service

1. Regulations Governing Reemployment. Instructions governing the reemployment of employees retired from the regular competitive service under the Civilian Service Retirement System (CSRS) and the Federal Employees Retirement System (FERS) are contained in ***5 U.S.C. § 8344***, ***5 U.S.C. § 8468***, ***5 U.S.C. § 9002***, ***5 CF.R. 837***, and the CSRS/FERS Handbook for Personnel and Payroll Offices, ***Chapter 100***, Reemployed Annuitants. See subparagraph 100401.B for annuitants reemployed by DoD on or after November 25, 2003.

2. Treatment of Annuity Upon Reemployment. As a general rule, if a CSRS or FERS annuitant is reemployed, the annuity continues to be paid, but the annuity payment is offset from the reemployed annuitant's salary. Certain exceptions apply which may result in the CSRS or FERS annuity being terminated or suspended upon reemployment. The Director of OPM may waive the reemployment provisions for CSRS or FERS annuitants on a case-by-case basis for a position where there is exceptional difficulty in recruiting or retaining a qualified employee.

a. Termination of a Disability Annuity. A CSRS or FERS disability annuitant may be reemployed in a temporary or permanent position and given the same type of appointment that would be given to any other person appointed to the position. Reemployment may cause the disability annuity to terminate if OPM determines the annuitant has recovered or been restored to earning capacity prior to reemployment. Additionally, reemployment may terminate the annuity of a CSRS or FERS disability annuitant who was medically disqualified for continued membership in the National Guard.

b. Termination of an Annuity Based on Involuntarily Separation. When involuntary separation such as for reduction-in-force and lack of funds is the basis for a CSRS annuitant's retirement, and the new appointment is subject to retirement coverage, the annuity payment is terminated upon reemployment and retirement deductions shall be taken from the salary.

c. Termination Upon Presidential Appointment or Election to Congress. When a CSRS annuitant receives a Presidential appointment subject to retirement deductions, or is elected as a member of Congress, payment of the annuity terminates upon reemployment.

d. Suspension Upon Judicial Appointment. When a CSRS or FERS annuitant is appointed as a justice or a judge of the U.S., payment of the annuity is suspended.

e. Suspension Upon Interim Appointment by Merit System

Protection Board (MSPB). When a CSRS or FERS annuitant receives an interim appointment under ***5 U.S.C. § 7702*** by the MSPB, payment of the annuity is suspended.

3. Reemployment of Law Enforcement Officers (LEOs), Firefighters and Air Traffic Controllers (ATCs). A retired law enforcement officer or firefighter mandatorily separated is generally barred from reemployment in a primary position involving law enforcement or firefighting duties after reaching age 57. However, he or she is not barred from reemployment in a secondary position or any other position. Similarly, a retired air traffic controller is generally barred from reemployment in the same position after reaching age 56. He or she is not barred from reemployment in any other position not covered by the special retirement provisions for air traffic controllers. The agency must withhold the required deductions from the reemployed annuitant's pay (one-half percent higher than the regular deduction rate). See ***5 U.S.C. § 8335*** and ***5 U.S.C. § 8425***.

4. Supplemental Annuity or Redetermined Annuity. A reemployed annuitant may earn future benefits either in the form of a supplemental annuity or a redetermined annuity.

a. Supplemental Annuity. A supplemental annuity is an annuity added to the reemployed annuitant's present annuity. An employee who works as a reemployed annuitant on a full-time basis for at least 1 year, or on a part-time basis for a proportionately longer period, may be entitled to a supplemental annuity. For a reemployed annuitant who qualifies for a supplemental annuity, the SF 2806, Individual Retirement Record CSRS, or SF 3100, Individual Retirement Record FERS, typically prepared for a new employee, is prepared at the time of separation rather than at the time of appointment.

b. Redetermined Annuity. A redetermined annuity is recomputed and takes the place of the employee's present annuity. A reemployed annuitant who completes at least five years of actual continuous full-time service and/or part-time service that is equivalent may elect to have their annuity redetermined under the law in effect at the time of separation from reemployment, in lieu of a supplemental annuity.

c. LEOs, Firefighters, and ATCs. The special retirement provisions for law enforcement officers, firefighters, and air traffic controllers do not apply to service from reemployment. Therefore, any service credit from reemployment that is used to calculate a supplemental or redetermined annuity is treated as regular service, even if the employee is reemployed in an approved LEO, firefighter, or ATC position.

B. Annuitants Reemployed by DoD on or after November 25, 2003. The Secretary of Defense was granted the authority to reemploy annuitants without a reduction in pay or of the annuity (see 5 U.S.C. § 9902). Instructions governing annuitants who are reappointed by DoD on or after November 25, 2003, are found in the ***DoDI 1400.25-V300***, Employment of Federal Civilian Annuitants in the DoD. Generally, annuitants hired by DoD prior to November 25, 2003, are subject to salary offset unless an exception is approved by OPM or DoD. However, reemployed annuitants hired by DoD after November 25, 2003, may continue to receive their full annuity and salary upon appointment and shall not have their salary offset by their annuity

or further retirement deductions. An exception applies for certain discontinued service retirement (DSR) annuitants who are receiving annuities based on involuntary separation for reasons other than for cause based on misconduct or delinquency. A DSR annuitant hired by DoD after November 25, 2003, may elect retirement contributions and earn further retirement credit in lieu of receiving their full salary plus annuity. See CSRS/FERS Handbook ***Chapter 44***.

C. Former Members of Congress

1. Suspension of Annuity upon Reemployment. The CSRS annuity of a retired Member of Congress is generally suspended when the annuitant becomes reemployed or accepts an appointment. See 5 U.S.C. § 8344(d). Contact OPM Retirement and Insurance Programs, Annuitant Services Division, Washington, DC 20415 for further guidance regarding reemployment of Members.

2. Supplemental or Redetermined Annuities. Members of Congress are not covered under the provisions for supplemental or redetermined annuities. The agency retirement counselor should contact OPM concerning the benefits for reemployed former Members.

100402. Prorating Annuities for Appropriate Reductions of Wage and GS Salaries

A. General. Upon reemployment, the HRO provides the SF 50, Notification of Personnel Action, data to the PRO as to the amount of annuity paid to a reemployed annuitant.

B. Employees Retired from the Competitive Service. A reemployed annuitant, who retains his or her annuity, shall have his or her salary reduced by a sum equal to the retirement annuity allocable to the period of actual employment. The appropriate reduction and adjusted salary shall be determined as follows:

1. An annuitant reemployed on an annual pay basis shall have his or her per annum salary reduced by the amount of the annual annuity. The remainder of the salary is computed in amounts payable on a biweekly pay period basis. Payment for overtime worked is based on an annuitant's full rate of basic pay before any reduction by the amount of their annuity.

2. An annuitant reemployed on an hourly pay basis shall have his or her daily or hourly rate of pay converted to the per annum equivalent. The per annum rate is reduced by the total amount of the annuity being received by the employee. The remainder converts to a per diem or per hour rate, as appropriate.

3. The PRO adjusts the reimbursement to OPM following increases in an annuity as provided in the CSRS and FERS Handbook and any OPM instructions issued with periodic cost-of-living adjustments.

C. Former Members of Congress. A former Member of Congress who is employed in an appointive position on an intermittent service basis, and who retains his or her annuity, shall have his or her salary reduced by a sum equal to the retirement annuity allocable to the period of actual employment. The amount of annuity allocable to each pay period shall be processed as a payroll deduction rather than as a reduction in pay period earnings, as is the case with reemployed competitive service annuitants. Therefore, annuities withheld shall not reduce earnings for tax and other purposes. Annuities withheld in the case of former Members of Congress shall be remitted to OPM.

100403. Processing

Retirement deductions are optional for CSRS reemployed annuitants, and there is no requirement for a matching government contribution. Retirement deductions are required for FERS reemployed annuitants, as are government contributions. These deductions are computed on the reemployed annuitant's basic pay before any offset due to receipt of an annuity. Deductions for Medicare (CSRS employees) or Social Security/Medicare (FERS employees) are computed on the amount remaining after subtracting the annuity offset, in accordance with Social Security Administration guidance. The PRO computes Federal, state, and local taxes on the amount remaining after subtracting the annuity offset. A reemployed annuitant may not be credited with sick leave that was reported to OPM for use in the calculation of the employee's annuity. Sick leave used in the annuity computation is charged against an employee's sick leave account and is considered used. The sick leave may not thereafter be used, transferred, or recredited. See 5 C.F.R. 630.407.

100404. Computation of Lump-Sum Leave Pay

Under the provisions of 5 U.S.C. § 8344, the lump-sum payment for unused annual leave payable to a reemployed annuitant upon separation will be computed on the basis of the employee's wage or salary rate fixed for his or her position or occupation without reduction for the amount of annuity received by the employee. This includes reemployed annuitants who are retired from the competitive service or who are former Members of Congress.

1005 DECEASED EMPLOYEES

100501. General

Procedures governing the settlement of accounts of deceased civilian employees are set in ***5 U.S.C. § 5581-5583*** and ***5 C.F.R. 178.201-208***. An employee may designate a beneficiary or beneficiaries to receive his or her unpaid compensation using an SF 1152, Designation of Beneficiary for Unpaid Compensation of Deceased Civilian Employee. If no beneficiary has been designated by the employee, payment is made pursuant to the order of precedence set out in ***5 U.S.C. § 5582(b)***. Deceased civilian employees also include former employees who die after

separation from the employing installation, but prior to receiving final pay and allowances. The procedures do not apply to the settlement of accounts for deceased Members of Congress or to the employees of certain Federal banks. For death gratuity payments, refer to paragraph 100509.

100502. Unpaid Compensation

The settlement of a deceased employee's account includes payment of any unpaid compensation due the employee in the form of pay, allowances, or other amounts due at the time of death including, but not limited to:

A. Current salary (including any retroactive salary), including cost-of-living allowances, overtime and premium pay;

B. Unclaimed or unnegotiated checks;

C. Cash awards;

D. Foreign and non-foreign area differentials and allowances;

E. Lump-sum annual leave payment;

F. Travel reimbursement; or

G. Severance pay.

100503. Payment of Unpaid Compensation due a Deceased Employee

When the HRO is notified of the death of an employee, the HRO forwards a copy of the employee's SF 1152 (if available) and all SF 1153s, Claim for Unpaid Compensation of Deceased Civilian Employee, submitted by claimants to the PRO. Claimants must provide supporting documentation as requested by the PRO. Upon notice of the death of a civilian employee, the PRO prepares an SF 1154, Public Voucher for Unpaid Compensation Due a Deceased Civilian Employee, to permit prompt payment of the amounts due. If undisputed, the unpaid compensation due to a deceased employee may be paid directly by the agency to the designated beneficiary/beneficiaries or, if none, to the person or persons eligible for payment under the order of precedence set out in 5 U.S.C. § 5582 and 5 C.F.R. 178.204. Disputed claims for unpaid compensation due to a deceased employee are submitted to the OPM Office of Merit Systems Oversight and Effectiveness (OMSOE) for settlement.

A. Undisputed Claims for Unpaid Compensation. Direct payment is permitted to claimants who are legally entitled to an employee's unpaid compensation. When paying more than one beneficiary, the PRO applies percentages due each beneficiary as specified by the deceased employee on the SF 1152. If the SF 1152 does not specify percentages, the total amount of unpaid compensation should be divided equally among the eligible claimants. The SF 1152 must be signed by the employee and filed with the employee's employing activity prior to his or her death. Legal claimants are determined based on the following order of precedence:

1. First, to the beneficiary or beneficiaries designated by the employee in writing (SF 1152) received in the employing agency before his or her death.

2. Second, if there is no designated beneficiary, to surviving spouse of the employee.

3. Third, if none of the above, to the child or children of the employee, and descendants of deceased children by representation.

4. Forth, if none of the above, to the parents or surviving parent of the employee.

5. Fifth, if none of the above, to the duly appointed legal representative of the estate of the employee.

6. Sixth, if none of the above, to the person or persons entitled under the laws of the domicile of the employee at the time of his or her death.

B. Disputed Claims. Disputed claims include those claims where doubt exists as to the amount or validity of the claim or as to the person properly entitled to payment. Disputed claims may also include unnegotiated or undelivered checks for money due to the decedent. Disputed claims are submitted to OMSOE in accordance with 5 C.F.R. 178.102 and 5 C.F.R. 178.207 either by the claimant or by the agency on the claimant's behalf. After the OMSOE settles the dispute and certifies the SF 1154, the form is returned to PRO for payment. Any disputed claim being submitted to OMSOE should first be coordinated through the Defense Finance and Accounting Service (DFAS) Office of General Counsel. To submit a disputed claim to OMSOE for settlement, the PRO must take the following action:

1. Write a letter of transmittal to the office identified in Chapter 8 which includes the following:

a. A statement regarding designation of beneficiary;

b. A statement explaining why referral to OMSOE is recommended. As appropriate, cite unusual circumstances surrounding the death of the employee or eligibility of the claimant(s) to receive the unpaid compensation;

c. A statement with the amount of the claim and any indebtedness; and

d. A statement that the claim must be settled by OMSOE before it can be paid.

2. Attach the following to the letter of transmittal:

a. The written claim in the form and manner prescribed by 5 C.F.R. 178.102 and 178.207, including the agency's administrative report;

b. The original SF 1154 and sub-vouchers with the statement "Payment after OMSOE Settlement." in the block for the name of the payee; and

c. The certified copy of the leave record and time and attendance report for the period covered by the voucher.

100504. Computation of Amount Due

The PRO computes the employee's pay earned through the date of death and any lump-sum payment for unused annual leave due the employee. The PRO must post the payment on a regular biweekly payroll disbursement voucher or a special payroll voucher with a charge to the applicable appropriation and other applicable accounting information. The following instructions govern deductions from the unpaid salary.

A. Retirement. If the employee was covered by a retirement system, deduct the retirement contribution from the unpaid salary earned through the date of death.

B. Social Security and Medicare Portions of the Federal Insurance Contributions Act (FICA) Tax. If the employee was subject to Social Security/Medicare, deduct for Social Security/Medicare tax from unpaid salary paid in the same calendar year as the employee's death. See Internal Revenue Service ***(IRS) Circular E***. Gross wages paid in the calendar year through the date of death, subject to the statutory limitation, are subject to Social Security/Medicare. The PRO must withhold Social Security/Medicare taxes from wages paid to a beneficiary or to the estate of the deceased employee in the same calendar year that the employee died. If the PRO makes a payment after the calendar year of employee's death, wages are exempt from Social Security/Medicare taxes.

C. Federal Income Tax. A deceased employee's unpaid wages are not subject to federal income tax withholding in either the calendar year in which the employee died or afterward. The PRO does not deduct Federal income tax withholding from unpaid salary earned by an employee through the date of death. See IRS Circular E.

D. State Tax. The PRO does not deduct withholding for state, territory, or District of Columbia income tax from the unpaid salary and lump-sum leave earned by an employee through the date of death.

E. Local Tax. The PRO does not deduct withholding for local taxes from the unpaid salary and lump-sum leave earned by an employee through the date of death.

F. FEHB. If a survivor is eligible to continue enrollment, withholding for premiums are made using the daily proration rule according to Chapter 4. If there is no eligible

survivor, or the employee maintained self-only enrollment, a full premium deduction is withheld for the pay period during which the employee died. See Chapter 4.

G. FEGLI. If the employee was subject to FEGLI, the PRO must withhold deductions for premiums for the periods for which pay is due, including the pay period during which death occurred.

H. Thrift Savings Plan (TSP). The PRO must make deductions for TSP contributions and any TSP loans outstanding.

I. Allotments. The PRO does not make allotment deductions for the pay period in which death occurred.

J. Other Deductions. The PRO must make any other required deductions, such as for any indebtedness owed by the employee.

100505. Lump-sum Payment for Accrued Leave

The PRO does not deduct retirement, federal, state, or local income tax, health benefits, or life insurance from the lump-sum payment.

100506. Preparation of Tax Statement

A. Decedent Form W-2 (Wage and Tax Statement). Gross amounts of final pay for the pay period of death plus any lump-sum annual leave payments must be reported as Social Security wages (box 3) and Medicare wages (box 5) only if these amounts are paid to the estate or beneficiary in the same year that the death of the employee occurs. The Social Security and Medicare taxes withheld are reported in boxes 4 and 6. These amounts are not included as wages, tips, or other compensation in box 1. The PRO does not report payments made after the year of death on a Form W-2 and will not withhold Social Security and Medicare taxes.

B. Miscellaneous Income. The PRO will take the following actions:

1. Prepare a ***Form 1099-MISC***, Miscellaneous Income, for amounts payable to the decedent's estate or to beneficiary(s) whether the PRO makes the payment in the year of death or after the year of death;

2. Report the payment in box 3, "Other income";

3. Include the gross amounts of final pay for the pay period of death, lump-sum annual leave, and other moneys such as travel reimbursements; and

4. Enter the name and Social Security Number (SSN) of the individual if the recipient of the payment is an individual beneficiary. Enter the name and Federal tax identification number for the estate if the recipient of the payment is the Employee's estate.

100507. Transfer of Funds

The unpaid compensation is placed in the deposit fund suspense account X6276, Other Federal Payroll Withholding, Allotments, pending receipt of a claim for the compensation. If a claim has not been received within 1 year from the date on which the amount was placed in the deposit fund suspense account, transfer the funds.

A. Any unpaid compensation that meets the following criteria is transferred into fund account 20X6133, Payment of Unclaimed Moneys:

1. The amount is $25 or more;

2. A refund, upon claim, would be absolutely justified;

3. There is no doubt as to legal ownership of the funds; and

4. A named individual can be identified with the item.

Subsequent payment of claims from this account is made by preparing an SF 1154 citing account 20X6133 and the account of the disbursing officer that supports the consolidated PRO.

B. The PRO must transfer to miscellaneous receipt account –1060, Forfeitures of Unclaimed Money and Property, if the claim for unpaid compensation is less than $25 or amounts greater than $25 do not meet all the provisions for account 20X6133. Subsequent payment of claims from this account is made by preparing an SF 1154 citing account 20X1807, Refund of Money Erroneously Received and Recovered, and the account of the disbursing officer who supports the consolidated PRO. See Department of Treasury Financial Manual, ***Chapter 3000***.

100508. Life Insurance Status for Employee Death Cases within the Department

When an employee dies, the SF 2821, Agency Certification of Insurance Status, is processed according to the guidance in the FEGLI Handbook. The same official cannot make the dual certifications of personnel and payroll record data on the SF 2821. To reduce the time survivors or beneficiaries must wait for FEGLI benefit payments; expedite the processing of the SF 2821.

A. For Collocated HROs and PROs. Upon notification of an employee's death, HRO shall complete and forward the SF 2821 to the servicing PRO for certification. The PRO certification will be completed, and all copies of the SF 2821 returned to the HRO within 24 hours of receipt.

B. For HROs Geographically Separated from PROs. Upon notification of an employee's death, HRO shall complete and mail the SF 2821 to the PRO for certification. The PROs certification will be completed within 24 hours of receipt, and all copies of the completed SF 2821 will be express mailed back to the HRO.

*100509. Death Gratuity Payments for Federal Employees

A. $10,000 Death Gratuity. ***Public Law (P.L.) 104-208*** authorizes agencies to pay a death gratuity payment not to exceed $10,000 to the personal representative of any federal employee who dies from an injury sustained in the performance of duty on or after August 2, 1990. The gratuity is also payable if the employee died after separating from service and the death was a direct result of injuries received in the line of duty on or after August 2, 1990. The following information should be considered when making the $10,000 death gratuity payment:

1. The gratuity payment, when combined with certain other payments, may not exceed $10,000. Other payments include the $200 payable under ***5 U.S.C. § 8133(f)*** for reimbursement of the cost of termination of the decedent's status as an employee of the U.S. and up to $800 payable under ***5 U.S.C. § 8134(a)*** for funeral and burial expenses. Pursuant to DCPAS guidance, the death gratuity is payable only if the death claim is approved by OWCP.

2. The gratuity payment is not considered wages for the purpose of Social Security, Medicare, or federal, state, or local tax withholding. A ***Form 1099-R***, "Distributions for Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc." must be prepared by the PRO and forwarded to the personal representative.

* B. Death Gratuity under 5 U.S.C. § 9904. Under the provisions of ***5 U.S.C § 9904***, DoD civilian employees who are assigned to certain activities outside the United States determined to be hazardous to life or health or that involve specialized security requirements may be eligible for benefits comparable to those provided under ***22 U.S.C. § 3973*** by the Secretary of State to members of the Foreign Services**.** Pursuant to 22 U.S.C. § 3973 a death gratuity is paid when an employee dies as a result of injuries received in the performance of duties. The gratuity is equal an amount equal to level II of the Executive Schedule under section 5 U.S.C. 5313, at the time of an employee's death. This gratuity payment shall be made as follows, regardless of other beneficiaries designated to receive any other benefits:

1. First, to the widow or widower, as defined under ***5 U.S.C. § 8101(6) and (11)***.

2. Second, to the child, or children as defined under 5 U.S.C. § 8101(9), in equal shares, if there is no widow or widower.

3. Third, to the dependent parent, or dependent parents, as defined under 5 U.S.C. § 8101(7), in equal shares, if there is no widow, widower, or child.

If there are no survivors as indicated subparagraph 100509.B., the death gratuity shall not be paid. For additional information, see DoD DCPAS ***Memorandum, December 27, 2011***, Continuation of Certain Benefits, Allowances and Gratuities.

C. Death Gratuity for Service with Armed Forces in a Contingency Operation. ***Title 5 U.S.C. § 8102a*** provides a death gratuity of up to $100,000 to the survivors of a federal employee who dies from injuries received in connection with services performed with an Armed Force in a contingency operation. The gratuity is reduced by the amount of any death

gratuity payments that have been paid under any other law of the U.S. based on the same death. See ***20 C.F.R. 10.916***. OWCP is responsible for administering and adjudicating all claims under this authority. For additional information, see 20 C.F.R. 10, ***Subpart J.*** See also ***DOL Death Gratuity Page.***

1006 EXPERTS AND CONSULTANTS

100601. General

An agency may make excepted service appointments to hire experts and consultants. Agencies may appoint experts and consultants on a temporary basis (i.e., not to exceed 1 year) or an intermittent basis (i.e., without a regularly scheduled tour of duty) under ***5 U.S.C. § 3109*** and ***5 C.F.R. 304***. PRO pays experts and consultants based on the SF 50 data received from the HRO. See also the Director of Administration and Management, Administrative Instruction ***Number 2***, Employment of Experts and Consultants. Experts and consultants appointed under 5 U.S.C. 3109 are considered to be Federal civil service employees under 5 U.S.C. 2105. See 5 C.F.R. 304.101. Unless expressly provided otherwise, they are covered by laws applicable to Federal employees, including pay and leave requirements.

100602. Setting Pay on Initial Appointment

Determining the appropriate rate of basic pay for experts and consultants, including a decision to pay no salary, is made on an individual case basis. The rate of basic pay may be an hourly or daily rate. Normally, pay is set equal to a GS rate in grades GS-13 through GS-15. Unless specifically authorized by an appropriation or other statute, the highest payable rate is the daily rate for GS-15, step 10, or if paid on a biweekly basis, the biweekly rate for GS-15, step 10 (both excluding locality pay or any other additional pay). See 5 C.F.R. 304.105 for daily and biweekly basic pay limitations.

100603. Overtime and Premium Pay

A. Overtime. Experts and consultants paid on a daily rate basis are not normally entitled to overtime pay under 5 U.S.C. § 5542, regardless of the number of hours worked. Nevertheless, the designation of a regular tour of duty in the appointment documents does not necessarily preclude receipt of compensation at the agreed daily rate for work performed outside of that tour of duty. For example, if such an employee works 6 days a week, the 6th day is paid at the straight time rate rather than the overtime rate. Experts and consultants employed on a daily basis may be paid the rate of basic compensation for work on days outside the prescribed tour of duty, provided the compensation within any biweekly pay period does not exceed the rate of basic pay for Level V of the Executive Schedule. Experts and consultants who are nonexempt under the Fair Labor Standards Act (FLSA) may be entitled to overtime pay. Overtime must be authorized and approved in advance by an appropriate official.

B. Holiday Pay. Experts and consultants with a regularly scheduled tour of duty (i.e., not intermittent) are entitled to pay for any holiday occurring on a workday on which they perform no work, provided that workday is part of the basic workweek. Those employed on an intermittent basis do not earn leave and are not entitled to paid holidays. See 5 C.F.R. 304.106.

100604. Salary Increases

Experts and consultants are not automatically entitled to an equivalent pay increase when the GS is adjusted under ***5 U.S.C. § 5303*** unless noted in an appointment document. However, agencies may adjust expert or consultant pay on an ad hoc basis, subject to the limitations of 5 C.F.R. 304.105. The SF 50 data from the HRO notifies the PRO of the proper salary increase.

100605. Exception from Dual Pay Restriction

Generally, an individual is prohibited by statute from receiving basic pay from more than one position for more than an aggregate of 40 hours of work in 1 calendar week. An exception to this restriction is provided for an individual who earns pay for service on an intermittent basis from more than one consultant or expert position, provided the pay is not received for the same hours of the same day. See ***5 U.S.C § 5533(d)(1)***.

100606. Annual and Sick Leave

A. An expert, consultant, or other employee who serves on an intermittent or other basis without a prearranged regular tour of duty does not earn annual and sick leave. See 5 U.S.C. § 6301(2)(B)(ii).

B. An expert or consultant who serves on a regularly prescribed tour of duty, full-time or part-time, earns annual and sick leave. HRO shall determine the regular tour of duty in advance and annotate the appointment document specifically to show whether the employee earns leave. The accrual rate is the same as for other full-time and part-time federal employees as discussed in 5 C.F.R. 630. See 5 C.F.R. 304.106.

100607. Retirement

Experts and consultants are appointed on a temporary or an intermittent basis and therefore, they are not covered under the federal retirement systems. See 5 C.F.R. 831.201 and 842.105. However, coverage is continued for an employee who is currently covered by a Federal retirement system and who is later appointed as an intermittent or temporary (full-time or part-time) expert or consultant without a break in service or after a separation from the service of 3 days or less.

100608. FEGLI

Experts and consultants are ineligible for FEGLI due to their temporary or intermittent appointment status. However, coverage is continued if an employee currently covered by FEGLI is appointed as an intermittent or temporary appointment (full-time or part-time) expert or consultant without a break in service or after a separation from the service of 3 days or less. To continue life insurance coverage for an intermittent employee, there must be an expectation that the employee will return to the previous position on a full-time basis.

100609. FEHB

Employees in an expert or consultant position who are expected to work 130 hours per month for at least 90 days will be eligible to enroll in an FEHB plan. These eligible employees will receive the same government contribution as full-time permanent employees. See 5 C.F.R. 890.102 and BAL 14-210.

1007 LEGALLY INCOMPETENT EMPLOYEES

100701. General

The HRO must notify the PRO in writing when an employee is found to be legally incompetent. The HRO sends the PRO the SF 50 data showing the employee's separation because of mental incompetence. The agency may also place the employee on an extended leave of absence by means of an SF 50 action. The PRO makes no payments to the employee once HRO informs the PRO that the employee is declared legally incompetent. A claim must be filed on the employee's behalf before the pay account can be settled. No specific form is required to file a claim for amounts due mentally incompetent or former employees. The claim must be filed in writing over the signature of the person claiming on behalf of the legally incompetent employee. If the claim is from a claimant other than a guardian or committee, the servicing PRO's Office of General Counsel should be consulted prior to making payment.

A. Guardian or Committee. The initial claim filed by the guardian or committee of the estate of a legally incompetent employee shall be accompanied by a certificate of the court showing the appointment and qualification of the claimant as guardian or committee. After making the first payment, the PRO may make subsequent recurring payments to the same payee without further claim as long as the appointment as guardian or committee remains in effect and the matter is otherwise free from doubt. Each subsequent payment voucher must include a citation to the voucher upon which the initial claim was paid.

B. Other than Guardian or Committee. If a guardian or committee has not been appointed and will not be appointed, a sworn statement that includes the following information to support the initial claim:

1. The claimant's relationship to the legally incompetent employee, if any;

2. The name and address of the person having care and custody of the legally incompetent employee;

3. A remark that any amount paid to the claimant shall be applied only to the use and benefit of the legally incompetent employee; and

4. A remark that no appointment of a guardian or committee is contemplated.

100702. Claim Action

Upon receipt of a claim, consider the proposed date of separation to determine whether compensation is due currently or a payroll voucher for final settlement should be processed. To avoid invalid payments when the employee is on extended paid leave, the HRO must monitor the case for any changes in the employee's condition and immediately advise the PRO.

100703. Processing Claims

The PRO may pay claims for unpaid amounts owed to legally incompetent employees unless the PRO doubts the amount or validity of the claim or it doubts the claimant's entitlement to the payment.

A. Any unclaimed, undelivered, or uncashed salary checks drawn in favor of the employee must be returned to the disbursing officer for cancellation and credit to the appropriation or fund originally charged.

B. The PRO must post the net amount of any returned check to the appropriate pay record. Adjustment of the items originally deducted from the gross pay is not required if the proceeds of the check are due the employee. If the proceeds of the check are not due, the PRO must prepare an SF 1098, Schedule of Canceled or Undelivered Checks, to cancel the check and must adjust entries for the deductions from gross pay.

C. The amount to be paid to the claimant must be computed and must include any further payments due to the employee for each pay period in the regular payroll cycle (for example, payments due when the employee is carried on sick leave). The PRO must take the following actions:

1. Prepare a statement for all arrears of pay due. Include the net amount of any uncashed checks if the proceeds are due.

2. Enter the following on the payroll voucher such as on a Department of Defense (***DD) Form 592***, Payroll for Personal Services, Certification, and Summary under "OTHER:"

a. The term "Mentally Incompetent Employee";

b. The name of the proper claimant and capacity in which serving, followed by the name and SSN of the mentally incompetent employee;

c. The citation of the designated deposit fund account; and

d. The amount the claimant is due.

3. Upon receipt of a properly executed claim supported by a court certificate showing guardianship or sworn statement from the claimant, the PRO shall disburse funds from the deposit fund account designated on the payroll voucher to the claimant. See

Volume 5, Chapter 11. The claimant's name and address must appear on the voucher along with the employee's name, SSN, and the pay period. The voucher is forwarded to the disbursing officer for payment.

4. Forward a copy of the processed voucher to the claimant. A copy should also be filed in the employee's file.

5. Include in the final payment any lump-sum payment for annual leave and any other salary amount to which the employee is entitled.

6. Record the official date that the employee is declared legally incompetent in the payroll records.

100704. Processing Doubtful Claims for OPM Certification

Doubtful claims are submitted to OPM following these procedures:

A. Prepare the voucher for the net amount due to a mentally incompetent employee per paragraph 100703. This voucher along with the required number of copies is sent to OPM. After OPM certifies the voucher, it will be returned to the submitting PRO for payment.

B. Enter "Local Payment After OPM Certification" on the face of the voucher. OPM adds the name and legal capacity of the claimant on the voucher.

C. Certify the voucher and attach the following:

1. A legal authorization of the claimant including any certificate of the court showing appointment and qualifications of the claimant;

2. A claim submitted by the claimant such as a letter from the guardian or administrator;

3. A statement of the doubtful aspects and the reason the PRO recommends referral of the claim to OPM; and

4. A certificate stating that the claim has not been paid and will not be paid until certified.

D. Retain a copy of the voucher and supporting documents in the employee's file.

1008 MISSING PERSONS, CAPTURED OR INTERNED

100801. General

Civilian personnel who are determined officially to be missing are entitled to continued

pay and allotments from their pay under the Missing Persons Act (***5 U.S.C. § 5561-5568***) and the Terrorism Compensation Act (***5 U.S.C. § 5569***). Missing status includes persons:

A. Missing;

B. Missing-in-action;

C. Interned in a foreign country;

D. Captured, beleaguered, or besieged by a hostile force; or

E. Detained in a foreign country against the employee's will.

100802. Actions by the Payroll Office

A. Upon receipt of an official determination that a civilian employee is in a missing status, return any unclaimed or un-cashed checks to the disbursing area.

B. The PRO retains responsibility for the employee's pay, leave, and retirement records.

C. The initiation, continuance, discontinuance, increase, decrease, suspension, or resumption of an allotment from the pay and allowances of an employee in a missing status, is authorized when that action is in the interests of the employee, the dependents, or the U.S. See ***5 U.S.C. § 5563***.

1. Allotments authorized by an employee before the missing status began normally continue for the period of absence.

2. The missing employee's dependents may receive an allotment of the employee's pay. Dependent payments cannot exceed the employee's net pay. The needs of the dependents, the number of dependents and their relationship to the employee, however, should be considered when determining the payment amount. If possible, reserve a reasonable amount each pay period to ensure that the employee will have funds available upon return.

D. The pay and allowances of a missing employee in a captive status may be allotted to an interest bearing savings fund established by the Secretary of the Treasury. See 5 U.S.C. § 5569. Captive status means a missing status, which, as determined by the President, arises, because of a hostile action and is a result of the individual's relationship with the government. All or any portion of the employee's pay and allowances may be allotted to the extent that such pay and allowances are not subject to an allotment under 5 U.S.C. § 5563 as outlined in subparagraph 100802.C.

E. Maintain the pay account on a pay-period basis. Include normal deductions for retirement, FICA, federal and state income tax withholding, FEHB, and FEGLI in the totals for the regular payroll voucher.

F. Establish a special leave account to restore any annual leave forfeited by an employee while in a missing status after January 1, 1965.

100803. Termination of Absence

Employees should not be separated from Federal service while they are entitled to pay and allowances under the Missing Persons Act (see 5 U.S.C. § 5561-5568).

A. If an employee returns from a missing status, the PRO must voucher the balance withheld from the employee and furnish a list of allotments started and paid in the employee's absence. The accounting classification must be charged to what was current when the pay accrued. The employee may initiate any allotment discontinuances or changes for any allotments that started or changed during the absence. The PRO will pay future salaries using normal payroll procedures.

B. If the employee returns from missing status, a statement of the special leave account balance must be furnished to his or her HRO. The employee must elect, in writing, to receive either a payment or credit for the leave. If the employee requests payment, the PRO must make the payment at the employee's rate of pay in effect at the time of the forfeiture of the leave.

C. If the HRO receives an official notice of the employee's death or presumed death, the PRO will take action as outlined in Section 1005.

D. If the employee returns from missing status, the agency must charge the pay adjustment or final settlement, including local allotment payments to dependents, to the employee's appropriated fund account.

1009 AUTHORITY FOR TEMPORARY ASSIGNMENTS

The authority for temporary assignments of employees between executive agencies and State, local, and Indian Tribal Governments, institutions of higher education, and other eligible organizations is found in ***5 U.S.C. § 3371-3376*** and ***5 C.F.R. 334***. An employee's pay and leave provisions will be included in the employee's written assignment agreement as required by 5 C.F.R. 334.106.

1010 EMPLOYEES TRANSFERRED TO INTERNATIONAL ORGANIZATIONS

101001. General

An agency may detail or transfer an employee to any organization that the Department of State has designated as an International Organization (IO). See ***5 U.S.C. § 3581-3584*** and ***5 C.F.R. 352, Subpart C***. A detail or transfer may not exceed 5 years; however, this may be extended 3 additional years upon the approval of the head of the agency. An employee who is transferred is entitled to be reemployed in his or her former position, or one of like status, within 30 days of his or her application for reemployment.

101002. Computation of Deductions

Under ***5 U.S.C. § 3582***, an employee who transfers to an IO may elect to keep coverage for retirement, FEGLI, and FEHB. The agency continues to make the agency contributions to the funds, and the employee's coverage continues as long as the employee's share of the payments remains current.

A. The PRO computes the retirement and FEGLI on the rate of basic compensation the employee was receiving at the time of transfer. If these amounts are changed by law or regulation while an employee is serving with an IO, the amounts will be recomputed based on notification from the HRO and the employee and the IO will be notified (if applicable) of the effective date and new amount. For regulations on retirement and FEGLI, refer to 5 C.F.R. 352.309. When the SF 50 data is received showing a step increase, or a general pay increase, the amounts due are recomputed.

B. The PRO computes FEHB based on the cost of the plan of the employee's choice. If the enrollment cost changes while the employee is serving with an IO, the PRO must recompute the amount based on notification from the HRO and notify the employee and the IO (if applicable) of the effective date and new amount.

101003. Payments from Transferred Employees

The HRO advises transferred employees to make payments for retirement, FEHB, and FEGLI promptly for each pay period. Payments are current if received within 3 months after the end of the pay period covered by the payment. See 5 C.F.R. 352.309(d). The PRO advises the HRO and carrier for FEHB of any delayed payments. If payments are not timely, coverage terminates on the last day of the pay period for which the required payment was timely, subject to a 31-day extension of FEGLI and FEHB as provided in Chapter 11.

101004. Accounting for Payments

A ***DD Form 1131***, Cash Collection Voucher, is used to deposit amounts received from either the individual or the employing organization into a deposit fund established for such purposes. An SF 1080, Voucher for Transfers Between Appropriations and/or Funds, or SF 1081, Voucher and Schedule of Withdrawals and Credits, is used to transfer the employer's contribution,

if required, from the appropriation which would have been charged for the employee's pay to the proper deposit fund account. Total amounts (employee payments and government contributions) are included on the SF 2812A, Report of Withholdings and Contributions for Health Benefits by Enrollment Code, submissions to OPM through the Retirement and Insurance Transfer System (RITS). RITS calculates and tracks obligation due dates and payment timeliness. The PRO posts the total annual retirement costs paid by the employee to the employee's SF 2806 or SF 3100; the "Remarks" section reflects the employee's status. The IO keeps the SF 2806 or the SF 3100 for the entire term of employment, unless OPM asks for the form(s).

101005. Thrift Savings Plan (TSP)

An employee, who transfers to an IO, is not eligible to participate in the TSP while employed by the IO even if they elect to retain federal retirement coverage. However, upon reemployment, an employee who elected to retain federal retirement coverage while employed by the IO and has made all deposits required for such coverage may make contributions to the TSP which they missed as a result of the service with an IO, and receive make-up agency contributions, as provided under 5 C.F.R. 352.311(e).

101006. Leave Account

Employees who are transferred to an IO may elect to receive payment for accumulated annual leave or have it remain to their credit until they return to federal employment. Employees also may request payment at any time before reemployment. The HRO sets the date of separation to allow employees to use all accumulated annual leave that might otherwise be forfeited. The PRO prepares and delivers an extra copy of the SF 1150, Record of Leave Data, to the employee. Upon reemployment, the PRO uses a copy of the SF 1150 to recredit sick leave and annual leave, if applicable. If the employee is paid the balance of his or her leave and is reemployed within 6 months after transfer, he or she shall refund to the agency the amount of the lump-sum payment. See 5 U.S.C. § 3582 and Chapter 3.

101007. Equalization Allowances

Equalization allowance provisions that had been in Title 5, U.S.C. § 3582(b) were replaced by ***P.L. 105-277, Section 2504***, with a requirement for agencies to provide an employee reemployed after transfer to an IO with the rate of basic pay to which the employee would have been entitled had the employee remained in the civil service. The equalization allowance had guaranteed payments to an employee who transferred to an IO in an amount no less than the amount the employee would have received had the employee been detailed to the IO.

101008. Retirement

An employee who transfers from a position covered by CSRS, CSRS-Offset, or FERS to a public IO may continue retirement coverage for up to 5 years of such service or up to 8 years if authorized by the Secretary of State. See CSRS and FERS Handbook, ***Chapter 12***.

*1011 TEMPORARY AND TERM EMPLOYMENT

101101. General

Temporary and term appointments are used to fill positions when there is not a continuing need for the job to be filled. Employees occupying either category of appointment are not entitled to competitive status or reinstatement eligibility. Because temporary and term employees do not have status, they may not apply for permanent appointments while employed in these position through merit promotion. See 5 C.F.R. Part 316.

101102. Temporary Employment

A. Appointments. Pursuant to 5 C.F.R. 316, Subpart D, an agency may make a temporary appointment to:

1. Fill a short-term position that is not expected to last more than 1 year;

2. Meet an employment need that is scheduled to be terminated within 1 year (or at most, 2 years) for reasons such as reorganization, abolishment, or contracting out of the function, anticipated reduction in funding, or the completion of a specific project or peak workload; or

3. Fill positions on a temporary basis when the positions are expected to be needed for placement of permanent employees who would otherwise be displaced from other parts of the organization.

B. Benefits. Temporary employees are eligible to earn annual and sick leave and are covered by Social Security and unemployment compensation, but do not receive the other benefits provided to career civil service employees. Employees in a temporary position who are expected to work 130 hours per month for at least 90 days are eligible to enroll in an FEHB plan. These eligible employees will receive the same government contribution as full-time permanent employees. See 5 C.F.R. 890.102 and BAL 14-210. Temporary employees are generally ineligible for coverage under FEGLI or the Federal employees' retirement systems.

101003. Term Employment

A. Appointments. An agency may make a term appointment for more than 1 year but not more than 4 years to positions where the need for an employee's services is not permanent. Agencies may extend term appointments up to the 4-year limit in increments as determined by the agency. See ***5 C.F.R. 316, Subpart C***.

B. Benefits. Term employees are eligible to earn annual leave and sick leave. Term employees are also eligible for coverage under FERS, FEHB, and FEGLI. Term employees can work full or part-time work schedules and are eligible for promotions and within-grade increases upon satisfying the required waiting period.

1012 EMPLOYEES WHOSE WHEREABOUTS ARE UNKNOWN

In the event an employee's whereabouts are unknown and payment cannot be made to the employee, refer to Volume 5, Chapter 7 for guidance.

1013 AIR TRAFFIC CONTROLLERS (ATC)

101301. General

ATCs are employees in an ATC facility (i.e., tower, ground-controlled approach, and approach control), actively engaged in the separation and control of air traffic or in providing preflight, in-flight, or airport advisory service to aircraft operations, or the immediate supervisor of any such employee. See ***DoDI 1400.25-V331***, Civilian Air Traffic Controllers.

101302. Overtime

All overtime work scheduled in advance of the administrative workweek on a day containing part of an ATC's basic 40-hour workweek must be compensated under 5 C.F.R. 550.111.

101303. Premium Pay

Differential pay is authorized for certain DoD employees. The Secretary of Defense has authorized five percent ATC premium pay under ***5 U.S.C. § 5546a(a)(1)***. The payment of the premium is mandatory for Defense ATCs who are in the GS-2152 occupational series and occupy a position no lower than GS-9 at air traffic control centers, terminal or flight service stations. The HRO provides this information to the PRO via an SF 50.

101304. Leave

Leave accruals are based on guidelines published in 5 C.F.R. part 630.

101305. Mandatory Separation

Generally, under 5 U.S.C. § 8335(a) for CSRS employees and 5 U.S.C. § 8425(a) for FERS employees, an ATC who is otherwise eligible for immediate retirement must be separated from the federal service on the last day of the month in which the employee becomes 56 years of age. However, if the ATC has been granted a waiver of the mandatory separation age based on exceptional skills and experience, an ATC may delay separation until the day he or she becomes age 61. Additionally, an ATC, who has received a waiver of the maximum entry age under ***5 U.S.C. § 3307(b)*** may delay separation until the last day of the month he or she completes 20 years of service.

101306. Retirement

ATCs have unique retirement deduction percentages for CSRS and FERS coverage. OPM publishes the rates in the CSRS and FERS Handbook, ***Chapter 30***.

1014 PERSONNEL ON LONG-TERM FULL-TIME TRAINING

101401. General

Long-term, full-time training is defined as a training period of 120 consecutive workdays or more. See ***5 U.S.C. Chapter 41*** and ***5 C.F.R. 410***. Employees on long-term, full-time training are authorized payment of salary.

101402. Leave

If salary payments continue during the training period, annual and sick leave regulations apply. Leave is reported via the time and attendance reporting mechanism and is administered as specified for the following leave types:

A. Annual Leave. Personnel on long-term, full-time training shall continue to accrue annual leave. Ordinarily, an employee will be charged with annual leave during school vacation periods that fall on government workdays unless he or she returns to the work site or has made documented arrangements with his or her DoD point of contact to be actively involved in academic work. These documented arrangements should be accomplished well in advance of the vacation periods. Annual leave charges are reported to the PRO on the employee's time and attendance report. See ***OPM Training and Development Policy***.

B. Sick Leave. Personnel on long-term, full-time training continue to accrue sick leave. The agency should charge sick leave on the time and attendance report when the employee is unable to attend classes due to illness.

1015 EMERGENCY MEDICAL TECHNICIAN (EMT)

101501. General

This section applies to EMTs or paramedics who are not classified as firefighters.

101502. Tour of Duty

EMTs and paramedics work various schedules including the basic 40-hour workweek, compressed work schedules, and uncommon tours of duty. An uncommon tour of duty means an established tour of duty that exceeds 80 hours of work in a biweekly pay period. See 5 C.F.R. 630.201. Schedules and changes to tours of duty for an EMT or paramedic working uncommon tours must be on file in the employing activity/timekeeper site. Sleep and meal time also must be documented. The EMT's hourly rate is multiplied by 40 hours, and the base pay and

premium pay is based on this weekly rate regardless of the hours in the scheduled tour of duty for that week.

*101503. Overtime Computation

A. Standby Duty Pay

1. FLSA Nonexempt EMTs and paramedics are compensated for regularly scheduled overtime hours in excess of 40 hours in a week by the payment of annual premium pay for standby duty plus .5 times the employee's hourly regular rate for all overtime hours worked. If an EMT performs an additional 24-hour shift during a pay period, and the shift is scheduled in advance of the workweek, standby duty pay covers all regularly scheduled overtime hours, but the employee is entitled to .5 times the employee's hourly regular rate for all overtime hours worked. Sleep and meal periods during regularly scheduled tours of duty are hours of work for EMTs who receive annual premium pay for regularly scheduled standby duty. EMTs and paramedics are compensated for irregular or occasional hours of work in excess of 40 hours in a week by payment of the straight-time rate of pay for all irregular or occasional overtime hours of work plus .5 times the employee's hourly regular rate of pay times the overtime hours. When an employee works an additional 24-hour shift, which is irregular or occasional overtime work, the "two-thirds rule" will apply. Up to 8 hours of sleep and meal time (from a shift of 24 hours or more) are excluded from irregular overtime hours providing all regulatory conditions under ***5 CFR 551.432*** are met.

2. FLSA exempt EMTs and paramedics are compensated for regularly scheduled overtime hours in excess of 40 hours in a week by the payment of annual premium pay for standby duty. If an EMT performs an additional 24-hour shift during a pay period and the shift is scheduled in advance of the workweek, standby duty pay covers all regularly scheduled overtime hours. When an employee works an additional 24-hour shift that is irregular or occasional overtime work, overtime is paid in accordance with 5 C.F.R. 550.113 or 5 C.F.R. 550.114. The "two-thirds rule" will apply providing all regulatory conditions under ***5 CFR 550.112(m)*** are met.

* 3. On-duty sleep and meal periods during regularly scheduled hours for which standby duty premium pay under 5 U.S.C. § 5545(c)(1) are payable may not be excluded from hours of work. See ***5 C.F.R. 551.432(e)***.

B. Compressed Work Schedule. The customary FLSA standard of compensating an employee with overtime pay for all hours of work in excess of 8 hours in a day and 40 hours in a week does not apply to an employee covered by a compressed work schedule under ***5 U.S.C. § 6128***. For example: an EMT with a 12-hour day in their schedule will not be entitled to FLSA overtime until they work over the 12-hour schedule for the day.

101504. Charging Leave

One hour (or an appropriate fraction thereof) of leave shall be charged for each hour (or an appropriate fraction thereof) of absence from the uncommon tour of duty. For additional guidance on leave accruals for EMTs refer to ***DoDI 1400.25-V630***, DoD Civilian Personnel Management

System: Leave, and 5 C.F.R. 630.210. When an employee takes 24 hours of leave, 8 hours of sleep and meal time for that employee are deducted from actual hours of work under FLSA. Sleep and meal time for days of partial leave must be documented on the time and attendance report so that actual hours of work are shown. Sleep and meal time scheduled during leave periods shall be added to total sleep and meal time so that total hours of actual work and total hours of sleep and meal time will be shown. For employees with uncommon tours of duty established under 5 C.F.R. 630.201 and 5 C.F.R. 630.210, employees may be charged leave for regularly scheduled overtime hours outside the 40-hour basic workweek. Thus, such employees may receive applicable premium pay and FLSA overtime pay during hours of paid leave.

101505. Accruing Leave

Employees on uncommon tours of duty accrue and use leave on the basis of that uncommon tour. Accrual rates for such employees are directly proportional to the standard leave accrual rates for employees on an 80-hour biweekly tour of duty. See 5 C.F.R. 630.210(a). The number of hours in the uncommon tour is multiplied by the accrual rate divided by 80 ((uncommon tour of duty hours) x (accrual rate/80) = uncommon accrual rate). See table in DoDI 1400.25-V630. Employees on uncommon tours of duty repeating a cycle of more than 1 biweekly pay period (e.g., a 3 biweekly pay period cycle) accrue leave based on the average hours in the biweekly tour. For example, an emergency medical technician on a tour of duty of 96 hours for 1 biweekly pay period and 120 hours for each of the following 2 biweekly pay periods works an average tour of 112 hours per pay period, and accrues leave based on a 112-hour tour of duty.

101506. Premium Pay

The HRO determines the amount of the premium pay for the irregular tour of duty and reports it on the SF 50. An EMT employed as an intermittent employee is not entitled to premium pay on an annual basis, nor is he or she entitled to paid leave. An EMT is paid under regular overtime rules. Refer to 5 C.F.R. 551 for additional guidance on pay administration for EMTs under the FLSA.

1016 FIREFIGHTERS

101601. General

Firefighter pay is governed under 5 U.S.C. § 5542(f), ***5 U.S.C. § 5545b***, and 5 C.F.R. 550, Subpart M. A firefighter is an employee classified in the GS-0081 Fire Protection occupational series, which includes line firefighters, supervisory firefighters and fire inspectors whose regular tour of duty averages at least 106 hours per biweekly pay period. Newly hired firefighters going through initial basic training with a 40-hour basic workweek are covered by the GS classification and pay system and classified in the GS-0099 General Student Trainee Series (as required by ***5 C.F.R. 213.3202(b)***). Uniform allowances may be authorized for firefighters, refer to Chapter 3.

101602. Regular Tour of Duty

The term "regular tour of duty" means a firefighter's official work schedule as established by the employing agency on a regular recurring basis. The regular tour of duty may consist of a fixed number of hours each week or a fixed recurring cycle of work schedules in which the number of hours per week varies in a repeating pattern. The regular tour of duty includes only those overtime hours that are part of the fixed recurring work schedule. However, irregular hours are deemed included in a firefighter's regular tour of duty if those hours are substituted for hours in the regular tour of duty for which leave without pay is taken, as provided in 5 C.F.R. 550.1303(d). There are generally two types of official work schedules for firefighters:

A. 24-Hour Shift Firefighters. Most commonly, firefighters work a 72-hour workweek consisting of three 24-hour shifts. These shifts include periods of actual work and substantial periods of time during which firefighters are in a standby status. In standby status, firefighters are free to eat, sleep, and engage in personal activities, but are confined to the worksite and remain in a state of readiness to perform actual work as required.

B. 40-Hour Plus Firefighters. Other firefighters, (most commonly supervisors) have a regular 40-hour workweek consisting of five 8-hour days in addition to regularly scheduled standby duty (e.g., an extra 16-hour standby shift).

101603. Uncommon Tour of Duty

An agency shall establish an uncommon tour of duty for each firefighter compensated under 5 C.F.R. part 550, Subpart M, for the purpose of leave use and accrual. The uncommon tour of duty shall correspond directly to the firefighter's regular tour of duty so that each firefighter accrues and uses leave based on that tour. See 5 C.F.R. 630.210.

101604. Hourly Rate of Basic Pay

The firefighter's regular tour of duty is used in determining the appropriate pay computation method. Firefighters are paid on an hourly rate basis. A firefighter's daily, weekly, or biweekly rate of basic pay must be computed using the applicable hourly rates derived under 5 C.F.R. 550.1303(a) and (b). Premium pay caps apply to the additional nonovertime pay received by firefighters with schedules exceeding the basic 40-hour workweek. Nonovertime pay is considered as basic pay and is not subject to reduction, but is included in the aggregate pay when determining the overtime pay cap. See 5 C.F.R. 550.1305 and 5 C.F.R. 550.107.

A. 24-Hour Shift Firefighters. For firefighters with a regular tour of duty that does not include a basic 40-hour workweek (firefighters whose schedules generally consist of 24-hour shifts with a significant amount of designated standby and sleep time), the hourly rate of basic pay is computed by dividing the applicable annual rate of basic pay by 2756 hours.

B. Basic 40-Hour-Plus Firefighters. For firefighters with a regular tour of duty that includes a basic 40-hour workweek plus additional nonovertime hours, the hourly rate of basic pay is computed by dividing the applicable annual rate of basic pay by:

1. 2087 hours, for hours within the basic 40-hour workweek (or an 80-hour biweekly pay period); and

2. 2756 hours, for any additional nonovertime hours.

C. Training. Firefighters are entitled to pay for their regular tour of duty during training. A firefighter should receive basic pay and overtime pay for the firefighter's regular tour of duty in any week in which attendance at agency-sanctioned training reduces the hours in the firefighter's regular tour of duty. This guidance does not pertain to student trainee employees in the GS-0099 series. A firefighter is not prohibited from receiving a higher amount of pay if he or she is entitled to that higher amount based on hours of actual work. See 5 C.F.R. 410.402(b)(6).

101605. Meal and Sleep Time

For firefighters compensated under 5 U.S.C. § 5545b, meal time and on-duty sleep time may not be excluded from hours of work.

101606. Overtime Computation

Under 5 U.S.C. § 5542, for firefighters compensated under 5 C.F.R. 550, Subpart M, overtime work means officially ordered or approved work in excess of 106 hours in a biweekly pay period, or in excess of 53 hours in an administrative workweek if the agency establishes a weekly basis for overtime pay computations. See 5 C.F.R. 550.111(g). Overtime pay is considered part of continuation of pay (COP) for firefighters. Overtime hourly rates of pay are calculated as follows:

A. FLSA-exempt (FSLA non-covered). For a firefighter who is exempt from FLSA, the overtime hourly rate is computed as provided in 5 C.F.R. 550.113(e). Generally, the overtime hourly rate is capped at 1-1/2 times the GS-10 minimum rate, but the rate may not fall below the firefighter's own hourly rate of basic pay.

B. FLSA-nonexempt (FLSA covered). For a firefighter who is covered by nonexempt from the overtime provisions of FLSA, the overtime hourly rate of pay equals 1-1/2 times the firefighters hourly rate of basic pay for that particular firefighter as established under 5 C.F.R. 550.1303(a) or 1303(b)(2).

101607. Premium Pay

Except for overtime pay in accordance with paragraph 101606, a firefighter is barred from being paid any other premium pay including night pay, Sunday premium pay, holiday pay, and hazardous duty pay. Premium pay for overtime in the firefighter's regular tour of duty covered by 5 U.S.C. § 5545b is subject to a biweekly limitation rather than an annual limitation. See 5 C.F.R. 550.107.

101608. Leave Accrual

The leave accrual rates for firefighters are established based on an uncommon tour of duty. See paragraph 101603. Leave accrual for firefighters is directly proportional based on the number of hours in the biweekly tour of duty and the accrual rate of the corresponding leave category to the standard leave accrual rates for employees who accrue and use leave on the basis of an 80-hour biweekly tour of duty. One hour or an appropriate fraction thereof of leave is charged for each hour or appropriate fraction thereof of absence from the uncommon tour of duty. See 5 C.F.R. 630.210(c).

101609. Mandatory Separation

A firefighter, who is otherwise eligible for immediate retirement under ***5 U.S.C. § 8336(c)*** (CSRS) and ***5 U.S.C. § 8412(d)*** (FERS), must be separated from the federal service on the last day of the month in which the employee becomes 57 years of age unless he or she has not yet completed 20 years of service. In that case, the employee shall be separated on the last day of the month in which he or she completes 20 years of service. See 5 U.S.C. § 8335(b) and 5 U.S.C. § 8425(b).

101610. Retirement

Firefighters have a unique retirement deduction percentage for CSRS and FERS employees. These rates are published by OPM in the CSRS and FERS Handbook, Chapter 30. Percentages of basic pay for withholding and contributions for FERS employees are described in ***5 U.S.C. § 8422(a)(2)(B)*** and ***5 U.S.C. § 8423(a)(1)(B)***. Percentages of basic pay for withholdings and contributions for CSRS employees are described in ***5 U.S.C. § 8334(a)***. Additionally, a firefighter's special retirement coverage provides for an enhanced annuity formula and reduced age/service requirements as follows:

A. CSRS Coverage. Under 5 U.S.C. § 8336(c) once an employee reaches 50 years of age and completes 20 years of service as a firefighter or law enforcement officer, or any combination of such service totaling at least 20 years, they are entitled to a special annuity computation as provided under ***5 U.S.C. § 8339(d)***.

B. FERS Coverage. Under 5 U.S.C. § 8412(d), an employee is entitled to a special annuity computation as provided under ***5 U.S.C. § 8415(d)*** after:

1. Completing 25 years of service as an LEO or a firefighter, or any combination of such service totaling at least 25 years; or

2. Reaching the age of 50 and completing 20 years of service as an LEO or firefighter, or any combination of such service totaling at least 20 years.

1017 JUDGES

101701. Administrative Law Judges (ALJs)

A. Authority. Under ***5 U.S.C. § 3105***, the Department may appoint ALJs for proceedings conducted in accordance with administrative procedures under ***5 U.S.C. § 556-557***. These employees may not perform duties inconsistent with their duties and responsibilities as administrative law judges.

B. Pay for ALJs. There are three levels of basic pay for ALJs (designated as AL-1, AL-2, and AL-3, respectively), and each ALJ is paid at one of the levels as established under ***5 U.S.C. § 5372***. The ALJ positions are (lowest to highest): AL-3, Rate A; AL-3, Rate B; AL-3, Rate C; AL-3, Rate D; AL-3, Rate E; AL-3, Rate F; AL-2; and AL-1. The minimum rate for an ALJ (AL-3, Rate A) is set at 65 percent of Level IV of the Executive Schedule. The maximum rate for an ALJ (AL-1) is set at 100 percent of Level IV of the Executive Schedule.

101702. Judges of the U.S. Court of Appeals for the Armed Forces

The U.S. Court of Appeals for the Armed Forces (formerly the U.S. Court of Military Appeals) is established under ***10 U.S.C. § 941-946***. See ***DoDI 1400.25-V805***, Special Retirement and Survivor Benefits for Judges of the U.S. Court of Appeals for the Armed Forces. The President, with the advice and consent of the U.S. Senate, appoints the judges for a term of 15 years. The court, consisting of five judges, is located within the DoD for administrative purposes. Washington Headquarters Services (WHS) is the employing office for the judges. For pay purposes, the judges are civilian employees as defined in 5 CF.R. 213. The judges are entitled to the same salaries and travel allowances as are provided to the judges of the U.S. Courts of Appeals (GS Salary Table, Schedule 7, for Judicial Salaries). The maximum annual salary is that of Level I of the Executive Schedule.

A. Entitlements. Judges are entitled only to regular base pay. Judges are excluded from the leave provisions of 5 U.S.C. § 6301(2). As Federal judges under ***5 U.S.C. § 5541(2)(i)***, they also are excluded from the provisions of premium pay under ***5 U.S.C. Chapter 55, subchapter V***.

B. Deductions

1. Judges under CSRS are required to contribute eight percent of basic pay for retirement. Judges under FERS have the same deduction rate as other FERS employees. See the CSRS and FERS Handbook, Chapter 30.

2. The FEGLI for the judges is based on Level II of the Executive Schedule.

3. Judges are subject to the Social Security tax wage base limit as published yearly by IRS. There is no wage base limit for Medicare tax, and all covered wages are subject to Medicare tax.

C. Special Retirement and Survivor Benefits for Judges of the U.S. Court of Appeals for the Armed Forces. Upon becoming eligible for retirement, judges may elect to receive a retirement annuity from the DoD Military Retirement Fund (MRF) in lieu of an annuity under CSRS or FERS. See ***10 U.S.C. § 945***. Survivor and former spouse annuities may also be elected. The DFAS-Indianapolis Site serves as the "payroll office" for retiree and survivor entitlements. DFAS shall perform functions such as:

1. Maintaining individual retirement records of individuals who elect annuity benefits under 10 U.S.C. § 945;

2. Issuing annuity payments from moneys in the DoD MRF, including the collection of applicable federal and state income taxes, and collections of debts owed the U.S. Government;

3. Arranging with OPM for transfer of moneys, including interest payments authorized under 10 U.S.C. § 945(a)(3)(A), from the Civil Service Retirement and Disability Fund (CSRDF) to the DoD MRF;

4. Withholding, as appropriate, contributions from the annuity for payment of FEHB, FEGLI, making correct agency contributions, and transmitting these moneys to the CSRDF;

5. Readjusting the annuity payment when events change the retiree or survivor entitlements;

6. Accounting for retirement moneys received from OPM and disbursing to benefit recipients, insurance carriers, and federal and state tax entities; and

7. Ceasing annuity payment if the employee elects judiciary retirement benefits under 10 U.S.C. § 945(g).

D. Notifications. Judges in receipt of an annuity under 10 U.S.C. § 945 are responsible for notifying WHS of any dual compensation issues that may arise under 10 U.S.C. § 945(f) and/or their election of judicial retirement benefits under 10 U.S.C. § 945(g).

E. Senior Judges of the U.S. Court of Appeals for the Armed Forces. Under ***10 U.S.C. § 942(e)***, a senior judge who formerly served on the Court of Appeals for the Armed Forces may perform judicial duties for the court. When performing duties, a senior judge is considered an employee or official of the government. A senior judge is paid for each day he or she performs judicial duties in an amount equal to that of a sitting judge. Payment for a senior judge's service is made in lieu of any retired and annuity pay due the judge. However, a senior judge may continue to receive his or her retired and annuity pay if the senior judge performs non-judicial duties for the court and receives no pay other than per diem and travel expenses. See ***U.S. Court of Appeals for the Armed Forces Rules of Practice and Procedure***.

1018 AUXILIARY CHAPLAINS AND WEST POINT MILITARY ACADEMY CHAPLAIN

101801. Auxiliary Chaplains

Civilian clergy may be assigned to perform essential religious services of the chapel program that are beyond the staffing capabilities of the commissioned officer Armed Forces chaplains. Auxiliary chaplains normally perform their services on military installations. To serve as auxiliary chaplains, civilian clergy must be ordained or accredited by a faith group recognized by the ***Armed Forces Chaplains Board***. They must meet any additional qualifications required by the Armed Forces.

101802. Appointing and Paying Auxiliary Chaplains

A. Auxiliary chaplains may be appointed by the HRO on an intermittent basis. They are paid on a fee basis from the employing activity's appropriated funds for civilian personnel such as Operation and Maintenance funds. The HRO may appoint auxiliary chaplains under the excepted service authority in 5 C.F.R. 213.3101.

B. Work Schedules. Auxiliary chaplains employed on an intermittent basis have no work schedule. They are paid for religious services performed.

C. Absence and Leave. There is no entitlement for leave.

D. Entitlements. The pay scale for auxiliary chaplains is determined by the employing activity's HRO. Social Security, Medicare, federal and state income tax withholdings are made in accordance with the tax documents filed by the chaplain. Social Security, Medicare, federal and state income tax withholdings do not apply to chaplains under non-personal service contracts.

101803. West Point Military Academy Chaplain

Under ***10 U.S.C. § 4337***, the President may appoint a chaplain to serve at the Military Academy at West Point. The civilian chaplain is entitled to a monthly housing allowance, in the same amount as the basic allowance for housing (BAH) allowed to a lieutenant colonel and to fuel and light for quarters. However, because utility costs are already factored into the BAH rate, no separate allowance for fuel and light should be paid. The chaplain's salary is taxable and is subject to the withholding of income, Social Security, and Medicare taxes. The BAH is not subject to the withholding of income taxes under ***26 U.S.C. § 107*** which excludes from a minister's gross income the value of rental allowances he/she receives for a home. However, Social Security and Medicare taxes must be withheld from the BAH.

1019 SERVICE SECRETARIES

101901. General

Effective the pay period beginning November 30, 2003, ***5 U.S.C. § 5504*** was amended to allow the Cabinet Secretaries (e.g. the Secretary of Defense) and the Secretaries of the Military Departments to be paid on a biweekly basis.

101902. Time and Attendance

Time and attendance is not reported for Service Secretaries. Accrual or usage of annual and sick leave is not authorized. Military Department Secretaries are not eligible for premium pay.

1020 ADDITIONAL PAY FOR CERTAIN HEALTHCARE PROFESSIONALS

102001. General

OPM has delegated to DoD the discretionary use of certain Title 38 provisions that are primarily available to the Department of Veterans Affairs (VA). If DoD uses one of these authorities in the delegation agreement, the comparable authority in Title 5 is waived. The following Title 38 provisions as provided in ***5 U.S.C. § 5371*** have been delegated:

A. Special Salary Rate Authority (***38 U.S.C. § 7455(a)(2)(A)***) and (B), (b), (c), and (d));

B. Baylor Plan and Alternate Work Schedules (***38 U.S.C. § 7456*** and 7456A);

C. Premium Pay (***38 U.S.C. § 7454*** and 38 U.S.C. § 7456(a) and (b));

D. Authority to Establish Qualifications (***38 U.S.C. § 7402(a),*** (b), (d), and (f));

E. Qualification-based Grading System (***38 U.S.C. § 7403(a),*** (b)(4), (c), (e), and (f)(1));

F. Head Nurse Pay and Nurse Executive Special Pay (***38 U.S.C. § 7452(a)(2)*** and (g));

G. Hours of Employment (***38 U.S.C. § 7421(a)***);

H. Pay for Physicians and Dentists (***38 U.S.C. § 7431(a),*** (b), (c), (d)(1)-(5), (e)(2)-(4), (f) and (h); ***38 U.S.C. § 7432*** and ***7433(a)***);

I. Nurse Locality Pay System (***38 U.S.C. § 7451(a),*** (b), (c), (d), (e), and (f)); and

J. Special Incentive Pay for Pharmacist Executives (***38 U.S.C 7410 (b)***).

102002. Premium Pay

The authority to compensate certain DoD healthcare professionals with additional pay is used to recruit and retain qualified employees in specific medical fields. For additional guidance, see ***DoDI 1400.25-V540***, Pay Pursuant to Title 38--Additional Pay for Certain Healthcare Professionals.

102003. Baylor Plan Nurses

Baylor Plan nurses work at DoD Health facilities and are hired to work a "Baylor workweek" consisting of two regularly-scheduled 12-hour tours of duty. The tours are worked entirely between the last day and the first day of the administrative workweek (Friday midnight to Sunday midnight) authorized under 38 U.S.C. § 7456. The Baylor workweek is considered to be a full 40-hour workweek for pay and leave accrual purposes. For additional guidance on the Baylor Plan nurses see ***DoDI 1400.25-V541***, Pay Pursuant to Title 38--Special Rules for Nurses Pursuant to the Baylor Plan.

102004. On-Call Employees

Health care professionals are eligible to receive on-call pay when assigned to a work unit that has been officially designated as requiring employees to be on-call. On-call pay is a premium paid to certain professionals for working under circumstances or conditions authorized by ***38 U.S.C. § 7457***. The employee must be officially scheduled to be on-call outside of his or her regular duty hours. An employee, who is excused from regular duty on a holiday, or "in lieu of" a holiday, may be scheduled to be on-call and receive on-call pay.

102005. Physicians and Dentists Pay Plan (PDPP).

A. General. The ***DoDI 1400.25-V543***, DoD Civilian Personnel Management System: Pay Plan for DoD Civilian Physicians and Dentists Covered by the General Schedule, establishes policy and provides guidance to establish the PDPPs for eligible DoD civilian physicians and dentists who:

1. Work full-time or part-time with tours of at least 20 hours per pay period at grade GS-15 equivalent or below, and

2. Provide direct patient care and services.

B. Pay. Every 2 years, the VA publishes the minimum and maximum amounts of annual pay for the PDPP in the Federal Register. Under the PDPP, a physician or dentist's annual pay is the sum of base pay plus market pay. Base pay is the GS rate for the physician or dentist before any deductions and without additional pay of any kind. Market pay reflects the recruitment and retention needs for the specialty or assignment of a particular physician or dentist.

Annual pay is basic pay for all purposes, including the computation of retirement benefits, lump-sum annual leave payments, life insurance, TSP, and other benefits. See 38 U.S.C. § 7431(f).

C. Pay Limitation. Section 7431(e) of Title 38 provides that in no instance should the total amount of compensation paid in any year to a physician or dentist under Title 38 exceed the salary of the President of the United States as in effect on the last day of that calendar year. Section 7431 does not allow pay over the cap to be deferred and paid the next calendar year. Payments that exceed the salary of the President may not be made at any time. For further information and a discussion of limitations on market pay, see DoDI 1400.25-V543 and Chapter 3.

1021 LAW ENFORCEMENT OFFICERS (LEOs)

102101. General

LEOs as defined by ***5 U.S.C. § 8331(20)***, are employees whose primary responsibility is the investigation, apprehension, or detention of individuals suspected or convicted of offenses against the U.S.

102102. Premium Pay

The majority of LEOs are covered by the standard premium pay provisions established in 5 U.S.C. Chapter 55, subchapter V (including provisions that reflect overtime pay entitlements under FLSA for covered nonexempt employees). Premium pay with specific implications for LEOs includes:

A. Availability Pay. LEOs, as defined by 5 U.S.C. § 8331(20) and 5 C.F.R. 550.103, are authorized to receive premium pay in the form of availability pay in accordance with ***5 U.S.C. § 5545a*** and 5 C.F.R. 550.185. Availability pay was established to compensate the employee for unscheduled duty in excess of a 40-hour workweek based on the needs of the employing agency. An exception under 5 C.F.R. 550.181(b) allows any Office of Inspector General employing less than five investigators to elect not to cover their employees under the provisions of 5 U.S.C. § 5545a. Availability pay recipients are not covered by FLSA. Availability pay is subject to a biweekly limitation under 5 C.F.R. 550.107. Under 5 C.F.R. 550.186, LEOs receiving availability pay are not entitled to other types of premium pay based on unscheduled duty hours.

B. Annual Premium Pay for Standby Duty. The rate of annual premium pay for standby duty is determined by the HRO and forwarded to the PRO via SF 50. (See Chapter 4, Table 4-1 for a list of deductions withheld). Standby duty pay is generally not used for Federal law enforcement employees however, for more information concerning standby duty pay, refer to Chapter 3. Standby duty pay under 5 C.F.R. 550.141 may not be paid to an LEO, who is receiving availability pay. See 5 C.F.R. 550.163.

C. Overtime Computation. Overtime work scheduled in advance of the administrative workweek on a day containing part of a criminal investigator's basic 40-hour workweek must be compensated under 5 C.F.R. 550.111.

D. Administratively Uncontrollable Overtime (AUO). Information concerning AUO for LEOs is located in Chapter 3 and on the ***OPM*** website for pay and leave.

102103. Leave Accrual

Leave accrual guidance for LEOs is based on the guidelines published in 5 C.F.R. 630.

102104. Mandatory Separation

LEOs eligible for immediate retirement must separate from the federal service on the last day of the month in which the employee becomes 57 years of age unless he or she has not yet completed 20 years of service. In that case, the employee separates on the last day of the month in which he or she completes 20 years of service. See 5 U.S.C. § 8335(b), 5 U.S.C. § 8425(b), 5 U.S.C. § 8336(c), and 5 U.S.C. § 8412(d).

102105. Retirement

LEOs have a unique retirement deduction percentage rate for CSRS and FERS employees, which are published by OPM in the CSRS and FERS Handbook, Chapter 30.

1022 MILITARY SEALIFT COMMAND (MSC)

The pay of officers and members of crews of vessels shall be fixed and adjusted from time to time as nearly as is to be consistent with the public interest in accordance with prevailing rates and practices in the maritime industry. See ***5 U.S.C. § 5348***. Hours of work and premium pay policy for MSC civil service mariners are covered by Department of the Navy Civilian Marine Personnel Instruction 610, Hours of Work and Premium Pay, which has been approved by the Department of the Navy's Office of Civilian Human Resources. Base wage and premium pay scales for MSC civil service mariners are approved by the DoD Wage Setting Authority, in coordination with OPM.

*1023 DE FACTO EMPLOYEES

102301. General

A de facto employee is an individual who, in good faith, renders services to the government but who was never properly appointed or never actually appointed as an employee. There are four common de facto employment situations:

A. When an individual performed services, but was not recorded as an employee in the pay system because either the record was not yet established or the individual began working prior to their official starting date.

B. When a current employee received pay for an erroneous promotion.

C. When an employee performed services after their official separation date or after the end date of their service appointment.

D. When an individual was hired and performed services under an erroneous appointment, but is not expected to receive a legal appointment.

102302. Payment of De Facto Employees

A. General. Under the principles of quantum meruit (i.e., the actual value of services performed) an individual whose appointment is found to be improper or erroneous is entitled to receive compensation earned, service credit for purposes of accrual of annual leave, and lump-sum payment for unused leave upon separation, unless:

1. The appointment was made in violation of an absolute statutory prohibition, or

2. The employee was guilty of fraud in regard to the appointment or deliberately misrepresented or falsified a material matter.

See 58 Comp. Gen. 734 ***B-191977, August 17, 1979*** and 61 Comp. Gen. 127 ***B-197400*** December 10, 1981.

B. De Facto Determination and Payment Processing. Payment of de facto employees for services rendered to the government will depend on the facts of each individual's situation. The employing agency must make a determination identifying the employee as a de facto employee who acted in good faith and must convey that determination to DFAS. The employing agency must submit a payroll processing request to initiate the payment of a de facto employee. A de facto determination from the agency will invalidate any debt that may have been established for wages paid.

C. De Facto Guidance. The payment of de facto employees has been addressed in the following Comptroller General opinions:

1. Individual Serving before Appointment. Individuals serving in a de facto status before officially appointed should be compensated for the reasonable value of their services performed during that period. Payment is established at the rate of basic compensation set for the positions to which they are ultimately appointed. See Comp. Gen. B-***191397, September 6 1978*** and ***B-189741, April 4, 1978***.

2. Individual Never Appointed. The reasonable value of the services of an individual who was never in fact appointed to the position which the individual purportedly filled, should be established at the rate of basic compensation for the position that was ultimately advertised and filled. Comp. Gen. ***B-193605, January 8, 1979***.

3. Premium Pay. The rule that a de facto employee is entitled to the reasonable value of his or her services does not limit the employee to receipt of basic compensation only. The reasonable value of his services includes premium pay, including holiday pay. Comp. Gen. ***B-188574, December 29, 1977***.

4. Termination and Reemployment. In the event an individual is terminated from employment after the appointment was found to be erroneous and is then reemployed after a break in service, the individual is entitled to compensation earned, lump-sum payment for accrued annual leave, service credit for annual leave accrual purposes, and recredit of accrued sick leave. If OPM denies service credit for the period of the improper appointment, the employee would be entitled to a refund of the retirement deductions made from his or her salary during the period of the erroneous appointment, less any necessary Social Security deductions. Comp. Gen. ***B-197400, December 10, 1981***.

5. Dual Compensation Prohibition. De facto status may not be applied to nullify the effect of a statutory provision that prohibits dual compensation. See Comp. Gen. ***B-157983, December 13, 1965***.

6. Erroneous Promotions. A current employee who receives an erroneous promotion may be regarded as a de facto employee. For example, an employee is regarded as a de facto employee if the employee is promoted but it is later determined the employee did not meet the general requirements of the higher position. The employee is entitled to retain the compensation received for the services performed in good faith as a de facto employee during the period of the erroneous promotion unless there is a statutory bar prohibiting such payment. See Comp. Gen. ***B-221745, April 28, 1986***.

C. Tax Reporting. Pay to a de facto employee should be reported as if the individual had been a correctly appointed employee during the de facto period. De facto status has no impact on how pay is reported. Any pay that includes wages should be reported on a W-2 form for the year in which payment is made.

1. Example: An employee was erroneously promoted and performed duties and received pay associated with the erroneous promotion in 2013. The error was not discovered until 2014. The payments for the de facto employment were reported as taxable income on the 2013 W-2 form. There should be no adjustment to the 2013 W-2 even though the error was discovered in 2014.

2. Example: An employee was erroneously promoted and performed duties and received pay associated with the erroneous promotion in 2013. The error was discovered in 2013 and the full amount paid was collected as a debt from the employee in 2013. A de facto determination was submitted in 2014, which authorized the employee to be paid for the services performed as a de facto employee. The wages for the de facto period were repaid to the employee in 2014. The wages for the de facto period are reported in the year actually paid, or 2014.

D. FEHB and FEGLI Deductions

1. FEHB. Under the Affordable Care Act, health insurers may not cancel coverage retroactively if premiums have already been paid, even when an employer has

erroneously allowed an ineligible employee to enroll in FEHB. Premiums should not be refunded to the de facto employee.

2. FEGLI. If the error is discovered before 2 years have passed, incontestability does not apply and the erroneous coverage is not valid. Any erroneous coverage should be voided and the premiums should be refunded. See FEGLI Handbook and chapter 11 of this volume.

E. TSP. The regulations at ***5 C.F.R. 1605.12*** set out procedures for removing erroneous contributions received by TSP from employees and employers.

F. Retirement Credit. The question of whether a de facto employee is entitled to service credit for retirement purposes should be referred to OPM. If OPM denies service credit for the period the de facto employee worked, the de facto employee is entitled to a refund of retirement contributions made during the de facto period, less any Social Security deductions. See 61 Comp. Gen. 127 (1981).

102303. Variations

OPM assists Federal agencies with correcting errors made during the competitive hiring process. Variations are used to correct errors made in the competitive hiring process when no other remedy exists within the regulation. See ***OPM Guidance***, Hiring Authorities and ***5 C.F.R. 5.1***.

*1024 HIGHLY QUALIFIED EXPERTS (HQEs) AND HIGHLY QUALIFIED EXPERTS-SENIOR MENTORS (HQEs-SMs)

102401. General

Employees appointed as an HQE must possess an uncommon level of expertise and recognition. Such expertise, with the exception of HQE-SMs, is generally not available within the Federal workforce at the time of need, nor is it typically gained within the civil service or uniformed services. HQE-SMs, by nature, have the expertise and experience required to fulfill their intended roles, having been recruited from former or retired civil service or uniformed service personnel. See 5 U.S.C. 9903; ***DoDI 1400.25, V922***.

102402. Appointments

Employees hired as HQEs will be given “Excepted Not to Exceed” appointments (up to 5 years) under an Experts Other (EE) pay plan. The HQE or HQE-SM must sign a written service agreement.

102403. Pay

Compensation for an HQE or HQE-SM should reflect the salary paid in the labor market for comparable positions, taking into account such factors as applicant’s skills, professional and educational accomplishments, and the complexity of the work the applicant is asked to perform.

See DoDI 1400.25, V922 for other relevant factors. Basic pay for an HQE or HQE-SM typically will be within the range from GS-15, step 1 (or equivalent) up to the statutory limit of Level IV of the Executive Schedule. In addition to basic pay, HQEs and HQE-SMs may receive locality-based comparability payments applicable to the geographic location of their position of record as prescribed by section ***5 U.S.C. § 5304***. When added to the rate of basic pay, locality-based comparability payments may not exceed Level III of the Executive Schedule as described in 5 U.S.C. § 5304(g)(2)(C). See DoDI 1400.25, V922 for additional pay information.

102404. Performance Awards

HQEs and HQE-SMs are not eligible to receive performance awards.

102405. Leave

HQEs and HQE-SMs are subject to the annual leave accrual provisions of ***5 U.S.C. § 6304(a)***, which sets the maximum number of annual leave hours carried forward from one leave year to another at 240 hours. Full-time HQEs and HQE-SMs accrue 8 hours of annual leave per pay period and at a prorated rate for other eligible part-time employees.

VOLUME 8, CHAPTER 11: "ALLOTMENTS AND VOLUNTARY DEDUCTIONS"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated May 2015 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Revised chapter to include administrative update and hyperlinks.	Revision
110103	Added paragraph for "Authoritative Guidance."	Addition
110301	Added information pertaining to "Self Plus One."	Addition
110302.F.5.b	Revised information regarding "Federal Employees Health Benefits" deductions while employee is receiving "Office of Workers Compensation Program (OWCP)" payments.	Revision
110302.I.2	Changed reference from Volume 5, Chapter 28 and Volume 8, Chapter 8 to Volume 16.	Revision
110304.A.3.b and 110610.B.1.b	Added Volume 16, section 030207 as a reference to the sections.	Addition
110503.B	Revised information in section concerning "Flexible Spending Account Allotments" prior to and after 2015.	Revision
110602.B.c	Changed wording from "individual" to "employee."	Revision
110605.F.1	Revised information regarding "Federal Employees Group Life Insurance" deductions while the employee is receiving OWCP payments.	Revision
111002.A	Changed the G Fund to the Lifecycle Fund.	Revision
111002.D	Deleted "myPay" since employees cannot use myPay to change their "Thrift Savings Plan (TSP)" elections.	Deletion
111006	Added section for "Correcting Late Contributions."	Addition
111007	Added information for "Correction of Employing Agency Errors."	Addition
111008.A.4	Added information on "Back pay" to employee making TSP contributions.	Addition
111101.D	Changed the address for "Post-56 Military Deposits."	Revision

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CHAPTER 11

ALLOTMENTS AND VOLUNTARY DEDUCTIONS

1101 GENERAL

110101. Overview

Allotments and voluntary payroll deductions are made from an employee's gross pay. Both allotments and voluntary deductions are executed at the employee's request and require written authorization from the employee prior to withholding the deduction. See Chapter 4 for information on mandatory deductions.

110102. Purpose

The purpose of this chapter is to provide guidance on mandatory, discretionary, and voluntary deductions as they may be applied to an employee's gross pay.

*110103. Authoritative Guidance

Specific statutes, regulations, and other guidance are referenced under each section of this chapter.

1102 ALLOTMENTS

110201. Overview

An allotment is a recurring deduction from an employee's pay that is authorized by the employee. An allotment is paid to a specific person or institution as directed by the employee. An agency must permit an employee to make certain mandatory allotments as discussed in paragraph 110202. Additionally, an agency may permit an employee to make additional discretionary allotments that have been deemed appropriate by the agency. For additional information, see Title 5, United States Code (U.S.C.), ***section 5525***, Title 5, Code of Federal Regulations (C.F.R.), ***Part 550, subpart C***, and paragraph 110203. For information concerning the order of precedence for processing both mandatory and voluntary deductions and allotments, see Chapter 4.

A. Allotment Processing. An allotment must be requested in writing by the employee. The request may be made electronically or by regular mail. The allotment request must identify the authority under which the allotment is permitted, the specified amount to be deducted, the period of time over which the deduction is to be made, and the name and address of the person or institution to whom the allotment is payable. The authorized deductions may be made through automated computer programs using a personal identification code.

B. General Limitations on Allotments. Any allotment is subject to the following limitations:

1. The employee must designate the amount of the allotment and the person or institution to whom the allotment is made payable,

2. The total amount of allotments may not exceed the pay due the employee for a particular pay period,

3. The employee must personally authorize a change or cancellation of an allotment,

4. The agency has no liability in connection with any authorized allotment disbursed by the agency in accordance with the employee's request, and

5. Any disputes regarding any authorized allotment are a matter between the employee and the allottee.

C. Allotments Not Authorized. The following allotments are not authorized:

1. Collection of debts to private creditors and nongovernmental agencies;

2. Contributions to charities, except as authorized in subparagraph 110202.C and 110203.B;

3. Payment of insurance premiums, except as authorized in subparagraph 110202.G; and

4. Payment of dues to civic, fraternal or other organizations, except as authorized in subparagraphs 110202.A, 110202.B, and 110203.B.

110202. Mandatory Allotments

Mandatory allotments are those allotments an agency must permit an employee to make as authorized under ***5 C.F.R. 550.311(a)***.

A. Allotments for Labor Organization (Union) Dues. An allotment for dues payable to a labor organization is authorized under ***5 U.S.C. § 7115***. Any eligible employee has the right to make a voluntary allotment for the payment of dues to labor organizations. Employees must submit a Standard Form ***(SF) 1187***, Request for Payroll Deductions for Labor Organization Dues, to request and authorize the allotment of pay. The allotment is effective the first pay period beginning after receipt of the properly executed SF 1187.

1. Deductions for Dues. Unless the negotiated collective bargaining agreement states otherwise, the amount of the dues deduction indicated on the SF 1187 will remain

the same until the appropriate official in the labor organization certifies the dues amount has changed. When an employee is in a nonpay status for an entire pay period, the Payroll Office (PRO) will not deduct a missed allotment for that pay period from future earnings. The PRO will not take a partial deduction if an employee is in a nonpay status for part of a pay period and the employee's earnings are not sufficient to cover the full deduction. An employee's biweekly deductions for labor organization dues should be calculated as follows:

a. If the amount stated on the SF 1187 refers to a total annual deduction for a 12-month period, then divide the total annual deduction by 26 to determine the biweekly deduction.

b. If the amount stated on the SF 1187 refers to a monthly deduction, then multiply the monthly deduction by 12 to determine the total annual deduction. Divide the total annual deduction by 26 to determine the biweekly deduction.

2. Cancellation of Dues Allotment by Employee. An employee may submit a request to cancel the allotment for payment of labor organization dues at any time.

a. Written Cancellation Required. An employee may file an ***SF 1188***, Cancellation of Payroll Deductions for Labor Organization Dues, to cancel an allotment. However, any written request signed by the employee for the cancellation of an allotment that contains sufficient information may be acceptable. Unless the collective bargaining agreement states otherwise, the employing activity is responsible for furnishing the SF 1188 to employees upon request.

b. Effective Date. Under 5 U.S.C. § 7115(a), an employee may cancel a union dues allotment at yearly intervals (or as negotiated in a collective bargaining agreement as long as the intervals are consistent with section 5 U.S.C. § 7115(a)). An employee may not be prevented from cancelling a dues allotment for a period of greater than one year.

3. Automatic Termination of Allotment. An allotment for payment of labor organization dues is automatically terminated pursuant to 5 U.S.C. § 7115(b) when any of the following events occurs:

a. The collective bargaining agreement between the agency and the labor organization ceases to be applicable to the employee. For example:

(1) When an employee is no longer a member of the bargaining unit due to separation from the employing activity, the termination of the allotment will be effective with the employee's final pay from the activity;

(2) When an employee is no longer eligible to be a member of the bargaining unit due to a promotion or reassignment to a supervisory position, the termination of dues will be effective at the beginning of the first pay period after the employee loses eligibility to be a member; or

(3) When the labor organization loses eligibility for exclusive recognition, the termination of the allotment will be effective at the beginning of the first pay period after notification is received concerning the loss of recognition.

b. The employee is suspended or expelled from membership in the labor organization. Termination of dues will be effective the first pay period after the Defense Finance and Accounting Service (DFAS) receives the written notification from the labor organization indicating that an employee was suspended or expelled from membership.

4. Erroneous Deduction of Dues after Automatic Termination of Allotment. The agency must automatically terminate an allotment for labor organization dues when the employee ceases to be a member of the bargaining unit. There is no additional requirement for the employee to submit a cancellation form or to take any other action to terminate the allotment. If the agency does not terminate the allotment for labor organization dues in a timely manner, the PRO must refund any erroneously deducted labor organization dues, without interest, to the employee. The agency has a claim against the labor organization for the overpayment amount.

B. Allotments for Association of Management Officials and/or Supervisors Dues. An allotment for dues payable to an association of management officials and/or supervisors is authorized under ***5 C.F.R. 550.331***. An employee is eligible to make a voluntary allotment for the payment of dues if the employee is a supervisor or management official and is a member of the association. The agency and the association of management officials and/or supervisors must maintain a written agreement allowing for the deduction of allotments for the payment of dues.

C. Allotments for Charitable Contributions. An agency must permit an employee to make an allotment for charitable contributions through the Combined Federal Campaign (CFC) under ***5 C.F.R. 550.341***. For additional information, see Department of Defense Instruction ***(DoDI) 5035.01*** and ***DoDI 5035.05***. The CFC is a charitable fundraising program established and administered by the Office of Personnel Management (OPM) and is the only authorized solicitation for charitable contributions from employees in the Federal workplace. OPM designates a Local Federal Coordinating Committee (LFCC) to conduct the CFC in a particular community. For additional information, see ***5 C.F.R. 950*** and Executive Orders ***12353*** and ***12404***.

1. Geographic Boundaries of the Local Campaign. An employee may participate in a particular CFC only if that employee's official duty station is located within the geographic boundaries of that CFC. This restriction may be discontinued with the implementation of appropriate electronic technology as approved by OPM. Upon a showing of extraordinary circumstances and as determined by the Director of OPM, employees may contribute in support of victims in cases of emergencies and disasters defined in 5 C.F.R. ***950.102(a)*** outside the geographic boundaries of their participating CFC. The employee may make such contributions by check, money order, cash, or by electronic means, including credit cards as approved by the Director, but not through payroll deduction. See ***5 C.F.R. 950.103(h)***.

2. CFC Pledge Form. The CFC Pledge Form is the only form an employee may use to authorize a CFC payroll allotment. Agencies distribute the form to employees, along with other campaign materials including the official charity list, when the charitable contributions are solicited. Employees submit a completed CFC Pledge Form (either directly or through the CFC agent) in order to establish a CFC payroll allotment. An agency must conduct a campaign during the period determined by the LFCC, which will not begin before September 1 and will not extend beyond December 15. The agency transmits the original copy of each paper pledge form (payroll allotment authorization or an acceptable electronic version) to the contributor's servicing PRO as promptly as possible, preferably by December 15. Late pledge forms should be accepted and processed by the PRO. See ***5 C.F.R. 950.901***.

3. CFC Allotments are Voluntary. A CFC allotment is voluntary and based on the employee's written authorization.

4. 1-Year CFC Allotment Term. A CFC allotment term begins with the first full pay period starting in January and ends with the last pay period that begins in December.

5. CFC Allotment Amount. Employees specify an allotment amount to be deducted each pay period during the year. Allotments will not be less than $1 per biweekly pay period. There is no restriction on the size of the increment above the minimum amount. The amount of the allotment may not be adjusted during the 1-year term.

6. Discontinuance of CFC Allotments. Allotments discontinue automatically after the expiration of the 1-year term, or upon the death, retirement, or separation of the employee from Federal service. An employee may voluntarily discontinue an allotment by requesting a cancellation in writing at any time. Discontinuance of an allotment is effective the first pay period beginning after receipt of the written cancellation. An employee may not reinstate a discontinued allotment.

7. Transfer of CFC Allotment Authorization. If an employee transfers during the 1-year term of the allotment, the allotment authorization should continue unless the transfer is to an area outside of the original CFC location. Transfer the allotment authorization to the new PRO if transfer is located in the same CFC location.

D. Allotments for Income Tax Withholding. An employee may make an allotment for income tax withholding when the employee has a legal obligation to pay, but the agency has no legal obligation to withhold taxes. The allotment for payment of taxes authorized by ***5 C.F.R. 550.351*** applies to State, District of Columbia, and local income or employment taxes.

E. Allotments for Personal Accounts at Financial Organizations. An employee may authorize two or more allotments for a personal account(s) at a financial organization. The allotment deductions must be a fixed amount for each biweekly pay period and will continue until canceled by the employee.

1. Initiation. To initiate an allotment to a personal account at a financial organization, an employee submits an ***SF 1199A***, Direct Deposit Sign-Up Form. Employees may also initiate an allotment to a financial organization through an automated computer program that allows employees to process allotments using a personal identification code. To initiate the allotment, the employee must provide a routing transit number, the employee's account number, account type, and the biweekly amount.

2. Changes. To change the amount of the allotment or the financial organization or account, the employee must submit a new SF 1199A. The employee may also make a change through an available automated computer program.

3. Cancellations. An employee may cancel an allotment to a financial organization at any time by submitting the appropriate form to the Customer Service Representative (CSR) for processing. The employee may also cancel the allotment through an available automated computer program.

4. Deductions

a. If the salary is sufficient to cover the deduction, the PRO will deduct the full allotment amount each pay period even if an employee is in a pay status for only part of a pay period. No deductions will be made if the salary amount is insufficient to cover the full allotment deduction.

b. Retroactive deductions will not be made for a period during which the employee's net pay was insufficient to cover the allotment. The PRO will not make adjustments during future pay periods for amounts it failed to deduct during a current pay period.

F. Child Support and/or Alimony Payments. Employees are permitted to make an allotment for child support and/or alimony when he or she voluntarily elects to do so as authorized by ***5 C.F.R. 550.361***. This provision for a voluntary allotment does not apply to garnishment orders issued to enforce child support or alimony obligations.

G. Flexible Benefits Plan Allotments. The PRO permits eligible employees to make an allotment as part of a flexible benefits plan established by OPM. The Federal Flexible Benefits Plan (FedFlex) is OPM's cafeteria plan that offers pretax benefits to employees in accordance with Internal Revenue Service (IRS) regulations. The FedFlex offers the following options:

1. ***Premium Conversion***. Premium conversion for medical, dental, and vision plans allows employees to pay premiums using pretax dollars. See subparagraph 110302.H.

2. ***Flexible Spending Accounts (FSAs)***. FedFlex offers employees the opportunity to participate in the Federal Flexible Spending Accounts Program (FSAFEDS). See section 1105.

3. ***Health Savings Accounts (HSAs)***. Eligible employees enrolled in a high deductible health plan (HDHP) may establish an HSA with an HSA trustee or custodian and may request allotments to fund the HSA. An HSA is funded with pretax monies and may be used to cover current and future qualified medical expenses. The allotment continues until the employee revokes or modifies the allotment election. An employee may modify an HSA allotment at any time in order to effect a prospective change. Any balance remaining in an HSA at the end of a plan year automatically carries forward in the account and no HSA account is subject to forfeiture. Employees are responsible for ensuring their enrollment and contributions are in accordance with IRS rules and within annual limits. Payroll providers are not responsible for verifying employee eligibility or checking to ensure employee contributions are within annual limits.

110203. Discretionary Allotments

In addition to the mandatory allotments that an agency is required to accept from employees, an agency may also permit employees to authorize discretionary allotments made at the employee's request for any legal purpose deemed appropriate by the head of the agency (or designee). The authority to accept discretionary allotments does not constitute independent authority by an agency to permit pretax allotments in addition to the flexible benefit plan allotments authorized by OPM under subparagraph 110202.G. See 5 C.F.R. 550.311(d).

A. Purchase of Savings Bonds. The United States (U.S.) Department of Treasury has discontinued the issuance of paper savings bonds through federal agency payroll savings plans. Savings bonds may be purchased in the following manner:

1. An employee must open a ***TreasuryDirect*** account. As instructed by the TreasuryDirect payroll savings plan, the employee must submit a request to the civilian PRO for a payroll deduction in the form of an allotment. The employee's request must include the TreasuryDirect account and the amount to be deducted biweekly.

2. Savings bonds purchased in TreasuryDirect post to the employee's account one business day after the scheduled purchase date.

B. Foreign Affairs Agency Organizations. An employee may elect to make an allotment to pay dues to a foreign affairs agency organization in accordance with ***5 C.F.R. 550.371***.

1. The employee is allowed to revoke the authorization at least every 6 months; and

2. The allotment terminates when the dues withholding agreement between a foreign affairs agency and the organization is terminated or ceases to be applicable to the employee.

C. Military Welfare Societies (MWSs). An employee may elect to contribute voluntarily to the MWSs as an authorized charitable campaign. The MWSs include, Army

Emergency Relief Society, Navy-Marine Relief Society, and the Air Force Aid Society. With the exception of CFC (see subparagraph 110202.C), MWSs are prohibited from soliciting Federal civilian employees.

1103 FEDERAL EMPLOYEES HEALTH BENEFITS (FEHB)

*110301. General

The FEHB Program was originally authorized in 1960 and is governed under ***5 U.S.C. Chapter 89*** and ***5 C.F.R. 890***. FEHB is an employer-sponsored group health insurance program for eligible Federal civilian employees, retirees, former employees, family members, and former spouses. In January 2016, the Self Plus One enrollment type became available. See Benefits Administration Letter ***(BAL) 15-210***. Employees are eligible to enroll themselves and eligible family members in a health plan offered by FEHB. An employee's participation in the program is voluntary. OPM sets the amount that the government contributes toward an employee's health plan cost, and the employee is responsible for paying the remaining balance of the premium cost through salary withholding. OPM designates a three-digit enrollment code to identify health plans. The first two digits identify the plan and the third digit identifies the option (high or standard) and the type of enrollment (self only or self and family). For more information, visit ***FEHB Facts***.

A. Authorized FEHB Forms

1. The ***SF 2809***, Health Benefits Election Form, must be completed by the employee in order to:

a. Enroll or reenroll in the FEHB Program,

b. Elect not to enroll in the FEHB Program,

c. Change FEHB enrollment,

d. Cancel FEHB enrollment, or

e. Suspend FEHB enrollment.

2. The ***SF 2810***, Notice of Change in Health Benefits Enrollment, must be completed by the employee for the purpose of:

a. Termination,

b. Transfer in,

c. Reinstatement, or

d. Change in name of an enrollee.

B. Effective Dates. Except for open season, or unless otherwise provided, most enrollments and changes to enrollments are effective the first day of the pay period after the employing office receives the SF 2809 enrollment or SF 2810 change request. An employee must be in a pay status at least part of the pay period preceding the effective date of enrollment or change request. If an employee was not in a pay status during the pay period preceding the request, the enrollment or change becomes effective on the first day of the pay period after the employee returns to pay status. Open season begins the Monday of the second full workweek in November and ends the Monday of the second full workweek in December. OPM sets the effective date for enrollments and changes made during the annual open season.

*110302. FEHB Premium Contributions and Withholdings

Information concerning government employer contributions (Government contribution) and employee withholdings for FEHB premiums can be found in 5 C.F.R. 890, subpart E. See FEHB ***Handbook***. Premium contributions and withholdings begin the first pay period that the enrollment is effective. The PRO forwards the contributions and withholdings to OPM using the Retirement and Insurance Transfer System (RITS) on the same date payroll is paid.

A. Government Premium Contributions. The Government's contribution must be paid every biweekly pay period during which an employee's enrollment continues, whether the employee is in a pay or nonpay status. The Government contribution for eligible employees is paid out of agency appropriations or other funds available for payment of salaries.

B. Full-Time Employee Premium Withholding. Unless otherwise provided, full-time employees are responsible for paying their share of the premium for every pay period that enrollment continues. The PRO deducts the withholding amount each pay period from the employee's pay. The amount is determined by the rate applicable to the plan, option, and coverage selected by each employee. The plan brochure describes the benefits, biweekly deduction, and other major features of each participating plan. If the withholding is insufficient, the employee incurs a debt to the U.S. in the amount of the proper withholding required for each pay period. Employees must check their Leave and Earnings Statements (LES) to verify the premium withholding is correct and must report discrepancies to their employing office immediately.

C. Part-Time Employees Premium Withholding and Contributions. Part-time employees, as defined in ***5 U.S.C. § 3402***, may elect coverage under FEHB and must pay the employee share of the FEHB premium. The agency pays the employer contribution in whole or in part depending on the following, as determined by the Human Resources Office (HRO).

1. A part-time career employee hired after April 8, 1979, who works 16 to 32 hours a week (or 32 to 64 hours biweekly) is entitled to a partial Government contribution toward the FEHB premium that is in proportion to the number of hours scheduled to work in a pay period. The partial contribution is determined as follows:

a. The prorated share of the Government's contribution is determined by dividing the number of scheduled hours the part-time employee works as indicated on the ***SF 50***, Notification of Personnel Action, by the number of hours worked by a

full-time employee serving in the same or comparable position (normally 80 hours per biweekly pay period).

b. The resulting percentage is applied to the Government contribution made for full-time employees enrolled in that plan.

c. The amount of the Government contribution is deducted from the total premium (Government contribution plus employee share), and the remaining amount is withheld from the employee's pay. See ***5 U.S.C. § 8906(b)(3)*** and refer to the FEHB Handbook.

2. Employees who served on a part-time basis before April 8, 1979, and who have continued to serve on a part-time basis without a break in service, are eligible for the full Government contribution.

D. Temporary Employee Premium Withholdings and Contributions. The Federal Employees Health Benefits Amendments Act of 1988 provides FEHB coverage for certain temporary employees. To be eligible for coverage, a temporary employee must have completed 1 year of current continuous employment, excluding any break in service of 5 days or less. See 5 U.S.C. § 8906a(a). The employee must pay both the employee and the government share of the FEHB premium.

E. Withholding and Contributions under Certain Conditions

1. Withholding From Lump-Sum Leave (LSL) Payment. The PRO will not deduct the regular biweekly withholding for FEHB premiums from an employee's LSL payment. However, the PRO may collect from the LSL payment any previously established debt that is the result of an employee's underpayment or failure to pay premiums.

2. Withholdings and Contributions Upon Transfer. An employee's health plan enrollment and coverage continue without change when the employee transfers from one PRO to another without a break in service of more than 3 days. Each PRO is responsible for FEHB premium withholdings and contributions during the time the employee was in a position serviced by the PRO. The PRO will prorate the withholdings and contributions using the Daily Proration Rule if the employee transfers to a different PRO at any time other than the first day of the pay period. See subparagraph 110302.G.

3. Withholding and Contributions Upon Retirement. If an employee retires and is eligible to continue enrollment in a health plan as an annuitant, the PRO's responsibility for FEHB premium withholdings and contributions is based on the date the annuity starts. If the annuity starts after the end of the employee's final pay period, the PRO makes withholdings and contributions for the entire final pay period. If the annuity starts before the end of the employee's final pay period, the PRO makes withholdings and contributions through the day before the starting date of the annuity using the Daily Proration Rule discussed in subparagraph 110302.G. OPM will make withholdings beginning with the effective date of the annuity.

4. Withholding and Contributions Upon Death. If an employee dies and there is no survivor annuity, or if the employee maintained self only enrollment, the PRO must make full FEHB premium withholdings and contributions for the pay period in which the employee dies. If a survivor annuitant is eligible to continue enrollment, the PRO will prorate the calculation using the Daily Proration Rule and the employee's date of death.

5. Withholding and Contributions Upon Retroactive Reinstatement. An employee who is restored to duty retroactively after an erroneous suspension or removal may elect to have his or her enrollment retroactively reinstated, or may enroll in the plan and option of their choice in the same manner as a new employee. If the employee elects to have the enrollment retroactively reinstated, the PRO must take deductions for the period of suspension or removal from the retroactive pay adjustment (i.e., back pay award) and the Government premium contributions should be made as though the suspension or removal had not occurred.

6. Withholding and Contributions Upon Termination or Reinstatement for Military Service. If enrollment is terminated or reinstated because of an employee's entry into or return from military service, the Daily Proration Rule is applied. The effective date of the action is the date the employee entered into or returned from military service.

F. Withholding and Contributions During Leave Without Pay (LWOP) or Insufficient Pay Status

1. 365-Day Limit. Enrollment may continue while an employee is in a nonpay status for up to 365 days. The 365 days of continuous enrollment is not considered to be broken by any period of less than 4 consecutive months in pay status. If an employee has 4 consecutive months in pay status after a period of nonpay status, the employee is entitled to begin a new 365-day period of continuous enrollment. See 5 C.F.R. 890.303(e).

2. PRO Forwards Premium Payments Each Pay Period. An employee is responsible for continuing to pay the employee's share of the FEHB premium during periods of LWOP or insufficient pay, unless the employee terminates the enrollment. The PRO will not withhold the employee's share of premiums for a pay period when an employee is on LWOP or has insufficient pay to cover the full FEHB premium. However, the PRO must continue to forward the full FEHB premium (both the Government contribution and the employee's share) to OPM each pay period. The PRO must advance salary to cover the employee's share of the FEHB premium and the employee will incur a debt for the advance payments.

3. Notification to Employee. The payroll system must be capable of identifying all employees on LWOP or who have insufficient pay to cover premiums. Written notice must be provided to an employee by the PRO as soon as the PRO becomes aware that premium payments cannot be withheld from the employee's salary. Notice should be provided in accordance with instructions in the FEHB Handbook and 5 C.F.R. 890.502(b) and sent by first-class mail or delivered in person. If mailed, the notice is considered to be received 5 days after the date of the notice. The notice must advise the employee of the following:

a. Options for continuing or terminating enrollment;

b. Effect of termination;

c. If the employee decides to continue coverage, the employee must agree to pay the premium directly, incur a debt, or pre-pay premiums;

d. If the employee elects to incur a debt or fails to pay the entire amount due, the employee thereby agrees to repay the debt in full and allow the debt to be collected by salary offset. The notice should indicate that if the debt cannot be collected by salary offset, it will be recovered from a LSL payment, income tax refunds, retirement payments, or any other source available for the recovery of a debt due the government; and

e. If the employee does not complete the election indicating whether the employee chooses to continue or terminate enrollment and return the notice within 31 days after receipt (45 days if the employee lives overseas), enrollment will automatically terminate.

4. Employee Must Continue or Terminate Enrollment. If the employee enters LWOP or pay is insufficient, the employee must either terminate enrollment or agree to pay the premium (or incur a debt) in order to continue enrollment. See the FEHB Handbook for additional information.

a. Terminating Enrollment

(1) Coverage. If the employee elects to terminate enrollment, the termination is effective at the end of the last pay period in which the PRO withheld the premiums from pay. Upon termination, FEHB coverage continues for an additional 31 days at no cost to the employee. During the 31-day period, the employee and covered family members may convert to an individual contract with the insurance carrier (commonly referred to as the "conversion right").

(2) Reenrollment. If the employee returns to a pay status, or at the end of the first pay period that pay becomes sufficient to cover premiums, the employee must reenroll within 60 days if the employee wishes to elect FEHB coverage again. If the PRO has forwarded the Government contribution to OPM using RITS and an adjustment is required in a subsequent pay period due to the late receipt of the FEHB cancellation, appropriate changes must be made to the Department of Defense (DD) Form ***592***, Payroll for Personal Services, and the ***SF 2812-A***, Report of Withholdings and Contributions for Health Benefits by Enrollment Code. See the CSRS and FERS Handbook.

b. Continuing Enrollment. If the employee elects to continue coverage, the employee may pay premiums directly to the employing agency while on leave ("pay-as-you-go" option), incur a debt for the unpaid premiums while on leave ("catch-up" option), or pre-pay the premiums before the employee goes on LWOP. The PRO must notify the employee of choices available (using the notification discussed at subparagraph 110302.F.3) and provide the employee with a method to make direct premium payments. If the employee elects to incur a debt, the employee must repay the debt in full or the employee will be subject to debt

collection action. If the employee pre-pays the premiums, the amount may be deducted from pay or may be paid out-of-pocket. Out-of-pocket payments are after-tax monies.

c. Employee Takes No Action. If the employee does not sign and return the written notice within 31 days of receiving the notice (45 days for overseas employees), the PRO must terminate the enrollment on the SF 2810, Notice of Change in Health Benefits Enrollment. The effective date of enrollment termination is retroactive to the end of the last pay period that premiums were withheld from pay.

5. Coordinating Withholding from Disability Retirement or Workers' Compensation

a. Pending Applications.

(1) General. An employee's period of LWOP may be associated with an employee's pending application for disability retirement or workers' compensation benefits. Generally, if the employee's application is approved, the disability retirement annuity or workers' compensation benefits will be payable from the day following the last day of pay.

(2) PRO Actions. If the employee does not continue to make premium payments during LWOP, the PRO must recover the employee's share of the FEHB premium from the annuity or workers' compensation benefits payment. If the employee paid his or her share of FEHB premiums during LWOP and withholding is also made from the annuity or workers' compensation benefits for the same period, the PRO will refund the amounts to the employee to avoid double premium payments. If the disability retirement annuity does not begin on the day following the last day of pay, the PRO will not refund premium payments until the office receives a notice from OPM indicating the disability retirement application has been approved.

* b. Withholding While Receiving Workers' Compensation. Health benefits enrollment continues while an employee is receiving compensation through the Office of Workers' Compensation Programs (OWCP). Historically, if compensation lasted fewer than 29 days, FEHB enrollment remained with the PRO. In August of 2010, OWCP discontinued the practice of delaying deductions for the 28-day period and began making the FEHB deductions effective the first day of LWOP to prevent interruptions in insurance deductions. See Federal Employees Compensation Act ***(FECA) Circular No. 09-04*** and ***FECA Circular No. 12-05***. Enrollment continues during the first 365 days in LWOP status while an employee is receiving compensation. After 365 days, an employee must meet certain participation requirements (see FEHB Handbook) and enrollment eligibility is determined by OWCP.

6. Special Circumstances Involving Employees on LWOP. An employee may elect to continue their benefits and pay the employee share of their premiums under the following ***special circumstances***:

a. Student Trainees on LWOP. Enrollment for student trainees with a career or career conditional appointment continues during LWOP as long as the student is participating in the Student Career Experience Program under 5 C.F.R. 213.3202(b). The student must continue to pay the employee share of FEHB premiums during LWOP status.

b. Part-Time Employees on LWOP. During LWOP, a part-time career employee who receives a prorated Government contribution toward FEHB premiums must continue to pay the same amount of health benefits premiums that were withheld from the employee's pay when the employee was in pay status.

c. Temporary Employees on LWOP. A temporary employee enrolled in FEHB must pay both the employee share and the Government share of premiums during periods of LWOP. An employee who accepts a temporary position with another employing office must have the enrollment transferred from their original employing office to the new employing office. If the employee is still in LWOP status when the temporary position at the new employing office ends, enrollment must be transferred back to the original employing office. The original employing office must determine the remaining time the employee is entitled to continue FEHB coverage under LWOP. If the employee's temporary position in the original employing office has expired, the FEHB enrollment must be terminated. Both offices must coordinate the action so that withholdings and contributions are made in a timely manner.

d. Employees on Family and Medical Leave. An employee is entitled to 12 weeks of unpaid leave under the Family and Medical Leave Act (FMLA). See ***5 U.S.C. § 6382***. The 12 weeks of FMLA leave usually runs concurrently with the 365-day period for FEHB coverage during LWOP status. During the 12 weeks of FMLA leave, the general requirements for premium withholding and contributions described in paragraph 110302 apply. During any FMLA leave period that extends beyond 365 days (for example, if the employee has used an extensive amount of LWOP before beginning FMLA leave), the employee must pay the employee's share of FEHB premiums directly to the PRO on a current basis.

e. Employees Appointed to Employee Organizations

(1) Eligibility. An employee who is authorized LWOP status in order to serve as a full-time officer/employee of an employee organization may continue health benefit coverage if elected within 60 days from the start of LWOP. Coverage continues for the entire length of the appointment, even if LWOP lasts longer than 365 days. The employee pays the full cost of the health plan premium (both the employee and Government share). The employee must make the premium payment to the PRO before, during, or within 3 months after the end of each pay period.

(2) Termination. Coverage terminates if the employee does not pay premiums within this timeframe (subject to the 31-day extension of coverage and conversion right). Coverage will not resume until the employee enters pay and duty status in Federal service. Coverage may be restored retroactively if the employing agency finds that the employee was unable to make premium payments for reasons beyond the employee's control and payment is made at the first opportunity.

f. Appointments to State or Local Governments, Institutions of Higher Education, Indian Tribal Government, or other Organizations. An employee granted LWOP for the purpose of an appointment to a State or local government, an institution of higher education, Indian tribal government, or certain other organizations specified in ***5 C.F.R. 334***, may elect to continue health benefits coverage for the duration of the assignment. Employees are entitled to continue coverage even if LWOP lasts longer than 365 days. The employee must pay the employee's share of the premiums to the PRO before, during, or within 3 months after the end of each pay period. The employing office must continue to pay the Government share of the premiums as long as the employee continues to make premium payments. If the employee does not make premium payments in a timely manner, coverage:

(1) Terminates if the employee does not pay premiums in a timely manner (subject to the 31-day extension of coverage and conversion right);

(2) Will not resume until the employee enters pay and duty status in Federal service; and

(3) May be restored retroactively if the employing agency finds that the employee was unable to make premium payments for reasons beyond the employee's control and payment is made at the first opportunity.

g. Transfer to International Organization. An employee who is transferred to an international organization under ***5 U.S.C. § 3582*** may elect to continue health benefits coverage and must pay the employee share of premiums to the employing office before, during, or within 3 months after the end of each pay period. The employing office must continue to pay the Government contribution as long as the employee pays their share of the premium. Coverage terminates if the employee does not pay premiums within this timeframe (subject to the 31-day extension of coverage and conversion right). Coverage will not resume until the employee enters pay and duty status in Federal service. Coverage may be restored retroactively if the employing agency finds that the employee was unable to make premium payments for reasons beyond the employee's control and payment is made at the first opportunity. See ***5 C.F.R. 352.309***.

h. Employee Salary Paid in Less Than 12 Months. If an employee's salary is paid over a period of less than 12 months (for example, a teacher who is paid over 10 months), the employing office should prorate the annual premium installments over the number of salary installments during the year so that the employee does not owe additional premiums during the nonpay period. If the employee is on LWOP status during the normal work period, the employee must pay premiums for that period.

G. Daily Proration Rule

1. General. The Daily Proration Rule is a formula used to calculate partial employee withholdings and Government contributions for FEHB premiums. Unless otherwise provided, the full withholding and contributions must be made for each pay period even if the employee is in pay status for only part of the period. The PRO uses the Daily Proration Rule to compute partial withholdings and contributions under the following circumstances:

a. The employee transfers to a position serviced by a different PRO other than at the beginning of a pay period;

b. The employee retires other than at the end of a pay period and is eligible to continue FEHB enrollment;

c. The employee dies, and there is a survivor annuitant eligible to continue FEHB enrollment; or

d. The employee terminates or reinstates enrollment because of entry into or return from military service.

2. Application of the Daily Proration Rule. The FEHB Handbook provides examples for computing a prorated amount of withholdings and contributions using the Daily Proration Rule. Each PRO (gaining and losing) is responsible for FEHB withholdings and contributions for the actual time the employee occupied a position serviced by the PRO. The PRO must compute daily FEHB premium withholdings and contribution rates as follows:

a. Daily Withholding Rate. To determine the daily withholding rate for partial employee withholding, multiply the employee's biweekly withholding rate by 26 and divide by 364; the result will equal the daily withholding rate. Multiply the daily withholding rate by the number of days on the payroll, the result will equal the amount of withholding for which the PRO is responsible. Use the denominator of 364 even during a leap year.

b. Daily Contribution Rate. To determine the daily contribution rate for partial Government contributions, multiply the biweekly Government contribution rate by 26 and divide by 364; the result will equal the daily contribution rate. Multiply the daily contribution rate by the number of days on the payroll, the result will equal the amount of contributions for which the PRO is responsible. Use the denominator of 364 even during a leap year.

H. FEHB Premium Conversion. Premium conversion is a method for reducing taxable income by the amount of an employee's contribution to his or her FEHB premium. Premium conversion reduces the employee's taxable income thereby lowering the employee's Federal income tax, Social Security and Medicare taxes, and state and local taxes. See ***5 C.F.R. 892.102***. The HRO automatically enrolls eligible employees in premium conversion. Before the effective date of coverage, an employee may waive participation in the premium conversion benefit by filing an FEHB ***Premium Conversion Waiver/Election Form***. Thereafter, an employee may file a waiver of participation in premium conversion only under the limited circumstances set out at ***5 C.F.R. 892.205***. See 5 C.F.R. 892, subpart B for additional information.

I. Collection of Unpaid FEHB Premiums Debt

* 1. Debt Collection. Debt collection actions shall be made pursuant to the debt collection authority in Volume 16. If the employee received a salary advance to cover

FEHB premiums (using the "catch-up option") and the employee signed a statement agreeing that the debt may be withheld from future pay, then the agency is not required to offer the employee a hearing before beginning salary offset, but notice of the intent to collect the debt must be provided. See ***5 C.F.R. 550.1102(b)***.

2. Payments and Offsets. The PRO will note payments received or payroll deductions withheld and record those payments in the OPM deposit fund for FEHB withholdings. If the employee separates, the amount owed must be offset against any entitlements due. If the employee retires and final pay is not sufficient to cover the debt, then the OPM Form ***1522***, Request for Offset for Health Benefits Premiums from Monies Payable Under the Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS), must be used to offset against a CSRS or FERS annuity. In addition, note on the ***SF 2806***, Individual Retirement Record, or ***SF 3100***, Individual Retirement Record (FERS), that the separating employee has been indebted. There is no minimum amount subject to offset. If the employee has made any duplicate payments that are later offset, the duplicate payments must be refunded.

3. Debt Collection after Transfer to a Different PRO. The date of last withholding and amount due must be shown on the ***SF 1150***, Record of Leave Data, when an employee has a debt for unpaid FEHB premiums and transfers to a different PRO. Amounts due from employees transferring to another PRO should be collected by the gaining PRO and paid to the former employing office and reported to OPM by the gaining PRO.

4. Employees Erroneously Allowed to Continue FEHB Coverage Beyond 365 Days of Leave Without Pay. The Affordable Care Act does not allow a health insurer to cancel coverage retroactively if premiums have been paid, including if an employer has erroneously allowed an ineligible employee to enroll. Where an employee who was on LWOP elected to incur a debt for the employee portion of the premium, and the employee's enrollment was erroneously allowed to continue for an extended period of time beyond the 365th day, the premium debt incurred by the employee for coverage may be significant. Therefore, OPM has directed agencies that in such a case, the agency must allow the employee to choose whether to:

a. Terminate the enrollment prospectively effective last day of the pay period in which the error was discovered and keep the coverage during the erroneous enrollment period. This means, if the employee incurred a debt, the employee owes the employee share of the premiums to the agency for that period, however the employee is entitled to full benefits during the period of the erroneous enrollment; or

b. Terminate the enrollment retroactively back to the date the FEHB enrollment should have terminated (meaning the employee owes no premiums for the erroneous enrollment period, but was not covered during that period and is responsible for any claims paid). This will allow the employee to avoid a large premium debt if little or no services were used due to the agency's error.

110303. FEHB for Employees Entering Active Military Service

A. General. Federal law allows up to 24 months of continued FEHB benefits for Federal employees, and their covered dependents, who separate or enter into nonpay status to serve in the uniformed services, referred to as Absent-Uniformed Service (AUS). See 38 U.S.C. § ***4317(a)(1)(A)*** and ***5 U.S.C. § 8905a***.

1. Active Duty 30 Days or Less. If the employee is on active duty for 30 days or less and is in pay status, the employee's FEHB enrollment continues without change to the employee withholding or Government contributions.

2. Active Duty Over 30 Days. An employee who enters active duty for more than 30 days may continue enrollment for up to 24 months unless the employee terminates enrollment.

3. Cost of FEHB Coverage. As discussed in subparagraph 110303.B, the cost of FEHB is dependent upon the nature and length of the employee's active duty. Eligible DoD employees called to active duty in support of a contingency operation receive an enhanced benefit that results in the agency paying both the employee and government shares of the premiums for up to 24 months. However, if status changes to non-contingency during the employee's active duty service, a debt will incur. See also 5 C.F.R. 890.303(i), 5 C.F.R. 890.304, and 5 C.F.R. 890.502(f).

B. Premium Payments – General Information.

1. First 365 Days. For the first 365 days AUS (12 months), the employee must pay the employee share of the FEHB premium (the employee may elect to postpone payment using the "catch up option").

2. After 365 Days. After 365 days on AUS, the employee must pay both the employee share and the government share of the FEHB premium, plus a 2 percent administrative charge. Payment is made directly to the PRO on a current basis (each pay period). See 5 C.F.R. 890.502 (f). Active Duty in Support of a Contingency Operation. As discussed in subparagraph 110303.C, DoD Components pay both the employee and government's share of the FEHB premium if the employee is called or ordered to active duty in support of a contingency operation.

3. Enrollment Termination and Reenrollment. An employee's enrollment ends 24 months after absence for military service began, or 90 days after service ends, whichever is earlier. At the end of the 24 months, FEHB coverage will continue for an additional 31 days during which the employee and covered family members may convert to an individual contract with the insurance carrier. If the employee has terminated enrollment during active duty, they may enroll again within 60 days after returning to civilian employment.

4. Additional Guidance. See OPM ***Guidance*** on Coverage for Federal Civilian Employees Called to Military Duty.

C. Premium Payments When Service is in Support of a Contingency Operation. Eligible Federal employees called to active duty in support of a contingency operation, as defined in ***10 U.S.C. § 101(a)(13)***, on or after September 14, 2001, are allowed an extension of coverage under the FEHB Program for up to 24 months. See 5 U.S.C. § 8905a and 5 C.F.R. 890.502(f). DoD agencies may pay both the employee's share and the government's share of the FEHB premiums (in addition to any administrative charges the employee may otherwise be required to pay) for up to 24 months for eligible employees. See 5 U.S.C. § 8906(e)(3). When an employee moves from a contingency to non-contingency operation, the agency is required to cease paying the employee share of premiums.

1. Eligibility Requirements. To be eligible for continued FEHB coverage and payment of the employee's share of the FEHB premium under these authorities, the employee must be:

a. Enrolled in FEHB and elect to continue that enrollment;

b. A member of a Reserve component of the Armed Forces, which includes the Army National Guard, the Army Reserve, the Naval Reserve, the Marine Corps Reserve, the Air National Guard, the Air Force Reserve, and the Coast Guard Reserve;

c. Called or ordered to active duty (voluntarily or involuntarily) in support of a contingency operation as defined in 10 U.S.C. § 101(a)(13);

d. Placed on AUS or separated from civilian service to perform active duty; and

e. On active duty for a period of more than 30 consecutive days.

2. Effective Date. Continued coverage and agency full premium payment for eligible employees will be effective the date the employee is initially placed on AUS or separated from civilian service to perform active duty. Eligibility continues for up to 24 months while the employee is on active duty. The 24-month period will not be extended by the employee's intermittent use of paid leave during a period of military service.

D. Historical Information

1. Service in Support of a Contingency Operation on or After December 8, 1995, but Before September 14, 2001. Title 5 U.S.C. § 8906(e)(3) provided an extension of coverage under FEHB for no longer than 18 months for eligible employees. Under the law, agencies were authorized to pay the full FEHB premium (employee share and government share) for a period no longer than 18 months for eligible employees. The period of continued FEHB coverage began on the date of the employee's absence from their civilian position. The agency paid full FEHB premiums during periods of AUS or separation, but not during any pay period the employee used paid leave.

2. Service Not in Support of a Contingency Operation on or After December 12, 1994 and before December 10, 2004. The Uniformed Services Employment and Reemployment Rights Act (USERRA) protects all employees serving on active duty in the uniformed services, including those serving under non-contingency orders. See 38 U.S.C. § 4317(a)(1)(A). Under USERRA, employees called to active duty under Title 32 or Title 10 between the aforementioned dates, were entitled to continued coverage of FEHB for 18 months. The period of continued FEHB coverage began on the date of the employee's absence from their civilian position.

a. First 12 Months. The employee was responsible for payment of the employee's share of the FEHB premium for the first 12 months.

b. 12 to 18 Months. The employee was responsible for the full FEHB premium (employee share and government share) plus a 2 percent administrative charge after 12 months and up to the 18-month limitation.

110304. Retroactive Changes and Adjustment of Errors

A. Retroactive Changes in Enrollment to Self Only. If the employee does not participate in premium conversion, the employee may change enrollment from self and family to self only at any time. An employee who participates in premium conversion is limited to changing their enrollment from self and family to self only during open season, or within 60 days after the employee has a qualifying life event. Generally, a qualifying life event is an increase or decrease in the number of eligible family members as described in the FEHB Handbook.

1. The HRO may make enrollment changes retroactively to the first day of the pay period that began after the employing office received the employee's enrollment change request.

2. The retroactive change, and corresponding adjustments to health benefits withholdings and contributions, may be made only upon the employee's written request. The request must identify the event and date when the employee became the only person covered by family enrollment.

3. If an employee retroactively changes from self and family to self only, the PRO must make corrective adjustments to refund premiums back to the beginning date of the change in coverage provided by the employing agency. The Barring Act (Statute of Limitations) under ***31 U.S.C. § 3702 (b)(1)*** does not apply to these specific changes.

B. Adjustment of Errors

* 1. Underdeduction. An underdeduction of FEHB withholding represents an overpayment of the employee's pay. Collection of the overpayment is exempt from due process if the amount was accumulated over four pay periods or less immediately preceding the current pay period. See ***5 C.F.R. 550.1104(c)***. Collection is subject to due process procedures when the amount accumulated is for a period of more than four pay periods. The PRO must collect

the overpayment from a separated employee's final pay. See Volume 16, section 030207 for additional information.

2. Overdeduction. If the PRO overdeducts the FEHB premium amount owed by the employee, the PRO must refund the overdeduction to the employee and adjust the Government contribution on a subsequent pay period.

110305. Temporary Continuation of Coverage (TCC)

A. General. An employee who loses FEHB coverage because he or she separates from Federal service may enroll under the TCC of FEHB. TCC allows an employee to continue health benefits coverage for up to 18 months from the date of separation. An employee's family member (child or former spouse) who loses coverage because he/she is no longer eligible may also enroll under TCC and may continue coverage for up to 36 months from the date of their change in status as a family member. HRO provides the employee with a notification of TCC election rights. For specific details regarding TCC, see 5 C.F.R. 890, subpart K.

B. Notification. Once the employee's HRO establishes TCC eligibility, the HRO will forward the election form to the National Finance Center (NFC), which administers the TCC program for the DoD. The NFC will notify eligible individuals and provide further information on benefits, and will process enrollment changes and cancellations. NFC will collect premiums and send them to OPM.

C. Premium Payments. Individuals eligible for TCC must pay the full premium for the health benefit plan, which includes the employee withholding amount and the Government contribution plus a 2 percent administrative charge. However, if the individual has TCC based on a separation due to a reduction in force under 5 U.S.C. § 8905A(d)(4), the employee only pays their share, and the agency continues to pay the Government contribution amount plus the 2 percent administrative charge.

1104 FEDERAL EMPLOYEES DENTAL AND VISION INSURANCE PROGRAM (FEDVIP)

110401. General

FEDVIP provides dental and vision insurance to Federal employees at competitive group rates. While FEDVIP enrollment occurs during the annual Federal benefits open season process, FEDVIP is separate from the FEHB Program. For additional information, see ***5 C.F.R. 894***.

110402. FEDVIP Eligibility and Participation

A. Eligibility. Generally, in order to be eligible to enroll in FEDVIP, employees must be eligible for enrollment in the FEHB Program however; enrollment is not required. Certain employees, such as some temporary employees or intermittent employees, are not eligible for FEDVIP even though they may be eligible for FEHB. Enrollees in the FEHB TCC are not eligible for FEDVIP. Coverage of FEDVIP continues each year, and employees do not

need to re-enroll each year to continue current coverage. Employees may enroll in FEDVIP through BENEFEDS, which administers enrollment for the FEDVIP program. Employees can utilize a secure enrollment site at ***www.BENEFEDS.COM***, or by calling BENEFEDS customer service at 1-877-888-3337.

B. Enrollment. Employees may enroll in FEDVIP:

1. During the annual open season;

2. Within 60 days after first becoming eligible as a new employee, or a previously ineligible employee who transfers to a covered position;

3. Within 60 days after returning to work following a break in service of at least 30 days; or

4. From 31 days before the employee (or eligible family member) loses other dental/vision coverage to 60 days after a qualifying life event allowing the employee to enroll. See 5 C.F.R. 894.502 and BENEFEDS.com for information on qualifying life events.

C. Types of Enrollment. Under the FEDVIP, employees may select from the following types of enrollment:

1. Self only, which covers only the employee;

2. Self plus one, which covers the employee plus one eligible family member as specified by the employee; or

3. Self and family, which covers the employee and all eligible family members.

D. Cancellation, Termination and Extension of Enrollment

1. Cancellation of Enrollment. Generally, an employee may only cancel FEDVIP participation during open season. An employee may cancel FEDVIP participation outside of open season only under the following two circumstances and the cancellation is effective at the end of the pay period in which the employee submits the cancellation request:

a. When the employee or employee's spouse is called to active military duty; or

b. When the employee transfers to an eligible position with another Federal Agency that provides dental and/or vision coverage and the employer pays 50 percent or more of the premium.

2. Ineligibility. When an employee who no longer meets the definition of an eligible employee, FEDVIP coverage stops at the end of the pay period in which the employee was last eligible.

3. Extension of Coverage and TCC. Upon termination, there is no extension of coverage or right to convert to an individual contract with the insurance carrier. There is no TCC for employees or family members when FEDVIP coverage stops or family members become ineligible.

110403. FEDVIP Premiums

A. General. Employees who elect to participate in FEDVIP pay the entire premium, as there is no Government contribution for FEDVIP. Part-time employees pay the same premium as full-time employees.

B. Premium Conversion. The PRO withholds FEDVIP premiums from the employee's biweekly salary on a pre-tax basis using premium conversion, the method for reducing taxable income by the amount of the employee's contribution to their FEDVIP premium. Unlike the FEHB program, an employee may not opt out of premium conversion for FEDVIP. Premiums are not paid on a pre-tax basis if the employee has insufficient pay to cover the premium or is in a nonpay status. An employee who pays a premium directly to the FEDVIP administrator is not eligible for premium conversion. When an employee's enrollment is retroactively changed and additional premium withholding is required, the employee is not eligible for premium conversion unless the change is the result of a birth or adoption of a child.

C. Insufficient Pay or Nonpay Status. If an employee misses a premium payment for FEDVIP, they must make up the payment in subsequent pay periods or FEDVIP coverage will stop on the last day of the pay period in which FEDVIP received an allotment. An employee who is in a nonpay status, or who has insufficient pay to cover premiums, may also arrange to pay premiums directly to the FEDVIP administrator. If the employee stops making direct premium payments, FEDVIP coverage stops at the end of the pay period in which the employee last made a payment. If FEDVIP coverage stops, the employee will not be able to reenroll until the next open season after the employee is in pay status or the employee's pay is sufficient to pay the premium.

1105 ALLOTMENTS FOR FEDERAL FLEXIBLE SPENDING ACCOUNT PROGRAM (FSAFEDS)

110501. General

FSAFEDS offers three different Flexible Spending Accounts (***FSAs***). Eligible employees under this program open a FSA and make an annual election to deposit a portion of their pay into the account for the upcoming benefit period. The PRO withholds allotments from the employee's biweekly salary on a pretax basis and deposits the funds into the FSA. Employees may request to accelerate allotments over fewer pay periods. The employee may use their FSA for reimbursement of out-of-pocket costs for health care (such as co-payments

and expenses not covered by insurance). Employees may also set up an account for dependent care expenses for a qualifying dependent. FSAFEDS is not a part of the FEHB program.

A. Open Season. Eligible employees must enroll in FSAFEDS each year during the Federal Benefits Open Season. Open season enrollments are effective January 1 of the following year. Enrollment does not carry forward year-to-year, and an employee must reenroll each year. New and newly eligible employees must enroll in the program within 60 days (but no later than October 1) of their entry on duty.

B. Enrollment. Employees must enroll directly with FSAFEDS either through the website at ***fsafeds.com*** or by calling FSAFEDS at 1-877-372-3337.

110502. Types of Flexible Spending Accounts

A. Health Care Flexible Spending Account (HCFSA). An eligible employee may make an allotment to an HCFSA to pay for qualified health care costs not covered by FEHB. If an employee maintains an HCFSA and enrolls in an HDHP, the employee may not maintain a HSA.

B. Dependent Care Flexible Spending Account (DCFSA). An eligible employee may make an allotment to a DCFSA to pay for qualified dependent care (such as day care) expenses.

C. Limited Expense Health Care Flexible Spending Account (LEX HCFSA). The LEX HCFSA is only available to employees who enroll in an FEHB HDHP with an HSA. Eligible expenses are limited to dental and vision care services.

* 110503. Allotments for FSAs

A. Payment of allotments. Allotments withheld from the employee's pay are forwarded to BENEFEDS on the same date payroll is paid.

* B. Carryover.

* 1. Prior to 2015. Any unused FSA allotments were forfeited if the employee did not incur an eligible expense and file a timely claim for reimbursement.

* 2. After 2015. In October 2013, the Treasury and the IRS modified the forfeiture ("use-or-lose") rule for health care FSAs. Effective January 1, 2015, FSA programs allowed participants to carry over up to $500 of unused health care FSA funds to the next plan year (as long as they re-enroll in health care FSAs). Each year, by January 15, a carryover account will be established with their remaining funds from the prior calendar year, up to $500. Any amount over $500 will remain in the prior year account and will be forfeited if prior year claims are not submitted by the April 30 deadline. The carryover funds can be used for prior year expenses that are submitted by April 30 or current year expenses. The carryover balance will be set to a "secondary priority" for claim reimbursement; this means that the

carryover balance will be used only if the prior and/or current year balances have been depleted. See Benefits Administration Letter (BAL) ***14-801***. For additional information on carry over rules, see fsafeds.com.

C. LWOP and Nonpay Status.

1. Effect of Nonpay Status. The Government will not make up the employee's allotments to an FSA if the employee is on LWOP or in a nonpay status. However, the employee may prepay allotments for periods of LWOP. If allotments are not prepaid, the HCFSA or LEX HCFSA account will be frozen The employee will not be eligible for reimbursement of expenses incurred during LWOP or while in a nonpay status until the employee returns to pay status and allotments have restarted (even if the government continues to pay the employee's FEHB premiums for medical coverage). If an employee maintains a DCFSA during nonpay status, certain dependent care expenses that meet IRS guidelines for eligible expenses may continue to be reimbursed up to the account balance.

2. Return to a Pay Status. Upon the employee's return to pay status, the PRO will recalculate any future allotment amounts based on the number of pay dates remaining in the benefit period.

D. Separation from Employment and Termination of FSAFEDS Participation. Participation in FSAFEDS stops as of the employee's separation date, or the last day of the pay period in which FSAFEDS received an allotment. HCFSA or LEX HCFSA expenses incurred after participation ends are not eligible for reimbursement. Reimbursement is only available for expenses incurred prior to the date of termination. However, the employee may continue to use the remaining balance in a DCFSA for eligible dependent care expenses until the end of the Benefit Period or until the depletion of the account balance, whichever comes first. Termination may be due to a change in employment status causing the employee to lose eligibility, separation from Federal employment, or transfer to a Federal agency not covered by FSAFEDS.

1106 FEDERAL EMPLOYEES GROUP LIFE INSURANCE (FEGLI) PROGRAM

110601. General

The FEGLI Program is a term life insurance program that provides life insurance coverage for Federal employees and their families. See ***5 U.S.C. § Chapter 87***. The FEGLI Act of 1954, P.L. 83-598, created the FEGLI Program. OPM administers the Program and sets the amounts for employee withholdings and Government contributions. For additional information, see ***5 C.F.R. Part 870*** or the FEGLI Program ***Handbook***. FEGLI benefits are payable regardless of the cause of death. The employee's SF 50 reflects the FEGLI enrollment code. See ***SF50 Insurance Code Translator***.

110602. Types of Life Insurance

There are two types of life insurance coverage under the FEGLI Program, Basic and Optional. The employee and the government share the cost of Basic insurance. The employee

pays the entire cost for any of the three additional types of Optional insurance. Additionally, accidental death and dismemberment coverage is an automatic part of Basic and Option A insurance at no additional cost to employees.

A. Basic Insurance. On the date the eligible employee is initially placed in pay and duty status, the HRO automatically enrolls the employee in Basic insurance, unless the employee specifically waives Basic insurance coverage. A new employee may opt out of Basic insurance by filing a waiver of Basic insurance with the employing office before the end of the first pay period. The new employee may also use a previously filed waiver from earlier employment which remains in effect. See 5 C.F.R. 870.501.

1. Basic Insurance Amount (BIA). The amount of an employee's Basic insurance coverage is equal to their BIA multiplied by a factor based on the employee's age. An employee's BIA is either the annual rate of basic pay, rounded to the next higher thousand (plus $2,000) or $10,000, whichever is higher. An employee's BIA automatically changes whenever an employee's pay changes. Effective October 30, 1998, there is no maximum BIA. Note: if the employee's salary is limited or "capped" by law, the amount of Basic insurance is based on the capped amount, not on the amount of pay without the cap. See 5 C.F.R. 870.202.

2. Annual Rate of Basic Pay for Determining BIA. BIA is based on the employee's annual pay as fixed by law or regulation. See 5 C.F.R. 870.204. An employee's annual pay for life insurance purposes includes the following pay:

a. Interim geographic adjustments and locality-based comparability payments;

b. Premium pay for standby duty under ***5 U.S.C. § 5545(c)(1)***;

c. For a law enforcement officer as defined under 5 U.S.C. § ***8331(20)***, ***5 C.F.R. 831.902*** and ***5 C.F.R. 842.802***, premium pay for administratively uncontrollable overtime is authorized under 5 U.S.C. § 5545(c)(2);

d. Night differential pay for wage employees;

e. Environmental differential pay for employees exposed to danger or physical hardship;

f. Special pay adjustments for law enforcement officers;

g. Availability pay for criminal investigators under 5 U.S.C. § 5545a;

h. Market pay for physicians and dentists of the Department of Veterans Affairs under ***38 U.S.C. § 7431***; and

i. Straight-time pay for regular overtime hours for firefighters.

3. Annual Rate of Pay for Employee Paid Multiple Rates. An employee may be paid for work using different pay rates. The annual rate of pay for such employees for life insurance purposes is based on their work schedule as follows:

a. Regular Schedule. Annual pay for employees regularly scheduled to work at different pay rates, such as day and night rates or two positions at different rates for each position, is the weighted average of the rates at which the employees are paid, projected to an annual basis. A regular schedule may exist even though the schedule varies within a year or even within a pay period.

b. No Regular Schedule. The annual pay of employees, who work at different pay rates but not on a regular schedule, is the annual rate the employee was receiving at the end of the pay period. In the event of death or dismemberment, it is the annual rate at the time of the death or accident.

4. Annual Rate of Pay for Part-Time Employees. A part-time employee's annual pay for life insurance purposes is the employee's basic pay applied to the tour of duty on record, based on the most recent SF 50, in a 52-week work year.

5. Annual Rate of Pay for Employees Serving in More Than One Position at the Same Time. If the employee legally services in more than one position at the same time and the employee is entitled to FEGLI for at least one of the positions, the annual rate of basic pay for life insurance purposes is the sum of the annual rate of basic pay fixed by law or regulation for each position. Certain exceptions apply. See 5 C.F.R. 870.204(g) and 110605.G.

B. Optional Insurance. An employee who has not waived Basic insurance may elect additional Optional life insurance. Optional insurance is not automatic, and employees must specifically elect coverage within 60 days after becoming eligible for coverage, unless a previous election or waiver from earlier employment remains in effect. The cost of Optional coverage depends on the employee's age and is based on 5-year age bands beginning at age 35. Changes in rates based on age are effective on the first day of the first pay period following the pay period during which the employee's birthday occurs. See 5 C.F.R. 870.504.

1. Eligibility to Elect Optional Insurance. An employee may elect one or more types of Optional life insurance coverage provided that:

a. The employee is enrolled in Basic life insurance coverage;

b. The employee does not have a waiver of that type of Optional insurance still in effect (or a waiver of that number of Option B or Option C multiples still in effect); and

c. The employee's pay, after all other deductions, covers the full cost.

2. Types of Optional Life Insurance. There are three types of optional insurance. See 5 C.F.R. 870.201.

a. Option A (Standard Optional Insurance). Option A coverage is available only for the employee and is fixed in the amount of $10,000.

b. Option B (Additional Optional Insurance). Option B coverage is available only for the employee and is an amount equal to 1, 2, 3, 4 or 5 times the employee's annual basic pay after rounding to the next higher thousand if not an even thousand. The amount of coverage under this option automatically changes whenever the employee's annual pay increases or decreases by an amount sufficient to raise or lower pay to a different $1,000 bracket.

* c. Option C (Family Optional Insurance). Option C provides coverage for the death of an employee's spouse or eligible dependent children. Eligible family members are automatically covered. The employee elects either 1, 2, 3, 4 or 5 multiples of coverage. Each multiple is equal to $5,000 for the spouse and $2,500 for each eligible dependent child. Payment is made to the insured employee.

110603. Effective Dates for Withholding Premiums and Coverage

Withholding of premiums for new employees begins with the same pay period during which coverage begins as follows:

A. Basic Insurance. Coverage is effective on the first day the employee enters on duty in pay status. See 5 C.F.R. 870.501(a)(1).

B. Optional Insurance (all options). Coverage is effective the first day the employee enters on duty in pay status on or after the date the HRO receives the election. See 5 C.F.R. 870.504(d).

110604. Effective Date of Waiver or Cancellation of FEGLI.

At any time, an employee may waive Basic insurance, cancel any or all Optional insurance, or reduce the number of multiples under additional Optional insurance. Cancellation of Basic insurance automatically cancels all forms of Optional insurance. Coverage and deductions stop or are reduced effective the last day of the pay period in which the employee files an SF 2817, Life Insurance Election: Federal Employees' Group Life Insurance Program. See 5 C.F.R. 870.502 to 870.505.

*110605. FEGLI Premium Withholdings and Contributions

A. General. The cost of Basic insurance is shared between the insured employee and the Government. The employee pays two-thirds of the cost, and the government pays one-third. See 5 C.F.R. 870.401. The employee pays the full cost of all Optional insurance. OPM periodically reviews the cost of insurance and notifies agencies of premium rate changes.

B. Amount of FEGLI Premium Withholding. During each pay period in which an insured employee is in pay status for any part of the period, the PRO must withhold the

employee's share of the FEGLI premium from their biweekly pay. Premium withholding is subject to the following requirements.

1. The amount of premium withholding is based on the amount of insurance last in force during the pay period.

2. If the employee dies or separates during a pay period, the PRO bases the withholding on the amount of insurance in force on the date of death or separation.

3. If the employee's BIA changes during the pay period, the PRO bases the withholding amount on the BIA last in force during the pay period.

4. If an employee works only a partial pay period, there is no pro-rated premium withholding.

5. If the employee works less than 52 weeks per year, the PRO must convert the biweekly rate to an annual rate. The PRO then prorates the annual rate over the number of pay periods in the year to determine the withholding amount.

6. The PRO must report withholdings and contributions for FEGLI to OPM each pay period as described in Chapter 9. See 5 C.F.R. 870, subpart D.

C. Withholding FEGLI Premiums During Periods of Insufficient Pay

1. Short-term Periods of Insufficient Pay. Withholdings will be made from an employee's salary when the employee is in pay status for any part of a pay period. If the salary is insufficient to permit all payroll deductions, the PRO must use the order of precedence for deductions in Chapter 4. After all other required deductions are made, if pay for a particular period is not enough to cover the full withholdings for life insurance premiums, the amount withheld must first be applied to Basic insurance. Any balance of pay remaining must then be applied to Optional insurance (first to Option B, then Option A, then Option C). See 5 C.F.R. 870.404(f).

2. Extended Periods of Insufficient Pay. A review and determination of insufficient pay must be made by the HRO when it is expected that an employee's pay, after all other applicable deductions, is insufficient to cover the cost of the premiums for a period of 6 months or more. The HRO must notify the employee if an employee's pay will be insufficient to cover FEGLI premiums over the course of 6 months or more. See ***FEGLI Handbook***. The employee may wish to reduce or cancel other deductions from pay or may reduce FEGLI coverage in order to increase pay to cover the withholdings. An employee may elect to make direct payments to the employing office for periods when the pay is insufficient to cover the cost of the premiums. If the employee does not make direct payments, adjust, or cancel coverage, the HRO will terminate coverage as follows:

a. The HRO will terminate all coverage if pay is not sufficient for any premium withholding.

b. If the employee has pay available to cover part of the premiums, the HRO will administratively terminate as much coverage as necessary to allow for premium withholdings in the following order:

(1) Multiples of Option C,

(2) Option A,

(3) Multiples of Option B, then

(4) Basic insurance.

c. Coverage terminates at the end of the last pay period during which premiums were withheld.

3. Reinstating FEGLI Premium Withholding When Pay is Sufficient. If the HRO terminated coverage administratively, the HRO will automatically reinstate FEGLI coverage when the employee's pay becomes sufficient to cover the withholdings. If an employee paid premiums directly, the employing office must start withholding premiums from the employee's pay as soon as the pay becomes sufficient.

D. Withholding FEGLI Premiums and FEGLI Coverage During Nonpay Status

1. Twelve Months of Free Coverage. When an employee enters a nonpay status, the employee is entitled to 12 months of free FEGLI coverage from the last date of pay. No premium payments are required if the employee is in a nonpay status for an entire pay period (unless the employee is receiving benefits from OWCP). See subparagraph 110605.F. Make-up withholdings from future salary payments are not required.

a. The employee's coverage stops on the date the employee completes 12 months in a nonpay status, subject to the 31-day extension of coverage and right of conversion under subparagraph 110605.C. The 12 months in a nonpay status may be broken by periods of less than 4 consecutive months in a pay status.

b. The employee is entitled to begin a new period of 12-month coverage if the employee has at least 4 consecutive months in pay status after a period of nonpay status.

c. If the employee has exhausted the 12 months of FEGLI coverage while in a nonpay status and returns to duty for less than 4 consecutive months, the Basic insurance stops 32 days after the last day of the last pay period. See 5 C.F.R. 870.601(d).

2. Partial Pay Period. If an employee is in a nonpay status for part of a pay period, the full premium (for both Basic and Optional coverage) is withheld, and the Government contribution is paid.

3. Withholding Premiums from Back Pay Awards. Except under the circumstances described at subparagraph 110610.A, no FEGLI premium withholdings are made by the PRO from back pay awarded to an employee who was determined to be erroneously suspended or terminated from employment.

4. Withholding Premiums when Employee on LWOP Accepts Temporary Employment in Another Position. If an employee, who is entitled to 12 months of free coverage while in a nonpay status, accepts a temporary appointment to another position, in which he or she normally would be excluded from insurance coverage, insurance (Basic and Optional) continues.

a. The amount of Basic insurance is based on whichever position's salary is higher. The PRO takes withholdings from pay earned in the temporary position.

b. When the employee has completed the 12 months of nonpay status from the first position that entitled the employee to free coverage, FEGLI coverage will terminate, even if the employee remains in the temporary position. If the temporary position ends before the 12-month period and the employee is still on LWOP from the first position, the free coverage under the first position continues until the employee is separated or until the end of the 12-month nonpay status. After the 12-month period, an employee is eligible for the 31-day extension period and the right to convert to private insurance. See 5 C.F.R. 870.508(b).

5. Special Nonpay Situations. Special nonpay situations involve employees appointed to employee organizations, state or local government, Indian tribal organizations, institutions of higher education, or when an employee transfers to an international organization. Employees in these special nonpay situations may elect to continue their FEGLI coverage for the duration of their appointment. If elected, coverage continues even if the employee remains in a nonpay status for more than 12 months.

a. Payment of Premiums. If the employee elects to continue coverage, the employee must pay the premiums from the beginning of the nonpay status, and the employee is not eligible for 12 months of free coverage. Whether the government continues contributing depends on the appointment. See FEGLI Handbook and 5 C.F.R. 870.508.

b. Continued Coverage Not Elected. If the employee does not elect to continue coverage, the employee is still eligible for 12 months of free coverage and coverage will terminate at the end of the 12-month period, the same as for any other employee in a nonpay status.

E. Withholding FEGLI Premiums From LSL Payments upon Separation. No insurance premium is withheld from the LSL payment when the employee separates from Federal service. However, if the employee has an established debt that is being collected due to the underpayment of premiums, the agency may collect the debt from the LSL payment.

F. Withholding FEGLI Premiums While Employee is Receiving Office of Workers' Compensation Program (OWCP) Payments

* 1. Twelve Months of Coverage as Employee. If an employee is in a nonpay status while receiving workers' compensation benefits, the employee receives 12 months of coverage. HRO must notify OWCP of the type and amount of life insurance the employee has in effect. OWCP will make withholdings from workers' compensation benefits when compensation begins, even during the first 12 months of nonpay status, at the same rate that was withheld from the employee's salary. OWCP deductions for FEGLI will begin effective the first day of LWOP. See FECA Circular No. 12-05. The employing agency continues to pay the Government contribution until the employee separates from service or completes 12 months in nonpay status, whichever happens first. Thereafter, OPM pays the Government contribution. See FEGLI Handbook.

2. Continuing Coverage as an OWCP Compensationer. If FEGLI coverage stops after 12 months in a nonpay status or due to separation, under 5 C.F.R. 870.701, an OWCP compensationer may be eligible to continue Basic coverage (but not accidental death or dismemberment) and may continue or reinstate Optional insurance if:

a. The compensationer was insured during the 5 years of service immediately before the date of entitlement to compensation, or for the full period of service during which the employee was eligible to be insured if less than 5 years; and

b. The compensationer has not converted to an individual policy.

3. Requesting Continuation of Coverage. The compensationer must complete a ***SF 2818***, Continuation of Life Insurance Coverage, as an Annuitant or Compensationer. The HRO must provide the compensationer with a copy of the ***SF 2819***, Notice of Conversion Privilege, Federal Employee's Group Life Insurance Program. The HRO must complete an SF 2821, Agency Certification of Insurance Status. The HRO must send the SF 2818 and SF 2821, a copy of the SF 2819, and all pertinent life insurance information from the employee's file to OPM for verification of eligibility to continue coverage. If eligible, OPM's Retirement Operations Center will serve as the "employing office" and will maintain the compensationer's life insurance file. See 5 C.F.R. 870, subpart F.

4. Notice of Ineligibility. If the employee does not meet the requirements for continuation of life insurance (subparagraph 110604.F.3), HRO must notify OWCP by completing a "Notice of Life Insurance Ineligibility" and issue a copy to the employee. OWCP will stop withholding at the end of the 12 months of free coverage. If the employee separates before the end of the 12 months, the agency must notify OWCP so that withholdings will end. See FEGLI Handbook.

G. Withholding FEGLI Premiums for Employees in Concurrent Employment Positions. An employee who legally serves in more than one position at the same time, in either the same agency or different agencies, is eligible for coverage if at least one position is a covered

position. The amount of Basic and Option B insurance is based on the sum of annual pay for both positions (salaries are added together before rounding up to the next even thousand and before adding the additional $2,000 for Basic insurance). The agency paying the higher salary withholds the employee's premium share and pays the Government contribution. If the employee goes into a nonpay status in an excluded position, at the end of 12 months in nonpay status, the amount of coverage is no longer based on the combined salary but is based solely on the salary from the covered position. If one of the positions is excluded from coverage, see the FEGLI Handbook.

110606. FEGLI Daily Proration Rule

A. General. The FEGLI Daily Proration Rule is a formula used to calculate partial employee withholdings and Government contributions for FEGLI premiums. Unless otherwise provided, the PRO deducts full withholdings and contributions for each pay period even if the employee is in pay status for only part of the pay period. The PRO uses the FEGLI Daily Proration Rule to compute partial withholdings and contributions under the following circumstances:

1. The employee transfers to a position serviced by a different PRO other than at the beginning of a pay period or, the transfer involves two agencies that are on different pay schedules; or

2. The employee retires other than at the end of a pay period.

B. Application of the FEGLI Daily Proration Rule. The FEGLI Handbook provides examples for computing a prorated amount of withholdings and contributions using the Proration Rule. Each PRO is responsible for withholdings and contributions for the actual time the employee occupied the position that the PRO serviced. Each PRO (gaining and losing) must compute daily FEGLI premium withholding and contribution rates as follows:

1. Determine the Daily Rate. To determine the Daily Rate for partial employee withholdings and Government contributions (for Basic insurance), multiply the biweekly employee withholding and Government contribution rates by 26, then divide by 364, the results will equal the daily rate. Use the denominator of 364 even during a leap year. The formula is as follows:

Biweekly Employee Withholdings x 26 ÷ 364 = Daily Rate

Biweekly Government Contributions x 26 ÷ 364 = Daily Rate

2. Apply the Daily Rate to Formulas for Insurance Types. The PRO computes the Daily Rate using the formula discussed in subparagraph 110607.B.1. Once computed, the PRO must use the following formulas to determine the amount of withholdings and contributions (for Basic insurance) for which losing and gaining PROs are responsible:

a. For Option A, the formula is:

Daily Rate x Days on Payroll.

b. For Basic Insurance and Option B the formula is:

Daily Rate x Coverage Amount ÷ $1,000 x Days on Payroll.

c. For Option C, the formula is:

Daily Rate x Number of Multiples x Days on Payroll.

C. Active Employees. Use the FEGLI Daily Proration Rule to determine the PRO's (gaining and losing) responsibility for withholdings and contribution.

D. Retiring Employees. Withholdings and contributions depend on the employee's age at the time of retirement.

1. If the employee is under 65 years of age on the starting date of the annuity, the PRO will make Basic insurance withholdings and contributions and Optional insurance withholdings based on the following:

a. If the annuity starts after the end of the pay period, the PRO will make full withholdings and contributions for the entire pay period. Withholdings and contributions are not required for the period between the end of the pay period in which the employee separates and the date the annuity begins. See 5 C.F.R. 870.404(b).

b. If the annuity starts before the end of the pay period, the PRO will make withholdings and contributions through the day before the annuity commencement date using the FEGLI Daily Proration Rule.

2. If the employee is 65 or older on the starting date of the annuity, the PRO will make Basic insurance withholdings and contributions and Optional insurance withholding based on the post-65 election chosen by the employee.

a. If the employee elects Basic insurance with the 75 percent reduction, the PRO will make withholdings and contributions through the end of the pay period in which the employee separates for retirement without any proration.

b. If the employee elects Basic insurance with the 50 percent reduction, or no reduction, the PRO will make withholdings and contributions based on the starting date of the annuity, the same as for retiring employees under age 65.

c. If the employee has Option A, the PRO will make the withholdings through the end of the pay period in which the employee separates for retirement without any proration.

d. If the employee has Option B or Option C and elects full reduction, the PRO will make withholdings through the end of the pay period in which the employee separates for retirement without any proration. If the employee elects no reduction for Option B or Option C, the PRO will make the withholdings based on the starting date of the annuity, the same as for retiring employees under age 65.

110607. FEGLI Termination, Cancellation, Extension or Conversion

A. Termination. Termination of FEGLI coverage is an involuntary action. An employee whose life insurance terminates receives a 31-day extension of coverage and a right to convert coverage. Termination does not affect an employee's eligibility to continue coverage into retirement. Life insurance terminates when the following occurs:

1. The employee separates from service (see FEGLI Handbook for exceptions);

2. Pay is insufficient to make any premium withholdings, and the employee does not elect to make direct payments;

3. The employee completes 12 months in nonpay status, and the employee is not eligible to continue coverage;

4. The employee moves to a position that is excluded from FEGLI coverage; or

5. Upon the death of the employee.

B. Cancellation of FEGLI Coverage. Cancellation of life insurance coverage is voluntary. Employees who cancel coverage are not eligible to receive the 31-day extension of coverage or a right to convert the coverage. Cancellation of life insurance may affect an employee's eligibility to continue life insurance coverage after retiring. See also section 110604.

1. Cancellation of Basic Insurance. An employee may cancel Basic insurance at any time by filing a waiver of Basic insurance coverage with their HRO. Coverage is canceled at the end of the pay period in which the waiver is properly filed. Cancellation of Basic insurance automatically cancels all forms of Optional insurance.

2. Cancellation of Optional Insurance. An employee may cancel Optional life insurance, or reduce the number of multiples under Option B, at any time by filing a waiver of Optional insurance coverage with their HRO. An employee will not receive a refund of premiums paid prior to the effective date of cancellation. Coverage terminates at the end of the pay period in which the employee files the waiver. Exception: if Option C is canceled because there are no eligible family members, the effective date is retroactive to the end of the pay period in which there were no longer any eligible family members. See 5 C.F.R. 870.505(b). Cancellation of Optional insurance does not cancel Basic insurance. The Barring Act (Statute of Limitations) at 31 U.S.C. § 3702 (b)(1) does not apply to retroactive refunds for Option C.

3. Reinstating Insurance. For detailed information concerning cancelling a waiver of coverage, see the FEGLI Handbook and ***5 C.F.R. 870.503 - 870.505***.

C. 31-Day Extension of Coverage and Conversion. When Basic and Optional insurance terminates, except by an employee's waiver or cancellation, coverage automatically continues without cost for an additional 31 days. No withholding or Government contributions are required during the 31-day extension. An employee may convert to an individual policy and may convert any or all of his or her Basic and Optional coverage. Conversion is effective at the end of the 31-day extension of coverage. The employing agency must notify the employee of the loss of coverage and the right to convert to an individual policy either before or immediately after the event causing loss of coverage. See ***5 C.F.R. 870.603***.

110608. Office of Federal Employees' Group Life Insurance (OFEGLI) Requests for Pre-Payment Verification

PROs must cooperate with the OFEGLI when it requests pre-payment verification. The OFEGLI is required to obtain verification before making payment to beneficiaries of enrollees with $200,000 or more of FEGLI coverage. OFEGLI will request the insured's current salary, annual salary (if different) and details on enrollment in Optional insurance, if applicable.

110609. Continuation of Coverage for Federal Employees Called to Active Duty

Effective January 28, 2008, for Federal employees called to active duty or active duty for training, FEGLI coverage continues for up to 24 months. See 5 C.F.R 870.601(d)(3). Coverage applies to a member of a Reserve component of the Armed Forces called or ordered to active duty for greater than 30 days and is on approved AUS to perform active duty or active duty for training.

A. Months 1 through 12. An employee called to active duty maintains continued FEGLI coverage for up to 12 months just as any other employee in a nonpay status. Employees do not pay for coverage during this 12-month period.

B. Months 13 through 24. An employee called to active duty must elect to have life insurance continue for an additional 12 months and must pay the employee and agency share of the premium from the beginning of the additional 12 months of coverage. An employee may cancel some or all of the coverage during this period. See ***5 U.S.C. § 8706 (d)(1)***.

C. Increasing Coverage. Civilian employees eligible for FEGLI, who are deployed in support of a contingency operation, as defined at 10 U.S.C. § 101(a)(13), or DoD employees eligible for FEGLI, who are designated as emergency essential under 10 U.S.C. § ***1580***, may elect Basic, Option A and Option B, up to 5 multiples, within 60 days after the date of notification of deployment. See 5 C.F.R. 870.503(e) and (f).

D. Termination. At the end of the first 12 months, or 90 days after the military service ends, whichever is earlier, coverage will terminate unless the employee elects to continue coverage for the additional 12 months, subject to the 31-day extension of coverage and

right to convert to an individual policy. An employee may cancel an election at any time, in which case insurance will stop upon receipt of notice of cancellation.

E. Return to Federal Service. When the employee returns to active Federal service after military duty, the employee is afforded the same level of life insurance that was in place before the employee entered nonpay status or separated for military service, as long as the position is not excluded from coverage. HRO reinstates the same type of insurance even if the employee declined to continue coverage for the additional 12 months, reduced some or all of the coverage, or allowed coverage to terminate due to nonpayment.

110610. Retroactive Changes and Adjustment of Errors

A. Retroactive Changes to Pay

1. Erroneous Suspension/Removal and Back Pay Awards. If an employee is retroactively restored to duty with back pay after an erroneous suspension or removal, no life insurance premium withholding is made from the back pay award. However, if death or dismemberment occurred during the period of suspension or separation, the PRO must withhold premiums from the back pay. Additionally, if the employee had Option C coverage and a covered family member dies during the period of separation or removal, the PRO must withhold Option C premiums from the back pay award. See 5 C.F.R. 870.404(e) and the FEGLI Handbook.

2. Retroactive Pay Increase. If an employee receives a retroactive pay increase that was delayed beyond the effective date due to administrative error or oversight, and the pay increase resulted in higher life insurance premiums, deductions for the increased premium adjustment must be applied retroactively.

B. Adjustment of Errors for Overdeductions and Underdeductions of FEGLI Premiums

1. Current Employees

a. Overdeduction of FEGLI Premiums Owed. When the PRO erroneously overwithholds premiums from the salary of an employee, the PRO must refund the erroneous withholding to the employee the next pay period. This automatically corrects the excess Government contribution.

* b. Underdeduction of FEGLI Premiums Owed. When less than or none of the proper amount of FEGLI premiums are withheld from the salary of the employee, the underdeduction represents an overpayment to the employee that must be collected as a debt. The collection of the debt may be exempt from due process requirements under 5 C.F.R. 550.1104(c). See Volume 16, section 030207 for additional information. The agency must submit the uncollected amount due, including the Government contributions, to OPM within 60 calendar days after the date the agency discovers the underdeduction, regardless of whether collection from the employee has been made. Government contributions must be adjusted when payment is received from the employee.

c. OWCP Compensationers. The procedures for refunding overdeductions and collecting underdeductions are the same for employees who are receiving compensation from the OWCP.

2. Separated Employees. When it is necessary for the PRO to make an adjustment in withholdings for a separated employee, the adjustment is withheld from the final salary payment to the employee (or if deceased, to the employee's beneficiary or estate).

C. Incontestability

1. General. Incontestability is a provision of law that allows erroneous coverage to remain in effect under certain conditions. See 5 C.F.R. 870.104. Coverage allowed to stand due to incontestability becomes valid coverage. Erroneous coverage always involves more coverage than an employee is entitled to receive or more than the employee elected. Incontestability does not apply to premiums being withheld for less coverage than an employee elected since such underwitholding is considered an overpayment of salary, annuity, or compensation. For purposes of incontestability, erroneous coverage may occur under the following circumstances:

a. The employee was allowed to elect coverage when not entitled to do so;

b. The SF 50 was coded incorrectly, giving the employee more coverage than he or she elected;

c. The PRO collected premiums for a coverage that the employee did not elect on the election form; or

d. OPM erroneously continued an employee's coverage beginning when the employee became an annuitant or compensationer.

2. Requirements of Incontestability. An employee becomes insured under the provision of incontestability only if both of the following conditions are met:

a. The erroneous coverage was in effect for at least 2 years between the time the error was made and the time the error is discovered; and

b. The employee paid the applicable premiums for the erroneous coverage while it was in effect.

3. If Incontestability Applies and the Individual Does not Want Coverage. When incontestability applies, an employee may cancel the coverage, but only prospectively. The PRO will not refund the premiums for the erroneous coverage period unless the employee had erroneous Option C coverage and did not have any eligible family members. An employee may cancel erroneous Option C coverage retroactively and the PRO must refund any erroneous Option C premiums retroactive to when the employee ceased having eligible family members. The Barring Act does not apply.

4. When Incontestability Does not Apply. If the erroneous coverage is discovered before 2 years, incontestability does not apply and the coverage is not valid. The PRO must void the coverage and refund the premiums.

1107 FEDERAL LONG TERM CARE INSURANCE PROGRAM (FLTCIP)

110701. General

The Long-Term Care Security Act authorized OPM to design a long-term care insurance program for Federal employees and their families. See ***5 U.S.C. § Chapter 90***. OPM created the ***FLTCIP*** and contracted with the John Hancock Life Insurance Company as the carrier that provides Long Term Care (LTC) insurance. Long Term Care Partners, LLC (LTCP), a subsidiary of John Hancock, is the exclusive administrator of FLTCIP. See ***5 C.F.R. Part 875*** for additional information. LTC insurance provides coverage for eligible employees, annuitants, and qualified family members. Coverage applies to those who can no longer perform activities of daily living without assistance due to a chronic illness, injury, disability or the aging process as determined by the LTCP. LTC insurance pays a portion of the cost of covered services, such as home health care, adult day care, or nursing home or assisted living facility costs.

A. Duties of LTCP. The LTCP administers all aspects of the program. Eligible employees must submit their application directly to the LTCP for approval of coverage. The LTCP is responsible for:

1. Accepting and approving employee applications;

2. Answering employee questions about the program;

3. Maintaining their web site to include current information; and

4. Transmitting applicable payroll data for automatic payroll deductions.

B. Duties of Federal Agencies. Federal agencies are responsible for the following:

1. Providing access to information about the FLTCIP to eligible employee;

2. Responding to questions from the LTCP including questions on the employment status of an applicant or enrollee;

3. Providing reports as OPM requires;

4. Complying with BALs and other OPM issuances; and

5. Deducting premiums as authorized by employees and remitting those payments on a biweekly basis to the LTCP.

110702. Eligibility and Cost

A. Eligibility. Participation is voluntary and elections must be made through LTCP. Most Federal civilian employees are eligible to apply for the LTC coverage. If an employee is eligible for the FEHB program, the employee is also eligible to apply for LTC insurance through FLTCIP, even if not enrolled in FEHB. Retirees are eligible to apply. Eligibility also extends to qualified relatives including spouses and adult children of eligible employees and retirees, as well as parents, parents-in-law, and stepparents of current employees. Qualified relatives may apply for coverage even if the employee does not apply.

B. Cost of Coverage. The employee pays the full cost of LTC insurance and there are no Government contributions toward LTC insurance premiums. LTC premiums are based on both the employee's age and the cost of options that the employee selects.

110703. Coverage and Payment Options

A. Effective Date of Coverage. If LTCP approves the employee's application for coverage, the LTCP will send approval notification to the employee and provide the employee with an effective date of coverage. If enrollment occurs during open season, the effective dates of coverage are announced. If enrollment occurs any time outside of open season, coverage is effective the first day of the month after the approval date of the application. Additional requirements apply for active workforce members who apply for coverage under abbreviated underwriting and for those employees whose eligibility changes prior to their announced effective date of coverage. See ***5 C.F.R. 875.404***.

B. Payment of Premiums

1. Payment Options. An employee who qualifies for participation in the LTCIP may choose from three payment options:

a. Payroll deduction;

b. Automatic bank withdrawal; or

c. Direct billing.

2. Payroll Deductions. If premiums are paid through payroll deductions, deductions begin on the first full pay period on or after the effective date of coverage. Payroll deductions for LTC premiums occur each biweekly pay period until the employee separates, transfers, or elects a different payment option.

3. Correcting Underpayments and Overpayments. If the carrier determines that the employee has underpaid premiums, the employee will pay retroactive premiums to the carrier for the amount due. If the Carrier determines that the employee has

overpaid premiums, the Carrier will reimburse the employee or reduce future premium payments by the amount of the overpayment. See 5 C.F.R. 875.303.

C. Transferring Employees. Employees transferring to a new agency must notify LTCP regarding where and when the transfer will occur. The employee's current payroll deductions will continue until the separation action processes. An employee will automatically receive a direct bill from the LTCP for any premiums not collected through payroll deduction due to the transfer. Payroll deductions are not adjusted to "catch-up" uncollected premiums.

1108 DISABILITY INSURANCE FOR EMPLOYEES OF THE UNIFORMED SERVICES UNIVERSITY OF THE HEALTH SCIENCES (USUHS)

Full-time civilian faculty members appointed to an Administratively Determined (AD) position of the USUHS School of Medicine receive mandatory coverage under a long-term disability insurance plan. In order to participate in the long-term disability insurance plan, the employee must be covered under the Teachers Insurance and Annuity Association College Retirement Equities Fund (TIAA-CREF) or the Fidelity Investments program. The employer and employee share the cost of the disability insurance and each contributes 50 percent of the premium. USUHS AD employees covered under FERS or CSRS are not eligible for the long-term disability insurance plan.

1109 NATIONAL GUARD ASSOCIATION OF UNITED STATES (NGAUS) INSURANCE TRUST (IT) PROGRAM

Army and Air National Guard Technicians (Title 32 Technicians) may choose to participate in the NGAUS-IT, which provides disability and life insurance products through its underwriter, ReliaStar Life Insurance Company. Technicians should contact their HRO or NGAUS-IT for enrollment instructions and forms. Technicians who participate agree to have premiums deducted from their biweekly pay on the NGAUS-IT enrollment form. CSRs work closely with ReliaStar Life Insurance Company, which confirms the approval of enrollment and provides the CSR with start dates and amounts of payroll deductions. ReliaStar will notify CSRs of any revisions to premium deductions due to age or salary changes. CSRs enter the appropriate premium deduction information into the Defense Civilian Pay System. PRO deducts premiums for the entire pay period, regardless of the day of termination, and proration is not required.

1110 THRIFT SAVINGS PLAN (TSP)

111001. General

The Federal Employees' Retirement System Act of 1986 established the TSP, a retirement savings and investment plan for Federal employees. See 5 U.S.C. ***Chapter 83***, ***Chapter 84*** and ***5 C.F.R. Part 1600***. TSP offers eligible employees traditional tax deferral advantages as well as a Roth-TSP option. The Federal Retirement Thrift Investment Board administers the plan. FERS, CSRS, and CSRS-Offset employees are eligible to participate in the TSP. TSP benefits depend on an employee's retirement system. If the employee's coverage is under CSRS, TSP is a supplement to the CSRS annuity. If the employee's coverage is under FERS, TSP is part of the

three-part retirement package that includes the FERS basic annuity and Social Security. See also ***TSP guidance*** for additional information.

111002. Establishing a TSP Account, Contribution Elections, and Automatic Enrollment

* A. FERS Employees Hired after July 31, 2010. FERS employees (including FERS or CSRS rehired employees) hired after July 31, 2010, are automatically enrolled in TSP. The PRO deducts 3 percent of the employee's basic pay each pay period and deposits the funds into the employee's TSP account. The employee must make a contribution election to stop or change the contribution. FERS employees also receive contributions from the Government. As a result, the employee receives a deposit equaling 7 percent of basic pay in their TSP account each pay period. TSP invests all contributions in the age appropriate Lifecycle (L) Fund until the employee changes the contribution allocation with the TSP. See ***TSP Bulletin 15-2***.

B. FERS Employees Hired Before August 1, 2010. The agency establishes a TSP account accruing Agency Automatic (1 percent) Contributions for FERS employees hired before August 1, 2010. Employees must make a contribution election in order to begin employee contributions and to receive Agency Matching Contributions.

C. CSRS Employees. CSRS employees may make a TSP contribution election at any time through their HRO in order to establish a TSP account. CSRS employees do not receive Agency Automatic (1 percent) Contributions or Agency Matching Contributions.

* D. Contribution Elections. A contribution election is used by an employee to start, stop, or change employee contributions. The employee may elect to contribute at any time as instructed by the employing agency, by submitting a paper election form or by using electronic media (such as the Employee Benefits Information System). An election may not exceed the maximum contribution limit under 5 C.F.R. 1600.22. The contribution election may be a percentage of basic pay or a dollar amount that is deducted each biweekly pay period. Percentages and dollar amounts must be expressed in whole numbers. Contribution elections are effective the first full pay period after the agency receives the election. The ***TSP-1*** Election Form and the ***TSP-1-C*** Catch-Up Contribution Election Form are available at ***TSP.gov***.

111003. TSP Contributions

A. General. TSP contributions come from three sources: employee contributions, Agency Automatic (1 percent) Contributions, and Agency Matching Contributions. Additional information on employee contribution elections, contribution allocations, and agency automatic and matching contributions can be found in 5 C.F.R.1600 and ***1601*** or at TSP.gov.

B. Employee Contributions. Employee Contributions are payroll deductions taken from an employee's basic pay before taxes are withheld. The PRO withholds contributions each pay period in the amount directed by the employee (or the 3 percent automatic enrollment amount if no election is made). An employee is immediately vested in his or her own

contributions and any accrued earnings on such contributions. Maximum contribution limits are as follows:

1. Internal Revenue Service (IRS) Limits. Contribution amounts are subject to the Internal Revenue Code (IRC) limitations on the maximum dollar amount of contributions. The limits set by the IRS may change annually and published at TSP.gov. See 5 C.F.R. 1600.22.

2. Contribution Limits Through 2005. The maximum employee contribution for FERS, CSRS and CSRS-Offset participants was limited through 2005 to a percentage of basic pay. After 2005, the IRS began setting contribution limits. Additional information regarding FERS limits for 2005 and before can be found at ***5 U.S.C. § 8432(a)(2)***, ***5 U.S.C. § 8351(b)(2)(B)***, and 5 C.F.R. 1600.22.

3. Catch-up Contributions. A TSP participant age 50 or older may be eligible to make tax-deferred catch-up contributions from basic pay that are separate from the participant's regular contribution election. Catch-up contributions for FERS employees are not eligible for Agency Matching Contributions. Catch-up contributions are subject to limits set by the IRS and may be made at any time during the calendar year if the employee is:

a. At least age 50 by the end of the calendar year;

b. Making regular TSP contributions at a rate that will result in the participant making the maximum regular contributions permitted under the IRC; and

C. Agency Automatic (1 Percent) Contributions. Beginning with an employee's first pay period, an agency contributes an amount equal to 1 percent of the employee's basic pay to the employee's TSP account each pay period. For employees hired on or after December 1, 2008, ***The TSP Enhancement Act of 2009*** eliminated the waiting period for FERS employees to receive the Agency Automatic Contributions. The agency contribution is not deducted from the employee's pay, nor is it used to determine tax owed by the employee. CSRS employees do not receive an agency contribution. Generally, most FERS employees become vested and entitled to the Agency Automatic Contributions, and associated earnings, after completing 3 years of service. If an employee:

1. Dies before separating from service, he or she is automatically vested in all of the money in the employee's TSP account; or

2. Separates from Federal service; the employee must meet the TSP vesting requirement in order to keep Agency Automatic Contributions and associated earnings.

D. Agency Matching Contributions. Employees covered under FERS will receive Agency Matching Contributions on the first 5 percent of pay that the employee contributes each pay period to their TSP account. The agency matches the first 3 percent of pay the employee contributes dollar for dollar. The agency matches the next 2 percent of pay at 50 cents

per dollar. The agency does not match the employee contributions above 5 percent. Employees covered under CSRS do not receive Agency Matching Contributions.

E. Contribution Allocations. Employees may make a contribution allocation directing how money deposited into the employee's TSP account is to be invested. This applies only to future deposits and does not affect funds already in the account (an Interfund Transfer reallocates existing investments). The allocation directs the investment of employee contributions, Agency Automatic (1 percent) Contributions, and Agency Matching Contributions. The allocation remains in effect until superseded by a subsequent contribution allocation submitted by the employee. Allocations must be in 1 percent increments and the sum of the percentages elected must equal 100 percent. An employee may change an allocation using the TSP website or using ThriftLine (the automated system or speaking to a TSP Participant Service Representative). Employees may allocate investments among any of the following TSP investment funds:

1. Government Securities Investment (G) Fund;

2. Fixed Income Index Investment (F) Fund;

3. Common Stock Index Investment (C) Fund;

4. Small Capitalization Stock Index Investment (S) Fund;

5. International Stock Index Investment (I) Fund; and

6. Lifecycle (L) Funds.

111004. TSP Loan Program

A. General. The TSP Loan Program allows employees to borrow money from their TSP account while actively employed by the Federal government. TSP participants must apply for a TSP loan and must meet the eligibility criteria set forth in ***5 C.F.R. 1655.2***. Employees may not have more than two outstanding loans at any time and must set-up loan payments through payroll deduction. Repayment must restore the original loan amount, plus interest. Deductions for repayment each pay period is in the amount set out in the Loan Agreement. An employee may make additional payments and may pay off the loan early by making payment directly to TSP.

B. Types of TSP Loans. There are two types of TSP loans authorized under the TSP loan program, the general purpose loan and the residential loan.

1. General Purpose Loans. General purpose loans may be used for any purpose. Obtaining the loan requires no documentation. The repayment term is 1 to 5 years.

2. Residential Loans. Residential loans may be used only for the purchase or construction of a primary residence. Residential loans require documentation regarding the cost of purchasing or constructing the residence and other documentation as requested by TSP. The repayment term is 1 to 15 years.

C. Borrowing Limits for TSP Loans

1. Minimum Loan amount. The initial principal amount of any loan cannot be less than $1,000.

2. Maximum Loan amount. The principal amount of a new loan must be less than or equal to the smallest of the following:

a. The employee's own contributions and earnings on those contributions in the employee's TSP account balance, not including any outstanding loan balance;

b. Fifty percent of the employee's vested account balance, including outstanding loan balance or $10,000, whichever is greater, minus any outstanding loan balance; or

c. $50,000 minus the employee's highest outstanding loan balance, if any, during the last 12 months.

111005. In-Service Hardship Withdraw

Employees who meet eligibility requirements may make a financial hardship withdrawal from their TSP account. After making the withdrawal, the employee cannot make employee contributions to their TSP account for 6 months. FERS participants will not receive any Agency Matching Contributions for the period during which the employee is not making employee contributions. However, Agency Automatic (1 percent) Contributions will continue. An employee cannot return or repay the money removed from the TSP account. See ***5 C.F.R. 1650.32***.

*111006. Correction of Late Contributions.

A. Late Contributions. A late contribution is a contribution that is timely deducted from an employee's basic pay, but is not timely reported to the TSP for investment. A late contribution may also result from an employee contribution that was timely reported to TSP, but was not timely posted to the participant's account by TSP because the payment record submitted contained errors. See 5 C.F.R. 1605.2.

B. Corrections. The PRO must submit late contributions to TSP as soon as the error is discovered. The PRO must show the "as of" date for the contributions. Breakage for both the employee and agency contributions is calculated by TSP. See 5 C.F.R. 1605.15.

*111007. Correction of Employing Agency Errors

A. General. Agency errors occur when an agency either erroneously submits less contributions to a TSP participant's account than it should have or more than it should have. An error is an act or omission by TSP or the employing agency that is not in accordance with applicable statues, regulations, or administrative procedures. It does not mean an act or omission

caused by events that are beyond the control of TSP or the employing agency. It is the responsibility of the employing agency to determine whether it has made an error that entitles a TSP participant to a correction for missed or insufficient contributions. See 5 CFR 1605, ***subpart B***.

B. Missed or Insufficient Contributions. Types of errors resulting in missed or insufficient contributions include, but are not limited to, when the agency actions prevent an employee from making an election to contribute, when the agency fails to implement an election properly submitted, or when the agency fails to make agency automatic or matching contributions. See 5 C.F.R. 1605.11. If, as a result of an agency error, a participant does not receive all of the TSP contributions to which he or she is entitled, the following applies:

1. Employer Makeup Contributions. An agency is required to correct any agency automatic (1%) contributions and agency matching contributions it failed to make. The PRO should promptly submit all missed contribution to TSP. TSP will calculate breakage due the participant and post the contributions and breakage to the participant's account. See 5 C.F.R. 1605.11. See subparagraph 111006.B for information concerning breakage.

2. Employee Makeup Contributions. Missed or insufficient contributions that are the result of an agency error are corrected prospectively. The agency must notify the TSP participant if he or she is eligible to make up the missed contributions and receive matching agency contributions (if applicable). Employee contributions may only be made through future payroll deductions from basic pay. Contributions by check, money order, cash or other form of payment directly from the participant to TSP or to the employing agency for deposit into TSP are not permitted. There is no payment of breakage on makeup employee contributions for missed or insufficient contributions. The employee will receive the tax benefit in the year the contributions are made up.

3. Notification to Employee. The PRO should issue a written notification to the employee indicating that the agency acknowledges that an error has occurred which has caused a smaller amount of employee contributions to be made to the participant's account than should have been made. The agency must advise the employee that he or she may, but is not required, to elect to establish a schedule to make up the deficient contributions through future payroll deductions. An employee has 30 days from the date the notification was received to set up a schedule to make up any deficient contributions.

4. Repayment Schedule. An agency may not require a TSP participant to make up contributions in less than twice the number of pay periods over which error occurred. The maximum length of the repayment schedule may not exceed four times the number of pay periods over which the error occurred.

C. Removal of Excess or Erroneous Contributions. Generally, an agency must submit a negative adjustment record to TSP in order to identify and remove excess or erroneous contributions for each pay date. TSP will credit the agency with the actual value of the adjusted contribution. The agency must return the original amount of the employee contribution to the participant if applicable. Any positive earnings on employee contributions remain in the

participant's account. Positive earnings on agency contributions are forfeited to TSP. Excess or erroneous contributions submitted to TSP before January 1, 2000, may not be returned and remain in the participant's account. See 5 C.F.R. 1605.12.

*111008. Corrections Following an Award of Back Pay or Retroactive Pay Adjustment

A. Erroneously Separated Employee. An erroneously separated employee may request that any employee contributions not made during the period of erroneous separation be deducted from his or her back pay award. See 5 C.F.R. 1605.13. If the employee elects to make up contributions for the back pay period, the HRO will either reinstate the employee's contribution election on file at the time of separation, or the employee may submit a new contribution election if he or she would have been eligible to make such an election but for the erroneous separation. The TSP makeup contributions are subject to the following requirements:

1. Breakage is paid on all makeup contributions, both employee and agency, at the G Fund rate of return, unless otherwise specified by the agency or reinstatement order.

2. The employee will receive the tax benefit in the year the contributions are made. The PRO must annotate retroactive employee contributions by year on the IRS Form W-2, Wage and Tax Statement.

3. TSP will not accept retroactive contributions for erroneous separations directly from the Department of Justice Judgment Fund or by check, money order, cash or other form of payment directly from the participant or agency.

* 4. If, by error, back pay is paid to an employee prior to making TSP contribution deductions, an individual who is still employed with the agency may make up the missed contributions through future payroll deductions.

B. Other Retroactive Pay Adjustments. The agency must deduct TSP contributions from the pay adjustment using the employee's election on file for the period of the pay award. Breakage is calculated based on the contribution allocation on file when the contribution would have been made. See 5 C.F.R. 500.1605 and subparagraph 111010.

111009. Corrections due to Misclassification of Retirement System Coverage. An employee that has his or her retirement system coverage misclassified by the employing agency is entitled to have their record corrected.

A. Misclassified as FERS. When the CSRS employee is misclassified as a FERS participant, the following applies to the corrected record:

1. Employee contributions that exceed any applicable contribution percentage for the pay periods involved may remain in the employee's account. The employee may request the return of excess employee contributions made on or after January 1, 2000, but contributions made before January 1, 2000, must remain in the employee's account.

2. TSP will forfeit agency contributions made to the CSRS employee's account.

B. Misclassified as CSRS. When the HRO misclassifies a FERS employee as a CSRS participant, the following applies to the corrected record:

1. The employee may not elect to have the contributions made while misclassified as a CSRS participant removed from the account.

2. The employee may elect to make up contributions that he or she would have been eligible to make as a FERS employee during the period of misclassification.

3. The employing agency must make Agency Automatic (1 percent) Contributions and Agency Matching Contributions on employee contributions made while the employee was misclassified.

4. If the misclassified coverage is a Federal Erroneous Retirement Coverage Corrections Act (FERCCA) correction, the employing agency must submit makeup employee contributions on late payment records. The employee is entitled to breakage on employee contributions, Agency Automatic (1 percent) Contributions, and Agency Matching Contributions.

5. If the misclassification coverage is not a FERCCA correction, the employing agency must submit makeup employee contributions on current payment records. The employee is not entitled to breakage on employee contributions, but breakage is required for retroactive agency contributions.

6. If employee contributions were made up before OPM implemented regulations on FERCCA corrections and the correction is considered to be a FERCCA correction, an amount to replicate TSP lost earnings will be calculated by OPM and provided to the employing agency for transmission to the TSP record keeper.

C. Misclassifications that are Corrected to Federal Insurance Contribution Act (FICA) Only. If the HRO misclassifies the employee as either FERS or CSRS and later corrects the retirement coverage to FICA only, the employee is no longer eligible to participate in TSP. For regulations regarding employee and agency contribution in the employee's account, see 5 C.F.R. 1605.14(c).

D. Misclassified as FICA Only. If the HRO misclassifies the employee as FICA only and later corrects the retirement coverage to either FERS or CSRS, the employee may elect to make up contributions that he or she would have been eligible to make as a FERS or CSRS employee during the period of misclassification.

111010. Breakage

A. General. Breakage, also referred to as "lost earnings," is the loss incurred or the gain realized on makeup or late contributions. Breakage for both the employee and agency

contributions is calculated, posted and charged to the agency or forfeited to TSP in accordance with 5 C.F.R. Part 1605.2. This includes breakage on late contributions, makeup agency contributions, and loan payments. When breakage is payable, breakage calculations are subject to the following requirements:

1. The contribution is submitted to TSP for deposit more than 30 days from the original pay date.

2. The net contribution (employee and agency combined) is at least $1.00.

B. Posting of Multiple Contributions. If the TSP posts multiple makeup or late contributions, or late loan payments with different "as of" dates for a participant on the same business day, the amount of breakage charged to the employing agency or forfeited to the TSP will be determined separately for each transaction, without netting any gains or losses attributable to different "as of" dates. In addition, gains and losses from different sources of contributions or different TSP Funds will not be netted against each other. Instead, breakage will be determined separately for each "as of" date, TSP Fund, and source of contributions. This is done to provide clarity due to multiply occurrences and to provide the employee complete information in order to make accurate and sound decisions.

111011. Contributions Missed as a Result of Military Service under USERRA

A. Employee Contributions. Upon their return to service, FERS and CSRS Employees who separated from Federal civilian service or who were on AUS in order to perform military service may be eligible to make up employee contributions (including any catch-up contributions for employees age 50 or older) missed because of their military service. FERS employees are eligible to receive matching agency contributions.

1. The PRO must deduct employee contributions from future pay. Employees must meet conditions specified in ***5 C.F.R. 1620.40***. The allowable amount of any makeup contributions will be offset by the dollar amounts an employee contributed to TSP while on active duty. Total contributions may not exceed the IRS limit in effect the year the contribution would have been made.

2. Upon reemployment or return to a pay status after military service, an employee has 60 days to elect to make up any missed contributions. Missed employee contributions are made up in accordance with 5 C.F.R. 1605.11(c). Employees who wish to make up contributions under this authority should review the information on the TSP website regarding ***Resuming and Making Up Contributions*** and 5 C.F.R. 1605.31.

B. Agency Automatic (1 percent) Contributions. The agency must deposit the Agency Automatic (1 percent) Contribution a FERS employee would have been eligible to receive during the period of AUS or separation. The contribution is based on the basic pay the employee would have earned and is entitled to breakage.

C. Agency Matching Contributions. The agency must deposit matching contributions based on the amount a FERS employee contributed to the uniformed services account from his or her military basic pay. Amounts contributed from other sources (such as uniformed services incentive, special, or bonus pay) are not used to determine Agency Matching Contributions. The agency pays matching contributions on any makeup employee contributions made after the employee returns from military service (unless the maximum matching has already been received). Agency Matching Contributions are entitled to breakage.

1111 POST-56 MILITARY DEPOSIT

*111101. General

A. Background. On January 1, 1957, Social Security began using military service in the computation of Social Security benefits. As a result, Federal (employee) retirees with an annuity that included credit for military service performed after 1956 lost credit for time spent in military service when they became entitled to Social Security benefits. In 1982, Congress enacted a law allowing Federal employees who were also veterans with post-1956 military service to pay a deposit into FERS or CSRS to avoid the loss of their military service credit.

B. Post-56 Military Deposit. An employee must pay a deposit prior to retirement for military service performed after December 31, 1956, or the military service will not count toward the CSRS or FERS retirement annuity. This deposit is referred to as the Post-56 Military Deposit. Making the Post-56 Military Deposit allows an employee to receive credit for military service under both Social Security and CSRS or FERS.

C. Authoritative Guidance. See ***5 U.S.C. § 8334(j)*** and ***8422(e)(1)(A)***; 5 C.F.R. 831.2101-2107 and 842.307; and ***Chapter 23 of the CSRS and FERS Handbook***.

* D. Post-56 Deposit Payments. The employee may make a Post-56 Military Deposit in installment payments or a lump sum payment. Installment payments must be in whole dollar amounts not less than $25 per pay period, except for the last payment that may be in any amount to complete repayment. Unpaid balances are subject to interest calculations, and OPM issues annual guidance concerning the rate of interest to use. The employee must submit payments, other than payroll deductions, directly to:

DFAS-Cleveland
ATTN: J3DCBB/559
1240 E. 9th Street
Cleveland, OH 44199.

The payment must be in the form of a negotiable instrument. Mailed payments must be received by the disbursing officer by the close of business on the last regular business day before the interest accrual date. The date of receipt by the disbursing officer will constitute the date of payment, not the date of the postmark. The PRO computes interest on the unpaid balance on the employee's interest accrual date.

1. Timing of Payment. Employees must complete the deposit for military service prior to separation from service. If an employee dies, but was eligible at the time of death to make a deposit, the employee's survivor may make the deposit in one lump sum to the former employing agency before OPM completes adjudication of the survivor annuity application.

2. Administrative Errors. An employee, who was eligible to make a deposit for military service but failed to complete the deposit prior to separation due to an administrative error may complete the deposit in a lump sum if OPM determines an agency error occurred. If, after separation, a retiree requests to make a deposit and OPM determines that an agency error occurred, OPM will issue a letter to the agency. This letter will explain the administrative error in detail and advise the agency to compute and accept the Post-1956 Military Service Deposit. See ***BAL 13-103***.

111102. FERS Post-56 Military Deposit ("Buy Back")

A. General. A FERS employee may receive credit for post-1956 military service under FERS rules only if he or she makes a Post-56 Military Deposit equal to 3 percent of the military basic pay he or she earned during the period of military service, plus interest. The deposit is required in order to receive credit for military service performed after December 31, 1956. The deposit is necessary to get credit for both FERS eligibility and annuity computation purposes. No deposit is due for military service performed before January 1, 1957. The employee is not charged interest if the deposit is paid in full before the first interest accrual date (IAD). Interest accrual starts and is compounded annually beginning 2 years from the date of the first employment under FERS.

B. Interest Accrual Dates (IADs). For FERS employees first employed prior to January 1, 1987, interest started to accrue on January 1, 1989. Therefore, the initial IAD for these employees is January 1, 1990. For employees first employed on or after January 1, 1987, interest began to accrue 2 years from the date the employee was first employed and subject to FERS. Therefore, the initial IAD for these employees is 1 year after the 2-year interest free grace period ends.

111103. CSRS Post-56 Military Deposit ("Buy Back")

A. General. A CSRS employee first employed on or after October 1, 1982, will receive credit for post-1956 military service only if he or she makes a Post-56 Military Deposit equal to 7 percent of the military basic pay earned during the post-1956 military service, plus interest. Employees first employed under CSRS before October 1, 1982, have the option of making deposits for post-1956 military service and avoiding a possible annuity reduction.

B. Interest Accrual Dates. For CSRS employees, interest begins to accrue on the military service deposits on October 1, 1985, or 2 years after an employee is first employed or reemployed after a period of military service in a position subject to CSRS. The IAD is the date each year when the PRO adds the accrued interest to the amount owed by the employee. The initial IAD is the date 1 year after the end of the interest free grace period. Thereafter, the IAD

falls on the anniversary of the first IAD until the employee pays the deposit in full. The employee is not charged interest if the deposit is paid in full before the first IAD.

VOLUME 8, "DEFINITIONS"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated January 2016 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current administrative instruction.	Revision
All	Revised information for clarity.	Revision
Disabled Veteran Leave (DVL)	Added a definition for DVL to the chapter.	Addition

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DEFINITIONS

Absence Without Leave (AWOL)

Absence from a place of duty without permission or authorization.

Absent-Uniformed Service

Absence due to extended active duty for service with the Armed Forces.

Administrative Offset

Withholding funds payable by the United States, or held by the United States to satisfy a balance owed by a debtor to the United States. This includes offset from disposable pay (salary).

Administrative Workweek

Any period of 7 consecutive 24-hour periods designated in advance by the head of the agency. See 5 United States Code (U.S.C.), section ***6101***, 5 Code of Federal Regulations (CFR), section ***532.501***, and 5 CFR ***550.103***.

Advance of Pay

Single lump-sum payment authorized for payment in advance of an employee's scheduled pay date in accordance with Chapter 3, section 0309 of this Volume.

Agency

An Executive agency or Military Department as defined by 5 U.S.C. §§ ***102***, ***105***, ***5541***, and 5 CFR 550.103.

Advanced Compensatory Time for Religious Reasons

Compensatory time requested by the employee and granted by the supervisor for the employee to meet religious requirements. See 5 U.S.C. § ***5550a***.

Allotment

A recurring, specified deduction from pay, authorized by a civilian employee, to be paid to an allottee.

Allottee

A person or institution to whom an allotment is made payable.

Alternative Work Schedule (AWS)

An arranged tour of duty that varies from a regular tour of duty and includes flexible and compressed work schedules. See the U.S. Office of Personnel Management's (OPM) ***Handbook on AWS*** for more information.

Annuitant

A retired federal employee or his/her survivor who is receiving payments from OPM.

Appropriated Fund

The amount that agencies may obligate during the period of time specified in a particular appropriation act.

Availability Pay

Premium pay provided for criminal investigators in job series 1811 and 1812 who are required to work, or be available to work, substantial amounts of unscheduled overtime duty based on the needs of the employing activity.

Base Realignment and Closure (BRAC)

The congressionally authorized process under 10 U.S.C. § ***2687*** that gives the Secretary of Defense the authority to reorganize the base structure to more efficiently and effectively support the forces, increase operational readiness, and facilitate new ways of doing business.

Basic Pay

Also referred to as "base pay." Basic pay is the total amount of pay received at a rate fixed by law or administrative action for the position held by the employee. Basic pay does not include certain types of pay, for example: bonuses, allowances, overtime or holiday pay.

Basic Work Requirement

The number of hours, excluding overtime hours, which an employee must work or otherwise account for by leave, credit hours, holiday hours, excused absences, compensatory time off, or time off as an award. See 5 U.S.C. § ***6121***.

Basic Workweek

For a full-time employee, a basic workweek is the 40-hour workweek established in accordance with 5 CFR ***610.111***. Unless specifically designated, a basic workweek for full-time employees is five 8-hour days, Monday through Friday. See 5 CFR ***610.121***.

Beneficiary

For purposes of Volume 8, a beneficiary is the person or persons authorized by law to receive the employee's unpaid compensation. Person or persons may include a legal entity, or the estate of the deceased employee. See 5 CFR ***178.203*** and 5 U.S.C. § ***5582***.

Buy-Back of Leave

The process by which an employee makes arrangements with the civilian payroll office (PRO) to repurchase sick or annual leave that was used by the employee, prior to the approval of his or her claim for compensation under the Federal Employees' Compensation Act at 5 U.S.C., ***Chapter 81***.

Calendar Year

The period starting January 1 and ending December 31.

Civil Service Retirement System (CSRS)

A defined benefit retirement and disability benefits system for Federal Government employees and Members of Congress under 5 U.S.C. §§ ***8331 to 8351***. CSRS was replaced by the Federal Employees Retirement System (FERS) under 5 U.S.C., ***Chapter 84*** for federal employees who first entered covered service on or after January 1, 1987.

Civil Service Retirement System Offset (CSRS-Offset)

The plan for federal employees whose service is subject to CSRS deductions and Social Security taxes, as described under 5 U.S.C. § ***8349***. CSRS-Offset employees are covered by Social Security because they were separated from CSRS covered federal employment for more than 1 year and returned to a position in which they were covered by CSRS after 1983. Old-Age, Survivors, and Disability Insurance (OASDI) withholdings are offset from their CSRS contributions so that the combined Social Security and CSRS contributions are the same as for employees who have CSRS coverage only.

Commercial Garnishment

For purposes of Volume 8, a commercial garnishment is the process by which a Federal agency withholds pay from a federal civilian employee pursuant to 5 U.S.C. § ***5520a*** in order to honor a garnishment order or similar legal process issued by a court of competent jurisdiction in the enforcement of a commercial debt against the employee.

Compensatory Time Off

Time off granted in lieu of pay for an equal amount of time spent in irregular or occasional overtime work. See 5 U.S.C. § ***5543***.

Compressed Work Schedule

For a full-time employee, consists of an 80-hour biweekly basic work requirement scheduled by an agency for less than 10 workdays. For a part-time employee, denotes a biweekly basic work requirement of less than 80 hours scheduled by an agency for less than 10 workdays. See 5 U.S.C. § 6121(5).

Continental United States (CONUS)

The 48 contiguous states and the District of Columbia.

Continuation of Pay

Payment made to an employee during an absence from the job due to a traumatic on-the-job injury.

Core Hours

Designated hours and days during which an employee covered by a flexible work schedule is required to be present for duty. See 5 U.S.C. § ***6122(a)(1)***.

Credit Hours

Hours an employee elects to work with supervisory approval that are in excess of the employee's basic work requirements under a flexible work schedule. See 5 U.S.C. § 6121(4).

Customer Service Representative (CSR)

The liaison between the employee and the PRO and/or Human Resources Office that provides assistance in resolving pay and leave issues.

Data Element

A named identifier and attributes for each of the entities represented within the Defense Civilian Pay System (DCPS).

Debt

Any amount of money or any property owed to a Department of Defense (DoD) Component or another Federal agency by any person, organization, or entity except another Federal agency. Debts include insured or guaranteed loans and any other amounts due from fees, leases, rents, royalties, services, sales of real or personal property, or overpayments; penalties, damages, interest, fines and forfeitures; and all other claims and similar sources. Delays in processing employee-elected coverage or a change in coverage under federal benefits programs are not normally considered debts if processing delays did not exceed 2 monthly or 4 biweekly

pay periods. Amounts due a non-appropriated fund instrumentality are not debts owed the United States unless specifically included by this Regulation.

Deductions

Monies withheld, by law (mandatory deductions) or voluntarily (voluntary deductions), from an employee's pay (salary). The three basic types of deductions are:

a. Those required by law, regulations, or decision issued by a court or administrative body;

b. Those for benefits specifically authorized by law, such as health and life insurance; and

c. Voluntary personal allotments to a designated allottee.

Defense Civilian Pay System (DCPS)

The standard DoD civilian pay system approved by the Under Secretary of Defense (Comptroller) Chief Financial Officer to pay employees from appropriated, revolving, or trust funds.

Departmental Reporter

The Defense Finance and Accounting Service (DFAS) organizational entity serving as the focal point for a Military Service, when dealing with the OPM and the Thrift Investment Board concerning retirement or Thrift Savings Plan (TSP) reporting.

Disposable Pay

The amount that remains after pay (salary) is reduced by amounts that are:

a. Required by law to be deducted;

b. Properly withheld for federal, state, and local income taxes;

c. Deducted as health insurance premiums;

d. Deducted as normal retirement contributions; and

e. Deducted as normal life insurance premiums.

*Disabled Veteran Leave (DVL)

Leave granted to a newly hired civilian employee who is a military veteran with a service-connected disability rated at 30 percent or more. Such leave may be used in the first year of civil

service duty to receive treatment for service-connected injuries. See Chapter 5; 5 U.S.C. § ***6329***; 5 CFR 630, ***subpart M***; and the OPM Fact Sheet, ***Disabled Veteran Leave***.

Due Process

For purposes of Volume 8, due process refers to legal proceedings carried out in accordance with established law and regulations in connection with the collection of debts due the United States.

Emergency Medical Technician (EMT)

A specialist in the technical details of medical treatment responding to an urgent need for assistance requiring immediate action.

Employee

An employee refers to an individual appointed to a position in DoD and paid from appropriated, revolving, or trust funds. See 5 U.S.C. §§ ***2105*** and 5541.

Employer Identification Number (EIN)

A nine-digit number the Internal Revenue Service assigns to identify the tax accounts of employers, sole proprietors, corporations, partnerships, non-profit associations, trusts, estates, government agencies, and other business entities pursuant to 26 U.S.C. § ***6109***.

Entitlement

Legally established benefit available to any person or unit of the Federal Government meeting eligibility requirements established by law.

Environmental Differential Pay (EDP)

Pay for duty involving unusually severe hazards or working conditions. See 5 U.S.C. § ***5343(c)(4)***.

Executive Schedule (EX) Employees

Position is paid according to the Executive Schedule under 5 U.S.C. §§ ***5311 to 5318***.

Fair Labor Standards Act (FLSA)

The federal law codified at 29 U.S.C., ***Chapter 8*** that establishes minimum wage, overtime pay, recordkeeping, and child labor standards for full-time and part-time workers in the private sector and in Federal, State, and local governments.

Family and Medical Leave Act (FMLA)

Prescribes an entitlement to a total of 12 administrative workweeks of unpaid leave during any 12-month period, for certain family and medical needs. FMLA allows employees to use or substitute up to 26 weeks of accrued or accumulated sick leave for unpaid FMLA leave to care for a seriously injured/ill covered Service member as authorized by the fiscal year (FY) 2008 National Defense Authorization Act (NDAA) including up to 30 days (240 hours) of advance sick leave. See 5 CFR ***630, subparts D and F***.

Federal Agency

Any executive agency as defined by 5 U.S.C. § 105, including the U.S. Postal Service and the Postal Rate Commission; a Military Department as defined by 5 U.S.C. § 102; an agency of the legislative branch, including the U.S. Senate and U.S. House of Representatives; and an agency or court of the judicial branch.

Federal Employees' Retirement System (FERS)

The retirement plan for employees as described in 5 U.S.C., Chapter 84 and effective January 1, 1987.

Financial Institution

Bank, savings association, or credit union eligible under 31 CFR ***210*** to serve as a government depository.

Fiscal Year (FY)

The period starting October 1 and ending September 30.

Foreign Areas

Defined in the Department of State Standardized Regulations ***(DSSR)*** as any area situated outside of the United States, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, and the possessions of the United States.

Foreign National

A foreign national is a person who is not a citizen or national of the United States.

Foreign National Employee

For the purposes of Volume 8, a foreign national employee is an individual who is employed by or performing work for U.S. forces outside the United States, its territories, and possessions in a system of employment. See DoD Instruction ***(DODI) 1400.25, Volume 1231***.

Garnishment

Written notification concerning the attachment of monies to satisfy a debt that results in the withholding of a specified amount from the employee's pay (salary).

Holiday Work

Non-overtime work performed by an employee during a regularly scheduled daily tour of duty on a holiday designated in accordance with 5 CFR ***610.202***. See 5 U.S.C. § ***5546***.

Intermittent Work Schedule

Employment on an irregular or occasional basis, without a regularly scheduled tour of duty. See 5 CFR ***340.401***.

Involuntary Repayment

Recovery of debt owed to the Federal Government by means of salary offset under 5 U.S.C. § ***5514*** by deduction from the current pay of employee without his or her consent.

Irregular or Occasional Overtime Work

Overtime work that is not part of an employee's regularly scheduled administrative workweek. See 5 CFR 532.501.

Leave and Earnings Statement (LES)

A document provided to each employee showing gross pay, deductions, net pay for a pay period and cumulative totals for the year to date, along with leave balances at the end of the pay period.

Leave Record

The amounts of leave earned and used, and the balance available.

Leave Without Pay (LWOP)

A temporary non-pay status and absence from duty that in most cases is granted at the employee's request.

Leave Year

The period beginning with the first complete pay period in a calendar year and ending with the day immediately before the first day on the first complete pay period of the following calendar year.

Limitations on Premium Pay or Pay Caps

The maximum biweekly and aggregate limitations for premium pay. See 5 CFR ***550.105***.

Locality Payment

A locality-based comparability payment, payable to General Schedule (GS) employees under 5 U.S.C. § ***5304*** and 5 CFR ***531, subpart F***. See 5 CFR ***531.602***.

Lump-Sum Leave Pay

Payment for accumulated annual leave upon separation or change to a nonconvertible leave system.

Military Leave

An approved absence with pay authorized under 5 U.S.C. § ***6323***.

National Guard

The Army or Air National Guard of a state.

National Guard Technician

A federal employee of the National Guard hired under 32 U.S.C. § ***709*** and does not include National Guard Bureau employees hired under Title 5 of the U.S. Code or other authority.

Net Pay

The amount of wages, pay, or salary due after all payroll deductions are made.

Nonappropriated Funds (NAFs)

Monies that are not appropriated by the Congress to incur obligations and make payments out of the U.S. Treasury. NAFs come primarily from the sale of goods and services to DoD military and civilian personnel and their family members.

Nonappropriated Funds (NAF) Employee

A civilian employee who is paid from nonappropriated funds of the Army and Air Force Exchange Service, Navy Exchanges, Marine Corps exchanges, Coast Guard exchanges, or any other instrumentality of the United States under the jurisdiction of the Armed Forces which is conducted for the comfort, pleasure, contentment, or physical and mental improvement of members of the Armed Forces. See 5 U.S.C. § 2105(c) and ***DoDI 1400.25,V1401***.

Non-foreign Areas

The states of Alaska and Hawaii, the Commonwealths of Northern Mariana Island and Puerto Rico, territories and possessions of the United States that the Secretary of State has designated as being within the scope of Part II of ***Executive Order 10,000***.

Panama Canal Commission

A wholly owned government corporation established under 22 U.S.C. § ***3611*** for the purposes of managing, operating, and maintaining the Panama Canal in accordance with the Panama Canal Treaty of 1977 and related agreements.

Pay (Salary)

Pay and salary have the same meaning. They include basic, premium, and any other authorized pay and allowances other than travel and transportation expenses.

Pay Period

A segment of time during which employees perform work and receive pay. For most federal civilian employees, a pay period covers 14 consecutive days, normally beginning on Sunday.

Pay Record

Part of each civilian employee's master pay record that contains all transaction information on payments and deductions with an audit trail to the authorizing documents. The pay record includes information such as pay grade, record of payments, all earnings separately identified by type (e.g., basic pay, bonuses, premium pays, and allowances), allotments, any deductions, year-to-date gross earnings, taxable earnings, and taxes withheld.

Payroll Certifying Officer

A person appointed to certify the accuracy and propriety of payroll for compensation for personal services.

Permanent Change of Station (PCS)

The assignment, detail, or transfer of an employee to a different permanent duty station (PDS) under a competent travel authorization that does not specify the duty as temporary, provide for further assignment to a new PDS, or direct the employee to return to the old PDS.

Premium Pay

The dollar value of earned hours of compensatory time off and additional pay authorized by 5 U.S.C., Part III, Subpart D, ***Chapter 55, Subchapter V***, and includes pay for overtime, night, Sunday, or holiday work, stand by duty, administratively uncontrollable overtime work or availability duty. See 5 CFR 550.103.

Prevailing Rate Employee

An individual employed in: a particular trade or craft, or other skilled mechanical craft; or in an unskilled, semiskilled, or skilled manual labor occupation: or any other individual in a position having trade, craft or laboring experience and knowledge as the paramount requirement. See 5 U.S.C. § ***5342***.

Rate of Basic Pay

The rate of pay fixed by law or administrative action for the position held by the employee, to include locality pay, and special pay adjustments for law enforcement officers, but does not include any other types of pay. See 5 CFR ***531.203***.

Reemployed Annuitant

A person who is receiving a CSRS or FERS retirement annuity and, at the same time, is earning a paycheck as a Federal Government employee.

Regularly Scheduled Work

Work scheduled in advance of an administrative workweek under an agency's procedures for establishing workweeks in accordance with 5 CFR 610.111, excluding any such work to which availability pay under 5 CFR ***550.181*** applies. See 5 CFR 550.103.

Salary Offset

An administrative offset under 5 U.S.C. § 5514 to collect a debt owed by a Federal Government employee through deductions, at one or more officially established pay intervals, from the current pay account of the employee without his or her consent.

Scheduled Overtime Work

Overtime work that is scheduled and approved prior to the beginning of the employee's regularly scheduled administrative workweek.

Severance Pay

Pay that is authorized for full-time and part-time employees who are involuntarily separated from Federal service and who meet other conditions of eligibility. See 5 U.S.C. § ***5595***.

State

A state or territory of the United States, including the Commonwealth of Puerto Rico.

Thrift Savings Plan (TSP)

The tax-deferred savings plan established under 5 U.S.C. §§ ***8431 to 8440f***. The Thrift Savings Plan Enhancement Act of 2009, ***Thrift Savings Plan Bulletin 11-U-4***, authorized TSP to add a Roth 401(k) feature to the plan, in addition to the current traditional contribution plan. See ***TSP*** for additional information.

TSP Loan

Funds that employees and members of the Uniformed Services may borrow from their TSP accounts in accordance with the requirements at 5 U.S.C. § ***8433(g)***.

Tour of Duty

The hours of a day (a daily tour of duty) and the days of an administrative workweek (a weekly tour of duty) that make up an employee's regularly scheduled administrative workweek. See 5 CFR ***610.102***.

United States (U.S.)

The 50 states and the District of Columbia, unless otherwise qualified.

Voluntary Deduction

Deduction from an employee's pay that requires written authorization from the employee to affect withholding.

Waiver

In the context of debt collection, the cancellation, forgiveness, or non-recovery of a debt owed by an employee to an agency as permitted or required by law.

DoD 7000.14 - R

DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

VOLUME 9: "TRAVEL POLICY"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

VOLUME 9, CHAPTER 1: "GENERAL INFORMATION"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated June 2015 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Verified and updated references, hyperlinks, and formatting to comply with current administrative instructions, and made clarifying editorial changes.	Revision
0101	Changed section 0101 from "Authority" to "Purpose."	Revision
0102	Changed section 0102 from "Application" to "Authoritative Guidance."	Revision
010202	Revised guidance on requests for exceptions to policy.	Revision
0103	Clarified guidance in section 0103, "Effective Date of JTR Changes."	Revision
0104	Combined guidance contained in paragraphs 010401 and 010402 and placed under section 0104.	Revision
010401	Deleted paragraph 010401. Guidance moved under section 0104.	Deletion
010402	Deleted paragraph 010402. Guidance moved under section 0104.	Deletion
All	This instruction has been reviewed by the Per Diem, Travel and Transportation Allowance Committee (PDTATAC) staff in accordance with Department of Defense Instruction 5154.31, Volume 5, dated October 16, 2015, as PDTATAC Case 17009. Any conflict between this publication and the Joint Travel Regulations (JTR) is resolved based on the JTR and not this publication.	Revision

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CHAPTER 1

GENERAL INFORMATION

*0101 PURPOSE

The policies addressed in Volume 9 apply to all personnel traveling under orders funded by the Department of Defense (DoD). This includes military members, civilian employees, members of the Reserve Components, dependents on official orders, and travelers on DoD invitational travel authorizations. Individual DoD Component travel implementing guidance remains in use to provide direction for travel order preparation, administration, and accounting.

*0102 AUTHORITATIVE GUIDANCE

Volume 9 provides supplemental instructions on the payment of allowances authorized by the Joint Travel Regulations (***JTR***). The DoD chartered Per Diem, Travel and Transportation Allowance Committee (PDTATAC) publishes the JTR. The JTR directly implements the travel and transportation allowances authorized by law for members of the Uniformed Services, and also implements guidance from the General Services Administration's (GSA) Federal Travel Regulation (***FTR***) for DoD civilian employees.

010201. Additional Guidance

A. Additional guidance pertinent to the U.S. Army is in the ***DFAS-IN 37-1 Regulation, Chapter 10, Travel and Transportation Allowances***.

B. Additional guidance pertinent to the U.S. Air Force is in the ***Air Force Instruction 24-101, Passenger Movement***. (Once you have reached this page, you must click on 'Departmental' under the 'Publications' tab, then select and click on # 24 (Transportation) under 'Select Publication Series', which will take you to the page where you may select the Air Force 24-101 publication.)

C. Additional guidance pertinent to the U.S Navy is available in the ***Navy Passenger Transportation Manual (OPNAVINST 4650.15B)***.

D. Additional guidance pertinent to the U.S. Marine Corps is in the ***Marine Corps Assignment, Classification, and Travel System Manual (ACTS Manual)***.

*010202. Exceptions

Exceptions to policy must be authorized by the Office of the Under Secretary of Defense (Comptroller) (OUSD(C)). Requests for exceptions must include a justification(s) and a recommendation(s), and must be approved by the appropriate DoD Component command channel at or above the level of the Deputy Chief Financial Officer (DCFO), OUSD(C). Requests must be sent through the appropriate DoD Component to the Defense Finance and Accounting Service (DFAS), Director, Strategy, Policy and Requirements, Finance Policy Division (DFAS-ZPF),

8899 E. 56th Street, Indianapolis, IN, 46249, for review and recommendation for approval/disapproval, and will be forwarded to the DCFO, OUSD(C), for a final decision.

*0103 EFFECTIVE DATE OF JTR CHANGES

See the information on "EFFECTIVE DATE OF REGULATION CHANGES" in the Introductions to the JTR for explanations of JTR effective dates. The DFAS-ZPF may release policy memorandums affecting Volume 9 which implement PDTATAC determinations, if necessary. These policy memorandums remain in effect until the information is published in a change to Volume 9.

*0104 RESPONSIBILITIES

The OUSD(C) has ultimate responsibility for the policies contained in Volume 9. The DoD Components may submit requests for changes to DFAS-ZPF. The DFAS-ZPF will review requests and initiate recommended changes to Volume 9 if necessary.

0105 ROUTING AND FORMAT FOR RECOMMENDING CHANGES

Recommendations for changes should include a full explanation regarding the need and rationale for the proposed change. When the proposal is the result of an actual situation, the details must be provided. Addresses for submission of proposed changes are:

Army:	Assistant Secretary of the Army (Financial Management and Comptroller) 109 Army Pentagon Washington, DC 20310-0109
Navy:	Senior Civilian Official Office of the Assistant Secretary of the Navy (Financial Management and Comptroller) 1000 Navy Pentagon Washington, DC 20350-1000
Air Force:	Assistant Secretary of the Air Force (Financial Management and Comptroller) 1130 Air Force Pentagon Washington, DC 20330-1130
U.S. Marine Corps:	Commandant of the Marine Corps Headquarters, U.S. Marine Corps Programs & Resources Department 3000 Marine Corps Pentagon Washington, DC 20350-3000

Defense Agencies: and DoD Field Activities:	Defense Finance and Accounting Service Attention: DFAS-ZPF 8899 East 56th Street, Column 326E Indianapolis, IN 46249

NOTE: Recommendations from the Military Services sent directly to the DFAS-ZPF without passing through the specified organization will be returned without action to the sender.

0106 REQUIREMENTS FOR REPORTING EMPLOYEE TRAVEL

Federal Agencies are required by the GSA to report the use of government aircraft to carry senior Federal officials and non-Federal travelers, on a semi-annual basis in accordance with the (IAW) FTR 301-70.906 and 301-70.907, and to report all instances of premium class travel when an individual's transportation accommodations are anything other-than-coach class (OTCC), on an annual basis IAW the FTR 300-70.100, Subpart B.

NOTE: DoD Service Components/Agencies must be mindful of any additional Office of Management and Budget (OMB) travel-specific reporting requirements, which often originate from Executive Orders (EOs).

010601. Report for Travel on Government Aircraft by Senior Federal Officials

Except when a trip is classified, the following information must be reported to the GSA:

A. The person's name with indication that he/she is either a senior Federal official or a non-Federal traveler, whichever is appropriate;

B. The traveler's organization and title or other appropriate descriptive information (e.g., dependent or press);

C. Name of the authorizing agency;

D. The official purpose(s) of the trip;

E. The destination(s);

F. For personal or political travel, the amount that the traveler must reimburse the government (i.e., the full coach fare or appropriate share of that fare);

G. For official travel, the comparable city-pair fare (if available to the traveler) or the full coach fare if the city-pair fare is not available; and

H. The cost to the government to carry this person (i.e., the appropriate allocated share of the Federal or Close Air Support aircraft trip costs).

NOTE: Additional information concerning the GSA's requirement to report travel on government aircraft by senior Federal officials and non-Federal travelers, to include the Senior Federal Travel Reporting tool and submitting negative reports, may be found at ***Senior Federal Travel Reporting Tool***.

010602. Premium Class Accommodations That Must be Reported

"OTCC", or "Premium Class," is defined as any class of accommodations above coach-class, (i.e., first-class/business class). When reporting OTCC accommodations to GSA, agencies are required to separate Business Class from First Class. If an agency has no OTCC accommodations to report, a negative report must still be submitted. Any and all instances of premium class accommodations paid by the government, which includes any premium class accommodations used as part of a multi-leg, or multi-segmented trip which was paid by the government must be reported. Beginning in fiscal year 2015, GSA requires agencies to report premium class travel by ticket, rather than segments as in previous years. If any portion of the ticket purchased is traveled in OTCC, the entire cost of the ticket must be reported.

010603. Premium Class Accommodations That Do Not Require Reporting

A. Any premium class accommodation(s) paid by the traveler,

B. Those acquired by the traveler through frequent flier points or benefits,

C. Those which are considered a free upgrade, or

D. When the Federal Government pays coach class fares for premium class accommodations.

010604. Negative Reports and Exceptions to Reporting Premium Class Travel

A. Negative Reports. DoD Components that have no premium class accommodations to report, must still submit a negative report to GSA annually.

B. Exceptions to Reporting Premium Class Travel. Agencies are not required to report data that is protected from public disclosure by statute or Executive Order; however, they must submit, in a cover letter to the GSA the following aggregate information:

1. Aggregate number of authorized OTCC trips protected from disclosure,

2. Total cost of actual OTCC fares paid that exceeded coach class fare, and

3. Total cost of coach class fares that would have been paid for the same travel.

NOTE: Additional information concerning the GSA requirements for reporting Premium Class Travel, to include gaining access to the on-line reporting tool, may be found at ***Premium Class Travel Report Guidelines***.

VOLUME 9, CHAPTER 4: "TRANSPORTATION ALLOWANCES"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated July 2014 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Verified and updated references. Updated hyperlinks and formatting to comply with current administrative instructions. Made clarifying editorial changes.	Revision
0401	Revised the "General" section to add "Purpose" and "Authoritative Guidance" paragraphs. Removed verbiage on Transportation Office(r).	Addition Revision
0402	Added verbiage on Transportation Office(r) removed from section 0401 as a more appropriate placement of this guidance.	Addition
0406	Added clarifying guidance stating that only the individual(s) authorized a rental vehicle on their travel order(s), and named on the rental agreement/contract, may receive reimbursement for authorized rental car expenses.	Addition
All	This instruction has been reviewed by the Per Diem, Travel and Transportation Allowance Committee (PDTATAC) staff in accordance with Department of Defense Instruction 5154.31, Volume 5, dated October 16, 2015, as PDTATAC Case RR16005.	Addition

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CHAPTER 4

TRANSPORTATION ALLOWANCES

*0401 GENERAL

040101. Purpose

This chapter provides general policy guidance to official travelers on transportation allowances.

040102. Authoritative Guidance

This chapter provides guidance under authorities contained in statute, Joint Travel Regulations ***(JTR)***, and the Federal Travel Regulation ***(FTR)***.

*0402 TRANSPORTATION MODE

The Authorizing Official (AO) must direct or authorize the transportation mode for official travel. If the AO does not direct a specific transportation mode, the traveler may select the mode to use. The traveler must use the Commercial Travel Office (CTO). (See JTR, par. 2400.) The Transportation Office(r) (TO) is responsible for issuing policy on the use and procurement of transportation. Travelers should contact the TO for information regarding available transportation services and costs.

0403 TRAVEL BY PRIVATELY OWNED CONVEYANCE (POC)

040301. Use of POC

An AO may authorize, but cannot direct a traveler to use a POC in connection with travel on official government business. This limitation also applies to travel as a passenger in a POC. (See JTR, pars. 3220 and 4705.) NOTE: An employee may not be prohibited from using a POC on official travel. See FTR 301-70.105 on administering the authorization and payment of employee POC travel expenses.

040302. When POC Use is More Advantageous to the Government

POC use on a temporary duty assignment (TDY) trip is to the Government's advantage for locations within 800 miles round-trip (400 miles one-way) of the permanent duty station (PDS). Commands may authorize POC use for TDY travel of such distances without completing a cost comparison. (See JTR, par. 3210-D.)

040303. When POC Use is Not More Advantageous to the Government

If an employee elects to use a POC instead of the transportation mode authorized, then:

A. Reimbursement must be limited to the constructed cost of the authorized transportation mode, which is the sum of per diem and the transportation cost the Government would have incurred when traveling by the authorized transportation mode.

B. Leave is charged in accordance with personnel regulations for any duty hours that are missed because of POC travel (see paragraph 040304).

040304. Allowable Travel Time Policy

The standard Department of Defense (DoD) procedure for administering travel time for all DoD travelers is based on the traveler's required period of duty at the TDY point. For periods in excess of the allowed travel time, the approving official determines whether to charge leave in accordance with DoD Component leave procedures. (See JTR, par. 3025.)

A. Day of Arrival at the TDY Point. When the traveler is required to perform duty at the TDY point on the day of arrival, that day is a day of duty. Travel time is granted prior to that first duty day. When the traveler performs no duty at the TDY point on the day of arrival, that day is a travel day.

EXAMPLE: The traveler is authorized to travel by POC as advantageous to the Government. Two days of travel are authorized. The traveler performs duty on the day of arrival at the TDY point.

D/A	DATE	LOCATION	MODE	REASON FOR STOP
Dep	1 Oct	PDS	PA	
Arr	3 Oct	TDY point A		TD
Dep	8 Oct	TDY point A	PA	
Arr	10 Oct	PDS		MC

NOTE: Refer to Department of Defense ***(DD) Form 1351-2***, Travel Voucher or Subvoucher, for explanation of codes.

In this example, October 3 is a day of duty and October 1 and 2 are travel days. Using the same example, if the traveler did not perform duty on October 3 at the TDY point, October 2 and 3 are the travel days. The AO must determine if October 1 should be charged as leave in accordance with DoD Component procedures.

B. Day of Departure From the TDY Point. When a traveler is required to perform duty at the TDY point on the day of departure, that day is a day of duty. Travel time is granted after that last day. When a traveler is not required to perform duty at the TDY point on the day of departure from the TDY point, that day is a travel day.

EXAMPLE: The traveler is authorized to drive by POC as advantageous to the Government. Two days of travel are authorized. The traveler performs duty on the day of departure from the TDY point.

D/A	DATE	LOCATION	MODE	REASON FOR STOP
Dep	1 Oct	PDS	PA	
Arr	3 Oct	TDY point A		TD
Dep	8 Oct	TDY point A	PA	
Arr	10 Oct	PDS		MC

In this example, October 8 is a day of duty and October 9 and 10 are travel days. Using the same example, if a traveler performs no duty on October 8 at the TDY point, October 8 and 9 are travel days. The AO must determine if October 10 should be charged as leave in accordance with DoD Component procedures.

0404 BUSINESS/FIRST CLASS (PREMIUM) ACCOMMODATIONS

Travelers are not entitled to reimbursement for premium accommodations unless properly authorized and approved. (See JTR, pars. 3510 and 3615.) It is DoD policy that travelers using commercial air carriers for official travel must use less-than-premium accommodations. This does not preclude the traveler from accepting a complimentary seating upgrade offered by the carrier. Refer any questions to the traveler's AO.

0405 UNUSED/LOST/STOLEN TRANSPORTATION REQUESTS OR TICKETS

040501. Unused/Lost/Stolen Transportation Requests or Tickets

If a traveler does not use the ticket (paper or electronic) for government-procured transportation, the traveler must return that ticket to the TO/CTO. Travelers utilizing electronic tickets for which they do not have an issued boarding pass must return a copy of their itinerary to the TO/CTO. The traveler must complete and have the issuing authority (i.e., TO/CTO) sign an original and one copy of a ***DD 730***, Receipt for Unused Transportation Requests and/or Tickets, Including Unused Meal Tickets. The Standard Form ***(SF) 1170***, Redemption of Unused Tickets, may also be used if its use is in accordance with Service regulations. The traveler must attach a copy of the DD 730/SF 1170 (or other receipt) to the travel claim. If a traveler loses a paper ticket or transportation request, the traveler must contact the TO/CTO for assistance. A traveler remains financially responsible to the Government for the cost of a lost or stolen paper ticket or transportation request, regardless of fault or negligence. If the travel order directs use of government-procured transportation, do not reimburse the traveler for personally procured transportation unless the AO provides a statement to allow reimbursement. (See JTR, pars. 2160 and 2715.)

040502. Involuntarily Relinquished Airline Accommodations

Penalty payments or credits issued by air carriers under certain provisions of their tariffs for failing to furnish accommodations for confirmed reserved space belong to the U.S. Government, and not the traveler, when the payments result from travel on official business and the traveler was involuntarily denied boarding. In accordance with the JTR, par. 1300-C-2, travelers must request that the transportation carrier show "Treasurer of the United States" as the payee on the compensation check and forward the payment according to Service/DoD Agency directives.

*0406 RENTAL VEHICLES

It is mandatory that travelers use an available CTO to obtain a rental vehicle. When a CTO is available, but not used, reimbursement is limited to what the cost would have been if a CTO made the arrangements. (See JTR, par. 3330-B). Only the individual(s) authorized a rental vehicle on their travel order(s), and named on the rental agreement/contract, may receive reimbursement for authorized rental car expenses. (See JTR, par. 3320-F.)

040601. Receipts

When a traveler is authorized and uses a commercial rental vehicle, a receipt from the rental agency, in addition to other related rental vehicle expense receipts, must be attached to the claim for costs of $75.00 or more. (See JTR, par. 2710.)

040602. Mileage Charges

When a mileage charge is included in the cost of a rental vehicle, the total cost of which is $75.00 or more, a statement showing the official distance driven must be attached to the claim.

040603. Leisure Use with Official Use

A traveler who is on official travel with an authorized rental vehicle, who also uses the vehicle during authorized leave, will only be reimbursed for the amount it would cost to rent the vehicle, on a daily basis, for the number of days of official travel. The Defense Travel Management Office (DTMO), ***Rental Car Agreement***, only covers official duty. Rental car vendors have different procedures and the traveler must check with the rental car vendor to determine if the rental car must be returned after the official business portion of TDY in order to obtain another rental car for personal use.

040604. Reimbursement for the Cost of Damages to Commercial Rental Vehicles

Rental cars covered by the DTMO rental car agreement include full liability and vehicle loss, and damage insurance coverage in the Government rate. Reimbursement or payment to the rental agency for damages must be made by the government, or by the traveler if it is determined that the traveler was not within the scope of employment when the loss occurred. When government reimbursement is approved, and extra collision insurance is not purchased or included in the basic rental contract (e.g., in accordance with DTMO negotiated agreements), the traveler may be reimbursed for personal funds paid to the rental agency for the full amount of damage sustained, or the deductible amount (when contained in the rental agreement), for a vehicle properly rented and damaged in the performance of official business. The JTR, par. 3320-E, defines official purposes. The traveler submits a claim for reimbursement through the AO to the claims office of the supporting Staff Judge Advocate for adjudication. Supporting documentation must include, but is not limited to:

A. Police accident reports and traffic citations;

B. Statements from witnesses;

C. Statements and itemized bills from the traveler and rental agency to ensure that the claim is valid, not settled, and in an amount commensurate to the actual damage.

NOTE: The inclusion of an accident report assists legal authorities in establishing fault on the part of the party not employed by the Government, which may enable the Government to recoup its loss when the negligence of that party can be established without costly investigation. Reimbursement is prohibited for damage sustained to a rental vehicle while being used on other than official business, or by willful and wanton negligence on the part of the traveler.

040605. Damage Claims Received From Rental Agencies

Rental agencies may submit a damage claim directly to the Government. To be considered for payment, these claims must be supported by appropriate documentation. Claims for reimbursement or payments made directly to the rental agency may be made in the full amount of damage sustained or the deductible amount (when contained in the rental agreement). At a minimum, include documentation provided in paragraph 040604.

0407 LOCAL TRAVEL IN AND AROUND PERMANENT OR TEMPORARY DUTY STATIONS

040701. General

The AO should make sure local directives clearly define the local area in which transportation expenses may be authorized or approved for conducting official business. (See JTR, par. 2800.) When two or more installations are in close proximity, the senior commander or senior Service commander should determine the local area. When travelers perform TDY in the local area and require lodging, travel orders are necessary to support the claim.

040702. Prohibition on Self-Approval

Appointed AOs and approving officials may not approve their own vouchers for payment of local travel.

040703. PDS

Travelers performing local travel in a POC must provide a trip-by-trip accounting of all travel performed on official business. When like trips between the same points are made on a repeated basis, one entry on the claim suffices, provided that it reflects the distance or costs between these points and the dates on which the trips occurred.

040704. Temporary Duty Station

Travelers performing local travel in a POC at the TDY site may be authorized/approved reimbursement for transportation expenses necessarily incurred for conducting official business in the local area of their TDY stations using the TDY mileage rates for local and TDY travel. (See JTR, par. 2810.)

0408 TRAVEL AND TRANSPORTATION FOR FUNERAL HONORS DETAIL

040801. General

A person not employed by the Government, who participates in a funeral honors detail for a veteran in accordance with Title 10, United States Code, ***section 1491***, may be authorized transportation or transportation reimbursement and expenses. (See JTR, Appendix E1, par. C7.)

040802. Transportation Mode

The transportation mode used should be the least costly mode available that adequately meets the needs of the detail. When a POC is the authorized mode, actual expenses rather than a mileage allowance may be paid. Reimbursement for POC actual expenses are limited to fuel, oil, parking, ferry fares, and road, bridge, and/or tunnel tolls.

040803. Lodging and Meals

The actual cost of lodging and meals may be reimbursed up to the per diem rate prescribed for the area concerned. If individuals serving on the funeral honors detail incur costs to include per diem, an invitational travel authorization will be used.

040804. Reimbursable Expenses

Reimbursable expenses, in accordance with JTR, Appendix G, may be authorized.

VOLUME 9, CHAPTER 5: "TEMPORARY DUTY TRAVEL (TDY) AND TRAVEL ADVANCES"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue and underlined font***.

The previous version dated November 2015 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Changed chapter title to "Temporary Duty Travel (TDY) and Travel Advances" to more accurately reflect chapter content.	Revision
All	Verified and updated references, hyperlinks, and formatting to comply with current administrative instructions, and made clarifying editorial changes.	Revision
0502	Reorganized section 0502 to separate responsibilities of Departmental Accountable Officials from responsibilities of others involved in the travel process. Re-numbered paragraphs accordingly.	Revision
050801.A	Renamed subparagraph as "Lodging Reservations" and clarified guidance for travelers making lodging reservations.	Revision
050801.B	Renamed subparagraph as "Dining Facilities Availability" and clarified guidance on determining availability of dining facilities for Service members attending schools. Added clarifying guidance on determining when non-availability statements for dining facilities are necessary.	Revision
050803	Added guidance on travelers performing TDY to an Integrated Lodging Program Pilot site.	Addition
050804.B	Updated guidance on Government quarters use for Civilian personnel TDY to an installation.	Revision
050903	Renamed paragraph as "Occasional Meals and Lodging" and added clarifying guidance.	Addition

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	This publication has been reviewed by the Per Diem, Travel and Transportation Allowance Committee (PDTATAC) staff in accordance with Department of Defense Instruction 5154.31, Volume 5, October 16, 2015, as PDTATAC Case RR 17028. Any conflict between this publication and the Joint Travel Regulations (JTR) is resolved based on the JTR and not this publication.	Revision

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CHAPTER 5

*TEMPORARY DUTY TRAVEL (TDY) AND TRAVEL ADVANCES

0501 GENERAL

050101. Purpose

This chapter identifies the Department of Defense (DoD) financial management policies and guidance governing travel administration for travelers performing Temporary Duty (TDY) travel, and for travel advances.

050102. Authoritative Guidance

Guidance in this chapter is provided under authorities contained in statute, the Joint Travel Regulations (***JTR***), and the DoD Financial Management Regulation (FMR). It does not include every condition in which travel and transportation allowances are either authorized, or limited by, the JTR. Information contained in this volume does not supersede the JTR.

*0502 RESPONSIBILITIES

050201. Departmental Accountable Official (DAO) Responsibilities

DAO's involved in the travel management process must serve as control points within the organization. Individuals that may be officially appointed as DAO's for the travel process may include reviewing officials, approving officials, and authorizing officials (AO). If appointed, DAO's may be held pecuniarily liable under guidance contained in Volume 5, Chapter 5, section 0507, subparagraph 050701.C, for illegal, improper or incorrect payments resulting from information, data, or services they negligently provide to certifying officers; and upon which the certifying officers relied to certify payment vouchers. DAO's must be appointed and terminated using a DoD (DD) Form ***577***, Appointment/Termination Record-Authorized Signature.

A. General Responsibilities

1. Acknowledge appointment and responsibilities as a DAO by signature.

2. Implement, maintain, and enforce system internal procedures and control points within an organization to minimize opportunities for erroneous payments.

3. Comply with all applicable DoD regulations, policies, and procedures.

4. Respond in a timely manner to inquiries by reviewing officials.

B. Reviewing Officials. The person appointed as a reviewing official may not serve concurrently as a certifying or disbursing officer. Except where impracticable within afloat or tactical operating forces, persons appointed as reviewing officials must not be in the supervisory chain of command of a certifying or disbursing officer.

1. Conduct prepayment review of travel claims.

2. Conduct post-payment review of travel payments certified by Certifying Officers.

C. Approving Officials.

1. Approve TDY orders.

2. Approve travel claims.

3. If required by the DoD Component, approve claims by signing and dating the ***DD 1351-2***, Travel Voucher or Subvoucher, and forward approved vouchers to the appropriate travel computation office. If a voucher is disapproved, annotate the reason and return to the traveler for correction or clarification as necessary.

4. If the entitlement or itinerary changes, approve after-the-fact allowable expenses and itinerary or status changes by signing and dating the DD 1351-2 and forwarding the approved voucher to the travel computation office.

D. Authorizing Officials.

1. Authorize all appropriate travel entitlements except when a higher authority is required such as for first-class travel.

2. Review lines of accounting for accuracy.

3. Assign travel order control numbers.

4. Determine if travel was performed as authorized.

5. Approve appropriate travel claims when there is a change from the written travel order involving entitlements, itinerary, or reimbursable expense, such as a rental car. NOTE: The act of signing and dating the traveler's DD 1351-2 in block 21A, with remarks in block 29, negates the need for amendments.

6. Sign and date all appropriate travel claims when required by the DoD Component.

7. Ensure the claim is forwarded to the appropriate liaison office or travel computation office within 2 working days following the traveler's submission.

050202. Certifying Officers

Certifying Officers are pecuniarily liable under Title 31 United States Code (U.S.C.), ***section 3528***. Also see Title 41 Code of Federal Regulations (CFR) ***section 301-71.203*** and Volume 5, Chapter 5. Responsibilities for individuals appointed as Certifying Officers are applicable to both Defense Travel System (DTS) and non-DTS travel claims. They must:

1. Be appointed by appropriate authority as prescribed in Volume 5, Chapter 5;

2. Acknowledge by signature their appointment as a certifying officer;

3. Complete a DD 577;

4. Certify travel claims for validity and reasonableness;

5. Certify claims for payment as outlined in Volume 5, Chapter 5;

6. Forward certified claims to the supporting disbursing office;

7. Compare pre-trip and post-trip estimate of expenses;

8. Review all lodging receipts; and

9. Review individual reimbursable expense receipts of $75 or more.

050203. Responsibilities of Others Involved in the Travel Process

A. Government Travel Charge Card (GTCC) Agency Program Coordinators (APCs). APCs implement and execute the government travel card program. See ***DoD Instruction (DoDI) 5154.31, Volume 4*** for additional information and APC responsibilities.

B. Resource Managers/Fundholders.

1. Ensure proper assignment of funding.

2. Maintain funds control.

3. Certify fund availability.

C. Supervisor Review.

1. Review, sign, and date all appropriate travel claims for military and civilian personnel.

2. Submit the travel claim to the appropriate travel computation office for processing prior to payment.

D. Travel Computation Offices.

1. Establish adequate internal controls to process travel claims.

2. Notify traveler if voucher is incorrect, incomplete, or missing required documentation; and request correction.

3. Notify the submitting office or person if travel claim is received at the wrong office for computation.

4. Compute and determine the travel entitlement.

5. Forward the computed travel claim and supporting documents to the disbursing office for payment or interface with the disbursing system for payment.

E. Automated Information System (AIS) Administrators. The AIS administrators operate and maintain systems to support travel management. They support the entitlement, certifying, and disbursing systems.

F. Travelers. Travelers must:

1. Prepare the DD 1351-2 after travel has been completed, to include identifying the duration of the TDY in block 17;

2. Attach all supporting documentation including the original or legible copies of orders and receipts for all lodging expenses, as well as, claimed reimbursable expense of $75 or more;

3. Ensure that current electronic funds transfer (EFT) information is on file with the travel computation office. If not, identify EFT information using a Standard Form ***(SF) 1199A***, Direct Deposit Sign-Up Form including account and financial institution routing transit number and account type;

4. Ensure that GTCC information is on record and indicate the mandatory split-disbursement dollar amount to be sent to the GTCC account;

5. Sign, date, and include home or unit address and unit telephone number on travel claim;

6. Forward or fax the original DD 1351-2 and supporting documents to the AO or travel computation office as appropriate; and

7. Provide copies of all receipts for lodging expenses and individual reimbursable expenses of $75 or more to the AO.

050204. Suspected False Claims

Travelers are liable under ***18 U.S.C. §§ 287*** and ***1001***, and the False Claims Act ***31 U.S.C. §§ 3729 through 3731***, if they knowingly submit false, fictitious, or fraudulent claims. When a suspected fraudulent claim is presented for payment, certifying officers or disbursing officers must follow the policies and procedures outlined in Volume 5, Chapter 12, section 1204.

0503 TRAVEL ORDERS

Travel orders are prepared in accordance with DoD Component management guidance and administrative instructions including the JTR, Chapter 1, paragraph 010206 for Service members and civilian employees, and the JTR, Chapter 3, paragraph 030501 for invitational travel authorizations. The travel order establishes in writing the conditions for official travel and transportation at government expense. To ensure proper reimbursement, the actual TDY duty location must be listed on the travel orders (i.e., if going TDY to Ft. Bliss, TX, the travel orders must explicitly state "Ft. Bliss, TX" not "El Paso, TX"). Travel orders must identify the traveler as either a GTCC cardholder or non-cardholder. This statement authorizes alternative payment methods (e.g., transportation tickets being charged to a centrally billed account). The TDY travel orders must include the travel computation unit (location/address) to which travel vouchers must be forwarded (faxed/mailed).

050301. Funding

A. All orders, wherever possible, must be funded by the traveler's organization unless group orders or alternative methods are more efficient. If funding is to be provided by another office, the traveler's organization must obtain a fund cite from that office in an amount sufficient to pay for the travel prior to issuing travel orders.

B. In the event of a split-year funded trip, the traveler must return to his or her official duty station if no DoD Appropriation Act has been signed or continuing resolution has been enacted. Expenses incurred in returning to the traveler's duty station will be posted in the new fiscal year as necessary costs to close down operations.

050302. Itinerary Variations

A. Variations Authorized. The authorization of travel variations should not be used in place of adequate advance planning, nor must they be used to grant an open travel authorization. Variations must be authorized in the order and are permitted only when considered mission essential in accordance with the JTR, Chapter 1, paragraph 010206. "Variations Authorized" permit:

1. Omission of travel to a place, or places, stated in the travel order;

2. Change in the order of travel to places shown; and

3. Travel to places not shown.

B. Verbal Variations. Confirmation of a verbal order is required, and may not be delegated, when the AO gives the traveler a verbal order to:

1. Change the order of places to be visited;

2. Change the time at each location; and

3. Add or omit locations.

C. No Amendments Needed. No amendments are needed if:

1. The traveler departs within a period of 7 days before or after the specified date of departure; or

2. The TDY is extended by 100 percent of the original time or 7 days, whichever is less. For example, if a TDY of 5 days is authorized, then the traveler could be extended for 5 additional days (100 percent) without amendments (the lesser of 7 days and 100 percent is 5 days). On the other hand, if a TDY is authorized for 14 days, then the traveler could extend 7 additional days without amendments (the lesser of 7 days and 100 percent is 14 days).

050303. Issued in Advance

A travel order is issued before travel is performed unless an urgent or unusual situation prevents prior issuance. Travel orders may not be revised or modified retroactively after the effective date so as to increase or decrease the rights and benefits which have been fixed under the applicable statutes or regulations. Note: This does not prohibit confirmation of verbal orders.

050304. Basis for Reimbursement

The travel order is the basis for the traveler's reimbursement. Reimbursement for travel is not authorized when travel is performed in anticipation of verbal orders. The right to allowances is established when travel expenses are incurred under orders. Travelers are entitled to travel and transportation allowances only while in a travel status.

050305. Object Classification

Accounting for TDY travel is accomplished through the use of a single object classification code. All temporary duty orders must be issued using the single object classification code of 21, "Travel and Transportation of Persons." Temporary exemptions to the mandatory use of the two-digit (21) object classification code to accommodate component-unique accounting requirements

may be permitted only with the advance approval of the Under Secretary of Defense (Comptroller) or designee.

050306. Registration Fees

All registration fees incurred while DoD travelers are on TDY travel must be charged to object classification code 21, "Travel and Transportation of Persons."

050307. Errors on Travel Orders

A. Personal Data. When travel orders contain erroneous data (e.g., misspelled names, incorrect Social Security numbers, or incorrect grades), claims may be paid without amending the orders. The traveler may make and initial any necessary changes.

B. Appropriation Data. When the accountable (funding) station is the disbursing station, the incorrect accounting classification data may be corrected without an amendment. If the accountable (funding) station is different than the disbursing station, then changes to the incorrect accounting classification data must be supported by one of the following:

1. Separate funding documents;

2. A letter from the accountable disbursing official/comptroller; or

3. A documented telephone call to the accountable disbursing official or comptroller.

050308. Retroactive Amendments to Orders

A. Amendment Required. Travel orders may not be amended to increase or decrease entitlement to travel allowances after travel is performed. The original order, however, may be amended after travel is performed when issued in error or travel requirements change en route. A written amendment confirming a verbal order is not included in this category provided the verbal order was issued on or before the effective date of the directed change.

B. Amendment Not Required. Some provisions of the JTR provide for after-the-fact approval (e.g., rental cars). In this case, the approval is not a retroactive amendment. Such expenses are claimed on the voucher and approved by the AO. An AO's signature on a DD 1351-2 constitutes approval of the claim.

0504 TRAVEL ADVANCES

050401. Policy

Cash travel advances must not be authorized unless an exception is granted. Annotate the maximum advance amount authorized on the travel order. The standard practice is for the traveler to use his or her GTCC to obtain cash from an automated teller machine (ATM) for expenses that

cannot be charged to the travel card. Also annotate on the travel order the maximum ATM cash advance amount that may be withdrawn using the government travel card. Personnel who are not eligible for government travel cards may obtain travel advances only via electronic funds transfer. The Commander or supervisor, in coordination with the disbursing officer, may authorize cash advances in limited situations where no other process is available to accomplish the mission. See DoDI 5154.31, Volume 4 for additional guidance on the government travel card program.

050402. Managing Financial Resources

To manage financial resources more effectively for travel expense purposes, DoD Components must:

A. Hold to a minimum the amounts of cash advances for travel purposes as provided in section 0505;

B. Ensure that travelers submit vouchers within established time frames, as provided in paragraph 050405; and

C. Process travel vouchers promptly to assure timely payment to employees or Service members or to recover any excess travel advances. DoD Components must establish internal policies and procedures to ensure travel vouchers are paid within 25 working days after the end of a trip or travel period.

050403. Cadets and Midshipmen

Cadets and midshipmen travel in accordance with the policies of the respective service academy. If a cadet or midshipman requires a travel advance or seeks settlement at a disbursing office, the following offices must be contacted for authorization:

U.S. Military Academy:

Defense Finance and Accounting Service
ATTN: Travel Operations
325 Brooks Road
Rome, New York 13441
DFAS-TRAVELADVANCE@MAIL.MIL

U.S. Naval Academy:

Midshipman Disbursing Office
100 Cooper Road USNA-Bancroft Hall
Annapolis, MD 21402-5024
Commercial Phone: (410) 267-3297
DSN: 281-3297/3298

U.S. Air Force Academy:

10 ABW/FMFPPP
2304 Cadet Drive Suite 220
U.S. Air Force Academy
Colorado Springs, CO 80840-5040
Commercial Phone: (719) 472-2649
DSN: 333-2649

050404. Invitational Travel Authorizations

Travel advances may be authorized for travelers using invitational travel authorizations. The amount of the advance must be approved by the orders Authorizing Official and included on the invitational travel authorization. Limit advances to the authorized amount (see paragraph 050401).

050405. Monitoring Advances

A. General. When a travel advance is authorized, it must be monitored to ensure that a corresponding travel claim is filed within 5 working days of the traveler's return to or arrival at the permanent duty station (PDS), or immediately when the orders are canceled. Travelers whose TDY extends beyond 30 days may file travel claims within 5 working days after the end of every 30 calendar day period or travel accrual payments may be provided in accordance with Service-specific regulations.

B. Failure To Submit Travel Claim. If a traveler has not submitted a claim within 15 days after the estimated date of return/arrival (provisions for separatees/retirees are in paragraph 050515), then the following action will be taken.

1. Marine Corps Members. Fifteen days after the Service member's estimated date of arrival/return, recoup the total amount of the advance through pay account deduction (see DFAS Cleveland 7220.31-R, "Marine Corps Total Force Automated Pay Systems Manual"). System acceptance of this transaction activates the delayed deduction program. The Service member is notified of the impending deduction on the next leave and earnings statement. The amount then is deducted from the Service member's pay the following month.

2. Other Travelers. Each DoD Component must ensure that it has a process to monitor travelers' advances. Issue a letter advising travelers of their responsibility to submit travel claims and/or repay advances. On the 46th day after the traveler's estimated date of return/arrival, if no response to the letter has been received, then collect from the traveler's pay account. See Volume 16, Chapter 2 regarding administrative offset procedures.

0505 TRAVEL ADVANCE LIMITATIONS

050501. General

Except as provided in paragraph 050503, DoD Components must limit travel advances to those estimated expenses that a traveler is expected to incur for authorized travel including travel incident to permanent duty travel/civilian employee temporary change of station (PDT/TCS) that ordinarily would be paid using cash (see "cash transaction expenses" as defined in paragraph 050502). This limitation applies to all advances. Advances issued for travel under single trip, as well as open travel authorizations, are limited to the estimated cash transaction expenses for no more than a 45-day period.

050502. Cash Transaction Expenses

Cash transaction expenses are those travel expenses that, as a general rule, cannot be charged and, therefore, must be paid using cash, personal checks, or traveler's checks. Travelers must use the GTCC for all authorized travel expenses. If the card cannot be used to charge the expense, the card should be used to withdraw cash from an ATM to pay for those expenses. The following are cash transaction expenses:

A. Meals, when the government charge card is not accepted, and incidental expenses covered by the per diem rate, or Actual Expense Allowance (AEA); or

B. Other authorized miscellaneous expenses which cannot be charged using a charge card and for which a cost reasonably can be estimated before travel.

050503. Exceptions to Travel Advance Limitations

A. Authorized Exceptions. The limitation in paragraph 050501 does not apply to any of the following PDT/civilian employee TCS expenses:

1. Temporary quarters subsistence;

2. Transportation and temporary storage of household goods (HHG); or,

3. Mobile home transportation.

B. Discounted Conference or Training Registration Fee (41 CFR § 301-74.23). Advance payment of discounted conference or training registration fee may be paid as indicated in paragraph 050507. See the JTR, Chapter 3.

C. Order-Issuing Official's Discretion. The order-issuing/authorizing official may, under limited circumstances, increase the travel advance amount paid to a traveler. Those circumstances are as follows:

1. Use of GTCC Precluded. When travel circumstances are expected to preclude the use of a GTCC to purchase transportation, lodging, car rental, or other travel expenses that ordinarily are charged;

2. GTCC Not Offered. When the employee is not offered a GTCC in accordance with DoDI 5154.31, Volume 4; or

3. Permanent Duty Travel/Civilian Employee Temporary Change of Station (PDT/TCS). When use of a GTCC is not feasible for PDT/TCS travel or a househunting trip incident to a transfer between official stations, particularly a transfer between agencies.

D. Allowable Amount for Meals and Incidental Expenses (M&IE). Unless a different amount is prescribed in the travel order/AEA, the amount advanced for meals and incidental expenses must not exceed the M&IE allowances prescribed in the JTR, Chapter 2, paragraph 020304.

E. Amount Allowed. Travel advances should not exceed 80 percent of the estimated lodging and transportation costs in the event that a travel card is not accepted at the TDY location; a Service/Agency does not authorize use of the travel card for PDT or TCS travel; or the employee has not been offered the travel card. This information must be shown in block 16 of the travel order and will serve as the basis for authorizing an advance up to 80 percent. If the 80 percent limitation results in a financial hardship on the employee, then the order-issuing official may authorize an advance for up to 100 percent of the estimated expenses for:

1. An individual trip; or

2. An open travel authorization not to exceed a 45-day period.

F. Travel Under a Reduced Per Diem Rate. When a reduced per diem rate is prescribed in accordance with the JTR, paragraphs 020308 or 020311, employees or Service members may be authorized a cash travel advance of 100 percent of the authorized per diem rate for no more than a 45-day period, provided that the following three conditions are all met:

1. The period of TDY exceeds 60 days;

2. Travel vouchers will be filed at least every 30 days; and

3. The government charge card cannot be used.

050504. Per Diem Amount

A. TDY or AEA. An advance based on the per diem allowance is limited to a period of 45 days under an individual travel order unless the employee is:

1. Assigned to TDY for a period in excess of 45 days at a place where there are no facilities available for processing travel vouchers; or

2. Performing extended TDY aboard a Navy ship.

B. PDT or Civilian Employee TCS.

1. Travel Between Old and New PDSs. An advance for the employee and/or dependents, based on the applicable per diem allowance, must be limited to the amount payable for the allowable travel time.

2. Round Trip Travel to Seek Permanent Residence. An advance for the employee and/or spouse, based on the per diem allowance, must be limited to the amount payable for the actual number of days authorized in the travel orders.

050505. Mileage Amount

A. TDY. An advance based on the mileage allowance must be limited to the official distance between the PDS and the TDY location.

B. PDT or Civilian Employee TCS.

1. Travel Between Old and New PDS. An advance, based on the mileage allowance of the Service member/civilian employee and/or dependents, must be limited to the official distance between the old and new PDSs.

2. Round-Trip Travel to Seek Permanent Residence. An advance, based on the mileage allowance of the civilian employee and/or spouse, must be limited to the official distance between the old PDS and new PDS.

050506. Commercial Transportation Amount

When an employee who does not have a travel card is authorized to perform travel by commercial transportation, an advance may be paid based on the estimated cost of the required transportation, not to exceed 80 percent for each trip authorized under the travel orders. If the 80 percent limitation results in a financial hardship on the employee, then the order-issuing official may authorize an advance for up to 100 percent.

050507. Advance Payment of Discounted Conference or Training Registration Fee

A. General. Travelers may be permitted to register early and be reimbursed for an advanced discounted payment for a conference or training registration fee as soon as they are approved for the event and they submit a proper claim for the expenses incurred.

B. Traveler is Unable to Attend an Event for Which Reimbursement Was Made. If the advance payment was made in accordance with subparagraph 050507.A and the traveler is unable to attend the event, the traveler must seek a refund of the registration fee and repay the advance with any refund received. If no refund is made, the DoD Component concerned must absorb the advanced payment as a preparatory travel expense if the traveler's failure to attend

the event was caused either by a decision of the DoD Component concerned or for reasons beyond the traveler's control that are acceptable to the DoD Component concerned, (e.g., unforeseen illness or emergency). The traveler must repay the amount advanced if no refund is made, and the traveler's failure to attend the scheduled event is due to reasons deemed inexcusable by the DoD Component concerned.

050508. HHG Amount

An advance for the cost of HHG transportation must be limited to the cost of shipping the estimated weight of the employee's goods within the maximum weight for which an employee is eligible at the applicable rate and distance shown in the commuted rate schedule. An advance for the cost of temporary storage must be limited to the applicable commuted rate for the weight of HHG and period of storage, not in excess of 90 days and not in excess of the maximum HHG weight for which an employee is eligible. A request for an advance by an employee should be accompanied by a written statement designating the points of origin and destination, the estimated HHG weight to be shipped, and any anticipated temporary storage not to exceed 90 days. The estimate of weight required in support of an advance may consist of a statement of the estimated weight signed by the carrier selected to handle the shipments.

050509. Temporary Quarters Subsistence Expense (TQSE) Amount

Advances may be paid in 30-day increments for subsistence expenses covered in the JTR, Chapter 5, paragraph 5808-B. The initial advance of funds for TQSE must not exceed the maximum amount allowable under the JTR, Chapter 5, paragraph 5810 for the first authorized period of 30 days or less. Thereafter, advances for subsequent 30-day periods may be paid as authorized by the DoD Component. When an advance is needed for the second and subsequently authorized 30-day periods, DoD Components should advise employees or Service members to submit the request for advance in sufficient time to allow for processing, approval, and issuance of the advance.

050510. Mobile Home Transportation Amount

A. Within the Continental/Contiguous United States (CONUS). When the point of origin and the PDS to which movement is authorized are both located within CONUS, an advance for the cost of transportation of a mobile home moved by a commercial transporter must be limited to an amount computed at the applicable rates for transportation for the official distance and 90 days temporary storage prescribed in the commuted rate schedules for the maximum weight of HHG for which an employee is eligible. When a civilian employee tows a mobile home by a Privately Owned Vehicle (POV), an allowance of $.11/mile is paid to cover the transportation costs listed in the JTR, paragraph 5754-E.

B. Between CONUS and Alaska. For travel between the CONUS and Alaska involving movement through Canada, limit the advance to the constructive cost for transportation and temporary storage of HHG under a government bill of lading, subject to entitlement conditions and limitations prescribed in subparagraph 050510.A.

050511. Group or Charter Arrangements

When payment for transportation under group or charter arrangements cannot be made to a carrier with government-procured transportation documents, an advance may be paid based on the estimated cost of the transportation to be furnished.

050512. Requesting an Advance

Subject to the conditions in subparagraph 050512.A an advance must, upon request, be paid to an employee. The appropriate office must compute the amount paid. An exception to this requirement is authorized when individual travel orders are received via the Department of the Navy certified Automated Travel Order delivery system. Do not pay an advance more than 10 days before travel begins unless specifically authorized by the authority directing the travel as necessary because of early departure incident to leave and Service exigencies. An advance is subject to the conditions stated in the following subparagraphs:

A. Number of Advances Authorized. Ordinarily, only one advance may be paid for a specific purpose under the same travel order. An exception to this rule may be made for employees or Service members on TDY in excess of 45 days aboard Navy ships or employees or Service members on other TDY assignments under an individual travel order in excess of 45 days at a place where there are no facilities available for processing travel vouchers. The total of the amounts advanced during the TDY assignment may not exceed the total amount authorized to be advanced in the traveler's orders.

B. Prior Advance Outstanding. No advances will be paid to personnel who failed, for reasons unacceptable to the approving official, to submit a reimbursement voucher on a previous travel authorization/order in which an advance was paid, or have not made arrangements to settle an outstanding advance. This requirement may be waived when personnel have not had reasonable time to prepare and submit vouchers between successive travel assignments.

C. HHG Shipments. Advances for transportation or temporary storage of HHG or mobile home movement must not be paid if such expenses are not expected to be incurred by the employee concerned within 30 days from the authorizing date. In such cases, the advance may be paid later.

050513. Obtaining an Advance Payment

A. Document Submission.

1. Department of the Navy. Prepare and submit to the disbursing office one copy of the original travel order after it is signed. The travel order must indicate the amount of the advance authorized.

2. Marine Corps. Prepare and submit to the appropriate paying office an original and three copies of the ***DD 1351***, Travel Voucher, accompanied by three copies of the employee's travel order; or other requirements as provided by the appropriate paying office.

3. All Others. Prepare and submit to the appropriate paying office an original and three copies of the DD 1351 accompanied by three copies of the employee's travel order.

B. Payment. The disbursing office pays an advance. Necessary records of advances paid to employees or Service members are maintained by the appropriate office as specified in paragraph 050514.

050514. Advance Repayment

A. General. An employee or Service member who has received an advance must submit a travel claim voucher within 5 working days of the employee's or Service member's return after the end of each trip so that settlement of the advance account can be made. The responsible settlement office that accounts for funds against which the advance is charged is responsible for settlement or collection action in accordance with the applicable Component's accounting or disbursing regulation. The DoD Components must implement internal controls to assure that:

1. Travelers with outstanding travel advances are notified of any delinquencies in filing vouchers and repaying outstanding travel advances;

2. Travelers are paid amounts owed them within 15 working days after receipt of claims in the paying office; and

3. Outstanding travel advances and unpaid travel vouchers are reviewed and settled prior to an individual's separation.

B. Deduction From Vouchers. The settlement office must ensure that the amount previously advanced is deducted from the total expenses allowed or otherwise is recovered. In instances where a traveler is in a continuous travel status, or where periodic reimbursement vouchers are submitted on individual trip authorizations, the full amount of travel expenses allowed may be reimbursed to that traveler without any deduction of the advance until such time as the final voucher is submitted. If the amount advanced is less than the amount of the voucher on which the advance is deducted, pay the traveler the net amount. If the advance exceeds the reimbursable amount, then the traveler immediately must refund the excess.

C. Delayed Use of Advance Funds. In the event of cancellation or indefinite postponement of authorized travel, the traveler must promptly notify the finance office and refund any advance for the authorized travel. If a traveler does not refund the advance promptly, the finance office must take immediate steps to collect the advance from the traveler.

D. Outstanding Advances. An employee or Service member must be informed that any over-advanced amount indicated in a travel claim settlement voucher must be immediately repaid. If a traveler does not make voluntary settlement of the indebtedness, take action to collect the outstanding advance from money due the employee or Service member.

E. Recovery of Advances. Outstanding travel or transportation advances that have not been fully recovered by deductions from reimbursement vouchers or voluntary refunds by the traveler must be collected promptly in accordance with applicable debt collection laws and regulations. In the event that an employee or Service member dies before settling a travel advance, any travel advance in excess of earned entitlement is subject to collection. In the event the amount due is not refunded within a reasonable period, effect collection by salary offset, retired pay, or otherwise from the person to whom advanced, or the traveler's estate, by deduction from any amount due from the U.S. Government or by such other legal recovery method as may be necessary. Salary or other amounts due must be used to settle the advance before set-off against the retirement credit. In view of these protections, a traveler is not required to furnish a bond in order to obtain a travel advance.

F. Accounting for Advances. Accounting for cash advances for travel purposes, recovery, and reimbursements must be in accordance with procedures prescribed by the Government Accountability Office (GAO). See the ***GAO Policy and Procedures Manual*** for Guidance of Federal Agencies, Title 7, Fiscal Guidance.

050515. Advances for Service Member Separatees or Retirees

A. General. A Service member who is separating or retiring may be paid an advance through EFT incidental to separation/retirement no more than 10 days prior to the Service member and/or dependent(s) actual travel dates. Upon completion of the travel, a Service member who has received an advance must submit the travel claim to the appropriate settlement office.

B. Late Travel Claim. If the claim is not received within the required time frame, the travel official responsible for settling the advance must prepare a letter to the Service member advising that: he or she is responsible for submitting the travel claim to the appropriate travel settlement office; a response is required within 30 days; and if the travel claim is not received within this required time, the total amount of the advance becomes a debt. For retirees, refer the debt for offset against the retired pay account. For separated Service members, refer the debt for collection action to include possible offset against future Federal income tax returns. If no response is received within the 30-day time frame, then the responsible disbursing official holding the debt must forward the debt and necessary documentation to:

DFAS-IN/Debt and Claims
Dept. 3300 ATTN: Debt Establishment
8899 East 56th Street
Indianapolis, IN 46249-3300

0506 TRAVEL STATUS

050601. General

Travel status begins when a traveler departs the home or office and ends when the traveler returns to the office or home. See the JTR, paragraph 010203, and Appendix A.

050602. Aircrew

Generally, aircrew travel status begins with take-off from the PDS and ends with landing at the PDS. See the JTR, paragraph 010203-D.

0507 FURNISHED MEALS

050701. Complimentary Meals Furnished by a Hotel

When a traveler is furnished a complimentary meal by a commercial lodging establishment for which a charge is not added in the lodging cost, that meal is not a deductible meal. There is no deduction from the M&IE rate regardless of whether the meal is consumed by the traveler. For rules concerning lodgings and meals furnished by government contract, see the JTR, paragraph 020304. Additional information on what constitutes deductible/non-deductible meals can be found in the JTR, paragraph 020304, Table 2-18.

050702. Meals Furnished at Conferences

When some but not all meals are included in conference fees, the proportional meal rate applies on each day one or two meals are provided, except on travel days to and from the PDS. Light refreshments, including a continental breakfast, are a deductible meal when served at a meal time (e.g., breakfast 0600-0800). Light refreshments served during a break (not at a meal time) are not a deductible meal. See the JTR, paragraph 030201-B.

0508 GOVERNMENT QUARTERS AND DINING FACILITY AVAILABILITY

*050801. Non-availability Statements

Travelers are not required to obtain written non-availability statements before obtaining reimbursement for commercial lodging costs and the local M&IE rate. The availability of government quarters, contract quarters, and dining facilities must be confirmed when a reservation request is made. The traveler must obtain the confirmation by using the following procedures:

A. Lodging Reservations. A traveler on TDY must reserve lodging through the electronic travel system, the servicing Travel Management Company (TMC), or by contacting the Government quarters facility directly for availability of quarters. See the JTR, paragraph 020303. If quarters are confirmed as not available, then the Government quarters facility is required to give the TMC or the traveler a confirmation or non-availability number, or the name and phone number of the person contacted. The traveler enters the confirmation or non-availability number on the travel order or voucher. If the TMC or the traveler is not able to obtain a confirmation or non-availability number from the billeting office, the traveler must note on the travel order or voucher the date and time the attempt is made. The commercial lodging and per diem rate must then be paid.

B. Dining Facilities Availability. If the AO directs use of a government dining facility while the traveler is quartered on-base, the traveler should obtain information on the

availability of government dining facilities through the responsible office at the destination U.S. installation office. If not available, the M&IE rate for commercial meals is authorized. For Service members attending courses of instruction at a school or installation, the schoolhouse commander determines the availability of meals. When a travel authorization directs the use of a Government dining facility for TDY travel, and it is not available, a traveler must provide a statement of non-availability explaining which meals were not available and why, to receive reimbursement. The reason for non-availability must be acceptable to and approved by the AO. Once approved, the travel authorization must be modified to document the change in meal rate. See the JTR, paragraph 020304-D.3

050802. Government Dining Facility

A. Government Dining Use Required. If the AO directs use of a government dining facility while the traveler is quartered on-base but, during the trip, no such facility is available, the Service member may be reimbursed the full M&IE rate if all three meals are not available. Note: The dining facility and on-base government quarters must be on the same installation. If one or two meals are not available (provided the AO accepts the Service member's certification of non-availability), the traveler must be reimbursed the proportional meal rate or the full M&IE rate as determined by the AO. The appropriate government facility rate must be paid when civilian travelers consume all three meals in a government mess or the proportional rate on any day in which one or two, but not all three, meals are consumed in a government mess. See the JTR, paragraphs 020304 and 032901.

B. Government Dining Use Impractical. The use of a government dining facility is impractical on any day in which the Service member is traveling between or among locations, except for meals incident to special status as outlined in section 0509. See the JTR, paragraph 020304.

*050803. TDY Not at an Installation

Travelers on TDY to an Integrated Lodging Program Pilot (ILPP) site must use approved DoD Preferred lodging accommodations when Government Quarters or Public-Private Venture lodging are not available. The Defense Travel Management Office website lists approved properties. See the ***ILPP Approved Vendor List***. A traveler must book preferred commercial lodging through the DTS or the contracted TMC. When the TDY location is not at an installation, the Service member is not required to use nearby government facilities. If the Service member chooses to use government quarters at a nearby installation, however, a government dining facility is "not available" for M&IE purposes. See the JTR, paragraphs 020303 and 020304.

*050804. TDY at an Installation

A. Military Personnel TDY to an Installation. Service members are required to check for government quarters availability when TDY to a U.S. installation. Availability/non-availability documentation must be obtained per the JTR, paragraph 020303. Service members should use adequate available government quarters when TDY to a U.S. installation; however, when adequate government quarters are available on that U.S. installation and other lodgings are

used, lodging reimbursement is limited to government quarters cost. See the JTR, paragraph 020303.

B. Civilian Personnel TDY to an Installation. A civilian employee is encouraged, but not required, to use available Government quarters unless traveling to an ILPP site. A civilian employee is required to use Government quarters at an ILPP site. If the electronic reservation system cannot reserve Government quarters, then make reservations through ***Department of Defense Lodging***, or by contacting the Government quarters facility directly. In compliance with the requirement to exercise prudence when incurring expenses, employees should exercise the same care in incurring expenses for Government travel that a prudent person would exercise if traveling at personal expense. An AO should request reduced per diem when a per diem rate is more than the amount necessary, based on known lodging or meal cost reductions in effect due to prearrangements, special discounts, or other reasons. The AO must request and authorize reduced per diem before travel occurs. Only a DoD Component head may authorize a reduced per diem rate for a civilian employee, except as otherwise specified in the JTR. See the JTR, paragraphs 010102, 020303, and 020308.

0509 SPECIAL STATUS AND PER DIEM RATES

Reduced or zero per diem rates for a special status, such as field duty, sea duty, hospitalization, rehabilitation, and essential unit dining, take effect at 12:01 a.m. the day after the traveler enters the status and ends at 12:00 a.m. the day preceding the day the traveler leaves that status. See the JTR, paragraph 020315.

050901. Departure From and Return to PDS

Seventy-five percent of the appropriate M&IE rate is paid to travelers on the day of departure from and return to the PDS when entering or exiting a special status providing all meals.

050902. Other Changes in Status

For all other days of travel when the traveler enters or exits a special status providing all meals, those meals provided before entering and after exiting the status are available and the proportional meal rate applies on those days. For all days of travel, meals are not available unless traveling within the Area of Operation (AOR). See the JTR, paragraph 032901, for information on meals within the AOR. If no travel is involved and the traveler goes from a zero per diem status directly into another zero per diem status, no per diem is paid for that day. Otherwise, apply normal per diem computations, at the special status rates, for that day. See the JTR, paragraph 020311 when flat rate per diem is authorized.

*050903. Occasional Meals or Lodging

Occasional meals or occasional lodging may be authorized or approved when a traveler must either purchase meals from commercial or nonappropriated funds (NAF) sources, or obtain lodging through commercial, Government, or NAF sources when per diem is not otherwise authorized. The reimbursement may be made not to exceed the proportional meal rate for the meal

or lodging portion of the locality per diem allowance. This does not include payment of the basic food cost for officers, employees, or Service members in field duty, sea duty, or under essential unit messing. See the JTR, paragraph 020305. Note: Employees may be reimbursed expenses for occasional meals or occasional lodging expenses that the civilian employee must incur at a time when the meals or lodging are furnished without cost (or at nominal cost) for TDY of more than 12 hours.

050904. Travel Orders

Travel orders must identify the reduced per diem rates, availability or non-availability of government quarters, authorization for government or proportional meal rate as applicable, identification of special status, and reference to the letter or message in which they were established.

0510 CONSECUTIVE TDY

051001. Per Diem

Per diem is payable for the interval between two periods of TDY if the interval exists through no fault of the traveler and the traveler either remains at the first TDY location or travels to the next TDY location within the allowable travel time.

EXAMPLE: The traveler completes the first TDY on October 5 and the next TDY starts October 8. The traveler is paid per diem during the delay at an authorized delay (AD) point in between the first and second TDY point. Note: Privately owned Automobile (PA), Temporary Duty (TD), Mission Complete (MC).

D/A	DATE	LOCATION	MODE	REASON FOR STOP
Dep	1 Oct	PDS	PA	
Arr	1 Oct	TDY Point A		TD
Dep	8 Oct	TDY Point A	PA	
Arr	8 Oct	TDY Point B		TD
Dep	12 Oct	TDY Point B	PA	
Arr	12 Oct	PDS		MC

051002. Authorized Delay Enroute

A traveler may receive per diem if awaiting transportation at an authorized delay point between TDY locations. To attain savings to the Government, combine what would have been two separate TDY trips into one longer trip and provide for authorized delay (AD) at an intermediate location. Per diem is payable for the interval between the two periods of TDY. The amount of per diem paid is based on the location of the AD. Note: Commercial Air (CA).

D/A	DATE	LOCATION	MODE	REASON FOR STOP
Dep	1 Oct	PDS	CA	
Arr	1 Oct	TDY point A		TD
Dep	5 Oct	TDY point A	CA	
Arr	5 Oct	The location in between the 1st/2nd TDY location	CA	AD
Dep	8 Oct	AD point	CA	
Arr	8 Oct	TDY point B		TD
Dep	12 Oct	TDY point B	CA	
Arr	12 Oct	PDS		MC

0511 LEAVE, PERMISSIVE TDY, OR ADMINISTRATIVE ABSENCE IN CONJUNCTION WITH FUNDED TDY

051101. Permissive/Administrative Travel Time

A traveler who takes leave, permissive travel, or an administrative absence before or after a funded TDY is entitled to travel allowances from the PDS to the funded TDY location and return to PDS. If the traveler takes leave, permissive travel, or an administrative absence between two TDY locations, the traveler is entitled to allowances for direct travel between the two TDY locations.

051102. Travel Time When Using a POV

Permissive or administrative travel time is authorized when a traveler is authorized to travel by POV for personal convenience to a funded TDY and reimbursement is based on a constructive schedule. Compute the allowable travel time based on the provisions of the JTR, paragraph 020302. Permissive or administrative travel time is not authorized when the orders direct a mode of transportation and that mode is available but not used. Per diem is not authorized for the additional period.

051103. Leave and Overtime in Conjunction With Official Travel

The unit commander, designated representative, or employee's supervisor must make and document determinations regarding leave and duty status, to include overtime. The granting, accounting for, and associated reporting procedures are organizational responsibilities made in accordance with DoD Component instructions.

0512 RETURN TO THE PERMANENT DUTY STATION DURING TDY

051201. Authorized Return

When a travel order authorizes return to the PDS, the traveler is authorized travel, transportation allowances, and per diem for travel from the TDY site to the PDS and return to the TDY site. When the AO has authorized or approved the lodging costs maintained at the TDY site as mission essential, the incurred expenses are paid as a reimbursable expense. In making the

decision to authorize or approve, the AO must determine that the reasons for retaining the lodging are reasonable and necessary and not strictly for the convenience of the traveler. This determination is made after considering the traveler's efforts to obtain lodging on a weekly or monthly basis or other long-term rental agreement. When flat rate per diem is paid at the TDY location, the actual out-of-pocket expenses, limited to the lodging portion of the reduced flat-rate, are paid as a reimbursable expense per the JTR, paragraph 020312. When the lodging retained is charged on a daily basis, the AO should consider such factors as the length of the TDY, the amount of personal belongings, the capability of the establishment to store those belongings, and the ability of the traveler to secure a room upon return. The AO must state the reason for authorizing or approving reimbursement of the retained lodging. For this entitlement, the permanent quarters from which the traveler normally commutes to the PDS are the same as the PDS. If the traveler goes to another location, then no allowances are authorized for the travel and per diem is computed as if the traveler remained at the TDY location.

051202. Voluntary Return

When a traveler voluntarily returns to the PDS during a TDY period, limit his or her entitlement to the lesser of the actual travel cost for the roundtrip to the PDS and what it would have cost had he or she remained at the TDY site. The factors included in determining actual travel costs are: per diem for the travel days; roundtrip transportation for the mode used; and cost for quarters retained at the TDY site. See the JTR, paragraph 020312.

VOLUME 9, CHAPTER 6 "PERMANENT DUTY TRAVEL"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated May 2015 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Verified and updated references, updated hyperlinks and formatting to comply with current administrative instructions, and made clarifying editorial changes.	Revision
0601	Updated the "General" section. Combined paragraphs 060101 "Overview" and 060102 "Purpose" into one 060101 "Purpose" paragraph.	Revision
0601	Added "Authoritative Guidance" as paragraph 060102.	Addition
All	This instruction has been reviewed by the Per Diem, Travel, and Transportation Allowance Committee (PDTATAC) staff in accordance with Department of Defense Directive 5154.31, Volume 5, dated October 16, 2015, as PDTATAC Case RR17004. Any conflict between this publication and the Joint Travel Regulations (JTR) is resolved based on the JTR and not this publication.	Revision

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CHAPTER 6

PERMANENT DUTY TRAVEL

*0601 GENERAL

060101. Purpose

This chapter provides general policy for the preparation, submission, and processing of permanent duty travel (PDT) claims for travelers. There are a number of PDT benefits or allowances that Department of Defense (DoD) members and civilian employees may be authorized when traveling from one Permanent Duty Station (PDS) to another at the direction of the Service or agency for which they are working. Some relocation allowances must be paid to the employee, while other allowances are paid at the discretion of the DoD component. An employee's specific PDT allowances may not include all of the allowances identified and described in this chapter. To determine what is actually allowable, employees must work with the agency sponsoring the travel/move.

*060102. Authoritative Guidance

This chapter provides guidance under authorities contained in the Joint Travel Regulations (***JTR***), and the General Services Administration (GSA) Federal Travel Regulation (***FTR***).

0602 DEFENSE TRAVEL SYSTEM (DTS)

The DTS does not currently support PDT, and should not be used by DoD travelers for arranging travel or settling claims involving PDT.

0603 TRANSPORTATION AND STORAGE OF HOUSEHOLD GOODS (HHG)

Ordinarily, the government arranges for the shipment of HHG. When DoD personnel arrange for the shipment themselves, and a government bill of lading (GBL) is the authorized method, the Transportation Office(r) (TO) provides the information concerning the traveler's allowable expenditures and computes the amount the shipment would have cost the government. When the commuted rate is the authorized method of shipment for a civilian employee, payment must be based upon the amount computed from the GSA commuted rate schedule. If the TO instructs the traveler to personally make arrangements, or if a TO is not available, payment must be made for the actual costs incurred to procure authorized services. In all other instances, payment is limited to the actual cost incurred not to exceed the amount it would have cost the government, or the Service member may be paid a monetary allowance equal to 95 percent of the government's constructed cost. See the JTR, Chapter 5, Part A, section 5, for Service members, and Chapter 5, Part B, section 5, for Civilian employees.

060301. Commuted Rate Method

When a DoD employee is authorized to ship HHG at the commuted rate, the payment must be computed using the GSA commuted rate schedule in effect on the date the carrier picked up the HHG, or the date that the employee actually moved the HHG without regard to government cost. The claim must be supported by certified weight tickets or a constructive weight determination made and approved in accordance with the JTR, Chapter 5, Part B, subsection B5c, paragraph 5656-D.

060302. Personally-Procured Move (PPM) Monetary Allowance

Provided as an incentive, a Service member, or a deceased member's next of kin, may elect to personally procure HHG transportation and be paid a monetary allowance of 95 percent of what it would have cost the Government. The member must have orders authorizing PDT, temporary duty (TDY) with HHG entitlement, or assignment to or from government quarters. The TO will provide the member with a ***Department of Defense (DD) Form 2278***, Application for Do-It-Yourself Move and Counseling Checklist. This form shows the constructive GBL or contract cost for moving the HHG, based on a weight estimate provided by the traveler. See the JTR, Chapter 5, Part A, subsection A5c, paragraph 5210-D.

A. Impact on Other PDT Allowances. Service members and/or dependents traveling to their destination in a rental or privately owned vehicle (POV) used for a personally-procured move are authorized both a personally-procured move monetary allowance and PDT allowances. The PDT allowances are not part of the personally-procured move monetary allowance program and are separately processed.

B. Claims. No PPM incentive claim can be computed without valid weight tickets or an approved constructive weight by the TO. Claims for personally-procured move monetary allowances must be supported with:

1. The Service member's statement of expenses actually incurred,

2. Certified weight tickets (original or copy) for gross and empty weights, or a record of the approved constructive weight by the TO, and

3. A record of the weight shipped with any other record of shipment or storage under the same travel order.

C. Payment Procedures. Pay PPM monetary allowance claims in accordance with each Service's procedures. Service addresses for PPM monetary allowance claims are found in subparagraph 060302.D. Compute the personally-procured monetary allowance claim as follows:

1. Obtain the GBL cost or local contract cost from the TO. Multiply this cost by 95 percent to obtain the maximum entitlement dollar amount,

2. Deduct the expenses actually incurred by the Service member from the maximum entitlement dollar amount. The resulting dollar amount is the member's incentive payment,

3. Multiply the member's incentive payment by the applicable tax withholding percentage. This amount is withheld for Federal Income Tax Withholding (FITW),

4. Deduct the FITW amount from the incentive payment amount to determine the amount payable to the member,

5. Deduct any advance operating allowance paid to the member. The amount remaining after deducting the advance is the dollar amount payable to the member for settlement, and

6. Prepare Treasury Department (TD) Form W-2, Wage and Tax Statement. Insert the incentive portion of the personally-procured monetary allowance move payment in the earned income block and insert the FITW withheld in the FITW block.

NOTE: If the actual expenses are more than 95 percent of the government's cost, it may be advantageous for the Service member to be reimbursed under the actual expense method. The actual expense method enables the member to be reimbursed up to 100 percent of what it would have cost the government to move the HHG. Do not withhold income taxes from the actual expense payment, since the member does not receive an incentive payment.

D. Service Addresses for PPM Monetary Allowance Payments

Civilians for DoD Agencies/Navy Working Capital Fund and Revolving Fund/Army and Army Materiel Command funded travel:
Defense Finance and Accounting Service – Rome Site
ATTN: Travel Pay, Civilian Relocation
325 Brooks Road
Rome, NY 13441

Army
Defense Finance and Accounting Service – Rome Site
ATTN: Travel Pay, Permanent Change of Station (PCS) Travel
325 Brooks Road
Rome, NY 13441

Navy
Commanding Officer
Fleet and Industrial Supply Center
ATTN: Household Goods Audit Division, Code 302
1968 Gilbert Street, Suite 600
Norfolk, VA 23511-3392

Air Force
Local Financial Services Office (FSO)

United States Marine Corps
Commanding General, Marine Corps Logistics Base
ATTN: Code 470
814 Radford Boulevard, Suite 20318
Albany, GA 31704-1128

Coast Guard
Commanding Officer
ATTN: DITY Move Desk
U.S. Coast Guard Finance Center
1430A Kristina Way
Chesapeake, VA 22326-0017

060303. Actual Expense Reimbursement for Personally-Procured Shipment or Storage of HHG

A. Claims. Claims are authorized for personally-procured shipment or storage of HHG and baggage. The claims must include the traveler's certification as follows: "I certify that this shipment (including drayage, storage, packing, and crating) consisted of household goods and personal effects. These items belonged to me and were used by me (or my dependents) before the effective date of my orders. They were not intended directly or indirectly for any other person or persons, or for sale. The following shipments were previously made at government expense under the same travel orders that support this claim (if no previous shipments show "NONE"). I certify that I did not request payment under the monetary allowance or any other program. I further certify that the declared professional books, paper, and equipment belong to me and are necessary in the performance of my official duties."

B. Supporting Documents. The traveler must submit the following documents to support a claim for actual expense reimbursement:

1. A statement provided by the TO on the constructive cost of shipment by GBL, accessorial services, or storage which states that the charges claimed are reasonable and that the member was instructed personally to arrange the shipment (if applicable);

2. Receipts for expenses of $75 or more, signed by an authorized agent of the company,

3. When applicable, copies of a time extension certificate, powers of attorney or written authorizations;

4. The claimant's statement showing the necessity for any storage:

a. Over 90 days for a Service member or civilian employee making a PCS move to/from Outside the Continental United Stated (OCONUS) or,

b. Over 60 days for a civilian employee making a PCS move Continental United States (CONUS) to CONUS.

NOTE: Non-availability of government storage is not an acceptable reason for requesting storage over the 90/60 day limit.

5. For shipments by van carriers, provide a certified weight ticket. In place of certified weight tickets, where charges are based on cubic measure, the owner may obtain a certificate from the carrier stating: "No scale within 10 miles. Shipment used _____ cubic feet of properly loaded van";

6. An itemization of packing charges that shows size, type, and number of containers used with the charge for each container;

7. Receipts for packing, crating, drayage, unpacking, and uncrating that are itemized and supported with a statement by the TO for the area on availability of government facilities;

8. A bill of lading. If no bill of lading is available, the traveler must obtain other evidence showing point of origin and destination;

9. An itemization of costs incurred if the TO performs or procures the services. This is not required for accessorial services itemized on a GBL for line-haul van shipment, and

10. Copies of all applicable orders.

C. Claim Submission. The travel settlement voucher, ***DD 1351-2***, Travel Voucher or Subvoucher, should be submitted within 5 working days of arrival at the new PDS.

D. Payment. If the claim is proper and is supported by the appropriate documentation, the disbursing office must pay the claim.

0604 TRANSPORTATION AND STORAGE OF PRIVATELY OWNED VEHICLES (POV)

060401. Concurrent Travel Transportation

If overseas travel with a POV was concurrent, a traveler must include travel to the vehicle port of embarkation (POE) and the vehicle port of debarkation (POD) with the permanent duty travel claim. See the JTR, Chapter 5, Part A, section A6 for Service members, and Chapter 5, Part B, section B6 for Civilian employees, for POV transportation and storage guidance.

060402. Nonconcurrent Travel Transportation

If travel is not concurrent, a separate claim must be submitted. A TDY order is not required when a separate trip is performed to pick up or deliver the vehicle to the POE and the POD. (NOTE: The PDT orders provide entitlement.) Ordinarily, a ***DD 788***, Private Vehicle Shipping Document for Automobile, supports the claim. However, when a traveler performs PDT and has a commercial shipping firm process the vehicle for shipment at government expense, the DD 788 usually is not in the traveler's possession at the time that the claim is processed. A statement from the traveler, accompanied by a copy of the billing from the commercial firm, is acceptable.

060403. Storage

Service members ordered to a foreign location OCONUS PDS to which transportation of a POV is prohibited, sent TDY on a contingency operation for more than 30 days, or other reason(s) listed in the JTR, Chapter 5, paragraph 5378-A, may be eligible to store one POV.

0605 TRANSPORTATION OF MOBILE HOMES

060501. Employee Allowances

A. General. A DoD employee may be authorized mobile home transportation in lieu of transportation of HHG's, but may not be authorized both mobile home and HHG transportation. The TO determines what the authorized and unauthorized costs are incident to a mobile home shipment. See the JTR, Chapter 5, Part B, section B7.

B. Claims. When movement of a mobile home is made by self-procured commercial transportation, a statement of authorization is issued by the TO. An original or legible copy of the paid bill from the commercial transporter is required and the bill must be completely itemized to preclude any payment of unauthorized costs.

060502. Member Allowances

A. General. A Service member directed to perform PDT is entitled to transportation and mobile home allowances. A member also may be entitled to movement of a mobile home under unusual or emergency circumstances, even though not related to PDT allowances. When a member is directed to perform TDY enroute, the authorized shipment of a TDY weight allowance does not preclude the entitlement to transportation of a mobile home. The

transportation entitlements, as well as the conditions of eligibility, are contained in the JTR, Chapter 5, Part A, section A7.

B. Claims. The preparation of claims and submission of supporting documentation is as required by Service procedures.

0606 DISLOCATION ALLOWANCE (DLA)

DLA is paid to members as specified in the JTR, Chapter 5, Part A, section A10. If a change of grade occurs between the date orders are issued and the effective date of orders, a copy of the promotion/demotion orders may be submitted with the claim versus an amended order.

060601. Effect of Assignment to Quarters

A member without dependents, who is above the pay grade of E-5, may receive DLA if the member elects not to occupy assigned quarters of the United States or a housing facility under the jurisdiction of a uniformed service, and the quarters or facility do not meet the minimum adequacy standards established by the Secretary of Defense for members in such grade. Do not advance or pay DLA to a member under these circumstances without a statement from the gaining organization that assigned quarters do not meet the minimum adequacy standards.

060602. Sea Duty

The senior spouse of a member married to member couple without dependents in a pay grade below E-6 may be advanced or paid DLA based on guidance contained in the JTR, Chapter 5, Part A, section A10, paragraph 5442-S.

0607 CIVILIAN MISCELLANEOUS EXPENSE ALLOWANCE (MEA)

The flat payment MEA amounts for civilian employees do not require receipts or itemized statements. When a DoD civilian employee claims MEA expenses in excess of the flat payment MEA amount, the approving official may approve them and the civilian personnel office assists in the determination of the allowable expenses. See the JTR, Chapter 5, Part B, section B10, paragraph 5818.

0608 CIVILIAN TEMPORARY QUARTERS SUBSISTENCE EXPENSE (TQSE)

A DoD employee's PDT orders must authorize the initial TQSE period and specify whether the Actual Expense method for the Temporary Quarters Subsistence Expense (TQSE (AE)) or the Lump Sum method of the Temporary Quarters Subsistence Expense (TQSE (LS)) is authorized. Additional periods of TQSE (AE) require amended orders. The employee must provide a statement in advance selecting Lump Sum TQSE (LS), which certifies that TQSE expenses will be incurred. The disbursing office does not determine the number of TQSE days authorized. For TQSE (AE), expenses must be itemized on a per meal and per item basis. Receipts are required for all TQSE (AE) expenses as specified in the JTR, Chapter 5, Part B, subsection B9c, paragraph 5806. Additionally, the DoD employee can claim grocery costs for at-home meals when in a TQSE

(AE) status. The total cost of consumable groceries is divided by the number of at-home meals consumed. The proration of groceries is authorized so long as the cost of the groceries consumed is reasonable. The approving official makes the final determination on any question(s) concerning the reasonableness of expenses during a TQSE (AE) period. Advances and payments for TQSE are based on the provisions of the JTR, Chapter 5, Part B, section B9.

0609 CIVILIAN HOUSE HUNTING TRIPS

If authorized in their travel orders, DoD employees may make house hunting trips, not to exceed 10 consecutive days. The employee and spouse may travel separately or together; however, the cost cannot exceed one round trip for travel together. The number of days for house hunting that the employee uses does not limit the number of days for the spouse (e.g., the employee can take 4 consecutive days and the spouse still could use up to a total of 10 days). Advances and payment for house hunting trips are based on the prescribed locality per diem rate, when paid under the lump sum method. Under the lodgings plus method, the standard CONUS per diem rate applies. For more information on house hunting trips, see the JTR, Chapter 5, Part B, section B12.

0610 CIVILIAN REAL ESTATE TRANSACTIONS

061001. Reimbursement Due to the Sale and Purchase of a Residence or for Settling an Unexpired Lease

DoD employees may be reimbursed for expenses required for the sale and purchase of a residence, or for the settlement of an unexpired lease, in connection with PDT. Settlement claims for transactions regarding a sale, purchase, or lease termination, must be submitted following completion of these transactions. See the JTR, Chapter 5, Part B, section B14.

A. For reimbursement of expenses required for the sale and purchase of a residence, the employee must file a ***DD 1705***, Reimbursement for Real Estate Sale and/or Purchase Closing Cost Expenses. Separate DD 1705's are required for expenses at the old duty station and at the new duty station. Copies of the supporting documentation showing costs incurred must be attached. The approval authority must approve the appropriate DD 1705 in accordance with Component regulations for real estate transactions at the old and new stations. The claim must be submitted in accordance with the JTR, Chapter 5, section B14.

B. For reimbursement of expenses when settling an unexpired lease, the employee files a claim using the DD 1351-2. When filing a claim for reimbursement of an unexpired lease, the following documentation must be provided:

1. A copy of the lease prescribing the penalties or other costs that are payable if occupancy is terminated prior to the lease expiration date,

2. A statement of the extent of legitimate attempts made to avoid penalty costs if the lease includes a savings provision for subleasing, or making other arrangements to avoid penalty costs; and

3. An itemized list of expenses along with the paid receipts for each expense item, and any necessary explanations for clarification of penalty costs.

061002. Home Marketing Incentive Payment (HMIP)

These procedures apply to all DoD Components. The document submitted for payment of HMIP may be a locally-developed form used as an attachment to the travel settlement claim, DD 1351-2. The form, at a minimum, must contain the following information:

A. Employee's name (last, first, middle initial),

B. Employee's Social Security Number (SSN),

C. Employee's present position, title, grade;

D. Employee's current organization,

E. Employee's current duty phone,

F. Computation of HMIP to include the final payment amount (the relocation services company must complete the amended sale transaction and submit the employee's real estate invoice for payment before the computation can be completed),

G. Traveler's signature, and

H. Order approving official's signature.

061003. Payment of HMIP

HMIP is considered income, and a TD W-2 must be processed showing the taxes withheld and the employee income. No authority exists to pay either a withholding tax allowance (WTA), or a relocation income tax allowance (RITA) to offset the federal, state, and local income taxes on the incentive payment. Payment offices must obtain an approved document (as described in paragraph 061002) with a DD 1351-2 and a valid copy of PDT orders for payment.

0611 PAYMENT OF TRAVEL VOUCHERS INVOLVING OCONUS PERMANENT DUTY ASSIGNMENT FOR DOD CIVILIAN EMPLOYEES

061101. Proceeding To, or Round Trip Travel From, an OCONUS PDS

Reimbursement vouchers for travel to an OCONUS PDS under an original agreement, or for round trip travel from an OCONUS PDS under a renewal agreement, must be prepared upon completion of the travel and submitted to the travel computation office servicing the OCONUS station for payment.

061102. Transfer From OCONUS PDS

When employees transfer from OCONUS duty stations, they must submit reimbursement vouchers to the travel computation office that supports the new duty station.

061103. Returning From OCONUS Employment For Separation From the Service

A. General. Prior to departure from an OCONUS duty station, an employee who is being returned for separation for any reason must be furnished written instructions by the releasing activity on the following:

1. How to record trip itinerary,

2. Which travel expenses are reimbursable,

3. How to keep a record of these items, and

4. How to complete and sign documents that are to be forwarded for the purpose of finalizing pay and reimbursement of travel claims.

NOTE: Except as provided in subparagraph 061103.B, the OCONUS releasing activity, in conjunction with the servicing travel computation office, must process final pay and settlement of travel claims for employees who are returned for separation.

B. Navy Employees. Travel claims of the following Navy employees must be submitted to the office that supports the location to which the employee returns:

1. Employees who are returned from OCONUS for separation under overseas agreements or for purposes of retirement; and

2. Foreign nationals who are returned to their places of residence in foreign countries for separation under employment agreements or for purposes of retirement.

061104. Agreement Violation

An employee is responsible to carry out the mission for which travel is undertaken. If an employee does not report to the designated PDS, refuses to perform the mission, or resigns, the employee must reimburse the government for all travel, transportation, and relocation expenses paid based on that service agreement including WTA and RITA. See the JTR, Chapter 5, Part B, subsection B11e.

A. Allowance Determination. The appropriate finance office must determine an employee's travel, transportation, and relocation allowances. The entitlement determination must be made prior to processing the employee's separation. Travel, transportation, and relocation allowances previously furnished and/or to be furnished are computed by the activity where the violation occurred.

B. Statement of Liability or Credit. For each transportation agreement violation, the finance office must provide the employee with a statement of the employee's liability or credit that indicates in detail the liabilities, obligations, and credits (and an explanation of how the credits are used or applied). A copy is sent to the civilian personnel officer for inclusion in the employee's personnel folder. The employee must also be informed of the right to file a claim if he or she disagrees with the statement of liability or credit.

C. Collection. If the finance office determines that an employee is indebted to the government, the office must immediately initiate collection action.

0612 RELOCATION INCOME TAX ALLOWANCE (RITA)

061201. Allowance

The RITA is a 2-year, two-process calculation. See the FTR, Chapter 302.

A. Year One Withholding Tax Allowance (WTA). The WTA is an estimated partial payment of the final RITA payment designed to cover FITW from the PDT moving expense reimbursement. It is intended to provide an immediate offset to the tax withheld on the payment, and is also subject to withholding. As a result, payment of WTA allows the employee to receive the same reimbursement had the withholding not been required. Federal Insurance Contributions Act (FICA) deductions are not reimbursed to the employee. To receive WTA, an employee must agree in writing to repay any excess WTA amount paid in year one. The agreement may be written on the settlement voucher or may be a separate statement. The statement must read as follows:

"I agree to repay any excess amount of WTA paid to me in year one and submit the required certified tax information. I understand failure to comply with this requirement will preclude payment of WTA. I also understand that the entire WTA is an excess payment if the RITA claim is not submitted within 120 days."

Compute the WTA in the following manner:

1. Determine amount of covered reimbursable expense,

2. Multiply Step 1 amount by .3333 to arrive at the WTA amount,

3. Add Step 2 amount to Step 1 amount to determine the total income subject to tax,

4. Multiply Step 3 amount by .25 to determine FITW amount. Enter this amount in the appropriate block on TD W-2, and

5. Subtract the Step 4 amount from the Step 3 amount. This result is the net payment or net income for the employee.

B. Year Two RITA. The RITA payment must be made in the calendar year following the calendar year in which WTA is paid. RITA is based on employee's gross compensation, tax filing status, and marginal tax rates. RITA reconciles WTA payments with the employee's personal tax liability. The employee must file a claim for RITA; it is not automatic. If an employee does not file for RITA in year two, he or she is liable for the additional federal income tax incurred as a result of the additional income. RITA does not cover any moving expense for which the IRS allows a deduction. In some instances, when an employee files the RITA final claim in the second year, he or she is in a lesser tax bracket because of lower earned income. If the calculation of RITA results in a negative amount, do not adjust prior year or current year income. The employee is obligated to repay this amount as a debt due to the government. A negative TD W-2 is not issued. NOTE: Year two is the calendar year in which RITA payment is made. The dollar value of the payment must appear on the employee's TD W-2 as additional income.

061202. Tax Withholding

Both WTA and RITA are subject to FITW and FICA. State and local (if applicable) tax withholding rates also must be considered in the RITA computation but are not to be withheld from the payment to the employee.

061203. Funding

RITA is a PDT allowance. Therefore, the reimbursable expenses of an employee transferred in the interest of the government must be charged against the appropriation current when valid travel orders are issued. The organization responsible for the original funding of the move also has the responsibility to secure adequate funds in order to pay the adjustment vouchers.

VOLUME 9, CHAPTER 7: "EVACUATION ALLOWANCES"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated February 2015 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
ALL	Verified and updated references, updated hyperlinks and formatting to comply with current administrative instructions, and made clarifying editorial changes.	Revision
0701	Revised "General" section to add "Purpose" and "Authoritative Guidance" paragraphs.	Addition
ALL	This instruction has been reviewed by the Per Diem, Travel and Transportation Allowance Committee (PDTATAC) staff in accordance with Department of Defense Instruction 5154.31, Volume 5, dated October 16, 2015, as PDTATAC Case RR16016.	Addition

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CHAPTER 7

EVACUATION ALLOWANCES

*0701 GENERAL

070101. Purpose

This chapter provides general financial policy for evacuated military/uniformed member dependents and civilian employees and/or their dependents. Personnel evacuations require special handling by finance officers at the evacuation point, safe haven, and designated places. The processing of evacuees requires patience, tact, and expeditious service.

070102. Authoritative Guidance

This chapter provides guidance under authorities contained in statute, Joint Travel Regulations (***JTR***), Department of State (DoS) Standardized Regulations (***DSSR***), and Office of Personnel Management regulations codified in Title 5, Code of Federal Regulations (***CFR***), sections 550.401 through 550.409. The Office of the Under Secretary of Defense (Personnel and Readiness) or another designated responsible official will announce the evacuation and identify the safe haven locations.

0702 EVACUATION ADVANCES AND PAYMENTS

070201. Orders

Copies of the departure orders support evacuation advances and payments. If departure orders are not available, refer evacuees to the local personnel organization. Evacuees requiring advances will use an available automated teller machine (ATM) or electronic funds transfer (EFT) once they have departure orders. If no ATM is available or EFT cannot be used, the supporting disbursing office may use an alternate payment method.

070202. Evacuation from Foreign Locations

A. Military Member Dependents. The JTR, Chapter 6, Part A covers allowances for the dependents of uniformed personnel authorized or ordered to evacuate from locations Outside the Continental United States. Uniformed members are not evacuated; however, they may be issued orders for temporary duty (TDY) travel as required.

B. Department of Defense (DoD) Civilian Employees and/or Families. ***Title 5, United States Code (U.S.C.), section 5725*** provides authority for transportation at government expense for an employee's dependents and household goods to a safe haven location when an evacuation is authorized or ordered. The JTR, Chapter 6, Part B, Section 3 addresses regulations governing evacuations from foreign areas. ***Title 5, U.S.C., § 5522*** provides authority for advance pay, allowances, and differentials when an employee and/or dependents are authorized or ordered to evacuate the employee's permanent duty station. See the JTR, Chapter 6, Part B,

Section 3 for an annotated extract of the DSSR, Chapter 600, modified to relate to DoD civilian employees. The DoS regulations apply for evacuations from, or within, any foreign area.

070203. Evacuations in the United States (Including Evacuations During a Pandemic Health Crisis) Under Authority Cited in 5 CFR 550.401 Through 550.409

A. Authorized Management Officials. Authorized management officials must announce a safe haven when ordering an evacuation. A safe haven is defined as the area to which an employee or dependent is evacuated. In the case of a pandemic health crisis during which the agency orders employees to evacuate their worksites to perform work from home or an alternative location, the authorized management official may designate an employee's home or an alternatively mutually agreeable location (to include a location under quarantine or confinement) as a safe haven. After determination and announcement of the safe haven, and the authorized management official has provided their approval, evacuation payments may be provided to evacuated employees. Evacuation payments may not continue for more than 180 calendar days after the effective date of the evacuation order, and the order remains in effect, unless terminated earlier for failure to perform work or for one of the other reasons listed in 5 CFR 550.407.

B. Allowances for Evacuations Within the United States

1. Employees in the United States ordered to evacuate their official duty stations and perform work from their homes (or alternative locations mutually agreeable to the agency and the employees) may receive special allowance payments to offset the direct added expenses incidental to travel (e.g., travel expenses and per diem) outside the limits of their official duty station under 5 CFR 550.403.

2. Determination of special allowances is made in accordance with (IAW) 5 CFR 550.405. En route travel expenses and per diem for an evacuated employee and the transportation expenses for the dependents are as prescribed for TDY travel in the JTR, Chapter 4. In addition, per diem is authorized for dependents of an evacuated employee at a rate equal to the rate payable to the employee as determined IAW the JTR, except that the rate for dependents under age 12 is one half of this rate. Per diem for both the employee and dependents is payable from the departure date from the evacuated area through the arrival date at the safe haven, including any en route delay period that is beyond an evacuee's control or that may result from evacuation travel arrangements.

3. IAW 5 CFR 550.405, subsistence expenses for an evacuated employee and/or dependents are determined at applicable per diem rates for the safe haven or for a station other than the safe haven that has been authorized/approved by the responsible official designated by the Secretarial process. Subsistence expenses are paid beginning on the date following arrival and may continue until terminated. The subsistence expenses are computed on a daily rate basis per guidance contained in 5 CFR 550.405. Payment of subsistence expenses is decreased by the applicable per-person amount for any period for which the employee is authorized regular travel per diem IAW the JTR.

070204. Finance Official Guidance

The Finance Office that supports the evacuation point or safe haven area must assist any evacuated traveler with all financial matters. The assistance provided may include the following:

A. A briefing sheet that includes the finance office's phone number(s), mailing address, and hours of operation;

B. A description of evacuation entitlements;

C. A listing of documentation required for advances and payments. Advise the dependents to submit a photocopy of the front and back of the identification (ID) card with each claim submission; and

D. Information on when, where, and how to submit claims for advances and payments. If problems are encountered, then the finance office should contact the appropriate DoD Component.

070205. Claims

All claims for payment of evacuation allowances should be submitted to the appropriate supporting DoD component. The supporting finance office must assist evacuees with claim preparation. Each evacuee must be asked about advances or previous payments received. All advances or previous payments associated with an evacuation claim, from any or all Government agencies, must be disclosed upon submission of any evacuation claim in order to avoid duplicate payments IAW the JTR, paragraph 1030. Initial evacuation advance payments usually are mass evacuation payments. Finance offices are encouraged to use Department of Defense ***(DD) Form 1351-6***, Multiple Payments List, as a supplement to ***DD Form 1351-2***, Travel Voucher or Subvoucher, to expedite payments. This alternative payment method does not lessen the need for proper documentation. Payments to dependents must be made only upon presentation of a valid travel order issued by competent authority.

0703 ID OF EVACUEES

070301. ID Available

DD Form 1173, United States Uniformed Services ID and Privilege Cards; DD Form 2750, Senior Executive Service ID Card; DD Form 2765, ID and Privilege Card; DD Form 2764, Civilian Geneva Convention Card; passports; or other forms of picture ID are sufficient to pay evacuees.

070302. ID Not Available

If the evacuee has no picture ID whatsoever, then two witnesses may vouch for the evacuee. Each witness must sign a statement as to the ID of the evacuee. Each witness must show ID indicated in paragraph 070301 and provide their permanent address. The lack of adequate ID delays service to any evacuee. Every effort must be made, however, to accommodate the evacuee.

VOLUME 9, CHAPTER 8: "PROCESSING TRAVEL CLAIMS"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue and underlined font*.**

The previous version dated July 2014 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Verified and updated references and hyperlinks. Formatted to comply with SOP/administrative instruction.	Revision
0801	Revised General section to add "Purpose" and "Authoritative Guidance" paragraphs.	Addition
0802	Added Section for "Additional Guidance" and renumbered subsequent sections and paragraphs throughout the remainder of the chapter.	Addition
080401.H Policy Memo	Incorporated the Office of the Under Secretary of Defense (Comptroller) (OUSD(C)) memorandum dated March 6, 2015, titled, "Prohibition Against Travelers Requesting Reimbursement for Travel Expenses of Others". Cancelled the OUSD(C) memorandum.	Addition
080604.A	Added statement that claims for the Funeral Honors Duty Allowance (FHDA) $50.00 stipend authorized in Volume 7A, Chapter 58, and Volume 7B, Chapter 22, are not Travel allowances and must be submitted to and paid through the appropriate Military Pay office.	Addition
080611	Incorporated Volume 9, Chapter 09, Coast Guard guidance into Chapter 08, and cancelled/archived Chapter 09.	Addition
All	This publication has been reviewed by the Per Diem, Travel and Transportation Allowance Committee (PDTATAC) in accordance with Department of Defense Directive (DoDD) 5154.31, Volume 5, dated October 8, 2015, as PDTATAC Case RR15018. Any conflict between this publication and the Joint Travel Regulations (JTR) is resolved based on the JTR and not this publication.	Addition

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CHAPTER 8

PROCESSING TRAVEL CLAIMS

*0801 GENERAL

080101. Purpose

This chapter provides general policy to travelers for the preparation, submission, and processing of travel claims for electronic submission through the Defense Travel System (DTS) and for Permanent Duty Travel (PDT) and Temporary Duty Travel (TDY) forms for hard-copy submission.

080102. Authoritative Guidance

This chapter provides guidance under authorities contained in statute, Joint Travel Regulations (***JTR***), the Federal Travel Regulation (***FTR***), and the Department of Defense Financial Management Regulation (DoD FMR). It does not include every condition in which the JTR either authorizes or limits travel and transportation allowances. Information contained in this volume does not supersede the JTR.

*0802 ADDITIONAL GUIDANCE

080201. Disbursing Officer and Certifying Official Responsibilities

The disbursing officer (DO) is accountable for all travel payments and the DO's responsibilities are in Volume 5, Chapter 2. The certifying officer is responsible for the accuracy and propriety of payments to include ensuring that travel statements and claims are accurate and properly supported (see Volume 5, Chapter 5). Additionally, the disbursing office is responsible for ensuring that random audits are conducted.

080202. Payment Method

Electronic funds transfer (EFT) is the mandatory means by which a travel claim is settled within DoD. Supervisors may authorize alternate methods of payment in limited situations in which the traveler does not have access to an account at a financial institution that can receive EFT transmissions. Split disbursement, which permits direct payment via EFT to the travel card contractor for charges incurred on the travel card and to the cardholder for any residual amount, must be available to travelers as a payment option. This payment option enables travelers to elect a split disbursement by indicating the amount of money from the settlement sent to the card contractor.

080203. Adjustments of $10 or Less

The DO must pay the traveler all amounts due on the original settlement claim. The DO, however, is not required to make collections of $10 or less on a final settlement or on an

overpayment of $10 or less that the DO subsequently detects. Conversely, the DO must process supplemental payments for $10 or less only when specifically requested by the traveler.

080204. Over Advances

If upon settlement of the travel claim the DO determines that a traveler received an excessive travel advance greater than $10, the official must forward a letter of indebtedness and give the traveler an opportunity to immediately repay the excess advance. If immediate payment is not made, initiate collection action as required in accordance with Volume 8, Chapter 8, paragraph 080602, Volume 5, Chapter 28, or Volume 7A, Chapter 50, subparagraph 500104.A.

080205. Overpayments

If the DO detects an overpayment greater than $10, the DO must forward a letter of indebtedness to the traveler that requests remittance. The traveler is required to pay the indebtedness within 30 calendar days after the date of notification; otherwise, initiate collection action as outlined in Volume 8, Chapter 8, paragraph 080602, Volume 5, Chapter 28, or Volume 7A, Chapter 50, subparagraph 500104.A.

080206. Income Taxation of Reimbursable Temporary Duty (TDY) Allowances

A civilian employee who performs a TDY assignment at one location for more than a year is considered by the Internal Revenue Service (IRS) to be permanent and any reimbursement (e.g., per diem) is considered taxable income (see 26 United States Code (U.S.C). ***section 162(a))*** and ***Internal Revenue Ruling 99-7***). The IRS may consider a TDY assignment at one location for less than a year to be permanent, depending upon the specific criteria. Travel Authorizing Officials (AOs) must determine, in accordance with (IAW) JTR, Chapter 2, Part C, par. 2230-A, that the assignment is not a Temporary Change of Station (TCS) or a Permanent Change of Station (PCS) move before authorizing a long term TDY assignment away from the permanent duty station (PDS) for more than 180 days. When TDY reimbursements are taxable income, the travel office must compute all applicable taxes deducted from the travelers claim(s), and issue an IRS Form W-2, Wage and Tax Statement, to the traveler. The IRS W-2's must include income and the tax deducted amounts. Employees who perform long-term TDY assignments for which TDY allowances are taxable are also authorized an Income Tax Reimbursement Allowance (ITRA) IAW JTR, par. 4970. At a minimum, travelers will submit a Department of Defense (DD) Form 1351-2, Travel Voucher or Subvoucher, a copy of their travel orders, and the W-2 issued from the travel settlement office to claim the ITRA. Note: The traveler must submit travel claims involving taxable TDY allowances on a DD 1351-2 to the appropriate travel settlement office. DTS does not compute claims involving income taxes; do not use DTS in these instances.

0803 FORMS

Travelers, in conjunction with official travel may use the following forms:

DD Form 730	Receipt for Unused Transportation Request and/or Tickets, Including Unused Meal Tickets
DD 788	Private Vehicle Shipping Document for Automobile
DD 1351	Travel Voucher NOTE: Multiple use form.
DD 1351-2	Travel Voucher or Subvoucher NOTE: Used to claim PDT/TDY travel allowances for official travel performed, including dependents' travel and other PDT allowances.
DD 1351-2C	Travel Voucher or Subvoucher Continuation Sheet NOTE: Used when the DD 1351-2 does not provide sufficient space.
DD 1351-3	Statement of Actual Expenses NOTE: Used to claim actual subsistence expenses when the traveler performs TDY on an actual expense basis.
DD 1351-5	Government Quarters And/Or Mess
DD 1351-6	Multiple Travel Payment List NOTE: Used to make multiple payments for travel and TDY performed under like conditions and circumstances.
DD 1610	Request and Authorization for TDY Travel of DoD Personnel NOTE: Used to support travel claim payments.
DD 1614	Request and Authorization for DoD Civilian Permanent Duty Travel NOTE: Used to support PDT travel payments.
DD 1705	Reimbursement for Real Estate Sale and/or Purchase Closing Cost Expenses
DD 2278	Application for Do-It-Yourself Move and Counseling Checklist

DD 2461	Authorization for Emergency Evacuation Advance and Allotment Payments for DoD Civilian Employees
DD 2912	Claim for Temporary Quarters Subsistence Expense (TQSE)
Optional Form (OF) 1164	Claim for Reimbursement for Expenditures on Official Business NOTE: Used to claim reimbursement for expenses incurred for recruiting duty and expenses incurred within and around a PDS station.
Standard Form (SF) 1199A	Direct Deposit Sign-Up Form

0804 CLAIM PREPARATION

080401. Completion

The traveler is responsible for preparing their DD 1351-2 to claim reimbursement for official travel. Even when someone else prepares the claim, the traveler remains responsible for the truth and accuracy of the information. When the traveler or a legally appointed designee signs the form, the traveler attests that the statements are true and complete and that the traveler is aware of the liability for filing a false claim. All claims and attached statements must be completed using ink, typewriter, or computer-generated forms.

A. General. Travelers must use the DD 1351-2 to submit travel claims requesting reimbursement for expenses incurred while on official travel. The claim is prepared and submitted, with required attachments and approvals, to their servicing travel computation office. The traveler must carefully review expenses claimed on the DD 1351-2 and sign the original claim. Electronic certifications (digital signatures) may be submitted and accepted for payment on a travel claim, in addition to those signed in ink, only if all of the requirements listed in, Volume 5, Chapter 1, subparagraph 010305.C, are met.

B. Erasures and Alterations. The traveler must initial erasures and alterations on totals of reimbursement claims. The person who issued or signed the receipt must initial alterations, such as erasures and alterations in totals on receipts.

C. Leave of Absence. When the traveler takes leave while in a travel status or at the TDY point(s), the traveler must show the number of hours, type of leave, and dates for civilian employees, or dates for military members, on the reimbursement claim along with the scheduled hours of duty if the traveler takes leave of absence.

D. Return to PDS or Home on Non-workdays. If return to the PDS or home from which the traveler commutes daily to the PDS occurs over a weekend or on any non-workday, the following information must be entered on the claim:

1. Date of arrival at PDS (or home);

2. Roundtrip ticket cost or roundtrip distance traveled by privately owned conveyance (POC); and

3. Date of return to TDY location.

NOTE: Per diem is not payable for time spent at the PDS or home.

E. Travel by POC. When travel is by POC, the traveler must show the points between which the traveler performs travel on the travel claim. The traveler must explain any unusual conditions or circumstances that may affect allowances on the settlement claim, or attached on a separate sheet as supporting documentation. When two travelers on official duty ride together in the same POC, the travelers must identify the name of the owner-operator of the POC and the name of the passenger, along with the name of the department or agency for whom they work. IAW JTR, Chapter 4, Part G, par. 4725, the traveler responsible for POC operating expenses (ordinarily the POC operator/owner) is authorized TDY mileage for the official distance. A traveler not responsible for POC operating expenses (ordinarily a passenger) is not authorized TDY mileage.

F. Travel by Special Conveyance. Use of a special conveyance, under the provisions of JTR, par. 3320, requires a determination of advantage to the government before allowing reimbursement. This authorization must be in the orders. Otherwise, approval is indicated by a statement signed by an appropriate approving official to the effect that a local public carrier (taxicab or other conveyance) used for official business is approved as the transportation mode most advantageous to the government. The use of taxicabs between home or hotel and transportation terminals is a usual item of reimbursable expense. Such usual items must be stated on the claim and do not require special authorization or approval.

G. Foreign Currency. IAW JTR, par. 2830-G, a traveler who pays with a credit card for Outside the Continental United States (OCONUS) expenses should check with the credit card vendor to determine the final bill in U.S. currency prior to travel claim submission. Travelers may use the currency exchange rate at which the credit card vendor settles the credit card bill to determine OCONUS expenses charged to the card. Travelers must report reimbursable expenditures in the foreign currency of the country actually paid. To receive proper reimbursement, the traveler must report the following information on their travel claim: The amount of the expense in foreign currency; the exchange rate on the day the item was purchased in cash, or, the exchange rate at which the credit card was billed if paid with a credit card; and the bank commission(s) charged for conversion of U.S. dollars to foreign currency. The traveler must show the rates of conversion and the commission(s) charged. If the traveler does not show the conversion rate(s), the activity settling the claim must use an appropriate exchange rate for the date

the expense was paid. Note: Travelers are not authorized reimbursement for losses, and are not liable for repayment to the Government for gains, resulting from currency conversions.

* H. Reimbursements for Other Travelers Expenses. Reimbursements to travelers that pay for other traveler's expenses are strictly forbidden. Travelers are only reimbursed for expenses, which they themselves incur, and not for expenses incurred by, or on behalf of, any other Government personnel. Approving Officials, Authorizing Officials, and Certifying Officers must deny approval of all travel claims in which travel expenses of other personnel are claimed. Approval of this type of claim will subject Approving Officials, Authorizing Officials, and Certifying Officers to potential pecuniary liability (see Chapter 5, paragraph 050201 for information on pecuniary liabilities of Departmental Accountable Officials).

I. Items Denied Reimbursements. The travel computation office must deny claims for items in vouchers that are not reimbursable under this volume and the JTR, or not properly supported by receipts where required. The claimant must be notified and informed of the reason(s) and required corrective action, if any. If the traveler later reclaims these items, the traveler must itemize them in a subsequent regular or supplemental claim and supported by the original or copy of the denial notice.

J. Supporting Documents. In addition to expense statements or other declarations, when required, support the claim by including the following documents.

1. Travel Orders. Travel orders and issued amendments to the claim for TDY and two copies for PDT.

2. Government-Procured Transportation Documents. Memorandum copies of transportation request documents.

3. Unused Government-Procured Transportation Documents. The traveler obtains receipts for the unused portion of travel when they return the unused portion of the ticket to a Transportation Officer (TO). This is not applicable to the Navy.

4. Statements for Common Carrier Reimbursement. When a traveler claims reimbursement for common carrier transportation paid by cash, the following statement must be included on the claim: "I hereby assign to the U.S. any rights I may have against other parties in consideration with any reimbursable carrier transportation charges described herein."

5. Unused Tickets. When itineraries are changed or trips are canceled after tickets have been issued to the traveler, the traveler must write and initial a statement on the travel claim that all tickets have either been used for official purposes, and/or all unused tickets, or portions thereof, have been properly accounted for and turned in to the TO or commercial travel office (CTO). The traveler must attach receipts issued by TO/CTO for unused tickets to the travel settlement claim.

6. Actual Expense Authorization (AEA). When AEA is authorized or approved in connection with TDY and the travel order does not reflect it, the traveler must attach three copies of the AEA to the claim.

080402. Itinerary

Claims must contain a complete itinerary for the entire period of travel. This includes return to the PDS during temporary duty and any type of leave taken and the periods the leave is used. On claims for TDY travel, the first entry must be the traveler's residence or office, as applicable, except for an aircrew traveler (see JTR, par. 2255-A, Table 2D-1) or extended TDY (i.e., TDY in excess of 30 days). The first entry on PDT travel claims must be the last PDS. The traveler does not need to list travel from the residence or office to a carrier terminal in the itinerary; the traveler claims the mileage or taxi as a reimbursable expense. This also applies to travel from a carrier terminal to the place of lodging or TDY site. The claimant must list the dates of departure from and arrival at a port of embarkation/port of debarkation.

080403. Reimbursable Expenses

The traveler must enter all allowable reimbursable expenses. Tax on lodging is a separate reimbursable expense from the room charge and the traveler must claim it separately on the travel claim for travel within Continental United States (CONUS) and non-foreign OCONUS areas. Travelers may find information regarding specific State exemptions for lodging taxes at ***GSA-Smartpay State Tax Letters***.

080404. Recruiting Expenses

Recruiters must claim reimbursement using the SF 1164.

080405. Other Instructions

A. The traveler must attach all lodging receipts regardless of amount and any other receipts for expenses of $75 or more to the claim. The traveler must furnish a statement explaining the circumstances if a receipt is impracticable to obtain or it has been inadvertently lost/destroyed.

B. Travelers must receive 75 percent of the meals and incidental expense rate for the first and on the last day of travel. Per diem for all official TDY travel must be computed under the 'Lodging Plus' method except when authorized IAW JTR, Chapter 4, par. 4130-B2.

0805 RESPONSIBILITIES

080501. Authorizing Official (AO)

Refer to Chapter 5, Section 0502 for additional AO responsibilities.

A. Reviewing Travel Claims. The AO confirms the authorized travel and must ensure the following when reviewing and signing travel claims:

1. The traveler properly prepared the claim using ink or computer-generated forms;

2. All amounts claimed are accurate;

3. The traveler attached required orders, receipts, statements, and justifications to the travel claim;

4. All expenses claimed are authorized and allowable;

5. Any deviation from the travel order is in the government's best interest;

6. Claimed items requiring approval after the fact, but not approved in the order, were necessary in the conduct of official business;

7. Reimbursement, as appropriate, is approved (in whole or in part) or reimbursement is revised;

8. The claim is on an original travel voucher with an original/electronic signature and date;

9. Advance and partial payments are annotated, or "NONE" is entered in block 10 of the DD 1351-2; and

10. When the traveler used foreign currency for reimbursable expenses, the appropriate blocks of the DD 1351-2 must include the expense both in foreign currency and U.S. dollars, the exchange rate, and commission charges for the foreign currency at the time of the transaction.

B. Approving Items. Before an AO may approve an item involving use of a transportation mode not authorized in a travel order, the traveler must explain the necessity for that mode on the claim. When a traveler claims POC expense under orders that authorize travel by common carrier or government vehicle, and a travel-approving official does not determine that such use is in the government's best interest, reimbursement is limited per JTR, pars. 4730-B, and 4735. An AO also may approve:

1. Excess accompanied baggage expenses;

2. Communications and other miscellaneous expenses;

3. Minor deviations in TDY duration or location;

4. Per diem, if the per diem amount was unintentionally omitted from a travel order; and

5. Additional travel expenses incurred by an employee with a disability or special needs (see JTR, par. 7815-F).

C. Items Requiring Advance Authorization. The following require advance authorization and may not be approved on the claim after the fact:

1. Use of reduced fares for group or charter arrangements;

2. Payment of a reduced rate of per diem for subsistence expenses;

3. Acceptance of payment from a nonfederal source for travel expenses; and

4. Travel expenses related to attendance at a conference.

080502. Review of Travel Claims

An AO or supervisor that has knowledge of the purpose and conditions of the travel claim prepared by the traveler conducts the review of the claim by ensuring that:

A. The claim is properly prepared;

1. The traveler used the correct travel claim forms (printed in ink, computer-generated or typewritten form).

2. The claim is on an original travel voucher with an original/electronic signature and date.

3. The traveler annotates any advances or partial payments authorized on the travel claim or "NONE" in the appropriate block.

4. When foreign currency is used while traveling on official business, the traveler includes the expense in both foreign currency and U.S. dollars, indicating the exchange rate and commission charges for the foreign currency at the time of the transaction if paid with cash, or the rate at which the credit card bill was settled if paid with a credit card.

B. The amounts claimed are accurate and reasonable;

C. The traveler attached the required orders authorizing the travel, receipts, statements, and any justifications to the travel claim; Note: For the definition of what constitutes a valid receipt, see Volume 9, Definitions;

1. The traveler has submitted original lodging receipts regardless of the dollar amount.

2. The traveler has submitted receipts for all single items of expense that exceed $75.

D. The claimed expenses were authorized and allowable, and that any deviations from the authorized travel were in the best interest of the government; and

E. The AO or supervisor has reviewed, signed, and dated all travel claims and forwarded them to the travel office for computation.

080503. Travel Computation Office

Refer to Chapter 5, subparagraph 050201.G for the travel computation office's responsibilities.

080504. Traveler

Refer to Chapter 5, subparagraph 050201.J for the traveler's responsibilities.

0806 SUBMISSION OF TRAVEL CLAIMS

080601. Temporary Duty (TDY) and Permanent Duty Travel (PDT) Claims

The traveler must submit all claims within five working days of return to or arrival at the PDS. In cases of extended TDY (over 45 days), and reservists on Annual Training, Active Duty Training, or Inactive Duty Training that is known to be greater than 45 days, the traveler must submit a claim for each 30-day period. The traveler must submit the claim within five working days after each 30-day period.

080602. Local Travel at Permanent Duty Station (PDS)

A. General. The traveler must submit claims for reimbursement of expenditures for official business using the SF 1164. This form is used for such expenses as taxicabs, public carriers, or POCs while transacting official business in the locality of the PDS. The traveler must submit claims as soon as practical after expense has occurred. Travelers may submit claims for each individual trip or by combining recurring trips on one claim. The SF 1164 is not used for reimbursement of fares or mileage for use of POC in connection with TDY travel involving per diem allowance.

B. Claim Submission. The SF 1164 must identify the date, point of origin and destination, and the amount of fare and tips or distance for each trip. The traveler need not complete the point of origin column, when the point of destination of one trip is identical to the point of origin of the next trip. When the traveler claims identical trips on a voucher, only the first trip must show the points of origin, destination, and date for the trip. Subsequent trips may be

annotated with a statement such as "Same trip made on date(s)." Unless required by local authority, it is not necessary to compute mileage reimbursement for each trip. The traveler may add the "number of miles" in column (Block 6(e)) and the total multiplied by the mileage rate. The claimant must sign the form and must submit as provided in applicable Component policy.

080603. Nonmedical Attendants

A. Nonmedical Attendant for Specialty Care Over 100 Miles. If a patient meets the travel requirements in JTR, par. 7095-A, roundtrip transportation and travel expenses for one necessary attendant are authorized. The attendant must be a parent, guardian, or another adult member of the patient's family who is at least 21 years of age. An individual traveling as an attendant is authorized travel and transportation allowances or reimbursement for expenses prescribed as follows (see JTR, par. 7100):

1. Military Member as Attendant. A member who is a family member, and ordered to be an attendant, is authorized TDY travel and transportation allowances while acting as an attendant.

2. Civilian Employee as Attendant. A U.S. Government civilian employee who is a family member, and assigned as an attendant, is authorized the TDY travel and transportation allowances prescribed in regulations issued by the employee's agency or department funding the travel.

3. Other Person as Attendant. A person other than a military member or U.S. Government civilian employee who is at least 21 years of age and a family member, who is designated to travel as an attendant, is issued an Invitational Travel Authorization (ITA) or be included in the patient's travel order and identified as an attendant. This person is authorized reimbursement of reasonable travel expenses as in JTR, pars. 7095-C and 7095-D. NOTE: The patient and attendant cannot both be reimbursed for the same travel expense (e.g., both cannot be paid mileage when traveling by POC.).

B. Claims. The traveler must submit claims for reimbursement of expenditures for military members/civilian employee attendants using the DD 1351-2. Travelers must submit claims for reimbursement of expenditures for other persons as an attendant using the SF 1164 when they do not incur overnight lodging and/or meals. When travelers incur overnight lodging and/or meals, the traveler must file the claim on a DD 1351-2. The SF 1164 form may be used for such expenses as occasional meals, taxicabs, public carriers, or POCs while performing as an attendant for specialty care patients referred to a specialty care provider more than 100 miles away. The traveler must submit the claims to the Primary Care Manager (PCM) as soon as practical after they incur the expense.

C. Claim Submission. The SF 1164 must identify the date, point of origin and destination, and the actual expense to perform as a nonmedical attendant for specialty care patients. The traveler must submit the claim to the PCM for approval. A mileage allowance is paid when a POC is used and reimbursement is authorized for parking, ferry fares, and road/bridge/tunnel tolls. The traveler must use a DD 1351-2 for reimbursement for actual cost of lodging and meals up to

the per diem rate prescribed for the area concerned. Reimbursement is only for expenses specifically authorized in JTR, par. 7095-D. The traveler is not authorized other expenses contained in JTR, Appendix G.

D. Nonmedical Attendant for Very Seriously and Seriously Wounded, Ill, or Injured Member. A nonmedical attendant of a member may be provided transportation and per diem as described in and determined by appropriate authority under JTR, par. 7205. NOTE: Cadets/midshipmen are not eligible for nonmedical attendant allowances. An individual traveling as an attendant is authorized travel and transportation allowances or reimbursement for expenses as prescribed as follows:

1. Military Member as Attendant. The member is authorized TDY travel and travel allowances while acting as an attendant.

2. Civilian Employee as Attendant. A U.S. Government civilian employee is authorized the TDY travel and transportation allowances in the regulations used by the agency or department funding the travel.

3. Other Person as Attendant. An ITA must be issued to a person other than a military member or U.S. Government civilian employee designated to travel as an attendant. This person is authorized reimbursement of travel allowances as prescribed in JTR, pars. 7205-D, 7205-E, and 7205-F.

E. Claims. Submit claims for reimbursement of expenditures for military members/civilian employee attendants using the DD 1351-2. Submit claims for reimbursement of expenditures for other persons as an attendant using the SF 1164 when they do not incur overnight lodging and/or per diem. When travelers incur overnight lodging and/or per diem, the traveler must file the claim must on a DD 1351-2.

F. Claim Submission. The SF 1164 must identify the date, point of origin and destination. The traveler must use the DD 1351-2 for reimbursement for per diem.

* 080604. Travel and Transportation for Funeral Honors Detail

A. General. Claims for the Funeral Honors Duty Allowance (FHDA) $50.00 stipend authorized in Volume 7A, Chapter 58, and Volume 7B, Chapter 22, are not travel allowances and must be submitted to and paid through the appropriate Military Pay office.

1. Military Members

a. Must use the SF 1164 for reimbursement of expenditures for funeral honors detail when they do not incur overnight lodging and/or per diem.

b. Must use the DD 1351-2 when they incur overnight lodging and/or per diem. Authorized allowances for military members performing funeral honors duty are contained in the JTR, par. 7385. Reserve Component (RC) members performing funeral honors

duty at a location 50 or more miles from the member's residence are authorized TDY travel and transportation allowances contained in the JTR, Chapters 3 and 4.

2. Individuals Not Employed by the Government

a. Must use the SF 1164 for reimbursement for expenditures for funeral honors detail when they do not incur overnight lodging and/or per diem.

b. Must use an ITA and the DD 1351-2 when they incur overnight lodging and/or per diem. Entitlements for individuals not employed by the government performing funeral honors detail are contained in the JTR, Appendix E, Part 1, par. C7.

B. Claim Submission. The SF 1164 or DD 1351-2 must identify the date, point of origin and destination, and the actual expense to perform the Funeral Honors Detail. The traveler submits the claim to the military unit augmented for approval. A mileage allowance may not be paid. Reimbursement for POC actual expenses is limited to fuel, oil, parking, ferry fares, road, bridge, and tunnel tolls. The traveler must use an ITA for reimbursement for actual cost of lodging and meals up to the per diem rate prescribed for the area concerned. Reimbursements may be authorized and approved for miscellaneous expenses contained in JTR, Appendix G.

080605. Separatees or Retirees-Members

A. General. A separated or retired member who has not received an advance must forward the claim to the disbursing office responsible for that person's pay accounts prior to separation or retirement. The DO must pay all claims submitted within one year of separation or retirement. The disbursing office that supports U.S. Marine Corps separatees or retirees must pay all claims submitted within 60 days of the month of separation or retirement. Claims received after the stated time periods for filing must be forwarded to the following designated Service address:

Army:	Indianapolis Operations Department 3700 8899 East 56th Street Indianapolis, IN 46249-3700
Navy:	Personnel Support Detachment (PSD) or servicing DO at separatee's or retiree's separation point
Air Force:	Member's last servicing Financial Services Office (FSO)
Marine Corps:	Member's last servicing Finance/Disbursing Office (FO/DO)

1. Officers. Travel allowances payable to a separating or retiring officer must be used to offset indebtedness to the government when paid as an advance or

settlement.

2. Enlisted Personnel. Travel allowances payable in advance to separating or retiring enlisted personnel for personal travel home may not be used to offset any debts to the government. Travel allowances payable to enlisted members after they have returned home must be withheld and applied against their debts.

3. Dependents and Household Goods Claims. Advances and settlements of dependent travel allowances and household goods entitlements must be withheld and applied to indebtedness to the government.

B. Travel to Specialty Care over 100 Miles. When a retired member with a combat-related disability, who is not a TRICARE Prime enrollee, is referred by a primary care provider for follow-on specialty care, services, and supplies, for that particular disability, more than 100 miles from the primary care provider's office, the patient must be reimbursed for reasonable travel expenses (see JTR, par. 7095-A2).

080606. Deceased and Next of Kin

A. Attendance at a Deceased Member's Memorial Ceremony. In addition to round trip travel and transportation allowances to attend burial ceremonies, an eligible family member as described in JTR, par. 7260-A5 may be authorized travel and transportation allowances for one round-trip to an installation/home port/unit memorial service, if that memorial service, for a deceased member who dies while on active duty, occurs at a location other than the burial ceremony location, as provided in JTR, par. 7260-A5. Note: the families of cadets/midshipmen are not eligible for this transportation.

1. Claims. ITA's must be issued to eligible family members attending a memorial service. Travel and transportation allowances for attendance at a memorial service are contained in JTR, par. 7260-A5. The traveler must complete this trip within 2 years following the member's death, unless the Service Secretary waives the time limitation.

2. Claim Submission. The traveler must use an SF 1164 for reimbursement of expenditures when they do not incur overnight lodging and/or per diem. The SF 1164 must identify the date(s), point of origin and destination, and the actual expense in attending the memorial service. The traveler must use a DD 1351-2 when they incur overnight lodging and/or per diem.

B. Unsettled Claims for Deceased Travelers. The individual designated by the Service to settle a deceased member's affairs is responsible for the preparation of the travel claim for the travel of the deceased member. The finance official computes and forwards all claims to the supporting Defense Finance and Accounting Service (DFAS)/Service Site (see subparagraph 080606.D for address) for payment or collection. For deceased employees, the surviving spouse or legal representative, the executor, or administrator must sign any outstanding

travel claims. The travel office computes these claims locally and forwards them to the civilian payroll office for inclusion in the death claim payment.

C. Claims for Dependents of Deceased Members. Two copies of a ***DD 1300***, Department of Defense Report of Casualty, support travel performed under the provisions of JTR, par. 7255.

1. If the claim is for travel to a member's home of record, as shown on DD 1300, no further documentation is required.

2. If the claim is for travel to the official residence of a relative, the claimant must furnish a statement to that effect showing the name and relationship of the person to whose residence they traveled.

D. Forward these claims to the following applicable address:

Army:	DFAS-Indianapolis Site Director, Military Pay ATTN: DFAS-IN/FJECB 8899 East 56th Street Indianapolis, IN 46249-0885
Navy:	DFAS-Cleveland Site Federal Office Bldg 1240 East 9th Street Cleveland, OH 44199-2055
Air Force:	Member's last servicing Financial Services Office (FSO)
U.S. Marine Corps:	FO/DO responsible for the deceased Marine

080607. Travel Under Classified Orders

If classification of a TDY order is necessary, classify, mark, and handle the special order according to the applicable DoD Component security regulation.

A. Statement Substitute. The approving official may withdraw such orders and substitute the following certificate:

"I certify that the travel upon which allowances on this voucher are claimed was authorized by SECRET (or CONFIDENTIAL) travel orders issued on (date); the travel so ordered was performed; that where travel by private conveyance is involved, the official distance so covered is as stated on the claim; that where per diem is involved, the days and times of departure are as stated; that no government quarters or meals were furnished except as stated thereon; the transportation mode and basis for reimbursement are correct; the time for which reimbursement is

claimed was the minimum necessary; and I have shown or mailed to the paying disbursing official a copy of the travel orders upon which the voucher is based."

B. Voucher Support. Distribute classified orders only to persons who have the proper clearance and who require a copy of the order. An unclassified extract from a classified order may be used to support the payment voucher if it furnishes enough information. This permits filing an unclassified travel claim. For classified locations, the traveler must indicate in the itinerary of the travel claim the location by showing site 1, site 2, and so forth. The DO must pay the claim if they can apply the per diem rate. If, however, the disbursing official does not have knowledge of the location or the traveler insists on not showing the location, process the travel claim and documentation per Service instructions.

080608. Special Approval Required for Payment

When special approval is required for payment of a claim covering travel performed under the following specified circumstances, the commanding officer or an individual specifically designated to act for and in the employee's behalf on such claims must administratively approve the claim presented for reimbursement of expenses. The traveler must attach a statement of facts justifying the approval action to the reimbursement claim. Special approval is required for the following forms of travel:

A. TDY Travel. When a traveler performs official travel without a prior authorization, special approval is required. This does not include situations where the AO/Ordering Official issues verbal orders and confirmatory orders are prepared. The official who ordinarily would have requested travel authority for the traveler must prepare a statement of facts pertaining to the circumstances requiring the travel and the reason for not obtaining prior authorization.

B. PDT Travel. Special approval is required when the order-issuing proponent does not authorize travel and transportation at government expense in a PDT, reassignment, or transfer of a member or employee, but such PDT, reassignment, or transfer is later determined to be in the government's best interest, and the commanding officer desires to reimburse the traveler for expenses incurred for travel and transportation. The civilian personnel officer or the Service order-issuing proponent must present the facts and circumstance in such cases, through available records and investigation, to the commanding officer with advice as to the pertinent policy. This procedure also may be applied to similar situations involving payment of travel and transportation expenses to first duty station.

080609. Multiple Payment Procedures in Connection With Sea Trial Trips

When more than one traveler participates in sea trial trips at the same time, between the same points, and the same accounting data is chargeable, submit a travel on a DD 1351-6, Multiple Payments List, to cover the entire group. Enter the notation "See Attached" in the appropriate blocks for the claimant's name and the certifying official. A DD 1351-2 must support the claim.

080610. Navy Oceanographic Office

The disbursing office of the ship pays travel claims of employees of the Navy Oceanographic Office for travel aboard survey ships if presented for payment before completion of travel. The disbursing office of the traveler's duty station pays travel claims filed after return to the traveler's duty station.

* 080611. U.S. Coast Guard

A. U.S. Coast Guard Travel Using DoD Appropriations. Coast Guard members who travel on orders citing DoD appropriations should file travel claims the same as active-duty DoD members using the procedures applicable at the disbursing office of the unit whose funds are involved. Disbursing offices shall settle these vouchers like those of any other member. If any excess travel time is involved, then forward a copy of the settlement voucher to:

Commanding Officer (TVL)
U.S. Coast Guard Pay and Personnel Center
444 SE Quincy Street
Topeka, KS 66683-3591

B. U.S. Coast Guard Travel on Other Than DoD Appropriations. When a Coast Guard member requests a travel advance or settlement payment on orders citing other than a DoD appropriation, the disbursing officer may provide payment and seek reimbursement from:

Commanding Officer
U.S. Coast Guard Finance Center
1430A Kristina Way
Chesapeake, VA 23326-1000

080612. Travel and Living Allowance (T&LA) for International Military Students and Guest Instructors

International Military Students and Guest instructors who are paid T&LA, as defined in Chapter 10 of Defense Security Cooperation Agency (DSCA) Manual 5105.38-M, Security Assistance Management Manual, must submit travel claims along with copies of their travel orders/authorization and required receipts for reimbursement to the appropriate travel settlement office (see ***DSCA Manual, Chapter 10, Section C10.13***).

0807 COLLECTIONS AND INDEBTEDNESS FOR EMPLOYEES

080701. Collections

The employee is billed in writing with a demand for payment. If the employee does not remit payment, the DO must initiate collection through salary deductions, set-off from final salary and allowances, lump-sum leave payment, the employee's retirement account, or other amounts due the employee in accordance with controlling debt collection regulations.

080702. Uncollectible Cases

If the actions prescribed in subparagraph 080701 do not result in full reimbursement to the government, forward a record of all collection efforts and transactions to the same office as for an agreement violation claim in Chapter 6, subparagraph 061104, except for delinquent indebtedness cases of former civilian employees of the Military Services. Forward debts for former civilian employees of the Military Services to:

DFAS-IN/Debt and Claims
Department 3300
8899 East 56th Street
Indianapolis, IN 46249-3300

0808 ADVANCE DECISIONS, DOUBTFUL CLAIMS AND RECLAIM/RECONSIDERATION REQUESTS

080801. Request for Advance Decision

A DoD DO or certifying officer may request an advance decision on any questionable claim presented for payment. Additionally, accountable officials and others with final responsibility for adjudicating claims may request advance decision on doubtful claims (claims involving doubtful questions of law or fact) prior to preparation or presentment of a claim. The request must be prepared and submitted as required in Volume 5, Chapter 12. Submit the original request package and two copies to the DFAS-Indianapolis office through the supporting DFAS site for the DoD Component that funds the travel order. An accountable officer desiring an advance decision on an issue involving the interpretation of the JTR must forward the request through the PDTATAC.

Army, Marine Corps, Navy, and all Defense Agencies	DFAS-Indianapolis Center Travel Functional Area ATTN: DFAS-JJFT/IN (Travel Procedures) 8899 East 56th Street Indianapolis, IN 46249
Air Force	Member's last servicing Financial Services Office (FSO)

A. Amounts Over $250. The supporting DFAS site must review each request and contact the DO to resolve any questions. Requests for amounts over $250 require advance decisions by the Defense Department Office of Hearing and Appeals (DOHA) for Service members and the Civilian Board of Contract Appeals (CBCA) for DoD civilian employees. Forward all requests for advance decisions through the General Counsel of the requesting Component or the DFAS to the General Counsel, DoD, before referral to any authorized official outside the Department of Defense (see Volume 5, Chapter 12, subparagraph 120301).

B. Amounts Under $250. If the advance decision request is for $250 or less, the General Counsel, DoD, may refer the request to the General Counsel, DFAS. The General Counsel, DFAS must review the request and issue an advance decision (see ***DoD Instruction 1340.21***, Procedures for Settling Personnel and General Claims and Processing Advance Decision Requests, Enclosure 8, paragraph E8.5.3.).

080802. Reconsideration Requests and Reclaims

When the travel office makes a decision concerning an allowance determination that the traveler disagrees with, that travel office must issue the traveler a written explanation and advise the traveler of the right to have the claim reconsidered. If the traveler does not accept the explanation of the DO, the DO must assist with the resubmission of the claim. To have a claim reconsidered (see exceptions in paragraph 080804), send:

A. A copy of the claim;

B. A letter of explanation from the traveler;

C. An endorsement from the approving officer; and

D. A letter of position from the travel computation office, through the major Command, to the appropriate DFAS site.

The DFAS site must respond to the DO or traveler. If the traveler does not accept the decision, the DFAS site may forward the claim as a reclaim or appeal to DOHA or the CBCA. A reclaim or appeal is forwarded because the claimant is unwilling to accept the decision, and not because the travel office or accountable official has doubts as to whether the claim should be paid. The travel office or accountable official forwards such claims through the appropriate DFAS site to DOHA for Service members and the CBCA for DoD civilian employees.

Defense Office of Hearings and Appeals
Claims Division
PO Box 3656
Arlington, VA 22203-1995

Civilian Board of Contract Appeals
ATTN: Clerk of the Board
1800 F Street, NW.
Washington, DC 20405

080803. Waivers

Travelers or Components must submit waiver requests resulting from erroneous travel payments and transportation allowances to the DFAS-Indianapolis site.

080804. Unions and Third-Party Review

When covered by a collective bargaining agreement, neither the Department, the Office of Personnel Management, the CBCA, nor the DOHA, has jurisdiction over the claimants claim unless the matter of travel claims is explicitly excluded from grievance under the collective bargaining agreement.

0809 CLAIM FOR LATE PAYMENT FEE

The DoD policy for implementation of the Travel and Transportation Reform Act (TTRA) of 1998 (Public Law 105-264), which governs the claim for late payment fees for late processing of a traveler's travel claim, is contained in the ***DoD TTRA Policy Statement***.

080901. Submission of Travel Claim

Travelers must submit a properly prepared travel claim to their supervisor/approving official within five working days after completion of travel. The disbursing office pays the travel claim within 30 calendar days after the claim is signed and dated as received by the supervisor/approving official. The supervisor/approving official or the travel computation office has seven calendar days to notify the traveler if the travel claim is not proper or complete for payment.

080902. Late Payment Fee and Charges

If the disbursing office does not pay a travel claim within 30 calendar days after it is received by the office with responsibility to approve the claim, that office may be required to pay a late payment fee. This fee is payable, using the Prompt Payment Act interest rate, beginning on the 31st day after the submission of a proper travel claim and ending on the date that the government disburses the payment. The only exception is that no payments are required for amounts less than $1.00. Interest payment funding instructions are located in Volume 10, Chapter 7. In addition, the government must pay the traveler an amount equal to any late payment charge that the card contractor would have been able to charge had the traveler not paid the bill. The IRS has determined that the late payment fee is reportable as interest and that the government reports payment equal to the late payment charge as additional wages. In addition, travelers must be reimbursed for late fees imposed by the bank if the nonpayment that caused the late fee was a

result of the government's untimely processing of the travel claim. The bank does not assess late fees until 75 days following the billing statement.

080903. Systems Modifications

As necessary, modifications are made to DoD Component travel systems to capture the date of submission of a proper travel claim and compute entitlement for late payment fees due as a result of untimely settlements.

080904. Claims for Late Payment Fees

Payment of late fees must be calculated and paid at the time the claim is processed. Travelers who believe that late payment fees were not included in the calculation of their travel claim may submit supplemental travel claims for late payment fees. Claimants must submit each such supplemental travel claim through the office where the claim is reviewed/approved. That office must annotate the claim with the date of receipt of the original travel claim.

080905. Receipt of Travel Claim for Late Payment Fee

Upon receipt of a travel claim for a late payment fee, the travel computation office must review the claim. That office must calculate the number of elapsed calendar days beginning with the signature and date of receipt by the supervisor/approving official and the date the claim was paid. The date the supervisor/approving official receives the proper travel claim counts as the first day and the payment date of the travel claim counts as the last day. If the number of days exceeds 30 calendar days, the travel computation office multiplies the amount paid on the delayed travel claim by the daily Prompt Pay Act interest rate by the number of days in excess of 30 days. Pay the traveler by EFT, or check if the previous payment was by check. The disbursing office must use the accounting classification used for the original travel claim for the amount charged to the supplemental travel claim. When required, prepare an IRS Form ***1099-INT***, Interest Income, for the traveler in accordance with IRS regulations.

080906. Travel Claim Forwarded to Another Activity

If the traveler submits a travel claim and the travel computation office requires a review by another activity, such as for doubtful claims, the 30-day clock continues to run. If the travel computation office disallows a claim, the claimant earns no late payment fee. If the travel computation office allows part of the claim, that amount is subject to the late payment fee and that portion of the payment earns interest from the original submission date. Claims returned to the traveler for errors or incomplete travel claims do not earn interest. Start the 30-day clock when a corrected claim is submitted to the supervisor/approving official.

VOLUME 9, "DEFINITIONS"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated September 2015 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Verified and updated references, hyperlinks, and formatting to comply with current administrative instructions, and made clarifying editorial changes.	Revision
All	Deleted definition of "Privately Owned Conveyance (POC)" in accordance with (IAW) Military/Civilian Advisory Panels (MAP/CAP) item number 68-17(I), dated June 14, 2017.	Deletion
All	Added definitions of "Privately Owned Vehicle (POV) for Transporting People" and "Privately Owned Vehicle (POV) for Shipment" IAW MAP/CAP item number 68-17(I), dated June 14, 2017.	Addition
All	Deleted definition of "(Contracted) Commercial Travel Office (CTO)" IAW MAP/CAP item number 127-16(I), dated September 15, 2016.	Deletion
All	Added definition of "Travel Management Company (TMC)" IAW MAP/CAP item number 127-16(I), dated September 15, 2016.	Addition
All	This instruction has been reviewed by the Per Diem, Travel and Transportation Allowance Committee (PDTATAC) staff IAW Department of Defense Instruction 5154.31, Volume 5, dated October 16, 2015, as PDTATAC Case RR17019. Any conflict between this publication and the Joint Travel Regulations (JTR) is resolved based on the JTR and not this publication.	Revision

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DEFINITIONS

Accountable Officials

Individuals appointed in writing to ensure the adequacy of system internal procedures, and serve as control points within an organization, focusing on minimizing opportunities for erroneous or improper payments.

Actual Expense Allowance (AEA)

Payment of authorized actual expenses incurred, up to the limit prescribed by the Joint Travel Regulations ***(JTR)***, as appropriate. Entitlement to reimbursement is contingent on entitlement to per diem and is subject to the same definitions and rules governing per diem. See the JTR, Appendix A, and Chapter 2, paragraph 020307.

Actual Travel Time

The travel time from physical departure to arrival at the traveler's temporary duty (TDY) location or permanent duty station (PDS).

Agency Program Coordinator (APC)

The individual who administers the Government travel card program and acts as the liaison between the travel card vendor and agency cardholders. APCs are responsible to the respective Department of Defense (DoD) Component Program Manager (CPM) for program execution and management at hierarchy levels determined by the DoD CPM.

Allowable Travel Time

The number of days allowed for official travel. See the JTR, Chapter 2, paragraph 020302.

Approved

As defined in the JTR, Appendix A, the ratification or confirmation of an act already done. Its use, with respect to official travel, applies equally to military and civilian personnel.

Approving Official

Individuals who direct and approve/disapprove travel requests and vouchers prior to claim settlement. They ensure the necessity and justification for travel orders. See the JTR, Appendix A.

Authorized

As defined in the JTR, Appendix A, the term 'authorized' is defined as the giving of permission before an act. Its use, with respect to official travel, applies equally to military and civilian personnel.

Authorized Travel Time

The maximum allowable travel time, determined before travel begins, and based on the mode of travel authorized in the orders.

Authorizing Official (AO)

The designated representative to whom final authority to issue travel orders is delegated in writing by a DoD Component, by organizational title, and/or by name. He or she directs travel and is responsible for funding. This is the same as Authorizing/Order-Issuing Official.

Authorizing Official (AO) (Defense Travel System (DTS))

An individual appointed in writing that is responsible for authorizing travel and approving travel claims by determining the necessity of trips and funds availability, assigning the proper line of accounting (LOA) prior to authorization, and approving travel claims for validity after completion of travel. The AO is the individual who controls the mission, authorizes the trip, and controls funds for TDY travel.

Cardholder

The cardholder is the legal agent of the government-issued travel card. The cardholder holds primary liability for the card's proper use and payment.

Centrally Billed Accounts (CBA)

A card or account established by the travel card vendor at the request of a federal agency. Through a CBA, the travel card vendor bills the Government and payments are made directly to the travel card vendor by the federal agency responsible for the reconciliation of the account. CBA's are issued directly to the Government and the Government retains liability for the CBA's.

Certifying Official (CO)

An individual, designated in writing, who is responsible for the certification of travel vouchers for payment and the verification that payments made by the Government are legal, proper, and correct.

Component Program Manager (CPM)

The designated headquarters program manager for each agency using the General Services Administration (GSA) SmartPay contract. CPMs are responsible for establishing the hierarchies for their agency and distributing program management information from the Defense Finance and Accounting Service (DFAS), the Defense Travel Management Office (DTMO), and the GSA.

Concurrent Travel

Travel under which the traveler is accompanied or immediately followed by the traveler's spouse and/or dependents.

Contiguous United States

The 48 contiguous states of the United States and the District of Columbia, which do not include Alaska (AK) and Hawaii (HI).

Continental United States (CONUS)

The 48 contiguous states of the United States and the District of Columbia. This definition specifically excludes the states of AK and HI as they are not part of the contiguous states and are included in the definition of Non-Foreign, Outside the Continental United States (OCONUS) locations. See ***Title 37, United States Code (U.S.C.), section 101***.

Defense Accounting and Disbursing Systems (DADS)

DoD financial systems that make travel payments to travelers and maintain accounting data.

Defense Travel Administration (DTA)

The DTS function responsible for managing the administrative aspects of the travel process at an organizational level.

Defense Travel System (DTS)

An efficient, flexible system for electronically creating travel authorizations, vouchers, orders, and pre-audit documents and for completing the post-travel claims processes. DTS provides for paperless electronic routing, review, and approval of the travel and associated documentation.

Dependent

The term 'dependent' is defined in the JTR, Appendix A. Dependents of uniformed members can be acquired, command sponsored, or non-command sponsored.

Designated Place

See the JTR, Appendix A and Chapter 6, in reference to evacuation allowances.

Digital Signature

An electronic analogue of a written signature. A digital signature can be used in proving to the recipient or a third party that a document or message was, in fact, signed by the originator.

Directed

An order to do something in a specific way.

Disbursing Office

An activity, or that organizational unit of an activity, whose principal function consists of the disbursement and collection of official funds for the Government.

Dislocation Allowance (DLA)

An allowance paid to military members to partially reimburse them for expenses incurred in relocating their households. See the JTR, Chapter 5, Part A10.

Element of Expense/Investment Code (EEIC)

A five-digit alphanumeric code consisting of two parts: a three-digit account code followed by a two-digit subaccount code to provide further breakdown. The codes are designed for use in budget preparations and accounting systems to identify the nature of services and items acquired for immediate consumption (expense) or capitalization (investment). EEICs are used as part of the Air Force accounting classification in accounting for commitment, obligation, disbursement, collection and international balance of payment transactions.

Finance Defense Travel Administrator (FDTA)

One or more budget, resource management, accounting, or finance individual(s) responsible for managing and supporting the DTS at the organizational and/or installation level.

Foreign Area

Any area or country outside the 50 states of the United States, District of Columbia, the Commonwealths of Puerto Rico and the Northern Mariana Islands, Guam, and U.S. territories and possessions. See the JTR, Appendix A.

Funeral Honors Detail

A group of individuals not employed by the Government who participate in a funeral honors detail for a veteran and may be authorized transportation or transportation reimbursement, and expenses. See ***10 U.S.C. § 1491***.

Government Bill of Lading (GBL)

A government document used for the procurement of commercial transportation (moving) services.

Government Dining Facility or Government Mess

A government-owned facility, funded by appropriated funds. See the JTR, Appendix A.

Government Entity

A DoD organization or personnel designated by local command authority that will input and digitally sign travel requests and reimbursement claims in the Web Portal for unconnected travelers.

Government Travel Charge Card (GTCC)

A charge card used by authorized individuals to pay for official travel and transportation related expenses for which the card contractor bills the Government (CBA) or individual (Individually Billed Account). See the JTR, Appendix A.

Group Authorization

The process in the DTS used to establish a trip record for two or more travelers who are traveling together to such events as conferences, exercises, or deployments.

Group Movement

As defined in the JTR, Appendix A, group movement is the movement of two or more travelers as a group, under the same orders (either Permanent Change of Station (PCS) or TDY travel) for which transportation is furnished by government-owned/procured means from the same origin to the same destination. Movement may include locations en route as specified in the orders. NOTE: Personnel, traveling together under orders directing no reimbursement or limited reimbursement, may be between any points en route, provided that the order specifically indicates the points between which the status applies.

Hierarchy

A structure showing how individual travel card accounts are linked to the organization responsible for authorizing and issuing the card by billing cycle and DoD Component management information.

Household Goods (HHG)

Items associated with the home and all personal effects belonging to a member/employee and dependents on the member's order effective date/employee's effective date of transfer/appointment that legally may be accepted and transported by an authorized commercial transporter. See the JTR, Appendix A, which states what HHG includes.

Individually Billed Account (IBA)

A type of account whereby a GSA SmartPay contractor-issued charge card is issued to a traveler to pay for official travel and transportation-related expenses for which the traveler is liable to pay. The traveler has liability for the use and payment of the account. See the JTR, Appendix A.

Individual Mobilization Augmentee (IMA)

A category of the Reserve Component Selected Reserve membership.

Invitational Travel Authorization (ITA)

A term applied to the authorized travel of individuals who are: not employed by the Government; employed intermittently by the Government under ***5 U.S.C. § 5703*** as consultants or experts and paid on a daily basis (when actually employed); or serving without pay or at $1 a year, or a volunteer covered by ***10 U.S.C. § 1588***. ITAs are not authorized for individuals merely to attend a meeting or conference, even if hosted by a DoD Component on a matter related to the Component's official business. The traveler must be an actual "participant" in the proceedings of the gathering, and not there only for attendance. See the JTR, Chapter 3, section 0305.

Joint Travel Regulations (JTR)

The travel regulations that prescribe travel and transportation allowances authorized for members of the Uniformed Services, DoD civilian employees, and their dependents. The JTR is the Department's implementing guidance for the Federal Travel Regulation ***(FTR)***, issued by the GSA.

Line of Accounting (LOA)

A data structure representing a DoD account that may be used to track travel funding (i.e., transportation, per diem, meals, and incidental expenses) associated with an organization's budget and to ensure accurate accounting transactions.

Meals and Incidental Expenses (M&IE)

The term 'Meals and Incidental Expenses' is defined in the JTR, Appendix A, under Per Diem Allowance.

Non-concurrent Travel

Travel under which the traveler is not accompanied or immediately followed by the traveler's spouse and/or dependents.

Non-Foreign Outside the Continental United States (OCONUS) Area

The states of AK and HI; the Commonwealths of Puerto Rico and the Northern Mariana Islands; Guam; the U.S. Virgin Islands, and U.S. territories, and possessions (excluding the former Trust Territories of the Pacific Islands, which are foreign areas for JTR purposes.) See the JTR, Appendix A.

Object Classification

A code that classifies transactions according to the nature of the travel services performed rather than their purpose. See Element of Expense/Investment Code (EEIC).

Open-Travel Authorization

A written document issued or approved by an AO for the purpose of performing official government travel for a continuous period of time. Also commonly known as a "blanket" or "repeated" travel authorization. See the JTR, Appendix A, definition of "Order."

Other-Than-Business Travel

Travel under the DTS that uses the Common User Interface for arrangements only. This includes official travel combined with leisure travel, and new accession travel. It is also known as "arrangements only" travel.

Outside the Continental United States (OCONUS)

The area outside of the 48 states of the United States and the District of Columbia. See the JTR, Appendix A.

Permanent Change of Station (PCS)

The term 'Permanent Change of Station' is defined in the JTR, Appendix A.

Permanent Duty Station (PDS)

The term 'Permanent Duty Station' is defined in the JTR, Appendix A. It is also referred to as "official station."

Permissive/Administrative Travel Time

An authorized administrative absence not chargeable to leave and for which per diem and transportation allowances are not payable.

Personally-Procured Household Goods (HHG) Transportation

The transport and/or storage (Storage-in-Transit and/or Non-Temporary Storage) of HHG arranged by a member/employee and/or the member's/employee's agent.

Premium Class

Any class of transportation service above coach, such as business class or first class.

*Privately Owned Vehicle (POV) for Transporting People

Any transportation mode actually used for the movement of persons from place to place, other than a Government conveyance or common carrier. Included is a conveyance loaned for a charge to, or rented at personal expense by the Service member or civilian employee for transportation on PCS or TDY travel, when such rental conveyance has not been authorized or approved as a special conveyance in accordance with (IAW) the JTR, Chapter 2, paragraph 020209. A common carrier or a Government-owned conveyance is not a POV.

*Privately Owned Vehicle (POV) for Shipment

Any motor vehicle owned by or leased (12 or more months) to a member/employee or dependents for the primary purpose of providing personal transportation. The vehicle must be self-propelled, licensed to travel on the public highways, designed to carry passengers or HHG; and must have four or more wheels. See the JTR, Appendix A.

Proportional Meal Rate

The average of the standard government meal rate and the meals portion of the applicable M&IE rate, rounded up to the nearest dollar. See the JTR, Appendix A. This meal rate is used as prescribed in the JTR, Chapter 2, Table 2-17.

Public Key Infrastructure (PKI)

The framework and services that provide for the generation, production, distribution, control, accounting and destruction of public key certificates. Public key certificates provide

digital signature and encryption capabilities, and certify the person's identity, key authenticity, and permit use of digital signature in the DTS.

Receipt

A legibly written/printed/electronic document (or facsimile thereof) provided by a service provider or vendor to a customer, which provides documentary evidence that the service provider or vendor has been paid for services or goods, provided to the customer. To be considered valid, a receipt must contain the name of the entity providing the good(s)/service, the date(s) that the good(s)/service was/were provided/purchased, the price of the good(s)/service, any tax levied, the total monetary amount due, and must indicate that the total monetary amount due was paid.

Relocation Income Tax Allowance (RITA)

Reimburses an eligible transferred employee for the additional Federal, State, and local income taxes incurred by the employee (or by an employee and spouse if a joint tax return is filed) as a result of reimbursement, or payment, of certain travel and transportation expenses and relocation allowances that are not excludible from gross income for Federal income tax purposes. See the JTR, Chapter 5, Part B16, and the FTR, Part 302-17. A domestic partner is not a spouse and the employee cannot be reimbursed for additional Federal, State, and local income taxes incurred by the employee's domestic partner if a joint tax return is filed.

Reviewing Official

An individual, appointed in writing, to conduct random post-payment reviews of payments IAW Volume 5, Chapter 5.

Safe Haven

A designated area to which an employee and dependents and/or military dependents are ordered or authorized to evacuate. See the JTR, Chapter 6.

"Should Cost" Estimate

A calculation generated before travel in the DTS through the Web Portal. It includes all known costs and should account for approximately 90 percent of the final cost. All known costs, including applicable taxes, as well as taxi and parking costs, should be incorporated into the estimate to ensure the most accurate estimated cost.

SmartPay

A GSA program that provides users with card-based tools to simplify procuring needs in three operational areas. The fleet card allows users to efficiently fuel and maintain vehicles, boats, planes, or equipment. The travel card allows users to purchase common carrier transportation, car rentals, lodging, and meals for official travel and travel-related expenses. The purchase card enables users to make day-to-day purchases of goods and services to satisfy official business needs.

Split Disbursement

Divides a travel voucher reimbursement between the GTCC vendor and the traveler. Specifically, it is a payment option whereby the traveler can designate a specified amount of his or her travel entitlement be sent directly to the SmartPay travel card vendor to pay down his or her account balance, and the remainder of the entitlement sent to his or her personal direct deposit account.

Supervisory Review

A review conducted by a person who has supervisory responsibilities over the person whom he or she directs to travel. The supervisor has knowledge of the basis for the traveler's temporary duty travel claim. The supervisor reviews the travel claim to ensure that it is valid and accurate. He or she signs and dates the travel claim prior to submitting it to the proper travel computation office.

Surface Deployment and Distribution Command (SDDC)

An Army component of the U.S. Transportation Command (TRANSCOM), that is responsible for DoD traffic management.

Temporary Change of Station (TCS)

The relocation of an employee to a new PDS for a temporary period to perform a long-term temporary assignment, and subsequent return of the employee to the previous PDS upon completion of that assignment. See the JTR, Appendix A.

Temporary Duty (TDY)

Duty at one or more locations, away from the PDS, under an order providing for further assignment, or pending further assignment, to return to the old PDS or to proceed to a new PDS. For the purposes of Volume 9, temporary duty includes temporary additional duty (TAD) for those DoD Components that use TAD. See the JTR, Appendix A.

Temporary Lodging Allowance (TLA)

An allowance intended to partially pay members for the more than normal expenses incurred by a member/dependent(s) while occupying temporary lodging OCONUS. See the JTR, Chapter 9, Part C1.

Temporary Lodging Expense (TLE)

An allowance intended to partially pay members for lodging/meal expenses incurred by a member/dependent(s) while occupying temporary lodging in CONUS in connection with a PCS. See the JTR, Chapter 5, Part A9.

Temporary Quarters Subsistence Expense (TQSE)

A discretionary allowance, not an entitlement, that is intended to partially reimburse employees for reasonable subsistence expenses to pay for lodging, food, and other necessities incurred when they and/or their dependents must occupy temporary quarters due to a PCS to a new PDS in the CONUS or non-foreign OCONUS. See the JTR, Chapter 5, Part B9.

Temporary Quarters Subsistence Expenses-Actual Expense Reimbursement (TQSE(AE))

An allowance based on: the standard CONUS per diem rate for temporary lodging occupied in CONUS localities; or the PDS locality per diem rate for temporary lodging occupied in OCONUS localities. The rates may be found at: ***Per Diem Rates and Allowances***. See the JTR, Chapter 5, Part B9c.

Temporary Quarters Subsistence Expenses-Lump Sum Reimbursement (TQSE(LS))

A fixed amount payment that is always based on the PDS location's maximum per diem that is in effect on the date that the fixed offer was accepted. Apply the per diem for the season in which the employee travels that is in effect on the day the employee accepts the fixed rate offer (e.g., offer accepted in November for travel the following June - uses the per diem rate in effect for the following June). (***CBCA 2189-RELO, 12 September 2011***). See the JTR, Chapter 5, Part B9b.

Transportation Officer (TO)

A person appointed or designated by the commander of a DoD activity to perform traffic management functions. This person may also be designated as "installation TO," "traffic manager," "traffic management officer," or "passenger TO."

Travel Authorization (Also referred to as a Travel Order)

A written or electronic instrument issued or approved by a person(s) to whom authority has been delegated, that directs an individual or group of individuals to travel. See the JTR, Appendix A.

Traveler

A military member(s)/dependent(s), DoD civilian employee(s)/dependent(s), and invitational traveler(s) who travel in an official capacity.

*****Travel Management Company (TMC)

A commercial activity providing a full range of commercial travel and ticketing services for official travel under a contract with the Government. This was formerly referred to as a Commercial Travel Office in the JTR.

Travel Status

The Service member's/civilian employee's status for the elapsed period of time from the beginning to the end of official travel in compliance with the authority in an order, including time en route awaiting transportation connections and delays en route beyond the traveler's control. See the JTR, Appendix A.

Trip Record

A DTS document, in electronic or paper form, that provides the vehicle on which all official travel authorizations, initial options, modifications, and payment decisions are recorded. It is prepared by or on the traveler's behalf and is the single trip document that includes the travel authorization, fund cite, should-cost estimate, itinerary, and itinerary updates made during the trip. It serves as the expense report when the traveler completes travel.

Unconnected Traveler

Those individuals who do not have reasonable access to the DTS Web Portal.

Unit Cards

GSA SmartPay travel cards issued for CBAs for which the Government guarantees payment. CBAs may be issued in one of two ways, either by account number (card not present) or in the form of a plastic charge card.

U.S. Installation

As defined in the JTR, Appendix A, a base, post, yard, camp, or station under the local command of a uniformed service, with permanent or semi-permanent-type troop shelters and a Government Dining Facility/Mess, and at which there are U.S. Government operations. This includes only that area actually occupied by those operations (plus the minimum surrounding area necessary for close-in security) and excludes contracted hotels not contained on and operated by the Installation.

Web Portal

The software that integrates the necessary functions of the DTS.

Withholding Tax Allowance (WTA)

An estimated partial payment of the final RITA payment.

Year One (RITA)

The calendar year in which the WTA payment is made to a civilian employee.

Year Two (RITA)

The calendar year in which the RITA payment is made to a civilian employee.

DoD 7000.14 - R

DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

VOLUME 10: "CONTRACT PAYMENT POLICY"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

VOLUME 10, CHAPTER 1: "FINANCIAL CONTROL OF VENDOR AND CONTRACT PAYMENTS"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue and underlined font***.

The previous version dated May 2014 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
010202.D	Clarified policy concerning general and application controls.	Revision
010203.E	Clarified policy to include information on supporting documentation.	Revision
010203.F	Clarified policy to include information on data structures.	Revision
010301.E	Clarified policy to include information on the line of accounting.	Revision

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CHAPTER 1

FINANCIAL CONTROL OF VENDOR AND CONTRACT PAYMENTS

0101 GENERAL

010101. Purpose

This chapter sets forth policy necessary to ensure internal controls are adequately established per stated laws and regulations for the entitlement and payment of goods and services. In addition, contract clauses have been outlined that may impose limitations on entitlement to financing or invoice payments. Department of Defense (DoD) officials are responsible for ensuring DoD organizations maintain control of payments made to vendors and contractors. Internal control and limitation requirements are necessary to ensure payments are based on terms and conditions contained in accepted purchase orders, contracts, and unilateral and bilateral modifications.

010102. Authoritative Guidance

A. The importance of internal controls is addressed in many statutes, regulations, and DoD executive documents, which include the Federal Managers Financial Integrity Act ***(FMFIA)***; ***Office of Management and Budget (OMB) Circular A-123***; DoD Financial Management Regulation, Volume 1, Chapter 3; and ***DoD Instruction 5010.40***.

B. Volume 10 includes policies for issuing payments on entitlement; preparing payment vouchers; and keeping contract, disbursement and accounting records complete, consistent, and accurate. Related policy and standards for recording obligations, resolving unmatched disbursements, and negative unliquidated obligations, and posting budgetary accounting entries, respectively, are in Volume 3, Chapters 8, 11, and 15. Policy regarding accounting for payables is in Volume 4, Chapter 9. Policy regarding accountable officials, certifying officers, and disbursement vouchers, respectively, is in Volume 5, Chapters 5 and 9. Antideficiency Act violations are addressed in Volume 14, Chapter 2.

0102 INTERNAL CONTROLS

010201. Statutory Compliance

The FMFIA establishes overall requirements with regard to internal controls, whereas, the DoD Component Head is charged with establishing controls to reasonably ensure that:

A. Obligations and costs are in compliance with applicable laws;

B. Funds, property, and other assets are safeguarded against waste, loss, unauthorized use, or misappropriation; and

C. Revenues and expenditures, applicable to DoD operations, are properly recorded and permit the preparation of reliable financial and statistical reports to maintain accountability over assets.

*010202. Federal Standards

The FMFIA requires the Government Accountability Office (GAO) to issue standards for internal control in government. Refer to ***GAO Standards for Internal Control*** in the Federal Government. These GAO standards provide the overall framework for establishing and maintaining internal control and for identifying and addressing major performance and management challenges and areas at greatest risk of fraud, waste, abuse, and mismanagement. In implementing these standards, financial managers are responsible for developing the detailed policies, procedures, and practices for contract and vendor pay entitlement operations and ensuring they are built into and are a continuous integral part of ongoing operations.

A. Control Environment. Management and employees should establish and maintain an environment throughout the organization that sets a positive and supportive attitude toward internal control and conscientious management.

B. Risk Assessment. Internal controls should provide for an assessment of the risks the DoD faces from both external and internal sources.

C. Control Activities. Internal control activities help ensure that management's directives are carried out. The control activities should be effective and efficient in accomplishing DoD's control objectives. Examples of control activities include:

1. Top level reviews of actual performance;

2. Reviews by management at the functional or activity level;

3. Management of human capital;

4. Controls over information processing;

5. Physical control over vulnerable assets;

6. Establishment and review of performance measures and indicators;

7. Segregation of duties;

8. Proper execution of transactions and events;

9. Accurate and timely recording of transactions and events;

10. Access restrictions to and accountability for resources and records; and

11. Appropriate documentation of transactions and internal controls.

* D. Control Activities Specific for Information Systems

1. General Controls. This category includes security management, logical and physical access, configuration management, segregation of duties, and contingency planning. The OMB prescribes policies and standards for executive departments and agencies to follow in developing, operating, maintaining, evaluating, and reporting on financial management systems (see ***OMB Circular A-127-Revised***). System managers are responsible for ensuring that system controls are documented, tested, and certified for entitlement systems.

2. Application Controls. These controls are designed to help ensure completeness, accuracy, validity, and confidentiality of all transactions and data during application processing. Controls should be incorporated directly into computer applications to ensure that all inputs are received and valid, and outputs are correct and properly distributed. An example is computerized edit checks built into the system to prevent a disbursement greater than the entitlement or available funding.

E. Information and Communication. Information should be recorded and communicated to management and others within the DoD who need it, and be in a form and within a time frame that enables them to carry out their internal control and other responsibilities. Effective communication should occur in a broad sense with quality information flowing down, across, and up the organization. In addition to internal communication, management should ensure there are adequate means of communicating with, and obtaining information from, external stakeholders that may have a significant impact on the DoD achieving its goals.

F. Monitoring. Internal control monitoring should assess the quality of performance over time and ensure the findings of audits and other reviews are promptly resolved. Internal controls should be designed to ensure that ongoing monitoring occurs in the course of normal operations. The monitoring should occur as a part of regular management, supervisory, and staff activities, and may include comparisons and reconciliations, and reporting against established goals and strategic objectives.

*010203. Regulatory Compliance

It is DoD policy to make payments and collections that are timely and accurate in accordance with applicable laws and regulations. These laws and regulations include requirements for identification, reporting, and reduction of improper payments (refer to Volume 4, Chapter 14 and Volume 5, Chapter 6, section 0603). In addition, financial managers with responsibilities for ensuring internal controls are established and functioning properly to comply with this policy must:

A. Create, document, and maintain an organizational structure and business processes that appropriately segregate assigned duties, emphasize adherence to policies and procedures, and employ sound internal accounting and system access controls;

B. Implement finance and accounting systems that comply with the federal financial management systems requirements, maintain accurate and complete accounting and entitlement records from contract execution through closeout, and monitor the causes of late payments and interest penalties. The complete listing of financial management system requirements is in the ***Business Enterprise Architecture***, maintained by the Deputy Chief Management Officer. Efforts to develop or modify a critical financial management system must be subject to the compliance process (see Volume 1, Chapter 3);

C. Establish systematic controls that provide adequate audit trails to allow the tracing of financial events from source documents to general ledger account balances through successive levels of summarization and financial reports/statements. Ensure all transactional data is processed using accurate coding, and errors are researched and corrected;

D. Employ systems that ensure the authenticity of electronically transmitted data, including the electronic signature. Such controls must provide reasonable assurance that deliberate or inadvertent manipulation, modification, or loss of data during transmission is detected (see Chapter 8);

* E. Ensure prevalidation and payment documentation to vendors and contractors is retained in accordance with Volume 1, Chapter 9 and is readily available to support future audit efforts. Original payment documentation and associated supporting documentation must also be retained in accordance with Chapter 8, paragraph 080401. The documentation must be of sufficient quality to allow an independent third party, such as an outside auditor, to understand and verify the basis of the prevalidation and the payments; and

* F. Implement finance and accounting data structures that comply with the Standard Financial Information Structure and the Standard Line of Accounting (see Volume 1, Chapters 4 and 7).

010204. Periodic Reviews

Managers with responsibilities for determining entitlements, authorizing, or executing payments and collections must:

A. Periodically (minimum annually) validate cash management and payment performance quality and effectiveness; and

B. Periodically (minimum annually) test effectiveness of internal controls, document results of testing, and take necessary corrective actions (see OMB Circular A-123, Management's Responsibility for Internal Controls).

0103 PREVALIDATION

*010301. General

Prevalidation is the process of matching the planned disbursement with a recorded obligation before the financing or invoice payment is made, and is intended to minimize the occurrence of problem disbursements and Antideficiency Act violations (see Volume 14, Chapter 2).

A. Obligations (and any adjustments) must be established and recorded for the amounts of orders placed and contracts awarded that will require payment in the current or some future accounting period, as prescribed in Volume 3, Chapters 8 and 15.

B. Liabilities for payment, including accounts payable, must be established as prescribed in Volume 4, Chapters 8 and 9.

C. Prior to payment, the undisbursed balance of each applicable obligation must be sufficient to cover the amount of the planned disbursement, as well as all previously scheduled disbursements (see Volume 3, Chapter 11).

D. Situations may occur when an entitlement office receives a payment request before fund managers have recorded the obligation in the accounting system, resulting in the inability to accomplish prevalidation. Policy addressing this situation exists in Volume 3, Chapter 8 (paragraphs 081401 and 081402) and it directs the accounting office to immediately record an obligation based upon valid and proper obligation documents in its possession for amounts that are $2,500 or less. If the dollar amount is greater than $2,500, the accounting office must take the actions required to remedy the unrecorded obligations as outlined in Volume 3, Chapter 8 (section 0814); and

* E. Prevalidation must ensure validation of the line of accounting associated with the planned disbursement with the line of accounting on the obligating document before the financing or invoice payment is made.

010302. Thresholds

The following thresholds have been established for Non-Mechanization of Contract Administration Services (non-MOCAS) and MOCAS payments.

A. All non-MOCAS payments must be prevalidated.

B. The following prevalidation thresholds must be used for MOCAS payments:

1. All dollar value payments made on contracts awarded after fiscal year (FY) 2004 must be prevalidated; and

2. For contracts issued during FY 2004 and prior, payments greater than $5,000 must be prevalidated.

0104 PAYMENT LIMITATIONS

The following contract clauses, when applicable, may impose limitations on entitlement to financing or invoice payments.

010401. Limitation on Undefinitized Contracting Actions

A. In accordance with ***Federal Acquisition Regulation (FAR) 16.603-4***, letter contracts must include ***FAR clause 52.216-24*** among others. Under the terms stated in this clause, the maximum amount of the Government's obligation is the amount specified in the clause. However, if a contractor submits a qualifying proposal before 50 percent of the not-to-exceed price has been obligated by the Government, then the limitation on obligations before definitization may be increased to no more than 75 percent (see Defense Federal Acquisition Regulation Supplement ***(DFARS) 217.7404-4*** and related ***DFARS 252.217-7027***). However, some exceptions apply for purchases of initial spares and contingency operations, as well as humanitarian or peacekeeping operations. See ***DFARS 217.7404-5*** for additional information.

B. According to ***DFARS 217.7401(b)***, "definitization" means the agreement on, or determination of, contract terms, specifications, and price, which converts the undefinitized contract action to a definitive contract. Also, ***DFARS 217.7401(d)*** states an "undefinitized contract action" means any contract action for which the contract terms, specifications, or price are not agreed upon before performance is begun under the action. Examples are letter contracts, orders under basic ordering agreements, and provisioned item orders for which the price has not been agreed upon before performance has begun.

010402. Limitation of Cost or Funds

A. The basic requirements for contract funding are described in FAR subpart ***32.7***, and supplemented by ***DFARS 232.7***. No officer or employee of the government may create or authorize an obligation in excess of the funds available or in advance of appropriations, unless otherwise authorized by law (see Volume 14, Chapter 2). Before executing any contract, the contracting officer must obtain written assurance from the responsible fiscal authority that adequate funds are available or expressly condition the contract upon availability of funds, in accordance with ***FAR subpart 32.703-2***.

B. Fully-funded cost-type contracts may include ***FAR clause 52.232-20***, or incrementally funded cost-type contracts may include ***FAR clause 52.232-22***. Under the terms stated therein, the government's obligation to the contractor (and the contractor's obligation to perform) is generally limited to the funds allotted to the contract. Both FAR contract clauses require the contractor to notify the contracting officer 60 days (or as otherwise directed by the contract) prior to the date when it is expected that incurred costs will exceed 75 percent (or 85 percent if specified by the contract) of contract estimated costs for fully-funded cost contracts or amounts allotted to the contract for incrementally-funded cost contracts.

010403. Limitation on Withholding of Payments

In accordance with ***FAR subpart 32.111(b)(2)***, supply; research and development; service; time and materials; or labor hour contracts, that include two or more terms that authorize temporary withholding of amounts otherwise payable, must include ***FAR clause 52.232-9***. Under the terms stated therein, the total amount that may be withheld at any one time must not exceed the greatest amount that may be withheld under any one clause or the contract schedule term amount at the time. This limitation does not apply to withholding under any clause related to employee wages, the recovery of overpayments, withholdings not specifically provided for by the contract, or to any withholding for which the contracting officer determines the limitation would not be appropriate.

010404. Limitation of Government's Obligation

In accordance with ***DFARS 232.705-70***, incrementally funded fixed-price contracts (one or more incrementally funded contract line items) must include ***DFARS 252.232-7007***. Under the terms stated therein, the government's obligation to the contractor for the incrementally-funded contract line item number(s) (and the contractor's obligation to perform) is limited to the funds allotted. The contract clause requires the contractor to notify the contracting officer 90 days (or as otherwise directed by the contract) prior to the date when the work will approximately reach 85 percent of the amount then allotted.

VOLUME 10, CHAPTER 2: "DISCOUNT OFFERS AND REBATES/REFUNDS"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated December 2015 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated chapter formatting to comply with current administrative instructions.	Revision
020101	Revised source reference for travel card rebates from Volume 9, Chapter 3 to the Department of Defense Instruction 5154.31.	Revision

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CHAPTER 2

DISCOUNT OFFERS AND REBATES/REFUNDS

0201 GENERAL

*020101. Purpose

This chapter prescribes the policy for payment discounts and government purchase card (GPC) rebates. This chapter also provides information on determining if discounts should be taken and provides information on rebates offered by GPC issuers to encourage early payment. Travel card rebates are addressed in Department of Defense (DoD) Government Travel Card Regulations, promulgated under the authority of DoD Instruction 5154.31, Volume 4, Commercial Travel Management: DoD Government Travel Charge Card Program.

020102. Authoritative Guidance

Vendors and contractors offer discounts and banks issue various GPCs that provide rebates to encourage early payment of their receivables. The DoD will take advantage of the discount and rebate offers only when it is economically justified and advantageous to the DoD. The DoD will follow the supporting guidelines for taking discounts and rebates found in Title 5, Code of Federal Regulations ***(CFR), part 1315***; Federal Acquisition Regulation (FAR) Subpart ***32.906(e)***; and Office of Management and Budget (OMB) Circular A-123, Appendix B, ***Chapter 7***.

0202 DEFINITIONS

020201. Discount

As defined in 5 CFR 1315.2(n), a discount is an invoice payment reduction offered by the vendor for early payment.

020202. Discount Date

As prescribed by 5 CFR 1315.2(o), the discount date is the date by which a specified payment reduction, or discount, may be taken in accordance with the discount terms.

020203. Discount Period

The discount period is the period during which a discount may be taken. The discount period begins from the invoice date placed on a proper invoice by the vendor. If the vendor did not include the invoice date on the invoice, the discount period would begin on the date a proper invoice is actually received and date stamped or otherwise annotated by the designated agency office in accordance with 5 CFR 1315.7(d) and 5 CFR 1315.9(b). The discount period ends on the discount date. When the discount date falls on a weekend or legal holiday, the discount may be taken if payment is made on the next business day as prescribed in FAR, Subpart 32.906(e).

020204. Effective Annual Discount Rate

The effective annual discount rate is the annualized value of the discount offered during the discount period. The DoD will take the discount when this rate equals or exceeds the Treasury Current Value of Funds Rate (CVFR). Use the Bureau of the Fiscal Service (Fiscal Service) ***Discount Calculator*** to determine if it is economically justified to accept a discount offered by a vendor.

020205. Entitlement Office

The entitlement office is the designated activity to authorize the release of funds or other benefits to those with legally established rights granted by law or by agreement through contract. The entitlement office may also be referred to as the payment office.

020206. Liquidated Damages

As provided for in ***FAR, Subpart 11.5***, an agency may establish in a contract a predetermined rate of liquidated damages to be paid in the event of an unexcused delay in performance or delivery, or a breach of contract. Liquidated damages are paid by the contractor and are used to compensate the agency for probable damages associated with the unexcused delay or breach. Liquidated damages are not punitive or negative performance incentives.

020207. Rebate/Refund

As defined by 5 CFR 1315.2(aa), a rebate is a monetary incentive offered to the DoD by GPC issuers to pay monthly GPC billing statements early. The current General Services Administration contract offers productivity refunds based on timeliness and/or frequency of payments and sales refunds based on the dollar volume during a specified period. A corrective rebate is done to correct improper or erroneous payments or for an invoice adjustment. The terms "rebate" and "refund" have been used interchangeably throughout the CFR, OMB guidance, and existing legislation. See OMB Circular A-123, Appendix B, Chapter 7 and paragraph 020302 for more information on productivity, sales, and corrective refunds.

020208. Trade-in

Merchandise accepted as partial payment for a new purchase is referred to as trade-in property.

020209. Treasury Current Value of Funds Rate (CVFR)

The CVFR is used to assess interest charges for outstanding debts owed the government, to evaluate the cost-effectiveness of a cash discount, and to determine when agencies should pay purchase card invoices when a rebate is offered by the card issuer. See the Fiscal Service ***CVFR*** for current and historical CVFR rates.

0203 POLICY

020301. Discounts

A. As prescribed by 5 CFR 1315.7(a), if a DoD Component is offered a discount by a vendor, whether stipulated in the contract or offered against an invoice, a DoD Component should take the discount if economically justified, but only after acceptance of the goods or services has occurred. ***FAR, Subpart 32.111(b)*** requires ***FAR, Clause 52.232-8***, "Discounts for Prompt Payment," be included in all fixed-price supply and service contracts. The contractor may extend the discount period or increase the discount percentage beyond a previous offer. The offer may be in writing, or it may be oral for specific invoices. If the offer is oral, then the entitlement office must attach a conversation record to the invoice with the name and position of the person offering the discount, the discount terms, the person's telephone number, and the date of the offer. The entitlement office has the option of requiring written confirmation of the verbal offer.

B. Entitlement offices must schedule discount payments as close to, but not later than, the last day of the discount period. Payment is considered to be made on the date printed on the check, or on the electronic fund transfer settlement date, per 5 CFR 1315.4(h). If the payment office cannot apply the discount, payments must be made in accordance with the payment due date guidelines prescribed in 5 CFR 1315.4(g).

C. A discount is advantageous to the DoD when the discount terms yield an effective annual discount rate that equals or exceeds the CVFR, calculated using the Fiscal Service Discount Calculator cited in paragraph 020204. DoD Component payment systems should incorporate procedures that take advantage of cash discounts as a matter of routine, which eliminates any need for special handling. Such discounts must be taken when the discount terms applied in the conversion formula result in an effective annual discount rate equal to or greater than the CVFR.

D. Discounts must not be taken when the payment is made after the discount date. As prescribed by 5 CFR 1315.7(b), when an agency takes a discount after the discount date, interest must be paid on the amount of the discount taken. Interest will be calculated for the period beginning the day after the specified discount date through the payment date of the discount erroneously taken, as prescribed in 5 CFR 1315.10(a)(6).

E. When the discount terms in the contract and the invoice differ, DoD Components must take the most cost effective discount.

F. Compute discounts on the approved gross amount of the invoice, except as follows:

1. Deduct taxes or freight charges that are separately listed.

2. Deduct taxes that are not proper charges under international or status of forces agreements.

3. Compute the discount on the actual cash balance due when there is a trade-in.

4. When the entitlement system has the capability to trace and pay individual line items on an invoice, the invoice may be split into multiple payments. Each line item must meet the receipt and acceptance requirements to take advantage of the discount offered against the invoice.

5. Contract or purchase order modifications may change or add discount terms or retroactively increase the dollar amount of line items that were previously paid. Take the discount on any subsequent payment that is made by the new or revised discount date when new or revised discount terms apply.

G. Discounts may be taken on amounts legally withheld and later released if related amounts were paid in accordance with the discount terms. The discount period for the released payment will begin when the entitlement office receives notification of the release.

H. The following requirements apply when liquidated damages apply and a contract for supplies, services, research and development, or construction includes ***FAR, Clause 52.211-11, 12, or 13*** or Defense Federal Acquisition Regulation Supplement ***252.217-7009***.

1. Where liquidated damages apply, and the contract or invoice contains an offer of a discount for early payment, compute the discount on the gross contract price without regard to the amount of liquidated damages.

2. Where liquidated damages apply to a price that is modified, and the contract contains an offer of a discount for early payment, compute the discount based on the modified price without regard to the liquidated damages.

I. After a progress payment has been made, the government is entitled to a discount on any part of delivery payments applied in liquidation of progress payments.

1. When the discount terms have been met, take the discount against the gross amount of the invoice. If the discount date is not met, only take the discount against the amount of the liquidation. The discount still applies to the liquidation portion of the payment even in instances in which the discount period has expired on the balance due on the partial delivery.

2. If the contractor has had the use of these progress payments, the payment office is entitled to take a prompt payment discount on them at the time they are recouped.

3. If the discount is offered for the first time on an invoice and the contract does not have a discount clause, then do not take the discount on the progress payment liquidation portion of the invoice.

J. In rare instances, the contractor may offer a voluntary discount after a contract is completed, including final payment. These discounts are distinguished from early

payment and volume discounts in that voluntary discounts are discretionary with the contractor and do not reduce the amount obligated against the paying appropriation. Do not treat discounts received after contract completion as rebates. Such discounts should be deposited in the Miscellaneous Receipts Account of the U.S. Treasury.

K. When contracts have Free On Board Origin terms, payments made prior to the delivery of supplies to the carrier or delivery to the destination, are entitled to the discount offered on the contract.

L. Components need to be cognizant of the amount of discounts lost, or not taken, as part of their overall payment operations. Tracking discounts lost can provide additional insight into the efficiency and effectiveness of payment operations, and identify opportunities to take advantage of limited budgetary resources by increasing the amount of discounts received. Entitlement or disbursement system capabilities should be in place to identify and periodically report discounts lost to management for assessment and appropriate corrective actions.

M. Components must ensure that documentation supporting the discount transactions are retained in accordance with Volume 1, Chapter 9 and are readily available to support audit efforts. The documentation must be of sufficient quality to allow an independent third party, such as an outside auditor, to understand and verify the basis of the entitlement and the determination of a discount.

020302. Rebates/Refunds

A. The terminology rebate and refund are used interchangeably in this chapter. Components should have internal controls and procedures in place to allow them to maximize the sales and productivity refunds and to identify and collect the corrective rebates. The documentation supporting the transactions must be of sufficient quality to allow an independent third party, such as an outside auditor, to understand and verify the basis of the rebates/refunds.

B. As stated in OMB Circular A-123, Appendix B, Chapter 7, a refund is a monetary payment provided by a charge card issuer to the agency/organization as stated in the contract. The three types of refunds are:

1. Sales refunds, which represent payments from the charge card issuer to the agency/organization based on the dollar or “spend” volume during a specified time period;

2. Productivity refunds, which represent payments from the charge card issuer to the agency/organization based on the timeliness and/or frequency of payments made to the contractor; and

3. Corrective refunds, which are payments from the charge card issuer to the agency/organization to correct improper or erroneous payments or an invoice adjustment.

C. GPC billing statements should be paid as soon as administratively possible when the rebate offered is greater than the cost of funds as defined in 5 CFR 1315.8. The Defense

Finance and Accounting Service should determine and publish GPC payment data that compares the Current Value of Funds to the rebate discount points, for the payment cycle day. This data should be used to assist Components in performing a cost and benefit analysis as part of their consideration of the cost of early payment. This cost is the interest amount the DoD will earn at the CVFR for each day the payment is not made. Specifically a comparison will be made between the basis points offered by the card issuer and the corresponding basis points of the Treasury's CVFR. DoD Components should forward their approved GPC billing statements to allow sufficient time to process the payment, receive a rebate for early payment and avoid interest penalties per 5 CFR 1315.8.

D. DoD Components may use the Fiscal Service ***Rebate Spreadsheet***, which automatically calculates the net savings to the government and whether the DoD Component should pay earlier than the normal contractual payment terms. The only variables required for input to this spreadsheet are the CVFR, the Maximum Discount rate (that is, the rate from which basis points offered by the card issuer are derived), and the amount of money owed. If the DoD Component elects not to use the spreadsheet, a manual computation can be performed as described in 5 CFR 1315.17.

E. The charge card issuer is required to calculate the rebate and return that amount to the DoD customer designated in the contract. DoD Component entities subject to the receipt and use of the rebates/refunds must employ the necessary internal controls and procedures to ensure that rebates are received when due as per the terms of their GPC contract, and that the rebates received from the charge card issuer are calculated properly.

F. Pursuant to permanent authority enacted in the Fiscal Year 2008 DoD Appropriation Act, ***Public Law 110-116, Section 8067***, DoD rebates attributable to the use of the GPC may be credited to operation and maintenance, and research, development, test, and evaluation accounts which are current when the rebates are received. For example, if a rebate is received in the new fiscal year against a bill that was paid in September of the previous fiscal year, the rebate may be credited to the operations and maintenance and/or research, development, test, and evaluation account(s) current after October 1 of the new fiscal year. This includes the operational portion of a nonappropriated or working capital account.

VOLUME 10, CHAPTER 3: "CONTRACTUAL CLAIMS"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*****) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue and underlined font*.**

The previous version dated December 2013 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
0303	Added policy pertaining to the retention period of financial records (General Records Schedule, Transmittal 23 posted September 17, 2014 and Volume 1, Chapter 9).	Addition
030406.D	Added language prohibiting the transfer of contracts or any interest in the contract to another party (Title 41 United States Code, Subsection § 6304(a)).	Addition
030406.E	Clarified the policy that payments to an assignee are not subject to reduction or setoff for an assignor's liability.	Addition
030602	Added clarifying language for the settlement of contractor claims.	Addition

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CHAPTER 3

CONTRACTUAL CLAIMS

0301 GENERAL

030101. Purpose

This chapter prescribes financial management policy relating to contractual claims against the United States, which must be adjudicated by the responsible party before payment is made or denied. This chapter also addresses the assignment of claims, name change agreements and claims that fall under the Contract Disputes Act (CDA). It also includes the regulatory authority, required documentation, and the responsibilities of the agencies involved.

030102. Authoritative Guidance

Section (§) 3727 of Title 31, United States Code (U.S.C.) (***31 U.S.C. § 3727***) provides statutory requirements concerning the assignment of claims and ***41 U.S.C. § 7101-7109***, provide statutory requirements for contracts in dispute. Federal Acquisition Regulation (FAR), ***Part 32***, Contract Financing, and FAR, ***Part 42***, Contract Administration and Audit Services, govern claims for monies due, or to become due, under Government contracts. Specific criteria and required documentation for payment of valid claims are identified in these provisions and included in this chapter.

0302 INTERNAL CONTROLS

Internal controls must be in place to ensure that duplicative or erroneous payments do not occur (for regulatory compliance, refer to Chapter 1). Managers with responsibilities for determining entitlements, authorizing, or executing payments and collections must perform periodic (minimum annual) risk assessments to ensure that sufficient management control mechanisms are available so that Department of Defense (DoD) funds are spent appropriately and in accordance with all applicable laws and regulations. Refer to Volume 4, Chapter 14 for additional guidance related to improper payments and related risk assessments.

*0303 RETENTION

Refer to the U.S. National Archives and Records Administration (NARA), General Records Schedule (GRS), ***Transmittal 23***, Section 1.1, for additional information on document retention. Electronic record storage requires adequate controls to ensure that integrity of the digital images accurately represent the corresponding paper documentation and detect changes to an original digital image. The retention of payment documentation, both paper and electronic records, is the responsibility of the certifying officer. Also refer to Volume 1, Chapter 9 for DoD policy regarding financial records retention.

0304 ASSIGNMENT OF CLAIMS

030401. Conditions for Assignment of Claims

The ***FAR, Subpart 32.8*** prescribes policy for the assignment of claims, which refers to the transfer by the contractor of its right to be paid by the Government for contract performance to a bank, trust company, or other financing institution, as security for a loan made to the contractor.

A. The authorization to assign claims to banks, trust companies, or any financing institution (including Federal lending agencies) of monies due, or to become due, under Government contracts totaling $1,000 or more is prescribed by ***41 U.S.C. § 6305*** and 31 U.S.C. § 3727, if not prohibited in the contract and when the requirements prescribed by 31 U.S.C. § 3727(c) are met.

B. A contract may prohibit the assignment of claims if the agency determines the prohibition to be in the Government's interest prescribed by FAR, Subsection 32.803(b).

C. When a contractor receives payment by the Government Purchase Card, the contractor may not assign their rights under the contract as prescribed by FAR, ***Subsection 52.212-4 (b)***.

D. Unless otherwise expressly permitted in the contract, the assignment must:

1. Cover all amounts payable under the contract not already paid;

2. Not be made to more than one party, except that it may be payable to a party acting as the agent or trustee for more than one party participating in the financing.

E. If an agency pays a party other than the assignee when a properly filed and approved assignment of claims is on record, it may result in Government liability to the assignee.

1. When such an error occurs, the agency remains liable to the assignee for the amount of the payment, subject to potential defenses.

2. The agency will initiate collection against the payee for any erroneous payment.

F. Refer to the Defense Federal Acquisition Regulation Supplement (DFARS), ***Subpart 232.8*** for additional guidance concerning the assignment of claims.

030402. Actions Required for Assignment of Claims

A. The assignee will forward a true copy of the Instrument of Assignment, which is a certified duplicate, or photocopy of the document with no alterations or changes, and an original and one copy of the Notice of Assignment to the disbursing officer of the designated

payment office cited in the contract. Components and agencies must maintain procedures to ensure the appropriate payment office is provided a copy of the instrument of assignment and the signed Notice of Assignment.

B. The surety, if any, will return an acknowledged copy of the Notice of Assignment to the assignee, who will forward a copy to the designated payment office disbursing officer cited in the contract.

C. If the contracting officer determines that the assignment is valid, then the designated payment office disbursing officer must acknowledge the Notice of Assignment and take the required action as follows:

1. Acknowledge and return a signed copy of the Notice of Assignment to the assignee and file the true copy of the Instrument of Assignment and the original Notice of Assignment.

2. Authorize payment to assignees only after receipt of the following assignment documents:

a. A copy of the Notice of Assignment acknowledged by the contracting officer,

b. A copy of the signed notice and a true copy of the Instrument of Assignment from the assignee, and

c. A copy of the notice acknowledged from the surety or sureties if any, or a copy received from the surety or sureties via the assignee.

D. If the contracting officer rejects the assignment, then the disbursing officer of the designated payment office returns the acknowledged notice and copy of the assignment to the assignee. The designated payment office advises the assignee that the assignment cannot be recognized for the reasons stated by the contracting officer.

030403. Letter Contracts

When entering into an assignment of claims under letter contracts, notices (with copies of assignments) are forwarded by the assignee to the contracting officer and the designated disbursing officer cited in the contract.

A. If a letter contract is assigned, then that assignment is not voided by a subsequent definitization of the contract.

B. Contracting officers and the disbursing officer of the designated payment offices accept, receipt for, and honor the assignment of the proceeds of a definitive contract superseding a letter contract.

030404. Open-End, Call-Type, or Indefinite-Delivery Type Contracts

Assignment of claims under Open-End, Call-Type, or Indefinite-Delivery Type Contracts are authorized, provided orders of $1,000 or more are placed prior to the assignment, or the basic contract imposes a minimum obligation of $1,000 or more. When the designated payment office cannot determine whether an assignment of claims applies to an individual call or order under indefinite-delivery type contracts, the designated payment office withholds payments until the contracting officer determines the status and validity of the assignment. Refer to ***FAR Subpart 16.1*** for information concerning contract types.

030405. Basic Ordering Agreements

A notice of assignment will not be acknowledged based solely on a basic ordering agreement because the basic ordering agreement is not a contract between the Government and contractor (***FAR, Subsection 16.703(a)***). The contracting officer must return the notice and a copy of the assignment to the assignee and advise that assignments may be acknowledged on individual orders of $1,000 or more. Basic ordering agreements require a Notice of Assignment for each delivery order/supplemental procurement identification number. Consult the agency legal office for determination if there is any doubt on any of these types of contracts.

*030406. Special Considerations for Assignments of Claims

The following are special considerations:

A. Two assignments of the same contract cannot exist without a release from the first assignment (41 U.S.C. § 6305). An authorization of a second assignment may only occur upon releasing the first assignment and notifying the original parties. Refer to FAR, Section 32.805 for further guidance.

B. If the amount of the contract is increased, then it is not necessary to execute an additional assignment.

C. The date of assignment cannot be before the date of the contract.

* D. The transfer of contracts or any interest in the contract to another party is prohibited (***41 U.S.C. § 6305(a)***).

* E. Payments to the assignee are not subject to reduction or setoff for an assignor's liability unless departments/agencies decide it is in the Government's interest, or if the contracting officer makes a determination prescribed by ***DFARS, Subsection 232.803(d)***.

030407. Release of Assignment of Claims

A release of an assignment is a requirement prior to a further assignment or reassignment. A release of an assignment is also required when the contractor wishes to establish a right to

receive payments after the contractor's obligations to the assignee has been satisfied, and a balance remains due on the contract.

A. If the assignee releases the contractor from an assignment of claims under a contract, the contractor must file a written notice of release together with a true copy of the release of assignment notice to the same offices noted in 030402.A.

B. The contracting office:

1. Signs and returns a copy of the release notice to the contractor.

2. Files the true copy of the instrument of the release of assignment and the original release notice with the contracting office's copy of the contract. The contracting officer and surety's acknowledgment are required. Refer to FAR, Subsection 32.805(e) for additional guidance.

3. Signs, dates, and returns the receipt of the release notices if applicable, to the assignee.

C. The designated payment office makes remaining payments to the contractor once it receives these release documents:

1. A true copy of the instrument of release of assignment, and

2. The original and two copies of the release notice.

030408. Electronic Funds Transfer

If a contractor attempts to change the identity of the payee by changing Electronic Funds Transfer (EFT) or other information in ***System for Award Management (SAM)*** without complying with the rules governing novation agreements and assignment of claims, the payment information will be incorrect within the meaning of the "Suspension of Payment" paragraph of the EFT clause in the contract (***FAR, Subsection 4.1102(c)***). Assignees must be registered separately in SAM to ensure the financial institution identified in the assignment meets the requirement for EFT.

0305 NOVATION AND CHANGE OF NAME AGREEMENTS

030501. Legal considerations

A. A novation agreement is a legal instrument executed by all of the following: the contractor (transferor), the successor in interest (transferee), and the United States Government. The transferor guarantees the performance of the contract, the transferee assumes all obligations under the contract, and the Government recognizes the transfer of the contract and related assets. Refer to ***FAR Subpart 42.12*** for additional information.

B. A change of name agreement is a legal instrument executed by the contractor and the Government that recognizes the legal name change of the contractor without affecting the original contractual rights and obligations of the parties.

C. Title 41 U.S.C. § 6305 prohibits the transfer of Government contracts. However, as prescribed by ***FAR, Subsection 42.1204(a)***, the Government may recognize another party as the successor in interest to a Government contract when the third party's interest in the contract arises out of the transfer of all the contractor's assets or the entire portion of the assets involved in performing the contract. Examples include, but are not limited to:

1. Sale of these assets with a provision for assuming liabilities,

2. Transfer of these assets incident to a merger or corporate consolidation, or

3. Incorporation of a proprietorship or partnership, or formation of a partnership.

030502. Contractor and Contracting Officer Responsibilities

The contractor provides evidence to the contracting officer responsible for processing and executing novation and change of name agreements.

A. The contracting officer enters into a bilateral modification to the contract, which changes the name of the contractor.

B. Refer all questions regarding the novation and change of name agreements to the contracting officer.

030503. Transfer of Contractual Obligation

When a contracting officer approves the transfer of a contractual obligation to another contractor, the transferor guarantees the performance of the contract by the transferee (a satisfactory performance bond may be accepted instead of the guarantee).

A. A transferee assumes all the transferor's obligations under the contract and the transferor waives all rights under the contract with the Government. Refer to the FAR, ***Section 42.1204*** for additional guidance.

B. When it is in the Government's interest not to concur with the transfer of a contractual obligation from one company to another company, the original contractor remains under contractual obligation to the Government.

0306 CONTRACT DISPUTES

030601. Contractor Claims

The Civilian Board of Contract Appeals (Contract Disputes Act of 1978 (CDA), (41 U.S.C. § 7101-7109) allows Federal Government contractors to file a claim with the United States Government for monetary damages and other legal remedies related to their contractual dealings.

A. The CDA waives the Government's sovereign immunity, permitting contractors to appeal a contracting officer's final decision to the appropriate board of contract appeals or file suit in the Court of Federal Claims.

B. Routine submissions for payment are not considered claims under the CDA. The submission may be converted to a claim, by written notice to the contracting officer as provided in ***FAR, Subsection 33.206(a)***.

C. All claims by contractors against the United States Government must be a written demand or assertion submitted to the contracting officer for a decision. A contractor asserting a claim exceeding $100,000 must provide a certification as required by FAR, ***Subsection 33.207(c)***.

*030602. Claims Settlement

The Bureau of Fiscal Service administers and certifies payments from the Judgment Fund for the settlement and final judgment by the United States District Courts and on final judgments by the Court of Federal Claims (Treasury Financial Manual, Part 6, Volume 1, ***Chapter 3100***, ***28 U.S.C. § 2517*** and ***31 U.S.C. § 1304***). Reimbursement of the Judgment Fund is payable from funds current at the time the award is made by the activity accountable for the contract obligation.

030603. Interest Penalties

Interest on amounts due the contractor on claims under the CDA are payable to the contractor from the date the contracting officer receives the claim, or the date payment would otherwise be due, whichever is later (FAR, Subsection 33.208(a)). Title ***41 U.S.C. § 7109*** provides the authority for the Secretary of the Treasury to establish the interest rate. Refer to the ***Department of the Treasury's website*** for interest rates applicable to CDA claims. Under the CDA, only simple interest is paid, as noted in ***FAR, Subsection 33.208(b)***; compound interest (interest on interest) is not payable under the CDA.

030604. Questionable and Fraudulent Claims

A. If any part of a claim that is attributable to misrepresentation of fact or fraud on the part of the contractor, then the contracting officer will refer the matter to the agency official responsible for investigating fraud in accordance with ***FAR, Section 33.209***.

B. Fraudulent and questionable claims should not be paid. For additional information concerning fraudulent and questionable claims refer to Volume 5, Chapter 12.

VOLUME 10, CHAPTER 4: "MISCELLANEOUS ADVANCE PAYMENTS"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue and underlined font***.

The previous version dated December 2015 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
040102.F	Revised policy references to the Department of Defense (DoD) Financial Management Regulation Volume 1, Chapter 9, Figure 9-1, and Title 44, United States Code, section 2909, which provide authorization to retain financial records for a longer period than specified in disposal schedules.	Revision
040402.A	Revised reference from DoD Conference Guidance Version 2.0 to DoD Conference Guidance Version 4.0 as it relates to reviewing and approving conferences.	Revision

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CHAPTER 4
MISCELLANEOUS ADVANCE PAYMENTS

0401 GENERAL

040101. Purpose

This chapter prescribes policy for the entitlement and payment of miscellaneous advance payments. Advances do not include payments for which performance has occurred. Miscellaneous advance payments addressed in this chapter represent a current outlay of funds to Department of Defense (DoD) employees, other Federal Government agencies, and non-Federal entities before receipt of the items or services for which the payments were advanced. Miscellaneous advance payments in this chapter include many of those identified as exclusions in the Federal Acquisition Regulation (FAR), ***Subpart 32.4***. Refer to Chapter 10 for the entitlement and payment of advances to contractors under contract financing arrangements governed by the FAR Subpart 32.4 and the Defense Federal Acquisition Regulation Supplement (DFARS), ***Subpart 232.4***.

A. Volume 4, Chapter 5 prescribes policy for the accounting and reporting of advances and prepayments for cash or other assets disbursed under a contract, grant, or cooperative agreement.

B. Volume 11A, Chapters 3 and 18 prescribe policy for goods or services procured from other Federal agencies where the DoD is specifically authorized by a specific appropriation or law to advance funds.

*040102. Authoritative Guidance

Advance payments, in general, are prohibited by Title 31, United States Code (U.S.C.), ***section 3324***. Exceptions to the advance payment prohibition are located in specific appropriation acts or other laws, or granted by the President as outlined in 31 U.S.C. § 3324.

A. Use of electronic submissions is preferable when requesting payment in advance. The electronic request for payment must contain all elements of a proper invoice (Title 5, Code of Federal Regulations (CFR), ***section 1315.9(b)(1)***).

B. All claimants that are subject to the United States (U.S.) Internal Revenue Service (IRS) code must provide a Tax Identification Number (TIN) in accordance with 31 U.S.C. ***§ 3325(d)***. Refer to Chapter 6, subparagraph 060204.B for contractor, vendor or individual payee requirements to provide a valid TIN as part of a proper invoice prior to payment.

C. All advance payment requests must be submitted in accordance with the DoD and Component's submission policies and procedures using a vendor invoice, Standard Form ***(SF) 1034***, Public Voucher for Purchases and Services Other Than Personal, or an electronic equivalent.

D. Personnel may use electronic and digital signatures to approve and certify financial documents processed through automated information systems (Volume 5, Chapter 1, subparagraph 010305.C).

E. All advance payments must be approved by a designated approving official, and a properly appointed certifying officer, prior to disbursement to ensure the information on the vouchers agrees with all supporting documentation. A properly appointed certifying officer also certifies that the vouchers are correct and proper for payment from the appropriation(s) or other funds cited on them or on supporting vouchers, and the proposed payments are legal, proper, and correct (Volume 5, Chapter 5).

* F. To ensure auditability, and to validate entitlement systems' payment records, a copy of all supporting documentation must accompany each advance. Refer to Volume 1, Chapter 9, Figure 9-1 for financial records retention policy. Refer to 44 U.S.C. ***§ 2909*** for authorization to retain records for a longer period than specified in disposal schedules. Certifying officers are responsible for retention of all payment documentation (Volume 5, Chapter 5).

G. A prevalidation process must occur that matches the proposed advance payment to the obligation of funds recorded in the accounting records prior to the disbursement of the advance payment (Volume 3, Chapter 8). Refer to ***31 U.S.C. § 1501*** for documentation required to record the obligation and ***31 U.S.C. § 1502***, which establishes limitations of periods available for expenditure.

H. Agencies/organizations requesting and approving miscellaneous advance payments must ensure the advance payment does not exceed the value of the items/services being procured.

I. Components must ensure controls are in place for the liquidation of advance payments, and assign responsibility for the performance of timely follow-up action. Internal controls must ensure validation and documentation that the items or services were actually received and met the organization's requirements. This effort is required before the advance payment can be liquidated. Differences encountered must be resolved timely and may include the establishment and collection of debts from members, employees, or commercial, federal, or state entities.

0402 STATUTORY ADVANCE PAYMENTS

040201. General

Specific legislation authorizes statutory advance payments.

040202. Child Care

Amounts may be paid in advance to licensed or regulated child care providers for services to be rendered during an agreed period (***40 U.S.C. § 590(g)(4)*** and ***10 U.S.C. § 1791-1800***). Authorized advance payments for child care services in an approved program, in areas where DoD-provided child care is not available, must include a copy of a signed contract between the family and the child care provider outlining the establishment of fees to support the payment (***DoD Instruction 6060.02***).

040203. Subscriptions to Periodicals

Advance payment is authorized for subscriptions or other charges for newspapers, magazines, periodicals, microfilm libraries, and other publications for official use (31 U.S.C. § 3324 (d)(2)). The total cost of the subscription is a valid charge to the appropriation for the fiscal year (FY) current at the time the subscription is ordered. Subscriptions may extend beyond the current FY. The subscription may cover deliveries extending into the subsequent year; however, the authorization of payments may not cover more than 1-year's (i.e., 12 months) subscription from the same fiscal year appropriation.

040204. Tuition

Tuition payments may be paid in advance. The Government Employees Training Act (***5 U.S.C. § 4109***) provides general authority for advance tuition payments for civilian and military personnel, and ***10 U.S.C. § 2396(a)(3)*** authorizes advance tuition payments for military personnel of friendly foreign countries. Advance tuition payments are payable when an educational institution requires payment at the time of enrollment.

A. Advance Payment. The ***SF 182***, Authorization, Agreement and Certification of Training, must identify the training facility by name and address, the amount payable to the facility for the advance of tuition, as well as the amount payable to the trainee for the purchase of books and fees for library and laboratory services. The SF 182 must be submitted to the entitlement office to support the advance payment and must be signed by an approving and certifying officer prior to being paid.

B. Liquidation of the Advance Payment. As stated in subparagraph 040102.I, certain controls must be in place to liquidate the advance payment. Part of those controls involving tuition payment advances must include obtaining documentation that demonstrates and documents that the student successfully completed the training previously paid in advance. In the event the student owes the DoD, the Component must collect any outstanding amount due, and prepare and forward a DoD ***(DD) Form 1131***, Cash Collection Voucher, to the designated disbursing office to complete liquidation of the advance payment.

040205. Advance Payment Authority for Other Type Payments

Title 10, U.S.C. § 2396 authorizes advances of Federal monies for compliance with foreign laws, rent in foreign countries, tuition, public utility services, pay and allowances, and supplies and services of Armed Forces of friendly countries.

0403 INTRA-GOVERNMENTAL ADVANCE PAYMENTS

040301. General

A. Agencies may make intra-governmental payments in advance of the performance in the areas identified in this section. Unless the DoD Component is specifically authorized by law, legislative action, or Presidential authorization, funds are not to be advanced to non-DoD Federal entities or used to pay for advance billings without the receipt of goods or services. Volume 4, Chapter 5 covers the conditions and requirements for reporting and accounting related to advances and prepayments. For those few exceptions where DoD is authorized by a specific appropriation or law to advance funds, the specific appropriation or law authorizing the advance must be cited on the obligating and/or interagency agreement documents and orders (Volume 11A, Chapter 18).

B. DoD Components must submit an SF 1080, Voucher for Transfers Between Appropriations and/or Funds, or its electronic equivalent, that is certified by an appointed certifying officer. The servicing agency must process the advance payments using Intra-Governmental Payment and Collection (IPAC) system (Treasury Financial Manual, Volume 1, Part 6, ***Chapter 4000***). Refer to the Department of the Treasury (Treasury) ***Interagency Agreement Guide*** for more IPAC guidance. Components must establish follow-up actions and controls to ensure receipt and acceptance for the items/services to liquidate the advance payment as prescribed by the Treasury Interagency Agreement Guide and subparagraph 040102.I.

040302. Leased Office Space

The Federal Management Regulation, Subchapter C, ***section 102-73.10*** prescribes policy for Federal agencies to seek space in Government-owned and Government-leased buildings. With approval from General Services Administration (GSA), one federal agency can lease from another Federal agency a portion of its leased office space (Federal Management Regulation, Subchapter C, section 102-73.60). The parties may enter into an agreement to include a lease payment made in advance, or on any other basis agreed upon, for the proportionate cost of the space, utilities, and services furnished (***31 U.S.C. § 1535***).

040303. Printing and Binding and Deposit Accounts

Title ***44, U.S.C. § 310*** authorizes advance payments for printing, binding or supplies ordered from the U.S. Government Publishing Office (GPO). The requesting agency must process the advance payments using IPAC to establish deposit accounts. The ***GPO*** website provides instructions on how to create a deposit account by submitting a ***GPO Form 4045***, Deposit Account

(Printing and Binding) Form. For a listing of GPO forms, refer to the ***GPO Forms*** website to place orders or download a Portable Document Format file.

040304. Advances to General Services Administration for Special Purpose Leased Space

Title ***40, U.S.C. § 581(g)*** authorizes GSA to bill tenants for building rent in advance. The charge is a fixed rate per square foot of space assigned based on costs of building operation and maintenance. There is no requirement to itemize separate cost factors for utilities, rent, or elevator service on the bill.

040305. Rental of Post Office Boxes

The DoD authorizes advance payments to the U.S. Postal Service (USPS) for post office box rental on an annual basis (***DoD 4525.8-M***). All fees for post office box service are for a six-month period. A fee is payable for two periods at a time, not to exceed two consecutive six-month periods. Federal Agencies whose payment period coincides with the Federal fiscal year may pay their box fees during the first quarter. The USPS will refund a portion of the rental when the box is surrendered before the end of the rental period. In complying with the requirements of ***41 CFR 102-192.50***, the following methods are available when processing advance payments for box rentals:

A. The U.S. Treasury IPAC payment process associated with the Official Mail Accounting System;

B. The USPS Centralized Account Processing System associated with commercial payments;

C. Another Treasury approved means of paying the USPS; or

D. Payments made to service providers other than USPS must be made by U.S. Treasury payment methods such as automated clearing house electronic funds transfer, or another Treasury approved means of paying the vendor.

0404 OTHER ADVANCE PAYMENTS

040401. General

Other advance payments not prohibited by 31 U.S.C. § 3324 are identified in the following paragraphs.

*040402. Attendance at Meetings and Conferences

* A. Components may authorize payment of registration fees prior to attendance at meetings of technical, scientific, professional, or similar organizations. Refer to the ***DoD Conference Guidance Version 4.0*** for the administration and oversight of all conferences, including those conferences hosted by the DoD, and those attended by DoD personnel.

B. DoD civilian employees and uniformed service members may attend and participate in conferences or meetings, and recognized professional organizations, to maintain and improve professional competency at the Government's expense, subject to the availability of funds, specific management approvals, and the employee's or member's work responsibilities. Conference attendance expenditures, which contribute to improved conduct, supervision, or management of the DoD Components' functions and activities, may be authorized as prescribed by the Joint Travel Regulations, Uniformed Service Members and DoD Civilian Employees, ***Appendix R***. Documentation supporting the approval must accompany the request for advance payment (SF 1034 or electronic equivalent). The request for advance payment must be approved by a management official prior to submission to the certifying officer.

C. If the payment is non-refundable, and the individual fails to attend for reasons beyond their control, then do not collect registration fees from the individual. If an individual's failure to attend the event is due to a reason deemed inexcusable by the DoD Component concerned, the individual must repay the amount advanced. If an individual does not make a voluntary settlement of indebtedness, the Component must take action to collect the outstanding advance from money due the employee or member. Policy for salary offset to collect debts owed to DoD by military members or civilian employees is in Volume 16, Chapter 3.

040403. Payments to State and Local Governments

Based on established responsibility, authorized advance payments to state and local governments for goods and services reduce the possibility of a minimum loss to the Federal Government. The ***FAR, Subsection 32.409-3(e)*** authorizes advance payments to the state or local government furnishing non-commercial services reasonably available only from the state.

040404. Petition Fees

When submitting a petition for immigrant status for a person whose services are required, the fee must accompany the petition. In this case, the fee is payable in advance to the U.S. Department of State (***22 CFR 22.1 - 22.7***). Title 22, CFR 22.3 prescribes remittances in the United States and 22 CFR 22.5 prescribes remittances to Foreign Service posts.

040405. Professional Societies

When approved, membership dues or fees in professional societies or associations acquired for the benefit of the DoD Component are payable in advance. Appropriated funds expended for membership must be to acquire services that will benefit the Component, not an individual. The head of an agency or designee must make the determination of the membership requirement. The individual employee must provide verification of membership to validate the advance payment.

040406. Purchase of Copyrights or License to Use Patent for its Life

Components may authorize an advance payment for a license to use a patent or to purchase the copyright. The ***FAR, Part 27*** and ***DFARS, Part 227*** prescribe policies, procedures, solicitation provisions, and contract clauses pertaining to patents, data, and copyrights. The subject matter of the purchase must be within the authorization of the current FY appropriation (***10 U.S.C. § 2386***).

040407. Utility Connection Charges

As prescribed by FAR, Subparts ***41.1*** and 41.2, ***FAR clause 52.241-9***, and DFARS, ***section 242.202***, payment for a utility service account activation fee or connection charge is allowable. Connection charges, whether refundable or non-refundable, are to be paid by the U.S. Government to the utility supplier for the required connecting facilities, which are installed, owned, operated, and maintained by the utility supplier. If the connection charges are refundable, they are considered an advance payment, and the U.S. Government recovers the connection charges through reimbursements by a specified monthly refund or a credit on the service billings for utility charges.

040408. Foreign Country-Related Advances and Requirements

A. Postage. Components may authorize the purchase of foreign postage stamps for contingency or classified operations from imprest funds (Volume 5, Chapter 2 and FAR, ***section 13.305***) or by an SF 1034. When using an SF 1034, the originating office prepares the voucher, which requires the approval by the appropriate approving and certifying officers, and forwards it to the disbursing office. The disbursing office prepares a check and sends it to the originating office. The originating office purchases the stamps and provides the disbursing office with a receiving report. No proof of purchase or sales receipt is necessary as the check endorsement acknowledges payment.

B. Motor Vehicle Operator Permit Fees Overseas. Some foreign countries require personnel to obtain motor vehicle driver permits to perform their official duties. The fees for the permits may require an advance payment. A tour of duty in a foreign country justifies the expenditure.

C. Counsel Fees and Other Expenses in Foreign Courts

1. Payment of counsel fees and other service-related expenses in foreign courts may require an advance payment (***32 CFR 845***).

2. Requests for payment of counsel, bail, or other expenses are ordinarily made by the defendant or the accused through appropriate channels, to the officer (or designee) exercising general court-martial jurisdiction. The officer (or designee) must determine if the request meets the proper criteria and take final approval or disapproval action.

3. When appropriate, contracts or letters of commission and understanding are instruments that obligate the U.S. Government for payment of counsel fees, court costs, bail, and other expenses for obtaining copies of records, printing and filing fees, interpreter fees, witness fees, and other necessary and reasonable expenses. The payment of fines or civil damages is not an authorized expenditure (32 CFR 845.5). Payment for bail is a requirement when stated in an authorizing letter or message issued by the responsible officer and citing ***10 U.S.C. § 1037*** as the authority. Members must sign an agreement to refund the U.S. Government the amount of the bail prior to posting of bail (32 CFR 845.10). In the event the defendant forfeits bail, the individual will be held liable to reimburse the DoD either in cash or by payroll deduction via a ***DD Form 139***, Pay Adjustment Authorization.

4. When the responsible officer certifies an acceptance for legal services and related expenses necessary for the representation of the defendant (32 CFR 845.8), an SF 1034, or electronic equivalent, must be prepared for the advance payment of authorized charges. Payment will be in local currency of the foreign government.

VOLUME 10, CHAPTER 6: "FEDERAL, STATE, LOCAL, AND FOREIGN TAXES"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue and underlined font*.**

The previous version dated December 2015 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
060705.B	Clarified policy regarding withholdings for cash awards for military members.	Revision

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CHAPTER 6

FEDERAL, STATE, LOCAL, AND FOREIGN TAXES

0601 GENERAL

060101. Purpose

This chapter prescribes the financial management policy for payment of federal, state, local, and foreign taxes associated with the various types of payments addressed in this volume. It also provides the tax information reporting requirements, and associated departmental policy, that applies to certain contract, vendor and miscellaneous payments (including miscellaneous payments made to military and civilian employees). Tax-related policy and requirements involving Nonappropriated Fund Instrumentalities are covered in Volume 13, Chapter 7.

060102. Authoritative Guidance

A. Tax Information Sources. The Federal Government's right to tax exemptions depends on the applicability of federal, state, local, and foreign tax law; tax agreements with foreign countries; items being acquired; the nature of the tax; and the type of transaction. ***Federal Acquisition Regulation (FAR), Part 29*** identifies the general tax applications on the United States (U.S.) purchases, the rights to exemptions, and the methods of claiming exemptions. More specialized information regarding the applicability of various taxes not obtainable locally may be obtained from the taxing authorities themselves or through discussions with the Component's general counsel.

B. Exemptions from Certain Federal Taxes

1. Pursuant to Title 26, United States Code (U.S.C.) ***section (§) 4293***, the Secretary of the Treasury has exempted the Federal Government from the communications excise tax imposed by ***26 U.S.C. § 4251*** when the supplies and services are for the exclusive use of the United States, as prescribed in ***FAR 29.203***. This does not include facilities furnished to a Government contractor. Exemptions can be made with or without the use of an exemption certificate. The installation (or issuing) contracting office is responsible for preparing tax exemption certificates.

2. Pursuant to ***26 U.S.C. § 4483(b)***, the Secretary of the Treasury has exempted the Federal Government from the Federal highway vehicle use tax imposed in ***26 U.S.C. § 4481***. As stated in ***FAR 29.203(b)*** the exemption applies whether the vehicle is owned or leased by the Federal Government.

3. ***FAR 29.202*** identifies other circumstances in which Federal manufacturers' or special-fuels excise taxes may not be imposed in contracting situations that should be recognized by the contracting officer, who then shall furnish the seller an exemption certificate.

C. Policy Hierarchy. Internal Revenue Service (IRS) published regulations take precedence over Department of Defense (DoD) policy for the resolution of tax-related issues. Components should consult with their designated legal counsel if there are legal questions or apparent conflicts between the policy provided in this chapter and the IRS regulations. The Defense Finance and Accounting Service (DFAS) tax office (dfas.cco-1099@mail.mil) may also be consulted.

0602 RESPONSIBILITIES

060201. Defense Logistics Agency-Energy (DLA-Energy)

DLA-Energy is responsible for:

A. Any application for tax refunds applicable to DLA-Energy programs. If DLA-Energy supports a Federal civilian agency, then that civilian agency is responsible for collecting data needed to apply for tax refunds; and

B. Contracting for fuels, to include the use of the proper clauses concerning local tax provisions as provided in ***FAR Subpart 29.4***.

060202. Military Departments and Defense Agencies

DoD Components should take maximum advantage of exemptions from excise taxes.

060203. Contracting Officer

As outlined in FAR Part 29, the contracting officer is responsible for:

A. Inserting the appropriate tax clause in the contract;

B. Soliciting prices on a tax-exclusive basis when it is known that the Federal Government as a whole, or the Armed Forces within DoD, are exempt from these taxes;

C. Contacting local and/or state taxing authorities to verify acceptance of tax exemption certificates;

D. Working with fleet card issuers to maximize excise tax reclamations (recoupment);

E. Ensuring that contractors are aware of and understand duty-free entry clause requirements; and

F. Resolving tax liability or tax exemption disputes associated with the DoD contracts.

060204. Contractors, Vendors, and Individual Payees

A. In accordance with ***FAR 29.304***, contractors, vendors, and individual payees requesting payment from a DoD Component may be required to take certain action regarding payment, nonpayment, refund, protest, or other treatment of state and local specified taxes. This action will be taken in consultation with the contracting officer and will be varied depending on the tax consequences, nature of the purchases, and applicable contract clauses. Any entitlement or disbursing office concerns regarding any contractor tax-related payment requests or refunds should be elevated to the contracting officer for resolution.

B. ***Title 31 U.S.C. § 7701(c)*** and ***FAR 4.902*** require all payees, subject to the U.S. Internal Revenue Code, and doing business with the DoD to furnish their Tax Identification Number (TIN) as defined by ***26 U.S.C. § 6109*** (which may be a Social Security Number (SSN) for individuals). Payments are not to be authorized without a TIN or SSN on record for the required payee, except as described in paragraph 060605.

C. If the contractor or another payee believes the IRS Form 1099-***MISC***, Miscellaneous Income, IRS Form 1099-***INT***, Interest Income, or IRS Form 1099-***C***, Cancellation of Debt, was improperly issued or had incorrect information, they must provide written evidence for a correction to the appropriate tax office.

060205. Fleet Card Issuer

The Fleet Card issuer (third-party payor) is responsible for working with DLA-Energy and DFAS to maximize excise tax reclamations, as rules and procedures vary by state. Generally, states require that tax reclamations be completed after payment is made. Refer to the ***GSA SmartPay*** website for additional Fleet Card tax information.

060206. DFAS

For those entitlement systems managed by DFAS and Enterprise Resource Planning (ERP)-managed systems that have coordinated with DFAS (except for Defense Health Agency and U.S. Army Corps of Engineers, where responsibility has otherwise been assigned), DFAS is responsible for:

A. Computing all appropriate tax withholdings, making deposits to the U.S. Department of the Treasury (Treasury), and filing the appropriate tax documents with the IRS;

B. Paying excise taxes as appropriate;

C. Performing reclamation of Federal and state excise tax related to fuel purchases, based on data provided by either DLA-Energy or Fleet Card issuers. DFAS responsibilities for performing reclamation will include filing for the National Guard;

D. Recording any taxes recovered in the applicable accounting systems;

E. Reviewing payment information to determine if a payment is reportable under current IRS guidelines; and

F. For those entitlement or ERP systems not managed by DFAS, for which DFAS is the responsible disbursing activity, DFAS is responsible for:

1. Issuing annual instruction on requirements for submitting necessary tax reports to DFAS for distribution to the recipients; and

2. Coordinating the issuance of the hardcopy or electronic tax statements by the IRS mandated timelines.

060207. Office of the Staff Judge Advocate or General Counsel

These offices are responsible for providing available payment data related to all settlements of personnel cases. The document forwarded to the paying office must identify the type of payment(s) represented by the settlement (for example, compensatory damages, attorney fees, or interest), as well as the dollar amount attributed to each type of payment. This information will be used to determine the proper tax reporting of the payments. These offices must also provide the information required to properly report payments to attorneys under ***26 U.S.C. § 6045(f)***, separate from the claims settlement payment.

060208. Third-Party Payors

Third-party payors are responsible for preparing and filing IRS Form ***1099-K***, Payment Card and Third-Party Network Transactions, for certain payments they made, even if the item(s) procured were delivered to DoD. Further, the DoD is not responsible for filing an IRS Form 1099-MISC when the covered payments are made by third-party payors.

060209. Convenience Check Account Holder

A. The convenience check account holder is responsible for tax reporting for the convenience checks they issue and for obtaining a signed ***IRS Form W9***, Request for Taxpayer Identification and Certification. To execute this responsibility, the account holder must obtain access to the DFAS 1099 Tax Reporting Program through the DFAS Tax Office using the ***Department of Defense (DD) Form 2869***, DFAS 1099 Tax Reporting Program System Access Form and ***DD Form 2875***, System Authorization Access Request. As the checks are written, the account holder must capture the following check recipient data and enter it into the Tax Reporting Program:

1. Legal name (the name by which the check recipient taxes are filed),

2. Legal mailing address,

3. TIN,

4. Check number,

5. Check amount,

6. Date the check is written, and

7. Item description.

B. If the payee fails to provide items 060209.A.1 through 060209.A.3, the convenience check should not be presented to the vendor, and an alternate source for the goods or services should be used. The account holder should elevate and seek guidance on this matter from the Agency/Organization Program Coordinator for the purchase card program. Additional policy concerning the use of convenience checks is contained in Chapter 23.

C. The convenience check account holder is responsible for all backup withholding actions required based on the receipt of an IRS CP2100 notice (See ***IRS website***). Also see paragraph 060605 for additional information regarding backup withholding.

0603 FEDERAL EXCISE TAX (FET)

060301. General

Except for exemptions provided by the Internal Revenue Code as set out in FAR Part 29, the Government must pay FET on fuel purchases. If a contract does not specify that the contract price excludes FET, then assume the contract price includes the tax and pay only the contract price. If the contract price specifically excludes the tax, then FET for fuel purchases must be billed on the invoice as a separately identified item from the contracted fuel price.

060302. Exemptions

Tax exemptions or refunds are available for DoD purchases of aviation fuel and off-highway use of gasoline and road diesel fuels. Whether or not an exemption is available or a refund application is required depends on where in the distribution chain the purchase was made and the IRS status of the seller of the fuel. See ***IRS Publication (Pub) 510*** for additional IRS guidance.

060303. Refunds

Requests for refunds must be filed on an ***IRS Form 8849***, Claim for Refund of Excise Taxes, Schedule 1, Nontaxable Use of Fuels.

060304. Quarterly FET Return

A. Unless notified differently by the IRS District Director, the accounting office responsible for reporting DLA-Energy activity must prepare and submit quarterly FET returns. DLA-Energy must submit a monthly report to DFAS containing the sales to taxable customers. A return must be made using ***IRS Form 720***, Quarterly Federal Excise Tax Return, for the first

calendar quarter when the tax liability is incurred and each subsequent calendar quarter until a final return is filed. Final returns must be marked "FINAL" and are applicable only when no FET is owed and reportable in future quarters. See IRS Pub 510 for additional IRS guidance.

B. IRS Form 720 contains a list of the commodities and services subject to the tax and the tax rate. This form also serves as a return for all excise taxes for which quarterly reporting is required.

C. The accounting office is responsible for preparing IRS Form 720. Instructions for preparing this form are in ***IRS Instructions for Form 720***. The form can be obtained online at ***IRS Form 720, Quarterly Federal Excise Tax Return***.

1. The IRS Form 720 is due on or before April 30, July 31, October 31, and January 31.

2. Submit the original IRS Form 720 to the appropriate IRS Center; include the amount of taxes collected.

060305. Collections for FET

A. Collections for FET are made to deposit fund accounts. Excise taxes collected must be transferred using the most current instructions received from the IRS. Generally, transfers of excise taxes are required semi-monthly and must be made electronically to the Treasury.

B. Report the amounts of FET collected and deposited for the sale of aviation fuel other than for the exclusive use of the DoD.

0604 STATE AND LOCAL TAXES

060401. State and Local Taxes

A. In accordance with ***FAR 29.302(b)***, DoD Components shall assert the government's immunity or exemption from taxes whenever it is available, and it is economically feasible to do so. State statutes identify whether the tax is levied on the seller or the purchaser. The process for seeking refunds differs from state to state. Some states accept Standard Form (SF) ***1094***, U.S. Tax Exemption Form, some states have their own required forms, and other states require payment of the tax at the time of purchase and provide a means for seeking refunds of the tax. The contracting officer will contact the local state taxing authority to verify if they accept tax exemption certificates. A blanket-type tax exemption certificate is used to obtain a U.S. Government exemption from state or local taxes in the case of continuing or numerous purchases from contractors. Payments of state and local taxes are supported under the following conditions:

1. When the tax is levied on the seller, the Federal Government must pay the tax as part of the purchase price unless the taxing authority provides otherwise; or

2. When the Government has, by contract, agreed to reimburse the contractor for taxes paid to a state or municipality.

B. Unless specifically stated otherwise in the contract, it is presumed that state and local taxes are included in the contract price. When there is a valid and binding contract covering the furnishing of supplies or services at fixed unit prices, and the contract contains no provision for the adjustment of such prices in the event of the imposition on the contractor of state taxes applicable thereto, there is no authority for the payment of any taxes over and above the unit price stipulated in the contract.

060402. Taxes Involving Fuel Purchases

DLA-Energy is responsible for supplying applications for tax refunds on fuel purchases for both service station and bulk purchases of fuel. Contracting officers should coordinate with DLA-Energy on the applicability and reimbursement of state and local taxes pertaining to diesel fuels and gasoline purchases.

060403. Leases and Purchases

In accordance with ***FAR 29.302***, generally, purchases and leases are immune from various state and local taxes. This determination is a legal question and requires consultation with agency counsel. FAR Subpart 29.4 references the different contract clauses concerning state and local taxes that may be included in contracts on leases and rentals.

0605 CUSTOMS DUTIES

060501. U.S. Customs Duties on Foreign Purchases

A. Duty-Free Purchases. The DoD Components can make emergency purchases of war materials abroad. This material will be admitted free of duty. The applicability of customs duties is governed by the contract and actions of the contractor and contracting officer in accordance with ***FAR Subpart 25.9***. Federal acquisition policy in FAR 25.9 states that agencies must pursue and use any exemptions allowed when the anticipated savings to appropriated funds will outweigh the administrative cost associated with processing the required documentation. Defense Federal Acquisition Regulation Supplement ***225.9*** provides more specific departmental policy and requirements of the administrative contracting officer (ACO) in issuing duty-free entry certificates, identifying exempted supplies, and performing other formal entry and release procedures for the foreign items procured under a prime contract.

B. Payment of Custom Duties. If the importation is not determined to be duty-free, then the duty must be charged to the same appropriation/fiscal year used to fund the purchase, even though the importation and purchase may be in different fiscal years. Expired funding is available for such obligation "adjustments" as stated in Volume 3, Chapter 10. The amount due will be generated based on the classification of imports by Customs and Border Protection. Payment vouchers must be prepared to show the payment amount, annotated with the source and calculated amount of the duty, with remittance addressed to the Collector or Deputy Collector at the port of

entry. However, prior to payment, the entitlement office must obtain the ACO's approval to ensure the amount of the customs duties is not already covered in the price of the contract or exemption certifications have been issued to exempt the procured items from customs duties.

060502. Customs Exemptions for American Imports and Purchases in Canada for Joint Defense Program

A. General. The Government's imports and purchases from other countries are exempt from Canadian import duties and taxes when used for joint defense projects in Canada.

B. Refund or Remission of Taxes. Goods purchased in Canada by or for the United States, or by the Canadian Commercial Corporation, are governed by concessions when U.S. funds expended are intended for joint Canadian–U.S. projects in Canada or when the goods will become and remain U.S. property. See Defense Production and Development Sharing Remission Order ***Consolidated Regulations of Canada (C.R.C.), c. 755***. The concessions permit refund or remission in certain circumstances, including:

1. Sales taxes paid on goods other than those for resale to members of the U.S. Armed Forces or civilian personnel for private use;

2. Excise taxes, including the stamp tax on checks. Items for resale to members of the U.S. Armed Forces or civilian personnel for private use are not exempt from stamp taxes or excise taxes; and

3. Customs duty paid on import goods when used, directly consumed, processed, or attached to items or goods manufactured in Canada and sold to the U. S. Government for use with joint Canadian–U.S. projects.

C. Notation on Payment Vouchers. Vouchers for Canadian purchases or services must show: "United States Government Funds exempt from Canadian excise tax, refer to Order in Council Privy Council (PC) 3108." This statement will assist the Canadian Department of National Revenue in granting the exemption.

0606 MISCELLANEOUS

060601. Payments in Lieu of Taxes

Issues involving the payment of taxes are complex and should be referred to the activity's servicing legal office.

A. Charges by state or local governments for services levied on Federal Government entities or their contractors, which are not imposed on residents or nonfederal tax-exempt entities, where the cost of service is borne by the general tax revenues, are the nature of a tax to which the DoD is immune.

B. A reasonable charge by a political subdivision based on the "quantum" of direct service furnished, and which is applied equally to all property tax exempt entities, is not considered a tax against the DoD, even though the services are furnished to taxpayers without a direct charge, provided the political subdivision is not required by law to furnish the service involved without a direct charge to all located within its boundaries.

C. Payments are permitted in lieu of taxes to municipalities that have lost tax revenue due to the transfer of plants to Government Components, only when authorized by the Congress. Payments in lieu of taxes are not authorized if the property transferred was never on municipality tax rolls and municipal services had never been furnished.

060602. Foreign Taxes

U. S. Government purchases in a foreign country are not exempt in general from taxes and custom duties when imposed by the foreign country. The Status of Forces or other government tax or trade agreements may provide exemptions. The Component's legal counsel should be consulted regarding the applicability of these agreements to their individual circumstances. ***FAR 29.402*** provides specific clauses pertaining to foreign taxes that may be in contracts.

060603. Taxes on Arms and Ammunition

In accordance with ***10 U.S.C. § 2385***, federal taxes may not be imposed on the sale or transfer of firearms, pistols, revolvers, shells, or cartridges when such articles are purchased with funds appropriated for a military department.

060604. Environmental Assessments

If an environmental assessment is levied by a local government, and it represents a fee, then the payment is authorized. If the assessment appears to be a tax, and its legality is questionable, then the payment is not authorized. The Component's legal counsel should be consulted to determine whether payment should be made.

060605. Backup Withholding

A. In most instances, pursuant to ***31 U.S.C. § 3325***, DoD may not make a payment without a valid TIN and a signed IRS Form W9. If payment is appropriate without a TIN and a signed IRS Form W9, and no exception to backup withholding applies, backup withholding must occur. Backup withholding requirements are enforced on a payment-by-payment basis, regardless of payment size. When an individual or entity has not provided a TIN and a signed IRS Form W9 as described above, the backup withholding requirements, as described in 26 U.S.C. § ***3406***, are applicable. Because of the TIN requirement imposed by 31 U.S.C. § 3325, backup withholding within DoD should be extremely rare.

B. Backup withholding requirements are separate from the reporting thresholds that apply to most IRS Form 1099 reporting. Backup withholding is applied to the principal payment only, to exclude such charges as transportation charges or interest. Payments

that are not subject to reporting on the IRS Form 1099, as set forth in subparagraph 060703.B, are not subject to backup withholding.

C. The backup withholding is reported to the IRS. The paying office will generate both an IRS Form 1099-MISC, with the reporting tax withheld to the payee in box 4, and IRS ***Form 945***, Annual Return of Withheld Federal Income Tax, for the IRS. Additional guidance is available in separate IRS instructions for Form 945, ***IRS Pub 15, (Circular E)***, Employer's Tax Guide, and ***IRS Pub 1281***, Backup Withholding for Missing or Incorrect Name/TINs.

D. DoD activities must perform backup withholding on reportable payments when the following conditions exist:

1. The IRS informs the paying office that the payee provided an incorrect TIN and reportable payments to the payee total $600 or more during the calendar year, or

2. An information return was required concerning the payee for the preceding calendar year, or

3. Backup withholding was required from the payee for the preceding year.

0607 FEDERAL TAX REPORTING

060701. General

A. At the end of each calendar year, payment or entitlement offices are required to report certain payments to the IRS. The reporting requirements are established by ***26 U.S.C. § 6041***, ***26 U.S.C. § 6041A***, 26 U.S.C. § 6045(f), ***FAR 4.904***, and current IRS instructions/guidelines. Payment or entitlement offices must provide the recipients (payees) with an IRS Form 1099 by the date specified by the IRS (See IRS website).

B. There are various payments made to military members and civilian employees that are subject to IRS Form ***W-2***, Wage and Tax Statement, reporting (e.g., military award payments and medical health service providers paid under individual set-aside contracts), as prescribed in Chapter 12, paragraph 1207. Some of these payment types may require tax withholding and will be reported on the IRS Form W-2. These payments are required to be paid by the appropriate system for accurate withholdings to be applied and reported on the annual IRS Form W-2 by January 31. Payment through a vendor pay office is only authorized if the appropriate withholdings are computed, included and presented for payment to the vendor pay office. At the end of each calendar year, payment or entitlement offices are required to report these payments via Form W-2 according to current Social Security Administration/IRS guidelines.

060702. Tax Reporting

A. Each DoD Component is responsible for the preparation of an IRS Form 1099 on its contract or vendor payments for applicable services (specified in paragraph 060703) that total $600 or more, or royalties of $10 or more in a calendar year to a single person or business entity (partnership, sole proprietor, or corporation), unless an exception applies. For DFAS-serviced Components, DFAS will prepare, print, and distribute the hard copy of the IRS Form 1099 to the vendor/contractor/payee and forward the same information to the IRS. If an IRS Form 1099 is required to be corrected, then the paying office that maintains the underlying payment record provides the information necessary to effect the correction. If the vendor/contractor/payee believes the IRS Form 1099 was improperly issued or had incorrect information, then the recipient must provide the written evidence needed for correction.

B. Payment data in various payment systems for the same contractor must be consolidated to determine if an entity was paid more than $600 for reportable payments.

C. IRS Form 1099-MISC is not required for purchase cards and centrally-billed travel paid using a government credit card.

D. If payment is made with a convenience check associated with a government purchase card program, the check-issuing activity must input the data outlined in subparagraphs 060209.A – B monthly into the 1099 Tax Reporting Program to ensure the IRS Form 1099 is issued. Activities must contact the DFAS Tax Office (dfas.cco-checks@mail.mil) to obtain access to the 1099 Tax Reporting Program before inputting convenience/accommodation check data.

E. DFAS will not make a determination of independent contractor or employee status for tax purposes when payments are made to individuals. That determination is at the discretion of the contract-issuing activity. If there is a question, then the contract-issuing activity, through its chain of command, will submit an ***IRS Form SS-8***, Determination of Worker Status for Purposes of Federal Taxes and Income Tax Withholding, to the IRS Associate Chief Counsel (tax exempt and government entities) for a determination. See ***IRS Pub 1779***, Independent Contractor or Employee, for additional information.

060703. IRS Form 1099 Information Reporting

A. Payments Subject to Reporting. Certain contract and vendor payments are subject to IRS Form 1099 reporting in accordance with IRS regulations/guidelines.

1. General Rule. Payments are aggregated for the taxable year for:

a. Business entities: sole proprietors, partnerships, and corporations, with some exceptions;

b. Corporations providing medical and health-care services that are not otherwise exempt from taxation under ***26 U.S.C. § 501(a)***;

c. Canceled debts; and

d. Interest (including Prompt Payment Act) to individuals, sole proprietors, and partnerships. Corporations are exempt from reporting interest.

2. Payment for Services. Payment or compensation for services rendered, including medical or health-care services and contractual legal services, is subject to IRS Form 1099 reporting, unless the payment should be reported on an IRS Form W-2. This reporting requirement applies regardless of whether payment is issued to an individual, a sole proprietorship, a partnership or corporation. The requirement does not apply when a payment is made to a hospital or extended health-care facility that is exempt from taxation under 26 U.S.C. § 501(a) or to a hospital or extended health-care facility owned and operated by the U.S. or an agency or instrumentality of the U.S. This reporting rule also applies to payments issued to U.S. corporations, paid in U.S. dollars, for service contracts executed in foreign countries.

3. Payments for Taxable Settlements

a. Generally, payments for personnel claims, Equal Employment Opportunity actions, and grievances represent taxable income and should be reported on an IRS Form 1099, but may be reported on an IRS Form W-2 depending on the classification of the settlement categories. This includes amounts paid in settlement, damages for nonphysical injuries or sickness (such as employment discrimination or defamation), liquidated damages, and punitive damages. Amounts paid on account of personal physical injury or physical sicknesses, however, are not taxable and are not reported on an IRS Form 1099.

b. Compensatory damages received based on emotional distress or injury, that are attributable to a physical injury or physical sickness, are not taxable and not reported on an IRS Form 1099, to the extent that the amount paid does not exceed the amount paid for medical care for the emotional distress. Damages paid on account of emotional distress, including physical symptoms such as insomnia, headaches, and stomach disorders, which are not attributable to a specific physical injury or physical sickness, are reportable.

c In cases where the amount to be paid to the complainant represents back pay, and the claim originates with a DoD activity whose civilians are paid by DFAS, the claim must be forwarded to a civilian pay office for payment and issuance of an IRS Form W-2. DoD activities must forward claims representing back pay to their supporting payroll office.

d. The office forwarding personnel claims as described in Chapter 12 for payment, such as taxable settlement awards, is responsible for providing information with the settlement documents that are required for tax reporting. All settlement payments are presumed to be taxable unless otherwise indicated in the settlement agreement or meet one of the specific categories that are nontaxable.

4. Gross Proceeds Paid to an Attorney. The total amount paid to an attorney for legal services, other than contractual legal services, must be reported on an IRS Form

1099 as required by 26 U.S.C. § 6045(f). The term "attorney" includes a law firm or other providers of legal services, such as a corporation. This reporting requirement applies, regardless of whether or not legal services are provided to the Government and if the attorney is the sole payee. In the case of payment by check, payment is considered to be made to the attorney or law firm if the attorney or law firm is named the sole, joint, or alternate payee. A need to issue two IRS Form 1099s on a single payment may occur. In this case, issue an IRS Form 1099 to the complainant and another IRS Form 1099 to the attorney. Information that must be provided by the office forwarding the claim for payment includes, but is not limited to: payee name(s), payee TIN, amount paid, payee address(es), and settling activity identification. See IRS Bulletin 2006-33, ***section 1.6045-5*** for information reporting on payments to attorneys.

5. Vendors in U.S. Territories. Service payments to vendors located in Puerto Rico, Guam, American Samoa, Commonwealth of the Northern Mariana Islands, and the U.S. Virgin Islands are subject to IRS information reporting.

B. Payments Not Subject to Reporting. The following classes of contract and vendor payments are not subject to IRS Form 1099 reporting:

1. Payment of bills for merchandise, transportation, freight charges, telegrams, telephone, storage, and similar charges;

2. Payments subject to reporting on an IRS Form W-2 related to compensation paid to DoD employees or service members;

3. Payments of rent, if made to a real estate agent;

4. Payments to government employees as an allowance or reimbursement for traveling or associated expenses, including claims for damaged household goods;

5. Payments made as an award to an informer or similar payments;

6. Payments made to a Government agency, political subdivision, or instrumentality thereof; and

7. Payments to organizations that are exempt from taxation under 26 U.S.C. § 501(a).

060704. Debt Actions Subject to IRS Form 1099-C (Cancellation of Debt)

A. Federal agencies are required to report the cancellation of each debt to an individual, sole proprietor, partnership, or corporation. The term "debt" includes the principal owed, interest, penalties, administrative costs, and fines. If, however, interest is included in the amount reported on the IRS Form 1099-C, then it must be listed separately on the form. A debt is considered to be canceled on the date that the authorized individual approves the termination of the debt-collection process.

B. The cancellation of the debt is reported on IRS Form 1099-C, regardless of whether the debtor is required to report the debt as income. A copy of the IRS Form 1099-C must be provided to the debtor by the date specified by the IRS (See IRS website). If payment is received on a previously canceled prior year debt, then there is no requirement to file an additional or corrected IRS Form 1099-C.

*060705. Payments to Individuals Subject to IRS Form W-2 Reporting

A. General. As discussed in Chapter 12, various payments are issued by DFAS to, or on behalf of, DoD employees and military members. Payments may be subject to tax withholding and tax reporting (Federal and state) on an IRS Form W-2.

* B. Cash Awards to Military Members

1. Cash awards to military members for disclosures, suggestions, inventions, and scientific achievements are subject to the withholding of Federal and state income taxes, as cited in Volume 7A, Chapter 44, paragraph 440201. In accordance with Volume 7A, Chapter 45, paragraph 450202, cash awards are not subject to FICA (OASDI/Medicare) withholding. Certain Combat Zone Tax Exclusions (CZTE) may apply. Information on the CZTE is available in ***IRS Pub 3, Armed Forces' Tax Guide***, and Volume 7A, Chapter 44, Withholding of Income Tax.

2. For purposes of issuing an IRS W-2, DFAS will withhold taxes and will issue an IRS Form W-2 by the date specified by the IRS (See IRS website). See subparagraph 060701.B for additional information.

060706. Filing Information Returns with the IRS

A. Filing Requirements

1. Forms Required.

a. When filing manual (paper) IRS Form 1099s, the IRS Form ***1096***, Annual Summary and Transmittal of United States Information Returns, must be used to transmit and summarize payment information. It serves as a cover sheet for one or more individual reports. See IRS instructions for IRS Form 1096 for detailed guidance. IRS Form 1096 is obtained through the IRS Pub and forms website at ***www.irs.gov***.

b. A separate IRS Form 1099 must be completed for each entity concerned and all are covered by one IRS Form 1096. IRS Form 1099s are obtained through the IRS Pub and forms website at www.irs.gov.

2. Distribution of Report. IRS Forms 1096 and 1099 are to be filed according to ***IRS Pub 1220***, Specifications for Electronic Filing of Forms, by the date specified by the IRS, with the appropriate IRS center listed in the instructions for IRS Form 1096 (See IRS website).

3. Electronic Filing. The ***IRS Form 4419***, Application for Filing Information Returns Electronically, must be used to receive IRS approval to transmit electronically. When filing 250 or more IRS Form 1099 returns in a single report, filings are done electronically and are required to be filed by the date specified by the IRS (See IRS website). These electronic filing procedures are published annually in IRS Pub 1220.

B. Records Retention

1. Activities preparing information returns must have the ability to reconstruct the data or records used to prepare the IRS Form 1099. The data or records shall be retained for at least three calendar years plus the current calendar year after filing the information return. See ***IRS General Instructions for Certain Information Returns***. These records permit an audit trail that will substantiate the amount(s) reported by showing all relevant payments, to include payments from multiple contracts. The retention period for IRS Form 1099-C or backup withholding data is four calendar years after filing the information return. The issuing location must maintain a copy of information returns or be able to recreate the tax document.

2. Documentation supporting tax-related financial transactions reported in the Component's financial statements needs to be retained in accordance with Volume 1, Chapter 9. The documentation retained must be of sufficient quality to allow an independent third party, such as an auditor, to confirm the computation of the tax-related transaction posted in the accounting system and reported on the financial statements.

VOLUME 10, CHAPTER 7: "PROMPT PAYMENT ACT"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated March 2015 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
070207.B	Updated the Department of the Treasury to the Bureau of the Fiscal Service.	Revision
070208.H	Updated the Department of the Treasury to the Bureau of the Fiscal Service.	Revision

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CHAPTER 7

PROMPT PAYMENT ACT

0701 GENERAL

070101. Purpose

This chapter prescribes the financial management policy for payments to vendors and contractors covered under the Prompt Payment Act (PPA), Title 31, United States Code (U.S.C.), ***Chapter 39*** as implemented under ***Title 5, Code of Federal Regulations (CFR), part 1315***. The chapter primarily focuses on timely payment, determination of appropriate due dates, penalty for late payment, required documentation, receipt dates, acceptance dates, and payment discounts.

070102. Authoritative Guidance

The PPA requires the Department of Defense (DoD) to pay its bills by the specified or agreed upon due date, and pay interest penalties when payments are made late. Regulations promulgated under the PPA state that DoD should take discounts only when payments are made by the discount date and the discount is economically justified. Acquisition policy implementing the PPA provisions at 5 CFR 1315 is in the Federal Acquisition Regulation (FAR), ***Subpart 32.9***, "Prompt Payment" and the Defense Federal Acquisition Regulation Supplement (DFARS), ***Subpart 232.9***, "Prompt Payment".

0702 PROMPT PAYMENT ACT POLICY

070201. Application

The payment terms ordinarily imposed by contract, or the PPA and its implementing regulations, may be replaced by the payment terms imposed by another governmental authority, such as utility tariffs. For the purposes of this chapter, days refer to calendar days unless stated differently. The PPA applies to the following, unless these payments meet one of the exemptions in paragraph 070202:

A. Procurement Contracts. All payments for contracts for the procurement of goods or services;

B. Vendor Payments. All vendor payments and payments to persons, organizations, or business concerns engaged in a profession, trade, or business and any not-for-profit entity operating as a vendor; and

C. Utility Payments. All utility payments, including payments for telephone service, are subject to the PPA. Where state, local, or foreign authorities impose late payment rates for utility payments, those rates must take precedence, and thus, PPA interest rates will not apply.

070202. Exemptions

A. In accordance with ***5 CFR 1315.1(a)(1)(ii)*** and ***(b)(1)***, the following payments are exempt from the PPA:

1. Payments directed by military authority exercised in the field in time of war or in occupied territory as stated in ***5 U.S.C. § 551(1)(G)***; and

2. Contract financing payments, as defined in ***FAR Part 32.001***.

B. In accordance with ***5 CFR 1315.1(b)(2)***, the following payments may be exempted from the PPA:

1. Payments related to declared states of emergency directing any Federal agency to utilize its resources in support of State and local disaster assistance efforts, as defined in the ***Robert T. Stafford Disaster Relief and Emergency Assistance Act***;

2. Payments related to the release or threatened release of hazardous substances, as defined in ***42 U.S.C. § 9601***; and

3. Certain payments related to military contingency operations as defined in ***10 U.S.C. § 101(a)(13)***.

C. While payments identified in 070202.B.1, B.2 and B.3 are usually exempted per 5 CFR 1315.1, the head of the contracting activity (HCA) (when authorized), in consultation with the cognizant comptroller supporting their contracting activity, will make the determination of whether a contract and related payment will be subject to the requirements of FAR Subpart 32.9. ***DFARS Subpart 232.901*** defines conditions where emergencies or contingency operations affecting normal business processes will dictate a determination to exempt payments from FAR Subpart 32.9 requirements. This determination, and all subsequent determinations, will be clarified by the specific clause in the individual contract. Chapter 8 contains additional policy on certifying payments made in support of emergencies and contingency operations, a matrix tool to assist certifying officials in identifying the critical data elements, and the documentation necessary for proper certification.

070203. Required Documentation Type, Function, and Purpose

Before making an invoice and/or interest payment, and in support of future financial audits, DoD Components must ensure that appropriate payment documentation is established and matched. This documentation includes the contract, receipt/acceptance report, and a proper invoice, unless not required by the contract. Sections 070203.B and 070203.C identify unique circumstances when an invoice and/or receipt/acceptance report may not be required. Acquisition policy in ***DFARS Subpart 232.70***, "Electronic Submission and Processing of Payment Requests and Receiving Reports" prescribes DoD policies and procedures for submitting and processing payment requests and receiving reports in electronic form. It also specifies exceptions and

prescribes Wide Area Workflow as the accepted electronic form for submission of payment requests and receiving reports. It further permits the use of TRICARE Encounter Data System as the electronic format for receiving reports for rendered health care services.

A. Contract. The contract is an enforceable agreement between the agency and the contractor or vendor that provides the necessary information to support payment of invoices and interest penalties. Contracts must contain the data elements required under ***5 CFR 1315.9(a)*** as part of the payment documentation. If errors exist in a contractual document that affect payment processing, the entitlement office must notify the contracting office to request corrective action. The entitlement office must not change contract terms. Contract terms may only be changed through a formal modification to the contract.

B. Proper Invoice. DoD payments must be based on the receipt of a proper invoice, unless an invoice is not required by the contract (e.g., monthly rental payments), and satisfactory contract performance. ***FAR Subpart 32.905(b)*** provides details on the information required for a proper invoice. As stated in FAR Subpart 32.905.b.2, an interim payment request under a cost-reimbursement contract for services constitutes a proper invoice if it includes all of the information required by the contract. Note that payment requests under cost-reimbursement service contracts are deemed proper when they conform to the contract. The office designated by the purchase order, agreement, or contract first to receive and review invoices, hereafter referred as the designated activity, will immediately annotate the receipt date and review invoices within 7 days after receipt. If an invoice is improper, then the designated activity will return the invoice to the vendor/contractor.

1. Notice of an Improper Invoice. When the designated activity returns an invoice as improper, they must provide details on why the invoice is being returned and why it is improper. The designated activity's request to the vendor/contractor for a corrected invoice must be clearly marked as such. Notification must be within 7 days of receipt of the invoice (5 days for perishable agricultural commodities, dairy products, edible fats or oils, and food products prepared from edible fats and oils; and 3 days for meat, meat food, fish, and seafood products). If a DoD Component fails to provide notification of an improper invoice within the prescribed timeframes, the computation of the payment due date will be affected, in that the number of days allowed for payment of the corrected proper invoice will be reduced by the number of days delayed beyond the allowable invoice return notification requirement. For example, a typical invoice payable in 30 days is returned as improper on the 11th day after receipt, minus 7 days allowed, equaling a 4-day delay and reducing the payment due date of the corrected/resubmitted invoice by 4 days. As a result of the 4-day delay, the corrected invoice is now payable in 26 days upon receipt before interest begins to accrue. In accordance with ***FAR Subpart 32.906(b)(4)***, if a designated activity erroneously rejects a proper invoice, then the original invoice receipt date will be used to compute the payment due date and any interest penalties due.

2. Delivery Ticket as an Invoice. A delivery ticket may be used as an invoice when allowed by the contract. When used as an invoice, the delivery ticket must contain the information required by FAR Subpart 32.905(b) unless otherwise stipulated in the contract.

C. Receipt and Acceptance Report

1. A receiving report performs two functions. It provides evidence of the date goods are received, and it provides evidence of the date goods or services are accepted. Receiving reports are written or electronic evidence of the receipt of goods or services by a government official. Receiving reports must minimally contain the information stated in FAR Subpart ***32.905(c)*** unless otherwise stipulated in the contract.

2. Receipt of goods ordinarily does not provide a basis for payment. Payment must be based upon acceptance of the goods or services as authenticated by the signature of the government official. Acceptance must occur as a condition of payment except in the following instances:

a. Interim Payments on Cost-Reimbursement Contracts for Services as Stated in FAR Subpart 32.905(c). However, contract terms may still require receipt and acceptance documentation, or stipulate other related requirements be met before a request for payment for services can be certified and disbursed.

b. Contracts Incorporating the "Fast Payment Procedure" clause at ***FAR Subpart 52.213-1***. For contracts with this clause, payment offices may use the contractor's submission of an invoice as certification of the delivery of supplies and as the basis for authorizing payment. Payment of these invoices must be made within 15 days after the receipt of the invoice. Component policies and controls must be in place to follow up after payment to ensure receipt of acceptance documentation for the payment and contract files. The acquisition requirements and rules governing the fast payment procedure are found in FAR ***Subpart 13.4*** and ***DFARS Subpart 213.4***. Refer to section 1005 of Chapter 10 for additional fast payment procedure financial management policy.

3. The agency receiving official must forward the receiving report, or other government documentation, to the designated payment office by the 5th working day after government acceptance or approval, unless other arrangements have been made.

4. Government acceptance is commonly deemed to occur constructively on the 7th day after the contractor delivers supplies or performs services in accordance with the terms and conditions of the contract, unless there is a disagreement over quantity, quality, or contractor compliance with a contractual requirement. A longer acceptance period can be specified in the contract, in which case the date of the actual acceptance or the date on which such acceptance period ends will substitute for the commonly applied 7th day after the delivery date (refer to ***DFARS Subpart 232.904***). The date on which the designated acceptance period ends is referred to as the constructive acceptance date. Constructive acceptance is used to calculate PPA interest and applies to both destination acceptance and source acceptance contract terms. Regardless, government proof of acceptance must be forwarded to the designated payment office.

a. If actual acceptance occurs within the constructive acceptance period, the determination of any interest penalty must be based on the actual date of acceptance.

b. If actual acceptance occurs after the constructive acceptance period, the determination of any interest penalty must be based on the constructive acceptance date.

c. The constructive acceptance requirement does not compel DoD Components to accept supplies or services or make payment prior to fulfilling their designated responsibilities and internal control activities.

D. Follow up for Required Documents. If payments cannot be made due to the non-receipt of receiving reports, copies of contracts, contract modifications, or other required documentation, the entitlement office will follow up with the contracting or receiving office to ensure these documents are forwarded in a timely manner. These follow-up requests should be made in time to prevent the possible loss of economically justified discounts (if possible) and avoid the unnecessary payment of late payment interest penalties.

E. Emergency and Contingency Operations. When authorized, the HCA of an operational area, in consultation with the cognizant comptroller supporting their contracting activity, will make the determination of whether a contract and related payment will be subject to the requirements of FAR Subpart 32.9 and include the applicable payment clause in the contract.

1. For payments that have been determined to be exempt from FAR Subpart 32.9, certifying officers involved in supporting contingency operations may use Annex 1 of Chapter 8 to identify the documents and information needed to ensure the entitlement to payment is valid prior to certification. Certification guidelines for these payments are contained in paragraph 080806 of Chapter 8.

2. For payments that are subject to the requirements of FAR Subpart 32.9, PPA interest payments will be made only as specified in the contract clause.

F. Progress Payments on Construction Contracts. Progress payments may be made if the payment request meets the requirements specified in the contract clause (***FAR Subpart 52.232-5(b)(1)***) and any other applicable terms of the contract. These payments are made monthly, or at more frequent intervals, as determined by the contracting officer. According to ***FAR Subpart 52.232-5(d)(2)***, payment of any portion, or all, of a certified request for progress payment that fails to conform to the specifications, terms, and conditions of the contract is referred to as an "unearned amount." FAR 52.232-5(d)(2) also requires that if the contractor, after being paid upon submitting a certified request for progress payment, discovers that a portion, or all of such payment, involves an unearned amount, the contractor is then obligated to notify the contracting officer of the performance deficiency and is required to pay DoD interest on any unearned amount from the 8th day after the date of receipt of the unearned amount until:

1. The date the contractor notifies the contracting officer that the performance deficiency has been corrected; or

2. The date the contractor reduces the amount of any subsequently certified request for progress payment by an amount equal to the unearned amount.

G. Payment for Partial Deliveries on Fixed-Priced Supply, Fixed-Priced Services, or Non-Regulated Communication Service Contracts. ***FAR Subpart 32.906(c)*** instructs contracting officers, if the nature of the work permits, to write contract statements of work and pricing arrangements that allow contractors to deliver supplies or services and receive invoice payments for discrete portions of the work as soon as completed and found acceptable by the Government. The inclusion of the payment clause at ***FAR Subpart 52.232-1*** in the contract, unless specifically prohibited elsewhere in the contract, allows the contractor to be paid for accepted partial deliveries of supplies or partial performance of services that comply with all applicable contract requirements, and for which prices can be calculated from the contract terms. The contract clause may stipulate additional payment requirements; however, a proper invoice and documentation of government receipt and acceptance are required before the payment can be made.

070204. Determining the Invoice Receipt Date

The date the contractor's invoice or payment request is received must be recorded on the invoice immediately upon receipt by the billing office designated in the contract to receive the invoice. This annotation must be clearly identifiable to the designated activity that will be processing the payment. The receipt date is an integral part of determining the payment due date, the date by which an improper invoice must be returned, and the date on which interest will begin to accrue if a payment is late. If the designated activity fails to annotate the receipt date, then the invoice receipt date is the date placed on the invoice by the contractor. For invoices electronically transmitted, the invoice received date is the date a readable transmission is received by the designated activity or the next business day if received after normal working hours.

070205. Determining the Payment Due Date

For payments subject to the requirements of FAR Subpart 32.9, the payment due date is the date on which payment must be made to avoid paying PPA interest.

A. If the payment due date is not specified in the contract, the date by which a proper invoice must be paid is the later of:

1. Thirty days after the date on which the designated activity receives the proper invoice; or

2. Thirty days after government acceptance of supplies delivered, services performed, or the applicable date of constructive acceptance, whichever is earlier.

B. An example of applying subparagraph 070205.A in determining the payment due date is as follows: Supplies are received on April 20th and accepted on April 29th, and a proper invoice is received on May 1st. The payment period will begin by using the later date of when a proper invoice is received (May 1st), or the constructive acceptance date (April 27th, which is the 7th day after receipt). In this example, the payment period begins on May 1st and ends 30 days later on May 31st. The interest penalty begins accruing on June 1st. Refer to ***FAR Subpart 32.904*** for additional policy on determining the payment due date.

C. A contract modification may be required in order to determine when a payment is to be made (the payment due date), e.g., an award fee. If a payment cannot be entitled without a contract modification, the payment clock will start with the effective date of the modification.

D. If the contract does not require an invoice, then the due date is the date designated in the contract (***FAR Subpart 32.904(b)(2)***).

070206. Timely Payment

The PPA requires both timely and proper cash management of government resources. DoD will make payments no more than 7 days prior to the payment due date, but as close to the due date as possible, unless the Secretary of Defense or designee has determined, on a case-by-case basis for specific payments, that earlier payment is necessary (***FAR Subpart 32.906***). This authority must be used cautiously, weighing the benefits of making a payment early against good stewardship inherent in effective cash management practices (***5 CFR 1315.4(j)***). Further, ***DFARS Subpart 232.903*** provides for payments to be made to small business prime contractors as quickly as possible after invoices and all proper documentation, including acceptance, are received and before normal payment due dates established in the contract. The identification of small business contractors will be established by the contracting officer and identified as such in the contract. However, in accordance with ***DFARS Subpart 232.906(a)(ii)***, contractors will not be entitled to interest penalties if the DoD fails to make early payment.

A. When the conditions in ***5 CFR 1315.5*** are met, a DoD Component may use an accelerated payment method.

B. For interim payments under cost-reimbursement service contracts, DoD may make payments at the standard due date of 14 days after the receipt of a proper invoice (***DFARS Subpart 232.906(a)(i)***) when the contract specifies the use of ***FAR Subpart 52.232-25***, Prompt Payment, Alternate I. For purposes of computing late payment interest penalties that may apply, the due date for payment is the 30th day after the designated billing office receives a proper invoice (refer to FAR Subpart 52.232-25).

C. Payment is considered to be made on the date printed on the check, or on the Electronic Funds Transfer (EFT) settlement date. In order to avoid late payment interest fees, the EFT settlement date (the date funds are credited to the vendor's financial institution) must be no later than the calculated due date.

D. Checks will be mailed or transmitted on the same day the check is dated.

E. Payments due (including discount periods) on Saturday, Sunday, or legal holidays may be paid on Monday, or the next working day, without interest; however, this does not change the official payment due date as specified in 070205.

*070207. Discounts

If a vendor/contractor offers a DoD Component a discount, whether stipulated in the contract or offered on an invoice, the Component should take the discount if economically justified, but only after acceptance has occurred.

A. When a discount is taken, payment will be made as close as possible to, but no later than, the discount date.

* B. The ***Bureau of the Fiscal Service's website*** contains a discount calculator to assist in determining whether the discount is economically justified.

C. In accordance with ***FAR Subpart 32.907(b)***, if a DoD Component takes the discount after the deadline, an interest penalty on any amount remaining unpaid will be due.

D. Refer to Chapter 2 for additional financial management policy concerning discounts.

*070208. Interest Penalties

When DoD Components fail to make payment by the payment due date, interest accrues from the day after the payment due date through the payment date.

A. Automatic Interest. In accordance with ***FAR Subpart 32.907(a)***, the designated payment office will pay an interest penalty automatically, without request from the contractor, when all of the following conditions, if applicable, have been met:

1. The designated billing office received a proper invoice;

2. The Government processed a receiving report or other government documentation authorizing payment, and there was no disagreement over quantity, quality, or contractor compliance with any contractual requirement;

3. In the case of a final invoice, the payment amount is not subject to further contract settlement actions between the Government and the contractor;

4. The designated payment office paid the contractor after the due date; and

5. In the case of interim payments on cost-reimbursement contracts for services, when payment is made more than 30 days after the designated billing office receives a proper invoice.

B. Incorrect Banking Information. If the vendor/contractor provides incorrect banking information, then interest does not begin to accrue until 7 days after the correct information is received (provided the vendor has been given notice of the incorrect banking information within 7 days after the agency is notified that the information is incorrect). Refer to ***5 CFR 1315.10*** for additional regulations.

C. Late Payment. Interest will be accompanied with a notice stating the amount of the interest penalty, the number of days late, and the rate used (***5 CFR 1315.10(b)(2)***).

D. Interest Penalty Requirements. The specific interest rate will be applied to the total penalty period (maximum 1 year interest) regardless of whether the interest period carries over into different interest rate periods. No further interest will accrue after 1 year beyond the original due date or after the contractor files a claim for such penalties under the Contracts Disputes Act of 1978 (***5 CFR 1315.10(a)(5)***). Interest calculations are to be based on a 360-day year.

E. Additional Penalties. Vendors/contractors may be entitled to an additional penalty payment when the vendor/contractor is owed a late payment interest penalty by DoD of $1.00 or more, the contractor receives a contract payment dated after the due date that does not include the interest penalty also due, and the interest penalty is not paid within 10 days after the actual contract payment date (***5 CFR 1315.11***). The vendor/contractor entitlement to additional penalties is also dependent upon, among other things, its timely submission of a claim for the additional penalty. For further information on additional penalties, refer to 5 CFR 1315.11 and ***FAR Subpart 32.907(c)***.

F. Interest Penalties Due Under Construction Contracts. Title 5 CFR ***1315.14(c)*** provides for interest penalties to be paid on payments under construction contracts when a progress payment request has been approved as payable by the designated agency office, and remains unpaid for a period of more than 14 days, or longer if specified in the contract, after receipt of the payment request by the designated agency office. Interest penalties may also be applicable to final payments, based on completion and acceptance of work, and payments for partial performance that has been accepted by the agency. Refer to 5 CFR 1315.14 for additional details on payments and interest penalties under construction contracts.

G. Exceptions to Interest Penalties Due. Title ***5 CFR 1315.10(c)*** identifies exceptions to when interest penalties are due. These exceptions generally include instances such as when interest penalties due are less than $1.00, the contractor provided incorrect EFT information, payments are solely for financing purposes, and contract payments are delayed due to disputes between the Government and contractor over the payment amount or compliance with the terms of the contract. More detailed information regarding these, and other exceptions, are contained in 5 CFR 1315.10(c).

* H. Computation of Interest Penalties. The Government will compute interest penalties in accordance with the Office of Management and Budget prompt payment regulations at 5 CFR 1315.10 and FAR Subpart 32.907. The Bureau of the Fiscal Service website contains both a simple daily interest calculator and a monthly compounding interest calculator to assist in interest calculations.

070209. Interest Payment Funding

DoD will pay any late payment interest penalties from either the funds available for the administration of the program for which the penalty was incurred, (refer to ***5 CFR 1315.10(b)(5)***), or from funds financing the operation of the military department or defense agency with which the invoice or contract payment is associated, (refer to Public Law 107-117, Division A, Title VIII, ***Section 8084***). All interest payments will be charged to the fiscal year(s) in which they accrue. If the interest is accrued at the end of the fiscal year, but not paid until the beginning of the next fiscal year, the prior year's funds will be cited. If interest is accrued at the end of the fiscal year, and additional interest is accrued in the new fiscal year, the total interest penalty will be funded citing each respective fiscal year's funds where the interest was accrued, thus ensuring the interest fund cite represents the bona fide need of the year in which the obligation arises. If the appropriation to which the interest would otherwise be charged is cancelled, the appropriation current on the date of payment will be charged pursuant to ***31 U.S.C. § 1553 (b)(1)***.

A. Entitlement offices are required to maintain detailed records in support of their determinations, and are to make these records available upon request of any activity determined to have caused a late payment.

B. A contractor may waive interest entitlement by returning the amount of interest paid by separate check or by returning the government check and requesting payment only in the amount invoiced. In addition to returning interest penalties already received, a contractor may waive their right to PPA interest by either express written statement or by acts and conduct which indicate intent to waive. All requests made in writing must be submitted to the applicable payment office established in the contract, be specific to each invoice/payment, and be for interest that is already earned/accrued. A contractor may not request a waiver of interest for potential interest not yet accrued, or a blanket waiver for a group of contracts/invoices. Interest waiver request documentation must be retained with payment supporting documentation.

C. Interest retained or waived is collected as a refund to the appropriation originally cited for the payment of interest. All refunds of interest or penalties from contractors will be credited to the same line of accounting classification (including fiscal year) that was charged at the time interest was paid. If the appropriation is cancelled or closed, then refunds will be applied to Miscellaneous Receipts of the Treasury.

D. The Foreign Military Sales (FMS) Trust Fund will fund late payment interest penalties pertaining to procurements financed by a FMS contract. Refer to Volume 15, Chapter 7 for additional information concerning FMS pricing.

VOLUME 10, CHAPTER 8: "COMMERCIAL PAYMENT VOUCHERS AND SUPPORTING DOCUMENTATION"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font*.**

The previous version dated August 2012 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
080101	Revised the Overview paragraph to include policy regarding electronic submission and processing requirements that are incorporated from Chapter 17. Chapter 17 is deleted upon publishing of this chapter.	Addition
080102	Added clarification to the Scope of the chapter by defining commercial payment vouchers.	Addition
080103	Added an Authoritative Guidance section for compliance with the recently updated DoD Financial Management Regulation Revision Standard Operating Procedure.	Addition
080201.A & B	Added additional Federal Acquisition Regulation references pertaining to electronic processing, incorporated from Chapter 17, as authorities for this chapter.	Addition
080202.A & B	Added additional Defense Federal Acquisition Regulation Supplement references pertaining to electronic processing, incorporated from Chapter 17, as authorities for this chapter.	Addition
080203	Added the Prompt Payment Act citation and hyperlink.	Addition
080206	Added clarification of certifying officer duties and appointment requirements and reference to Volume 5.	Addition
080208	Incorporated policy from Chapter 17 requiring vendor registration in the System for Award Management.	Addition
080209	Added reference to policy in Volume 5 authorizing the use of electronic and digital signatures.	Addition
080210	Added policy pertaining to the use of the Government Purchase Card on contracts.	Addition
080302	Added clarification regarding the proper information that must be contained in a contract and the requirement for a formal modification to change contract terms.	Addition

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
080303.A	Added policy clarifying that, in addition to Wide Area Workflow (renamed to the iRAPT module of the Wide Area Workflow (WAWF) e-business suite), Enterprise Resource Planning systems and third party payment systems may be used for electronic submissions.	Addition
080303.E.2	Added clarification to the language pertaining to the resolution of discrepancies on variations in quantity when the invoice indicates a final shipment.	Addition
080304.B.1 & 2	Incorporated policy from Chapter 17 pertaining to electronic invoicing requirements and added reference to Chapter 1 regarding internal controls.	Addition
080304.C, D, F & H	Clarified policy pertaining to the requirements of a proper invoice and the handling of improper invoices, clarified policy pertaining to internal controls for recurrent payments, and clarified the policy regarding invoices requiring the Administrative Contracting Officer (ACO) signature.	Addition
080306 (prior version)	Deleted the section, 'Multi Use Forms', as it was duplicative of policy already covered in other sections.	Deletion
080401	Revised the records retention requirement from 6 years 3 months to 6 years after the final payment on a contract, in accordance with the U.S. National Archives and Records Administration (NARA), General Records Schedule (GRS), Transmittal 23. Also clarified the responsibility of maintaining supporting documentation as that of the contracting officer.	Revision
080402	Added and incorporated reference to the Electronic Document Access system as a central repository for official payment documentation.	Addition
080501.B.2	Added the requirement to include the name, contact information and signature on the translation certificate related to documents prepared in a foreign language.	Addition
080602.B	Added clarification to the policy regarding the acceptance of pen and ink changes by the entitlement office on supporting documentation to externally certified payment requests.	Addition

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CHAPTER 8

COMMERCIAL PAYMENT VOUCHERS AND SUPPORTING DOCUMENTS

0801 GENERAL

*080101. Overview

Commercial payment vouchers and the related processing requirements addressed in this chapter apply to payments made to contractors and vendors (used interchangeably throughout the chapter) as part of the contract and vendor payment environments covered by the Federal Acquisition Regulation (FAR), Defense Federal Acquisition Regulation Supplement (DFARS), and other authorities identified in Section 0802. The preparation and certification of a payment voucher by the entitlement office based on the proper supporting documentation, as well as those externally certified, advises the disbursing officer (DO) that the contractual conditions for payment have been met.

*080102. Purpose

This chapter prescribes the policy for the entitlement and preparation of commercial payment vouchers, and the documentation required to support the payment vouchers. It also identifies the forms most often used for contracts, receiving reports, and vouchers, as well as the related electronic submission and processing requirements, and document retention requirements.

*080103. Authoritative Guidance

The policies prescribed throughout this chapter pertaining to the entitlement and preparation of commercial payment vouchers, including supporting documentation, are based upon the laws and regulations cited herein.

0802 POLICIES AND REQUIREMENTS

*080201. Federal Acquisition Regulation (FAR)

Title 41, United States Code (U.S.C.), Section 1302, establishes the Federal Acquisition Regulatory Council. Pursuant to ***41 U.S.C. 1303***, the Council issues and maintains a single Government-wide procurement regulation known as the ***FAR***. The FAR is the primary regulation for use by all Federal executive agencies in their acquisition of supplies and services with appropriated funds.

* A. ***FAR Subpart 4.5, Electronic Commerce in Contracting***. This subpart provides policy and procedures for the establishment and use of electronic commerce in Federal acquisition as required by ***41 U.S.C. 2301***.

* B. ***FAR Subpart 32.11*** prescribes that contract financing and delivery payments to contractors are to be made by Electronic Funds Transfer (EFT). FAR 32.1103 and ***Title 31 Code of Federal Regulations (CFR) section 208.4*** prescribe limited exceptions to the requirement to make payments via EFT. Volume 5, Chapter 11 provides additional EFT policy information.

*080202. Defense Federal Acquisition Regulation Supplement (DFARS)

The Department of Defense (DoD) implementation and supplementation of the FAR is issued in the ***DFARS***.

* A. ***DFARS Subpart 232.70,*** Electronic Submission and Processing of Payment Requests and Receiving Reports, prescribes Departmental acquisition policies requiring the submission and processing of contractor payment requests and receiving reports in electronic form to comply with ***10 U.S.C. 2227***.

* B. Acceptable electronic submission forms prescribed in ***DFARS 232.7003*** include, but are not limited to:

1. The Invoicing, Receipt, Acceptance, and Property Transfer (iRAPT) module of the Wide Area Workflow (WAWF) e-business suite;

2. DoD approved electronic third party payment systems (TPPS), or other exempted vendor payment/invoicing systems, which have been determined to be acceptable for commercial transportation services provided under a Government rate tender or contract for transportation services; and

3. TRICARE Encounter Data System (TEDS) for rendered health care services.

*080203. Prompt Payment Act

The Prompt Payment Act (PPA), codified in ***31 U.S.C. Chapter 39*** and ***5 CFR Part 1315***, requires DoD Components to pay their bills on time and pay interest penalties when payments are made late. Regulations promulgated under PPA state that federal agencies should take discounts only when payments are made by the discount date and the discount is economically justified. Refer to Chapter 7 for additional policy specific to PPA.

080204. Payment Prevalidation

Public Law 104-61 Sec. 8102, DoD Appropriations Act, FY 1996 requires that each disbursement be matched to a particular obligation before the disbursement is made (prevalidation). Specific Departmental policy regarding payment prevalidation is located in Chapter 1, section 0103.

080205. Requirements for Disbursing Transactions

The DoD Financial Management Regulation (FMR) Volume 5, Chapter 9 prescribes requirements covering disbursing transactions. Additionally, the Treasury Financial Manual (TFM), ***Volume 1, Part 4*** prescribes requirements for disbursing payment vouchers.

*080206. Payment Certification Requirements

Title ***31 U.S.C. 3325*** authorizes disbursing officers to disburse money only when provided a voucher certified by a properly appointed certifying officer. Certifying officers are individuals designated in writing (appointed) who are required to perform their duties in accordance with Volume 5, Chapter 5. ***DoD Directive 5118.03*** delegates authority to appoint certifying officers under 31 U.S.C. 3325(a)(1) and (b), to the Under Secretary of Defense (Comptroller) (USD(C)). Volume 5, Chapter 5 re-delegates that authority to DoD Component Heads, who may further re-delegate that authority. All certifying officers must be appointed using a Department of Defense (DD) ***Form 577***, Appointment/Termination Record-Authorized Signature. Certifying officers who certify electronic vouchers must submit an electronic DD Form 577 as prescribed by Volume 5, Chapter 5. By certifying a voucher, the certifying officer attests that the payment is legal, correct, and proper. As stated in ***31 U.S.C. 3528*** and Volume 5, Chapter 5, certifying officers are pecuniarily liable for payments they certify that do not meet these requirements. For specific policy related to the successive certification of an externally certified voucher received by the payment office, refer to Volume 5, Chapter 5, paragraph 050504. The Secretary of Defense has delegated authority to the Director of Defense Finance and Accounting Service (DFAS), or designee, to make the required determinations and grant or deny relief on all requests for relief of liability. Refer to Volume 5, Chapter 6, section 0607 for the policy regarding decisions of liability.

080207. Taxpayer Identification Number (TIN)

Title ***31 U.S.C. 7701(c)*** requires all payees, subject to the U.S. Internal Revenue Code, doing business with the DoD to furnish their TIN (which may be a Social Security Number (SSN) for individuals). Payments are not to be authorized without a TIN or SSN on record for required payees (***FAR 4.902***).

*080208. System for Award Management (SAM)

In accordance with ***FAR Subpart 4.11***, contractors and vendors doing business with the Federal Government must register in ***SAM***, except as noted in FAR 4.1102**.** The exceptions include instances involving classified contracts, purchases using the Government-wide commercial purchase card, and emergency or contingency operations. Contractors and vendors are responsible for keeping all SAM information current.

*080209. Electronic and Digital Signatures

Title ***15 U.S.C. 7001***, and as detailed in Volume 5, Chapter 1, authorizes DoD to use electronic and digital signatures. Volume 5, Chapter 1, paragraph 010305.C prescribes the minimum requirements for electronic and digital signatures.

*080210. Contract Payments Using the Government Purchase Card (GPC)

FAR 13.301 authorizes the use of the GPC to make payments on contracts. Pursuant to ***FAR 32.1110(d)***, contracting officers shall insert the clause at ***FAR 52.232-36***, Payment by Third Party, if payment under a written contract will be made by a charge to a Government account with a third party such as a Government-wide commercial purchase card. However, pursuant to FAR 32.1108(b)(1), payment by a purchase card also may be made under a contract that does not contain the clause to the extent the contractor agrees to accept that method of payment. When it is contemplated that the Government-wide commercial purchase card will be used as the method of payment, and the contract or order is above the micro-purchase threshold, contracting officers are required to verify (by looking in the SAM) whether the contractor has any delinquent debt subject to collection under the Treasury Offset Program (TOP) at order placement and contract award. In accordance with FAR 32.1108(b)(2)(ii), contracting officers shall not authorize the Government-wide commercial purchase card as a method of payment during any period the SAM indicates that the contractor has delinquent debt subject to collection under the TOP. The ***Department of Defense Government Charge Card Guidebook*** provides additional policy and procedures pertaining to the uses and limitations of the GPC in paying contracts.

0803 SUPPORTING DOCUMENTS REQUIRED TO PROCESS PAYMENTS

As part of entitling and certifying a payment, DoD Components must ensure that appropriate payment documentation is established and retained to support payment of invoices and interest penalties. This documentation normally includes the contract/purchase order, receipt/acceptance report, and a proper invoice. Refer to ***5 CFR 1315.9*** for additional information on required documentation. Paragraph 080303 defines the exceptions in which receiving reports are not required prior to payment.

080301. Follow-up for Required Documents

If the entitlement and certification of contractor/vendor invoices cannot be accomplished due to the non-receipt of receiving reports, copies of contracts, contract modifications, or other required documentation, the entitlement office must follow-up with the contracting or receiving office to ensure that these documents are forwarded in a timely manner. The entitlement office, contracting office, and receiving activity must address these actions timely to prevent the potential loss of economically justified discounts (if possible) and to avoid the unnecessary payment of late payment interest penalties.

*080302. Contract

A. Definition. As defined by ***FAR 2.101***, a contract is a mutually binding legal relationship obligating the seller to furnish the supplies or services (including construction) and the buyer to pay for them. Contracts must contain the information prescribed by 5 CFR 1315.9(a) in order to support payment of contractor/vendor invoices. If the entitlement office discovers an error in a contractual document, they must notify the contracting office to request corrective action. The entitlement office may not change contract terms. Contract terms may only be changed through a formal modification to the contract. FAR Subpart 4.5 requires the use of electronic commerce in Federal acquisition whenever practicable or cost-effective.

B. Contract Types. ***FAR Part 16*** describes the types of contracts that may be used in acquisitions.

C. Contract Clauses. ***FAR Part 52*** and ***DFARS Part 252*** contain:

1. Instructions for using provisions and clauses in contracts, and the

2. Contract clauses prescribed in specific FAR and DFARS provisions.

D. Contract Award. Forms commonly used for contract award include, but are not limited to:

1. ***Standard Form (SF) 26, Award/Contract***,

2. ***SF 33, Solicitation, Offer and Award***,

3. ***SF 44, Purchase Order - Invoice - Voucher***,

4. ***SF 1449, Solicitation/Contract/Order for Commercial Items***,

5. ***DD Form 1155, Order for Supplies or Services***, and

6. ***Optional Form (OF) 307, Contract Award***.

E. Contract Modifications

1. ***FAR Part 43*** and ***DFARS Subpart 243.2*** contain the policy and procedures for preparing and processing contract modifications.

2. ***SF 30, Amendment of Solicitation/Modification of Contract*** is a form that may be used for contract modifications.

F. Contract Distribution. ***FAR 4.201*** and ***DFARS 204.201*** prescribe distribution procedures for contracts and contract modifications that include the requirement to make distribution to the appropriate accounting and payment offices.

*080303. Receiving Report

* A. Definition. As defined by FAR 2.101, a receiving report is written evidence documenting the Government's acceptance of supplies delivered or services performed. Acceptance must occur as a condition of payment in all cases except contract financing payments, interim payments on cost-reimbursement contracts for the acquisition of services, and use of the fast payment procedure as defined in Volume 10, Chapter 7 paragraph 070203.C.1.b. As stated in DFARS Subpart 232.7002, contractors shall submit payment requests and receiving reports in electronic form. DFARS 232.7003 identifies the acceptable electronic submission forms which include using the iRAPT module of the WAWF e-business suite (or other limited authorized electronic means as indicated in DFARS 232.7003). The iRAPT module of WAWF, Enterprise Resource Planning (ERP) systems and third party payment systems accomplish electronic receipt and acceptance of materials or services with the use of an electronic signature.

B. Forms. If approved by the contracting officer and stated in the contract, non-electronic forms that may be used as a receiving report include, but are not limited to:

1. ***DD Form 250, Material Inspection and Receiving Report***. The form used for documenting receipt and acceptance of goods and services is the DD Form 250. The ***DFARS Appendix F, Part 3*** contains preparation instructions for the DD Form 250.

2. DD 1155. The verification of receipt by an authorized government representative constitutes a valid receiving report.

3. SF 44. General procedural instructions governing the form's use are printed on the form and on the inside front cover of each book of forms. For conditions that must be satisfied in order to use the SF 44, see section 080704 and ***48 CFR 13.306***.

4. Bill of Lading. When the government accepts title at origin (***FAR 47.302***) and the contract does not require source acceptance, the contractor may be paid provided the invoice is supported by a copy of a signed commercial bill of lading or other document containing the carrier's signature indicating the goods were received by the carrier. If the contractor fails to provide this documentation, then return the invoice to the contractor for being improper.

5. SF 1449. The SF 1449 is prescribed for use in solicitations and contracts for commercial items.

C. Follow-up for Receiving Report. If payment cannot be made due to non-receipt of a receiving report, the entitlement office must follow up with the contracting officer and/or receiving office to ensure the documentation is forwarded in a timely manner.

D. Receiving Report Not Required. In certain situations, such as contract financing and the fast payment procedure, a receiving report may not be required prior to payment.

1. Contract Financing Payments. As defined in ***5 CFR 1315.2(h)***, contract financing payments provide for an authorized disbursement of monies prior to acceptance of goods or services.

a. Contract financing payments include advance payments, progress payments based on cost, progress payments (other than under construction contracts) based on a percentage or stage of completion, payments on performance-based contracts, and interim payments on cost-type contracts (other than under cost-reimbursement contracts for the acquisition of services. Title ***5 CFR 1315.4(d) & (e)*** provide for an exception whereby interim payments under a cost-reimbursement service contract are treated like contract financing payments in that they are also excluded from requiring a receiving report and acceptance prior to payment authorization.

b. Contract financing payments do not include invoice payments, payments for partial deliveries, lease and rental payments, progress payments under construction contracts based on a percentage or stage of completion, or interim payments under cost-reimbursement service contracts.

2. Contracts incorporating the "Fast Payment Procedure". Use of the fast payment procedure allows payment prior to verification that supplies have been received and accepted, under the limited conditions listed in ***FAR 13.402*** and ***DFARS 213.402***. Refer to Chapter 10, section 1005 for additional fast payment procedure policy.

* E. Variation in Quantity. Quantity variations in contracts may be authorized for both supply contracts and construction contracts as cited in ***FAR Subpart 11.7***. Variations result when total quantities delivered for a line item deviate from contracted quantities. The contract will cite permissible variations as a percentage of contracted quantity and may be defined as an increase, a decrease, or a combination of both (e.g., plus or minus 10% variance).

1. When a shipment is short of the quantity ordered, the entitlement office will pay, in compliance with the PPA (5 CFR 1315), the amount of the invoice that supports the quantity received and accepted unless specifically prohibited by the contract.

* 2. When the receiving report or the invoice indicates that the shipment is final, but there are undelivered items remaining per the contract terms, the entitlement office will pay, in compliance with the PPA (5 CFR 1315) and the variation authorized in the contract, the amount of the invoice that supports the quantity received and accepted. The entitlement office must also collaborate with the contracting officer as needed to advise and assist in resolving the differences.

*080304. Invoice

A. Definition. As defined by FAR 2.101, an invoice is a contractor/vendor's bill or written request for payment under the contract for supplies delivered or services performed. According to DFARS Subpart 232.70, contractors/vendors, with few exceptions

(refer to ***DFARS 232-7003(b) and (c)***), are required to invoice electronically using the iRAPT module of the WAWF e-business suite.

B. Submission Requirements

* 1. When using contracting officer approved/designated electronic techniques for submission of invoices and electronically certified vouchers, it is not necessary to transfer paper documentation to the payment office for examination if the same supporting data is readily available and accessible in electronic media or through an electronic process.

* 2. The certifying officer must further ensure that the transmitted data relied upon in entitling and certifying a payment contains the necessary PPA information required by 5 CFR 1315.9 and ***FAR 32.905(b)***. As prescribed by Chapter 1, Section 010202.D, processes, controls, and routine testing should be established to ensure the completeness, accuracy, authorization, and validity of the electronic data received via system interfaces/transmission.

3. When vendors/contractors are permitted to invoice in a non-electronic manner, they may submit invoices on any type of form, provided all contract required items of a proper invoice are included on the document, unless their contract prescribes a specific form of invoicing. Title ***5 CFR 1315.9(b)(1)*** and FAR 32.905(b) identify the items that must be included on a proper invoice in accordance with the PPA. The required documentation cited in the CFR must contain correct information to constitute a proper invoice and is required as payment documentation.

* C. Proper Invoice. DoD payments must be based on the receipt of a proper invoice, unless an invoice is not required by the contract (e.g., monthly rental payments), and satisfactory contract performance. FAR 32.905(b) provides details on the information required for a proper invoice.

* D. Improper Invoice. If an invoice is improper or does not meet the contract requirements prescribed by FAR 32.905(b), then the designated activity must return the invoice to the vendor/contractor and provide all details regarding invoice deficiencies. Additionally, an invoice must be returned as improper if the entitlement office has not been provided a valid TIN for any designated payee subject to the U.S. Internal Revenue Code. If the TIN is not in the SAM, Corporate Electronic Funds Transfer, or within the supporting documentation (to include the invoice or contract), then the contracting officer shall provide the contractor's TIN to the appropriate payment office (***FAR 4.203***). An electronically transmitted payment request is treated the same as a paper payment request and must contain identical data elements as a proper paper payment request (FAR Subpart 32.905(b)). Electronically transmitted payment requests that are returned to the contractor will be returned in the same manner that they were received; or in a manner practical for the entitlement system. An electronic message reporting the reason for the return must accompany the returned electronically transmitted payment request.

E. Forms. Non-electronic forms that may be used as an invoice, if approved by the contracting officer and included in the contract, include, but are not limited to:

1. DD Form 250,

2. SF 44,

3. Delivery Ticket, refer to Chapter 7 (070203.B.2), and

4. SF 1449.

* F. Recurrent Payments/Fixed Amounts. Payments for services of a continuing nature (e.g., rents, janitorial services) which are performed under agency-vendor contracts providing for payments of definite amounts at fixed periodic intervals may be made without submission of invoices or bills by the vendor if allowed by the contract. However, the contract must specify the payment due date. The voucher prepared by the payment office to support payments of this nature must show, at a minimum, the contract number, the period covered by the payment, the name of the vendor, the amount of the payment, and the account/appropriation to be charged. The payment voucher must be certified for payment the same as are the vouchers for all other types of payments. To comply with TFM Volume 1 Part 4A, ***Chapter 2000, Section 2055***, internal controls must be established and periodically tested to ensure that recurrent payments being made are: (1) on unexpired contracts or agreements, (2) for correct amounts, (3) for services actually received, or leased space actually under contract, and (4) are not duplications of previous payments made for the same goods or services.

G. Lost or Destroyed Invoices. If an original invoice has been lost or destroyed, then a duplicate must be obtained from the original submitter of the invoice to support the voucher. Mark the invoice obtained as a duplicate. A full explanation of the loss or destruction of the original invoice and a statement that steps have been taken to prevent duplicate payments must be placed on or attached to the duplicate invoice. If the information has already been input from the invoice into the entitlement system, payment can be made from the information contained in the entitlement system prior to obtaining a duplicate invoice. In those situations where a duplicate invoice cannot later be obtained from the contractor, an annotation should be made documenting that payment was made based on existing records, a hardcopy duplicate invoice could not be obtained, and the "original" invoices were lost or destroyed. The specific existing records relied upon must be identified and documented, and management review and approval of such payment must occur and be documented prior to the disbursement. Refer to ***TFM Volume 1 Part 4A, Chapter 2000, Section 2045.05***.

* H. Invoices Requiring Administrative Contracting Officer (ACO) Approval. The Defense Contract Audit Agency (DCAA) is the authorized representative of the ACO for approving all interim contract payment vouchers for provisional payment subject to final audit. DCAA does not provisionally approve the contractor's final voucher on a contract, since the approval is required to be performed by the contracting officer. DCAA also approves for provisional payment, subject to final audit, the interim vouchers for commercial and non-commercial Time and Material (T&M) and Labor Hour (LH) contracts. Refer to DoD Directive ***5105.36*** for additional information regarding DCAA's roles and responsibilities in this process. The following invoices and vouchers require ACO approval before payment:

1. Completion vouchers under cost-plus, fixed-fee, or other cost-reimbursement type contracts;

2. Vouchers and invoices for termination costs under supplemental agreements unless the termination modification specifies the costs to be paid;

3. Completion vouchers under T&M and LH contracts;

4. Invoices for progress and performance-based payments under fixed-price type contracts;

5. Vouchers and invoices where the contract requires approval by the ACO before payment;

6. Invoices for the release of "withhold" amounts previously instituted by the ACO; and

7. Any payment request where a DO requires an ACO signature.

080305. Payment Voucher

For specific guidance on payment vouchers, including a description and essential data, refer to Volume 5, Chapter 9. ***TFM Volume 1 Part 4A, Chapter 2000*** contains guidance related to scheduling payments and required payment voucher data. Forms that may be used as a payment voucher include, but are not limited to:

A. SF 44,

B. ***SF 1034***, Public Voucher for Purchases and Services other than Personal, and

C. DD 1155.

0804 DOCUMENT RETENTION

*080401. Period of Retention

Original payment documentation and associated documents will be retained as government records in a format readily accessible to the entitlement office for a period of 6 years after final payment under the contract. Extensions to this record retention period may be warranted on a case-by-case basis when determined necessary that the records are needed beyond the 6 year period to complete reconciliation of payment or collection discrepancies, audit readiness requirements or for other necessary purposes. Refer to the U.S. National Archives and Records Administration (NARA), General Records Schedule (GRS), ***Transmittal 23***, Section 1.1, for additional information on document retention. Electronic record storage requires adequate controls to ensure that integrity of the digital images accurately represent the corresponding paper documentation and detect changes to an original digital image. The retention of documentation,

both paper and electronic records, is the responsibility of the certifying officer. Also refer to Volume 1, Chapter 9 for DoD policy regarding financial records retention.

*080402. Electronic Document Access (EDA)

EDA is a mandatory DoD centralized repository of all unclassified contracts, orders, and modifications in accordance with ***DFARS PGI 204.201***. The system is also used as a repository for Contract Deficiency Reports (CDR), Government Bills of Lading (GBL), vouchers and receiving reports. Refer to the ***EDA Manual*** for more information regarding business rules for using the system.

0805 FOREIGN LANGUAGE DOCUMENTS

*080501. Documents Prepared in a Foreign Language

A. Invoices and supporting documents prepared in a foreign language must be translated before payment to ensure their contents satisfy requirements of the contractual document. Refer to ***DFARS 225.1103*** for additional policy related to contracts that may involve documentation written in a foreign language.

B. The documents must be translated in enough detail (contract number, item identification, unit of measure, price, and extension) to enable someone unfamiliar with the language to determine that receipts (material or services) satisfy the contract terms.

1. Documents containing technical terms that cannot be translated by entitlement office personnel should be forwarded to the using or ordering activity for translation.

* 2. If terms are so technical that a translation cannot be made, then a descriptive translation is adequate provided the using or requiring activity certifies receipt and acceptance of the items, and provides the names and contact information, along with the signature accompanying this certification if not performed electronically.

3. If not properly translated, return the invoice to the vendor as improper. Refer to paragraph 080304.C and Volume 10, Chapter 7, for information on improper invoice policy.

080502. Multiple Invoices

If several invoices contain basically the same format and wording, then a single translation is adequate provided like invoices support the same payment voucher and:

A. The required certification shows that all data not translated on other identified documents are the same as that translated,

B. All non-common data on all invoices are identified and translated in enough detail to allow an audit by persons not familiar with the language, and

C. A separate translation is attached for each group of different invoices.

080503. Translation Certificate

The translation can be entered over or under the corresponding foreign wording or in its entirety on any available space on the document. If space is not available, then the English translation may be copied on a separate sheet. The translator completes and signs the following certificate on each translated document found satisfactory for payment: "I certify that I am familiar with the ____ language, and that I have made a true and correct translation of the_____." (Printed Name, Signature, Date, and Contact Information). This certification, which pertains only to the translation, may be inscribed on a separate sheet and attached if space is not available on the foreign language document. A duly appointed (via a DD Form 577) certifying officer must ensure payment requirements are satisfied based upon the translation.

0806 PROCESSING ALTERED DOCUMENTS

The following policy applies to pen and ink changes associated with contractual documents, requests for payment, receiving reports, and invoice documents.

080601. Prohibited Pen and Ink Changes

A. Pen and ink changes are prohibited from being made on all contractual documentation. ***FAR 43.301(a)*** prescribes the use of the SF 30 to make changes to contractual documentation.

B. Entitlement office personnel are prohibited from making pen and ink changes on requests for payments, receiving reports, and invoices for the following information:

1. Payee Identification. Payee identification includes, but is not limited to: name, address, banking information, Commercial and Government Entity code, and TIN.

2. Order Numbers. Order numbers include, but are not limited to: contract, modification, call, task, and delivery order numbers.

3. Monetary Amounts. Monetary amounts include any dollar value on any of the contractual documents.

4. Line of Accounting (LOA) Data. LOA data includes all information pertaining to the LOA on any of the contractual documents.

5. Names of Officials and Officers. Officials and officers include, but are not limited to: the certifying officer, approving official, contracting officer, and all other related information as typed or printed on the contractual documents.

6. Dates. Dates include any dates impacting PPA interest or discounts.

*080602. Allowable Pen and Ink Changes

A. Entitlement offices can make pen and ink changes for administrative type errors not described in paragraph 080601.B on requests for payment, receiving reports, and invoice documents.

* B. Entitlement office personnel may accept pen and ink changes on supporting documentation attached to an externally certified payment request, certified and submitted by an appointed certifying officer. When submitting a certified payment voucher with accompanying manually altered supporting documents such as requests for payments, invoices, and other documents, a properly certified SF 1034 must be provided to the entitlement office identifying the correct total amount and fund cites to be processed.

0807 EMERGENCIES AND CONTINGENCY OPERATIONS

080701. Definitions

A. Emergencies. The ***Robert T. Stafford Disaster Relief and Emergency Assistance Act***, defines emergencies as any occasion or instance for which, as determined by the President, Federal assistance is needed to supplement State and local efforts and capabilities to save lives and to protect property and public health and safety, or to lessen or avert the threat of a catastrophe in any part of the United States.

B. Contingency Operations. A contingency operation, as defined by ***FAR 2.101(b)***, is a military operation that either:

1. Is designated by the Secretary of Defense as an operation in which members of the armed forces are or may become involved in military actions, as evidenced by the execution of an operations plan (operations order) by a combatant commander; or

2. Results in the call or order to, or retention on, active duty of members of the uniformed services or any other provision of law during a war or during a national emergency declared by the President or Congress. For additional information on contingency operations, refer to Volume 12, Chapter 23.

080702. PPA Exemption

Certain payments made during contingency operations, an emergency, or the release or threatened release of hazardous substances (as defined in ***42 U.S.C. 5170-5195c***) may not be subject to the requirements of ***FAR Subpart 32.9***. Refer to ***DFARS 252.232-7011*** and Volume 10, Chapter 7 for the policy detailing these exemptions.

080703. Simplified Acquisition Threshold

Title ***41 U.S.C. 1903*** provides detailed policy involving the simplified acquisition thresholds to support contingency operations and special emergency procurements. The contracting community is primarily responsible for ensuring the conditions for invoking 41 USC 1903 are met.

080704. Standard Form (SF) 44, Purchase Order - Invoice - Voucher

The SF 44 is designed for on-the-spot, over-the-counter purchases of supplies and non-personal services while away from the purchasing office or at isolated activities. The amount of the purchase must be at or below the micro-purchase threshold defined in ***FAR Subpart 13.2***, except for purchases made under unusual and compelling urgency or in support of contingency operations. The simplified acquisition threshold applies to the SF 44 for overseas transactions by contracting officers in support of contingency operations. Refer to ***FAR 13.306*** and DFARS ***213.306*** for the conditions that must be satisfied in order to use the SF 44.

080705. Government-wide Purchase Card

A contracting officer supporting a contingency operation may use the Government-wide commercial purchase card to make a purchase that does not exceed the simplified acquisition threshold. Refer to ***DFARS 213.301 (3)*** for information concerning the conditions that must be met.

080706. Certification Guidelines

In addition to a contract, receiving report, and an invoice, certifying officers involved in supporting emergencies and contingency operations must ensure the information below is contained within the entitlement package. This is to ensure that the entitlement to payment is valid to certify and make a contract or vendor payment if the payment is exempt from PPA. Payments subject to PPA would fall within the requirements contained in Chapter 7.

A. Contract number,

B. Contractor name,

C. Contractor address,

D. Item description,

E. Item quantity,

F. Item price,

G. Fiscal year and appropriation,

H. Date invoice received by Government Official (or invoice date if receipt date not annotated),

I. Invoice amount,

J. Date of receipt/acceptance,

K. Printed name of government official (receiving activity official authorized to receive and/or accept the items or services),

L. Signature of government official (must match printed name), and

M. TIN

080707. Written Justification

In circumstances where information identified in paragraph 080706 is not present on one or more of the documents (i.e., contract, receiving report, or the invoice), the certifying officer may certify the payment if they can make a reasonable linkage among the documents. The certifying officer must be confident that there is a legal obligation to pay, the payee has fulfilled any prerequisites to payment, the amount of the payment and identity of the payee are correct, and the payment is legal under the appropriation or fund involved. However, they should justify in writing why they certified the payment absent any of this information. This justification can either be made on the voucher or on a separate attachment provided with the voucher. Annex 1-Contingency Operation Payment Matrix provides a matrix tool to assist in identifying the critical data elements necessary to perform a proper certification of a payment made in support of an emergency or military contingency operation.

080708. Transportation Cost

If transportation costs are claimed or shipment damage occurs or is expected to occur, then shipping terms should be considered as a critical element.

080709. Control of Funds

All accounting offices that support emergencies or contingency operations must ensure that accounting and document retention requirements are in place within 30 days of declaration of the operation. Adherence to these requirements is critical to DoD financial stewardship and control of funds.

ANNEX 1 MATRIX FOR PAYMENTS IN SUPPORT OF EMERGENCIES AND CONTINGENCY OPERATIONS

This annex provides a matrix tool to assist certifying officers in identifying the critical data elements necessary to properly certify a payment made in support of emergencies and contingency operations. The matrix does not apply to contract financing payments since contract terms stipulate the invoicing and related documentation requirements.

When authorized, the Head of the Contracting Activity (HCA), in consultation with the cognizant Comptroller supporting their contracting activity, will make the determination of whether a contract and related payment will be subject to the prompt payment requirements of ***Federal Acquisition Regulation (FAR) Subpart 32.9*** and in accordance with the criteria outlined in ***Defense Federal Acquisition Regulation Supplement (DFARS) 232.901***. This determination will be reflected in a specific payment clause in the individual contract.

- Emergencies and contingency operations payments made subject to Prompt Payment Act (PPA) requirements must adhere to the payment documentation requirements contained in ***Title 5 Code of Federal Regulation (CFR) Section 1315.9***.

- Emergencies and contingency operations payments which are not subject to the PPA requirements must adhere to the documentation requirements contained in the following matrix.

The data elements contained in the matrix, in addition to other requirements which may be imposed by the contract terms or those deemed necessary by the certifying officer, are critical requirements for ensuring proper certification. While it is desirable that all elements for a proper invoice, receiving report and contract in 5 CFR 1315 are available for review by the certifier and subsequent processing of the payment, they are not required if the payment is not subject to FAR 32.9.

The matrix in this annex identifies the types of payments (e.g., construction, goods or services) that can be exempt from the PPA and the data elements that are required for each type of payment. The matrix is not intended to be all-inclusive as it is very difficult to predict all types of payments that will be made during emergencies and contingency operations. Many payments fall under the category of miscellaneous payments and each miscellaneous payment may have different data element requirements associated with it.

The certifying officer must use professional judgment to determine if a payment request and supporting documentation is sufficient to demonstrate that the payment is legal, correct and proper.

- Critical data element not on all documents. A critical data element may be missing from one document, but present somewhere in the payment package. While all critical, required data elements identified in the matrix for a specific type of payment must be present on the supporting documentation, these data elements do not have to be present on all the documents. In other words, if a required data element is contained on the contract (e.g., Taxpayer

Identification Number (TIN)) but not the invoice, and the certifying officer can make a reasonable linkage between the two documents, then the certifying officer may certify that payment.

- Critical data element completely omitted. When a payment package does not contain a critical data element as reflected in the matrix, the certifying officer must be confident that there is: (1) a legal obligation to pay, (2) the payee has fulfilled any prerequisites to payment, (3) the amount of the payment and identity of the payee are correct, and (4) the payment is legal under the appropriation or fund involved. For any payment package missing any required critical data element, the certifying officer must justify in writing why they certified the payment. This justification can either be on the voucher or on a separate attachment provided with the voucher.

CRITICAL ITEMS REQUIRED FOR EMERGENCIES AND CONTINGENCY OPERATION PAYMENTS CERTIFICATION MATRIX

Data Element	Contracts			Leases	Purchase Card Payments
	Services	Goods	Construction		
Contract Number	X	X	X	X	X
Contractor Name	X	X	X	X	X
Contractor Address	X	X	X	X	X
Item Description	X	X	X	X	X
Item Quantity		X			
Item Price		X			
Fiscal Year & Appropriation	X	X	X	X	X
Invoice Date or date invoice received by Government Official	X	X	X		X
Invoice Amount	X	X	X		X
Date of receipt/acceptance	X	X		X	X
Printed Name of Government Official	X	X	X	X	X
Signature of Government Official	X	X	X	X	X
Tax Identification Number (TIN)	X	X	X	X	X

CRITICAL POLICY COMPLIANCE REQUIREMENTS:	
1.	A contract, receiving report, and invoice are required documents. The elements identified in the matrix must be present on at least one of the documents. Refer to paragraph 080707 for justified exceptions under emergencies and contingency operations.
2.	Cash payments require the seller's signature of receipt attached to the voucher.
3.	For payments for services of a recurring nature, if the contract does not require submission of an invoice for payment, then the contract must specify the payment due date.
4.	An interim payment request under a cost reimbursement contract for services constitutes a proper invoice, if it correctly includes all of the information required by the contract.
5.	Progress payments based on the percentage of completion must be certified by the prime contractor.
6.	The TIN is required for all payees subject to the U.S. Internal Revenue Code. Payees not required to provide the TIN include: court order payments, foreign companies, foreign visitors, and U.S. Government agencies. Refer to paragraphs 080207 and 080304.C.
7.	Documentation for miscellaneous payments varies, based on the specific type of payment. Refer to Volume 10, Chapter 12 and the ***Department of Defense Guidebook for Miscellaneous Payments*** for additional policy.
8.	A certifying officer must justify in writing when a payment is made which is missing any required critical data element. This justification can either be made on the voucher or on a separate attachment provided with the voucher.
9.	If transportation costs are claimed or shipment damage occurs or is expected to occur, shipping terms are considered a critical element.

VOLUME 10, CHAPTER 10: "PAYMENT VOUCHERS – SPECIAL APPLICATIONS"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue and underlined font*.**

The previous version dated June 2012 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
100103	Revised the General section of the chapter and created an 'Authoritative Guidance' section to comply with current administrative instructions.	Addition
100202.B	Revised policy requiring all non-interfund intragovernmental transactions to be done via the Intragovernmental Payment and Collection (IPAC) system, unless a specific waiver is granted by the Bureau of Fiscal Service.	Revision
100202.C	Added language clarifying that funds are not to be advanced to non-Department of Defense Federal entities unless specifically authorized by law, legislative action, or Presidential authorization.	Addition
100203.C	Added policy requiring components to ensure the existence of, and access to, evidence of receipt and acceptance for all intragovernmental and interfund transactions, as prescribed by Deputy Chief Financial Officer (DCFO) policy memorandum dated July 8, 2013.	Addition
100204.A.1	Added clarification regarding the follow up procedures required to obtain documentation to support the receipt and acceptance when a constructive delivery method is used.	Addition
100204.B.2	Added clarification regarding the responsibilities of the supplying activities and the supporting documentation requirements.	Addition
100206.D.5	Added the reference authorizing the General Services Administration to delegate authority to contract for telecommunications services.	Addition
1003	Added the statutory authorities allowing for the payment of partial payments and clarified the definition.	Addition

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
100301	Revised the name of the Wide Area Workflow (WAWF) invoicing platform to Invoicing, Receipt, Acceptance, and Property Transfer (iRAPT) module of the WAWF; and clarified the electronic submission requirements.	Revision
100401.A	Provided the statutory references supporting each type of contract financing payment and provided clarification on when progress payments based on a percentage or stage of completion may be used.	Addition
100401.D	Added policy identifying how contract financing payments must be posted to the general ledger in accordance with the DCFO policy memorandum dated October 9, 2014.	Addition
100402.A.1	Clarified that progress payments must be submitted via the iRAPT module of WAWF; and identified the Defense Federal Acquisition Regulation Supplement citation providing for special liquidation rates pertaining to small businesses.	Revision
100402.E	Clarified the liquidation methodologies of progress payment financing.	Addition
100403	Segregated and separately identified performance based payments financing from progress payments to provide better clarification on their use, to include payment and liquidation.	Addition
100404.A, C	Provided additional detail and clarification on the subsidiary records required to be maintained and reconciled for advance payments, as well as clarification regarding the liquidation of advances.	Addition
1005	Segregated and separately identified cost reimbursement type contracts payments, to include defining when they are considered financing.	Addition
100501	Added policy requiring that interim cost reimbursement payments that are considered contract financing, in accordance with Federal Acquisition Regulation, Subpart 32.001, must follow the general ledger posting requirements identified in subparagraph 100401.C.	Addition
100502	Added clarification concerning the cost verification and provisional approval for state and local government submitted claims that fall under the provisions contained in the Office of Management and Budget Circular A-87.	Addition
100602.B	Provided clarification and additional details concerning the controls that must be in place to ensure a “closed loop” process exists for Fast Pay payments; to ensure that auditable evidence of receipt and acceptance is obtained and documented.	Addition

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CHAPTER 10

PAYMENT VOUCHERS – SPECIAL APPLICATIONS

1001 GENERAL

100101. Overview

The Department of Defense (DoD) uses payment vouchers to document the payment of billings for services and supplies. Payment voucher processing described in this chapter relates to vouchers with unique entitlement or execution features. This chapter includes policy for executing intragovernmental payments; and entitling partial, contract financing, advance, fast payments, and payments against cost reimbursement type contracts. Disbursement processing requirements are described in Volume 5, Chapter 9.

100102. Purpose

This chapter prescribes the DoD policy for handling payment vouchers with special requirements in accordance with the laws and regulations cited herein.

*100103. Authoritative Guidance

This chapter establishes policies based on the statutory and regulatory requirements spelled out in specific sections of the ***Treasury Financial Manual (TFM)***, ***Title 31***, United States Code (U.S.C.), ***Title 41, U.S.C.***, ***Title 41, Code of Federal Regulations (CFR)***, Federal Acquisition Regulation ***(FAR) Part 32***, and the Defense Federal Acquisition Regulation Supplement ***(DFARS)*** referenced throughout the chapter. Standard processing forms include the ***Standard Form (SF) 1080***, "Voucher for Transfers Between Appropriations and/or Funds," ***SF 1081***, "Voucher and Schedule of Withdrawals and Credits," ***SF 1034***, "Public Voucher for Purchases and Services Other Than Personal," and the ***General Services Administration's (GSA) Form 789***, "Statement, Voucher, and Schedule of Withdrawals and Credits."

1002 INTRAGOVERNMENTAL PAYMENTS

100201. General

Intragovernmental payments result from transactions between Federal entities for sales, services, or transfers between such entities. See Volume 4, Chapter 3 for intragovernmental accounting policy. For DoD, these transactions can be:

1. Between DoD and Non-DoD Entities,
2. Between DoD Components, or,
3. Within a DoD Component.

*100202. Definitions

A. Interfund Billings. Intragovernmental transactions between or within DoD components for the purchase of goods will be processed through the interfund billing system when supported by the supply and accounting systems (also see Volume 4, Chapter 3, paragraph 030505, for additional policy on intragovernmental collection actions). As prescribed by the Defense Logistics Manual ***(DLM) 4000.25, Volume 4***, "Military Standard Billing System – Finance" (MILSBILLS), the GSA, Federal Aviation Administration, and the National Oceanic and Atmospheric Administration are authorized Federal agencies that may also bill DoD through the interfund billing system for goods purchased. The interfund billing system allows suppliers to reimburse themselves at the time of the billing from appropriations designated by the customer. The supplier forwards an automated billing to the billed office and reports, to the Treasury Department, a reimbursement of the supplier's funds with an offsetting charge to the customer's funds. Interfund bills therefore serve as both a billing and a notice to the customer that its funds have been charged and the bill has been paid. Only the billing office or the Central Accounts Office is authorized to adjust or otherwise reverse reimbursements reported to the Treasury on behalf of the billing office. See the DLM 4000.25, Volume 4, for detailed MILSBILLS interfund billing procedures.

* B. Non-Interfund Billings. Intragovernmental transactions between DoD Components and/or between a DoD Component and a non-DoD entity that are unable to be processed through the interfund billing system, described in 100201.B, are classified as non-interfund transactions. Unless granted a waiver by the Department of the Treasury, Bureau of the Fiscal Service, the Intragovernmental Payment and Collection (IPAC) system is the method Federal entities, including the DoD, must use for non-interfund intragovernmental transactions to electronically bill and pay for services and supplies (as prescribed by the TFM, Volume 1, Part 2, Chapter 4700, Appendix 10, ***Section 9.4.3***). The IPAC system communicates to the Department of the Treasury and the trading partner agency that the online billing and payment for services and supplies has occurred. Refer to TFM, Volume 1, Part 6, ***Chapter 4000*** for further details on how to process transactions using the IPAC system. See Volume 5 Chapter 11 for disbursing policy related to IPAC processes, and Volume 4 Chapter 3 for accounting policy related to non-interfund receivables policy.

* C. Advance Payments. Unless the DoD Component is specifically authorized by law, legislative action or Presidential authorization, funds are not to be advanced to non-DoD Federal entities, or be used to pay for advance billings without the receipt of goods or services. The constructive delivery and drop from inventory methods described in section 100203 are exceptions to this prohibition on advances prior to receipt. Volume 11A, Chapter 3 contains additional policy pertaining to advances to non-DoD entities.

*100203. Completion of Intragovernmental Reimbursement and Transfer Vouchers

A. Vouchers. The SF 1080 and the SF 1081 are the primary authorized vouchers used to entitle and execute non-interfund intragovernmental payments. The SF 1034 is also authorized. See Volume 5, Chapter 9 for detailed guidance regarding disbursement vouchers for non-interfund intragovernmental transactions.

1. SF 1080. Components will use the SF 1080 to bill other DoD components and non-DoD Federal agencies for intragovernmental transactions. If the same entity accounts for and reports on the funds charged and credited, then the "billing" and "billed" offices are the same. In such cases, if the transfer is within the same appropriation, then use an Optional Form ***(OF) 1017-G***, Journal Voucher (refer to Volume 6A, Chapter 2 for preparation policy and instructions). If different appropriations are involved, then use the "no check drawn" SF 1080.

2. SF 1081. Components will use the SF 1081 when a manual process is used to generate interagency payments and collections between DoD and other agencies of the U.S. Federal Government. In addition, the SF 1081 is used for correcting prior expenditure or collection transactions, as well as for processing expenditure transactions not requiring payment by check.

3. Valuation / Cost Conditions. The following conditions may apply when using either the SF 1080 or SF 1081:

a. Surplus articles for which payment is to be made are listed on the voucher or supporting documents at their appraised values.

b. Work and shop orders indicate the unit prices of articles or services furnished or the actual value of personal services, materials, or other direct charges and overhead. When vouchers cover expenses related to the use of equipment, the following certification is placed upon the itemized statement: "I hereby certify that the amount billed herein represents cost as determined under ***31 U.S.C. § 1535*** and ***1536***." In cases where the account is billed based on unit costs (e.g., per hour, day, mile) rather than by itemization of supplies and services, such unit costs will include all expenses of operation and maintenance except depreciation.

c. The services of an employee performed for another Federal department or agency may be reimbursed to the providing agency if an agreement for reimbursement was made before the rendering of such services. Copies of such agreements are attached to the transfer voucher (i.e., SF 1080, 1081, or 1034) in support of the payment.

d. Articles issued from stock on hand or stock due in are listed on the vouchers or supporting documents. The unit prices of such items are at the standard, average cost, or computed on such basis as to ensure proper reimbursement to the agency.

4. GSA 789. The GSA 789 is an authorized payment voucher for purchases from GSA.

B. Billing Verification. Certifying Officer Legislation requirements, as prescribed by ***31 U.S.C. § 3325*** and ***3528***, do not apply to intragovernmental payments.

1. The entitlement office examines intragovernmental payment vouchers and supporting documentation to verify amounts, ensure required information is present, and validate that any required certifications are present; such as that described in 100203.A.3.b for the use of equipment. The entitlement office also verifies accessorial charge rates when levied by

non-DoD government activities for issues, sales, and transfers of material, supplies, and equipment.

2. This verification must ensure that charges do not take into account recurring reimbursement issues (sales) and non-reimbursable transfers of material to other DoD Components, except for sales and transfers pursuant to the military assistance grant aid program and Foreign Military Sales (FMS) programs. After the review and examination for propriety, the entitlement office cites the accounting classification and verifies the voucher is ready for payment.

* C. Receipt and Acceptance Documentation. Evidence of receipt and acceptance is required to support all intragovernmental and interfund transactions. The accurate and timely recording of receipts is critical to ensure financial statements are materially correct. DoD financial reporting entities must develop and implement internal controls to ensure receipt and acceptance is properly accomplished and documented to support all intragovernmental transactions.

*100204. Constructive Delivery or Drop from Inventory

A. General. Components can place orders with another major organization within DoD or another agency for goods or services under the Economy Act, 31 U.S.C. § 1535. Refer to Volume 11A, Chapter 3 for policy on Economy Act orders. Payments from the ordering agency are made promptly upon the written request of the agency or unit filling the order. Payment is made in advance or upon providing the goods or services ordered for any part of the estimated or actual cost, as determined by the agency or unit filling the order. A bill submitted, or a request for payment, is not subject to audit or certification in advance of payment. Adjustments of amounts paid prior to receipt of the goods or services are made in accordance with prior agreement by appropriate Component personnel on the basis of the actual cost of goods or services provided. DoD billings are based on constructive delivery or drop from inventory as follows:

* 1. Constructive Delivery. Constructive delivery is the delivery of material by the providing entity to a commercial carrier, freight forwarder, United States or international post office, or customer at the point of production, storage, or test.

a. Delivery is evidenced by completed copies of shipping documents, material shipment status of shipping documents, or a list of deliveries to a post office. Constructive delivery also applies to billings for goods accepted by an authorized inspector of another DoD Component providing direct shipment to the consignee. Such billings must be supported with a Department of Defense ***(DD) Form 250***, "Material Inspection and Receiving Report," or other authorized documents received from the inspector showing shipment. Under constructive delivery, bills are issued when the carrier accepts the goods for transport.

b. Payment under constructive delivery differs from the actual delivery or drop from inventory concept. Constructive delivery bills are accepted and paid without waiting for delivery of the goods to the final destination. However, Components must perform follow up procedures to ensure the goods have been received and accepted, and obtain the documentation to support the receipt and acceptance for subsequent audit purposes.

2. Drop from Inventory. Drop from inventory is the reduction of the quantitative inventory balance. Billing for shipments from stock must be billed at the standard price in effect at the time the stock is dropped from inventory. Refer to Volume 11B, Chapter 15 for pricing policy of inventory items.

B. Non-interfund Billings from DoD

1. General. Following a supply activity requisition, reimbursable sales of material are billable after the material has been transferred using the drop from inventory method. Billing will occur on the basis of the drop from inventory or performance of services. Sales of bulk petroleum, oil, lubricants, and perishable subsistence, as well as FMS and military assistance grant aid shipments are noted exceptions to this billing policy. Refer to DLM 4000.25, Volume 4, ***Chapter 2*** for billing guidelines.

* 2. Responsibility of Supplying Activity. The supplying activity initiates a request for payment for items supplied to the DoD. Billings must, at a minimum, be supported by the following information: document order number, description of the article or services, delivery or other performance date, quantity, and price. The document order number will normally be satisfied by the requisition document number and the description will normally be satisfied by the National Stock Number. The delivery or performance date is the same date established in the detail billing record, as appropriate for the issue or service. The supplying activity notifies the requisitioning activity of item substitutions and price or quantity changes. Though not required, to facilitate the resolution of billing or payment disputes involving bills, billing offices should also include electronic contact information on the bill. Refer to DLM 4000.25, Volume 4, Chapter 2 for further details regarding billing procedures.

3. Responsibility of Requisitioning Activity. The requisitioning activity records the amounts and quantities of items approved for payment. The requisitioning activity adjusts the billing for unacceptable items or for items unfilled by the supplying activity and provides reimbursement for the adjusted amount. The requisitioning and supplying activities determine subsequent disposition of the unfilled items through mutual agreement.

4. Billing Adjustments for Short, Damaged, or Defective Shipments within the DoD. The requisitioning activity initiates action to obtain billing adjustments. When the DoD Component shipping the items is responsible for an adjustment, a Supply Discrepancy Report (SDR) (an electronic equivalent to the ***SF 364***, "Report of Discrepancy" (ROD)), is prepared by the receiving activity and submitted under Defense Logistics Management Standards procedures. The Transportation Management Office or Transportation Office initiates the DoD ***(DD) Form 361***, "Transportation Discrepancy Report (TDR)," when the shortage or damage is attributed to the commercial carriers. For procedural instructions regarding these reports, see the ***Defense Transportation Regulation, Part II, Chapter 210 (TDR)*** and DLM 4000.25, Volume 2, ***Chapter 17 (Supply Discrepancy Reporting)*** for procedural instructions regarding these reports.

5. Other Billing Adjustments or Allowances. The requisitioning activity is responsible for initiating requests to the billing activity to grant adjustments or allowances that do not arise from shortages, damages, or defects in shipments. These adjustment and allowance requests are submitted via the SDR for discrepancies such as overages (to be

retained by the receiving activity), unacceptable substitutes, or erroneous material received. Approved requests are applied as an adjustment or allowance to the customer account included in the billing document.

6. Billing and Credit for Material Diversions Using Military Standard Requisitioning and Issue Procedures/Military Standard Transaction Reporting and Accounting Procedures (MILSTRIP/MILSTRAP). If the requisitioning activity cancels requisitions, then the requisitioning activity is credited the amount billed, including accessorial charges. Refer to DLM ***4000.25-1, Chapter 2*** for further details regarding MILSTRIP cancelation procedures. The alternate consignee for material diverted is billed for the standard price and accessorial charges. If the Defense Logistics Agency (DLA) places an order for direct shipment of non-stocked items and the requisitioning activity cancels the order, then the requisitioning activity is billed via the SF 1080 for contract termination costs arising from cancellation of the requisition. DLA notifies the "bill to" activity cited in the canceled requisition of impending termination costs.

100205. Payments to Defense Working Capital Funds (DWCFs)

Payment for services rendered by DWCF activities is based on the prescribed rates, tariffs, and billing procedures. DWCF payments are made with the same policy as constructive delivery and drop from inventory payments described in section 100204.

*100206. General Services Administration (GSA)

The majority of GSA billing is accomplished via the interfund process utilizing the Simplified Interagency Billing and Collection (SIBAC) system. When the interfund process is not used, the GSA Form 789 is used for purchases from GSA as prescribed by ***41 CFR 101-2.105***.

A. Non-interfund Billings (GSA)

1. GSA provides selected supplies, equipment, services, space, communications, motor vehicle rental, and other miscellaneous items on a reimbursable basis. These supplies and services are financed from revolving, management, or working capital funds and reimbursement from the components is obtained through periodic billings and collections. Periodic billings and collections allow GSA to operate these programs with a minimum amount of appropriated funds.

2. The ordering activities receive bills from GSA biweekly, monthly, or quarterly, after the fact, or in advance on the GSA billing forms. As prescribed by DLM 4000.25, Volume 4, Chapter 2, when activities are unable to use electronic methods, the SF 1080 or the GSA 789 may be used for billing. GSA is not required to certify such bills. Except for those bills that are rendered in advance (such as rental payments), bills are sent to the components only after there is evidence of actual delivery of material or services or after receipt of evidence of shipment (constructive delivery). GSA furnishes bills and supporting documentation containing the data necessary to permit identification of the requisition, purchase order, or other obligating documents. GSA may process requisitions of $1 or less without billing.

B. Adjustments. GSA adjusts bills for transportation type discrepancies attributable to the common carrier, when the difference in shipment is caused by the shipper (GSA), or results from a lost or damaged parcel post shipment. See DLM 4000.25, Volume 4, ***Chapter 4*** for additional policy regarding requesting or processing billing adjustments or refunds.

1. For lost, damaged, or defective shipments, when the discrepancy is attributable to the common carrier, the receiving activity prepares a TDR. The GSA processes these claims within Continental United States (CONUS), since they are designated on the government bill of lading to make payment of transportation charges to the common carrier.

2. When a discrepancy in shipment is either caused by the shipper (GSA) or results from a lost or damaged parcel post shipment, the receiving activity prepares the SDR. The receiving activity sends the SDR under Defense Logistics Management Standards (DLMS) procedures to the GSA National Customer Service Center (NCSC). The NCSC will accept reports of discrepancies sent by mail or via e-mail at NCSCCustomer.service@gsa.gov, or through ***GSA ADVANTAGE***.

3. Errors in GSA non-interfund billings, other than shipping errors, are corrected by GSA based on an electronic request for billing adjustment, if possible, or a letter or email from the billed office. The billed office sends the request for adjustment to the GSA NCSC, including a copy of the bill and explanation of the error.

4. GSA processes the SDR or TDR, replies to the receiving activity, and when applicable, sends an adjusted bill to the billed office. The GSA may also initiate communication advising the billed office of erroneous billings, and when applicable, submit an adjusted bill to the billed office.

a. If GSA fails to reply to an SDR or TDR, then the receiving activity is responsible for following up with the GSA NCSC. Refer to Defense Transportation Regulation (DTR), Part II, Chapter 210 (TDR) and DLM 4000.25, Volume 2, Chapter 17 (SDR) for follow up instructions. When the reply to an SDR or TDR indicates a billing adjustment will not be made, the issue may be elevated within the organization's management chain for resolution. When the reply indicates a billing adjustment will be made, the receiving activity provides a copy of the reply to the billed office.

b. If the billing adjustment that GSA stated was forthcoming is not received within 60 calendar days of the date of the reply to the SDR or TDR, the SDR/TDR submitter should consult the billed office for verification. When non-receipt of credit is confirmed, the billed office will submit a request for billing adjustment as prescribed by MILSBILLS procedures contained in DLM 4000.25, Volume 4.

C. Transportation. GSA pays transportation costs on stock items to all CONUS activities and to United States ports of embarkation for overseas shipments. These costs are included in the GSA standard stock item prices.

D. Non-interfund Payments

1. Payment is made for material through the IPAC system within 15 days after receipt of the GSA invoice. Bills are paid as rendered without preaudit or receipt verification, subject only to availability of funds and adjustments for obvious significant errors in dollar amount. If items are deleted from the billing, then fully explain on the GSA billing forms. A follow up process must be established to ensure the material paid for has been received and accepted. Documentation obtained in support of the receipt and acceptance must be retained as part of the support for the billing for future audit purposes.

2. As prescribed by DLM 4000.25, Volume 4, Chapter 2, GSA billings for material shipped overseas contain a special surcharge for packing, packaging, and preservation of material. These costs are not included in the standard unit prices of the items but are separately billed. GSA billings for these charges cite the appropriation fund code shown in the MILSTRIP requisition.

3. Surcharge rates are computed by applying an authorized percentage of the value of the material ordered and delivered, with both Level A and Level B pack, through the GSA regions to DoD customers overseas. These rates are subject to change each fiscal year based on an annual review of actual costs by GSA (DLM 4000.25, Volume 4, Chapter 2).

4. GSA Accounting Services is responsible for GSA Motor Pool transactions incurred by the local Transportation Officer. Travel Pay sections process payments to GSA or contractors for vehicle rentals authorized by travel orders. Use the data on the documented detail billing cards to identify the requisition, purchase order, travel order, or other obligating documents. The billing information must be compared to the obligation document; if an error is found, then follow instructions in subparagraph 100206.B. Payment is due within 30 days of the billing date (see 100203.C for requirements regarding receipt and acceptance). GSA supports each transaction listed with detailed billing cards for use with either mechanized systems or for manual processing.

* 5. GSA has exclusive multiyear contracting authority for telecommunications resources. However, GSA may delegate this authority in certain instances (see ***41 CFR 101-35.6*** and ***DFARS 239.7405***). GSA bills for Federal telecommunication services are submitted monthly and paid in advance using the IPAC system, without preaudit or receipt verification and subject only to the availability of funds (see ***10 U.S.C. § 2396*** and 40 U.S.C. § ***581(g)***). These bills should be paid within 15 days after receipt of the GSA invoice. Components must perform follow up procedures to ensure the services have been received and obtain the supporting documentation for subsequent audit purposes.

E. Billing and Credit for Material Diversions Using MILSTRIP. Activities seeking credit resulting from canceled requisitions for a material diversion must provide confirmation of the amount billed, including accessorial charges. The alternate consignee for material diverted is billed for the standard price and accessorial charges. Activities canceling requisitions for material for which GSA placed an order for direct shipment of non-stocked items are billed by SF 1080 for contract termination costs arising from cancellation of the requisition.

GSA will promptly provide the bill to the activity cited in the canceled requisition of impending termination costs.

100207. Payments to the Government Printing Office (GPO), Library of Congress, and Government Corporations

A. General. The ***DLA Document Services*** is the single DoD focal point for GPO ordering and management of document services in accordance with DoD Instruction ***5330.03***. An invoice is submitted to the requisitioning activity upon the furnishing of printing services or supplies. The office billed prepares and processes the SF 1080 for payment and must attach an invoice to the SF 1080. Instead of transcribing the details of the transactions, each invoice can be listed under the caption "per attached invoice" according to date, number, and other identifying data as appropriate.

B. Payments to GPO. GPO reimburses the contractor for commercial printing services acquired through that agency.

*1003 PARTIAL PAYMENTS

In accordance with ***FAR 32.906(c)*** and ***5 CFR 1315.4(k)***, unless prohibited by the contract, partial payments are authorized invoice payments for partial deliveries that have been accepted by the Government. Partial payments are payments made to the contractor after the work has been completed, or goods provided, and are based on items accepted on the receiving report. Per ***FAR 32.102(d)*** payments for accepted supplies and services that are only a part of the contract requirements (i.e., partial deliveries) are authorized by ***10 U.S.C. § 2307***. When appropriate, contract statements of work and pricing arrangements must permit acceptance and payment for discrete portions of the work, as soon as accepted (FAR 32.906(c)).

*100301. Invoicing and Tracking

When partial payments are made on purchase orders, contracts, or delivery orders, a partial payment record is maintained by the entitlement office. A separate partial payment record is maintained for each purchase order, contract, or other obligation document requiring partial payments. Contractors will submit payment requests and receiving reports in electronic form, utilizing the Invoicing, Receipt, Acceptance, and Property Transfer (iRAPT) module of the Wide Area Workflow (WAWF) e-business suite, as prescribed by ***DFARS 232.7002*** and DFARS ***232.7003***, with noted limited exceptions. When payment requests and receiving reports are not submitted in electronic form, the contracting officer will consult with the payment office and the Administrative Contracting Officer (ACO) regarding the preferred method for submitting payment requests.

100302. Discounts Offered

Partial payments may contain discount provisions per the contract, or on the invoice, that must be considered. See Chapter 2 for discount policy.

100303. Ordering Agreements and Blanket Delivery Orders

Payments made against blanket purchase agreements, call type contracts, and blanket delivery orders, as defined by ***FAR Part 16***, are not considered partial payments, except when more than one payment is required on an individual call or order.

1004 CONTRACT FINANCING PAYMENTS

*100401. General

A contract financing payment, as defined in ***FAR 32.001*** and ***DFARS Subpart 232***, is an authorized government disbursement of monies to the contractor prior to acceptance of supplies or services by the government. Contract financing payments relieve the contractor from responsibility for the total financing of a contract that extends over a long period or is for a large amount of money. These payments must be authorized by the contracting officer within the contract terms and conditions.

* A. Contract financing payments include:

1. Progress payments based on cost, ***FAR 32.5*** and ***DFARS 232.5***;

2. Progress payments based on a percentage or stage of completion, as prescribed by ***FAR 32.102***, are authorized only for contracts for construction (as defined in FAR ***36.102***), shipbuilding, and ship conversion, alteration, or repair. However, percentage or stage of completion methods of measuring contractor performance may be used for performance based payments in accordance with ***FAR 32.10***;

3. Performance based payments, FAR 32.10 and ***DFARS 232.10***;

4. Advance payments, ***FAR 32.4*** and ***DFARS 232.4***;

5. Commercial advance and interim payments, ***FAR 32.2*** and DFARS ***232.206***; and

6. Interim payments under a cost reimbursement type contract, except for a cost reimbursement contract for services when Alternate I of the clause at ***FAR 52.232-25*** is used. See section 1005 for policy pertaining to payments on cost reimbursement type contracts.

B. In accordance with ***DFARS 232.102-70***, the contracting officer may establish provisional delivery payments to pay contractors for the costs of supplies and services delivered to and accepted by the Government under certain contract actions. This may take place if the contract is undefinitized whereby the contract terms, specifications, or prices are not agreed upon before performance begins.

C. Contract financing payments do not include:

1. Invoice payments,

2. Payments for partial deliveries,

3. Lease and rental payments, or

4. Interim payments under a cost reimbursement type contract for services when Alternate I of the clause at FAR 52.232-25 is used.

* D. Contract financing payments must be recorded in the appropriate general ledger account (i.e., Construction in Progress (General Ledger Account Code (GLAC) 172000.0200), Internal Use Software in Development (GLAC 183200.9000), Inventory Work-in-Progress (GLAC 152600.9000), or as Operating Expenses/Program Cost (GLAC 610000.9000)). Except under a true Advance Payment situation as defined by FAR Subpart 32.4, contract financing payments should no longer be recorded as Advances and Prepayments - Outstanding Contract Financing Payments (GLAC 141000.0200). The Office of the Secretary of Defense, Deputy Chief Financial Officer policy memorandum dated October 9, 2014, subject 'Accounting and Reporting Contract Financing Payments', provides additional policy concerning the recording and posting of the various types of contract financing payments.

*100402. Progress Payments

Progress payments are made to the contractor when requested as work advances.

A. Progress Payments Based on Costs. These payments, authorized by the inclusion of FAR contract clause ***52.232-16***, are made to the contractor when requested, but not more frequently than monthly and only in amounts approved by the contracting officer in accordance with FAR 32.5 and DFARS 232.5. Progress payment requests are processed in sequential order.

* 1. Each contractor request for progress payment must be prepared and submitted through the iRAPT module of WAWF, in accordance with ***DFARS 252.232-7003***, on a separate ***SF 1443***, "Contractor's Request for Progress Payment." The FAR and DFARS links provided herein discuss the computation, liquidation, reduction, suspension and limitations of progress payments. In addition, ***DFARS 252.232-7004*** provides for special liquidation rates pertaining to small businesses.

2. Progress payments may have different liquidation rates. For example, a contract may have different liquidation rates for payments pertaining to the United States effort versus FMS. In this example, the liquidation rate could be 80 percent for the United States versus 90 percent for FMS, and two separate SF 1443s are required to be prepared and submitted by the contractor. In addition, as prescribed by ***DFARS 252.232–7002***, if more than one FMS country is involved, the contractor is required to attach a supporting schedule for the SF 1443 identifying the countries and the requested distribution of the payment. Unless directed otherwise in the contract or by the contracting officer, the contractor submits the SF 1443, with supporting information, to the entitlement office designated in the contract when requesting a progress payment.

3. ***FAR 32.102(b)*** states that progress payments based on costs do not include:

a. Payments based on the percentage or stage of completion when the contract contains either FAR clause ***52.232-5*** or ***52.232-10***,

b. Payments for partial deliveries accepted by the government,

c. Partial payments for a contract termination proposal, or

d. Performance based payments (FAR 32.10).

B. Progress Payments for Fixed-Price Construction Contracts. The government may make progress payments on fixed-price construction contracts containing FAR clause 52.232-5 based on estimates of work accomplished which meet the standards of quality established under the contract. These progress payments, whether disbursed monthly or at more frequent intervals as determined by the contracting officer, should be processed by the entitlement office as partial payments as described in paragraph 100301.

C. Progress Payments Based On Percentage of Completion. ***FAR 32.102(e)(1)*** references the statutory authority to use progress payments based on a percentage or stage of completion. Agency procedures must ensure that payments are commensurate with work accomplished, which meets the quality standards established under the contract. Furthermore, progress payments may not exceed 80 percent of the eligible costs of work accomplished on undefinitized contract actions.

D. Progress Payment Allocations to Accounting Classifications

1. When allocating progress payments across Accounting Classification Reference Numbers (ACRNs), controls will be established to ensure the individual ACRNs are not overliquidated (obligation amount assigned at the ACRN level is not exceeded). ***DFARS Procedures, Guidance, and Information (PGI) 204.7108*** identifies the methodologies for allocation (payment instructions) that contracting officers must include in contracts when financing payments are authorized. These DFARS PGI provide instruction to the payment office to assign payments to the ACRN citation(s).

2. If the progress payment is for FMS requirements, then the portion of the amount approved for payment is charged to each customer country. For the FMS customer to receive a correct billing statement, the long line fund citation must include the country code, implementing agency, country code designator, and the case line number. If each country code contains only one ACRN, then payment is made to the ACRN reporting the country code, implementing agency, and case line item.

3. If there is more than one ACRN for each country code, then the amount charged to each country code is prorated to the ACRNs identified to that country code.

Proration is based on the ratio of the ACRN obligation to the total obligation for a particular country code.

4. Progress payments, performance based payments, and commercial item financing will ordinarily be charged to an ACRN so that the outstanding financing payment balance for each ACRN does not exceed the Unliquidated Obligation (ULO) for that ACRN multiplied by the liquidation rate (see subparagraph 100402.E.1.d for progress payment recoupments involving both U.S. and FMS funds). This internal control ensures contracts are not overliquidated at the ACRN level prior to final delivery, even though the payment instructions may state that the payment office is to liquidate payments using the oldest available ACRN before disbursing funds from ACRNs with a longer remaining period of availability for expenditure.

a. If the process described in 100402.D.4 for allocating progress payment balances to ACRNs deviates from ACRN allocation instructions within the contract, allocations in entitlement and accounting systems may be established to reflect contract instructions that essentially direct liquidation of contract finance payments from ACRNs with a shorter remaining period of availability for expenditure. This may facilitate liquidation of obligations pursuant to ***31 U.S.C. § 1553*** prior to closure of the appropriation account by operation of section ***1552*** of such title.

b. If the contracting officer determines that another alternate ACRN allocation methodology is to be used to liquidate payments for a specific contract, then the contracting officer must negotiate a written agreement to such an alternate methodology with the payment office before that alternate allocation methodology may be used.

5. There are occasions when work is shifted from one contract to another for the same contractor. The shifting of work between contracts must be in compliance with DoD progress payment policy of taking offsets whenever possible. When shifts occur, it is noted that a disbursement adjustment between contracts is a bookkeeping entry and not a payment transaction. Accordingly, when work is shifted between contracts of the same contractor, a progress payment is the net amount of the transactions involved on the contracts. Any transfers of work from one contract to another contract are ordered by a modification to each affected contract.

* E. Progress Payment Recoupment

Progress payments are recouped (liquidated) either by voucher deductions from amounts otherwise due the contractor on payments for delivered and accepted items; or in extremely rare cases by cash refunds. Recoupments must take into account the DFARS PGI payment instruction requirements contained in the contract, as described in 100402.D.1. If the contract contains the FAR clause 52.232-16, progress payment financing shall be liquidated by deducting from any payment under this contract, other than advance or progress payments, the unliquidated progress payments, or 80 percent of the amount invoiced, whichever is less.

1. Deduction from Vouchers

a. Disbursement vouchers are prepared for the gross amount of work completed by the contractor and charged to the applicable account. From this gross amount, the deduction for the liquidation amount will occur to recoup the prior progress payment financing.

b. The recouped amount is determined by multiplying the gross amount of the invoice by the liquidation rate stated in the contract. If this amount is greater than the outstanding progress payment balance, then the outstanding progress payment balance becomes the amount recouped.

c. The recoupment is first computed by applying the recoupment against the outstanding progress payment balance of the ACRN to which the delivery is applicable.

(1). If sufficient schedule information is available, then any remaining recoupment is applied against the outstanding progress payment balance of the ACRN. The recoupment is against the ACRN representing the delivery furthest into the future within the same service as the deliverable ACRN. If sufficient liquidation is not available within the deliverable service ACRN, then liquidation from the ACRNs of other services should occur against the delivery furthest into the future.

(2). If sufficient schedule information is not available, then the remaining liquidation is prorated against those ACRNs with an outstanding progress payment balance within the service of the deliverable first, and then from other service ACRNs when necessary. The basis for the proration is the ratio of the individual ACRN progress payment balances to the total contract progress payment balance.

d. Recoupments are not accomplished involving both U.S. and FMS funds unless both are involved with the payment of the deliverable item. If there is a deliverable payment against U.S. funded ACRNs, then progress payments are recouped only against the U.S. ACRNs. For a deliverable payment against FMS funded ACRNs, progress payments are recouped against only those countries involved with the FMS deliverable.

e. For invoices offering discounts on contracts with unrecouped (unliquidated) progress payments, see Chapter 2.

2. Cash Repayment. Cash repayments may be required by the provisions of the contract.

*100403. Performance Based Payments

As prescribed by ***FAR 32.1***, performance based payments are a form of contract financing that is authorized for use by the inclusion of FAR clause ***52.232-32*** in solicitations that may result in contracts providing for performance based payments, and fixed-price contracts under which the Government will provide performance based payments.

A. Payment. Performance based payment financing differs from progress payments, which are based on costs incurred, in that they are based on objective quantifiable performance, the accomplishment of defined events, or some other quantifiable method. Two different types of performance based payments may be included in a contract. The inclusion of DFARS clause ***252.232-7012*** authorizes performance based financing payments on a whole contract basis whereas DFARS clause ***252.232-7013*** authorizes the payments on a deliverable line item basis. As prescribed by ***FAR 32.1004***, total performance based payments shall not exceed 90 percent of the contract price if on a whole contract basis, or 90 percent of the delivery item price if on a delivery item basis. Additionally, per ***DFARS 232.1001***, total performance based payment financing must never exceed total cost incurred at any point during the contract.

B. Recoupment. Performance based financing payment amounts shall be recouped (liquidated) by deducting a percentage or a designated dollar amount from the delivery payments. The contracting officer must specify the liquidation rate or designated dollar amounts in the contract. The method of liquidation must ensure complete recoupment no later than final payment. As prescribed by FAR 32.1004, the methodology for liquidating performance based financing payments must be stated in the contract and will be on the same basis as they were paid, whole contract basis or line item basis.

*100404. Advance Payments for Non-commercial Items

Advances are payments made to contractors in anticipation of performance on the contract. Advances are often made prior to the associated costs being accumulated and summarized in the contractor's accounting system. Contracts must include FAR clause ***52.232-12***, Advance Payments, authorizing these payments before payment may be made. In accordance with FAR clause 52.232-12, these payments will be made payable to the contractor marked for deposit only in the contractor's special bank account designated for this purpose. For more details, see FAR 32.4, DFARS 232.4, and Chapter 4.

* A. Reconciliation and Tracking. Subsidiary records of individual advances must be maintained to support the amount recorded in the general ledger account. The subsidiary record must include the amount advanced, the date advanced, the applicable contract number, and the disposition of the advance. At least quarterly, the subsidiary record must be reconciled with the general ledger balance; see Volume 4, Chapter 3.

B. Advance Payment Pool Agreements. Advance payments may be used for financing the performance of more than one contract. This is accomplished under a single advance payment agreement called an advance payment pool agreement, under the authority of FAR ***32.408*** and ***DFARS 232.470***.

1. Advance payment pool agreements are used for the financing of cost type contracts with nonprofit educational or research institutions for experimental or research and developmental work, when several contracts or a series of contracts require financing by advance payments. The educational institution uses the advance to pay expenses that will be reimbursed under performance of the contracts. The advance remains "outstanding" as long as there are:

contracts remaining in the pool; the need for the amount exists; and there is contract value (unliquidated value on the contract) greater than the amount of the advance.

2. Contracts may cite the funds of more than one agency or department when the contract is part of a pooling agreement. When more than one contract is involved in the pooling agreement, one or more of the contracts is designated as the contract for which the advance payments are applied. This is usually a large dollar value contract.

3. The following policies apply to DoD Components operating under advance payment pool agreements:

a. The contractor request for an advance payment must be submitted to, approved, and certified for payment by the office(s) specified in the contract. The advance payment must cite a specific appropriation associated with the advance payment pool agreement. The approved payment request is then forwarded to the payment/entitlement office cited in the contract to be paid.

b. Upon receipt of a properly approved advance payment voucher in the entitlement office, it must be reviewed for accuracy. If proper, the voucher is entitled and forwarded to the disbursing office to be paid.

(1). The payment must cite the appropriations identified on the contracts listed on the reimbursement voucher.

(2). A record must be maintained of all contract financing payments by the entitlement office.

(3). Total payments must not exceed the total amount authorized on the contract.

(4). Payments are to be made within 5 to 10 workdays after receipt of a properly approved reimbursement voucher, but not earlier than the date specified in the pool agreement. These payments are considered a form of contract financing and are not subject to Prompt Payment Act (PPA) interest.

4. Controls must be established (i.e., manual or electronic ledgers) by the payment office to ensure cumulative payments plus the amount advanced do not exceed the ULO of all contracts awarded under the pooling agreement. This condition may result from:

a. Failure to receive obligating documents, or

b. Nearing completion of the pool contracts.

5. Do not make a (non-advance) contract payment when it causes the ULO to fall below the advanced amount. If this condition occurs, then notify the designated DoD Component and request further instructions. The Component will advise whether obligating

documents are in transit or whether the payment must be processed to liquidate the amount advanced.

* C. Recoupment of Advance Payments

The methodology for recoupment of advance payments should be stated in the contract. In accordance with FAR clause 52.232-12, at any time, the contractor may repay all or any part of the funds advanced by the Government. Whenever requested in writing to do so by the administering office, the contractor must repay to the Government any part of unliquidated advance payments considered by the administering office to exceed the contractor's current requirements. If the contractor fails to repay the amount requested by the administering office, all or any part of the unliquidated advance payments may be withdrawn from the special account, established for deposit of the advanced payments, by check signed by only the countersigning agent and applied to reduce the unliquidated advance payments under this contract. If the agency considers a more rapid liquidation appropriate, the contracting officer may use the clause with its Alternate III.

1. When the advance is recouped, or repaid by the contractor, charge the appropriate contracts in the pooling agreement and reduce the amount recorded against the designated contract as advance payments.

2. When a contract is terminated, the disbursing office will collect any balances due for advance payments not liquidated, as well as accrued interest if applicable (see ***FAR 32.407***).

*1005 COST REIMBURSEMENT TYPE CONTRACTS

Cost reimbursement type contracts provide for payment of allowable costs incurred, to the extent prescribed in the contract. These contracts establish an estimate of the total cost for purposes of obligating funds, and contain a cost limitation that the contractor may not exceed (except at its own risk) without the approval of the contracting officer (See ***FAR 16.3***). Interim payments under a cost reimbursable type contract are considered contract financing and are governed by the requirements of FAR Part 32, except for cost reimbursement contracts for services, when Alternate I of the clause at FAR 52.232-25 is used.

*100501. Recording of Payments

The general ledger posting requirements identified in subparagraph 100401.C must be followed for interim cost reimbursement payments that are considered contract financing in accordance with FAR 32.001.

*100502. Authority to Review and Approve Vouchers

The Defense Contract Audit Agency (DCAA) has sole authority for verifying claimed costs and provisionally approving interim payment requests under cost reimbursement, time and materials, and labor-hour type contracts. This authority may include, upon request, cost

verification and provisional approval for state and local government submitted claims that fall under the provisions contained in the Office of Management and Budget ***Circular A-87***. A Contracting Officer's Representative (COR) may not be delegated authority to approve these types of payments. The COR may review contractor billings, but is expected to coordinate with DCAA when any cost verification of data is necessary for support of their surveillance responsibilities. Therefore, DCAA provisionally approves interim payment requests subject to final audit, the ACO approves the final payment request on the contract, and the COR coordinates with DCAA if any cost verification is needed.

100503. Invoice Submission

Contractors must submit payment requests and receiving reports in electronic form, utilizing the iRAPT module of WAWF, as prescribed by DFARS 232.7002 and DFARS 232.7003, with noted limited exceptions. When payment requests and receiving reports are not required to be submitted in electronic form, the contracting officer will consult with the payment office and the ACO regarding the preferred method for submitting payment requests.

100504. Special Provisions for Foreign Military Sales (FMS) Funded Contracts

Special payment techniques are required in some cases when the contract includes requirements under the FMS program for more than one country, or one or more countries and the United States. Further policy regarding FMS funded contracts is contained in Volume 15.

1006 FAST PAYMENT

The fast payment policies authorize payment prior to verification that supplies have been received and accepted, on contracts containing FAR clause ***52.213-1***, Fast Payment Procedure, under the limited conditions listed in ***FAR 13.402*** and ***DFARS 213.402***. When a purchase is made using fast payment procedures, payment is made based on the supplier's submission of an invoice, which constitutes a certification that the contractor has delivered the supplies to a post office, common carrier, or point of first receipt by the government, and that it will repair, replace, or correct nonconforming items.

100601. Payment Timelines and Requirements

Payment is to be made no later than 15 days after receipt of a proper fast pay invoice. However, if the payment office does not meet the 15 day requirement for payment, PPA interest will begin to accrue in accordance with procedures applicable to invoices to which the fast payment procedure clause does not apply. See Chapter 7 for additional PPA policy and requirements.

A. Both manual and electronic invoices will be prominently marked as "FAST PAY" and processed using fast payment procedures. Invoices not prominently marked "FAST PAY" may be accepted for payment. If the contract contains FAR Clause 52.213-1, then the invoice may be paid using fast payment procedures.

B. If the fast payment procedure clause is not incorporated into the contract, the invoice will be paid in accordance with the procedures for invoices to which fast payment procedures do not apply. The contracting officer should be provided timely feedback concerning contractor performance (including deficiencies and any history of abuse) under fast payment purchases.

*100602. Controls

The entitlement office, together with the contracting officer, must ensure the following conditions for use of the fast payment procedures are followed:

A. A closed loop process that matches payments to material receipts and resolves non-receipt or other discrepancies. This should consist of a management control/audit program by the entitlement office for the post-payment examination of payments made under fast pay.

1. Authorized personnel with direct knowledge of the receipt must document receipt of goods and services. This documentation, whether hardcopy or systemic, must be made available within the timeframe prescribed by a post-payment examiner when requested during audits. The audit must confirm receipt and acceptance and include matching with payment documents.

2. The first attempt to obtain missing receiving reports will be initiated no later than 45 days after payment is made. If the receiving report is not received within 45 days from the date of the initial follow up, the entitlement office will contact the contracting officer to verify receipt and acceptance; or issue a contract deficiency report to the contracting officer for noncompliance with contract terms so the entitlement office and the contracting officer can start collection actions;

* B. Auditable evidence of receipt and acceptance of the goods/services exists and is accessible. Audit evidence of receipt must have the date the item(s) were delivered or when the services were rendered, the printed authorizing official's name, and authorizing signature or electronic/digital approval. Audit evidence of acceptance is the authorization that the receipt of goods/services matches the criteria identified on the originating order and acknowledges the item(s)/service(s) are of acceptable condition/quality;

C. An information flow that links consignee (the post office, common carrier, or point of first receipt by the Government) receipt and discrepancy information to both the purchasing and bill entitlement offices. The information flow documents contractor performance and provides timely feedback to contracting/bill entitlement offices; and

D. A prevalidation process that matches expenditures and obligations for fast pay transactions.

VOLUME 10, CHAPTER 11: "PAYMENT AS REIMBURSEMENT FOR PERSONAL EXPENDITURES"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue and underlined font***.

The previous version dated December 2015 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
110201.A and B	Revised reference to Optional Form 1164 as the Standard Form 1164 is now obsolete.	Revision
110201.C	Added references to the Department of Defense (DoD) Instruction 1000.30 for alternative uses to Social Security Numbers and DoD Directive 5400.11 for safeguarding personally identifiable information.	Addition
110201.G	Revised policy reference to DoD Financial Management Regulation Volume 1, Chapter 9, Figure 9-1, and Title 44 United States Code (U.S.C.), Section 2909 for a change in retention requirements.	Revision
110204.A	Revised the policy reference to DoD Conference Guidance, Version 4.0 for the administration and oversight of all conferences.	Revision
110211	Added references, to include 10 U.S.C. § 1094a, 5 U.S.C. § 4109, and Chapter 4, paragraph 040204, prescribing policy for continuing medical education and advance tuition requirements.	Addition
110219.A	Added reference to 10 U.S.C. § 1481 for the payment of expenses incident to the recovery, care, and disposition of a decedent.	Addition

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CHAPTER 11

PAYMENT AS REIMBURSEMENT FOR PERSONAL EXPENDITURES

1101 GENERAL

110101. Purpose

This chapter prescribes the policy for reimbursement to civilian personnel, military members, and others who have used personal funds to pay for Federal Government obligations. The Department of Defense ***(DoD) Guidebook*** for Miscellaneous Payments has been prepared by the Defense Finance and Accounting Service to assist DoD officials in identifying mandatory requirements prescribed for DoD miscellaneous payments. It provides a high level overview of policies and processes, with a goal of consolidating and streamlining miscellaneous payment procedures across the Components.

110102. Authoritative Guidance

The policies prescribed throughout this chapter pertaining to claims for personal expenditures are based primarily upon Titles 5, 10, 31, and 41 of the United States Code (U.S.C.); Titles 5 and 32 of the Code of Federal Regulations (CFR); The Joint Travel Regulations (JTR), Chapters 2, 3, and 5; and DoD Instructions (DoDI).

1102 PERSONAL EXPENDITURES

*110201. General

It is the Department's policy that military and civilian personnel follow standard personnel reimbursement procedures established by their Component or activity, and avoid using personal funds to pay for Federal Government obligations. However, personnel will be reimbursed if the underlying expense was authorized, or if there was an urgent and unforeseen public necessity, and the claim is legally payable. Personnel will not use this policy to avoid the use of standard personnel reimbursement procedures established by their command or agency, or to circumvent other laws or regulations.

* A. Use of electronic submissions is preferable when requesting reimbursement for personal expenditures. The electronic claim must contain all the elements of the Optional Form ***(OF) 1164***, Claim for Reimbursement for Expenditures on Official Business, unless the Component's system captures the same data elements through some other system functionality that can be directly linked to the claim, and support both internal and external audit requirements.

* B. In lieu of electronic submissions, the OF 1164 is the authorized form used in requesting reimbursement for personal expenditures outlined in this chapter.

* C. All payments require claimants subject to the U.S. Internal Revenue Service code to provide a Tax Identification Number (TIN) in accordance with 31

U.S.C. ***section 7701*** and ***Federal Acquisition Regulation, subpart 4.9***. For personnel, the TIN must be the claimant's Social Security Number (***26 U.S.C. § 6109***). However, an alternative identification number should be used whenever possible in accordance with ***DoDI 1000.30***, "Reduction of Social Security Number (SSN) Use Within DoD." In accordance with DoD Directive ***5400.11***, Components must safeguard the privacy of all individuals and the confidentiality of all personally identifiable information (PII), and take action to ensure any PII contained in a system of records used to conduct official business will be protected so the security and confidentiality of the information is preserved.

D. All claims for reimbursement must be submitted in accordance with the DoD and Component's submission policies and procedures (electronic or manual). All claims must be signed by the claimant, appropriate approving official, and certifying officer prior to being paid.

E. Personnel may use electronic and digital signatures to approve and certify financial documents processed through automated information systems (Volume 5, Chapter 1, subparagraph 010305.C).

F. Certifying officers must approve the claim prior to disbursement to ensure the information on the vouchers agrees with all supporting documentation. Certifying officers certify that the claims/vouchers are correct and proper for payment from the appropriation(s) or other funds cited on them or on supporting vouchers, and the proposed payments are legal, proper, and correct (Volume 5, Chapter 5, Sections 0504 and 0505).

* G. To ensure auditability, and to validate entitlement systems' payment records, all claims for reimbursement require supporting documentation for proof of receipt, approval by a designated approving official, and certification by a properly appointed certifying officer prior to the disbursement of payment, as prescribed by the DoD Guidebook for Miscellaneous Payments. Volume 1, Chapter 9, Figure 9-1 prescribes DoD policy regarding the retention period for financial records in support of these payments. Refer to ***44 U.S.C. § 2909*** for authorization to retain records for a longer period than specified in disposal schedules. Supporting documentation includes, but is not limited to, receipts, tickets, and invoices.

110202. Claim for Reimbursement for Expenditure on Official Business

A. Military Personnel and Civilian Employees. Military and civilian personnel claiming reimbursement for expenditure of personal funds without pre-approval must show there was an urgent and unforeseen public necessity. The claimant must prepare a claim for reimbursement and place the following statement on the claim or attach to the claim: "I certify this claim is true and correct. There was an unforeseen and urgent reason to spend my funds, and I have not received credit or payments." The claimant must sign and date the claim. An official designated in the Component or activity procedures must approve the claim prior to forwarding to the certifying officer.

B. Non-Government Personnel. Claims submitted for reimbursement require signatures by the claimant, the approving official, and an authorized certifying officer. A certified

copy of the document requesting the person to perform services, or documentation showing personally paid items, must support the claim.

C. Supporting Documents. The documents supporting certified vouchers must show the goods or services were received and essential. Mission-related expenses incurred while in a travel status are not payable on a travel voucher and/or by using the Defense Travel System. The JTR, ***Chapters 2, 3, and 5***, prescribes items allowable for reimbursement while in travel status for military uniformed Service members and DoD civilian personnel. Also refer to ***5 U.S.C. § 5562*** for employee payments while they are in a missing status as defined in ***5 U.S.C. § 5561***.

110203. Civil Air Patrol Expenses

Reimbursement is authorized to members of the Civil Air Patrol for supplies, including fuel, lubricants, and other items required for vehicle and aircraft operations, through Air Force appropriations. Reimbursement of expenses is also authorized to place into serviceable condition, improve, and maintain equipment (including aircraft, motor vehicles, computers, and communications equipment) owned or leased by the Civil Air Patrol. Refer to ***10 U.S.C. § 9444***.

*110204. Permanent Duty Station Conference Attendance

* A. General. Members may attend conferences of recognized professional organizations to maintain and further their professional competency at Government expense, subject to the availability of funds, specific management approvals, and the member's work responsibilities. Conference attendance expenditures, which contribute to improved conduct, supervision, or management of the DoD Components' functions and activities, may be authorized as prescribed by Volume 9. Refer to the ***DoD Conference Guidance, Version 4.0*** for DoD policy concerning the administration and oversight of all conferences.

B. Attendance at Technical, Scientific, Professional, or Similar Organizations. The DoD requires specific approval for authorization and reimbursement of expenses associated with attending meetings for technical, scientific, professional, or similar private membership non-Federal societies or organizations (***JTR, Chapter 3, Sections 0302 and 0321***). Documentation supporting that approval must accompany the claim for reimbursement.

110205. Notary Public Commission Expenses

An employee required to serve as a notary public in connection with the performance of official duties is entitled to repayment of the expenses incurred in obtaining a notarial commission as authorized by ***5 U.S.C. § 5945***. Reimbursable expenses include the cost of seals, embossing devices, recording and filing fees, and surety bonds required for notaries by state laws. DoD Components will not make reimbursements for claims related to dues for notarial professional associations or other non-essential services. The claim for reimbursement of commission expenses must include a statement that the notary commission is required in the performance of official duties as designated in Component or activity procedures. The claimant's statement must be approved by a management official prior to submission to the certifying officer. There is no statutory authority for payment of these expenses to military members.

110206. Professional Credentials and Specialty Board Examinations

Reimbursement for expenses to obtain professional credentials may be authorized for fees for the application, examination, certification, and other related expenses. The authority for reimbursement of professional accreditation fees is prescribed by ***5 U.S.C. § 5757***.

110207. Passports and Visas

Reimbursement is authorized for costs related to obtaining a visa or passport when required for official travel by DoD employees and their dependents, in accordance with ***JTR, Chapter 2***, section 0204, Table 2-24. Also see the Foreign Clearance Manual (***C3.2.2.1.2***) for additional information.

110208. Personnel Held Captive

A. U.S. military personnel held captive, who barter personal valuables during escape and evasion, may file a claim for reimbursement. The claim submitted for reimbursement must list the value of each article and show its age and condition at the time of barter. The appropriate commander or management official must approve the claim prior to submission to the certifying officer.

B. Civilian personnel held captive, who barter personal valuables during escape or evasions, should consult with their Component's legal counsel in preparation of the claim. The claim must be approved by the designated Component official prior to submission to the certifying officer.

110209. Room and Board for Dependent Children

In limited circumstances, the cost of room and board is reimbursable to sponsors of dependent children who require room and board away from their domicile (not within commuting distance) as prescribed by ***5 U.S.C. § 5924***. Also, see DoD Education Activity ***Regulation 1342.13*** for more information regarding eligibility requirements for education of dependent children in overseas areas or attendance at non-DoD schools. A receipt covering the actual payment of room and board by the sponsor is required to support the claimed amount. Additionally, a signed statement is required from the school superintendent or principal that room and board charges are reasonable for the area, and there was nothing available as a less expensive alternative for providing adequate education at a school within the same comparable distance.

110210. Travel for Dependent Children

When DoD-operated schools are unavailable overseas, the DoD-dependent school system will coordinate the placement of students in local public or private schools, or in boarding schools. In limited circumstances, reimbursement for the education travel of student family members is authorized by 5 U.S.C. § 5924 (4). The claim for reimbursement must be supported with a travel receipt.

*110211. Continuing Medical Education Program

Title 10 U.S.C. § 1094a prescribes policy for continuing medical education requirements. Individuals enrolled in approved medical correspondence courses may be reimbursed for course costs prior to course completion. Refer to ***5 U.S.C. § 4109*** and Chapter 4, paragraph 040204 for additional guidance. The claimant must timely provide satisfactory proof of course completion, through appropriate Component channels, to the certifying officer to avoid debt collection procedures being initiated for perceived non-completion of the course.

110212. Official Representation

The use of appropriated funds for official representation purposes is authorized as prescribed in ***DoDI 7250.13*** (under the authority of ***10 U.S.C. § 127***). The Heads of DoD Components may authorize the expenditure of Official Representation Funds by authorized individuals, or their designees, only for official purposes. The claim for reimbursement must be supported by receipts for personal expenditures, and approved by the officials designated in accordance with Enclosure 4 of DoDI 7250.13, prior to forwarding to the certifying officer for certification.

110213. Awards Ceremony Fees

Fees paid by award nominees, award recipients, their supervisors, and managers attending ceremonies may be reimbursed by the Government when those expenditures fall within the scope of the Government Employees Incentive Awards Act (***5 U.S.C. §§ 4501-4506*** and 10 U.S.C. ***§ 1124***). Fees may cover items such as a meal, refreshments, plaques, and awards. The DoD will not authorize advance payments. Individuals will request reimbursement on travel vouchers. However, to obtain reimbursement in the event travel orders are not issued, the claimant must submit a claim with applicable receipts, and approved by the designated management official, to the certifying officer.

110214. Defense Attaché Payments

Expenses are authorized and reimbursable for military attaché officers to maintain suitable official residence, and may vary by location. The claimant must submit a DoD ***(DD) Form 281***, Voucher for Emergency or Extraordinary Expense Expenditures, to request and receive reimbursement. The Head of the DoD Component must approve claims submitted for reimbursement prior to submission to the certifying officer. Title 10 U.S.C., Section 127 prescribes policy for emergency and extraordinary expenses.

110215. Payment for Contract Quarters for Foreign Military Sales (FMS) Travelers

Payment for the use of contract quarters is reimbursable for personnel traveling on official orders in connection with FMS. Refer to the Defense Security Cooperation Agency ***Security Assistance Management Manual***, the ***JTR, Chapter 2***, and DoD Component regulations for travel reimbursements.

110216. Reimbursement for Use of Local Special Conveyances

The ***JTR, Chapter 5*** prescribes allowable reimbursements for commonly incurred expenses associated with public or special conveyances used for transportation in and around duty stations. The claim for reimbursement must be supported by receipts, and approved by the Component's designated approving official, prior to submission to the certifying officer.

110217. Official Recruiting Duty

Military members assigned to a recruiting organization, or assigned recruiting duties as either a primary or an additional duty, are authorized reimbursement for actual and necessary expenses paid from personal funds. The ***JTR, Chapter 2*** prescribes policy for reimbursement for actual and necessary costs. The claim for reimbursement must be supported by receipts, and approved by the Component's designated approving official, prior to submission to the certifying officer.

110218. Reimbursement for Local Movement of Household Goods

When local moves of household goods of military personnel are authorized in accordance with the JTR, Chapter 5, and the moves are made at personal expense, the claimant must submit a claim for reimbursement to the designated entitlement office. The claimant must provide a copy of the order directing the move, a copy of the authorization to move household goods at personal expense, and a retained copy of the paid receipt to support the claim. The claimant will be reimbursed for documented receipts and expenses claimed in accordance with the JTR.

*110219. Expenses Incident to Death of Personnel

* A. General. Specific Service regulations authorize and prescribe the services and expenses for the care of deceased personnel. ***Title 10 U.S.C. § 1482*** authorizes payment for services, supplies, transportation, and other expenses incurred by the next of kin. The claimant must submit a claim for reimbursement supported by receipts for personal expenditures. The claim must be approved by the Component's designated approving official prior to submission to the certifying officer. Title 10 U.S.C. § 1482 establishes limitations regarding the amount of reimbursement. The payment of expenses incident to the recovery, care, and disposition of a decedent are covered by ***10 U.S.C. § 1481***.

B. Primary Expenses. A contract with a local mortuary can cover primary expenses for active duty military. Payments for primary expenses, covered by the Prompt Payment Act (***5 CFR 1315***), are paid directly to the mortuary by the Government.

C. Secondary Expenses. Secondary expenses may be assigned to a mortuary, or made as a reimbursement to the next of kin for expenses incurred. Secondary expense payments, whether assigned or not, should be expedited.

110220. Reimbursement for Civilian Medical and Dental Treatment Paid from Personal Funds

A. Members. The cost of authorized civilian medical and dental treatment is ordinarily paid directly to doctors and hospitals by each Military Service. However, individuals who have paid the expense of authorized care must submit a claim for reimbursement. The claim must include paid, itemized invoices from the service provider, and signatures of the claimant, approving official, and certifying officer.

B. Dependents of Members and Retired Personnel. ***Title 32, CFR, Part 199*** prescribes policy for civilian non-Federal medical and dental care for dependents and retired personnel. The Defense Health Agency is responsible for contracting and paying for necessary medical care from civilian sources received by eligible dependents and retired personnel. When medical and health care treatments are beyond the Military Treatment Facility's (MTF) capability, payment is authorized by the managing MTF for dependents and retired personnel to receive supplemental care at civilian facilities. The claimant who paid the expense of authorized care must submit a claim for reimbursement. The claim must include paid, itemized invoices from the service provider, and signatures of the claimant, approving official, and certifying officer.

C. Civilian Personnel. ***Title 5, CFR, Subpart 339.203*** prescribes policy for the authorization of physical examinations to determine an employee's fitness for duty, when directed by the commanding officer or supervisor. Examinations may be procured through an approved agency purchasing method, or the employee can make their own arrangements including direct payment for the physical examination. Procured examinations are processed in the same manner as other contractor invoices, or the employee may submit a claim for reimbursement. The employee must submit a claim for reimbursement to the appropriate official for approval prior to submission to the certifying officer. The claim must contain a chargeable line of accounting and the amount payable, supported by a paid statement from the physician or other evidence of payment. The activity requiring the physical examination must charge the request for reimbursement to their operating funds.

110221. Reimbursement Expenses under Government Employees Training Act

Title 5, U.S.C. § 4109 authorizes reimbursements for necessary expenses such as tuition and matriculation fees, library and laboratory services, and other services or facilities directly related to training. The claim for reimbursement must include receipts for each payment of $25 or more, details of the expenditures such as services received and dates rendered, signatures of the claimant and approving official, and be certified by an authorized certifying officer prior to payment.

110222. Reimbursement of Miscellaneous Expenses to Defense Security Service (DSS)

DSS agents are authorized reimbursement for investigative costs, such as parking fees, police and court record checks, transcripts, photographs, or miscellaneous investigative fees. The DSS Headquarters must provide the servicing entitlement office its accounting classification

citation for the reimbursement. The citation of the appropriate legal, statutory, or other authority providing for the authorization of the reimbursement must appear on the claim for reimbursement. The claimant must submit a claim for reimbursement supported by receipts and approval signatures from designated DSS management officials.

VOLUME 10, CHAPTER 12: "MISCELLANEOUS PAYMENTS"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated September 2015 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
120102.G	Revised policy reference to Department of Defense (DoD) Financial Management Regulation (FMR) Volume 1, Chapter 9, Figure 9-1, and Title 44, United States Code (U.S.C.), Section 2909 for a change in retention requirements.	Revision
120102.H	Added language to clarify proper submissions and routing requirements pertaining to awards and judgments for civilian employee mandatory deductions pursuant to Volume 8, Chapter 4.	Addition
120201.A	Revised policy reference from Public Law 110-175 to 5 U.S.C., § 552 and 552a for awarding attorney fees and litigation costs under the Freedom of Information Act.	Revision
120211.D	Revised policy reference from Public Law 107-117 to 31 U.S.C. § 3902 requiring prompt payment interest penalties be paid by DoD from funds financing the operation of the military department or defense agency.	Revision
120213.B	Deleted the requirement to cite tax identification data on the Standard Form 1034 to ensure safeguarding of Personally Identifiable Information in accordance with DoD Directive 5400.11. The Corporate Electronic Funds Transfer database stores tax and banking information needed for payment processing.	Deletion
120301.A.2	Revised policy reference to DoD FMR Volume 1, Chapter 9, Figure 9-1 for a change in retention requirements.	Revision
120502.C	Revised policy reference from DoD FMR Volume 9, Chapter 3 to DoD Instruction (DoDI) 5154.31, Volume 4, Commercial Travel Management: DoD Government Travel Charge Card (GTCC) Program.	Revision

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
120505	Revised policy reference from DoD FMR Volume 9, Chapter 3 to DoDI 5154.31, Volume 4, Commercial Travel Management: DoD (GTCC) Program.	Revision
120508	Revised policy reference to DoD FMR Volume 1, Chapter 9, Figure 9-1 for a change in retention requirements.	Revision
120901.A	Added reference to Title 19, Code of Federal Regulations, Sections 24.16 and 24.17 prescribing policy for border clearance inspectors for overtime (Sundays and holidays), travel, and subsistence expenses at DoD installations.	Addition

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CHAPTER 12

MISCELLANEOUS PAYMENTS

1201 GENERAL

120101. Overview

This chapter prescribes policy for certain miscellaneous payments. The Department of Defense ***(DoD) Guidebook for Miscellaneous Payments*** (hereafter referred to as the Guidebook) is available to assist DoD officials in identifying mandatory requirements prescribed for DoD miscellaneous payments not specifically addressed in this chapter due to the varied types of miscellaneous payments. The Guidebook also provides a high-level overview of policies and processes with the goal of consolidating and streamlining miscellaneous payment guidance across the DoD.

*120102. Purpose

A miscellaneous payment occurs as a result of a claim for payment or reimbursement of a valid, non-recurring, non-contractual expense of the DoD, that is not payroll related for a military or civilian member, and when use of the Government Purchase Card (GPC) is not feasible or appropriate.

A. The ***Standard Form (SF) 1034***, Public Voucher for Purchases and Services Other Than Personal, or an electronic equivalent, is the most common authorized form used when claiming payment or reimbursement for miscellaneous expenses. Refer to the Guidebook for specific information related to other authorized forms used depending on the type of miscellaneous expense, as well as the documentation requirements to support the request for payment. Volume 10, Chapter 8, and Volume 5, Chapters 5 and 9 prescribe policy addressing payment vouchers.

B. To establish auditability and to validate entitlement systems and payment records, a copy of all supporting documentation must accompany each payment request as prescribed by the Guidebook. Components must ensure the documentation is of sufficient quality to allow an independent third party, such as an outside auditor, to understand and verify the basis of the entitlement, to include the authority for the reimbursement as a liability of the DoD, as well as its value, timing and funding source. The supporting documentation must clearly identify the parties approving and certifying the payment.

C. A designated approving official is the individual appointed by the commanding officer, director or designee, with oversight responsibility to ensure all payments or requests for reimbursement transactions are necessary and for official government purposes only. Components may also assign fiduciary responsibility to these approving officials in accordance with Volume 5, Chapter 5. Approving officials are responsible for providing information and data to certifying officers or disbursing officials in support of the payment process by attesting to the accuracy of information and data provided. Approving officials will review all claims and verify

the request for payment, or request for reimbursement for services rendered, or goods provided, has been received in accordance with Component procedures.

D. All payment requests require supporting documentation for proof of receipt, approved by a designated approving official and certified by a properly appointed certifying officer prior to the disbursement of the payment. Refer to Volume 5, Chapter 5 for policy regarding the appointment of certifying officers and the proper distribution of the Defense Department (DD) ***Form 577***, Appointment/Termination Record – Authorized Signature, to the appropriate disbursing office. Certifying officers are responsible for making supporting documentation available for review by authorized personnel as stated in Volume 5, Chapter 5.

E. Components must ensure all miscellaneous claims are paid from current year funding, unless specifically authorized and noted otherwise. All requests for payment or reimbursement of miscellaneous expenses must contain a valid line of accounting with funds obligated as specified in Volume 3, Chapter 8. Processing of the request for payment through a DoD payment system may require the configuration of unique standard document numbers.

F. All payments require payees subject to the U.S. Internal Revenue Service (IRS) code to provide a Tax Identification Number (TIN) in accordance with Title 31, United States Code (U.S.C.), Section 3325 (***31 U.S.C. § 3325(d)***). In accordance with DoD Directive ***5400.11***, Components must safeguard the privacy of all individuals and the confidentiality of all personally identifiable information (PII), and take action to ensure any PII contained in a system of records used to conduct official business will be protected so the security and confidentiality of the information is preserved.

* G. Volume 1, Chapter 9, Figure 9-1 prescribes DoD policy regarding the retention period of financial records in support of these payments. Refer to ***44 U.S.C. § 2909*** for authorization to retain records for a longer period than specified in disposal schedules.

* H. Miscellaneous payments pertaining to awards and judgments that are wage-related must be submitted and paid through the civilian payroll office to ensure proper withholding of mandatory deductions. Refer to Volume 8, Chapter 4 for mandatory payroll deductions.

120103. Authoritative Guidance

Policy contained in this chapter pertains to various types of miscellaneous payments, and is based primarily upon Titles 5, 10, 28, 31, 41, and 44 of the U.S.C.; Titles 5, 19, 28, 29, 40, and 44 of the Code of Federal Regulations (CFR); the Treasury Financial Manual (TFM), Volume 1, Part 6; the Federal Acquisition Regulation (FAR), Subparts 5, 33, and 52; and the Defense Federal Acquisition Regulation Supplement (DFARS), Subparts 205, and 241. Refer to each individual miscellaneous payment subject for the specific authoritative reference.

1202 FEES, CLAIMS, AND AWARDS

*120201. Attorney Fees Awarded under Freedom of Information Act (FOIA)

Title 5 U.S.C. § 552 requires the release of agency records requested under the authority of the statute, unless a specific exemption authorizes its withholding.

* A. Under the provisions of the FOIA, a federal district court judge may award attorney fees and litigation costs to a party that substantially prevails in litigation against the Government. The Openness Promotes Effectiveness in Our National Government Act of 2007 (5 U.S.C. § 552 and ***5 U.S.C. § 552a***) stipulates that fees assessed in FOIA litigation are no longer payable from the Judgment Fund, which is administered by the U.S. Department of the Treasury (Treasury), Bureau of the Fiscal Service (Fiscal Service). Such fees are payable from appropriated funds of the agency or agencies from which the plaintiff has obtained relief by judgment of the court or substantial change in agency position.

B. It is DoD funding policy that the attorney fees and other costs assessed in the FOIA litigation are payable from operating funds of the Military Department, Defense Agency, Field Activity or Combatant Command responsible for administering the initial FOIA determinations or contested record searches that are the subject of the litigation. The funding organization will not necessarily be the organization named as a defendant in the litigation. Components must make payments from funds current at the time of awarding attorney fees.

C. Litigation involving record or FOIA determinations of multiple organizations may require funding responsibility allocation among such organizations. Counsel that is responsible for defending the litigation is ordinarily in a position to identify the organization that should fund a portion of the attorney fee assessments, and consultation should occur accordingly.

120202. Attorney Fees Awarded by Court

The Department of Justice (DOJ), in most cases, is the federal agency designated to represent DoD in litigation. The Judgment Fund was established to pay court judgments and Justice Department compromise settlements of actual or imminent lawsuits against the Government (***31 U.S.C. § 1304***). Additionally, the DOJ, with the approval of the Fiscal Service, is able to make payments of properly awarded attorney fees. Fees awarded in discrimination cases are exceptions. See paragraph 120309 for policy on discrimination cases. Awarding of attorney fees must be by a court of competent authority, and these fees are normally payable from the Judgment Fund. If such fees are not payable from this appropriation, the DOJ provides guidance on a case-by-case basis for payment of these fees.

120203. Attorney Fees Awarded under the Equal Access to Justice Act

A. ***The Equal Access to Justice Act (EAJA)***, as amended by the Equal Access to Justice Reform Act of 2005, ***5 U.S.C. § 504***, authorizes payment of attorney fees and other expenses incurred by the prevailing party (other than the United States) in civil actions and

administrative proceedings. The party prevailing against the DoD in the adversary adjudication, or a court action may obtain an award of attorney fees and other expenses incurred in connection with the proceeding.

1. In adversary adjudications, the application for the amount sought must be submitted to the DoD activity involved within 30 days of final disposition in the adversary adjudication (5 U.S.C. § 504).

2. In court actions, the application for an award of attorney fees and other expenses must be submitted to the court within 30 days of final judgment in the action (***28 U.S.C. § 2412***).

3. In both cases, the application must be supported by an itemized statement from the attorney, agent, or expert witness stating the actual time spent and the rate at which fees and other expenses were computed.

B. Attorney fees and other expenses awarded to claimants under EAJA are payable from funds available to the DoD activity at the time of the award. Attorney fees, payable under EAJA, are limited to $125 (5 U.S.C. § 504) per hour, unless the adjudicating officer (deciding official), or the court in civil actions, determines a higher rate may be allowed under the law. Other expenses include those for expert witnesses and any study, analysis, engineering report, test, or project necessary for the preparation of the party's case. Make the payment in the amount approved by the adjudicating officer, or by the court in civil actions, based on documentation from the adjudicating officer or the court.

120204. Attorney Fees Awarded under Contract Disputes

Payments made by the Fiscal Service to the contractor will not include attorney fees payable in connection with an action filed by a contractor under the Contract Disputes Act of 1978 (***41 U.S.C. § 7101-7109***). Attorney fees awarded in these cases are payable from funds current at the time the award is made and available to the activity accountable for the contract obligation (28 U.S.C. § 2412).

120205. Awards Made to Bid Protesters

The FAR, Subpart 33.1 prescribes policies and procedures for filing and processing bid protests. Protests can be submitted to the contracting agency, Comptroller General, or the United States Court of Federal Claims. The FAR, Subpart ***33.102(b)(2)*** stipulates the Comptroller General may award certain costs to the bid protester if it is determined a solicitation for a contract, proposed award, or award of a contract did not comply with the requirements of law or regulation. These costs may include costs associated with filing and pursuing the protest, consultant and expert witness fees, bid/proposal preparation, and reasonable attorney fees. The agency must use funds available for the procurement to pay the costs awarded (FAR, Subpart ***33.104(h)(1)***). Refer to ***31 U.S.C. § 3554(c)(2)(A)-(B)*** for cost and fee reimbursement limitations.

A. Payment of the costs must occur within 30 days of their determination and acceptance by the contracting office. A copy of the decision, along with a statement of costs incurred and approved by the contracting officer, must be used to support the certification of payment.

B. A successful bid protester must provide a certification when submitting a claim exceeding $100,000 in accordance with the ***FAR 33.207***.

120206. Claims under the Federal Tort Claims Act and Other Non-Contractual Claims

A. The Secretary of Defense, or designee, is authorized to pay claims against the United States for monetary damages. ***The Federal Tort Claims Act*** permits private parties to file a claim against the United States. Claims include damages to or loss of property, or personal injury or death, caused by the negligent or wrongful act or omission of an employee of the United States acting within the scope of his office or employment. Under circumstances where the United States, if a private person, would be liable to the claimant in accordance with the law of the place where the act or omission occurred. When an award is in excess of $25,000, or in excess of the authority delegated to the agency by the Attorney General pursuant to 28 U.S.C. § ***2672***, whichever is greater, an ***SF 1145***, Voucher for Payment Under Federal Tort Claims Act, must be accompanied by evidence that the award, compromise, or settlement has been approved by the Attorney General or his designee (28 CFR, ***Section 14.10***).

B. Persons designated to approve or disapprove claims cited under this regulation, or other applicable statutes, can be obtained from the local office of counsel or judge advocate office. For claims approved by the Secretary of a Military Department, or by designated approving authorities in the office of counsel or judge advocate general, the public voucher must be sent to the appropriate office for payment. Claims approved by other designees should be forwarded to the local entitlement office that supports the approving authority for payment of the public voucher.

C. Awards are payable from the DoD's appropriations. Refer to 28 CFR, Section 14.10 for the required claim documentation, threshold amounts, and execution requirements of the claimant. In accordance with 28 CFR, Section 14.10, when an attorney represents a claimant, the voucher for payment must designate both the claimant and his attorney as payees, and the check will be delivered to the attorney, whose address must appear on the voucher.

120207. Claims under the Foreign Claims Act

A. The Foreign Claims Act (***10 U.S.C. § 2734***) authorizes the Secretaries of the Military Departments, or their designee, to appoint claims commissions to approve or disapprove claims cited under the Act. The composition of a claims commission may include one or more officers, employees, or combination of officers or employees of the armed forces. The commission may settle and pay an amount not more than $100,000 for a claim against the United

States. Title 10, U.S.C. § 2734 covers claims for damage to or loss of real property, damage to or loss of personal property, and personal injury to or death of any inhabitant of a foreign country.

B. These commissions also may approve or disapprove claims under international agreements in accordance with 10 U.S.C. § 2734b. Commanders, directors, or other designated officials of the DoD should contact the local office of counsel or their judge advocate office for the regulations governing the preparation, submission, adjudication, and payment of these claims. Claims approved must be forwarded to the Component's nearest designated payment office or the nearest Defense Finance and Accounting Service (DFAS) payment office. Use the ***DoDAAC Customer Service*** tab under the ***DFAS.mil*** website to access the DFAS payment office and DoDAAC customer service information.

C. Military Service personnel should consult with their respective Judge Advocate General office to identify the requirements for the investigation and adjudication of foreign claims to ensure approved local procedures are followed for processing these claims.

120208. Payment to Contractor When Contracting Officer Approves Claim under the Contract Disputes Act of 1978

A. If funds for the claim are available, and the contractor does not appeal the contracting officer's decision, settlement of the claim is to be made by the responsible entitlement office from funds cited on the contract (***41 U.S.C. § 7103***, ***FAR Subpart 33.2***, and FAR, Subpart ***52.233-1***).

1. After final agreement with the contractor, the contracting officer must modify the contract, accomplished with an ***SF 30***, Amendment of Solicitation/Modification of Contract, to obligate the funds and document support for the payment. The execution of the contract modification must take place prior to entitlement of the contractor's invoice.

2. Upon receipt of the contractor's invoice and the SF 30, payment can be made, including interest from the date the claim was received by the contracting officer to the date of payment. Claims involving disputes, and any interest due, are payable upon resolution in accordance with the Disputes clause (***FAR, Subpart 33.208***).

B. If funds to pay the claim are not available, the contracting officer may refer the claim to the ***Armed Services Board of Contract Appeals (ASBCA)*** and request the ASBCA approve a settlement of the claim from the Judgment Fund. Reimbursement to the Judgment Fund will subsequently be required upon receipt of a bill from the Fiscal Service. This reimbursement may come from current and available funds or by obtaining additional funds (41 U.S.C. § ***7108***) as stated in paragraph 120210. The policy for payment of amounts under the Contract Disputes Act by the ASBCA or the Court of Federal Claims is in paragraph 120209.B.

120209. Payment to Contractors Based on Decisions of Board of Contract Appeals or Court of Federal Claims

A. Court action may result as identified in ***28 U.S.C. § 2412*** and ***28 U.S.C. § 2414*** when the DoD terminates a contract. While settlement of the contractor's termination claim falls within paragraph 120208, a separate payment may be due the contractor when a final judgment occurs from the separate court action against the DoD. When settlements have been rendered, the transcript of the court judgment against the Department must be forwarded by the DoD organization directly to the Fiscal Service. The DoD organization must use the methods prescribed by TFM Volume 1, Part 6, Chapter 3100, ***Section 3125.10*** (except for claims settled under the Contract Disputes Act of 1978 as noted in paragraph 120208.B).

B. The Fiscal Service administers and certifies payments from the Judgment Fund for the settlement and final judgment by the U.S. District Courts and on final judgments by the Court of Federal Claims (TFM 6-3100, Volume 1, ***28 U.S.C. § 2517***, and 31 U.S.C. § ***1304***). Reimbursement of the Judgment Fund is payable from funds current at the time the award is made and available to the activity accountable for the contract obligation.

C. Title 41, U.S.C. § 7108 covers payment of claims filed under the Contract Disputes Act of 1978 (41 U.S.C. § 7101-7109, FAR Subpart 33.2, and FAR Clause 52.233-1). Judgments against the United States by the Court of Federal Claims, and monetary awards to a contractor from the ASBCA, are authorized to be paid and charged to the Judgment Fund when certain conditions are met as established by 31 U.S.C. § 1304. Amounts owed may include interest from the date the claim was received by the contracting officer to the date of payment. Reimbursement of the Judgment Fund is payable from funds current at the time the award is made and available to the activity accountable for the contract obligation.

D. Payment of attorney fees claimed by the contractor may not be included in amounts paid from the Judgment Fund in these cases. Attorney fees awarded in these cases will be payable out of funds current at the time the award is made and available to the activity accountable for the contract obligation (28 U.S.C. § 2412).

120210. Payments to Reimburse the Fiscal Service for Payments in Settlement of Contractor Claims

Upon certification by the Fiscal Service (TFM, Volume 1, Part 6, Chapter 3100), the amounts of contractor claims settled under the Contract Disputes Act of 1978 may be paid to the contractor by the Fiscal Service from the Judgment Fund. Amounts paid to contractors are reimbursable to the Fiscal Service from the appropriation available for the purpose of the contract or by obtaining additional funds for such purpose. If funds are not available in the proper account to cover invoices received from the Fiscal Service, the Component must request additional funds through appropriate channels. Amounts reimbursed to the Fiscal Service are not charged to the original fiscal year appropriation that funded the contract, unless the original appropriation was still current at the time of the judgment (Volume 3, Chapter 8).

*120211. Interest Awarded Contractor by the Armed Services Board of Contract Appeals

A. Interest rates are established and reported by the Secretary of the Treasury (***31 U.S.C. § 3902***) in January and July of each year on the ***Treasury*** website.

B. In accordance with the FAR 33.208, the Government will pay interest on the amount due from the date the contracting officer receives the claim, or the date the payment is due, if that date is later.

C. If claims involve antecedent liability, interest payments are chargeable to the appropriation(s) current at the time the basic contract was executed (Volume 3, Chapter 8) or by obtaining additional appropriations for purposes of reimbursement (41 U.S.C. § 7108).

* D. Claims covered by this section exclude interest penalty claims related to the Prompt Payment Act (PPA) cited in ***5 CFR, Part 1315***. Pursuant to 31 U.S.C. § 3902, PPA interest must be paid from the funds available for the administration of the program for which interest was incurred, or from funds financing the operation of the Military Department or the defense agency with which the invoice or contract payment is associated. All interest payments will be charged to the fiscal year(s) in which they accrue. In a case of cancelled appropriations, the current fiscal year will be charged any interest payment (***31 U.S.C. § 1553 (b)(1)***).

120212. Return of Absentees

The ***DoD Instruction (DoDI) 1325.02*** provides policy to authorize payment of claims for rewards or expenses (but not both) associated with apprehending, detaining, or delivering absentees, deserters, or escaped military prisoners to military control.

A. Rewards. Receipt of any authorized communication, oral or written, from a military or Federal law-enforcement officer or agency requesting active cooperation in the apprehension or delivery to military control of an absentee or deserter wanted by the Military Services, will constitute the basis for a reward. Payment of a reward will not exceed the amount cited in ***10 U.S.C. § 956*** for apprehending absentees, deserters, parole, and mandatory supervised release violators.

B. Expense Reimbursements. The DoDI 1325.02 authorizes reimbursements for reasonable and actual expenses incurred in the apprehension, detention, or delivery to military control of an absentee, deserter, or parole and mandatory supervised release violators. The cost of detention expenses furnished to military personnel placed in their custody for safekeeping at the request of military authorities may be reimbursable to civil authorities. These expenses may be reflected in a per day or daily room and board charge the detention facility normally charges other legal jurisdictions for similar prisoner custody services.

C. Charging of Expenses. Authorized payments and cost of travel of the guards assigned to absentees or deserters will be charged to the parent Military Service's military personnel appropriation (DoDI 1325.02).

D. Condition for Payment. Before a reward is payable, there must be a notification issued for the return to military control of the absentee, deserter, or escaped military prisoner. Receipt of ***DD Form 553***, Deserter/Absentee Wanted by the Armed Forces, oral or written communication from military or federal law enforcement officials, or entering the individual's name in the ***National Crime Information Center***, constitutes notification.

E. Voucher Preparation and Support. After the apprehended member's release from civilian detention to military control, an SF 1034, or an electronic equivalent, must be prepared and certified by the personnel officer or other certifying officer designated by the commanding officer of the activity. In addition to the other routinely required data items on an SF 1034, the following information must also be shown on the voucher or attached:

1. The member's name, Social Security Number, organization from which the member is absent, and the date and place military authorities resumed control;

2. A statement stipulating the payee apprehended and detained, or apprehended and delivered the member;

3. The military appropriation of the parent military service of the person apprehended;

4. A copy of a DD Form 553 or a certificate from the organization of the absentee, or written notification from military or federal law enforcement officials stating the absentee's return to military control was desirable; and

5. An itemized statement of allowable expenses if reimbursement of actual expenses is being claimed.

F. Payment. Upon receipt of the SF 1034 or electronic equivalent, the entitlement office will review the voucher for its propriety and if proper, approve the voucher for disbursement by the designated disbursing official.

120213. Cash Awards to Military Members

A. Military personnel may receive cash awards for suggestions, inventions, and scientific achievements as authorized by Military Service regulations.

B. Upon approval of the award, the Executive Secretary of the Suggestion Awards Committee, or designee, must prepare, sign, and submit a claim on an SF 1034, an electronic equivalent, or other Component-established form (plus a copy of the Suggestion Award Certificate) to the entitlement office.

C. The award payment will be payable against current funds available from the Component, which was the member's duty assignment at the time the suggestion, invention, or achievement was submitted (***10 U.S.C § 1124***). Refer to paragraph 120102.H pertaining to requirements for submission, payment, and mandatory payroll deductions. The claim for payment

requires submission on an SF 1034 or electronic equivalent that must provide the Home of Record of the military member for state tax reporting. The only exception to the requirement for withholding taxes on cash awards is when payment is made to an enlisted member serving in a combat zone. See Combat Zone Tax Exclusions discussed in ***Publication #3 Armed Forces Tax Guide***.

120214. Rewards for Recovery of Lost DoD Property

Under ***10 U.S.C. § 2252***, certain rewards are authorized and paid as follows:

A. Commanders may offer rewards for recovery of lost property.

B. The reward payment may be made to persons or organizations for the return of lost property, or information leading to its recovery.

1. Conditions for Payment of Reward:

a. The persons or organizations must know a reward is being offered, or it is a general practice to offer rewards for the return of particular DoD property, or information leading to its recovery,

b. The claimant is not a member of the U.S. Armed Forces or an officer, employee, or agency of the U.S. Government, and

c. The payment is consistent with local laws, prevailing customs or practices, treaties, or international agreements.

2. A Military Department will not pay a reward of more than $500 in any case. Rewards are payable from the current funds available for the Component concerned. The voucher submitted for payment must be supported with a copy of the offer of reward, and a statement by the commanding officer or designated representative that all conditions for payment of reward and accountability for the property have been met.

1203 PURCHASES OF SPECIAL ITEMS AND SERVICES

This section provides policy for various special items and services for non-recurring and non-contractual purchases.

*120301. Advertising

A. Newspapers. In accordance with ***44 U.S.C. § 3702*** and ***FAR, Subpart 5.5***, contracting officers must obtain written authorization from the DoD Component head or from a person who has received written delegation of authority from the head of a DoD Component prior to advertising in newspapers, trade journals, and similar publications (***5 U.S.C. § 302(b)***). Such delegation of authority cannot be re-delegated. Newspaper advertisements are not payable unless the claim includes the advertising bill and a copy of the written authority. Requirements for payment and retention of documents are as follows:

1. Providing Substantiating Documentation. All invoices submitted to the purchasing office must be supported by an affidavit of publication or a copy of the publication or advertisement (known as a "tear sheet"). The officer placing the advertisement will attach evidence of authority to advertise to the invoice and forward the invoice to the designated entitlement office.

a. Except in cases of blanket authority to advertise, heads of contracting activities are delegated authority to approve the publication of paid advertisements in newspapers as prescribed by DFARS, ***Subpart 205.5***.

b. If advertising was authorized by a delegated officer, a copy of the delegation must also be attached to the first public voucher paid under such delegation and can be referenced on subsequent vouchers.

c. When the authority to advertise is given to several activities in the form of a notice or instruction issued by the head of a DoD Component based on the official's delegated authority, a reference to the authorizing notice or instruction on the advertisement order is acceptable in lieu of a copy of the authority.

* 2. Retention of Supporting Documents. Every account for official advertising rendered must include a copy of a tear sheet in which the advertisement appeared as a proof of publication. If tear sheets are not available, an affidavit or a copy of the advertised publication may be furnished in lieu thereof. The affidavit must include the signature of an official of the publishing firm or advertising agency, where the order was placed and, in the case of advertising in newspapers or periodicals, must identify the issues in which the advertisement appears. Tear sheets or affidavits submitted as proof of publications must be attached to the certified memorandum and public voucher. Volume 1, Chapter 9, Figure 9-1 prescribes policy for the retention period of documentation.

B. Radio Advertising. The requirement of written authority for advertising from the head of a DoD Component, or from a person who has received written delegation of authority, does not apply to radio advertising (***FAR 5.502(b)***) unless required per Component policy. The other restrictive provisions contained in 44 U.S.C. § 3702 pertaining to advertising do not relate to radio advertising. There are no statutory restrictions upon the use of appropriated funds for radio advertising in the promotion of objectives. Payment for claims must be submitted on an SF 1034, or other approved Component form, accompanied by a copy of the invoice and an affidavit of publication furnished by the advertising agency (***FAR 5.503(d)***).

120302. Arbitrator Fees

The use of arbitrator services under negotiated grievance procedures of management and labor union agreements is authorized. These services normally are acquired by issuance of a ***DD Form 1155***, Order for Supplies and Services, which specifies payment terms and conditions, and requires coordination between the civilian personnel office and the contracting support office. Reservation and obligation of funds is a requirement prior to executing the ordering/contracting action. Upon completion of the services, the civilian personnel office, or a

designated official, must certify receipt of services. This certification will represent the receiving report required for payment. Payment will then be made using this certification, the arbitrators' billing statement, and the terms specified in the completed DD Form 1155. If the DD Form 1155 does not contain a payment due date, then these payments fall under the terms cited in the PPA (5 CFR, Part 1315).

120303. Automobiles

The use of appropriated funds to buy or lease passenger motor vehicles must be specifically authorized by an annual appropriation act or other law (***31 U.S.C. § 1343***). The purchase cost limitation does not include articles used with a car but not permanently attached to it, or not an integral part thereof (e.g., tire chains, fire extinguishers, safety flares, removable seat covers, transportation of the vehicle, and taxes). The acquisition of motor vehicles should be from the most cost-effective source, which may be by purchase or commercial lease through the General Services Administration (GSA), or by any other method less costly to the Government as validated by a cost-comparison (***DoD Manual 4500.36***).

120304. Blood Purchases

Appropriated funds may be used for the purchase of blood supplies from donors (24 U.S.C. § ***30***) or through civilian contracts (***DoDI 6480.04***) in accordance with the policies of the respective Military Services for persons entitled to medical treatment at government expense.

120305. Civilian Uniform Allowances

The Component's designated personnel must prepare and certify payment of civilian uniform allowances on an SF 1034 or electronic equivalent. The DoDI 1400.25, ***Volume 591***, prescribes the amount payable for uniform allowances per year and other related uniform allowance policies. The voucher for payment may include more than one employee. The payment must be charged to the same appropriation and subsidiary accounting data normally charged for the salary of the personnel concerned.

120306. Confinement of Prisoners in Civil Detention

A. Prisoners may be confined in civilian facilities used by the U.S. Marshals Service when DoD confinement facilities are not available, or do not provide for the separation of male and female prisoners in accordance with ***DoDI 1325.07***. The transferring commanders must determine if a Military Confinement Facility, including military/security police detention cells, is not reasonably available. If a facility used or approved by the U.S. Marshals Service is not reasonably available, a military prisoner may be transferred to a facility accredited by the American Correctional Association, or a facility accredited by the State for confinement.

B. The Provost Marshal's Office, which transfers male and female prisoners, must provide the entitlement office with a certified voucher and supporting documents containing an itemized list of expenses of the confinement (10 U.S.C. § 956). After entitlement, the disbursing office will remit payment to the civil confinement facility. Supplies necessary for personal hygiene

and maintenance of good health will be provided to all military prisoners. The Military Services may also provide supplies for a prisoner's comfort, establish monetary or quantity limitations on any supplies, and establish other limitations as deemed appropriate by Service corrections headquarters. Supplies issued to persons in a non-pay status will be paid from appropriated funds. The cost of health and comfort supplies provided to persons in a pay status will be charged against their pay accounts or paid from their personal funds.

120307. Copies of Official Records or Documents

Fees required by local laws for certified copies or photocopies of public records or documents required by a court or board may be paid to the performing officials or legal entities. Current Operations and Maintenance funds may be used to purchase death certificates for deceased retired personnel. The claimant must sign a statement attesting all resources have been exhausted attempting to find beneficiaries, and none were found.

120308. Demurrage on Cylinders

A. Vouchers covering demurrage charges on reusable gas cylinders or drums retained beyond the contracted free loan period must state size, type and quantity. Often, demurrage charges are not funded through the contract due to variables such as a free loan period, the daily rental charge, and delivery shipping point. In computing the period involved, establish the free loan period to commence on the first day after date of delivery of each container without regard to any particular cylinder. In such cases, the contractor will submit a claim explaining the method of calculating demurrage.

B. The contractor's claim must cover the preceding demurrage payment and other identifying data such as the cylinder number, date of delivery of cylinder(s), date rental starts, date cylinder was returned, and the actual number of days and rate per day on which the charges were computed. The Component causing the delay must attach an SF 1034 or an electronic equivalent to support the contractor's claim by identifying the voucher upon which payment was originally made for the filled containers, and citing an appropriate line of accounting. Coordination with the contracting officer or ordering official may be necessary to ensure demurrage costs are not already covered as part of the price(s) negotiated for the cylinders and/or their contents.

120309. Discrimination Complaints

A. General. Costs incurred in processing discrimination complaints may include travel expenses, attorney fees, investigation expenses, costs of administrative judges, and court reporters (***5 CFR, Section 1201.201-202*** and ***29 CFR, Part 1614***).

B. Attorney Fees. In cases involving complaints of discrimination, attorney fees may be awarded pursuant to a no-fault settlement agreement, an informal adjustment, the decision of the service director of Equal Employment Office (EEO), the Equal Employment Opportunity Commission (EEOC), the Merit Systems Protection Board, an arbitrator, a Federal court, or other appropriate authority. After review and approval of the award letter by the legal

counsel, the EEO manager of the legal office must initiate or authorize the claim for reimbursement. The Component's request for reimbursement of these fees must be as a joint payment to the complainant and complainant's representative supported by an award letter and approval. The claim must cite current operating funds. Policy pertaining to allowable and reasonable attorney fees is in 29 CFR, Part 1614.

C. Investigation Expenses. Most complaint investigations are conducted by an investigator assigned to the appellate review agency. The EEO manager is responsible for arranging for the investigator's visit and submitting a claim for expenses. The chief EEO counselor will initiate a purchase request for expenditures of miscellaneous purchases. An SF 1034, electronic alternative, or a DD Form 1155 supported by the investigator's expense receipts, approved by the chief EEO manager, and an authorized certifying officer, will be used to make payment. The claim must cite operating funds current at the time of investigative services.

D. EEO Administrative Judge. The EEOC assigns an EEO Administrative Judge to hold hearings on formal complaints of discrimination and otherwise process individual and class complaints for the EEOC. Expenses associated with these complaints where the alleged discrimination took place must be funded using operating funds current at the time of requesting the services. The EEOC will bill the activity for any authorized and required expenses (29 CFR, Part 1614). The chief EEO manager at the activity, or assigned designee, must review and approve the EEOC billing.

E. Court Reporter. The chief office of counsel typically arranges for the services of a court reporter by submitting a request to the DoD Component contracting office. Costs for court reporter services must be paid by the activity where the alleged discrimination took place, using funds current at the time services are requested. The chief EEO manager at the activity, or assigned designee, must review and approve the requests for payment.

F. Interest. Interest payments (when permitted by statute) are to be charged to funds current at the time of the award. The ***IRS*** establishes the rate used. This interest rate is not the same as when computing interest under PPA.

120310. Emergency Notification Service (9-1-1)

A. Emergency notification is a service allowing a telephone subscriber to dial one number, often 9-1-1, for any emergency. A central control desk takes the call and notifies the appropriate local government agencies. This service often is provided by a state or local government and is funded by charges collected from telephone subscribers. In many cases, this charge is a tax levied by the providing agency, and the telephone company merely acts as a billing and collection agent.

B. If 9-1-1 fees are imposed by the telephone company for its own service, and duly permitted by the tariff to which all utility customers are subject, the charge is proper and payable by the DoD. The DoD does not have the authority to waive immunity from such fees. If, however, a state or local government is imposing the charge and merely using the telephone company as its agent, then the charge amounts to a tax from which the DoD is exempt.

C. If a military installation receives an invoice for a 9-1-1 charge imposed by a state or local government, the tax is not subject to payment. If fees were improperly paid, refer to the collection policy in Volume 16, Chapter 5 to recover them.

D. If it is unclear whether such charges are taxes or service charges, the designated entitlement office, or responsible certifying officer, must contact the base communications officer or higher authority. This clarification should be included as part of the payment entitlement and certification documentation used in support of the payment request.

E. Telephone service provided to on-base residents is a private contract between the resident and the local telephone company. If residents receive charges for 9-1-1 services, they may not claim exemption based on immunity. If a resident of the base housing lives in an area where all fire, police, and other emergency services are provided by the base, the charge may be for services the resident does not receive, and a challenge may be possible. Regardless of the basis a resident of base housing uses to challenge a 9-1-1 charge, it remains a private matter between the subscriber and the telephone company and is not a DoD reimbursable expense.

120311. Hospital Accreditation

Hospital accreditation fees associated with the requirements contained in the DoD Manual 6025.13, ***Enclosure 3*** for medical facilities accredited by the Joint Commission on Healthcare Organization may be reimbursable. A deposit may be required to be paid for an initial customer and, therefore, may be reimbursable. Accreditation and certification on-site fees are invoiced 1 to 5 days following the survey event completion (***Joint Commission*** on Healthcare Organizations) and would be reimbursable for those requiring accreditation. Accreditation annual fees may also be payable and are subject to the programs, services, volumes, and sites where service is provided.

120312. Lost or Damaged Clothing Payments to Military Personnel

If the loss was not caused by any fault or negligence of the Service member, reimbursement is authorized to compensate military personnel for clothing items destroyed, damaged, lost, abandoned, captured, or otherwise rendered unusable, incident to military training or service (***DoDI 1338.18***). Personnel must submit an approved Service-specific Personal Clothing Claim form, or electronic equivalent. The Service member's activity billing office must prepare an SF 1034 or electronic equivalent for payment to the member.

120313. Medical Services Provided by Civilian Non-Federal Sources

A. Members. The military medical treatment facility (MTF) can refer members to civilian health care providers for diagnostic services, treatment, or both. Upon receipt of an itemized invoice from the civilian health care provider, the claimant must submit a request for reimbursement to their designated Component. The Component must prepare an SF 1034, or electronic equivalent, within 30 days from the later of receipt of an invoice or the date of acceptance of the care. The same standards apply to an approved claim for services rendered in connection with care of a deceased member.

B. Dependents and Retired Personnel. Dependents and retired personnel are authorized certain medical care and diagnostic services as established by ***10 U.S.C. § 1071-1085***. When a MTF is managing the care of dependent and retired personnel, and must refer those personnel to civilian facilities for the care beyond the MTF's capability, payment for related supplemental care is authorized. The claimant must submit an itemized invoice from the health care provider to their designated billing Component. The Component must prepare an SF 1034, or electronic equivalent, within 30 days from the later of receipt of an invoice or the date of acceptance of the care.

120314. Security and Firefighting Services

The DoD may not make payments for any service required to be provided by the local government when such service is financed from revenues raised by state or local taxation from which the Federal Government is exempt. Common examples are police and fire protection (***10 U.S.C. § 2465***). Refer to 10 U.S.C. § 2465(b) for exceptions for authorized payments.

120315. Municipal Services

In accordance with the DFARS, Subparts ***241.1*** and ***241.2***, the DoD may pay on the same basis as private users of services based on the quantity of direct services received, e.g., water and sewage. The general rule is the DoD will not pay for municipal services, unless private citizens and businesses also pay a charge for the same services.

120316. Patents, Copyrights, and Designs

Appropriated funds available for making or procuring supplies may be used to acquire the following, if the acquisition relates to supplies or processes produced or used by or for, or useful to the DoD (***10 U.S.C. § 2386***):

A. Copyrights, patents, and applications for patents;

B. Licenses under copyrights, patents, and applications for patents;

C. Design and process data, technical data, and computer software; and

D. Releases for past infringement of patents or copyrights or for unauthorized use of technical data or computer software (10 U.S.C. § 2386).

120317. Pollution Control Permits or Fees

In the absence of express Presidential exemption, DoD facilities must abide by state or local laws for abatement and control of pollution. These facilities may incur costs related to compliance with these laws for obtaining permits and paying the associated fees for the management of natural resources. Submit an SF 1034, or electronic equivalent, to pay these expenses. The request for payment must include supporting documentation identifying the permit application fee and other related fees, approved by the base civil engineer or assigned designee.

120318. Reciprocal Mutual Aid Agreements for Fire Protection

A. Claims for reciprocal mutual aid agreements for fire protection, as required by ***44 CFR, Part 151***, are to be submitted to the Administrator, U.S. Fire Administration, Federal Emergency Management Agency (FEMA), Washington DC 20472, by non-DoD firefighting organizations. If approved, such claims are paid by the Treasury, subject to reimbursement by the DoD installation under whose jurisdiction the fire occurred.

B. If the claims affect current funding for fire protection, then FEMA will contact the installation as a part of its claim processing and adjudication procedures. The DoD installation must provide information requested, in coordination with the civil engineer, fire protection unit, and staff judge advocate. The DoD installation must provide the complete name and address of the disbursing office, including the Disbursing Station Symbol Number, and an appropriation fund cite for fire protection funding so the Treasury can bill for reimbursement for approved claims paid.

C. All sums received as reimbursements for costs incurred by any DoD activity for fire protection will be credited to the same appropriation or fund from which the expenses for fire protection were paid. If the period of availability for obligation of that appropriation has expired, credit the fund or appropriation currently available for the same purpose (42 U.S.C. § ***1856d(b)***).

120319. Representation and Contingencies Fund Use

A. General. The policy in this paragraph applies to disbursements made against funds separately appropriated in the contingencies program. These include representation, special expenses, and contingencies. For each fiscal year, the Congress appropriates funds in the contingencies program under the statutory authority in ***10 U.S.C. § 127*** for use by the head of each DoD Component. Funding documents provide authority to obligate and expend contingency funds as approved or as adjusted later during the fiscal year.

B. Representation Funds. The head of a DoD Component must authorize the expenditure of Official Representation Funds by commanders for official entertainment or other official purposes in accordance with 10 U.S.C. § 127 and ***DoDI 7250.13***.

C. Emergency and Extraordinary Expenses (10 U.S.C. § 127). The language in the Appropriation Act for contingencies usually reads: "For emergencies and extraordinary expenses, to be expended on the approval of the Secretary of the cognizant Military Service, and payments may be made on their certificate of necessity for confidential military purposes." Use the following policy for the type of payment indicated,

1. Miscellaneous Current Expenses. Claims for these expenses must be submitted using an SF 1034 or electronic equivalent with attached receipts or other supporting documentation depending on security protocols.

2. Intelligence Contingency Funds (ICF). Expenses incurred using these funds are for confidential military purposes and are normally made based on a ***DD Form 281***, Voucher for Emergency or Extraordinary Expense Expenditures. The original vouchers (i.e., DD Form 281), must be returned to the originator. Volume 5, Chapter 7 requires designated ICF managers retain the original voucher and supporting documents.

3. Investigation Expenses. Requests for reimbursement of expenses for other than confidential military purposes must be submitted on an SF 1034 or electronic equivalent. The originating office should retain a copy of the voucher and ensure the supporting documents are submitted to the entitlement office. Request for classified investigation expenses for confidential military purposes must be submitted on a DD Form 281. Refer to Volume 5, Chapter 7 for the handling of classified vouchers and documentation.

120320. Special Drinking Water

In situations where water supply systems providing service to DoD organizations do not meet the standards prescribed in ***40 CFR, Part 141, Subpart C***, special drinking water may be purchased with appropriated funds only when it is necessary from the Government's standpoint. The claim for reimbursement requires a statement attesting the drinking water is non-potable, along with a public announcement or a copy of the water testing results. Some examples are:

A. The public water is unsafe for human consumption;

B. There is an emergency failure of the water source on the installation;

C. There is a temporary facility with no drinking water available within a reasonable distance; or

D. There is no water fit for drinking purposes available without cost or at a lower cost to the Government.

120321. Support of Armed Forces Personnel in Confinement

A. Purchase of health and comfort items for personnel confined on base is authorized to all military prisoners, subject to the provisions of DoDI 1325.07. Reimbursement for the purchase of these items must be claimed using an SF 1034 or electronic equivalent. Supplies issued to persons in a non-pay status will be paid from appropriated funds. The cost of health and comfort supplies provided to persons in a pay status will be charged against their pay accounts or paid from their personal funds.

B. A prisoner confined without essential clothing will be provided suitable clothing, on a temporary loan basis, by the Military Confinement Facility commander. Permanent issue items, except for distinctive prisoner clothing, will be subject to personal funds withdrawal if the prisoner is in a pay status. All necessary items of clothing for a prisoner confined in a non-pay status will be provided at government expense.

120322. Telephone and Television Service

A. Statutory Provisions

1. Appropriated funds should normally not be used to pay for telephone service to private residences, except in those instances identified in ***31 U.S.C. § 1348*** and ***DoDI 1100.21***. Long distance calls from private residences for official business may be paid from appropriated funds when supported by properly certified vouchers.

2. Charges for official telephone service, and charges for metered services, for a period beginning in one fiscal year and ending in another fiscal year may be paid from the appropriation current at the end of the period covered by the service (***31 U.S.C. § 1308***). This rule also applies to leased wire and teletypewriter services.

3. Telephone services provided for Service clubs, motion picture service, military Exchange store activities, and officers' and non-commissioned officers' messes within the United States are subject to federal communications taxes (***26 U.S.C. § 4251*** and ***§ 4252***).

B. Increased Rates. The contract for telephone service may provide for payment of telephone charges at legally established rates. Under such contracts, rate increases approved by rate-setting authorities may be paid. Increased rates billed in advance of pending approval by rate-setting authorities may be payable, but will be subject to adjustment if the increase does not receive approval.

C. Payment Policy.

1. The office designated to receive the telephone bills from the telephone company must coordinate the preparation and certification of the SF 1034, or an electronic equivalent, for payment. Local Component procedures must be in place to confirm the number and active statuses of the phone lines/numbers being billed, and ensure the related costs reflect charges for official or other authorized use.

2. The SF 1034 must be forwarded to the designated payment office, together with the telephone company’s summary billing statement, which includes totals for the monthly plan and long distance charges. The detailed listings and schedules supporting the telephone company's bill should be retained by the responsible office and not be attached to the payment voucher, unless required by local procedures. Components must follow established local ethical conduct and related personnel policies and procedures in addressing the reimbursement of costs associated with unauthorized use. Any funds collected must be handled in accordance with the Component’s appropriation and fund deposit rules and regulations.

D. Teletypewriter Service. Telephone companies provide teletypewriter services. The charges, based on time used, should be processed in the same manner as the telephone charges identified in this section.

E. Satellite Communications Service. Government communication systems and equipment are only for official use and authorized purposes. The use of Navy communication systems and equipment for other than official use is at the commanding officers' discretion, as long as the Navy does not incur additional cost or the use does not degrade mission readiness (***Operations Navy Instruction (OPNAVINST) 2060.8A***). Refer to OPNAVINST 2060.8A for authorized uses. The communications officer must collect for unauthorized or unofficial charges on a DD Form 1131, Cash Collection Voucher, (Volume 8, Chapter 10) from personnel using the ships' communication service in an unauthorized manner. The communications officer must immediately turn over the amounts collected to the disbursing office. When the telephone company bills the ship for the service, payment must be made to the telephone company by the designated payment office using an SF 1034 to substantiate the payment.

F. Reimbursement for Telephone Wiring Maintenance. Charges paid by the tenant for telephone wiring maintenance necessary in base housing may be reimbursable in accordance with 31 U.S.C. § 1348. Charges for internal wiring repair in family housing will be reimbursable from maintenance funds and charges for unaccompanied personnel housing from current base funds.

G. Telephone and Television Reconnection Charges.

1. Payment using appropriated funds is authorized for reconnection expenses where a move is the result of government action over which the member has no control, and the move is directed at government expense. Exclude expenses incurred during permanent change of station (PCS) that may be reimbursable under the PCS orders or other related regulations.

a. Payment is authorized for the following moves as directed by the base commander:

(1) Mandatory assignment to government-owned housing facilities,

(2) Involuntary relocation to government or non-government facilities because of base renovation or condemnation proceedings, or

(3) The termination of assigned quarters because of death of qualifying dependents.

b. Members are not authorized reimbursement for moves involving:

(1) Voluntary termination of assigned quarters,

(2) The termination of assigned quarters due to demotion to ineligible grade or adverse conduct by a member,

(3) The termination of assigned quarters due to family separation (no hardship involved), or

(4) Member's voluntary movement from off base to on-base quarters.

2. Reimbursement of the member's claim or a direct payment to the contractor is chargeable against the appropriation covered by the service.

a. Reimbursement to Member. A Service member may pay for reconnection charges when billed and then file a claim for reimbursement. The member must submit the invoice, letter, or special order directing the move, and a letter request to the billeting officer for bachelor quarters or to the base civil engineer for military family housing for approval and certification.

b. Direct Payment Method. A Service member may submit the same documentation through the billeting officer or base civil engineer to the entitlement office for a direct payment to the contractor. These payments are not subject to the PPA. The payment voucher must contain the statement, "Payment is being made for the following individual(s) for reconnection services on the following dates." Activity controls and procedures should be designed to ensure a duplicate reimbursement is not paid to the Service member at a subsequent time.

3. Support the reimbursement or direct payment to the contractor with the following:

a. The special order or letter directing the move;

b. The letter from the member requesting reimbursement for reconnection charges already paid or a direct payment to the contractor for charges not yet paid. The member must certify the amount invoiced includes only those charges incurred in restoring telephone or television services previously provided at their old location and does not include charges for any new services or equipment; and

c. A copy of the telephone or television company invoice certified by the chief of services or base civil engineer showing only reconnection charges. All other charges are the responsibility of the member and must be paid separately.

120323. Tuition and Training

A. Authorized Reimbursements. Tuition and training reimbursements to employees are miscellaneous payments. ***Title 5 U.S.C. § 4109*** provides the authority to reimburse employees for necessary training expenses (e.g., tuition and matriculation fees; library and laboratory services; purchase or rental of books, materials, and supplies; and other services or facilities directly related to employee training.) Refer to the ***DoDI 1322.25*** (Voluntary Education Programs) for additional tuition and training guidance.

B. Military Personnel. Tuition assistance for military personnel must be paid directly to the academic institution in accordance with the contract terms with that institution. Reimbursement to the member for other related reimbursable expenses requires a properly certified ***SF 182***, Authorization, Agreement and Certification of Training, or other Component approved form. Component procedures must ensure specified annual and per course hour, reimbursements do not exceed allowable limits and prevent duplication of payments.

C. Civilian Employee Training. A miscellaneous payment request is required for direct reimbursements to employees for necessary training expenses, such as books and supplies. Employees submitting requests for these reimbursements must use an SF 182 or other Component-approved form. Refer to ***DoDI 1400.25, Volume 410*** for additional policies and procedures regarding training education, and professional development activities for civilian employees.

1. The training must be a regularly scheduled, off-the-shelf course, training conference, or instructional service available to the public and priced the same for everyone in the same category (i.e., price per student, course, program, service, or training space). To minimize the need for reimbursing the employee, the preference is to pay the training provider.

2. Prohibitions against the payment of tuition or other expenses for training include overtime, holiday, and night differential pay, or membership fees as outlined in 5 U.S.C. § 4109 and ***5 U.S.C. § 5946***.

3. The ***Joint Travel Regulations (JTR), Chapter 3, Part B*** contains travel and transportation policy involving attendance at training.

D. Advance Payment. Advance payment of tuition and other expenses is authorized (5 U.S.C. § 4109 and ***31 U.S.C. § 3324***) either when the training facility renders, or refuses to render, a billing. The SF 182 will identify the training facility by name and address, the amount payable to the facility for the advance of tuition, as well as the amount payable to the trainee for purchase of books, library, and laboratory services. The SF 182 must be submitted to the entitlement office to support payment of the advance as a miscellaneous payment.

E. Liquidation of Advance. Within five workdays after completion of the training, the trainee will prepare an SF 182 itemizing the training expenses, attach receipts when obtainable, and submit the original agency finance copy of the SF 182 endorsing the advance payment information. The disbursing office will liquidate the advance payment in the same manner as prescribed for travel advances.

120324. Tuition Refunds

A. When the DoD Education Activity (DoDEA) determines refunds are payable to sponsors of tuition-paying students attending DoD operated schools, refunds will normally be a prorated amount of tuition when enrollment is terminated prior to the end of the grading period (***DoDEA Administrative Instruction 7200.1***). A refund of advance tuition payment

is only authorized based on a full grading period. A grading period is considered to be any one of the four periods established by the school, and covered by student report cards.

B. The school administrator must ensure deposit funds are available and prepare an SF 1034, which must include the name of the student, date of enrollment termination, and the amount authorized for refund.

C. The entitlement office will pay the voucher after reviewing it for propriety and ensuring related funds are available in deposit fund accounts (DoDEA Procedural Guide ***14-PGRMD-013***).

120325. Payment for Contract Quarters for Foreign Military Sales (FMS) Travelers

Contract quarters are reimbursable to the contractor for personnel traveling on official orders in connection with FMS. ***Chapter 10*** of the DoD 5105.38-M (Security Assistance Management Manual); Volume 15, Chapter 8; and other appropriate DoD Component regulations prescribe the travel policy under which this payment would occur. The claimant must prepare an Optional Form (OF) 1164, Claim for Reimbursement for Expenditures on Official Business, SF 1034, or other Component-approved form, or electronic equivalent, and submit it along with a copy of the official orders to obtain reimbursement.

1204 PROFESSIONAL LIABILITY INSURANCE (PLI)

120401. Civilian Employees

Certain civilian employees (law enforcement officer, supervisor, management official, or temporary fire line manager) may be eligible for PLI reimbursement up to one-half of the insurance premium costs incurred annually (***5 U.S.C., Chapter 59, Subchapter IV***).

120402. Conditions for Payments of PLI

An employee must submit an insurance policy and proof of payment to their servicing Human Resource Office/Civilian Personnel Office (HRO/CPO). The employee also must submit a completed OF 1164, certified by the HRO/CPO approving official and an invoice from the insurance carrier. The insurance carrier invoice must include the issuing company's name, the policy number, and proof of payment. If it is not evident to the paying office that the carrier's invoice, or the policy itself, is a qualified professional liability policy, the invoice will be returned to the employee, requesting they provide evidence the sole purpose of the policy presented for reimbursement is to provide liability insurance. The reimbursement is not reportable as taxable income and not subject to W-2 reporting.

1205 GOVERNMENT CHARGE CARDS CENTRALLY BILLED ACCOUNTS (CBAs)

120501. Government Charge Cards CBAs

This section provides financial management policy for CBA billings (hereafter referred to as "invoices" for the purposes of this policy). The GSA's government-wide ***SmartPay2*** contract and applicable DoD tailored task orders authorize the use of CBA programs for the Department. The Government Travel Charge Card (GTCC) Program has two types of travel cards: the Individual Billed Account (IBA) and the CBA. The financial management policy associated with IBAs is contained in Chapter 23. CBA transportation accounts are issued to DoD activities and are restricted to the purchase of air, rail, and bus tickets only for travelers who are not eligible for an IBA. Mission requirements of the unit determine credit limits on CBAs. There are two types of CBAs:

A. A transportation account is a cardless account issued to a government transportation office for use in purchasing transportation, to include airline, bus, and rail tickets.

B. A unit travel card is a card that may be issued to an individual or unit for group travel only when it is cost-effective and in the interest of the mission. Unit cards are designed to accommodate groups of travelers such as new recruits, prisoners, and foreign nationals participating in an official DoD sponsored program or activity.

*120502. Policy

A. ***OMB Circular A-123 Appendix B***, Charge Card Management, provides policy for Federal Government charge card programs.

B. The DoD Government Charge Card ***Guidebook*** for Establishing and Managing Purchase, Travel, and Fuel Card Programs is a consolidated guide that provides policies, unique business rules and procedures for DoD charge card programs.

* C. Government centrally billed travel card policies are prescribed by DoDI 5154.31, ***Volume 4***, Commercial Travel Management: DoD Government Travel Charge Card (GTCC) Program. Payment provisions are available in DoD Component regulations and Standard Operating Procedures.

120503. CBA Billing Statements

CBA contractors will furnish a monthly invoice or statement of account, showing charges made during the billing cycle. The invoice must contain the elements specified in Chapter 8. The date of receipt of the invoice in the Billing Office starts the PPA clock.

120504. Roles and Responsibilities

Officials must work together to ensure accuracy, propriety and legality over centrally billed accounts and related payments. Volume 5, Chapter 5 provides roles and responsibilities of

accountable officials for CBA programs. The certifying officer ensures that only certified payment packages are forwarded for payment.

*120505. Documentation

Accountable officials must ensure maintenance of documentation, at all levels, to support the integrity of the Government CBA programs and facilitate the reconciliation and payment of CBA transactions. Accountable officials must establish clear audit trails for CBA transactions by maintaining documentation to support each purchase such as travel orders/authorizations; requisitions, including cross references to any related Blanket Purchase Agreements; telephone and mail order logs; receipt records; and credit slips (DoDI 5154.31, Volume 4, Commercial Travel Management: DoD GTCC Program). Certifying officers must review the payment packages to ensure the information agrees with all supporting documentation before certification and submission to the entitlement office for payment. Volume 5, Chapter 15 prescribes responsibility for certifying officers to make records and supporting documents accessible to authorized users.

120506. Disputed Transactions

Government CBA owners must dispute or report as fraud questionable transactions with the issuing bank in accordance with the timetable and provisions contained in the contract with the issuing bank and local procedures. Approving officials must notify the entitlement office by annotating the invoice or the invoice package to show reductions for disputed charges and must maintain records to track disputed transactions to full resolution.

120507. Designated Entitlement Office

The designated entitlement office personnel rely on the certifying officer to ensure the validity, legality, and accuracy of certified invoice packages. The designated entitlement office must ensure all certified invoice payment packages undergo prevalidation to ensure the availability of funding. They must also ensure a DD Form 577, Appointment/Termination Record - Authorized Signature, is on file to verify all manually and electronically certified payment packages.

*120508. Records Retention

Approving officials in the billing offices submitting CBA Billing Statements must ensure proper audit trails exist, and documentation is available to support all charges and CBA payments. The retention of documentation, both paper and electronic records, is the responsibility of the certifying officer. Refer to Volume 1, Chapter 9, Figure 9-1 for statutory retention requirements.

1206 PAYMENTS UNDER REAL PROPERTY LEASES

120601. General

Leases are subject to the statutory and regulatory provisions applicable to DoD contracts, as well as the specific statutory provisions pertinent to leases themselves. A lease is a contract, which conveys the use of land or buildings for a specified time at a specified rate of compensation. Leases describe the premises, the specific period involved, purpose for which used, the amount of rent, method of payment, special or operational services included (such as heat, light, water, and janitorial services), and any restoration provisions. If the lessor fails to provide the services called for in the lease, then the lessee (DoD) may pay the cost and deduct the amount from the lease rental payments.

120602. Rent

A. Fractional Parts of a Month. The calculation to determine payment for part of a month for leased premises must include the actual number of days involved. In computing the time between two dates, the general rule is to exclude the first and include the last date, except when the lease is for a specified term and begins on the date of occupancy.

B. Monthly Installment Payments of Annual Rent. A lease generally begins on the first of the month. For leases that begin on a date other than the first, the monthly rent installments become due and payable on the date of each month numerically corresponding to the date the term began, less one day. The amount of each installment should be one-twelfth of the annual rate, regardless of the number of days in any calendar month.

C. Recurring Rental Charges. Processing payment for these charges occurs without requiring individual invoices from the vendor. At the end of each rental period, the using activity or the designated payment office must prepare an SF 1034 or an electronic equivalent. The claim must identify the lease, confirm the use or availability of the property during the rental period, include all relevant documentation supporting the payment, and be processed in accordance with the provisions of the lease. Refer to the Guidebook for preparation instructions of an SF 1034. Lease or rental payment transactions between inter/intra-governmental entities must be processed using the Intra-governmental Payment and Collection (IPAC) System (TFM, Volume 1, Part 6, Chapter ***4000***).

D. Reporting Rental Payments Made to Civilian Landlords. At the end of each calendar year, report yearly rental payments of $600 or more to IRS via the DFAS 1099 Tax ***Reporting Program*** (refer to Chapter 6). Do not report payments to real estate agents.

120603. Party Entitled to Rental Payment

A. If DoD occupies land under a lease, the rental payment cannot be avoided because of any defect in the title of the lessor at the time of entering into a lease agreement.

B. If DoD occupies land owned by several tenants-in-common under an agreement with one of them, and without objection by the others, such tenant-in-common is entitled to receive the rent.

C. If property leased to DoD sells on one day and the deed of conveyance is executed on another day, the grantee is entitled to receive the rental from the property only from and after the date of execution of the deed.

D. Liability for rent due does not become payable day-by-day. It becomes due in total on the dates set forth in the lease. There will be no proration of the payment for several owners, who may have owned the premises for a portion of the rental period. When leased property changes ownership through a sale, a copy of the deed of sale is furnished for association with the lease contract. If proper notification is provided to the lessee, payment is made to the titleholder on the due date.

120604. Payment for Leased Land

Payment for leased land is not payable in advance. Payment for leases in foreign countries for periods is by direction of laws and ministerial regulations of foreign countries or local customs (***10 U.S.C. § 2396***).

120605. Payment for Cost of Improvement of Rented Premises

DoD lease agreements must be clearly written regarding provisions for laying conduit and wires, making alterations, performing repairs, or making other improvements. Thus, unless the lease clearly provides for making such improvements at DoD expense, the payment of any cost associated with this type of improvement effort is not authorized.

120606. Payment of Taxes on Property

Although taxes are not payable by DoD as the owner of real property, such taxes are properly payable as part of the rent when specifically included in the terms of the lease.

120607. Payment of Rent in Connection with Termination of Lease

The terms of the lease determine the basis of payment. Leases containing the standard U.S. Army Corps of Engineer's termination clause require payment for the day after the notice of termination mailing plus 29 days. Leases containing other termination provisions should be analyzed on an individual basis, in consultation with local legal counsel to determine the correct amount of rent due upon termination of the lease.

1207 PAYMENTS UNDER INDIVIDUAL SET-ASIDE CONTRACTS (ISAs)

Reimbursements made to medical health service providers serving under ISAs are subject to Federal tax and Federal Insurance Contributions Act (FICA). Payments made under ISAs will be reported by DoD at the end of the year to the IRS on a Form W-2, Wage and Tax Statement, in accordance with Social Security Administration/Internal Revenue Service guidelines (IRS ***Publication 15, Circular E***). The DoD Tax Reporting Office will perform the W-2 reporting requirements. Refer to Volume 8, Chapter 9 for disbursements to taxing authorities.

1208 PAYMENTS OF FEES FOR GUEST SPEAKERS, LECTURERS, AND PANELISTS

Payment for expenses associated with honoraria (guest speaker fees) is allowable for individuals who are not government personnel. Honoraria are ex gratia payments and are made to a speaker who has discretion concerning the content of the speech, presentation, or panel discussion on the general topic. In contrast, honoraria limitations do not restrict payment for presentation of materials under a training contract involving a program of instruction. To avoid excessive payment of honoraria, the Deputy Secretary of Defense has established a policy for honoraria amounts greater than $2,000 must have approval by the next higher organizational echelon. Such approvals will be in accordance with the Component's established procedures.

1209 INTRA-GOVERNMENTAL TRANSACTIONS

The TFM, Volume 1, Part 6, Chapter 4000 prescribes policy for agencies to process intra-governmental expenditure transactions through the IPAC system. IPAC is an electronic internet-based collections and payment system. Refer to Volume 5 for additional policy regarding IPAC.

*120901. Border Clearance Inspectors Overtime Expenses

* A. If border clearance inspectors are required to work overtime, or on Sundays and holidays, at a DoD installation, the DoD installation must pay the overtime expenses incurred, including travel and subsistence in accordance with 19 CFR, Section ***24.16*** and ***24.17***. Border clearance officials regularly assigned to DoD installations will not receive payment for travel and subsistence. When additional inspectors are required to supplement the regularly assigned inspection staff, the DoD installation pays for their overtime, travel, and subsistence.

B. If a DoD aircraft lands at a site other than a DoD installation, the home station of the aircraft must pay the charges. When a DoD aircraft lands at another DoD installation, the installation providing the landing clearance services must accept the border clearance and inspection expenses. Financial managers must ensure funds are reserved to pay for these claimed expenses. The DoD official designated to make the necessary arrangements must maintain accurate records, submit requests for overtime, certify receipt and acceptance of services, and forward the billings for payment. Invoices received from one agency may be consolidated and processed for payment by using a single IPAC transaction.

120902. General Services Administration (GSA) Payments, Where DoD Liability Exists for Damages to GSA Motor Pool Vehicles

A. Except for normal wear and tear, the DoD is pecuniarily liable for loss of or damages to GSA motor pool vehicles caused by negligence, misconduct, abuse, or inattention of military or DoD civilian personnel.

B. The operator of the vehicle is responsible for notifying the GSA fleet management center, his/her supervisor, and the state, county, or municipal authorities as required by law (***41 CFR, Section 101-39.401***) when damages occur to a GSA vehicle. GSA will charge DoD for all costs resulting from damage, including vandalism, theft and parking lot

damage to a GSA vehicle on a case-by-case basis after a review of the documentation required by 41 CFR, Section ***101-39.406***. Upon receipt of GSA's assessment of damages, use the IPAC system (the preferred method) or an ***SF 1080***, Voucher for Transfers Between Appropriations and/or Funds, to process the payment to GSA. The DoD Component to which the vehicle was assigned must provide the fund cite for the payment. The SF 1080 must identify the damaged vehicle involved, and include the vehicle registry number, date of damage, register number of the ***SF 91***, Motor Vehicle Accident Report, and, when applicable, include an ***SF 94***, Statement of Witness.

C. Provide one copy of the voucher, without supporting papers, with the IPAC payment to GSA. Support the original voucher, and other copies of vouchers, (when required) with a certified true copy of the Report of Survey, and the cost of repairs statement prepared by GSA.

VOLUME 10, CHAPTER 13: "COMMERCIAL TRANSPORTATION PAYMENTS"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated July 2014 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
130102.H	Revised reference to the Joint Federal Travel Regulations (JFTR). The JFTR was merged into the Joint Travel Regulations.	Revision

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CHAPTER 13

COMMERCIAL TRANSPORTATION PAYMENTS

1301 GENERAL

130101. Purpose

This chapter establishes policies and responsibilities within the Department of Defense (DoD) for the financial management of various types of transportation payments. It outlines the policies and responsibilities for payment of transportation documents, including bills of lading (BOL) and third-party transportation invoices. It also includes requirements for prepayment and post-payment audits, reviews, claims and related General Services Administration (GSA) procedures. The policies in this chapter also apply when the Transportation Working Capital Fund pays the commercial Transportation Service Provider (TSP).

*130102. Authoritative Guidance

The following laws and regulations comprise the current requirements for the efficient and effective use of government and commercial transportation resources. This policy includes the roles, responsibilities, and authority in applying these requirements, to include policy pertaining to payment of transportation and transportation related services for the DoD:

A. ***Title 10, United States Code (U.S.C.), Chapter 157*** and 31 U.S.C. ***§ 3726*** provide information concerning the laws surrounding the transportation of both personnel and supplies and the general conditions under which a carrier may submit claims for payment. Title 31 U.S.C. § 3726 also establishes the role of GSA in settling claims, identifies when claims must be filed with GSA, and identifies requirements for conducting and funding prepayment and post-payment audits.

B. ***Title 31 U.S.C. § 3726(d)*** states that not later than 3 years (excluding time of war) after the time a bill is paid, the Government may deduct from an amount subsequently due a carrier or freight forwarder an amount paid on the bill that was greater than the rate allowed.

C. ***DoD Directive 5158.04, United States Transportation Command*** (USTRANSCOM) and ***DoD Directive 4500.09E, Transportation and Traffic Management*** govern the worldwide movement of passengers, cargo and personal property for DoD.

D. ***Defense Transportation Regulation (DTR) 4500.9-R*** provides policy to DoD Components for efficient and effective use of government and commercial transportation resources.

E. ***Federal Acquisition Regulation (FAR), Part 47 "Transportation"*** prescribes policies for applying transportation and traffic management considerations in the acquisition of supplies; and acquiring transportation or transportation related services by contract methods.

F. ***Defense Federal Acquisition Regulation Supplement, Part 247*** contains additional transportation guidance as a supplement to FAR, Part 47 provisions.

G. ***Title 41, Code of Federal Regulations (CFR), Part 102-118***, "Transportation Payment and Audit" codifies statutes and other policies that assure transportation services are uniform and appropriate. It also defines authority for GSA to conduct prepayment and post-payment audits, and establishes agency prepayment audit requirements.

* H. The following laws and regulations provide guidance for payment of Non-Temporary Storage (NTS) and local drayage of Household Goods (HHG):

1. ***Title 5 U.S.C. § 5726***;

2. ***Title 41 CFR § 302-8***; and

3. ***Joint Travel Regulations (JTR)***.

1302 POLICY

130201. Valid Line of Accounting (LOA)

Every transportation shipment, when initiated, must have a valid LOA to include the Standard Document Number, or in their place, an associated Transportation Account Code (TAC) representing a valid LOA, prior to processing shipment requests, automation of obligation recording, and invoice certification and payment.

A. Transportation services will not be provided by the Transportation Officer (TO) or the Traffic Management Officer (TMO) without first obtaining proper supporting documentation. At a minimum, this documentation must include an authorization to use, and a citation of, a valid and funded LOA, provided by a designated Fund Manager (FM) or financial management official.

B. If funding data supporting the shipment request fails validation when processed, the TO/TMO will suspend further processing efforts until the shipping customer provides written (electronic or hardcopy) verification indicating the LOA is valid.

130202. Funded Line of Accounting (LOA) and Associated Transportation Account Code (TAC)

Shipping customers requesting transportation services will provide the TO/TMO with the FM's written or electronic verification of a funded LOA (funding document), or the associated TAC, before entering the government into a contract with a carrier. The FM verification may be annotated on the Movement Request Order, usually a DoD ***(DD) Form 1348-1A***, Issue Release/Receipt Document, or ***DD Form 1149C***, Requisition and Invoice/Shipping Document.

130203. Anti-Deficiency Act (ADA)

Any transportation shipment request processed without an authorized, valid, and funded LOA, resulting in an obligation on behalf of the Federal Government, could result in a violation of the ADA under ***31 U.S.C. § 1341***. See Volume 14, Chapters 1 and 2 for additional information concerning appropriations and violations of the ADA.

130204. Internal Controls

Internal controls need to be in place to ensure that duplicative or erroneous payments do not occur. These controls will ensure that sufficient management control mechanisms are available so that DoD funds are spent appropriately and in accordance with all applicable laws and regulations. Refer to Chapter 1 for additional policy specific to internal controls.

1303 RESPONSIBILITIES

130301. United States Transportation Command (USTRANSCOM)

Per DoD Directive 5158.04, the Secretary of Defense has designated ***USTRANSCOM*** as the single manager within the DoD for transportation, other than Service-unique or theater-assigned assets. USTRANSCOM operates three subordinate commands: Surface Deployment and Distribution Command (SDDC), Military Sealift Command (MSC), and Air Mobility Command (AMC).

A. SDDC has been designated as the single manager within the DoD for providing traffic management services to deploy, sustain and redeploy United States forces on a global basis. The command is responsible for surface transportation and is the interface between DoD shippers and the commercial carrier industry. This includes movement of the DoD member's HHG and privately owned vehicle (POV).

B. MSC has been designated as the single manager within the DoD for ocean transportation. MSC provides sealift transportation to deploy, sustain, and redeploy United States forces around the globe. The MSC will monitor and manage all sealift service and will maintain data concerning such service.

C. AMC has been designated as the single manager within the DoD for airlift service. AMC provides strategic and tactical airlift, air refueling, and aero medical evacuation services for deploying, sustaining, and redeploying United States forces wherever needed. AMC contracts with commercial air carriers through the Civil Reserve Air Fleet and other programs for movement of DoD passengers and cargo. The AMC will monitor and manage all airlift service and will maintain data concerning such service.

130302. Defense Finance and Accounting Service (DFAS)

DFAS maintains the software/database support for the Transportation Global Edit Table (TGET).

A. TGET is a centralized repository that contains established transportation LOAs formatted in accordance with Service/Agency LOA requirements and associated TACs.

B. Each Component is responsible for updating the TGET and ensuring it contains valid LOAs and TACs.

130303. Shipping Customers

Shipping customers can be individuals (service members or civilian employees), units, or organizations within the Military Services, Defense Agencies and other government (non-DoD) agencies (federal, state or local) requesting shipment of freight or personal property. The shipping customer will obtain and present to the TO/TMO, in written or electronic form, a valid and funded LOA from a designated FM.

130304. Transportation Officer (TO) and Traffic Management Officer (TMO)

TOs and TMOs are individuals who are designated to process approved shipment requests for transportation or storage of military goods and other items entitled to be transported or stored at government expense and related accessorial or special services. The TO/TMO responsibilities include:

A. Preparing and editing shipment documentation to ensure quality electronic data and timely submission to support total movement shipment processes;

B. Reviewing shipment requests presented by the shipping customer to ensure that the approved funding and shipping documents fully support each shipment request;

C. Ensuring that any shipment request that is found to be incomplete or is not fully supported by the proper funding authorization will be suspended and not be accepted for shipment; and

D. Resuming the shipment request process when written or electronic verification of a corrected LOA, or other required shipping and supporting documents are received.

130305. Fund Manager (FM)

FMs are individuals legally responsible for managing the appropriate use of funds and will assist and provide advice to the TO/TMO on all financial related matters. The FM will:

A. Maintain and issue authorizations to use LOAs, based on requests, to ensure their appropriate use and the availability of sufficient funding;

B. Coordinate and administer changes and modifications to LOAs and ensure updated data is uploaded to the TGET when necessary;

C. Provide a properly formatted LOA and associated TAC for input into the shipper system when utilizing electronic processing and third-party billing;

D. Coordinate with the appropriate finance and accounting office to resolve edit exceptions encountered in the obligation and accrual recording and invoice payment processes;

E. Work with the TO/TMO and/or Certifying Officer to correct fund citation edit exceptions;

F. Provide the shipping customer with documentation supporting funds availability and record the commitment/obligation appropriately. Documentation must include a valid, appropriate, and funded LOA, as well as the point of contact information of the FM (e.g., name, phone number and e-mail address);

G. Monitor execution of transportation costs and make adjustments as needed; and

H. Coordinate with the Contracting Officer and/or TO/TMO in addressing any issues associated with transactions that have not yet been certified for payment.

130306. Certifying Officer

Certifying Officers within the responsible transportation offices are individuals designated in writing by the activity commander and will perform their duties in accordance with Volume 5, Chapter 5. All Certifying Officers will be appointed using a DD 577, Appointment/Termination Record – Authorized Signature. Pursuant to ***31 U.S.C. § 3528***, Certifying Officers are responsible for:

A. Ensuring the accuracy of facts stated on a certified voucher to include the supporting documents and records;

B. Ensuring accurate computation of certified vouchers under 31 U.S.C. § 3528 and ***31 U.S.C. § 3325***;

C. Ensuring the legality of a proposed payment under the appropriation or fund involved;

D. Ensuring that when a manual, electronic, or digital signature is affixed to a voucher, the Certifying Officer certifies to a disbursing officer that the items listed therein are

correct and proper for payment from the appropriation(s) or other funds designated thereon or on supporting vouchers, and that the proposed payment is proper, correct, and not prohibited by law;

E. Certifying a ***Standard Form (SF) 1113*** (Public Voucher for Transportation Charges) for the correct amount and fund cites when processing documents such as requests for payments, invoices, and other transportation documents;

F. Forwarding the certified SF 1113 with the attached supporting documents to the proper payment office for recording into the accounts payable system and disbursement of payment to the provider; and

G. Performing additional duties and responsibilities of Certifying Officers concerning the review, reconciliation, and certification of the DoD Third Party Payment System (TPPS) monthly summary invoices as discussed in paragraph 131003.

130307. Payment Office

Each payment office will:

A. Provide finance and accounting support to designated shipping customers, FMs, TOs/TMOs, and Certifying Officers;

B. Ensure that a valid electronic record of the transportation obligation is posted in the accounting system prior to disbursing funds;

C. Record accruals, if appropriate, and then disburse payment upon receipt of the certified request for payment or electronic data feeds;

D. Ensure that commitment, obligation, accrual, and expense transactions are reconciled and processed into the appropriate accounting systems;

E. Send electronic funds transfer disbursement to the vendor or third-party payer with an accompanying remittance advice; and

F. Collect any overpayments, as required.

130308. General Services Administration (GSA)

GSA is the executive agent for the Federal Government and is responsible for oversight of prepayment and post-payment audits and associated collection actions. GSA also handles payment claims and disputes that cannot be resolved between the TSP and the payment office. See sections 1304 and 1309 for additional policy concerning transportation audits, reviews, and TSP claims.

130309. Transportation Service Provider (TSP)

The TSP is the commercial provider of transportation services for either freight or HHG.

A. The TSP certifies that the shipment has been delivered in good condition and submits certified invoices for payments of services rendered.

B. The certified invoice is sent to the activity designated in the shipping request.

130310. Contracting Officer

A Contracting Officer is a United States military officer or civilian employee who has been properly appointed on a ***SF 1402***.

A. A Contracting Officer has the authority to enter into, administer, and/or terminate contracts and make related determinations and findings. See definition of Contracting Officer in ***FAR Subpart 2.1***.

B. Within the context of this chapter (for transportation charges falling outside of TPPS processes) the Contracting Officer:

1. Prepares solicitations and contracts for transportation and/or transportation related services;

2. Specifies authorization of prepaid freight in contracts;

3. Ensures that the requirements of the ***DTR 4500.9-R Part II*** are included in appropriate contracts for all applicable shipments and enforces these requirements concerning shipments under their control; and

4. Includes in the solicitation and contract all applicable services, provisions, clauses and instructions concerning first destination transportation charges and electronic invoicing. The solicitation and contract must also identify a separate LOA for prepaid freight.

1304 PAYMENT, AUDITS, AND COLLECTIONS

130401. Request for Payment

The payment office will process a request for payment in accordance with the applicable commercial rates, fares, or charges for transportation by any common carrier of any property for the United States, or on its behalf, as approved by the TO/TMO or designee and certified by the Certifying Officer. Transportation payments will be made by the payment office designated in the contract.

130402. Prepayment Audit

Title 31 U.S.C. § 3726 establishes that each agency that receives a bill from a carrier or freight forwarder for transporting an individual or property for the United States Government must verify its correctness (to include transportation rates, freight classifications, or proper combinations thereof) using a prepayment audit, in accordance with regulations prescribed by the GSA. Meal tickets and meal checks are not subject to audit since they do not represent bills from a TSP. Implementing instructions are in 41 CFR § 102-118, which provides responses to the most frequently asked questions concerning transportation payments and audit.

A. GSA has complete oversight of the prepayment audit process; however, it can further delegate that authority to the DoD Components if the delegation is determined to be cost-effective or otherwise in the public's best interest, as prescribed in ***31 U.S.C. § 3726(q)***.

B. The GSA Audit Division keeps a central repository of electronic transportation billing records for legal and audit purposes. Therefore, the DoD must forward all relevant electronic transportation billing documents to GSA; this is accomplished by the TPPS contractor which provides all shipping and payment data available in support of DoD transportation payments (41 CFR § 102-118.80).

C. The payment office must ensure during its prepayment audit of a hardcopy (non-TPPS) TSP bill that the TSP filled out the SF 1113, Public Voucher for Transportation Charges completely, including the taxpayer identification number and standard carrier alpha code. An SF 1113 must accompany all hardcopy (non-TPPS) billings (41 CFR § 102-118.100).

D. In accordance with 41 CFR § 102-118.290 and ***31 U.S.C. § 3521(b)***, statistical sampling is permitted on TSP bills under $2,500.

E. In accordance with ***31 U.S.C. § 3726(a)(3)***, expenses for prepayment audits must be funded by DoD appropriations used for the transportation services.

130403. Prompt Payment Act (PPA)

Transportation payments are subject to the PPA. PPA regulations require that agencies pay transportation bills within a certain time period and pay interest penalties when payments are late.

A. Unless specified differently in the contract, transportation charges should be paid within 30 days after the original completed BOL reaches the designated billing office and the carrier certification, as described in paragraph 130404, is completed on the document.

B. If an invoice or accompanying documentation is determined to be incomplete or incorrect, the agency must provide the TSP with written notice of an apparent error, defect, or impropriety within 7 days of receipt of the bill. See ***FAR 32.905*** for additional information.

C. Refer to Chapter 7 for additional PPA policy.

130404. Certified Invoice

Transportation invoices must be certified by the carrier that the shipment has been delivered in good order and condition. Invoices will not be paid in advance per 41 CFR §102-118.200.

130405. GSA Post-Payment Audit

A carrier's BOL and the supporting documents, which represent payments made by agency payment offices for freight and passenger transportation services, must be forwarded to GSA for a post-payment audit (41 CFR § 102-118.415 and 41 CFR § 102-118.425).

A. GSA reviews the carrier's transportation rates, freight classification, and other information for correctness during the audit and has a number of applicable actions it can take based on post-payment review outcomes (41 CFR §1 02-118.440).

B. Expenses of post-payment audit contract administration and audit related functions are financed from overpayments collected from the TSP's bills previously paid by the DoD and similar type refunds (41 CFR § 102-118.445).

130406. Overpayments

If the agency conducts prepayment audits of its transportation bills, agency transportation certifying and disbursing officers are liable for any overpayments made. If GSA has granted a waiver to the prepayment audit requirement and the agency performs a post-payment audit, (31 U.S.C. § 3528 and ***31 U.S.C. § 3322***) neither the certifying nor disbursing officers are liable based on the reasons listed in these two cited statutes (41 CFR § 102-118.160).

A. If an overpayment results from the use of improper transportation rates, classifications, or from the failure to deduct the proper amount, the disbursing officer or Certifying Officer will normally not be held liable for overpayments.

B. Relief of liability may normally be granted when the certification was based on official records and the Certifying Officer did not know, and by reasonable diligence and inquiry could not have discovered, the correct information or the obligation was incurred in good faith, and diligent collection actions were undertaken in accordance with established procedures. Refer to Volume 5, Chapter 6.

130407. Collection / Offset of Overcharges

The Director of the GSA Audit Division has the authority and responsibility to audit and settle all transportation related accounts (31 U.S.C. § 3726). When instructed to do so by GSA, the payment office will offset, as appropriate, any overcharge amounts due the United States from an unpaid carrier's bill.

A. The payment office will inform GSA if they do not have, and are not likely to have, a subsequent voucher to collect an overcharge.

B. GSA then handles the collection as a United States claim against the payee (41 CFR § 102-118.640). If GSA collects the overcharged amount, the collection is retained by GSA.

C. The payment office must report all voluntary refunds to the GSA Audit Division (so that no Notice of Overcharge or financial offset occurs), unless other arrangements are made (41 CFR §102-118.500(a)).

D. Once a Notice of Overcharge is issued by the GSA Audit Division, then any refund is no longer considered voluntary and the payment office must forward the refund to the GSA Audit Division (41 CFR § 102-118.500(b)).

1305 TRANSPORTATION PAYMENT DOCUMENTATION

130501. Prescribed Forms

The DoD may receive payment requests for transportation and related services in various forms, such as paper or electronic BOLs, or periodic billing statements. Transportation offices will use commercial payment practices and electronic processing to the maximum extent possible in accordance with DoD policy set forth in the DTR.

130502. Commercial Bills of Lading (BOL)

The ***"Commercial" BOL*** (the industry-wide form used by transportation carriers) is the preferred document used for the transportation of property per 48 CFR § 53.247. This document will be used for the receipt of goods, as documentary evidence of title, and as documentary evidence of delivery. The use of the commercial BOL is the initial step in satisfying the GSA's and DoD's ongoing initiatives to maximize electronic processing of transportation documents. In its electronic form (i.e., without the issuance of a hard copy government BOL), the commercial BOL is referred to as a "virtual" government BOL.

1306 TRANSPORTATION DELIVERY TERMS

130601. Delivery Terms

Delivery terms are listed in the contract indicating the point at which title and risk of loss of merchandise pass from the seller to the buyer. They define the obligations and the

responsibilities of the buyer and seller during the delivery of goods. See ***FAR 47.3*** for additional details.

A. Free on Board (FOB) Origin. If the shipping contract states FOB origin, the ownership of the cargo is passed on to the buyer when the goods are placed on the conveyance by which they are to be transported. Unless the contract states otherwise, the cost of shipping and risk of loss are borne by the buyer (government), per FAR 47.303-1.

B. FOB Destination. If the shipping contract states FOB destination, the supplier owns the goods until they arrive at their destination. Unless the contract states otherwise, the cost of shipping and the risk of loss are borne by the seller (contractor). Pursuant to FAR 47.303-6, transportation costs that are included in contracts for material delivered FOB destination must not be paid.

C. Most Advantageous Delivery Point. If the shipping contract includes both FOB origin and FOB destination delivery terms, the payment office will process each payment in accordance with the assigned contract terms for the goods being shipped. Refer to FAR 47.304-1(b) when the Contracting Officer includes both options to obtain the most advantageous delivery point.

130602. Prepaid Freight

Contractor prepaid freight is any type of transportation amount authorized to the point specified in the contract which is to be prepaid at FOB origin by the contractor and later submitted for reimbursement on the contractor's invoice, per FAR 47.303-4.

A. When providing goods, the TSP can be authorized reimbursement for prepaid freight within their contracts.

B. Contractors will support the prepaid transportation freight charges with a copy of the carrier's receipted freight bill or evidence of receipt from the carrier. Evidence of payment is a receipted freight bill or BOL stamped or marked "To Be Prepaid" showing the charges receipted for by the carrier. If this is not present, then the BOL must bear a notation of the contractor's check number, the date paid, and proof of shipment.

1. If a receipted freight bill is not available, then the contractor can provide other support for the claim for reimbursement of freight charges. The contractor should furnish a copy of the transportation company's pickup record or a copy of the contractor's internal business document showing the contractor turned the material over to a particular shipper. The contractor then must support either of these documents with a copy of the transportation company's invoice and a statement that the charges have been paid.

2. For cost reimbursement contracts, the contractor must send freight bills to the Contracting Officer for a pre-payment audit, per ***FAR 47.103-2***.

3. Per FAR 47.303-17(d)(1), the government may determine that receipted freight bills or other evidence of receipt are not required for transportation charges of $100 or less if the following conditions are met:

a. The underlying contract specifies retention by the contractor of all records for at least 3 years after final payment under the contract;

b. The contractor agrees to furnish evidence of payment when requested by the government; and

c. Per FAR 47.303-17(e), shipments and invoices will not be split to reduce transportation charges to $100 or less per transaction as a means of avoiding the required documented support for the charges.

4. Per FAR 47.303-17(d)(2), a Government agency may pay an invoiced but unsupported transportation charge of $250 or less per transaction if the following conditions exist:

a. The contractor cannot reasonably provide a receipted bill; and

b. The agency has determined that the charges are reasonable. Determination of reasonableness may be based on the following: past experience (authenticated transportation charges for similar shipments); rate checks; copies of previous bills submitted by the contractor; or other information submitted by the contractor to substantiate the amount claimed.

C. When deliveries are made at points other than the designated FOB point, the Contracting Officer will make an adjustment in the contract price that corresponds to the resulting increase or decrease in the amount of freight charges.

D. The payment office will not make an adjustment on the amount of the freight charges if deliveries are made to places other than the FOB point.

E. The payment office will not make an adjustment to freight charges when a contractor contends that it paid transportation expenses, which the government was obligated to pay.

F. The payment office cannot deduct for potential excessive freight charges paid by the government. Such adjustments must be submitted to the respective legal counsel for referral to the GSA for direct settlement as claims.

130603. Reimbursable Prepaid Freight

Reimbursement to a contractor for prepaid freight covers the cost of transporting the material being shipped from the designated FOB origin point to the designated destination(s).

A. The contractor may be authorized by the Contracting Officer to pay transportation costs subject to the terms and conditions of the BOL on behalf of the government. The contractor pays for shipping on a commercial BOL, other commercial form, or through the postal system.

1. If a contractor is directed by a Contracting Officer to ship FOB origin via parcel post, then postal charges are reimbursable.

2. The contractor should list this expense as a separate item on the invoice.

3. Charges are included in accounting records as a part of the cost of material.

B. The contractor will bill the DoD Component for the cost of the transportation. This billing is shown as a line item on the contractor's invoice and is supported by a receipt, per FAR 47.303-17(d).

C. Contractor prepaid freight is not authorized within overseas areas. A contractor, however, may be reimbursed for prepaid freight within the United States to a stateside port of embarkation for further shipping by government means to the overseas area.

D. Contractor prepaid freight costs are obligated as a cost of the contract.

E. If it is advantageous to the Government, the Contracting Officer may authorize the contractor to ship supplies, which have been acquired FOB origin, to domestic destinations, including DoD air and water terminals by common carriers on commercial BOLs. Such shipments must not exceed 150 pounds by commercial air or 1,000 pounds by other commercial carriers and must not have a security classification, per FAR 47.303-17(a).

F. GSA does not audit fixed price contractor prepaid freight charges.

G. Contractors directed to prepay freight may maintain charge accounts with companies specializing in delivery of small parcels.

130604. Excessive Freight Charges

Excessive freight charges are freight costs incurred by a contractor that exceed costs from the FOB point specified in the contract and they are not reimbursable costs. The Contracting Officer will need to make a determination whether to pay excessive freight charges, and provide that determination to the payment office before any approved adjustments to payments can be made by the payment office.

A. If a contractor prepays freight for a shipment contrary to the current contract terms, payment of shipment charges may be made to the contractor after receipt of contract modification authorizing the prepaid shipment. The payment may not exceed the cost

that would have been incurred by the government. The prepaid freight receipt will be attached to the contractor's request for payment.

B. Any premium freight (e.g., overnight delivery, first class mail, or airfreight) to be paid by the government must be authorized by the Contracting Officer, per FAR 47.304-1(c)(4).

C. Where the original contract was FOB origin and the TO/TMO changes the destination point, the government may be held liable for all additional freight cost.

D. If the contractor changes the location from where the item is being shipped from, thereby increasing the freight costs, then the contractor is liable for any increased freight costs.

E. Shipment of perishable or medical supplies that are subject to in-transit deterioration is an example of a situation when solicitations will normally be on an FOB destination only basis because it is advantageous to the Government per FAR 47.304-1(g)(4).

130605. Funding Determination Guidelines

When government property is shipped from one point to another, the following guidelines will be applied to determine the appropriation or fund to be charged for transportation:

A. Transportation charges are applied to the fiscal year and the appropriation in which they accrue as stated in the contract.

B. The transportation (movement) of cargo can have multiple segments (e.g., base to shipping port, then receiving port to base). Each segment may have a different fund-citation, depending on the type of shipment.

C. Transportation charges for material shipped from one United States Government installation to another are not considered part of the contract expense in buying the material.

D. Transportation charges incurred for transporting exchange or commissary supplies are charged to the applicable exchange fund or to the Defense Commissary Agency.

E. If freight is damaged in shipment, regardless of which entity is responsible for the damaged goods, transportation funds will not to be used to pay for the replacement or repairs of damaged goods.

1. For FOB origin shipments, destination sites will furnish procurement officials with any available information to support the shipper's claim for damage(s).

2. If freight is damaged in shipment, then follow the requirements of the ***DTR Part II Cargo Movement, Chapter 209*** for reporting damages.

130606. Property Loss or Damage

The Government generally retains the risk of loss and/or damage to its property that is not the legal liability of the commercial carriers. In addition, the Government generally does not buy insurance coverage for its property in the possession of commercial carriers per ***FAR 47.102***. However, in cases where loss or damage risk does reside with the carrier based on contractual agreement, deductions can be made from amounts due the carrier using the following guidance, per ***10 U.S.C. § 2636 (a)(1) and (2)***:

A. If deducted due to loss of, or damage to, material in transit for a military department, the amount must be credited to the proper appropriation, account, or fund from which the same or similar material may be replaced.

B. If deducted as an administrative offset for an overpayment previously made to the carrier under any DoD contract for transportation services, or as liquidated damages due under any such contract, the amount must be credited to the appropriation or account from which payments for the transportation services were made.

130607. Non-DoD Funding

Non-DoD agencies that wish to use DoD transportation services must provide funds with the appropriate LOAs to the sponsoring DoD Component. Non-DoD funding is required before services can be provided. The sponsoring Component may set up a reimbursable account where the third-party billing system can continue to pay the TSP and the sponsoring Component can establish a Service/DoD LOA/TAC for the paying office to process. See Volumes 11A and 11B for additional reimbursable policy.

1307 NON-TEMPORARY STORAGE (NTS) AND LOCAL DRAYAGE OF HOUSEHOLD GOODS (HHG)

130701. Definitions and Guidelines

An authorized DoD official will determine if local drayage and storage of HHG is authorized when it provides the best value to the Government. The TO/TMO responsibilities include obtaining these transportation services to meet operational needs.

A. NTS. NTS of HHG is all storage other than temporary (e.g., storage in transit) or special storage (e.g., access-controlled environment). NTS includes any shipment, move, packing/unpacking, and crating/uncrating necessary to transport the HHG to and from the designated storage facility.

1. NTS authority is normally included in the permanent change of station (PCS) travel authorization/order and should be obligated against the appropriation current

at the time of the contract award or against the appropriation current at the time the service is rendered per Volume 3, Chapter 8 (paragraph 0811). Follow these same obligational criteria for storage of a POV.

2. Where the Contracting Officer acquires these storage services (NTS or POV) as non-severable services, obligations are applied to the appropriation current at the time of the contract award. Where storage services are designated as severable, obligations are applied against the appropriation current at the time the services are rendered unless under authority of ***10 U.S.C. § 2410a***, the activity awarded a contract that crosses fiscal years with a period of performance that does not exceed 1 year. Refer to Volume 11A, Chapter 18 (paragraph 180302.B & C) for additional information regarding distinctions between severable and non-severable services in the context of a contracting activity procuring services on behalf of customer organizations.

3. All Invoices for NTS storage services are processed electronically through a TPPS using the policy provided in section 1310.

B. Local Drayage. Local Drayage includes hauling HHG to a designated storage facility.

1. The TO/TMO responsibilities include the following actions concerning the processing of invoices pertaining to local drayage of HHG:

a. Receiving and verifying invoices with supporting documents from the ordering officer;

b. Documenting the service for local drayage has been performed and determining the entitlement pertaining to beginning and ending periods of storage and excess weight;

c. Certifying the invoiced services have been performed;

d. Verifying with the Family Housing Management Office or Billeting Office regarding entitlement to local drayage incident to assignment of government quarters; and

e. Preparing, approving, and certifying the ***SF 1034*** and forwarding it to the proper payment office with documents to support these entitlements for recording into the accounts payable system and for disbursement of the payment to the provider.

2. When moving HHG to or from storage locally (drayage), the TO/TMO will:

a. Provide to the payment office a copy of the invoice containing a certificate of performance signed by both the contractor and ordering officer, a copy of the ***DD Form 1164***, Service Order for Personal Property, a copy of the ***DD Form 1299***,

Application for Shipment and/or Storage of Personal Property, and a copy of any special orders or other authority; and

b. Provide to the ordering office a copy of the paid removal from storage voucher.

3. The payment office responsibilities include the following actions concerning the processing of invoices pertaining to local drayage of HHG:

a. Certifying funds availability on the basis of a purchase order request and with the coordination of the FM, record obligations based on receipt of a ***DD Form 1155 Order for Supplies or Services***;

b. Obtaining evidence of receipt of services before paying a contractor's invoice. This may be accomplished by a TO/TMO statement on the invoice that states the date the services ordered were received, with the TO/TMO official's printed name, signature, and contact information placed on that invoice; and

c. Obtaining a copy of the obligating document and the contractor's invoice to support the payment voucher.

130702. Military members

A. As stated in the JTR, Chapter 5, Part A, Section 5212, the total HHG weight transported plus the weight of HHG in NTS at government expense on the same PCS order should not exceed the weight allowance in JTR, Chapter 5, Part A, Section 5200. If the weight allowance of the HHG in NTS plus the weight of the HHG transported on the same order exceeds the weight allowance, the member is financially responsible for the excess cost. The Government may pay the total transportation cost and other charges applicable to any excess weight that exceeds the HHG weight allowance and collect reimbursement for the excess cost from the Service member.

B. As stated in the JTR, Chapter 5, Part A, Section 5222, NTS is authorized incident to occupancy of Government/Government controlled quarters or privatized housing, and vacating local private sector housing for moves directed on the basis of a Service requirement. There are no weight restrictions incident to this NTS. Necessary packing, crating, unpacking, and uncrating is authorized.

C. The housing office issues assignment and reassignment orders for movement of member's personal property placed in NTS incident to occupancy of government or government-controlled quarters.

130703. Civilian employees

A. As stated in 5 U.S.C. § 5726 (b), the maximum combined weight for HHG transported and/or stored for civilian employees is 18,000 pounds. The Government may pay the

total transportation cost and other charges applicable to any excess weight that exceeds the HHG weight allowance and collect reimbursement for the excess cost from the civilian employee.

B. As stated in the JTR, Chapter 5, Part B, Section 5658, civilian expenses for NTS are authorized for PCS travel or new appointee travel to a designated isolated Continental United States (CONUS) permanent duty station (PDS). A signed service agreement for 12 months is required for each individual CONUS PCS. The period of NTS under these conditions may not exceed 3 years, per 5 U.S.C. § 5726(c).

C. As stated in the JTR, Chapter 5, Part B, Section 5660, a traveler's HHG are placed in NTS when there is no authority to transport some items, or the HHG cannot be used at the Outside of the Continental United States (OCONUS) PDS. The traveler may request authority from the employer for HHG withdrawal from NTS and transportation at Government expense when the situation requiring NTS no longer exists and the HHG are needed for the current tour of duty or when a removal agreement is signed. The period of NTS, at Government expense, may be authorized for a period not to exceed the tour of duty.

1308 MISCELLANEOUS TRANSPORTATION PAYMENTS

130801. Drive-away and Tow-away Service

DoD vehicles may be moved by drive-away or tow-away carrier service. Authorized enroute expenses may be incurred for which the carrier is not liable. Drive-away service is the movement of a vehicle under its own power by a driver of an authorized motor carrier. Tow-away service is when any motor vehicle or combination of motor vehicles are coupled together, when one or more sets of wheels of any such motor vehicle being towed are on the road. This method also includes the movement of one or more vehicles, including other than self-propelled vehicles, when towed or mounted (either full or saddle mount) upon a vehicle. See DTR Part II ***Cargo Routing and Movement, Chapter 202***, for additional information concerning drive-away service.

130802. Meal Checks

Meal checks are used by DoD recruits, including the Department of Homeland Security Coast Guard recruits, while in transit from the Military Entrance Processing Stations (MEPS) under the command of the United States Military Entrance Processing Command (MEPCOM) to the Service training centers. Meal checks will be issued only by an appointed MEPS Transportation Assistant (TA) or designated alternate to DoD recruits traveling under provisions of the JTR.

A. During the transportation briefing, the MEPS TA will inform the recruit on the authorized use of the meal check, the procedures for completing the meal check, their responsibility to use the check for authorized meals, the locations that will accept meal checks, and their responsibility for safeguarding their meal check.

B. The MEPS will use the MEPCOM's automated MEPCOM Integrated Resource System (MIRS) to issue computer-generated meal checks.

1. The MEPS MIRS will print the allowable amount on the meal check depending on the type of meal authorized. The rates per meal for members are in the JTR, par. 2030.

2. The MEPS TA will inform the recruit that he/she cannot write meal checks for amounts that exceed the applicable amount authorized in the JTR. Meals may be acquired at a lower cost. The recruit will be responsible for any costs that exceed the authorized amount published in the JTR, Chapter 2, Part A, Section 2030.

3. Meal checks are valid at all airport restaurants owned, operated, or contracted by Host Marriott Services Corporation and most other food vendors.

4. The vendors will not give the recruits any change if the cost is less than the amount stated on the meal check.

C. Meal checks must not be used:

1. To buy alcoholic beverages;

2. When travel is by commercial aircraft and passage rates include meal service;

3. When an advance allowance of per diem has been received;

4. When any portion of travel is OCONUS; or

5. For payment of a gratuity.

D. A contracted private sector bank will pay the restaurants electronically within 48 hours through the normal banking process. After the bank pays the restaurants, the payment office will reimburse the bank by electronic funds transfer.

E. See ***DTR Part I Passenger Movement, Appendix M*** for additional information concerning meal checks.

130803. Meal Tickets

Meal tickets may be issued to all authorized users under the JTR provisions with the exception of recruits assigned to MEPS. Meal tickets may be issued only as specifically authorized in the DTR for members traveling together with no/limited reimbursement directed in the authorization/order on a commercial airline flight on which courtesy meals are not served and prior arrangements have been made for the airline to serve meals in exchange for meal tickets. See DTR Part I Passenger Movement, Appendix M for details concerning meal tickets.

A. Meal tickets must not be used:

1. To buy alcoholic beverages;

2. When travel is by commercial aircraft and passage rates include meal service;

3. When an advance allowance of per diem is received;

4. For travel of civilian employees;

5. For travel of military dependents, except when a dependent is authorized per diem for the purpose of escorting a deceased military sponsor; or

6. For payment of a gratuity.

B. Reimbursement of contractors accepting meal tickets will be accomplished in the following manner:

1. The contractor submits the original meal ticket(s), DD 652, attached to an invoice.

2. Payment will be made based on a SF 1034. Payment cannot exceed the number of meals nor the price set forth on each meal ticket. Each meal ticket is shown on the SF 1034.

3. Before payment is made, verify the meal ticket has a properly completed contractor's certification and ensure that it agrees with the certification made by the Service member who received the meal or the Service member in charge of the party.

4. Anyone who alters a meal ticket after it has been issued must initial and date the alteration and include their printed name and contact number.

5. Charge the appropriation and allotment cited on the meal ticket with the payment amount.

6. These payments are due 30 days after they reach the designated billing office. Interest is due on late payments, as these transactions are subject to PPA.

1309 CLAIMS BY TRANSPORTATION SERVICE PROVIDER (TSP)

130901. Filing Claims

A TSP may file a claim for the following reasons (41 CFR § 102-118.450):

A. Amounts considered to be owed to the TSP but were not included in the original billing;

B. Amounts that were deducted or offset by the payment office that are disputed by the TSP;

C. Amounts that were previously refunded by the TSP in error; or

D. Amounts unpaid on original bills resulting from a dispute by the entitlements office when the billings are of a questionable nature (e.g., when bankruptcy or fraud may be involved).

130902. Claims Resolution /Appeals

If a claim is sent by a TSP to a payment office, they should make every effort to resolve the dispute directly with the TSP.

A. If resolution is not possible by the original payment office, the claim should be forwarded to the ***GSA Transportation Audit Division***.

B. Claims forwarded to the GSA Transportation Audit Division for resolution must arrive at GSA within 3 years (excluding time of war) after the later of the following dates (31 U.S.C. § 3726 and 41 CFR § 102-118):

1. The date of receipt of the invoice by the payment office when the demand for payment is refused by the payment office;

2. The date of payment; or

3. The date of deduction on subsequent amounts paid (if the payment office offsets subsequent bills submitted by the TSP).

C. If the TSP does not agree with the decision of the GSA Transportation Audit Division, then the TSP may appeal to the ***Civilian Board of Contract Appeals*** or file a claim with the United States Court of Federal Claims**.**

D. Appeals of GSA Transportation Audit Division decisions to the Civilian Board of Contract Appeals must be made within 6 months (excluding time of war) of the date of the decision or within the periods of limitation specified in 31 U.S.C. § 3726, as amended, whichever is later. Refer to 41 CFR § 102-118.580.

130903. Certificate of Settlement

When the claim has been adjudicated by GSA and it is determined the TSP is owed money, GSA will issue a "Certificate of Settlement" indicating the amount to be paid.

A. Once a decision is made, interest may accrue beginning 30 days from the date of settlement.

B. Similarly, if a TSP appeals the decision of an agency to the GSA Audit Division or to the Civilian Board of Contract Appeals, then interest penalties do not accrue until 30 days after a decision is rendered.

C. When a dispute arises between the agency and a TSP over an amount billed by the TSP (either in whole or part), the amount in dispute is not subject to interest penalties during the period of resolution, per 41 CFR § 102-118.465.

1310 DoD THIRD PARTY PAYMENT SYSTEM (TPPS)

131001. Background

The DoD uses a TPPS for transportation payment processing of CONUS freight, HHG shipments, and NTS services. The TPPS collects shipment and financial data from both shippers and carriers. Transportation transactions are entered into the TPPS electronically, and carriers are reimbursed for their services by a bank. A monthly TPPS summary invoice is forwarded electronically by the bank to the payment office for review and approval by an authorized Certifying Officer. The payment office will compute and pay interest based on payment terms specified in the TPPS contract.

131002. Internal Control and System Access

All DoD Components utilizing the TPPS service must implement local internal controls to prevent, detect, and report unauthorized transactions as outlined in Chapter 1, Section 0102. All managers will ensure adequate separation of duties and limit system access to only those individuals necessary to accomplish their assigned tasks.

131003. Certification, Reconciliation, and Payment Processing

Refer to the ***DTR Part II Cargo Movement, Chapter 212*** for additional detailed information and procedures concerning payment documentation requirements, correcting invalid LOAs and TACs, and the monthly summary invoice certification and payment process.

A. The Certifying Officer is responsible for approving and certifying the monthly invoice for payment. As part of this review, they must identify any transactions that do not have a valid LOA or do not belong to their TPPS account. Certification criteria outlined in paragraph 130306, the DTR Part II Chapter 212, and Volume 5, Chapter 5 must be applied.

B. The Certifying Officer, in conjunction with the payment office, must reconcile the account activity section of each TPPS monthly summary invoice in a timely manner to identify any carrying balance discrepancies, resolve any past due amounts, and review and verify that all fees and adjustments cited on each invoice are correct. The Certifying Officer will communicate any reconciliation issues to the payment office in a timely manner, as appropriate.

C. In addition to assisting the Certifying Officers when necessary, the payment office must ensure that the TPPS monthly invoice is paid in a timely manner. Any late payments will be assessed the proper PPA interest penalty. All interest penalties paid will appear in the subsequent month's fees and adjustment section of the monthly summary invoice and should be reconciled with the total and interest payments previously made.

VOLUME 10, CHAPTER 16: "PAYMENT FOR POSTAL SERVICES AND SMALL PACKAGE DELIVERY COSTS"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue and underlined font*.**

The previous version dated October 2012 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
1602.A, B, C, D, E, F, G	Added policy references to include electronic payment request as a preference, proper invoicing, electronic and digital signatures, approval of a designated approving official and a properly appointed certifying official, auditability, prevalidation process, and provision for tax identification numbers.	Addition
160301.A, B, C, D	Added clarification regarding the required methods of payment for postal products prescribed by Title 41 Code of Federal Regulation (CFR), Subpart 102-192.50.	Addition
160401 (previous version)	Deleted reference to Advance Deposit Trust Accounts now that the United States Postal Service (USPS) offers services through Centralized Account Processing System (CAPS) for centralized trust and debit accounts.	Deletion
160401	Added policy for the appointment and requirements of Official Mail Managers (OMM).	Addition
160402	Added language for the Private Express Statutes (United States Postal Service (USPS) Publication 542) as part of the OMM's responsibility.	Addition
160403	Added language regarding the Department of Defense (DoD) OMM requirement to provide an annual Mail Management Report to GSA (GSA FMR 102-192.85).	Addition
160501.A, B, C, D	Added policy authorizing the DoD Components to enroll in CAPS for the monthly reconciliation requirements of CAPS accounts.	Addition
160502	Added policy for monthly reconciliation requirements for CAPS accounts (DoD 4525.8-M).	Addition

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
160503.D	Added language requiring the OMM to use worksheets to assist in the reconciliation process.	Addition
160503.F	Added language requiring the use of Postal Service Form 3533 when requesting refunds from the centralized trust account or debit account.	Addition
160601	Added policy language for DoD to enter into postage meter agreements with the USPS and meter provider.	Addition
160601 (previous version)	Deleted policy authorizing DoD to procure stamped and official business envelopes from the United States Postal Service.	Deletion
160603	Added policy reference for requesting refunds for spoiled meter tapes (39 CFR 501.15).	Addition
160604	Added language clarifying the authorized methods of payment to replenish commercial meter resetting system.	Addition
160701	Added clarifying language for DoD Components to procure DoD official business envelopes from Defense Logistics Agency (DLA) Document Services (DoD Instruction 5330.3).	Addition
160702	Added clarifying language that all working accounts must be audited at least once monthly.	Addition
160703	Added clarifying language authorizing the establishment of an advance deposit account for business reply mail.	Addition
160704.C	Added language for DoD Components to pay for postage due through the Official Mail Accounting System (OMAS) postage due account (Domestic Mail Manual, Section 604.6.3).	Addition
160803	Added a clarifying reference (Defense Transportation Regulation, Part II, Chapter 212) regarding a request for waiver when the environment does not support electronic processes for commercial small package express.	Addition

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CHAPTER 16

PAYMENT FOR POSTAL SERVICES AND SMALL PACKAGE DELIVERY COSTS

1601 GENERAL

160101. Purpose

This chapter provides Department of Defense (DoD) policy on processing payments to the United States Postal Service (USPS) for various types of postal services and to non-government service providers and commercial small package delivery costs.

160102. Authoritative Guidance

A. Statutory

1. Title 41, Code of Federal Regulations (CFR), ***Part 102-192***, Mail Management prescribes policy for mail in Federal agencies.

2. ***Title 39 CFR Part 501.15*** provides policy on Computerized Meter Resetting System (CMRS).

B. Regulatory

1. The ***DoD 4525.8-M*****,** DoD Official Mail Manual, DoD Instruction ***(DoDI) 4525.08***, DoD Official Mail Management and ***DoD Directive 5101.11E*****,** DoD Executive Agent for the Military Postal Service (MPS) and Official Mail Program (OMP) contain policy for official mail management.

2. The General Services Administration (GSA) Federal Management Regulation Bulletins (Mail Management) ***Bulletin G-02*** provides guidance for Federal agencies on converting to commercial payment systems for postage.

1602 POLICY

***** A. ***Title 10 United States Code (U.S.C.), Section (§) 2227*** requires the use of electronic submissions when requesting payment. The electronic request for payment must contain all elements of a proper invoice as prescribed by Title 5 Code of Federal Regulations (CFR), ***Part 1315.9(b)***.

***** B. All payment requests must be submitted in accordance with the DoD and Component's submission policies and procedures using a vendor invoice, Standard Form ***(SF) 1034***, Public Voucher for Purchases and Services Other Than Personal, or an electronic equivalent.

* C. The DoD Components must use electronic and digital signatures to approve and certify financial documents processed through automated information systems as prescribed by ***15 U.S.C. § 7001*** and Volume 5, Chapter 1, paragraph 010305.C.

* D. All payment requests must be approved by a designated approving official and a properly appointed certifying officer prior to disbursement to ensure that the information on the vouchers agrees with all supporting documentation. A properly appointed certifying officer also certifies that the vouchers are correct and proper for payment from the appropriation(s) or other funds cited on them or on supporting vouchers, and that the proposed payments are legal, proper, and correct (Volume 5, Chapter 5, section 0502).

* E. To ensure auditability, a copy of all supporting documentation must accompany each payment request to the certifying official to include receipts, invoices, tickets, the Component's internal forms used as payment requests, and agreements and contracts. Refer to Volume 1, Chapter 9 for financial records retention policy. Certifying officers are responsible for retention of all payment documentation (Volume 5, Chapter 5).

* F. A prevalidation process must occur that matches the proposed payment to the obligation of funds recorded in the accounting records prior to the disbursement of the payment request. Refer to Chapter 1, Section 0103 and Volume 3, Chapter 8 for additional policy regarding prevalidation requirements.

* G. All payments require payees subject to the United States (U.S.) Internal Revenue Service (IRS) code to provide a Tax Identification Number (TIN) in accordance with 31 U.S.C. ***§ 3325(d)***. In accordance with ***DoD 5 Title 400.11***, Components must take action to ensure to safeguard the privacy of all individuals and the confidentiality of all personally identifiable information (PII). Any PII contained in a system of records that personnel access and use to conduct official business will be protected so that the preservation of information remains secure and confidential.

1603 PAYMENTS

*160301. Methods of Payment for Postage

Title ***41 CFR, Subpart 102-192.50*** establishes the following payment policy and methods:

* A. The U.S. Intragovernmental Payment and Collection Payment (IPAC) process associated with the Official Mail Accounting System (OMAS);

* B. The USPS Centralized Account Processing System (CAPS) associated with commercial payments; or

* C. Another Treasury approved means of paying the USPS.

* D. Payments made to service providers other than USPS must be made by U.S. Treasury payment methods such as automated clearing house electronic funds transfer or another Treasury approved means of paying the vendor.

160302. Payment to Service Providers

Metered or permit mail must be made using Electronic Funds Transfer (EFT) transactions to commercial banks designated by the USPS as their financial agents. Payments for postage may not be held in postal vendor accounts unless the DoD Component has statutory authority to do so, or it has received prior written approval from Treasury.

1604 INSTALLATION OFFICIAL MAIL MANAGERS (OMM)

*160401. Official Mail Manager Appointment

The DoDI 4525.08 prescribes policy for installations, units, staff elements, and the DoD Components to appoint OMMs. Such appointment must be in writing, and the function is inherently governmental. OMM appointments are reserved for commissioned, warrant, or noncommissioned officers (E-6 or higher) or DoD civilians (GS-6 or higher). This requirement may be granted a waiver when the activity concerned has no personnel in the grades specified. Since the OMM function is an inherently governmental function, it shall not be contracted out.

*160402. OMM Responsibilities

Each installation has an OMM who is responsible for planning and coordinating outgoing postal and delivery purchases. The OMM must work closely with facility personnel to minimize postage requirements and with managers to ensure that the person who makes the decision to send any significant number of pieces of mail is the same person who controls the funds for postage. OMMs are responsible for interpreting and carrying out the Private Express Statutes (***USPS Publication 542***) within their organization; the acquisitioning, use or disposition of supplies and property; budgeting for and the expenditure of appropriated funds for postage and fees; providing oversight for the monthly reconciliation of trust and debit accounts, and reporting requirements (GSA Federal Management Regulation (FMR), ***Subchapter G, 102-192***).

*160403. DoD OMM Reporting

The DoD OMM must provide an annual Mail Management Report to General Services Administration (GSA) when the Agency's collective total payments for mail service expenditures exceed $1 million per fiscal year (***GSA Federal Management Regulation 102-192.85***).

1605 CENTRALIZED TRUST AND DEBIT ACCOUNTS

*160501. CAPS and Centralized Trust Accounts

DoD Components can establish a centralized trust account with the USPS by enrolling in the Centralized Account Processing System (***CAPS***) prescribed by DoD 4525.8-M. The CAPS is an electronic postage payment system designed to make payment for all classes of mail easier and more cost effective. The CAPS provides electronic alternatives to making manual transactions and will enable the OMM to charge postal services at multiple locations eliminating the need for trust accounts at numerous post office locations. Electronic reports are available to CAPS users that provide the capability to consolidate reports by types of mailing transactions, by account and defined date ranges. Reports are available in printed form and are import compatible with most electronic reporting systems. Commercial pre-paid postage procurement options are:

* A. Centralized trust account. DoD Components deposit funds electronically via standard Automated Clearing House (ACH) banking mechanisms or Fed Wire to the CAPS bank prior to mailing. The CAPS account is then reduced automatically as local offices process postage statements.

* B. Centralized debit account. DoD Components designate a debit-enabled bank account for postage charges. The bank debits the account for the total day's postage on the next bank business day.

* C. Government Purchase Card. The GSA Smart Pay credit card may be used for all transactions for which the USPS accepts the card. Use the CAPS or CMRS trust account instead of a GSA Smart Pay card when there is a choice.

* D. Advance Deposit Trust Accounts (ADTA). Advance deposit trust accounts at local post offices may be used when one of the preceding methods are not available. The use of advance deposit trust accounts is not authorized at military post offices.

*160502. Availability of CAPS Accounts

The use of CAPS accounts is a local decision. CAPS accounts are not available at overseas military post offices. CAPS accounts are established to include customer meter advance deposits, business reply mail advance deposits, and permit imprint advance deposits. A payment into a centralized trust or debit account is an advance deposit payment to the post office. The OMM must monitor and reconcile the established centralized trust or debit account to ensure receipt of services that were paid for in advance. If the OMM establishes one or more centralized trust or debit accounts, then the OMM maintains a record of all transactions in each account and is responsible for each account balance. The OMM or the Official Mail Center Manager (OMCM) must reconcile the balance in all trust accounts monthly as required by DoD 4525.8-M.

*160503. Centralized Trust and Debit Account Payment Process

A. The OMM must request funds to set up or replenish each centralized trust or debit account by preparing and submitting an SF 1034. The OMM must ensure funds are available and approved by the designated approving official and a properly appointed certifying officer.

B. The OMM charges postal services against a trust or a debit account as required. Each time there is a charge to a centralized trust account or debit account, the USPS issues a receipt. The OMM verifies services received on the postal receipt and reduces the advance based on the amount shown on the receipts. The OMM must identify receipts to each trust or debit account.

C. One SF 1034 can establish or replenish more than one trust or debit account. The SF 1034 must identify the amount being deposited into each particular centralized trust account or debit account. Once the designated finance and accounting office makes a deposit into an account, the OMM has limited authority from the USPS to transfer funds between trust or debit accounts. If a transfer between accounts is necessary, then the OMM must coordinate the transaction with the designated finance and accounting office and the USPS. The designated finance and accounting office must use an Optional Form ***(OF) 1017-G***, Journal Voucher, or equivalent to record the transfer between accounts.

* D. The OMM must reconcile the trust accounts monthly with the USPS transactional documentation. The designated finance and accounting office confirms the balance in each centralized trust account or debit account monthly with the OMM. The OMM must provide documentation to support any unexplained difference and report those findings to the Comptroller of the designated finance and accounting office. Any unresolved discrepancy must receive a joint review by the OMM and the designated finance and accounting office. Service specific, or locally developed, automated or manual worksheets must be used to assist with the reconciliation process and to provide a greater tracking capability of postal expenditures. All Official Mail and Distribution Centers (OMDC) must maintain this information. OMDCs must use worksheets to reconcile trust account purchases and balances with the USPS and the designated finance and accounting office. The OMM must submit a written letter to the USPS to correct account errors.

E. Advance payments for any centralized trust account or debit account are limited to the postal requirements of the current quarter. The designated finance and accounting office and the OMM must review balances versus the postal requirements on a monthly basis. When required, the OMM must adjust the balances by allowing the trust account or debit account to decrease with the subsequent use or by the OMM submitting a request (SF 1034) to designated finance and accounting office to deposit more funds to support the quarterly postal requirements.

* F. There are cases where the USPS refunds cash for unused services in a trust or debit account. The OMM mail manager must provide a written request to the USPS to process the refund to the appropriate DoD Component account via IPAC or EFT. If the USPS cannot send the refund via IPAC or EFT, then the OMM must request a reimbursement by check from the USPS using a Postal Service ***(PS) Form 3533***, Application for Refund of Fees, Products and

Withdrawal of Customer Accounts, Modified with Barcode. The OMM will submit the USPS check to the designated disbursing office with a Defense Department ***(DD) Form 1131***, Cash Collection Voucher, for deposit as a collection.

1606 POSTAL METERS

*160601. Computerized Meter Resetting System (CMRS) Agreements

DoD customers must enter into an agreement with the USPS (e.g., via electronic click-through or contract signature) in conjunction with executing a separate agreement with the provider for rental, lease, or use of a postage evidencing system as prescribed by the Domestic Mail Manual, ***Part 604.4.2***, Postage Payment Methods.

160602. Commercial Meter Settings

In accordance with 39 CFR 501.15, the USPS accepts payment through Automated Clearinghouse (ACH) Transfers, EFT and check for resetting postal meters. For overseas check payments, the mail manager requests an EFT payment by submitting an SF 1034 with appropriate supporting documentation. The designated payment office must make EFT payable to the USPS licensed vendor. The designated disbursing office releases the funds to the USPS Accounting Service Center and upon validation and verification; the USPS forwards the funds to the licensed vendor. Upon receipt of the funds by the USPS Accounting Service Center, the postage meter vendor will reset the metering account over an analog line or internet secure line. For CONUS payments, as stated in paragraph 160403, EFT is the method of payment. For guidelines on preparing the SF 1034 for payment and additional information on postal meters, refer to DoD 4525.8-M, Chapter 2, sections C2.7 and C2.11.

*160603. Refunds for Spoiled Meter Tapes

The OMM may receive refunds from the USPS for spoiled meter tapes or other types of unused services previously paid. The Postal Service will issue a refund in the amount remaining in a customer's computerized meter resetting system account, after the customer provides a written request to the provider. The refund request must meet the Postal Service approved minimum amount and time frame (39 CFR 501.15). Subparagraph 160503.F contains the guidelines for requesting refunds. The DoD 4525.8-M, Chapter 2, section C2.11 provides additional information about refunds.

*160604. Remote Meters

DoD Components can reset postal meters using a remote method. Title 39 CFR 501.15 provides the legal authority for using the CMRS and contains details about this payment process. The CMRS customer is permitted to make deposits in one of three ways: EFT, ACH transfer, or check. These deposits must be remitted to the Postal Service's designated bank account.

1607 MISCELLANEOUS PAYMENTS

*160701. Official Business Envelopes

The Defense Logistics Agency (DLA) Document Services serves as the DoD single manager for printing services (***DoDI 5330.03***). All DoD Components must procure official business envelopes from DLA Document Services (***www.dso.documentservices.dla.mil***).

*160702. Postage Stamps

All DoD activities shall use only prepaid postage (DoD 4525.8-M). In instances where the environment will not support the electronic processes, the OMM that purchase postage stamps for official use from the local post office may use a government purchase card. All working postal accounts advanced by the USPS must be audited at least once monthly as required by DoD standards outlined in Chapter C12 of the ***DoD 4525.6-M*** and the USPS-DoD Agreement (***Publication 38***). The USPS Publication 38 is the governing directive serving as the postal agreement between the USPS and DoD outlining their responsibilities. Responsible commanders or their designated representatives, postal officers, and Military Post Office (MPO) supervisors shall conduct these audits as prescribed by DoD 4525.6-M.

*160703. Business Reply Mail (BRM)

A. Specially printed postcards, envelopes, cartons, and labels may be mailed without postage prepayment. Postage and fees are collected when the mail is delivered back to the original sender. This domestic service enables authorized mailers to receive First-Class Mail, without prepaid postage, from customers by paying the postage and a fee upon return receipt of the mail pieces. The OMM obtains a new commercial BRM permit by submitting ***PS Form 3615***, Mailing Permit Application and Customer Profile, to the local post office. The OMM uses a copy of the completed PS Form 3615 to support the SF 1034. Attach a postal receipt certified by the OMM to the SF 1034. For information on BRM see ***Domestic Mail Manual, Section 505*** and the DoD 4525.8-M, Chapter 1, section C1.11.3.

B. A permit holder may choose to pay an annual account maintenance fee and establish an advance deposit account, which qualifies returned BRM pieces for the high-volume per piece charge. The account maintenance fee must be paid once each 12-month period at each Post Office where a permit holder holds an advance deposit account and only during the last 60 days of the current 12-month period. Refer to the Domestic Mail Manual, Section 505.1.6 for the conditions in which an advance deposit account can be used.

*160704. Postage Due Costs

A. Under normal circumstances, postage due mail is not accepted by DoD mail rooms. Postage due mail is returned to the sender at the sender's expense.

B. An exceptional circumstance is when DoD Components are engaged in a hostile environment or operating under arduous conditions. Those units can send official matter

through the USPS when postage is not available. The addressee will not refuse the postage due penalty mail received from military units engaged in hostile operations, and is obligated to pay the cost of postage. Refer to DoD 4525.8-M, Chapter 2, section C2.14 for additional details on penalty due postage.

* C. Government agencies using penalty mail must pay postage due through an OMAS postage due account. Government agencies may no longer use penalty meter strips or penalty mail stamps to pay postage due (Domestic Mail Manual, ***Section 604.6.3***).

160705. Address Correction Costs

In accordance with the DoD 4525.8-M, Chapter 2, Figure C2.F1, address correction costs is an ancillary service and must be paid by EFT. Supporting documentation must accompany each payment request for processing.

160706. Express Mail

Payment for express mail is made with stamps, metered postage, or through an express mail corporate account. This account is similar to a trust account officially authorized by the OMM. Payments into an express mail account are advances to the USPS, and these deposits are controlled similarly to trust account payments; see section 1606. The OMM submits ***PS Form 5639***, Express Mail Corporate Account Application and Payment Authorization Form, to establish the account. The USPS provides the OMM with a statement each month. The OMM must reconcile this account with the USPS at least once a month. The designated finance and accounting office confirms the balance in the account with the OMM monthly.

1608 SMALL PACKAGE DELIVERY COSTS

160801. Commercial Service

DoD Components may elect to use commercial bills of lading or commercial procedures and payment practices to the maximum extent possible (***41 CFR 102-118.115***), rather than Government Bills of Lading, to procure express transportation services for small package shipments weighing up to 150 pounds.

160802. Terms and Conditions

Commercial shipments are subject to the terms and conditions set forth in ***41 CFR 102-118***, and any other applicable contract or agreement of the carrier for the transportation of shipments for the United States. Freight loss and damage claims against commercial carriers using these procedures are processed according to 41 CFR 102-118.450 through 41 CFR 102-118.540.

*160803. Method of Payment

The approved method for billing and payment of commercial small package express shipments is the authorized electronic processes used by DoD for transportation. In instances

where the environment will not support the electronic processes or business reasons preclude the use of these processes, a waiver may be requested from the Office of the Deputy Assistant Secretary of Defense for Logistics and Material Readiness (Transportation Policy) in accordance with Defense Transportation Regulation, Part II, ***Chapter 212***. Waiver requests must contain detailed justification as to why electronic means cannot be used, and a proposed future date when the electronic requirement will be met.

VOLUME 10, CHAPTER 19: "PAYMENT PROVISIONS FOR GRANTS AND OTHER INSTRUMENTS OF ASSISTANCE"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue and underlined font*.**

The previous version dated August 2014 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
190101	Added policy references, Volume 3, Chapter 8 and Volume 12, Chapter 5, when recording obligation of funds for grants or agreements.	Addition
190102.A, B, C and D	Revised the "General" section and created an "Authoritative Guidance" paragraph to comply with current administrative instructions.	Addition
190201.B	Added language for administering grants office responsibilities in the performance of certification for payment requests (Volume 5, Chapter 5).	Addition
190203	Revised reference from Title 48, Code of Federal Regulations (CFR), part 204.11 to 2 CFR 25, Appendix A as it is relates to System for Award Management for grants and cooperative agreements.	Revision
190301	Added reference for uniform policies and procedures for the award and administration for grants and cooperative agreements prescribed by Chapter XI of 2 CFR.	Addition
190304	Added clarity for cash management policy for non-Government entities cited in 2 CFR 200.205 and 200.305.	Addition
190402	Revised reference from Office of Management and Budget (OMB) Circular A-133 to 2 CFR, 200.501 as it relates to single audits for non-Federal entities.	Revision

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
190402.A	Due to the cancellation of Department of Defense (DoD) Directive 7600.10, Audits of States, Local Governments and Non-Profit Organizations, revised the reference to DoD Instruction 7600.10, Follow-Up and Oversight of Single Audits.	Revision
190402.B and C	Added language for the DoD to rely on single audits and request additional audits to ensure effective use of awards.	Addition
190501	Added clarifying language for payment requests (advance or reimbursement).	Addition
190502.A and B	Added clarity for use of OMB approved payment requests forms or formats (2 CFR § 200.305(b)).	Addition
190504	Added policy reference not to require the recipient to submit accumulated costs documentation with payment requests (Title 44, United States Code, section 3501).	Addition
190505	Added reference for the administrative grants office timelines to certify and submit payment requests to designated payment office within 3 working days before the end of the specified period to ensure timely payments (32 CFR 22.810).	Addition
190506	Added clarity for prompt payment interest penalties related to grants and agreements (5 CFR 1315.15).	Addition
190601.A, B and C	Added clarifying language for debt collection procedures transferred from the grants office to the payment office (32 CFR 22.820).	Addition
190602	Added policy reference for when advance payments are not subject to offset (29 CFR 1450.10).	Addition
190603	Due to consolidation of debt management policy, revised reference from Volume 4, Chapter 3, Annex 1 and Volume 5, Chapter 28 to Volume 16, Chapters 1-4 and 7.	Revision
190604	Due to consolidation of debt management policy, revised reference from Volume 5, Chapter 28 to Volume 16, Chapters 2, 5, and 7.	Revision

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CHAPTER 19

PAYMENT PROVISIONS FOR GRANTS AND OTHER INSTRUMENTS OF ASSISTANCE

1901 GENERAL

*190101. Purpose

This chapter provides the necessary policy to ensure the proper administration and payment of funds under Department of Defense (DoD) grants, cooperative agreements, and other instruments of assistance not covered in other chapters or volumes. Refer to Volume 3, Chapter 8 and Volume 12, Chapter 5 for guidance when recording obligation of funds for grants or agreements. Guidance also is included for cash management, financial reporting, and debt collections associated with those instruments.

*190102. Authoritative Guidance

* A. ***Title 31, United States Code (U.S.C.), Chapter 63*** authorizes the award and administration of grants and cooperative agreements as the legal instrument reflecting a relationship between the U.S. Government and a State, a local government, or other recipient.

* B. ***Title 32, Code of Federal Regulations (CFR), part 22*** outlines grants officers' and DoD Components' responsibilities related to the award and administration of grants and cooperative agreements. Subpart H**,** of part 22 sets forth grants officers' and DoD Components' responsibilities for post-award administration, by providing DoD-specific requirements on payments; debt collection; claims, disputes, and appeals; and closeout audits. Title 32, CFR 22.215 describes regulatory criteria that distinguish grants and cooperative agreements from procurement contracts.

* C. The Office of Management and Budget (OMB) guidance at 2 CFR ***200*** establishes, among other things, uniform administrative requirements that Federal agencies are to use in grants and cooperative agreements made with States, local governments, Indian tribes, institutions of higher education, and nonprofit organizations. Title 2, CFR prescribes uniform administrative requirements, cost principles, and audit requirements for Federal awards.

* D. The ***DoD Directive 3210.06***, Defense Grant and Agreement Regulatory System (DGARS), assigns the Assistant Secretary of Defense for Research and Engineering the responsibility for developing and implementing DGARS policies and procedures through the issuance of the ***DoD Grant and Agreement Regulations*** (DoDGARs) contained in 32 CFR, Subchapter C, and, as necessary, DoD instructions and other issuances. Government-wide policies and requirements related to grants, cooperative agreements, and other non-procurement transactions subject to the DGARS are implemented by DoD through the DoDGARs and other DGARS issuances.

1902 SUBMISSION AND PAYMENT RESPONSIBILITY

*190201. Administering Office

A. The office that issues the grant or other types of instrument of assistance distributes a copy of the award to the office designated to administer the grant or cooperative agreement. The awarding or administering office will promptly distribute award documents, modifications, and electronic funds transfer (EFT) information to the designated payment office (32 CFR 22.605). In most cases, but not all, the Defense Finance and Accounting Service (DFAS) is designated to make the payments to the award recipient.

* B. The award recipient will certify and forward payment requests for the performance period to the administering grants office. All payment requests must be on OMB-approved forms or formats. The administering grants office reviews and certifies the payment request or electronic equivalent is legal, proper, and correct, and sufficient funds are obligated (Volume 5, Chapter 5). The administering grants office ensures the request for payment complies with the award terms and the recipient will not have excess cash on hand, based on expenditure patterns (32 CFR 22.810).

190202. Designated Payment Office

The award must designate the specific DFAS payment office that will make payment. The payment office must verify the propriety, adequacy, and completeness of documentation to substantiate amounts to be paid by the DoD. The payment office will retain all award documentation supporting the payment file. Close working relations between all involved offices are necessary for timely and accurate handling of financial transactions in issuing, certifying, and paying the assistance instruments.

*190203. Electronic Payment Process

Electronic commerce is the preferred method to submit and process payment requests and related actions. The electronic commerce guidance contained in 32 CFR, section 22.810 is applicable to payment actions in this chapter. Payment by EFT is a requirement of ***31 CFR 208.3***. Title 2, CFR 25, ***Appendix A*** requires the recipient to maintain current information about itself in the ***System for Award Management*** (SAM). The SAM is the primary Government repository for prospective Federal awardee and Federal awardee information and is the centralized Government system to support certain contracting, grants, and other assistance-related processes, which include those for payment requests and debt collection. SAM is a convenient tool for Government grants officials to monitor grants for suspension, debarment activities, and delinquent debts subject to the Treasury Offset Program.

1903 POLICY

*190301. Regulatory Policy

The DoDGARs is codified at 2 CFR, Subtitle B, ***Chapter XI*** and 32 CFR, ***Subchapter C, 21-37***.

190302. Accounting Policy

Volume 12, Chapter 5 contains the accounting guidance prescribed for DoD Components for grants and cooperative agreements.

190303. Disbursing Policy

Volume 5, Chapters 1, 5, 9, and 11 include additional disbursing guidance concerning internal controls, certifying officer duties and requirements, electronic commerce, and the use of electronic signatures.

*190304. Cash Management Policy

The ***Cash Management Improvement Act***, implemented by ***31 CFR 206***, sets rules, including interest liabilities and procedures for the transfer of funds between Federal agencies and the States for financing Federal Assistance Programs (***2 CFR 200.205***). The cash management policy related to local governments, Indian tribes, institutions of higher education, and non-profit organizations requires recipients to use only OMB-approved standard government-wide forms or formats to request payment (***2 CFR D 200.305***).

1904 INTERNAL CONTROLS

190401. Internal Controls - Grant Awards

OMB Circular A-123, Appendix A, Management's Responsibility for Internal Control, states that statutory requirements should also be considered as part of the agency's internal control framework which include the Single Audit Act (***31 U.S.C., section 7501-7507***). Title 32 CFR, subpart H provides post award administration responsibilities between the grants office and the designated payment office regarding specific requirements on timely and accurate handling of financial transactions for grants and cooperative agreements (payments and debt collection). The agency head must establish controls that ensure obligations and costs comply with applicable laws. Safeguards must be in place to ensure DoD's grants comply with the purpose awarded, are adequate to pay the request, and are expended within the constraints reflected in the grant.

*190402. Audits

Refer to ***2 CFR 200.501*** for single audit threshold requirements. The Single Audit Act requires financial statement audits of non-Federal entities that receive or administer grant awards

of Federal monies. These audits also include testing the effectiveness of internal controls and determining whether the recipients' expenditures comply with laws and regulations. Each DoD agency that provides Federal awards will review the audits of the recipients to determine whether corrective actions require implementation with respect to audit findings.

* A. For additional information, see the Single Audit Act information prescribed in ***DoD Instruction (DoDI) 7600.10***, Follow-Up and Oversight on Single Audits. The DoDI 7600.10 establishes DoD policy for the implementation of single audit requirements in 2 CFR 200, ***subpart F***, which was issued pursuant to 31 U.S.C.§ 7501-7507. The Inspector General of DoD (IG DoD) provides audit policy guidance and direction to the DoD Components and other Federal agencies on single audit matters related to States, local governments, Indian tribes, institutions of higher education, and non-profit organizations.

* B. The DoD will rely on and use single audits. Independent auditors will conduct audits in the oversight of Federal awards provided to States, local governments, Indian tribes, institutions of higher education, and non-profit organizations. Responsibilities of the IG DoD include, but are not limited to, ensuring the coordination of audit work and reporting responsibilities among independent public accountants, State auditors, and Federal auditors to achieve the most cost-effective audit, and resolution responsibility for audit findings and recommendations that affect DoD programs. Refer to DoDI 7600.10, Section 2 for the assignment of DoD responsibilities for the follow-up and oversight of single audits.

* C. The Department may request additional audits of such Federal awards when required by regulation or as needed to ensure effective use of such Federal awards. Any additional audit effort will be planned and implemented to avoid duplication and must be separately funded.

1905 PAYMENT REQUEST

*190501. Types of Payment Requests

Providing certain standards are met, the OMB guidance in ***2 CFR 200.305(b)(1)*** states that recipients must be paid in advance. Reimbursement is the method of payment to be used when the standards for advance payments cannot be met or when the grants officer includes specific conditions (***2 CFR 200.207***) in the award terms and conditions that require its use. The recipient may also elect to request payment by reimbursement anytime during the performance period.

*190502. Payment Request Forms

Except as noted, the following forms are authorized for use by the recipients in requesting advances and reimbursements from the grants office:

* A. For non-construction programs with States, local governments, institutions of higher education, and other non-profit organizations, requests for advance payments or reimbursements must be made on ***Standard Form (SF) 270***, Request for Advance or

Reimbursement, or electronic equivalent (***OMB Circular A-110, Subpart C***). DoD Components may use other forms if authorized by OMB (***2 CFR 200.305(b)***). A DoD Component must also obtain approval for any variation from OMB approved forms or formats, including the use of additional or electronic subtitle data elements or modification of the associated instructions for recipient entities submitting the information.

***** B. For construction programs, each Federal awarding agency will use the ***SF 271***, Outlay Report and Request for Reimbursement for Construction Programs, as the standard form or electronic equivalent (OMB Circular A-110, Subpart C). The DoD may use the SF 270 in lieu of the SF 271 when the DoD awarding agency determines that it provides adequate information to meet Federal needs (2 CFR 200.305(b)).

190503. Commercial Recipients

For payments to commercial recipients, the grants office may authorize recipients to use SF 270 or SF 271, or its electronic equivalent (***32 CFR 37.I***).

*****190504. Accounting for Award Payments

Refer to Volume 12, Chapter 5 for information concerning accounting for advance payments made to the award recipients and accounting for the expenditure until the recipient has performed under the award. Payments to award recipients as reimbursements for work performed or costs incurred must be accounted for as expenditures and as expenses incurred, or as reductions of liabilities if the expenses were recorded previously. ***Title 2 CFR 200.400(d)*** requires the recipient to maintain adequate documentation to support the accumulation of costs charged to the Federal award. The recipient is not required to provide documentation for accumulated cost when submitting payment requests to the grants office, unless otherwise specified in a form or format approved by OMB in accordance with the Paper Reduction Act (***44 U.S.C. § 3501***).

*****190505. Payment Submission Timelines

A good working relationship with the designated payment office is necessary to ensure timely payments. The administrative grants office will review each payment request to ensure the request complies with award terms, available funds are adequate to pay the request, and the recipient will not have excess cash on hand based on expenditure patterns. To ensure timely payments, 32 CFR 22.810 prescribes policy for the administrative grants office to certify and forward the request to the designated payment office at least 3 working days before the end of the specified period. The payment office will process the payment request:

A. No more than 7 calendar days after receipt of the recipient's request at the administering office whenever electronic commerce is used, e.g., Electronic Data Interchange to request the payment and EFT to make the payment;

B. No more than 30 calendar days after receipt of the recipient's request at the administering office when it is not possible to use electronic commerce; and

C. No more than 7 calendar days after each date specified by the award when payments are authorized in advance of a predetermined payment schedule, provided the payment schedule was received in the designated payment office at least 30 calendar days in advance of the date of the scheduled payment.

*190506. Prompt Payment Interest Penalties

In accordance with ***5 CFR 1315.15***, prompt payment interest penalties do not apply to Federal grants and cooperative agreements.

1906 DEBT COLLECTION FOR GRANTS AND COOPERATIVE AGREEMENTS

*190601. Collection Procedures

The grants officer will review relevant data to determine debt owed by the award recipient. Any funds paid to the recipient in excess of the amount to which the recipient is entitled constitutes a debt to the DoD. The Accounts Receivable Office (ARO) is the office responsible for recording and reporting receivables and may be the office responsible for debt collection. In most, but not all, cases the ARO is located at a DFAS payment office. Refer to Volume 16, Chapters 1 and 5 for ARO responsibilities.

* A. Grants officers are responsible for post-award administration of grants and cooperative agreements in accordance with the DoDGARs. Primary responsibility for collecting the debt rests initially with the grants office. The grants officer will attempt to resolve by mutual agreement any claim of a recipient's indebtedness. In the absence of such mutual agreement, any claim of a recipient's indebtedness will be the subject of a grants officer decision, in accordance with 32 CFR 22.815(b)(2). The grants officer will prepare and transmit to the recipient a written notice providing all relevant data for payments in excess of the amount to which the recipient is entitled (32 CFR 22.820). The notice will inform the recipient that within 30 calendar days of the grants officer's decision, the recipient will either pay the amount owed to the grants officer or inform the grants officer of the recipient's intention to appeal the decision.

* B. If within 30 days of the grants officer's decision the recipient has neither paid the amount due nor provided notice of intent to file an appeal, the grants officer will send a demand letter to the recipient, with a copy to the Debt Collection Office (DCO) of the designated payment office for collecting the delinquent debt.

* C. The DCO of the designated payment office will be responsible for any further debt collection activity, including any additional issuance of demand letters (32 CFR 22.820). The DCO will follow collection procedures in Volume 16, Chapter 5 unless the DoDGARs, or the applicable grant or cooperative agreement, explicitly prescribes a different procedure.

D. Grants offices will obtain each grant recipient's Taxpayer Identification Number (TIN) via the SAM database. The TIN is necessary for the purpose of collecting and

reporting on any delinquent amounts that may arise out of the recipient's relationship with the Federal Government.

E. Upon receipt of the debt package from the grants officer, the DCO will pursue collection of the debt.

*****190602. Offset Policy

In accordance with the provisions of ***OMB Circular A-129*****,** Policies for Federal Credit Programs and Non-Tax Receivables, the collection of delinquent debts owed by the recipient may require the use of administrative offsets. When taking an administrative offset the DCO will follow the due process as provided in ***31 CFR 901.2***, Demand for Payment, and ***31 CFR 901.3***, Collection by Administrative Offset, where the statute and regulations are applicable. Use of administrative offset is not required in every instance in which there is an available source of funds. Either the payment office or the accounting office will make a determination on a case-by-case basis in conjunction with the grants officer responsible for the award against which the offset will be applied. In accordance with ***29 CFR 1450.10***, the following examples are when an offset will not be taken:

A. Recovery of debt by an administrative offset will not be taken when the grants officer determines that the offset will substantially interfere with, or defeat the purpose of, the program for which the offset is contemplated.

B. Generally, grants and cooperative agreements paid in advance are not subject to offset. If deemed to be in the best interest of the Government, then the payment office may request the issuing grants officer to convert the agreement to a reimbursable method of payment that would enable the use of an administrative offset.

*****190603. Collection Office

The office responsible for collecting the debt will apply interest, penalty, and administrative costs to delinquent debts according to guidance contained in Volume 16, Chapter 7. Refer to Volume 16, Chapters 1-4 for debt management and collection of individual debts within the DoD.

*****190604. Uncollectible Debts

Volume 4, Chapter 3 and Volume 16, Chapters 2, 5, and 7 prescribe policy for writing off debts that are determined uncollectible.

VOLUME 10, CHAPTER 20: "CONTRACT RECONCILIATION"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*****) symbol preceding the section, paragraph, table, or figure that includes the revision.

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PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current guidance.	Revision

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CHAPTER 20

CONTRACT RECONCILIATION

2001 GENERAL

200101. Purpose

This chapter prescribes overall policy for contract reconciliation and the requirements necessary to maintain complete, consistent, and accurate data for contract files and related entitlement and accounting records. It defines the Department of Defense (DoD) Components' roles and responsibilities for efficiently identifying differences, conducting research, performing reconciliations, approving recommended adjustments, processing corrections timely, and maintaining appropriate supporting records.

200102. Authoritative Guidance

The maintenance of complete and accurate contract files and related entitlement and accounting records is necessary to reduce the potential for ***Anti-Deficiency Act (ADA)*** violations, minimize the amount of negative unliquidated obligations, and minimize the number and dollar value of unmatched disbursements. Paying office contract files will include the information specified in the ***Federal Acquisition Regulation (FAR) 4.803(c)***. The use of accounting classification reference numbers is described in the Defense Federal Acquisition Regulation Supplement (DFARS) ***204.7101***, ***204.7131-1***, ***204.7107***, and DFARS Procedures, Guidance, and Information ***204.7107***. Disbursements will be authorized, classified, processed, and promptly posted and reported, as discussed in Volume 5, Chapter 9.

2002 RESPONSIBILITIES

200201. Responsible Contract Reconciliation Agent (RCRA)

RCRAs manage the daily operations of contract reconciliation and are responsible for the completion of contract reconciliations. The RCRA is responsible for reviewing the reconciliation request, determining the appropriate level of effort, setting the priority, coordinating assistance, accepting or rejecting reconciliation results, approving accepted adjustments, and ensuring that refunds or demands for payment are initiated. Instructions and guidance on the RCRA's role in contract reconciliation are contained in the User Manual for the Standard Contract Reconciliation Tool ***(SCRT)***.

200202. Director, Defense Finance and Accounting Service (DFAS)

The Director, DFAS, is the principal DoD executive for the finance and accounting requirements and procedures as prescribed by ***DoD Directive 5118.05***. The Director, DFAS has the following responsibilities:

A. Assist with providing specific instructions and computer-based tools necessary to identify, analyze, reconcile, track, and correct differences between written contracts, entitlement, disbursement, and related accounting systems. The instructions will include criteria for determining the nature and scope of required analyses.

B. Provide entitlement and accounting system information to individuals participating in negotiating settlements.

C. Train and maintain a core group of individuals who meet the qualification requirements to perform responsibilities prescribed by the SCRT manual (to include RCRAs, reconcilers, and assistants). The RCRAs will be responsible to oversee and perform reconciliations.

D. Designate qualified DFAS personnel to be trained as part of the core group, and assign RCRA personnel to oversee and perform contract reconciliations.

E. Ensure that the Systems Support Office-DFAS Columbus will provide support to the RCRAs and maintain the SCRT, which is a single DoD-wide database that contains a listing of RCRAs, core group members, and contracts being reconciled. SCRT users will receive technical and maintenance support from the Helpdesk at ***dfas.dscc.jas.mbx.cco-cash@mail.mil***.

200203. Enterprise Resource Planning (ERP) Systems

Heads of DoD Components utilizing ERP systems will assume responsibilities to provide data for the support and coordination of contract reconciliation functions performed under the direction of DFAS. The roles and responsibilities of DFAS and the ERP Components may change as the interfaces between SCRT and the ERPs are developed.

200204. Reconciliation Partners

All RCRA reconciliation partners (procuring contracting officers (PCO), administrative contracting officers (ACO), resource managers, and program managers) will perform their respective or combined duties as they relate to the following:

A. Participate in contract reviews and reconciliations, and assist in the identification and resolution of differences between written contracts and entitlement, disbursement, and accounting systems.

B. Compare the accounting classification citations in section G, "Contract Administration Data," of the contract with data in the entitlement and accounting systems. When discrepancies occur, the appropriate entitlement and accounting office will be notified of any significant difference(s), and the appropriate office will provide required supporting documentation.

C. Respond in a timely manner to reasonable requests for action, information, and/or documentation on a contract or modification.

D. Modify the contract to correct any disclosed discrepancies in accordance with ***FAR Part 43***.

E. Designate personnel to be trained as part of the core group of individuals from the DoD Components who oversee and perform contract reconciliations.

2003 CONTRACT RECONCILIATION

200301. Reconciliation Referrals

Normally, at the end of the contract, the total of funds obligated should match the total payments made to the contractor. Cost underruns, mistakes in payments, unearned incentives, or withheld fees may be some of the causes that can result in unliquidated obligations at the completion of the contract. When remaining or excess fund balances exist that cannot be explained, reconciliation may be required to compare all source documents with the entitlement and accounting systems. Mechanization of Contract Administration Services (MOCAS) contracts will be forwarded to DFAS Columbus to perform reconciliations. Non-MOCAS contract reconciliations will be performed by the designated entitlement office administering payments for those contracts. See the SCRT manual for reconciliation request information.

200302. Discrepancy Identification

When a discrepancy between contract payments and accounting records is identified, a preliminary contract review will be performed by the appropriate RCRA, or designated entitlement office, to determine what corrective action is needed. Recommended adjustments will be reviewed and approved by qualified personnel before distribution to the appropriate location(s) for processing. Approved adjustments will be posted in a timely manner. Reconciled records will be identified by registration in the SCRT. Any subsequent adjustment of reconciled records will be based on a reconciliation registration as prescribed in paragraph 200305. All actions of contract reconciliation will support the timely completion of funds review, deobligation of excess funds, and contract closeout procedures found in ***FAR 4.804-5***. The related requirements for researching and correcting negative unliquidated obligations, unmatched disbursements, disbursements in suspense accounts, and disbursements in-transit are covered in Volume 3, Chapter 11.

200303. Conditions for Contract Reconciliation

The following circumstances may indicate discrepant conditions that require preliminary contract review or contract reconciliation:

A. Incomplete contract, payment, or accounting information;

B. Insufficient funds;

C. Progress payment balances;

D. Possible overpayments;

E. Unmatched disbursements; and

F. Negative unliquidated obligations.

200304. Prioritization Concerns

DoD Components will prioritize the analyses of discrepant conditions in view of applicable time limitations and other circumstances. High priority conditions include those that involve congressional or senior DoD management interest, prevalidation problems, insufficient funds for payment, potential ADA violations, suspected or identified overpayments, transactions with the highest dollar value, and cancelling/closing-year appropriations.

200305. Registration in the Standard Contract Reconciliation Tool

Each contract nominated for reconciliation must be registered in the SCRT database of contracts being reconciled. By registering a formal reconciliation request into the DoD contract reconciliation system, the opportunity for duplicated efforts by other DoD Components is greatly reduced or eliminated. Resources, procedural guidance, forms, and other reconciliation tools used to obtain vital information for the contract reconciliation registration process can be obtained from DFAS Columbus Accounts Payable – MOCAS, Reconciliation Division at ***dfas.dscc.jai.mbx.recon-maillog@mail.mil***. For more information on reconciliation tools used in the contract reconciliation process, refer to section 2004.

200306. Required Actions

The individual assigned to perform contract reconciliation, whether a Government employee or contractor, will compare databases, research differences, identify root cause(s), and recommend adjustment(s) needed to correct differences between contract, entitlement and accounting records. Differences among systems will be researched to determine whether errors exist, where they exist, and the extent of such errors, as well as the required corrective actions. Every effort should be made to complete contract reconciliations within 90 days after initiation.

A. Contract reconciliations should include, as applicable, a review and analysis of:

1. The basic contract, including any modifications, and all obligation actions in all systems. This includes contract writing system records if an automated contract writing system was used to prepare the contract;

2. Applicable payment vouchers;

3. Contract payment system records;

4. Official accounting system(s) records for all funds on the contract; and

5. Adjustments, including any collection actions or expenditure transactions to the contract payment, or accounting system(s) records that have been processed.

B. Differences that require adjustment generally are identified as:

1. Contractual documents that require correction by the ACO or PCO; and

2. Obligation posting documents (omissions or corrections) that require initiation or correction by the responsible funds holder or responsible accounting office.

C. If the accounting system records require correction, and the entitlement records are correct, then a correction (internal adjustment) is required for the accounting system records to balance with the corresponding entitlement system.

D. If entitlement office payment system records require a correction, and the accounting system records are correct, then a correction (internal adjustment) is required for the entitlement office payment records to balance with the corresponding accounting system.

E. If identical correcting adjustments are required by both the entitlement office payment system records and the accounting system records, then corrections (external adjustments) are required to be processed by the responsible entitlement office, and they must flow to the corresponding accounting system.

200307. Documentation and Review

Documents accumulated in compliance with the policy in this chapter must be retained, made available for, and be subject to, internal review and audit.

A. The DoD Component responsible for the review and acceptance of the recommended adjustments must retain adequate documentation to support any adjustment that is processed. Each completed adjustment file will include the preparer's identity, approval, and confirmation of the posting of the adjustment.

B. The retention of adjustment files by the DoD Component will be in accordance with the financial record retention requirements in Volume 1, Chapter 9. Foreign Military Sales retention requirements are in Volume 15, Chapter 6.

200308. Internal Controls

Internal Controls will be incorporated into the operations of all stakeholders to maintain complete, consistent, and accurate data for contract files and related entitlement and accounting records throughout the life of the contract, as discussed in Chapter 1.

2004 RECONCILIATION TOOL

The SCRT is the single DoD-wide registration database for contracts being reconciled. In cases where SCRT is not interfaced with an accounting system, other existing tools may be used to identify discrepant conditions and aid in their resolution. Further details on SCRT capabilities and instructions for system access and use can be found in the comprehensive DFAS guide, "User Manual for the SCRT."

2005 UNRECONCILABLE CONTRACTS

200501. Unreconcilable

A contract is unreconcilable when it has been determined by the designated RCRA, that either:

A. Existing documentation is insufficient to complete the reconciliation, and additional documentation is unavailable, or

B. Any benefits to be gained by reconciliation of the contract would be exceeded by the cost of reconciliation. Factors to be considered in this analysis would include the probable size of any debt that might be identified, the probability of being able to prove an identified debt with evidence, the probability of collecting any identified debt, the effect of the accounting records on current operations, and the probability of uncovering a potential ADA violation. See Volume 16, Chapter 5 for additional guidance on debt collection.

200502. Insufficient Documentation

Occasionally, existing documentation is insufficient to complete the reconciliation of a contract. In performing a good faith effort to reconcile the contract, the RCRA and designated reconcilers will initiate the Request and Inspection of Documents process to obtain available documents and take all necessary actions to complete the reconciliation. When early detection of missing documentation seems to prevent the completion of the reconciliation, the RCRA and reconcilers will continue to reconcile the contract to the extent possible.

A. Requirements for Searching Documents. The RCRA and designated reconcilers will perform an extensive and comprehensive search to find missing documentation. Results of the searches, including evidence of missing documentation (e.g., returned file requests and screen prints showing file not found), will be documented for each missing document.

1. The RCRA and reconcilers will search all available hard-copy and electronic files for the missing documents. At a minimum, the search will include the Electronic Document Access system, the Electronic Document Management system, hard-copy files, microfiche, archives, and RCRA records. The result of the searches will be documented and certified by the RCRA.

2. If documents are still missing, then records of other agencies, departments, and the contractor will be canvassed. The RCRA will send out a written request asking for assistance in locating the missing documents. This request will be sent simultaneously to:

a. The ACO. In addition to searching the ACO files, the ACO will contact the contractor for copies of the missing documents;

b. The PCO. In addition to searching the PCO files, the PCO will contact the appropriate Program Management Office for copies of the missing documents;

c. The Resource Manager;

d. The accounting office; and

e. The records holding area.

3. The request will state which electronic and hard-copy files have already been searched by the RCRA, including the other agencies and departments also being asked to search for documents. The recipient is to search all available electronic, hard-copy, and archived files not already searched by the RCRA. The recipient will respond to this request within 30 days by providing copies of found documents and stating which electronic and hard-copy files were searched. If any party has not responded after 30 days, the RCRA will send the request to the closeout representative of the Component, along with a copy of the request provided to the designated contract reconciliation office. Because of the age of some contracts and the significant reorganizations and base closures that have occurred within DoD, it may take some time for the Component's representative to determine the successor organization. The military service representative will respond to the RCRA within 30 days.

B. Unreconcilable Package Requirements. After exhaustive searches of all available sources for documentation have been completed, and missing documentation still prevents the completion of the reconciliation, the RCRA or reconciler will assemble a package that documents all efforts made to obtain the missing documentation. At a minimum, this package must contain:

1. A list of all missing documents;

2. Reasons why each document is required for reconciliation;

3. A list of hard-copy and electronic files searched and the results of the searches;

4. Results of requests for locating missing documentation from other departments and agencies; and

5. A statement that the contract was accurately reconciled to the extent possible with available documentation.

200503. Costs to Reconcile Exceed Benefits to be Obtained Through the Reconciliation Process

A contract may be deemed "unreconcilable" if the costs to reconcile exceed the benefits to be gained by reconciliation, pursuant to paragraph 200501.B. The reconciler must prepare a package justifying the determination that the contract is unreconcilable. The package, at a minimum, must contain the following:

A. A business case that documents why the costs to reconcile are expected to exceed any benefits that might result. This documentation will include an estimate of the hours and costs required to complete the reconciliation, as well as the contract dollars involved. Available contract reconciliation operational data will be used to support the estimate.

B. Evidence of previous efforts to reconcile the contract and discuss the scope and extent of those reconciliation efforts.

C. A statement that the contract was accurately reconciled to the extent possible, including a summary of the findings from the limited reconciliation, but the cost of further reconciliation efforts will exceed any benefit that may result.

200504. Unreconcilable Conditions

All of the conditions in this section must be present before the contract can be determined "unreconcilable". The appropriate contracting officer must document the following:

A. The contract is physically complete as defined by ***FAR 4.804-4***.

B. All known acceptance documents were obtained and entered into the entitlement system.

C. The entitlement system is annotated to indicate the availability of appropriate contracting officer's receipt and acceptance or contractor's proof of shipment certification statements to support reconciliation when the original documents are missing. This condition applies only to contracts deemed unreconcilable due to insufficient documentation.

D. All known invoices/vouchers have been paid.

E. No known contract withholds exist in the entitlement or accounting systems.

F. No known unliquidated financing payments exist.

G. All contract debt or related disputes are resolved.

H. Any known remaining funds are annotated in the entitlement and accounting system records.

200505. Certifying a Contract as Unreconcilable

The unreconcilable package will be sent to the appropriate office for certification.

A. If the RCRA agrees that the contract is unreconcilable, the RCRA will certify that the package contains all of the required information and send it to the appropriate Director of Accounts Payable (MOCAS or Non-MOCAS contracts). The Director of Accounts Payable will review the package and certify the contract as unreconcilable. If the RCRA or the Director of Accounts Payable does not agree that the contract is unreconcilable, the RCRA will return the package to the initiator stating the reason(s) for nonconcurrence. The primary reconciler may require assistance from other reconcilers or RCRAs throughout the network to obtain information required to address the reason(s) for nonconcurrence (e.g., due to incompleteness, missing documentation, unsupported adjustments, or inaccurate reconciliation).

B. The Director of Accounts Payable for other DoD Components who retain administration of their contracts will certify their contracts as unreconcilable if the conditions in 200504 and the Component policies are met. Applicable Component policies will be followed when the Component reconciliation agent does not agree that the contract is unreconcilable.

200506. Resolution of Unreconcilable Contracts

When a contract is unreconcilable, a statement will be submitted to DFAS or applicable Component confirming conditions cited under paragraph 200504 have been documented and provided to the appropriate RCRA.

A. The appropriate Director of Accounts Payable, in conjunction with the RCRA, will prepare a recommendation for resolving discrepancies in the entitlement and/or accounting records and forward it to the appropriate financial managers for concurrence.

B. If an agreement cannot be reached, the RCRA will recommend that the entitlement records be placed in an inactive status after coordination with all appropriate DoD financial managers. No further attempts will be made to post, reconcile, adjust, or correct the entitlement and accounting records. Documents will reside in a paperless repository, which can be viewed by DFAS, Defense Contract Management Agency, and other authorized DoD Components. DFAS or the appropriate DoD Components will retain records in the entitlement system in accordance with Volume 5, Chapter 15.

VOLUME 10, CHAPTER 21: "JUNIOR RESERVE OFFICER TRAINING CORPS (JROTC) INSTRUCTOR PAY"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue and underlined font*.**

The previous version dated December 2015 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current administrative instructions.	Revision

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CHAPTER 21

JUNIOR RESERVE OFFICER TRAINING CORPS (JROTC) INSTRUCTOR PAY

2101 GENERAL

210101. Overview

This chapter prescribes the financial management policies applicable to the reimbursement of the Department of Defense (DoD) portion of JROTC Instructor Pay worldwide to public and private secondary educational institutions and Department of Defense Dependent Schools (DoDDS).

210102. Purpose

This chapter applies to all Military Services. The term "Military Services" refers to the Army, Navy, Air Force, and Marine Corps.

210103. Authoritative Guidance

DoD Instruction 1205.13, Junior Reserve Officers' Training Corps (JROTC) Program, and ***Title 10, United States Code (U.S.C.), section 2031*** provide policy and guidance regarding the JROTC program.

2102 DEFINITIONS

210201. Academic Year

An academic year is the period of time necessary to complete one JROTC course, normally consisting of not less than 7,200 minutes of instruction.

210202. Active Duty Pay and Allowances

For calculating JROTC instructor pay, active duty pay and allowances are limited to:

A. Basic Pay. Basic pay is the pay of an officer or an enlisted member according to grade and longevity before additional amounts for quarters, subsistence, and overseas duty. See Volume 7A, Chapter 1 for computing creditable service at the time of retirement.

B. Basic Allowance for Housing (BAH). The rate of entitlement is based on the instructor's current dependent status and permanent duty station zip code. The permanent duty station for an instructor is the employing school. Dependency determination requirements are the same as when the instructor was on active duty.

C. Continental United States (CONUS) Cost Of Living Allowance (COLA). CONUS COLA is designed to serve as a temporary reimbursement for instructors employed in high-cost areas in CONUS to partially offset additional expenses incurred. The rate of entitlement is based on the instructor's grade, dependent status, and the zip code of the employing school.

D. Overseas COLA. The overseas COLA is designed to assist instructors employed at schools Outside the Continental United States. The rate of entitlement is based on the instructor's grade, number of dependents claimed, and the Joint Travel Regulations (JTR) geographic COLA location applicable to the employing school located overseas, as specified in ***JTR, Appendix J***.

E. Overseas Housing Allowance (OHA). OHA is payable to instructors working at schools located overseas to assist in defraying excess costs incurred incident to these locations. OHA is calculated by comparing the member's monthly rent to the prescribed locality rental allowance, selecting the lesser of the two, and then adding the appropriate utilities/recurring maintenance allowance.

F. Clothing Replacement Allowance (CRA). The entitlement to CRA is limited to enlisted instructors only and amounts depend on the branch of service and service member gender. The CRA is normally an annual entitlement based on 12 consecutive months of active duty. An applicable monthly rate will be used for instructors since their contracts are for a period of less than 12 months.

G. Basic Allowance for Subsistence. This entitlement is payable to individuals officially allowed to eat their meals (for various reasons) outside a military dining facility. The monthly rate of entitlement is based on the instructor's pay status (enlisted or officer).

210203. Department of Defense Dependent Schools (DoDDS)

DoDDS are a network of schools, both primary and secondary, that serve dependents of the U.S. military and dependents of U.S. Government employees. The schools themselves are operated by the Department of Defense Education Activity.

210204. Domestic Dependent Elementary and Secondary Schools (DDESS)

A DDESS special arrangement is an agreement between the Secretary of Defense, or designee, and a local public education agency whereby a school or a school system operated by the local public education agency provides educational services to eligible dependent children of U.S. military personnel and federally employed civilian personnel. Arrangements result in partial or total federal funding for the local public education agency for the educational services provided.

210205. Gross Retired Pay (or Retainer Pay)

The gross retired pay or retainer pay is the entitlement that is computed under 10 U.S.C. § ***61***, ***71***, or ***1223***, whichever chapter is applicable to the member. For Navy and Marine Corps members retired with more than 20 years of service but less than 30, pay received following retirement is referred to as retainer pay until the member reaches the 30-year mark. Pay received following the 30-year mark is referred to as retired pay.

210206. Instructor Management Division (IMD)

The IMD is the office within a Military Service responsible for certifying instructors.

210207. JROTC Instructor Reimbursement Office (JIRO)

The JIRO is the office within a Military Service responsible for maintaining instructor accounts for reimbursement to a school or school district.

210208. JROTC Unit

A JROTC unit is an organized group of JROTC students and faculty members at one secondary school.

210209. Minimum Instructor Pay (MIP)

The MIP is the minimum salary that a school or school system hosting a JROTC unit is required to pay an instructor for instructor duties in direct support of the JROTC program. MIP is the difference between the active duty pay and allowances the instructor would receive when recalled to active duty and the instructor's retired pay entitlement.

2103 PRESCRIBED FORMS

210301. Department of Defense (DD) Form 2767

Paragraphs 210702, 210801, and 210802 discuss the use of ***DD Form 2767***, JROTC Instructor Annual Certification of Pay and Data Form.

210302. DD Form 2754

Paragraphs 210503, 210703, 210704, and 210802 discuss the use of ***DD Form 2754***, JROTC Instructor Pay Certification Worksheet for Entitlement Computation.

210303. Standard Form (SF) 3881

Paragraph 210503 discusses the use of ***(SF) 3881***, Automated Clearing House (ACH) Vendor/Miscellaneous Payment Enrollment Form.

2104 REIMBURSEMENT RESPONSIBILITIES

210401. Military Services

The Military Services will reimburse each JROTC program school for JROTC instructor pay at the rate of one-half the amount of the difference between the instructor's retired or retainer pay and the amount of active duty pay and allowances (excluding hazardous and special duty pays) the instructor would receive when ordered to active duty.

210402. Schools

Schools meeting specific criteria of need, if determined to be in the national interest by the appropriate Secretary of the Military Department (or designee), may receive additional instructor funds when either of the following applies:

A. On-site visits by representatives of JROTC headquarters elements determine the neighborhood in which the school is located has a substandard quality of life, with family incomes below the poverty level and a high incidence of violent crime; or

B. Additional criteria, as determined by the appropriate Secretary of the Military Department or designee concerned, whereby the school is in an educationally and economically deprived area to meet a compelling need of the community or national interest.

2105 REIMBURSEMENT REQUIREMENTS AND PROCESS

210501. Requirements for Authorizing Reimbursement

The JIRO authorizes reimbursement to the schools only for those instructors:

A. Who are certified as qualified instructors by the cognizant Military Service;

B. For whom funding has been authorized by the Military Service; and

C. Who are filling positions authorized by the Military Service.

210502. JROTC Units in DoDDS and DDESS Schools

A. DoDDS JROTC instructors will be employed under provisions of ***20 U.S.C. § 901-907***.

B. DDESS JROTC instructors will be employed under provisions of ***10 U.S.C. § 2164***.

C. Pay and allowances for both DoDDS and DDESS JROTC instructors will be in accordance with 10 U.S.C. § 2031.

D. All other requirements contained in this chapter for the reimbursement of schools will be followed for DoDDS and DDESS schools.

210503. School Reimbursement Process

A. The amount of the reimbursement to the school generally is equal to 50 percent of an instructor's MIP. The Secretary of the Military Department concerned may pay to the school more than 50 percent of the amount paid to the member by the school if the specific criteria of need in section 2104 are met, as prescribed in 10 U.S.C. § 2031(e)(2). The JIRO must ensure that documentation supporting these reimbursements is retained in accordance with Volume 1, Chapter 9 and is readily available to support future audit efforts. The documentation should be of sufficient quality to allow an independent third party, such as an outside auditor, to understand and verify the basis of the reimbursement.

B. The pay system is used to process and compute the amount of the reimbursement to the school. This amount is calculated based on the information and documentation required on the DD 2754, adjusted to reflect the agreed-upon reimbursement rate/amount between the Military Service and the school.

C. Monthly statements of the reimbursements are mailed by the JIRO to the school and the school districts. These statements will show the total amount paid to each instructor working at the school.

D. An electronic funds transfer (EFT) for the reimbursement to the school is sent to the financial institution designated by the public and private educational institutions. DoDDS schools are reimbursed based on the JIRO approval of amounts cited on the DD 2754 by funds transfer via the Intragovernmental Payment and Collection (IPAC) system.

E. Schools must provide the financial banking information via the SF 3881 or by using the System for Award Management when the school is new to the JROTC program or when there is a change to its previously provided banking information.

2106 JROTC UNIT ESTABLISHMENT AT SCHOOLS

210601. School Verification

An authenticated copy of the countersigned contract between a school and the Military Service must be provided to the JIRO in order to verify and provide documented support that schools requesting payment are active participants in the JROTC program.

210602. Addresses

Authorized officials occupying the positions stated in the contract between a school and the Military Service are responsible for supplying the current address of the school employing each instructor.

2107 JROTC INSTRUCTOR REIMBURSEMENT OFFICE (JIRO)

210701. JIRO Reimbursement Requirements

The school is the employing organization and pays the full amount due the JROTC instructor. This amount is not less than the MIP referenced in paragraph 210209. Each JROTC instructor negotiates his or her own contract with the school. The Military Service JIRO will authorize reimbursement to the school for up to 12 months per academic year, but only for the period of time the instructor is under a valid contract and is receiving a salary equal to, or greater than, the MIP. The amount of the reimbursement to the school generally is equal to 50 percent of an instructor's MIP as identified in subparagraph 210503.A.

210702. JIRO Employment Verification Process

Each school must forward to the JIRO a copy of the DD 2767 within 30 days of the instructor's employment. Reimbursements for that instructor will be held in abeyance until this form is received by the JIRO.

A. Each school must submit a DD 2767 annually for those JROTC instructors continuing employment at the school in the upcoming academic year.

B. The form must be received prior to the end date of an instructor's current contract to ensure uninterrupted reimbursement.

C. Schools are reimbursed only when there is a current pay data form on file at the JIRO.

210703. Entitlement Computation

For each new instructor, reimbursement to the school will be computed using the DD 2754, and as stated in paragraph 210503.

210704. Entitlement Recertification

Instructors must recertify dependent status and permanent duty station (school) zip code for entitlement to BAH and OHA (as applicable). A DD 2754 is used to fulfill the recertification requirement.

A. Recertification is required upon request of the servicing JIRO, or upon a change in the instructor's dependent status or employment zip code.

B. OHA recertification is required each year.

2108 SEPARATIONS, TRANSFERS, DECERTIFICATIONS, AND DISESTABLISHMENTS

210801. Separations

Each employing school must forward a DD 2767, or termination letter, containing the applicable date to the JIRO immediately upon the separation or death of an instructor. Separation of an instructor occurs when that instructor resigns his or her position at a specific school. If notification is not received in a timely manner, then future reimbursement to the school must be adjusted by the JIRO to reflect the actual period of time the instructor performed duties as a JROTC instructor and to collect any over reimbursement.

210802. Transfers

A transfer of an instructor occurs when he or she resigns the position at one school and accepts a position at another school. Transfers must be processed as a separation from one school and a new hire at another school. Both the losing and gaining schools must forward to the JIRO a DD 2767. The instructor must immediately forward an updated DD 2754, as stipulated in paragraph 210704, to the JIRO.

210803. Decertification

A Military Service may, for cause, decertify a JROTC instructor for employment eligibility. The IMD must immediately notify the JIRO of those instructors who have been decertified and currently are under contract with a school. Future reimbursement to the school must be adjusted by the JIRO to reflect the actual period of time the instructor performed duties as a JROTC instructor and to collect any over reimbursement.

210804. Disestablishment of JROTC Units

Disestablishment of a JROTC unit normally occurs upon determining that the unit will not meet the standards specified by the Military Service, or the unit cannot maintain the statutory minimum student enrollment. The disestablishment of a unit voids the contract between the Military Service and the school. Therefore, instructor pay reimbursements to the school are terminated and the JIRO must authorize final reimbursement to, or initiate collection action from, the school.

2109 FINANCIAL MANAGEMENT

210901. Military Service Responsibilities

Each Military Service will be the holder and manager of its JROTC funds. The JIRO concerned must authorize and assign the funds to the proper line of accounting, verify each JROTC instructor's pay computation and associated reimbursement amount for each school for accuracy prior to disbursement by the designated paying office. The JIRO also monitors the budget execution throughout the assignment of the JROTC instructor.

210902. Military Pay Operations Responsibilities

Based on the authorization received from the JIRO and verification of fund availability, military pay operations certifying officers will perform payment certification and submit to the designated paying office for all school disbursements. Certifying officers must be appointed in accordance with Volume 5, Chapter 5. Reimbursement to DoDDS must be made via a separate IPAC transfer that cites the applicable appropriation provided for DoDDS.

210903. Designated Paying Office Responsibilities

Reimbursement to the school must be made only after the JIRO concerned has verified the payroll data, authorized fund availability, received concurrence from the appropriate accounting office and after military pay operations has provided certification. The DFAS designated paying office will disburse funds for school reimbursements based upon an ***SF 1034***, Public Voucher for Purchases and Services Other than Personal, for each of the Military Service's payments to the school districts. Funds must be sent via EFT to the financial institution of the school, with the exception of reimbursements to the DoDDS schools which are transferred via the IPAC system.

2110 IDENTIFICATION AND COLLECTION OF JROTC RELATED DEBTS

211001. Debt Identification

The JIRO is responsible for debt identification. A debt accrues when a school or school district is over-reimbursed for the pay of an instructor(s). The following are examples of when debts might accrue:

A. Instructor transferred to another school. This possibly results in the losing school being over-reimbursed, and the gaining school being under-reimbursed;

B. Instructor separated from instructor program;

C. Instructor dies; or

D. Instructor's contract ending date changed, thereby shortening the contract period.

211002. Debt Collection Process

Collection of a debt is accomplished by a fully documented adjustment to the amount of reimbursement paid to the school for the next calendar month, with one exception. When a debt is owed by a school that no longer has JROTC instructor(s) and is not due any further reimbursements, collection action will be in accordance with Volume 16, Chapter 5.

A. In those instances in which a school does not have a future reimbursement to adjust/offset, the JIRO must initiate collection action from the school directly via the use of a

demand letter. See Volume 16, chapter 5 for the policy requirements and guidance. Amounts collected must be forwarded to the JIRO as the debt collection office.

B. After the JIRO has completed all related actions specified in Volume 16, Chapter 5, uncollected debts 120 days delinquent must be referred to the Treasury, Bureau of the Fiscal Service for further collection action, as prescribed in ***31 U.S.C. § 3716(c)(6)(A)***.

VOLUME 10, CHAPTER 22: "PAYMENT RECAPTURE AUDITS"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font*.**

The previous version dated October 2012 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
2201	Restructured the "General" section to comply with the new Financial Management Regulation standard operating procedures.	Revision
220101	Clarified that intra-governmental transactions are excluded from Payment Recapture Audit (PRA) requirements per Office of Management and Budget (OMB) Circular A-123, Appendix C.	Revision
220103	Added reference to the Improper Payments Elimination and Recovery Improvement Act (IPERIA) of 2012 (Public Law 112-248) as a basis for the policy in this chapter.	Revision
220202	Added a definition for Improper Payments and reference to Volume 4, Chapter 14.	Addition
220302	Updated the Office of the Under Secretary of Defense, Comptroller (OUSD(C)) address for PRA correspondence.	Revision
220303	Removed reference to the 85% recapture target from the previous version (October 2012) as this is no longer contained in the updated OMB Circular A-123, Appendix C.	Revision
2206	Revised the title of the responsible organization for PRA reporting to the OUSD(C) Accounting and Finance Policy Directorate based on the Deputy Chief Financial Officer policy memorandum dated August 15, 2013.	Revision
221101	Clarified that recaptured amounts that can be utilized to pay expenses of the program and to pay recapture audit contractors are limited to collections involving expired discretionary fund accounts.	Revision

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
221102	Revised the language regarding the disposition of recaptured funds from "will be used in the following manner" to "may be used in the following manner"; to reflect the policy in OMB Circular A-123, Appendix C.	Revision
221102.D	Revised the word "canceled" to "expired" to reflect the policy in the OMB Circular A-123, Appendix C, and addressed overpayment amounts from trust fund and special fund accounts.	Revision
221103	Clarified that recaptured amounts pertaining to unexpired accounts cannot be used for reimbursement of PRA program expenses and must be returned to the original appropriation.	Revision
2212	Consolidated and condensed sections within 221201 of the previous version (October 2012), and clarified policy language to match that contained in OMB Circular A-123, Appendix C.	Revision

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CHAPTER 22

PAYMENT RECAPTURE AUDITS

*2201 GENERAL

*220101. Overview

All programs or activities, as defined by ***Office of Management and Budget (OMB) Circular A-123, Appendix C,*** with annual payments that exceed $1 million must utilize cost-effective payment recapture audits (PRA) to recover improper payments. PRA requirements apply to all types of payments, except for intra-governmental transactions.

220102. Purpose

This chapter establishes the Department of Defense (DoD) policy for implementation of PRAs in accordance with the laws and regulations cited herein.

*220103. Authoritative Guidance

This chapter establishes policies and requirements based on the Improper Payments Elimination and Recovery Improvement Act (***IPERIA***) of 2012 (31 U.S.C. 3321, note) and the Improper Payments Elimination and Recovery Act (IPERA) of 2010 (31 U.S.C. 3301, note). This chapter also incorporates associated implementing guidance found in OMB Circular A-123, Appendix C**.**

2202 DEFINITIONS

220201. Cost-Effective Payment Recapture Audit Program

A cost-effective recapture audit program is one in which the benefits (i.e., recaptured amounts) exceed the costs (e.g. staff, time and resources, or payments for the PRA contractor) associated with implementing and overseeing the program.

*220202. Improper Payment

An improper payment is any payment that should not have been made or that was made in an incorrect amount under statutory, contractual, administrative, or other legally applicable requirements. Incorrect amounts are overpayments or underpayments that are made to eligible recipients. An improper payment also includes any payment that was made to an ineligible recipient or for an ineligible good or service, or payments for goods or services not received (except for such payments authorized by law). See Volume 4, Chapter 14 for additional details on improper payments and reporting requirements.

220203. Payment Recapture Audit

A payment recapture audit (PRA) is a review and analysis of a Component's or program's accounting and financial records, supporting documentation, and other pertinent information supporting its payments, that is specifically designed to identify overpayments. It is not an audit in the traditional sense. Rather, it is a detection and correction control activity designed to identify and recapture overpayments. As such, it is a management function and responsibility.

220204. Payment Recapture Audit Contingency Contract

This type of contract is for PRA services in which the contractor is paid for its services as a percentage of overpayments actually collected. Clear evidence of overpayments must be provided by the contractor to the appropriate Component official.

220205. Payment Recapture Audit Program

This is a Component's overall plan for risk analysis and the performance of PRAs and recovery activities. These activities should include a management improvement program, if appropriate. A copy of this program shall be provided to the Component's Inspector General (IG) annually.

220206. Post-Award Audit

A post-award audit refers to a post-award examination of the accounting and records of a payment recipient that is performed by a Component official, or an authorized representative of a Component official, pursuant to the audit and records clauses incorporated into the contract or award. An audit is normally performed by an internal or external auditor that services in an advisory capacity to the Component official. A post-award audit, as distinguished from a PRA, is normally performed for the purpose of determining if amounts claimed by the recipient are in compliance with the terms of the award or contract, and with applicable laws and regulations. Such reviews involve the recipient's accounting records, including the internal control systems.

2203 DoD PAYMENT RECAPTURE AUDIT PROGRAM

220301. Applicability

A. As prescribed by OMB Circular A-123, Appendix C, the Component head will determine the manner and/or combination of payment recapture activities to use within the agencies payment recapture audit program that are expected to yield the most cost-effective results.

B. If a Component concludes that implementing this type of review for a program or activity is not cost-effective, then it must submit a quantitative justification to the Office of Under Secretary of Defense (Comptroller) (OUSD(C)), Office of the Deputy Chief Financial Officer (ODCFO), Accounting & Finance Policy (A&FP) Directorate, for approval.

C. When determining the cost-effectiveness of the use of PRA contingency contracts, any Defense Finance and Accounting Service (DFAS) resources used to assist the payment recapture auditing contractor must be taken into consideration. This includes the cost of providing government records, researching claims, and recovering amounts due the government.

D. PRAs will be implemented in a manner designed to ensure the greatest financial benefit to the Component.

E. Components will report the results of their payment recapture auditing program to OUSD(C)/ODCFO/A&FP (see subparagraph 220102.A.) and in accordance with OMB ***Circular A-136, Financial Reporting Requirements***. See section 2204 for requirements.

*220302. Annual Plan Submission

All Components that expend $1 million or more annually for each program and activity, must annually submit a PRA plan, not later than August 31 each year, for use during the upcoming fiscal year to:

OUSD(C)/ODCFO/A&FP
1100 Defense Pentagon – Suite 3D150
Washington, DC 20301-1100

At a minimum, this plan must include:

A. Cost-effectiveness analysis;

B. The estimated total dollar amount of payments by program or activity for the current fiscal year;

C. Any additional collection/recovery audits and/or risk mitigation activities the Component plans to use in addition to its current DoD PRA Program;

D. The dollar amount of payments the Component plans to review using these additional activities or audits;

E. What entity will perform the PRA (internal, external, or contractor resources);

F. The proposed methodology; and

G. The period of review.

In addition, if the Component head should determine that performing PRA activities are not cost-effective for certain categories of disbursements, as further described in paragraph 220502, the quantitative justification must be included in this plan.

*220303. Establish Targets for Payment Recapture Audit Programs

For each PRA program established, annual recapture targets must be set. Agencies are required to establish annual targets for their PRA programs that will drive their annual performance. Targets will be based on the rate of recovery (i.e., amount of improper contract overpayments recovered divided by the amount of improper contract overpayments identified) and are expected to be set to show an increase in recoveries over time. Each Component will provide their annual recapture targets for review and approval by OUSD(C)/ODCFO/A&FP (see section 220302). The OUSD(C)/ODCFO/A&FP in turn will submit targets to OMB for review as part of the annual approval process of draft Annual Financial Reports (AFR) and Performance and Accountability Reports.

2204 REQUIRED REPORTING

220401. Annual Reporting

Components must report annually on their PRA programs. Components must consult with the DFAS Directorate for Enterprise Solutions & Standards, (ESS) Post Pay Review and Analysis Office (JJO), 8899 East 56th Street, Indianapolis, IN 46249 to ensure proper coverage of improper payments and payment recapture actions and to prevent duplicate reporting. Components must inform OUSD(C)/ODCFO/A&FP, and also report in their AFR submission if suspension or limitation occurs in the Component monitoring/oversight activities. In order to meet the AFR reporting schedule, fiscal year-end reporting for PRA programs is due not later than the 10th business day in September, the same reporting requirement as specified in Volume 4, Chapter 14, Improper Payments.

220402. OMB Circular A-136 Required Reporting

Components must report in accordance with the annual update to OMB Circular A-136, Financial Reporting Requirements. The following is normally required:

A. A general description, evaluation of the steps taken, and the methodology applied to carry out their cost-effective recapture audit program;

B. The total cost of the Component's recapture activities and audits;

C. The total amount of payments subject to review, including a description and justification of the classes of payments excluded from the PRA contractors, with an explanation of why recapture audits were not performed on all programs and activities (i.e., if not cost-effective);

D. The actual dollar amount of payments reviewed;

E. The amounts actually recaptured during the current fiscal year. The amounts recaptured must be separated between current year and prior years. Please note that voluntary or unsolicited refund dollar amounts must be separated from amounts identified

through payment recapture activities. In addition, recoveries must also be separated between internal and external PRA activities;

F. To the extent possible, any underpayments identified through the PRA process should be corrected by the Component. Components may include provisions that authorize payments to payment recapture auditors for underpayments identified;

G. A summary of the disposition of recaptured funds in accordance with OMB Circular A-123, Appendix C and OMB Circular A-136.

H. The amounts outstanding and determined to not be collectible, including the percent each amount category represents of the total overpayments identified for recapture to include:

1. An aging schedule of the amounts not currently recovered or not under a repayment agreement and,

2. Justification for any amounts that have been determined to be uncollectible;

I. A corrective action plan that addresses and links directly to the root causes of error identified, as required by paragraph 220902;

J. A general description and evaluation of any management improvement program carried out pursuant to this guidance; and

K. Instances of potential fraud discovered through PRA and recovery activities must be reported in accordance with Volume 5, Chapter 6, section 0605.

2205 SCOPE OF DoD PAYMENT RECAPTURE AUDITS AND ACTIVITIES

220501. Dollar Threshold

All programs and activities that expend $1 million or more annually, including grant, benefit, loan and contract programs, shall be considered for PRAs. Subject to the exceptions in paragraph 220502, all classes of contracts and contract payments, as well as all other types of payments should be considered for payment recapture audit activities. Components that disburse payments must review the different types of payment categories, and identify those categories that have a higher potential for recoverable payment errors which will ensure the greatest financial benefit to the government. Once this assessment is performed, the Component must then determine the overall cost-effectiveness of performing PRAs as explained in paragraph 220201.

220502. Possible Exclusions

Components may exclude certain payment classes from their PRA activities if the Component head determines that payment recapture activities and audits are not a cost-effective method for identifying and recovering improper payments. If the Component head elects to exclude a class of payments or contracts from payment recapture activities or audits, then the justification for this exclusion must be included in their annual plan and annual report (see sections 2203 and 2204). The following possible exclusions are also described in OMB Circular A-123, Appendix C.

A. Cost-type contracts that have not been completed where payments are interim, provisional, or otherwise subject to further adjustment by the government in accordance with the terms and conditions of the contract;

B. Cost-type contracts that have been completed and subjected to a final contract audit; and, prior to final payment of the contractor's final voucher, if all prior interim payments made under the contract were accounted for and reconciled;

C. Other contracts that provide for contract financing payments or other payments which are interim, provisional, or otherwise subject to further adjustment by the government in accordance with the terms and conditions of the contract;

D. Recent payments (made less than 180 days prior to the review) may be excluded in order to allow the Component's normal post-payment processes to identify and correct any overpayments; and

E. Other types of payments may be excluded from further review based on cost-effectiveness. For example, if the use of a pre-payment tool demonstrates that it is preventing most, if not all, duplicate payments, then these payments may be excluded from the Component's payment recapture auditing effort. Agencies shall conduct a PRA program in a manner that will ensure the greatest financial benefit for the government.

220503. Non-replication of Existing Audits

Components must take steps to ensure that the implementation of their payment recapture audit activities and audits do not result in duplicate audits of payee records. In this regard, actions to follow up with payees on potential overpayments identified through PRAs of Component records do not constitute audits of contractor records. However, PRA activities should not duplicate other audits, to include other post-payment reviews or Defense Contract Audit Agency audits, of the same payee records that specifically employ payment recapture audit techniques to identify and recover payment errors.

*2206 ROLE AND RESPONSIBILITIES OF THE COMPTROLLER'S OFFICE OF PRIMARY RESPONSIBILITY

220601. Role

To facilitate compliance with OMB Circular A-123, Appendix C, the DoD Deputy Chief Financial Officer (DCFO) assigned reporting responsibility for this function to the OUSD(C) Accounting and Finance Policy (A&FP) Directorate. This reporting function is part of the OUSD(C) oversight responsibility for DoD's annual PRA reporting in the Agency Financial Report (AFR).

220602. Responsibilities

The Comptroller's A&FP Directorate is responsible for:

A. Reviewing the Components' annual payment recapture auditing plan submissions as described in section 220302 to ensure completeness.

B. Reviewing the annual submission of PRA reports described in section 2204 to ensure the reporting requirements are met.

C. Preparation and submission of Department-wide PRA results and mandatory reports as described in OMB guidance, and any related information for submission to OMB, publication in the AFR, and other required reporting.

2207 ROLE AND AUTHORITY OF THE OFFICE OF THE INSPECTOR GENERAL (IG)

220701. No Impairment of Inspectors General Authority

Nothing in this policy should be construed to impair the authority of an IG under the Inspector General Act of 1978, as amended, or any other law. However, because the PRA program required by this policy is an integral part of Component's internal control over payments, and therefore a management function, independence considerations would normally preclude the IG, and other Component external auditors from carrying out management's PRA program.

220702. Effectiveness Assessment

The IG, as well as other authorized auditors, are encouraged to assess the effectiveness of Components' PRA programs as part of their internal control assessment on existing audits (e.g., the annual financial statement audit, or as a separate audit).

2208 SOURCES TO PERFORM PAYMENT RECAPTURE AUDITS

PRAs may be performed by employees of the Components, by any other Component, department or agency of the United States Government acting on behalf of the Component, or by private sector contractors performing PRA services under contracts awarded by the Component, or any combination of these options.

2209 PRA SERVICES PERFORMED BY CONTRACTORS

220901. Use of External Contractors

When Components have determined that using external post-payment recapture audit contractors (i.e. recapture audit contingency contract) is the most cost-effective plan, these private sector firms may, with the consent of the employing Component, communicate with the Component's contractors for the purpose of verifying the validity of potential payment errors they have identified. In addition, to avoid confusion with established accounts receivable/debt management processes, Components must coordinate with the DFAS ESS Accounting Mission Area, Accounts Receivable Office (JJA) at 8899 E. 56th. Street, Indianapolis, IN 46249 to determine whether direct communication with the Component's contractors is authorized.

220902. Required Root Cause Analysis

In addition to identifying and documenting specific overpayments resulting from payment errors, any entity performing PRAs must also analyze the reasons why payment errors occurred and, where appropriate, recommend cost-effective controls to prevent such overpayments in the future. These results must be presented to management on a regular basis. The results of such analysis and related recommendations should be considered by the Component as part of its management improvement program. These submissions must be timely and cover a period not to exceed 12 months. The Component should provide such information to DFAS, the DoD IG, and where applicable, the IG of the Military Service.

220903. Contingency Fee Requirement

Contracts entered into by Components to obtain PRA services from the private sector are limited to contingency contracts that pay the contractor an amount equal to a negotiated percentage of the total amount collected by the United States for valid claims of overpayment. Components may allow contracted PRA auditors to establish a presence on, or visit, the property, premises, or offices of any subject of PRAs. Such physical presence is not prohibited, and may in fact allow the PRA auditor to perform a more thorough review of the subject's payments, and related documentation and payment files.

220904. External Contractor Prohibitions

In addition to provisions that describe the scope of PRAs (and any other provisions required by law, regulation, or Component policy), any contract with a private-sector firm for PRA services will include contract provisions that prohibit the PRA contractor from:

A. Requiring production of any additional records or information from the Component's contractors. Only duly authorized employees of the Component can compel the production of information or records from the Component's contractors, in accordance with applicable contract terms and DoD regulations;

B. Acting as an agent for the Federal Government in the recovery of funds improperly paid to contractors;

C. Using or sharing sensitive financial information with any individual or organization, whether associated with the Federal Government or not, that has not been officially released for use by the general public, except for the purpose of fulfilling the PRA contract; or

D. Disclosing any information that identifies an individual, or reasonably can be used to identify an individual, for any purpose other than performing the PRA responsibilities.

220905. Safeguarding Confidentiality

Components will require the PRA contractor to take steps to safeguard the confidentiality of sensitive financial information that has not been released for use by the general public and any information that could be used to identify a person.

220906. Actions of External Contractors

The PRA contractor may, with the consent of the contracting Component, notify vendors of potential overpayments made to these contractors, respond to questions concerning potential overpayments, and take other administrative actions with respect to overpayment of claims made, or to be made, by the Component. However, the PRA contractor will not have the authority to make final determinations relating to whether any overpayment occurred and whether to compromise, settle, or terminate overpayment claims.

220907. Minimum Contract Requirements

At a minimum, each contract for PRA services will require the contractor to:

A. At least quarterly, provide reports to the DoD disbursing Component on the root cause conditions causing the overpayments identified and recommendations on how to mitigate such conditions.

B. Notify the DoD disbursing Component of any overpayments identified by the contractor pertaining to any Component that is beyond the scope of the contracts.

C. Report potential instances of fraud immediately to the DoD disbursing Component for which it is performing the contract. The Component will further review and refer to its IG, if appropriate. Contractors and all personnel performing PRAs must be trained to recognize evidence of fraud and vulnerability to fraud.

2210 PAYMENT RECAPTURE AUDIT COLLECTIONS ACTIVITY

Actual collection activity shall be carried out by federal employees, or nonfederal entities expending federal awards, as appropriate. However, Components or nonfederal entities may use another private sector entity, such as a private collection agency, to perform this function, if this practice is permitted by applicable laws and regulations governing collection of amounts owed to the Federal Government.

2211 DISPOSITION OF RECAPTURED AMOUNTS AFTER IPERA

*221101. Amounts Collected

IPERA provides that amounts collected under a PRA program from expired discretionary fund accounts are available to reimburse the actual expenses incurred by a Component in administering the program, and to pay contractors in accordance with applicable law and regulation, if appropriate.

*221102. Uses of Amounts Collected

Except as provided in paragraph 221103, section 2(h)(3) of the IPIA, as amended by the IPERA, requires that any expired discretionary amounts collected (recaptured) through PRAs, that were appropriated after the date of IPERA's enactment (July 22, 2010), and that are not used to reimburse expenses of the Component or pay PRA contractors under paragraph 221101, may be used in the following manner:

A. Up to 25 percent of the recaptured funds may be used to supplement (but not supplant) any other amounts available to support the Component's financial management improvement program, and shall remain available until expended. Such funds can be passed to nonfederal entities such as state and local governments if the agency determines that is the best disposition of the funds to support its financial management improvement program.

B. Up to 25 percent of the recaptured funds may be used for the original purpose of the fund. The funding will be credited to the appropriation or fund, if any, available for obligation at the time of collection for the same general purposes as the same appropriation or fund for which the overpayment was made, and shall remain available for the same period of availability and purposes as the appropriation or fund to which credited.

C. Up to 5 percent of the recaptured funds shall be available to the Component's IG. The IG may use this funding to carry out the law's requirements, and perform other activities relating to investigating improper payments or auditing internal controls associated with payments. This funding will remain available for the same period of availability and purposes as the appropriation or fund to which it is credited.

* D. The remainder of the recaptured, expired discretionary funds that were appropriated after the enactment of IPERA and that are not used for the purposes described in subparagraphs 221102.A, 221102.B, and 221102.C, or used under otherwise available authorities, including recaptured overpayment amounts from trust fund and special fund accounts, shall be credited to the expired account from which the overpayment was made.

*221103. Return of Collections to Original Appropriation

As prescribed by OMB Circular A-123, Appendix C, and section 2(h)(3) of IPERA, recaptured overpayments from unexpired discretionary fund accounts (still available for obligation) that were appropriated after enactment of IPERA (July 22, 2010) shall be credited to the account from which the overpayments were made without using it for any purposes outlined paragraphs 211101 or 211102. Recovered overpayments from revolving funds, working capital funds, non-appropriated funds, and appropriations with indefinite periods of availability must be refunded to such accounts.

221104. Collections to Mandatory and Trust Fund Accounts

Any overpayments from mandatory fund accounts and trust fund accounts shall be credited back to those accounts.

221105. Other Uses of Collections

When required or authorized by other provisions of law, any funds remaining after reimbursing the actual expenses for the administration of the program and paying PRA contractors, may be credited to the non-appropriated fund instrumentality, revolving fund, working capital fund, trust fund, or other fund or account from which the improper payments were made. For example, a PRA contractor may identify an improper payment during its review of a Defense Agency's working capital fund. Upon recovery of the payment, the Component could use the proceeds recovered to reimburse the Department's administration expenses and pay the PRA contractor's contingency fee. The remaining balance, if any, could then be credited back to the Component's working capital fund.

221106. Contingency

Contingency fee contracts will preclude any payment to the contractor performing PRA services until the recoveries are actually collected by the Component.

221107. Accounting for and Reporting Collections

All funds collected and all direct expenses incurred as part of the PRA program will be accounted for specifically. The identity of all funds recovered must be maintained as necessary to facilitate the crediting of recovered funds to the correct appropriations, to identify applicable time limitations associated with the appropriated funds recovered, and to allow for required reporting in compliance with OMB Circular A-136.

221108. Unconfirmed Overpayments

Overpayments that are identified by the payment recapture auditor, but that are subsequently determined not to be collectable or not to be improper, will not be considered "collected" for disposition purposes outlined in this section.

221109. Separate Statutory Authorities

Programs and payments that have separate statutory authority and requirements to conduct PRAs are not required to follow the disposition of recovered funds outlined in section 2212. As an example, the General Services Administration audits transportation payments for improper payments. Reference Chapter 13 for additional details.

*2212 DISPOSITION OF RECAPTURED AMOUNTS BEFORE IPERA

Components may review payments made from appropriations that were enacted before IPERA was signed into law (July 22, 2010), and have the same authorities to credit collections as existed before IPERA was enacted. OMB Circular A-123, Appendix C, provides detailed guidance for the disposition of recovered amounts prior to IPERA enactment. For recoveries of funds appropriated prior to IPERA's enactment, Components may use the recovered funds for reimbursement of Component expenses and to pay the PRA contractor. For those funds appropriated prior to IPERA's enactment which have expired, and after reimbursement of Component expenses and payment to the PRA contractor, any remainder of the recovered funds must be returned to the expired account(s). If the appropriation is canceled, the funds shall be credited to Treasury Miscellaneous Receipts.

2213 GRANT PROGRAMS

Components whose grant programs fund significant contract activity by grant recipients may consider including contracts at the grant recipient level in their PRA program. Components can engage contractors on a contingency basis to the extent otherwise authorized by law.

VOLUME 10, CHAPTER 23: "PURCHASE CARD PAYMENTS"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated October 2015 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
2303	Added a purchase card internal controls section for clarity and consolidation of policy.	Addition
230301	Revised reference from Public Law 112-194 to Title 41, United States Code (U.S.C.), section 1909 (citing safeguards and internal controls for the purchase card program).	Revision
230307.B	Revised policy reference to Volume 1, Chapter 9, Figure 9-1, and 44 U.S.C. § 2909 for a change in retention requirements.	Revision
230408.B	Added language to the cardholder duties to perform a review of the monthly billing statement that is consistent with paragraph 230502.	Addition

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CHAPTER 23

PURCHASE CARD PAYMENTS

2301 GENERAL

230101. Purpose

This chapter describes Department of Defense (DoD) command, supervisory, and personal policy for financial management related activities within the purchase card program. This chapter supplements general payment policy and procedures described in other chapters, along with the ***DoD Government Charge Card Guidebook*** for Establishing and Managing Purchase, Travel, and Fuel Card Programs (hereafter referred to as the Guidebook), and ***Office of Management and Budget (OMB) Circular A-123, Appendix B***. The purpose of the Guidebook and the OMB Circular A-123, Appendix B is to assist DoD officials in establishing and managing purchase card programs.

230102. Authoritative Guidance

A. This chapter establishes policies based on the statutory and regulatory requirements spelled out in ***Title 10, United States Code (U.S.C.), section 2784***, 41 U.S.C. ***§ 1909***, the ***Federal Acquisition Regulation (FAR), part 13***, the Defense Federal Acquisition Regulation Supplement (DFARS), ***part 213***, the Guidebook, the current General Services Administration (GSA) master contract and applicable task order, and this Regulation.

B. The Office of the Under Secretary of Defense for Acquisition, Technology and Logistics (OUSD (AT&L)) is responsible for oversight of the purchase card program. The Program Development and Implementation (PDI) Directorate reporting to the Director, Defense Procurement and Acquisition Policy in OUSD (AT&L), is responsible for policy formulation, procedural guidance, and operational oversight of the purchase card program administered by DoD Components. Agency/Organization Program Coordinators (A/OPCs) serve as the Agency's functional representatives and have oversight to manage and ensure the integrity of the purchase card program.

2302 PURCHASE CARD POLICY

230201. General

A. Through task orders issued on the GSA master contract, the DoD uses third party card-issuing banks to support the purchase card program. The card-issuing banks provide a commercial purchase and payment service that replaces the paper based, time consuming purchase order process, thereby eliminating procurement lead time, providing transaction cost savings, reducing procurement office workload, and facilitating payment. The suite of services offered by the card-issuing banks also includes web-based electronic invoicing, statement review, approval, and certification processes. Cardholders use purchase cards to make and/or pay for authorized

government purchases, subject to established limitations on transaction amount, billing cycle amount, and Merchant Category Codes (MCCs) which are defined in Appendix I of the Guidebook.

B. A purchase card charge authorizes the card-issuing bank to make payment to the vendor or contractor consistent with the GSA master contract and these regulations. An authorized purchase is defined as a purchase that satisfies a bona fide need at a fair and reasonable price that meets all legal and regulatory requirements. Any misuse of the purchase card is subject to administrative and disciplinary actions, as described in the Guidebook and Component personnel policies and procedures.

230202. Audits

Pursuant to 10 U.S.C. § 2784(b)(14), the purchase card program is subject to periodic audits by the DoD Inspector General and the Military Services' audit agencies to determine whether the program complies with agency policy.

230203. Terminology for Unauthorized Transactions

The following terminology used in this chapter describes types of unauthorized purchase card transactions.

A. Fraudulent Transaction. A fraudulent transaction is a transaction made by either an unauthorized individual or an authorized individual (i.e. cardholder) that is intended for personal use. Fraudulent transactions can be classified either as internally or externally committed, depending on whether a DoD representative commits fraud (internal), or a third party commits fraud (external).

1. Fraudulent transactions only include those transactions for which there are facts to indicate the transactions were fraudulent at the onset. Those may include such facts as the identity of the purchaser (e.g., an unauthorized user), the nature of the items purchased (e.g., items that are personal in nature and not likely to be a government requirement: jewelry, furs, entertainment, or personal audio-visual items), or other facts (e.g., the address to which items were sent).

2. Transactions which are otherwise proper government purchases, but where the item or service was later stolen or converted to personal use, are not fraudulent transactions for purposes of this chapter.

B. Improper Transaction. An improper transaction is a transaction involving items or services intended for government use but are not for a purpose for which the funds are available. These transactions are not disputable with the card-issuing bank in cases of purchases made by a formally appointed cardholder. If the transaction is not disputable, then the matter must be annotated in the purchase card records and immediately investigated. When the ordering activity does not have funds available for the particular transaction, but available funds exist elsewhere in the DoD, the approving official will obtain assistance of the Resource Manager (RM) to secure necessary funds.

C. Abusive Transaction. An abusive transaction is a transaction that was authorized but was carried out either at an excessive cost or for questionable government need. Examples include items or services that are centrally managed for which approval for the local purchase has not been obtained; items or services purchased for legitimate government requirements but which exceed those requirements ("gold plated" items); or items or services the cardholder was not authorized to purchase.

D. Questionable Transaction. A questionable transaction is a transaction for which there is insufficient documentation to determine whether it was in support of a valid requirement or otherwise proper.

E. Reportable Transaction. The cardholder, approving official, certifying officer, A/OPC, and personnel at all levels will report an unauthorized transaction in accordance with the Guidebook, related Component policies, and bankcard agreements/contracts. A fraudulent transaction is to be reported to the bank by the cardholder, approving official, certifying officer, and/or A/OPC, as well as to the appropriate investigative authorities.

230204. Purchase Card Accountable Officials

Within DoD, purchase card accountable officials are military members or civilian employees who are appointed in writing as cardholders, approving officials, review officials, and certifying officers. Such appointments, made in accordance with Volume 5, Chapter 5 (***10 U.S.C. § 2773a*** and ***31 U.S.C. § 3528***), are necessary to establish pecuniary liability under the law governing accountable officials other than those potentially liable under 10 U.S.C. § 2784(c). Accountable officials are responsible for providing information, data, or services to certifying or disbursing officers in support of the payment process.

A. A purchase card accountable official is responsible for attesting to the accuracy of information and data in support of a payment to the card-issuing bank.

B. Purchase card accountable officials will be accountable and may be held pecuniarily liable for any erroneous payments.

C. Foreign national employees cannot serve as purchase card accountable officials unless they are direct hire employees of the United States Government. However, prior to making such appointments, commanders must consider the potential consequences when the Status of Forces Agreements or other treaties do not subject direct hire local nationals to the same pecuniary liability as other DoD employees. If such appointments are necessary, commanders must consider implementing other management controls to compensate for the lack of pecuniary liability. Refer to Volume 5, Chapter 1 for policy regarding accountable officials and foreign national personnel.

230205. Submission of Billing Statements

Policies, standards, and controls concerning the electronic submission, receipt, and processing of billing statements and transactions are contained in Chapter 8.

230206. Delegation

As prescribed by ***31 U.S.C. § 3325***, the head of an executive agency may delegate the authority to assign personnel to perform the purchase card invoicing, reviewing, approving, and certifying responsibilities at the accountable official level. When authority is delegated, DoD Components will:

A. Designate each billing office and approving official within the Component's activities to receive the official purchase card billing statements.

B. Delegate the authority to certify official purchase card billing statements in accordance with Volume 5, Chapters 1 and 5.

230207. Purchase Card Rebates

A. Timely payment of a purchase card billing statement is a rebate computation factor. Purchase card billing statement payments must occur as soon as administratively possible when the rebate offered is greater than the cost of funds as defined in Title 5, Code of Federal Regulations (CFR), ***subpart 1315.8***. The DoD will take advantage of the rebate offers only when it is economically justified and advantageous to the DoD. The DoD will follow the guidelines for taking discounts and rebates found in 5 CFR 1315, FAR, section ***32.906(e)***, and OMB Circular A-123, Appendix B, ***Chapter 7***. Billing statements will be paid for the amount certified.

B. Rebates attributable to the use of the purchase card may be credited to operation and maintenance; and research, development, test and evaluation accounts of the DoD which are current when the rebates are received (10 U.S.C. § 2784).

230208. Compromised Account Numbers

If an account number is compromised, or if a card has been lost or stolen, the cardholder, approving official, certifying officer, or A/OPC will notify the card-issuing bank to close the account immediately.

*2303 INTERNAL CONTROLS

*230301. General

All DoD Component purchase card program implementing policies must ensure the inclusion of internal controls to prevent, detect, and report unauthorized purchase card transactions (41 U.S.C. § 1909). Refer to paragraph 230203 for a description of unauthorized transactions.

230302. Monthly Review

The monthly review checklist (refer to Figure 23-1) is intended as a reference tool for use in examining the cardholder purchase card statement from the card-issuing bank. Approving officials have fiduciary responsibility cited under Volume 5, Chapter 5, and will review each cardholder's billing statement every month to verify the cardholder was authorized to purchase the items. The approving officials will confirm the government has received the items and all accountable property (including pilferable items as defined by the DoD Component), and other qualifying items have been properly recorded in government property accountability records in accordance with local procedures. The capitalization threshold and accountability requirements for property, plant, and equipment purchased are available in Volume 4, Chapter 6. Refer to paragraph 230407 and 230503 for more information concerning approving official responsibilities.

230303. Separation of Duties

Managers at all levels will maintain the effective operation of internal controls within the purchase card program and ensure adequate separation of duties of participants under their control. The management accountability and internal control requirements prescribed by the PDI, along with those outlined in Chapters 1 and 8, will apply to the operation of a DoD Component purchase card program. Refer to the Guidebook for additional information on management and card program controls.

230304. Merchant Category Codes (MCCs)

MCCs are used to categorize each merchant according to the type of business in which the merchant is engaged and the kinds of supplies or services they provide. These codes are used to limit unauthorized transactions on a card account by blocking purchases from merchants identified by the PDI as inappropriate sources for government purchases. DoD policy involving MCCs is contained in the Guidebook.

230305. Data and System Access

Cardholder, approving official, certifying officer, A/OPC, and RM access to government and card-issuing bank's purchase card data and processing systems will be limited to that necessary to accomplish required tasks while maintaining proper separation of duties. Refer to the Guidebook for specific responsibilities and requirements when such personnel transfer to other duties or depart from the organization.

230306. Penalties for Unauthorized Use of the Purchase Card

Commanders and supervisors at all levels will ensure compliance with this chapter. Military and civilian personnel who violate the provisions of this chapter, the Guidebook, or misuse the purchase card are subject to administrative and disciplinary action. The misuse of the purchase card may be an offense that is punishable by a fine, imprisonment, or both.

A. Military personnel who violate the specific prohibitions contained in this chapter may be prosecuted under Article 92 of the Uniform Code of Military Justice (UCMJ), ***10 U.S.C. § 892***, for failure to obey a lawful order or regulation, as well as any other article of the UCMJ based on the nature of the misconduct involved.

B. Civilian personnel who misuse, abuse, commit fraud, or otherwise are negligent with the purchase card will be subject to reimbursement of charges for unauthorized or erroneous purchases, in appropriate cases, and to disciplinary action up to and including removal from the federal service for a first offense (refer to 10 U.S.C. § 2784(c)(1)). Fraudulent use is subject to criminal prosecution.

C. In instances when an official directs a cardholder to purchase items or services that are subsequently determined to be fraudulent, improper, abusive, or questionable, the official who directs the purchase may be subject to reimbursing the government and to disciplinary action in accordance with OMB Circular A-123, Appendix B, Chapter 4, sections ***4.8 and 4.9***.

*230307. Documentation

In accordance with 10 U.S.C. § 2784(b)(7), this Regulation, and the Guidebook, documentation, preferably electronic, will be maintained at all levels to support the integrity of the purchase card program and to facilitate the reconciliation and payment of purchase card transactions. Supporting documentation may include copies of cardholder statements, charge tickets, credit slips and receipts, the cardholder purchase log, invoices, delivery orders, approvals, requisitions, cross references to any related blanket purchase agreements, and telephone and mail order logs.

A. Cardholders will establish clear audit trails for purchase card transactions by maintaining a purchase log and other documentation, preferably electronic, to support each purchase and will make cardholder statements and supporting documentation available to the approving official and certifying officer.

* B. Volume 1, Chapter 9, Figure 9-1 provides the policy regarding document retention requirements for financial transaction records related to procuring goods and services, paying bills, collecting debts and accounting. Refer to ***44 U.S.C. § 2909*** for authorization to retain records for a longer period than specified in disposal schedules.

1. On a case-by-case basis, and when determined the records are necessary to complete reconciliation of payment, collection discrepancies, audit readiness requirements, or for other necessary purposes, an extension beyond the record retention period may be warranted. This period also applies to the documentation related to the transaction types identified in paragraph 230202.

2. Refer to Volume 15, Chapter 6 for additional information on document retention for accountable official's records for Foreign Military Sales.

3. In the event of account termination for both the cardholder and approving official, management must ensure safeguards are in place to meet retention requirements.

2304 RESPONSIBILITIES

230401. General

The certification process for billing statements received from the card-issuing bank involves a coordinated responsibility between the cardholder, approving official, and the certifying officer. Every individual involved in the purchase card process must report suspected fraudulent, improper, abusive, or questionable use of the purchase card through the proper chain of command and in accordance with Component policies. Refer to paragraph 230203 for definitions of these transactions.

A. Commanders and supervisors at all levels have the authority and the responsibility to ensure that military and civilian personnel under their supervision do not abuse assigned purchase cards. Commanders and supervisors are responsible for addressing unauthorized use of the purchase card.

B. Purchase card disbursing and certifying officers are pecuniarily liable for illegal, improper, or erroneous payments, unless granted relief. Purchase card accountable officials may also be held pecuniarily liable. Policy concerning liability and relief of liability is available in Volume 5, Chapter 6.

230402. Head of DoD Component

The Heads of DoD Components (or their designees) may delegate their authority for the appointment, in writing, of cardholders, review officials, approving officials, and certifying officers. In addition, Heads of DoD Components are responsible for managing commanders, directors or other designated officials and their delegated authority for carrying out their duties and responsibilities as prescribed in the Guidebook.

230403. Commanding Officer or Director

A. The military officer in command or the civilian director in charge of an activity has overall responsibility for implementing the purchase card financial management policies of this chapter. They have disciplinary authority over cardholders and approving officials and must investigate all allegations of fraudulent, improper, abusive, or questionable transactions. The commanding officer or director will establish procedures for the activity that will permit rapid investigation and resolution of fraudulent, improper, abusive, or questionable purchase card transactions. They will convene or order an investigation in accordance with Volume 5, Chapter 6, and take all appropriate actions resulting from each investigation.

B. When authority has been delegated by the Head of the DoD Component, the commanding officer or director will appoint accountable officials in accordance with Volume 5, Chapter 5.

230404. Review Official

The review official is an individual appointed by the commanding officer or director to perform pre- and/or post-payment reviews of payments and perform other duties in accordance with Volume 5, Chapter 5. The A/OPC may not be appointed as the review official.

230405. Agency/Organization Program Coordinator (A/OPC)

The A/OPC is the individual appointed, as identified in the Guidebook, with responsibilities associated with the management, administration, and day-to-day operation of the purchase card program. The A/OPC will jointly work with the RM in setting and maintaining cardholder spending limits based on estimates of purchase requirements for the period or a budgetary limit. They may also assist the RM in providing guidance to the cardholder on any legal or regulatory restrictions on the funds provided.

230406. Purchase Card Certifying Officer

The certifying officer is the individual responsible for the accuracy of payments, including designation of the proper appropriation(s) or other funds, certified to the disbursing office and disbursing officer. The certifying officer is liable for any illegal, improper, or incorrect payment processed by the DoD resulting from an inaccurate or misleading certification. The certifying officer's appointment must meet minimum qualifications and eligibility requirements as discussed in Volume 5, Chapter 5. While it is desirable to maintain the greatest separation of duties, it is not always practical or possible. The certifying officer and approving official duties may be performed by the same appointed person as discussed in Volume 5, Chapter 1. Purchase card certifying officers' responsibilities identified in the Guidebook include, but are not limited to the following:

A. Ensuring transactions meet the legal requirements for authorized purchase card purchases;

B. Ensuring adequate documentation is available for individual transactions, and cardholders have reconciled all transactions with purchase log entries;

C. Ensuring the facts presented in documents for payment are complete and accurate to include designation of the proper appropriation(s) or other funds;

D. Verifying the line item detail on the invoices matches the amount certified for payment;

E. Taking action to prevent submission of duplicate invoices for the same transaction;

F. Ensuring all items and services have been received and procedures are in place to ensure transactions for items or services not received by the next billing cycle are disputed within the designated dispute timeline;

G. Implementing dispute procedures when warranted. Refer to paragraph 230507 regarding disputed transactions;

H. Reviewing and certifying the billing statement (preferably electronic) and forwarding it to the designated entitlement and/or disbursing office for timely payment processing. Figure 23-2 contains the language for the certifying officer's certification statement;

I. Ensuring billing statement invoice transactions are reallocated to other accounting classifications, if necessary, prior to the actual certification of the invoice; and

J. Ensuring the billing statement and all original supporting documentation (e.g., receipts, logs, invoices, delivery orders, and approvals) is retained, preferably in an electronic repository, to comply with the requirements for record retention. This retention must capture and leverage origination of electronic data contained in automated systems so that it may be shared across the DoD's various platforms.

230407. Approving Official

The approving official is the individual, appointed by the commanding officer, director or designee, with oversight responsibility for a number of cardholders to ensure that all purchase card transactions are necessary and for official government purposes only.

A. Approving officials are responsible for providing information and data to certifying or disbursing officers in support of the payment process. A purchase card approving official is responsible for attesting to the accuracy of information and data provided to a purchase card certifying officer in support of a payment to the card-issuing bank. Purchase card approving officials will be accountable and may be held pecuniarily liable for any erroneous payments that result from inaccurate information and data, including designation of the proper appropriation(s) or other funds provided to a purchase card certifying officer, if the erroneous payment is the result of negligence relative to the performance of assigned duties.

B. Approving officials have fiduciary responsibility cited under Volume 5, Chapter 5. The approving official will review each cardholder's billing statement every month to verify the cardholder was authorized to purchase the items; the government has received the items; and all accountable property (including pilferable items as defined by the DoD Component) have been properly recorded on government property accountability records in accordance with Component procedures. The capitalization threshold and accountability requirements for property, plant, and equipment purchased are available in Volume 4, Chapter 6. Each approving official will have a reasonable span of control over cardholders in accordance with the Guidebook. The approving official's responsibilities referenced in the Guidebook include, but are not limited to the following:

1. Recommending purchase card dollar limits and MCC exclusions to the A/OPC for cardholders under their purview;

2. Ensuring each cardholder fulfills his or her responsibilities as identified in the Guidebook;

3. Reviewing/reconciling his or her cardholder's statements and approving the statement when the cardholder cannot perform this function. A purchase card checklist, included as Figure 23-1, may be used as a tool by approving officials and certifying officers to document due diligence in billing statement reviews;

4. Verifying all transactions are necessary government purchases in accordance with the FAR, DFARS, and DoD policies and regulations;

5. Forwarding the billing statement and all original supporting documentation, preferably in an electronic repository (e.g., receipts, logs, invoices, delivery orders, and approvals), to the certifying officer, who will be responsible for ensuring compliance with the requirements for record retention;

6. Tracking purchases paid for, but not received; along with monitoring related disputes cited in paragraph 230507 until the transaction at issue is resolved;

7. Signing and dating the billing statement (preferably electronic) and forwarding it to the certifying officer (if not the same as the approving official). Figure 23-2 contains the language for the approving official's certification statement;

8. Resolving any questionable purchases with the cardholder;

9. Notifying the A/OPC to close the account of any cardholder who has transferred, terminated, retired, or is in absent-without-leave status and informing the certifying officer of these actions;

10. Notifying the A/OPC and certifying officer (if not the approving official) of any planned approving official reassignment to other duties or departure from the installation or activity;

11. Notifying the A/OPC and certifying officer (if not the approving official) of any lost/stolen cards (in addition to the cardholder notifying the card-issuing bank); and

12. Completing required initial and refresher training in accordance with the Guidebook and Volume 5, Chapter 5.

*230408. Authorized Cardholder

The cardholder is the individual appointed in accordance with the policies contained in the Guidebook. The Guidebook also covers the responsibilities of cardholders, their required use of a purchase log, and responsibilities of others charged with cardholder and cardholder account management and oversight. From a financial management perspective:

A. A cardholder will ensure funds are available prior to making the purchase.

* B. A cardholder will perform a review of the monthly cardholder statement as described in paragraph 230502.

C. When a cardholder uses the card to make an unauthorized transaction, as defined in paragraph 230203, the cardholder may be liable for any illegal, improper, or incorrect payment resulting from those transactions, and be subject to adverse personnel actions including removal in cases as prescribed in paragraph 230306.

D. In cases where an erroneous charge is not disputed timely, the cardholder may also be held accountable.

230409. Convenience Check Account Holder

The convenience check account holder is a military member or civilian employee appointed as prescribed in the Guidebook. The convenience check account holder will be responsible for ordering, receiving, storing, inventorying, reconciling and disposing of check stock. Convenience check account financial management policy is addressed in section 2306. The convenience check account holder is required to obtain and report tax data to the responsible tax office so that an ***Internal Revenue Service (IRS) Form 1099-MISC*** can be issued to the convenience check payee. Data reporting requirements are set forth at paragraph 230603. The convenience check account holder will not perform the functions of approving officials or certifying officers. The commanding officer, director or designee, with oversight responsibility will cancel the convenience check privileges of cardholders who improperly use convenience checks.

230410. Resource Manager (RM)

The RM is the individual designated by an agency to record formal commitments and obligations into the accounting system. The RM will establish commitments in advance in amounts no less than the periodic purchase limits authorized for commercial purchase cards or at the purchase requisition level. Advance reservations of funds are established by the RM (or equivalent), in conjunction with the assigned A/OPC, and must be considered when setting office, managing account, and/or cardholder purchase limits. The use of advance reservations of funds or commitments for purchase requisitions will also ensure positive funds control, precluding expenditures from exceeding obligations. Policy for recording obligations for the transactions in this chapter is contained in Volume 3, Chapter 8. The RM responsibilities associated with the purchase card program referenced in the Guidebook include, but are not limited to the following:

A. Coordinating funding and spending limits with approving officials and A/OPCs, to include providing advice on legal or regulatory constraints on the use of funds;

B. Providing approving officials and cardholders official notification of funding;

C. Assigning default and alternate lines of accounting (LOAs), and ensuring they are entered into the card-issuing bank's system for electronic invoicing, receipt, and processing;

D. Providing reallocation authority to cardholders and approving officials, when necessary. The process of reallocation, which gives the cardholder the capability to select different LOAs for a transaction rather than the default line, is set up by the cardholder's supporting RM;

E. Receiving and correcting invoice rejects with the A/OPC's assistance;

F. Assisting with resolving accounts in a delinquent status and providing payment information when requested; and

G. Coordinating with the responsible officials to ensure any unrecorded purchases are recorded in the period in which they occur and the miscellaneous obligation is reversed timely as referenced in Volume 3, Chapter 8.

230411. Entitlement Office

For the purpose of this chapter, the term "entitlement office" is defined as the office that processes the card-issuing bank's payment request (i.e., billing statement) after certification by the certifying officer. Responsibilities of the entitlement office include, but are not limited to the following:

A. Verifying the amount certified for payment on the invoice matches the amount certified per the certified disbursement voucher;

B. Validating sufficient funds have been obligated in the accounting records;

C. Notifying the installation A/OPC and RM within one business day of invoices rejected, including a detailed reason for the rejection. Upon resubmission of the rejected transactions, processing will include the Standard Document Number/contract number of the original transaction; and

D. Computing late payment interest penalties in accordance with Chapter 7, and provisions of the card-issuing bank's contract, if applicable.

230412. Disbursing Office

The disbursing office receives the certifying officer Appointment/Termination Record (DD 577 Form) or accepted electronic equivalent for file retention and disburses payments to the card-issuing bank. The disbursing office will not replicate the reconciliation process before making payment on certified purchase card billing statements. The disbursing office makes an advice of payment available to the bank.

2305 STATEMENT RECONCILIATION AND CERTIFICATION

230501. Receipt and Acceptance

The cardholder will ensure receipt and acceptance and perform proper documentation of all purchases made. Independent receipt and acceptance by an individual, other than the cardholder, is required for accountable property purchases, and self-initiated purchases (i.e., purchases lacking a documented requisition/request from someone other than the cardholder). Accountable property, as identified in the Guidebook, includes sensitive, classified, and pilferable property type items. Refer to the Guidebook for additional circumstances that may require independent receipt and acceptance and the use of Invoicing, Receipt, Acceptance, and Property Transfer (formerly Wide Area Workflow) when the purchase card is used as a method of payment against a contract.

A. To verify proof of delivery, record the date received, along with the signature (or electronic alternative when supported by internal controls), printed name, telephone number, and office designator or address of the receiving official on the sales invoice, packing slip, bill of lading, or other shipping or receiving document. Record the name of the independent individual confirming receipt in the cardholder purchase log.

B. Local procedures may specify additional circumstances (e.g., based on cost) requiring evidence of receipt by an individual other than the cardholder. The approving official will verify the existence of receipt and acceptance documentation (e.g., hand receipts for accountable property). The approving official also may physically verify receipt and acceptance. Cardholders must also timely notify the property accountability official of pilferable, sensitive, or high valued property obtained with the purchase card, in accordance with established property accountability policy.

230502. Cardholder Review

The cardholder's statement from the card-issuing bank details all the transactions posted against his or her account through the end of the billing cycle.

A. Each cardholder will reconcile his or her statement against supporting documentation and the purchase card log to ensure timely payments. The cardholder will review the statement for billing errors and unauthorized transactions, and dispute such transactions with the merchant.

1. The cardholder must report cases of fraud to the card-issuing bank under the billing discrepancy provisions of the GSA master contract, the A/OPC, the commanding

officer or director and the local procurement fraud investigative authority for investigation and adjudication, and comply with the bank's fraud reporting procedures.

2. Known or suspected fraudulent transactions not authorized by the cardholder must not be approved for payment. The electronic invoice will be "short paid" by the amount of the transaction(s) in question and then electronically certified for payment. Cardholders must identify the reason the transactions are deemed fraudulent and the date the fraudulent transactions were reported to the bank in the system. In all instances, the cardholder will attempt to review/reconcile all transactions during the billing cycle within which they occur so that these fraudulent transactions are never included in the corresponding billing statement.

B. If the cardholder cannot obtain a credit for a disputed item from the merchant, then the cardholder will officially dispute the transaction with the card-issuing bank following the procedures in paragraph 230507. The cardholder will annotate instances of non-receipt for recently ordered goods or services on each statement.

C. The cardholder will sign and date the billing statement (preferably electronic) and forward it, with the necessary supporting documentation, to the approving official for action. Figure 23-2 contains the language for the cardholder's certification statement.

D. If the cardholder cannot review the statement upon receipt (e.g., due to leave or business travel), then he or she will make his or her cardholder statement and supporting documentation available to the approving official or certifying officer for timely review.

230503. Approving Official (as Accountable Official) Review

The approving official will review each transaction made by cardholders under their managing account to ensure all supporting documentation is available and correct. The approving official will ensure cardholder reviews have been completed properly and disputed as necessary, ensure receipt of all accountable property has been properly documented, verify all transactions were necessary government purchases, and perform any other administrative function required by the purchase card program and other Component policies and procedures.

A. Known or suspected fraudulent transactions not authorized by the cardholder will not be certified for payment and will be reported to the card-issuing bank under billing discrepancy provisions of the GSA master contract, the A/OPC, commanding officer or director and the local fraud investigative authority for investigation and adjudication. The invoice will be "short paid" by the amount of the transaction(s) in question. Refer to paragraph 230502.A. for additional guidance. If not done so by the cardholder, the approving official should ensure fraudulent transactions are disputed in accordance with applicable card-issuing bank procedures, and reported as fraudulent in accordance with the card-issuing bank fraud reporting procedures, as well as those of the Component.

B. For improper and fraudulent transactions made by an authorized cardholder, the government is contractually obligated to pay the card-issuing bank. Every purchase made by an authorized cardholder using an authorized card creates a contractual obligation of the

government to pay the card-issuing bank. Report these types of fraudulent and improper transactions to the A/OPC, appropriate authorities, and/or management officials for investigation and corrective action in accordance with Component policies and procedures.

C. For abusive transactions, the approving official will authorize payment for any items that cannot be returned and pursue corrective action by reporting the matter to the A/OPC and management officials in accordance with Component policies and procedures.

D. For questionable transactions, the approving official will determine as rapidly as possible whether there is potential fraud or whether the transaction is otherwise disputable. The mere lack of supporting documentation will not trigger a finding of fraud or impropriety unless the identity of the item or service or other facts would lead a reasonable person to believe that this was a fraudulent or unauthorized transaction. If the transaction is determined not to be fraudulent or otherwise disputable, then it must be approved for payment. The approving official will continue to perform follow-up work to obtain sufficient documentation to support that the transaction is no longer categorized as questionable. The follow-up work should involve the cardholder, appropriate management, and bank officials as necessary.

E. When the approving official is appointed collaterally as the certifying officer, he or she will also complete the requirements in paragraph 230504.

230504. Certifying Officer Review

The certified billing statement is the official invoice for payment purposes.

A. The certifying officer will review and certify the billing statement (preferably electronic) and forward it to the designated entitlement and/or disbursing office for timely payment processing. Figure 23-2 contains the language for the certifying officer's certification statement.

B. The certifying officer will not certify a known or suspected fraudulent transaction not authorized by the cardholder. The certifier will not certify payments if the card or the card number applies to transactions generated by an unauthorized user, such as a vendor entering the wrong card number, or the transaction occurs after reporting the card or card number lost or stolen. The certifying officer will follow agency procedures for addressing all fraudulent, improper, abusive, or questionable transactions.

C. Pursuant to 31 U.S.C. § 3528, a certifying officer certifying a voucher (purchase card billing statement) is responsible for the information, computation, and legality of a proposed payment under the appropriation or fund. A certifying officer will ensure all transactions are legal, proper, correct, and satisfy a bona fide need in accordance with government policies, rules, and regulations. Since payments are to the financial institution, the certifying officer is responsible for certifying the legality and accuracy of the information pertaining to the amount owed the financial institution.

230505. Payment without Receipt and Acceptance

In accordance with the Guidebook, the DoD is authorized to certify invoices for payment of micro-purchases prior to the verification that all items billed have been received and accepted. Each approving official is required to establish a system and related procedures to flag and track all transactions certified for payment without verification of receipt and acceptance. These procedures will ensure that all transactions that have been reconciled and approved for payment will have their receipt verified no later than 45 days after the invoice date. If there is no documented evidence verifying receipt and acceptance, the cardholder must protect the government's rights by disputing the transaction. The cardholder must file a formal dispute in accordance with paragraph 230507.

230506. Payment of the Certified Billing Statement

The designated entitlement office will pay purchase card invoices (preferably electronic) upon receipt of the certified billing statement. Attention must be paid to the prompt payment clock, which starts when the invoice is made available to the DoD on the card-issuing bank's website versus when invoices are transmitted to the entitlement office. The entitlement office will ensure that only the amount certified for payment by the certifying officer is processed for payment.

230507. Disputed Transactions

Disputable transactions include but are not limited to those related to cards reported lost or stolen, incidences of compromised card numbers, or transactions initiated by unauthorized third parties. These transactions must be placed into the dispute process and normally will not be paid while in dispute. The cardholder will dispute the transaction as soon as possible; in accordance with the timetable and provisions contained in the bank card contract, the Guidebook, and local procedures.

A. For instances where items appear on the billing statement, but have not been received, the cardholder will contact the vendor to validate that shipment has been made. For cases of non-shipment, items will be officially disputed only if the merchant fails to credit the account in the next billing cycle or the items are not ultimately received.

B. Approving officials will monitor cardholder items billed versus receipt discrepancies to ensure any remaining discrepancies are disputed.

230508. Summary Accounting

To reduce transaction processing fees, DoD activities will summarize accounting data, where systems capabilities are available to preclude any duplication of LOAs before submitting certified billing statements and accounting data to the designated entitlement office. Specifically, DoD activities will "roll up" disbursing data by LOA to eliminate duplicate LOAs on one certified billing statement.

A. Approving officials and certifying officers will ensure complete summarization of billing statements with no duplicate LOAs prior to certification and submission of the billing statements for payment. The level of appropriation data summarization will be consistent with the advance reservation of funds and the data for entry into the accounts payable, disbursing, and accounting systems in order to maintain positive funds control, match each planned disbursement with a recorded obligation (as described in Chapter 1 and Volume 3, Chapter 8), and prevent unmatched disbursements.

B. The following methods will be used to facilitate summary-level accounting:

1. Use the minimum number of LOAs per purchase card to satisfy mission requirements;

2. Develop approving official and cardholder relationships, to the maximum extent possible, which will support summary-level billing statements which are comprised of multiple purchase cards citing the same LOA; and

3. Use the object class that is most appropriate for the types of micro-purchases made with the card.

2306 CONVENIENCE CHECKS

230601. General

Use of convenience checks must be minimized and designated as a purchase instrument of last resort. They will only be used if the vendor offering the goods or services does not accept or does not have the ability to process the purchase card, no other vendor can reasonably be located, and it is not practical to pay for the items using the traditional procurement method.

A. A discrete account must be set up in order to issue convenience checks. Convenience check and normal purchase card accounts may be issued under a single managing account, but they must not be commingled. The transactions reported during the billing cycle for the convenience check and purchase card accounts will appear on the cardholder's account of the approving official's monthly billing statement.

B. Convenience check accounts are provided by the card-issuing bank in accordance with the terms of the contract. The card-issuing banks operate a convenience check writing system that allows DoD activities, including overseas locations, to make selected minor purchases and payments using checks to replace cash for official expenses when card products and other alternatives have been determined unusable. The card-issuing banks offer "help desk" assistance and reporting capabilities with a variety of reporting media and frequencies to assist with performing oversight activities.

C. Each Component will issue instructions concerning the use of convenience checks. Individuals delegated as convenience check account holders will be appointed in writing. At a minimum, the appointment letter will state the specific duties of the check writer, any limitations on the scope of authority (including dollar limitations), and an acknowledgement of the

check writer's duties and responsibilities. Convenience checks will not be used for employee reimbursements, cash advances, cash awards, travel-related transportation payments, meals, or payroll/salary payments. For additional information concerning convenience check requirements and restrictions on their use, refer to the Guidebook.

230602. Printed Convenience Checks and Issuing Bank Requirements

The GSA contract provides responsibilities of the issuing bank for convenience check accounts. The issuing bank will ensure convenience checks are sequentially pre-numbered duplex documents (one copy for the cardholder's records and the original for the merchant).

230603. IRS Form 1099 Requirements for Convenience Check Account Holders

A. The Defense Finance and Accounting Service (DFAS) has tax reporting responsibilities for the DoD, and thus is responsible for reporting to the IRS miscellaneous income paid to vendors/contractors.

B. DFAS created the 1099-MISC Tax Reporting Process that convenience check account holders must use to report payments for "services" and other reportable payments (i.e., rentals, maintenance fees, speakers and interpreters, royalties, attorneys, medical and health) to DFAS for subsequent reporting to the IRS. Convenience checks written for the purchase of products/goods and/or to tax exempt agencies such as state and local governments, state universities, and the United States Postal Service do not require reporting to DFAS. Refer to the ***DFAS 1099 Tax Reporting Program Convenience Check User's Manual*** for more detail regarding payment types that are and are not reportable to DFAS. Convenience check account holders will need to obtain from vendors, and report to DFAS, the following data via the ***DFAS 1099 Tax Reporting Program***:

1. Payee's name (merchant, vendor, individual) and legal name (the name by which taxes are filed);

2. Payee's business if classified as a Sole Proprietorship, then report the business (merchant) information and the Sole Proprietor's name must be provided;

3. Payee's legal mailing address (the address used to file their taxes);

4. Employer Tax Identification Number (Social Security Number or Employer Identification Number);

5. Check number;

6. Check amount;

7. Payment date (date the check is written, not the date the check is cashed);

8. A brief description of the purchase;

9. Telephone number of the merchant; and

10. Convenience check account number.

230604. Authorizing and Establishing Convenience Check Accounts

Requests to establish an account for convenience checks will be justified in writing and in accordance with the provisions established in the Guidebook. A specific individual must be designated as the account holder responsible for that account via the proper application forms and, when completed, those forms will be submitted through the DoD activity's existing purchase card hierarchical structure. Additional convenience check account(s) may be established following a written determination by the Commander that another account is necessary to meet mission requirements as prescribed by the Guidebook.

230605. Conditions for Using Convenience Check Accounts

With the exception of contingency or emergency operations, convenience checks must be at or below the micro-purchase threshold defined by the ***FAR, Subpart 2.101***. In the instance of a declared contingency or humanitarian aid operation, the OUSD (AT&L) will publish the temporary increase in the maximum micro-purchase threshold for those convenience check account holders who have been identified and authorized to support the particular contingency or humanitarian aid operation. Appointment letters must include the increased authorities. Refer to the Guidebook for further details regarding changes to these thresholds and convenience check use. In order to maintain effective internal controls, approving officials (also known as billing officials), review officials, and certifying officers will not perform the functions of convenience check custodian or cashier. Additional conditions on the use of convenience checks are as follows:

A. Convenience checks will be issued for the exact payment amount, with a prohibition on splitting purchases, payments, or other amounts among more than one check in order to keep amounts below the micro-purchase threshold or other assigned limits.

B. Convenience checks will be used for official government purposes only.

C. Convenience checks will not be issued as an "exchange-for-cash" vehicle to establish cash funds.

D. If convenience checks are mailed to payees, then local internal controls must be in place to avoid duplicate payments being made to them.

E. The issuing activity is responsible for all administrative costs associated with the use of convenience checks. Fees associated with the use of convenience checks are specified in the GSA contract. At DoD Component election, the costs associated with the purchase of convenience checks may be expressed as a: (a) percentage; (b) number of basis points; or (c) fixed fee.

F. Convenience checks are negotiable instruments and will be stored in a locked container, such as a safe, where only the account holder has access. Checks will be accounted for by recording transactions as they occur in the check register and/or purchase log to maintain control of number sequence. Local policies and procedures must be implemented to provide safeguards to prevent physical loss, theft, or potential forgery.

230606. Reconciliation of Convenience Check Accounts

The convenience check account holder will reconcile the billing statement as part of the monthly billing cycle against his or her retained records of issuance in accordance with the standard payment practices established for the purchase card in section 2305.

A. Local policies and procedures will ensure an annual review of each convenience check account. This effort will include a sample of convenience check transactions, to include the review of all supporting documentation. It will also include examinations to determine the propriety of convenience checks written to individuals. Any suspected cases of fraudulent, abusive, improper, or questionable transactions will be reported to the appropriate management and investigative authorities in accordance with established policies.

B. The dispute process is not available for convenience checks. Any concerns over a purchase made with a check will be resolved directly with the merchant. The account holder is solely responsible for securing restitution and/or credit on disputed purchases.

C. Stop payments may have an effect on convenience checks, provided the convenience checks have not been posted to the account. The card-issuing bank will provide the ability to stop payment on a convenience check within 24 hours. The stop payment fee will be charged directly to the account.

2307 EMERGENCY AND CONTINGENCY OPERATIONS

Appendix B to the Guidebook provides the relevant regulatory and related Departmental policies regarding the use of purchase cards in support of emergency, contingency, or humanitarian aid operations. The financial management policies related to purchase cards as previously identified in this chapter, remain in place for emergency and contingency operations unless otherwise noted.

FIGURE 23-1 APPROVING OFFICIAL (AO) AND CERTIFYING OFFICER MONTHLY REVIEW CHECKLIST

This checklist is for AO and Certifying Officer use in completing the cardholder billing statement reconciliation, receipt and acceptance, and dispute procedures prior to certification. The checklist is intended as a reference tool for use in examining the cardholder's purchase card statement received from the card-issuing bank.

Account Number: _____ Account Type: _____

Approving Official Name and Date: _____

Billing Statement Date: _____

Review Steps	Date Completed
Obtain the cardholder statement, supporting documentation, and certification from the cardholder.	
Review purchases for each cardholder to determine whether all transactions were authorized government purchases in accordance with the FAR, DFARS, and all other government agency policy and procedures as applicable.	
Reconcile supporting documentation with details on the billing statement. Also, review for adequacy the purchase log entries for those transactions.	
Resolve any questionable purchases with the cardholder and, if necessary, advise the cardholder to dispute transactions with the card-issuing bank. Annotate disputed transactions on the billing statement.	
Review past transactions that were certified for payment without proof of receipt and acceptance to confirm acceptance and receipt with the cardholder. If receipt cannot be confirmed, then direct the cardholder to dispute the transaction.	
Annotate suspected cases of improper, abusive, or questionable purchases on the billing statement and report such matters to the Agency/Organization Program Coordinator (A/OPC) so the transaction can be disputed or investigated as appropriate, and in cases of suspected fraud report the matter to the appropriate investigative office.	
In the case of suspected fraud by government personnel (e.g. cardholder/receiver), document the suspected fraud and notify the appropriate investigative office and the A/OPC so the transaction(s) can be investigated.	
Retain a copy of the billing statement and originals of supporting documentation (e.g., approvals, receipts, logs, invoices, and delivery orders).	
Sign or execute electronically the AO and certifying officer certification statements, and forward the certified statements to the payment office.	

FIGURE 23-2 PURCHASE CARD CERTIFICATION STATEMENTS

- The Cardholder (as Accountable Official) certification statement will read:

"I certify that, except as may be noted herein or on supporting documents, the purchases and amounts listed on this account statement:

(1) Are correct and required to fulfill mission requirements of my organization.
(2) Do not exceed spending limits approved by the Resource Manager.
(3) Are not for my personal use or the personal use of the receiving individual.
(4) Are not items that have been specifically prohibited by statute, by regulation, by contract, or by my organization.
(5) Have not been split into smaller segments to avoid dollar limitations."

_____
Authorized Cardholder Signature and Date (or Government Accountability Office (GAO) approved electronic signature)

- The Approving Official (as Accountable Official) certification statement will read:

"I certify that the items listed herein are correct and proper for payment from the appropriation(s) or other funds designated thereon or on supporting vouchers, and that the payment is legal, proper, and correct, except as may be noted herein or on supporting documents."

_____
Authorized Approving Official Signature and Date (or GAO approved electronic signature)

- The Purchase Card Certifying Officer certification statement will read:

"Pursuant to authority vested in me, I certify that this invoice (billing statement) is correct and proper for payment, except as may be noted herein or on supporting documents."

_____
Authorized Purchase Card Certifying Officer Signature and Date (or GAO approved electronic signature)

DEPARTMENT OF DEFENSE
FINANCIAL MANAGEMENT REGULATION

VOLUME 11A: "REIMBURSABLE OPERATIONS POLICY"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

VOLUME 11A, CHAPTER 1: "GENERAL REIMBURSEMENT PROCEDURES AND SUPPORTING DOCUMENTATION"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue and underlined font*.**

The previous version dated April 2013 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
Various	Updated the title for DoD Instruction (DoDI) 4000.19, Support Agreements, dated April 25, 2013.	Revision
Various	Replaced Memoranda of Understanding (MOUs) with DD Form 1144, Support Agreement, to document reimbursable support. (Per DoDI 4000.19, paragraph 2.a.(3), MOUs will be used to document issues of general understanding between two or more parties that do not involve reimbursement.)	Revision
010102.	Updated the "Project Order Law" as Title 41, United States Code, section 6307.	Revision
010203.B.2 and 010203.B.3.	Updated Chapter 6, Appendix I title as "Military Composite Standard Pay and Reimbursement Rates.'	Revision
010203.B.3.	Updated military "fringe benefits" with proper terminology.	Revision
010204.B.1.	Clarified that the Memorandum of Agreement (MOA) is used when a certain quantifiable type of support is required over a short period of time (non-recurring), normally less than one year. (Per DoDI 4000.19, paragraph 2.a.(2) and "recurring reimbursable support" definition in the accompanying Glossary.)	Revision
010204.B.1.a.	Replaced Sample MOA Template reference (previous Addendum 3) to the authoritative source, DODI 4000.19, Figure 1, Sample MOA Template	Revision
Previous Addendum 3	Deleted Addendum 3 (Sample MOA Template). Renumbered the remaining table.	Deletion

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CHAPTER 1

GENERAL REIMBURSEMENT PROCEDURES AND SUPPORTING DOCUMENTATION

0101 OVERVIEW

010101. Purpose

This chapter supplements the standards for financial accounting for receivables, in Volume 4, Chapter 3, and for budgetary accounting for reimbursements, in Volume 3, Chapter 15. It provides guidance on the amounts that shall be recouped when DoD Components perform work or sell property within the Department of Defense, to other U.S. Government agencies and to private parties that do not involve the Defense Working Capital Fund (DWCF) or other DoD Revolving Funds. This chapter does not provide authority to sell to private parties. Specific legal authority must be identified to make such sales. Activities performing reimbursable operations must be able to identify the statutory authority for their work performed for others.

010102. General

A. The "Project Order Law", Title 41, United States Code, ***section 6307*** and the "Economy Act", Title 31, United States Code, ***section 1535*** contain legal authority and requirements for one U.S. Government entity to perform work for another. Chapter 2, "Project Orders" and Chapter 3, "Economy Act Orders" provides policy on the use of these orders within the Department. Reimbursable orders placed with the DWCF or other DoD Revolving Fund activities may fall under any number of authorities (e.g. Project Orders for depot maintenance). The basic transactional authority for the DWCF is derived from Section 405 of the National Security Act Amendments of 1949, and now codified at Title 10, United States Code, ***section 2208(a)***. This authority for buyer-seller transactions is not dependent on the Economy Act or Project Order Act statutes. See Volume 11B, Chapter 11 and Volume 3, Chapter 8 for additional information regarding DWCF authorities.

B. The price to be charged for goods and services furnished by the Department depends on whether that good or service is provided to, or for the benefit of, a DoD Component, a non-DoD Federal Agency, a private party, or a foreign military sales customer. Therefore, the ordering DoD Component activity that requisitions or orders a good or service shall inform the performing DoD entity if the requisitioned goods or services are for the subsequent sale to, or benefit of, a customer outside of the Department.

* C. This chapter provides guidance on the pricing of reimbursements that should be obtained as a result of providing authorized services or materiel. It is applicable unless a specific DoD issuance authorizes alternative reimbursement policies. The most significant of these alternative reimbursement policies are as follows:

1. Volume 11B establishes the DoD policy for the recovery of cost for products and services provided by the DWCF or other applicable DoD Revolving Fund activities.

2. Volume 13 establishes the DoD accounting policy for Nonappropriated Fund instrumentalities.

3. Volume 15 establishes the DoD policy for the Foreign Military Sales of defense articles and defense services to friendly foreign governments and international organizations.

4. ***DoD Directive 3025.18***, "Defense Support of Civil Authorities (DSCA)," provides the DoD policy for employment of military resources in the event of civil disturbances.

5. ***DoD Directive 3025.13***, "Employment of Department of Defense Resources in Support of the United States Secret Service (USSS), Department of Homeland Security (DHS)," provides the DoD policy for the use of DoD resources in support of the United States Secret Service.

6. ***DoD Instruction 4000.19***, "Support Agreements," provides the DoD policy for interservice and intragovernmental support agreements.

7. ***DoD Instruction 3025.21***, "Defense Support of Civilian Law Enforcement Officials," provides the DoD policy for reimbursable support provided to civilian law enforcement officials.

0102 POLICY AND PROCEDURES

010201. Disposition of Collections

A. Collections may only be returned to the appropriation that procured the services or materiel being sold when specifically authorized by law.

B. Collections for unfunded depreciation, unfunded civilian retirement, and interest shall be deposited into the General Fund of the U.S. Treasury as miscellaneous receipts unless otherwise provided for by this chapter or other DoD issuances. Disposition of collections for Foreign Military Sales shall be in accordance with Volume 15.

010202. Billing Standard

DoD Components performing work or services on a customer order shall bill the requesting DoD Component, other Federal Agency, or the public for earned reimbursements (performance of work or services, payments to contractors, or delivery from inventory) within 30 calendar days after the month in which performance occurred. The payment due date shall not be more than 30 calendar days from the date of the invoice. Bills rendered shall not be subject to audit by the customer prior to payment.

010203. General Rules for Determining Amounts to be Reimbursed

The following rules shall be followed by DoD Components when determining amounts to be collected as reimbursements unless other specific reimbursable rules have been established in this volume or by alternative reimbursement policies (see paragraph 010102.C.). An order placed or agreement made under the Economy Act obligates an appropriation of the ordering entity. The amount obligated is deobligated to the extent that the entity filling the order has not incurred obligations, before the end of the period of availability of the appropriation. The tables provided in addendum 1 and addendum 2 provide a summary of the rules for determining the amounts to be collected by appropriated fund and DWCF activities.

A. Direct Civilian Labor

1. The cost of direct civilian labor incurred in the performance of a service for, or the furnishing of materials to, another entity shall be reimbursed unless the performing entity has been provided funds appropriated directly to it for that purpose. Otherwise, the performing entity would be penalized to the extent that its funds are used to finance the cost of performing another entity's work, while the ordering entity's appropriations would be augmented to the extent that they now may be used for some other purpose.

2. Civilian labor performed for the benefit of other DoD Components, other Federal agencies, and the public shall be charged at actual hourly pay rates multiplied by the number of actual hours worked or assigned (detailed). Full-time assignments (details) shall be charged using annual rates. Otherwise, an hourly rate of 1/2087 of the annual rate shall be used and a leave and holiday factor of 18 percent of pay cost added.

3. Direct civilian labor includes consultants and direct hire foreign nationals employed by DoD activities.

4. Civilian personnel fringe benefit rates will be determined in accordance with Chapter 6, Appendix C, "Civilian Personnel Fringe Benefit."

5. Foreign national reimbursement rates are based on local pay agreements. Periodic reviews must be made to determine if the U.S. Government must make a contribution for severance pay or retirement pay.

B. Direct Military Labor

1. As a rule, the applicable military personnel appropriations shall fund the cost of direct (and indirect) military labor incurred in the performance of a service for, or the furnishing of materials to, another DoD entity. Therefore, since a direct appropriation is provided for that purpose, the cost of military labor shall not be charged to another DoD entity except for the cost of military personnel assigned to the DWCF activities. DWCF activities shall be reimbursed by their customers for the cost of military labor as prescribed in Volume 11B, Chapter 12.

* 2. Military labor shall be charged to non-DoD organizations on the basis of the actual hours worked or assigned (detailed). In either case, work shall be charged using the annual military composite standard pay rates. The military composite standard pay rates are computed in accordance with Chapter 6, Appendix I, "Military Composite Standard Pay and Reimbursement Rates," and are published at the DoD Reimbursable Rates page of the Under Secretary of Defense (Comptroller) website under ***TAB K,*** "Military Personnel Composite Standard Pay and Reimbursement Rates."

* 3. Military labor charged using the annual DoD composite rate for military labor includes a Medicare-Eligible Retiree Health Care accrual to cover the cost of health benefits for current officer and enlisted personnel after they retire and become Medicare-eligible, as well as such costs for their dependents and annuitants. The annual composite rate charged to non-DoD organizations includes an acceleration factor to cover medical health care costs of active duty personnel and their dependents. Military Services will furnish data in accordance with Chapter 6, Appendix I, "Military Composite Standard Pay and Reimbursement Rates."

C. Temporary Duty Costs (TDY). Travel costs incurred by DoD civilian employees and military personnel incurred in performance of a reimbursable work order shall be charged as a direct cost when such travel can be identified specifically to the order. Costs of supplies and other directly relatable expenses also are chargeable.

D. DoD Personal Property and Inventory

1. DWCF Materiel. Inventory issues and operating materials and supplies consumed from DWCF stocks are reimbursable unless specific legal authority precludes reimbursement. Transfers to DoD Components, other Federal agencies, private parties and contractors performing work for a DoD Component or other Federal Agency, shall be priced at standard prices (see Volume 11B, Chapter 15).

2. Reutilization and Marketing Materiel (Surplus)

a. The disposition of materiel by a Defense Reutilization and Marketing Office shall be in accordance with ***DoD Publication 4160.21-M***, "Defense Materiel Disposition Manual." The accounting treatment is set forth in Volume 4, Chapters 4 and 7.

b. The general rules for the disposition of proceeds from the sale of scrap or excess personal property shall be in accordance with Chapter 5, "Disposition of Proceeds from Sales of DoD Excess and Surplus Personal Property."

3. Non-DWCF Materiel. The pricing of personal property for DWCF materiel depends on whether the item(s) being transferred or sold will be transferred to another DoD Component and would normally be replaced. This decision shall be based on a review of the approved acquisition objective. If the sale will reduce assets required to meet the approved acquisition objective, then replacement is required.

a. Issues Within or to Another DoD Component. Issues within or to another DoD Component shall be on a non-reimbursable basis, but will require an

accounting entry to reflect the transfer from the losing to the gaining activity. The accounting entry shall reflect original acquisition cost and any accumulated depreciation.

b. Issues to another Federal Agency or Private Parties. Issues to other federal agencies or private parties shall be priced as follows:

(1) Materiel to be Replaced

(a) Materiel, including equipment, for which replacement (i.e., similar, but not exact) or replacement in kind (i.e., exact) is required, shall be transferred or sold at the estimated replacement cost, including the contract or production costs of the article less an adjustment for age and condition of the item being sold. This price is determined as follows:

AA. Determine the normal useful peacetime life of the item or equipment to be sold.

BB. Determine the percentage of useful life remaining on the item.

CC. Apply the percentage developed in subparagraph 2. to the estimated (or actual) cost of the replacement item. The resultant amount is the base cost to be used in the sale price calculation. Under no condition shall the sale price be less than the scrap value plus the cost of the last major overhaul or outfitting accomplished within 24 months before the sale.

(b) If it is imperative that the item be replaced through accelerated procurements and normal pricing policies will not adequately recoup replacement costs, an exception to DoD pricing policies shall be requested from the Under Secretary of Defense (Comptroller), Office of the Deputy Comptroller (Program/Budget). Normally, the exception would be to either add a replacement factor or delay final pricing until the contract for replacement items is financially complete.

(2) Materiel Not to be Replaced. Material, including equipment, shall be transferred or sold to other federal agencies and private parties at their original acquisition cost minus an adjustment for age and condition of the item being sold. Reimbursements from Foreign Military Sales transactions from the sale of assets will be in accordance with Volume 15, Chapter 7.

E. Contracts

1. Contract costs incurred for contracts awarded as part of a reimbursable agreement shall be billed to the benefiting organization.

2. Government-furnished materiel shall be billed in addition to contract costs in accordance with subparagraph 010203.D.

3. If the contract is provided to meet the requirements of a non-Federal Government organization, the contractor shall be required to pay rent (at fair market value) to the Department for the use of plant or production equipment utilized in manufacturing the item being sold.

4. The collection of interest on a late payment is applicable to a contract with a non-Federal Government organization that is required to pay a recoupment charge in accordance with Volume 15. ***DoDD 2140.2*** eliminated the requirement for recoupment on all sales entered into after January 13, 1993, except for recoupment required by Act of Congress. The contract interest clause ***52.232-17***, mandated by the "Federal Acquisition Regulation," provides that all amounts that become payable under the contract shall bear simple interest from the due date until paid, unless paid within 30 days of becoming due.

5. Contract administration charges shall be charged to other federal agencies and private parties, in accordance with statutory or policy requirements. Contract administration costs are not to be charged within a DoD Component or to another DoD Component when funding for such costs are included in the mission funding of the performing DoD entity.

6. DoD personnel services in support of contracts shall be costed in accordance with paragraphs 010203.A and 010203.B.

F. Accessorial Expenses

1. Accessorial costs represent certain expenses incident to issues, sales, and transfers of materiel. Accessorial costs include costs incurred for packing, crating, and handling (PCH); transportation; and port loading and unloading. PCH expenses are costs incurred for sales or shipments of property. Accessorial expenses may be incurred by the DoD for direct delivery of items from contractor facilities or by DoD Components for items furnished from DoD stocks. Accessorial expenses incurred by contractors for direct delivery items are normally included in the contract price of the property. If accessorial costs of direct delivery items are billed separately by the contractor, they shall be reimbursed in accordance with this section. Accessorial expenses incurred by one DoD Component are not reimbursable from another DoD Component when funding for such costs are included in the mission funding of the performing DoD entity.

2. Unless otherwise provided by law or regulation, accessorial expenses shall be billed to the following:

a. Non-DoD Federal departments, agencies, or instrumentalities.

b. Non-Federal entities, including DoD contractors.

c. Nonappropriated funds when property is transported for DoD morale, welfare, and recreation activities unless reimbursement has been waived by ***DoD Instruction 1015.15***, Establishment, Management, and Control of Nonappropriated Fund Instrumentalities and Financial Management of Supporting Resources.

3. Accessorial charges shall be reimbursed by non-DoD activities at the actual cost incurred. Accessorial charges for Foreign Military Sales are prescribed in Volume 15, Chapter 7.

G. Asset Use Charge. A charge for the use of DoD assets (facilities and equipment, or both) is required to recoup depreciation and interest on investment. Amounts collected shall be returned to the U.S. Treasury as miscellaneous receipts, unless otherwise provided for by statute or other DoD guidance. (Asset use charges are not assessed for Foreign Military Sales, see Volume 15). A four percent charge, developed by the Office of the Secretary of Defense through cost-finding techniques, may be used or the following calculations shall be performed:

1. Depreciation. Depreciation expense represents the amortization of the cost of depreciable property, plants, and equipment as an operating expense over the period in which assets are expected to provide benefits. Depreciation shall be charged using the straight-line method of depreciation. The calculation of depreciation is illustrated in Table 1-1.

2. Interest on Investment in Assets. Both DWCF and non-DWCF activities shall include in reimbursement billings to private parties an amount to recognize the interest on investment in fixed assets when such assets are acquired or manufactured for the purpose of, or prepared for use in, providing materiel to private parties. The calculation of interest on investment is illustrated in Table 1-2.

H. Repair and Maintenance. When repair and/or maintenance of items occurs, costs from a cost accounting system or, in its absence, equivalent costs developed through cost-finding techniques shall be billed.

1. Labor Cost. The cost shall be computed in accordance with subparagraphs 010203.A. and 010203.B.

2. Materiel and Supplies. The cost shall be computed in accordance with subparagraph 010203.D.

3. Transportation and Related Costs. The cost shall be computed in accordance with subparagraph 010203.F.

4. Overhead Costs. These costs shall be computed in accordance with subparagraph 010203.J.

I. Leased or Loaned DoD Equipment. When determining the charge for leased or loaned equipment, the following elements shall be billed:

1. Depreciation is not applicable to federal agencies unless the billing activity is a WCF. Depreciation shall be based on cost-finding techniques for sales to private parties unless actual rates are known. Calculations shall be in accordance with subparagraph 010203.G.1.

2. Interest on investment in assets shall be computed in accordance with subparagraph 010203.G.2.

3. Value of equipment not returned to the owning DoD Component shall be a sale to the borrowing organization. This sale shall be priced in accordance with subparagraph 010203.D.

4. Accessorial expenses shall be recognized in accordance with subparagraph 010203.F.

5. Repair costs to restore equipment or property to its condition at the time leased or loaned shall be collected from the using organization. The amounts may be based on either actual job order cost accumulations or estimates of the cost to be incurred based upon past repair and maintenance experience for similar equipment. The amounts collected shall be returned to the appropriation that financed the repair and maintenance. Direct labor costs shall be computed in accordance with subparagraphs 010203.A and 010203.B; materiel and supply costs shall be computed in accordance with subparagraph 010203.D; and overhead shall be computed in accordance with subparagraph 010203.J.

J. Overhead

1. Overhead is typically referred to as general and administrative costs (G&A) or some combination of G&A and indirect costs which cannot readily, or directly, be identified to the performance of a specific customer order. Examples of such costs include supervision, office supplies, utility costs. If an organization has a significant amount of reimbursable effort, such costs are accumulated in a cost pool and allocated to customers. In the absence of a cost accounting system, applicable costs may be estimated.

2. Overhead charges normally are not applied to reimbursable customer orders received from appropriated fund activities within the Department. However, appropriated fund activities will charge overhead on sales to other federal agencies and private parties. DWCF activities shall be reimbursed by their customers for overhead charges as prescribed in Volume 11B, Chapters 11, 13 and 15.

*010204. Documentation Standards

A. General. Orders must be supported by documented evidence of a formal offer and acceptance between the grantor and grantee of the order. (See ***DoDI 4000.19***, Support Agreements, for additional guidance.) In the absence of such documentation, there can be no assurance that there is a meeting of the minds on the material or services to be provided nor that payment is required. The principal documents used by the Department are:

1. DD Form 1144, Support Agreement.

2. The memorandum of agreement (MOA).

3. The universal order format.

B. Preparation Standards. The following standards apply to the preparation of these documents:

1. Support Agreements or MOA. Support agreements using a DD Form 1144, or civilian agency equivalents when necessary, are normally used when recurring or unquantifiable support is required over a period of time, often a 1-year duration, or longer. An MOA is typically used when quantifiable, non-recurring support is required over a short period of time, ordinarily less than 1 year in duration. The DD Form 1144 or MOA establishes the estimated total requirement.

a. The minimum essential information that shall be included in a DD Form 1144 or MOA is listed below. A model of an MOA is illustrated as Figure 1 to DoDI 4000.19, "Sample MOA Template."

(1) The authority for entering into the DD Form 1144 or MOA, such as the "Economy Act" (***31 U.S.C. 1535***) or the "Project Order Law" (***41 U.S.C. 6307***). See Volume 3, Chapter 8, "Standards for Recording Commitments and Obligations".

(2) A description of the material or services required.

(3) The established dollar limits and any authority to exceed applicable limits without specific approval from the ordering activity.

(4) The financing source or fund citation.

(5) The delivery requirements.

(6) The payment provisions.

(7) The duration of the agreement.

(8) The form in which specific orders against the DD Form 1144 or MOA will be placed, for example, telephone calls, memoranda, or supplementary formal orders.

b. The DD Form 1144 or MOA should be coordinated with appropriate program, comptroller, and legal offices. This is a fundamental control technique to demonstrate and document the legality and propriety of the arrangement.

c. When a DoD activity is the ordering organization, the DD Form 1144 or MOA shall contain language that clearly sets forth the fact that the document is subject to the availability of funds unless the agreement itself is to be an obligating document. If the agreement is to be an obligating document, there must be a certification of fund availability and the obligation must be recorded promptly.

2. Universal Order Format. The universal order format is a way to document the financial terms of the offer and acceptance when specific services or quantities are known. Similar formats or computer-produced equivalents that contain all of the required information may also be used. This is an all-purpose format that may be issued on a reimbursable or direct citation basis, or both. It is a specific and definite request for material, supplies, equipment, or services. This format does not replace ***DD Form 1144***, Support Agreement, or ***DD Form 448***, Military Interdepartmental Purchase Request. The universal order format may serve as an "Economy Act Order," a "Project Order," or an order based upon other statutory authority. Performance of the work and/or services requested must be accomplished in accordance with the statutes and regulations governing the type of order. A sample of the universal order format and instructions for preparation are illustrated in Addendum 3.

a. The universal format contains essential data such as the following:

(1) The funds citation using the current applicable accounting classification.

(2) A document number, assigned by the requesting activity that uniquely identifies the document and provides an audit trail between the order, posting to the accounting system and posting to other automated information systems.

(3) The dollar value of the order and any flexibility allowed in executing the order.

(4) Detailed description of work or services to be performed or items to be delivered.

(5) The expected completion date for the order or request.

(6) Documentation of the names of the officials responsible for both the offer and acceptance to meet the requirements established for the administrative control of appropriations.

(7) Funds expiration date that indicates when the funds must be obligated by the performing activity. Funds not actually obligated by the expiration date shall be returned to the requesting activity. An amendment shall be prepared by the performing activity to return excess funds.

b. Any restrictive statements relating to the reimbursable or direct citation portion shall be included when deemed appropriate.

c. Amendments to the order may be prepared if funds are not sufficient to let a contract or perform the requested services. Amendments can only be accepted by the requesting activity.

d. The requesting activity shall record the total value of the order as a commitment in its financial records. If the order is accepted on a reimbursable basis, obligations shall be recorded upon receipt of written acceptance from the performing activity. If the order is on a direct fund citation basis, obligations shall be recorded upon receipt of the contract and attachments from the contracting activity (Additional guidance can be found in Volume 3, Chapter 8, "Standards for Recording Commitments and Obligations").

Table 1-1 STRAIGHT-LINE METHOD OF DEPRECIATION

EXAMPLE OF STRAIGHT-LINE METHOD OF DEPRECIATION

Acquisition cost of the asset	$1,000,000
Less: Residual value (scrap)	$ 100,000
Depreciable basis	$ 900,000
Estimated useful life in years	20

The annual depreciation expense of $45,000 is computed by dividing the $900,000 depreciable basis by the 20-year useful life.

Hourly charge is computed by dividing the annual depreciation expense of $45,000 by 2,080 (standard yearly hours) to arrive at $21.63 per hour.

Multiply the hours used to complete the customer order by the hourly charge. For example, 500 hours x $21.63 = $10,815 depreciation expense to be charged.

Table 1-1

Table 1-2 INTEREST ON INVESTMENT CALCULATION

EXAMPLE OF INTEREST ON INVESTMENT CALCULATION

Acquisition cost of the asset	$1,000,000
Less: Accumulated depreciation (5 years at $45,000 per year)	$ 225,000
Net Book Value	$ 775,000
Annual interest (10 percent per annum)	$ 77,500

Hourly charge is computed by dividing the annual interest of $77,500 by 2,080 (standard yearly hours) to arrive at $37.26 per hour.

Multiply the hours used to complete the customer order by the hourly charge. For example, 500 hours x $37.26 = $18,630 interest on investment to be charged.

Table 1-2

Addendum 1: Appropriated Funds Cross Reference of Pricing Elementary by Types of Sales

Addendum 1: Appropriated Funds Cross Reference of Pricing Elementary by Types of Sales					
	TEXT REFERENCES	**WITHIN DOD COMPONENT**	**TO ANOTHER DOD COMPONENT**	**TO ANOTHER FED. AGENCY**	**TO PRIVATE PARTIES**
1. Sale of Services					
a. Direct Civilian Labor					
(1) Payroll Costs	010203.A.1.-2.	N/A	Actual	Actual	Actual
(2) Leave and Holiday Costs	010203.A.2.	N/A	DoD Factor	DoD Factor	DoD Factor
(3) Funded Fringe Benefit Cost	010203.A.4.	N/A	DoD Factor	DoD Factor	DoD Factor
(4) Unfunded Fringe Benefit Cost	010203.A.4.	N/A	N/A	N/A	OPM Rate
b. Indirect Civilian Labor	**NOTE**: Indirect Civilian Labor is included in overhead rate.				
(1) Payroll Costs	010203.J.	N/A	Actual	Actual	Actual
(2) Leave and Holiday Costs	010203.J.	N/A	DoD Factor	DoD Factor	DoD Factor
(3) Funded Fringe Benefit Cost	010203.J.	N/A	DoD Factor	DoD Factor	DoD Factor
(4) Unfunded Fringe Benefit Cost	010203.J.	N/A	N/A	N/A	OPM Rate
c. Direct Military Labor					
(1) Payroll Cost	010203.B.1.-2.	N/A	N/A	Composite Rate	Composite Rate
(2) Leave and Holiday Costs	010203.B.2.	N/A	N/A	DoD Factor	DoD Factor
(3) Health Benefit Cost Factors	010203.B.3.	N/A	N/A	DoD Factor	DoD Factor
d. Indirect Military Labor	**NOTE**: Indirect Military Labor is included in overhead rate.				
(1) Payroll Cost	010203.J.	N/A	N/A	Composite Rate	Composite Rate
(2) Leave and Holiday Costs	010203.J.	N/A	N/A	DoD Factor	DoD Factor
(3) Health Benefit Cost Factors	010203.J.	N/A	N/A	DoD Factor	DoD Factor
e. Temporary Duty Costs for Direct Labor	010203.C.	Actual	Actual	Actual	Actual

Addendum 1: Appropriated Funds Cross Reference of Pricing Elementary by Types of Sales

	TEXT REFERENCES	WITHIN DOD COMPONENT	TO ANOTHER DOD COMPONENT	TO ANOTHER FED. AGENCY	TO PRIVATE PARTIES
f. Use of DoD Assets in Computing the Performance of Services					
(1) Asset Use Charge	010203.G.	N/A	N/A	N/A	DoD Factor
(2) Depreciation	010203.G.1.	N/A	N/A	N/A	DoD Factor
(3) Interest on Investment in Assets	010203.G.2.	N/A	N/A	N/A	DoD Factor
2. Sale of DoD Personal Property					
a. Replacement Required	010203.D.3.b.(1)	TRANSFER ACCOUNTING		Replacement Cost	Replacement Cost
b. Replacement Not Required	010203.D.3.b.(2).	ENTRY REQUIRED		Acquisition Cost	Acquisition Cost
c. Indirect Supplies	010203.J.	Overhead Rate	Overhead Rate	Overhead Rate	Overhead Rate
d. PCH	010203.F.	N/A	N/A	Actual	Actual
e. Transportation	010203.F.	N/A	N/A	Actual	Actual
f. Nonrecurring Cost Recoupment Charge	Volume 15/ 32 CFR 165	N/A	N/A	N/A	DoD Charge
3. Sales of Material and Services Procured for Customers					
a. Contract Cost	010203.E.	Actual	Actual	Actual	Actual
b. Contract Administration Expense	010203.E.5.	N/A	N/A	Actual	Actual
c. PCH	010203.F.	Actual	Actual	Actual	Actual
d. Transportation	010203.F.	Actual	Actual	Actual	Actual
e. Nonrecurring Cost Recoupment Charge	Volume 15 32 CFR 165	N/A	N/A	N/A	DoD Charge

Addendum 1: Appropriated Funds Cross Reference of Pricing Elementary by Types of Sales					
	TEXT REFERENCES	**WITHIN DOD COMPONENT**	**TO ANOTHER DOD COMPONENT**	**TO ANOTHER FED. AGENCY**	**TO PRIVATE PARTIES**
4. Miscellaneous Sales					
a. Lease and/or Loan Equipment					
(1) Depreciation	010203.I.1.	N/A	N/A	N/A	DoD Factor
(2) Interest on Investment in Assets	010203.I.2.	N/A	N/A	N/A	DoD Factor
(3) Value of Equipment not Returned	010203.I.3.	N/A	N/A	Replacement Factor	Replacement Factor
(4) PCH	010203.I.4.	N/A	N/A	Actual	Actual
(5) Transportation	010203.I.4.	N/A	N/A	Actual	Actual
b. Repairs to Restore Equipment and/or Property to Original Condition	010203.I.5				
(1) Direct Labor	010203.A 010203.B	See Sale of Services	See Sale of Services	See Sale of Services	See Sale of Services
(2) Material and/or Supplies	010203.D	See Sale of DoD Personal Property	See Sale of DoD Personal Property	See Sale of DoD Personal Property	See Sale of DoD Personal Property
(3) Overhead	010203.J.	N/A	N/A	Overhead Rate	Overhead Rate

Addendum 2: Defense Working Capital Funds and Other Revolving Funds Cross Reference of Pricing Elements by Types of Sales

Addendum 2

DEFENSE WORKING CAPITAL FUNDS AND OTHER REVOLVING FUNDS
CROSS REFERENCE OF PRICING ELEMENTS BY TYPES OF SALES

	TEXT REFERENCES	WITHIN DOD COMPONENT	TO ANOTHER DOD COMPONENT	TO ANOTHER FED. AGENCY	TO PRIVATE PARTIES
1. Sale of Services					
a. Direct Civilian Labor					
(1) Payroll Costs	010203.A.1.-2.	Actual	Actual	Actual	Actual
(2) Leave and Holiday Costs	010203.A.2.	Actual	Actual	Actual	Actual
(3) Funded Fringe Benefit Cost	010203.A.4.	Actual	Actual	Actual	Actual
(4) Unfunded Fringe Benefit Cost	010203.A.4.	N/A	N/A	N/A	OPM Rate
b. Indirect Civilian Labor	**NOTE**: Indirect Civilian Labor is included in overhead rate.				
(1) Payroll Costs	010203.J.	Actual	Actual	Actual	Actual
(2) Leave and Holiday Costs	010203.J.	Actual	Actual	Actual	Actual
(3) Funded Fringe Benefit Cost	010203.J.	Actual	Actual	Actual	Actual
(4) Unfunded Fringe Benefit Cost	010203.J.	N/A	N/A	N/A	OPM Rate
c. Direct Military Labor					
(1) Payroll Cost	010203.B.1.-2.	Civilian Equitv for DoD WCFs; N/A for Others	Civilian Equitv for DoD WCFs; N/A for Others	Composite Rate	Composite Rate
(2) Leave and Holiday Costs	010203.B.2.	N/A	N/A	DoD Factor	DoD Factor
(3) Health Benefit Cost Factors	010203.B.3.	N/A	N/A	DoD Factor	DoD Factor
d. Indirect Military Labor	**NOTE**: Indirect Military Labor is included in overhead rate.				
(1) Payroll Cost	010203.J.	Civilian Equitv for DoD WCFs; N/A for	Civilian Equitv for DoD WCFs; N/A for	Composite Rate	Composite Rate

Addendum 2

DEFENSE WORKING CAPITAL FUNDS AND OTHER REVOLVING FUNDS
CROSS REFERENCE OF PRICING ELEMENTS BY TYPES OF SALES

	TEXT REFERENCES	WITHIN DOD COMPONENT	TO ANOTHER DOD COMPONENT	TO ANOTHER FED. AGENCY	TO PRIVATE PARTIES
		Others	Others		
(2) Leave and Holiday Costs	010203.J.	N/A	N/A	DoD Factor	DoD Factor
(3) Health Benefit Cost Factors	010203.J.	N/A	N/A	DoD Factor	DoD Factor
e. Temporary Duty Costs for Direct Labor	010203.C.	Actual	Actual	Actual	Actual
f. Use of DoD Assets					
(1) Asset Use Charge	010203.G.	N/A	N/A	N/A	DoD Factor
(2) Depreciation	010203.G.1.	Actual	Actual	Actual	Actual
(3) Interest on Investment in Assets	010203.G.2.	N/A	N/A	N/A	DoD Factor
2. Sale of DoD Personal Property					
a. Inventory Items	010203.D.1.	Standard Price	Standard Price	Standard Price	Standard Price
b. Non-Inventory Items	010203.D.1.	Standard Price	Standard Price	Standard Price	Standard Price
c. Reutilization and Market Items (surplus)	010203.D.2.	TRANSFER ACCOUNTING ENTRY REQUIRED.			High Bid
d. Associated Costs					
(1) PCH	010203.F.	Actual	Actual	Actual	Actual
(2) Transportation	010203.F.	Actual	Actual	Actual	Actual
(3) Nonrecurring Cost Recoupment Charge	Volume 15 32 CFR 165	N/A	N/A	N/A	DoD Charge
3. Sales of Material and Services Procured for Customers					
a. Contract Cost	010203.E.	Actual	Actual	Actual	Actual
b. Contract Administration Expense	010203.E.5.	Actual	Actual	Actual	Actual

Addendum 2

DEFENSE WORKING CAPITAL FUNDS AND OTHER REVOLVING FUNDS
CROSS REFERENCE OF PRICING ELEMENTS BY TYPES OF SALES

	TEXT REFERENCES	WITHIN DOD COMPONENT	TO ANOTHER DOD COMPONENT	TO ANOTHER FED. AGENCY	TO PRIVATE PARTIES
c. PCH	010203.F.	Actual	Actual	Actual	Actual
d. Transportation	010203.F.	Actual	Actual	Actual	Actual
e. Nonrecurring Cost Recoupment Charge	Volume 15 32 CFR 165	N/A	N/A	N/A	DoD Charge
4. Miscellaneous Sales					
a. Lease and/or Loan Equipment					
(1) Depreciation	010203.I.1.	Actual	Actual	Actual	Actual
(2) Interest on Investment in Assets	010203.I.2.	N/A	N/A	N/A	DoD Factor
(3) Value of Equipment not Returned	010203.I.3.	Acquisition Cost	Acquisition Cost	Replacement Cost	Replacement Cost
(4) PCH	010203.I.4.	Actual	Actual	Actual	Actual
(5) Transportation	010203.I.4.	Actual	Actual	Actual	Actual
b. Repairs to Restore Equipment and/or Property to Original Condition	010203.I.5				
(1) Direct Labor	010203.A 010203.B	See Sale of Services	See Sale of Services	See Sale of Services	See Sale of Services
(2) Material and/or Supplies	010203.D	See Sale of DoD Personal Property	See Sale of DoD Personal Property	See Sale of DoD Personal Property	See Sale of DoD Personal Property
(3) Overhead	010203.J.	Overhead Rate	Overhead Rate	Overhead Rate	Overhead Rate

Addendum 3: Sample Universal Order Format

UNIVERSAL ORDER FORMAT

UNIVERSAL ORDER FORMAT	2. DOCUMENT NUMBER:	3. DATE PREPARED:
1. THE ORDER IS ISSUED AS A (CHECK APPLICABLE BOX(ES)) ☐ ECONOMY ACT ORDER (31 U.S.C. 1535) ☐ PROJECT ORDER (41 U.S.C. 6307) ☐ OTHER REIMB ORDER (CITE STATUTE)_____ ☐ DIRECT CITATION		4. ORDER COMPLETION DATE: 5. AMENDMENT NUMBER:
6. FROM: REQUESTING ACTIVITY (AGENCY, ADDRESS)		7. POINT OF CONTACT: (NAME, OFFICE SYMBOL, PHONE)
8. TO: PERFORMING ACTIVITY (AGENCY, ADDRESS)		9. MAIL BILLINGS TO:

10. FUNDS FOR THIS ORDER ARE PROPERLY CHARGEABLE TO THE FOLLOWING ACCOUNTING DATA. AVAILABLE FUNDS ARE SUFFICIENT TO COVER THE ESTIMATED TOTAL COST OF THIS ORDER. FUNDS EXPIRE ON _____

a APPROPRIATION	b LIMIT/ SUBHEAD	c SUPPLEMENTAL ACCOUNTING CLASSIFICATION	d ACCTG STATION	e AMOUNT
			f. TOTAL THIS DOCUMENT:	
			g. CUMULATIVE TOTAL:	

11. THE ITEMS REQUESTED ☐ ARE ☐ ARE NOT INCLUDED IN THE INTERSERVICE SUPPORT PROGRAM AND REQUIRED INTERSERVICE SCREENING ☐ HAS ☐ HAS NOT BEEN ACCOMPLISHED.

11a. REMARKS: (ATTACH CONTINUATION SHEET IF MORE SPACE IS REQUIRED)

12. DESCRIPTION OF ORDER AND OTHER INSTRUCTIONS: (ATTACH CONTINUATION SHEET IF MORE SPACE IS REQUIRED)

a REF NO	b ITEM NO	c SCHEDULE OF SUPPLIES/SERVICES	d QUANTITY ORDERED/ ACCEPTED	e UNIT	f UNIT PRICE	g ESTIMATED AMOUNT
					h. TOTAL ESTIMATED AMOUNT: (Total Block 12 g.)	

13. PROVIDED THROUGH REIMBURSEMENT			14. PROCURED BY DIRECT CITATION		
a REF NO.	b ITEM NO.	c ESTIMATED AMOUNT	a REF NO.	b ITEM NO.	c ESTIMATED AMOUNT
15. FUNDS PROVIDED THROUGH REIMBURSEMENT: (Total Block 13c)					
16. PROCURED BY DIRECT CITATION: (Total Block 14c)					

17. I CERTIFY THAT THE FUNDS CITED ARE PROPERLY CHARGEABLE FOR THE ITEMS REQUESTED.

_____ _____
AUTHORIZING OFFICIAL (NAME, TITLE AND SIGNATURE) (DATE)

18. THIS REQUEST AND/OR ORDER IS ACCEPTED ON A ☐ REIMBURSABLE ☐ DIRECT CITE BASIS AND THE ITEMS WILL BE PROVIDED IN ACCORDANCE HEREWITH. THIS REQUEST AND/OR ORDER IS NOT ACCEPTED ☐ (SEE REMARKS).

_____ _____
ACCEPTING OFFICIAL (NAME, TITLE AND SIGNATURE) (DATE)

19. POINT OF CONTACT: (NAME, OFFICE SYMBOL, PHONE NO.)

Addendum 3

PREPARATION INSTRUCTIONS FOR THE UNIVERSAL ORDER FORMAT

Instructions for the preparation of the "universal order format" are as follows: The requesting activity shall complete blocks 1 through 12 and 17. The performing activity shall complete blocks 13 through 16, 18 and 19.

Block No.	Title and/or Description
1	Type of Order - Indicate the type of order being processed. The order may be on a reimbursable or direct fund cite basis, or both. The order may serve as an "Economy Act Order" (31 U.S.C. 1535), a "Project Order" (41 U.S.C 6307), or an order based upon other statutory authority. Performance of the work or services, or both, must be accomplished in accordance with the applicable statutes.
2	Document Number - Document numbers are generally assigned by the requesting activity. These numbers are for accountability and control purposes. It uniquely identifies the document and is the number under which the funds cited in blocks 10, 15, and 16, are to be recorded such as committed, obligated, expended.
3	Date Prepared - The date on which the form was prepared by the originator.
4	Order Completion Date - The date by which the work or services being requested must be completed by the performing activity, or physical delivery of material. An extension or change of the completion date, if required, shall be requested in writing and is subject to the approval of the requesting activity cited in block 6. An amendment to the original order shall be prepared by the requesting activity if extension or change is approved.
5	Amendment Number - The number assigned by the originating activity to uniquely identify each amendment to the original (basic) document.
6	From - The name and address of the activity requesting the work or services.
7	Point-of-Contact - The name of an individual at the requesting activity who can be contacted if any questions should arise regarding the order. A telephone number and office symbol also should be identified. This individual generally is not the same as the authorizing official in block 17.

8 To - The name and address of the activity being requested to perform the work or services.

9 Mail Billings To - The name and address of the organization or activity to which the billings are to be mailed when the universal order format is issued external to DoD Components. Billings normally shall be submitted by the performing activity on a monthly basis unless specifically stated in block 12.

10 Accounting Data

a. Enter the funds expiration date. This date indicates when the funds must be obligated by the performing activity. Funds not actually obligated by the expiration date shall be returned to the requesting activity.

b. The accounting classification data code structure shall be the one currently in effect. (If the accounting classification code structure is other than DoD, such as that of a civil agency, this block may be altered to accommodate the required form.)

c. The fund balances should be sufficient to cover the total estimated amount for the subject order. Block 10.f. represents the total amount of funds authorized for the particular document or amendment. Block 10.g. represents the cumulative total amount of funds authorized, including previous amendments, as of the date of that particular document and/or amendment. In the case of a "basic" document, the amounts appearing in blocks 10.f. and 10.g. will be identical.

11 Interservice Support Program - Indicate the applicable box pertaining to items requested.

11a Remarks - Use for additional information as required.

12 Description of Work to be Performed and Other Instructions - Enter a specific, definite and complete description of work encompassed by the order, each item of supplies, material, equipment, or services required. If additional space is required, a continuation sheet may be used. Add the estimated amounts in block 12.g. and enter the amount in block 12.h. The amount in block 12.h. should be the same as blocks 10.f. and/or 10.g.

13 Provided through Reimbursement: (Estimated Amount) - Indicate the items and corresponding amounts shown in block 12, which will be completed through reimbursement. This block should be completed by the performing activity.

14 Procured by Direct Citation: (Estimated Amount) - Indicate the items and

corresponding amounts shown in block 12, which will be completed through direct citation. This block should be completed by the performing activity.

15 Funds Provided through Reimbursement - Add the amounts in block 13.c. and enter in this block. The sum of blocks 15 and 16 shall equal the amount shown in block 12.h. Block 12.h. shall equal block 10.f. Amounts authorized in this block are not subject to the Antideficiency Act (Title 31, United States Code, section 1517) unless specifically indicated on the face of the document.

16 Procured by Direct Citation - Add the amounts in block 14.c. and enter in this block. The sum of blocks 15 and 16 shall equal the amount shown in block 12.h. Block 12.h. shall equal to block 10.f. The amount in this block constitutes a limitation under Title 31, United States Code, section 1517 when the purchasing office or contracting activity is a separate entity from the requesting activity.

17 Authorizing Official - Enter the name, title, and signature of the individual in the requesting activity authorized to issue the document. The date the authorizing official actually signed the document also must be included. This date is the basis for determining the accounting month under which the commitment or consignment is to be recorded.

18 Accepting Official - Written acceptance of this order is required and is accomplished by completing this block. Enter the name, title, and signature of the individual in the performing activity authorized to accept the document.

19 Point-of-Contact - The name of an individual at the performing activity who can be contacted if any questions should arise regarding the order. A telephone number and office symbol should also be provided. This individual generally is not the same as the accepting official in block 18.

VOLUME 11A, CHAPTER 2: "PROJECT ORDERS"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue and underlined font*.**

The previous version dated August 2017 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
020301.C.	Date change made to extend G-Invoicing implementation period to accommodate software updates.	Revision

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CHAPTER 2

PROJECT ORDERS

0201 GENERAL

020101. Purpose

This chapter prescribes the financial management guidance and policy involving project orders issued pursuant to the authority in ***Title 41, United States Code (U.S.C.), section 6307***. Chapter 1 provides the overall guidance and discussion of general reimbursement procedures and related supporting documentation.

020102. Authoritative Guidance

A "project order" is a specific, definite, and certain order issued under the authority contained in 41 U.S.C. § 6307. The United States Coast Guard (USCG) has similar project order authority contained in ***14 U.S.C. § 151*** to accept orders from, and enter into reimbursable agreements with establishments, agencies, and departments of the Department of Defense (DoD). When placed with, and accepted by, a separately managed DoD-owned establishment or the USCG, the project order serves to obligate an appropriation(s) in the same manner as an order or contract with a commercial enterprise.

0202 DEFINITIONS

020201. DoD-owned Establishment

A "DoD-owned establishment" for the purpose of this chapter is any DoD-owned and operated activity (that is, not contractor owned or operated). Such activities include working capital fund activities; other revolving fund activities; and those appropriated fund activities engaged in reimbursable operations that reasonably are not severable into fiscal year segments and where such operations can be forecasted with reasonable accuracy. Examples of such activities include: Equipment overhaul or maintenance shops, manufacturing or processing plants or shops, research-and-development laboratories, computer software design activities, testing facilities, proving grounds owned and operated by the Department, and engineering and construction activities.

020202. Contractual Relationship and Commercial Contracts

Terms such as "contractual relationship," and "commercial contracts," are used to indicate the close relationship between project orders and commercial contracts in the particular circumstances involved. The use of these and similar terms neither must be construed as requiring project orders to be subject to the provisions of the ***Federal Acquisition Regulation*** nor as imposing upon the parties to a project order agreement, responsibilities (legal or otherwise) not provided for in this chapter.

020203. Allotment

The term "allotment" includes approved operating budgets for the operation of the U.S. Armed Forces.

020204. Approved Projects

As used in the referenced authority, the term "approved projects" simply refers to projects approved by officials having legal authority to do so.

0203 GENERAL POLICY

020301 Department of the Treasury Guidance

A. ***Section 4706 "Intragovernmental Requirements"*** of the Treasury Financial Manual (TFM) discusses the requirements necessary to properly report intragovernmental transactions resulting from business activities (i.e., buy/sell transactions) between two federal government entities, called trading partners. It further references the Intragovernmental Transaction Guide (***Appendix 10 to the TFM***) as containing the business rules and processes to properly record, report, and reconcile intragovernmental transactions, including the processes for dispute resolution.

B. Within these business rules in Appendix 10, Section 9 provides the standard ***Interagency Agreement (IAA) Form*** containing two sections: the General Terms and Conditions (GT&C) Section (***Form 7600A***) and the Order Requirements and Funding Information (Order) Section (***Form 7600B***). Treasury has established the use of both these forms as necessary to ensure the proper recording and reporting on intragovernmental buy/sell transactions, and to eliminate the federal-wide reporting deficiencies impacting the Financial Report of the United States Government.

C. The ***Treasury's G-Invoicing*** system (formerly named the Invoice Processing Platform) will be used to negotiate, broker, and electronically store the GT&Cs between buyers and sellers for all inter- and intra-governmental reimbursable transactions as appropriate system capabilities come online. This requirement is for IAAs established during or after Fiscal Year (FY) 2018, and whose terms extend beyond FY 2018.

020302. Recordable Obligation

A. A project order is a valid and recordable obligation of the issuing entity when the order is placed with and accepted by a separately managed DoD-owned establishment or the USCG, providing the obligation otherwise meets the criteria for recordation of an obligation contained in ***31 U.S.C. § 1501***.

B. All orders or contracts for work or material or for the manufacture of material pertaining to approved projects placed with DoD-owned establishments or the USCG must be considered as obligations in the same manner as prescribed for similar orders or contracts

placed with commercial manufacturers or private contractors. The appropriations must remain available for the payment of the obligations so created as in the case of contracts or orders with commercial manufacturers or private contractors.

020303. Project Order Forms

A. As stated in paragraph 020301.B, Treasury has established a standard agreement form (the IAA form) containing the GT&Cs (Form 7600A) and the Order (Form 7600B) for federal-wide use in carrying out buy/sell transactions between trading partners. These forms must be issued by an authorized DoD or USCG entity and accepted for performance in a DoD-owned and operated establishment.

B. To properly document that the order for goods or services is a project order, the trading partners must ensure the proper statute (41 U.S.C. § 6307) is cited on the form(s) for DoD project orders, and 14 U.S.C. § 151 is cited for USCG-related project orders.

020304. Work Description

A project order must include an adequate description of the work to be performed. Otherwise, the order is not sufficient to create a recordable obligation. (Note: There may be repeat orders for which the performing installation has detailed and definite specifications available. Thus, if the performing activity has on file those elements that make a project order specific, definite, and certain, and those elements are in sufficient detail to enable the performing installation to proceed in carrying out the work ordered, then it is not necessary to also include those elements within the project order itself. In such cases, reference may be made on the project order that specification documentation is retained on file by the performing activity.)

020305. Use of Standard Line of Accounting (SLOA)

In accordance with Volume 1, Chapter 4 “Standard Financial Information Structure”, buyers and sellers must ensure the SLOA is adhered to and properly annotated when generating or accepting a reimbursable order, as applicable. Refer to Volume 1 Chapter 4 for additional details and requirements.

0204 ADVANCE PLANNING

020401. Work Estimates to Performing DoD Establishments

Ordering DoD Components or the USCG must give performing DoD-owned establishments advance-planning data covering the work estimated to be placed with the performing DoD-owned establishment. A performing DoD-owned establishment, in the development of its operating budget, must use this advance planning data. An operating budget is subject to revision as subsequent specific work requirements, including significant revisions thereof, are determined.

020402. Cost Estimates

At the appropriate time during project order negotiations, performing DoD-owned establishments must give ordering DoD Components cost estimates for each item to be produced or work to be performed under the project order.

0205 CONDITIONS GOVERNING ISSUANCE AND ACCEPTANCE OF PROJECT ORDERS

020501. Contractual Relationship

A contractual relationship must exist (i.e., be created by the project order) between the parties involved.

020502. Under the Same Activity Commander

Consistent with the concept that one entity cannot enter into a formal contract with itself, a project order must not be used by one organizational unit to order work from another organizational unit under the same activity commander.

020503. Expiration

Expiration dates of project orders must not extend beyond the point in time in which the appropriation funding the order cancels (generally five years after the appropriation expires for new obligations).

020504. DoD-Owned Establishment

Project orders must be issued only to DoD-owned establishments (see definition in paragraph 020201) that have been given the authority to operate a reimbursable program in an amount equal to or exceeding the project order amount(s). Those issued to the USCG under 14 U.S.C. § 151 would be issued in accordance with USCG established regulations. To determine whether the project order statute provides the statutory authority for an intra-DoD order, determine whether the order is being placed with a DoD-owned establishment. Also, determine whether the order is "entire" under paragraph 020509 and satisfies the other requirements identified in this chapter.

020505. Payments

All payments made by an ordering DoD Component to a performing DoD-owned establishment must be based upon either an approved payment schedule in the order or upon billings made to the ordering entity in accordance with established agreement(s).

020506. Specific, Definite, and Certain

Project orders are analogous to contracts placed with commercial concerns and, similar to such contracts, must be specific, definite, and certain both as to the work encompassed by the order and the terms of the order itself. A project order must be accepted by the performing entity as a basis of obligation by the issuer.

020507. Certification of Availability for Purpose

Project orders are subject to the same fiscal limitations that are contained within the appropriation from which they are funded. On the other hand, the performing entity may not be aware of all such appropriation limitations. Therefore, an official of the issuing entity must offer a certification on or attached to the project order stating that the funds cited on the project order are properly chargeable for the purposes cited in the project order.

020508. Bona Fide Need

The issuing activity's project order must serve a bona fide need that exists in the fiscal year in which the project order is issued; otherwise, a valid obligation is not accomplished. It is not intended that the bona fide need of the fiscal year rule be construed to preclude procurement lead-time. Thus, where materials, for example, cannot be obtained in the same fiscal year in which they are needed and contracted for, a provision for delivery in the subsequent fiscal year does not violate the bona fide need rule so long as the time intervening between contracting and delivery is not excessive and the procurement is not for standard commercial items readily available from other sources. Bona fide need generally is a determination of the requesting activity and not that of the performing activity. A performing activity must refuse to accept a project order if it is obvious that the project order does not serve a need existing in the fiscal year in which issued.

020509. "Entire" Versus "Severable"

A. To be eligible for project order financing, the need must be present in the fiscal year in which the project order is issued, require a series of actions over a period of time which may cross a fiscal year, and call for work or services that are reasonably not severable between fiscal years. For instance, an order for an "entire" end-item or service would call for a single or unified outcome or product and would be one in which few, if any, benefits would accrue if the work were terminated without completion at the end of the fiscal year in which it was placed.

B. The distinction between "entire" and "severable" may not be evident readily and, therefore, requires some judgment. The objective desired by the requesting customer must be used in the determination. For example, if the customer supplies an item (for example, an aircraft) for overhaul or renovation and wants the entire item returned in a serviceable state, then a repair of a single component (for example, avionics, landing gear, electronics) of the item when the item consists of many components needing repair, would not be a "severable" action. Conversely, if a customer desires an automated system that consists of multiple modules and some (or all) modules can be used independent of the entire system, then each module that can be used independent of the entire system is severable.

C. The following are examples of efforts that ordinarily are severable and, therefore, not eligible for procurement as a project order:

1. Custodial or housekeeping services;

2. Security or fire protection services;

3. Refuse collection;

4. Routine maintenance in general, including: grounds or surfaced-area maintenance, heating and air conditioning systems operation and maintenance, and other real and personal property maintenance;

5. Services such as: education, training, subsistence, storage, printing, laundry, welfare, transportation (including port handling), travel, utilities or communications when any of these purposes is the primary purpose of the request; and

6. Efforts where the stated or primary purpose of the order is to acquire a level of effort (for example, 100 hours, 20 weeks, or one year) rather than a specific, definite, and certain end-product.

D. The following are examples of efforts in which an entire need generally exists and, therefore, are eligible for project order financing:

1. Manufacture, production, or assembly of items including experimental prototypes or items manufactured and assembled for test. "Items" include ships, aircraft, guided missiles, other weapons, vehicles of all kinds, ammunition, clothing, machinery and equipment for use in such operations, and other military and operating supplies and equipment (including components and spare parts);

2. Renovation, rebuild, rehabilitation, reconditioning or overhaul of items, including such operations as are necessary to restore an item to a condition of serviceability equivalent to its original state;

3. Alteration or modification in design or assembly of an item to meet revised specifications or to correct defects;

4. Construction or conversion of items (including buildings and other structures), utility and communication systems, and other public works;

5. Development of software programs and automated systems when the purpose of the order is to acquire a specific, definite, and certain nonseverable end-product that is achievable reasonably with the resources (financial, human, and plant) available to the provider rather than a level of effort over an extended period; and

6. Production of engineering and construction related products and services.

020510. Commencement of Work

The work to be performed under project orders must be expected to begin within a reasonable time after its acceptance by the performing DoD-owned establishment or the USCG.

A. Although work on a project order is not required to commence in the year of project order acceptance, as a minimum requirement, evidence must exist at the time of project order acceptance showing the intention that work (or procurement if required prior to the beginning of work) must (1) begin without delay (usually within 90 days) and (2) be completed within the normal production period for the specific work ordered.

B. If work (or procurement if required prior to the beginning of work) financed from an appropriation that expired for obligation on September 30 on a project order does not begin, or is not expected to begin, before January 1 of the following calendar year, then the project order must be returned by the performing activity for cancellation. If it is documented that the delay is unavoidable and could not have been foreseen at the time of project order acceptance, and that documentation is retained for audit review, then the project order can be retained and executed.

020511. Contingent Event Prohibition

A project order must not be issued if commencement of work is contingent upon the occurrence of a future event or authorizing action by the ordering entity.

020512. Lawful Purpose

Project orders must not be used to contravene provisions of the law or accomplish by means of this device what regulations do not permit under commercial contracts.

020513. Authorized Purpose

Project orders must not be issued for the primary (or secondary) purpose of continuing the availability of appropriations.

020514. Project-Order Modifications

A. The project order statute differs from the Economy Act at ***31 U.S.C. § 1535*** because it permits agencies to account for obligations for orders in the same manner as orders for similar work placed with commercial manufacturers and private contractors. Project orders, similar to commercial contracts, may contain special provisions and may be modified. Unlike procurement contracts with commercial concerns where competition requirements limit permissible contract modifications, project orders may be changed or increased at any time to accommodate new or additional work so long as proper funding is available, and so long as the

new work otherwise meets the general conditions governing issuance and acceptance of project orders.

B. If the appropriation used to fund the initial order remains available for new obligation, then use it to fund all modifications that are a bona fide need of that appropriation, even if the modification changes the scope of the project order.

C. If the appropriation used to fund the initial order has expired, then use it to fund only those amendments and modifications that are within the general scope of the initial project order.

D. All modifications that increase or change the general scope of work of the original order must be charged to a current appropriation. In cases where the original appropriation has expired and no longer is available for new obligations, and the modification or amendment changes the general scope of the original order, the amendment or modification must be funded from a current appropriation.

E. The appropriation cited on the project order must remain available for price increases and changes that are within the scope of the original order. These obligational rules apply equally to fixed-price and cost reimbursable project orders.

F. Limitation of cost clauses in commercial cost-reimbursement contracts that are the obligational basis for the requirement to charge current appropriations for all ceiling increases, including those within the general scope of such contracts, are not applicable to cost-reimbursement project orders. Limitation of cost clauses govern the legal liability of the United States to third parties, whereas transactions within or between agencies are governed by principals of comity. Whether to structure such project orders on a fixed-price or reimbursable basis is a matter of agency discretion and convenience, but not obligational relevance. Whether the work changes the general scope of the original order, or otherwise satisfies an emergent bona fide need of the current fiscal period, governs whether current funds must be charged. Subject to the provisions of paragraph 020708, amendments to project orders which have the effect of partial or complete termination of such orders must provide for the inclusion of the costs of termination.

020515. Ability to Perform

Project orders must be issued only to those DoD-owned establishments that are capable of performing substantially the work ordered. “Substantially” as used in this paragraph, means that the project order recipient must incur costs of not less than 51 percent of the total costs attributable to rendering the work or services ordered. Total costs to render the work or services ordered include the costs of goods or services obtained from or provided by contractors.

020516. Subsidiary Ordering

The provisions of this chapter are not intended in any way to authorize one DoD-owned establishment to act as a general contracting or purchasing agent for another entity.

A. Subsidiary ordering (within the government) and contracting (with commercial firms) pursuant to a project order is authorized, given such subsidiary ordering and contracting is incident to, and is for use in, carrying out the purpose of the project order.

B. Project orders must contemplate the use of personnel and facilities (and may include the use of other resources) on the part of the project order recipient, but beyond those incident to contract procurement. In this connection, it is not improper for a project-order recipient to subcontract for component parts when the recipient later assembles those parts into the end-product ordered. The assembly operation includes the use of personnel whose technical skills are essential to completion of the job. In addition, the work expended in the assembly operation must be of such an extent that it avoids a perception of the project order being used for contract procurement.

C. If a project order cannot be placed with another DoD-owned establishment because that establishment would fill the order by contracting with a commercial concern for performance of substantially the entire order, then it is possible the order could be placed pursuant to the Economy Act. This Act permits the agency or agency unit filling the order to provide or procure by contract the goods and services necessary to perform the order.

020517. Project Order Default

A. Where a recipient of a project order defaults or fails to perform work or services specified in the order, and a replacement project order is required as the result of such default, the following apply:

1. Defaulted work or services may be procured from another DoD-owned establishment or the USCG to the extent of any unobligated balance in the appropriation thus obligated.

2. Similarly, a project order also may be issued to a DoD-owned establishment or the USCG under an appropriation obligated by contracts with outside contractors when such contract is terminated for default or failure on part of the contractor to perform work or services specified in the contract.

3. Replacement project orders resulting from defaults may be issued and obligated subsequent to the period of availability of the appropriation for obligation if the replacement project order is made without undue delay after the termination of the original contract or project order.

B. A replacement project order fulfills a bona fide need of the appropriation that had funded the contract or project order that was terminated for default. The replacement project order must be awarded on the same basis and be similar substantially to the original project order in its scope and size. The replacement project order must not extend beyond the point in time in which the ordering appropriation cancels (generally five years after the appropriation expires for new obligation).

020518. Project Order Financing

A project order must be financed fully by the ordering DoD Component from obligational authority current at the time the project order is issued and accepted. Project orders may be issued for a research, development, test and evaluation project which is not financed to completion (i.e., prepared on an incrementally programmed basis). A research, development, test and evaluation appropriation project or program financed on an incrementally programmed basis is one that is funded for the remainder of the funding appropriation's period of current availability or the current fiscal year vice a fully-funded-to-completion basis.

020519. Direct-Cite Prohibition

A DoD-owned establishment may only accept project orders on a reimbursable basis. Orders must not be made a subdivision of funds, similar to an allotment; nor the appropriations of the ordering entity be cited by the performing DoD-owned establishment when incurring and recording obligations incurred in performance of the order.

020520. Reimbursement of Costs Incurred in Performance of a Project Order

Reimbursement of costs incurred by a performing activity may be accomplished in the manner ordinarily used by that performing activity. Volume 5 Chapter 9 "Disbursement" recognizes that a disbursement may result from a transfer of funds from one appropriation or fund to another by a "no check drawn" transaction using a Standard Form (SF) 1080, Voucher for Transfers Between Appropriations and/or Funds; SF 1081, Voucher and Schedule of Withdrawals and Credits; or by the Department of the Treasury's Intra-governmental Payment and Collection (IPAC) system. Volume 5, Chapter 11 provides additional information on the IPAC system and also identifies general requirements and technical specifications prescribed by the Treasury on the use of IPAC.

0206 CONDITIONS GOVERNING PERFORMANCE OF PROJECT ORDERS

020601. Timeliness

After acceptance, project orders must be performed as expeditiously as possible according to the terms as accepted. (See paragraph 020510 for additional information.)

020602. Notification of Delivery Schedule

Performing DoD-owned establishments are responsible for promptly advising ordering DoD Components concerning changes in delivery schedules.

020603. Summary of Costs

For cost-reimbursement project orders, performing DoD-owned establishments must give ordering DoD Components a summary of costs incurred to date and estimates of costs to complete the order only when specifically requested by the ordering DoD Component. The ordering DoD

Component must not request the submission of this cost information any more frequently than once a month. No special report forms are authorized for this purpose.

020604. Expiration Dates

Expiration dates of project orders may be extended with the approval of the ordering DoD Component. Expiration dates of project orders may not extend beyond the point in time in which the ordering appropriation cancels.

0207 REIMBURSEMENTS TO PERFORMING DOD-OWNED ESTABLISHMENTS

020701. Reimbursement

Performing DoD-owned establishments must be reimbursed for work covered by project orders based upon fixed prices or costs incurred.

020702. Fixed-Price Project Orders

A. A fixed-price project order must establish a firm price for purposes of reimbursement for the work or services ordered. A fixed-price basis may be used when all of the following conditions are present.

1. Work specifications are stable, specific, and definite; and they are made part of the order (or incorporated by reference) for each item when the project order is accepted for performance on a fixed-price basis or amended for any changes in the scope of the work. This requirement is critical especially for project-order-accepting activities financed by a direct appropriation. An activity financed by a direct appropriation must not accept a fixed-price project order unless the activity can predict with a high degree of certainty the actual cost to complete the project order. Otherwise, the activity may violate the prohibition against inappropriately augmenting an appropriation and/or using an appropriation for a purpose not authorized.

2. When there is more than one item of work or service in a project order, including amendments for changes in scope, each item is made the subject of a separate price as shown by the order or in a list incorporated therein by reference. When the work to be performed is the subject of a work list (e.g., equipment overhaul) each entry on the work list must be considered to be an item.

3. No substantial contingencies are included in the price, nor considered to be involved in performance, so that cost variations in performance reasonably can be expected to be minor.

4. There is a satisfactory system of cost estimating used as a basis for establishing fixed prices. When cost standards are used in cost estimating for the purpose of pricing, they must be adjusted for this purpose to include expected cost variances.

5. The same cost elements are used in cost estimating and establishing fixed prices as would be required for use if reimbursements were based upon actual cost incurred.

B. The requirement to establish a firm price for purposes of reimbursement for the work or services ordered does not preclude the issuance of amendments/modifications to cover changes in scope of any item in the order.

020703. Cost-Reimbursement Project Orders

A. The amount stated in a cost-reimbursement project order must be a sound estimate of the costs to be incurred in performance of the work or services ordered. Such estimates must be determined based upon the specific work to be performed. The estimate of costs must be the ceiling amount for purposes of reimbursement for the work or services ordered.

B. The performing DoD-owned establishment and the ordering DoD Component must undertake timely renegotiations for revisions of the ceiling amount of cost-reimbursement project orders. Such renegotiations must take place whenever cost performance indicates the need for adjustment of the ceiling amount upward or downward, but before the cost of performance has exceeded 75 percent, when compared with the current ceiling amount. Renegotiations need not be conducted when the probable cost of renegotiation is greater than the adjustment amount. In such cases, the performing establishment must absorb the difference, upward or downward.

C. Cost-reimbursement project orders may be converted to a fixed-price basis provided all conditions governing the use of fixed-price project orders are present. (See paragraph 020702). In addition, the conversion must occur prior to incurring either 50 percent of the total cost of the work, or 50 percent of the period of performance, whichever comes first.

020704. Unfunded Costs

For purposes of this paragraph, “unfunded costs” are costs that are not funded in the account or appropriation that funds the performing activity. (Examples of unfunded costs are not universal. Some performing revolving fund accounts, primarily the working capital fund accounts, may fund costs that are unfunded by appropriated funds. Unfunded costs of an appropriated-funded performing activity normally include labor of military personnel and depreciation of capital assets.) When an ordering DoD Component places an order on behalf of persons or agencies outside the U.S. Government (including reimbursable transactions pursuant to Foreign Military Sales discussed in Volume 15), the ordering DoD Component must identify this circumstance on the project order. Under this circumstance, the amount of unfunded costs must be specifically identified and included in the amounts contained in the:

A. Project orders issued to performing activities;

B. Billings made by the performing activity to the ordering activity;

C. Reimbursements by the ordering activity to the performing activity; and

D. Reimbursements obtained by the ordering activity from the non-federal customer.

020705. Working Capital Fund

In the case of a performing DoD-owned establishment operating under a working capital fund, reimbursable costs must be determined in accordance with Volume 11B.

020706. Non-Working Capital Fund

When the performing DoD-owned establishment is not operating under a working capital fund, a reimbursable agreement negotiated prior to the placement of a project order must be executed in accordance with the policy requirements contained in Chapter 1.

020707. Reimbursable Costs

Reimbursable costs include the cost of machinery or equipment acquired specifically for the performance of a single project order. Such costs must be specifically approved in the following circumstances:

A. In advance by the ordering DoD Component,

B. When the machinery or equipment legally could be acquired directly by the ordering fund or appropriation, or

C. Approval is incorporated into the terms of the project order agreement or amendments thereto. When this is the case, the approved costs must be segregated from other costs and shown as a separate item in the reimbursable billing. Such machinery and equipment are the property of the ordering DoD Component and must be disposed of in accordance with instructions from the ordering DoD Component.

020708. Termination Costs

Costs incurred in the termination of a project order must be reimbursable to the performing DoD-owned establishment when the order is terminated by the ordering DoD Component, to the extent that such costs do not exceed the amount of the fixed price or the current ceiling amount specified in the case of cost-reimbursement project orders. When ordering DoD Components and performing DoD-owned establishments cannot agree on the costs of termination, the case must be referred through Component financial management channels for settlement by the Under Secretary of Defense (Comptroller).

020709. Billing

To the extent feasible, performing DoD-owned establishments must bill ordering DoD Components for work performed upon the basis of jobs completed or services rendered in accordance with the terms of the project order. Whenever a long period of time is required in the

performance of a project order, periodic progress payments approximating costs incurred may be provided for in the order. Progress payments may be made to the performing DoD-owned establishment to cover the accrued cost (and other direct obligations incurred) of performance to the end of the fiscal year under an uncompleted project order. Reimbursement to a working capital fund activity for work performed prior to completion of the project order must be accomplished normally on either a progress payment or a percentage-of-completion basis.

0208 ACCOUNTING FOR COST OF PERFORMANCE

020801. Administration

Project orders are reimbursable orders and must be administered and accounted for as such. Project orders, therefore, neither must be administered nor accounted for by performing DoD-owned establishments as separate subdivisions of appropriations or funds similar to an allotment. The appropriation-type accounting for project orders must be performed by the ordering DoD Component in a manner similar to that performed for commercial contracts.

020802. Working Capital Fund

The operations of performing DoD-owned establishments financed under a working capital fund must be accounted for in accordance with Volume 11B.

020803. Obligation Authority

Project orders received and accepted are the source of obligational authority, in the amount of the project order, for the performance of the work requested.

020804. Costs Accounts

A cost account or other device must be used to accumulate the costs of performance for all project orders. Those cost accounts serve as a basis for determining the amount reimbursable for cost-reimbursement project orders and as a basis of determining a fixed price for similar future fixed-price project orders.

020805. Billings

Billings covering reimbursements must identify costs by each item listed in the project order.

0209 EXEMPTIONS

Requests for exemptions, along with appropriate justification, must be submitted to the Deputy Chief Financial Officer, Office of the Under Secretary of Defense (Comptroller).

VOLUME 11A, CHAPTER 3: "ECONOMY ACT ORDERS"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue and underlined font*.**

The previous version dated February 2008 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
030101	Clarify that Project Orders (41 U.S.C. §6307) do not fall under the Economy Act statute (31 U.S.C. §1535).	Add
030101	Insert a statement to reference chapter 1 for overall guidance and discussion of reimbursements.	Add
030103	Add new paragraph on "Definitions" to define and clarify commonly used terms in the chapter. Examples include "requesting agency" with "ordering agency"; and "servicing agency" with "performing agency" to clarify consistency with descriptions in the FAR Subpart 17.5.	Add
030103	Synchronize definitions of interservice and intra-agency between and within DoD components; and intergovernmental and interagency non-DoD Federal government agencies. FMR and FAR Subpart 17.5.	Update
030104	Emphasize that the four conditions on use of 31 U.S.C. §1535 were established as the basic conditions that must met.	Update
030105	Clarify that Economy Act may not be used for services between the requestor and provider that are already required by law and received in its appropriation.	Add
0302	Changed terms consistent with the terms established in the new paragraph 030103.	Update
030404A	Insert language to clarify how to fund severable and non-severable contracts when using multiple-year appropriations, in particular, those using research, development, test, and evaluation funds.	Add
030404C	Emphasize that the requirement to deobligate Economy Act transactions when servicing agency has not incurred obligations before the end of the period of availability of the ordering appropriation is a statutory (31 U.S.C. §1535(d))	Add

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
030501	Correct MIPR Acceptance form number.	Correction
030501	Add the DD Form 1144 as an acceptable mechanism for obligating funds under Economy Act orders.	Update
030502A	Clarify that advance payments, when authorized, are based on estimates that must be adjusted to account for actual costs.	Update
030502B	Add language that requires the requesting official to document the non-DoD servicing agency agrees to account for DoD funds.	Add
030601	Emphasize that reimbursement under the Economy Act is to be made on the basis of actual cost as determined by the servicing agency.	Update
030705	Require servicing DoD Components to maintain a record of the purchasing Components funding accounting classification.	Add
030706	Renumbered from 030705.	Update
Multiple	Hyperlinked references updated throughout the chapter.	Update
References	List various references for this chapter.	Add

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CHAPTER 3

ECONOMY ACT ORDERS

0301 GENERAL

*030101. Purpose

This chapter prescribes policies and procedures applicable to transactions where goods or services are procured from other federal agencies under the Economy Act, Title 31, United States Code, ***sections 1535*** and ***1536***. Transactions include interagency and intra-agency support, where an activity needing supplies or services (requesting or ordering agency) obtains them from another activity (servicing or performing agency). Within the Department of Defense (DoD), Economy Act orders typically are executed by issuance of a ***DD Form 448***, "Military Interdepartmental Purchase Request (MIPR)." Project orders are outside the scope of the Economy Act, defined under Title 41, United States Code, ***section 6307***, and discussed in Chapter 2. Chapter 1 shall be referenced for overall guidance and discussion of general reimbursement procedures and supporting documentation.

*030102. Overview

The Economy Act ***31 U.S.C. 1535*** provides authority for federal agencies to order goods and services from major organizations within the same agency or other federal agencies and to pay the actual costs of those goods and services. The Congress passed the Act in 1932 to obtain economies of scale and eliminate overlapping activities of the Federal Government. Within the Department, an activity within a DoD Component may place an order for goods or services with (1) another activity within the same DoD Component, (2) another DoD Component, or (3) with another federal agency.

*030103. Definitions

The following definitions apply to this chapter:

A. Requesting Agency. The requesting agency is the customer activity that places an order for goods or services to another federal agency or DoD component. The term is synonymous with and referenced throughout various Federal government agreements as the "ordering agency".

B. Servicing Agency. The servicing agency is the provider activity that fills an order for goods or services from another federal agency or DoD Component. The term is synonymous with and referenced throughout various Federal government agreements as the "performing agency".

C. Interagency Support. Transactions for goods or services between DoD and non-DoD Federal government agencies, also known as intergovernmental support.

D. Intra-agency Support. Transactions for goods or services within and between DoD and other DoD Components, also known as interservice support.

E. Fiscal Year Appropriation. An appropriation that is available for obligation only during a specific fiscal year. This is the most common type of appropriation. It is also know as a "one-year" or "annual" appropriation.

F. Multiple Year Appropriation. An appropriation that is available for obligation for a definite period of time in excess of one fiscal year.

G. Severable Services. Services that are continuing and recurring in nature where the agency realizes a benefit at the time that services are provided even if the contract has not been performed to completion. Services are considered severable if they can be separated into components that independently provide value to meet an agency's needs.

H. Non-Severable Service. Services that represent a single undertaking that cannot be feasibly subdivided. If the services produce a single or unified outcome, product, or report, the services are considered non-severable. Requires the contractor to complete and deliver a specified end product.

*030104. Legal Authority

A. ***31 U.S.C. 1535*** establishes four (4) basic conditions on use of Economy Act authorities. In accordance with the statute**,** the head of an agency or major organizational unit within an agency may place an order with a major organizational unit within the same agency or another agency for goods or services if:

1. Funds are available;

2. The head of the requesting agency or unit decides the order is in the best interest of the United States (U.S.) Government;

3. The agency or unit to be asked to fill the order is able to provide or get by contract the ordered goods or services; and

4. The head of the requesting agency decides that ordered goods or services cannot be provided by contract as conveniently or economically by a commercial enterprise.

B. ***31 U.S.C. 1536*** provides for the crediting of payments from purchases between executive agencies so as to be available to replace stocks on hand, unless:

1. Another law authorizes the amount to be credited to some other appropriation or fund, or

2. The head of the performing agency decides that replacement is not necessary, in which case, the amount received is deposited in the Treasury as miscellaneous receipts.

C. Reimbursements made to DoD appropriations under ***31 U.S.C. 1535*** and ***1536*** for services rendered or supplies furnished, may be credited to the appropriation or fund of the activity performing the reimbursable work (Title 10, United States Code, ***section 2205***.)

*030105. Limitations

Because of previous instances of abuse of Economy Act orders, limitations on the use of Economy Act orders have been imposed. Economy Act orders may not be used by an agency to circumvent conditions and limitations imposed on the use of funds, including extending the period of availability of the cited funds. Acquisitions under the Economy Act are subject to the requirements of the Federal Acquisition Regulation, ***(FAR) Subpart 7.3***, "Contractor Versus Government Performance." The Economy Act may not be used to make acquisitions conflicting with any other agency's authority or responsibility (see ***FAR Subpart 17.502***), or for services which the servicing agency is required by law to provide and for which it received appropriations. An Economy Act order cannot be used by one organizational unit to order work or services from another organizational unit under the same activity commander where the activity commander is in a position to fund the required goods or services through the use of direct funds. The Economy Act may not be used for services which the servicing agency is required by law to provide the requesting agency and for which it receives appropriations.

*0302 USES OF ECONOMY ACT ORDERS

Subject to the provisions herein, Economy Act orders may be used for any required goods, supplies or services that are appropriate and legal. Typical uses include, but are not limited to:

A. Intra-agency Support Agreements. This type of agreement typically is used for, but not limited to, base support (host-tenant) services such as: administrative services, civilian personnel services, community services, environmental compliance, fire protection, food service, health service, mail service, police service, security/guard services, warehousing, etc. Services such as testing and evaluation, and level of effort workyears may be covered by Economy Act orders.

B. Interagency Support Agreements. This includes support provided to non-DoD federal agencies that is not provided pursuant to other statutory authority.

0303 INITIATING AN ECONOMY ACT ORDER

030301. Authorities

An agency or unit head may initiate an Economy Act order provided that all the conditions specified in subparagraph 030104.A. are met.

030302. Determinations and Findings Requirements

A. Each Economy Act order must be supported by a Determinations and Findings (D&F) that the use of interagency support capabilities are in the best interest of the government and that the required goods, supplies or services cannot be obtained as conveniently or economically by contracting directly with a private source. (Refer to ***FAR 17.502-2(c)*** for D&F requirements.

B. Economy Act orders that require a contract action by a non-DoD servicing agency also will include a statement on the D&F that supplies and services provided comply with one or more of the following provisions:

1. The acquisition appropriately will be made under an existing contract of the servicing agency, entered into before placement of the order, to meet the requirements of the servicing agency for the same or similar goods, supplies or services;

2. The servicing agency has the capabilities or expertise to enter into a contract for such goods, supplies or services which are not available within the requesting agency; or

3. The servicing agency specifically is authorized by law or regulation to purchase such goods, supplies or services on behalf of other agencies.

*030303. Intra-agency Support

DoD activities shall render requested support to other DoD activities when the head of the requesting activity determines that it would be in the best interest of the U.S. Government, and the head of the servicing activity determines that capabilities exist to render the support without jeopardizing assigned missions. These determinations are accomplished by signing a Support Agreement (blocks 8 and 9 on ***DD Form 1144***, "Support Agreement"). No further written determinations generally are required for agreements between DoD activities.

*030304. Interagency Support

DoD activities may enter into support agreements with non-DoD federal activities when the head of the major organizational unit ordering the support determines that funding is available to pay for the support, it is in the best interests of the U.S. Government, the supplying activity is able to provide the support, the support cannot be provided as conveniently or economically by a commercial enterprise, and it does not conflict with any other agency's authority. This authority may be delegated, although designees may not be lower than Senior Executive Service, Flag, or General Officer levels.

0304 POLICY

030401. Specific, Definite and Certain

Economy Act orders (interservice and intragovernmental support agreements) shall be specific, definite, and certain both as to the work encompassed by the order and the terms of the order itself.

030402. Certification of Availability for Purpose

Economy Act orders are subject to the same fiscal limitations that are contained within the appropriation from which they are funded. However, the performing entity may not be aware of all such appropriation limitations. Therefore, the requesting official must provide a certification, on or attached to the Economy Act order, that the funds cited on the Economy Act order are properly chargeable for the purposes cited in the order.

030403. Bona Fide Need

Economy Act orders citing an annual or multiyear appropriation must serve a bona fide need ***31 U.S.C. 1502*** arising, or existing, in the fiscal year(s) for which the appropriation is available for obligation. Otherwise, a valid obligation is not accomplished. Bona fide need generally is a determination of the requesting activity and not that of the servicing activity. A servicing activity should, however, refuse to accept an Economy Act order if it is obvious that the order does not serve a need existing in the fiscal year for which the appropriation is available.

030404. Appropriation Policy

A. Obligation. An Economy Act order obligates the applicable appropriation of the requesting agency or unit upon acceptance of the order by the servicing agency. The entire properly made amount of a reimbursable order should be obligated by the requesting agency when the order is accepted.

1. Annual appropriations are not available for requirements that are bona fide needs of a subsequent fiscal year, except pursuant to statutory authority. DoD components that enter into Economy Act agreements with other organizations to satisfy requirements for severable services, non-severable services, and supplies must ensure that obligations for the Economy Act agreements constitute a bona fide need of the annual appropriation charged. Consequently, any supply or service contract entered into by the agency filling the Economy Act order must be entered into before the end of the period of availability of the annual appropriation. To constitute a bona fide need of the ordering activity's annual appropriation, any resultant contract for supplies or services entered into by the activity filling the order must satisfy the same obligational requirements set forth in Volume 3, Chapter 8, as would any contract directly entered into by requiring activity. For example, an Economy Act agreement for severable services may be performed by issuance of a contract that crosses fiscal years only if the awarded contract satisfies the requirements of ***10 U.S.C. 2410a***: the contract

period does not exceed 1 year and the contract period commences during the period of availability for the customer appropriations.

2. Multiple year appropriations may be obligated for requirements that constitute bona fide needs of the multiple-year period of availability of the appropriation. Multiple year appropriations obligated for Economy Act orders are subject to the same bona fide need standards as would a contract directly entered into by the requiring activity. Resultant supply and service contracts must be entered into during the period of availability of the appropriation funding the Economy Act order, and are subject to the same budgetary full funding or incremental funding policies prescribed in Volumes 2A and 2B.

3. Resultant contracts for non-severable services that cross fiscal years in reliance on 10 U.S.C. § 2410a must be supported entirely by customer appropriations available for new obligations at the time the contract is awarded.

4. Because research and development test & evaluation (RDT&E) requirements are iterative in nature, RDT&E programs, projects and activities are not subject to full funding policies. For example, ***DFARS 232.703-1*** permits DoD organizations to incrementally fund a fixed-price contract if the contract is funded with research and development appropriations. Similarly, DoD budgetary policy Volume 2A Chapter 1, Paragraph 010214 provides that RDT&E budget estimates are prepared on an incrementally funded basis and only those funds required for work in a given fiscal year shall be included in the RDT&E request for that fiscal year. These policies apply equally to budgeting and obligating for requirements that in execution involve placement of Economy Act orders. Components are encouraged to fully fund RDT&E contracts for non-severable services.

5. Obligating funds for placing an Economy act order, where the resultant fixed-length severable services contract will exceed the 1-year limit set forth in ***10 U.S.C. 2410a*** or will not commence until a subsequent fiscal year, may result in an Anti-Deficiency violation under ***31 U.S.C 1341***.

B. Deobligation. Transactions undertaken in reliance on authority conferred by the Economy Act are subject to statutory requirements imposed by ***31 U.S.C.1535(d)*** governing when excess funds must be deobligated. The amount obligated by the ordering agency or unit must be deobligated to the extent that the servicing agency has not incurred obligations before the end of the period of availability of the ordering appropriation. It is critical that activities reconcile the obligation status of Economy Act orders and deobligate unused funds, as needed, before the end of the funds availability. Funds must be deobligated by both the requesting and servicing agency to the extent that the servicing agency or unit filling the order has not, before the end of the period of availability (fiscal year or multiple year period, as applicable) of the appropriation of the requesting or ordering agency, (1) provided the goods or services, or (2) entered into an authorized contract with another entity to provide the requested goods or services.

030405. Commencement of Work

The work to be performed under Economy Act orders shall be expected to begin within a reasonable time after its acceptance by the servicing DoD Component or organizational unit.

030406. Contingent Event Prohibition

Economy Act orders shall not be issued if commencement of work is contingent upon the occurrence of a future event or authorizing action by the requesting DoD Component.

030407. Prohibitions

Economy Act orders may not be used to contravene provisions of the law or to accomplish what regulations do not permit under commercial contracts. Economy Act orders may not be issued to extend the availability of appropriations.

0305 ORDERING AND PAYMENT PROCEDURES

*030501. Ordering Procedures

An Economy Act order may be placed on ***DD Form 1144*** or any form that is acceptable to both the requesting and servicing agencies involved based upon the documentation standards in Chapter 1, Paragraph 010204 of. Typically, between DoD Components, a DD Form 448, MIPR is used to place the order. A ***DD Form 448-2,*** "Acceptance of MIPR," is used to acknowledge acceptance. Economy Act orders may be placed on a reimbursable or direct fund citation basis. Whether the order is on a reimbursable or direct cite basis it should be negotiated between the two parties. An Economy Act order should include ***(FAR 17.503):***

A. A description of the supplies or services ordered;

B. Delivery requirements;

C. A funds citation (either direct or reimbursable);

D. A payment provision which may include the citation of the account number associated with a DoD purchase card (acquired under the General Services Administration Smart Pay Program) or the United States of America Card (acquired from the Treasury Department); and

E. Acquisition authority as may be appropriate.

F. Additional ordering procedures are contained in ***DFARS 217.503***.

030502. Payment Procedures

Payment shall be made promptly upon the written request (or billing) of the agency or unit filling the order. Unless the DoD Component is specifically authorized by law, legislative action or Presidential authorization, funds are not to be advanced to non-DoD federal entities, or be used to pay for advance billings without the receipt of goods or services. (Refer to FMR Volume 4, Chapter 5 for the conditions and requirements related to advances and prepayments.)

A. For those few exceptions where DoD is specifically authorized by a specific appropriation or law to advance funds, the specific appropriation or law authorizing the advance must be cited on the obligating and/or interagency agreement documents and orders. Advance payments, when authorized, are based on estimated costs but the final payment amount must be adjusted to account for actual costs. Any unused amounts of the advance shall be collected from the performing agency immediately and returned to the fund from which originally made.

B. The requesting official must be fully aware of the non-DoD federal agency's billing practices and methods. If an advance of funds is permitted, the DoD agency requesting official shall ensure that the written agreement with the servicing agency requires it to specifically account for funds advanced. The requesting official will also take appropriate action to ensure DoD funds are not disbursed in advance of contract performance. Additionally, DoD Components must work with their servicing disbursement sites to ensure trading partner agreements restrict other federal agencies' ability to withdraw funds prior to the delivery of goods or performance of services.

030503. Small Amounts

A. DoD working capital funds, the Corps of Engineers Civil Works Revolving Fund, and other DoD revolving funds may not waive reimbursement of any amount. This does not preclude identification of a central payment office by a DoD Component to pay small bills. Guidance on financial management of working capital funds is in Volume 11B.

B. When an appropriated fund activity is the performer and the amount to be billed within the same DoD Component or to another DoD Component is less than $1,000, the billing may be suspended by the billing organization until the end of the fiscal year, or until the total billed exceeds $1,000. However, no later than the end of the fiscal year, all suspended amounts must be billed even though the amount to be billed is less than $1,000.

C. When the amount to be billed to a non-DoD U.S. Government activity is less than $1,000, the billing may be suspended by the billing organization until the end of the fiscal year, or until the total billed exceeds $1,000. However, no later than the end of the fiscal year, all suspended amounts must be billed to non-DoD U.S. Government activities even though the amount to be billed is less than $1,000.

0306 REIMBURSEMENTS

030601. Appropriated Funds

Reimbursement under the Economy Act is to be made on the basis of actual cost as determined by the servicing agency. The requesting agency must pay the servicing agency the actual costs of the goods or services provided. Actual costs include all direct costs attributable to providing the goods or services, regardless of whether the servicing agency's expenditures are increased. Actual costs also include indirect costs (overhead) to the extent they have a significant relationship to providing the goods or services and benefit the requesting agency. Indirect costs (overhead) shall be computed in accordance with Chapter 1. DoD activities not funded by working capital funds normally do not charge indirect costs to other DoD activities. When contracting out for goods or services, the servicing agency may not require payment of a fee or charge which exceeds the actual cost of entering into and administering the contract (reference ***FAR 17.502-2e4***). Chapter 1 Paragraph 010203, specifies billing policies and procedures for Economy Act orders. Payment shall be made in accordance with paragraph 030502.

030602. Working Capital Fund Activities.

Reimbursable costs in the case of servicing DoD activities operating under a working capital fund shall be determined in accordance with Volume 11B.

0307 ACCOUNTING

030701. Direct Fund Cite Orders

Economy Act orders may be issued as direct fund cite orders where the requesting unit identifies the appropriate fund citation for the servicing unit to place on the requested contract or reimbursable orders. Economy Act orders shall neither be administered nor accounted for by servicing DoD activities as separate subdivisions of appropriations or funds similar to an allotment. Appropriation-type (e.g. annual, no-year, multiyear) accounting for Economy Act orders shall be performed by the requesting DoD Component in accordance with Volume 3, Chapter 15.

030702. Working Capital Fund

The operations of servicing DoD activities financed under a working capital fund shall be accounted for in accordance with Volume 11B.

030703. Obligation Authority

Economy Act orders received and accepted are the source of obligational authority in the amount of the order for the performance of the work requested.

030704. Costs Account

A cost account, or other device, shall be used to accumulate the costs of performance for all Economy Act orders. Those cost accounts shall serve as a historical basis for determining the amount reimbursable for cost-reimbursement Economy Act orders and as a basis of determining a fixed price for similar future fixed-price Economy Act orders.

*030705. Records

The servicing DoD Component shall establish procedures that identify and retain a record of the requestor's appropriation accounting classification(s) for each order received. This will facilitate auditability of the requestor's source of funding.

*030706. Billings

Billings covering reimbursements shall identify costs by each item listed in the Economy Act order. Such billings shall accommodate the use of a DoD (SmartPay) purchase card or the Department of the Treasury's Intra-governmental Payment and Collection (IPAC) System.

*REFERENCES

A. 31 U.S.C. 1535 and 1536 - Economy Act

B. 31 U.S.C. 1502 - Bona Fide Needs Rule

C. 10 U.S.C. 2205 - Reimbursements

D. 10 U.S.C. 2410a - Contracts for Periods Crossing Fiscal Years: Severable Service Contracts; Leases of Real or Personal Property

E. DoD Instruction (DoDI) 4000.19 - Support Agreements

F. Federal Acquisition Regulation (FAR), Subpart 17.502 - Interagency Acquisitions Under The Economy Act

G. Defense Federal Acquisition Regulation Supplement (DFARS), Subpart 217.5 - Interagency Acquisitions Under The Economy Act

H. Defense Federal Acquisition Regulation Supplement (DFARS), Subpart 217.7802 - Policy

I. Defense Federal Acquisition Regulation Supplement (DFARS), Subpart 232.7 - Contract Funding

J. Defense Federal Acquisition Regulation Supplement (DFARS), Subpart 204.7 - Uniform Contract Line Item Numbering System

K. Office of Management and Budget, Circular A-11 - Preparation, Submission, and Execution of the Budget

VOLUME 11A, CHAPTER 4: "USER FEES"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue and underlined font*.**

The previous version dated March 2012 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
040101	Added an Overview paragraph to introduce the subject, provide a definition of "user fee", and clarify the statutory authority governing user fees.	Addition
040102	Revised the Purpose paragraph to inform readers that this chapter does not apply to user fees associated with the Freedom of Information Act (FOIA) and the Privacy Act of 1974 or the Agriculture and Grazing, Forestry, Recycling, Royalties, and Trademarks revenue programs.	Revision
040103	Added an Authoritative Guidance paragraph to establish the statutory basis for this chapter.	Addition
040202.D	Added a responsibility for management to develop and openly publish, on a publicly available website, user fee schedules or tables in accordance with statutory guidance and regulations.	Addition
040202.F	Added a responsibility for management to publish and describe the results of biennial reviews of user fees and any resulting proposals in the annual DoD Agency Financial Report required by the Government Management and Reform Act of 1994 and the Chief Financial Officers Act of 1990.	Addition
040202.G	Added a responsibility for management to ensure internal controls are established and applied to user fee collections.	Addition
040301.A	Added general information on Congress' perspective and the basis for user fee programs.	Addition
040301.B	Added a policy requirement for DoD Components to ensure that monetary benefits exceed costs of user fee programs.	Addition
040302.B	Added Department of Defense (DoD) Nonappropriated Fund Instrumentalities to the Applicability paragraph.	Addition
040304	Added specific requirements for collecting user fees.	Addition

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
040306	Added specific Office of Management and Budget (OMB) guidance regarding exceptions or waivers to user fees.	Addition
040401	Added general policy for submitting legislative proposals to OMB to retain and use fees.	Addition
0405	Deleted Appendix 1 (of previous version) and moved the policy regarding benefits for which no user fee will be assessed, without change, to section 0405.	Revision
Appendix 2	Deleted Appendix 2 (of previous version) as user fee schedule pertained to FOIA and the Privacy Act of 1974.	Deletion
Multiple	Moved policy contained within the previous version's sections/paragraphs to new sections/paragraphs in order to improve the structure and readability of this chapter.	Revision
Multiple	Updated and added hyperlinks as required.	Addition

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CHAPTER 4

USER FEES

*0401 GENERAL

*040101. Overview

A user fee is a fee charged for goods or services provided by the Federal Government. User fees generally apply to federal activities that provide special benefits to identifiable recipients above and beyond what is normally available to the public. Collections are credited to the General Fund of the United States (U.S.) Department of the Treasury (hereafter referred to as Treasury) as miscellaneous receipts as required by ***Title 31, United States Code (U.S.C.), section (§) 3302***, or if specific statutory authority is available, may be retained by the Component for a specific purpose (e.g., Agriculture and Grazing (***10 U.S.C. § 2667***), Forestry (***10 U.S.C. § 2665***), Recycling (***10 U.S.C. § 2577***), Royalties (***10 U.S.C. § 3710c***), and Trademark (***10 U.S.C. § 2260***) revenue programs). In many instances, Congress has provided specific authority to federal agencies to assess user fees in agency authorization or appropriations legislation. Where statutory authority is not available to assess specific user fees, the User Charge Statute (***31 U.S.C. § 9701***) authorizes agencies to assess user charges, with amounts collected to be credited to the Treasury as miscellaneous receipts. The User Charge Statute is a codification of a provision in Title V of the Independent Offices Appropriation Act of 1952, which provided broad authority to assess user fees or charges on identifiable beneficiaries by administrative regulation, such as those identified in paragraph 040103.

*040102. Purpose

This chapter promulgates Department of Defense (DoD) policy regarding establishment and assessment of appropriate fees for authorized goods or services supplied by DoD Components. It provides information on the scope and types of activities subject to user charges and the basis upon which user charges are to be calculated. In addition, it provides guidance on Component implementation of user charges and the disposition of collections. This chapter does not apply to user fees associated with the Freedom of Information Act (FOIA) or the Privacy Act of 1974. For DoD policies regarding FOIA (***5 U.S.C. § 552***), please refer to Regulation ***DoD 5400.7-R***, "DoD Freedom of Information Act Program". For DoD polices regarding the Privacy Act of 1974 (***5 U.S.C. § 552a***), please refer to Regulation ***DoD 5400.11-R***, "DoD Privacy Program".

*040103. Authoritative Guidance

A. 31 U.S.C. § 9701. Section 9701 of Title 31 is referred to as the "User Charge Statute" or "User Fee Statute." It authorizes the head of each agency to prescribe regulations establishing the charge for a service or thing of value provided by an agency.

B. 31 U.S.C. § 3302. Section 3302 of Title 31 is referred to as the "Miscellaneous Receipts Statute". It details the Federal Government's custodial responsibilities of public money. Subsection (b) is the basis for the requirement that unless authorized by law, an agency may not retain and use money received from sources other than congressional appropriations; the money must instead be deposited in the Treasury.

C. 10 U.S.C. § 2667. Section 2667 of Title 10 provides authority to the Secretary of Defense to lease non-excess real or personal property and accept either cash or an in-kind consideration as payment.

D. ***Title 32, Code of Federal Regulations (C.F.R.), part 204***, "User Fees". Part 204 of Title 32 implements the DoD program under 31 U.S.C., section 9701 to establish appropriate fees for authorized services supplied by DoD organizations.

E. Office of Management and Budget ***(OMB) Circular No. A-25***, "User Charges". This Circular establishes Federal policy regarding fees assessed for Government services and sale or use of Government goods or resources.

0402 RESPONSIBILITIES

040201. Under Secretary of Defense (Comptroller).

The Under Secretary of Defense (Comptroller) (USD(C)) will promulgate financial management policy governing user fees.

040202. DoD Components

Heads of DoD Components, or designees, will:

A. Identify the services and activities that will adopt and charge a user fee or accept an in-kind consideration.

B. Determine the extent of the special benefits provided as specified in paragraph 040301.C.

C. Apply the principles specified in paragraph 040303 in determining full cost or market price.

* D. Publish user fees to be charged for services on schedules, lists, or tables posted on publicly available websites.

E. Review user fees biennially in accordance with OMB Circular No. A-25, to include:

1. Assurance that existing fees are adjusted to reflect unanticipated changes in costs or market values; and

2. A review of all other programs where fees are not being assessed to determine whether special benefits are being provided and whether fees should be charged for Government services or goods.

* F. Publish and describe the results of the biennial review of user fees and any resulting proposals, such as adjustments to fee schedules, in the annual DoD Agency Financial Report required by the ***Government Management and Reform Act of 1994*** and the ***Chief Financial Officers Act of 1990***.

* G. Ensure the requirements of ***OMB Circular No. A-123***, "Management's Responsibility for Internal Control", the Government Accountability Office (GAO)'s ***GAO-14-704G***, "Standards for Internal Control in the Federal Government (the "Green Book")", ***DoDI 5010.40***, "Managers' Internal Control Program Procedures", and appropriate audit standards are applied to user fee collections.

H. Maintain readily accessible records of:

1. The services or activities charging user fees or accepting in-kind considerations;

2. The extent of special services provided;

3. The exceptions to the general policy;

4. The cost information used to establish or calculate fees and the specific methods used in their determination. (This information must be provided upon request to OMB for the evaluation of the fee schedules in accordance with the requirements in ***OMB Circular No. A-11***, "Preparation, Submission and Execution of the Budget"; and

5. The collections (i.e., cash or in-kind consideration) from each user fee imposed.

I. Initiate exception actions outlined in paragraph 040306. All such actions must be coordinated with the USD(C) prior to forwarding to OMB.

J. Develop legislative proposals as outlined in section 0404 when there are statutory prohibitions, restrictions, or limitations on the implementation, assessment or retention of user fees.

0403 USER FEES

040301. General Policy

* A. The User Charge Statute establishes that it is the sense of Congress that each service or thing of value provided by a Federal agency (except a mixed-ownership Government corporation) to a person (except a person on official business of the U.S. Government) is to be self-sustaining to the extent possible. Accordingly, the Head of each DoD Component or designee may prescribe regulations establishing the charge for a service or thing of value provided by the Component.

* B. User fees should only be established and implemented if mandated by specific statutory authority, or when implemented under the authority of the User Charge Statute, the monetary benefits to the Federal Government of receipts collected significantly exceed the costs of collecting the fees. Since generating and maintaining reliable cost data is expensive, consideration must be given to the cost of personnel and related data gathering requirements, and the costs of implementing, maintaining, and using financial management systems when determining the level of cost detail required and whether or not monetary benefits exceed costs.

C. It is DoD policy not to compete unfairly with available commercial facilities in providing special services or in the sale or lease of property to private parties and agencies outside the Federal Government. However, when a service (or privilege) provides special benefits to an identifiable recipient, beyond those that accrue to the general public, a fee should generally be imposed to recover the full cost to the Federal Government for providing the special benefit (or the market price) except as otherwise approved by the USD(C) and authorized by the Director of the OMB. A special benefit will be considered to accrue, and a user fee should be imposed, when a Government service:

1. Enables the beneficiary to obtain more immediate or substantial gains or values (which may or may not be measurable in monetary terms) than those which accrue to the general public (e.g. receiving a patent, insurance, or guarantee provision, or a license to carry on a specific activity or business of various kinds of public land use), or

2. Provides business stability or contributes to public confidence in the business activity of the beneficiary (e.g., insuring deposits in commercial banks), or

3. Is performed at the request of or for the convenience of the recipient, and is beyond the services regularly received by other members of the same industry or group or by the general public (e.g., receiving a passport, visa, airman's certificate, or a Custom's inspection after regular duty hours).

040302. Applicability

None of the provisions in this chapter should be construed as giving authority for the sale or lease of property, or the rendering of special services. Actions to convey such special benefits

must be authorized by separate authority. This user fee policy is applicable except when other statutes or directives specifically direct other practices or procedures, such as for:

A. Services to military personnel and civilian employees of the DoD provided in accordance with section 0405.

* B. Products and services provided to military personnel, their families, and civilian DoD employees by DoD Nonappropriated Fund Instrumentalities (i.e., morale, welfare, and recreation (military and civilian), Military Services exchanges, lodging, supplemental mission funds, and special purpose central funds). Fees for such services are governed by ***DoD Instruction (DoDI) 1015.15***, "Establishment, Management, and Control of Nonappropriated Fund Instrumentalities and Financial Management of Supporting Resources," and other Office of the Secretary of Defense policy.

C. Sale or disposal of surplus property under specifically approved programs (please refer to Chapter 5).

D. Services furnished the general public relating to, or in furtherance of, the Armed Forces recruiting program.

E. Services furnished to representatives of the public information media in the interest of public understanding of the Armed Forces.

F. Armed Forces participation in public events. Fees for such participation are governed by the provisions of ***DoDI 5410.19***, "Public Affairs Community Relations Policy Implementation".

G. Records made available to the public, under FOIA, pursuant to DoD 5400.7-R, "DoD Freedom of Information Act Program." Fees for searches and copies of records are governed by Chapter 6 of DoD 5400.7-R.

H. Services furnished to non-Federal audio-visual media. Fees for such services are governed by the provisions of ***DoDI 5410.15***, "DoD Public Affairs Assistance to Non-Government, Non-Entertainment-Oriented Print and Electronic Media".

I. Pricing of performance by DoD Working Capital Fund activities which must be in accordance with Volume 11B.

J. Foreign Military Sales of Defense articles and services which must be in accordance with Volume 15.

K. Records made available to requesters under the Privacy Act of 1974, pursuant to DoD 5400.11-R.

040303. Calculation of User Fees

All fees must be based on the full cost to the U.S. Government or market price, whichever applies. Additionally, whenever possible, fees must be set as rates rather than fixed dollar amounts in order to adjust for changes in costs to the Government or changes in market prices of the good, resource, or service provided.

A. Except as provided in paragraph 040306 and section 0405, a user fee should be imposed to recover the full cost to the Federal Government of providing the service, resource, or good when the Government is acting in its capacity as sovereign. "Full cost" includes all direct and indirect costs associated with providing a good, resource, or service. Full cost must be determined or estimated from the best available records, and new cost accounting systems should not be established solely for this purpose. These costs are outlined in Chapter 1, paragraph 010203 and include, but are not limited to, an appropriate share of:

1. Direct and indirect personnel costs, including salaries and fringe benefits such as medical insurance and retirement. Retirement costs should include all (funded or unfunded) accrued costs not covered by employee contributions as specified in OMB Circular No. A-11.

2. Physical overhead, consulting, and other indirect costs including material and supply costs, utilities, insurance, travel, and rents or imputed rents on land, buildings, and equipment. If imputed rental costs are applied, they should include:

a. Depreciation of structures and equipment (based on guidance contained in Volume 4, Chapter 6); and

b. An annual rate of return (equal to the average long-term Treasury bond rate) on land, structures, equipment and other capital resources used.

3. The management and supervisory costs.

4. The costs of enforcement, collection, research, establishment of standards, and regulation, including any required environmental impact statements.

B. User fees should be based on market prices when the Government is not acting in its capacity as sovereign and is leasing or selling goods or resources, or is providing a service (e.g., leasing space in federally owned buildings). Under these business-type conditions, user fees need not be limited to the recovery of full cost, must be based on market prices, and may yield net revenues. "Market price" means the price for a good, resource, or service that is based on competition in open markets, and creates neither a shortage nor a surplus of the good, resource, or service.

1. When a substantial competitive demand exists for a good, resource, or service, its market price will be determined using commercial practices, for example:

a. by competitive bidding; or

b. by reference to prevailing prices in competitive markets for goods, resources, or services that are the same or similar to those provided by the Government (e.g., campsites or grazing lands in the general vicinity of private ones) with adjustments as appropriate that reflect demand, level of service, and quality of the good or service.

2. In the absence of substantial competitive demand, market price will be determined by taking into account the prevailing prices for goods, resources, or services that are the same or substantially similar to those provided by the Government, and then adjusting the supply made available and/or price of the good, resource, or service so that there will be neither a shortage nor a surplus (e.g., campsites in remote areas).

C. Fees established in advance of performance should be based on the estimated cost of performance. Projected amounts must be reviewed the earlier of biennially or whenever significant changes in cost or value occur.

D. Internal management controls must be established in accordance with OMB Circular No. A-123, GAO's GAO-14-704G, and DoDI 5010.40 to ensure that user fees are developed, published on a publicly available website, and adjusted using current, accurate, and complete data. These controls must also ensure compliance with cash management and debt collection policies promulgated in Volume 5.

NOTE: For more information on user fees applicable to specific services or activities (e.g. information resources, recurring services, or lease or sale of property) please refer to ***32 C.F.R. 204.5***.

*040304. Collection of User Fees

DoD Components should make every effort to keep the costs of collection to a minimum and collect fees electronically, via electronic funds transfer (EFT), and utilize, as applicable, the collection services provided by the Treasury's Bureau of the Fiscal Service (Fiscal Service) as described in Volume 5, Chapter 8 and outlined in the Treasury Financial Management, Volume 1, "Federal Agencies," ***Part 5, Deposit Regulations***.

A. In accordance with OMB Circular No. A-25, user fees must be collected in advance of, or simultaneously with, the rendering of services unless appropriations and authority are provided to allow for services to be provided on a reimbursable basis.

B. Although fees must be collected in advance absent statutory authority to provide services or special benefits on a reimbursable basis, Components may collect advance fee payments incrementally if variable costs such as personnel or utility costs are incurred incrementally over time and if the services or special benefit is susceptible to being provided on a severable basis.

040305. Disposition of User Fees

As required by 31 U.S.C. § 3302, an official or agent of the Government who receives money for the Federal Government from any source must deposit the money in the Treasury as soon as practicable. This law is generally referred to as the "Miscellaneous Receipts Statute". Accordingly, unless another statute provides otherwise, user fees collected under the authority of the User Charge Statute must be credited to the General Fund of the Treasury as miscellaneous receipts.

*040306. Exceptions or Waiving of User Fees

A. The Head of each DoD Component or designee may make exceptions to the general policy if the provision of a free service is an appropriate courtesy to a foreign government or international organization; or comparable fees are set on a reciprocal basis with a foreign country.

B. The Head of each DoD Component or designee may recommend to OMB that exceptions to the general policy be made when:

1. The cost of collecting the fees would represent an unduly large part of the fee for the activity; or

2. Any other condition exists that, in the opinion of the agency head or his designee, justifies an exception.

C. All exceptions must be for a period of no more than four years unless renewed by the Head of each DoD Component or designee for exceptions granted under paragraph 040306.A. or OMB for exceptions granted under paragraph 040306.B after a review to determine whether conditions warrant their continuation.

D. Requests for exceptions and extensions under paragraphs 040306.B and 040306.C must be submitted to the Director of OMB.

0404 LEGISLATIVE PROPOSALS TO RETAIN AND USE FEES

*040401. General Policy

If Components require modification of statutory prohibitions on assessment of user fee charges, they may propose remedial legislation to repeal the assessment prohibition or to authorize an exception. Similarly, Components may propose legislative authority to retain and use amounts collected as user charges. Such proposals are subject to requirements for preparation and submission established in ***DoD Directive (DoDD) 5500.01***, "Preparing, Processing, and Coordinating Legislation, Executive Orders, Proclamations, Views Letters, and Testimony". For additional guidance on submitting legislative proposals for approval or authorization to implement or modify a user fee program or to authorize retention and use of user fee collections, refer to OMB Circular No. A-25, paragraph 7.

040402. Authorities

Under the User Charge Statute, a statutory authority is required for DoD Components to retain and use user fees. Proposals requesting such authority may be appropriate when a user fee is levied in order to finance a service that is intended to be provided on a substantially self-sustaining basis and thus is dependent upon adequate collections.

A. The authority to use fees credited to an appropriation is generally subject to limits set in annual appropriations language. However, it may be appropriate to request exemption from annual appropriations control, if a provision of the service is dependent on demand that is irregular or unpredictable (e.g., a fee to reimburse an agency for the cost of overtime pay of inspectors for services performed after regular duty hours).

B. Legislative proposals that permit fees to be credited to accounts must be consistent with the full cost recovery guidelines contained in paragraph 040303. Any fees collected in excess of full cost recovery (i.e., under business-type conditions in which user fees are calculated based on market prices) are to be credited to the General Fund of the Treasury as miscellaneous receipts.

040403. Procedures

Legislative proposals must be submitted to OMB in accordance with the requirements of DoDD 5500.01 and ***OMB Circular No. A-19***, "Legislative Coordination and Clearance". To ensure the proper placement of user fee initiatives in the budget account structure, DoD Components are encouraged to discuss proposals with OMB at an early stage of development. Further guidance may be obtained from the DoD General Counsel Office of Legislative Counsel's website at: ***http://www.dod.gov/dodgc/olc/***. Proposals to remove user fee restrictions or retain collections must:

A. Define, in general terms, the services for which fees will be assessed and the pricing mechanism that will be used.

B. Specify whether fees will be collected in advance of, or simultaneously with, the provision of service unless appropriations and authority are provided in advance to allow reimbursable services.

C. Specify where collections will be credited. Legislative proposals should not normally specify precise fees. The user fee schedule should be set by regulation to allow for the administrative updating of fees to reflect changing costs and market values.

*0405 BENEFITS FOR WHICH NO FEE MUST BE ASSESSED

Military and Civilian Benefits

A. Documents and information requested by members of the U.S. Armed Forces as required by such personnel in their capacity as Service members.

B. Documents and information requested by members of the U.S. Armed Forces who are in a casualty status, or requested by their next of kin or legal representative.

C. The provisions of the address of record of a member or former member of the U.S. Armed Forces when the address is readily available through a directory (locator) service, and when the address is requested by a member of the U.S. Armed Forces or by a relative or a legal representative of a member of the U.S. Armed Forces or when the address of record is requested by any source for the purpose of paying monies or forwarding property to a member or former member of the U.S. Armed Forces.

D. Services requested by, or on behalf of, a member or former member of the U.S. Armed Forces and civilian personnel of DoD (where applicable) or, if deceased, his or her next of kin or legal representative that pertain to the provision of:

1. Information required to obtain financial benefits regardless of the terms of separation from the Service.

2. Documents showing membership and military record in the Armed Forces if discharge or release was under honorable conditions.

3. Information related to a decoration or award or required for memorialization purposes.

4. Information related to the review or change in type of discharge or correction of records.

5 Personal documents, such as birth certificates, when such documents are required to be furnished by the member.

6. Services that are furnished free in accordance with statutes or Executive Orders.

7. Information from or copies of medical and dental records or x-ray films of patients or former patients of military medical or dental facilities, when such information is required for further medical and dental care, and requests for such data are (a) submitted by an accredited medical facility, physician, or dentist; or (b) requested by the patient, his or her next of kin, or legal representative. Other requests subject to the Privacy Act of 1974 must be in accordance to Regulation DoD 5400.11-R.

8. Services requested by, and furnished to, a member of Congress for official use.

9. Services requested by state, territorial, county, or municipal government, or an agency thereof, that is performing a function related to or furthering a DoD objective.

10. Services requested by a court, when such services will serve as a substitute for personal court appearance of a military or civilian employee of DoD.

11. Services requested by a nonprofit organization that is performing a function related to or furthering an objective of the Federal Government or that is in the interest of public health and welfare, including education.

12. Services requested by donors in connection with the conveyance or transfer of a gift to DoD.

13. Occasional and incidental services (including requests from residents of foreign countries), that are not requested often, when it is determined administratively that a fee would be inappropriate for the occasional and incidental services rendered.

14. Administrative services offered by reference or reading rooms to inspect public records, excluding copies of records or documents furnished.

15. Services rendered in response to requests for classification review of DoD classified records, submitted under ***Executive Order 13526***, "Classified National Security Information", and implemented by ***DoD Manual 5200.01-R***, "Information Security Program". Such services consist of the work performed in conducting the classification review or in granting and completing an appeal from a denial of declassification following such review.

16. Services of a humanitarian nature performed in such emergency situations as life-saving transportation for non-U.S. Armed Forces patients, search and rescue operations, and airlift of personnel and supplies to a disaster site. This does not mean that inter- and intra-governmental agreements to recover all or part of costs should not be negotiated. Rather, it means the recipient or beneficiary will not be assessed a "user fee."

VOLUME 11A, CHAPTER 5: "DISPOSITION OF PROCEEDS FROM DEPARTMENT OF DEFENSE SALES OF SURPLUS PERSONAL PROPERTY"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue and underlined font*.**

The previous version dated May 2009 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and format.	Update
Bibliography	Added references to support text written in corresponding sections, paragraphs and subparagraphs.	Add

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CHAPTER 5

DISPOSITION OF PROCEEDS FROM DEPARTMENT OF DEFENSE SALES OF SURPLUS PERSONAL PROPERTY

0501 OVERVIEW

050101. Introduction

This chapter provides instructions on the collection and disposition of cash and cash equivalents received by the Department of Defense (DoD) Components for the DoD sale of surplus personal property.

050102. Authorities

The policy and procedures contained in this chapter apply to all proceeds resulting from sales made under the following authorities:

A. Title 40, United States Code (U.S.C.) Subtitle 1, Chapter 5, Subchapter III, "Disposing of Property" and Subchapter IV, "Proceeds from Sale or Transfer." These subchapters are also referenced as ***Title 40, U.S.C. sections 541 to 559*** and ***Title 40, U.S.C. sections 571 to 574***, respectively. This Title codifies the Federal Property and Administrative Services Act of 1949 and subsequent amendments.

B. ***Title 10, U.S.C. section 2210***, "Proceeds of Sales of Supplies: Credit to Appropriations."

C. Other specific legislation and authorities as described in paragraph 050202 and Table 5-2 of paragraph 050203.

D. Additional guidance on disposal of property is found in ***DoD 4160.21-M***, "Defense Materiel Disposition Manual," and ***DoD Directive 4140.1***, "DoD Supply Chain Materiel Management Regulation."

E. Additional guidance on the receipt and disposition of gifts is found in Volume 12, Chapter 30, "Operation and Use of General Gift Funds of the Department of Defense and Coast Guard."

0502 POLICY AND PROCEDURES

050201. Proceeds from the Disposition of Surplus Personal Property

A. General Rule. The net proceeds from sales of surplus property will be deposited in the Treasury as miscellaneous receipts unless deposit into an alternate appropriation is authorized by law. Legal exceptions to this policy affecting the Department are contained at paragraphs 050202 and 050203.

B. Net Proceeds. Per ***Title 40, U.S.C. section 571(b)***, "General rules for deposit and use of proceeds," the expenses of the sale of old material, condemned stores, supplies and other public property are paid from the proceeds of the sale, so that only the net proceeds are deposited in the Treasury or other applicable appropriation authorized by law. Further, ***Title 10, U.S.C. section 2210*** states that an amount necessary to recover the expenses incurred in disposing of that property may be retained by a working-capital fund responsible for the disposal. Accordingly, the Defense Reutilization and Marketing Service (DRMS) will retain out of the proceeds of sales of such property, amounts sufficient to offset all expenses incurred in the disposition of excess/surplus personal property. See Table 5-1 at paragraph 050203.201

050202. Exceptions to the General Rule

The following authorizations permit the crediting of the proceeds of the sale, in whole or in part, to appropriations and/or funds of the Department. Additional guidance on specific types of activities is located in Table 5-2 at paragraph 050203.

A. Supplies, Material, Equipment, and Other Personal Property Not Financed by Stock Funds. Under ***Title 10, U.S.C. section 2210***, the net proceeds from the sale or disposal of surplus property in excess of amounts necessary to recover expenses may be credited to current applicable appropriations of the Department of Defense. Thus, any proceeds that remain after disposal expenses are recovered are to be credited to the current applicable appropriations of the Department (i.e., the appropriation currently available for the purchase of such property).

B. Revolving Fund and Non-Appropriated Fund Property. Under ***Title 40, U.S.C. section 574***, "Credit to Reimbursable Fund or Appropriation," when property was acquired with amounts either (a) not appropriated from the general fund of the Treasury; or (b) appropriated from the general fund of the Treasury but by law reimbursable from assessment, tax, or other revenue or receipts, the net proceeds of such a disposition or transfer of the property may be:

1. Credited to the applicable reimbursable fund or appropriation; or

2. Paid to the federal agency that determined the property to be excess.

C. Contractor Sales of Surplus Government Property in the Possession of Contractors. The ***Defense Federal Acquisition Regulation Supplement (DFARS), subpart 245.610***, implements ***Title 40, U.S.C. Section 574(c)*** and provides overall direction for crediting proceeds from contractor conducted sales of surplus government property in the possession of contractors.

1. The contractor making the sale may follow normal company policy on bid deposits and form of payment. However, any loss associated with a dishonored payment shall be the contractor's responsibility.

2. The plant clearance officer appointed by the contracting administration office under ***DFARS subpart 245.70*** is responsible for notifying the appropriate

accounting office of the amounts collected by the contractor. The plant clearance officer also shall notify the accounting office of the disposition of such collections. Specifically, collections may:

a. Represent an increase in the dollar value of the applicable contract(s).

b. Be applied in place of disbursements on the applicable contract(s).

c. Be returned to the applicable Component's working capital fund (97X4930) (in the case of inventory purchased with working capital funds) or deposited in the miscellaneous receipt account, "Sale of Scrap and Salvage Materials, Defense," (97_2651).

3. The accounting office for the contract is identified in the accounting citation. That office shall prepare the source documents necessary to account properly for the transaction.

D. Sales of Recyclable Material on Military Installations. Distribution of proceeds from direct sales of installation qualified recycling programs is covered by ***Title 10, U.S.C. section 2577***, "Disposal of Recyclable Materials," and ***DoD Instruction 4715.4***, "Pollution Prevention."

1. Proceeds shall be distributed as follows:

a. Cost of Recycling Programs. Sale proceeds shall first be used to cover the costs directly attributable to all installation recycling programs, including, but not limited to, manpower, facilities, equipment, overhead, and other capital investments.

b. Installation Pollution Abatement. After the costs of the recycling program are recovered, installation commanders may use up to 50 percent of the remaining proceeds for pollution abatement, pollution prevention, composting and alternative fueled vehicle infrastructure support and vehicle conversion, energy conservation, or occupational safety and health projects, with first consideration given to projects included in the installation's pollution prevention plan.

c. Morale, Welfare, and Recreation Accounts. Any remaining proceeds may be transferred to the non-appropriated morale, welfare and recreation account for any approved program.

2. An accounting and control system shall be established for recycling programs that provides detailed management and audit information, tracks material quantity handled, calculates sales and handling costs for recycled material, and tracks expenditures made for appropriate projects and morale, welfare, and recreation programs. Integrity of the audit trail will be a priority concern.

3. The Director, Defense Logistics Agency (under the Under Secretary of Defense for Acquisition, Technology, and Logistics) shall establish procedures and controls to ensure that when recyclable materials are consigned for disposal to the DRMS on behalf of a qualified recycling program, 100 percent of any proceeds, less the costs of sales and handling, are returned to installations in accordance with established accounting procedures.

4. If the balance available to a military installation at the end of any fiscal year is in excess of $2 million, the amount of that excess shall be deposited into the Treasury as miscellaneous receipts.

E. Lost, Abandoned and Unclaimed Privately-Owned Personal Property. DoD may dispose of lost, abandoned, or unclaimed personal property after diligent effort has been made to find the owner (or the heirs, next of kin, or legal representative of the owner) as prescribed by ***Title 10, U.S.C. section 2575***, "Disposition of Unclaimed Property."

1. Military Installations. In the case of lost, abandoned, or unclaimed personal property found on a military installation, the net proceeds from the sale of the property shall be credited to the operation and maintenance account of that installation and used:

a. First to reimburse the installation for any costs incurred by the installation to collect, transport, store, protect, or sell the property; and

b. Any remaining proceeds may be transferred to the non-appropriated morale, welfare and recreation account for any approved program.

2. The net proceeds from the sale of all other lost, abandoned and unclaimed privately-owned personal property shall be deposited into the Proceeds of Sales of Lost, Abandoned or Unclaimed Personal Property (_X6001). After 5 years, any unclaimed net proceeds shall be transferred from _X6001 to Forfeitures of Unclaimed Money and Property (_1060).

3. The owner(s) of personal property disposed of as described in this section may file a claim with the Secretary of Defense for the amount equal to the proceeds less the costs incurred by the installation to collect, transport, store, protect, or sell the property. The claim must be filed within 5 years of the date of disposal of the property.

a. For property found on military installations, amounts to pay the claim shall be drawn from the morale, welfare, and recreation account for the installation that received the proceeds.

b. For all other property, amounts to pay the claim shall be from the Proceeds of Sales of Lost, Abandoned or Unclaimed Personal Property account (_X6001).

050203. Disposition of Amounts Collected from the Sale of Surplus Property

See Tables 5-1 and 5-2 to identify, by type of surplus property, the collection and disposition of proceeds from the sale of surplus property.

0503 COLLECTION AND DISPOSITION OF BID DEPOSITS

When a DoD sale of surplus personal property conducted by a DoD Component provides for a bid deposit with subsequent removal of the surplus personal property, the following procedures shall apply.

050301. Types of Bid Deposits

A. Term Bid. This type of bid deposit is applicable when the sale involves the purchase of scrap or disposable material that will be generated over time with periodic removal by the successful bidder. The normal amount of the bid deposit required to accompany such bids is the average estimated quantity of such material to be generated during a 3-month period multiplied by 20 percent of the bid price.

B. Other Than Term Bid. With the exception of term bids, payment in the normal amount of 20 percent of the bid shall accompany the bid.

C. Immediate Pickup Terms. When a sale conducted by a DoD Component provides for immediate pickup, the entire amount of the sales price shall be collected from the buyer at the conclusion of the sale. If the sale provides for a bid deposit, the balance of the bid price shall be paid before removal of the property.

050302. Forms of Payment

A. Cash and Cash Equivalents. Cash or cash equivalents in the prescribed amounts shall accompany the bid, if required by the sales solicitation. For one-time contracts, cash or cash equivalents for the balance due shall be received by the DoD Components or, in authorized cases, by contractors before the transfer of physical possession to the successful bidder. Cash equivalents are guaranteed negotiable instruments, such as cashiers' checks, certified checks, credit card checks, travelers checks, bank drafts, or postal money orders.

B. Personal Checks. Personal checks may be accepted by a DoD Component only when a bank guarantee, bid bond or a bank letter of credit is on hand that will cover the amount due. If the check is dishonored, amounts due shall be collected from the issuer of the guarantee, bond, or letter of credit.

1. If a bidder intends to use a bond or letter of credit without an accompanying personal check (permitted for bid deposits only), the claim against the performance bond or letter of credit shall be made for any amounts due.

2. If personal checks are used, the bond or letter of credit shall be returned intact after the applicable personal checks are honored, unless other instructions have been received from the bidder.

C. Credit Cards/Debit Cards. As specified herein, credit or debit cards may be accepted by a DoD Component for payment.

1. Policies governing acceptance of credit card transactions by DoD Components are established in DoD FMR Volume 5, Chapter 24, "Electronic Commerce."

2. The ***Card Acquiring Service*** of the Department of the Treasury oversees the acceptance of credit and debit cards by federal agencies. Currently, the Department of the Treasury has approved the use of "Master Card," "American Express," "Visa" and "Discover" charge cards, as well as debit cards. Changes or additions to approved credit or debit cards are announced in Office of the Under Secretary of Defense (Comptroller) memoranda or in changes to the Treasury Financial Manual. Except for equipment and communication costs, the Department of the Treasury pays any fees normally charged to sellers.

3. If a credit or debit card is used for the bid deposit, and authorization is declined, the bid may be rejected as nonresponsive and other bidders considered.

050303. Disposition of Bid Deposits

A. If the sale provides for a bid deposit, cash collected from bidders initially shall be deposited by a DoD Component to account 97X6501, "Small Escrow Amounts," until such time as a successful bidder has been determined and a contract has been awarded.

B. Unsuccessful Bidders

1. A check shall be drawn on account 97X6501, "Small Escrow Amounts," to reimburse unsuccessful bidders for their cash bid deposits.

2. Normally, noncash bid deposits shall be returned to unsuccessful bidders by DoD Components through the mail. When a bidder appears in person, normally the noncash instrument may be released to the bidder or an agent designated for this purpose. Similarly, when a bidder has requested expedited return and has provided the name of a carrier and a charge account number, the designated carrier shall be called to pick up the deposit with the explicit condition that applicable carrier costs will be charged to the bidder's account.

C. Successful Bidder

1. A bid deposit of the successful bidder shall be transferred promptly from the account 97X6501, "Small Escrow Amounts," to the account(s) prescribed in accordance with this chapter.

2. The DRMS either shall retain the bid deposit or charge a specific penalty for buyer defaults on sales contracts.

050304. Disposition of Proceeds Received from Successful Bidders

If the account, ultimately to be credited with the proceeds of a sale reasonably can be determined at the time funds are collected from the successful bidder and by law can receive reimbursement, the amounts collected shall be deposited immediately to that account. The use of suspense accounts, for other than initial bid deposits, shall be kept to a minimum.

Table 5-1 COSTS ASSOCIATED WITH DISPOSAL AND SALE OF SURPLUS PERSONAL PROPERTY

TYPE OF SURPLUS PROPERTY	DISPOSITION OF PROCEEDS
1. All property types turned over to the Defense Reutilization and Marketing Service (DRMS) for disposal. Authority: ***Title 10, U.S.C. section 2210***	An amount equal to the costs associated with the disposal and sale of such items shall be deposited into the DRMS working capital fund (97X4930.005) to offset costs associated with the disposal and sale of such items.

Table 5-2 DISPOSITION OF NET PROCEEDS FROM THE SALE OF SURPLUS PERSONAL PROPERTY

TYPE OF SURPLUS PROPERTY	DISPOSITION OF PROCEEDS
1. Scrap and usable personal property purchased with working capital funds and turned in by working capital fund activities to the DRMS. (For more details, see subparagraph 050201.B.) Authority: ***Title 10, U.S.C. section 2577***	The net proceeds are to be credited to the applicable working capital fund.
2. Working capital fund supply management excess inventory items turned in to the DRMS. (For more details, see subparagraph 050202.C.2.c.) Authority: ***Title 40, U.S.C. Section 574***	The net proceeds are to be credited to the applicable working capital fund.
3. Property (equipment) purchased with funds from the Surcharge Collections, Sales of Commissary Stores (97X8164) trust fund account to include property downgraded to scrap at turn-in, such as shopping carts, shelving units, and similar material. Scrap material, such as cardboard, is not reimbursable under this rule. (For more details, see subparagraph 050202.C.2.c.) Authority: ***Title 40, U.S.C. Section 574***	The net proceeds shall be deposited into 97X8164, "Surcharge Collections, Sales of Commissary Stores, Defense Commissary Agency."

TYPE OF SURPLUS PROPERTY	DISPOSITION OF PROCEEDS
4. Bones, fats, and meat trimmings generated by a commissary store. Authority: ***Title 40, U.S.C. Section 574***	The net proceeds shall be deposited into the commissary store working capital fund (97X4930.004).
5. Property owned by non-appropriated fund instrumentalities, excluding garbage suitable for animal consumption that is disposed of under a multiple-pickup contract. Authority: ***Title 40, U.S.C. Section 574***	The net proceeds shall be provided to the applicable non-appropriated fund instrumentality.
6. Lost, abandoned or unclaimed privately owned personal property turned in to the DRMS. (For more details, see subparagraph 050202.E.) Authority: ***Title 10, U.S.C. section 2575***	• On military installations, the net proceeds shall be credited to the operation and maintenance account of that installation to reimburse for any costs to collect, transport, store, protect, or sell the property. Any remaining proceeds may be transferred to the non-appropriated morale, welfare and recreation account. • For all other, the net proceeds shall be deposited into the "Proceeds of Sales of Lost, Abandoned or Unclaimed Personal Property" account (_X6001). After 5 years, any unclaimed net proceeds shall be transferred from _X6001 to the "Forfeitures of Unclaimed Money and Property" account (_1060).
7. Property owned by a country (other than the United States) or international organization. (For more details, see Volume 15, Chapter 2, "Finance.")	• The net proceeds shall be provided to the applicable foreign country or international organization.

TYPE OF SURPLUS PROPERTY	DISPOSITION OF PROCEEDS
8. Security Assistance Property a. Military Assistance Program and Foreign Military Financing (FMF) property returned to the U.S. Government by a recipient country or international organization as no longer needed for the purpose for which furnished .(For more details, see paragraph Volume 15, Chapter 1" General Information" & Chapter 4 "Cash Management.") Authority: ***Title 22, U.S.C. section 2355(d)***	• The net proceeds shall be deposited into the "Foreign Military Financing (FMF) Program, Funds Appropriated to the President" account (11_1082).
b. Special Defense Acquisition Fund (SDAF) property. Authority: ***Title 22, U.S.C. section 2795***	• The net proceeds shall be deposited into the "Special Defense Acquisition Fund (SDAF), Funds Appropriated to the President" account (11X4116).
c. Security Assistance Office property purchased with Foreign Military Sales (FMS) Trust Fund funds. Authority: ***Title 22, U.S.C. section 2761***	• The net proceeds shall be deposited into the "Advances, Foreign Military Sales (FMS), Funds Appropriated to the President Trust Fund" account (11X8242).
d. Property purchased with FMS Contract Administration Services (CAS) funds. Authority: ***Title 22, U.S.C. section 2761***	• The net proceeds shall be deposited into the FMS Trust Fund CAS account (11X8242).
9. Recyclable material. (For more details, see subparagraph 050202.D.) Authority: ***Title 10, U.S.C. section 2577***	• The net proceeds shall be deposited into the Budget Clearing Account (_F3875), and in coordination with the responsible recycling program manager, distributed as follows: first be used to cover the costs directly attributable to all installation recycling programs. After these costs are recovered, installation commanders may use up to 50 percent of the remaining proceeds for pollution abatement and similar projects. Any remaining proceeds may be transferred to the non-appropriated morale, welfare and recreation account. If the balance available to a military installation at the end of

TYPE OF SURPLUS PROPERTY	DISPOSITION OF PROCEEDS
	any fiscal year is in excess of $2 million, the amount of that excess shall be deposited into the Treasury as miscellaneous receipts (97_2651).
10. U.S. Government property in the possession of contractors sold by contractors or DoD selling activities. (For more details, see subparagraph 050202.C.) Authority: ***Title 40, U.S.C. Section 574(c)***	• The net proceeds may be credited to the price or cost of the contract or otherwise credited or applied pursuant to the terms of the contract. Otherwise, net proceeds shall be deposited into the applicable Component's working capital fund (97X4930) (in the case of inventory purchased with working capital funds) or deposited into the "Sale of Scrap and Salvage Materials, Defense" account (97_2651) (in the case of items not purchased with working capital funds).
11. U.S. Army Corps of Engineers property under the physical control of the U.S. Army Corps of Engineers at the time of sale. (For more details, see Volume 4, Chapter 11 "Component Debt.") Authority: Office of Management and Budget (OMB) ***Circular A-11***, section 20.12(e) and Treasury Financial Manual (TFM) ***Volume 1, Part 2, Chapter 1500***	• The net proceeds shall be deposited into the Budget Clearing Account (_F3875), and transferred to the U.S. Army Corps of Engineers using the Intra-Governmental Payment and Collection (IPAC) System.
12. Automatic data processing equipment owned by the General Services Administration (GSA) and leased to a DoD Component. Authority: OMB ***Circular A-11***, section 20.12(e) and TFM ***Volume 1, Part 2, Chapter 1500***	• The net proceeds shall be deposited into the Budget Clearing Account (_F3875), and transferred to GSA using the IPAC System.
13. U.S. Coast Guard property under the physical control of the U.S. Coast Guard at the time of sale. Authority: OMB ***Circular A-11***, section 20.12(e) and TFM ***Volume 1, Part 2, Chapter 1500***	• The net proceeds shall be deposited into the Budget Clearing Account (_F3875), and transferred to the U.S. Coast Guard using the IPAC System.

TYPE OF SURPLUS PROPERTY	DISPOSITION OF PROCEEDS
14. General Gifts – Gifts and bequests of property made on the condition that it be used for the benefit of, or in connection with the establishment, operation, or maintenance of a school, hospital, library, museum, cemetery, or other institution, or organization under the jurisdiction of the Secretary. (For more details, see Volume 12, Chapter 30 "Operation and Use of General Gift Funds.") Authority: ***Title 10, U.S.C. section 2601***	• The net proceeds shall be deposited into the Treasury fund designated for DoD or the Military Department as applicable: 21X8927- Department of the Army General Gift Fund, 17X8716 - Department of the Navy General Gift Fund, 57X8928 - Department of the Air Force General Gift Fund, or 97X8163 - Department of Defense General Gift Fund
15. Gifts for wounded warriors – Gifts nd bequests of property made on the condition that it be used for the benefit of (A) members of the armed forces, including members performing full-time National Guard duty, who incur a wound, injury, or illness while in the line of duty; (B) civilian employees of DoD who incur a wound, injury, or illness while in the line of duty; (C) dependents of such members or employees; and (D) survivors of such members or employees who are killed. (For more details, see Volume 12, Chapter 30 "Operation and Use of General Gift Funds.") Authority: ***Title 10, U.S.C. section 2601***	• The net proceeds shall be deposited into the Treasury fund designated for DoD or the Military Department as applicable: 21X8927 - Department of the Army General Gift Fund, 17X8716 - Department of the Navy General Gift Fund, 57X8928 - Department of the Air Force General Gift Fund, or 97X8163 - Department of Defense General Gift Fund

TYPE OF SURPLUS PROPERTY	DISPOSITION OF PROCEEDS
16. Gifts for Defense Dependents Education System - Any gift (including any gift of an interest in real property) that is to be used in connection with the operation and/or administration of the DoD dependent's education system. (For more details, see Volume 12, Chapter 30 "Operation and Use of General Gift Funds.") Authority: ***Title 10, U.S.C. section 2605***	• The net proceeds shall be deposited into the DoD Dependents Education Gift Fund Account (97X8096).
17. Any contribution of money, real property, or personal property made by any person, business, foreign government, or international organization for use by the DoD. (For more details, see Volume 12, Chapter 3 "Contributions for Defense Programs, Projects, and Activities.") Authority: ***Title 10, U.S.C. section 2608***	• The net proceeds shall be deposited into the Defense Cooperation Account (97X5187).
18. Supplies, material, equipment, and other personal property personal (to include demilitarized/scrapped end items) turned in by DoD Components. (For more details, see Volume 12, Chapter 14 "Transferring, Disposing, and Leasing of Real Property and Personal Property.") Authority: ***Title 10, U.S.C. section 2210***	• The net proceeds shall be deposited into the current applicable DoD appropriation (i.e., the appropriation currently available for the purchase of such items).

TYPE OF SURPLUS PROPERTY	DISPOSITION OF PROCEEDS
19. All other personal property, to include demilitarized/scrapped end items, turned in by DoD and other federal government activities where the disposition of the proceeds is not otherwise provided by law. (For more details, see ***Volume 12, Chapter 14*** "Transferring, Disposing, and Leasing of Real Property and Personal Property.") Authority: ***Title 40, U.S.C. section 571***	• The net proceeds shall be deposited into the Miscellaneous Receipts account (97_2651).

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CHAPTER 5 - DISPOSITION OF PROCEEDS FROM DEPARTMENT OF DEFENSE SALES OF SURPLUS PERSONAL PROPERTY

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050102.B	Title 10, U.S.C. section 2210

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050201.B	Title 40, U.S.C. section 571(b)
	Title 10, U.S.C. section 2210
050202.A	Title 10, U.S.C. section 2210
050202.B	Title 40, U.S.C. section 574
050202.C	DFARS, subpart 245.610
	Title 40, U.S.C. Section 574(c)
050202.D	Title 10, U.S.C. section 2577
	DoD Instruction 4715.4, July 6, 1998
050202.E	Title 10, U.S.C. section 2575
050203.	
Table 5-1:	Title 10, U.S.C. section 2210
Table 5-2:	Title 10, U.S.C. section 2577
	Title 40, U.S.C. Section 574
	Title 10, U.S.C. section 2575
	Title 22, U.S.C. section 2355(d)
	Title 22, U.S.C. section 2795
	Title 22, U.S.C. section 2761
	Title 40, U.S.C. Section 574(c)
	OMB Circular A-11, section 20.12(e)
	TFM Volume 1, Part 2, Chapter 1500
	Title 10, U.S.C. section 2601
	Title 10, U.S.C. section 2605
	Title 10, U.S.C. section 2608
	Title 40, U.S.C. section 571

0503 - Collection and Disposition of Bid Deposits

050303.C	DoD FMR Volume 5, Chapter 24

VOLUME 11A CHAPTER 6: "ANNUAL REIMBURSABLE RATES"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font*****.**

The previous version dated December 2008 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
Overall	Date Refresh	Refresh

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CHAPTER 6

ANNUAL REIMBURSABLE RATES

0601 GENERAL

The Department of Defense (DoD) provides goods and services to meet military mission requirements. The Economy Act allows the Department to provide certain goods not only to DoD Components, but also to other government agencies and the private sector, under specified conditions. Reimbursable rates, published by the Under Secretary of Defense (Comptroller)/ DoD Chief Financial Officer, provide a basis for the Department and its Components to be reimbursed for such goods and services provided.

0602 PURPOSE

The purpose of this chapter is to provide guidance relative to the preparation of specific exhibits, and due dates for the submission of such exhibits, used to develop and support those reimbursable rates published by the DoD Deputy Comptroller (Program/Budget).

0603 APPLICABILITY

This guidance applies to all DoD Components and goods or services encompassed by or subject to reimbursable rates approved by the DoD Chief Financial Officer.

0604 RESPONSIBILITY

060401. Deputy Comptroller (P/B)

The Office of the Under Secretary of Defense (Comptroller) is responsible for reviewing, coordinating, and publishing reimbursable rates for the Department. Where feasible, applicable reimbursable rates will be published prior to the beginning of each new fiscal year, allowing sufficient lead time for the distribution of rates and the updating of billing systems.

060402. DoD Components

DoD Components are required to:

A. Maintain systems that use generally accepted cost accounting procedures to formulate proposed rates. Each such DoD Component is responsible for maintaining, in conjunction with the Defense Finance and Accounting Service, an appropriate cost accounting system enabling the accumulation of data needed to formulate reimbursable rates to be charged to consumers of such goods or services. Generally accepted cost accounting procedures will be the basis for such proposed rates.

B. Submit to the DoD Deputy Comptroller (P/B), reimbursable rate exhibits that propose reimbursable rates for the upcoming fiscal year. Such exhibits shall be prepared and submitted in accordance with the time frames specified in section 0605 and use the formats specified in the appendices to this chapter.

C. Bill using rates approved by the DoD Deputy Comptroller (P/B). Goods or services provided in an academic year or a fiscal year, as applicable, will be billed at the

approved academic or fiscal year rate, respectively, effective with the beginning of the academic year, or October 1 of the fiscal year, as appropriate, irrespective of whether the rates have been established in the billing system.

D. Ensure that rates different from those approved by the DoD Chief Financial Officer are not issued or changed without the prior written approval of that official or the Deputy Chief Financial Officer.

0605 EXHIBITS

060501. Reimbursable Rate Exhibits

The following reimbursable rate exhibits are to be submitted in support of the President's Budget submission each year. Detailed instructions are included with each exhibit and specific due dates are identified below:

TYPE OF REIMBURSABLE RATE	APPENDIX	DUE DATE	SUBMITTING COMPONENT	Reviewing OUSD(C) COMPONENT
Academy Foreign Cadet	A	March 1	All Military Depts and OASD (Health Affairs)	Operations
Civilian/Military Equivalency, DoD Working Capital Funds	B	March 1	OUSD(C) Revolving Funds	Revolving Funds
Civilian Personnel Fringe Benefit	C	March 1	OUSD(C) Operations	Operations
Contract Administration Services	D	March 1	DCMA, DCAA, All Military Depts	Operations
Fixed Wing Aircraft	E	March 1	All Military Depts	Operations
Food Service (Inc. Cadet Ration)	F	March 1	All Military Depts	Military Personnel and Construction
Helicopter	G	March 1	All Military Depts	Operations
Medical and Dental Services	H	March 1	OASD(Health Affairs)	Military Personnel and Construction
Military Composite Pay	I	March 1	All Military Depts	Military Personnel and Construction
NASA	J	March 1	DCMA, DCAA, All Military Depts	Operations

060502. Exhibits Submissions

Exhibits should be submitted to the attention of the corresponding reviewing component above in both electronic format and hard copy to the DoD Deputy Comptroller (P/B), The Pentagon, Washington, DC 20301-1100. Spreadsheet and text files provided in electronic format should be compatible with Microsoft Excel.

APPENDIX A: SERVICE ACADEMIES' FOREIGN CADET REIMBURSABLE RATE

A. GENERAL INFORMATION

The information and process shown below will be used to determine the academic year reimbursable rate for foreign cadets/midshipmen attending the Service Academies. The DoD-wide rate will be computed by the Operations Directorate, OUSD(C), and published prior to the commencement of the academies' academic year.

B. RATE CALCULATION:

Future Year Defense Program	FY 20CY (1)	FY 20BY (1)
Program Elements (2):		
0804721 Service Academies (TOA)	$ _____	$ _____
Cadet/Midshipmen Workyears (3)	$ _____	$ _____
Medical Support Costs per capita (4)	$ _____	$ _____
Total Medical Costs (5)	$ _____	$ _____
Total Costs (6)	$ _____	$ _____
Cost per Cadet/Midshipmen (7)	$ _____	$ _____
Academic Year Reimbursable Rate (8)	$ _____	$ _____

C. INSTRUCTIONS:

(1) Insert the applicable current year (CY) and budget year (BY) for the fiscal year being calculated. For example, when computing the FY 2009 Budget Year rate, the current year would be FY 2008 and the budget year would be FY 2009.

(2) Include all costs and programming data included in Program Element (PE) Service Academies (804721) for all Services for the applicable Service Academy Program Element from the latest President's Budget Future Years Defense Program for the appropriate years.

(3) Insert the Cadet/Midshipman workyears (for all Services) shown in the Military Personnel justification books submitted to the Congress in support of the President's Budget.

(4) Medical support costs are representative of Academy clinic/hospital costs attributable to the medical support provided to the Academies' cadets/midshipmen. The Office of the Assistant Secretary of Defense (Health Affairs) shall provide a cost per capita for the CY and BY, by Academy to the Director, for Operations Directorate, OUSD(C), Room 3C749, The Pentagon, 30 days after the submission of the President's Budget to the Congress. This amount will be calculated by multiplying the per capita cost provided by the OASD(HA) by the sum of the cadet/midshipman workyears included in the President's budget.

(5) Multiply the number of cadet workyears by the medical support costs per capita rate to get the total Medical charge for the academy.

(6) This is the sum of the Service Academies PE (804721) amount and the total medical charge Program Element costs and medical support costs.

(7) Divide the Total Costs (6) by Cadet/Midshipman Workyears (3).

(8) This is the sum of 1/3 of the cost per cadet/midshipman for the CY and 2/3 of the CY cost per cadet/midshipman for the BY (since the rate is published in July for the advent of the upcoming school year).

APPENDIX B: DoD WORKING CAPITAL FUNDS CIVILIAN/MILITARY EQUIVALENCY RATE

Fiscal Year _____

The cost of military personnel assigned to activities financed by a Defense Working Capital Fund (DWCF) is included in the total cost of operations of the Working Capital Fund activities at civilian equivalent rates. Military personnel assigned to DWCF activities are to be costed at civilian equivalent rates, using the rates in the table below.

MILITARY GRADE	CIVILIAN GRADE EQUIVALENT Based on GS Pay Scales	CIVILIAN EQUIVALENT RATE BY(s) 20____
0-9	ES Level III	
0-8	ES Level IV	
0-7	ES Level V	
0-6	GS-15	
0-5	GS-14	
0-4	GS-13	
0-3	GS-12	
0-2	GS-11	
0-1	GS-09	
WO-5	GS-12	
WO-4	GS-12	
W0-3	GS-11	
WO-2	GS-09	
WO-1	GS-09	
E-9	GS-08	
E-8	GS-07	
E-7	GS-06	
E-6	GS-05	
E-5	GS-05	
E-4	GS-04	
E-3	GS-03	
E-2	GS-02	
E-1	GS-01	

Stabilized customer rates and reimbursement to the Military Personnel accounts are not based on the above rates. Rather, such amounts are based on the absolute total dollar amount specified in the President's budget (rather than based on the number, or military composite rate, of individuals actually assigned). Guidance on calculating, paying (reimbursing), recording and reporting DWCF military personnel costs is contained in Volume 2B, Chapter 9, Section 090103 and Volume 11B, Chapter 12, Section 1202 of the DoD Financial Management Regulation (FMR) (DoD 7000.14-R).

INSTRUCTIONS

The Department of Defense Working Capital Funds civilian/military equivalency rate will be calculated as follows:

1. Use the generic (Rest of U.S.) pay amount for Step 5 of each appropriate General Schedule (GS) civilian grade, or the applicable Executive Service (ES) pay level, as applicable, from the current civilian pay schedules.

2. Add as required, the applicable portion (pro-rata) of the proposed pay raise, if any, for civilians (GS/ES) that was effective for the budget fiscal year, and

3. Add the average civilian personnel fringe benefits factor applicable to the Military Services and Defense Agencies. The amount for unfunded civilian retirement is not to be included in the fringe benefits percentage factor. Civilian personnel fringe benefit rates are provided by the OUSD (Comptroller) and published on the Comptroller website.

APPENDIX C: CIVILIAN FRINGE BENEFIT RATE COMPUTATION

DOD COMPONENT (1)

		Prior Year (2,3)	Current Year (2,3)	Budget Year (2,3)
A.	Object Class 12.1 Civilian Personnel Benefits (4)			
B.	Object Class 11 Civilian Personnel Compensation (5)			
	11.1 Full-time Permanent			
	11.3 Other Than Full-Time Permanent			
	11.5 Other Personnel Compensation			
	11.8 Special Personal Services Payments			
C.	Total Personnel Compensation (Total of 11.1, 11.3, 11.5, 11.8) (6)			
D.	Civilian Fringe Benefit (Interagency) Rate (7)			
E.	Office of Personnel Management (OPM) Unfunded Retirement Factor (8)			
F.	Public, and Private Activities (9)			

(See footnoted instructions on following page)

INSTRUCTIONS

(1) Insert the name of the applicable DoD Component submitting the exhibit. A separate exhibit is required from each Military Service (including the U.S. Marine Corps) and from all Defense Agencies.

(2) Insert the applicable fiscal year.

(3) Insert the applicable amounts for each fiscal year. A brief description should be provided to explain changes of 10 percent or more between (a) previously budgeted and actual amounts for the prior fiscal year, (b) previously budgeted and currently budgeted amounts for the current year, and (c) the currently budgeted amounts for the budget year.

(4) Insert the applicable amounts shown in the current President's Budget for Object Class 12.1, Civilian Personnel Benefits.

(5) Insert on the applicable lines, the applicable amounts shown in the current President's Budget for Object Class 11.1, 11.3, 11.5 and 11.8.

(6) Enter the total of personnel compensation from Object Class 11.1, 11.3, 11.5 and 11.8, shown above.

(7) Divide the amount reported in line A. by the amount reported in line C. The resultant percentage is the percentage rate to be applied to civilian labor costs for billings to other Federal Agencies. This is DoD's funded rate.

(8) The civilian fringe benefit rate--to be used in this calculation--will be obtained annually from the Directorate for Accounting and Finance Policy.

(9) Add lines D. and lines E. to determine the percentage to be applied on billings to the public and private activities.

APPENDIX D: CONTRACT ADMINISTRATION SERVICES

Contract administration services (CAS) hourly reimbursable billing rates should be applied to direct labor hours incurred in support of CAS efforts. These CAS rates are to be used in billing other Federal Agencies, the public, and Foreign Military Sales (FMS) customers. FMS customers are to be billed in accordance with subsections 070406 and 080601 of Volume 15, "Security Assistance Policy and Procedures," of this Regulation. Waivers and exclusions are to be granted in accordance with subsection 070104 of Volume 15.

Performing DoD Component	Other Federal Agencies Rate (1)	FMS Rate (2)	Public Rate (3)
Army			
Navy			
Air Force			
Defense Logistics Agency			
Defense Contract Audit Agency			

NOTES:

(1) Use the Budget Year "Gross Cost Per Direct Hour" amount from page 2.

(2) Sum Budget Year lines C, E, and G from page 2 and multiply the resultant amount by .167 (obtained from OMB Circular No. A-76 Revised Supplemental Handbook, "Performance of Commercial Activities"). That product then is divided by the applicable total direct work-hours (line V from page 2) to derive an hourly unfunded civilian retirement cost. The resultant hourly unfunded civilian retirement cost is added to the "Other Federal Agencies Rate" (column 1) to yield the FMS rate.

(3) Use the FMS Rate plus 4% for asset use charge. This is achieved by multiplying the FMS rate by 1.04.

REIMBURSEMENT COST FOR CONTRACT ADMINISTRATION SERVICES

DoD COMPONENT _____

	Prior Year [4] (PY)	Current Year (CY)	Budget Year (BY)
Gross Workyear Cost			
A. Total Salaries of Direct Labor Personnel [5]	$	$	$
B. Number of Direct Labor Personnel Full-Time Equivalents (FTEs) [5]			
C. Average Salary of Direct Labor Personnel [(A)÷(B)]	$	$	$
D. Total Salaries of Indirect Supervision & Administrative Personnel [5]	$	$	$
E. Indirect Supervision & Administrative Salaries per FTE [(D)÷(B)]	$	$	$
F. Total Salaries of Regional, District and Headquarters Personnel [5][6]	$	$	$
G. Regional, District and Headquarters Salaries per FTE [(F)÷(B)]	$	$	$
H. Personnel Benefits [5]	$	$	$
I. Average Personnel Benefits Costs per FTE [(H)÷(B)]	$	$	$
J. Total Cost of Personnel Service [(C) + (E) + (G) + (I)]	$	$	$
K. Total Travel Costs [6][7]	$	$	$
L. Average Travel Costs per FTE [(K)÷(B)]	$	$	$
M. Other Support Costs [6][8]	$	$	$
N. Average Support Costs per FTE [(M)÷(B)]	$	$	$
O. Total Gross Work-Year Cost [(J) + (L) + (N)]	$	$	$
Direct Work-Hours			
P. Work-Hours Available (see OMB Circular No. A-11, Section 85)			
Q. Less Holidays	80	80	80
R. Less Annual Leave [6]			
S. Less Sick Leave [6]			
T. Less Other Leave (e.g., Military, Jury and Administrative) [6]			
U. Less Training Time [6]			
V. Total Direct Work-Hours [(P) - (Q) - (R) - (S) - (T) - (U)]			
Gross Cost Per Direct Hour [(O)÷(V)]	$	$	$

REIMBURSEMENT COST FOR CONTRACT ADMINISTRATION SERVICES

Notes:

(4) The amounts reflected should be the "actual" cost and work-hour data for the most recently completed Fiscal Year. This should be the FY 20PY of the President's Budget.

(5) The amounts reflected should be that shown in the "Total" column of the attached schedule, "Personnel Cost For Contract Administration Services" (page 4) for the applicable year, i.e., PY, CY, BY.

(6) Separately, show basis of computation.

(7) Includes all travel costs, i.e., local, temporary additional duty, and permanent change of station, of the civilian and military personnel included under items (A), (D) and (F).

(8) Includes other expenses such as supplies, equipment, training and communications.

PERSONNEL COST FOR CONTRACT ADMINISTRATION AND RELATED SUPPORT SERVICES

DoD COMPONENT _____

Gross Workyear Cost For Prior Year (Actual)	Civilian (a)	Military (b)	Total (a) + (b)
A. Total salaries of Direct Labor Personnel [9]	$	$	$
B. Number of Direct Labor Personnel Full-Time Equivalents (FTEs)			
C. Average Salary of Direct Labor personnel [(A)÷(B)]			$
D. Total Salaries of Indirect Supervision and Administrative Personnel [10]	$	$	$
E. Indirect Supervision and Administrative Salaries per FTE [(D)÷(B)]			$
F. Total Salaries of Regional, District and Headquarters Personnel [11]	$	$	$
G. Regional, District and Headquarters Salaries per FTE [(F)÷(B)]			$
H. Personnel Benefits [12]	$	$	$
I. Personnel Benefits Costs per FTE [(H)÷(B)]			$
J. Total Cost of Personnel Service [(C) + (E) + (G) + (H)]	$	$	$
Gross Workyear Cost For Current Year			
A. Total salaries of Direct Labor Personnel [9]	$	$	$
B. Number of Direct Labor Personnel Full-Time Equivalents (FTEs)			
C. Average Salary of Direct Labor personnel [(A)÷(B)]			$
D. Total Salaries of Indirect Supervision and Administrative Personnel [10]	$	$	$
E. Indirect Supervision and Administrative Salaries per FTE [(D)÷(B)]			$
F. Total Salaries of Regional, District and Headquarters Personnel [11]	$	$	$
G. Regional, District and Headquarters Salaries per FTE [(F)÷(B)]			$
H. Personnel Benefits [12]	$	$	$
I. Personnel Benefits Costs per FTE [(H)÷(B)]			$
J. Total Cost of Personnel Service [(C) + (E) + (G) + (I)]	$	$	$

PERSONNEL COST FOR CONTRACT ADMINISTRATION SERVICES

DoD COMPONENT _____

Gross Workyear Cost For Budget Year	Civilian (a)	Military (b)	Total (a) + (b)
A. Total salaries of Direct Labor Personnel (9)	$_____	$_____	$_____
B. Number of Direct Labor Personnel Full-Time Equivalents (FTEs)	_____	_____	_____
C. Average Salary of Direct Labor personnel [(A)÷(B)]			$_____
D. Total Salaries of Indirect Supervision and Administrative Personnel (10)	$_____	$_____	$_____
E. Indirect Supervision and Administrative Salaries per FTE [(D)÷(B)]			$_____
F. Total Salaries of Regional, District and Headquarters Personnel (11)	$_____	$_____	$_____
G. Regional, District and Headquarters Salaries per FTE [(F)÷(B)]			$_____
H. Personnel Benefits (12)	$_____	$_____	$_____
I. Personnel Benefits Costs per FTE [(H)÷(B)]			$_____
J. Total Cost of Personnel Service [(C) + (E) + (G) + (I)]	$_____	$_____	$_____

Notes:

(9) Include the salary expenses of direct civilian and military personnel, e.g., contract administrators.

a. Civilian. The cost of civilian personnel assigned full time to contract administration requirements should reflect the annual salary for the applicable pay grades. Otherwise, an hourly rate of 1/2087 of the annual rate shall be used and a leave and holiday factor of 18 percent of pay cost added.

b. Military. The cost of military personnel assigned full time to contract Administration requirements should be based on the annual Military Composite Pay rates. Otherwise, an hourly rate of 1/2080 of the annual Military Composite Pay rate shall be used and a leave and holiday factor of 14 percent of pay cost added.

(10) Include the indirect salary expenses for civilian and military personnel that perform supervisory and administrative (clerical) functions. Such costs are computed as indicated in(9)a. and (9)b. above.

(11) Include the salary expenses for civilian and military personnel at the district, regional and headquarters level. Such costs are computed as indicated in (9)a. and (9)b. above.

(12) Include the fringe benefit expenses for all civilian and military personnel included in items (A), (D) and (F).

a. Civilian. Fringe benefits are computed by multiplying civilian personnel costs by the civilian fringe benefit rate. The fringe benefit rate must be that reported for the applicable fiscal year on the OP-8 exhibit, "Civilian Personnel Costs."

b. Military. Fringe benefits are computed by multiplying separately the officer and enlisted salaries by 6 percent for officers and 18 percent for enlisted personnel.

VARIANCES IN THE REIMBURSEMENT COST FOR CONTRACT ADMINISTRATION SERVICES

DoD COMPONENT _____

Gross Workyear Cost	Ratio of PY to CY (13)	Ratio of CY to BY (14)
Average Salary of Direct Labor Personnel	%	%
Indirect Supervision & Administrative Salaries Per FTE	%	%
Regional, District and Headquarters Salaries Per FTE	%	%
Average Personnel Benefits Costs Per FTE	%	%
Total Cost of Personnel Services	%	%
Total Travel Costs	%	%
Other Support Costs	%	%
Total Gross Workyear Cost	%	%
Direct Work-Hours		
Annual Leave	%	%
Sick Leave	%	%
Other Leave (e.g., Military, Jury, Administrative)	%	%
Training Time	%	%
Total Direct Work-Hours	%	%
Gross Cost Per Direct Labor Hour	%	%

Provide narrative explaining variance in any element greater than three percent:

_____

_____

_____

VARIANCES IN THE REIMBURSEMENT COST FOR CONTRACT ADMINISTRATION SERVICES

Notes:

(13) Computed using the cost and hour data from page 2. Divide the current year amount for each element by the prior year amount, subtract 1 and multiply by 100.

(14) Computed using the cost and hour data from page 2. Divide the budget year amount for each element by the current year amount, subtract 1 and multiply by 100.

APPENDIX E: COLLECTIONS FOR REIMBURSEMENTS OF DOD-OWNED AIRCRAFT (FIXED WING)

DEPARTMENT OF _____(1)
ACCOUNTS TO WHICH COLLECTIONS ARE TO BE DEPOSITED FOR REIMBURSEMENTS FOR THE USE OF DOD-OWNED AIRCRAFT (FIXED WING)

FISCAL YEAR _____(2)

(DOLLAR AMOUNT PER HOUR)

Aircraft	DoD	Federal Agency and FMS Users			All Other Users			
	O&M	O&M	MilPers	Total	O&M	MilPers	Asset Utl	Total
(3)	(4)	(5,6)	(5,6)	(5,6)	(7)	(7)	(7)	(7)

INSTRUCTIONS

(1) Insert Army, Navy or Air Force, as applicable.

(2) Insert the applicable fiscal (budget) year.

(3) Separately list and provide data for each type/model/series of aircraft (fixed wing) in the DoD Component's inventory which is subject to reimbursement as a composite rate of all Service Components (Active, Guard, and Reserve).

(4) The DoD rate will include costs for (8)--Fuel, (9)--DLRs, (10)--Depot Maintenance, and (11)--Other. This rate is to be used for interdepartmental (e.g., Navy to Air Force, etc.) billing purposes. Location of calculation instructions in this appendix are indicated by the number in parenthesis before the name of the cost category.

(5) The Other Federal Agency Rate will include costs for (8)--Fuel, (9)--DLRs, (10)--Depot Maintenance, (11)--Other, and (12)--Crew Salary. Location of calculation instructions in this appendix are indicated by the number in parenthesis before the name of the cost category.

(6) The FMS rate will include costs for (8)--Fuel, (9)--DLRs, (10)--Depot Maintenance, (11)--Other, (12)--Crew Salary. Location of calculation instructions are indicated by the number in parenthesis before the name of the cost category.

(7) The Public Rate will include costs for (8)--Fuel, (9)--DLRs, (10)--Depot Maintenance, (11)--Other, (12)--Crew Salary, (13)--Asset Utilization and an unfunded civilian retirement cost (The civilian fringe benefit rate--to be used in this calculation--will be obtained annually from the OUSD(C), Program/Budget, Operations Directorate, 3C749, the Pentagon, Washington, DC 20301-1100) for any civilian personnel costs included in (4), (5), (6), (7) or (8). Location of calculation instructions in this appendix are indicated by the number in parenthesis before the name of the cost category.

(8) Fuel costs will be equal to the corresponding amounts shown in the related OP-20 Exhibit series (OP-20D for Army, OP-20 for Navy, and OP-20E for Air Force) for the applicable type/model/series. (If for any reason, the OP-20 Exhibit series does not include an applicable type/model/series of aircraft, fuel costs will be computed using the same methodology as that used for aircraft included in the OP-20 Exhibit series, i.e., by dividing the total cost of fuel for the fiscal year for each type of aircraft by the total number of flying hours for that same aircraft.) Services should also include fuel costs for non-fly fuel directly supporting the flying hour program (such as fuel used in engine test cells and auxiliary powers units).

(9) Depot-level reparable (DLR) costs will be equal to the corresponding amounts shown in the related OP-20 Exhibit series (OP-20D for Army, OP-20 for Navy, and OP-20E for Air Force) for the applicable type/model/series. (If for any reason, the OP-20 Exhibit series does not include an applicable type/model/series of aircraft, DLR costs will be computed using the same methodology as that used for aircraft included in the OP-20 Exhibit series, i.e., by dividing the total DLR costs for the applicable fiscal year by the total number of flying hours for that same aircraft.)

(10) Include an hourly rate for depot maintenance cost for airframes, engines, and components for the applicable type/model/series. This cost will be an average cost for that type/model/series, and be computed by dividing the total amount of depot maintenance budgeted for the applicable type/model/series by the number of flying hours budgeted for that type/model/series.

(11) Other costs will equal corresponding "other" amounts shown in the related OP-20 Exhibit series (OP-20D for Army, OP-20 for Navy, and OP-20E for Air Force--for Air Force, this is equal to the consumables required in Exhibit OP-20E). (If for any reason, the OP-20 Exhibit series does not include an applicable type/model/series of aircraft, other costs will be computed using the same methodology as that used for aircraft included in the OP-20 Exhibit series, i.e., by adding all operating costs ((other than fuel, DLRs, depot maintenance, crew salary, and asset utilization)) and dividing the total of such other costs for the applicable fiscal year by the total number of flying hours.) If for any reason the OP-20 Exhibit does not include detail for contract logistics support, use a five-year average of variable CLS or equivalent costs and hours.

(12) Crew salary amounts will be computed based on the number and grade of military personnel operating the aircraft. Crew salary costs will be computed by:

(a) Multiplying the standard number of crew members in each applicable military grade times the annual Military Standard Composite Rate for that grade available on the reimbursable rates page of the OUSD(C) website: (http://comptroller.defense.gov/rates/fy2014.html). NOTE: For Federal Agencies and Public rates, use the applicable rates in the "Annual Rate Billable to Other Federal Agencies" column. For the FMS rate, use the applicable rate in the "Annual DoD Composite Rate" column plus the annual acceleration factor.

(b) Dividing the result of (a) by 2080 (hours) to convert the annual rate to an hourly rate, by grade.

(c) Multiplying the results of (b) by a factor of 1.14 percent for both officers and enlisted personnel. (This calculation increases the hourly rate by 14 percent for officers and enlisted personnel fringe benefits.)

(d) Adding the amounts arrived at in (c) for each grade, to arrive at a total hourly rate for the entire crew.

NOTE: The computation of crew salary amounts should be supported by a separate table attached to this exhibit.

(13) The asset utilization amount will be computed by applying an asset utilization factor of 4 percent times the sum of columns (8)--Fuel, (9)--DLRs, (10)--Depot Maintenance, (11)--Other and (12)--Crew Salary for each specific aircraft.

(14) Provide a brief narrative to explain significant changes between fiscal years.

APPENDIX F: FOOD SERVICE

MILITARY SERVICE: (1) AREA: (2)

	FY_PY_ (3)	FY_CY_ (3)	FY_BY_ (3)
Part 1: Food Service Operating Expense			
A. Military Personnel and Related Compensation: (4)			
1. End Strength			
2. Workyears			
3. Costs			
B. DoD Civilian Personnel Compensation: (5)			
1. End Strength			
2. Work Years			
3. Costs			
C. Total DoD Personnel Compensation (A.3.+B.3.) (6)			
D. Food Service Attendant Contracts (7)			
E. Supplies and Materials (8)			
F. Full Food Service Contract Expenses: (9)			
1. Personnel Compensation			
2. All Other Costs			
G. Total Food Service Costs(C.+D.+E.+F.)(10)			

	FY_PY_ (3)	FY_CY_ (3)	FY_BY_ (3)
Part 2: Other Data			
A. Total Number of Food Service Facilities (11)			
B. Number of Meal-Days Fed (12)			
(Number of Meals Fed, by Type)			

	Breakfast	_____	_____	_____
	Brunch	_____	_____	_____
	Lunch	_____	_____	_____
	Dinner	_____	_____	_____
	Supper	_____	_____	_____
	Night Meal	_____	_____	_____
	Holiday	_____	_____	_____
	Snack	_____	_____	_____
C.	Amount of Meal Collections: (13)	_____	_____	_____
1.	Food Costs	_____	_____	_____
2.	Operating Expenses	_____	_____	_____

D. Explanation of Changes Between Fiscal Years (14)

Point-of-Contact: _____
Organization: _____
Telephone: _____

INSTRUCTIONS

General. The four Military Services each are required to prepare and submit two copies of this budget exhibit annually. The submission, containing previous fiscal year actual data, must be received no later than March 1 of each year.

One copy should be forwarded to the Director of Military Personnel and Construction, Office of the Under Secretary of Defense (Comptroller), 1100 Defense Pentagon, Washington, DC 20301-1100. A second copy should be forwarded to the Director of Operations, Office of the Under Secretary of Defense (Comptroller), 1100 Defense Pentagon, Washington, DC 20301-1100.

Please include a point-of-contact, with organization and telephone number with each submission.

NOTES:

(1) Insert applicable Military Service--Army, Navy, Marine Corps or Air Force.

(2) Identify applicable Area -- Separate reports must be submitted by each Military Service, and for each Military Academy. Reports for the Military Services should include amounts for medical facilities, and exclude amounts reported separately for the Military Academies. Additionally, the Department of the Navy shall submit separate exhibits for ashore, afloat, and a combined total of the ashore and afloat exhibits.

(3) Indicate the applicable fiscal years, and include applicable amounts for each fiscal year. For example, for the March 2009 submission, the FY PY will be FY 2008; the FY CY will be FY 2009; and the FY BY will be FY 2010. The FY CY column calculations should be computed using 1st quarter actual data and estimates for the remainder of the fiscal year.

Part 1: Food Service Operating Expense

(4) Show military personnel end strength (A.1.), work years (A.2.), and related personnel costs (A.3.). Military personnel costs should be determined by applying the Military Composite Pay Rate (see Chapter 6, Appendix I, of this Volume) to the work years shown for military personnel performing food service and related administrative services for appropriated fund dining facilities.

(5) Show civilian personnel end strength (B.1.), work years (B.2.), and related personnel costs (B.3.). Civilian personnel costs should be determined by applying the direct civilian labor rate (calculated in accordance with Chapter 1 of this Volume), multiplied by the Civilian Benefit Fringe Benefit Rate (see Chapter 6, Appendix C, of this Volume), to the work years shown for civilian personnel performing food service and related administrative services for appropriated fund dining facilities.

(6) Include total DoD personnel compensation costs -- this is the sum of lines A.3. and B.3.

(7) Include the total cost of all food service attendant contracts.

(8) Include the cost of all supplies and materials (excluding food items) and equipment expenses (equipment with a value of less than the expense/investment funding threshold used to determine if items are funded from operating expense (Operations and Maintenance), or investment expense (procurement) appropriations).

(9) Include total expenses incurred for full food service contracts. If available, identify personnel compensation amounts separately from all other costs.

(10) Include total food service costs -- this is the sum of C., D., E., and F.

Part 2: Other Data

(11) Include the total number of food service facilities operated by the Service.

(12) Meals served (counted) will be converted to an equivalent meal-days fed by multiplying the meals served by prescribed percentages in Chapter 19, Volume 12, of this Regulation. These meal conversion factors represent the estimated portion of the BDFA for each service member for each type of meal. Source data for meals served is also required.

(13) Show the actual/estimated total amount of food service charges collected for meals served. Food costs and operating expense collections should be identified separately.

(14) A brief description should be provided to explain significant changes between fiscal year amounts.

APPENDIX G: COLLECTIONS FOR REIMBURSEMENTS OF DOD-OWNED AIRCRAFT (ROTARY WING)

DEPARTMENT OF _____(1)
ACCOUNTS TO WHICH COLLECTIONS ARE TO BE DEPOSITED FOR REIMBURSEMENTS FOR THE USE OF DOD-OWNED AIRCRAFT (ROTARY WING)

FISCAL YEAR _____(2)

(DOLLAR AMOUNT PER HOUR)

Aircraft	DoD	Federal Agency and FMS Users			All Other Users			
	O&M	O&M	MilPers	Total	O&M	MilPers	Asset Utl	Total
(3)	(4)	(5,6)	(5,6)	(5,6)	(7)	(7)	(7)	(7)

INSTRUCTIONS

(1) Insert Army, Navy or Air Force, as applicable.

(2) Insert the applicable fiscal (budget) year.

(3) Separately list and provide data for each type/model/series of aircraft (rotary wing) in the DoD Component's inventory which is subject to reimbursement as a composite rate of all Service Components (Active, Guard, and Reserve).

(4) The DoD rate will include costs for (8)--Fuel, (9)--DLRs, (10)--Depot Maintenance, and (11)--Other. This rate is to be used for interdepartmental (e.g., Navy to Air Force, etc.) billing purposes. Location of calculation instructions in this appendix are indicated by the number in parenthesis before the name of the cost category.

(5) The Other Federal Agency Rate will include costs for (8)--Fuel, (9)--DLRs, (10)--Depot Maintenance, (11)--Other, and (12)--Crew Salary. Location of calculation instructions in this appendix are indicated by the number in parenthesis before the name of the cost category.

(6) The FMS rate will include costs for (8)--Fuel, (9)--DLRs, (10)--Depot Maintenance, (11)--Other, (12)--Crew Salary. Location of calculation instructions are indicated by the number in parenthesis before the name of the cost category.

(7) The Public Rate will include costs for (8)--Fuel, (9)--DLRs, (10)--Depot Maintenance, (11)--Other, (12)--Crew Salary, (13)--Asset Utilization and an unfunded civilian retirement cost (The civilian fringe benefit rate--to be used in this calculation--will be obtained annually from the OUSD(C), Program/Budget, Operations Directorate, 3C749, the Pentagon, Washington, DC 20301-1100) for any civilian personnel costs included in (4), (5), (6), (7) or (8). Location of calculation instructions in this appendix are indicated by the number in parenthesis before the name of the cost category.

(8) Fuel costs will be equal to the corresponding amounts shown in the related OP-20 Exhibit series (OP-20D for Army, OP-20 for Navy, and OP-20E for Air Force) for the applicable type/model/series. (If for any reason, the OP-20 Exhibit series does not include an applicable type/model/series of aircraft, fuel costs will be computed using the same methodology as that used for aircraft included in the OP-20 Exhibit series, i.e., by dividing the total cost of fuel for the fiscal year for each type of aircraft by the total number of flying hours for that same aircraft.) Services should also include fuel costs for non-fly fuel directly supporting the flying hour program (such as fuel used in engine test cells and auxiliary powers units).

(9) Depot-level reparable (DLR) costs will be equal to the corresponding amounts shown in the related OP-20 Exhibit series (OP-20D for Army, OP-20 for Navy, and OP-20E for Air Force) for the applicable type/model/series. (If for any reason, the OP-20 Exhibit series does not include an applicable type/model/series of aircraft, DLR costs will be computed using the same methodology as that used for aircraft included in the OP-20 Exhibit series, i.e., by dividing the total DLR costs for the applicable fiscal year by the total number of flying hours for that same aircraft.)

(10) Include an hourly rate for depot maintenance cost for airframes, engines, and components for the applicable type/model/series. This cost will be an average cost for that type/model/series, and be computed by dividing the total amount of depot maintenance budgeted for the applicable type/model/series by the number of flying hours budgeted for that type/model/series.

(11) Other costs will equal corresponding "other" amounts shown in the related OP-20 Exhibit series (OP-20D for Army, OP-20 for Navy, and OP-20E for Air Force--for Air Force, this is equal to the consumables required in Exhibit OP-20E). (If for any reason, the OP-20 Exhibit series does not include an applicable type/model/series of aircraft, other costs will be computed using the same methodology as that used for aircraft included in the OP-20 Exhibit series, i.e., by adding all operating costs ((other than fuel, DLRs, depot maintenance, crew salary, and asset utilization)) and dividing the total of such other costs for the applicable fiscal year by the total number of flying hours.) If for any reason the OP-20 Exhibit does not include detail for contract logistics support, use a five-year average of variable CLS or equivalent costs and hours.

(12) Crew salary amounts will be computed based on the number and grade of military personnel operating the aircraft. Crew salary costs will be computed by:

(a) Multiplying the standard number of crew members in each applicable military grade times the annual Military Standard Composite Rate for that grade available on the reimbursable rates page of the OUSD(C) website: (http://comptroller.defense.gov/rates/fy2014.html). NOTE: For the Federal Agencies and Public Rates, use the applicable rates in the "Annual Rate Billable to Other Federal Agencies" column. For the FMS rate, use the applicable rate in the "Annual DoD Composite Rate" column plus the annual acceleration factor.

(b) Dividing the result of (a) by 2080 (hours) to convert the annual rate to an hourly rate, by grade.

(c) Multiplying the results of (b) by a factor of 1.14 percent for both officers and enlisted personnel. (This calculation increases the hourly rate by 14 percent for officer and enlisted fringe benefits.)

(d) Adding the amounts arrived at in (c) for each grade, to arrive at a total hourly rate for the entire crew.

NOTE: The computation of crew salary amounts should be supported by a separate table attached to this exhibit.

(13) The asset utilization amount will be computed by applying an asset utilization factor of 4 percent times the sum of columns (8)--Fuel, (9)--DLRs, (10)--Depot Maintenance, (11)--Other and (12)--Crew Salary for each specific aircraft.

(14) Provide a brief narrative to explain significant changes between fiscal years.

APPENDIX H: MEDICAL AND DENTAL SERVICES RATE COMPUTATION

SUBMITTED BY THE OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE (HEALTH AFFAIRS)

Note: Budget exhibit includes Sections I, II, and III for IMET, Interagency and Other. This exhibit is to be included only in the President's budget. The format of the budget exhibit for medical and dental rates may vary slightly from year to year due to the addition/deletion of rates, changes in nomenclature, updated notes and other unforeseen reasons.

INPATIENT, OUTPATIENT AND OTHER RATES AND CHARGES

A. INPATIENT RATES 1/ 2/

Per Inpatient Day	Prior FY	Current FY	Budget FY
1. Burn Center	$_____	$_____	$_____
2. Surgical Care Services (Cosmetic Surgery)	$_____	$_____	$_____
3. All Other Inpatient Services (Based on Diagnosis Related Groups (DRG) Charges 3/)			

FY 1996 DIRECT CARE INPATIENT REIMBURSEMENT RATES

ADJUSTED STANDARD AMOUNT	Prior FY	Current FY	Budget FY
Large Urban	$_____	$_____	$_____
Other Urban/ Rural	$_____	$_____	$_____
Overseas	$_____	$_____	$_____

B. OUTPATIENT RATES 1/ 2/

Meprs Code 4/	Per Visit Clinical Services	Prior FY	Current FY	Budget FY
	1. Medical Care			
BAA	Internal Medicine			
BAB	Allergy			
BAC	Cardiology			
BAE	Diabetes			
BAF	Endocrinology			
BAG	Gastroenterology			
BAH	Hematology			
BAI	Hypertension			
BAJ	Nephrology			
BAK	Neurology			
BAL	Nutrition			
BAM	Oncology			
BAN	Pulmonary Disease			
BAO	Rheumatology			
BAP	Dermatology			
BAQ	Infectious Disease			
BAR	Physical Medicine			
	2. Surgical Care			
BBA	General Surgery			
BBB	Cardiovascular/Thoracic Surgery			
BBC	Neurosurgery			
BBD	Ophthalmology			
BBE	Organ Transplant			
BBF	Otolaryngology			
BBG	Plastic Surgery			
BBH	Proctology			
BBI	Urology			
BBJ	Pediatric Surgery			
	3. Obstetrical and Gynecological (OB-GYN)			
BCA	Family Planning			
BCB	Gynecology			
BCC	Obstetrics			

Meprs Code 4/	Per Visit Clinical Services	Prior FY	Current FY	Budget FY
	4. Pediatric Care			
BDA	Pediatric			
BDB	Adolescent			
BDC	Well Baby			
	5. Orthopedic Care			
BEA	Orthopedic			
BEB	Cast Clinic			
BEC	Hand Surgery			
BEE	Orthopedic Appliance			
BEF	Podiatry			
BEZ	Chiropractic Clinic			
	6. Psychiatric and/or Menta Health Care			
BFA	Psychiatry			
BFB	Psychology			
BFC	Child Guidance			
BFD	Mental Health			
BFE	Social Work			
BFF	Substance Abuse Rehabilitation			
	7. Primary Medical Care			
BGA	Family Practice			
BHA	Primary Care			
BHB	Medical Examination			
BHC	Optometry			
BHD	Audiology Clinic			
BHE	Speech Pathology			
BHF	Community Health			
BHG	Occupational Health			
BHI	Immediate Care Clinic			
	8. Emergency Medical Care			
BIA	Emergency Care Clinic			

Meprs Code 4/	Per Visit Clinical Services	Prior FY	Current FY	Budget FY
	9. Flight Medicine Clinic			
BJA	Flight Medicine			
	10. Underseas Medicine Care			
BKA	Underseas Medicine Clinic			
	11. Rehabilitative Services			
BLA	Physical Therapy			
BLB	Occupational Therapy			
BLC	Neuromuscularskeletal screening			
	12. Same Day Surgery			

C. OTHER RATES AND CHARGES

MEPRS Code 4/	PER VISIT Clinical Service	Prior FY	Current FY	Budget FY
	1. Immunizations	$_____	$_____	$_____
	2. Hyperbaric Services			
	1-60 minutes	$_____	$_____	$_____
	61-120 minutes	$_____	$_____	$_____
	121-180 minutes	$_____	$_____	$_____
	181-240 minutes	$_____	$_____	$_____
	Each Additional Hour	$_____	$_____	$_____
	(Note: Charges may be prorated based on usage)			
	3. Family Member Rate $_____			
	(formerly Military Dependents Rate)			

4. Third Party Drug Reimbursement Rates 5/

Include the third party drug reimbursement rates for prescriptions requested by external providers and obtained at the Military Treatment Facility as an attachment to the exhibit. Attachment should be entitled "Third Party Drug Reimbursement Rates."

5. High Cost Services Requested By External Providers 6/

Include the high cost services requested by external providers as an attachment to the exhibit. Attachment should be entitled "High Cost Services Requested By External Providers."

6. Elective Cosmetic Surgery Procedures and Rates Identify the charge (i.e., Surgical Care Services rate, Same Day Surgery rate, etc.) for the Cosmetic Surgery Procedures outlined below.

COSMETIC SURGERY PROCEDURE	INTERNATIONAL CLASSIFICATION DISEASES (ICD-9)	CURRENT PROCEDURAL TERMINOLOGY (CPT) 7/	CHARGE 8/
Mammaplasty	85.50	19325	_____
	85.32	19324	_____
	85.31	19318	_____
Mastopexy	85.60	19316	_____
Facial	86.82	15824	_____
Rhytidectomy	86.22		_____
Blepharoplasty	08.70	15820	_____
	08.44	15821	_____
		15822	_____
		15823	_____
Mentoplasty	76.68	21208	_____
(Augmentation	76.67	21209	_____
Reduction)			
Abdominoplasty	86.83	15831	_____
Lipectomy,	86.83	15876	_____
suction per		15877	_____
region 9/		15878	_____
		15879	_____
Rhinoplasty	21.87	30400	_____
	21.86	30410	_____
Scar revisions	86.84	1578_	_____
beyond CHAMPUS			_____
Mandibular or	76.41	21194	_____
Maxillary			_____
Repositioning			_____

COSMETIC SURGERY PROCEDURE	INTERNATIONAL CLASSIFICATION DISEASES (ICD-9)	CURRENT PROCEDURAL TERMINOLOGY (CPT) 7/	CHARGE 8/
Minor Skin Lesions 10/	86.30	1578_	_____
Dermabrasion	86.25	15780	_____
Hair Restoration	86.64	15775	_____
Removing Tattoos	86.25	15780	_____
Chemical Peel	86.24	15790	_____
Arm/Thigh Dermolipectomy	86.83	1583_	_____
Brow Lift	86.3	15839	_____

G. Dental Rate

MEPRS Code 4/	PER VISIT Clinical Service	Prior FY	Current FY	Budget FY
N/A	Dental Services	$_____	$_____	$_____

Dental service charges are based on a Composite Time Value. Provider should calculate the charges based on the time value of the procedure times the CTV rate.

H. Ambulance Rate

MEPRS Code 4/	PER VISIT Clinical Service	Prior FY	Current FY	Budget FY
N/A	Ambulance Service	$_____	$_____	$_____

Ambulance charges are based on hours of service. Provider should calculate the charges based on the number of hours (or fraction thereof) that the ambulance is logged out on a patient run.

NOTES ON REIMBURSABLE RATES:

1/ Percentages are applied to both inpatient and outpatient services provided when billing third party payers (e.g., insurance companies). Pursuant to the provisions of 10 U.S.C. 1095, the

inpatient Diagnosis Related Groups are __ percent hospital and __ percent professional fee. The outpatient per visit percentages are __ percent hospital, __ percent ancillary and __ percent professional.

2/ DoD civilian employees located in overseas areas shall be rendered a bill when services are performed. Payment is due 60 days from the date of the bill.

3/ The cost of DRG (Diagnosis Related Groups) is based on the inpatient full reimbursement rate per hospital discharge, weighted to reflect the intensity of the principal diagnosis involved. The adjusted standardized amounts (ASA) per Relative Weighted Product (RWP) for use in the Direct Care System is comparable to procedures utilized by Health Care Financing Administration (HFCA) and the Civilian Health and Medical Program for the Uniformed Services (CHAMPUS). These expenses include all direct care expenses associated with direct patient care. The average cost per relative weight product for large urban, other urban/rural, and overseas are published as an inpatient standardized amount and include the cost of inpatient professional services. The DRG rates apply to reimbursement from all sources (including third party payers).

4/ The Medical Expense and Performance Reporting System (MEPRS) code is a three digit code which defines the summary account and the subaccount within a functional category in the DoD medical system. An example of this hierarchical arrangement is as follows:

Outpatient Care (Functional Category)	MEPRS CODE
Medical Care (Summary Account)	BA
Internal Medicine (Subaccount)	BAA

MEPRS codes are used to ensure that consistent expense and operating performance data is reported in the DoD military medical system.

5/ High cost prescription services requested by external providers (Physicians, Dentists, etc.) are only relevant to the Third Party Collection Program. Third party payers (such as insurance companies) are billed for high cost prescriptions in those instances in which dependents who have medical insurance, seen by providers external to a Military Medical Treatment Facility (MTF), obtain the prescribed medication from an MTF. Eligible beneficiaries (family members or retirees with medical insurance) are not personally liable for this cost and, subsequently, are not billed by the MTF. A third party payer may be billed if the total prescription costs in a day exceed $____ when bundled together. The standard cost of high cost medications includes the cost of the drugs plus a dispensing fee, per prescription. The prescription cost is calculated by multiplying the number of units (tablets, capsules, etc.) times the unit cost and adding a $____ dispensing fee per prescription.

6/ Charges for high cost services requested by external providers (physicians, dentists, etc.) are only relevant to the Third Party Collection Program. Third party payers (such as insurance companies) shall be billed for high cost services in those instances in which dependents who have medical insurance, seen by providers external to a Military Medical Treatment Facility

(MTF), obtain the prescribed service from an MTF. Eligible beneficiaries (family members or retirees with medical insurance) are not personally liable for this cost and shall not be billed by the MTF. A third party payer may be billed if the total ancillary services costs in a day exceed $____ when bundled together.

7/ The attending physician is to complete the Physicians' Current Procedural Terminology code to indicate the appropriate procedure followed during cosmetic surgery. The appropriate rate is applied depending on the admission type of the patient, e.g., outpatient surgical, same day/ ambulatory surgery, or surgical care services.

8/ Family members of active duty personnel, retirees and their family members, and survivors are charged cosmetic surgery rates. The patient is charged the rate as specified in the reimbursable rates for an episode of care. The patient is responsible for both the cost of the implant(s) in addition to the prescribed cosmetic surgery rates.

NOTE: The implants and procedures used for the augmentation mammaplasty are in compliance with Federal Drug Administration guidelines.

9/ Each regional lipectomy will carry a separate charge. Regions include head and neck, abdomen, flanks, and hips.

10/ These procedures are inclusive in the minor skin lesions. However, CHAMPUS separates them as noted here. All charges are for the entire treatment regardless of the number of visits required.

APPENDIX I: MILITARY COMPOSITE STANDARD PAY AND REIMBURSEMENT RATES

DEPARTMENT OF THE _____ FOR FISCAL YEAR _____

GRADE	BASIC PAY (1)	RETIRED PAY ACCRUAL (2)	BASIC ALLOWANCE FOR HOUSING (3)	BASIC ALLOWANCE FOR SUBSISTENCE/SIK (4)	INCENTIVE AND SPECIAL PAYS (5)	PERMANENT CHANGE OF STATION (6)	MISCEL-LANEOUS EXPENSE (7)	MEDICARE-ELIGIBLE RETIREE HEALTH CARE (MERHC) ACCRUAL (8)	ANNUAL DOD COMPOSITE RATE (9)	ACCELERATION FACTOR (10)	AMOUNT BILLABLE TO OTHER FEDERAL AGENCIES (11)
O-10*											
O-9*											
O-8*											
O-7*											
O-6											
O-5											
O-4											
O-3											
O-2											
O-1											
WO-5											
WO-4											
WO-3											
WO-2											
WO-1											
CADETS											
E-9											
E-8											
E-7											
E-6											
E-5											
E-4											
E-3											
E-2											
E-1											

***Note: Basic Pay for O-7 to O-10 pay grades is limited by Level II of the Executive Schedule.**

MILITARY COMPOSITE STANDARD PAY AND REIMBURSEMENT RATES

INSTRUCTIONS

Each Military Service must complete an Appendix I using the attached standard format. The heading to each appendix I consists of three lines. The first line identifies the appendix by number, the second line states "MILITARY COMPOSITE STANDARD PAY AND REIMBURSABLE RATES," and the third line identifies the Military Service that has developed the rates and the fiscal year that the rates will be used.

The Military Composite Standard Pay and Reimbursement Rates exhibit for the Budget Year should include the following cost elements that are listed for each column of the report. Amounts listed shall be equal to corresponding amounts contained in the applicable Military Service's justification book in support of their military personnel appropriation budget request included in the latest President's budget:

(Column l) Basic Pay. Include the average basic pay amounts, by pay grade, as provided in the President's budget justification, Budget Subactivity (BSA) 1-A, Pay and Allowance of Officers, BSA 2-A, Pay and Allowances of Enlisted Personnel, and BSA 3-A, Pay and Allowances of Cadets and Midshipmen. The cadet and midshipmen rate is computed as a single rate for all cadets/midshipmen. NOTE: Basic Pay for O-7 to O-10 pay grades is limited by Level II of the Executive Schedule.

(Column 2) Retired Pay Accrual. Include average retired pay accrual amounts, by pay grade, as provided in the President's budget justification, BSA 1-B, Retired Pay Accrual for Officers and BSA 2-B, Retired Pay Accrual of Enlisted. The applicable retired pay accrual percentage is statutory and published annually.

(Column 3) Basic Allowance for Subsistence. Compute the basic allowance for subsistence rate separately, for officers and enlisted personnel, by pay grade, and for cadets and midshipmen, using amounts from the President's budget justification books. The officer rate is computed by dividing BSA 1-F, Basic Allowance for Subsistence for officers, by the officer average strength, by grade. The enlisted rate is computed by adding BSA 4-A, Basic Allowance for Subsistence for enlisted, BSA 4-B, Subsistence-in-Kind (SIK) for enlisted and BSA 4-C, Family Subsistence Supplemental Allowance (FSSA), and then dividing the total by the enlisted average strength, by grade. Compute a single rate for cadets and midshipmen.

(Column 4) Basic Allowance for Housing (BAH). Compute the BAH rate separately, for officers and enlisted personnel, by pay grade, using amounts from the President's budget justification books. The officer rate is computed by dividing BSA 1-E, BAH for officers by the average strength for officer personnel. The enlisted rate is computed by dividing BSA 2-J, BAH for enlisted by the average strength for enlisted personnel.

(Column 5) Incentive and Special Pays. Compute the Incentive and Special Pay rate separately for officers and enlisted personnel, by pay grade, using amounts from the President's budget justification books. For each pay grade, add the incentive and special pay amounts and then divide the sum by the average end strength, separately for officers and enlisted personnel. The officer rate is computed by adding the amounts for BSA 1-C, Incentive Pay for Hazardous Duty for officers and BSA 1-D, Special Pay for officers, then dividing the sum by the average strength for officer personnel. The enlisted rate is computed by adding the amounts for BSA 2-C, Incentive Pay for Hazardous Duty for enlisted, BSA 2-D, Special Pay for enlisted, BSA 2-E, Special Duty Assignment Pay for enlisted, BSA 2-F, Reenlistment Bonus, BSA 2-G, Enlistment Bonus, BSA 2-H, Education Benefits (College Fund), and BSA 2-I, Loan Repayment Program, then dividing the sum by the average strength for enlisted personnel.

(Column 6) Permanent Change of Station (PCS) Expense. This element represents the average cost of amounts provided in the President’s budget justification books for PCS travel, Budget Activity 5. Compute the average PCS by adding the following types of travel each for officers, enlisted personnel, and cadets, from the BSAs contained in the justification books: accession travel (BSA 5-A); training travel (BSA 5-B); operational travel between duty stations (within CONUS and within overseas) (BSA5-C); rotational travel to and from overseas (BSA 5-D); separation travel (BSA 5-E); and travel of organized units (BSA 5-F). The sum of BA-5 is divided by the average strength separately, for officer and enlisted personnel. Compute a single rate for cadets and midshipmen.

(Column 7) Miscellaneous Expense. This rate is the average computed separately, for officers and enlisted personnel, by pay grade, and for cadets and midshipmen, of amounts provided in the President's budget justification books for Budget Activity 6, Other Military Personnel Costs, and other amounts for miscellaneous allowances and payments for officers, enlisted, and cadets/midshipmen as contained in BSAs listed in the following matrix:

Miscellaneous Expense	Officer	Enlisted
Clothing Allowances	BSA 1-I	BSA 2-M
Station Allowances, Overseas	BSA 1-G	BSA 2-K
CONUS COLA	BSA 1-H	BSA 2-L
Family Separation Allowances	BSA 1-J	BSA 2-N
Separation Payments	BSA 1-K	BSA 2-O
Social Security Tax-Employer's Contribution	BSA 1-L	BSA 2-P
Other Military Personnel Costs	BA 6	BA 6

Sum the amounts in each of the above categories for officer and enlisted, by pay grade, and divide the sum by the average strength of officer and enlisted, by pay grade, as shown in the budget justification materials. A single rate shall be used for cadets and midshipmen.

(Column 8) Medicare-Eligible Retiree Health Care (MERHC) Accrual**.** The annual rate is provided in OUSD(Comptroller) budget guidance and covers the cost of future health care benefits for current officer and enlisted personnel once they retire and become Medicare-eligible, as well as their dependents and annuitants. It does not apply to cadets and midshipmen.

(Column 9) Annual DoD Composite Standard Rate. Enter the sum of columns (l) through (8).

(Column 10) Acceleration Factor. This rate is provided by the OUSD(Comptroller) and covers the medical health care costs of active duty personnel and their dependents associated with the Defense Health Program.

(Column 11) Amount Billable to Other Federal Agencies. Add columns 9 and 10 and subtract column 8. Note: To compute a daily rate, multiply column 11 by a factor of .00439 (1.14/260). For an hourly rate, multiply column 11 by a factor of .00055 (1.14/2080).

APPENDIX J: REIMBURSEMENT COST FOR CONTRACT ADMINISTRATION AND RELATED SUPPORT SERVICES FURNISHED TO THE NASA

DOD COMPONENT_____

	Prior Year [1] (PY)	Current Year (CY)	Budget Year (BY)
Gross Workyear Cost			
A. Total Salaries of Direct Labor Personnel [2]	$	$	$
B. Number of Direct Labor Personnel Full-Time Equivalents (FTEs) [2]			
C. Average Salary of Direct Labor Personnel [(A)÷(B)]	$	$	$
D. Total Salaries of Indirect Supervision & Administrative Personnel [2]	$	$	$
E. Indirect Supervision & Administrative Salaries per FTE [(D)÷(B)]	$	$	$
F. Total Salaries of Regional, District and Headquarters Personnel [2] [3]	$	$	$
G. Regional, District and Headquarters Salaries per FTE [(F)÷(B)]	$	$	$
H. Personnel Benefits [2]	$	$	$
I. Average Personnel Benefits Costs per FTE [(H)÷(B)]	$	$	$
J. Total Cost of Personnel Service [(C) + (E) + (G) + (I)]	$	$	$
K. Total Travel Costs [3] [4]	$	$	$
L. Average Travel Costs per FTE [(K)÷(B)]	$	$	$
M. Other Support Costs [3] [5]	$	$	$
N. Average Support Costs per FTE [(M)÷(B)]	$	$	$
O. Total Gross Work-Year Cost [(J) + (L) + (N)]	$	$	$
Direct Work-Hours			
P. Work-Hours Available (see OMB circular No. A-11, Section 85)			
Q. Less Holidays	80	80	80
R. Less Annual Leave [3]			
S. Less Sick Leave [3]			
T. Less Other Leave (e.g., Military, Jury and Administrative) [3]			
U. Less Training Time [3]			
V. Total Direct Work-Hours [(P) - (Q) - (R) - (S) - (T) - (U)]			
Gross Cost Per Direct Hour [(O)÷(V)]	$	$	$

REIMBURSEMENT COST FOR CONTRACT ADMINISTRATION AND RELATED SUPPORT SERVICES FURNISHED TO THE NASA

Notes:

(1) The amounts reflected should be the "actual" cost and work-hour data for the most recently completed fiscal year. This should be the FY 19PY of the President's budget.

(2) The amounts reflected should be that shown in the "Total" column of the attached schedule, "Personnel Cost For Contract Administration and Related Support Services Furnished to the NASA" (pages 3 and 4) for the applicable year, i.e., PY, CY, BY.

(3) Separately, show basis of computation.

(4) Includes all travel costs, i.e., local, temporary additional duty, and permanent change of station, of the civilian and military personnel included under items (A), (D) and (F).

(5) Includes other expenses such as supplies, equipment, training and communications.

Personnel Cost For Contract Administration and Related Support Services
Furnished to the NASA

DOD COMPONENT_____

		Civilian (a)	Military (b)	Total (a) + (b)
Gross Workyear Cost For Prior Year (Actual)				
A.	Total Salaries of Direct Labor Personnel [6]	$_____	$_____	$_____
B.	Number of Direct Labor Personnel Full-Time Equivalents (FTEs)	_____	_____	_____
C.	Average Salary of Direct Labor Personnel [(A)÷(B)]			$_____
D.	Total Salaries of Indirect Supervision and Administrative Personnel [7]	$_____	$_____	$_____
E.	Indirect Supervision and Administrative Salaries per FTE [(D)÷(B)]			$_____
F.	Total Salaries of Regional, District and Headquarters Personnel [8]	$_____	$_____	$_____
G.	Regional, District and Headquarters Salaries per FTE [(F)÷(B)]			$_____
H.	Personnel Benefits [9]	$_____	$_____	$_____
I.	Personnel Benefits Costs per FTE [(H)÷(B)]			$_____
J.	Total Cost of Personnel Service [(C) + (E) + (G) + (H)]	$_____	$_____	$_____
Gross Workyear Cost For Current Year				
A.	Total Salaries of Direct Labor Personnel [6]	$_____	$_____	$_____
B.	Number of Direct Labor Personnel Full-Time Equivalents (FTEs)	_____	_____	_____
C.	Average Salary of Direct Labor Personnel [(A)÷(B)]			$_____
D.	Total Salaries of Indirect Supervision and Administrative Personnel [7]	$_____	$_____	$_____
E.	Indirect Supervision and Administrative Salaries per FTE [(D)÷(B)]			$_____
F.	Total Salaries of Regional, District and Headquarters Personnel [8]	$_____	$_____	$_____
G.	Regional, District and Headquarters Salaries per FTE [(F)÷(B)]			$_____
H.	Personnel Benefits [9]	$_____	$_____	$_____
I.	Personnel Benefits Costs per FTE [(H)÷(B)]			$_____
J.	Total Cost of Personnel Service [(C) + (E) + (G) + (I)]	$_____	$_____	$_____

Personnel Cost For Contract Administration and Related Support Services
Furnished to the NASA

DOD COMPONENT_____

Gross Workyear Cost For Budget Year		Civilian (a)	Military (b)	Total (a) + (b)
A.	Total Salaries of Direct Labor Personnel (6)	$_____	$_____	$_____
B.	Number of Direct Labor Personnel Full-Time Equivalents (FTEs)	_____	_____	_____
C.	Average Salary of Direct Labor Personnel [(A)÷(B)]			$_____
D.	Total Salaries of Indirect Supervision and Administrative Personnel (7)	$_____	$_____	$_____
E.	Indirect Supervision and Administrative Salaries per FTE [(D)÷(B)]			$_____
F.	Total Salaries of Regional, District and Headquarters Personnel (8)	$_____	$_____	$_____
G.	Regional, District and Headquarters Salaries per FTE [(F)÷(B)]			$_____
H.	Personnel Benefits (9)	$_____	$_____	$_____
I.	Personnel Benefits Costs per FTE [(H)÷(B)]			$_____
J.	Total Cost of Personnel Service [(C) + (E) + (G) + (I)]	$_____	$_____	$_____

Notes:

(6) Include the salary expenses of direct civilian and military personnel, e.g., contract administrators, and auditors.

a. Civilian. The cost of civilian personnel assigned full time to NASA requirements should reflect the annual salary for the applicable pay grades. Otherwise, an hourly rate of 1/2087 of the annual rate shall be used and a leave and holiday factor of 18 percent of pay cost added.

b. Military. The cost of military personnel assigned full time to NASA requirements should be based on the annual Military Composite Pay rates. Otherwise, an hourly rate of 1/2080 of the annual Military Composite Pay rate shall be used and a leave and holiday factor of 14 percent of pay cost added.

(7) Include the indirect salary expenses for civilian and military personnel that perform supervisory and administrative (clerical) functions. Such costs are computed as indicated in (6)a. and (6)b. above.

(8) Include the salary expenses for civilian and military personnel at the district, regional and headquarters level. Such costs are computed as indicated in (6)a. and (6)b. above.

(9) Include the fringe benefit expenses for all civilian and military personnel included in items (A), (D) and (F).

a. Civilian. Fringe benefits are computed by multiplying civilian personnel costs by the civilian fringe benefit rate. The fringe benefit rate must be that reported for the applicable fiscal year on the OP-8 exhibit, "Civilian Personnel Costs."

b. Military. Fringe benefits are computed by multiplying separately the officer and enlisted salaries by 6 percent for officers and 18 percent for enlisted personnel.

Variances In The Reimbursement Cost For Contract Administration and Related Support Services Furnished to the NASA

DOD COMPONENT_____

Gross Workyear Cost	Ratio of PY to CY (10)	Ratio of CY to BY (11)
Average Salary of Direct Labor Personnel	%	%
Indirect Supervision & Administrative Salaries Per FTE	%	%
Regional, District and Headquarters Salaries Per FTE	%	%
Average Personnel Benefits Costs Per FTE	%	%
Total Cost of Personnel Services	%	%
Total Travel Costs	%	%
Other Support Costs	%	%
Total Gross Workyear Cost	%	%
Direct Work-Hours		
Annual Leave	%	%
Sick Leave	%	%
Other Leave (e.g., Military, Jury, Administrative)	%	%
Training Time	%	%
Total Direct Work-Hours	%	%
Gross Cost Per Direct Labor Hour	%	%

Provide narrative explaining variance in any element greater than 3 percent:

Notes:

(10) Computed using the cost and hour data from page 2. Divide the current year amount for each element by the prior year amount, subtract 1 and multiply by 100.

(11) Computed using the cost and hour data from page 2. Divide the budget year amount for each element by the current year amount, subtract 1 and multiply by 100.

VOLUME 11A, CHAPTER 7: "INTERNATIONAL NARCOTICS CONTROL PROGRAM"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font*.**

The previous version dated May 2011 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
Various	Updates references, hyperlinks and terminology.	Update
070202.A.12.b and 070202.A.12.c (previous)	Deletes 070202.A.12, subparagraphs b and c. Information is provided in Volume 15, Chapter 7, subparagraph 071002.D.3.c.	Delete

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CHAPTER 7

INTERNATIONAL NARCOTICS CONTROL PROGRAM

0701 OVERVIEW

070101. Purpose

This chapter provides pricing guidance for International Narcotics Control Program (INCP) transactions and identifies procedures for disposition of proceeds from such transactions.

0702 SUPPORT OF THE INTERNATIONAL NARCOTICS CONTROL PROGRAM

070201. General

Section 632(c) of the ***"Foreign Assistance Act" (FAA)*** provides for special pricing requirements when services, including training, are provided by the Department of Defense to the Department of State in support of the INCP. Billing shall be within 30 calendar days after the month in which performance occurred. The payment due date shall not be more than 30 calendar days from the date of the invoice. Bills rendered shall not be subject to audit by the customer.

070202. Pricing.

The following rules shall be followed by DoD Components when determining amounts to be collected as reimbursements for orders from the Department of State that cite INCP financing.

A. INCP Training. The tuition rate for DoD training provided to support INCP is an incremental rate comparable to the International Military Education and Training (IMET) rate. The cost elements to include in the pricing follow:

1. Civilian Instructors and School Support Staff. It is anticipated that the additional cost charged to the INCP for civilian instructors shall be minimal for courses or groupings of courses when either the ratios of students to instructors or U.S. students to international students is high. Courses shall be reviewed to determine the additional cost incurred as a result of attendance by international students. Classroom or technical courses that are similar, or that utilize instructors who teach more than one course, may be grouped for computation purposes.

a. For groups of courses, an estimate shall be made of the number of U.S. students in each course and the number of civilian instructors and civilian staff required. A second projection shall be made of the total number of students to be enrolled in applicable courses, both U.S. and international, and the number of civilian instructors and civilian staff required. Both projections shall be based on the maximum number of students who can be taught by civilian instructors or civilian staff rather than on optimum class size. The difference in the number of civilian instructors and civilian staff between the two projections

represents the additional civilian instructors and/or civilian staff required. Applicable additional civilian instructors and civilian staff then shall be priced in accordance with Volume 11A, Chapter 1. This value, divided by the total number of INCP students, represents the additional cost per INCP student for the course (or courses).

b. When there is a one-for-one or one-for-two relationship of civilian instructors to students, the instructor in all cases shall be considered additional. If the entire class is composed of INCP students, the instructor and staff always shall be considered additional.

2. Military Instructors and Military School Support Staff. There shall be no charges to the INCP program for military personnel conducting training courses.

3. Equipment Overhaul and Maintenance. The overhaul and maintenance of major items of equipment, when computed on an hourly use basis, shall be additional to a course based on estimated utilization hours.

4. Simulators. Simulator hours shall be charged as an additional cost. Simulator costs shall include pay of the operators, supplies and equipment maintenance. Simulator costs shall be allocated to the course in the same ratio as hours used bear to the total hours available.

5. Supplies, Materiel, Training Aids, Ammunition. Also, charge as additional cost the replacement cost of items that are not returned or reusable (including petroleum, oil and lubricants) expended in the conduct of training.

6. Lost or Damaged Equipment. If equipment was lost or damaged during training and it was found to be the result of an international student's negligence, the additional cost to be charged shall be the actual costs of the repairs or replacement cost of the equipment.

7. Base Support (That Is, Indirect Student Costs). A standard weekly rate shall be charged for INCP training conducted on DoD installations. The fixed weekly amount shall be the same as used for billing DoD appropriations reimbursed by the International Military Education and Training (IMET) program. See Volume 15, Chapter 7, subparagraph 071002.E.2, for additional details.

8. Food Preparation. Meal operating/food preparation costs are additive to other food costs. The weekly meal operating and food preparation costs for INCP students shall be the same as that used in billing DoD appropriations reimbursed by the IMET program when courses are conducted on DoD installations and students use DoD appropriated dining facilities.

9. Instructor Training. The training of U.S. instructors or other personnel for special courses normally not conducted for U.S. personnel shall be considered additional costs. When the required training is conducted at a U.S. training facility, the INCP

program (i.e., the Department of State) shall be charged the normal course cost. When the special course is conducted by a Management Service Team (MST) away from the normal training institution, the services of the MST will be treated as a dedicated service and the full cost billed to the INCP program.

10. Facilities and Equipment. The costs of any facilities or equipment acquired primarily for the support of international students enrolled in the INCP program shall be considered additional costs.

11. Field Studies Program (FSP). The full cost of the FSP to the U.S. Government is an additional cost.

* 12. Shipment of Retainable Instructional Materials (RIM). The shipment of RIM to students shall be included in the tuition rate applicable to INCP students. The shipping charge shall be the same as that used in billing DoD appropriations reimbursed by the IMET program. See Volume 15, Chapter 7, subparagraph 071002.D.3.c, for additional details.

13. Travel and Per Diem. Instructor and student travel and per diem associated with the provision of training shall be considered additional costs, to include transportation, living allowances, and medical expenses.

B. Other DoD Services

1. DoD Services Provided Incident to Normal Mission Accomplishment. When support of the INCP is accomplished incidental to performance of a DoD mission requirement, there are no additional costs incurred. However, if a mission was extended or the cost was otherwise increased, the cost over and above the scheduled mission cost shall be reimbursed.

2. Scheduled DoD Transportation. Air and ocean transportation services performed by the U.S. Transportation Command on scheduled movements shall be priced, where applicable, at current tariff rates for DoD Components.

3. Detailed Personnel. All costs incurred in connection with the detail of DoD personnel to the Department of State to support the INCP--both civilian and military--are considered additional expenses and, as such, shall be priced at the normal rate charged to other Federal Agencies.

C. Supplies and Equipment. Section 482 of the ***FAA*** prohibits the procurement of weapons or ammunition from funds authorized for this program. Thus, any specific order for a weapon or ammunition that cites the appropriations provided to finance INCP either must be rejected or returned for a new fund citation. Supplies and equipment that can be provided shall be priced in accordance with Volume 11A, Chapter 1. Pricing policy for excess and non-excess material also is set forth in Volume 11A, Chapter 1.

070203. Disposition of Proceeds

Section 632(c) of the ***FAA*** provides that applicable collections from the Department of State shall be reimbursed to the financing DoD appropriation account.

VOLUME 11A, CHAPTER 8: "INTERNATIONAL ACQUISITION AND CROSS-SERVICING AGREEMENTS"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font*.**

The previous version dated February 2009 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
0807	Correct guidance on deposition of proceeds.	Correction

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CHAPTER 8

INTERNATIONAL ACQUISITION AND CROSS-SERVICING AGREEMENTS

0801 OVERVIEW

080101. Purpose

This chapter provides procedures for carrying out reimbursable transactions under the authority of Subchapter I of Chapter 138, Title 10, United States Code. It provides pricing guidance for those transactions, and provides instructions for disposition of proceeds for such reimbursable transactions.

080102. Overview

Subchapter I of Chapter 138, Title 10, United States Code, authorizes the use of support agreements for certain mutual logistics support between the United States and governments of other North Atlantic Treaty Organization (NATO) countries, NATO subsidiary bodies, other eligible foreign countries, the United Nations Organization, and any regional international organization of which the United States is a member. Section 2341 authorizes the procurement of logistics support, supplies, and services. Section 2342 authorizes cross-servicing agreements for the reciprocal provision of logistics support, supplies, and services. Section 2344, authorizes the acquisition or transfer of logistics support, supplies, and services on a reimbursable basis or by replacement in kind, or by exchange of equal value, and establishes pricing principles and limitations on amounts that may be purchased or sold. Section 2347, establishes limitations on amounts that may be obligated or accrued by the United States. The specific guidance on the use of these authorities is contained in Department of Defense (DoD) Directive 2010.9, "Acquisition and Cross-Servicing Agreements." DoD may not use this authority to procure from any foreign government or international organization any goods or services reasonably available from United States commercial sources.

0802 POLICY AND PROCEDURES

080201. Liquidation of Credits and Liabilities

Compensation for the acquisition or transfer of supplies (materiel) and services shall be obtained through either of the following methods:

A. Reimbursement. Payment for supplies (materiel) or services in the currency of the supplying nation.

B. Exchange. Replacement of supplies (materiel) or services with supplies or services of equal value either through replacement-in-kind or equal-value-exchange. Equal value is the actual or estimated price at the time of transaction approval.

080202. Methods of Liquidation of Accrued Credits and Liabilities

A. Reimbursable Transactions. Generally, bills for incurred costs are to be rendered on a 30-day cycle. This is a United States Treasury requirement and must be adhered to by DoD. However, in the negotiation process and at the initiation of other participants, agreement may be reached on up to a 90-day billing cycle. Bills shall be accompanied by the completed form used to document the issue and receipt of supplies and services and shall be paid within 30 days from the date of the bill. Payment may be extended from 60 to 90 days from the date of the bill at the initiation of other participants based on their processing capabilities.

B. Exchange Transactions. Exchange transactions shall be settled through the issue or receipt, as applicable, of replacement supplies or services within 12 months of the original transaction. If not settled within this period, the exchange transaction shall be converted to a reimbursable transaction, and the resulting accounts receivable or accounts payable shall be liquidated within 30 days.

080203. Prohibitions

A. Inventories of Supplies. Inventories of supplies for elements of the United States Forces may not be increased for the purpose of transferring supplies under the authority of Subchapter I of Chapter 138, Title 10, United States Code, and DoD Directive 2010.9.

B. Prohibitions on Transfers. DoD Components, in accordance with Subchapter I of Chapter 138, Title 10, United States Code, may not agree to or carry out: (1) transfers in exchange for property whose acquisition by DoD is prohibited by law; (2) transfers of source, byproduct, or 92) special nuclear materials subject to the Atomic Energy Act of 1954 (42 United States Code 2011 et seq.); or (3) transfers of chemical munitions.

080204. Obligation and Earned Reimbursement Limitations

The obligations and earned reimbursement limitations set forth below shall be applied without regard to offsetting balances; that is, only the original gross values of sales and purchases are to be considered for purposes of the limitations. These ceilings do not apply during periods of active hostilities involving the United States Forces and are controlled by the Joint Staff. These limitations likewise do not apply to exchange transactions unless converted into a reimbursable transaction due to non-replacement. However, precautionary measures require that exchange transactions be considered for purposes of ensuring compliance with these limitations.

A. Obligation Limitations

1. Acquisitions From NATO Countries, NATO Subsidiary Bodies, the United Nations (UN) Organization or Any Regional International Organization of Which the United States is a Member. The total amount that may be obligated by DoD for reimbursable transactions (purchases) with NATO countries, NATO subsidiary bodies, the UN Organization, or any regional international organization of which the United States is a member may not

exceed $200 million during any fiscal year. Of the $200 million limitation, no more than $50 million in obligations shall be incurred for the acquisition of supplies (materiel) other than petroleum, oil, and lubricants (POL).

2. Acquisitions from Participating non-NATO Countries. The total amount that may be obligated by the Department of Defense for reimbursable transactions (purchases) with a participating non-NATO country (with which the United States has an acquisition or cross-servicing agreement) may not exceed $60 million during any fiscal year. Of the $60 million limitation, no more than $20 million in obligations shall be incurred for the acquisition of supplies (materiel) other than POL.

B. Earned Reimbursement Limitation

1. Transfers to NATO countries, NATO subsidiary bodies, the United Nations Organization or Any Regional International Organization of Which the United States is a Member. The total amount of earned reimbursable credits (sales) to NATO countries, NATO subsidiary bodies, the UN Organization, or any regional international organization of which the United States is a member that DoD can accrue may not exceed $150 million during any fiscal year.

2. Transfers to Participating Non-NATO Countries. The total amount of earned reimbursable credits (sales) to a participating non-NATO country (with which the United States has an acquisition or cross-servicing agreement) that DoD can accrue may not exceed $75 million during any fiscal year.

080205. Requests for Authorization to Use Limitations

The limitations are managed by the Joint Staff. Each organization that intends to enter into reimbursable purchases or sales under the authority of Subchapter I of Chapter 138, Title 10, United States Code, shall request authorization. Requests shall be accompanied by a justification, including a prioritization of requirements. The requests shall be submitted to the cognizant Combatant Command through the requesting organization's appropriate Component command. The authorizations do not increase the amount of obligational or apportioned anticipated reimbursable authority, but rather allow use of existing budget authority to enter into purchases or sales under the authority of Subchapter I of Chapter 138, Title 10, United States Code. Requests shall identify the categories of support as identified in figure 8-1.

080206. Waiver During Contingency or Non-Combat Operations

When United States Forces are involved in a contingency operation or non-combat operation (including an operation in support of the provision of humanitarian or foreign disaster assistance or in support of peacekeeping operations under Chapters VI or VII of the Charter of the UN), the restrictions in paragraphs 080204 and 080205 are waived for the purposes and duration of that operation.

080207. Issuance of the Authorization

The cognizant Combatant Command shall review and approve requests for authorization. If the total amount requested by all Component commands exceeds established limitations, the cognizant Combatant Command shall review the justifications and make appropriate reductions to requested amounts as needed. Each cognizant Combatant Command shall advise the Military Departments of authorizations distributed.

080208. Distribution of Authorization Received

Upon receipt of an authorization from a Combatant Command, Component commands shall authorize their activities to enter into reimbursable transactions under Subchapter I of Chapter 138, Title 10, United States Code. No activity or unit shall enter into such transactions unless they have been provided an authorization. Recipients of an authorization shall establish procedures to ensure that authorized dollar amounts are not exceeded.

0803 ACCOUNTING FOR REIMBURSABLE LOGISTICAL SUPPORT, SUPPLIES, AND SERVICES

080301. Military Department (Appropriation Holder) Procedures

The Assistant Secretary (Financial Management and Comptroller) of a Military Service will record specifically apportioned reimbursable program authority at the appropriation level as specified in the apportionment document received from the Office of Management and Budget. Specifically apportioned reimbursements are amounts earned and collected for property sold or services furnished under Subchapter I of Chapter 138, Title 10, United States Code. Within the Department, a reimbursement program must be authorized for the account by the Under Secretary of Defense (Comptroller) through the budget preparation process. Procedures for recording the authorization and tracking its use are contained in Volume 3, Chapters 13, 14 and 15. The allocation document forwarded to a unified command clearly will differentiate between direct program authority and specifically apportioned reimbursable authority included in the funding document.

080302. Unified Command (Allocation Holder) Accounting Procedures

Unified commands will ensure that controls are in place to track amounts of specifically apportioned reimbursable authority included in the funding documents (allotments) issued to installation commands and operating units.

080303. Installation Command/Operating Unit (Allotment Holder) Procedures

Installation commands and operating units will record the receipt of an allotment containing specifically apportioned reimbursable authority for which reimbursable orders must be realized before the authority may be used. Procedures for recording the authorization and tracking its use are contained in Volume 3, Chapter 15. An allotment of anticipated reimbursable authority does not provide obligational authority. An allotment of anticipated

reimbursable program authority provides only the authority to accept reimbursable orders. The accepted reimbursable order provides the obligational authority. In the case of country-to-country agreements, reimbursable orders are those documents or forms specified in the agreement or amendments thereto.

0804 ACQUISITION AND CROSS-SERVICING REPORTS

This section prescribes the quarterly report required by DoD Directive 2010.9. This report is designed to advise the Chairman of the Joint Chiefs of Staff on reimbursable transactions related to the purchase or sale of mutual logistics support, supplies, and services with a foreign entity.

080401. Applicability and Scope

A. The reporting requirements apply to the Office of the Secretary of Defense; Military Departments; the Chairman of the Joint Chiefs of Staff; the Combatant Commands; and the Defense Agencies.

B. Amounts reported as reimbursable transactions are to be supported by country-to-country or multinational agreements for mutual logistics support between the United States and the Governments of other NATO countries, NATO subsidiary bodies, UN Organization, any regional international organization of which the United States is a member, and other eligible foreign countries.

080402. Report Format

The quarterly report shall be prepared in the formats contained in figures 8-2, 8-3, 8-4, and 8-5. The Chairman of the Joint Chiefs of Staff may modify the report formats as the Chairman deems appropriate, as long as the revised formats meet the minimum information requirements of figures 8-2, 8-3, 8-4, and 8-5.

080403. Frequency and Distribution

The quarterly report shall be submitted as follows:

A. The commanders of the Combatant Commands shall submit to the Chairman of the Joint Chiefs of Staff, not later than 15 days after the end of the preceding fiscal quarter, a detailed report, by fiscal year, for each country-to-country or multinational agreement entered into under the authority of Title 10, United States Code, Sections 2341 through 2350, that was in effect during the prior quarter, itemized by reimbursable transaction.

B. The Military Departments and Defense Agencies shall assist, as necessary, the Combatant Commands in preparing the quarterly report.

0805. OTHER REQUIREMENTS

080501. Documentation Forms.

Forms used to document the issue or receipt of supplies and services under the authority of Subchapter I of Chapter 138, Title 10, United States Code, are subject to a bilateral or multinational agreement. For transactions with NATO, the form normally used is found in NATO Standardization Agreement 3381, "NATO Standard Procedures for Compensation and Form for Request and Receipt of Support in the Form of Supplies and Services." These forms shall meet the minimum information requirements set forth below.

A. Source Document Control Number. Establish a control number similar to a DoD requisition number; e.g., a number containing a code for Military Service, a code for requisitioner, a date, and a document serial number.

B. Unit of Issue. Unit of issue refers to the quantity of an item such as each, dozen, gallon, pound, ream, yard, etc.

C. Quantity. Show the number of units of issue that were issued or received, as applicable.

D. Description of Materiel/Services Requested. Identify the materiel/services requested.

E. Unit Price. Show the price, based on unit of issue in the currency of the billing country. For the Department of Defense, this usually is when the item is dropped from inventory.

F. Extended Dollar Value. Show the dollar value resulting from a combination of items subparagraphs 080501.B., C. and E. above.

G. Name and Mailing Address of the Organization to be Billed. This information may be obtained from the country-to-country or multinational agreement.

H. Name and Mailing Address of Receiving Organization. This information may be obtained in the country-to-country or multinational agreement.

I. Signature of Receiver. Obtain and show the signature and title of authorized ordering or requisitioning representative.

J. Name and Mailing Address of Issuing Organization. This information may be obtained from the country-to-country or multinational agreement.

K. Date (Year, Month, Day) (YYYYMMDD). Show the date services were performed or materiel delivered.

L. National Stock Number (NSN) of Materiel or Abbreviated Description of Services Provided. Show the NSN. The NSN is a number assigned under the Federal Cataloging System and/or the North Atlantic Treaty Organization Codification of Equipment System to each approved item identification. This number provides a unique identification of an item of supply within a specified Federal supply classification.

M. Payee to be Designated on Remittance. Show the designated payee.

N. Designation and Address Office to Receive Remittance. Show the office to receive payment.

O. Recipient's Signature Acknowledging Service or Supplies Received on the Order or Requisition or a Separate Supplementary Document. Obtain and show the signature of the recipient of the materiel or services.

P. Transaction Type. Indicate whether the transaction is reimbursable or an exchange.

Q. Fund Citation or Certification of Availability of Funds When Applicable Under Parties' Procedures. Show the funding source when advance payments are to be provided or if funding is not to be paid in advance, include a certification that funds are available.

R. Date and Place of Original Transfer in the Case of an Exchange Transaction, a Replacement Schedule Including Time and Place of Replenishment Transfer. Provide date and place or estimated date and place as appropriate.

S. Name, Signature and Title of Authorized Acceptance Official of the Order. Obtain and show the name, title, and signature of the authorized accepting official.

T. Additional Special Requirements, if any, Such as Transportation, Packaging, Etc. Show any additional needs of the receiving organization, if applicable.

U. Limitation of Government Liability. Show the maximum liability of the ordering/receiving organization.

V. Name, Signature, Date and Title of Supplying Party Official Who Actually Issues Supplies or Services. Obtain and show name, title, signature and date of the authorized issuing official.

080502. Accounting for Funds and Reimbursements

Any accounting station receiving an authorization to incur obligations or receive reimbursements pursuant to the authority of Subchapter I of Chapter 138, Title 10, United States Code, for an activity or unit for which it provides accounting and finance support shall capture or obtain data on the use of this authority and shall provide for the appropriate targets or limitations within the affected allotments. Similarly, receipt of the earned reimbursement authority requires

the establishment of a customer order subsystem to capture data on the use of such authority. Source documents pertaining to the authorized dollar amount and its use, such as obligations (DoD undelivered orders for materiel or services and accrued expenditures based on receipt of the materiel or services ordered), disbursements (liquidation of unpaid accrued expenditures), accounts payable (the unpaid portion of accrued expenditures), accounts receivable (earned reimbursements), and collections (receipt of payment to liquidate accounts receivable) shall be recorded promptly in the accounting station records. Accounting for reimbursable orders under these authorizations shall be maintained within the appropriate accounting records to assure crediting of remittances in accordance with section 0807.

080503. Exchange Transactions and History Files

Control over exchange transactions shall be established and maintained through use of an exchange transaction history file. Input to the history file shall be made by submission of each individual transaction form which shall include the minimum information prescribed in paragraph 080501.

0806 PRICING REIMBURSABLE TRANSACTIONS

Subchapter I of Chapter 138, Title 10, United States Code, authorizes two methods for pricing reimbursable transactions. The method to be used depends on whether a reciprocal pricing agreement exists. Pricing procedures under each of the alternatives are set forth below.

080601. Reciprocal Pricing Principles

When a reciprocal pricing agreement has been signed by the United States and another participating country, pricing by the supplying country shall be in accordance with the following:

A. For new procurements, the price charged to a recipient country by the supplying country shall be no less favorable than that charged the armed forces of the supplying country by its contractors. The price charged shall allow for differentials due to delivery schedules, points of delivery, and other similar considerations.

B. For supplies from inventories of the supplying country, or for logistics support and government services, the supplying country shall charge the recipient country the same prices as it charges its own armed forces for identical supplies or services. When the Department of Defense is the supplier, the price charged shall be identical to rates charged by the DoD Components for cross-service logistics support or services. Guidance on pricing such support or services is in Volume 11A, Chapter 1. The DoD price to be charged is the price for type of sale "To Another DoD Component" as indicated in Volume 11A, Chapter 1. Where a price for a particular product or service does not otherwise exist, agreement on a price in advance of the transaction shall be reached. If, for example, the use of equipment is to be provided to a recipient country and the DoD Component does not charge rent to another DoD Component, the DoD Component will estimate the value of rent for use of DoD equipment by the recipient country using the guidance in Volume 11A, Chapter 1.

080602. Nonreciprocal Pricing Principles

To the extent that a DoD Component cannot achieve mutual acceptance by another country of reciprocal pricing principles, or in the case of a NATO subsidiary body, the following procedures shall apply:

A. United States commanders delegated authority to negotiate agreements pursuant to DoD Directive 2010.9 shall determine that the price for acquiring supplies or services is fair and reasonable. This determination shall be supported by a price analysis based on prior experience and supporting data and consider all applicable circumstances. If this determination cannot be made, no acquisitions shall take place.

B. Any transfer of supplies or services by United States. Forces shall be subject to the pricing provisions of Volume 15.

080603. NATO Subsidiary Bodies

The pricing principles set forth in paragraph 080602 also shall apply to agreements with NATO subsidiary bodies for the purchase or sale of supplies and services.

*0807 DISPOSITION OF PROCEEDS

Any payment for materiel or services provided by United States forces and initially recorded as a sale transaction shall be credited to the appropriation or fund used in incurring the obligation. Payment for a transaction initially recorded as an exchange of materiel or services, but converted into a sale transaction due to non-receipt of replacement materiel or services, shall be credited to the appropriation or fund currently available for the same purposes for which the expenditures for materiel or services exchanged were made.

Figure 8-1. Request for Authorization

Category of Support	Requested Authorization	
	Obligations (Purchases)	Earned Reimbursements (Sales)
POL	$_____	$
Other Materiel	_____	
Maintenance	_____	
Services	_____	
TOTAL	$_____	$

Figure 8-2. Liabilities Report – NATO

LIABILITIES REPORT - NATO

Country

	Order #	Commodity	Item	Amount	Delivered	Undelivered	Disbursed
POL							
	xxxxxxxxx	xxxxxxxx	xxxxxxxx	xxxxxxxx	xxxxxxxx	xxxxxxxxxx	xxxxxxxxx
		xxxxxxxx	xxxxxxxx	xxxxxxxx	xxxxxxxx	xxxxxxxxxx	xxxxxxxxx
	Total Order			xxxxxxxx	xxxxxxxx	xxxxxxxxxx	xxxxxxxxx
Total				xxxxxxxx	xxxxxxxx	xxxxxxxxxx	xxxxxxxxx
Supplies	Order #	Commodity	Item	Amount	Delivered	Undelivered	Disbursed
	xxxxxxxxx	xxxxxxxx	xxxxxxxx	xxxxxxxx	xxxxxxxx	xxxxxxxxxx	xxxxxxxxx
		xxxxxxxx	xxxxxxxx	xxxxxxxx	xxxxxxxx	xxxxxxxxxx	xxxxxxxxx
	Total Order			xxxxxxxx	xxxxxxxx	xxxxxxxxxx	xxxxxxxxx
Total				xxxxxxxx	xxxxxxxx	xxxxxxxxxx	xxxxxxxxx
Supplies Ceiling				xxxxxxxx			
Supplies Ceiling Available				xxxxxxxx			
Services	Order #	Commodity	Item	Amount	Delivered	Undelivered	Disbursed
	xxxxxxxxx	xxxxxxxx	xxxxxxxx	xxxxxxxx	xxxxxxxx	xxxxxxxxxx	xxxxxxxxx
		xxxxxxxx	xxxxxxxx	xxxxxxxx	xxxxxxxx	xxxxxxxxxx	xxxxxxxxx
	Total Order			xxxxxxxx	xxxxxxxx	xxxxxxxxxx	xxxxxxxxx
Total				xxxxxxxx	xxxxxxxx	xxxxxxxxxx	xxxxxxxxx
Country Total				xxxxxxxx	xxxxxxxx	xxxxxxxxxx	xxxxxxxxx
Country Ceiling				xxxxxxxx			
Country Ceiling Available				xxxxxxxx			

Figure 8-3. Liabilities Report, Non-NATO

LIABILITIES REPORT - Non-NATO

Country

POL	Order #	Commodity	Item	Amount	Delivered	Undelivered	Disbursed
	xxxxxxxxx	xxxxxxxx	xxxxxxxx	xxxxxxxx	xxxxxxxx	xxxxxxxxxx	xxxxxxxxx
		xxxxxxxx	xxxxxxxx	xxxxxxxx	xxxxxxxx	xxxxxxxxxx	xxxxxxxxx
	Total Order			xxxxxxxx	xxxxxxxx	xxxxxxxxxx	xxxxxxxxx
Total				xxxxxxxx	xxxxxxxx	xxxxxxxxxx	xxxxxxxxx

Supplies	Order #	Commodity	Item	Amount	Delivered	Undelivered	Disbursed
	xxxxxxxxx	xxxxxxxx	xxxxxxxx	xxxxxxxx	xxxxxxxx	xxxxxxxxxx	xxxxxxxxx
		xxxxxxxx	xxxxxxxx	xxxxxxxx	xxxxxxxx	xxxxxxxxxx	xxxxxxxxx
	Total Order			xxxxxxxx	xxxxxxxx	xxxxxxxxxx	xxxxxxxxx
Total				xxxxxxxx	xxxxxxxx	xxxxxxxxxx	xxxxxxxxx

Supplies Ceiling	xxxxxxxx
Supplies Available Ceiling	xxxxxxxx

Services	Order #	Commodity	Item	Amount	Delivered	Undelivered	Disbursed
	xxxxxxxxx	xxxxxxxx	xxxxxxxx	xxxxxxxx	xxxxxxxx	xxxxxxxxxx	xxxxxxxxx
		xxxxxxxx	xxxxxxxx	xxxxxxxx	xxxxxxxx	xxxxxxxxxx	xxxxxxxxx
	Total Order			xxxxxxxx	xxxxxxxx	xxxxxxxxxx	xxxxxxxxx
Total				xxxxxxxx	xxxxxxxx	xxxxxxxxxx	xxxxxxxxx

Country Total				xxxxxxxx	xxxxxxxx	xxxxxxxxxx	xxxxxxxxx
Country Ceiling				xxxxxxxx			
Country Ceiling Available				xxxxxxxx			

Figure 8-4. Credit Reports, NATO

CREDITS REPORT - NATO

Country

POL	Order #	Commodity	Item	Amount	Delivered	Undelivered	Outstanding Balance
	xxxxxxxxx	xxxxxxxx	xxxxxxxx	xxxxxxxx	xxxxxxxx	xxxxxxxxxx	xxxxxxxxx
		xxxxxxxx	xxxxxxxx	xxxxxxxx	xxxxxxxx	xxxxxxxxxx	xxxxxxxxx
	Total Order			xxxxxxxx	xxxxxxxx	xxxxxxxxxx	xxxxxxxxx
Total				xxxxxxxx	xxxxxxxx	xxxxxxxxxx	xxxxxxxxx

Supplies	Order #	Commodity	Item	Amount	Delivered	Undelivered	Outstanding Balance
	xxxxxxxxx	xxxxxxxx	xxxxxxxx	xxxxxxxx	xxxxxxxx	xxxxxxxxxx	xxxxxxxxx
		xxxxxxxx	xxxxxxxx	xxxxxxxx	xxxxxxxx	xxxxxxxxxx	xxxxxxxxx
	Total Order			xxxxxxxx	xxxxxxxx	xxxxxxxxxx	xxxxxxxxx
Total				xxxxxxxx	xxxxxxxx	xxxxxxxxxx	xxxxxxxxx

Services	Order #	Commodity	Item	Amount	Delivered	Undelivered	Outstanding Balance
	xxxxxxxxx	xxxxxxxx	xxxxxxxx	xxxxxxxx	xxxxxxxx	xxxxxxxxxx	xxxxxxxxx
		xxxxxxxx	xxxxxxxx	xxxxxxxx	xxxxxxxx	xxxxxxxxxx	xxxxxxxxx
	Total Order			xxxxxxxx	xxxxxxxx	xxxxxxxxxx	xxxxxxxxx
Total				xxxxxxxx	xxxxxxxx	xxxxxxxxxx	xxxxxxxxx

Country Total				xxxxxxxx	xxxxxxxx	xxxxxxxxxx	xxxxxxxxx
Country Ceiling				xxxxxxxx			
Country Ceiling Available				xxxxxxxx			

Figure 8-5. Credits Report, Non-NATO

CREDITS REPORT - Non-NATO

Country

POL	Order #	Commodity	Item	Amount	Delivered	Undelivered	Outstanding Balance
	xxxxxxxxx	xxxxxxxx	xxxxxxxx	xxxxxxxx	xxxxxxxx	xxxxxxxxxx	xxxxxxxxx
		xxxxxxxx	xxxxxxxx	xxxxxxxx	xxxxxxxx	xxxxxxxxxx	xxxxxxxxx
	Total Order			xxxxxxxx	xxxxxxxx	xxxxxxxxxx	xxxxxxxxx
Total				xxxxxxxx	xxxxxxxx	xxxxxxxxxx	xxxxxxxxx

Supplies	Order #	Commodity	Item	Amount	Delivered	Undelivered	Outstanding Balance
	xxxxxxxxx	xxxxxxxx	xxxxxxxx	xxxxxxxx	xxxxxxxx	xxxxxxxxxx	xxxxxxxxx
		xxxxxxxx	xxxxxxxx	xxxxxxxx	xxxxxxxx	xxxxxxxxxx	xxxxxxxxx
	Total Order			xxxxxxxx	xxxxxxxx	xxxxxxxxxx	xxxxxxxxx
Total				xxxxxxxx	xxxxxxxx	xxxxxxxxxx	xxxxxxxxx

Services	Order #	Commodity	Item	Amount	Delivered	Undelivered	Outstanding Balance
	xxxxxxxxx	xxxxxxxx	xxxxxxxx	xxxxxxxx	xxxxxxxx	xxxxxxxxxx	xxxxxxxxx
		xxxxxxxx	xxxxxxxx	xxxxxxxx	xxxxxxxx	xxxxxxxxxx	xxxxxxxxx
	Total Order			xxxxxxxx	xxxxxxxx	xxxxxxxxxx	xxxxxxxxx
Total				xxxxxxxx	xxxxxxxx	xxxxxxxxxx	xxxxxxxxx

Country Total				xxxxxxxx	xxxxxxxx	xxxxxxxxxx	xxxxxxxxx
Country Ceiling				xxxxxxxx			
Country Ceiling Available				xxxxxxxx			

VOLUME 11A, CHAPTER 9 "SUPPORT OF INTERNATIONAL MILITARY ACTIVITIES"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by a * preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue and underlined font*.**

The previous version dated May 2015 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
090101	Added an overview section to comply with the Department of Defense (DoD) Financial Management Regulation (FMR) Revision Standard Operating Procedures, dated June 15, 2015.	Addition
090201	Added definition for "DoD Component."	Addition
090202	Added definition for "Unified Combatant Command."	Addition
090204	Added a reference to the National Security Act of 1947 and to the Joint Publication 1-02.	Revision
090206	Added definition for "Military Element."	Addition
090211	Added definition for a "Table of Organization and Equipment."	Addition
090507.B.2.	Expanded the use of United States (U.S.) appropriated funds for U.S. military personnel who are members of an international military headquarters that does not maintain a centralized international budget for such purposes.	Addition
Table 9-1, paragraph A.4.f.	Added six North Atlantic Treaty Organization (NATO) Force Integration Unit (NFIU) support elements at Tallinn, Estonia; Riga, Latvia; Vilnius, Lithuania; Bydgoszcz, Poland; Szekesfeharvar, Hungary; and Bratislava, Slovakia as approved by the NATO Defense Ministers on September 5, 2014.	Addition
Table 9-1, paragraph A.4.r.	Moved from section A.2.g the Headquarters, Multinational Division South-East at Bucharest, Romania and two NFIU support elements at Sofia, Bulgaria and Bucharest, Romania as recommended by the Joint Staff on January 20, 2016.	Revision

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
Table 9-1, paragraph A.5.m.	Added Center of Excellence for Energy Security at Vilnius, Lithuania as recommended by the Joint Staff on February 24, 2015.	Addition
Policy Memo	Incorporated and cancelled the Deputy Chief Financial Officer's policy memorandum 'Updates to DoD FMR 7000.14-R, Volume 11A, Chapter 9, "Support of International Military Activities," dated January 4, 2016.	Cancellation
Policy Memo	Incorporated and cancelled the Under Secretary of Defense (Comptroller) policy memorandum, "Change to the DoD FMR on Funding Temporary Duty Transportation Costs for U.S. Personnel Assigned to NFIUs," dated August 16, 2016.	Cancellation

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CHAPTER 9

SUPPORT OF INTERNATIONAL MILITARY ACTIVITIES

0901 GENERAL

*090101. Overview

This chapter assigns responsibilities and establishes guidance for the support of international organizations, and for providing reimbursable and nonreimbursable support.

090102. Purpose

A. Establishes administrative arrangements, reimbursement and billing procedures, and identifies a method to compute the dollar value of credits due the United States (U.S.) for the support of international military activities.

B. Identifies the support that Department of Defense (DoD) Components can expect to receive from international military organizations and whether such support is on a reimbursable or nonreimbursable basis.

C. Establishes guidance for financing the U.S. contributions to and the receipt of credits from the international military organizations with which the U.S. participates.

D. Establishes guidance for paying U.S. personnel employed by international military organizations, and for verifying the credits received from the organizations for such personnel.

E. Does not apply to the provision of intelligence or cryptologic support provided under authorities other than those cited herein.

090103. Authoritative Guidance

This chapter implements provisions of ***DoD Directive 5530.3***, "International Agreements"; ***DoD Directive 2010.9,*** "Acquisition and Cross-Servicing Agreements"; ***DoD Instruction 4000.19,*** "Support Agreements"; and ***DoD Instruction 5210.60,*** "Security Clearance Program for U.S. Citizens Employed Directly by the North Atlantic Treaty Organization (NATO)". It includes requirements as specified in the ***Arms Export Control Act (AECA)***, Public Law 90-629, as amended, codified as Title 22 United States Code, ***section 2751 et seq.***, and the NATO Mutual Support Act ***(NMSA)***, Public Law 96-323, as amended, codified as Title 10 United States Code, ***section 2344 et seq***.

0902 DEFINITIONS AND GUIDELINES

*090201. DoD Component

DoD Component includes the following: Office of the Secretary of Defense; Chairman, Joint Chiefs of Staff and the Joint Staff; DoD Inspector General; Military Departments including the Coast Guard when assigned to the Department of the Navy; Defense Agencies; DoD Field Activities; Combatant Commands; Washington Headquarters Services; Uniformed Services University of the Health Sciences; and all non-appropriated fund instrumentalities (see DoD Financial Management Regulation (FMR) "***Glossary"***).

*090202. Unified Combatant Command

A unified combatant command is made up of forces from two or more Military Departments and is established by the President, through the Secretary of Defense (see DoD FMR Glossary).

090203. Military Department

Military Department refers to one of the departments within DoD created by the National Security Act of 1947 as amended ***(NSA 1947)***, which are the Department of the Army, the Department of the Navy, and the Department of the Air Force.

*090204. Military Service

Military Service is established by NSA 1947 and refers to the Army, Navy, Air Force, Marine Corps and the Coast Guard when operating as a part of the Navy in accordance with law (see the definition of "Service" in the ***DoD Dictionary of Military and Associated Terms***, October 15, 2016, as amended).

090205. Military Unit

Military Unit refers to any military element whose structure is prescribed by competent authority such as a ***Table of Organization and Equipment (TOE)*** (see the definition of "Unit" in JP 1-02).

*090206. Military Element

Military Element refers to any military organization formed to perform a specific function under a joint force commander's headquarters (see the definition of "Element" in JP 1-02).

090207. Nonreimbursable Support

The DoD provides nonreimbursable support to international military organizations in two forms: (1) through a financial contribution to the budget of the international organization, or (2) by assignment of U.S. military elements to the international organization under the terms of

international treaties or agreements (see DoDD 5530.3). The U.S. military elements may be assigned either on a long or short-term basis.

A. Short term assignments are typically for the purpose of participating in joint exercises or maneuvers under the auspices of the international organization.

B. Long term assignments typically involve filling an existing billet on the staff of an international organization.

C. Support under subparagraphs 090207.A. and B. are not reimbursable to DoD. An exception to this policy, support by members of a U.S. military element who provide services that were included in the budget of the international organization (e.g., a U.S. military member who occupies an international civilian billet) shall be reimbursable (see section 0904).

090208. Reimbursable Support

All other support provided to the international military organization and to military elements of participating foreign countries is reimbursable to the performing DoD Component, and must be provided under one of the authorities described in paragraphs 090402, 090403, or 090404.

090209. Support for U.S. Military Elements/Units

The U.S. military element of an international military organization shall be supported by the international organization and the administrative agent (see paragraph 090303) on a nonreimbursable basis. The administrative agent must ensure support provided to the U.S. military elements of an international organization is equal in scope and quality to all organizations which it supports at a comparable location. Other U.S. military units in the area, including units of the administrative agent, also may receive support from the international organization, but on a reimbursable basis. The Military Department concerned and the international organization will execute a support agreement between them when those military units receive support.

090210. Table of Distribution and Allowance

Tables of distribution and allowance (TDA) refer to a military unit that is organized to perform unique missions for which a TOE does not exist. A TDA may contain combinations of military, civilian and contractor man year equivalent positions.

*090211. TOE

A TOE is comprised of military personnel and refers to the capabilities, organizational structure, and required personnel and equipment for a military unit to accomplish its mission.

0903 RESPONSIBILITIES

090301. Under Secretary of Defense (Comptroller)

The Under Secretary of Defense (Comptroller) shall designate the administrative agent responsible for arranging support to U.S. military elements at an international military organization. Geographic proximity to existing support infrastructure and mission compatibility is the primary criteria used to assign administrative agent duties. Current designations are provided in Table 9-1. The Military Services shall request updates to this table as needed to reflect changes in available support infrastructure within a geographic area.

090302. Secretaries of the Army and the Air Force

A. The Secretary of the Army shall program and budget the annual U.S. contributions to the various NATO bodies in the Army Operations and Maintenance (O&M) appropriation.

B. The Secretary of the Army also shall program and budget for the annual U.S. contributions to other recognized multinational headquarters, such as the NATO Force Structure and the NATO Response Force in which the U.S. participates.

C. The Secretary of the Air Force shall budget for the NATO Airborne Early Warning Program Management Agency (NAPMA).

090303. Administrative Agent

The administrative agent shall:

A. Budget for the U.S. contributions to designated non-NATO international military organizations. When the Army is not the administrative agent for a NATO body, or other multinational headquarters, the designated agent shall provide the Army with program and budget information on the annual contribution for inclusion in the Army's O&M appropriation. Budgeting for the NAPMA constitutes an exception to this policy (see subparagraph 090302.C).

B. Coordinate with appropriate U.S. representatives at the international military organizations to ensure that effective procedures and controls are prescribed for budgeting, obligating, disbursing, and receiving credits incident to administering the U.S. contributions.

C. Program and allocate resources in a manner that will provide the international organization with the highest possible level of support under paragraphs 090402, 090403, and 090404 consistent with financial constraints that may be imposed through the normal program and budget process.

D. Support U.S. military elements attached to the designated international military organization on a nonreimbursable basis, unless the support is an international budget cost or is a budget responsibility of another Military Department (see paragraph 090304). The

standards and directives of the administrative agent shall govern the level and type of support furnished. The level and type of support will be consistent with the highest possible level of support allowable under this chapter while not violating those same governing standards and directives. Support requirements based upon input provided by the U.S. military element shall be included in the administrative agent's annual budget. The administrative agent shall obtain support from the most efficient and economical source, to include local sources, while ensuring that no parallel support facility is established (see DoDI 4000.19).

E. Provide U.S. military elements, which are TOE or equivalent units, with replacement consumable and nonconsumable material, obtaining peculiar items when necessary from supply systems of the parent Military Service on a reimbursable basis.

F. Provide U.S. military elements, which are TDA or equivalent units, both with initial and replacement consumable and nonconsumable material.

G. Establish table of allowances, unit allowance lists, base allowance lists, and other authorization documents for U.S. military elements attached to the international military organization.

H. Budget for the cost of civilian employees of the U.S. Government assigned to positions in international military organizations. These employees shall retain their status as U.S. employees and be paid from U.S. funds at the appropriate U.S. scale of pay and allowances.

1. The pay and allowances are budgeted at the appropriate international pay scale by the international military organization to which they are assigned. A sum equal to the amount of such pay and allowances at the international pay scale shall be collected from the international organization and reflected in the reimbursable portion of the DoD budget. The DoD direct budget shall absorb any differences.

2. The U.S. civilians who occupy positions in international military organizations on a direct hire basis (not as U.S. Government employees), as provided for by DoDI 5210.60, will be governed by the provisions of that firm offer of employment and other applicable U.S. Government regulations that deal with such employment. The international military organization concerned shall remunerate those U.S. civilians at the applicable international pay scale and shall have no entitlement to pay and allowances or benefits as those of U.S. Government employees.

090304. Secretary of a Military Department

The Secretary of a Military Department with military personnel assigned to a U.S. military element shall:

A. Budget and fund for personnel costs of military personnel of that Component included in the U.S. military element.

B. Budget and fund for personally assigned equipment provided to military personnel of that Component included in the U.S. military element.

C. Make initial issuance to TOE or equivalent units of that Component assigned or attached to U.S. military elements.

D. Budget and fund Component peculiar requirements, such as flying qualifications, medical examinations, personnel training and development, and social actions, for military personnel of that Component.

E. Support other requirements. Costs shall be chargeable to the administrative agent on an interservice (reimbursable) basis.

F. Provide appropriate support to foreign military elements or to international military organizations in accordance with paragraphs 090402, 090403, or 090404, herein, unless identified in this chapter as items of nonreimbursable support.

090305. Head of a U.S. Military Element

The Head of a U.S. military element shall support the international military organization on a nonreimbursable basis, except for the costs of a military member who is assigned to an international civilian position, or when such support requires augmentation of the element's normal manpower, equipment, or other resources from other U.S. sources.

090306. Head of a DoD Component

The Head of a DoD Component shall support the international military organization and participating foreign countries on a reimbursable basis, in accordance with the AECA or the NMSA unless otherwise specified in this chapter.

090307. Commander of a Unified Combatant Command

The Commander of a Unified Combatant Command shall coordinate the activities of the administrative agents concerned in implementing this chapter within the command theater of operations.

090308. Head of an International Military Organization

The Head of an International Military Organization shall support U.S. military elements on a nonreimbursable basis for those support areas set forth in the scope of the budget for international military headquarters and agencies (see Table 9-1).

0904 REIMBURSEMENTS

090401. Reimbursements Due the U.S. from International Military Organizations for U.S. Personnel (Military or Civilian) Occupying International Civilian Positions.

A. A sum equal to the pay and allowances established for the occupied positions at the international scale shall be credited to the U.S. as an offset to the U.S. contribution to the international organization.

1. The administrative agent shall determine the amount of credit due and initiate a quarterly ***Standard Form (SF) 1080***, Voucher for Transfers between Appropriations and/or Funds, to transfer funds from the U.S. contribution to the international budget to the applicable financing DoD appropriation.

2. As an exception to this offset credit procedure, international military organizations located in the continental U.S. (CONUS), to which contributions are made in U.S. dollars, shall make direct reimbursement of the international pay and allowance equivalent to the administrative agent for any U.S. personnel assigned to international civilian positions.

B. The administrative agent shall screen the personnel administration and payroll computations for U.S. employees, as performed by the international organization, to ensure the accuracy and sufficiency of data and credits granted.

090402. Reimbursements Due the U.S. from International Military Organizations for Reimbursable Support Provided Pursuant to the AECA.

When DoD services are performed, articles delivered from inventory or new procurement initiated under the authority of the AECA, the pricing and billing shall be in accordance with Volume 15.

090403. Reimbursements Due the U.S. from International Military Organizations for Reimbursable Support Provided Pursuant to NMSA.

When DoD services are performed or articles delivered from inventory under the authority of the NMSA, pricing shall be in accordance with Chapter 8 and billing shall comply with the international agreement negotiated in accordance with DoDD 2010.9.

090404. Reimbursements Due the U.S. from International Military Organizations for Reimbursable Support Provided Under Authorities Other than the AECA, NMSA or this Regulation.

A. Leases of real and personal property are authorized by Title 10, U.S. Code, ***section 2667*** and shall be priced in accordance with Volume 2B and Volume 12. Property with a life expectancy of less than 3 years or a value of less than $1,000 will not be leased, but must be provided on a sales basis under paragraphs 090402 or 090403. In the event that DoD services or materiel are provided under authorities other than the AECA, NMSA or this Regulation, the DoD

Component providing that support shall obtain a legal opinion supporting the use of such other legal authority before providing the service or materiel. The legal opinion shall be retained for audit verification.

B. The designated official of the DoD Component furnishing the support shall:

1. Originate promptly and in detail an SF 1080 to bill the administrative agent or the designated coordinating agent.

2. Prepare the invoice for reimbursable support on the basis of constructive delivery.

3. Distribute the SFs 1080 as follows:

a. Submit two copies of the SF 1080, with supporting detail, to the international military organization receiving the services or materiel for verification of the charge.

b. Forward the original (disbursement SFs 1080) and the collection copy (SF 1080), without supporting detail, to the administrative agent or the designated coordinating agent.

c. Retain additional copies, with supporting detail as may be required by the billing office, pending receipt of executed vouchers.

C. The administrative agent or the designated coordinating agent shall (1) request the comptroller of the NATO command or the appropriate international organization concerned to provide a monthly listing of charges that have been accepted, and (2) ensure that such charges are reflected as offset credits to the U.S. in the contributions to the international budgets.

D. The coordinating agent shall match the monthly listing of accepted charges with outstanding SFs 1080, and process the SFs 1080 for accepted charges as payments to the billing office. Upon receipt of the validated SFs 1080, the billing office shall process the collection.

E. The designated coordinating agent shall verify that the offset credits are applied to the U.S. contributions to the international organization through a reconciliation of individual SF 1080 billings to the monthly list of accepted charges.

F. When materiel or services are furnished to international military organizations that are located within the CONUS and to which contributions are made in U.S. dollars, the U.S. military activity providing the support shall be responsible for billing the international military organization directly, and obtaining reimbursement in U.S. dollars.

0905 SCOPE OF BUDGET FOR INTERNATIONAL MILITARY HEADQUARTERS AND AGENCIES

The international budget shall include the types of costs, except as limited by exclusions in the following paragraphs, in such order and form as may be determined by the appropriate financial reviewing authorities. The following paragraphs are illustrative of the types of costs accepted by the NATO Military Budget Committee as an international charge. The comptroller of the international military organization concerned and the U.S. representative shall be consulted if there is doubt whether the cost of any article or service is properly an international charge.

090501. Civilian Personnel, Administrative Staff

Pay and authorized allowances of personnel employed by an international headquarters for the performance of international functions, including secretarial, clerical, or technical assistance. For U.S. military and civilian personnel, see paragraph 090401.

090502. Civilian Personnel, Operational Staff

Pay and authorized allowance of personnel locally hired for custodial, industrial, or operational purposes. This includes upkeep of the premises and fixed or movable equipment used by the headquarters or its support units or fixed installations; supervision or operation of headquarters' fixed and movable equipment other than office equipment; and operation of headquarters enlisted mess facilities.

090503. Rents and Maintenance

Rental of office space, barracks, warehouses, and other commercial type buildings, including taxes; cost of utilities, liquid and solid fuels, sewage and garbage disposal service; supplies and material for janitorial and hygienic services (national support unit barracks excluded); and supplies, material, and contractual expenses for maintenance, repair, and minor alterations to buildings and facilities, including replacement of minor installations and fixed equipment when damaged or worn beyond repair.

090504. Operation of General Services

Stationary and general office supplies for the headquarters and all units assigned in direct support; rental of office equipment required to supplement available equipment in accordance with internationally approved standards; printing, binding, and reproduction; purchase of maps, charts, and terrain models for peace time use; newspapers, periodicals, and library supplies; photo supplies and photographic processing; and drugs and other expendable medical supplies for first aid stations.

090505. Communications

Procurement and installation of switchboards, radio transmitters and receivers, telephone exchanges, and mobile communications equipment including related signal vehicles; rental of commercial type equipment for additional requirements; repair and maintenance of communications equipment, including supplies and spare parts; cost of commercial communications, including installation and reinstallation charges for leased or other use of local, national, and international telephone, telegraph, and teletype circuits; and postage and postal fees.

090506. Transportation

Rental or purchase of passenger and cargo vehicles; petroleum, oil, and lubricant products for such vehicles and other equipment used in direct support of international headquarters; supplies and spares required for organizational maintenance of vehicles and related equipment; commercial freight, local hauling, and express charges for internationally procured supply and equipment items, including shipping charges for contribution-in-kind from member nations to place of receipt.

090507. Travel of International Staff

A. Civilian Personnel. Transportation and per diem costs of temporary duty travel on official business.

B. U.S. Military Personnel. When traveling on official business under travel orders issued by an authorized international headquarters that directs payment to be charged to international funds, the costs of such travel are payable as follows:

1. From International Funds. Cost of transportation furnished by Military Airlift Command and/or a common carrier, to include taxi fares and privately owned conveyances under previously approved conditions.

* 2. From U.S. Appropriated Funds. Per diem and other expenses authorized by U.S. travel regulations, and the costs under subparagraph 090507.B.1., for personnel who are members of an international military headquarters that does not maintain a centralized international budget for such purposes.

090508. Exercises and Maneuvers

When directly related to an allied command training exercise, the cost of commercial communication services and facilities provided solely to fill a requirement of the exercise on behalf of the participating nations; civilian labor hired in connection with the exercise by the interallied headquarters and not specifically for any one nation; temporary installations for interallied field headquarters not available from organic equipment of participating troops or the headquarters and not properly chargeable to the host nation; rental of additional commercial transportation required at interallied headquarters for the exercise; utilities costs for interallied headquarters if at a place other than an existing military post; and reproduction of photographs and film strips, required by the directing staff for subsequent international training or critique purposes, when source of production is other than a military unit.

090509. Representational and Hospitality

Representational and hospitality expenses of the Supreme Commanders for international purposes.

090510. Contingencies

Claims for losses by fire, theft, and other damages; and costs to employ legal representation in civil court actions.

090511. Construction

Design and new construction of buildings and facilities, including housing, structures, utilities, modification; and alteration of existing buildings and facilities, including fixed equipment, sewage, gas, water, and electrical supply systems, roads, and approaches.

090512. Furniture and Equipment

Office furniture and equipment procured within internationally approved standards for the direct support of international headquarters and agency activities; equipment for maintenance of kitchens, shops, heating electrical plants; and furniture used in barracks, messes, recreation rooms, and dining rooms and clubs.

Table 9-1. International Military Headquarters and Related Agencies and Administrative Agents Responsible for Their Support and for Support to U.S. Elements

Headquarters or Agency	Administrative Agent
A. NATO	
1. NATO Headquarters (HQ)	
a. International Military Staff (IMS) (Brussels, Belgium (BE))	Army
b. U.S. Delegation to the Military Committee (USDELMC) (Brussels, BE)	Army
c. Canada-U.S. Regional Planning Group (Brussels, BE)	Army
2. Allied Command Operations (ACO)	
a. Supreme Headquarters Allied Powers Europe (SHAPE) (Mons, BE)	Army
b. HQ Allied Joint Force Command Brunssum (HQ JFCBS) (Brunssum, Netherlands (NL))	Army
c. HQ Allied Maritime Command (HQ MARCOM) (Northwood, United Kingdom (UK))	Air Force
d. HQ Allied Air Command (HQ AIRCOM) (Ramstein, Germany (GE))	Air Force
(1) Allied Combined Air Operations Center Uedem (CAOC UE) (Kalkar/Uedem, GE)	Air Force
(2) Allied Combined Air Operations Center Torrejon (CAOC TJ) (Torrejon, Spain (SP))	Navy
(3) Allied Deployable Air Command and Control Center (DACCC) (Poggio Renatico, Italy (IT))	Army
e. HQ Allied Land Command (HQ LANDCOM) Izmir, Turkey (TU)	Air Force
f. HQ NATO Communication and Information Systems Group (HQ NCISG) (Mons, BE)	Army

Table 9-1. International Military Headquarters and Related Agencies and Administrative Agents Responsible for Their Support and for Support to U.S. Elements (Continued)

Headquarters or Agency	Administrative Agent
(1) 2nd NATO Signal Battalion (NSB 2) (Naples, IT)	Navy
g. HQ Allied Joint Force Command Naples (HQ JFCNP) (Naples, IT)	Navy
h. Other Staff and Commands Responsible to Supreme Allied Commander Europe (SACEUR)	
(1) Immediate Response Force (Maritime)	
(a) Standing NATO Maritime Group 1 (SNMG 1) (Northwood, UK)	Navy
(b) Standing NATO Maritime Group 2 (SNMG 2) (Naples, IT)	Navy
(2) HQ Allied Command Counter-Intelligence (HQ ACCI) (Mons, BE)	Army
(3) NATO Intelligence Fusion Centre (NIFC) (Molesworth, UK)	Air Force
(4) NATO Airborne Early Warning and Control (NAEW&C) Force Command (Mons, BE)	Army
(5) NATO Airborne Early Warning and Control (NAEW&C) E-3A Component (Geilenkirchen, GE)	Air Force
(6) NATO Alliance Ground Surveillance Force (NAGSF) (Sigonella, IT)	Navy

Table 9-1. International Military Headquarters and Related Agencies and Administrative Agents Responsible for Their Support and for Support to U.S. Elements (Continued)

Headquarters or Agency	Administrative Agent
(7) NATO Alliance Ground Surveillance (NAGS) Support Element Liaison (Ramstein, GE)	Air Force
(8) NATO AGS Staff Element Integrating Office (SEIO) (Mons, BE)	Army
3. Allied Command Transformation (ACT)	
a. Headquarters, Supreme Allied Command Transformation (SACT) (Norfolk, VA)	Navy
b. ACT Staff Element Europe (SEE) (Mons, BE)	Army
c. ACT Representative Europe (REPEUR) (Brussels, BE)	Army
d. Joint Warfare Center (JWC) (Stavanger, Norway (NO))	Air Force
e. Joint Analysis and Lessons Learned Center (JALLC) (Monsanto, Portugal (PO))	Navy
f. Joint Force Training Center (JFTC) (Bydgoszcz, Poland (PL))	Army
4. NATO Memorandum of Understanding (MOU) Organizations	
a. High Readiness Force (Maritime) UK (HRF(M)-UK) (Portsmouth, UK)	Air Force
b. High Readiness Force (Maritime) IT (HRF(M)-IT) (Taranto, IT)	Navy
c. HQ High Readiness Force (Maritime) – FR (HQ HRF(M)-FR) (Toulon, France (FR))	Navy
d. High Readiness Force (Maritime) SP (HRF(M)-SP) (Rota, SP)	Navy

Table 9-1. International Military Headquarters and Related Agencies and Administrative Agents Responsible for Their Support and for Support to U.S. Elements (Continued)

Headquarters or Agency	Administrative Agent
e. HQ NATO Naval Striking and Support Forces (HQ STRIKFORNATO), Lisbon, PO	Navy
*f. HQ Multinational Corps Northeast (MNC-NE) (Szczecin, PL)	Army
(1) NATO Force Integration Unit (NFIU) (Tallinn, EE)	Navy
(2) NATO Force Integration Unit (NFIU) (Riga, LV)	Navy
(3) NATO Force Integration Unit (NFIU) (Vilnius, LT)	Air Force
(4) NATO Force Integration Unit (NFIU) (Bydgoszcz, PL)	Army
(5) NATO Force Integration Unit (NFIU) (Szekesfeharvar, HU)	Air Force
(6) NATO Force Integration Unit (NFIU) (Bratislava, SK)	Army
g. HQ NATO Rapid Deployable Corps-UK (HQ NRDC-UK) (Gloucester, UK)	Air Force
h. HQ NATO Rapid Deployable Corps - GE/NL (NRDC-GNL) (Munster, GE)	Army
i. HQ NATO Rapid Deployable Corps – TU (NRDC-T) (Istanbul, TU)	Air Force
j. HQ NATO Rapid Deployable Corps – IT (HQ NRDC-IT) (Milan, IT)	Army
k. HQ NATO Rapid Deployable Corps – SP (NRDC-S) (Valencia, SP)	Navy
l. HQ NATO Rapid Deployable Corps – GR (NRDC GR) (Thessaloniki, GR)	Army

Table 9-1. International Military Headquarters and Related Agencies and Administrative Agents Responsible for Their Support and for Support to U.S. Elements (Continued)

Headquarters or Agency	Administrative Agent
m. HQ Allied Submarine Command (ASC) (Norfolk,VA)	Navy
n. NATO Special Operations HQ (NSHQ) (Mons, BE)	Army
o. NATO Joint Electronic Warfare Core Staff (JEWCS) (Royal Air Force Station Yeovilton, UK)	Air Force
p. European Corps (EUROCORPS) HQ (Strasbourg, FR)	Army
q. HQ Rapid Reaction Corps (RRC) – France (HQ RRC-FR) (Lille, FR)	Army
*r. HQ Multinational Division South-East (HQ, MND-SE) (Bucharest, (RO))	Army
(1) NATO Force Integration Unit (NFIU) (Sofia, (BU))	Air Force
(2) NATO Force Integration Unit (NFIU) (Bucharest, RO)	Army
5. NATO Centers of Excellence (COE)	
a. Joint Air Power Competence Center (JAPCC) (Kalkar, GE)	Air Force
b. Center of Excellence - Defense Against Terrorism (COE DAT) (Ankara, TU)	Air Force
c. Center of Excellence – Command and Control (C2 COE) (Ultrecht, NL)	Army
d. Center of Excellence - Military Engineering (MILENG COE) (Ingolstadt, GE)	Army
e. Center of Excellence – Human Intelligence (HUMINT COE) (Oradea, Romania)	Army

Table 9-1. International Military Headquarters and Related Agencies and Administrative Agents Responsible for Their Support and for Support to U.S. Elements (Continued)

Headquarters or Agency	Administrative Agent
f. Center of Excellence – Cooperative Cyber Defense (CCD COE) (Tallinn, Estonia)	Navy
g. Center of Excellence – Counter Improvised Explosive Devices (C-IED COE) (Madrid, SP)	Navy
h. Center of Excellence -- Explosive Ordnance Disposal (EOD COE) (Trencin, Slovakia)	Army
i. Center of Excellence -- Joint Chemical, Biological, Radiological and Nuclear Defense (JCBRN COE) (Vyskov, Czech Republic)	Army
j. Center of Excellence for Military Medicine (MILMED COE) (Budapest, HU)	Air Force
k. Combined Joint Operations from the Sea Center of Excellence (CJOS COE) (Norfolk, VA)	Navy
l. Modeling and Simulation Center of Excellence (M&S COE) (Rome, IT)	Navy
*m. Center of Excellence – Energy Security (ES COE) (Vilnius, Lithuania)	Air Force
6. Other NATO Command and Staff Organizations/Agencies	
a. NATO Support Agency (NSPA) (Capellen, Luxembourg)	Army
(1) NATO Airlift Management Program (Papa, HU)	Air Force
(2) NATO Hawk Management Office (Ruell-Malmaison, FR)	Army
b. NATO Science and Technology Organization (STO)	
(1) Collaboration Support Office (CSO) (Paris, FR)	Air Force

Table 9-1. International Military Headquarters and Related Agencies and Administrative Agents Responsible for Their Support and for Support to U.S. Elements (Continued)

Headquarters or Agency	Administrative Agent
(2) Center for Maritime Research and Experimentation (CMRE) (La Spezia, IT)	Navy
c. NATO Airborne Early Warning and Control Program Management Organization (NAPMO) (BRUNSSUM, NL)	Army
d. NATO Standardization Agency (NSA) (Brussels, BE)	Army
e. NATO Defense College (NADEFCOL) (Rome, IT)	Navy
f. NATO School Oberammergau (NSO) (Oberammergau, GE)	Army
g. U.S. Mission to NATO (USNATO) (Brussels, BE)	Army
h. United States National Military Representative (USNMR) to SHAPE (Mons, BE)	Army
7. NATO Communications and Information Agency (NCIA)	
a. HQ NATO Communications and Information Agency (NCIA) (Brussels, BE)	Army
b. Sector Mons (Mons, BE)	Army
(1) Squadron Stavanger (Stavanger, NO)	Air Force
(2) Squadron Northwood (Northwood, UK)	Air Force
c. Sector Brunssum (Brunssum, NL)	Army
(1) Squadron Ramstein (Ramstein, GE)	Air Force

Table 9-1. International Military Headquarters and Related Agencies and Administrative Agents Responsible for Their Support and for Support to U.S. Elements (Continued)

Headquarters or Agency	Administrative Agent
(2) Detachment Uedem (Kalkar/Uedem, GE)	Air Force
d. Sector Naples (Naples, IT)	Navy
(1) Squadron Izmir (Izmir, TU) Air Force	
(2) Detachment Poggio Renatico (Poggio Renatico, IT	Army
e. Sector Lisbon (Lisbon, PO)	Navy
(1) Squadron Madrid (Madrid, SP)	Navy
f. Sector Norfolk (Norfolk, VA)	Navy
g. NSCA CIS Logistics Depot (CLD) (Brunssum, NL)	Army
h. NATO Programming Center (NPC) (Glons, BE)	Army
i. NATO Communication and Information Systems School (NCISS) (Latina, IT)	Navy
j. NATO Communications, Command and Control Agency (NC3A) (Brussels, BE)	Army
B. Inter-American Defense Board (IADB)	Army
C. Joint Mexican-United States Defense Commission (JMUSDC)	Army
D. Permanent Joint Board on Defense, Canada-United States (PJBD)	Air Force
E. U.S.-Spanish Combined Military Coordination and Planning Staff (CMCPS)	Air Force

Table 9-1. International Military Headquarters and Related Agencies and Administrative Agents Responsible for Their Support and for Support to U.S. Elements (Continued)

Headquarters or Agency	Administrative Agent
F. Republic of Korea/United States Combined Forces Command (ROK/US)	Army

VOLUME 11A, CHAPTER 10: "UNIT EXCHANGE OF TRAINING AND RELATED SUPPORT BETWEEN THE UNITED STATES AND FOREIGN COUNTRIES"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue and underlined font*.**

The previous version dated February 2011 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
Various	Updated references and hyperlinks.	Update

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CHAPTER 10

UNIT EXCHANGE OF TRAINING AND RELATED SUPPORT BETWEEN THE UNITED STATES AND FOREIGN COUNTRIES

1001 OVERVIEW

100101. Purpose

This chapter provides the financial policy that implements ***Title 22, United States Code, section 2770a,*** which authorizes the reciprocal unit exchange of training and related support between the United States and friendly foreign countries or international organizations.

100102. General

A. ***22 U.S.C. 2770a*** authorizes the President to enter into agreements for reciprocal unit exchange of training and related support between the United States and friendly foreign countries or international organizations. Chapter 10 of the Defense Security Cooperation Agency 5105.38-M, "Security Assistance Management Manual", ***SAMM***, provides general implementing program guidance for the conduct of exchanges. Unit exchanges shall be arranged only as part of an international agreement, as defined in ***DoD Directive 5530.3***, International Agreements. Before entering into negotiations for an international agreement or conducting a specific exchange thereunder, the initiating authority shall seek the approval of the cognizant Geographic Combatant Commander in whose area of responsibility the foreign nation or international organization is located or in which the training is to be conducted. Generally, the Secretary of a Military Department, or designee, is the approving authority for implementing arrangements, entered into under authority of the agreement, which provide for the exchange of specific units. However, implementing arrangements of significant political-military importance or operationally sensitive exchanges require approval by the Under Secretary of Defense (Policy).

B. The provisions of ***22 U.S.C. 2770a*** apply only to established military units, not to ad hoc units or individual members of units. Therefore, to qualify as a unit exchange, the organization receiving the training must include substantially all individuals assigned to an established unit. A unit exchange of training and related support may include transportation, food services, health services, logistics, and the use of facilities and equipment provided to military and civilian defense personnel. Training performed pursuant to unit exchange agreements shall be on an exchange basis. If an exchange of training does not commence within 12 months, the training shall be converted to a reimbursable transaction.

1002 POLICY AND PROCEDURES

100201. Pricing Reciprocal Exchanges or Related Support

A Military Department participating in a reciprocal unit exchange or related support arrangement shall use the following pricing guidelines:

A. The Military Department official delegated authority under DoD Directive 5530.3 to negotiate agreements under ***22 U.S.C. 2770a*** shall perform a price analysis based on prior experience and/or current supporting data. The price determined for the unit exchange of training or related support shall be fair and reasonable, taking into consideration all applicable circumstances. If the determination under subparagraph 100202.A. cannot be made, the training may not be performed and the related support may not be exchanged.

* B. Reciprocal unit exchanges of any training or related support by the United States shall be subject to the pricing provisions of Volume 15, Chapter 7,"Pricing." The estimated actual cost of the reciprocal unit exchange to be provided and the value of the unit to be received (using an appropriate price analysis) shall be computed and documented by the Military Department designated resource management function. The documented estimated actual cost is the basis for reporting costs incurred and for reimbursement purposes in the event exchanges are not reciprocated.

100202. Liquidation of Credits and Liabilities

Compensation for the acquisition or transfer of a unit exchange of training and related support shall be accomplished through either of the following methods:

A. Reciprocal Exchange. Training or related support that is to be exchanged requires a written determination by the approving U.S. organization that the reciprocal unit exchange of training or related support has a substantially comparable value. Comparable value received is the sum of those monetary (i.e., estimated actual cost that the U.S. would have had to pay for training received) and nonmonetary (i.e., benefits or cost avoidance) values that comprise the total exchange value. Methodologies depicting comparable value, both monetary and nonmonetary, shall be retained and available for audit.

B. Reimbursable. Payments for training and related support are to be in the currency of the supplying nation and shall be provided in the event reciprocity is not achieved within 12 months from the date the training began.

100203. Conversion to Reimbursable Training

The servicing accounting and finance office shall take the following actions when reciprocal training or related support is not provided or not received:

A. Actions to be Taken When the United States Does Not Provide Reciprocal Training or Related Support. When the United States does not provide reciprocal training and related support within 12 months after such training or support begins, the exchange transaction shall be converted to a reimbursable transaction and an obligation recorded. The obligation shall be recorded against the appropriation current at the time the determination is made that reciprocal training will not be provided or 12 months from the date the training began, whichever occurs first. The resulting accounts payable is to be paid 30 days from the date established. The accompanying documentation shall fully explain the reasons for not providing reciprocal training or related support during the preceding 12 months.

B. Actions to be Taken When the United States Does Not Receive Reciprocal Training or Related Support. When the United States does not receive reciprocal training or related support within 12 months after such training or support begins for a foreign country, the exchange transaction shall be converted to an accounts receivable. The accounts receivable shall be established against miscellaneous receipt account 3210, "General Fund Proprietary Receipts, Defense Military, Not Otherwise Classified." See Volume 6A, Chapter 12, "Collecting and Reporting of Foreign Indebtedness within the Department of Defense" for procedures for billing foreign countries.

1003 REPORTING RESPONSIBILITIES

100301. Secretaries of the Military Departments

The Secretaries of the Military Departments, or designees, shall submit to the Director, Defense Security Cooperation Agency (DSCA) information on each reciprocal exchange or reimbursement that was in effect during the prior fiscal year.

100302. Director, Defense Security Cooperation Agency

The Director, DSCA shall:

A. Provide the Military Departments with the reporting format for reciprocal exchange or reimbursement of training and related support as part of the data call for the annual "Foreign Military Training Report." The timelines for reporting training data to DSCA are provided in Chapter 10 of the ***SAMM***.

B. Consolidate the input and transmit the report for receipt by the Congress not later than February 1 of each year.

VOLUME 11A, CHAPTER 11: "SPECIAL OR TECHNICAL SERVICES TO STATE AND LOCAL GOVERNMENTS"

SUMMARY OF MAJOR CHANGES

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Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

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PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
110201.C	Update title for Assistant Secretary of Defense (Logistics and Materiel Readiness)	Update
Multiple	Update hyperlinks throughout the chapter.	Update

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CHAPTER 11

SPECIAL OR TECHNICAL SERVICES TO STATE AND LOCAL GOVERNMENTS

1101 OVERVIEW

110101. Purpose

This chapter provides the financial policy for sale of special or technical services to both state and local governments, as authorized by ***Title 31, United States Code, section 6505*** and further delineated in Office of Management and Budget ***(OMB) Circular No. A-97***, "Rules and Regulations Permitting Federal Agencies to Provide Specialized or Technical Services to State and Local Units of Government under Title III of the Intergovernmental Cooperation Act of 1968." The chapter provides guidance on the amounts that shall be recouped when the DoD Components perform special or technical services for either state or local governments. This chapter does not provide legal authority to sell to state or local governments. Specific legal authority must be identified to make such sales. This guidance supplements the standards for financial accounting for receivables, and budgetary accounting for reimbursements, discussed respectively in Volume 4, Chapter 3 and Volume 3, Chapter 15.

110102. General

It is the policy of the Department to cooperate to the maximum extent possible with state and local governments to provide specialized or technical services. Such services generally shall supplement and not supplant any services provided under other authority.

A. Pricing. Specialized or technical services to state and local governments shall be priced as a sale to private parties at the full costs to the Department. General rules on determining amounts to be reimbursed are found in Chapter 1.

B. Disposition of Proceeds. Payments received by DoD Components for providing service shall be deposited to the credit of the appropriation or account from which the costs of providing the services have been paid or are to be charged. Unfunded portions of the costs of such services shall be deposited to the U.S. Treasury as miscellaneous receipts.

1102 POLICY AND PROCEDURES

110201. Types of Services

A. The following are specialized or technical services that may be provided.

1. Any existing statistical or other studies and compilations, results of technical tests and evaluations, technical information, surveys, reports, documents, and any such materials which may be developed or prepared in the future to meet the needs of the federal government or to carry out a DoD Component's normal responsibilities.

2. Preparation of statistical or other studies and compilations, technical tests and evaluations, technical information, surveys, reports, documents, and assistance in the conduct of such activities, and in the preparation of such materials, provided they are similar to those that the DoD Component is authorized by law to conduct or prepare.

3. Training of the type that the DoD Components are authorized by law to conduct for DoD personnel.

4. Technical aid in the preparation of proposals for developmental and other projects, for which the DoD Components provide grants-in-aid or other assistance, provided such aid primarily develops recipients' capability to prepare their own proposals.

5. Technical information, data processing, communications and personnel management systems services, and technical advice on improving logistical and management services that the DoD Components normally provide the DoD for themselves or others under existing authorities.

B. Any of the above listed specialized or technical services provided by a DoD Component to states and their political subdivisions under other authorities also may be provided under the authority of ***OMB Circular No. A-97***.

C. If a DoD Component receives a request for specialized or technical services that is not covered above, but that is consistent with the ***OMB Circular No. A-97***, and which the Component has a special competence to provide, the Component shall forward the request to the Assistant Secretary of Defense (Logistics and Materiel Readiness) (ASD(L & MR)) for submission to OMB for review. If there is doubt whether the service requested is covered, the Component should forward the request to the ASD(L & MR) for review.

110202. Conditions Under Which Services May Be Provided

Specialized or technical services covered under ***OMB Circular No. A-97*** may be provided at the discretion of the DoD Component head only under the following conditions:

A. Such services shall be provided only to states, their political subdivisions, and combinations or associations of such governments, their agencies, and instrumentalities.

B. Such services shall be provided only upon the written request of a state or its political subdivision. Requests normally shall be made by the chief executive of such entities and shall be addressed to the head of the DoD Component involved.

C. Such services may not be provided unless the servicing DoD Component maintains similar services for its own use under the policies and procedures set forth in ***OMB Circular No. A-76***, "Performance of Commercial Activities", and subsequent changes thereto. In addition, in accordance with the policies set forth in ***OMB Circular No. A-97***, the requesting entity shall certify that such services cannot be procured reasonably and quickly through ordinary business channels.

D. Such services may not be offered if they require any staff additions or involve expenditures for additional equipment or other facilities solely for the purpose of providing such services, except when the costs of such services are charged to the user.

E. Such services shall be provided only upon payment or arrangement for reimbursement to the DoD Component involved by the unit of government making the request. This includes salaries and all other identifiable direct and indirect costs of performing such services.

F. Technical information provided in accordance with this chapter may not be disseminated further to third party governmental entities or associations, unless expressly authorized by the originating DoD Component.

G. If a request for a service is denied, the DoD Component shall furnish a statement to the entity making the request indicating the reasons for the denial.

VOLUME 11A, CHAPTER 12 "MAJOR RANGE AND TEST FACILITY BASE (MRTFB)"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue and underlined font*.**

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PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
Chapter Title	Changed the chapter title from "Major Range and Test Facilities (MRTF)" to "Major Range and Test Facility Base (MRTFB)".	Revision
120101	Added an "Overview" paragraph to introduce the subject and provide general information regarding the MRTFB.	Addition
120103	Added an "Authoritative Guidance" paragraph to establish the statutory basis for this chapter.	Addition
1202	Added a "Definitions" section to clarify specific terms used in this chapter.	Addition
1203	Added a "Responsibilities" section to identify the Under Secretary of Defense Acquisition, Technology and Logistics, the DoD Chief Information Officer and the Secretaries of the Military Departments, and MRTFB users' financial management responsibilities of MRTFB operations.	Addition
120401	Added a general policy paragraph requiring the MRTFB to operate under uniform financial guidelines and DoD Components operating MRTFB to work with the Director, Test Resource Management Center to ensure financial uniformity and consistency.	Addition
120402	Added a paragraph to clarify the different types of MRTFB users (customers) and the impact the type of user has on MRTFB reimbursements.	Addition
120403	Revised the "Accounting" paragraph to clarify cost accounting requirements and provide applicable Federal Accounting Standards Advisory Board guidance as well as financial statement reporting guidance.	Revision

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
120404	Added policy requirements mandating MRTFB activities to use support agreements to establish the General Terms and Conditions between buyers and sellers for all inter- and intra-governmental reimbursable transactions and ensure the Standard Line of Accounting is adhered to and properly annotated when generating or accepting reimbursable orders. In addition, starting in Fiscal Year 2017, the Department of Treasury's G-Invoicing platform must be used to upload and store all support agreements for reimbursable activity.	Addition
120404.B.1.c	Revised subparagraph to clarify and provide the rationale for the rule that the cost of direct (and indirect) military labor must not be charged to another DoD Component.	Revision
120405	Revised the "Disposition of Collections" subparagraph to make a distinction between the disposition rules or policies of MRTFB working capital fund activities and MRTFB non-working capital fund activities.	Revision

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CHAPTER 12

MAJOR RANGE AND TEST FACILITY BASE

1201 GENERAL

*120101. Overview

The Major Range and Test Facility Base (MRTFB) is a national asset which is sized, operated, and maintained primarily for Department of Defense (DoD) test and evaluation support missions, but also is available to non-DoD users having a valid requirement for its capabilities. The MRTFB is operated and maintained primarily for DoD test and evaluation support missions under the oversight of the Director, Test Resource Management Center (TRMC). The MRTFB is managed and operated to provide test and evaluation support to the DoD Components responsible for developing or operating weapons systems. They are also available to Federal, state, local, and allied foreign governments as well as commercial users when a valid requirement for range capabilities exists. MRTFB missions vary from testing missiles and aircraft to ensuring that electrical components can survive in various environments. The MRTFB is designed to assure the most cost-effective development and testing of materiel, and provide for inter-Service compatibility, efficiency, and equity without influencing technical testing decisions or inhibiting legitimate and valid testing.

120102. Purpose

This chapter provides reimbursable policy for DoD MRTFB. This chapter does not apply to the commercial space launch activities of the 30th and 45th Space Wings contained in Chapter 13. Additionally, this chapter does not apply to the sale of samples, drawings, information, equipment, and certain services contained in Chapter 14.

*120103. Authoritative Guidance

A. ***DoD Directive (DoDD), Number 3200.11***, "Major Range and Test Facility Base (MRTFB)". This Directive realigns the policy and responsibilities for the MRTFB.

B. ***DoD Instruction (DoDI), Number 3200.18***, "Management and Operation of the Major Range and Test Facility Base (MRTFB)". This Instruction implements policy and assigns responsibilities for the management and operation of the MRTFB.

C. ***Title 10, United States Code (U.S.C.), section 2208***. Sections 2208(a)(2) and 2208(o) of Title 10 provide authority to the Secretary of Defense to establish working-capital funds (WCFs) to provide working capital for activities that provide common services across DoD and to other persons outside DoD when authorized by law.

D. ***10 U.S.C. § 2681***. Section 2681 of Title 10 authorizes the Secretary of Defense to enter into contracts with commercial entities that desire to conduct commercial test and evaluation activities at a MRTFB.

*1202 DEFINITIONS

The following terms and definitions are provided for the purposes of this chapter:

A. MRTFB. The designated core set of DoD Test and Evaluation (T&E) infrastructure and associated workforce that must be preserved as a national asset to provide T&E capabilities to support the DoD acquisition system.

B. MRTFB Activity. Organizational command element of a DoD Component responsible for managing MRTFB capabilities and resources.

C. Non-DoD Component Users. Federal, state, or local government agencies; allied foreign governments; defense contractors; commercial entities, and private organizations.

D. Direct Costs. Direct costs are those costs that are directly attributable to the use of the facility or resource for testing under a particular program. DoD Component users must reimburse MRTFB activities for direct costs readily identifiable with a particular program. Chargeable direct costs include labor, contract labor (which includes a portion of general and administrative (G&A) expense and overhead), material, minor construction, utilities, equipment, supplies, items damaged or consumed during testing, and any resource or item maintained for a particular program. Direct costs must be billed in accordance with Chapter 1 and must be identified to a job or function served in support of a customer order.

E. Indirect Costs. Indirect costs are overhead costs of the MRTFB activities and are not to be charged to DoD Component users. Indirect costs are defined as the costs of maintaining, operating, upgrading, and modernizing the facility or resource. Indirect costs do not include any incremental costs of operating the facility or resource that are directly attributable to the use of the facility or resource for specific testing under a particular program. The following are examples of types of indirect costs, although the list is not all inclusive:

1. General administrative services, security, rent, operating and maintenance costs for buildings, equipment, and utilities;

2. Preventative and usage maintenance;

3. Cost of leases, except when the cost of the lease can be directly associated with a specific customer and the appropriation is available to fund the leases;

4. Upgrade or modernization of an MRTFB facility, not expressly needed for testing for a specific customer;

5. Routine calibration of instruments;

6. Maintenance and repair of shop machinery; and

7. Replacement of obsolete equipment.

*1203 RESPONSIBILITIES

The following responsibilities were established in DoDD 3200.11 and DoDI 3200.18 and specifically represent the financial management responsibilities of MRTFB operations.

120301. Under Secretary of Defense (USD) Acquisition, Technology and Logistics (AT&L)

USD AT&L, specifically the Director, TRMC will:

A. Review and provide oversight of proposed DoD budgets and expenditures for the MRTFB; and

B. Coordinate MRTFB decisions affecting financial policy and matters containing a monetary value (financial and non-financial) with the Under Secretary of Defense (Comptroller).

120302. DoD Chief Information Officer (CIO) and the Secretaries of the Military Departments

DoD CIO and the Secretaries of the Military Departments will:

A. Plan, program, and budget for institutional costs of operation, maintenance, and sustainability of the MRTFB; and for capability improvements, modernization, and recapitalization; and

B. Implement a reimbursement system to define and collect user charges in accordance with Volume 11A, Chapters 1 and 4.

120303. MRTFB user(s)

MRTFB user(s) will:

A. Plan, budget, and fund the MRTFB activities for applicable direct and/or indirect costs; and

B. Promptly fund the activity managing the MRTFB facility or range for any damage to property or equipment caused by the user in the preparation for, or conduct of, any activity on the facility or range or for direct costs incurred for aborted or canceled tests.

1204 POLICY

*120401. General

The MRTFB must be managed and operated under uniform financial guidelines across the DoD Components. Accordingly, all direct and indirect costs charged to MRTFB users must be uniform and applied consistently among all the MRTFB activities. DoD Components must work with the Director, TRMC to ensure financial uniformity and consistency. All costs incurred by MRTFB activities must be billed to one of the following sources: (1) MRTFB users (customers), (2) direct appropriations of the managing activity, or (3) other sources as directed by DoD.

*120402. MRTFB Users (Customers)

A MRTFB may be used by DoD Component users (including DoD training users) and Non-DoD Component users. The type of user or customer determines the total amount charged to the user and whether they are charged only direct costs or direct costs plus an appropriate level of indirect costs.

*120403. Accounting

A. Cost information is an important basis in setting user fees and reimbursements. Each MRTFB activity must accumulate and report as required, the costs of its activities for management and audit purposes. In accordance with the ***Statements of Federal Financial Accounting Standards 4***: "Managerial Cost Accounting Standards & Concepts", costs must be accumulated through the use of cost accounting systems. Such systems or techniques must be able to accurately capture full costs (i.e., direct costs or costs directly attributed to a specific user; and indirect costs or costs that cannot be directly attributed to a specific user) and more importantly, be used to determine accurate user charges or standard rates under agreements entered into pursuant to Chapter 1 and ***DoD Instruction (DoDI) 4000.19***, "Support Agreements". Additionally, appropriate separation of duties and levels of authorization must be implemented into the cost-tracking process to protect vulnerable areas such as controls over automatic user billing and rate validation. All rates must be applicable to the specific product or service provided. Each MRTFB activity must validate standard rates at least annually and adjust them accordingly to reflect unanticipated changes in costs or market values.

B. In accordance with DoDD 3200.11, MRTFB activities are categorized as Army, Navy, Air Force, or DoD CIO. Specifically, MRTFB activities are comprised of multiple assets, each of which is reported individually on its respective consolidated Balance Sheet under General Property, Plant, and Equipment and further disclosed in Note 10 to the financial statements.

*120404. Reimbursements for MRTFB Activity Usage

In accordance with DoDI 4000.19, MRTFB activities and DoD or Non-DoD Federal Component users must use support agreements (memorandums of agreement or understanding) to document and establish the General Terms and Conditions (GT&Cs) between buyers and sellers for all inter- and intra-governmental reimbursable transactions. Additionally, in accordance with Volume 1, Chapter 4, buyers and sellers must ensure the Standard Line of Accounting is adhered to and properly annotated when generating or accepting a reimbursable order (i.e., Military Interdepartmental Purchase Request). Moreover, reimbursement of direct costs incurred for aborted or canceled tests or for damages to property or equipment caused by a user in the preparation for, or conduct of, any activity on the facility or range must be pursued to the extent permitted by law and DoD policy.

NOTE: For support agreements established during and or after Fiscal Year (FY) 2017 and whose terms extend beyond FY 2017, MRTFB activities and DoD or Non-DoD Federal Component users are required to upload and store their agreements on the Department of the Treasury's G-Invoicing (formerly Invoice Processing Platform).

A. Working Capital Fund Activities. If an organization finances a MRTFB activity using WCFs, then its operations will be funded through reimbursable inter-governmental orders and user fees collected from non-Federal users. Under the stabilized price standardized cost recovery method, managers of WCF activities within each Component must set rates/prices based on full cost recovery and must charge users in accordance with established pricing policies contained in Volume 2B, Chapter 9 and Volume 11B.

B. Non-Working Capital Fund Activities. If an organization does not finance a MRTFB using WCFs, then its operations will be funded through direct appropriations, reimbursable inter-governmental orders, and/or user fees collected from non-Federal users.

1. DoD Component Users

a. Direct Costs. DoD Component users are to be charged and must reimburse MRTFB activities for direct costs identifiable with a particular program or customer order. Direct costs billed must be in accordance with Chapters 1 and 4 and must be attributed to a job or function served in support of a customer order.

(1) By mutual agreement, investments in new or existing test and evaluation facilities may be funded, in whole or in part, by one or more DoD users of a MRTFB activity. This agreement, however, must explicitly delineate responsibilities for ownership/capitalization of the asset, funding, staffing, operating, and maintaining the facility, and must be approved by all parties prior to obligation of any funds for the project.

(2) Investments made under subparagraph 120404.B.1.a that change the composition of the MRTFB must conform to DoDI 3200.18.

(3) Direct incremental costs (i.e., costs resulting from an increase in production) must be charged to DoD Component users.

b. Indirect Costs. DoD Component users are not to be charged and must not reimburse MRTFB activities for indirect costs.

(1) Overhead (indirect) costs must not be charged to DoD Component users, and must remain as costs fully borne by the MRTFB activity and paid for by the institutionally funded program element accounts comprising the MRTFB's budgetary structure.

(2) Indirect incremental costs must not be charged to DoD Components.

* c. Military Personnel Costs. As a rule, the applicable military personnel appropriations must fund the cost of direct (and indirect) military labor incurred in the performance of a service for, or the furnishing of materials to, another DoD Component user. Therefore, since a direct appropriation is provided for that purpose, the cost of military labor must not be charged to another DoD Component user except for the cost of military personnel assigned to the WCF activities. WCF activities must be reimbursed by their users for the cost of military labor as prescribed in Volume 11B, Chapter 12.

2. Non-DoD Component Users.

a. Direct Costs. Non-DoD Component users are to be charged and must reimburse MRTFB activities for all direct costs readily identifiable with a particular program or customer order. Military labor incurred by non-Working Capital Fund activities must be charged to non-DoD Component users on the basis of the actual hours worked or assigned. Military personnel costs must be computed or priced at the composite standard military pay rates in accordance with Chapter 6, Appendix I.

b. Indirect Costs. MRTFB commanders may charge non-DoD Component users an appropriate level of indirect costs at their discretion. Any indirect costs incurred, but not billed to a user, must be billed to the MRTFB activity's institutional or appropriated funding. Appropriated funding levels, however, must not be increased to finance any additional indirect cost incurred due to sales to non-DoD activities.

3. Foreign Military Sales. Foreign Military Sales users must reimburse MRTFB activities in accordance with Volume 15, Chapter 7. This chapter does not, and must not, be construed to permit foreign customer countries or foreign commercial entities to purchase services from MRTFB activities through other than Foreign Military Sales procedures authorized under the Arms Export Control Act.

4. Government-Furnished Services. When the use of an MRTFB activity has been included in a contractual agreement as government-furnished services, the user must be charged based on the category of the contracting government agency (see subparagraphs 120404.B.1. or 120404.B.2.).

*120405. Disposition of Collections.

A. Working Capital Fund Activities. For a MRTFB activity financed using WCFs, reimbursable operations are funded through reimbursable inter-governmental orders and user fees collected from a non-Federal user. Section 2208(h) of Title 10, U.S.C., provides general authority for retention and use of amounts collected under both inter-governmental orders and user fees. Reimbursable inter-governmental orders are valid budgetary resources available to a MRTFB activity for obligation; however, a MFTRB activity financed using WCFs may not recognize user fees as a budgetary resource until collected from a non-Federal user.

B. Non-Working Capital Fund Activities. For a MRTFB activity not financed using WCFs, its operations may be financed through direct appropriations, reimbursable inter-governmental orders, and/or user fees collected from non-Federal users. Inter-governmental orders under reimbursable statutory authorities such as the Economy Act increase available budgetary resources in the reimbursable program of the appropriation the Component uses to finance the MRTFB. To the extent a statutory miscellaneous receipts exception is applicable to a reimbursable transaction with a non-Federal user, user charges collected from such users may be credited to the reimbursable program of the applicable direct appropriation. Section 2681(d) of Title 10, U.S.C., provides such authority for certain transactions with commercial entities conducting test and evaluation activities at MTRFB activities.

VOLUME 11A, CHAPTER 13: "DoD SUPPORT TO UNITED STATES COMMERCIAL SPACE ACTIVITIES"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font*.**

The previous version dated November 2008 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated statutory references, terminology, and hyperlinks.	Update
1302	Renumbered Title 49, United States Code, sections 70101 to 70105a, 70106 to 70109a, and 70110 to 70121 (49 U.S.C. 070101 - 070121) to 51 U.S.C. 50901 - 50923.	Update
1302	Renumbered 15 U.S.C. 5807 as 51 U.S.C. 50504.	Update
130401	Clarified the definition of "direct costs" per 51 U.S.C. 50504.	Update
130402.B.	Clarified the definition of "launch services" per 51 U.S.C. 50902(6) and DoD Directive 3230.3, "DoD Support for Commercial Space Launch Activities.	Update
130403	Added Volume 11B, Chapter 15 reference for charging Defense Working Capital Fund standard prices/stabilized rates.	Update

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CHAPTER 13

DoD SUPPORT TO UNITED STATES COMMERCIAL SPACE ACTIVITIES

1301 PURPOSE

This chapter provides reimbursable policy and procedures for the sale of DoD support to United States (U.S.) commercial space activities.

*1302 BACKGROUND

Title 51, United States Code, sections 50901 - 50923, Commercial Space Launch Activities; ***Title 51, U.S.C., section 50504***, Commercial Space Competitiveness, Use of Government Facilities; and Department of Defense Directive, ***(DoDD) 3230.3,*** DoD Support for Commercial Space Launch Activities, encourage cooperation with the U.S. private sector in the development of commercial space launch operations and other related commercial space activities. Public Law 107-314, ***Section 232***, Objective for Institutional Funding of Test and Evaluation Facilities, defines direct and indirect costs with respect to a facility or resource within the Major Range and Test Facility Base (MRTFB).

1303 APPLICABILITY

This chapter applies to DoD organizations that provide support to U.S. commercial space activities, including support provided by MRTFB activities. (See Volume 11A, Chapter 12, Major Range and Test Facilities, for access to a list of these activities.)

1304 PRICING

*130401. General Pricing

51 U.S.C. 50504 authorizes DoD to allow commercial activities to use its space related facilities provided that DoD is reimbursed for its direct costs accrued in supporting the commercial space activities. The term commercial means having private capital at risk, with primary financial and management responsibility for the activity residing with the private sector. Direct costs are those actual costs (including salaries of U.S. civilian and contractor personnel) incurred by the United States as a result of use of the facility by the private sector. The term "direct costs" means the actual costs that are directly attributable to the use of the facility or resource for support provided to a particular commercial space program or customer over and above the indirect costs with respect to the facility or resource, and they are reflective of costs that would not be borne by the U.S. Government in the absence of such use. Indirect costs are defined as the costs of maintaining, operating, upgrading and modernizing the facility or resource. Indirect costs are overhead costs of the MRTFB activities and are not to be charged to commercial space customers.

*130402. Pricing of Space Launch Property and Services

Pricing of Space Launch Property and Services to U.S. Private Sector Launch Vehicle Operators and Other Commercial Space Activities

A. Space Launch Property. Space launch property consists of items built for, or used to perform launch or space recovery activities.

1. By Sale or Transfer. Space launch property that is excess or otherwise not needed for public use may be sold or transferred in lieu of sale to U.S. private sector launch vehicle operators and other commercial space activities (e.g., payload retrieval services, payload processing services).

2. By Lease/License. Space launch property that is excess or otherwise not needed for public use may be leased/licensed to U.S. private sector launch vehicle operators and other commercial space activities. The transaction shall be priced to recover direct costs, as defined in paragraph 130401. In addition to the costs identified in paragraph 130401, direct costs include specific wear and tear and property damage incurred by the Department as related to the launch property acquisition. Property damage costs represent the costs necessary to replace or restore the property, or site, to its condition before the lease/license.

B. Space Launch Services. As defined under ***51 U.S.C. 50902 (6)*** and ***DoDD 3230.3***, space launch services are those activities involved in the preparation of a launch vehicle, its payload for launch, crew (including crew training), or space flight participation for launch; and the conduct of a launch. For space launch services, including utilities, otherwise not needed for public use, the acquisition price represents an amount equal to the direct costs, including the basic pay of Government civilians and total costs of contractor personnel (including salaries, General and Administrative costs, and overhead), incurred as a result of the acquisition.

*130403. Articles and Services Provided from Defense Working Capital Fund Activities

Generally, standard prices/stabilized rates shall be charged for articles and services provided by activities operating under a Defense Working Capital Fund (DWCF). Refer to Volume 11B, Chapter 15, paragraphs 150301-150302, for additional details and exceptions.

130404. Upgrades or Modifications to DoD Owned Property

Upgrades or modifications to DoD owned property, facilities or equipment for commercial space activities shall be reimbursed in accordance with the provisions contained in Chapter 1. Such upgrades or modifications must have documented approval from the parent DoD organization in accordance with ***DoDD 3230.3***.

130405. Government-owned Production Facilities

Government-owned production facilities or related equipment used to support the production of a private sector commercial launch vehicle or a commercial launch process shall be provided on a direct cost basis, with terms and conditions established by a standard contract for DoD support to United States commercial space activities.

130406. Test and Evaluation

Commercial operators performing test and evaluation activities related to commercial space launch efforts using DoD facilities shall be charged on a direct cost basis in accordance with paragraph 130401.

130407. Fixed Price Estimates

Commercial space launch contractors may be offered fixed price quotes for the sale of launch services based on reasonable estimates of direct costs only when there is: (a) a well defined contractor requirement and (b) a reliable cost history of similar previous sales.

1305 BILLING

Invoices for support provided shall be completed and transmitted to the commercial space activity within 30 calendar days after the month in which performance occurred. The payment due date shall be no more than 30 days from the date of the invoice. See Chapter 1 for further discussion on invoicing and bill payment.

1306 DISPOSITION OF COLLECTIONS

130601. Proceeds from DWCF Activities

Proceeds from the sale of articles and services from DWCF activities shall be deposited to the DWCF.

130602. Proceeds from Non-DWCF Activities

Proceeds from the sale of launch property by other than a DWCF activity shall be:

A. Credited to the general fund of the Treasury as miscellaneous receipts when the launch property is not to be replaced.

B. Deposited to the DoD appropriation account or fund, currently available for the procurement of the launch property, if the launch property is to be replaced.

130603. Proceeds Deposits for License of Launch Property and Leases

Proceeds from the license of launch property shall be deposited to the DoD appropriation account or fund currently available for financing the direct costs incurred. Proceeds from leases shall be deposited to the Miscellaneous Receipts Account of the U.S. Treasury.

130604. Proceeds Deposits from the Sale of Launch Services

Proceeds from the sale of launch services shall be deposited to the DoD appropriation account or fund that financed the provisioning of those launch services. These proceeds must be credited to the fiscal year in which the DoD Component provided the services.

VOLUME 11A, CHAPTER 14: "AVAILABILITY THROUGH SALE OR FEE FOR USE OF SAMPLES, DRAWINGS, INFORMATION, EQUIPMENT, AND CERTAIN SERVICES BY A GOVERNMENT LABORATORY, CENTER, RANGE, OR TESTING FACILITY"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue and underlined font*.**

The previous version dated May 2011 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
Chapter Title	Changed the chapter title from "Sales of Samples, Drawings, Information, Equipment, and Certain Services by a Government Laboratory, Center, Range, or Testing Facility" to "Availability Through Sale or Fee for Use of Samples, Drawings, Information, Equipment, and Certain Services by a Government Laboratory, Center, Range, or Testing Facility."	Revision
1401	Added a General section to introduce the subject and provide the purpose for this chapter.	Addition
140103	Added an Authoritative Guidance paragraph to establish the statutory basis for this chapter.	Addition
1402	Added six new definitions to include "Facilities," "National Technology and Industrial Base," "Proceeds," "Range," "Research Center," and "User Fee/User Charge" for clarification of specific terms used in this chapter.	Addition
1403	Renamed the Policy and Procedures section to Delineated Authorities to align with Department of Defense Instruction (DoDI) 5535.11, "Availability of Samples, Drawings, Information, Equipment, Materials, and Certain Services to Non-DoD Persons and Entities." In addition, removed operational procedures, which are promulgated in DoDI 5535.11, and provided details of Title 10, United States Code (U.S.C.), section 2539b, which serves as the principal legal authority of this chapter.	Revision

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
1404	Renamed “Fees” section to “Proceeds or Fees” to account for the sale or rental of property.	Revision
140401	Added a General Policy paragraph to introduce and establish the basis for collecting and using proceeds or fees and ensure internal controls are in place and fee schedules are developed, published, and maintained.	Addition
140401.D	Added the requirement that user fees for transactions with the public must be published in a schedule, list, or table on a publicly available website, reviewed biannually, and the results of the biennial review be published and discussed in the annual DoD Agency Financial Report.	Addition
140402 and 140403	Added specific requirements for calculating sales price and appropriate user fees.	Addition
140404	Added specific requirements for collecting proceeds or user fees.	Addition
140405	Added specific requirements for the disposition of proceeds or user fees.	Addition
Multiple	Updated and added hyperlinks as required.	Addition

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CHAPTER 14

AVAILABILITY THROUGH SALE OR FEE FOR USE OF SAMPLES, DRAWINGS, INFORMATION, EQUIPMENT, AND CERTAIN SERVICES BY A GOVERNMENT LABORATORY, CENTER, RANGE, OR TESTING FACILITY

*1401 GENERAL

140101. Overview

The Department of Defense (DoD) promotes research and development within the commercial sector of the U.S. economy by transferring technology and information from the Government (i.e. the military) to the commercial sector. This policy strengthens both national and economic security by establishing a national technology and industrial base from which military superiority can be sustained and U.S. production capabilities increased. The transfer of technology and information from the Government to the commercial sector benefits critical research and leads to the development of both useful military and/or commercial technology.

140102. Purpose

This chapter prescribes reimbursable and disposition (of proceeds or fees) policies for the provision of samples, drawings, information, equipment, and certain services to any person or entity, as authorized by ***Title 10, United States Code (U.S.C.), section 2539b***. This chapter does not apply to facilities and ranges of the Major Range and Test Facility Base (MRTFB) (see Chapter 12 for financial management policy regarding the use of MRTFB).

*140103. Authoritative Guidance

A. ***10 U.S.C. § 2208***. Sections 2208(a)(2) and 2208(o) of Title 10 provide authority to the Secretary of Defense to establish working-capital funds to provide working capital for activities that provide common services across DoD and to other persons outside DoD when authorized by law.

B. ***10 U.S.C. § 2371***. Section 2371 of Title 10 provides authority to the Secretary of Defense and the Secretary of each military department to enter into transactions (other than contracts, cooperative agreements, and grants) in carrying out basic, applied, and advanced research projects.

C. ***10 U.S.C. § 2539b***. Section 2539b of Title 10 provides authority to the Secretary of Defense and the Secretaries of the military departments, when determined to be in the interest of national defense, to sell samples, drawings, information, equipment, and certain services to any person or entity.

D. ***10 U.S.C. § 2563***. Section 2563 of Title 10 provides authority to the Secretary of Defense to sell to persons outside DoD articles and services that are manufactured or performed by any working-capital funded industrial facility of the armed forces.

E. ***10 U.S.C. § 2667***. Section 2667 of Title 10 provides authority to the Secretary of Defense to lease non-excess real or personal property.

F. ***31 U.S.C. § 3302***. Section 3302 of Title 31 establishes custodial responsibilities of public officials with respect to receipt of public money.

G. ***31 U.S.C. § 9701***. Section 9701 of Title 31 provides criteria for use by Federal agencies in prescribing regulations establishing charges for services or things of value provided by the agency.

H. ***51 U.S.C. § 50504***. Section 50504 of Title 51 provides authority to DoD to allow non-Federal entities to use its space-related facilities on a reimbursable basis.

I. ***32 Code of Federal Regulations (C.F.R.) Part 204***, "User Fees." In conjunction with chapter 4 of this Volume, Part 204 of Title 32 implements the DoD program under Title 31 U.S.C. § 9701 and Office of Management and Budget (OMB) Circular No. A-25, "User Charges," for assessment of appropriate fees for services provided to identifiable recipients beyond those provided to the general public and for the sale or use of DoD goods or resources.

J. ***OMB Circular No. A-25***, "User Charges." This Circular establishes Federal policy regarding fees assessed for Government services and for sale or use of Government goods or resources. It provides information on the scope and types of activities subject to user charges and on the basis upon which user charges are to be set. It also provides guidance for agency implementation of charges and the disposition of collections.

K. ***DoD Instruction (DoDI) 5535.11***, "Availability of Samples, Drawings, Information, Equipment, Materials, and Certain Services to Non-DoD Persons and Entities," March 19, 2012. This Instruction establishes authority, assigns responsibilities, and prescribes operational procedures in accordance with 10 U.S.C. 2539b for the provision of samples, drawings, information, equipment, materials, and certain services to any person or entity. Please refer to this document for operational procedures prescribed by the Under Secretary of Defense (USD) Acquisition, Technology and Logistics (AT&L).

*1402 DEFINITIONS

The following terms and definitions are provided for the purposes of this chapter:

A. Drawing. A diagram, plan, or list detailing the fabrication and assembly of structural elements, or the installation of materials and equipment. A drawing details the characteristics, or outlines the parts of operation of a product or item.

B. Equipment or Materials. Personal property, including machinery, devices, and apparatuses, and components of such items.

C. Friendly Foreign Government. Those countries for which a Presidential Determination has been provided under ***Section 3(a)(1) of the Arms Export Control Act***, codified at ***22 U.S.C. § 2753(a)(1)***, and to which transfer has not been prohibited by the Department of State under the International Traffic in Arms Regulation ***(22 Code Federal Regulation Part 120)***.

D. Independent Research and Development (IR&D) Programs. A research and development effort that is not sponsored by, or required in performance of a government contract, or grant for: (1) basic research, (2) applied research, (3) development, and (4) systems and other concept formulation studies. IR&D programs do not include technical efforts expended in developing and preparing technical data specifically to support submitting a bid or proposal.

E. Facilities. Property used for production, maintenance, research, engineering, development, evaluation, and/or testing. It includes equipment, plant equipment, test equipment, tooling, real and personal property, and material.

F. Laboratory. A facility or group of facilities owned, leased, or otherwise under the jurisdiction and control of the Federal Government, a substantial purpose of which is the performance of research, development, engineering, test and evaluation, or otherwise developing or maintaining a technology in accordance with ***Title 15 U.S.C § 3710a(d)(2)***.

G. Manufacturing or Other Information. Any blueprints, drawings, plans, instructions, documentation, or other technical information or technical data that can be used or adopted for use to design, engineer, produce, manufacture, operate, repair, overhaul, or reproduce any equipment or material.

H. National Technology and Industrial Base. The persons and organizations that are engaged in research, development, production, integration, services, or information technology activities conducted within the United States.

I. Person or entity. An individual, partnership, corporation, association, State, local, or tribal Government, or an agency or instrumentality of the United States Government other than DoD.

J. Proceeds. Money received as a fee or from the sale (or rental) of an asset, usually before deduction of commissions, fees, and related expenses. From a proprietary accounting standpoint, proceeds result from exchange transactions (i.e. when a Government entity provides goods and services to the public or to another Government entity for a price) and can be recorded as either revenue or a gain/loss. In accordance with the ***Statement of Federal Financial Accounting Standard 7***: "Accounting for Revenue and Other Financing Sources and Concepts for Recording Budgetary and Financial Accounting," proceeds will be recorded as revenue if the exchange transaction is usual or a recurring event; however, proceeds will be recorded as a gain/loss if the exchange transaction is unusual or a nonrecurring event.

K. Range. A specifically bounded geographic area under the jurisdiction of the DoD that may encompass a landmass, body of water (above or below the surface), and/or airspace used to conduct operations, training, research and development, and test and evaluation of military hardware, personnel, tactics, munitions, explosives, or electronic combat systems. This includes both operational and test ranges as those terms are defined in ***DoD Directive (DoDD) 3200.15***, "Sustaining Access to the Live Training and Test Domain."

L. Research Center. A facility or group of facilities owned, leased or otherwise under the jurisdiction and control of the DoD, a substantial purpose of which is the performance of research, development, engineering, test and evaluation, or otherwise developing or maintaining a technology in accordance with Title 15 U.S.C § 3710a(d)(2).

M. Sample. A unit or units of a product drawn from a lot or batch that is representative of the product and is constructed in conformance with the requirements and complies with specifications of the product. The item may be from a prototype or final production version of the product.

N. User Fee/User Charge. A fee assessed to users for goods or services provided by the Federal Government. In the context of transactions with the public, user fees generally apply to federal programs or activities that provide special benefits to identifiable recipients above and beyond what is normally available to the public. User fees are normally related to the cost of the goods or services provided.

*1403 DELINEATED AUTHORITIES

140301. Authorization to Sell, Rent, Lend, Give, or Charge an Appropriate Fee

Under 10 U.S.C. § 2539b, the Secretary of Defense and the Secretaries of the military departments, under regulations prescribed by the Secretary of Defense and when determined by the Secretary of Defense or the Secretary concerned to be in the interest of national defense, may each:

A. Sell, rent, lend, or give samples, drawings, and manufacturing or other information (subject to the rights of third parties) to any person or entity;

B. Sell, rent, or lend government equipment or materials to any person or entity:

1. For use in independent research and development programs, subject to the condition that the equipment or material be used exclusively for such research and development; or

2. For use in demonstrations to a friendly foreign government;

C. Make available to any person or entity, at an appropriate fee, the services of any Department laboratory, center, range, or other testing facility for the testing of materials, equipment, models, computer software, and other items; and

D. Make available to any person or entity, through leases, contracts, or other appropriate arrangements, facilities, services, and equipment of any government laboratory, research center, or range, if the facilities, services, and equipment provided will not be in direct competition with the domestic private sector.

140302. Charging Fees

In addition, in providing services or in making facilities, equipment, and other items available under subparagraphs 140301.A.3 and 140301.A.4, the DoD should charge appropriate fees in a manner consistent with Chapter 4, 32 C.F.R. Part 204, and OMB Circular No. A-25.

*1404 PROCEEDS OR FEES

*140401. General Policy

A. Per 31 U.S.C. § 9701, the "User Charge Statute," it is the sense of Congress that each service or thing of value provided by a Federal agency (except a mixed-ownership Government corporation) to a person (except a person on official business of the United States Government) is to be self-sustaining to the extent possible. Accordingly, the head of each agency may prescribe regulations establishing the charge for a service or thing of value provided by the agency. However, unless otherwise authorized by law, proceeds or fees collected under this authority and 31 U.S.C. § 3302 must be deposited in the General Fund of the Treasury and are generally not available to the agency or the activity generating the fees. An agency may not obligate against proceeds or fees collected without specific statutory authority. Congress may provide agencies with the authority to collect and use proceeds or fees within authorizing legislation or within appropriations legislation, or within both, but in the absence of such statutory authority, user charge collections must be credited to the General Fund of the Treasury as miscellaneous receipts, as required by 31 U.S.C. § 3302.

B. Proceeds received from sales or rentals provided in accordance with subparagraphs 140301.A.1 and 140301.A.2 or fees received for services provided in accordance with subparagraphs 140301.A.3 and 140301.A.4 may include reimbursement for up to the full amount of all direct and indirect costs to the Government. Less than full cost recovery may be charged in accordance with subparagraph 140402.B, or other applicable authorities. DoD Working Capital Fund activities should establish, whenever feasible, standard prices or stabilized rates and unit prices for goods and services in accordance with Volume 11B.

C. Internal management controls must be established in accordance with OMB ***Circular No. A-123***, "Management's Responsibility for Internal Control," the Government Accountability Office (GAO)'s ***GAO-14-704G***, "Standards for Internal Control in the Federal Government (the "Green Book")," and ***DoDI 5010.40***, "Managers' Internal Control Program Procedures," to ensure that sales price and fees are developed, published, and

adjusted using current, accurate, and complete data and appropriate audit standards are applied to their collections.

* D. User fees for transactions with the public must be published in a schedule, list, or table on a publicly available website. Schedules, listings, or tables of fees must be reviewed biennially, in accordance with OMB Circular No. A-25 to ensure proper and adequate costs are being recovered and adjustments are made for changes in costs or market values. The biennial review of user fees must be published and discussed in the annual DoD Agency Financial Report required by the ***Government Management and Reform Act of 1994*** and the ***Chief Financial Officers (CFO) Act of 1990***.

E. When a Government laboratory, center, range, or testing facility makes a decision to sell, rent, lend or give samples, drawings, information, or equipment or charge a fee for services that is subject to DoDI 5535.11, then the financial management policy outlined in paragraphs 140402 through 140405 regarding calculation, collection, and disposition of proceeds or fees must be followed.

*140402. Calculation of Sales Price

A. In general, the sales price of samples, drawings, information, equipment, or materials in accordance with subparagraphs 140301.A.1 and 140301.A.2 will be calculated or determined prior to or at the time of the sale. When calculating or determining the sales price of such assets, consideration should be given to the following:

1. Fair Value;

2. Historical Cost less Depreciation (Net Book Value);

3. Replacement Cost;

4. Net Realizable Value;

5. Discounted price (may be used when selling an asset to a State or Local agency); or

6. Without charge (may be considered when reutilizing an asset within DoD, transferring an asset to another Federal agency, or donating an asset to a State or Local agency); and

7. The specific mission, goals, and/or objectives of the research and development project associated with a particular asset's sale.

8. Terms identified in subparagraphs 140402.A.1 through 140402.A.4 are defined in the 2014 Federal Accounting Standards Advisory Board (FASAB) Handbook ***Appendix E***, "Consolidated Glossary."

B. Additional guidance on the sale (and disposal) of DoD property can be found on the Defense Logistics Agency (DLA) Disposition Services' ***website***. Moreover, specific guidance regarding property disposal can be found in ***DLA Instruction 1403***, "DoD Property Disposal" and ***DoD Manual 4160.21, Volume 1***, "Defense Materiel Disposition: Disposal Guidance and Procedures."

*140403. Calculation of Fees

A. When DoD services, facilities, or equipment are made available in accordance with subparagraphs 140301.A.3 and 140301.A.4 and DoDI 5535.11, an appropriate user fee must be imposed by the DoD agency providing the service, facility, or equipment.

1. In accordance with 10 U.S.C. § 2539b, user fees may not exceed the amount necessary to recoup the direct and indirect costs incurred (i.e., total or full costs) by providing the service, facility, or equipment. However, direct costs, at a minimum, must be charged or recouped.

2. Costs may include capital improvement costs, utility costs, depreciation, contractor support, salaries of personnel, and all other ancillary support costs.

3. Specific policy pertaining to the calculation (i.e., identification of specific costs) and reporting of fees for the provision of services, equipment, and facilities pursuant to subparagraphs 140301.A.3 and 140301.A.4 can be found in Chapter 4, 32 C.F.R. Part 204, and OMB Circular No. A-25.

B. When approved by the laboratory directors, facility directors, and/or commander, prior to providing the service or use of facilities and/or equipment, all or a portion of the indirect costs may be eliminated from the fee. Fees charged for services at less than total costs are permitted only when there is a compelling reason or it is determined to be in the best interest of national defense to do so.

1. In addition, special consideration as to recovery of less than full costs may be given when:

a. The recipient of the benefit is engaged in a nonprofit activity designed for public safety, health, or welfare;

b. Payments of full fees by a state, local government, or nonprofit activity would not be in the Federal Government's best interest; or

c. The laboratory directors, facility directors, and/or commander have determined that the administrative costs of determining and collecting the full fees would outweigh the benefits to the activity.

2. When less than full cost is charged, laboratory directors, facility directors, and commander must maintain adequate documentation justifying or supporting each

decision. Such documentation should address the criteria in subparagraphs 140402.A and 140402.B and be available for audits or inspections and for review by higher authorities.

C. DoD Working Capital Fund laboratories and facilities must use standard (stabilized) rates to establish fees in accordance with Volume 11B, and DoD activities designated as "Major Range and Test Facility Bases" must determine costs and fees in accordance with Chapter 12.

*140404. Collection of Proceeds or Fees

DoD Components should make every effort to collect proceeds or fees electronically, via electronic funds transfer (EFT), and utilize, as applicable, the collection services provided by the Treasury's Bureau of the Fiscal Service (Fiscal Service) as outlined in the Treasury Financial Management (TFM), Volume 1, "Federal Agencies," ***Part 5, Deposit Regulations*** and ***Part 6, Chapter 4000, Intra-Governmental Payment and Collection (IPAC) System*** and further described in Volume 5, Chapter 8. Moreover, support agreements with DoD Components or other Federal Government agencies, contract agreements with private parties or entities established in conjunction with sales, rentals, or lending of property identified in subparagraphs 140301.A.1 and 140301.A.2 and fees received for services identified in subparagraphs 140301.A.3 and 140301.A.4, should include requirements to use, as applicable, the collection services provided by the Fiscal Service.

A. In accordance with OMB Circular No. A-25, user fees must be collected in advance of, or simultaneously with, the rendering of services unless appropriations and authority are provided to allow for reimbursable services.

B. All fees for services that incur variable costs over time such as personnel or utility costs may be collected incrementally over time.

*140405. Disposition of Proceeds or Fees Received

As required by 31 U.S.C. § 3302 and unless another statute provides otherwise, an official or agent of the Government who receives money for the Federal Government from any source must deposit the money in the Treasury as soon as practicable. This law is commonly referred to as the "Miscellaneous Receipts Act."

A. Proceeds received from sales or rentals provided in accordance with subparagraphs 140301.A.1 and 140301.A.2 must be credited to the General Fund of the Treasury as miscellaneous receipts, unless an exception to the Miscellaneous Receipts Act is available, such as ***10 U.S.C. § 2210***, which authorizes Working Capital Fund activities to retain a portion of the proceeds from the sale or disposal of certain types of property, with the balance credited to current applicable appropriations of DoD.

B. Under authority of 10 U.S.C. § 2539b, fees collected for services or when making facilities, equipment and other items available under subparagraphs 140301.A.3 and

140301.A.4 may be credited to the appropriations or other funds of the activity making such services available.

140406. Warranties and Liabilities

All transfers of property or services of whatever nature made pursuant to this policy must be without any express or implied warranty. The recipient of the property or services must agree in writing to hold harmless and indemnify the U.S. Government from any liability or claim for damages or injury to any person or property arising out of the property or services provided.

140407. Liability for Loss of or Damage to Property of the Government

The written support agreement or contract with an individual, company, corporation, or organization must include a clause stating that the U.S. Government will be reimbursed for any losses or damages arising out of or in conjunction with the use of government property.

VOLUME 11A, CHAPTER 15: "TRAINING OF SPECIAL OPERATIONS FORCES WITH FRIENDLY FOREIGN FORCES"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue and underlined font*.**

The previous version dated February 2011 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
Multiple	Updated references, terminology and hyperlinks.	Update
150102.C	Added "incremental expense" definition exception.	Add
150203	Clarified that the Office of the Secretary of Defense (Policy) will submit the required annual report to Congress.	Update

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CHAPTER 15

TRAINING OF SPECIAL OPERATIONS FORCES WITH FRIENDLY FOREIGN FORCES

1501 OVERVIEW

150101. Purpose

This chapter provides accounting and reporting procedures to implement provisions of ***Title 10, United States Code, section 2011*** that are related to training of special operations forces with friendly foreign forces.

150102. Authority for Payment of Training Expenses

10 U.S.C. 2011, authorizes, the Commander, United States Special Operations Command and the commander of any other unified or specified combatant command to pay, or authorize payment for, any of the following expenses:

A. Expenses of overseas training of U.S. special operations forces, to include civil affairs forces and military information support operations forces, assigned to the combatant commander in conjunction with training, and training with, armed forces and other security forces of a friendly foreign country.

B. Expenses of deploying such special operations forces, to include civil affairs forces and military information support operations forces, for that training.

C. Incremental expenses incurred, in the case of training in conjunction with a friendly developing country, by that country as the direct result of such training. The term, "incremental expenses," with respect to a developing country, means the reasonable and proper costs of rations, fuel, training ammunition, transportation (except to and from the continental United States or from one country to another country), and other goods and services consumed by such country, except that the term does not include pay, allowances, and other normal costs of such country's personnel.

150103. Purpose of Training

For the authority cited in paragraph 150102 to apply, the primary purpose of the overseas training activities must be the training of special operations forces of the combatant commands. Training of foreign forces may not be the primary purpose.

1502 POLICY AND PROCEDURES

150201. Accounting Procedures

Departmental funds expended to facilitate the participation of friendly foreign forces training with U.S. special operations forces shall be incurred and reported under the following guidelines.

A. Funding for training of U.S. personnel may include amounts for training expenses authorized in ***10 U.S.C. 2011***. The funding source for these proposed payments shall be funds made available to the applicable DoD Component for these purposes.

B. Prior to commencement of the training, agreement on implementing arrangements should be reached in terms of the types and scope of non-financial support and financial contributions to be provided by the United States to a foreign country and/or by a foreign country to the United States. In order to protect the interests of the United States, the essential terms of the arrangement normally shall be documented in writing and a copy of the document provided to the foreign country. In addition, the arrangement should request that each participating country identify both physical and financial contributions to the training effort and the amount of expenses paid related thereto. Formal foreign agreements, under the provisions of DoD Directive ***(DoDD) 5530.3***, "International Agreements," are not required with respect to these implementing arrangements.

C. In the event that the participating country is unable to identify its expenses in time to meet reporting requirements prescribed below, knowledgeable U.S. personnel will estimate that participant's contributions, and the value of expenses paid in U.S. dollar equivalents at the exchange rate in effect at the time of the training. Estimates of a participating country's contributions may be calculated using relative factors of comparable costs for similar U.S. training activities.

D. Arrangements with a friendly developing country may provide for financial or in-kind payment to the developing country by the United States for incremental expenses incurred by that country as a direct result of such training. "Incremental expenses" are defined in subparagraph 150102.C.

E. Arrangements with a friendly country also may provide for payment to that country by the United States for the costs of support provided to U.S. personnel by the host country. Expenses that may be paid under the terms of an arrangement with a friendly country for support provided to U.S. personnel by that country are limited to those types of expenses included in the definition of incremental expenses described in subparagraph 150102.C.

F. For expenses that are to be paid to a friendly country, either incremental costs incurred by a developing country or support provided by a host country to U.S. personnel, the arrangement shall stipulate that the host country provides, in advance of payment, appropriate documentation to support the payment. This documentation shall include dates, quantities, units and costs so that the senior U.S. official can determine the reasonableness and propriety of such

costs, in U.S. dollar equivalents at current exchange rates, for the various types of authorized expenses incurred.

G. The following procedures shall be followed to substantiate payments for reasonable incremental expenses incurred by a developing country.

1. The senior foreign official participating in the training shall certify that the documentation provided to support the claim for payment reflects reasonable and proper expenses incurred during the training.

2. The senior U.S. official participating in the training shall include a statement that, in his or her judgment, the documentation reflects reasonable and proper expenses.

3. If the senior U.S. official participating in the training questions the propriety or reasonableness of any expense claimed by the foreign country, resolution of those questions shall occur before the payment is made.

H. The following procedures shall be followed to substantiate payments for reasonable expenses to support U.S. personnel.

1. The U.S. official accepting the goods and/or services on behalf of the United States Government shall certify receipt and acceptance for the United States Government. The acceptance shall include documentation of the dates, quantities, units, and costs of the various types of support received.

2. The host country shall submit a claim for payment that includes documentation of the dates, quantities, units, and costs, in U.S. dollar equivalents at current exchange rates, of the various types of support provided.

I. The annual report (described in paragraph 150202) requires a determination of both financial and non-financial contributions to the training effort and the amount of related expenses paid by the participants in such training. Financial and non-financial contributions include all costs that are incurred because of the training. The accounting records from which the contributions are reported shall include the separate identification of all the costs incurred, such as:

1. Rations, fuel, and training ammunition.

2. Personnel (including lodging, and/or per diem costs) for other than normal pay and allowances.

3. Costs associated with training areas, firing ranges, storage sites, and other similar items and facilities used during the training. These costs must be attributable directly to such training.

4. All transportation of personnel, equipment and supplies to and from the training area.

J. The operations and maintenance funds expensed under ***10 U.S.C. 2011***, are not to be used to supplement other accounts, to circumvent budget ceilings established for other accounts, or to assume the mission of programs funded from other accounts.

K. 10 U.S.C. 2011 authorizes the Department to program and expend operation and maintenance funds to train U.S. special operations forces, to include civil affairs forces and military information support operations forces, with friendly foreign nations. It does not provide authority to conduct any type of training activity that the Department otherwise cannot legally conduct. Any training activity funded under this statutory authority must be conducted in accordance with DoD directives, regulations and instructions, and all other applicable interagency procedures.

150202. Annual Report by U.S. Unified Combatant Commands

Funds expended under the authority of 10 U.S.C. 2011, shall be reported by the appropriate combatant commands on a fiscal year basis to the Assistant Secretary of Defense (Special Operations/Low Intensity Conflict (ASD(SO/LIC)) to arrive not later than January 1 of each year. Each fiscal year report submitted by the combatant commands shall be organized by theater and presented for each country in alphabetical order with each joint combined exchange training (JCET) deployment listed in chronological order. The reporting of classified training activities, if any, shall be properly classified and the classification prominently identified. Each report shall specify the following:

A. All countries in which training was conducted.

B. The type of training conducted in each country for each JCET, including whether such training was related to counter-narcotics or counter-terrorism activities; the date and duration of that training; the number of U.S. military personnel involved; and the total expenses paid by the United States. Total expenses paid by the United States shall be the total of (1) amounts paid for deploying and training U.S. special operations forces, including the costs listed in subparagraph 150201.I; (2) amounts paid to a foreign country for support provided to U.S. personnel, as described in subparagraph 0150201.H; and (3) financial payments to a developing foreign country for incremental expenses, as described in subparagraph 150201.G.

C. The extent of participation by foreign military forces, including the number and service affiliation of foreign military personnel involved and the physical and financial contribution of each host nation to the training effort.

D. The relationship of that training to other overseas training programs conducted by U.S. Armed Forces, such as military exercise programs sponsored by the Joint Chiefs of Staff, military exercise programs sponsored by a U.S. unified combatant command, and military training activities sponsored by a Military Department (including deployments for training, short duration exercises and other similar unit training events).

150203. Annual Report by the Secretary of Defense

A. The ASD(SO/LIC) shall receive reports from the combatant command, as described in this chapter, and compile those reports into a single document and forward it to the Under Secretary of Defense (Policy (USD(P)).

B. The USD(P) shall, not later than April l of each year, submit on behalf of the Secretary of Defense the required annual report to the Armed Services and Foreign Relations Committees of the Senate and the National Security and Foreign Affairs Committees of the House of Representatives.

C. The annual report shall cover training during the preceding fiscal year for which expenses were paid under ***10 U.S.C. 2011.***

VOLUME 11A, CHAPTER 16: "ACCOUNTING FOR PRODUCTION AND SALE OF FOREST PRODUCTS"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue and underlined font*.**

The previous version dated March 1997 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
160102.A	Inserts reference to Army Annex.	Update
160102.A	Inserts reference to Marine Corps Financial Execution Standard Operating Procedures Manual (P7300.21)	Update
Army Annex	Incorporates Defense Finance and Accounting Service Indianapolis Regulation 37-1, Chapter 14, "Sales and Revenues"	Incorporate Guidance

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CHAPTER 16

ACCOUNTING FOR PRODUCTION AND SALE OF FOREST PRODUCTS

1601 OVERVIEW

160101. Purpose

This chapter establishes the policy and procedures used to account for the production and sale of forest products (see Figure 16-1). This chapter also assigns responsibility for Department of Defense (DoD) reimbursement and for the entitlement of a state to a share in the net proceeds (see Figure 16-1) derived from forest products sold from military installations or facilities.

160102. Applicability and Scope

The policies and procedures established by this chapter:

* A. Apply to the Office of the Secretary of Defense (OSD) and to the Military Departments (including their Reserve Components). The term "Military Services," as used herein, refers to the Army, Navy, Air Force, and Marine Corps. Policies and procedures specific to the Army are included in the Army Annex. The policies and procedures applicable within the Department of the Navy are in Appendix L of the Marine Corps Financial Execution Standard Operating Procedures Manual (P7300.21).

B. Cover forest products production and sales programs on military installations or facilities in the United States.

C. Do not apply to forestry activities within the civil programs of the U.S. Army Corps of Engineers or to the state-owned National Guard installations.

1602 POLICY AND PROCEDURES

160201. DoD Appropriations To Incur Obligations to Fund the Production and Sale of Forest Products

DoD appropriations that incur obligations to fund the production and sale of forest products shall be reimbursed from collections made as a result of the sale of those products. Remaining collections shall be disposed of as follows:

A. Forty percent of installation net proceeds shall be distributed to the state that includes the military installation or facility from which forest products were sold during a fiscal year. If the installation or facility is located in more than one state, each state shall share the proceeds in a manner proportional to the area of such installation or facility in each state. (See paragraph 160206 and Figure 16-1) Entitlement to the states applies to forest products sold after September 30, 1984.

B. When the disbursement to each state has been made, any remaining amount shall be transferred to the reserve account. (See paragraph 160203, below.) To the extent that collections from the sale of forest products are inadequate, obligations for the production and sale of those products may be financed either from the appropriation accounts, or from transfers from the reserve account when other sources of funds are not available in a timely manner.

160202. DoD Reserve Account

A DoD reserve account shall be established. The balance in this account may be used for:

A. Improvements of forest lands,

B. Unanticipated contingencies in the administration of forest lands and the production of forest products for which other sources of funds are not available in a timely manner, and

C. Natural resource management that implements approved plans and agreements.

The balance shall not exceed $4 million on December 31 of any calendar year. Unobligated balances exceeding $4 million on that date shall be deposited in the U.S. Treasury General Fund Miscellaneous Receipts Account. (See paragraph 160205.C., below.)

160203. Operating Procedures for Program Obligations

A. Program obligations shall be related directly to the economic production and sale of forest products in the following functions:

1. Forest Improvement. Obligations incurred to improve an existing timber stand or forest, whether it is planted, seeded, or natural, to include thinning, pruning, and controlling undesirable vegetative growth.

2. Reforestation. Obligations incurred for natural or artificial regeneration including planting, purchasing of seeds or seedlings, preparing sites, and controlling insects, diseases, vegetation, and animals.

3. Forest Protection. Obligations incurred to protect a forest capable of economic production of forest products from damage by fire, insects, diseases, animals, floods, and erosion.

4. Forest Access Roads. Obligations incurred for construction, reconstruction, repair and maintenance of forest access roads and trails, and for repair of other roads as a result of forest production and harvest operations.

5. Sales. Obligations incurred to facilitate sales and preparation for sales of forest products including appraising, cruising, marking, scaling, advertising, and escorting prospective bidders, as well as preparing, administering, and enforcing compliance with sales contracts.

6. Management. Obligations incurred to manage of the functions listed in subparagraphs 160204.A.1 through 160204.A.5, above, including supervising, planning, programming, conducting field surveys and inventories, training, and attending professional meetings.

7. Forestry Equipment. Obligations incurred to purchase vehicles, minor equipment, and heavy equipment used exclusively in forest management (purchased, as appropriate, by O&M or procurement appropriations under reimbursable program authority).

B. To the extent that an installation receives applicable program support from a function or activity above the installation level, costs shall be prorated based on the level of effort among all applicable military installations or facilities involved in the program.

C. Program obligations do not include amounts incurred for operations that, while related to the land and forest, are for other purposes such as the military mission, recreation, general area improvement, wildlife management, and beautification. Do not include amounts for the protection of forests that are incapable of economic production of timber products. Program obligations at all organizational levels shall be categorized according to the functions listed in subparagraphs 160204.A.1 through 160204.A.7, above.

D. Reimbursable program obligations under Title 10, United States Code (U.S.C.), section 2665(d) include all program costs except those cited in subparagraph 160204.C, above. Acquisition of equipment shall be justified on an economic basis. When general equipment is used in forestry program operations, obligations incurred by DoD appropriations for that use shall be included as program costs.

160204. Accounting and Reimbursements

A. Proceeds collected from forestry sales shall be turned over to the supporting DoD disbursing officer. These proceeds shall be deposited without delay to the Treasury General Fund Receipt Clearing Account **F3875, “Budget Clearing Account (Suspense).” (The applicable agency code will be shown instead of asterisks.) That portion of the proceeds used to finance reimbursable expenses shall be transferred to the funding O&M or procurement appropriation in accordance with annual budget guidance. Table 16-1 illustrates the applicable United States (U.S.) Treasury account symbols.

Table 16-1 TREASURY ACCOUNT SYMBOLS

	O&M	**Procurement**
(1)	Army - 21(FY)2020	21(FY)2035
(2)	Navy - 17(FY)1804	17(FY)1810
(3)	Air Force - 57(FY)3400	57(FY)3080
(4)	Marine Corps - 17(FY)1106	17(FY)1109

B. At the end of the fiscal year, estimate the amount of each state's entitlement and transfer that amount from **F3875 to deposit account **X6875, "Suspense." After the states' entitlements are computed (see subparagraph 160201.A, above, and paragraph 160208, below), adjust the estimate to record applicable refunds to **F3875 or additional transfers to **X6875. Make payments to the states from **X6875. After the states have been paid and appropriation accounts reimbursed, transfer any remaining balance in **F3875 to 21*5285, "Department of Defense, Forest Products Program, Army."

C. On December 31 of each year, the Deputy Under Secretary of Defense (Environmental Security), Office of the Under Secretary of Defense for Acquisition, Technology and Logistics (OUSD(AT&L)) (or designee) shall review the balance in 21X5285 and direct the transfer of any amount in excess of $4 million to U.S. Treasury account **3210, "General Fund Proprietary Receipts, Defense Military, Not Otherwise Classified."

160205. Compute Entitlements

Compute entitlements to each state in accordance with 10 U.S.C. 2665(e). Determine these entitlements based on a separate calculation for each military installation or facility from which forest products were sold in that fiscal year.

A. Maintain records for each military installation or facility concerned in order to effect sales proceeds and reimbursable program obligations by fiscal year. If a military installation or facility is located in more than one state, make payments to each state involved in a manner proportional to the area of the installation or facility situated in each state. If an installation or facility is located in more than one county within a state, a description of the areas (acres) of the installation or facility situated in each county may accompany that state's entitlement.

B. Disburse states' entitlements within 90 days after the end of the fiscal year. These payments shall be made by electronic funds transfer.

160206. Distribute Net Proceeds

As directed by the USD(AT&L) or designee, in coordination with the Office of the Under Secretary of Defense (Comptroller) (OUSD(C)), distribute net proceeds among the Military Services to meet the overall funding requirements of the DoD forestry program.

160207. Chapter Provisions

These OUSD(C) provisions govern the recording of sales revenue, program obligations, entitlement payments to states, and all other accounting for this program.

160208. Coordinating and Reporting Requirements

Figure 16-2 contains USD(AT&L) coordinating and reporting requirements. The Forest Products Sales Program report has been assigned Report Control Symbol DD-A&T(Q&A)1649. See subparagraph 160302.A, below, and figures 16-3, 16-4 and 16.5

1603 RESPONSIBILITIES

160301. The USD(AT&L) or Designee Shall:

A. Issue and monitor policy on forest management of DoD lands in accordance with DoD Directive 4700.4, "Natural Resources Management Program."

B. Advise the Military Services of potential downward adjustments in funding for the program during the year if timely receipt of anticipated proceeds becomes doubtful.

160302. The Secretaries of the Military Departments shall:

A. Prepare annual forestry program budgets for the coming fiscal year that include anticipated sales revenue, program obligations, states' entitlements, unfinanced requirements, and transfers. See Figure 16-2, below "Coordination and Reporting Requirements" for due date and other reporting information.

B. Ensure that all proposed obligations are related directly to the economical production and sale of forest products, consistent with DoD Directive 4700.4.

C. Ensure that no unplanned program obligations are incurred simply to "use up" proceeds.

D. Adjust the program downward during the year by reducing planned obligations if actual proceeds do not materialize at anticipated levels and sufficient funding cannot be obtained from the reserve account.

E. Ensure that all program obligations are accumulated in DoD appropriation accounts and that reimbursements and distributions to States and the use of funds from the DoD Reserve Account conform to paragraph 160203, above.

F. Comply with requirements stated in paragraph 160205, above.

G. Coordinate approved budgets with the USD(AT&L) or designee to assist in planning and trade-off analysis and to ensure effective and efficient functioning of the overall DoD program.

H. Review the cumulative total obligations incurred, estimated program obligations, cumulative revenue, and realistic estimates of future revenue to determine whether DoD forests remain capable of economic production.

I. Identify to the DoD Executive Agent (see subparagraph 160303.A, below) the official who is authorized to transfer surplus funds (see Figure 16-1) and accept reserve funds.

160303. The Secretary of the Army shall:

A. Act as DoD Executive Agent to monitor and coordinate financial management of the DoD forest products program.

B. Coordinate the transfers of surplus and reserve funds.

C. Maintain the DoD Reserve Account (21*5285) and make transfers in accordance with the instructions from the USD(AT&L) or designee. (Replace asterisk with fiscal year designator.)

Exhibit 16-1 DEFINITIONS

1. Forest Products. Those items produced from a forest such as sawtimber, veneer logs, poles, piles, posts, pulpwood, pine straw, stumpwood, bark, and other mulch, cones, seeds, mistletoe, firewood, and wood chips.

2. Net Proceeds. The amount received by the United States during a fiscal year (FY) as proceeds from the sale of forest products produced on a military installation or facility, minus the amount reimbursed to the Department of Defense, under 10 U.S.C. 2665, for program costs incurred by that installation or facility. Program costs include obligations for current operating expenses and for the purchase of capital equipment required to operate the program.

3. Reserve Funds. A reserve account authorized under 10 U.S.C. 2665 and administered by the Department of Defense. The amount is held in the U.S. Treasury Special Fund Account 21*5285, Department of Defense, Forest Products Program, Army. (Replace asterisk with fiscal year designate.)

4. Surplus Funds. The amount expected to be available during the year within the Department of Defense after providing for the reimbursements under this Instruction. These funds represent the amounts to be transferred to the DoD Reserve Funds Account.

Exhibit 16-2 COORDINATION AND REPORTING REQUIREMENTS
Annual Coordination of DoD Forest Products Program

1. Purpose. To coordinate forestry obligations and revenues of the Military Services to ensure that overall DoD revenue is sufficient to reimburse all authorized obligations for the production and sale of forest products.

2. Authority. Title 10, United States Code (U.S.C.), section 2665

3. Schedule

a. December 15. Each Military Service disburses funds to the various states. Each disbursement shall be accompanied by identification of the generating installation(s) and amount generated by each installation.

b. December 30. Each Military Service deposits funds from the F3875 clearing account to the DoD Reserve Account (21*5285). (Replace asterisk with fiscal year designation.)

c. January 2. Each Military Service transmits the "Actual Revenue and Obligations Report" to the Executive Agent (EA) and the Office of the Deputy Under Secretary of Defense (Environmental Security) (OUSD(AT&L)). See Figure 16-3.

d. February 15. Each Military Service transmits to the EA and the USD(AT&L) a report of cumulative program revenue and obligations through December 31 of the current fiscal year and any planned changes. See Figure 16-4.

e. May 15. Each Military Service transmits to the EA and the USD(AT&L) a report of cumulative program revenue and obligations through March 31 of the current fiscal year and any planned changes. See Figure 16-4.

f. August 15. Each Military Service transmits to the EA and the USD(AT&L) a report of cumulative revenue and obligations through June 30 of the current fiscal year and any planned changes. See Figure 16-4.

g. September 1. Each Military Service transmits to the EA and the USD(AT&L) its planned forest products revenue and expenses, by appropriation, for the coming fiscal year. See Figure 16-5. This plan shall reflect no deficit in the program; however, a description of unfinanced needs may accompany the plan.

Figure 16-2

Exhibit 16-3 Sample Report RCS: DD-A&T(Q&A) 1649

ACTUAL REVENUE AND OBLIGATIONS
RCS: DD-A&T(Q&A)1649

(Due January 2)
For FY _____

Military Service _____

		(Other) Procurement	O&M	Total
I.	PROGRAM RESERVE AND OBLIGATIONS			
	A. Revenue (actual deposits to F3875 account)			$
	B. Distributions (from F3875 account)	$	$	($)
	C Reimbursable Obligations	($)	($)	
	D. Unobligated Balance Remaining and Returned to F3875	$	$	$
	E. Subtotal			$
	F. States' Entitlements (note 1)			($)
	G. Transfer to Reserve Account			($)
	H. Total			$ -0-
II.	UTILIZATION OF RESERVE FUND			
	A. Transfer In	$	$	
	B. Obligations (note 2)	$	$	
	C. Unobligated Balances Returned to Reserve Fund	$	$	$

NOTES:

1. Furnish by installation, state, and amount.

2. Briefly describe the forestry projects and/or activities funded from reserve funds.

Exhibit 16-4 Sample Report RCS: DD-A&T(Q&A) 1649

QUARTERLY FOREST PRODUCTS PROGRAM
RCS: DD-A&T(Q&A)1649

(Due February 15, May 15, August 15)

Military Service _____

Date _____

FY _____

A. Planned Revenue this Fiscal Year (FY)	$ _____
B. Planned Obligations this FY	$ _____
C. Cumulative Actual Revenue this FY	$ _____
D. Cumulative Actual Obligations this FY	$ _____
E. Net Proceeds this FY (Item C minus Item D)	$ _____
F. Current Estimate of States Entitlements this FY	$ _____
G. Current Unfinanced Needs for this FY (describe below)	$ _____

Exhibit 16-5 Sample Report RCS: DD-A&T(Q&A) 1649

ANNUAL FOREST PRODUCTS PROGRAM BUDGET
RCS: DD-A&T(Q&A)1649

(Due September 1)
For FY _____

Military Service _____

	(Other) Procurement	O&M	Total
A. Planned FY Revenue		$_____	
B. Planned FY Distribution	$_____	$_____	$_____
C. Planned FY Obligations	$_____	$_____	$_____
D. Planned Net (note)		$_____	
E. Planned Payments to States		$_____	
F. Unfinanced Needs (describe below)	$_____	$_____	$_____

NOTE: Total of item A. minus total of item C
.

ARMY ANNEX

ARMY POLICIES AND PROCEDURES FOR PRODUCTION AND SALE OF FOREST PRODUCTS

A. The Reimbursable Forestry Program

1. General. This chapter and annex prescribes the policies and procedures for budgeting, accounting and reporting of proceeds and obligations associated with the production and sale of forest products at Army installations or facilities (see Title 10, United States Code (U.S.C.), section 2665). Determine eligibility for participation within this program using the provisions of Army Regulation (AR) 200-3. The objectives of the Army's reimbursable forestry program are to support mission operations, support conservation compliance, and execute natural resources stewardship.

2. Responsibilities. Headquarters, Department of the Army (HQDA), through the Office of the Director of Environmental Programs (ODEP) along with the United States (U.S.) Army Environmental Center (USAEC), major Army commands (MACOMs), and Army installations, is responsible for the execution of the Army's reimbursable forestry program. The ODEP, as the program manager, in coordination with other Army Staff (ARSTAF) offices, shall monitor all proceeds received and recommend targets for reimbursable authority to the Director of Environmental Programs (DEP).

3. Budgeting. Include authority to execute reimbursable work on the Funding Authorization Document (FAD). Automatic reimbursable authority may be used for operation and maintenance, minor construction, purchase of forestry equipment, and other obligations directly related to the reimbursable forestry program. The ODEP shall annually determine targets for the MACOMs' forest products reimbursable authority based on the anticipated proceeds, obligations, and states' entitlements. Issue these targets to the MACOMs separately memorandum from the ODEP.

4. Proceeds. Deposit proceeds from the sale of forest products into General Fund Budget Clearing Account, 21F3875.3960. Report proceeds on the Accelerated Reporting of Receipt and Outlay (Expenditure) Data-Statement of Accountability Report (RCS CSCFA-302A). This includes proceeds from forest products disposed of by the Defense Reutilization and Marketing Service. Forest products include, but are not limited to, veneer logs, timber, pine straw, stumpwood, bark, mulch, cones, seeds, mistletoe, firewood, Christmas trees, sawlogs, chips, poles, piles, posts, and pulpwood. The products can be dead and down or designated standing timber. When forest products are removed from Army lands by any means other than a commercial sale (for example, generating energy on the installation), a dollar amount equal to the fair market value shall be deposited in the Army Forestry Account by the proponent of the activity removing the forest products. The only exception is that forest products may be removed or used directly to assist the military mission without payment. Deposit advances from contractors as unearned revenue in the same account as the unfilled orders to which the advance

applies. Monthly, each activity's accounting office shall transfer current month earnings from the unearned revenue to the deposit fund account.

5. Expenses. Program expenses incurred by HQDA, installations or facilities and the District Engineer Offices shall be related directly to the integrated management, production and sale of forest products, and associated program management costs for personnel at all levels (i.e., installation, MACOM, district, division, field operating activity (FOA), ARSTAF and auxiliary staff) whose primary duties are to administer the forestry reimbursable program. Program expenses shall be categorized according to the functions listed below.

a. Forestry Equipment. Include purchase, over the Capital Expenditure Limit (currently $100,000) only, of forestry equipment (for example, vehicles, or heavy equipment) used exclusively in reimbursable forest management.

b. Forest Fire Protection. Include the protection of forests on land in forestry reimbursable programs. Include equipment costing less than the Capital Expenditure Limit.

c. Forest Management. Include reimbursable forest management functions. Include supervision, planning, programming, and conducting field surveys and inventories, training, and attending professional meetings. Include improvements of existing forest stands, whether they are planted, seeded, or natural, including natural resources projects in direct support of the reimbursable forestry program. This includes controlling undesirable vegetative growth, prescribed burning, precommercial thinning, and pruning. Include the protection of reimbursable forests from insect, disease, animal, flood, and erosion damage. Include the sale and preparation for sale of forest products. Include appraising, cruising, marking, scaling, preparing sales contracts, escorting prospective bidders, advertising, sales administration, and contract compliance inspections. Include equipment costing less than the Capital Expenditure Limit.

d. Forest Access Roads. Include construction, repair, and maintenance of reimbursable forest access roads and trails. Include the repair of other roads resulting from the production and harvest operations. Include equipment costing less than the Capital Expenditure Limit.

e. Reforestation. Include natural or artificial regeneration, including planting, purchasing of seeds or seedlings, and preparing sites. Include equipment costing less than the Capital Expenditure Limit.

f. Forestry Support. Include Phase I archaeological surveys, threatened and endangered species surveys, and military mission coordination efforts driven only by forestry activities (for example, planting and harvesting).

6. Reporting and Review

a. Report proceeds on the RCS CSCFA-302 report. ("Report obligations incurred as automatic reimbursable obligations on the RCS CSCFA-218 (Status of Approved Resources Report"). Report obligations incurred for items of equipment purchased with

procurement appropriation funds on the RCS CSCFA-112 ("Status of Reimbursements Report"). See Volume 6 of this Regulation for reporting instructions.

b. Report reimbursements earned on the RCS CSCFA-112 report as "Transferred for Collection" in the "Reimbursement Collected-Automatic" column. Identify the amounts transferred by detail reimbursement source code. Identify the amount of reimbursements "Transferred for Collection" as a separate footnote on the RCS CSCFA-112 report. Report reimbursements for items of equipment financed with procurement funds on the RCS CSCFA-112 report. Bill and collect according to procedures outlined in Chapter 12 of this volume. See Volume 6A or 6B of this Regulation for reporting instructions

c. HQDA, MACOMs, installations, district engineering offices, Defense Finance and Accounting Service (DFAS) sites, and Field Accounting Offices (FAOs) shall submit quarterly analysis of actual proceeds and obligations to become part of the RCS CSCFA-218 report. The U.S. Army Corps of Engineers (USACE) districts shall report proceeds and obligations separated by installation to the DFAS-Indianapolis (Sustaining Forces).

d. The DFAS-Indianapolis (Sustaining Forces) shall provide a quarterly Consolidated Analysis of Department of the Army (DA) Forest Products, based on USACE and installation input, to USAEC within 30 days after the end of each quarter. The USAEC, the MACOMs, and the USACE jointly shall review the Army's commercial forestry program utilizing this report. The USAEC shall maintain a 7-year historical data record of annual proceeds and obligations.

e. Within 90 days after the conclusion of each fiscal year, the DFAS-Indianapolis (Sustaining Forces) shall compute the concluding fiscal year's unfilled forestry orders (transferring excess to or removing required funds from that fiscal year's Lumber/Timber account 21F3875.3960), compute and provide 40 percent of the net proceeds per installation to the appropriate States, and deposit the remaining net proceeds into the Forest and Wildlife Conservation, Military Reservations Account (21R5285, DFAS-Indianapolis Manual 37-100-FY). Before issuing states' entitlements, the DFAS-Indianapolis (Sustaining Forces) shall confirm figures with the USAEC. States' entitlements and transfers to 21R5285 shall not be made until monies are set aside, if necessary, to cover unfilled forestry orders.

f. States entitlements shall be issued to state treasurers with sufficient explanation to include reason for the issuance, itemization by installations and counties, and the DFAS point of contact (POC) phone number(s). A copy of this information shall be furnished to the USAEC.

g. The USACE determines and updates, as required, the total acreage by county and state for all Army installations or facilities participating in the DoD Forest Products Program. The USACE provides this data to the DFAS-Indianapolis (Sustaining Forces). The DFAS shall update its files for determining states' entitlements. Acreage by county is the total acreage of the installation or facility, not just the acreage applicable to the forest products program.

B. The Forestry Reserve Account

1. General. The Forest and Wildlife Conservation, Military Reservations Account (The Forestry Reserve Account (21X5285)) is sustained with the calendar year end transfers from each of the Services' Forestry Program Deposit Fund accounts (**F3875).

2. Responsibilities. The Army is the DoD executive agent for this account. Balances in this account shall be used in accordance with paragraph 160203 of this chapter.

3. Project Approval Process. The project approval, funding and accounting processes for forestry reserve account projects at Army installations or facilities are outlined below.

a. Annually, the ODEP shall request the MACOMs, based on installation input, to submit proposed projects to the Commander, USAEC, ATTN: SFIM-AEC-EQN, Aberdeen Proving Grounds, MD 21010-5401. The USAEC shall consolidate the proposals and provide them to ODEP. In coordination with other concerned ARSTAF offices and the Office of the Deputy Assistant Secretary of the Army, Environmental Safety and Occupational Health (ODASA-ESOH), the ODEP initially shall rank the proposals and submit them to the Assistant Chief of Staff for Installation Management for consideration and official submittal to the DASA-ESOH. The DASA-ESOH forwards Army's official submittal to the Department of Defense for funding.

b. The DFAS-Indianapolis (Sustaining Forces) shall transfer the total approved Army projects from 21X5285 when the Deputy Under Secretary of Defense (Environmental Security) approval memorandum and appropriate accounting classification are received from USAEC.

c. Based on the approved project list, the USAEC shall prepare a Military Interdepartmental Purchase Request (MIPR) (DD Form 448) citing Economy Act orders and forward a copy to the requesting/performing activity.

d. The requesting/performing activity shall accept the MIPR and forward signed copies to the USAEC.

e. Any remaining funds, after completion of the project, shall be returned to the USAEC. At no time shall the performing activity incur expenses in excess of the accepted MIPR.

4. Fund Transfers from 21X5285. The DFAS-Indianapolis (Sustaining Forces) shall transfer funds for approved Army projects from this account to USAEC using a "no check drawn" SF 1080. The DFAS-Indianapolis (Sustaining Forces) shall handle the transaction as a reverse collection.

a. Funds for approved projects at other DoD agencies shall be transferred by the DFAS-Indianapolis (Sustaining Forces) via an On-Line Payment and Collection (OPAC) transaction.

b. Collection and disbursement of funds from this account are limited to the DFAS-Indianapolis (Sustaining Forces).

5. Calendar-Year End

a. The DFAS shall deposit unobligated balances exceeding $4 million on December 31 to a U.S. Treasury General Fund Miscellaneous Receipts Account in accordance with subparagraph 160203 of this chapter.

b. Deposits to the account of proceeds from the preceding fiscal year shall not be made until after January 1 to allow sufficient time to manage new deposits efficiently.

c. The DFAS-Indianapolis (Sustaining Forces) shall report to the USAEC on the activity and balance of this account within 30 days after the end of each quarter.

C. Equipment Purchases

1. General. Equipment purchased shall be for commercial forest management use when purchased with forestry automatic reimbursable authority and for natural resources uses when purchased with DoD Forestry Reserve Account or Agricultural/Grazing automatic reimbursable authority. (See Volume 12, Chapter 14.) Equipment purchases shall be coordinated fully with the organization equipment manager or equivalent.

2. Equipment Acquisition Process. Each purchase of equipment shall begin with an internal review of contract/buy/lease options, funding availability, and the potential for use of multipurpose equipment. The reimbursable authority is intended only to supplement routine procurement sources. Programmed equipment authority, such as Other Procurement, Army (OPA), shall be used for equipment. If the internal review justifies the need to purchase new equipment, then the general procedures outlined below shall be utilized.

a. The installation shall assure authority exists in the Table of Distribution and Allowances (TDA) or Common Table of Allowance (CTA).

b. The installation shall determine whether the equipment to be purchased is centrally managed by the Tank and Automotive Command (TACOM). The installation Property Book Officer (PBO) can make this determination by checking the equipment Line Item Number (LIN) against the Supply Bulletin 700-20. If the equipment is not centrally managed and is less than the Capital Expenditure Limit, then the equipment may be purchased locally or through the GSA schedule.

c. If the equipment is centrally managed, then the TACOM shall conduct the purchase unless a waiver for local procurement is granted.

d. If the estimated cost of the equipment is greater than the capital expenditure limit, centrally managed or not, do not use OMA (Agricultural/Grazing, Forestry, or Forestry Reserve Account). The TACOM shall use equipment purchase authority, reimbursing OPA. The purchase may be finalized at the TACOM, or the authority may be returned to the installation for a local procurement with a local procurement waiver.

VOLUME 11A, CHAPTER 17: "OFFSETTING RECEIPTS"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue and underlined font*.**

The previous version dated March 1997 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
Page 17-2	Add a Table of Contents.	Add
1702	Replace paragraph previously titled 1702 GENERAL with 1703 DEFINITIONS to expand definitions of offsetting receipts.	Incorporate
170201.A	Add subparagraph to clarify distributed and undistributed.	Update
170201.B	Incorporate Federal Account Symbols and Titles (FAST) Book for ease of referencing list of receipt accounts.	Add
170201.E	Add new language to identify the four types of undistributed receipts deducted from budget totals.	Update
170302	Insert chart on Budget Classification of Offsetting Receipts.	Add
170401.G	Add reference to Volume 6A guidance on the Report on Budget Execution and Budgetary Resources SF133.	Update
170405.A	Change Volume 3 Chapter 9 to read Volume 3 Chapter 15.	Correction
170501	Rename reference from Volume 2 Budget Formulation to Volume 2A and Volume 2B Budget Formulation and Presentation.	Update
Multiple	Truncate paragraph numbers throughout to accommodate new paragraphs.	Update
Multiple	Establish hyperlink references throughout the chapter.	Add

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CHAPTER 17

OFFSETTING RECEIPTS

1701 OVERVIEW

*170101. GENERAL

This chapter prescribes standard procedures for accounting and reporting offsetting receipts throughout the Department of Defense (DoD).

*1702 DEFINITIONS

170201. Offsetting Receipts

Offsetting receipts are collections within the Department of Defense that result from proprietary or business like transactions (such as rents, sales of services and products, patent fees, sale of property, etc.) and from Intragovernmental transactions such as deposits between Federal and trust funds or payments within the same fund group.

A. Offsetting receipts are recorded as offsets to gross outlays and may be distributed or undistributed. Distributed offsetting receipts offset outlays of DoD as the agency that conducts the activity generating the receipts. Undistributed offsetting receipts offset government wide outlays.

B. Offsetting receipts are credited to general fund, special fund, or trust fund receipt accounts and offset gross outlays. Standard receipt accounts are prescribed by the Department of the Treasury in its ***Federal Account Symbols and Titles (FAST) Book***. Offsetting receipts are deposited with the Department of the Treasury Financial Management Service (FMS) using receipt accounts symbols and reported monthly on the FMS Form 1220, "Statement of Transactions According to Appropriations, Funds and Receipt Accounts" as prescribed in Volume 6A Chapter 3.

C. Offsetting receipts are deducted from budget authority and outlays at agency (Component) levels. Actual offsetting receipts are reported on the Statement of Budgetary Resources and in budget submissions by DoD Components as described in Volume 6B Chapter 7.

D. Receipts collected by DoD Components shall be classified according to (1) the source of the receipt, (2) the authority for the collection and the nature of the transaction, and (3) whether the receipt offsets agency (Component) or government-wide totals. Receipts also are classified into fund groups in accordance with the ***Treasury FAST Book*** (i.e., general funds (0000-3799); clearing accounts (3800-3899); special funds (5000-5999); and trust funds (8000-8999)). In this section of the FAST Book, distributed offsetting receipts, as described in the Office of Management and Budget ***(OMB) Circular No. A-136*** "Financial Reporting Requirements" are identified with the check √ symbol before the account title.

* E. Most offsetting receipts are offset (deducted) against the function that contains the outlays which give rise to the receipts, i.e., the function of the account collecting the money. In such cases, these offsetting receipts are deducted at the agency and sub-functional level before reaching functional budget authority or outlay totals, and are referred to as *"distributed"* to the functions. However, there are several categories of offsetting receipts that cannot be offset properly against any specific function. These collections are deducted at government-wide totals and are referred to as *"undistributed offsetting receipts."* Such receipts are either intrabudgetary (a payment from one Federal agency to another, such as agency payments to the retirement trust funds) or proprietary (a payment from the public for some type of business transaction with the government). There are four (4) types of receipts that are deducted from budget totals as undistributed offsetting receipts:

1. Agency payments (including payments by off-budget Federal entities) as employers into employees' retirement funds;

2. Interest received by trust funds;

3. Rents and royalties on the Outer Continental Shelf lands; and

4. Other interest such as that collected on Outer Continental Shelf money in deposit funds when such money is transferred into the budget.

*1703 GENERAL STANDARDS

*170301. Contents

Contents of this chapter shall be used in addition to the accounting principles, standards, and procedures established in the chapters that follow.

A. Volume 4 - Accounting Policy and Procedures

1. Chapter 2 "Accounting for Cash and Fund Balance with Treasury"

2. Chapter 16 "Revenues and Other Financial Sources, Expense, Gains and Losses"

3. Chapter 19 "Managerial Cost Accounting"

B. Volume 6A – Reporting Policy and Procedures: Chapter 4 "Appropriation and Fund Status Reports"

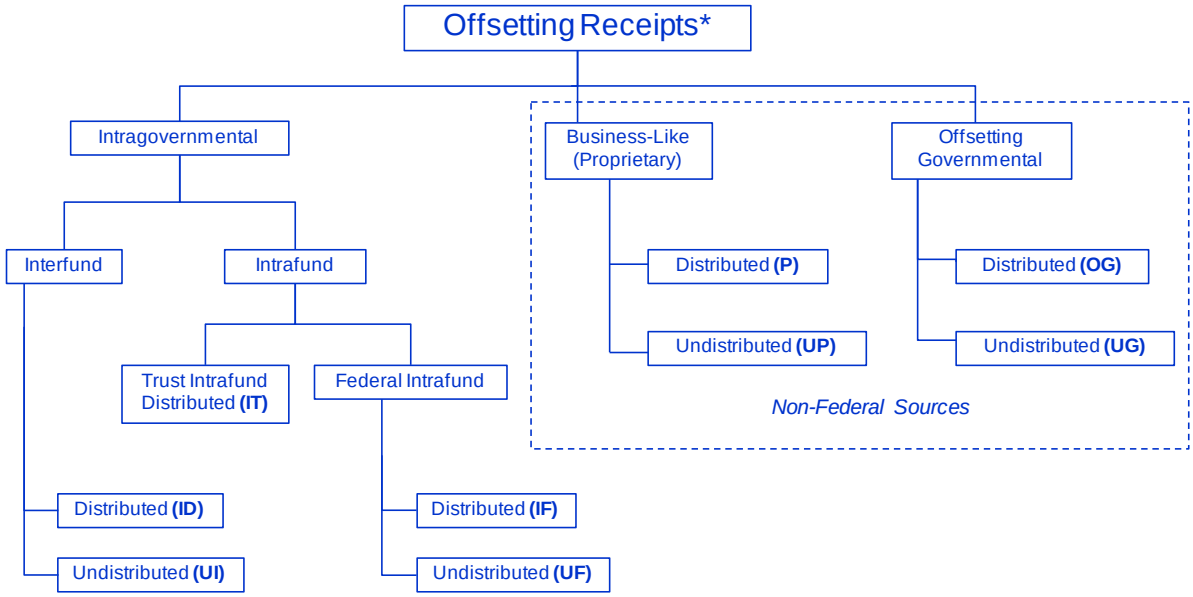
C. Volume 12 - Special Accounts Policy and Procedures: Chapter 1 "Funds"

*170302. Budgeting Standards

Budgeting standards for offsetting receipts are prescribed by the Office of Management and Budget ***(OMB) Circular No. A-11***, Preparation, Submission, and Execution of the Budget.

Budget Classification of Offsetting Receipts

(Receipt type codes in bold face)



* Normally offsets budget authority and outlays at the agency level.

Preparation of budget justification requirements are also prescribed in Volume 2B Chapter 11, "Budget Formulation and Presentation." OMB adopted a single format to present like information in the ***SF 132, SF-133, and Schedule P***. The realignment employs three common data sections—Budgetary Resources; Change in Obligated Balance; and Budget Authority and Outlays, Net. The SF-133, Schedule P and Statement of Budgetary Resources will use all three of the sections, and the SF 132 will use the common Budgetary Resources.

*1704 ACCOUNTING AND REPORTING STANDARDS FOR OFFSETTING RECEIPTS

*170401. Offsetting Receipts

Offsetting receipts within the Department are collections from the public that result from business-like transactions such as sales of property, rental fees or sales of services. These miscellaneous proprietary receipts are recorded using receipt account symbols prescribed by the ***Treasury FAST Book***. Offsetting receipt account symbols normally used within the Department are:

A. Account 1435. General fund proprietary interest, not otherwise classified. This account shall be used only for Defense civil functions. Account 1435 shall not be used for Defense military functions. Deposits of interest on loans, investments, and other equities shall be deposited in account 3210 to ensure that the Department receives credit for the offsetting receipt.

B. Account 1840. Proprietary receipts for rent of equipment and other personal property. This account shall be used exclusively by the Military Departments. Defense Agencies shall deposit rent receipts into Account 3210.

C. Account 2462. Proprietary receipts for survivor annuity benefits. This account shall be used exclusively by the Military Departments. Defense Agencies shall deposit receipts into Account 3210.

D. Account 2641. Proprietary receipts for the sale of ordinance material within the Department. All DoD Components may use this account.

E. Account 2651. Proprietary receipts for the sale of scrap and salvage materials within the Department. All DoD Components may use this account, but the Military Services must cite 97 2651.

F. Account 3019. Proprietary receipts for recoveries for government property lost or damaged, not otherwise classified. This account shall be used exclusively by the Military Departments. Defense Agencies shall deposit such recoveries into Account 3210.

* G. Account 3041. Proprietary receipts for recoveries under the Foreign Military Sales Program. This account shall be used by all DoD Components. Receipts in this account shall be sub-categorized and reported to the Office of the Under Secretary of Defense, Comptroller (OUSD(C)) on the SF-133, in accordance with the guidance contained in Volume 6A Chapter 4. The sub-categories are:

1. Nonrecurring Research, Development, Test and Evaluation (RDT&E) and production costs.

2. Sale of principal and/or major items from stock that do not require replacement.

3. Sale of excess stock fund and procurement of secondary items from stock.

4. Charges for unfunded civilian retirement costs.

H. Account 3210. General fund proprietary receipts, not otherwise classified. The Military Departments shall use this account for proprietary receipts not otherwise classified (as cited above). Defense Agencies shall use this account for proprietary receipts not allowed to be reported as indicated in subparagraphs 170501.A through G. Receipts in this account shall be maintained and reported for budget purposes in sub-categories as follows:

1. Freedom of Information Act charges.

2. Sales of surplus real property (excluding Account 2621).

3. Sales of materials, equipment, and other personal property (excluding Account 2641).

4. Interest on loans.

5. Repayment of loans.

6. Royalties on patents, trademarks, and copyrights.

7. Rent of real property.

8. Rent of equipment and other personal property (excluding Account 1840).

9. Sale of power and utilities.

10. For Defense Agencies:

a. Sale of publications and reproductions, not otherwise classified (similar to Account 2259).

b. Fees and other charges for communications and transportation services, not otherwise classified (similar to Account 2429).

c. Proceeds from sale of equipment and other personal property, not otherwise classified.

d. Recoveries for government property, lost or damaged, not otherwise classified (similar to Account 3019).

*170402. Budget Clearing Account (Suspense)

Offsetting receipts that are not readily classified into established categories shall be temporarily accounted for in the Budget Clearing Account (suspense), F3875. All efforts shall be made to identify and clear out suspense accounts and record these receipts properly into the applicable categories listed above within 60 calendar days as discussed in Volume 5 Chapter 11 and Volume 5 Chapter 24.

*170403. Depositing Offsetting Receipts

All offsetting receipts shall be recorded immediately upon receipt and deposited with the Department of the Treasury as soon as practicable. Any delays in borrowing or deposit preclude

use of the funds by the Treasury Department to benefit the U.S. Government through the avoidance of interest expense.

*170404. Reporting Offsetting Receipts

Offsetting receipt amounts reported by DoD Components shall agree with the collections credited to receipt accounts maintained by the Department of the Treasury. Those DoD Components that prepare consolidated reports shall obtain the required information from applicable organizations and assure that the amounts reported are in agreement with balances reflected by the Department of the Treasury.

A. FMS Form 1220. Actual offsetting receipts shall be reported on a monthly basis on FMS Form 1220 , "Statement of Transactions According to Appropriations, Funds and *Receipt Accounts" (SOT) consistent with requirements of the OUSD(C) Program/Budget (P/B),* Program and Financial Control (P&FC) Directorate as prescribed in Volume 6A Chapter 3.

B. SF-133 Report. Do not submit SF133 reports for receipt accounts (including clearing accounts and suspense accounts) unless required by OMB. Distributed offsetting receipts credited to Components shall be included in the SBR. Undistributed offsetting receipts credited to the government-wide outlay totals should not be included in the SBR. In November 2010, OMB adopted a single format to present like information in the SF 132, SF-133, and Schedule P. The realignment employs three common data sections - Budgetary Resources; Change in Obligated Balance; and Budget Authority and Outlays, Net. The ***single format SF-133, Schedule P and SBR*** will use all three of the sections. Procedures on monthly budget execution reporting are prescribed in Volume 6A Chapter 4, "Reporting Policy and Procedures." These reports shall be submitted on a monthly basis to the Director for OUSD(C) (P/B). Specific requirements are prescribed in Volume 6A Chapter 4. Offsetting receipt amounts reported on these reports shall equal the amounts deposited with the U.S. Treasury.

1. A separate SF-133 report for each group of offsetting receipt accounts shall be submitted as part of the basic appropriation report. Separate SF-133 reports are required for Federal funds and trust funds under each of the functional groups: "Military Functions," "Civil Functions" and "Military Assistance."

2. Separate SF-133 reports are required within any of the foregoing groups in the event that the receipts consist of more than one of the following categories:

a. Proprietary receipts from the public (P).

b. Interfund receipts (ID).

c. Federal intrafund receipts (IF) including those receipts in Budget Clearing Account (suspense), **F3885.

*170405. Proprietary and Budgetary General Ledgers

Offsetting receipts shall be recorded in the proprietary and budgetary general ledgers.

*A. Volume 3 "Budget Execution," Chapter 15 and Volume 4 "Accounting Policy and Procedures" Chapters 2, 16, and 19 prescribe the general ledger accounts to be used in recording offsetting receipts.

B. Source documents for the general ledger entries include cash collection vouchers, sales slip, rental receipts, and journal vouchers.

*1705 USE OF ACCOUNTING DATA FOR BUDGET SUBMISSIONS

*170501. Budgeting Requirements

Budgeting requirements are established by ***OMB Circular No. A-11*** and Volume 2A and Volume 2B, "Budget Formulation and Presentation."

*170502. Receipt Accounts

Offsetting receipts deposited in receipt accounts are deducted as offsets to outlays and against budget authority at sub-function and agency levels. For instance, sub-function 051, "Department of Defense, Military," is the level at which proprietary receipts from the public are deducted from the Department's budget authority and outlays in arriving at total DoD Federal Funds in the budget.

*170503. Accuracy and Timeliness

The accuracy and timeliness of recording and reporting offsetting receipts are critical in the budget preparation process. Actual receipts for the prior year are reported in the budget submissions and are used as the basis for projecting estimates for the budget outyears.

*REFERENCES

(a) Office of Management and Budget Circular No. A-11 – Preparation, Submission, and Execution of the Budget

(b) Office of Management and Budget Circular No. A-136 – Financial Reporting Requirements

(c) Treasury Federal Account Symbols and Titles Book I

(d) Treasury Federal Account Symbols and Titles Book II

VOLUME 11A, CHAPTER 18: "NON-ECONOMY ACT ORDERS"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue and underlined font*.**

The previous version dated August 2008 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
Page 18-2	Add page numbers for primary paragraphs at the 4-digit level.	Update
180101	Reference statute 31 U.S.C. 1535 for Economy Act.	Add
180203F	Modify and italicize text to add emphasis on quoted text required on funding documents for severable services.	Update
180203G	Modify and italicize text to add emphasis on quoted text required on funding documents for goods.	Update
180208	Insert language to emphasize that Non-Economy Act reimbursable orders are subject to obligational standards used for Economy Act reimbursable orders	Add
180302B	DoD organizations placing orders with a non-DoD agency may use fiscal year appropriations for requirements for non-severable services under the limits set forth in 10 U.S.C. 2410(a).	Update
Figure 2	Change the word "Contract (POC)" to "Contact (POC)"	Correction
Multiple	Establish hyperlinks throughout.	Update

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CHAPTER 18

NON-ECONOMY ACT ORDERS

1801 GENERAL

*180101. Purpose

This chapter prescribes policies and procedures applicable to transactions where goods or services are procured from Non-Department of Defense (DoD) agencies under statutory authorities other than the Economy Act, ***Title 31, United States Code, section 1535***. Chapter 1 shall be referenced for overall guidance and discussion of general reimbursement procedures and supporting documentation.

180102. Overview

Non-Economy Act orders are for intra-governmental support, where a DoD activity needing goods and services (requesting DoD agency/customer) obtains them from a Non-DoD agency (assisting/servicing agency/performer). Specific statutory authority is required to place an order with a Non-DoD agency for goods or services, and to pay the associated cost. If specific statutory authority does not exist, the default will be the Economy Act which is discussed in Volume 11A Chapter 3. The more commonly used non-Economy Act authorities include, but are not limited to:

A. Acquisition Services Fund. The Acquisition Service Fund was established by the ***General Service Administration Modernization Act*** that merged the General Supply Fund and the Information Technology Fund to carry out functions related to the uses of the Acquisition Services Fund including any functions previously carried out by the Federal Supply Service and the Federal Technology Service managed by the General Service Administration.

*B. Franchise Funds. Franchise Funds were first established by the ***Government Management Reform Act of 1994*** to provide common administrative support services on a competitive and fee basis. Franchise fund programs originated within the Environmental Protection Agency, Department of Commerce, Department of Veterans Affairs, Department of Health and Human Services, Department of Interior, and Department of the Treasury.

1802 INITIATING A NON-ECONOMY ACT ORDER

180201. Simplified Acquisition Threshold

Non-Economy Act orders in excess of the simplified acquisition threshold shall comply with ***Federal Acquisition Regulation (FAR) Part 7***, "Acquisition Planning," and DoD Components' procedures for the "Proper Use of Non-DoD Contracts." Use of the "Non-Economy Act Acquisition Package Checklist" at Figure 1 and the list of "Requesting Official

Responsibilities" at Figure 2 will assist in ensuring that statute, policy, and regulation are complied with under non-Economy Act orders.

*****180202. Justification

Non-Economy Act orders may be placed with a non-DoD agency for goods or services if:

A. Proper funds are available;

B. The order does not conflict with another agency's designated responsibilities (e.g., real property lease agreements with GSA);

C. The requesting agency or unit determines the order is in the best interest of the Department; and

D. The performing agency is able and authorized to provide the ordered goods or services.

180203. Order

Non-Economy Act orders for work and services outside the DoD should be executed by issuance of a ***DD Form 448***, "Military Interdepartmental Purchase Request (MIPR)" and accepted using ***DD Form 448-2***, "Acceptance of MIPR." If an alternative execution document is used, it must provide information consistent with the MIPR to include the purchase request number and the DoD Activity Address Code (DODAAC). A non-Economy Act order shall comply with the documentation standards in Volume 11A Chapter 1, and supported with the items identified in Figure 1. Non-Economy Act orders must include:

A. A firm, clear, specific, and complete description of the goods or services ordered. The use of generic descriptions is not acceptable;

B. Specific performance or delivery requirements;

C. A proper fund citation;

D. Payment terms and conditions (*e.g.*, direct cite or reimbursement, and specific appropriation or law authorizing advanced payments);

E. A specific non-Economy Act statutory authority citation such as those referenced in paragraph 180102;

***** F. The following statement on funding documents for severable services: "These funds are available for severable service requirements crossing fiscal years for a period not to exceed one year, where the period of any resultant contract for services commences this fiscal year. All funds not placed on contract this fiscal year shall be returned promptly to the

ordering activity, but no later than one year after the acceptance of the order or upon completion of the order, which ever is earlier.";

* G. The following statement on funding documents for goods or non-severable services: "I certify that the goods or non-severable services to be acquired under this agreement are necessary expense of the appropriation charged, and represent a bona fide need of the fiscal year in which these funds are obligated."; and

H. DoD Activity Address Code (DODAAC).

180204. Best Interest Determination

Each requirement must be evaluated in accordance with DoD Components' procedures to ensure that non-Economy Act orders are in the best interest of DoD. Factors to consider include:

A. Satisfying customer requirements;

B. Schedule, performance, and delivery requirements;

C. Cost effectiveness, taking into account the discounts and fees; and

D. Contract administration, to include oversight.

180205. Specific, Definite and Certain

For non-Economy Act orders in excess of the simplified acquisition threshold, the requesting official must provide:

A. Evidence of market research and acquisition planning;

B. A statement of work that is specific, definite, and certain both as to the work encompassed by the order and the terms of the order itself; and

C. Unique terms, conditions, and requirements to comply with applicable DoD-unique statues, regulations, directives, and other requirements.

180206. Contracting Officer Review

All non-Economy Act orders greater than $500,000 shall be reviewed by a DoD warranted contracting officer prior to sending the order to the funds certifier or issuing the MIPR to the Non-DoD activity. In addition to the review by the contracting officer, the requesting official shall further review the acquisition package to ensure compliance with the FAR Part 7, and the DoD Component's procedures.

180207. Certification of Funds.

Non-Economy Act orders are subject to the same fiscal limitations that are contained within the appropriation from which they are funded. Because the performing entity may not be aware of all the appropriation limitations, the DoD certifying official must certify that the funds cited on the order are available, meet time limitations, and are for the purpose designated by the appropriation.

*****180208. Bona Fide Need

The bona-fide needs rule ***Title 31, United States Code, section 1502*** provides that an appropriation or fund limited for obligation to a definite period is available only for payment of expenses properly incurred during the period of availability or to complete contracts properly made within that period of availability. Non-Economy Act reimbursable orders of DoD Components for supplies, material, services or equipment placed with non-DoD agencies are subject to policies that, in practical effect, make them subject to obligational standards used for Economy Act reimbursable orders. Non-Economy Act orders citing an annual or multiyear appropriation must serve a bona fide need arising, or existing, in the fiscal year (or years) for which the appropriation is available for new obligations. Otherwise, a valid obligation is not accomplished. An interagency agreement may not be used in the last days of the fiscal year solely to prevent funds from expiring or to keep them available for a requirement arising in the following fiscal year. Bona fide need generally is a determination of the requesting activity and not that of the servicing activity. A servicing activity can, however, refuse to accept a non-Economy Act order if it is obvious that the order does not serve a need existing in the fiscal year for which the appropriation is available.

180209. Payment Procedures

Payment shall be made promptly upon the written request (or billing) of the performing agency. The payment due date shall not be more than 30 calendar days from the date of the invoice. Unless the DoD Component is specifically authorized by law, legislative action or Presidential authorization, funds are not to be advanced to non-DoD federal entities, or be used to pay for advance billings without the receipt of goods or services. Volume 4 Chapter 5 covers the conditions and requirements related to advances and prepayments. For those few exceptions where DoD is specifically authorized by a specific appropriation or law to advance funds, the specific appropriation or law authorizing the advance must be cited on the obligating and/or interagency agreement documents and orders, and any unused amounts of the advance shall be collected from the performing agency immediately and returned to the fund from which originally made.

*****A. The requesting official must be fully aware of the non-DoD federal agency's billing practices and methods. The official must also take appropriate action to ensure DoD funds are not disbursed in advance of contract performance. Additionally, Components must work with their servicing disbursement sites to ensure trading partner agreements restrict other federal agencies' ability to withdraw funds prior to the delivery of goods or performance of services. .

B. Payments made for services rendered or goods furnished may be credited to the appropriation or fund of the agency performing the reimbursable work.

1803 FISCAL POLICY

180301. Obligation

The provisions of 31 U.S.C. 1501 govern the recording of the obligation. An amount shall be recorded as an obligation only when supported by documentary evidence of an order required by law to be placed with an agency or upon meeting all the following criteria:

A. Binding agreement (funding vehicle) between an agency and another person (including an agency);

B. Agreement is in writing;

C. For a purpose authorized by law;

D. Serves a bona fide need arising, or existing, in the fiscal year or years for which the appropriation is available for obligation;

E. Executed before the end of the period of availability for new obligation of the appropriation or fund used; and

F. Provides for specific goods to be delivered, real property to be bought or leased, or specific services to be supplied.

*180302. Deobligation

Funding under non-Economy Act orders shall be deobligated as outlined below.

A. Goods. Funds provided to a performing agency for ordered goods where the funds period of availability thereafter has expired shall be deobligated and returned by the performing agency unless the request for goods was made during the period of availability of the funds and the item(s) could not be delivered within the funds period of availability because of delivery, production or manufacturing lead time, or unforeseen delays that are out of the control and not previously contemplated by the contracting parties at the time of contracting.

1. Where materials cannot be obtained in the same fiscal year in which they are needed and contracted for, provisions for delivery in the subsequent fiscal year do not violate the bona fide need rule as long as the time intervening between contracting and delivery is not excessive and the procurement is not for standard commercial off the shelf (COTS) items readily available from other sources.

2. The delivery of goods may not be specified to occur in the year subsequent to funds availability unless delivery meets the exceptions cited above and a justifiable bona fide need exists in the year funds are available for obligation.

* B. Severable Services. An agreement for severable services that are continuing and recurring in nature and provide the Department a benefit each time the service is performed (e.g., maintenance and repair services, scientific, engineering, and technical services) is based on statutory authority other than the Economy Act. Title 10, United States Code, ***section 2410a*** permits the performance of severable services to begin in one fiscal year and end in the next provided the period of performance does not exceed one year. A non-DoD federal agency may rely on this authority to fill a DoD order funded with fiscal year appropriations to issue a contract for severable services that crosses fiscal years as long as the contract period commences during the period of availability of the DoD customer appropriation. Obligating funds for placing a non-Economy act order with a non-DoD federal agency, where the resultant fixed-length severable services contract awarded by the non-DoD federal agency will exceed the 1-year limit set forth in 10 U.S.C. §2410(a), or which is not to commence until a subsequent fiscal year, may result in an Anti-Deficiency violation under Title 31, United States Code, ***section 1341*.**

1. The performance of severable services must begin during funds period of availability and may not exceed one year.

2. Annual appropriations provided to a performing agency that have expired shall be deobligated unless the performance of the services requested began during the funds period of availability and the period of performance does not exceed one year.

3. The annual appropriation from the earlier fiscal year may be used to fund the entire cost of the one-year period of performance; however, annual appropriations may not be used to enter into a severable services agreement where the period of performance for services requested is entirely in the following fiscal year.

* 4. In no instance may the period of performance extend beyond September 30 of the subsequent year for services funded with annual appropriations.

C. Non-Severable Services. Non-severable services contracts must be funded entirely with appropriations available for new obligations at the time the contract is awarded, and the period of performance may extend across fiscal years. Funds provided to a performing agency that become excess shall be deobligated as identified.

D. Excess or Expired Funds. Activities shall reconcile all obligations and remaining funds available for orders. The purpose of this reconciliation is to ensure the proper use of funds and to identify and coordinate the return of expired or excess funds. Excess or expired funds must be returned by the performing agency and deobligated by the requesting agency to the extent that the performing agency or unit filling the order has not (1) provided the goods or services (or incurred actual expenses in providing the goods or services), or (2) entered into a contract with another entity to provide the requested goods or services. Expired funds shall not be available for new obligations.

180303. Prohibitions

Non-Economy Act orders may not be used to violate provisions of law, nor may they be used to circumvent conditions and limitations imposed on the use of funds to include extending the period of availability of the cited funds.

1804 NON-ECONOMY ACT ORDER FOLLOW-UP PROCEDURES

180401. Non-Economy Act Order Oversight

The requesting official must establish quality surveillance plans, for non-Economy Act orders in excess of the simplified acquisition threshold, and ensure execution that would facilitate the oversight of the goods provided or services performed by the performing agency. The plans should include:

A. Contract administration oversight in accordance with the surveillance plan;

B. Processes for receipt and review of receiving reports and invoices from the performing agency;

C. Reconciliation of receiving reports and invoices; and

D. Requirements for documenting acceptance of the goods received or services performed.

180402. Monitor Fund Status

The requesting official must monitor fund status to:

A. Monitor balances with the performing agency;

B. Conduct triannual reviews of non-Economy Act orders in accordance with the Financial Management Regulation, Volume 3, Chapter 8, Section 0804, “Triannual Reviews of Commitments and Obligations” and include a specific attestation on the triannual review certification that all existing interagency agreements are consistent with DoD policy;

C. Confirm open balances with the performing agency;

D. Coordinate the return of funds from the Non-DoD performing agency in accordance with paragraph 180302 above; and

E. Coordinate with the accounting office to ensure timely deobligation of funds.

180403. Non-Economy Act Order Close-Out

All non-Economy Act orders shall be reviewed by the requesting official to determine if they are complete. Completed orders shall be fiscally closed out. The requesting official shall reconcile funds and coordinate the return of excess or expired funds held by the performing agency. As part of this review, the requesting official will:

A. Identify and determine if there are outstanding invoices;

B. Identify and determine the existence of excess or expired funds;

C. Coordinate the return of funds from the non-DoD performing agency in accordance with paragraph 180302 above; and

D. Coordinate with the accounting office to ensure the deobligation of funds.

Figure 1: NON-ECONOMY ACT ACQUISITION PACKAGE CHECKLIST

A. Documented evidence of market research and acquisition planning performed.

B. Package includes a specific, definite, and concise statement of work documenting a bona fide need in the fiscal year that the funds are available for new obligations.

C. Package includes specific performance and/or delivery requirements.

D. Package identifies the statutory authority permitting the performing agency to support the DoD Component for the goods/services required.

E. Package includes the purchase request number and the DoD Activity Address Code (DODAAC).

F. Package includes written justification for the Non Economy Act order in accordance with DFARS Part 217.78 and the DoD Components' procedures.

G. Package documents review of fees/surcharges/contract administration/discounts to ensure the cost is reasonable and consistent with task to be accomplished by performing agency.

H. Package includes specific statutory authority authorizing advance payment or billing.

I. Package documents evidence that DoD competition requirements were followed in accordance with DFARS.

J. Order identifies DoD unique terms & conditions to the performing agency.

K. Order identifies unique reporting requirements not otherwise specified to the performing agency.

Figure 2: * REQUESTING OFFICIAL RESPONSIBILITIES

A. Market Research

B. Acquisition Planning

C. Independent Government Cost Estimate (IGCE)

D. Statement of Work (SOW) to include evaluation criteria.

E. Ensure receipt and compliance of MIPR acceptance.

F. Assist in Technical Evaluation.

G. Quality Assurance Plan
1. Contracting Officer Representative (COR), Contracting Officer Technical Representative (COTR) (Receiving Reports/Invoices - Inspection & Acceptance)
2. Contract Data Requirements List (CDRL) Procedural/Required Reports/Deliverables Report/Contract Performance
3. Property/Equipment Management
4. Perform Contract Oversight

H. Funds Management/Record Keeping
1. Draw Down
2. Contract Reconciliation
3. Initiate Deobligation
4. Oversight of Billing/Reporting

***** I. Update all Points of Contact (POCs) as necessary throughout acquisition.

VOLUME 11A, CHAPTER 19: "DEFENSE SUPPORT OF CIVIL AUTHORITIES"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue and underlined font*.**

This is the initial publication

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	This chapter contains policy on the requirements for financing and reporting costs associated with civil disturbance operations previously found in Volume 6A, Chapter 11.	New

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CHAPTER 19

DEFENSE SUPPORT OF CIVIL AUTHORITIES

1901 GENERAL

190101. Purpose

This chapter establishes financial policy for identifying, recording, reporting, and obtaining reimbursement for costs the Department of Defense (DoD) incurs in its role of providing Defense Support of Civil Authorities (DSCA) in accordance with existing laws and policies (see Addendum 1). DSCA refers to support provided by United States (U.S.) Federal military forces, DoD civilians, DoD contract personnel, DoD Component assets, and National Guard forces (when the Secretary of Defense (SecDef), in coordination with the Governors of the affected States, elects and requests to use those forces in Title 32 United States Code (U.S.C.) status). Typically, these elections are in response to requests for assistance from civil authorities for domestic emergencies, law enforcement support, and other domestic activities, or from qualifying entities for special events. (DoD Directive (DoDD) ***3025.18***).

190102. Authoritative Guidance

A. DoD has several primary missions, one of which is to defend the homeland and provide support to civil authorities (***Sustaining U.S. Global Leadership***: *Priorities for 21st Century Defense*, 2012). In some instances, national defense assets may be made available to support civil authorities for disasters, emergencies, or other incidents. DSCA is generally initiated by a request for DoD assistance from a Primary Agency (PA), such as the Federal Emergency Management Agency (FEMA). It is DoD policy that DSCA will be initiated by a request for DoD assistance from civil authorities or qualifying entities or is authorized by the President or SecDef. All requests for DSCA support, with the exception of Immediate Response Authority (IRA), will be written, and will include a commitment to reimburse DoD in accordance with the Stafford Act, Economy Act, or other authorities.

B. DoD may commit resources when approved by SecDef or when directed by the President. FEMA is responsible for coordinating Federal plans and programs for response to civil emergencies at the national and regional levels, and for Federal assistance to the States in civil emergencies. In accordance with the Robert T. Stafford Disaster Relief and Emergency Assistance Act (***Title 42 U.S.C. sections 5121-5207***) ("Stafford Act"), in an emergency or major disaster, the President may direct any Federal agency, with or without reimbursement, to utilize its authorities and resources granted under Federal law in support of State and local emergency assistance and disaster response efforts. A request for assistance (RFA) is not valid until it is approved by SecDef. RFAs submitted by FEMA are also called mission assignments (MAs), although they do not have directive effect until approved by SecDef.

1902 GENERAL ACCOUNTING GUIDANCE

DSCA is provided on a cost reimbursable basis unless directed to be provided on a non-reimbursable basis by the President or SecDef or otherwise in accordance with the law. Requests for DSCA may be submitted in accordance with the Stafford Act or under non-Stafford Act conditions.

190201. Stafford Act

A. Under the Stafford Act, the President may direct SecDef to utilize DoD resources to help State and local governments respond to emergencies and major disasters. A Governor may request Federal assistance under the Stafford Act. Once this request is received and it is certified in accordance with conditions in the Stafford Act, the President may make an emergency or major disaster declaration.

B. The Stafford Act provides a system of emergency preparedness to protect life and property in the U.S. from hazards and to apportion responsibility for assistance in a disaster among the Federal Government, States, and their political subdivisions. FEMA is the primary Federal agency responsible for disaster relief efforts within the U.S. and administers assistance provided by the Stafford Act. Federal departments and agencies, including DoD, support FEMA when requested by FEMA. FEMA provides reimbursement for the assistance requested from disaster relief funds appropriated to FEMA for this purpose. Federal departments and agencies may seek reimbursement from FEMA for eligible costs incurred during the performance of the requested support.

190202. Non-Stafford Act

A. A Federal entity with primary responsibility and statutory authority for handling an incident (i.e., the requesting agency) that needs support or assistance beyond its normal operations may request Department of Homeland Security coordination and facilitation through the ***National Response Framework*** (NRF). Agencies providing disaster assistance under their own authorities independent of a Stafford Act declaration use their own appropriated mission funding. DoD may provide assistance to other Federal departments and agencies by executing inter-agency reimbursable agreements with the requesting agency and requesting reimbursement from the requesting agency for eligible expenditures. Generally, the requesting agency provides funding to DoD for the assistance requested consistent with the provisions of the Economy Act, unless other statutory authorities are available for this purpose.

B. In response to a request for assistance from a civil authority under imminently serious conditions where time does not permit approval from higher authority, Federal military commanders, Heads of DoD Components, and/or responsible DoD civilian officials may exercise immediate response authority in order to save lives, mitigate great property damage, and prevent human suffering. (DoDD 3025.18).

1903 APPLICABILITY

A. This policy applies to Office of the SecDef, the Military Departments, the Office of the Chairman of the Joint Chiefs of Staff (CJCS) and the Joint Staff (JS), the Combatant Commands, the Office of the Inspector General of the DoD, the Defense Agencies, the DoD Field Activities, and all other organizational entities within the DoD (hereafter referred to collectively as "DoD Components.")

B. This policy also applies to the Army National Guard and the Air National Guard (hereafter referred to collectively as the "National Guard") personnel when under Federal command and control. Also applies to National Guard personnel when SecDef determines that it is appropriate to employ National Guard personnel in Title 32, U.S.C. status to fulfill a request for DSCA. SecDef requests the concurrence of the Governors of the affected States, and those Governors concur in the employment of National Guard personnel in such a status.

1904 SCOPE

A. This chapter promulgates DoD financial policy for emergency or disaster relief assistance when SecDef approves a request for assistance to provide DoD support to other Federal departments or agencies under DoDD 3025.18.

B. The Unified Command Plan assigns DSCA responsibilities to the Commander, U.S. Northern Command (USNORTHCOM), within the 48 contiguous states, the District of Columbia, Alaska, Puerto Rico, and the U.S. Virgin Islands; and to the Commander, U.S. Pacific Command (USPACOM), within Hawaii, U.S. territories or insular areas, and possessions in the USPACOM area of responsibility. Commanders of Combatant Commands (CCDRs) with DSCA responsibilities and their Combatant Commands are referred to as "supported CCDRs" or "supported Combatant Commands," respectively, throughout this policy.

1905 DEFINITIONS

Unless otherwise noted, these terms and their definitions are for the purposes of Volume 11A, Chapter 19.

A. Defense Coordinating Officer (DCO). A DoD single point of contact for domestic emergencies. Assigned to a joint field office to process requirements for military support, forward MAs through proper channels, and assign military liaisons as appropriate to activated emergency support functions. (***Joint Publication 1-06***).

B. Defense Support of Civil Authorities (DSCA). Support provided by U.S. Federal military forces, DoD civilians, DoD contract personnel, DoD component assets, and National Guard forces (when SecDef, in coordination with the Governors of the affected States, elects and requests to use those forces in Title 32, U.S.C., status) in response to requests for assistance from civil authorities for domestic emergencies, law enforcement support, and other domestic activities, or from qualifying entities for special events. Also known as civil support. (DoDD 3025.18).

C. Emergency. Any incident, whether natural or manmade, that requires responsive action to protect life or property. Under the Stafford Act, an emergency means any occasion or instance for which, in the determination of the President, Federal assistance is needed to supplement State and local efforts and capabilities to save lives and to protect property and public health and safety, or to lessen or avert the threat of a catastrophe in any part of the U.S. (42 U.S.C. 5122).

D. Immediate Response Authority (IRA). A Federal military commander's, DoD Component Head's, and/or responsible DoD civilian official's authority temporarily to employ resources under their control, subject to any supplemental direction provided by higher headquarters. Those resources are provided to save lives, prevent human suffering, or mitigate great property damage. This is typically in response to a request for assistance from a civil authority, under imminently serious conditions when time does not permit approval from a higher authority within the U.S. IRA does not permit actions that would subject civilians to the use of military power that is regulatory, prescriptive, proscriptive, or compulsory. (DoDD 3025.18).

E. National Response Framework (NRF). This framework provides the principles by which response partners are to apply when providing a unified national response to disasters and emergencies. It defines the key principles, roles, and structures by which communities, tribes, States, the Federal Government, and private-sector and nongovernmental partners apply these principles for a coordinated, effective national response. The NRF is always in effect, and can be implemented at any level at any time.

F. Mission Assignment (MA). The mechanism used by FEMA to support Federal operations in a Stafford Act major disaster or emergency declaration. The MA orders immediate, short-term emergency response assistance when an applicable State or local government is overwhelmed by the event and lacks the capability to perform, or contract for, the necessary work. (NRF).

G. Primary Agency (PA). This describes a Federal agency with significant authorities, roles, resources, or capabilities for a particular function within an Emergency Support Function (ESF). A Federal agency designated as an ESF PA serves as a Federal Executive agent under the Federal Coordinating Officer (or Federal Resource Coordinator for non-Stafford Act incidents) to accomplish the ESF mission. (NRF).

H. Principal Federal Official. In Homeland Security Presidential Directive ***(HSPD)-5*** "Management of Domestic Incidents," the President designated the Secretary of Homeland Security as the "principal Federal official" for domestic incident management and empowered the Secretary to coordinate Federal resources used in the prevention of, preparation for, response to, or recovery from terrorist attacks, major disasters, or other emergencies, except for law enforcement responsibilities otherwise reserved to the Attorney General under HSPD-5.

I. Reimbursable Budget Authority (RBA) (also called reimbursable obligation authority). Authority to incur obligations in accomplishing reimbursable work if a budgetary resource—either a reimbursable agreement from a Federal customer or an advance from a non-Federal customer—is also available. This authority can be acquired only by obtaining an allotment through the Federal Coordinating Officer (FCO) using an approved funding program process.

1906 RESPONSIBILITIES

Principal and supporting DoD participants in DSCA activities discussed throughout this chapter include, but are not limited to, SecDef; the Office of the Under Secretary of Defense for Policy (USD(P)), the Under Secretary of Defense (Comptroller) (USD(C)); CJCS; CCDRs; the JS; and DoD Components.

A. SecDef has overall authority for DoD and is the President's principal advisor on matters concerning DSCA. SecDef retains approval authority for the use of forces, personnel, units, and equipment; has the primary responsibility within DoD to provide the overall policy and oversight for DSCA in the event of a domestic incident; and retains sole authority to waive reimbursement for DoD support.

B. The USD(C)/Chief Financial Officer (CFO) establishes policy and guidance to ensure timely reimbursement to DoD for reimbursable DSCA activities, accounting and logistics codes to track an operation's costs, billing procedures for reimbursable support, and any other financial management (FM) instructions pertinent to the specific operation.

C. The Heads of the DoD Components direct Component compliance with FM guidance related to support provided for DSCA operations, including guidance related to tracking costs and seeking reimbursement; and plan, program, and budget for DSCA capabilities in accordance with law, policy, and assigned missions.

D. The Secretaries of the Military Departments direct that requests for reimbursement of actual DSCA expenditures (performance of work or services, payments to a contractor, or delivery from inventory) begin within 30 calendar days after the month in which performance occurred. Final billing invoices will be submitted to supported departments and agencies within 90 calendar days of the termination of the supported event.

E. The Chief, National Guard Bureau (CNGB), under the authority, direction, and control of SecDef and the Secretaries of the Army and Air Force, will report the use of National Guard assets for DSCA when using Federal resources, equipment, and/or funding to the National Joint Operations and Intelligence Center. CNGB will ensure that the National Guard appropriations are appropriately reimbursed for DSCA activities.

F. The Joint Staff identifies resources available for support in response to DSCA requests and issues execute orders (EXORDs) to the appropriate CCDR with DSCA responsibilities in order to implement SecDef approved actions.

G. The Assistant Secretary of Defense for Homeland Defense and Global Security (ASD(HD&GS)) serves as the principal civilian advisor to SecDef and the USD(P) on DSCA and coordinates DSCA policy with other Federal departments and agencies and the DoD Components as appropriate. The ASD(HD&GS) also recommends the establishment of DoD policy regarding DSCA to the USD(P). The ASD(HD&GS) will ensure all requests for DoD assistance include provisions for reimbursement to DoD Components for capabilities provided. ASD(HD&GS) will work with the USD(C), the JS, and the supported CCDR to ensure that DoD Components are reimbursed and will ensure that reimbursement is reported to SecDef at the completion of the support.

H. CCDRs with DSCA Responsibilities. In addition to the responsibilities in accordance with the Unified Command Plan, CCDRs with DSCA responsibilities will work closely with subordinate commands to ensure they are appropriately reimbursed for DSCA. CCDRs with DSCA responsibilities provide command and control of DoD personnel and resources in Title 10 U.S.C. status and coordinate DSCA operations when directed by SecDef. The supported CCDR will track the costs of support provided and ensure that the Military Departments and Services track costs and effect reimbursement.

I. During a DSCA event, a PA such as FEMA may request assistance from DoD that, when approved by SecDef, will be reimbursable under the appropriate authority, usually the Stafford Act for FEMA. The supported CCDR may provide assistance with the distribution, tracking, and management of RBA to performing DoD Component organizations. A CCDR may also task one of his or her Components or activate a Financial Management Augmentation Team (FMAT) to manage RBA and close out the funding actions when support is completed (see Addendum 1).

190601. Financial Management Augmentation Team (FMAT)

The supported CCDR may establish an FMAT to assist in executing FM duties during DSCA operations. FMAT membership consists of experienced FM subject matter experts from each Service and major Defense Agency. The supported CCDR, in his or her oversight role of conducting DSCA activities, may utilize elements of the FMAT to participate in real-world events. FMAT members serve as a channel of communications to their respective Services and Agencies, and help integrate the DSCA financial management processes into internal financial procedures and guidance. FMAT members also participate in training and exercises with the supported Combatant Command and, if activated by the supported CCDR, will deploy to assist in conducting DSCA FM tasks.

190602. Federal Emergency Management Agency (FEMA)

The Secretary of Homeland Security is the principal Federal official for domestic incident management. Under ***Section 507*** of the Homeland Security Act of 2002, Public Law 107-296, as amended, FEMA's Administrator is delegated responsibility for administering the Stafford Act's Federal assistance programs. FEMA issues requests for assistance in the form of MAs (FEMA ***Form 010-0-8***). MAs must contain appropriate information on funding and other managerial controls, such as funding obligation limits, for requested support.

190603. DSCA New Requests / Closure Certification

The PA uses a RFA or FEMA MA to request goods and/or services from DoD for DSCA under the Economy Act or Stafford Act. DSCA is ordinarily provided under an approved RFA on a cost reimbursable basis unless otherwise directed by the President or reimbursement is waived by SecDef; and is closed when the DCO submits a closure certificate (Addendum 2) to the PA.

190604. Immediate Response Authority Support

Support provided under immediate response authority should be provided on a cost reimbursable basis, where appropriate or legally required, but support should not be delayed or denied based on the inability or unwillingness of the requester to make a commitment to reimburse DoD. Oral requests for assistance in an emergency must be followed by a written request that includes an offer to reimburse DoD at the earliest available opportunity. Support provided under immediate response authority will end when the necessity giving rise to the response is no longer present or when the approving DoD official or a higher authority directs an end to the response. (DoDD 3025.18).

1907 FUNDING

Disaster relief participation is not a budgeted program for DoD. Congress appropriates the Disaster Relief Fund (DRF) for FEMA's support to Federal and State Governments' disaster relief efforts. The DRF is available for purposes of the Stafford Act. The Fund provides a no-year base against which FEMA can direct, coordinate, manage, and fund eligible response and recovery efforts that are associated with domestic major disasters and emergencies that overwhelm State resources. DoD Components may be required to fund the costs of DSCA initially within existing resources, with the understanding that additional operating expenses may be reimbursed by the requesting agencies. DRF funding for FEMA's Stafford Act programs and disaster support activities falls into two categories: disaster relief cap adjustment and base/non-major disasters.

190701. Disaster Relief Cap Adjustment

Funding under the disaster relief cap adjustment is for major disasters declared pursuant to the Stafford Act and designated by the Congress as being for disaster relief pursuant to section 251(b)(2)(D) of the Balanced Budget Emergency Deficit Control Act (as amended by the Budget Control Act). As a general rule, costs DoD incurs above its normal mission (i.e., incremental costs) are reimbursable by FEMA out of funds provided for disaster relief in this category. DoD Components must have processes in place to identify and record incremental costs to facilitate reimbursement as discussed in DoD FMR, Volume 3, Chapter 8.

190702. Base/Non-Major Disasters

Funding under the base/non-major disasters category includes Emergencies, Pre-disaster Surge Support, Fire Management Assistance Grants, and activities that are non-disaster specific, such as Disaster Readiness Support activities (e.g., distribution center, reservist training). Pre-declaration requests for DoD support in response to disaster events are reimbursed to DoD on the basis of actual costs. Generally, the requesting agency provides funding for the incident consistent with the provisions of the Economy Act, unless other statutory authorities are available for this purpose. The funding is not cost shared. When an emergency requires a response on behalf of DoD where there has not been a declaration of major disaster, this category of funding is used to reimburse DoD for actual expenses (i.e., full costs) incurred.

190703. Other

DRF funding is not available for activities undertaken for incidents requiring a coordinated Federal response prior to the declaration of the disaster. A department or agency that needs support or assistance beyond its normal operations may request PA coordination and facilitation through the NRF. Federal departments and agencies may support each other by executing inter/intra-agency reimbursable agreements in accordance with the Economy Act as discussed in Volume 11A, Chapter 3, or other applicable authorities.

1908 REIMBURSEABLE SUPPORT (AGREEMENT)

FM units provide the same or similar capabilities during DSCA operations as for other operations. Authorities and funding are the main issues that affect DoD's ability to respond and provide DSCA. Costs incurred during DSCA are reimbursable in accordance with the Economy Act and Stafford Act, unless otherwise directed by the President. Cost reimbursement for DSCA usually occurs under Title 31, U.S.C., ***section 1535*** (commonly called the Economy Act), which mandates cost reimbursement by the Federal agency requesting support; or the Stafford Act, which sets the guidelines for reimbursements to Federal agencies and States from Federal funds set aside to support missions in response to a Presidential declaration. Components should seek reimbursement for any DSCA support provided under the Economy or Stafford Acts. DSCA support provided under immediate response authority to non-Federal agencies is reimbursed to the U.S. Treasury in accordance with Title 31, U.S.C. ***section 9701***. DSCA support provided under immediate response authority to Federal agencies is reimbursed to DoD organizations in accordance with 31 U.S.C. 1535.

190801. Advances

Advance payments to DoD from the DRF are generally not authorized but may be necessary where DoD Components do not have sufficient funds remaining to provide the requested capability/support to the PA prior to end of the fiscal year.

190802. Expenditures Eligible for Reimbursement

Title 44, Code of Federal Regulations, part 206.8 provides for reimbursement of costs DoD incurs in providing requested assistance. Under the Economy Act and Stafford Act, only SecDef has the authority to waive reimbursement. Examples of expenditures that may be eligible for reimbursement include:

A. Overtime, travel, and per diem of permanent Federal agency personnel.

B. Wages, travel, and per diem of temporary Federal agency personnel assigned solely for performance of services directed in the major disaster or emergency area.

C. Travel and per diem of Federal military personnel assigned solely for the performance of services directed in the major disaster or emergency area.

D. Cost of work, services, and materials procured under contract for the purposes of providing directed assistance.

E. Cost of materials, equipment, and supplies (including transportation, repair, and maintenance) from regular stocks used in providing directed assistance.

F. All costs incurred that are paid from trust, revolving, or other funds, and whose reimbursement is required by law.

G. Other costs submitted by DoD with written justification or otherwise agreed to in writing by the PA.

190803. Requirements for Reimbursement

DoD Components performing work under an approved RFA will submit requests for reimbursement as prescribed in SecDef-approved and USNORTHCOM standing DSCA EXORDs. (FEMA MAs must also comply with FEMA's Mission Assignment Billing and Reimbursement ***Checklist.***) Reimbursement requests will cite the specific approved RFA /MA under which the work was performed and the major disaster or emergency identification number.

A. Requests for reimbursement of costs incurred under more than one order may not be combined for billing purposes. Components requesting reimbursement will retain all financial records, supporting documents, statistical records, and other records pertinent to the provision of services or use of resources by the Department.

B. Reimbursement requests must be reviewed by a Component official familiar with the original approved RFA so that chargebacks resulting from reimbursement requests that are not within the scope of the original request are properly adjusted.

C. When deployed to the supported Combatant Command in response to an approved RFA, all units must report financial management information to the supported Combatant Command, or its designee, until the order is closed; regardless of when the unit redeploys from the supported Combatant Command. The approved RFA is closed when the DCO submits a closure certificate to the PA (see Addendum 1).

190804. Supporting Documentation

Approved RFA (or MA) requests for reimbursement must include supporting documentation.

A. Each Component is responsible for maintaining supporting documentation for all obligations and outlays and other costs incurred (see paragraph 190903.A.), including:

1. Copy of approved RFA form and identification of order number on other documentation;

2. Breakdown of costs by sub-object class code (see OMB Circular ***A-11***) and cost breakdown structure (CBS) code (see Volume 2A, Chapter 3)

3. Description of services performed;

4. Period of Performance;

5. Personnel Services:

a. Regular or overtime labor with breakdown of hours;
b. Indirect cost (percentage, description of costs included in cost pool);

6. Travel/Per Diem and Transportation;

7. Contract Services (contract number, name, cost, purpose);

8. Property/Equipment Purchase, provide the following information:

a. Expendable Property, separate identification not required;

b. Non-expendable property or sensitive items, separate identification is required, including description of item, vendor name, unit cost, and serial number or other unique identification; and

c. Verification of disposition for items listed in subparagraph 190804.A.8.b.

B. Records Retention. Volume 1, Chapter 9 provides document retention requirements applicable to Federal entities in the Title 44, United States Code and the National Archives and Records Administration General Records Schedule 6. The DoD has also developed supplementary guidance in DoD Directive 5015.2, "DoD Records Management Program" and Volume 1, Chapter 9. DoD Components will comply with their own Records Management policies. Questions regarding records retention shall be directed to each Component's DoD appointed Federal Records Officer (***Federal Records Officers***).

C. Citing the Appropriation. DoD Components receiving reimbursement from the PA for goods and services furnished under the provisions of the Stafford Act are to credit such funds to the appropriation used to make such expenditures that are available for obligation on the date of the reimbursement. Each DoD Component involved in DSCA has a responsibility to:

1. Maintain documentation to support requests for reimbursement;

2. Identify a staff-level point of contact for financial coordination with the PA and identify a headquarters-level point of contact for billing and reimbursement issues that cannot be resolved at the staff level;

3. Notify the requesting activity (e.g., FEMA) when a task is completed;

4. Apply proper financial principles, policies, regulations, and management and internal controls to ensure full accountability for the expenditure of DRF funds;

5. Submit partial or final reimbursement as soon as possible after completing a task;

6. Submit annual validation of open obligations by providing cost data or other justification to show the amount of the obligation balance that must remain available, and why the approved RFA must remain open, or risk losing reimbursable authority due to the possible de-obligation of funds;

7. Reconcile obligation balances and identify excess funds available for de-obligation in an effort to return funds to the DRF in a timely manner;

8. Mark all final bills "Final".

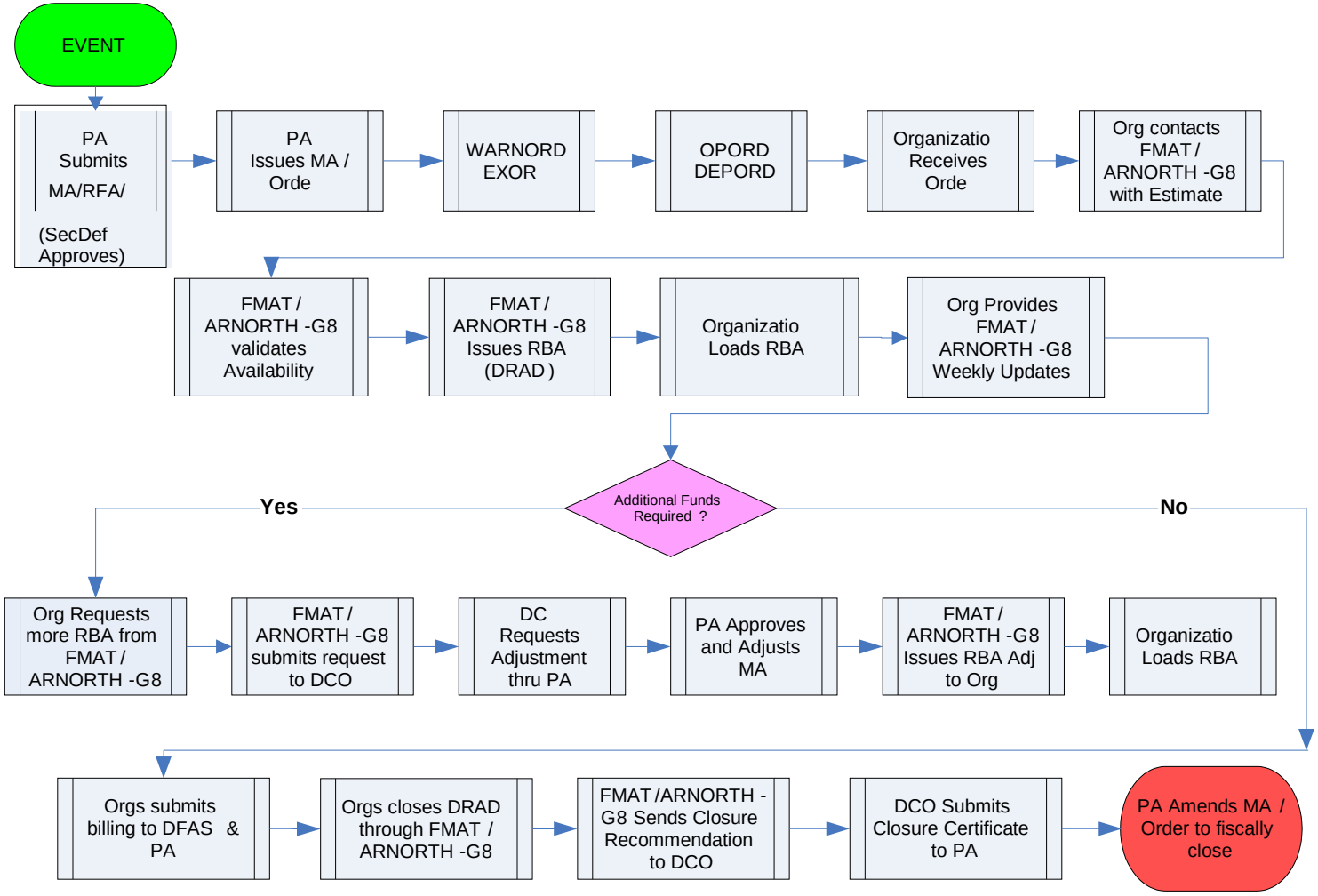
1909 CLOSURE

Components shall perform approved RFA closeout procedures and if the closeout procedures reveal excess reimbursable funding authority, advise the PA to deobligate any excess funding authority to DoD. DoD Components will submit a closure package (Addendum 2) to the supported Combatant Command that includes a memorandum signed by a general/flag officer or senior executive service member, certifying that all authorized reimbursable costs have been fully billed and collected and there are no known outstanding financial issues identified by the Federal agency. Heads of DoD Components are responsible for reporting accurate costs associated with DSCA on both a daily and monthly basis.

Addendum 1 - Generalized Financial Flow - Notional

Combatant Command with DSCA Responsibility

USNORTHCOM[1]



[1] *Source: USNORTHCOM "Financial Management Operations During Defense Support of Civil Authorities"*

Addendum 2 – Reimbursable Authority Closure Certification (Completed by Unit)

PART I: IDENTIFYING INFORMATION	
Date:	
Reporting Financial Organization:	
MA or Agency Order Number:	
Total Reimbursable Authority Provided: $ _____ D-RAD Numbers:	
PART II: FINANCIAL REPORT	
Total Obligations: $ _____	
Total Disbursements: $ _____	
Total Billed to Agency: $ _____	
Total Collected from Agency: $ _____	
Closure Certification The above identified obligations and disbursement reflect all known and expected transactions applicable to the D-RAD reimbursable authority referred above. There are no outstanding commitments or billing related to this reimbursable authority. I understand that no additional reimbursable authority will be provided.	
Financial POC (Printed Name and Signature):	
E-mail address:	
Phone (DSN): Comm:	Fax (DSN) Comm:
Comments / Updated:	
FMAT Action Date Received Date Forwarded to DCO:	

REFERENCE HYPERLINKS

a. Title 44, Code of Federal Regulations, part 206.8, "Reimbursement of Other Federal Agencies," ***http://www.ecfr.gov/cgi-bin/text-idx?SID=5bbfd21f1d699f2ec5108d7b396c4b0c&node=se44.1.206_18&rgn=div8***

b. DoD Manual 3025-1, "Manual for Civil Emergencies," ***http://www.dtic.mil/whs/directives/corres/pdf/302501m.pdf***

c. DoD Directive 3025.18, "Defense Support of Civil Authorities," ***http://www.dtic.mil/whs/directives/corres/pdf/302518p.pdf***

d. Homeland Security Presidential Directive-5, Management of Domestic Incidents, ***www.gpo.gov/fdsys/pkg/PPP-2003-book1/pdf/PPP-2003-book1-doc-pg229.pdf***

e. Chairman Joint Chiefs of Staff Joint Publication 1-06, "Financial Management Support in Joint Operations," ***http://www.dtic.mil/doctrine/new_pubs/jp1_06.pdf***

f. Chairman Joint Chiefs of Staff Joint Publication 3-28, "Defense Support of Civil Authorities," ***http://www.dtic.mil/doctrine/new_pubs/jp3_28.pdf***

g. Department of Homeland Security, "National Response Framework," ***www.fema.gov/national-response-framework.***

h. Federal Emergency Management Agency "Form 010-0-8 Mission Assignment Form," ***https://www.fema.gov/media-library/assets/documents/95031***

i. Federal Emergency Management Agency "Mission Assignment Billing and Reimbursement Checklist. " ***http://www.fema.gov/doing-business-fema/mission-assignment-billing-reimbursement-checklist***

j. 31 U.S.C. §1535, "Agency Agreements," commonly referred to as "The Economy Act," ***http://uscode.house.gov/view.xhtml?req=(title:31 section:1535 edition:prelim)***

k. 31 U.S.C. §9701, "Fees and Charges for Government Services and Things of Value," ***http://uscode.house.gov/view.xhtml?req=granuleid:USC-prelim-title31-section9701&num=0&edition=prelim***

l. 42 U.S.C. §§ 5121 – 5207, "The Public Health and Welfare – Disaster Relief," commonly referred to as "Robert T. Stafford Disaster Relief and Emergency Assistance Act." ***http://uscode.house.gov/search/criteria.shtml***

m. Homeland Security Act of 2002, Section 507, Public Law 107-296, "Role of Federal Emergency Management Agency," ***http://www.dhs.gov/xlibrary/assets/hr_5005_enr.pdf***

DoD 7000.14 - R

DEPARTMENT OF DEFENSE
FINANCIAL MANAGEMENT REGULATION

VOLUME 11B: "REIMBURSABLE OPERATIONS POLICY - WORKING CAPITAL FUNDS (WCF)"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

VOLUME 11B, CHAPTER 1 "DEFENSE WORKING CAPITAL FUNDS GENERAL POLICIES AND PROCEDURES"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue and underlined font*.**

The previous version dated April 2010 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
010103	Incorporated Annex 1, Objectives of the Defense Working Capital Funds, into the chapter.	Add
010403	Added requirement for DoD Components to bear the cost of legacy systems until fully transitioned to emerging/migratory systems.	Add
Figure 1-1	Added flowchart, "Legacy System Funding Decision Diagram."	Add

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CHAPTER 1

DEFENSE WORKING CAPITAL FUNDS GENERAL POLICIES AND REQUIREMENTS

0101 GENERAL

*010101. Treasury Fund Symbol

The Defense Working Capital Funds (DWCF) are established under the authority of ***10 U.S.C. 2208***. The Treasury Account Symbol for the DWCF is 97X4930. The Military Departments and Defense Agencies subnumbered account identifiers assigned are shown in the below table.

DoD Component	Treasury Assigned Account No.
Army	97X4930.001
Navy	97X4930.002
Air Force	97X4930.003
Defense Commissary Agency	97X4930.004
Defense Agencies	97X4930.005

010102. Activity Groups

The DWCF consist of individual activity groups that are managed by Department of Defense (DoD) Components for providing goods and services, on a reimbursable basis, to other activities within the DoD and to non-DoD activities when authorized.

*010103. Charters

The DoD Component individual activity groups financed through the DWCF shall be chartered under the DWCF to achieve the following objectives:

A. The DWCF is designed to:

1. Provide a more effective means for controlling the costs of goods and services required, produced, or furnished by DWCF activities, and a more effective and flexible means for financing, budgeting, and accounting for the costs thereof.

2. Create and recognize contractual relationships between DWCF activities and those activities that budget for and order the end-products or services.

3. Provide managers of DWCF activities the financial authority and flexibility required to procure and effectively use manpower, materials, and other resources.

4. Encourage more cross-servicing among the DoD Components and among their operating agencies, with the aim of obtaining more economical use of facilities.

5. Facilitate budgeting for and reporting of the costs of end-products. This will underline the cost consequences of choosing between alternatives.

B. Specific objectives include the following:

1. Furnish managers of DWCF activities with modern management tools comparable to those utilized by efficient private enterprises engaged in similar types of activities.

2. Improve cost estimating and cost control through comparison of estimates and actual costs.

3. Obtain alert, forward-looking financial planning at DWCF activities by making them financially dependent on reimbursements received for goods and services furnished in fulfilling orders from customers.

4. Encourage producers of goods and services to coordinate labor forces and inventories with workload, budgeting, and cost control.

5. Instill in the officials of ordering Agencies a greater sense of responsibility and self-restraint in balancing the costs of specific goods and services to be ordered against the benefits and advantages of their procurement, especially in the light of alternative or competing demands.

6. Place ordering agencies in the position of critically evaluating purchase prices (that is, costs of performing activities) as well as quality and delivery-speed of goods and services ordered.

7. Enable ordering agencies to budget and account on an "end-product" basis (the same as when buying from commercial contractors), thereby simplifying budget presentations, budgetary control, and accounting procedures for both producers and ordering agencies.

8. Establish, whenever feasible, standard prices or stabilized rates and unit prices for goods and services furnished by DWCF activities, thus enabling ordering Agencies to more confidently plan and budget.

9. Encourage ordering agencies' management to improve program planning and scheduling in response to producers' efforts to plan and negotiate for orders as far in advance as feasible.

10. Provide flexibility within budget cycles to changes in supply and demand.

*C. A charter shall be prepared in accordance with Chapter 2 and submitted to the Under Secretary of Defense (Comptroller) (USD(C)) Revolving Funds Directorate for approval. Before charter preparation, ensure that the proposed business entity meets the criteria established as described in Chapter 2, paragraph 020202. Each DWCF business entity shall review its charter annually to assure it remains current. Changes shall be prepared and submitted to the USD(C) Revolving Funds Directorate for approval.

010104. Funding

The DWCF receives its initial working capital through an appropriation or a transfer of resources from existing appropriations of funds and uses those capital resources to finance the initial cost of products or services. Financial resources to replenish the initial working capital and to permit continuing operations are generated by the acceptance of customer orders. The Supply Management activity groups and the Capital Investment Program receive contract authority. Contract authority permits obligations to be incurred in advance of appropriations or in anticipation of receipts from customers, but in accordance with an apportionment, allotment, or other limiting authority. Other than the Supply Management activity groups and the Capital Investment Program, all other DWCF obligations must be supported by budgetary resources that are immediately available for outlay even though the outlay may not occur until a future date. After initial capitalization, a DWCF activity's operations are funded by the reimbursements it receives from its customers for the goods or services provided. Amounts earned by the DWCF are available in the fund corpus without fiscal year limitation, although DWCF activity obligation authority is dependent on receipt of contract authority, and/or cost authority provided in the DWCF activity annual operating budget. Customers may not place orders with DWCF activities for the purpose of extending the life of their appropriations or avoiding any statutory limitation or restrictions pertaining to those funds. Additional guidance applicable to all working capital funds can be found in Volume 3, Chapter 19.

010105. Authorized Customers

Customers of the DWCF activity may be:

A. Any DoD command, organization, office, or other element.

B. Non-DoD federal government agencies.

C. Private parties and concerns when authorized by law including foreign governments, and state and local governments.

D. Those United States (U.S.) manufacturers, assemblers, or developers authorized by ***10 U.S.C. 2208(h)*** and in accordance with ***10 U.S.C. 2563*** and ***Section 4543***.

010106. Sources of Budgetary Resources

When an individual activity receives budgetary resources from more than one source (for example, reimbursable authority from customer orders accepted and direct authority from appropriations, or allocations of appropriations received), the receiving activity must maintain records to control and report separately the transactions relating to each type of source. Budgetary resources may be received at any level of an organization, from the individual activity up to the departmental-level. (See Volume 3, Chapter 19 for further details.)

010107. Annual Operating Budgets

Annual operating budgets for the DWCF provide official management cost goals to the Military Services and Defense Agencies for each individual activity group. The annual budget consists of two primary parts—the operating budget and the capital budget. The operating budget represents the annual operating costs of an activity or Component, including depreciation and amortization expenses. The capital budget represents the amount of financial resources that are authorized for use in the acquisition of capital assets. Volume 2B, Chapter 9, and Volume 3, Chapter 19, provides additional details on the annual operating budgets for the DWCF.

010108. Customer Orders

Customer orders (funded requests for goods or services) provide the budgetary and cash resources necessary to finance operations. To be valid, customer orders must be obligations of a federal government activity and cash advances from nonfederal customers. Cash advances may also be requested from federal government activities when directed and approved in advance by the USD(C). When accepted, customer orders create a quasi binding contractual relationship between a DWCF activity and its customer since acceptance of a customer order requires that the performing entity agree in writing to perform the work for the customer entity. Except as authorized in Chapter 11, a DWCF business entity shall not initiate work or services or incur obligations until customer orders are signed and advanced funding is received. Customers may request a deobligation of their funds for goods or services ordered that were not provided. Return of customer funds is permissible only if the DWCF activity has not commenced work on the good or service ordered or incurred an obligation for those goods or services.

010109. Stabilized Rates and Prices

The DWCF individual activity groups operate on a break-even basis in accordance with budgetary guidance contained in Volume 2A and Volume 2B. Rates are required to be established during the budget process at levels estimated to recover the budgeted costs of goods or services to be provided including all general and administrative overhead costs, prior period gains and losses, and applicable surcharges. The budget process ensures that adequate resources are requested in the customers' fund accounts to pay the established rates and prices. Specific budget formulation requirements are contained in Volume 2B, Chapter 9.

010110. Restrictions on Use of Customer Appropriations

Statutory limitations and restrictions imposed on the appropriated funds of a DWCF customer are not changed when the customer places an order with the DWCF. A DWCF customer cannot use its appropriated funds to do indirectly, i.e., through placement of an order with a DWCF activity, what it is not permitted to do directly. Thus, the availability of an appropriation cannot be expanded or otherwise changed by transfer to the DWCF. Appropriated funds cited on reimbursable orders are available only for the purposes permissible under the source appropriation and remain subject to the same restrictions. The ordering activity is primarily responsible for the determination of the applicability of the ordering appropriation. However, if instances arise when it is apparent that the ordering appropriation is not appropriate for the purpose provided, then the order should be returned with a request for an applicable appropriation fund cite.

010111. Financial Reporting

Under the provisions of ***31 U.S.C. 3515***, the Department is required to have audited financial statements covering all accounts and associated activities of the Department. The DWCF financial information will be included in DoD's Annual Financial Report. Specific financial statement reporting requirements are contained in ***OMB Circular A-136***, "Financial Reporting Requirements." Volume 6B also identifies recurring reporting requirements applicable to the DWCF.

010112. Mobilization Capability

Each DWCF activity group must plan for and maintain the capability to expand or alter operations, or to provide extraordinary supply or other functional area support necessary, to meet an operational contingency as documented in Defense Planning Guidance or operational plans. All costs at individual activities within the DWCF related to maintaining a capacity to meet mobilization requirements will be reimbursed by funds that are from direct appropriations and will not be financed through customer rates. Volume 2B, Chapter 9 provides specific guidance for the types of mobilization costs that can be funded by a direct appropriation.

0102 RESPONSIBILITIES OF MANAGEMENT

010201. USD(C) of the DoD

A. Establish DoD policy on DWCF operations.

B. Provide oversight on all financial management activities relative to the operations of the DWCF.

C. Authorize or approve DWCF Charters of specific activities to be included in the DWCF and the terms under which such activities shall be operated.

D. Rescind the DWCF Charters of specific activities that no longer meet DWCF criteria or that may be operated more efficiently under other financing.

E. Establish all necessary budget preparation, accounting, and reporting policies.

F. Review and approve operating and capital budgets, and monitor and analyze budget execution.

G. Provide DWCF operations oversight through budget execution reviews.

H. Advise DWCF managers on accounting and reporting policies.

I. Monitor compliance with this guidance and other policy issuances through analysis of reports, audits, and reviews of business entity operations.

010202. Director, Defense Finance and Accounting Service (DFAS)

A. Advise and assist the USD(C) in the development of requirements, systems, and procedures to comply with statutory and regulatory requirements.

B. Advise DWCF activities on the accounting and reporting procedures.

C. Issue supplementary instructions to guidance contained within this Regulation for unique requirements within the DoD Components and to provide detailed operating instructions.

D. Review DWCF accounting systems for compliance with established financial systems requirements.

E. Prepare external and internal accounting reports for the DWCF.

010203. Military Department Secretaries and Defense Agency Directors

A. Manage DWCF activities within approved funding limitations.

B. Designate a management agency or command to be responsible for effective management of each DWCF activity.

C. Comply with, and recommend changes to, this and other governing regulations.

D. Provide periodic financial and management information as required by the USD(C).

E. Submit to the USD(C) proposed Charters authorizing new DWCF activities or rescinding Charters of existing DWCF activities.

010204. DWCF Activity Management Agency or Command

*A. Budget and provide appropriated funds for the costs of maintaining unutilized plant and facilities being held for mobilization purposes at DWCF activities. Mobilization maintenance costs for unutilized plant and facilities include costs of labor, materials, contractual services, and overhead that were incurred for that purpose. Retention of facilities in excess of those necessary for current or planned workload shall be in accordance with ***DoD Directive 4275.5***, "Acquisition and Management of Industrial Resources." The acquisition, retention, or disposal of unutilized plants and facilities at transportation activities must be approved by the Deputy Under Secretary of Defense (Acquisition, Technology and Logistics).

B. Assign responsibility and authority to designated officials for management and operation of DWCF activities.

C. Assure that all DWCF activities operate within approved funding limitations.

D. Evaluate the operation of DWCF activities to determine compliance with established requirements.

E. Initiate change, as needed, to the charter of the DWCF activities.

010205. Individual DWCF Activity Management

A. Incur obligations and costs as necessary and allowable to perform the activity mission.

B. Control performance costs in line with the annual budget approved by the USD(C).

C. Evaluate the operation of DWCF activities to determine compliance with established requirements.

D. Identify to higher management any impediments in achieving performance and cost goals.

E. Identify and justify to higher management investments that will produce future improvements in effectiveness and efficiency.

F. Establish, monitor and assess internal controls and resolve internal control weaknesses.

010206. DWCF Activity Customers

A. Be responsible for budgeting for the cost of material, work, and services ordered from a DWCF activity.

B. Manage budgetary resources provided in annual operating budget for the cost of material, work, and services ordered from DWCF activities.

C. Be responsible for notifying the DWCF business entity manager as early as possible if it wishes to terminate a previously ordered service. The customer is liable for funding all costs associated with service delivery until termination.

0103 ACCOUNTING STANDARDS

The DWCF will adhere to the accounting standards hierarchy in Volume 1, Chapter 2.

0104 DWCF SYSTEMS AND CONTROL

010401. DWCF Financial Management Systems

A. Transactions are executed in accordance with budgetary and financial laws and other requirements, consistent with the purposes authorized, and are reported in accordance with Statement of Federal Financial Accounting Standards.

B. Assets are properly safeguarded to deter fraud, waste and abuse.

C. Performance measurement information is adequately supported.

010402. DWCF Accounting Systems

DWCF accounting systems shall have the capability to account for the status of budgetary resources on a continuous basis. Budgetary controls shall be designed to prevent incurring obligations in excess of budgetary resources.

*010403. Legacy Systems

DoD Components will continue to bear the cost of their legacy system until they have fully transitioned to the emerging/migratory system. However, if the Component has not fully transitioned from the legacy system to the emerging/ migratory system due to a DFAS related implementation problem, then the customer bears no direct cost for the legacy system. The costs for the legacy system that DFAS cannot abolish will go into the DFAS customer rates as part of overhead costs. See Figure 1-1.

A. If the customer has fully transitioned from the legacy system to the emerging/migratory system, then that customer bears no direct cost for the legacy system. However, the costs for a legacy system that DFAS cannot abolish will go into the DFAS customer rates as part of overhead costs.

B. If the customer has not fully transitioned from the legacy system to the emerging/migratory system but the customer is running the systems parallel for testing purposes, to include running the legacy system for prior year data not transitioned, then that customer bears a cost for both systems until the customer fully transitions to the emerging/migratory system.

C. If the customer has not transitioned from the legacy system to the emerging/migratory system because of DoD Component related implementation problems, then that customer will bear the cost for the legacy system even if they are the last DoD Component on the legacy system.

D. If the customer has not transitioned from the legacy system to the emerging/migratory system due to a DFAS related implementation problem, then that customer bears no direct cost for the legacy system. The costs for a legacy system that DFAS cannot abolish will go into the DFAS customer rates as a part of overhead costs.

E. The customer must be fully transitioned from the legacy system to the emerging/migratory system before the beginning of a new fiscal year. It is not appropriate to change allocation of legacy costs between customers in the year of execution.

F. When all customers have transitioned to the emerging/migratory system and DFAS is able to abolish the legacy system, the system's residual undepreciated value will be charged to the DFAS Accumulated Operating Result (AOR).

0105 FUNDS MANAGEMENT

Financial resources establishing a DWCF must be appropriated. Continuing operations are generated by reimbursements received. Anticipated reimbursements and anticipated customers' orders are not considered a budgetary resource. Obligations incurred (undelivered orders and accrued expenditures-paid and unpaid) are claims against budgetary resources. A sufficient fund balance with the Treasury must support all DWCF cash outlays. Refer to Volume 3, Chapter 19 for further guidance on funds management.

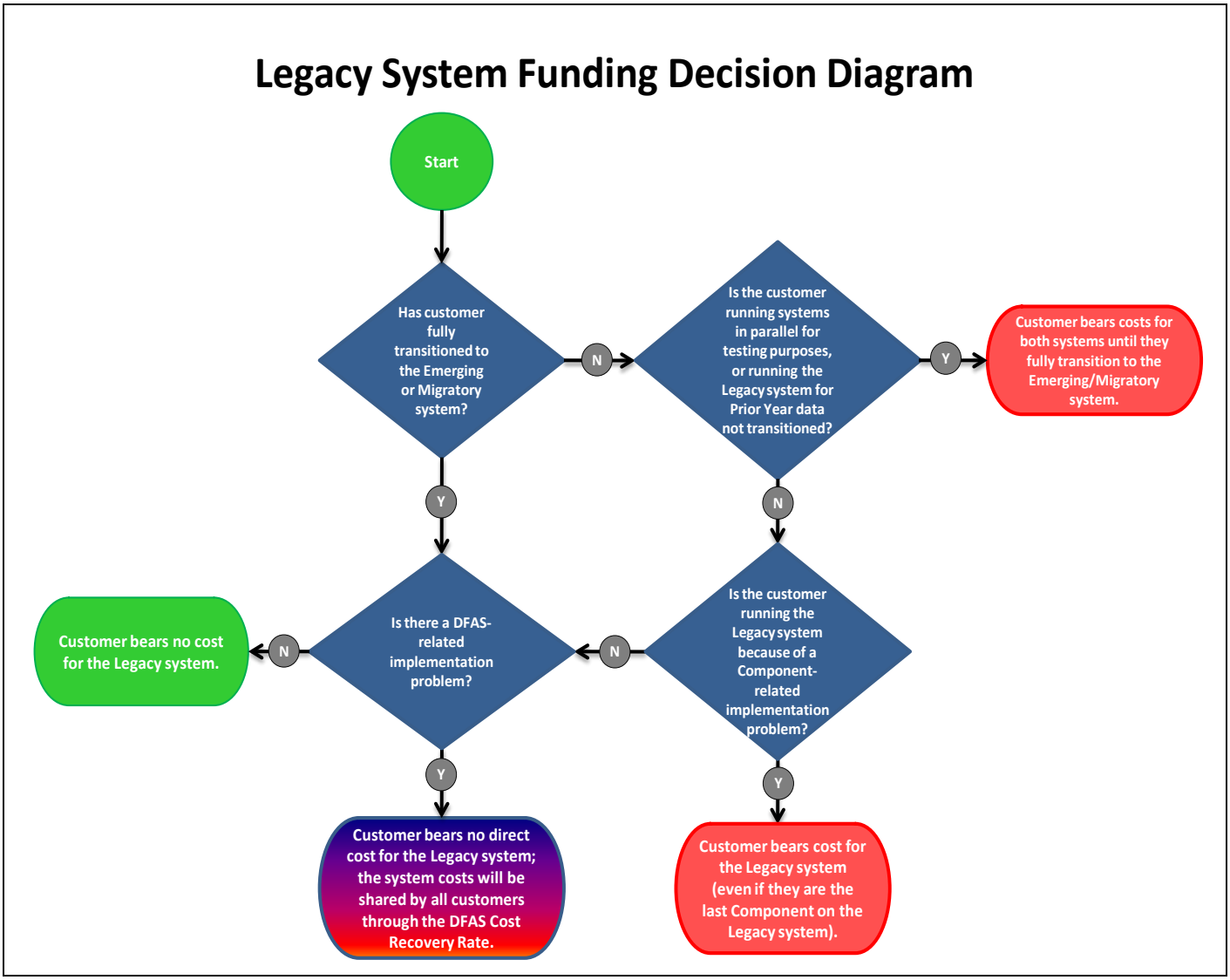
0106 GENERAL LEDGER ACCOUNTS

All DWCF activities shall adhere to the ***United States Standard General Ledger (USSGL)*** published by the Department of Treasury Financial Management Service. The USSGL ***Standard Financial Information Structure (SFIS) Transaction Library*** provides a decomposition of USSGL accounting transactions for DoD. See Volume 1, Chapter 7 for further details.

0107 AUDITING

Under ***31 U.S.C. 3515***, the DWCF activities are required to prepare audited financial statements. The DWCF is subject to audit by the DoD Inspector General, the Government Accountability Office, and other parties when contracted or otherwise authorized.

*Figure 1-1 Legacy System Funding Decision Diagram



VOLUME 11B, CHAPTER 2: "ESTABLISHMENT OF FUND ACTIVITIES, TRANSFER OF FUND FUNCTIONS AND CLOSURE OF FUNDS ACTIVITIES"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue and underlined font*.**

The previous version dated October 2002 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
Various	Updated hyperlinks.	Update
0201	Clarified the purpose of the chapter.	Update
020201	Added statutory references for working capital funds.	Add
020301	Updated roles and responsibilities for reviewing business entities for inclusion or exclusion in the DWCF.	Update
020401	Clarified entity may request an appropriation of funds to supplement its resources.	Update
020402.B	Clarified entity shall bill unfunded leave liability.	Update
020402.C	Clarified policy for depreciating transferred capital assets.	Update
020505	Added requirement to monitor transferred proprietary account balances to ensure proper liquidation.	Add
020506	Added requirement to monitor transferred budgetary account balances to ensure proper liquidation.	Add
020506.A.4.A	Adds policy for the gaining activity to record newly transferred personnel and real property in an approved accountable system of record	Add
020506.F 020506.G.1 020506.G.2	Added policy for monitoring all remaining and transferred balances to ensure timely and proper liquidation occurs.	Add
020602.I	Added requirement to address unbilled receivables.	Add
020602.L	Added guidance to bill customers for unreimbursed costs prior to closing.	Add

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CHAPTER 2

ESTABLISHMENT OF FUND ACTIVITIES, TRANSFER OF FUND FUNCTIONS AND CLOSURE OF FUND ACTIVITIES

*0201 PURPOSE

This chapter provides requirements for the chartering of Defense Working Capital Fund (DWCF) activities. This chapter also provides requirements for transfer of fund functions and closure of fund activities.

0202 ESTABLISHMENT OF FUND ACTIVITIES

*020201. Submission of Charter

Prior to the financing of an activity under the DWCF, a proposed charter shall be submitted to the Office of the Under Secretary of Defense (Comptroller) (OUSD(C)), Revolving Funds for approval. The DoD has authority under ***10 U.S.C. 2208*** to establish DWCFs to finance inventories of supplies and provide working capital for industrial and commercial-type activities.

020202. Criteria for a DWCF Activity

In order for a Service or DoD agency organization or program or function to be considered for inclusion in the DWCF it must meet all of the following criteria:

A. Outputs that relate to products or services provided by the activity group to customers (i.e., production of goods or provision of services that are common to requirements of more than one major command, and/or DoD Component.)

B. A cost accounting system is available that is capable of collecting costs of producing outputs. The activity must have the capability to charge prices or rates that are capable of recovering the full funded costs of the provided goods and services in accordance with Chapter 1 of this volume. For additional information on general cost concepts refer to Volume 4, Chapter 19 of this regulation.

C. Activities that require and order products or services (i.e., customers) can be identified so that resources can be aligned in the account of the customer with the requirement. The demand for the goods or services to be provided by the program or organization must come from multiple customers within DoD and/or other federal government entities.

D. Identification of a buyer-seller relationship to the extent that the buyer can influence cost and workload and the buyer has alternative sources that can provide the products or services. Operation of the program or organization as a DWCF business area should result in

a better identification of the full cost of operations and may also result in better quality goods/services and/or result in decreased costs to the federal government.

0203 DEFENSE WORKING CAPITAL FUNDS CHARTER REQUIREMENTS

*020301. Charter Format

The DWCF charter format is included in Annex 1 of this chapter. Charter provisions are applicable to each DoD Component activity group included within the DWCF. The charters describe the mission of that Component by activity group. Before charter preparation, actions shall be taken to ensure that the proposed business entity meets the criteria listed in paragraph 020202. Activities must document these criteria as it applies to all proposals for new DWCF business entities, as well as, the addition of new lines of business within existing DWCF business entities. After charter approval, the chartered DWCF business entity shall review it annually to assure it remains current. Changes, if needed, shall be prepared and submitted to the OUSD(C), Revolving Funds for approval.

020302. Charter Contents

Each charter shall include the following as a minimum:

A. Statutory authority that authorizes the establishment of a DWCF activity or activity group.

B. Brief description of the mission of the activity or activities and nature of its products or services.

C. Designation of the organization (Management Command) directly below the departmental-level that has authority over the management of the DWCF activity group. Additionally, the charters shall state whether the Management Command is funded from the DWCF.

D. Name and location of the activity or activities to be operated under the charter.

E. Statement of any policy exceptions specifically authorized for the fund's activity group or any activity included within the fund's activity group.

F. Cancellation of any previously approved charter(s), if applicable.

020303. Charter Support

Documentation supporting the charter application of an activity requesting entry into the DWCF shall include:

A. Explanation of how the proposed DWCF activity meets the minimum criteria listed, in paragraph 020202, above, and any additional requirements of the OUSD(C) for the specific activity or activities.

B. Justification of any exception to the provisions of this Regulation.

020304. Amendment or Cancellation of Charters

Requests for cancellations or amendments of existing charters shall be forwarded to the OUSD(C), Revolving Funds for approval and supported by the following information:

A. Justification for the proposed action that may consist of copies of supporting evaluations or studies.

B. Information as to the disposition of assets and liquidation of liabilities, as necessary.

020305. Annual Charter Review

The DoD Components shall review DWCF operations each fiscal year to ensure that the charters are current. Any required changes shall be submitted to the OUSD(C), Revolving Funds in accordance with paragraph 020304, above.

0204 COMMENCEMENT OF FUND OPERATIONS

Upon charter approval and commencement of DWCF operations, financial control over initial appropriations, assets, liabilities, and capital shall be established in accordance with the following guidance:

*020401. Initial Appropriation and/or Reappropriation

Before a DWCF activity can begin operations, it needs fiscal resources. To begin initial operations, a DWCF business entity is provided necessary capital either by a nonexpenditure transfers from another working-capital fund or appropriation following congressional notification required by Title 31, United States Code, subsections 2208(r), or Congress may appropriate initial capital in response to a request in the President's budget submission to Congress. The latter is necessary when the level of anticipated cash available is estimated to be insufficient during the initial fiscal year of operation. Appropriations made available to commence operation of a DWCF entity remain available for obligation without fiscal year limitation for their specified purpose until expended or withdrawn. A reappropriation to a DWCF activity is statutory authority to restore or extend the obligational availability of all or part of the unobligated balance of budget authority that has expired or would otherwise expire in an annual or multiple-year appropriation. Typical budgetary and proprietary accounting entries applicable to receipt and distribution of appropriations and reappropriations are illustrated in Volume 3, Chapter 13 of this Regulation. The accounts established for use by departmental-level accounting entities implement the ***United States Standard General Ledger (USSGL).***

020402. Initial Assets and Liabilities

A. Working capital to commence operations may be provided by a nonexpenditure transfer of fund balances from another appropriation or federal (general) fund account to the DWCF account. Volume 3, Chapter 13 of this Regulation contains information about nonexpenditure transfers.

*B. Personnel assigned from an appropriated fund activity to a DWCF activity are accompanied by a liability for the amount of accrued earnings and annual leave earned by those employees prior to their transfer. Payment in the form of cash or other agreed upon equivalent assets such as inventories or equipment shall be made to the receiving DWCF activity for the amount of the liabilities assumed.

*C. Assets provided from other appropriations or funds to commence operations of a DWCF activity shall be recorded as Financing Sources Transferred in Without Reimbursement. The DWCF shall record a liability for an item transferred from a non-DWCF account only when the item is undelivered at the time of the transfer and the obligation for the item on the books of the organization from which the item was transferred resulted from a reimbursable order from a customer. Otherwise, bills for assets on order at the time of the transfer to the DWCF shall be paid by the appropriation or fund originally ordering the item. This is appropriate since the original appropriation or fund ordering the item was funded through the budget process to procure the item. Depreciation of capital assets that are transferred into a DWCF activity without reimbursement and with no pre-existing depreciation schedules or accumulated depreciation, shall be calculated based on the net value (original acquisition cost less calculated accumulated depreciation) plus any associated costs for transportation, installation, and other related costs necessary to put the asset into operational use. For additional information on accounting for PP&E refer to Volume 4, Chapter 6 of this Regulation.

D. At the time of initial capitalization, Financing Sources Transferred In Without Reimbursement shall equal the value of all assets excluding nonexpenditure transfer of Treasury fund balances from other appropriations, plus the initial appropriation transferred to the activity without reimbursement or assumption of liability by the DWCF less the sum of the obligations transferred to the activity for which DWCF resources are liable for future disbursement.

0205 TRANSFER OF DWCF FUNCTIONS

020501. Transfer Actions

The general actions and related procedures in paragraph 020502 through 020508 shall be followed when transferring all or a portion of the functions from a DWCF activity to another DWCF activity or to an appropriation funded activity. Specific actions and procedures shall usually be necessary to accommodate unique circumstances of the transferring activities.

020502. Functions to be Transferred

In the case of a partial transfer of functions, specific negotiations should take place between the affected organizations to identify specific functions that are to be transferred, the effective date(s) of transfer, and the disposition of functions not transferred. Action must be taken to ensure that valid requirements are funded by the activity having the requirement. Follow-on negotiations should identify and remedy any initial oversight and specific directions should be provided once these follow-on actions are complete. All actions taken shall be consistent with the negotiated agreements. Pending final negotiations, all excluded functions shall remain with the current organization.

020503. Physical, Financial, and Personnel Resources

The organizations involved shall identify resources to be transferred incident to the functional transfer. Follow-on actions shall identify resources not recognized in the original negotiations, and specific directions shall be provided commensurate with finalized agreements. All actions taken shall be consistent with negotiated agreements.

020504. Interim Funding

If an interim funding method is to be used to fund the transfer, pending resolution of other issues, the organizations involved will determine the method and intended duration of the interim funding. Funding provided by a locally established order should not exceed 30 days.

*020505. Budgetary Accounts

There should not be an automatic transfer of budgetary account balances from the losing activity to the gaining activity. Where items included in an existing obligation or order are for continuing services or other requirements of the transferred entity, an agreement must be negotiated between the losing and gaining activities. This agreement must specify whether accountability will remain identified to the losing activity, or if documents will be modified to reflect the gaining fund cite and paying office. In instances where accountability remains identified to the losing activity, a reimbursable support agreement shall be negotiated, and accounting support shall continue to be provided by the losing activity and paid for by the gaining activity. All actions relating to the fiduciary aspects of the transfer will be captured and monitored as part of the overall transfer plan. A senior financial official from the organizations involved and the servicing DFAS site will be identified and accountable for ensuring the integrity of the post transfer financial balances. Specific action items will be identified in the transfer plans to ensure that all account balances are maintained and properly liquidated subsequent to the transfer. Transferred balances will be closely monitored to ensure that pending and in-process transactions are properly posted in a timely fashion, and balances are not orphaned. The following actions are needed for the transfer of outstanding commitments, obligations, and unfilled customer orders.

A. Outstanding commitments for functions to be transferred from the losing activity should be canceled, but only when managed in coordination with the gaining activity to

ensure that the procurement cycle is not interrupted. Concurrent with cancellation at the losing activity, the new commitment shall be entered into the accounting system by the gaining activity, and purchases under the document shall reflect the gaining activity as the accountable entity. In those cases where cancellations of an outstanding commitment would unduly interrupt the purchase cycle, a reimbursable order from the gaining activity, citing gaining activity funding, shall be provided to the losing activity.

B. Undelivered orders and other outstanding obligations account balances shall not be transferred from the losing activity to the gaining activity without validation. All undelivered orders and other outstanding obligations for goods and services ordered but undelivered directly related to functions transferring from the losing activity shall be reviewed, and decisions made on the appropriate disposition for each transaction. Undelivered orders and other outstanding obligations for items or services no longer required shall be canceled, and any termination costs which result from the cancellation shall be the responsibility of the losing activity. If outstanding obligations support a continuing need, that need may be filled through either a modification to the undelivered order or continued funding by the original ordering activity with reimbursement from the new requiring activity.

C. Unfilled customer order account balances shall not be transferred from the losing activity to the gaining activity without validation. Unfilled customer orders citing current funding which are directly related to functions transferring from the losing activity shall be reviewed to determine what orders for goods or services remain outstanding, and to identify the activity responsible for providing these goods or services to the customer. If goods or services are to be provided by the gaining activity, reimbursement to the gaining activity may be provided through either an amendment to the unfilled customer order or through funding provided by the losing activity. If an unfilled customer order is amended, the losing activity, along with the gaining activity, must ensure that the customer is advised of this decision. If goods or services are to be provided by the losing activity, the losing activity shall continue to bill the customer, and return any remaining unobligated balances to the customer after the order is completed.

*****020506. Proprietary Accounts

All actions relating to the fiduciary aspects of the transfer will be captured and monitored as part of the overall transfer plan. A senior financial official from the organizations involved and the servicing DFAS site will be identified and accountable for ensuring the integrity of the post transfer financial balances. Specific action items will be identified in the transfer plans to ensure that all account balances are maintained and properly liquidated subsequent to the transfer. Transferred balances will be closely monitored to ensure that pending and in process transactions are properly posted in a timely fashion, and balances are not orphaned.

A. The following actions are required incident to the transfer of PP&E from one DoD entity to another. Detailed information on PP&E assets may be found in Volume 4, Chapter 6, of this Regulation.

1. A preliminary agreement will be documented between losing and gaining activities as to the specific PP&E to be transferred. Ownership of selected assets, such

as equipment, hardware, software, furniture, etc., necessary to the performance of the functions being transferred shall transfer to the gaining activity. Assets required exclusively in support of the function being transferred also shall be transferred to the gaining activity. Ownership of shared assets shall be determined based upon guidance in Volume 4, Chapter 6, of this Regulation. Accounting entries to remove PP&E from the accountable records of the losing activity must agree with the transfer of physical assets and support physical and financial accountability for the PP&E transferred to the gaining activity.

2. A joint inventory will be conducted and documented between representatives of the losing and gaining activity to mutually verify the availability and accuracy of PP&E and related information scheduled for transfer. The PP&E not transferred because of condition or unavailability shall be disposed of and removed from the accountable records of the losing activity prior to transfer. After validation of assets to be transferred, a final listing shall be compiled showing all pertinent information for the assets agreed upon for transfer.

3. Losing activities must provide copies of physical custody control records to gaining activities and prepare accountability transfer documents. The losing activity shall provide the gaining activity copies of all Property Record Cards (or similar physical custody records) used to maintain physical control of each item included on the final listing of assets to be transferred. Transfer documents shall be prepared concurrently to remove asset accountability from the records of the losing activity. A copy of each transfer document shall be provided to the gaining activity to support the value of capital asset accountability to be established. The transfer document shall disclose, if known, the original acquisition cost and the accumulated depreciation for items transferred. If those values are not known, the transfer value shall be the fair market value amount mutually agreed to by the losing and gaining activities. However, if those values are not known, such a transaction shall not create a financial gain or loss for the gaining or losing activity. Each transfer document shall identify the losing and gaining activity, by name and DoD Activity Address Code (DoDAAC) along with current points of contact.

4. Gaining activities must establish physical custody and control of assets transferred using copies of physical custody control records provided by the losing activities, and prepare accountability acceptance documents.

*a. Each gaining activity shall prepare new property records (DoD Property Record (***DD Form 1342**)) for each item of equipment. Computer generation of DoD Property Records is authorized if the data elements are included in the same order as on the printed ***DD Form 1342***. Official property custody records shall be maintained by the gaining activity. ***DD Form 1354*** (Transfer and Acceptance of DoD Real Property) shall be used to record the physical custody/accountability of real property. The gaining shall record newly transferred personnel and real property in an approved accountable system of record.

b. Specific categories of equipment and plant property are monitored and controlled by offices, other than the installation having ownership and physical custody of the item. Notification shall be made to the following control offices consistent with the property control and management requirements of each applicable item:

(1) Notify Defense Supply Center Richmond for Federal Supply Group 34 (Metalworking Machines).

(2) Notify Naval Facilities Engineering Command and the Navy Facility Assets Data Base for Navy real property item accountability changes such as buildings, etc.

(3) Notify Military Traffic Management Command for railroad equipment.

(4) Notify Plant Property Accounting Office/Activity and Transportation Equipment Management Center for industrial plant equipment items.

c. Each gaining activity shall receive a copy of all transfer documents from the losing activity to support the value of all capital asset accountability to be established. Each transfer document shall identify the losing and gaining activities, both by name and DoDAAC. Adequate controls must be established to ensure that proper accountability is maintained for all PP&E transferred to gaining activities. Those controls should provide, at a minimum, assurance that assets transferred and their values are consistent with and/or reconcilable to the joint inventory conducted between representatives of the losing and gaining activity, copies of transfer documents received from the losing activity, and DoD Property Records (***DD Form 1342***) prepared by the gaining activity.

B. Detailed information on construction-in-progress may be found in Volume 4, Chapter 6. Ownership of assets under development, e.g., physical assets or software under development, shall be transferred to the gaining activity where such efforts are directly related to the functions being transferred. The losing activity shall debit the financing Account 5730 and credit the Account 1720, "Construction In Progress," for the value of work completed to date. Concurrently, the gaining activity shall record the same value as a debit to the Construction in Progress account and a credit to the financing Account 5720, "Financing Sources Transferred In Without Reimbursement." Both of the transfer actions should occur in the same accounting period. The gaining activity shall record the transaction based on notification by the losing activity or the designated liaison office. The capital budget authority of the gaining DWCF activity shall require appropriate adjustment for assets transferred during construction to ensure authority for the gaining activity to complete the asset.

C. Detailed information on work in process may be found in Volume 4, Chapter 4 of this regulation. Work in process for customers (unfilled customer orders) shall not be transferred from the losing activity to the gaining activity without validation. Unfilled customer orders citing current funding which are directly related to transferring functions shall be reviewed to determine what orders for goods or services remain outstanding, and to identify the activity responsible for providing these goods or services to the customer. If the work in process is to be completed by the gaining activity, reimbursement to the gaining activity may be provided through either an amendment to the unfilled customer order or through funding provided by the losing activity. If an unfilled customer order is amended, the losing activity,

along with the gaining activity, must ensure that the customer is advised of this decision. If the work in process is to be completed by the losing activity, the losing activity shall continue to bill the customer, and return any remaining unobligated balances to the customer after the order is completed. Transactions outstanding prior to the transfer shall remain on the accounting records of the losing entity until completed, canceled, or reissued as a gaining activity responsibility.

D. Detailed information on raw materials may be found in Volume 4, Chapter 4 of this regulation. Raw materials on hand that shall be transferred should be validated prior to their transfer. If the precise value of raw materials for which accounting is to be transferred cannot reasonably be validated prior to transfer, representatives from both the losing and gaining activity shall jointly review the most current physical and financial reconciliation records available. Concurrently, any apparent abnormal financial values or financial transactions which appear abnormal shall be jointly reviewed and a consensus reached as to the reliability of records being transferred. Statistical sampling or other methods of verification should be used, as appropriate. Records of accountability being transferred must be as reasonably accurate as possible. Raw materials accounting transfers shall be based on the mutually validated on hand values of the accountable records of the losing activity. If accountability for raw materials is to continue to be maintained using existing supply and financial records, the above validation procedures and requirements remain the same.

E. Detailed information on inventory may be found in Volume 4, Chapter 4 of this regulation. Inventory in transit is the value of items moving between a DoD supply activity and a contractor or other government supplier, or moving between storage locations within a DoD Component. Amounts posted to this account are based upon ownership acceptance, or payments made for materiel not yet physically received. Amounts recorded in this account are supported by individual documents evidencing the ownership acceptance or payment prior to receipt. As is the case with the inventory records, records supporting the transfer of accountability for inventory in transit must be as accurate as possible. Where practical, each document should be reviewed for validity. Inventory in transit values transferred shall be based on the validated value of documents supporting inventory in transit values. In those instances where transactions are determined to be invalid, action should be initiated to adjust the accountable records of the losing activity. If accountability for inventory in transit is to continue to be maintained using existing financial records, the above validation procedures and requirements remain the same.

*F. Detailed information on accounts receivable may be found in Volume 4, Chapter 3, “Receivables,” of this regulation. Accounts receivable that are to be transferred should be validated prior to their transfer. If the precise value of accounts receivable for which accountability is to be transferred cannot reasonably be validated prior to transfer, representatives from both the losing and gaining activity shall jointly review the most current physical and financial reconciliation records available. The accounts receivable values transferred shall be based on the mutually validated accounts receivable values. Statistical sampling or other methods of verification should be used, as appropriate. Records of accountability being transferred must be as reasonably accurate as possible. Any adjustment amounts shall be included on the accountable records of the losing activity. Action may be taken to terminate collection action and write off the debt when the criteria in Volume 4, Chapter 3,

paragraph 030407, of this regulation apply. All remaining and transferred balances will be closely monitored by the involved organizations and the servicing DFAS to ensure timely and proper liquidation occurs.

G. Detailed information on liabilities may be found in Volume 4, Chapters 9 and 10 of this regulation.

*1. Accounts payable that are to be transferred should be validated prior to their transfer. If the precise value of accounts payable for which accountability is to be transferred cannot reasonably be validated prior to transfer, representatives from both the losing and gaining activity shall jointly review the most current physical and financial reconciliation records available. The accounts payable values transferred shall be based on the mutually validated accounts payable values. Statistical sampling or other methods of verification should be used, as appropriate. Records of accountability being transferred must be as reasonably accurate as possible. Appropriate action shall be taken to adjust all transactions recorded as accounts payable which are determined to be no longer valid. Any adjustment amounts shall be included on the accountable records of the losing activity. All remaining and transferred balances will be closely monitored by the involved organizations and the servicing DFAS to ensure timely and proper liquidation occurs.

*2. The liability for accrued payroll and annual leave for employees transferring from a revolving fund activity to another revolving fund activity or to an appropriated activity becomes a liability to the gaining activity as of the date of the transfer. This liability shall be recorded on the respective records in the appropriate net position and liability accounts. The losing revolving fund activity shall provide a listing to identify individuals transferring and confirm the value of the leave liability of those employees. Regardless of the contributing event, a revolving fund activity that loses employees through reorganization or transfer to an appropriation-financed activity shall transfer cash equal to the accrued payroll to the gaining appropriated fund activity and cash equal to the amount of any funded accrued annual leave value to the Treasury as miscellaneous receipts. All remaining and transferred balances will be closely monitored by the involved organizations and the servicing DFAS to ensure timely and proper liquidation occurs.

H. Detailed information on net position may be found in Volume 4, Chapter 15 of this regulation. An increase to net position is recognized when an activity operating within the DWCF receives an asset that shall not require the use of available resources to finance the item. Conversely, a decrease to net position is recognized each time an activity receives a liability (e.g., accounts payable and unfunded annual leave) from another activity for which payment in the form of cash or other assets is not provided. Entries vary depending on what is being transferred. Various situations have been covered in the preceding paragraphs detailing transactions that impact net position. Additional information relating to net position may be found in Chapter 10, of this volume.

020507. Determine New Fund Citation, and New or Revised Data Structure

A. A fund citation must be used on all accounting documents. To permit continued operation of transferred functions by the gaining activity, the gaining activity shall ensure that the proper fund code is provided to those installations transferring to its command and that instructions for preparation of requisitions are provided sufficient to ensure billing to the proper accountable activity. The fund citations provided must include the applicable accounting classification code, and must also identify any applicable fund code(s), either system unique, or DoD-wide, or both. All obligating documents such as contracts, small purchase actions, travel orders, training requests, and requisitions prepared for purchase of materiel from the military supply system or the General Services Administration shall cite the gaining activity accounting classification code.

B. A DoDAAC is used to identify a DoD installation (or, in some instances, components thereof) for purposes of mail and communications, shipment of materiel, or billing for assets issued from the DoD military supply system. The DoDAAC assignments are controlled by each of the DoD Components; however, they are centrally maintained and distributed to the DoD Components by the Defense Automatic Addressing Systems Office to ensure total system visibility. The DoDAAC (in Navy terms, the Unit Identification Codes (UIC)) is required on Military Standard System requisition documents to ensure compatibility with the logistics management systems. These requisition documents become obligating documents and are the basis for creation of other logistics and financial documents. The circumstance of each transfer action may require identification of the transferred or consolidated segment of the losing activity as a new entity. In such cases, new DoDAACs shall be established and distributed to applicable activity personnel to ensure the proper preparation and subsequent processing of transactions for accounting and reporting. Concurrently, each transfer shall be evaluated to ensure that all Service Code assignments, fund code assignments, routing identifier codes, and all other Military Standard supply and financial systems coding have been established consistent with the transfer status of the new entity.

020508. Other Actions Required to Accomplish the Accounting Transfer

A. Reimbursable agreements may exist between the losing installation and other entities for the provision or receipt of services and other support. It is essential that such reimbursable agreements be identified and that the gaining activity and the providing or receiving entity negotiate Intra-Service Support Agreements or Service Support Agreements to define reimbursable services and support to be provided and received.

B. The transfer of payroll processing shall normally be accomplished either at the beginning of a pay period or at the beginning of a fiscal year. Whenever payroll transfers occur, an agreement shall be negotiated between the activities as to the date to be used for transfer. The losing activity is responsible for the salary and benefits of all transferring employees through the agreed upon transfer date. The losing activity also shall be responsible for payment in the form of cash or other assets for any unused compensatory time, and merit pay bonuses earned by transferring employees for the fiscal year.

C. Travel advances and outstanding travel obligations for travel which has occurred, or is in process, shall remain with the losing activity pending settlement. Only travel for transferring activity personnel begun after the effective date of the transfer shall be an obligation of the gaining activity. The losing and gaining activity shall jointly review outstanding travel documents and deobligate those no longer valid. Where temporary duty begins before and ends after the effective transfer date, travel documents shall contain fund citations (and appropriate estimates) to ensure payment of travel costs commensurate with the duty station of the individual during each of the travel periods. Separate travel documents for each period are recommended. Copies of all related travel documents shall be provided to both the losing and gaining activities to ensure proper processing. The losing activity shall prepare the travel order, and make appropriate disbursements. Amounts charged to the gaining activity shall be processed as a Transaction for Others or other agreed-upon procedures by the losing activity. Losing activities shall always obtain authority to cite gaining activity funding on travel orders.

D. If an outstanding contract(s) is essential to the needs of another DoD activity, that need may be filled through a contract modification citing the appropriation or fund of the other DoD activity. It is especially important that contracts for PP&E be terminated when feasible. Termination costs which result from the cancellation shall be identified as base closure costs.

E. A contract modification must be sent to contractors, under normal change procedures, for each contract for which the responsibility for contract payment is transferred. This is necessary to advise the contractor of a change in paying office. If responsibility for both contract payment and accounting for the losing and gaining activity remains unchanged, a contract modification is not necessary. Instead, the accounting office shall transfer transactions (i.e., payments, refunds, collections) identified to the losing activity that properly belong to the gaining activity and record those transactions as a transaction of the gaining activity. Concurrently, for reports to the Treasury Department, disbursement and collection values are reported as if they occurred within the gaining activity.

F. The gaining activity shall develop procedures to control and manage the required accounting and system changes. Account control totals and other internal control mechanisms shall be developed and used to insure that accounting integrity is maintained.

G. The gaining activity shall provide specific instructions to new organizational elements transferred to it including points of contact, office symbols and phone numbers, in order to continue the reporting function in an efficient and effective manner.

0206 CLOSURE OF DWCF ACTIVITY

020601. General

The DWCF does not have any funds available to them for payment of costs or absorption of losses that are not related to their output. Reimbursable rates developed for DWCF activities generally recover only costs incurred in providing requested goods or services. Costs over and

beyond those costs generally are not considered in reimbursement rate computations. As a result, the DWCF does not have, through their normal operations, funds available for payment of costs resulting from closure actions that are directed by higher authority such as the Base Realignment & Closure (BRAC) Commission. The OUSD(C), OUSD(C)(P/B), Directorate for Military Construction provides instructions applicable to budget formulation and congressional justification for BRAC appropriations.

020602. Base Closure Actions

The following general actions and related procedures shall be followed upon notification that a DWCF activity is to be closed. In the case of a partial transfer of a particular function, specific actions and procedures are identified in paragraph 0205, above. Specific actions and procedures shall usually be necessary to accommodate unique circumstances of the closing activities.

A. The organizations involved shall identify the specific functions to be terminated and the disposition of these functions. Specific guidelines on the disposition of these functions shall be provided once the review is complete.

B. The organizations involved shall identify and validate the physical, financial, and personnel resources to be disposed of or terminated at the closing activity. Specific directions shall be provided once the review is complete.

C. The organizations involved shall identify any interim funding method and intended duration. If an interim funding method is to be used to fund the closure, the affected organizations shall determine the method and intended duration of the interim funding. Funding provided by a locally established order should not exceed 30 days.

D. The organizations involved shall identify outstanding commitments for the functions of the closing activity to be terminated. Outstanding commitments that are not absolutely necessary should be canceled.

E. The organizations involved shall review all existing contracts not directly associated with a funded customer order and terminate those for which the contracted service or good is, or shall be, no longer essential. It is especially important that contracts for PP&E be terminated when feasible. Termination costs which result from the cancellation shall be identified as base closure costs.

F. The organizations involved shall review and validate the undelivered orders of the closing activity for goods and services ordered but undelivered. Undelivered orders for goods and services ordered but undelivered directly related to the functions to be terminated shall be reviewed and decisions made on the appropriate disposition for each transaction. Undelivered orders for items or services no longer required or that are not likely to be delivered shall be cancelled and the appropriate amounts deobligated.

G. The organizations involved shall review and validate the outstanding accounts payable. Accounts payable directly related to the functions being terminated from the closing activity shall be reviewed and decisions made on the appropriate disposition for each accounts payable for goods received but not yet paid, return of goods that are no longer needed, and recovery of the amounts payable. If the precise value of accounts payable for which accountability is to be terminated cannot reasonably be validated prior to closing, representatives from the organizations involved shall jointly review the most current physical and financial reconciliation records available. The accounts payable shall be based on the mutually validated accounts payable values. Statistical sampling or other methods of verification should be used, as appropriate. Records of accountability being terminated must be as reasonably accurate as possible. Appropriate action shall be taken to adjust all transactions recorded as accounts payable which are determined to be no longer valid. Any adjustment amounts shall be included on the accountable records of the closing activity.

H. The organizations involved shall review and validate the unfilled customer orders. Unfilled customer orders citing current funding which are directly related to the functions to be terminated from the closing activity shall be reviewed and decisions made on the appropriate disposition for each unfilled customer order. If unfilled customer orders for goods or services can be completed by the closing activity prior to closing, the closing activity may continue work. If customer orders cannot be completed, the closing activity shall bill the customer for the work completed and return any remaining unobligated balances to the customer.

*I. The organizations involved shall review and validate the outstanding accounts receivable to include any unbilled amounts. Accounts receivable which are directly related to the functions to be terminated from the closing activity shall be reviewed and decisions made on the appropriate disposition for each account. If the precise value of accounts receivable for which accountability is to be terminated cannot reasonably be validated prior to closing, representatives from the organizations involved shall jointly review the most current physical and financial reconciliation records available. The accounts receivable shall be based on the mutually validated accounts receivable values. Statistical sampling or other methods of verification should be used, as appropriate. Records of accountability being terminated must be as reasonably accurate as possible. Any adjustment amounts shall be included on the accountable records of the closing activity.

J. The organizations involved shall reconcile financial and logistic stock records with physical inventories; determine whether quantities on hand are in excess of requirements to complete the remaining productive workload and other closeout needs; purge the inventories of all obsolete, damaged and surplus items; and dispose of excess material and supplies in accordance with logistics inventory policies and procedures.

K. The organizations involved shall review and validate outstanding travel advances and travel obligations. Travel that is no longer required shall be deobligated. Outstanding travel advances and travel obligations for which travel has occurred, or is in process, shall be liquidated prior to closing the activity.

*L. The organizations involved shall review and validate advance payments received in advance of performance. If the closing activity has received payment for ordered work in advance of its performance, then the amount of the advance less the amount of obligations, if any, incurred in partial completion of the order shall be returned to the financing appropriation. If the amount of the advance is less than the obligations incurred, the closing activity shall bill the customer for the unreimbursed obligations incurred and ensure that collection is received prior to closing. Move cost to overhead expense when the BRAC funds expire.

M. The organizations involved shall prepare fiscal year end financial statements for the closed activity.

N. The organizations involved shall forward a request for cancellation of existing charters to the OUSD (C), Revolving Funds.

020603. Financing BRAC Related Costs

Costs at a DWCF activity must be financed by a BRAC account when those costs are a direct result of a BRAC determination that a base is to be closed. Stated in a different manner, charges for goods and services provided through DWCF may not include amounts necessary to cover costs incurred in connection with the closure or realignment of a military installation. The BRAC costs are those required to carry out actions that are in direct support of closing or realigning bases. Prior year, current year, or budget year operating losses in the DWCF shall not be budgeted in the BRAC base closure accounts. Although overhead associated with the costs listed below shall be charged to the BRAC account, increases in overhead on existing and new customer work shall not be considered a direct result of a determination that a base be closed and, therefore, shall not be charged to a BRAC account. Costs identifiable directly to base closure actions shall be accumulated separately for reimbursement from a BRAC account. Costs attributable to base closure actions include:

A. Environmental Restoration and Mitigation includes reducing, removing and recycling hazardous waste, and removing unsafe buildings and debris.

B. Planning includes advance planning and design that may be required to transfer functions from an activity being closed to another military installation.

C. Outplacement Assistance in relocation, training, or other necessary assistance to civilian employees employed by the Department at installations being closed.

D. Community Programs include economic adjustment assistance to a community in which the closed base is located, or community planning assistance to the community to which functions shall be transferred as a result of closure of a military installation.

020604. Financing Non-BRAC Related Base Closure Costs

Paragraph 020603, above, specifies costs to be financed from a BRAC account. Other costs at an activity undergoing closure, or to be closed, shall not be financed by a BRAC account even though the closure was directed as a result of a determination of a BRAC. Those other costs shall be financed either by the DWCF (initially) or by an operations and maintenance appropriation as follows:

A. The following shall be financed by the DWCF (initially) to the extent permitted by amounts available from existing and new customer orders:

1. Current year costs in support of customer orders.

2. Prior year, current year, or budget year operating losses.

3. Increases in overhead even though those increases could be attributed to decisions to close bases.

B. The following shall be financed through a transfer from the Operation & Maintenance (O&M) appropriation of the DoD Component responsible for the activity incurring the following costs and loss.

1. All costs at a closing activity in the year of closure that are not associated with a valid work order or are as a result of other than a determination of a BRAC that the activity be closed.

2. Direct and indirect (including General and Administrative) operating costs for which there are not sufficient resources in existing customer orders or other resources of the closing activity.

3. Current year and prior year losses (to the extent not financed from existing and new customer orders as stated in paragraph 020604.A.2, above) shall be financed as a pass through from the O&M appropriation of the DoD Component responsible for the activity incurring the loss.

020605. Procedures for Requesting DoD Base Closure Account Funds

To request an allocation of DoD base closure account funds, an activity that has been selected for closure by a DoD BRAC determination shall request guidance from the OUSD(C), ODC(P/B), Directorate for Military Construction.

020606. Allocation of DoD Base Closure Account Funds

The Directorate for Military Construction, ODC(P/B) shall, upon approval by the Office of Management and Budget of an ***Apportionment and Reapportionment Schedule (SF 132)*** for the base closure account, provide a Fund Authorization Document to the Director for Budget and

Finance, Washington Headquarters Services (WHS) to fund the Financial Plan as approved. The Director for Budget and Finance, WHS, shall, in accordance with direction received from the Directorate for Military Construction, allocate DoD base closure funds to the Military Departments or Defense Agencies. Upon receipt of the allocation from the WHS, the Military Departments or Defense Agencies shall distribute the base closure funds to the installations responsible for base closure actions. Upon receipt of the fund distribution, the installation shall record the allotment from the DoD base closure account. Budgetary accounting entries to distribute direct funds to an installation-level is illustrated in the ***USSGL Standard Financial Information Structure (SFIS) Transaction Library***.

020607. Use of DoD Base Closure Account Funds

An activity shall implement base closure and realignment actions and administer its allocation of base closure funds in accordance with the approved financial plan. The prior approval of the Directorate of Military Construction, (ODC(P/B), is required if a project that does not appear on the approved financial plan is to be executed. The general ledger entries for the recording the accounting transactions on the use of direct funds are illustrated in Chapter 3, paragraph 0302, of this volume.

020608. Base Closure Account Reporting Requirements

An installation receiving an allotment of DoD base closure account funds shall prepare a report on the status of its allotment. The status report shall be transmitted to the entity from which the allotment was received in accordance with the reporting due dates required by that entity.

020609. Disposition of PP&E Assets

A. The loss (or gain) from the sale, lease, or other disposal of PP&E assets shall be recorded by the activity having financial custody of those assets. The sale, lease, or other disposal action shall only be recorded in proprietary accounts of that installation. Any proceeds generated from the sale, lease, or other disposal of PP&E assets does not add to, or otherwise affect, the budgetary accounts of that activity.

B. Proceeds resulting from the transfer or disposal of PP&E (including buildings and structures) due to a base closure directed by a BRAC shall be deposited as reimbursements into the DoD base closure account. Proceeds resulting from transfer or disposal of PP&E (including buildings and structures) due to a base closure directed by other than a BRAC shall be deposited as reimbursements into the appropriate miscellaneous receipt Treasury account. Examples of transactions involving proceeds resulting from the transfer or disposal of PP&E include funds derived from temporary leases of government property and property upon which settlement has occurred and title has been passed to the new owners. "Good faith" deposits or earnest funds should be deposited to the Budget Clearing Account (Suspense), F3875, until finalization of the sale (settlement) takes place. Upon finalization of the sale (settlement), deposits made to the Budget Clearing Account (Suspense) shall be transferred to the appropriate Treasury miscellaneous receipt account as indicated above. Per Treasury

regulation ***TFM Bulletin 2011-06***, the suspense account F3875 is to temporarily hold unidentifiable collections.

C. A copy of deposit documents, or other notification, shall be provided to the Defense Finance and Accounting Service for all deposits made to a base closure account. The deposit document or other notification shall identify the specific base closure account to which the deposit was made.

020610. Withdrawal of Direct Appropriations or Reappropriations

The withdrawal of a direct appropriation or reappropriation is recorded at the departmental-level. The withdrawal of the allocation, if any, of an appropriation or reappropriation issued to the intermediate or activity-level is recorded as a decrease at the intermediate and activity-level and as an increase at the departmental-level as appropriate. The ***USSGL Standard Financial Information Structure (SFIS) Transaction Library*** is the source for the typical budgetary and proprietary accounting entries applicable to receipt, allocation and withdrawal of appropriations.

020611. Cumulative Results of Operations

A DWCF activity that is undergoing closure should request reimbursement for its recoverable costs, as specified in paragraph 020604: (1) customer accounts for costs attributable to normal day-to-day operations, (2) the account financing the closure for costs attributable to closure activity, and (3) transfer from the O&M appropriation of the DoD Component responsible for the activity for costs in the year of closure, including prior year losses, that are not associated with a valid work order or are as a result of other than a determination of a BRAC that the activity be closed. All reimbursements and costs (including extraordinary gains and losses) flow to Account 3310, "Cumulative Results of Operations (Normal)." Upon completion of all operations and all closure activity, Account 3310 of the closed activity shall have either a positive or a negative balance. If any portion of the balance in general ledger Account 3310 (Normal) is deferred for recovery from, or return to, customers in the subsequent fiscal year stabilized rate or standard price development, that deferred amount shall be transferred to general ledger Account 3310 (Deferred). Entries to general ledger Account 3310 (Deferred) shall not be made unless the decision to recover or return such amounts from cumulative results of operation was authorized by the OUSD(C), ODC/(P/B), Directorate for Revolving Funds. Additional information relating to cumulative result of operations may be found in Volume 4, Chapter 15.

020612. Residual Assets

Any financial assets (e.g., cash, receivables, and unobligated authority) that remain after the above actions shall remain in the DWCF and are available to meet the overall requirements of the DWCF or other obligational authority requirements as may be authorized. All remaining residual asset account balances shall be reviewed and validated to determine appropriate actions to be taken. The residual balances shall be reduced to zero within one year from the date an activity ceases operations. These actions shall be documented in writing and provided to the appropriate management command for action.

020613. Residual Liabilities

Any financial liabilities (e.g., payables and obligated authority) that remain after the above actions shall remain in the DWCF. All remaining residual liability account balances shall be reviewed and validated to determine appropriate actions to be taken. The residual balances shall be reduced to zero within one year from the date an activity ceases operations. These actions shall be documented in writing and provided to the appropriate management command for action.

CHAPTER 2, ANNEX 1: CHARTER FORMAT

DEPARTMENT OF DEFENSE
(MILITARY DEPARTMENT/DEFENSE-WIDE) WORKING CAPITAL FUND
(TITLE OF WORKING CAPITAL FUND ACTIVITY GROUP, e.g., SUPPLY MANAGEMENT) CHARTER

1. AUTHORITY

The (insert the name of the working capital fund and the fund's activity group), is (was) established, effective _____(DATE)_____, under the authority of Title 10, United States Code, Section 2208. Operations of the (insert the name of the fund's activity group) shall be conducted in accordance with applicable Department of Defense policies and regulations.

2. MISSION

(Provide a brief statement of the mission of the fund's activity group.)

3. MANAGEMENT COMMAND

(Provide the name and location of the fund's activity group management command.)

4. ACTIVITY COMPOSITION

See Attachment. (Attach a list of each activity included within the fund's activity group and each activity's location. The attachment should include an "as of" date.)

5. AUTHORIZED EXCEPTIONS

(Indicate any policy exceptions specifically authorized for the fund's activity group or any activity included within the fund's activity group. Also, explicitly state/reference the document approving that exception. Documentation supporting any authorized exceptions shall be submitted with the charter request. If no exceptions are authorized, state "None.")

DEPARTMENT OF DEFENSE
(MILITARY DEPARTMENT/DEFENSE-WIDE) WORKING CAPITAL FUND
(TITLE OF WORKING CAPITAL FUND ACTIVITY GROUP,
e.g., SUPPLY MANAGEMENT) CHARTER

6. CANCELLATION

(This section provides for the cancellation of any previously approved charter(s). Identify the previous approved charter(s) with its date(s) and specify that it hereby is canceled as a result of the approval of this charter.)

Submitted by: _____
(Title of Submitting Official)

Approved: _____
Under Secretary of Defense (Comptroller)

DEPARTMENT OF DEFENSE
(MILITARY DEPARTMENT/DEFENSE-WIDE) WORKING CAPITAL FUND
(TITLE OF WORKING CAPITAL FUND ACTIVITY GROUP,
e.g., SUPPLY MANAGEMENT) CHARTER - ATTACHMENT

ACTIVITY COMPOSITION: (As of _____DATE_____)

(List each activity included within the fund's activity group and each activity's location. Include page number if list is longer than one page.)

Activity	Location
(Name of Activity)	(City and State)

Attachment

VOLUME 11B, CHAPTER 3: "BUDGETARY RESOURCES"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue and underlined font*****.**

This is an initial publication.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE

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CHAPTER 3

BUDGETARY RESOURCES

0301 APPROPRIATIONS PROVIDED TO DEFENSE WORKING CAPITAL FUNDS

030101. General Information

Additional information relating to receipt and distribution of budgetary resources may be found in Volume 3, Chapters 13, 14, and 15, of this Regulation. Volume 14, "Administrative Control of Appropriations," of this Regulation contains guidance on Antideficiency Act violations.

030102. Purpose of Appropriations

An appropriation is an authorization by an act of Congress that permits agencies to incur obligations and to make payments out of the United States (U.S.) Treasury for specified purposes. The DWCF may receive direct appropriations for two general purposes--to provide working capital, and to provide financing for specific projects or tasks.

030103. Working Capital

Direct appropriations may be provided for working capital purposes such as when the cumulative results of operations and/or the cash position is either negative or approaching negative or for other purposes. In those instances, the cash outlays and obligations may have previously occurred and the appropriation may therefore provide financing after the fact. The receipt of the appropriation provides an immediate infusion of cash and is accounted for as illustrated in paragraph 0302, below. The amount of the appropriation used must be accounted for and reflected on accounting records and financial reports. If the amount of the appropriation is in excess of negative net and cumulative results of operations, the amount of the appropriation used shall only be the amount sufficient to bring the total of accumulated operating results and net operating results to a zero dollar ($-0-) position. In that case, the remaining amount of the appropriation shall be used to offset any subsequent year net operating losses.

030104. Specific Projects/Tasks

An appropriation may be provided for specific projects or tasks. An example is an appropriation provided to finance costs of the U.S. Transportation Command (USTRANSCOM) for emergency or humanitarian transportation costs. Another example is an appropriation provided to finance Defense Commissary Agency operating costs.

030105. Transportation Mobilization Requirements

Because a capability must be maintained by the USTRANSCOM Transportation activity group to expeditiously respond to requirements to transport personnel, material, or other elements required to satisfy a mobilization condition, direct appropriation funding may be

provided to the Air Mobility Command (AMC) and to the Military Traffic Management Command (MTMC) as follows.

A. For AMC, airlift flying hours and associated costs are based on the requirement to maintain the capability of the airlift system, including crew training (and concurrent mobilization) requirement. The airlift system training generated capacity is used by the Department of Defense (DoD) to move air eligible cargo and passengers. In order to extend air eligibility and increase capacity utilization, rates are generally established to be competitive with commercial airlift carriers. However, due to the mobilization requirement, the resulting revenue does not cover the full costs of airlift operations. This requirement will be recorded/budgeted as follows.

1. The costs for military personnel will be recorded (at the civilian equivalency rate) in accordance with the policy on Military Personnel Expense in Chapter 12, "Expenses," of this volume. Military personnel within the AMC will be directly funded by the Military Personnel appropriation. Although the cost shall be recorded, it shall be recorded so that it is not required to be recovered in customer rates. Military personnel expense is reported on the monthly Accounting Report 1307 as provided for in Chapter 15, of this volume.

2. The balance of the mobilization requirement costs will be funded through a direct appropriation to the Air Force (See paragraph 0302, below).

B. The MTMC shall plan for and maintain a Reserve Industrial Capacity (RIC) to transport personnel resources, material and other elements required to satisfy a mobilization requirement. The costs of RIC will be funded by the Army Operation and Maintenance appropriation.

0302 DIRECT APPROPRIATIONS RECEIVED

030201. Receipt and Allocation of Direct Appropriations.

The receipt of a direct appropriation or reappropriation is recorded at the departmental-level only. The allocation, if any, of the direct appropriation or reappropriation is recorded at the activity group and activity-level as appropriate. The receipt and allocation of direct appropriations provided to the DWCF are accounted for as follows.

A. Departmental-level entries include:

Dr 4119 Other Appropriations Realized (Direct)
Cr 4450 Unapportioned Authority (Direct)

Dr 1010 Funds Balance with Treasury
Cr 3101 Unexpended Appropriations–Appropriations Received

This entry is to record receipt of a direct appropriation to the DWCF and establishes the Fund Balance with Treasury. The source document for the budgetary account posting is the

Office of Management and Budget (OMB) appropriation apportionment (SF-132), "Apportionment and Reapportionment Schedule." The source document for the proprietary account posting is the Treasury Warrant (TFS Form 6200), "Department of the Treasury Appropriation Warrant." (This is a departmental-level entry only.)

Dr 4450 Unapportioned Authority (Direct)
Cr 4510 Apportionments (Direct)

This entry is to record amount of direct budgetary authority apportioned by the OMB and available for allotment. The source document is the SF-132. (This is a departmental-level entry only.)

Dr 4510 Apportionments (Direct)
Cr 4540 Internal Funds Distribution-Issued (Direct)

Dr 3101 Unexpended Appropriations-Appropriations Received
Cr 1010 Funds Balance with Treasury (Funds Disbursed-Operating Program)

This entry is to record direct obligational authority and cash issued to an intermediate-level. (This is a departmental-level entry only.)

B. Intermediate-level entries include:

An intermediate-level is used to record receipt of allocations or suballocations from higher authority and the subsequent issuance of allotments and cash to lower level activities.

Dr 4550 Internal Fund Distributions Received (Direct)
Cr 4560 Funds Available for Allotment (Direct)

Dr 1010 Funds Balance with Treasury (Funds Collected-Operating Program)
Cr 3101 Unexpended Appropriations-Appropriations Received

This entry is to record receipt of direct obligational authority and cash issued from departmental-level. (This is an intermediate-level entry only.) The DWCF Components that are structured organizationally into three (or more) levels may issue additional suballocation of budgetary resources to other lower level commands.

Dr 4560 Funds Available for Allotment (Direct)
Cr 4570 Allotments Issued (Direct)

Dr 3101 Unexpended Appropriations-Appropriations Received
Cr 1010 Funds Balance With Treasury (Funds Collected-Operating Program)

This entry is to record direct obligational authority issued to an activity (execution) level. (This is an intermediate-level entry only.)

C. Activity (execution) level entries include:

Dr 4580 Allotments Received (Direct)
Cr 4610 Allotments - Realized Resources (Direct)

Dr 1010 Funds Balance with Treasury (Funds Collected - Operating Program)
Cr 3101 Unexpended Appropriations-Appropriations Received

This entry is to record receipt of direct obligational authority issued from an intermediate-level. (This is an activity-level entry.)

030202. Reduction or Withdrawal of Direct Appropriations

The reduction or withdrawal of an unexpired direct appropriation or reappropriation is recorded at the departmental-level. The reduction or withdrawal of the allocation, if any, of an appropriation or reappropriation issued to the intermediate or activity-level is recorded as a decrease at the intermediate and activity-level and as an increase at the departmental-level, as appropriate. The reduction or withdrawal is the reverse of the entries in paragraph 030201, above, except that Account 3106 should be substituted for Account 3101. The entry to record the reduction or withdrawal of an unexpired direct appropriation or reappropriation from departmental-level is as follows. (This is a departmental-level entry only.)

Dr 4450 Unapportioned Authority (Direct)
Cr 4396 Authority Permanently Not Available Pursuant to Public Law

Dr 3106 Unexpended Appropriations-Adjustments
Cr 1010 Funds Balance with Treasury

030203. Use of a Direct Appropriation in DWCF

The use of a direct appropriation issued to a DWCF is recorded at the activity-level.

Dr 4610 Allotments-Realized Resources (Direct)
Cr 4700 Commitments (Direct)

Entry to record commitment.

Dr 4700 Commitments (Direct)
Cr 4801 Undelivered Orders-Obligations, Unpaid (Direct)

Entry to record undelivered order without an advance.

Dr 4801 Undelivered Orders-Obligations, Unpaid (Direct)
Cr 4901 Delivered Orders-Obligations, Unpaid (Direct)

Dr 6100 Operating Expenses/Program Costs
Cr 2110 Accounts Payable

Entries to record the delivery of goods and services and accrue a liability.

Dr 3107 Unexpended Appropriations-Used
Cr 5700 Expended Appropriations

Entry to record appropriations used this fiscal year.

Dr 4901 Delivered Orders-Obligations, Unpaid (Direct)
Cr 4902 Delivered Orders-Obligations, Paid (Direct)

Dr 2110 Accounts Payable
Cr 1010 Funds Balance with Treasury (Funds Disbursed-Operating Program)

Entries to record payment and disbursement of funds.

0303 CUSTOMER ORDERS

030301. Anticipation of Customer Order

The DWCF should estimate the dollar amount of reimbursable orders it expects to receive in the current fiscal year. Anticipated reimbursable program authority does not provide obligation authority. The recordation of anticipated reimbursable program authority provides only authority to accept reimbursable orders. The accepted reimbursable order provides the obligation authority. The estimated anticipated reimbursable order value shall be recorded as follows.

A. Departmental-level entries include:

Dr 4210 Anticipated Reimbursements and Other Income
Cr 4450 Unapportioned Authority

Entry to record estimated reimbursements and other income.

Dr 4450 Unapportioned Authority
Cr 4590 Apportionments Unavailable-Anticipated Resources

Entry to record estimated reimbursements and other income when OMB apportions the anticipated amounts.

Dr 4590 Apportionments Unavailable-Anticipated Resources
Cr 4210 Anticipated Reimbursements and Other Income

Entry to record the issue of reimbursable authority.

B. Activity-level entries to record the receipt of an allocation of reimbursable authority:

Dr 4210 Anticipated Reimbursements and Other Income
Cr 4590 Apportionments Unavailable-Anticipated Resources

030302. Receipt of Customer Orders

Customer orders received are requisitions and other orders accepted for items to be furnished on a reimbursable basis. The amount of budgetary resources available for obligation from customer orders is the sum of:

A. Orders received from federal government accounts that represent valid obligations of the ordering account, whether or not accompanied by an advance, plus

B. Orders received from the public, including state and local governments, but only to the extent accompanied by a cash advance. Reimbursable orders received from nonfederal customers are recognized only to the extent that a cash advance has been received.

C. Throughout the year, unfilled customer order amounts should be adjusted to the extent that orders are filled, canceled, or new orders received.

D. The acceptance of a customer order without an advance and with an advance is recorded as follows.

Dr 4221 Unfilled Customer Orders Without Advance
Cr 4210 Anticipated Reimbursements and Other Income
and
Dr 4590 Apportionments Unavailable-Anticipated Resources
Cr 4610 Allotments-Realized Resources (Reimbursable)

Entries to record acceptance of customer orders without advance.

Dr 4222 Unfilled Customer Orders With Advance
Cr 4210 Anticipated Reimbursements and Other Income
and
Dr 4590 Apportionments Unavailable-Anticipated Resources
Cr 4610 Allotments-Realized Resources (Reimbursable)

Dr 1010 Funds Balance with Treasury (Funds Collected-Operating Program)
Cr 2310 Advances from Others

Entries to record acceptance of customer orders with advance.

030303. Performance of Customer Orders by Performing Activity

A. The performing DWCF activity does not pay for goods or services in advance.

Dr 4610 Allotments-Realized Resources (Reimbursable)
Cr 4801 Undelivered Orders-Obligations, Unpaid (Reimbursable)

Entries to record undelivered order without advance.

Dr 4801 Undelivered Orders-Obligations, Unpaid (Reimbursable)
Cr 4901 Delivered Orders-Obligations, Unpaid (Reimbursable)

Dr 6100 Operating Expenses/Program Costs
Cr 2110 Accounts Payable

Entries to record delivery of goods or services and accrue a liability.

Dr 4901 Delivered Orders-Obligations, Unpaid (Reimbursable)
Cr 4902 Delivered Orders-Obligations, Paid (Reimbursable)

Dr 2110 Accounts Payable
Cr 1010 Funds Balance with Treasury (Funds Disbursed-Operating Program)

Entries to record payment and disbursement of funds without an advance.

B. The performing DWCF activity pays for goods or services in advance.

Dr 4610 Allotments-Realized Resources (Reimbursable)
Cr 4802 Undelivered Orders-Obligations, Prepaid/Advanced (Reimbursable)

Dr 1410 Advances to Others
Cr 1010 Funds Balance with Treasury (Funds Disbursed-Operating Program)

Entries to record undelivered order with an advance.

Dr 4802 Undelivered OrdersObligations, Prepaid/Advanced (Reimbursable)
Cr 4902 Delivered Orders-Obligations, Paid (Reimbursable)

and

Dr 6100 Operating Expenses/Program Costs
Cr 1410 Advances to Others

Entries to record delivery of goods or services.

030304. Recognition of Reimbursement Earned (Revenue)

A. The entries to record the recognition of reimbursements earned in the performing activity for goods sold or services provided on a reimbursable order without an advance are as follows.

Dr 4251 Reimbursements and Other Income Earned-Receivable
Cr 4221 Unfilled Customer Orders Without Advance

Dr 1310 Accounts Receivable
Cr 5100 Revenue From Goods Sold
Cr 5200 Revenue From Services Provided

B. The entries to record the recognition of reimbursements earned in the performing activity for goods sold or services provided on a reimbursable order with an advance are as follows.

Dr 4252 Reimbursements and Other Income Earned-Collected
Cr 4222 Unfilled Customer Orders With Advance

Dr 2310 Advances from Others
Cr 5100 Revenue From Goods Sold
Cr 5200 Revenue From Services Provided

C. An earned reimbursement is the amount of the customer orders that have been filled, provided that in the case of orders from the public, including state and local governments, the amount is limited to the amount of the cash advance received. Earned reimbursements should not exceed the amount of individual customer orders as well as letters of intent, commanders' orders, congressionally mandated actions, and other emergency situations. The amount of budgetary resources available for obligation from earned reimbursements can be calculated as the sum of:

1. Customer orders from federal government accounts that have been filled but not yet billed;

2. Accounts receivable representing federal government customer orders that has been filled but not collected.

3. Cash received as advances from the public for customer orders that have been filled; and

4. Cash received as reimbursement for federal government customer orders that have been filled.

030305. Collection of Customer Bill

The entries for recording a collection of a customer bill in the performing activity for reimbursable services without an advance is as follows.

Dr 4252 Reimbursements and Other Income Earned-Collected
Cr 4251 Reimbursements and Other Income Earned-Receivable

Dr 1010 Funds Balance with Treasury (Funds Collected-Operating Program)
Cr 1310 Accounts Receivable

0304 NONEXPENDITURE FUND TRANSFERS

030401. Definition

A nonexpenditure transfer is to move budgetary resources from one budget account, appropriation, or fund to another that does not involve an outlay. Nonexpenditure transfers of funds may be received from another appropriation or fund or may be made to another appropriation or fund when appropriate and authorized. A nonexpenditure transfer of funds received from another appropriation or fund increases the amount of available budgetary resources. A nonexpenditure transfer of funds made to another appropriation or fund decreases the amount of available budgetary resources.

030402. Additional Information

Additional information on the transfers of cash and associated budgetary balances can be found in paragraph 0405, Chapter 4 of this volume.

030403 Accounting Entries

Typical budgetary and proprietary accounting entries applicable to transfer of budgetary resources to and from other appropriations and funds are illustrated below. Documentation supporting these entries includes SF 1151, ”Nonexpenditure Transfer Authorization.”

A. The entry to record an anticipated transfer-out from a DWCF to another appropriation or fund is as follows. (This is a departmental-level entry only.)

Dr 4450 Unapportioned Authority
Cr 4160 Anticipated Transfers-Current Year Authority
or
Cr 4180 Anticipated Transfers-Prior Year Balances

B. The entry to record the actual authorized transfer-out of an amount appropriated to the DWCF to another appropriation or fund is as follows. (This is a departmental-level entry only.)

Dr 4160 Anticipated Transfers-Current Year Authority
Cr 4170 Transfers-Current Year Authority
or
Dr 4180 Anticipated Transfers-Prior Year Balances
Cr 4190 Transfers-Prior Year Balances

Dr 3103 Unexpended Appropriations-Transfers-Out
Cr 1010 Funds With Treasury (Funds Disbursed-Operating Program)

C. The entry to record an anticipated transfer-in from another appropriation or fund to a DWCF is as follows. (This is a departmental-level entry only.)

Dr 4160 Anticipated Transfers-Current Year Authority
or
Dr 4180 Anticipated Transfers-Prior Year Balances
Cr 4450 Unapportioned Authority

D. The entry to record the actual authorized transfer-in of an appropriated amount to the DWCF from another appropriation or fund is as follows. (This is a departmental-level entry only.)

Dr 4170 Transfers-Current Year Authority
Cr 4160 Anticipated Transfers-Current Year Authority
or
Dr 4190 Transfers-Prior Year Balances
Cr 4180 Anticipated Transfers-Prior Year Balances

Dr 1010 Funds with Treasury (Funds Collected-Operating Program)
Cr 3102 Unexpended Appropriations-Transfers-In

0305 DEFINITION OF BUDGETARY RESOURCES

The composition of DWCF budgetary resources are defined below. Prior to incurring an obligation, sufficient budgetary resources must be available for obligation in accordance with statutory, administrative, and other restrictions, after consideration of the claims against such budgetary resources.

030501. Sources of Budgetary Resources

A. Direct appropriations and/or reappropriations provided directly to the DWCF or a DWCF Component by an appropriation act or other law and in accordance with statutory limitations, if any, by purpose, amount, and time.

B. Contract authority authorized by specific statutory authority. Contract authority permits obligations to be incurred in advance of an appropriation or in anticipation of customer orders to a revolving fund (e.g., the DWCF). Unless otherwise specified by statute, contract authority is available for obligation only within the fiscal year for which it is provided. By definition, contract authority is unfunded and, therefore, obligations incurred through use of contract authority may not be liquidated (i.e., paid) until funded by an appropriation of liquidating cash or, more commonly within the DWCF, by offsetting collections (See paragraph D, below) credited to the DWCF.

C. Nonexpenditure transfers between DWCF Component subnumbered accounts or, when authorized by statute, between a DWCF Component subnumbered account and a direct appropriation or non-DWCF fund. Nonexpenditure transfers into the DWCF increase budgetary resources. Nonexpenditure transfers from the DWCF decrease budgetary resources.

D. Offsetting collections credited to the DWCF consisting of earned reimbursements, both collected and uncollected, and unfilled customer orders from:

1. Federal government accounts that represent valid obligations of the ordering account whether or not accompanied by an advance.

2. The public, including state and local governments, but only to the extent accompanied by an advance received and credited to the appropriate DWCF Treasury subnumbered account.

3. Refunds are the repayments of excess payments (outlays). The amounts are directly related to previous obligations incurred and outlays made. Refunds receivable are not a budgetary resource. Refunds are not available for obligations until the refund is collected. Refunds collected in the same fiscal year as the obligations incurred will be credited to the appropriation or fund account charged with the original obligation. Refunds of prior year obligations are not available for obligation until collected and reapportioned by the OMB.

E. Recoveries of prior year obligations are cancellations or downward adjustments of obligations incurred in prior fiscal years that were not outlayed. Within the DWCF, recoveries of prior year obligations are automatically apportioned and are available for new obligations as well as upward adjustments of previously existing valid obligations.

030502. Restrictions on Budgetary Resources

A. Statutory Restrictions include:

1. Amounts appropriated to the DWCF may be used only for the purpose for which stated in the appropriation act or other law providing the amounts, for no more than the amount appropriated (or otherwise made available), only within the time period for which the funds are available for obligation, and are subject to such other limitations and/or restrictions as may be stated in the applicable appropriation act or other law providing the

amounts, as well as such other statutory restrictions--both express and implied--as may be relevant.

2. Based upon the authority in Title10, U.S.Code (U.S.C.), Section 2210, the OMB apportions anticipated contract authority at the beginning of a fiscal year for the amount of the DWCF program. Contract authority itself is not an appropriation; it provides the authority to enter into binding contracts but not the funds to make payments under these contracts. Unless otherwise specified by statute, contract authority is available for obligation only within the fiscal year for which it is provided. Contract authority may be used only for the purpose, amount, and time specified by statute relating to that contract authority. Within the DWCF, contract authority is available for two purposes--capital asset program obligations (all DWCF activity groups) and supply management operations. Supply Management activity groups includes Supply Management, Distribution Depots, Defense Commissary Agency (Resale), and the Defense Reutilization and Marketing Service.

3. A nonexpenditure transfer is a transfer to move budgetary resources from one appropriation or fund to another that does not involve an outlay. Statutory restrictions on the purpose, availability, and use of appropriated funds require that no change be made to those restrictions through the use of a nonexpenditure transfer into the DWCF unless such change is specifically authorized by law.

4. There are no statutory restrictions placed on the obligational availability (or availability to liquidate contract authority obligations) of offsetting collections (See paragraph 030501.D, above) or orders credited to the DWCF.

B. In addition to statutory restrictions, DWCF budget authority may be apportioned or otherwise further restricted through administrative action.

1. Many of the activity groups included within the DWCF are not apportioned. Some activity groups, such as the Supply Management activity groups may receive an apportionment. For example, the Supply Management activity groups may receive a SF-132, “Apportionment and Reapportionment Schedule,” or other comparable document for contract authority received for its general operations. Additionally, a SF-132 apportionment may be received for direct appropriations received (for example, appropriations received to procure war reserve materials and operate Defense commissaries). If an apportionment is received, obligations must be kept within the apportioned limits even though the amount apportioned may be less than the total budgetary resources that otherwise would be available. Failure to do so is a potential violation of the Antideficiency Act (Title 31, U.S.C., Section 1517(a)).

2. An administrative limitation cannot be used to change or eliminate a statutory restriction. An administrative action can only further restrict the purpose, amount, or time for which budgetary resources may be used. An administrative division, if any, of budgetary resources provided to a DWCF Component, or subdivision, by the Under Secretary of Defense (Comptroller) (USD(C)) or his representative; and/or a subdivision, if any, of budgetary resources provided to a DWCF activity group or activity (operating unit) by a DWCF Component official must be adhered to. If an administrative limitation is received, obligations

must be kept within the limitation even though the limitation may be less than the total budgetary resources that otherwise would be available. Administrative limitations may be provided in various formats but must be in writing, signed, and clearly state that it is a violation of the Antideficiency Act (Title 31, U.S.C., Section 1517(a)) to incur obligations that exceed the limitation.

C. Budgetary resources must be available for obligation. As noted in the preceding paragraphs, budget authority is available for obligation only in accordance with purpose, amount, and time restrictions imposed by statute, by apportionments imposed by the OMB, and by administrative limitations imposed by authorized officials within the Office of the USD(C) and the DWCF Components. Also, other events reported on line 5 and lines 6.A through 6.E of the SF-133, "Report on Budget Execution and Budgetary Resources," further restrict the availability of budgetary resources. An explanation of those events and identification of the SF-133 lines on which they are reported is included in OMB Circular A-34, "Instruction on Budget Execution." The SF-133 report lines on which these other availability restrictions may be reported are:

Line 5 Temporarily Not Available Pursuant to Public Law
Line 6.A Permanently Not Available-Cancellations of Expired and No-Year Accounts
Line 6.B Permanently Not Available-Enacted Rescissions
Line 6.C Permanently Not Available-Capital Transfers and Redemption of Debt
Line 6.D Permanently Not Available-Other Authority Withdrawn
Line 6.E Permanently Not Available-Pursuant to Public Law
Line 6.F Permanently Not Available-Anticipated Rest of Year

030503. Claims Against Budgetary Resources.

Claims against budgetary resources must be considered in the determination of budget authority that is available for obligation. Claims against budgetary resources should be recorded in financial records of the DWCF entity. The financial records should be maintained in sufficient detail to permit a segregation of budgetary resources and, within that segregation, an identification of claims against the budgetary resources.

A. Where an activity receives budgetary resources from more than one source, the receiving activity must maintain records which will enable it to control separately the transactions relating to each source. The sources of budgetary resources are reimbursable authority from customer orders accepted, contract authority, direct authority from appropriations, and nonexpenditure fund transfers if the funds transferred are subject to restrictions different from those existing in the account to which transferred.

B. Of the three general availability restrictions--purpose, amount, and time--purpose should be determinable from administrative records while amount and time should be determinable from financial records. A DWCF entity should have two primary types of financial accounts--proprietary and budgetary. The balance of budgetary resources available for obligation can be determined only from budgetary accounts. Proprietary accounts, by

themselves, are not sufficient to determine budgetary resources. For example, nonbudgetary assets such as inventories of stock for sale are not considered a budgetary resource. Additionally, a fund balance (i.e., cash) does not necessarily denote the availability of a budgetary resource. For example, a fund balance, although present, may have claims against it (accounts payable for example) and is, therefore, not available for additional obligation. Neither, however, do all budgetary accounts represent a budgetary resource available for obligation. For example, anticipated customer orders are not budgetary resources available for obligation. Additionally, claims against budgetary resources, such as undelivered orders and unpaid accrued expenditures must enter into the determination of unobligated balances and, therefore, budgetary resources available for obligation. Further, administrative restrictions or other withheld amounts limit the balance of budgetary resources available for obligation. Budgetary resources available for obligation can be determined from data required to be reported on the SF 133. Budgetary resources available for obligation may be computed, using the following formula, from amounts properly displayed on the SF 133:

REPORT ON BUDGET EXECUTION AND BUDGETARY RESOURCES (SF 133)

Computation To Evaluate Budgetary Resources Available For Obligation

Add: Line 7 Total Budgetary Resources
Less: The portion of Anticipated Borrowing Authority included in line 1.B
Less: The portion of Anticipated Contract Authority included in line 1.C (see note 1)
Less: Line 1.E Other (Anticipated) Budget Authority
Less: Line 2.C Anticipated Transfers, Balances (+ or -)
Less: Line 3.C Anticipated Spending Authority Without Advance
Less: Line 3.D.2 Anticipated Transfers from Trust Funds
Less: Line 4.B Anticipated Recovery of Prior Year Obligations
Less: Line 6.F Anticipated Cancellations or Withdrawals for Rest of Year (+ or -)
Less: Line 8 Obligations Incurred
Less: Line 10.A Unobligated Balances Not Available-Apportioned for Subsequent Periods
Less: Line 10.B Unobligated Balances Not Available-Deferred
Less: Line 10.C Unobligated Balances Not Available-Withheld Pending Rescission
Less: Line 10.D Unobligated Balances Not Available-Other

Equals: Available Unobligated Balance (see note 2)

Note 1. Amount on line l.C includes both Anticipated and Realized Contract Authority. (See footnote to the DWCF SF 133 to identify the portion of anticipated contract authority.) The Anticipated Contract Authority identified in a footnote to the DWCF SF 133 is available for obligation during the current fiscal year. On the September SF 133 report, the anticipated contract authority is reduced to zero. For purposes of this evaluation, the anticipated contract authority available during the fiscal year is eliminated on the September SF 133 report so that the value reported is the budgetary resources available, supported by orders or realized contract authority.

Note 2. Should Equal: Line 9.A.1Available Unobligated Apportionment
Less: Anticipated Contract Authority (see Footnote to SF 133)

Plus: Line 9.B Balance Exempt from Apportionment
Plus: Line 9.C Other Available Unobligated Balances

C. In the event that budgetary resources available to a DWCF Component, activity group, or activity are not sufficient, a DWCF manager shall not assume that sufficient budgetary resources exist elsewhere within the DWCF to fund obligations in excess of resources available. Rather, the manager of the DWCF Component, activity group or activity, as applicable, shall request, in writing, an increase in authority to incur obligations from its management command or responsible DWCF Component and shall defer the incurring of additional obligations until budgetary resources are sufficient to fund them.

VOLUME 11B, CHAPTER 11: "REIMBURSEMENTS AND REVENUE RECOGNITION"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue and underlined font*.**

This is an initial publication.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
1101	Updated policy on: (1) reimbursable orders; (2) reimbursement for contingency operations and humanitarian efforts; (3) work performed in advance of reimbursable orders, and (4) disputed bills between Department of Defense (DoD) Components.	Update
1102	Requires Components to use the percentage of completion method for recognizing revenue and costs on all customer orders. The completed order method for revenue recognition is not an acceptable method for recognizing revenue within the DoD.	Update
1103	Updated use of general ledger accounts, prescribed by the United States Government Standard General Ledger (USSGL), to illustrate the accounting for the acceptance of customer orders through revenue recognition to completion of the customer order.	Update
1104	Clarifies what constitutes a prior period adjustment and updated use of general ledger accounts, prescribed by the USSGL.	Update
Annex 1	Provides a summarization of pricing elements for determining the amounts to be billed by DWCF activities.	Update

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CHAPTER 11

REIMBURSEMENTS AND REVENUE RECOGNITION

1101 REIMBURSEMENTS

110101. General Information

Additional information relating to reimbursements may be found in Volume 3, Chapter 15, "Receipt and Use of Budgetary Resources" of this Regulation.

110102. Reimbursement Principles

As a general principle, each activity operating under the DWCF shall be reimbursed for the costs of all goods and services ordered and produced as a result of those orders. The DWCF billings and reimbursements from ordering activities for services or goods provided shall be accomplished in the most efficient and expeditious manner available to reduce or eliminate the need for additional DoD working capital. The nature of the DWCF requires ordering agencies to budget, control, and account for the cost of all goods and services ordered. As a result, a DWCF activity:

A. Shall bill ordering activities for all costs incurred as a result of an accepted customer order.

B. Shall bill customer order cancellation or reduction costs. When a job order is canceled or reduced in scope after a DWCF activity has commenced work or incurred costs on the order, the costs incurred, plus the applied overhead (that is, indirect and other normally allocated overhead, such as general and administrative (G&A) costs plus costs associated with the cancellation or reduction shall be charged to the customer. Examples of directly associated cancellation or reduction costs to be charged to customers are advance planning costs, noncreditable direct material, special test equipment, necessary preservation and/or shipment effort, and any additional effort necessitated by the cancellation and/or reduction; for example, salvaging of material. In addition, costs charged to customers should include the costs of salaries payable to employees hired specifically to work on the canceled order until the employees are, or could have been, separated through a reduction in force or other appropriate action (taking into account appropriate administrative lead time), or reassigned to other direct jobs. Costs which are indirectly associated with cancellation or reduction actions shall not be charged to the customer. Although normally allocated G&A costs shall be charged to canceled or reduced customer orders, underapplied overhead costs that may result in the DWCF activity as a whole from a reduced workload base shall not be charged to the customer canceling or reducing their order but shall be recorded against the net operating results of the performing DWCF activity.

C. Shall not enter into any arrangement to "offset" services received and services furnished.

110103. Reimbursable Orders

A. No work or service should be performed by a DWCF activity except on the basis of reimbursable orders (not direct fund cite orders) received and accepted that constitute obligations of federal government ordering activities or advances from nonfederal government entities.

B. Each DWCF activity shall record promptly all orders accepted and shall account continuously for the status of all orders in terms of deliveries, billings, and unfilled balances, so as to provide a basis for scheduling production or operations, determining backlogs of work and the need for additional orders or reduced activity, preparing operating budgets and forecasts, and informing customers promptly concerning changes in delivery schedules.

110104. Basis for Reimbursement

A. All orders accepted by a DWCF activity shall be in writing; for a purpose authorized by law; executed before cancellation of the issuing appropriation; and must call for specific goods, real property, work, or services. Orders placed with a DWCF activity shall not be subject to accounting and reporting requirements similar to those applicable to allotments.

B. Each project order or other order accepted by a DWCF activity shall state specifically the basis of reimbursement to the DWCF for the cost of work or services ordered, as between fixed price or cost reimbursement.

C. Orders from the public, including state and local governments, must be accompanied by an advance. In addition, on an exception basis, advances may be requested, if directed by the USD(C) or other authorizing official, on orders from DoD and other federal government accounts.

D. Annex 1 to this chapter provides a summarization of costing elements for determining the amounts to be reimbursed to DWCF activities. Additional information on the costing elements can be found in Volume 11A, Chapter 1 of this Regulation.

110105. Use of Project Order/Economy Act Order

A. The DoD Components (or any activity thereof) ordering work or services from a DWCF financed activity may use a project order whenever such an order may be issued under the requirements of Volume 11A, Chapter 2, “Project Orders,” of this Regulation. Project orders must be issued only for non-severable requirements.

B. When orders for work or services cannot qualify as project orders, they may not be so designated but shall be issued as Economy Act orders if they otherwise meet the criteria of such orders as described is Volume 11A, Chapter 3, “Economy Act Orders” of this Regulation.

C. Examples of orders that do not qualify as project orders are printing requests, orders for transportation of personnel and material, utility services, and other service orders--including orders covering the cost of maintaining unutilized and underutilized plant and equipment.

D. A project order or Economy Act order, when accepted by the performing activity, shall be obligated by the issuer of that order at that time. Any order for recurring services or for any object that may not be obligated by the ordering agency beyond the end of the current fiscal year shall be limited to the cost of performance within that fiscal year.

110106. Reimbursement for Contingency Operations and Humanitarian Efforts

A. All DWCF activity groups, including transportation services provided by the United States (U.S.) Transportation Command (USTRANSCOM), operate on a reimbursement basis with users paying for goods and services provided. Payment for contingency operations, including deployment or other emergency response for military or humanitarian assistance, is no exception: The users ordering the DWCF service must pay the bill, and no orders are to be accepted without funding.

B. The Military Department Headquarters is responsible for determining which level within the Military Department will pay (that is, the unit, major command, or Military Department-level). This process also applies when a Unified Combatant Command tasks a Service-funded unit to perform a mission (such as transportation of military personnel or equipment by the USTRANSCOM). The Military Department that controls the equipment or personnel is responsible for payment of costs incurred to accomplish the mission.

C. Consistent with this policy, third party collections for transportation provided in response to a Request for Assistance (RFA) from another government agency is prohibited. The Military Department that controls the equipment or personnel being transported is responsible for reimbursing USTRANSCOM. It is then the responsibility of the Military Department that accepted the RFA to collect any required reimbursements due that Military Department by the requesting government agency.

D. The sole exception to this policy occurs when the USTRANSCOM receives an order from the Joint Chiefs of Staff requiring transportation of non-U.S. owned equipment and/or non-U.S. personnel such as unreimbursed efforts in support of the United Nations. In those instances, the Army will pay Military Traffic Management Command costs, the Navy will pay Military Sealift Command costs, and the Air Force will pay Air Mobility Command costs. Bills may be centralized for more convenient processing if appropriate; however, billings shall be forwarded to the appropriate Military Department within 30 days from commencement of the contingency operation or humanitarian effort. Payment of these bills, including transportation bills, by the Military Departments must be made in a timely manner.

E. This guidance does not address any contingency operations designated by the Secretary of Defense as a "National Contingency Operation" under the provision of Title 10 U.S.Code, Section 127. Special rules apply for such an operation and those rules should be promulgated separately in conjunction with any designation by the Secretary of Defense under the provisions of that section.

110107. Work Performed in Advance of Reimbursable Order

In "emergency" situations, work for customers may begin in advance of receipt and acceptance of a formal order under three circumstances. They are as follows:

A. In periods under which the Department is operating under a Continuing Resolution, customers may issue "Subject to Availability" orders. Orders issued under Continuing Resolution authority shall identify the portion of the order that is covered by current obligational authority. The unfunded portion, if any, may be funded by available resources within the performing working capital fund activity for subsequent reimbursement. If obligational authority is not available, work should be stopped until obligational authority becomes available.

B. When it is necessary, in an "urgent" situation, to incur limited costs in advance of the receipt of a regular order for an authorized program for which customer funds are available, such work or services may be undertaken on the basis of a letter of intent which constitutes an obligation of the ordering activity in a stated amount sufficient to cover the advance costs that may be incurred. Therefore, letters of intent are obligating instruments, contractual in nature, and must be funded upon issuance. A letter of intent shall expire within 30 days from the date of issuance.

C. When it is necessary to begin work of an "emergency" nature prior to the receipt of an order, a commanding officer's order or similar order may be issued by the commander of the DWCF activity subject to the following conditions:

1. The DWCF activity must have written assurance that an order shall be issued promptly or shall have equivalent documented communication. The use of such orders should be limited to situations in which there are bona fide emergencies arising from unforeseen urgent requirements, e.g., loss or damage caused by a disaster, an act of God, or events caused by unforseen security situations. A commanding officer's order must not be used as a normal procedure to circumvent administrative lead-times that should be considered in advance planning.

2. A commanding officer's order shall expire within 30 days from the date of issuance.

3. A commanding officer's order shall be issued on a local form and shall be approved and signed by the commanding officer or an authorized representative.

110108. Followup on Unfunded Reimbursable Orders

While there may be some services furnished by a DWCF activity prior to receiving a funded order, this should be a rare occurrence. Whenever this occurs, these services are performed on the basis of anticipated orders or for programs included in approved budget requests. This type of work is for existing customers that have annual recurring requirements. However, when items are furnished or services performed in response to an unfunded reimbursable order (express or implied), and a funded order has not been submitted after 15 days of providing the service, the DWCF organization should notify the comptroller of the customer organization and request a funded order. If funding is not received within 30 days of providing the service, the DWCF organization should notify the Office of the Deputy Comptroller (ODC(P/B)), Revolving Funds Directorate and request authorization to directly bill the customer's appropriation account. The ODC(P/B), Revolving Funds Directorate should respond to the request within 15 days. Upon authorization by the ODC(P/B) Revolving Funds Directorate the DWCF organization may self-reimburse the DWCF, citing the customer's appropriation.

110109. Billing Standard

The DWCF Components performing work or services on a customer order shall bill the requesting DoD Component, other federal agency, or the public for earned reimbursements (performance of work or services, payments to contractors, or delivery from inventory) within 30 calendar days after the month in which performance occurred. The payment due date shall not be more than 30 calendar days from the date of the invoice. Bills rendered shall not be subject to audit by the customer prior to payment.

A. Stabilized rates shall be established to recover operating expenses estimated to be incurred for the applicable fiscal year and to provide sufficient working capital for the acquisition of fixed assets as approved by the USD(C). That is, stabilized rates and unit prices shall be established at levels intended to provide for estimated revenues to equal estimated costs plus approved surcharges for the applicable fiscal year for which the rates and unit prices are established. When gains or losses occur in prior fiscal years resulting from under or over applied stabilized rates and/or prices and those gains or losses are included in current year stabilized rates estimated revenues may not equal estimated costs.

B. Private parties and concerns when authorized by law including foreign governments, and state and local governments shall reimburse the DWCF for the full costs incurred by the federal government. Full costs for foreign military, state and local government, and private party sales shall include unfunded costs that are not charged to the DoD or other federal government customers (such as unfunded civilian retirement and postretirement health benefits cost). Amounts collected for unfunded civilian retirement and postretirement health benefits costs shall not be retained by DWCF activities; rather, such amounts shall be deposited into the Miscellaneous Receipts Account 3210, "General Fund Proprietary Receipts, Defense Military." Additional information on the determination of full costs for Foreign Military Sales can be found in Volume 15, Chapter 7, of this Regulation.

C. Annex 1 to this chapter provides a summarization of costing elements for determining the amounts to be billed by DWCF activities. Additional information on the costing elements can be found in Volume 11A, Chapter 1, "Reimbursements" of this Regulation.

110110. Disputed Bills Between DoD Components

A. Payment for ordered goods and services shall be made promptly on the written request of the activity filling the order. Payment may be in advance or on providing the goods or services ordered and shall be for any part of estimated or actual cost as determined by the activity filling the order. Proper adjustment of amounts paid in advance shall be made as agreed to by the ordering and performing activities on the basis of the goods or services provided. A bill submitted or a request for payment shall be paid promptly and not postponed subject to audit or other similar validation in advance of payment. This provision is not intended to preclude questions on the accuracy and correctness of the billed amounts but is intended to preclude the nonpayment of bills subject to the resolution of disputed billing details. Every effort should be expended to resolve disputed billing details within 60 days. If, after 60 days, agreement as to the resolution of billing details cannot be reached, the billing activity may request adjudication from the ODC(P/B), Revolving Funds Directorate. The ODC(P/B), Revolving Funds Directorate should provide a decision on disputed bills within 30 days.

B. In cases where there is a question as to ownership of the bill (vice dispute over the amount of the bill or other billing details) and the bill remains unpaid for more than 90 days, the providing activity may request approval from the ODC(P/B), Revolving Funds Directorate to collect from the customer such amounts as are unpaid. The ODC(P/B), Revolving Funds Directorate should provide a decision on ownership questions within 30 days.

1102 REVENUE RECOGNITION

110201. General

A. The DoD Components shall use the percentage of completion method for recognizing revenue and costs on all customer orders. Under this method, the revenue earned and associated costs incurred on an order shall be recognized monthly based on the ratio of costs incurred to date, on that order, bear to the total costs estimated to be incurred on the order when it is completed. The completed order method for revenue recognition is not an acceptable method for recognizing revenue within the DoD.

B. Revenue and costs must be recognized in the same accounting period. Revenue must be recognized in the same manner (that is, a standard policy for recognizing and reporting revenue must apply) for all activities within a DWCF activity group. The amount of revenue recognized cannot exceed the amount specified in the order.

110202. Policy

A. Activities in the Depot Maintenance activity groups (includes: Army Ordnance and Other Maintenance Facilities; Navy Shipyards, Aviation Depots, and Ordnance

Facilities; Marine Corps Other Maintenance Facilities; and Air Force Aviation Depots) shall recognize revenue by use of the percentage of completion method. Under this method, the revenue earned on an order will be recognized monthly based on the ratio that the costs incurred to date on that order bear to the total costs estimated to be incurred on the order when it is completed (see paragraph 110305, below). A work in process account shall be used to capture and hold costs prior to their recognition as a cost of goods sold.

B. Activities in the Transportation activity group shall recognize revenue based upon receipt of a cargo manifest or the commencement of travel.

C. Activities in the Supply Management activity group shall recognize revenue, and related costs, when an item is dropped from inventory for sale or other revenue generating disposition.

D. Activities in the Commissary Resale activity group shall recognize revenue, and related costs, at the point/time of sale, or when an item is otherwise disposed.

E. Activities in the Distribution Depots activity group shall recognize revenue, and related costs, based on one of the following events:

Event	Revenue Recognized Upon
Receipt of Items	Receipt of an Item
Issuance of Items	Issuance of an Item
Other Services	Rendering of Service

In the event that a service is rendered, revenue shall be considered earned, and recognized, and associated costs shall be reported, at the time that the service is rendered/performed, but not less frequently than monthly.

F. Activities in the Navy Research and Development activity group shall use the following revenue recognition policy:

1. For production type (end item) orders the percentage of completion method shall be used. Under this method, the revenue earned on an order will be recognized monthly based on the ratio of the costs incurred to date on that order to the total costs estimated to be incurred on the order when it is completed (see paragraph 110305, below). A work in process account shall be used to capture and hold costs prior to their recognition as a cost of goods sold.

2. For service orders (all orders other than those for end-item production orders), the service-type revenue recognition method shall be used for all service orders. Under this method, revenue shall be considered earned, and recognized, and the associated costs reported, at the time that the service is rendered/performed, but no less frequently than monthly. Thus, service type orders shall be considered as rendered/completed, and revenue and costs recognized, at least monthly.

G. Activities in all other activity groups (for example, Financial Operations, Base Support, Information Services, Reutilization & Marketing, and Printing & Publications) not discussed in paragraphs 110202.A through 110202.F, above, shall use the service-type revenue recognition policy. Under this method, revenue shall be considered earned, and recognized, and the associated costs reported, at the time that the service is rendered/performed, but not less frequently than monthly. Thus, service type orders shall be considered as rendered/completed, and revenue and costs recognized, at least monthly.

110203. Types of Orders

There are two general classifications of orders--Service type and End-Item type.

A. The following are description of applicable projects and work that should be classified as service type orders. A work in process account shall not be used to capture and hold costs on service type orders. Thus, service type orders shall be considered as rendered/completed, and revenue and costs recognized, at least monthly.

1. Research and Development includes the conduct and support of research and development, including basic research, theoretical studies, scientific experiments, applied research, feasibility studies, systems engineering, design studies, weapon systems analysis and operations research, developmental engineering (including developmental engineering in connection with procurement, production and modification) and fabrication of experimental models and prototypes. Does not include production of items for service testing or engineer-user testing. These latter examples are end-product type orders.

2. Transportation Services includes traffic management and transportation (air, land, and sea) services. Also include operation of ports, port facilities and related subinstallations, including holding and reconsignment points engaged in cargo and passenger transshipment activities. Also includes the operation of docks, piers, terminals or similar facilities, and wharfage, ferrying, lighterage and stevedoring.

3. Communication and Information Services includes communication services and data processing services (other than financial services and technical information) rendered.

4. Financial Operations includes provision of finance and accounting procedures, systems and operations by the DFAS.

5. Technical Information includes central collection and dissemination for DoD technology base information. Includes provision of access to, and transfer of, scientific and technical information. Also includes provision of computer modeling, data services, and response to requests for solutions to technological problems of the Military Departments.

6. Printing Services includes revenues of activities whose primary mission is printing and reproduction services as well as printing performed by other activities for tenants, satellites or other off-post activities.

7. Distribution Depots includes management and procurement of designated national stock numbers for all DoD customers.

8. Supply Management includes receipt, reclamation, storage, and issue of consumables and reparable items.

9. Contract Management includes expediting the products and services delivered by industry, assuring that the specifications of the contract are met and paying contractor invoices for these items. Also includes surveillance of contractor operations to assure compliance with contractual requirements and determining the effectiveness of contractor quality control systems and inspection procedures, and officially accepting materiel on behalf of the government after certifying its conformance to contract provisions. Also includes provision of on-site assistance to program managers, such as representation and participation in meetings and informal program/contract reviews.

10. Base Support includes facilities maintenance, family housing services, other housekeeping services, and administrative functions, provided to tenants and others. Also includes provision of utility services (steam, electricity, water, sewage disposal, and gas).

11. Engineering Services includes provision of technical and engineering assistance in matters relating to various weapon systems and industrial plant equipment and associate system when they do not relate to research and development projects. Also includes repair service and quality evaluation; that is, inspecting, calibrating, testing, evaluating, trimming and reengineering of items.

12. Support of Reserve (Under and Unutilized) Capacity includes maintenance of unutilized capacity and support of underutilized capacity.

13. Commissary Services includes operation of Defense commissaries. Also includes provision of troop issue subsistence and programming of the replacement of War Reserve Material rotation rations.

14. Reutilization and Marketing Service includes the reuse of excess and surplus property within the federal government and other authorized agencies, donation to local governments, and the sale of the remaining property to the public on a competitive basis.

15. Other Services include services not otherwise classified.

B. The following are description of applicable projects and work that should be classified as end-product type orders: A work in process account shall be used to capture and hold costs prior to their recognition as a cost of goods sold.

1. Overhaul or a complete rebuilding of parts, assemblies, subassemblies, and end-items.

2. Manufacture and Assembly includes furnishing customers with new end-items and components, manufacture of prototypes or items furnished to the customer for test.

3. Ordnance includes the receipt, segregation, demilitarization, storage, assembly/disassembly, test, maintenance, and issue or shipment of ammunition, ordnance, and weapons.

4. Construction and Conversion includes construction and conversion of property and equipment.

5. Alteration and Modification includes alteration and modification of property and equipment.

6. Other Products include products not otherwise classified such as the production of research and development items for service testing or engineer-user testing.

110204. Revenue Billings

A. The customer funding an order shall be billed for the revenue recognized, or when advance payments have been received, those advances shall be transferred to the appropriate revenue account. Revenue billings to customers shall reflect due credit for the advances received. In no case shall the total amount of revenue recognized and billed exceed the amount of the order.

B. Revenue billings shall be accomplished at least monthly including applicable labor, material, overhead, and surcharges as well as the value of material in inventory that is identified and held in reserve for specific orders, and amounts of work in progress in contractors' plants and other government plants that are identified to specific orders. The billings should be made as late as possible in the month so that they shall include the above items to the maximum extent possible and still permit the orderly processing of the collection in the same month. Every effort should be made to reduce the billing and collection lag so that a greater portion of the costs shall be recovered in the same month they are incurred.

1103 ACCOUNTING FOR REIMBURSEMENTS AND REVENUE RECOGNITION

110301. General

The following illustrate typical budgetary and proprietary accounting entries applicable to reimbursements and revenue recognition. Additional information on customer orders can be found in Chapter 3 of this volume and additional information on work in process can be found in Chapter 7 of this volume.

110302. Acceptance of Customer Order

A. Entry to record acceptance of customer order without an advance payment that has been previously anticipated. A proprietary entry is not necessary for this transaction.

Dr 4221 Unfilled Customer Orders Without Advance	$100,000	
Cr 4210 Anticipated Reimbursements & Other Income		$100,000
and		
Dr 4590 Apportionments Unavailable-Anticipated Resources	$100,000	
Cr 4610 Allotments-Realized Resources (Reimbursable)		$100,000

B. Entry to record acceptance of customer order with an advance payment that has been previously anticipated.

Dr 4222 Unfilled Customer Orders With Advance	$100,000	
Cr 4210 Anticipated Reimbursements and Other Income		$100,000
and		
Dr 4590 Apportionments Unavailable-Anticipated Resources	$100,000	
Cr 4610 Allotments-Realized Resources (Reimbursable)		$100,000

Dr 1010 Funds Balance with Treasury (Funds Collected-Operating Program)	$100,000	
Cr 2310 Advances from Others (Unearned Revenue)		$100,000

110303. Accounting for Performance on Customer Order

A. Entry to record obligation and accrual of civilian personnel compensation earned during the period. The budgetary and proprietary entries record obligation and accrual of civilian employee compensation earned during the period. The obligation to pay civilian employees must be recorded in budgetary accounts and serves to reduce the obligation authority available. The liability to pay must be recorded in proprietary accounts. Personnel compensation and personnel benefits operating expenses shall be segregated as direct and indirect costs, as necessary.

Dr 4610 Allotments-Realized Resources (Reimbursable)	$54,000	
Cr 4801 Undelivered Orders-Obligation, Unpaid (Reimbursable)		$54,000
Dr 4801 Undelivered Orders-Obligation, Unpaid (Reimbursable)	$54,000	
Cr 4901 Delivered Orders-Obligations, Unpaid (Reimbursable)		$54,000
Dr 6100 Operating Expense (Personnel Compensation-Direct)	$ 35,000	
Dr 6100 Operating Expense (Personnel Compensation-Indirect)	$ 10,000	
Dr 6400 Benefit Expense (Personnel Benefits-Direct)	$ 7,000	
Dr 6400 Benefit Expense (Personnel Benefits-Indirect)	$ 2,000	
Cr 2210 Accrued Funded Payroll and Leave		$45,000
Cr 2213 Employer Contributions and Payroll Taxes Payable		$ 9,000

B. Purchase of Supplies and Materials. Entry to record the obligation and receipt of supplies and materials. The budgetary and proprietary entries record obligation for the purchase and receipt of supplies and materials. The liability to pay and the receipt of the asset must be recorded in proprietary accounts.

Dr 4610 Allotments-Realized Resources (Reimbursable)	$11,000	
Cr 4801 Undelivered Orders-Obligation, Unpaid (Reimbursable)		$11,000
Dr 4801 Undelivered Orders-Obligation, Unpaid (Reimbursable)	$11,000	
Cr 4901 Delivered Orders-Obligation, Unpaid (Reimbursable)		$11,000
Dr 1525 Inventory-Raw Materials	$11,000	
Cr 2110 Accounts Payable		$11,000

C. Entry to record issue of supplies and materials to a job order. Parts and materials issued to a specific job shall be recorded as a direct cost. Parts and materials issued for the general use of a cost center (production indirect) or for G&A of an activity shall be recorded as an indirect cost. A budgetary entry is not necessary for this transaction since supplies and materials were released from stock that was previously purchased and held for later use.

Dr 6100 Operating Expenses (Supplies and Materials-Direct)	$8,000	
Dr 6100 Operating Expenses (Supplies and Materials-Indirect)	$3,000	
Cr 1525 Inventory-Raw Materials		$11,000

D. Periodic, but not less than monthly, proprietary entry to record assignment of direct costs to work in process.

Dr 1526 Inventory-Work In Process (In-House)	$50,000	
Cr 6610 Cost Capitalization Offset (Personnel Compensation-Direct)		$ 35,000
Cr 6610 Cost Capitalization Offset (Personnel Benefits-Direct)		$ 7,000
Cr 6610 Cost Capitalization Offset (Supplies and Materials-Direct)		$ 8,000

E. Periodic, but not less than monthly, proprietary entry to record the assignment/allocation of indirect expenses to work in process. (The allocation basis should be one that is a reasonable representation of the expense distribution that would have occurred had all actual indirect costs been known at that time. In this example, and purely for illustration purposes, indirect labor cost is allocated on the basis of 30 percent of direct labor costs {30% x $35,000 = $10,500}. Indirect supplies and materials cost are allocated on the basis of 22 percent of direct supplies and materials {22% x $8,000 = $1760}.)

Dr 1526 Inventory-Work In Process (In-House)	$12,260	
Cr 6600 Applied Overhead		$12,260

110304. Revenue Recognition - Percentage of Completion

A. In the illustration in paragraph B below, the total estimated cost to complete the customer order is $100,000 and the total work in process cost incurred to date is $62,260 ($50,000 direct cost plus $12,260 applied overhead). The amount of revenue to be recognized is the ratio of total work in process cost incurred to date ($62,260) to total estimated cost ($100,000). That ratio, in this case, is 62.26 percent. The amount of revenue recognized must never be more than the amount authorized on the customer order. For example, in this illustration, the total of revenue recognized shall not exceed $100,000 regardless of the costs incurred. Similarly, if the customer order is a fixed price (vice a fixed rate) order, the final revenue billing shall be for the increment between the revenue recognized to date and the fixed price amount regardless of the costs incurred in performance of that fixed price order.

B. Revenue Recognition for Customer Orders Accepted Without Advance Payment

Dr 4251 Reimbursements Earned-Receivable	$62,260	
Cr 4221 Unfilled Customer Order-Without Advance		$62,260
Dr 6500 Cost of Goods Sold	$62,260	
Cr 1526 Inventory-Work In Process		$62,260
Dr 1310 Accounts Receivable	$62,260	
Cr 5200 Revenue From Services Provided		$62,260

This entry recognizes revenue upon partial completion of work on customer orders accepted without advance payment.

C. Revenue Recognition for Customer Orders Accepted With Advance Payment

Dr 4252 Reimbursements Earned-Collected	$62,260	
Cr 4222 Unfilled Customer Order-With Advance		$62,260
Dr 6500 Cost of Goods Sold	$62,260	
Cr 1526 Inventory-Work In Process		$62,260
Dr 2310, Advances (Unearned Revenue)	$62,260	
Cr 5200 Revenue From Services Provided		$62,260

This entry recognizes revenue upon partial completion of work on customer orders accepted with advance payment.

110305. Collection for Work on Customer Orders

Dr 4252 Reimbursements Earned-Collected	$62,260	
Cr 4251 Reimbursements Earned-Receivable		$62,260
Dr 1010 Funds Balance with Treasury (Funds Collected-Operating Program)	$62,260	
Cr 1310 Accounts Receivable		$62,260

This entry records collection of reimbursement for work on customer order without an advance.

110306. Payment of Expenses Incurred

Entry to record payment of civilian payroll (paragraph 110303.A., above) and payables (paragraph 110303.B., above).

Dr 4901 Expended Authority-Unpaid (Reimbursable)	$65,000	
Cr 4902 Expended Authority-Paid (Reimbursable)		$65,000
Dr 2210 Accrued Funded Payroll and Leave	$45,000	
Dr 2213 Employer Contributions and Payroll Taxes Payable	$ 9,000	
Dr 2110 Accounts Payable	$11,000	
Cr 1010 Funds Balance with Treasury (Funds Disbursed-Operating Program)		$65,000

110307. Loss on the Completion of Customer Order

A. A loss occurs when the recorded costs exceed the funded amount of the customer order. Completion of a customer order is when all work requested on a customer order has been completed or the funded amount authorized on the existing customer order has been recognized under the percentage of completion method of revenue recognition.

B. The following entry transfers, upon completion of a customer order, the recorded costs in work in process that exceeds the funded amount of the customer order. The loss (gain) on the completion of the customer order will be recognized when the cost of goods sold is closed to the cumulative results of operations.

Dr 6500 Cost of Goods Sold
Cr 1526 Inventory-Work In Process

1104 PRIOR PERIOD ADJUSTMENTS

110401. General

A. Prior period adjustments are adjustments in the current fiscal year for events that occurred in a prior fiscal year. Prior period adjustments should be limited to corrections of errors and accounting changes with retroactive effect, including those occasioned by the adoption of new federal financial accounting standards. Prior period adjustments should be recognized as a change in cumulative results of operations (rather than as an element of net results of operations for the period). If an expense, revenue, gain or loss was omitted or erroneously posted, then Account 7400, "Prior Period Adjustment" will be used. If the transaction had no effect on net income, then the correction should be posted directly to assets or liabilities. When material errors are discovered in prior period financial statements, all statements presented must be restated to correct the error. Additional information relating to reporting prior period adjustments in audited financial statements may be found in Volume 6B, "Form and Content of DoD Audited Financial Statements" of this Regulation.

B. Additional information relating to prior period adjustments may be found in Volume 4, Chapter 17, "Expenses and Miscellaneous Items" of this Regulation.

110402. Events for which Prior Period Adjustments are Applicable

Prior period adjustments are applicable only to:

A. Events that, in a prior fiscal year, were recorded in error to a revenue, gain, expense, or loss account.

B. Events that, in a prior fiscal year, should have been recorded to a revenue, gain, expense, or loss account but were not.

110403. Accounting for Prior Period Adjustments

Research is often necessary to determine the prior period accounting that was done so that its effect can be corrected by the prior period adjusting entry. Usually, the effect cannot be corrected by a reversal of the erroneous prior period entry because affected revenue, gain, expense, or loss account for the prior period has been closed.

110404. Example of a Prior Period Adjusting Entry

Assume that in fiscal year 2000, an advance payment of $50,000 is received for reimbursable work that is to be done at a later date. The accounting entry that should be recorded is:

Dr 1010 Funds Balance weith Treasury (Funds Collected-Operating Program)	$50,000	
Cr 2310 Advances from Others (Unearned Revenue)		$50,000

However, in error, the following accounting entry was made:

Dr 1010 Funds Balance with Treasury (Funds Collected-Operating Program)	$50,000	
Cr 5100 Revenue From Goods Sold		$50,000

At the end of fiscal year 2000, revenue was closed to cumulative results of operations as follows:

Dr 5100 Revenue From Goods Sold	$50,000	
Cr 3310 Cumulative Results of Operations (Normal)		$50,000

In fiscal year (FY) 2001, the error made in FY 2000 is discovered. Upon investigation, it is found that $30,000 of the advance payment has been earned in the current FY 2001. Thus, a prior period adjusting entry is

needed to recognize the $20,000 portion of the advance payment that remains unearned and the $30,000 portion of the advance that is earned. The entry to accomplish that adjustment is as follows:

Dr 7400 Prior Period Adjustments	$50,000	
Cr 2310 Advances From Others (Unearned Revenue)		$20,000
Cr 5100 Revenue From Goods Sold		$30,000

Account 7400, "Prior Period Adjustments," and Account 5100, "Revenue from Goods Sold," are closed to Account 3310, "Cumulative Results of Operations (Normal)" As a result, upon closing, Account 3310 will show a correct $30,000 net value as a result of the above events as illustrated below:

FY 2000 Closing Balance	$50,000
FY 2001 Adjustments	
Close Prior Period Adjustments	($50,000)
Close Revenue from Goods Sold	$30,000
FY 2001 Closing Balance	$30,000

Additionally, as a result of the prior period adjusting entry, the remaining $20,000 unearned revenue amount is correctly recorded and remains available for the recognition of revenue from subsequent work completion.

*** VOLUME 11B, CHAPTER 12: "COSTS"**

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue and underlined font*****.**

The previous version dated **April 2010** is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
Title	Revised title of the chapter from Expenses to Costs to better reflect the nature of the chapter content.	Revision
All	Revised the chapter format to be consistent with the Department of Defense (DoD) Financial Management Regulation (FMR) Revision Standard Operating Procedures (SOP).	Revision
1201	Added Purpose and Authoritative Guidance paragraphs in accordance with the DoD FMR SOP. Renumbered subsequent paragraphs following the addition.	Addition
120101	Revised the Overview paragraph to further define "costs".	Revision
120301	Revised paragraph to include requirement to fully reflect the depreciation of capital equipment in their operating costs and rates in the form of the capital investment recovery and capital surcharge.	Revision
120302	Revised paragraph to include requirement to use a reasonably accurate useful life in calculating depreciation schedules for assets classified as capital investments and addressed the need to adjust the capital investment recovery rate for capital assets transferred in.	Revision

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
120602	Deleted guidance involving management headquarters that is duplicative of that already addressed in Volume 2B, Chapter 9.	Deletion

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CHAPTER 12

COSTS

*1201 GENERAL

120101 Overview

A. As used in this chapter, costs are either defined as realized or unrealized. Unrealized costs are considered "obligations" whereas realized costs are considered "expenses." In accordance with the full cost approach defined in Statement of Federal Financial Accounting Standards (SFFAS) ***Number 4***, "Managerial Cost Accounting Standards and Concepts," all costs (unrealized and realized) must be allocated to projects.

B. The full costs of resources that directly or indirectly contribute to the completion of projects/services should be assigned to projects/services through costing methodologies or cost finding techniques that are most appropriate to the segment's operating environment and should be followed consistently. Costs should be assigned to projects/services using the following methods listed in the order of preference: (a) directly tracing costs wherever feasible and economically practicable (Direct Production Costs), (b) assigning costs on a cause-and-effect basis (Indirect Production Costs), or (c) allocating costs on a reasonable and consistent basis (General and Administrative (overhead)).

C. Additional information relating to costs can be found in Volume 4, Chapter 17, "Expenses and Miscellaneous Items" and Chapter 19 "Managerial Cost Accounting". For Defense Working Capital Fund (DWCF) entities, all costs (realized or unrealized), unless specifically exempted by DWCF Policy or exception to policy, shall be recovered through billings to customers.

120102 Purpose

This chapter describes costs associated with DWCF, and sets forth the criteria for allocating certain costs to projects/services in accordance with Federal accounting standards.

120103 Authoritative Guidance

This chapter is based on regulatory and statutory requirements cited throughout the chapter. The primary statutory source is ***Title 10, United States Code (U.S.C.), section 2208***. The primary accounting sources include SFFAS Number 4, and ***SFFAS Number 6***, "Accounting for Property, Plant and Equipment".

1202 MILITARY PERSONNEL EXPENSE

120201. Military Personnel Cost

The cost of military personnel may involve two separate processes. The first involves the payment to military personnel appropriations for the budgeted amount of military personnel for an activity group – regardless of the actual number of military personnel assigned. The second involves the costing of military personnel to jobs or cost centers for work performed at the civilian equivalency rate for the number and grade of military personnel assigned to the DWCF activity. Rate guidance is provided in Volume 11A, Chapter 6, Appendix B. See Volume 2B, Chapter 9 "Defense Working Capital Fund Budget Justification Analysis" or additional military personnel pricing policy.

120202. Military Leave or Other Absences

There will be no additional acceleration of the civilian equivalency rate charged to customer orders for military leave or other absences.

120203. Military Personnel Services

DWCF activities must price military personnel services reimbursement in support of DWCF operations using the civilian equivalency rate. The respective Military Departments and DWCF activities may schedule reimbursement of the appropriate military appropriation at the beginning of each fiscal year, or in the last month of each fiscal year quarter.

120204. Unresolved Disputes

In the event of an unresolved dispute between the military personnel appropriation manager and a DWCF activity on the budgeted amount of the deposit, the budgeted amount requested by the military personnel appropriation manager must be provided. Upon resolution of the dispute, the military personnel appropriation manager will provide a refund to the DWCF activity, if any is due, for the applicable amount.

120205. Variances

As a result, a variance may result between the amount paid to military personnel appropriations and the amount applied to work performed. That variance will result in a debit or credit amount in United States Standard General Ledger (USSGL) 2110 Accounts Payable. The amount of the variance shall be reduced to zero at the end of the fiscal year by adjusting USSGL 2110 Accounts Payable and USSGL 6100 Operating Expenses/Program Costs equal the amount budgeted paid to the military personnel appropriation. The purpose of this adjustment is to eliminate the variance between the costs applied to work performed and the budgeted amount.

1203 DEPRECIATION EXPENSE

Depreciation is the recognition of the acquisition cost of an asset over its useful life. In most cases, the depreciation expense represents the capital investment recovery (CIR) that is included in stabilized rates or prices to recover cash used by the activity to acquire or replace assets. Recovery of depreciation expense is the primary financing source for DWCF capital investments.

*120301. Capital Equipment

DWCF activities will fully reflect the depreciation of capital equipment in their operating costs and rates in the form of the CIR. If the depreciation expense is insufficient to cover the costs of capital investments, then an additional capital surcharge may be applied as stated in Volume 2B, Chapter 9.

*120302. Capital Assets Transferred In

DWCF activities will calculate the depreciation of capital assets that are transferred into a DWCF business entity without reimbursement based on its net value (original acquisition cost less calculated accumulated depreciation) plus any associated costs for transportation, installation and other related costs necessary to put the asset into operational use. DWCF activities must use reasonably accurate useful lives in calculating depreciation schedules for all assets classified as capital investments, in accordance with generally accepted accounting principles. Since the transfer of capital assets without reimbursement to the DWCF does not involve an outlay, the CIR must be adjusted accordingly. For further explanation regarding useful life see Volume 4, Chapter 6 “General Property, Plant, and Equipment”.

120303. Depreciation Budgeting

Guidance related to budgeting for depreciation can be found in Volume 2B, Chapter 9. For additional information relating to depreciation of Department of Defense (DoD) capital assets, refer to Volume 4, Chapter 6.

1204 MANAGEMENT IMPROVEMENT INITIATIVES

DWCF activities must expense any management improvement initiative that does not qualify for the Capital Investment Program and is not subject to depreciation. See Volume 4, Chapter 6 for further policy on real property maintenance and repair.

1205 REAL PROPERTY MAINTENANCE AND REPAIR

DWCF activities must expense major real property maintenance and repairs in the period in which the maintenance and repair occurs if the costs do not meet the DWCF Capital Investment Program criteria. See Volume 4, Chapter 6 for further policy on real property maintenance and repair.

1206 MAJOR DoD HEADQUARTERS ACTIVITIES COSTS

120601. General

Each DWCF activity is under the management control of a designated DoD Component. The DWCF headquarters activities costs is related to specific DWCF activity operations, and is separate from the general policy direction for the Department or a DoD Component. DWCF activities must identify management headquarters funded from the DWCF in the DWCF Charter (Management Command) for each applicable activity. See Chapter 2 for guidance on DWCF charter requirements.

*120602. Identification and Payment for Major DoD Headquarters Activities Costs

Refer to Volume 2B, Chapter 9, paragraph 090107 for the DoD guidance related to headquarters activities.

1207 ACCOUNTING FOR COSTS

The ***DoD United States Standard General Ledger (USSGL) Transaction Library*** illustrates the accounting entries with related USSGL accounts.

VOLUME 11B, CHAPTER 13: "COST ACCOUNTING REQUIREMENTS FOR DEPOT MAINTENANCE"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

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The previous version dated April 2010 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
Various	Updated the United States Standard General Ledger (USSGL) chart of account codes contained in the chapter to reflect the most recent six-digit codes published by the United States (U.S.) Treasury.	Revision
Various	Revised terminology referring to indirect costs to more clearly be termed indirect production costs. Also revised terminology referring to general and administrative (G&A) costs to more clearly be termed G&A (overhead) costs.	Revision
130102	Added the relevant overarching authoritative guidance supporting the policy contained in the chapter.	Addition
130301.J	Added the establishment of working capital fund rates used for customer program budgets as information that management should have available from the cost accounting and reporting module.	Addition
130303.B.3	Revised the guidance to reflect reference to the use of the Department of Defense (DoD) USSGL transaction library within the Standard Financial Information Structure (SFIS) for the accounting scenarios for making adjustments for inventory accounts.	Revision
130305	Added a definition for what is considered to be a "significant" accrued expense as defined in Statement of Federal Financial Accounting Standards (SFFAS) 4, "Managerial Cost Accounting Standards and Concepts".	Addition
130306	Added the USSGL account for recording immaterial adjustments that cannot be identified to the appropriate job order.	Addition

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
1304	Revised the layout of previous policy from a paragraph format to a tabular format for ease of reading and understanding.	Revision
130502.B	Updated the paragraph to direct the reader to the DoD USSGL transaction library within SFIS for transactions for recording under/over absorbed overhead.	Revision
130601	Added guidance contained in SFFAS 4 regarding process costing.	Addition
130603	Added guidance that a thorough analysis of alternative cost accounting and assignment methods should be conducted before process cost procedures are adopted, and added the requirement to document the method used to accumulate and allocate process center costs.	Addition
130701	Added the requirement for periodic re-evaluations of work measurement standards.	Addition
130603 (Previous Version)	Deleted the paragraph since DoD Instruction (DoDI) 5010.34 was cancelled July 14, 2010 and DoDI 5010.37 was cancelled December 14, 2012, both of which were the basis for the policy in this paragraph.	Deletion
130805	Added guidance that Defense Working Capital Fund (DWCF) activities must not bill or accept reimbursement for certain military labor, or include their cost in the calculation of the net operating results used for developing future rates or prices.	Addition
130806	Revised guidance to reflect that a timekeeping system also collects labor hour data.	Revision
130807	Revised the guidance to better align with cost allocation verbiage contained in SFFAS 4.	Revision
130812	Clarified guidance that the cost of temporary employees that a DWCF activity does not pay for are nonrecoverable, and must not be included in the calculation of net operating results used for future rates or prices.	Revision
130813	Added reference to the DoD USSGL transaction library for the DoD general ledger accounts and related transaction posting detail for civilian leave and benefits. .	Addition
130903	Revised the paragraph terminology to align with that used in SFFAS No. 3 “Accounting for Inventory and Related Property”. Added reference to Volume 4, Chapter 4 for more detailed guidance on the calculation of moving average cost.	Revision/ Addition

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
130908	Deleted specific posting entries and referred the reader to the USSGL/SFIS and Volume 4, Chapter 4 for specific transactional posting guidance.	Deletion/ Addition
130909	Revised the guidance involving the basis for the costs to be charged to a job order, and the handling of any resulting credits when reparable carcasses are exchanged with the Supply activity.	Revision
130910	Revised the paragraph title to "Items Beyond Repair" versus "Non-Reparable Carcasses" and clarified that the depot must order and pay for a replacement from the Supply activity.	Revision
131004	Revised account 151100, "Operating Materials and Supplies Held for Use", to account 152500, "Inventory-Raw Materials" to align the USSGL chart of account code with the nomenclature used in the paragraph.	Revision
131101	Revised the paragraph title and guidance terminology to reflect that it is applicable to indirect production costs rather than overhead.	Revision
131106	Clarified the guidance terminology to ensure it is interpreted to consistently apply to both indirect production and G&A (overhead) rate variances.	Revision
131107	Clarified the guidance terminology to ensure it is interpreted to consistently apply to both indirect production and G&A (overhead) rate variances.	Revision
131108	Clarified the guidance terminology to ensure it applies to indirect production as well as G&A (overhead), and referred the reader to the DoD USSGL transaction library in SFIS for the specific accounting entries to account for under/over-applied overhead.	Revision
131109	Added the applicable object class codes for recording the specific type of transportation costs discussed in the paragraph.	Addition
131210	Added the applicable U.S. Code reference governing proceeds from sales of surplus property.	Addition
131211	Removed policy that is duplicative of that contained in Volume 11B, Chapter 14, and Volume 2B, Chapter 9.	Deletion
131212.B	Clarified the guidance to depict that indirect costs associated with a cancellation or reduction action could include both indirect production and G&A (overhead).	Revision
131215.C	Clarified the guidance to state that a completed order for items a DWCF manufactures for itself will either be charged to an asset account or to a job order.	Revision

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CHAPTER 13

COST ACCOUNTING REQUIREMENTS FOR DEPOT MAINTENANCE

1301 GENERAL

130101. Purpose

The purpose of this chapter is to prescribe depot maintenance cost accounting requirements for Defense Working Capital Fund (DWCF) activities to uniformly record, accumulate, and report the job order cost of performing DWCF functions. Depot maintenance reporting requirements and procedures are contained in Volume 6A, Chapter 14, "Depot Maintenance Reporting".

*130102. Authoritative Guidance

A. ***Title 10, United States Code (U.S.C.) section 2460*** generally defines depot maintenance and repairs as:

1. Material maintenance or repair requiring the overhaul, upgrade, or rebuild of parts, assemblies, or subassemblies, and the testing and reclamation of equipment as necessary, regardless of the source of funds for the maintenance or repair, or the location at which the maintenance or repair is being performed;

2. Including all aspects of software maintenance classified by the Department as depot level maintenance and repair, and interim contractor support or contractor logistics support (or any similar contractor support), to the extent that such support is for the performance of services;

3. Not including the procurement of major modifications or upgrades of weapon systems that are designed to improve program performance, the nuclear refueling or defueling of an aircraft carrier and any concurrent complex overhaul, and the procurement of parts for safety modifications; and

4. Including the installation of parts for safety modifications.

B. Statement of Federal Financial Accounting Standards (SFFAS) Number 4 "***Managerial Cost Accounting Standards and Concepts***" sets forth the fundamental elements for cost accounting in Federal agencies. ***SFFAS 3*** "Accounting for Inventory and Related Property" identifies the accounting standards that apply to several types of tangible property, other than long term fixed assets, held by federal government agencies.

C. Volume 4, Chapter 19 "Managerial Cost Accounting" provides guidance on implementing managerial cost accounting within the Department.

1302. OVERARCHING POLICY

130201. General.

A. DWCF depot maintenance activities that utilize a job order costing methodology must use formal cost accounting practices in compliance with the provisions of SFFAS 4.

B. DWCF activities must ensure compliance with the requirements of this chapter and Volume 4, Chapter 4 "Inventory and Related Property" for all material, whether owned by the Department of Defense (DoD), other federal agencies, state or local governments, foreign governments or private parties.

C. DWCF activities must uniformly record, accumulate, and report job order costs to assist management in measuring productivity and efficiency; developing and using performance measurement and cost standards; and highlighting areas that need increased management emphasis. This data also assists in the identification of total capability, duplication of capacity, and areas of interservice support of DWCF workload.

D. Depot maintenance serves to support Intermediate (I) and Organizational (O) level maintenance by providing technical assistance and performing maintenance that is beyond the capability/responsibility of the I and O levels.

130202. Facilities Requirement.

Depot maintenance may be performed in Government-Owned, Government-Operated facilities; Government-Owned, Contractor-Operated facilities; or Contractor-Owned, Contractor-Operated facilities. The primary funding source for depot maintenance operations is DoD operation and maintenance appropriations made available to customers of depot maintenance. Centrally managed procurement appropriations may finance certain specific programs such as weapon system upgrades and similar modernization and/or modification programs. Activities funded by an appropriation or fund legally authorized for the purpose, as well as customers outside of the DoD such as the Coast Guard and Foreign Military Sales, may place an order for maintenance work.

130203. Managerial Cost Accounting.

A. Managerial cost accounting should be a fundamental part of the financial management system and, to the extent practical, should be integrated with other parts of the financial management system to provide consistent, cost-based information for reporting and management's use.

B. DoD depot maintenance activities must, in accordance with SFFAS 4:

1. Accumulate and report the costs of activities on a regular basis for management information purposes;

2. Establish responsibility segments, and measure and report the costs of each segment's outputs and calculate the unit cost of each output;

3. Determine and report the full costs of government goods and services, including direct and indirect production costs and general and administrative (G&A) (overhead);

4. Recognize the full costs of goods and services provided by other federal entities; and

5. Use and consistently follow costing methodologies or cost finding techniques most appropriate to the segment's operating environment to accumulate and assign costs to outputs. (Refer to Volume 4, Chapter 19 for additional guidance on managerial cost accounting).

1303 ESTABLISHING THE COST ACCOUNTING MODULE

130301. Job Order Cost Accounting Module

A job order cost accounting module should be subsidiary to, and integrated within, the financial system defined in Volume 1, Chapter 3 "Federal Financial Management Improvement Act Compliance". The cost module should be integrated with the depot payroll, fund control, and material control modules. Specifically, management should have information available from the cost accounting and reporting module to assist in the:

A. Comparison of historical unit cost trends with replacement cost trends to include proper identification and categorization of costs;

B. Oversight in the utilization of resources;

C. Evaluation of program budgets;

D. Comparison of cost trends among DWCF entities or between DWCF and contract sources;

E. Managerial direction and guidance for DWCF programs;

F. Evaluation of DWCF activities for efficient use of resources;

G. Estimation of DWCF requirements;

H. Monitoring of DoD Component compliance with various congressionally mandated reporting requirements;

I. Examination of the behavior of cost drivers over time (e.g. relationship between a given cost item and the quantity of its related cost driver(s) over time); and

* J. Establishment of DWCF Rates used for customer program budgets based on historic models of cost of repair and applied overhead.

130302. Requisite Module

The cost accounting module must be established for, but not limited to, all DWCF depot maintenance activities.

130303. Chart of Accounts

A. The ***United States Standard General Ledger*** (USSGL) provides a uniform chart of accounts and technical guidance for standardizing federal government agency accounting. Guidance on the use of individual general ledger accounts and transactions applicable to the DoD is provided within the ***Standard Financial Information Structure*** (SFIS). The DoD Standard Chart of Accounts (***SCOA***) includes all the point accounts and other information related to the USSGL for DoD purposes.

B. The following guidance further explains the use of the USSGL chart of accounts by a DWCF activity. For detailed DoD general ledger account guidance and DWCF transaction posting refer to the DoD SCOA and the DoD ***USSGL Transaction Library***.

1. Account 152500, "Inventory-Raw Materials," must be used to record all materials held for the purpose of providing a good or service to a customer regardless of the method acquired, e.g., purchase, donation, or transfer without reimbursement. DWCF activities must not charge raw materials to the work-in-process account until the materials are issued for use. Raw material issues must then be charged to appropriate job orders or cost centers. Unneeded material and supplies must be returned to the Inventory-Raw Materials account when a determination is made that the material is available for other uses.

2. DWCF activities must verify raw materials records and adjust them to physical counts. Any adjustments needed to reconcile the physical count with the recorded (book) value of raw materials must be charged to the appropriate cost center or to a gain or loss account as described in paragraph 130908.

* 3. Account 152600, "Inventory-Work-in-Process," is the control account for all unbilled job orders. (Refer to Volume 4, Chapter 4 for work-in-process accounting policy.) The amount of work-in-process consists of all costs applied to unbilled job orders including direct labor, direct materials, direct contractual costs (exclusive of contracts that are awarded that directly cite the funds issuer's line of accounting), and applied overhead expenses. The balance in this account must be reconciled to the total charges on unbilled job orders as of the end of each quarter. In addition, the validity and reasonableness of the charges recorded on the unbilled job orders must be verified on a random sample basis at least annually. This validation must be performed by personnel not assigned to the accounting or maintenance function. For example, personnel from a DoD Component audit service or a local internal review staff may be

assigned to perform this function. Based on the results of the verification, DWCF activities must adjust accounts in accordance with the accounting scenarios contained in the DoD USSGL Transaction Library within SFIS.

4. DWCF activities must use account 141000, "Advances and Prepayments," to record payment for expenses that properly apply to future accounting periods. Typical prepaid expenses are rents paid to a lessor at the beginning of a rental period. This account must not be used solely to level out significant expenses but must, in fact, represent an equitable distribution to the appropriate time period commensurate with the benefits that will accrue to that future period from the current payment. Refer to Volume 4, Chapter 5 "Advances and Prepayments" for additional guidance and definitions regarding prepayments.

130304. Customer Funding

Depot maintenance workload performed by DWCF activities is considered nonseverable in nature and thus customers must fund the full price of the order, through completion of the effort, using a reimbursable order. The DWCF activity must recognize revenue and bill the customer funding an order or, when advance payments have been received, relieve those advance payments to the appropriate revenue account. Revenue billings to customers must reflect due credit for the advances received. In no case must the total amount of revenue recognized and billed exceed the amount of the order. Chapter 11 "Reimbursements and Revenue Recognition" contains requirements for reimbursements and revenue recognition for DWCF entities.

*130305. Accruals

DWCF activities must record accrued expenses that are significant (material) in relation to the recording of costs for a DWCF activity in the appropriate expense accounts, budgetary accounts, and applicable liability accounts during the accounting period that the benefit was received rather than at the time of the payment for the expense. For example, DWCF activities must record accruals for accrued salaries, annual and sick leave, employee benefits, estimates for utilities, major real property maintenance and repair, and other significant services received and not yet paid. SFFAS 4 states that the determination of whether an item is material (i.e., significant) depends on the degree to which omitting information about the item makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission.

*130306. Missing or Erroneous Data

Occasions may arise when, due to missing or erroneous data, costs incurred cannot be identified to charge to the appropriate job order. Such costs must be temporarily recorded in the applicable expense account under suspense control until the correct data is available to make the proper distribution to the correct job order. Any unadjusted amount at the end of a fiscal year, if immaterial, must be charged to the applicable cost center using Account 610000 "Operating Expenses/Program Costs".

*1304 ESTABLISHING JOB ORDERS

The performing activity must establish job orders in accordance with the following table:

Value of work to be performed	Units subject to "pre-shop analysis"[1] or "examination and evaluation"	Units NOT subject to "pre-shop analysis" or "examination and evaluation"
>$150,000/unit	Job order per item	Not applicable
$25,000 to $150,000/unit[1]	Job order per monthly induction	Job order per monthly induction
<$25,000/unit[2]	Job order per quarterly induction	Job order per quarterly induction valued at $500,000 or more
<$25,000/unit[3] AND <$500,000/TMS or NSN	Not applicable	Job order per quarterly induction, not to exceed $1,000,000 per job order

[1]*inspections and tests and other similar activities performed to determine work requirements*
[2]*for multiples of the same identification number (Type Model Series (TMS) or National Stock Number (NSN))*
[3]*homogenous group, by stock classification, subclassification, repair category, or other appropriate criteria*

1305 JOB ORDER REQUIREMENTS

130501. Job Order Cost Assignment Requirements

DWCF activities must assign costs to individual job orders at the time the job order receives a benefit from the incurrence of an expenditure. The benefit may occur at any time but usually occurs subsequent to the time the obligation is incurred, and before the disbursement occurs. DWCF activities may charge costs to job orders based on standard costs when those costs are properly adjusted for variances to arrive at the actual cost. Costs, including standard costs, must be recorded based on accrual concepts. DWCF activities must not charge direct material, labor, or other direct costs to job orders based on planned, programmed, or reserved amounts. Refer to Volume 4, Chapter 19 for additional guidance on job order cost accounting.

130502. Job Order Opening and Closing Requirements

A. DWCF activities must open a job order when a new job order is required under section 1304.

* B. DWCF activities must close a job order as soon as all direct, indirect production, and G&A (overhead) are determined and assigned to the job order. Normally, all such costs must be determined and posted to the job order within 30 days of the completion of all direct labor chargeable to the job order. The job order must be closed with the use of predetermined indirect and G&A (overhead) rates when authorized. DWCF activities must apply such indirect and G&A (overhead) rates consistently to all job orders. At the end of the fiscal year, any under and/or over absorbed indirect and G&A (overhead) (variances) must be adjusted using the transactions contained in the DoD USSGL Transaction Library within SFIS.

130503. Segregation of Cost for Cancelled and Completed Job Orders

DWCF activities must identify costs associated with the cancellation or reduction of partially completed maintenance work, and report these costs separately from the costs of normally completed work. Paragraph 131212 provides additional guidance on cancelled or reduced scope orders.

130504. Customer Order Support of Job Orders

Customer orders, either project orders or Economy Act orders, from the activity responsible for the financing appropriation, are required to support each job order. The customer must provide full and adequate funds to cover all requirements. A customer may, however, issue orders to cover multiple job orders when agreed to in writing with the depot maintenance activity.

1306 PROCESS COST CENTERS PROCEDURES

*130601. Process Cost Centers

A DWCF activity may perform certain unique operations that lend themselves to process cost center procedures. Process costing is a method of cost accounting that first collects costs by process and then allocates the total costs of each process equally to each unit of output flowing through it during an accounting period. For example, plating and painting operations are particular processes that may be uniformly and consistently performed to units that either are end items or will become part of end items. Rather than attempting to directly account for and assign each direct labor hour and material cost to an item that has undergone the particular plating or painting process, use of a process cost center allows the labor and material costs of the cost center to instead be accumulated and allocated to those items that were plated and/or painted during the respective accounting period. SFFAS 4 recognizes that process costing is appropriate when the production of goods or services involves a regular pattern of process, the output consists of homogeneous units, and all units are produced through the same process procedures. (Refer to Volume 4, Chapter 19 for additional guidance on process cost accounting).

130602. Cost Allocation Basis

The DWCF activities must allocate process cost center costs to the job orders for the units processed through the cost center during the respective accounting period. The basis for the allocation of costs must be the number of equivalent units (e.g., number of units, linear feet, square feet, hours operating time) processed on-the-job orders through the cost center during the accounting period.

*130603. Cost Allocation Consistency

The DWCF activity should conduct a thorough analysis of alternative cost accounting and assignment methods before it adopts process cost center procedures. The method used to accumulate and allocate the costs for such operations must be documented and consistently applied from accounting period to accounting period to ensure consistency in the assignment of costs.

1307 USE OF WORK MEASUREMENT STANDARDS

*130701. Work Measurement Standards

DWCF activities that establish work measurement standards for labor, material, and indirect production and G&A (overhead) costs must develop cost estimates for each job order using these standards. Incurred costs must be compared against estimated costs to determine if corrective actions are required to control significant variances. Established work measurement standards need to be periodically re-evaluated and updated as necessary to assure that they encourage improvements in efficiency and continue to be within an attainable range.

130702. Basis of Work Measurement Standards

DWCF activities that establish work measurement standards must base the standards on generally accepted industrial engineering techniques where high value, high volume work is involved. The work measurement standards may be established by in-house or other DoD personnel or they may be established by original equipment manufacturer's specifications of maintenance tasks and frequencies (product reliability engineered standards). DWCF activities that establish work measurement standards for labor, material, indirect production, or G&A (overhead) costs must continuously review the standards to verify their accuracy in light of advanced processing equipment, and higher level of skills used. For low-value, low-volume work, the work measurement standards may involve less sophisticated engineering techniques, but the work measurement standards or estimated resources required must be developed for all work accepted.

1308 LABOR COSTS

130801. Civilian Labor Hours

DWCF activities must record all civilian labor hours worked in a cost center as either a direct cost on a job order or as an indirect production cost that will be allocated to a job order. Civilian labor hours must be charged at the current payroll rate to include DoD paid personnel benefits.

130802. Use of Actual and Average Labor Rates

DWCF activities must use actual civilian payroll hourly rates as the basis to record labor costs. Average labor rates may only be used to record labor costs for cost centers when the range of actual hourly pay rates within that center is limited and significant distortions of recorded costs would not result from their use. DWCF activities must not use stabilized rates approved for billing purposes as the basis to record labor or other costs incurred. Stabilized rates are the result of budget estimates; actual costs incurred must be recorded in the cost accounting system independent of the rate setting process.

130803. Labor Distribution System

DWCF activities must use a labor distribution system to charge all direct labor hours and costs to applicable job orders. Each pay period, DWCF activities must reconcile and correct differences between the labor hours recorded for payroll purposes, payroll costs incurred, and the labor hours and costs distributed to job orders and indirect production cost centers through the labor distribution system. For discrepancies that cannot be reconciled between job order records and payroll records without incurring a major expenditure of resources, DWCF activities must correct the job order records to equal the payroll records. Differences due to the use of average cost center labor rates must be charged to G&A expenses.

130804. Military Labor Hours

DWCF activities must record all military hours worked as either a direct cost on a job order or as an indirect production cost of a cost center. DWCF activities must charge military labor hours to the job order at the current civilian equivalent rate applicable to the rank and military service of each military member. (Refer to Chapter 12 "Expenses" for the military personnel costing process.)

*130805. Military Personnel Depot Maintenance Costs

DWCF activities must record as an unfunded depot maintenance cost all military labor performed by a "ship's force" or other military personnel that are part of the operating forces or an intermediate level organization that are loaned, without reimbursement, to and working under the supervision or direction of the depot maintenance activity when weapons systems, platforms or components are undergoing depot maintenance in a DWCF depot. Military personnel "on loan" and not assigned to DWCF activities are funded under other appropriations. The DWCF activities must not bill these labor costs to, or accept reimbursement from, the customer. These costs are nonrecoverable and DWCF activities must not include them in the calculation of the net operating results used for developing future rates or prices. When military personnel are not working under the supervision or direction of the depot maintenance activity (not assigned), any maintenance work they perform must not be considered depot maintenance.

*130806. Timekeeping

A DWCF activity must maintain a timekeeping system to collect and distribute both military and civilian labor to applicable job orders or cost centers. A timekeeping system must provide the following information:

A. Source of Hours Available:

1. Normal duty hours available by cost center.

2. Premium time, overtime, and holiday time by cost center.

3. Loaned labor hours by gaining and losing cost center.

B. Application of Hours Available:

1. Direct hours worked by cost center on each job order.

2. Indirect hours worked by cost center.

3. Nonproductive (e.g., annual, sick) hours by cost center.

*130807. Allocation of Hours

DWCF activities must apply the allocation of hours worked to benefiting job orders, activities, services, or products on a per unit basis, where applicable. The allocation of hours worked to benefiting job orders may also be based on industrially engineered earned hour (actual hour efficiency of a cost center if the employees in the cost center are of a homogeneous type and the allocation of labor hours are properly adjusted for variances to arrive at actual hours worked). The industrially engineered earned hour method of allocation is not appropriate for a cost center with a diverse workforce or different types of workload.

130808. Supervisor Responsibilities

Supervisors are responsible for the validity of timekeeping records. Supervisors are also responsible for establishing the job order(s) for each pertinent employee and notifying employees of the job orders. Employees are responsible for certifying that the time charged to job orders is correct. DWCF activities must reconcile the source documents used to record the hours worked by each employee on each job order to the total payroll hours.

130809. Direct Labor

Direct labor is work that can be identified, without undue cost or difficulty, to a single, specific job order. Direct labor generally includes the hands-on maintenance, repair, overhaul, test, and related direct production effort that follow the established sequence and content of work necessary to accomplish the billable job. Direct labor does not include the support work identified as either indirect production or G&A (overhead) in nature.

130810. First Line Supervision

First line supervision is that position level immediately over nonsupervisory workers. First line supervisors and above occupy an official supervisory designated position, and when acting in a supervisory capacity, must have their labor costs charged by the DWCF activity as an indirect production cost of the cost center supervised. First line supervisors may be borrowed and when used as direct labor, DWCF activities must classify the time of the first line supervisor as direct labor and charge it to the applicable job order rather than as an indirect production cost. “Crew chiefs,” “snappers,” “team leaders,” and other subordinate job leaders are not first line supervisors.

130811. Loaned Labor

DWCF activities must place special emphasis on accurately recording the use of loaned labor, which occurs when an employee is temporarily transferred (loaned) from one cost center to another within a DWCF activity. When an employee is loaned, the gaining cost center must record the labor hours of the employee. Care must be exercised to assure that the costs of loaned employees are not charged by both, or by neither of, the loaning and gaining cost centers. First line supervisors at both the loaning and gaining cost centers may be tasked to validate that such costs are accurately recorded. Only personnel assigned to the DWCF are recoverable in the rate structure, while loaned labor is funded by other appropriations.

*130812. Temporary Employees

If employees are temporarily assigned to a DWCF activity from an organizational entity other than DWCF activity and the DWCF activity neither pays the individual directly nor makes payment or reimbursement to the activity loaning the employee, the labor costs must be recorded as unfunded. These costs are nonrecoverable and DWCF activities must not include them in the calculation of net operating results used for developing future rates or prices.

*130813. Civilian Leave and Benefits

The following requirements apply to accounting for civilian leave and benefits. For DoD general ledger accounts and related transaction posting detail, refer to the DoD SCOA and the DoD USSGL Transaction Library.

A. Accruals.

1. Account 221000, "Accrued Funded Payroll and Leave," must be used to account for accrued annual leave of DWCF civilian employees. DWCF activities must include a factor for annual leave accruals in stabilized rates or prices in order to provide funding for annual leave.

2. Account 221300, "Employer Contributions and Payroll Taxes Payable," must be established to account for accrued sick leave, accrued holiday, and other miscellaneous leave in addition to other employee benefits such as life and health insurance, and retirement contributions. The accruals are to be based on estimates of leave to be taken, not the amount of leave earned.

B. Leave must be costed to job orders based on an allocation factor for all time worked except when a holiday is involved. When an employee works on a holiday, the regular pay for the holiday must be charged against the holiday leave accrual liability, the same as for employees who do not work on the holiday. DWCF activities will only cost the additional pay for working on the holiday, along with the leave accrual, at the prescribed allocation factor, to the job order as stated in paragraph 130816.

C. Leave actually taken must be relieved from the appropriate accrued leave account based on payroll labor distributions, and must not be charged to current job orders.

D. Reconciliation.

1. The amount of annual leave accrued must be reconciled at the end of the fiscal year with individual employee leave records. Adjustments to reconcile the balance in the account to the individual leave records must be costed to USSGL Account 610000, "Operating Expenses/Program Costs" as a G&A (overhead) expense adjustment. After reconciliation, the balance of the accrued annual leave account must be carried forward into the following fiscal year.

2. At fiscal year-end, the estimates of sick leave, holiday leave, and other leave to be taken may not agree with the actual leave taken. Adjustments necessary to result in a $0 balance in the sick leave, holiday leave, and other leave accounts must be costed to Account 640000, "Benefit Expense (Personnel Benefits – Civilian)" as a G&A (overhead) expense adjustment. Accrued sick, holiday, and other leave balances are not to be carried forward into the following fiscal year.

130814. Allocation Factors

The use of allocation factors for calculating leave accruals and applying them to the proper cost centers on labor cost distributions is normally the simplest, most economical, and most accurate method of accruing and costing leave. DWCF activities must update the allocation factors periodically to limit the adjustments to the accrued leave accounts to a minor amount at the end of the fiscal year.

A. A DWCF activity may determine its own allocation leave accrual factors because of variances caused by average length of service, climate, turnover, and local leave usage experience.

B. When establishing the allocation factors, it is necessary to estimate the average annual work days for the activity to which the factor must be applied. The following is an illustration:

C. Total days in year 365.0

Less time off		
Average annual leave taken	20.0	
Average sick leave taken	9.0	
Holidays and other events	11.0	
Saturdays and Sundays	104.0	
Normal time off		144.0
Normal work days		221.0
Estimated overtime work		3.5
Estimated holiday time work		.5
Average work days		225.0

D. The annual leave accrual factor may be calculated as follows:

1. Average days net accrual of annual leave			21
2. Average work days (computed in para. 130814.C)	+		225
3. Preliminary accrual factor (excluding pay adjustments) [(1) ÷ (2)]	=		.093
4. Estimated regular pay for regular time and overtime worked and premium pay for holiday time worked	x		$10,000,000
5. Total amount accrued for annual leave using preliminary factor	=	$	930,000
6. Estimated increase in accrual of annual leave due to pay increase	+	$	30,000
7. Total leave accrual requirements	=	$	960,000
8. Amount to which leave accrual factor is to be applied (para. 130814.D.4)			$10,000,000
9. Annual leave accrual factor	=		.096

E. The composite leave accrual factor may be calculated as follows:

Type of Leave	Average Days Annually		Average Work Days		Accrual Factor
Annual	(refer to para. 130814.D.9)			=	.096
Sick	9	÷	225	=	.040
Holiday and Other	11	÷	225	=	.049
Composite Accrual Factor					.185

130815. Fringe Benefits

In addition to the factor for leave, DWCF activities must add a factor to cover the employer's share of other employee fringe benefits such as retirement, life insurance, health, and other benefits. Each activity may develop its own factor. Standard accrual factors for leave, retirement, insurance, health, and other benefits must be applied against all payroll costs.

130816. Overtime Premium

The costs of overtime premium pay (that is, the amount paid for working overtime that is above the normal labor hour rate) must not be charged directly to the applicable job order except when the overtime is clearly caused by the unique conditions of the job order. A clear relationship for the incurrence of overtime costs may be established when a DWCF activity agrees with a customer to meet an expedited completion date or accepts additional work within the same time frame on the same order. Otherwise, the overtime premium must be recorded as an indirect production cost.

130817. Other Premium Pay

Other premium pay includes payments for extra shift, hazardous duty, and night duty. Consistent with the policy for overtime premium, DWCF activities must only classify other premium pay as a direct labor charge when the incurrence of the premium pay is clearly the result of unique conditions of the job order. Unless the peculiar conditions of the job order require the incurrence of the premium pay, premium pay must be charged as indirect labor costs.

1309 MATERIAL COSTS

130901. Raw Materials

All material purchased by DWCF depot maintenance activities, for the purpose of providing a good or service to a customer, must be accounted for in general ledger account 152500, "Inventory-Raw Materials". This account must be debited based upon receipt of materials and supplies. The same account must be credited with an offsetting debit (charge) to general ledger account 152600, "Inventory-Work-In-Process," upon issue of the material for use in the performance of DWCF work. Inventory accounting policy and related requirements necessary to establish financial control over DoD inventory, operating materials and supplies, and stockpile materials is contained in Volume 4, Chapter 4.

130902. Allocation of Direct and Indirect Material

Direct material and supplies must be charged directly to the applicable job order. Indirect material must be charged to the using cost center upon issue.

*130903. Moving Average Cost (MAC)

Materials and supplies contained in the inventory account must be valued at historical cost using the moving average cost flow assumptions in accordance with SFFAS 3 and Volume 4, Chapter 4. More detailed guidance regarding the calculation of MAC is contained in Volume 4, Chapter 4.

130904. Acceptance and Use of Customer Furnished Material

DWCF activities must accept and use customer furnished material only when its use could be expected to result in a more economical, efficient, or timely output.

130905. Return of Customer Furnished Material

A. DWCF activities must return customer furnished material that remains after job order completion to the customer within 60 days unless there is, or soon will be (generally within 90 days), a direct production requirement from the customer who furnished the material for which the material may be used.

B. If the customer abandons the material, it may be retained if needed for other work requirements. If the inventory is retained, no accounting entry is needed other than the original accepting entry.

130906. Direct Material

Direct material is that material and supplies that can be identified, without undue cost or difficulty, to the performance of work specified by a work authorization document or job order. A small amount of material may be treated as indirect material even though the material is incorporated as part of the final product, if this practice is consistently applied to all job orders. Direct material may either be incorporated as a part of the final product or consumed in the process.

130907. Indirect Material

Indirect material is that material that cannot be identified, without undue cost or difficulty, to the performance of work as specified by a work authorization document or job order. The determination of what constitutes "without undue cost or difficulty," although not defined, is subject to reasonable interpretation. If questioned, it is the responsibility of the DWCF activity to demonstrate that identification of material (or labor) as direct would be unduly costly or difficult in relation to the benefit received.

*130908. Excess Materials

DWCF activities should review the material and supplies on hand in a cost center at least annually to determine if excesses exist. Those items that are excess and are not needed for a particular job order must be returned to the materials and supply stock account. The unused material returned to the materials and supplies stock account must be recorded as follows:

A. Credit must be granted to the job order originally charged for unused direct material and that material must be recorded as an increase to Account 152500, "Inventory-Raw Materials". If the job order to which the material was originally charged has been closed, and a decision is made not to reopen the order to post the credit, the credit must be applied to Account 719000, "Other Gains."

B. Credit must be granted for the return of usable indirect material to the materials and supplies stock account. The credit must be applied to the indirect material expense account of the applicable cost center.

C. Items in excess of the needs of a DWCF activity must be returned to the supply system. DWCF activities must record transactions for materials returned and credit received (if any) in accordance with the DoD USSGL/SFIS requirements and transaction library and Volume 4, Chapter 4.

*130909. Reparable Carcasses

When an item such as an assembly, subassembly, or an end item is designated as an "exchange" item, the depot can order and pay for a replacement from the Supply activity to install on the customer's equipment. The job order must be charged the price the depot pays for the replacement. Further, the depot must return the damaged part or carcass to the Supply activity. If the depot receives credit from the Supply activity, the depot must credit the job order for the amount received. For non-DoD carcasses including those owned by foreign governments, refer to the requirements in Volume 15, "Security Assistance Policy and Procedures".

*130910. Items Beyond Repair

If an exchange carcass is beyond repair or an exchange item is missing and the depot maintenance activity must order and pay for a replacement from the Supply activity, the cost of the new item must be charged to the job order as a direct material cost.

1310 OTHER DIRECT COSTS

131001. Purchased Services

Purchased services must be charged as direct costs to the job order that benefits from the services. If only one job order benefits from a contract or purchase, the cost of the contract must be charged to that job order. If more than one job order benefits from a contract, the costs of the contract must be prorated to the benefiting job orders based on estimates or calculations of the benefits received by each job order.

131002. Purchased Services Benefiting Indirect Cost Centers

Purchased services that benefit indirect cost centers must be recorded as indirect production costs. If purchased services benefit the activity as a whole, they must be recorded as G&A (overhead) costs.

131003. Contracts Supplementing Capacity or Capability

The costs of contracts that supplement the capacity or capability of a DWCF activity must be charged to the job orders that use the additional services.

*131004. Material Costs

The costs of material procured from contractors must be recorded in account 152500, "Inventory-Raw Materials" and charged to job orders under normal procedures. If, however, material is procured for a specific job order, the acquisition cost of the material must be a direct charge to the applicable job order.

131005. Travel and Per Diem Expenses

Travel and per diem expenses (including regular labor hours spent in travel) must be charged as direct costs only if the labor hours worked while traveling are charged as direct labor. If the traveler works on more than a single job order, the travel and per diem expenses must be prorated based on the related direct labor hours to each order. If the travel is not related to job orders, all travel and per diem expenses must be charged as an indirect production expense of the employee's cost center.

1311 INDIRECT COSTS

*131101. Indirect Production Rates and Standard Costs

The indirect production rates and standard costs discussed in this chapter should not be confused with stabilized billing rates. Stabilized billing rates or stabilized prices are used solely to price work to DoD-funded customers and may only be changed upon approval of the Office of the Under Secretary of Defense (Comptroller) (OUSD(C)).

131102. Indirect Production Costs

DWCF activities must record as indirect production costs, by object class as specified in Office of Management and Budget (OMB) ***Circular A-11***, all costs incurred that are not chargeable as direct costs, unless specifically designated otherwise. Indirect production costs must be recorded by activity, department, cost center, or other organizational element responsible for incurring the cost. The number and type of indirect production cost centers to be established is a function of the diversity of the indirect activities at the depot and the level of management information required. The minimum number of cost centers required to separately identify and record homogeneous groupings of cost is a function of the number of different types of facilities, equipment, and/or skills required in the indirect area. The number of additional cost centers is a management prerogative in terms of the number and type of cost centers needed to ensure efficient and effective operations.

131103. Indirect Production Cost Pools

Costs of departments, service, and processing centers that provide support directly to direct cost centers must be classified as operating support indirect production cost pools. The costs assigned to these cost pools must be allocated in full to the benefiting direct cost centers (refer to paragraph 131105) and not included in the G&A expense rate described in paragraph 131106. Costs assigned to operating support indirect production cost pools must be allocated to the benefiting direct cost centers using a base that results in the distribution of costs incurred in proportion to the benefits received.

131104. Indirect Production Cost Allocation

Indirect production costs must be allocated to job orders by the use of an operations rate and a G&A (overhead) rate as described in paragraphs 131105 and 131106, respectively. These rates are not the stabilized rates and prices to be used to price DoD customer bills. Refer to Volume 2B, Chapter 9 "Defense Working Capital Fund Budget Justification Analysis" for policy guidance on stabilized rates and prices.

131105. Operations Rate

DWCF activities must develop an operations rate for each direct cost center in which direct labor is utilized in the performance of DWCF activities. The operations cost pool must consist of all indirect production costs incurred by the cost center plus the allocated share of operating support costs of departments or service cost centers, if any (refer to paragraph 131103). Use direct labor hours, including both military and civilian direct labor, as the basis for allocating the operations cost pool to the direct cost centers. This base is appropriate because operations in a DWCF activity is normally a function of direct labor hours. When the use of direct labor hours as an allocation base will not result in an equitable allocation of the operations cost pool costs (that is, charges are not commensurate with benefits received), a more appropriate alternate allocation base may be selected providing:

A. An organizational authority that is above the level of the local performing DWCF activity, including the OUSD(C), has not directed that particular DWCF activity to use a specific allocation base. If a higher organizational authority has not previously directed a specific allocation base for use, then approval of the alternate preferred base need not be obtained by the local performing DWCF activity;

B. The alternate allocation base preferred for use is approved by the comptroller of the local performing DWCF activity; and

C. Justification for the decision is documented and retained in the office of the local comptroller for review.

*131106. G&A (Overhead) Rate

DWCF activities must allocate G&A expenses to job orders using an allocation rate separate from the operations rate. The G&A expense pool is comprised of all G&A expenses incurred by a DWCF activity. The base used to allocate G&A expenses to a job order is total incurred costs (both direct and indirect production costs). When the use of total incurred costs as an allocation base will not result in an equitable allocation of G&A expenses (that is, charges are not commensurate with benefits received), a more appropriate alternate allocation base may be selected providing:

A. An organizational authority that is above the level of the local performing depot maintenance activity, including the OUSD(C), has not directed that particular depot maintenance activity to use a specific allocation base. If a higher organizational authority has not previously directed a specific allocation base for use, then approval of the alternate preferred base need not be obtained by the local performing DWCF activity;

B. The alternate allocation base preferred for use is approved by the comptroller of the local performing DWCF activity; and

C. Justification for the decision is documented and retained in the office of the local comptroller for review.

*131107. Variances

Indirect production costs and G&A (overhead) expenses must be allocated to job orders using, respectively, the indirect production rate and G&A rate. These rates are not the stabilized rates and prices to be used to price DoD customer bills. (Refer to Volume 2B, Chapter 9 for policy on stabilized rates and prices.) The indirect production and G&A rates must be developed based upon estimated costs with an anticipated level of activity (base). The applied overhead account must be used to record any over- and/or under- absorbed indirect production and G&A (overhead). A variance between actual indirect production and G&A (overhead) costs and applied indirect production and G&A (overhead) may require a change in the indirect production or G&A (overhead) rate as applicable. The development of a new indirect production and/or G&A (overhead) rate must include plans to absorb the amount of the realized variance during the time period the new rate is in effect. A change in the indirect production or G&A (overhead) rate must be approved by the comptroller of the performing DWCF activity when it is apparent that:

A. The variance is not due to seasonal fluctuations such as summer vacations;

B. The variance will continue to exist at fiscal year-end; and

C. The expected variance is significant. The determination of what is "significant" must be made by, or in consultation with, the local DWCF comptroller.

*131108. Completed Job Orders

When a job order is complete, it must be closed (moved from work-in-process to Account 650000, "Cost of Goods Sold") including indirect production and G&A (overhead) costs allocated based upon the particular rates in effect during the life of the order. Adjustments in rates made after a job order is closed must not be posted to a completed job order unless the effect of the adjustment would have a significant impact on the total costs assigned to the job order. Adjustments applicable to the current fiscal year for under/over-applied indirect production and G&A (overhead) must be accounted for using the DoD USSGL Transaction Library within SFIS.

*131109. Permanent Change of Station

The costs of Permanent Change of Station movements for transferred civilian employees that are the responsibility of a DWCF activity must not be charged as a direct cost but as an indirect production expense and recorded in accounts 610000, "Operating Expenses/Program Costs. Use object class 210 to record travel and transportation costs of persons and object class code 220, as identified in OMB Circular A-11, to record the transportation cost of items to make the proper distinction of expense type.

1312 COSTS REQUIRING SPECIAL ATTENTION

131201. Quality Assurance

DWCF activities must charge quality assurance costs (including test design and analysis); testing conducted to independently assure the quality of the work accomplished; and related supervision and support incurred in direct support of a customer order, directly to the order. DWCF activities must charge quality assurance costs that are not identifiable to specific job orders to an operating support indirect cost center as described in paragraph 131103 and allocate the costs to the benefiting direct cost centers.

131202. Inspections and Tests

Operational inspections and tests performed to determine the condition of the item and make adjustments (calibrate) are inherent in performing maintenance and must be recorded as "direct labor - production." Specifically, DWCF activities must record inspections and tests made to determine work requirements, such as pre-shop analysis, initial evaluation and inspection, and pre-inspection or shakedown inspection, as "direct labor" on the applicable job order. Likewise, DWCF activities must record final inspection and tests performed after a process is complete to assure operational or functional adequacy as "direct labor - production."

131203. Reparables

The National Inventory Control Point item manager directs the reclamation of unserviceable depot level reparables. Depots must establish a separate job order for each reclamation project and return items produced as a by-product of the reclamation process to the DoD supply system.

131204. Borrowed Assemblies, Subassemblies, Components, or Parts

A. Depots use two terms in reference to borrowed assemblies.

1. "Backrobbing" (also called "rob-back") is defined as the taking of an assembly, subassembly, component, or part from an item that has been inducted for maintenance for use on another item inducted for maintenance with the intention of replacement at a later time. It is the temporary borrowing of the required part.

2. "Cannibalization" is defined as the taking of an assembly, subassembly, component, or part from an item (serviceable or unserviceable) that has not been inducted for maintenance (without regard to its location or ownership) by a maintenance activity for use on an item that has been inducted for maintenance.

B. Generally, borrowing is authorized only to prevent a work stoppage. Depots must charge the current acquisition cost of the assembly, subassembly, component, or part that was borrowed, and the cost of installing it, to the benefiting job order. Depots must charge all costs incurred in removing the borrowed item and reinstalling the replacement item to the operations cost pool of the cost center requiring the part. These costs must not be separately identified for reporting purposes.

131205. Calibration

Depots must charge the cost of calibration of an assembly, subassembly, component, part, or other equipment from an item that has been inducted for maintenance to the benefiting job order. Calibration of equipment used by a depot maintenance cost center in the performance of its work must be charged as an indirect production expense of the cost center that uses the item being calibrated.

131206. Modifications and Upgrades

A. Depots must establish a separate job order for each modification or upgrade of a major end item such as an aircraft. Separate job orders must only be established for other than major end item modifications or upgrades when the work is easily identifiable; such as when the modification or upgrade is the primary purpose of inducting the item. Depots must charge the cost of material used in the modification or upgrade process, such as a modification kit, and the cost of direct labor incurred to install the modification, to the modification job order.

B. Depots must also charge to the modification or upgrade job order the modification or upgrade material (modification kits) used for the modification or upgrade job order when a modification or upgrade is performed concurrently with depot maintenance work on the same major end item. In addition, repair requirements that are the direct result of the modification/modernization installation work (also referred to as repair incident to mod) are also legitimate charges to the modification job order. However, direct labor must be charged as modification or upgrade work only when it is peculiar to the modification or upgrade process.

For example, depots must charge labor costs incurred in disassembly, test, inspection, repair, rebuild, replacement and servicing that are performed as a normal part of the overhaul to depot maintenance overhaul when modification or upgrade is performed concurrently with overhaul; these costs must not be prorated between overhaul and modification or upgrade.

C. Depots may charge labor costs incurred installing a modification or upgrade concurrently with depot maintenance overhaul work to the depot maintenance overhaul job order if the amount of the modification or upgrade labor is so small that no significant or material distortion in either the modification or upgrade or the depot maintenance cost will occur. When this practice is followed, there must be no adjustments to the depot maintenance overhaul job order based on labor or material standards or other estimates of modification or upgrade labor in order to support reimbursement from fund citations for modification or upgrade work.

131207. Information Technology

A. Depots must capitalize the costs of computer programming efforts for DWCF equipment (that is, the costs of software development efforts for use on DWCF activity assets) when they meet the DoD capitalization criteria. Programming efforts that do not meet prescribed capitalization criteria must be treated as operations overhead expense of the performing cost center. If the programming effort consumes significant amounts of resources, the depot must establish a separate indirect department or service center and allocate the service center's capitalized and other costs to the benefiting direct cost centers based on program use. Depots must charge the costs of programming effort for non-DWCF activities to those activities before allocating the remaining costs to the benefiting direct cost centers. When the programming costs are not appropriately chargeable as an indirect production cost, depots must charge the costs to a G&A (overhead) expense account. General cost guidance applicable to information technology can be found in Volume 4, Chapter 6 "Property, Plant, and Equipment".

B. DWCF activities perform software support to ensure that fielded software systems, as updated by modification and improvement efforts, continue to support original missions. All DWCF costs for software support must be charged to specific job orders established for this purpose. DWCF activities must include all applicable direct labor, direct material, all other direct costs, indirect production and G&A (overhead) costs in costs charged to the orders.

131208. Machine Set-Up Costs

A. Depots must charge the cost of programming efforts for automatic test and numerically controlled machines to the benefiting job order(s). However, if a depot expends significant effort for programming that benefits more than one job order, then the depot must allocate the programming cost to all benefiting job orders. If new machinery or equipment is required, then these costs are part of the Capital Investment Program. The nonproductive labor hours of employees waiting for programming to be completed is an indirect expense of the worker's cost center.

B. Depots must charge machine tool set-up time to the benefiting job order(s). Set-up time is normally recorded as direct labor on a job order and should not be separately

recorded from the job order. However, if a significant effort is expended for a set-up that must benefit more than one job order, then the depot should allocate the set-up to all benefiting job orders. The nonproductive labor hours of employees waiting for a set-up to be completed are an indirect expense of the worker's cost center.

131209. Defective Work and Spoilage Costs

A. Depots must charge the applicable job order for efforts undertaken to correct work defects and spoilage when quality control standards are not met. Examples of corrective work that should be directly charged to a job order include:

1. Reworking castings, welds, and brazing involving acceptable reject rates.

2. Minor realignment or refitting of units that are improperly finished or aligned.

3. Resoldering of connections broken in transit.

B. Depots must charge the responsible cost center's indirect material and labor costs with the costs of the corrective work when unusual defects or excessive spoilage occurs. When the responsible cost center cannot be determined, depots must charge the applicable material and labor cost as an indirect production cost. Defective work and spoilage that are chargeable to indirect production costs include the following:

1. Costs for additional material and labor necessary to remedy or rework end products when defects beyond acceptable levels are detected during the normal production and inspection processes. Such costs do not add value to the work performed but are necessary to bring the work up to stated specifications.

2. Costs related to work on items with defects so severe that the item must be removed from the production process and sold as scrap or returned in part to raw materials. When this happens, the depot must relieve the applicable job order of the costs and charge the indirect production costs of the responsible cost center. If a responsible cost center cannot be determined, the depot must charge a G&A (overhead) account for "Defective Work and Spoilage" for the costs of the rejected item.

*131210. Disposition

A. Depots must comply with ***40 U.S.C. section 574*** and Volume 11A, Chapter 5, "Disposition of Proceeds from Department of Defense Sales of Surplus Personal Property" regarding disposition of proceeds from DoD sales of surplus property. Proceeds from the sale of surplus property generated, collected, or otherwise obtained by DWCF activities as a part of normal operations must be credited to the DWCF and accounted for as follows:

B. Estimated proceeds from the sale of material removed during work on vessels, aircraft, vehicles, and weapons that can be feasibly and economically related to a specific job order may be credited to that job order. When actual proceeds are known, the job order amount must be adjusted if the job order is still open. Otherwise, the net difference between the estimated amount and the actual amount of proceeds must be adjusted to USSGL Account 711000, "Gains on Disposition of Assets - Other".

C. Carcasses received from customers that are later condemned or deemed unserviceable are considered a normal part of DWCF operations. Therefore, the proceeds from the sale of carcasses received from customers must be credited to USSGL Account 711000.

D. All other proceeds from the sale of DWCF items must be credited to USSGL Account 711000.

*131211. Mobilization Capability Costs

Mobilization capability costs include the costs to maintain a surge capacity and/or maintain other assets, functions, or capabilities required to meet an operational contingency as documented in the Secretary's force planning guidance or operational plans. Surge capacity most often manifests itself in facilities and equipment that are unutilized or underutilized during normal peacetime operations. DoD policy and guidance associated with mobilization costs is contained in Chapter 14 "Mobilization Costs", and in Volume 2B, Chapter 9.

131212. Job Order Cancellations or Reductions in Scope

A. Depots must charge the costs incurred plus the applied indirect production and G&A (overhead) costs, and costs associated with the cancellation or reduction, to the customer when a job order is canceled or reduced in scope after a DWCF activity has commenced work or incurred costs on the order. Funds personnel must ensure the customer provides and/or does not reduce funding below amounts required to cover canceled/reduced orders. Examples of directly associated cancellation or reduction costs to be charged to customers are advance planning costs, noncreditable direct material, special test equipment, necessary preservation and/or shipment effort, and any additional effort necessitated by the cancellation and/or reduction; for example, salvaging of material. In addition, depots must charge the customer for the costs of salaries payable to employees hired specifically to work on the canceled order until the employees are, or could have been, separated through a reduction in force or other appropriate action (taking into account appropriate administrative lead time), or reassigned to other direct jobs.

* B. Costs that are indirectly associated with cancellation or reduction actions must not be charged to the customer. Although normally allocated indirect production and G&A (overhead) costs must be charged to canceled or reduced customer orders, any underapplied indirect production and G&A (overhead) costs that may occur as a result of a reduced workload base of the DWCF activity as a whole must not be charged to the customer canceling or reducing their order. The underapplied costs must be recorded against the net operating results of the performing DWCF activity.

131213. Employee Training Costs

A. Depots must record the cost of training performed for the DWCF activity's benefit as an indirect expense of the employees' cost center. General developmental training for WCF employees not required to support actual productive workload (i.e., training in the installation, operation, and maintenance of DoD weapons, equipment, and systems to develop organic expertise) may not be charged as a direct cost to customer orders.

B. Training costs must include all applicable elements of cost, including labor costs of trainees, travel, transportation, per diem costs, labor costs of instructors, tuition, books, and materials. Training costs must include the cost of planning the course of instruction, conducting the course, and any related support effort.

C. The development and qualification of employees requested by activities outside of the performing DWCF activity must be charged to a specific job order.

D. The hours of on-the-job training in the form of actual productive effort (as opposed to observation or other noncontributory effort) are chargeable as direct labor to the related job order. Noncontributory effort, including time spent observing others, should be charged to the indirect costs of the cost center of the employee.

131214. Technical Assistance

Depot maintenance technical assistance is a specialized service, provided by qualified depot maintenance technicians, that is performed in many different ways depending upon the requirement. Technical assistance may include instruction on maintenance repair or support processes for military equipment, special programs for military reserve units, training foreign nationals using uniquely qualified personnel to provide technical assistance, performing specific work requiring special skills for operational activities, other maintenance organizations, or foreign governments. All depot maintenance activity costs for technical assistance must be charged to specific job orders established for that purpose. The costs charged to these job orders must include direct labor, direct material, all other direct costs, and operations overhead and G&A costs including variances for applied overhead.

131215. Assets Manufactured by a DWCF Activity for Itself

Normally, the material requirements of a DWCF activity are met by the supply system or commercial procurement. However, in some cases, material requirements may be fulfilled by a manufacturing process at the DWCF activity. The manufacturing process includes several phases:

A. Preparation of a work authorization document (in-house job order) to replace the normal funded customer order;

B. The costing of direct labor, material, and applied overhead to the manufacturing job order as work-in-process; and

* C. The posting of the completed job order to an asset account, or, if the transaction is reimbursable, to a job order.

131216. Special Non-DWCF Functions

Occasionally, some uniquely qualified DWCF personnel are asked to perform various types of special functions that are not DWCF activities or functions. Such work is chargeable to other separately budgeted functions such as supply operations, property disposal, or family housing.

131217. Concurrent Maintenance

Concurrent maintenance occurs when the depot inducts component parts of an end item into the maintenance process at the same time as the end item is inducted for maintenance. This approach is used instead of an exchange. The approach selected is usually a function of the desired outcome and the availability of exchanges. Concurrent maintenance and exchange do not normally result in the same costs being incurred, and no attempts should be made to balance the costs incurred for work performed in the two separate modes. All concurrent maintenance costs must be charged to the weapon system order and not allocated to component repair job orders.

131218. Host/Tenant Support Services

The DWCF activities give and receive different types and levels of support services to and from the host installation depending upon location and mission assignments.

A. Uniform costing requires that support services that benefit the performance of the depot maintenance function be recognized as part of the indirect expenses of the benefiting cost center, or the entire DWCF activity as appropriate, regardless of the funding source for the support services.

B. The DWCF activities must not provide or receive goods or services on a nonreimbursable basis. In addition, offset or barter arrangements must not be made with other activities for goods or services. Special arrangements to avoid normal funding requirements may result in apparent violations of the Antideficiency Act.

131219. Employee Bonuses and Awards

Depots must charge monetary awards paid to employees for suggestions and one-time bonuses, such as special act awards performance bonuses, and productivity gain sharing program payouts, to indirect production costs of the cost center of the employee receiving the award. Annual pay increases resulting from the employee performance appraisal process are simply increases in base pay that affect regular payroll cost.

VOLUME 11B, CHAPTER 14: "MOBILIZATION COSTS"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue and underlined font*.**

The previous version dated November 2009 is archived.

PARA	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Revised language throughout to reduce the usage of passive voice.	Revision
1401	Revised the format of the first paragraph to comply with the "Department of Defense Financial Management Regulation Revision Standard Operating Procedures" by creating a "General" section. Subsequent sections were renumbered.	Revision
140301	Added language to explain the cost required to maintain unutilized property and equipment must be reimbursed unless funds are appropriated for that purpose.	Revision
140303	Added language to clarify that investment expenses are non-recoverable for rate setting purposes.	Addition
140304	Added language to clarify that United States Transportation Command expenses are non-recoverable for rate setting purposes.	Addition

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CHAPTER 14

MOBILIZATION COSTS

*1401 GENERAL

140101 Overview

Each Defense Working Capital Fund (DWCF) activity group must plan for and maintain the capability to expand or alter operations, or to provide extraordinary supply or other functional area support necessary, to satisfy mobilization conditions when required. The nature and extent of the costs to be paid by a separate appropriation rather than charged to other customers through the rates must be in accordance with this policy.

140102 Purpose

The policy contained herein addresses the requirement for a separate appropriation for peacetime costs to maintain a mobilization capability and applies to all DWCF activity groups. This requirement is hereafter referred to as a mobilization requirement. The Statement of Federal Financial Accounting Standards 4 describes managerial cost accounting for the Federal Government which provides a general understanding of cost accounting, definitions of direct and indirect costs, and the methodology for accumulating the total costs of the supporting DWCF mobilization/ surge activities.

140103 Authoritative Guidance

The National Defense Authorization Act delineates appropriations for mobilization costs.

1402 DEFINITIONS

140201. Mobilization Capability Costs

Mobilization capability costs include the costs to maintain a surge capacity, to procure and maintain approved war reserve material levels, and/or to maintain other assets, functions, or capabilities required to meet an operational contingency as documented in the Secretary's force planning guidance or operational plans.

140202. Surge Capacity

A. An activity group's total surge capacity often manifests itself in facilities and equipment that are unutilized or underutilized during normal peacetime operations. Unutilized (Reserve) plant and equipment capacity is that part of a DWCF activity's assets including plant and equipment that is held in a standby, idle, or lay away status or for war reserve storage. The DWCF uses a separate appropriation to procure and/ or maintain wartime reserve materials, and to maintain other assets, functions, or capabilities required to meet an operational contingency.

B. Unutilized capacity associated with the ability to satisfy a projected surge capability is considered a mobilization requirement eligible for separate appropriation funding if it is utilized only 20 percent or less of available workdays in a month. The DWCF rates must not include the cost of unutilized capacity. Instead, the host activity will budget direct appropriated fund support (labor, materials, contractual support, and overhead) for the unutilized capacity and will reimburse the DWCF activity for costs incurred in the DWCF.

C. Unutilized capacity associated with the ability to provide capability in excess of any known or projected requirement is not a mobilization requirement.

140203. War Reserve Materiel

War reserve materiel includes secondary items procured and/or stored in support of wartime scenarios established in the Secretary's force planning guidance or contingency operations identified in specific Operational Plans.

1403 FUNDING

*140301. Operations

The cost incurred to maintain unutilized plant and equipment capacity must be reimbursed unless funds have been appropriated directly to the DWCF for that purpose. The DWCF activity must separately accumulate the portions of direct, indirect, and general and administrative (G&A) costs supporting the maintenance of this capacity. When a portion of a DWCF activity's plant is purposely set aside as idle capacity, the Component must request a direct operation and maintenance appropriation to pay for the cost of essential operation and maintenance for that portion of the plant and idle equipment as well as an allocated portion of G&A costs. The percentage of G&A costs allocated to the cost center for the unutilized plant capacity must be the same as the percentage of G&A costs allocated to other cost elements of the activity. Separate cost centers must be maintained for all such costs.

140302. War Reserve Materiel

The purchase of secondary items of supply as War Reserve Materiel must be funded from a direct appropriation. The applicable Supply Management or Commissary Resale activity Annual Operating Budget must reflect such appropriated amounts as a separate goal. Items such as ammunition and/or principal and major end items procured for war reserve must not be funded with DWCF, but must be funded through amounts available to Component/Defense Agency procurement appropriations.

*140303. Capital Investments

Component procurement appropriations must fund new capital asset investments at DWCF activities necessary to satisfy a mobilization requirement. The DWCF activity groups must assume ownership of such assets. New capital assets to satisfy a mobilization requirement (as well as other, older capital assets laid away for use in mobilization) must be depreciated for reporting

purposes on the Accounting Report (Monthly) 1307 (AR(M) 1307). These expenses are non-recoverable for rate setting purposes because the assets are funded by appropriations, see Volume 2B, Chapter 9.

*140304. United States Transportation Command

The United States Transportation Command (USTRANSCOM) activity must maintain a capability to respond expeditiously to requirements to transport personnel, material, or other elements required to satisfy a mobilization condition. The following paragraphs describe direct appropriations, requested by the Air Force or Army, as appropriate, that support USTRANSCOM operations.

A. The Air Mobility Command (AMC) bases airlift flying hours and associated costs on the requirement to maintain the capability of the airlift system, including crew training (and concurrent mobilization) requirement. The Department of Defense (DoD) uses the airlift system training generated capacity to move air eligible cargo and passengers. The USTRANSCOM generally establishes rates that are competitive with commercial carriers to extend air eligibility and increase capacity utilization. However, resulting revenue does not cover the costs of operations due to the mobilization requirement. This requirement will be budgeted and recorded as follows:

1. The costs for military personnel will be recorded at the civilian equivalency rate in accordance with the policy on Military Personnel Expense in Chapter 12. A Military Personnel appropriation will directly fund military personnel within the AMC. These expenses must be reported on the AR(M) 1307; they are recoverable for rate setting purposes because the expenses are reimbursed to the respective Military Personnel appropriation, see Volume 2B, Chapter 9.

2. The Air Force will request a direct appropriation for and place an order with the DWCF to fund the balance of the mobilization requirement costs. This will assure that revenue is reflected to offset the costs.

B. The Surface Deployment and Distribution Command must plan for and maintain a Reserve Industrial Capacity (RIC) to transport personnel resources, material and other elements required to satisfy a mobilization requirement. The costs of RIC will be funded by the Army Operation and Maintenance appropriation.

1404 ACCOUNTING

140401. Cost Center Capability

DWCF activities must establish a cost center capability to separately account for all costs applicable to the continuance of a mobilization requirement. Where necessary, DWCF activities must maintain such costs to the function or task level, as necessary to segregate costs between normal operating costs and mobilization costs.

140402. War Reserve Items

DWCF activities must account for purchases of DWCF-funded War Reserve items at the same level of detail as items procured for peacetime requirements, recording amounts in separate general ledger accounts, or appropriate subaccounts, to retain separate visibility of such assets. Inventory levels funded by such amounts are not available for sale; therefore, DWCF activities must maintain and report War Reserve costs separately to ensure that the unit cost targets for Supply Management activities are not affected.

1405 REPORTING

The DWCF activities must record and report financial information on the maintenance of a mobilization capability in accordance with the DoD accounting and reporting requirements specified for the DWCF. AR(M) 1307 must be prepared to include a footnote that identifies the amount of the mobilization requirement costs that are funded through direct appropriations or reimbursable orders accepted specifically for mobilization requirements.

VOLUME 11B, CHAPTER 15: "SUPPLY MANAGEMENT ACTIVITIES"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue and underlined font*.**

The previous version dated December 1994 is archived.

PARA	EXPLANATION OF CHANGE/REVISION	PURPOSE
ALL	Restoration of deleted sections of Volume 11B Chapter 55	Clarification
150302	Expanded the definition of Standard Price	Clarification
150302	Defined Materiel Cost	Clarification
150302	Expanded the definitions of cost recovery elements	Clarification
150302	Revenue from operations other than the sale of inventory should be classified as "Other Income".	Clarification
150402	Unfunded Contract Authority requires a source of reimbursement	Clarification
150403	Liquidation of Contract Authority	Clarification

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CHAPTER 15

SUPPLY MANAGEMENT ACTIVITIES

1501 GENERAL

This chapter provides the policies and procedures to guide budget formulation and execution for supply management activities of the Defense Working Capital Fund (DWCF).

1502 BACKGROUND

This guidance is applicable to all DoD working capital funds.

1503 PRICING OF INVENTORY ITEMS

150301. Introduction.

Policies and procedures to be used in the budget development of prices for supply management activity items are contained in Volume 2B, Chapter 9, "Defense Working Capital Funds Activity Group Analysis", DoD Financial Management Regulation, DoD 7000.14-R.

*150302. Standard Price

Standard price is the current value of inventory plus all cost recovery elements required to ensure that sufficient budgetary resources are available to fund the entire cost of operations. As a general rule, each cataloged item with an assigned national stock number, and under DoD Inventory Control Point management, shall have a standard price for sales to all authorized customers. Non-DoD customers providing direct support to DoD related mission requirements shall be charged the standard price. All other non-DoD customers will be charged as prescribed in Volume 2B, Chapter 9 section 090103. Exceptions to this policy may be authorized elsewhere in this chapter. Components shall establish product prices at the lowest practical item level in order to promote cost visibility/management and to motivate cost effective customer/supplier behavior. At a minimum, prices should be established by Federal Supply Class (FSC) or other comparable level at which specific cost allocations can be made. Product pricing levels above the FSC must be approved by the Director of Revolving Funds, Office of the Under Secretary of Defense (Comptroller). The standard sales price of each item shall be determined in advance of the execution year to allow for publication before the price is effective. The standard sales price becomes effective for billing purposes on the first day of the fiscal year. A standard price will not be changed during the fiscal year without the prior approval of the Director of Revolving Funds except as stated in paragraph 150305 of this chapter. The dollar amount of unfilled customer orders accepted at the previous fiscal year's standard price shall be adjusted (upon notification to the customer) to reflect the latest standard price when notice of the price change is received. Normally, all recurring local procurements shall be cataloged and assigned a local standard price including any retail level cost recovery element except when the volume of local procurements of an item does not justify the assignment of a local standard price. In those cases,

a local purchase of such a nonstandard item shall be priced based upon procurement cost plus any retail level cost recovery element.

A. Latest Acquisition Cost (LAC) should be used to establish an inventory item's unit standard price for materiel cost. LAC is the most current cost of a representative procurement. LAC may be calculated by dividing the most current cost amounts by the sum of their quantities. For items without a procurement history, an acquisition cost may be estimated based upon current manufacturer's price listings or market price quotations. The acquisition cost of an item procured by means of a multiyear contract may include upfront costs such as setup costs that will not be incurred in future years. In those situations, the setup cost should be prorated over the total planned volume of items to be purchased under the contract. Undefinitized Contract Actions (UCAs) may be used as the basis for updating LAC. However, in these cases the "not to exceed price" will be used, not the "award price."

B. Total cost recovery is the sum of the dollar amount of all non-materiel costs. The cost recovery rate is calculated by dividing total non-materiel costs by total materiel costs. This represents the percentage markup on materiel costs required to operate the supply activity. The sum of non-materiel and materiel costs represents the amount of revenue required (standard price) to liquidate the total amount of contract authority requested in order to break-even. These cost elements should be displayed on the SM-5a budget exhibit (See Volume 2B, Chapter 9). These factors are also used to calculate the stabilized rate for supply activities.

1. The basis for the Cost Recovery Rate (CRR) is a markup on total materiel costs to cover operating costs. Total materiel costs represents total replenishment costs for all materiel sold to customers. The basis for replenishment costs is the authorized representation of inventory valuation (LAC). To this value, cost elements for inflation, product cost growth, loss/obsolescence/damage/washout, and provisioning may be added. Normal inventory costs to be included in this cost recovery element are the net of losses and gains from incoming and outgoing shipments, physical inventory adjustments, inventory losses as a result of shrinkage, theft, deterioration, damage contamination, defective items if not reimbursed by supplier, obsolescence, and adjustments to reconcile internal records. Obsolescence consists of the current replacement cost of new or modified items required to replace items no longer needed due to changes in technology, laws, customs, or operations (for example, modification or replacement of a weapon system or commodity). Extraordinary losses such as those due to armed hostilities, riot, or significant damage due to fire, flood, earthquake, storms, or other abnormal events are not normal inventory losses and should not be included in the cost recovery element for inventory expenses. Appropriations should be sought from Congress to fund extraordinary losses.

(a) Inflation is the dollar amount of the standard rate of inflation as published by the Office of Management and Budget (OMB).

(b) The Product Cost Growth Factor (PCGF) is a cost element to account for any anticipated price growth beyond standard inflation.

(c) Loss/obsolescence/damage/washout is a cost element that is associated with any costs that are expected to be incurred for these types of situations where a replacement unit is required. Activities that manage maintenance and repair missions on an exchange carcass basis incur replacement cost for carcass washouts and losses. Carcass washouts (sometimes termed "condemnations") are carcasses that, during the initial inspection, are determined to be repairable but during the repair process are determined to be unrepairable and are also determined to require replacement. If the carcass is determined to be unrepairable because of customer cannibalization or other malicious damage caused by the customer, the customer shall be charged the difference between the exchange price and the current standard price and this cost shall not be included in the surcharge element. Lost carcasses (for example, in transit to the customer or to the supply system) shall be investigated and necessary internal controls strengthened as required by DoDFMR Volume 12, Chapter 7.

(d) The provisioning cost element is provided in situations which a weapon system was originally fielded under a contractor logistics support agreement. If the contractor either fails to perform, or a decision is made at the component level to transfer program management to a DWCF supply activity, the component may decide to fund the provisioning action in the standard price of the item. The component may also decide to fund this action using contract authority without an immediate reimbursement so long as a funding source can be identified and used for reimbursement by the time of first delivery and the action has been pre-approved by the Director of Revolving Funds. Pre-approved reimbursable transactions of this type shall be recorded as "other income" and will not be included in the standard price.

(e) Inventory augmentation costs finance the acquisition of inventories which are required over and above demand replacement (excluding mobilization requirements which are financed by appropriations) to maintain the level of materiel support at the currently approved position. Inventory Augmentation is normally funded by direct appropriation, but may be included as a cost recovery element if approved by the Director of Revolving Funds.

2. Cost recovery elements for operating costs shall be included in the standard sales price of an item including payroll, personnel travel, transportation, defense agency billings, other WCF purchases, operating materiels and supplies, rent/communications/utilities, depreciation, transportation and other service contracts (See paragraph 150302 C of this chapter).

3. Infrastructure costs shall be identified separately and may include depreciation, capital programs (depreciation, capital surcharges) and systems sustainment recovery elements. Each fund manager may determine if reimbursement for infrastructure costs will be collected in the year the capital program is executed or over an approved depreciation schedule that allocates collections to the capital program.

4. Other cost recovery elements may be added to the price and must be approved by the Director of Revolving Funds during the budget submission. Typical revolving fund adjustments include Accumulated Operating Results adjustment, cash corpus retention and fund management adjustments.

C. The purpose of the cost recovery elements are to balance total revenues with total net operating costs, plus or minus changes in levels of assets, such as inventory or cash. Total net operating costs shall not include requirements funded by appropriations, such as war reserve appropriated amounts (see Volume 4, Chapter 4, paragraph 0405 for treatment of War Reserve Materiel). The costs to be accounted for within the recovery elements shall encompass:

1. The costs of operating wholesale inventory control points and wholesale supply depots shall be financed by the supply management activity. Such costs include civilian labor and benefits, military labor, supplies, purchased services, reimbursements to other Defense agencies that provide support to supply management operations. The cost of performing equivalent functions at the retail level (installation/area supply support) may be included in the cost recovery rate assessed by the wholesale activities if the retail activity is managing the distribution of DLA, GSA or any other government agency where an additional rate would not be applicable.

2. The costs incurred by separate activities and functions that exist primarily to benefit the mission of a wholesale inventory control point and/or a wholesale supply depot. Mission support cost pools shall be established that identify costs incurred by activities and functions that directly provide benefits to wholesale inventory control points and wholesale supply depots. These cost pools will include all costs (civilian labor and benefits, supplies, purchased services, and other costs) incurred in functions such as line management (command and control), staff management (policy functions), and centralized service functions (e.g., procurement, accounting, personnel, ADP, etc.). The portion of such overhead cost pools that directly benefit the supply management activity mission shall be allocated to, and reimbursed by, the supply management activity. The allocation shall be based upon the relationship of the cost of the benefits provided to the supply management activity to the cost for all activities or functions.

3. The term “shipping and transportation” includes costs for packing, crating, handling, transportation, and, where appropriate, port loading, and unloading. Items may be shipped from a stocking point (issues) or to a stocking point (returns).

(a) Costs to be included are transportation costs for items issued by the supply management activity. To the extent that first destination transportation is not included in the acquisition cost, an estimate of the cost shall be included in this element. Second destination transportation costs should be based on the assumption of average cost as adjusted by projected changes in the budget year. Second destination transportation costs financed by a supply management activity generally include only transportation within the continental United States (CONUS) and between overseas locations. An additional transportation charge shall be assessed for expedited delivery and delivery outside CONUS based on destination, e.g., Europe, Far East, Near East and for contingency operations.

(b) The costs of providing and managing commissary items, including related operating costs incurred to support the mission of commissaries, shall be identified as commissary operating costs. These costs include but are not limited to, costs incurred to support commissaries at a headquarters or regional level. Commissary operating

costs shall be charged to, and reimbursed by, appropriations made available to the Defense Working Capital Fund for commissaries and the commissary trust revolving fund as prescribed in DoD Instruction 1330.17, "Armed Services Commissary Operations."

(c) Costs to be included are shipping and transportation costs only for items approved by an item manager for return from DoD customers to the supply management activity. The supply management activity shall reimburse transportation and other shipping costs only for items approved by an item manager for return from customers. Shipping and transportation cost for items that have not been approved by an item manager for return from customers shall not be paid by the supply management activity.

(d) Costs to be included are shipping and transportation costs for the return of reparable exchange carcasses from customers. Customers will not be charged separately for carcass returns because supply activities factor shipping and transportation costs for customer returns of carcasses into cost recovery projections.

(e) Costs to be included are shipping and transportation costs for lateral distributions of stock when directed by an item manager. When a shipment is made at the direction of an Integrated Material Manager (IMM), the supplying (issuing) activity shall be reimbursed by the IMM for the costs of packing, crating, handling, and transportation to move that materiel.

4. If a supply management activity experiences a sudden decrease in volume of customer orders, it may require additional revenue in order to liquidate contract authority associated with undelivered inventory ordered from vendors. It may be obtained either through transfer or direct appropriation to the revolving fund, or by supply management activity establishment of a cost recovery element (or combination of both). Once undelivered order stock levels have stabilized to a level appropriate for the new volume of demand, any cash surcharge will be eliminated.

D. A cost recovery element used by a retail level supply activity:

1. Will include inventory (materiel) expenses. Inventory expenses applicable to the retail-managed items are the net impact of gains and losses at the retail level, obsolescence, and shelf-life deterioration.

2. May include other cost recovery elements, when approved by the Director of Revolving Funds.

E. Direct reimbursable costs are costs not associated with the primary operations of a business activity (such as selling inventory) and will be excluded from the cost recovery rates. Cost reimbursement is to be reported as "Other Income" on the AR 1307 and the Fund-14. All costs that are reimbursed in "Revenue from Sales" are considered operating costs and will be factored into the rates and the unit cost goal for that activity.

150303. Foreign Military and Private Party Sales

As prescribed in Volume 15, "Security Assistance Policy and Procedures," of this Regulation, the selling price of Defense Working Capital Fund items to Foreign Military Sales customers shall be the current Defense Working Capital Fund price for that item.

150304. Lateral Redistribution of Stock

An item manager may direct a lower stock level to issue stock when the total cost of such action is lower or when the item manager does not have stock available to meet a requisition's response time and the lower level does -- such action is termed "lateral redistribution." As provided in DoD 4140.1-R, DoD Supply Chain Materiel Management Regulation, billing procedures associated with lateral redistributions directed by an item manager will ensure an issuing activity is reimbursed for both the standard price of the materiel and the standard packing, crating, handling, and transportation costs associated with a redistribution. The item manager will bill the requesting activity for the standard price of the materiel and reimburse the issuing activity for the standard price of the materiel and the standard packing, crating, handling, and transportation costs.

150305. Authorized Changes of Standard Prices

DoD Components shall set product prices on an annual basis. Those prices cannot be changed during a fiscal year without justification to, and prior written approval of the Director of Revolving Funds. The only exceptions to the requirement for prior approval are:

A. Subsistence items sold to a commissary may be changed on a procurement lot basis.

B. Subsistence items sold for troop issue purposes may be changed on a monthly basis.

C. Clothing items required for a mandatory clothing bag may be changed when a related change occurs in the clothing allowance for military personnel.

D. Unit of issue changes.

E. First time buys.

F. Changes in logistical relationships between repairable items.

G. Changes in prices for items managed as the secondary inventory control activity (SICA) for another agency.

H. Gross pricing errors.

I. Changes from non-supply activity to a supply activity.

J. Changes in prices of components prices for sets kits and outfits (SKO).

K. Items become obsolete, obsolescent or in long supply.

L. Price challenges or breakouts.

M. Discounted product prices (see 150306.).

N. Customer requested product changes.

O. Seasonal price variations for materiel normally bought for direct vendor delivery.

150306. Discount Pricing

As a general rule, all product prices must reflect the full cost of the product and the related management activity. However, discount pricing is permitted under the following conditions:

A. With the prior approval from the Director of Revolving Funds, a supply activity may charge a customer a discounted price for a supply item. The request to discount an item price should be accompanied with an analysis of the cost (profit/loss) impact anticipated as a result of charging a lower price.

B. Reductions from standard prices may be made subsequent to approval by the Director for Revolving Funds upon determination that there is an actual difference in utility or desirability of an item because of age, condition, or model for items being phased out of the system, items no longer being procured, items with limited remaining shelf life, items in a less than “fully serviceable“ condition, and items in long supply, i.e., assets stratified as “potential reutilization stock. “

C. Policies and procedures to be used in the development of exchange prices for supply management activity items are contained in Volume 4, Chapter 4, “Inventory and Related Property,” of the DoD Financial Management Regulation, DoD 7000.14-R.

150307. Pricing for Additional/Premium Service

Components may establish and offer variable levels of service related to a product, at variable prices, to allow customers the opportunity to economize according to their needs. Appropriate fees may be established annually and may vary according to the item/class of items. Refunds (credits) will be made available for those instances where a customer has paid for a level of service that was not provided. This permissible policy is not intended to authorize a reduced charge for some customers. It is intended to authorize an additional charge for customers who ask, and are willing to pay, for enhanced service. Individual orders may be assessed additional cost recovery rates based on the following elements:

A. Expedited delivery.

B. Delivery outside the continental United States based on destination, e.g., Europe, Far East and Near East.

C. Depot handling fees related to order issues only. The fee(s) will include a minimum charge for low priced orders, a standard charge for bin item issues, a standard charge for normal bulk item issues, and special charges for unusual bulk item issues, e.g., special handling and extraordinary quantities.

1504 CONTRACT AUTHORITY FOR SUPPLY MANAGEMENT OPERATIONS

150401. Background

Based on the authority in 10 U.S.C. 2210, the OMB apportions anticipated contract authority at the beginning of a fiscal year for the amount of the approved supply management activity program. This anticipated contract authority becomes realized contract authority when obligations are incurred by the supply management activity. Unfunded contract authority is the amount by which obligations incurred exceed customer orders accepted (obligations less customer orders accepted). Contract authority provided to a supply management activity is subject to apportionment as required by the Anti-Deficiency Act in accordance with the procedures prescribed in OMB Circular A-11, "Instructions on Budget Execution" (See Volume 3 Chapter 19).

150402. Budgetary Resources

Budgetary resources for supply management activities available for use during a fiscal year consist of any congressionally appropriated and reappropriated amounts made available; the net of any nonexpenditure transfers into and out of the supply management activity and other Federal Government accounts (cash transfers); balances made available from the previous fiscal year contract authority; and apportioned anticipated contract authority. Normally, supply management activities may obligate based on two primary sources: contract authority and appropriated funds for war reserve/mobilization purposes. Liabilities (accounts payable) are typically payable from the fund balance with Treasury within the next 30 days. Unfunded (unliquidated) contract authority should be considered a long-term liability for supply management activities because budgetary resources required for payment of these contracts have not yet materialized through customer orders or appropriations from Congress. For supply management activities, the primary sources of budgetary authority are the fund balance with Treasury, collections from customers, appropriations and unfilled customer orders. Claims on budgetary authority are primarily accounts payable, and unliquidated contract authority (undelivered orders) (See Volume 3 Chapter 19).

A. At the end of each fiscal year, unused balances of funds appropriated to the supply management activity shall be used to offset the need for anticipated contract authority. Such amounts are not available for use until they are reapportioned and reflected on the

supporting financing schedule as an increase to the limit imposed for obligation authority on an approved apportionment in the new fiscal year.

B. The OMB may approve and apportion anticipated contract authority in the amount of the approved supply management activity operating program.

C. The OMB apportionment of anticipated reimbursements as anticipated contract authority currently includes a footnote, consistent with the following:

Pursuant to 10 U.S.C. 2210(b), obligations/commitments may be incurred in excess of the amount of the apportioned resources actually realized in the amount of contract authority approved, but not in excess of the total apportioned. The estimated unfunded balance of this contract authority pursuant to 10 U.S.C. 2210(b) of $ on September 30, 20xx is increased by $ provided that this amount is automatically reduced to the extent that orders are realized.

D. Anticipated contract authority becomes realized contract authority when obligations are incurred. These obligations require budgetary resources at the time of disbursement.

E. The receipt of customer orders provides budgetary resources for realized contract authority. Customer orders received are requisitions and other orders accepted for items to be furnished on a reimbursable basis. Budgetary resources provided from a customer order are available to fund obligations provided that, in the case of orders from the public, an advance has been collected. Throughout the fiscal year, the cumulative amount of resources available from customer orders is adjusted to the extent that orders are canceled, or revised upward or downward because of standard price changes, quantity adjustments, etc. The amount of budgetary resources available for obligation from customer orders is the sum of orders received from Federal Government accounts that represent valid obligations of the ordering account, plus advances received on orders accepted from the public. Orders from the public include orders received from state and local governments. These budgetary resources shall replace the budgetary resources apportioned as anticipated reimbursements.

1. The receipt of a customer order at the activity level shall be recorded as an increase to customer orders accepted and an increase to unfilled customer orders. This is necessary because supply management activities receive obligation authority based on anticipated reimbursements without regard to the timing of the receipt of the customer order. In other words, supply management activities receive contract authority in lieu of obligation authority which is commonly used for non-supply activities. If the normal accounting for the receipt of a customer order were used, duplicate obligation authority from the receipt of the order would occur at the allotment level. Instead, receipt of customer orders is an offset to unliquidated contract authority and provides budgetary resources. The difference is that supply management activities incur the obligation before budgetary resources are provided. For non-supply activities, the budgetary resources are provided first, and then obligations are incurred (See Volume 3 Chapter 19).

2. For apportioned activities, these budgetary resources shall replace the budgetary resources apportioned as anticipated reimbursements at the departmental level based upon the net change in customer orders received during the month.

F. At the end of each fiscal year, any unobligated balances of appropriated funds applicable to apportioned working capital fund activities shall be used to offset the need for unfunded contract authority. Such funds are not available for use until they are reapportioned and reflected on the supporting financing schedule as an increase to the limit imposed for obligation authority on an approved apportionment in the new fiscal year. Any unobligated contract authority balance at the end of the fiscal year is adjusted to zero.

150403. Contract Authority and Cash Management

Although the responsibility for cash management is at the component level, the liquidation of contract authority is only authorized by collections from customer orders, or by an appropriation to liquidate contract authority. Cash collections from supply management activities are the primary funding source approved for the liquidation of contract authority unless otherwise approved in writing by the Director of Revolving Funds. Supply management activities may also submit requests as part of the component's budget request, for appropriations for the sole use of liquidating realized contract authority if a change in customer demands warrants this action. Similarly, any proposed negative surcharges identified in the budget justification materiel, other than AOR recovery, must be pre-approved in writing by the Director of Revolving Funds.

1505 MULTIPLE YEAR CONTRACTS

150501. Background

Multiyear contracts permit the purchase on one contract of more than one annual program increment of items to obtain a maximum economic advantage. For example, an economic order quantity in a multiyear contract may exceed a normal annual buy and yet be advantageous to the Government. Supply management activities are authorized to use multiple year contracts to procure items from a single contractor. Sole source items with a stable demand projection that are procured from a single contractor shall be evaluated to determine if the items should be acquired by means of a multiple year contract. As with multiyear contracts funded by procurement appropriations, the supply management activity may purchase items in an amount corresponding to the economic order quantities deemed appropriate for procurement in each year. Components, parts, and raw materiel for use in manufacture of items being acquired under a multiyear contract may be procured in quantities exceeding the current annual requirement when it is more economical and cost effective to do so. This is referred to as advance economic order quantity (EOQ) procurement. Advance EOQ procurements integral to multiyear contracts shall be funded in the most economical manner. They may be funded fully in single year increments on a termination liability basis, or included in a multiyear contract along with the nonrecurring contract costs. Under 10 U.S.C. 2306, the Department of Defense is authorized to enter into multiyear contracts containing cancellation clauses that may include both nonrecurring and recurring costs. This law specifies congressional reporting requirements based on

cancellation ceilings. Further, annual DoD appropriations Acts may contain specific language requiring limitations on the use of multiyear contracts. In addition, a single proposed multiple year contract in excess of $100 million or $10 million in estimated termination liability shall be submitted to the Director of Revolving Funds for approval prior to awarding the contract. Each separate option to extend a multiple year contract shall be considered as a single multiple-year contract for the purposes of this approval requirement. The DoD Components shall refer to annual guidance contained in Under Secretary of Defense (Comptroller) Multiyear Procurement Appropriation Language Guidance Memoranda for specific requirements and restrictions imposed by the Congress.

150502. Obligations

The supply management activity shall obligate the minimum amount required for the period of the contract.

A. If the contract provides for annual terms with options to extend the terms in subsequent years, the obligation shall be for the amount required to be procured by the Government in the first year. The obligation for each option year shall be recorded when the option is exercised.

B. If the contract provides for minimum quantities over a period of more than one year, the obligation shall be recorded for the sum of all of the minimum quantities times the agreed price. If the contract provides for minimum dollar amounts for a period of more than one year, the obligation shall be recorded for the sum of the minimum dollar amounts.

C. The bona fide needs rule derived from Title 31 United States Code, section 1502(a), applies to appropriations limited to a definite period of time. Although the bona fide needs principle does not statutorily restrict a supply management activity from incurring obligations against contract authority for requirements of the subsequent fiscal year, contract authority conferred to the activity for a year may impose limitations on execution of obligations. Also, because supply management activities use contract authority to incur obligations to acquire stock or order items for delivery to customers, and do not execute budgetary resources dependent on receipt of funded customer orders, the timing of a supply management activity's obligations against contract authority do not govern, establish or reflect whether the customer's order to the supply management activity is a bonafide need of the customer appropriation charged.

150503. Cost of Items

The cost of items procured by multiple year contracts shall be the amount paid for each item. If termination costs are incurred or if minimum guaranteed amounts are not met for items procured, the additional costs paid under the terms of the contract shall be recorded as supply management activity materiel obligations.

1506 BUDGETARY ACCOUNTS

150601. Background

Budgetary accounts are used to control and account for obligation authority received from appropriations and contract authority apportioned by OMB. Supply management activities are subject to apportionment as required by the Anti-Deficiency Act in accordance with the procedures prescribed in OMB Circular A-11, "Instructions on Budget Execution" (See Volume 3 Chapter 19).

150602. Allocations

The general provisions of the annual Appropriations Act provide that "Except in amounts equal to the amounts appropriated to working capital funds in this Act, no obligations may be made against a working capital fund to procure war reserve materiel inventory unless the Secretary of Defense has notified the Congress prior to any such obligation." Obligation authority for mobilization purposes shall be allocated and allotted separately as a direct program. Operating obligations consist of all obligations that do not meet the criteria defined for mobilization and shall be allocated and allotted separately as a reimbursable program. Obligations shall be accounted for and reported separately as mobilization and operating. Subaccounts to the budgetary accounts prescribed by this Regulation shall be established by the Defense Finance and Accounting Service to satisfy these requirements.

150603. Budget Execution

For supply management activities, balances for budgetary accounts are displayed on the SF 133 and the DFAS AR 1307 part VII (See Volume 3 Chapter 19).

DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

VOLUME 12: "SPECIAL ACCOUNTS, FUNDS AND PROGRAMS"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

VOLUME 12, CHAPTER 1: "FUNDS"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue and underlined font*.**

The previous version dated February 2006 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
0102	Updated reference from United States Standard General Ledger (USSGL) Treasury Financial Manual, Section III to USSGL Standard Financial Information Structure (SFIS) Transaction Library.	Update

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CHAPTER 1

FUNDS

0101 OVERVIEW

010101. Purpose

This chapter describes receipt, appropriation, and other fund account symbols relating to the financial operations and accounting transactions of the Department of Defense (DoD). The Department of the Treasury assigns account symbols consistent with the principles and standards prescribed by the Comptroller General of the United States. Account symbols are not the same as the United States Standard General Ledger (USSGL) accounts as prescribed in Volume 1, Chapter 7.

010102. General

This chapter includes a broad description of account symbols and their operation within fund groups. Account symbols are the basis for reporting DoD financial transactions. The Department of the Treasury, Financial Management Service (FMS), classifies receipt or expenditure account symbols and assigns them to a fund group based on their characteristics and the nature of the transactions they support. FMS assigns account symbols to agencies after considering the government's relationship to the accounts, the sources of the receipts, and the availability of the funds for expenditure. Receipt account symbols are arranged by general, special, and trust fund groups. Expenditure account symbols (appropriations) are arranged by general, revolving, special, deposit, and trust fund groups. The ***Treasury Financial Manual (TFM)***, Supplement to Volume I, ***Federal Account Symbols and Titles (FAST) Book*** describes the various categories of Federal Government fund account symbols.

010103. Fund Groups

All accounts are identified by fund groups through assignment of numeric and/or alphanumeric account symbols. The symbol assigned to an account is determined after consideration of the governmental effect of the account and the source of the receipt, and the availability of the fund for expenditure. Some of these accounts have a significant impact on DoD operations. The ***FAST Book*** contains all of the fund groups, account symbols, and titles. Table 1-1 lists the fund groups and the range of federal fund account symbols.

Table 1-1. Fund Groups and Symbols

Fund Group	Symbols
General Funds	0000-3899
Clearing Accounts	3500/3800
Management Funds	3900-3999
Revolving Funds	4000-4999
Special Funds	5000-5999
Deposit Funds	6000-6999
Trust Funds	8000-8999

010104. Additions and Deletions

The Defense Finance and Accounting Service (DFAS) obtains new fund account symbols from the Department of the Treasury but the Office of the Under Secretary of Defense (Comptroller) Program and Financial Control Directorate must approve new fund account symbols used in the *Report on Budget Execution and Budgetary Resources* (Standard Form (SF) 133).

*0102 ACCOUNTING STANDARDS

The accounting principles and standards prescribed in this Regulation apply to the proprietary and budgetary accounts, and to those reports required for the various fund types discussed in this chapter. Overall financial reporting policy and procedures are prescribed in Volume 6A. Accounting transactions for the USSGL accounts are specified in the ***USSGL Standard Financial Information Structure (SFIS)*** Transaction Library. Managers of funds that have budgetary resources available shall use the budgetary fund account symbols and budget execution reports shall be submitted as prescribed in this Regulation.

0103 GENERAL FUNDS

010301. General Fund Receipt Accounts (0000-3399)

General fund receipt accounts have been established to account for receipts of the Federal Government that have not been earmarked by law for a specific purpose and are preceded by an "R". General fund miscellaneous receipt accounts are categorized by major classes and account groups. For example, an unknown collection at a Defense Agency would be credited to *General Fund Proprietary Receipts, Defense Military, Not Otherwise Classified*, with the accounting citation 97R3210. For internal control purposes, none of the receipts credited to these accounts are available for obligation and expenditure. Therefore, general fund receipt account collections do not affect budgetary resources. General fund receipt account collections do provide resources to the Congress to fund appropriations. However, a congressional appropriation action requires a separate accounting process.

A. Unless there is specific statutory authority that authorizes a reimbursement to an appropriation account or fund (including special funds), all collections shall be credited to the appropriate general fund receipt account. However, obligations incurred that result in, or as a result of a general fund receipt account collection or receivable shall be recorded in the budgetary accounts of a direct appropriation or fund. Such obligations may be recorded as reimbursable obligations only when authorized to be reimbursed independent of the general fund receipt collection.

B. Accounts receivable for the general fund receipt accounts shall be recorded whenever an event results in the determination that money is owed to the U.S. Government. General fund receipt account receivables may be recorded at a summary level. Examples include:

1. A receivable shall be recorded for general fund receipt account 2651, *Sale of Scrap and Salvage Materials, Defense*, based upon the recording of an issue or the transfer of ownership of scrap or salvage material to a buyer. (Normally, a cash payment is required.)

2. A receivable shall be recorded for general fund receipt account 3019, Recoveries for Government Property Lost or Damaged, Not Otherwise Classified, Army, Navy, Air Force, based upon the receipt of an approved **DoD *(DD) Form 200, Financial Liability Investigation of Property Loss***.

3. The accounting for receivables and collection of those receivables in general fund receipt accounts are described in Volume 4, Chapter 3.

010302. General Fund Expenditure Accounts (0000-3899)

General Fund accounts record amounts appropriated by Congress for the general support of the government. Appropriations are statutory authorities to incur obligations and make payments from the U. S. Treasury for specified purposes. When a law appropriates budget authority, it specifies the period of availability. The period of availability is the amount of time the entity may create new obligations. This is called the period of availability for new obligation of the budget authority, and the period is normally specified in the law providing the budget authority.

A. Annual Appropriations (Annual Budget Authority). An annual appropriation has a period of availability for one fiscal year. An example of an annual appropriation is Operation and Maintenance, Army, 21X2020.

B. Multiple-Year Appropriations (Multi-Year Budget Authority). A multi-year appropriation has a period of availability for two or more fiscal years. An example of a multi-year appropriation is Other Procurement, Navy, 17X1810.

C. No-Year Appropriations (No-Year Budget Authority). A no-year appropriation has an indefinite period of availability because the appropriation is available until all funds are expended or the appropriation is no longer needed. An example of a no-year appropriation is Environmental Restoration, Navy, 57X0810.

0104 CLEARING ACCOUNTS (3500/3800)

Clearing accounts temporarily hold unidentifiable general, revolving, special, or trust fund collections that belong to the Federal Government. An "F" preceding the last 4 digits of the fund account symbol identifies these accounts. These clearing accounts are to be used only when there is a reasonable basis or evidence that the collections or disbursements belong to the U.S. Government and therefore properly affect the budgetary resources of the DoD activity. None of the collections recorded in clearing fund accounts are available for obligation or expenditure while in a clearing account.

010401. Budget Clearing Account

Budget Clearing Account (suspense), F3875, temporarily credits unclassified transactions from the public when there is a reasonable presumption that the amounts belong to the agency. Therefore, unlike deposit accounts, clearing accounts immediately affect the budget.

010402. Undistributed Intragovernmental Payments Account

Undistributed Intragovernmental Payments, account F3885, is used to temporarily credit unclassified transactions between Federal agencies, including Intragovernmental Payment and Collection transactions.

010403. Temporary Account Requirement

Since account F3875 and F3885 are temporary in nature, DoD Components must expeditiously transfer all monies to the proper account in order to minimize the balance. Use of these suspense accounts are valid if approved by the Department of Treasury provided the suspense account transactions are reclassified to the correct line of accounting and properly reported in the accounting system within 60 days.

0105 MANAGEMENT FUND ACCOUNTS (3900-3999)

Management fund accounts are working fund accounts authorized by law to facilitate accounting for administration of intragovernmental activities other than a continuing cycle of operations. Such accounts generally do not own a significant amount of assets nor do they have a specified amount of capital provided (a corpus of the fund). A management fund provides a means of interim financing and accounting for: (1) an operation or project that is financed by more than one appropriation or fund and whose costs cannot be distributed and charged to the financing appropriations or funds immediately, or (2) an operation or project that is established pursuant to a transfer of functions involving two or more appropriations or funds under authority of law. An example of a management fund is the Air Force Management Fund, 57X3960.

010501. Policy

A. A management fund shall be used only to finance the costs of operations which are chargeable to appropriations or funds of a DoD Component. Projects may encompass participation by organizational units of one DoD Component or of two or more DoD Components.

B. A management fund may not be used to finance any activity that involves a continuing cycle of business-type operations, such as industrial or commercial-type activities, or to purchase materiel for stock. It may be used to finance the purchase of materiel for use in an operation or project operated under a management fund.

C. A management fund may not be used to finance a new operation or project, although eligible under section 0105, if other effective and efficient financing techniques are available. In general, appropriation reimbursements shall be used. However, industrial funds shall be used to finance industrial or commercial-type activities, and stock funds shall be used to finance the acquisition of consumable (expense-type) materiel for stock.

D. Management fund accounts shall be subject to periodic internal audits.

010502. Responsibilities

A. The OUSD(C) Deputy Chief Financial Officer (DCFO) shall:

1. Ensure that a management fund account is established or continued only when there is no other effective and efficient financing technique available to accomplish the proposed operation or project. The OUSD(C) DCFO will receive, review, evaluate and approve proposed management fund account charters submitted in accordance with Figures 1-1 and 1-2.

2. Review and evaluate proposed management fund account charters or amendments and recommend to the Under Secretary of Defense (Comptroller) (USD(C)) the establishment or continuance of a management fund account.

B. The Heads of DoD Components shall:

1. Propose use of a management fund as a financing technique, when considered appropriate, in accordance with the provisions of this chapter.

2. Oversee compliance with this chapter regarding the provision for budgeting, financing, accounting, and reporting for management fund accounts in use by their Component.

0106 REVOLVING FUNDS (4000-4999)

Revolving funds are established to finance a continuing cycle of business-type operations. Revolving fund accounts are authorized to be credited with receipts, incur obligations, and make expenditures. Revolving fund collections are normally available for obligation and expenditure without further action by the Congress. However, DoD revolving funds (except for some business areas within the Defense Working Capital Fund) are subject to apportionment by the Office of Management and Budget (OMB). Apportionment by the OMB precludes obligation or expenditure of funds in excess of the apportioned balance during a fiscal period. The following concepts normally apply to revolving funds:

010601. General

There are two types of revolving funds. Public enterprise revolving funds are distinguished from intragovernmental revolving funds by the source of revenues. Public enterprise revolving fund revenues come primarily from outside the Federal Government. Intragovernmental revolving fund revenues come primarily from other federal appropriations or funds.

A. Appropriations and/or reappropriations are usually provided to start, increase the size, or replace significant losses of a revolving fund. Also, existing resources in other accounts may be transferred to a revolving fund as capitalized assets to serve the same purposes in lieu of an appropriation. The resources used to commence or increase the size of a revolving fund commonly are referred to as "the corpus of the revolving fund." The corpus forms the nucleus of resources used to acquire the resources needed to perform the mission of the revolving fund.

B. Revenues are generated in DoD revolving funds from reimbursable actions on behalf of authorized beneficiaries. Those revenues result in collections of funds. The funds collected are used to pay for the acquisition of resources needed to operate the revolving fund. In revolving funds that are apportioned by the OMB, the use of the budgetary resources associated with those collections to incur obligations is limited to the amount of obligation authority available for the fiscal period.

C. Revolving funds subject to apportionment are apportioned on an obligation basis. An *Apportionment and Reapportionment Schedule* (SF 132), must be submitted to the OMB for approval of the amount of obligational authority needed for the operation of the revolving fund for a fiscal period. A fiscal period may be a quarter of a fiscal year or a full fiscal year.

D. Budgetary resources available for apportionment action include:

1. New budget authority (appropriations).

2. Available unobligated balances at the beginning of the fiscal period.

3. Reimbursements and other income (also known as offsetting collections credited to the appropriation or fund account).

4. Recoveries of prior year obligations.

5. Restorations.

6. Contract authority.

E. The apportionment of anticipated reimbursements as obligational authority in no way authorizes a revolving fund to obligate in excess of the contract authority, borrowing authority, or reimbursable orders received from within the Federal Government and advances received for orders outside the Federal Government. Orders from state, local, and foreign governments are considered to be orders from the public.

F. In the case of loan programs, budgetary resources available for obligation from loan repayments and interest on loans are comprised of actual collections when authorized to be used. Loan repayments in the form of loans receivable and interest receivable are amounts due but not collected. These amounts are not available for obligation until collected.

G. Other assets, whether of a working capital nature such as inventories of stock or of a fixed asset nature, are not considered as a budgetary resource. Such assets, therefore, do not enter into the determination of unobligated balances. However, claims against budgetary resources, such as delivered and undelivered orders, are obligations of a revolving fund and must be subtracted from unobligated balances when incurred. Obligations for the procurement of inventories, as well as for the acquisition of other revolving fund assets, must be recognized, recorded, and reported along with other obligations.

H. Some revolving funds, particularly public enterprise funds, have budget authority exclusively for the fund that is technically outside the fund as long as it remains "undrawn." This concept may apply to the authority to borrow from the public, authority to borrow from the Department of the Treasury, and sometimes contract authority.

I. The amount of obligational authority apportioned or the available balance of obligational authority may be less than the total budgetary resources available in a revolving fund. The difference, which cannot be obligated unless it is apportioned, may be characterized as either an unapportioned balance of a revolving fund or a restrictive withholding. The concept of an unapportioned balance is one of preserving a portion of the fund's capital so it may continue to revolve.

J. Incurring obligations or authorizing the incurrence of obligations in excess of apportioned budgetary resources shall be reported as an apparent violation of the administrative control of funds provisions contained in Volume 14. This reporting requirement applies whether or not a revolving fund has unapportioned budgetary resources or nonbudgetary assets greater than the amount of the deficiency.

K. Each revolving fund is required to submit a separate set of reports to the Department of the Treasury as described in Volume 6A. Therefore, the data required for each revolving fund to prepare these reports shall be identified within the DoD Component's accounting system.

010602. DoD Public Enterprise Revolving Funds (4000-4499)

Public Enterprise revolving funds include but are not limited to the Special Defense Acquisition Fund and the Homeowners Assistance Fund.

A. The Special Defense Acquisition Fund was funded by the use of a limited amount of certain foreign military sales collections as authorized by Congress. The fund was used to acquire items needed in anticipation of sales to foreign governments. The proceeds from the sales of the fund were used to acquire items in anticipation of future sales. Budgetary resources provided from sales to customers were not available for use until collections occurred and OMB approved apportionment of funds by category of item. The apportionment of funds by the OMB provided control over the obligations for the acquisition of approved categories of items. The Special Defense Acquisition Fund has been assigned the symbol 11X4116 by the Department of the Treasury.

B. The Defense Homeowners Assistance Fund is funded by borrowing authority and appropriations. The fund is used to acquire homes under certain criteria when a DoD installation is closed. The fund acquires homes as assets and assumes the related liabilities. All properties acquired by the Homeowners Assistance Fund are managed and disposed of by the U.S. Army Corps of Engineers. At the time of sale of a property, revenues are recorded and gains and losses on the disposition of the asset are determined. Costs incurred related to a property shall be capitalized as an increase in the amount of the asset whenever value is added to the property. Under certain conditions, losses incurred on private sales of qualified property may be reimbursed as operating expenses of the fund. Certain other operating expenses may be authorized. The budgetary resources provided from sales or lease of property are only available for obligation after collection and when apportioned by the OMB. The Defense Homeowners Assistance Fund has been assigned the fund account symbol 97X4090 by the ***Department of the Treasury***.

010603. Intergovernmental Revolving Funds (4500-4999)

DoD intergovernmental revolving funds include the Defense Working Capital Fund, the Pentagon Reservation Maintenance Fund, and the Army Conventional Ammunition Working Capital Fund, etc.

A. The Defense Working Capital Fund has been established to fund the operation of certain support functions within DoD. This fund was formed from five previously existing industrial funds, four previously existing stock funds, and selected Defense Agency support functions that were previously funded through direct appropriations. The Defense Working Capital Fund provides support functions such as inventory, maintenance, communications, depot maintenance, military airlift, and sealift. Services are provided on a

reimbursable basis to authorized customers. The Defense Working Capital Fund has been assigned the fund account symbol 97X4930 by the Department of Treasury.

B. The Pentagon Reservation Maintenance Fund was established by the Fiscal Year 1991 National Defense Authorization Act and is codified in section 2674 of title 10, United States Code. The Pentagon Reservation Maintenance Fund finances the activities of the Washington Headquarters Services, the Pentagon Force Protection Agency, and the Raven Rock Mountain Complex. The fund provides space, building services, and force protection for the DoD Components, including Military Departments and other activities housed within the Pentagon Reservation. The Pentagon Reservation Maintenance Fund has been assigned the fund account symbol 97X4950 by the Department of Treasury.

C. The Army Conventional Ammunition Working Capital Fund was chartered to finance the loading, assembly, and packing operations for the manufacturing of conventional ammunition for DoD. This revolving fund was not provided with a corpus but instead performs work with funds from advances received associated with customer orders for ammunition. Apportioned budgetary resources for the fund include reimbursements from customers, unobligated balances brought forward, and recoveries of prior year obligations. Budgetary resources associated with customer orders received are available for obligation within the apportioned amount during a fiscal period. The Army Conventional Ammunition Working Capital Fund has been assigned the fund account symbol 21X4528 by the Department of the Treasury.

0107 SPECIAL FUNDS (5000-5999)

010701. Special Fund Receipt Accounts

The Department credits special fund receipt accounts with receipts from specific sources earmarked by law for specific purposes. At the point of collection, these receipts either are available immediately or unavailable for expenditures depending upon statutory requirements.

010702. Special Fund Expenditure Accounts

Special fund expenditure accounts are established to record amounts appropriated or otherwise made available by transfers from a special fund receipt account to be obligated and expended for special programs in accordance with specific provisions of law. The accounting for special fund expenditure accounts shall be in accordance with the provisions of this Regulation. However, each special fund must be viewed as a unique fund in light of any special provisions in the enabling legislation. An example of a DoD special fund account is the Wildlife Conservation, fund account symbol X5095.

0108 DEPOSIT FUNDS (6000-6999)

These are fund accounts established to account for collections that are either held temporarily and later refunded or paid upon administrative or legal determination as to the proper disposition thereof, or held by the government as banker or agent for others and paid out at the

direction of the depositor. Deposit funds are liabilities of the Federal Government. The fund accounts are not included in the budget totals because the amounts are not available for government purposes. Deposit funds are not available for the incurrence of any Federal Government obligations or payment of any Federal Government obligations. Various types of deposit funds include:

010801. Monies Withheld

Monies withheld by the government from payments for goods and services received. This type of transaction may be treated as a deposit fund liability only when a budgetary account has been charged and the funds are being held by the government pending payment; for example, payroll deductions for savings bonds or state and local income taxes.

010802. Deposits from Outside Sources

Deposits received from outside sources for which the U.S. Government is acting solely as a banker, fiscal agent, or custodian.

010803. Monies Awaiting Distribution

Monies held by the U.S. Government awaiting distribution on the basis of a legal determination or investigation. This category includes monies in dispute (between the Government and outside parties) when ownership is in doubt and there is no present basis for estimating ultimate distribution.

010804. Unidentified Remittances

Unidentified remittances shall be credited as suspense items outside the budget (such as fund account X6434) unless there is a reasonable presumption that they will be credited ultimately to a receipt, appropriation (expenditure), or other fund account within the budget, in which case amounts shall be credited to the receipt clearing fund accounts.

0109 TRUST FUNDS (8000-8999)

010901. Trust Fund Receipt Accounts

The Department credits trust fund receipt accounts with receipts generated by the terms of a trust agreement or statute that designates a fund as a trust fund. At the point of collection, these receipts either are available immediately or unavailable for expenditure depending upon statutory requirements. Accounting for trust funds shall be in accordance with the provisions of this Regulation. However, each trust fund must be viewed as a unique fund in light of any special provisions in the trust agreement or the enabling legislation. Because of the unique nature and magnitude of impact of the deposits, advances, and Foreign Military Sales related to the Executive trust fund, special accounting requirements have been established in Volume 15.

010902. Trust Fund Expenditure Accounts

Trust fund expenditure accounts are established to record amounts appropriated or otherwise made available by transfer from a trust fund receipt account to be obligated and expended in carrying out the specific purposes or programs in accordance with the terms of the trust agreement or statute. Funds transferred or appropriated to a trust fund expenditure account are normally available for obligation and expenditure within the limits imposed by the trust agreement or authorizing statute.

010903. Trust Revolving Funds (8400-8499)

A trust revolving fund is a single account that is authorized to be credited with receipts and incur obligations and expenditures in support of a continuing cycle of business-type operations in accordance with the provisions of the trust agreement or statute. Trust revolving fund receipts are available for obligation and expenditure without further action by the Congress. In general, DoD trust funds authorized to incur obligations and expend receipts have been exempted from apportionment by the OMB. However, the Defense Commissary Agency Surcharge Collections, Sales of Commissary Stores trust revolving fund is subject to apportionment by the OMB. Accounting for trust fund expenditure accounts and trust revolving funds shall be in accordance with the provisions of this Regulation. However, each trust fund must be viewed as a unique fund in light of any special provisions in the trust agreement or the enabling legislation.

0110 AVAILABLE RECEIPTS

Available receipts are special or trust fund receipts that, pursuant to law, are available as appropriations to a single agency for expenditure without further congressional action. However, in some fund accounts, use is restricted to investment only or is precluded by a limitation or benefit formula. An available receipt account carries the same symbolization as its corresponding expenditure account in that an “X” is inserted to indicate the period of availability of such funds for obligation. However, in special circumstances, available receipts that are earmarked for current year obligations and expenditures initially are placed in an unavailable receipt account until FMS prepares a warrant to move the funds to a current fiscal year expenditure account.

0111 UNAVAILABLE RECEIPTS

These are receipts that, at the time of collection, are not appropriated and not immediately available for expenditure. Unavailable receipts held in special and trust fund receipt accounts are unavailable for expenditure until appropriated pursuant to specific legislative provisions. Unavailable receipts sometimes are invested. In these circumstances, Department of the Treasury would designate the fund as “available.”

0112 TRANSFER APPROPRIATION ACCOUNTS

FMS establishes transfer appropriation accounts to receive (and subsequently obligate and disburse) allocations treated as nonexpenditure transactions. These accounts carry symbols identified with the original appropriation from which monies were advanced. A transfer appropriation account is symbolized by adding the receiving agency's department prefix to the original appropriation or fund account symbol. A bureau suffix identifies that the transfer is to a particular bureau within the receiving department. For example, 17-97 06 0100 represents a transfer of funds that was initially appropriated to Defense Agencies (97) and was transferred to the Department of the Navy (17) for execution purposes.

Figure 1-1. Management Fund Procedures

1. APPROVAL OF CHARTERS AND MANAGEMENT FUND ACCOUNTS

A separate administrative account, called a management fund account, shall be established for each operation or project that is to be financed by a management fund. This account shall be established only with the approval of the Under Secretary of Defense (Comptroller) (USD(C)). As a basis for approval of a management fund account, a proposed charter and explanation of the reasons for the use of the management fund as the means of financing the operation or project shall be submitted to the USD(C) via the Deputy Chief Financial Officer (DCFO).

1.1. The proposed charter shall be prepared in the uniform format prescribed in Figure 1-2. If a Military Department is to be responsible for administration of the account, the proposed charter shall be submitted under the signature of either the Secretary, Under Secretary, or an Assistant Secretary of the Military Department. A proposed charter submitted by a Defense Agency shall be signed by the Director or Deputy Director of the Agency concerned. When appropriations or funds of more than one DoD Component are to share in the financing of a proposed account, the concurrence of each DoD Component involved shall be evidenced by the signature of the Component comptroller or an equivalent official.

1.2. The scope of operations of a management fund account, as prescribed in the charter, shall not be exceeded. However, the basic provisions of a charter may be changed by submitting a proposed charter amendment in the same manner as an original charter application.

1.3. The USD(C) shall evidence approval of a charter or an amendment by signing the charter and returning a copy to the applicable DoD Component as its authority to commence operations subject to availability of funds. The original shall be retained in the official files of the USD(C).

2. DISCONTINUANCE OF A MANAGEMENT FUND ACCOUNT

When a management fund account is to be discontinued, the managing DoD Component shall submit a termination notice to the USD(C) stating the reason for discontinuing the account and the estimated date of final liquidation.

3. BUDGETING, FINANCING, ACCOUNTING, AND REPORTING

3.1. Budgets and Financial Plans

3.1.1. Annual budget estimates shall be prepared for each management fund in accordance with Volume 2B.

Figure 1-1. Management Fund Procedures (continued)

3.1.2. An operating budget or financial plan shall be prepared annually and updated quarterly by the managing DoD Component for each management fund account in a format appropriate for management planning and control purposes. A copy of the operating budget or financial plan for an operation or project shall be submitted with the request for approval of an account charter. When required for purposes of obtaining advances or for guidance in estimating appropriation or fund requirements, copies of operating budgets or financial plans also shall be furnished to participating DoD Components or their organizational subdivisions.

3.2. Financing and Administrative Control of Funds

3.2.1. Obligational authority for the conduct of operations under a management fund account is provided by reimbursable orders, either with or without advances, whichever may be appropriate. The reimbursable orders may be issued in periodic increments to lessen the administrative workload and they shall specify the accounting classifications to be used for billing purposes.

3.2.2. The management fund shall be controlled administratively in accordance with Volume 14, *Administrative Control of Funds and Antideficiency Act Violations*. No obligation may be incurred against a management fund that is not chargeable to a specific order and the appropriation or fund supporting that order.

3.3. Billing and Payment

3.3.1. Management fund outlays shall be charged to appropriations or funds as prescribed in the account charter and specified in the reimbursable order.

3.3.2. Billing and payment shall be accomplished by SF 1081, *Voucher and Schedule of Withdrawals and Credits*. In the case of financing by means of advances, the advances shall be accomplished by SF 1081 prepared and processed as of the beginning of the period covered by the advance. In all cases, however, the DoD Component responsible for the management fund account shall submit monthly bills to participating organizations to permit them to charge appropriate accounts and record the reduction in the advance accounts, as well as to permit the managing DoD Component to adjust its own accounts.

3.4. Accounting and Reporting. Financial transactions shall be classified under each management fund account in enough detail to meet management planning and control requirements. The principles, standards, and requirements in this Regulation shall apply to the accounting and reporting systems, including the recording and reporting of the source, application, and status of funds. Additional financial reporting that may be needed by participating organizations for management purposes shall be specified by the DCFO and the Heads of the DoD Components.

Figure 1-2. Uniform Format for Management Fund Account Charters

1. IDENTIFICATION OF MANAGEMENT FUND ACCOUNT

The proposed charter shall be numbered serially within each Military Department or the Office of the Secretary of Defense, and the management fund account shall be identified by a brief but descriptive title. Serial numbers shall be reserved for existing management fund accounts; thus, if a Military Department has three active management fund accounts, the next proposed charter will be No. 4. A reference also shall be made to this chapter as authority for the management fund account.

2. PURPOSE

A brief but complete description of the operation or project to be financed by the management fund shall be included in this section.

3. PARTICIPATING ORGANIZATIONS

The organizational units within the managing Military Department or Defense Agency and the organizations in the other Military Departments or Defense Agencies that will participate in the operation or project shall be identified in this section.

4. ADMINISTRATION

The following information shall be included in this section:

4.1. The name and location of the organization or office that will be responsible for management and direction of the operation or project.

4.2. The location of the accounting and other administrative records.

4.3. The location of the principal place of business, if different from paragraphs 4.1., and 4.2.

4.4. Special provisions concerning administrative and logistic support.

5. BUDGETING, FINANCING, ACCOUNTING, AND REPORTING

The following information shall be included in this section:

5.1. Arrangements for the preparation and submission of operating budgets or financial plans.

Figure 1-2. Uniform Format for Management Fund Account Charters (continued)

5.2. Provisions for financing, that is, by reimbursement with or without advances; provisions for determining and allocating costs when appropriate; and provisions for the return of unexpended balances of advances.

5.3. The management fund title and symbol.

5.4. A brief description of the system of accounts and of the system of internal control, including administrative control over funds.

5.5. The nature of the expenses chargeable to the operation or project.

5.6. Reporting policies and procedures.

6. TERM AND DURATION OF THE ACCOUNT

This section shall specify the commencement date and the termination date of the operation or project or, for an operation or project of indefinite duration, the conditions under which the operation or project will terminate.

REQUESTED:

_____
(Signature of appropriate official
of the managing DoD Component)

CONCURRED

_____
(Signature of appropriate official
of a participating DoD Component)

_____
(Signature of appropriate official
of a participating DoD Component)

APPROVED:

_____
(Date)

_____
Under Secretary of Defense
(Comptroller)

VOLUME 12, CHAPTER 3 "CONTRIBUTIONS FOR DEFENSE PROGRAMS, PROJECTS, AND ACTIVITIES"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font*.**

The previous version dated June 2007 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
0304	Remove ACCOUNTING FOR CONTRIBUTIONS and renumber subsequent paragraphs. Accounting entries for contributions are specified in the United States Standard General Ledger Transaction Library located at http://www.bta.mil/SFIS/SFIS_resources.html.	Mandatory

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*CHAPTER 3

CONTRIBUTIONS FOR DEFENSE PROGRAMS, PROJECTS, AND ACTIVITIES

0301 INTRODUCTION

030101. Purpose

This Chapter prescribes the overall policy and assigns responsibilities for the acceptance, receipt, use, and reporting of money, real or personal property, or services to the Department of Defense (DoD) under Title 10, United States Code, section 2608.

030102. Defense Cooperation Account

A special account is established in the Treasury of the United States for receipt of monetary contributions and proceeds from the sale of real or personal property contributions accepted by the Secretary of Defense, or designee under Title 10, United States Code, section 2608.

0302 AUTHORITY

030201. Secretary of Defense

Title 10, United States Code, section 2608 provides authority for the Secretary of Defense (SECDEF) to accept, for use by the Department, from any business (or person), foreign government, or international organization, any contribution of money or real or personal property and may accept from any foreign government or international organization any contribution of services.

030202. Under Secretary of Defense (Comptroller) (USD(C))

Authority to accept such contributions has been delegated to the USD(C), who also serves as the single point of contact in the Department for the Departments of State and the Treasury with respect to all matters involving the receipt, administration and distribution of contributions of funds from foreign countries for defense programs.

030203. Military Departments and Defense Agencies

The Secretaries of the Military Departments and the Directors of the Defense Agencies, have authority to accept from any business (person), or international organization, any contribution of real or personal property for use by their organizations.

030204. Washington Headquarters Services

Given Washington Headquarter Services' responsibility for the management of property and physical assets at the Pentagon and to maintain consistency in property accountability the

Director of the Washington Headquarter Services has authority to accept contributions of personal property offered to the Office of the Secretary of Defense for use at the Pentagon.

030205. Delegation of Authority

The USD(C) may provide additional delegations of authority to accept contributions of real and personal property or services on a case by case basis.

0303 POLICY ON CONTRIBUTIONS

030301. Nonmonetary Contributions

These are contributions in the form of real property (fixed assets such as land, buildings, other structures, and facilities), tangible property (inventory or items held for sale, operating materials, supplies, and equipment) or services that would benefit the DoD if accepted. Once the DoD accepts these contributions, the intent of the accounting standards (Statements of Federal Financial Accounting Standards (SFFAS)) is that the benefiting DoD organization should recognize the contribution in its financial statements. See Volume 4, chapters 4 and 6, and Volume 6B, for accounting and reporting guidance.

A. The receiving DoD organization recognizes a change in inventory, stock, or plant, property, and equipment (PP&E) related records once transfer of the goods or services is made thus making DoD the legal owner of said goods or services. An organization receiving donated general PP&E determines its fair value at the time it was acquired by the government. Donations of assets or services must be reported quarterly to the Defense Finance and Accounting Service (DFAS), Indianapolis, 8899 East 56th Street ATTN: Trust Fund Accounting Division, Column 203L, Indianapolis, Indiana 46249-1500 (see paragraph 030501).

B. The receiving organization must document and retain on file the details of each nonmonetary contribution received. For audit purposes, the supporting documentation must be retained for the life of the asset, but no less than 6 years and 3 months. Each file must include:

1. A description of the contribution.

2. The estimated value of the contribution, including the valuation method used (see subparagraph 030301.C, below).

3. The name and address of the donor(s).

4. A list of restrictions, conditions, or other information set out by the donor.

5. The acquisition date.

6. The useful expected life of the donation.

7. A statement explaining the benefits of accepting the donation. You must explain why accepting the donation is preferred to obtaining the item or service through existing DoD supply channels.

8. A unique identifier or data element used to track the same or similar items shipped from different sources.

9. The Service and appropriation that benefit from this contribution. Identify the appropriation that normally furnishes this asset.

030302. Monetary Contributions

The USD(C) retains the authority to accept all monetary contributions. Monetary contributions are not generally accepted with restrictions, i.e., with designations for specific programs or purposes.

A. Contributions in Cash

1. Cash contributions, including proceeds from the sale of any contributed property, shall be deposited to the Defense Cooperation Account (DCA) as soon as practical, but not later than the last day of the month.

2. Consistent with sound cash management practices, any cash accepted, under USD(C) authority, shall be either converted into a check and forwarded to the DFAS using overnight delivery service, or deposited into a Treasury General Account with funds transferred to the DCA via electronic funds transfer--whichever process results in the earliest deposit of funds into the DCA.

3. Any funds forwarded by electronic funds transfer shall be deposited within 24 hours into the DCA under ALC 9720010 and Account Number 97X5187.1. Additionally, the DFAS Trust Fund Accounting Division shall be notified prior to forwarding any funds electronically.

4. Documentation associated with cash contributions, including copies of deposit tickets, and the original of correspondence from contributors shall be forwarded within 24 hours of the deposit using overnight delivery service, to the DFAS Trust Fund Accounting Division.

B. Contributions by Check

1. Checks received by DoD officials shall be made payable to the "United States Treasury." The reference line on the check should indicate the "Defense Cooperation Account."

2. Checks received by DoD officials shall be forwarded to the DFAS Trust Fund Accounting Division. The DFAS shall deposit such funds within 24 hours of receipt into the DCA under ALC 9720010 and Account Number 97X5187.1.

3. Documentation associated with check contributions, including the original of any correspondence from contributors shall be forwarded with the check.

C. Contributions by Wire Transfer

1. Contributions by wire transfer eliminate delays in receiving deposits and provide the most efficient preliminary accounting information for investment purposes.

2. After approval by the USD(C), donors may make contributions to the DCA via electronic funds transfer from commercial banks to "Account Number 1" in the Federal Reserve Bank of New York (as Fiscal Agent of the United States). The Federal Reserve Bank of New York shall credit the Department accordingly, using the format in Figure 3-1.

3. Documentation associated with wire transfer contributions, including the original of any correspondence from contributors shall be forwarded within 24 hours of the deposit using overnight delivery service, to the DFAS Trust Fund Accounting Division.

D. Contributions in Foreign Currencies (Cash or Check). Upon notice of a planned large contribution ($1 million or more) to be made in foreign currency the cognizant DoD official shall:

1. Request the donor provide as much lead time as possible regarding the amount of the contribution and the estimated date the contribution will be made.

2. Advise the USD(C) and the DFAS Trust Fund Accounting Division of any planned contributions and continue to keep that office advised of the status until the currency transfer is made by the donor.

3. Upon approval by the USD(C), request the donor credit the foreign currency contribution to the Federal Reserve Bank of New York "Account Number 1" via the donor's central bank. If the Federal Reserve Bank does not maintain an account with a particular donor, the DoD official should seek guidance from the DFAS Trust Fund Accounting Division, for appropriate alternative arrangements.

4. Foreign checks received by DoD officials shall be converted to a check denominated in U.S. dollars prior to being forwarded to the DFAS or transferred electronically into the DCA.

5. Cash and checks received by DoD officials in countries not served by a DoD disbursing officer shall, upon approval by the USD(C), be delivered to the nearest U.S. Embassy within 24 hours of receipt for deposit in the DCA, under ALC 97200010 and Account Number 97X5187.1.

030303. Policy On Acceptance Of Contributions.

A. Authorities that may accept contributions shall use sensitivity and scrutiny when contributions are offered from prohibited sources and, if there is a question on propriety, shall consult with their Ethics Counselor to determine whether accepting a contribution would violate any prohibition, or reflect unfavorably on the Department. "Prohibited source" and "Ethics Counselor" shall have the meanings set forth in DoD 5500.7-R, the Joint Ethics Regulation.

B. Authorities that may accept contributions may pay all necessary expenses in connection with the conveyance or transfer of a contribution. Contributions should not be accepted if it would result in substantial expenditures or administrative efforts and maintenance that are disproportionate to any benefit.

C. Department personnel shall not solicit, fundraise for, or otherwise request or encourage the offer of a contribution.

D. Authorities that may accept contributions may acknowledge offers of future contributions and advise the donors that acceptance will occur after actual presentation of the contributions only when they determine that such acceptance will likely occur.

*0304 REPORTING ON CONTRIBUTIONS

0304**0**1. Reporting Requirements

Not later than 10 days after the end of each quarter, each DoD official that has accepted and received a nonmonetary contribution shall submit a report to the DFAS Trust Fund Accounting Division that identifies the following:

A. Nonmonetary Contributions Received

1. A description of each item received.

2. The value of each item received, including the valuation method used.

3. The name of the contributor for each item received.

4. The date each item was received.

5. Details of any restrictions, conditions or other relevant information regarding each contribution.

6. Expected useful life of the contribution.

7. If two more like items are received from different sources the items are to be accounted for separately to permit identification of items received.

B. Nonmonetary Contributions Sold

1. A description of each item sold.

2. The proceeds of each item sold. Also include in report the disposition of the funds received. Funds should be forwarded or deposited with DFAS and credited in the DCA consistent with 10 U.S.C. 2608(b)(2).

3. The name of the contributor for each item sold.

4. The date each item was sold.

5. The name of the purchaser for each item sold.

6. If two or more like items are received from different sources the items are to be accounted for separately to permit identification of items when sold.

7. Details of any other relevant information regarding each item sold.

C. Monetary Contributions Received

1. The dollar amount of each contribution.

2. Name of the donor for each contribution received.

3. The date each item was received.

030402. Defense Finance and Accounting Services Reporting Requirement

Not later than 15 days after the end of each quarter, the DFAS shall prepare and forward to the USD(C) a report to be submitted to the Congress that provides the following information.

A. Summary values of monetary and nonmonetary contributions accepted during the quarter.

B. A description of all property valued at more than $1 million. In determining whether the $1 million threshold has been met, the following procedures shall be used:

1. The value of similar items accepted during the quarter shall be added together.

2. The value of components which, if assembled, would comprise all or a substantial portion of an item or facility shall be added together.

0305 INVESTING CONTRIBUTIONS

030501. General

Consistent with good cash management practices, funds in the DCA shall be invested in Government securities until distribution is authorized. Generally, investments are limited to U.S. Treasury bills maturing in 90 days or less.

030502. Purchasing Government Securities

The DFAS shall follow the procedures below for purchasing Government securities.

A. Daily, after all contributions and other transactions have been entered into the DCA, generate a Pre-closing Trial Balance.

1. Verify the amount in account 1010, Fund Balance with Treasury, with the amount entered in the General Ledger for the same day.

2. Research and correct any differences between account 1010 and the General Ledger immediately.

B. A security investment can be purchased if account 1010 has a balance sufficient to purchase a $10,000 Treasury bill or a $1,000 U.S. Treasury note or bond. Information on prices, maturities, and yields of U.S. Treasury securities generally can be found in the financial section of major newspapers.

C. Select a U.S. Treasury security from those available.

D. Input the following information into the Treasury's FedInvest system or other appropriate system:

1. Account: Defense Cooperation Account

2. Transaction Type: Purchase

3. Transaction Date: (Date the security will be purchased)

4. Type of Security: (Specify)

5. Date of maturity: (Specify)

6. Amount: (Amount available in account 1010, Fund Balance with Treasury)

E. The day after the transaction, review the FedInvest system or other system as appropriate to obtain the face amount, discount or premium, interest purchase (if any), and the

price of the security purchased. Record the above information in the Trust Fund Accounting System (TFAS).

1. Complete the coordination section of the Memorandum for Purchase or Sale of Investments.

2. Complete the Purchases Input Worksheet and update the DCA system. Once this has been accomplished, a person other than the one making input must sign the Purchase Input Worksheet confirming that the DCA was updated for the Purchase.

F. Once the above has been accomplished, a person other than the individual making the input needs to review the data in the TFAS and the DCA to ensure that the systems have been properly updated.

030503. Selling Securities

The DFAS shall follow the procedures below to sell Government securities.

A. The Office of the Deputy Comptroller (Program/Budget) will determine the amount needed for payment or transfer. The Fund Manager, DFAS Trust Fund Accounting Division, normally shall sell securities to cover the amount needed if no securities mature on that day or contributions are not received. The decision as to which securities will be sold will depend on current economic conditions.

B. Select a security or securities for sale.

C. Input the following information into the Treasury's FedInvest system or other appropriate system:

1. Account: Defense Cooperation Account

2. Transaction Type: Sale

3. Transaction Date: (Date security will be sold)

4. Type of security: (Specify)

5. Interest Rate: (Enter applicable rate only if Notes or Bonds are sold)

6. Date of maturity: (Specify)

7. Amount: (Minimum amount of proceeds from the sale required to cover any projected negative amount in account 1010)

D. If needed, obtain the principal amount and interest earned from the FedInvest or other appropriate system.

E. Update the TFAS with DCA activity.

030504. Maturing Securities

The DFAS shall maintain a tracking system that identifies impending maturities and collections of securities for the DCA and ensure appropriate reinvestment action is taken upon maturity of a security.

030505. Payments or Transfers.

Payments or transfers from the DCA must be authorized by the Congress. The USD(C) will provide withdrawal notification to the DFAS which shall ensure appropriate action is taken.

030506. Annual Reviews.

The DFAS will conduct an annual review of the DCA operations and transactions, including the purchase and sale of investments. The objective of the review will include compliance with the DoD and the Treasury policies and procedures, and adequacy of internal controls.

FIGURE 3-1. – Sample Wire Transfer to the U.S. Treasury

SAMPLE FORMAT
WIRE TRANSFERS TO THE U.S. TREASURY

The sample format for wire transfers for credit to U.S. Treasury Defense Cooperation Account (remaining blocks to be filled by the sender or the sending bank, in accordance with the attached wire transfer instructions) is as follows:

I I
(1) (2)
I 021030004 I I
(3) (4) (5)
I I I I
(6)
I / I
(7) (8)
I TREAS NYC I CTR I
(9) (10)
IBNF=/AC-97200010 I OBI=to the Defense Cooperation Account I
(10)
I(Acct. No. 97X5187.1) for Programs, Projects, and I
(10)
I Activities from (name of donor) I

FIGURE 3-1

Monetary Contributions by Wire Transfer Instructions

The following is a guide for completing the funds transfer form (Figure 3-1) which should be available at the sending financial institution.

1. RECEIVER DEPOSITARY FINANCIAL INSTITUTION (DFI) No. The Treasury Department's American Bankers Association (ABA) number for deposit messages is 021030004. This number shall be entered by the sending bank for all deposit messages sent to Treasury for credit to the Defense Cooperation Account.

2. TYPE-SUBTYPE CODE. The type and subtype code is provided by the sending bank.

3. SENDER DFI NO. This number is provided by the sending bank.

4. SENDER REFERENCE NO. The sixteen (16) character reference number is inserted by the sending bank at its option.

5. AMOUNT. The transfer amount shall be in U.S. dollars and must be punctuated with commas and a decimal point; use of the dollar sign is optional.

6. SENDER DFI NAME. This information is automatically inserted by the Federal Reserve Bank.

7. RECEIVER DFI NAME. The Treasury Department's name for deposit messages is "TREAS NYC." The name should be entered by the sending bank.

8. PRODUCT CODE. A product code of "CTR" for customer transfer should be the first data in the RECEIVER - TEXT field. Other values may be entered, if appropriate, using the ABA's options. A slash must be entered after the product code.

9. AGENCY LOCATION CODE (ALC). The agency location code is of critical importance and must appear in the precise manner stated to allow for automated processing and classification to the ALC of the Department of Defense. The sequence includes the beneficiary code tag (BNF) and indicator code (/AC) followed by the Defense Department's eight (8) digit ALC (97200010) for this account. The ALC identification sequence can, if necessary, begin on one line and end on the next line. However, the field beneficiary code tag (BNF) must be one line and cannot contain any spaces.

10. THIRD PARTY INFORMATION. The reason for the funds transfer should appear in this field. The originator-to-beneficiary information field tag (OBI=) is used to signify the beginning of free-form text. An example follows: BNF=/AC-97200010 OBI=to the DCA(97X5187) for defense programs, projects, and activities from (Name of Donor).

VOLUME 12, CHAPTER 4: "DIRECT LOANS AND LOAN GUARANTEES"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue and underlined font*.**

The previous version dated September 2013 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
0401.A.,B.,C	Renamed and re-arranged paragraphs to align with revised FMR SOP issued June 15, 2015.	Revision
040202.M.	Removed hyperlink to OMB Circular A-129 as it was already cited previously, and reworded last sentence.	Deletion/ Revision
0406, 0407, 040804	Removed duplicative hyperlinks	Deletion
All	Designate this chapter certified as current.	Current Certification

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CHAPTER 4

DIRECT LOANS AND LOAN GUARANTEES

0401 GENERAL

040101. Overview

The policies set forth in this chapter apply to direct loan obligations and loan guarantee commitments. It implements the Statement of Federal Financial Accounting Standards (SFFAS) No. 2, ***Accounting for Direct Loans and Guarantees***, Statement of Federal Financial Accounting Standards (SFFAS) No. 2, Amendments to Accounting Standards for Direct Loans and Loan Guarantees, ***SFFAS No. 18***, and Technical Amendments to Accounting Standards for Direct Loans and Loan Guarantees in ***SFFAS No. 2***, SFFAS No. 19. Further information may also be found in the ***Federal Accounting Standards Advisory Board's Technical Release 6***, "Preparing Estimates for Direct Loan and Loan Guarantee Subsidies under the Federal Credit Reform Act," which contains guidance for audit estimates.

040102. Purpose

This chapter establishes the Department of Defense (DoD) policies for direct loans and loan guarantees for non-Federal borrowers. The policies for credit programs reflect the requirements of the ***Federal Credit Reform Act of 1990***, as amended. The major purposes of the Act are to: (a) measure more accurately the costs of Federal credit programs; (b) place the cost of credit programs on a budgetary basis equivalent to other Federal spending; (c) encourage the delivery of benefits in the form most appropriate to the needs of beneficiaries; and (d) improve the allocation of resources among credit programs and between credit and other spending programs.

040103. Authority

A. Reporting requirements, instructions, implementation guidance, and instructions for calculating subsidy estimates and re-estimates, as well as background information are contained in the Office of Management and Budget (OMB) ***OMB Circular A-11, Part 5, "Federal Credit***."

B. Treasury Department reporting instructions, "Treasury Reporting Instructions for Credit Reform Legislation," are provided in Volume 1, Part 2, of the Treasury Financial Manual ***http://www.fms.treas.gov/tfm/vol1/v1p2c460.html***.

C. Policies and procedures prescribed by OMB for justifying, designing, and managing Federal credit programs are contained in ***OMB Circular No. A-129***, "Policies for Federal Credit Programs and Non-Tax Receivables."

0402 STANDARDS

040201. Explanation

The specific accounting standards for direct and guaranteed loans are discussed in this chapter. The standards concern the recognition and measurement of direct loans, the liability associated with loan guarantees, and the cost of direct loans and loan guarantees.

040202. Accounting Standards

A. Post-1991 Direct Loans. Refers to direct loan obligations made on or after October 1, 1991, and the resulting direct loans. Direct loans disbursed and outstanding are recognized as assets at the present value of their estimated net cash inflows. The difference between the outstanding principal of the loans and the present value of their net cash inflows is recognized as a subsidy cost allowance.

B. Post-1991 Guarantees. Refers to loan guarantee commitments made on or after October 1, 1991, and the resulting loan guarantees. For guaranteed loans outstanding, the present value of estimated net cash outflows of the loan guarantees is recognized as a liability. Disclosure is made of the face value of guaranteed loans outstanding and the amount guaranteed.

C. Subsidy Costs of Post-1991 Direct Loans and Loan Guarantees. A subsidy expense is recognized for direct or guaranteed loans disbursed during a fiscal year. The amount of subsidy expense equals the present value of estimated cash outflows over the life of the loans, minus the present value of estimated cash inflows, discounted at the average interest rate on marketable U.S. Treasury securities of similar maturity to the cash flows of the loan or loan guarantee for which the estimate is being made.

1. For the fiscal year during which new direct or guaranteed loans are disbursed, the components of the subsidy expense of those new direct loans and loan guarantees are recognized separately as interest subsidy costs, default costs, fees and other collections, and other subsidy costs.

2. The interest subsidy cost of direct loans is the excess of the amount of the loans disbursed over the present value of the interest and principal payments required by the loan contracts, discounted at the applicable U.S. Treasury interest rate. The interest subsidy cost of loan guarantees is the present value of estimated interest supplement payments.

3. The default cost of direct loans or loan guarantees results from any anticipated deviation, other than prepayments by the borrowers, from the payments schedule in the loan contracts. The deviations include delinquencies and omissions in interest and principal payments. The default cost is measured at the present value of the projected delinquencies and omissions minus net recoveries. Projected net recoveries include the amounts that would be

collected from the borrowers at a later date, or the proceeds from the sale of acquired assets, minus the costs of foreclosing, managing, and selling those assets.

4. The present value of fees and other collections is recognized as a deduction from subsidy costs.

5. Other subsidy costs consist of cash flows that are not included in calculating the interest or default subsidy costs, or in fees and other collections. They include the effect of prepayments within contract terms.

D. Subsidy Amortization and Reestimation. The subsidy cost allowance for direct loans is amortized by the interest method, using the interest rate that was originally used to calculate the present value of the direct loans when loans were disbursed. The amortized amount is recognized as an increase (when effective interest exceeds nominal interest) or decrease (when nominal interest exceeds effective interest) in interest income. Nominal interest equals the nominal balance (i.e., the face amount) of the loan outstanding at the beginning of the period multiplied by the interest rate stated in the loan contract. Effective interest equals the book value of the loan (i.e., net of allowance for subsidy) multiplied by the applicable U.S. Treasury interest rate.

1. Interest is accrued and compounded on the liability of loan guarantees at the interest rate that was used to calculate the present value of the loan guarantee liabilities, when the guaranteed loans were disbursed. The accrued interest is recognized as interest expense.

2. The subsidy cost allowance for direct loans and the liability for loan guarantees are reestimated each year as of the date of the financial statements. Since the allowance or the liability represents the present value of the net cash outflows of the underlying direct loans or loan guarantees, the reestimation takes into account all factors that may have affected the estimate of each component of the cash flow, including prepayments, defaults, delinquencies, and recoveries. Any increase or decrease in the subsidy cost allowance or the loan guarantee liability resulting from the reestimates is recognized as an increase in subsidy expense (or a reduction in subsidy expense). Components are not required to report the subsidy cost allowance of direct loans (or the liability of loan guarantees) and reestimates.

E. Criteria for Default Cost Estimates. The criteria for default cost estimates apply to both initial estimates and subsequent reestimates. Default costs are estimated and reestimated for each program on the basis of separate cohorts and risk categories. The reestimates take into account the differences in cash flows between the projected and realized amounts, and changes in other factors that can be used to predict the future cash flows of each risk category.

1. In estimating default costs, the following risk factors are considered: (a) loan performance experience; (b) current and forecasted international, national, or regional economic conditions that may affect the performance of the loans; (c) financial and other relevant characteristics of borrowers; (d) the value of collateral to loan balance; (e) changes

in recoverable value of collateral; and (f) newly developed events that would affect the performance of the loan. Improvements in methods to reestimate defaults also are considered.

2. Each credit program shall use a systematic methodology, such as an econometric model, to project default costs of each risk category. If individual accounts contain significant dollars that would carry a proportionately higher weight in terms of risk exposure, an analysis of the individual accounts is warranted in making the default cost estimate for that category.

3. The actual historical experience for the performance of a risk category is a primary factor upon which an estimation of default cost is based. To document actual experience, a database shall be maintained to provide historical information on actual payments, prepayments, late payments, defaults, recoveries, and amounts written off.

F. Revenues and Expenses. Interest accrued on direct loans, including amortized interest, is recognized as interest income. Interest accrued on the liability of loan guarantees is recognized as interest expense. Interest due from the U.S. Treasury on uninvested funds is recognized as interest income. Interest accrued on debt to the U.S. Treasury is recognized as interest expense. Costs for administering credit activities, such as salaries, legal fees, and office costs, that are incurred for credit policy evaluation, loan and loan guarantee origination, closing, servicing, monitoring, maintaining accounting and computer systems, and other credit administrative purposes, are recognized as administrative expense. Administrative expenses are not included in calculating the subsidy costs of direct loans and loan guarantees.

G. Pre-1992 Direct Loans and Loan Guarantees. The losses and liabilities of direct loans obligated and loan guarantees committed before October 1, 1991, are recognized, when it is more likely than not that the direct loans will not be collected totally, or that the loan guarantees will require a future cash outflow to pay default claims.

1. The allowance for uncollectible amounts and the liability of loan guarantees shall be reestimated each year as of the date of the financial statements. In estimating losses and liabilities, the risk factors discussed in subparagraph 040202.E.1. must be considered. Disclosure is made of the face value of guaranteed loans outstanding and the amount guaranteed.

2. Restatement of pre-1992 direct loans and loan guarantees on a present value basis is permitted but not required.

H. Modification of Direct Loans and Loan Guarantees. The term "modification" means a Federal action, including new legislation or administrative action, which directly or indirectly alters the estimated subsidy cost and the present value of outstanding direct loans, or the liability of loan guarantees.

1. Direct modifications are actions that change the subsidy cost by altering the terms of existing contracts or by selling loan assets. Existing contracts may be altered through such means as forbearance, forgiveness, reductions in interest rates, extensions of maturity, and prepayments without penalty. Such actions are modifications unless they are

considered reestimates, or workouts, as defined in subparagraph 040202.H.3., or are permitted under the terms of existing contracts.

2. Indirect modifications are actions that change the subsidy cost by legislation that alters the way in which an outstanding portfolio of direct loans or loan guarantees is administered. Examples include a new method of debt collection prescribed by law or a statutory restriction on debt collection.

3. The term "modification" does not include subsidy cost reestimates, the routine administrative workouts of troubled loans, or actions that are permitted within the existing contract terms. Workouts are actions taken to maximize repayments of existing direct loans, or minimize claims under existing loan guarantees. The expected effects of workouts on cash flows are included in the original estimate of subsidy costs and subsequent reestimates.

I. Modification of Direct Loans. With respect to a direct or indirect modification of pre-1992 or post-1991 direct loans, the cost of modification is the excess of the premodification value of the loans over the post-modification value of those loans. The amount of the modification cost is recognized as a modification expense when the loans are modified.

1. When a post-1991 direct loan is modified, the existing book value of that loan is changed to an amount equal to the present value of the net cash inflows projected under the modified terms from the time of modification to the loan's maturity. That amount is discounted at the original discount rate. (The rate that originally was used to calculate the present value of the direct loan, when the direct loan was disbursed, after adjusting for the interest rate reestimate.)

2. When a pre-1992 direct loan is directly modified, it is transferred to a financing account and its book value is changed to an amount equal to its post-modification value. Any subsequent modification is treated as a modification of post-1991 loans. When a pre-1992 direct loan is indirectly modified, it is kept in a liquidating account. The bad debt allowance is reassessed and adjusted to reflect amounts that would not be collected due to the modification.

3. The changes in the book value of both pre-1992 and post-1991 direct loans, resulting from a direct or indirect modification, and the cost of modification, normally will differ due to the use of different discount rates or different measurement methods. Any difference between the change in book value and the cost of modification is recognized as a gain or loss. For post-1991 direct loans, the modification adjustment transfer paid or received to offset the gain or loss is recognized as a financing source (or a reduction in financing source).

J. Modification of Loan Guarantees. With respect to a direct or indirect modification of pre-1992 or post-1991 loan guarantees, the cost of modification is the excess of the post-modification liability of the loan guarantees over the premodification liability of those loan guarantees. The modification cost is recognized as modification expense when the loan guarantees are modified.

1. The existing book value of the liability of modified post-1991 loan guarantees is changed to an amount equal to the present value of net cash outflows projected under the modified terms from the time of modification to the maturity of those loans, discounted at the original discount rate (the rate that originally is used to calculate the present value of the liability when the guaranteed loans were disbursed, after adjusting for the interest rate reestimate.)

2. When a pre-1992 loan guarantee is directly modified, the modified loan guarantee is transferred to a financing account and the existing book value of the liability of the modified loan guarantees is changed to an amount equal to its post-modification liability. Any subsequent modification is treated as a modification of a post-1991 loan guarantee. When a pre-1992 loan guarantee is indirectly modified, that loan guarantee is kept in a liquidating account. The liability of such a loan guarantee is reassessed and adjusted to reflect any change in the liability resulting from the modification.

3. The change in the amount of liability of both pre-1992 and post-1991 loan guarantees resulting from a direct or indirect modification and the cost of modification normally will differ, due to the use of different discount rates or the use of different measurement methods. Any difference between the change in liability and the cost of modification is recognized as a gain or loss. For post-1991 loan guarantees, the modification adjustment transfer paid or received to offset the gain or loss is recognized as a financing source (or a reduction in financing source).

K. Disclosure. Disclosure is made in notes to financial statements to explain the nature of the modification of direct loans or loan guarantees, the discount rate used in calculating the modification expense, and the basis for recognizing a gain or loss related to the modification. For further information on financial statement disclosures regarding direct or guaranteed loans, go to "Notes to the Financial Statements," Volume 6B, Chapter 10, Note 8.

L. Foreclosure of Post-1991 Direct Loans and Guaranteed Loans. When property is transferred from borrowers to a Federal credit program, through foreclosure or other means, in partial or full settlement of post-1991 direct loans, or as compensation for losses that the government sustained under post-1991 loan guarantees, the foreclosed property is recognized as an asset. The asset is recorded at the present value of its estimated future net cash inflows discounted at the original discount rate, adjusted for the interest rate reestimate.

1. If a legitimate claim exists by a third party or by the borrower to a part of the recognized value of the foreclosed assets, the present value of the estimated claim is recognized as a special contra valuation allowance.

2. Upon the foreclosure of a guaranteed loan, a Federal guarantor may acquire the loan involved. The acquired loan is recognized at the present value of its estimated net cash inflows from selling the loan or from collecting payments from the borrower, discounted at the original discount rate, adjusted for the interest rate reestimate.

3. When assets are acquired in full or partial settlement of post-1991 direct loans or guaranteed loans, the present value of the government's claim against the borrowers is reduced by the amount settled as a result of the foreclosure.

M. Write-off of Direct Loans. When post-1991 direct loans are written off, the unpaid principal of each such loan is removed from the gross amount of loans receivable. Concurrently, the same amount is charged to the allowance for subsidy costs. Prior to the write-off, the uncollectible amounts should have been reflected in the subsidy cost allowance through the subsidy cost estimate or reestimates. Therefore, the write-off would have no effect on expenses. See OMB Circular A-129 for additional details.

N. Additional Disclosures Required for Periods Beginning After September 30, 2000. The SFFAS No. 18, "Amendments to Accounting Standards for Direct Loans and Loan Guarantees," require additional disclosures. Beginning in FY 2001, Federal agencies are required to:

1. Report subsidy reestimates in two distinct components: the interest rate reestimate and the technical/default reestimate

2. Display reconciliation between the beginning and the ending balances of the subsidy cost allowance for direct loans and the liability for loan guarantees, reported in an entity's balance sheet

3. Provide a description of program characteristics and disclose:

a. the amounts of direct or guaranteed loans disbursed in each program during the reporting year;

b. the estimated subsidy rates for the total subsidy and the subsidy components at the program level in the current year's budget for the current year's cohorts;

c. events and changes in economic conditions, other risk factors, legislation, credit policies and subsidy estimation methodologies and assumptions, that have had a significant and measurable effect on subsidy rates, subsidy expense, and subsidy reestimates; and

d. past events and changes in conditions that may be likely to have a significant impact, but the effects of which are not measurable at the reporting date.

0403 CREDIT REFORM FUND CONTROLS

040301. Fund Control

For credit programs, systems for administrative control of funds are required to include the following features:

A. Restrict both obligations and expenditures from each program account, financing account, and liquidating account to the lesser of:

1. The amounts available for administrative expenses, direct loan subsidies, direct loan levels, guaranteed loan levels, and any limitations specified in law; or

2. The amounts apportioned for the amounts specified.

B. Enable the fixing of responsibility for an obligation or expenditure exceeding the categories specified.

C. Simultaneously determine, at the obligation stage for direct loans and at the commitment stage for guaranteed loans, whether sufficient budget authority for the subsidy exists in the program account and whether a sufficient unused loan level limit exists in the financing account. The system for calculating obligations also must be capable of changing the subsidy calculation when the U.S. Treasury changes interest rates. (Rate changes do not affect obligated but undisbursed loans in the case of direct loans and committed but undisbursed loans in the case of guaranteed loans.)

040302. Anti-deficiency Act Violations

Anti-deficiency Act violations for direct loans, guaranteed loans, and financing accounts are reportable to the President, through the Director of the OMB, and to the Congress. For additional information, go to "Anti-Deficiency Act Violations," Volume 14, Chapter 2. Violations include:

A. Overobligation or Overexpenditure of the Subsidy. This is any case where an officer or employee of the U.S. Government makes or authorizes an expenditure or creates or authorizes an obligation, including a commitment, that is in excess of amounts appropriated and apportioned for (1) the direct loan subsidy or (2) the guaranteed loan subsidy. Examples of violations include modifications of direct loans or loan guarantees, such as forgiveness, forbearance, reductions in interest rate, prepayments without penalty, and extensions of maturity, that result in obligations in excess of apportioned unobligated balances or subsidy amounts.

B. Overobligation or Overexpenditure of the Credit Level Supportable by the Enacted Subsidy

This is any case where an officer or employee of the U.S. Government makes or authorizes an expenditure or creates or authorizes an obligation, including a commitment, that is in excess of the credit program level supportable by the enacted subsidy, regardless of whether the subsidy is positive or negative. This includes obligations or expenditures that are in excess of: (1) the direct loan level, (2) the guaranteed loan level, or (3) any limitations on the loan level or the Federal share of guaranteed loan levels.

C. Overobligation or Overexpenditure of the Amount Appropriated for Administrative Expenses

This is any case where an officer or employee of the U.S. Government makes or authorizes an expenditure or creates or authorizes an obligation, including a commitment, which is in excess of the amount appropriated for administrative expenses.

D. Obligation or Expenditure of the Expired Unobligated Balance of the Subsidy Except to Correct Mathematical or Data Input Errors in Calculating Subsidy Amounts

This is any case where an officer or employee of the U.S. Government makes or authorizes expenditure or creates or authorizes an obligation, including a commitment, against unobligated subsidy balances after the period of obligation authority has expired. Correction of mathematical or data input errors up to the amount of the lapsed unobligated balance of the subsidy are specifically exempted. Corrections of these errors in excess of the amount of the expired unobligated balance of the subsidy are violations.

0404 CREDIT APPORTIONMENT AND REAPPORTIONMENT

Unless specifically exempted by OMB, all program, financing, and liquidating accounts shall be apportioned. This subject is discussed in full detail in Volume 3, Chapter 2, "Apportionment and Reapportionment."

0405 REPORT ON BUDGET EXECUTION AND BUDGETARY RESOURCES (Standard Form 133)

040501. Coverage

Unless otherwise specified by the OMB, the Report on Budget Execution and Budgetary Resources shall be prepared to provide current data on each credit account, whether apportioned or not. Current reporting requirements are published in ***OMB Circular A-11, Part 4,*** "Instructions on Budget Execution."

040502. Timing of Reports

The Report on Budget Execution and Budgetary Resources shall be submitted electronically through the Department of the Treasury Federal Agencies' ***Centralized Trial-Balance Systems (FACTS II),*** each quarter or such other time period specified by the OMB. The dates for reporting budget execution data through FACTS II are also available at the same web site. A copy of the SF 133 for each calendar quarter shall be submitted to the Committee on Appropriations, House of Representatives. When required by the OMB, SF 133 reports are submitted monthly directly to the OMB examiner, in addition to the electronic submission through FACTS II. Data submissions occur via the ***Government Treasury Account Symbol (GTAS)***.

0406 DIRECT LOANS

Obligation of subsidy shall be recorded in the program account when a binding contract has been signed, in accordance with the provisions of OMB Circular A-11, Part 5, Federal Credit. Subsidy funds shall be paid from the program account to the financing account when the direct loan is to be disbursed to the borrower. Note that the subsidy is not recalculated at the time of loan disbursement. Rather, any change in estimated subsidy caused by an interest rate change or change in estimates for other components of subsidy cost, is made at the beginning of the fiscal year after the fiscal year in which the loan is disbursed. If, at that time, the subsidy amount increases, permanent indefinite budget authority is available to fund the increase, pursuant to section 504(f) of the ***"Federal Credit Reform Act of 1990***." If the subsidy amount decreases, a payment shall be made to a receipt account.

0407 GUARANTEED LOANS

Obligation of subsidy shall be recorded in the program account when a binding contract has been signed, in accordance with the provisions of OMB Circular A-11, Part 5, Federal Credit. Subsidy funds shall be paid from the program account to the financing account when the guaranteed loan is disbursed to the borrower by the third-party lender. Note that the subsidy is not recalculated at the time of loan disbursement. Rather, any change in estimated subsidy caused by an interest rate change or change in estimates for other components of subsidy cost is made at the beginning of the fiscal year after the fiscal year in which the loan is disbursed. If, at that time, the subsidy amount increases, permanent indefinite budget authority is available to fund the increase, pursuant to section 504(f) of the "Federal Credit Reform Act of 1990." If the subsidy amount decreases, a payment shall be made to a receipt account.

0408 COMPUTATION OF INTEREST EXPENSE AND INTEREST INCOME.

040801. Instructions for Computations of Interest Expense and Interest Income for Direct and Guaranteed Loan Programs

A. Interest expense in a direct loan program results from borrowing from the U.S. Treasury. As each loan is disbursed by the financing account to the individual borrower, subsidy funds are transferred from the program account to the financing account. Consequently, each loan disbursement is financed by two sources--subsidy transfer and borrowing from the U.S. Treasury.

B. A single borrowing from the U.S. Treasury is made at the beginning of each fiscal year, separately for each cohort, based on the estimated net loan disbursements for the cohort. Interest expense accrues on the borrowing, and interest income accrues on the undisbursed balance of the borrowing from the U.S. Treasury. (The undisbursed balance of U.S. Treasury borrowing is held as uninvested funds and earns interest.) The interest rate earned on the uninvested funds equals the interest rate paid on borrowing from the U.S. Treasury.

040802. Frequency of Interest Computations

OMB has determined that most credit programs do not have a seasonal bias in their loan disbursement patterns. Consequently, interest expense and income calculations for cohorts that currently are disbursing shall be based on an assumption that the actual loan amounts disbursed during the year were disbursed equally throughout the four quarters. The assumption allows agencies annually to compute interest expenses and interest income, at the end of each fiscal year, using the average annual interest rate provided by OMB and the U.S. Treasury. In those few programs that have a strong seasonal pattern, OMB will calculate special weighted average interest rates appropriate to these patterns and will provide them to the agencies.

040803. Weighted Average Interest Rate

The Credit Reform Act provides that the interest rate for borrowing shall be assigned based on the U.S. Treasury rate in effect during the period of loan disbursement. Many individual loans are disbursed in segments over several quarters or even years. Consequently, several interest rates can be applicable to an individual loan. To simplify the recordkeeping, a single weighted average interest rate is maintained for each cohort and is adjusted each year, until 90 percent of the disbursements from the cohort have been made. Each year the current year average annual interest rate is weighted by current year disbursements, and merged with the prior year's weighted average, to calculate a new weighted average. Additional information regarding subsidy calculation is contained in OMB Circular A-11, Part 5, “Federal Credit.”

040804. Procedure and Due Dates for Computing Interest Expenses and Income Related to Borrowing for Direct Loan and Guaranteed Loan Financing Accounts

Detailed instructions for calculating interest due to and due from the U.S. Treasury are provided in Volume 1, Part 2, Treasury Financial Manual, Chapter 4600. Interest payments must be paid to the U.S. Treasury on the SF 1081, “Voucher and Schedule of Withdrawal and Credits,” not later than the last business day of the fiscal year. Requests for interest due from the U.S. Treasury on uninvested financing account balances must be submitted to the Treasury Department not later than the third business day after the close of the fiscal year.

0409 Credit Reform USSGL Accounts and Definitions

Credit reform accounts and definitions were established in the USSGL to implement requirements of the "Federal Credit Reform Act of 1990," (as amended), and are intended to account for direct loans and loan guarantees. DoD entities must follow the Standard Financial Information Structure (SFIS) which is based on the Treasury USSGL. For more complete information go to the ***SFIS website***.

VOLUME 12, CHAPTER 4, APPENDIX A: "CREDIT REFORM: CASH FLOWS FOR DIRECT LOANS AND FOR LOAN GUARANTEES"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by *bold, italic, blue, and underlined font*.

The previous version dated September 2008 is archived

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
N/A	All hyperlinks updated to current web documents.	Revision
All	This appendix is certified as current.	Current

APPENDIX A

CREDIT REFORM:CASH FLOWS FOR DIRECT LOANS AND FOR LOAN GUARANTEES

In order to more clearly understand the cash flow process as required by credit reform for a direct loan or a guaranteed loan, two examples are provided.

EXAMPLE: Cash Flow for a $100 Direct Loan, 20 percent subsidy, disbursed in one year

1. Congress appropriates $20 in subsidy budget authority (BA) to the program account.

2. The $20 subsidy is obligated when the $100 loan is obligated.

3. The $20 subsidy is outlayed to the financing account at the time the $100 loan is disbursed to the borrower. Simultaneously, the financial account borrows the additional $80 needed to make the $100 loan from the U.S. Treasury (Treasury).

4. The borrower pays fees, interest, and principal to the financing account under the terms of the loan.

5. The financing account makes payments to the Treasury over time on the $80 portion of the loan. If the subsidy rate is accurate, the loan repayments (and other payments) to the financing account will be exactly the amount necessary to repay the original amount of $80 borrowed from the Treasury plus interest.

6. If the subsidy is not accurate, a reestimate must be calculated, and as necessary, either:

    a. an additional subsidy will be disbursed from the program account to the financial account, to cover the amount of the reestimate, or

    b. excess funds must be moved from the financial account to a negative receipt account, where these funds are unavailable until appropriated.

EXAMPLE: Cash flow for a $100 Loan Guarantee with a 20 percent subsidy rate disbursed in one year

1. Congress appropriates $20 in subsidy BA to the program account.

2. The $20 subsidy is obligated when the $100 loan is obligated.

3. The lending institution lends a 75 percent government-guaranteed $100 loan to the borrower. When the loan is disbursed, $20 in subsidy BA is outlayed to the financing account. The borrower pays a 2 percent upfront fee to the agency, which is deposited into the financing account.

4. Reserves (uninvested funds) are held in the financing account and earn interest.

5. The borrower pays principal and interest to the lending institution.

6. If the borrower defaults, the reserves held in the financial account are used to make claim payments to the lending institution. If the subsidy rate is accurate, the financial account will have exactly the reserves required to cover all defaults and other subsidies for that set or cohort of loans.

7. If the subsidy is not accurate, a reestimate must be made, and, as necessary either:

    a. additional subsidy shall be disbursed from the program account to the financing account to cover the amount of the reestimate, or

    b. excess funds must be moved from the financing account to a negative receipt account, where these funds are unavailable until appropriated.

For additional examples and details, see OMB Circular A-11, Part 5, Federal Credit ***(http://www.whitehouse.gov/omb/circulars/a11/current_year/s185.pdf).*** Guidance for the SF 133, Report on Budget Execution and Budgetary Resources, and further explanation may be found at ***http://www.whitehouse.gov/sites/default/files/omb/assets/a11_current_year/app_f.pdf*** and ***http://www.whitehouse.gov/sites/default/files/omb/assets/a11_current_year/s130.pdf*** . The text of the Credit Reform Act of 1990, as amended, is found at **http://www.fms.treas.gov/ussgl/creditreform/fcra.html** .

VOLUME 12, CHAPTER 5: "GRANTS AND COOPERATIVE AGREEMENTS"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue and underlined font*.**

The previous version dated December 2012 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
050101	Added Overview section.	Addition
050103	Added new Office of Management and Budget (OMB) guidance as contained in 2 CFR part 200 which has supplanted OMB Circular A-110, deleted reference to DoD 3210.6R as it has been cancelled; and made various wording changes to align with current practice.	Addition/ Deletion/ Revision
0502	Revised section title.	Revision
050202	Deleted the words 'or contract.' (now 050402)	Deleted
050204	Added information on accounting treatment for grants accruals according to GAAP and FASAB Handbook. (Now paragraph 050404.)	Addition
050206	Combined gist of previous paragraph 050206, Refunds Receivable, with 050207, to enhance reader understanding. (Now paragraph 050407.)	Revision
050205, 050206, 050207	Revised paragraph numbering due to addition of GAAP and FASAB information. (Now paragraphs 050405, 06, 07.)	Revision
050208	Deleted previous paragraph 050208 as grant information is no longer included in Volume 5.	Deletion
0503	Revised section title.	Revision
050402	Clarified wording.	Revision
050403	Included document retention requirement.	Addition
050404	Added new paragraph on accruals.	Addition
050407	Revised paragraph title and added document retention requirement.	Revision/ Addition
Multiple	Reformatted and corrected hyperlinks.	Update

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CHAPTER 5

GRANTS AND COOPERATIVE AGREEMENTS

*0501 GENERAL

050101. Overview

A. DoD grants and cooperative agreements are federal assistance agreements under which payments are made for specified purposes. The major difference between grants and cooperative agreements is that grants are assistance awards for which no substantial involvement is anticipated between the DoD and the recipient during performance of the contemplated activity, whereas cooperative agreements are awards for which substantial involvement is anticipated. However, the accounting treatment for the two types of agreements is the same.

B. DoD grant and cooperative agreement recipients include institutions of higher education, non-profit organizations, local and state governments, and for-profit entities.

050102. Purpose

This chapter prescribes the policy to be followed by the Department of Defense (DoD) Components to account for and control funds obligated through grants and cooperative agreements.

*050103. Authority

A. "DoD Grant and Agreement Regulations,'" (DoDGARs) which is based on Title 32, Code of Federal Regulations (CFR), ***Part 22;***

B. ***Title 31, United States Code (USC), Chapter 63,*** "Using Procurement Contracts and Grant and Cooperative Agreements;"

C. ***Title 2, CFR, Part 1103***, DoD's interim implementation, which directs DoD Components to use the Office of Management and Budget (OMB) guidance found at ***2 CFR part 200*** to govern the administrative requirements, cost principles, and audit; and

D. ***Title 32, CFR, Part 34***, "Administrative Requirements for Grants and Agreements with For-Profit Organizations."

E. The ***"Catalog of Federal Domestic Assistance,"*** maintained for OMB by the General Services Administration, is a basic reference source for descriptions of DoD programs that utilize grants, cooperative agreements, and other forms of assistance.

F. ***The Federal Funding Accountability and Transparency Act of 2006***, also included as part of the DoDGARs, requires full disclosure by entities that receive $25,000 or

more in Federal funding, including grants, subgrants, awards, and cooperative agreements. Information from FY 2007 forward must be entered into the ***http://www.USAspending.gov*** web site, established by OMB to implement the Act's requirements.

*0502 ALLOWABLE USES OF GRANTS AND COOPERATIVE AGREEMENTS

050201. Use of grants and cooperative agreements

A. Conduct of scientific and engineering research and related education and research training;

B. Operation, maintenance, and some construction for State National Guard units, for which DoD shares the cost with the states. (State National Guard units are state agencies, unless and until the President activates them for federal missions);

C. Military base re-use studies and community planning;

D. The DoD Procurement Technical Assistance Program; and

E. Grants under the Foreign Military Financing Program. DoD awards grants to foreign nations allied to the U.S. These grants provide the financing to U.S. allies for acquisition of U.S. military articles, services, and training. Financial policies for these grants are described in Volume 15, Security Assistance Policy and Procedures, Chapter 1.

050202. Technical Assistance Programs

Grants and cooperative agreements do not include technical assistance programs that provide services instead of money, and are statutorily distinct from contracts entered into and administered under procurement laws and regulations.

*0503 USE OF FUNDS IN ACCORDANCE WITH THE AWARD

050301. Acceptance of an Assistance Award

A. The acceptance of an assistance award from DoD creates a legal duty on the part of the recipient to use the available funds or property in accordance with the terms and conditions of the assistance agreement.

B. Payments may be made in advance or as reimbursement for either work performed or costs incurred by awardees.

050302. Required Awardee Returns to DoD

A. Any funds applied improperly;

B. Any federally-owned property provided under awards, and in some cases, property purchased under awards, consistent with the terms of the award; and

C. In most cases, unused balances of advance payment awards (plus earned interest payable to the Department of Health and Human Services);

0504 ACCOUNTING STANDARDS FOR GRANTS AND COOPERATIVE AGREEMENTS

050401. Commitment of Funds

Accounting for funds under a DoD grant or cooperative award must start with the commitment of funds prior to their obligation by the awarding official. The awarding official must be a properly warranted grants or agreements officer. Following the funds commitment, the following must be accomplished: recording of the obligation upon execution of the agreement or other obligating document approved by the awarding official that sets out the amount and purpose of the award, the performance period, the obligations of the parties to the award, and other terms. A legal obligation to disburse the assistance funds, in accordance with the terms of the agreement, occurs upon execution of an agreement, or other obligating document.

*050402. Advance Payments

Advance payments to award recipients must be accounted for as advances by the assisting DoD Component (this would be the Defense Finance and Accounting Service (DFAS) in some cases) until the recipient has performed under the award.

*050403. Recording of Expense

When the recipient that received the advance has performed under the grant or cooperative agreement, the DoD Component (again, DFAS in some cases) must record an expense in an amount equal to the cost of the services performed or cost incurred, and reduce the advance account by that amount. The recipient shall provide sufficient documentation to support the cost of the services performed or cost incurred, consistent with the award or contract. This documentation should also be used to support the appropriate payment in paragraph 050404. Documentation must be maintained for six years, three months, and 1 day following award closeout.

*050404. Accruals

A. The accrual basis of accounting in accordance with Generally Accepted Accounting Principles (GAAP) requires revenues to be recognized in the period earned and expense recognized in the period incurred;

B. Accruals represent liabilities for goods and services received or work performed by another. Accruals must be recorded even if specific parts of the underlying financial process may not have been completed;

C. Accruals must be supported by reasonable documentation, which is generally written documentation that allows another reasonably knowledgeable individual to come to the same logical conclusion when the documentation is reviewed;

D. Accruals should be reversed when the good or services have been received, or the accrual is determined to be invalid; and

E. Pursuant to the Federal Accounting and Standards Advisory Board (FASAB) Handbook, Version 13 (06/14), Technical Release 12, ***"Accrual Estimates for Grant Programs,"*** accruals for grants programs may be estimated until sufficient relevant and reliable historical data is available to calculate more exact figures.

050405. Expenditures or Expenses Incurred

Payments to award recipients as reimbursement for work performed or costs incurred must be accounted for as expenditures and as expenses incurred, or as reductions of liabilities if the expenses were recorded previously.

050406. Title to Assets

When title to assets acquired by award recipients' vests with the U.S. Government, the DoD Component must establish appropriate general ledger accounting control and property records, and include the assets in its financial statements. The assets must be recorded at acquisition cost to the award recipient, and depreciated in accordance with guidance contained in Volume 4, Chapters 1 and 6.

*050407. Funds Disposition at Grant Closeout

At the termination or closeout of a grant or cooperative agreement, disallowed expenses, improperly applied funds, and/or unused funds, must be established as an accounts receivable by the DoD Component. Note that substantiating documentation must be maintained for six years, three months, and one day, following the date of award closeout.

0505 ADDITIONAL ACCOUNTING FOR GRANTS

Additional policy for grants accounting, advances to grantees, and/or specifically for research grants, is provided in Volume 4, Accounting Policy and Procedures, Chapters 4 and 5.

0506 FINANCIAL MANAGEMENT FOR GRANTS AND COOPERATIVE AGREEMENTS

050601. Availability of Financial Management Information System

The DFAS must ensure the availability of a financial management information system capable of recording and monitoring grant and cooperative agreement transactions and providing, by transaction, a delineation of the federal and awardee break out of program costs.

The system must enable the DoD Component to identify quickly the basic categories of funds involved, along with the related obligation and expenditure rates, and provide for ensuring fund availability prior to awarding financial assistance and obligating funds.

050602. Multiple Advances

Advances may be requested to cover more than one award to facilitate cash management, and to simplify accounting steps.

050603. Liquidation of Advances

Advances must be liquidated based upon reports of expenditures and the return of funds.

050604. Minimizing Financing Costs

Disbursements, whether by check or electronic funds transfer, must be timed to minimize financing costs and the time lapse between the transfer of funds from the U.S. Treasury and subsequent disbursement by the recipient for program purposes. DoD Component systems must ensure that disbursements are controlled in accordance with guidance contained in Volume 4, Chapter 2.

050605. Reimbursement Method of Financing

When the reimbursement method of financing is used, payment to the recipient should be made within 30 days after receipt of the payment request.

050606. Maintenance of Property Records

DoD Components must maintain appropriate records of property acquired by recipients for which title rests or may rest with the U.S. Government.

050607 Accounts Receivable due to Sustained Audit Finding

Amounts due as a result of a sustained audit finding must be promptly recorded upon entitlement as an accounts receivable. The receivable must be recorded even though the decision to collect is subject to administrative appeal or litigation. Interest must begin to accrue no later than 30 days after the date the auditee was notified of the debt, and continues to accrue while an appeal is underway.

VOLUME 12, CHAPTER 7: "FINANCIAL LIABILITY FOR GOVERNMENT PROPERTY LOST, DAMAGED, DESTROYED, OR STOLEN"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue and underlined font*.**

The previous version dated June 2012 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
	This chapter is certified as current	

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CHAPTER 7

FINANCIAL LIABILITY FOR GOVERNMENT PROPERTY LOST, DAMAGED, DESTROYED, OR STOLEN

0701 OVERVIEW

070101. Purpose

This chapter provides for the implementation of policies and responsibilities relating to financial liability for government property that is lost, damaged, destroyed or stolen. This chapter prescribes how to:

A. Account for loss, damage, destruction, or theft of government property; determine the responsibility and amount of financial liability of those found to be culpable for such financial losses; provide relief from accountability; and establish debts resulting from the assessment of financial liability.

B. Inquire, research, and investigate the causes of the loss, damage, destruction, or theft of government property.

C. Assess financial liability with respect to lost, damaged, destroyed, or stolen government property.

D. Initiate ***DD Form 200***, "Financial Liability Investigation of Property Loss."

070102. Responsibilities

A. Under Secretary of Defense (Comptroller). The Under Secretary of Defense (Comptroller) is responsible for financial policies regarding financial liability for government property lost, damaged, destroyed, or stolen.

B. DoD Components. The DoD Components are responsible for ensuring that the following policies and procedures are implemented:

1. Determining and assessing the amount of financial liability of those responsible for such losses;

2. Mitigating, reducing, and/or relieving financial liability in appropriate cases;

3. Establishing debts resulting from the assessment of financial liability and referring them for appropriate collection action.

4. This chapter does not apply to loss, damage, destruction, or theft of Government contract (***Federal Acquisition Regulation, Part 45.101***) property (Government

furnished and Contractor-Acquired Property) and property acquired by a contractor as a result of partial, advance, progress or performance based payments) in the possession of a third party, to include contractors. Loss, damage, destruction, or theft of such property shall be processed in accordance with the terms and conditions of the accountable contract or third party agreement to which the lost, damaged, destroyed, or stolen property was accountable. See also ***DoD Instruction 4161.02,*** "Accountability and Management of Government Contract Property."

0702 GENERAL REQUIREMENTS

070201. Purpose

This section prescribes general requirements regarding accounting for lost, damaged, destroyed or stolen government-owned property, including supply system materiel, equipment, and real property.

070202. Minimum Requirements Definitions

A. Inquiry. An informal process of ascertaining the facts, circumstances, and cause of the loss, damage, destruction, or theft.

B. Investigation. A formal proceeding of ascertaining the facts, circumstances, and cause of the loss, damage, destruction, or theft, in accordance with the minimum requirements set forth in paragraph 070204B.

C. Determination of Proximate Cause. Ascertaining whether the loss, damage, destruction, or theft was proximately caused by an individual's negligence or abuse.

D. Adjustment. Posting to the accountable property records the changes made necessary by the loss, damage, destruction, or theft.

E. Administration. An established process or system to determine whether a responsible party should be held financially liable.

070203. Applicability of Requirements

These requirements apply whether or not the government property is recorded in an accountable property system.

070204. Initiation of General Inquiries and Investigations

A. Upon discovery of loss, damage, destruction, or theft of government-owned property (real or personal) of any value, the first line supervisor or, in the case of military, immediate superior within the chain of command, shall conduct an inquiry to determine if the situation warrants a more formal inquiry, i.e., an investigation. A DD Form 200 is not required for inquiries. Loss, damage, destruction, or theft of materiel shall be processed in accordance with paragraph 0708.

B. An investigation shall be conducted for all loss, damage, destruction, or theft of government-owned equipment with an initial acquisition cost (value) of $5000 or greater; all sensitive, classified, or leased (capital Lease) property regardless of initial acquisition cost; and any real property. (See also ***DoD Instruction 5000.64***, "Accountability and Management of DoD Equipment and Other Accountable Property," for more information.) Investigations may also be conducted when circumstances warrant. For example, when the loss, damage, destruction or thefts of small amounts of property occur frequently enough to suggest a pattern of wrongdoing, then an investigation may be warranted.

C. The Approving Authority is responsible for establishing procedures and designating a person, typically the Accountable Property Officer, Real Property Accountable Officer, or Reviewing Authority (for supply system stocks or "materiel"), to initiate and conduct the investigation, in accordance with agency procedures. Investigations are not limited to the above thresholds, but may be conducted if the approving authority deems a formal investigation necessary.

D. At a minimum, investigations shall identify:

1. What happened?

2. How it happened?

3. Where it happened?

4. Who was involved?

5. When it happened?

6. Any evidence of negligence, willful misconduct, or deliberate unauthorized use or disposition of the property.

E. Evidence of Negligence

1. When inquiring into the loss, damage, destruction, or theft of government property, the first consideration is whether there is evidence of negligence. For example: "Would a reasonably prudent individual have acted in this manner?" "Were there procedures governing the use of the property, and were they followed?" "What were the circumstances that existed when the loss actually occurred?" "Was the individual on the job?" For example, if a dump truck is parked on an incline, a reasonable person would be expected to set the hand brake and leave the vehicle in park. Using blocks under the wheels might or might not be required. If the individual failed to set the brake and/or use blocks under the wheels and the truck rolled down the incline and was damaged, this could be considered evidence of negligence. A reasonably prudent person would be expected to take precautions.

2. When loss, damage, destruction of government quarters is involved, a distinction must be made between simple and gross negligence. Evidence of simple or gross

negligence depends on the conduct of the individual. If the individual failed to exercise precautions or good judgment, then simple negligence applies. If the individual's conduct was characterized by a reckless, deliberate, or wanton disregard of foreseeable consequences, then gross negligence applies. Evidence of whether simple or gross negligence was the proximate cause of the loss, damage, or destruction is based on the facts and circumstances and shall be determined during the general inquiry and documented during the investigation process.

F. DD Form 200. The DD Form 200 is required documentation for investigations—and shall be used to document the facts and circumstances of the loss, damage, destruction, or theft. The person conducting the investigation shall be responsible for completing blocks 1 through 11 of the DD Form 200, as described in section 0706. (The form is included as Table 7-1.)

G. Exceptions. The DD Form 200 is not required when:

1. An individual voluntarily makes restitution to the government for the full amount and classified or sensitive property is not involved.

2. The damage involves a government-owned vehicle. In such cases, an accident investigation report may be used to document an inquiry in lieu of a DD Form 200. However, when the documentation clearly indicates that negligence or abuse was involved, or if a claim against the government is possible, a DD Form 200 shall be prepared.

3. The loss involves shipping and transportation discrepancies attributed to carriers, which are processed and reported according to "Reporting of Item and Packaging Discrepancies," (Non-FMS), "Processing Discrepancy Reports Against Foreign Military Sales Shipments" (FMS), and "Reporting of Transportation Discrepancies in Shipments." However, item discrepancy reports should be reviewed and evaluated to determine if the circumstances of the loss or damage appear to have been caused by negligence or abuse by DoD personnel. If so, a DD Form 200 shall be prepared.

070205. Voluntary Payments

Individuals may voluntarily choose to pay the government for lost, damaged, or destroyed government property any time prior to involuntary collection from their pay. Individuals offering the payment do so of their own volition. The government does not seek any advantage nor forego any right by accepting a voluntary payment. An individual cannot be coerced or threatened with adverse action if payment is not voluntarily made. Individuals must be made aware of the effect of making a voluntary payment. That is, it may not be later withdrawn, avenues for relief will no longer be available, and voluntary payment does not preclude other administrative or disciplinary action. Individuals offering to pay in excess of basic pay for one month by military members or one twelfth of annual pay by civilian employees must be made aware that their liability may be a lesser assessment as a result of an investigation. Voluntary payments may be made in cash, by check, or through payroll deduction.

070206. Review

Upon completion of the investigation, the DD Form 200 shall be forwarded to the appointing authority for review. The appointing authority shall determine if a financial liability officer or financial liability board is needed to conduct an investigation. The general criteria for appointing a financial liability officer are in paragraph 070402.A. The criteria for appointing a financial liability officer for inventory losses are in paragraph 070807. General Counsel and/or the member's commander must be consulted before statements are taken from anyone if there is a suspected violation of the Uniform Code of Military Justice (***10 U.S.C. Chapter 47***).

070207. Evidence of Theft

Cases involving stolen government-owned property shall be referred to local security and/or law enforcement officials, in accordance with agency procedures.

070208. Financial Liability Officer Investigations

The appointing authority may appoint a financial liability officer to determine whether the facts and circumstances support the findings and recommendations of the individual completing blocks 9 and 10 on the DD Form 200. Qualifications, duties, and responsibilities of financial liability officers are discussed in section 0704.

070209. Financial Liability Board

The appointing authority may appoint a financial liability board in lieu of an officer. The reasons for appointment of a board include the complexity, size, or unique type of loss due to negligence or abuse. The composition, objectives, and functions of the board are discussed in section 0705.

070210. Determination of Financial Loss

A. Computation of Financial Loss. A computation of the financial loss to the government shall be made when there is evidence to indicate that the loss was proximately caused by negligence or abuse.

1. When damaged property or items can be repaired economically or restored in condition to that immediately prior to the loss, the loss to the government shall be based on the cost of repair or restoration. If the cost to repair or restore the property exceeds the cost to replace the property, the loss to the government shall be as determined in paragraph, 070210.A.2, below. For real property**,** the plant replacement value will be used to value the asset. If the cost to repair or restore the real property exceeds the plant replacement value, then the cost to acquire and install a new asset will be the amount of loss.

2. When property is lost, damaged, destroyed, or stolen, and the property cannot be replaced, the amount of the loss shall be the fair market value of the property immediately before the loss. When a fair market value cannot readily be determined, the cost of

repairs or an estimate of the repairs may be used (can be obtained from technical manuals or other reliable sources); or the acquisition cost or standard price, adjusted for depreciation may be used (based on the specified depreciation period for such item or if such a period has not been specified, based on its estimated useful life). Depreciation shall be computed using the straight-line method of depreciation. In no case should property be depreciated below its scrap value. For property that is damaged beyond economical repair, the scrap or salvage value of the property shall be used to reduce the loss to the government. For Real Property, the plant replacement value will be used to value the asset. If the cost to repair or restore the real property exceeds the plant replacement value, then the cost to acquire and install a new asset will be the amount of loss.

B. Liability. Financial liability of individuals is based on the actual loss to the government, as computed in paragraph 070210.A, above. When liability is limited by the individual's rate of pay, the amount of the actual loss to the government still is computed. However, in such cases, the financial liability of the individual either is the actual amount of the loss or the limitation based upon the rate of pay, whichever is less.

C. Collective Liability. If more than one individual is found financially liable for the loss, damage, destruction, or theft of government property, the individuals shall be collectively liable for the loss to the government. The government cannot collect more than the total amount of assessed liability. Therefore, the approving authority who assessed financial liability will decide how much to collect from each individual. Among the factors to be considered in taking collection action from each liable individual are the degree of each individual's responsibility for the loss, damage, destruction, or theft and the ability to collect from the responsible individual.

070211. Notification and Examination

When financial liability is recommended, the individual shall be notified and given the opportunity to examine the findings and recommendations, obtain representation, make a rebuttal statement, and present any mitigating factors that may have contributed to the negligence or abuse. If damage to government housing is involved, an individual also shall be given the opportunity to request a waiver of the financial liability, as stated in ***DoD 4165.63-M***, "DoD Housing Management."

0703 APPROVING AND APPOINTING AUTHORITY

070301. Duties and Responsibilities

A. Approving Authority. DoD Component regulations shall designate those individuals who may be an approving authority. The approving authority's responsibilities may be delegated; however, the delegations must be in writing. The approving authority also may act as the appointing authority or designate an appointing authority in writing. The approving authority shall:

1. Designate an appointing authority, when needed.

2. Disqualify oneself when a conflict of interest is possible, e.g., because the loss relates to property for which he or she is responsible and/or accountable.

3. Establish procedures and designate a person to initiate and conduct an inquiry immediately after the loss, damage, destruction, or theft is discovered (see paragraph 070204.A.)

4. Ensure that all DD Forms 200 received are accurate and complete. Evaluate each DD Form 200 and either approve recommendations to assess financial liability or relieve those involved from liability, responsibility or accountability. The approving authority approves or disapproves all DD Forms 200, regardless of dollar value, unless otherwise delegated in writing.

5. Ensure that all gains and losses that require a formal investigation are promptly and thoroughly investigated. The system used to process DD Forms 200 must be frequently reviewed to evaluate the accuracy and timeliness of the investigations.

6. Ensure that DD Forms 200 are initiated, processed and adjudicated within the time limits that may be established by the DoD Components.

7. Require, if delays occur in the initiating or processing of a DD Form 200, a written explanation of the reason for the delay and take appropriate corrective actions.

8. Ensure that persons held financially liable are so notified, informed of their rights (including waiver rights if government housing is involved), and given the opportunity to inspect and copy the DD Form 200.

9. Personally evaluate each DD Form 200 when there is evidence of negligence, abuse, or theft.

10. Determine whether to delegate to the appointing authority the authority to approve or disapprove a DD Form 200 when there is no evidence of negligence or abuse or theft.

11. Ensure, when financial liability is recommended, or when recommendations appear to be inconsistent with findings, that a judge advocate or civilian attorney has reviewed the findings and provided an opinion on the adequacy of evidence and its relationship to the findings and recommendations. This legal review shall be included as part of the record with the DD Form 200 and completed before final action is taken by the approving authority.

12. Ensure that corrections of any attested entries are properly initialed and documented.

13. Overrule, when appropriate, the recommendations of the appointing authority and the financial liability officer. When this action results in the assessment of financial liability, the individuals not previously recommended for liability shall be advised of their rights and afforded an opportunity to exercise their rights.

14. Formally notify individuals against whom he or she has approved financial liability.

B. Appointing Authority. The appointing authority is designated in writing by the approving authority. The approving authority also may act as appointing authority. The appointing authority is responsible for the following tasks:

1. Appoint a financial liability officer, if needed.

2. Appoint a board in lieu of a financial liability officer to conduct the investigation, if warranted. Reasons for considering appointment of a board include complexity, size, or unique type of loss due to negligence or abuse. (See section 0705.)

3. Provide administrative guidance to the financial liability officer or the board.

4. Review DD Forms 200 for accuracy and compliance with this regulation.

5. Approve or disapprove the recommendations of the financial liability officer or the board, and forward personal recommendations to the approving authority.

6. Approve or disapprove DD Forms 200 when there is no evidence of negligence or abuse and authorization has been delegated in writing by the approving authority.

7. Approve or disapprove DD Forms 200 when the loss, damage, destruction or theft is less than $100,000 and authorization has been delegated in writing by the approving authority.

070302. Summary

The appointing and approving authorities must act on the DD Form 200 once an individual has been properly notified and given the opportunity to respond to the findings. Failure of involved individuals to respond to recommendations of financial liability is not a sufficient reason to delay the approval process if the individuals were given a reasonable opportunity to reply, as discussed in paragraph 070404.B.10.

0704 FINANCIAL LIABILITY OFFICER QUALIFICATION AND RESPONSIBILITIES

070401. Purpose

This section contains policies regarding the qualifications, duties, and responsibilities of individuals appointed to conduct an investigation and determine responsibility for lost, damaged, destroyed, or stolen property listed on DD Forms 200. This section is concerned with criteria to determine whether a financial liability officer is required to be appointed, who may be appointed as a financial liability officer, and the duties and responsibilities of that individual. A financial liability officer's findings and recommendations are administrative, not judicial; therefore, the reports are purely advisory; the opinions do not constitute final determinations or legal judgments; and the recommendations are not binding upon appointing and approving authorities.

070402. Criteria

A. Appointment of Financial Liability Officer. The appointing authority should appoint a financial liability officer to conduct a formal investigation when:

1. Recommended by an accountable officer.

2. Directed by higher authority.

3. Deemed appropriate by the appointing authority (e.g., repetitive losses, evidence of negligence or abuse or large dollar losses).

B. Financial Liability Officer Duty. Unless operational requirements clearly dictate otherwise, a financial liability officer shall perform this function as a primary duty until the investigation has been completed.

070403. Financial Liability Officer Qualifications

A. Selection Criteria. A financial liability officer is selected based on training, experience, competence, and ability to conduct independent and objective investigations.

B. Persons Eligible. The financial liability officer shall be a commissioned officer; warrant officer; enlisted member in the grade of E-7, E-8, or E-9; or a civilian employee GS-07, or above. The financial liability officer shall normally be senior to the individuals directly involved in the discrepancy.

C. Use of Reserve Component Personnel. Reserve Component commissioned officers, warrant officers, and noncommissioned officers in grades E-7, E-8, or E-9 not on active duty may serve as financial liability officers during Reserve training sessions.

D. Relationship to Property. A person who is accountable or responsible for, or in any way directly interested in, the property being investigated, shall not be appointed as a financial liability officer.

070404. Financial Liability Officer Responsibilities and Duties

A. General

1. The primary purpose of the DD Form 200 is to determine responsibility for lost, damaged, destroyed, or stolen property. To determine such responsibility, the facts contributing to the loss, damage destruction, or theft must be developed by investigation.

a. The investigation may establish the fact that some other individual is at fault. The financial liability officer shall not limit an investigation to verifying statements of interested parties. Rather, the financial liability officer shall perform an investigation as thoroughly as is needed, in his or her opinion, to ensure that all facts are fully developed, the interests of the government are fully served, and the rights of the involved individuals are fully protected.

b. An investigation is required to determine responsibility and/or liability without regard to the relationship of the responsible individual to the property. As an example, actions by the accountable property officer or property custodian should be investigated as well as the actions of the property users.

2. The investigation conducted by the financial liability officer is the critical phase of the process. The financial liability officer should determine the actual facts, not as alleged but as they actually occurred. The financial liability officer's recommendations shall be evaluated in succeeding reviews; therefore, the recommendations must be supported by the findings and conclusions.

3. The financial liability officer should be able to make a determination from the findings and conclusions as to how the loss or damage occurred and whether negligence or abuse was involved.

4. After recording the findings and conclusions, the financial liability officer should make recommendations based on policies set forth in this regulation. The financial liability officer shall recommend whether to assess financial liability.

5. A function of the financial liability officer is to afford to any person whose conduct or performance of duty may be subject to inquiry or who has a direct interest in the inquiry an opportunity to have their position considered, as described in paragraph 070404.B.10.

B. Conducting an Investigation. Financial liability officers shall conduct investigations promptly. They shall inform the appointing authority immediately of all delays experienced. In conducting the investigation, the financial liability officer shall personally:

1. Scrutinize all available evidence.

2. Interview witnesses and secure statements, ideally in writing, from individuals concerning:

a. The cause of the loss, damage, or theft.

b. The responsibility for the loss, damage, or theft.

3. Compile evidence substantiating or refuting any statement in block 9 of the DD Form 200.

4. Physically examine the damaged property, if possible, and then release it for repair or disposal. This should be done on the first day of his or her appointment.

5. Consult the appointing authority for guidance, when needed.

6. Determine the amount of damage as described in paragraph 070210.A, if the property has been damaged. Determine the value of the property immediately before its damage if the property is not economically reparable. The accountable officer may be asked to assist if he or she has not been directly involved.

7. Ensure that action is taken to exercise control over the property if the property is recovered during the investigation.

8. Ensure that the total loss to the government is computed correctly.

9. Coordinate actions with the claims investigating officer when the investigation may cover loss, damage, destruction, or theft of government property that is being, has been, or shall be investigated because of attendant events by a claims investigating officer. This includes cases where military personnel or civilian employees, while driving a private vehicle, damage government property and have insurance to pay for part of the loss.

10. Adhere to the following requirements:

a. Give any individual against whom the financial liability officer makes a finding of financial liability a chance to examine the report of investigation after the findings and recommendations have been recorded.

b. Give the individual being recommended for financial liability the opportunity to make a statement.

c. Inform the individual that his or her statement may be used against him or her with regard to financial liability and other administrative and disciplinary actions.

d. Fully consider and attach as an exhibit to the DD Form 200 any statement made by the individual(s).

e. Ensure that the individual being recommended for possible financial liability is aware of his or her rights under Volume 5, Chapter 28, "Management and Collection of Individual Debt."

f. Request the individual to acknowledge his or her understanding of these rights by completing block 16 of the DD Form 200.

g. If appropriate, prepare a statement that the individual recommended for liability refused to sign block 16 of the DD Form 200 after being given the opportunity.

h. Mail a copy of the findings, recommendations, and evidence to the person against whom financial liability is recommended by certified mail with a return receipt requested when the person is not readily available. For example, the person may have been transferred or separated from one of the Military Services.

(1) A full explanation of the person's rights shall be included and a reply shall be requested.

(2) If the reply is not received within 30 days after the date of mailing, the financial liability officer shall record this fact and take action to complete the DD Form 200. The record shall be included in, or appended to, the DD Form 200.

(3) Any reply received subsequent to the expiration of 30 days shall be forwarded through the same channels as the DD Form 200 for attachment to the original DD Form 200.

i. Consider any new evidence received after a recommendation has been made. If the financial recommendations remain unchanged, the financial liability officer shall note that the added evidence was considered and shall provide a rationale for not changing the decision, e.g., no new evidence or the matters do not overcome the evidence supporting the original recommendations. The notation shall be on all copies of the report immediately following the original recommendation. If the financial liability officer makes a change in the original recommendations because of the new evidence, the officer shall record such change as "Amended Recommendations." These recommendations should be recorded immediately after the original recommendations.

0705 PURPOSE, APPOINTMENT, COMPOSITION, AND FUNCTIONS OF A FINANCIAL LIABILITY BOARD

070501. Purpose

A financial liability board may be appointed by the appointing authority for the specific purpose of conducting the investigation. The primary purpose of a financial liability board is to provide the appointing and approving authorities with adequate information upon which to assess liability or relieve the involved individual from liability for the loss, damage destruction, or theft of government property. A board provides more resources than an officer to investigate losses

that are large, complex, or unique. Financial liability boards are administrative, not judicial. Therefore, their reports are purely advisory, their opinions do not constitute final determinations or legal judgments, and their recommendations are not binding upon appointing and approving authorities. The board members will establish appropriate board procedures, such as voting, work priorities, and etc.

070502. Appointment and Composition

A. Selection. The members of a financial liability board are selected based on training, experience, competence, and ability to conduct independent and objective investigations. The senior member normally shall be designated as the Chair. The appointing authority shall not appoint an individual who was or is accountable or responsible, or has direct interest in the property, including a financial liability officer who may have previously investigated the loss of the property.

B. Composition. The financial liability board members shall be commissioned officers; warrant officers; enlisted members in grades E-7, E-8, or E-9; or civilian employees GS-07, or above. The board Chair and a majority of the board shall normally be senior in rank to the persons directly involved.

C. Use of Reserve Component Personnel. A source of financial liability board members is Reserve Component commissioned officers; warrant officers; and enlisted members in grades E-7, E-8, or E-9 during their Reserve training sessions.

070503. Functions

The following are specific functions of a financial liability board:

A. Primary Function. The primary function of a financial liability board is to research, develop, assemble, record and analyze all available information relative to the loss. The board is required to formulate and clearly express consistent findings of facts, conclusions, and recommendations.

B. Collateral Function. A collateral function of the financial liability board, especially when requested by the appointing authority, is to afford a hearing to any person whose conduct or performance of duty may be subject to inquiry or who has direct interest in the inquiry.

070504. Final Action by the Financial Liability Board

The board Chair completes his or her action on the DD Form 200 as the financial liability officer and recommends relief from, responsibility, or assessment of financial liability.

0706 PREPARATION OF DD FORM 200

070601. Purpose

The purpose of this section is to provide instructions for the preparation of the DD Form 200 "Financial Liability Investigation of Property Loss." Table 7-1 provides an example of a DD Form 200. The DD Form 200 is used to document the financial liability process for lost, damaged or destroyed government property. When completed, the DD Form 200 is the official document to support the establishment of debts, relief from accountability, and adjustment of accountable property records, supply system stock and financial records.

070602. Instructions for Preparation

A. Date Initiated. Self-explanatory.

B. Inquiry and/or Investigation Number. Number assigned to the inquiry and/or investigation in accordance with DoD Component instructions.

C. Date Loss Discovered. Self-explanatory.

D. National Stock Number (NSN). Enter the NSN(s), manufacturer's part number, or other identification number(s), in numerical sequence. If not applicable, enter the word "none."

E. Item/Property Description. Enter the nomenclature of the item(s) including any serial number(s), model number(s), controlled inventory item, etc. If the item is nonstandard, give a brief description sufficient for identification. If only a portion of an end item is damaged, describe the end item, fully, and then describe the damaged parts. If additional space is needed, a continuation sheet may be used. For Real Property, provide the facility number, address, location, room number, and a description of the damage.

F. Quantity. Enter the number of units and unit of issue (e.g., 1 each, 2 dozen, 5 pair, etc.).

G. Unit Cost. Enter the cost per unit shown in official catalogs, supply bulletins, or accountable property records. The specific reference should be indicated for audit trail purposes.

H. Total Cost. Enter the total cost of all units of each article listed (block 6 x block 7). For real property enter the estimated cost to repair/replace or if the cost to repair exceeds the plant replacement value, the estimated cost to purchase and install the asset.

I. Circumstances Under Which Property Was Lost, Damaged, Destroyed, or Stolen. Enter a complete statement of the facts, including the date and place of the incident. Include the name, grade, and social security number (SSN) of all persons directly involved. The statement must answer five basic questions of who, what, when, where and how. Identify any appropriate contract number(s), transaction number(s), control number(s), etc. Add as exhibits and identify alphabetically within the block, as needed.

J. Actions Taken to Correct Circumstances Reported in Block 9 and Prevent Future Occurrences. Include recommended actions by the accountable property officer and/or property custodian, and if appropriate by the financial liability officer, to the appointing and approving authorities.

K. Individual Completing Blocks 1 Through 10. Person conducting the inquiry.

L. Responsible Officer and/or Reviewing Authority. See definitions for "Responsible Officer" and "Reviewing Authority."

M. Appointing Authority. See section 0703 and definition for "Appointing Authority."

N. Approving Authority. See section 0703 and definition for "Approving Authority."

O. Findings and Recommendations of the Financial Liability Officer. Enter findings of the financial liability officer along with a recommendation regarding liability of the involved parties.

1. An indication that negligence on the part of the individual has not been determined.

2. A recommendation that the investigation be continued at some future time because of extenuating circumstances.

3. Recommendation for corrective actions.

4. Recommendation that the individuals involved in the loss, damage, destruction, or theft, be relieved of responsibility for the property when negligence cannot be established. State the facts on which the recommendations are based. Proper conclusions shall be drawn from available facts, not opinions or suspicions. The financial liability officer must sustain or refute the statements made in block 9 of the DD Form 200 and any other statements that are part of the inquiry and/or investigation. Do not use stereotyped phrases such as "loss or damaged in manner stated." The financial liability officer shall state in his or her own words how the loss or damage occurred based on the evidence obtained by the investigation.

5. As prescribed in paragraph 070210.A., include a computation of charges, when recommending financial liability. The computation should show how depreciation was calculated and other factors used in determining the loss, or reference should be made to the exhibit on which the computation is recorded. The results of the computation shall be entered in block 15.b.

6. Describe the disposition of the property. Once released by the financial liability officer or the appointing authority (when a financial liability officer is not appointed), property considered to be "uneconomically reparable" shall be disposed of in accordance with ***DoD 4160.21-M***, "Defense Materiel Disposition Manual."

7. Recommendations shall be entered immediately after the findings. The recommendation shall include:

a. Financial liability to be assessed or relief from responsibility and accountability. Also, enter this information in block 15.d. For a military member enter monthly basic pay and for a civilian enter one-twelfth of the yearly salary.

b. Disposition instructions for any unserviceable property not previously sent to the Defense Reutilization and Marketing Service.

c. State clearly the full name, grade, SSN, and the amount of the charge, when recommending financial liability.

d. State if the DD Form 200 may cover the loss, damage, destruction, or theft of property for which a claim is also being processed.

8. The recommendations must represent a logical and equitable decision developed from the facts cited in the evidence and findings.

9. Sign the DD Form 200 in block 15.j, at the end of the recommendations. (See sections 0704 and 0705, and definition for "Financial Liability Officer.")

P. Individual Charged. See paragraph 070404.B.10. Enter in block 16.d, the individual's name and rank or grade when financial liability is assessed. Enter in block 16.e, that individual's SSN. Initiate collection action by forwarding a copy of the approved DD Form 200 by transmittal document to the servicing disbursing officer. All continuation sheets are to be included and the attachments and exhibits excluded. The approved DD Form 200 is sufficient to hold a person financially liable and establish a debt.

Q. Accountable Property Officer. See definition. Record document numbers used to adjust property and financial records. All other blocks are self-explanatory.

0707 GOVERNMENT HOUSING LIABILITY

070701. Purpose

This section describes the liability of military personnel for the loss, damage, or destruction of government housing (family housing or unaccompanied personnel housing). It describes minimum requirements for assessing financial liability when government housing, including equipment or furnishings therein, is lost, damaged or destroyed. Government housing within the scope of this chapter includes both permanent and temporary quarters either owned by, or controlled by, the U.S. Government.

070702. Policy

A. Determination of Proximate Cause. A member of a Military Service shall be held liable to the United States for the loss, damage or destruction of family housing or an unaccompanied personnel housing unit assigned to such member, including equipment and furnishings therein, when a determination is made that the loss, damage or destruction was proximately caused by the abuse or negligence of the member, a dependent of the member, or a guest either of the member or the member's dependent.

B. Financial Liability of Military Members. Financial liability against military personnel for loss, damage or destruction of government housing, including equipment and furnishings therein, is assessed for the full amount of the loss if the loss, damage or destruction was proximately caused by gross negligence or abuse. Liability of military members for damage to government housing and related equipment and furnishings is prescribed in ***10 U.S.C. 2775*** and ***DoD 4165.63-M***, "DoD Housing Management."

C. Notification and Examination. Occupants who are assessed financial liability for loss of, or damage to, assigned government housing shall be notified in accordance with paragraph 070209. A member's failure to respond shall not preclude the government from completing a DD Form 200.

D. Determination of Negligence. Determinations must be made on whether the loss or damage to government housing was proximately caused by simple or gross negligence or abuse of the member, the member's dependents, or guests of either. Such a determination leads to the following considerations:

1. When the proximate cause of the loss or damage is determined to be gross negligence or abuse, the financial liability of the member is the total amount of the loss to the government. Where a member's dependent or guest causes a loss or damage through gross negligence or abuse, the member is fully liable for the loss or damage if the member was "on notice" of the particular risk involved and failed to exercise reasonable, available opportunities to prevent or limit the loss or damage. In the absence of evidence to the contrary, the member is presumed to have been "on notice" of any risks attending the activities of family members and guests on the premises.

2. Where simple negligence is determined to be the proximate cause of the loss or damage, the financial liability of the member is limited to an amount equal to basic pay for one month at the rate in effect at the time of the loss, or the amount of the loss, whichever is less.

0708 SUPPLY SYSTEM MATERIEL

070801. Purpose

This section applies to personal property defined as "supply system materiel," and contains procedures to be followed when inventory losses are discovered. The provisions of this chapter are applicable to all activities accountable for supply system materiel including stock fund and other inventories (e.g., appropriated fund, etc.).

070802. Inventory

Physical inventories shall be taken in accordance with the provisions contained herein and in ***DoD Instruction 4140.1***, "DoD Supply Chain Materiel Management Regulation."

A. Discrepancies. Despite the safeguards established by DoD Components in the care and maintenance of supply system stocks, discrepancies may occur between stock record balances and materiel in storage. These discrepancies are subject to post-count validation, pre-adjustment research, and causative research, as prescribed in ***Chapter 7, DoD 4000.25-2-M*** "Military Standard Transaction Reporting and Accounting Procedures (MILSTRAP)."

B. Adjustments. An adjustment shall be made to the inventory and financial records to bring those records into balance after appropriate research. Care should be taken to process the transactions correctly (e.g., an issue posted twice should be corrected by a reversal (credit transaction), not as a loss of inventory). These types of corrected discrepancies are referred to as resolved discrepancies. For unresolved inventory losses, an inventory adjustment document or a DD Form 200 shall be used to substantiate adjusting the inventory and accounting records to the stock on hand and to provide relief from property accountability or responsibility.

C. Causative Research

1. Causative research shall be conducted for all inventory discrepancies that meet any of the criteria specified in ***DoD 4000.25-2-M*** "Military Standard Transaction Reporting and Accounting Procedures (MILSTRAP)." For inventory discrepancies which do not meet the criteria for performing causative research, a justification for adjusting the inventory and accounting records and relief from property accountability shall be provided by means of an inventory adjustment document in accordance with section D., below.

2. The purpose of this research is to: establish liability or provide relief from accountability for the accountable property officer and/or property custodian for the loss, damage destruction, or theft of supply system materiel; and determine if the loss to the government was proximately caused by the negligence or abuse of individuals. If an individual accepts

responsibility for the loss, damage destruction, or theft of supply system materiel and voluntarily reimburses the government, a DD Form 200 is not required. The collection voucher may be used to adjust the financial and accountable property records.

D. DD Form 200 Used in Substantiating Inventory Loss Adjustments. When authorized, the reviewing authority may approve physical inventory adjustments equal to or less than $50,000, when negligence or abuse is not evident or suspected. When negligence or abuse is evident or suspected, the reviewing authority shall initiate an investigation in accordance with paragraph 070204. The investigation shall be used to substantiate adjusting the stock record, and providing relief from property accountability.

070803. Resolved Inventory Losses

A. Accountability. The data developed by post-count validation, pre-adjustment research, and causative research shall be utilized to prepare correcting documentation so that the inventory accounting systems may be updated. These adjustments shall be processed in accordance with this regulation and ***DoD 4000.25-2-M***.

B. Statistics. This type of data shall be classified in accordance with Chapter 7 of ***DoD 4000.25-2-M*** and the data accumulated to identify trends and problem areas.

070804. Unresolved Inventory Losses Not Meeting the Criteria for an Investigation

A. Accountability. Relief from property accountability and justification for the adjustment of the inventory and accounting records to the inventory on hand shall be provided by means of an inventory adjustment document. The detail data requirements and procedures for preparing and processing the inventory adjustment document shall be as prescribed in appropriate DoD Component implementing documents.

B. Authority for Adjustment. If the cause or probable cause of the discrepancy has not been determined, and the discrepancy does not qualify for causative research, this paragraph shall be cited as authority for relieving the accountable officer of accountability.

C. Statistics. See paragraph 070803.B, above.

070805. Unresolved Inventory Losses - Causative Research Indicates No Personal Responsibility

A. Accountability. See paragraph 070804.A, above.

B. Statistics. The type of inventory losses shall be categorized and accumulated by category to identify trends and/or problem areas in accounting or supply system procedures in accordance with Chapter 7 of ***DoD 4000.25-2-M***.

070806. Unresolved Inventory Losses - Causative Research Indicates Evidence of Personal Responsibility

A. Method of Adjustment. A financial liability investigation shall be used to support adjustment of the inventory and accounting records to the actual inventory on hand and to relieve the accountable officer of accountability.

B. Statistics. See paragraph 070805.B.

070807. Criteria for an Investigation

A financial liability investigation shall be initiated on all unresolved inventory discrepancies for each stock number that meets any of the following criteria:

A. Gains and losses of sensitive items (e.g., drugs designated as controlled substances and assigned to one of five schedules by the Drug Enforcement Agency, Department of Justice, under the Comprehensive Drug Abuse, Prevention, and Control Act of 1970 and any other drugs designated for local control by the Medical Treatment Facility Commander, precious metals, hazardous materiel, small arms, ammunition, explosives) regardless of dollar value.

B. Gains and losses of classified items, regardless of dollar value.

C. Gains and losses of pilferable items when the unit price times the quantity is equal to or greater than $2,500.00 for each stock number.

D. Any inventory loss when there is an indication or suspicion of fraud, theft or negligence.

E. Repetitive losses when the cumulative dollar value of the inventory losses equals or exceeds the projected cost of the financial liability investigation.

F. Bulk petroleum when the loss exceeds the stated allowance.

070808. Procedures for an Investigation

A. Accountability and Responsibility. For unresolved inventory losses which meet the criteria set forth in paragraphs 070806 and 070807, above, a ***DD Form 200*** is required to relieve accountable property officer of property custodian from responsibility, to substantiate adjustment of the inventory and accounting records to the inventory on hand, and to identify problem areas or trends for corrective actions. A financial liability investigation should be conducted by a person who is not directly supervised by the accountable property officer or property custodian. It shall include, as a minimum, the following actions:

1. Review and evaluate existing procedures for their adequacy in protecting property.

2. Determine compliance with prescribed regulations and procedures.

3. Determine who is involved and what responsibilities they have been assigned.

4. Determine whether simple or gross negligence or abuse is evident.

5. Review of causative research conducted.

6. Determine the cause or the probable cause of the inventory loss.

7. Recommend actions to minimize recurrence of the inventory loss.

B. Review the Adequacy of Procedures in Protecting Property

1. Physical Security Review. Determine if storage facilities are adequate to ensure proper safeguarding of all items, especially those items that are sensitive, classified, or subject to pilferage. The review should include an evaluation of compliance with regulatory requirements, procedures to determine degree of susceptibility of items to theft or pilferage, and lessons to be learned from losses that have been experienced.

2. Receipt, Storage, and Shipment Procedures Review. Determine if adequate procedures exist to prevent loss from theft or pilferage during receipt, storage, or shipment. The degree of protection should be commensurate with statutory and regulatory requirements, the degree of susceptibility to theft or pilferage, and experienced losses.

C. Determine Procedural Compliance. Determine if the responsible persons have complied with existing procedures to protect government property. If they have not complied with the procedures, determine if they failed to comply or were instructed not to comply.

0709 PETROLEUM PRODUCT/LOSSES

070901. Loss Expectancy

Some losses are unavoidable in the handling and storage of volatile products. These losses can be controlled by management actions to limit the rates of loss for such products so that standards are not exceeded. For this reason, ***DoD 4140.25-M***, Volume II, Chapter 9, "Management of Bulk Petroleum Products, Storage and Distribution Facilities," provides authorized loss allowances to accommodate product losses normally expected. Losses are categorized as in-transit, operating, and determinable. These categories are defined in Volume II, Chapter 9 of ***DoD 4140.25-M***. However, any trends, such as a pattern of losses within the allowable percentage, shall require further research and investigation.

070902. In-Transit Losses

Losses of product received at DoD activities are allowable only when the actual loss is within the authorized allowance. When a loss exceeds the allowance, a portion of the loss is not allowable, and the entire loss will be reported as prescribed in Volume II, Chapter 9, of DoD 4140.25-M. Causative research, as described in paragraph 070802.C, shall be performed if there is any suspicion of negligence or abuse on the part of U.S. Government personnel who contributed to the loss.

070903. Operating Losses

Terminal operating loss allowances for various types of petroleum products are prescribed in Volume II, Chapter 9, of DoD 4140.25-M. When the loss exceeds the stated allowance, a portion of the loss is not allowable; and the entire loss must be researched and reported in accordance with the provisions in section 0708.

070904. Determinable Losses

Losses which occur from determinable causes (such as tank overflows, spills, pipeline breaks, fire or unrecoverable tank bottom) can normally be precluded or greatly minimized by effective management. These losses shall be researched and reported in accordance with section 0708.

Table 7-1. FINANCIAL LIABILITY INVESTIGATION OF PROPERTY LOSS

FINANCIAL LIABILITY INVESTIGATION OF PROPERTY LOSS

PRIVACY ACT STATEMENT

AUTHORITY: 10 USC 2775; DoD Directive 7200.11; EO 9397.

PRINCIPAL PURPOSE(S): To officially report the facts and circumstances supporting the assessment of financial charges for the loss, damage, or destruction of DoD-controlled property. The purpose of soliciting the SSN is for positive identification.

ROUTINE USE(S): None.

DISCLOSURE: Voluntary; however, refusal to explain the circumstances under which the property was lost, damaged, or destroyed may be considered with other factors in determining if an individual will be held financially liable.

1. DATE INITIATED *(YYYYMMDD)*	2. INQUIRY/INVESTIGATION NUMBER	3. DATE LOSS DISCOVERED *(YYYYMMDD)*

4. NATIONAL STOCK NO.	5. ITEM DESCRIPTION	6. QUANTITY	7. UNIT COST	8. TOTAL COST
				0.00

9. CIRCUMSTANCES UNDER WHICH PROPERTY WAS *(X one)* ☐ LOST ☐ DAMAGED ☐ DESTROYED
(Attach additional pages as necessary)

10. ACTIONS TAKEN TO CORRECT CIRCUMSTANCES REPORTED IN BLOCK 9 AND PREVENT FUTURE OCCURRENCES *(Attach additional pages as necessary)*

11. INDIVIDUAL COMPLETING BLOCKS 1 THROUGH 10

a. ORGANIZATIONAL ADDRESS *(Unit Designation, Office Symbol, Base, State/Country, Zip Code)*	b. TYPED NAME *(Last, First, Middle Initial)*	c. DSN NUMBER
	d. SIGNATURE	e. DATE SIGNED

12. *(X one)* ☐ **RESPONSIBLE OFFICER (PROPERTY RECORD ITEMS)** ☐ **REVIEWING AUTHORITY (SUPPLY SYSTEM STOCKS)**

a. NEGLIGENCE OR ABUSE EVIDENT/ SUSPECTED *(X one)* ☐ YES ☐ NO	b. COMMENTS/RECOMMENDATIONS	
c. ORGANIZATIONAL ADDRESS *(Unit Designation, Office Symbol, Base, State/Country, Zip Code)*	d. TYPED NAME *(Last, First, Middle Initial)*	e. DSN NUMBER
	f. SIGNATURE	g. DATE SIGNED

13. APPOINTING AUTHORITY

a. RECOMMENDATION *(X one)* ☐ APPROVE ☐ DISAPPROVE	b. COMMENTS/RATIONALE	c. FINANCIAL LIABILITY OFFICER APPOINTED *(X one)* ☐ YES ☐ NO
d. ORGANIZATIONAL ADDRESS *(Unit Designation, Office Symbol, Base, State/Country, Zip Code)*	e. TYPED NAME *(Last, First, Middle Initial)*	f. DSN NUMBER
	g. SIGNATURE	h. DATE SIGNED

14. APPROVING AUTHORITY

a. RECOMMENDATION *(X one)* ☐ APPROVE ☐ DISAPPROVE	b. COMMENTS/RATIONALE	c. LEGAL REVIEW COMPLETED IF REQUIRED *(X one)* ☐ YES ☐ NO ☐ N/A
d. ORGANIZATIONAL ADDRESS *(Unit Designation, Office Symbol, Base, State/Country, Zip Code)*	e. TYPED NAME *(Last, First, Middle Initial)*	f. DSN NUMBER
	g. SIGNATURE	h. DATE SIGNED

DD FORM 200, OCT 1999 PREVIOUS EDITION IS OBSOLETE. Reset

15. FINANCIAL LIABILITY OFFICER

a. FINDINGS AND RECOMMENDATIONS *(Attach additional pages as necessary)*

b. DOLLAR AMOUNT OF LOSS	c. MONTHLY BASIC PAY	d. RECOMMENDED FINANCIAL LIABILITY

e. ORGANIZATIONAL ADDRESS *(Unit Designation, Office Symbol, Base, State/Country, Zip Code)*	f. TYPED NAME *(Last, First, Middle Initial)*	g. DSN NUMBER
	h. DATE REPORT SUBMITTED TO APPOINTING AUTHORITY *(YYYYMMDD)*	i. DATE APPOINTED *(YYYYMMDD)*
	j. SIGNATURE	k. DATE SIGNED

16. INDIVIDUAL CHARGED

a. I HAVE EXAMINED THE FINDINGS AND RECOMMENDATIONS OF THE FINANCIAL LIABILITY OFFICER AND *(X one)*

☐ Submit the attached statement of objection. ☐ Do not intend to make such a statement.

b. I HAVE BEEN INFORMED OF MY RIGHT TO LEGAL ADVICE. MY SIGNATURE IS NOT AN ADMISSION OF LIABILITY.

c. ORGANIZATIONAL ADDRESS *(Unit Designation, Office Symbol, Base, State/Country, Zip Code)*	d. TYPED NAME *(Last, First, Middle Initial)*	e. SOCIAL SECURITY NUMBER
	g. SIGNATURE	h. DATE SIGNED
f. DSN NUMBER		

17. ACCOUNTABLE OFFICER

a. DOCUMENT NUMBER(S) USED TO ADJUST PROPERTY RECORD

b. ORGANIZATIONAL ADDRESS *(Unit Designation, Office Symbol, Base, State/Country, Zip Code)*	c. TYPED NAME *(Last, First, Middle Initial)*	d. DSN NUMBER
	e. SIGNATURE	f. DATE SIGNED

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Reset

DEFINITIONS

1. Abuse. Willful misconduct or deliberate unauthorized use.

2. Accountability. The obligation imposed by law, lawful order, or regulation, accepted by an organization or person for keeping accurate records, to ensure control of property, documents or funds, with or without physical possession. The obligation, in this context, refers to the fiduciary duties, responsibilities, and obligations necessary for protecting the public interest; however, it does not necessarily impose personal liability upon an organization or person.

3. Accountable Property Officer (APO). Comparable terms include: Army -- Supply Support Accountable Officer/Property Book Officer; Navy -- Personal Property Manager; Air Force -- Accountable Officer/Chief of Supply/Chief of Materiel Management; Marine Corps -- Accountable Officer; Defense Logistics Agency – Accountable Property Officer. An individual who, based on his or her training, knowledge, and experience in property management, accountability, and control procedures, is appointed by proper authority to establish and maintain an organization's accountable property records, systems, and/or financial records, in connection with Government property, irrespective of whether the property is in the individual's possession.

4. Accountable Property. A term used to identify property recorded in the Accountable Property System of record.

5. Accountable Property Record. The record contained within the accountable property system of record.

6. Acquisition Cost. The amount, net of both trade and cash discounts, paid for the property, plus transportation costs and other ancillary costs.

7. Appointing Authority. An individual designated in writing by the approving authority. The approving authority may act as the appointing authority. The appointing authority appoints financial liability officers, if required; approves or disapproves the recommendations of the accountable property officer, reviewing authority, or financial liability officer; and recommends actions to the approving authority. The appointing authority is normally senior to the reviewing authority, accountable property officer, and financial liability officer.

8. Approving Authority. The approving authority makes determinations to either relieve involved individuals from responsibility and/or accountability or approve assessment of financial liability. The approving authority may act as the appointing authority or designate an appointing authority in writing. DoD Component regulations shall designate who may serve as the approving and appointing authority. The approving authority is normally senior to the appointing authority.

9. Collective Liability. Where more than one individual may be liable for a debt, both collectively or individually.

10. Commander. An individual vested with command authority in a DoD Component.

11. Contractor Acquired Property (CAP). Any property acquired, fabricated, or otherwise provided by the contractor for performing a contract, and to which the Government has title. Although the Government may have title, CAP has not yet been delivered. CAP that is subsequently delivered to the Government for use on the same or another contract is considered Government Furnished Property. See Definition 18, "Government Furnished Property."

12. Controlled Inventory Items. Those items designated as having characteristics which require that they be identified, accounted for, secured, segregated, or handled in a special manner to ensure their safekeeping and integrity. Controlled inventory items in descending order of the degree of control normally exercised are:

13.

    a. Classified Items. Materiel which requires protection in the interest of national security.

    b. Sensitive Items. Materiel which requires a high degree of protection and control due to statutory requirement or regulations, such as narcotics and drug abuse items; precious metals; items which are of a high value, highly technical, or a hazardous nature; and small arms, ammunition, explosives, and demolition materiel.

    c. Pilferable Items. Materiel having a ready resale value or application to personal possession and which is, therefore, especially subject to theft

14. Culpability. Determination of fault.

15. Deliberate Unauthorized Use. Willful or intentional use without right, permit, or authority.

16. Financial Liability. The statutory obligation of an individual to reimburse the government for lost, damaged, or destroyed government property as a result of negligence or abuse.

17. Financial Liability Officer. An individual who is appointed in writing by the appointing authority to conduct an investigation to determine responsibility for loss, damage, or destruction of government property. Individuals so appointed shall not be the accountable property officer, property custodian, or otherwise have any direct interest in the property being investigated. The individual shall be a commissioned officer; warrant officer; enlisted member in grades E-7, E-8, or E-9; or a civilian employee GS-07, or above. However, the financial liability officer is normally senior to the person(s) directly involved with the discrepancy. The appointing authority may act as the financial liability officer.

18. Government Furnished Property. Any property in the possession of, or directly acquired by, the Government and subsequently furnished to the contractor for performance of a contract. Contractor Acquired Property that is subsequently delivered to the Government for use on the same or another contract is considered Government Furnished Property. See Definition 11, "Contractor Acquired Property."

19. Gross Negligence. An extreme departure from the course of action to be expected of a reasonably prudent person, all circumstances being considered. The act is characterized by a reckless, deliberate, or wanton disregard of foreseeable consequences.

20. Inquiry. An informal proceeding designed to obtain data and/or information.

21. Investigation. A formal proceeding for determining the facts and circumstances related to loss, damage, destruction, or theft of government property; determining the present condition of such property; receiving recommendations as to disposition, retention, and further accountability for such property; or determining the responsibility for loss, gain, damage, or destruction of government property.

22. Liability. The state of being responsible or answerable for the loss, gain, damage, or destruction of government property.

23. Negligence. The failure to act as a reasonable prudent person would have acted under similar circumstances. An act or omission that a reasonably prudent person would not have committed or omitted under similar circumstances and which is the proximate cause of the loss of, damage to, or destruction of government property. Failure to comply with existing laws, regulations, or procedures may be considered as evidence of negligence.

24. Probable Cause. Reasonable grounds for belief.

25. Property Custodian. Also known as Responsible Officer. An individual appointed by the Accountable Property Officer, who accepts custodial responsibility for property, typically by signing a hand receipt. The property custodian is directly responsible for the physical custody of accountable property under their control. See Definition 29, "Responsible Officer."

26. Proximate Cause. The cause which, in a natural and continuous sequence of events unbroken by a new cause, produced the loss or damage. Without this cause the loss, gain, or damage would not have occurred. It is further defined as the primary moving cause, or the predominate cause, from which the loss, gain, or damage followed as a natural, direct, and immediate consequence.

27. Record. All forms of information (e.g., narrative, graphic data, and computer memory) registered in either temporary or permanent form so that it can be retrieved, reproduced, or preserved.

28. Research. An investigation of potential or actual discrepancies between physical count and recorded balances. The purpose of the research is to determine the correct balance and determine the cause of discrepancies. There are three types of research.

29. Responsible Officer. An individual appointed by the Accountable Property Officer, who accepts custodial responsibility for property, typically by signing a hand receipt. The property custodian is directly responsible for the physical custody of accountable property under their control. Also known as Property Custodian. See Definition 25, "Property Custodian."

    a. Postcount Validation. A comparison of physical count with potential recorded balances or another count, with consideration of transactions that have occurred recently. The purpose of postcount validation is to determine the validity of the count. Postcount validation research ends when the accuracy of the count has been verified or when any necessary recounts have been taken.

    b. Preadjustment Research. A review of potential discrepancies, which involves the consideration of recent transactions and verification of catalog data. The purpose of preadjustment research is to determine the correct balance. Preadjustment research ends when the balance has been verified or the adjustment quantity determined. See ***DoD 4140.1-R***.

c. Causative Research. An investigation of discrepancies (i.e., gains and losses) consisting of (as a minimum) a complete review of all transactions to include supporting documentation: catalog change actions, shipment discrepancies, and unposted or rejected documentation occurring since the last completed inventory; the last location reconciliation which included quantity; or back one year whichever is sooner. The purpose of causative research is to identify, analyze, and evaluate the cause of inventory discrepancies with the aim of eliminating repetitive errors. Causative research ends when the cause of the discrepancy has been discovered or when, after review of the transactions, no conclusive findings are possible.

30. Responsibility. The requirement placed on an organization or individual who acts as the custodian of another individual's property by controlling, supervising and managing the property in their care

31. Reviewing Authority. An individual designated in writing by the approving authority to review and analyze the results of supply system stock research.

32. Simple Negligence. See Definition 23, "Negligence."

33. Standard Price. The unit price of an item, as it is recorded in the Standard Catalog for use in financial and accountable records of the holding Service of Agency. (An item not included in the appropriate Service or agency pricing catalog shall be priced at original cost, if available, or if not known, at fair market value, as stated in paragraph 070208.A.2.)

34. Stock Record. A perpetual inventory form of record that shows by nomenclature, the quantities received, issued, and the balance on hand. The stock record shall show by item the receipt, issue, and transfer of accountability of property; the balances on hand; and such other identifying or stock control data as required. See ***DoD 4140.1***.

35. Supply System Materiel. Supply system materiel refers to those inventories, wholesale and below wholesale, where a stock record account is required to be maintained. See ***DoD 4140.1***.

36. Value. The financial value of an item. Typically, the original acquisition cost or, in the case of capital equipment, the full cost or net book value.

37. Willful Misconduct. Intentional damage, destruction, misappropriation, or loss of government property.

VOLUME 12, CHAPTER 8 "FOREIGN NATIONAL EMPLOYEES SEPARATION PAY ACCOUNT, DEFENSE"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue and underlined font*.**

The previous version dated August 2009 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
Multiple	Updated hyperlinks, email addresses, and format to comply with current guidance.	Update
080201	Moved paragraph 080206 to paragraph 080201 and renumbered 080207 and 080208.	Update
080207.B	Deleted the "National Defense Authorization Act for Fiscal Years 1992, 1993, and 1995" and added Title 10, United States Code, Section 1581 "Foreign National Employees Separation Pay Account."	Update

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CHAPTER 8

FOREIGN NATIONAL EMPLOYEES SEPARATION PAY ACCOUNT, DEFENSE

0801 OVERVIEW

080101. Purpose

This chapter specifies policy and procedures applicable to the Foreign National Employees Separation Pay Account, Defense.

080102. Background

A. The National Defense Authorization Act for Fiscal Years 1992 and 1993 authorized a trust fund account to accumulate funds to finance obligations for separation payments to foreign national employees of the Department of Defense (DoD). The "National Defense Authorization Act of 1995" extended this authorization to include foreign nationals employed by a foreign government, for the benefit of the Department of Defense, under any of the following agreements that provide for payment of separation pay: (1) a contract, (2) a treaty, or (3) a memorandum of understanding with a foreign nation. Title ***10 United States Code (U.S.C.) 1581*** "Foreign National Employees Separation Pay Account," provides for the establishment and operation of this account. Use of the term "foreign national employees" in this chapter is meant to apply to both foreign national direct and indirect hire employees.

B. Except as provided herein, all separation payments for DoD foreign national employees shall be made from this account. All amounts that were obligated for such separation payments, but not expended before enactment, shall be transferred to this account. Similar amounts obligated after enactment shall also be transferred into this account on a quarterly basis. Amounts in the account remain available until expended.

C. This guidance applies to all DoD appropriations. This guidance does not apply to activities under the Defense Working Capital Fund (WCF). Defense WCF activities shall continue to make necessary foreign national employee severance payments under established Defense WCF procedures. This guidance also does not apply to the Foreign Military Sales (FMS) Trust Fund. The FMS Trust Fund activities shall continue to accrue and disburse separation pay to their foreign national employees from the FMS Trust Fund.

0802 POLICY AND PROCEDURES

*080201. Calculations

Amounts to be obligated for foreign national employees separation pay shall be determined and calculated at the installation level in accordance with applicable host country agreements. These amounts shall be obligated in the full amount of the liability that accrues during the fiscal year, without regard to whether the amount is currently payable. Disbursement of these amounts shall be made from the Foreign National Employees Separation Pay Account,

Defense. The appropriation symbol for the Foreign National Employees Separation Pay Account, Defense is 97X8165. The applicable Treasury receipt account is 97R8165.001.

080202. Pay Accruals

Foreign national employee separation pay accruals (obligations) shall be transferred quarterly to the Foreign National Employees Separation Pay Account, Defense. Such amounts are to be transferred via a Standard Form (SF) 1081 "Voucher and Schedule of Withdrawals and Credits."

080203. Director, Defense Finance and Accounting Service (DFAS)

The Director, Defense Finance and Accounting Service (DFAS), shall administer the account as well as perform related accounting functions.

080204. Administrative Subdivisions

Administrative subdivisions shall be established within the account for each DoD Component that budgets for foreign national employee separation pay. Deposits into and payments from the account shall be recorded in the applicable DoD Component subdivision.

080205. Disbursements

Except for those organizations operating within the Defense WCF and the FMS Trust Fund, all separation payments for foreign national employees paid from DoD appropriations shall be disbursed from the Foreign National Employees Separation Pay Account. Requests for authorization to disburse from this account shall be forwarded to the appropriate servicing DFAS site. Forward a copy of the backup documents to DFAS Indianapolis - Accounting Operations at DFAS-IN.FOREIGN.NATIONAL.SEPARATION@dfas.mil.

080206. Transfers

Transfers into the Foreign National Employees Separation Pay Account, Defense shall be made as follows:

A. All amounts accrued (obligated) for foreign national employee separation pay liability during each fiscal year by any DoD Component must be transferred into the account quarterly via an SF 1081. Forward a copy of the back-up documents to DFAS Indianapolis - Accounting Operations at DFAS-IN.FOREIGN.NATIONAL.SEPARATION@dfas.mil.

*B. When payments from a DoD Component's subdivision of the account exceed the balance in that Component's subdivision, additional amounts shall be obligated from funds otherwise available to a DoD Component and subsequently transferred into the account under authority provided in the ***10 U.S.C. 1581***. These transfers shall equal the amount of the payment in excess of the balance of the DoD Component's subdivision of the account, plus any amounts accrued but not currently payable.

C. Each DoD Component, in conjunction with the Director, DFAS, or designee, must perform at least an annual review of the amounts in its respective account subdivision and compare such amounts to its foreign national separation pay liabilities to ensure sufficient funds have been obligated for future payment. Both parties must certify to the accuracy of the information. This annual review shall occur each April. DFAS and the other DoD Components also must maintain an audit trail of accounting records and assure the establishment of an effective internal control system for the entire account.

080207. Deobligations

Each DoD Component must notify its supporting DFAS site of all deobligation transactions, adjustments and corrections, in a timely and accurate manner. The respective site will record adjustments and corrections in the accounting records.

080208. Availability of Deobligated Amounts

Amounts deobligated by DoD Components shall remain in the account for a period of 2 years from the date of deobligation for recording, adjusting, and liquidating amounts properly chargeable to the liability of the respective DoD Component. Any such deobligated amount remaining after the 2-year period shall be canceled.

0803 SUBSEQUENT DISBURSEMENTS

080301. Validation of Funds Availability

When approved by DFAS, disbursements for foreign national employee separation payments may continue to be made by local disbursing offices, including the Department of State, using DoD cross-disbursement procedures as applicable. Each DoD Component and non-DoD office (e.g., Department of State) must coordinate its disbursement/cross-disbursement actions with the supporting DFAS site to validate the availability of funds prior to disbursement. A positive balance in the account is necessary prior to payment; therefore, both DoD and non-DoD activities will verify from the supporting DFAS site that sufficient funds are available prior to submitting vouchers to servicing disbursing offices for employee payments.

080302. Cross-Disbursements

When cross-disbursements procedures are used, the appropriate DFAS site shall be advised prior to each actual disbursement.

0804 RESPONSIBILITIES

080401. DFAS Indianapolis - Accounting Operations

The DFAS Indianapolis - Accounting Operations shall:

A. Oversee the recording and reporting of all required accounting information. Perform the required reporting and reconciliation of cash in the United States Treasury.

B. Maintain a general ledger account structure with necessary subsidiary ledgers to support the various accounts. Also accurately maintain subsidiary ledgers and an audit trail. The detail subsidiary ledgers may remain at the supporting DFAS sites or DoD Component field level activities.

C. Process all accounting transactions through the accounting network in a timely and accurate manner.

D. Provide accurate and timely accounting service to customers, e.g., DoD Components, upon request. Coordinate the accounting process with other DFAS sites.

E. Perform a positive funds control function and alert the DoD Components when necessary to assure a timely transfer, based on available information.

F. Provide a point-of-contact with telephone and fax numbers to the DoD Components.

080402. Department of Defense Components

The DoD Components shall:

A. Determine the obligation amount and notify the supporting DFAS site in a timely manner to accomplish the quarterly transfer. This information will be the basis for future SF 1081 processing and for updating the accounting records.

B. Process the SF 1081 and return a copy to the supporting DFAS site in a timely manner.

C. Manage all pertinent agreements regarding foreign national employees. Forward a copy of all agreements and/or arrangements, including changes and amendments, to the supporting DFAS site.

D. Notify the supporting DFAS site of all changes, adjustments, or cancellations of previously reported information at least monthly.

E. Provide the supporting DFAS site with a point-of-contact, telephone and fax numbers, and current mailing address.

VOLUME 12, CHAPTER 9: "INTERNATIONAL AGREEMENTS"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

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The previous version dated September 1996 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
090502.A	Deleted obligation determination	Clarification
090505.C	Deleted. Incorporated relevant guidance in paragraph 090505.A	Update

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CHAPTER 9

INTERNATIONAL AGREEMENTS

0901 OVERVIEW

090101. Purpose

This chapter establishes the financial procedures that shall be followed when DoD Components initiate, develop, and request formal review of international agreements and any annexes, appendices, amendments, or modifications thereto.

0902 GENERAL

090201. International Agreement Document

The term "international agreement" includes any document, among others, identified as an international agreement, memorandum of understanding, memorandum of agreement, memorandum of arrangement, exchange of notes, exchange of letters, or technical arrangement with one or more foreign governments (including their agencies, instrumentalities, or political subdivisions) or with an international organization. It does not include Foreign Military Sales (FMS) transactions and contracts entered into under the provisions of the Federal Acquisition Regulation or agreements financed with security assistance funds. The latter agreements are implemented under provisions identified in Volume 15 .

090202. International Agreement Design For Coordination

Each international agreement submitted for coordination must contain a fiscal and legal memorandum in accordance with ***DoD Directive 5530.3***, "International Agreements," paragraphs 9.3.2 and 9.3.3, or a Summary Statement of Intent (SSOI) in accordance with ***DoD Instruction 5000.2***, "Operation of Defense Acquisition System," Enclosure 9, section E9.4.1 and the ***Defense Acquisition Guidebook***, Chapter 11, paragraph 11.2.2.1. The fiscal memorandum should identify all financial implications of the agreement and provide all information required for a complete understanding and analysis of those implications. The legal memorandum should identify the statutory authority for any obligation or expenditure of United States (U.S.) appropriated or nonappropriated funds involved in the agreement, as well as the legal basis for any use of U.S. Government property by or on behalf of a foreign government or international organization contemplated by the agreement. The SSOI, in addition to providing information on the fiscal implications and the legal basis for the agreement, provides information such as overview, objective, partner nations, project management, benefits/risks to the U.S., potential industrial base impact, procurement, information security and technology transfer, and points of contact. It is the responsibility of the proponent to provide the references and details supporting the agreement as requested by the approving officials.

0903 LEGAL CONSIDERATIONS

090301. General

Legal authority information is critical to the preparation of an agreement and is the basis for determining the legal authority for entering into the agreement and subsequent financial requirements. The legal information is used by financial management officials to review applicable international agreements and determine the existence of any special pricing or funding requirements. The legal information normally provides the following, as relevant:

A. Special Legal Pricing Requirements. The legislative authority to enter into an agreement also may mandate special pricing requirements on the U.S. Thus, the legal authority information should identify any peculiar pricing that must be reflected in the agreement. In the absence of specific legal authority to price on other than a full cost basis, DoD services and materials shall be priced on a full cost basis.

B. Legal Requirement for the Disposition of Monies Collected by the Department of Defense (DoD). Amounts collected as reimbursements for DoD material or services or new procurements must be deposited into the miscellaneous receipts of the U.S. Treasury, unless there is specific legal authority to credit collections to a DoD appropriation or fund. Options available for deposit of collections include deposit to an appropriation account, a commercial bank account, or a U.S. Treasury deposit account.

C. Legal Requirement for Recognition of Obligational Authority. Obligational authority can be created only to the extent that funds are collected and deposited into the U.S. Treasury and appropriated by Congress, unless there is express legal authority to create obligational authority on a dependable undertaking (contract authority) or other basis.

D. Special Prohibitions or Requirements on the Use of Appropriated Funds. The legal information section should identify any special prohibitions or requirements on the use of appropriated funds in support of the agreement. These special prohibitions are in addition to the standing prohibitions discussed in paragraph 090404. An example of a special requirement is when FMS credit funds are to be used to finance co-production or licensed production in a foreign country. The approval of such use requires the Secretary of State first to advise the Congress. (See section 42(b) of the Arms Export Control Act (***AECA***).)

0904 FISCAL CONSIDERATIONS

The fiscal information in the fiscal memorandum or SSOI documents the various financial considerations involved in implementing an international agreement. Specific considerations to be included in the fiscal information are as follows:

090401. Financing Sources for U.S. Costs

A. The fiscal information shall include a schedule of proposed financing sources to be used by the sponsoring DoD Component to implement the agreement. Financing

sources may be current appropriations or funds, provision for inclusion in the Future Years Defense Program (FYDP), or a statement of an intent to include in future program and/or budget requests or FYDPs. This information should be in a schedule form by FY as illustrated in Table 9-1. When current appropriations or funds are to be used as a financing source, the fiscal information section should identify the specific appropriation(s) or fund(s), the FYDP Program Element, the amount(s) available therein, and the respective amounts to be used. If the source of financing in current appropriations is in two accounts, the applicable sources of financing should be supported by details showing the specific financing appropriation account symbols.

B. If the proposed international agreement is, in fact, a firm order for goods or services, a formal certification of fund availability shall be included. Applicable funds shall be committed in accordance with Volume 3 of this Regulation.

090402. Provisions for the Disposition of Funds Collected

The fiscal information section should describe the planned disposition of any funds collected from the foreign country or international organization. The four possible alternatives for disposition of amounts collected are as follows:

A. Reimbursement to Financing DoD Appropriations or Funds. If reimbursements are to be returned to the financing DoD appropriation accounts, the fiscal memorandum or SSOI should identify the accounts to be reimbursed. This identification need not specify the fiscal year of the appropriations. Normal reimbursable accounting procedures shall apply.

B. Deposit in the U.S. Treasury as Miscellaneous Receipts. Without statutory authority to reimburse DoD appropriations or funds or to make other disposition, collections shall be deposited into the U.S. Treasury as miscellaneous receipts. The miscellaneous receipt account to be credited with such collections shall be specified by the depositor. DoD accounting systems should accumulate costs incurred on behalf of the other participant(s), establish an accounts receivable identified to the applicable miscellaneous receipts account and bill such amounts.

C. Deposit in a U.S. Treasury Deposit Account. If a Treasury deposit account has been established for the agreement, the fiscal memorandum shall identify the appropriate U.S. Treasury account symbol.

D. Deposit in a Commercial Bank Account

1. If execution of a proposed agreement contemplates use of a commercial bank account for a foreign country's funds, such a provision shall be included in the fiscal memorandum or SSOI with a description of intended bank account operation.

2. For contracts administered by DoD, two funding accounts must be cited: the DoD appropriation account for the U.S. share and the commercial bank account for the share of the other participant(s). The fund citation on the contract shall indicate the commercial

bank account rather than the normal accounting classification code. In this case, only the Department can draw down on the commercial bank account.

090403. Use of Amounts Credited

Foreign contributions collected by a DoD Component under terms of a cooperative project on a cost sharing basis from a foreign country or North Atlantic Treaty Organization (NATO) may be credited to a financing DoD appropriation or fund. Such contributions, however, are available only for the payment of the share of project expenses allocated to the foreign country or NATO making the contribution. The fiscal memorandum or SSOI should certify that such collections are to be used for purposes as prescribed herein. Payments for which such amounts are available include the following:

A. Payments to contractors and other suppliers (including DoD and other participants acting as suppliers) for necessary articles and services.

B. Payments for any damages and costs resulting from the performance or cancellation of any contract or other obligation.

C. Payments or reimbursements of other program expenses, including program office overhead and administrative costs.

D. Refunds to other participants.

090404. Availability of Financing Sources

There are two general prohibitions on the use of appropriated funds for international agreements. In addition, the legal section may identify other prohibitions. It is implicit in the identification of the financing sources set forth in paragraph 090401, that funds are available. It is desirable, however, to include in the fiscal information section a certification that all legal and policy prohibitions on the use of funds have been complied with. The general prohibitions are as follows:

A. No funds designated by the Congress for NATO or major non-NATO cooperative research and development under ***10 U.S.C. 2350a*** may be used to procure equipment or services from any foreign government, foreign research organization, or other foreign entity (including NATO participants) to the agreement.

B. U.S. Government military assistance funds (i.e. Foreign Military Financing, FMS loans, or FMS credits) are not available to finance a foreign participant's share of the cost of a cooperative project authorized by section 27 of the ***AECA*** or a cooperative development project with a major non-NATO ally under ***10 U.S.C. 2350a***.

090405. Financial and Nonfinancial Contributions

A contribution to an international agreement may be financial, nonfinancial, or both. Nonfinancial contributions may be in the form of defense articles or defense services needed for the cooperative project. In the event that the contribution is nonfinancial, a price analysis must be made to ensure the valuation assigned to such nonfinancial contribution is fair and reasonable. The fiscal information section shall summarize the results of such an analysis. The price analysis shall be based on prior cost experience for the nonfinancial contribution to be provided. When a foreign contribution is in the form of foreign currency or the awarding of a contract in a foreign country, the foreign currency contribution generally shall be valued at the exchange rate current at the time that the agreement is prepared. There shall be no subsequent modification of the valuation because of changes in the currency exchange rate. The fiscal memorandum or SSOI shall display the value of the currency in terms of U.S. dollars.

090406. Valuation of Nonfinancial Contributions

The value of all nonfinancial (background data/information, software, services, military and civilian labor, materiel, equipment, and facilities) contributions to an agreement is to be determined and considered for the evaluation of equitableness of the proposed project. The fiscal memorandum or financial section of the SSOI shall describe the nonfinancial contributions, indicate their value, and state the method used in determining the valuation. The nonfinancial contributions shall also be valued in terms of U.S. dollars in the fiscal memorandum or SSOI. The alternatives for determining the value of nonfinancial contributions are as follows:

A. Full Costs. Volume 11A, Chapter 1 provides guidance on the specific cost elements and identification methods for pricing sales to private parties. These same methods shall be followed in valuing nonfinancial contributions to an international agreement.

B. Other Than Full Costs. An agreement that requires the identification or use of less than full cost is normally authorized only when a reciprocal pricing agreement has been entered into by the Department and the other party (parties) to the agreement. The agreement should demonstrate that costs to be excluded mutually have not been considered by the other party in a determination of equitableness.

C. Cost Recoupment Waivers. In the event that less than full cost is being identified on the basis of a cost waiver, the date of the waiver and its approving authority must be provided in the SSOI. Copies of such waivers shall be made available on request.

090407. Reasonable and Necessary Expense

Any obligation of DoD appropriations under an international agreement must be supported by a showing that it is a reasonable and necessary expense required for the accomplishment of DoD missions, unless the use of DoD funds for other than a DoD mission specifically is authorized by statute.

0905 PROPOSED AGREEMENT

090501. Financial Policies and Appropriate Cross References

An agreement must contain language that implements the requirements established by U.S. law or regulation. This section discusses the financial policies that must be followed and provides appropriate cross references to other parts of this Regulation that provide more specific guidance.

090502. Fund Availability Qualification

A. Because agreements may involve future years in which the Congress has not yet appropriated funds, all agreements that require that DoD provide financial contributions will contain a funds availability clause to prevent a premature recording of an obligation against a future year's appropriation.

B. Examples of typical fund availability qualification clauses inserted in an international agreement follow:

1. "All undertakings of the U.S. Government under this agreement and any annexes, appendices, amendments, or modifications thereto, are expressly subject to the availability of U.S. funds for such purpose."

2. "The obligations of each participant under this agreement are subject to the availability of funds for those purposes."

090503. Reconciliation of Agreement Dollar Value to Financing Sources

An international agreement must set forth the dollar value of the agreement and portions of the dollar value that must be borne by each participant. This cost sharing may be in the form of monies or nonfinancial contributions. A preliminary requirement is to ensure that any obligations that the Department may be required to incur in implementation of the agreement have been identified in the fiscal information section. Nonfinancial contributions, described in the scope section, may be valued in the fiscal information section as part of the overall financial contributions, or described solely in the scope section without valuation in the financial information section. The financial information in the fiscal memorandum or SSOI will value all financial and nonfinancial contributions identified in the international agreement.

090504. Adherence to Prescribed Pricing Rules

A. In the event that an international agreement provides for nonfinancial contributions, there must be assurance that proper pricing procedures have been followed. Paragraphs 090405 and 090406 of this volume discuss special requirements that may be applicable to certain agreements. The text of an agreement must be reviewed carefully to ensure compliance with these paragraphs. An area of special pricing attention is charges for existing DoD technical data and computer software, or the use of equipment or facilities.

B. Preexisting technical data and computer software or such data developed outside the scope of an agreement is normally referred to as background data. When background data is a nonfinancial contribution, its value for determining equitability is its full (total) cost of development, adjusted for any special modifications, shipping, installation, etc. When the original development cost is unknown, background data should be valued at the cost of similar data, or the estimated cost to reconstruct the data.

C. Background data may be provided for use in furtherance of the purpose of an international agreement as long as it is used solely in connection with the purpose of the agreement. However, an agreement must specify that if the background information is used for any other purpose, approval of the originating participant must be obtained. The following specifics apply:

1. If the data are to be used for cooperative production purposes, the Department must receive appropriate financial credit as part of the DoD share of project cost, unless a cost recoupment waiver has been approved. Any provision for waiver should be identified in the fiscal information section.

2. If the data is to be used for development and production purposes, a technology transfer fee may be applicable for the development phase. This fee may be offset by a nonrecurring cost recoupment charge when production occurs.

3. All background information exchanged shall be used only for the purposes of the agreement, and is not to be transferred to any third party without the approval of the originating participant.

D. Equipment and facilities provided for use in the furtherance of the purpose of an international agreement should be based on an amortized rate. This amortized rate should be based on the cost and useful life of the equipment or facilities, and applied to the length of time the equipment or facilities will be used in the furtherance of the purpose of the international agreement. Standard rates, if available, can also be used.

090505. Determination of Program Equitableness

* A. Public law and DoD policy require that international agreements that involve cost sharing be equitable. The U.S. and the other participants to an international agreement shall contribute their equitable share of the full cost in funds or in defense articles or services needed to execute the cooperative project, and shall receive their equitable share of the results of the cooperative project in the form of defense articles or services. A participant's cost share should be proportionately equal to the benefits it receives. The following methodology for determining equitability is in direct response to those requirements and is based on the authority of the Under Secretary of Defense (Comptroller) in accordance with ***10 U.S.C. 135*** and ***DoD Directive 5118.3***, "Under Secretary of Defense (Comptroller)/Chief Financial Office, Department of Defense," for establishing and supervising the execution of uniform DoD policies, principles, and procedures for international financial matters, including the adequacy of international financial agreements.

B. The SSOI or fiscal memorandum to a proposed international agreement must clearly explain why the agreement is considered equitable. Prior to approval of all proposed international agreements, a determination of agreement equitability must be made by the approving DoD officials. It is critical that sufficient detail and information be provided to clearly demonstrate to approving officials that the proposed international agreement is equitable.

C. Calculation of Expected Contribution. In support of an equitability determination by DoD approving officials, the expected contribution should be calculated and presented in the SSOI or supporting documentation using one of the methods below:

1. Number of Participants Method. This is the preferred method of calculating the expected contribution for cooperative feasibility studies, research and development efforts, and test and evaluation programs and for agreements that establish management or oversight program offices. It is the method that should be employed when estimated unit production quantities are not known or the number of benefiting assets is equal. Under the number of participants method, the expected contribution is determined by dividing the agreement costs by the number of participating nations. An equitable share is where all participating nations equally share the total cost and the benefits. An example of this method is provided in Table 9-2.

2. Estimated Unit Production Method. This is the preferred method of calculating the expected contribution for an agreement that cooperatively establishes a program for the production of defense articles or weapon systems. It is used when specific unit production quantities are known or can be estimated. Under the unit production method, the shares are considered to be equitable when the contribution is proportionately equal to the share of the program production to be received. An example of this method is provided in Table 9-3. An equitability statement is required in the SSOI or accompanying documentation, and it must clearly present the calculation showing production estimates in relation to the total cost of the international agreement or production program.

3. Benefiting Assets. This is the preferred method of calculating the expected contribution when the number of benefiting assets are known or can be estimated. Under the benefiting assets method, the shares are considered to be equitable when the contribution is proportionately equal to the number of assets that will be benefited. An example of this method would be Table 9-3 where the number of units is replaced with benefiting assets. An equitability statement is required in the SSOI or accompanying documentation, and it must clearly present the calculation showing benefiting assets in relation to the total cost of the international agreement.

4. Other Methods of Calculation. There may be situations when neither of the above three methods apply, and another calculation is possible. For example, an agreement under the auspices of NATO, between the U.S. and other NATO nations, may require the U.S. to contribute an amount equal to the usual percentage of U.S. contributions to NATO. An equitability statement is required in the SSOI or accompanying documentation. The calculation and justification for use of that calculation must be clearly presented.

090506. Sales and Transfers of Technical Data Developed Under an Agreement

An agreement should provide that, in the event technical data developed under the agreement is sold or transferred to third parties, a charge may be made to recoup a pro-rata share of each participant's investment. The agreement also must provide that background information and data developed outside the program not be retransferred without the prior approval of the owner of the information or data, and contain provisions for any applicable charges. For third party sales and transfers, or the addition of new participants, any recoupment charge for the information or data developed under the program must be shared on the basis of the participants' financial contribution to the development of the item or technology. The amount of the charge and the procedures for assessing and distributing it shall be determined mutually by the participants prior to the approval of any such third party sale consistent with the policies and laws of each participant. The agreement also should provide that any participant may reduce or waive the assessment of its share of the levy in accordance with its laws and policies. Furthermore, the agreement should provide for rights of use of information developed under the agreement for defense purposes of a participant without payment to the other participant(s).

090507. Taxes, Duties, and Similar Charges

Agreements may provide that, insofar as existing laws and regulations permit, the participants shall use their best efforts to ensure that readily identifiable taxes, customs duties, and similar charges on the program components and services shall not be levied in connection with the project. If an agreement obligates the U.S. Government to bear the cost of any U.S. taxes, duties, or similar charges levied in connection with the program, the legal memorandum or SSOI must identify the legal authority for such U.S. obligation.

090508. Advance of DoD Funds

A. An advance constitutes a disbursement of DoD funds before an authorized DoD official has certified that materials have been delivered or ordered services performed. An agreement shall not provide for DoD advance payments, unless the conditions for such advances, as set forth in Volume 4, Chapter 5 are met. Basically, advances to foreign countries are authorized when required for compliance with the laws and ministerial regulations of the foreign country and is further required by the agreement.

B. When possible, advances shall be made for no more than the amount necessary to fulfill the DoD share of project expenses for one month. Advances and prepayments shall not exceed the amount necessary to fulfill the DoD share of project expenses for a current fiscal quarter. If monies are paid in advance and deposited into commercial banks, provision must be made to ensure that the agreement requires:

1. Payment of interest at competitive rates;

2. Timely identification of interest earned by each party; and

3. Interest disposition in accordance with the participants' instructions.

C. The DoD share of funding required to support an international project shall be obtained in full by appropriation, and no part of such funding shall be derived from interest earnings on U.S. contributions. In view of this policy, the U.S. Government share of interest earned on U.S. advance payments must be returned to the U.S. Treasury Miscellaneous Receipts Account 3210, "General Fund Proprietary Receipts, Defense Military, Not Otherwise Classified." The interest shall not be used to reduce a future call for funds, nor used for any project cost that would result in funding derived outside the appropriation process.

D. Advances of DoD funds in excess of 90 days or $5 million require consultation with the Department of the Treasury. Contact with the Department of the Treasury shall be through the Office of the Under Secretary of Defense (Comptroller).

090509. Billing Requirements

When payments are to be made, the agreement or subsequent financial arrangements must include the following information:

A. Billing Cycle. Bills for incurred costs are to be rendered on a 30-day cycle. This is a U.S. Treasury requirement and must be adhered to by DoD. However, in the negotiation process and at the initiation of other participants, agreement may be reached on up to a 90-day billing cycle.

B. Collecting Office. The agreement or subsequent financial arrangements shall provide the name and address of the organization to which payments shall be made. It also is desirable to set forth a position title and a telephone number to which questions may be addressed.

C. Paying Office or Offices. The agreement or subsequent financial arrangements shall provide the name and address of the organization that is responsible for making payments under the agreement. It also is desirable to set forth a telephone number and a position title to which questions may be addressed.

D. Payment Terms. The payment due date shall not be more than 30 days from the date of the invoice, date prepared.

E. Documentation in Support of Billings. The agreement or subsequent financial arrangements must identify the form of the bill and the specific supporting details.

F. Currency of Payment. Normally, payment shall be in the currency of the supplying nation or the lead country if joint financing is provided for in the agreement. The invoice shall identify the amount paid in foreign currency at the current exchange rate and the equivalent conversion rate in U.S. dollars.

090510. Special Types of Agreements

A. Agreements for Reciprocal Exchange of Materials or Services. These agreements must set forth the time period allowed for exchange of materials and services. They also must set forth financial settlements that must be made if the exchange does not take place. DoD services or materials provided are priced in accordance with Volume 11A, Chapter 1.

B. Cooperative Research, Development, Test and Evaluation, Technical Data Exchange, Co-production, Licensed Production, and Related Standardization Agreements That Are Not Implemented through the Security Assistance Program. Full costs must be identified and shared equitably. Cost sharing may be accomplished through the following:

1. Pooling of monies and designation of a lead country to manage the program, collect cash, and award contracts. Specific shares of program cost are set forth in the agreement.

2. No pooling of monies or designation of a lead country. Specific efforts to be accomplished by each participating country and estimated costs of such efforts are set forth in the agreement.

TABLE 9-1: Example International Agreement Financing Schedule

($ in Millions)

Financing Sources	Current Year	Current Year + 1	Current Year + 2	Totals
U.S./PE 0603456	1.5	1.0	0.0	2.5
U.S./PE 0603567	0.0	0.5	1.0	1.5
France	1.5	1.5	1.0	4.0
Germany	1.5	1.5	1.0	4.0
Totals	4.5	4.5	3.0	12.0

TABLE 9-1: Example International Agreement Financing Schedule

TABLE 9-2: Calculation of Expected U.S. Contribution Using the Number of Participants Method

Step 1: Determine the total program cost to the U.S. and other participants.

U.S. Share	$150
Other Participants	300
Total Cost	$450

Step 2: Determine the percentage of the U.S. share of the total costs under the agreement.

U.S. Share	$150 = 33% share
Total Cost	450

Step 3: Determine the total number of participants and calculate the U.S. share on a percentage basis.

Total Participants	3
U.S.	1 = 33% U.S. as a percentage of Participants

Step 4: Compare the results of step two to step three. If the result of step two is equal to the result of step three, the U.S. appears to be paying an equitable share.

TABLE 9-2: Calculation of Expected U.S. Contribution Using the Number of Participants Method

TABLE 9-3: Calculation of Expected U.S. Contribution Using the Number of Participants Method

Step 1: Determine the total program cost to the U.S. and other participants.

U.S. Share	$150
Other Participants	300
Total Cost	$450

Step 2: Determine the percentage of the U.S. share of the total costs under the agreement.

U.S. Share	$150 = 33% share
Total Cost	450

Step 3: Determine the total number of production units or benefiting assets under the agreement.

U.S. Units/Assts	20,000
Other Participants	40,000
Total Units/Assets	60,000

Step 4: Determine the percentage of the U.S. share of the total number of production units or benefiting assets under the agreement.

U.S. Units/Assets	20,000 = 33% share
Total Units/Assets	60,000

Step 5: Compare the results of step two to step four. If the result of step two is equal to that of step four, the U.S. appears to be paying an equitable share.

TABLE 9-3: Calculation of Expected U.S. Contribution Using the Number of Participants Method

VOLUME 12, CHAPTER 10: "FUNDING CIVILIAN SEPARATION INCENTIVES AND CIVILIAN PERSONNEL TRANSITION INITIATIVE"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font*.**

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Multiple	Renumbered and re-titled paragraphs to align with FMR SOP, to clarify subject matter, and to improve chapter flow.	Revision
	Certified as current.	Current

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CHAPTER 10

FUNDING CIVILIAN SEPARATION INCENTIVES AND CIVILIAN PERSONNEL TRANSITION INITIATIVES

1001 GENERAL

100101. Overview

The purpose of this policy is to provide definitions and funding requirements to implement civilian separation incentives and civilian personnel transition initiatives.

100102. Statutory Authority

Civilian separation incentives are authorized by Title 5 United States Code, (USC), section 9902**,** ***section 5724(e),*** and are outlined under Department of Defense (DoD) Instruction (DoDI) 1400.25, "DoD Civilian Personnel Management System: ***Civilian Assistance and Re-Employment (CARE) Program, Volume 1700,***" and ***Voluntary Separation Programs, Volume 1702.*** These mechanisms are offered to an employee, in order to induce the voluntary separation of that employee and/or create a vacancy for an employee of the same or another DoD Component.

1002 OVERALL FUNDING POLICY - DEFINITIONS

100201. Separation Incentives/Outplacement Subsidies

For the purpose of this policy, the term "civilian separation incentives" means resignation and retirement incentives and outplacement subsidies. DoD activities may pay up to $25,000 for separation incentives or up to $20,000 for outplacement subsidies from appropriations, funds, or accounts available for such purposes to an employee and/or to create a vacancy for another employee.

100202. Limitation of Funding

Funding by a DoD central account is not provided.

100203. Audit Readiness/Internal Procedures

Each DoD Component shall develop and implement internal operating procedures and/or guidance to implement this overarching policy in a manner that ensures accurate, timely, and relevant reporting of financial data. Relevant records supporting financial statements shall be maintained and made available during financial statement audits.

100204. Recording Funding Obligations

Funds for separation incentives and outplacement subsidies shall be obligated when an employee accepts the offer of an incentive payment. The obligations shall be recorded in DoD Standard General Ledger account 640000, "Benefit Expense," and reported as object class 13.0, "Benefits for former personnel" for separation incentive and object class 12.1 for outplacement subsidies. Refer to the ***DoD USSGL transaction library*** for additional information on account descriptions. The following policy applies to the Separation Incentives Program:

1003 SPECIFIC FUNDING POLICIES FOR DIFFERENT TYPES OF EMPLOYEES

100301. Appropriated Fund Employees

A DoD Component that offers civilian separation incentives to an employee, in order to induce the voluntary separation of that employee and/or to create a vacancy for another employee of the same DoD Component, shall fund the resulting separation payments from the applicable appropriation, fund or account that otherwise is available to pay for salaries and expenses of that DoD Component.

100302. Working Capital Fund Employees

Beginning in FY 1995, the Defense Working Capital Fund is authorized to pay for separation incentives.

100303. Base Realignment and Closure Act

Beginning in FY 1995, the Defense Base Closure Account is available for payment of separation incentives. The departmental policy contained in Volume 2B, subparagraph 070201 provides the general criterion to apply costs to the DoD Base Realignment and Closure Account.

100304. Foreign Military Sales Trust Fund

For employees paid from, or whose salaries are fully reimbursed by, the Foreign Military Sales (FMS) Trust Fund, an offer of separation incentives or civilian personnel transition initiatives (either to an FMS Fund civilian employee or a non-FMS Fund civilian employee to benefit an FMS Fund civilian employee) shall be funded as follows:

A. Separation incentives offered to an FMS civilian employee, in order to induce a voluntary separation of the FMS civilian employee, with the elimination of that FMS civilian employee position, shall be paid by the FMS Fund.

B. Separation incentives offered to an FMS civilian employee, in order to create a vacancy within the same DoD Component for another FMS civilian employee who otherwise would be separated, shall be paid by the FMS Fund.

C. Separation incentives offered to a non-FMS civilian employee, in order to create a vacancy for an FMS civilian employee who otherwise would have been separated, where the FMS civilian employee continues fully to support the FMS program, shall be paid by the FMS Fund.

D. Any costs of outplacement subsidy described in paragraph 100305 below, for an FMS civilian employee, shall be funded by the FMS Fund.

E. No other separation payments are chargeable to the FMS Fund.

100305. Placements Outside the Department

DoD activities may pay up to $20,000 (subject to the availability of funds) in outplacement subsidy for Permanent Change of Station (PCS) costs associated with placement of a surplus DoD employee with another Federal Agency as authorized under 5 USC 5724(e) and DoDI 1400.25, DoD Personnel Management System: Voluntary Separation Programs, Volume 1702. When a DoD Component-offered outplacement subsidy is accepted, the DoD activity shall notify the gaining Federal Agency regarding outplacement services. The notification shall state that DoD funds may be billed up to $20,000 per employee or for the actual PCS costs, whichever is less. The notification shall include the DoD fund citation to be billed and the address of the fiscal station paying the subsidy. Payment shall be made by the applicable DoD activity based upon documentation of the amounts paid or to be paid to the employee by the gaining Federal Agency.

1004 CONTROLS OVER AVAILABLE FUNDS

Controls shall be established to ensure that sufficient funds are available to cover projected requirements for employee acceptance of incentive offers and outplacement subsidies each quarter. Normal Antideficiency Act provisions apply to the DoD Component appropriations, funds and accounts. Therefore, if available funds are projected to be inadequate to cover anticipated incentive program acceptances and outplacement subsidies, appropriate action shall be taken. In this regard, the DoD Components either shall cancel or withdraw incentive offers prior to employee acceptance, or obtain additional funds.

VOLUME 12, CHAPTER 11: "PRIVATIZATION OF DEFENSE UTILITY SYSTEMS"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

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PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
	This chapter is certified as current.	

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CHAPTER 11

PRIVATIZATION OF DEFENSE UTILITY SYSTEMS

1101 GENERAL

110101 Purpose

This chapter prescribes financial management policies to the implementation of statutory provisions of Title 10, United States Code (U.S.C.), Section 2688 ***(10 U.S.C. 2688)***, "Utility Systems: Conveyance Authority." Section 2688 permits the Secretary of a Military Department to convey (i.e., transfer or pass title to) a utility system, or part of a utility system, under the Secretary's jurisdiction to a municipal, private, regional, district, or cooperative utility company, or other entity (this authority does not apply to utility projects constructed or operated by the Army Corps of Engineers under its civil works authority). A utility system is defined as any system used for the: (1) generation and supply of electric power, steam, hot water, or chilled water; (2) supply of natural gas; (3) treatment or supply of water; (4) collection or treatment of wastewater; or (5) transmission of telecommunications. The term "utility system" also includes the following: (A) equipment, fixtures, structures, and other improvements utilized in connection with a utility system as defined and (B) real property, easements, and rights-of-way associated with a utility system as defined.

110102 Background

The financial management policies in this chapter correspond with the Department of Defense ***(DoD) Instruction 4170.11***, *Installation Energy Management*. The Instruction specifies that utilities privatization "is the preferred method for modernizing and recapitalizing DoD utility systems." To this end, the Instruction provides: "Except where the Secretary of the Military Department has certified that the systems are exempt due to security reasons or privatization is uneconomical, the Military Services shall privatize those types of utility systems at every Active and Reserve Component installation, within the United States and overseas, that is not designated for closure under a base closure law."

1102 CONSIDERATION FOR CONVEYANCE OF UTILITY SYSTEMS

110201 Overview

Subsection 2688(c)(1) of 10 U.S.C. provides that the Secretary of a Military Department concerned may require as consideration for a conveyance an amount equal to the fair market value (as determined by the Secretary) of the right, title, or interest conveyed. Such consideration may take the form of a reduction in charges for future utility services or a lump sum payment. Subsection 2688 does not itself constitute authority for the Secretary of a Military Department to convey a utility system without any consideration or cause to be inapplicable to authorities that govern disposal of DoD real property and personal property. The financial implications of conveying a utility system for less than fair market value should be addressed in the economic analyses required by subsection 2688(a). The value of the utility system

transferred to a utility at less than fair market value may constitute taxable income to the utility and may impact utility rates.

110202 Reduction in Charges

A reduction in charges for future utility services is acceptable consideration when the services are provided by the utility or entity obtaining the utility and the reduction in charges is provided to the military installation at which the utility system is located at the time of conveyance. In such circumstances, a reduction in charges for utility services is an exchange of dissimilar assets that does not result in a credit to an appropriation. The consideration (reduction) in such an exchange is considered an Other Asset (Account 1990), and the recorded asset is reduced by charges to Operating Expenses/Program Costs (Account 6100) over the life of the contract for utility services. Corresponding asset disposal losses must be recognized as described in Volume 4, Chapter 17.

110203 Lump Sum Payment

A. Provisions of 10 U.S.C. 2688 provide that any lump sum cash payment received as consideration for the sale of a utility system shall be credited, at the election of the Secretary concerned, to an appropriation of the Military Department available for:

1. The procurement of the same utility services as are provided by the utility system conveyed;

2. Carrying out energy savings or water conservation projects (as discussed in Chapter 12); or

3. Improvements to other utility systems.

B. A lump sum payment must be credited to the appropriation used to fund the types of base operating support costs described in subparagraph 110203.A. at the location of the privatized utility system. In most cases, this will be an Operations and Maintenance appropriation. Approval of the Office of the Under Secretary of Defense (Comptroller) Program/Budget (OUSD(C)(P/B)) is required for the use of any other appropriation type, as described in paragraph 110302.

C. The amount credited to an appropriation shall be merged with the funds in that appropriation and shall be available for obligation in the same period, for the same purposes, and subject to the same conditions and limitations as that appropriation. There is no provision in the statute for extending the availability of such funds beyond the normal expiration date of the appropriation.

D. The conveyance of a utility for a lump sum payment results in budgetary and proprietary accounting entries by the entity responsible for collection as follows:

1. Receipt of a lump sum payment is recorded in the budgetary accounts as an earned reimbursement, as described in Volume 3, Chapter 15, paragraph 150204.

2. Receipt of a lump sum payment for the conveyance of a utility is recorded in the proprietary accounts as a gain or loss on disposition of assets, as described in Volume 4, Chapter 17.

1103 POLICY AND PROCEDURES

110301 Same Utility Service Procurements

Before utility conveyance proceeds may be used to procure the same utility services as those provided by the utility system conveyed, the organization receiving the funds must submit the proposed distribution of funds to the Assistant Secretary of the Military Department (Financial Management and Comptroller) (ASMD(FM&C)) for approval. The ASMD(FM&C) must notify the supporting Defense Finance and Accounting Service (DFAS) site of approved funds distributions.

110302 Savings and Conservation Projects and Improvements

A. Receiving Organization. Before utility conveyance proceeds may be used for carrying out energy savings or water conservation projects or improvements to other utility systems, the receiving organization must:

1. Prepare and submit to ASMD(FM&C) – for each major construction, minor construction, emergency construction, or Federal Energy Management Program project - the budget estimate data required by Volume 2B, Chapter 6, subparagraph 060301.B, using ***Defense Department Form 1391***, "FY__ Military Construction Project Data."

2. Ensure the required approval and funding authorization is received before the disbursement of funds.

3. Prepare the paperwork necessary for the disbursement of funds in accordance with Volume 5, Chapter 11.

4. Ensure any amount credited to an appropriation from a conveyance under 10 U.S.C. 2688, is administered in accordance with the financial policy and guidance in Volume 3, Chapter 15.

B. The ASMD(FM&C). Before approving a receiving organization's request to carry out energy savings or water conservation projects or improvements to other utility systems, ASMD(FM&C) must:

1. Review the receiving organization's proposal submitted under subparagraph 110302.A.1., and forward it to OUSD(C)(P/B), Directorate for Military Construction, for final approval.

2. Ensure required OUSD(C)(P/B) approval and funding authorization are received before the disbursement of funds is approved.

3. Provide funds control and reporting information to the supporting DFAS site.

4. Notify the receiving organization of the final decision and provide the funding authorization document.

C. The OUSD(C)(P/B), Directorate for Military Construction

1. Before approving an ASMD(FM&C) request to carry out energy savings or water conservation projects or improvements to other utility systems, OUSD(C)(P/B) must:

a. Review the receiving organization's proposal submitted under subparagraph 110302.A.1.

b. Prepare and submit any necessary Apportionment and Reapportionment Schedule using the most current version of Standard Form 132 (e.g., for urgent unforeseen projects not already included in the Military Construction program) to the Office of Management and Budget (OMB) for approval.

c. Notify ASMD(FM&C) of the final decision and OMB approval, and provide the funding authorization document.

2. Provide funds control and reporting information to Washington Headquarters Service (for Department-level appropriation accounting).

110303 The DFAS

The Director, DFAS, must account for and report on amounts credited to appropriations resulting from a conveyance under 10 U.S.C. 2688 and on any related fixed asset transactions.

VOLUME 12, CHAPTER 12: "IDENTIFICATION, RETENTION, AND USE OF ENERGY AND WATER CONSERVATION SAVINGS"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
120102 and 120103.E.	Revised per amendment of Title 10, United States Code, section 2915 by Public Law 111-383.	Update
120103.B.1.	Revised per amendment of 10 U.S.C. 2912 by P.L. 112-239	Update
120102 and 120103.G.	Added language to reflect requirements of 10 U.S.C. 2919.	Add
Multiple	Updated hyperlinks and references throughout the chapter.	Update

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CHAPTER 12

IDENTIFICATION, RETENTION, AND USE OF ENERGY AND WATER CONSERVATION SAVINGS

1201 OVERVIEW

120101. Purpose

This chapter prescribes financial management policy and procedures for the identification, retention, and use of energy and water cost savings as detailed in Title 10, United States Code, sections 2866, 2912, 2913, 2914, 2915, and 2916.

*120102. General

The Congress has enacted several measures pertaining to Energy Security within the Department of Defense (DoD). ***10 U.S.C. 2866*** provides for receipt and use of incentives and water cost savings from utilities for water conservation. ***10 U.S.C 2912*** concerns availability and use of energy cost savings, ***10 U.S.C. 2913*** concerns energy savings contracts and activities, ***10 U.S.C. 2914*** concerns energy conservation construction projects, ***10 U.S.C. 2915*** concerns use of renewable forms of energy and energy efficient products in military construction and facility repair and renovation projects, ***10 U.S.C. 2916*** concerns sale of electricity from alternate energy and cogeneration production facilities, and ***10 U.S.C. 2919*** concerns DoD activities' participation in programs for management of energy demand or reduction of energy usage during peak periods.

120103. Statutory Provision Summaries

A. ***10 U.S.C. 2866*** provides that funds attributable to water cost savings realized under the provisions of that section shall be used as prescribed in subparagraphs 120103.B. 1 and 2, provided that such use under 120103.B.1 is for water conservation activities. Neither 10 U.S.C. 2866 nor any provision in the Department's appropriations acts, however, provide for the extended availability of such funds. Accordingly, such funds are available only for the period for which they were originally appropriated.

B. ***10 U.S.C. 2912*** provides that an amount of funds appropriated to DoD for a fiscal year that is equal to the amount of energy cost savings realized by the Department, including financial benefits resulting from shared energy savings contracts pursuant to ***10 U.S.C. 2913***, shall remain available for obligation until expended, without additional authorization or appropriation. The amount that remains available for obligation shall be used as follows:

* 1. One-half of the amount shall be used for the implementation of additional energy conservation and energy security measures at buildings, facilities, or installations of the DoD, or related to vehicles and equipment of the DoD, which are designated,

in accordance with regulations prescribed by the Secretary of Defense, by the head of the department, agency, or instrumentality that realized the savings; and

2. One-half of the amount shall be used at the installation at which the savings were realized, as determined by the commanding officer of such installation consistent with applicable law and regulations, for (a) improvements to existing military family housing units; (b) any unspecified minor construction project that will enhance the quality of life of personnel; or (c) any morale, welfare, or recreation (MWR) facility or service.

C. ***10 U.S.C. 2913*** provides that the Secretary of Defense shall develop a simplified method of contracting for shared energy savings contract services that will accelerate the use of these contracts with respect to military installations and will reduce the administrative effort and cost on the part of DoD as well as the private sector. The Secretary may provide for the direct negotiation (by departments, agencies, and instrumentalities of DoD) of contracts with shared energy savings contractors that have been selected competitively and approved by any gas or electric utility serving the department, agency, or instrumentality concerned.

D. ***10 U.S.C. 2914*** provides that the Secretary of Defense may carry out a military construction project for energy conservation, which has not been previously authorized, using funds appropriated or otherwise made available for that purpose. When a decision is made to carry out a project under this section, the Secretary of Defense shall notify, in writing, the appropriate congressional committees of the decision. The project may then be carried out only after the end of the 21-day period beginning on the date the notification is received by such committees or, if earlier, the end of the 14-day period beginning on the date on which a copy of the notification is provided in an electronic medium.

* E. ***10 U.S.C. 2915*** provides that the Secretary of Defense shall encourage the use of energy systems using solar energy or other renewable forms of energy as a source of energy for military construction projects (including military family housing projects) and facility repairs and renovations, and ensure, to the maximum extent practicable, the use of energy efficient products in facility construction, repair, and renovation. The Secretary concerned shall require that the design for the construction, repair, or renovation of facilities (including family housing and back-up power generation facilities) shall include consideration of energy systems using solar energy or other renewable forms of energy, and require such energy systems be installed if consistent with the energy performance goals and energy performance master plan for the Department and is shown to be cost effective. Additionally, the Secretary of a military department may grant exceptions to otherwise applicable square foot and cost per square foot limitations.

F. ***10 U.S.C. 2916*** provides that the Secretary of a military department may sell, contract to sell, or authorize the sale by a contractor to a public or private utility company of electrical energy generated from alternate energy or cogeneration type production facilities which are under the jurisdiction (or produced on land which is under the jurisdiction) of the Secretary concerned. The sale of such energy shall be made under such regulations, for such periods, and at such prices as the Secretary concerned prescribes consistent with the Public

Utility Regulatory Policies Act of 1978 (***16 U.S.C. 2601*** et seq.). (Revenues from the sale of electricity shall be deposited and utilized in accordance with section 1204.)

* G. ***10 USC 2919*** provides that the Secretary of Defense, the Secretaries of the military departments, the heads of the Defense Agencies, and the heads of the other instrumentalities of the Department are authorized to participate in demand response programs for the management of energy demand or the reduction of energy usage during peak periods conducted by any of the following: an electric utility; an independent system operator; a State agency; or a third party entity (such as a demand response aggregator or curtailment service provider) implementing demand response programs on behalf of an electric utility, independent system operator or State agency. Financial incentives received from such entity shall be (a) received as a cost reduction in the utility bill for a facility; or (b) deposited into a fund established under 10 USC 2919(c) for use, to the extent provided for in an appropriations Act, by the military department, Defense Agency, or instrumentality receiving such financial incentive for energy management initiatives.

1202 DEFINITIONS

The following definitions apply with respect to the identification, retention, and use of energy conservation cost savings:

120201. Energy Savings Performance Contracts

An Energy Savings Performance Contract (ESPC) is a contract between the Federal government and an energy service company (ESCO) that allows agencies to accomplish energy projects for their facilities without up-front capital costs and without Congressional appropriations to pay for the improvements. The ESCO designs, implements, and arranges financing for an energy savings project that meets the Federal agency's needs. The ESCO guarantees that the improvements will generate savings sufficient to pay for the project over the term of the contract (up to 25 years). If the energy conservation measures installed by the ESCO do not deliver the guaranteed energy savings, the agency pays only an amount equal to the verified, not guaranteed, savings for that period. The ESCO must immediately determine the reasons for the under achieved energy savings during that period. If it is determined that the ESCO-installed and maintained equipment and controls malfunctioned, then the ESCO must immediately correct the malfunction. If it is determined that the ESCO-installed and government-maintained equipment and controls malfunctioned, the government may be required to pay the guaranteed savings to the ESCO for that period. After the contract ends, any additional cost savings accrue to the agency. The additional savings are transferred to an extended availability account, in accordance with section 1203 for use as indicated in subparagraph 120103.B. An ESPC is an alternative financing tool to reduce energy use, modernize aging equipment, reduce maintenance costs, and deploy energy efficiency and renewable energy technologies. See ***DoD Instruction 4170.11***, Installation Energy Management, for further discussion on ESPC.

120202. Energy Cost Savings

Energy cost savings, for the purposes of ***10 U.S.C. 2912***, are savings realized as the result of a reduction in the cost of energy as measured against budget documentation, which is determined by metering (if available) or by other methodology, such as professionally acceptable engineering models and estimates, as determined appropriate by the Component Head. Component Head or designee may define the types of energy commodities to be included in their programs (water is not included as a commodity for this purpose, per subparagraph 120103.A). Energy cost savings could refer to funding remaining after an energy bill is paid or to additional unobligated funding made available in an amount equivalent to avoided cost from energy not consumed during the previous fiscal year.

120203. Extended Availability of Funds

Except as stated in subparagraph 120103.A, pursuant to ***10 U.S.C. 2912***, savings realized by DoD and transferred to an extended availability account, including financial benefits, remain available for obligation until expended in accordance with subparagraph 120103.B, without additional authorization or appropriation.

120204. Cost Effectiveness

An energy system using solar energy or other renewable forms of energy is considered cost effective if the cost difference between that energy system and an energy system not using renewable energy sources can be recovered over the expected life of the facility.

120205. Extended Availability of Funds Account

This is an account established for each appropriation to which identified energy cost savings and unobligated balances resulting from such energy cost savings, or a portion thereof, are transferred. The balances in this account remain available for obligation until expended. The military department realizing the savings shall retain, until expended, an equivalent amount of funding in the extended year account, using appropriately established financial management accounting codes to separate the funding (50 percent of the savings amount for the military department and 50 percent for the installation) to ensure use in accordance with subparagraph 120103.B.

120206. Component Head or Designee

The Secretary of a military department, the Director of a defense agency, an individual designated to act for the Secretary of a military department, or the Director of a defense agency for the purposes of executing the duties, functions, and responsibilities set forth in this chapter. When a provision is applicable only to the military departments, reference is made to the Secretary concerned, or designee.

1203 ENERGY SAVINGS AND INCENTIVES RECEIVED FROM UTILITIES

120301. Extended Availability from Energy Savings

Energy savings amounts having an extended availability shall be transferred to extended availability accounts for execution.

A. An extended availability account must be established for each appropriation for which energy cost savings have been identified and for which a period of extended availability is to be established.

B. Transfers to extended availability accounts shall be made by a ***Standard Form 1151,*** "Nonexpenditure Transfer Authorization," or other authorized Service-specific method that incorporates all SF 1151 requirements (see Volume 14, Chapter 1**,** subparagraph 010206.B.6). Reprogramming actions will not be required in the case of such transfers.

C. Accounting, appropriate controls, and oversight for amounts in extended availability accounts shall be established at the level that use the accounts; this will be at the installation, military department, defense agency, and/or Office of the Secretary of Defense level.

120302. Financial Incentives

Financial incentives received from gas or electric utilities under ***10 U.S.C. 2913*** are not considered energy cost savings. These incentives are credited to the installation's accounts used for operations and maintenance and remain available for the same purposes and the same period as the appropriation to which they are credited. Such incentives are refunds or rebates received as a check and deposited in the accounts used for operations and maintenance; they are not credits to the utility bill.

1204 REVENUES FROM THE SALE OF ELECTRICITY

120401. Sale of Electricity

Proceeds from sales of electricity from alternate energy and cogeneration production facilities under ***10 U.S.C. 2916*** must be credited to the appropriation account currently available to the military department concerned for the supply of electrical energy. The Secretary concerned or designee determines the accounts to which such proceeds shall be credited. (See Treasury's Federal Account Symbols and Titles: ***The FAST Book*** for current accounts.)

120402. Use of Proceeds from the Sale of Electricity

Subject to the availability of appropriations for this purpose, proceeds credited may be used to carry out military construction projects under the energy performance plan developed by the Secretary of Defense under ***10 U.S.C. 2911(b)***, including minor military construction projects authorized under ***10 U.S.C. 2805*** which are designed to increase energy conservation.

120403. Congressional Notification

Before carrying out an unspecified minor military construction project described in paragraph 120402 using proceeds from sales under paragraph 120401, the Secretary concerned shall notify the appropriate committees of Congress in writing of the project, including the project justification and the estimated project cost. The project may then be carried out only after the end of the 21-day period beginning on the date the notification is received by Congress or, if earlier, the end of the 14-day period beginning on the date on which a copy of the notification is provided in an electronic medium pursuant to ***10 U.S.C. 480***.

1205 BUDGETING FOR ENERGY COST SAVINGS

The portion of the guaranteed savings due to the contractor for payment under ESPCs must be included in each military department's utility requirements submitted in budget requests for the length of the ESPCs entered into by that military department. The entire amount of guaranteed savings provided in ESPCs (including amounts for contract payments and amounts to be retained by installations) must be included in total utility requirements submitted as part of budget requests for the first five years of ESPCs. The total of the amounts requested must not exceed those that would have been requested in the absence of ESPCs. The Secretary concerned, or designee, must specify the procedures for identification of such amounts by installations, facilities, or operating locations at which ESPCs for that military department are in existence.

1206 CAPTURING BALANCES AVAILABLE FOR USE RESULTING FROM ENERGY CONSERVATION MEASURES

120601. When carrying over unobligated balances resulting from energy conservation, Installation Commanders or their designees must ensure energy cost savings amounts carried over for use beyond the fiscal year for which they were originally appropriated are authorized to be used only for funding initiatives specified by ***10 U.S.C. 2912*** (see subparagraph 120103.B). Installation Commanders must also:

A. Ensure that unobligated fund balances available at the end of the normal period of appropriation availability that are the direct result of energy conservation measures are identified based on the most current available consumption data and represent actual unobligated funds remaining in the appropriation accounts.

B. Ensure that the unobligated energy cost savings balances at year-end are carried forward for use beyond the fiscal year by transferring the funds to the extended availability of funds account.

C. Submit to the Component Head or designee proposed energy savings projects for a given fiscal year that are projected to cost more than the amount of funds available to the Commander for that purpose.

D. Implement additional energy conservation initiatives approved by the Component Head, or designee and other projects as specified.

120602. The Component Head or designee shall receive and evaluate savings measures submitted by Installation Commanders, and authorize funding for those other energy savings measures as the Component Head or designee deems appropriate. The Component Head or designee must also ensure that procedures are established to provide sufficient time to compute the energy cost savings and identify the savings amounts to be transferred to the extended availability of funds account.

1207 ACCOUNTING FOR ENERGY COST SAVINGS

120701. Title 10, United States Code, section 2912

The energy cost savings amounts realized in accordance with 10 U.S.C. 2912 remain as unobligated balances available for obligation at the end of the fiscal year.

120702. Unobligated Balance Transfers

Unobligated balances covered by paragraph 120701 must be transferred to extended availability accounts on an SF 1151 or other authorized Service-specific method that incorporates all SF 1151 requirements (see paragraph 120301). The authority to be cited for the transfer is ***10 U.S.C. 2912***. No further adjustments to the amounts carried forward are permitted once the balance is established in the extended availability account.

1208 REPORTING REQUIREMENTS

The standardized Service-specific reporting methods (e.g., the Army's General Fund Enterprise Business System) or the following requirements must be used to report the status of extended availability accounts:

120801. Accounting Report (Monthly) 1002

The following special procedures have been established for reporting extended availability obligated and unobligated balances on the Accounting Report (Monthly), (AR(M)) 1002, Appropriation Status by Fiscal Year Program and Subaccounts:

A. Normal Availability Obligated and Unobligated Balances

Identify and report as usual.

B. Extended Availability Unobligated Balances

Identify, in column F (Cumulative Unobligated Balance), unobligated extended availability amounts resulting from energy cost savings at the end of the normal availability period (e.g., FY 200X/200X+1 or FY 200X/200X+2, +3, and so on) and available unobligated amounts (that is, FY 2014/2015, FY 2014/2016, etc., for the FY 2014 account). The stub entry, column a (Budget Activity) identifies the unobligated extended availability amount as "Extended

Availability - Energy Cost Savings." The amount reported must agree with line 2201 of the Standard Form ***(SF) 133***, Report on Budget Execution (see paragraph 120802).

C. Extended Availability Obligated Balances

Identify, in column e, obligations incurred against the extended availability account. The stub entry shall identify those obligations as to the purpose for which the obligations were incurred. The reporting categories for the extended availability accounts must be continued for all fiscal years with remaining obligated balances against the extended availability account.

120802. Standard Form 133

At the end of the first fiscal year, use line 2201, "Unob(ligated) Bal(ance): Apportioned: Avail(able) in the current period" on the ***SF 133***, to identify the amount of available unobligated funds that are available for energy savings investments (or other authorized purposes) in the following fiscal year(s).

120803. Treasury Financial Management Service Form 2108

Transactions reported on Treasury Financial Management Service ***(FMS) Form 2108***, Year-End Closing Statement, re treated in the same manner as multi-year appropriations.

VOLUME 12, CHAPTER 13: "FISCAL POLICY FOR BASE CLOSURE AND REALIGNMENT"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font*.**

The previous version dated August 2002 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
Multiple	Deleted outdated references, added hyperlinks.	Update
130102.A.5	Added reference for creation of the DoD Base Closure Account 2005.	Add
130102.B	Deleted listing of guidance superseded in prior chapter updates.	Delete
130202	Deletes outdated guidance related to use of "DoD Base Closure Account" under United States (U.S.) Treasury symbol 97_0103. Remainder of section renumbered accordingly.	Delete
130202	Added guidance related to DoD Base Closure Account 2005.	Add
130301.A.2	Added guidance on BRAC 2005 reprogramming procedures.	Add
130302	Updated organizational responsibilities.	Update
1304	Updated organizational reporting responsibilities.	Update
130402.C	Deleted listing of specific reporting requirements. Reporting requirements are contained in Volume 6A, Chapter 4.	Delete
Fig. 13-2	Deleted outdated form.	Delete
Air Force Annex	Deletes Annex as it duplicates guidance contained in AFI 65-601V1, Chapter 23.	Delete

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CHAPTER 13

FISCAL POLICY FOR BASE CLOSURE AND REALIGNMENT

1301 OVERVIEW

130101. Purpose

This chapter specifies financial policy and procedures for base closure and realignment.

130102. General

A. Since 1988, the Congress has enacted legislation that created five separate accounts on the books of the Department of the Treasury to finance base closure and military installation realignment.

1. Section 207 of the Defense Authorization Amendments and Base Closure and Realignment Act (Public Law (P.L.) 100-526), October 24, 1988, established the "DoD Base Closure Account."

2. Section 2906 of the Defense Base Closure and Realignment Act of 1990 (P.L. 101-510), November 5, 1990, created the "DoD Base Closure Account 1990."

3. Section 2921 of the Defense Base Closure and Realignment Act of 1990 (P.L. 101-510), November 5, 1990, established the "DoD Overseas Military Facility Investment Recovery Account."

4. Section 344 of the National Defense Authorization Act for Fiscal Years 1992 and 1993 (P.L. 102-190) established the "Reserve Account."

* 5. Section 2906A of the Defense Base Closure and Realignment Act of 1990 created the "DoD Base Closure Account 2005."

* B. This guidance also establishes funds distribution, accounting and reporting policy and procedures for the "DoD Base Closure Account 1990," "DoD Base Closure Account 2005" and the "Reserve Account."

1302 POLICY AND PROCEDURES

130201. General

A. DoD Components are responsible for implementing all base closure and realignment action including preparation of an economic analysis in accordance with Volume 2B, Chapter 6, and shall administer the allocations of base closure funds.

B. Care shall be exercised to ensure that proceeds are deposited in the appropriate account authorized by law. Transfer funds erroneously deposited into an account, or deposited to a suspense account or other interim accounts, to the appropriate account. An SF 1080 ("Voucher for Transfers Between Appropriations and/or Funds") shall be used to transfer funds to the proper account.

130202. DoD Base Closure Account 1990 and DoD Base Closure Account 2005

A. The U.S. Treasury symbol for DoD Base Closure Account 1990 is 97X0510. This account is identified as the "Base Realignment and Closure Account, Part II, Defense," in the Department of the Treasury's Federal Account Symbols and Titles (FAST) publication.

* B. The U.S. Treasury symbol for DoD Base Closure Account 2005 is 97X0512. This account is identified as the "Base Realignment and Closure Account 2005, Defense," in the Department of the Treasury's FAST publication.

C. Except as provided for in subparagraph 130202.F. funds deposited into these accounts shall be:

1. Funds authorized for, and appropriated to, the account.

2. Proceeds received from the sale or disposal of any property at an installation closed or realigned under the provisions of the Defense Base Closure and Realignment Act of 1990, P.L. 101-510.

D. Proceeds resulting from the sale or disposal of property or facilities (including buildings and structures) due to the base closure process shall be deposited as reimbursements into the appropriate DoD Base Closure Account (DoD Base Closure Account 1990 or DoD Base Closure Account 2005). Treat these reimbursements as a collection and an earned reimbursement, and credited to the appropriation as a budget source.

E. Proceeds received after September 30, 1995, from the transfer or disposal of any property at a military installation closed or realigned under the Defense Authorization Amendments and Base Closure and Realignment Act, P.L. 100-526 and Title 10, United States Code, (U.S.C) section 2687, shall be deposited as reimbursements into the appropriate DoD Base Closure Account.

F. Deposit a portion of the proceeds resulting from the transfer or disposal of any real property or facility acquired, constructed, or improved (in whole or in part) with commissary store funds or nonappropriated funds into the "Reserve Account." The amount deposited shall be equal to the depreciated value of the investment made with such funds in the acquisition, construction, or improvement of that particular real property or facility. Complete the depreciated value of the investment in accordance with Volume 4, Chapter 6, for property funded with commissary store funds. Use Volume 13, Chapter 3, for property funded with nonappropriated funds. The "Reserve Account" is discussed in paragraph 130204.

G. Subject to their availability, funds in the account may be used to:

1. Carry out actions as may be necessary to close or realign any military installation. Such actions include the acquisition of such land, construction of such replacement facilities, performance of such activities, and conduct of such advance planning and design as may be required to transfer functions from an installation being closed or realigned to another military installation.

2. Provide economic adjustment assistance to any community located near an installation being closed or realigned. Additionally, provide community-planning assistance to any community located near a military installation to which functions shall be transferred as a result of such closure or realignment.

3. Carry out activities for the purposes of environmental restoration and mitigation at an installation being closed or realigned. This includes reducing, removing and recycling hazardous waste, and removing unsafe buildings and debris.

4. Offer outplacement assistance to civilian employees employed by the DoD at installations being closed or realigned.

5. Reimburse other federal agencies for actions performed at the request of the Secretary of Defense with respect to any such closure or realignment.

130203. DoD Overseas Military Facility Investment Recovery Account

A. The U.S. Treasury symbol for the receipt account (funds deposited in the DoD Overseas Military Facility Investment Recovery Account Deposits, DoD) are 97X5193.017, .057, .021, and .097, as applicable. The U.S. Treasury symbol for the special fund account (expenditure of funds from the account) is 97X5193.

B. Except as offered in subparagraph 130203.C, funds deposited into this account shall be amounts paid to the United States, pursuant to any treaty, status of forces agreement, or other international agreement to which the United States is a party, for the residual value of real property or improvements to real property used by DoD civilian or military personnel.

1. Steps shall be taken to ensure that the United States receives, through direct payment or otherwise, consideration equal to the fair market value (FMV) of the improvements made by the United States at facilities scheduled for release to host countries. Determine the FMV for such improvements on a facility-by-facility basis.

2. The term “fair market value of the improvements” means the value of improvements on the basis of their highest use.

3. The term “improvements” includes new construction of facilities and all additions, improvements, modifications, or renovations made to existing facilities or to

real property, without regard to whether they were carried out with appropriated or nonappropriated funds.

C. In the case of a payment for the residual value of real property or improvements at an overseas military facility, deposit the portion of the payment that is equal to the depreciated value of the investment made with nonappropriated funds into the "Reserve Account" not in the "DoD Overseas Military Facility Investment Recovery Account."

D. Subject to availability, funds in the account may be used by the DoD for payment, as shown in appropriations acts, of costs incurred by the DoD in connection with:

1. Facility maintenance, repair and environmental restoration at military installations in the United States.

2. Facility maintenance, repair and compliance with environmental laws at military installations outside the United States that the Secretary of Defense anticipates shall be occupied by the U.S. Forces for an extended period of time.

130204. Reserve Account

A. The U.S. Treasury symbol for the receipt account (funds deposited into the Reserve Account) is 97X5195.1. The U.S. Treasury symbol for the special account (expenditure of funds from the Reserve Account) is 97X5195. This account is identified as "Use of Proceeds from the Transfer or Disposition of Commissary Facilities."

B. The transfer or disposal of a commissary or nonappropriated fund (NAF) facility shall be connected with the closure or realignment of a military installation. Deposit into this account a portion of the proceeds equal to the depreciated value of the investment made in any real property or facility acquired, constructed or improved (in whole or in part) with commissary store funds or nonappropriated funds.

C. If the proceeds from the transfer or disposal of any real property or facility acquired, constructed or improved (in whole or in part) with commissary store funds or nonappropriated funds are greater than the depreciated value, then the excess amount shall be deposited into the appropriate base closure account, not the Reserve Account.

1. The term "commissary store funds" means funds received from the adjustment of, or surcharge on, selling prices at commissary stores fixed under 10 U.S.C. 2685.

2. The term "nonappropriated funds" means funds received from a NAF instrumentality. (See the "Definitions" section of Volume 13, "Nonappropriated Funds Policy and Procedures.")

3. The term "nonappropriated fund instrumentality (NAFI)" means an instrumentality of the United States under the jurisdiction of the Armed Forces (including the Military Exchange Services) that is conducted for comfort, pleasure, contentment, or physical or

mental improvement of members of the Armed Forces. (See the "Definitions" section of Volume 13.)

4. The depreciated value of the investment made by NAF shall be computed in accordance with Volume 13, Chapter 3.

D. Subject to availability, funds in the account may be used for the purpose of acquiring, constructing, or improving commissary stores, and real property and facilities for NAF instrumentalities.

E. DoD Components are responsible for ensuring that budgeting and accounting procedures can separately identify the following:

1. Commissary

2. Exchange system

3. All other NAFI balances in the Reserve Account.

1303 BUDGET AND ACCOUNTING RESPONSIBILITIES

130301. Requests for Funds

A. DoD Components

1. DoD Base Closure Account Financial Plan. The Military Departments and Defense Agencies, in cooperation with, and at the direction of, the Under Secretary of Defense for Acquisition, Technology, and Logistics, or designee, the Director, Office of the Secretary of Defense BRAC Office, shall submit a financial plan to the Directorate for Military Construction, Office of the Deputy Comptroller (ODC) (Program/Budget), Office of the Under Secretary of Defense (Comptroller) (OUSD(C)), supported by a "DoD Base Closure Account Financial Plan," (Format 460-BC) (Figure 13-1), to request allocations of base closure funds. For planned military construction and family housing construction requirements, list separately on the financial plan each project to be executed using requested base closure funds. Also submit a separate narrative explanation for other planned expenditures to the Directorate for Military Construction, ODC(P/B), in sufficient detail on the Format 460-BC to support the DoD Component financial plan. Host DoD Components are responsible for coordination with all affected tenant activities, including Defense Agencies, Defense Medical Facilities Office, Reserve Components, and nonappropriated fund activities. Tenant activities shall identify specific base closure program requirements to their host DoD Component.

* 2. BRAC 2005 Reprogramming Procedures. Section 2905A(f) of the Defense Base Closure and Realignment Act of 1990, as amended by the FY 2008 National Defense Authorization Act, Section 2704, (P.L. 110-181) specifies certain cost and scope limits on those BRAC 2005 military construction projects with costs equal to or in excess of $5 million, as follows:

a. Cost may not be increased or reduced by more than 20% or $2M than the authorized amount, whichever is less.

b. Scope may not be reduced by more than 25% from the scope specified in the most recent budget justification material.

These limits do not apply if the Secretary of Defense makes a determination that an increase or reduction in cost or a reduction in the scope of work for a military construction project or military family housing project "needs to be made for the sole purpose of meeting unusual variations in cost or scope." If such a determination is made, then the DoD must notify the congressional defense committees not later than 21 days before the date on which the variation is made (or 14 days if notification submitted electronically). DUSD(I&E) memorandum of 27 February 2008 delegated notification responsibility to the DoD Components contingent upon OUSD(C) and OSD BRAC Office concurrence.

B. Directorate for Military Construction, ODC(P/B). This office shall initiate the SF 132 ("Apportionment and Reapportionment Schedule") for the appropriate base closure account for submission to the Office of Management and Budget (OMB) for its approval.

130302. Funds Distribution

A. Directorate for Military Construction, ODC(P/B). This office shall, upon approval by the OMB of the SF 132 for the base closure account, provide a Fund Authorization Document to the applicable component for recording in the agency-level accounting records.

B. Director, Defense Finance and Accounting Service (DFAS). The Director of the DFAS shall obtain and record, in the departmental-level accounting records, a TFS Form 6200 ("Appropriation Warrant") for the base closure accounts. Table 13-1 illustrates the most common entries used for this account.

Table 13-1 Accounting Entries For Recording Warrants

Dr 4119 Other Appropriations Realized Cr 4450 Unapportioned Authority
Dr 1010 Fund Balance With Treasury Cr 3101 Unexpended Appropriations
To record the appropriation warrant (TFS Form 6200).

C. DoD Components. The DoD Components shall:

1. Record the Fund Authorization for the base closure accounts received from the Directorate for Construction, ODC(P/B). Table 13-2 illustrates the most common entry used to accomplish this action.

Table 13-2 Accounting Entries For Fund Authorization

Dr 4450 Unapportioned Authority Cr 4510 Apportionments To record the Fund Authorization received from ODC(P/B).

2. Receive and record the allocations of base closure funds received from Directorate for Construction, ODC(P/B), subdivide the allocations of the base closure accounts by subaccount, and distribute the base closure funds to the installations responsible for base closure actions. Each DoD Component shall distribute the base closure funds to its installations in accordance with its normal fund distribution procedures. The applicable subaccounts are shown in Table 13-3.

Table 13-3 Base Closure Accounts by Sub-Account

Military Construction: Construction a. (Project) b. (Project) Planning and Design NOTE: The military construction subaccount shall be reserved for projects listed individually on the Format 460 accompanying the fund allocation document. **Family Housing:** Construction a. (Project) b. (Project) Planning and Design Operations

BASE CLOSURE ACCOUNTS BY SUBACCOUNT (continued)

Operation and Maintenance (O&M):

Civilian Severance Pay
Civilian Permanent Change of Station (PCS)
Transportation of Things
Facilities Sustainment
Program Management (civilian work years, travel, and related support dedicated to implementation efforts)

Environmental:

Includes environmental restoration, including reducing, removing, and recycling hazardous wastes, and removing unsafe buildings and debris; Memoranda of Agreements between Defense and States (DSMOA), and reimbursements to the Agency for Toxic Substance and Disease Registry (ATSDR); and mitigation efforts associated with a military installation closure or realignment. Mitigation efforts do not apply to the DoD Base Closure Account.

Community Programs:

Community Planning Assistance: For communities located near a military installation to which functions shall be transferred as a result of a closure or realignment of a military installation.

Economic Adjustment Assistance: For communities located near a military installation being closed or realigned.

Federal Agencies Reimbursement:

Includes reimbursements to other federal agencies for actions, other than for environmental activity discussed above, performed with respect to any closure or realignment.

Military Personnel:

Limited to PCS and TDY expenses dedicated to implementation efforts.

Procurement-type Items:

The procurement account should be limited to investment items in accordance with the expense/investment criteria.

Other Costs:

Expenses, other than those above, associated with base closure and realignment efforts.

3. Account for the receipt and allotment of the allocations using the entries in Table 13-4.

Table 13-4 Accounting Entries For Recording Allocations

Dr 4550 Internal Fund Distributions Received Cr 4560 Funds Available For Allotment Dr 1010 Fund Balance With Treasury Cr 3101 Unexpended Appropriations To record receipt of an allocation of direct program obligational authority. Dr 4560 Funds Available For Allotment Cr 4570 Allotments Issued Dr 1010 Fund Balance With Treasury Cr 3101 Unexpended Appropriations To record the allotment of direct program obligational authority to a subordinate activity.

130303. Plan Execution

The DoD Components shall:

A. Record the allotment of base closure funds provided to installations. Table 13-5 illustrates the entries to record the allotment.

Table 13-5 Accounting Entries for Recording Allotments for Base Closure Accounts

Dr 4580 Allotments Received Cr 4610 Allotments--Realized Resources Dr 1010 Fund Balance With Treasury Cr 3101 Unexpended Appropriations To record receipt of an allotment.

B. Implement base closure and realignment actions and administer their allocation of base closure funds in accordance with their approved financial plan.

1. Table 13-6 illustrates the entries for recording expenses that result in a fund outlay and that are incurred as a result of a DoD base closure.

Table 13-6 Accounting Entries for Recording Expenses/Expenditures for Base Closure Accounts

Dr 4610 Allotments--Realized Resources Cr 4902 Delivered Orders Accrued Expenditures --Obligations, Paid and Dr 6100 Operating Expenses/Program Costs Cr 1010 Fund Balance With Treasury To record expenditure of an allotment.

2. Losses that do not result in a fund outlay and that are incurred as a result of a DoD base closure shall be accounted for as an extraordinary loss. Table 13-7 illustrates these entries.

Table 13-7 Accounting Entries For Recording An Extraordinary Loss (Or Gain) That Does Not Result In Fund Outlay

Dr 1739 Accumulated Depreciation on Buildings, Improvements and Renovations Dr 1749 Accumulated Depreciation on Other Structures and Facilities Dr/Cr 7300 Extraordinary Items (Debit for Loss or Credit for Gain) Cr 1711 Land and Land Rights Cr 1730 Buildings, Improvements and Renovations Cr 1740 Other Structures and Facilities To record extraordinary loss (or gain) that does not result in a fund outlay from base closures.

C. Rephase planned execution of the financial plan as the situation dictates, and with the prior approval of the Under Secretary of Defense for Acquisition, Technology, and Logistics or designee, the Director for Base Closure and Utilization, and in coordination with the Directorate for Construction, ODC(P/B). A revised Format 460-BC and supporting documentation shall be prepared that reflects the changes in the financial plan.

1304 REPORTING RESPONSIBILITIES

130401. DoD Components

The DoD Components shall prepare and submit reports to the appropriate DFAS site on the status of its allotments. At a minimum, these reports shall offer detail for each subaccount specified in a Fund Authorization document provided by OSD (see subparagraph 130302.C). Submit these reports in accordance with a schedule of due dates to be provided by the DFAS.

130402. Defense Finance and Accounting Service

A. Establish base closure accounts with the Department of the Treasury.

B. Post SF 1151 ("Nonexpenditure Transfer Authorizations") transactions, as necessary, for the base closure accounts.

C. Prepare departmental-level appropriation and fund status reports as required by Volume 6, Chapter 4, for the base closure accounts administered by the Military Departments and Defense Agencies.

D. Prepare Chief Financial Officer reports for all base closure accounts.

E. Offer consolidation of appropriate financial reports to produce Treasury Index 97 financial reports on a pass-through basis.

F. Subject to the approval of the OUSD(C), supplement this guidance with additional procedures, as may be required.

1305 ADMINISTRATION OF BASE CLOSURE FUNDS

130501. Appropriated Fund Activities

Expenses, losses, or other events occurring at an appropriated fund activity as a direct result of a DoD base closure action, which result in a cash outlay, are eligible for reimbursement from the applicable DoD Base Closure Account. Expenses, losses, or other events not resulting in a cash outlay by an appropriated fund activity are not eligible for reimbursement. Expenses, losses, or other events that result in a cash outlay (vice expenses, losses, or other events that do not result in a cash outlay) are dependent largely upon the unique circumstances in existence at a particular activity subject to closure. The general guidance on those two categories of expenses and losses are:

A. Expenses that Ordinarily Result in a Cash Outlay

1. Military Construction projects, including planning and design efforts, for which base closure funds are requested.

2. Family Housing projects, including construction, planning and design, and operations for which base closure funds are requested.

3. Operations and Maintenance-type efforts including civilian severance pay, civilian permanent change of station (PCS), outplacement assistance transportation of things, facilities sustainment, and program management (civilian work years, travel, and related support dedicated to implementation efforts).

4. Environmental projects including environmental restoration (reducing, removing, and recycling hazardous wastes, and removing unsafe buildings and debris), Memoranda of Agreements between the DoD and the various states, and reimbursements to the Agency for Toxic Substance and Disease Registry (ATSDR).

5. Community Programs including economic adjustment assistance to a community in which the closed base is located, or community planning assistance to the community to which functions shall be transferred as a result of a closure or realignment of a military installation.

6. Federal agencies including reimbursements to other Federal agencies for actions, other than for environmental activity discussed in subparagraph 130501.A.4, performed with respect to any closure or realignment.

7. Military Personnel, limited to PCS and TDY expenses dedicated to implementation efforts.

8. Procurement-type Items for those items normally purchased with procurement appropriations.

9. Other expenses associated with base closure and realignment efforts.

B. Losses that Do Not Ordinarily Result in a Cash Outlay. Losses on real property or facilities sold, leased, transferred, or disposed of in connection with the closure or realignment of a military installation.

130502. Disposition of DoD Base Closure Assets

The loss (or gain) from the sale, lease, or other disposal of assets shall be recorded by the activity having financial custody of those assets. The sale, lease, or other disposal action shall only be recorded in proprietary accounts of that installation. Any proceed generated from the sale, lease, or other disposal action of assets does not add to, or otherwise affect, the budgetary accounts of that activity. Table 13-8 illustrates these entries.

Table 13-8 Accounting Entries For Extraordinary Loss (Or Gain) Resulting From The Sale Or Other Disposal of Base Closure Assets

Dr 1010 Fund Balance With Treasury Dr 1739 Accumulated Depreciation on Buildings, Improvements and Renovations Dr 1749 Accumulated Depreciation on Other Structures and Facilities Dr/Cr 7300 Extraordinary Items (Debit for Loss or Credit for Gain) Cr 1711 Land and Land Rights Cr 1730 Buildings, Improvements and Renovations Cr 1740 Other Structures and Facilities To record extraordinary loss (or gain) resulting from the sale or other disposal of base closure assets.

Figure 13-1 DOD BASE CLOSURE ACCOUNT FINANCIAL PLAN

DOD BASE CLOSURE ACCOUNT FINANCIAL PLAN		SERVICE FISCAL YEAR OF APPROPRIATION (Dollars, in Thousands)		SUBMISSION NO. As of:		
INSTALLATIONS/PROJECT(S)	PROGRAM AMOUNT	CHANGE AMOUNT	PREVIOUSLY APPROVED	PROPOSED	QT	OSD APPROVED
(a)	(b)	(c)	(d)	(e)	(f)	(g)
A Military Construction 1. Construction a. (Project) b. (Project) 2. Planning and Design B Family Housing 1. Construction a. (Project) b. (Project) 2. Planning and Design 3. Operations C Operation and Maintenance (O&M) 1. Civilian Severance Pay 2. Civilian PCS 3. Transportation of Things 4. Facilities Sustainment 5. Program Management D. Environmental E Community Programs 1. Community Planning 2. Economic Assistance F. Federal Agencies G. Military Personnel H. Procurement-type Items						

VOLUME 12, CHAPTER 14: "TRANSFERRING, DISPOSING, AND LEASING OF REAL PROPERTY AND PERSONAL PROPERTY"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by a * preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue and underlined font*.**

The previous version dated October 1999 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
Table of Contents	Added Table Of Contents.	Update
Multiple	Revised and reformatted for clarity and readability. Removed redundant paragraphs. Added hyperlinks. Updated references to U.S. Code sections.	Update
Multiple	Revised to reflect revision of 10 U.S.C §2667 by the FY 2008 and FY 2009 Defense Authorization acts and other legislation.	Update
140103	Added Scope section for clarity.	Clarify
140201.C	Added guidance for easements from 10 U.S.C 2668.	Add
140201.D	Added guidance related to the authority to convey surplus real property for natural resource conservation per 10 U.S.C. 2694a.	Add
140201.E and throughout	Revised to reflect repeal of 10 U.S.C §2667a and incorporation of those provisions into 10 U.S.C. §2667. As a result, §2667 now applies to leases of property by Defense Agencies as well as by Military Services.	Update
140202 - Table 14-1	Added table of Special Fund Treasury Fund Symbols for clarity.	Clarify
140204.B to 140204.F	Added and clarified reporting and notification requirements.	Add / Update
140204.B (prior version)	Paragraph deleted. The §2667 requirement to report annually to Congress regarding leases and the use of lease proceeds was repealed by §1041(a)(18) of the FY2003 Defense Authorization act (Public Law 107-314).	Delete
140205.A.3 and A.4	Revised and updated accounting and documentation guidance for transfers.	Add / Update

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
140205.A.3 140205.B.4 140205.C.7 140206.C.2 140207.C	Updated reference from United States Standard General Ledger (USSGL) Treasury Financial Manual to USSGL Standard Financial Information Structure (SFIS) Transaction Library.	Update
140205.B.3 and B.4	Clarified guidance on use of proceeds and updated accounting guidance.	Update
140205.B.3 (prior version)	Deleted obsolete guidance related to the use of F33875, Budget Clearing Account (Suspense).	Delete
140205.C.3 to C.7	Corrected guidance for use of proceeds from leases. Added additional accounting guidance.	Correct / Add
140206	Added guidance for receiving, reporting and accounting for in-kind consideration for leases.	Add
140207.A.4 and A.5	Updated to reflect revision to 10 U.S.C. §2695.	Update
140207.C	Added accounting guidance.	Add
Table 14-1 Table 14-2 (prior version)	Deleted display of accounting entries and provided a link to the USSGL SFIS Transaction Library in related subparagraphs, the authoritative source for accounting entries.	Delete

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CHAPTER 14

TRANSFERRING, DISPOSING, AND LEASING OF REAL PROPERTY AND PERSONAL PROPERTY

1401 OVERVIEW

140101. Purpose

This chapter provides financial procedures for the disposal, transfer, and leasing of real property, and the transfer and lease of personal property. Financial procedures for the disposal of personal property are addressed in Volume 11A, Chapter 5.

140102. Authorities

Title 40, United States Code (U.S.C.) §572(b), "Proceeds from Sale or Transfer: Real Property," governs the proceeds from the disposal of real property under the control of a military department. ***Title 10, U.S.C. §2667***, "Leases: non-excess property of military departments and Defense Agencies," governs leases of Department of Defense (DoD) real and personal property. These sections require that a special fund be established for the deposit of proceeds received from the transfer or lease of real and personal. Proceeds from the lease of property at a military installation designated for closure or realignment shall be deposited in accordance with ***Title 10, U.S.C. §2687***, "Base closures and realignments."

*140103. Scope

Unless otherwise stated, the provisions of this chapter do not apply to:

A. The disposition of proceeds from the sale of surplus personal property. (See Volume 11A, Chapter 5.)

B. Property at a military installation designated for closure or realignment under ***Title 10, U.S.C. §2687***. (See Volume 12, Chapter 13.)

C. Damaged or deteriorated military family housing (see ***Title 10, U.S.C. §2854a***, "Conveyance of damaged or deteriorated military family housing; use of proceeds").

D. The lease of defense articles in the stocks of DoD to an eligible foreign country or international organization under ***Title 22, U.S.C. §2796***.

E. Transfer of defense articles to Iraq under the National Defense Authorization Act for Fiscal Year 2008 (***Public Law 110-181***), section 1228.

F. Proceeds from the disposal of property received as gifts under ***Title 10, U.S.C. §2601***. (See Volume 12, Chapter 30.)

1402 POLICY AND PROCEDURES

140201. General

A. ***Title 40, U.S.C. §572(b)***. Real property and related improvements under the control of a Military Department (other than property at a military installation designated for closure or realignment) that are determined by the Secretary of the Military Department to be excess to the needs of that Department shall be made available for transfer without reimbursement to other Military Departments. If the property is not transferred to another Military Department, the Secretary of the Military Department shall request the Administrator of the General Services Administration (GSA) to transfer or dispose of such property in accordance with applicable laws. Any proceeds generated from transfer or disposal will be deposited into a special fund Treasury receipt account. Funds deposited into the special fund Treasury receipt account will be distributed to the Military Department(s) by the Under Secretary of Defense (Comptroller) (USD(C)) consistent with applicable appropriation law.

* B. ***Title 10, U.S.C. §2667*** allows the Secretary of a Military Department to lease nonexcess real and personal property under its control that is not needed for a public use for the time that it is leased. This section provides the same authority to the Secretary of Defense (SECDEF) with respect to property under the control of a Defense Agency.

1. Throughout this chapter, the term "Secretary concerned" will mean the Secretary of a military department, with respect to matters concerning that military department; and the SECDEF, with respect to matters concerning the Defense Agencies.

2. All fees received from such leases (other than from leases of property at a military installation designated for closure or realignment) shall be deposited into a special fund Treasury receipt account.

3. Funds deposited into the special fund Treasury receipt account will be distributed to the Secretary concerned by the USD(C) consistent with applicable appropriations law. See paragraph 140205.C.

4. This section does not apply to oil, mineral, or phosphate lands.

* C. ***Title 10, U.S.C. §2668*** allows the Secretary of a military department to grant easements for rights-of-way over, in, and upon public lands under the Secretary's control. This authority is available provided the Secretary of that military department finds that the easement will not be against the public interest.

1. The easement may be made upon such terms as the Secretary considers advisable. The authorized purposes of the easement are listed at paragraph Title 10, U.S.C. §2668,a.

2. Proceeds and in-kind consideration received from the granting of easements will be accounted for in the manner specified for leases of DoD property in ***Title 10, U.S.C. §2667***. See paragraphs 140203.B and 140205.C.

* D. ***Title 10, U.S.C. §2694a*** allows the Secretary of a Military Department to convey certain surplus real property for purposes of natural resource conservation.

1. Surplus property that may be conveyed under this authority is limited to property that:

a. Is under the administrative control of the Secretary;

b. Is suitable and desirable for conservation purposes;

c. Has been made available for public benefit transfer for a sufficient period of time to potential claimants; and

d. Is not subject to a pending request for transfer to another Federal agency or for conveyance to any other qualified recipient for public benefit transfer under the real property disposal processes and authorities in ***Title 40, U.S.C. § 550***, "Federal Property and Administrative Services."

2. Entities eligible to receive surplus property for purposes of natural resource conservation are limited to states, political subdivisions of a state; and nonprofit organizations that exist for the primary purpose of conservation of natural resources on real property.

* E. Repeal of ***Title 10, U.S.C. §2667a***. The Duncan Hunter National Defense Authorization Act for Fiscal Year 2009 repealed §2667a of Title 10, "Leases: non-excess property of Defense agencies" (see ***Public Law 110-417***, section 2812). This authority is now incorporated into ***Title 10, U.S.C. §2667***, as revised, and that section now covers leases by both military services and Defense Agencies. In addition:

1. The repeal of section 2667a does not affect the validity or terms of any lease with respect to property of a Defense Agency entered into by the Secretary of Defense under section 2667a.

2. Amounts deposited in a special account established for a Defense Agency pursuant section 2667a before repeal and amounts that would be deposited in connection with outstanding leases:

a. Remain available until expended for the purposes specified in §2667a, specifically, solely for the maintenance, repair, restoration, or replacement of the leased property; or

b. To the extent provided by appropriations law, may be transferred to the special account described in paragraphs 140203.B and 140205.C.

140202. Special Fund Requirements

The special funds are to be established and operated under the provisions of Volume 12, Chapter 1. The special funds designated by the Treasury for use in connection with ***40 U.S.C. §572*** and ***10 U.S.C. §2667***, are Treasury Fund Symbols 5188, "Disposal of DoD Real Property," and 5189, "Lease of DoD Real Property." These Federal account symbols have been established as no year accounts. These Funds and applicable point accounts are listed in Table 14-1.

*Table 14-1. Special Funds Designated

Special Funds Designated for the Proceeds of Sale and Lease of DoD Property	
Treasury Fund Symbol	**Description**
5188.017	Disposal of Department of Defense Real Property for Navy
5188.021	Disposal of Department of Defense Real Property for Army
5188.057	Disposal of Department of Defense Real Property for Air Force
5188.097	Disposal of Department of Defense Real Property for Defense Agencies
5189.017	Lease of Department of Defense Real Property for Navy
5189.021	Lease of Department of Defense Real Property for Army
5189.057	Lease of Department of Defense Real Property for Air Force
5189.097	Lease of Department of Defense Real Property for Defense Agencies

140203. Special Fund Purposes

A. ***Title 40, U.S.C. §572***. Any net proceeds (gross proceeds less expenses of transferring or disposing of the property) received from the transfer or disposal of real property under Title 40, U.S.C. §572 shall be deposited into special fund Treasury receipt account 5188, "Disposal of DoD Real Property," with point accounts as listed in Table 14-1. See paragraph 140205.B for the appropriate accounting treatment.

B. ***Title 10, U.S.C. §2667(e)(1)***. Funds received from leases of real property entered into pursuant to Title 10, U.S.C. §2667 shall be deposited into the special fund Treasury receipt account 5189, "Lease of DoD Real Property," with point accounts as listed in Table 14-1. Funds received from leases of personal property shall also be deposited into the special fund Treasury receipt account 5189, "Lease of DoD Real Property." See paragraph 140205.C for the appropriate accounting treatment.

140204. Reporting and Notification Requirements

A. ***Title 40, U.S.C. §572(b)(6)***. As part of the annual request for authorization of appropriations by the Armed Services Committee of the Senate and National Security Committee of the House of Representatives, the Department shall include an accounting of each

transfer and disposal of real property made during the fiscal year proceeding the fiscal year in which the request is made. This summary shall include a detailed explanation of such disposal and the use of the proceeds received.

* B. ***Title 10, U.S.C. §2667(c)*** includes specific reporting requirements for leases in which the in-kind consideration is received for all or part of the value of the lease. These reporting requirements are discussed in detail in paragraph 140206.B.

* C. ***Title 10, U.S.C. §2667(e)***. For amounts deposited in Treasury Fund Symbol 5189 as described in paragraph 140205.C, the Secretary concerned may not expend an amount in excess of $500,000 at a single installation until 30 days after the date on which a report on the facts of the proposed expenditure is submitted to the congressional defense committees.

* D. ***Title 10, U.S.C. §2667(h)***. When a proposed lease involves only personal property, the lease term exceeds one year, and the fair market value of the lease consideration exceeds $100,000:

1. Not later than 45 days before entering into the lease, the Secretary concerned shall submit to Congress written notice describing the terms of the proposed lease and the competitive procedures used to select the lessee.

2. The reporting requirement described in this paragraph does not apply to renewal or extension of a certain leases by the Secretary of the Navy for operation of a ship within the University National Oceanographic Laboratory System. See Title 10, U.S.C. §2667(h)(3) for the specific terms of this exception.

* E. ***Title 10, U.S.C. §2667(h).*** If a proposed lease involves a project related to energy production and the term of the lease exceeds 20 years, the Secretary concerned may not enter into the lease until at least 30 days after the date on which the Secretary of Defense submits to the congressional defense committees a certification that the project is consistent with the DoD performance goals and plan.

* F. ***Title 10, U.S.C. §2668***. Copies of instruments granting easements over public lands shall be furnished to the Secretary of the Interior.

140205. Accounting Procedures

A. Transfers of DoD Real Property

1. If a Military Department determines that real property and related improvements under its control (other than property at a military installation designated for closure or realignment) are excess to its needs and are available for transfer to another Military Department, the transfers will be made on a nonreimbursable basis.

2. Both the losing and gaining Military Departments will recognize the transfer of real property in the accounting records. The value of the transfer is the net book value of the assets (acquisition cost of the real property plus the cost of capitalized improvements less accumulated depreciation). If the net book value of the property is not known or cannot be determined, the fair market value at the time of the transfer may be used. The same amount of the transfer must be used by both parties. Detailed explanations for property and fiscal accountability are required as supporting footnotes to the accounting entries.

* 3. Accounting Entries. The accounting entries for transfers between DoD components without reimbursement are standard transactions E510 and E606 specified in the ***United States Standard General Ledger (USSGL) Standard Financial Information Structure (SFIS) Transaction Library***.

* 4. The document "Transfer and Acceptance of Military Real Property" (DD Form 1354) is used to document the transfer of real property between DoD components. See Volume 4, Chapter 6, paragraph 060105.A.2.b.

B. Disposal of DoD Real Property

1. Sale by GSA. If real property is not transferred to another Military Department, the SECDEF shall request that the GSA Administrator dispose of such real property in accordance with the provisions of applicable laws. See ***DoD Instruction 4165.72***, "Real Property Disposal."

2. Deposit of Proceeds. Any consideration (money) received shall be deposited directly into the special fund Treasury receipt account 5188 with the point account specified in Table 14-1. The explanation for this transaction is as follows:

> To record the disposition of real property located at (include a full description and the Real Property Universal Identification (RPUID) number). Monies received were deposited into the special fund account 5188.xxx, "Disposal of DoD Real Property," under cash voucher #_____ in accordance with ***40 U.S.C. §572***.

* 3. Availability of amount deposited. To the extent provided in an appropriation act, an amount deposited in a special account from the disposal of property is available for facility maintenance and repair or environmental restoration as follows:

a. In the case of property located at a military installation that is closed, the amount is available for facility maintenance and repair or environmental restoration by the Military Department that had jurisdiction over the property before the closure of the military installation.

b. In the case of property located at any other military installation:

(1) Fifty percent of the amount is available for facility maintenance and repair or environmental restoration at the military installation where the property was located before it was disposed of or transferred; and

(2) Fifty percent of the amount is available for facility maintenance and repair and for environmental restoration by the Military Department that had jurisdiction over the property before it was disposed of or transferred.

* 4. Accounting Entries. The accounting entries for disposal of real property are specified in the ***USSGL SFIS Transaction Library***, primarily in Category C, "Collections and Receivables" and Category D, "Adjustments, Writeoffs and Reclassifications."

C. Leases of DoD Real and Personal Property

1. Deposit of Funds. Funds received from the lease or easement of real and personal property under ***Title 10, U.S.C. §2667*** and ***Title 10, U.S.C. §2668*** (other than from leases of property at a military installation designated for closure or realignment) shall be deposited into the special fund Treasury receipt account, net of amounts paid for utilities and services furnished to lessees.

2. Services Furnished to Lessees. Payments for utilities and services furnished lessees pursuant to leases shall be treated as a normal reimbursable transaction with funds credited to the appropriation account from which the cost of furnishing the utilities and services was paid.

* 3. Designated Purposes. Funds deposited in account 5189 shall be available to the Secretary concerned for expenditure to the extent provided for in appropriation acts, for the following:

a. Maintenance, protection, alteration, repair, improvement, or restoration (including environmental restoration) of property or facilities.

b. Construction or acquisition of new facilities.

c. Lease of facilities.

d. Facilities operation support.

* 4. Use of Proceeds

a. At least 50 percent of the funds deposited shall be available for the designated purposes at the military installation or Defense Agency location where the property is located.

b. The remainder of the funds deposited shall be available to the Secretary concerned for the designated purposes.

* 5. Agricultural and Grazing. Money rentals received related to a lease for agricultural or grazing purposes may be retained and spent by the Secretary concerned to cover the administrative expenses of agricultural or grazing leases and to cover the financing of multiple-land use management programs at any installation under the jurisdiction of the Secretary. This provision does not apply to lands acquired by the United States for flood control or navigation purposes or any related purpose, including the development of hydroelectric power.

* 6. Leases under Title 10, U.S.C. §2667a. The provisions of this paragraph apply to the proceeds leases of Defense Agency property under Title 10, U.S.C. §2667a (repealed October 2008) only to the extent provided by appropriation law. Otherwise, such proceeds may be used only for costs related to the leased property. See paragraph 140201.E.

* 7. Accounting Entries. The value of lease payments received and payments for services provided will be recognized as revenue. The accounting entries for the recognition of revenue are specified in the ***USSGL SFIS Transaction Library***, primarily in Category C, "Collections and Receivables."

* D. Appropriation Authority. Per section 8034 of the fiscal year 2005 DoD appropriations act, ***Public Law 108-287***, amounts deposited in special accounts established pursuant to ***Title 40, U.S.C. §572*** and ***Title 10, U.S.C. §2667*** during the fiscal year 2005 and in subsequent years remain available until transferred by the Secretary of Defense to current applicable appropriations, at which point they are available for the same time period and the same purposes as the appropriation to which transferred.

*140206. In-Kind Consideration - Leases

A. Acceptance of In-kind Consideration

1. As payment of part or all of the consideration for the lease, the terms of the lease may provide for the alteration, repair, or improvement, by the lessee, of the property leased.

2. In-kind consideration may also be accepted with respect to a lease as follows:

a. Maintenance, protection, alteration, repair, improvement, or restoration (including environmental restoration) of property or facilities under the control of the Secretary concerned.

b. Construction of new facilities for the Secretary concerned.

c. Provision of facilities for use by the Secretary concerned.

d. Provision or payment of utility services for the Secretary concerned.

e. Provision of real property maintenance services for the Secretary concerned.

f. Provision of such other services relating to activities that will occur on the leased property as the Secretary concerned considers appropriate.

B. Reports to Congressional Committees

1. If the in-kind consideration for all or part of the lease is in excess of $500,000, the Secretary concerned may not enter into the lease until 30 days after the date on which a report on the facts of the lease is submitted to the congressional defense committees.

2. If the lease includes in-kind consideration and the total value of the lease is in excess of $750,000:

a. At least 30 days before issuing a contract solicitation or other lease offering, the Secretary concerned shall submit a report to the congressional defense committees. The report will contain a description of the proposed lease and other information described in Title 10, U.S.C. §2667(c)(4)(A) (see ***Public Law 110-417***, section 2812(c)).

b. At least 30 days prior to entering into the lease, the Secretary concerned will submit a second report to the congressional defense committees. This report will update the initial report and contain other information described in Title 10, U.S.C. §2667(c)(4)(B) (see ***Public Law 110-417***, section 2812(c))

C. Accounting for In-kind Consideration

1. Revenue is recognized from exchange transactions when goods or services are provided to the public or another Government entity at a price.

2. Accounting Entries. The accounting entries for in-kind revenue earned are not yet defined in the ***USSGL SFIS Transaction Library***. The USSGL SFIS Transaction Library acknowledges that there are valid accounting events/postings not yet documented. To recognize revenue earned and capitalized assets received, the accounts detailed in Table 14-2 should be used:

*Table 14-2. Accounting For Leases with In-Kind Consideration

Entry	Account	Account Description	Comments
Debit	1010	Fund Balance with Treasury	For cash received from lessee
Debit	1310	Accounts Receivable	For lease payments due from lessee
Debit	1xxx	Appropriate asset account(s)	For capitalized assets received from or constructed by lessee
Debit	6790	Other Expenses Not Requiring Budgetary Resources	For in-kind services and non-capitalizable assets received from lessee
Credit	5200	Revenue From Services Provided	For the full value services provided

140207. Acceptance of Funds to Cover Administrative Expenses

A. In connection with real property transactions with nonfederal persons or entities, ***Title 10 U.S.C. §2695***, states: "…the Secretary of a Military Department may accept amounts provided by the person or entity to cover administrative expenses incurred by the Secretary in entering into the transaction." Acceptance of funds applies to the following transactions:

1. The exchange of real property;

2. The grant of an easement over, in or upon real property of the United States;

3. The lease or license of real property of the United States;

* 4. The disposal of real property of the United States for which the Secretary will be the disposal agent; or

* 5. The conveyance of real property under ***10 U.S.C. §2694a***.

B. Amounts collected for administrative expenses shall be credited to the appropriation, fund or account from which the expenses were paid. The amounts credited shall be merged with funds of an identical appropriation, fund or account and shall be available for the same purposes and subject to the same limitations as these funds.

* C. Accounting Entries. Funds received to cover administrative expenses will be recognized as revenue. Standard accounting entries are specified in the ***USSGL SFIS Transaction Library***.

VOLUME 12, CHAPTER 15: "EDUCATIONAL ASSISTANCE PROGRAMS"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font*.**

The previous version dated March 1998 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
150102.B.	Provides additional references for the Title 10, U.S.C., Chapter 1607 benefits, the "National Call to Service" program, and the "Benefits Transferred to Dependents" program.	Update
150203.A.5.	Details the expiration of the benefit entitlement for active duty.	Update
150203.B.3.	Provides the benefit entitlement criteria for the Reserve Component members who are ordered to active duty.	Update
150203.B.4.	Provides guidance on benefit entitlement criteria for Reserve Component members who separate because of a disability.	Update
150203.C.	Details benefit criteria for Reserve Component Members supporting Contingency Operations (Title 10, U.S.C., Chapter 1607).	Update
150203.D.	Details benefit criteria for the National Call to Service Incentive program (Title 10 U.S.C., section 510(e)).	Update
150203.E.	Details benefit criteria for the 38 U.S.C. Chapter 30 benefits Transferred to Dependents program (Title 38, U.S.C., section 3020).	Update
150203.F.	Provides clarification on maximum combined eligibility for multiple benefit programs.	Update
150303.B.	Details the Reserve Educational Assistance Program (REAP) for Reserve Component Members Supporting Contingency Operations and Other Specified Missions (Title 10, U.S.C., Chapter 1607).	Update
150503	Details FY 2007 monthly benefit rates for members who are entitled to basic education assistance with regard to REAP.	Update
150702.A.	Details contribution reporting requirements for the active duty appropriations.	Update

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
150702.B.	Details contribution reporting requirements for the Reserve and National Guard appropriations.	Update
150704.A.	Update to office symbol for the DFAS Trust Fund Investment Office.	Update
150802	Update to e-mail address when requesting a fund transfer from the trust fund to DVA.	Update

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CHAPTER 15

EDUCATIONAL ASSISTANCE PROGRAMS

1501 OVERVIEW

150101. Purpose

This chapter provides guidance relative to financial operations of and recording transactions for the Educational Assistance Programs and establishes the accounting principles and standards relative to those requirements.

150102. General

A. Entitlements under the Educational Assistance Programs are established by law and are available to any person meeting eligibility requirements. Authorizations for entitlements constitute a binding obligation on the part of the Federal Government, and eligible recipients may have legal recourse if the obligation is not fulfilled. Legislation authorizing entitlements does not necessarily include a corresponding appropriation of funds; thus, the subsequent enactment of appropriations may be necessary.

* B. Entitlements for veteran educational assistance shall be established in accordance with ***DoD Directive 1322.16***, "Montgomery GI Bill (MGIB) Program (dated June 18, 2002, USD(P&R))," ***DoD Instruction 1322.17,*** "Montgomery GI Bill for the Selected Reserve (dated November 29, 1999, ASD(RA))," Directive-type Memorandum, "Interim Procedures for Implementing the Program of Educational Assistance Authorized Under the Provisions of ***Chapter 1607, Title 10, U.S.C***. (dated March 7, 2006, ASD(RA))," the "National Call to Service Implementation Memorandum (dated September 6, 2003, USD(P&R)" (10 U.S.C. section 510(e)); and Benefits Transferred to Dependents (***Chapter 30, 38 U.S.C. section 3020***).

1502 EDUCATIONAL ASSISTANCE PROGRAMS

150201. Background

The Veteran's Educational Assistance Act of 1984 (P.L. 98-525) referred to as the Montgomery GI Bill (MGIB), provides for an educational assistance program to aid in the recruitment and retention of members of the Armed Forces and the readjustment of members to civilian life after their separation from military service. The Act also provides a program of educational assistance to aid in the recruitment and retention of members of the Selected Reserve.

150202. Accounting Treatment

The accounting treatment to be followed for entitlement programs depends on the program and the nature and other circumstances surrounding the requirements to pay benefits. Generally, the unexpended appropriation shall be reduced by the amount of the liability and

recorded as a financing source when the liability and expense are recognized. Specific payment procedures for each education benefit program are outlined below.

150203. Eligibility Requirements

* A. Active Duty (***Chapter 30, Title 38 U.S.C.***). Eligibility is obtained when an individual:

* 1. First becomes a member of the Armed Forces but expires 10-years after the member separates.

2. Does not disenroll from the basic program.

3. Has their pay reduced by $100 per month for the first 12 months of active duty.

4. Meets the initial Service-defined criteria for additional or supplemental benefits of any type.

* 5. Members who are separated from active duty because of a disability which was not the result of the individual's own willful misconduct incurred on or after the date on which that member became entitled to educational assistance, such member's entitlement to educational assistance expires at the end of the 10-year period beginning on the date on which the member was discharged or was released from active duty.

B. Selected Reserve (***Chapter 1606, Title 10, U.S.C.***)

1. Members of the Selected Reserve who meet all of the following criteria are entitled to educational assistance:

a. On or after July 1, 1985, enlisted, reenlisted or extended an enlistment in a Reserve component for service in the Selected Reserve for a period of not less than 6 years or, in the case of officers, agree to serve in the Selected Reserve for 6 years beyond any existing Selected Reserve service obligation.

b. Completed the requirements for award of a high school diploma or equivalency certificate before applying for benefits (Reference ***10 U.S.C. 16132(a)***).

c. Completed the initial period of active duty for training required of the member.

2. Each person who becomes entitled to educational assistance shall be given a written ***DD Form 2384-1***, Notice of Basic Eligibility summarizing the provisions of ***10 U.S.C. Chapter 1606***. This notice provides a date of basic eligibility contingent on meeting initial eligibility criteria established in subparagraph 150203.B.1 above.

***** 3. Period of Entitlement. Member's entitlement to educational assistance expires at the end of the 14-year period beginning on the date on which the member became entitled to such assistance or on the date the member separates from the Selected Reserve, whichever occurs first. However, the expiration of a Service member's entitlement who is ordered to active duty under an order issued under sections ***12301(a), 12301(d), 12301(g), or 12304 of 10 U.S.C.*** shall be extended beyond the 14-year period or the date the Service member separated from the Selected Reserve by the length of the period of active duty plus 4 months.

***** 4. Members who are separated from the Selected Reserve because of a disability which was not the result of the individual's own willful misconduct incurred on or after the date on which that member became entitled to educational assistance, such member's entitlement to educational assistance expires at the end of the 14-year period beginning on the date on which the member became entitled to such assistance.

***** C. Reserve Component Members Supporting Contingency Operations (***Chapter 1607, Title 10, U.S.C.***)

1. Reserve Component members supporting contingency operations and National Guard Members supporting certain operational requirement who meet all of the following criteria are entitled to educational assistance:

a. Reserve Component member ordered to active duty in support of a contingency operation and served for 90 consecutive days or more on or after September 11, 2001.

b. A member of the Army or Air National Guard, ordered to duty under Section _, for 90 consecutive days or more if the duty performed was authorized by the President or Secretary of Defense for the purpose of responding to a national emergency declared by the President and supported by federal funds, and 90 or more consecutive days of such duty occurred on or after September 11, 2001.

2. Members released from duty before completing 90 consecutive days because of an injury, illness, or disease incurred or aggravated in the line of duty (Line of Duty determination required) shall be entitled to educational assistance at the rate prescribed in Section ***16162(c)(4)(A) of Title 10, U.S.C.***.

3. Active Guard and Reserve members may qualify for this benefit but only if their name is listed on an individual or collective by name list of personnel stating that they have been mobilized and/or deployed to support a qualifying mission as described in subparagraphs 150203.C.1. or 150203.C.2., above.

4. An Active Guard or Reserve member cannot gain eligibility by merely providing support (even if direct support) to a mobilized portion of the unit unless the Active Guard or Reserve member is mobilized or deployed as provided in subparagraph 15203.C.2.3., above**.**

5. To retain eligibility for educational assistance under ***10 U.S.C. Chapter 1607***.

a. A member who was serving in the Selected Reserve at the time the member was ordered to active duty or full-time National Guard duty must continue to serve in the Selected Reserve, except, under regulations prescribed by the Secretary of Defense, educational assistance may be provided to a member of the Selected Reserve who incurs a break in service in the Selected Reserve of not more than 90 days if the member continues to serve in the Ready Reserve during and after such break in service;

b. A member who was serving in the Individual Ready Reserve to the time the member was ordered to active duty must continue to serve in the Ready Reserve (either the Selected Reserve or the Individual Ready Reserve).

* D. National Call to Service (***10 U.S.C. 510(e)***). The National Call to Service (NCS) Incentive program requires a participant to perform a period of national service to be eligible for benefits.

1. There is a three-tiered service requirement to qualify for incentives under the NCS program:

a. First, after completion of initial entry training, individuals must serve on active duty in a military occupational specialty designated by the Secretary of Defense for a period of 15 months.

b. After this, and without a break in service, these individuals must serve either an additional period of active duty as determined by the Secretary of Defense, or a period of 24 months in an active status in the Selected Reserve.

c. After completion of this period of service, and also, without a break in service the remaining period of obligated service specified in the agreement will be served as follows:

(1) On active duty in the armed forces.

(2) In the Selected Reserve.

(3) In the Individual Ready Reserve.

(4) In Americorps, or another domestic national service program jointly designated by the Secretary of Defense and the head of such a program.

2. Any combination of the service referred to above may also be approved by the Secretary of the Military Department concerned pursuant to regulation prescribed by the Secretary of Defense and specified in the agreement.

3. Individuals who participate in this program have a choice of incentives as follows:

a. Cash bonus of $5,000.

b. Repayment of a qualifying student loan not to exceed $18,000.

c. Entitlement to allowance equal to the 3-year monthly 38 U.S.C. Chapter 30 rate for 12 months ($1,101 effective October 1, 2007).

d. Entitlement to allowance equal to fifty percent of the less than 3-year monthly 38 U.S.C. Chapter 30 rate for 36 months (fifty percent of $894.00 effective October 1, 2007).

4. The NCS participants are not entitled to additional assistance under ***10 U.S.C. Chapter 1606*** or 38 U.S.C. Chapter 30 benefits. However, if the NCS participant has eligibility under either of these chapters, he or she may be paid the amount of ***10 U.S.C. Chapter 1606*** or 38 U.S.C. Chapter 30 benefits minus any amounts paid under the NCS program. The education benefit options will be administered to the extent possible like ***10 U.S.C. Chapter 1606.***

* E. Chapter 30 Benefits Transferred to Dependents (***Chapter 30, Title 38 U.S.C., Section 3020***). Developed for the purpose of enhancing recruitment and retention of members of the Armed Forces, this program allows eligible Members to transfer basic educational assistance to one or more dependents.

1. Members who meet the following criteria are eligible:

a. Completed 6 years of service in the Armed Forces;

b. Has critical military skill designed by the Secretary; or

c. Is in a military specialty designated by the Secretary concerned as requiring critical military skills; and

d. Enters into an agreement to serve at least 4 more years as a member of the Armed Forces.

2. Individuals who are approved to transfer an entitlement to basic educational assistance follow:

a. The member’s spouse.

b. To one or more of the member’s children.

c. To a combination of "a" and "b" above.

3. The total number of months of entitlement transferred by a Member to a dependent may not exceed 18 months.

F. Maximum Combined Eligibility. Members eligible for multiple benefit programs, e.g., 38 U.S.C. Chapter 30 and 10 U.S.C. Chapter 1606; or ***10 U.S.C. Chapter 1606*** and ***10 U.S.C. Chapter 1607***., can use up to 36 months of a given program but can not exceed more than 48 months combined.

1503 TYPES OF PROGRAMS

150301. Categories of Education Benefits

Education benefits are comprised of two major categories -- Those with a pay reduction and those without a pay reduction.

*150302. Pay Reduction Programs

Enrollees in these programs, ***38 U.S.C. sections 3011 and 3012***, have their pay reduced by $100 each month for the first 12 months of active duty. All participating service members are required to have completed the requirements for a high school diploma or an equivalency certificate, or have successfully completed the equivalent of 12 credit hours in a program of education leading to a standard college degree before becoming eligible to use the benefit. Members who meet these requirements are entitled to a basic monthly benefit and can receive up to 36 months of benefit. Some exceptions exist for early discharge for service connected disability.

A. Educational Assistance Program for Service on Active Duty. Participation in this program is limited to persons who:

1. After June 30, 1985, first become a member of the Armed Forces or first enters on active duty as a member of the Armed Forces.

2. Serve at least 3 years of continuous active duty in the Armed Forces.

3. Serve at least 2 years of continuous active duty in the case of an individual whose initial period of active duty is less than 3 years, (see further stipulations in subparagraph 150302.B below).

4. After completion of the service described above:

a. Continue on active duty.

b. Are discharged from active duty with an honorable discharge.

c. Are placed on the retired list or temporary disability retired list, or is transferred to the Fleet Reserve or Fleet Marine Corps Reserve.

d. Are released from the Armed Services under honorable conditions by the Secretary of Defense for further service in a Reserve Component of the Armed Forces.

B. Educational Assistance Program for Less than 3 Years Service on Active Duty. Participation in this program is limited to persons who:

1. After June 30, 1985, first become a member of the Armed Forces or first enters on active duty as a member of the Armed Forces.

2. Serve at least 2 years of continuous active duty.

3. Beginning within 1 year after completion of the service on active duty, serve at least 4 years of continuous duty in the Selected Reserve during which the individual participates satisfactorily in the training as required by the Reserve Unit or the Department of Defense.

150303. No Pay Reduction Programs

A. Educational Assistance Program for Service in the Selected Reserve

1. The Montgomery GI Bill (MGIB) for the Selected Reserve (***Chapter 1606, Title 10, U.S.C.***) provides educational assistance to individuals who agree to serve in the Selected Reserve of the Ready Reserve for 6 years and meet the eligibility criteria specified in paragraphs 150203.B.1 through 3.

2. Additionally, the Secretary of the Military Department concerned may provide additional educational assistance to a member who has a skill or specialty designated by the Secretary concerned as a skill or specialty in which there is a critical shortage of personnel or for which it is difficult to recruit or, in the case of critical units, retain personnel. This benefit is often referred to as the "kicker" and is in addition to the assistance provided under the basic benefit. To be eligible for kicker payments, the member must qualify for and be assigned to a Service-designated critical specialty, skill, or unit in the Selected Reserve designated by the Secretary concerned, be in receipt of basic MGIB Selected Reserve benefits or benefit under ***38 U.S.C. Chapter 30*** (other than section 3012), and enter into a period of obligated service, as described in subparagraph 150203.B.1. The period of obligated service for kicker payments is separate from the period of obligated service for the basic MGIB Selected Reserve benefit, but runs concurrently with that period of obligated service. Kicker payments may not exceed $350 per month.

3. Individuals may not receive credit for service in both this program and the programs under paragraph 150302.

4. Members who have met the eligibility criteria will be given a statement in writing summarizing the provisions of sections ***16134 and 16135, Chapter 1606, Title 10 U.S.C.***

5. A member is prohibited from receiving educational assistance under this program and financial assistance as a member of the Senior Reserve Officers' Training Corps Program.

* 6. Eligibility for educational assistance under ***10 U.S.C. Chapter 1606*** terminates when a member fails to participate satisfactorily in the required training as a member of the Selected Reserve or 14 years after becoming eligible for MGIB Selected Reserve benefits, whichever occurs first. However, the expiration of a Service member's entitlement who is ordered to active duty under an order issued under sections ***12301(a), 12301(d), 12301(g), or 12304 of 10 U.S.C.*** shall be extended beyond the 14-year period or the date the Service member separated from the Selected Reserve by the length of the period of active duty plus 4 months.

* B. Reserve Educational Assistance Program for Reserve Component Members Supporting Contingency Operations and Other Specified Missions. Enrollees in this program, as provided in ***section 16163(a), Chapter 1607 of Title 10, U.S.C.***, are required to have been ordered to active duty in support of a contingency operation or in the case of National Guard members order to duty under ***section 502(f), Title 32, U.S.C.***, at the request of the President or Secretary of Defense for the purpose of responding to a national emergency declared by the President or the Congress.

1. Participation in this program is limited to persons who:

a. On or after September 11, 2001, have been ordered to active duty in support of a contingency operation or ordered to full-time National Guard duty to respond to national emergency declared by the President or the Congress and have served for 90 consecutive days or more.

b. The educational assistance entitlement increases based on the length of continuous service.

(1) A member who completes 90 consecutive days of qualifying service is entitled to assistance at a rate equal to 40 percent of the rate provided to an individual eligible for assistance under ***38 U.S.C. 3011***.

(2) A member who completes 1 continuous year of qualifying service is entitled to assistance at a rate equal to 60 percent of the rate provided to an individual eligible for assistance under ***38 U.S.C. 3011***.

(3) A member who completes 2 continuous years of qualifying service is entitled to assistance at a rate equal to 80 percent of the rate provided to an individual eligible for assistance under ***38 U.S.C. 3011***.

c. A member who was ordered to active service as described in subparagraph 150303.B.1. but was released from duty before completing 90 consecutive days because of an injury, illness or disease incurred or aggravated in the line of duty in entitled to educational assistance at the rate prescribed for a member who has completed 90 consecutive days of duty.

* 2. To retain eligibility for educational assistance under ***Chapter 1607, Title 10, U.S.C.***:

a. A member who was serving in the Selected Reserve at the time the member was ordered to active duty or full-time National Guard duty must continue to serve in the Selected Reserve, except, under regulations prescribed by the Secretary of Defense, educational assistance may be provided to a member of the Selected Reserve who incurs a break in service in the Selected Reserve of not more than 90 days if the member continues to serve in the Ready Reserve during and after such break in service;

b. A member who was serving in the Individual Ready Reserve at the time the member was ordered to active duty must continue to serve in the Ready Reserve (either the Selected Reserve or the Individual Ready Reserve).

* 3. A member who has met the eligibility requirements of subparagraph 150303.B.1. will be given a statement in writing notifying the member of such eligibility and summarizing the provisions of ***section 16163(a), Chapter 1607 of Title 10, U.S.C.***.

* 4. A member who has a service connected injury, illness or disease is not required to meet the requirement in subparagraph 150303.B.2. regarding continued membership in the Selected Reserve or Ready Reserve.

* 5. Individuals may not receive credit for service in both this program and the programs under paragraph 150302.

C. Vietnam Era GI Bill Service. This program required service during the period February 1, 1955 through December 31, 1976.

D. Inservice Enrollment in a Program of Education. Participation in this program is limited to individuals who are a member of the Armed Forces who did not elect to participate in the contributory programs in paragraph 150302 above, and:

1. After June 30, 1985, have completed at least 2 years of service on active duty.

2. Continue on active duty or in the Selected Reserve without a break in service. Some exceptions apply for not being able to find a vacancy in, or locate a unit of the Selected Reserve within stipulated timeframes.

E. Supplemental Educational Assistance for Additional Service. Benefits payable under this program are prescribed by the Secretary of Defense, and may provide for the payment of supplemental educational assistance to individuals eligible for educational assistance under paragraph 150302 above. Eligible persons for this program:

1. Must have served 5 or more consecutive years of active duty in the Armed Forces beyond the years of active duty counted under paragraph 150302 without a break in service.

2. Must have been discharged from service with an honorable discharge, or is placed on the retired list, or is transferred to the Fleet Reserve or Fleet Marine is Corps Reserve, or is placed on the temporary disability retire list without a break in service after completion of 5 or more consecutive years of active duty beyond the years of active duty as specified in the above.

3. Must have completed 2 or more consecutive years of active duty in the Armed Forces beyond the years of active duty counted under paragraph 150302 without a break in service, and 4 or more consecutive years of duty in the Selected Reserve.

F. Educational Program for Tutorial Assistance. Benefits for participation in this program are in addition to other educational benefits received, but are limited in benefit amount and number of months.

G. Additional Educational Assistance for Qualified Individuals with Critical Skills or Specialties. The Secretary of Defense, without regard to application, may authorize educational assistance to individuals in specialized categories such as physicians and registered nurses in critical specialties, students in the nursing program, and other health professions.

1504 BENEFITS UNDER PAY REDUCTION PROGRAMS

* Rates for budgeting purposes are updated annually and issued in the Office of the Under Secretary of Defense (Comptroller) Program and Budget Submission Guidance.

150401. Monthly Benefits

Veterans entitled to basic educational assistance with regard to subparagraph 150302.A who are pursuing an approved program of education are entitled to receive monthly benefits up to $1,101, beginning October 1, 2007, for an approved program of education pursued on a full-time basis. Veterans will receive an appropriately reduced rate, as determined under prescribed regulations, for an approved program of education pursued on less than a full-time basis.

150402. Eligibility Criteria

With regard to subparagraph 150302.B, veterans entitled to basic educational assistance who are pursuing an approved program of education are entitled to receive benefits at the monthly rate of $894 beginning October 1, 2007, for an approved program of education pursued on a full-time basis. Veterans in this category also will receive an appropriately reduced rate, as determined under prescribed regulations, for an approved program of education pursued on less than a full-time basis.

*150403. Monthly Benefit Increases

With respect to the fiscal year beginning on October 1, 1993, and each fiscal year thereafter, the monthly basic benefits for each fiscal year will increase by the percentage which the Consumer Price Index (all items, United States city average) for the 12-month period ending on the June 30 preceding the beginning of the fiscal year for which the increase is made exceeds the Consumer Price Index for the previous 12 months. Any increase in a benefit rate with respect to a fiscal year after fiscal year 2004 and before fiscal year 2014 shall be rounded down to the next lower whole dollar amount. Any such increase with respect to a fiscal year after fiscal year 2013 shall be rounded to the nearest whole dollar amount.

150404. Skill or Specialty Designators

With regard to subparagraph 150302.A, individuals who have a skill or specialty designated by the Secretary of Defense as a skill or specialty in which there is a critical shortage of personnel or for which it is difficult to recruit, may be entitled to receive an additional benefit known as the “kicker” benefit at a monthly rate of up to $950.

1505 BENEFITS FOR THE NON PAY REDUCTION PROGRAMS IN THE SELECTED RESERVE

150501. Benefit Payments

Individuals entitled to basic educational assistance with regard to subparagraph 150303.A who are pursuing an approved program of education are entitled to receive monthly payments, effective October 1, 2007, at the monthly rate of $317 for a full-time pursuit of a program of education; $237 per month for three-quarter-time; and $157 per month for half-time. Individuals will receive an appropriately reduced rate, as determined under prescribed regulations, for an approved program of education pursued on less than a full-time basis if tuition assistance is not available to the person from the respective Military Department.

A. Effective February 10, 1996, a member who meets the eligibility criteria for 10 U.S.C. Chapter 1606 “kicker payments” (subparagraph 150303.A.2) is entitled to an additional $100, $200 or $350 per month, as determined by the Secretary of the Military Department concerned, in addition to the basic benefit monthly payment.

* B. Rates for budgeting purposes are updated annually and issued in the Office of the Under Secretary of Defense (Comptroller) Program and Budget Submission Guidance.

150502. Educational Programs Eligible for Assistance Payments

Educational assistance provided under subparagraph 150303.A. is available to individuals pursuing a program of education consisting of a program of apprenticeship, other on-the-job training, a cooperative program, a correspondence program of education, flight training program, or a program of approved individualized tutorial assistance. The amount of monthly educational assistance allowance for each program varies and is a predetermined percentage of the monthly allowance otherwise payable to a veteran entitled to receipt of assistance, or a percentage of the cost of the program.

*150503. Eligibility Requirements

Members entitled to basic educational assistance with regard to subparagraph 150303.B who are pursuing an approved program of education are entitled to receive benefits at the monthly rate, effective October 1, 2007, according to the period of continuous service.

A. Completed 90 continuous days of duty or performed fewer than 90 days of duty but have a service-connected injury, illness or disease:

1. $440.40 per month for a full-time pursuit of a program of education.

2. $330.30 per month for three-quarter-time.

3. $220.20 per month for half-time.

4. $220.20 for less than half-time but greater than one-quarter time.

5. $110.10 for one-quarter time or less.

6. Reduced rates will be paid to apprenticeship and on-the-job training, flight training, correspondence training and cooperative training. Individuals will receive an appropriately reduced rate, as determined under prescribed regulations, for an approved program of education pursued on less than a full-time basis if tuition assistance is not available to the person from the respective Military Department.

B. Completed 1 continuous year of duty:

1. $660.60 per month for a full-time pursuit of a program of education.

2. $495.45 per month for three-quarter-time.

3. $330.30 per month for half-time.

4. $330.30 for less than half-time but greater than one-quarter time (tuition and fees only).

5. $165.15 for one-quarter time or less.

6. Reduced rates will be paid to apprenticeship and on-the-job training, flight training, correspondence training and cooperative training.

C. Completed 2 continuous years of duty:

1. $880.80 per month for a full-time pursuit of a program of education.

2. $660.60 per month for three-quarter-time.

3. $440.40 per month for half-time.

4. $440.40 for less than half-time but greater than one-quarter time (tuition and fees only).

5. $220.20 for one-quarter time or less.

6. Reduced rates will be paid to apprenticeship and on-the-job training, flight training, correspondence training and cooperative training.

*150504. Basic Monthly Benefit

The basic monthly benefit for each fiscal year will increase by the percentage by which the Consumer Price Index (all items, United States city average) for the 12-month period ending on the June 30 preceding the beginning of the fiscal year for which the increase is made exceeds the Consumer Price Index for the previous 12 months. Any resulting increase in a benefit rate shall be rounded to the nearest whole dollar amount.

Rates for budgeting purposes are updated annually and issued in the Office of the Under Secretary of Defense (Comptroller) Program and Budget Submission Guidance.

1506 FUNDING FOR EDUCATIONAL ASSISTANCE PROGRAMS

150601. DoD Education Benefits Fund

The Veteran's Educational Assistance Act of 1984 established a trust fund to finance DoD education liabilities on an actuarially sound basis. The DoD Education Benefits Fund is a trust fund used to accumulate funds for transfer to the Department of Veterans Affairs (DVA) to

cover the DoD share of benefits. The Fund, 97X8098 - Department of Defense Education Benefits Fund (Education Fund), contains the following assets:

A. Amounts paid into the Education Fund from the active duty and reserve personnel appropriations.

B. Any amount that may be appropriated by the Congress to the Education Fund.

C. Interest earned as a result of the investment of available Education Fund cash balance in U.S. Government securities. This method of funding the educational assistance program became effective July 1, 1985.

150602. Education Fund Payments

Amounts payable to the Education Fund shall be determined using methods and assumptions approved by the DoD Education Benefits Board of Actuaries. The accounting principles contained in Chapter 16 also apply to the education benefits programs.

150603. Education Fund Transfers

Amounts to be transferred to the Education Fund shall be obligated by Components at the same time military pay is obligated as required in Volume 3, Chapter 8, and further explained in Chapter 16.

150604. Educational Fund Deposits

The Act provides for withholding a total of $1,200 (in 12 equal monthly installments) from the basic pay of active duty military members who elect to participate in the new educational program. The Military Departments shall deposit the withheld funds to the general fund of the Treasury as miscellaneous receipts. The miscellaneous receipts subaccounts are identified in subparagraph 150606.B, below.

150605. "Kicker" Educational Benefit

The DVA pays all claims for benefits under the educational program. The DVA also funds most of the basic educational benefits for active duty military members from a general fund appropriation. An additional benefit (i.e., the "kicker") may be paid at the discretion of the Secretary of Defense. However, this is funded in the military personnel appropriations by the Department of Defense as are all supplemental benefits. These funds shall be paid into the Education Fund for subsequent transfer to the DVA.

150606. Education Fund Transfer to Department of Veterans Administration

The Education Fund is used to accumulate funds for transfer to the DVA to cover the DoD share of benefits. The Director, DFAS, shall account and report for the DoD Education

Benefits Fund since it is an Office of the Secretary of Defense account. In addition, the Director, DFAS, shall invest the cash balances of the Education Fund not actually needed to cover transfers to the DVA for payment of benefits.

A. For amounts withheld from active duty members, a general fund proprietary receipt account has been established to which collections of military personnel contributions are deposited. However, the funds collected are treated as proprietary receipts of the DVA, rather than of the Department of Defense, with the appropriate offset against budget subfunction 702 (Veterans' Education, Training, and Rehabilitation).

B. Even though the Department of Defense does not receive credit for the offsetting receipts, it is responsible for collecting the contributions from individuals participating in the program. To ensure proper crediting of the collected funds, all contributions shall be deposited into Miscellaneous Receipt Account 36R2473 - Contributions from Military Personnel, Veteran's Educational Assistance Act of 1984 (per capita amounts defined in 150702). It is essential that the funds be deposited to Treasury index number "36" (DVA) rather than the index numbers for each Military Department.

150607. Monthly Report for Miscellaneous Receipt

Each Military Department shall provide the DVA a monthly letter report of funds deposited to Miscellaneous Receipt Account 362473. The report shall show only the net amount deposited with no detail.

A. Submit the report in time to reach the DVA no later than the close of business on the seventh workday after the close of the reported month. The following address shall be used for sending the reports:

Department of Veterans Affairs (047H1)
810 Vermont Avenue, NW
Washington, DC 20420
ATTN: C.O. Finance (047H1)

B. If the report cannot be submitted in time to reach the DVA by the seventh workday after the reported month, the Military Department shall report by facsimile machine the amount deposited. The report should be "faxed" to the DVA Central Office, Field Finance Division.

1507 FUND TRANSFERS OF MILITARY PERSONNEL APPROPRIATIONS

Transfers from the military personnel appropriations to the DoD Education Benefits Fund shall be processed as indicated below. (The accounting for these amounts shall follow the accounting requirements contained in Chapter 10, Volume 4.)

150701. Receipt and Expenditure Accounts.

The DoD Education Benefits Fund is classified as a trust fund and uses both receipt and expenditure accounts since it is not designated a trust revolving fund. Receipts are available immediately for expenditure; therefore, the Treasury Department requires deposits to be made using "X" symbolization for the receipt account. Deposits are made to the following trust fund receipt accounts as applicable.

A. 97X8098.1 - Employing Agency Contribution, Department of Defense, Education Benefits Fund. Payments from DoD military personnel appropriations.

B. 97X8098.2 - Earnings on Investments, Department of Defense, Education Benefits Fund. Payments of interest by Treasury on Education Fund investments in U.S. securities.

C. (62) 97X8098 - Disbursements-Unamortized Premium and Discount, Department of Defense Military Retirement and Education Benefits Funds. Purchase of premium, interest, and discount.

D. (72) 97X8098 - Receipts-Unamortized Premium and Discount, Department of Defense Military Retirement and Education Benefits Fund. Write-off and amortization of premium and discount and collection of interest purchased.

E. 20X6825.01 - Unamortized Discount, Department of Defense Military Retirement and Education Benefits Funds. Purchase of discount, write-off, and amortization of discount.

F. 20X6825.02 - Unamortized Premium, Department of Defense Military Retirement and Education Benefits Funds. Purchase of premium, write-off, and amortization of premium.

G. 20X6825.03 - Accrued Interest Purchased, Department of Defense Military Retirement and Education Benefits Funds. Purchase of interest and collection of interest purchased.

150702. Timing

Transfers of funds for a given month shall be accomplished on or before the last business day of that month. If the transfers are accomplished on an estimated basis, they shall be adjusted in the subsequent month when actual figures become available.

150703. Method for Transfer of Funds

A. Transfers are made on an expenditure basis. Funds shall be disbursed from the military personnel appropriations and collected into the Education Fund. The disbursement and collection transactions are accomplished using the Intragovernmental Payment

and Collection System (IPAC). The disbursement and collection transactions also can be made on an SF 1081, Voucher and Schedule of Withdrawals and Credits. The disbursing officer making the payment shall forward a copy of the completed SF 1081 to the DFAS, and also report both the disbursement and collection transactions on the monthly DD Form 1329, Statement of Transactions. Completed forms shall be forwarded to the following address:

Director
Defense Finance and Accounting Service
Trust Fund Investment Office
ATTN: DFAS-JJRA, COLUMN 203L
8899 e. 56TH Street
Indianapolis, IN 46249
Fax Number: (317)275-0247
E-mail Address: CIN-JJRA@dfas.mil

B. The total amount transferred from the military personnel appropriation to the Education Fund shall be detailed by the Military Service obligation program and reported on the face of the SF 1081 or on a separate attachment.

*150704. Calculation of Transfers

Transfers to the Education Fund from the active duty and reserve component personnel appropriations shall be accomplished monthly. The amounts to be transferred shall be calculated using the formulas provided in subparagraphs 150702.A and 150702.B, below, which are based on existing legislation and, therefore, subject to change upon any enacted amendments. The per capita amounts to be used in the calculations shall be determined by the DoD Office of the Actuary using methods and assumptions approved by the DoD Education Benefits Board of Actuaries. The per capita amount is the per-person normal cost potentially offset by an amount related to amortizing a surplus (if this particular service or Reserve Component's portion of the Fund as determined by the Office of the Actuary for a particular program has a surplus). This information shall be provided to the Military Departments when it becomes available.

* A. Active Duty Appropriations. The per capita normal cost multiplied by the number of new entrants who become eligible during the month. Eligibility is defined in subparagraph 150203.A, above.

1. The Services shall report monthly to DFAS, and DFAS shall report monthly in their trial balance, the total amount of per capita contributions for each combination of benefit level and years of obligated service. The report shall specify how such amounts are derived in terms of the number of members for the current month, reconciling corrections from the prior month (if any), and the per capita amounts used in such calculations. These amounts should be reported separately from contributions that fund other programs.

2. The Services shall pay an amortization payment into the Department of Defense Education Benefits Fund on October 1st of each year to reduce the fund's liability. The amount of the contribution, if any, for each Component shall equal the amount specified in the letter for the current fiscal year issued by the Department of Defense Education Benefits Board of Actuaries to the Secretary of Defense.

3. To ensure proper crediting of contributions made to DFAS, the Services shall reference the following account titles:

Active Army
Basic Selected Skill Benefit
2 Year Obligation $150 per month "kicker"
2 Year Obligation $250 per month "kicker"
2 Year Obligation $350 per month "kicker"
2 Year Obligation $450 per month "kicker"
2 Year Obligation $550 per month "kicker"
2 Year Obligation $650 per month "kicker"
2 Year Obligation $750 per month "kicker"
2 Year Obligation $850 per month "kicker"
2 Year Obligation $950 per month "kicker"
3 Year Obligation $150 per month "kicker"
3 Year Obligation $250 per month "kicker"
3 Year Obligation $350 per month "kicker"
3 Year Obligation $450 per month "kicker"
3 Year Obligation $550 per month "kicker"
3 Year Obligation $650 per month "kicker"
3 Year Obligation $750 per month "kicker"
3 Year Obligation $850 per month "kicker"
3 Year Obligation $950 per month "kicker"
4 Year Obligation $150 per month "kicker"
4 Year Obligation $250 per month "kicker"
4 Year Obligation $350 per month "kicker"
4 Year Obligation $450 per month "kicker"
4 Year Obligation $550 per month "kicker"
4 Year Obligation $650 per month "kicker"
4 Year Obligation $750 per month "kicker"
4 Year Obligation $850 per month "kicker"
4 Year Obligation $950 per month "kicker"
5 Year Obligation $150 per month "kicker"
5 Year Obligation $250 per month "kicker"
5 Year Obligation $350 per month "kicker"
5 Year Obligation $450 per month "kicker"
5 Year Obligation $550 per month "kicker"
5 Year Obligation $650 per month "kicker"
5 Year Obligation $750 per month "kicker"
5 Year Obligation $850 per month "kicker"

5 Year Obligation $950 per month "kicker"
6 Year Obligation $150 per month "kicker"
6 Year Obligation $250 per month "kicker"
6 Year Obligation $350 per month "kicker"
6 Year Obligation $450 per month "kicker"
6 Year Obligation $550 per month "kicker"
6 Year Obligation $650 per month "kicker"
6 Year Obligation $750 per month "kicker"
6 Year Obligation $850 per month "kicker"
6 Year Obligation $950 per month "kicker"

Amortization Payment – Active Army

Post-Vietnam Era Voluntary and Involuntary Separatees (Category 3)

National Call to Service – 12 months
National Call to Service – 36 months

Active Army – Benefits Transferred to Dependents

Active Navy
Basic Selected Skill Benefit
4 Year Obligation $150 per month "kicker"
4 Year Obligation $250 per month "kicker"
4 Year Obligation $350 per month "kicker"
4 Year Obligation $450 per month "kicker"
4 Year Obligation $550 per month "kicker"
4 Year Obligation $650 per month "kicker"
4 Year Obligation $750 per month "kicker"
4 Year Obligation $850 per month "kicker"
4 Year Obligation $950 per month "kicker"

Amortization Payment – Active Navy

Post Vietnam Era Voluntary and Involuntary Separatees (Category 3)

National Call to Service – 12 months
National Call to Service – 36 months

Active Navy – Benefits Transferred to Dependents

Active Marine Corps
Basic Selected Skill Benefit
4 Year Obligation $150 per month "kicker"

4 Year Obligation $250 per month "kicker"
4 Year Obligation $350 per month "kicker"
4 Year Obligation $450 per month "kicker"
4 Year Obligation $550 per month "kicker"
4 Year Obligation $650 per month "kicker"
4 Year Obligation $750 per month "kicker"
4 Year Obligation $850 per month "kicker"
4 Year Obligation $950 per month "kicker"
5 Year Obligation $150 per month "kicker"
5 Year Obligation $250 per month "kicker"
5 Year Obligation $350 per month "kicker"
5 Year Obligation $450 per month "kicker"
5 Year Obligation $550 per month "kicker"
5 Year Obligation $650 per month "kicker"
5 Year Obligation $750 per month "kicker"
5 Year Obligation $850 per month "kicker"
5 Year Obligation $950 per month "kicker"

Amortization Payment – Active Marine Corps

Post Vietnam Era Voluntary and Involuntary Separatees (Category 3)

National Call to Service – 12 months
National Call to Service – 36 months

Active Marine Corps – Benefits Transferred to Dependents

Active Air Force
Basic Selected Skill Benefit
4 Year Obligation $150 per month "kicker"
4 Year Obligation $250 per month "kicker"
4 Year Obligation $350 per month "kicker"
4 Year Obligation $450 per month "kicker"
4 Year Obligation $550 per month "kicker"
4 Year Obligation $650 per month "kicker"
4 Year Obligation $750 per month "kicker"
4 Year Obligation $850 per month "kicker"
4 Year Obligation $950 per month "kicker"

Amortization Payment – Active Air Force

Post Vietnam Era Voluntary and Involuntary Separatees (Category 3)

National Call to Service – 12 months

National Call to Service – 36 months

Active Air Force – Benefits Transferred to Dependents

NOTE: In the future, account numbers will be assigned to each account title by DFAS. When new benefit programs are added, the Services and DFAS shall create and use new account numbers and titles as needed to ensure proper crediting of contributions.

* B. Reserve and National Guard Appropriations. Per capita amounts and amortization payments required.

1. The per capita amount cost is multiplied by the number of Reserve Component members who become eligible during the preceding month. Eligibility is defined in subparagraph 150203.B, above. A contribution is made for an eligible member only one time. Eligibility date is established in the Notice of Basic Eligibility also described in subparagraphs 150303.B and 150303.C. This eligibility date never changes.

2. The per capita amount is multiplied by the number of Reserve Component members who become eligible during the preceding month. Eligibility is defined in subparagraph 150203C., above (REAP). A contribution is made for an eligible member only one time. Eligibility date is established when the member has completed the minimum service requirement as specified in subparagraphs150203C.1 through 150203C.3, above.

* a. The amount of the contribution for each member (i.e., the per capita amount) shall equal the amount specified in the letter for the current fiscal year issued by the Department of Defense Education Benefits Board of Actuaries, corresponding to one of the three benefit levels - 90 days, 1 year, or 2 years (***(10 U.S.C. 16162(c)(4)***) - based on the length of the member's activation orders or based on the members who actually served 90 days or more if the activation orders are for less than 90 days. In this context, "activation orders" refers to the maximum level of consecutive qualifying service the member is anticipated to obtain for the current mobilization event. For example, if a member is called up for 120 days to complete required training in preparation for activation or deployment, and the member is scheduled to be activated for 15 months following the training (with a short break in between the two), the component shall contribute based on the 1-year benefit level when the member reaches the 90-day point during the training.

(1) The Components shall track whether members have previously reached the qualifying 90-day threshold.

(2) No contribution shall be made for a member who subsequently reaches the initial 90-day threshold, if a contribution has already been made.

3. The Reserve Components shall report monthly to DFAS, and DFAS shall report monthly in their trial balance, the total amount of per capita contributions for 10 U.S.C. Chapter 1606; to include the breakout by basic and kicker, and within kicker, by kicker benefit level. The report shall specify how such amounts are derived in terms of the

number of members for the appropriate month, reconciling corrections from the prior month(s) (if any), and the per capita amounts used in such calculations. These amounts should be reported separately from contributions that fund other programs.

4. The Reserve Components shall report monthly to DFAS the total amount of per capita contribution for each of the three benefit levels (90 days, 1 year, or 2 years) for 10 U.S.C. Chapter 1607. The report shall specify how such amounts are derived in terms of the number of members for the appropriate month, reconciling corrections from the prior month(s) (if any), and the per capita amounts used in such calculations. These amounts should be reported separately from contributions that fund other programs.

5. If required due to a program's unfunded liability, the Reserve Components shall pay an amortization payment into the Department of Defense Education Benefits Fund on October 1st of each year to reduce the funds liability. One payment shall be made for 10 U.S.C. Chapter 1606 and a separate payment shall be made for 10 U.S.C. Chapter 1607. The amount of the contribution, if any, for each component shall equal the amount specified in the letter for the current fiscal year issued by the Department of Defense Education Benefits Board of Actuaries to the Secretary of Defense.

6. To ensure proper crediting of contributions made to DFAS, the Reserve Components shall reference the following account titles:

Army Reserve
Selected Reserve Benefit (10 U.S.C. Chapter 1606)
Army Reserve

Critical Skill or Critical Unit Benefit (10 U.S.C. Chapter 1606)
$100 monthly "kicker" benefit
$200 monthly "kicker" benefit
$350 monthly "kicker" benefit

Amortization (10 U.S.C. Chapter 1606) – Army Reserve

Educational Benefits for Reservists in Support of Contingency Operations (10 U.S.C. Chapter 1607)
Mobilized 90 Days
Mobilized 1 year but not 2
Mobilized 2 years or more

Amortization (10 U.S.C. Chapter 1607) Army Reserve

Army National Guard
Selected Reserve Benefit (10 U.S.C. Chapter 1606)
Army National Guard

Critical Skill or Critical Unit Benefit (10 U.S.C. Chapter 1606)

$100 monthly “kicker” benefit
$200 monthly “kicker” benefit
$350 monthly “kicker” benefit

Amortization (10 U.S.C. Chapter 1606) – Army National Guard

Educational Benefits for Reservists in Support of Contingency Operations (10 U.S.C. Chapter 1607)
Mobilized 90 Days
Mobilized 1 year but not 2
Mobilized 2 years or more

Amortization (10 U.S.C. Chapter 1607) Army National Guard

Navy Reserve
Selected Reserve Benefit (10 U.S.C. Chapter 1606)
Navy Reserve

Critical Skill or Critical Unit Benefit (10 U.S.C. Chapter 1606)
$100 monthly “kicker” benefit
$200 monthly “kicker” benefit
$350 monthly “kicker” benefit

Amortization (10 U.S.C. Chapter 1606) – Navy Reserve

Educational Benefits for Reservists in Support of Contingency Operations (10 U.S.C. Chapter 1607)
Mobilized 90 Days
Mobilized 1 year but not 2
Mobilized 2 years or more

Amortization (10 U.S.C. Chapter 1607) Navy Reserve
Marine Corps Reserve
Selected Reserve Benefit (10 U.S.C. Chapter 1606)
Marine Corps Reserve

Critical Skill or Critical Unit Benefit (10 U.S.C. Chapter 1606)
$100 monthly “kicker” benefit
$200 monthly “kicker” benefit
$350 monthly “kicker” benefit

Amortization (10 U.S.C. Chapter 1606) – Marine Corps Reserve

Educational Benefits for Reservists in Support of Contingency Operations (10 U.S.C. Chapter 1607)
Mobilized 90 Days

Mobilized 1 year but not 2
Mobilized 2 years or more

Amortization (10 U.S.C. Chapter 1607) Marine Corps Reserve

Air Force Reserve
Selected Reserve Benefit (10 U.S.C. Chapter 1606)
Air Force Reserve
Critical Skill or Critical Unit Benefit (10 U.S.C. Chapter 1606)
$100 monthly "kicker" benefit
$200 monthly "kicker" benefit
$350 monthly "kicker" benefit

Amortization (10 U.S.C. Chapter 1606) – Air Force Reserve

Educational Benefits for Reservists in Support of Contingency Operations (10 U.S.C. Chapter 1607)
Mobilized 90 Days
Mobilized 1 year but not 2
Mobilized 2 years or more

Amortization (10 U.S.C. Chapter 1607) Air Force Reserve

Air National Guard
Selected Reserve Benefit (10 U.S.C. Chapter 1606)
Air National Guard

Critical Skill or Critical Unit Benefit (10 U.S.C. Chapter 1606)
$100 monthly "kicker" benefit
$200 monthly "kicker" benefit
$350 monthly "kicker" benefit

Amortization (10 U.S.C. Chapter 1606) – Air National Guard

Educational Benefits for Reservists in Support of Contingency Operations (10 U.S.C. Chapter 1607)
Mobilized 90 Days
Mobilized 1 year but not 2
Mobilized 2 years or more

Amortization (10 U.S.C. Chapter 1607) Air National Guard

NOTE: In the future, account numbers will be assigned to each account title by DFAS. When new benefit programs are added, the Services and DFAS shall create and use new account numbers and titles as needed to ensure proper crediting of contributions.

1508 FUND TRANSFERS TO DVA

Transfers from the DoD Education Benefits Fund to the DVA shall be processed as follows:

150801. General Fund Appropriation Transfer Account

The DFAS shall transfer funds to the DVA on an expenditure basis. This is required because VA pays the benefits from general fund appropriation account 36X0137 - Readjustment Benefits, Veterans Administration.

150802. IPAC Transactions

The actual transaction is accomplished by using IPAC. The DVA will provide DFAS a letter of intent to disburse prior to making any IPAC transactions. This request will be sent CIN-JJRA@dfas.mil. The DVA will report the collection into 36X0137 on its DD Form 1329.

1509 PAYROLL DEDUCTIONS

150901. Order of Precedence for Deductions

Deductions from pay for the education benefits program are governed by the order of precedence for deductions from gross pay established by the Treasury Financial Manual, Volume 1, Part 3, Chapter 7000, "Allotments and Assignment of Pay." The order of precedence shall be used when the gross entitlement payment is not sufficient to permit all deductions to be made. The order of precedence is in Volume 7.

150902. Participation Election Criteria

When an individual enters on active duty as a member of the Armed Forces, participation in the education benefits program is automatic, unless the service member makes an election not to enroll for education benefits using ***DD Form 2366***, Montgomery GI Bill Act of 1984 Basic Enrollement. Once enrolled in the program, a reduction of the service member's pay becomes mandatory. The deduction is considered an "Indebtedness Due the United States." Therefore, it ranks ahead of state income taxes and all other deductions of lower precedence. Within the "Indebtedness" category, it takes precedence below any debts due to the Department of Defense since the reduction is deposited to a civil agency account.

150903. Selected Reserve Participation

In the case of a member of the Selected Reserve, the Secretary of Defense shall collect from the individual an amount equal to $1,200 not later than 1 year after completion by the individual of the 2 years of service on active duty providing the basis for such entitlement. Collection may be made through a reduction in basic pay or through such other method as the Secretary of Defense considers appropriate.

1510 REFUNDS OR ERRONEOUS DEDUCTIONS

Refunds or erroneous deductions from active duty members shall be processed as follows:

151001. Current Year Deductions

If the refund takes place within the same fiscal year as the erroneous deduction was made, the payment to an active duty member shall be charged to miscellaneous receipt account 362473. Such transactions will reduce the monthly deduction deposited to miscellaneous receipt account 362473 and reported to the DVA.

151002. Prior Year Deductions

If the refund takes place after the close of the fiscal year in which the erroneous deduction was made, the payment to an active duty member shall be made from Treasury appropriation 20X1807 - Refund of Monies Erroneously Received and Covered. Such payments shall be reported routinely on the Military Department's monthly Statement of Transactions. The Treasury Department shall be contacted by telephone if payments from 20X1807 in excess of $100,000 are to be made in a given month. The report shall be provided to the Credit and Debt Management Branch, Financial Management Service.

1511 COLLECTION OF EDUCATIONAL DEBTS OWED TO THE GOVERNMENT

Collection of educational debts owed to the government by members of the Selected Reserve shall be processed as follows.

151101. Selective Reserve Participation Refunds

Members of the Selected Reserve receiving educational assistance benefits under Title 10 U.S.C. Chapter 1606, and who fail to participate satisfactorily in required reserve training, may be required to refund an amount to the United States. This amount is calculated in accordance with the formula established in Title ***10 U.S.C. 16135(b)(1)***.

151102. Selective Reserve Participation Refund Calculation

The refund shall equal the product of the following:

A. The number of months of obligated service remaining under the agreement entered into by the reservist divided by the original number of months of the original obligation.

B. The total amount of educational assistance provided to the reservist increased by interest equal to the highest rate being paid by the Treasury on securities having maturity of 90 days or less on the day on which the refund is determined to be due. The interest shall accrue from the day on which the reservist first is notified of the amount due to the U.S. Government as a refund.

151103. Selective Reserve Data Collection Requirements

Each Military Department shall maintain data on Selected Reserve members who are:

A. Eligible for educational assistance.

B. Fail to participate satisfactorily.

C. Not excused from the responsibility to refund overpayments received under the Selected Reserve educational assistance program.

151104. Collection of Debts Owed

Responsibility for administering the collection of debts owed to the program has not been established. This matter will be addressed in the memorandum of understanding with the DVA covering financial matters. The Military Departments shall be advised of the determination when the memorandum of understanding is ratified.

151105. Reporting Requirements for Education Benefits Programs

The reporting requirements and related standards contained in Chapter 13, Volume 4, also apply to the education benefits programs.

VOLUME 12, CHAPTER 16: "MILITARY PERSONNEL ENTITLEMENT PROGRAMS"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font*.**

The previous version dated January 2012 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and format.	Revision
All	Renumbered paragraphs.	Revision
All	Revised for clarity of Medicare-Eligible Retiree Health Care Fund (MERHCF) processes and expanded their details.	Revision
160403.A.1., a., b., c., 2., & 3.	Accrued Benefits pertaining to unfunded FRF Funds.	Deletion
160408	Incorporated changes for accounting of MERHCF outlays.	Revision
1605	Added a Definitions section for clarification of specific terms used in this chapter.	Addition
1606	Added a References section to identify authoritative sources used in this chapter.	Addition

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CHAPTER 16

MILITARY PERSONNEL ENTITLEMENT PROGRAMS

1601 GENERAL

160101. Overview

Entitlements Programs are legally established benefits available to any person or unit of government meeting eligibility requirements established by law. Authorizations for entitlements constitute a binding obligation on the part of the Federal Government, and eligible recipients may have legal recourse if the obligation is not fulfilled. Legislation authorizing entitlements does not necessarily include a corresponding appropriation of funds, thus subsequent enactment of appropriations may necessary.

160102. Purpose

This chapter is the policy for the accounting and related transactions for two entitlement programs established for Department of Defense (DoD) military personnel:

A. Military Retirement Fund (MRF) and

B. Medicare-Eligible Retiree Health Care Fund (MERHCF)

1602 GENERAL ACCOUNTING POLICY FOR ENTITLEMENT PROGRAMS

160201. Payment of Benefits

Entitlement programs are divided into three categories according to the events that give rise to benefit payments: payments based on individual eligibility, payments required by law, and reimbursable events. These categories are accounted for as follows:

A. Individual Eligibility. When the program is administered by a federal agency, entitlement benefits based on individuals meeting eligibility requirements of a program must be recorded as a liability and an expense when the eligibility requirements are met (as determined by program officials). The recorded liability and expense must cover all expected payments for the current period of eligibility. Payments to recipients reduce the recorded liability.

B. Compliance With Statutory Laws. When payments are authorized (through appropriation and allotment of funds) for disbursement pursuant to legal requirements with no specific action required of the recipients, a liability and expense must be recorded when the appropriated funds are allotted to the applicable program. The recorded liability and expense must cover the total amount to be disbursed. As payments are made, the liability must be reduced.

C. Reimbursable Events. When payments are based on the occurrence of a specific event for which costs are reimbursable under an entitlement program, a liability must be recorded when the event occurs. If the reimbursement is based on end-of-period reports from program administrators, an estimated amount must be accrued at the end of a reporting period.

160202. Identifiable Refunds

When the expense for payments made under an entitlement program exceeds the appropriation (permissible for certain programs under special statutory authority), the source of the related funds must be clearly identified. If the funds were borrowed, the appropriate liability account must be established.

160203. Suspension of Payments

When substantiated doubt exists on the continued entitlement of a military retiree or annuitant to receive benefit payments and payments on an account are suspended, the Defense Finance and Accounting Service (DFAS-IN) must cease obligating on the subject account for retired pay, retainer pay, or annuitant benefits. Previously obligated amounts must be deobligated to the extent of recoveries on previous payments or amounts held in a suspense account. Although this procedure is directed primarily at suspected death status accounts, it applies equally to other situations that may terminate entitlement. Examples of other situations include (but are not limited to) employment by a foreign government, renouncing U.S. citizenship, remarriage of a surviving spouse, and certain student annuitants dropping out of school.

1603 ACCOUNTING POLICY FOR THE ACCRUAL AND INVESTMENT OF RETIRED MILITARY PAY

160301. Retired Pay Entitlements

Retired military pay is a pension program established by Title 10, United States Code (U.S.C.) Chapter 74 ***(10 U.S.C. 74)*** is administered by the Secretary of the Treasury. The MRF shall be used for the accumulation of funds in order to finance on an actuarially sound basis, liabilities of the DoD under military retirement and survivor benefit programs. As such, the program fits under the category of entitlement authority as defined by ***2 U.S.C. 622(9)***.

160302. MRF Assets

In accordance with 10 U.S.C. 74, §1462., The Assets of Fund, payments are made to the DoD MRF, which contains the following assets:

A. Amounts paid into the Retirement Fund from the Military Personnel, Reserve Personnel and National Guard Personnel appropriations representing future retirement and survivor benefits being accrued by members performing current service.

B. Amounts paid into the Retirement Fund from the Treasury as an unfunded liability and Concurrent Receipt normal cost payment.

C. Interest earnings on investments in government securities made by Treasury and the payment of the par values of these securities at maturity.

160303. Unfunded MRF Liabilities

Determinations of funding amounts for the current portion of retired military benefits and amounts required to liquidate the unfunded portion of the MRF are discussed in the remainder of this section.

A. Amounts payable to the MRF necessary to fund present and future benefits payable to military retirees and their survivors must be based on actuarial funding determinations by the DoD Office of the Actuary (DoD OACT), using methods and economic assumptions (including the inflation, interest, and salary rates) approved by the DoD Board of Actuaries and in accordance with ***10 U.S.C 1465***. DoD Components must include sufficient funds to be transferred to the MRF, as determined by the DoD OACT, in their Military Personnel appropriation budgets.

B. The annual amount required to liquidate the unfunded liability of the MRF must be calculated by the DoD OACT, in accordance with methods and assumptions approved by the DoD Board of Actuaries.

C. Amounts to be transferred to the MRF for retired pay accrual must be obligated by the DoD Components at the same time military retired pay is obligated, as required in Volume 4 Chapter 16 (See Military Retirement Trust Fund).

D. Entitlements for military retired pay and surviving annuities are described in Volume 7B, Chapter 29. Payments of authorized and accrued benefits must be made from the MRF, a trust fund established under Public Law 98-94, in accordance with ***10 U.S.C. 1463***.

E. Calculations of funding amounts for the current portion of retired military benefits must be performed centrally by the Military Departments for Active Reserve, and National Guard military personnel. The calculations must employ retired military pay accrual percentages published annually by the Office of the Secretary of Defense (OSD) and must be applied to the total base pay amount calculated. The term "base pay" means outlays for basic pay. This information is found at ***http://comptroller.defense.gov***, and click on the DoD reimbursable rates in the quick links section. The Military Departments also must obligate and disburse amounts calculated for the retired pay accrual in the applicable military pay Active Duty Reserve, and National Guard accounts and deposit the funds to the MRF receipt account 97X8097.001 - Employing Agency Contribution, DoD MRF.

160304. Investment of MRF Cash Balances

The Investment Fund Manager, DFAS, is responsible for investing cash balances of the MRF not needed to cover current retirement payments. Investments are limited to Market-Based U.S. Government Special Securities issued by the Department of the Treasury **(see *10 U.S.C. 74, §1467*).**

160305. Calculation of Retired Pay Benefits

Retired pay benefits must be calculated (see ***Volume 7B, Chapter 3***) and paid by DFAS.

160306. Reimbursements of Retired Military Pay

All reimbursements made to DoD Components in accordance with the guidance contained in ***Volume 11A, Chapter 6*** for retired military pay must be credited to the applicable military personnel appropriation account.

160307. Accounting for MRF Obligations and Accruals

Using DoD Board of Actuarial approved relevant actuarially percentages for obligations and accruals, military pay active duty accounts and Reserve and National Guard personnel accounts must be accounted for as follows:

A. Amounts equating to an actuarially determined percentage of basic pay must be obligated each month for subsequent payment to the MRF.

B. Accounting for the direct program must be at the budget sub-activity level presently prescribed in ***Volume 2A, Chapter 2***. Accounting for the reimbursable program may use a simplified structure to include basic pay, retired pay accrual, and other.

C. The amount accrued for retired pay must be obligated each month. At the end of the month, amounts obligated for retired pay accrual must be disbursed. If information on the total entitlement and total expenditures is not available at the end of the month, estimates may be used and appropriate adjustments made when the actual amounts become known.

D. Release of funds must be consistent with budgetary authority. An undelivered order entry must be made at the beginning of each month to accrue the estimated MRF obligations to the members. Before the end of each month, the actual obligations must be recorded and an accrued expenditure (paid or unpaid, as applicable) established. The corresponding disbursement of funds must agree with the reported outlay and amount obligated.

E. All military pay accounting systems must provide for the recording of obligations for basic pay separate from other kinds of pay and allowances. However, the liquidation of obligations for pay and allowances may be on a gross basis. If the actual amount of basic pay disbursed is not known at the end of the month, an estimated retired pay obligation to be liquidated and disbursed to the MRF may be developed by a formula such as: multiplying the estimated basic pay by the retired pay accrual percentage (provided by the DoD OACT).

F. Disbursements for retired pay benefits accruals must be deposited, via the Intra-government Payment and Collection (IPAC) System, at the end of each month to trust fund receipt account 97X8097.001 - Employing Agency Contribution, DoD MRF. The associated disbursement and collection transactions must be supported using a Standard Form 1081, "Voucher and Schedule of Withdrawals and Credits." The SF 1081 must be properly certified

prior to submission to the DFAS Trust Fund Accounting and Reporting (TFAR) division. The disbursing officer making the payment also must process the collection, forward a copy of the completed SF 1081 to DFAS, TFAR, and report both the disbursement and collection transactions on the monthly Financial Management Service (FMS) Form 1220, "Statement of Transactions." The DFAS copy of the SF 1081, with all supporting documentation, must be transmitted electronically, immediately upon completion of the transactions, so that the deposit may be recorded in the MRF as soon as possible and the funds invested.

160308. Accounting for MRF Appropriations

The permanent indefinite appropriations, 97_0040, "Payments to Military Retirement Fund, Defense," and 97_0041, "Concurrent Receipt Accrual Payments to the Military Retirement Fund, Defense," are accounted for as follows:

A. At least 3 weeks before the end of the fiscal year, the Secretary of Defense must provide the Secretary of the Treasury with a certification of the amounts, as determined using methods and assumptions approved by the DoD Board of Actuaries that should be deposited to these accounts for the ensuing fiscal year (copies of Actuary documents can be found at references (j), (k) and (l)). The certification must include the amounts needed to fund the amortization of the original unfunded liability for military retirement, any other unfunded liability resulting from benefit structure changes and actuarial gains or losses, and the portion of the accrual charge to be funded by the Department of the Treasury. A copy of the certification must be sent directly to:

Department of the Treasury
Bureau of Fiscal Services
Budget Reports Division Appropriation Analysis Team
Room 5D22-PGMCII
3700 East-West Highway
Hyattsville, MD 20782

B. Upon receipt of the certification, the Treasury Department provides the FMS Form 6200, "Department of the Treasury Appropriation Warrant," for the amount certified. The Warrant must be dated October 1 and provided to DFAS on or before that date so that the funds are available for immediate investment in the new fiscal year.

C. On October 1, DFAS is required to: (1) record the FMS 6200 to 97_0040 – Payments to MRF, Defense; (2) disburse the entire amount from 97_0040; and (3) deposit it to trust fund receipt account 97X8097.003 - Federal Contribution, DoD MRF.

D. The DoD MRF is classified as a trust fund and makes use of both receipt and expenditure accounts since it is not designated as a trust revolving fund.

1. Deposits are made to the following trust fund receipt accounts as applicable:

a. 97X8097.001 - Employing Agency Contribution, Department of Defense Military Retirement Fund. Payments from DoD Military Departments for accrual of future retired pay benefits and transfers of deposits made by Judges of the U.S. Court of Military Appeals, including interest, from the Civil Service Retirement and Disability Fund – 24X8135 and the payment from the indefinite appropriation for the normal costs contribution – 97_0041.

b. 97X8097.002 - Earnings on Investments, Department of Defense Military Retirement Fund. Payment of interest by Treasury on Fund investments in U.S. securities.

c. 97X8097.003 - Federal Contribution, Department of Defense Military Retirement Fund. Payments from the permanent indefinite appropriation for the unfunded liability – 97_0040.

d. (62) 97X8097 - Disbursements-Unamortized Premium and Discount, Department of Defense Military Retirement Fund. Purchase of premium, interest, and discount.

e. (72) 97X8097 - Receipts-Unamortized Premium and Discount, Department of Defense Military Retirement Fund. Write-off and amortization of premium and discount and collection of interest purchased.

2. The treasury account symbol for the trust fund expenditure account is 97X8097. Amounts deposited to the receipt accounts identified in subparagraph 160308.D.1 are available immediately to the trust fund expenditure account for investment or payment of retired pay benefits.

a. Account 97X8097 must incorporate the same budget activity structure as the account "Retired Pay, Defense." Accounting must be at least at the budget activity level, and lower level accounts must be established as necessary to meet reporting requirements.

b. Since account 97X8097 is an OSD account, DFAS is responsible for its overall accounting and reporting.

c. Acting for the Secretary of Defense, DFAS must allocate a portion of 97X8097 to each Military Department in order to fund payments of retirement benefits.

d. Annuity payments to retired Judges of the U.S. Court of Military Appeals must be charged to 97X8097.

160309. MRF Financial Reporting Requirements

A. DoD Components must report in their Statement of Operations the amount of Federal contributions (including accrued amounts), if any, made to the pension plans(s) on

behalf of their employees. The agency contribution must not include amounts withheld from employee's compensation for submission to the plan(s).

B. DoD Components which administer programs that provide annuity benefits to eligible participants must recognize, for reporting purposes, an actuarial (accrued) liability for the program. Determination of the liability must be in accordance with applicable FASAB standards (e.g., SFFAS 5 and SFFAS 33).

1. For the year in which the actuarial (accrued) liability is first recorded, the initial amount of the liability must be reported as an accounting change, i.e., a charge to equity and an accrued liability. Thereafter, changes in the liability each year must be charged or credited to expense.

2. Footnotes to the financial statements must disclose the nature and amount of required agency contributions, if any. The footnotes also must disclose the agency responsible for reporting the pension plan's unfunded liability. The following is an example of the footnote can be found in Reference (m).

3. Financial information for pension plans must be reported in the annual financial statements of administering agencies.

4. The notes to the financial statements must include a description of the methods and significant assumptions used in computing the actuarial present value of future program benefits. Additionally, if the actuarial liability computed in accordance with these standards is different from the actuarial liability computed for funding purposes, the footnotes must include an adequate explanation of the basis for any significant differences between the two liabilities.

C. DFAS is responsible for preparing MRF reports in accordance with Volume 6A.

1. Standard Form (SF) 133, Report on Budget Execution. DFAS must submit the SF 133 for all MRF expenditure accounts.

2. ACCT RPT (M) 1002, Appropriation Status by Fiscal Year Program and Subaccounts. DFAS must submit this report for the MRF expenditure account prepared in accordance with Volume 6A, Chapter 4.

3. Other Reports. DFAS must follow the instructions in Volume 6A as applicable. In addition, the Military Departments must comply with the monthly reporting requirements contained in Volume 6A.

D. Status of Funds. The DFAS must prepare a Status of Funds and forward it to the Deputy Comptroller, Program/Budget, on the fifteenth workday of the following month. The DFAS must report actual data for current fiscal year through the previous fiscal month.

1604 ACCOUNTING POLICY FOR THE ACCRUAL, INVESTMENT, AND TRANSFERS OF THE MEDICARE-ELIGIBLE RETIREE HEALTH CARE FUND (MERHCF)

160401. Purpose

Established by the Floyd D. Spence National Defense Authorization Act for Fiscal Year 2001, Public Law 106-398, as amended, the MERHCF pays the qualifying health care service costs of all uniformed service retiree health care programs for the benefit of members or former members of a participating service who are entitled to retired or retainer pay and are Medicare eligible, their dependents who are Medicare eligible, and survivors who are Medicare eligible in accordance with Reference (a) and DoD policy established in DoD Instruction 6070.02 (Reference (c)).

160402. Medicare-eligible Retiree Health Care Entitlements

The DoD MERHCF is an OSD Special Fund and is considered an entitlement authority as defined in 2 U.S.C. 622(9). The DoD MERHCF, administered by the Secretary of the Treasury, must be used for the accumulation of funds in order to finance, on an actuarially sound basis, liabilities of DoD under uniformed services health care programs for specific Medicare-eligible beneficiaries, as designated by Sections through 1117 of Title 10, United States Code (Reference (a)).

160403. Proponent for MERHCF

DFAS, acting for the Secretary of Defense, is responsible for the accounting and reporting of this OSD Special Fund. Other primary responsibilities related to the MERHCF are assigned in DoD Instruction (DoDI) 6070.02 (Reference (c)).

160404. MERHCF Accounts

The DoD MERHCF (account 97X5472) is classified as a Special Fund and uses both receipt and expenditure accounts. The symbol 97X5472 is the special fund expenditure account. Amounts deposited to the MERHCF receipt accounts are available immediately to the special fund expenditure account for investment, payment of benefits and administrative costs. Transfers from 97X5472 must be reported as expenditures. Transfers received by the appropriate program accounts must be reported as offsetting collections and as expenditures when expenses are paid. Acting for the Secretary of Defense, DFAS must make amounts available from 97X5472 in order to fund all qualifying expenses. All credits (deposits) and charges (payments) to ALC 97200010 for account 97X5472 made through the IPAC system must be reported to Treasury using the Governmentwide Accounting (GWA) system. .

A. Deposit Accounts. Deposits are made to the following special fund receipt accounts, as applicable:

1. 97X5472.001 – Non-DoD Employing Agency Contributions, DoD MERHCF. Payments from participating uniformed services for accrual of future health benefits.

2. 97X5472.002 – Earnings on Investments, DoD MERHCF. Payment of interest by Treasury on Fund investments in U.S. public debt securities.

3. 97X5472.003 – Federal Contributions, DoD MERHCF. Payments from the permanent indefinite appropriation for the unfunded liability – 97X0850.

4. 97X5472.004 – Refunds Received, DoD MERHCF. Refund of amounts previously transferred from the Fund, which are determined to be not necessary for the purposes transferred.

5. 97X5472.005 DoD Employee Contributions, DOD Retiree Health Care Fund DOD MERHCF Payments from Military Services.

B. Investment Accounts. The following accounts are used exclusively for investment transactions in U.S. securities, as applicable:

1. (62) 97X5472 – Disbursements, Unamortized Premium and Discount. Purchase of premium, discount (CR) and interest.

2. (72) 97X5472 – Receipts, Unamortized Premium and Discount. Write-off and amortization of premium and discount and collection of interest purchased.

3. (88) 97X5472 – Investment in U.S. Securities (par). The par value of purchases of U.S. securities.

4. (98) 97X5472 – Redemption of U.S. Securities (par). The par value of redemptions prior to maturity and the par value of matured U.S. securities.

160405. DoD Medicare Eligible Retiree Health Care Fund Assets

A. Contributions. Amounts are contributed to MERHCF by the DoD, other uniformed services (Coast Guard, National Oceanic and Atmospheric Administration, and U.S. Public Health Service)., and the Department of the Treasury. These amounts must be based on determinations by the DoD Office of the Actuary (OACT) under methods and assumptions approved by the DoD MERHCF Board in accordance with the provisions of Reference (a) and Reference (c) as follows:

1. DoD. Amounts are paid into MERHCF from the Military Personnel, Reserve Personnel and National Guard Personnel appropriations to fund future benefits payable from MERHCF attributable to Military Service rendered in the current fiscal year.

2. Other Uniformed Services. Amounts paid into MERHCF from other uniformed services

B. Unfunded Actuarial Liability Payment. Amounts paid into MERHCF from a permanent indefinite general fund appropriation, 97X0850, to fund future benefits payable from MERHCF attributable to service rendered prior to October 1, 2002 (i.e., the unfunded actuarial liability) as well as all actuarial gains and losses.

C. Investment Income. Income on the invested portion of MERHCF.

D. Return of Prospective Payment Transfers. Amounts returned to MERHCF that were previously transferred to fund the payment of expenses.

160406. Accounting for MERHCF Revenues

Amounts earned on investments are recorded by DFAS in accordance with the provisions of Reference (a), Reference (c) and applicable accounting principles. DFAS deposits the amounts received for investment income into the MERHCF receipt account entitled "Earnings on Investments, DoD MERHCF" (account number 97 X 5472.002). Amounts contributed to MERHCF by the DoD, other uniformed services, and Department of the Treasury must be based on determinations by the DoD Office of the Actuary (OACT) under methods and assumptions approved by the DoD MERHCF Board in accordance with the provisions of Reference (a) and Reference (c):

A. Annual Certification Letter and Apportionment.

1. Prior to the beginning of each fiscal year, the Secretary of Defense issues a letter certifying the amortization payment (the initial unfunded actuarial liability plus amortization of actuarial gains and losses) and the normal cost contributions (the accrued cost associated with the current year's military service) on behalf of DoD. The normal cost contributions are determined in accordance with Reference (a) and (c).

2. The certifying letter must request the Department of the Treasury to issue warrants to the DoD MERHCF payment account (97X0850) at the start of the fiscal year for the amortization payment and to the ten MERHCF contribution accounts for the normal cost accrual contributions. A copy of the letter must be sent directly to:

Department of the Treasury
Bureau of Fiscal Services
Budget Reports Division Appropriation Analysis Team
Room 5D22-PGMCII
3700 East-West Highway
Hyattsville, MD 20782

3. The Office of the Undersecretary of Defense (Comptroller) (OUSD(C)) submits an apportionment request to the Office of Management and Budget (OMB) for the ten MERHCF contribution accounts. The MERHCF contribution accounts to one of the ten military personnel accounts (Active, Reserve, and National Guard).

B. Accounting for the Amortization of the Unfunded Actuarial Liability.

1. Upon receipt of the certification, the Department of the Treasury provides the FMS 6200, "Appropriations Warrant" for the certified amortization amount. The warrant must be dated October 1 and provided to DFAS on or before that date so that the funds are available for immediate investment in the new fiscal year.

2. On October 1, DFAS must record the FMS 6200, disburse the entire amortization amount from 97X0850, and deposit it to special fund receipt account 97X5472.003 – Federal Contributions, DoD MERHCF and notify the DoD OACT, the USD(C), and the Director, DHA when the payments are deposited.

C. Accounting for Military Pay Contributions.

1. On the first duty day of October, Treasury issues warrants to the ten MERHCF normal cost contribution accounts. The Military Services will transmit payment to MERHCF, via facsimile or email, using an SF 1081 as supporting documentation for the IPAC.

2. To ensure the timely payment of funds and prevent a possible loss of interest to MERHCF, the Military Services must pre-coordinate their payments with the DFAS TFAR prior to the issuance of warrants by Department of the Treasury and must prepare the SF 1081 to transmit payment based on the amounts certified by the Deputy Secretary of Defense.

3. DFAS deposits the amounts received for the normal cost contribution amounts into the MERHCF receipt account entitled "Employing Agency Contributions, DoD Medicare Eligible Retiree Health Care Fund" (account number 97 X 5472.001) and notifies the USD(C), the DoD OACT, and DHA when these payments have been deposited.

D. Accounting for Other Uniformed Services Contributions.

1. The normal cost contribution payments to MERHCF for participating uniformed services must be computed and deposited in a manner similar to that described for the Military Services in subparagraph 160405.C using the rates provided by DoD OACT in accordance with the provisions of References (a) and (c).

2. Payments to the MERHCF will be made at the beginning of the fiscal year to ALC 97200010 through the IPAC system. DFAS must credit the special fund account 97X5472.001 - "Non-DoD Employing Agency Contributions, Department of Defense Medicare-Eligible Retiree Health Care Fund." Documentation supporting the deposits must be transmitted electronically to DFAS prior to or immediately upon completion of the transaction.

160407. Investment of MERHCF Cash Balances

The Investment Fund Manager, DFAS, is responsible for investing cash balances of MERHCF not required to meet current withdrawals. Investments are limited to Market-Based U.S. Government Special Securities issued by the Department of the Treasury and are made in accordance with the provisions of Reference (a). The income on such investments must be credited to receipt account 97X5472.002 – Earnings on Investments, DoD Medicare-Eligible Retiree Health Care Fund and form a part of MERHCF. The reporting instructions for accounts invested in Department of the Treasury securities contained in the Treasury Financial Manual (1TFM 2-4300) do not pertain to the DoD MERHCF (97X5472). The reporting procedures for this Fund were agreed to by Treasury's FMS and Bureau of the Public Debt, OMB, and DoD. These agreed-upon procedures were formalized by DoD and Treasury in 1993, and DFAS must maintain documentation of the agreement.

*160408. Accounting for MERHCF Outlays

A. DFAS must make amounts available from the special fund, account 97X5472, for payment of qualifying expenses in accordance with the provisions of Reference (a) and Reference (c):

1. Amounts transferred from MERHCF shall be merged with and available for the same purposes and for the same time period as the appropriation to which transferred in accordance with the provisions of Reference (a).

2. Funds may be returned to the MERHCF within two years in accordance with the provisions of Reference (a).

3. The Defense Health Agency (DHA) determines annual prospective payments / transfer amounts from MERHCF in accordance with Reference (a), Reference (c), and the following accounting and financial management processes for two categories of health care expenses: Purchased Care and Direct Care.

B. Purchased Care. Health care purchased from non-DoD providers is paid through the Operation and Maintenance (O&M) accounts within the MERHCF under the DHA Contract Resource Management (DHA-CRM) limit code (97X5472.18D9). For Purchased Care, the DHA-CRM must provide an estimated annual expense program to DFAS and the Director, DHA, at least one month prior to the start of each fiscal year. These estimates are used by DFAS for management of the investment portfolio and effective cash management and forecasting and are used by the Director, DHA in the development of the annual distribution plan. Accounting and financial management processes for using MERHCF funds for payment of pharmacy claims and health care purchased from non-DoD providers are as follows:

1. A Funding Authorization Document (FAD) will be issued to DHA-CRM for MERHCF funding in the amount(s) approved on the annual/quarterly distribution plan.

2. DHA-CRM uses this MERHCF funding for modifications to contracts for administrative payments and for pass through costs for healthcare and pharmacy claims attributable to Medicare eligible beneficiaries.

a. The TRICARE Dual Eligible Fiscal Intermediary Contract (TDEFIC), TRICARE Overseas Program (TOP), and TRICARE Pharmacy Program (TPHARM – Mail Order and Retail) contracts process individual healthcare claims and administrative costs including per claim administrative payments and monthly costs. These contracts utilize TRICARE Encounter Data (TED) to process healthcare and pharmacy claims as well as the claim rate associated with the claims.

b. Uniformed Services Family Health Plan (USFHP) contracts have capitated rates by contract based upon enrollments at each USFHP hospital. Modifications to the contracts are done at least once a year to initiate a new option period and to set aside funds for the new fiscal year. Each modification for MERHCF funding is an estimate of enrollments of Medicare-eligible retirees, retiree family members, and survivors for the period of time covered by the modification (i.e. one year, one month, etc.).

c. Marketing and Education contract supports the healthcare and pharmacy contracts with marketing and educational materials. Modifications to the contracts are done at least once a year to initiate a new option period.

3. DHA-CRM makes payments based on contract requirements and the appropriate funding source.

4. Validation of claims processed against MERHCF:

a. TED related health care and pharmacy claims and administrative payments are validated through a series of edits in TED and in DHA-CRM's accounting system. Edits include validation of funding source based on claim details contained in the TED records. This ensures that only costs attributable to Medicare-eligible beneficiaries have been included in payments drawn from the Fund.

b. Modifications to contracts are not processed without the availability of MERHCF funding on the FAD. Payments are reconciled against available funding on the modifications when payments are made.

5. DFAS and DHA-CRM Reporting Procedures:

a. Estimated payments and collections using MERHCF funds will be reported to DFAS, as needed, by agreement with DFAS. Payments and collections include those made through all Treasury systems used by DHA-CRM.

b. At the end of every month, DHA-CRM will report to DFAS a final reconciliation of payments and collections that used MERHCF funds for the month.

c. At the end of every month, DHA-CRM will report the amounts of open accounts payable and open accounts receivable using MERHCF funds for use in Federal financial statement reporting.

C. Direct Care. Direct care is health care services provided to Medicare eligible beneficiaries directly in Military Treatment Facilities (MTFs) of the DHA Service Medical Activities (SMA) of the Army, Navy and Air Force and the DHA National Capital Region Medical Directorate (NCR MD).

1. Defense Health Program (DHP) O&M Transfers. Direct care qualifying expenses are paid through the Defense Health Program (DHP) O&M account (0130188*/18P*) for the SMAs and the NCR MD. MERHCF transfers for benefit outlays are reported in GWA by ALC 97200010 as an increase to the Defense Health Program account 97 CY 0130 for the current fiscal year and as an increase to the expenditure account 97X5472. This must be completed by DFAS on the first work day of each quarter and reported to Treasury. Copies of the SF1081 recording the transfer must be sent by DFAS to the appropriate Office of the Under Secretary of Defense (Comptroller) (OUSD(C)) Directorate, who must distribute the funds to DHA via a Funding Authorization Document.

2. Military Pay Reimbursements. Direct care funding amounts for Military Personnel (MILPERS) accounts of the Army, Navy and Air Force for health care provided to Medicare eligible beneficiaries in MTFs by active duty Service personnel are processed via IPAC and reported in the same manner as other IPAC transactions. This must be completed by DFAS on the first work day of each quarter. Copies of the SF 1081 (or SF 1151) supporting these transactions must be sent to the appropriate OUSD(C) Directorates and DFAS sites that account for the funds.

D. Direct Care Annual Prospective Payment Development. The Director, DHA annually develops prospective payment amounts for the estimated costs of providing health care services projected to be provided in MTFs to Medicare-eligible beneficiaries as authorized by Reference (a) and in accordance with Reference (b). The annual projected expenses are transferred in quarterly increments in accordance with a distribution plan provided by DHA to DFAS approximately one month prior to the start of each fiscal year. The annual distribution plan to DFAS contains quarterly payment amounts by Uniform Service, and for the NCR MD as appropriate, for the Service MILPERS payments and the DHP O&M payments and transfers. The DHP O&M projected payment includes civilian pay expense.

1. Expense Allocation. The DHA bases prospective payment amounts on expenses reported by the MTF's Medical Expense and Performance Reporting System (MEPRS) and patient encounter data for the most recent fiscal year for which data is complete at the time the calculations are prepared. MEPRS expense data are recorded as MILPERS and DHP O&M components of costs per individual patient encounter to develop a workload Level of Effort" (LOE) for each Service and the NCR MD for that fiscal year. After the LOE and cost allocations for each SMA and the NCR MD are adjusted and reconciled with the distributions previously made for that fiscal year, the LOE rate amounts and cost allocations

by service are inflated to the coming fiscal year's equivalent for execution using standard OMB inflation rates applicable to the Medical industry and issued in OSD inflation guidance.

2. Workload Rate Development. DHA develops the MTF-specific rates for the prospective payment calculation. These MTF-specific rates are the average dollar expense per workload unit for each MTF as described in the following subparagraphs for Medicare Severity-Relative Weighted Product (MS-RWP), Composite Weights, or Outpatient Pharmacy prescriptions. These rates are separated into MILPERS and DHP O&M rates and shall be developed for the following categories of health care services:

a. Inpatient care -- cost per MS-RWP. An MS-RWP is a DoD measure of workload that represents the relative resource consumption of a patient's hospitalization as compared to that of other inpatients. MS-RWPs are generated as the result of completed Composite Health Care System (CHCS) Standard Inpatient Data Records (SIDRs). The prospective payment amount for inpatient care for eligible beneficiaries for each MTF shall be the product of the estimated MS-RWPs for that MTF multiplied by the MTF-specific rate per MS-RWP for the year of execution. The MS-RWP data source shall be the Military Health System Data Repository (MDR).

b. Outpatient care -- cost per Composite Weights. Composite weights are a combination of Ambulatory Payment Classification (APC) weights and relative value units (RVUs). The Composite Weight is an ambulatory workload measure of encounters adjusted for case complexity as measured by combining provider aggregate RVU with APC aggregate weight after standardizing to an APC-based unit. Composite Weight components (APCs and RVUs) are generated from Comprehensive Ambulatory Provider Encounter Records (CAPERs). The prospective payment amount for outpatient care for each MTF shall be the product of the estimated composite weights for that MTF multiplied by the MTF-specific rate per composite weight for the year of execution. The CAPERs data source shall be the MDR.

c. MTF Outpatient Pharmacy. MTF Outpatient Pharmacy prospective payments shall be calculated for two separate cost components:

(1) Ingredient costs. Ingredient costs are prices paid for pharmacy ingredients (drugs) purchased from vendors. The prospective payment amount is based on qualifying MEPRS pharmacy "ingredient" expenses allocated to beneficiary categories (DoD and other Uniformed Services) on the basis of Pharmacy Data Transaction Service (PDTS) drug costs.

(2) Non-ingredient costs. Non-ingredient costs are all other costs associated with MTF Outpatient Pharmacy operations as allocated in MEPRS. These rates are based on MEPRS costs per prescription for the most recent fiscal year for which data is complete at the time the calculations are prepared, inflated to the year of execution. Prospective payment amounts are based on qualifying MEPRS pharmacy "non-ingredient" expenses allocated to beneficiary categories (DoD and other Uniformed Services) on the basis of PDTS prescription counts (volume) for Military Pay and non-ingredient O&M. The data source for the number of prescriptions filled shall be the MDR using data fed from PDTS.

3. Management Controls on Data Used to Develop Prospective Payment Amounts. Management controls on data used to develop prospective payment amounts include, but are not limited to, the following:

a. The MEPRS data and the MS-RWP, SIDR, and CAPER records shall be prepared, reviewed, and validated in accordance with DoD Manual 6010.13 (Reference (c)) and DoD Instruction 6040.40 (Reference (d)).

b. MEPRS data shall be recorded and maintained by the Military Departments in accordance with DoD Manual 6010.13-M (Reference (f)).

c. The Defense Manpower Data Center within the Defense Human Resources Activity under the Under Secretary of Defense for Personnel and Readiness (USD (P&R)) receives a monthly data feed from the Centers for Medicare and Medicaid Services that provides Medicare eligibility data. These data are merged with data in the Defense Enrollment Eligibility Reporting System (DEERS) to provide both DoD and Medicare eligibility status. Individual patient eligibility data shall be verified for each patient encounter using DEERS, and subsequently stored in the encounter record by the capture system (Composite Health Care System or claims processor). If a source system does not perform this check and recoding, the records from that system shall be verified centrally through merge and comparison to the DEERS extracts.

4. Execution Reviews.

a. Comparison of the MTF LOE to the Prospective Payment Amount. After the year of execution is complete and the associated expenses and workload data are available, DHA conducts an execution review in coordination with USD(C), SMAs and the NCR MD to determine the direct care MTF level of effort (LOE) for that fiscal year and the allocated actual expense to estimate the cost of caring for the Medicare eligible beneficiaries during that period. The prospective payment amounts for that fiscal year that were paid to each SMA and the NCR MD are compared to the allocated expenses and actual workload LOE calculated for the same time period.

b. Reconciliation and Execution Review. Results of the execution review (LOE calculation) are:

(1) Reported to the DoD Office of the Actuary (DoD OACT) for use in determining future Fund requirements under the oversight of the Medicare Eligible Retiree Health Care Board of Actuaries (MERHCF Board).

(2) Used during subsequent Program and Budget Reviews with OSD to determine impacts, if any, to future MTF prospective payment amounts.

(3) Used to determine whether any additional transfers from the Fund or transfers back to the Fund are appropriate for Direct Care payments. Prospective payment amounts (full or partial) determined to be not necessary (in excess of

reconciled expenses), may be returned to the MERHCF within two years after the end of the obligation year that funds were originally transferred in accordance with Reference (a). Returns to the MERHCF should be processed to the appropriate MERHCF account listed in subparagraph 160403 A.

(4) Used as a starting point for developing the coming fiscal year's prospective payment amounts. The workload units and expense allocation used in the execution review is described in subparagraph 160407 C.

160409. MERHCF Financial Reporting Requirements

A. Permanent Indefinite Appropriation 97X0850 – Payment to DoD MERHCF. The DFAS is responsible for preparing the reports for this account in accordance with Volume 6A.

B. SF 133, Report on Budget Execution. DFAS must submit a monthly SF 133 that includes all MERHCF accounts.

C. Federal Financial Statements. The DFAS must prepare all MERHCF Federal financial statements as required by ***OMB Circular A-136*** to support the DoD Agency-wide financial statement process. The MERHCF Federal financial statements must recognize a liability for the present value of future Medicare-Eligible Retiree Health Care benefits for eligible participants. For the year in which the liability is first recorded, the initial amount of the liability must be reported as an accounting change (i.e., a change to equity and an accrued liability). Thereafter, changes in the liability each year must be charged to expense.

D. Status of Funds. The DFAS must prepare a Status of Funds and forward it to the Deputy Comptroller, Program/Budget, on the fifteenth workday of the following month. The DFAS must report actual data for current fiscal year through the previous fiscal month.

*1605 DEFINITIONS

The following terms and their definitions apply to this chapter.

COST.
The price or cash value of the resources used to produce a program, project, or activity (OMB Circular A-11 (Reference (b)).

FEDERAL FINANCIAL STATEMENTS.
Principal financial statements and reporting information applicable to the MERHCF include the Balance Sheet, Statement of Net Cost, Statement of Changes in Net Position, Statement of Budgetary Resources, notes to financial statements and required supplementary information (RSI) as required by the Office of Management and Budget, Financial Reporting Requirements, August 3, 2012, at **the OMB web page and click the PDF link.** Other principal financial statements and information (not applicable to the MERHCF) include the Statement of Custodial Activity, Statement of Social Insurance, and Statement of Changes in Social Insurance Amounts, and required supplementary stewardship information (RSSI).

MEDICARE ELIGIBLE.
With respect to any person, means entitled to benefits under part A of title XVIII of the Social Security Act (Title 42 of United States Code 1395c et seq) (Reference (a)).

MILITARY TREATMENT FACILITIES.
A medical facility (hospital or clinic) operated by one or more of the Uniformed Services (Reference (g)).

NORMAL COST CONTRIBUTION.
Amounts paid into the Fund from the Military Personnel, Reserve Personnel and National Guard Personnel appropriations to fund future benefits payable from the Fund, attributable to military service rendered in the current fiscal year. Contribution amounts are based on the normal cost per capita rates (developed by the DoD OACT) multiplied by the expected average force strength (in the President's Budget) for that fiscal year. (DoD OACT website Reference (i)).

PER CAPITA NORMAL COST RATES.
Average per Uniformed Service member actuarial rate developed by the DoD OACT (Reference (i)).

REFUND.
The return of excess payments to or by the Government (Reference (f) retired or retainer pay. The gross entitlement for a member based on conditions of the retirement law, pay grade, years of service for basic pay, years of service for percentage multiplier, percentage of disability, if applicable, and date of retirement (transfer) DoDI 7770.01, (Reference (e)).

UNIFORMED SERVICES RETIREE HEALTH CARE PROGRAMS.

The provisions of this title or any other provision of law creating an entitlement to or eligibility for health care (services) for a member or former member of a participating uniformed service who is entitled to retired or retainer pay and an eligible dependent under such program (Reference (a)).

*1606 REFERENCES

(a)	***(10 U.S.C. 74)***	Sections 1111 through 1117 of Title 10, United States Code
(b)	***OMB Circular A-11, Section 20,***	"Terms and Concepts," 2012
(c)	***DoD Instruction 6070.02,***	"Department of Defense Medicare Eligible Retiree Health Care Fund Operations," current edition.
(d)	***DoD Instruction 6040.40***,	"Military Health System Data Quality Management Control Procedures," current edition
(e)	***DoD Instruction 7770.01,***	"Reporting Requirements for Retired Military Pay File Extracts," February 8, 2013
(f)	***DoD Manual 6010.13-M,***	"Medical Expense and Performance Reporting System for Fixed Military Medical and Dental Treatment Facilities," current edition.
(g)	***Joint Publication 1-02,***	"Department of Defense Dictionary of Military and Associated Terms," current edition
(h)	***Actuarial Standards Board***	Website of definitions
(i)	***DoD Office of the Actuary***	Website providing actuarial expertise on all matters relating to military compensation and benefits.

(j) ***2012 MERHCF Board Letter (DoD)***

(k) ***Signed Normal Cost Percentage Letter 2015***

(l) ***Signed Unfunded Liability Letter 2012***

(m) Sample of ***3Q13 MERHCF Note 17***

VOLUME 12, CHAPTER 17: "DoD Rewards Program"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font*.**

The previous version dated January 2012 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
170103	Deletes outdated reference to the National Defense Authorization Act for Fiscal Year 2008. Renumbers subsequent paragraph.	Delete
170501	Extends rewards payment date in accordance with 10 United States Code, section 127b.	Update

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CHAPTER 17

DoD REWARDS PROGRAM

1701 PURPOSE AND APPLICABILITY

170101. Purpose

This chapter provides guidance on the implementation of the Department of Defense (DoD) Rewards Program and applies to all organizational entities within DoD. It covers the execution, management, recording and reporting of expenditures of U.S. appropriations available for the DoD Rewards Program. It assigns responsibilities for administering the DoD Rewards program; defines the purposes for which U.S. appropriations may be used; and provides specific procedures for executing, managing, recording and reporting such expenditures to ensure transparency and accountability of funds. The geographic combatant commanders are authorized to provide additional guidance consistent with this guidance.

170102. Title 10, U.S. Code, section 127b

Under ***Title 10, U.S. Code, section 127b***, "Assistance in Combating Terrorism: Rewards," the Secretary of Defense may pay rewards to persons for providing U.S. Government personnel or government personnel of allied forces participating in a combined operation with U.S. Armed Forces with information or non-lethal assistance that is beneficial to: (1) an operation or activity of the armed forces or of allied forces participating in a combined operation with allied forces conducted outside of the United States against international terrorism; or (2) force protection of the armed forces or allied forces participating in a combined operation with U.S. Armed Forces. This authority is useful to encourage the local citizens of foreign countries to provide information and other assistance, including the delivery of dangerous personnel and weapons, to U.S. Government personnel or government personnel of allied forces. The DoD Rewards Program makes available incentives that U.S. Government personnel or allied forces can use to encourage cooperation.

170103. Allied Forces

For the purposes of this document only, the term “allied forces” is defined as foreign government personnel participating with U.S. Armed Forces in combined operations outside of the United States against international terrorism.

1702 RESPONSIBILITIES

170201. Under Secretary of Defense (Comptroller)

The Under Secretary of Defense (Comptroller) (USD(C)) shall provide funds to the Director, Washington Headquarters Services (WHS), for the DoD Rewards Program.

170202. Under Secretary of Defense (Policy), Assistant Secretary of Defense Special Operations and Low Intensity Conflict

The Assistant Secretary of Defense Special Operations and Low Intensity Conflict (ASD SO/LIC) shall:

A. Implement policy for the DoD Rewards Program.

B. Maintain a single consolidated Secretary of Defense pre-approved rewards list. This list will include the identity, nominating headquarters or office, the amount approved and other relevant data. Combatant Commanders may nominate individuals or items to be placed on the pre-approved rewards list through the Director, Joint Staff.

C. Coordinate the Secretary of Defense pre-approved rewards list with the Department of State and the Department of Justice to ensure that a reward does not duplicate or interfere with the payment of reward authorized by those Departments.

170203. Geographic Combatant Commander

Each geographic combatant commander shall:

A. Designate, in writing, a program liaison officer to serve as the point of contact for all disbursement of funds, goods, or services;

B. Establish procedures for the accounting, obligating, cash management, and disbursement of funds;

C. Establish procedures and processes to coordinate notification of awards with appropriate representatives of the Department of State and the Department of Justice to ensure the making a reward does not duplicate or interfere with the payment of a reward authorized by those Departments.

D. Establish internal controls and review procedures for classified voucher processing when required and in accordance with Volume 5, Chapter 11: “Disbursements.”

E. Provide a copy of commander-approved lists to the Director, Joint Staff as updates occur.

F. Report quarterly to the ASD SO/LIC, through the Director, Joint Staff using the format depicted at Figure 17-2, “DoD Rewards Program Quarterly Report.”

G. Submit estimated rewards program budget requirement for the upcoming fiscal year on August 15 of the current fiscal year.

H. Report annually to the Director, Joint Staff, no later than October 15 of each year for the preceding fiscal year.

I. Request additional funds from ASD SO/LIC if all available funds for these purposes have been expended and additional funds are required.

170204. Director, Joint Staff

The Director, Joint Staff shall consolidate combatant command annual reports into a single report and provide to the ASD SO/LIC no later than November 1.

170205. Washington Headquarters Service

WHS shall allocate funds to the geographic combatant commanders at the direction of the ASD SO/LIC.

1703 IMPLEMENTING THE PROGRAM IN THE FIELD

170301. When a Reward May Be Paid

A reward may be paid for information or nonlethal assistance that is beneficial to (1) an operational activity of the armed forces or of allied forces participating in a combined operation with U.S. Armed Forces conducted outside the United States against international terrorism, or (2) force protection of the armed forces or of allied forces participating in a combined operation with U.S. Armed Forces.

170302. Payment Amounts Greater than $1,000,000

A monetary payment or a payment-in-kind in an amount greater than $1,000,000 and up to $5,000,000 requires the approval of the Secretary of Defense or the Deputy Secretary of Defense, or pursuant to a separate written delegation, the USD(P). If any nominated reward (pre-approved or otherwise) is in excess of $2,000,000, the Secretary of Defense by statute is required to first consult with the Secretary of State.

170303. Geographic Combatant Commanders Nominations for Reward Lists

Geographic combatant commanders may nominate individuals or items to be placed on the Secretary of Defense pre-approved rewards list for rewards in amounts that are in excess of the authority delegated to the combatant commanders. Geographic combatant commanders will submit nominations for the pre-approved rewards list through the Director, Joint Staff, to ASD SO/LIC. ASD SO/LIC will coordinate the Secretary of Defense pre-approved rewards list with the Department of State and the Department of Justice to ensure that a reward does not duplicate or interfere with the payment of a reward authorized by those departments, and will forward nominations to the Secretary of Defense or Deputy Secretary of Defense for approval. ASD SO/LIC will maintain a single consolidated list of Secretary of Defense pre-approved rewards. This list will include the identity, nominating headquarters or office, the amount approved, and other relevant data.

170304. Geographic Combatant Commander Approvals

A Geographic Combatant Commander is authorized to approve rewards in an amount or with a value not in excess of $1,000,000 per reward. Geographic combatant commanders are required to provide contemporaneous written notification to ASD SO/LIC when approving or pre-approving awards and payments of $200,000 or more.

170305. Geographic Combatant Commander's Pre-approved Rewards List

The geographic combatant commander may provide a list of pre-approved rewards for information or assistance related to specific persons or items. Pre-approval of rewards will allow forces in the field to pay a reward quickly for the information or assistance of high interest to the U.S. Government, with the approval of the combatant commander reflected in the pre-approved list. Geographic combatant commanders will provide a copy of their geographic combatant commander-approved lists to the Director, Joint Staff as updates occur.

170306. Deputy Geographic Combatant Commander Approvals

A geographic combatant commander may delegate his authority to approve or pre-approve rewards to the deputy commander. Further, a geographic combatant commander may delegate this authority to the commander of a command directly subordinate to that geographic combatant commander, subject to Secretary of Defense or the Deputy Secretary of Defense approval of such delegation of authority.

170307. Rewards Authorization Officer Approvals

A geographic combatant commander may further delegate the authority to approve for rewards in the amount or with a value not in excess of $10,000 to any subordinate U.S. service member or civilian U.S. government employee by authorizing the appointment of Rewards Authorization Officers (RAOs). All appointments shall be in writing and shall clearly state the scope of the reward authority, any limitations thereon, and the accounting procedures to be used. When authorizing the appointment of RAOs, geographic combatant commanders shall establish procedures and criteria that RAOs should apply to determine if information or other assistance merits payment of a reward, the type of reward, and the amount.

170308. RAO Certifies Reward Parameters are Met

When promulgating a list of pre-approved rewards to forces in the field, geographic combatant commanders will establish procedures and assign responsibility for certifying that information or assistance received satisfies the criteria for the geographic combatant commander's approval. Responsibility to certify that information or assistance meets the parameters of a pre-approved reward may be assigned without regard to the dollar value limits on delegation of reward approval authority. Only U.S. RAOs may be authorized to perform this function.

170309. Types of Reward Payments

Rewards may be paid in cash, either in U.S. or foreign currency. RAOs may also authorize payments-in-kind, including with food, local amenities, necessities, or communal rewards.

170310. Payments Made by Designated Disbursing Officers/Paying Agents

Once an RAO has authorized or certified a reward, that officer will notify the program liaison officer, or a designated disbursing officer or paying agent appointed in accordance with Volume 5, Chapter 2: "Disbursing Offices, Officers, and Agents", who will make the authorized payment.

170311. Coordination with Departments of State and Justice

The geographic combatant commander's procedures will include a process to coordinate with appropriate country team representatives of the Department of State and the Department of Justice to ensure making of a reward does not duplicate or interfere with the payment of a reward authorized by those departments.

170312. Requests for Additional Funds

Geographic combatant commanders may request additional funds from ASD SO/LIC if all available funds for these purposes have been expended and additional funds are required. Each geographic combatant commander will submit estimated budget requirements for the upcoming fiscal year on August 15th of the current fiscal year.

1704 PROCEDURES

170401. Allocation of Funds

The USD(C) shall ensure that DoD appropriations and other funds available for the Rewards Program are properly allocated to WHS for funds control and execution. Geographic combatant commanders will notify of the Director, Joint Staff of appropriate inter-theater allocation.

170402. Improper Usage of Funds

A U.S. citizen, an officer or employee of the U.S. federal, state, or local government, or an employee of a U.S. Government contractor shall not be eligible for a reward under the DoD Rewards Program. Members of a security force of a foreign government are not eligible to receive rewards under this program. The USD(P) may waive the prohibition against rewarding members of foreign security forces in specific countries, and will review such waivers at least annually. Requests for USD(P) approval of such authority should be sent to the ASD SO/LIC. Waivers approved prior to the effective date of this guidance remain in effect.

170403. Delivery, Transporting and Safeguarding of Funds

Any funds made available for the DoD Rewards Program shall be delivered, transported and safeguarded consistent with Volume 5, Chapter 3: "Keeping and Safeguarding Public Funds".

170404. Appointment of Paying Agents

Paying Agents responsible for making delivery of funds under the DoD Rewards Program shall be appointed consistent with Volume 5, Chapter 2: "Disbursing Offices, Officers, and Agents". The allied forces member shall receive the same training as U.S. paying agents and sign a statement of understanding. Foreign nationals and other non-U.S. citizens may not be held pecuniary liable for losses of funds, therefore when appointing non-U.S. citizens as paying agents consider the necessity and the risk of using allied paying agents. All funds advanced to and returned from the allied forces paying agents shall be documented on a DD Form 1081 (Statement of Agent's Officer's Account) in accordance with Volume 5, Chapter 19: "Disbursing Officers' Accountability Reports". Upon completion of authorized payments, the paid vouchers, negotiable instruments, and any balance of funds shall be returned to the disbursing officer with a properly completed DD Form 1081.

170405. Documentation of Payments

Payments under the DoD Rewards Program shall be made and documented consistent with Volume 5, Chapter 1: "Disbursements," and Volume 10, Chapter 8: "Supporting Documents to Payment Vouchers".

170406. Circumventing Limits

Monetary limits and approval requirements may not be circumvented by "splitting" a single reward through the multiple rewards, or otherwise.

170407. Clearance of Accounts

Accounts maintained under the Rewards Program shall be cleared consistent with, Volume 5, Chapter 2:"Disbursing Offices, Officers, and Agents".

170408. Certification of Payments

Payments made under the DoD Rewards Program shall be certified in a manner consistent with Volume 5, Chapter 33: "Accountable Officials and Certifying Officers".

170409. Audits and Program Reviews

The administration of the DoD Rewards Program will be subject to periodic audits by DoD's internal review and audit organizations, including the DoD Inspector General and the various audit agencies, as well as external organizations such as the Government Accountability Office and congressional oversight committees. All officials responsible for administering the

Rewards Program shall cooperate fully with any review, audit or investigation conducted by such organizations.

1705 PAYMENTS AND REWARDS THROUGH GOVERNMENT PERSONNEL OF ALLIED FORCES

*170501. Execution of Rewards Through Allied Government Personnel

The Secretary of Defense, geographic combatant commanders, and all delegated officials may use their authorities, acting through government personnel of allied forces to offer and make rewards. Rewards may not be paid acting through allied government officials after the payment date authorized by 10 U.S.C. section 127b.

170502. Request for Payment of Reward

Allied government personnel will forward requests for payment of rewards to the geographic combatant commander's appointed program liaison officer or to a RAO (U.S. service member or civilian U.S. Government employee) who has been delegated authority to approve a reward in the requested amount. That individual will determine if the information or other assistance merits payment of a reward, the type of reward, and the amount.

170503. Appointment of Allied Government Personnel as Paying Agents

When practical, rewards payments in support of allied forces will be directly distributed by U.S. personnel. When direct payment of rewards by U.S. personnel is not practical, commanders may appoint allied personnel as paying agents for the DoD Rewards Program, notwithstanding the requirement in the Department of Defense Financial Management (DoDFMR) that paying agents be U.S. service members or civilian U.S. Government employees. Commanders should adhere to the other provisions of the DoDFMR, Volume 5, Chapter 2: "Disbursing Offices, Officers, and Agents" when appointing allied paying agents. Commanders and disbursing officers must carefully consider the risks of using allied government personnel as paying agents. A paying agent is an agent to the disbursing officer, and the disbursing officer remains liable for public funds advanced to an allied paying agent. Commanders and disbursing officers must maintain prudent internal controls to minimize the potential risks of fraud, waste, and mismanagement by allied personnel. All funds advanced to and returned from the allied paying agent shall be documented on a DD Form 1081 in accordance with Volume 5, Chapter 19: "Disbursing Officers' Accountability Reports". Upon completion of authorized payments, the paid vouchers, negotiable instruments, and any balance of funds shall be returned to the disbursing officer with a properly completed DD Form 1081.

170504. Allied Government Personnel Limitations

Funds will not be advanced to allied paying agent until a specific reward has been approved for payment to an identified payee. Disbursing officers advance funds to allied paying agents after examination of the payment voucher for the rewards. All funds advanced to and returned from the allied paying agent shall be documented on a DD Form 1081.

170505. Allied Government Personnel Limitations

Combatant commands are responsible for ensuring all allied government personnel, nominated by their subordinate commands to offer or make rewards are properly qualified and trained. Combatant commands are also responsible for ensuring that allied government personnel through whom rewards are made perform their duties in accordance with DoD policy and procedures. Allied force government personnel participating in the reward program will have a designated U.S. liaison officer through whom to request reward funds or in-kind items and validate the information/non-lethal support.

1706 INFORMATION DISSEMINATION

170601. Information Dissemination

Media queries regarding the DoD Rewards Program shall be referred to the Office of the Assistant Secretary of Defense for Public Affairs.

170602. Program Identification and Combination with Other Programs

There is no requirement that this program be identified as a U.S. or DoD program or include an official U.S. or DoD symbol. Geographic combatant commanders may combine efforts with other U.S. Government rewards programs and are not required to differentiate this program from other U.S. Government Rewards Programs, provided the DoD Rewards Program does not duplicate or interfere with the payment or publicity of a reward authorized by the Department of State or the Department of Justice.

170603. Advertisements

Geographic combatant commanders are authorized to expend funds to publicize the DoD Rewards Program and to pay associated administrative costs. Advertisements may refer to coalition or allied headquarters as the agency offering the reward. Within a coalition or allied headquarters, U.S. control over reward offers and authorizations shall be maintained, with authorizations made by U.S. commanders at the level prescribed. Geographic combatant commanders are authorized, within existing authorities, to use theater information dissemination programs to support the DoD Rewards Program. Advertising programs should leverage Military Information Support Team (MIST) expertise to effectively advertise the DoD Rewards Program. MIST program funding may be used for advertising only if DoD Rewards Program advertising funds are insufficient. Funds expended to publicize and administer the program will be clearly identified and accounted for in quarterly and annual reports and include information on the target audience, funds required, and objectives. Establishment of call centers using DoD Rewards Program funding shall be coordinated and approved through the Director, Joint Staff, to ASD SO/LIC.

1707 REPORTS AND NOTIFICATIONS

170701. Combatant Commander's Quarterly Reports

Quarterly reports shall be submitted to ASD SO/LIC, through the Director, Joint Staff, using the format at Figure 17-1, "Record of Payment." The combatant command's quarterly reports will be submitted no later than 15 days after the end of each quarter of the fiscal year and will report for the preceding quarter and will include:

A. The amount or value of each reward and whether the reward was provided as monetary payment or payment-in-kind.

B. The recipient of each reward, identified by true name or by reference to National File Number in the Defense Source Registry, Source Code Identifier in the Interagency Source Registry, or One Time Source number assigned with a Collector Reporter Code. Reports may be submitted at the level of classification necessary to protect intelligence sources and methods. Rewards to anonymous sources are not authorized.

C. A description of the information or assistance for which the reward was paid, with an assessment of the significance and benefit of the information or assistance. The significance and benefit of the specific information or assistance received will be ranked as high (1), medium (2), or low (3) in the categories of Operations or Force Protection.

D. The amount expended, if any, to publicize the availability of the rewards program. Provide a description of services and products resulting from the expenditure of funds to publicize the availability of the rewards program.

E. The amount expended, if any, to administer the program. Provide a description of the actions or products resulting from the expenditure of funds for administration.

F. Identification of those rewards that are made acting through government personnel of Allied Forces. Include the nationality, office or position, and organization of the Allied government official who requested payment of the reward.

170702. Geographic Combatant Command Annual Reports

Annual reports shall be submitted to the Joint Staff, no later than October 15 of each year for the preceding fiscal year. The annual report will consolidate the information contained in the quarterly reports and provide an assessment of the program. The Director, Joint Staff will consolidate the combatant command annual reports into a single report and provide that report to ASD SO/LIC no later than November 1.

1708 WAIVERS

170801. Request for Waivers or Exceptions to Law

Request for waivers or exceptions to any provision of law that would (but for the waiver) prohibit, restrict, limit or otherwise constrain the execution of the reward program must be submitted through ASD SO/LIC, the USD(C), and DoD General Counsel to the Secretary of Defense for approval.

170802. Request for Waiver or Exception to Guidance

Requests for waivers or exceptions to this guidance must be submitted through ASD SO/LIC to the USD(C) for approval.

Figure 17-1. DoD Rewards Program Record of Payment

QTC	Reward Amount (US)	Reward Recipient	Description of Information/Assistance Provided	Significance/Benefit Assessment

Figure 17-1. DoD Rewards Program Record of Payment

Figure 17-2. DoD Rewards Program Quarterly Report Summary

FY 2008 Quarterly Report Summary

First Quarter	Command	**ALLOTMENTS:** Program Funds Allotted	**EXPENDITURES:** Obligated/Paid	Advertising/Administration
	USCENTCOM			
	USEUCOM			
	USPACOM			
	USSOUTHCOM			
	Totals:			
Second Quarter	Command	**ALLOTMENTS:** Program Funds Allotted	**EXPENDITURES:** Obligated/Paid	Advertising/Administration
	USCENTCOM			
	USEUCOM			
	USPACOM			
	USSOUTHCOM			
	Totals:			
Third Quarter	Command	**ALLOTMENTS:** Program Funds Allotted	**EXPENDITURES:** Obligated/Paid	Advertising/Administration
	USCENTCOM			
	USEUCOM			
	USPACOM			
	USSOUTHCOM			
	Totals:			
Fourth Quarter	Command	**ALLOTMENTS:** Program Funds Allotted	**EXPENDITURES:** Obligated/Paid	Advertising/Administration
	USCENTCOM			
	USEUCOM			
	USPACOM			
	USSOUTHCOM			
	Totals:			
Annual Totals	Command	**ALLOTMENTS:** Program Funds Allotted	**EXPENDITURES:** Obligated/Paid	Advertising/Administration
	USCENTCOM			
	USEUCOM			
	USPACOM			
	USSOUTHCOM			
	Totals:			

Figure 17-2. DoD Rewards Program Quarterly Report Summary

VOLUME 12 CHAPTER 18: "SUPPORT FOR MILITARY OPERATION LIAISON OFFICERS"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font*.**

The previous version dated April 2010 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
*180306	Updated definition of "Developing Country". Better aligns the FMR definition of a "developing country" with that included in 22 U.S.C. 2431a and the World Bank's description of the term "developing economies"	Update
180502	The previously referenced paragraph of the Joint Federal Travel Regulation (JFTR) has been deleted. Information from the deleted JFTR paragraph is now incorporated directly into the FMR.	Update

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CHAPTER 12

SUPPORT FOR MILITARY OPERATION LIAISON OFFICERS

1801 PURPOSE AND APPLICABILITY

180101. Purpose

This guidance implements title 10, United States Code (U.S.C.), section 1051a, by assigning responsibilities for: (1) providing administrative services and support to all Military Operation Liaison Officers (MOLOs); (2) paying for command-directed travel by a MOLO; (3) paying travel, subsistence, and medical expenses of MOLOs from a developing country; (4) defining the purposes for which United States (U.S.) appropriations or other funds provided for this purpose may be expended; and (5) specifying the procedures for executing, managing, recording, and reporting such expenditures.

180102. Applicability

This guidance applies to all Headquarters (HQ) of Combatant Commands (COCOMs), component commands, and subordinate operational commands of the United States in connection with the planning for, or conduct of, a military operation. A requirement to comply with this guidance shall be incorporated into contracts, as appropriate. It covers the execution, management, recording, and reporting of expenditures of U.S. appropriations and other funds made available for the purpose of providing administrative services and support to all MOLOs; command-directed travel by a MOLO; and travel, subsistence, medical, and other personal expenses for a MOLO from a developing country in connection with the temporary assignment of that officer to a COCOM HQ, when that assignment is requested by the commander of the COCOM.

180103. MOLOs

All MOLOs may be provided administrative services and support.

180104. Joint Federal Travel Regulations Payments (JFTR)

Mission-related travel expenses of a MOLO may be paid or reimbursed in accordance with the JFTR. This applies only to travel that is in support of the national interests of the United States and the commander of the headquarters to which the MOLO is temporarily assigned directs round-trip travel from the assigned headquarters to one or more locations. In no case will the reimbursement to a MOLO exceed that authorized to U.S. military members.

180105. MOLO Expenses

The following expenses of a MOLO from a developing country may be paid in connection with the assignment of that officer to the HQ of a COCOM (not to a component

or subordinate operational command), if that assignment is at the request of the commander of the COCOM:

A. Travel and subsistence.

B. Personal expenses directly necessary to carry out the duties of the MOLO in connection with that assignment.

C. Medical care at a civilian medical facility if:

1. Adequate medical care is not available to the MOLO at the local military medical treatment facility;

2. The Secretary of Defense determines that payment of such medical care is necessary and in the best interest of the United States; and

3. Medical care is not otherwise available to the MOLO pursuant to any treaty or other international agreement.

1802 RESPONSIBILITIES

180201. Under Secretary of Defense (Comptroller)/ Chief Financial Officer (USD(C)/CFO)

The USD(C) shall establish and supervise the execution of financial procedures to be followed in connection with the provision of support to a MOLO from a developing country under paragraph 180105 above.

180202. The Chairman of the Joint Chiefs of Staff (CJCS)

The CJCS is responsible for transmitting Secretary of Defense-approved deployment and execute orders to the Combatant Commanders. Execute orders will include a funding paragraph outlining the financial responsibilities, as directed by the USD(C)/CFO and Under Secretary of Defense (Policy). Additionally, the CJCS will assist the Combatant Commanders in performing the following financial management functions: develop command resource requirements, determine source of funding and obligation authority including for any medical care for which a determination is made to provide non-reimbursable medical care at civilian medical facilities, account for the costs, coordinate to verify the availability of funds, and establish a management control process.

180203. Military Departments

The Military Departments are responsible for providing administrative and logistic support to the combatant command and subordinate joint command headquarters in accordance with ***DoD Directive 5100.03***, "Support of the Headquarters of Combatant and Subordinate Joint Commands," dated November 15, 1999; certified as current as of March 24, 2004. As such, the

Military Departments are responsible for programming, budgeting, and execution of expenses authorized by ***10 U.S.C. 1051a(b)***, as part of these functions for funding other operation and maintenance of the combatant command and subordinate joint command headquarters. The Military Departments are also responsible for recording and reporting all financial transactions resulting from execution of this authorization.

180204. Combatant Commanders

A. To the extent authorized by ***10 U.S.C. 1051a*** and consistent with this guidance, the Combatant Commander shall determine MOLO assignments, support and funding requirements, and coordinate international travel orders for the MOLO with sufficient detail on terms and instructions and shall ensure complete and accurate recording of all obligations and expenses. Combatant Commanders may provide the services and support authorized herein with or without reimbursement from (or on behalf of) the recipients.

B. The Combatant Commander is not required to extend support to MOLOs from a developing country. Commanders are expected to make the decision to offer support based on the strategic, tactical, operational, or political contribution that a potential participating nation contributes to the planning or conduct of military operations within the Combatant Commander's Area of Responsibility.

C. The Combatant Commander has the authority to rescind support for MOLO participation or presence within the command as deemed necessary to enhance mission accomplishment or due to changing mission requirements.

1803 DEFINITIONS

180301. Military Operation Liaison Officer

The term "Military Operation Liaison Officer" means a liaison officer of another nation involved in a military operation with the U.S. while the liaison officer is assigned temporarily to the headquarters of a combatant command, component command, or subordinate operational command of the U.S. in connection with the planning for, or conduct of, a military operation. Such term does not include foreign officers who are serving on combatant command, component command, or subordinate operational command staffs as exchange officers or who are present at the headquarters pursuant to a gift of services from a foreign country under 10 U.S.C. 2608.

180302. Administrative Services and Support

The term "Administrative Services and Support" includes base or installation support services, including commissary; exchange; and Morale, Welfare and Recreation services; office space; utilities, including official commercial communications support; copying services; fire and police protection; and computer support. National secure or specialized computer/communication systems will be the responsibility of the nation requiring such systems.

180303. Combatant Command

The term "Combatant Command" means a combatant command as defined in 10 U.S.C. 161 and established by the President in the Unified Command Plan.

180304. Component Command

The term "Component Command" means a command that consists of a commander and those forces of a military service assigned to a combatant command.

180305. Subordinate Operational Command

The term "Subordinate Operational Command" means a command established on an area or functional basis by a Combatant Commander to conduct operations.

* 180306. Developing Country

The term "Developing Country" means, as a matter of policy for purposes of implementing 10 U.S.C. 1051a, a country categorized as "Low Income," "Lower Middle Income," or "Upper Middle Income" by the World Bank in its List of Economies which is updated each year on July 1 based on estimates of gross national income (GNI) per capita for the previous year. In order to be considered a "developing country," a country must be listed in one of these categories at the time the support is provided. In order to allow for an orderly transition, a country whose economic status is upgraded to "High Income" by the World Bank in its annual List of Economies will retain "developing country" status for a period of one year following publication of the annual list. Regardless of a country's World Bank classification, a country that is a member of the European Union or North Atlantic Treaty Organization (NATO) does not qualify as a "developing country." A territory or possession has the status of the country to which it belongs.

1804 PROCEDURES

180401. Need Determination and Request

The Combatant Commander determines the number of MOLOs needed for temporary assignment to the HQ of the COCOM or any of its component or subordinate operational commands. Based on need, the Combatant Commander determines the funding requirement and appropriate allocation of funding among administrative services and support, travel, subsistence, medical, and other personal expenses to be paid for MOLOs.

180402. Temporary Duty (TDY)

The Combatant Commander must coordinate travel orders for a foreign MOLO receiving travel and subsistence support under ***10 U.S.C. 1051a***, paragraph (b), with the United States Embassy, Defense Attaché Office, of the country from which the MOLO is being requested (ref. Appendix A example). The Combatant Commander must ensure TDY

orders contain sufficient detail explaining the terms of the temporary assignment, that additional clarifying instructions are supplied to the Defense Attaché Office, and that the TDY orders are briefed to the MOLO prior to his or her acceptance of the temporary assignment.

NOTE: ***10 U.S.C. 1051a*** does not authorize any level of support, including medical/dental care, to dependents/family members MOLOs elect to bring with them. Dependents/family members are not authorized to accompany MOLOs at United States Government (USG) expense.

180403. Payments to Coalition Liaison Officers

The Combatant Commander should utilize direct deposit as the preferred practice for disbursing payments and reimbursements to MOLOs, and must ensure initial, subsequent advances and final payments are available to MOLOs at the appropriate times (Appendix A). Foreign military are not authorized access to the Government Travel Charge Card.

180404. Arrival and Departure Procedure Checklists

The Combatant Commander should establish arrival and departure checklists to help ensure pay and other authorized benefits are available to MOLOs upon arrival (Appendix B) and are terminated upon departure (Appendix C).

180405. Expense Recording and Reporting Requirements

The Combatant Commander must ensure complete and accurate recording of all expenses of providing administrative services and support, subsistence, medical, and other personal expenses to MOLOs (Appendix D). Combatant Commanders must ensure that all related expenses are reported within established timeframes.

180406. Proper Usage of Funds

Appropriated funds made available for the purpose of providing administrative services and support to a MOLO, and travel, subsistence, medical, and other personal expenses to a MOLO from a developing country, shall not be used for the following purposes:

A. Direct or indirect benefit to persons other than MOLOs, including direct or indirect benefit to a MOLOs dependents or family members.

B. Expenses other than those for providing administrative services and support to MOLOs, and travel, subsistence, medical, and other personal expenses to MOLOs of a developing country.

180407. Allocation of Funds

Military Departments shall ensure that DoD appropriations and other funds available for providing administrative services and support, travel, subsistence, medical, and other personal expenses to MOLOs are properly allocated to the Combatant Commander for funds control and execution. Combatant Commanders will notify Military Departments of the appropriate inter-theater allocation.

180408. Delivery, Transporting and Safeguarding of Funds

Any funds made available for providing administrative services and support, travel, subsistence, medical, and other personal expenses to MOLOs shall be delivered, transported, and safeguarded consistent with Volume 5, Chapter 3, of this Regulation.

180409. Appointment of Paying Agents

Paying agents responsible for making disbursements of funds for providing administrative services and support, travel, subsistence, medical, and other personal expenses to MOLOs shall be appointed consistent with Volume 5, Chapter 2 of this Regulation.

180410. Documentation of Payments

Payments for the purpose of providing administrative services and support, travel, subsistence, medical, and other personal expenses to MOLOs shall be made and documented consistent with Volume 5, Chapter 11, and Volume 10, Chapter 8.

180411. Contracts

U.S. appropriations and other funds made available for providing administrative services and support, travel, subsistence, medical, and other personal expenses to MOLOs may be obligated through contracts that are prepared and executed in accordance with applicable U.S. laws and regulations.

180412. Clearance of Accounts

Accounts of paying agents maintained for the purpose of providing administrative services and support, travel, subsistence, medical, and other personal expenses to MOLOs shall be cleared consistent with Volume 5, Chapters 3 and 19.

180413. Certification of Payments

Payments made for the purpose of providing administrative services and support, travel, subsistence, medical, and other personal expenses to MOLOs shall be certified in a manner consistent with Volume 5, Chapter 33, of this Regulation.

180414. Audits and Program Reviews

The administration of all payments for the purpose of providing administrative services and support, travel, subsistence, medical, and other personnel to MOLOs will be subject to periodic audits by DoD's internal review and audit organizations, including the DoD Inspector General and the Army Audit Agency. Additionally, external organizations such as the Government Accountability Office and congressional oversight committees may arrange for access to information under procedures set forth in DoDI 7650.01, or other applicable policy. All officials responsible for administering this program shall cooperate fully with any review, audit, or investigation conducted by such organizations.

1805 ALLOWANCES

180501. Administrative Support, Office Space and Supplies

MOLOs should receive office space, phone service, supplies, and administrative support commensurate with equivalent U.S. military office spaces.

180502. Travel and Transportation

A. Travel and Transportation allowances paid for MOLOs of a developing country are authorized by ***10 U.S.C. 1051a***. Due to safety and logistical issues, Combatant Commanders may elect to complete the final travel settlement voucher prior to the MOLO's final departure. Combatant Commanders will ensure that the MOLO has settled his/her travel account and that the total amount reflected on the final travel settlement voucher is for the airline ticket (if applicable), meals and reasonable incidental expenses for the last day in a travel status. If the Combatant Commander decides not to take this option, MOLOs will be required to request reimbursement for per diem related to the return trip to home station in accordance with Volume 9, Chapter 8, paragraph 080501. Transportation costs will be limited to one round-trip (i.e., from the MOLO's country of origin to the COCOM HQ and then back the MOLO's country of origin) ticket per MOLO. Further, when the tour length of temporary duty is less than 120 days, the country of origin will be responsible for transportation costs, unless the reason for the shortened tour length is the end of the military operation. Vehicles will be limited to economy class at the rate of one vehicle per every four MOLOs from each country. Reimbursement for family members' travel and transportation is not authorized.

B. Round-trip commercial transportation expenses (no per diem or mileage) for MOLOs of a developing country may be authorized for a MOLO if the Combatant Commander directs round-trip travel from the assigned headquarters to one or more locations for medical care at a non-military facility only when the conditions at paragraph 180105C are met.

C. Travel and Transportation allowance paid for mission-related travel of MOLOs are authorized in Volume 9, Chapter 1 and may not, in the case of any individual, exceed the amount that would be paid to a member of the U.S. armed forces (of a comparable grade) for authorized travel of a similar nature.

180503. Legal Assistance

Other than those that may be provided for in relevant international agreements, benefits of legal assistance will not be provided to MOLOs. Any legal costs resulting from actions of the MOLO or the MOLO's dependents are the responsibility of the MOLO. Legal infractions can be grounds for returning the MOLOs to their countries of origin. If a MOLO is sent home because of legal problems, the cost of that return flight would be the responsibility of the MOLO or MOLO's government.

180504. Medical Care

Local on-installation Military Medical Treatment Facilities (MTFs) may be utilized for routine medical care of the MOLO to the capabilities of the installation MTF. For purposes of this regulation, routine medical care is defined as primary care which includes general medical office visits for the treatment of symptoms, chronic or acute illness and diseases and follow-up care for an ongoing medical condition. Routine care also includes preventive care measures to help keep an individual healthy. MOLOs may also receive emergency or resuscitative care at the installation MTF if those services/capabilities are available.

A. Emergency medical care is defined as a situation that requires immediate intervention to prevent loss of life, limb, sight, or body tissue to prevent undue suffering. Resuscitative care is defined as advanced emergency medical treatment required to prevent immediate loss of life, limb, or eyesight and to attain stabilization.

B. If the level of injury/illness and required treatment exceeds the capability of the installation MTF, or the severity and immediacy of injury/illness requires, MOLOs may, with MTF approval, be referred to an appropriate local civilian medical/dental care facility. If emergent medical/dental care is not otherwise available to the MOLO pursuant to a treaty or other international agreement, treatment will be obtained at an off installation civilian medical/dental care facility at MOLO's expense.

C. Primary care that may be provided to MOLOs includes outpatient services; pharmaceutical support, dental services and other medical support as determined by appropriate military authorities based on recommendations by the command surgeon and existing capabilities of the installation MTF.

D. A MOLO must be medically screened by both the MOLO's country and the COCOM surgeon to identify any limiting factors. A MOLO must meet the same "world-wide qualified" criteria as U.S. forces before temporary assignment to a COCOM HQ.

E. Inpatient and Long-Term Care Will Not be Provided to MOLOs. Long-term care, commonly referred to as "custodial care," refers to a variety of services that help a person with comfort, personal, or wellness needs which assists an individual with the activities of daily living, including such things as bathing and dressing.

F. Medical and dental care is not authorized for and will not be provided to MOLOs' dependents/family under this regulation.

G. The above polices on MOLO and dependent/family medical/dental care remain in effect unless otherwise addressed by current Reciprocal Health Care Agreements or other relevant international agreements.

180505. Mortuary Affairs

The remains of MOLOs who die while temporarily assigned to the HQ of a COCOM, component command, or any of its subordinate operational commands may be prepared for transportation and transported at U.S. Government expense. The HQ funding the temporary assignment of the MOLO shall be responsible for paying such expenses. Expenses for any additional services that may be requested by the sending country must be reimbursed by that country under an Acquisition and Cross-Servicing Agreement, other relevant international agreement, or Foreign Military Sales case.

1806 REPORTS AND NOTIFICATIONS

180601. Report Due Dates

Not later than the 15th day of each month, the Executive Agents designated by the Secretaries of the Military Departments to provide or arrange for the administrative and logistic support of COCOMs and subordinate joint commands ***(DoD Directive 5100.03)*** shall establish Emergency and Special Program (ESP) codes and Reimbursable Cost Codes (RCC) to identify MOLO support funding program expenditures and submit to the USD(C), a Status Report as of the last day of the preceding month. The Military Department will provide a copy of the report to the Joint Staff, J8. The Status Report shall contain the following information by category:

A. Foreign military operation unit.

B. Number of MOLOs.

C. Payment date.

D. The amount committed, obligated and disbursed within each cost center, for each country's military operation unit.

NOTE: This reporting requirement applies only to appropriation-funded provision of administrative services and support, travel, subsistence, medical, and other personal expenses to MOLOs, under the scope of this guidance, and is in addition to the separate monthly requirement to report cumulative totals allocated, committed, obligated, and disbursed for this program. See Appendix D, for report format requirements.

180602. Legal Restrictions

COCOMs shall promptly notify the USD(C) and the DoD General Counsel of any provisions of law that (if not waived) would prohibit, restrict, limit, or otherwise constrain the exercise of the authority provided by ***10 U.S.C. 1051a***.

1807 EFFECTIVE PERIOD AND WAIVERS

180701. Effective Date of Guidance

This guidance shall become effective immediately.

180702. Submission of Waivers

Where authorized, requests for waivers or exceptions to any provision of law that would (but for the waiver) prohibit, restrict, limit or otherwise constrain the execution of providing administrative services and support, travel, subsistence, medical, and other personal expenses to MOLOs must be submitted through the USD(C) and DoD General Counsel to the Secretary of Defense for approval.

180703. Requests for waivers

Requests for waivers or exceptions to this guidance must be submitted to the USD(C) for approval.

INVITATIONAL TRAVEL ORDER
(For MOLO from Developing Countries) OPERATION:
TRAVEL ORDER No._____

NAME AND RANK: (as it appears on VISA)

1. PURPOSE. Proceed from (**city and country of origin**) to HQ US COMBATANT COMMAND, for the purpose of performing as a Staff Officer in HQ US COMBATANT COMMAND Coalition Planning Group.

2. ITINERARY. Depart (**origin)** on (**date**). Arrive HQ US COMBATANT COMMAND on (**Date**). Depart HQ US COMBATANT COMMAND on (**date**). Arrive (**origin**) on (**date**), Originating commercial air travel arranged by US Embassy. Return Travel arranged by HQ US COMBATANT COMMAND if one way tickets were purchased by US Embassy. First Class or Business Class travel is not authorized. Any deviation in travel arrangements will be at the MOLO's expense. If scheduled tour-length is less than 120 days, travel expense will be paid by country of origin.

3. LODGING. Lodging for the MOLO will be provided by HQ US COMBATANT COMMAND. MOLO will be responsible for damages that exceed normal wear and tear. MOLO will be authorized access to all HQ US COMBATANT COMMAND amenities while assigned, including the Commissary, Exchange, and other retail and recreational facilities**.**

4. PER DIEM. Per diem (M&IE), if applicable, will be paid at the appropriate rate in monthly increments beginning upon arrival.

5. LOCAL AREA TRANSPORTATION. Government supplied vehicles will be provided for **official local area transportation only.** Government supplied transportation is **not authorized for travel while on non-official, or non-local area travel, or while on leave.** Such travel is at MOLO's expense. The MOLO, not the United States Government, is responsible for damages or injuries due to MOLO's negligence and traffic fines imposed for traffic violations. HQ US COMBATANT COMMAND has the right to withdraw vehicle use for negligent operation or misuse. International driver's license is required. Civilians and dependents are not allowed to drive HQ US COMBATANT COMMAND provided vehicles. Vehicles will be limited to one per every four officers from each country.

6. LEGAL ASSISTANCE. Other than those provided for in relevant international agreements, benefits of legal assistance will not be provided to MOLOs. Any legal costs resulting from actions of the MOLO or the MOLO's dependents are the responsibility of the MOLO. Legal infractions can be grounds for returning the MOLOs to their country of origin. If a MOLO is sent home because of legal problems, the cost of that return flight is the responsibility of the MOLO.

7. DEPENDENTS. Dependents are not authorized at government expense. Excess baggage is authorized to a maximum of five (5) checked bags, not to exceed 70 pounds each.

8. MEDICAL CARE. Local installation Military Medical Treatment Facilities (MTFs) may be utilized for routine medical care for the MOLO to the capabilities of the installation MTF. For

purposes of this regulation, routine medical care is defined as primary care which includes general medical office visits for the treatment of symptoms, chronic or acute illness and diseases and follow-up care for an ongoing medical condition. Routine care also includes preventive care measures to help keep an individual healthy. MOLO may also receive emergency or resuscitative care at the installation MTF if those services/capabilities are available.

A. Emergency medical care is defined as a situation that requires immediate intervention to prevent loss of life, limb, sight, or body tissue to prevent undue suffering. Resuscitative care is defined as advanced emergency medical treatment required to prevent immediate loss of life, limb, or eyesight and to attain stabilization.

B. If the level of injury/illness and required treatment exceeds the capability of the on installation MTF, or severity and immediacy of injury/illness requires, MOLOs may, with MTF approval, be referred to an appropriate local civilian medical/dental care facility. If emergent medical/dental care is not otherwise available to the MOLO pursuant to any treaty or other international agreement, treatment will be obtained at an off installation civilian medical/dental care facility.

C. Payment of all costs for off-installation civilian medical/dental care will be the responsibility of the MOLO or the MOLO's country, unless the U.S. Secretary of Defense specifically approves payment of such costs by the HQ US COMBATANT COMMAND.

D**.** Primary care that may be provided to MOLOs includes outpatient services; non-emergency evacuation; pharmaceutical support, dental services and other medical support as determined by appropriate military authorities based on recommendations by the command surgeon and existing capabilities of the installation MTF.

E. A MOLO must be medically screened by both the MOLO's country and the COCOM surgeon to identify any limiting factors. A MOLO must meet the same "world-wide qualified" criteria as U.S. forces before temporary assignment to a COCOM staff.

F. Long-term care, commonly referred to as "custodial care", refers to a variety of services that help a person with comfort, personal, or wellness needs which assists an individual with the activities of daily living, including such things as bathing and dressing.

G**.** Medical and dental care is not authorized and will not be provided to liaison officers' dependents/family.

H**.** The above polices on MOLO and dependent/family medical/dental care remain in effect unless otherwise addressed by a Reciprocal Health Care Agreement or other relevant international agreement.

9- ACCOUNTING DATA: 575340(1. 305 51HQ 1115C3 04 409 ESPY ZA 525700 PSR:C24026 FSR: 075269 Airfare $XXXX.XXX (**EXAMPLE FUND CITATION**)

SIGNATURE BLOCK

MOLO PAY AND ADVANCES

FACSIMILE TRANSMITTAL SHEET

TO: **MILITARY TRAVEL PAY**	FROM: **Combatant Command/RM**
FAX NUMBER:	DATE:
ATTENTION:	TOTAL NO. OF PAGES INCLUDING COVER:
PHONE NUMBER:	SENDER'S PHONE NUMBER:
RE: **PER DIEM ADVANCES**	ATTENTION:

☐ URGENT ☐ FOR ACTION ☐ PLEASE COMMENT ☐ PLEASE REPLY ☐ PLEASE RECYCLE

This document authorizes the following: ☐ **Initial** ☐ **Advance** ☐ **Final per diem** payments to be issued via cash (Initial only) or Direct Deposit for the month of MM YYYY. For advance thirty (30) days Per Diem (food and incidentals only) at 100 percent. Their Direct Deposit forms are on file. Include the amount indicated in the "Fuel" column for government procured vehicle fuel reimbursement and other reimbursable expenses. Vehicles will be limited to one per every four officers from each country.

Special Instructions: Please pay 80 percent of per diem due during initial pay period. Include amount in "fuel" column for government procured vehicle fuel reimbursement and other reimbursable expenses (e.g., oil change).

MOLO	Rank	ID	Fuel
Country 1:			
Military Liaison Officer 1	COL	111-11-1111	$70
Military Liaison Officer 2	MAJ	222-22-2222	
Military Liaison Officer 3	CPT	333-33-333	
Country 2:			
Military Liaison Officer 1	LTC	444-44-4444	$70
Country 3:			
Military Liaison Officer 1	LTC	555-55-5555	$70
Military Liaison Officer 2	LTC	666-66-6666	
Military Liaison Officer 3	CPT	777-77-7777	$70
Military Liaison Officer 4	COL	888-88-8888	

Please ensure payment is made from: 5753400 305 51HQ 11J5CC 04 409 525700 F25700 ESP: 7C FS& 075269 PSR: C24031 (**Example Fund Citation**)

Please schedule a CASH payment (initial only) for **DD/MM/YY** at **HH/MM**

V/R **Command/RM**

APPENDIX B: New Arrival Checklist

NEW ARRIVAL CHECKLIST

_____
DATE

1. Copy of:

a. Invitation Travel Order (ITO). Country:_____

(1) Add SSN to ITO _____

(2) Check fund cite codes _____

(3) Estimate per diem amount _____

b. Security Clearance _____

c. Passport:

(1) Visa _____

(*a*) Expiration date: _____

(*b*) Takes a minimum of 30 days to get Visa revalidated.

(2) I-94 Card _____

(*a*) A-2 status: Military member on orders.

(*b*) DS: Duration of Service, as long as member is on orders, in country, Visa remains valid. If member leaves country will not be readmitted.

f. Airline Ticket: _____

(1) Length of stay: _____

(2) Type of ticket: one-way open end rd trip

g. Direct Deposit Form _____

2. Fax ITO to ALO for certification _____

3. Fax ITO, Direct Deposit Form and initial per diem request info to Military Travel Pay. _____

a. If member arrives prior to the 15th of the month, initial per diem will be for 80% of the remainder of the month. (judgment call)

b. If member arrives after the 15th of the month, initial per diem will be for 80% of the remainder of that month and the following month.

c. 100% for the remaining months.

d. Authorized excess baggage?

5. Update spreadsheet information: _____

a. Name: _____
AS SHOWN ON PASSPORT

b. Rank: _____

c. SSN: _____

d. ITO

e. Arrival / Departure dates

f. Est. per diem

g. Lodging info

h. Assigned vehicle

6. Add to monthly per diem authorization for subsequent months _____
authorized vehicle allowance?

APPENDIX C: Departure Checklist

DEPARTURE CHECKLIST

Date

1. **Notify/reminds HQ, Combatant Command of departure three (3) weeks prior.** _____

2. **HQ, Combatant Command confirm/arrange airline travel .** _____

3. **HQ, Combatant Command, schedules final pay settlement with installation Military Travel Pay.** _____

4. **Three days prior to departure:**

   Pick-up airline ticket _____

   Settle travel pay account _____

5. **Day of Departure**

   Recover and turn-in ID Cards/Security Badges _____

   Terminate I/T network access _____

   Transport MOLO to airport. _____

APPENDIX D: Foreign Country Military Operation Liaison Officer Support

FOREIGN COUNTRY
MILITARY OPERATION LIAISON OFFICER SUPPORT
FY ____ Program and Budget Review Submission or FY ____ President's Budget (as applicable)
Name of Military Operation:
DoD Component and Combatant Command:

General Guidance: A separate exhibit should be prepared for (1) each Military operation, (2) a summary exhibit for each region, and (3) a total exhibit for each Component. Each Component will include in its submission the incremental costs for coalition officer support.
I. Description of Operations Financed: Provide a narrative explanation characterizing the mission of this particular military operation.
II. Force Structure Summary: Identify in tabular form by operation, Combatant Command, the number of military liaison officers, by country, who received administrative service and support during the prior year, current year, and for the budget year(s).

	FY PY Actuals	Budget Request	FY CY Program Changes	FY CY Estimate	FY BY Estimate	FY BY+1 Estimate
1. Name of Operation						
2. Combatant Command						
3. Number of Military Liaison Officers						
4. Country						

III. Financial Summary ($ in Thousands): Report administrative service and support costs below.

A. Military Operation Liaison Officer Support Total

Cost Category	FY PY Actuals	Budget Request	FY CY Program Changes	FY CY Estimate	FY BY Estimate	FY BY+1 Estimate
1. Administrative Services						
a. Office Space						
b. Office Utilities						
c. Copy Services						
d. Fire & Police Protection						
e. Computer Support						
2. Travel, Subsistence, and Medical Care						
a. Meals						
b. Housing and utilities						
c. Rental Vehicles						
d. Medical Care						

FOREIGN COUNTRY
MILITARY OPERATION LIAISON OFFICER SUPPORT (cont'd)

B. Prior Year Reconciliation Summary: FY PY to FY PY Changes

Military Personnel Operation & Maintenance Other
(Specify as Appropriate)
1. Direct Appropriation to Component
2. Change
3. Actual Cost

This exhibit must be submitted in both hard copy and electronic copy (i.e., Microsoft Word).
Note: Actual cost data should reflect MOLO Support data as reported to the Defense Finance and Accounting Service (DFAS)

Table 1: Fiscal Year 2002 through Fiscal Year 2005 Costs by Type of Support Provided to Military Operation Liaison Officers

Types of support	Fiscal year 2002	Fiscal year 2003	Fiscal year 2004	Fiscal year 2005
Administrative support				
Infrastructure improvements	$232,900	$1,405,600		
Trailer leases	490,600	1,000,400		
Furniture	300,000	155,000		
Command, control, communication, computer, intelligence equipment[a]	4,972,698	5,038,779		
Command, control, communication, computer, intelligence support[b]	4,061,366	5,400,000		
Force protection	793,000	956,000		
Utilities	207,000	519,000		
Miscellaneous one-time costs	136,500	0		
Subtotal	$11,194,064	$14,474,779		
Personal expenses				
Travel	$480,000	$1,363,000		
Housing				
Rental vehicles	734,000	1,219,000		
Subtotal	$1,214,000	$2,582,000		
Total	**$12,408,064**	**$17,056,779**		
Number of Trailor Leases				
Number of Rental Vehicles				

[a] Includes items such as computers, local area networks, servers, and audio-visual dissemination systems.

[b] Includes maintenance, technical support, and repair on equipment.

MILITARY OPERATION LIAISON OFFICER SUPPORT

VOLUME 12, CHAPTER 19: "FOOD SERVICE PROGRAM"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue and underlined font*.**

The previous version dated May 2011 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
Entire Chapter	The Chapter is certified as current. No policy changes were made.	Update

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CHAPTER 19

FOOD SERVICE PROGRAM

1901 OVERVIEW

190101. Purpose

This chapter prescribes financial management policy and procedures for the Department of Defense (DoD) Food Service Program.

190102. General

A. ***Title 37, United States Code (U.S.C.), section 1011***, generally requires the Department to collect the full cost of meals eaten in an appropriated facility. The provisions of this chapter shall be used to determine specific meal charges for all classes of diners, to include individuals, groups and units.

B. This chapter also prescribes that the Under Secretary of Defense (Comptroller) (USD(C)) annually shall establish rates for the meals to be consumed at appropriated dining facilities. ***See Tab G – "Food Service Charges at Appropriated Fund Dining Facilities and the Military Academies."***

C. The format and reporting requirements for the "DoD Food Service Operating Expense Report" are contained in *DoD Financial Management Regulation*, Volume 11A, "Reimbursable Operations, Policy and Procedures," Chapter 6, "Annual Reimbursable Rates," Appendix F.

190103. Applicability

This chapter is applicable to all DoD activities and shall be used DoD-wide. The Office of the USD(C) is responsible for the financial management policies herein. The Defense Finance and Accounting Service is responsible for applicable procedures necessary to assist the DoD Components in implementing these policies. The financial management policies and procedures herein shall not be supplemented by DoD Component issuances without the prior written approval of the USD(C).

1902 REIMBURSABLE MEAL AND MEAL SERVICE (OPERATING) CHARGES

190201. Meal Rates

The provisions of this chapter shall be used to determine use of the DoD discount meal rate (the cost of the food only) or the DoD standard meal rate (the cost of both the food and the non-training/readiness food service operating expenses).

190202. Meal Services Available

There are two types of meal service available to personnel authorized to use an appropriated dining facility on a reimbursable basis--traditional and a la carte.

A. Traditional Meal Service. Under the traditional meal service system, diners shall pay either the DoD standard meal rate or the DoD discount meal rate (as prescribed by section 1903), without regard to the menu items taken.

B. A la carte Meal Service. Under the a la carte meal service system, diners shall pay either the DoD standard meal rate or the DoD discount meal rate (as prescribed by section 1903), for the food items selected.

1. The Military Departments shall ensure that a consistent and fair a la carte pricing policy is applied uniformly and consistent with guidance provided by the USD(C).

2. Generally, each food item shall be priced at actual cost (or rounded to the nearest five cents). However, price averaging of certain salads, vegetables, and other food categories is authorized (e.g., a salad bar with different types of salads or vegetables).

3. When the cost of food changes, the a la carte items shall be repriced accordingly.

190203. Rates Determination

Rates prescribed herein are applicable to meals furnished by a Military Department to military active duty personnel, Reserve personnel who are paid from Reserve or National Guard appropriations, federal civilian employees, military retirees, dependents of military personnel, and any other authorized diners.

190204. Authority for Standard Meal Rate

Title 37, U.S.C., section 1011, generally requires the Department to charge the standard meal rate for meals eaten in an appropriated facility. However, there are some exceptions as indicated in section 1903.

1903 MEAL CHARGES

Reimbursement charges for persons authorized to eat in an appropriated dining facility vary depending on the status of each person. The five major categories of personnel are officers, enlisted personnel, military dependents, Federal civilian employees and others.

190301. Officers

A. Charge Required. DoD military officers are not authorized to eat in appropriated dining facilities without charge.

B. Discount Meal Rate. Officers, when not receiving the meal portion of per diem, shall be charged the discount meal rate when they are:

1. Performing duty on a U.S. Government vessel,

2. On field duty,

3. In a group travel status,

4. Included in essential unit messing (EUM) as defined in the ***Joint Federal Travel Regulations (JFTR), Volume 1***,

5. On a U.S. Government aircraft on official duty either as a passenger or as a crew member engaged in flight operations, or

6. On Joint Task Force (JTF) operations other than training at temporary U.S. installations, or using temporary appropriated dining facilities.

C. Standard Meal Rate. Officers shall be charged the standard meal rate when in any status other than that set forth in subparagraph 190301.B.

190302. Enlisted Personnel

A. Conditions for Charge. Enlisted personnel may eat in an appropriated dining facility without charge when not receiving either an allowance for subsistence or the meal portion of per diem. Enlisted personnel entitled to meals at government expense shall be furnished such meals on a nonreimbursable basis without regard to unit or DoD Component affiliation. Reimbursement between the Military Departments for such meals is not authorized for active duty personnel and members of the Reserve Components.

B. Discount Meal Rate. Enlisted personnel when not receiving the meal portion of per diem, shall be charged the discount meal rate when they are:

1. On a U.S. Government aircraft on official duty either as a passenger or as a crew member engaged in flight operations, or

2. On JTF operations other than training at temporary U.S. installations or using temporary appropriated dining facilities.

Note: Enlisted members are not entitled to the meal portion of per diem, nor a monetary allowance for subsistence, when on field duty, sea duty, group travel, or essential unit messing. Therefore, meals should be furnished at no cost to those enlisted members and, as a result, there is no reimbursable rate for enlisted members when on field duty, sea duty, group travel, or essential unit messing. (Title 37 U.S.C., sections ***402*** and ***474***, and ***Executive Order 11157***)

C. Standard Meal Rate. Enlisted personnel shall be charged the standard meal rate when they are receiving the meal portion of per diem or when they are receiving an allowance for subsistence.

190303. Military Dependents

A. Charge Required. Military dependents are not authorized to eat in appropriated dining facilities without charge.

B. Discount Meal Rate. Military dependents shall be charged the discount meal rate when they are dependents of enlisted members in pay grades E-1 through E-4.

C. Standard Meal Rate. All military dependents, other than military dependents of enlisted members in pay grades E-1 through E-4, shall be charged the standard meal rate.

190304. Federal Civilian Employees

A. Charge Required. Federal civilian employees are not authorized to eat in appropriated dining facilities without charge.

B. Discount Meal Rate. Federal civilian employees, not receiving the meal portion of per diem, shall be charged the discount meal rate when they are:

1. Performing duty on a U.S. Government vessel,

2. On field duty,

3. In a group travel status,

4. Included in EUM as defined in the ***JFTR, Volume 1***,

5. On a U.S. Government aircraft on official duty either as a passenger or as a crew member engaged in flight operations, or

6. On JTF operations other than training at temporary U.S. installations, or using temporary appropriated dining facilities.

C. Standard Meal Rate. Federal civilian employees shall be charged the standard meal rate when in any status other than those set forth in subparagraph 190304.B.

190305. Members of Youth Groups

This category consists of members of organized nonprofit youth groups sponsored at the national or local level and ad hoc groups of youths. The distinction between the two groups is that an organized youth group has continuity over time and a structure (such as officers, advisors, organization rules); while an ad hoc group does not. For example: A local high school Key Club, which may be sponsored by the Kiwanis Club, would qualify as an organized nonprofit youth group. On the other hand, if the children of a local Kiwanis Club's members visited an installation, they would be considered to be an ad hoc group because they are not a formally organized and structured youth group.

A. Charge Required. These individuals are not authorized to eat in appropriated dining facilities without charge.

B. Discount Meal Rate. Members of an organized nonprofit youth group sponsored at either the national or local level shall be charged the discount meal rate, when extended the privilege of visiting a military installation, or when residing at a military installation and permitted to eat in the general mess by the commanding officer of the installation (***Title 37, U.S.C., section 1011(b)***).

C. Standard Meal Rate. All other youth group individuals (members of ad hoc youth groups) shall be charged the standard meal rate.

190306. Others

This category includes: (1) military retirees and their dependents, (2) government contractors in overseas contingency operations, (in accordance with the ***Defense Federal Acquisition Regulation, Procedure, Guidance, and Information 225.7401***) and (3) all other individuals not included in paragraphs 190301 through 190305.

A. Charge Required. These individuals are not authorized to eat in appropriated dining facilities without charge.

B. Standard Meal Rate. These (all other) individuals shall be charged the standard meal rate.

1904 GENERAL PROVISIONS

190401. Personnel, Other Than Enlisted Personnel

Personnel, other than enlisted personnel, may receive a meal from an appropriated dining facility, provided no increase in direct resources results from feeding such personnel and appropriate meal charges are collected consistent with paragraph 190305.

190402. Commanding Officer Responsibility

The commanding officer of the DoD installation, at which an appropriated dining facility is located, is responsible for assuring that meals are provided only to authorized personnel within the capabilities and availability of existing appropriated dining facilities.

190403. Temporary Duty Orders

Temporary duty orders shall indicate the food allowance/per diem status of travelers to assist in determining the appropriate meal charge to be assessed.

190404. Service Academies

Service academies (i.e., Army, Navy, and Air Force) are to use the food service charges at the military academies published annually by the USD(C). See Chapter 20.

190405. Civilian and Military Personnel of a Foreign Government

Civilian and military personnel of a foreign government shall be furnished meals in accordance with specific arrangements made between the U.S. Government and the foreign government. Charges for food costs and related food service operating expenses shall be made on the same basis as they would be for U.S. Government personnel of equal rank.

1905 DISPOSITION OF FUNDS

190501. Overview

Each Military Service shall budget and account for all meals furnished by its appropriated fund activities.

190502. Recording Policy

Program obligations and expenditures, as well as revenues and food service operating expenses, shall be recorded, accumulated, and controlled in accordance with Volume 11A, Chapter 1, "General Reimbursement Procedures and Supporting Documentation."

190503. Collections

A. Except when deductions from pay are authorized and have been provided for, or prior arrangements for payment have been established with an official of an authorized group, diners shall pay for a meal in cash prior to the meal being served. In any event, all meal charges must be determined and posted not later than the last day of the month incurred with payment being made not later than the 15th of the following month.

B. Any losses that might be incurred from uncollectible accounts must be absorbed by the subsistence account funding the facility.

190504. Discounted and Standard Meal Rate Distribution

Collections shall be distributed as follows:

A. Discount Meal Rate. Collections received from patrons paying the discount meal rate (food costs only) shall be credited to the applicable financing subsistence account of the Military Service.

B. Standard Meal Rate. Collections received from patrons paying the standard meal rate shall be credited to the financing appropriation(s). The food cost portion shall be credited to the subsistence account and the operating expense portion (difference between discount and standard meal rates) to the operations and maintenance or other financing account(s).

1906 ACCOUNTING FOR FOOD ALLOWANCES

190601. Information Requirements

A. Information requirements have been established to ensure that data are maintained and that information is reported for use in determining and administering food allowances. These requirements prescribe procedures for counting meals furnished to personnel in appropriated dining facilities under the daily food allowance and authorized reimbursable programs. They are designed to assist in monitoring food costs and allowances and making the accumulation of data more consistent throughout the Department under the Food Service Program established by ***DoD 1338.10-M***, "Manual for the Department of Defense Food Service."

B. The recording and reporting of obligations/expenditures against the daily food allowance portion of the operations and maintenance appropriations are as set forth in Volume 2, "Budget Formulation," and Volume 3, "Budget Execution."

C. The data reported must support budget requests based on furnishing meals to entitled enlisted personnel by each Military Service, after consideration of the absentee rate, without regard to the member's parent Military Service.

190602. Counting the Number of Persons' Furnished Meals

A. Except for mass feeding situations as set forth in subparagraphs 190602.B.1 and B.2, all personnel authorized to eat in appropriated dining facilities shall identify themselves with a meal card, DoD Common Access card, or travel orders issued by a DoD Component before receiving a meal from an appropriated dining facility. Enlisted personnel on BAS or receiving the meal portion of per diem, as well as all officers, civilian employees, official visitors, dependents, and guests authorized to eat on a reimbursable basis, shall be required to identify themselves as to the category of entitlement (authorized to eat on a reimbursable basis) and status (per diem or non-per diem) and reimburse DoD at the appropriate meal rate before receiving a meal from an appropriated dining facility.

B. The following procedures shall be used to account for meals served to authorized subsistence-in-kind entitled or cross Service reimbursable personnel.

1. Each appropriated dining facility shall maintain usage data in an electronic management information system or other log in which each diner's unit of assignment and identification, travel order number, or other authorizing document are recorded. The applicable identification number may include, for example, the diner's meal card or social security number. When reimbursement is required, the rate category shall be recorded in the log. A person independent of the appropriated dining facility operation shall complete the log. When mass feeding within a specified time period is required, such as at recruit (basic) training centers and special schools, a single person responsible for the group may certify the entitlement classification and/or the reimbursement rate for all diners in the group.

a. Record of daily usage shall be used by the appropriated dining facility in preparing necessary reports.

b. The meal card control officer or the personnel manager of the installation shall use the usage records to conduct local management reviews and perform periodic tests of meal card usage, entitlement and reimbursement rates. The responsible official shall retain all records and test results in accordance with approved disposition schedules.

2. As an alternative to the procedures in subparagraphs 190602.A and B, each diner shall sign an appropriate signature record, including authorization category, for each meal received. These records shall be reviewed at the local command level and retained until verified independently against the reports submitted for the appropriated dining facility.

3. Installation commanders are authorized to impose more stringent requirements at their discretion.

4. DoD Common Access Card, other SMART card technology, or other headcount procedures approved by the Secretary of a Military Department may be utilized for diner identification/authorization, as long as the integrity of the count is maintained.

C. The total count of each meal shall be classified and recorded by the diner's category of entitlement and by type of food allowance, i.e., basic daily food allowance (BDFA), special food allowance, and supplemental food allowance.

D. During combat or other operational conditions (e.g., mass troop movements, maneuvers or field exercises when actually subsisted under field conditions, forces afloat, and emergency conditions resulting from catastrophes or civil disorders), when maintenance of a meal log or signature record is not practicable, an internal control system shall be established to maintain the integrity of the headcount.

E. Each appropriated dining facility shall number, serially, the daily log forms and signature records, which shall include the following minimum requirements:

1. Identification of the appropriated dining facility and date.

2. Identification of the number of meals.

3. Signatures of the person maintaining the log, and of the officer in charge.

4. Diner's unit of assignment, identification number, or travel order number or other authorizing document identification, and category of entitlement which authorizes the diner to eat on a reimbursable basis.

5. Diner's signature and rank or grade.

190603. Meal Conversion

Meals served (counted) shall be converted to an equivalent meal-days fed for the Annual Reimbursable Rate, "Food Service" report, Volume 11A, Chapter 6, Appendix F, by multiplying the meals served by the following factors:

Meal	Factor	
Breakfast	.20	
Brunch	.45	
Lunch	.40	
Dinner	.40	
Supper	.55	
Night Meal	.20 or .40	(depending on whether a breakfast or dinner menu is served)
Holiday	.65	(.40 lunch plus .25 percent of BDFA)
Snack	.25	

NOTE: These factors represent the estimated portion of the BDFA for each service member for each type of meal. The factors are used to allocate the estimated total food costs to the types of meals served. ***See DoD 1338.10-M***, "Manual for the Department of Defense Food Service," paragraph C7.4.3.

1907 FOOD SERVICE OPERATING EXPENSE REPORTING REQUIREMENTS

The USD(C) Program and Budget Office establishes meal rates annually for personnel authorized meals on a reimbursable basis. An annual expense report, entitled "DoD Food Service Operating Expense Report," must be completed by each of the Military Services. The format and guidance for this report are contained in Volume 11A, Chapter 6, Appendix F.

VOLUME 12, CHAPTER 20: "MILITARY ACADEMY DINING HALL OPERATIONS"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue and underlined font*.**

The previous version dated April 2011 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
Entire Chapter	The Chapter is certified as current. No policy changes were made.	Update

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CHAPTER 20

MILITARY ACADEMY DINING HALL OPERATIONS

2001 OVERVIEW

200101. Purpose

This chapter establishes the policy for funding the operation of cadet and midshipmen dining halls at the Military Academies and prescribes associated reporting requirements.

200102. Authority

Cadets and midshipmen are authorized an allowance in lieu of subsistence furnished in kind by ***Title 37, United States Code, section 422***.

2002 POLICY AND PROCEDURES

200201. Responsibilities

Each Military Department operates an Academy dining hall to provide complete food service support to the cadets or midshipmen as an integral part of the activities of its Academy.

200202. Subsistence Allowance Amount

The amount of the subsistence allowance for cadets and midshipmen is prescribed by the Secretary of Defense. The amount so prescribed will be allocated by the Military Departments from the current Military Personnel Appropriation to a nonappropriated fund at each Academy based on the number of cadets and midshipmen present for training. Each such nonappropriated fund will be used to procure the food and food products necessary to provide subsistence for the cadets and midshipmen. The nonappropriated fund shall not be used for any purpose other than subsistence procurement; all other charges associated with dining service shall be charged against appropriated funds.

200203. Authorization Determination

The Superintendent of each Academy is authorized to determine who may be authorized to eat in the Academy dining hall and the regulations incident thereto within guidelines issued by the Secretary of the cognizant Military Department. Charges for meals furnished to other than cadets and midshipmen will be established by the Under Secretary of Defense (Comptroller) (USD(C)) and the reimbursable rate for "Food Service" issued annually. All collections for food costs shall be deposited into the nonappropriated fund. The charge for operating expenses will be collected and deposited under the same rules that are applicable to appropriated fund food service activities as prescribed by Chapter 19 sections 1905 and 1906.

200204. Subsistence Allowance – Leave Status

The subsistence allowance that is not earned for any cadet or midshipman on leave or otherwise away from the Academy, and not subsisted at Government expense, will be credited to his or her pay account.

200205. Subsistence Allowance – Temporary Duty Status

The subsistence allowance that is not earned for any cadet or midshipman on temporary duty, and subsistence-in-kind that is furnished at the temporary duty location, will not be collected by the nonappropriated fund.

2003 RESPONSIBILITIES

200301. Internal Control and Procurement

Under overall policy supervision by the Secretary of the cognizant Military Department, the Superintendent of each Academy shall be responsible for:

A. Assuring the efficient and effective management of the Academy dining hall and its nonappropriated fund for the purchase of subsistence items. In connection with this responsibility the Superintendent shall install an accrual accounting system that permits an objective, constructive evaluation of the dining hall operation.

B. Assuring that the procurement procedures maintain the same degree of integrity as those procurement actions taken in accordance with the Federal Acquisition Regulation (FAR). In the event any question arises regarding the proper procurement procedure, the FAR will be used as a guide.

200302. Reporting Requirements

An annual report on meal operating expenses in the Military Academy Dining Halls should be submitted in accordance with the guidance contained in Volume 11A, "Reimbursable Operations, Policy and Procedures," Chapter 6, "Annual Reimbursable Rates," Appendix F.

2004 ANNUAL REIMBURSABLE RATES

The annual reimbursable rates for Military Academy Dining Halls are located on the public website of the Under Secretary of Defense (Comptroller), ***http://comptroller.defense.gov/rates/fy2011/2011_q.pdf***, at "Tab G."

VOLUME 12, CHAPTER 21: "ACCOUNTING FOR DEFENSE HEALTH PROGRAM RESOURCES"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue and underlined font*.**

The previous version dated June 2011 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
Title	Deleted the word "MILITARY" from the main title. The new title properly reflects the scope of the chapter.	Revision
All	Updated hyperlinks as necessary.	Revision
210201	Updated additional activities receiving direct funding from DHP.	Revision
210202.C	Updated where in DHA to forward monthly "FLASH" reports.	Revision
210202.G	Added paragraph to ensure compliance with the Standard Financial Information Structure (SFIS).	Addition

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CHAPTER 21

ACCOUNTING FOR DEFENSE HEALTH PROGRAM RESOURCES

2101 GENERAL

210101. Purpose

This chapter prescribes the financial management policies and procedures necessary to account for the Defense Health Program (DHP) resources.

210102. Overview

A. The annual DHP appropriation funds all elements of the DHP, including annual Operations and Maintenance, multi-year Research, Development, Test and Evaluation, and multi-year Procurement. The applicable Treasury Account Fund Symbol is 97X0130.

B. Department of Defense (DoD) Components execute the DHP through direct allotment to performing installations/activities for all DHP costs, except for military medical personnel costs paid centrally from the applicable Military Personnel appropriation.

C. Civilian medical personnel end strength and full-time equivalents are retained by the applicable DoD Components. Effective October 1, 2009, each DoD installation/activity must direct cite its own DHP operating account for pay of medical civilian personnel.

D. DoD policy applicable to budget formulation and congressional justification (including presentation formats) for the DHP is found in Volume 2B, Chapter 12, section 1204, "Defense Health Program."

2102 RESPONSIBILITIES

The DHP appropriation is allocated to performing DoD Components for execution as follows:

*210201. Office of the Assistant Secretary of Defense (Health Affairs)

The Office of the Assistant Secretary of Defense (Health Affairs) allocates total obligation authority to the headquarters level of each DoD Component Medical Command to fund the DHP at respective installations/activities. The following activities are also funded on a direct basis from the Defense Health Program appropriations:

A. Defense Health Agency (DHA), Comptroller;

B. Uniformed Services University of the Health Sciences;

C. Defense Health Agency (DHA), Contract Resource Management (CRM); and

D. National Capital Region – Medical Directorate.

*210202. Head of Performing DoD Component

The Head of each performing DoD Component, or designee must:

A. Provide DHP allotments to performing installations/activities within that Component.

B. Receive installation/activity level monthly execution reports and summarize those reports for submission to each Defense Finance and Accounting Service (DFAS) site. Each DFAS site shall submit their data to DFAS-Indianapolis (DFAS-IN), Other Defense Organizations, Audited Financial Statements and Budget Execution Division for consolidation.

* C. Provide a summarized monthly 'FLASH' execution report to DHA, Business Support Directorate; Program, Budget and Execution Division. Monthly DHP civilian end strength and full-time equivalent utilization data must be entered into the Defense Health Agency's online Manpower Execution Module.

D. Ensure adequate funding in the DHP operating appropriation for medical civilian personnel payroll costs.

E. Maintain full responsibility for the operation and execution of appropriate Centrally Managed Allotments (CMA) or open allotments to provide for emergency care of active duty military personnel and must fund the CMAs from the DHP authority made available to them.

F. Require Military Treatment Facilities to establish and maintain programs for reimbursable operations consisting of the Third-Party Collections program, Medical Services Accounts program, and Medical Affirmative Claims programs to collect the reasonable charges for medical services provided to Uniform Services beneficiaries and non-beneficiaries. Programs will be established per ***DoD 6010.15-M***, "Military Treatment Facility Uniform Business Office Manual."

* G. Ensure Service Medical Components are in compliance with the Standard Financial Information Structure (SFIS) as the common business language that enables budgeting, performance-based management and the generation of financial statements in accordance with Volume 1, Chapter 4. SFIS is a comprehensive data structure that supports budgeting, financial accounting, cost/performance, and external reporting needs across the Department of Defense.

*****210203. Performing Installation/Activity

The performing installation/activity must:

A. Direct cite the DHP allotment received from its Component headquarters to fund all transactions in support of the DHP.

B. Continue to provide personnel and other support for the DHP.

C. Maintain monthly and year-to-date DHP civilian end strength and full-time equivalent utilization data and transmit such data to the Component headquarters and DFAS-IN Departmental Reports, Budget Execution and Financial Statement Division, as appropriate, in conjunction with monthly execution reports.

D. Maintain detailed accounting records and data integrity, including the capability to provide data, in accordance with the requirements detailed in ***DoD 6010.13-M***, "Medical Expense and Performance Reporting System for Fixed Military Medical and Dental Treatment Facilities Manual."

***** E. Ensure the Budget Activity Group (BAG) and corresponding Program Element (PE) structure, unique to the DHP, is maintained within accounting systems. The Budget Activity Group and PE structure for the Defense Health Program Budget Activity 1, Operations & Maintenance, is provided at Appendix A to this chapter. The PE definitions are included in the ***FYDP Structure Handbook*, Appendix E** which is maintained by the Office of Cost Assessment and Program Evaluation.

VOLUME 12, CHAPTER 21 APPENDIX A: "DHP BUDGET ACTIVITY 1, OPERATION AND MAINTENANCE, BUDGET ACTIVITY GROUPS (BAG) AND CORRESPONDING PROGRAM ELEMENT (PE) STRUCTURE

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by *bold, italic, blue, and underlined font*.

The previous version dated June 2015 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated to add new Program Elements	Revision

*Appendix A

DHP Budget Activity 1, Operation and Maintenance, Budget Activity Groups (BAG) and Corresponding Program Element (PE) Structure

BAG	BAG Title	Program Element	Description
1	In-house Care	0807700	Defense Medical Centers, Hospitals and Medical Clinics – CONUS
		0807900	Defense Medical Centers, Hospitals and Medical Clinics – OCONUS
		0807701	Pharmaceuticals – CONUS
		0807901	Pharmaceuticals – OCONUS
		0807715	Dental Care Activities – CONUS
		0807915	Dental Care Activities – OCONUS
2	Private Sector Care	0807702	Pharmaceuticals – Purchased Health Care
		0807703	Pharmaceuticals – National Retail Pharmacy
		0807723	TRICARE Managed Care support Contracts
		0807738	MTF enrollees – Purchased Care
		0807741	Dental – Purchased Care
		0807742	Uniformed Services Family Health Program
		0807743	Supplemental Care – Health Care
		0807745	Supplemental Care - Dental
		0807747	Continuing Health Education/ Capitalization of Assets Program
		0807749	Overseas Purchased Health Care
		0807751	Miscellaneous Purchased Health Care
		0807752	Miscellaneous Support Activities
3	Consolidated Health Support	0801720	Examining Activities
		0807714	Other Health Activities
		0807705	Military Public/Occupational Health
		0807760	Veterinary Services
		0807724	Military Unique Requirements – Other Medical
		0807725	Aeromedical Evacuation System
		0807730	Service Support to Other Health Activities - TRANSCOM
		0807785	Armed Forces Institute of Pathology
		0807786	Joint Pathology Center
		0903300	Support to FACA Advisory Board Activities

BAG	BAG Title	Program Element	Description
4	*Information Management/ Information Technology (IM/IT)	0807744	Theater Medical Information Program – Joint (TMIP-J)
		0807746	Joint Operational Medicine Information System (JOMIS)
		0807781	Non-Central IM/IT
		0807783	DHP IM/IT
		0807793	MHS Tri-Service IM/IT (Central)
		0807784	Information Technology Development - Integrated Electronic Health Record
		0807787	Information Technology Deployment and Sustainment-DoD Healthcare Management System Modernization
		0807788	DoD Medical Information Exchange and Interoperability
5	Management Activities	0807798	Management Activities (Components)
		0807704	Defense Health Agency
		0807709	TRICARE Management Activity
6	Education and Training	0806722	Armed Forces Health Professions Scholarship Program
		0806721	Uniformed Services University of the Health Sciences
		0806761	Other Education and Training
7	Base Operations/ Communications	0806276	Facilities Restoration and Modernization (RM) – CONUS
		0806376	Facilities RM – OCONUS
		0806278	Facilities Sustainment – CONUS
		0806378	Facilities Sustainment – OCONUS
		0807779	Facilities Operations, Health Care – CONUS
		0807979	Facilities Operations, Health Care – OCONUS
		0807795	Base Communications – CONUS
		0807995	Base Communications – OCONUS
		0807796	Base Operations – CONUS
		0807996	Base Operations – OCONUS
		0807753	Environmental Conservation
		0807754	Pollution Prevention
		0807756	Environmental Compliance
		0807790	Visual Information Systems
		0808093	Demolition/Disposal of Excess Facilities

VOLUME 12, CHAPTER 23: "CONTINGENCY OPERATIONS"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font*.**

The previous version dated September 2007 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Reworded and reformatted chapter for clarity. Revised references and added electronic links.	Revision
231002	Added reference to Budgeting for Contingency Operations.	Revision
230206	Removes reference to USD(C) memorandum, April 20, 1992, "Disaster Relief Funds" (hereby rescinded) and adds reference to DoD Directive 5100.46, Foreign Disaster Relief, dated July 6, 2012.	Revision
230210	Added reference for War-Related Reporting Requirements	Addition
230211	Added reference to Report Incremental Contingency Operations costs on a Monthly Basis	Addition
230212	Added reference to the OMB memorandum on "Criteria for War/Overseas Contingency Operations Funding requests"	Addition
230307	Reworded and reformatted chapter for clarity.	Revision
230308	Added paragraph to explain the Office of the Military Advisor role in processing United Nations requests.	Addition
230406	Added explanation on cost categories and the cost breakdown structure, inserts hyperlink to Overseas Contingency Operations Guidance, and reassigns the Costs Categories Table (23-1) to Annex 4.	Revision
230409	Added paragraph on using the Contingency Operation Support Tool (COST) for developing estimates for an operation.	Addition
230701	Added guidance on the assignment of Special Program Codes.	Addition
230902.M	Reworded and reformatted chapter for clarity.	Revision
230904.B	Added guidance on cost reporting and standard operating procedure documentation.	Addition

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
230905	Added guidance for using the Program Resource Collection Process (PRCP) to request funding for Overseas Contingency Operations requirements.	Addition
231202	Reassigned Annex 2 to Annex 3.	Revision
2315	Added section to address budget justification and reporting requirements for Overseas Contingency Operations Transfer Fund (OCOTF) and Base Funded Overseas Contingency Operations.	Addition
231501	Added paragraph to explain purpose of the OCOTF.	Addition
231501	Added paragraph to address budget justification process for base funded contingency operations.	Addition
2316	Added section to address Foreign Disaster Relief (FDR) Funded by Overseas Humanitarian, Disaster, and Civic Aid (OHDACA)	Addition
231601	Added purpose/practicability for the program	Addition
231602	Added financial oversight responsibilities for Contingency Operations	Addition
231603	Added guidance for funding OHDACA	Addition
Annex 1	Added Standard Data Reporting Format	Revision
Annex 2	Added Disaster Relief and Humanitarian Assistance Reporting Format	Addition
Annex 3	Reassigned Annex 2 to Annex 3	Revision
Annex 4	Reassigned Table 23-1 to Annex 4 - Cost Breakdown Structure Listing and Definitions	Addition

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CHAPTER 23

CONTINGENCY OPERATIONS

2301 PURPOSE

230101. General

This chapter promulgates financial policy and procedures for small, medium and large-scale campaign level military contingency operations related to the Department of Defense (DoD). These might include, but are not limited to, support for peacekeeping operations, foreign disaster relief (FDR) efforts, and noncombatant evacuation operations (NEO). Note that the term "contingency operation," as used in this chapter, is more encompassing than the specific definition contained in Title 10, United States Code, section 101(a), paragraph 13. Explicitly excluded from this chapter are peacetime civil emergencies occurring within the United States, the guidance for which is included in DoD Directive 3025.18, "Defense Support of Civil Authorities (DSCA)." Also excluded from this chapter are steady-state DoD humanitarian assistance activities.

230102. Budgeting for Contingency Operations

DoD Components normally do not budget for contingency operations as discussed in this chapter. Therefore, DoD Components must accomplish directed contingency operations using funds available to the cognizant command or unit, independent of the receipt of specific funds for the operation. The authority for DoD Components to expend available funds is issued by the Secretary of Defense. Since the Fiscal Year 2010 President's Budget, estimates for the Global War on Terror and Overseas Contingency Operations are included with the submission of the President's Budget.

230103. An Execute Order from the Secretary of Defense

An execute order from the Secretary of Defense is both the authority for the commander of a combatant command to initiate military operations and the authority for DoD Components to expend available funds to carry out the order. Planning orders and alert orders from the Chairman, of the Joint Chiefs of Staff (CJCS) constitute authority for a commander of a combatant command to expend funds available to that commander of a combatant command and authority to direct a military component to expend funds available to that component for forces assigned to the commander of a combatant command. Refer to Joint Publication 5-0, Joint Operation Planning, for information on joint operation order types.

230104. DoD Policy Requirements

DoD policy requires that controls, accounting systems, and procedures provide, in financial records, proper identification and recording of costs incurred in supporting contingency operations. For such operations, data must be collected and records maintained to support bill development and the distribution of reimbursements to the applicable organizations.

230105. Emergency Supplemental Funding

This chapter does not address wartime activities or the unique circumstances that require U.S. military forces to be placed on a wartime footing. Those situations may result in activities and costs that are not covered specifically by this chapter, but would, nonetheless, require emergency supplemental funding. Such activities will be addressed separately, on an exception basis, from the activities addressed in this chapter. Such exceptions may, for example, include purchase of munitions, replacement of major items of equipment, and repair of facilities or other infrastructure.

230106. Elimination of Potential Duplicative Efforts

DoD officials having responsibility for reviewing and approving purchases for which the source of funding is derived from a transfer account like the Overseas Contingency Operations Transfer Fund (OCOTF) shall, to the greatest extent possible, review transactions to: (1) eliminate the potential for duplicating the procurement of goods and services, and (2) ensure that contractors are reimbursed for only those services and goods provided to the government.

230107 Allowable Contingency Operations Cost

The funding derived from a contingency transfer account is available only for those incremental costs incurred in direct support of a contingency operation. As such, funds that are transferred into a Component's baseline appropriation are not to be used to finance activities and programs that are not directly related to the incremental cost of the contingency. In addition, the funds transferred to a Component's appropriation are not to be used to procure durable and expendable items in excess of what is required. Furthermore, those durable items procured with transferred funds are to be retained in support of the contingency even after the Component/unit has completed its tour of duty to support the contingency. Those durable items in the inventory, such as office equipment and expendable supplies that have not been consumed, should be made available to Components/units that are replacing the Component/unit that is departing the contingency operation area.

230108 Fiduciary Responsibility

It is vital for civilian and military personnel authorized to obligate and expend funds in support of a contingency operation, using resources derived from the transfer of funds from a centrally funded transfer account (e.g., OCOTF), to employ a fiduciary approach to ensure that the funds are used in a prudent manner. Contingency funds are not to be used for purchases that are improper or are in excess of government requirements or which might bring embarrassment to the U.S. Government. Furthermore, special attention must be given by the Components' approving officials when the government purchase card is used for purchases to be funded with funds derived from a contingency operations transfer account. Approving officials are responsible for reviewing and reconciling cardholders' statements and for verifying that all transactions were necessary government purchases made in accordance with the Federal Acquisition Regulation and all other government policies and procedures. (See Volume 10, Chapter 12, of this Regulation for more information.)

2302 REFERENCES

The following references document the authority and procedures under which contingency operations have been executed. The memoranda listed in paragraphs 230204, 230205, and 230206, issued to provide interim guidance for financial management of contingency operations, are superseded by the policies and procedures provided by this chapter.

230201. Waiver of Requirement to Reimburse Support Units

Secretary of Defense Memorandum, July 22, 1996, "Waiver of Requirement to Reimburse Support Units."

230202. Guidance on Contingency Operations and on Contributions for Defense Programs, Projects, and Activities

Under Secretary of Defense (Comptroller) (USD(C)) memorandum, February 8, 1995, "Guidance on Contingency Operations and on Contributions for Defense Programs, Projects, and Activities."

230203. Billing Procedures for U.S. Efforts Supporting Applicable United Nations (UN) Peacekeeping Efforts

USD(C) memorandum, March 29, 1994, "Billing Procedures for U.S. Efforts Supporting Applicable United Nations (UN) Peacekeeping Efforts."

230204. Cost Reporting Requirements and Applicable Billing Procedures for Support to UN Peacekeeping Operations in FY 1994

USD(C) memorandum, March 9, 1994, "Cost Reporting Requirements and Applicable Billing Procedures for Support to UN Peacekeeping Operations in FY 1994."

230205. Reimbursement of Defense Business Operations Fund Activities for Contingency Operations and Humanitarian Efforts

USD(C) memorandum, July 28, 1994, "Reimbursement of Defense Business Operations Fund Activities for Contingency Operations and Humanitarian Efforts."

*230206. Foreign Disaster Relief

Department of Defense Directive 5100.46, "Foreign Disaster Relief," dated July 6, 2012.

230207. Foreign Assistance Act, section 506, Special Authority

230208. Foreign Assistance Act, section 607, Furnishing of Services and Commodities

230209. Foreign Assistance Act, section 632, Allocation and Reimbursement Among Agencies

*230210. War-Related Reporting Requirements

National Defense Authorization Act (NDAA) for Fiscal Year 2006, Public Law 109-163, Section 1221, as amended.

*230211. Report Incremental Contingency Operations Costs on a Monthly Basis

Department of Defense Appropriations Act, 2016, Public Law 114-113, Section 8093.

*230212. Criteria for War/Overseas Contingency Operations Funding Requests

Office of Management and Budget memorandum, dated September 9, 2010, "Criteria for War/Overseas Contingency Operations Funding Requests."

2303 RESPONSIBILITIES

230301. Under Secretary of Defense for Policy (USD(P))

USD(P) has policy and management responsibility, through subordinate activities, for peace operations, and foreign disaster relief operations. For these operations, the USD(P) is responsible for accepting requests for assistance from organizations external to the Department and transmitting cost and availability data to those organizations. In coordination with the USD(C), the USD(P) determines financial responsibility for all contingency operations.

230302. Under Secretary of Defense (Comptroller) (USD(C))

USD(C) is responsible for overall financial policy for contingency operations and works with the USD(P) to determine the most responsive method of financing for contingency operations. In addition, USD(C) is responsible for pursuing prompt reimbursement to the Department from UN and other multinational organizations, other nations, and U.S. agencies for support which the Department has rendered. Additionally, USD(C) will issue guidance, as required, that provides the UN rates for reimbursements.

230303. Under Secretary of Defense for Personnel and Readiness (USD(P&R))

USD(P&R) is the NEO coordinator on behalf of the Secretary of Defense. In that capacity, the USD(P&R) ensures that existing policy and procedures for NEO remain current, including the memorandum of understanding with the Department of State in accordance with DoD Directive 3025.14, "Evacuation of U.S. Citizens and Designated Aliens from Threatened Areas Abroad" (short title: Noncombatant Evacuation Operations), and the Joint Federal Travel Regulation. USD(P&R) monitors the provisions of each to ensure compliance.

230304. Chairman, Joint Chiefs of Staff (CJCS)

CJCS is responsible for transmitting the Secretary's order to the cognizant Commander of a Combatant Command when a contingency operation is to be executed (via Deployment Orders and Execute Orders). Those orders will include a funding paragraph outlining financial guidance as directed by the USD(C) and USD(P).

230305. Director, Defense Finance and Accounting Service (DFAS)

DFAS is responsible for administering centralized cost consolidation; billing and reimbursement distribution functions in support of contingency operations; and issuing to reporting activities the necessary reporting and coding instructions, transmission links, points of contact, and other related information necessary to ensure accurate and timely reporting of costs. DFAS shall assist DoD Components, as required, in the identification and accumulation of costs. The Director, DFAS, has assigned responsibility for all contingency cost consolidations and billings to the DFAS site supporting contingency operations. DFAS, to effect cost consolidation at the DoD level, shall prepare a monthly status report, by operation, appropriation, and appropriate DoD Component, as applicable, consolidating the cost reports submitted by the DoD Components. In addition, DFAS shall prepare a monthly status report on amounts billed and reimbursements received for each applicable contingency operation. DFAS shall provide copies of the monthly cost and billing status reports to OUSD (Comptroller), Program and Budget.

230306. Secretaries of the Military Departments; Heads of Defense Agencies; and the Commander for U.S. Special Operations Command

The Heads of the DoD Components cited herein are responsible for preparing cost estimates and submitting budget justifications to the USD(C), and also providing monthly incremental cost reports to DFAS in accordance with USD(C) policy stated herein. The DoD Component headquarters also are responsible for ensuring that guidance is disseminated to the appropriate unit level that details the required cost collection and reporting procedures and methodology for contingency operations.

230307. Director, Defense Security Cooperation Agency (DSCA)

DSCA is responsible for using foreign military sales (FMS) systems and other acquisition mechanisms to implement sales or leases of equipment in support of contingency operations as directed by the USD(P). Such support may be in response to requests from the Department of State or requests from the UN for articles and services to support equipment leased under FMS procedures. DSCA provides oversight, funding, and exercises overall program management responsibility for FDR activities funded with Overseas Humanitarian, Disaster, and Civic Aid (OHDACA).

230308. U.S. Mission to the UN (Military Advisor)

The UN Office of the Military Advisor to the U.S. Mission determines the appropriate U.S. agency to support UN requests for assistance. For DoD support, UN requests for price and availability and letters of assist shall be forwarded directly to the USD(P) for approval and action. Other UN requests for assistance shall be forwarded through the Executive Secretary to the USD(P).

230309. DoD Executive Agent for Repatriation Plans and Operations

The Deputy Chief of Staff for Personnel, Department of the Army, has been designated by the Secretary of Defense and the Secretary of the Army as the responsible DoD Component for coordinating repatriation operations of DoD noncombatants. The DoD Executive Agent develops and maintains a Joint Plan for DoD Noncombatant Repatriation. Financial responsibility remains with the affected DoD Component.

2304 ESTIMATING PROCEDURES FOR CONTINGENCY OPERATIONS

230401. Three Different Types of Contingency Operations Estimates

There are three different types of estimates that are developed and used during the course of an operation. The pre-deployment estimate is used to assess various operational assumptions and to inform the go/no-go decision-making process; the budget estimate is used to define and defend requests for reprogramming or additional appropriations; and the working estimate is used during execution of the operation against which the Military Departments measure actual costs, and which can be used as the base for determining the changes in cost that would result from changes to the operational plan. All three types of estimates are important to ensure that senior leaders have the latest and most accurate information available for use in the resource allocation process.

230402. Pre-Deployment Estimate

A. The pre-deployment cost estimate usually is required on short notice, sometimes within hours of notification. This estimate is the most difficult and unreliable of the three estimates due to lack of supporting information. The preliminary estimate typically is prepared by the Office of the Under Secretary of Defense (Comptroller) (OUSD(C)) and the Joint Staff J-8 using a cost model that uses major incremental cost drivers such as modes of transportation, operation duration, force deployment/phasing, and environmental conditions to project a rough order of magnitude cost estimate. Typically, DoD Components need additional time to develop “ground up” estimates.

B. As an adjunct to the cost model, the OUSD(C) has established a Contingency Cost Estimating Team to help develop more reliable preliminary cost estimates for contingency operations. This team is on call to OUSD(C) and consists of financial managers from the Office of the Secretary of Defense, the Joint Staff, and DoD Components, and augmented by operational and logistics planners as needed, to collect information about the operation and to formulate assumptions to support the cost estimating effort.

230403. Budget Estimate

This estimate is based on specific Commander of a Combatant Command operational plans, troop levels, location, and operating circumstances. The respective Military Services, via their financial management and logistics staffs, use data provided by the Commander of a Combatant Command and the in-theater Service Components to derive a projected incremental cost estimate for submission to OUSD(C). Data provided is examined in detail by the Office of the Secretary of Defense Joint Staff to determine the extent to which variations in the plan have been considered in developing the cost estimate. Time permitting, and on an exception basis, information briefings

may be solicited from the staffs of the cognizant Commander of a Combatant Command (and/or service Component commands) to detail anticipated requirements and factors that may prove useful in enhancing the development of the cost estimate. As a standard procedure in developing cost estimates, the Military Components shall utilize all available sources of relevant information and ensure that the field commands and headquarters personnel have applied the lessons learned from cost estimates associated with previous operations.

230404. Working Estimate

This estimate, formulated by the Military Department headquarters staff based on data provided by the respective component commands, builds on the budget estimate by adjusting periodically the budget estimate to reflect actual execution experience and changes in the operational and logistics plans. These estimates shall be revised/updated formally on a quarterly basis (through the Quarterly Contingency Cost Estimate Report) and reported to OUSD(C) as part of the effort to inform senior leadership of changes in cost. These quarterly updates shall incorporate changes to the operational plan and other policy and fact-of-life changes that have a significant impact on the cost estimate formulated prior to actual program implementation. Such changes shall be generated, at least in part, as a result of decisions made by the local commander, who sets requirements based on his assessment of the operational situation.

230405. Major Command Monthly Contingency Cost Estimate Report

These monthly reports to the DoD Component headquarters, from the component commands, identify changes to cost estimates. The reports facilitate regular communication between the Component headquarters and its subordinate commands that have responsibility for executing budgets for various contingency operations. The Component headquarters staff shall use the data submitted to prepare the Quarterly Contingency Cost Estimate Report.

*230406. Contingency Operations Cost Categories and Definitions

For estimating and reporting purposes (and, in some cases, for billing purposes), the costs associated with contingency operations are limited to the incremental costs of the operation, that is, costs that are above and beyond baseline training, operations, and personnel costs. Since both the cost estimates and execution reports are based on the same cost categories, cognizant analysts more easily can compare the estimates to actual execution experience. Using a common cost structure facilitates rational cost comparisons. The cost categories at Annex 4 form the basic structure to be used by the Component headquarters to estimate and report contingency operations costs as defined in the cost breakdown structure listing (e.g., personnel, operating support, investment costs, retrograde, and reset). This document is updated annually to accommodate new cost categories and is posted online. The listing is available on the OUSD(C) Policies and Guidance website for Overseas Contingency Operations at ***https://guidanceweb.ousdc.osd.mil/OCO.aspx***.

230407. Contingency Operations Estimate

For estimating purposes, the Components will prepare the Contingency Operations estimate for a deployment of military personnel and equipment as approved by the Secretary of Defense using the Contingency Operations Support Tool (COST) as directed by the Office of the Under Secretary (Comptroller). The OUSD(C) will issue specific guidance as necessary pertaining to factors and cost criteria for the CONOPS being estimated. The COST estimate will address the funding requirements for Operation and Maintenance, and Military Personnel costs. For further information on the COST, see paragraph 230409.

230408. Justification of Cost Estimates

To defend and explain cost estimates, Components shall consider the following factors and note the assumptions and/or facts that apply to the estimate.

Factor	Considerations
Number of Troops (Active and Reserve)	How many troops are in theater and in surrounding countries providing support? Include those afloat.
Number of Reserve Personnel	How many reservists will be deployed? Are these reservists serving beyond their normal tour of duty?
Duration	What is the assumed length of the contingency?
Terrain/Weather	Are there unique environmental factors that may affect costs?
Equipment	What type of equipment is needed to perform the mission e.g., light forces, heavy forces, or aviation support?
Threat	Is this a permissive environment or a hostile environment?
Operational Tempo	Will equipment and weapon systems be operated above the normal peace time tempo already budgeted?
Communications Support	What additional communications support is required? Is the service provided through Defense Information Systems Agency or a commercial firm?
Intelligence Support	What additional intelligence support is required? Any National Foreign Intelligence Program must be coordinated through the Assistant Secretary of Defense for Command, Control, Communications, and Intelligence.

Reconstitution	What supplies must be replaced and equipment repaired when troops and/or equipment are redeployed or rotated?
Pre-Deployment Training	Is any training required prior to deployment beyond that already budgeted?
Post-Deployment Training	Is any refresher training required after deployment for lost or degraded skills?
Quality-of-Life	Are there quality-of-life costs? Examples include, but are not limited to delivery of newspapers, establishing commissary or exchange facilities, installing telecommunications and computer email for personal use.
Host Nation Support	Will the host government provide services or support, i.e., assistance-in-kind, to offset the cost of the contingency?
Local Infrastructure	What is the condition of the local infrastructure? Are water and sewage facilities available? Is the road, rail, and air transportation adequate for the mission?
Rotations	Are force rotations planned? At what intervals? Will the equipment rotate with the personnel?
Transportation	How will equipment and personnel be transported to the contingency area? Where will they originate?

230409. Contingency Operations Support Tool (COST)

A. COST uses pre-defined cost factors and weighing coefficients, along with a user-supplied description of the contingency, to estimate the cost of an operation for a specified cost breakdown structure (CBS). The cost factors are either provided by DoD components or developed by the contractor. Users can review and change any of the factors used by a calculation. All COST calculations produce incremental costs, which are over and above budgeted peacetime operations costs.

B. COST incorporates appropriate algorithms to compute the cost of each line item in the CBS. The CBS used to report COST estimates is the same structure that has been directed for use by the Services and Agencies for reporting actual costs of contingency operations. Users can view these algorithms at any time to verify the calculations or to determine which factors were used to produce an estimate. Users can change the factors and recalculate an estimate to see the effect of the change. Cost factor tables are structured to facilitate updates, and the update process is automated to the extent feasible.

C. COST is designed to work in a joint environment. While each Component may tailor the tool to its own requirements, all the Components use the same software at the same time in a truly joint effort to build a single DoD cost estimate contingency operation. COST is one of the two joint systems, along with the Joint Planning and Execution System (JOPES), used by DoD to plan and execute contingency operations in support of crises action or campaign level

planning. The JOPES translates policy into an operation plan (OPLAN), while COST estimates the incremental cost of the OPLAN.

D. Components shall use COST to estimate the incremental operational cost for all contingency operations. Additionally, the Combatant Commands (CCMD) and Military Services will coordinate with the OUSD(C) and the Joint Staff J-8 on their cost estimates for contingency operations. The Joint Staff and Military Services will provide cost estimates based on contingency operations' requirements. The OUSD(C) will periodically review the budget estimate to reflect actual execution experience and changes in the operational and logistics plans. Updates, as required, shall incorporate changes to the operational plan and other policy and fact-of-life that have a significant impact on the cost estimate formulated prior to actual plan implementation.

E. Based upon annual component proposed assumptions, and factor updates to the COST model, the OUSD(C) Operations Directorate will review the components' methodology to ensure that the COST model output is properly informed based on historical execution. In addition, the OUSD(C) Deputy Comptroller (Program/Budget), or appointed designee, will convene a group of senior level component budget officials, as necessary, to review any improvements they believe are needed in the model to better reflect the functional requirements of each Service and to produce improved results. Their review will result in updates to the COST model, as required.

2305 GENERAL FUNDING RESPONSIBILITIES

230501. Service Component

Each service Component command shall collect all applicable costs related to specific contingency operations, and report these costs to the respective Military Department Senior Financial Manager for subsequent submission for consolidation to DFAS. To the extent that financing has not been provided for a contingency operation, the Department will pursue all options to obtain the additional funding required to ensure readiness of U.S. Forces is not reduced by participation in the operation.

230502. U.S. Transportation Command and the Defense Logistics Agency

Except as provided in section 2306 below, all requests for transportation or other services to a Working Capital Fund Activity, such as the U.S. Transportation Command and the Defense Logistics Agency, shall include a funding source. In the event that a Working Capital Fund activity receives a valid order (e.g., execute or deployment order or a commander of a Combatant Command operations order) that directs action without a funding source, the parent Military Department of the subordinate command receiving the services shall provide funding to finance the request.

2306 SPECIAL FUNDING MECHANISMS

230601. General

Title 10, United States Code, section 127a was revised to include special funding mechanisms operations for which funds are not provided in advance. The statute also requires that such operations be so designated and identified by the Secretary of Defense to the Congress. When

an operation is so designated, DoD Components immediately shall notify subordinate organizations. Also, DoD Components shall establish procedures and controls for these special funding mechanisms.

230602. Special Funding Mechanisms Participating Units

Units participating in such designated operations may not be required, under certain conditions, to reimburse (provide funded customer orders to) Working Capital Fund organizations for goods and services at the time such goods and services are ordered. These procedures apply only to units actually participating in the covered operation, and only to requirements that are directly attributable to the operation; would not have been incurred but for the operation; and have not been financed previously through an appropriation, supplemental funding, reprogramming, or a reallocation of existing appropriations.

230603. General Restrictions

The following general restrictions apply since the Department is not relieved of the legal restrictions of the Antideficiency Act, and because Working Capital Fund cash must remain positive under these legal restrictions. Prior to acceptance by a Working Capital Fund activity of an unfunded customer order, the commander of the Working Capital Fund activity involved shall determine that the unfunded customer order can be filled without incurring a violation of an Antideficiency Act. If filling the requested goods or services, without a funded customer order, would result in a violation of the Act, the Working Capital Fund activity shall notify the requesting DoD Component either to issue a funded order or arrange for the transfer of sufficient Working Capital Fund cash to the supporting Working Capital Fund activity to cover the requested service or supplies.

230604. Working Capital Fund Activities

When a participating unit of the U.S. Armed Forces orders goods or services from a Working Capital Fund activity and those goods or services meet the criteria addressed in paragraphs 230602 and 230603 above, the unit providing the unfunded customer order to the performing Working Capital Fund activity must, in each such request, notify the performing Working Capital Fund activity that the order, or specified portion thereof, is in support of a designated operations and that a funded customer order for the goods or services is not required.

230605. Working Capital Fund Activity Unfunded Customer Orders

The Working Capital Fund activity filling the unfunded customer order separately shall account for all such unfunded customer orders filled and separately report those costs, on a monthly basis, to the DoD Component Senior Financial Manager of the requesting activity. The DoD Components' Senior Financial Manager shall report separately the cumulative amounts of such unfunded customer orders to DFAS in accordance with provisions contained in this chapter. In accordance with 10 U.S.C. 127a, such amounts shall be accounted for separately and will be used to determine the amounts required to be transferred to the Working Capital Fund activities in order to restore balances to previous levels.

230606. Working Capital Fund Priorities

In order to ensure that the cash reserves of any Working Capital Fund activity are used for the highest priority requirements, the commander of the Working Capital Fund activity shall notify the Principal Deputy Under Secretary of Defense (Comptroller), in writing, and wait 5 workdays before filling the unfunded customer order.

230607. Guidance on Reporting

As needed, the OUSD(C) will provide additional guidance on reporting the use of this authority for designated operations that become eligible for the special funding mechanisms available under 10 U.S.C. 127a.

2307 COST COLLECTION

230701. Special Program Codes

Upon being alerted of an impending contingency operation, each participating DoD Component shall establish a unique special program code to capture costs. The OUSD(C) Operations Directorate shall issue a Standard Financial Information Structure (SFIS) code for contingency operations. The SFIS Values Library Service webpage maintains a list of contingency codes at ***https://beis.csd.disa.mil/sfis-lib/sf_lib_combo.xml***. Additionally, the Joint Staff shall issue a three-digit CJCS Project Code, which provides precedence for supply requisitions and facilitates cost capturing and reporting.

230702. Accounting System(s)

Each organization that supports a contingency operation shall capture related obligations and disbursements in its accounting system(s) at the lowest possible level of the organization. This provides tracking of obligations and disbursements for affected appropriations.

230703. Costs Related to Contingency Operations

Costs related to a contingency operation may be incurred both in the area of responsibility and in other locations. It is the responsibility of the organization that incurs costs in support of the operation, directly or indirectly, to ensure that information on all costs is transmitted to the appropriate DoD Component Senior Financial Manager for forwarding to DFAS, as appropriate.

230704. Cost Accounting Systems

Cost accounting systems shall not be established solely for the purpose of determining costs for contingency operations, but the data from existing systems shall be used as applicable.

230705. Incremental and Billable Costs

DoD Component Senior Financial Managers shall determine incremental and billable costs.

2308 COST REPORTING

230801. Cost Reporting Requirements

Cost reports, SFs 1080, and substantiating documents shall be submitted through the DoD Component Senior Financial Manager to DFAS. Component submissions shall be initiated in sufficient time to arrive at DFAS not later than 30 days following the month in which the cost occurs. Costs shall be reported only by the DoD Component Senior Financial Manager that incurs the cost against appropriated funds. Submissions to DFAS for reporting and billing shall be approved by the DoD Component Senior Financial Manager. See Annex 1 for the standard data reporting format for preparation of the Contingency Cost Report.

230802. DoD Component Inclusions

The DoD Component cost reports shall include all costs, including Working Capital Funds costs (common user/Component unique), that are collected in the accounting or cost accounting system. The Services shall reimburse the Working Capital Funds activity for costs, and separately reflect such costs in their cost reports.

230803. Monthly Consolidation Cost Reports

On a monthly basis, DFAS will consolidate the costs reported provided by the DoD Components and provide reports to the offices of the OUSD (Comptroller), Component Command comptrollers, DoD Component Senior Financial Managers and others, as required, no later than 15 days after receipt from the DoD Components.

2309 DETERMINING COST

The following guidelines are provided to assist the DoD Components in determining baseline and incremental costs for contingency operations.

230901. Baseline Costs

Baseline costs are the continuing annual costs of DoD operations funded by the operation and maintenance and military personnel appropriations. Essentially, baseline costs are those costs that would be incurred whether or not a contingency operation took place, i.e., programmed and budgeted costs. Examples include: scheduled flying hours, steaming days, training days, and exercises.

230902. Incremental Costs

Incremental costs are additional costs to the DoD Component appropriations that would not have been incurred had the contingency operation not been supported. Incremental costs do not include the cost of property or services acquired by the Department that was paid for by a source outside the Department or out of funds contributed by such a source. The costs of investment items, construction costs, and costs incurred to fix existing shortcomings can be categorized as incremental expenses *only if* the expenditures were necessary to support a contingency operation and would not have been incurred in that fiscal year in the absence of the contingency requirement. Costs incurred beyond what was reasonably necessary to support a

contingency operation cannot be deemed incremental expenses, since such costs are not directly attributable to support of the operation. The following are examples of allowable incremental costs:

A. Military entitlements such as premium pay, hazardous duty pay, family separation allowance, or other payments made over and above the normal monthly payroll costs.

B. Increases in the amount of allowances due to changes in geographic assignment area due to a contingency (i.e., Basic Allowance for Subsistence (BAS) or Basic Allowance for Housing (BAH)).

C. Travel and per diem of active military personnel and costs of Reserve Component personnel, called to active duty by a federal official, who are assigned solely to support the contingency.

D. Overtime, travel, and per diem of permanent DoD civilian personnel in support of a contingency.

E. Wages, travel, and per diem of temporary DoD civilian personnel hired or assigned solely to perform services supporting the operation.

F. Transportation costs of moving personnel, material, equipment, and supplies to the contingency or contingency staging area, including such things as port handling charges; packing, crating and handling charges; first and second destination charges.

G. Cost of rents, communications, and utilities that is attributable to the contingency. Examples of such incremental costs include: telephone service, computer time, satellite time, and crypto-traffic support of the contingency.

H. Cost of work, services, training, and material procured under contract for the specific purpose of providing assistance in a contingency.

I. Cost of material, equipment, and supplies from regular stocks used in providing directed assistance. Material, equipment and supplies from stock shall be priced at the standard prices that are used for issues to the DoD activities. Included in this category will be consumables such as field rations, medical supplies, office supplies, chemicals, cleaning and toilet supplies, petroleum, and items ordinarily consumed or expended within 1 year after they are put into use. Material, equipment and supplies determined to be excess to the departmental requirements may be made available for transfer under excess property disposal authority without reimbursement. In these instances, however, accessorial charges for packing, crating, handling, and transportation shall be added where applicable.

J. Costs incurred that are paid from trust, revolving, or other funds, and whose reimbursement is required.

K. Replacement costs of attrition losses directly attributable to support of the operation.

L. That portion of equipment overhaul and maintenance costs when computed on a fractional use basis when the additive cost attributable to the contingency can be identified.

M. Cost of increased flying hours in excess of the level of flying hours otherwise programmed and budgeted for, except that, in the case of foreign disaster relief undertaken under the authority of 10 U.S.C. 2561 or similar authority funded by the OHDACA appropriation, and within specific parameters authorized by the Secretary of Defense, all flying hour costs shall be included for flights made for the primary purpose of providing the disaster relief.

N. Service specific costs for increased OPTEMPO, such as steaming costs for the Navy. Such costs, however, require individual determinations. Reported incremental costs shall reflect, as closely as possible, the actual incremental costs incurred by the unit involved in the specific operation, using cost factors for the specific command or geographic area, when available, as compared to composite cost factors for the overall DoD Component.

230903. Cost Offsets

In some instances, costs for which funds have been appropriated may not be incurred as result of a contingency operation. Examples include: basic allowance for subsistence not paid, training not conducted, and base operations support not provided. In other situations, identified incremental costs may be offset in various ways, such as supply turn-ins for items not used or placed in inventory, and non-monetary contributions, such as free fuel. See Chapter 3 of this volume for reporting non-monetary contributions. These offsets shall be accurately documented and reported at the cognizant organization levels to maintain adequate accountability for reporting and audit purposes.

230904. Guidance/Instructions

Each DoD Component shall ensure that detailed guidance is disseminated to the appropriate subordinate organization levels to ensure the accuracy and reporting of costs.

A. Acquisition Requirements. For contingency operations involving extended deployment of equipment and/or the consumption of materials, leading to the depletion of war reserve stock, a Component may request funding for such procurement items directly related to the prosecution of operations as approved by OUSD(C). In general, it is anticipated that procurement costs intended to replace consumed equipment or material, will be associated with "Campaign Level Contingency Operations" characterized as military deployments of extended duration and involving the utilization of significant numbers of combat elements of the Services.

1. Cost Estimating. The replacement and reconstitution of equipment, munitions, and other end items related to the contingency operation will be handled on an exception basis. OUSD(C) will request the submission of exhibits indicating the level of consumption, cost, quantities to be procured, inventory objectives, and similar financial and programmatic data necessary to assess the requirement. OUSD(C) will provide additional instructions regarding submission of recapitalization costs at an appropriate time.

2. Major Platforms. For major platforms, the Component must demonstrate that the end item is directly associated with current operations. The request should not contain funding to support accelerations of baseline procurement end items unless specifically

approved by OUSD(C). Components will not include estimates for future combat losses in their request.

3. Funding Requests for Procurement Funds. Funding requests for procurement programs should not exceed the numerical quantity that would deliver in a normal funded delivery period for that item. Furthermore, for most situations, a Component should not request funding for obligations expected to occur beyond the current fiscal year.

4. Funding Requests for Research, Development, Test, and Evaluation (RDT&E) Funding. In limited circumstances, a Component may request funding for the development of technologies that can be fielded in support of an on-going operation if the delivery of such technology can be introduced into the area of operations in time to benefit the prosecution of the operation. In such a case, the Component may request RDT&E funding.

5. Funding Requests for Military Construction Funding. In limited circumstances, a Component may request funding for military construction projects which support an ongoing operation. This may be appropriate if the completion of such a structure can be introduced into the area of operations in time to benefit the prosecution of the operation. In such a case, the Component may request funding.

6. Funding Requests for Working Capital Funds or Other Revolving Funds. In limited circumstances, a Component may request funding for Working Capital Fund and other revolving funds which support ongoing operations if such funding is directly related to the operations.

7. Acquisition Obligation Reporting. Obligations for acquisition requirements will be codified under the cost categories (Contingency Cost Breakdown Structure (CBS)) listed in Annex 4 of this chapter. Components will report to DFAS all obligations incurred in procurement, RDT&E, Working Capital, or Military Construction appropriations on a monthly basis as addressed in section 2308 of this chapter.

B. Cost Reporting. Reporting is an integral part of the Department's stewardship. Components must make every effort possible to capture and accurately report the cost of the contingency operation. Components are required to report the obligation of all funds (regardless of source) to cover the incremental costs of the contingency, including funds received in a supplemental. Each Component will develop and publish a Standard Operating Procedure (SOP) or other supplemental guidance that will cover Component specific items for cost reporting, under this chapter and validating monthly reporting. At a minimum, the SOP should cover:

1. Data Source. This section should outline the acceptable procedures and methodology used for capturing costs by CBS category. All sources of data collected for reporting costs should be identified, to include source accounting systems, in-house tracking methods, and supporting documentation. If costs are not captured by CBS category, then the methodology of cross-walking data to the CBS category should be documented.

2. Validation. Components will review and validate their reported costs as accurate and a fair representation of ongoing activities on a monthly basis. As a part of this review, the variance analysis, discussed below, will be included. Significant changes from the prior month will be summarized and reported to the OUSD (C) Operations Directorate. The SOP

must include auditable methodology for determining the portion of war-related or other contingency costs attributable to each contingency operation when actual cost by operation is not available.

3. Variance Analysis. Each Component is required to provide an analysis, in the footnotes of the report, of all significant variances to the OUSD(C) Operations Directorate. The analysis should address: Cause of variance (describe the action that caused the costs to increase or decrease), factors affecting the variance (what are the values of the related factors that impacted the changes), purpose and effect of the action; and organization or activities that are/were affected by these actions. Additionally, a point of contact should be identified to explain changes in the established variances.
For example, a fluctuation in Imminent Danger Pay might be:

"XX% variance due to Scheduled Operation FREEDOM'S SENTINEL brigade troop rotation."

An example for an increase in operating costs might be:

"YY" number of troops deployed at a cost of "ZZ."

Each Component should establish additional criteria for validation and analysis, based on their requirements. Each component is required to retain documentation of their monthly variance analyses and data validations.

* 4. Reporting Guidance. The OUSD(C) and DFAS will notify the Components of new or special reporting requirements, as well as, provide instructions and guidance for data collection and changes to reporting requirements such as threshold percentages for variance analysis, suspense dates for monthly submissions, and required reviews and validation of reported costs. The Component will consult with the OUSD(C) before opting to include or exclude an incremental contingency related cost in its cost reporting when it deviates from this volume or current reporting guidance. Additional guidance and instructions for reporting costs (e.g., cost of war, disaster relief, humanitarian assistance, and other contingencies) are posted on the OUSD(C) guidance website at ***https://guidanceweb.ousdc.osd.mil/OCO.aspx***.

* 5. Documentation. Components will perform an annual review of the methodologies used by subordinate commands in reporting costs by contingency operations. No later than November 30th of the calendar year, the Components will provide an electronic copy of their current SOP to the OUSD(C) Operations Directorate.

C. Cost Capture

1. Each organization supporting a contingency operation is required to capture and report all related obligations and disbursements at the lowest possible level of the organization. Actual costs, as reflected in the accounting systems or subsidiary accounting records, should be reported. This activity provides tracking of obligations and disbursements for affected appropriations.

2. It is up to the DoD Component to develop adequate measures to allow for capturing actual costs from the official accounting records. Procedures could include

establishing unique coding or establishing subsidiary accounting records for use during the contingency operations that will allow it to provide accurate reports to the Department's cost breakdown structure (CBS). When actual costs are not available, an auditable methodology should be established and documented for capturing costs.

230905. Program Resource Collection Process (PRCP)

A. The PRCP is the primary management and assessment tool used by OUSD(C) and Office of Management and Budget (OMB) to manage and assess all OCO requirements.

B. The PRCP system is used to collect, validate, and report budget data. It generates the appropriation budget justification books commonly known as the M-I, Manpower Programs; O-1, Operations Programs; C-1, Construction Programs; P-1, Procurement Programs; and R-1, RDT&E Programs. It supports automated collection and reporting for other budgetary exhibit such as the OP-8, Civilian Personnel Costs; OP-32, Summary of Price and Program Growth; and PB-22 Major DoD Headquarters Activities.

C. "Ask OCO" can be found within the "Web-PRCP" and is designed to provide answers to the most critical budget questions regarding OCO.

D. By using "Ask OCO", analysts are able to extract PRCP data in an intuitive format. The data is formatted into a series of reports designed to answer frequent questions that are not easily answered by other budgetary tools. These reports provide analysts with data based on the latest budget position.

230906. Justification Materials for Budget

This section addresses the requirement to budget for OCO incremental operational costs. This information is used to justify resource requirement for directed OCO – specifically the justification of the incremental costs for supporting a designated operation. These incremental costs will become the basis for any funding requests forwarded to the Congress through normal appropriations process or through emergency supplemental appropriation requests during the year of execution, if warranted.

A. The OCO budget submission is reviewed in concert with the baseline budget submission.

B. All Components are required to submit justification materials to support OCO budget estimates. In order to ensure that the requested funding is defendable and that the submitted data and justification material complies with congressional requirements, each Component is required to submit the contingency operation budget exhibits using the formats outlined in the respective appropriations. Components should consult chapters as applicable. Refer to Volume 2A, Chapter 1, general guidance and the specific volumes listed below:

1. Military Personnel. Refer to Volume 2A, Chapter 2, Military Personnel, for appropriation details. For specific details, contact the designated appropriation analyst.

2. Operation and Maintenance. Refer to Volume 2A, Chapter 3, Operation and Maintenance, for appropriation details. For specific details, contact the designated appropriation analyst.

3. Procurement. Refer to Volume 2A, Chapter 4, Procurement, for appropriation details. For specific details, contact the designated appropriation analyst.

4. Research, Development, Test and Evaluation (RDT&E). Refer to Volume 2B, Chapter 5, Research, Development, Test and Evaluation, for appropriation details. For specific details, contact the designated appropriation analyst.

5. Defense Working Capital Fund. Refer to Volume 2B, Chapter 9, for appropriation details. For specific details, contact the designated appropriation analyst.

2310 BILLING

231001. General

DoD Components determine their billable incremental costs. Billable incremental costs will be less than the full incremental cost when the performing DoD Component has determined to supplement or enhance their support beyond the level agreed to by the requesting organization. The DoD Component headquarters are responsible for transmitting to DFAS, on a monthly basis, a Contingency Operations Cost Report, standardized SF 1080 for each UN Letters of Assist (UNLoA) or incurred cost for which payment is requested, and sufficient supporting documentation such as receipts, invoices, copies of requisitions approved by the organization supported (e.g., UN, State Department, or other), when required by the billed organization.

A. DFAS is designated to administer centralized billing and reimbursement distribution activities in support of contingency operations. For the billing function, DFAS shall consolidate the bills from the Components for monthly transmittal to the U.S. Mission to the UN (USUN) or other organizations, as required, along with copies of the Component Contingency Cost Reports. In addition, DFAS shall prepare a monthly status report on amounts billed and reimbursements received for each applicable peace operation. Only billable costs shall be submitted to applicable agencies or international organizations in accordance with the provisions of sections 607 and 630 of the Foreign Assistance Act (FAA), other applicable U.S. statutes, and requirements of the organization being billed.

B. The billing information transmitted by the DoD Components shall include sufficient supporting documentation to satisfy the payee of the validity of the charges. Detailed lists of transactions supporting the amount billed shall be included with each bill rendered.

C. With respect to services and commodities provided under section 607 of the FAA, the Department may spend only those reimbursements received within 180 days after the end of the fiscal year in which the costs were incurred. Payments received subsequent to the 180 days shall not be available to defray the costs already incurred by the Department in providing the requested assistance. Payments received for assistance provided under the UN Participation Act and unsolicited payments received from the UN for UN Determined Costs for Participating Troops to UN peacekeeping operations shall be credited to the account or accounts that incurred the costs being reimbursed or the accounts currently available for such purposes. Given the legal restrictions on the use of reimbursed expenses, and to ensure timely recoupment of reimbursable costs to the Department, it is incumbent that each DoD Component identifies and reports on a timely basis all reimbursable billable expenses to DFAS with sufficient supporting documentation as required by the billed organization.

231002. DoD and Non-DoD Transportation Rates for Contingency Operations

DoD airlift provided in support of UN peacekeeping support, and foreign disaster relief efforts shall be billed at the DoD transportation rate (http://www.dtic.mil/comptroller/rates/). This rate is comparable to commercial rates for similar transportation services. Charges for DoD airlift transportation support provided to other U.S. government agencies pursuant to the Economy Act, 31 U.S.C. 1535, shall normally be billed at the non-DoD rate.

231003. United Nations Process

The UN reimburses contributing countries for the costs of their activities in accordance with its standard procedures as covered in the UN Guidelines to Contributing Governments, Aides-Memoire to the agreement, Notes Verbal, and specific and general LoAs. The UN should approve all elements of national contributions and the extent of reimbursement prior to an actual deployment, if possible. Therefore, activities undertaken, troops deployed, or costs incurred for items which are not agreed to in advance by the UN, as identified and detailed in the Guidelines, Aides-Memoire, Notes Verbal, or specific or general LoAs, normally will not be reimbursed by the UN. Only expenditures in support of an operation approved by the UN Security Council, and authorized by the General Assembly as a legitimate charge to the UN, are eligible for reimbursement. Costs related to deployment and sustainment of forces and equipment, and rotation of personnel (but not equipment) of contributing countries, based on prior agreement with the UN, are eligible for reimbursement by the UN through UN standing procedures. Financial responsibilities normally shall be included as part of the agreement between the contributing countries and the UN and shall include the details of the financial responsibilities of each party. The U.S. position normally is negotiated by the Department of Defense in coordination with the Department of State. Since costs billable to the UN may differ from the incremental costs incurred, both shall be reported. The following addresses billing procedures and allowable costs for each major type of financial arrangement.

A. UN Letters of Assist (UNLoA)

1. A UNLoA is a document, issued by the UN to a contributing government, which authorizes that government to provide goods or services to the UN. A UNLoA typically details specifically what is to be provided by the contributing government and establishes a funding limit that cannot be exceeded for that specific UNLoA. General support UNLoAs can be negotiated with the UN, if such UNLoAs are advantageous to both parties, to cover more generic categories such as subsistence, POL, sustainment, and spare parts. The UNLoAs are considered by the UN to be contracting documents and shall be signed and issued by an authorized UN official. More than one item can be included in a UNLoA.

2. The approved UNLoA is issued by the UN to the U.S. Mission to the UN (USUN) where it is acted on by the Military Advisor to the Ambassador. The Office of the Military Advisor (USUN/OMA) determines the appropriate U.S. agency (DoD or State) to receive the request. For the Department of Defense, all requests should be forwarded to OUSD(P) for approval and action. The Office of the USD(P) shall determine the appropriate action organization, and will provide a copy of the UNLoA to that organization and DFAS. DFAS is responsible for maintaining a status report on all active LoAs.

3. The UNLoA is not considered a funded order, and the UN ordinarily does not provide an advance of funds for the value of the request. Therefore, an UNLoA shall not

give a DoD Component any additional obligational authority to accomplish the order. The appropriate action office in the DoD Component shall accomplish the action using existing operation and maintenance funds or other appropriated funds, and prepare an SF 1080 bill for the cost of the goods or services provided, referencing the appropriate UNLoA. No Working Capital Fund is authorized to be used to support these operations when funds are not provided to the Working Capital Fund activity. The SF 1080 is forwarded to DFAS along with sufficient detailed documentation and a Contingency Operations Cost Report to support the bill. All bills shall include adequate documentation for accountability and certification. DFAS shall verify the UNLoA number and item for which a bill is being submitted, summarize these in a separate attachment, and forward the bill to the USUN Mission for submission to the UN.

B. Non Letters of Assist - U.S. Invoiced Costs. These include recoverable costs of specific support or items requested by the UN, or approved by the UN, in support of a peace operation mission for which a specific itemized bill can be submitted to the UN based on the Aide-Memoire guidelines for participating countries, as described below.

1. Predeployment Actions. Preparation of personnel and equipment for deployment is the responsibility of the contributing country, and includes all preparation costs involved to get the personnel or equipment to the point of embarkation. Billing the UN for reimbursement of these expenses will be based on advance negotiations with the UN. Costs associated with preparing authorized equipment to additional standards defined by UN for deployment to a mission (such as painting, UN marking, winterizing) are the responsibility of the UN. Similarly, costs for returning authorized equipment to national stocks at the conclusion of a mission (such as repainting to national colors) also are the responsibility of the UN. Costs shall be assessed and reimbursed on presentation of a claim based on the authorized equipment list contained in the contribution agreement.

2. Deployment and Redeployment Actions. Transportation to and from the mission area normally shall be by airlift or sealift, as required. Normally, the UN will organize all deployments and redeployments. These activities may be organized by the troop contributing government, but the arrangements must be agreed upon by the UN in advance. All transportation to be provided by the troop contributing country should be coordinated and approved by the UN. If reimbursement is requested, it shall be made only up to the amount it would have cost the UN to accomplish the move.

3. Self-Sustainment. The UN normally is required to provide services to troop-contributing countries. Should the UN not be able, or not wish, to provide the services, it can request a troop-contributing country to provide those services. Services which the UN can request are set out in the UN Contingent-owned Equipment Manual and Procedures (these include services such as catering, communications, minor engineering, explosive ordnance disposal, laundry and dry cleaning, tentage, medical, NBC protection, and other services). Only those services specifically requested will be reimbursable monthly at the indicated rate, on a troop strength basis, to the limits indicated in the agreement with the troop-contributing country.

4. Major Equipment, Minor Equipment and Consumables Reimbursement. Reimbursement for major equipment is provided under established rates whereby the contributing country is reimbursed for both equipment and maintenance (wet lease), or for equipment only, with the UN assuming responsibility for maintenance (dry lease). Minor equipment and consumables are reimbursed as self-sustainment based upon troop strength.

Reimbursement is dependent upon verification that the major equipment, and associated minor equipment and consumables, provided meet the undertaking of the troop-contributing country in its agreement with the UN. The UN has established performance standards so that it can verify that a troop-contributing country has met its obligations and that equipment provided is in acceptable operational order.

5. Arrival Inspection. An arrival inspection will occur immediately upon arrival, and should be completed within one month. Major equipment will be inspected to ensure that categories, groups, and number delivered correspond with the bilateral agreement and are operational. A troop-contributing country representative should explain and demonstrate the agreed self-sustainment capability. Self-sustainment will be inspected with a view to an assessment of the operational equipment and services. The UN will give an account of the services to be provided in the agreement.

6. Operational Readiness Inspection. This inspection of the contingent in the mission area shall be conducted at least once during every 6-month period, or any time when the USUN Mission believes that the equipment or services do not meet standards. The condition of the major equipment shall be inspected, and self-sustainment capability ascertained with a view to assessing whether the sustainment capability is sufficient and satisfactory.

7. Repatriation Inspection. This inspection shall account for all major equipment of the troop-contributing country to be repatriated and verify the condition of the major equipment provided under the "Dry Lease" arrangement. The inspection also shall ensure that no UN owned equipment is part of the equipment repatriated.

8. Reporting Procedures. The USUN Mission shall report to the UN Headquarters the results of all inspections. The reports shall indicate shortcomings in equipment and self-sustainment, and efforts made at mission level to rectify the situation and to bring the contingent in line with the terms of the agreement. Each month the Mission shall submit a report to the Secretariat confirming the mission strength. The monthly report shall indicate the condition of major equipment and self-sustainment.

9. Deployment, Redeployment and Rotation. The UN is responsible for the deployment and redeployment (including regular rotation) of contingent personnel authorized in the Contribution Agreement. The UN normally will make the necessary arrangements with the troop-contributing country and appropriate carriers. When a troop-contributing country offers to provide transportation, the UN may request the troop-contributing country to provide the transportation to and from the mission area under the terms of an UNLoA. The cost for rotation of troops is normally reimbursed on a 6-month basis. Rotation of equipment will not be reimbursed since it is assumed equipment will stay in the area of operation for the length of the operation.

C. Leases. Leases to the UN shall be managed by the DSCA, which also is responsible for developing requested Price and Availability data to include preparation and transportation costs, with applicable input from the affected Military Component. Development of leases for DoD equipment (major end items) shall follow normal procedures in Security Assistance Management Manual, Chapter 12, which are governed by the Arms Export Control Act (AECA). Payments from the UN related to the true lease of equipment, as governed by the AECA, revert to the miscellaneous receipts account of the U.S. Treasury. Ancillary costs related to the lease, such as

preparation and shipment costs, are governed by section 607 of the FAA, as are the provision of support and services associated with a lease. Reimbursements or payments received under section 607 authority may be credited back to the Component providing the goods or services if reimbursement is received within 180 days after the end of the fiscal year in which the support was provided. Otherwise, these payments revert to the U.S. Treasury.

D. UN Determined Costs. The UN provides reimbursement at standard rates established by the General Assembly in respect to pay and allowances of military personnel detailed or assigned to the UN to participate in a UN operation. The UN reimburses participating countries without a specific request for payment. The UN determines the number of troop days for which payment will be made based upon USUN Mission reporting of troop strength. No billing is required.

1. Payments by the UN are made directly to DFAS. The State Department receives notification from the UN of a pending reimbursement. Prior to reimbursement by the UN, the State Department transmits this information to the Office of the USD(P), along with the operation(s), time covered, and number of troop months allowed by the UN. The UN estimate is validated by the Joint Staff and the Service Components and directions are provided to the UN through the State Department regarding disposition of the reimbursement.

2. Upon validation of the estimate, the UN processes two checks: one to the DoD (DFAS) at an approved rate per person/month, as determined by the OUSD(C), to cover the incremental military personnel and related costs incurred by the DoD; and a second to the State Department, representing the difference between the UN standard rate and the amount paid to the Department of Defense. For distribution of the DoD funds, Office of the USD(P) makes an assessment of DoD Component manpower deployed during the timeframe covered by the UN payment, and directs DFAS to make the appropriate distribution to the DoD Components, as applicable.

2311 REIMBURSEMENT/DISTRIBUTION

UN Process. Within 90 days of receipt of an SF-1080 and supporting documentation from the USUN Mission, the UN will confirm with the appropriate UN organization that the goods or services were received, consolidate payment, and forward a check to DFAS. DFAS will distribute funds to appropriate recipients.

2312 NONCOMBATANT EVACUATION OPERATIONS (NEO)

*231201. Protection of U.S. Citizens and Nationals

A. NEOs are conducted to assist the DoS in evacuating U.S. citizens, DoD civilian personnel, and designated host nation (HN) and third country nationals (TCN) whose lives are in danger from locations in a foreign nation to an appropriate safe haven. The United States Government (USG) will consider evacuating TCNs and host country nationals on a case-by-case, space available, and reimbursable basis. Although normally considered in connection with hostile action, evacuations may also be conducted in anticipation of, or in response, to any natural or man-made disaster.

B. Upon receipt of a request from the President, or the Department of State, the Department will protect U.S. citizens and nationals and designated other persons, and assist in evacuating these persons from threatened areas overseas. In accordance with Executive Order 12656, as amended on February 9, 1998, the Department is authorized to deploy and use military forces to protect U.S. citizens and nationals and designated other persons in support of their evacuation from threatened areas overseas. The Department of State has the lead responsibility for such evacuations.

231202. Memorandum of Agreement (MOA)

The MOA between the Departments of State and Defense, "DOS/DoD Cost Responsibility Matrix and Definitions," dated September 2, 1997, defines departmental cost responsibilities when an evacuation occurs. The content of the MOA is included at Annex 3 and shall be used to determine all NEO cost responsibilities. In general, DoD will fund protection-related costs and DOS will fund evacuation-related costs. The DoD Component supporting the protection operation shall fund the costs of its deployment, unless otherwise specified.

231203. Cost to Transport DoD Noncombatants

In accordance with 31 U.S.C. 1535 (the Economy Act), all costs incurred by the DoD to assist in evacuating personnel from threatened areas are billable and reimbursable, except for the costs to transport DoD noncombatants to safe havens. If, however, the Department of State incurs costs for transporting DoD noncombatants to safe havens, the applicable DoD Component shall reimburse the Department of State for those costs.

231204. Contingency Operations Cost Report

After the evacuation is completed, the finance and accounting office of the supporting DoD Component shall collect the cost data and submit the following documents, through its Component Senior Financial Manager, to DFAS: an SF-1080 for all reimbursable evacuation costs, supporting cost documentation (e.g., flying hours, medical costs, or food for evacuees), and a Contingency Operations Cost Report. The DoD Component shall work with the Department of State and DFAS to submit the bills for reimbursement from the Department of State, Attn: Bureau of Finance and Management Policy, Washington, DC 20520-7427.

2313 FOLLOW-UP

In the event that billed organizations require additional information relating to submitted bill(s), DFAS shall assist the billed organization to ensure that the necessary information is provided by the appropriate Component.

2314 LARGE SCALE CONTINGENCIES

231401. Preparing Budget Estimations Guidance

DoD may be involved in a range of operations from very large to small scale contingencies. The following guidance is to be used in addition to that found throughout this regulation for purposes of preparing budget estimations, cost reporting and billing associated with large-scale, campaign level, contingency operations.

231402. Costs Related to a Contingency Operations

During large-scale contingencies costs related to a contingency operation may be incurred in both the area of responsibility (AOR) and in other locations to include home station. Additionally, because of the scale of operations, including intense combat or long-term stability or anti-insurgency operations, expenses beyond only direct incremental costs may be appropriate on a case by case basis in written coordination with OUSD(C). They can relate directly to operations in the AOR or be required as a result or consequence of the operations such as reconstitution activities (to replenish stocks, replace battle losses, or worn equipment or systems), depot maintenance and other supporting actions. In addition, during large-scale, campaign-level contingencies, these special funding authorities are often provided by the Congress in support of the operation. These may include special Train and Equip, Coalition Support, Foreign Disaster Relief or other programs. It is the responsibility of the organization that incurs costs in support of the operation, directly or indirectly, to ensure that information on all incremental costs are captured and transmitted to the appropriate DoD Component Senior Financial Manager for forwarding to DFAS, as appropriate.

231403. Determining Costs

Components are required to report the obligation of all funds (regardless of source) to cover the incremental cost of the contingency, including funds received in a supplemental. Baseline costs should not be reported. The following guidelines are provided to assist the DoD Components in determining baseline and incremental costs for contingency operations.

A. Incremental Costs. In coordination with OUSD(C), DoD Component Senior Financial Managers shall determine incremental and billable costs. Incremental costs are additional costs to the DoD Component appropriations that would not have been incurred had the contingency operation not been supported. Incremental costs do not include the cost of property or services acquired by the Department that was paid for by a source outside the Department or out of funds contributed by such a source. The costs of investment items, construction costs, and costs incurred to fix existing shortcomings can be categorized as incremental cost if the expenditures were necessary to support a contingency operation and would not have been incurred in that fiscal year in the absence of the contingency requirement. Costs incurred beyond what is reasonably necessary to support a contingency operation cannot be deemed reimbursable incremental expenses, since such costs are not directly attributable to support of the operation. Incremental costs may be recorded against supplemental funding, baseline funding, or any source of funds. Base budget funding diverted to pay incremental costs in support of contingency operations are not the same as baseline costs.

B. Baseline Costs. Baseline costs are the continuing annual costs of DoD operations funded by the Components base appropriations. Baseline costs are those costs that would be incurred whether or not the Component is participating in a contingency operation.

C. Service-Specific Costs. Service-specific costs for increased OPTEMPO, such as steaming costs for the Navy or Service flying hours should be determined as accurately as possible based on “official” accounting data. Such costs, however, due to the complexity of the operation may require individual determinations on a case by case basis. Reported incremental costs shall reflect, as closely as possible, the actual incremental costs incurred by the unit involved

in the specific operation, using cost factors for the specific command or geographic area, when available, as compared to composite cost factors for the overall DoD Component.

231404. Spending Constraints

Each DoD Component shall ensure that detailed guidance is disseminated to the appropriate subordinate organization levels to ensure the accuracy and reporting of costs. The DoD Components are responsible to employ a fiduciary approach to ensure that the funds are used in a prudent manner. As operations mature, steps should be taken to evaluate and establish spending constraints.

2315 OVERSEAS CONTINGENCY OPERATIONS TRANSFER FUND (OCOTF) AND BASE FUNDED OVERSEAS CONTINGENCY OPERATIONS

231501. Overseas Contingency Operations Transfer Fund (OCOTF)

The OCOTF was established to meet operational requirements in support of emerging overseas contingency operations without disrupting approved program execution or force readiness. The OCOTF is a "no-year" transfer account that provides the Department additional flexibility to meet operational requirements by transferring funds to the Military Services and Components based on actual execution experience as events unfold during the year of execution.

231502. Base Funded Overseas Contingency Operations

Military Services and Components supporting overseas contingency operations with base funding will submit estimated base budget estimates and obligations electronically through the Select and Native Programming (SNaP) input system during program and budget reviews. Operations include but are not limited to: Bosnia Operations; Kosovo Operations; Operation NOBLE EAGLE; Operation ENDURING FREEDOM (OEF) - TRANS SAHARA; Joint Task Force Bravo – Honduras; Operation OEF-Caribbean and Central America; or other based funded contingency operations.

2316 FOREIGN DISASTER RELIEF (FDR) FUNDED BY OVERSEAS HUMANITARIAN, DISASTER, AND CIVIC AID (OHDACA)

231601. Purpose/Applicability

The purpose of this section is to provide responsibilities and instructions for the development of DoD FDR cost estimates and the request for funding or subsequent reimbursement from DSCA. In accordance with DoDD 5100.46, DoD FDR activities are conducted outside the U.S. and at the request of the U.S. Agency for International Development (USAID), when civilian capacity is overwhelmed and DoD possesses unique capabilities to support life-saving/sustaining humanitarian activities. USAID uses a Mission Tasking Matrix (MiTaM) process to request DoD support. DoD support activities align with validated expenses incurred as a direct result of providing FDR to a foreign country and which comply with the legal purposes of 10 U.S.C. 2561 or similar authority shall be paid or reimbursed with the OHDACA appropriation, as authorized by the Secretary of Defense.

231602. Responsibilities

A. The Under Secretary of Defense for Policy (USD(P) has overall policy, guidance and management responsibility, through subordinate activities, for conducting FDR. For these contingency operations, the USD(P) is responsible for accepting requests for assistance from USG Departments and Agencies, and organizations external to the Department and responding to those Departments, Agencies, or organizations.

B. The Chairman Joint Chiefs of Staff (CJCS) issues an execute order from the Secretary of Defense, to the Commander of a Combatant Command, which gives the Combatant Commander the authority to order the Military Component into action and the authority for DoD components to expend available funds to carry out the order.

C. The Office of the Under Secretary of Defense (Comptroller) (OUSD(C)) is responsible for the overall financial oversight and determining financial responsibility for all contingency operations.

D. The Defense Security Cooperation Agency (DSCA) is responsible for program management of the OHDACA appropriation, approving FDR cost estimates in coordination with OUSDP, and issuing funds to Combatant Commands to support validated cost reimbursements.

E. The Combatant Command (CCMD) is responsible for collecting and preparing estimated costs from the DoD Components responsible for executing FDR operations within their geographic area of responsibility (AOR). The CCMD is responsible for submitting costs reports to DSCA, the OUSD(C), and others as required. In addition, the CCMD will validate and reimburse the DoD Components for incremental costs incurred in support of FDR operations.

231603. Funds Management of OHDACA Funded Operations

This section identifies specific OHDACA financial responsibilities and procedures of the CCMD and Military Services to ensure the accountability and management of OHDACA funds distributed in support of FDR operations.

A. The DSCA will work closely with OSD Policy and Comptroller to coordinate efforts across OSD, the Joint Staff, and the interagency community to provide for a common understanding of resource funding requirements for the relief mission and to focus efforts necessary to obtain additional OHDACA resources, if required, in a timely manner. The DSCA will ensure the approved amount of OHDACA funds set aside by the Secretary of Defense for CCMD FDR operations will be available to the CCMD. DSCA will also provide an OHDACA Funding Authorization Document (FAD) to the CCMD to execute the mission.

B. The CCMD has the responsibility to establish effective financial management oversight of OHDACA funds provided for the FDR operation. The CCMD will collect daily estimated costs, commitments, and obligations from the supporting components and defense agencies and will ensure that OHDACA funded operations are necessary and applicable, within authorized OHDACA purposes and fund ceilings. The CCMD will report daily funds estimates and expenditures to DSCA and the OUSD(C) Operations Directorate using the Foreign Disaster Relief (FDR) Reporting format at Annex 2.

C. The Military Component will execute the FDR operations as directed by the CCMD using their available funds, capture actual operation obligations/costs, and code transactions, as necessary, to ensure that all operational costs recorded in the accounting systems are auditable. The Military Component will request OHDACA reimbursement from the CCMD.

1. The request for reimbursement shall be traceable to its costs as included in the cost reports required under paragraph 230904 of this guidance.

2. Once the DoD Components submit their OHDACA reimbursement request to the CCMD, the CCMD will validate that the costs were incurred in direct support of the mission and comply with legal purposes for the use of OHDACA. Upon validation of these costs, the CCMD will issue an OHDACA FAD or Military Interdepartmental Purchase Request (MIPR) to the DoD Component for reimbursement.

D. In certain circumstances, a Military Component may need OHDACA funds prior to the humanitarian mission being completed. The CCMD will issue an OHDACA FAD or MIPR to the Military Component, as required.

1. The Military Component is still required to report their estimated daily costs to the CCMD and to execute funds as directed by the CCMD. The CCMD will validate that the costs were incurred to support the humanitarian mission.

2. The Military Component will report all costs as required under section 2308 of this guidance.

3. The CCMD will make every effort to reimburse OHDACA funds to the Military Component in a timely manner, so the Military Component does not lose buying power from having to utilize its current funds available.

4. The CCMD is required to submit validated cost reports for reimbursement no later than 60 days following the expiration of the Department of Defense Executive Secretary response to the request for assistance. Reimbursement requests received after the 60 day period will be reimbursed by exception based on funds availability.

Annex 1
Standard Data Reporting Format

Contingency	Component	Reporting Period (eg. October-08)	Treasury Index	Basic Symbol	Beginning FY (yyyy)	Ending FY (yyyy)	Funding Category Code [Disaster Relief only]	Operation	BAG

SAG/BLIN/PE	CBS Line Item	Monthly Commitments	Monthly Obligations	Monthly Disbursements	Data Source (ACCT SYS, ADJUSTMENT, COST MODEL, COST ALLOC)	Comments

Contingency: CoW (Cost of War), CRE (Contingency Response Events), or FDR (Foreign Disaster Relief)
Component: Participating DoD Military Service, Defense Agency or Combatant Command; e.g. Army
Reporting Period: e.g. October-08
Treasury Index: Treasury's Department identifier; e.g. 57 - Air Force
Basic Symbol: Appropriation code; e.g. 2020 - Operation & Maintenance for Army
Beginning FY (yyyy): e.g. 2016
Ending FY (yyyy): e.g. 2016
Funding Category Code: For Foreign Disaster Relief Operations Only; e.g. OHDACA (Overseas Humanitarian, Disaster, and Civic Aid) and Baseline
Operation: Contingency/Disaster, Humanitarian Relief Event or Activity
BAG: Budget Account Group; e.g. 01
SAG/BLIN/PE: Sub Account Group / Budget Line Item Number / Program Element; e.g. 011C
CBS Line Item: Cost Breakdown Structure; Cost Category e.g. 1.2.1
Monthly Commitments: Blank (place holder for future use)
Monthly Obligations: e.g. 7,000.00 (Dollars)
Monthly Disbursements: e.g. 6,900.00 (dollars)
Data Source: Accounting System, Cost Model or Allocation
Comments: As needed

Annex 1 (Continued)

Additional Cost Reporting Considerations and Requirements

1. Be prepared to separately identify offsets to Reserve and Guard accounts due to Reserve/Guard call-up to active duty. Reserve personnel called to active duty shall be funded from the active duty appropriation.

2. Depending on the operation reporting requirements, Component may be required to separately identify other offsets (e.g., training not accomplished, base operating support not required, supplies returned/not utilized, non-monetary contributions, such as free fuel, as applicable).

3. To include dependents (per diem/transportation for NEO or safehaven support): The DoD Component military pay and permanent change of station accounts have been designated fund cites for military dependent evacuations. Related transportation costs addressed here are those from the repatriation center to the evacuees' final safehaven locations. (If CONUS is the designated safehaven, all dependents shall be brought to a repatriation center for processing, then provided additional transportation to a final safehaven location). These costs are separate from the airlift/sealift provided by the DoD or the Department of State for noncombatants during the evacuation; those costs would be reported under Operation and Maintenance, Transportation.

4. Be prepared to provide the most current manpower data for inclusion into the monthly reports to provide a basis for funds distribution for potential United Nations determined cost reimbursements.

Annex 2

Foreign Disaster Relief (FDR) Reporting Format

Foreign Disaster Relief / OPERATION (Title/Country): Month/Year
Summary Budget Data

* All figures are in thousands of dollars ($000K)					Report Date:	
COSTS	Humanitarian Relief Supplies & Materials	Day 1	Day 2	Day 3	Day 4 (continued)	FINAL
	Medical Supplies	0.0	0.0	0.0	0.0	$0,000
	Health & Comfort Packages	0.0	0.0	0.0	0.0	$0,000
	Water & Water Storage	0.0	0.0	0.0	0.0	$0,000
	Humanitarian Daily Rations	0.0	0.0	0.0	0.0	$0,000
	All Other Humanitarian Relief Supplies	0.0	0.0	0.0	0.0	$0,000
	Total Humanitarian Supplies & Materials	0.0	0.0	0.0	0.0	$0,000
	Operational Support Costs	Day 1	Day 2	Day 3	Day 4 (continued)	FINAL
	Personnel Costs	0.0	0.0	0.0	0.0	$0,000
	Temporary Duty Costs	0.0	0.0	0.0	0.0	$0,000
	Health Services, Clothing, & Misc Personnel Support	0.0	0.0	0.0	0.0	$0,000
	Base Support (Billeting, mess, C4I, & other support for US forces)	0.0	0.0	0.0	0.0	$0,000
	Airlift & Aviation Costs	0.0	0.0	0.0	0.0	$0,000
	Sealift & Steaming Costs	0.0	0.0	0.0	0.0	$0,000
	Port Handling & Misc Transportation Costs	0.0	0.0	0.0	0.0	$0,000
	Other Operational Support Costs	0.0	0.0	0.0	0.0	$0,000
	Total Operational Support	0.0	0.0	0.0	0.0	$0,000
	Total Operation Costs (Humanitarian Supplies & Materials plus Operational Costs)	0.0	0.0	0.0	0.0	$0,000

Annex 2 (Continued)

OPERATION / Humanitarian Mission (Title/Country): Month/Year
Summary Budget Data

		AUDIT	AUDIT	AUDIT	AUDIT	AUDIT
STATUS OF FUNDS	Resource Authority	Day 1	Day 2	Day 3	Day 4 (continued)	FINAL
	OHDACA Provided to Combatant Command	0.0	0.0	0.0	0.0	$0,000
	Less: Costs to Date	0.0	0.0	0.0	0.0	$0,000
	Resources remaining after costs	0.0	0.0	0.0	0.0	$0,000
COSTS PER DAY & OHDACA AVAILABLE	Daily Rate of Expenditure ($000K per day) is	0.0	0.0	as calculated from Dates of Operation (Day/Month/Year to Day/Month/Year)		
	Transaction Date	OHDACA Received (non-cumulative)	Total Operation OHDACA (cumulative)	OHDACA Distributed to Components (non-cumulative)	Total OHDACA Distributed (cumulative)	Amount held at Command/ DSCA (cumulative)
	0-Jan-00	0.0	0.0	0.0	0.0	$0,000
	0-Jan-00	0.0	0.0	0.0	0.0	$0,000
	0-Jan-00	0.0	0.0	0.0	$0.0	$0,000

Additional information and guidance:

CCMDs will receive OHDACA funding through the Defense Agencies Initiative (DAI) or Program Budget Accounting System (PBAS) from DSCA within 48 hours of the signed Department of Defense Executive Secretary (EXECSEC) memorandum to Department of State.

CCMDs are responsible for reimbursement of all validated expenses related to an EXECSEC or Disaster Response.

Annex 3

Evacuations
Department of State/Department of Defense
Cost Responsibility Matrix and Definitions

	Evacuation/Protection Cost Responsibility
Evacuation Related Costs: 1/	
A. Evacuee transportation/backhaul	State
B. Landing fees	State
C. Positioning of evacuee transportation assets solely for evacuation	State
Protection Related Costs: 2/	
D. Positioning of transportation assets when assets are to be used for protection and evacuation	DoD
E. Special Pays (Imminent Danger, etc.)	DoD
F. Protection Forces (including all support)	DoD
G. Deploy/redeploy/reconstitute protection element	DoD
H. Protection of evacuees/DoD assets & personnel	DoD
I. Tactical Airlift Control Element	DoD
J. Per Diem	DoD
K. Communications	DoD
L. NEO command structure	DoD

1/ If other evacuation efforts are requested specifically by the Department of State, those efforts shall be billed under the Economy Act (31 U.S.C. 1535).

2/ If other protection efforts are performed during an evacuation, the associated costs shall be borne by DoD.

Annex 4

Cost Breakdown Structure

1.1 Military Personnel		
1.1.1	Reserve Components Called To Active Duty	The fully-burdened cost for pay and allowances for Reserve and National Guard personnel called to active duty to support a contingency operation (excludes mobilized Reserve AGRs since there is no incremental cost for their mobilization, but includes mobilized National Guard AGRs). Excludes Imminent Danger Pay, Family Separation Allowance, and Hardship Duty Pay which are accounted for in CBS codes 1.1.2, 1.1.3 and 1.1.4 and Stop Loss and Deployment Extension pays which are recorded in 1.1.7.1. Does not include TRICARE accrual costs, which for reservists, are not an incremental cost. It includes, but is not limited to Basic Pay, Basic Allowance for Housing (BAH), Basic Allowance for Subsistence (BAS), Retired Pay Accrual, government's portion of Federal Insurance Contribution Act taxes, and all special and incentive pays not included in 1.1.2, 1.1.3, 1.1.4 and 1.1.7.1.
1.1.2	Imminent Danger or Hostile Fire Pay	When authorized by the directing authority, a monthly special pay provided to active and reserve component military personnel participating in or supporting the contingency operation.
1.1.3	Family Separation Allowance	A monthly special allowance paid to all active and reserve component personnel who are separated from their families for 30 days or more.
1.1.4	Hardship Duty Pay	Hardship Duty Pay (HDP) is a monthly special pay for both mission (HDP-M) and location (HDP-L) paid to all Active and Reserve Component personnel who are eligible based upon the appropriate designations for personnel who are at a location outside of the continental U.S. (OCONUS).
1.1.5	Subsistence-in-Kind	Includes the costs of water, food, and ice and other subsistence items (Army Class I) which are purchased expressly to support personnel engaged in or supporting the contingency operation. Does not include Basic Allowance for Subsistence (BAS) which will be reported in 1.1.1 or 1.1.8 as applicable.

1.1.6	Reserve Components Pre-Mobilization/ Post- Mobilization Training	Includes all pay and allowance costs, as well as travel and per diem for training specially required prior to or post activation, and not included within normal Annual Training (AT) and Inactive Duty Training (IDT) periods. Additional AT or IDT required to meet general Military Occupation Specialty individual and collective training standards are excluded.
1.1.6.1	Yellow Ribbon	Includes costs to assist National Guard and Reserve service members and families for reintegration training through the pre and post deployment phases.
1.1.7.1	Other Milpers Special and Incentive Pays	Active Duty special pays and incentives not reportable in 1.1.2, 1.1.3, 1.1.4, or 1.1.8. Special and incentive pays for Reserve Components called to Active Duty should be reported in 1.1.1 if not reportable in 1.1.2, 1.1.3 or 1.1.4. However, Stop Loss pays and Deployment Extension pay will be reported in 1.1.7.1 for both the Active and Reserve Components.
1.1.7.2	Permanent Change of Station - Military	Military personnel PCS costs associated with moving a servicemember in preparation for deployment or mobilization and upon return.
1.1.7.3	Temporary Storage - Military	Includes costs incurred to provide temporary storage for household goods and privately owned vehicles for servicemembers during deployments and mobilization in support of contingency operations.
1.1.7.4	Casualty and Disability Benefits	Costs incurred to pay death gratuities; Servicemembers Group Life Insurance (SGLI); Traumatic Injury Protection under SGLI (T-SGLI); and SGLI and T-SGLI insurance premiums.
1.1.7.5	Recruiting and Retention	Incentives and bonuses to recruit and retain personnel in critical military positions.
1.1.7.6	Additional Mobilization/Deployment Costs	Miscellaneous programs (e.g., Reserve Income Replacement Program, Unemployment Compensation, and Interest on Uniformed Services).

1.1.8	Active Component Overstrength	The situation where a Military Service administratively retains a military member in an active duty status beyond a previously scheduled separation from the Armed Forces or brings on additional members in a temporary status to meet wartime requirements. Includes the cost of the fully-burdened composite rate of pay, allowances, taxes, and accruals for approved active component end strength in excess of Congressional authorized manning levels while supporting a contingency operation or war. Includes personnel retained as a result of stop loss actions. Excludes Imminent Danger Pay, Family Separation Allowance, Hardship Duty Pay, Stop Loss and Deployment Extension pays which are accounted for in other categories. Itincludes, but is not limited to Basic Pay, BAH, BAS, special and incentive pays, Retired Pay Accrual, TRICARE accrual, and the governments portion of Federal Insurance Act Contribution taxes.
1.2 Civilian Personnel		
1.2.1	Civilian Premium Pay	Includes certain types of pay such as overtime pay, night/shift differential pay, Sunday pay, holiday pay, hazard duty pay, environmental differential pay, danger pay allowance, and allowances and differentials in foreign areas that are incurred solely as a result of the employee's participation in or support to the contingency operation. Covers premium pay for both permanent and temporary DoD civilian employees.
1.2.2	Civilian Temporary Hires	Includes the basic salary and benefit costs of DoD civilian employees hired, on a temporary/nonpermanent basis, to directly support contingency operations or to provide backfill support with duty station in CONUS or OCONUS. Includes reimbursement for Working Capital Fund employees utilized in direct support of a contingency.
1.2.3	MRAP Vehicles	Obligations for civilian premium pay for deployed civilians and workload peaks at mobilization/demobilization and deployment/redeployment sites in the Continental United States (CONUS).

2.0 Personnel Support		
2.1	Temporary Duty (TDY)/Additional Duty (TAD)	Includes the costs of travel, per diem, and lodging for military and civilian personnel that result from participation in or support to the contingency operation. Also includes the cost of invitational travel orders for non-DoD personnel who travel at the request of a DoD Component on an assignment directly related to the contingency operation. Excludes the TDY/TAD costs of Reserve Component personnel called to active duty. These costs are to be reported as Reserve Component activation costs.
2.1.1	Per Diem - Military Dependents Only	Per Diem - Military Dependents Only
2.1.2	Per Diem - Military Members	Per Diem - Military Members
2.1.3	PCS Transportation - Military	PCS Transportation - Military
2.1.4	Dislocation Allowance	Dislocation Allowance
2.1.5	Per Diem - DoD Civilians	Per Diem - DoD Civilians
2.1.6	Per Diem - DoD Civilian Dependents	Per Diem - DoD Civilian Dependents
2.1.7	PCS Transportation - DoD Civilians	PCS Transportation - DoD Civilians
2.1.8	Miscellaneous Expense Allowance - DoD Civilians	Miscellaneous Expense Allowance - DoD Civilians
2.1.9	TDY Per Diem and Travel	TDY Per Diem and Travel
2.2	Individual Equipment	Costs associated with government owned, issued, and controlled personal protective gear temporarily issued to military Service members for use at no cost to the military Service members. Examples of personal protective gear include Load Bearing Equipment, helmets, ballistic eyewear, steel toe boots, gloves, goggles, ear protection, and hard armor ballistic inserts. For Service specific definition, see Service respective uniform regulation(s). Input procurement and operation and maintenance funding for individual equipment.

2.2.1	Organizational Clothing	Costs associated with government owned, issued, and controlled uniform garments temporarily issued to military Service members for use at no cost to the military Service member. Examples of uniform garments include the Extended Cold Weather Clothing System, Aviation Combat Uniform, Flight Suit, Fire Resistant Combat Uniform, and the Improved Combat Vehicle Crewmember Coverall. For Service specific definitions, see Service respective uniform regulation(s). Input procurement and operation and maintenance funding for organizational clothing.
2.3	Medical Support/Health Services	Additive costs associated with providing medical services to military (Active or Reserve) and civilians (DoD or contractor) in clinics, hospitals, hospital ships, or other medical treatment facilities. Includes predeployment medical examinations, immunizations, medical materials (Army Class VIII supplies; e.g., blood, fluids, and specialized medical repair parts), medical supplies, operation of Mobile Army Surgical Hospital units, patient evacuation, and other nonpay and allowance expenses associated with medical backfill. Includes required communications costs associated with provision of medical services via telemedicine.
2.4	Reserve Component Activation/Deactivation	Includes costs to activate (mobilize) and deactivate(demobilize) Reserve units or individual Reservists. Includes transportation from home station to active duty station in CONUS. Training to bring Reserve Components up to active force readiness standards are considered activation costs. Excludes costs of pay, allowances, active duty TDY/TAD, and transportation to and from the area of operation, training, and other costs which are reported elsewhere.
2.4.1	Yellow Ribbon	Includes costs to assist National Guard and Reserve servicemembers and families with local resources before, during, and after deployments.
2.5	Other Personnel Support	Personnel support costs not included in one of the above items. This category would include unusual costs such as permanent change of station, end of term of service, or special actions associated with household goods or privately-owned vehicle storage.
2.5.1	Permanent Change of Station - Civilian	Includes costs associated with moving a civilian in preparation for deployment and upon return.

2.5.2	Temporary Storage - Civilian	Includes costs incurred to provide temporary storage for household goods and privately owned vehicles for civilians during deployments to contingency operations.
2.5.3	Subsistence - Civilian	Includes costs incurred to provide subsistence for civilians during deployments to contingency operations.
2.6	Rest & Recreation	Funds obligated by a DoD Component to provide a U.S. Government civilian or a military member of the Armed Services with an occasion away from a contingency operation duty station for the purpose of rest and recreation. Includes the cost of transportation from and to the contingency operation duty station.
2.7	Body Armor	Costs associated with government owned, issued, and controlled ballistic projectile protection equipment temporarily issued to military Service members for use at no cost to the military Service members. Examples of body armor include helmets, armored vests, body armor plates, small arms protective inserts, side ballistic Insert, and tactical vests. Body armor is a subset of individual equipment. For Service specific definition, see Service respective uniform regulation(s). Input procurement and operation and maintenance funding for body armor.
3.0 Operations		
3.1	Training	Includes the costs associated with predeployment training of units and personnel to participate in or support an operation as well as the costs associated with training troops and personnel during the contingency operation. Includes antiterrorism training if required. Includes ancillary costs associated with proficiency training.
3.1.0	Care-in-Store	The cost to receive, preserve, store, and issue equipment for repair/restoration.
3.1.2	MRAP Vehicles Training	Obligations incurred to provide a variety of training in support of MRAP operational capability.

3.2	Operations (OPTEMPO) (Fuel, Other POL, Parts)	Includes the incremental cost to operate units that conduct or support the contingency operation such as materials and services used during an operation to include: petroleum, oils and lubricants (POL) (Army Class III items) and spare and consumable parts such as repair components, kits, assemblies, reparable and nonreparable items for equipment maintenance support (Army Class IX items). Only those additional OPTEMPO costs that the Department incurs as a direct result of the contingency operation should be included. Includes all equipment maintenance required to prepare equipment for deployment and to maintain equipment during the contingency operation. Excludes charges for the use of DoD assets and also excludes cost of ammunition of all types (chemical, radiological, and special weapons), bombs, explosives, mine, fuse detonators, propellants, missiles, pyrotechnics and other associated items (Army Class V items).
3.2.1	MRAP Vehicles Operation	Obligations incurred to provide operation and maintenance of deployed MRAPs.
3.2.2.1	Air Reconnaissance(P3)	Air Reconnaissance(P3)
3.2.2.2	Other Flying Hours	Other Flying Hours
3.2.3	Steaming Days	Steaming Days
3.2.4.1	TAD Non-Medical Personnel (USNS Comfort)	TAD Non-Medical Personnel (USNS Comfort)
3.2.4.2	TAD Medical Personnel (USNS Comfort)	TAD Medical Personnel (USNS Comfort)
3.2.5	Medical Supplies	Medical Supplies
3.2.6	Other Steaming Days	Other Steaming Days
3.2.7	Other	Other
3.2.8	USNS Mercy	USNS Mercy
3.2.8.1	TAD Non-Medical Personnel (USNS Mercy)	TAD Non-Medical Personnel (USNS Mercy)
3.2.8.2	TAD Medical Personnel (USNS Mercy)	TAD Medical Personnel (USNS Mercy)
3.3.1	Mine and Ballistic Protection Kits	Includes cost for the purchase, repair and maintenance for equipment and kits designed to increase personnel and vehicle ballistic protection.

3.3.2	Supplies and Equipment	Includes costs for supplies and equipment that is directly attributable to a contingency operation, but is not associated with operating tempo.
3.4	Facilities/Base Support	Includes establishment, maintenance & ops of billeting, camps, airfields, staging areas, relief centers, etc., similar to base operating support and real property maintenance. While this applies to costs incurred away from home station, costs may be included if they are incurred solely to support the contingency op. This category includes leases, rents and utilities to operate bases, camps, relief centers, airfields, and other operating/support facilities established. This category includes fortifications and barriers (Army Class IV) and other physical security costs and costs associated to protect forces at the facility (i.e. lease of land for required stand-off distance, special sewage removal or water hauling) and other base/center operating expenses such as food prep/serving service, storage and distribution warehousing or local area shuttle services. Includes materials and services provided by DoD Components or contractors and all logistics civil augmentation program costs.
3.4.1	MRAP Vehicles Facilities and Base Support	Obligations incurred to provide CONUS base support services, intermediate maintenance, and supplies and equipment in support of operation and maintenance of MRAPs.
3.5.1	Organization Level Maintenance	The cost of equipment maintenance activities performed at the organizational/unit level. Includes the cost to clean, inspect, and maintain organic equipment to the required condition at the conclusion of the contingency operation or unit deployment. Covers equipment organic to the participating unit and war reserve stock prior to replacement into storage. Excludes the cost to transport equipment being repaired/restored.
3.5.1.1	Non-Reset Organizational Level Maintenance	Organizational level cost of equipment maintenance activities, other than reset.

3.5.1.2	Reset Organizational Level Maintenance	Reset organizational level maintenance. Definition: For Operation and Maintenance activities, reset includes a series of actions taken to restore units that have participated in contingency operations to a desired level of combat capability commensurate with the units' future mission. It encompasses both maintenance and supply activities that restore and enhance combat capability to unit and pre-positioned equipment that was destroyed, damaged, stressed, or worn out beyond economic repair due to combat operations by repairing, rebuilding, or procuring replacement equipment. These maintenance and supply activities involve both recapitalization and Depot and Field Level repairs/overhauls centrally managed to specified standards. Included are Procurement and Operation and Maintenance funded major repairs/overhauls and recapitalization (Rebuild or Upgrade) that enhance or restore existing equipment inventories through the insertion of new technology or restoration of selected equipment to a zero-miles/zero-hours condition. Reset includes replacement of equipment lost during operations in theater.
3.5.2	Intermediate Level Maintenance	The cost of equipment maintenance activities performed at the intermediate level facility, to include the cost to clean, inspect, and maintain organic equipment to the required condition at the conclusion of the contingency operation or unit deployment. Covers equipment organic to the participating unit and war reserve stock prior to replacement into storage. Excludes the cost to transport equipment being repaired/restored.
3.5.2.1	Non-Reset Intermediate Level Maintenance	Intermediate level cost of equipment maintenance activities, other than reset.
3.5.2.2	Reset Intermediate Level Maintenance	Reset intermediate level maintenance. See CBS Code 3.5.1.2 and 6.1.7 for reset definition.

3.5.3	Depot Level Maintenance	The cost of equipment maintenance activities performed at the depot level facility, to include the cost to overhaul, clean, inspect, and maintain organic equipment to the required condition at the conclusion of the contingency operation or unit deployment. Covers equipment organic to the participating unit and war reserve stock prior to replacement into storage. Excludes the cost to transport, receive, preserve, store, and issue equipment being repaired/restored.
3.5.3.1	Non-Reset Depot Level Maintenance	Depot level cost of equipment maintenance activities, other than reset.
3.5.3.2	Reset Depot Level Maintenance	Maintenance actions at the Depot level to accomplish Reset. See CBS Code 3.5.1.2 and 6.1.7 for reset definition.
3.5.4	Contractor Logistics Support	The cost included when required material and maintenance of an end item or system is performed by contract support.
3.5.4.1	Non-Reset Contractor Logistics Support	Contractor logistics support cost, excluding reset costs.
3.5.4.2	Reset Contractor Logistic Support	Maintenance actions through Contractor Logistics Support to accomplish Reset. See CBS Code 3.5.1.2 and 6.1.7 for reset definition.
3.5.5	Up-Armored HMMWV Repair	Obligations incurred to repair, modify, or upgrade Up- Armored High Mobility Multipurpose Wheeled Vehicle
3.5.6	MRAP Vehicles Equipment Maintenance	MRAP Vehicles Equipment Maintenance
3.6	C4I	Includes the cost of designing, engineering, installing, and maintaining C4I systems required to support the contingency operations such as: purchase and lease of communications equipment, lease of commercial satellites and long-haul lines; and collection, analysis, and dissemination of information or intelligence information (to include cartography, imagery, and other mapping activities and joint surveillance attack radar system and unmanned aerial vehicles.
3.7.1	Miscellaneous Supplies	Includes costs of procuring, leasing, or renting miscellaneous supplies or services used during the contingency operation. Includes general support and administrative equipment not identified in another category. Includes contract services such as linguists not identified in another category.

3.7.2	Contract Services	Includes costs associated with providing contract services (non C4I) used during the contingency operation not covered in any other CBS category.
3.7.3	General Support and Administrative Equipment	Includes costs incurred to maintain and operate equipment with multi-use administrative purposes.
3.7.4	LOGCAP	Obligations incurred to pay for contract costs related to the Logistics Civilian Augmentation Program.
3.8	IED Operation	Obligations incurred to operate or repair equipment to defeat or counter the use of improvised explosive devices.
3.9	Psychological Operations (Information Operations)	Planned operations to convey selected information and indicators to foreign audiences to influence their emotions, motives, objective reasoning, and ultimately the behavior of foreign governments, organizations, groups, and individuals.
4.0 Transportation		
4.1	Airlift	Includes transportation of personnel, equipment, and material by commercial or military air; retrograde costs should be reported in CBS 4.8.
4.2	Sealift	Includes transportation of personnel, equipment, and material by sea using commercial or active duty naval ships; retrograde costs should be reported in CBS 4.8.
4.3	Ready Reserve Force (RRF)/Fast Sealift Ships (FSS)	Includes transportation of personnel, equipment, and material by sea using RRF/FSS. Includes the cost to activate/deactivate and make vessels ready for use in contingency operations; retrograde costs should be reported in CBS 4.8.
4.4	Port Handling/Inland Transportation	Includes port handling costs and transportation of personnel, equipment, and material by land. Also includes any contracted services to support port handling or inland transportation. Includes transportation between peacetime operating locations (home station) and ports and transportation between ports and the area of operation during deployment, sustainment, and redeployment; retrograde costs should be reported in CBS 4.8.
4.5	Other Transportation	Includes transportation not included as airlift, sealift, ready reserve forces, or port handling/inland transportation; retrograde costs should be reported in CBS 4.8.

4.6	Second Destination Transportation	Includes the cost of delivery of end item(s) to a location in support of a contingency operation. Also includes Defense Logistics Agency second destination costs; retrograde costs should be reported in CBS 4.8.
4.7	MRAP Vehicles Transportation	Obligations incurred for transportation for MRAP vehicles in support of contingency operations; retrograde costs should be reported in CBS 4.8.
4.8	Retrograde of Personnel & Equipment	Amounts obligated to retrograde personnel and equipment. Equipment retrograde refers to the movement of non-unit equipment and material from a forward location to a reset program or another directed area of operation.
5.0 Revolving Funds		
5.1	Depot Level Repairables	Includes the cost of depot level repairables obligations incurred in support of a contingency operation within a Working Capital Fund.
5.10	Def Reutilization & Marketing Service OPS	Includes the cost of reutilization and marketing service operations obligations incurred in support of a contingency operation within a Working Capital Fund.
5.11	Other	Includes the cost of other obligations incurred in support of a contingency operation within a Working Capital Fund.
5.2	Depot Maintenance	Includes the cost of depot maintenance obligations incurred in support of a contingency operation within a Working Capital Fund.
5.3	Non-Flying Hours Spares (War Reserve Stock)	Includes the cost of nonflying hours spares obligations incurred in support of a contingency operation within a Working Capital Fund.
5.4	War Reserve Stock Secondary Items	Includes the cost of War Reserve Stock Secondary Items obligations incurred in support of a contingency operation within a Working Capital Fund.
5.5	Prepositioning Equipment Replacement - War Reserve	Prepositioning Equipment Replacement - War Reserve
5.6	Prepositioning Munitions Replacement - War Reserve	Prepositioning Munitions Replacement - War Reserve
5.8	Theater Distribution	Includes the cost of theater distribution obligations incurred in support of a contingency operation within a Working Capital Fund.

5.9	Fuel Transportation and Fuel Combat Losses	Includes the cost of fuel transportation and fuel combat losses obligations incurred in support of a contingency operation within a Working Capital Fund.
6.1 Procurement		
6.1.1	Aircraft Procurement	The obligation of funds in the Components aircraft procurement accounts that include actions taken to restore units to a desired level of combat capability commensurate with the unit's future mission. It encompasses procurement activities that restore and enhance combat capability to unit and pre-positioned equipment that was destroyed, damaged, stressed, or worn out beyond economic repair due to combat operations by procuring replacement equipment. Included are Procurement funded major repairs/overhauls and recapitalization (Rebuild or Upgrade) that enhances existing equipment through the insertion of new technology or restores selected equipment to a zero-miles/zero-hours condition.
6.1.1.1	Aircraft Procurement Reset	Includes the obligation of funds in the Components aircraft procurement accounts, incurred in support of a contingency operation for reset. See CBS Code 3.5.1.2 and 6.1.7 for reset definition.
6.1.1.2	Aircraft Procurement Non-Reset	Includes the obligation of funds in the Components aircraft procurement accounts, incurred in support of a contingency operation excluding reset. Included are purchases of specialized, theater-specific equipment or operationally required modifications to equipment used in theater or in direct support of combat operations.
6.1.2	Munition Procurement	The obligation of funds in the Components munitions procurement accounts that include actions taken to restore units to a desired level of combat capability commensurate with the unit's future mission. It encompasses procurement activities that restore and enhance combat capability to unit and pre-positioned equipment that was destroyed, damaged, stressed, or worn out beyond economic repair due to combat operations by procuring replacement equipment. Included are Procurement funded major repairs/overhauls and recapitalization (Rebuild or Upgrade) that enhances existing equipment through the insertion of new technology or restores selected equipment to a zero-miles/zero-hours condition.

6.1.2.1	Munition Procurement Reset	Includes the obligation of funds in the Components munitions procurement accounts, incurred in support of a contingency operation for reset. See CBS Code 3.5.1.2 and 6.1.7 for reset definition.
6.1.2.2	Munition Procurement Non-Reset	Includes the obligation of funds in the Components munitions procurement accounts, incurred in support of a contingency operation excluding reset. May include munitions procurement based on projected combat operations expenditures, in cases where existing munitions stocks are insufficient to sustain theater combat operations.
6.1.3	Vehicle Procurement	The obligation of funds in the Components vehicle procurement accounts that include actions taken to restore units to a desired level of combat capability commensurate with the unit's future mission.
6.1.3.1	Vehicle Procurement Reset	Includes the obligation of funds in the Components vehicle procurement accounts, incurred in support of a contingency operation within the procurement title for reset. See CBS Code 3.5.1.2 and 6.1.7 for reset definition.
6.1.3.2	Vehicle Procurement Non-Reset	Includes the obligation of funds in the Components vehicle procurement accounts, incurred in support of a contingency operation excluding reset.
6.1.3.3	MRAP Vehicles Procurement	Includes the obligation of funds in the Components vehicle procurement accounts for MRAPs, incurred in support of a contingency operation.
6.1.4	Communication & Electronic Equip Procurement	The obligation of funds in the Components communication and electronic equipment procurement accounts that include actions taken to restore units to a desired level of combat capability commensurate with the unit's future mission. It encompasses procurement activities that restore and enhance combat capability to unit and pre-positioned equipment that was destroyed, damaged, stressed, or worn out beyond economic repair due to combat operations by procuring replacement equipment. Included are Procurement funded major repairs/overhauls and recapitalization (Rebuild or Upgrade) that enhances existing equipment through the insertion of new technology or restores selected equipment to a zero-miles/zero-hours condition.
6.1.4.1	Communication & Electronic Equip Reset	Includes the obligation of funds in the Components communication & electronic procurement accounts, incurred in support of a contingency operation within the procurement title for reset. See CBS Code 3.5.1.2 and 6.1.7 for reset definition.

6.1.4.2	Communication & Electronic Equip Non-Reset	Includes the obligation of funds in the Components communication & electronic procurement accounts, incurred in support of a contingency operation within the procurement title excluding reset.
6.1.5	Non-IED/Up-Armored Humvees Combat Support	The obligation of funds in the Components non-IED/up- armored humvees combat support procurement accounts that include actions taken to restore units to a desired level of combat capability commensurate with the unit's future mission. It encompasses procurement activities that restore and enhance combat capability to unit and pre-positioned equipment that was destroyed, damaged, stressed, or worn out beyond economic repair due to combat operations by procuring replacement equipment. Included are Procurement funded major repairs/overhauls and recapitalization (Rebuild or Upgrade) that enhances existing equipment through the insertion of new technology or restores selected equipment to a zero-miles/zero-hours condition.
6.1.5.1	Non-IED/Up-Armored Humvees, Combat Reset	Includes the obligation of funds in the Components non- IED/up-armored humvees combat support procurement accounts, incurred in support of a contingency operation within the procurement title for reset. See CBS Code 3.5.1.2 and 6.1.7 for reset definition.
6.1.5.2	Non-IED/Up-Armored Humvees, Combat Non-Reset	Includes the obligation of funds in the Components non- IED/up-armored humvees combat support procurement accounts, incurred in support of a contingency operation within the procurement title excluding reset.
6.1.6	Up-Armored Humvees Procure and Modify	The obligation of funds in the Components up-armored humvee procurement accounts procurement accounts that include actions taken to restore units to a desired level of combat capability commensurate with the unit's future mission. It encompasses procurement activities that restore and enhance combat capability to unit and pre-positioned equipment that was destroyed, damaged, stressed, or worn out beyond economic repair due to combat.
6.1.6.1	Up-Armored Humvee Procurement Reset	Includes the obligation of funds in the Components up- armored humvee procurement accounts, incurred in support of a contingency operation for reset. See CBS Code 3.5.1.2 and 6.1.7 for reset definition.
6.1.6.2	Up-Armored Humvee Procurement Non-Reset	Includes the obligation of funds in the Components up- armored humvee procurement accounts, incurred in support of a contingency operation excluding reset.

6.1.7	Reset	Includes the obligation of funds in the Components procurement accounts, incurred in support of a contingency operation for reset. Definition: For Procurement activities, reset includes a series of actions taken to restore units that have participated in contingency operations to a desired level of combat capability commensurate with the units' future mission. It encompasses both maintenance and supply activities that restore and enhance combat capability to unit and pre-positioned equipment that was destroyed, damaged, stressed, or worn out beyond economic repair due to combat operations by repairing, rebuilding, or procuring replacement equipment. These maintenance and supply activities involve both recapitalization and Depot and Field Level repairs/overhauls centrally managed to specified standards. Included are Procurement and Operation and Maintenance funded major repairs/overhauls and recapitalization (Rebuild or Upgrade) that enhance or restore existing equipment inventories through the insertion of new technology or restoration of selected equipment to a zero-miles/zero-hours condition. Reset includes replacement of equipment lost during operations in theater.
6.1.8	Joint Counter IED	Obligations incurred to procure, modify, upgrade or replace equipment to defeat or counter the use of improvised explosive devices. Includes the Joint Improved – Threat Defeat Fund (JIDF).
6.2 Research and Development		
6.2.1	Basic Research	The obligation of funds in the Components Basic Research program, RDT&E title, that include actions taken to restore units to a desired level of combat capability commensurate with the units future mission. It encompasses procurement activities that restore and enhance combat capability to unit and pre-positioned equipment that was destroyed, damaged, stressed, or worn out beyond economic repair due to combat operations by procuring replacement equipment. Included are Procurement funded major repairs/overhauls and recapitalization (Rebuild or Upgrade) that enhances existing equipment through the insertion of new technology or restores selected equipment to a zero- miles/zero-hours condition.

6.2.1.1	Basic Research Reset	Includes the obligation of funds in the Components Basic Research program, within the RDT&E title, incurred in support of a contingency operation for reset. See CBS Code 3.5.1.2 and 6.1.7 for reset definition.
6.2.1.2	Basic Research Non-Reset	Includes the obligation of funds in the Components Basic Research program, within the RDT&E title, incurred in support of a contingency operation excluding reset.
6.2.2	Applied Research	The obligation of funds in the Components Applied Research program, RDT&E title, that include actions taken to restore units to a desired level of combat capability commensurate with the units future mission. It encompasses procurement activities that restore and enhance combat capability to unit and pre-positioned equipment that was destroyed, damaged, stressed, or worn out beyond economic repair due to combat operations by procuring replacement equipment. Included are Procurement funded major repairs/overhauls and recapitalization (Rebuild or Upgrade) that enhances existing equipment through the insertion of new technology or restores selected equipment to a zero-miles/zero-hours condition.
6.2.2.1	Applied Research Reset	Includes the obligation of funds in the Components Applied Research program, within the RDT&E title, incurred in support of a contingency operation for reset. See CBS Code 3.5.1.2 and 6.1.7 for reset definition.
6.2.2.2	Applied Research Non-Reset	Includes the obligation of funds in the Components Applied Research program, RDT&E title, incurred in support of a contingency operation excluding reset.
6.2.2.3	Applied Research MRAP Vehicles	Includes the obligation of funds in the Components Applied Research program, RDT&E title, incurred in support of MRAPs for a contingency operation.

6.2.3	Advanced Technology Development	The obligation of funds in the Components Advanced Technology programs, within the RDT&E title, that include actions taken to restore units to a desired level of combat capability commensurate with the units future mission. It encompasses procurement activities that restore and enhance combat capability to unit and pre-positioned equipment that was destroyed, damaged, stressed, or worn out beyond economic repair due to combat operations by procuring replacement equipment. Included are Procurement funded major repairs/overhauls and recapitalization (Rebuild or Upgrade) that enhances existing equipment through the insertion of new technology or restores selected equipment to a zero-miles/zero-hours condition.
6.2.3.1	Advanced Technology Reset	Includes the obligation of funds in the Components Advanced Technology Development program, within the RDT&E title, incurred in support of a contingency operation for reset. See CBS Code 3.5.1.2 and 6.1.7 for reset definition.
6.2.3.2	Advanced Technology Non-Reset	Includes the obligation of funds in the Components Advanced Technology programs, within the RDT&E title, incurred in support of a contingency operation excluding reset.
6.2.4	Advanced Component Development & Prototype	The obligation of funds in the Components Advanced Component Development and Prototype programs, within the RDT&E title, that include actions taken to restore units to a desired level of combat capability commensurate with the units future mission. It encompasses procurement activities that restore and enhance combat capability to unit and pre- positioned equipment that was destroyed, damaged, stressed, or worn out beyond economic repair due to combat operations by procuring replacement equipment. Included are Procurement funded major repairs/overhauls and recapitalization.
6.2.4.1	Advanced Component Development & Prototype Reset	Includes the obligation of funds in the Components advanced Component Development and Prototype program, within the RDT&E title, incurred in support of a contingency operation for reset. See CBS Code 3.5.1.2 and 6.1.7 for reset definition.
6.2.4.2	Advanced Component Development & Prototype Non- Reset	Includes the obligation of funds in the Components advanced Component Development and Prototype program, within the RDT&E title, incurred in support of a contingency operation excluding reset.

6.2.5	System Development & Demonstration	The obligation of funds in the Components System Development and Demonstration programs, within the RDT&E title, that include actions taken to restore units to a desired level of combat capability commensurate with the units future mission. It encompasses procurement activities that restore and enhance combat capability to unit and pre- positioned equipment that was destroyed, damaged, stressed, or worn out beyond economic repair due to combat operations by procuring replacement equipment. Included are Procurement funded major repairs/overhauls and recapitalization (Rebuild or Upgrade) that enhances existing equipment through the insertion of new technology or restores selected equipment to a zero-miles/zero-hours condition.
6.2.5.1	System Development and Demonstration Reset	Includes the obligation of funds in the Components System Development and Demonstration program, within the RDT&E title, incurred in support of a contingency operation for reset. See CBS Code 3.5.1.2 and 6.1.7 for reset definition.
6.2.5.2	System Development and Demo Non-Reset	Includes the obligation of funds in the Components System Development and Demonstration program, within the RDT&E title, incurred in support of a contingency operation excluding reset.
6.2.6	Management Support	The obligation of funds in the Components Management Support programs, within the RDT&E title, that include actions taken to restore units to a desired level of combat capability commensurate with the units future mission. It encompasses procurement activities that restore and enhance combat capability to unit and pre-positioned equipment that was destroyed, damaged, stressed, or worn out beyond economic repair due to combat operations by procuring replacement equipment. Included are Procurement funded major repairs/overhauls and recapitalization (Rebuild or Upgrade) that enhances existing equipment through the insertion of new technology or restores selected equipment to a zero-miles/zero-hours condition.
6.2.6.1	Management Support Reset	Includes the obligation of funds in the Components Management Support programs, within the RDT&E title, incurred in support of a contingency operation for reset. See CBS Code 3.5.1.2 and 6.1.7 for reset definition.

6.2.6.2	Management Support Non- Reset	Includes the obligation of funds in the Components Management Support programs, within the RDT&E title, incurred in support of a contingency operation excluding reset.
6.2.7	Operational System Development	The obligation of funds in the Components Operational System Development programs, within the RDT&E title, that include actions taken to restore units to a desired level of combat capability commensurate with the units future mission. It encompasses procurement activities that restore and enhance combat capability to unit and pre-positioned equipment that was destroyed, damaged, stressed, or worn out beyond economic repair due to combat operations by procuring replacement equipment. Included are Procurement funded major repairs/overhauls and recapitalization (Rebuild or Upgrade) that enhances existing equipment through the insertion of new technology or restores selected equipment to a zero-miles/zero-hours condition.
6.2.7.1	Operational System Development Reset	Includes the obligation of funds in the Components Operational System Development programs, within the RDT&E title, incurred in support of a contingency operation for reset. See CBS Code 3.5.1.2 and 6.1.7 for reset definition.
6.2.7.2	Operational System Development Non-Reset	Includes the obligation of funds in the Components Operational System Development programs, within the RDT&E title, incurred in support of a contingency operation excluding reset.
6.2.7.3	Operational System Development MRAP Vehicles	Includes the obligation of funds in the Components Operational System Development programs, within the RDT&E title, incurred in support of MRAPs for a contingency operation.
6.3 Military Construction		
6.3.1	Major Construction	Includes the obligation of funds in the Military Construction title incurred in support of a contingency operation.
6.3.2	Minor Construction	Includes the obligation of funds in the Components (Operation & Maintenance) program for minor construction incurred in support of a contingency operation.
6.3.3	Family Housing (Construction)	Includes the obligation of funds in the Components family housing (construction) program, within the Military Construction title, incurred in support of a contingency operation.

6.3.4	Family Housing (Operation & Maintenance)	Includes the obligation of funds in the Components family housing (Operation & Maintenance) program, within the Military Construction title, incurred in support of a contingency operation.
7.1 Coalition Support		
7.1.01	Pakistan	Coalition Support - Pakistan
7.1.02	Mongolia	Coalition Support - Mongolia
7.1.03	Poland	Coalition Support - Poland
7.1.04	Ukraine	Coalition Support - Ukraine
7.1.05	Uzbekistan	Coalition Support - Uzbekistan
7.1.06	Slovakia	Coalition Support - Slovakia
7.1.07	Azerbaijan	Coalition Support - Azerbaijan
7.1.08	Bosnia	Coalition Support - Bosnia
7.1.09	Macedonia	Coalition Support - Macedonia
7.1.10	Romania	Coalition Support - Romania
7.1.11	Thailand	Coalition Support - Thailand
7.1.12	Jordan (OEF)	Coalition Support - Jordan (OEF)
7.1.13	Jordan (OIF)	Coalition Support - Jordan (OIF)
7.1.14	Georgia (OIF)	Coalition Support - Georgia (OIF)
7.1.15	Estonia	Coalition Support - Estonia
7.1.16	El Salvador	Coalition Support - El Salvador
7.1.17	Nicaragua	Coalition Support - Nicaragua
7.1.18	Hungary	Coalition Support - Hungary
7.1.19	Kyrgyz Republic	Coalition Support - Kyrgyz Republic
7.1.20	Tonga	Coalition Support - Tonga
7.1.21	Romania	Coalition Support - Romania
7.1.22	Czech Republic	Coalition Support - Czech Republic
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7.6.2	U.S. Trainer/Enabler	U.S. Trainer and Enabler funds used for Service expenses directly relating to U.S. forces involved with training the Syrian opposition.
7.7 Iraq Train & Equip Applies to Iraq Train and Equip Fund (2097) and C-ISIL Train and Equip Fund (2099)		
7.7.1	Defense Forces	Train and Equip - Defense Forces
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7.8.1	Other Activities	Counter-ISIS train and equip activities outside of Iraq and Syria, and programs to enhance the border security of nations adjacent to conflict areas resulting from ISIS actions.
8.0 Not in Use		

9.0 Humanitarian Relief		
9.1	Security	Includes the costs to provide urgent, temporary, and emergency security of people, facilities, and things in direct support of the operation.
9.11.1	Health and Comfort Packages	Health and Comfort Packages
9.11.2	Blankets	Blankets
9.11.3	Human Remains Pouches	Human Remains Pouches
9.11.4	Human Transfer Cases	Human Transfer Cases
9.11.5	Plastic Sheeting	Plastic Sheeting
9.12	Sanitation	Includes the costs to provide urgent, temporary, and emergency sanitation to prevent disease and further damage to people and property in support of the operation.
9.13	Humanitarian Daily Rations	Includes the costs to provide urgent and emergency food direct support of the operation. Includes Meals ready-to-eat.
9.14	Child Care	Includes the costs to provide urgent, temporary, and emergency child care in direct support of the operation.
9.15	Mortuary Services/Support	Includes the costs to provide mortuary services in direct support of the operation.
9.16	Fuel	Includes the obligation of funds to obtain and provide fuel in direct support of the operation.
9.17	Vehicle Rental	Includes the costs for the urgent, temporary, and emergency rental of vehicles in direct support of the operation.
9.18	Vehicle Purchase	Includes the costs of the purchase of vehicles in direct support of the operation.
9.19	Other Procurement	Includes obligation of funds in the Other Procurement accounts for urgent, temporary, and emergency humanitarian relief in direct support of the operation.
9.2	Water	Humanitarian Relief - Water
9.2	Contractor Support	Includes the costs of procuring contractor services used in direct support of the operation.
9.21	All Other Supplies & Materials	Includes the costs of procuring, leasing, or renting miscellaneous supplies or materials used during operation. Includes general support and administrative equipment not identified in another category.
9.22.1	Migrant Costs (CONUS)	Migrant Costs (CONUS)
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9.3	Health Care	Humanitarian Relief - Health Care
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9.9	Clean-up Costs	Humanitarian Relief - Clean-up Costs

VOLUME 12, CHAPTER 24: "BURDENSHARING AND OVERSEAS RELOCATION CONTRIBUTIONS BY FOREIGN ALLIES"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by a * preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue and underlined font*.**

The previous version dated October 2012 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
240401.A.	Pursuant to Treasury FAST Book, additional Treasury account established for United Kingdom burdensharing contributions.	Add

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CHAPTER 24

BURDENSHARING AND OVERSEAS RELOCATION CONTRIBUTIONS BY FOREIGN ALLIES

2401 INTRODUCTION

240101. Purpose

This chapter prescribes the overall policy and assigns responsibilities for the acceptance, receipt, use, and reporting of burdensharing and relocation monetary contributions to the Department of Defense (DoD) under Title 10, United States Code (U.S.C.), ***section 2350j*** and ***section 2350k***.

2402 RESPONSIBILITIES

240201. Under Secretary of Defense for (Policy) (USD(P))

The USD(P) has policy and management responsibility for burdensharing agreements or arrangements. In addition, the USD(P) will work with the Defense Finance and Accounting Service – Trust Funds Accounting and Reporting Division (TFAR) (DFAS-IN/JJAEAB) on burdensharing program requirements that impact DFAS responsibilities, as appropriate.

240202. Under Secretary of Defense (Comptroller) (USD(C))

A. The USD(C) serves as the single departmental point of contact with the Departments of State and Treasury for all matters involving the acceptance, receipt, administration and distribution of contributions of funds from foreign countries and organizations for burdensharing and relocation contributions.

B. The USD(C) is responsible for coordination and approval of military construction projects that are subject to Title 10 U.S.C., section 2350j. In addition, the USD(C) is responsible for reviewing and submitting to the Congress those reports required by Title 10 U.S.C., section 2350j and Title 10 U.S.C., section 2350k.

240203. Director of Defense Finance and Accounting Service (DFAS)

The DFAS Director is responsible for recording and reporting the collection of receipts for burdensharing and relocation contributions and for the distribution of receipts, as prescribed by the USD(C), in support of burdensharing and overseas relocation programs.

240204. Commanders of the Combatant Commands (CINCs)

The cognizant CINC is responsible for, but may delegate to subordinate commanders, the following responsibilities.

A. For burdensharing contributions for other than military construction projects, the cognizant CINC shall:

1. Notify the responsible DoD Component of anticipated contributions from foreign governments.

2. Identify a proposed distribution of funds to the approving authority.

3. Deposit funds received with the DFAS Field Activity located within the immediate overseas operating area or the Financial Services Office (FSO) if no DFAS Field Activity is located within the immediate overseas operating areas.

4. Prepare the necessary disbursing documentation for forwarding to the DFAS Field Activity located within the immediate overseas operating area, or the FSO if no DFAS Field Activity is located within the immediate overseas operating area.

5. Submit reporting and control of funds information to:

DFAS Indianapolis Site
Trust Funds Accounting and Reporting Division (DFAS-IN/JJAEAB)
Room 315AA-1
8899 East 56th Street
Indianapolis, IN 46249-2801

Submit this information via the DFAS Field Activity located within the immediate overseas operating area, or the FSO if no DFAS Field Activity is located within the immediate overseas operating area.

6. Submit information on the amount and purpose of each contribution to:

Office of the OUSD(C)
Office of the Deputy Comptroller (Program/Budget) ODC(P/B)
Operations Directorate, Room 3C710, 1100 Defense Pentagon
Washington, DC 20301-1100

B. For military construction projects funded with burdensharing contributions, the cognizant CINC shall:

1. Initiate the military construction project proposals utilizing Defense Department (DD) Form 1391 (Justification of Military Construction Projects).

2. Submit for approval the justification material to:

OUSD(C), ODC (P/B)
Military Personnel and Construction Directorate
Room 3C654, 1100 Defense Pentagon
Washington, DC 20301-1100

3. Deposit contributions with the DFAS Field Activity located within the immediate overseas operating area, or the FSO if no DFAS Field Activity is located within the immediate overseas operating area.

4. Ensure that ODC(P/B) Military Personnel and Construction Directorate approval has been received prior to disbursement of funds (see subparagraph 240204.B.2) via the DFAS Field Activity located within the immediate overseas operating area, or the FSO if no DFAS Field Activity is located within the immediate overseas operating area.

5. Prepare necessary disbursing documentation for forwarding to the DFAS Field Activity located within the immediate overseas operating area, or the FSO if no DFAS Field Activity is located within the immediate overseas operating area.

6. Submit information to the DFAS-IN/JJAEAB (see subparagraph 240204.A.5) for reporting and control of funds purposes, via the DFAS Field Activity located within the immediate overseas operating area, or the FSO if no DFAS Field Activity is located within the immediate overseas operating area.

C. For all overseas relocation contributions, the cognizant CINC shall:

1. Notify the DFAS Trust Fund Accounting and Reporting Division (DFAS-IN/JJAEAB) that a contribution is expected.

2. Submit information on the amount and purpose of the contribution to the OUSD(C), ODC (P/B), Operations Directorate (see subparagraph 240205.A.6). Courtesy copies shall be provided to the Military Personnel and Construction Directorate when contributions are made for construction projects.

3. Deposit the funds with the DFAS Field Activity located within the immediate overseas operating area, or the FSO if no DFAS Field Activity is located within the immediate overseas operating area.

4. Notify DFAS-IN/JJAEAB, via the DFAS Field Activity located within the immediate overseas operating area, or the FSO if no DFAS Field Activity is located within the immediate overseas operating area, at least 1 business day in advance of disbursements so securities can be sold to finance the payment.

5. Prepare the necessary disbursing documentation, for forwarding to the DFAS Field Activity located within the immediate overseas operating area, or the FSO if no DFAS Field Activity is located within the immediate overseas operating area.

6. Submit information to the DFAS-IN/JJAEAB, for reporting and control of funds purposes, via the DFAS Field Activity located within the immediate overseas operating area, or the FSO if no DFAS Field Activity is located within the immediate overseas operating area.

240205. Assistant Secretaries of the Military Departments (Financial Management and Comptroller) (FM&C)

A. The cognizant Assistant Secretary (FM&C) has responsibility to review and approve the distribution of funds received from foreign countries and regional organizations for the purposes outlined in this Regulation. These responsibilities may be delegated below the Assistant Secretary level.

B. The Assistant Secretary of the Army (FM&C) is responsible for Korea and Kuwait.

C. The Assistant Secretary of the Air Force (FM&C) is responsible for Japan, except for the Realignment of Forces from Okinawa to Guam, wherein the Assistant Secretary of the Navy (FM&C) is responsible.

D. Distribution of contributions received from other countries, not specified above, shall be the responsibility of the Assistant Secretary (FM&C) whose Service will use the greater portion of the contribution.

2403 MONETARY CONTRIBUTIONS

240301. Notifications

A. The DoD Components shall notify the DFAS-IN/JJAEAB of all potential monetary contributions prior to acceptance of such contributions. All notifications shall indicate the applicable statute (i.e., Title 10 U.S.C., section 2350j for burdensharing contributions or Title 10 U.S.C., section 2350k for overseas relocation). Copies of all notifications shall be sent to the DFAS-IN/JAFB (see subparagraph 240204.A.5 for full address) via the DFAS Field Activity located within the immediate overseas operating area, or the FSO if no DFAS Field Activity is located within the immediate overseas operating area.

B. Within 5 working days after notification of anticipated receipt of funds from a country without a designated account, the DFAS Field Activity located within the immediate overseas operating area, or the FSO if no DFAS Field Activity is located within the immediate overseas operating area, shall submit a request for a new Treasury account for that country to the address in subparagraph 240204.A.5.

C. TFAR will submit the necessary documents to the Department of the Treasury to establish the new account and shall send a copy of the information to the DFAS-IN/JJAEAB and the DFAS Field Activity located within the immediate overseas operating area, or the FSO if no DFAS Field Activity is located within the immediate overseas operating area.

240302. Contributions

A. General

1. Monetary contributions shall be accepted for specific purposes as identified in section 2405 of this chapter.

2. If none of the accounts identified in section 2405 of this chapter apply, then contributions shall be credited to a DoD disbursing officer's suspense account using a DD Form 1131 (Cash Collection Voucher) for cash and check contributions. The DoD Component and/or DFAS Field Activity disbursing officer may request further guidance from the DFAS-IN/JAFB.

B. Contributions in Cash

1. The receiving DoD Component and/or DFAS Field Activity located within the immediate overseas operating area shall credit all cash contributions to one or more of the applicable DoD accounts as identified in section 2405 of this chapter.

2. Documentation associated with cash contributions, including copies of the DD Form 1131 and the original of any correspondence from contributors, shall be forwarded by the receiving DFAS Field Activity located within the immediate overseas operating area (or DoD Component activity if no DFAS Field Activity is located within the immediate overseas operating area) within 24 hours of deposit to the DFAS-IN/JJAEAB.

C. Contributions by Check

1. Checks received by DoD officials shall be made payable as described in accordance with Volume 5, Chapter 10. The reference line on the check shall identify the applicable burdensharing agreement or arrangement, or a copy of the agreement shall be attached.

2. Checks received by DoD officials shall be forwarded to the nearest DFAS Field Activity located within the immediate overseas operating area, or other DoD disbursing office if no DFAS Field Activity is located within the immediate overseas operating area, for processing within 24 hours of receipt. Such checks shall be credited to one or more of the applicable DoD accounts identified in section 2405 of this chapter.

3. Documentation associated with check contributions--including copies of checks, DD Forms 1131, deposit tickets and the original of any correspondence from

contributors--shall be forwarded by the receiving DFAS Field Activity located within the immediate overseas operating area, or other DoD Component activity if no DFAS Field Activity is located within the immediate overseas operating area, within 24 hours of deposit to the DFAS-IN/JJAEAB.

D. Contributions by Wire Transfer

1. Contributions by wire transfer are preferred since they eliminate delays in receiving deposits and should provide the most efficient preliminary accounting information for receipt distribution purposes. Wire transfers shall be credited to one or more of the applicable DoD accounts identified in section 2405 of this chapter.

2. Contributors may make contributions to the Department via electronic funds transfer from commercial banks to the Federal Reserve Bank of New York (as Fiscal Agent of the United States). The Federal Reserve Bank of New York shall credit the Department. Any exceptions shall be documented within the international agreements and coordinated with the USD(C), or designee.

3. Documentation associated with wire transfer contributions, including the original of any correspondence from contributors, shall be forwarded within 24 hours of the deposit to the DFAS-IN/JAFB.

E. Contributions in Foreign Currencies (Cash or Check).

When a DoD Component becomes aware of a planned, large contribution ($1 million or more) to be made in a foreign currency, the cognizant DFAS Field Activity or DoD Component official shall:

1. Request that the contributor give as much advance notification as possible regarding the amount of the contribution and the estimated date that the contribution will be made.

2. Advise the DFAS-IN/JJAEAB of any planned contributions and continue to keep that office advised of the status until the contribution is received.

3. Except as described in subparagraph 240402.E.6, the contributor should transfer the foreign currency credit to the Federal Reserve Bank of New York via the contributor's central bank. If the Federal Reserve Bank does not maintain a relationship with a particular central bank, the DoD Component or DFAS Field Activity located within the immediate overseas operating area shall seek guidance from the DFAS-IN/JJAEAB for appropriate alternative arrangements, including the use of limited depositary accounts.

4. Cash and checks received by DoD officials in countries not served by DoD disbursing officers shall be delivered to the nearest U.S. Embassy within 24 hours of receipt for credit in one or more of the applicable DoD accounts identified in section 2405 of this chapter. If none of the accounts identified in section 2405 of this chapter applies, then all cash

and checks shall be credited to an Embassy disbursing officer's suspense account. The Embassy disbursing officer or representative shall request further guidance from the DFAS-IN/JJAEAB. Documentation associated with the contribution, including copies of deposit tickets and appropriate collection voucher, shall be forwarded within 24 hours to the DFAS-IN/JJAEAB.

5. Except as described in subparagraph 240302.E.6, all contributions received in foreign currencies shall be converted to U.S. dollars at the prevailing rate of exchange at the time that the deposit is made.

6. Where international arrangements require the retention of the currency in limited depository accounts for local disbursement in that currency, the deposits shall be calculated and recorded (not converted) in terms of equivalent dollar value based on the prevailing rate of exchange. (See Volume 5, Chapter 13, for additional information.)

2404 ACCOUNTING

240401. Burdensharing

Burdensharing contributions shall be credited to one or more of the special fund accounts listed below which have been established in the U.S. Treasury for monetary contributions accepted by the Secretary of Defense or designee under Title 10 U.S.C., section 2350j.

A. Special Fund Receipt Accounts

97_5441.001	Burdensharing Contribution, Defense, Kuwait
97_5441.003	Burdensharing Contribution, Defense, Japan
97_5441.004	Burdensharing Contribution, Defense, South Korea
97_5441.005	Burdensharing Contribution, Defense, Qatar
97_5441.006	Burdensharing Contribution, Defense, United Kingdom

B. Special Fund Expenditure Account

97X5441	Expenditures (Only)

240402. Overseas Relocation

Relocation contributions shall be credited to one or more of the following trust fund accounts which have been established in the U.S. Treasury for monetary contributions accepted by the Secretary of Defense or designee under Title 10 U.S.C., section 2350k.

A. Trust Fund Receipt Accounts

97_8337.001	Contributions from Kuwait, Host Nation Support for U.S. Relocation Activities
97_8337.003	Contributions from Japan, Host Nation Support for

U.S. Relocation Activities
97_8337.004 Contributions from South Korea, Host Nation Support for U.S. Relocation Activities
97_8337.005 Contributions from Qatar, Host Nation Support for U.S. Relocation Activities

B. Trust Fund Expenditure Account

97X8337 Expenditures (Only)

C. The DFAS disbursing office or FSO shall transmit copies of deposit tickets for these investments to the DFAS-IN/JJAEAB. For tracking and computation of interest, contributions shall be tracked along with the earnings on each investment by country.

2405 AVAILABILITY OF CONTRIBUTIONS

240501. Burdensharing Contributions

A. Burdensharing contributions shall be available only for the payment of the following costs:

1. Compensation for the Department's local national employees,

2. Supplies and services required by the Department, and

3. DoD military construction projects.

a. USD(C) or designee written approval is required for the use of such contributions to carry out a military construction project that is consistent with the purposes for which the contributions were made and not otherwise authorized.

b. Such approval is also conditional upon a 21-day notice to the Congress as described in subparagraphs 240601.D and 240601.E.

B. Burdensharing contributions normally shall be available only for the payment of costs in the country making the contribution. Local disbursement of burdensharing funds is authorized. In accordance with ***Title 10 U.S.C. 2350k***, "out-of-country" expenditures shall be made only with the agreement of the contributing country and only for costs that are directly related to U.S. military activities in the contributing country.

C. If burdensharing contributions are to be used for personnel costs or supplies and services, prior approval of the cognizant Assistant Secretary (FM&C) or designee (such as the U.S. Forces Korea) is necessary before the expenditure of funds.

1. The organization receiving the funds shall submit the proposed distribution of the funds to the cognizant Assistant Secretary (FM&C) for approval.

2. The cognizant Assistant Secretary (FM&C) shall review the proposed distribution and, if approved, transmit the approved distribution to the DFAS-IN/JAFB, as well as to the submitting field component.

3. The field component shall prepare the necessary documentation to effect the disbursement of funds.

D. If the Department decides to use burdensharing contributions for a military construction project, the cognizant CINC shall forward a coordinated project proposal for approval to OUSD(C), ODC(P/B), Military Personnel and Construction (See subparagraph 240204.B.2.) Once the necessary coordination and approval process has been completed, the Military Personnel and Construction Directorate shall submit a report to the congressional defense oversight committees. The following information shall be included in the proposal:

1. An explanation of the need for the project,

2. The estimated cost of the project, and

3. A justification for carrying out the project.

E. The Department may not commence a military construction project until the end of a 21-day period that begins on the date that the OUSD(C) submits the required report to the appropriate congressional defense oversight committees.

240502. Relocation Contributions

A. Relocation contributions are available only for costs incurred in connection with the relocation for which the contribution was made. Costs include:

1. Design and construction services;

2. Transportation, packing, unpacking, handling and storage;

3. Communications services;

4. Supply and administration;

5. Personnel costs (including TDY expenses and excluding salaries of permanently assigned military personnel); and,

6. Other expenses that are related directly to the relocation.

B. The organization receiving the relocation contribution shall submit information on the amount and the purpose of the contribution to the OUSD(C), ODC (P/B), Operations Directorate (see subparagraph 240204.A.6.) Courtesy copies shall be provided to the

Military Personnel and Construction Directorate (see subparagraph 240204.B.2.) when contributions are made for construction projects.

C. The organization receiving the contribution is responsible for preparing the necessary documentation for the disbursing transaction. The DFAS-IN/JJAEAB, however, shall be notified at least 1 business day in advance of disbursement so securities can be sold to finance the payments. The date of each payment and the specific country's funds being utilized must be identified.

2406 REPORTING REQUIREMENTS

240601 Amount and Purpose for Expended Contributions

No later than 10 days after the end of each fiscal year, the DoD Components shall report, to the DFAS-IN/JAFB, the amount of and the purpose for expended contributions.

240602 Report for Defense Congressional Oversight Committees

No later than 20 days after the end of each fiscal year, the DFAS-IN/JJAEAB shall prepare and forward to the OUSD(C), ODC (P/B), Operations Directorate, a report for submission to the applicable defense congressional oversight committees. Those committees are: the Committees on Armed Services of the House of Representatives and the Senate, and the Committees on Appropriations of the House of Representatives and the Senate. The report shall include the following information for each country and regional organization from which contributions were accepted:

A. The amount of the contribution accepted during the preceding fiscal year under Title 10 U.S.C., sections 2350j and 2350k, and the purposes for which the contributions were made, and

B. The amount of the contributions expended during the preceding fiscal year under Title 10 U.S.C., sections 2350j and 2350k, and the purposes for which the contributions were expended.

VOLUME 12, CHAPTER 25: "DISPOSITION OF NON-DOD PERSONAL PROPERTY"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

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Hyperlinks are denoted by ***bold, italic, blue, and underlined font*.**

The previous version dated December 2008 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
2501	Revised hyperlinks.	Revision

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CHAPTER 25

DISPOSITION OF NON-DOD PERSONAL PROPERTY

2501 GENERAL

This chapter prescribes the policies, procedures, and requirements for the disposition of lost, abandoned or unclaimed non-Department of Defense (DoD) personal property and the personal property of deceased members of the Armed Forces. These requirements, policies, and procedures are in accordance with Title 10 of the United States Code, sections ***2575***, ***4712***, ***6522*** and ***9712***, and are required when disposing of non-DoD personal property under the jurisdiction of a Military Department.

2502 DISPOSITION OF UNCLAIMED PROPERTY

250201. General Policy

Military Departments may, by public or private sale or otherwise, dispose of all lost, abandoned or unclaimed personal property that comes into custody or control. Property subject to section 250203 is exempted from the requirements. Procedures for the disposition of personal property of deceased members of the Army and Air Force are in section 2503. Procedures for the disposition of personal property of deceased members of the Navy and Marine Corps are in section 2504.

A. Property may not be disposed of until a diligent effort has been made to find the owner (or the heirs, next of kin, or legal representative of the owner). A diligent effort to find the owner (or the heirs, next of kin, or legal representative of the owner) shall begin, to the maximum extent practicable, not later than 7 days after the date on which the property comes into the custody or control of the Military Department having immediate jurisdiction and should continue for a period of 45 days, unless the owner (or the heirs, next of kin, or legal representative of the owner) is found sooner.

B. Notice of the time and place of the intended sale or other disposition must be sent by certified or registered mail to the applicable owner (or heirs, next of kin, or legal representative of the owner) at their last known address. If the owner (or the heirs, next of kin, or legal representative of the owner) is determined but not found, the property may not be disposed of until the expiration of 45 days after the date the notice is sent to the owner (or the heirs, next of kin, or legal representative of the owner).

C. When a diligent effort to determine the owner (or heirs, next of kin, or legal representative of the owner) is unsuccessful, the property may be disposed of without delay. If the property has a fair market value of more than $300, it may not be disposed of until 45 days after the date it is received at the point of storage.

250202. Distribution of Proceeds

The proceeds from the sale of lost, abandoned, or unclaimed personal property found on a military installation, shall be credited to the operation and maintenance account that funds the operations of that installation and be used to reimburse the installation for any costs incurred during the collection, transporting, storage, protection, or selling of the property. Any proceeds which remain after the reimbursement of installation expenses shall be utilized to support morale, welfare, and recreation activities under the jurisdiction of the armed forces that are conducted for the comfort, pleasure, contentment, or physical or mental improvement of members of the armed forces at such installation. The net proceeds from the sale of other property under paragraph 250201 shall be deposited into the Treasury as miscellaneous receipts.

250203. Restrictions

No property covered by this section may be delivered to the Armed Forces Retirement Home by a Military Department, except papers of value, sabers, insignia, decorations, medals, watches, trinkets, manuscripts, and other articles valuable chiefly as keepsakes.

250204. Claims for Proceeds

The owner (or heirs, next of kin, or legal representative of the owner) of personal property whose proceeds were credited to a military installation may file a claim with the Secretary of Defense for an amount equal to the proceeds less costs referred to in paragraph 250202. Amounts to pay the claim shall be drawn from the morale, welfare, and recreation account for the installation that received the proceeds. Unless a claim is filed under this section within 5 years after the date of the disposal of the property to which the claim relates, the claim may not be considered by either the Secretary of Defense or a court. The responsibility of the Secretary of Defense to consider such claims has been delegated to the Under Secretary of Defense (Personnel and Readiness).

2503 ARMY AND AIR FORCE PROCEDURES FOR DISPOSITION OF PERSONAL PROPERTY OF DECEASED MEMBERS

250301. General Policy

Upon the death of a person subject to military law and under the jurisdiction of the Army or Air Force, or upon the death of a resident of the Armed Forces Retirement Home; the commanding officer shall permit the legal representative or the surviving spouse of the deceased, if present, to take possession of the effects of the deceased that are then in camp, air base, or quarters. If there is no legal representative or surviving spouse present, the commanding officer shall direct a summary court-martial to collect the effects of the deceased that are then in camp, air base, or quarters. The summary court-martial may collect debts due the decedent by local debtors, and pay undisputed local creditors of the deceased (to the extent permitted by the monetary assets of the deceased in the court's possession). Receipts for payments made from the estate of the deceased shall be filed with the court's final report to the Department of the Army or Air Force.

250302. Distribution of Personal Property

As soon as practicable after the collection of the personal effects and monetary assets of the deceased, the summary court-martial shall, at the expense of the United States, send the personal effects and monetary assets to one of the living persons, in the order of precedence shown on the following list, who is found by the court:

A. The surviving spouse or legal representative.

B. A child of the deceased.

C. A parent of the deceased.

D. A brother or sister of the deceased.

E. The closest next of kin of the deceased.

F. The beneficiary named in the will of the deceased.

250303. Time Limits

If the summary court-martial cannot dispose of the effects as stated in paragraph 250302 because there are no persons in any of the categories listed, or because the addresses of such persons are not known or are not available, the court may convert the effects of the deceased into cash by public or private sale. However, the sale may not occur until 30 days after the date of death of the deceased. Items listed in paragraph 250203 may not be sold.

250304. Final Disposition of Personal Effects

As soon as practicable after the effects have been converted into cash, the summary court-martial shall relinquish custody of all cash and all receipts relating to cash transactions to the executive part of the Department of the Army or Air Force. Wills or other papers of value, an inventory of personal effects, and articles whose sale is not permissible also shall be placed under the jurisdiction of the executive part of the Service of which the deceased was a member. All items received by the executive part of the Army or Air Force shall be delivered to the Armed Forces Retirement Home.

2504 NAVY AND MARINE CORPS PROCEDURES FOR DISPOSITION OF PERSONAL PROPERTY OF DECEASED MEMBERS

250401. General Policy

The Secretary of the Navy shall retain custody of money or other personal property of a deceased member of the Naval Service and make a diligent effort to determine and locate the heirs or next of kin of the deceased member. Property remaining unclaimed 2 years after the

death of the member shall be sold, and the proceeds, together with any other monetary assets of the member held in custody, shall be deposited into the Treasury as miscellaneous receipts.

250402. Recoupment Procedures

Within 5 years after the date the money and proceeds are deposited into the Treasury, any claim that is presented, and supported by competent proof, shall be certified to Congress for consideration. Subsequent to the 5 year period, claims shall not be accepted and the requestor shall be notified that the time limit for submitting a claim has expired.

VOLUME 12, CHAPTER 27: "COMMANDERS' EMERGENCY RESPONSE PROGRAM (CERP)"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue and underlined font*.**

The previous version dated June 2008 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
2701	Incorporates the FY 2009 National Defense Authorization Act approval and reporting requirements	Update
2702	Establishes responsibilities for certification and waiver for large CERP projects	Update
270204.G	Establishes requirements for using bulk funding for CERP projects	
270205	Establishes requirement for projects over $750,000 include certification that the project is linked to cost-sharing arrangement with the Government of Iraq.	Update
2704	Establishes additional reporting requirements	Update
All	Renumbers paragraphs	Update

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CHAPTER 27

COMMANDERS' EMERGENCY RESPONSE PROGRAM (CERP)

2701 PURPOSE AND APPLICABILITY

*270101. Statute

This guidance implements Section 1202 of the National Defense Authorization Act (NDAA) for Fiscal Year (FY) 2006, Public Law 109-163, as amended by Section 1205 of the NDAA for FY 2008, Public Law 110-181, and Section 1214 of the Duncan Hunter NDAA for FY 2009, Public Law 110-417, by assigning responsibilities for administering the Commander's Emergency Response Program (CERP); defining the purposes for which U.S. appropriations or other funds provided for the CERP may be expended; and specifying the procedures for executing, managing, recording and reporting such expenditures.

*270102. Humanitarian Relief/Reconstruction

The CERP is designed to enable local commanders in Iraq and Afghanistan to respond to urgent humanitarian relief and reconstruction requirements within their areas of responsibility by carrying out programs that will immediately assist the indigenous population. As used here, reconstruction does not limit efforts to restore previous conditions/structures in Afghanistan. Also, as used here, urgent is defined as any chronic or acute inadequacy of an essential good or service that, in the judgment of a local commander, calls for immediate action. In addition, the CERP is intended to be used for small-scale projects that, optimally, can be sustained by the local population or government. Small-scale would generally be considered less than $500,000 per project. Projects of $500,000 or more are expected to be relatively few in number and require approval (to a maximum of $1 million) by the commander of the CERP Program Manager in theater (Commander, Multi-National Corps-Iraq (MNC-I), or (to a maximum of $2 million) Commander, Combined Joint Task Force (CJTF) in Afghanistan).

*270103. Approval Authority

A. In Afghanistan, projects using more than $2 million of appropriated CERP funds must be approved by the Commander of USCENTCOM. Commander, USCENTCOM may delegate this approval authority to the Deputy Commander, USCENTCOM or the Commander, U.S. Forces Afghanistan (USFOR-A), provided the Commander, USFOR-A is not also serving as the CJTF Commander, who already has responsibility to approve projects up to $2 million.

B. In Iraq, projects using appropriated CERP funds are capped at $2 million. The Secretary of Defense may waive this funding limit if he (a) determines that the project is required to meet urgent humanitarian relief and reconstruction requirements and that it will immediately assist the Iraqi people, and (b) submits a notification of his waiver in writing to the defense committees within 15 days of his waiver. The waiver is required to discuss the unmet and urgent needs addressed by the project and any arrangements between the U.S. Government

(USG) and the Government of Iraq (GoI) regarding the provision of Iraq funds to carry out and sustain the project.

C. For Iraq, the Secretary of Defense or Deputy Secretary of Defense (if authority is delegated) must certify that any project, funded with appropriated CERP funds over $1 million addresses urgent humanitarian relief and reconstruction requirements that will immediately assist the Iraqi people.

D. For Iraq, projects costing more than $750,000 are expected to be funded on a cost-share basis with the GoI. All projects over $750,000 require either an explanation of the cost-share arrangement with the GoI or a justification that the project directly benefits U.S. security objectives in Iraq and should be pursued even in the absence of cost-sharing.

E. For Iraq, commanders will continue to identify and pursue opportunities to transition responsibility for larger economic revitalization efforts to the Government of Iraq and will include a description of these efforts in the Commander's Narrative section of the quarterly report.

*270104. Representative Areas

The CERP may be used to assist the Iraqi and Afghan people in the following representative areas:

A. Water and sanitation.

B. Food production and distribution.

C. Agriculture/Irrigation (including canal clean-up).

D. Electricity.

E. Healthcare.

F. Education.

G. Telecommunications.

H. Economic, financial, and management improvements.

I. Transportation.

J. Rule of law and governance.

K. Civic cleanup activities.

L. Civic support vehicles.

M. Repair of civic and cultural facilities.

N. Battle Damage/Repair.

O. Condolence payments.

P. Hero Payments.

Q. Former Detainee Payments.

R. Protective measures.

S. Other urgent humanitarian or reconstruction projects.

T. Temporary contract guards for critical infrastructure.

270105. Contract Requirement

This guidance applies to all U.S. Department of Defense (DoD) organizations and activities. A requirement to comply with this guidance shall be incorporated into contracts, as appropriate to cover the execution, management, recording and reporting of expenditures of U.S. appropriations and other funds made available for the CERP. Guidance concerning CERP reporting categories for potential projects is contained in Annex A.

2702 RESPONSIBILITIES

*270201. Under Secretary of Defense (Comptroller) (USD(C))

The USD(C) shall establish principles, policies, and procedures to be followed in connection with the CERP, oversee and supervise their execution, and ensure that congressional defense committees are informed in a timely manner of CERP activities through the quarterly reports required under section 1202(b) of the NDAA for FY 2006, as amended. The USD(C) will assemble and staff for approval by the Secretary of Defense any certification package for a project over $1 million and any waiver package for a project over $2 million for Iraq. Such projects will be approved on an exception basis and will be accompanied by justification material sufficient for the Secretary to determine if the project meets the required criteria to be approved for funding.

270202. Secretary of the Army

Pursuant to DoD Directive 5101.1, "DoD Executive Agents," dated September 23, 2002, the Secretary of the Army shall serve as executive agent for the CERP, and in that capacity shall forward quarterly reports to Congress and shall promulgate through the responsible combatant commander and designated forward commands, detailed procedures as necessary for commanders carry out the CERP in a manner consistent with applicable laws, regulations, and

this guidance. These procedures shall include rules for expending CERP funds through contracts and grants, in accordance with paragraph 270308.

*270203. Commander, U.S. Central Command (USCENTCOM)

The Commander, USCENTCOM shall determine the appropriate allocation of CERP funds among subordinate commands and advocate for appropriate resources and authorities in support of the theater's military global war on terrorism mission. The Commander, USCENTCOM will approve all CERP projects in Afghanistan that are greater than $2 million. This responsibility may be delegated in writing to the Deputy Commander, USCENTCOM or the Commander, U.S. Forces, Afghanistan (USFOR-A) provided this position is filled by other than the CJTF Commander, who has the authority to approve projects less than or equal to $2 million. The Commander, USCENTCOM will also review the quarterly reports submitted to the Secretary of the Army by Commander, MNC-I and Commander, CJTF in Afghanistan to ensure that the Commanders' uses of CERP are consistent with the intent of the program and maximize the benefits to the local populations and best influence conditions on the ground. The CENTCOM will work with Army to provide Commander's operational perspectives to address discrepancies raised by Army on the Commander's Narratives compared to the reported project data.

*270204. Commanders, MNC-I and CJTF in Afghanistan

The Commander, MNC-I and the CJTF in Afghanistan shall ensure that proper procedures are in published theater guidance to evaluate CERP projects and ensure that the projects meet the intent of the program. In addition, Commanders, MNC-I and CJTF in Afghanistan shall ensure that:

A. Projects are properly managed so that CERP funds achieve maximum results, which includes establishing performance objectives and monitoring achievements. Specifically, these commanders shall approve any essential individual CERP projects of $500,000 or more, on an exception basis given that the intent is for small-scale projects, and shall ensure local national donor nation, non-government organization (NGO), or other aid or reconstruction resources are not reasonably available before CERP funds are used.

B. Projects of $50,000 or greater must be coordinated with Provincial Reconstruction Development Committees (including Provincial Reconstruction Teams (PRTs), Embedded Provincial Reconstruction Teams (ePRTs) and Provincial Support Teams (PSTs), where established, prior to execution. Such coordination should be noted in the project documentation.

C. A command CERP policy is established and published that includes subordinate approval authority levels and detailed procedures as necessary to ensure Commanders carry out CERP in a manner consistent with mission requirements and applicable laws, regulations, and guidance.

D. Monthly/quarterly CERP Reports are submitted through U.S. Army Central (ARCENT) G8 and the Assistant Secretary of the Army (Financial Management & Comptroller).

E. A Commander's Narrative is prepared for each quarterly report that addresses: Commander's intent for CERP funds by geographic sector, including performance measures for on-going and proposed projects; impacts of CERP funded projects, how individually and collectively projects assist the U.S. carry out its strategy in theater; specific details for each prior and proposed project of $500,000 or more; and the contributions these projects made to humanitarian relief and reconstruction efforts for the benefit of the Iraqi and Afghan people, respectively. Appendix B provides additional guidance on the Commander's Narrative.

F. The CERP funds are expended commensurate with work completed, performance metrics, and that projects are properly monitored and closed out upon completion, including the transfer of ownership to an appropriate authority of the country's government prepared to sustain the project.

* G. Projects using a bulk draw of funds will no longer be obligated when the funds are drawn. Beginning in FY 2009, a DA-3953, "Purchase Request & Commitment," document annotating a bulk funds draw will generate a commitment in the financial system. Each type of bulk funding must be recorded and maintained by the pay agent until the bulk fund is closed out at finance. Bulk funds are limited to condolence payments, battle damage payments, former detainee payments, or hero payments, micro-grants and Commander's small-scale projects (limited to $5,000 per project). Each quarter the amount of funding drawn as cash by the pay agent that was paid out must be identified as an obligation and disbursement on the reports for all bulk fund categories. Once funds for bulk funded small scale projects are fully spent, each individual project must be reported using the appropriate CERP category.

H. Any project in Iraq that began prior to FY 2009 which had an obligation of appropriated CERP funds less than $1 million but which now requires additional funding (taking the total appropriated CERP funding over $1 million), must be approved by USD(C) before the additional CERP funding is obligated.

*270205. Additional Guidance for the Commander, MNC-I

The Commander, MNC-I will.

A. Ensure that projects greater than $750,000 include a certification that the project is linked to a cost sharing arrangement with the Government of Iraq or justified on an exception basis because it directly supports the U.S. security mission in Iraq.

B. Forward any proposed project exceeding $1 million to the Secretary of Defense (or the Deputy Secretary) through the Commander, U.S. CENTCOM and the USD(C) to certify that the project addresses urgent humanitarian relief and reconstruction requirements that

will immediately assist the Iraqi people. Any request for certification will include sufficient information to support such a decision.

C. Forward any proposed project costing $2 million to the Secretary of Defense (or the Deputy Secretary) through the Commander, U.S. CENTCOM and the USD(C) to determine if a waiver for the project is warranted to meet urgent humanitarian relief and reconstruction requirements that will immediately assist the Iraqi people. Any request for a waiver must include sufficient information to support a waiver determination.

2703 PROCEDURES

*270301. Improper Usage of Funds

Appropriated funds made available for the CERP shall not be used for the following purposes:

A. Direct or indirect benefit to U.S., coalition, or supporting military personnel.

B. Providing goods, services, or funds to national armies, National Guard forces, border security forces, civil defense forces, infrastructure protection forces, highway patrol units, police, special police, or intelligence or other security forces (except contract guards such as Sons/Daughters of Iraq and/or a corresponding program in Afghanistan).

C. Except as authorized by law and separate implementing guidance, weapons buy-back programs, or other purchases of firearms or ammunition.

D. Entertainment (except light refreshment costs purely incidental to either an approved CERP project opening ceremony or a conference in support of a CERP project).

E. Reward programs.

F. Removal of unexploded ordnance (unless incidental to construction or an agricultural development project).

G. Duplication of services available through municipal governments.

H. Salaries, bonuses, or pensions for Iraqi or Afghan military or civilian government personnel.

I. Training, equipping, or operating costs of Iraqi or Afghan security forces.

J. Conducting psychological operations, information operations, or other U.S., coalition, or Iraqi/Afghanistan Security Force operations.

K. Support to individuals or private businesses (except for condolence, former detainee, hero or battle damage payments as well as micro-grants.

*270302. Amount

The CERP is intended for small-scale, urgent, humanitarian relief and reconstruction projects for the benefit of the Iraqi and Afghan people. Priority shall be given to projects with a government estimate of less than $500,000.

A. Approval authority for individual CERP projects of $500,000 or more resides with the Commander of the CERP Program Manager in Theater, i.e., Commander, Combined Task Force (CJTF) in Afghanistan and the Commander, Multi-National Corps – Iraq (MNC-I) with theater specific limitations. The Commander, CJTF's approval is for projects costing up to $2 million.

B. Army, using input from MNC-I and the CJTF in Afghanistan, shall separately notify USD(C), MNF-I, USFOR-A and USCENTCOM J8 of all individual CERP projects of $500,000 or more as part of the normal monthly/quarterly reporting process. Such separate notification will include a description of the project, an estimated time required to complete, and a justification of how the project supports the purpose of the CERP, and the respective theater campaign plan.

C. Commanders will consult with the appropriate Provincial Reconstruction Development Committees (including Provincial Reconstruction Teams (PRTs), Embedded Provincial Reconstruction Teams (ePRTs), and Provincial Support Teams (PSTs), where established), prior to initiating all individual CERP projects of $50,000 or more and document the consultation in the project file.

270303. Commingling of Funds

Consistent with Volume 5, Chapter 2, "Disbursing Officers, Officers, and Agents," U.S. appropriations made available for the CERP shall not be commingled with nonappropriated funds, and shall be separately executed, managed, recorded, and reported.

270304. Allocation of Funds

The USD(C) shall ensure that DoD appropriations and other funds available for the CERP are properly allocated to Army for funds control and execution. Commander, USCENTCOM will notify Army of the appropriate intertheater allocation.

270305. Delivery, Transporting, and Safeguarding of Funds

Any funds made available for the CERP shall be delivered, transported, and safeguarded consistent with Volume 5, Chapter 3, "Keeping and Safeguarding Public Funds."

270306. Appointment of Paying Agents

Paying Agents responsible for making disbursements of funds under the CERP shall be appointed consistent with Volume 5, Chapter 2, "Disbursing Officers, Officers and Agents." A waiver must be granted to allow Coalition Forces members to serve as paying agents. The Coalition Forces member shall receive the same training as U.S. paying agents and sign a statement of understanding. When appointing non-U.S. citizens as paying agents consider the necessity because foreign nationals and other non-U.S. citizens may not be held pecuniary liable for losses of funds. All funds advanced to and returned from the Coalition Forces paying agents shall be documented on a Statement of Agent's Officer's Account (DD Form 1081) in accordance with Reference B, Volume 5, Chapter 19, "Disbursing Officers' Accountability Reports." Upon completion of authorized payments, the paid vouchers, negotiable instruments, and any balance of funds shall be returned to the disbursing officer with a properly completed DD Form 1081.

270307. Documentation of Payments

Payments under the CERP shall be made and documented consistent with Volume 5, Chapter 11, "Disbursements," and Volume 10, Chapter 8, "Commercial Payment Vouchers and Supporting Documents."

270308. Contracts and Grants

U.S. appropriations and other funds made available for the CERP may be expended through contracts and grants that are prepared and executed in accordance with regulations designed to ensure transparency, fairness, and accountability. To the maximum extent practicable, these regulations shall be consistent with Coalition Provisional Authority Memorandum Number 4, Contract and Grant Procedures Applicable to Vested and Seized Iraqi Property and the Development Fund for Iraq, dated August 19, 2003.

270309. Circumventing Limits

Monetary limits and approval requirements may not be circumvented by "splitting" a single project through the submission of multiple purchase requests, similar documents, or otherwise. Pre-deployment training should highlight this restriction.

270310. Clearance of Accounts

Accounts maintained under the CERP shall be cleared consistent with Volume 5, Chapter 2, "Disbursing Officers, Officers and Agents."

270311. Certification of Payments

Payments made under the CERP shall be certified in a manner consistent with Volume 5, Chapter 33, "Accountable Officials and Certifying Officers."

270312. Audits and Program Reviews

The administration of the CERP will be subject to periodic audits by DoD's internal review and audit organizations, including the DoD Inspector General and the Army Audit Agency, as well as external organizations such as the Government Accountability Office and congressional oversight committees. All officials responsible for administering the CERP shall cooperate fully with any review, audit, or investigation conducted by such organizations.

270313. Appointment of Project Purchasing Officers (PPO)

PPOs are U.S. government employees/U.S. service members who, upon completion of training and receipt of written delegation, serve as an extension of warranted contracting officers. A contracting officer may delegate to a PPO the authority to obligate the United States on CERP-funded projects costing less than $500,000.

*270314. Monitoring of Projects

All projects must have progress monitored to ensure that payments are commensurate with the work accomplished and the engineering standards as stipulated. For construction projects less than $500,000, (which may use a PPO rather than a warranted contracting officer), the PPO delegation memo should note that assistance from either the organic engineers or another unit's engineers may be requested to assist in determining construction progress. All projects involving grants must be monitored to ensure that the grant funds have been fully expended on the initiative that justified the project approval.

*270315. Performance Metrics

Performance metrics are essential to ensure that funds are applied for the most beneficial projects. Performance indicators must be included in evaluation packages for proposed CERP projects $50,000 or more and used as part of the close-out process for evaluating the project at its completion. CERP procedures for evaluating proposed projects should consider:

A. Immediate benefit to the local population.

B. Sustainability of the project.

C. Name and stability of the local partner.

D. Number of the local population engaged in the project.

E. Number of locals benefitting which can also be considered as a cost-benefit or per capital analysis.

F. Executability of the project (in terms of completion, operation and sustainment of the project).

G. Relationship to other similar efforts, such as replicating other successful projects funded with CERP.

270316. Project Execution

During project execution, the Commander responsible for the project will ensure that construction meets engineering standards and that performance is updated against the relevant metrics. At project completion, the Commander will ensure final inspections are completed and the project is documented in all required databases and then transferred to appropriate Afghan/Iraqi officials for sustainment.

2704 REPORTS AND NOTIFICATIONS

*270401. CERP Project Status Report

Not later than the 15th day of each month, Army shall submit to the USD(C) a CERP Project Status Report as of the last day of the preceding month. Army will provide a copy of the report to USCENTCOM J8, Commander, MNF-I, Commander, USFOR-A, and the Joint Staff, J8. The CERP Project Status Report shall contain the following information, identified by Project Category provided in this guidance:

A. For all projects:

1. Unit.

2. Project Document Reference Number/STANFINS Document Reference Number.

3. Project Category from USD© categories in this reference.

4. Project Title

5. Province where project is located.

6. Description (two or three sentences that describe the project for a person not familiar with it). For micro-grant projects list the name and type of business. For Commander's small scale projects sourced out of bulk funding, capture the initial bulk funded amount under the "other urgent and humanitarian or reconstruction category. Once the bulk fund is completely obligated/disbursed, replace with actual project descriptions for each completed project using the appropriate CERP categories.

7. Total amount committed, obligated, and disbursed for the project.

8. Obligation date. NOTE that once projects are identified, if they are cancelled during the same fiscal year they remain on the report with a note that they were cancelled and the obligated amount adjusted to $0.

9. For projects costing $50,000 or more provide justification stating how the project supports the purpose of CERP, i.e., justification for the project.

10. Current status of the project and projected completion date or when the project was completed, noting also whether the project was finished or terminated for other reasons.

11. For projects $50,000 or more, identify the date when project is/will be transferred to the Iraq or Afghanistan government. Annotate with "yes" to indicate the government's commitment to sustain the project, or "no" to indicate no agreement for sustainment. Details of any indicated sustainment must be included in the project files.

12. Number of local citizens estimated to directly benefit from project, if available.

a. Number of local citizens estimated to be employed by the project.

b. Number of local citizens estimated to be affected by the project.

B. For projects equal to or greater than $500,000:

1. All information identified above for all projects (1-12).

2. Note whether project sustainment is required and if it has been arranged.

3. Description of the plan for the transition of the project when completed to the Iraq or Afghan people/government and the government's commitment to sustain the project.

4. For projects in Iraq, identify the amount of funds, if any, provided by the Government of Iraq for this project.

5. Note whether with "yes" or "no" if one of the goals of the project includes benefit internally displaced citizens?

6. For each project in Iraq costing more than $750,000, whether it was approved by the MNC-I Commander for funding based on a cost-sharing arrangement with the GOI or based on direct benefit to the U.S. mission?

NOTE: This reporting requirement applies only to appropriation-funded CERP for Iraq and Afghanistan under the scope of this guidance, and, if applicable, is in addition to the separate monthly requirement to report cumulative totals allocated, committed, obligated, and disbursed for all types of CERP funds in Iraq.

270402. Quarterly Report

Army, with the support of USD(C), shall be responsible for submitting to Congress the quarterly reports required under the NDAA for FY 2006, Public Law 109-163**,** section 1202, as amended.

270403. Approvals

As required upon Secretary of Defense approval of CERP projects in Iraq greater than $1 million or determination of a waiver for projects costing $2 million or more, USD(C) will provide Army a signed statement affirming that certification was issued or the waiver was granted.

270404. Other Provisions of Law

Army, in coordination with Commander, USCENTCOM, shall promptly notify the USD(C) and the DoD General Counsel of any provisions of law that (if not waived) would prohibit, restrict, limit, or otherwise constrain the exercise of the authority provided by, NDAA for FY 2006, Public Law 109-163, section 1202, as carried forward as amended by Public Law 110-181.

270405. Changes in Guidance

The USD(C) will notify the congressional defense committees no later than 15 days after issuing any change to this guidance. The Joint Task Forces in each theater (MNC-I in Iraq and CJTF in Afghanistan) and ARCENT will notify the USD(C), USCENTCOM, and Secretary of the Army no later than 15 days after issuing any changes to their CERP implementing guidance.

2705 WAIVERS

270501. Requests

Request for waivers from, or exceptions to any provision of law that would (but for the waiver or exception) prohibit, restrict, limit, or otherwise constrain the execution of the CERP must be submitted through the USD(C) and DoD General Counsel to the Secretary of Defense for approval.

270502. Submission

Requests for waivers or exceptions to this guidance must be submitted to the USD(C) for approval.

2706 EFFECTIVE DATE

This guidance becomes effective immediately. CERP data must meet the requirements of section 1214 of the FY 2009 NDAA for any project begun on or after October 15, 2008.

*ANNEX A

CERP Category Definitions and Potential Projects

1. Agriculture: Projects to increase agricultural production or cooperative agricultural programs. This includes irrigation systems.

A. Reforestation (fruit and nut) producing trees, timber production, and general reforestation
B. Wind breaks for fields
C. Pesticide control for crops
D. Animal husbandry practices
E. Veterinary clinics, supplies and care of animals
F. Seeds for planting
G. Purchase of initial, parents livestock for herds
H. Animal health
I. Animal production
J. Aquaculture
K. Fish farms
L. Conservation programs
M. Biotechnology
N. Purchase of farm equipment or implements
O. Irrigation wells
P. Irrigation ditches
Q. Canal cleanup
R. Water pumps
S. Siphon tubes
T. Development and construction of terracing
U. Sprinkler irrigation
V. Dust suppression
W. Central pivot irrigation
X. Sub-irrigation
Y. Aquifer development
Z. Agricultural Training Facilities and Demo-Farms—ADT

2. Battle Damage Repair: Projects to repair, or make payments for repairs, of property damage that results from U.S., coalition, or supporting military operations and is not compensable under the Foreign Claims Act.

3. Civic Cleanup Activities: Projects to cleanup of public areas; area beautification.

A. Streets, roads
B. Parks
C. Demolition of old buildings/structures
D. Trash removal

4. Civic Support Vehicles: Projects to purchase or lease vehicles by public/government officials in support of civic and community activities.

A. Construction vehicles for public works
B. Water and trash trucks
C. Governmental vehicles for official duties

5. Condolence Payments: Payments to individual civilians for the death or physical injury resulting from U.S., coalition, or supporting military operations not compensable under the Foreign Claims Act.

6. Economic, Financial, and Management Improvements: Projects to improve economic or financial security.

A. Marketing assistance programs
B. Refurbishment of bazaars
C. Micro-Grants to individuals or small businesses
D. Refurbishment of district centers

7. Education: Projects to repair or reconstruct schools, or to purchase school supplies or equipment.

A. Build, repair, and refurbish schools (primary, middle, high, schools; colleges; trade schools and Centers of Educational Excellence)
B. Tents for use as schools/classrooms
C. School supplies, textbooks
D. Furniture, desks, mats
E. Sports equipment (soccer balls/goals, etc.)

8. Electricity: Projects to repair, restore, or improve electrical production, distribution, and secondary distribution infrastructure. Cost analysis must be conducted so the village or district may collect revenues to ensure operation and maintenance of the system for long term use.

A. Electrical production (solar, hydro, wind, and fossil) for villages and districts (not specific to individual government buildings or homes)
B. Distribution of high and low voltage to villages and districts (not specific to individual government buildings or homes)

C. Secondary distribution to individual buildings and homes
D. Generators (regardless of where used)
E. Studies

9. Food Production & Distribution: Projects to increase food production or distribution processes to further economic development.

A. Food handling technology, including refrigeration, storage, warehousing etc.
B. Adequate production and supply logistics, based on demand and need
C. Food labeling and packaging
D. Food production safety
E. Capacity building for production and regulation of food
F. Storage capability for pre-distribution holding

10. Former Detainee Payments: Payments to individuals upon release from Coalition non-Theater Internment detention facilities.

11. Healthcare: Projects to repair, or improve infrastructure, equipment, medical supplies, immunizations, and training of individuals and facilities in respect to efforts made to maintain or restore health especially by trained and licensed professionals.

A. Construction/repair of clinics
B. Ambulances/transportation for doctors in rural areas
C. Construction/repair of hospitals
D. Cooperative medical assistance (CMA) visits and supplies
E. Healthcare specific furnishings (beds, mattresses, etc.)
F. Refrigeration for medication
G. Expendable supplies
H. Durable and non-expendable equipment for medical facilities

12 Hero Payments: Payments made to the surviving spouses or next of kin of Iraqi or Afghan defense or police personnel who were killed as a result of U.S., coalition, or supporting military operations in Iraq or Afghanistan (previously referred to as Martyr payments in Iraq).

13. Other Urgent Humanitarian or Reconstruction Projects: Projects to repair collateral damage not otherwise payable because of combat exclusions or condolence payments. Other urgent humanitarian projects not captured under any other category. For other urgent humanitarian projects, this category should be used **only** when no other category is applicable.

A. Tents
B. Tarps, plastic sheeting
C. Blankets
D. Clothes, shoes/boots, winter coats/gloves

E. Hygiene kits
F. Food (rice, beans, salt, sugar, *tea*, cooking oil)
G. Stoves
H. Wood for stoves
I. Coal/charcoal

14. Protective Measures: Projects to repair or improve protective measures to enhance the durability and survivability of a critical infrastructure site (oil pipelines, electric lines, etc.).

A. Fencing
B. Lights
C. Barrier materials
D. Berms over pipelines
E. Guard Towers

15. Repair of Civic & Cultural Facilities: Projects to repair or restore civic or cultural buildings or facilities.

A. Religious buildings such as mosques or shrines
B. Civic/community centers
C. Women's centers
D. Athletic venues
E. Libraries
F. Museums

16. Rule of Law & Governance: Projects to repair government buildings such as administrative offices, or courthouses.

A. Governmental buildings repair
B. Support for the judicial system
C. Jails or temporary holding facilities repairs
D. Public service facilities improvements
E. Support to divergent political party development

17. Temporary Contact Guards for Critical Infrastructure: Projects including Sons/Daughters of Iraq and similar initiatives in Afghanistan guarding critical infrastructure, including neighborhoods and other public areas.

18. Telecommunications: Projects to repair or extend of communication over a distance. The term telecommunication covers all forms of distance and/or conversion of the original communications, including radio, telegraphy, television, telephony, data communication, and computer networking. Includes projects to repair or reconstruct telecommunications systems or infrastructure.

A. TV stations (including equipment purchase, repair, and maintenance)
B. Radio stations (including equipment purchase, repair, and maintenance)
C. Governmental communications systems (telephones, two way radios, repeaters, antennas)
D. Loudspeaker systems
E. Landline point to point connections to connect systems

19. Transportation: Projects to repair or restore transportation to includes infrastructure and operations. Infrastructure includes the transport networks (roads, railways, airways, canals, pipelines, etc.) that are used, as well as the nodes or terminals (such as airports, railway stations, bus stations and seaports). The operations deal with the control of the system, such as traffic signals and ramp meters, railroad switches, air traffic control, etc.

A. Transportation infrastructure, including roads, railway tracks, airports, ports, etc.
B. Roads (including gravel, cobblestone, etc.)
C. Culverts
D. Bridging
E. Traffic control measures

20. Water & Sanitation: Projects to repair or improve drinking water availability, to include purification and distribution. Building wells in adequate places is a way to produce more water assuming the aquifers can supply an adequate flow. Other water sources are rainwater and river or lake water must be purified for human consumption. The processes include filtering, boiling, and distillation among more advanced techniques, such as reverse osmosis. The distribution of drinking water is done through municipal water systems or as bottled water. Sanitation, an important public health measure that is essential for the prevention of disease, is the hygienic disposal of recycling of waste materials, particularly human excrement.

A. Wells (regardless of the end user, unless the end user is the security forces)
B. Water pumps
C. Water treatment facilities
D. Production or distribution of potable water and sanitation of that production capability
E. Establishing trash collection points
F. Waste disposal sites
G. Sewage treatment solutions
H. Retaining walls for flood prevention
I. Dumpsters
J. Public latrines
K. Local studies and water testing

*ANNEX B

CERP Quarterly Report Commander's Narrative

1. Each quarterly report, submitted in accordance with section 270402, will contain a Commander's Narrative from the Commander, MNC-I and Commander, CJTF in Afghanistan that at the beginning of each fiscal establishes:

A. Commander's overall goals for the CERP funding
B. At least three supporting areas of emphasis for using the funding
C. How progress against the identified goals will be judged

2. Each quarter the Commander's Narrative will review the goals as required above and report progress achieved against the identified goals, using the above noted methods.

A. Significant events/issues that have occurred since the previous quarterly report
B. Adequacy of projected funding
C. Areas anticipated to be of interest to USCENTCOM, HQDA, OSD and Congress
D. Any problems arising in the transfer of completed projects to the Governments
E. Impact of security situation on monitoring of CERP funded projects
F. Newly approved projects $\geq$ $500,000 and the category of any project
G. Projects $\geq$ $500,000 that were completed during the quarter and category of each project.
H. Contributions each project $\geq$ $500,000 made to humanitarian relief and reconstruction efforts for the benefit of the Iraqi and Afghan people.
I. Efforts made to obtain donor funding for projects and results obtained.
J. Identification of any projects or category of projects that are cost-shared and with whom.
K. Date that projects were turned over to the appropriate government.
L. Impacts of CERP funded projects, individually and collectively in assisting the U.S. carry out its strategy.
M. For Iraq, progress made in identifying and pursuing opportunities to transition responsibility for larger economic revitalization efforts to the Government of Iraq (GoI) including;

- The level of funding from the GoI into I-CERP;
- The level of funding provided by GoI through other programs to meet urgent humanitarian relief and reconstruction requirements that immediately assist the Iraqi people; and
- The status of efforts to transition Sons/Daughters of Iraq to the GoI.

VOLUME 12, CHAPTER 29: "ADMINISTERING, USING, AND ACCOUNTING FOR SEIZED AND/OR VESTED FUNDS AND PROPERTY DURING CONTINGENCY OPERATIONS"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font*.**

The previous version dated November 2008 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
Multiple	This chapter has been administratively revised to correct all references to Volume 5 and improve the overall readability of the policy. Specifically, this chapter incorporates applicable sections of the Under Secretary of Defense (Comptroller) July 31, 2003, memorandum on "Procedures for Administrating, Using, and Accounting for Vested and Seized Iraqi Property." The policy and procedures contained in this chapter are specific to Iraq. This chapter will remain active until such time when all Iraqi seized and vested accounts are closed and reflect a zero balance. When all Iraqi seized and vested accounts are closed and reflect a zero balance, the chapter will be deleted.	Revision

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CHAPTER 29

ADMINISTERING, USING, AND ACCOUNTING FOR SEIZED AND/OR VESTED FUNDS AND PROPERTY DURING CONTINGENCY OPERATIONS

ANNEX 1 SHIPMENT AND DISTRIBUTION OF FUNDS DURING CONTINGENCY OPERATIONS

A. Purpose and Applicability

This annex addresses the duties, responsibilities, and procedures to be followed by the host nations, Office of the Under Secretary of Defense (Comptroller) (OUSD(C)), and the designated Executive Agent when requesting and shipping vested funds to host nations.

B. Responsibilities

The administrator of the host nation, along with OUSD(C) and the Executive Agent will coordinate, request, document and arrange for the shipment of vested funds to the host nation.

C. Definitions

1. Contingency operations include, but are not limited to, support for peacekeeping operations, major humanitarian assistance efforts, noncombatant evacuation operations, and international disaster relief efforts.

2. Host nation is a nation that receives the forces and/or supplies of allied nations, and/or coalition partners to be located on, to operate in or to transit through its territory.

3. Coalition Forces are defined as a temporary alliance of factions, nations, or countries, for a specific purpose, in times of international conflict or war.

4. Executive Agent is the head of a Department of Defense (DoD) Component to whom the Secretary of Defense or the Deputy Secretary of Defense has assigned specific responsibilities, functions, and authorities to provide defined levels of support for operational missions, or administrative or other designated activities that involve two or more of the DoD Components.

5. Interim government is defined as a temporary government formed by the host nations or allies until a permanent government can be installed by the local people.

6. Vested assets are those frozen by Presidential Executive Order and vested with the U.S. Department of Treasury for return to the host nation.

7. Spending plan is a plan describing the purposes and the amounts of proposed expenditures of vested and seized property, developed by the host nation or the interim government, and submitted through appropriate channels for approval.

D. Procedures

1. The administrator of the host nation will make a determination that vested funds are needed for a specific purpose or objective.

2. After the determination is made, the host nation's comptroller will notify the OUSD(C) to create the necessary funding documents. The host nation's comptroller will also provide OUSD(C) with the host nation approved spending plans, supporting the distribution of the funds. The host nation's comptroller will identify the amount of money required along with the quantity of each denomination.

3. OUSD(C) will notify the Department of the Treasury (Treasury) that cash is needed. When possible, the host nation's comptroller will give OUSD(C) and Treasury at least a 10-day advance notice of when the money is needed in country. The Treasury will notify the Federal Reserve Board. The Federal Reserve Board will work with the designated Federal Reserve Bank to procure the amount of money needed and denominations as requested.

4. The host nation's comptroller, in coordination with the Executive Agent, is responsible for coordinating the delivery date and location where the money is to be delivered to allow for a maximum force protection posture keeping in mind customs, requirements and coordination with the host nation. The designated Executive Agent will coordinate with the Surface Deployment and Distribution Command to arrange transportation, security and loading of aircraft at the designated debarkation point to meet the host nation's desired delivery date.

5. The designated Executive Agent will provide the flight number and arrival time in country to the designated receiving disbursing officer and to the host nation to ensure security and logistical assets are available to off-load the currency.

6. The Executive Agent's financial operation's designee will ensure security and logistical assets are available to off-load the currency.

7. The Federal Reserve Board will notify the contracted armored carrier service to escort the money to the designated military installation. When the shipment arrives at the designated military installation, the accountable individual will be a military officer assigned to accompany the flight to the appointed airport.

8. Once at the designated military installation, the money is verified, arranged on pallets and shrink-wrapped to prevent loss and ensure accountability during shipment. The money is then loaded onto available military aircraft and escorted by two designated couriers. The accountable individual has accountability for the money from the designated shipping point to designated receiving point.

9. Accountability will transfer from the accountable individual to the designated custodian for host nation funds or disbursing officer's representative, at the designated receiving point upon verification of funds.

ANNEX 2 DUTIES UPON ASSUMING POSSESSION OF FUNDS AND/OR PROPERTY

A. Purpose and Applicability

1. This annex addresses the duties, responsibilities, and general procedures to be followed by the Coalition Forces upon discovery, possession, seizure, or receipt of funds and/or property. Specific procedures to ensure accountability and transparency of vested and seized property must be developed to accommodate each unique contingency operation. Policy memorandums specific to each on-going contingency operation will be maintained on the Department of Defense (DoD) Financial Management Regulation website at Volume 12, Special Accounts, Funds and Programs; Policy Memorandums.

2. The designated Executive Agent shall coordinate with the Office of the Under Secretary of Defense (Comptroller) to develop specific procedures upon the notification of pending contingency operations. Such procedures will apply to all parties involved in the area(s) of operations for the specific contingency operations as specified in the policy memorandum.

B. Responsibilities

1. Command Responsibility. It is the obligation of the Combatant Commander and subordinate commanders at all levels to ensure all local regime or private property, cash, or other valuables seized, received, or otherwise taken into possession are properly secured, safeguarded, controlled and accounted for.

2. Individual Responsibility. It is the responsibility and obligation of all Coalition Forces personnel to: (1) notify superiors in a timely manner of any property seized or received; (2) keep records of and account for such property; and (3) properly secure, safeguard, and control the property in their physical possession. If required, assist other assigned or responsible personnel in the conduct of their duties to secure and safeguard such property or assets.

3. Custodial Responsibility. This responsibility can be either formally assigned or it may be an inherent responsibility derived from command authority. Custodians shall take all necessary and prudent actions to properly secure, control, account for, and safeguard property that comes into their physical possession.

4. Accountable Individual. An accountable individual will be appointed by the commander of the Coalition Forces (Detachment, Company, Battalion or equivalent activity) that originally finds, seizes, secures, or otherwise takes possession of public or private property, cash, or valuables. The accountable individual may be a Coalition Forces commissioned or warrant officer or a properly qualified Coalition Forces civilian manager detailed or attached to the activity. The accountable individual will: maintain formal property, inventory, and accounting

records that show, on a continuing basis, the identification or description or the items held, the physical count of cash and face value of currency and securities held by denomination, record of all gains or losses and on-hand balances, the conditions and locations of all property assigned or in possession, and evidence of the chain of custody maintained from time of first receipt or possession (by hand receipt or other record).

C. Definitions

Seized funds are cash and property confiscated by coalition forces during military operations and governed by the laws and usages of war. Normally captured foreign currency shall be delivered promptly into the custody of the State Department's United States Disbursing Officer (USDO) supporting the particular country involved. Any DoD DO acquiring captured foreign currency shall ensure the funds are safeguarded and delivered to the USDO as soon as possible. Captured foreign currency shall not be collected into the DOs accountability as prescribed in Volume 5, Definitions.

D. Procedures

1. Secure the property. Use armed guards or other appropriate forms of control as necessary.

2. The ranking military member present when the property is secured automatically becomes the accountable individual with custodial responsibility.

3 Conduct and document a physical inventory of the property. Establish a custodial record, using and modifying DA Form 4137 (Evidence/Property Custody Document) (Figure 2-1) as appropriate.

4. Remove the property, using appropriate care and security, to a controlled area and deliver to an accountable officer.

5. The accountable individual will deliver the property in the form of cash, jewels, precious metals or other items of value to the nearest disbursing officer or disbursing officer's representative. Upon receipt, the disbursing officer or DO representative shall become the designated custodian official for the cash, jewels, and precious metals. All other property should be handled through established logistics channels. If the seized assets have been designated to be collected into a trust fund, the DO will take them into his accountability. The DO will safeguard and account for the assets as prescribed in Volume 5, Chapter 16.

6. This accountable individual shall establish the appropriate accounting records.

7. Officers with custodial responsibility shall take all prudent and necessary steps to accomplish their responsibilities in this area, including observing and controlling the actions of subordinates, as needed, to safeguard property in their custody.

E. Determination of Public or Private Property Status

1. The location where the property was discovered or obtained must be considered in determining whether property is public or private. It is important that the officers with custodial responsibility document the location and circumstances under which property was obtained. In general, property obtained or seized at palaces or government ministry offices or other government compounds will be assumed to be the local regime assets. Property discovered in private residences or commercial locations or in rural locations will be initially assumed to be private assets. If what appears to be stocks or concentrations of looted goods are discovered, this property will initially be considered public.

2. Any additional documentation found with or adjacent to property may be used in the process of making a final determination on the status of the property. This documentation could include such items as records, invoices, vouchers, inventory lists, letters, or other forms of property identification. The officer initially charged with custodial responsibility will be required to make the determination as to the relevance of any documentation found with or in the vicinity of property recovered or seized. Should the documentation be deemed relevant, the officer charged with custodial responsibility will secure and include that documentation along with the property seized.

3. When property is seized from banks or other financial institutions, the custodial officer will secure and include all available, relevant documentation that will assist in the final determination of the status of the property. Other sources of information can be used to assist in these cases, including but not limited to, intelligence information and records obtained at government ministries describing banking or financial institutions used by the regime as part of their government financial system. Final determinations of the status of any seized assets or property will be made in conjunction with U.S. and Coalition Forces legal authorities.

Figure 2-1. Evidence/Property Custody Document

EVIDENCE/PROPERTY CUSTODY DOCUMENT

For use of this form see AR 190-45 and AR 195-5; the proponent agency is US Army Criminal Investigation Command

MPR/CID SEQUENCE NUMBER

CRD REPORT/CID ROI NUMBER

RECEIVING ACTIVITY	LOCATION	
NAME, GRADE AND TITLE OF PERSON FROM WHOM RECEIVED ☐ OWNER ☐ OTHER	ADDRESS *(Include Zip Code)*	
LOCATION FROM WHERE OBTAINED	REASON OBTAINED	TIME/DATE OBTAINED

ITEM NO.	QUANTITY	DESCRIPTION OF ARTICLES *(Include model, serial number, condition and unusual marks or scratches)*

CHAIN OF CUSTODY

ITEM NO.	DATE	RELEASED BY	RECEIVED BY	PURPOSE OF CHANGE OF CUSTODY
		SIGNATURE NAME, GRADE OR TITLE	SIGNATURE NAME, GRADE OR TITLE	
		SIGNATURE NAME, GRADE OR TITLE	SIGNATURE NAME, GRADE OR TITLE	
		SIGNATURE NAME, GRADE OR TITLE	SIGNATURE NAME, GRADE OR TITLE	
		SIGNATURE NAME, GRADE OR TITLE	SIGNATURE NAME, GRADE OR TITLE	
		SIGNATURE NAME, GRADE OR TITLE	SIGNATURE NAME, GRADE OR TITLE	

DA FORM 4137, 1 JUL 76 Replaces DA FORM 4137, 1 Aug 74 and DA FORM 4137-R Privacy Act Statement 28 Sep 75 Which are Obsolete

USAPPC V1.00

LOCATION _____ DOCUMENT NUMBER _____

Figure 2-1 (Continued)

		CHAIN OF CUSTODY *(Continued)*		
ITEM NO.	DATE	RELEASED BY	RECEIVED BY	PURPOSE OF CHANGE OF CUSTODY
		SIGNATURE NAME, GRADE OR TITLE	SIGNATURE NAME, GRADE OR TITLE	
		SIGNATURE NAME, GRADE OR TITLE	SIGNATURE NAME, GRADE OR TITLE	
		SIGNATURE NAME, GRADE OR TITLE	SIGNATURE NAME, GRADE OR TITLE	
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		SIGNATURE NAME, GRADE OR TITLE	SIGNATURE NAME, GRADE OR TITLE	
		SIGNATURE NAME, GRADE OR TITLE	SIGNATURE NAME, GRADE OR TITLE	
		SIGNATURE NAME, GRADE OR TITLE	SIGNATURE NAME, GRADE OR TITLE	
		SIGNATURE NAME, GRADE OR TITLE	SIGNATURE NAME, GRADE OR TITLE	

FINAL DISPOSAL ACTION

RELEASE TO OWNER OR OTHER *(Name/Unit)* _____

DESTROY _____

OTHER *(Specify)*

FINAL DISPOSAL AUTHORITY

ITEM(S) _____ ON THIS DOCUMENT, PERTAINING TO THE INVESTIGATION INVOLVING _____ *(Grade)*

_____ *(Name)* _____ *(Organization)* (IS) (ARE) NO LONGER REQUIRED AS EVIDENCE AND MAY BE DISPOSED OF AS INDICATED ABOVE. *If article(s) must be retained, do not sign, but explain in separate correspondence.)*

_____ *(Typed/Printed Name, Grade, Title)* _____ *(Signature)* _____ *(Date)*

WITNESS TO DESTRUCTION OF EVIDENCE

THE ARTICLE(S) LISTED AT ITEM NUMBER(S) _____ (WAS) (WERE) DESTROYED BY THE EVIDENCE CUSTODIAN, IN MY PRESENCE, ON THE DATE INDICATED ABOVE.

_____ *(Typed/Printed Name, Organization)* _____ *(Signature)*

USAPPC V1.00

ANNEX 3 FINANCIAL RECORDS RETENTION AND DISPOSITION DURING CONTINGENCY OPERATIONS

A. Purpose and Applicability

This annex provides guidance on the submission of necessary documents and reports during contingency operations in order to provide pertinent information to the designated accounting site. It addresses the duties, responsibilities, and procedures to be followed by the disbursing officers and certifying officers when providing disbursement services during contingency operations.

B. Responsibilities

The disbursing officer or his designee shall ensure that all original disbursing officer records and associated papers are retained as government property as cited in Volume 5, Chapter 15. These records shall be readily accessible to the disbursing officer for 6-years 3-month period consistent with guidance in the National Archives and Records Administration, ***Records Management Handbook***. Extension to this record retention period may be warranted on a case-by-case basis.

C. Procedures

1. All disbursing officers will keep a daily report of all transactions processed.

2. All disbursement documents shall be supported by either hard copy or readable machine source records to ensure that:

a. A legal obligation to pay exists (typically a contract);

b. The payee has fulfilled any prerequisites to payment (typically an invoice and receiving report);

c. The amount of the payment and identity of the payee are correct;

d. The payment is legal under the appropriation or fund involved (typically the correct fiscal year and appropriation); and

e. The documentation links together all records and supports an audit of certifying and disbursing officer transactions as required by law. In addition, a copy of the spending plan must be retained with the original disbursement vouchers.

3. If disbursements are made in cash, the voucher should be receipted by the vendors and/or receipts from the vendors should be attached to the vouchers.

4. The designated accounting site must issue specific accounting and document retention and disposition requirements for paid vouchers. These requirements must be satisfied within 30 days of the payment.

5. The original collection and disbursement vouchers shall be forwarded with the DD Form 2657 (Daily Statement of Accountability) to the designated accounting site as soon as possible after the close of the business day. Disbursing officers shall take extra precautions to ensure that all copies prepared for distribution are completely legible. Additional guidance on the assembly and transmittal of financial reports can be found in Volume 5, Chapter 15.

6. Original paid vouchers shall be safeguarded consistent with standard security regulations prescribed in Volume 5, Chapter 3.

7. Payments using vested and seized funds shall be made and documented consistent with Volume 5, Chapter 9.

8. All vested and seized funds shall be delivered, transported and safeguarded consistent with Volume 5, Chapter 3.

ANNEX 4 DEVELOPMENT OF FUNDING REQUIREMENTS FOR VESTED AND SEIZED PROPERTY

A. Purpose and Applicability

This annex addresses the duties, responsibilities, and procedures to be followed by the government or designated interim government when working to identify and develop requirements for spending plans in restoring and rebuilding the host country for its people. There may be multiple funding sources available for the purpose of stabilization, reconstruction and humanitarian assistance for the benefit of the local people.

B. Responsibilities

1. It is the responsibility of the appointed/designated officials and coalition commanders to explain the requirements for obtaining vested and seized property for projects that achieve the mission of the designated government.

2. Local designated governmental officials and coalition commanders are responsible for requesting funding from vested and seized assets to accomplish approved projects and requirements by submitting the appropriate funding request form to the designated review board.

3. The majority of funding requirements are expected to be included in the interim government budgets. However, unanticipated or emergency requests will be accepted by the designated review board for consideration. The local government offices shall prepare complete funding request forms to request funding for requirements not addressed in budget submissions.

C. Procedures

1. The funding request form will be reviewed in accordance with the interim government process for the allocation of funds. The designated committee, will conduct the initial review of all program funding requests and project submissions, categorize them, and make recommendations to the designated review board for the allocation of vested and seized funds. The designated review board is responsible for preparing and submitting allocation requests to the Administrator for approval. The designated review board requests will include proposed allocations of available resources. The specific roles, responsibilities, and membership of the interim government designate review board will be determined at the formation of the interim government. For approved projects using Seized and Vested Assets, the interim government is the final authority. After the interim government approval, the interim government comptroller will provide the appropriate funding form and related decision documents to Office of the Under Secretary of Defense (Comptroller) and the designated Executive Agent budget office.

2. Once funding requests are approved by the Administrator, the requestor must submit a completed Standard Form 1034 (Public Voucher for Purchases and Services Other Than Personal), along with a spending plan to the interim government comptroller for the

disbursement of funds. A spending plan is a plan describing the purposes and amounts of proposed expenditures of vested and seized property, developed by the host nation or the interim government, and submitted through appropriate channels for approval.

ANNEX 5 ALLOCATION, DISBURSEMENT, AND FINANCIAL REPORTING OF VESTED AND SEIZED PROPERTY

A. Purpose and Applicability

This annex applies to all parties involved in the receiving, disbursing, accounting for, securing, and reporting of vested and seized property. Specific procedures to accommodate each contingency operation must be developed to ensure accountability and transparency of vested and seized property. Policy memorandums specific to each on-going contingency operation will be maintained on the Department of Defense Financial Management Regulation website at Volume 12, Special Accounts, Funds and Programs; Policy Memorandums.

B. Responsibilities

1. Coalition Government Responsibility. The coalition government (or interim government) is responsible for identifying program requirements, identifying appropriate funding sources for requirements, initiating reprogramming actions when needed, maintaining program accountability, fund certification, certifying receipt of goods, services, and payroll, and certifying disbursement of funds.

2. The Designated Executive Agent (Resource Management) Responsibility. The Executive Agent (Resource Management) is responsible for:

a. Providing commitment accounting support documentation;

b. Providing obligation transactions input to the designated accounting site for processing into the appropriate accounting system;

c. Monitoring fund execution; and

d. Certifying all required financial reports.

3. Disbursing Officer (DO) Responsibility. The DO is responsible for:

a. Processing DD Form 1131 (Cash Collection Voucher) for seized assets and SF 5515 (Debit Voucher) for vested assets to increase cash balances;

b. Disbursing cash to host nation authorized payees;

c. Processing disbursements in the appropriate disbursing system; and

d. Transferring SF 1034s (Public Voucher for Purchases and Services Other Than Personal) and SF 44s (Purchase Order-Invoice-Voucher) and support documents to the designated accounting site promptly.

4. The Designated Accounting Site. The designated accounting site shall maintain the accounting database and prepare, certify, and process SF 1081s (Voucher and Schedule of Withdrawal and Credits) based upon receipt of the Funding Authorization Documents (FADs); post disbursement and obligation transactions processed by the designated disbursing office to the appropriate accounting system; and maintain documentation for future review and audit. In addition, to record an increase in the DO's accountability under general ledger control, the designated accounting site will prepare an Optional Form 1017-G – Journal Voucher (OF 1017-G, Figure 5-1) upon receipt of the monthly SF 1219 (Statement of Accountability) from the DO.

C. Procedures

1. Program Control Procedures

a. Specific procedures shall be developed to accommodate the unique circumstance of each contingency operation.

b. Cash accountability will be maintained on the DO's DD 2657 (Daily Statement of Accountability) and monthly SF 1219.

c. The designated accounting site will determine the appropriate accounting system to be used as the book of original entry.

d. The Executive Agent shall monitor execution of funds.

e. All collections and disbursement transactions are reported on the disbursing officer's SF 1219 (Statement of Accountability).

2. Funds Management Procedures

a. Fiscal Coding and Management Structure. The Executive Agent, in coordination with the designated accounting site, will establish the fiscal coding and management structure, including monthly and annual reporting levels, budget activities, and project codes. The coding structure and budget activities are established per the Department of Treasury and the Office of Management and Budget guidance received and in coordination with the host nation.

b. Vested Assets. Vested assets are funds vested in the U.S. Treasury by operations of domestic law. A special Treasury General Fund Account Symbol shall be used to record cash deposits and disbursements of vested funds. This unique account shall be used only for the purpose designated for the use of vested funds.

c. Seized Assets. Seized funds are cash and property confiscated by coalition forces during military operations and governed by the laws and usages of war. A special Treasury Deposit Fund Account Symbol shall be used to record seized assets after

validation by the designated Federal Reserve Bank. This unique account shall be used only for the purpose designated for the use of seized funds.

d. Detailed Accounting Codes. The host nation's comptroller shall request detailed accounting transaction codes through the Executive Agent's headquarters, from the designated accounting site, based on the fiscal coding and management structure established.

3. Disbursing Operations and Cash Accountability Procedures

a. The coalition government must provide certifying official appointment letters and signature cards, DD Form 577 (Appointment/Termination Record – Authorized Signature) to the DO for all host nation personnel that will certify SF 44s or SF 1034s for payments.

b. Prior to disbursing, the coalition government shall obtain validated, detailed documentation to support payment of payrolls, utilities, and other goods and services from the designated host nation officials. For accountability purposes, supporting documentation from automated local payment systems should be used if they are determined to be available and adequate. The coalition government shall obtain from host nation officials organizational listing(s) of individuals authorized to receive payment at the designated payment site(s), and the amount each individual is to be paid. The host nation will certify the payment vouchers and present to the DO for payment. The DO and the host nation shall follow customary local practices for validation of, and payment for, normal and/or recurring utilities and other goods and services. The host nation will ensure adequate controls are in place by utilizing supporting documentation from local officials to ensure goods and services were received.

c. The host nation shall prepare and submit a memorandum to the DO, including the date, time, location, number of payees, and amount of money to be disbursed at each site. The DO shall disburse funds based on the amount of the certified voucher. The designated disbursing or paying agent will provide supporting documentation for the additional funds. The DO will advance funding to the disbursing or paying agent via a DD Form 1081 (Statement of Agent's Accountability). After the paying agent has finished making payments, he/she will use the payroll plus any additional payments added to the payroll to balance with the DO.

d. The host nation's representative appointed as the certifying official will certify the payment(s), and will date and sign the payment voucher.

e. Payments made using seized and vested funds shall be certified in a manner consistent with Volume 5, Chapter 5.

f. Paying agents responsible for making disbursements of vested and seized funds shall be appointed consistent with Volume 5, Chapter 2.

4. Delivery of Funds Procedures

a. A host nation's fund custodian or paying agent will deliver the funds to the designated pay site(s). Designated cashiers or designated local representatives will sign a receipt acknowledging receiving the funds and make payments at the designated pay site(s). The cashiers will acknowledge receipt from the disbursing agent on a DD Form 1081. Designated host nation representatives will verify the amount and date, and then sign as the payee on the SF 1034 or SF 44. The host nation appointed task force will ensure, insofar as practicable, that designated coalition representatives properly secure funds at the designated pay site(s) and/or while transporting funds to remote sites.

b. The cashiers and/or designated host nation representatives shall disburse funds to designated individuals or service providers. All disbursements shall be documented with a certified voucher with supporting documentation to validate who received the funds and the purpose that the funds will be used.

(1) For Payrolls. Individuals must present proper/valid identification, and acknowledge receipt of payment by signing the payroll list or other appropriate form.

(2) For Payment of Utilities and Other Goods and Services. The host nation shall appoint paying agents in accordance with Volume 5, Chapter 2. The DO shall brief all cashiers and paying agents on their responsibilities and pecuniary liability for funds. A properly certified voucher with supporting documentation (receipt and invoice) must be presented when disbursing for other than payroll.

c. Paying agents will be advanced funds on a DD Form 1081, "Statement of Agent Accountability". The paying agent will disburse funds based on a properly certified SF 44 or SF 1034. Any funds not disbursed that are remaining after the mission is completed and all disbursements have made will be returned to the DO using a DD Form 1081 and DD Form 2665. The paying agent will use the certified disbursed vouchers to balance with the remaining funds and the advancing DD Form 1081. The host nation comptroller will conduct weekly reviews of any balances on hand at the designated local payment sites. The host nation comptroller shall also review supporting documentation to validate beginning balances, all disbursements and ending cash balances. The host nation comptroller shall verify cash on-hand matches the ending cash balance and that the funds are properly secured. Any funds returned from the designated local payment sites to the host nation comptroller will be collected into the DO's accountability using a DD Form 1131.

5. Paying Operations Procedures

a. Purchasing Officer Appointments. The host nation contracting activity must appoint purchasing officers. Purchasing officers are appointed to purchase goods and services, and are authorized to make such purchases via the SF 44.

b. Paying Agent Appointments. Paying agents must be appointed to pay for commercial services or supplies in support of purchasing officers.

(1) Requests for paying agents must be made in writing to the DO.

(2) Host nation commanders authorized to appoint paying agents shall do so in writing in accordance with Volume 5, Chapter 2. The DO must appoint cashiers from the local finance command. The DO shall brief them on the responsibilities and potential pecuniary liability for funds.

(3) Paying agent appointments may be for either a specific transaction or a specified period of time.

(4) Appointed paying agents may not serve concurrently as purchasing officers and may not be charged with the handling or custody of any other funds.

6. Disbursing Procedures

a. The host nation comptroller shall prepare a memorandum to the DO providing date, time, location, number of paying agents, names of the paying agents, and amount of money to be disbursed to each paying agent.

b. The DO or disbursing agent will advance the funds to the appointed paying agent(s) using DD Form 1081. The paying agent shall sign the DD Form 1081 as a receipt for the funds.

c. The paying agent will disburse funds in accordance with the purchasing officer's authorization. The purchasing officer and the paying agent will use the SF 44 to make purchases and payments. The purchasing officer will sign and certify the SF 44.

d. The SF 44 must be signed by the paying agent and the individual receiving the funds.

e. The paying agent must keep the original SF 44 with all signatures. Upon mission completion, the paying agent must return all supporting documentation (e.g., original receipts and SF 44s) and remaining cash to the DO in country or designated government financial activity in order to clear the DD Form 1081.

f. The host nation comptroller will authorize any replenishment of funds. The host nation comptroller certifying official must prepare another memorandum to the DO requesting additional funds. A new DD Form 1081 will be prepared by the DO.

g. Imprest fund cashiers will not be utilized. Purchasing agents appointed by the host nation comptroller-designated government procurement activity will be used to make small purchases, as needed. Disbursing agents will disburse payments based on certified vouchers provided by an appointed certifying officer.

7. Reconciliation Procedures

a. The host nation comptroller and designated accounting site shall conduct a joint reconciliation of commitments and obligations in accordance with Volume 3, Chapter 8. Additionally, the DO and designated accounting site will need to follow existing requirements associated with reporting and reconciliation of DO deposit fund accounts.

b. The DO and cashiers shall follow standard daily balancing procedures as identified in the Volume 5, Chapter 15. Additionally, quarterly cash verifications will be conducted in accordance with Volume 5, Chapter 3.

c. The host nation reports required in Annex 7 will require reconciliation of Program Review Board approved projects versus disbursements.

8. Audits and Program Reviews

The administration, use, and accounting of seized and vested assets will be subject to periodic audits by the Department of Defense's internal audit organizations, including the Office of Inspector General, as well as external organizations such as the Government Accountability Office and congressional oversight committees. All officials responsible for administering vested and seized assets shall cooperate fully with any review, audit, or investigation conducted by such organization.

Figure 5-1. Journal Voucher

Optional Form 1017-G (9-79)
Title 7, GAO Manual
501017-810

JOURNAL VOUCHER

J.V. No. 25
Date 5 May 20XX

REFERENCE	EXPLANATION	DEBIT	CREDIT
DEBIT VOUCHER # 475129	Transfer Vested Funds From FRB ON SF 5515. OF1017G will be used to increase the DO accountability under General Ledger control. The account to be cited is : XX X XXXX XXXXX (Treasury Account Symbol will be established) DSSN: 8551 DATE OF SF 5515: 5 May 2003		20,000.000.00
	Total		20,000.000.00

Prepared By Darrell Johnson
(Signature)

Deputy Disbursing Officer
(Title)

Approved By Hank Snow
(Signature)

Deputy Disbursing Officer
(Title)

ANNEX 6 MONTHLY INVENTORY REPORT OF SEIZED PROPERTY

A. Purpose and Applicability

This annex addresses the duties, responsibilities and procedures to be followed by the designated DO or designated government financial activity supporting the host nation's interim government in preparing monthly reporting of vested and seized property.

B. Responsibilities

The designated Executive Agent having custody of the seized assets shall prepare monthly reports describing all vested and seized property in the possession of host nation officials. These reports shall distinguish between vested and seized property.

The designated Executive Agent having custody of the seized assets shall submit the monthly reports under cover memorandum to the host nation and the Under Secretary of Defense (Comptroller), with copies furnished to the Principal Deputy Under Secretary of Defense (Comptroller), and the Director, the appointed Executive Agent's Resource Management Directorate no later than close of the fifth business day of the month following the month being reported.

C. Reporting Procedures

1. Follow the attached sample report format (Figure 6-1).

2. Instructions

a. Report Title - enter the name of the month and the year in the title of the report.

b. Line 1.A.1 – enter the beginning balance of the vested cash in possession of U.S. government officials. After the first monthly report, the beginning balance will be the ending balance of the previous month (e.g., the beginning balance for June will be the ending balance from May).

c. Line 1.A.2 – enter the amount of vested cash disbursed during the month being reported.

d. Line 1.A.3 – enter the amount of vested cash deposited to financial institutions and no longer in the possession of host nation officials.

e. Line 1.A.4 - enter the amount of collections.

f. Line 1.A.4.1 - this line will include the amount of cash collected back into the disbursing office.

g. Line 1.A.4.2 - enter the amount of vested cash collected during the month.

h. Line 1.A.5 - enter the total of Line 1.A.1 minus Line 1.A.2 minus Line 1.A.3 plus Line 1.A.4.1 plus Line 1.A.4.2 (Line 1.A.1 – Line 1.A.2 – Line 1.A.3 + Line 1.A.4.1 + Line 1.A.4.2). This is the amount of newly vested cash in the possession of host nation officials.

i. Table 1.B – Non-Cash Assets Vested and Divested – provide, in table format, a listing of vested non-cash property by category (e.g., jewelry, arms, equipment, artwork, etc.), a brief description and item count for such property in the possession of host nation officials. This table shall include a cumulative listing of all vested non-cash property in the possession of host nation officials.

(1) Column 1 – enter the category of the non-cash property.

(2) Column 2 – enter a brief description of the items within the category in Column 1.

(3) Column 3 – enter the beginning count of items in the possession of host nation officials. After the first monthly report, the beginning balance will be the ending balance of the previous month (e.g., the June beginning balance will be the May ending balance).

(4) Column 4 – enter the entity to which the host nation official divested the non-cash property.

(5) Column 5 – enter the count of items divested.

(6) Column 6 – enter the sum of Column 3 minus Column 5 (Column 3 – Column 5).

j. Line 2.A.1 – enter the beginning amount of seized cash (US dollars) in the possession of host nation officials. After the first monthly report, the beginning balance will be the ending balance of the previous month (e.g., the beginning balance for June will be the ending balance from May).

k. Line 2.A.2 – enter the amount of seized cash (U.S. dollars) verified as authentic currency during the reporting period and available for disbursement.

l. Line 2.A.3 – enter the amount of seized cash verified as counterfeit.

m. Line 2.A.4 – enter the sum of Line 2.A.1 minus Line 2.A.2 minus Line 2.A.3 (i.e., Line 2.A.1 – Line 2.A.2 – Line 2.A.3). This amount represents the amount of seized cash (U.S. dollars) in the possession of host nation officials that has not been verified as authentic currency and available for disbursement.

n. Line 2.A.5 – for the first monthly report enter 0.00 (zero). After the first monthly report, the beginning balance will be the ending balance of the previous month (e.g., the beginning balance for June will be the ending balance from May).

o. Line 2.A.6 – enter the amount of seized cash (U.S. dollars) verified as authentic currency during the month and available for disbursement.

p. Line 2.A.7 - enter the amount of seized cash (U.S. dollars) disbursed during the month being reported.

q. Line 2.A.8 – enter the amount of seized cash (U.S. dollars) deposited to financial institutions and no longer in the possession of host nation officials.

r. Line 2.A.9 – enter the amount of seized cash (U.S. dollars) collected during the month. This amount will include the amount of cash collected back into the disbursing office.

s. Line 2.A.10 – enter the sum of Line 2.A.5 minus Line 2.A.6 minus Line 2.A.7 plus Line 2.A.8 plus Line 2.A.9 (i.e., Line 2.A.5 – Line 2.A.6 – Line 2.A.7 + Line 2.A.8 + Line 2.A.9).

t. Table 2.B – Coin/Currency (Non-U.S. dollars) – enter, in table format, a listing of seized coin/currency (Non-U.S. dollars), by country, monetary unit (franc, pound, Canadian dollar, etc.) and amount, in the possession of host nation officials.

(1) Column 1 – enter the name of the country and monetary unit of seized coin/currency (Non-U.S. dollars) in the possession of host nation officials.

(2) Column 2 – enter the beginning count of items in the possession of host nation officials. After the first monthly report, the beginning balance will be the ending balance of the previous month (e.g., the June beginning balance will be the May ending balance).

(3) Column 3 – enter the entity to which the host nation official released the coin/currency (Non-U.S. dollars).

(4) Column 4 – enter the amount of the coin/currency (Non-U.S. dollars) released.

(5) Column 5 – enter the sum of Column 2 minus Column 4 (Column 2 – Column 4).

u. Table 2.C – Non-Cash Assets – enter, in table format, a listing of seized non-cash property by category (e.g., jewelry, arms, equipment, artwork, etc.), a brief description and item count in the possession of host nation officials.

(1) Column 1 – enter the category of the non-cash assets.

(2) Column 2 – enter a brief description of the items within the category in Column 1.

(3) Column 3 – enter the beginning count of items in the possession of host nation officials. After the first monthly report, the beginning balance will be the ending balance of the previous month (e.g., the June beginning balance will be the May ending balance).

(4) Column 4 – enter the entity to which the host nation official released the non-cash assets.

(5) Column 5 – enter the count of items released.

(6) Column 6 – enter the sum of Column 3 minus Column 5 (Column 3 – Column 5).

v. The disbursing officer certifies the accuracy of the data on the report by signing and dating the report.

w. Footnote the amount of non-U.S. currency in possession of the host nation, but not verified as of the end of the reporting period, and the verified amount of counterfeit U.S. currency for the reporting period.

Figure 6-1. Sample Monthly Inventory Report of Vested and Seized Assets for the Month Ending December 2007

1. VESTED ASSETS

A. CASH

1.	Beginning Balance	$1,700,000,000.00
2.	Less: Disbursements	500,000,000.00
3.	Less: Deposits to Financial Institutions	100,000,000.00
4.	Plus: Collections	100,000,000.00
	4.1 Cash collected back into DO $70,000,000.00	
	4.2 Newly Vested Cash in possession of Host nation Officials $30,000,000.00	
5.	Ending Balance	$1,200,000,000.00

B. NON-CASH PROPERTY VESTED AND DIVESTED (Table 1.B)

1. CATEGORY	**2. DESCRIPTION**	**3. BEGINNING COUNT**	**4. DIVESTED TO**	**5. COUNT DIVESTED**	**6. ENDING COUNT**
Jewelry	Gold rings	50			50
Arms	Pistols	5			5
Artwork	Oil Painting	2	Museum	2	0

2. SEIZED ASSETS

A. CASH (U.S. DOLLARS)

1.	Beginning Amount Seized (Unverified)	$650,000,000.00
2.	Amount Verified (Available for Disbursement)	50,000,000.00
3.	Amount Verified (Counterfeit)	10,000,000.00

Figure 6-1. Sample Monthly Inventory Report of Vested And Seized Assets for the Month Ending December 2007 (Continued)

4.	Ending Amount Seized (Unverified)	590,000,000.00
5.	Beginning Amount Verified (Available for Disbursement)	0.00
6.	Plus: Amount Verified This Period	50,000,000.00
7.	Less: Disbursements	25,000,000.00
8.	Less: Deposits to Financial Institutions	0.00
9.	Plus: Collections	0.00
10.	Ending Amount Verified (Available for Disbursement)	$25,000,000.00

B. COIN/CURRENCY (NON-U.S. DOLLARS) SEIZED AND RELEASED (Table 2.B)

1. COUNTRY AND UNIT	2. BEGINNING AMOUNT	3. RELEASED TO	4. AMOUNT RELEASED	5. ENDING AMOUNT
Italian lira	60			60
Canadian dollar	200			200
Any foreign currency	1,000	Any Central Bank	1,000	0

C. NON-CASH ASSETS SEIZED AND RELEASED (Table 2.C)

1. CATEGORY	2. DESCRIPTION	3. BEGINNING COUNT	4. RELEASED TO	5. RELEASED COUNT	6. ENDING COUNT
Jewelry	Gold bracelets	10			10
Equipment	Tanks	1	Coalition Forces	1	0
Equipment	100mm howitzer	4			4

Footnote: Include amount of non-U.S. currency in possession of the host nation, but not verified as of the end of the reporting period.
Footnote: Include verified amount of counterfeit U.S. currency.

Disbursing Officer Signature_____ **Date**_____

ANNEX 7 MONTHLY DISBURSEMENT REPORT

A. Purpose and Applicability

This annex addresses the duties, responsibilities, and procedures to be followed by the host nation's interim government in preparing monthly disbursement reports for vested and seized assets.

B. Responsibilities

The host nation interim government shall prepare monthly reports describing the purposes, amounts and recipients of all cash disbursements of vested and seized assets. This report will include cash disbursements only; non-cash assets, including coin/currency (non-U.S. dollars), either divested or released, are reported in the Monthly Inventory Report of Vested and Seized Assets (Annex 6, Figure 6-1). These reports shall distinguish between disbursements of vested and seized assets. The report must be reconciled with official accounting records.

The host nation interim government shall submit the monthly reports under cover memorandum to the Under Secretary of Defense (Comptroller), with copies furnished to the Director, Resource Management, of the designated Executive Agent, no later than close of the tenth business day of the month following the month being reported.

C. Reporting Procedures

1. Follow the report format at Figure 7-1.

2. Instructions

a. Table 1 – Vested Assets

(1) Column 1 – enter a brief description of the purpose for the cash disbursements. The descriptions should be the same as the descriptions shown on the spending plans (Annex 4).

(2) Column 2 – enter a brief description of the recipients of the cash disbursements. The detail information regarding the entity receiving the cash disbursements is required as part of the supporting documentation to the disbursement vouchers as provided for in the Procedures section for host nation interim government (Annex 5).

(3) Column 3 – enter the dollar amount of the cash disbursements. NOTE: the total of Column 3 will be reported on the Monthly Inventory Report of Vested and Seized Assets, Line 1.A.2 (Annex 6, Figure 6-1).

b. Table 2 – Seized Assets

(1) Column 1 – enter a brief description of the purpose for the cash disbursements. The descriptions should be the same as the descriptions as shown on the spending plans (Annex 4).

(2) Column 2 – enter a brief description of the recipients of the cash disbursements. The detail information regarding the individual recipients of the cash disbursements is required as part of the supporting documentation to the disbursement vouchers as provided for in the Procedures section for the host nation interim government (Annex 5).

(3) Column 3 – enter the dollar amount of the cash disbursements. NOTE: The total of Column 3 will be reported on the Monthly Inventory Report of Vested and Seized Assets, Line 2.A.7 (Annex 6, Figure 6-1).

c. The disbursing officer certifies the accuracy of the data on the report by signing and dating the report.

Figure 7-1. Sample Monthly Disbursement Report for the Month Ending December 2007

1. VESTED ASSETS (Table 1)

1. PURPOSE	2. RECIPIENTS	3. AMOUNT
Monthly Payroll	Oil Workers	$25,000,000.00
Security Alarms	Museum	$50,000,000.00
TOTAL		$75,000,000.00

2. SEIZED ASSETS (Table 2)

1. PURPOSE	2. RECIPIENTS	3. AMOUNT
Monthly Payroll	Oil Workers	$25,000,000.00
Security Alarms	Museum	$50,000,000.00
TOTAL		$75,000,000.00

Disbursing Officer, Host Nation Interim Government **DATE**

ANNEX 8 REPORTING OF VESTED AND SEIZED ASSETS ON THE DOD FINANCIAL STATEMENTS

A. Purpose and Applicability

This annex addresses the duties, responsibilities, and procedures to be followed by the designated Executive Agent and the Defense Finance and Accounting Service (DFAS) in preparing consolidated financial statements in support of the host nation interim government's vested and seized assets.

B. Responsibilities

The Executive Agent and DFAS are responsible for reporting activity of vested and seized assets on the Department of Defense (DoD) consolidated financial statements.

C. Procedures

1. Seized asset activity shall be reported on the Executive Agent's financial statements and the DoD consolidated financial statements. These activities relate to the receipt, management, and disposition of cash and negotiable instruments held by the DoD. Nonentity seized cash will be included as Fund Balance with Treasury on the face of the DoD consolidated Balance Sheet and the Executive Agent's Balance Sheets. The Nonentity Assets Note to the financial statements shall contain sufficient disclosure to provide the reader with an understanding of the source of the seized assets, applicable laws and regulations, and how the assets were used.

2. Vested asset activity shall be reported in the General Fund financial statements of the Executive Agent and on the DoD consolidated financial statements. Vested assets will be distinguishable from other entity assets only in the footnotes to the financial statements. The note to the financial statements shall contain sufficient disclosure to provide the reader with an understanding of the source of the vested assets, applicable laws and regulations, and how the assets were used.

3. Additional information regarding financial statement reporting can be found in Volume 6B and the DFAS Financial Reporting Guidance, "Annual and Quarterly Financial Statement Guidance," on the OUSD(C) website.

VOLUME 12, CHAPTER 30: "OPERATION AND USE OF GENERAL GIFT FUNDS"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue and underlined font*.**

The previous version dated September 2008 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
300603	Updated reference from United States Standard General Ledger (USSGL) Treasury Financial Manual, Section III to USSGL Standard Financial Information Structure (SFIS) Transaction Library.	Update

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CHAPTER 30

OPERATION AND USE OF GENERAL GIFT FUNDS

3001 INTRODUCTION

300101. Purpose

This chapter prescribes the overall policy and assigns responsibilities for the acceptance, holding, administration, receipt, recording, reporting, use, investment, distribution, disbursement, and accountability of money, real property, personal property, or services to the Department of Defense (DoD) under ***section 2601 of title 10, United States Code (10 U.S.C. 2601)***.

300102. Definitions

A. Account. A special account established in the Treasury of the United States for receipt of monetary gifts and proceeds from the sale of real or personal property gifts to the Secretary of Defense or the Military Departments.

B. Acceptance Authorities. Acceptance Authorities are the appropriate concerned Secretary and all designees who may accept gifts pursuant to this chapter. The concerned Secretaries may approve additional delegations.

C. Ethics Counselor. Ethics Counselor is defined as set forth in ***DoD 5500.7-R, Joint Ethics Regulation (JER)***.

D. Gifts. Gifts include devises or bequests, and money, real property, personal property, or services.

E. Prohibited Sources. Prohibited Sources are defined as set forth in the ***JER***.

F. Services. Services include activities that benefit the morale, welfare, or recreation of members of the armed forces and their dependents or are related or incidental to the conveyance of a gift of real or personal property.

3002 AUTHORITY

300201. 10 U.S.C. 2601(a)

10 U.S.C. 2601(a) authorizes the Secretary of Defense and Secretaries of the Military Departments to accept, hold, administer, and spend any gift of money, real property, or personal property made on the condition that the gift be used for the benefit, or in connection with, the establishment, operation, or maintenance, of a school, hospital, library, museum, cemetery, or other institution or organization under a Secretary's jurisdiction.

300202. 10 U.S.C. 2601(b)

10 U.S.C. 2601(b) authorizes the Secretary of Defense and Secretaries of the Military Departments to accept, hold, administer, and spend any gift of money, real property, personal property, or services made on the condition that the gift be used for the benefit of the following individuals who are under their jurisdiction.

A. Members of the armed forces, including members performing full-time National Guard duty under ***32 U.S.C. 502(f)***, who incur a wound, injury, or illness while in the line of duty.

B. Civilian employees of the Department of Defense who incur a wound, injury, or illness while in the line of duty.

C. Dependents of such members or employees.

D. Survivors of such members or employees who are killed.

3003 DESIGNATIONS

The Secretary of Defense and the Secretaries of the Military Departments may approve additional Acceptance Authority designations under their jurisdiction. The Office of the Secretary of Defense (OSD) designations are as follows:

300301. Under Secretary of Defense (Comptroller) (USD(C))

All of the authority and responsibility granted to the Secretary of Defense in 10 U.S.C. 2601 associated with acceptance and use of such gifts has been delegated to the USD(C) in a letter signed by the Secretary of Defense on May 3, 2007.

300302. USD(C) Designations

The USD(C) prescribes additional designations of gift Acceptance Authority to the following OSD Components.

A. Under Secretary of Defense (Acquisition, Technology, and Logistics) (USD(AT&L)). On behalf of the Secretary of Defense, the USD(AT&L) has authority and responsibilities associated with acceptance and use of such gifts of real property or personal property under 10 U.S.C. 2601(a) and 2601(b) or services under 10 U.S.C. 2601(b), and may authorize the development of additional procedures for implementing policy in this chapter.

B. Under Secretary of Defense (Personnel and Readiness (USD(P&R)). On behalf of the Secretary of Defense, the USD(P&R) has authority and responsibilities associated with acceptance and use of such gifts of personal property under 10 U.S.C. 2601(a) and 2601(b) or services under 10 U.S.C. 2601(b).

C. Director, Administration and Management (DA&M). On behalf of the Secretary of Defense, the DA&M has authority and responsibility, including management responsibility, associated with acceptance and use of such gifts of personal property under 10 U.S.C. 2601(a) and 2601(b) or services under 10 U.S.C. 2601(b).

D. DoD Defense Agencies, Joint Staff, and Combatant Commands. On behalf of the Secretary of Defense, the heads of the DoD Defense Agencies, the Chairman of the Joint Chiefs of Staff, and the Commanders of the Combatant Commands have authority and responsibility associated with acceptance and use of such gifts of personal property under 10 U.S.C. 2601(a) and 2601(b) or services under 10 U.S.C. 2601(b) valued at $500,000 or less. All gifts over $500,000 must be accepted by the USD(C).

E. Washington Headquarters Services (WHS). On behalf of the Secretary of Defense, the Director of the WHS has authority to accept such gifts of personal property offered to the OSD for use at facilities under his or her authority under 10 U.S.C. 2601(a) and 2601(b). The Director of the WHS also has the authority to accept such gifts of services for the benefit of individuals described in paragraph 300202 at facilities under his or her authority under 10 U.S.C. 2601(b).

3004 RESPONSIBILITIES

300401. OSD Components

The OSD Components identified in paragraphs 300301 and 300302 and Acceptance Authority designees shall ensure compliance with policy in this chapter and shall establish procedures to ensure personnel are familiar with the restrictions on accepting gifts and requirements for receiving, recording, reporting, and accounting for gifts.

300402. Military Departments

The Secretaries of the Military Departments and Acceptance Authority designees shall ensure compliance with policy in this chapter and establish procedures to ensure personnel are familiar with the restrictions on accepting gifts and requirements for receiving, recording, reporting, and accounting for gifts.

300403. Defense Finance and Accounting Service (DFAS)

The DFAS is responsible for the accounting, investing, and reporting of all such monetary gifts and proceeds from the sale of real property or personal property gifts accepted by the Acceptance Authorities and forwarded to DFAS as prescribed in section 3006.

300404. Under Secretary of Defense (Personnel and Readiness) (USD(P&R))

The USD(P&R) shall establish procedures for verifying the eligibility of individuals to receive benefits under 10 U.S.C. 2601(b) as identified in paragraph 300202.A-D and may authorize the development of additional procedures for implementing 10 U.S.C. 2601(b).

3005 ACCEPTANCE

300501. Circumstances to Decline Acceptance

Acceptance Authorities shall decline gifts under the following circumstances.

A. The use of the gift is in connection with any program, project, or activity that would result in the violation of any prohibition or limitation otherwise applicable to such program, project, or activity;

B. The gift or conditions attached to the gift are inconsistent with applicable law or regulations;

C. The use of the gift would reflect unfavorably on the ability of the Department of Defense or any personnel of the Department to carry out any responsibility or duty in a fair and objective manner;

D. The use of the gift would compromise the integrity or appearance of integrity of any program of the Department of Defense or any individual involved in such a program; and

E. Acceptance of the gift would not be in the best interests of the Department of Defense, including but not limited to the following, where it creates or requires:

1. The appearance or expectation of favorable consideration as a result of the gift;

2. The appearance of an improper endorsement of the donor, its events, products, services, or enterprises;

3. A serious question of impropriety in light of the donor's present or prospective business relationships with the Department of Defense;

4. The expenditure or use of funds in excess of amounts appropriated by Congress; and

5. Substantial expenditures or administrative efforts and maintenance that are disproportionate to any benefit.

300502. Department of Defense Personnel

Department of Defense personnel shall not solicit, fundraise for, or otherwise request or encourage the offer of a gift. Acceptance Authorities shall not accept gifts offered contrary to this policy.

300503. Related Expenses

Acceptance Authorities may pay all necessary expenses in connection with the conveyance or transfer of a gift.

300504. Offers from Prohibited Sources

Acceptance Authorities shall use increased sensitivity and scrutiny when gifts are offered from prohibited sources, as acceptance may cause embarrassment to the Department of Defense or the appearance of influencing official decisions or actions of the Department, and shall consult with their appropriate Ethics Counselor before accepting such a gift valued in excess of $10,000 to determine whether the donor is involved in any claims, procurement actions, litigation, or other particular matters involving the Department that should be considered prior to gift acceptance.

300505. Acknowledgement of Future Gifts

Acceptance Authorities may acknowledge offers of future gifts and advise the donors that acceptance will occur after actual presentation of the gifts only when they determine that such acceptance will likely occur.

300506. Acceptance through Intermediaries

Acceptance Authorities shall not accept gifts offered indirectly through an intermediary if they could not accept such gifts if offered directly from the source.

300507. Circumstances under 10 U.S.C. 2601(b)

The following circumstances also apply to gifts accepted pursuant to the authority in 10 U.S.C. 2601(b).

A. Acceptance Authorities shall consult with their appropriate Ethics Counselor before accepting gifts valued in excess of $10,000 to ensure that:

1. The gift is not offered in a manner that specifically discriminates among Department of Defense personnel merely on the basis of type of official responsibility or of favoring those of higher rank or rate of pay; and

2. The donor does not have interests that may be affected substantially by the performance or nonperformance of the Department of Defense employee's official duties.

B. Acceptance Authorities may not accept a gift of services under 10 U.S.C. 2601(b) from a foreign government or international organization. They may accept a gift of money, real property, or personal property from a foreign government or international organization under 10 U.S.C. 2601(b) only if the gift is not designated for a specific individual.

3006 RECEIPT

300601. Monetary Gifts

All monetary gifts shall be forwarded to the DFAS office servicing the Acceptance Authority via mail or an electronic funds transfer (EFT). Department of Defense officials should contact the DFAS for EFT deposit information.

300602. Gift Fund Accounts

Gifts of money and the proceeds of the sale of property gifts shall be deposited in the Treasury in the following accounts:

A. The Department of Defense General Gift Fund in the case of deposits made by the Secretary of Defense or Secretary of Defense Acceptance Authority designees.

B. The Department of the Army General Gift Fund, in the case of deposits made by the Secretary of the Army or Secretary of the Army Acceptance Authority designees.

C. The Department of the Navy General Gift Fund, in the case of deposits made by the Secretary of the Navy or Secretary of the Navy Acceptance Authority designees.

D. The Department of the Air Force General Gift Fund, in the case of deposits made by the Secretary of the Air Force or Secretary of the Air Force Acceptance Authority designees.

*300603. Accounting Transactions

Accounting entries for monetary, nonmonetary, and service type gifts are specified in the ***United States Standard General Ledger Standard Financial Information Structure*** Transaction Library.

3007 RECORDS AND REPORTS

300701. Records

A. Acceptance Authorities shall keep accurate, auditable, and timely records of all gifts and provide this information for periodic audits. The receiving organization must obtain and retain in gift fund records the required documentation and information for all gifts received including the date nonmonetary gifts were transferred to property records and the unique identifier or data element, if applicable (see property accountability requirements in section 3009). For audit purposes, the supporting documentation for monetary and nonmonetary gifts must be retained for 6 years and 3 months beyond the life of the asset.

B. Acceptance Authorities shall ensure that the following information concerning items sold is retained in the records.

1. A description of each item sold.

2. The name of the donor for each item sold.

3. The date each item was sold.

4. The name of the purchaser for each item sold.

5. The proceeds of the item sold.

6. Details of any other relevant specific information regarding each item sold.

7. If applicable, the unique identifier or data element used to track the same or similar nonmonetary item such as a Real Property Unique Identifier from the Department of Defense Real Property Unique Identifier Registry or accountable property data elements (see property accountability policy cited in section 2009).

300702. Reports

A. DFAS Standards and Compliance (Corporate Reporting) shall develop and require a standardized report for Acceptance Authorities or designees to use in order to report the following information to DFAS quarterly.

1. A description of the gift.

2. The value of the gift (estimated value if nonmonetary) to include the valuation method used.

3. The name and address of the donor(s).

4. The date each gift was received.

5. The expected useful life of the gift (the length of time in which a depreciable asset is expected to be used).

6. Details of any conditions, restrictions, or other relevant specific information regarding each gift.

7. If applicable, a unique identifier or data element used to track the same or similar nonmonetary items received or shipped from different sources (see 300701.B.7 for examples).

8. Statement explaining the benefits of accepting the gift.

9. The authority, either 10 U.S.C. 2601(a) or 2601(b), under which the gift was accepted.

B. Acceptance Authorities shall report the information in paragraph 300702.A for all monetary gifts and real property gifts along with personal property gifts with a unit value of $5,000 or more to the DFAS office servicing each Secretary (Defense, Army, Navy, and Air Force) not later than 10 days after the end of each quarter. Monetary, real property, and personal property gifts shall be reported separately.

C. The DFAS Standards and Compliance (Corporate Reporting) shall prepare a report containing the following information and forward the information to the Office of the Under Secretary of Defense (Comptroller) Deputy Chief Financial Officer not later than 30 days after the end of each quarter.

1. Separate summary values for monetary and nonmonetary gifts accepted during the quarter. Also separate as to the authority, either 10 U.S.C. 2601(a) and 2601(b), the gifts were accepted under.

2. A description of all property valued at more than $1 million. In determining whether the $1 million threshold has been met, the following procedures shall be used:

a. The value of similar items accepted during the quarter shall be added together.

b. The value of components which, if assembled, would comprise all or a substantial portion of an item or facility shall be added together.

3008 INVESTMENTS

The DFAS shall:

300801. Cash Management

Invest general gift funds in Government securities until distribution is authorized consistent with good cash management practices.

300802. Purchasing Government Securities

Follow standard operating procedures related to the accounts in paragraph 300602 for purchasing Government securities.

300803. Selling Securities

Follow standard operating procedures to initiate and complete the sale of Government securities.

300804. Maturing Securities

Maintain a tracking system that identifies impending maturities and collections of securities for the specified account and ensure appropriate reinvestment action is taken upon maturity of a security.

300805. Annual Reviews

Conduct an annual review of the account operations and transactions, including the purchase and the sale of Government securities. The objective of the review will include compliance with the Department of Defense and the Treasury policies and procedures, and adequacy of internal controls.

3009 PROPERTY ACCOUNTABILITY

Acceptance Authorities must establish procedures for receiving, accounting, and disposing of real and personal property gifts. Property accountability procedures must be addressed or referenced in general gift acceptance procedures. Property accountability procedures shall be consistent with policy prescribed in ***DoD Instruction (DoDI) 4165.70***, *Real Property Management;* ***DoDI 4165.72***, *Real Property Disposal*; and ***DoDI 5000.64***, *Accountability and Management of DoD Owned Equipment and Other Accountable Property*.

VOLUME 12, CHAPTER 31: "DOD BRANDING AND TRADEMARK LICENSING PROGRAM PROCEDURAL AND ACCOUNTING GUIDANCE"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by a * preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue and underlined font*.**

The previous version dated October 2008 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
310202.A	Incorporated the Under Secretary of Defense (Comptroller) April 15, 2009, policy memorandum covering responsibility details as a permanent part of the DoD Financial Management Regulation. The information clarified the responsibilities of appointees of the DoD Branding and Trademark Licensing Program.	Add
310202.E	Incorporated the Under Secretary of Defense (Comptroller) dated April 15, 2009, policy memorandum on collection of licensing fees from licensees as a permanent part of the DoD Financial Management Regulation.	Add
Multiple	Updated statutory references and hyperlinks.	Update
Multiple	Changed the designation of Director, DoD Branding and Trademark Licensing Office to Manager, DoD Branding and Trademark Licensing Program throughout the chapter.	Update

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CHAPTER 31

DOD BRANDING AND TRADEMARK LICENSING PROGRAM PROCEDURAL AND ACCOUNTING GUIDANCE

3101 OVERVIEW

310101. Purpose

This chapter establishes the policy used to account for fees received by the Department of Defense (DoD) from the licensing of trademarks, service marks, certification marks and collective marks. This program authorized under ***10 U.S.C. 2260*** is implemented by ***DoD Directive 5535.09***, "Department of Defense Branding and Trademark Licensing Program."

310102. Scope

Guidance applies to DoD Components which for the purpose of this chapter includes the Secretary of Defense, the Military Departments, the Chairman of the Joint Chiefs of Staff or the Joint Staff, the United and Specified Combatant Commands, the Office of the Inspector General of DoD, the Defense Agencies, the DoD Working Capital Fund Activities, the DoD Field Activities, and all other organizational entities in DoD.

3102 RESPONSIBILITIES

310201. The Assistant Secretary of Defense for Public Affairs

The Assistant Secretary of Defense for Public Affairs is the proponent agency for the DoD Branding and Trademark Licensing Program and has overall responsibility for the operation of the program, defining program costs and establishing procedures to ensure the proper use of program funds.

310202. DoD Components

The DoD Components operating a trademark licensing program under the provisions of ***10 U.S.C. 2260*** and ***DoD Directive 5535.09*** are responsible for ensuring that:

* A. A single individual or office is designated within the DoD Component to review and approve all requests for the use of funds deposited into the Component's Budget Clearing (Suspense) Account. The designated individual or office shall be responsible for ensuring that all funds reallocated from the Suspense account into the proper receipt or expenditure account are to be used only for authorized purposes. To ensure an independent review of the request, no individual or office may both request and approve the reallocation (transfer) of such funds. The appointment of this person or office shall be done in writing in the form of an appointment order or similar document. A copy of the appointment shall be provided to the DoD Component's supporting representative at the Defense Finance and Accounting Service (DFAS) and to the Manager, DoD Branding and Trademark Licensing Program (BTLP).

A record of all requests for the transfer of funds and the action taken on them shall be retained in accordance with Volume 1, Chapter 9.

B. There is a complete and accurate accounting for all trademark licensing fees received.

C. All fees received are promptly deposited and recorded in the appropriate Treasury Index (17, 21, 57 or 97) Budget Clearing Account (Suspense) Account (F3875.002 and Defense Finance and Accounting Service (DFAS) limit 200). Guidance on processing collections can be found in Volume 5, Chapter 10.

D. Fees collected are only used for payment of costs incurred in securing trademark registrations and operating the licensing program; and for support of morale, welfare, recreation activities when fees available for a fiscal year exceed the amount needed for payment of such costs.

* E. Unless otherwise authorized by the Manager, BTLP, all licensing fees held by licensees and/or licensing agents are paid over to the DoD Component operating the program within 60 days following the end of each calendar quarter.

3103 ACCOUNTING AND REPORTING

310301. Accounting

A. Fees received in a fiscal year shall remain available for obligation in such fiscal year and the following two fiscal years.

B. The excess of licensing fees collected over annual costs may be expended to support morale, welfare, and recreation (MWR) activities. The law does not require that the excess be obligated in the fiscal year collected. The excess may be used in the two following fiscal years to offset those fiscal year costs of the licensing program or may be expended in support of the DoD Component's MWR activities. Licensing fees collected shall be deposited in the appropriate DoD Component Budget Clearing Account (Suspense) F3875.002 and DFAS limit 200.

C. Funds not obligated or made available to morale, welfare and recreation activities before September 30 of the second fiscal year following the year collected shall be reallocated (transferred) to R3210, "General Fund Proprietary Receipts, Defense Military, Not Otherwise Classified."

D. Additional accounting codes may be used to separately track unobligated funds carried forward from the fiscal year of collection through the following two fiscal years.

E. Each DoD Component shall ensure that all royalty reports received from licensees and/or licensing agents are promptly reviewed and any questions resolved. Copies of royalty reports shall be retained in accordance with Volume 1, Chapter 9.

310302. Reporting

Each DoD Component operating a trademark licensing program shall provide the Manager, DoD Branding and Trademark Licensing Program (BTLP), with the following financial reports. The Manager, BTLP, may issue guidance prescribing the required format of the reports and the specific information to be provided.

A. Quarterly Reports. The following quarterly reports shall be forward to the Manager, BTLP, within 30 days following the end of each calendar quarter.

1. Income and Expense Report. The Income and Expense Report shall show the total fees received from trademark licensing during the preceding calendar quarter. It should also show the total costs paid for securing trademark registrations and the total costs paid for operating the trademark licensing program.

2. Other Reports. The Manager, BTLP may require other quarterly reports as the Manager deems necessary to assure compliance with reference ***DoD Directive 5535.09***.

B. Annual Reports. The following annual reports shall be forward to the Manager, BTLP, within 45 days following the end of the fiscal year.

1. Trademark Account Fund Aging Report. The Trademark Account Fund Aging Report shall show in detail the age of all funds currently in the DoD Component's Budget Clearing (Suspense) Account for Trademark Licensing and the date on which those funds will expire.

2. MWR Funding Report. The MWR Funding Report shall show all funds transferred during the preceding fiscal year to an MWR activity under the control of the Secretary concerned. If more than one MWR activity received funding, the report shall identify each activity and the amount it received. If more than one trademark licensing program is operated by a DoD Component, separate reports shall be issued for each program.

3. Other Reports. The Manager, BTLP may require other annual reports as the Manager deems necessary to assure compliance with reference ***DoD Directive 5535.09.***

VOLUME 12, CHAPTER 32: "COLLECTION AND RETENTION OF CONFERENCE FEES FROM NON-FEDERAL SOURCES"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font*.**

This is the initial publication.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
Entire Chapter	This new chapter supersedes the Under Secretary of Defense (Comptroller) February 12, 2007 memorandum on "Collection and Retention of Conference Fees from Non-Federal Sources	Add

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*CHAPTER 32

COLLECTION AND RETENTION OF CONFERENCE FEES FROM NON-FEDERAL SOURCES

3201 OVERVIEW

320101. Purpose

This chapter establishes the policies and procedures to be followed by Department of Defense (DoD) Components to account for conference fees collected and used in accordance with statutory authority. ***Section 2262 of Title 10, U.S.C.*** provides authority for the Secretary of Defense to collect fees in advance, either directly or by using a contract, from individuals and commercial participants attending DoD sponsored conferences, seminars, exhibits, symposiums, or similar meetings. For purposes of this chapter, a conference is defined as any form of meeting, workshop, seminar, symposium, or training session.

320102. Scope

This guidance applies to DoD Components which for the purpose of this chapter includes the Office of the Secretary of Defense, the Military Departments, the Chairman of the Joint Chiefs of Staff or the Joint Staff, the Unified and Specified Combatant Commands, the Office of the Inspector General of DoD, the Defense Agencies, the DoD Working Capital Fund Activities, the DoD Field Activities, and all other organizational entities in DoD.

3202 POLICY

320201. Other Federal laws and Regulations

Although ***10 U.S.C. 2262*** authorizes the retention of conference fees, all other Federal laws and regulations, including DoD regulations regarding conferences and conference planning (***See DoD Travel Regulations***), the ***Federal Acquisition Regulation (FAR***), the ***DoD FAR Supplement***, and the ***Joint Ethics Regulation,*** must be followed. This authority does not increase or affect any other currently existing conference authority. Fiscal limitations on expenditure of appropriated funds for conference expenses apply to use of fees collected under ***10 U.S.C. 2262***.

320202. Use of Contracts for Conference Planning, Organizing, or Management

DoD Components collecting fees by contract, to include contractors under no-cost contracts, are permitted to structure such contracts to permit contractors to offset from fees collected the actual costs incurred by the contractor (to include its fee) in providing conference-related services. Fee collections in excess of such amounts shall be credited to the appropriation from which other conference costs are payable. DoD Components shall be responsible for all other provisions contained in this chapter including the oversight regarding the setting of appropriate fee amounts and the reporting of fees collected and costs paid by the contractor.

320203. Reimbursement

Collection of conference fees into appropriations is subject to the general rules of appropriation reimbursement as well as specific rules stated in ***10 U.S.C. 2262***.

320204. Ethics and Fiscal Guidance

Ethics restrictions found in the ***Standards of Ethical Conduct for Employees of the Executive Branch*** are applicable to the execution of conferences. Also follow guidance prescribed by the DoD Office of the General Counsel (***See DoD's Standards of Conduct Office (SOCO))*** paper on Conference Sponsorship and Conference Planning. In addition, DoD conference managers should consult with their own component General Counsel to ensure compliance with applicable laws and regulations.

3203 RESPONSIBILITIES

320301. Office of the Under Secretary of Defense (Comptroller), Program/Budget

The OUSD(C), P/B shall:

A. Collect and review the required conference fees reports (section 320402).

B. Ensure reporting requirements to Congress on conference costs and fees collected are met.

320302. Defense Finance and Accounting Service (DFAS)

The DFAS shall:

A. Establish a process for collecting data needed to meet conference fees statutory reporting requirements.

B. Ensure conference fee collections and disbursements are processed and recorded accurately and timely, consistent with DoD policy.

C. Take corrective action when issues accounting for these funds arise.

320303. DoD Components

The DoD Components sponsoring conferences under the provisions of ***10 U.S.C. 2262*** shall:

A. Adhere to established OUSD(C)(P/B) reporting requests.

B. Ensure there is a complete and accurate accounting for all conference fees collected.

C. Ensure that conference fees collected are only used to offset associated allowable conference expenses. Use of registration fees to pay unallowable costs not only is legally improper, but also reduces the amount of fees available to pay allowable costs..

D. Collaborate with DFAS to establish a process for collecting data needed to meet statutory reporting requirements.

E. Provide timely and accurate reporting of conference costs and fees collected that will support the OUSD(C)(P/B) reporting requirements delineated in paragraph 320402.

F. As needed, provide training to employees on using this authority.

G. Monitor conference fee collections and disbursements to assess operational or financial problems.

H. Ensure all conference fees collected directly by the Government are promptly deposited and recorded in the appropriate account. When fees are collected by contract under paragraph 320202, promptly deposit and record amounts that are in excess of actual conference costs offset by the contractor. To avoid having to credit excess fee collections to Miscellaneous Receipts, fees (attendance, vendor, and other) should be structured so as not to exceed the anticipated costs of the conference. Guidance on processing collections can be found in Volume 5, Chapter 10.

I. Assist the OUSD(C) in any investigations into funding violations.

J. Determine the conference fee amounts that are excess and promptly transfer to Receipt Account 3210, "General Fund Proprietary Receipts, Defense Military, Not Otherwise Classified." Excess fees collected shall not be used to finance expenditures of a succeeding conference or for any other purpose. Because the statute does not allow the retention of funds in excess of costs incurred, doing so would improperly augment agency funds otherwise available for funding conference expenses.

K. Ensure that conference fees collected for one conference are not used to fund for other conferences. If more than one conference is funded by a DoD Component, the Component must maintain records sufficient to separately account for fee collections for each conference.

L. Maintain all records supporting conference fees collected under this authority in accordance with Volume 1, Chapter 9.

3204 ACCOUNTING AND REPORTING

320401. Accounting

A. Accounting for collections into appropriations is covered in the ***United States Standard General Ledger Standard Financial Information Structure Transaction Library***.

B. Except when conference planning services at no cost to the government are used and the government entity does not directly collect fees, amounts collected under ***10 U.S.C. 2262*** with respect to a conference shall be credited to the appropriation or account from which the costs of the conference are paid and must be used to pay or reimburse those costs of the Department with respect to the conference. Record conference fees collected as a appropriation reimbursement.

C. The registration fees collected must remain with the year that funds for the conference are obligated. In the event registration fees are collected in one fiscal year but the conference is conducted in the next, the fees collected shall remain in the year the conference expenses were obligated and shall be available for the same purpose and time period of that appropriation.

D. Components, agencies and activities which collect conference fees into appropriations may not augment those appropriations. Accordingly, any fees collected which exceed actual conference costs must be deposited to 3210.

320402. Reporting

A. The OUSD(C)(P/B) is required, no later than 45 days after the President submits a fiscal year budget, to submit to the congressional defense committees a report summarizing use of this authority, to include:

1. A list of all conferences conducted during the preceding two calendar years for which fees were collected under this section.

2. For each conference listed under subparagraph A.1:

   a. Name of conference

   b. The estimated costs to DoD for the conference

   c. The actual costs to DoD for the conference

   d. The total of any conference coordinator fees

   e. The total of fees collected under ***10 U.S.C. § 2262*** authority for the conference

f. The total of fees used to pay for expenses of the conference

g. The total of excess fees deposited into the 3210 Receipt Account

3. An estimate of the number of conferences to be conducted during the calendar year in which the report is submitted for which the Department will collect fees under this authority.

B. All DoD components shall provide information in the following template to the OUSD(C)(P/B). Negative reports are required.

COLLECTION AND RETENTION OF CONFERENCE FEES REPORT
Component/Agency: _____

PRIOR YEAR: XXXX

Conference Name	Estimated Cost	Actual Cost	Coordinator Fees	Fees Collected	Fees Used	Fees to Receipt Account

PRIOR YEAR: XXXX

Conference Name	Estimated Cost	Actual Cost	Coordinator Fees	Fees Collected	Fees Used	Fees to Receipt Account

CURRENT YEAR ESTIMATED NUMBER OF CONFERENCES: XX

1. Display the Component or Agency, Conference Fees Report name, and dollars in thousands (with one decimal point x.x) as the header.

2. For the preceding two (2) calendar years, data elements (A.2.a-g) above must be reported for each conference.

3. Current Year Conferences: Report the estimated number of conference for which fees will be collected in the current calendar year.

4. The Collection and Retention of Conference Fees Report will be submitted 15 days after the President's Budget Submission annually to OUSD (Comptroller) P/B, Operations Directorate, Room 3C749, of the Pentagon.

***VOLUME 12, CHAPTER 33: "FINANCIAL INSTITUTIONS ON DOD INSTALLATIONS"**

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by *bold, italic, blue and underlined font*.

This is the initial publication.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	This chapter contains policy on the establishment, support, operation and termination of banks and credit unions operating on Department of Defense (DoD) installations worldwide, to include Military Banking Facilities (MBFs) previously found in Volume 5, Chapter 34.	New
All	Reorganized paragraphs 3301 and 3302 to confirm to the requirements of subsection 030105.A. of the June 2015 DoD FMR revised Standard Operating Procedures. Reorganization impacted the numbering sequence of subsequent paragraphs and sections.	New
Multiple	Updated references and related hyperlinks.	Revision
330303.B.3	Updated the mailing information for the Air Force Central Locator Service.	Revision
330308	Removed the words "allotments or" in previous chapter.	Revision
330311.E	Removed the words "credit and", and consolidated subparagraph 340411.E.1 of previous chapter with 340411.E.	Revision
330311.E.2	Deleted subparagraph 340411.E.2 of previous chapter since it is addressed in Volume 7A, Chapter 42, section 4202.	Deletion
330407.D	Updated dollar threshold for construction projects requiring notification to Congress from $500,000 to $750,000.	Revision

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CHAPTER 33

FINANCIAL INSTITUTIONS ON DOD INSTALLATIONS

3301 GENERAL

330101. Purpose

This chapter prescribes guidance governing the establishment, support, operation and termination of banks and credit unions operating on Department of Defense (DoD) installations worldwide, to include Military Banking Facilities (MBFs). This chapter also provides guidance intended to ensure that arrangements for the provision of services by financial institutions are consistent among DoD Components, and that financial institutions operating on DoD installations provide, and are provided, consistent support. In addition to the DoD Components cited in Chapter 1, this chapter applies to the Uniformed Services University of the Health Sciences, all DoD nonappropriated fund instrumentalities including the Military Exchange Services and morale, welfare and recreation (MWR) activities, and all other organizations within DoD.

330102. Authoritative Guidance

This chapter implements policy pertaining to financial institutions operating on DoD installations. This policy is contained in ***DoD Instruction 1000.11***, "Financial Institutions on DoD Installations," and codified in ***Title 32, Code of Federal Regulations, Part 230***.

3302 RESPONSIBILITIES

330201. The Under Secretary of Defense (Comptroller)

The Under Secretary of Defense (Comptroller) (USD(C)) shall develop policies governing establishment, operation, and termination of financial institutions on DoD installations.

330202. The Under Secretary of Defense (Acquisition, Technology and Logistics)

The Under Secretary of Defense (Acquisition, Technology and Logistics) (USD(AT&L)) shall monitor policies and procedures governing logistical support furnished to financial institutions on DoD installations, including the use of DoD real property and equipment.

330203. The Under Secretary of Defense (Personnel and Readiness)

The Under Secretary of Defense (Personnel and Readiness) (USD(P&R)) shall advise the USD(C) on all aspects of on-base financial institution services that affect the morale and welfare of DoD personnel.

330204. The Director, Defense Finance and Accounting Service shall:

A. Develop procedures governing banks and credit unions on DoD installations for promulgation in this Regulation.

B. For domestic DoD installations, coordinate with the Secretaries of the Military Departments (or designees) on requests from subordinate installation commanders to establish or terminate banking offices or on-base credit unions. For overseas DoD installations, coordinate with the Secretary of the Military Department concerned (or designee) on requests from subordinate installation commanders to establish or discontinue the provision of financial services from the on-base financial institution under contract with DoD or to establish or terminate banking offices or credit unions located on DoD installations.

C. In coordination with affected DoD Components, authorize the specific types of banking services that will be provided by overseas MBFs and specify the charges or fees, or the basis for these, to be levied on users of these services.

D. Coordinate with the Fiscal Assistant Secretary of the Treasury on the designation of domestic and overseas MBFs as depositaries and financial agents of the U.S. Government.

E. Designate a technical representative to provide policy direction for the procuring and administrative contracting officer(s) responsible under the Federal Acquisition Regulation (FAR) for acquiring banking services required at overseas DoD installations.

F. Serve as principal liaison with banking institutions having offices on overseas DoD installations. In this capacity, monitor MBF managerial and operational policies, procedures, and operating results and take action as appropriate.

G. As necessary, assist in the formation of government-to-government agreements for the provision of banking services on overseas DoD installations, in accordance with ***DoD Directive 5530.3***, "International Agreements."

H. Provide procedural guidance to DoD Components, as required.

I. Maintain liaison with financial institution trade associations, leagues, and councils in order to interpret DoD policies toward respective memberships and aid in resolving mutual concerns affecting the provision of financial services.

J. Coordinate with the USD(P&R), through the USD(C), on all aspects of morale and welfare and with the USD(AT&L), through the USD(C), on all aspects of logistic support for on-base financial institutions.

K. Monitor industry trends, conduct studies and surveys, and facilitate appropriate dialogues on banking and credit union arrangements and cost-benefit relationships, coordinate as necessary with DoD Components, financial institutions, and trade associations as appropriate.

L. Maintain liaison, as appropriate, with financial institution regulatory agencies at federal and state levels.

M. Ensure that recommendations of the Combatant Commands are considered before processing requests for overseas banking and credit union service or related actions.

N. Maintain a listing of all geographic franchises assigned to credit unions serving DoD overseas installations.

330205. Secretaries of the Military Departments (or designees) shall:

A. For domestic DoD installations, take action on requests from subordinate installation commanders to establish or terminate financial institution operations in accordance with this guidance. For overseas DoD installations, take action in accordance with guidance contained herein on requests from subordinate installation commanders to establish or discontinue the provision of financial services from the DoD contracted banking institution, or to establish or terminate other financial institutions located on DoD installations.

B. Provide for liaison to those financial institutions that operate banking offices on respective domestic DoD installations.

C. Oversee the use of banking offices and credit unions on respective DoD installations within the guidance contained herein.

D. Evaluate the services provided and related charges and fees by respective on-base banking offices and credit unions to ensure that they fulfill the requirements upon which the establishment and retention of those services were justified.

E. Monitor practices and procedures of respective banking offices and credit unions to ensure that the welfare and interests of DoD personnel as consumers are protected.

F. Assist on-base banking offices and credit unions to develop and expand necessary services for DoD personnel consistent with this Regulation.

G. Encourage the conversion of existing domestic MBFs on respective installations to independent or branch bank status where feasible.

H. Provide logistical support to overseas MBFs under terms and conditions identified in this Regulation as well as with the applicable terms of DoD contracts with financial institutions responsible for the operations of overseas MBFs.

I. Refer matters requiring policy decisions or proposed changes to this Regulation to the USD(C) through the Director, DFAS.

J. Monitor and encourage the use of financial institutions on DoD installations to accomplish the following ends.

1. Facilitate convenient, effective management of the appropriated, nonappropriated, and private funds of on-base activities.

2. Assist DoD personnel in managing their personal finances through participation in programs such as direct deposit and regular savings plans, including U.S. Savings Bonds. The use of on-base financial institutions shall be on a voluntary basis and should not be urged in preference to, or to the exclusion of, other financial institutions.

K. Encourage and assist duly chartered financial institutions on domestic DoD installations to provide complete financial services to include, without charge, basic financial education and counseling services. Financial education and counseling services refer to basic personal and family finances such as budgeting, checkbook balancing and account reconciliation, benefits of savings, prudent use of credit, how to start a savings program, how to shop and apply for credit, and the consequences of excessive credit.

L. Establish liaison, as appropriate, with federal and state regulatory agencies and financial institution trade associations, leagues, and councils.

M. Make military locator services available to on-base financial institutions in accordance with the Privacy Act guidelines in Figure 33-1.

N. Permit DoD personnel to serve on volunteer boards or committees of on-base financial institutions, without compensation, when neither a conflict of duty nor a conflict of interest is involved, in accordance with ***DoD Directive 5500.07***, "Standards of Conduct."

O. Allow DoD personnel to attend conferences and meetings that bring together representatives of on-base financial institutions, when neither a conflict of duty nor a conflict of interest is involved, in accordance with ***DoD Instruction 1327.06,*** "Leave and Liberty Policy and Procedures" and ***DoD Instruction 1400.25, Volume 630***. "DoD Civilian Personnel Management System: Leave".

330206. Commanders of the Combatant Commands shall:

A. Ensure the appropriate coordination of the following types of requests affecting financial institutions overseas.

1. Establish financial institutions in countries not presently served. Such requests will include a statement that the requirement has been coordinated with the U.S. Chief of Diplomatic Mission or U.S. Embassy and that the host country will permit the operation.

2. Eliminate any or all financial institutions on DoD installations within a foreign country. Such requests will include a statement that the U.S. Chief of Diplomatic Mission has been informed and that appropriate arrangements to coordinate local termination announcements and procedures have been made with the U.S. Embassy.

B. Monitor and coordinate military banking operations within the command area. Personnel assigned to security assistance positions will not perform this function without the prior approval of the Director, Defense Security Cooperation Agency (DSCA).

330207. Commanders of Major Commands and Subordinate Installation Commanders shall:

A. Monitor the banking and credit union program within their commands.

B. Coordinate requests to establish or construct bank and credit union offices or terminate logistical support as specified in this Regulation to banks and credit unions within their commands. Personnel assigned to overseas security assistance positions will not monitor, coordinate, or assist in military banking operations without the prior approval of the DSCA.

C. Assign, as appropriate, responsibility for subparagraphs 330207.A and B, to comptroller or resource management personnel.

D. Cooperate with financial institution associations, leagues, and councils.

E. Recognize the right of all DoD personnel to organize and join credit unions and promote the credit union movement in DoD worldwide.

F. Permit DoD personnel to serve on volunteer boards or committees of on-base financial institutions, without compensation, when neither a conflict of duty nor a conflict of interest is involved, in accordance with DoD Directive 5500.07.

G. Allow DoD personnel to attend conferences and meetings that bring together representatives of on-base financial institutions, when neither a conflict of duty nor a conflict of interest is involved, in accordance with DoD Instruction 1327.06 and DoD Instruction 1400.25, Volume 630.

H. Seek the provision of financial services only from existing on-base financial institutions, proposing alternatives only where on-base financial institutions fail to respond favorably to a valid requirement.

I. Ensure to the maximum extent feasible, that all financial institutions operating on that installation are given the opportunity to participate in pilot programs to demonstrate new financial-related technologies or establish new business lines (e.g., in-store banking) where the respective DoD Component has determined that the offering of such services is warranted.

J. Approve requests for termination of financial services that are substantiated by sufficient evidence and forwarded to the Secretary of the Military Department concerned (or designee). The Secretary of the Military Department (or designee) shall coordinate such requests with the USD(C)/CFO, through the Director, DFAS, before notifying the appropriate regulatory agency.

3303 GENERAL POLICY PROVISIONS

330301. Financial Institutions on DoD Installations

In accordance with DoD Instruction 1000.11, financial institutions or branches thereof, shall be established on DoD installations only after approval by the Secretary of the Military Department concerned (or designee) and the appropriate regulatory agency.

A. Except in limited situations overseas, only banking institutions insured by the Federal Deposit Insurance Corporation and credit unions insured by the National Credit Union Share Insurance Fund, or by another insurance organization specifically qualified by the Secretary of the Treasury, shall operate on DoD installations. These financial institutions may either be State or federally chartered; however, U.S. credit unions operated overseas shall be federally insured.

B. MBFs shall be established on DoD installations only when a demonstrated and justified need cannot be met through other means. The provisions for the Department of the Treasury to establish MBFs are contained in ***Title 12, United States Code (U.S.C.), section 265***. Normally, MBFs shall be authorized only at overseas locations. This form of financial institution may be considered for use at domestic DoD installations only when the cognizant DoD Component has been unable to obtain, through normal means, financial services from a State or federally chartered financial institution authorized to operate in the State in which the installation is located. During mobilization, it may become necessary to designate additional MBFs as an emergency measure. The Director, DFAS, may recommend the designation of MBFs to the Department of the Treasury.

C. Expansion of financial services (to include in-store banking) requiring the outgrant of additional space or logistical support shall be approved by the installation commander. Any DoD activity or financial institution seeking to expand financial services shall coordinate such requests with the installation bank and credit union liaison officer prior to the commander's consideration.

D. Retail banking operations shall not be performed by any DoD Component. Solicitations for such services shall be issued, or proposals accepted, only in accordance with the policies identified in DoD Instruction 1000.11 or this chapter.

E. Installation commanders shall not seek the provision of financial services from any entity other than the on-base banking office or credit union.

F. Military disbursing offices, nonappropriated fund instrumentalities (including MWR activities and the Military Exchange Services), and other DoD Component activities requiring financial services shall use on-base financial institutions to the maximum extent feasible.

G. Nonappropriated fund instrumentalities (including MWR activities and the Military Exchange Services) that desire and are authorized to provide accommodation exchange services shall acquire foreign currency from the servicing MBF at the MBF wholesale rate and sell it at a rate of exchange no more favorable than the customer rate available at the MBF.

330302. Security

The installation commander (or designee) and officials of the on-base financial institutions shall work with the installation security authorities to establish an understanding as to each entity's responsibilities. The on-base financial institutions are encouraged to establish an ongoing relationship with installation security authorities on all matters of asset protection.

A. A written agreement shall be established outlining the security procedures that the financial institution will follow and the role that installation security authorities will play with regard to alarms, movement of cash, and procedures to be followed in response to criminal activity (e.g., armed robbery).

B. Cash and other assets in on-base banking offices and credit unions are the property of those financial institutions. Maintenance of alarms and use of armored cars is the sole responsibility of the on-base financial institution. The on-base financial institution is also solely responsible for the guarding or escorting of cash unless a determination is made by the installation commander that providing such services is desirable or necessary.

330303. Central Locator Services

Military locator services shall be provided per the Privacy Act guidelines in Figure 33-1.

A. When appropriate, installations will process financial institution requests for central locator service to obtain military addresses of active duty personnel. This service will be used to locate persons for settling accounts, and recovering funds on checks that did not clear or loans that are delinquent or in default (see ***DoD Instruction 1344.09***). If delinquent loans or dishonored checks are not recouped within 48 hours, financial institutions operating on DoD installations may bring this information to the attention of the local commander, bank liaison officer, or other designee for assistance in effecting restitution of the amount due, if not otherwise prohibited by law. The financial institution will pay the appropriate fee for each request to the respective Military Department (see Volume 11A, Chapter 4).

B. The DoD Components shall assist financial institutions to locate DoD personnel whose whereabouts cannot be locally determined. The request should be on the financial institution's letterhead, include the Service member's name and social security number, and cite the cognizant Military Service regulation that authorizes the use of locator services. If a financial institution needs immediate service, the cognizant institution official should contact the bank or credit union liaison officer.

1. For addresses of Department of the Army active, retired and separated personnel, financial institutions may telephone (502) 613-4400 or write to:

Department of the Army
U.S. Army Human Resources Command
Attn: AHRC-FOI
1600 Spearhead Division Ave.
Fort Knox, KY 40122-5504

2. For addresses of Department of the Navy active, retired and separated personnel, financial institutions may telephone 866-U-ASK-NPC ((866)-827-5672)) or write to:

Navy World Wide Locator
Navy Personnel Command
PERS 1
5720 Integrity Dr.
Millington, TN 38055-3120

* 3. For addresses of Department of the Air Force active, retired and separated personnel, financial institutions may telephone (210) 565-2660 or write to:

Air Force Personnel Center
HQAFPC/DS1W
550 C Street West
JBSA Randolph AFB, TX 78150-4752

4. For addresses of United States Marine Corps active, retired and separated personnel, financial institutions may telephone or write to:

Active	Retired/Separated
U.S. Marine Corps	U.S. Marine Corps
HQMC Code MMSB	HQMC Code MMSR
2008 Elliot Road	3280 Russell Road
Quantico, VA 22134-5030	Quantico, VA 22134-5103
(800) 268-3710	(703) 784-9304/5

330304. Advertising

A. An on-base financial institution may use the unofficial section of that installation's daily bulletin, provided space is available, to inform DoD personnel of financial services and announce seminars, consumer information programs, and other matters of broad general interest. Announcements of free financial counseling services are encouraged. Such media may not be used for competitive or comparative advertising of, for example, specific interest rates on savings or loans.

B. An on-base financial institution may use installation bulletin boards, newsletters or web pages to post general information that complements the installation's financial counseling programs and promotes financial responsibility and thrift. Message center services may distribute a reasonable number of announcements to units for use on bulletin boards so long as this does not impose an unreasonable workload.

C. An on-base financial institution may include an insert in the installation's newcomers package (or equivalent). This insert should benefit newcomers by identifying the financial services that are available on the installation.

D. ***DoD Manual 5120.20*** prevents use of the Armed Forces Radio and Television Service to promote a specific financial institution.

E. Off-base financial institutions are not permitted to distribute competitive literature or forms on the installation. These institutions, however, may use commercial advertising, mailings or telecommunications to reach their customers.

F. Advertising in government-funded (official) installation papers is not permitted with the exception of insert advertising in the Stars and Stripes overseas. Installation newspapers funded by advertisers are not official publications and, thus, may include advertising paid for by any financial institution.

G. Installation activities, including Military Exchange Services and concessionaire outlets, shall not permit the distribution of literature from off-base financial institutions if there is an on-base financial institution. This does not prevent the Military Exchange Services from distributing literature on affinity credit card services that those Military Exchange Services may acquire centrally through competitive solicitation.

330305. Service

On-base financial institutions are encouraged to install Automated Teller Machines (ATMs) at those installation(s) on which they are located.

A. ATMs are considered electronic banking services and, as such, shall be provided only by financial institutions that are chartered and insured in accordance with the provisions of paragraph 330301.

B. Financial institutions that propose to install ATMs on DoD installations shall bear the cost of ATM installation, maintenance and operation. The installation commander may enter into an agreement with the on-base financial institution wherein the installation may acquire and provide ATMs to on-base financial institutions under certain circumstances, such as when it is advantageous to the government to have one or more ATMs available for use but the acquisition cost to the financial institution is prohibitive. No ATM shall be purchased by an installation unless approved by the Secretary of the Military Department concerned (or designee). In all such cases, installation costs and all logistic support shall be borne by the financial institution.

C. ATM approval authority is as follows:

1. The installation commander has approval authority when an on-base financial institution wishes to place an ATM on the installation. This approval should be reflected as an amendment to the operating agreement.

2. Where there is no on-base financial institution, follow the solicitation procedures to obtain financial services set forth in paragraphs 330403 and 330602.

D. The availability of ATM service shall not preclude the later establishment of a banking office should conditions change on an installation.

E. Proposals by an installation commander to install ATMs on domestic installations from other than on-base financial institutions, including the Military Exchange Services, MWR activities and/or other nonappropriated fund instrumentalities, shall be considered only when (1) ATM service is unavailable or existing service is inadequate, and (2) only when the on-base financial institution(s) either declines to provide the service, fails to improve existing service so that it is adequate, or does not formally respond to the request for such service within 30 days of the date of the request. Any ATM service from other than on-base financial institutions is considered an exception to policy. The procedures to establish an on-base financial institution set forth in paragraphs 330403 and 330602, shall be followed when soliciting for such ATM services. Proposals offering shared-access ATMs (e.g., ATMs operated by two or more financial institutions where their accountholders are not assessed any or all fees applicable to non-accountholders) shall receive preference.

F. ATM service from foreign banking institutions may be authorized on overseas installations with or without MBFs operated under contract where the installation or community commander determines that a bona fide need exists to support local national hires. On installations with MBFs operated under contract, the MBFs shall be the primary source of the ATM service except when a determination has been made by the cognizant contract program office that providing the service is either not cost effective or precluded by pertinent status of forces agreements, other intergovernmental agreements or host-country law. In those instances where ATM service from foreign banking institutions is authorized and provided by other than the on-base financial institution, ATM connectivity shall be limited to host country networks and the ATMs shall dispense only local currency (no U.S. dollars). The operating agreement covering ATM service shall be negotiated by the installation or community commander and

submitted for approval by the appropriate Combatant Commander (or designee) prior to its execution. A copy of the operating agreement will be forwarded through DoD Component channels to the DFAS.

330306. Domestic and International Treasury General Accounts

In cases where authorization will be required for the on-base banking office or credit union to act as a Treasury General Account (TGA) domestic depositary (or, on overseas installations, an International Treasury General Account (ITGA) depository), the financial institution shall satisfy the risk management standard established by the Secretary of the Treasury. Local operating funds may be used if the on-base financial institution requests reimbursement for costs incurred. On-base financial institutions shall accept deposits for credit to the TGA (or ITGA) when so authorized.

330307. Staffing

A. On-base financial institutions shall be staffed adequately (i.e., commensurate with industry standards for similar numbers of accountholders and financial services rendered). Staffing at overseas MBFs operated under DoD contract shall be maintained within negotiated ceilings.

B. All staffing shall comply fully with applicable equal employment opportunity laws and with the spirit of DoD equal employment opportunity policies as set forth in ***DoD Directive 1440.1***.

C. DoD personnel, excluding military retirees and their dependents, may not serve as directors of domestic or foreign banking institutions operating banking offices on those DoD installations where they currently are assigned. This does not preclude a member of a Reserve Component, who has been serving as a director of a domestic or foreign banking institution operating a banking office on a DoD installation, from retaining his or her directorship if called to active duty.

D. DoD personnel may not be detailed to duty with an on-base financial institution located on a DoD installation. Off-duty personnel, however, may be employed by an on-base financial institution subject to approval by the installation commander (or designee). Such employment must not interfere with the performance of the individual's official duties and responsibilities.

330308. Departure Clearance

The installation commander establishes the clearance policy for all DoD personnel leaving the installation. The on-base financial institutions shall be included as places requiring clearance. The purpose of a clearance is to report change of address, reaffirm outstanding debts, and receive financial counseling, if desired or appropriate. Clearance may not be denied in order to collect debts or resolve disputes with financial institution management.

330309. Financial Education

A. Officials of on-base financial institutions shall be invited to take part in seminars to educate personnel on personal financial management and financial services. Financial institutions shall be encouraged to provide financial education and counseling services as an integral part of their financial service offerings. Officials of on-base financial institutions shall submit advance briefing texts for approval by the installation commander to ensure that the program is not used to promote services of a specific financial institution.

B. DoD personnel who tender uncollectible checks, overdraw their accounts or fail to meet their financial obligations in a proper and timely manner damage their credit reputation and adversely affect the public image of all government personnel. For uniformed personnel, military financial counselors and legal advisors shall recommend workable repayment plans that avoid further endangering credit ratings and counsel affected personnel to protect their credit standing and career. Counselors shall ensure that such personnel are aware of the stigma associated with bankruptcy and difficulties in obtaining future credit at reasonable rates and terms and shall recommend its use only when no other alternative will alleviate the situation.

330310. Operating Agreements

A. Before operations of an on-base banking office or credit union begin, a written operating agreement (See Figure 33-2) and the appropriate real estate outgrant (i.e., a lease, permit or license issued as identified in paragraphs 330405, 330406, 330407, 330604, 330605, and 330606) shall be negotiated directly between the installation commander and officials of the designated financial institution. Thereafter, the operating agreement shall be jointly reviewed by the installation commander and the financial institution at least once every 5 years. The operating agreement shall define the basic relationship between the on-base financial institution and the installation commander and identify mutual support activities such as hours of operation, service fees and security provided. One copy of the agreement shall be sent through command channels to the Secretary of the Military Department concerned (or designee). A copy of the agreement shall be maintained by the installation commander and the banking office or on-base credit union. At a minimum, the agreement shall include the following provisions:

1. Identification of services to be rendered and the conditions for service. Full financial services shall be provided where feasible. Agreements, however, may not restrict either entity's right to renegotiate services and fees.

2. Agreement by both parties to comply with this Regulation and DoD Instruction 1000.11 (codified in ***32 CFR, 231***).

3. Agreement by the on-base financial institution that it will furnish copies of its financial reports and other local publications on an "as needed" basis in response to a formal request from the installation commander (or designee).

4. Agreement that the on-base financial institution will indemnify and hold harmless the U.S. Government from (and against) any loss, expense, claim, or demand to which the U.S. Government may be subjected as a result of death, loss, destruction, or damage in conjunction with the use and occupancy of the premises caused in whole or in part by agents or employees of the on-base financial institution.

5. Agreement that neither DoD nor its representatives shall be responsible or liable for the financial operation of the on-base financial institution or for any loss (including criminal losses), expense, or claim for damages arising from operations.

6. Agreement by the on-base financial institution (or any successor) that it will provide no less than 180 days advance written notice to the installation commander before ceasing operations.

7. Specification of the security services to be provided for guarding cash shipments, at times of unusual risk to the financial institution, and to avoid excessive insurance costs charged to that institution.

8. Statement that the physical security for cash and negotiable items will be in a manner consistent with the requirements of the on-base financial institution's insurer. A copy of those requirements will be provided to the installation commander on request.

9. Statement that the financial institution, whenever possible, will accommodate local command requests for lectures and printed materials for consumer credit education programs. Officials invited to participate in such programs shall not use the occasion to promote the exclusive services of a particular financial institution.

10. Agreement that the financial institution will reimburse the installation for the provision of logistical support (such as custodial, janitorial, and other services provided by the government) at rates set forth in the lease or agreement between the installation and the financial institution.

11. Statement that on-base financial institution operations shall be terminated, when required, under provisions specified in this Regulation.

B. Approved expansion of services will be documented as an amendment to the existing operating agreement between the installation commander and the on-base financial institution. The amendment to the operating agreement and any required lease (to include a change to an existing lease) shall be in place prior to the initiation of new financial services or offices.

330311. Installation Financial Services

A. Retail banking operations shall not be performed by any DoD Component or nonappropriated fund instrumentality including the Military Exchange Services and MWR activities or any other organizational entity within DoD.

B. Financial services provided on DoD installations will be as uniform as possible for all personnel. As separately negotiated, or based on a fee schedule, custodians of nonappropriated funds shall compensate on-base financial institutions for services received. Compensation may be made with compensating balances or paying fees based on the services provided or a combination of these payment mechanisms. Fees shall not exceed the charge customary for the financial institution less an offsetting credit on balances maintained. Banking offices shall classify nonappropriated fund accounts as commercial accounts.

C. At a minimum, banking offices shall provide the same services to individuals and nonappropriated fund instrumentalities as are available in the surrounding geographic area.

D. On-base financial institutions may conduct operations during normal duty hours provided they do not disrupt the performance of official duties. Operating hours shall be set, in consultation with the bank or credit union liaison officer, to meet the needs of all concerned. ATMs may be used to expand financial services and operating hours.

E. DoD personnel may use their allotment of pay privileges to establish sound savings practices through on-base financial institutions. The on-base financial institution shall credit customer accounts not later than the deposit date of the allotment check or electronic funds transfer.

* F. In accordance with sound lending practice, policies on loans to individuals are expected to be as liberal as feasible while remaining consistent with the overall interests of the on-base financial institution. On-base financial institutions shall conform to the Standards of ***Fairness*** principles before executing loan or credit agreements.

G. On-base financial institutions shall make basic financial education and counseling services available without charge to individuals seeking these services. Financial education and counseling services refer to basic personal and family finances such as budgeting, checkbook balancing and account reconciliation, benefits of savings, prudent use of credit, how to start a savings program, how to shop and apply for credit, and the consequences of excessive credit. DoD personnel in junior enlisted or civilian grades, or newly married couples who apply for loans, shall be given special attention and counseling.

H. On-base financial institutions must strive to provide the best service to all customers. On-base financial institutions that evidence a policy of discrimination in their services are in violation of Volume 12, Chapter 33. In resolving complaints of discrimination, use the procedures specified in subparagraph 330408.H.

I. All correspondence regarding on-base financial institutions, and questions concerning their operation that cannot be resolved locally, shall be referred through command channels to the Secretary of the Military Department concerned (or designee) for consideration.

3304 DOMESTIC BANKS

330401. General Policy

Given their role in promoting morale and welfare, on-base banks shall be recognized and assisted by DoD Components at all levels.

330402. Establishment

A. The following information shall be included in the installation commander's request to the Secretary of the Military Department concerned (or designee) for establishment of banking offices:

1. The approximate number of DoD personnel at the installation, and other persons who may be authorized to use the banking office.

2. The distance between the installation and the financial institutions in the vicinity, and the names of those institutions.

3. Available transportation between the installation and the financial institutions listed in subparagraph 330402.A.2.

4. The number of DoD personnel in duty assignments that confine them to the installation or who cannot obtain transportation (such as hospital patients).

5. The name and location of the depositary used to make official deposits for credit to the TGA.

6. A list of organizational and nonappropriated fund accounts, the name and location of the financial institutions where deposited, and the average daily activity and balance of each account.

7. A written description and photographs of the space proposed for banking office use.

8. A statement listing the requirements of the proposed banking office for safes and a vault, alarm systems, and surveillance equipment, when necessary.

9. Reasons for use of space controlled by the General Services Administration (GSA). All the GSA-assigned space, whether leased space or federal office building space, is reimbursable to the GSA at the standard level user charge. As such, space occupied by a banking office to serve military needs will be assigned and charged by the GSA.

10. Any other information pertinent to the establishment of a banking office.

B. The Secretary of the Military Departments (or designee) shall:

1. Review each request for the establishment of banking offices.

2. Conduct a solicitation for the services when warranted.

3. Approve proposals for banking offices.

4. Notify the selected financial institution either directly or through the installation commander. The selected banking institution will, in turn, obtain operating authority from their regulating agencies.

5. Forward proposals to establish TGAs to the DFAS for subsequent forwarding to the Fiscal Assistant Secretary of the Treasury in accordance with Chapter 5.

330403. Solicitations

The Secretary of the Military Department concerned (or designee), or the installation commander with advice from the cognizant Secretary of the Military Department (or designee), shall conduct solicitations to include pre-proposal conferences for on-base banking. Subject to the criteria for selection outlined in subparagraph 330403.D, the preferred sources of on-base financial services at domestic installations are federally-insured, state-chartered or federally-insured, federally-chartered banking institutions operating in the local area. Subparagraph 330403.A addresses distribution of the solicitation only and does not preclude any federally-insured, state-chartered or federally-insured, federally-chartered banking institution from responding at any stage (from local distribution in subparagraph 330403.A.1, to publication in ***FedBizOpps*** and financial institution trade journals as outlined in 330403.A.3) of the solicitation process. No commitment may be made to any banking institution regarding its proposal until a designation is made by the appropriate regulatory agency.

A. Solicitations for banking services shall be accomplished in the following order:

1. Solicitation letters will be sent to local banking institutions and a solicitation announcement will be published in the local newspaper(s) and forwarded to financial institution associations.

2. If the Secretary of the Military Department concerned (or designee) or, where delegated, the installation commander, determines that the geographic scope of the solicitation needs to be expanded, a prospectus will be forwarded to financial institutions in a larger geographic area, as well as financial institution associations and regulatory authorities in the state where the installation is located.

3. If the Secretary of the Military Department concerned (or designee) or, where delegated, the installation commander, determines that the geographic scope of the solicitation needs to be expanded further, the prospectus will be published in FedBizOpps and financial institution trade journals.

B. For solicitations conducted at the installation level, the installation commander shall review proposals to establish banking offices, select the banking institution making the best offer and forward a recommendation to the Secretary of the Military Department concerned (or designee) for final approval.

C. Banking institutions shall not be coerced when banking arrangements are under consideration or after banking offices are established. If otherwise proper, this prohibition does not preclude:

1. Discussions with banking institutions prior to submitting a proposal for a new banking office.

2. Helping banking offices extend their operations in support of an installation requirement.

3. Discussions with banking institutions to improve services or to create savings for the banking institution or DoD personnel.

4. Seeking proposals for banking service as directed by the Secretary of the Military Department concerned (or designee).

5. Negotiations preparatory to signing a banking agreement.

D. When soliciting for banking services, proposals shall be evaluated on specific factors identified in the solicitation. These factors, at a minimum, shall be predicated on the services to be provided as outlined in Figure 33-2, paragraph 3, the financial institution's schedule of service fees and charges, and the extent of logistical support required. Prior to issuance of the solicitation, the preparing office shall identify (for internal use during the subsequent evaluation period) the weights to be applied to the factors reflected in the solicitation. Proposals shall be evaluated and ultimate selection made based upon the factors and weights developed for the solicitation.

E. The Secretary of the Military Department concerned (or designee), or the installation commander with advice from the cognizant Secretary of the Military Department (or designee), shall make the selection of the banking institution based on the provisions outlined in this section.

330404. Terminations

A. Requests for termination of financial services shall be approved by the installation commander, substantiated by sufficient evidence and forwarded to the Secretary of

the Military Department concerned (or designee). The termination of banking office operations shall be initiated by the installation commander only under one of the following conditions:

1. The mission of the installation has changed, or is scheduled to be changed, thereby eliminating or substantially reducing the requirement for financial services.

2. Active military operations prevent continuation of on-base financial services.

3. Performance of the banking office in providing services is not satisfactory according to standards ordinarily associated with the financial services industry or is inconsistent with the operating agreements or the procedures prescribed herein.

4. When merger, acquisition, change of control or other action results in violation of the terms and conditions of the existing operating agreement, the Secretary of the Military Department (or designee) shall terminate the operating agreement with the existing banking institution. When the merger, acquisition, change of control or other action does not result in violation of the terms and conditions of the existing operating agreement, the Secretary of the Military Department (or designee) shall initiate a novation action of the operating agreement identifying the change in control.

B. The installation commander shall forward requests for termination to the Secretary of the Military Department concerned (or designee). The Secretary of the Military Department (or designee) shall coordinate all termination actions with the USD(C), through the Director, DFAS, before notification to the appropriate regulatory agency. Subsequent to this coordination process:

1. The Secretary of the Military Department (or designee) shall inform the regulatory agency of the action.

2. The installation commander shall revoke the authority of the financial institution to operate. The lease will be terminated.

C. Any banking office that intends to terminate its operations should notify the installation commander at least 180 days before the closing date. This notification should precede any public announcement of the planned closure. When appropriate, the commander shall attempt to negotiate an agreement permitting the banking office to continue operations until the installation has made other arrangements. Immediately upon notification of a closing, the commander shall advise the DoD Component headquarters concerned. If it is determined that continuation of banking services is justified, action to establish another banking office shall be taken in accordance with paragraph 330403.

330405. Use of Space, Logistical Support, and Military Real Property for Domestic Banks Land Leases

A. Lease Terms

1. The consideration for a lease shall be determined by appraisal of fair market rental value in accordance with ***10 U.S.C. 2667***. Periodic reappraisals shall be based upon the fair market rental value exclusive of the improvements made by the banks.

2. The term of the lease shall not exceed 5 years except where the banking institution uses its own funds to improve existing government space as outlined in subparagraph 330405.E. If space occupied is assigned by the GSA, charges to financial institutions for space and services shall be at the GSA standard level user rate.

3. Leases shall include the following provisions:

a. The government has the right to terminate the lease due to national emergency; installation inactivation, closing, or other disposal action; or default by the lessee.

b. The lessee shall provide written notice 180 days prior to voluntarily terminating the lease.

c. Upon a lease termination, the government has the option to cause the title of all structures and other improvements to be conveyed to the United States without reimbursement, or require the lessee to remove the improvements and restore the land to its original condition.

B. Logistical Support

1. The banking office shall be housed in a building accessible to DoD personnel on the installation and in a location permitting reasonable security.

2. Banking institutions shall perform all maintenance, repair, improvements, alterations, and construction on the banking premises.

3. Banking institutions shall pay for all utilities (i.e., electricity, natural gas or fuel oil, water and sewage), heating and air conditioning, intra-station telephone service, and custodial and janitorial services to include garbage disposal and outdoor maintenance (such as grass cutting and snow removal) at rates set forth in the lease, operating agreement or other written agreement between the installation and the banking institution.

C. Leases executed before the issuance of Volume 12, Chapter 33 may not be altered solely as a result of the provisions of Volume 12, Chapter 33 unless a lessee specifically requests a renegotiation under these provisions. No lease may be negotiated or renegotiated, nor may any rights be waived or surrendered without compensation to the government.

D. When a banking institution participates in the construction of a shopping mall complex the lease shall cover only land where the banking office physically is located.

E. When a banking institution uses its own funds to improve existing government space, leases, for a period not to exceed 25 years subject to periodic review every 5 years to assess changes in fair market value, may be negotiated for a period commensurate with the appraised value of the leasehold improvements divided by the annual lease fee.

330406. Land Leases

A. A lease for construction of a building to house a banking office shall be at the appraised fair market rental value. Charges shall apply for the term of the lease not to exceed 25 years, subject to periodic review every 5 years to assess changes in fair market value.

B. If determined to be in the government's interest, an existing lease of land may be extended prior to expiration of its term. Passage of title to facilities shall be deferred until all extensions have expired. Such extensions shall be for periods not to exceed 5 years with lease payments set at the appraised fair market rental of the land only as determined on the date of each such extension. Banking institution lessees shall continue to maintain the premises and pay for utilities and services furnished.

C. When, under the terms of a lease, title to improvements passes to the government, arrangements normally will be made as follows:

1. When the square footage involved exceeds that authorized in the Unified Facilities Criteria and Unified Facilities Guide Specifications (***MIL-STD-3007F***), the banking institution shall be given first choice to continue occupying the excess space under a lease that provides for fair market rental for the land underlying that excess space.

2. The charge for continued occupancy of improved space by a banking office shall be at fair market rental value only for the associated land. The lessee shall continue to maintain the premises and pay the cost of utilities and services furnished.

330407. Construction

Banks may construct buildings subject to the following provisions:

A. The building shall be solely for the use of the banking institution and may not provide for other commercial enterprises or government instrumentalities.

B. Construction projects must meet the criteria in the Unified Facilities Criteria and Unified Facilities Guide Specifications (MIL-STD-3007F).

C. Construction Projects Approval Authority:

1. Projects costing $25,000 or more shall be approved by the Major Command with an information copy sent to the Secretary of the Military Department concerned (or designee). The Secretary of the Military Department (or designee) shall have 30 days to provide comments to the Major Command before final approval can be granted.

2. Projects costing less than $25,000, to include interior alterations and room or office additions to existing banking offices, shall be approved by installation commanders. Copies of approvals, including the identification of project cost, shall be furnished to the Secretary of the Military Department concerned (or designee).

* D. The Congress shall be notified of all construction projects, using other than appropriated funds and costing over $750,000, in accordance with *DoD Instruction **7700.18***, "Commissary Surcharge, Nonappropriated Fund (NAF), and Privately Financed Construction Reporting Procedures."

E. Proposals for construction of structures on installations at a banking institution's expense shall be reviewed and reported in accordance with regulations of the Military Department concerned. The following information shall be listed to support each proposal:

1. Number of DoD personnel at the installation plus others who may use the banking office

2. Square footage of the proposed building

3. Land area to be leased to the banking institution

4. Term of the lease

5. Estimated cost of construction

6. Estimated fair market value of the land to be leased

7. A statement that the banking institution will be responsible for utility connections and other utility and maintenance costs

8. A statement that the building will be used only for financial services

9. A statement that financial institution officials understand the potential loss of the building in the event of installation closure or other delimiting condition

10. Justification for a waiver of space criteria if the building exceeds that specified in the Unified Facilities Criteria and Unified Facilities Guide Specifications (MIL-STD-3007F).

F. Banks shall pay for interior alterations and maintenance as well as utilities, custodial, and other furnished services.

G. Banks shall pay all construction costs.

330408. Bank Liaison Officer

Each installation commander having an on-base banking office shall appoint a Bank Liaison Officer (BLO). The BLO's name and duty telephone number shall be displayed prominently at each banking office on the installation. As appropriate, the BLO's responsibility shall be assigned to comptroller or resource management personnel. Employees, officials or directors of a financial institution may not serve as BLOs. The BLO shall:

A. Ensure that the banking institution operating the banking office has the latest version of Volume 12, Chapter 33.

B. Ensure that traveler's checks and money orders are not being sold by other on-base organizations when banking offices are open for business. Postal units and credit unions, however, are exempt from this restriction. Also, ensure that other financial services, to include vehicle financing on domestic installations, are offered only by the banking office.

C. Attend financial workshops, conferences, and seminars as appropriate. These gatherings offer excellent opportunities for personnel of financial institutions and the Department to improve the military banking program. Free discussion among the attendees gives an excellent forum for planning, developing, and reviewing programs that improve financial services made available to DoD personnel and organizations.

D. Assist, when requested by the banking office manager or the installation commander, in locating and collecting from individuals tendering uncollectible checks, overdrawing accounts, or defaulting on loans (within the guidelines of Figure 33-1) if not otherwise prohibited by law.

E. Maintain regular contact with the banking office manager to confer and discuss quantitative and qualitative improvements in the services provided. In executing this authority, the BLO shall not become involved in the internal operations of the financial institution.

F. Review the schedule of service charges and fees annually, and ensure that the operating agreement is updated at least every 5 years. Renegotiate the financial services offered and related service charges and fees as necessary.

G. Assist in resolving customer complaints about banking services.

H. Assist in resolving complaints of discrimination with financial services by the banking institution. If a complaint cannot be resolved, a written request for investigation shall be forwarded to the appropriate regulatory agency. Any such request must document the problem and command efforts taken toward its resolution. Information copies of all related correspondence shall be sent through channels to the Secretary of the Military Department concerned (or designee) for transmittal to the DFAS.

I. Assist the installation commander to report to the appropriate regulatory agency any evidence suggesting malpractice by banking office personnel.

330409. In-Store Banking

Under the direction and approval of the installation commander, an on-base financial institution may provide in-store banking within the premises of a commissary operated by the Defense Commissary Agency, a Military Exchange, or any other on-base retail facility.

A. Provision of the requested services, and any associated stipulations, shall be documented as an amendment to the existing operating agreement between the installation commander and the on-base financial institution that will provide in-store services.

B. The amendment to the operating agreement shall be drafted through close coordination between the requesting DoD Component representative, the on-base financial institution representative, the bank liaison officer, and the installation commander (or designee). The final amendment shall be signed by the installation commander and the on-base financial institution with the acknowledgement of the DoD Component that will host the in store banking operation.

C. The installation commander shall extend the opportunity to provide the requested in-store banking services to all financial institutions located on the installation. Space shall be granted by the installation commander through a lease to the banking institution that will provide in-store service. The selection process must ensure an impartial and thorough process to select the best on-base financial institution to provide in-store banking services when such services are desired and approved by the installation commander. Consistent with DoD Component delegation, the final decision to solicit for an in-store banking office rests with the installation commander. The DoD Component seeking in-store banking (e.g., in buildings operated by the Defense Commissary Agency, Military Exchange Services and MWR activities) shall draft the solicitation letter. Close coordination among all cognizant DoD organizations is essential throughout the selection process.

1. The need for in-store banking service may be identified from either:

a. An unsolicited proposal from an on-base financial institution,

b. A DoD Component's request, or

c. An installation commander's request.

2. The cognizant installation commander (or designee) is responsible for assessing the environment and authorizing the Bank/Credit Union Liaison Officer(s) to pursue the acquisition of in-store banking services. If no authorization is given, no further action is required.

3. The cognizant installation commander shall determine whether a solicitation is required. (A solicitation shall be required whenever there are two or more financial institutions on a DoD installation.) If no solicitation is required, then the Bank/Credit Union Liaison Officer shall work directly with the on-base financial institution to obtain the requested services. Where there is neither a banking office nor an on-base credit union, use the solicitation process outlined in paragraph 330403, as supplemented by the provisions outlined in subparagraph 330409.A.

4. The solicitation letter shall identify the financial services being requested and classify these services as either mandatory or optional. In addition, the solicitation letter shall highlight any services that will be weighed as more important than others during the evaluation of the proposals. Any space consideration and terms of the proposed agreement also shall be identified in the letter.

5. The installation commander (or designee) formally shall notify the selected financial institution and request that institution to coordinate with the proper activity to begin any construction, modifications or renovations necessary to open the in-store banking office. The cognizant facility management personnel shall begin the process of obtaining the necessary outgrant instruments. Concurrently, the requesting DoD Component representative and the financial institution representative shall draft the appropriate amendment to the operating agreement. The amendment should contain provisions regarding: (a) the roles and responsibilities of all parties involved, (b) the financial services to be provided, and (c) the logistical support arrangements to include custodial services and security provisions. The amendment should be coordinated with the Bank/Credit Union Liaison Officer(s) prior to forwarding that document to the installation commander for signature. The amendment shall be signed by the installation commander (or designee) and the appropriate financial institution official with a copy furnished to the Secretary of the Military Department concerned (or designee) and the Director, DFAS (or designee).

330410. Domestic Military Banking Facilities

A. Domestic Military Banking Facilities (MBF) Establishment

1. Requests to establish MBFs shall be made only when a need for services cannot be met by other means. During mobilization, however, MBFs may be designated as an emergency measure.

***** 2. Installation commanders shall send requests for an MBF with justification for its establishment through the Secretary of the Military Department concerned (or designee) to the Director, DFAS, for coordination with the Department of the Treasury. The Department of the Treasury may approve the designation of an MBF under provisions of 12 U.S.C. 265.

3. MBF operations may begin only after approval for MBF status is granted by the Department of the Treasury.

B. MBF Conversion

1. Where MBFs exist, installation commanders shall encourage their conversion to independent or branch banks.

2. Proposals from the on-base banking institution to convert an existing MBF to an independent or branch bank shall be sent through command channels to the Secretary of the Military Department concerned (or designee) for approval. The Secretary of the Military Department (or designee) shall forward the request to the Director, DFAS, for coordination with the Department of the Treasury.

3. Unsolicited proposals from banking institutions to establish independent or branch banks where an MBF exists shall be forwarded through command channels to the Secretary of the Military Department concerned (or designee). Each proposal shall be evaluated on its own merits.

a. The installation commander shall inform the banking institution operating the MBF that an unsolicited proposal for a banking office has been received and shall offer that incumbent institution the opportunity to submit its own proposal.

b. Preference to operate an independent or branch bank shall be given to the banking institution that has operated the MBF, provided that the banking service previously rendered has been satisfactory and that the institution's proposal is adequate.

C. MBF Termination

The Director, DFAS, shall coordinate the termination of a financial institution's authority to operate an MBF with the Department of the Treasury.

3305 OVERSEAS BANKS

330501. General Provisions of Banking Services Overseas

The Department acquires banking services overseas for use by authorized persons and organizations from the following sources.

A. MBFs operated under contract and authorized by the pertinent status of forces agreement, other intergovernmental agreements, or host-country law.

B. Domestic and foreign banking institutions located on overseas DoD installations. Each such institution shall be:

1. Chartered to provide financial services in that country.

2. A party to a formal operating agreement with the installation commander to provide such services.

3. Identified, where applicable, in the status of forces agreements, other intergovernmental agreements, or host-country law.

330502. Establishment

A. Overseas MBFs Operated Under Contract. Installation or community commanders requiring banking services will send a request through command channels to the Secretary of the Military Department concerned (or designee) for concurrence and subsequent transmittal to the Director, DFAS, for approval.

1. Requests to establish MBFs shall include, but are not limited to, the following information:

a. The approximate number of DoD personnel at the installation and in the community and any other persons who may be authorized to use the MBF.

b. The distance between the installation and the nearest MBF and credit union office, the names; addresses, and telephone numbers of the operators of those institutions; and the installations and communities where they are located.

c. The availability of official and public transportation between the installation or community and the nearest MBF and credit union office.

d. The name and location of the depository used to make official deposits for credit to the TGA.

e. A list of organizational and nonappropriated fund accounts, the name and location of the financial institutions where deposited, and the average daily activity and balance of each account.

f. A written description and photographs or drawings of the space proposed for MBF use. The extent and approximate cost of required alterations, including the construction of counters and teller cages.

g. A statement that recognizes the logistical support, including equipment, to be provided by the local command as detailed in paragraph 330503. The statement will include the costs of such equipment and the manner in which it will be acquired.

h. In countries where no MBFs currently are operated under contract, a statement from the cognizant Combatant Command that the requirement has been coordinated with the U.S. Chief of Diplomatic Mission or U.S. Embassy and that the host country will permit the operation in accordance with subparagraph 330206.A.1.

i. Any other pertinent information to justify the establishment of an MBF.

2. As a general rule, MBFs may be established only when the installation or community population meets the following criteria:

a. Full-time MBF. Except in unusual circumstances, a total of at least 1,000 permanent military personnel and DoD civilian employees is necessary to qualify for a full-time MBF.

b. Part-time MBF. Except in unusual circumstances, a total of at least 250 permanent military personnel and DoD civilian employees is necessary to qualify for a part time MBF.

3. If the population at a certain remote area is not sufficient to qualify under the criteria for full-time or part-time MBFs, the installation or community commander will explore all other alternatives for acquiring limited banking services before requesting establishment of an MBF as an exception to these provisions. Alternatives to limited banking services include installation of ATMs and check cashing and accommodation exchange service by disbursing officers and their agents.

4. Establishment of an overseas MBF is predicated on and requires:

a. Designation of the MBF contractor as a depositary and financial agent of the U.S. Government by the Department of the Treasury.

b. The availability of banking contractors interested in bidding for the operation of the facility and the viability of such proposals.

c. The availability of appropriated funds to underwrite such banking services.

d. Establishment of a U.S. dollar currency custody account to support banking operations.

B. Other Overseas Banking Offices. Where a need for financial services has been identified and either (1) the banking and currency control laws of certain host countries do not permit MBFs to operate on DoD installations or (2) MBFs, where permitted, have not been established, then the following applies:

1. Installation or community commanders shall send requests for banking services or unsolicited proposals from foreign banking institutions to their Major Commands with supporting data as required in paragraph 330402.A.

2. Major Commands shall forward installation or community commander requests to the Secretary of the Military Department concerned (or designee) for approval. The Secretary of the Military Department concerned (or designee) shall coordinate with the DFAS to seek the designation of the parent foreign banking institution as a depositary and financial agent of the U.S. Government by the Department of the Treasury.

3. Banking offices in this category cannot become operational until the foreign parent banking institution has been designated a depositary and financial agent of the U.S. Government. The institution also shall indicate a willingness and ability to provide collateral backing for any official and nonappropriated fund U.S. dollar deposits. Any collateral pledged shall be in a form acceptable to the DFAS and the Department of the Treasury.

330503. Logistical Support

A. Overseas MBFs Operated Under Contract

1. Given that appropriated funds support those MBFs that are operated under contract, installation or community commanders shall provide the MBFs logistical support to the maximum possible extent. Such support normally includes:

a. Adequate office space, including steel bars; grillwork; security doors; a vault, safes, or both; security alarm systems and camera surveillance equipment (where deemed necessary) that meet documented requirements of the MBF contractor's insurance carrier; construction of counters, teller cages, and customer and work areas; necessary modifications and alterations to existing buildings; and construction of new MBF premises, if necessary.

(1) The size and arrangement of space should permit efficient operations. Space assigned may not exceed that prescribed in the Unified Facilities Criteria and Unified Facilities Guide Specifications (MIL-STD-3007F).

(2) All maintenance, repair, rehabilitation, alterations, or construction for banking offices shall comply with guidelines established by the installation commander.

b. Office space in a building that is accessible to most users and permits the maximum security. In addition, office space for MBF area and district administrations and storage space for retention of records, files, and storage of supplies.

c. DoD housing on a rental basis to assigned MBF staff that are designated as key and essential MBF managerial personnel who are unable to find suitable, reasonably priced housing in the vicinity of the DoD installation, subject to the assignment procedures and other requirements of ***DoD 4165.63-M***, "DoD Housing Management."

d. Education, on a space-available, tuition-paying basis, provided by the DoD Education Activity to minor dependents of assigned staff.

e. Air conditioning, which is considered a normal utility for banking offices located at installations that qualify for air conditioning under applicable regulations. Banking space is classified as administrative space at military installations.

f. Utilities (i.e., electricity, natural gas or fuel oil, water and sewage), heating, intra-station telephone service, and custodial and janitorial services to include garbage disposal and outdoor maintenance (such as grass cutting and snow removal).

g. Defense Switched Network (DSN) voice and data communication to include, where feasible, internet access.

h. Military guards, civilian guards (for use within the installation), military police, or other protective services to accompany shipments of money. This level of protective service also shall be provided at other times as required to include replenishment of ATM currency and receipts, alarm system failures, and to avoid undue risks or insurance costs on the part of the MBF.

i. U.S. Military Postal Service access in accordance with ***DoD Directive 5101.11E***, "DoD Executive Agent for the Military Postal Service (MPS) and Official Mail Program (OMP)." Use of free intra-theater delivery system (IDS) is authorized for all routine mail sent and received between Army Post Offices (APOs) and Fleet Post Offices (FPOs) within a theater.

j. Office equipment and furniture on memorandum receipt if available from local stock. If office equipment or furniture is unavailable, statements of nonavailability shall be issued.

k. Vehicle registration and fuel sales from government-owned facilities for bank-operated vehicles if not in conflict with host government agreements. Vehicle registration shall be subject to normal fees.

l. Issuance by local commanders of invitational travel orders, at no expense to the U.S. Government when required for official onsite visits by U.S. based banking institution officials.

2. Suggestions for changes to the logistical support provisions of the MBF contract may be forwarded for consideration through command channels to the Director, DFAS.

B. Other Overseas Banking Offices

1. Logistical support provided to such offices will be negotiated with the parent foreign banking institution and incorporated into the written operating agreement.

2. Logistical support shall not exceed that provided to contract MBFs, as specified in 330503.A.

330504. Operations

A. General Conditions of MBF Operation

1. Before initiating MBF operations, a written agreement shall be negotiated directly and signed by the installation or community commander and a senior official of the banking contractor or other financial institution concerned. One copy of the agreement with U.S. banking contractors and two copies of the agreement with institutions other than U.S. banking contractors shall be forwarded through command channels to the Secretary of the Military Department concerned (or designee). The Secretary of the Military Department (or designee) shall forward one copy of the agreement with institutions other than U.S. banking contractors through command channels to the Director, DFAS. A copy of the agreement also shall be maintained at all times by the installation or community commander and the banking institution manager.

2. For MBFs operated by U.S. banking contractors, the agreement shall state operating details not set forth in the contract. Though the contract limits the number of operating hours per week, local commanders and MBF managers should set days and hours of operation to best meet local needs. Operating times may include Saturdays and evening hours when necessary to complement other retail services for DoD personnel, provided the contractor can implement that service at no additional cost to the government. When added cost is involved, the commander shall send a request including reasons for expanded or modified times of operation, through command channels, to the Secretary of the Military Department concerned (or designee) for action. If approved, the request, with recommendations, shall be forwarded to the Director, DFAS (or designee).

B. Overseas MBFs Operated Under Contract

1. General. Overseas MBFs shall operate under terms and conditions established at the time of contract negotiations and confirmed in respective contracts or contracting officer determinations.

2. Authorized Customers. DoD banking contracts specify the personnel authorized to receive service. Additionally, overseas major commanders may approve banking services for other individuals that qualify for individual logistic support under the regulations of the DoD Component concerned, provided that the use of banking services is not precluded by status of forces agreements, other intergovernmental agreements, or host-country law.

3. Services Rendered. DoD banking contracts specify the services to be rendered and related charges. Suggestions for expansion or modification of authorized services, fees or charges may be forwarded through DoD Component channels to the Director, DFAS. Proposals for any new service must be coordinated with the appropriate Combatant Command and U.S. Chief of Diplomatic Mission or U.S. Embassy to make certain that the proposal does not conflict with the status of forces agreements, other intergovernmental agreements, or host-country law.

4. Regulation to be Provided. The Director, DFAS (or designee) shall advise each U.S. banking contractor operating an overseas MBF of Volume 12, Chapter 33 and furnish a copy to the contractor.

5. Conditions of Operation

a. Part-time and payday service MBFs shall provide limited services that mirror, to the extent feasible, those provided by full-time MBFs. Since part-time MBFs operate out of nearby MBFs, installation or community commanders shall provide and fund transportation and guards for their operation.

b. Any deficiency of banking services under DoD banking contracts shall be reported to the manager of the MBF within 7 calendar days of noting the deficiency. If the problem has not been corrected within 30 calendar days after being noted, the commander shall report the problem through DoD Component channels to the Director, DFAS (or designee).

c. The MBF contractor and military disbursing officers shall establish cash management practices that minimize the cash required to conduct business.

d. Commanders shall assist MBF contractors to develop and update contingency plans for banking services in the event of hostilities or other emergencies.

e. MBF provision of foreign currency shall be in accordance with Volume 5, Chapter 13.

C. Other Overseas Banking Offices

1. Authorized Customers. The list of authorized customers shall be negotiated between the installation commander and the foreign banking institution and shall be reflected in the operating agreement. The list of authorized customers included in the operating agreement shall be consistent with the applicable status of forces agreement, other intergovernmental agreements, or host-country law.

2. Services Rendered. Services and charges shall parallel, whenever practical, the services and charges of MBFs operated under contract. Specific services shall be negotiated and included in the agreement with the foreign banking institution. A copy of the agreement shall be sent through DoD Component channels to the Director, DFAS (or designee).

3. Operating Agreements. Before agreements are executed, they will be coordinated with and approved by the cognizant Combatant Command (or designee).

4. Conditions of Operation. A foreign banking institution shall provide equipment (except that furnished by the installation or community), supplies, and trained personnel.

D. Relocation of MBF

1. When an MBF is moved from one location to another at the same installation or community, the commander shall notify the cognizant Military Department, through command channels. The Military Department shall forward the information to the Director, DFAS (or designee).

2. For all other relocations, prior approval from the Director, DFAS (or designee) shall be obtained through DoD Component channels.

E. Comments. Installation or community commanders shall send their banking comments through DoD Component channels to the Director, DFAS (or designee) for any of the following:

1. Major changes in installation population that would affect use of the MBF.

2. Opinion that the space assigned is not adequate for the efficient operation of the MBF including a statement concerning corrective action.

3. Suggestions that might improve the MBF operation, increase efficiency, or decrease costs.

4. Pending developments that may have a material impact on the MBF operation.

F. Bank Liaison Officer. The duties of the BLO are outlined in paragraph 330408.

330505. Termination

Requests to eliminate any or all MBFs in a foreign country shall include documentation that the U.S. Chief of Diplomatic Mission has been informed and that arrangements for local termination announcements and procedures have been made with the U.S. Embassy.

A. Overseas MBFs Operated Under Contract. In cases where an installation or community no longer can justify overseas MBF operations, the commander shall notify the Secretary of the Military Department concerned (or designee) through command channels.

1. The report shall state whether a part-time MBF should be established and specify the days each week that the MBF would be needed.

2. The Secretary of the Military Department (or designee) shall send this report with recommendations to the Director, DFAS (or designee).

B. Other Overseas Banking Offices. Termination actions, when required, shall be taken in accordance with the applicable clauses in the operating agreement. Notice of intent to terminate, including the closing date, shall be sent through DoD Component channels to Director, DFAS (or designee), who shall notify the Department of the Treasury so that the foreign banking institution's authority as a Depositary and Financial Agent of the U.S. Government at that location may be revoked.

3306 DOMESTIC CREDIT UNIONS

330601. General Policy

Given their role in promoting morale and welfare, on-base credit unions shall be recognized and assisted by DoD Components at all levels. These financial institutions shall provide services to DoD personnel of all ranks and grades within their respective fields of membership.

330602. Establishment

A demonstrated need for credit union services may be addressed by establishing a new full-service credit union or by opening a branch office or facility of an existing credit union under the common bond principle.

A. DoD personnel seeking to establish a new full-service credit union shall submit a proposal to the installation commander for review. In addition to the information identified in subparagraph 330402.A, the proposal shall include a request for the establishment of a field of membership that includes all personnel at the installation. Upon installation commander concurrence, the proposal shall be forwarded through DoD Component channels to the Secretary of the Military Department (or designee).

B. The Secretary of the Military Department concerned (or designee) shall:

1. Obtain a list of credit unions that could establish eligibility to serve the installation’s military members and civilian employees from the National Credit Union Administration (NCUA) Regional Office that has geographic jurisdiction and the applicable state regulatory agency.

2. Prepare and send formal solicitation letters to eligible credit unions informing them of an opportunity to establish a branch office at the installation.

3. In coordination with the installation commander, establish the criteria for selection of a specific credit union in accordance with subparagraph 330403.D. Proposals shall be evaluated, and a selection made, based upon the factors and weights developed for the solicitation.

C. Upon approval by the Secretary of the Military Department (or designee), the NCUA or applicable state regulatory agency shall be notified and asked to establish or amend the selected credit union's charter to include the new location.

D. No commitment may be made to a credit union regarding its proposal until the appropriate regulatory agency has approved the requested charter change.

330603. Terminations

A. Voluntary Credit Union Terminations

1. When a credit union plans to end operations on a DoD installation, it shall be required to notify the installation commander 180 days before the closing date. Such notification shall be required to precede public announcement of the planned closure. When appropriate, the commander shall attempt to negotiate an agreement permitting the credit union to continue operations until the installation has made other arrangements.

2. The installation commander shall inform the Secretary of the Military Department concerned (or designee) immediately upon receiving notification of a closing. The report shall include a recommendation about continued credit union service on the installation. Paragraph 330602 applies if continued service is needed.

B. Termination for Cause. If, after discussion with credit union officials, an installation commander determines that the operating policies of a credit union are inconsistent with this Regulation, a recommendation for termination of logistical support and space arrangements may be made through the Secretary of the Military Department concerned (or designee). A credit union shall be removed from the installation only with approval of the Secretary of the Military Department (or designee) after coordination with the USD(C) through the Director, DFAS, and the appropriate regulatory agency.

C. Termination in the Interest of National Defense. At the option of the government, leases may be terminated in the event of national emergency or as a result of installation deactivation, closing, or other disposal action.

D. Termination Resulting from Merger, Acquisition, or Change of Control. When merger, acquisition, change of control or other action results in violation of the terms and conditions of the existing operating agreement, the Secretary of the Military Department (or designee) shall, subsequent to coordination with the USD(C), through the Director, DFAS, terminate the operating agreement with the existing credit union. When the merger, acquisition, change of control or other action does not result in violation of the terms and conditions of the existing operating agreement, the Secretary of the Military Department (or designee) shall initiate a novation action of the operating agreement identifying the change in control.

E. Termination of Lease. The lessee shall provide written notice 180 days prior to a voluntary termination of the lease. Upon lease termination, the government has the option to cause the title of all structures and other improvements to be conveyed to the United States without reimbursement, or require the lessee to remove the improvements and restore the land to its original condition.

330604. Use of Space, Logistical Support, and Military Real Property for Domestic Credit Unions

A. Criteria for Use of Space in Government-owned Real Property or Federal Land:

1. Criteria governing the assignment of space and construction of new space for credit unions are in the Unified Facilities Criteria and Unified Facilities Guide Specifications (MIL-STD-3007F).

2. A credit union may be furnished space on a DoD installation at one or more locations for periods not exceed 5 years except where the credit union uses its own funds to improve existing government space as outlined in subparagraphs 330604.A.2.c and 330604.A.2.d. The cumulative total of space furnished shall be subject to the limitations of the Unified Facilities Criteria and Unified Facilities Guide Specifications (MIL-STD-3007F).

a. The furnishing of office space and/or land (including ATM placement) to on-base credit unions is governed by the Federal Credit Union Act (12 U.S.C ***1770***). Notwithstanding any other provision of law, upon application by any credit union, the provision of no-cost federal office space or no-cost land lease is for a period not to exceed 5 years. This is limited to credit unions if at least 95 percent of the membership to be served by the allotment of space or the facility built on the lease land is composed of individuals who are, or who were at the time of admission into the credit union, military personnel or federal employees, or members of their families. A written statement to the effect that the credit union meets the 95 percent criterion shall be required to justify and document the allotment of free government space and/or land. This statement shall be prepared on the credit union's letterhead and signed by either the chairman of the board of directors or the president. A certification shall also be required whenever there is a merger, takeover, or significant change in a field of membership. This certification shall serve as justification and documentation for the continued allocation of free government space including space renovated with credit union funds and/or the free lease of land. The statement shall be updated every 5 years and on renewal of each no-cost permit or license. (See Figure 33-3 for a sample format of the statement.)

b. Credit unions that fail to meet the 95 percent criterion shall be charged fair market rental for space provided. Except where more than one credit union exists on an installation prior to June 9, 2000, credit unions giving less than full service or not serving all assigned DoD personnel are not authorized no-cost office space.

c. When a credit union that meets the 95 percent criterion uses its own funds to expand, modify, or renovate government-owned space, it may be provided a no-cost permit or license for a period commensurate with the extent of the improvements not to exceed 25 years as determined by the DoD Component concerned. The permit or license shall be effective until the agreed date of expiration or until the credit union ceases to satisfy the 95 percent criterion. In this latter case, the no-cost permit shall be cancelled in favor of a lease immediately negotiated at fair market value under the provisions of subparagraph 330704.A.2.b. If the credit union desires, this permit or license may extend through the period identified in the original permit or license not to exceed 25 years.

d. Similarly, a credit union not meeting the 95 percent criterion that uses its own funds to expand, modify, or renovate government-owned space, may be provided a lease at fair market value for a period not to exceed 25 years subject to periodic review every 5 years to assess changes in fair market value. Duration of this lease shall be commensurate with the extent of the improvements as determined by the DoD Component concerned.

3. All space assigned by the GSA, whether leased or in a federal office building, is reimbursable to the GSA at the standard level user charge. Consequently, the GSA shall charge the benefiting DoD Component for any space assigned for credit union operations. Such space is subject to the provisions of subparagraphs 330604.A.1 and 2.

B. Logistical Support. When available, custodial and janitorial services to include garbage disposal and outdoor maintenance (such as grass cutting and snow removal), heating and air conditioning, utilities (i.e., electricity, natural gas or fuel oil, water, and sewage), fixtures, and maintenance shall be furnished without cost to credit unions occupying no-cost office space in government buildings. With the exception of intra-station telephone service, credit unions shall be required to pay for all communication services to include telephone lines, long distance data services and internet connections. Credit unions also shall pay for space alterations. Should a credit union fail to meet the 95 percent membership criterion, any logistical support furnished shall be on a reimbursable basis.

C. Leases executed before the issuance of Volume 12, Chapter 33 may not be altered solely as a result of the provisions of Volume 12, Chapter 33 unless a lessee specifically requests a renegotiation under these provisions. No lease may be negotiated or renegotiated, nor may any rights be waived or surrendered without compensation to the government.

D. When a credit union participates in the construction of a shopping mall complex the lease shall cover only land where the branch or facility physically is located.

E. Administrative Fees. All administrative fees associated with the initiation, modification, or renewal of an outgrant shall be borne by the installation, provided that the credit union satisfies the 95 percent membership criterion requirement for no-cost office space as outlined subparagraph 330604.A.2.a, and that the fees are associated with the no-cost space.

330605. Land Leases

Credit unions entering into a land lease to construct a building on a DoD installation shall be provided a no-cost land lease, if they meet the 95 percent criterion established in subparagraph 330604.A.2.a. Credit unions not meeting the 95 percent criterion shall enter into a land lease in accordance with subparagraph 330604.A.2.b and paragraph 330406.

330606. Construction

Credit unions constructing a building on a DoD installation shall do so in accordance with paragraph 330407.

330607. ATM Service

Credit unions offering ATM service shall do so in accordance with paragraph 330305.

330608. Staffing

A. On-base credit unions shall provide full service. To do so, credit union offices shall be staffed by:

1. An official authorized to act on loan applications;

2. An individual authorized to sign checks; and

3. A qualified financial counselor available to serve members during operating hours.

B. Exceptions to subparagraph 330608.A.1, may be approved by the installation commander with advice from the Secretary of the Military Department concerned (or designee) in the case of newly organized credit unions.

C. When an on-base credit union can support only minimum staffing, one of the positions required in subparagraphs 330608.A.1 or 2, also may be subsumed under the counselor duties.

D. Credit union remote service locations at the same installation may be staffed with one person alone, provided that a direct courier or an electronic or automated message service links each remote location to the credit union’s main office.

330609. Credit Union Liaison Officer

When a credit union office is located on an installation, the commander shall appoint a Credit Union Liaison Officer (CULO). As appropriate, the CULO responsibility should be assigned to comptroller or resource management personnel. The CULO's name and duty telephone number shall be displayed prominently at each credit union office on the installation. Anyone who serves as a credit union board member or in any other official credit union capacity may not serve as a CULO. The duties of a CULO are the same as the duties listed for a BLO (see paragraph 330408).

330610. In-Store Banking

In-store banking services may be provided in accordance with paragraph 330409, except that:

A. Credit unions interested in submitting proposals to provide requested in-store banking services shall provide a statement from the NCUA or applicable state regulatory agency certifying the credit union's authority to offer the requested financial services to the commissary, Military Exchange, or other on-base facilities.

* B. Space granted to a credit union selected to provide in-store banking services should be issued through a no-cost license in accordance with section 170 of the Federal Credit Union Act (12 U.S.C. 1770 et seq.).

3307 OVERSEAS CREDIT UNIONS

330701. General Policy

A. Credit union services to authorized persons and organizations may be provided by domestic on-base credit unions operating under a geographic franchise.

B. The extension of credit union service overseas is encouraged consistent with the principles prescribed for domestic credit unions and with applicable status of forces agreements or other intergovernmental agreements, or host-country law.

C. Where permitted by the status of forces agreements or other intergovernmental agreements, or host-country law, only federal credit unions or federally insured state chartered credit unions may operate on overseas DoD installations. The ultimate decision to provide services overseas rests with the credit union itself.

330702. Establishment

A. Commanders shall notify the Secretary of the Military Department concerned (or designee), through command channels, when overseas credit union services are needed. Such requests shall include:

1. Full information about available space and logistical support.

2. The name and location of the nearest credit union facility or branch.

3. The distance between the installation and the nearest credit union facility or branch.

4. The availability of any official or public transportation.

5. The number of DoD personnel in duty assignments that confine them to the installation or who cannot obtain transportation (such as hospital patients).

6. In countries not presently served, a statement concurred in by the cognizant Combatant Command that the requirement has been coordinated with the U.S. Chief of Diplomatic Mission or U.S. Embassy. The statement shall include that the host country will permit credit union operations and will indicate any conditions imposed by the host country with respect to those operations.

B. Subsequent to approval of the request from the installation or community commander to establish an overseas credit union facility, the Secretary of the Military Department concerned (or designee) shall solicit proposals for the provision of full credit union services under the following provisions.

1. Where there is a DoD designated geographic franchise with a specific field of membership, the Secretary of the Military Department (or designee) shall direct the installation or community commander to contact the supporting credit union and request that a branch or facility be established. The basic decision concerning such extensions of service rests with the servicing credit union. The Director, DFAS (or designee) shall maintain a listing of all geographic franchises assigned to credit unions serving DoD overseas installations.

2. Where there is no DoD designated geographic franchise, the Secretary of the Military Department (or designee) shall:

a. Coordinate requests, through the Director, DFAS (or designee), to obtain a geographic franchise. A geographic franchise is the authorization granted to a credit union by the Office of the Under Secretary of Defense (Comptroller) (OUSD(C)) to provide financial services in a specific geographic region located outside the United States, its territories and possessions.

b. Solicit proposals from credit unions currently operating on DoD installations.

c. Review proposals of interested credit unions.

d. Coordinate with field commands, as needed.

e. Recommend selection to the NCUA or applicable state regulatory agency with a copy to the DFAS and the OUSD(C), requesting that the appropriate field of membership adjustment be made. Such a recommendation shall identify the primary installations on which the credit union would operate and, if applicable, the contiguous geographic boundaries for future facilities and branches.

C. Where there is an existing field of membership, the Secretary of the Military Department concerned (or designee) shall take the following actions:

1. If a credit union on an installation terminates operation, afford any other credit union having a geographic franchise within that country an opportunity to assume the franchise being vacated. If all such institutions decline, the geographic franchise shall be offered to the federally insured credit union community. If, as a result of a credit union decision to decline service to an installation or a termination action, another credit union (a) offers to provide service, (b) meets host country requirements (if any) and (c) is assigned the former geographic franchise or portion thereof, the NCUA or the applicable state regulatory agency shall be notified and requested to make appropriate field of membership adjustments.

2. When other credit union(s) having a geographic franchise within a country decline the opportunity, or there is no other credit union having a franchise within that country, the provisions of subparagraph 330702.B.2, apply.

D. No commitment may be made to a credit union regarding its proposal until the appropriate regulatory agency has announced a selection.

330703. Logistical Support

Installation or community commanders shall provide logistical credit union support. Such support normally shall include:

A. Adequate office space, including steel bars; grillwork; security doors; a vault, safes or both; security alarm systems and camera surveillance equipment (where deemed necessary) that meet documented requirements of the credit union's insurance carrier; construction of counters, teller cages, and customer and work areas; necessary modifications and alterations to existing buildings. The size and arrangement of space should permit efficient operations. The credit union shall pay for all improvements to the space given. Space assigned may not exceed that prescribed in the Unified Facilities Criteria and Unified Facilities Guide Specifications (MIL-STD-3007F).

B. DoD housing on a rental basis to key credit union personnel unable to find suitable, reasonably priced housing in the vicinity of the DoD installation, if available.

C. Education, on a space-available, tuition-paying basis, provided by the DoD Education Activity to minor dependents of assigned staff.

D. Utilities (i.e., electricity, natural gas or fuel oil, water and sewage), heating, intra-station telephone service, and custodial and janitorial services.

E. DSN voice and data communication to include, where feasible, internet access.

F. U.S. Military Postal Service support under DoD Directive 5101.11E. The use of free IDS is authorized for all routine mail sent and received between APOs and FPOs within a theater.

G. Military guards, civilian guards (for use within the installation), military police, or other protective services to accompany shipments of money from the MBF to the credit union and return where it is impractical or not authorized to have a local armored car service or civilian police authorities entering a military installation to provide cash escort service or when the cost of obtaining such service is prohibitive. This level of protective service also shall be provided at other times as required to include replenishment of ATM currency and receipts, alarm system failures, and to avoid undue risks or insurance costs.

330704. Travel

Travel by credit union officials must be at no expense to the U.S. Government. Overseas commanders may issue invitational travel orders for official on-base visits by credit union officials at no cost to the U.S. Government.

330705. Operations

A. An overseas credit union shall confine its field of membership to individuals or organizations eligible by law or regulation to receive services and benefits from the installation. Services shall not be provided to those personnel precluded such services by the applicable status of forces agreement, other intergovernmental agreements, or host-country law.

B. The Department assigns overseas credit unions a prescribed geographic franchise. Any credit union, however, may continue to serve its members stationed overseas by mail or telecommunications, to include access to the internet.

C. A credit union proposing a new service to be offered by a branch office that is not authorized by the operating agreement shall coordinate the establishment of the new service through the cognizant Component command to the Combatant Command. The new service shall be offered only after the appropriate command's approval and coordination with the U.S. Chief of Diplomatic Mission or U.S. Embassy to ensure that the service does not conflict with the applicable status of forces agreement, other intergovernmental agreements, or host-country law.

D. Credit unions that operate full service branches shall have U.S. currency and coin available for member transactions. In areas served by currency custody accounts, transactional U. S. currency and coins shall be made available from the servicing MBF with no direct or analysis charge to the credit union, provided settlement is made via the local MBF account or equivalent arrangements are made with the MBF.

E. In countries served by MBFs operated under contract, credit unions shall purchase foreign currency only from the servicing MBF.

1. The bulk rate purchase price shall apply to currency used by the credit union to make payments to vendors or to make payroll payments.

2. Credit unions that desire and are authorized to provide accommodation exchange services to members shall acquire foreign currency from the servicing MBF at the MBF wholesale rate and sell it at a rate of exchange no more favorable than the customer rate available at the MBF.

F. Credit unions operating under a geographic franchise on an overseas DoD installation shall not publicize, display or sell vehicles on the installation.

G. The NCUA or applicable state regulatory agency may review operations of overseas credit union offices either when it examines the main credit union or at other times of its choosing. For federally insured, state chartered credit unions, the applicable state regulatory agency also may examine credit unions operations.

Figure 33-1: Guidelines for Application of the Privacy Act to Financial Institution Operations

1. The following guidelines govern the application of ***DoD Directive 5400.11*** to those financial institutions that operate under this Regulation:

A. Financial institutions and their branches and facilities operating on Department of Defense (DoD) military installations do not fall within the purview of ***5 U.S.C. 552*** et seq.

1. These financial institutions do not fit the definition of "agency" to which the Privacy Act applies: "...any executive department, Military Department, government corporation, government-controlled corporation, or other establishment in the executive branch of the government (including the Executive Office of the President), or an independent regulatory agency" (5 U.S.C. 552(e) and 552a(a)(1)).

***** 2. These financial institutions are not "government contractors" within the meaning of 5 U.S.C.552a(o), as they do not operate a system of records on behalf of an agency "...to accomplish an agency function." According to the Office of Management and Budget ***Privacy Act Guidance*** the provision relating to government contractors applies only to systems of records "...actually taking the place of a federal system which, but for the contract, would have been performed by an agency and covered by the Privacy Act." Clearly, the subject institutions do not meet these criteria.

3. Since the Act does not apply to them, these financial institutions are not required to comply with 5 U.S.C. 552a(e)(3) in obtaining and making use of personal information in their relationships with personnel authorized to use such institutions. Thus, these institutions are not required to inform individuals from whom information is requested of the authority for its solicitation, the principal purpose for which it is intended to be used, the routine uses that may be made of it, or the effects of not providing the information. There also is no requirement to post information of this nature within on-base banking and credit union offices.

B. The financial institutions concerned hold the same position and relationship to their account holders, members, and to the government as they did before enactment of ***OMB Circular A-130***. Within their usual business relationships, they still are responsible for safeguarding the information provided by their account holders or members and for obtaining only such information as is reasonable and necessary to conduct business. This includes credit information and proper identification, which may include social security number, as a precondition for the cashing of checks.

C. Financial institutions may incorporate the following conditions of disclosure of personal identification in all contracts, including loan agreements, account signature cards, certificates of deposit agreements, and any other agreements signed by their account holders or members:

Figure 33-1: Guidelines for Application of the Privacy Act to Financial Institution Operations (Continued)

> I hereby authorize the Department of Defense and its various Components to verify my social security number or other identifier and disclose my home address to authorized (name of financial institution) officials so that they may contact me in connection with my business with (name of financial institution). All information furnished will be used solely in connection with my financial relationship with (name of financial institution).

When the financial institution presents such signed authorizations, the receiving military command or installation shall provide the appropriate information.

D. Even though an agreement described in subparagraph A.3., has not been obtained, DoD may provide these financial institutions with salary information and, when pertinent, the length or type of civilian or military appointment, consistent with DoD Directives 5400.11 and ***5400.07***. Some examples of personal information pertaining to DoD personnel that normally can be released without creating an unwarranted invasion of personal privacy are name, rank, date of rank, salary, present and past duty assignments, future assignments that have been finalized, office phone number, source of commission, and promotion sequence number.

E. When DoD personnel with financial obligations are reassigned and fail to inform the financial institution of their whereabouts, they should be located by contacting the individual's last known commander or supervisor at the official position or duty station within that particular DoD Component. That commander or supervisor either shall furnish the individual's new official duty location address to the financial institution, or shall forward, through official channels, any correspondence received pertaining thereto to the individual's new commander or supervisor for appropriate assistance and response. Correspondence addressed to the individual concerned at his or her last official place of business or duty station shall be forwarded as provided by postal regulations to the new location. Once an individual's affiliation with DoD is terminated through separation or retirement, however, the Department's ability to render locator assistance (i.e., disclose a home address) is severely curtailed unless the public interest dictates disclosure of the last known home address. The Department may, at its discretion, forward correspondence to the individual's last known home address. The Department may not act as an intermediary for private matters concerning former DoD personnel who are no longer affiliated with the Department.

2. Questions concerning this guidance should be forwarded through channels to the Deputy Chief Financial Officer, Office of the Under Secretary of Defense (Comptroller), The Pentagon, Washington, DC 20301-1100.

Figure 33-2: Sample Operating Agreement Between Military Installations and Financial Institutions

NOTE: The following operating agreement template identifies general arrangement and content. Content of the actual operating agreement may vary according to the circumstances of each installation.

Operating Agreement Between (*Name of Installation*), (*State or Country Installation Located*) and (*Name of Financial Institution*)

This Agreement is made and entered into this day by and between the installation commander of (*name of installation*) in his or her official capacity as installation commander, hereinafter referred to as the "commander" and the (*name of financial institution*), having its principal office at (*location of home office*) hereinafter referred to as the "financial institution," together hereinafter referred to as "the parties." Whereas the commander and the financial institution enter into this Operating Agreement upon the mutual consideration of the promises, covenants, and agreements hereinafter contained.

1. The parties understand and agree that this Agreement shall in no way modify, change, or alter the terms and conditions of Lease Number (*number of lease*) covering the use of real property described therein, and this Agreement shall continue, subject to the termination provisions herein-after set forth, during the terms of said lease and any extensions thereof. In the case of a banking institution operating a military banking facility (MBF) overseas, this agreement will not change the conditions of the contract between the banking institution and the Department of Defense.

2. The financial institution agrees to operate a (federally or state) chartered office on-base in accordance with the policies and procedures set forth in DoD Instruction 1000.11, "Financial Institutions on Military Installations;" and Volume 12, Chapter 33 as codified in Title 32 of the Code of Federal Regulations; and, in addition for the Overseas Military Banking Program (OMBP), the policies and procedures set forth in the applicable DoD contract. The hours of operations shall be between (*hour office opens*) and (*hour office closes*), and on the following days (*week days office open*), except on government holidays when the financial institution may be closed. The Program Office for the OMBP shall notify the commander of any changes to the DoD contract.

3. The financial institution shall provide the following services:

a. Services for Individuals

(1) Demand (checking) account services

(2) Cashing personal checks and government checks for accountholders

Figure 33-2. Sample Operating Agreement Between Military Installations and Financial Institutions (Continued)

(3) Maintaining savings accounts and (any other interest-bearing accounts)

(4) Selling official checks, money orders, and traveler's checks

(5) Selling and redeeming United States savings bonds

(6) Providing direct deposit service

(7) Loan Services

(8) Electronic banking (i.e., automated teller machines, internet banking).

b. Services for Disbursing Officers

(1) Furnishing cash (if the financial institution's terms for doing so are consistent with sound management practices)

(2) Accepting deposits for credit to the Treasury General Account (where the financial institution has entered into an agreement with the Department of the Treasury).

c. Services for Nonappropriated Fund Instrumentalities and Private Organizations

(1) Demand (checking) account services, including wire transfers

(2) Savings accounts and nonnegotiable certificates of deposit or other interest-bearing accounts offered by the banking institution

(3) Currency and coin for change.

4. Service charges shall be as follows:

a. Service for Individuals

Figure 33-2. Sample Operating Agreement Between Military Installations and Financial Institutions (Continued)

(1) No fees shall be charged to individuals for the services listed in subparagraphs 3.a.(2), and 3.a.(5), except for subparagraph 3.a.(2), wherein checks drawn on other financial institutions may be treated in accordance with the financial institution's established policy. Any charge to cash a government check shall not exceed that typically charged by financial institutions in the vicinity of the installation. Fees assessed to accountholders and non-accountholders for use of automated teller machines shall be the customary service charges of the financial institution or those negotiated for base personnel per the attached schedule.

(2) Checking and savings accounts. Fees for individual checking and savings accounts shall be the customary service charges of the financial institution or those negotiated for base personnel per the attached schedule.

(3) Sale of official checks, money orders, traveler's checks and other types of financial paper. Charges for these services shall be the customary charges of the financial institution operating the on-base office.

b. Service for Disbursing Officers. No charge shall be made for the services listed in subparagraph 3.b.(2). Compensation to the financial institution shall be per its separate agreement with the Department of the Treasury. Charges, if any, for the services stated in subparagraph 3.b.(1) shall be as locally negotiated with the financial institution.

c. Nonappropriated Fund Instrumentalities and Private Organizations. State the charges or refer to a schedule of charges for funds and organizations that do not participate in a central banking program. For those activities participating in a central banking program, determine the compensation to the financial institution by account analysis.

5. It is agreed that the financial institution shall:

a. Notify the commander or designated representative of any proposed changes to the attached schedule of fees and services at least 30 days prior to implementation.

b. Follow the requirements in Volume 12, Chapter 33 and any changes thereto.

c. Comply with Department of the Treasury requirements for establishment and operation of a Treasury General Account where the financial institution agrees to act as a depository for government funds.

d. Absolve the *(Military Service)* and its representatives of responsibility or liability for the financial operation of the financial institution; and for any loss (including losses due to criminal activity), expenses, or claims for damages arising from financial institution operations.

Figure 33-2. Sample Operating Agreement Between Military Installations and Financial Institutions (Continued)

e. Indemnify, and hold harmless the United States from (and against) any loss, expense, claim, or demand, including attorney fees, court costs, and costs of litigation, to which the government may be subjected as a result of death, loss, destruction, or damage in connection with the use and occupancy of *(Military Service)* premises occasioned in whole or in part by officers, agents or employees of the financial institution operating an office of the financial institution.

f. Favorably respond, whenever feasible, to reasonable local command requests for lectures and printed materials to support consumer credit education programs, financial management program and newcomer's briefings.

g. Prominently post in the lobby of the financial institution the name, duty telephone number of the (Bank or Credit Union) Liaison Officer.

h. Accept the government travel card in all on-base ATMs operated by the financial institution.

i. Abide by the installation fire protection program, including immediate correction of fire hazards noted by the installation fire inspector during periodic fire prevention inspections.

6. The commander shall provide the following space and support:

a. Space requirements for financial institution operations shall be administered in accordance with the existing outgrant (i.e., lease, permit or license). (*Show Number of Outgrant*).

b. Utilities (i.e., electricity, natural gas or fuel oil, water and sewage), heating and air conditioning, intra-station telephone service, and custodial and janitorial services to include garbage disposal and outdoor maintenance (such as grass cutting and snow removal) on a reimbursable basis.

c. DoD housing and minor dependent education in overseas locations for MBF and credit union personnel in accordance with Volume 12, Chapter 33, subparagraphs 330503.A.1.c, 330503.A.1.d, 330703.B, and 330703.C.

d. The local commander shall determine the recurring/frequency requirement for installation access and issue the appropriate installation and/or facility access credential consistent with local security requirements using Government authoritative databases for vetting purposes, as prescribed in ***Directive-Type Memorandum 09-012,*** Interim Policy Guidance for DoD Physical Access Control.

Figure 33-2. Sample Operating Agreement Between Military Installations and Financial Institutions (Continued)

7. Termination of this Agreement shall be consistent with the termination provision of the real property lease and Volume 12, Chapter 33. The Secretary of the (*Military Department*) shall have the right to terminate this Agreement at any time. Any termination of the right of the financial institution to operate on the installation shall render this Agreement terminated without any applicable action by the commander.

8. Any provision of this Agreement that is contrary to or violates any laws, rules, or regulations of the United States, its agencies, or the state of (*state in which the financial institution is located*) that apply on federal installations shall be void and have no force or effect; however, both parties to this Agreement agree to notify the other party promptly of any known or suspected continuing violation of such laws, rules, or regulations.

9. So long as this Agreement remains in effect, it shall be reviewed jointly by the commander and the financial institution at least once every 5 years to ensure compatibility with current DoD issuances and to determine if any changes are required to the Agreement.

IN WITNESS WHEREOF, the commander and the financial institution, by their duly authorized offices, have hereunto set their hands this day of *(month, day, year).*

_____ _____

FINANCIAL INSTITUTION OFFICIAL INSTALLATION COMMANDER

Figure 33-3: Sample Certificate of Compliance for Credit Unions

I, (*name*), Chairman of the Board of Directors or President of the (*credit union*), located at (*place*), certify that this credit union complies with the requirements of the Federal Credit Union Act (12 U.S.C. 1770), for the allotment of space in federal buildings without charge for rent or services. The provision of no-cost office space is limited to credit unions if at least 95 percent of the membership to be served by the allotment of space is composed of individuals who are, or who were at the time of admission into the credit union, military personnel or federal employees, or members of their families.

(*Date*) (*Name*_____
(Chairman of the Board of Directors or the President)

(Note: The Certificate of Compliance shall be written on credit union letterhead)

VOLUME 12, CHAPTER 34: "DIRECT ACCEPTANCE OF GIFTS BY MEMBERS OF THE ARMED FORCES, DEPARTMENT OF DEFENSE EMPLOYEES AND THEIR FAMILIES AND SURVIVORS"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font*****.**

This is the initial publication.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	To implement the direct acceptance of gifts from outside sources by members of the Armed Forces, civilian employees of the Department of Defense, their family members and survivors, for injuries and illnesses incurred as a result of combat and other covered circumstances required under Title 10, United States Code, section 2601a.	New Chapter

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*CHAPTER 34

*DIRECT ACCEPTANCE OF GIFTS BY MEMBERS OF THE ARMED FORCES, DEPARTMENT OF DEFENSE EMPLOYEES AND THEIR FAMILIES AND SURVIVORS

3401 GENERAL

340101. Overview

Congress enacted Title 10, United States Code (U.S.C), ***section 2601a*** which authorized the direct acceptance of gifts from outside sources by members of the armed forces and civilian employees of the Department of Defense (DoD), their family members and survivors, for injuries or illnesses incurred as a result of combat and other covered circumstances. Prior to enactment, employees and Service members were authorized to receive gifts from within the Department.

340102. Purpose

This chapter establishes policy and assigns responsibilities to implement 10 U.S.C. § 2601a. The authority in 10 U.S.C. § 2601a is in addition to, and in no way limits, any other statutory or regulatory authority of covered members or employees, their family members, and their survivors to accept gifts from non-federal entities.

340103. Authoritative Guidance

10 U.S.C. § 2601a provides authority to the Secretary of Defense to prescribe regulations allowing covered members of the armed forces, covered employees of the DoD, their family members, and their survivors to accept gifts from nonprofit organizations, private parties, and other sources outside the DoD under specified circumstances.

3402 POLICY

340201. Definitions

A. Covered Employee. A civilian DoD employee who, while an employee on or after September 11, 2001, incurred an illness or an injury under the criteria in this chapter.

B. Covered Member. A Service member who, while performing active duty, full-time National Guard duty, or inactive-duty training on or after September 11, 2001, incurred an injury or illness under the criteria in this chapter.

C. Designated Agency Ethics Official. A DoD employee appointed in writing by the head of the DoD agency to coordinate and manage the agency's ethics program.

D. Ethics Counselor. A DoD employee appointed in writing by the designated agency ethics official or designee to assist in implementing and administering the DoD component command's or organization's ethics program.

E. Family Members. Parents, siblings, spouse, biological and adopted children, and dependent relatives of covered members or employees.

F. Gift. Any gratuity, favor, discount, entertainment, hospitality, loan, forbearance, or other item having monetary value. It includes services, as well as gifts of transportation, local travel, lodgings, and meals. It does not include those items excluded from the definition of "gift" in ***5 Code of Federal Regulations (C.F.R.) § 2635.203(b)(1)-(9)***.

G. Secretary Concerned. The Secretary of a Military Department who has jurisdiction over the military reservation, installation, ship, aircraft, or facility where an event occurs that meets the criterion of this chapter. The Secretary of Defense or designee, if the event meeting the criterion of this chapter occurs at a location that is not a military reservation, installation, or facility, or where more than one Secretary has jurisdiction.

H. Survivors. Living family members of a covered member or employee who is killed.

340202. Gift to Covered Employees

Pursuant to the authority in 10 U.S.C. § 2601a, covered members of the armed forces in the DoD and covered employees of DoD, their family members, and their survivors may accept gifts directly from nonprofit organizations, private parties, and other sources outside the DoD when, while performing military duties or performing duties as a civilian employee on or after September 11, 2001, they incur an injury or illness: (1) as a direct result of armed conflict; while engaged in hazardous service; in the performance of duty under conditions simulating war; or through an instrumentality of war; (2) in an operation or area designated as a combat operation or combat zone by the Secretary of Defense; or (3) under other circumstances determined by the Secretary concerned to warrant treatment similar to members covered by the first criterion of this section.

340203. Impermissible Gifts

The authority in 10 U.S.C. § 2601a does not apply to gifts from foreign governments or international organizations or their representatives, nor does it apply to gifts that: (1) are accepted in return for being influenced in the performance of an official act; (2) are solicited or coerced; (3) are accepted in violation of any other statute or regulation, including ***18 U.S.C. § 201*** and ***209***, and ***5 C.F.R. § 2635*** and ***3601***; or (4) will reflect adversely on the DoD.

340204. Criteria for Gift Acceptance

A. Nonprofit organizations, private parties, and other sources outside DoD. The following individuals may accept gifts from nonprofit organizations, private parties, and other sources outside DoD:

a. A member of the armed forces described in subparagraph 340204.B.

b. A civilian employee of the DoD described in subparagraph 340204.C.

c. The family members of such a member or employee.

d. Survivors of such a member or employee who is killed.

B. Covered members. Applies to a member of the armed forces who, while performing active duty, full-time National Guard duty, or inactive-duty training on or after September 11, 2001, incurred an injury or illness:

1. As described in section 10 U.S.C. 1413a(e)(2);

2. In an operation or area designated as a combat operation or a combat zone, respectively, by the Secretary of Defense in accordance with the regulations prescribed under subparagraph 340204.A; or

3. Under other circumstances determined by the Secretary concerned to warrant treatment analogous to members covered by subparagraph 340204.A.1.

C. Covered Employees. Applies to a civilian employee of the DoD who, while an employee on or after September 11, 2001, incurred an injury or illness under a circumstance described in subparagraph 340204.B.

D. Gifts From Certain Sources Prohibited. Members and employees may not accept a gift from a foreign government or international organization or their agents under this authority.

E. Application of Certain Regulations. These regulations shall apply to the acceptance of gifts received after the date of the enactment of the National Defense Authorization Act for Fiscal Year 2012 for injuries or illnesses incurred on or after September 11, 2001. The military services must apply uniformly to all elements of the DoD and require review and approval by an ethics counselor before acceptance of a gift to ensure that acceptance of the gift complies with the Joint Ethics Regulation.

3403 RESPONSIBILITIES

340301. Under Secretary of Defense for Personnel and Readiness

The Under Secretary of Defense for Personnel and Readiness (USD(P&R)) has the overall oversight responsibility on the implementation of this guidance. USD(P&R) monitors compliance with the provisions of this chapter pursuant to ***DoD Directive 5124.02***.

340302. Secretary Concerned

The Secretary concerned determines whether an event occurring within his or her jurisdiction meets the criterion of "other circumstances" as described in paragraph 340202.

340303. Designated Agency Ethics Official

The relevant designated agency ethics official ensures that an ethics counselor reviews and, when appropriate, approves the acceptance of a gift in accordance with 10 U.S.C. § 2601a (a)(2)(B). That review and approval includes a determination that: (1) the gift is not offered in a manner that specifically discriminates among covered members or employees on the basis of type of official responsibility or favors those of higher rank or pay; (2) the donor does not have interests that may be affected substantially by the performance or nonperformance of the covered member's or employee's official duties; and (3) acceptance would not cause a reasonable person with knowledge of the relevant facts to question the integrity of DoD programs or operations.

DoD 7000.14 - R

DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

VOLUME 13: "NONAPPROPRIATED FUNDS POLICY"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

VOLUME 13, CHAPTER 1: "NONAPPROPRIATED FUND ACCOUNTING"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue and underlined font*.**

The previous version dated June 2011 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Reviewed chapter and revised for clarity.	Update
Various	Updated hyperlinks.	Update

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CHAPTER 1

NONAPPROPRIATED FUND ACCOUNTING

0101 OVERVIEW

010101. Purpose

This chapter provides a list of definitions, accounting standards, reporting classifications, and requirements for Nonappropriated Funds (NAFs).

010102. Scope

NAF accounting applies to all Nonappropriated Fund Instrumentalities (NAFIs) and their supporting Accounting Offices (AOs) except the Armed Service Exchanges.

0102 DEFINITIONS

010201. Accounting

Accounting is the process of recording, classifying, summarizing, interpreting, and communicating financial data. Accounting related functions include financial accounting, cost accounting, not-for-profit accounting, and financial planning.

010202. Appropriated Funds

Appropriated funds (APFs) are monies paid out of the United States Treasury pursuant to statutory authority granted by Congress to the Department of Defense (DoD) to incur obligations and make payments. The term "appropriation" means a provision of law (not necessarily in an appropriations act) authorizing the expenditure of funds for a given purpose. In most cases, appropriations are of two types, annual and multi-year. Congress approves the appropriation acts that specify the purposes for which the APFs are used. Specific accounting policies for APFs are described in Volume 4. For additional information on the use and accounting for APFs for NAF activities, refer to ***Department of Defense Instruction (DoDI) 1015.15, "Establishment, Management, and Control of Nonappropriated Fund Instrumentalities and Financial Management of Supporting Resources"***.

010203. Balance Sheet

The Balance Sheet is a financial statement that shows an entity's financial position at a certain point in time (usually at the end of an accounting period). It represents the entity's assets, liabilities, and net worth (or fund equity).

010204. Chart of Accounts

The chart of accounts is a list of ledger account names and numbers arranged in the order in which they customarily appear in the financial statements. The chart serves as a useful source for locating a given account within the ledger. The chart of accounts for NAFs is established to comply with DoDI 1015.15 reporting requirements and is found in Volume 13, Chapter 2.

010205. Comparability

Comparability is the similarity and consistency of information produced by an entity from period to period and by others operating in similar circumstances. The value and usefulness of information depends greatly on the degree to which it is comparable to information from prior periods and to similar information reported by others.

010206. Consistency

Consistency is the uniformity of accounting procedures used by an accounting entity from period to period.

010207. Cost-Benefit Analysis

Cost-Benefit Analysis (CBA) is an analytic technique that compares the costs and benefits of investments, programs, or policy actions in order to determine which alternative or alternatives maximize net benefits (economic efficiency). CBA attempts to consider all costs and benefits.

010208. General Ledger

The general ledger is a summary of all the transactions that occur for each NAFI. Separate accounts exist for individual assets, liabilities, net worth, revenue, and expenses. The general ledger is the core of the NAF accounting system and contains all of the accounting entries for the current period. AOs will prepare an end-of-month trial balance of the general ledger accounts to ensure that total debits equal total credits. The general ledger accounts are found in Volume 13, Chapter 2.

010209. Income Statement (or Statement of Income and Expense)

The Income Statement is a financial statement showing the elements (income and expenses) used in arriving at the net income for the accounting period or over a certain period of time.

010210. Internal Controls

Internal controls are tools to help program and financial managers achieve desired results and safeguard the integrity of their programs. The Office of Management and Budget (OMB) Circular A-123 and the statute it implements, the ***Federal Managers' Financial Integrity Act***

(FMFIA) of 1982, are at the center of the existing Federal requirements to improve internal controls. ***OMB Circular A-123*** "Management's Responsibility for Internal Control," provides guidance on using the range of tools at the disposal of agency managers to achieve desired program results and meet the requirements of the FMFIA of 1982**.** The Circular provides internal control standards and specific requirements for conducting management's assessment of the effectiveness of internal controls over financial reporting. For additional guidance, refer to ***DoD Instruction (DoDI) 5010.40, "Managers' Internal Control Program Procedures***" and ***DoDI 1015.15"***.

010211. Interpretation

Interpretation is an opinion regarding a set of facts. A degree of subjectivity is involved on the part of the individual, based on experience and judgment.

010212. Materiality

Materiality refers to the magnitude of an omission or misstatement of accounting data that misleads financial statement readers. Information is material when it is of such magnitude or significance that its omission or misstatement leads to a misinterpretation of the financial information. For example, amounts in a financial statement which are too small to make a difference or affect the reliability of information may be omitted because they are immaterial. In addition to magnitude, the nature of the item is considered when making a materiality judgment. For reporting purposes that require the level of materiality to be quantified, materiality shall be defined as one percent of the total assets in the balance sheet for each NAFI. For those NAF activities required to report on a consolidated basis, the threshold of materiality shall be one percent of the assets in the consolidated balance sheet.

010213. Nonappropriated Funds

Nonappropriated Funds are government monies that are not appropriated by Congress and are not held within the United States (U.S.) Treasury. Military Departments and Defense Agencies generate NAFs primarily through the sale of goods and services to the DoD military, civilian personnel and their family members in conjunction with authorized Morale, Welfare, and Recreation (MWR) programs. These funds are used to support MWR programs and activities; lodging; civilian welfare; post restaurant; certain religious and educational programs; and, used for the collective benefit of military personnel, their family members, and authorized civilians. These funds are separate funds that are not recorded in the books of the Department of the Treasury.

010214. NAF Instrumentality

A NAF Instrumentality (NAFI) is a fiscal entity of the U.S. Government that is supported in whole or in part by NAFs. NAFIs are not incorporated under the laws of any state or the District of Columbia, but have the legal status of an instrumentality of the U.S. and have the same immunities and privileges as the U.S. Government in the absence of specific Federal Statute.

A. Federal agencies create NAFIs and regulate their activities, but they are not federal agencies or government corporations. Although a NAFI can be an integral DoD organizational entity that performs essential government functions within DoD, it operates independently to provide or assist DoD organizations supporting military personnel and authorized civilians. As a fiscal entity, a NAFI maintains custody and control over its funds and is responsible for exercising care relative to administering, safeguarding, preserving, and maintaining those resources made available to carry out functions.

B. NAFIs function under the umbrella of DoD, but are not considered "federal reporting entities" for the purpose of financial statement reporting. NAFI financial statements are not in any manner associated with DoD financial statements. NAFIs use proceeds obtained from business operations and activities in providing a support function to DoD.

010215. Recording

Recording is the accurate documentation of business transactions. Recording is an essential requirement of both manual and automated accounting systems.

010216. Relevance

Relevance is the capacity of information to make a difference in decision-making. For instance, relevant information must be available in a timely manner to ensure its value in decision-making.

010217. Reliability

In financial accounting theory, reliability describes information that is reasonably free from error and bias and accurately presents the facts.

010218. Statement of Cash Flow

Statement of Cash Flow is a financial statement for a given period that provides information about an entity's cash receipts and cash disbursements as they apply to operating, investing, and financing activities.

010219. Subsidiary Records

Subsidiary records are a group of related accounts supporting the balance of a control account in the general ledger. In some cases, a simple file system or the equivalent may be adequate if it substantiates the general ledger account balance. Three typical subsidiary ledgers are accounts receivable, prepaid accounts, and accounts payable.

010220. Summarizing

Summarizing is the process of bringing together financial information to develop financial statements or reports. Examples of the most commonly used financial statements are

the balance sheet, income statement, and statement of cash flows. The balance sheet presents information about the financial condition of a business at a certain point in time. The income statement presents information about the results of operation (i.e., profit or loss) for the accounting period. The statement of cash flows reflects the amount of net cash given to or used by a business during the period from operating activities, investing activities, and financing activities.

010221. Timeliness

Timeliness is prompt reporting of financial information to users for their maximum benefit. Financial data is recorded as soon as practical after the occurrence of a transaction.

0103 ACCOUNTING STANDARDS

010301. Generally Accepted Accounting Principles

The phrase "generally accepted accounting principles" (GAAP) encompasses the conventions, rules, and procedures necessary to define accepted accounting practice at a particular time. GAAP includes not only broad guidelines of general application, but also detailed practices and procedures. These conventions, rules, and procedures establish a standard by which to measure financial presentations.

A. Judgment. Although there are numerous sources of GAAP, some judgment is necessary to determine whether:

1. The accounting principles selected and applied have general acceptance;

2. The accounting principles are appropriate in the circumstances;

3. Financial statements, including related notes, are informative of matters that may affect their use, understanding, and interpretation;

4. Information presented in the financial statements is classified and summarized in a reasonable manner, i.e., it is neither too detailed nor too condensed; and

5. Financial statements reflect the underlying transactions and events in a manner that presents the financial position, results of operations, and cash flows stated within a range of acceptable limits, i.e., limits that are reasonable and attainable.

B. Financial Accounting Standards Board Codification. The American Institute for Certified Public Accountants (AICPA) Council designated the Federal Accounting Standards Advisory Board (FASAB) as the body that promulgates GAAP principles for federal entities and the Federal Accounting Standards Board (FASB) as the organization that establishes standards for financial accounting and reporting in the private sector. Since NAFI business operations are similar to the private sector, financial statements are prepared and presented to

comply with accounting standards promulgated by FASB. In July 2009, FASB implemented the FASB Accounting Standard Codification that resulted from a major five year project to develop the codification. FASB Accounting Standards Codification™ is an advanced application that allows users to access authoritative content, perform research, and submit feedback. The Codification application is the single source of authoritative nongovernmental U.S. GAAP. The Codification is effective for interim and annual periods ending after September 15, 2009 and supersedes all previous level GAAP standards. All other accounting literature not included in the Codification is considered non-authoritative. The Codification structure is significantly different from the structure of the previous standards and is composed of the following literature issued by various standard setters:

1. Financial Accounting Standards Board (FASB):
    a. Statements,
    b. Interpretations,
    c. Technical Bulletins,
    d. Technical Staff Positions, and
    e. Staff Implementation Guides;
2. Emerging Issues Task Force:
    a. Abstracts, and
    b. Topic D;
3. Derivative Implementation Group Issues;
4. Accounting Principles Board Opinions;
5. Accounting Research Bulletins;
6. Accounting Interpretations; and
7. American Institute of Certified Public Accountants:
    a. Statements of Position,
    b. Audit and Accounting Guides,
    c. Practice Bulletins, and
    d. Technical Inquiry Service.

C. Other Considerations. An important aspect of GAAP, as applied to government entities, is the recognition of the variety of legal and contractual considerations typical of the government environment. These considerations underlie and are reflected in the fund structure, basis of accounting, and other principles that distinguish governmental accounting from private sector accounting. Some of the types of laws and regulations that may have a direct and material effect on the determination of amounts in a NAF activity's financial statements include:

1. Requirements for reporting to DoD and others;

2. Restrictions on the use of appropriated funds;

3. Restrictions on expenditures, including construction;

4. Restrictions on investments; and

5. Laws and regulations for NAF, Civil Service, and military personnel.

010302. Accrual Accounting

NAF organizations use the accrual basis of accounting, except for the fund exclusions noted in ***DoDI 1015.15***, paragraph 2.2. Under accrual accounting, transactions and other economic events are recorded when they occur. Revenues are recognized and reported when earned. Expenses are recognized and reported when incurred. Accrual accounting emphasizes matching revenues and expenses associated with each other in the period in which they occur. Accrual accounting contributes to effective financial control over resources and cost of operations and is essential in developing adequate revenue and cost information.

010303. Accounting Period

The accounting period for DoD NAFIs, except the Armed Services Exchanges, begins October 1 of each year and ends September 30 of the following year, as noted in ***DoDI 1015.15***, paragraph 6.4.2.7.

010304. Accounting Office Responsibilities

Accounting Offices (AOs) provide centralized professional accounting services to supported NAF organizations. AO responsibilities include:

A. Maintain all books of original entry, the general ledger, and related subsidiary ledgers;

B. Maintain fixed asset records;

C. Prepare all disbursement vouchers and checks after assuring availability of funds and pay liabilities of all supported NAF organizations;

D. Maintain payroll records when needed;

E. Prepare required periodic financial reports with ratios and percentages as requested. AOs also report variances in relation to established standards or approved budget goals upon request.

F. Prepare other information when requested by NAF management or higher authority. For example, AOs may supply some financial analysis with an MWR activity's financial statement or provide variance from budget data or historical information for use in preparation of NAF budgets.

G. Prepare and distribute financial reports to all supported NAF organizations;

H. Prepare an annual operating budget for the AO. When more than one NAF organization is supported by an AO, then a schedule is prepared that shows the estimated amounts to be assessed each supported NAF organization.

I. Reconcile the bank accounts of supported NAF organizations. Review daily account balances shown on monthly bank statements to make sure that insurance and collateral are sufficient. Notify NAF managers of missing or delayed deposit or check documentation.

J. Compute and bill service fees to recover operating costs;

K. Review documentation for completeness and accuracy;

L. Provide documentation to internal and external independent auditors, as required;

M. Prepare aged accounts receivable and accounts payable reports;

N. Maintain awareness of all changes which affect financial reporting; and

O. Review requests for making adjustments to fund equity or net worth. Non-receipt of accounting documents or failure to record documents received does not constitute a valid equity adjustment.

010305. Accounting Changes

The term "accounting change" means a change in an accounting principle or an accounting estimate. When an accounting change is made, appropriate footnote disclosure is

required to provide justification for the accounting change and its effect on the financial statements.

A. Change in Accounting Principle. A change in accounting principle results from an adoption of a generally accepted accounting principle different from the one previously used for reporting purposes to include the methods for applying the new principle. A characteristic of a change in accounting principle is that it concerns a choice from among two or more generally accepted accounting principles. In the preparation of financial statements, there is a presumption that an accounting principle, once adopted, is not changed in accounting for events and transactions of a similar type. Consistent use of accounting principles from one accounting period to another enhances the utility of financial statements to users by facilitating analysis and understanding of comparative accounting data. Generally, the past financial statements are restated to reflect a change in accounting principle.

B. Change in Accounting Estimate. A change in an estimate used in accounting is a necessary consequence of periodic presentations of financial statements. A change in accounting estimates results from new information or subsequent developments and accordingly from better insight or improved judgment. Preparing financial statements requires estimating the effects of future events. Examples of items for which estimates are necessary are uncollectible receivables, inventory obsolescence, service lives, and salvage values of fixed assets. Future events and their effects cannot be predicted with certainty. Estimating, therefore, requires the exercise of judgment. Accounting estimates may change as new events occur, as more experience is acquired, or as additional information is obtained. A change in accounting estimate is accounted for prospectively over current and future years which will cause a change to the expense account in future years. Prior years are not restated.

010306. Accounting Errors

Errors in financial statements result from mathematical mistakes, mistakes in the application of accounting principles, oversight, or misuse of facts that existed at the time the financial statements were prepared. A change from an accounting principle that is not generally accepted to one that is generally accepted is a correction of an error. The past financial statements are restated to reflect the corrections.

0104 INTERNAL CONTROLS

Services will follow internal control reporting procedures in accordance with ***OMB Circular A-123***, ***DoDI 5010.40***, and ***DoDI 1015.15***.

0105 AUDITS

010501. Policy

DoD policy is to provide adequate audit coverage of NAFIs to include annual financial statement audits. Each Military Service is required to have an annual financial audit of its NAFIs by an independent certified public accountant(s). The primary objectives of such audits

are to determine whether internal control systems are adequate, resources are safeguarded and managed economically and efficiently, applicable laws and regulations are followed, and desired program results are achieved. Particular attention is placed on identifying potential fraud, waste, or abuse in operations. To the extent possible, audits are conducted on a system or functional basis and not an activity basis. The audit should include the verification of accuracy and reliability of the NAFI's automated data processing system. The NAFI community will have access to the results of system or functional audits in the form of reports. DoD personnel, rather than certified public accounting firms, are used for audits involving potential fraud or other serious improprieties. Policies regarding the audit of NAFIs and related activities are prescribed in ***DoDI 7600.06, "Audit of Nonappropriated Fund Instrumentalities and Related Activities"***.

010502. Scheduled Audits

Activities are audited at least annually or as instructed by DoD Component authority. If directives require or circumstances warrant, then additional audits are scheduled.

0106 ANNUAL REPORTING REQUIREMENTS

010601. Reporting

A consolidated financial and management report is prepared annually for each Military Service and joint-Service NAFI as specified in Enclosure 8 of ***DoDI 1015.15***.

010602. Disclosures

Financial reports must include full and adequate disclosure of financial and accounting information in accordance with Volume 13, Chapter 7 and ***DoDI 1015.15*** specific reporting requirements (e.g., disclosure of fund equity adjustments and eliminating entry transactions between NAFIs); this includes Military Service Headquarters, Major Command or Region, and installation NAFIs. Following these requirements ensures that financial and accounting information is properly treated in preparing consolidated reports.

VOLUME 13, CHAPTER 2: "NONAPPROPRIATED FUND STANDARD GENERAL LEDGER"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font*.**

The previous version dated March 2011 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
0202	Extended nonappropriated fund standard general ledger compliance until October 1, 2016 (Reference Deputy Assistant Secretary of Defense (Military Community and Family Policy) memorandum dated August 23, 2013, subject: Department of Defense Financial Management Regulation Implementing a Nonappropriated Fund Standard General Ledger).	Update
References	Added reference list.	Add

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CHAPTER 2

NONAPPROPRIATED FUND STANDARD GENERAL LEDGER

0201 GENERAL

This chapter prescribes the requirements of the Nonappropriated Fund Standard General Ledger (NAFSGL). The NAFSGL is a modified version of the United States Standard General Ledger and must be used for accounting and financial statement reporting to ensure the information in the financial statements is consistent for all Nonappropriated Fund Instrumentalities (NAFIs). This will provide for standardization and sufficient traceability from the financial statements through the general ledger balances to the source documentation for audit purposes. At a minimum, the NAFSGL is updated annually and is published by the Office of the Under Secretary of Defense (Comptroller) prior to 1 October of each year.

*0202 SCOPE

This chapter provides the general ledger account numbers to be used by all NAFIs. The deadline for implementation of the NAFSGL is no later than October 1, 2016. As an interim solution until system changes can be implemented at the transaction level, crosswalks from the NAFIs' chart of accounts to the NAFSGL may be utilized.

0203 OVERVIEW

020301. Basic Structure

The general ledger accounts are self-balancing (the total debits equal the total credits) and provide for accounting of business events. The Nonappropriated Fund Standard General Ledger Chart of Accounts (Figure 2-1) provides the basic structure for the NAFSGL, identifies, and defines the proprietary accounts to be used in accounting and reporting. The Chart of Accounts contains basic account attributes, including account number, account level, and account title. Each military department will use the accounts required for its particular financial operations. The NAFIs and military departments may not have to use all accounts.

020302. Financial Transactions

All resources acquired and used, and valid claims to and against those resources, are to be recorded on the basis of financial transactions. Asset and liability accounts cover the collection and payment of cash, the proper classification of assets (e.g., receivables, prepayments, inventory, and fixed assets), and the recognition and proper classification of liabilities. Revenue and expense accounts measure the realization of revenues from the sale of goods and services, and the recognition of costs through the use and consumption of assets. The financial control over resources provided through accounting records provides managers with a tool that will help effectively discharge their stewardship function for those resources.

0204 NONAPPROPRIATED FUND STANDARD GENERAL LEDGER ACCOUNTS

020401. Categories

The NAFSGL uses a 4-digit account numbering system. Within the NAFIs, the SGL will be implemented to support financial statement reporting at the Program Group level and the consolidated Military Department level. All data must summarize to the 4-digit SGL accounts and be traceable to the NAFIs using sub-accounts. The definition of each category and the accounts that make up that specific general ledger category are discussed in the following paragraphs. General ledger accounts are grouped into the following major summary categories:

Account Numbers	Category
1000	Assets
2000	Liabilities
3000	Net Worth
4000	Revenue
5000	Expenses
6000	Cost of Goods Sold
7000	Extraordinary Items

020402. Assets

Asset accounts are accounted for in the 1000 series. Current asset accounts consist of various cash, investments, receivables, inventory, and prepaid expenses. Noncurrent asset accounts consist of various fixed assets (property, plant, and equipment), pension benefit assets, and other noncurrent assets. Refer to Volume 13, Chapter 3 for more information on assets.

A. Cash/Investments. Cash consists of coins, paper currency, and readily negotiable instruments such as money orders, checks, and bank drafts on hand or in transit for deposit; amounts on demand deposit with banks or other financial institutions; and cash held in petty cash or change funds. Investments consist of: securities purchased for investments, certificates of deposit with a maturity date of less than 1 year, Treasury notes, bonds, and certificates of indebtedness issued by Federal Government agencies, and foreign currency investments.

B. Receivables. Receivables are amounts due from others when the right to receive funds occurs. This may result from amounts owed by employees, customers, and organizations for amounts earned on products sold and services rendered.

C. Other Current Assets. Other current assets are prepaid expenses that are payments and expenditures made in contemplation of future benefits or performance.

D. Inventory. Inventory consists of goods held for sale in the normal course of business, designated as resale inventory items, and warehouse materials not accounted for as prepaid supplies or fixed assets.

E. Fixed Assets. Fixed assets consist of all property, plant, equipment, land improvements, accumulated depreciation, construction in progress, and fixed assets in transit when ownership passes to the NAFI before receiving the asset.

F. Other Noncurrent Assets. Other noncurrent assets consist of long-term pension benefit assets, receivables and investments. Pension Benefit Asset is reported when the Pension Plan is overfunded and is classified as a noncurrent asset. Refer to ***Statement of Financial Accounting Standards (FAS) No. 158***, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans" and Volume 13, Chapter 11 for reporting requirements.

020403. Liabilities

Liabilities are accounted for in the 2000 series. Current liability accounts consist of accounts payable, post-retirement benefit obligations, and other liabilities. Long-term liability accounts consist of loans payable, post-retirement benefit obligations, and other long-term liabilities. Refer to Volume 13, Chapter 3 for more information on liabilities.

A. Accounts Payable. Accounts payable consists of the amounts owed for goods and services.

B. Post-Retirement Benefit Obligation (PBO) - Current. Post-retirement benefit obligation is reported when the Pension Plan is underfunded. This means that the Plan Assets are less than the Plan Benefit Obligation. PBO is classified as a current liability as determined and provided by the Pension Provider. This includes any other post-retirement benefit plan, such as retiree health care. The benefit obligation is the accumulated post-retirement benefit obligation. Refer to FAS No. 158 for reporting requirements.

C. Other Current Liabilities. Other current liabilities consist of various payables, including loans, leases, interest, payroll, taxes, and unearned revenue.

D. Long-Term Loans Payable. Long-term loans payable consists of the amount of loans and notes that will not be paid within 12 months.

E. Post-Retirement Benefit Obligation (PBO) – Long-Term. Post-retirement benefit obligation – long-term is reported when the Pension Plan is underfunded. This means that the Plan Assets are less than the Plan Benefit Obligation and would be classified as a long-term liability as determined and provided by the Pension Provider. This includes any other post-retirement benefit plan, such as retiree health care. The benefit obligation is the accumulated post-retirement benefit obligation. Refer to FAS No. 158 for reporting requirements and Volume 13, Chapter 11.

F. Other Long-Term Liabilities. Other long-term liabilities consist of the amount of leases, loans, claims, and notes that will not be paid within 12 months.

020404. Net Worth

Net Worth accounts are accounted for in the 3000 series. Net Worth consists of Retained Earnings, Contributed Capital, Minimum Pension Liability Adjustment, and other equity transactions pursuant to ***DoDI 1015.15***, paragraph 6.4.2.4. The Minimum Pension Liability Adjustment account is any adjustment made to the existing pension balances in the Balance Sheet. These adjustments will be posted as an offset to the equity account in the Balance Sheet and can be either an addition or reduction to Net Worth. These temporary adjustments are treated in the Net Worth section of the Balance Sheet in the same manner as the "unrealized gains/losses on investments" pursuant to ***FAS No. 115,*** "Accounting for Certain Investments in Debt and Equity Securities." In addition, these temporary adjustments are not calculated in the net worth calculation. Refer to ***FAS No. 158*** for reporting requirements.

020405. Revenue

Revenue accounts are accounted for in the 4000 series. Revenue consists of income earned from the sale of goods or services, contributions, interest, and dividends. Revenue is classified as operating and non-operating. Operating revenue accounts are 4010 – 4120. Non-operating revenue accounts are 4130 - 4240. Refer to Volume 13, Chapter 5 for more information on revenue.

020406. Expenses

Expense accounts are accounted for in the 5000 series. Expenses consist of operating expenses, non-operating expenses, and program costs including depreciation and interest. Refer to Volume 13, Chapter 5 for more information on expenses.

020407. Cost of Goods Sold

Cost of Goods Sold accounts are accounted for in the 6000 series. The total cost of inventory sold includes materials, direct labor, and overhead. Refer to Volume 13, Chapter 5 for more information on the Cost of Goods Sold calculation.

020408. Extraordinary Items

Extraordinary items are accounted for in the 7000 series. Extraordinary items consist of costs or income so unusual in type or amount as to be accorded special treatment in the accounts or separate disclosure in financial statements. Extraordinary items are also unusual and unexpected events. Although the normal balance for this account is a credit, it is acceptable in certain instances for this account to have a debit balance. Refer to Volume 13, Chapter 5 for more information on extraordinary items.

Figure 2-1 Nonappropriated Fund Standard General Ledger Chart of Accounts

Nonappropriated Fund Standard General Ledger Chart of Accounts

Account Number	Title	Normal Balance
1000	**ASSETS**	
	CASH/INVESTMENTS	
1110	Cash	Debit
1111	Cash-U.S. Checking	Debit
1112	Change Fund	Debit
1113	Petty Cash	Debit
1114	Cash-Foreign Currency	Debit
1120	Savings Account	Debit
1130	Marketable Securities	Debit
1140	Other Short-Term Investments	Debit
	RECEIVABLES	
1210	Customer Accounts Receivable	Debit
1211	Exchange Service Dividend Receivable	Debit
1212	Gaming Machine Profit Distribution Receivable	Debit
1213	Claims Receivable	Debit
1214	Commercial Credit Card Receivable	Debit
1215	Concessionaire Receivables	Debit
1220	Deposits Receivable	Debit
1230	NAFI Receivables	Debit
1240	Returned Check Receivable	Debit
1250	Employee Receivable	Debit
1260	Accrued Interest Receivable	Debit
1270	Loans Receivable	Debit
1280	Morale, Welfare, and Recreation (MWR) Utilization, Support, and Accountability (USA) Receivable	Debit
1290	Other Current Receivables (Specify)	Debit
1299	Allowance for Doubtful Accounts	Credit

*Figure 2-1 Nonappropriated Fund Standard General Ledger Chart of Accounts (Continued)

Nonappropriated Fund Standard General Ledger Chart of Accounts

Account Number	Title	Normal Balance
1000	**ASSETS (continued)**	
	OTHER CURRENT ASSETS	
1310	Travel Advances	Debit
1320	Prepaid Contracts	Debit
1330	Prepaid Insurance	Debit
1340	Prepaid Rent	Debit
1350	Prepaid Supplies	Debit
1360	Prepaid Tax and License	Debit
1370	Other Prepaid Expenses (Specify)	Debit
	INVENTORY	
1410	Inventory Warehouse/Storeroom	Debit
1420	Inventory Sales Outlet Resale	Debit
1430	Inventory In-Transit	Debit
	FIXED ASSETS	
1510	Land Improvements	Debit
1511	Accumulated Depreciation on Land Improvements	Credit
1520	Construction in Progress	Debit
1530	Buildings and Improvements	Debit
1531	Accumulated Depreciation on Buildings and Improvements	Credit
1540	Furniture and Fixtures	Debit
1541	Accumulated Depreciation on Furniture and Fixtures	Credit
1550	Equipment	Debit
1551	Accumulated Depreciation on Equipment	Credit
1560	Internal-Use Software	Debit
1561	Accumulated Amortization on Internal-Use Software	Credit
1570	Fixed Assets in Transit	Debit
1580	Buildings and Improvements-Government Titled	Debit

*Figure 2-1 Nonappropriated Fund Standard General Ledger Chart of Accounts (Continued)

Nonappropriated Fund Standard General Ledger
Chart of Accounts

Account Number	Title	Normal Balance
1000	**ASSETS (continued)**	
	FIXED ASSETS (continued)	
1581	Accumulated Depreciation on Buildings and Improvements- Government Titled	Credit
	OTHER NONCURRENT ASSETS	
1610	Pension Benefit Asset	Debit
1620	Long-Term Receivables	Debit
1630	Sinking Fund	Debit
1640	Long-Term Investments	Debit
2000	**LIABILITIES**	
	CURRENT LIABILITIES	
2100	Accounts Payable	Credit
2200	Post-Retirement Benefit Obligation - Current	Credit
2300	Other Current Liabilities	Credit
2310	Short-Term Loan Payable	Credit
2320	Short-Term Lease Payable	Credit
2330	Dividends Payable	Credit
2340	Vending Machine Revenue Sharing Payable	Credit
2350	Gaming Machine Profit Distribution Payable	Credit
2360	Interest Payable	Credit
2370	Salaries Payable	Credit
2371	Leave Payable	Credit
2372	Payroll Taxes Payable	Credit
2373	Benefits Payable	Credit
2374	Other Payroll Deductions Payable (Specify)	Credit
2375	Appropriated Fund (APF) Payroll Payable	Credit
2376	Employee Allowance Payable	Credit

*Figure 2-1 Nonappropriated Fund Standard General Ledger Chart of Accounts (Continued)

Nonappropriated Fund Standard General Ledger Chart of Accounts

Account Number	Title	Normal Balance
2000	**LIABILITIES (continued)**	
	CURRENT LIABILITIES (continued)	
2377	Claims Payable	Credit
2380	Uniform Funding and Management (UFM) Unearned Revenue	Credit
2390	Unearned Revenue (Specify)	Credit
2410	Flexible Spending Accounts Payable	Credit
2420	Deposits Payable	Credit
2430	Other Current Liabilities (Specify)	Credit
	LONG TERM LIABILITIES	
2510	Long Term Loans Payable	Credit
2520	Post-Retirement Benefit Obligation – Long Term	Credit
2530	Long-Term Leases Payable	Credit
2540	Other Long Term Liabilities (Specify)	Credit
3000	**NET WORTH**	
3010	Retained Earnings	Credit
3020	Contributed Capital	Credit
3030	Minimum Pension Liability Adjustment	Credit
3040	Other Equity Transactions	Credit
4000	**REVENUE**	
	OPERATING REVENUE	
4010	Sales	Credit
4011	Sales Returns and Allowances	Debit
4012	Sales Discounts	Debit

*Figure 2-1 Nonappropriated Fund Standard General Ledger Chart of Accounts (Continued)

Nonappropriated Fund Standard General Ledger
Chart of Accounts

Account Number	Title	Normal Balance
4000	**REVENUE (continued)**	
	OPERATING REVENUE (continued)	
4020	Participation Fees and Charges	Credit
4030	Other Service/Recreation Activity Income (Specify)	Credit
4040	Other Fee Income (Specify)	Credit
4050	Dues and Assessment Income	Credit
4060	Amusement Machine Income	Credit
4070	Commission Income	Credit
4080	Concessionaire Income	Credit
4090	Gaming Machine Income	Credit
4110	Commercial Sponsorship Income	Credit
4120	Recyclable Material Income	Credit
	NON-OPERATING REVENUE	
4130	Exchange Dividend Income	Credit
4140	U.S. Department of Agriculture Income	Credit
4150	Morale, Welfare and Recreation (MWR) Utilization, Support and Accountability (USA) Income	Credit
4160	Cash Overage	Credit
4170	Contributions and Donations	Credit
4180	Intrafund Income	Credit
4190	Interest Income	Credit
4210	Other Income (Specify)	Credit
4220	Gain on Disposition of Fixed Assets	Credit
4230	Gain on Foreign Currency	Credit
4240	Grant Income	Credit
5000	**EXPENSES**	
	OPERATING EXPENSES	
5010	Salaries and Wages Expense	Debit
5020	Capitalized Labor Cost	Debit

Figure 2-1 Nonappropriated Fund Standard General Ledger Chart of Accounts (Continued)

Nonappropriated Fund Standard General Ledger Chart of Accounts

Account Number	Title	Normal Balance
5000	**EXPENSES (continued)**	
	OPERATING EXPENSES (continued)	
5030	Annual Leave Expense	Debit
5040	Sick Leave Expense	Debit
5070	Foreign National (FN) Benefits Expense	Debit
5080	Other Employee Benefit Expense (Specify)	Debit
5090	Spoilage, Breakage, and Obsolescence	Debit
5110	Promotion Expense	Debit
5120	Advertising Expense	Debit
5130	Child Care Food Expense	Debit
5140	Manager's Expense	Debit
5150	Sports Activities Expense	Debit
5160	Amenities Expense	Debit
5170	Supplies Expense	Debit
5180	Laundry and Dry Cleaning Expense	Debit
5190	Tableware, Kitchenware, Linen and Uniform Expense	Debit
5220	Professional Membership Expense	Debit
5230	Training Expense	Debit
5240	Travel Expense	Debit
5250	Building & Structures Maintenance and Repair Expense	Debit
5260	Vehicle, Boat, Aircraft Maintenance and Gas Expense	Debit
5270	Vehicle Registration Program Expense	Debit
5280	Awards and Prizes	Debit
5290	Official Hosting and Representation Expense	Debit
5310	Entertainment Expense	Debit
5320	Printing Expense	Debit
5330	Program and Brochure Expense	Debit
5340	Volunteer Service Expense	Debit
5350	Bank and Service Charge Expense	Debit
5360	Credit Card Expense	Debit

Figure 2-1 Nonappropriated Fund Standard General Ledger Chart of Accounts (Continued)

Nonappropriated Fund Standard General Ledger Chart of Accounts

Account Number	Title	Normal Balance
5000	**EXPENSES (continued)**	
	OPERATING EXPENSES (continued)	
5370	Contractual Expense	Debit
5380	Administrative Common Support Service	Debit
5390	401K Administrative Surcharge Expense	Debit
5410	Claims Expense	Debit
5420	Dividend Expense	Debit
5430	Grants Expense	Debit
5440	Vending Machine Income Sharing Expense	Debit
5450	Utilities Expense	Debit
5460	Cable/Satellite Service Expense	Debit
5470	Communications Expense	Debit
5480	Freight Expense	Debit
5490	Rent Expense	Debit
5510	Insurance Expense	Debit
5520	Subscription and Dues	Debit
5530	Tax and License Expense	Debit
5540	Late Payment Interest Expense	Debit
5550	Minor Property and Equipment Expense	Debit
5560	Franchise/Royalties Expense	Debit
5570	Audit Expense	Debit
5580	Appropriated Fund (APF) Payroll Expense	Debit
5610	Other Expense (Specify)	Debit
5640	Unit Allocation	Debit
5660	Internet Expense	Debit
5670	Flexible Spending Account Admin Fee	Debit
	NON-OPERATING EXPENSES	
5210	Intrafund Expense	Debit
5590	Cash Shortage	Debit
5680	Bad Debt Expense	Debit

Figure 2-1 Nonappropriated Fund Standard General Ledger Chart of Accounts (Continued)

Nonappropriated Fund Standard General Ledger Chart of Accounts

Account Number	Title	Normal Balance
5000	**EXPENSES (continued)**	
	NON-OPERATING EXPENSES (continued)	
5690	Prior Period Expense	Debit
5710	Loss on Disposition of Fixed Assets	Debit
5720	Loss on Foreign Currency	Debit
6000	**COST OF GOODS SOLD**	
6010	Purchases – Resale	Debit
6011	Purchases Returns and Allowances – Resale	Credit
6012	Freight – Resale	Debit
6013	Vendor Rebates – Resale	Debit
7000	**EXTRAORDINARY ITEMS**	
7100	Extraordinary Income (Specify)	Credit
7200	Extraordinary Expense (Specify)	Debit
7300	Base Realignment & Closure (BRAC) and Installation Closure Expense	Debit

* REFERENCES

A. Financial Accounting Standard 158, Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, ***http://www.fasb.org/pdf/aop_FAS158.pdf***

B. DoD Instruction (DoDI) 1015.15, Establishment, Management, and Control of Nonappropriated Fund Instrumentalities and Financial Management of Supporting Resources; ***http://www.dtic.mil/whs/directives/corres/pdf/101515p.pdf***

C. Financial Accounting Standard 115, Accounting for Certain Investments in Debt and Equity Securities; ***http://www.fasb.org/st/summary/stsum115.shtml***

VOLUME 13, CHAPTER 3: "ASSETS, LIABILITIES, AND NET WORTH"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue and underlined font*.**

The previous version dated September 2008 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
0302	Added definitions for various current asset accounts and reformatted for clarity.	Add
030205.A	Renamed Accounts Receivable to Customer Accounts Receivable.	Update
030205.M	Renamed Uniform Funding and Management (UFM) Receivable to Morale, Welfare, and Recreation (MWR) Utilization Support and Accountability (USA) Receivable.	Update
0303	Added definitions for various noncurrent asset accounts and reformatted for clarity.	Add
0304	Added definitions for various current liability accounts. Moved Section 0402 from Chapter 4 and reformatted for clarity.	Add
0305	Added definitions for various long term liability accounts. Moved Section 0403 from Chapter 4 and reformatted for clarity.	Add
0306	Moved Section 0404 from Chapter 4 for payment of liabilities.	Add
0307	Added definitions for Net Worth.	Add

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CHAPTER 3

ASSETS, LIABILITIES, AND NET WORTH

0301 OVERVIEW

030101. Purpose

This chapter prescribes the standard policies for Nonappropriated Fund (NAF) assets, liabilities, and net worth. The ***Department of Defense Instruction (DoDI) 1015.15, "Establishment, Management, and Control of Nonappropriated Fund Instrumentalities and Financial Management of Supporting Resources"*** assigns responsibilities and sets policy for the Nonappropriated Fund Instrumentalities (NAFIs). NAFI programs and facilities shall be operated, maintained, and funded as an integral part of the personnel and readiness program.

030102. Scope

Policies in this chapter apply to all Nonappropriated Fund Instrumentalities (NAFIs) and their supporting accounting offices (AOs) except the Armed Service Exchanges.

0302 CURRENT ASSETS

Current assets are those items of cash and other assets or resources that are reasonably expected to be converted to cash or consumed during the normal operating cycle (12 months). These include cash and cash equivalents, short term investments, accounts receivable, inventories, and prepaid expenses.

*030201. Cash

Cash consists of amounts on deposit with banks or other financial institutions, coins, paper currency and readily negotiable instruments, including money orders, checks and bank drafts on hand or in transit for deposit. The majority of accounting transactions affect the cash account at one time or another. NAFs must be maintained in financial institutions that are United States (U.S.) federally insured or designated by the Department of Treasury.

A. Cash - U.S. Checking. This general ledger account is for funds deposited in a bank and items that a bank will accept for immediate deposit including paper money, coins, checks and money orders.

1. Reconciliation of Bank Accounts. Designated accounting personnel must reconcile all bank statements or reports on a monthly basis. Any discrepancies found are reported immediately to NAFI management. To maintain separation of duties, the person performing the reconciliations can not be the check writer.

2. Blank Check Stock. The AO may designate someone to maintain the records and control the blank check stock, but for security reasons the person can not be one of

the check writers. Checks are sequentially pre-numbered and stored in a locked container. The container should be either a built-in vault or safe that is burglary resistant and fire resistant for a minimum period of two hours. For additional guidelines on securing blank check stock, refer to DoDFMR Volume 5, Chapter 7.

3. Check Signing Equipment. There are three components to check signing equipment: a signature plate, a key to the machine, and the machine itself. The signatory maintains the signature plate and a designated person, other than the signatory, maintains the key to the machine. The designated person who holds the key maintains a log to record machine usage. Whenever operating the machine, the authorized operator enters the beginning and ending readings, date, and initials in the log. In addition to signature plates, there are other media acceptable for signing checks, e.g., digitized signatures. For comprehensive guidance on check signing machines, refer to Volume 5, Chapter 7.

4. Change of Signatory. When a change of signatory occurs, destroy the signature plates and notify the bank. A certificate of destruction is prepared, signed by two witnesses and the successor signatory, and maintained in the AO.

B. Change Funds. This general ledger account is for funds used in daily operations to make change and cash checks.

1. Accounting for change funds. Upon initial issuance of the change fund, the NAFI's cash account is reduced and the appropriate asset account (change funds issued) is increased. Increases to these funds must be requested from the NAFI custodian in writing. The AO issues a check for the approved amount and increases the asset account accordingly.

2. Replenishment of change funds. The NAFI manager or designee may replenish the funds at the end of the day with cash received from operations as long as all the daily receipts are deposited in total. Before replenishing the funds, the NAFI manager or designee must ensure that all checks cashed from these funds are deposited daily. In no case will the NAFI manager or designee exchange dollars for foreign currency, except as provided in 030201.D.

C. Petty Cash Funds. This general ledger account is for fixed amounts established by the NAFI to handle minor disbursements. Disbursements from the petty cash fund are recorded to the applicable expense accounts in the month that the petty cash is disbursed by the custodian.

1. Establishing a petty cash fund. Each NAFI must comply with the following guidelines when establishing a petty cash fund:

a. Each manager within a NAFI appoints, in writing, individuals to act as petty cash custodians.

b. The amount of a petty cash fund will not exceed one month's requirements.

c. Any one transaction will not exceed $500 and transactions will not be fragmented to circumvent this limitation. A higher limit may be approved by the Military Service Proponent for NAF Financial Management for purchases made in foreign currency, if currency rates so warrant. This increase must be reviewed on an annual basis.

d. In foreign locations, NAFIs may have one petty cash fund in the local foreign currency as well as one in U.S. dollars. If NAFIs give cash bingo prizes both in dollars and foreign currency, then two bingo petty cash funds must be established.

e. NAFIs are not to use petty cash funds for cashing checks or paying salaries and wages.

2. Replenishment of petty cash funds. The AO provides the fixed amount to the individual appointed as the petty cash custodian. Disbursements are made by the custodian and a petty cash voucher is completed to support each transaction. The custodian will submit a request with the petty cash vouchers and receipts (or equivalent) to the AO to replenish the petty cash fund as needed, but not later than the last day of each month. The AO will issue a check payable to the petty cash custodian, by name, to reimburse the fund.

D. Cash - Foreign Currency. This general ledger account is the U.S. dollar equivalent of foreign government currency. This account is used for all foreign currency receipts and disbursement held on deposit by NAFIs outside the continental U.S. For guidance on exchange rate fluctuations, refer to section 1304 of Volume 5, Chapter 13.

*030202. Savings Accounts

This general ledger account is for short term investments of funds not needed immediately for daily operations, but readily available. Savings accounts must be in an interest bearing account and in federally insured banks, credit unions, or savings institutions.

*030203. Marketable Securities

This general ledger account is for readily tradable obligations of Government agencies, and obligations issued by U.S. Government-sponsored enterprises and securities. The securities are guaranteed by the full faith and credit of the U.S. Government with quoted prices which can be easily converted into cash within one year. For further guidance on investment policy, refer to Enclosure 9 in ***DoDI 1015.15***.

*030204. Other Short Term Investments

This general ledger account is for the repurchase and reverse repurchase agreements and Institutional Government Money Market Funds, certificates of deposits or other investments owned by the NAFI and for cash restricted for a specific short term purpose (e.g., severance pay and separation). For further guidance on investment policy, refer to Enclosure 9, ***DoDI 1015.15***.

*030205. Receivables

Receivables are amounts owed to the NAFIs for sales of merchandise, services, or dues. Receivables may result from amounts owed by employees, members, customers, and organizations for dues, fees, charges, rentals, credit sales, or travel advances. Records are maintained to ensure transactions accurately identify debt and its respective debtor. Receivable subsidiary records are reconciled on a monthly basis to the general ledger control accounts.

A. Customer Accounts Receivable. This general ledger account records amounts in customer receivables which result from an in-house credit (charge) for sales of merchandise, services, or dues. This includes customers for rentals, child development and youth centers, merchandise, hotel, lodging, layaway sales, and other services.

1. Accounting for Customer Accounts Receivable. A subsidiary ledger is maintained for each individual account. Dues are charged monthly where applicable. Monthly statements are sent to members or participants of the NAFIs that permit charge sales, charge dues, or deferred payments.

2. Aged Customer Accounts Receivable Reports. An aged customer accounts receivable report is prepared for all NAFIs with internal credit systems. Account balances are due and payable on the first day after the statement date of the month in which credit was extended. Current month dues are treated the same as current month charge sales and normally become payable the first day after the statement date. If the DoD Component authorizes delinquent fees, then they are established as a customer receivable and charged to the delinquent account each month. The aging report, at a minimum, will include the following: over 30 days (second billing statement), over 60 days (third billing statement), and over 90 days (fourth billing statement).

B. Exchange Service Dividend Receivable. This general ledger account is for amounts due from the Armed Service Exchanges as part of their distribution.

C. Gaming Machine Profit Distribution Receivable. This general ledger account is for the amount due from slot machines.

D. Claims Receivable. This general ledger account is for amount due for destruction or losses (e.g., fire, theft, or other causes) covered under the self insured program.

E. Commercial Credit Card Receivable. This general ledger account is for the amount due from banks for customer sales made via commercial credit cards.

F. Concessionaire Receivables. This general ledger account is for the amount that is due from concessionaire and commission fees.

G. Deposits Receivable. This general ledger account is for the amount due for deposits made in connection with the purchase of goods or services.

H. NAFI Receivables. This general ledger account is for the amounts due from other NAFIs for services and supplies.

I. Returned Check Receivable. This general ledger account is for the amount due for returned checks dishonored by financial institutions.

J. Employee Receivable. This general ledger account is for the amount due from employees for payments made due to insufficient earnings for such things as insurance premiums and retirement arrearages.

K. Accrued Interest Receivable. This general ledger account is for the amount due from interest earned but not received at the end of an accounting period, such as from savings accounts, investments, and contracts.

L. Loans Receivable. This general ledger account is for the amount due within one year for loans to NAFIs.

M. Morale, Welfare, and Recreation (MWR) Utilization, Support, and Accountability (USA) Receivable. This general ledger account consists of funds due from the U.S. Treasury for costs which are authorized reimbursement from appropriated funding and which are stipulated within Memorandums of Agreement (MOAs) between the MWR Fund and the Government.

N. Other Current Receivables (Specify). This general ledger account is for the amount of other receivables for which an account has not been established such as, travel advances, amounts due from higher headquarters for grants and other payments, and amounts due from outside entities.

O. Allowance for Doubtful Accounts. When using the allowance method for bad debts, NAFIs must determine and record the amount of accounts receivable estimated to be uncollectible at the end of each reporting period. The amount to record as estimated is based on a review of the average write-offs of accounts receivable, which is based on historical data. Adjust the allowance for doubtful accounts to cover those accounts expected to become uncollectible during the next reporting period.

030206. Prepaid Expenses

Payments made for expenses that apply to a specific period of time are amortized over that period. Any unexpired portion of that expense is shown as a prepaid asset. General ledger accounts for prepaid expenses include prepaid travel advances, contracts, insurance, rent, supplies, taxes and licenses. Other prepaid expenses include tableware, kitchenware, glassware, linens, uniforms and prepaid bingo prizes. Advance payments for maintenance, rent and insurance are examples of expenses that span numerous months. The accounting principle of materiality should be considered before employing the prepaid concept. An advance or prepayment is never amortized for more than its expected usage. Monthly expenses are computed and prorated over each month of the period covered by the advance payment. Supplies are expensed based on

expected usage provided by the NAFI custodian. The unexpired prepaid expense subsidiary is reconciled to the related control account.

*030207. Inventory

Inventory is merchandise or supplies on hand or in transit at a particular point in time. Inventory held for sale or resale consists of goods to be sold in the normal course of business. A value is assigned which represents the cost of acquisition. When the goods are sold, the value assigned is used to determine profit for the accounting period as shown on the income statement and to properly report assets on the balance sheet at the end of the accounting period.

A. Inventory Warehouse/Storeroom. This general ledger account consists of the value of the bulk, volume, or secured storage of resale and/or supplies inventory.

B. Inventory Sales Outlet Resale. This general ledger account consists of the value of resale merchandise on hand at the end of the accounting period in the outlet stores.

C. Inventory In-Transit. This general ledger account consists of inventory where title has passed to the NAFI, but the inventory has not been received at a NAFI warehouse.

D. Accounting for Inventory

1. Inventory Subsidiary. All items are recorded at cost. Cost is the purchase price less trade and cash discounts. If cash discounts are not material to warrant changing individual prices, then the amount of the discount is credited to the purchases account and not to individual items. Discounts lost and excise taxes paid are not included in the cost of merchandise but are recorded in the applicable operating expense account. The cost of merchandise will include freight, insurance, and handling charges if they can be associated to specific items. If they cannot be identified to specific items, then record directly against the appropriate expense account.

2. Stock Record. The stock record is used to record resale merchandise and supplies in a warehouse or storeroom. It requires a complete description of the merchandise and all pertinent information regarding receipt and issue.

3. Spoilage, Breakage, Obsolete Material, Customer Complaint or Reject Items. Immaterial losses of inventory resulting from spoilage, breakage, obsolescence, rejection, or constant customer complaint items are absorbed in cost of goods. Material losses are recorded in a Spoilage and Breakage expense account for the applicable operation.

4. Consigned Merchandise and Tickets. Merchandise held on consignment is maintained and accounted for by the consignor. NAFIs only maintain inventory of consigned merchandise for accountability purposes. These items are physically inventoried monthly or at the end of an event for tickets (whichever comes first). This inventory is not recorded in the general ledger.

E. Physical Counts of Inventory. Inventories are required to be physically counted. The following are policies related to physical inventories of merchandise.

1. The inventory list is printed in the same sequence in which the merchandise is stored or arranged for display or in stock record number sequence.

2. A cutoff date is established for sales, issues, returns, adjustments, and transfers so inventory quantities and related accounting entries can be recorded.

3. Merchandise received during the inventory count is not counted unless the payable or payment will be recorded in the general ledger as of the inventory cutoff date.

4. Merchandise sold during the physical count is included in the inventory count. The merchandise is not included in the count if the related sale and receivable or cash received will be recorded in the general ledger after the inventory cutoff date.

5. Physical inventory is conducted separately for each department.

6. Inventories of merchandise held on consignment are separate from NAFI owned merchandise. Inventory lists are prepared for each owner of the goods.

7. At the conclusion of the inventory count, any discrepancies are provided to the NAFI custodian for resolution. The general ledger is then adjusted to match the physical count that was observed by the observation team.

F. Physical Inventory Observation. At least annually, the physical inventory counts are observed by at least one person who is independent of the NAFI conducting the physical count. The objective of the count is to verify the inventory to determine the accuracy of the accounting records. Since it is frequently impractical to observe all physical inventories at one time, the observations may be staggered throughout the year.

0303 NONCURRENT ASSETS

Long term, tangible assets that will not be converted to cash or consumed during the next 12 months are classified as noncurrent. These assets are expected to benefit NAFIs for more than one accounting period. Noncurrent assets include fixed assets, land, leases, long term investments, long term loans, long term receivables, and long term prepaid expenses.

*030301. Fixed Assets

Fixed assets are defined as property, plant and equipment purchased, donated, or transferred to NAFIs that have an expected life of two or more years and have an acquisition cost of $2,500 or more. They include capital assets such as land improvements, construction in progress, buildings and improvements, equipment, furniture, fixtures, internal use software, tools, machinery, and livestock. Intangibles are excluded from this category.

A. Land Improvements. This general ledger account is for the amount paid for improvements to land for use in walkways, driveways, fences, retaining walls, landscaping and parking lots. (NAFIs are located on government owned land and do not record the value of the land.)

B. Accumulated Depreciation on Land Improvements. This general ledger account is used to accumulate depreciation for land improvements.

C. Construction In Progress. This general ledger account is for the accumulated costs of a construction project, which is not yet completed. This includes all costs associated with placing the asset in service such as construction of a new building or renovation of an existing building. Upon completion, the item is reclassified as a capital asset and depreciated accordingly.

D. Buildings and Improvements. This general ledger account is for the capitalized cost of buildings and improvements paid with Nonappropriated Funds.

E. Accumulated Depreciation on Buildings and Improvements. This general ledger account isused to accumulate depreciation for buildings, improvements, and renovations paid for with Nonappropriated Funds.

F. Furniture and Fixtures. This general ledger account is for the capitalized cost of furniture and fixtures purchased, donated, or transferred.

G. Accumulated Depreciation on Furniture and Fixtures. This general ledger account is used to accumulate depreciation for the capitalized cost of furniture and fixtures.

H. Equipment. This general ledger account is for the capitalized cost of equipment purchased, donated, or transferred.

I. Accumulated Depreciation on Equipment. This general ledger account is used to accumulate depreciation for equipment.

J. Internal-Use Software. This general ledger account is for the capitalized cost of internal-use software including (1) purchased off-the-shelf software, (2) contractor-developed software subject to amortization, and (3) internally developed software subject to amortization.

K. Accumulated Amortization on Internal-Use Software. This general ledger account accumulates amortization for internal-use software. Internal-use software will be amortized in a systematic and rational manner over the estimated useful life of the software. Software acquired for research and development with no alternative future use will be amortized over the period of the project as opposed to the normal life-cycle amortization.

L. Fixed Assets in Transit. This general ledger account consists of assets where title has passed to the NAFI, but the assets have not yet been received. For additional information, refer to paragraph 030301.O.5, of this chapter.

M. Buildings and Improvements-Government Titled. This general ledger account is for the cost of Federal Government-owned buildings acquired for and used in providing NAFI services or goods which includes the cost of renovation, improvement, restoration, or reconstruction of buildings.

N. Accumulated Depreciation on Buildings and Improvements-Government Titled. This general ledger account is used to accumulate depreciation for buildings, improvements, and renovations.

O. Accounting for Fixed Assets. Fixed assets purchased with nonappropriated funds, donated, or transferred to a NAFI with a useful life expectancy of two or more years and an acquisition cost of $2,500 or more shall be capitalized.

1. Acquisition Cost. Unless otherwise stated in the following subparagraphs, fixed assets are recorded at cost plus any expenditures necessary to place those assets into use as intended (e.g., installation, freight, testing, and legal fees to establish title). The NAFI can apply purchase discounts to reduce these costs; however, late payment interest penalties are not to be capitalized. Interest expenses incurred as part of the acquisition cost of fixed assets will be capitalized.

a. Assets Purchased in Quantity. Like items purchased in a quantity in excess of one, must individually meet the capitalization threshold in accordance with the appropriate Military Service guidance. All other criteria for fixed assets must be met.

b. Self-Constructed Assets. If fixed assets (property, plant, or equipment) are built or manufactured by NAFI, then all costs incurred (materials, permits, taxes, insurance, and overhead) are capitalized in a construction-in-progress account. Upon completion, all of the accumulated costs will be transferred to the appropriate fixed asset account.

c. Trade-In Assets. When an asset is traded in at the time of purchase, the new asset is recorded at the amount of the monetary consideration paid, plus the trade-in allowance for the old asset. The acquisition cost and accumulated depreciation of the traded-in asset are removed from the accounting records. If the trade-in allowance is less than the book value of the old asset, then a loss will result. These losses are recorded as "other expenses" in the records of the NAFI. If the trade-in allowance is more than the book value of the old asset, then the difference is subtracted from the acquisition cost of the new asset. No gain is recognized.

d. Construction-in-Progress. Construction-in-progress includes all costs attributable to a construction project (i.e., building and improvements). This includes, but is not limited to, construction of new buildings, renovation of existing buildings, and fixed assets which are purchased as part of the project. The AO records amounts based on the documentation supporting the contract completion. When progress payments to contractors are based on a

percentage completion clause, record the amount of payments due or paid. In addition to costs related to a construction project, fixed assets received but not billed may be recorded. The AO will transfer the cost of construction-in-progress to the appropriate fixed asset account and commence depreciation when the final payment is disbursed. NAFI management establishes the facility depreciation periods according to Table 6-1 in Volume 4, Chapter 6.

e. Donated or Transferred Assets. Assets donated or transferred without the expenditure of funds are recorded at the fair market value on the date the asset was donated or transferred. If the fair market value cannot be determined, then the amount recorded is the book value of the donated asset in the donor's accounting records.

f. Nonmonetary Exchanges. When assets are exchanged between NAFIs without monetary consideration, it is called a nonmonetary exchange. The assets received in such exchanges are recorded on the books of the gaining NAFI at the net book value of the losing NAFI. The offsetting entry is to the gain or loss of disposition of fixed asset accounts on both the gaining and the losing NAFI.

g. Appropriated Fund (APF) Property Obtained for Free. These assets are recorded separately from other fixed assets because title and control of these assets remains with APFs. For APF fixed assets expected to benefit more than one accounting period, any acquisition costs such as repairs, transportation, installation, and any subsequent outlays that extend the useful life of the asset are recorded and depreciated over the useful life of the asset. For APF fixed assets held one year or less, all costs are an expense for the period the asset is held.

h. Uniform Funding and Management (UFM) Fixed Assets. Fixed assets acquired through UFM process shall be expensed and offset with UFM funds at the time of purchase and not depreciated. These assets will be recorded in the NAFI fixed assets records for inventory and control purposes with a zero acquisition value. UFM fixed assets are considered NAFI assets and the proceeds from disposal shall revert to the NAFI.

2. Leases. Leases may be used for equipment or for real property and are categorized as either a capital lease or an operating lease.

a. Capital Leases. A capital lease is based on the concept that a lease transfers substantially all of the benefits and risk as to the ownership of equipment to the lessee. The lease is recorded as an asset by the lessee and is amortized in a manner similar to depreciating assets if one of the following conditions is met:

(1) The lease transfers ownership of the asset to the lessee at the end of the lease term.

(2) The lease contains a purchase option.

(3) The lease term is equal to 75 percent or more of the estimated economic life of the leased property. If the beginning of the lease term falls within the

last 25 percent of the total estimated economic life of the leased property, including earlier years of use, then this criterion is not used for the purposes of classifying the lease.

(4) The present value at the beginning of the lease term of the minimum lease payments, excluding the portion of payments representing executory costs such as insurance, maintenance, and taxes to be paid by the lessor, including profit therein, equals or exceeds 90 percent of the excess of the fair value of the leased property to the lessor at the inception of the lease over any related investment tax credit retained by the lessor and expected to be realized by the lessor.

b. Operating Leases. If none of the conditions of capital leases are met, then the lease is an operating lease. Payments on an operating lease are charged to expense over the lease term as it becomes payable. If payments are not made on a straight line basis, then the expense remains recognized as a straight line transaction. An exception to this is another systematic and rational basis which is more representative of the time pattern in which the leased property benefits are derived.

c. Disclosures. If either capital or operating leases are material, then information concerning the leases is disclosed in the NAFI financial statements or the footnotes.

3. Subsequent Expenditures. Subsequent expenditures for fixed assets fall into three categories: repair and maintenance, improvements, and additions. The objective is to match the expenditures with the period benefited. Therefore, expenditures which benefit only the current period are expensed and expenditures which benefit future periods are capitalized.

a. Repair and Maintenance. Expenditures in this category are designed to prevent an asset from deteriorating (e.g., painting the interior of the enlisted club) or to return the asset to its original level of performance (e.g., a tune-up on a motor vehicle). These expenditures do not improve the performance of the asset or extend the life of the asset. Maintenance and repair expenditures are expensed in the period incurred.

b. Improvements. Improvements are expenditures which extend the useful life of an asset (e.g., an engine overhaul on a motor vehicle) or improve original asset performance. Improvements are capitalized and depreciated.

c. Additions. Expenditures which increase the size of an asset (e.g., adding a new section to the club) are called additions. Additions are capitalized and depreciated.

4. Government Title Fixed Assets. An aspect of NAF accounting is that some assets, particularly buildings, are purchased using NAF and the NAFI has exclusive use, but the title rests with the Government. NAF procured property or facilities may be transferred to APF for maintenance when allowed by the Military Service regulations. Upon receipt of approved documentation from NAFI management, record these items in the NAF property records and general ledger as Fixed Assets APF titled (signifies government title) and commence depreciation.

5. Fixed Assets in Transit. The NAFI may receive title to fixed assets and may make payment for fixed assets before the NAFI has physical possession of the property. Typically, this happens when property destined for a NAFI overseas is delivered to a stateside port for over-water transportation by government means. Payment is made based on the receipt at the port and is recorded to the appropriate Fixed Asset account. Depreciation begins when the asset is placed in service.

6. Disposition of Property. Disposal means that the NAFI activity manager has physical control of the item and disposes of it. Documents are prepared and approved by the NAFI activity manager for the disposition of fixed assets. When property is transferred to APFs, it is evidenced on the form required by APFs.

7. Physical Fixed Asset Inventory. A physical inventory of all fixed assets will be conducted at least annually. When it is impractical to perform this inventory all at one time, the NAFI may schedule and conduct the physical inventory by area.

8. Property Subsidiary. Property subsidiaries serve as property control records. As a minimum, the property subsidiary should list each piece of property, acquisition date, acquisition value, useful life, depreciation to date, and current book value. This subsidiary can be either automated or manual. If automation is available, then it should be used. The NAFI prepares the documentation necessary to change any data on the subsidiary records, even when no general ledger entries are required, e.g., fixed assets are transferred from one location to another within the same NAFI.

9. Claims. When an insured asset is destroyed or damaged and the claim is settled, the affected accounts are adjusted. Usually claim settlements do not exceed the acquisition value less accumulated depreciation of the property destroyed (book value).

10. Depreciation. Depreciation accounting distributes the cost or other basic value of tangible capital assets over the estimated useful life of such assets in a systematic and rational manner. Accounting for depreciation as an expense is an integral part of the accrual basis of accounting. Accordingly, all NAF activities recognize depreciation of their fixed assets. For NAF capital assets whose titles are transferred to APFs, but are still used by the NAFI, continue to depreciate these fixed assets on the NAFIs book until the items are fully depreciated. The straight line method of depreciation is used for determining the monthly depreciation expense. Refer to Table 6-1 in Volume 4, Chapter 4 for depreciation periods. Also, refer to Volume 4, Chapter 6 for the requirements for salvage value to be subtracted from the acquisition cost of fixed assets before computing depreciation.

*030302. Other Noncurrent Assets

Other noncurrent assets include pension benefit assets, long- term receivables, sinking fund and long term investments.

A. Pension Benefit Asset. This general ledger account is used when the Pension Plan Assets are greater than the Plan Benefit Obligations (liability).

B. Long Term Receivables. This general ledger account is for the amount of cash loaned to another NAFI within the same Military Service when payment is not expected within 12 months.

C. Sinking Fund. This general ledger account is for the amount of cash restricted for a specific purpose (e.g., severance pay and retirement), which is classified as an investment aimed at reducing or amortizing a financial obligation which exceeds 12 months.

D. Long Term Investments. This general ledger account is for readily tradable obligations of Government agencies, and obligations issued by U.S. Government-sponsored enterprises and securities. The investments are guaranteed by the full faith and credit of the U.S. Government with quoted prices which cannot be easily converted into cash within one year. For further guidance on investment policy refer to Enclosure 9, ***DoDI 1015.15.***

0304 CURRENT LIABILITIES

Current liabilities are classified as current if their liquidation is reasonably expected to require the use of existing resources properly classifiable as current assets or to create other current obligations. Current liabilities are due on demand or will be due on demand within one year.

*030401. Current Liabilities Include

A. Accounts Payable. This general ledger account is for the amount owed for goods and services that have been acquired but not yet paid.

B. Post-Retirement Benefit Obligation-Current. This general ledger account is used when the Plan Benefit Obligation (liability) is greater than the Pension Plan Assets that are due within the year.

C. Other Current Liabilities. This general ledger account consists of amounts owed, but not otherwise classified.

D. Short Term Loan Payable. This general ledger account consists of loans payable within one year.

E. Short Term Lease Payable. This general ledger account consists of leases payable within one year.

F. Dividends Payable. This general ledger account consists of dividends owed to subordinate funds and to Civilian Welfare Funds.

G. Vending Machine Revenue Sharing Payable. This general ledger account consists of profits owed to state licensing agencies and other third parties.

H. Gaming Machine Profit Distribution Payable. This general ledger account consists of amounts owed for monthly slot assessments for activities with slot machines.

I. Interest Payable. This general ledger account consists of interest accrued and owed to others.

J. Salaries Payable. This general ledger account consists of amounts earned by employees, but unpaid.

K. Leave Payable. This general ledger account consists of leave earned by employees but not taken.

L. Payroll Taxes Payable. This general ledger account consists of amounts for federal, state, local and Federal Insurance Contributions Act (FICA) taxes withheld from employees pay and accrued by the employer, as applicable, but not paid.

M. Benefits Payable. This general ledger account consists of amounts for health and life insurance premiums, Civil Service Retirement, Federal Employees Retirement, Thrift Savings Plans and 401 (K) withheld from employees' pay and accrued by employers, as applicable, but not yet paid.

N. Other Payroll Deductions Payable. This general ledger account consists of amounts for deductions of savings bonds, charity, savings, and union dues that are withheld, but not yet paid.

O. Appropriated Fund (APF) Payroll Payable. This general ledger account consists of amounts owed to the Government for the General Schedule or APF Local National employees working within MWR activities. These employees are paid directly by the Government, but the funding is being executed through the UFM process.

P. Employee Allowance Payable. This general ledger account consists of amounts accrued for various allowances to pay each group of U.S. and foreign nationals upon transfer or separation.

Q. Claims Payable. This general ledger account consists of amounts due for claims of employees.

R. UFM Unearned Revenue. This general ledger account consists of funds received from the U.S. Treasury for costs which are authorized appropriated funding and which are stipulated within the MOA between the MWR Fund and the Government.

S. Unearned Revenue (Specify). This general ledger account consists of funds received, but not earned until a later period. In many operations, it is possible to pay dues and fees in advance. If advance dues or fees are received, then record the amount received as unearned revenue. When the amount is earned, record an entry that debits unearned revenue and credits the applicable revenue account.

T. Flexible Spending Accounts Payable. This general ledger account consists of the amount of withholdings deducted from employees' pay and administrative fees charged to the employers and payable to the Flexible Spending Account administrator.

U. Deposits Payable. This general ledger account consists of funds received as part of an agreement permitting use of a facility or equipment that will be refunded within the year upon return of items or completion of contract services, e.g., rentals or use of equipment or facility.

V. Other Current Liabilities (Specify). This general ledger account consists of amounts owed that cannot be classified in any other account, e.g., employee allowances payable or claims payable.

0305 LONG TERM LIABILITIES

Long term liabilities are obligations that are not due or payable within one year.

*030501. Long Term Liabilities Include

A. Long Term Loans Payable. This general ledger account consists of loans due beyond one year.

B. Post-Retirement Benefit Obligation – Long Term. This general ledger account is used when the Plan Benefit Obligation (liability) is greater than the Pension Plan Assets.

C. Long Term Leases Payable. This general ledger account consists of leases that are due beyond one year.

D. Other Long Term Liabilities (Specify). This general ledger account consists of amounts owed that cannot be classified in any other account and need to be identified.

030502. Recognition of Liabilities

Liabilities, i.e., accounts payable, arise from the acquisition of goods or services. Accounts payable liability shall be recognized upon receipt of services or when accepting title to goods. Accrued Liabilities have their origin at the end of the period of adjustment process which is a requirement of accrual accounting. Commonly, these include wages and salaries payable, benefits payable, interest payable, and taxes payable.

030503. Contingent Liabilities

Contingencies are existing conditions, situations, or circumstances involving uncertainty as to possible gain or loss that will ultimately be resolved when one or more future events occur or fail to occur. Loss contingencies are accrued when the outcome is probable and the amount is reasonably estimable. Do not record gain contingencies. When a contingency is identified, the AO will footnote the year-end Military Service level consolidated financial statements explaining the contingency and the potential for gain or loss.

030504. Accountability for Liabilities

The NAFI authorized representative is responsible for approving the disbursement of NAFs. The AO is not authorized to make disbursements without the approval of the NAFI authorized designee or as authorized in this Regulation.

0306 PAYMENT OF LIABILITIES

030601. Documentation Required for Payment

DoD Directive 4105.67, "Nonappropriated Fund (NAF) Procurement Policy," and ***DoDI 4105.71, "Nonappropriated Fund (NAF) Procurement Procedure,"*** provide information on established policy and assigned responsibility for procurements using NAFs. The following documentation is needed prior to payment of liabilities:

A. NAFIs will submit the following documents, properly prepared and authenticated, to the AO to support payment for procurements:

1. Procurement document, e.g., purchase order (PO), contract, blanket purchase agreement, or other similar documents.

2. ***Department of Defense (DD) Form 250,*** "Material Inspection and Receiving Report," or another signed document that provides evidence that goods were accepted or services were received.

3. Vendor invoice or claim for payment. The invoice or claim may be for a specific delivery or show deliveries made over a specified period.

B. Overseas Shipments. The AO must receive a vendor invoice and proof of shipment before payment can be made on overseas shipments. These payments may be made prior to receipt or acceptance of goods.

C. Partial Shipments. The NAFI will submit a DD Form 250 or locally produced receiving report, which shows acceptance of goods to the AO. The form must have "Partial Shipment" written on the top. The AO will establish an accounts payable open item. When the AO receives the invoice, payment will be processed and the supporting documents are annotated as partial shipment received.

030602. Purchases from Other NAFIs

When a NAFI purchases goods or services from another NAFI, a ***DD Form 1149,*** "Requisition and Invoice/Shipping Document," or similar form will be submitted to the AO to support the transaction.

030603. Purchases from the Government

When a NAFI purchases goods or services from the Government (e.g., bills from appropriated funds) it is not usually supported by a procurement instrument. The NAFI will submit a DD Form 250 or other signed document to the AO to support the payment.

030604. Purchase Orders, Vendor Invoices, and Receiving Reports

A. Purchase Orders. A PO is a document issued by the NAFI to a seller, indicating the type, quantity, and agreed price for goods or services to be provided. Sending a PO to a supplier constitutes a legal offer to buy goods or services. Acceptance of a PO by a seller forms a contract between the NAFI and the seller.

B. Vendor Invoices. A vendor invoice represents a claim against NAF. All invoices should be date stamped at time of receipt.

C. Receiving Reports. A receiving report is a document prepared by the receiving activity to document the receipt of services or acceptance of goods.

030605. Discounts

For NAFIs, a discount is the amount deducted from the total amount of the invoice when goods are supplied Free on Board (FOB) destination. If the goods are supplied FOB other and a separate freight charge is shown, then the discount is taken on the cost of goods only. The FOB delivery terms are shown on the PO. The amount of discounts not taken shall be charged to operations in the appropriate general ledger account.

030606. Prompt Payment Act

The Prompt Payment Act, ***5 Code of Federal Regulations (CFR) 1315***, requires Federal agencies (including NAF activities) to make payments in a timely manner. If a payment to a contractor is late, then an interest payment is due to the contractor. This interest payment is made without contractor request. A notice stating the amount of the interest penalty, the number of days late, and the rate used for calculation accompanies the interest payment. *5 CFR 1315* and Volume 10, Chapter 7 provide information on the Prompt Payment Act.

0307 NET WORTH

Net Worth or Fund Equity consists of capital invested in NAFIs plus (minus) the net income (loss), resulting from operations since inception. Transactions into and out of equity are limited to net income, net losses, and entries associated with the establishment of the fund, as well as certain adjustments. Adjustments are rare and might include certain accounting principle changes, certain prior period adjustments and distribution of capital. Refer to Chapter 1 for information on materiality of adjustments.

*030701. Net Worth Includes

A. Retained Earnings. This general ledger account consists of the amount of earnings retained from inception to date.

B. Contributed Capital. This general ledger account consists of funds or tangible assets from sources outside the NAFIs.

C. Minimum Pension Liability Adjustment. This general ledger account is used for adjustments that may need to be made to the existing pension balances in the balance sheet. These adjustments will be posted as an offset to the equity account in the balance sheet and can be either an addition or reduction to the equity section. These temporary adjustments are treated in the equity section of the balance sheet in the same manner as the "unrealized gains/losses on investments." In addition, these temporary adjustments are not calculated in the net worth determination. The final result of these entries will result in the funded status equaling either a non-current asset or a liability based on the difference of the Plan Assets and Projected Benefit Obligation.

D. Other Equity Transactions. This general ledger account consists of transfers in and out of equity that will be limited to net income; net losses; prior year material corrections; components of other comprehensive income (loss) prescribed by Financial Accounting Standard No. 130; entries associated with the establishment, disestablishment, or consolidation of NAFIs; and distribution and receipt of capital.

030702. Accounting for Net Worth

A. When a new NAF organization with preexisting capital is authorized, the capital is recorded as equity. As an example, preexisting capital is a factor when a private association converts to a membership association. Equity is disestablished when a NAF organization is dissolved.

B. Equity may be distributed by declaring dividends to other NAF organizations. An example is dividends paid by installation restaurants. Special grants for new construction and facility improvements are another method of distributing equity. Equity is transferred in the form of cash or other assets.

VOLUME 13, CHAPTER 5: "REVENUE AND EXPENSES"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue and underlined font*.**

The previous version dated January 2011 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Reworded chapter for organization and clarity.	Update
All	Reformatted chapter in accordance with the revised standard.	Update
050601	Updated definitions for annual leave expense and unit allocation to align with current processes.	Update

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CHAPTER 5

REVENUE AND EXPENSES

0501 OVERVIEW

050101. Purpose

This chapter prescribes the standard policies surrounding Department of Defense (DoD) Nonappropriated Fund (NAF) revenue and expenses.

050102. Scope

Policies in this chapter apply to all NAF Instrumentalities (NAFIs) and their supporting Accounting Offices (AOs), except the Armed Service Exchanges.

0502 REVENUE STANDARDS

050201. Recognition

NAFIs recognize revenue when it is realizable with reasonable and practical certainty. Earned revenue is recognized at the time of delivery of the goods or performance of the service. If cash or credit payments are received prior to time of delivery or performance, then revenue is unearned. If cash or credit payment has not been received at time of delivery or performance, then an Accounts Receivable is posted for the amount due.

050202. Recording

The AO records revenue in the appropriate NAF's financial records on a consistent basis in the appropriate cost center and in the operating cycle that the revenue is earned. Revenue is recorded in accordance with ***Department of Defense Instruction (DoDI) 1015.15*** "Establishment, Management, and Control of Nonappropriated Fund Instrumentalities and Financial Management of Supporting Resources."

0503 REVENUE DEFINITIONS

Revenue consists of income earned from the sale of goods or services, contributions, interest, and dividends. Revenue is classified as operating and non-operating.

050301. Operating Revenue

Operating revenue is income generated from NAFI sales and services.

A. Sales. This general ledger account is for recording revenue from the sale of goods and services.

B. Sales Returns and Allowances. This general ledger account is a contra account to Sales and records returns and allowances on goods previously sold.

C. Sales Discounts. This general ledger account is a contra account to Sales and represents discounts and coupons given to customers.

D. Participation Fees and Charges. This general ledger account is for recording revenue from fees charged to customers for participating in programs where fees to participate are charged, such as athletic events, special events, golf green fees, bowling leagues, lodging room nights, etc.

E. Other Service/Recreation Activity Income. This general ledger account is for recording revenue from recreation fees and services, such as Family Team Building and Children, Youth, and Teen Programs.

F. Other Fees Income. This general ledger account is for recording revenue from fees that are not otherwise classified. It indicates the source of the fees.

G. Dues and Assessment Income. This general ledger account is for recording revenue from membership dues at activities, such as the Officer's Club and Golf Course.

H. Amusement Machine Income. This general ledger account is for recording revenue from the operation of amusement machines.

I. Commission Income. This general ledger account is for recording revenue from commissions received from unofficial travel tickets.

J. Concessionaire Income. This general ledger account is for recording revenue from fees received from contracted operations.

K. Gaming Machine Income. This general ledger account is for recording revenue from gaming machines.

L. Commercial Sponsorship Income. This general ledger account is for recording revenue from commercial sponsors of Morale, Welfare, and Recreation (MWR) events, functions, or promotions.

M. Recyclable Material Income. This general ledger account is for recording revenue from recycling operations.

050302. Non-operating Revenue

Non-operating revenue is income that does not come from NAFI operations.

A. Exchange Dividend Income. This general ledger account is for recording dividend revenue received from the military exchange service.

B. U.S. Department of Agriculture Income. This general ledger account is for recording revenue received from the Department of Agriculture for food items provided to children for the Children's Food Program.

C. Morale, Welfare, and Recreation (MWR) Utilization, Support, and Accountability (USA) Income. This general ledger account is for recording funds received from appropriated sources for expenses covered by the USA income.

D. Cash Overage. This general ledger account is for recording revenue from cash overages resulting from daily cash handling errors.

E. Contributions and Donations. This general ledger account is for recording the value of contributions and donations received.

F. Intrafund Income. This general ledger account is for recording revenue from the sale of goods or services to another activity or NAFI.

G. Interest Income. This general ledger account is for recording interest earned on bank deposits, securities, or other interest-bearing instruments.

H. Other Income. This general ledger account is for recording non-operating revenue that cannot be classified elsewhere.

I. Gain on Disposition of Fixed Assets. This general ledger account is for recording the gain on the sale of fixed assets.

J. Gain on Foreign Currency. This general ledger account is for recording the gain on foreign currency. Foreign currency fluctuation gains resulting from the settlement of foreign currency receivables or payables must be recorded when the settlement occurs. This account is to be used by all DoD Components when foreign currencies are involved.

0504 EXPENSE STANDARDS

050401. Recognition

Costs are recognized as an expense in the period that the revenue with which they are associated is recognized (the matching principle). Cost elements are included in inventory and expensed when the items are sold and revenue from the sale is recognized. If no connection with revenue can be established, then the asset's cost is allocated to the accounting period benefited in a systematic and rational manner. This form of expense recognition involves the expected length of benefit and the relationship and cost of each period (e.g., depreciation of fixed assets, amortization of intangibles, and allocation of rent and insurance). All other costs are recognized in the accounting period in which they are incurred.

050402. Recording

Using the accrual method of accounting, AOs record expenses on a consistent basis in the appropriate cost center and in the operating cycle in which the expense was incurred.

0505 NONAPPROPRIATED FUND (NAF) EXPENSES

Expenses are decreases in economic benefits during an accounting period, in the form of outflows (or other asset depletion) or the incurrence of liabilities that result in a decrease in equity. In NAF accounting, expenses are the costs related to the sale of goods and services consequent to the operation of the NAFI. NAF expense general ledger accounts are described in paragraph 0506.

0506 EXPENSE DEFINITIONS

Expenses consist of operating and non-operating expenses and program costs including the cost of goods sold, depreciation, and interest.

*050601. Operating Expenses

These expenses are the primary recurring costs that are associated with NAFI operations, other than cost of goods sold, and are incurred in order to generate sales or services.

A. Salaries and Wages Expense. This general ledger account is for recording gross salaries and wages paid to employees.

B. Capitalized Labor Cost. This general ledger account is a contra account for recording employee expenses included in the capitalized cost of facilities or property.

C. Annual Leave Expense. This general ledger account is for recording expenses of annual leave when earned.

D. Sick Leave Expense. This general ledger account is for recording expenses of sick leave when used.

E. Foreign National Benefits Expense. This general ledger account is for recording expenses of foreign nationals' benefits, such as bonuses, annual leave, and sick leave.

F. Other Employee Benefit Expense. This general ledger account is for recording employee benefit expenses not identified by other expense accounts.

G. Spoilage, Breakage, and Obsolescence. This general ledger account is for recording the expense of the cost of food and other resale merchandise that is broken, spoiled, or out of date.

H. Promotion Expense. This general ledger account is for recording the cost of resale items given to the customers during promotions within NAFI.

I. Advertising Expense. This general ledger account is for recording expenses for advertisements.

J. Childcare Food Expense. This general ledger account is for recording expenses for food at childcare.

K. Manager's Expense. This general ledger account is for recording expenses that will be reimbursed to the manager in the administration of the NAFI, such as for customer relations and comparative shopping.

L. Sports Activities Expense. This general ledger account is for recording expenses incurred for operating sports programs.

M. Amenities Expense. This general ledger account is for recording expenses of items for guests such as beverages, clock radios, soap, toiletries, and other comfort enhancing articles.

N. Supplies Expense. This general ledger account is for recording expenses for office supplies, guest checks, expendable equipment, and other items used by a fund in its normal operations.

O. Laundry and Dry Cleaning Expense. This general ledger account is for recording expenses for cleaning linens and uniforms.

P. Tableware, Kitchenware, Linen and Uniform Expense. This general ledger account is for recording purchases of china, glassware, silverware, utilities, and uniforms for immediate use.

Q. Professional Membership Expense. This general ledger account is for recording payments for NAF employees in authorized professional organizations to obtain professional credentials that include expenses for professional accreditations, state imposed and professional licenses, professional certifications, and examinations. Refer to paragraph 6.2.5 of ***DoDI 1015.15*** for further information.

R. Training Expense. This general ledger account is for recording the amount spent for the training of employees, not including travel and per diem costs.

S. Travel Expense. This general ledger account is for recording the amount spent for travel and per diem costs for NAF civilian employees attending training, conferences, seminars, and permanent change of station costs.

T. Building and Structures Maintenance and Repair Expense. This general ledger account is for recording the amount of maintenance and repair of facilities.

U. Vehicle, Boat, Aircraft Maintenance, and Gas Expense. This general ledger account is for recording the amount for normal operations, such as, fuel, petroleum, and lubricants.

V. Vehicle Registration Program Expense. This general ledger account is for recording the amount paid for license plates and decals for the registration program.

W. Awards and Prizes. This general ledger account is for recording the amount of cash and non-cash items awarded to patrons, but not employee awards.

X. Official Hosting and Representation Expense. This general ledger account is for recording the amount paid for authorized hosting, representation activities, and membership night for members.

Y. Entertainment Expense. This general ledger account is for recording the amount paid for entertainment, such as for orchestras, musicians, other entertainers; other costs as specified on the contract; and special entertainment where admission fees are charged.

Z. Printing Expense. This general ledger account is for recording the amount for printing and reproduction costs, such as paper and printing supplies.

AA. Program and Brochure Expense. This general ledger account is for recording the amount paid for purchasing programs and brochures for resale at athletic and special events.

AB. Volunteer Service Expense. This general ledger account is for recording the amount paid for authorized volunteer services in approved programs, for example, the cost to care for the children of authorized volunteers who give their services to command approved MWR programs.

AC. Bank and Service Charge Expense. This general ledger account is for recording the amount of administrative fees charged by financial institutions for maintaining bank accounts.

AD. Credit Card Expense. This general ledger account is for recording the amount paid to credit card companies or financial institutions for credit card handling fees.

AE. Contractual Expense. This general ledger account is for recording the amount paid for services performed on contracts and agreements, such as computer services, commercial billing service, studies, and analysis.

AF. Administrative Common Support Service. This general ledger account is for recording the amount paid for support services, such as, accounting, payroll, civilian personnel, procurement, data processing, and administrative.

AG. 401K Administrative Surcharge Expense. This general ledger account is for recording the amount paid for the fees associated with the administration of the 401K retirement plan.

AH. Claims Expense. This general ledger account is for recording the amount paid and/or reserved for claims.

AI. Dividend Expense. This general ledger account is for recording the amount of dividends distributed from funds received from the Armed Service Exchanges.

AJ. Grants Expense. This general ledger account is for recording the funds provided to NAFIs for special events or programs by the Military Service Headquarters.

AK. Vending Machine Income Sharing Expense. This general ledger account is for recording the amount paid to vendors for their share of vending machine profits.

AL. Utilities Expense. This general ledger account is for recording the amount paid for electric, gas, water, and other utilities in normal operations.

AM. Cable/Satellite Service Expense. This general ledger account is for recording the amount paid for cable and television service.

AN. Communications Expense. This general ledger account is for recording the amount paid for telephone service, postage, tolls, and telegraph.

AO. Freight Expense. This general ledger account is for recording the amount paid for transportation of items that are not for resale.

AP. Rent Expense. This general ledger account is for recording the amount paid for rental items, such as equipment, buildings, vehicles, docks, land, and other items.

AQ. Insurance Expense. This general ledger account is for recording the cost of premiums paid to cover losses, such as money, securities, vehicles, aircraft, building, and contents of buildings.

AR. Subscriptions and Dues. This general ledger account is for recording the amount paid for subscriptions and dues in authorized national associations and leagues.

AS. Tax and License Expense. This general ledger account is for recording the amount of taxes and licenses paid as required by Federal and State governments.

AT. Late Payment Interest Expense. This general ledger account is for recording the amount of interest or penalty charges resulting from late payments.

AU. Minor Property and Equipment Expense. This general ledger account is for recording items purchased, such as, furniture, fixtures, and equipment that do not meet capitalization criteria.

AV. Franchise/Royalties Expense. This general ledger account is for recording the amount paid for the use of a company name and right to sell their products.

AW. Audit Expense. This general ledger account is for recording the amount paid to authorized commercial firms for auditing services.

AX. Other Expense. This general ledger account is for recording amount paid for other operating expenses for which an account was not established.

AY. Unit Allocation. This general ledger account is for recording the amount of dividends/funds provided to be used for leisure activities that promote unit cohesion and are based on the needs of permanent personnel.

AZ. Internet Expense. This general ledger account is for recording the cost of internet service.

BA. Flexible Spending Account Admin Fee. This general ledger account is for recording the fee for administering the Flexible Spending Accounts for employees.

050602. Non-operating Expenses

Non-operating expenses are not related to NAFI's primary operations and consist of depreciation, interest, prior period expenses, and losses.

A. Depreciation Expense. This general ledger account is for recording the amount recognized by the process of allocating costs of an asset over the period of time benefited or the asset's useful life, whichever is shortest.

B. Interest Expense. This general ledger account is for recording the amount of interest paid in the current accounting period.

C. Prior Period Expense. This general ledger account is for recording the amount of prior period expense. This expense is from an adjustment of material errors in a prior period financial statement made directly to the retained earnings account, and shown in the current financial statement.

D. Loss on Disposition of Fixed Assets. This general ledger account is for recording the loss on the sale, exchange, disposal, or retirement of assets.

E. Loss on Foreign Currency. This general ledger account is for recording the amount resulting from the difference between the foreign currency and U.S. dollars. Foreign currency fluctuation losses resulting from the settlement of foreign currency receivables or

payables must be recorded when the settlement occurs. This account is to be used by all DoD Components when foreign currencies are involved.

F. Bad Debt Expense. This general ledger account is for recording the amount of accounts receivable uncollectible for the current accounting period.

G. Intrafund Expense. This general ledger account is for recording an expense for goods and services bought from another activity or NAFI.

H. Cash Shortage. This general ledger account is for recording the amount of cash shortage revealed when the physical cash count, at the end of the day, does not equal the cash register tapes or receipts.

050603. Cost of Goods Sold (COGS)

This account holds the cost of inventory items sold in the reporting period. The COGS is equal to the sum of the beginning inventory for the period and net purchases (purchases less discounts, returns and allowances, transfers in from other funds or locations, transfers out to other funds or locations, and other inventory increases or decreases as applicable) less the ending inventory.

A. Purchases – Resale. This general ledger account is for recording the amount of merchandise purchased for sale less discounts taken.

B. Purchases Returns and Allowances – Resale. This general ledger account is for recording the amount of merchandise returned or allowance taken.

C. Freight – Resale. This general ledger account is for recording the cost of shipping and handling charges.

D. Vendor Rebates – Resale. This general ledger account is for recording the amount of rebates received from vendors on resale merchandise.

050604. Extraordinary Items

Extraordinary income and expenses are both unusual and infrequent. Extraordinary income and expenses are segregated from the results of ordinary operations and are shown in a separate section in the financial reports, with details of the income or expenses explained in the footnotes. Extraordinary item accounts are: Extraordinary Income (Specify); Extraordinary Expense (Specify); and, Base Realignment and Closure (BRAC) and Installation Closure Expense.

0507 ACCOUNTING FOR INDIRECT APPROPRIATED FUND SUPPORT TO NAFIs

050701. Legal Authority

Morale, Welfare, and Recreation (MWR) Utilization Support and Accountability (USA) and Uniform Funding and Management (UFM) are two mechanisms for provision of indirect appropriated fund (APF) support to NAFIs. ***Title 10, United States Code, section 2241***, which is the basic statutory authority to provide APFs to support MWR functions, is the legal basis for MWR (USA) practices. The MWR (USA) practice involves use of NAFs for MWR expenses that, per funding policies in ***DoDI 1015.15***, should be borne by APFs. MWR USA enables NAFIs to use NAFs to execute such expenses, subject to subsequent APF reimbursement under Memorandums of Agreement (MOA). Unlike MWR (USA) practices, which involve reimbursement from APFs, under UFM practices APFs may be transferred into NAF accounts prior to expenditure. Funds appropriated to DoD and available for MWR programs are treated as NAFs for all purposes under UFM MOAs and remain available until expended. Title 10, United States Code, ***section 2491***, provides statutory authority for UFM practices. Requirements applicable to both UFM and MWR (USA) practices are prescribed in paragraph 4.4 and Enclosure 6 of the ***DoDI 1015.15***.

050702. Morale, Welfare, and Recreation (MWR) Utilization Support and Accountability (USA) Recording

A. Revenue. The AO will record funds received from appropriated sources for expenses covered by the USA income.

B. Expense. The AO will record authorized expenses as they occur in the applicable expense accounts, which is the amount subject to APF reimbursement.

050703. Uniform Funding and Management (UFM) Recording

A. Revenue. The AO will record UFM funds received in advance in the cash account with a contra entry to an Unearned Revenue (liability) account identified as UFM. As UFM expenses are recorded, the Unearned Revenue account will be reduced by the same amount in the same reporting cycle.

B. Expense. The AO will record expenses authorized for UFM, as they occur, in the applicable expense accounts to allow identification of UFM support in accordance with DoDI 1015.15, paragraph E.6.3.4 and to reduce the Unearned Revenue account as applicable in the same reporting cycle.

050704. Other Appropriated Fund Support

Direct support is another APF category that occurs when APFs are obligated and expended (e.g., furnishing of utilities) and the NAFI does not incur the expense subject to reimbursement. In this case, the NAFI does not administer APFs as if they were NAFs.

VOLUME 13 CHAPTER 7 "FINANCIAL REPORTING"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue and underlined font*.**

The previous version dated Feb 2011 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Reworded and reformatted chapter for clarity (administrative).	Update

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CHAPTER 7

FINANCIAL REPORTING

0701 OVERVIEW

070101. Purpose

This chapter prescribes the standard policies for financial reporting, which are the principal means of communicating accounting information to those activities relying on information for management of their operations.

070102. Scope

The policies in this chapter apply to Department of Defense (DoD) Nonappropriated Fund Instrumentalities (NAFIs) and their supporting Accounting Offices (AOs). Except for financial reporting prescribed in paragraphs 070201 and 0703, these policies do not apply to the Armed Service Exchanges.

0702 RESPONSIBILITIES

070201. DoD Components

The DoD Components are responsible for the fair presentation in the financial reports of financial position, results of operation, and the program and personnel information included. In addition, the DoD Components are responsible for compliance with Nonappropriated Fund (NAF) program laws and regulations. For further information on reporting responsibilities, refer to ***Department of Defense Instruction (DoDI) 1015.15, "Establishment, Management, and Control of Nonappropriated Fund Instrumentalities and Financial Management of Supporting Resources."***

070202. Accounting Office

The supporting Accounting Office (AO) is responsible for compiling all the necessary information from accounting and payroll systems, as well as preparation of financial statements and reports. The integrity of those systems and the accuracy of the data produced are also AO responsibilities. Refer to Chapter 1 for further information.

0703 FINANCIAL REPORTING

070301. Financial Statements

Financial statements provide understandable information that is useful in making business decisions relative to NAFI operations. They describe NAFI financial performance during a specific period and how cash is obtained and spent. In addition to providing explanations and interpretations to assist users in making reasoned choices, financial statements also contain

program and personnel information. The principal financial statements used to convey information to users are the Balance Sheet, Statement of Income and Expense, Reconciliation of Net Worth, Schedule A - Appropriated Fund (APF) and NAF Expense Summary, and Statement of Cash Flow.

A. Balance Sheet. The balance sheet (also known as statement of financial position) presents NAFI's financial position at the end of a specified date. It is sometimes described as a "snapshot" that allows the user to see what NAFI owns as well as what it owes to others. The major components of the balance sheet are assets, liabilities, and equity (net worth). For information on the format and instructions for preparing the Balance Sheet, refer to Section 0707 and Figure 7-1. Additionally, for further information on assets, liabilities, and equity (net worth) refer to Chapter 3.

B. Income Statement. An income statement (also referred to as profit or loss statement or income and expense statement) provides information about NAFI's financial performance during a specified period of time and a summary of NAFI's profit or loss during the accounting period. The income statement is used to track revenues and expenses. For information on the format and instructions for preparing the Statement of Income and Expense, refer to Section 0708 and Figure 7-2. Additionally, refer to Chapter 5 for further information on revenue and expenses.

C. Reconciliation of Net Worth. The reconciliation of net worth (also known as statement of retained earnings) provides information of changes to net worth during a specified period of time. It shows the establishment, disestablishment, or consolidation of NAFIs, receipt or distribution of capital, net income or net loss, and prior year material adjustments. Refer to Chapter 3 for further information on net worth (equity). For information on the format and instructions for preparing the Reconciliation of Net Worth, refer to Section 0709 and Figure 7-3.

D. Schedule A - APF and NAF Expense Summary. Schedule A provides a detailed breakdown of APF and NAF operating costs and capital expenditures. APF received and expended through the DoD Morale Welfare and Recreation (MWR) Utilization Support and Accountability (USA) practice, Uniform Funding Management (UFM) practice, or other APF agreements will be reported as APF contractual services support and will not be reported as NAF expenditures. NAF costs will equal the operating expenses, other expenses, and extraordinary expense lines on the Statement of Income and Expense, which are also reported net of APF support to avoid double counting. NAF cost of goods sold is excluded. NAF capital expenditures will be reported in the year funds are expended and assets are recorded (including construction in progress and capital leases). For information on the format and instructions for preparing Schedule A- APF and NAF Expense Summary, refer to Section 0710 and Figure 7-4.

E. Statement of Cash Flow. A cash flow statement provides information about cash receipts and cash payments of a NAFI during the accounting period. The statement shows how changes in balance sheet and income accounts affect cash and cash equivalents and breaks the analysis down according to operating, investing, and financing activities. For information on the format and instructions for preparing the Statement of Cash Flow, refer to Section 0711 and Figure 7-5.

070302. Footnotes to Financial Statements

Footnotes are an integral part of the financial statements and are used when more information is needed. When the actual dollar amounts on the financial statements do not provide sufficient information for decision makers, accountants supplement the financial statements with more detailed data in the form of footnotes. Footnotes help management compare the operating results of the current business period with the operating results of previous periods. Fund equity adjustments and significant business closures are examples of occurrences which require footnotes. Refer to ***DoDI 1015.15*** for specific footnotes required.

0704 COMPARATIVE ANALYSIS OF FINANCIAL STATEMENTS

Comparative analysis is the study of relationships and trends to determine whether the financial position, results of operations, and the financial progress of the business are satisfactory or unsatisfactory. The objective of any method used to analyze a financial statement is to simplify or reduce the data under review to more understandable terms.

070401. Accountant Responsibilities

Accountants will compute, organize, and analyze data on a monthly basis. Analytical data is then assimilated to aid in management decision making. It is not enough to know at the end of a year, or even a quarter, that costs are increasing more rapidly than revenues. The accountant must use interim cost standards, ratios, or other devices in presenting income statement data to help determine the reasoning behind financial data changes.

070402. Analytical Methods and Techniques

Analytical methods and techniques used in analyzing financial statements include the following:

A. Comparative balance sheets, income statements, and statements of retained earnings or net worth. These statements detail the following information:

1. Absolute data (dollar amounts);

2. Comparisons expressed in ratios;

3. Increases and decreases in absolute data in terms of dollar amounts;

4. Increases and decreases in absolute data in terms of percentages; and

5. Percentages of total.

B. Statement of sources and uses of working capital;

C. Trend ratios of selected and/or related financial and operating data. A trend analysis is performed for each NAFI financial statement. The analysis of the balance sheet compares actual to actual, and the percentage of increase or decrease is calculated. The analysis of the income statement for each activity compares actual to actual as well as actual to the budgeted amounts. The financial statement analysis is made by each activity for items such as sales, cost of goods sold, labor expenses, net income, and all other revenue and expense items with a material financial effect on the activity;

D. Common size percentages from balance sheets, income statements, and individual sections of these statements;

E. Ratios expressing the relationships of items selected from the balance sheet, the income statement, or both statements; and

F. Statement of variation in net income or gross margin.

070403. Ratios

The behavior of ratios over a series of accounting periods is indicative of trends and may signal the need for adjustments in the future. The following ratios are a means of monitoring the efficiency of NAFIs:

A. Accounts Receivable Turnover. Accounts receivable turnover is the relationship between credit sales and accounts receivable. It indicates the liquidity of an activity's receivables. Calculate accounts receivable turnover by dividing net credit sales by the average accounts receivable (Accounts Receivable Turnover = Net Credit Sales/Average Accounts Receivable). The average accounts receivable is the beginning accounts receivable plus the ending accounts receivable, divided by two. The average of the accounts receivable monthly balances are used in the computation, as it gives recognition to seasonal fluctuations. When such data is not available, it is necessary to use the average of the balances at the beginning and end of the year. Prompt collection of receivables reduces the amount of loss from bad debts. Another method of expressing the result is to divide 365 days by the receivable turnover figure to get the average number of days that the receivables were on the books.

B. Acid-Test Ratio. The acid-test ratio, or quick ratio, measures the ability of NAFI to use its quick assets to immediately liquidate its current liabilities. Quick assets include cash, receivables, and marketable securities. The formula to compute the acid-test ratio is to divide quick assets (current assets minus inventory) by current liabilities (acid-test ratio = quick assets/current liabilities). The acid-test ratio should not be less than 1:1; any less and NAFI could suffer financial difficulties. A ratio of 1:1 shows that for every dollar of current debt there is $1 of quick assets available to meet current liabilities. The higher the ratio, the greater the immediate debt-paying ability.

C. Current Ratio. The current ratio, or working capital ratio, measures the relationship between current assets and current liabilities. It measures the ability of current assets to pay short-term debts. The formula to compute the current ratio is to divide the total current

assets by the total current liabilities (Current Ratio = Total Current Assets/Total Current Liabilities). Current ratio of 1.5:1 is considered standard. A ratio that is smaller indicates high debt. If the current ratio is too high, then current assets are not being efficiently utilized. Current assets should then be converted to other useful purposes. A ratio higher than one means that if all current assets can be converted to cash, they are more than sufficient to pay off current liabilities.

D. Inventory Turnover Ratio. The inventory turnover ratio expresses the relationship between cost of goods sold and the average inventory balance. Excess inventory reduces available funds and may increase the cost of insurance, storage, and other related expenses. The formula to compute the inventory turnover is cost of goods sold divided by the average inventory (Inventory Turnover = Cost of Goods Sold/Average Inventory). Average inventory equals beginning inventory plus ending inventory, divided by two. The inventory ratio for food and beverage operations generally should not exceed 2.5:1 on a monthly basis or 30:1 on an annual basis. A ratio of 1:3 for other sales operations on a monthly basis or a ratio of 4:1 on an annual basis is generally considered acceptable and shows about a 3-month inventory supply. A low turnover rate may indicate overstocking, obsolescence, or deterioration. A high turnover rate may indicate inadequate inventory levels, which may lead to a loss in business. Appropriate inventory levels depend on quantity pricing of purchases, shelf life, and restocking lead time that should be as low as possible, consistent with these conditions.

E. Net Income Ratio. Net income ratio measures the net income as a percentage of total revenue. It measures the rate of return on revenue. The formula to compute the net income ratio is net income divided by total revenue (Net Income Ratio = Net Income/Total Revenue). Net income is calculated as total revenue minus total expenses. Refer to DoDI 1015.15 for further information on net income requirements.

F. Ratio of Net Sales to Assets. The ratio of net sales to assets measures the efficiency with which NAFIs are using their assets to generate sales. In computing the ratio, any long-term investments are excluded from total assets, as they make no contribution to sales. If sales can be stated in a common unit, then units of products sold also can be used in place of the dollar amount of sales. Assets used in determining the ratio may be the total at the end of the year, the average at the beginning and end of the year, or the average of monthly totals. The formula to compute the ratio of net sales to assets is to divide net sales by total assets, minus long-term investments (Ratio of Net Sales to Assets = Net Sales/(Total Assets - Long-Term Investments).

G. Return on Assets Ratio. This measures a NAFI's ability to generate revenue with its existing assets. The formula to compute the return on assets ratio is to divide net income by the average total assets. Average total assets are beginning total assets plus ending total assets divided by two (Return on Assets Ratio = Net Income/Average Total Assets).

H. Return on Fund Equity. The return on fund equity measures NAFI's ability to use leverage by earning a higher rate of return than is paid for the funds used to operate. The formula to compute the return on fund equity is to divide net income by the average fund equity (Return on Fund Equity = Net Income/Average Fund Equity). Average fund equity is the opening equity plus the closing equity divided by two.

I. Turnover of Working Capital. Working capital is a valuation metric that is calculated as current assets minus current liabilities. Current assets include accounts receivable and inventory. Current liabilities include accounts payable. These various components are analyzed individually to account for changes from period to period. The turnover of working capital reflects the extent to which NAFI is operating on a small or large amount of working capital in relation to sales. The formula to compute the working capital turnover is to divide the net sales by the average working capital (Turnover of Working Capital = Net Sales/Average Working Capital). Average working capital is ending current assets minus ending current liabilities plus beginning current assets minus beginning current liabilities, divided by two.

J. Other Ratios. The ratios referenced in the previous paragraphs are not the only ones that can be computed. Following are additional ratios that can be used:

1. Fixed Asset Turnover;

2. Working Capital to Total Assets; and

3. Return on Tangible Assets.

070404. Comparative Statements

A. General. Any fact by itself has limited significance. Other related facts are necessary to give the first fact increased meaning. The validity of this observation is demonstrated as follows: Learning that last year's net income of a certain activity was $68,514 offers little insight. Does that amount of net income indicate a successful or unsuccessful year? Does the amount present an improvement or decline from the year before? Is the amount large or small in relation to sales, assets, or equity? How does it compare with similar activities? If the information about last year's income is to have any real meaning, then other facts must be known.

B. Comparison. If the financial statements are analyzed on a comparative basis, then they can be much more informative and meaningful. Four comparison types are possible:

1. Comparison of the latest financial statements and relationships between various elements with the statements and relationships of one or more previous periods;

2. Comparison of the statements and financial relationships of the fund with data for other similar activities;

3. Comparison of statements and financial relationships of two or more divisions or branches of the same activity; and

4. Comparison of information in the statements with preset plans or goals (normally in the form of budgets).

C. Horizontal Analysis. A comparison of the amounts for the same item in the financial statements of two or more periods is called horizontal analysis. The term is applied because the analysis, which suggests probabilities, weaknesses, or strengths, includes data from year to year rather than as of one date or period of time as a whole. If the amount of any change and its relative size are shown, then a comparison is facilitated. In computing the percent of change, the amount for the earlier year serves as the base. In general, the percentage of change is of greater interest than the actual amounts.

D. Vertical Analysis. The amount of each item in a statement can be expressed as a percentage of the total. Percentages resulting from vertical analysis may be compared across two or more periods to discover trends over time.

0705 REPORTING TO THE INTERNAL REVENUE SERVICE (IRS)

070501. General

All records relating to payments to individuals and firms are retained for at least four years and available for IRS review. Continental United States (CONUS) offices consult their local IRS office when forms, publications, or assistance are needed. Overseas offices contact the IRS, Assistant Commissioner (International), by going to ***www.irs.gov***, to get the address and telephone number of the nearest IRS representative. IRS representatives, in CONUS and overseas, are available to provide instructions concerning IRS procedures for return preparation, filing, and depositing employment tax payments.

070502. Contract Payments (Nonpersonal Services)

Cumulative payments made by NAFIs under service contracts of $600 or more to anyone, during a calendar year, are reported to the IRS along with the total amounts paid to include the name, address, and Social Security number of the individual. For businesses, report the amount paid, the business name, business address, and business tax identification number. NAFI contracts with entertainers are considered service contracts. If a single payment to an individual is less than $600 but total payments made during the calendar year to the same individual reach $600, then a report must be filed. The report is provided to the individual or firm and to the IRS using IRS ***Form 1099-MISC***, "Miscellaneous Income." The individual or firm receives a copy of the IRS Form 1099-MISC by January 31 of the calendar year following the calendar year in which payment was made. This requirement also applies to individuals who, in addition to being NAFI

employees, have contracts with NAFI for nonpersonal services. A separate IRS Form 1099-MISC is prepared for each individual or firm to whom total payments of $600 or more are made. IRS ***Form 1096, "Annual Summary and Transmittal of U.S. Information Returns***," is used to transmit the IRS copy of 1099s to the IRS. These forms are forwarded to the IRS by February 28 of the following year. Refer to www.irs.gov for preparation instructions and filing requirements.

070503. Gambling and Bingo Winnings

IRS reporting requirements for gambling and bingo winnings are tied to individual games. Unlike contract payments, winnings are not accumulated from game to game; each game stands alone for IRS reporting requirements. Whenever cash, merchandise, or a combination thereof with a total value of $1,200 or more is awarded to a person for winning a single bingo game or other gambling activity, an IRS ***Form W-2G, "Certain Gambling Winnings***," is prepared. Individuals receive their copies of the IRS Form W-2G either at the time payment is made or not later than January 31 of the following year. IRS Form 1096 is used to transmit the IRS copy of the IRS Form W-2Gs to the IRS. Additionally, IRS ***Form 1042S, "Foreign Person's U.S. Source Income Subject to Withholding,"*** is prepared for reporting foreign nationals gaming winnings and withholdings. These forms must be forwarded to the IRS by February 28 of the following year. Refer to www.irs.gov for preparation instructions and filing requirements.

0706 INTERNATIONAL BALANCE OF PAYMENTS (IBOP) PROGRAM

IBOP is an accounting of a country's international transactions for a particular time period. NAFIs are subject to the IBOP reporting requirements prescribed in ***DODI 7060.03, "International Balance of Payments Program – Nonappropriated Fund Activities,"*** and Volume 6A, Chapter 13.

0707 FORMAT FOR THE BALANCE SHEET

070701. Format for the Balance Sheet

The format presented in Figure 7-1 will be used for the consolidated Balance Sheet. The working versions of all statements and notes will include line numbers as shown.

070702. Instructions for the Preparation of the Balance Sheet

The Balance Sheet presents, as of a specific time, amounts of economic benefits owned or managed by the reporting entity (assets), amounts owed by the entity (liabilities), and amounts which comprise the difference (net worth). Individual statement crosswalks are prepared from information utilizing the Nonappropriated Fund Standard General Ledger guidance and crosswalks found in Chapter 2. Complete the heading on the form to indicate: (a) Military Service, (b) Program Group, and (c) the reporting period (month and calendar year).

070703. Line Item Instructions for Preparing the Balance Sheet

A. Current Assets

1. Cash/Investments, Line 1. This is a summary line for cash and investments. General ledger account 1110 (Cash) is a summary account that includes general ledger accounts 1111, 1112, 1113, and 1114. Report the balances of the following accounts:

GL Acct #	Title
1110	Cash
1120	Savings Account
1130	Marketable Securities
1140	Other Short-Term Investments

2. Receivables, Line 2. This is a summary line for all receivables. Report the balances of the following accounts:

GL Acct #	Title
1210	Accounts Receivable - This is a summary account that includes general ledger accounts 1211, 1212, 1213, 1214, and 1215.
1220	Deposits Receivable
1230	NAFI Receivables
1240	Returned Check Receivable
1250	Employee Receivable
1260	Accrued Interest Receivable
1270	Loans Receivable
1280	MWR USA Receivable
1290	Other Current Receivables (Specify)
1299	Allowance for Doubtful Accounts

3. Other Current Assets, Line 3. This is a summary line for all prepaid assets. Report the balances of the following accounts:

GL Acct #	Title
1310	Travel Advances
1320	Prepaid Contracts
1330	Prepaid Insurance
1340	Prepaid Rent
1350	Prepaid Supplies
1360	Prepaid Tax and License
1370	Other Prepaid Expenses.

4. Inventory, Line 4. This is a summary line for all inventory accounts. Report the balances of the following accounts:

GL Acct #	Title
1410	Inventory Warehouse/Storeroom
1420	Inventory Sales Outlet Resale Current Assets
1430	Inventory In-Transit

5. Total Current Assets, Line 5. Report the net total of line 1 through line 4.

B. Noncurrent Assets

1. NAFI-Owned Fixed Assets, Line 6. This is a summary line for all NAFI-owned fixed assets. Report the balances of the following accounts:

GL Acct #	Title
1510	Land Improvements
1520	Construction in Progress
1530	Buildings and Improvements

1540	Furniture and Fixtures
1550	Equipment
1560	Internal-Use Software
1570	Fixed Assets in Transit

2. Less: Accumulated Depreciation on NAFI-Owned Fixed Assets, Line 7. This is a summary line for the accumulated depreciation for all NAFI owned fixed assets. Report the balances of the following accounts:

GL Acct #	Title
1511	Accumulated Depreciation on Land Improvements
1531	Accumulated Depreciation on Buildings and Improvements
1541	Accumulated Depreciation on Furniture and Fixtures
1551	Accumulated Depreciation on Equipment
1561	Accumulated Amortization on Internal-Use Software

3. Net NAFI Owned Fixed Assets, Line 8. Report the net total of lines 6 and 7.

4. Government Titled Fixed Assets, Line 9. This line is for reporting fixed assets for which title has been transferred to the Government. Footnotes are required. Report the balance of the following account:

GL Acct #	Title
1580	Buildings and Improvements-Government Titled

5. Less: Accumulated Depreciation on Government Titled Fixed Assets, Line 10. This line is for depreciation of government titled fixed assets. Report the balance of the following account:

GL Acct #	Title
1581	Accumulated Depreciation on Buildings and Improvements Government Titled

6. Net Government Titled Fixed Assets, Line 11. Report the net total of lines 9 and 10.

7. Pension Benefit Asset, Line 12. This new general ledger account is used for reporting the difference when the Plan Assets are greater than the Plan Benefit Obligation. Report the balance of the following account:

GL Acct #	Title
1610	Pension Benefit Asset

8. Other, Line 13. This is the summary line for all other noncurrent assets that include receivables and investments. Report the balances of the following accounts:

GL Acct #	Title
1620	Long-Term Receivables
1630	Sinking Fund
1640	Long-Term Investments

9. Total Noncurrent Assets, Line 14. Report the net total of line 6 through line 13.

10. Total Assets, Line 15. Report the net total of line 5 and 14.

C. Current Liabilities

1. Accounts Payable, Line 16. This is the summary for all accounts payable. Report the balance for the following account:

GL Acct #	Title
2100	Accounts Payable

2. Post-Retirement Benefit Obligation, Line 17. This new general ledger account is used for reporting the difference when the Plan Assets are less than the Plan Benefit Obligation. The difference is classified as a current liability as determined and provided by the pension provider when the amount is due within the year. This also includes any other post-retirement benefit plan, such as retiree health care. Report the balance of the following account:

GL Acct #	Title
2200	Post-Retirement Benefit Obligation - Current

3. Other Current Liabilities, Line 18. This is a summary line for all other current liabilities. General ledger account 2300 (Other Current Liabilities) is a summary account that includes general ledger accounts 2310, 2320, 2330, 2340, 2350, 2360, 2370, 2380, 2390, 2410, 2420, and 2430. Additionally, general ledger account 2370 (Salaries Payable) is a summary account and includes general ledger accounts 2371, 2372, 2373, 2374, 2375, 2376, and 2377.

4. Total Current Liabilities, Line 19. Report the total of lines 16 through line 18.

D. Long Term Liabilities

1. Loans Payable, Line 20. Report the amount of loans and notes that will not be paid within 12 months. Report the balance of the following account:

GL Acct #	Title
2510	Long Term Loans Payable

2. Post-Retirement Benefit Obligation, Line 21. This new general ledger account is used when the difference of the Plan Assets are less than the Plan Benefit Obligation. The difference is classified as a long-term liability as determined and provided by the pension provider and exceeds 12 months. This also includes any other post-retirement benefit plan, such as retiree health care. Report the balance of the following account:

GL Acct #	Title
2520	Post-Retirement Benefit Obligation – Long Term

3. Other, Line 22. This is a summary line for all other long-term liabilities. Report the balances of the following accounts:

GL Acct #	Title
2530	Long Term Leases Payable
2540	Other Long Term Liabilities (Specify)

4. Total Long Term Liabilities, Line 23. Report the total of lines 20 through line 22.

5. Total Liabilities, Line 24. Report the total of line 19 and 23.

E. Net Worth

1. Net Worth, Line 25. Report the amount of retained earnings, net income (loss), pension adjustment, and other equity transactions, pursuant to ***DoDI 1015.15, paragraph 6.4.2.*** Report the balances of the following accounts.

GL Acct #	Title
3010	Retained Earnings
3020	Contributed Capital
3030	Minimum Pension Liability Adjustment
3040	Other Equity Transactions

2. Total Liabilities and Net Worth, Line 26. Report the total of lines 24 and 25.

0708 FORMAT FOR THE STATEMENT OF INCOME AND EXPENSE

070801. Format for the Statement of Income and Expense

The format presented in Figure 7-2 will be used for the Statement of Income and Expense.

070802. Instructions for the Preparation of the Statement of Income and Expense

NAF income and expense for common support functions is allocated to and reported by the benefiting categories (Category A, B, and C). Allocation procedures are the same as those used to prepare Schedule A - APF and NAF Expense Summary. Allocated or prorated management overhead is not reported below the category level. Individual statement crosswalks are prepared from information utilizing the Nonappropriated Fund Standard General Ledger guidance and crosswalks found in Chapter 2. Complete the heading on the form to indicate (a) Military Service, (b) Program Group, (c) Category, and (d) the reporting period (month and calendar year).

070803. Line Item Instructions for Preparing the Statement of Income and Expense

A. Sales, Line 1. This is a summary line for income from sale of goods or services less returns and allowances and discounts. Report the balances for the following accounts:

GL Acct #	Title
4010	Sales
4011	Sales Returns and Allowances
4012	Sales Discounts

B. Cost of Goods Sold, Line 2. This is a summary line for the Cost of Goods Sold calculation. Report the balances for the following accounts:

GL Acct #	Title
6010	Purchases – Resale
6011	Purchases Returns and Allowances – Resale
6012	Freight – Resale
6013	Vendor Rebates – Resale

C. Gross Margin, Line 3. Gross Margin is a calculation. The calculation is the total sales revenue minus the cost of goods sold, divided by the total sales revenue, expressed as a percentage.

D. Other Operating Income, Line 4. This is the heading for reporting Other Operating Income, as follows.

1. Participation Fees and Charges, Line 4a. Report the balances for the following accounts:

GL Acct #	Title
4020	Participation Fees and Charges
4040	Other Fee Income (Specify)
4060	Amusement Machine Income
4090	Gaming Machine Income

2. Dues and Assessments, Line 4b. Report the balance for the following account:

GL Acct #	Title
4050	Dues and Assessment Income

3. Concessionaire Income, Line 4c. Report the balance for the following account:

GL Acct #	Title
4080	Concessionaire Income

4. Other, Line 4d. Report the balances for the following accounts:

GL Acct #	Title
4030	Other Service/Recreation Activity Income (Specify)
4070	Commission Income

E. Total Other Operating Income, Line 5. Report the total of lines 4a, 4b, 4c and 4d.

F. Gross Operating Income, Line 6. Report the total of line 1 less line 2 plus line 5.

G. Operating Expenses, Line 7. Report the operating expenses from Schedule A, Lines 1-13. Refer to Figure 7-4. This section does not crosswalk to general ledger accounts.

H. Operating Margin, Line 8. Operating Margin is a calculation only. Report the difference in Gross Operating Income (Line 6) and Operating Expenses (Line 7).

I. Other Income, Line 9. Non-operating income (loss) consists of income/expenses that are not related to the NAFI's primary operation.

1. Dividends, Line 9a. Report the balance for the following account:

GL Acct #	Title
4130	Exchange Dividend Income

2. Grants, Line 9b. Report the balance for the following account:

GL Acct #	Title
4240	Grant Income

3. Other, Line 9c. Report the balances for the following accounts:

GL Acct #	Title
4110	Commercial Sponsorship Income
4120	Recyclable Material Income
4140	U.S. Department of Agriculture Income
4150	UFM Income
4160	Cash Overage
4170	Contributions and Donations
4180	Intrafund Income
4190	Interest Income
4210	Other Income (Specify)
4220	Gain on Disposition of Fixed Assets
4230	Gain on Foreign Currency

J. Total Non-Operating Income, Line 10. Report the total of lines 9a, 9b and 9c.

K. Other Expenses, Line 11. Report other expenses from Schedule A, Line 14. This section does not crosswalk to general ledger accounts.

L. Net Income Before Extraordinary Items, Line 12. Report the net of Line 8, 10 and11.

M. Extraordinary Income, Line 13. Extraordinary income is income that is unusual and infrequent and is to be accorded special treatment in the accounts or separate disclosure in financial statements. Report the balance of the following account:

GL Acct #	Title
7100	Extraordinary Income (Specify)

N. Extraordinary Expense, Line 14. Extraordinary expenses are expenses that are unusual and infrequent and are to be accorded special treatment in the accounts or separate disclosure in financial statements. Report the balances of the following accounts:

GL Acct #	Title
7200	Extraordinary Expense (Specify)
7300	Base Realignment & Closure (BRAC) and Installation Closure Expense.

O. Net Income, Line 15. Report the net of lines 12 through 14.

0709 FORMAT FOR THE RECONCILIATION OF NET WORTH

070901. Format for the Reconciliation of Net Worth

The format presented in Figure 7-3 will be used for the Reconciliation of Net Worth.

070902. Instructions for the Preparation of the Reconciliation of Net Worth

The Reconciliation of Net Worth presents, as of a specific time, the reconciliation of the additions and reductions of net worth. Individual statement crosswalks are prepared from information utilizing the Nonappropriated Fund Standard General Ledger guidance and crosswalks found in Chapter 2. Complete the heading on the form to indicate: (a) Military Service, (b) Program group and (c) the reporting period (month and calendar year).

070903. Line Items Instructions for Preparing the Reconciliation of Net Worth

A. Line 1, Net Worth, Beginning. Report the amount of Line 25 on the Balance Sheet from the preceding year.

B. Line 2, Net Income. Report the amount of Line 15 from the Statement of Income and Expense.

C. Line 3, Grants Received. Report the balance of general ledger account 4240, Grant Income (new account) on Line 9b from the Statement of Income and Expense.

D. Line 4, Other Increases (Specify). Report the balances of general ledger accounts (as appropriate) for 3020 - Contributed Capital, 3030 – Minimum Pension Liability Adjustment, and 3040 – Other Equity Transactions. Examples of increases include donated assets, recycling contributions, prior year material corrections, change in funded status of pension and other postretirement liabilities, and funds for BRAC property.

E. Line 5, Total Additions. Report the sum of Lines 2, 3, and 4.

F. Line 6, Net Loss. Report the amount on Line 15 of the Statement of Income and Expense (if appropriate).

G. Line 7, Grants Disbursed. Report the balance of general ledger account 5430, Grants Expense from Schedule A - APF and NAF Expense Summary.

H. Line 8, Other Decreases (specify). Report the balances of general ledger accounts (as appropriate) for 3020 - Contributed Capital, 3030 – Minimum Pension Liability Adjustment, and 3040 -Other Equity Transactions. Examples of decreases include transfer of headquarters funded projects after books closed, change in funded status of pension and other postretirement benefit liabilities, net decreases in fair value of derivative instruments, annual leave transfers, asset write offs, data conversion write offs, prior period adjustments, interest distribution, dividends paid, audit adjustments, and closing facilities.

I. Line 9, Total Reductions. Report the sum of Lines 6, 7, and 8.

J. Line 10, Net Additions/Reduction to Net Worth. Report the net of Line 5 and Line 9.

K. Line 11, Net Worth, Ending. Report the sum of Line 1 and Line 10.

0710 FORMAT FOR THE SCHEDULE A - APF AND NAF EXPENSE SUMMARY

071001. Format for Schedule A - APF and NAF Expense Summary

The format presented in Figure 7-4 will be used for Schedule A.

071002. Instructions for the Preparation of Schedule A

NAF expenses for common support functions are allocated to and reported by the benefiting categories (Category A, B, and C). Allocated or prorated management overhead is not reported below the category level. Individual statement crosswalks are prepared from information utilizing the Nonappropriated Fund Standard General Ledger guidance and crosswalks found in Chapter 2. Complete the heading on the form to indicate (a) Military Service, (b) the Program Group, and (c) Year Ending.

071003. Line Item Instructions for Preparing Schedule A

A. Cost Expense Captions

1. Military Personnel, Line 1. This line includes the cost of the services of active duty military personnel computed according to policy in DoDFMR Volume 7A. Report the balance of the following account:

GL Acct #	Title
5580	Appropriated Fund (APF) Payroll Expense

2. Civilian Personnel (Salaries and Wages), Line 2. This line includes the cost of the services of civilian personnel computed according to policy in DoD FMR Volume 7A. Report the balance of the following account:

GL Acct #	Title
5010	Salaries and Wages Expense
5020	Capitalized Labor Costs

3. Civilian Personnel (Services and Benefits), Line 3. This line includes the cost of services of civilian personnel paid from appropriated funds and the cost of personnel compensation and benefits, including employer costs for Civil Service Retirement System, Federal Employees Retirement System, Thrift Savings Plan, Federal Employees Group Life Insurance, and Federal Employees Group Health Insurance. Report the balances of the following accounts:

GL Acct #	Title
5030	Annual Leave Expense
5040	Sick Leave Expense
5070	Foreign National (FN) Benefits Expense
5080	Other Employee Benefit Expense (Specify)

4. Utilities, Line 4. This line includes the cost of heat, light, power, water, gas, electricity, steam, and other utility services. Report the balance of the following account:

GL Acct #	Title
5450	Utilities Expense

5. Rent, Line 5. This line includes rental of equipment (except transportation equipment) and real property. Report the balance of the following account:

GL Acct #	Title
5490	Rent Expense

6. Communications, Line 6. This line includes charges for the transmission of messages from place to place, postal charges, and electronic communications (telephone and telephone installation charges, Internet, television, DSN, fax, public address systems, and other electronic media). Report the balances of the following accounts:

GL Acct #	Title
5460	Cable/Satellite Service Expense
5470	Communications Expense
5660	Internet Expense

7. Sustainment, Restoration, and Modernization (Including APF minor construction), Line 7. This line includes sustainment, restoration, and modernization of facilities and real property supplied through commercial contracts. The costs are allocated on the basis of job costing systems, using fixed charges or unit costs for specific categories of maintenance. Report the balance of the following account:

GL Acct #	Title
5250	Building and Structures Maintenance and Repair Expense

8. Supplies and Equipment, Line 8. This line includes the cost of supplies, equipment, and materials that are ordinarily consumed or expended within 2 years or used to fix property (such as repair parts). Also, includes appropriated fund software that is not capitalized. Report the balance of the following account:

GL Acct #	Title
5170	Supplies Expense
5550	Minor Property and Equipment Expense

9. Contractual Services, Line 9. This line includes the cost of services that are provided indirectly through contracts or Memoranda of Agreements (MOAs). Report the balance of the following account:

GL Acct #	Title
5370	Contractual Expense

10. Travel of Personnel, Line 10. This line includes travel and transportation of persons when the primary purpose is to conduct NAFI business. Report the balance of the following account:

GL Acct #	Title
5240	Travel Expense

11. Transportation of Things, Line 11. This line includes expenses for the transportation of things, whether incurred through contract or use of Government resources. Report the balance of the following account:

GL Acct #	Title
5480	Freight Expense

12. Reimbursed Common Support, Line 12. This line includes expenses provided by a different Program Group and reimbursed by the benefiting Program Group as identified in ***DoDI 1015.15***, paragraph 6.1.1.1. Report the balance of the following account:

GL Acct #	Title
5380	Administrative Common Support Service

13. NAF Depreciation, Line 13. This line includes depreciation expense on NAFI capitalized tangible fixed assets, both NAFI-owned fixed assets and fixed assets to which title has been transferred to the Government. Report the balance of the following account:

GL Acct #	Title
5620	Depreciation Expense

14. All Other Expenses, Line 14. Report the balances of the following accounts:

GL Acct #	Title
5090	Spoilage, Breakage, and Obsolescence
5110	Promotion Expense
5120	Advertising Expense
5130	Child Care Food Expense
5140	Manager's Expense
5150	Sports Activities Expense
5160	Amenities Expense
5180	Laundry and Dry Cleaning Expense

5190	Tableware, Kitchenware, Linen and Uniform Expense
5210	Intra Fund Expense
5220	Professional Membership Expense
5230	Training Expense
5260	Vehicle, Boat, Aircraft Maintenance and Gas Expense
5270	Vehicle Registration Program Expense
5280	Awards and Prizes
5290	Official Hosting and Representation Expense
5310	Entertainment Expense
5320	Printing Expense
5330	Program and Brochure Expense
5340	Volunteer Service Expense
5350	Bank and Service Charge Expense
5360	Credit Card Expense
5390	401 K Administrative Surcharge Expense
5410	Claims Expense
5420	Dividend Expense
5430	Grants Expense
5440	Vending Machine Income Sharing Expense
5510	Insurance Expense
5520	Subscription and Dues
5530	Tax and License Expense

5540	Late Payment Interest Expense
5560	Franchise/Royalties Expense
5570	Audit Expense
5590	Cash Shortage
5610	Other Expense (Specify)
5630	Interest Expense
5640	Unit Allocation
5650	Lease Expense
5670	Flexible Spending Account Admin Fee
5680	Bad Debt Expense
5690	Prior Period Expense
5710	Loss on Disposition of Fixed Assets
5720	Loss on Foreign Currency

15. Total Expense, Line 15. Report the total of lines 1 through 14 for Categories A, B and C for APF and NAF.

B. Capital Expenditure Captions. This section does not crosswalk to general ledger accounts. Per Office of the Under Secretary of Defense (Personnel and Readiness), Resale Activities Division, this section must tie to the Capital Investment Summary Report as required by Enclosure 10 of ***DoDI 7700.18***.

1. Facilities and Improvements (Land and Structures), Line 16. Lines 16a and 16b include capitalized costs for tangible fixed assets, land, buildings, and other structures; additions to buildings; nonstructural improvements; and fixed equipment.

2. Equipment (Investment type), Line 17. This line includes all other capitalized tangible fixed assets not included in ***DoDI 1015.15***, paragraph E7.2.3.

3. Total Costs (less depreciation), Line 18. Report the total for lines 16.a, 16.b, and 17 for Capital Expenditures.

0711 FORMAT FOR THE STATEMENT OF CASH FLOW

071101. Format for the Statement of Cash Flow

The format presented in Figure 7-5 will be used to prepare the Statement of Cash Flow.

071102. Instructions for the Preparation of the Statement of Cash Flow

The Statement of Cash Flow discloses the gross cash receipts and cash payments with an explanation of the changes in cash or cash equivalents for the reporting period. Individual statement crosswalks are prepared from information utilizing the Nonappropriated Fund Standard General Ledger guidance and crosswalks found in Chapter 2. Complete the heading on the form to indicate: (a) Military Service, (b) Program Group, and (c) Period Ending.

071103. Line Item Instructions for Preparing the Statement of Cash Flow

A. Operating Activities: Net Income, Line 1. This amount comes from the Line 8, Operating Margin from the Statement of Income and Expenses.

B. Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities

1. Depreciation and Amortization, Line 2. The Depreciation and Amortization expenses are not paid in cash and require a positive adjustment to the net cash flow from operations. This amount comes from Line 13, Schedule A - APF and NAF Expense Summary.

2. Loss on Disposal of Fixed Assets, Line 3. A loss on disposal of fixed assets requires a positive adjustment to the net cash flow from operations. This amount comes from Line 14, Schedule A - APF and NAF Expense Summary and specifically identified as a Loss on Disposition of Fixed Assets (general ledger account number 5710).

3. Decrease (Increase) in Accounts Receivable, Line 4. The change in accounts receivable balances between the end of the preceding and current fiscal year comes from Line 2 on the Balance Sheet. A decrease in Accounts Receivable balances adds to the cash balance. An increase in Accounts Receivable reduces the cash balance.

4. Decrease (Increase) in Inventories, Line 5. The change in inventory balances between the end of the preceding and current fiscal year comes from Line 4 on the Balance Sheet. A decrease in Inventory balances adds to the cash balance. An increase in Inventory balances reduces the cash balance.

5. Decrease (Increase) in Prepaid Expenses, Line 6. The change in prepaid expense balances between the end of the preceding and current fiscal year comes from Line 3 (Other Current Assets) on the Balance Sheet. A decrease in prepaid expense balances adds to the cash balance. An increase in prepaid expense balances reduces the cash balance.

6. Increase (Decrease) in Accounts Payable, Line 7. The change in accounts payable balances between the end of the preceding and current fiscal years comes from Line 16 on the Balance Sheet. An increase in accounts payable balances adds to the cash balance. A decrease in accounts payable balances reduces the cash balance.

7. Increase (Decrease) in Unearned Income, Line 8. The change in unearned revenue balances between the end of the preceding and current fiscal years comes from Balance Sheet Line 18, Other Current Liabilities, specifically, general ledger accounts UFM Unearned Revenue (2380) and Unearned Revenue (2390). An increase in unearned revenue balances adds to the cash balance. A decrease in unearned revenue balances reduces the cash balance.

8. Increase (Decrease) in Other Current Liabilities, Line 9. The change in other current liabilities balances between the end of the preceding and current fiscal years comes from Balance Sheet Line 18 less general ledger account Other Liabilities (2430) less Line 8 on the Statement of Cash Flow. An increase in other current liabilities balances adds to the cash balance. A decrease in other current liabilities balances reduces the cash balance.

9. Other Liabilities (specify), Line 10. The change in other liabilities (specify) balances between the end of the preceding and current fiscal years comes from Balance Sheet Line 18, specifically general ledger account 2430, Other Liabilities (Specify). An increase in other liabilities balances adds to the cash balance. A decrease in other liabilities balances reduces the cash balance.

10. Total Adjustments, Line 11. Total adjustments are the sum of Lines 2 through 10.

11. Net Cash Provided by (Used in) Operating Activities, Line 12. The net cash provided by (used in) operating activities is the total of line 1 and 11.

C. Investing Activities. Investing activities include acquiring and disposing of debt or property, plant, and equipment and other productive assets that are used in the production of goods or services.

1. Purchase of Fixed Assets, Line 13. Amounts disbursed for the purchase of property, plant, and equipment that reduce the cash balance and amounts disbursed for minor construction.

2. Proceeds from the Sale of Fixed Assets, Line 14. The collections or proceeds from the sale of surplus property, plant, and equipment that increase the cash balance.

3. Other (Specify), Line 15. The net amounts of other collections or disbursements associated with the purchase and sale of other investments. Identify the nature of each investment purchased and sold.

4. Net Cash Used in Investing Activities, Line 16. The net cash used in investing is the sum of Lines 13 through 15.

D. Financing Activities. Financing Activities include proceeds from banks and grants or disbursements to banks, individuals, businesses for amounts owed or payment of dividends.

1. Net Borrowing (specify), Line 17. The cash proceeds borrowed from the bank or cash disbursed to the banks for loans.

2. Payment of Dividends, Line 18. The cash disbursed for dividends.

3. Capital Grants, Line 19. The cash proceeds from grants.

4. Net Proceeds from (Payments on) Other Long-Term Liabilities-Other (specify), Line 20. The cash disbursed on other long term liabilities.

E. Net Cash Provided By (Used In) Financing Activities, Line 21. The net cash provided (used in) financing activities is the sum of Lines 17 through 20.

F. Net Decrease/Increase in Cash and Cash Equivalents, Line 22. The sum of net cash provided (used) in operating, investing, and financing activities is the sum of Lines 12, 16, and 21.

G. Cash and Cash Equivalents at Beginning of Year, Line 23. The balances for cash and cash equivalents are the sum of account balances at the beginning of the fiscal year.

H. Cash and Cash Equivalents at End of Year, Line 24. The cash and cash equivalent balances at year end should equal the net of lines 22 and 23 and should agree with Line 1 on the Balance Sheet.

Figure 7-1 Balance Sheet

MILITARY SERVICE: _____
PROGRAM GROUP: _____
AS OF: _____

($ in thousands)

ASSETS
Current Assets
Cash/Investments (Line 1)
Receivables (Line 2)
Other Current Assets (Line 3)
Inventories (Line 4)
Total Current Assets (Line 5)

Noncurrent Assets
NAFI-Owned Fixed Assets (Line 6)
Less: Accumulated Depreciation (Line 7)
Net NAFI-Owned Fixed Assets (Line 8)
Government Titled Fixed Assets (Line 9)
Less: Accumulated Depreciation (Line 10)
Net Government Titled Fixed Assets (Line 11)
Pension Benefit Asset (Line 12)
Other (Line 13)
Total Noncurrent Assets (Line 14)
Total Assets (Line 15)

LIABILITIES and NET WORTH
Current Liabilities
Accounts Payable (Line 16)
Post-Retirement Benefit Obligation (Line 17)
Other Current Liabilities (Line 18)
Total Current Liabilities (Line 19)

Long Term Liabilities
Loans Payable (Line 20)
Post Retirement Benefit Obligation (Line 21)
Other (Line 22)
Total Long Term Liabilities (Line 23)
Total Liabilities (Line 24)

Net Worth (Line 25)
Total Liabilities and Net Worth (Line 26)

Figure 7-2 Statement of Income and Expense

MILITARY SERVICE: _____
PROGRAM GROUP: _____
CATEGORY: _____
FOR THE YEAR ENDING: _____

	Current Year		Prior Year	
	Amount	Percent of Revenue	Amount	Percent of Revenue
Sales (Line 1)				
Cost of Goods Sold (Line 2)				
Gross Margin (Line 3)				
Other Operating Income (Line 4)				
Participation Fees and Charges				
Dues and Assessments				
Concessionaire Income				
Other				
Total Other Operating Income (Line 5)				
GROSS OPERATING INCOME (Line 6)				
Operating Expenses (Schedule A) (Line 7)				
OPERATING MARGIN (Line 8)				
Other Income (Line 9)				
Dividends				
Grants – net				
Other				
Total Non-Operating Income (Line 10)				
Other Expense (Schedule A) (Line 11)				
NET INCOME BEFORE EXTRAORDINARY ITEMS (Line 12)				
Extraordinary Income (Line 13)				
Extraordinary Expense (Schedule A) (Line 14)				
NET INCOME (Line 15)				

Figure 7-3 Reconciliation of Net Worth

MILITARY SERVICE: _____
PROGRAM GROUP: _____
AS OF: _____

($ in thousands)

Net Worth, Beginning: (Line 1)
Additions to Net Worth:
Net Income (Line 2)
Grants Received (Line 3)
Other Increases (specify) (Line 4)
Total Additions (Line 5)
Reductions to Net Worth:
Net Loss (Line 6)
Grants Disbursed (Line 7)
Other Decreases (specify) (Line 8)
Total Reductions (Line 9)
Net Additions/Reductions to Net Worth (Line 10)
Net Worth, Ending (Line 11)

Figure 7-4 Schedule A - APF and NAF Expense Summary

MILITARY SERVICE: _____
PROGRAM GROUP: _____
FOR YEAR ENDING: _____

($ in thousands)

	Category A		Category B		Category C		TOTAL	
Cost Expense Captions	APF	NAF	APF	NAF	APF	NAF	APF	NAF
Military Personnel (Line 1)								
Civilian Personnel (Line 2) (Salaries and Wages)								
Civilian Personnel (Line 3) (Services and Benefits)								
Utilities (Line 4)								
Rent (Line 5)								
Communications (Line 6)								
Sustainment, Restoration and Modernization (Line 7) (including APF minor construction)								
Supplies and Equipment (Line 8)								
Contractual Services (Line 9)								
Travel of Personnel (Line 10)								
Transportation of Things (Line 11)								
Reimbursed Common Support (Line 12)								
NAF Depreciation (Line 13)								
All Other Expenses (Line 14)								
TOTAL EXPENSE (Line 15)								
Capital Expenditures Captions								
Facilities and Improvements (Land and Structures) (Line 16)								
APF (MILCON)								
NAF								
Equipment (Investment type) (Line 17)								
TOTAL COSTS (less depreciation) (Line 18)								

Figure 7-5 Statement of Cash Flow

MILITARY SERVICE: _____
PROGRAM GROUP: _____
FOR THE PERIOD ENDING: _____

	Current Year	Prior Year
Operating Activities: Net Income (Line 1)		
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Depreciation and Amortization (Line 2)		
Loss on Disposal of Fixed Assets (Line 3)		
Changes in Assets and Liabilities		
Decrease (Increase) in Accounts Receivable (Line 4)		
Decrease (Increase) in Inventories (Line 5)		
Decrease (Increase) in Prepaid Expenses (Line 6)		
Increase (Decrease) in Accounts Payable (Line 7)		
Increase (Decrease) in Unearned Income (Line 8)		
Increase (Decrease) in Other Current Liabilities (Line 9)		
Other Liabilities (specify) (Line 10)		
Total Adjustments (Line 11)		
Net Cash Provided by (Used in) Operating Activities (Line 12)		
Investing Activities:		
Purchase of Fixed Assets (Line 13)		
Proceeds from the Sale of Fixed Assets (Line 14)		
Other (specify) (Line 15)		
Net Cash Used in Investing Activities (Line 16)		
Financing Activities:		
Net Borrowing (specify) (Line17)		
Payment of Dividends (Line 18)		
Capital Grants (Line 19)		
Net Proceeds from (Payments on) Other Long-Term Liabilities		
Other (specify) (Line 20)		
Net Cash Provided by (Used in) Financing Activities (Line 21)		
Net Decrease/Increase in Cash and Cash Equivalents (Line 22)		
Cash and Cash Equivalents at Beginning of Year (Line 23)		
Cash and Cash Equivalents at End of Year (Line 24)		

VOLUME 13, CHAPTER 8: "NONAPPRORIATED FUND PAYROLL"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font*****.**

The previous version dated August 2011 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Reworded chapter for clarity and updated hyperlinks.	Update
0802	Changed Civilian Personnel Management Service to Defense Civilian Personnel Advisory Service to reflect the organization's name change.	Update
0804	Clarified that nonappropriated fund employees must report tips received of $20 or more in a month, to the Internal Revenue Service.	Update
080702. A&B	Modified paragraphs to show only nonappropriated leave transfer data since appropriated fund data is addressed in Volume 8, Chapter 4.	Update
080703.C	Deleted Federal Employee Retirement System (FERS) address and combined with Civil Service Retirement System (CSRS); FERS and CSRS retirement documents are now sent to the same address.	Update

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CHAPTER 8

NONAPPROPRIATED FUND PAYROLL

0801 OVERVIEW

080101. Purpose

This chapter provides the standard Nonappropriated Fund (NAF) policies for NAF payroll. NAF employees are not paid from funds appropriated by Congress but from funds generated by Nonappropriated Fund Instrumentalities (NAFIs). NAF employees are Federal employees, but they are not covered by most laws administered by the Office of Personnel Management (OPM), unless specifically provided by statute.

080102. Scope

Policies in this chapter apply to all NAFIs, NAF payroll offices, and their supporting accounting offices (AOs). In accordance with Department of Defense Instruction (DODI) ***1015.15***, Establishment, Management, and Control of Nonappropriated Fund Instrumentalities and Financial Management of Supporting Resources, section 5.4 they do not apply to the Armed Service Exchanges.

*0802 PAYROLL OVERSIGHT

Defense Civilian Personnel Advisory Service (DCPAS) NAF Personnel Policy Division is responsible for developing, coordinating, and publishing Department of Defense (DoD) wide civilian human resource (HR) policy concerning DoD NAF employees. DCPAS policies cover staffing, workforce relations, pay, classification, leave, and employee benefits. DCPAS is also responsible for implementing the DoD Employee Benefit Portability Act and the congressional mandate for a single, uniform health benefits program for NAF employees. DoD NAF HR policy is found in ***DODI 1400.25***, DoD Civilian Personnel Management, with volumes (chapters) in the 1400 series.

080201. Payroll Objectives

All NAF payroll systems that are being designed and implemented, or are in use, must operate in accordance with laws, regulations, policies, and judicial decisions. All payroll systems must provide, at a minimum, the following objectives:

A. Complete, accurate, and prompt processing and accounting for pay, leave, and deductions;

B. Complete, accurate, and prompt generation and maintenance of payroll records and transactions;

C. Timely access to complete and accurate information to those customers internal and external to the NAFI who require the information;

D. Timely and proper interaction of payroll systems with the core financial systems; and

E. Adequate internal controls, to ensure that payroll systems are operating as intended.

080202. Accounting Office Responsibilities

AOs must ensure all payroll information (including accrued payroll and benefits) is passed to the accounting system, whether systemically or manually, update the appropriate general ledger accounts and meet reporting requirements specified in ***DODI 1015.15*** and Volume 13, Chapter 7. AOs are also responsible for the compilation of financial statements.

080203. Nonappropriated Fund Instrumentalities Responsibilities

It is the responsibility of each NAFI to be knowledgeable of the legal requirements governing its payroll operations. NAFIs will establish the administrative workweek, basic workweek, workday, meal periods, legal holidays, administrative leave, flexible and compressed work schedules, compensatory time off for religious observances, and volunteer activities in accordance with ***DODI 1400.25, Volume 1406***, Nonappropriated Fund Attendance and Leave. Compensatory time off may be granted to NAF employees, at their request, instead of overtime pay for overtime work. See ***DODI 1400.25, Volume 1405,*** Nonappropriated Fund (NAF) Pay and Allowances. NAFIs shall ensure that each position is assigned to its proper occupational category, title, code, grade, or pay band level, consistent with the duties and responsibilities of the position, and proper job-grading standards in ***DODI 1400.25, Volume 1407,*** Nonappropriated Fund (NAF) Classification. The NAFI must work closely with the AO and payroll office to ensure the payroll objectives are met.

080204. Payroll Office Responsibilities

The NAF payroll office has primary responsibility for all payroll processing and must work closely with the supporting NAF personnel office, NAFIs, and NAF employees to:

A. Maintain accurate records to satisfy employee needs and NAFI accounting requirements, and comply with federal, state, and local statutory requirements;

B. Ensure safekeeping of pay information with adequate controls;

C. Promptly process all documents received affecting pay in accordance with established schedules;

D. Obtain information necessary to correct errors detected, including erroneous deductions, deductions not withheld, and over deductions by contacting the submitting office or employee;

E. Make timely disbursement of employees' pay and supplemental payments when required;

F. Provide documentation to the NAF personnel office to support retirement actions; and

G. Submit tax reports to federal, state, and local authorities.

0803 BASIC AND PREMIUM PAY

Authorized pay systems for DoD NAF employees are described in DODI 1400.25, ***Volume 1405***. Laws and policies governing the application of rates of basic pay and premium pay for DoD NAF employees are contained or referenced in that DoD issuance.

*0804 TIPS AND SERVICE CHARGES

NAF employees may receive cash or charge (e.g., customer adds to a credit card sales ticket) tips from customers which are not negotiated by the NAFI. Charge tips may be immediately paid to the employee or recorded as a liability in the accounting records to be paid to the employee during payroll processing. NAF employees must report tips received, whether cash or charge, if those tips total $20 or more in a month on Internal Revenue Service (IRS) Form 4070, located in ***Publication 1244***, Employees Daily Record of Tips and Report to Employer, or a similar report, to the NAFI by the 10th day after the month that the tips are received. NAFIs may, at their discretion, distribute service charges (amount added to a customer's ticket) to employees. Service charges distributed to employees are treated as wages and are not required to be included as tips on IRS Form 4070. For further information on tip reporting, refer to ***IRS Publication 15,*** (Circular E), Employer's Tax Guide.

0805 ALLOWANCES AND OTHER SPECIAL ENTITLEMENTS

DODI 1400.25, Volume 1405 covers allowances and other special entitlements for NAF employees. The payment of allowances and differentials to NAF employees in overseas and foreign areas shall comply with ***DODI 1400.25, Volume 1412,*** Nonappropriated Fund (NAF) Overseas Allowances and Differentials, and Employment in Foreign Areas.

0806 PAYROLL DEDUCTIONS

Payroll deductions or withholdings made from an employee's pay must be properly authorized by the employee (or in accordance with applicable laws), adequately documented, and paid when due to the appropriate recipient in the amount authorized.

080601. Taxes

The collection of taxes represents liabilities that are settled when funds are remitted to the designated authorities. Refer to IRS Publication 15, and ***IRS Publication 15-A,*** Employer's Supplemental Tax Guide, for information on employer identification number, tax withholding, depositing, and reporting.

A. Common Law Rules. An employer must generally withhold Federal income taxes, and withhold and pay Social Security and Medicare taxes for its employees. An employer does not generally have to withhold or pay taxes on payments to independent contractors. To determine whether an individual is an employee or an independent contractor under common law, the relationship of the worker and the business must be examined. IRS Publication 15-A provides the guidelines for determining whether an individual is an employee under the common law rules. These rules assist in identifying whether sufficient control is present to establish an employer-employee relationship.

B. Withholding State and Local Income Taxes. The payroll office will withhold taxes from the wages of civilian employees, and remit them to tax jurisdictions wherever the Federal Government has entered into agreements for withholding taxes. State and local taxes shall be withheld from the pay of enlisted personnel compensated from NAF for work performed during off-duty hours.

C. Foreign Taxes. NAFIs located in foreign countries will not pay to, nor collect for, any foreign country or political subdivision, any tax unless the United States has consented to levy collection by treaty, convention, or Executive agreement.

D. Federal Insurance Contributions Act (FICA). The payroll office will withhold a set percentage of an employee's salary each pay period. FICA also requires that the NAFI match the employee's amount and contribute the money to a Government account known as the Social Security Trust Fund.

080602. Other Deductions

If an eligible NAF employee elects to participate in other NAF benefits programs (to include retirement, group life, medical, dental, long term care insurance, flexible spending accounts, and 401(k) savings plan benefits), deductions will be made as applicable. Employee-elected deductions may also be made for U.S. Savings Bonds, contributions to the Combined Federal Campaign, union dues (as applicable), and allotments to financial institutions, such as credit unions, banks, or other savings institutions. In accordance with Public Law (P.L.) 110-181 - FY 2008 National Defense Authorization Act (NDAA), ***section 652***, NAF employees are subject to installment deductions from pay to collect debts for Federal agencies.

080603. Garnishment of Wages

NAF employees are subject to court ordered garnishment of wages for alimony, child support, bankruptcy, commercial debts, and federal tax levies. Refer to DODI 1400.25, ***Volume 1405*** for further information and specific rules applicable to court ordered garnishments.

080604. Administrative Offset for Erroneous Overpayments

In accordance with ***Title 5, United States Code, section 5514***, Installment Deduction for Indebtedness to the United States. NAFI employees are subject to salary offset for collection of debts in the same manner as military members and DoD civilian employees. All NAF employees are subject to salary offset for collection of debts owed to NAFIs or appropriated fund activities in accordance with 5 U.S.C. section 5514, Installment Deduction for Indebtedness to the United States. NAF payroll offices shall ensure procedures are developed to comply with the requirements of 5 U.S.C. 5514. NAF payroll offices shall refer to Volume 8, Chapter 8 and Volume 5, Chapter 28 and use the applicable guidance in developing indebtedness and debt collection procedures for NAFIs.

080605. Order of Precedence for Deductions

If the gross salary of an employee is not sufficient to permit all deductions to be made, then deductions will be made in the order of precedence established by the OPM ***"Order of Precedence"***. NAFIs must consult policies, legal staff, and collective bargaining agreements to ensure the proper Order of Precedence is followed.

0807 EMPLOYEE BENEFIT PORTABILITY PROGRAM

080701. General

The Portability of Benefits for NAF Employees Act was enacted in 1990 to provide portability of pay and benefits for employees moving between NAF and appropriated fund (APF) positions. Under the Portability Act, employees who move with a break in service of no more than three days between DoD NAF and DoD APF positions may be eligible for pay, leave, reduction-in-force, and retirement benefit protection. The protection provided by the Portability Act, particularly protection in the area of retirement coverage elections, was subsequently expanded by ***P.L. 104-106, Section 1043*** enacted in 1996, expanded the authorities provided by the Portability Act, primarily in the area of retirement coverage elections. Section 1131 of the National Defense Authorization Act for Fiscal Year 2002 and ***P.L. 107-107, Section 1131***. further expanded the retirement election opportunity to make it easier for employees to continue retirement coverage after moving between NAF and APF positions. Under current retirement portability law, eligible employees who move with a break in service of no more than one year between DoD NAF positions and retirement covered civil service positions in any Federal agency may elect to continue retirement coverage in the losing employment system's retirement plan without the vesting requirement. Additionally, ***P.L. 107-107, Section 1132***, permits employees in both Civil Service Retirement System (CSRS) and Federal Employee Retirement System (FERS) to use prior NAF service to qualify for an immediate retirement. An employee who elects to remain covered in the losing employment system is excluded from coverage under the gaining DoD Agency for all subsequent periods of employment including periods of service as a reemployed annuitant. Refer to ***DODI 1400.25, Volume 1408,*** Insurance and Annuities for Nonappropriated Fund (NAF) Employees, and the ***Portability Handbook***, Portability of Benefits for Moves Between Civil Service and NAF Employment Systems Reference Guide, for additional information.

*080702. Leave Transfer

In accordance with instructions in the Portability of Benefits for NAF Employees Act, accrued annual and sick leave hours will transfer within DoD to the gaining activity without exchange of funds, if there is a break in service of no more than three days. Employees are not entitled to receive lump sum payment for accumulated/accrued annual leave. Refer to DODI 1400.25, ***Volume 1406*** for additional guidance.

*A. NAF to APF Transfer. When a NAF employee transfers to an APF position, the AO will make applicable entries to the appropriate NAF general ledger accounts to eliminate the annual leave liability. The value of the income resulting from the elimination of the liability will be recorded as a specific non-operating income in the appropriate general ledger account.

*B. APF to NAF Transfer. When an APF employee transfers to a NAF position, the AO will record the total dollar amount of accumulated/accrued annual leave to the appropriate NAFIs general ledger accounts to recognize the annual leave liability. The value of the expense resulting from the recognition of the liability will be recorded as a specific non-operating expense in the appropriate general ledger account.

C. Annual Leave Lump Sum Repayment. Employees who are covered under the provisions of the Portability of Benefits for NAF Employees Act of 1990 and were paid lump sum leave payments between January 1, 1987 and April 15, 1991 because of a transfer between APF and NAF positions may repay those lump sum payments and receive credit of the leave. Employees who separated from Federal service between January 1, 1987 and April 15, 1991, and who were subsequently rehired may also have the opportunity to repay the lump sum leave and receive credit.

*080703. Portability Retirement Records

NAF payroll offices are responsible for providing and processing forms for employees who are retiring under either CSRS or FERS. The payroll offices must fulfill the following general responsibilities relating to CSRS or FERS. For further information on portability retirement, refer to Volume 8, Chapter 4, paragraph 0403, Retirement Deductions.

A. Prepare and maintain a ***Standard Form 2806*** (CSRS) or an ***SF 3100*** (FERS) "Individual Retirement Record," for each employee subject to either CSRS or FERS. Each SF 2806/SF 3100 must be correct, complete, clear in every detail, and properly certified to ensure timely and accurate closeout procedures when an employee is separated or transferred to the paying jurisdiction of another agency.

B. Maintain adequate control over retirement records and associated monetary balances.

C. Promptly send claims and records. OPM requires all Federal agencies to deliver at least 80 percent of all claims for benefits to OPM within 30 days of the retirement or separation date. The OPM address is:

CSRS/FERS Retirement Records
Office of Personnel Management
Retirement Operations Center
P.O. Box 45
Boyers, PA 16017-0045

D. Withhold retirement deductions from employees' salaries, make agency contributions, and send these to OPM for deposit. Thrift Savings Plan (TSP) contributions and the employer's match must be forwarded to the TSP. Deductions begin on the day the employee acquires coverage under the retirement system and must be prorated for partial pay periods. FICA shall be withheld and reported in accordance with current guidance from the Department of Treasury. Employee retirement deductions, employer contributions, employee contributions to applicable 401(K) plans, and loan repayments will be made biweekly and submitted to the appropriate NAF employee benefit system.

0808 LEAVE ACCRUAL

080801. Annual Leave.

The accrual of annual leave is material and must be recognized as a liability and expensed monthly in the individual NAFIs accounting records. The individual leave records or annual leave report, showing the accumulated leave balance for all employees, will be used as the subsidiary to the appropriate general ledger account for each NAFI.

080802. Sick Leave.

The monthly accrual of sick leave is not a liability to the NAFI. Sick leave used monthly will be recognized as an expense in the individual NAFIs accounting records.

080803. NAFI to NAFI Leave Transfer.

When a NAF employee transfers from one NAFI to another, the accrued annual leave hours and dollar amount may be transferred to the gaining NAFI, if both employers and employee agree. If the employee elects not to have the annual leave transferred to the gaining NAFI, then the losing NAFI will make a lump sum leave payment to the employee. The employee may also elect to transfer part of the annual leave balance and take a lump sum payment for the remaining portion. Accrued sick leave hours will transfer to the gaining NAFI with no exchange of funds. See ***DODI 1400.25, Volume 1406*** for additional guidance.

0809 SEVERANCE AND SEPARATION BENEFITS

DODI 1015.15 specifies that NAFIs shall set aside and invest funds on a regular basis to ensure sufficient cash availability to defray payment of severance benefits for U.S. and Foreign National employees upon their separation from NAFI employment. NAFIs will ensure that the estimated liability for a business-based action is accrued when probable and a separation allowance is accrued on a monthly basis where applicable. ***DODI 1400.25, Volume 1405*** describes the eligibility criteria, exclusions, and conditions under which NAF employees may receive severance pay and the computation and payment requirements.

0810 PAYROLL DISBURSEMENTS

All payroll disbursements shall be paid to NAF employees by electronic fund transfer (EFT) unless the head of the agency or designee has granted a waiver. The head of the agency or designee may waive the EFT requirement upon receipt of written certification from the employee which states that he or she does not have an account with a financial institution or providing some other extenuating circumstance.

0811 RECORDS RETENTION AND STORAGE

NAF payroll offices are required to keep records sufficient to support all transactions relevant to matters concerning NAF payroll. In accordance with ***IRS Publication 15***, records of employment taxes shall be maintained for a period of 4 years following the due date of such tax or from the date for which such tax has been paid, whichever date is later. Documentation on pay shall be stored and transferred to the National Personnel Records Center, St. Louis, MO, for 56 years retention in accordance with the National Archives and Records Administration ***General Records Schedule 2.***

0812 INTERNAL CONTROL STANDARDS

A key to effective payroll operations is the maintenance of internal controls over those operations. Internal control standards are outlined in the Office of Management and Budget ***(OMB) Circular A-123***, ***DODI 1015.15, paragraph 6.7.3***, ***DODI 5010.40*** Managers' Internal Control Program Procedures and ***DODI 7600.06*** Audit of Nonappropriated Fund Instrumentalities (NAFI) and Related Activities. All DoD NAF organizations must ensure that these standards are followed for the organization of payroll operations as well as to the methods and procedures adopted for processing and auditing payrolls.

VVOLUME 13, CHAPTER 11: "ACCOUNTING FOR DEFINED BENEFIT PENSION AND OTHER POSTRETIREMENT PLANS"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font*.**

The previous version dated October 2011 is archived

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks, reworded and reformatted chapter for clarity.	Update
110101	Deleted Financial Accounting Standards Codification source references which are provided in Volume 13, Chapter 1, subparagraph 010301.B.	Delete
110303	Re-numbered paragraph 110303 to distinguish between components of net period pension costs and accrued or prepaid pension costs.	Update

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CHAPTER 11

ACCOUNTING FOR DEFINED BENEFIT PENSION AND OTHER POSTRETIREMENT PLANS

1101 OVERVIEW

*110101. Purpose

This chapter provides requirements to account for defined benefit pension and other postretirement plans for single-employer plans. This chapter does not pertain to Military Department plans that are considered multi-employer. The annual reporting of Pension Plan assets and liabilities shall be in conformance with Financial Accounting Standards Board Statement ***(FAS) No. 158,*** Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans. FAS No. 158 addresses the concern that employers' accounting standards for defined benefit pension and postretirement plans fail to communicate the funded status of those plans in a complete and understandable way. FAS No. 158 cross references to Accounting Standards Codification Topic 715 subtopics 20, 30 and 60 and Topic 958.

110102. Scope

The policies in this chapter apply to Department of Defense Nonappropriated Fund Instrumentalities (NAFIs), their supporting Accounting Offices, and joint-Service NAFI exchanges. This chapter provides basic pension accounting, funding principles and a review of the standards contained within FAS No. 158. Each NAFI and its Certified Public Accounting (CPA) firm providing financial services support should fully review the exceptions and variables associated with pension accounting prior to implementation.

1102 DEFINITIONS FOR TERMS IN FINANCIAL ACCOUNTING STATEMENT NO. 158

The standards contained within FAS No. 158 improve existing reporting for defined benefit pension and postretirement plans by requiring an employer to recognize certain financial activity occurring in the plans in their financial statements. This activity includes the overfunded or underfunded status of defined benefit pension and postretirement plans in the balance sheet. The actuarial gains and losses, prior service costs, transition obligations, and credits that arise during the period are recognized through the income statement. In addition, it improves the understanding of the types of plans for the financial statement reader. Several terms NAFIs and Military Departments should be aware of relating to FAS No. 158 follow:

110201. Plan Assets

The Plan Assets (PA) are the amounts a pension plan could reasonably expect to receive for a current sale of assets held for pension benefits.

110202. Projected Benefit Obligation

The Projected Benefit Obligation (PBO) is the actuarial present value, as of a specified date, of all employees' vested and non-vested pension benefits.

110203. Funded Status

The funded status is the difference between PBO (also known as the pension liability) and the PA at fair value.

110204. Measurement Date

The measurement date is the employer's fiscal year-end statement of financial position. The PA and PBO are measured as of this date. Under the old rules, this could be up to three months earlier.

110205. Net Periodic Pension Cost

The Net Periodic Pension Cost (NPPC) is the annual expense incurred by the employer because of the pension plan. The NPPC is composed of the service cost (SC), interest costs, expected return on assets, amortization of prior SC, transition obligations, and unrecognized gains or losses.

110206. Pension Provider

The pension provider is the organization that administers a Military Department's pension plan.

110207. Statement of Financial Position

The statement of financial position is another term for the balance sheet. The term "balance sheet" is used in this volume.

1103 BASIC PENSION ACCOUNTING PRINCIPLES

110301. Disclosure

Pension accounting principles require the disclosure of the components of net pension costs and of the projected benefit obligation. ***FAS No. 87,*** Employers' Accounting for Pensions prescribes the single method that a NAFI must use to reflect the cost of pension plans on income statements and balance sheets.

110302. Measurement Date

Each NAFI selects a measurement date, generally the last day of the fiscal year. As of that date, each NAFI sets assumptions, gathers the participant data used to measure the

obligations, and determines the fair value of assets in the pension trust. Each NAFI uses these amounts to calculate the cost of the plan in the future year and determines if additional amounts must be recorded on the balance sheet.

*110303. Basis for Calculations

A. The basis for calculations is the benefit obligations i.e., PBO and the accumulated benefit obligation (ABO), SC, and the market related value of assets (MRVA). These values are used in the calculation of the NPPC, which is the annual accounting expense or income each NAFI must recognize in its income statement. The NPPC components include:

1. Service Cost (SC). The SC is the annual accrual of benefits.

2. Market Related Value of Assets (MRVA). The MRVA is either the plan's market value of assets ("fair value") or a calculated asset value that recognizes changes in fair value in a systematic and rational manner over not more than five years.

3. Interest Cost. The interest cost is an increase in PBO associated with the passage of time during the year. This is generally the discount rate multiplied by the beginning of year PBO adjusted for expected benefit payments.

4. Expected Return on Assets. The expected return on assets is an increase in PA associated with the passage of time during the year. This is offset against the other cost items and is generally the expected long-term rate of return on assets multiplied by the beginning of year MRVA adjusted for expected benefit payments, contributions, and possibly for expected administrative expenses paid from the trust.

5. Amortization Amounts. Amortization amounts are the systematic recognition of certain changes as follows:

a. Transition Obligation or Asset. Transition Obligation or Asset allows phased recognition on the income statement of the difference between the plan's funded status (PBO less PA) and accrued or prepaid cost on the balance sheet when the NAFIs first transitioned to this statement.

b. Prior Service Cost. Prior Service Cost allows phased recognition on the income statement of changes in the PBO associated with a plan amendment. This amount is generally amortized over the average remaining service period of the plan participants.

c. Unrecognized Gains or Losses. Unrecognized gains or losses allow phased recognition of actuarial gains or losses. Actuarial gains and losses that have not yet been reflected on the income statement are accumulated each year and amortized over the average remaining service period of plan participants only to the extent their total exceeds a threshold. The threshold may be up to 10 percent of the greater of the plan's PBO or MRVA.

B. Accrued or Prepaid Pension Cost. The accrued or prepaid pension cost is the amount on the balance sheet that is equal to the accumulated difference between past NPPC and past plan contributions. A prepaid pension cost arises when the plan contributions exceed the NPPCs or the NPPCs are less than zero. An accrued pension cost arises when the NPPCs exceed plan contributions or the NPPCs are greater than zero. For certain plans whose fair value of assets is less than the ABO there will be an increase in liabilities that must be reflected on the balance sheet. Note that these amounts are reflected on the balance sheet only and do not affect the income statement.

1104 BALANCE SHEET CLASSIFICATIONS

The Military Departments will calculate the funded status of a benefit plan. The funded status should be determined as of the year-end statement date (measurement date) and is defined as the difference between the PBO and PA. Depending on the differences between the PBO and PA, several areas of the balance sheet could be affected. The following examples are provided.

110401. PA greater than PBO

An overfunded plan exists when the PA is greater than the PBO. The difference would be classified as a non-current asset in the balance sheet.

110402. PA less than PBO

An underfunded plan exists when the PA is less than the PBO. The difference would be classified as a liability (current or long term) in the balance sheet. The classification of the liability as a current or long-term liability will be determined and provided by the Pension Provider.

110403. Adjustments

Once the funded status of a benefit plan is determined, adjustments may need to be made to existing pension balances in the balance sheet. These adjustments will be posted as an offset to the equity account in the balance sheet and can be either an addition or reduction to the equity section. These temporary adjustments are treated in the equity section of the balance sheet in the same manner as the "unrealized gains/losses on investments," pursuant to ***FAS No. 115***. In addition, these temporary adjustments are not calculated in the net worth determination. The final result of these entries will result in the funded status equaling either a non-current asset or a liability based on the difference of the PA and PBO. The provisions of ***FAS No. 158*** eliminate the accounting for the potential additional minimum liability, which resulted under the old requirement.

1105 INCOME STATEMENT CLASSIFICATIONS

The NPPC is the annual expense incurred by the employer because of the pension plan. Under FAS No. 158, the pension expense will continue to be recognized as a component of the income statement similar to the previous reporting process. Accounting rules can produce a

negative expense, which appears as income on the financial statements. While the expense (debit) is recognized through the income statement, the second part of the entry (credit) results in adjustments to the balance sheet accounts, which have been expanded to include the adjustment to the equity account. The net of the SC, interest cost, and expected return on PA will continue to be an adjustment as a component of either the non-current asset or the liability, whichever component the NAFI is reflecting in the financial statements due to the new funded status. The amounts of the net gain or loss, net prior service costs or credits, and net transition asset or obligation will be offset against the equity account.

1106 DISCLOSURES

The CPA firm or external auditors receive annual valuation reports from outside actuaries to prepare the financial statement disclosures. At a minimum, the CPA firm will provide additional information about certain effects on net periodic benefit cost, and the amount and timing of any PA expected to be returned to the Military Departments and NAFIs. In addition, amounts recorded as adjustments to the equity section of the balance sheet will result in an adjustment to the income statement. The actuaries should provide this information to the CPA firm for inclusion in the audited financial statements. See FAS No. 158 for more information on disclosure requirements.

1107 BASIC PENSION FUNDING (LIABILITY) PRINCIPLES

110701. Calculation of Liabilities

A pension plan's liabilities can be calculated in different ways, but the same principles always apply. However, accounting and funding calculation principles are different. The actuary calculates the expected future pension payments for each participant in the plan using the entity's participant data and plan provisions. These future benefit payments consider the individual's compensation and service history, and when that individual might be expected to die, quit, become disabled or retire. Each future payment is discounted from the date of payment to present day using the actuarial assumptions. Actuaries call this discounted amount the present value of future benefits (PVFB) and it represents the present value of all benefits expected to be paid from the plan to current plan participants. If assumptions are correct (and if it were allowed), then the NAFI could theoretically set aside that amount of money in a plan today and it would cover payments from the plan, including those for service not yet rendered. Note, this amount considers future service the participant is expected to earn and future pay increases.

110702. Cost Methods

Actuaries developed the following cost methods to be used to determine the amount of the liabilities (current and long-term) to be reported on the balance sheet. These cost methods divide the PVFB into past service, current year of service, and future years of service:

A. Actuarial Liability (AL). AL is the portion of the PVFB that is attributed to past service. This is the current value of the compensation that was deferred in prior years. For pension accounting purposes, the AL is referred to as the PBO. Different cost methods

calculate the AL differently, but it always reflects past service only. Sometimes the AL reflects expected future pay increases because many pension plans are designed so that the retirement benefit is based on the pay at retirement. To allow the plan sponsor to recognize the cost of the plan gradually over the participant's lifetime, the actuary considers the portion of the future benefit due to past service to already include expected future pay increases. The portion of the PVFB that only recognizes benefits accrued to date (i.e., without future pay increases) is called the present value of accumulated benefits (PVAB). This reflects current service and current salary. For pension funding, the PVAB may also be called the current liability; however, the current liability is calculated using Internal Revenue Service mandated interest and mortality assumptions. For pension accounting purposes, the PVAB is referred to as the ABO.

B. Normal Cost (NC). NC is the portion of the PVFB that is attributed to the current year of service. This is the current value of the compensation that is being deferred this year. Different cost methods calculate the NC differently, but generally it reflects the current year of service and may reflect expected future pay increases. For pension accounting purposes, the NC is referred to as the SC.

C. Present Value of Future Normal Costs (PVFNC). PVFNC is the portion of the PVFB that will be attributed to future years of service. It covers compensation that has not yet been earned. This number is not disclosed and is rarely used in any cost calculations. However, it is disclosed in valuation reports for plans that use the Entry Average Normal (EAN) funding method.

110703. Methods Used for Present Value of Future Benefits

PVFB can be divided into the AL, NC, and PVFNC under many different actuarial cost methods. The three most common cost methods are the Projected Unit Credit (PUC) Cost Method, Unit Credit (UC) Cost Method, and the EAN Cost Method.

A. PUC Cost Method. The PUC cost method considers expected future pay increases in the calculation of the liability and normal cost.

B. UC Cost Method. The UC cost method does not reflect expected future pay increases in the liability, and only reflects one year's expected growth in pay in the normal cost.

C. EAN Cost Method. The EAN cost method tends to generate a normal cost from year-to-year that is a level percentage of payroll for each individual on the system with a single date of retirement, not multiple dates of retirement.

DoD 7000.14 - R

DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

VOLUME 14: "ADMINISTRATIVE CONTROL OF FUNDS AND ANTIDEFICIENCY ACT VIOLATIONS"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

VOLUME 14, CHAPTER 1: "ADMINISTRATIVE CONTROL OF FUNDS"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font*.**

The previous version dated January 2009 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
0101	Added a "General" section that incorporated the previous "Purpose" section and new "Overview" and "Authoritative Guidance" paragraphs.	Addition
010206	Added definitions for apportionments, allotments, suballotments and allocations in accordance with OMB Circular A-11, Appendix H. Added specific documentation requirements for allotments. Moved Reimbursable Orders and Centrally-Managed Accounts information to a new paragraph 010207.	Revision
010207	Added an "Other Fund Management" paragraph that incorporates Centrally-Managed Accounts, Reimbursable Orders, and Revolving Funds information as subparagraphs A, B, and C. Subparagraph A clarified the definition of and requirements for a centrally-managed account. Added definitions for reimbursable orders and revolving funds.	Revision
010211.A.6 – 7	Added requirements from 31 U.S.C. § 3512.	Addition
010212	Revised the annual evaluation reporting requirements.	Revision
Policy Memo	The Deputy Chief Financial Officer's "Administrative Control of Funds" memorandum, dated August 7, 2013 was incorporated into this revision and cancelled.	Cancellation

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CHAPTER 1

ADMINISTRATIVE CONTROL OF FUNDS

*0101 GENERAL

010101. Overview

The Volume 14 prescribes the requirements for the administrative control of funds and the Antideficiency Act (ADA) for Department of Defense (DoD) Components. Chapter 1 defines the statutory restrictions and limitations governing the administrative control of funds. Failure to comply with these restrictions and limitations is a violation of the ADA. Chapter 2 explains the ADA and related statutes, causes of violations, and preventive action including training requirements. The additional chapters prescribe the requirements for DoD Components when a potential ADA violation is discovered, conducting an ADA investigation, reporting ADA violations, and administering disciplinary action. The provisions of this volume take precedence over any conflicting guidance in other volumes or DoD regulations, manuals, instructions, or directives.

010102. Purpose

This chapter establishes policy for the administrative control of funds and includes specific instruction for controlling available funds. The DoD Components are required to establish and maintain effective controls over appropriations and other funds in accordance with this chapter. All DoD organizations, appropriations, and funds are subject to the provisions contained herein.

010103. Authoritative Guidance

Administrative division of apportionments and control of funds is prescribed by Title 31, United States Code, section 1514(a) ***(31 U.S.C. § 1514(a))***. The Office of Management and Budget ***(OMB) Circular No. A-11*** prescribes implementing requirements for the control of funds in Section 150 and Appendix H. Additional authorities:

A. ***31 U.S.C. §§ 1341***–1342, ***1349***-1351, and ***1511***-1519 (part of the Antideficiency Act, as amended).

B. ***31 U.S.C. §§ 1101***, ***1104***-1108, and ***3324*** (part of the Budget and Accounting Act, 1921, as amended).

C. ***31 U.S.C. §§ 1501***-1502 (part of section 1311 of the Supplemental Appropriations Act of 1950).

D. ***31 U.S.C. §§ 1112***, ***1531***, ***3511***, ***3512***, and ***3524*** (part of the Budget and Accounting Procedures Act of 1950).

E. Title X of Public Law 93-344, found at ***2 U.S.C. §§ 681***-688.

0102 POLICY

010201. Defense-wide Appropriations

Unless otherwise specified, for purposes of this volume, the Office of the Under Secretary of Defense, Deputy Comptroller (Program/Budget) is considered a "DoD Component" for matters involving Defense-wide (Treasury Symbol "97") appropriations.

010202. Administrative Control Systems

DoD Components must:

A. Design systems for the administrative control of funds so that formal administrative subdivisions of funds are placed at the highest practical organizational level consistent with effective and efficient management.

B. Restrict the use of limitations on available funds to those necessary to comply with statutory provisions, such as those imposed by the appropriate DoD Authorization or DoD Appropriations Act, or to address specific management requirements.

010203. Reporting Requirements for Administrative Control Systems

DoD Components must establish a reporting system for the administrative control of funds process to provide data for reviewing the efficiency (e.g., obligation rate) with which funds are used. Reporting requirements must be established separately from a formal administrative subdivision of funds limitation when a need exists for accumulating data below the allocation level.

010204. Delegations of Authority

All delegations or redelegations of authority or functions under this chapter must be made in writing. Delegation or redelegation of authority or function is prohibited if the delegation or redelegation limits the capabilities of the Secretaries of the Military Departments, the Directors of the Defense Agencies, or designated officials of the Office of the Secretary of Defense to exercise the control necessary to discharge properly their responsibilities in accordance with this volume.

010205. Statutory Limitations and Duties of DoD Officials

DoD officials are prohibited from authorizing or creating any obligation or making any expenditure beyond the amount permitted under any statutory limitation that modifies or restricts the availability of funds. Special or recurring statutory limitations on DoD funds are frequently imposed by the DoD Authorization or Appropriations Acts, or may be imposed by other legislation. Specifically, DoD officials to whom funds are entrusted or apportionments or formal administrative subdivisions of funds are issued at any level must:

A. Limit any further subdivision of funds to the amount provided and currently available.

B. Limit the obligation and expenditure of funds provided to the amount currently available at the time of the obligation or expenditure, enforce those limitations, and ensure that all personnel involved in administrative control and use of available funds are knowledgeable of such limitations.

C. Limit the obligation and expenditure of funds provided to the purposes authorized by type of fund or account.

D. Ensure that the obligation and expenditure of funds provide for a bona fide need of the period of availability of the fund or account.

E. Preclude acceptance and use of voluntary services, gifts, and donations except in accordance with specified provisions of law.

F. Ensure that all personnel, including the actual fund users, contracting personnel, and other personnel involved in administrative control and use of available funds, are fully aware of, and comply with, the requirements of the ADA as described in Chapter 2 and other applicable guidance. Potential ADA violation investigation and reporting requirements are also contained in this volume.

G. Ensure that decisions on the obligation of funds comply with the provisions of the ADA by careful review and examination of the facts involved in advance of the decision.

H. Enforce compliance with all the provisions of the ADA and other specific laws that limit the obligation and expenditure of funds.

I. Maintain internal control systems to ensure that:

1. All available funds are identified, controlled, and recorded in the official accounting records from the time received until subdivided to others or obligated and expended.

2. All available funds are identified with authorized purposes by account, period of availability for new obligations, and for the period of availability for expenditure.

3. All special and recurring provisions and limitations on the obligation and expenditure of funds are identified and documented for all available funds and accounts.

4. All proposed obligations of funds are reviewed to ensure that sufficient funds are available to cover the obligation, the purpose of the obligation is consistent with the authorized purposes of the fund or account, and the obligation does not violate any special or recurring provisions and limitations on the incurrence of obligations.

J. Issue and maintain appropriate delegations of authority.

K. Ensure that amounts reported to the Department of the Treasury are accurate, that is, recorded accurately and posted to the correct appropriation account.

L. Ensure that internal controls are in place and operating as required by ***DoD Instruction 5010.40***, "Managers' Internal Control Program Procedures."

M. Ensure that appropriate training programs are in place to provide all personnel involved in administrative control and use of available funds with the knowledge of funds control and the skills and abilities to perform the duties specified in paragraph 010205. See Chapter 2 for training requirements.

*010206. Apportionments, Allotments, Suballotments and Allocations

The administrative control of funds process restricts obligations and expenditures (disbursements) to the amount available at the apportionment, allotment, suballotment and allocation levels. Apportionments, allotments, suballotments, allocations and other formal administrative subdivision of funds designated by a DoD Component are subject to the provisions of the ADA; therefore, obligations and disbursements of funds that exceed these limitations are violations of the ADA.

A. Apportionments. An apportionment is a distribution made by the Office of Management and Budget of amounts available for obligation in an appropriation or fund account into amounts available for specified time periods, program, activities, projects, objects, or any combination of these. The apportioned amount limits the obligations that may be incurred. An apportionment may be further subdivided by an agency into allotments, suballotments, and allocations.

1. When DoD appropriations or other funds are required to be apportioned under law by OMB to a DoD Component, a request for the apportionment or reapportionment must be prepared and submitted through the Under Secretary of Defense (Comptroller) (USD(C)) to the Director of OMB. A request for an apportionment must be in such form and at such time as the USD(C) may prescribe to conform to the requirements of the

Director of OMB. See Volume 3, Chapter 2 for the preparation of apportionment or reapportionment schedules and Volume 3, Chapter 13, paragraph 130203 for the accounting of DoD apportionments and reapportionments.

2. Obligations during any apportionment period must not exceed the amount of the apportionment available for that period or of any administrative subdivisions of the apportionment. Apportionments may include estimates of anticipated budgetary resources; however, these approved anticipated resources may not be obligated until realized.

3. Apportionments that anticipate the need for a deficiency appropriation or a supplemental under 31 U.S.C. § 1515 will be specifically identified on the apportionment request. To qualify as a deficiency apportionment, the request must be required by:

a. Laws enacted subsequent to the transmittal of the annual budget for the year to Congress;

b. Emergencies involving human life, the protection of property, or the immediate welfare of individuals; or

c. Specific authorization by law.

B. Allotments. An allotment is a subdivision of an apportionment that is made by the head of an agency (e.g., Secretary of Defense), or designee (e.g., USD(C)), to incur obligations within a prescribed amount. Formal distribution, i.e., subdivision of an allotment must contain at least the same statutory and other limitations applicable to the original allotment (e.g. suballotments/allocations to operating agencies or installation-level accounting activities).

1. The USD(C) must make allotments of apportioned amounts, in writing, to the heads of DoD Components. The Secretary of a Military Department, or designee, must make further allotments of apportioned amounts, in writing, to the heads of operating agencies.

a. The original signed document or an authenticated copy bearing a signature or an electronic equivalent of a signature must be forwarded to the recipient of the allotment. This does not preclude the use of an automated system to communicate and record fund subdivisions as long as a confirmation copy bearing an authenticated signature or an electronic equivalent of a signature is available to the recipient via the automated system.

b. At a minimum, this document must contain the following basic information:

1. Amount available;

2. Funding source;

3. Time period of availability;

4. Position and title of the responsible official and other agency limitations; and

5. Justification for changes in allotments.

c. A suballotment is a subdivision of an allotment. It is a formal distribution that must contain at least the same statutory and other limitations and requirements applicable to the original allotment. Amounts allotted may be suballotted to major subordinate operating commands.

2. Allotments/suballotments must not exceed the amount available for use for each apportionment period.

3. The use of an electronically reproduced equivalent of an original signature is considered an acceptable implementation of the requirement for a document containing an authenticated signature. However, in accomplishing electronic transmission of fund authorizations through linked computer systems, internal controls for electronically transmitted allocations and suballocations must have the following minimum characteristics:

a. Fund control systems must provide validation of fund authorities by use of access codes and lockout techniques.

b. One set of access codes must be used to issue fund authorizations.

c. Other controlled access codes must be used to process a signature section of fund control documents for transmission to funded activities.

d. The authentication, signature element, and symbol must be included as part of electronically produced funding documents.

4. Anticipated transfers or other items of anticipated receipts may be allotted/suballotted/allocated only when realized.

5. Allocations are subdivisions of suballotments, or subdivisions of allotments that are not required to be suballotted (reference subparagraph 010206.C).

6. DoD Components must not authorize or incur an obligation, or make a disbursement against anticipated transfer authorizations until the transferred resources are realized. Such actions must be delayed until the completed ***Standard Form (SF) 1151***, "Nonexpenditure Transfer Authorization" is received and the resources realized. An SF 1151 is prepared using a Nonexpenditure Transfer (NET) request through the Governmentwide Accounting (GWA) System Agency Transaction Module (ATM) NET application. See the ***Treasury Financial Manual Volume 1, Part 2, Chapter 2000*** for information and guidance on using the GWA System ATM NET application.

7. DoD Components must not authorize or incur an obligation or make a disbursement against anticipated reimbursements. Such actions must be delayed until the applicable customer order is received from Federal Government activities and funds are collected from public activities. See Volume 11A for reimbursable policy.

C. Allocations. Allocations are subdivisions of suballotments or subdivisions of allotments that are not required to be suballotted.

1. The recipients of allotments or suballotments, or their designees, must make allocations in specific amounts to the heads of installations or organizational units of DoD Components, as required. The total of the amounts allocated must not exceed the amount of the allotment/suballotment available for each period.

2. A suballocation is a subdivision of an allocation. The recipients of allocations may make suballocations to the heads of other organizational units, including those of other DoD Components, as required. The total of the amounts suballocated must not exceed the amount of the allocation available for use for each period.

3. Allocations and suballocations must be made in writing and the recipient's copy must either be signed by the fund-issuing authority or be an authenticated copy bearing an authorized authenticated signature or an electronic equivalent of a signature. At a minimum, the document must contain the following basic information:

a. Name or title of the allocation/suballocation recipient.

b. Amount of the allocation/suballocation and the period of availability.

c. Legal restrictions or limitations on the obligation and disbursement of the allocated/suballocated funds.

d. The amount of anticipated reimbursements, specified to the organizational level responsible for receiving the reimbursable orders.

4. In emergency circumstances, it may not be possible to provide a formal allocation or suballocation document before incurring obligations. Under such emergency conditions, it may be necessary to use expedited means of communication pending formal confirmation.

a. A telephone or other electronic means may be used to make arrangements to indicate that funds will be provided. However, the official allocation or suballocation of funds does not occur until the substantiating documentation of the issuance of funds has been transmitted by the issuer and received by the recipient.

b. In such cases, both the issuer and recipient must document the funding transaction showing action taken, the date, amount involved, authorizing official, and method of communication. The issuer must immediately provide a copy of the documentation to the recipient and request acknowledgment of receipt. The recipient must provide confirmation of receipt and acceptance to the issuer. The issuer must sign the same documentation and return the document containing both signatures. The official funds issuance does not occur until this final double-signed (issuer and recipient) document has been received by the recipient of the funds.

c. The recipient is not authorized to issue funds to others or authorized to incur obligations with the funds received until after receipt of the double-signed document.

*010207. Other Fund Management

A. Centrally-Managed Account (CMA). The head of an operating agency that has specific written approval of the head of a DoD Component may establish CMAs. A CMA is a formal administrative subdivision of funds (allotment, suballotment, or allocation) that is managed at the highest practical level and allows officials at a lower echelon to incur obligations or charge expenditures to the CMA for authorized purposes without further determination or certification of fund availability for the individual transactions. Fund balances at the allotment/suballotment/allocation level are subject to the provisions of ***31 U.S.C. § 1517(a)(1)***. Fund authorization documents forwarding budget authority to the CMA must include the following statement: "Authorizing or incurring obligations in excess of the cumulative allotment/suballotment/allocation amount, contained herein, is a reportable violation of 31 U.S.C. § 1517."

1. These accounts must be established only when it is impractical to administer decentralized allotments/suballotments/allocations under normal operating procedures. The head of an operating agency, usually general officer or Senior Executive Service level, is responsible for establishing adequate controls to ensure CMA managers are expeditiously informed of obligations and expenditures at the lower echelon levels to prevent the CMA from becoming over-obligated/expended. Before approval, a specific written determination must be made that adequate controls have been established to avoid over-obligating/expending the CMA.

a. The amount of the CMA must be within the amount and terms of the allotment/suballotment/allocation.

b. Requests for the establishment of a CMA must fully justify the need, delineate possible alternatives, and clearly demonstrate why the CMA method is the only practical administrative procedure.

c. The official who establishes or continues the use of a CMA must be held responsible, to the extent prescribed by law, directive, and regulation, for ensuring that obligations are not incurred, or expenditures made, beyond the amount available under each CMA.

d. The establishing or continuing official is responsible for the administration of each CMA and must prescribe an adequate system of financial and nonfinancial control. The system must:

(1) Designate the name or position of specific individuals authorized to incur obligations or make expenditures against each CMA.

(2) Establish suitable limitations on the numbers, quantities or volume for which obligations may be incurred or expenditures made.

(3) Provide for accounting and reporting at least monthly.

(4) Ensure timely notice to prevent the CMA from being over-obligated/expended by taking necessary management action. This may include (a) increasing the amount of the CMA; (b) terminating the CMA; (c) terminating new obligations or disbursements; and/or (d) taking other necessary management actions to prevent an over-obligation/expenditure.

e. Each CMA must be reviewed annually to determine whether its operation should be continued. This determination must be made by the head of the DoD Component concerned, or designee. The annual review must include an evaluation, by an internal audit group, of the adequacy of control procedures established to prevent violations of 31 U.S.C. § 1341(a)(1), 31 U.S.C. § 1517(a), or both, and a recommendation to the head of the DoD Component concerned, or designee, whether continuation of the CMA is justified. DoD Components must provide certification as to the adequacy of controls of the CMA. This certification must be submitted with the annual evaluation required by paragraph 010212.

2. Components are required to maintain documentation supporting their assessment and produce it on request. At a minimum, Components must maintain records on the following:

a. Appropriation and dollar value of the CMA.

b. Rationale for establishing a CMA and why it is preferable to other methods of managing the appropriation.

c. Individuals primarily responsible for managing the CMA and ensuring fund controls are properly implemented.

d. Organizations authorized to make obligations against the CMA.

e. Fund controls in place to establish limits on the amount and type of obligations that may be charged to the CMA.

f. Monthly execution monitoring and procedures.

g. Date and method of testing of internal controls.

B. Reimbursable Orders. A reimbursable order is an order for services, supplies, material, or equipment placed by a requiring DoD Component (or Federal Agency) and furnished by another DoD Component (or Federal Agency) without separate identification of the items, or separate citation of the funds of the requiring DoD Component; and with subsequent delivery to and reimbursement by the requiring DoD Component. The requiring DoD Component records the reimbursable order as an obligation when the procuring DoD Component accepts the reimbursable order in writing. See Volume 3, Chapter 8 for recording standards.

1. DoD organizations may be authorized by law to accept reimbursable orders for services provided or goods sold to other Federal Government-funded customers and authorized private parties.

2. Apportioned reimbursements must not be allotted/suballotted/allocated unless there is reasonable assurance that orders will be received. Even though apportioned and allotted/suballotted/allocated, these estimates must not be considered budgetary resources available for obligation unless the following two conditions are met:

a. Valid orders, including written agreements, have been received from and obligated by Federal Government-funded customers.

b. Advance payment has been collected, in the case of orders from the public.

3. Officials responsible for incurring obligations and making expenditures must be particularly cognizant of reimbursable authority received. Controls must be established and carefully followed to avoid obligating or expending in excess of the amount of appropriated funds available, plus the amount of reimbursements that ultimately will be earned and collected.

4. Under certain circumstances, and only with the prior written approval of the OMB, immediate and automatic apportionment of the amounts of reimbursable orders received and accepted may be authorized.

5. Reimbursable orders received from state or local governments, recognized international bodies such as the United Nations and North Atlantic Treaty Organization, foreign governments, corporations, or individuals are subject to special controls.

a. These orders are to be recognized as reimbursable orders received only to the extent that cash has been received and deposited with the Treasury. The exception is Foreign Military Sales (FMS) orders. Contract authority may be recognized for FMS orders based upon a dependable undertaking when cash advances are not provided for the full amount of the order from a foreign government or international body. Bills are then presented for payment from the account established in the FMS Trust Fund for the applicable country.

b. FMS disbursement controls must be established to ensure that disbursements are not made until the cash is actually received from the foreign country and deposited in the Treasury FMS Trust Fund. Expenditure authorizations are used to ensure that funds are available in the account for the country involved before disbursements are made.

6. Reimbursable orders that are financed by appropriated or revolving funds of Federal agencies provide expenditure as well as obligational authority.

C. Revolving Funds. A revolving fund is an account authorized by specific provisions of law to finance a continuing cycle of business-type operations and to incur obligations and expenditures that generate receipts.

1. General. Obligations and expenditures of a revolving fund, whether subject to, or exempt from, apportionment, must be controlled under applicable provisions of this chapter.

2. Cash Balances. The disbursement of amounts in excess of the Department of the Treasury cash balance of a revolving fund is a potential ADA violation. Additionally, the disbursement of amounts in excess of the balance of sub-numbered cash accounts or other subdivisions of cash within a revolving fund is a potential ADA violation when such sub-numbered accounts or subdivisions have been specifically designated as being subject to the provisions of the ADA.

3. Apportionment. A revolving fund may be subject to apportionment or it may be exempt from apportionment, depending upon the type of fund.

a. Revolving Funds Subject to Apportionment. An apportionment limits the obligations that may be incurred to the apportioned amount. The incurring of obligations in excess of apportioned budgetary resources is a potential ADA violation without regard to whether a revolving fund has additional unapportioned budgetary resources or other assets equal to or greater than the amount of the deficiency.

b. Revolving Funds Exempt from Apportionment. A revolving fund that is exempt from apportionment may not incur obligations in excess of available budgetary resources. The incurring of obligations in excess of available budgetary resources is a potential ADA violation.

4. Budgetary Resources. The incurring of obligations in excess of budgetary resources is a potential ADA violation. The concept of "budgetary resources" is defined and explained in OMB Circular A-11, "Preparation, Submission, and Execution of the Budget." Budgetary resources available to revolving funds are composed of the same elements as budgetary resources available to appropriated funds. Further, while budgetary resources available for obligation for reimbursable work differ depending upon whether a reimbursable order is accepted from a Federal Government account or from the public, such budgetary resources are determined in the same manner for a revolving fund as they are for an appropriated fund.

a. Orders from other Federal Government Agencies. Funded orders from other Federal Government agencies, that represent valid obligations of the ordering account, provide a budgetary resource without regard to whether they are accompanied by an advance payment.

b. Orders from the Public. Orders from the public (except FMS orders) including local and state governments and international organizations (e.g., United Nations), provide a budgetary resource only to the extent that the order is accompanied by an advance payment of cash received and credited to the account.

5. Organizational Level for Revolving Fund Potential Violations. Systems for the administrative control of revolving funds should be placed at each organizational level at which budgetary resources may be received, held, transferred, obligated, or expended. The lowest organizational level for administrative control purposes generally should be the level, frequently a single site, at which an obligation may be incurred or expenditure approved. In the case of a revolving fund account that encompasses operations at multiple sites, responsibility for potential ADA violations generally should not be assigned to an organizational level lower than the level at which the administrative control system is adequate to prevent and detect a potential violation of the ADA.

010208. Obligations and Expenditures

Available funds are used by the incurrence of obligations and expenditures. An amount must be recorded as an obligation or expenditure when incurred as supported by documentary evidence of the occurrence of the event. An oral order or agreement must be formalized in writing or conform to prescribed electronic standards in order to provide proper support and an audit trail for an obligation. Oral orders executed in this manner without a formal commitment of funds run a high risk of violating the ADA and should be avoided if possible. See Volume 3, Chapter 8 to determine the amount and accounting period in which commitments and obligations must be recorded.

A. Once incurred, all obligations and expenditures must be recorded, accurately and promptly, as of the date incurred even if recordation results in a negative amount in the accounting records for an appropriation or fund, or a formal administrative subdivision of an appropriation. (For this purpose, negative amount means that obligations or disbursements exceed the amount of funds that are appropriated or otherwise available.) A violation resulting from a negative amount is caused by the actions of the individual(s) who caused or created the obligation. The recording of the obligation in the accounting system merely records an obligation that already exists.

B. Adjustments in obligations may consist of recording changes to obligation amounts that existed in a prior period that may or may not have been identified and recorded during that period. If an adjustment causes total obligations for a prior period to exceed the amount that was available for obligation for that prior period after consideration of all known valid obligations and deobligations, violations of 31 U.S.C. § 1341(a)(1), 31 U.S.C. § 1517(a), or both, may have occurred.

C. A within-scope contract adjustment is properly chargeable to the funds that funded the original contract. Such adjustment must be charged to those funds even if sufficient funds are not available. If sufficient funds are not available, a potential violation may have occurred.

D. An increase-in-scope adjustment to a contract is properly chargeable to funds currently available at the time the change was made.

010209. Reconciliations

DoD managers at all levels must ensure that accounting records for receipt and use of budgetary resources are reconciled. Obvious accounting errors must be corrected immediately and negative account balances must be researched and reconciled promptly with appropriate source documents.

A. Transactions or adjustments must be recorded in accounting records only when supported by appropriate source documents or electronic equivalents. Managers must not permit identified errors to go uncorrected for extended periods of time, inaccurate transactions to be recorded or failures to record transactions in a timely manner. Due diligence is necessary in order to avoid the appearance of a potential ADA violation that occurred because of careless record keeping.

B. An ADA investigation must be initiated by the applicable DoD Component and reported to the Office of the Under Secretary of Defense (Comptroller) (OUSD(C)) as required by this volume if a manager suspects that a potential ADA violation may have occurred. However, investigations of potential ADA violations are not required merely to force correction of erroneous records.

010210. Records

A. The Defense Finance and Accounting Service (DFAS), working with other DoD Components, must ensure that accounting records are maintained that provide full disclosure and support of the financial operations and resource utilization applicable at each successive organizational level. The accounting records must show the amounts of funds received at each organizational level, funds issued to others, current available balances, and funds committed, obligated, and expended.

B. These fund control records must constitute an integral part of the official accounting records maintained for each successive organization level for the DoD Component. Financial reports reflecting funds received, issued, available, and utilized must be prepared from the official accounting records.

C. DoD Components must maintain key records and documents on appropriations, allotments/suballotments, allocations/suballocations, and budgetary data for the funds for which they are responsible.

D. DoD Components must retain, for 6 years, 3 months, work papers and documentary evidence developed and/or obtained during an investigation of an actual or potential ADA violation.

010211. Financial Management Systems

In addition to effective and efficient administrative funds control systems established by the DoD Components, the DFAS and/or DoD Component must be responsible for establishing accounting and finance systems. The accounting and finance systems must be established for reporting commitments and obligations by the DFAS and/or DoD Component. Such systems of accounting and internal controls must comply with the requirements of 31 U.S.C. § 3512(b) and (c).

A. Federal agencies must maintain systems of accounting and internal controls that ensure:

1. Complete disclosure;

2. Adequate financial information;

3. Effective internal control over and accountability for assets;

4. Obligations and costs comply with applicable laws;

5. Revenues and expenditures or expenses applicable to DoD operations are accounted for properly so that accounts and reliable financial and statistical reports are prepared and accountability of assets is maintained;

* 6. Suitable integration of DoD accounting with the central accounting and reporting responsibilities of the Secretary of the Treasury under ***31 U.S.C. § 3513***; and

* 7. All assets are safeguarded against waste, loss, unauthorized use, and misappropriation.

B. Specifically, financial management systems must be:

1. Designed to assist responsible officials in restricting authorization or incurrence of obligations to the proper amount and authorized purpose for which obligational authority is available.

2. Capable of providing timely disclosure of the authorization or creation of an obligation and the disbursement of funds in excess of amounts available in both expired and unexpired accounts.

*010212. Annual Evaluation

The OUSD(C) requires DoD Components to conduct an annual evaluation of its overall administrative funds control processes as well as the processing of ADA violations. The Federal Managers' Financial Integrity Act of 1982 (FMFIA) requires each Component head to provide an Annual Statement of Assurance (SOA) that states whether internal controls are designed adequately and operating effectively within the organization. To streamline efforts between these two requirements, the applicable Office of the Assistant Secretary of the Military Department for Financial Management and Comptroller or the Senior Financial Manager for other DoD Components will provide a memorandum addressed to the OUSD(C). The memorandum must address the following information in subparagraphs 010212.A and B and be submitted by October 31:

A. Memorandum Certification Statements.

1. "For Fiscal Year 20xx, the internal controls over centrally-managed accounts were in place and effective. Monthly accounting and reporting processes are adequate to reduce the risk of over obligations."

2. "Corrective actions are being implemented and/or sustained and adequate evidentiary documentation is available to support this certification."

3. A statement that provides the number of key fund control personnel identified and trained as prescribed in Chapter 2, paragraph 020401.

B. Annual SOA. A copy of the annual SOA must be included as an attachment to the memorandum. DoD Component's annual SOA must be prepared in accordance with the FMFIA, DoDI 5010.40, and the DoD FMFIA SOA annual guidance.

VOLUME 14, CHAPTER 2: "ANTIDEFICIENCY ACT VIOLATIONS"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue and underlined font*.**

The previous version dated May 2015 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
020401.A.3	Added a new sentence to ensure course materials clearly state that taxpayer funds should not be spent when the requirement is no longer needed.	Addition
020401.B.2	Added a new requirement to provide fiscal law training to educate DoD personnel with regard to their fiduciary and legal responsibilities to prevent wasteful spending of appropriated funds.	Addition
020401.B.4	Added information to require key fund control personnel to review and verify on a continuous basis the need of goods and/or services and not spend taxpayer funds when goods and/or services are no longer needed.	Addition

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CHAPTER 2

ANTIDEFICIENCY ACT VIOLATIONS

0201 GENERAL

020101. Purpose

This chapter explains the Antideficiency Act (ADA) and related funding statutes that consist of certain provisions of law prescribed in sections (§) of Title 31, United States Code (U.S.C.). It also provides examples of circumstances in which ADA violations may occur and establishes requirements to prevent ADA violations. Additional requirements are contained in Volume 3, Chapter 11. Any military member or Department of Defense (DoD) employee who violates any provision or limitation imposed by any law may violate the ADA and be subject to discipline and/or criminal penalties.

020102. Authoritative Guidance

A. The ADA, prescribed in ***31 U.S.C. §§ 1341***, ***1342***, and ***1517***, prohibits obligations and expenditures in excess of an appropriation or before an appropriation is available. 31 U.S.C. § 1517 is the primary foundation for the administrative control of funds set forth in Chapter 1. See Figure 2-3 for additional references.

1. Amount Limitation. 31 U.S.C. § 1341 stipulates that any officer or employee of the United States Government or of the District of Columbia government may not:

a. Make an obligation, expenditure, or authorize an obligation or expenditure of funds that exceeds the amount available in an appropriation or fund.

b. Involve the Government in any contract or obligation for the payment of money before an appropriation is made available, unless the law authorizes such contract or obligation.

2. Voluntary Services Limitation. 31 U.S.C. § 1342 stipulates that an officer or employee of the United States Government or of the District of Columbia government may not accept voluntary services on behalf of the Government or employ personal services in excess of that authorized by law, except as it may be necessary in emergencies involving the safety of human life or the protection of property.

3. Administrative Control of Funds, Amount Limitation. 31 U.S.C. § 1517 stipulates that an officer or employee of the United States Government or of the District of Columbia government may not make an obligation or expenditure or authorize an obligation or expenditure that exceeds an apportionment or amount permitted by a regulation prescribed for the administrative control of an appropriation, including any other formal administrative subdivision of funds designated by a DoD Component. See Chapter 1 for DoD administrative control of funds policy.

B. ***31 U.S.C. §§ 1301***, ***1502(a)***, and ***3302(b)*** are additional funding statutes. Noncompliance with these statutes may result in an ADA violation.

1. Purpose Statute. 31 U.S.C. § 1301 stipulates that appropriations must be applied only to the objects for which the appropriations were made, except as otherwise provided by law.

2. Time Limitation. 31 U.S.C. § 1502(a) stipulates that the balance of a fixed-term appropriation is available only for payment of expenses properly incurred during the period of availability or to complete contracts properly made and obligated within that period. See Volume 3, Chapter 8 for obligation policy and Volume 3, Chapter 10 for expired and closed account policy.

3. Miscellaneous Receipts Statute. 31 U.S.C. § 3302(b) requires an official or agent of the Government to deposit money received for the Government from any source into the miscellaneous receipts account of the U.S. Treasury without deduction for any charge or claim if the retention of the money is not authorized or exceeds authorized levels.

C. The use of the wrong appropriation (purpose), or the use of the wrong fiscal year funds (time limitation), generally will not result in an ADA violation if the error can be properly corrected. The accounts can be adjusted to replace the erroneously obligated funds with the proper funds without having an ADA violation.

1. The use of wrong appropriation (purpose) can be corrected if the proper funds (appropriation, year, and amount) were available at the time of the erroneous obligation; and the proper funds (appropriation, year, and amount) are available at the time of correction. Funds must be available at the lowest level of the administrative subdivision of funds, i.e., the lowest of the appropriation, apportionment, allotment, suballotment, or allocation level at which the ADA violation occurred.

2. The use of the wrong fiscal year funds (time limitation) can be adjusted if the proper funds (appropriation, year, and amount) are available at the time of obligation and at the time of correction. Funds must be available at the lowest level of the administrative subdivision of funds, i.e., the lowest of the appropriation, apportionment, allotment, suballotment, or allocation level at which the ADA violation occurred.

3. See Volume 3, Chapter 8, paragraph 080303 for Bona Fide Need recording requirements.

0202 VIOLATIONS

020201. General Violations

General ADA violations occur when:

A. Statutory limitation was exceeded for the amount authorized in an appropriation or fund, to include special and recurring statutory limitations or restrictions on the amounts for which an appropriation or fund may be used.

B. Statutory limitation on the purposes authorized in an appropriation or fund was violated and upon correction into the proper appropriation or fund, funds were not available at the time of the erroneous obligation or were not available when the obligation was recorded in the proper appropriation or fund.

C. Funding authority was issued in excess of the amount available in an appropriation or fund and the excess amount was obligated or expended. The issuance of funds by means of a formal administrative subdivision of funds (apportionment, allotment, suballotment, allocation or other formal administrative subdivision of fund), in an amount that exceeds the amount currently available, would result in an ADA violation if those excess funds distributed are obligated or expended. The issuance of a reimbursable order in excess of available funds may also result in an ADA violation.

D. Obligations or expenditures are authorized or incurred in excess of the amount of funds available at the formal administrative subdivision of funds level. Apportionments, allotments, suballotments, allocations and other formal administrative subdivision of funds designated by a DoD Component are subject to the provisions of the ADA; therefore, obligations and disbursements of funds that exceed these limitations are violations of the ADA. Incurring an obligation or disbursement in excess of a target versus a formal administrative subdivision of funds does not in itself create an ADA violation; however, if exceeding a target causes the governing formal administrative fund subdivision level or limitation to be breached, then a potential ADA violation arises. Errors that require correction by obtaining additional funds at a formal administrative subdivision of fund level cannot eliminate the fact that a violation likely has occurred and must be investigated. An exception applies when funds are required at the formal administrative subdivision level but funds were returned to higher headquarters as the result of the customary practice of sweeping up funds near the end of a fiscal year.

E. Obligations were made or authorized in advance of funds being available.

F. Obligations or expenditures of funds did not provide for a bona fide need of the fund or account (time violation) and upon correction into the proper fund or account, proper funds were not available at the time of the erroneous obligation or were not available when the obligation was recorded in the proper fund or account.

G. Obligations charged against a current account that would otherwise be properly chargeable (except as to amount) to an expired account, but sufficient funds did not exist in the applicable expired account to fund the obligation.

H. Obligations that otherwise would have been properly chargeable (both as to purpose and amount) to a canceled appropriation exceeds the limits specified in Volume 3, Chapter 10, subparagraph 100201.F.

I. Voluntary services were accepted, or personal services were employed, except as authorized by law.

J. Funds were retained without authority and were not deposited into the miscellaneous receipts of the U.S. Treasury but instead augmented an appropriation and, as a result, obligations or expenditures exceed the amount appropriated by Congress.

020202. Recording Obligations/Expenditures

A violation may not be avoided by declining to record valid obligations or expenditures in the official accounting records. All obligations or expenditures must be recorded accurately and promptly, even if the recording results in a negative amount in the appropriation, fund, or at the formal administrative subdivision of funds level.

020203. Recording Errors/Omissions

An ADA violation is not considered to have occurred when an over-obligation or over-expenditure results solely from recording a transaction in an erroneous account or recording an incorrect amount for a transaction. In each instance, the potential violation status is eliminated by correcting the erroneous transaction or by posting the omitted transaction. These actions must not include the deletion or adjustment of any valid transactions. If, after the proper recording of the transactions, an over-obligation or expenditure of the appropriation, fund or amount limited by a formal administrative subdivision of funds remains, then a potential ADA violation has occurred.

0203 CAUSES OF VIOLATIONS

ADA violations occur for several reasons. The following is a list of the most frequent causes of DoD ADA violations:

A. Inadequate or obsolete internal controls and standard operating procedures;

B. Internal controls and standard operating procedures that are ignored;

C. Lack of appropriate training; and

D. Inadequate supervisory involvement or oversight.

0204 PREVENTING VIOLATIONS

020401. Requirements

Inadequate supervisory involvement and oversight combined with a lack of appropriate training are common throughout most DoD ADA violations. Therefore, supervisors of DoD personnel who have responsibility for control and use of DoD funds must ensure that their

personnel receive proper oversight, support, and training to prevent violations. To assist in the prevention of ADA violations, DoD personnel must be knowledgeable of requirements in this chapter and Chapter 1. The following subparagraphs provide specific actions that must be taken to reduce or prevent violations.

A. Heads of DoD Components must:

1. Use the internal management control programs as required by ***DoD Instruction 5010.40***, "Managers' Internal Control Program Procedures," to periodically assess the reliability of internal controls to prevent ADA violations.

2. Develop a full spectrum of DoD formal education programs for all military officers, from staff officer courses to executive development courses, and incorporate relevant aspects of this volume to highlight the potential pitfalls and risks associated with the ADA. This volume must be used as source material to conduct seminars and workshops targeted to general and specific audiences including financial, program, and project managers; engineers; contracting, information system, and comptroller personnel; commanders; supervisors; and managers.

* 3. Develop formal education structures to educate personnel about the ADA. Formal courses can be used to alert personnel to common violations and high-risk business transactions and decisions that can result in a violation. Course materials will clearly state that taxpayer funds should not be spent when the requirement is no longer needed, i.e., the requirement is no longer a bona fide need at that time. The DoD financial management community sponsors professional development courses that include discussions on ADA violations. These courses include the Army Comptroller and Advanced Resource Management Programs at Syracuse (NY) University; the Naval Post Graduate School at Monterey, California; and the Defense Financial Management and Comptroller School at Maxwell Air Force Base, Alabama. In addition, the U.S. Army Judge Advocate General School at Charlottesville, Virginia, includes a fiscal law course in its curriculum; and both the Enhanced Defense Financial Management training course hosted by the American Society of Military Comptrollers and the Under Secretary of Defense (Comptroller) Defense Financial Management Certification Program include fiscal law in their accreditation programs.

B. DoD commanders, supervisors, and managers must:

1. Be aware of the ADA, related funding statutes, types of violations, and causes of violations as described in this chapter.

* 2. Provide appropriate ADA training to financial, program, and project managers; engineers; and contracting, information system, and comptroller personnel. Provide fiscal law training to educate DoD personnel with regard to their fiduciary and legal responsibilities to prevent wasteful spending of appropriated funds. The focus of this training must include the basics of fund control, the ADA statute, and related funding statutes; the types of violations that can occur; the most frequent types of violations that occur within the DoD and their causes; the necessary training, supervision, and oversight of personnel who perform

financial management or programmatic functions; and methods for preventing violations. Require that all executive development and FM course content be updated to ensure proper use and good stewardship of appropriated funds. The training must be maintained to ensure the information remains current. Videos, computer courses or handbooks may be used for such training.

3. Identify key fund control personnel, incorporate the provisions of this volume into key fund control personnel training programs, require that key fund control personnel receive appropriations law training at least every three years, maintain the documents that identify key fund control personnel, and maintain documents that confirm completion of the appropriations law training. Key fund control personnel are those responsible for the proper assignment of funding on a commitment or obligation document before the obligation is incurred. Examples are resource managers, fund holders, funds certifying officials, and authorizing officials. Key fund control personnel should inquire with their individual DoD Components as to the appropriate source of training that satisfies this requirement. Appropriations law training requirements for certification of fund availability are separate from training requirements for certification for payment. Personnel that certify vouchers for payment must adhere to additional requirements as prescribed in Volume 5, Chapter 33.

* 4. Ensure key fund control personnel coordinate with requiring officials, such as program managers, contracting officers, and engineers, to verify that requests comply with funding statutes applicable to the assignment of funding on a commitment or obligation document before the obligation is incurred. Key fund personnel must review and verify on a continuous basis that the goods and/or services are still needed. Key fund control personnel must not spend taxpayer funds when goods and/or services are no longer needed.

5. Ensure that their employees receive the necessary training and experience in the control and use of funds at levels that correspond with their responsibilities. Furthermore, supervisors must perform oversight and validation checks to ensure that established internal controls and standard operating procedures are adequate and are being consistently followed by their subordinates. Inadequate supervisory involvement or oversight combined with lack of appropriate training is common in DoD ADA violations.

6. Ensure regular reviews of fund status type reports are performed. If the amount of commitments and obligations (undelivered orders and delivered orders unpaid or paid) exceed the total amount available in an appropriation or the total amount of funds available at the formal administrative subdivision level, a violation could occur if all or some of the commitments eventually become valid obligations.

7. Take proactive measures specifically tailored to address the causes and corrective actions required to prevent violations. See section 0203 for causes of violations.

020402. Common Violations

To prevent ADA violations, DoD personnel must be knowledgeable of the most common and frequent types of ADA violations to include the following:

A. Exceeding an Appropriation

1. All DoD commanders, managers, and personnel whose duties include obligating and/or managing funds must be aware of this type of violation and causal factors. This violation often occurs when obligations from an obligation document are not timely or accurately recorded thus causing the official accounting records to reflect an inflated (and incorrect) availability of funds. Since personnel use those records to certify funds are available for other obligations, a violation can easily occur because the records do not reflect the correct amount of funds available for obligation. This violation also occurs when obligations are charged against a current account that would otherwise be properly chargeable (except as to the amount) to an expired account, but sufficient funds do not exist in the applicable expired account to fund the obligation.

2. This type of potential violation is commonly discovered when an unmatched disbursement is recorded in the accounting system when correcting inaccurately recorded obligations, or when a reprogramming action requests additional funds for an expired account. To help prevent this type of violation, DoD funds managers (for example, Comptrollers) must require that all organizations that incur obligations and record obligations maintain strict and absolute positive controls over obligating documents (or their electronic equivalents) to ensure that none are lost or misplaced and all transactions are recorded accurately and in a timely manner. Such controls include batch totals of transactions and dollar amounts incurred, transmitted, received, processed, and recorded.

3. The establishment of a funds control system is also essential to ensure that all obligations are reconciled properly against available funds and authorized before they are incurred. This process must include reserving available funds for authorized obligations that are not immediately recorded as an obligation. The reservation must be made by means of a formal commitment or an informal reservation record that contains an estimated amount. The documented estimated reservation must closely approximate the obligation when incurred and recorded. Also, when recording estimated obligations, it is important to record the initial obligation based on the most current data available and adjust the estimated obligations as conditions change to avoid making an obligation or expenditure that exceeds the amount available in an appropriation or fund.

B. Exceeding Statutory Limitations on the Use of Operations and Maintenance Funds

1. Military Construction. To prevent an ADA violation, engineering and contracting personnel must be advised of the provisions of ***10 U.S.C. §§ 2801***, ***2802***, and ***2805***; and DoD rules and regulations that cover minor construction projects. Engineering personnel and those who authorized the construction are frequently identified responsible for violations involving construction projects exceeding statutory construction limitations and administrative construction limitations placed in engineering regulations. The following is a brief summary of some of the provisions of 10 U.S.C. §§ 2801, 2802, and 2805; and DoD rules and regulations on minor projects.

a. Congress establishes by statute, the amount of Operations and Maintenance (O&M) funds that may be used for a minor construction project. From time to time, that limit is increased by Congress. If the specified limit is exceeded, Military Construction funds must be used for the entire project including planning and design. A violation of ***31 U.S.C § 1341(a)(1)(A)*** may occur when the limitation is exceeded. The limitation applies to the use of O&M funds for a minor construction project even though there is sufficient obligational authority available in the O&M account at the time that the project is authorized and approved.

b. A military construction project includes all work necessary to produce a complete and usable facility, or a complete and usable improvement to an existing facility under provisions of 10 U.S.C. § 2801(b). Incremental construction, which is the planned acquisition of, or improvement to, a real property facility through a series of minor construction projects is prohibited. See Volume 3, Chapter 17 for military construction project requirements.

c. Engineering and contracting personnel must be familiar with the statutory limitation, under the provisions of ***10 U.S.C. § 2825***, on the maintenance and repair funds that may be used for a family housing unit. That limit may not be exceeded without prior notification to Congress. When that limit is exceeded for any reason during the completion of a family housing maintenance and repair project, and the conditions specified in the law for a waiver of the statutory limitations have not been met, a violation of 31 U.S.C. § 1341(a)(1)(A) may occur.

d. The misclassification of construction costs as alterations by engineering personnel may result in an ADA violation. A potential violation may occur if the amount of the misclassification, when added to construction costs (if any), exceeds a statutory limitation. For example, an engineering project that has a minor construction cost close to the statutory limit, but which also has related maintenance and repair costs, could cause a violation of the statutory limit if the maintenance and repair work later is proven to be construction. Likewise, a maintenance and repair project exceeding the statutory construction limit could be a potential ADA violation if the maintenance and repair later is determined to be construction.

2. Equipment

a. Congress designates an amount above which acquisitions of equipment must be funded from a procurement fund (expense versus investment threshold rule). Using O&M funds to acquire equipment items that exceed the designated threshold amount for the mandatory use of procurement funds could be a potential ADA violation. For instance, O&M funds are used to purchase a computer system when Other Procurement funds are required. Expense versus investment criteria is in Volume 2A, Chapter 1, paragraph 010212 and Volume 2B, Chapter 18.

b. Similar problems also frequently occur when acquiring low dollar value equipment items that are estimated to cost less than the congressionally designated amount for procurement funds, but actually cost more than that amount when acquired.

c. An ADA violation does not occur automatically in the situations outlined in subparagraphs 020402.B.2.a and b because the obligation can be moved from the O&M account to the applicable procurement account. If proper funds were available in the proper procurement account at the time of the erroneous obligation of O&M funds and funds are available when the obligation is recorded in the procurement account, including all other known valid obligations and deobligations, then a potential ADA violation has not occurred. However, if proper procurement funds were not available at the time of the erroneous obligation or were not available when the obligation is recorded in the procurement account to cover the obligation in the procurement account, a potential ADA violation may have occurred.

d. DoD decision makers, such as program managers, information systems managers, and contracting personnel, must be knowledgeable of the expense versus investment rules to prevent this type of violation. Program managers and information systems, contracting, and comptroller personnel must be trained on this issue. Such training should help reduce the incorrect application of the expense versus investment rule and the resulting ADA violations.

C. Exceeding a Formal Administrative Subdivision of Funds. If a formal administrative subdivision of funds level is exceeded, then a potential violation must be reported. The receipt of additional funds before the end of a reporting period does not mitigate a limitation violation or eliminate the potential violation reporting requirement as specified in Chapter 3. Also, failure to record a valid obligation or expenditure as of the date incurred does not avoid the incurrence of, and the requirement to report, a potential ADA violation if, upon recordation, available funds in the appropriation fund or other formal administrative fund subdivision level are exceeded. For example, the Military Departments historically have experienced problems with over-obligated Reserve Component (RC) personnel accounts. Funds in these accounts are used to pay RC personnel for such items as weekend drills, travel, special tours, or other training. Reserve Component unit commanders who control a formal administrative subdivision of funds level are subject to the ADA and must, in advance of the incurrence and recording of these obligations, budget and reserve against available funds the amounts estimated for weekend drills and other scheduled training.

D. Obligating Funds in Advance of Availability

1. A common scenario is the use of current year funds to procure goods or services that properly are funded only with a subsequent year appropriation. An ADA violation occurs when an individual obligates funds before those funds are authorized and appropriated by Congress. For example, signing a facility or equipment operating lease using one-year authority funds and agreeing to pay, or obligating the funds, for a two-year lease during the first year would constitute an obligation in advance of the availability of the funds for the amount associated to the second year of the lease. Similarly, agreeing to pay or obligating the funds for a two-year equipment maintenance agreement using one-year authority funds would constitute an ADA violation related to the amount associated with the second year of the agreement.

2. To help prevent this type of violation, training programs must include specific focus on the importance of ensuring funds are authorized and available before obligating the Government to contracts for future fiscal years' expenses.

E. Providing Funds to Servicing Agencies Before or Past the Period of Availability

1. A common scenario occurs when funds cited on an Economy or non-Economy Act order do not meet the bona fide need arising or existing in the fiscal year (or years) for which the appropriation is available for obligation. When an erroneous obligation is moved to the applicable fiscal year and proper funds were not available at the time of the erroneous obligation or were not available when the obligation was recorded in the proper fund or account, a potential ADA violation may have occurred.

2. To prevent this type of ADA violation, DoD personnel with the responsibility to control the use and type of funds used must be aware of the fiscal limitations of providing funds to servicing agencies before or past the period of availability. See specific policy for Economy Act orders in Volume 11A, Chapter 3, section 0304; and non-Economy Act orders in Volume 11A, Chapter 18, sections 1802 and 1803.

F. Retaining Funds Without Authority

1. This violation often occurs when funds are retained without authority and are not deposited into the miscellaneous receipts of the U.S. Treasury but instead augments an appropriation and, as a result, obligations or expenditures exceed the amount appropriated by Congress.

2. This violation is often discovered when new personnel arrive and raise concerns over accepting and retaining unauthorized funds. Therefore, it is essential that DoD decision makers, such as DoD Commanders and Comptrollers, are knowledgeable of this type of violation and that financial managers be trained on this issue and understand the authority related to funds under their control to preclude augmenting an appropriation.

Figure 2-1. Potential Violations

A VIOLATION MAY OCCUR WHEN	DESCRIPTION OF POTENTIAL VIOLATION	TITLE 31, UNITED STATES CODE SECTION
Any military member or DoD employee:	1. Makes or authorizes an obligation or expenditure that exceeds: a. The available amount of any appropriation or fund.	1341(a)(1)(A)
	b. Any statutory restriction imposed on the use of an appropriation or fund, such as limits on the use of O&M funds for unspecified minor construction or for purchase of investment items.	1341(a)(1)(A)
	c. The available amount of any apportionment or reapportionment.	1517(a)(1)
	d. The available amount of any formal administrative subdivision.	1517(a)(2)
	e. Any limitation imposed by an authorized official of the DoD or a DoD Component that is intended to restrict obligations of apportioned appropriations or funds.	1517(a)(2)
	2. Involves the Government in any contract or other obligation for the payment of money for any purpose before appropriations are made for such purposes, unless the law authorizes such contract or obligation.	1341(a)(1)(B)
	3. Makes or authorizes an obligation or expenditure against an appropriation account that was closed pursuant to 31 U.S.C. §§ 1552 or 1555 or the period prescribed in an appropriations act for making expenditures as authorized by 31 U.S.C. § 1557.	1341(a)(1)(A)
	4. Accepts voluntary service or employs personal service in excess of that authorized by law except in cases of emergency involving the safety of human life or the protection of property.	1342

Figure 2-1. Potential Violations (continued)

A VIOLATION MAY OCCUR WHEN	DESCRIPTION OF POTENTIAL VIOLATION	TITLE 31, UNITED STATES CODE SECTION
Any military member or DoD employee:	5. Expends a working capital (revolving) fund established under 10 U.S.C. § 2208 in excess of amounts available in Fund Balance with Treasury whether apportioned or not. (Recurring provisions of annual DoD Appropriations Acts that establish cash balances (Fund Balance with Treasury) in working capital funds may be maintained only in such amounts as are necessary at any time for cash disbursements to be made from such funds. This provision allows working capital funds to incur liabilities in excess of available fund balances with Treasury.)	1341(a)(1)(A)
	6. Obligates a working capital (revolving) fund established under 10 U.S.C. § 2208 or a part of the fund, whether subject to or exempt from apportionment, in excess of the available amount.	1517(a)(1)
	7. Obligates a working capital (revolving) fund established under 10 U.S.C. § 2208 in excess of the available amount of budgetary resources.	1517(a)(2)
In Fund Distribution:	1. Total allotments, or operating budget authorities for O&M type funds exceed the amount available for each apportionment period.	1517(a)(1)
	2. Total suballotments, allocations, or operating budget authorities, and centrally managed accounts (CMAs) exceed the amount of the allotment or operating budget authority for each period.	1517(a)(2)
	3. Total allocations or operating budget authorities and CMAs exceed the amount of the available suballotment.	1517(a)(2)
	4. Total suballocations exceed the amount of the allocation.	1517(a)(2)

Figure 2-2. Violation Examples

A. GENERAL. Most of the examples described in items B – D are taken from actual violations that occurred within DoD. However, these violations are fact specific and in other circumstances a potential violation may or may not be incurred. These examples are supplied for information only and are not intended to imply that in all similar but not identical circumstances a violation would have been incurred.

B. TITLE 31, UNITED STATES CODE, SECTION 1341

1. 31 U.S.C. § 1341(a)(1)(A)

a. Obligated O&M funds for site preparation construction costs on a relocatable building project. The project was incorrectly scoped into multiple projects and the cumulative costs of the construction exceeded the minor construction threshold and should have been authorized by Congress and funded with military construction funds. This unauthorized obligation of O&M funds instead of military construction funds resulted in a violation.

b. Obligated O&M and Working Capital funds on a single military construction project. The project amount exceeded the minor construction statutory limitation and resulted in a violation. The Government Accountability Office takes the position that a violation of a funding restriction in an authorizing statute (such as 10 U.S.C. § 2805) results in a violation of the ADA (31 U.S.C. § 1341). The use of funds to finance the project is not consistent with the authorized purpose of the appropriation and resulted in an incurable violation of the "purpose statute" (31 U.S.C. § 1301).

Note: Although the circumstances described herein constitute a violation of 10 U.S.C. §§ 2802(a) and 2805(b), the Department of Justice (DOJ) Office of Legal Counsel (OLC) has concluded that "a violation of a statutory restriction on spending does not violate the ADA where the restriction is not 'in an appropriation.' " See also: DOJ OLC opinion, "Use of Appropriated Funds to Provide Light Refreshments to Non-Federal Participants at EPA Conferences," April 5, 2007 (online at: ***http://www.justice.gov/sites/default/files/olc/opinions/2007/04/31/epa-light-refreshments13.pdf***); and DOJ OLC letter, "Re: Whether the Federal Aviation Administration's Finalizing and Implementing of Slot Auction Regulations Would Violate the Anti-Deficiency Act," October 7, 2008.

c. Obligated O&M funds rather than Procurement funds for recapitalization of a system and Procurement funds were not available when the obligation was recorded which resulted in a violation.

Figure 2-2. Violation Examples (continued)

d. Failure to promptly record valid obligations in a reserve personnel appropriation resulted in valid obligations that exceeded the available amount in the appropriation and resulted in a violation.

e. Obligated O&M funds to purchase unauthorized food and gifts for attendees at an annual conference and no other funds were available for this purpose which resulted in an uncorrectable violation.

2. 31 U.S.C. § 1341(a)(1)(B)

a. Obligated O&M funds in advance of the appropriation when a 14 month severable services contract was awarded that exceeded the 12 month limit set forth in section ***10 U.S.C. § 2410a***, and resulted in a violation.

b. Obligated O&M funds for two and four year severable equipment leases in advance of an appropriation which resulted in a violation.

c. Obligated O&M funds for equipment with phased deliveries into subsequent fiscal years in advance of an appropriation which resulted in a violation.

C. TITLE 31, UNITED STATES CODE, SECTION 1342

Apparently, at the urging of the Chairman, a member of a Federal Commission agreed to waive his statutory entitlement to $100 per day while involved in Commission business. The year after the Commission was disbanded, the former member changed his mind and filed a claim for a portion of the compensation he would have received had it not been for the waiver. Since the $100 per day was a statutory entitlement, the purported waiver was invalid and the former commissioner was entitled to be paid. By accepting the waiver and allowing the commissioner to conduct Commission business without pay, the provision against acceptance of voluntary services was violated and a violation of the ADA occurred.

D. TITLE 31, UNITED STATES CODE, SECTION 1517

1. Obligated O&M funds in excess of the Continuing Resolution Authority allocation which resulted in a violation.

2. Obligated O&M funds for information technology equipment in excess of the investment threshold. When correction was made, Procurement funds were not available at the suballotment level which resulted in a violation.

Figure 2-2. Violation Examples (continued)

3. Obligated Research, Development, Test and Evaluation funds instead of O&M funds to repair and upgrade a building. When correction was made, O&M funds were not available at the suballotment level which resulted in a violation.

4. A DoD activity used O&M funds, rather than Other Procurement funds to purchase a data processing local area network (LAN). Even though the hardware components and LAN operating system software were purchased separately, the components and the software together constituted a system with an aggregate cost in excess of the expense/investment threshold specified by the Congress for the required use of procurement appropriation funds. A violation occurred because the DoD activity did not have the required amount of Other Procurement funds at the time of the purchases.

5. A funds holder at a formal administrative subdivision of fund level erroneously distributed more funds than available at the subdivision level. The activities receiving the funds incurred obligations and expenditures in excess of amounts available to the fund holder but below the amount distributed. The funds holder incurred an ADA violation because the obligations and expenditures exceeded the total amount in the formal administrative subdivision of funds.

Figure 2-3. Reference Hyperlinks

Office of Management and Budget ***(OMB) Circular A-11***, "Preparation, Submission, and Execution of the Budget"

U.S. Government Accountability Office ***Principles of Federal Appropriations Law*** (Red Book)

United States Code (U.S.C.) title and section:

2 U.S.C. § 681	Disclaimer
2 U.S.C. § 682	Definitions
2 U.S.C. § 683	Rescission of Budget Authority
2 U.S.C. § 684	Proposed Deferrals of Budget Authority
2 U.S.C. § 685	Transmission of Messages; Publication
2 U.S.C. § 686	Reports by Comptroller General
2 U.S.C. § 687	Suits by Comptroller General
2 U.S.C. § 688	Procedure in House of Representatives and Senate
5 U.S.C. § 1304	Loyalty Investigations; Reports; Revolving Fund
10 U.S.C. § 2201	Apportionment of Funds; Authority for Exemption; Excepted Expenses
10 U.S.C. § 2204	Obligation of Appropriations
10 U.S.C. § 2208	Working-Capital Funds
10 U.S.C. § 2410a	Severable Service Contracts for Periods Crossing Fiscal Years
10 U.S.C. § 2805	Unspecified Minor Construction
10 U.S.C. § 2825	Improvements to Family Housing Units
18 U.S.C. § 4124	Purchase of Prison-Made Products by Federal Departments

Figure 2-3. Reference Hyperlinks (continued)

31 U.S.C. § 1104	Budget and Appropriations Authority of the President
31 U.S.C. § 1105	Budget Contents and Submission to Congress
31 U.S.C. § 1106	Supplemental Budget Estimates and Changes
31 U.S.C. § 1107	Deficiency and Supplemental Appropriations
31 U.S.C. § 1108	Preparation and Submission of Appropriations Requests to the President
31 U.S.C. § 1112	Fiscal, Budget, and Program Information
31 U.S.C. § 1301	Application
31 U.S.C. § 1321	Trust Funds
31 U.S.C. § 1341	Limitations on Expending and Obligating Amounts
31 U.S.C. § 1342	Limitation on Voluntary Services
31 U.S.C. § 1349	Adverse Personnel Actions
31 U.S.C. § 1350	Criminal Penalty
31 U.S.C. § 1351	Reports on Violations
31 U.S.C. § 1501	Documentary Evidence Requirement for Government Obligations
31 U.S.C. § 1502	Balances Available
31 U.S.C. § 1511	Definition and Application
31 U.S.C. § 1512	Apportionment and Reserves
31 U.S.C. § 1513	Officials Controlling Apportionments
31 U.S.C. § 1514	Administrative Division of Apportionments
31 U.S.C. § 1515	Authorized Apportionments Necessitating Deficiency or Supplemental Appropriations
31 U.S.C. § 1516	Exemptions

Figure 2-3. Reference Hyperlinks (continued)

31 U.S.C. § 1517	Prohibited Obligations and Expenditures
31 U.S.C. § 1518	Adverse Personnel Actions
31 U.S.C. § 1519	Criminal Penalty
31 U.S.C. § 1531	Transfer of Functions and Activities
31 U.S.C. § 1552	Procedure for Appropriation Accounts Available for Definite Periods
31 U.S.C. § 1553	Availability for Appropriation Accounts to Pay Obligations
31 U.S.C. § 1555	Closing of Appropriation Accounts Available for Indefinite Periods
31 U.S.C. § 1557	Authority for Exemptions in Appropriation Laws
31 U.S.C. § 3302	Custodians of Money
31 U.S.C. § 3324	Advances
31 U.S.C. § 3512	Executive Agency Accounting and Other Financial Management Reports and Plans
31 U.S.C. § 3524	Auditing Expenditures Approved without Vouchers
33 U.S.C. § 576	Revolving Fund; Establishment; Availability; Reimbursement; Transfer of Funds; Limitation
41 U.S.C. § 6301	Authorization Requirement

VOLUME 14, CHAPTER 3: "PRELIMINARY REVIEWS OF POTENTIAL VIOLATIONS"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue and underlined font*.**

The previous version dated November 2006 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
0301	Clarified how a potential violation is reported and reviewed.	Update
0301	Deleted requirement to report preliminary cases to the Office of the Under Secretary (Comptroller) Deputy Chief Financial Officer (OUSD(C) DCFO).	Delete
030102	Clarified when a case number is assigned.	Update
030103	Added OUSD(C) DCFO option to examine preliminary review cases.	Add
030201	Clarified the purpose of a preliminary review and revised the timeframe to complete a preliminary review.	Update
030204	Deleted requirement to advise OUSD(C) DCFO of preliminary review results.	Delete
030302	Clarified DoD Component and investigator responsibilities and removed compressed timeframe for interagency related reviews.	Update
030202.A	This was subparagraph 030201.B in the previous version. Clarified the focus of a preliminary review and referenced the corrective actions section in Chapter 5.	Update
030202.B	This was subparagraph 030201.A in the previous version. Clarified the checks performed by the investigator. Added investigator independence criteria from Chapter 4.	Update
030202.C	Added procedures if an investigator identifies an accounting error.	Add

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
030202.D	Added fund control personnel definition from Chapter 2. Added procedures when fund control personnel properly certifies fund substitution and modified related correctability test.	Add
030202.E	Added procedures when fund control personnel do not certify fund substitution met the correctability test and refined the correctability test.	Add
030204	Changed timeframe to start a formal investigation.	Update
0303	Deleted paragraphs 030302 and 030303 of the previous version and referenced related chapter sections.	Delete
030402 030403	Revised procedures when an external organization reports a potential violation.	Update

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CHAPTER 3

PRELIMINARY REVIEWS OF POTENTIAL VIOLATIONS

0301 REPORTING SUSPECTED VIOLATIONS

*030101. Initial Discovery

Within two weeks of discovering a potential violation of the Antideficiency Act (ADA), the activity concerned shall report the potential violation, with the related information in paragraphs 030101.A-J, through command channels to the applicable Office of the Assistant Secretary of the Military Department for Financial Management and Comptroller or the Senior Financial Manager for other Department of Defense (DoD) Components (referred herein as DoD Component).

A. Accounting classification of funds involved,

B. Name and location of the activity where the alleged violation occurred,

C. Name and location of the activity issuing the fund authorization, if different than subparagraph 030101.B,

D. Amount of the alleged violation,

E. Nature of the alleged violation,

F. Date the alleged violation occurred and date discovered,

G. Means of discovery,

H. Description of the facts and circumstances of the case,

I. Anticipated dates of completion of the preliminary review and submission of the report, and

J. The name(s) and work phone number(s) of the preliminary investigator or the members of the preliminary review team.

*030102. Evaluation

The DoD Component shall evaluate the potential violation for validity and completeness and if it determines a potential violation has occurred, assign a case number for tracking purposes.

*030103. Deputy Chief Financial Officer Review

The Office of the Under Secretary of Defense (Comptroller) (OUSD(C)) Deputy Chief Financial Officer (DCFO) may routinely examine open or closed preliminary review cases.

0302 PRELIMINARY REVIEWS

*030201. Purpose

The purpose of a preliminary review is to gather facts and ultimately factually establish whether a reportable violation of ***section 1341 of title 31, United States Code (U.S.C.)***, ***section 1342 of title 31, U.S.C.***, or ***section 1517 of title 31, U.S.C.*** has occurred.

*030202. Investigation

When the DoD Component has evidence of a potential violation, as a result of the evaluation in section 0301, the DoD Component shall assign a preliminary review investigator and/or a review team to research the applicable business transactions and accounting records to determine the amount and cause of the potential statutory violation. The preliminary review should be completed within 14 weeks from the date of initial discovery.

* A. A preliminary review shall focus on the potential violation not the corrective actions. Applicable corrective actions will be developed during the formal investigation, if a formal investigation is warranted. See Chapter 5 for formal investigation requirements.

B. The preliminary review shall be performed by either an individual (the preliminary investigator) and/or a review team. The preliminary investigator or the review team lead shall be an individual with no vested interest in the outcome of the review. The preliminary investigator or the review team lead shall also be capable of conducting a complete, impartial, and unbiased review. A commander of a major command, a superior to a commander of a major command who is in the chain-of-command, or equivalent in an organization other than a Military Department, shall appoint a trained and qualified individual to serve as an investigator or a review team lead. To help assure independence and impartiality during the review, an investigator or review team lead shall be selected from an organization external to the installation-level organization being reviewed. DoD Components are required to document that investigators and/or review team leads are free of personal, external, and organizational impairments and retain the document(s) in the ADA case file.

* C. At the onset of the preliminary review, the investigator and/or review team shall check for accounting errors such as:

1. Duplications or other errors in recording the applicable obligation and/or expenditure;

2. Obligations and/or expenditures charged to invalid and/or improper fund accounts; and

3. Inaccurate fund status at the time the applicable transaction occurred.

* D. If the preliminary review determines that an accounting error occurred, the investigator or review team lead shall report this error to the DoD Component to make the appropriate accounting correction(s). An accounting error occurs when an obligation and/or expenditure was posted to a fund other than the fund approved by fund control personnel. Fund control personnel are those responsible for the proper assignment of funding on a commitment or obligation document before the obligation is incurred. Examples are resource managers, fund holders, funds certifying officials, and authorizing officials. Once the accounting correction(s) has been made, the investigator or review team lead shall determine whether a reportable violation occurred. See paragraphs 030202.E and 030202.F for fund correctability tests.

* E. If fund control personnel properly certify that the proper funds were available at the time of the initial obligation and proper funds are available at the time of the correction or fund substitution, the potential violation may be corrected when the proper accounting corrections are complete (see paragraphs 030203, 030204 and 030205 for further requirements).

* F. If fund control personnel do not provide the certification, then the preliminary review report shall include evidence to support a determination that there is a violation of section 1341 of title 31, U.S.C. or section 1517 of title 31, U.S.C. (see paragraphs 030203, 030204 and 030205 for further requirements).

030203. Interpretation and Legal Issues

The existence of a violation may depend upon an interpretation of statutory or regulatory constraints imposed on the use of a particular appropriation or account, the proper fiscal year to be charged, or similar issues. In all cases, the reviewer shall request and obtain the advice of legal counsel on legal issues raised during the preliminary review.

030204. Review Results

The results of the preliminary review shall be documented in a preliminary review report, forwarded for approval to the applicable DoD Component, and coordinated with the applicable DoD Component office of legal counsel. If the DoD Component involved determines that there is not a violation and the DoD Component office of legal counsel concurs, then the preliminary report completes the actions regarding the potential violation.

*030205. Formal Investigations

If the DoD Component involved determines there is a potential violation, then a formal investigation shall be initiated by the applicable DoD Component within two weeks from the

approval of the preliminary review report. The provisions in Chapter 4 and Chapter 5 shall be followed when conducting a formal investigation. Status and violation report procedures are contained in Chapter 6 and Chapter 7, respectively.

0303 PRELIMINARY REVIEWS INITIATED BY THE UNDER SECRETARY OF DEFENSE (COMPTROLLER)

* When the OUSD(C) is informed of a potential violation by an audit report or otherwise learns of a potential violation, the applicable DoD Component may be directed to initiate a preliminary review of the circumstances surrounding the potential violation. The date the DoD Component receives the direction is considered the date of discovery for reporting purposes and the DoD Component shall follow procedures in sections 0301, 0302 and 0304.

0304 PRELIMINARY REVIEWS INITIATED AS A RESULT OF EXTERNAL REPORTS

030401. Oversight Entities

In some cases, the Government Accountability Office, DoD Office of Inspector General, a military department audit agency or other organizations external to a DoD Component may advise in a report that a potential violation may have occurred. Generally, in the case of audit reports, a recommendation to investigate the potential violation is included in the report.

*030402. Date of Discovery

When a draft report is issued by an organization that finds a potential violation may have occurred and recommends a preliminary review be conducted, the DoD Component involved shall review the finding(s) and recommendation(s) provided in the draft report. If the DoD Component agrees with the recommendation to perform a preliminary review then the date of the final report is considered the date of discovery for reporting purposes and the DoD Component shall follow procedures in sections 0301 and 0302.

*030403. Disagreement Resolution

When the DoD Component disagrees that a potential violation has occurred and believes a preliminary review is not warranted, the DoD Component shall provide applicable written comments to the draft report outlining the disagreement consistent with policy prescribed in ***DoD Directive 7650.3, Follow-up on General Accounting Office (GAO), DoD Inspector General (DoD IG), and Internal Audit Reports***. If disagreements between the DoD Component and the organization arise as to whether a preliminary review is warranted, the DoD Component may request assistance from the OUSD(C) DCFO. Upon resolution of the disagreement, if a preliminary review is not recommended, then no further action is required by the DoD Component. However, if the DoD Component and the organization agree that a potential violation may have occurred and a preliminary review is warranted, then the date of the agreement is considered the date of discovery for reporting purposes and the DoD Component shall follow procedures in sections 0301 and 0302.

030404. Reporting

If a preliminary review was deemed appropriate, the DoD Component shall supply the status of the preliminary review as requested by the applicable external organization.

0305 ROLES OF THE DOD INSPECTOR GENERAL

The ***Inspector General Act of 1978*** gives the DoD Inspector General the authority to conduct investigations of violations of the Antideficiency Act.

A. The DoD Inspector General reserves the right to initiate investigations of potential violations of the Antideficiency Act, depending upon the type, amount, or significance of the violation.

B. The DoD Inspector General may elect to conduct investigations not requested by the Under Secretary of Defense (Comptroller) or other DoD official.

C. When the DoD Inspector General conducts such investigations, the resultant report shall constitute the official DoD report on the matter; no other DoD Component shall conduct parallel or supplemental investigations unless directed to do so by the Secretary of Defense, Deputy Secretary of Defense, or Under Secretary of Defense (Comptroller).

VOLUME 14, CHAPTER 4: "FORMAL INVESTIGATOR"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue and underlined font*.**

The previous version dated September 2008 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
Title	Changed chapter title.	Update
0401	Referenced preliminary review and formal investigation policy within Chapters 3 and 5.	Update
0401	Deleted paragraph 040101 of previous chapter. The purpose of a formal investigation is in Chapter 5.	Update
0402	Rearranged section contents and renumbered paragraphs as applicable.	Update
0402	Changed "investigating officer" to "formal investigator" throughout section.	Update
040202	Updated Chapter 8 paragraph references.	Update
040203	Referenced Chapter 6 on information requirements.	Update
040203 040204	Referenced Office of the Under Secretary of Defense (Comptroller) Deputy Chief Financial Officer for consistency in this volume.	Update
040204.A 040204.B 040204.C	Referenced respective paragraphs that contain investigator selection, investigator qualifications, and appointing officer requirements.	Update

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CHAPTER 4

FORMAL INVESTIGATOR

*0401 OVERVIEW

Whenever a preliminary review determines a potential Antideficiency Act (ADA) violation has occurred, a formal investigation is required under the provisions of this volume. Generally, the existence of a potential violation shall be established during the preliminary review and before a formal investigation begins. See Chapter 3 for preliminary review policy and Chapter 5 for formal investigation policy.

*0402 APPOINTMENT

040201. Investigator Selection

A. A commander of a major command, a superior to a commander of a major command who is in the chain-of-command, or the equivalent in an organization will act as the appointing officer and shall appoint an adequately trained and qualified individual to serve as a formal investigator.

B. Individuals with no vested interest in the outcome of an investigation, and who are capable of conducting a complete, impartial, and unbiased investigation, shall conduct formal investigations.

C. To help assure independence and impartiality during an investigation, a formal investigator shall be selected from an organization external to an installation-level organization being investigated.

D. DoD Components shall document that investigators are free of personal, external, and organizational impairments and retain the document(s) in the ADA case file.

E. If an individual involved in the investigation or in the process of selecting and appointing the formal investigator has a conflict of interest or any personal stake in the outcome of the investigation, that individual shall remove himself or herself from the process. Those matters that may not lend themselves to impartial investigation, for instance the investigator is assigned to the level where the violation occurred shall be referred through command channels to the next higher level for the appointment of an investigator.

F. A formal investigator does not need to be senior in grade to the person(s) being investigated.

G. If a potential violation appears to involve a complex situation or a multitude of functional areas, then a team approach may be necessary. The appointing official shall ensure the formal investigator receives adequate support, including access to additional personnel with the requisite knowledge in all of the functional areas involved. The appointment

of a legal advisor for the investigating team also shall be considered. A formal investigator may face a number of legal issues during the course of an investigation and may be expected to take statements. A formal investigator shall consult with appropriate legal counsel on any legal issues associated with the investigation.

H. An appointment of a formal investigator may be made or reviewed by the Office Under Secretary of Defense (Comptroller) Deputy Chief Financial Officer (OUSD(C) DCFO), an Assistant Secretary of a Military Department for Financial Management and Comptroller, or Senior Financial Manager for other DoD Components whenever a potential violation is of special interest to that official, demands specific attention, may involve a high-level official, or whenever other circumstances warrant such involvement.

*040202. Investigator Qualifications

In addition to the requirements in paragraph 040201, a formal investigator shall:

A. Be chosen from a roster of qualified personnel as required by Chapter 8, paragraph 080204.

B. Be adequately trained to conduct an investigation of this type, including having successfully completed training requirements as specified in Chapter 8, paragraph 080202.

C. Have adequate experience in the functional area that is involved in the apparent violation.

D. Have knowledge of financial management policies and procedures and the Antideficiency Act.

E. Have skill in investigating potential violations.

F. Otherwise, be fully qualified to serve as a formal investigator.

*040203. Appointing Officer Requirements

The appointing officer shall appoint a formal investigator and advise the investigator of his or her appointment in a formal memorandum. The memorandum shall include the case number and the case number shall be used on all applicable correspondence and reports related to the formal investigation. The memorandum shall also include specific investigation timeframes and milestones in order to meet reporting timeframes specified in Chapter 7, paragraph 070102. The information regarding the investigation shall be provided to the OUSD(C) DCFO according to Chapter 6, paragraph 060202.

*040204. Other

A. In some cases, a DoD Component whose funds are involved, rather than the DoD Component where the potential violation occurred, may request a formal investigation by the DoD Component where the potential violation occurred. The DoD Component whose funds are involved shall assign a case number and the DoD Component where the potential violation occurred shall assign a formal investigator in accordance with paragraphs 040201 – 040203. If the DoD Component whose funds are involved is not successful in obtaining cooperation from other DoD Components implicated, the matter shall be referred to the OUSD(C) DCFO for resolution.

B. When the OUSD(C) DCFO requires that a formal investigation be conducted, the applicable major command, higher command, or the equivalent shall assign a formal investigator in accordance with paragraphs 040201 – 040203.

C. If the OUSD(C) DCFO notifies the DoD Inspector General (IG) (or other audit organization) that a potential violation requiring DoD IG investigation has been reported, then DoD IG shall assign a formal investigator in accordance with paragraphs 040201 – 040203 and 040204.D. However, a case number shall be assigned by the organization being investigated.

D. An auditor from the DoD Office of the Inspector General (OIG), Army Audit Agency, Naval Audit Service, or Air Force Audit Agency can be considered to be fully qualified to serve as a formal investigator if he or she has an appropriate background in fiscal matters. Likewise, an investigator from the DoD OIG or from the Inspector General organizations of the Military Departments (The Inspector General of the Army, The Naval Inspector General, and The Inspector General of the Air Force) can be considered fully qualified to serve as a formal investigator, if he or she has an appropriate background in fiscal matters.

VOLUME 14, CHAPTER 5: "CONDUCTING INVESTIGATIONS"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue and underlined font*.**

The previous version dated March 2009 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
050201 050202 050203	Referenced timeframes within Chapter 7.	Update
050302.C	Reiterated from Chapter 4, paragraph 040201.G.	Update
050302.F	In accordance with Office of Management and Budget Circular No. A-11 (2010), Preparing, Submitting, and Executing the Budget, added the requirement to send case information to the Department of Justice if it is suspected that the violation was knowing and willful.	Update

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CHAPTER 5

CONDUCTING INVESTIGATIONS

0501 PURPOSE OF AN INVESTIGATION

The purpose of a potential Antideficiency Act (ADA) violation investigation is to determine the event that caused the potential violation, the responsible individual(s), action(s) required to correct the violation, and action(s) taken to ensure that a similar violation does not occur in the future. When an investigating officer is appointed, a formal investigation shall begin.

050101. Checklists

Figure 5-1, Checklist for Investigating Officers, may be used during an investigation to document the results. Figure 5-2, Checklist for Appointing Officers, may be used by the appointing officer in the review of the investigating officer's report. The checklist in Chapter 7, Figure 7-1 also may be used during the investigation and preparation of the ADA Report.

050102. Research Effort

During the investigation, an investigating officer may be required to perform extensive research. The research effort may include researching accounting directives and regulations, directives and regulations related to the functional area involved, legal directives, public law, and legal opinions. An investigating officer will review all specific documentation in the functional area involved that relates to the violation such as purchase requests, contracts, work orders, vouchers, and supporting materials, etc.

0502 TIMEFRAMES

*050201. Timeframes for Investigation

ADA investigations including the submission of the ADA Report to the Office of the Under Secretary of Defense (Comptroller) OUSD(C) Deputy Chief Financial Officer (DCFO), shall be completed within the timeframes stipulated in Chapter 7, paragraph 070102. See other reporting requirements in Chapter 6.

A. All appointing officials shall stipulate in the investigating officer appointment memorandum (see Chapter 4, paragraph 040103) a due date for the ADA Report. Such due date shall conform to the timeframes stipulated in Chapter 7, paragraph 070102 regardless of the scope of the event or amount of the potential violation. The date established by the appointing official also shall consider the requirement for the applicable Office of the Assistant Secretary of the Military Department for Financial Management and Comptroller or Senior Financial Manager for other Department of Defense (DoD) Components, to submit the ADA Report to the OUSD(C) DCFO.

B. The total process for investigating and reporting potential ADA violations shall conform to the timeframes stipulated in Chapter 7, paragraph 070102.

*050202. Approving Exceptions to Timeframes

The Heads of the DoD Components may approve an exception to the timeframes on a case-by-case basis. This responsibility may be delegated to the Assistant Secretary of the Military Department for Financial Management and Comptroller or Senior Financial Manager for other DoD Components. This responsibility shall not be redelegated. The OUSD(C) DCFO shall be notified of any extension that is approved and furnished a justification for that extension; however, any extension granted shall conform to the timeframes stipulated in Chapter 7, paragraph 070102.

*050203. Special Interest Investigations

When necessary, investigations of special interest may deviate from the timeframes stipulated in Chapter 7, paragraph 070102; however, the applicable appointing officer or investigating officer shall notify the OUSD(C) DCFO when such deviations are necessary. If the OUSD(C) DCFO agrees, the timeframe may be extended. Special interest investigations include potential violations that may have been the subject of a news release; requested by the Secretary, Deputy Secretary, or the Under Secretary of Defense (Comptroller) (USD(C)); or involve a high-level DoD official.

050204. Involvement of the Under Secretary of Defense (Comptroller)

The USD(C) may supervise the progress of an investigation when the nature of the violation or the implication of individuals in the violation warrants such involvement. Such supervision may include requirements for oral and written progress reports and may require a team of investigating officers and compressed timeframes.

0503 DEVELOPING CONCLUSIONS

050301. Documenting Facts

During the investigation process, the investigating officer shall use extreme care in obtaining and documenting all the relevant and specific facts of the case. The conclusions in the ADA Report, including the identification of the individual(s) responsible for the violation, shall be supported by the facts presented in the report.

050302. Identifying Circumstances and Fixing Responsibility

The investigating officer shall carefully consider the facts and circumstances surrounding the violation before affixing responsibility for the violation. Commanding officers, budget officers, or fiscal officers may be named because of their overall responsibility or position, or the fact that they are designated as the holder of a subdivision of funds, if they failed to properly exercise their responsibilities. The investigating officer, however; shall attempt to discover the

specific act, or the failure to take action, that resulted in the violation, and the responsible individual(s) for the act or the failure to take action. An ADA Violation Report is considered incomplete until an individual(s) has been named as responsible for the violation. A conclusion that no one could be determined responsible for the violation is not acceptable. Chapter 9 contains additional guidance regarding recommended disciplinary actions.

A. An ADA Violation Report shall include assignment of responsibility to one or more individuals for the violation so appropriate administrative or disciplinary action, if any, may be imposed as required by sections ***1349***, ***1350***, ***1518***, and ***1519*** of title 31, United States Code (U.S.C.).

B. All relevant aspects of the case, including all individual(s) and records connected with the event, shall be investigated to the fullest extent. Key personnel involved in a violation shall be interviewed. If an employee to be interviewed is a member of a bargaining unit, then the investigating officer shall comply with appropriate statutory and collective bargaining agreement protections for such employee. Key facts associated with the events leading to the potential violation shall be examined and documented in the report and the investigating officer shall address any conflicts. If a series of events at several levels led to the violation, then the report clearly shall identify what happened at each level and how the events contributed to the violation.

* C. In cases where the subject matter of the potential violation is beyond the expertise of the investigating officer, the investigating officer shall request a subject matter expert evaluate the evidence along with statements from personnel interviewed and provide an opinion whether the key facts are correct and reasonable.

D. The investigating officer logically shall support a determination from the documented facts that one or more of the individuals involved are responsible for causing the violation.

E. The investigating officer shall clearly identify the involvement of each individual(s) and what each individual(s) did or failed to do that caused the violation. The following questions shall be considered:

1. Did the violation occur because an individual carelessly disregarded instructions?

2. Did the violation occur because an individual was inadequately trained or lacked knowledge to properly perform their job? If so, then was the individual or a supervisor at fault?

3. Did the violation occur because of an error or mistake in judgment by an individual or a supervisor?

4. Did the violation occur because of lack of adequate procedures and controls? If so, then who was at fault?

5. Did the violation occur because of other reasons? If so, then who was at fault?

* F. If, at any time during an investigation, the investigating officer believes there may be a criminal issue(s) involved, then the investigation shall be stopped immediately. The investigating officer shall consult with legal counsel to determine if the issue should be referred to appropriate criminal investigators for resolution. Following completion of the investigation, if it is suspected that the violation was knowing and willful, then the case information shall be submitted to the Department of Justice.

0504 CORRECTIVE ACTIONS

050401. Developing Corrective Actions

Part of an investigating officer's responsibilities includes recommending actions to prevent future violations of a similar type (procedural corrections) and correct the specific adverse funding condition (funding corrections) that resulted from the violation. When the causes and the individual(s) responsible for the violation have been determined, officials of the DoD Component under investigation, working with the investigating officer, shall determine the corrective actions necessary to ensure a violation of a similar nature will not recur. Those actions shall be included in the ADA Violation Report. In addition, officials of the DoD Component under investigation, working with the investigating officer, shall develop a summary of lessons learned from the specific circumstances of the case that can be applied to the installation involved, the major command, the DoD Component, or all DoD Components. The ADA Violation Report does not serve to condone, retroactively approve, or financially justify, a violation. All violations shall be corrected with the proper funding, together with the necessary approval from the proper approving authority.

050402. Procedural Corrections

A. These corrective actions usually are directed at DoD Component level, coordinated and approved at management levels, and implemented at the field level activity that causes the violation and may include training or changes in procedures to preclude similar violations. Other organizations also may be involved. For instance, it is possible that, as a part of an installation's overall corrective action, a change in local procedures is required at an organization (such as contracting, engineering, or information systems office) that supports the installation. Additionally, changes in practices or procedures by the finance office could benefit the activity that caused the violation. Unless individuals in a finance office caused the violation, corrective actions taken by that office would be secondary to the corrective actions taken by the responsible organization.

B. Recommendations for future consideration of field-level corrective actions are not acceptable in the report. The report shall state clearly the corrective actions actually taken, or being taken, to preclude similar violations in the future.

C. Recommendations that apply at other activities or organizations shall be included in the report. Such recommendations shall be specific in nature. The major command, or equivalent, shall address such recommendations and include a statement whether those recommendations are considered appropriate for adoption by the major command. The Head of the DoD Component, or designee, shall evaluate such recommendations and include a statement whether they are considered appropriate for adoption by the DoD Component.

D. The investigating officer also may make recommendations for improvements in the contents of the checklist in Figure 5-1 or other portions in this volume.

E. If recommendations are directed toward changing DoD Component regulations, then each such recommendation shall include the number and name of the regulation, the paragraph in which the change is recommended, the suggested wording of the change, and the rationale for the recommended change. For a situation in which an investigation determines that a particular regulation caused or contributed to the cause of a violation, the report of violation shall contain a recommendation to change that portion of the regulation.

050403. Funding Corrections

A. The ADA Report shall state what actions were taken to request the proper funding. A statement in the report to the effect that funds will be requested is not sufficient. The report shall state the year, type of funds, and the amount used to make the correction. As an example, if Operation and Maintenance (O&M) funds were improperly used for a minor construction project costing in excess of the limitation for minor construction, funds shall be obligated from the Military Construction appropriation and the O&M appropriation restored to the proper balance.

B. Care shall be taken when correcting financial transactions that involve foreign currency fluctuation budget rates. The appropriate budget rate for the appropriate year shall be used.

1. The appropriation from which the incorrect transaction took place shall be corrected, as well as the applicable foreign currency fluctuations centrally-managed allotment from which any gain or loss (difference between the current rate actually paid and the budget rate actually obligated) was incorrectly credited or charged. If the appropriation to which the charge must be made is subject to foreign currency fluctuations budget rates (i.e., when an O&M account was charged when a military construction account instead should have been charged), then a charge to the appropriation at the applicable budget rate and a charge or credit to the applicable centrally-managed allotment will be required.

2. Corrections applying to foreign currency fluctuation centrally managed allotments shall be coordinated with the funds manager of the applicable foreign currency fluctuation, centrally-managed allotment at the DoD Component.

C. In some cases, the appropriation source for proper funding to correct a violation may be expired or canceled (also known as closed). Guidance on the treatment of transactions that should have been charged to accounts that now are expired or canceled (closed) is addressed in Volume 3, Chapter 10.

D. In some cases involving violations of departmental or DoD Component administrative limitations, additional funding may not be needed. Administrative after-the-fact approval from the proper approving authority shall be obtained in order to properly document the records associated with the violation.

E. The correction of a violation by means of receiving the proper funding or after-the-fact approval does not negate the occurrence of the violation. Violations, even though corrected subsequently with proper funding, still shall be properly investigated and reported.

050404. Request for Advance Violation Decision

The applicable Office of the Assistant Secretary of the Military Department for Financial Management and Comptroller or Senior Financial Manager for other DoD Components, may submit the ADA Report, to include the individual(s) responsible for the potential violation, to the OUSD(C) DCFO with a copy to the DoD Office of the Deputy General Counsel (Fiscal) (OGC (Fiscal)) that requests a determination of whether or not the case is or is not an ADA violation prior to completing the ADA Report and administering the discipline. If the DoD OGC (Fiscal) agrees that the case is a violation then discipline shall be administered according to Chapter 9.

050405. Disciplinary Action

At the conclusion of an investigation, appropriate disciplinary action shall be determined. Chapter 9 contains guidance on disciplinary actions. If the individual responsible is from another DoD Component, the appointing official shall follow the procedures in Chapter 7, paragraph 070207. The type of disciplinary action taken shall be included the ADA Violation Report.

0505 ACCUMULATING COSTS

When conducting an investigation outside the major command to which the investigating officer is assigned, incidental costs (TDY, local travel, etc.) incurred shall be identified and accumulated. In accordance with Volume 11A and Volume 11B, reimbursement shall be requested from the command that was under investigation.

Figure 5-1. INVESTIGATING OFFICERS FORMAL INVESTIGATION CHECKLIST

The investigating officer shall ensure the following items have been considered during the course of an investigation and the preparation of the ADA Report:

1. Review the preliminary review report (see Chapter 3, paragraph 030203) and develop questions, as needed, to:

    a. Ensure a full understanding of the facts and circumstances of the potential violation.

    b. Validate the existence of the potential violation.

2. Examine the physical evidence associated with the potential violation and document each piece of evidence.

    a. Make copies of the transaction(s) that caused the potential violation. The transactions may consist of working group documents, planning documents, commitment documents, obligating documents, payment documents, or others. Copies of the transactions related to the violation may be located in the functional area originating the obligation, the contracting office, engineering office, or Defense Finance and Accounting Service offices.

    b. Trace and document who authorized or approved the transaction(s).

    c. Trace and document all of the relevant decisions that led up to, and the contributing circumstances that set the stage for, the transaction(s) that caused the potential violation. These decisions might be traced to minutes of installation financial board meetings, installation financial working group meetings, or any other installation group meeting in which decisions concerning an installation's financial decisions are conducted.

    d. If a regulation, funding document, or other administrative document was violated, then review the pertinent document. Determine specifically what administrative limitation was exceeded. Review sections ***1511*** through ***1519*** of title 31, U.S.C. related to administrative violations. Determine specifically which section of Title 31 was violated.

    e. If a statutory limitation was exceeded, then review the pertinent statute. Sections ***1341*** through ***1348*** of title 31, U.S.C. contain general government-wide provisions dealing with statutory limitations. Voluntary services are covered by ***section 1342*** of title 31, U.S.C. Other statutory limitations in ***title 10, United States Code*** or DoD Appropriations or Authorization Acts may be involved. Determine specifically which statute was violated.

Figure 5-1. INVESTIGATING OFFICERS FORMAL INVESTIGATION CHECKLIST (continued)

3. Interview the key players and document the results of the interviews. When interviewing DoD civilian employees, who also are bargaining unit members, ensure that the relevant questions of the U.S.C. and the collective bargaining agreement are adhered to.

    a. Question each key person to determine the role each played in the violation.

    b. Question facts and circumstances that do not appear logical or supportable.

    c. For those individuals who may be potentially responsible in any way, question why they did what they did and when they did it.

    d. If they indicate that their supervisor instructed them to perform certain acts that contributed to the potential violation, interview their supervisors.

    e. Re-interview to address conflicts in documented evidence.

4. Examine relevant circumstantial evidence associated with the potential violation and describe how each piece of circumstantial evidence relates to the case. Label all circumstantial evidence as such in the report. Inclusion of photographs, drawings, etc., particularly of construction projects, is not mandatory, but could be helpful in explaining the violation.

5. Assemble and analyze the documented evidence.

    a. Develop and document a list of findings based upon the evidence. Identify the evidence that supports each finding.

    b. Develop and document a list of conclusions, including which specific act, or failure to act, caused the potential violation. Identify the evidence and findings that supports each conclusion.

    c. Determine if an ADA violation has, in fact, occurred and if so, which provision of the Act was violated. Include in the documentation the rationale and evidence that support this conclusion and state the type of violation and the related section of the U.S.C. that was violated.

    d. Identify the amount and date of the potential violation.

Figure 5-1. INVESTIGATING OFFICERS FORMAL INVESTIGATION CHECKLIST (continued)

6. Determine if the acts that caused the violation complied with established internal controls or local operating procedures.

   a. If the acts were in compliance with either the controls or procedures, determine what control and procedural improvements are required to prevent future violations of this type.

   b. If the controls or procedures were deficient or in need of improvement, then interview the supervisors of the operating personnel to determine why the controls and procedures were deficient.

   c. In consultation with the field commander, key fund control personnel, operating personnel, and supervisor(s), recommend or review revised controls and procedures to prevent future violations of the same type. Include in the report any recommended control or procedural improvements and the actions taken on those recommendations by the local command. Describe actions in detail so they may be evaluated for application at other locations.

   d. Obtain from management officials of the DoD Component involved any lessons learned from this event for use by others in addressing similar circumstances. Include any recommended lessons learned in the report.

7. Determine to what degree each key player was responsible for the violation.

   a. If operating personnel failed to follow established controls or procedures, then assign that individual(s) as bearing a significant responsibility for the violation.

   b. If a supervisor requested an employee(s) to disregard established controls or procedures, then assign the supervisor (in lieu of the employee) as bearing a significant responsibility for the violation.

   c. If standard operating procedures or internal controls are deficient and the deficiencies were a major contributing cause of the violation, then assign the supervisor responsible for the procedures or controls as bearing significant responsibility for the violation.

   d. In most cases, the individual(s) that is determined to be significantly responsible for the violation shall be named as the responsible individual in the ADA Violation Report.

Figure 5-1. INVESTIGATING OFFICERS FORMAL INVESTIGATION CHECKLIST (continued)

e. If the violation involves a centrally managed allotment, then the head of the operating agency at the time the violation was incurred shall be named responsible for the violation; however, other individuals also may be named responsible for the violation.

f. Identify in the report the individual(s) named responsible by name, rank/grade, position title, job series, and organization.

g. Include in the report a brief, clear description of the causes and circumstances surrounding the violation.

(1) The description shall state clearly what the individual(s) responsible for the violation did, or failed to do, that caused the violation.

(2) State whether the violation was due to careless disregard of instructions; an error; a lack of adequate training, procedures, or controls; or due to other reasons.

(3) The report shall not be so brief that it does not convey clearly the essential facts and circumstances of what happened. Clearly state in sufficient detail what happened.

(4) Identify the name and position of the holder of the funds subdivision (e.g., installation commander) and an evaluation of the performance of their fund control responsibilities. The level of command immediately above the holder normally will furnish this evaluation. This evaluation may be omitted if the holder of funds is named the responsible individual for the violation.

8. The individual(s) named responsible in the report shall be:

a. Advised that they may consult with legal counsel or, when applicable, union representative.

b. Advised that a violation has been determined to have occurred and that they are named a responsible individual for the violation and they will be allowed to review the report prior to finalization and examine evidence on which the determination was based.

Figure 5-1. INVESTIGATING OFFICERS FORMAL INVESTIGATION CHECKLIST (continued)

c. Allowed to submit a sworn or unsworn statement regarding the alleged violation after reviewing the report and evidence that will be included in the report. If the individual declines to make a statement, then the report shall so indicate.

d. Allowed to designate witnesses to provide statements on their behalf.

e. Designated witnesses shall be interviewed for the record.

f. After review of responsible individual(s) statement(s) and designated witnesses interviews, the investigator shall provide an analysis of this information in the report and address whether and how the report is affected.

g. If a designated witness declines to make a statement, then the report will so indicate.

9. The investigator shall assess whether the individual(s) named responsible knowingly and willfully committed the violation. The assessment shall fully support the determination and explore the reasons and what evidence in the report was relied upon to make that determination.

10. In consultation with the investigating officer and legal officials, the disciplinary officer and/or the individual's supervisor or commander shall determine appropriate disciplinary action against the individual(s) named responsible.

a. The recommended disciplinary action, if any, shall be commensurate with the severity of the violation and the degree of responsibility of the individual.

b. Include in the report the recommended disciplinary actions and a statement by the local commander describing any administrative discipline imposed and any further action taken with respect to the individual(s) named responsible for the violation. The individual responsible for determining disciplinary action shall attach a written statement to the report acknowledging that:

(1) A violation is a serious matter.

(2) Disciplinary action taken shall be appropriate to the causes and circumstances determined during the investigation.

Figure 5-1. INVESTIGATING OFFICERS FORMAL INVESTIGATION CHECKLIST (continued)

(3) The DoD shall report the violation to the Congress and the President.

(4) The disciplinary action taken is commensurate with the severity of the violation as identified in the report, with full justification of extenuating circumstances. Chapter 9 contains further guidance on these statements. If no disciplinary action is deemed appropriate, then full justification is required.

11. The investigator shall review the report before transmittal to the appointing official to determine that:

a. The report includes copies of the investigating officer appointment memorandum and the preliminary review report.

b. The case control number, title of the appropriation or fund involved, Treasury symbol, amount, date of occurrence, date discovered, and a description of how the potential violation was identified are included in the report. In addition, the name and title of the investigator, the dates, place, and scope of the investigation shall be included in the report.

c. There are no obvious questions or issues that have not been addressed.

d. The documented evidence supports the findings, conclusions, and recommendations in the report.

e. All key players and designated witnesses have been interviewed.

f. All relevant evidence has been included in the report.

g. All circumstantial evidence has been labeled properly to distinguish it from the evidence in item 12f.

h. The documentation indicates that all witnesses and individuals suspected of committing a criminal offense and supplied testimony were informed properly of their rights; e.g., with respect to military personnel, under ***Article 31, Uniform Code of Military Justice***.

i. The investigator has indicated that the individual(s) named responsible did not commit the violation willfully and knowingly. If there were indications that an individual(s) may have willfully and knowingly committed a violation, then the case shall have been referred to criminal investigators (see paragraph 050302.F).

Figure 5-1. INVESTIGATING OFFICERS FORMAL INVESTIGATION CHECKLIST (continued)

j. An individual(s) has been named responsible, disciplinary action has been recommended, and the required statement by the commander on the appropriateness of the disciplinary action, whether imposed or not, is included in the report. The individual(s) is identified by name, rank, position title, and organization.

k. Corrective actions, to include applicable funding corrections, have been taken or recommended and the report identifies any lessons learned.

l. Any findings, conclusions, and recommendations that are based upon testimony are cross-referenced to the record of the testimony.

m. The documentation includes records of applicable legal advice when required.

n. The report includes the name and position of the fund holder and an evaluation of their performance.

o. The investigator has signed the report.

Figure 5-2. APPOINTING OFFICERS FORMAL INVESTIGATION CHECKLIST

The appointing officer shall ensure the following items are addressed in the ADA Report:

1. Is a copy of the investigating officer's appointment memorandum and the preliminary review report included in the report?

2. Does the report include the case control number, title of the appropriation/fund involved, Treasury symbol, amount, date of occurrence, date discovered, and a description of how the potential violation was identified, the name and title of the investigating officer, the dates, place and scope of the investigation?

3. Is the evidence clearly documented in the report and is the evidence relevant to the case?

4. Does the evidence appear to be complete or are significant factors missing that should be considered? Do there appear to be relevant unanswered questions?

5. Are the findings clearly stated, logical, supported by the evidence, and relevant to the case?

6. Is each finding that is based upon testimony properly cross-referenced to the testimony?

7. Are the findings and conclusions fully substantiated by the evidence and testimony?

8. Were all conflicts in testimony addressed in the report?

9. Is there an explicit statement that a violation, in fact, occurred or that no violation occurred? If a violation occurred, does the report include a citation of the U.S.C. section that was violated?

10. Does the report name at least one individual as being responsible for the violation? Does the evidence support the determination of responsibility made by the investigating officer? Is the individual(s) named responsible identified by name, rank/grade, position title, job series, and organization? Does the report identify the date of the potential violation and the amount?

11. Does the report include a clear description of the causes and circumstances surrounding the violation?

    a. The description shall state clearly what the individual(s) responsible for the violation did, or failed to do, that caused the violation.

Figure 5-2. APPOINTING OFFICERS FORMAL INVESTIGATION CHECKLIST (continued)

b. State whether the violation was due to careless disregard of instructions; an error; a lack of adequate training, procedures, or controls; or due to other reasons.

c. The report shall not be so brief that it does not convey clearly the essential facts and circumstances of what happened. Clearly state in sufficient detail what happened.

d. Identify the name and position of the holder of the funds subdivision (e.g., installation commander) and an evaluation of the performance of the fund control responsibilities. The level of command immediately above the holder normally will furnish this evaluation. This evaluation may be omitted if the holder of funds is named the responsible individual for the violation.

12. Does the report indicate that each individual named responsible was:

a. Advised that they may consult with legal counsel?

b. Advised that a violation has been determined to have occurred, that they are named as a responsible individual for the violation, and they will be allowed to review the report and examine evidence on which the determination was based?

c. Allowed to submit a sworn or unsworn statement regarding the alleged violation after reviewing the report and evidence? If the individual declines to make a statement, then the report shall so indicate.

d. Allowed to designate witnesses to testify in their behalf?

13. Were the rights of the individual(s) named responsible protected? Are there indications in the report that suggest that their rights were not fully protected? If so, the case may have to be reinvestigated.

14. Were all witnesses--designated by the individual(s) named responsible--interviewed or does the report include valid reasons why they were not interviewed?

15. Was there any relevant new information furnished by the oral or written statements by the individual(s) named responsible, or their designated witnesses? If so, does the report address this new evidence and its bearing on the responsibility of the named individual(s)?

Figure 5-2. APPOINTING OFFICERS FORMAL INVESTIGATION CHECKLIST (continued)

16. Does the report explicitly state whether the violation was willfully and knowingly committed? If there are indications the violation willfully and knowingly was committed, the investigation shall have been referred to criminal investigators (see paragraph 050302.E).

17. Has the investigating officer included a discussion of the following items in the report and have appropriate actions been taken by the local command to:

    a. Discipline the named individual(s), if appropriate, and furnish a statement by the local commander justifying the action taken.

    b. Identify and complete applicable funding corrections.

    c. Identify and implement corrective actions to prevent similar violations in the future.

    d. Improve procedures and controls, if appropriate.

18. Has the report been signed by the investigator?

VOLUME 14, CHAPTER 6: "STATUS REPORTS ON INVESTIGATIONS"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue and underlined font*.**

The previous version dated February 2008 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
0602	Rearranged section content, referenced corrective actions in Chapter 5 and referenced reporting timeframes in Chapter 7.	Update

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CHAPTER 6

STATUS REPORTS ON INVESTIGATIONS

0601 OVERVIEW

During the course of a formal investigation, status reports to the applicable Office of the Assistant Secretary of the Military Department for Financial Management and Comptroller, Senior Financial Manager for other Department of Defense (DoD) Components (referred herein as DoD Component), or the Office of the Under Secretary of Defense (Comptroller) are required.

0602 INFORMATION REQUIREMENTS

*060201. Administration

When a formal investigation is initiated, the applicable DoD Component shall assign a case number and establish a completion date for the formal investigation. The completion date shall allow sufficient time for the DoD Component to perform corrective actions, seek advance DoD Office of the Deputy General Counsel (Fiscal) decision, and administer discipline in accordance with Chapter 5, section 0504.

060202. Oversight Office

When an investigating officer is appointed and a formal investigation begins, the applicable DoD Component shall report the information in Figure 6-1 to the Office of the Under Secretary of Defense (Comptroller) Deputy Chief Financial Officer (OUSD(C) DCFO).

060203. Submission

The DoD Component shall submit the Antideficiency Act Report to the OUSD(C) DCFO within the provisions and timeframes provided in Chapter 7.

0603 STATUS

Status on formal investigations shall be reported to the OUSD(C) DCFO upon request. Requests can be made starting from the beginning of the formal investigation through the date the final Antideficiency Act Report is provided to the OUSD(C) DCFO.

Figure 6-1. POTENTIAL ANTIDEFICIENCY ACT VIOLATION CASE

SAMPLE FORMAT
(Insert DoD Component Name and Case Number)
(Insert Date)

(1) CASE NUMBER	(2) ESTIMATED COMPLETION DATE	(3) AMOUNT	(4) APPN & TREASURY ACCT SYMBOL	(5) USC REF	(6) ORGAN-IZATION	(7) LOCATION
Two-digit Fiscal Year and sequence number assigned by the Component. For example: 10-01	mm/dd/yyyy	Insert the amount of violation in dollars and cents.	Insert the Appropriation name, Treasury Index number, Fiscal Year, basic symbol, and limit. For example: Operation and Maintenance, Air Force, 57 3400 20102010 3400	Insert the USC reference suspected of being violated. For example: 1341(a)(1)(A) 1341(a)(1)(B) 1517(a)(1) 1517(a)(2)	Insert the name or designation of the organization where the suspected or potential violation occurred.	Insert the location of the organization where the suspected or potential violation occurred.

(8) NATURE OF VIOLATION	(9) DATE POTENTIAL VIOLATION OCCURRED	(10) DATE POTENTIAL VIOLATION DISCOVERED	(11) DATE FORMAL INVESTIGATION BEGAN
Insert the nature of the violation. Accepted Voluntary Services, Charged Incorrect Appropriation, Disbursement(s) Exceeded Recorded Obligation(s), Exceeded Appropriation/Fund Availability, Exceeded Available Obligation Authority, Exceeded Expense Versus Procurement Limitation, Exceeded Minor Construction Limitation, Charged Incorrect Fiscal Year, Exceeded Repair and Maintenance Family Housing Limitation, Obligation Not Recorded, or Other (Explain).	mm/dd/yyyy	mm/dd/yyyy	mm/dd/yyyy

(12) SOURCE OF POTENTIAL VIOLATION	(13) BRIEF DESCRIPTION OF POTENTIAL VIOLATION	(14) PROGRESS OF VIOLATION/OTHER COMMENTS
Insert the source of the potential violation (audit report including the report number and title).	Briefly describe in a narrative what appears to have caused the potential violation – e.g., use of incorrect appropriation, over-obligation, inappropriate use of funds.	Provide significant milestones regarding progress of the case - e.g., date investigating officer was appointed, date report was submitted to the appointing official, the FM, the Legal Office. Also provide other comments as appropriate.

VOLUME 14, CHAPTER 7: "ANTIDEFICIENCY ACT REPORT"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue and underlined font*.**

The previous version dated February 2008 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
Title	Changed title of chapter.	Update
070101	Clarified report submission requirements and clarified the two different types of reports.	Update
070102	Revised the timeframe to submit a report, removed compressed timeframe for interagency related investigations, and moved overall report submission requirements from section 0703 of previous version.	Update
070201	Moved related timeframes to paragraph 070102. Deleted information from this section already included in Figure 7-1.	Update/Delete
070204	Added a timeframe for those named responsible along with related extension requests. Clarified explanations of responsible individual(s) statement(s) in the ADA Violation Report.	Add/Update
070501	Clarified the Congressional recipients of a violation report and letter requirements. Added reporting requirements in accordance with Office of Management and Budget Circular No. A-11 (2010), *Preparing, Submitting, and Executing the Budget*. Added requirement for Office of the Deputy Comptroller (Program/Budget) coordination.	Update/Add
070502	Clarified the violation notification process to external authorities.	Update
070602 070603	Added timeframe to resubmit report.	Add

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
Figure 7-1 Figure 7-2	Merged information in Figure 7-1 and Figure 7-2 of the previous version into Figure 7-1. Added Office of Management and Budget Circular No. A-11 (2010), *Preparing, Submitting, and Executing the Budget*, requirement to send case information to the Department of Justice if it is suspected that the violation was knowing and willful.	Update/Add

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CHAPTER 7

ANTIDEFICIENCY ACT REPORT

0701 OVERVIEW

One of the most important outcomes of an Antideficiency Act (ADA) investigation is preparing the necessary ADA report.

*070101. Preparation and Submission

The applicable Office of the Assistant Secretary of the Military Department for Financial Management and Comptroller or Senior Financial Manager for other Department of Defense (DoD) Components (referred herein as DoD Component) shall ensure that an ADA Report, either a report with a violation or a report that does not contain a violation, is prepared and submitted to the Office of the Under Secretary of Defense (Comptroller) Deputy Chief Financial Officer (OUSD(C) DCFO).

*070102. Timeline

The report is due to OUSD(C) DCFO within twelve months and two weeks from the date the preliminary review ended. If there was no related preliminary review, then the report is prepared and submitted twelve months from the date the formal investigation began. Upon receipt of the report, the OUSD(C) DCFO has three months to develop, coordinate, and process the letters addressed in section 0705. Therefore, the formal investigative process, to include the DoD Component investigating and reporting of the violation, should take no more than fifteen months.

A. The ADA Report format and content requirements are in Figure 7-1.

B. The original or an electronic copy of the report shall be submitted to the OUSD(C) DCFO and the report shall contain a copy of all pertinent documents referenced in the body of the report. The investigative report, as prescribed in Chapter 5, may be used as the ADA Report as long as the report includes the contents in Figure 7-1 and only pertinent data is referenced and enclosed.

0702 ANTIDEFICIENCY ACT VIOLATION REPORT

*070201. Investigation Results

When an investigation determines a violation has occurred, the applicable DoD Component shall prepare an ADA Violation Report that documents the results of the investigation and submit the report based on the provisions in paragraphs 070101 and 070102. If the investigation resulted in no violation, then refer to section 0706.

070202. Report Content

The ADA Violation Report shall contain the applicable items in Figure 7-1. The DoD Component and its legal counsel shall also ensure that the ADA Violation Report includes all pertinent items.

070203. Multiple Violations

If the same individual(s) is responsible for more than one violation under the same circumstances, then one ADA Violation Report may encompass multiple violations. As an example, if on several different occasions an individual(s) authorized obligations against an appropriation that should not have been used for that particular purpose, and funds in the correct appropriation were not available, then those violations may be combined into a single ADA Violation Report.

*070204. Individual(s) Named Responsible

Upon completion of the ADA Violation Report, the individual(s) named responsible for a violation shall be given two weeks to read the ADA Violation Report, including the facts and circumstances leading to the determination of responsibility, and may provide a statement of any circumstances they believe to be extenuating. Extension requests to the two weeks shall be granted by the applicable DoD Component; however, the DoD Component shall adhere to the timeframes in paragraph 070102.

A. The individual(s) named responsible shall be granted this opportunity even if they no longer work where the violation occurred or have retired or separated from the DoD.

1. The statement(s) shall first acknowledge that the individual(s) has read the ADA Violation Report and understands that he or she is being held responsible for the violation.

2. The individual(s) may provide additional information pertinent to the particular violation case, which was not addressed in the investigation or the ADA Violation Report and has a bearing on responsibility for the violation.

3. The individual(s) also may refute statements made in the ADA Violation Report or by others and make other comments. The individual's final written statement, including any extenuating circumstances, shall be included in the ADA Violation Report submitted to the OUSD(C) DCFO.

B. When the statement(s) of the responsible individual(s) refute content in the ADA Violation Report, the DoD Component shall include an evaluation of the statement in the ADA Violation Report. The evaluation shall either support the individual(s) statement and state the modifications made to the ADA Violation Report as a result. Or the evaluation should explain why the individual(s) statement did not lead to modifications to the ADA Violation Report.

C. If the ADA Violation Report is modified based on the statement(s) of the responsible individual(s), the responsible individual(s) shall have the opportunity to review the final ADA Violation Report and provide a second and final statement. The individual's statement(s) shall not be based on an incomplete ADA Violation Report.

D. If the individual(s) named responsible refuses to give a statement(s), then the DoD Component shall request the individual(s) submit a signed statement of declination. If they refuse to sign a declination, include in the ADA Violation Report a statement to that effect, signed by an appropriate official. If the individual(s) named responsible for the violation cannot be located despite due diligence, then include a statement to that effect, signed by an appropriate official and include in the ADA Violation Report.

070205. Legal Review

The DoD Component shall obtain a legal review of the ADA Violation Report from its legal counsel and coordinate the ADA Violation Report with responsible officials in other functional areas involved in the violation (such as contracting, logistics and other financial management organizations) before forwarding the ADA Violation Report to the OUSD(C) DCFO.

0703 ANTIDEFICIENCY ACT VIOLATION REPORT VERIFICATION

If funds of another DoD Component are involved, then a copy of the ADA Violation Report shall be furnished to that DoD Component. When the violation affects the funds of another DoD Component, or when the responsible individual(s) is from another DoD Component, the DoD Component shall notify the OUSD(C) DCFO and obtain coordination on the report from the other DoD Component involved before submission of the ADA Violation Report to the OUSD(C) DCFO.

0704 ANTIDEFICIENCY ACT VIOLATION REPORT REVIEW

The OUSD(C) DCFO shall review each ADA Violation Report for completeness, clarity, compliance with reporting requirements and shall review the adequacy of corrective and disciplinary action taken. If the OUSD(C) DCFO determines that the ADA Violation Report does not meet the requirements of this volume, then the report shall be returned to the applicable DoD Component. The DoD Component will be asked to resubmit the report with the requested information within the period of time specified by the OUSD(C) DCFO.

0705 NOTIFICATION TO EXTERNAL AUTHORITIES

*070501. Letter Preparation

Following receipt of an acceptable ADA Violation Report from the applicable DoD Component, the OUSD(C) DCFO will prepare the required letters, in accordance with the ***Office of Management and Budget Circular No. A-11, Exhibit 145A***, that report an ADA violation to the President through the Director of the Office of Management and Budget, President of the Senate, Speaker of the House of Representatives, and Comptroller General of the United States.

The notification letters shall be coordinated with the Office of the Deputy General Counsel (Fiscal) (OGC(Fiscal)), Office of the Assistant Secretary of Defense Legislative Affairs, and Office of the Deputy Comptroller (Program/Budget).

*070502. Letter Content/Submission

These letters are submitted to the Under Secretary of Defense (Comptroller) for signature and forwarded to the external authorities identified in paragraph 070501. The letters and the attached ADA Violation Report, notify the external authorities of the violation, its cause(s) and circumstances, the names of the individual(s) responsible for the violation, and the disciplinary action taken.

0706 ANTIDEFICIENCY ACT REPORT WITHOUT A VIOLATION

070601. Report Conclusion

If the results of a formal investigation determine there was no violation, then a report that concludes no violation occurred shall be prepared by the DoD Component. The report shall contain applicable items in Figure 7-1 and appropriate justification that support the no violation conclusion. The OUSD(C) DCFO shall evaluate the report that does not contain an ADA violation and submit a copy to the OGC(Fiscal) for a review and concurrence.

*070602. Legal Concurrence/Non-concurrence

If the OUSD(C) DCFO and OGC(Fiscal) agree with the no violation conclusion, then no further action is required by the DoD Component involved. If, however, the OUSD(C) DCFO and/or OGC(Fiscal) do not agree that there was not a violation, the OUSD(C) DCFO shall return the report to the applicable DoD Component. The DoD Component shall be requested to reinvestigate the violation, provide additional documentation, modify the report, or accomplish other actions as requested within the period of time specified by the OUSD(C) DCFO.

*070603. Reinvestigation

If a reinvestigation is requested by the OUSD(C) DCFO, then after the reinvestigation is completed or other requested action has been taken, the applicable DoD Component shall submit the revised report to the OUSD(C) DCFO according to applicable procedures in sections 0702 through 0706. The related ADA Report shall be submitted to the OUSD(C) DCFO within two weeks following completion of the reinvestigation or other requested action.

*Figure 7-1. ANTIDEFICIENCY ACT REPORT FORMAT

DEPARTMENT OF THE (add DoD Component or Agency)
ANTIDEFICIENCY ACT REPORT

Name of Component/Agency and Case Number

1. Appropriation(s) Involved/Title, Treasury Symbol or Fund Account, and Apportionment Status. Example: Fiscal Year (FY) Operation and Maintenance, Defense-wide (97 20102010 0100)

2. Where Violation(s) Occurred.

3. Name and Location of Activity Issuing the Fund Authorization.

4. Amount of Violation. This amount shall correspond to the amount of funds to correct the violation. Provide total and breakdown, if applicable.

5. Date Violation(s) Occurred.

6. Type of Violation(s). Provide the section(s) of title 31, United States Code (U.S.C.) that was violated. For example, sections ***1341(a)(1)(A)***, ***1342*** or ***1517(a)(2)*** of title 31, U.S.C.

    a. If a legal limitation is exceeded whereby section 1341(a)(1)(A) of title 31, U.S.C. was violated, then refer to Chapter 2 and subsection 1341(a)(1)(A) of title 31, U.S.C. for more specific details.

    b. If the DoD or DoD Component administrative limitation was exceeded whereby section 1517(a)(2) of title 31, U.S.C. was violated, then refer to Chapter 2 or section 1517(a) of title 31, U.S.C. for more specific details.

    c. Section 1342 of title 31, U.S.C. (acceptance of voluntary services) is very seldom violated; however, see Chapter 2 for an example. Also state whether the violation(s) was an over-obligation of an appropriation, an apportionment, or an allotment. If an administrative subdivision of funds is involved with the violation(s), then state whether the administrative subdivision of funds was over-obligated. An administrative subdivision of funds may be an allotment, a centrally managed allotment, an operating budget authority, an allocation, a suballotment, or a suballocation.

7. Effect of Violation(s) on the Next Higher Level of Funding. State whether the violation(s) had an effect on the next higher level of funding.

Figure 7-1. ANTIDEFICIENCY ACT REPORT FORMAT (continued)

a. Exceeding an administrative subdivision at the local level can lead to the next higher level exceeding its subdivision of funds and to the DoD Component's apportionment and appropriation being exceeded.

b. For instance, if an installation exceeded an amount in an operating budget authority or an allotment, did this cause the higher command operating budget authority or allocation to also be exceeded? If the higher command operating budget authority or allocation is exceeded, also state why the DoD/Component apportionment or appropriation was also exceeded.

8. Name and Rank of Service Members or the Name, Grade, and Civilian Job Series Number of Civilians, Position Title (Spell Out Formal Name), and Organization of Responsible Individual(s) (Spell Out Full Name).

a. If a violation(s) involves a centrally managed allotment, then the head of the operating agency at the time the violation was incurred shall be named responsible. See Chapter 1, subparagraph 010206.C.5 for centrally-managed allotments.

b. Others, in addition to the head of the operating agency, also may be determined to be responsible for the violation.

c. See Chapter 5, section 0503 when determining the responsible individual(s).

9. Signed Statement(s) of Responsible Individual(s). State whether a statement(s) was received from the individual(s) and reference enclosure. The ADA Violation Report shall include the required acknowledgements and a written statement(s), from the official responsible for determining the appropriate discipline for the individual(s) responsible for a violation(s). Chapter 9 contains specific requirements. Each individual named responsible for the violation(s) shall be given the opportunity to state any circumstances believed to be extenuating. The statement(s) shall not be based on a preliminary investigation, but should be provided after a determination of responsibility is made. If possible, the responsible individual(s) shall be encouraged not to refer to documents that are not part of the report submission. The individual(s) found responsible for the alleged violation shall be:

a. Allowed to consult with legal counsel.

b. Advised that a violation(s) has been determined to have occurred, and that he or she is named a responsible individual for the violation(s) and shall be allowed to review the report and examine evidence on which the determination was based.

c. Allowed to submit a sworn or unsworn statement regarding the alleged violation(s) after reviewing the report and evidence.

Figure 7-1. ANTIDEFICIENCY ACT REPORT FORMAT (continued)

d. The report shall include an evaluation of any facts or circumstances and the effects on the report when the statement of the responsible officer(s) or individual(s) differs from the report itself. If the statement has no effect on the report state the reason(s) why.

10. Date(s) and Description of How Violation(s) Was Discovered. Provide date(s) and who/how violation(s) was discovered.

11. Causes and Circumstances Surrounding the Violation(s). Provide a detailed description of the violation(s). Include the following:

a. A brief, clear description of the causes and circumstances surrounding the violation(s); what actually caused the violation(s) and the associated circumstances; what actions should have been, but were not, taken by specific individual(s); what actions were taken that should not have been taken, but were; and why the violation(s) happened. The description shall state clearly what the individual(s) responsible for the violation(s) did, or failed to do, that caused the violation(s). State whether the violation(s) was due to careless disregard of instructions; an error; a lack of adequate training, procedures, or controls; or due to other reasons. The report should not be so brief that it does not convey clearly the essential facts and circumstances of what happened. Clearly state in sufficient detail what happened. If the violation(s) involved an appropriation with a negative balance, then state whether the cause of the negative balance was systemic or a unique situation.

b. The scope of the investigation and the methods used to accomplish the investigation, for example, face-to-face interviews; research of legal, financial, and management issues; written explanation of the facts of the potential violation, etc. Discuss the evolution of the issues investigated, number of people interviewed, mitigating circumstances surrounding the violation(s), issues that could or could not be proven during the investigation and the supporting rationale, any issues that cannot be agreed upon by those individuals involved, and any other comments that are pertinent to the investigation.

c. Results of interviews of individuals involved in the violation(s) and a summary of how the area(s) procedures and processes operated that were involved in the investigation. Discuss the issues and the areas or functions that were reviewed, evaluated, and investigated; the names, ranks, and titles of the individuals that were interviewed; and a discussion on any related areas and matters that were not investigated and the rationale for omitting them from the investigation.

Figure 7-1. ANTIDEFICIENCY ACT REPORT FORMAT (continued)

d. If the investigation has been undertaken because of an audit report, then identify that report by title, number, date, and issuing audit organization. If the investigation was conducted as a result of a memorandum or letter directing an investigation, then reference that document and attach a copy to the report. To ensure all essential items are discussed, use the results of the checklist in Chapter 5, Figure 5-1.

12. Evidence of Willful Intent to Violate. State whether the ADA was knowingly and willfully violated. If the violation was willfully committed, follow the procedures in Chapter 5, paragraph 050302.E; state why the case was referred to appropriate criminal investigators, and state that the investigation case was provided to the Department of Justice and whether the Department of Justice prosecuted or declined to prosecute.

13. Disciplinary Action Taken. State what type of disciplinary action was taken and reference enclosure. If no action was taken, then explain why. Chapter 9 contains specific disciplinary requirements. The statement shall include the administrative discipline imposed and any further action taken with respect to the individual(s) named responsible for the violation(s). The individual responsible for determining disciplinary action shall acknowledge, in writing, that they understand that:

a. A violation of the ADA is a violation of Federal statute;

b. ADA violations constitute a misuse of DoD funds even though the misuse may not have been knowing or willful, and despite whether the disciplinary officer considers the misuse harmful to DoD, the Military Department or Service, or to the Defense Agency;

c. The Department is required to report the violation to the President through the Director of the Office of Management and Budget, the President of the Senate, the Speaker of the House of Representatives, and the Comptroller General of the United States;

d. An unwillful or unintentional violation does not justify a decision to not administer disciplinary action; and

e. Disciplinary action shall be commensurate with the severity of the violation, and factors leading to the violation or its resolution may be considered. If no disciplinary action is deemed appropriate, then a full justification is required. Chapter 9 contains further guidance on these disciplinary actions and statements.

14. Corrective Action Taken. State what funds were used to make necessary accounting corrections, such as appropriation, title, and fiscal year. In addition, state what procedural actions were taken and completed to preclude violations from happening in the future. This shall include a description of specific action(s) taken to correct the violation. Include any procedural changes or new safeguards established to prevent recurrence of the same type of

Figure 7-1. ANTIDEFICIENCY ACT FORMAT (continued)

violation. Describe actions in detail so that adequacy of the corrective action(s) may be evaluated. This includes improvement of overall and specific policies, procedures, and processes used by the functional areas involved in the violation; revised statutes or regulatory guidance that may have been involved; established or improved internal procedures; and assurance that a similar violation will not occur in the future. Reference documentation of corrective actions in an enclosure.

15. Administrative Control of Funds. State whether the administrative control of funds prescribed in Chapter 1 is adequate. If the official signing the report recommends changes to this chapter, then submit the proposed changes to the OUSD(C) DCFO.

16. Component or Agency Coordination. State steps taken to coordinate the report with the other components or agencies involved, when applicable. Specifically, if another DoD Component or another federal agency is involved, make a statement concerning the steps taken to coordinate the report with the other component or agency. The applicable DoD Component should coordinate the report with the applicable DoD Component senior financial manager or the appropriate official in other federal agencies.

17. Name and Title of Holder of the Funds Subdivision. State who the holder of the funds was and a brief statement of the fund holder's responsibility in the violation(s). Name and position of the holder of the funds subdivision (e.g., an installation commander) and an evaluation of the performance of his or her fund control responsibilities. The level of command immediately above the holder normally will furnish this evaluation. This evaluation may be omitted if the holder of funds is named the responsible individual for the violation(s).

18. Additional Information. Provide details not covered above. A statement of any additional action taken by, or at the direction of the DoD Component with respect to the overallocation, overallotment, authority, or directive to overobligate, or overexpend, and any procedural changes or new safeguards established to prevent recurrence of such violation. Also, include the actions taken to supply funds, if required, to cover the amount of the violation. A statement summarizing lessons learned from the investigation. Recommended lessons learned shall include those applicable to the installation where the violation occurred, the major command, the DoD Component involved, or all DoD Components.

NOTE: In the ADA Report reference only relevant information. In the case of an ADA Violation Report, do not reference documents that are not sent to the President, through the Director of the Office of Management and Budget, the President of the Senate, the Speaker of the House of Representatives, and the Comptroller General of the United States. When references are made, ensure all referenced documents are supplied to the OUSD(C) DCFO with the related report. Within the report include the testimony from witnesses; other documentation such as photographs, drawings, or copies of appropriate pages of regulations that were gathered to support any conclusion(s) reached; and any other pertinent information generated as the result of the investigation.

VOLUME 14, CHAPTER 8: "INVESTIGATOR TRAINING"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue and underlined font*.**

The previous version dated September 2008 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
Title	Changed title from "Training" to "Investigator Training."	Update
0802	Removed the requirement for DoD Components to coordinate investigator training through the Defense Finance and Accounting Service. Renumbered paragraphs and subparagraphs. Paragraph 080203 was paragraph 080206 in the previous version.	Update
080202.B	Removed incorrect wording that investigators can recommend discipline.	Delete
0803	Deleted section and moved content to Chapter 2, paragraph 020401.A.2.	Delete

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CHAPTER 8

INVESTIGATOR TRAINING

0801 INTRODUCTION

This chapter establishes policies and procedures for the training of individuals assigned to investigate potential and actual violations of the Antideficiency Act (ADA). To ensure efficiency in the investigation of, and reporting on, ADA violations, those involved in the investigation process must receive adequate training.

*0802 TRAINING

080201. Responsibility

One of the most important individuals involved in the ADA violation investigation process is the investigator. It is the responsibility of each Department of Defense (DoD) Component to ensure that its ADA investigators are properly trained.

080202. Requirements

Training requirements for ADA investigators are as follows:

A. Completion of an Appropriations Law or equivalent course must be a prerequisite for ADA investigators.

B. ADA investigators must be qualified and/or trained to: interview witnesses, gather evidence, establish "facts," document findings and recommendations, prepare reports of violation, meet timeframes established for the completion of an investigation, and recommend corrective actions. Chapter 5, Figure 5-1 also has a checklist which should be used by investigators.

C. ADA investigators shall receive additional training on an as needed basis.

080203. Frequency

Upon completion of appropriate training; each individual must receive a certificate stating that he or she has completed the training course. In order to continue to remain eligible to conduct investigations, individuals must be required to renew their certificates every 5 years by attending a refresher-training course.

080204. Investigator Roster

Once an individual completes appropriate training, his or her name must be included on a roster of available ADA investigators maintained by each DoD Component. Data to be maintained on the roster of available investigators include the name, rank/grade, date initial and/or refresher training was received, when refresher training is required in order to remain eligible, organization to which assigned, and contact information such as phone numbers and email address. Controls must be established to ensure that the required roster is kept current. The roster must be used by DoD Components to select individuals to investigate potential ADA violations.

VOLUME 14, CHAPTER 9: "DISCIPLINARY ACTION"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

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PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
Various	Updated and inserted hyperlinks.	Update

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CHAPTER 9

DISCIPLINARY ACTION

0901 ADMINISTRATIVE DISCIPLINE

A military member or DoD employee who is responsible for an Antideficiency Act Violation shall be subject to appropriate administrative discipline. Appropriate administrative discipline for violations of sections ***1341***, ***1342***, or ***1517*** of title 31, United States Code (U.S.C.), is authorized by sections ***1349*** or ***1518*** of title 31, U.S.C. The types of disciplinary actions that are appropriate when a provision of a law, rule, or regulation is violated can be found in ***section 1215 of title 5, U.S.C.***

090101. Disciplinary Officer

A disciplinary officer's decision to administer a given level of discipline shall be in accordance with applicable laws and negotiated agreements. In no case can any due process be eliminated.

A. An appointment of a disciplinary officer may be made or reviewed by the Under Secretary of Defense (Comptroller), an Assistant Secretary of a Military Department for Financial Management, or the Comptroller or Senior Financial Manager for other DoD Components. The appointment of the disciplinary officer may need to be bargained, depending upon the status of the employee and the content of the applicable negotiated bargaining agreements. The independence of disciplinary officers must be verified before their selection. Disciplinary officers shall be chosen only to review cases and administer discipline. In no case shall the investigating officer also be appointed as the disciplinary officer. The investigating officer shall not make recommendations or determine discipline. A civilian employee must be given a proposal letter and an opportunity to respond before discipline is assessed.

B. Commanders and supervisors, with the assistance of counsel, shall determine discipline based on the investigating officer's facts. A disciplinary officer's decision shall not be influenced or undermined by any individual.

C. The Assistant Secretary of a Military Department for Financial Management, or the Comptroller or Senior Financial Manager for other DoD Components must notify their commands to appoint disciplinary officers whose individual independence is free from any influence.

090102. Civilian Personnel

Administrative discipline for a civilian employee may include written admonishment or reprimand, reduction in grade, suspension from duty without pay, or removal from office.

090103. Military Personnel

Military personnel may be subject to appropriate administrative discipline or may be subject to action under the Uniform Code of Military Justice.

090104. Non-DoD Personnel

If an individual determined to be responsible for a violation is no longer on active duty or employed by the applicable DoD Component, appropriate disciplinary action may be pursued if determined to be legally appropriate by counsel. In general, civilians may not be disciplined after they are no longer employed by the U.S. Government. If disciplinary action is taken, such action shall be documented in the individual's personnel file in accordance with established policies.

0902 DOCUMENTING DISCIPLINARY ACTION

An Antideficiency Act violation is a serious matter as it represents a violation of a Federal statute. Antideficiency Act violations constitute a misuse of DoD funds even if the violation was not willfully or knowingly committed. The individual who is responsible for determining the appropriate disciplinary action shall perform the following tasks:

090201. Acknowledgement Statement

Acknowledge, in writing, that he or she understands that (a) an Antideficiency Act violation is a violation of Federal statute; (b) Antideficiency Act violations constitute a misuse of DoD funds even though the misuse may not have been knowing or willful, and despite whether the disciplinary officer considers the misuse harmful to DoD, the Military Department or Service, or to the Defense Agency; (c) the Department is required to report the violation to the President (via the Director, Office of Management and Budget), the U.S. Congress, and to the Government Accountability Office; (d) an unwillful or unintentional violation does not justify a decision to not administer disciplinary action; and (e) disciplinary action shall be commensurate with the severity of the violation, and factors leading to the violation or its resolution may be considered.

090202. Commensurate Action Statement

Provide a written statement addressing why he or she believes that the disciplinary action taken, or the failure to take disciplinary action, is commensurate with the severity of the violation. If there are extenuating circumstances, they must be considered.

090203. Reporting

Include both statements discussed in paragraphs 090201 and 090202 in the report of investigation.

0903 CRIMINAL PENALTIES

090301. Investigator

If a violation has been determined to have been knowingly and willfully committed, there are statutory provisions requiring criminal penalties. Thus, an officer or employee found responsible for committing a violation knowingly and willfully may be subject to criminal penalties. All investigations that provide any indications that the violation was knowingly and willfully committed shall be terminated by the investigating officer. The investigating officer should consult with legal counsel to determine if the investigation should be referred to the appropriate criminal investigation organization for action.

090302. Governance

Section 1350 of title 31, U.S.C., prescribes that an officer or employee of the United States Government or of the District of Columbia government knowingly and willfully violating sections 1341 or 1342 of title 31, U.S.C., shall be fined not more than $5,000, imprisoned for not more than 2 years, or both. ***Section 1519 of title 31, U.S.C.*** discusses the violation of section 1517 of title 31, U.S.C. and provides the same level of punishment. Criminal penalties for military personnel may include punishment under ***Article 15 of the Uniform Code of Military Justice*** or trial by Courts Martial.

090303. Reporting

When submitting a Report of Antideficiency Act Violation to the Office of the Under Secretary of Defense (Comptroller) Deputy Chief Financial Officer that may require criminal penalties, a statement to that effect—which is required by ***OMB Circular A-11***—shall be included in the Report of Antideficiency Act Violation from the Assistant Secretary of the Military Department for Financial Management, or the Comptroller or Senior Financial Manager for other DoD Components.

DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

VOLUME 15: "SECURITY COOPERATION POLICY"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

VOLUME 15, CHAPTER 1: "GENERAL INFORMATION"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

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PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
010101.C.1	Updated building partner capacity guidance to reflect additional information from Title 10, United States Code, Section 333, "Foreign security forces: authority to build capacity."	Addition
010102 & 010103	Added "Purpose" paragraph and renumbered paragraphs.	Addition
010201	Added authoritative source Executive Order No. 13637, "Administration of Reformed Export Controls," dated March 2013. The Executive Order transfers responsibility for the execution of the Foreign Military Sales Trust Fund from the Office of the President to the Department of Defense.	Addition
010201.D.2 & Table 1-2	Added guidance from the Memorandum, "Revised Guidance for the Transfer of Authorized Collections to the Special Defense Acquisition Fund Account," dated November 2, 2016, issued by the Defense Security Cooperation Agency Comptroller that states, "Effective immediately, SDAF 51(b) collections that used to be posted to the Miscellaneous Receipts account are to be posted to the SDAF account."	Addition
010202.A.5	Updated guidance to reflect the additional execution years for 1082 Grant funds in accordance with Public Law 114-113, December 18, 2015 and Section 7011 of the Consolidated Appropriations Act, dated 2017.	Revision
010203.I	Added Treasury account "21 2097" for the "Iraq Training and Equip Fund, Army," in accordance with the "Federal Account Symbols and Titles (FAST) Book I," dated March 2017.	Addition

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CHAPTER 1

GENERAL INFORMATION

0101 GENERAL

*010101. Overview

A. Security Cooperation (SC). SC, which includes Department of Defense (DoD)-administered Security Assistance (SA) programs and international armaments cooperation, will be undertaken to achieve specific ends in support of defense and national security strategy, rather than serving as an end unto itself. SC will be used to develop allied and partner defense and security capabilities and capacity for self-defense and multinational operations, provide the U.S. forces with peacetime and contingency access to host nations, build defense relationships that promote specific U.S. security interest, and take other actions in support of U.S. objectives. See ***DoD Directive 5132.03***, "DoD Policy and Responsibilities Relating to Security Cooperation," for more detailed information.

B. SA. SA refers to a group of programs authorized by Title 22, U.S. Code (U.S.C.), "***Foreign Relations and Intercourse***," or other legal authorities under which the United States provides defense articles, military training, and other defense-related services by grant, loan, credit, cash sales, or lease, in furtherance of national policies and objectives. DoD does not administer all SA programs. Those SA programs administered by DoD are a subset of SC. The Defense Security Cooperation Agency (DSCA), 5105.38-M, "Security Assistance Management Manual" (***SAMM***), provides guidance on the seven major programs DoD administers:

1. Foreign Military Sales (FMS),
2. Foreign Military Construction Services,
3. Foreign Military Financing (FMF) Program,
4. Leases,
5. Military Assistance Program,
6. International Military Education and Training (IMET), and
7. Drawdowns.

C. Building Partner Capacity (BPC) Programs. BPC programs refer to SC and SA activities funded with U.S. Government (USG) appropriations and administered as cases within the FMS infrastructure. When executing BPC programs authorized by law, DoD may enter into agreements for provision of defense articles and/or services to other USG departments and agencies under the authority of the Economy Act or other transfer authority for the purpose of:

1. Building the capacity of partner nation security forces and enhancing their capability to conduct counterterrorism operations, counter-weapons of mass destruction operations, counter-illicit drug trafficking operations, counter-transnational organized crime operations, maritime and border security operations, military intelligence operations, and operations or activities that contribute to an international coalition operation that is determined by the Secretary to be in the national interest of the United States per ***10 U.S.C. Ch. 16 § 333***, "Foreign security forces: authority to build capacity;" or

2. Supporting U.S. Military and stability operations, multilateral peace operations, and other programs. See ***SAMM, Chapter 15***, "BPC Programs," for a detailed discussion of BPC programs.

*010102. Purpose

The purpose of this chapter is to provide DoD accounting policy for SC transactions to ensure compliance with all requirements for the administrative control of SC programs. SC transactions should follow DoD accounting policy in Volume 15, unless specifically exempt. Proposed changes should be submitted to the Defense Finance and Accounting Service (DFAS) Accounting Policy office as soon as practical for consideration. However, DoD Components must submit proposed changes through the DSCA Directorate of Business Operations. All proposed chapter updates will be submitted to the appropriate approving authority, and if approved, will be incorporated into the DoD Financial Management Regulation as soon as possible.

*010103. Authoritative Guidance

SA authorities include the Foreign Assistance Act (***FAA***), Public Law 87-195, codified as ***22 U.S.C. Ch. 32***; the Arms Export Control Act (***AECA***), Public Law 90-629, codified as 22 U.S.C. ***Ch. 39***; and 10 U.S.C. Ch. 16.

0102 TREASURY ACCOUNTS

The Foreign Affairs/Foreign Relations Committees of the Congress (rather than the Armed Services Committees) authorize SA funds. The Executive Branch, Office of the President, identified by Treasury Index (TI) 11, receives SA funds. Funds and accounts authorized by Acts originating in the Armed Services Committees of the Congress and appropriated to DoD are identified by: TI 97, "Defense Department;" TI 17, "Navy;" TI 21, "Army;" and TI 57, "Air Force."

*010201. Treasury Accounts Applicable to FMS Trust Fund Operations

Treasury account 11 X 8242 "Advances, FMS, Funds Appropriated to the President," is the account for the FMS Trust Fund and is used for centrally recording contract authority and collections. Under ***Executive Order No. 13637, Section 3***, "Administration of Reformed Export Controls," dated March 2013, responsibility for the execution (e.g. obligations and disbursements) of the FMS Trust Fund passed from the Executive Branch, Office of the President, identified by TI 11 to the DoD, identified by TI 97. The complete fund cite 97 11X8242 is required for execution

of consolidated financial statements and reports within DoD, but only 11X8242 is reported to the Bureau of Fiscal Service (Fiscal Service) and the Office of Management and Budget. Fiscal Service has established trust fund receipt and expenditure accounts to account for cash collections, budget authority (BA), and cash disbursements resulting from the FMS Program.

A. Cash Receipts. Cash collected from sales made under AECA Sections 21, 22, 29, and 61 is deposited into account 97 11 8242.001, "Deposits, Advances, FMS, Executive." The DFAS Security Cooperation Accounting (SCA) Office processes cash collections into this account, including cash transfers from appropriations provided by the USG to finance credit sales under AECA § 23 and the proceeds from guaranteed commercial loans under AECA § 24. Collections must reflect account 11 8242.001 on DoD reports issued to the Fiscal Service and be listed under "Proprietary Receipts From the Public" in the Fiscal Service system.

B. BA. The BA resulting from FMS or BPC orders is recognized in account 97 11X8242. BA is recognized only to the extent it is estimated that orders will be executed within a fiscal year (FY). The portion of the order that cannot be executed is classified as an uncommitted acceptance.

C. Cash Expenditures. Cash disbursements are made from account 97 11X8242 to contractors when direct cite procedures are used; they are made to DoD Components for services, items from inventory, and procurements financed by DoD appropriations/fund accounts.

D. Miscellaneous Receipts. Amounts recovered from the operation of the FMS program are deposited in Account 3041, "Recoveries Under the FMS Program, Army, Navy, Air Force, Defense."

1. Include proceeds from the sale of materiel not to be replaced, collection of nonrecurring cost recoupment charges, collection of unfunded civilian pay retirement and benefits, military pay Medicare-Eligible Retiree Health Care accruals, and lease rental payments. See Chapter 2, Table 2-3, "Pricing Elements, and Their Financing Appropriations," for additional information.

2. Special Defense Acquisition Fund (SDAF) collections of asset use charges; items not requiring replacement; and charges for the proportionate recoupment of nonrecurring research, development, and production costs, authorized under Section 51(b) of the AECA as amended, codified as ***22 U.S.C. Ch. 39, Subchapter V § 2795(b)***, that used to be collected into the Miscellaneous Receipts account, are to be posted to the SDAF account 97 11X4116. For more information on SDAF, see Table 1-2, "Miscellaneous Receipts to SDAF Account Crosswalk;" Chapter 3, Table 3-1, "Cost Elements;" and the ***SAMM, Chapter 11.9***, "SDAF."

*010202. Treasury Accounts Applicable to Credit Sales, Guaranties, and IMET

A. Receipt and Utilization of Appropriations. The accounts described in 010202.A.1-6 are used to capture the receipt of SA appropriations.

1. Account 11X4121, "Foreign Military Loan Liquidating Account, Funds Appropriated to the President (FMLLA)," is used to record the receipt and use of appropriated funds to finance credit sales under AECA § 23 and credit sales guaranties for pre-FY 1992 loan obligations under AECA § 24. FMLLA excess collections are returned to Miscellaneous Receipts account 11 R 2814, "Other Repayments of Investments and Recoveries."

2. Account 11 (FY) 1085, "FMF, Direct Loan Program Account, Funds Appropriated to the President," is used to record the appropriation that subsidizes the estimated long-term cost to the USG of post-FY 1991 foreign military direct loan obligations.

3. Account 11X4122, "FMF, Direct Loan Financing Account, Funds Appropriated to the President," is used to receive the payments for the subsidy cost from the program account, 11 (FY) 1085, and includes all other cash flows to and from the USG resulting from post-FY 1991 foreign military direct loans. This appropriation is for new loans with original disbursement dates on or after October 1, 1991.

4. Account 11X4174, "Military Debt Reduction Financing Account," is used to record the rescheduling of loans and to collect loan payments on those loans rescheduled from 11X4121. These loans have pre-FY 1992 original disbursement dates.

5. Account 11 (FY) 1082, "FMF Program, Funds Appropriated to the President," is used to record the receipt and use of appropriated grant funds to finance U.S. defense sales to selected foreign friends and allies, primarily through the FMS program. Based on annual appropriations bill language, the funds are considered obligated upon apportionment, are available for expenditure for 5 years, and must remain available for an additional 4 years from the date on which the availability of such funds would otherwise have expired. These funds, transferred to the FMS Trust Fund, are expenditure transfers. BA is transferred from this account to DoD Components to fund administrative expenses of FAA programs (e.g., IMET and End-Use Monitoring).

6. Account 11 (FY) 1081, "IMET, Funds Appropriated to the President," is used to record the receipt and use of appropriated grant funds for the training of selected foreign military and related civilian personnel in the United States and, in some cases, in overseas U.S. Military facilities.

B. Cash Collections. The accounts described in 010202.B.1-3 are used to capture collections made from foreign countries because of loans and loan guaranties.

1. Account 11X4121, "FMLLA, Funds Appropriated to the President," is used to collect foreign country repayments for outstanding pre-FY 1992 loan obligations. This account is also used to collect loan repayments to DSCA for default payments made by DSCA to the Federal Financing Bank or commercial banks holding pre-FY 1992 loans guaranteed by DSCA.

2. Account 11X4122, "FMF Direct Loan Financing Account, Funds Appropriated to the President," is used for collections of foreign country repayments for post-FY

1991 direct loan obligations. This appropriation is used for loans with original disbursement dates on or after October 1, 1991.

3. Account 11X4174, "Military Debt Reduction Financing Account," is used to reschedule loans from 11X4121. This account is also used to collect the payments from outstanding loans that have been rescheduled.

*010203. Other Treasury Accounts

Other Treasury accounts used in SC include those for BPC cases, Humanitarian Assistance, Mine Action Programs, and the SDAF. For more information on these programs, see the SAMM Chapter 11, "Special Programs and Services;" ***SAMM, Chapter 12***, "Humanitarian Assistance and Mine Action Programs;" and SAMM, Chapter 15, "BPC Programs." The Treasury accounts include, but are not limited to:

A. 11 (FY) 1032 "Peacekeeping Operations, Funds Appropriated to the President;"

B. 11X1032 "Peacekeeping Operations, Funds Appropriated to the President;"

C. 11 (FY) 1083 "Pakistan Counterinsurgency Capability Fund, Funds Appropriated to the President;"

D. 11 (FY) 4116 "SDAF, Funds Appropriated to the President;"

E. 11X4116 "SDAF, Funds Appropriated to the President;"

F. 21 (FY) 2091 "Afghanistan Security Forces Fund, Army;"

G. 21 (FY) 2092 "Iraq Security Forces Fund, Army;"

H. 21 (FY) 2095 "Pakistan Counterinsurgency Fund, Army;"

I. 21 (FY) 2097 "Iraq Training and Equip Fund, Army;"

J. 97 (FY) 0100 "Operation and Maintenance (O&M), Defense-Wide, Defense;"

K. 97X0100 "O&M, Defense-Wide, Defense;"

L. 97 (FY) 0819 "Overseas Humanitarian, Disaster, and Civic Aid Defense;" and

M. 97X0819 "Overseas Humanitarian, Disaster, and Civic Aid, Defense."

0103 TYPES OF FINANCING

There are two types of financing associated with the FMS Trust Fund, reimbursable and direct cite. The detailed budgeting and accounting policy for each type is discussed throughout the remainder of Volume 15.

010301. Reimbursable Financing

Sales under AECA § 21 and 22, for which the President has determined it is in the National interest to defer payment (bill for defense articles and services on or after delivery), must be accomplished using reimbursable financing. When deferred payment is authorized, an appropriation is required to finance any outlays until the purchaser makes payment. The appropriation cited must have reimbursable authority.

010302. Direct Cite Financing

New procurements initiated because of FMS orders under AECA § 22 and 29 (except as exempted in paragraph 010301) should be accomplished, to the maximum extent feasible and appropriate, through direct citation of the FMS Trust Fund (97 11X8242) on applicable contractual documents.

010303. Accounting Classification Codes of the FMS Trust Fund

The agency code signifies the agency name executing FMS Trust Funds within the FMS accounting system. The Accounting classification codes of the FMS Trust Fund for cases executed within the FMS infrastructure are depicted in Table 1-1.

Table 1-1. Accounting Classification Codes of the FMS Trust Fund

Appropriation/Limit	Agency Code	Agency
97 11X8242.XXX1	B	Army
97 11X8242.XXXC	C	Defense Information Systems Agency
97 11X8242.XXX2	D	Air Force
97 11X8242.XXXE	E	U.S. Army Corps of Engineers
97 11X8242.XXXF	F	Defense Contract Management Agency
97 11X8242.XXXG	G	DFAS
97 11X8242.XXXH	H	Washington Headquarters Service
97 11X8242.XXXJ	J	Business Transformation Agency
97 11X8242.XXXM	M	National Security Agency
97 11X8242.XXXN	I	Missile Defense Agency
97 11X8242.28XX	P	Navy and Marine Corps
97 11X8242.XXXX	P	Navy (Standard Accounting and Reporting System)
97 11X8242.XXX9	Q	DSCA
97 11X8242.XXXR	R	Defense Logistics Agency
97 11X8242.XXXT	T	State Department
97 11X8242.XXXU	U	National Geospatial-Intelligence Agency
97 11X8242.XXXV	V	Defense Contract Audit Agency
97 11X8242.XXXW	W	Defense Advanced Research Projects Agency
97 11X8242.XXXZ	Z	Defense Threat Reduction Agency

Note: "X" in the limit or subhead is variable data dependent on the agency.

*Table 1-2. Miscellaneous Receipts to SDAF Account Crosswalk

Organization	Section 51(b) Criteria	Miscellaneous Receipts Account	SDAF Account
Navy	Asset Use Charges	17X3041.1201	97 11X4116.6809
	Items not Requiring Replacement	17X3041.1202	97 11X4116.6808
	Non Recurring Costs	17X3041.1205	97 11X4116.6807
Army	Non Recurring Costs	21X3041.0001	97 11X4116.6807
	Non Recurring Costs	21X3041.0002	97 11X4116.6807
	Items not Requiring Replacement	21X3041.0003	97 11X4116.6808
	Asset Use Charges	21X3041.0006	97 11X4116.6809
	Non Recurring Costs	21X3041.0010	97 11X4116.6807
Air Force	Items not Requiring Replacement	57X3041.0010	97 11X4116.6808
	Non Recurring Costs	57X3041.0012	97 11X4116.6807
	Items not Requiring Replacement	57X3041.0020	97 11X4116.6808
	Non Recurring Costs	57X3041.0027	97 11X4116.6807
	Non Recurring Costs	57X3041.0029	97 11X4116.6807
	Asset Use Charges	57X3041.0040	97 11X4116.6809

VOLUME 15, CHAPTER 2: "FINANCE"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font*****.**

The previous version dated January 2014 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated hyperlinks and formatting to comply with current administrative instructions.	Revision
020307	Moved previous section 0205 "Cooperative Logistics Supply Support Arrangement" information to 020307.	Revision
Previous Table 2-2	Removed the format and validation criteria for the Foreign Military Sales Inventory Control System (FICS) REI Transactions; they are included in the Defense Integrated Financial System (DIFS) memorandum of understanding.	Deletion
Previous Table 2-4	Removed the format and validation Criteria for FICS R4I Transactions; they are included in the DIFS memorandum of understanding.	Deletion

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CHAPTER 2

FINANCE

0201 GENERAL

020101. Purpose

The purpose of this chapter is to provide guidance on foreign military sales (FMS) Trust Fund budget authority (BA), to include FMS Trust Fund obligation authority (OA) for implemented cases, the FMS administrative surcharge budget, and contract administration services (CAS) surcharge budget.

020102. Authoritative Guidance

The Arms Export Control Act (***AECA***), Public Law 90-629, as amended, codified as Title 22, United States Code (U.S.C.) ***Chapter 39*** provides the authority and general rules for FMS and commercial sales of defense articles, services, and training. Additional specific authorities are in the applicable sections.

0202 RESPONSIBILITIES

020201. Defense Security Cooperation Agency (DSCA)

A. DSCA must prepare annual budget requests for the FMS Trust Fund obligation and outlay authority to support the FMS Trust Fund program. DSCA reviews, approves, and distributes budgets for the FMS administrative surcharge, Security Cooperation Organizations, and the FMS CAS surcharge accounts.

B. DSCA is responsible for establishing the annual Safety Level amount to be maintained in the FMS Trust Fund Administrative Surcharge Account. The Safety Level amount will represent 18 months of operational funding based on current budget levels. DSCA will establish the Safety Level before the close of the fiscal year (FY) and forward the information to the Defense Finance and Accounting Service, Security Cooperation Accounting (DFAS SCA).

1. Calculate the 18 month Safety Level by dividing the amount under the Annual State and Foreign Operations Appropriation Act by 12 to compute a monthly operating amount, and then multiplying that amount by 18. For detailed information on the calculation, refer to the DSCA Manual 5105.38-M, Security Assistance Management Manual (SAMM) Chapter 9, ***section C9.15***.

2. Any changes requiring adjustment of the Safety Level computation methodology will be forwarded to the Office of the Under Secretary for Defense (Comptroller) (OUSD(C)) for review and approval.

020202. Implementing Agency (IA) and Performing Agency

A. Each implementing and performing agency that prepares data for Letters of Offer and Acceptance (LOAs) must ensure that:

1. Department of Defense (DD) Form 2060, FMS Obligational Authority (or the automated equivalent), is submitted to DFAS SCA to initiate performance of the case and support Component budget estimates, and

2. Sufficient anticipated appropriation or fund reimbursable authority is included in the Department of Defense (DoD) budget.

B. IAs are responsible for fulfilling FMS Trust Fund orders using these financing techniques:

1. Issuance and acceptance of reimbursable orders into a financing appropriation or Defense Working Capital Fund (DWCF) account,

2. Issuance of allotments of the FMS Trust Fund to performing DoD Components, or

3. Authorization to use the FMS Trust Fund (11 X 8242) directly.

C. IAs must submit FMS and CAS budget requests annually.

020203. DFAS SCA

DFAS SCA must:

A. Establish BA not to exceed the cumulative value of the accepted LOA documents (Basic, Amendments, and Modifications),

B. Record BA resulting from accepted LOA documents (Basic, Amendments, and Modifications) in the FMS Trust Fund accounting system by case identifier,

C. Approve DoD Component requests for FMS Trust Fund OA in a timely manner, and

D. Obtain cash advances from FMS Trust Fund purchasers necessary to liquidate obligations resulting from the use of BA created by the FMS Trust Fund program.

0203 BUDGET AUTHORITY (BA)

020301. General

The processing of DD 2060 or the automated equivalent (OA Request) and DD Form 2061, FMS Planning Directive or the automated equivalent (Planning Directive) for accepted LOAs, Amendments, and processed Modifications establishes FMS BA.

A. BA requests must be limited to:

1. The total case value for approved LOAs, Amendments, and processed Modifications; or

2. The amount expected to be obligated in the current FY.

B. At the end of each FY, DFAS SCA reduces unused BA or OA. Following the year-end accounting closing entries, reversal entries restore BA values for the new FY.

C. BA for FMS case lines, with the exception of Contingency, Small Case Management Lines, and CAS distributed to the Defense Contract Audit Agency or Defense Contract Management Agency (DCMA) is distributed to IAs. BA for the below-the-line surcharges (FMS administrative surcharge, and packing, crating, handling, and transportation (PCH&T)) are not distributed to IAs.

D. Figure 2-1 depicts the BA process, showing the relationships among the forms and formats, as well as relationships among organizations and the FMS Trust Fund purchaser at various stages of processing.

020302. Source Documents

A. LOA. The LOA is the basic source document for an FMS case. The LOA does not in itself create BA in either the FMS Trust Fund or in a DoD appropriation or fund account; however, it is required for establishing BA. See Figure 2-2 for a sample LOA; instructions for preparing LOAs are contained in SAMM Chapter 5, ***section C5.4***.

B. Amendment to an LOA. An Amendment is designed to obtain FMS Trust Fund purchaser acceptance of a change in LOA scope when the original purpose of a case line or note changes. Amendments are used to alter the original LOA and provide the basis to change FMS Trust Fund BA, when applicable. See Figure 2-3 for a sample Amendment; instructions for preparing an Amendment are in SAMM Chapter 6, ***section C6.7***.

C. Modification to an LOA. A Modification is a notification document to alert FMS Trust Fund purchasers of within-scope cost increases, cost decreases, or other minor changes to the program. Modifications are used to alter the original LOA and provide the basis to change FMS Trust Fund BA, when applicable. See Figure 2-4 for a sample Modification; instructions for preparing a Modification are in SAMM Chapter 6, section C6.7.

D. Planning Directive. The installation preparing the LOA data for the IA prepares and maintains a Planning Directive. The form is a working paper that serves three major purposes:

1. It provides identification of the cost elements included in prices reflected on the LOA and helps assure the case is priced in accordance with DoD pricing policies in Chapter 7;

2. It provides a time-phased plan for execution of the case upon FMS purchaser acceptance and implementation; and

3. It identifies the appropriations or funds that will be used to finance new procurement or realize earned reimbursements through delivery of items from inventory or from DoD in-house services.

See Figure 2-5 for a sample DD 2061; instructions for completing the form are contained in Table 2-1.

E. OA Request. An OA Request is prepared based on the Planning Directive.

1. Part A is prepared at the FMS case line level and is the basis for line level control of OA. Part B identifies the appropriations or funds that have been or will be used to finance the lines reflected in Part A. For reimbursable orders, Part B is submitted to DFAS SCA by the 20th calendar day following the close of each accounting month.

2. The OA Request may be prepared for an individual case or for multiple cases.

3. The OA Request is also used to convey the FMS CAS surcharge OA (see section 0205).

4. See Figure 2-6 for a sample DD 2060; instructions for completing the form are in Table 2-2.

020303. Recognition of BA by the FMS Trust Fund

A. Establishment of FMS Trust Fund BA. To establish BA, FMS Trust Fund purchasers must return all accepted LOAs, and Amendments, and processed Modifications to the IA and DFAS SCA; IAs must submit an OA Request to DFAS SCA. When DFAS SCA receives the OA Request, the FMS case level accounting records are reviewed to determine if:

1. The case is valid;

2. The FMS Trust Fund purchaser has deposited necessary cash in advance to implement the FMS case; and

3. The requested OA does not exceed the dollar values established in the LOA and any applicable Amendments or Modifications.

If these three requirements are met, DFAS SCA must create FMS Trust Fund BA and approve the OA Request.

B. Trust Fund Direct Citation. The OA Request must be used to request commitment/OA for direct citation of the FMS Trust Fund. The OA Request is used as a control device, and commitments/obligations must be limited to the dollar value of the approved OA Request.

020304. Recognition of FMS Reimbursable BA in DoD Appropriation or Fund Accounts

A. Trust Fund Orders for Reimbursable Orders

1. The LOA, Amendment, or Modification does not represent a reimbursable order to the performing DoD Components. The approved OA Request is the reimbursable order. The OA Request includes the reimbursable portion of the order that may be credited to appropriations by a DoD Component for each line within a case for a FY. The OA amount for each line within a case cannot be exceeded. Reporting violations of this administrative limitation will follow the procedures in Volume 15, Chapter 3 and Volume 14. The reimbursable portion of the OA Request must arrive at DFAS SCA by the 20th calendar day following the close of each accounting month. See paragraph 020402 for preparation instructions for OA Requests.

2. The applicable DoD appropriation or fund accounting system must maintain an audit trail between the applicable OA Request and the appropriation or fund accounting records. Performance within the financing appropriation or fund account will be controlled in accordance with the accounting system established for that particular appropriation or fund account. Appropriation or DWCF bills for earned reimbursements must be processed in accordance with Volumes 11A and 11B. Thus, the FMS accounting system tracks orders into and out of the normal appropriation or fund accounting systems.

3. The FMS accounting system is not intended to track the financial status, or obligation, while reimbursable performance is in process. The status of specific purchaser requisitions can be obtained through logistical system inquiries. Applicable logistics status reports are provided to case managers and to FMS purchasers and are not to be confused with financial status reports.

4. Those DoD Components that are not IAs, but support the FMS program in response to IA work requests, must carefully review applicable work requests to determine the financing source. If the financing source is an IA appropriation account, the request must be recorded and processed as an internal DoD order. If the recipient is a sub-allotment holder, the required allotment status report must be provided to the allotment holder

and consolidated into the DoD Status-of-Allotment report to DFAS SCA, as discussed in Chapter 3.

B. Apportionment for Reimbursable Orders

1. When authority to accept reimbursable orders is subject to apportionment, obligations on a reimbursable program may not exceed the apportioned amounts of anticipated reimbursement. Reimbursable BA may be recognized up to the apportioned amount to the extent the FMS Trust Fund purchaser has advanced necessary cash under subparagraph 020303.A, or has orders charged to appropriated funds. Reimbursable orders in excess of apportionment are not available for obligation; an additional apportionment of anticipated reimbursable orders needs to be requested and received through the reapportionment process.

2. Apportionments and reapportionments for reimbursable programs must be requested by appropriation account and FY. An appropriation that is available for obligation for more than one year requires an apportionment for anticipated reimbursable orders in the first year of availability. That apportionment must be reduced to the value of orders actually received in the first year. In the subsequent years of availability, a reapportionment for anticipated reimbursable orders is required to accept the purchaser's orders that fund within-scope price increases. The reapportionment request for anticipated reimbursable orders in the final year of availability is especially critical because any unused amounts in the reapportionment are automatically available for acceptance of additional reimbursable orders necessary to fund within-scope price increases after the appropriation has lapsed.

3. Receipt of an apportionment or reapportionment for anticipated reimbursable orders does not constitute authority to incur obligations. The actual purchaser's orders must be received and recorded in appropriation accounting records before applicable BA may be used.

020305. Contract Authority

A. Contract authority is the statutory authority to incur obligations with liquidation of obligations dependent on a future act, such as receipt of an appropriation. FMS orders, along with the OA Request, create contract authority. New contract authority reported in the "Report on Budget Execution and Budgetary Resources," Standard Form (SF) 133, is the value of FMS orders accepted for performance during the current FY for which BA has been approved in accordance with the requirements of paragraph 020303.

B. Funds appropriated by Congress for defense purposes cannot be used to liquidate obligations resulting from the use of FMS contract authority, unless specifically allowed in appropriation acts or supplemental funding bills. See AECA section 22(b), Public Law 90-629, as amended, codified as Title 22 U.S.C. Chapter 39. FMS purchaser cash deposits liquidate these obligations and unfunded contract authority. Below departmental-level, contract authority loses its unfunded identity and is treated in the same way as other budgetary resources available for obligation.

C. Procurements for FMS purchasers are accomplished citing the FMS Trust Fund in applicable documents. Amounts in the FMS Trust Fund are, in a technical sense, appropriated funds, even though they are not annually appropriated by Congress and are not subject to direct Congressional control. Accordingly, accounting for commitments, obligations, and accrued expenditures in the FMS Trust Fund is accomplished as a direct fund cite.

020306. BA for FMS Administrative Expenses

The cumulative BA available in the current FY is composed of actual collections for FMS administrative expenses (including the FMS administrative charges and logistics support charges (LSCs)), less any prior allotments of such amounts and the amount to be reserved for future administrative expenses (i.e., the Safety Level). In no event should the annual allotment be higher than the limitation imposed in the annual Department of State, Foreign Operations, and Related Programs Appropriations Acts, unless otherwise approved through the process required by law.

*020307. BA for Cooperative Logistics Supply Support Arrangements (CLSSAs)

Proper recognition and phasing of BA resulting from LOAs written to implement CLSSAs (see ***DoD Instruction 2000.20***) create unique challenges. Under these arrangements, the purchaser funds the acquisition and maintenance of stock to normal DoD inventories and due-ins. Once these increments are established, the purchaser is provided supply support with the same responsiveness as is provided to DoD military units within the same Force Activity Designator. The applicable LOAs have three distinct financial subdivisions:

A. Foreign Military Sales Order (FMSO) I

1. FMSO I, Part A. FMSO I, Part A, represents the on-hand inventory level required in Continental United States (CONUS) to support FMS requisitions to replenish in-country stocks. Normally, the on-hand level represents 5 months of demand. The cash necessary to establish on-hand inventory accompanies the accepted LOA.

2. FMSO I, Part B. FMSO I, Part B, results in recognition of the contract authority necessary to award contracts for pipeline resupply to support FMS purchaser demands.

a. The purchaser's requisition is filled from on-hand inventory acquired under FMSO I, Part A. The inventory is then replaced by a delivery of a due-in from a contractor. Purchaser payments under FMSO II (the foreign purchaser's anticipated yearly consumption under CLSSA) provide the cash necessary to pay the contractor and establish new contract authority to award a contract for additional items, thus maintaining quantities in the pipeline.

b. Because cash received from FMSO II is used to pay for due-ins, the purchaser is not required to deposit cash in support of FMSO I, Part B. However, billings against the FMSO I, Part B are required if FMSO II demands are below expected levels.

FMSO I, Part B, normally represents 12 months of demand or the procurement lead-time, whichever is greater.

3. BA. The FMSO I case exists for the duration of the CLSSA and is modified only if the quantity of the end items to be supported changes or FMSO consumption patterns differ from expectations. The reimbursable BA resulting from acceptance of the FMSO I is credited to financing appropriations current at the time the contracts are awarded to increase on-hand and on-order quantities.

B. FMSO II

FMSO II is the consumption case. FMSO II does not create BA for re-procurement until applicable requisitions are received (earned reimbursements) and purchaser cash is deposited in the financing appropriation account (collected). Upon shipment and collection, additional BA is recognized to maintain the pipeline created by FMSO I, Part B. FMSO II BA is credited to appropriations current at the time material is released from inventory in response to FMSO II requisitions.

0204 PLANNING DIRECTIVES AND OA REQUESTS

020401. General

Planning Directives and OA Requests are required for all new cases that have been submitted to FMS Trust Fund purchasers for acceptance and for all cases in the process of implementation. The Planning Directive and OA Request must initially be developed when the LOA data is prepared. The OA Request must be included with the LOA package. The IA must retain the Planning Directive as backup for the LOA package.

A. The Planning Directive reflects detailed pricing elements, planned financing appropriations (or direct citation), the amount of OA required for the current year, and an estimate of OA for the budget year. The initial Planning Directive may contain abbreviated financial analysis data. However, as execution begins, the Planning Directive must be expanded to encompass all required cost elements and data.

B. Activities furnishing articles or services to fulfill case requirements must provide the case manager the necessary data to accomplish his or her responsibilities. The case manager must ensure that all applicable nonrecurring research, development and production costs (see Chapter 7) are included in the LOA package and identified for reimbursement to the appropriate Miscellaneous Receipts Account in the OA Request.

C. Planning Directives and OA Requests must be prepared for each case and must also be prepared:

1. In support of requests for Amendments and Modifications reflecting financial impact;

2. In support of price changes of less than 10 percent of the estimated cost of articles and services (utilizing the most recently approved document);

3. In support of variations of more than $100,000 between reimbursable accounts or between direct cite and reimbursable accounts discovered subsequent to case implementation;

4. In support of changes in current year OA requirements within the net case value as reflected on the most recently approved Planning Directive and OA Request; and

5. As necessary, to ensure adequate OA is available in the budget year before commencement of that year.

020402. Preparation of Planning Directives and OA Requests

Procedures for completing a Planning Directive using DD 2061 are in Table 2-1. Procedures for completing an OA Request using DD 2060 are in Table 2-2. All Planning Directives and OA Requests are cumulative. Therefore, case managers must maintain an audit trail that will relate each to its predecessor.

A. To ensure control over the flow of documentation, the case manager must assign and maintain a system of control numbers. The control numbers are composed of the FMS Trust Fund purchaser country code, case designator, Julian date, and serial number (e.g., BN-BLX-08181 08).

B. All amounts on Planning Directives and OA Requests must be in United States (U.S.) currency.

C. Before the end of each FY, unless real time OA Request procedures are in effect (on line pulling of OA versus hardcopy or batch processing), the IA must submit a consolidated OA Request to DFAS SCA requesting budget year OA. This case data will be based on information taken from the "Budget Year ( ) Funding Plan," of the Planning Directive, and is necessary to ensure that case execution is not delayed due to funding problems.

D. Case managers must scrutinize financial performance on a continuing basis to ensure the availability of sufficient OA for both the current FY and case completion.

E. Each case manager preparing the year-end OA Request must identify the OA requirements through the end of the upcoming FY. If the sum of the budget year, current year, and prior year requirements exceed the case value, then the case manager must initiate action for the processing of a case Amendment or Modification, as appropriate.

F. The various pricing elements and related appropriations and funds required to prepare Planning Directives and OA Requests are in Table 2-3.

0205 OA REQUESTS FOR BUDGETED FMS CAS COSTS AND FUNDS REIMBURSED BY THE FMS CAS SURCHARGE ACCOUNT

020501. FMS CAS Services Budget

DoD Components will develop and submit an annual FMS CAS Budget request to the DSCA Comptroller by August 10 of each year. These estimates must support only FMS CAS related efforts as outlined in the Federal Acquisition Regulation (***FAR***) and Defense FAR Supplement (***DFARS***). As such, these estimates cannot include FMS CAS related efforts that are not charged in whole or in part under AECA section 21(h). See Chapter 7 and SAMM Chapter 9, section C9.6. The estimates include individual reciprocal countries agreements processed by OUSD Acquisition, Technology and Logistics (OUSD/AT&L) (see Chapter 7); CAS waivers for North Atlantic Treaty Organization (NATO) and NATO Cooperative Projects (see Chapter 7); CAS waivers applicable to other special projects; and FMS CAS work excluded by specific Public Laws (see AECA and Chapters 7 and 8).

A. The FMS CAS Budget request must specify the amount of anticipated FMS CAS work that will be performed and needs to be reimbursed for that particular FY. An OA Request must accompany the budget request with anticipated FMS CAS costs, to include the projected unfunded civilian retirement (UCR) costs and associated salary and retirement costs for military personnel performing full-time FMS CAS. The DoD reimbursable rates are computed annually (see Volume 11A, Chapter 6) and approved and released by OUSD(C) (see ***DoD Reimbursable Rates***).

B. The OA Request must reflect the total amount of reimbursements that are expected to be performed for that FY and list all appropriations and reflect the estimated amount for each appropriation. The sum of the amounts reflected for each appropriation must equal the requested total and the FMS CAS Budget. The UCR costs are computed on the basic pay only, excluding overtime (see ***5 U.S.C. 8331*** and Office of Management and Budget (OMB) Circular A-11, ***section 20.5***).

C. The DCMA CONUS FMS CAS Budget estimates must be based on a DCMA established annual command rate as explained in Chapter 8, subparagraph 080602.C.3. In addition to the budget estimates, DCMA must provide a copy of the Command Rate Report and the Quarterly Functional Workforce Analysis worksheet.

D. The DCMA Overseas FMS CAS Budget estimates must be based on actual costs for full-time employees (90-percent or more) and the DoD hourly rate for part-time employees.

1. All other costs (e.g., equipment, vehicles, or computers) associated with full-time employees are included in the estimates. Budget presentation of full-time employees must not be based upon a composite of part-time effort. Follow the Funded Environment and Morale Leave (FEML) funding guidance issued by OUSD. Full-time employees, who are provided Environmental and Morale Leave (EML) travel as assistance-in-kind (AIK) by the host government, may not also travel on FMS CAS funded FEML in the same

year. Under no circumstances may the combination of FMS CAS funded FEML and AIK EML exceed one trip per year. The travel on AIK tickets must not be augmented with further tickets or travel that is FMS CAS funded.

2. The estimates for the part-time employees (10 percent to 90 percent) will include only actual work performed (costs relating to salaries), UCR rate computed on salaries, and overseas temporary duty cost. FMS CAS funds will not be used to fund EML travel for part-time FMS CAS employees. FMS CAS funds will not be used to fund salaries or support for employees who spend less than 10 percent of their time on FMS CAS tasks.

3. Military positions must be reimbursed based on the guidelines in this section.

4. For more information on CAS costs, reference Chapter 8, paragraph 080602.

020502. FMS CAS OA Requests

Upon approval of the budget estimate by DSCA, the OA Request must be forwarded to DFAS SCA for approval, processing, reporting (see Chapter 3, subparagraph 030408.E), and general ledger control (see Chapter 3, subparagraph 030408.C). Before FMS CAS surcharge costs may be incurred, the DoD Component must establish a reimbursable order in the financing appropriation that will initially pay the actual cost of such services. The OA Request must list the appropriations and anticipated reimbursements to each appropriation.

A. The initial approved OA Request must represent the reimbursable order to perform FMS CAS work on FMS cases. If it is suspected that the OA Request is no longer valid, and the OA amount needs either to be increased or decreased, then an updated OA Request must be forwarded with a cover letter to the DSCA Comptroller explaining the need for the OA change. The revised OA Request must be forwarded to DFAS SCA for processing.

B. During the FY, monthly ***SF 1080s***, "Vouchers for Transfers Between Appropriations and/or Funds," must be prepared and forwarded to DFAS SCA for payment as specified in Chapter 8.

C. At year-end, the annual OA Request must be updated to reflect the September 30 end-of-year obligated position. New obligations are not authorized after September 30 of the closing FY. When all costs have been finalized and reimbursements have been processed by DFAS SCA (i.e., when actual costs, disbursements and obligations all are equal), a "Final FMS OA" document must be prepared and forwarded to the DSCA Comptroller for approval and processing.

1. The "Final FMS OA" documents must show the actual cost incurred by each individual appropriation, including the UCR costs that are deposited in Miscellaneous Receipts Account 3041 (see 5 U.S.C. 8331 (3) and OMB Circular A-11,

section 20.5) and the military pay accounts for military personnel costs associated with salary and retirement for full-time FMS CAS employees. The U.S. Treasury accounting symbols are listed in the Federal Account Symbols and Titles (***FAST Book***).

2. DFAS SCA must use this "Final FMS OA" as the basis for withdrawing OA for all unobligated balances that were recorded under each appropriation for that FY. Prior to the close out of a particular FY and during the subsequent FYs, joint financial reviews will be conducted between the billing agency, DFAS SCA, and DSCA. All adjustments or revisions will be submitted within 30 days following the completion of the review.

3. CONUS FMS OA documents should be forwarded to DSCA on or before December 14 of that year. Overseas "Final FMS OA" documents must be forwarded to DSCA when all costs have been reimbursed and all associated disbursements have been processed by DFAS SCA.

D. Revenues to fund FMS CAS expenses are prescribed in Chapter 3, subparagraph 030405.A. The methods for reimbursing the DoD Components for performing FMS CAS are prescribed in Chapter 8, subparagraphs 080602.A-B.

E. DoD Components that purchase equipment, vehicles, computers, and other items using the FMS CAS Surcharge Account must establish disposal guidance to ensure compliance with Volume 11A, Chapter 5, Table 5-2, item 8d to ensure that all funds resulting from the sale or disposal of this equipment are returned to the FMS Trust Fund.

Figure 2-1. Generation of BA (New Cases)

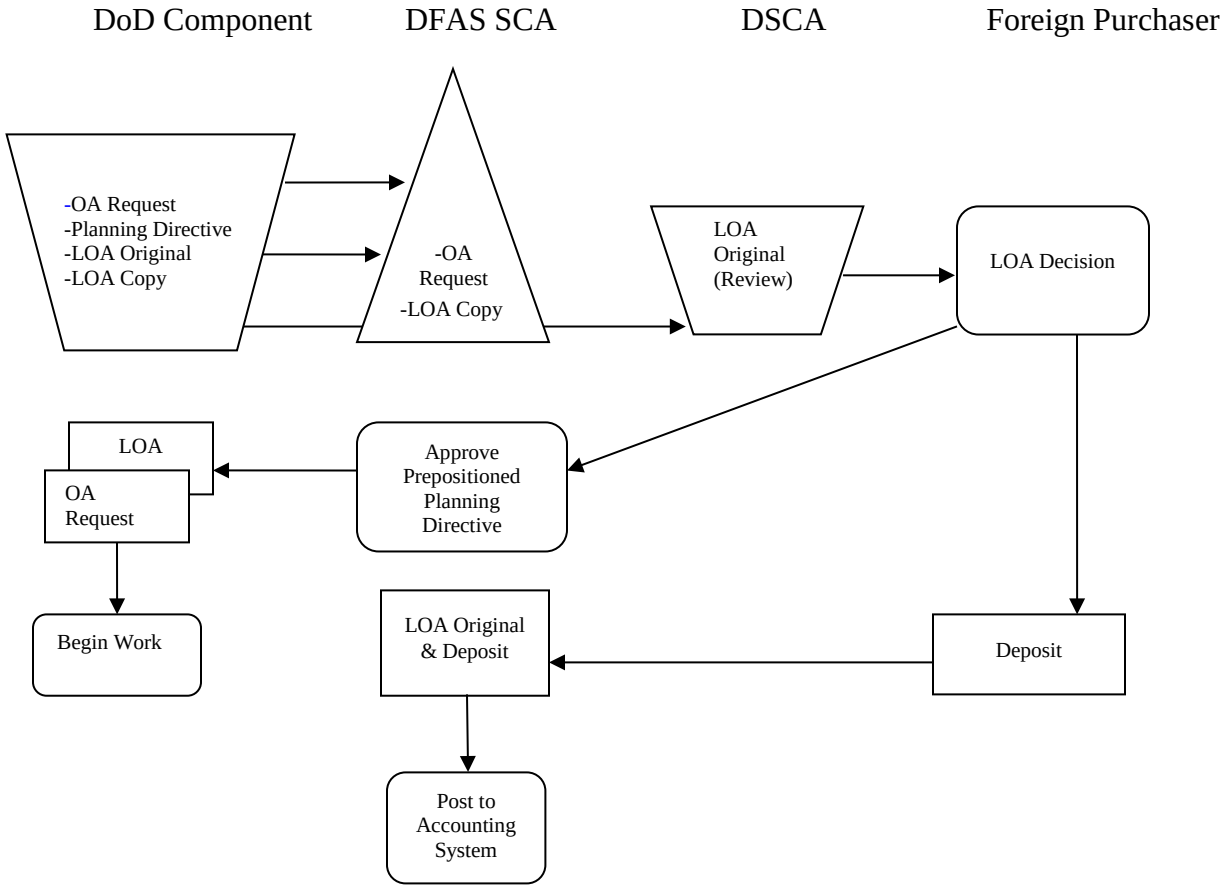

Figure 2-2. Letter of Offer and Acceptance

United States of America
Letter of Offer and Acceptance (LOA)
BN-P-BLX

Based on BANDEF ltr 2/265 of 10 April 2010

Pursuant to the Arms Export Control Act, the United States Government (USG) offers to sell to the Embassy of Bandaria Office of the Naval Attaché, 1234 Massachusetts Ave, NW, Washington, DC 29999, the defense articles or defense services (which may include defense design and construction services) collectively referred to as "items", set forth herein, subject to the provisions, terms, and conditions in this LOA.

This LOA provides for Technical Services for the Standard Missile Program.

Estimated Cost: $1,038,000 Initial Deposit: $273,750

Terms of Sale:
Cash Prior to Delivery

Dependable Undertaking

This offer expires on 22 July 2010. Unless a request for extension is made by the Purchaser and granted by the USG, the offer will terminate on the expiration date.

This LOA consists of page 1 through page 9.

The undersigned are authorized representatives of their Governments and hereby offer and accept, respectively, this LOA:

	30 May 2010		18 July 2010
U.S. Signature	Date	Purchaser Signature	Date
A.R. Smith Director			
Typed Name and Title		Typed Name and Title	
Navy International Programs Office			
Implementing Agency DSCA Reviewed/Approved	30 May 2010	Agency **IMPLEMENTATION DATE:**	**18 July 2010**
DSCA	Date		

Information to be provided by the Purchaser:

Mark For Code ____, Freight Forwarder Code ____, Purchaser Procuring Agency Code ____, Name and Address of the Purchaser's Paying Office: _____
_____

Figure 2-2. Letter of Offer and Acceptance (Continued)

Items to be Supplied (costs and months for delivery are estimates):

(1) Item Nbr	(2) Description/Condition	(3) Qty, Unit of Issue	(4) Costs (a) Unit	(b) Total	(5) SC/MOS/ TA	(6) Ofr Rel Cde	(7) Del Trm Cde
001 12	M1B 020200M1SSLTA (N)(N)(R) MISSILE TECHNICAL ASSISTANCE CONTRACTOR PERSONNEL ONLY (IV) (Note(s) 1)	XX		$1,000,000	P(24) TA 4	A	4

Estimated Cost Summary:

(8)	Net Estimated Cost	$1,000,000
(9)	Packing, Crating, and Handling	$0
(10)	Administrative Charge	$38,000
(11)	Transportation	$0
(12)	Other (Specify, e.g., Supply Support Agreement)	$0
(13)	Total Estimated Cost	$1,038,000

To assist in fiscal planning, the USG provides the following anticipated costs of this LOA:

Estimated Payment Schedule

Payment Date	Quarterly	Cumulative
Initial Deposit	$273,750	$273,750
15 Dec 2010	$127,375	$401,125
15 Mar 2011	$127,375	$528,500
15 Jun 2011	$127,375	$655,875
15 Sep 2011	$127,375	$783,250
15 Dec 2011	$127,375	$910,625
15 Mar 2012	$127,375	$1,038,000

Explanation for acronyms and codes, and financial information, may be found in the "Letter of Offer and Acceptance Information."

BN-P-BLX

Figure 2-3. Amendment to Letter of Offer and Acceptance

United States of America
Amendment 1 to Letter of Offer and Acceptance
BN-P-BLX

Based on BANDEF ltr 2/343 of 12 Aug 2010

Mail To: Embassy of Bandaria Office of the Naval Attaché, 1234 Massachusetts Ave, NW Washington, DC 29999.

Pursuant to the Arms Export Control Act, the United States Government (USG) offers to amend the Letter of Offer and Acceptance (LOA) identified above for the purchase of defense articles, defense services, or both. Other provisions, terms, and conditions of the original LOA remain unchanged.

This amendment provides for extending Basic LOA Item 001 period of availability. Purchaser request extends period of performance 12 months.

Basic LOA accepted: 18 July 2010.

Estimated Cost: $1,557,000 Due with Amendment Acceptance: $385,625

Terms of Sale:
Cash Prior to Delivery

Dependable Undertaking.

This offer expires on 5 December 2010. Unless a request for extension is made by the Purchaser and granted by the USG, this offer will terminate on the expiration date.

This amendment consists of page 1 through page 3.

The undersigned are duly authorized representatives of their Governments and hereby respectively offer and accept this amendment:

	5 Sep 2010		05 Sep 2010
U.S. Signature	Date	Purchaser Signature	Date
A.R. Smith Director			
Typed Name and Title		Typed Name and Title	
Navy International Programs Office			
Implementing Agency		Agency	
DSCA Reviewed/Approved	05 Sep 2010	**IMPLEMENTATION DATE:**	**05 Sep 2010**
DSCA	Date		

Figure 2-3. Amendment to Letter of Offer and Acceptance (Continued)

This amendment consists of changes as follows:

(1) Item Nbr	(2) Description/Condition	(3) Qty, Unit of Issue	(4) Costs (a) Unit	(4) Costs (b) Total	(5) SC/MOS/ TA	(6) Ofr Rel Cde	(7) Del Trm Cde
Previous							
001 12	M1B 020200M1SSLTA (N)(N)(R) (IV) MISSILE TECHNICAL ASSISTANCE CONTRACTOR PERSONNEL ONLY (Note(s) 1)	XX		$1,000,000	P(24) TA 4	A	4
Revised							
001 12	M1B 020200M1SSLTA (N)(N)(R) (IV) MISSILE TECHNICAL ASSISTANCE CONTRACTOR PERSONNEL ONLY (Note(s) 1)	XX		$1,500,000	P(36) TA 4	A	4

	Estimated Cost Summary:	Previous (B)	Revised
(8)	Net Estimated Cost	$1,000,000	$1,500,00
(9)	Packing, Crating, and Handling	$0	$0
(10)	Administrative Charge	$38,000	$57,000
(11)	Transportation	$0	$0
(12)	Other (Specify)	$0	$0
(13)	Total Estimated Cost	$1,038,000	$1,557,000

To assist in fiscal planning, the USG provides the following revised anticipated costs of this LOA:

Estimated Payment Schedule

Payment Date	Quarterly	Cumulative
Previous Payments Scheduled (22 July 2010)		$273,750
Current USG Financial Requirements		$659,375
Amount received from Purchaser $273,750		
Due with Amendment Acceptance	$385,625	$659,375
15 Mar 2011	$179,525	$838,900
15 Jun 2011	$179,525	$1,018,425
15 Sep 2011	$179,525	$1,197,950
15 Dec 2011	$179,525	$1,377,475
15 Mar 2012	$179,525	$1,557,000

BN-P-BLX (A1)

Figure 2-4. Modification to Letter of Offer and Acceptance

United States of America
Modification 1 to Letter of Offer and Acceptance
BN-P-BLX

Based on cost adjustments due to experience during program execution.

Mail To: Embassy of Bandaria Office of the Naval Attaché, 1234 Massachusetts Ave, NW Washington, DC 29999.

Pursuant to the Arms Export Control Act, the United States Government (USG) hereby notifies the Purchaser of Modification of the Letter of Offer and Acceptance (LOA) identified above. All other terms and conditions of the LOA remain unchanged.

This Modification provides for: Cost adjustments to Amendment Item Number 1 based on experience while executing the program.

Basic LOA accepted 18 July 2010.

Estimated Cost: $1,453,200

Terms of Sale:

Cash Prior to Delivery
Dependable Undertaking

This Modification consists of page 1 through page 3.

The undersigned are duly authorized representatives of their Governments and hereby respectively furnish and acknowledge receipt of this Modification:

	18 Jan 2011		
U.S. Signature	Date	Purchaser Signature	Date
A.R. Smith Director			
Typed Name and Title		Typed Name and Title	
Navy International Programs Office			
Implementing Agency		Agency	
DSCA Review/Approved	22 Jan 2011		
DSCA	Date		

IMPLEMENTATION DATE: **22 Jan 20**11

Figure 2-4. Modification to Letter of Offer and Acceptance (Continued)

This Modification provides notification of changes as follows:

(1) Item Nbr	(2) Description/Condition	(3) Qty, Unit of Issue	(4) Costs (a) Unit	(4) Costs (b) Total	(5) SC/MOS/ TA	(6) Ofr Rel Cde	(7) Del Trm Cde
Previous							
001 12	M1B 020200M1SSLTA (N)(N)(R) MISSILE TECHNICAL (IV) ASSISTANCE CONTRACTOR PERSONNEL ONLY (Note(s) 1)	XX		$1,500,000	P(36) TA 4	A	4
Revised							
001	M1B 020200M1SSLTA (N)(N)(R) MISSILE TECHNICAL (IV) ASSISTANCE CONTRACTOR PERSONNEL ONLY (Note(s) 1)	XX		$1,400,000	P(36) TA 4	A	4

	Estimated Cost Summary:	Previous (A1)	Revised
(8)	Net Estimated Cost	$1,500,00	$1,400,00
(9)	Packing, Crating, and Handling	$0	$0
(10)	Administrative Charge	57,000	53,200
(11)	Transportation	$0	$0
(12)	Other (Specify)	$0	$0
(13)	Total Estimated Cost	1,557,000	1,453,200

To assist in fiscal planning, the USG provides the following revised anticipated costs of this LOA:

Estimated Payment Schedule

Payment Date	Quarterly	Cumulative
Previous Payments Scheduled (15 Dec 2010)		$659,375
Current USG Financial Requirements		$659,375
Amount received from Purchaser $659,375		
15 Mar 2011	$113,275	$772,650
15 Jun 2011	$113,425	$886,075
15 Sep 2011	$113,425	$999,500
15 Dec 2011	$113,425	$1,112,925
15 Mar 2012	$113,425	$1,226,350
15 Jun 2012	$113,425	$1,339,775
15 Sep 2012	$113,425	$1,453,200

BN-P-BLX (M1)

Figure 2-5. DD 2061, "FMS Planning Directive"

FMS PLANNING DIRECTIVE

(1) FMS Case No. _____
(2) FMS Case Submitted to the Foreign Government _____
(3) Date Offer Expires _____
(4) Date Case Accepted by Foreign Government_____

(5) Total Case Value _____
(6) Control Number _____
(7) Date Prepared _____
(8) DoD Component _____

(9). Case Item No	(10). Item Description	(11). Qty	(12). Pricing Elements	(13). Financing Approp.	(14). Estimated Cost	(15). Direct Cite/ Obligl Auth Rec'd to Date ( )	(16). Funding Required to Date ( )				(17). Current FY ( ) Funding Plan	(18). Remaining Program Value	(19). Budget Year ( ) Funding Plan
							Obligations Incurred	Unobligated Commitments	Items from Stock	Total			

DD FORM 2061
1 MAR 79

Figure 2-6. DD 2060, "FMS Obligational Authority"

FMS OBLIGATIONAL AUTHORITY

(1) Performing Component _____

(2) Period Covered _____

FMS Case Commitment/Obligation Authority

(3) FMS Planning Directive Control No.	(4) Total Case Value	(5) Amount To Be Held in Trust Fund	(6) Net Case Value	Prior Period Reimbursable Funding/Direct Cite Authority (7) Received	(8) Required	(9) Withdrawn	Authority Required This FY (10) Reimbursable	(11) Direct Cite	(12) Remaining Program Value
			0.00			0.00			0.00
			0.00			0.00			0.00
			0.00			0.00			0.00
(13) Balance br't fwd.									
(14) Case Tot.	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
(15) Admin. Expense									
(16) Total	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

PART B. Financing Accounts

(17) Appropriation Title	(18) Account Symbol								
						0.00			0.00
						0.00			0.00
						0.00			0.00
						0.00			0.00
(19) Balance Brought Forward									
(20) Obligational Authority			0.00	0.00	0.00	0.00	0.00	0.00	0.00

(21) We will accept (1) orders to be performed on a reimbursable basis in the amounts shown in column 10, (2) authority for a direct cite against 97-11x8242 for amounts designated (C) in column 11, and (3) allotments in amounts designated (A) in column 11.

_____
Name of Accepting/Requesting Official

(22) In approving this form, we hereby issue (1) reimbursable orders on a case-by-case basis as shown in column 10, (2) authority for performance on a direct cite basis for the total of the amounts designated (C) in column 11 but not to exceed the amounts specified by case, and (3) an allotment for the total of the amounts designate (A) in column 11 but not to exceed the amounts specified by case.

_____
Name of Offering/Approving Official

(23) Approval Control No. _____

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Reset

Table 2-1. DD 2061, "FMS Planning Directive" Completion Procedures

Line/ Col.	Description	Procedures
1	FMS Case Number BN-P-BLX	Continue from LOAs.
2	Date LOA Submitted to Foreign Government	Obtain from date of LOA.
3	Date Offer Expires	Obtain from Offer Expiration Date of LOA.
4	Date Case Accepted by Foreign Government.	Obtain from acceptance date of LOA.
5	Total Case Value	Must agree with total of Column 14 and "Estimated Total Costs" of LOA.
6	Control Number	Consists of country code, case designator, Julian date (YYDDD), and a two-digit sequential number. Initial DD 2061 will use sequential number 01, with each succeeding submission using 02, 03, 04... The Julian date must agree with the data entered on line 7. Use the format BN-BLX-11212 01.
7	Date Prepared	Date formally prepared. Must agree with Julian date used in control number. Use the format Jul 31, 2011.
8	DoD Component/Case Manager	Enter the DoD Component, followed by the case manager's name, organization, and DSN phone number, e.g., Navy, J. Smith, NAVAIR, 222-7890.
9	Case Item Number	This entry must match the entries on the LOA.
10	Item Description	This entry must match the item description on the LOA. Use abbreviated titles. When information is classified, enter "Classified – Refer to LOA."
11	Quantity	This entry must match the entries on the LOA. Columns 9, 10, and 11 should show no further breakdown than is or will be reflected on the LOA.
12	Pricing Elements	This column will be used to provide breakdown of the cost of the article or service by pricing element using codes provided by Table 2-3.

Table 2-1. DD 2061, "FMS Planning Directive" Completion Procedures" (Continued)

Line/ Col.	Description	Procedures
13	Financing Appropriation	For each Pricing Element, Column 12, enter the first impacted appropriation (the financing appropriation) for reimbursable actions; or enter "DC" for Direct Citation (for example, when the FMS Trust Fund will be directly cited on obligation documents). More than one appropriation may be entered for some pricing elements. Annual appropriations will reflect the applicable FY.
14	Estimated Cost	Enter the estimated cost (priced in accordance with Chapter 7) for each Column 13, Financing Appropriation. For each item number with multiple entries in Columns 13 and 14, enter "Item No. Costs" in Column 13 after the last entry and the sum (subtotal) of the estimated costs for that item in Column 14. This sum must equal the line item total cost to be reflected on proposed LOA, Amendment, or Modification. For less than 10% increases, this amount will reflect the adjusted cost of the article or service. For each item number citing a single financing appropriation, the entry in Column 14 should be the cost of the item.
15	Direct Cite/OA received to date most recent prior FY (e.g., FY10 during FY11)	Leave blank if case was not implemented in a prior FY. Enter, by Financing Appropriation in Column 13, the amount of OA issued through the end of the prior FY. Column 15 should be adjusted for withdrawals of unused authority at the end of the previous year.

Table 2-1. DD 2061, "FMS Planning Directive" Completion Procedures" (Continued)

Line/ Col.	Description	Procedures
16	Funding Required to Date (same FY entered in Column 15)	Leave blank if case was not implemented in a prior FY. Columns 16a, 16b, and 16c provide a horizontal breakdown of amounts entered in Column 16d, Total.
16a	Obligations Incurred	
16b	Unobligated Commitments	
16c	Items from Stock	
16d	Total	Enter, by Financing Appropriation in Column 13, the OA committed through the end of the prior FY.

On successive DD 2061s in the same FY, Columns 15 and 16 are constant and reflect the status by financing appropriation as of September 30 of the prior FY. These entries, in total, must agree with the entries in Columns 7 and 8, respectively, of the annual consolidated DD 2060.

17	Current FY ( ) Funding Plan	Enter the current FY in the parentheses, e.g., (2011). For a new case in which OA will not be required until a subsequent FY, Column 17 should reflect that subsequent year as the current FY. Enter, by financing appropriation, the current FY OA requirements. On successive DD 2061s, these figures are cumulative.
18	Remaining Program Value	Enter, by financing appropriation, the result of Column 14 minus the "total" of Column 16 minus column 17. This entry must not be a negative amount.
19	Budget Year ( ) Funding Plan	Enter the FY following the year shown in Column 17. Enter, by financing appropriation, the budget year OA requirements. Amounts shown in Column 19 must not exceed the amounts shown in Column 18.

Table 2-1. DD 2061, "FMS Planning Directive" Completion Procedures (Continued)

SUBTOTALS: If the DD 2061 is prepared in support of a request for an increase of less than 10%, then enter subtotal and less than 10% increase lines.

Line/ Col.	Description	Procedures
10 and 14-19	Subtotal	Enter "Subtotal" in Column 10 and the vertical sums of Columns 14 through 19. Check sums horizontally. Columns 14 = 16 + 17 + 18.
10, 14, and 18	Less than 10% increase	Enter "Less than 10% increase" in Column 10. In Columns 14 and 18, enter the amount of the cumulative net increase in the total materiel/services value.
10 and 14-19	Net Case Value	Enter "Net Case Value" in Column 10 and the vertical sums of columns 14 through 19. Column 14 should agree with the "Estimated Cost" of the LOA. Check sums horizontally. Columns 14 = 16 + 17 + 18.
10, 12-14, and 18	PC&H (if applicable)	Enter "PC&H (__ %)," Pricing Element "OS," and Financing Appropriation "TF." Columns 10, 14, and 18 should be completed with the proper rate and amount as computed in accordance with Chapter 7. PC& H charges were discontinued for DWCF items effective October 1, 1990.
10, 12-14, and 18	Admin (if applicable)	Enter "ADMIN (__ %)," Pricing Element "OS," and Financing Appropriation "TF." Columns 10, 14, and 18 should be completed with the proper rate and amount as computed in accordance with Chapter 7.
10, 12-14, and 18	Transportation (if applicable)	Enter "TRANS (__ %)," and/or Parc. Post (__ %)," as appropriate, Pricing Element "OS," and Financing Appropriation "TF." Columns 10, 14, and 18 should be completed with the proper rate(s) and amount(s) as computed in accordance with Chapter 7. Different rates may be used if partial delivery was made prior to April 13, 1978. The rate to be charged is the rate in effect at the time of delivery.

Table 2-1. DD 2061, "FMS Planning Directive" Completion Procedures (Continued)

Line/ Col.	Description	Procedures
10, 12-14, and 18	Stock issue asset use (SIAU) (if applicable) for cases implemented after Sep 30, 1979, and all DD 2060/2061 submissions subsequent to that date up to Nov 30, 1989.	Enter "SIAU (1%)," Pricing Element "AU," Financing Appropriation "TF." In Columns 14 and 18, enter the amount computed in accordance with Chapter 7. Discontinued November 30, 1989.
10 and 14-19	Total Case Value	Enter "Total Case Value" and the vertical sum of Columns 14 through 19 for "Net Case Value" and PCH&T, Admin, Storage, and SIAU. Check sums horizontally. Columns 14 = 16 + 17 + 18. Column 14 should match the "Total Estimated Cost" line of the LOA.
10	Summary	Enter "Summary:"
10, 14-19	Reimbursable Program	Enter, as applicable "Reimbursable Program" in Column 10. Sum Columns 14 through 19 for all entries with other than "DC" or "TF" in Column 13.
10, 14-19	Direct Cite Program	Enter, as applicable "Direct Cite Program" in Column 10. Sum Columns 14 through 19 for all entries with "DC" in Column 13.

If the DD 2061 is prepared in support of a less than 10% increase, then enter subtotal and less than 10% increase lines:

10, 14-19	Subtotal	Enter "Subtotal" in Column 10. Sum "Reimbursable Program" and "Direct Cite Program," Columns 14 through 19.
10, 14, and 18	Less than 10% increase	Enter "Less than 10% increase" in Column 10. In Columns 14 and 18, enter the negative amount of the cumulative net increase in the total materiel/services value.

Table 2-1. DD 2061, "FMS Planning Directive" Completion Procedures (Continued)

Line/ Col.	Description	Procedures
10, 14-19	Net Case Value	Enter "Net Case Value" in Column 10. Sum "Reimbursable Program" and "Direct Cite Program," or, if applicable, "Subtotal" and "Less than 10% increase," Columns 14 through 19.
10, 14, and 18	PC&H, PCH&T, Admin, Trans, or Storage	If applicable, enter "PC&H," "PCH&T," "Admin," "Trans," and "Storage" in Column 10. Sum Columns 14 and 18 for all entries with "TF" in Column 13.
10, 14-19	Total Case Value	Enter "Total Case Value" in Column 10. Sum "Net Case Value," "PC&H," "Trans," "PCH&T," "Admin," and "Storage" lines (as entered from previous procedure) for Columns 14 through 19. Check sums horizontally. Columns 14 = 16 + 17 + 18. Check to ensure that each column total matches the sum entered on the previous "Total Case Value" line.

Table 2-2. DD 2060, "Obligational Authority" Completion Procedures

Line/ Column #	Description	Procedures
	Type of Request	Enter the designation of the document that occasioned the submission of the DD 2061 and 2060, e.g., LOA, Modification, Amendment, less than 10% increase, or DD 2061 Revision.
1	Performing Component	Enter "Army," "Navy," or "Air Force."
2	Period Covered	Enter the FY for which OA is being requested, e.g., FY2010.
	Part A	
3	FMS Planning Directive Control No.	Obtain from line 6 of DD 2061.
4	Total Case Value	Obtain from "Total Case Value" line, Column 14, of "Summary" section of DD 2061. Also equals line 5 on DD 2061.
5	Amount to be Held in FMS Trust Fund	Obtain from "CAS for DCAA and DCMA PCH&T, Admin, and Storage" Column 14, in "Summary" section of DD2061. Note: PCH&T does not apply to DWCF delivery reported on or after October 1, 1990. Storage charges do not apply to the FMSO I Part A on-hand of DWCF items.
6	Net Case Value	Computation: Column 4 – Column 5= Column 6 (DD 2060) This amount represents the total that will be provided to the performing DoD Component for an FMS case.
7	Received	Obtain from "Net Case Value" line, Column 15, of the "Summary" section of DD 2061. The entry is constant for a FY and must agree with the entry on the annual consolidated DD 2060.
8	Required	Obtain from "Net Case Value" line, Column 16 "Total," of the "Summary" section of the DD 2061. The entry is constant for a FY and must agree with the entry on the annual consolidated DD 2060.
9	Withdrawn	Computation: Column 7 - Column 8 = Column 9 (DD 2060) Represents the amount of funds received in prior periods but not required for case performance. These amounts will be withdrawn from the performing DoD Components. The entry is constant for a FY and must agree with the entry on the annual consolidated DD 2060.

Table 2-2. DD 2060, "Obligational Authority" Completion Procedures (Continued)

Line/ Column #	Description	Procedures
10 & 11	Authority Required this FY	Enter the FY from line 2
10	Reimbursable	Obtain from "Reimbursable Program" line, Column 17, of the "Summary" section of the DD 2061. Represents the amount of reimbursable OA required for the current FY.
11	Direct Cite	Obtain from the "Direct Cite" line, Column 17, of the DD 2061. Amounts in this column followed by a "(C)" represent direct citation delegation authority required for the current FY. If blank, then the request is for an allotment of funds for direct cite, with the IA to be the accounting station.
12	Remaining Program Value	Computation: Column 6 - [Column 8 + Column 10 + Column 11] = Column 12 Should agree with "Net Case Value" line, Column 18, of the "Summary" section of the DD 2061. May be negative if type of request is for a less-than-10% increase.
13	Balance Brought Forward	N/A
14	Case Total	N/A
15	Admin Expense	N/A
16	Total	Sum of entries by column

Table 2-2. DD 2060, "Obligational Authority" Completion Procedures (Continued)

Line/ Column #	Description	Information Source	Remarks
Part B			
17	Appropriation Title	Obtain from appropriate DoD Component directives. Enter abbreviated title. Where the case is impacted by an increase of less than 10%, insert an additional line "Less-than-10% increase."	
18	Account Symbol	Obtain from DD 2061, Column 13, "Financing Approp." Enter the first impacted financing) appropriation or fund for reimbursement action; or enter "DC" where the FMS Trust Fund is to be direct cited. Summarize into one line per account.	
6	Net Case Value	Obtain totals (by appropriation) from applicable column on DD 2061. Enter individual data under each column where the case is impacted by an increase of less than 10%, an appropriate negative entry will be shown in Columns 6 and 12 as determined from Columns 14 and 18 of the DD 2061. Note: Column 9 should be computed as Column 7 - Column 8	
7	Received		
8	Required		
9	Withdrawn		
10	Reimbursable		
11	Direct Cite		
12	Remaining Program		
19	Balance Brought Forward	N/A	
20	Obligational Authority	Enter totals (by column) for each applicable element. Totals should reflect same data as DD 2060 summary data reflected in Part A.	
21	Signature Block Accepting/Requesting Official	To be completed by the appropriate DoD Component	
22	Signature Block Offering/Approving Official	To be completed by DFAS SCA	
23	Approval Control Number	To be completed by DFAS SCA	

Table 2-3. Pricing Elements and Their Financing Appropriations

Pricing Element	Description	Appropriation or Fund	Description
AT	Attrition 97 8242.8209	FMS Trust Fund	Funds collected to cover equipment damaged beyond repair by foreign students.
AU	Asset Use Charges/ Contractor Rental Payments	Miscellaneous Receipt Account 3041 (See Treasury FAST Book.)	Applied as a percentage of the direct costs being billed and is in lieu of separate computations for charges required to be applied in order to recover payments applicable taxpayer investment (sunk cost) in inventory or facilities (see Chapter 7). Discontinued effective with all deliveries reported to DFAS SCA after December 1989.
CC	Contract Cost	Direct citation of FMS Trust Fund or applicable appropriation/fund symbol (see Chapter 1)	Cost of defense articles or services being supplied from procurement.
CD	UCR Factor Not Funded by DoD	Miscellaneous Receipt Account 3041	Cost of UCR not reimbursable to the performing account. Computed on basis of prescribed Acceleration Factors (see Chapters 7 and 8; and DoD reimbursable rates.

Table 2-3. Pricing Elements and Their Financing Appropriations (continued)

Pricing Element	Description	Appropriation or Fund	Description
CP	Services of Civilian Personnel	Applicable appropriation/fund (Operations and Maintenance (O&M), Research, Development, Test and Evaluation (RDT&E), or DWCF)	Cost of civilian personnel services (including cost of fringe benefits reimbursed to the performing account and accelerated for leave and holidays when applicable) (see Chapter 7).
CR	Civilian Retirement Funded by DoD	Applicable appropriation/fund (O&M, RDT&E, or DWCF)	This optional code identifies the cost of civilian retirement benefits reimbursable to the performing account. Computed on basis of prescribed acceleration factors (see Chapter 7). This cost element may be included as part of CP.
CS	Contract Audit Support (for FY 1980 and prior, applies to FMS and commercial contracts; after FY 1980, applies to commercial contracts only)	O&M Appropriation of Performing Activity	Audit costs incurred in the evaluation of a contractor bid proposal or the audit of claims for incurred costs.
CX	CAS (in FY 1981, used in lieu of CS & QS)	FMS Trust Fund (TF), centrally managed by the DFAS SCA	Cost of the contract administration tasks set forth in the FAR, subpart 42.3 and audit.

Table 2-3. Pricing Elements and Their Financing Appropriations (continued)

Pricing Element	Description	Appropriation or Fund	Description
EG	DoD Engineering Support	O&M Appropriation of Performing Activity	Government-provided engineering services that are required to solve problems encountered during the production run, or efforts to improve the item's capabilities to meet predetermined specifications.
FS	DoD Production, Testing, and Evaluation Support	O&M, RDT&E Appropriation, or DWCF	Government production testing and evaluation costs to be recovered on a pro rata basis over benefiting production run items.
LS	Logistics Support Charge (LSC)	FMS Trust Fund centrally managed by DFAS SCA	Cost of logistics support. Applicable to specific items delivery reported on or after April 1, 1987 and deliveries made prior to October 1, 2007 against lines that qualify. Discontinued for DWCF items, on or after October 1, 1990.
MP	Services of Military Personnel	Military Personnel Appropriations	Cost of military personnel services based on standard composite pay rates (as accelerated for leave and holidays when applicable) (see Chapter 7 and DoD reimbursable rates). Includes retirement for FY 1985 and subsequent.
MR	Medicare-Eligible Retiree Health Care (MERHC)	Miscellaneous Receipt Account 3041	Currently, cost to cover Medicare-eligible retiree health care accrual. See DoD reimbursable rates. Prior to FY 1985, was used for cost of imputed military retirement determined by applying appropriate acceleration factor to military personnel service costs.

Table 2-3. Pricing Elements and Their Financing Appropriations (continued)

Pricing Element	Description	Appropriation or Fund	Description
MX	Other Benefits (when applicable)	O&M Appropriation of Performing Activity. Effective FY 2006, Defense Health Program (97*0130)	Cost for portion of quarters, subsistence, Defense Health Program, and other personnel support costs not included in MP. Computed by applying appropriate acceleration factor to military personnel service costs (see Chapter 7 and DoD reimbursable rates). Effective FY 2006, limited to Defense Health Program.
OS	Other Support	Other appropriations, as applicable. Use pricing element "TF" for below-the-line PCH&T, Storage and Admin.	Other above-the-line costs not specifically defined. PCH&T does not apply to DWCF items delivery reported on or after October 1, 1990.
QS	DoD Quality Assurance Support (For FY 1980 and prior, applies to FMS cases and to commercial contracts; after FY 1980 applies to commercial contracts only)	O&M Appropriation of Performing Activity	Government-applied quality assurance costs to be recovered either based on individual items examined or on a pro rata basis over benefiting production run items.
RD	R&D and nonrecurring production	Miscellaneous Receipt Account 3041	Recovery of nonrecurring costs as specified by Chapter 7.
RF	Royalty Fees	Miscellaneous Receipt Account 3041	Collection of royalty fees.
RS	Special RDT&E	RDT&E Appropriation	Special RDT&E effort being accomplished specifically for the FMS purchaser.

Table 2-3. Pricing Elements and Their Financing Appropriations (Continued)

Pricing Element	Description	Appropriation or Fund	Description
SA	Articles obtained from inventory for Special Defense Acquisition Fund (SDAF)	SDAF 11 X 4116	Sale of SDAF items originally obtained from DoD inventories.
SD	Articles procured from contractors for SDAF	SDAF 11 X 4116	Sale of SDAF items obtained from procurement.
SF	Articles from stock not requiring replacement	Miscellaneous Receipt Account 3041	Sale of free assets not requiring inventory replacement.
SR	Articles from stock requiring replacement	Procurement Appropriation or DWCF	Sale of materiel requiring inventory replacement because of sale.
TF	Charges applied by DFAS SCA	FMS Trust Fund centrally managed by DFAS SCA	Below-the-line cost on the LOA (e.g. packing, crating & handling (PC&H), administrative fee, transportation). PC&H does not apply to DWCF items delivery reported on or after October 1, 1990.
TR	Training related expenses for formal training	Direct Cite or Appropriation account	The expenses related to the conduct of formal training.
TX	Transportation	Appropriation or FMS Trust Fund, as appropriate	Costs for transportation when Defense Transportation System is approved and used. DFAS SCA applied transportation charges do not apply to DWCF material effective October 1, 1990, for generic code L1A, and effective October 1, 1991, for generic code L1D and L1E.

Table 2-3. Pricing Elements and Their Financing Appropriations (continued)

Pricing Element	Description	Appropriation or Fund	Description
Special Pricing Element Codes for Air Force Training Cases			
AR	Air Force (AF) Reserve	AF Reserve Appropriation	That portion of training reimbursement passed to AF Reserve.
DI	Reimbursable Orders to Defense Institute for Security Assistance Management (DISAM)	Direct Cite or AF Appropriation Account which accepted order	That portion of the training case passed to DISAM for execution.
DM	Depot Maintenance	DWCF	That portion of training course costs identified for depot maintenance.
IP	Information Program Funds	Direct Cite or Appropriation Account which accepted order	That portion of the training case that funds the information program.
M2	Military Personnel permanent change of station (PCS)	Military Pay Appropriation	Military personnel PCS costs incurred to accomplish FMS training case.
ML	Minor Construction	O&M Appropriation	That portion of the training case applicable to minor construction.
NG	Air National Guard	National Guard Appropriation	That portion of training reimbursement passed to National Guard.
PL	Aviation petroleum, oil and lubricants (POL)	DWCF	That portion of training course costs identified as POL.
TC	Reimbursement to a Foreign Government	Country Trust Fund	Third Country training with reimbursement from the second country.

Table 2-3. Pricing Elements and Their Financing Appropriations (continued)

Pricing Element	Description	Appropriation or Fund	Description
XA	Reimbursable Orders to Army	Direct Cite or Army Appropriation Account which accepted order	That portion of the training case passed to Army for execution.
XN	Reimbursable Orders to Navy	Direct Cite or Navy Appropriation Account which accepted order	That portion of the training case passed to Navy for execution.
XX	Reimbursable Orders to Defense Agencies	Direct Cite or Defense Agency Appropriation Account which accepted order	That portion of the training case passed to Defense Agency for execution.

VOLUME 15, CHAPTER 3: "ACCOUNTING"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font*.**

The previous version dated June 2015 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
030401	Updated the language to reflect that Foreign Military Sales Trust Fund dollars are not exempt from apportionment.	Revision
030403.A.2	Updated delinquency debt aging categories according to the Bureau of Fiscal Service Treasury Report on Receivables and Debt Collection Technical Memo 15-02 dated April 29, 2015.	Revision
031003	Transferred information about case closure certificates and the reclassification of cases from active to inactive from Chapter 7, section 0719.	Addition

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CHAPTER 3

ACCOUNTING

0301 GENERAL

030101. Purpose

This chapter establishes accounting requirements which:

A. Assure proper Department of Defense (DoD) control and accountability of cases implemented in the Foreign Military Sales (FMS) Trust Fund;

B. Provide accounting information that can be used for preparation of Chief Financial Officer (CFO) financial statements, quarterly bills to FMS purchasers, and financial status reports to DoD case managers and Defense Security Cooperation Agency (DSCA) staff;

C. Integrate with physical delivery (logistics) reporting systems;

D. Serve as a basis for timely identification and reporting of financial management problems; and

E. Establish internal controls to assure compliance with the payment requirements of the ***Arms Export Control Act (AECA)***, Public Law 90-629, codified at Title 22, United States Code (U.S.C.), ***Chapter 39***.

030102. Authoritative Guidance

The Federal Accounting Standards Advisory Board establishes accounting standards for receivables through the issuance of Statement of Federal Financial Accounting Standards (***SFFAS***) 1, Accounting for Selected Assets and Liabilities. The Bureau of the Fiscal Service prescribes procedures for submitting year-end closing data to the Financial Management Service in the Treasury Financial Manual (TFM), Volume 1, ***Part 2, Chapter 4200***. The DSCA 5105.38-M Security Assistance Management Manual (***SAMM***) provides the Customer and Regional Codes used to account for each FMS case.

0302 GENERAL ACCOUNTING GUIDANCE

030201. Accounting Characteristics

A. Each FMS case is an accounting unit similar to a commercial job order. A case identifier is composed of the Security Cooperation (SC) Customer code, implementing agency (IA) code, and a three-position case designator assigned by the IA. See SAMM SC Customer and Regional Codes and FMS Eligibility ***Table C4.T2***. Budget authority (BA) necessary to implement a case is released by case identifier and line item number. All requisitions for materiel or services have a case identifier and line item number. Report accrued

costs and cash disbursements at this level of detail. Accumulate and report this accounting information to FMS purchasers and DoD case managers to allow proper monitoring of case execution.

B. DoD manages cash at country level to ensure sufficient funds are available to meet expenditure requirements and to determine arrearages of a country's dependable undertaking. See Chapter 5 for more information on arrearages. A cumulative summary cash account, including all sub-accounts of the FMS Trust Fund 11 X 8242, is needed to allow reconciliation with the Department of Treasury (Treasury) cash records. Cumulative summary accounts showing BA, commitments, obligations, accounts payable, accounts receivable, accrued expenditures, and expenses are required to complete budget execution reports on the FMS Trust Fund Account.

C. DoD case management entails obtaining the necessary BA, releasing requisitions or procurement work orders, and reporting physical delivery of required items. The first two actions require efforts directed through the accounting system. Proper management controls require the use of the same source document for reporting to both the financial and logistical systems (including delivery reporting).

030202. Responsibilities

A. DSCA. DSCA is responsible for monitoring usage of the FMS Trust Fund to include periodic reviews of funding levels and unused balances.

B. Defense Finance and Accounting Service (DFAS). DFAS performs the accounting, billing, disbursing, and collecting functions for the FMS Trust Fund and ensures entries in the accounting systems have audit trails to the source documents. DFAS Security Cooperation Accounting (DFAS SCA) is specifically responsible for:

1. Maintaining the centralized FMS case line level accounts prescribed in this chapter and the United States Standard General Ledger (***USSGL***). The general ledger (GL) accounts are in the ***Standard Financial Information Structure*** Transaction Library; Volume 1, Chapter 7; and the ***TFM***. Use information accumulated in the accounts when preparing billing statements to FMS purchasers and financial management reports to DoD case managers and DSCA staff;

2. Maintaining FMS Trust Fund budget execution records;

3. Identifying and notifying DSCA when an FMS Trust Fund arrearage occurs as required in Chapter 5;

4. Summarizing all case line level accounts at the FMS Trust Fund level, reconciling the summary cash accounts to Treasury's records per Treasury guidance, and using the summary accounts as the basis for required reports on FMS Trust Fund operations;

5. Maintaining audit trails between source documents and entries to the accounting system; and

6. Preparing monthly, quarterly, and annual statements as required in Volumes 6A and 6B.

C. IAs. IAs are responsible for:

1. Fulfilling FMS Trust Fund orders using these financing techniques:

a. Issuing and accepting reimbursable orders into a financing appropriation or Defense Working Capital Fund (DWCF) account,

b. Issuing allotments of the FMS Trust Fund to the performing DoD Components, or

c. Authorizing direct citation of the FMS Trust Fund (11 X 8242);

2. Ensuring appropriation/fund budget execution records accurately reflect the status of the reimbursable FMS Trust Fund program; and

3. Performing the Triannual Review of obligations as described in Volume 3, Chapter 8, Section 0804.

D. Allotment Holders for Actual FMS Administrative Expenses. A DoD Component that receives a DSCA allotment of FMS administrative BA is responsible for:

1. Maintaining obligations and expenditures within the limitations of the allotment,

2. Ensuring obligating documents and accrued expenditures meet the requirements contained in this Volume, and

3. Returning unobligated obligation authority (OA) to DSCA at the end of each fiscal year (FY).

0303 MANAGEMENT CONTROLS

For management controls, Security Assistance activities will follow the guidance in ***DoD Instruction 5010.40, Managers' Internal Control Program Procedures***.

0304 FMS TRUST FUND ACCOUNTING REQUIREMENTS

*030401. FMS Trust Fund

The FMS Trust Fund is a single account that is authorized to be credited with receipts that may be obligated and expended in accordance with the AECA. FMS Trust Fund receipts must be apportioned prior to obligation and expenditure; however, an official designated under ***31 U.S.C. § 1513*** (as per ***31 U.S.C. § 1516***) may exempt trust funds from apportionment. DFAS SCA is responsible for accounting for the FMS Trust Fund.

030402. FMS Standard GL

All financial accounting data applicable to the FMS program must be recorded in accounts consistent with Volume 1, Chapter 7 and the USSGL accounts. The USSGL specifies the accounting entries for these accounts. Subsidiary ledgers are used where necessary to provide accounting control and management reports. The Deputy CFO, Office of the Under Secretary of Defense (Comptroller) (OUSD(C)), must approve the use of any other GL Trust Fund accounts in writing. Objective evidence, e.g., invoices, vouchers, receipts, or statements, must support all entries in the accounting records and data reported on financial statements. Such evidence may be either hard copy documents or computer data, but in either case must be verifiable.

*030403. Accounting for Receivables

A. General

1. Cash in advance of performance is required from FMS purchasers unless a written determination is made pursuant to legal authority; see Chapter 4 for more information. For FMS purchasers who are legally exempt from making cash advances, record accounts receivable for each FMS country program accounted for in the FMS Trust Fund in USSGL 1310. SFFAS 1, paragraph 41 provides "a receivable should be recognized when a federal entity establishes a claim to cash or other assets against other entities, either based on legal provisions, such as a payment due date…or goods or services provided."

* 2. The offered and accepted FMS case is a binding requirement and calls for an advance of funds from the FMS purchaser; thus, a nonentity accounts receivable is established when the due date for payment is not met. Follow-up and aging of delinquent accounts receivable will be in accordance with Chapter 5. Accounts receivable are aged according to the following delinquency categories: 1-30 days, 31-60 days, 61-90 days, 91-120 days, 121-150 days, 151-180 days, 181-365 days, 1-2 years, 2-6 years, 6-10 years, and over 10 years.

B. Application of Interest. Assess interest on FMS country level arrearages in accordance with the provisions of the affected country's active cases and Chapter 5.

C. Reporting. DFAS SCA submits the Quarterly Treasury Report on Receivables (TROR). Instructions for the TROR are in Volume 4, Chapter 3.

030404. Accounting for Inventory

The Military Departments or Defense Agencies control and report assets (equipment and related software, amounts invested in inventories, and work-in-process at contractor's plants) on the financial statements.

030405. Accounting for the FMS Program

The AECA and provisions of the Letter of Offer and Acceptance (LOA) require that the FMS program operate at no cost to the United States Government (USG). Therefore, recognize equity only for the balance retained in the attrition account; see subparagraph 030405.B.

A. Accounting for FMS Surcharges

1. Record the collection of surcharges established in accordance with AECA Sections 21 and 43, as unearned revenue to ensure full recovery of costs incurred in operating the FMS program.

2. Record and recognize revenue and expenses at the time disbursements are made from the applicable FMS surcharge account.

3. Revenues to fund these expenses are from the application of money received from accrued costs, estimated actual costs, or rates charged. Maintain ledgers for each of the categories of FMS surcharges as subsidiary to the unearned revenue control account USSGL 2310, Liability for Advances and Prepayments.

4. Apply the Contract Administration Services (CAS) surcharge to new procurements; however, it may not be applicable under certain conditions detailed in AECA Section 21. The performing activities incur costs and obtain reimbursement from FMS CAS surcharge accounts in response to billing on ***Standard Form (SF) 1080***, Voucher for Transfers between Appropriations and/or Funds.

B. Accounting for Attrition Surcharges. When FMS training LOAs include the use of training or operational equipment, assess an attrition surcharge rate. The attrition surcharge account replaces equipment damaged or destroyed because of student training. Refer to Chapter 7, subparagraphs 071001.C and 071002.D.3.a for the application of the attrition surcharge. Record attrition surcharges in the attrition account; they are assets to the USG. Record the year-end balance in the attrition account as equity in the FMS Trust Fund.

C. Accounting for Bad Debts. Policy concerning compromise, termination, or suspension of collection actions of a country level bad debt is in Volume 6A, Chapter 12, Section 1210. Resolution of all foreign indebtedness resulting from FMS transactions will be staffed with the Department of State by DSCA via the Under Secretary of Defense for Policy.

Within 30 days of a determination by the Department of State that a debt is uncollectible, DSCA will direct DFAS SCA to record the amount owed including accrued interest in the GL. When a country is in arrears and the debt is confirmed to be uncollectible:

1. All available funds for the affected country will be used to satisfy outstanding liabilities according to a priority recommended by the Director of DFAS SCA and approved by the DSCA Principal Director, Directorate of Business Operations (DSCA DBO).

2. DSCA will direct applicable case managers to request cancellation of all outstanding commitments, and adjustment of all outstanding obligations to include an amount for termination cost. The residual amount of debts shown will be transferred to the GL for the affected country to coincide with the termination of the FMS cases based on the determination that the country's account is uncollectible. These procedures highlight losses due to uncollectible amounts in the accounts as required by SFFAS 1, paragraph 44.

3. Aging of amounts recorded will continue. Accrue the accumulation of interest, in accordance with the AECA and other applicable authorities, monthly on the balance in the sub-account. The amount recorded in the account will include the amount of the arrearage, termination liability costs, and accrued interest.

D. Accounting for Transactions Occurring Prior to January 1, 1989. A reconciliation problem existed within the FMS Trust Fund for transactions that occurred prior to January 1, 1989, and some reconciliations occurred as a result of management decisions. Adjustments to transactions that occurred prior to January 1, 1989, will be reviewed by the FMS central accounting site control point staff and approved by the DSCA Comptroller prior to posting in the Defense Integrated Financial System (DIFS) GL Account Codes (GLACs). The control point staff at DFAS SCA and DSCA will maintain a complete audit trail of all adjustments received and processed. Documentation supporting these adjustments will be retained by the originating organization. Transactions will be approved by:

1. DFAS SCA and an appropriate representative of the applicable DoD Component involved;

2. The Director of the applicable DFAS Center submitting transactions to DFAS SCA, if the amount of the transaction is in excess of $500,000; or

3. The Director, DFAS and the Director, DSCA, if the amount of the transaction exceeds $1,000,000.

030406. General Procedures for Processing Accounting Transactions

DFAS SCA uses DIFS as the departmental level central accounting system to account for the FMS Trust Fund. Base accounting transactions entered into DIFS are a combination of transactions received from the FMS Inventory Control System at installation level and vouchers recorded at DFAS SCA as a result of billing/collection and disbursement activity. Record accounting transactions in applicable budgetary, proprietary, departmental level, and installation

level GL accounts. This enables DFAS SCA to prepare required accountability and fund status reports for the FMS Trust Fund.

A. Source Transactions. Source transactions must have all the information required to update GL accounts to enable DFAS SCA to prepare the reports required for accounting control and financial management. Source transactions are the lowest level of information in the system. Every transaction has a date identifying the appropriate accounting month for reporting to Treasury. Register source transactions in automated journals and then post to appropriate subsidiary ledgers within the central accounting system. Posting of source transactions update applicable subsidiary ledgers as well as FMS Trust Fund GL accounts. Posting occurs daily. Source transactions are maintained in the system database for future balancing and reconciling and are the primary audit trail for all posting to the central system.

B. Subsidiary Ledgers

1. Due to the size of the FMS program, there are a substantial number of individual accounts with common characteristics. As a result, established subsidiary ledgers provide control. Subsidiary ledgers are an integral part of the DIFS database and part of the GL structure wherever accounting information is accumulated by country or program. Subsidiary ledgers provide a continuous record of transactions by accounting month for the FMS Trust Fund GL.

2. DFAS SCA maintains subsidiary ledgers for FMS administrative surcharge accounts. Post and reconcile the GL subsidiary records on a daily basis. Total the subsidiary ledgers and post monthly to GL accounts from which a monthly trial balance will be prepared. After all balancing and reconciling for the month is completed, the FMS Trust Fund monthly trial balance will verify the equality of the subsidiary ledgers and GL accounts. Maintain the subsidiary ledgers in DIFS for reconciliation and auditability. Make extracts of these ledgers available as needed for management purposes.

C. GL. Update the GL from the subsidiary ledgers and maintain by accounting month at the appropriation level. DFAS SCA prepares a trial balance from the GL on a monthly basis and uses the trial balance to prepare reports to Treasury and DSCA. The trial balance is used to prepare other required reports related to the GL.

1. The GL must be reconciled to the financial transactions, resource balances, and subsidiary ledgers to ensure data integrity. The internal DIFS data directory will provide the translation between the chart of accounts prescribed by Treasury and the pertinent subsidiary ledgers necessary to meet specific FMS financial management requirements. DFAS SCA reconciles the subsidiary ledgers Case Control, Cash Master, Accounts Receivable, Accounts Payable, and Status of Funds balances to the GL on a monthly basis.

2. DFAS SCA prepares the financial reports based on the cumulative values recorded in the GL or the subsidiary ledgers.

030407. DFAS SCA Analysis of FMS Case Accounting Data

DFAS SCA must continuously analyze case level accounting data to identify developing financial problems and alert IA case managers, DSCA country finance directors, and other concerned DoD officials of the necessity for corrective action. The types of analysis to be performed are:

A. Adequacy of Cash Deposits. Compare the net unreserved cash balance to the accounts payable case level accounts. If the accounts payable balance is greater, request an IA review of the case payment schedules.

B. Timely Payments to the DoD Components and Contractors. Balances in accounts payable must be aged to assure timely payments are being made. If payments are not on time, DFAS SCA should review internal payment procedures and implement necessary corrective action.

C. Timely Case Closure Actions. When the expenditures equal BA, DFAS SCA should request an IA review of the case's financial and logistical status to determine if the case should be closed.

030408. DFAS SCA Postings to Subsidiary Ledgers

A. FMS Administrative Surcharge and Logistics Support Charge (LSC) Account

1. Accrual of Earned Surcharge. As accrued expenditures are recorded pursuant to FMS orders, the amount of FMS Administrative Surcharges applicable will be determined and credited to the FMS Administrative Surcharge account.

a. $30,000 or less. If the computed FMS Administrative Surcharge is $30,000 or less, the entire surcharge is collected upon case implementation. This includes the value of any small case management line for cases implemented August 1, 2006 through July 2, 2012 (see ***SAMM paragraph C9.4.7***).

b. Over $30,000. If the computed FMS Administrative Surcharge is greater than $30,000, fifty percent of the surcharge is collected upon case implementation. Apply the remaining accruals over the life of the case and finalize at case closure.

2. Actual FMS Administrative Surcharge. Accounting entries showing actual expenses will be posted based on accrued expenditures reported in the DoD Status-of-Allotment reports for FMS. See paragraph 030601.

3. LSC. LSC is applicable to articles delivered or services performed on or after April 1, 1987 and prior to October 1, 2007. These charges are accounted for in the FMS Administrative Surcharge account as described in subparagraph 030408.A.1 and 2.

B. Transportation Surcharge Account

1. Accrual of Earned Surcharge. When items are reported by the DoD Components as physically delivered, applicable transportation surcharges are earned and credited to the "Transportation Surcharge Account."

2. Actual Transportation Expense. Accounting entries showing actual transportation cost based on receipt of carrier bills will be posted as debits to the Transportation Surcharge Account.

C. CAS Cost Clearing Account

1. Accrual of Earned Surcharge. When payments are made to contractors (either progress payments or bills for incurred costs), the applicable CAS surcharges are earned and credited to the CAS Cost Clearing Account.

2. Actual CAS Expenses. Post accounting entries showing actual CAS costs as CAS Expenses, based on receipt of SF 1080 billings from the performing DoD Components. See Chapter 7, paragraph 070405.

D. Attrition Surcharge Account. Assess a one percent attrition surcharge for applicable training cases. The IAs will identify the amounts earned as they distribute collections for tuition. Credit the attrition portion and report it to DFAS SCA by country, case, and line. Expenditures from this account represent orders to the DoD Components to fund the cost of replacing damaged or destroyed equipment associated with student training. DFAS SCA will maintain cumulative records of these deposits by country, case, and line item. Fund withdrawal from the attrition account requires prior written approval from the DSCA Comptroller. Reimburse the cost of replacing damaged or destroyed equipment in full from the attrition account.

E. Month-End and Year-End Surcharge Account Closing. The data in DIFS will support end of period closing, updating of the GL, and the production of the required end of period financial reports. End of period procedures will be in accordance with DSCA reporting requirements described in subparagraph 030408.E.1, except as provided in subparagraph 030408.E.2.

1. Close open periods in sequence when transactions are concurrently processed for multiple periods. Close and carry forward the current period GL account balances to the next period.

2. Close the cost clearing adjustments sub-account (67) and the audit adjustments sub-account (85) into the administrative account at the end of each FY. Thus, for year-end reports, the balance of the cost clearing adjustments sub-account (67) and the audit adjustments sub-account (85) must be zero. Post the offsetting debit or credit required to adjust these sub-accounts to zero to the administrative account.

F. Year-End Certification. After the close of each FY, DFAS SCA will provide a Financial Management Services Form 2108, Year-End Closing Statement, to the DSCA Comptroller and submit it to Treasury. See Volume 6A, Chapter 4 and TFM Volume 1, Part 2, Chapter 4200 for more information.

G. Periodic/Year-End Analysis of Surcharge Accounts. DSCA and DFAS SCA analyze activity in the surcharge accounts. This analysis will serve as a basis for decisions by DSCA DBO to redistribute surcharge account balances between the accounts or to recommend rate changes. DSCA DBO will coordinate any decision made to redistribute balances between these accounts with DFAS SCA. DSCA DBO will then notify OUSD(C) of the intended redistribution action and will authorize DFAS SCA to redistribute the funds 10 days after the date of the notification if OUSD(C) raises no objections. When a decision is made to revise rates, these will be coordinated with the DoD Comptroller. See Chapter 7, paragraph 071802 for revising rates.

0305 IA ACCOUNTING REQUIREMENTS

030501. Allotments for Direct Citation

Amounts in the "Direct Cite Authority Requested This FY" (Column 11) of the DoD (DD) Form 2060, FMS Obligational Authority, or automated equivalent (OA Request), which are coded "(A)" represent allotments of case contract authority. Allotment holders must request expenditure authority (EA) from DFAS SCA prior to processing the disbursements against the contract authority. DFAS SCA provides incremental EA from the FMS Trust Fund, based on the allottee's need to disburse funds. Additional instructions for the DoD Status-of-Allotment report are in Section 0306. Specific requirements include:

A. The DoD Component that holds an allotment of the FMS Trust Fund for direct citation on contracts must maintain detailed commitment, obligation, and expenditure records on an FMS case and line basis. That DoD Component must provide DFAS SCA a monthly DoD Status-of-Allotment report reflecting the case and line level data. Delivery transactions in an amount equal to the current month's net change in accrued expenditures or cash advances to contractors must support the status of expenditures. A manual DoD Status-of-Allotment format is in Figure 3-1.

B. Submit Monthly DoD Status-of-Allotment information and associated reports of reconciliation to DFAS SCA by the 20th calendar day following the close of each accounting month. Use this information, with detailed supporting documentation, as the basis for the DFAS SCA entries to case level accounting records and overall FMS Trust Fund reconciliation with Treasury.

030502. Allotments for Reimbursable Orders

See Chapter 2, paragraph 020204 for information on reimbursable orders.

030503. FY-End Reporting Requirements

A. The DoD Components are required to submit a printed and certified final FY consolidated OA Request and DoD Status-of-Allotment information for direct cite funds to DFAS SCA. Establish submission dates in accordance with special instructions issued by DFAS. The forms submitted may be manual forms or automated equivalents.

B. The final OA Request will have this certification: "I hereby certify that this report reflects FMS Obligational Authority as required by DoD 7000.14-R, Volume 15, Chapter 2, subparagraph 020204.A."

C. The final DoD Status-of-Allotment report must have this signed certification: "I hereby certify that the amounts shown in this report are correct. All known transactions meeting the criteria of 31 U.S.C.1501(a) have been obligated and are so reported."

0306 ACTUAL ADMINISTRATIVE EXPENSE ACCOUNTING REQUIREMENTS

030601. Reimbursement for FMS Administrative Expenses

A. Price FMS administrative expenses in accordance with Chapter 7, Section 0706 and charge directly to the allotment received from DFAS SCA for actual FMS administrative expenses. DoD Status-of-Allotment reports must be submitted in the DoD standard format in Figure 3-1. If the allotment is used as the basis for issuing reimbursable orders to appropriation accounts, a schedule showing the dollar value of orders released to each appropriation must be attached to the DoD Status-of-Allotment report. FMS administrative expenses may not be incurred in excess of the allotment, nor are the DoD Components authorized to incur obligations against appropriated fund operation accounts to finance FMS administrative budgets.

B. Upon review of the budget requests submitted in response to its administrative budget call, DSCA will approve a single budget amount for each DoD Component and will issue an allotment providing funding for the approved budget. The recipient will prepare a DoD Status-of- Allotment report showing actual uses for administrative expense. Base the information on the organization designated in the DSCA budget call. Allotments for administrative expenses must be fully funded to cover obligations. Receiving DoD Components must use "no-check SF 1080" self-reimbursement procedures to reimburse appropriation accounts. Reimbursable procedures apply when the FMS Trust Fund is not directly cited as the financing source of payrolls, contracts, or travel orders.

C. Support DoD Status-of-Allotment reports for FMS Administrative Expenses with subsidiary allotment status reports of the executing organizations. Annotate subsidiary reports as "Subsidiary report-(Name of the organization)."

030602. Control of FMS Administrative and SC Organizations (SCO) Budget Allotment Authority

A. Report the FY identity of budget allotment authority, obligations, and disbursements for the current FY (CFY) and five preceding FYs on the monthly DoD Status-of-Allotment reports for Administrative Expenses. Accounts will remain open for the liquidation and adjustment of valid obligations until the end of the canceled FY (five expired FYs and one canceling FY). See the FY example in subparagraph 030602.C.

B. All fund holders are required to maintain FY identity of obligations, disbursements, and budget allotment authority for the CFY and the five preceding FYs.

C. An example of FY identity: If the CFY=2015:

FY 2010 = expired FY	At the end of FY 2015, and after completing the end-of-year reporting and closeout cycle, cancel all unliquidated obligations (ULOs). All amounts are withdrawn effective September 30, 2015. Following this action, FY 2010 cancels on October 1, 2015.
FY 2011 = expired FY	
FY 2012 = expired FY	
FY 2013 = expired FY	
FY 2014 = expired FY	
FY 2015 = CFY	Out of scope increase to prior FY obligations (FY 2014 and prior) will be charged against the CFY (FY 2015). The CFY becomes an expired FY on October 1, 2015.
FY 2016 = Next FY	October 1, 2015, FY 16 begins.

030603. Control of FMS Administrative and SCO Prior FY OA

A. DSCA will not authorize increases to a prior year OA to record upward adjustments for obligations that are the result of out-of-scope changes. Such changes constitute new obligations and are to be funded from the current year OA. Upward adjustments, which are the result of "within-scope" changes under the terms of the contract, are usually chargeable to the appropriate FY account against which the original obligation was charged. Charge all valid upward adjustments applicable to canceled years to the CFY.

B. All fund holders will establish procedures to review and validate all ULOs for the CFY and the preceding five FYs on a monthly basis. If obligations are no longer valid, fund holders will ensure these amounts are deobligated, and the appropriate funds are returned to DSCA for withdrawal; see paragraph 030605. Valid disbursements may be made from these expired accounts, up to the amount of the ULO balances for that year's obligation. Additional funding to cover these valid upward adjustments (within-scope price adjustments) may be requested from DSCA. This request should provide the following: original obligation amount, additional required funding authority needed, source or reason for additional obligation including any subsidiary calculations or source, applicable supporting documentation, and point of contact.

C. Deobligation of prior year funds and the subsequent reobligation of these same funds in the current or one of the five preceding FYs is not authorized.

030604. Control of Unliquidated Balances

A. FMS Administrative and SCO accounts remain available for liquidating valid obligations until the end of their fifth expired year; see the example in subparagraph 030602.C. No new obligations can be started for the CFY after September 30 of that FY.

B. The monthly DoD Status-of-Allotment reports for administrative expenses, showing the DFAS departmental accounting position, will present the current allocation and account balances (obligations and disbursements) for the end of that reporting month.

C. See paragraph 030605 for the procedure used when canceling funds at the end of their fifth year following their expiration and the process used when deobligations occur in the five preceding FYs.

D. All fund holders will establish procedures to review and validate all ULOs for the CFY and the five preceding FYs.

030605. Administration and Implementation of the Monthly and End-of-Year Closeout Guidance

A. All fund holders will review and use their respective monthly DoD Status-of-Allotment reports for administrative expenses, which present the DFAS departmental accounting position for that month. Use these reports to compare with the installation accounting records. If there are disbursement differences between the departmental and installation accounting records, use the departmental accounting records reconciled with Treasury cash to establish the withdrawal amount.

B. DSCA will issue the annual end-of-year closeout guidance to all holders of FMS Administrative and SCO funds.

C. All fund holders will notify DSCA in writing when BA can be decreased on the CFY and the five preceding FYs. All records will be maintained with the FY BA documents.

D. When the fifth expired year is canceled, the budget allotment authority amount will be decreased on September 30 to the amount that equals the departmental accounting disbursement amount that has been reconciled with Treasury.

E. The fund holder will ensure that all obligations and disbursements are equal prior to year-end closeout for the canceling year account (the fifth year following funds expiration) and that no further disbursements are processed. The fund holders need to work

closely with the DFAS departmental accounting offices at finalizing the amounts to be withdrawn for the canceling year (the fifth year following funds expiration).

F. Upon receipt of a written request from the fund holder, DSCA will issue an FMS Administrative and SCO Allocation document withdrawing the unobligated BA and citing the concurrence correspondence from the fund holder for the expired and canceling FYs.

030606. DFAS Responsibilities for Expired and Canceled Accounts

A. DFAS SCA will adjust OA/EA to agree with the DSCA allocation values for the expired and canceling FYs. All unobligated balances will be considered expired and not available for incurring new obligations. FMS Administrative and SCO accounts remain available for liquidating valid obligations until the end of their fifth expired year.

B. DFAS SCA will update the subsidiary record by loading the DIFS case level disbursement records with the expired year balances, as identified by the allotment holders (IAs) on the year-end DoD Status-of-Allotment reports for administrative expenses.

C. DFAS SCA will maintain off-line historical administrative accounting records to show cumulative balances for disbursements, obligations, and allotment BA for all closed (canceled) FYs. At the end of each FY, DFAS SCA will update the canceling FY's obligated and disbursed balances for FMS and SCO administrative funds accounting records.

D. DFAS SCA will maintain memorandum records of the canceled obligations. Once closed, an account is no longer available for obligation. If it becomes necessary to pay an obligation, which otherwise would have been properly charged to the appropriation before it was canceled, the obligation should be charged to and paid from the applicable CFY FMS or SCO account. Post these obligations against the CFY account when disbursed. Use memorandum records (or equivalent) to record the canceled “valid” obligations off-line so that they may later be recognized as valid when disbursed and recorded against the applicable FMS or SCO administrative CFY account. See Volume 3, Chapter 10.

0307 BUDGET EXECUTION

030701. Objectives

This section establishes the budget execution requirements that are applicable to the FMS program. Specific objectives are to ensure that:

A. Mandatory budget execution reports that accurately reflect data recorded in accounting records are submitted to Treasury in a timely manner;

B. Unnecessary FMS OA is withdrawn officially from all organizations participating in execution of FMS cases at the end of each FY; and

C. FMS case records maintained by IAs are in agreement with DFAS SCA at the case line level throughout the life of each FMS case.

030702. Responsibilities

A. DFAS SCA must provide accounting data on FMS Trust Fund operations to the DoD Components.

B. DSCA must monitor the FMS program and submission of required FMS Trust Fund budget execution reports.

C. IAs and the supporting DoD Components must:

1. Conduct year-end reviews of the unobligated FMS reimbursable program to ensure unnecessary BA is identified and returned to the FMS Trust Fund;

2. Ensure that the FMS reimbursable program is properly reported in appropriation or DWCF budget execution reports;

3. Submit financial budget execution reports accurately and timely in accordance with Section 0307;

4. Reconcile IA FMS case records to DFAS SCA case line level accounting records on a periodic basis; and

5. Prepare Case Closure Certificates, as soon as possible after the case is supply/service complete but no longer than 24 months after such occurrence for cases applicable to countries participating in Accelerated Case Closure Procedures (ACCP). See the SAMM Appendix 7 Case Reconciliation and Closure Guide (***RCG***) for the Case Closure Certificate format and paragraph 031002 for case closure information.

0308 FMS TRUST FUND BUDGET EXECUTION REPORTS AND FINANCIAL STATEMENTS

030801. Budget Execution Reports

DFAS SCA submits the following budget execution reports on FMS Trust Fund operations:

A. Monthly SF 133, Report on Budget Execution and Budgetary Resources, for 11 X 8242, Advances, Foreign Military Sales, Funds Appropriated to the President. For more information see Volume 6A, Chapter 4;

B. Annual Financial Management Service Form 2108. For more information see Volume 6A, Chapter 4;

C. Appropriate sections of the annual CFO Financial Statements. For more information see paragraph 030802; and

D. Governmentwide Treasury Account Symbol Adjusted Trial Balance System (GTAS) reporting. For more information, see Volume 6A, Chapter 6.

030802. Financial Statements

For financial statement guidance concerning the reporting of FMS amounts, see Volume 6B, Chapter 2 and Volume 6B, Chapter 10. The Security Assistance reporting entity also provides GTAS submissions as an Other Entity (formerly Nonverifying Agency) per Volume 6A, Chapter 6.

0309 CASE EXECUTION

030901. FY-End

At the end of each FY, review the reimbursable OA received to implement each FMS case. The total amount of reimbursable BA received is on the OA Request. The review serves as the basis to withdraw any unnecessary unobligated balances. Make the withdrawal by submitting a year-end OA Request. See Chapter 2, Section 0203 for instructions on the preparation of OA Requests.

A. Non-Expiring Accounts. At the close of each FY, retain reimbursable FMS OA in a performing DoD account only to the extent that:

1. The amounts are required to cover certifiable obligations incurred by the performing account because of performance of the order;

2. The amounts have been committed within a formal commitment accounting system, for example, to cover normal administrative lead-time on the next contract escalation clauses; or

3. The items have been delivered from inventory, or applicable DoD services have been performed (cash earned reimbursement). Withdraw any reimbursable FMS OA not required for these purposes from the performing accounts by September 30 each year. It is recognized that year-end reviews must be made prior to the last day of the FY. Therefore, the amount of OA retained may be somewhat greater than the goal. It is expected, however, that estimating procedures must be improved continually until unnecessary unobligated balances are eliminated.

B. Expiring and Expired Accounts. By the close of each FY, show reimbursable FMS OA in an expiring account only to the extent that the amounts are earned reimbursements or are required to cover certifiable obligations incurred against the performing account. Withdraw any reimbursable FMS OA not required to cover obligations in the expiring account by September 30 each year. During the FY, transfer amounts required in expired

accounts from the Trust Fund, as necessary, to cover upward obligation adjustments needed for within-scope changes to contracts or similar transactions.

030902. Reimbursement of Appropriations and Accounts

A. Reimburse DoD appropriations and fund accounts, or Miscellaneous Receipts Account 3041, "Recoveries Under the Foreign Military Sales Program, Army, Navy, Air Force, Defense" upon delivery of items from inventory or performance of DoD services within 30 days of the occurrence (i.e., date of shipment or performance) for:

1. Items sold under AECA Section 21, or

2. Procurement actions made under AECA Section 22 if direct cite procedures for financing applicable contracts are not used.

B. The general rule applicable to the sale of DoD services is that the financing account current at the time of performance is credited with applicable BA and subsequent cash collections. The various cost elements that may be involved in the performance of an FMS order and the appropriations that are to be reimbursed are in Table 3-1.

1. When items are sold from inventory, the financing account current at the time items are dropped from inventory is credited with applicable BA and subsequent cash collections.

2. When items not to be replaced (free assets) are sold from inventory, those receipts are credited to Miscellaneous Receipts or the Special Defense Acquisition Fund (SDAF). For more information on SDAF see ***SAMM paragraph 11.9***.

3. When appropriation or fund accounts are used to finance FMS procurements, the account current at the time the order is accepted is credited with BA and subsequent cash collections.

030903. DD 2061, Foreign Military Sales Planning Directive, or the automated equivalent (Planning Directive)

Update the case Planning Directive, as required, as prescribed in Chapter 2, Section 0203. Update cost elements and financing accounts to ensure full recoupment of the costs prescribed in Chapter 7 and to ensure timely identification of cost increases. The Planning Directive serves as the basis for preparing all OA Requests during the life of the case.

0310 FMS CASE CLOSURE PROCEDURES

031001. General

All proper charges and credits must be recorded against the applicable FMS case. Case closure does not stop the billing/reporting process, but results in a re-categorization of the case

records from active status to inactive status to ensure accessibility for recording subsequent activity. In other words, a case never closes from a DoD accounting perspective. For further guidance on the reconciliation and closure of FMS cases, to include closure checklists, see ***SAMM Chapter 16*** and the RCG.

031002. Initiating FMS Case Closure

A. When all ordered items have been physically delivered and all ordered services performed (i.e., supply/services complete), or there is no activity on a blanket order case for 180 days (and the purchaser agrees no further activity will occur), and all other conditions of the LOA are fulfilled, an FMS case is a candidate for closure. At this time, the responsible IA must determine if there are any unresolved delivery issues, outstanding Supply Discrepancy Reports (SDRs) or litigation claims. Contracting officers must review any contracts that have not been financially closed to determine if significant financial adjustments of open contracts may occur. Cases can be closed under either ACCP or non-ACCP closure procedures.

1. ACCP. ACCP must be used only for those countries that explicitly elect such procedures. However, all countries that have cases financed with Military Assistance Program Merger/Foreign Military Financing (non-repayable) are mandatory participants in ACCP unless specifically excluded by DSCA. Once selected by a country, ACCP must apply to all cases of that country and must govern any case that was opened (or closed) prior to the date of ACCP implementation, unless a specific arrangement between DSCA and the FMS purchaser is made as part of the implementation criteria. Under ACCP, case closure should be initiated within 24 months after the case is supply/service complete to allow a country to initiate an SDR and allow the IA to reconcile the case. The applicable DoD Component must request DSCA approval to delay closure beyond 24 months.

2. Non-ACCP. Under Non-ACCP case closure, all logistical and financial transactions must be processed before case closure can be initiated.

B. The case manager must ensure the actions outlined in subparagraphs 031002.B.1-6 are taken.

1. The IA delivered value must agree with the delivered value recorded in DIFS. If necessary to reconcile IA records, obtain any necessary historical transaction records from the DIFS database or equivalent on-line repositories.

a. ACCP. If the case is being closed under ACCP, the difference between progress payments and liquidating deliveries, and the difference between total deliveries and total disbursements in DIFS, must equal the estimated ULO value established by the IA. The IA records must be in balance with each of these values; if not, the IA must submit applicable input to bring the records into balance before issuing a Case Closure Certificate.

b. Non-ACCP. If the case is being closed under Non-ACCP, progress payments must equal liquidating deliveries in DIFS. The IA records must be in balance

with each of these values; if not, the IA must submit applicable input to bring the records into balance before issuing a Case Closure Certificate.

2. Rectify all problem disbursements in accordance with Volume 3, Chapter 11. A prerequisite for satisfactorily resolving problem disbursements is to validate the accuracy of the disbursed values. Use the authorities in Volume 3, Chapter 11 to facilitate efficient reconciliation and closure actions. Additionally, section 0311 addresses the applicable write-off authority for FMS problem disbursements.

3. Ensure the validity of all obligations in accordance with Volume 3, Chapter 8. Many of those provisions address FMS-specific actions in this regard.

4. Use these procedures for all FMS cases without remaining ULOs:

a. ACCP. If the case belongs to an ACCP country, the applicable DoD Component must submit a final Case Closure Certificate (see the RCG), to DFAS SCA within 24 months after an FMS case is supply/service complete. If the IA determines that due to reconciliation issues, a case under ACCP cannot be closed within 24 months of supply completion, then submit the case, along with identification of the problem or cause believed to prevent case closure, to DSCA for resolution.

b. Non-ACCP. A supply/service complete case for a country not participating in ACCP will not be submitted for closure until ULOs on accounting classification reference numbers (ACRNs) citing the case are resolved. No case under non-ACCP closure procedures can be interim closed, but must be marked final.

5. Use these procedures for FMS cases with remaining ULOs:

a. ACCP

(1) The applicable IA must submit a Case Closure Certificate to DFAS SCA within 24 months after an FMS case is supply/service complete. Cases with a ULO of zero are final closed (there should be no more transactions of any kind on the case). Cases with a ULO greater than zero are interim closed (there could be additional disbursements on the case, but the purchaser has already paid the FMS trust fund enough to cover those disbursements). See paragraph 031003 and the RCG.

(2) The applicable IA must determine and report the value of any remaining ULO relevant to that case. These amounts should be equal to those recorded in the applicable DoD accounting system.

(3) The applicable IA must request DSCA approval to delay interim closure if the estimated ULO is of significant value and is likely to be deobligated rather than disbursed. DSCA will then determine whether to approve the delay.

(4) DFAS SCA must bill the applicable country using the DoD Component's remaining ULO via normal billing procedures. The ULO is part of the case closure value.

(5) DFAS SCA must record the estimated ULO value in a summary account entitled Case Closure Suspense Account (CCSA). At the same time, DFAS SCA must record applicable charges and credits, by country and case, in subsidiary accounts which total to the CCSA.

(6) When final costs are known and reported by the IA (i.e., liquidating the ULO), DFAS SCA must record such amounts against the CCSA and subsidiary account by country and case.

(7) Upon receipt and payment of final bills and the case has been reconciled, the IA must submit a final Case Closure Certificate.

(8) On a quarterly basis, DFAS SCA must submit a status report on the CCSA and subsidiary accounts to the DSCA DBO (Financial Policy and Analysis) and ACCP participating FMS purchaser countries.

(9) When a country's CCSA has a negative balance of $100,000 or more for a period of six consecutive months, DSCA may instruct DFAS SCA to bill the country for the entire balance owed. For example, if the country's suspense account has negative balances of $100,000 on December 31, $250,000 on March 31, and $175,000 on June 30, DFAS SCA will bill the country $175,000. Such billings should be made through the country's omnibus quarterly billing statement and will cite all the FMS case(s) involved. DSCA should review the country's CCSA periodically to determine if any refund is warranted.

b. Non-ACCP. For non-ACCP countries, the DoD Component must submit Case Closure Certificates to DFAS SCA only after all applicable known costs have been recorded and no ULOs exist on ACRNs citing the case.

6. At case closure, DFAS SCA must use the submitted closure certificate/transaction in place of an LOA amendment or modification unless the case meets the criteria for an LOA amendment or modification in the ***SAMM Chapter 6***.

*031003. Closure Certification

A. The Case Closure Certificate and C1I/C1F transaction alert DFAS SCA to initiate actions needed to close a case. The IA must send certificates electronically to DFAS SCA. If any reporting after the issuance of a Case Closure Certificate has caused variances between DIFS and the certified values, DFAS SCA must notify the IA of actions required to enable closure processing to continue. When the IA and DFAS SCA FMS case records are reconciled, DFAS SCA must reclassify the case to an inactive status and provide a final statement of account to the FMS purchaser for the final value of the case. Once a final

statement has been sent for an FMS case, the case must be reclassified by the IA from active to inactive status. The IA then closes applicable case records.

B. Since October 1, 1992, all closed cases with post-closure activity, not subject to ACCP, must be reopened as authorized by DSCA to report execution. The IA must cancel the original closure certificate and submit a new certificate prior to case closure. Cases for countries subject to ACCP may be reopened only as authorized by DSCA.

031004. Billings After Case Closure

A. Any cases required to be reverted to implemented status must be approved by DSCA.

B. Use these procedures for all ACCP cases:

1. The DoD Component submits a C5I interface transaction to move the case from final to interim closure status. Upon receipt of the EA request, DFAS SCA moves the cash from CCSA to the EA reserve account and records the disbursement against the country, case, and line.

2. When post-closure disbursements exceed $100,000 (in either direction) because of a verified pricing adjustment, the applicable IA must submit a request to DSCA, with an information copy to DFAS SCA that the case be reopened. Upon receipt of DSCA approval to reopen the case, both the IA and DFAS records must be reclassified to implemented status. If the case is not reopened, then the disbursement must be processed against the CCSA.

3. When all post-closure disbursements/credits have been reported and final costs determined, the DoD Component must certify the case for final status by using the Case Closure Certificate (see the RCG) and by reporting a C1I/C1F transaction in DIFS.

C. Use these procedures for all Building Partner Capacity cases and cases closed under non-ACCP:

1. All cases must be reclassified to implemented status except for those with a transaction adjustment of $200 or less. Such adjustments may be charged to the FMS Administrative Surcharge account. Otherwise, reestablish accounting records at the amounts recorded at the time closure certification occurred. Reclassification to implemented status must occur in both the IA and DFAS SCA records.

2. All post-closure disbursements or credits must be recorded in an undistributed account until case records are reactivated.

3. When post-closure activity results in exceeding the case value, a modification to the case is required.

4. When cases are reactivated, the IA must request additional OA, commence reporting status of funds data, request EA, process disbursement/credit transactions, and report adjusted delivery information via the delivery transaction.

5. Once the disbursement/credit and billing process are complete, DFAS SCA must bill the FMS Trust Fund purchaser. The IA must recertify the case for closure as specified in paragraph 031003.

031005. Reopening FMS Cases

Normally, closed cases will not be reopened. If the FMS purchaser requests to reactivate a closed case, first determine if there is a case already implemented and available, or if a new case should be developed. Opening a case already closed (interim or final) is a last resort and requires DSCA approval. See SAMM Chapter 16 for additional information on reopening cases.

0311 WRITE-OFF AUTHORITY

An IA that determines unresolved reconciliation issues exist for a case may write-off those imbalances using these guidelines in paragraphs 031101 and 031102. The IA is responsible for providing all vouchers it prepares citing the FMS Administrative Surcharge account to DFAS SCA.

031101. Problem Disbursements

For problem disbursements up to $2,500 per transaction, refer to Volume 3, Chapter 11 for an explanation of the problem disbursements policies. The DSCA DBO and DFAS SCA are responsible for ensuring detailed procedures are issued to the FMS community. Problem disbursements greater than $2,500 should be brought to the attention of DSCA via the FMS Case Closure Executive Committee for resolution, provided those problem disbursements have not exceeded the Volume 3, Chapter 11 processing timelines.

031102. Other FMS Financial Transactions

For all other types of FMS financial transactions, up to $200, charge the FMS Administrative Surcharge account for the amount required to effect prompt financial reconciliation as prescribed in the DSCA annual case review requirement in the SAMM, Chapter 16. For write-off adjustments performed while readying a case for closure, DFAS SCA will provide DSCA DBO (Financial Policy and Analysis) with a quarterly summary of closure certificates received in which amounts have been charged in accordance with this paragraph. A comment must be included in the remarks/comments section of the Case Closure Certificate when these write-offs are used.

0312 ANTIDEFICIENCY ACT VIOLATIONS AND ADVERSE FINANCIAL CONDITION REPORTS

031201. Antideficiency Act Violations

For purposes of the Antideficiency Act, appropriated funds are not limited to those funds specifically appropriated by Congress to federal agencies from the general funds of Treasury. Funds available to agencies are considered appropriated if made available for collection and expenditure pursuant to specific statutory authority, regardless of their source. In applying the Antideficiency Act, the FMS Trust Fund is considered to be and will be treated as appropriated funds. Therefore, the Antideficiency Act applies to transactions involving the FMS Trust Fund.

A. Potential Types of Violations. Potential violations may occur in FMS Trust Fund transactions when: (1) issuing OA or awarding an FMS contract without a signed LOA or (2) obligating or expending FMS case funds for an unauthorized purpose, including purposes not provided for by law. Other violations may occur related to apportionments or indemnity clauses. Additional information on potential violations of the Antideficiency Act is in Volume 14, Chapter 2.

B. Identifying and Reporting Violations on the Antideficiency Act. Detailed guidance for identifying, investigating, and reporting violations under the Antideficiency Act is in Volume 14. Due to the complexities of provisions in the AECA, it is important to consult with appropriate legal counsel and comptroller officials on potential violations of the Antideficiency Act for FMS.

031202. Adverse Financial Conditions

Other reportable events occur when FMS case records are out-of-balance, but these conditions do not necessarily meet the criteria of violations discussed in paragraph 031101. These conditions are adverse financial conditions and occur when financial reports show that: OA exceeds case or line item level values, commitments or obligations exceed OA at case or line item level, total disbursements exceed obligations at case or line item level, or EA is not requested prior to disbursement. Adverse financial conditions are reported using the same format used for Antideficiency Act violations.

A. Reporting Requirements for Adverse Financial Conditions

1. DFAS SCA has the responsibility for determining reportable conditions and notifying IAs of adverse conditions involving EA. DFAS SCA must provide a monthly analysis report to the DoD Components identifying if disbursements are greater than EA at the Country Case Level, or if EA was requested, remained unused and was not returned at the end of the month. The DoD Components must review the listings within 15 days of receipt and provide DFAS SCA an explanation of the discrepancy, the required corrective action, and when such action will be processed. This information will be shared with DSCA.

2. The DoD Component has the responsibility to resolve adverse conditions involving obligations or expenditures of funds in excess of approved authority at any level lower than case level.

B. Exceptions to Reporting Adverse Financial Conditions. Reports need not be submitted for within-scope cost increases if either of these circumstances occurs:

1. Obligation(s) in excess of the "Total Estimated Cost" shown on the LOA occurs and a modification is prepared by the DoD Component and submitted to the purchaser through appropriate channels within 60 days of the date of the transaction that resulted in the unfavorable financial condition; or

2. Obligation(s) or expenditure(s) in excess of approved authority when the excess amount results from the posting of duplicate or erroneous obligation/expenditure transactions or the posting of obligations from inventory systems and corrective action is taken within 60 days of the transaction date. These conditions, however, could indicate weaknesses in internal controls and administrative action may be required to improve systems design or to prevent recurrence.

Figure 3-1. Format for the DoD Status-of-Allotment Report

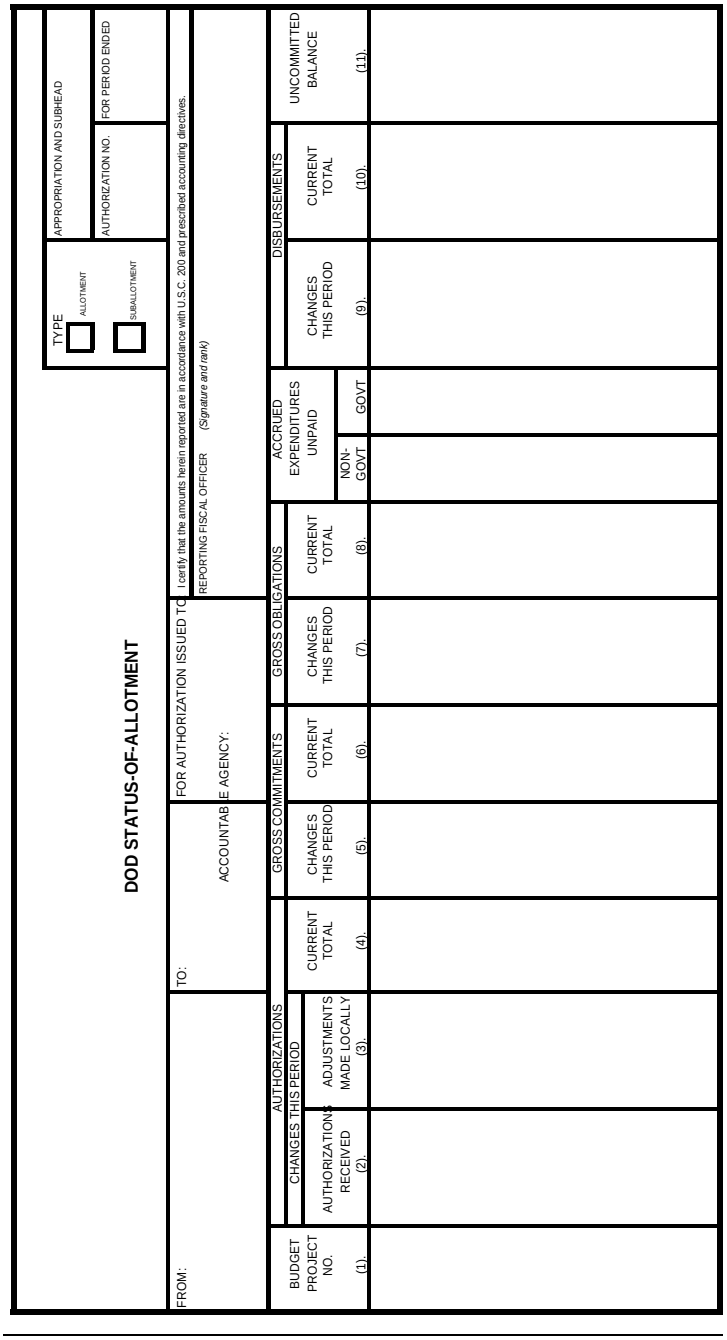

Table 3-1. Cost Elements

Cost Element	Appropriation Reimbursed
A. Services of Military Personnel	
1. Composite standard military pay rate	Military Personnel (MILPERS)
2. Leave and holiday factor when applicable (see paragraph 070203)	MILPERS
3. Personnel support costs	Operation and Maintenance (O&M), Defense Health Program (97*0130)
4. Retirement cost prior to October 1, 1984	Miscellaneous Receipts Account 3041
5. Retirement cost after September 30, 1984	MILPERS
6. Medicare-Eligible Retiree Health Care accrual	Miscellaneous Receipts Account 3041
B. Services of Civilian Personnel including DWCF Personnel	
1. Salary cost and wages	O&M, Research, Development, Test, Evaluation (RDT&E), and DWCF as applicable
2. Leave and holiday factor when applicable	O&M, RDT&E, and DWCF as applicable (see Chapter 7, paragraph 070202)
3. DoD-funded civilian retirement costs	O&M, RDT&E, and DWCF as applicable
4. Health and life insurance and other employee fringe benefits	O&M, RDT&E, and DWCF as applicable
5. Civilian unfunded retirement costs and post-retirement health benefits not funded by DoD appropriations	Miscellaneous Receipts Account 3041
C. Inventory Items	
1. Non-excess procurement funded items which require replacement	Financing procurement appropriations, as applicable, current at the time items are dropped from inventory
2. Non-excess procurement funded item that is not to be replaced within the obligation availability of current procurement appropriations	Miscellaneous Receipts Account 3041 or SDAF
3. DWCF items, including the cost recovery elements for operating costs	DWCF
4. Excess procurement funded principal items	Miscellaneous Receipts Account 3041 Funds items in accordance with Title 10 U.S.C. Section 114(c)(2)

Table 3-1. Cost Elements (continued)

Cost Element	Appropriation Reimbursed
D. Nonrecurring cost recoupment charges (Collected as a result of FMS)	Miscellaneous Receipts Account 3041
E. Transportation	Financing appropriation/fund current at the time transportation is supplied
F. LSC	FMS Trust Fund Administrative Account
G. DoD Royalty fee charges	Miscellaneous Receipts Account 3041
H. Charges for the use of DoD assets (includes depreciation on purchased equipment)	Miscellaneous Receipts Account 3041 Depreciation which is included in DWCF shop rates must be retained by the DWCF
I. Asset Use	Miscellaneous Receipts Account 3041
J. FMS contract costs financed by DoD appropriation or fund accounts	Financing procurement appropriation or DWCF, as applicable
K. Temporary Duty costs financed by appropriation or fund accounts	O&M and RDT&E appropriations current at the time travel is performed, or DWCF, as applicable
L. Accessorial charge	
1. Packing, crating, and handling (PC&H)	FMS Trust Fund PC&H Account
2. Transportation	FMS Trust Fund Transportation Accounts
M. FMS administrative surcharge	FMS Trust Fund Administrative Account
N. FMS CAS Surcharge	FMS Trust Fund CAS Account
O. CAS (This is a combination of cost elements A, B, and K)	MILPERS, O&M, DWCF, or Miscellaneous Receipts Account 3041, as applicable
P. Interest charge resulting from late payment of billings (DD 645, Foreign Military Sales Billing Statement) for accrued expenditures	Miscellaneous Receipts Account 3210, General Fund Proprietary Receipts, Defense Military not otherwise classified
Q. Mailing fee, storage, and publications	O&M or DWCF, as applicable
R. Inventory losses	Applicable procurement or DWCF, as applicable
S. Attrition	FMS Trust Fund Attrition Account

DoD Components must maintain internal records of the dollar amounts applicable to each category of collections deposited into Miscellaneous Receipts Account 3041. One decimal sub-account must be used for each type of collection. For example, 3041.3 might be used to designate dollar amounts applicable to non-recurring cost recoupment.

VOLUME 15, CHAPTER 4: "CASH MANAGEMENT"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font*.**

The previous version dated January 2014 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Rearranged chapter for flow and clarity.	Revision
040202.A.1	Clarified that the timeframe for posting cash deposits is within two business days of notification when the Defense Integrated Financial System (DIFS) is available pursuant to Defense Finance and Accounting Service (DFAS) Instruction Number 0894, Subject: Federal Reserve Bank (FRB) Daily and Weekly Processing, revised April 2014.	Revision
040202.A.2	Updated reference of Governmentwide Reporting System to Governmentwide Treasury Account Symbol System Adjusted Trial Balance (GTAS).	Revision
040202.B.3, 040202.B.5	Removed responsibility for DFAS, Security Cooperation Accounting to resolve issues of disbursements processed without expenditure authority (EA). All trust fund disbursements, except transactions for administrative funds require EA, pursuant to Office of the Undersecretary of Defense Comptroller (OUSD(C)) Memo "Foreign Military Sales Trust Fund (FMSTF) Expenditure Authority (EA) Requirements" dated June 1, 2006.	Deletion
040305.B	Added Defense Security Cooperation Agency (DSCA) Policy as a source of authority for the deposit of Foreign Military Financing Funds into FRB accounts (DSCA Manual 5105.38-M, Security Assistance Management Manual).	Addition
040504.A, Previous Table 4-6	Removed automated format instructions for "BK" transactions; they are included in the DIFS manual and memorandum of understanding.	Deletion
0409	Restructured the EA section and updated requirements pursuant to OUSD(C) Memo "FMSTF EA Requirements" dated June 1, 2006.	Revision

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
Previous 040604, & Table 4-9	Removed automated format instructions for SZF transactions, as they are included in the DIFS manual and memorandum of understanding.	Deletion
Figures 4-1, 4-5	Reclassified previous Table 4-1 and 4-7 as Figure 4-1 and 4-5, respectively.	Revision
Figures 4-2, 4-3, 4-4	Reclassified previous Table 4-3, 4-4, and 4-5 as Figures 4-2, 4-3, and 4-4 respectively, due to the movement of text from previous 040205.C.2.c-e to the figures.	Revision

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CHAPTER 4

CASH MANAGEMENT

0401 GENERAL

040101. Purpose

The purpose of this chapter is to provide policies to ensure cash is available to liquidate Foreign Military Sales (FMS) Trust Fund obligations as disbursements are due. Funds appropriated by the Congress for Defense purposes cannot be used to liquidate obligations resulting from the use of FMS Trust Fund contract authority, except as authorized by law. The FMS purchaser, United States (U.S.) Government (USG) appropriation made available to finance FMS Trust Fund purchases, or a third-party payer must meet the cash requirements (outlay authority) of each FMS Trust Fund purchaser.

040102. Authoritative Guidance

The Arms Export Control Act (***AECA***), Public Law 90-629, as amended, codified as Title 22, United States Code ***Chapter 39*** provides the authority and general rules for FMS and commercial sales of defense articles, services, and training. Additional specific authorities are in the applicable sections.

0402 RESPONSIBILITIES

040201. Defense Security Cooperation Agency (DSCA)

The Department of Defense (DoD) has financial responsibility for the FMS Trust Fund, and DSCA performs that function. See DSCA Manual 5105.38-M, Security Assistance Management Manual (SAMM), ***Chapter 9, Financial Policies and Procedures*** for additional information on DSCA issued guidance. DSCA is responsible for:

A. Ensuring adequate cash availability in the FMS Trust Fund to meet DoD's financial requirements;

B. Identifying the specific issue and remedy should cash flow problems arise (e.g., collection of additional funds or other alternative financial arrangements, adjustments to ordered values, delivery timeframes, or ordered quantity);

C. Approving Standby Letters of Credit (SBLCs), Federal Reserve Bank (FRB) of New York (FRBNY) accounts, and Commercial Bank Accounts (CBAs) as they may pertain to FMS financial requirements;

D. Calculating and approving Termination Liability (TL) reserve amounts on a quarterly basis;

E. Performing follow-up actions on Security Assistance (SA) Program arrearages;

F. Constructing standard payment schedules (to include any contract termination costs); and

G. Preparing special bills for those customers with approved special billing arrangements (SBAs).

*040202. Defense Finance and Accounting Service, Security Cooperation Accounting (DFAS SCA)

A. DFAS SCA is responsible for:

* 1. Posting purchaser cash deposits within two business days of notification when the Defense Integrated Financial System (DIFS) is available and posting disbursements by the 20th day of the following month to FMS case accounting records;

* 2. Reconciling summary Trust Fund-level account balances in DIFS with the Department of the Treasury (Treasury) balance in the Account Summary from the Governmentwide Treasury Account Symbol Adjusted Trial Balance (GTAS) System; and

3. Assuring that approved cash expenditure authority (EA) requests do not exceed the FMS purchaser's cash available balance in the FMS Trust Fund.

B. DFAS SCA is responsible for working with the accounting activities, contract payment office, and certifying officer as appropriate to:

1. Ensure sufficient cash is available and approve EA requests prior to disbursing FMS funds;

2. Resolve all rejects of EA to lessen Prompt Payment Act interest payments;

* 3. Resolve situations where EA was approved but returned without a disbursement;

4. Ensure EA is obtained prior to processing a transfer, correction of charges against, or credits to the FMS Trust Fund using ***Standard Form (SF) 1080***, Voucher for Transfers Between Appropriations and/or Funds, or ***SF 1081***, Voucher and Schedule of Withdrawals and Credits; and

* 5. Resolve situations where SF 1080 or SF 1081 transactions were not processed when EA was approved.

040203. Implementing Agencies (IAs)

Each IA is responsible for:

A. Providing information needed to DSCA (Operations Directorate, Case Writing Division) for payment schedule preparation at the line level in the Defense Security Assistance Management System (DSAMS). The IA will approve the schedule as part of the Letter of Offer and Acceptance (LOA) document coordination/signature process. Additional information on payment schedule development is in SAMM, Chapter 9;

B. Developing historical cost curves systematically for DoD major weapon systems obtained through procurement for use in preparing case payment schedules, and reviewing the curves when the acquisition strategy changes;

C. Reviewing all cases at least annually on the anniversary of the basic case implementation in preparation for a formal review with the FMS purchaser, or when case value adjustments are required. Case reviews include reviewing and reconciling general case and delivery-related data, expenditures/disbursements, and USG financial requirements;

1. If payment schedules are inadequate to meet USG financial requirements, the IA must promptly notify the responsible DSCA Country Financial Director, DFAS SCA, and the FMS purchaser of the additional requirements. The IA must also follow up on this notification by issuing a revised payment schedule via an LOA modification.

2. During the annual review of the case if payment schedules overstate USG financial requirements due to delays in contract award, delivery slippages, or other reasons, the IA must issue a revised payment schedule via an LOA modification. The IA is responsible for ensuring that the USG does not prematurely collect customer funds.

D. Requesting and receiving EA approval from DFAS SCA prior to processing a disbursement citing the FMS Trust Fund;

E. Resolving problem disbursements using the authorities found in Volume 3, Chapter 11; and

F. Validating obligations in accordance with the requirements found in Volume 3, Chapter 8, Section 0804.

0403 CASH MANAGEMENT CHARACTERISTICS

040301. Cash in Advance

The FMS purchaser must make cash deposits into the FMS Trust Fund, DSCA-approved FRB, or DSCA-approved CBA accounts for Defense articles and services sold under AECA Sections 21, 22, and 29 in advance of delivery, performance, or payments to contractors, except as provided in subparagraphs 040301.B-C. Foreign Military Financing (FMF) and other USG appropriations used to finance a sale executed in the FMS Trust Fund must also make advance cash collections.

A. AECA 22(a) Dependable Undertaking. As authorized by AECA Section 22(a), without charge to any appropriation or contract authorization otherwise provided, the President may enter into contracts for the procurement of Defense articles or Defense services in U.S. dollars to any foreign country or international organization if such country or international organization provides the USG with a dependable undertaking:

1. To pay the full amount of such contract that will assure the USG against any loss on the contract; and

2. To make funds available in such amounts and at such times as may be required to meet the payments required by the contract and any damages and costs that may accrue from the cancellation of such contract, in advance of the time such payments, damages, or costs are due.

B. AECA 21(d) Exception. The President may determine that delayed payment is in the national interest, and allow payment to be made without interest within 60 days after delivery of Defense articles from stock or rendering of in-house Defense services as authorized by AECA Section 21(d). The President may extend the 60-day period to 120 days if the President determines an emergency exists. The President delegated this authority to the Director, DSCA, in ***DoD Directive 5105.65***, Defense Security Cooperation Agency (DSCA).

C. AECA 22(b) Exception. Payment within 120 days after delivery of procured Defense articles or rendering of procured Defense services, as authorized by AECA Section 22 (b), requires the following Presidential determinations:

1. It is in the national interest to issue the Letters of Offer under this authority; and

2. The emergency requirements of the purchaser for the acquisition of such Defense articles and services exceed the funds available to the purchaser to make payments on a dependable undertaking basis.

Both determinations, together with a special emergency request for authorization and appropriation of additional funds to finance such purchases under the AECA, are submitted to Congress for approval.

D. Initial Deposit. An initial deposit must accompany the accepted LOA to provide the cash advance required to cover the outlays and/or deliveries anticipated until receipt of the first quarterly payment, unless an initial deposit waiver has been granted by DSCA. Several factors affect the initial deposit; refer to SAMM, Chapter 9 for the initial deposit requirements.

E. Billing. DFAS SCA prepares FMS bills on a quarterly basis. The bills include information as of the end of December, March, June, and September. Payments are due on March 15, June 15, September 15, and December 15. DSCA must approve any deviations from this schedule. The bills must include the cash requirements for the calendar quarter following the payment due date. For example, a bill prepared with December data (due March 15) is to project cash requirements through June. Thus, the deposit for an LOA accepted in January would be the cash required through June, or 6 months of advance cash requirements. Volume 15, Chapter 8 contains a full discussion of the FMS billing process.

040302. FMS Trust Fund

The FMS Trust Fund is managed as a single-cash entity, regardless of the source of the deposits. All FMS Trust Fund deposits are accounted for at purchaser and FMS case level by source of financing. Examples of SA funds include FMF (FMS Credit and FMS Credit (non-repayable)) and the Military Assistance Program (MAP) Merger. Examples of other types of funds are a purchaser's national funds, which include third-party funds and other DoD appropriated funds.

040303. Security Assistance (SA) Funds

The USG may provide SA funds annually to selected allied or friendly countries to finance the purchase of U.S. Defense articles and services. It is, therefore, in the USG's interest to use and manage these limited funds as effectively as possible.

A. In determining the order of funds to be paid into the FMS Trust Fund, DSCA normally draws down MAP Merger funds up to the amount reserved for each case prior to using available FMF funds, followed by requesting the FMS purchaser to use other funds. Likewise, MAP Merger funds on deposit in the FMS Trust Fund will be expended prior to FMF funds, followed by the expenditure of the purchaser's national funds. The DSCA Comptroller, either unilaterally or based on purchaser request, can alter the prioritization of expenditure drawdown for a specific FMS case.

B. SA funds that become excess due to FMS case reduction or closure may be reapplied to other FMS cases with DSCA approval. However, FMS Credit funds must not be refunded to the FMS purchaser unless those funds originated from loans, have been fully repaid by the FMS purchaser, and no delinquent accounts receivable exist.

040304. Standby Letter of Credit (SBLC)

DSCA is authorized to approve an SBLC arrangement instead of the FMS TL prepayment requirements described in paragraph 040501.B. An FMS purchaser, with prior approval from DSCA, may provide DSCA with a properly executed, separate SBLC to cover uncollected TL amounts for a billing quarter. In such an event, it will be necessary to deposit into the FMS Trust Fund (or authorized usage of previously undisbursed FMF funds) only the amount of funds needed to cover anticipated expenditures and disbursements during the billing cycle. Refer to SAMM, Chapter 9 and/or contact DSCA (Country Financial Management Division) for details on an SBLC.

*040305. Federal Reserve Bank (FRB) Accounts

A. DSCA is authorized to enter into a national funds investment account agreement with an FMS purchaser and the FRBNY for any country that finances all or a significant part of its FMS programs with national funds. The FRBNY accounts will normally not be considered for a country that finances FMS programs primarily with SA funds.

* B. Upon account establishment, DSCA must compute the amount of funds to be transferred from the FMS Trust Fund to the purchaser's FRB investment account. After the establishment of the investment account, the purchaser remits all national funds payments to the FRBNY, usually identified to specific FMS cases. Payments made from FMF (FMS Credit (non-repayable) only) funds will not be remitted to an FRBNY account, but will be made directly to the FMS Trust Fund unless otherwise specified in U.S. law and/or DSCA policy. TL amounts may reside in the FRBNY accounts.

C. DFAS SCA is authorized by the account agreement to make periodic drawdowns, as needed (usually monthly), from the FRBNY account into the FMS Trust Fund, to ensure sufficient funds are available to make payments during the succeeding 30 days.

040306. Commercial Bank Accounts (CBAs)

DSCA is authorized to enter into a national funds investment account agreement with an FMS purchaser who has a duly authorized CBA agreement with a commercial bank; refer to ***DSCA policy memorandum 04-02*** for specific details. This agreement allows the FMS purchaser to deposit FMS payments into a CBA and earn interest. DSCA manages the CBAs, which operate like the FRBNY accounts. However, funds originating from USG appropriations (e.g., FMF, FMS Credit (non-repayable), or Building Partner Capacity Cases) must not be deposited in this account, and TL amounts must not reside in the CBA. Any deviations must have DoD Office of the Deputy Chief Financial Officer written approval. Funds so deposited are not public funds within the meaning of Title 31, Code of Federal Regulations, ***Part 202***, Depositaries and Financial Agents of the Federal Government.

040307. Disbursements

All cash disbursements for FMS Trust Fund purchases must be identified by FMS case identifier and line and must not exceed the cash available in the purchaser's FMS Trust Fund Account (to include MAP Merger and FMF funds). A specific case may be in a deficit cash position with the deficit being funded by the purchaser's cash advances on other cases. The cash deposited by country "X", however, must not be used to liquidate obligations incurred for country "Y" unless an FMS Trust Fund purchaser authorizes the use of its excess cash deposits to meet the cash requirements of another purchaser. A reportable adverse financial condition exists when a single purchaser's FMS Trust Fund cash summary account is in a deficit position (credit balance). See Chapter 3.

0404 PAYMENT SCHEDULES

Payment schedules are a consolidated formal presentation to the FMS purchaser of the estimates of cash advances needed to meet USG financial requirements. See Section 0405 for cash requirement calculations. FMS purchasers must pay amounts reflected in LOA payment schedules unless financial requirements or anticipated disbursements exceed the current payment schedule or SBAs have been negotiated. The IA must continually monitor USG financial requirements and confirm, at least annually, that payment schedules are accurate to ensure cash is available in an FMS purchaser's Trust Fund account when disbursements are needed. The DSCA Financial Policy and Analysis Division is responsible for issuing detailed guidance.

040401. Requirements

Payment schedule requirements will be included in each LOA in the format required in the SAMM, Chapter 9. The payment schedule portion of the LOA should be reissued via a modification or amendment (if a change in scope is included) in accordance with subparagraph 040203.C.1-2.

040402. Timing

As a standard, new sales agreements can enter the billing system at DFAS SCA through the 10th day of the last month of the quarter. Therefore, if a new agreement is anticipated to be accepted by the purchaser and received by DFAS SCA after the 10th day of the last month of the quarter, the DoD Component should require an initial deposit for the first two quarters of the agreement.

040403. Initial Deposit

If an LOA requires a deposit upon acceptance, the deposit should equal the FMS administrative surcharge required, plus all anticipated costs and contingencies (e.g., contract holdback, TL) until the first billing statement can be rendered, and monies collected.

040404. Payment Schedule Revision

It is essential to prepare payment schedule revisions in the manner prescribed in Volume 15, consistent with the parameters of the FMS billing cycle. Since the payment schedule is the basis for billing the FMS purchaser, there must be an audit trail between the original payment schedule and any revision(s).

A. IA case managers are required to initiate payment schedules revisions when the LOA acceptance date is extended beyond the end of the billing quarter, to ensure that the purchaser has an LOA document that matches the payment schedule created in the billing system.

B. The payment dates shown on the revised payment schedule must be compatible with the FMS billing cycle. The payment schedule dates are in the SAMM, Chapter 9.9, ***Table C9.T12, Payment Schedule Dates***.

C. Payment schedules are intended to reflect financial requirements (that relate to the Total Financial Requirements on the Department of Defense (DD) Form 645, FMS Billing Statement). In preparing the revised payment schedule (examples in Figure 4-1), the following guidelines regarding specific entries are applicable:

1. The "Previous Payment Scheduled (with date specified)" entry is mandatory and must correspond to the last implemented version of the payment schedule; otherwise, the field should be blank. This entry ensures that all concerned (e.g., IA, DSCA, DFAS SCA, and the FMS purchaser) have a clear understanding of the relationship between the original and revised payment schedules. The "Previous Payment Scheduled" entry must be the last quarterly payment due date before the LOA amendment or modification is anticipated to be countersigned. It cannot be a date in the future.

2. If an amount "Due with Amendment Acceptance" is appropriate, this entry should also be shown. Such deposits do not apply to LOA modifications. For modifications, the FMS purchaser will provide any amount due on the next quarterly billing cycle as shown in the revised payment schedule.

3. The remaining payment date entries and associated quarterly and cumulative amounts are shown as necessary. The IA should ensure that these final entries correspond to the revised total case value (e.g., Block 13 of the LOA document).

0405 CASH REQUIREMENT CALCULATIONS

040501. Calculation of Initial Estimate of Cash Needed

Calculation of the cash advance needed to meet the USG financial requirements for a specific FMS case requires dividing the costs into two broad cost categories. The first category is the portion of case value under the authority of AECA Section 21, sales from DoD inventories and the services of DoD personnel. The second category is the portion of case value under the authority of AECA Section 22, procurement of hardware or contractor services for the FMS purchaser.

A. Initial Estimates of Cash Needed to Meet USG Financial Requirements in Support of Section 21 Effort. The cash advance needed to meet USG financial requirements for the portion of the case classified as a Section 21 sale must include the estimated earned reimbursements to be realized by DoD appropriation/fund accounts through the 3-month period after the payment due date of the billing statement issued by DFAS SCA.

1. Sales From Inventory. The drop from inventory creates the earned reimbursement, to include applicable administrative and accessorial surcharges. Therefore, the applicable FMS case manager will develop the estimated portion of cash needed to meet USG financial requirements based on anticipated requisition release dates.

2. Sales of DoD Services. Base the estimates of earned reimbursement for DoD services provided directly to the FMS purchaser and for DoD services provided in support of a Section 22 contract on the estimated portion of the services that will occur in the applicable billing period. Services also include applicable administrative and accessorial surcharges.

B. Initial Estimates of Cash Needed to Meet USG Financial Requirements in Support of Sections 22 and 29 Effort When Dependable Undertaking is Authorized

1. The cash advance needed to meet USG financial requirements for the portion of the case classified as a Section 22 sale must include estimated disbursements to contractors for contractor invoices and potential disbursements to contractors if the purchaser does not make additional cash deposits in a timely manner, or the purchaser unilaterally cancels the case. Potential disbursements to contractors include payment of contract holdbacks and termination costs that would result if the work were stopped when the cash available to pay contractor invoices is exhausted. The estimate of cash advance needed to meet USG financial requirements covers the period extending through the 3-month period after the payment due date of the FMS billing statement.

2. Base the cash advances needed to meet USG financial requirements in support of procurements for FMS purchasers on normal administrative and procurement lead times for the type of commodity being procured. The use of progress payment schedules from contractors, when available, is preferred over relying on default cost curves when developing LOA payment schedules. Table 4-1 shows the total cash advance needed to meet

USG financial requirements for contracts in terms of percentage of contract costs. The percentages are a function of procurement lead times. Table 4-1 also shows the amount of the contract value required as a reserve for potential termination costs and contract holdback in the absence of an SBLC.

a. Potential termination costs represent the liability USG has to contractors in the event termination occurs. Such costs include all accrued direct and indirect costs, as well as profits and subcontracts not covered by progress payments to the contractor, plus any penalty contract termination charges that might be realized. Potential termination costs do not include price increases to other ongoing contracts resulting from reductions in procurement quantities.

b. In the absence of procurement history for a particular system, a similar system, or cost curves obtained from the prime contractor, Table 4-1 may be used. The IAs should first exhaust all other avenues for obtaining forecasting or historical data from contractors and internal sources prior to using Table 4-1 as the basis for calculating expenditure and TL prepayment requirements.

c. The percentages in Table 4-1 are for procurement lead times ranging from 6 months to 60 months. This table may be used for the development of payment schedules included in the LOA, see the example in Figure 4-2. The percentage figures shown in Table 4-1 include all applicable costs (e.g., progress payment amounts, contractor holdback, and potential TL). The amount of the cumulative monthly payment applicable to the TL/contractor holdback is shown in the second column (% TL) for each procurement lead time.

d. The TL/contractor holdback amount is a percentage of the Cumulative Amount of Contract Cost. TL/contractor holdback amounts are cumulative throughout the life of the case, and the required percentages decline toward the end of the life of the case. Figure 4-3 is an example of a standard TL worksheet. Figure 4-4 is an example of a TL worksheet calculation for a payment schedule that includes AECA Section 21 sales in addition to procurement items.

040502. Administrative Surcharge Included in Initial Deposit

The initial deposit to accompany the LOA must include the FMS administrative surcharge expense and the cash advance needed to meet USG financial requirements (to include other applicable surcharges and accessorials) for the time between LOA acceptance and the first payment due date. The FMS administrative surcharge amount included in the deposit is determined by the total amount of the surcharge.

A. For cases where the calculated administrative surcharge is $30,000 or less, the entire administrative surcharge value is recouped as part of the initial deposit. For cases that have a Small Case Management Line (SCML), the entire value of the administrative surcharge and SCML is recouped as part of the initial deposit (Refer to SAMM, Chapter 9 for more information on the SCML).

B. For cases where the calculated administrative surcharge is greater than $30,000, one-half of the administrative surcharge is recouped as part of the initial deposit. The remaining half is recouped based on the dollar value of items or services delivered in each year.

040503. Estimate of Cash Needed to Collect Nonrecurring Recoupment Charges

Nonrecurring Recoupment Charges are earned when the title is passed to the FMS purchaser and should be collected within 30 days of being earned. The title is normally transferred at the point of origin, at the time DoD releases the item from DoD's inventory, or shipping by a vendor. Refer to SAMM, ***Section C7.5, FMS Freight Forwarders***.

040504. Forecasting Procedures

Alternative forecasting procedures may be used for requisition cases (i.e., Cooperative Logistics Supply Support Arrangement, Foreign Military Sales Order II, and other repair parts cases). Most payment schedules for these cases tend to be overstated because of variations in both requisitioning and supply actions. To prevent substantial over-billing, each IA must review and update payment schedules in accordance with subparagraph 040203.C.

A. Quarterly Forecast of Financial Requirements for Requisition Cases. The IA must provide DFAS SCA with a Quarterly Forecast of Financial Requirements for the Requisition Cases report. These inputs are submitted to DFAS SCA by the 15th day of the last month of each calendar quarter (i.e., March 15, June 15, September 15, and December 15) and show the most recent status of logistical commitments and unshipped obligations (on-hand unfilled requisitions). IAs should submit a report for all requisition cases. If there are no unfilled orders on the requisition case, then IA should report "zero unfilled requisition value".

B. Unfilled Requisition Values. DFAS SCA compares the unfilled order values for requisition cases to the case payment schedule quarterly amounts. The committed value is used for the forecasted requirement of the DD 645 instead of the payment schedule amount.

C. Accurate Payment Schedules. The Quarterly Forecast of Financial Requirements for Requisition Cases procedure does not preclude the requirement for an accurate payment schedule to be included in the LOA for a requisition type case. If an out-of-balance condition continues to exist between quarterly payment schedule amounts and the unfilled requisition value provided each quarter, then the IA should issue a new payment schedule.

0406 QUARTERLY TERMINATION LIABILITY RESERVE REQUIREMENT

040601. General

TL Reserve is the amount of prepayments collected in advance and placed in the TL Reserve Account on a quarterly basis. It is not an additional charge or cost. These funds are fenced for potential termination costs; however, they do not necessarily represent the entire cost

to cancel the contract. These funds cannot be used for normal disbursement activities (e.g., to pay for articles/services or administrative/accessorial costs).

040602. Quarterly Termination Liability Calculation

A. The computation for the quarterly TL calculation is based on the case line level source of supply (SOS) from DSAMS and the case level execution data from DIFS at DFAS SCA.

B. Refer to Figure 4-5 for the calculation steps and an example of the Quarterly TL Reserve calculation.

0407 CONTRACTOR REQUEST FOR PROGRESS PAYMENTS AND REIMBURSEMENT OF COSTS UNDER CONTRACTS INCLUDING FMS REQUIREMENTS

Current contracting procedures permit the procurement of both DoD and FMS purchaser(s) requirements in a single contract. Allocate the amount to be billed to DoD and to each FMS purchaser to implement FMS cash flow requirements. The part of the bill applicable to an FMS purchaser can be paid only to the extent that the FMS purchaser has sufficient cash available in its FMS Trust Fund account.

040701. Contractor Allocations

Per Defense Federal Acquisition Regulation Supplement, ***Part 252.232-7002***, Progress Payments for Foreign Military Sales Acquisitions, DoD contracts that include FMS requirements must require the contractor to:

A. Submit a separate progress payment request for each progress payment rate to the Administrative Contracting Officer;

B. Submit to the Administrative Contracting Officer a supporting schedule showing:

1. The amount of each request distributed to the FMS case identifier and line requirements, and

2. The total price per contract line item applicable to each progress payment rate;

C. Identify in each progress payment request the contract requirements to which it applies (i.e., FMS or USG);

D. Calculate each request on the basis of the prices, costs (including costs to complete), subcontractor progress payments, and progress payment liquidations of the contract requirements to which it applies; and

E. Distribute costs among contract line items and to the FMS case identifier and line in a manner acceptable to the Administrative Contracting Officer.

040702. Allocation of Payments on Contracts

Allocate progress payments in accordance with Volume 10, Chapter 10, 100404. In addition, DoD contracts that include FMS requirements must identify amounts by accounting classification reference numbers (ACRNs), contract line items (CLINs), and sub-line items (SLINs), if applicable. This will enable the paying office to match payments to the applicable obligations.

040703. Contract Payment Offices

The contract payment offices should require that all bills submitted by contractors for payment include the proper ACRN/CLIN/SLIN. Contracting payment offices must ensure they have all the documentation required to support payment (refer to Volume 10, Chapter 8, Section 0804) and that payments are applied to the proper ACRN/CLIN/SLIN.

0408 DEPOSIT OF PURCHASER CASH INTO TREASURY ACCOUNTS

040801. General

DD 645s, SBAs, and LOA financial instructions direct that foreign purchasers forward payments (initial deposits on basic LOAs, amounts due with LOA amendments, or official billing statement payments) by:

A. Wire transfers to American Bankers Association (ABA) #021030004, U.S. Treasury NYC, Agency Location Code 00003801, Beneficiary DFAS- IN/JAX Agency. This is the preferred method for the foreign purchaser to forward payments; or

B. Checks made payable to the U.S. Treasury mailed to the Disbursing Operation Directorate, 3801 Center Collections, DFAS-JAX/IN, P.O. Box 269490, Indianapolis, IN 46226-9490, showing payment from (insert Purchaser) for (insert case identifier). Any recipient of a check from an FMS purchaser is responsible for depositing the check into a Treasury account within 1 working day of receipt. These payments are sometimes misrouted to incorrect offices; see paragraph 040802.

040802. Misrouted Payments

When a recipient other than DFAS SCA is making a check deposit, the deposit must be processed as a courtesy deposit for DFAS SCA. The following procedures apply:

A. Prepare a deposit ticket utilizing the Over the Counter Channel Application (***OTCnet***). For information on OTCnet see Volume 5, Chapter 11.

B. Process the deposit through an FRB or supporting member bank.

C. Send a copy of the deposit ticket notification to DFAS-IN/JAX, ATTN: Customer Accounting, 8899 East 56th Street, Indianapolis, IN 46249-6300. Attach the supporting documentation received with the misrouted payment. DFAS SCA must voucher the collection into the FMS Trust Fund on receipt of the supporting documentation.

040803. Wire Transfers

A. Send wire transfers to the Treasury Account at FRBNY, using the standard Federal Reserve Funds Transfer (FRFT) format. The Federal Reserve System (FRS) will accept wire transfers only from banks that are members of FRS. Foreign banks must go through a U.S. correspondent bank that is a member of FRS.

B. The member bank must prepare the FRFT form as outlined in Table 4-2. This information must be provided to ensure prompt and correct application of the remittance.

C. DFAS SCA retrieves wire transfers daily from the Treasury Financial Communications Systems and prepares collection vouchers from this data for crediting FMS purchasers.

*0409 EXPENDITURE AUTHORITY

EA is an FMS country level authority, which allows expenditures to be incurred against obligations previously recorded against a country's trust fund account. EA is formal segregation of Trust Fund cash in DFAS SCA Accounting records, making the cash no longer available for any other purpose.

040901. Expenditure Authority Requirements

A. All Trust Fund expenditures require EA (including expenditure adjustments), except for administrative fund disbursements, which are accounted for separately.

B. Certifying officers engaged in FMS Trust Fund certification must verify EA was obtained. EA can be obtained by contacting DFAS SCA, or interactively from DIFS.

C. DFAS SCA can only approve and issue EA when sufficient cash is available in an FMS purchaser's Trust Fund Account.

D. EA must be obtained during the same calendar month in which the ensuing expenditure will be made.

E. If the expenditure is not made in the same month as the EA request, the EA must be returned and reissued the subsequent month.

F. Failure to request EA prior to expenditure is subject to reporting and disciplinary requirements as outlined in Volume 14.

040902. Cash Advances

A cash advance to an appropriation account must be obtained when a cash disbursement for an FMS contract would result in the applicable appropriation account being placed in a negative cash position. When cash advances are required, they must be processed. The amount requested must be equal to anticipated disbursing demands for a 30-day period. Liquidation of outstanding advances (earning the advance through payment to contractors) must be reported to DFAS SCA monthly. The objective is to limit the amount and length of time that outstanding advances remain against the Trust Fund.

040903. Cash Flow Problems

DFAS SCA notifies the DSCA Country Financial Director when sufficient unencumbered cash is not available for DFAS SCA to provide cash advances or EA, and contractor billings cannot be paid by the due date. The DSCA Country Financial Director then takes appropriate action as outlined in 040201.B.

*Figure 4-1. Payment Schedule Revision Examples

Given Data for Revisions 1-5:

A. Last Payment Due Date: Dec 15, 20XX (most recent quarterly payment before month of LOA amendment preparation)

B. LOA Amendment Prepared: Feb 20YY

C. Offer Expiration Date: May 25, 20YY

D. Next Payment Due Date: Sep 15, 20YY (next quarterly payment due date after Offer Expiration Date)

Original Estimated Payment Schedule		
Payment Date	Quarterly	Cumulative
Initial Deposit	$100,000	$100,000
Mar 15, 20XX	90,000	190,000
Jun 15, 20XX	80,000	270,000
Sep 15, 20XX	35,000	305,000
Dec 15, 20XX	35,000	340,000
Mar 15, 20YY	10,000	350,000
Jun 15, 20YY	10,000	360,000
Sep 15, 20YY	5,000	365,000
Dec 15, 20YY	2,000	367,000

1. Upward Adjustment via Amendment; Collections Equal Previous Payments Scheduled

In Revision 1 (due at DFAS SCA not later than Dec 10, 20XX) the Previous Payments Scheduled amount of $340,000 corresponds to the Dec 15, 20XX cumulative amount on the original payment schedule. An amount due with amendment acceptance is requested on the LOA amendment and is therefore shown.

The "Due with Amendment Acceptance" figures include amounts for payments due Mar 15, 20YY, Jun 15, 20YY, and other requirements for the period through the payment due Sep 15, 20YY. Any payments made by the purchaser that exceed the "Amount Received from Purchaser" are to be deducted from the "Due with Amendment Acceptance" amount. In this example, the current USG requirement of $425,000 minus the $340,000 already received from purchaser equals $85,000 due at the time of amendment acceptance.

Revision 1 Payment Schedule		
Payment Date	Quarterly	Cumulative
Previous Payments Scheduled (Dec 15, 20XX)	N/A	$340,000
Current USG Financial Requirements		425,000
Amount Received From Purchaser		340,000
Due With Amendment Acceptance	85,000	425,000
Sep 15, 20YY	35,000	460,000
Dec 15, 20YY	25,000	485,000

*Figure 4-1. Payment Schedule Revision Examples (continued)

2. Upward Adjustment via Amendment; Collections Exceed Previous Payments Scheduled

Revision 2 uses the same expenditure forecast as Revision 1, and identifies how the over-collection status on a case influences the future payment requirements on the schedule.

Any payments made by the purchaser that cumulatively exceed the "Amount Received from Purchaser" amount are to be deducted from the "Due with Amendment Acceptance" amount. The purchaser does not need to resume payments until the USG's financial requirements warrant.

Revision 2 Payment Schedule		
Payment Date	Quarterly	Cumulative
Previous Payments Scheduled (Dec 15, 20XX)	N/A	$340,000
Current USG Financial Requirements		425,000
Amount Received From Purchaser		455,000
Due With Amendment Acceptance	0	455,000
Sep 15, 20YY	5,000	460,000
Dec 15, 20YY	25,000	485,000

3. Upward Adjustment via Amendment; Collections Less Than Previous Payments Scheduled

Revision 3 uses the same expenditure forecast as Revision 1, and identifies how the under-collection status on a case influences the future payment requirements on the schedule. In this instance, the purchaser must "catch up" on its payments with the amount due with amendment acceptance (or, in the event of an LOA modification, with the next quarterly payment due).

The "Due with Amendment Acceptance" figures include amounts for payments earlier shown as due Mar 15, 20YY, Jun 15, 20YY, and other requirements for the period through the payment due Sep 15, 20YY. Any payments made by the purchaser that exceed the "Amount Received from Purchaser" are to be deducted from the "Due with Amendment Acceptance" amount. In this example, the current USG requirement of $425,000 minus the $275,000 already received from purchaser equals $150,000 due at the time of amendment acceptance.

Revision 3 Payment Schedule		
Payment Date	Quarterly	Cumulative
Previous Payments Scheduled (Dec 15, 20XX)	N/A	$340,000
Current USG Financial Requirements		425,000
Amount Received From Purchaser		275,000
Due With Amendment Acceptance	150,000	425,000
Sep 15, 20YY	35,000	460,000
Dec 15, 20YY	25,000	485,000

*Figure 4-1. Payment Schedule Revision Examples (continued)

4. Downward Adjustment via Modification; Collections Equal Revised Payments Scheduled

In Revision 4, the IA desires to reduce the total amount of the LOA by $60,000 to $400,000. The $25,000 still due from the purchaser is distributed over the remaining quarters of the revised schedule.

Revision 4 Payment Schedule		
Payment Date	Quarterly	Cumulative
Previous Payments Scheduled (Dec 15, 20XX)	N/A	$460,000
Current USG Financial Requirements		375,000
Amount Received From Purchaser		375,000
Due With Amendment Acceptance	N/A	375,000
Sep 15, 20YY	15,000	390,000
Dec 15, 20YY	10,000	400,000

5. Downward Adjustment Via Modification; Collections Exceed Revised Case Value

In Revision 5, the Previous Payments Scheduled amount of $460,000 (due at DFAS SCA by Sep 10, 20YY) corresponds to the Sep 15, 20YY (previous) entry in Revision 1. Since the implementing agency desires to reduce the total amount by $60,000, a Revised Payments Scheduled entry of $400,000 is shown. Based on the revised case value equaling $400,000, the case is now in an overpayment status by $25,000. The purchaser may elect to request that DFAS SCA transfer these funds to another case or holding account.

Revision 5 Payment Schedule		
Payment Date	Quarterly	Cumulative
Previous Payments Scheduled (Sep 15, 20YY)	N/A	$460,000
Current USG Financial Requirements		400,000
Amount Received From Purchaser		425,000
Revised Payments Scheduled (Sep 15, 20YY)	N/A	400,000

*Figure 4-1. Payment Schedule Revision Examples (continued)

6. Upward Adjustment Via Modification; Collections Less Than Revised Case Value

In Revision 6, the case value is being increased from $460,000 to $500,000 via a modification. Given the collections to date match the previous case value, the case requires additional funds. The purchaser must remit those additional funds with the next appropriate quarterly payment due date. The "Revised Payments Scheduled" amount equals the "Previous Payments Scheduled" because there is no payment due upon processing of a modification.

Revision 6 Payment Schedule		
Payment Date	Quarterly	Cumulative
Previous Payments Scheduled (Sep 15, 20YY)	N/A	$460,000
Current USG Financial Requirements		460,000
Amount Received From Purchaser	460,000	460,000
Revised Payments Scheduled (Sep 15, 20YY)	N/A	460,000
Dec 15, 20YY	40,000	500,000

*Figure 4-2. Example: Use of Percentages to Estimate Cash Advance Requirements

Assumptions:

A. An $800,000 LOA was accepted December 20th, after the billing cutoff date December 10th. The period between acceptance and the payment due date will be approximately 6 months (e.g., for a December 20th acceptance, DFAS SCA would not bill until April for a due date of June 15th).

B. This LOA has a 36-month procurement lead time, with 3-months administrative lead time.[1] Due to the 3-month administrative lead time, no contract cost will be incurred until April.

Initial Deposit[2] (due on acceptance)

Total Contract cost	$800,000
Cumulative percentage of contract cost[3]	x1.1%
Total[2]	$8,800.00

April billing (due June 15th)

Cumulative Amount of Contract Cost through September 2011[3] ($800,000 x 3.8%)	$30,400
Less the deposit previously paid	-$8,800
Equals the amount due on June 15th to cover July, August, and September	$21,600

July billing (due September 15th)

Cumulative Amount of Contract Cost through December 2011[3] ($800,000 x 8.1%)	$64,800
Less the previous amounts paid in the deposit and June 15 payment ($8,800 + $21,600)	-$30,400
Equals the amount due on September 15th to cover October, November, and December	$34,400

These calculations continue throughout the remainder of the contract as shown here:

Month	Gross %[3]	Cumulative Amount of Contract Cost	Payment Schedule	
			Quarterly[4]	Cumulative
Dec 2010 (Initial Deposit)[2]	0.0	-	8,800	8,800
Jan 2011[5]	0.0	-	0	0
Feb 2011[5]	0.0	-	0	0
Mar 2011[5]	0.0	-	0	0
Apr 2011[6]	0.2	1,600	0	0
May 2011	0.5	4,000	0	0
Jun 2011	1.1	8,800	21,600	30,400
Jul 2011	1.8	14,400	0	0
Aug 2011	2.7	21,600	0	0
Sep 2011	3.8	30,400	34,400	64,800
Oct 2011	5.0	40,000	0	0

*Figure 4-2. Example: Use of Percentages to Estimate Cash Advance Requirements (Continued)

Month	Gross % [3]	Cumulative Amount of Contract Cost	Payment Schedule	
			Quarterly[4]	Cumulative
Nov 2011	6.5	52,000	0	0
Dec 2011	8.1	64,800	52,800	117,600
Jan 2012	10.0	80,000	0	0
Feb 2012	12.2	97,600	0	0
Mar 2012	14.7	117,600	75,200	192,800
Apr 2012	17.5	140,000	0	0
May 2012	20.6	164,800	0	0
Jun 2012	24.1	192,800	100,000	292,800
Jul 2012	27.9	223,200	0	0
Aug 2012	32.1	256,800	0	0
Sep 2012	36.6	292,800	119,200	412,000
Oct 2012	41.3	330,400	0	0
Nov 2012	46.3	370,400	0	0
Dec 2012	51.5	412,000	125,600	537,600
Jan 2013	56.7	453,600	0	0
Feb 2013	62.0	496,000	0	0
Mar 2013	67.2	537,600	112,800	650,400
Apr 2013	72.2	577,600	0	0
May 2013	76.9	615,200	0	0
Jun 2013	81.3	650,400	81,600	732,000
Jul 2013	85.2	681,600	0	0
Aug 2013	88.6	708,800	0	0
Sep 2013	91.5	732,000	47,200	779,200
Oct 2013	93.9	751,200	0	0
Nov 2013	95.9	767,200	0	0
Dec 2013	97.4	779,200	20,800	800,000
Jan 2014	98.5	788,000	0	0
Feb 2014	99.4	795,200	0	0
Mar 2014	100.0	800,000	0	800,000

NOTES:
[1] IAs must provide the procurement lead time and ensure that realistic contract administrative lead times are used in preparing payment schedules. This example assumes an administrative lead time of 3 months to go on contract award, although it is recognized that a given contract might not be awarded until much later (in which instance the administrative lead time must be extended accordingly).
[2] The FMS administrative surcharge required and accessorials would be added to the cash advance requirements illustrated here.
[3] See Table 4-1 for a 36-month contract cumulative monthly payment schedule percentage.

*Figure 4-2. Example: Use of Percentages to Estimate Cash Advance Requirements (Continued)

[4] Date payment due at DFAS SCA.
[5] Administrative lead time (i.e. January through March 2011). IAs must ensure that realistic contract administrative lead times are used in preparing payment schedules.
[6] Start of the 36-month procurement lead time.

*Figure 4-3. Example: Payment Schedule in Termination Liability/Contractor Holdback Worksheet Format (No Arms Export Control Act Section 21 Sales) [1]

Assumptions:

A. An $800,000 LOA was accepted December 20th, after the billing cutoff date December 10th. The period between acceptance and the payment due date will be approximately 6 months (e.g., for a December 20th acceptance, DFAS SCA would not bill until April for a due date of June 15th).

B. This LOA has a 36-month procurement lead time, with 3-months administrative lead time.[2] Due to the 3-month administrative lead time, no contract cost will be incurred until April.

Initial Deposit[3]:	
Cumulative Amount of Contract Cost (Initial deposit)	$8,800
Multiplied by the TL% [4]	x 4%
Equals the amount of TL/contractor holdback reserve from the deposit	$352
April billing:	
TL Dollars due for cumulative contract cost through September 2011 ($30,400 x 30%)[4]	$9,120
Less the TL amount previously included in the deposit	-$352
Equals the amount of TL/contractor holdback from the first bill of $21,600 (due June 15)	$8,768
July billing:	
TL Dollars due for cumulative contract cost through December 2011 ($64,800 x 35%)[4]	$22,680
Less the TL amounts previously included ($352+$8,768)	-$9,120
Equals the amount of TL/contractor holdback from the second bill of $34,400 (due September 15)	$13,560

These calculations continue throughout the remainder of the contract as shown on the continuation page.

*Figure 4-3. Example: Payment Schedule in Termination Liability/Contractor Holdback Worksheet Format (No Arms Export Control Act Section 21 Sales) [1] (Continued)

Date	Payment		Estimated Disbursements		TL/Contractor Holdback [1]	
	(a)[5,6] Qtr	(b)[5,7,8] Cum	(c)[6] Qtr	(d)[7,8] Cum	(e)[6] Qtr	(f)[7,8] Cum
Initial Deposit[3]	8,800	8,800	8,448	8,448	352	352
15 Jun 2011	21,600	30,400	12,832	21,280	8,768	9,120
15 Sep 2011	34,400	64,800	20,840	42,120	13,560	22,680
15 Dec 2011	52,800	117,600	34,320	76,440	18,480	41,160
15 Mar 2012	75,200	192,800	48,880	125,320	26,320	67,480
15 Jun 2012	100,000	292,800	73,784	199,104	26,216	93,696
15 Sep 2012	119,200	412,000	101,656	300,760	17,544	111,240
15 Dec 2012	125,600	537,600	140,072	440,832	(14,472)	96,768
15 Mar 2013	112,800	650,400	164,040	604,872	(51,240)	45,528
15 Jun 2013	81,600	732,000	112,488	717,360	(30,888)	14,640
15 Sep 2013	47,200	779,200	61,840	779,200	(14,640)	0
15 Dec 2013	20,800	800,000	20,800	800,000	0	0

NOTES:
[1] This analysis of TL/contractor holdback must be completed for all contracts regardless of value and must be a part of the case file.
[2] IAs must provide the procurement lead time and ensure that realistic contract administrative lead times are used in preparing payment schedules. This example assumes a 3-month administrative lead time for the contract award. If the contract is awarded later, the administrative lead time must be extended accordingly.
[3] This example only requires an initial deposit for one quarter (see paragraph 040404).
[4] See Table 4-1 for the TL percentage for a 36-month contract.
[5] Columns a and b should be identical to the payment schedule in the LOA. See Figure 4-2.
[6] Column a = c + e.
[7] Column b = d + f.
[8] At end of schedule, column b = column d; column f must be zero. Column f may also be zero prior to the end of the schedule, as illustrated.

*Figure 4-4. Example: Payment Schedule in Termination Liability/Contractor Holdback Worksheet Format (Includes Arms Export Control Act Section 21 Sales) [1]

Assumptions:

A. An $800,000 LOA plus AECA Section 21 sales of $240,000 was accepted December 20th, after the billing cutoff date December 10th. The period between acceptance and the payment due date will be approximately 6 months (e.g., for a December 20th acceptance, DFAS SCA would not bill until April for a due date of June 15th).

B. This LOA has a 36-month procurement lead time, with 3-months administrative lead time.[2] Due to the 3-month administrative lead time, no contract cost will be incurred until April.

Date	Payment		Estimated Disbursements		TL/Contractor Holdback [1,3]	
	(a)[4,5] Qtr	(b)[4,6,7] Cum	(c)[5] Qtr	(d)[6,7] Cum	(e)[5] Qtr	(f)[6,7] Cum
Initial Deposit[8]	28,800	28,800	28,448	28,448	352	352
15 Jun 2011	41,600	70,400	32,832	61,280	8,768	9,120
15 Sep 2011	54,400	124,800	40,840	102,120	13,560	22,680
15 Dec 2011	72,800	197,600	54,320	156,440	18,480	41,160
15 Mar 2012	95,200	292,800	68,880	225,320	26,320	67,480
15 Jun 2012	120,000	412,800	93,784	319,104	26,216	93,696
15 Sep 2012	139,200	552,000	121,656	440,760	17,544	111,240
15 Dec 2012	145,600	697,600	160,072	600,832	(14,472)	96,768
15 Mar 2013	132,800	830,400	184,040	784,872	(51,240)	45,528
15 Jun 2013	91,600	922,000	122,488	907,360	(30,888)	14,640
15 Sep 2013	77,200	999,200	91,840	999,200	(14,640)	0
15 Dec 2013	40,800	1,040,000	40,800	1,040,000	0	0

NOTES:
[1] This analysis of TL/contractor holdback must be completed for all contracts regardless of value and must be a part of the case file.
[2] IAs must provide the procurement lead time and ensure that realistic contract administrative lead times are used in preparing payment schedules. This example assumes 3-month administrative lead time for the contract award. If the contract is awarded later, the administrative lead time must be extended accordingly.
[3] TL/contractor holdback are the same as Figure 4-3 schedule; however, total payment and estimated disbursements are greater due to AECA Sec 21 articles/services in case.
[4] Columns a and b should be identical to the payment schedule in the LOA.
[5] Column a = c + e.
[6] Column b = d + f.
[7] At end of schedule column b = column d, by end of schedule column f must be zero. Column f may also be zero prior to the end of the schedule, as illustrated.
[8] This example only requires an initial deposit for one quarter (see paragraph 040404).

*Figure 4-5. Quarterly Termination Liability Reserve Calculation and Example

<table>
<tr><td colspan="3">The quarterly TL reserve requirement is calculated as follows:</td></tr>
<tr><td colspan="3">1. Using data from DSAMS, determine the SOS for each line.</td></tr>
<tr><td>Line</td><td>Value</td><td>Source of Supply</td></tr>
<tr><td>Line 001</td><td>$50,000</td><td>P</td></tr>
<tr><td>Line 002</td><td>$50,000</td><td>X</td></tr>
<tr><td>Total Ordered Value of Articles/Services</td><td>$100,000</td><td></td></tr>
<tr><td colspan="3">2. Using the estimated procurement on each case (100% of the “P” (procurement) SOS value and 50% of the “X” (mixed) SOS value), determine the estimated procurement percentage.</td></tr>
<tr><td colspan="3">- Net Case Value Subject to TL: (Line 001($50,000 x 100%) + Line 002 ($50,000 x 50%)) = ($50,000+$25,000) = $75,000
- Percentage of Case Subject to TL = Net Case Value Subject to TL/Total Ordered Value = $75,000/$100,000 = 75%</td></tr>
<tr><td colspan="3">3. Calculate the TL on each case using Obligations/Order Value and Disbursements/Ordered Value data from DFAS SCA and the 60-month TL percentages in Table 4-1.</td></tr>
<tr><td colspan="2">Obligations: $73,000
Obligations/Ordered: ($73,000/$100,000) = .73
60 Month TL%: 13 (42 month procurement lead time from Table 4-1)

(Obligations x TL%): $73,000 x 13% = $9,490</td><td>Disbursements: $60,000
Disbursements/Ordered: ($60,000/$100,000) = .60
60 Month TL%: 24 (37 month procurement lead time from Table 4-1)

(Disbursements x TL%): $60,000 x 24% = $14,400</td></tr>
<tr><td colspan="3">4. Apply the estimated procurement percentage calculated in Step 2 to each of the TL calculations.</td></tr>
<tr><td colspan="2">Obligations:
Calculation 1 = $9,490
Percentage of Case Subject to TL = 75%

$9,490 x 75% = $7,117.50</td><td>Disbursements:
Calculation 1 = $14,400
Percentage of Case Subject to TL = 75%

$14,400 x .75 = $10,800</td></tr>
<tr><td colspan="3">5. Hold the lower of these two calculations for each case in reserve for that quarter.</td></tr>
<tr><td colspan="3">Quarterly TL Reserve Requirement = $7,117.50</td></tr>
</table>

Table 4-1. Cumulative Monthly Payment Schedule and Termination Liability Percentages (As a percentage of contract cost)

Procurement Lead Time	6 Months		9 Months		12 Months		15 Months		18 Months		21 Months	
Month	Cum. Monthly Payments	% TL	Cum. Monthly Payments	% TL	Cum. Monthly Payments	% TL	Cum. Monthly Payments	% TL	Cum. Monthly Payments	% TL	Cum. Monthly Payments	% TL
1	5.7	30	2.7	14	1.5	0	1.0	0	0.7	0	0.5	0
2	19.6	35	8.2	38	4.6	30	3.0	20	2.1	14	1.5	9
3	44.8	32	17.7	35	9.4	34	6.0	40	4.2	30	3.1	23
4	74.9	18	32.4	34	16.7	35	10.2	33	7.1	38	5.2	37
5	95.2	2	51.6	29	26.8	35	16.0	35	10.8	34	7.9	36
6	100.0	0	71.9	18	39.9	32	23.7	35	15.7	35	11.3	34
7			88.4	5	54.9	27	33.4	33	21.9	35	15.5	35
8			97.2	1	70.2	18	44.8	30	29.4	34	20.7	35
9			100.0	0	83.5	7	57.2	26	38.3	32	26.9	34
10					92.8	2	69.6	18	48.1	29	34.1	33
11					97.8	0	80.8	9	58.5	24	42.1	30
12					100.0	0	89.6	3	68.7	18	50.8	28
13							95.4	1	78.2	10	59.7	24
14							98.6	0	86.1	5	68.5	18
15							100.0	0	92.2	2	76.8	11
16									96.7	1	84.0	7
17									98.7	0	89.9	3
18									100.0	0	94.3	1
19											97.3	0
20											99.2	0
21											100.0	0

Table 4-1. Cumulative Monthly Payment Schedule and Termination Liability Percentages (As a percentage of contract cost) (Continued)

Procurement Lead Time	24 Months		27 Months		30 Months		33 Months		36 Months		39 Months	
Month	Cum. Monthly Payments	% TL	Cum. Monthly Payments	% TL	Cum. Monthly Payments	% TL	Cum. Monthly Payments	% TL	Cum. Monthly Payments	% TL	Cum. Monthly Payments	% TL
1	0.4	0	0.3	0	0.3	0	0.2	0	0.2	0	0.2	0
2	1.2	5	0.9	2	0.8	0	0.6	0	0.5	0	0.5	0
3	2.4	18	1.8	14	1.5	10	1.2	8	1.1	4	1.0	2
4	4.0	30	3.1	24	2.6	20	2.0	17	1.8	14	1.6	10
5	6.0	39	4.7	35	3.9	30	3.1	27	2.7	24	2.4	18
6	8.5	35	6.6	38	5.4	40	4.4	38	3.8	30	3.3	26
7	11.5	34	8.9	34	7.2	37	5.9	37	5.0	39	4.4	34
8	15.2	35	11.7	34	9.4	33	7.6	35	6.5	37	5.6	39
9	19.6	35	15.0	35	11.9	34	9.6	33	8.1	35	7.0	37
10	24.8	35	18.9	35	14.9	35	11.9	34	10.0	34	8.6	35
11	30.7	33	23.4	35	18.3	35	14.6	35	12.2	34	10.4	34
12	37.4	32	28.5	34	22.2	35	17.7	35	14.7	35	12.4	34
13	44.7	29	34.2	32	26.7	34	21.2	35	17.5	35	14.7	35
14	52.4	27	40.4	31	31.6	33	25.1	34	20.6	35	17.3	35
15	60.2	22	47.0	29	36.9	31	29.4	33	24.1	35	20.1	35
16	67.9	18	53.9	27	42.7	30	34.1	32	27.9	34	23.2	35
17	75.3	12	60.9	22	48.8	28	39.2	31	32.1	33	26.6	34
18	81.8	7	67.8	18	55.0	26	44.6	29	36.6	32	30.3	33
19	87.4	4	74.4	13	61.3	22	50.2	28	41.3	30	34.3	32
20	91.9	2	80.4	8	67.5	18	55.9	25	46.3	29	38.6	32
21	95.2	1	85.7	5	73.5	13	61.6	22	51.5	27	43.1	29
22	97.5	0	90.1	2	79.0	9	67.2	18	56.7	25	47.8	28
23	99.1	0	93.6	1	83.9	6	72.6	14	62.0	22	52.6	27
24	100.0	0	96.2	1	88.2	3	77.7	10	67.2	18	57.5	24
25			98.1	0	91.7	2	82.3	7	72.2	14	62.4	21
26			99.4	0	94.5	1	86.4	4	76.9	11	67.2	18
27			100.0	0	96.6	1	89.9	2	81.3	7	71.8	14
28					98.1	0	92.8	1	85.2	5	76.2	11
29					99.3	0	95.1	1	88.6	3	80.3	9
30					100.0	0	96.9	0	91.5	2	84.0	6
31							98.2	0	93.9	1	87.3	3
32							99.2	0	95.9	1	90.2	2
33							100.0	0	97.4	0	92.7	2
34									98.5	0	94.7	1
35									99.4	0	96.3	1
36									100.0	0	97.6	0
37											98.6	0
38											99.4	0
39											100.0	0

Table 4-1. Cumulative Monthly Payment Schedule and Termination Liability Percentages (As a percentage of contract cost) (Continued)

Procrmt Lead Time	42 Months		45 Months		48 Months		51 Months		54 Months		57 Months		60 Months	
Month	Cum. Monthly Payments	% TL	Cum. Monthly Payments	% TL	Cum. Monthly Payments	% TL	Cum. Monthly Payments	% TL	Cum. Monthly Payments	% TL	Cum. Monthly Payments	% TL	Cum. Monthly Payments	% TL
1	0.1	0	0.1	0	0.1	0	0.1	0	0.1	0	0.1	0	0.1	0
2	0.4	0	0.3	0	0.3	0	0.3	0	0.2	0	0.2	0	0.2	0
3	0.8	2	0.6	0	0.6	0	0.6	0	0.5	0	0.4	0	0.4	0
4	1.3	8	1.1	6	1.0	5	0.9	4	0.8	2	0.7	1	0.6	0
5	2.0	16	1.7	12	1.5	10	1.3	9	1.2	8	1.1	6	1.0	3
6	2.8	23	2.4	20	2.1	18	1.8	15	1.7	14	1.5	12	1.4	10
7	3.8	30	3.2	26	2.8	24	2.4	22	2.3	18	2.0	17	1.8	15
8	4.8	38	4.1	32	3.7	30	3.1	27	2.9	24	2.6	22	2.3	20
9	6.0	38	5.1	40	4.6	36	3.9	32	3.6	30	3.2	27	2.9	25
10	7.3	36	6.3	38	5.6	39	4.8	39	4.4	35	3.9	33	3.6	30
11	8.8	34	7.6	36	6.7	37	5.8	38	5.3	40	4.7	38	4.3	35
12	10.5	34	9.0	33	8.0	35	6.9	36	6.3	38	5.6	39	5.1	40
13	12.4	34	10.6	34	9.4	33	8.1	35	7.3	36	6.6	37	5.9	38
14	14.5	35	12.4	34	10.9	34	9.4	33	8.5	34	7.6	35	6.9	36
15	16.9	35	14.2	35	12.6	34	10.8	34	8.7	33	8.7	33	7.9	35
16	19.5	35	16.6	35	14.4	35	12.3	34	11.2	34	9.9	33	9.0	33
17	22.3	35	19.0	35	16.5	35	14.0	35	12.7	34	10.2	34	10.1	33
18	25.5	34	21.6	35	18.7	35	15.8	35	14.3	35	12.6	34	11.4	34
19	28.8	34	24.4	34	21.1	35	17.8	35	16.1	35	14.2	35	12.8	35
20	32.5	33	27.5	34	23.7	35	19.9	35	18.1	35	15.9	35	14.3	35
21	36.3	32	30.8	33	26.5	34	22.2	35	20.2	35	17.7	35	15.9	35
22	40.4	30	34.3	32	29.6	33	24.7	34	22.4	35	19.7	35	17.6	35
23	44.6	29	38.0	31	32.8	33	27.3	33	24.8	35	21.8	35	19.4	35
24	49.0	28	41.9	30	36.1	32	30.1	33	27.4	34	24.0	34	21.4	35
25	53.5	26	45.9	28	39.7	31	33.1	32	30.1	33	26.4	34	23.5	35
26	58.0	23	50.0	27	43.4	30	36.2	31	33.0	32	28.9	33	25.7	34
27	62.5	22	54.2	26	47.2	28	39.5	30	36.0	32	31.6	33	28.1	33
28	66.9	18	58.4	24	51.0	27	42.9	29	39.1	31	34.4	32	30.6	33
29	71.2	14	62.6	22	55.0	26	46.4	28	42.4	30	37.3	32	33.2	32
30	75.4	11	66.7	18	58.9	23	50.6	27	45.7	29	40.3	31	35.9	31

Table 4-1. Cumulative Monthly Payment Schedule and Termination Liability Percentages (As a percentage of contract cost) (Continued)

Procrmt Lead Time	42 Months		45 Months		48 Months		51 Months		54 Months		57 Months		60 Months	
Month	Cum. Monthly Payments	% TL	Cum. Monthly Payments	% TL	Cum. Monthly Payments	% TL	Cum. Monthly Payments	% TL	Cum. Monthly Payments	% TL	Cum. Monthly Payments	% TL	Cum. Monthly Payments	% TL
31	79.2	9	70.7	15	62.9	20	53.6	26	49.1	28	43.4	29	38.7	31
32	82.8	6	74.6	12	66.7	18	57.2	23	52.6	27	46.6	28	41.6	30
33	86.1	4	78.3	9	70.5	15	60.9	20	56.1	26	49.9	27	44.6	29
34	88.9	3	81.7	6	74.2	13	64.5	18	59.6	22	53.2	26	47.6	28
35	91.4	2	84.8	4	77.7	9	68.1	15	63.1	20	56.5	24	50.7	27
36	93.5	1	87.6	3	80.9	7	71.6	13	66.6	18	59.8	22	53.9	26
37	95.3	1	90.1	2	84.0	6	75.0	10	70.0	15	63.1	20	57.0	24
38	96.7	1	92.2	2	86.7	4	78.2	8	73.3	13	66.4	18	60.2	22
39	97.8	0	94.0	1	89.2	3	81.2	6	76.4	10	69.6	16	63.4	20
40	98.8	0	95.5	1	91.3	2	84.0	4	79.4	8	72.7	13	66.5	18
41	99.5	0	96.8	1	93.2	2	86.6	3	82.2	6	75.7	10	69.5	16
42	100.0	0	97.8	0	94.8	1	88.9	2	84.8	5	78.6	9	72.5	13
43			98.6	0	96.2	1	91.0	2	87.2	3	81.3	7	75.4	11
44			99.3	0	97.3	1	92.8	1	89.4	2	83.8	6	78.1	9
45			100.0	0	98.2	0	94.4	1	91.3	2	86.1	4	80.7	7
46					98.9	0	95.8	1	93.0	1	88.2	3	83.2	6
47					99.6	0	97.0	0	94.4	1	90.1	2	85.5	4
48					100.0	0	98.0	0	95.7	1	91.8	2	87.6	3
49							98.8	0	96.8	1	93.3	1	89.5	2
50							99.5	0	97.7	0	94.6	1	91.2	2
51							100.0	0	98.4	0	95.7	1	92.8	1
52									99.1	0	96.7	0	94.1	1
53									99.6	0	97.5	0	95.3	1
54									100.0	0	98.2	0	96.3	1
55											98.8	0	97.2	0
56											99.3	0	98.0	0
57											100.0	0	98.6	0
58													99.2	0
59													99.6	0
60													100.0	0

Table 4-2. Federal Reserve Fund Transfer Format

The Fedwire Securities Service only accepts messages in the proprietary message format. The key data elements of the message format include the following:

Required Information for Funds Transfer to Treasury			
Tag Name	**Code Tag**	**Required Information**	**Example**
Message Type/ Subtype Code	(1510)	Type and Subtype Codes entered by the sender.	1000
Amount	(2000)	The dollar amount of transfer. The amount will include the dollar sign and the appropriate punctuation including cents digits.	$9,999,999.99
Sender Fl	(3100)	Identifies the sending financial institution's 9-digit American Bankers Association (ABA) routing number and short name. The sending bank will provide this number.	999999999 BANK XYZ
Sender Reference	(3320)	The sender institution's reference information may be inserted by the sending bank to identify the transaction.	974101509303
Receiver Fl	(3400)	Identifies the receiving institution. The 9-digit identifier 021030004 is the routing number of the Treasury. The short name for Treasury's routing number is TREAS NYC. This item is a constant and is required for all funds transfer messages sent to Treasury.	021030004 TREAS NYC/FUNDS TR
Beneficiary	(4200)	Provided by Agency. The 3, 4, or 8-digit numeric symbol (Agency Location Code (ALC)) used to identify Government departments and agencies. Agencies that use 3 or 4-digit ALCs should include preceding zeroes to create a complete eight-digit ALC number. The ALC is mandatory and must be specified in the funds transfer Beneficiary Identifier field for the funds to be correctly classified to the respective agency. The agency name should be entered in the Beneficiary Name field. EXAMPLE: 12345678	00003801 DFAS-JAX/IN Defense Finance & Accounting Service
Originator to Beneficiary Info	(6000)	Used to identify information conveyed from originator to the beneficiary; e.g., details of the payment, including invoice numbers and amounts.	Payment from Bandaria for FMS case BN-D-XYZ.

VOLUME 15, CHAPTER 6: "CASE FILES"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated July 2015 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
060101.A & B	Added guidance from the National Archives and Records Administration (NARA) and the Department of Defense Instruction (DoDI) 5015.02, "DoD Records Management Program," and added a link to the Department of Defense (DoD) Federal Agency Records Officers point of contact listing.	Addition
060101.E	Updated guidance to require coordination with the proper DoD-appointed Federal Agency Records Officer for appropriateness and any potential litigation holds prior to destruction.	Revision
060102	Added language to clarify that policy applies regardless of storage media.	Addition
060103	Removed reference to the Defense Finance and Accounting Service (DFAS) Manual, "Records Disposition Schedules," 5015.2-M because the reference was specific to DFAS.	Deletion
060103	Established the Authoritative Guidance section, and added references to Title 36 of the Code of Federal Regulations, subchapter B, "Records Management," parts 1220-1239; the Federal Acquisition Regulation, subpart 4.8, section 4.805, "Storage, Handling, and Contract Files;" the NARA, General Records Schedules 1.1, "Financial Management and Reporting Records;" and DoDI 5015.02, "DoD Records Management Program."	Addition

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CHAPTER 6

CASE FILES

0601 GENERAL

*060101. Overview

A. National Archives and Records Administration (NARA). Within the Federal Government, NARA is responsible for promulgating procedures for the disposal of all United States Government (USG) records. The NARA Records Management Program provides guidance and assistance for the management and disposition of Federal records in the General Records Schedules (GRS).

B. Department of Defense (DoD) Records Management Program. The DoD Records Management Program outlines records management policy and responsibilities. Within DoD, there are 24 Records Management Programs, each with an appointed ***Federal Agency Records Officer***, Records Management Manual, Instruction or Regulation, and Records Disposition Schedules (RDS). DoD's RDS must comply with NARA guidelines and may include additional financial records used in DoD business operations that are not listed in the NARA GRS.

1. DoD requires documentation to be retained for longer than the NARA requirement if the documentation will be used to support an audit. See Volume 1, "General Financial Management Information, Systems and Requirements," Chapter 9, "Financial Records Retention," Figure 9-1 for more information.

2. The Defense Security Cooperation Agency (DSCA) may issue exceptions to retention periods if there is a determination that Security Cooperation cases (hereafter "case files"), are needed for any other business purpose that may require access to the documentation (e.g., records associated with ongoing litigation proceedings and country suspensions). Consult your DoD-appointed Federal Agency Records Officer for additional guidance regarding Foreign Military Sales (FMS) records retention.

C. Case Files. Case files may be maintained in a decentralized manner by the various activities having responsibility for actions associated with the case. Each activity must maintain a comprehensive record of relevant correspondence, worksheets, and officially prepared forms that constitute a complete audit trail from the time of case initiation through case closeout or retirement.

D. Electronic Files. Reference to the Defense Security Assistance Management System (DSAMS) and other electronic files (including e-mail correspondence and compact disk read-only memory) is encouraged, provided such files are complete, secure, and readily retrievable. Electronic imaging is strongly encouraged to preserve documentation (e.g., historical documents and signature pages), when retention of the paper originals, or a copy of such documents, is materially expensive but necessary to protect USG interests.

E. Supporting Documentation. The case manager must maintain a directory of supporting documentation locations. All supporting documentation must be reviewed carefully prior to disposal or retirement. In addition, coordinate with your DoD-appointed Federal Agency Records Officer for appropriateness and any potential litigation holds. A closed case from an FMS purchaser perspective may remain open from a DoD accounting perspective.

*060102. Purpose

This chapter establishes guidance on maintaining documents for case files. The guidance is designed to facilitate uniformity of case file maintenance and ensure that all necessary documentation is readily available and retrievable by the appropriate activities. All policy applies regardless of storage media (i.e., electronic and/or hard copy).

*060103. Authoritative Guidance

Authorities for case file policy include:

A. Title 36 of the Code of Federal Regulations, subchapter B, "Records Management," ***parts 1220-1239***;

B. The Federal Acquisition Regulation (FAR), ***subpart 4.8, section 4.805***, "Storage, Handling, and Contract Files;"

C. NARA, ***GRS 1.1***, "Financial Management and Reporting Records," maintains FMS minimum document retention requirements; and

D. ***DoD Instruction 5015.02***, "DoD Records Management Program."

0602 CONCEPTS AND REQUIREMENTS

060201. General

A. Maintain case files in official folders, uniformly titled, and filed by section as discussed in paragraph 060301. When more than one file folder is required, the folders must be appropriately numbered (e.g., 1 of 2 or 2 of 2). The documents placed in each folder must be maintained in chronological sequence by section.

B. When a case is implemented, each implementing DoD Component must identify and direct which supporting activities are to maintain the required documentation on file. For example, a copy of the Letter of Offer and Acceptance (LOA) may be on file with several activities, while the Quarterly Requisition Report (QRR) applicable to that case would have a more limited distribution.

C. Certain records associated with a case may be voluminous listings that are too large to be printed and placed in official folders. Instead of filing the listing in the folder (as required in paragraph 060301), annotate on the General Information Cover Sheet or within the file

itself where such electronic information is located. The purpose of filing such documents, or cross-referencing notes to such documents, is to maintain the integrity of the case audit trail and to consider all applicable information during case execution and at case closure.

D. The uniform case folder, as outlined in section 0603, lists those documents considered to be of primary relevance on a DoD-wide basis. DoD Components may also wish to include additional documents as part of the case file. The inclusion of such documents is encouraged, and it is recommended that they be filed in the form of numbered appendices following in sequence after the required sections.

E. The value of the uniform case folder is in maintaining a complete and accurate record for audit purposes and ensuring a standard and systematic approach to case file maintenance. With management support, it may also serve as a checklist of planned and completed actions, thereby facilitating the case execution and closure process. In addition, the existence of a comprehensive and well-maintained file facilitates supervisory reviews and brings greater efficiency to the transfer of ongoing case management responsibilities.

060202. Responsibilities

Each DoD Component and Defense Finance and Accounting Service Security Cooperation Accounting (DFAS SCA) is responsible for maintaining its respective portion of the case file as required in paragraph 060301.

0603 UNIFORM CASE DOCUMENTATION

060301. Documentation Requirements

The minimum required documentation for complete and effective case management includes the following sections:

A. General Information Cover Sheet: see Table 6-1,

B. Letter of Request (LOR) Documentation: see Table 6-2,

C. Planning Information: see Table 6-3,

D. Security Assistance (SA) Survey Documentation: see Table 6-4,

E. FMS Contractual Instruments Documentation: see Table 6-5,

F. Financing Arrangements Documentation: see Table 6-6,

G. Financial Control Documentation: see Table 6-7,

H. Implementation Directives Documentation: see Table 6-8,

I. DSAMS and DSCA 1200 System Update Documentation: see Table 6-9,

J. Case Execution Documentation: see Table 6-10,

K. Special Logistics Documentation: see Table 6-11,

L. Accessorial Charges Documentation: see Table 6-12,

M. Government Furnished Materiel (GFM) Documentation: see Table 6-13,

N. FMS Billing Documentation: see Table 6-14,

O. Supply Discrepancy Report (SDR) Billing Documentation: see Table 6-15,

P. Review Information: see Table 6-16,

Q. Case Closure Documentation: see Table 6-17, and

R. Reopened Case Documentation: see Table 6-18.

060302. Documentation Maintenance and Disposition

The documentation must be accumulated throughout the life of the case from inception through final case closure. Implementing Agencies (IAs) may retire, but not destroy, closed case file records to document storage areas upon final case closure by DFAS SCA. DFAS SCA may retire, but not destroy, closed case file records, including delivery listings, no earlier than one year from the date of the latest case-related correspondence with the purchaser or final case closure, whichever is later. The IAs and DFAS SCA must maintain an accurate record of the location of all retired records to ensure they can be located as needed.

Table 6-1. General Information Cover Sheet

General Information Cover Sheet	
1. Case Identifier	
2. Cognizant Personnel Information **a)** Name **b)** Phone number **c)** E-mail address **d)** Dates of tenure if responsibilities are transferred from one individual to another during the life of the case	**A.** Case Negotiation Officer
	B. Country/Case Manager at each level **1)** Major/Systems Command **2)** International Logistics Control Office **3)** DFAS SCA
	C. Others as required **1)** Inventory/Item manager focal point **2)** Procurement office focal point
3. Key case planning milestones; see Figure 6-1 for an example	

Table 6-2. LOR Documentation

LOR Documentation
1. LOR for price and availability data or LOA data
2. Correspondence and other information relative to primary inquiry

Table 6-3. Planning Information

Planning Information	
1. Price and availability/LOA data relative to the case	
2. LOA data used to prepare the LOA format	**A.** Tasking direction
	B. Internal memoranda/worksheets
	C. Financial analysis and termination liability reserve data
	D. Methodology for computing the payment schedule reflected in the LOA
	E. Pricing data (e.g., DSAMS Document Pricing Calculations Report - RP069)
3. Response(s) to foreign purchaser if initially presented in a format other than an LOA	
4. Correspondence related to exceptions or waivers (e.g., nonrecurring cost recovery)	

Table 6-4. SA Survey Documentation

SA Survey Documentation
1. Defense Requirements Survey Report
2. Site Survey Report

Table 6-5. FMS Contractual Instruments Documentation

FMS Contractual Instruments Documentation	
1. Congressional notification documentation	
2. LOA	
3. Amendment(s) to the LOA	
4. Modification(s) of the LOA	
5. Any memoranda of understanding or memoranda of agreement relating to the LOA, amendments, or modifications	
6. Correspondence relative to internal review(s)/coordination	**A.** Letter forwarding an advanced copy of (unsigned) LOA to purchaser pending the results of congressional review, if applicable
	B. Letter of transmittal of countersigned LOA, if applicable
7. Correspondence/letters of transmittal to purchaser and acceptance of the LOA	

Table 6-6. Financing Arrangements Documentation

Financing Arrangements Documentation
1. Financing agreements
2. North Atlantic Treaty Organization country-to-country agreements
3. Requests and approvals for special waivers from routine loan conditions
4. FAR/Defense Federal Acquisition Regulation Supplement exception requests and approvals
5. Contract administration support waiver requests and approvals

Table 6-7. Financial Control Documentation

Financial Control Documentation
1. Request and Approval of ***Department of Defense (DD) Form 2060***, "FMS Obligational Authority" (or automated system equivalent)
2. DD 2061, "FMS Planning Directive" (or automated system equivalent)
3. Expenditure authorizations
4. Documentation concerning DoD Component internal allotments or delegations of obligational and expenditure authorizations
5. Final Defense Integrated Financial System Financial Management Worksheet, as applicable

Table 6-8. Implementation Directives Documentation

Implementation Directives Documentation
1. FMS program/case directives
2. Program management plans
3. Implementing project directives
4. Implementation letters
5. Amendments or updates to #1-4

Table 6-9. DSAMS and DSCA 1200 System Update Documentation

DSAMS and DSCA 1200 System Update Documentation
Copies of worksheets or other evidence that the DSAMS and DSCA 1200 systems were updated at the appropriate times

Table 6-10. Case Execution Documentation

Case Execution Documentation
1. Documents substantiating annual financial and logistical reconciliation (see Chapter 7)
2. Documents substantiating payment schedule revisions (see Chapter 4) to include purchaser-requested schedules (and approvals)
3. Purchase requests
4. USG contracts with commercial vendor
5. Work requests and project orders
6. Military Interdepartmental Purchase Requests
7. Internal billing documentation (e.g., ***Standard Form 1080***, "Voucher for Transfers Between Appropriations and/or Funds;" ***DD 250***, "Material Inspection and Receiving Report" (or automated system equivalent); temporary duty orders/vouchers)
8. Requisition Document Control Listings (e.g., QRR and the annual consolidation of the QRR)
9. Receipt document from FMS purchaser or purchaser's representative (a freight forwarder), with official purchaser signature
10. Invitational travel orders

Table 6-11. Special Logistics Documentation

Special Logistics Documentation
1. Cooperative Logistics Supply Support Arrangements FMS Order I Equity Listing
2. Concurrent Spare Parts listing
3. Other (e.g., Air Force Security Assistance Management Integration System local management reports)

Table 6-12. Accessorial Charges Documentation

Accessorial Charges Documentation
Applicable documentation to substantiate the reporting of actual (instead of the estimated percentage) packing, crating, handling, and transportation (PCH&T) costs

Table 6-13. GFM Documentation

GFM Documentation
Note: The inclusion of GFM as part of a case requires special attention from a financial standpoint since the GFM becomes a part of the major item being procured. Unless this information is included as part of another section, this section should have the documentation listed in #1-3.
1. Listing, by contract number, of contracts under which GFM may be requisitioned by contractors
2. Listing of GFM by requisition or document numbers
3. Worksheets/backup data showing that PCH&T costs for other than Defense Working Capital Funds items has been added to the base price of GFM

Table 6-14. FMS Billing Documentation

FMS Billing Documentation
Note: The detailed nature and size of this documentation may render inclusion in the case folder impractical. In such instances, it is sufficient to maintain a local record or checklist showing that the documentation and lists have been reviewed, as necessary, to monitor progress, detect errors, and perform satisfactory financial oversight.
1. DD 645, "FMS Billing Statement," and FMS Delivery Listing and financial forecast attachments. Replies to purchaser requests for adjustments are filed in a subsequent section. Include any documents pertaining to special billing arrangements directly associated with the case.
2. DFAS SCA-prepared Command Pay Listing (if filed in the case file folder)
3. Documentation relating to delivery transactions
4. DFAS SCA worksheets and correspondence maintained in the case file folder appendices
5. Correspondence related to authorized exceptions to normal billing procedures

Table 6-15. SDR Billing Documentation

SDR Billing Documentation
1. SDRs
2. Correspondence/documentation relative to such discrepancies
3. DFAS SCA reply to purchaser requests for listing of adjustments

Table 6-16. Review Information

Review Information	
The minutes and other correspondence resulting from:	**A.** FMS implementation review
	B. Country program/case review
	C. FMS financial management review

Table 6-17. Case Closure Documentation

Case Closure Documentation
1. The DoD Component's case closure certification to DFAS SCA. The final DD 2060 and 2061s should be on file in the "Financial Control Documents" section
2. Any correspondence with DFAS SCA or other organizations relative to the case closure certification
3. The final DD 645 (DFAS SCA only)
4. The case closure checklist (see DSCA Manual 5105.38-M, "Security Assistance Management Manual" (SAMM), ***Appendix 7 Chapter 4, A7.C4.3***)
5. The case closure notification sent to DFAS SCA via e-mail or fax, as well as the system generated C1I case closure transaction (see SAMM, ***Appendix 7 Chapter 4, A7.C4.7***)
6. A directory identifying the location of stored case records

Table 6-18. Reopened Case Documentation

Reopened Case Documentation
Note: This section is only operative if the case, once closed, must be reopened.
1. All correspondence and data about why the case had to be reopened, including the written authorization(s) approving the reopening
2. The re-finalized DD 2060 and 2061s (filed in the "Financial Control Documentation" section)
3. The closure certification
4. The final DD 645

Figure 6-1. Key Planning Milestones Template

Event	Planned Date of Completion	Actual Date of Completion
LOR acknowledged		
Completed DD 2061 or automated equivalent (DSAMS RP069)		
LOA Data completed		
Congressional notifications completed as necessary		
LOA prepared		
LOA countersigned/mailed to purchaser		
LOA implemented		
LOA lines delivery complete (delivery transactions with estimated prices submitted)		
001		
002		
Additional lines as needed		
LOA lines financially complete (delivery transactions with actual prices submitted)		
001		
002		
Additional lines as needed		
Final DD 2060 forwarded to DFAS SCA		
Case closure notification forwarded to DFAS SCA		

Note: Other milestone plans as developed by the IAs may be used.

VOLUME 15, CHAPTER 7: "PRICING"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font*.**

The previous version dated June 2012 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Revised references and links to the Defense Security Cooperation Agency (DSCA) Security Assistance Management Manual (SAMM), DSCA 5105.38-M.	Update
Multiple	Added references to Building Partner Capacity (BPC) cases where applicable in accordance with SAMM, Chapter 15.	Add
070305.C	Revised guidance for estimation of Nonrecurring Costs when cost pool documentation is not adequate pursuant to DSCA Policy Memo 12-09.	Update
070602.A.1	Reduced the Foreign Military Sales (FMS) administrative surcharge from 3.8-percent to 3.5-percent effective November 1, 2012 pursuant to DSCA Policy Memo 12-47.	Update
070602.A.2;	Updated the suspension of the Small Case Management Lines (SCML) on cases not generating at least $15,000 in FMS administrative surcharge costs effective July 3, 2012, pursuant to DSCA Policy Memo 12-37.	Update
070604.C (former)	Deleted requirement for the addition of SCML for cases when reduced to a value which would require it pursuant to DSCA Policy Memo 12-37. Renumbered remaining sections.	Delete
0715	Noted the recapitalization of the Security Defense Acquisition Fund in 2012.	Update
Table 7-1	Updated reference to Transportation Accounts, pursuant to DSCA Policy Memo 12-10.	Update

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CHAPTER 7

PRICING

0701 INTRODUCTION

070101. Purpose

A. The purpose of this chapter is to establish policies and procedures to ensure the Department of Defense (DoD) Components uniformly and consistently apply pricing principles and methodologies that recoup current period costs and a reasonable contribution to sunk investment costs. Sunk investment costs represent historical decisions to expend research and development (R&D) funds to develop new equipment or to purchase assets or facilities. Foreign Military Sales (FMS) purchasers benefit from the investment decision, although it was based entirely on DoD requirements, when they purchase related equipment or when use of the assets and facilities is necessary in order to provide ordered services or to deliver ordered materiel.

B. This chapter applies to the sale of defense articles or services under the authority of the ***Arms Export Control Act (AECA)***, Public Law 90-629, as amended, codified as ***Title 22 United States Code, sections 2751 et seq***., and the ***Foreign Assistance Act (FAA)***, Public Law 87-195, as amended, codified as ***Title 22 U.S.C. 2151 et seq***.

C. For pricing guidance from authorities other than the AECA and FAA that sell or transfer defense articles or services (such as annual defense appropriation acts or supplemental appropriation acts), consult the authorizing legislation and relevant financial management policy.

070102. Responsibilities

The DoD Components that sell defense articles or services under authority of the AECA must:

A. Ensure defense articles and services provided to FMS purchasers are priced in accordance with the policies established in this chapter;

B. Establish a single selling price for defense articles and services. A single selling price includes the additional charges for nonrecurring research, development, test, and evaluation (RDT&E) and production costs, costs for recurring procurement support efforts, transportation costs when the use of DoD transportation is approved, and other applicable surcharges;

C. Ensure each price estimate provided to an FMS purchaser is a reasonable approximation of the final price. However, the fact that an estimate is not consistent with the final cost accumulation does not negate the requirement to establish a final price (actual cost) in accordance with this chapter;

D. Provide detailed price and cost information upon request by the FMS purchaser. Proprietary cost and pricing data must not be disclosed unless there is prior authorization of the contractor concerned;

E. Present prices of defense articles and services to FMS purchasers in the format of FMS Letters of Offer and Acceptance (LOAs). The administrative surcharge percentage prescribed in this chapter is subject to change without prior approval of the purchaser. The administrative surcharge applicable to each line on the LOA is to be specified in a note in each LOA document. The LOA should be used unless a waiver is obtained from the Director, Defense Security Cooperation Agency (DSCA), to use a suitable substitute instrument. Any substitute instrument should contain the same cost elements as those identified on the LOA;

F. Cite directly the FMS Trust Fund (11X8242) purchaser(s) subaccount(s) on contractual documents for new procurements initiated as a result of FMS orders;

G. Ensure that the transportation of materiel, other than Defense Working Capital Fund (DWCF) materiel, sold to FMS purchasers is accomplished through the use of collect commercial bills of lading to the maximum possible extent. When transportation is accomplished through the use of Government Bills of Lading (GBLs) including DWCF materiel, the GBL must be annotated to show that Interstate Commerce Act, Section 10721 (***Title 49 U.S.C. 10721***) is not applicable and that normal commercial rates must be billed to the United States Government (USG) for the shipment. Refer to the DSCA 5105.38-M, ***Security Assistance Management Manual (SAMM), Chapter 7*** for guidance on the use of the Defense Transportation System;

H. Assign a case manager to each active FMS case. The case manager is responsible for the total financial and logistical aspects of the case, including:

1. Ensuring that prescribed pricing policies are followed;

2. Ensuring delivery reports have been processed to the Defense Finance and Accounting Service, Security Cooperation Accounting (DFAS SCA); and

3. Ensuring the reconciliation of the FMS case financially and logistically throughout the life of the FMS case, and not less than annually:

a. On the anniversary of each major case, and/or

b. In preparation for a review with the FMS purchaser.

The case manager's authority to direct other supporting activities must be commensurate with these responsibilities. Refer to ***SAMM, Chapter 2*** for additional discussion on case management responsibilities; and

I. Ensure that the USG "buy back" of items from foreign governments initially sold under FMS programs is conducted in accordance with procurement rules involving the obligation of DoD appropriations. Monies due as a result of such procurement may be paid by the DoD paying office into the FMS Trust Fund in accordance with the foreign government's instructions (e.g., applied to a case or a cash refund). The FMS purchaser's "buy back" holding account is used as an audit trail for the transaction. A direct exchange is permitted for a reparable item of the same type under certain circumstances (see paragraphs 070302.B.2 and 070302.B.3 of this chapter).

070103. Estimating Prices and Billed Values for an LOA

The pricing policy in this chapter stipulates how costs are determined when the FMS purchaser is billed. This policy also establishes how to develop a price estimate for an LOA. An essential difference between the billed price and the estimated price on an offer is the degree of firmness associated with each pricing method. On the FMS Billing Statement (Department of Defense (DD) Form 645), the price, particularly at the point in time when actual costs are known and reported to DFAS SCA, should be firm and exact (the exception being "E" (Estimated) price code transactions). The billed cost (except when a rounded dollar indicator code is utilized) is detailed in dollars and cents. On the LOA, the estimated price is to be a reasonable approximation of the amount which will ultimately be billed, to include the Office of the Under Secretary of Defense (Comptroller) (OUSD(C)) inflation indices and other factors. Amounts to be placed on the LOA, except unit price, will be rounded to the next whole dollar. LOAs are written either as a defined order, blanket order, or as a cooperative logistics supply support agreement (CLSSA). Pricing for each type of LOA requires special treatment. Moreover, an LOA may involve lines that are defined order or blanket order, while CLSSA cases have no other lines. An LOA must include only prices for defense articles and services sold to FMS purchasers and must not be adjusted for any reason other than authorized by this chapter (such as for inflation or for contingencies).

A. Defined Order. Defined Order LOAs are for specified defense articles or services and are usually written for the acquisition of systems. Orders are normally placed by the Implementing Agency (IA) following LOA implementation. IAs involved in procuring such systems should have available estimates of the expected costs as the basis for developing the FMS price. These estimates, however, must be validated for the configuration to be delivered. Additional charges detailed in other sections of this chapter must also be applied. When a price estimate must be inflated for delivery of a weapon system several years in the future, OUSD(C) published inflation indices must be used. If other price inflation or alternate OUSD(C) published factors apply, those factors must be documented in case files and justified to OUSD(C) for approval before finalizing LOAs. When developing estimates for weapon systems in different configurations than those for which IA estimates are available, the IA should obtain contractor estimates for the different configurations.

B. Blanket Order. Blanket Order LOAs are for categories of defense articles or services with no definitive listing of items or quantities to be provided. For hardware support items, the price developed may be based on either a computer listing of specified parts, or a percentage of the cost of the major system to be supported. In other instances, the price on the

LOA may simply be a dollar value line to enable the purchaser to requisition those items up to the dollar ceiling in the Letter of Request. In this latter case, the amount written into the LOA can rely in part on the estimated activity in the country's program. In developing a price for LOA purposes where a blanket order is involved, the source of supply might not be known. In this case, certain assumptions must be made. For example, in writing a blanket order case for spare parts for an aircraft, an agency may have to make assumptions about the source and value of items in order to estimate various pricing elements. This allows the analyst to apply the appropriate costs and charges. At the time of the billing for delivery of an item charged to the case, the appropriate surcharges must be applied by DFAS SCA in accordance with Chapter 8 of this volume. Those agencies that have developed an ordering history for certain countries or weapon systems may be able to develop a ratio of items using procurement data and items from stock that enable a more precise application of surcharges for the estimate. When developing a price for items to be delivered beyond the period for which pricing data is available, it will be necessary to apply inflation factors as in defined order cases.

C. Cooperative Logistics Supply Support Arrangement (CLSSA). CLSSA LOAs are designed to provide responsive and continuous supply support at the depot level for United States (U.S.)-made military materiel possessed by foreign countries and international organizations. CLSSAs are normally the most effective means for providing common repair parts and secondary item support for equipment of U.S. origin that is in allied and friendly country's inventories. Pricing for CLSSA LOAs must be estimated per section 0707 of this chapter.

070104. Legal Background

A. General. ***AECA***, Section 1 states that sales are approved only when they are consistent with the foreign policy interest of the U.S., and the purpose and principles of the United Nations Charter.

B. Pricing Requirements

1. Defense Articles and Services from Stock. AECA, Section 21(a)(1) states that a foreign country or international organization pays in U.S. dollars:

a. In the case of a defense article not intended to be replaced at the time a sales agreement is entered into, not less than the actual value;

b. In the case of a defense article intended to be replaced at the time a sales agreement is entered into, the estimated cost of replacement of such article, including the contract or production costs less any depreciation in the value of such article; and

c. In the case of a sale of a defense service, the full cost to the USG of furnishing such service, unless the service is training provided under the terms in paragraph 070104.B.3 of this chapter. In this latter case, only the additional costs that are incurred in furnishing such assistance must be recovered.

2. Charges Applicable to the Sale of Defense Articles or Services. AECA, Section 21(e)(1) states that the selling price must include appropriate charges for:

a. Administrative services, calculated on an average percentage basis to recover the full estimated costs (excluding a pro rata share of fixed base operations costs) of administration of sales made under the AECA to all purchasers of such defense articles and services as specified in AECA, Section 43(b) and (c);

b. A proportionate amount of any nonrecurring costs (NC) for R&D and production of major defense equipment (MDE), except for equipment wholly paid for either from U.S. military assistance funds, ***FAA***, Section 503(a)(3), or from U.S. credit funds made available on a non-repayable basis under ***AECA***, Section 23; and

c. The recovery of ordinary inventory losses associated with the sale of defense articles that are being stored at the expense of the purchaser of such articles.

3. Training Price Exceptions to AECA, Section 21. Less than the full cost of training may be charged under the following specific conditions:

a. AECA, Section 21(a)(1)(C) allows for countries concurrently (same fiscal year (FY)) in receipt of International Military Education and Training (IMET) or designated as a high-income foreign country to be charged only those additional costs that are incurred by the USG in furnishing the training.

b. AECA, Section 21(g) authorizes the President to enter into North Atlantic Treaty Organization (NATO) Standardization Agreements. The President also is authorized to enter into similar agreements with countries that are major non-NATO allies for the cooperative furnishing of training on a bilateral or multilateral basis, if the financial principles of such agreements are based on reciprocity. Such agreements must include reimbursement for all direct costs but may exclude reimbursement for indirect costs, administrative surcharges, and costs of billeting of trainees (except to the extent that members of the U.S. Armed Forces, occupying comparable accommodations, are charged for such accommodations by the U.S.). Each such agreement must be transmitted promptly to the Speaker of the House of Representatives and the Committees on Appropriations, Armed Services, and Foreign Relations of the Senate. See SAMM, Chapter 10, ***Table C10.T13***, "NATO Reciprocal Agreement Participants", and ***C10.T14*** "Other Reciprocal Agreement Participants."

4. Price of New Procurement. AECA, Section 22(a) requires eligible countries or international organizations to pay the full amount of the contract and any damages and costs that may accrue due to the cancellation of such contracts (termination liability) when the USG enters into a contract for a new procurement on their behalf. Payment to the USG by the foreign country or international organization must be in U.S. dollars.

5. Price of Design and Construction Services. AECA, Section 29 requires that foreign countries or international organizations pay the full cost of design and construction services and any damages and costs that may accrue due to the cancellation of such

contracts when the USG enters into a contract for design and construction services on their behalf.

C. Cost Recoupment Waivers and Exclusions

1. Waiver of Nonrecurring Cost (NC) Recoupment Charges

a. ***AECA***, Section 21(e)(2)(A) authorizes the President to reduce or waive the NC recoupment charge or charges which would otherwise be considered appropriate under AECA, Section 21(e)(1)(B) for particular sales that would, if made, significantly advance USG interest in NATO standardization, and standardization with the Armed Forces of Japan, Australia, the Republic of Korea, or New Zealand, in furtherance of the mutual defense treaties between the U.S. and those countries, or foreign procurement in the U.S. under coproduction agreements.

b. AECA, Section 21(e)(2)(B) authorizes the President to waive NC recoupment charges for a particular sale if it is determined that: (1) imposition of the charge or charges would result in the loss of the sale, or (2) the waiver of the charge or charges for MDE would result in a savings to the U.S. that substantially offsets the revenue due to this waiver.

c. AECA, Section 21(e)(2)(C) gives the President the authority to waive, for particular sales of MDE, any increase in a charge or charges previously considered appropriate under AECA, Section 21(e)(1)(B). This authority is given if the increase results from a correction of an estimate (reasonable when made) of the production quantity base that was used for calculating the charge or charges for purposes of such paragraph.

d. The authorities in 070104.C.1.a-c have been delegated to the Director, DSCA. All waiver requests must be coordinated with the Office of the Under Secretary of Defense (Acquisition, Technology, and Logistics) (OUSD(AT&L)) and the OUSD(C).

2. Special Waiver Authority for NATO Airborne Warning and Control System (AWACS). Notwithstanding paragraph 070605.A of this chapter, ***Title 10 U.S.C. 2350e*** authorizes the Secretary of Defense, in carrying out the NATO AWACS program, to:

a. Waive reimbursement for the costs of the following functions performed by personnel other than personnel employed in the U.S. Air Force AWACS program office:

(1) Auditing,

(2) Quality assurance,

(3) Codification,

(4) Inspection,

(5) Contract administration,

(6) Acceptance testing,

(7) Certification services, and

(8) Planning, programming, and management services;

b. Waive any surcharge for administrative services otherwise chargeable; and

c. Assume contingent liability for:

(1) Any program losses resulting from the gross negligence of any contracting offices of the U.S.;

(2) Identifiable taxes, customs duties, and other charges levied within the U.S. on the program; and

(3) The U.S. share of unfunded termination liability.

3. Waiver of Contract Administration Services (CAS) and Cataloging Services. ***AECA***, Section 21(h) authorizes the President to provide (without charge) quality assurance, inspection, CAS, contract audit defense services, cataloging data and cataloging services.

a. This provision applies to any contract or subcontract for defense articles, services, or design and construction services entered into after October 29, 1979, under FMS or direct commercial sales on behalf of a foreign government that is a member of NATO or the Governments of Australia, New Zealand, Japan, the Republic of Korea, or Israel. The authority applies only if the foreign government provides these services in accordance with an agreement on a reciprocal basis, without charge, to the USG.

b. This provision applies to any contract or subcontract for defense articles, services, or design and construction services pursuant to the NATO Security Investment Program. The authority applies only in accordance with a reciprocal agreement under which the foreign governments participating in the NATO Security Investment Program provide such services, without charge, in connection with similar contracts or subcontracts.

c. Cataloging data and cataloging services may be provided to NATO, to a member government of NATO, or to the Governments of Australia, New Zealand, Japan, the Republic of Korea, or Israel, if that member, organization, or country provides such data and services without charge to the U.S. in accordance with a reciprocal agreement.

d. The authority to negotiate and conclude these reciprocal agreements has been delegated to OUSD(AT&L). Upon approval of the agreement, OUSD(AT&L) will provide a copy of that agreement to DSCA.

e. When a waiver is approved, the cost of CAS in support of the applicable effort must be funded by a DoD appropriation. Billings for such actual costs must not be submitted against the FMS Trust Fund. The waiver under each agreement applies only to new FMS LOAs with implementation dates (as recorded in the Defense Security Assistance Management System) on or after the effective date of the reciprocal agreement.

f. Countries with CAS waivers are listed in SAMM, Chapter 9, Tables: ***C9.T5***, "Approved Reciprocal Country Agreement Listing"; ***C9.T6***, "Approved Agreements Relating to Participating Groups, Organizations, or Projects" and ***C9.T7*** , "NATO Reciprocal CAS Agreements. DSCA is responsible for updating and maintaining the CAS waiver table.

4. Special Waiver Authority for NATO Cooperative Projects

a. ***AECA***, Section 27(e)(1) stipulates that the President may reduce or waive the charge or charges in connection with cooperative projects or agreements entered into under the authority of that section. The charges that may be reduced or waived are those that are otherwise considered appropriate under AECA, Section 21(e) (see paragraph 070104.B.2 of this chapter) for sales of defense articles and services from stocks or new procurements when the other participants agree to waive or reduce such charges.

b. Waiver authority of the President under AECA, Section 27 has been delegated to the Director, DSCA.

c. Administrative surcharges must not be increased on other sales made under the AECA in order to compensate for any cost waivers that are granted pursuant to Section 27. Funds received pursuant to such other sales must not be available to reimburse the costs incurred by the USG for which waiver or reduction is approved by the President under AECA, Section 27.

5. Exclusion of the Cost of Military Pay and Entitlements for Defense Services Funded by the Military Assistance Program Merger (MAP Merger) or Non-Repayable Foreign Military Financing (FMF)

a. ***FAA***, Section 503(a)(3) permits the exclusion of salaries of members of the Armed Forces (other than Coast Guard) if the sales case for defense articles, services (including training), or for design and construction services is totally financed by MAP Merger or by non-repayable FMF.

b. The pricing of services provided under AECA, Sections 21, 22, 29, or 30 must be priced to exclude military pay and entitlements (including retired pay accrual) only for those cases citing MAP Merger funds and/or non-repayable FMF or Building

Partner Capacity (BPC) cases which are funded with DoD or Department of State (DOS) appropriated funds (e.g., Afghanistan Security Forces Fund (ASFF), Pakistan Counterinsurgency Fund (PCF), Pakistan Counterinsurgency Capability Fund (PCCF), Coalition Readiness Support Program (CRSP), or Global Train and Equip (Section 1206)) as the exclusive method of funding on the LOA. This pricing applies when services are performed regardless of the date of the LOA. For MAP Merger, this pricing applies to services provided after September 30, 1985; for non-repayable FMF, this pricing applies to services provided after September 30, 1989. Any subsequent amendment or modification that reduces MAP Merger or non-repayable FMF funding below 100 percent requires re-pricing to add military pay and entitlements to the entire case.

c. A separate price for DWCF goods and services must not be established to exclude military pay and entitlements when the case is fully funded by MAP Merger or non-repayable FMF or is a BPC case.

6. Exchange of Unit Training and Related Support. ***AECA***, Section 30A empowers the President to provide training and related support to military and civilian defense personnel of a friendly foreign country or an international organization. This authority applies only to established military units, not to ad hoc units or individual members of units. Such training and related support is specifically to be provided by a Secretary of a Military Department and only when the recipient foreign country or international organization agrees, pursuant to an agreement or other arrangement, to provide comparable training and related support on a reciprocal basis to personnel under the jurisdiction of the Secretary providing the training. The reciprocal training must be provided within a reasonable period of time that is not later than one year after the provision of training and related support. If such training is not provided, then the country or international organization receiving the training must be required to reimburse the U.S. See Volume 11A, Chapter 10 of this Regulation and ***SAMM, Chapter 10***, for the financial policies associated with this reciprocal program.

7. Special Authorities. In connection with the administration of the European Air Defense Agreements, the Secretary of Defense is authorized under the International Security and Development Cooperation Act of 1985, Section 132 (see AECA) to: (a) waive any surcharge for administrative services otherwise chargeable under AECA, Section 21(e)(1)(A), and (b) waive any charge not otherwise waived for services associated with contract administration for the sale (under the AECA) of Patriot air defense missile fire units to the Federal Republic of Germany contemplated in the agreements.

8. Fair Pricing. Under AECA, Sections 21 and 43, the recoupment of NC is not required for FMS cases wholly funded with MAP Merger or non-repayable FMF or BPC cases which are funded with DoD or DOS appropriated funds (e.g., ASFF, PCCF, PCF, CRSP, or 1206). Effective with delivery reports after December 1, 1989, asset use charges are no longer applicable to FMS transactions. When such asset use expenses are included in, or are a part of, the standard prices/stabilized rates charged for defense articles and services furnished by DWCF, a separate price must not be established for sales from, or services furnished by, DWCF in connection with FMS cases. In addition, military salaries and the unfunded costs of civilian retirement and other benefits are not included in the FMS administrative account.

070105. Crediting of Earned Reimbursements

A. General. DoD appropriation or fund accounts, or Miscellaneous Receipts Account 3041, "Recoveries Under the Foreign Military Sales Program, Army, Navy, Air Force, Defense" must be reimbursed when DoD services or inventory items are sold under AECA, Section 21. Reimbursement must also be made under AECA, Section 22 procurement actions if direct cite procedures for financing applicable contracts are not used. The general rule applicable to the sale of DoD services is that the financing account current at the time of performance is credited with applicable budget authority and subsequent cash collections. When items are sold from inventory, the financing account current at the time items are dropped from inventory is credited with applicable budget authority and subsequent cash collections. When items not to be replaced-in-kind (free assets) are sold from inventory, those receipts are credited to Miscellaneous Receipts. When appropriation or fund accounts are used to finance FMS procurements, the account current at the time the order is accepted is credited with budget authority and subsequent cash collections.

B. Elements. The various cost elements that may be involved in performance of an FMS order and the appropriations that are to be reimbursed are shown in Table 7-1.

0702 PRICING OF PERSONNEL SERVICES

070201. General

Charges to the FMS program for DoD personnel must be computed in accordance with this section.

A. The pricing of DoD personnel services in support of the FMS program, including personnel costs recouped indirectly through the FMS administrative surcharge, and those recouped as direct charges, such as special management services, Mobile Training Teams (MTTs), Mobile Education Teams, Technical Assistance Teams, or Technical Assistance Field Teams (TAFTs) must be calculated in accordance with this section. This section excludes personnel assigned to DoD training installations (see section 0710 of this chapter), and those costs that may be waived or excluded from charges in certain cases discussed throughout this chapter.

B. The calculation of personnel costs must include travel time, for both temporary duty travel (TDY) and permanent change of station (PCS), when the travel directly results from performance of an FMS case. When determining the pricing for personnel services, every attempt should be made to use actual costs. If actual cost data is not available, estimated pricing is acceptable. The costs must be substantiated by a reliable audit trail.

070202. Civilian Personnel

Services performed by DoD civilian personnel must be priced at rates in effect at the time the services are performed. Salary tables are available at the Office of Personnel

Management ***(OPM)*** Web site. Base salary rates must be accelerated as discussed in this paragraph. An illustration of civilian personnel pricing computation is shown in Figure 7-1.

A. The leave and holidays acceleration factor of 18 percent is applied to the base salary only when the employee is not reimbursed by FMS on a full time basis.

B. The Civilian Personnel Fringe Benefit Rate is applied to the base salary, with leave and holiday acceleration when applicable, to recover USG's contribution of civilian employee benefits such as retirement, insurance and health plans, cash awards, and, when applicable, USG's share of social security taxes and leave and holidays. The Civilian Fringe Benefit Rates are published annually at the ***OUSD(C) reimbursable rates*** Web site; to access select the applicable FY, Civilian Personnel Fringe Benefit (Tab D). Historical rates are available in the Appendix C Archive of this volume.

C. The Unfunded Civilian Retirement (UCR) factor is applied to the base salary, with leave and holiday acceleration when applicable, to recover retirement, post-retirement health benefits and post-retirement life insurance costs incurred by USG. The UCR factor is published annually with Civilian Fringe Benefit Rates. The UCR factor is not applied when calculating personnel costs to be reimbursed by the FMS Administrative Surcharge Budget (see paragraph 070104.C.8 of this chapter), or BPC Cases which are funded with DoD or DOS appropriated funds (e.g., ASFF, PCCF, PCF, CRSP, or 1206).

D. See paragraph 070104.C.8 of this chapter for the impact of "Fair Pricing" legislation on civilian personnel services in calculating charges for administrative services under ***AECA***, Section 21(e)(1)(A).

070203. Military Personnel

A. Military personnel services must be priced using the composite standard pay rates current at the time services are performed. Current reimbursable rate tables are available at the ***OUSD(C) reimbursable rates*** Web site; to access select the applicable FY, Military Personnel Composite Standard Pay and Reimbursement Rates (Tab K). Rates applicable to FMS are computed using the "Annual Rate Billable to Other Federal Agencies" plus the Medicare-Eligible Retiree Health Care accrual. Monthly, daily, or hourly rates can be determined from these tables by using factors listed in the notes at the bottom of each page. Historical rates are available in the Appendix C Archive of this volume. Prior to November 30, 1989, an Asset Use acceleration factor would have applied to the total costs of TDY and military composite pay costs if the service was performed at a military installation.

B. Since FY 1985, the annual composite standard military rates include the cost of retirement. These composite rates, however, must also recover the cost of other benefits. Leave and holiday costs are added when reimbursements are based on time actually worked, such as when the foreign country does not otherwise pay for the personnel costs incurred by DoD during leave and holiday periods. The additive amounts for retirement, leave and holidays, and other benefits are expressed as percentages of the composite standard pay rate. Pricing computations are illustrated in Figure 7-2.

C. PCS costs are included in the composite standard pay rates and are subject to the reimbursement factors. For cases prior to FY 2005, if military personnel were required to make a PCS move to support an FMS case, the PCS rate must be deleted from the composite rate and the actual PCS cost charged to the case is not subject to any additional reimbursement factor. Effective FY 2005, military personnel services for FMS must be priced using the composite rates that already include the PCS expense and must no longer use the actual PCS expense for PCS moves to support an FMS case.

070204. Foreign National Personnel

Foreign national personnel services must be priced at actual costs or at standard pay rates. Standard pay rates must not be used when known to be less than actual costs. Both the actual cost and the standard pay rate must include an estimated amount to cover such benefits as sick leave, maternity leave, death, accident, unemployment, and retirement (separation) when such benefits are paid to these employees or specifically required by the laws of the foreign government.

070205. Travel and Living Allowances

Travel, per diem, living allowance payments, and other entitlements to DoD personnel working on FMS cases must be identical to the payments and entitlements of DoD personnel working on direct DoD mission assignments at similar locations; refer to Volume 9 of this Regulation. Waivers from the normal travel procedures must be granted to Security Assistance (SA) travelers on the same basis and in the same manner as provided for DoD personnel traveling on regular defense business. The FMS case must be priced to include the amount paid to employees or centrally funded through authorized DoD entitlement programs.

070206. Special Instructions Applicable to Defense Working Capital Funds

Defense Working Capital Funds (DWCF) facilities must charge approved DoD stabilized rates and prices for services in support of FMS cases, except where special rates have been approved by OUSD(C) or where actual cost reimbursement is appropriate. The stabilized rate to be charged is the rate in effect when the order is received and accepted (as opposed to when performed by DWCF supply management). See Volume 2B, Chapter 9 and Volume 11B of this Regulation for additional information. The price or rate charged to FMS purchasers of DWCF activities for defense articles and services must be adjusted to include an amount for unfunded civilian retirement and post-retirement health benefits costs. Amounts collected for unfunded civilian retirement and post-retirement health benefits costs must not be retained by DWCF activities; rather, such amounts must be deposited into the Miscellaneous Receipts Account 3041. To determine the adjustment to the price or rate for unfunded civilian retirement and post-retirement health benefits costs, the civilian salary costs (not including benefits or overtime costs) that are included in the price or rate, must be multiplied by the unfunded civilian retirement and post-retirement health benefits costs rate. The DoD reimbursable rates can be found on the ***OUSD(C) reimbursable rates*** Web site; to access select the applicable FY, Military Personnel Composite Standard Pay and Reimbursement Rates (Tab K).

0703 CASH SALES OF DEFENSE ARTICLES ISSUED FROM STOCK

070301. General

AECA, Section 21 authorizes the sale of defense articles from stock to eligible foreign governments and international organizations. These sales include all sales of items from DoD inventories, whether delivered from storage or from procurements that were initiated to maintain adequate DoD inventory levels. Procurements specifically for FMS requirements (excluding CLSSAs) may not be considered a sale from stock. Procurements initiated to replace stocks sold from DoD inventories are not FMS new procurements.

070302. Sale of Defense Articles

A. Sale Price of Non-excess Defense Articles. Non-excess defense articles are assets within the approved force acquisition objective and approved force retention stock of all DoD Components. Also included in the non-excess category are articles procured in anticipation of military assistance or sales requirements as a result of CLSSAs, or pursuant to a military assistance or sales order. The selling price must be determined when: (1) the item is dropped from inventory, or (2) the LOA is prepared, if a firm price is determined in accordance with the provisions of paragraph 070303 of this chapter.

B. Sale of Defense Working Capital Fund Articles

1. The selling price of DWCF articles to FMS purchasers must be determined at the time the article is dropped from inventory. The standard price charged to FMS purchasers for DWCF articles must be adjusted to include an amount for unfunded civilian retirement and post-retirement health benefits costs (see paragraph 070206 of this chapter). See Volume 2B, Chapter 9; Volume 11A, Chapter 1; and Volume 11B, Chapter 11 of this Regulation for additional information.

2. If a purchaser returns a reparable DWCF item for repair or replacement, the overhaul service must be priced in accordance with paragraph 070802 of this chapter. The price of the replacement/exchange item would be the exchange price or net price (standard price less credit) basis adjusted for the unfunded retirement and benefits.

3. As an invested participant, a CLSSA purchaser may return a fully serviceable reparable item to the appropriate DWCF activity for credit, when the item is within the activity's approved acquisition objective. The credit will only be issued after the item is received and inspected at the activity. Funds credited may be paid by the DoD disbursing office into the FMS Trust Fund in accordance with the instruction of the foreign purchaser or DSCA.

4. Beginning October 1, 2001, the selling price of petroleum, oil, and lubricants (POL) will be the replacement cost of the POL during the period of the sale plus associated overhead. See Volume 11A, Chapter 1 and Volume 11B, Chapter 11 of this Regulation for additional information on overhead (prior to October 1, 2001, POL was priced at standard (stabilized) prices).

C. Sale of Non-DoD Working Capital Fund (non-DWCF) Articles. The pricing and treatment of reimbursements of non-DWCF articles sold are dependent upon whether the item(s) being sold requires replacement. An illustration of the price computation is at Figure 7-3.

1. Item Not to be Replaced. When an item is sold from the stocks of DoD and is not intended to be replaced, it is considered a free asset. The free asset price is not less than the actual value of the article. The amounts received as payment for free assets from the FMS purchaser must be deposited into the Miscellaneous Receipts of the U.S. Treasury. See Volume 3, Chapter 15 of this Regulation for additional information.

a. When a determination is made that the item will not be replaced, the price of the item must be the most recent actual procurement cost of the series and model being sold, plus the cost of any modifications or improvements incorporated after production and the applicable NC recoupment charge. Reductions to the sale price may be made when there is an actual difference in utility or desirability among units of issue of an item due to age or condition. The cost of the last major overhaul or outfitting accomplished before the sale date is added to the calculated price and is not reduced for age or condition. The overhaul costs will be prorated over the interval between the last actual overhaul and the next scheduled overhaul. If a future overhaul is not scheduled, the cost of the previous overhaul will be prorated over the normal average interval between overhauls. If an overhaul schedule is not available, the most appropriate time span for that series and model should be used. In the case where actual costs are not available for the last overhaul, a reasonable estimate from the facility normally performing overhauls for the type of item to be sold may be used. In the case where a maintenance schedule has not been established, a period of at least five years should be used. An illustration of price computation is at Figure 7-4. A request for waiver of the overhaul cost may be submitted to OUSD(C) in accordance with section 0717 of this chapter.

b. In the case of a naval vessel that is 20 or more years old, and 3,000 tons or less, ***AECA***, Section 21(a)(2) provides that the actual value is not less than the greater of the scrap value or the fair value (including conversion costs) as determined by the Secretary of Defense. An illustration of the price computation is at Figure 7-5.

2. Item to be Replaced. When an item is sold from the stocks of DoD and the item is intended to be replaced, the replacement may be either with an end item which is of identical type, model, and series designation (replacement-in-kind, e.g., sale of a C-130B and a purchase of a C-130B), a later series or modified version of the same basic model being sold (e.g., sale of C-130B and the purchase of a C-130E), or an acceptable substitute item that provides at least the same capability or readiness as the item being sold (e.g., sale of an M-48 tank and purchase of an M-60 tank). In addition, items sold from inventory with a unit cost of less than $5,000 will be treated as replacement-in-kind if an improved model of the same end item being procured performs the same war-fighting capability, and the inventory objective presented to the Congress is not exceeded. Both the sale and “buy back” of a replacement-in-kind item will be executed as part of the reimbursable program. Reimbursement from the sale of items when the replacement item is not identical to the item sold is included in the reimbursable financing, but the “buy back” of the replacement must be shown under the direct

budget program and reprogramming action taken prior to replacement. See Volume 2A, Chapter 1; Volume 3, Chapter 15; and Volume 11A, Chapter 1 of this Regulation for additional guidance on sales from inventory.

a. The price of the item to be replaced must be the best estimated cost of the replacement item available at the time the item is dropped from inventory, plus the nonrecurring recoupment charge of the item being sold, adjusted for the remaining service life of the item being sold. The final bill will utilize the best pricing information available if actual replacement procurement cost is not known. This must be the final cost to the purchaser regardless of the actual cost of final replacement procurement. Inventory managers must realize that this prescribed pricing methodology may not result in a one-for-one replacement. If exact quantities are needed in inventory in order to maintain readiness, the inventory manager must recommend FMS procurement and not approve a shipment out of stock.

b. When it is imperative that stock be replaced through accelerated procurements, and normal pricing policies will not adequately recoup replacement costs, an exception to DoD pricing policies must be requested from the OUSD(C). Section 0717 of this chapter specifies guidance on exception requests. Normally, the exception would be to add a replacement factor or delay final pricing until the contract for replacement items is financially complete.

D. Sale of Ammunition. The selling price of an ammunition item must be the current standard price plus any applicable NC recoupment charge.

070303. Quotation of Firm Prices

A. The DoD Components are authorized to quote firm prices for items to be sold from stock and for in-house services to be furnished, pursuant to ***AECA***, Section 21. Such prices are not subject to further adjustment, provided the purchaser accepts the LOA before the expiration date. A firm price may be quoted only for:

1. An actual or estimated replacement price for a procurement funded end item, including ammunition, or major items to be sold from inventory as authorized in paragraph 070302.C.2 of this chapter, when the price is based on budgetary data or contractor quotation;

2. A price for procurement funded or major item developed under provisions of paragraph 070302.C.1 and paragraph 070304 of this chapter; and

3. Training tuition rates (only for current year). Refer to section 0710 of this chapter for additional information.

B. The reason for quoting firm prices is to minimize difficulties that might arise should prices undergo several revisions due to budgetary decisions made subsequent to country acceptance of LOAs. Firm prices may be quoted only after careful and coordinated

development of such pricing data. LOAs (other than for training) that specify firm pricing must be coordinated, at a minimum, with the OUSD(C), the Offices of the Assistant Secretaries of the Military Departments (Financial Management and Comptroller) and DSCA.

C. All LOAs authorized to be on a firm price basis must include a note that specifies that pricing data presented is firm (except for changes authorized in paragraph 071001.D of this chapter) and will not be changed, provided the country accepts the LOA before its offer expiration date.

070304. Excess Defense Articles

A. Excess defense articles are assets in excess of the approved force acquisition objective and approved force retention stock of all the DoD Components (see paragraph 070302 of this chapter for additional discussion). Excess defense articles must be sold in an "as is" condition. The cost of repairing, rehabilitating, or modifying such articles must be computed in accordance with paragraph 070802 of this chapter. Excess articles may be sold at reduced prices to recognize depreciation for the age and condition of the article. Packing, Crating and Handling (PC&H) and Transportation (PCH&T) is computed on the original acquisition value and not on the reduced price. The level of effort for the PCH&T is not less for an article that is considered excess; therefore, the expenses for the PCH&T do not decrease and must be recovered in total from purchasers. This policy applies regardless if the article is financed from procurement appropriations or DWCF. An illustration of the price computation is at Figure 7-6. The selling price of excess articles, exclusive of repair or modification costs, must be the highest of:

1. Its market value for which the applicable NC recoupment charge must be assumed to be included (market value is the price at which bona fide sales have been consummated for products of like kind, quality, and quantity);

2. Its scrap value plus NC recoupment charge and the last major overhaul costs incurred (scrap value is the amount that would be expected to be obtained from selling the asset at the end of its useful life); or

3. Its fair value, plus NC recoupment charge and prorated major overhaul costs (fair value is the price for which an item can be bought or sold in an arm's length transaction between unrelated parties). The fair value is computed using the fair value rates associated with the Federal Condition Code of the asset multiplied by the established inventory price. See Table 7-2 and the Defense Logistics Agency ***Federal Condition Code reference*** for more information. If the IA proposes the price of materiel to be less than the 5 percent minimum threshold indicated in Table 7-2 of this chapter or to waive the overhaul costs, a detailed justification must be sent to the DSCA Directorate for Business Operations (DBO) in accordance with section 0717 of this chapter. If DSCA endorses the IA proposal, it will forward that package to OUSD(C) for final approval.

B. The overhaul costs will be prorated over the interval between the most recent prior overhaul and the next scheduled overhaul. If a future overhaul is not scheduled, the

cost of the last overhaul will be prorated over the normal average interval between overhauls. In the case where actual costs are not available for the last overhaul, a reasonable estimate from the facility normally performing overhauls for the type of item to be sold may be used. In the case where a maintenance schedule has not been established, a period of at least five years should be used. An example of computing these costs is illustrated at Figure 7-4 of this chapter.

C. When accountability for excess items has been transferred to "Property Disposal," the provisions of the Defense Materiel Disposition Manual, ***DoD 4160.21-M***, Chapter 3 must apply. This manual provides specific guidance for the disposition of amounts realized from the sale of such equipment. Defense Reutilization and Marketing Service will calculate PC&H based on the fair value of assets sold or transferred, notwithstanding paragraph 070501.D of this chapter.

D. A request for exception to established pricing policy of excess materiel for FMS will be submitted in accordance with section 0717 of this chapter and must address the following:

1. Whether the item has been screened for potential sale to purchasers and whether there is any existing purchaser interest at the price determined in accordance with the established pricing policy;

2. Whether the alternative proposed price is equal to or greater than the scrap value plus the established recoupment charge for DoD NC;

3. Whether demilitarization costs will be incurred by DoD if the item is sold and, if so, the estimated amount of such demilitarization costs;

4. What the price to repair the item would be and its percentage of the original acquisition cost of the item; and

5. Whether the proposed sale has any other economic or political benefit to DoD and/or USG.

*****070305. Charges for Nonrecurring Costs

A. Non-USG purchasers must pay a fair price, determined in accordance with ***Title 32, Code of Federal Regulation (CFR), Part 165***, "Recoupment of Nonrecurring Costs (NCs) on Sales of U.S. Items" for the value of DoD nonrecurring investment in the development and production of MDE, as required by law, unless an NC recoupment charge waiver has been approved by the Director, DSCA. For FMS, an NC recoupment charge is applicable to all MDE. MDE is any item of Significant Military Equipment (SME) listed on the U.S. Munitions List having a DoD nonrecurring RDT&E cost accumulation of $50 million or a total DoD production cost of more than $200 million. A listing of MDE with associated NC charges can be found in the ***SAMM, Appendix 1***. The NC recoupment charge is not applicable to BPC cases.

B. A cost pool methodology is used to determine the pro rata share of NC to be recouped. The NC recoupment charge computation (nonrecurring RDT&E and nonrecurring production cost pools divided by estimated benefiting units) is submitted to the Director, DSCA, for approval. The NC recoupment computation must be supported with an MDE calculation worksheet, illustrated in Figures 7-7, 7-8, and 7-9. The Director, DSCA, will review each DoD Component's calculations and publish the approved charge in the ***SAMM, Appendix 1***.

C. Each DoD Component must establish a system to accumulate cost pools, recognize when a cost pool meets recoupment thresholds, and calculate an NC recoupment charge for items releasable to foreign countries and international organizations when FMS sales are anticipated. The NC recoupment charge must be based upon information recorded in DoD accounting records or DoD budget justification documents. If adequate documentation is unavailable, the DoD Component will calculate the pro rata NC at five percent of the last known DoD acquisition cost.

D. The nonrecurring RDT&E cost pool includes costs funded by RDT&E appropriations to develop or improve the product or technology under consideration. The costs to be included in the nonrecurring RDT&E investment cost pool must be determined on the budget and accounting classifications established for RDT&E appropriations in Volume 2B of this Regulation. Volume 2B, Chapter 5, paragraph 050201 of this Regulation establishes the following R&D categories:

1. Budget Activity 1, Basic Research 6.1, includes all efforts of scientific study and experimentation directed toward increasing knowledge and understanding in those fields of the physical, engineering, environmental, and life sciences related to long term national security needs. It provides the basis for technological progress. Further, it may lead to (a) subsequent exploratory and advanced development in DoD-related technologies, and (b) new and improved military functional capabilities in areas such as communications, detection, tracking, surveillance, propulsion, mobility, guidance and control, navigation, energy conversion, materials and structures, and personnel support.

2. Budget Activity 2, Applied Research 6.2, includes all efforts directed toward the solution of specific military problems, short of major development projects. This type of effort may vary from fairly fundamental applied research to quite sophisticated breadboard hardware, study, programming, and planning efforts. It would thus include studies, investigations, and non-system specific technology efforts. The dominant characteristic of this category of effort is that it is pointed toward general military needs with a view toward developing and evaluating the feasibility and practicability of proposed solutions and determining their parameters. Program control of the Applied Research program element is exercised normally at a general level of effort.

3. Budget Activity 3, Advanced Technology Development (ATD) 6.3, includes all efforts for the development of subsystems and components, and efforts to integrate subsystems and components into system prototypes for field experiments and/or tests in a simulated environment. The prime result of this type of effort is proof of technological feasibility and assessment of a subsystem and component operability and producibility, rather

than the development of hardware for service use. Projects in this category have a direct relevance to identified military needs.

4. Budget Activity 4, Advanced Component Development and Prototypes 6.4, includes system specific efforts that help expedite technology transition from the laboratory to operational use. Emphasis is on proving component and subsystem maturity prior to integration in major and complex systems and may involve risk reduction initiatives. Program control is exercised at the program and project level.

5. Budget Activity 5, System Development, and Demonstration 6.5, are characterized by major line item projects and program control is exercised by review of individual programs and projects. Prototype performance is near or at planned operational system levels. Characteristics involve mature system development, integration, demonstration, conducting live fire test and evaluation, and initial operational test and evaluation of production representative articles.

6. Budget Activity 6, RDT&E Management Support 6.6, includes research and development, test and evaluation efforts and funds to sustain and/or modernize the installations or operations required for general R&D use. Included would be test ranges and maintenance of test aircraft and ships, and studies and analyses in support of the RDT&E program. Cost of laboratory personnel, either in-house or contract-operated, would be assigned to appropriate projects or as a line item in the Basic Research, Applied Research, or ATD program areas, as appropriate. Military construction costs directly related to a major development program are included.

7. Budget Activity 7, Operational System Development 6.7, includes development efforts to upgrade systems that have been fielded or have received approval for full rate production funding in the current or subsequent FY. All items in this area are major line item projects that appear as RDT&E Costs of Weapon System Elements in other programs. Program control must be exercised by reviewing projects individually.

8. The costs incurred for nonrecurring RDT&E in the first two budget activities (6.1 and 6.2) may not be included in the nonrecurring RDT&E cost pool. The advanced development (6.3) budget activity classification is sometimes further broken down into budget activities 6.3A and 6.3B. Although both types of effort are a "proof-of-design" concept rather than the development of hardware for service use, the budget activity 6.3A classification is tied strictly to research efforts that involve the production of breadboards or brass boards to model all or part of a design. The budget activity 6.3B classification may be applied to projects to produce a prototype, which although not suitable for fielding, is closer to representation of an end item for military application. Therefore, costs incurred for nonrecurring R&D in classification 6.3A may not be included in the nonrecurring RDT&E cost pool. However, costs in classification 6.3B and the remaining R&D classifications are subject to recoupment and must be included in the nonrecurring R&D cost pools upon which the pro rata charge is calculated.

E. All applicable NC efforts, including in-house or multiple contractors must be included in the nonrecurring RDT&E cost pool. In other words, the source of the NC effort

to develop a product is not relevant to the calculation of the NC recoupment charge. The costs of improvement programs that are designed to continuously improve the safety, reliability, availability, and maintainability of an end item or major component over the projected life of the item will be shared equitably by all users of the item. Normally, each user will pay a share of the total annual cost through a Component Improvement Program (CIP) or comparable program. All users are expected to participate in such a program. The cost sharing calculation will be established at the time the nonrecurring RDT&E cost pool is established and the NC recoupment charge is approved. First, the total life of the item will be projected, and then the point in time when half of all projected deliveries to non-DoD purchasers will occur will be estimated. Using actual cost data and data from historical files for similar CIP or comparable programs, the total U.S. investment costs over the life of the program will be estimated. The amount of U.S. investment projected to be incurred up to the previously determined point of half of the deliveries to non-DoD purchasers will be included in the weapon system nonrecurring RDT&E cost pool. The annual cost of operating the CIP or comparable program will be shared in proportion to the number of items in the possession of each user. This will ensure that the remaining costs of operating the CIP or comparable program will be shared equally by all users of the item.

F. The costs to be included in the nonrecurring production cost pool are those financed by, or to be financed in the future by, procurement or operations and maintenance appropriations that benefit current and future production runs. ***Title 32 CFR 165*** stipulates that the pool must capture such costs as preproduction, special tooling, special testing equipment, production engineering, product improvement, destructive testing and product model production, and testing and evaluation. Other costs may be included if they benefit both current and future production runs. Descriptions of the major categories of costs to be accumulated in this NC pool are as follows:

1. Preproduction cost refers to the cost of such activities as tooling manufacture and tryout (i.e., jigs, dies, and fixtures) and the implementation of layout plans. A lump sum payment for license cost is part of the preproduction cost. See paragraph 070305.F.8 of this chapter.

2. Special tooling cost refers to the costs of all jigs, dies, fixtures, molds, patterns, taps, gauges, other equipment and manufacturing aids, and replacement thereof, that are of such a specialized nature that substantial modifications or alteration of their use is limited to the development of production of particular supplies or parts, or the performance of particular services. The term includes all components of such items, but does not include: (a) material; (b) special testing equipment; or (c) building and non-serviceable structures (except foundations and similar improvements necessary for the installation of special tooling), general or special machine tools, or similar capital items.

3. Special test equipment cost refers to the cost funded by procurement appropriations for either single or multipurpose integrated test units engineered, designed, fabricated, or modified to accomplish special purpose testing in the performance of the contract. Such testing units comprise electrical, electronic, hydraulic, pneumatic, mechanical, or other items or assemblies of equipment that are mechanically, electrically, or

electronically interconnected so as to become a new functional entity, causing the individual item or items to become interdependent and essential in the performance of special test equipment procured with RDT&E appropriations.

4. Developmental production engineering cost includes the cost of product design improvement intended to enhance producibility of an item; and examination of available manufacturing processes to determine the need for new techniques (and their development, if necessary); the optimum marshalling of resources for efficient manufacturing (such as optimum lot size, scheduling, production control, production line design and balancing and plant layout); and tool design and detailed manufacturing planning. Although a continuing activity, most of this effort is rightfully considered a nonrecurring production cost.

5. Product improvement is subdivided into six distinct types of effort: (a) safety; (b) cost reduction; (c) reliability, availability, and maintainability; (d) deficiency corrections; (e) compatibility standardization, and simplification; and (f) new or improved operational capability. Categories (a) through (e) are to be included in the end item nonrecurring production cost pool, even though a participating product improvement program has been established that prorates the annual cost of the program based upon worldwide asset position (both U.S. and foreign-owned end items). The DoD cost of category (f) must be recovered as part of the selling price of a new model item, if the item is MDE. Product improvement programs may be accomplished by contractors as an engineering change proposal, modification work order, or an in-house project.

6. Destructive testing is a technique for performing tests on a component, assembly, or an end item. It involves the testing of an article beyond its design limits (and ultimately its destruction), or the actual consumption of the article to determine if it is performing to design specifications.

7. Pilot model testing includes the following efforts:

a. Qualification testing is very severe testing to determine if a product will do what it is designed to do. It usually involves the testing of a product to the limits of its performance. It is often destructive and the test articles are not intended to be used operationally in the future.

b. First article testing is performed to evaluate a new manufacturer's ability to produce a specified design (could be the new manufacturer's design or that of another manufacturer). It is normally more stringent and costly than routine acceptance testing, but less stringent and costly (and less destructive) than qualification testing.

8. License cost refers to the cost of the license DoD obtains to allow competitive awards for production of an item when its design is owned by a contractor. In effect, DoD buys the rights to allow other contractors to produce an item for DoD purposes through the payment of royalties or a lump sum fee. These royalties are customarily on a per item basis and should be charged as recurring production costs. The lump sum fee is a nonrecurring production cost.

G. In computing NC pools for items to be sold under FMS, NC of major components that are restricted to USG use must not be included. For example, the costs of nuclear devices and features, countermeasure devices and features, security devices (black boxes), carrier-peculiar adaptations, and special fuel tank devices must be excluded. Estimates may be used if accounting records do not identify associated costs.

H. Benefiting units is the number of items that must be included in all known or projected DoD production quantities and must be determined as follows:

1. The production quantities of end items required by DoD must be obtained from either Selected Acquisition Reports or the Future Years Defense Program Procurement Annex.

2. The production quantities of end items to be procured for foreign countries or international organizations under SA programs must be obtained from DoD Component SA plans.

3. If end item data is not available from any of these sources, then the developing command must estimate the total number of end items to be produced.

4. The production quantities of systems components that meet the investment threshold must be derived from the number of end items to be produced. For example, if 100 aircraft must be produced (assume one engine for each aircraft) and spare part support requires 150 engines, the production quantity of engines is 250.

I. In the event of a disagreement on the production quantity and sales projections, the Director, DSCA, must make the final determination in coordination with OUSD(C) and OUSD(AT&L), of the production estimates to be used for determining the NC recoupment charge.

J. The approved pro rata charge must be recouped unless a waiver is authorized. When NC recoupment is applicable, the price on an LOA must include the specific recoupment charge. In instances where the initial rate has not yet been approved, DoD Components must provide for an estimated rate based on the most accurate information available to the DoD Component. The LOA must be modified to specify the subsequently approved rate and only that approved rate is to be billed. When a recoupment charge is revised, the previous value is retained in the ***SAMM, Appendix 1***. Subsequent revisions to the pro rata charge must be applied to new LOAs and must not be retroactive. An exception to this rule of application is not authorized.

K. When the price is reduced because of age, condition, or supply status (excess), the same percentage reduction must be made to the pro rata share of NC.

L. ***Title 32 CFR 165*** requires a biennial review of approved MDE charges to determine if there has been a significant change in factors or assumptions used to compute the currently approved recoupment for a model. A significant change occurs when: (1) a new

calculation shows a change of 30 percent of the current system NC charge for an MDE item, (2) the NC unit charge increases or decreases by $50,000 or more, or (3) where the potential for a $5 million change in recoupment exists. A revision to the NC recoupment for MDE will not be applied retroactively to signed LOAs. Rather, the new charge applies to all sales following the date of approval. An exception to this rule of application is not authorized.

M. When a model change occurs, the NC recoupment charge must be recalculated. That portion of the NC that benefits only one model must be allocated only to that model. That portion of the NC that benefits old and new models must be prorated between cost pools related to the old and new model items. Commonality between old and new models may be determined either on the basis of the ratio of old model parts in the new item or on some other common acceptable basis for allocation of costs between the models (e.g., engineering analysis or technology analysis, as appropriate). Sample calculations are illustrated in Figures 7-8 and 7-9.

N. While a change may be submitted at any time by a DoD Component, it is mandatory that a modification to the NC recoupment charge be submitted when a significant change occurs.

O. NC Recoupment Collections must be reported.

1. Funds collected for NC recoupment charges must be disposed of in accordance with paragraph 070105.

2. DoD Components must provide a quarterly report on the status of NC collections. The report must be forwarded to the Director, DSCA DBO, within 45 days following the close of each fiscal quarter. The DoD components must maintain records of anticipated and actual NC collections.

P. As discussed in 070104.C.1 the ***AECA*** provides for waivers of NC costs.

1. The Director, DSCA, has been delegated the authority to waive NC costs on FMS sales (see paragraph 070104.C of this chapter). DSCA must issue, in writing, any approvals granted for waivers of the NC recoupment charge that otherwise would be collected under FMS. DSCA must forward a notification of each approved waiver to the applicable DoD Component.

2. The decision on any waiver requires the concurrence of OUSD(C) and OUSD(AT&L). If an issue concerning the waiver request cannot be resolved, the Director, DSCA, must submit an official waiver request to the Deputy Secretary of Defense for final determination. That request to the Deputy Secretary of Defense must be coordinated with OUSD(C) and OUSD(AT&L).

Q. Articles delivered after November 30, 1989, under FMS cases fully financed with MAP Merger funds and/or non-repayable FMF funds, must be priced to exclude the NC recoupment charge, in accordance with ***AECA***, Section 21(e)(1)(B).

R. The established NC recoupment charge must be included in the FMS unit price.

S. The Director, Defense Contract Audit Agency (DCAA), must ensure that any evaluation of a contractor accounting system includes an analysis of the internal controls established to ensure compliance with the requirement to pay NC recoupment charges for sales made prior to October 7, 1992. If DCAA audit work (e.g., on a bid proposal or claim for incurred costs) discloses contractor noncompliance with the requirement to pay an NC recoupment charge, an audit report must be issued promptly to the cognizant DoD contracting officer, with a copy of the report submitted to OUSD(C), DFAS SCA and DSCA DBO.

T. ***32 CFR 165.6(d)*** includes "Special" RDT&E and Nonrecurring Production Costs requirements.

1. 32 CFR 165.6(d) requires the purchaser to pay for "special" RDT&E and nonrecurring production costs that are incurred for the benefit of a particular FMS purchaser. Documentation must be maintained to show that the FMS purchaser requested the feature for its own benefit.

2. 32 CFR 165.6(d) also stipulates that the USG must not be charged a recoupment charge for "special" RDT&E and nonrecurring production costs even if the USG also adopts those features for its own use, or provides equipment with such features under a U.S. grant, aid, or similar program. This provision applies without regard to whether the adoption of such features by DoD occurs before, during or after full development of the feature. For purposes of this paragraph, a “special” feature or unique requirement includes, but is not limited to, features that DoD initially may not have adopted or purchased due to the non-availability of funds, lack of authorization from the Congress, or lack of an approved DoD requirement, but subsequently adopts or purchases when otherwise authorized.

3. 32 CFR 165.6(d) also permits the recoupment of "special" RDT&E and nonrecurring production costs incurred by FMS purchasers or participants of a coproduction, co-development, and cooperative development, or cooperative production programs, only if such "special" costs exceed $50 million for each FMS purchaser or cooperative participant. The "special" recoupment charge is determined by the DoD Component as a result of the distribution of the total costs divided by the total production, which is the same methodology used for determining the DoD NC recoupment charge. The reimbursements may be collected by the Department from other purchasers or participants on behalf of the purchaser or cooperative participant incurring the "special" costs. The reimbursements must not be collected after 10 years from the date the "special" recoupment charge is established.

070306. Returns

In accordance with ***AECA***, Section 21(m), returns may be accepted if the defense article (a) previously was supplied under the AECA, (b) is not SME, and (c) is in fully functioning condition without need of repair or rehabilitation. DoD must have a funded requirement,

including FMS requirements, for the defense article. The purchaser must not be reimbursed directly; rather the purchaser's FMS Trust Fund account must be credited to reflect the transaction, using DoD appropriations or other purchaser funds, dependent on the buyer.

0704 CASH SALES OF DEFENSE ARTICLES AND SERVICES FROM NEW PROCUREMENT FOR DIRECT DELIVERY AND PARTICIPATION IN NEW PRODUCTION

070401. General

Defense articles procured for cash sales to an eligible foreign government or international agency, pursuant to AECA, Section 22, for direct delivery must be priced to recover the full contract cost to DoD, including DoD recurring contract support costs and applicable DoD surcharges. Costs may be revised for increases in labor and materials, or for other changes in production and procurement costs. The purchaser is obligated to pay any damages or costs that may accrue from the purchaser's cancellation of the contract (termination liability). Applicable surcharges must be added to the contract cost and included in billings for incurred costs. An illustration of the price computation is at Figure 7-10.

070402. Items to be Replaced by Later Production (Diversions)

Sale of items from new production and procurement, when such items are diverted from Military Department delivery schedules to be replaced by later production, must be priced at the current production cost or the replacement production cost, whichever is higher.

070403. Cost Principles

A. In general, DoD articles must be priced based on the same cost principles used in pricing DoD contracts covering items for DoD use. Recognition must be given to other reasonable, allowable, and allocable contractor costs and risks as permitted in the Federal Acquisition Regulation ***(FAR)*** and ***Defense Federal Acquisition Regulation Supplement***, unless the purchase is wholly funded through non-repayable FMF credits.

B. When insufficient funds are available in the FMS Trust Fund account of a foreign government to meet current cash requirements, DSCA must initiate, through the responsible DoD Component contracting officer, appropriate contractual actions that will balance current cash requirements with available funds, unless the provisions of AECA, Section 22(b) are involved. Special attention is directed to Chapter 5, section 0502 of this volume. This condition should not occur without notification to the FMS purchaser.

070404. Recovery of Nonrecurring RDT&E and Nonrecurring Production Costs

The price must include recovery of nonrecurring RDT&E costs, and nonrecurring production costs as specified in ***32 CFR 165***. Paragraph 070305 of this chapter contains further discussion of these costs.

070405. Recovery of Contract Administration Services Costs Incurred in Support of New Procurements for FMS

A. General. DFAS SCA recovers the cost of Contract Administration Services (CAS) by applying a percentage surcharge to the delivery transactions reflecting disbursements to contractors for FMS procurements on which applicable CAS have not been waived. This surcharge is subject to waiver in whole or in part under ***AECA***, Section 21(h), see paragraph 070104.C of this chapter. A listing of waived programs is included in the ***SAMM, Chapter 9***. CAS waivers apply only to those cost elements approved for the entire LOA, not only to a specific line/sub-line. CAS waivers are case-based and apply to new cases implemented on or after the waiver date. They are not retroactive nor applied to amendments on cases implemented prior to the waiver. The surcharge amounts collected are deposited to an account maintained by DFAS SCA and used to reimburse the DoD Components for CAS performed. The waived CAS element must be charged to DoD appropriations. DFAS and DSCA must reject billings to the FMS Trust Fund CAS Surcharge Account for charges that were waived.

B. Prescribed CAS Surcharge. The following surcharges are prescribed for DFAS SCA application to disbursement with reimbursable codes, specific delivery source codes, and price code "N":

FMS CAS Component	For LOAs Implemented Before October 1, 2002	For LOAs Implemented After October 1, 2002
Contract Administration/Management	.50%	.65%
Quality Assurance and Inspection	.50%	.65%
Contract Audit	.50%	.20%
Subtotal, continental United States (CONUS) FMS CAS	**1.50%**	**1.50%**
Outside the CONUS (OCONUS)	Previously included above	.20%
Total, CONUS + OCONUS FMS CAS	**1.50%**	**1.70%**

070406. Recovery of CAS Costs Incurred in Support of Foreign Country Commercial Contracts

DoD support of commercial contracts awarded by foreign countries and international organizations represents an FMS sale of services. The Defense Contract Management Agency is responsible for performing this function. The hours expended in support of these commercial contracts must be accumulated and billed at an FMS contract administrative hourly labor rate published each FY by OUSD(C). These rates can be found at the ***OUSD(C) reimbursable rates*** Web site; to access select the applicable FY, Contract Administration (Tab E).

070407. Recovery of Costs for Government-Furnished Materiel

A. All Government-Furnished Materiel (GFM) supplied from inventory must be billed to the FMS case as "work in process" when the GFM is shipped from a depot to a

contractor (refer to Chapter 8 of this volume). The billing price must be the same as a direct sale to an FMS purchaser, plus applicable accessorial costs.

B. All GFM supplied from another contractor must be billed to the FMS case as "work in process" when payments are made to the contractor supplying the GFM. GFM should be shipped via a collect commercial bill of lading or prepaid by the supplying contractor. Contracts with contractors supplying GFM should directly cite the FMS Trust Fund as the financing source to the maximum extent possible.

C. When precious metals recovered under the precious metals recovery program are provided as GFM to a contractor, the materiel must be valued at the market price on the date it is supplied to the contractor. Market price must be determined from any authoritative publication, such as *The Wall Street Journal.*

070408. Recovery of Other DoD-Funded Services in Support of FMS Procurements

A. The cost of DoD-provided or DoD-funded engineering services that are required to solve problems encountered during a production run must be allocated to FMS purchasers based upon the number of their items that are in the production run.

B. If components are procured for an FMS purchaser and assembled by DoD personnel, assembly labor costs must be assessed in accordance with section 0702 of this chapter.

C. If a contractor is designated as the source of supply for nonstandard items to be procured for FMS purchasers, the contract price for the applicable items will normally include the additional cost(s) incurred to research and procure the nonstandard items. Any reasonable method of allocating these additional costs is acceptable. The test of the reasonableness of the contractor's costing allocation would be acceptance of the method by DCAA.

070409. Special Considerations

The cost of deviations from USG configuration and special technical data desired by a foreign government must be included as a charge to that foreign government.

070410. Production by a Foreign Government

When a portion of the production quantity is to be produced by the purchasing foreign government, costs must be computed separately in accordance with cost methods established by the foreign government and accepted by the USG.

070411. Recoupment of Interest Penalties Due to Prompt Payment.

The FMS Trust Fund must pay or reimburse any prompt payment interest penalty

payments that are incurred (*Title 5 CFR 1315*, "Prompt Payment.") Vouchers for interest penalties incurred on FMS procurements must cite the same line of accounting supplied by DFAS SCA prior to the beginning of each FY. If, at the time of occurrence, the appropriate fund cite is unknown, contact DFAS SCA. DFAS SCA has assigned a unique accountable station number for each Military Department for the purposes of accounting for prompt payment interest penalty reporting.

A. Within 30 days after the end of each quarter, each assigned DFAS SCA accountable station must submit the FMS Prompt Payment Act Report to DSCA. This report contains three sections reflecting the interest penalties paid by number of transactions, the dollar amount, and a reason code.

B. Each assigned DFAS SCA accountable station must submit an FY end-of-year report annually. Since the fourth quarter report is an aggregate of the entire FY, the quarterly report must also serve as the annual requirement. This report is due to DSCA 45 days after the end of the FY.

070412. Contract Review

The DoD Components will make every effort to obtain the final price for contract supplied items within 180 days of reported delivery. However, the use of estimated price codes is approved for reporting the deliveries of major end items if an actual price code is not available within 30 days after date of shipment. Moreover, the use of estimated price codes is mandatory for reporting the deliveries of major end items if an actual price code is not available within 90 days after date of shipment.

0705 ACCESSORIAL COSTS

070501. General

Accessorial costs represent certain expenses incident to issues, sales, and transfers of materiel that may or may not be included in the standard price or contract cost of materiel. A description of the various types of accessorial costs that may be applicable to FMS shipments follows:

A. Packing, Crating, and Handling (PC&H) Costs. PC&H costs incurred at DoD facilities for labor, materials, or services in removing requisitioned articles from storage locations, preparing them for shipment from the storage or distribution points, and processing necessary materiel release confirmation documents. The costs are incurred on all articles sold from stock to FMS purchasers. Effective October 1, 1990, PC&H costs are included in the prices of DWCF item deliveries.

B. Transportation Costs. Transportation costs include DoD-supplied or DoD-financed transportation (land, air, inland and coastwise waterways) within and outside the U.S., and overseas transportation by vessel or air. This includes parcel post via surface or air.

Effective October 1, 1990, inland CONUS transportation costs are included in the price of items funded by DWCF.

C. Port Loading and Unloading Costs. Port loading and unloading costs include DoD-supplied or DoD-financed labor, materials, or services for loading, unloading, and handling at ports of embarkation or debarkation.

D. Special Instructions for Accessorial Charges for Excess Priced Goods. PC&H and Transportation are computed on the original acquisition value, not the reduced price. Compute the accessorial charges on the original acquisition cost of the goods if the price of the goods has been reduced in accordance with paragraph 070304 of this chapter. Exceptions to this are in paragraph 070304.C of this chapter.

070502. Packing, Crating, and Handling

A. Packing, Crating, and Handling (PC&H) costs will be included in the selling price of materiel sold from DoD inventories to recover the cost described in paragraph 070501.A of this chapter, except for DWCF items delivered after October 1, 1990. Additionally, PC&H will not be assessed on articles shipped directly from the manufacturer since no in-house DoD labor, material, or services are involved. The use of actual costs, when known, is highly encouraged. If actual costs are not available or are not cost effective to obtain, a surcharge rate can be used. Prescribed PC&H rates are:

1. A PC&H rate of 3.5 percent will be added to the selling price of materiel with a unit price of $50,000 or less.

2. An additional charge will be added equal to 1 percent of that portion of the selling price of materiel over $50,000.

3. Examples of PC&H price computations follow:

a. Item with a unit price of $8,500:

$8,500 @ 3.5% = $297.50 PC&H charge

b. Item with a unit price of $62,000:

$50,000.00 @ 3.5% =	$1,750.00
$12,000.00 @ 1.0% =	$ 120.00
$62,000.00	$1,870.00

B. The PC&H charge for service/maintenance cases is applied to the acquisition cost of the item(s) sold or serviced, not the cost of the service. The rate(s) in paragraphs 070502.A.1 and 070502.A.2 of this chapter apply.

C. For excess items, PC&H is computed on the original acquisition value and not the excess reduced value, except as provided for in paragraph 070304.C of this chapter. The use of actual costs, when known, is highly encouraged.

D. For pricing blanket order lines on LOAs, use 3.5 percent on the line value since the unit price is unknown.

070503. Transportation

The transportation of FMS materiel must be on collect commercial bills of lading, except for DWCF materiel. When transportation is accomplished through a GBL, it must be annotated to show that normal commercial rates are billed to the USG for the shipment. Section 10721 of the Interstate Commerce Act of 1887 is not applicable to FMS shipments, including items shipped from the DWCF.

A. DWCF standard pricing includes transportation costs within CONUS. If the first destination transportation is accomplished through GBLs, it must contain the DWCF fund cite. Shipping activities must clearly identify materiel as DWCF or non-DWCF to ensure the appropriate fund cite is issued for inland CONUS transportation.

B. The DoD Components must apply rates contained in the SAMM, ***Appendix 2***. The transportation cost look-up table is used to estimate the actual transportation cost for an item normally shipped in the DoD Transportation System (e.g., sensitive/hazardous end items) when costs using standard transportation percentages are significantly different from actual charges. See the SAMM, Appendix 2, for procedures to develop the cost and current rates.

C. Price transportation on LOAs as follows:

1. Above-the-Line Transportation Services. When FMS customers use the Defense Transportation System, an estimated amount is placed above-the-line to pay for transportation services that are not appropriate to be funded with below-the-line estimates. Examples of these transportation services include premium transportation such as Special Assignment Airlift Mission flights, securing a vessel for a one time only shipment, staging cost for consolidating shipments, Radio-Frequency Identification tagging and tracking devices, special security (guards hired to escort the shipment), and other unique requirements.

2. Below-the-Line Transportation Services. When FMS customers use the Defense Transportation System, a Delivery Term Code (DTC) percentage is applied to the line to compute an estimated amount for these costs on the LOA. DTC percentages are based on the mode of transportation provided (e.g., port-to-port, depot-to-in-country destination) and the rate area where articles are being delivered.

D. For excess items, transportation is computed on the original acquisition value and not the excess reduced value, except as provided in paragraph 070304.C of this chapter. The use of actual costs, when known, is highly encouraged.

070504. Staging

Costs for the staging of materiel in CONUS DoD (non-DWCF owned/operated) facilities are additional to Defense Transportation System costs, and a 3 percent staging charge is applicable, if DSCA has authorized below-the-line recoupment of staging. DWCF activities must bill actual costs incurred as an above-the-line service. Normally, the actual costs of staging must be recovered as part of an above-the-line service charge. Such charges must not be duplicative of any other accessorial cost. When non-excess materiel is supplied for DoD storage points located OCONUS, the applicable rates must be charged as a prepositioning cost.

0706 FMS ADMINISTRATIVE SURCHARGE

070601. General

An administrative surcharge must be added to all FMS cases (unless waived pursuant to legal authority, see paragraph 070104 of this chapter) to recover DoD expenses described in paragraph 070603 of this chapter. It is applied to the FMS selling price with the exception of program management lines and small case management lines (SCML). See paragraph 070602 of this chapter. Applicable DoD Component costs are recouped in accordance with paragraph 070603 of this chapter. ***SAMM, Chapter 9***, gives further guidance on the current FMS administrative surcharges and how they are applied.

*070602. Prescribed Standard FMS Administrative Surcharge

A. FMS Administrative Surcharge. The applicable FMS administrative surcharge is dependent upon variables associated with the LOA. For cost increases within the scope of the LOA, modifications retain the FMS administrative surcharge rates associated with the lines modified. When an amendment adds a new line to an existing FMS case, the FMS administrative surcharge rate in effect at that time is applied. The following FMS administrative surcharge rates are applicable for LOA standard cases/lines and for the periods shown:

1. Effective November 1, 2012. A uniform 3.5 percent FMS administrative surcharge is effective for all new LOA lines accepted by the purchaser on or after November 1, 2012.

2. August 1, 2006 – October 31, 2012. A uniform 3.8 percent FMS administrative surcharge was used for all new LOA lines accepted by the purchaser during this period. Program Management Lines were no longer applicable to new cases accepted on or after this date. USG services, over or above those covered by the FMS administrative surcharge, were provided on well-defined line items. All cases accepted on or after August 1, 2006, collected a minimum charge to ensure sufficient funds to prepare and implement each case by including SCMLs. The FMS administrative surcharge rate is not applied against the SCML. This application was suspended for cases accepted, implemented, or decreased on or after July 3, 2012. Refer to the ***SAMM, Chapter 9*** for specific information concerning the application of the SCML.

3. June 1, 1999 - July 31, 2006. A uniform 2.5 percent FMS administrative surcharge rate for standard lines and 5 percent for nonstandard lines on LOAs was effective during this period.

4. October 1, 1977 - May 31, 1999. A uniform 3 percent FMS administrative surcharge rate for LOA standard articles/services lines was effective during this period.

5. March 10, 1977 - September 30, 1977. A uniform 2 percent FMS administrative surcharge was effective for LOAs signed by the IA during this period.

6. January 29, 1970 - March 9, 1977. A 2 percent FMS administrative surcharge was applied, unless the supplying Military Department determined that the rate was either insufficient or in excess of actual administrative expenses, for any single FMS case. The use of actual FMS case administrative expenses was authorized.

B. Supply Support Arrangements. An FMS administrative surcharge of 5 percent must be added to the basic sales price of the initial on-hand portion of CLSSA. See paragraph 070708 of this chapter.

C. FMS Orders for Nonstandard Articles and Services. For case lines accepted prior to August 1, 2006, an FMS administrative surcharge of 5 percent must be added to the basic sales price of FMS orders for nonstandard articles and services. However, the standard rate in effect must be applied under the following circumstances:

1. A contractor is designated as the source of supply in lieu of a DoD Component performing additional work for the nonstandard articles and services, or

2. A case/program management line is included in the LOA that specifically recovers costs associated with the tasks performed in support of the sale of nonstandard articles or services.

070603. DoD Component Administrative Expenses

Administrative expense calculations of component FMS program support costs shall include a pro rata share of manpower and contract costs. The personnel portion of actual administrative expenses shall include a pro rata share of those personnel who spend 10 percent or more of their time performing FMS duties. This same measure applies to contractor-provided support for FMS administrative functions. These functions may be indirect (e.g., support across multiple purchasers/cases) or direct (e.g., support to a specific case or program). DoD organizations that provide general administrative support to the FMS program must recoup the full cost (excluding a pro rata share of fixed base operations costs) to provide such support. The DoD Component administrative support costs must not include costs prescribed in this volume as above-the-line costs; nor should the costs include DoD mission costs. See ***SAMM, Chapter 9*** for case related manpower functions and appropriate funding sources.

070604. FMS Administrative Surcharge on Cases Closed at Reduced or No Value

A. For any case that is closed, the USG will retain funds to pay for estimated administrative costs associated with the case, even if no articles or services have been delivered ($0 delivered value). The minimum, nonrefundable amount will be the value when combining the SCML (if applicable) and the FMS administrative surcharge value; one-half of the FMS administrative surcharge estimated on the case; or the standard FMS administrative surcharge percentage of the expended value, whichever is greater. See ***SAMM, Chapter 6***.

B. DSCA DBO may approve reductions to this policy when it can be clearly shown that the actual values of administrative costs on the case are less than these values or if the case is cancelled for the convenience of the USG.

C. Case Managers wishing to request that a case be closed at $0 articles and/or services value, must contact DSCA DBO for approval. The DSCA DBO reply is sent to the Case Manager and DFAS SCA.

D. Cases canceled for the convenience of the USG may not incur an administration cancellation fee, but require the amount of FMS administrative surcharge assessed be approved by DSCA DBO.

E. For cases with an ordered value greater than or equal to $25,000,000, and closing at $0 delivered articles and/or service value, the IA will submit a recommended nonrefundable FMS administrative surcharge amount to DSCA DBO for approval.

070605. Waived FMS Administrative Surcharge

A. General. Normally, the amount of the FMS administrative surcharge that has been waived or reduced for a particular FMS case, pursuant to statute, must be reimbursed to the FMS administrative surcharge account. For such reimbursements, the IA (which is the proponent of the case on which the charge has been waived) must obligate its current available appropriations for the full amount being waived when the case is implemented. DFAS SCA calculates the amount of the earned FMS administrative surcharge on cases with waived administrative surcharge and submits quarterly billings to the appropriate IA.

B. Funds Control. The LOA package for cases with waived FMS administrative surcharge must cite the authority, dollar amount waived and obligating document number in a case note. The IA must include a copy of the certified document committing the funds as part of the LOA coordination package. See Volume 14 of this Regulation for guidance on the administrative control of appropriations.

0707 COOPERATIVE LOGISTICS SUPPLY SUPPORT ARRANGEMENTS

070701. General

DoD Instruction 2010.6, "Materiel Interoperability and Standardization with Allies and Coalition Partners" and the ***SAMM, Chapter 5***, prescribe the policies and criteria for establishing Cooperative Logistics Supply Support Arrangements (CLSSAs). CLSSAs provide for the execution of FMS Orders (FMSOs) covering stock, consumption, and storage. There is no annual inventory maintenance and storage charge for DWCF items for CLSSAs, as the DWCF standard (stabilized) price recoups all costs. Two FMS cases are required for supply support arrangements: a FMSO I case and a FMSO II case. Both cases must be executed in order for FMS requirements to be anticipated and to be satisfied on an equal footing with U.S. requirements.

A. The FMSO I case is subdivided into two parts: Part A represents the on-hand portion of the inventory (normally 5 months) and Part B represents an on-order dependable undertaking (normally a 12-month period). For new FMSO I cases accepted on or after September 20, 2005, the on-hand portion of the inventory list will be 30 percent of the total investment/equity list. For FMSO I cases accepted prior to September 20, 2005, the on-hand portion of the inventory list will remain at 5/17 of the total investment/equity list. Both parts of the FMSO I provide obligational authority equal to its value in the DoD Component activity giving the supply support to the purchaser. Cash paid on acceptance of the FMSO I should equal the Part A on-hand portion of the inventory and administrative surcharge. The cash required to liquidate obligations incurred with suppliers for the on-order portion is the cash paid by the purchaser in connection with the FMSO II case and, in turn, creates a new order received and recreates obligational authority back to the FMSO I. If the amount of progress payments required by the IA varies by more than 10 percent of the Part A value, the DoD Component must either: (1) amend the case to bring the Part A value in line with the DoD Component progress payment requirement, or (2) request additional progress payments to equal the Part A value.

B. The FMSO II case represents the foreign purchaser's anticipated yearly consumption under CLSSA. Cash to cover requisitions is paid in advance of each quarter covered by the case. The cycle of obligation, acquisition, requisition, issuance, and payment can be summarized as follows:

1. FMSO I, Parts A and B, grant the DoD Components obligational authority up to the case amount.

2. The cash provided under FMSO I, Part A, finances the on-hand inventory.

3. Requisitions made by the purchaser are filled from the on-hand inventory.

4. Replenishment of on-hand inventory is made from contracts awarded under obligational authority granted by FMSO I, Part B.

5. Payments to contractors are made from funds provided in accordance with FMSO II terms.

6. Liquidation of obligations by payment to contractors in effect recreates obligational authority granted by FMSO I, Part B, and the cycle commences again.

C. The entire amount of the FMSO I case represents obligational authority. Normally, no cash billings are required against the FMSO I, Part B, unless the CLSSA is either partly or wholly terminated. The FMSO II case provides obligational authority only to the extent purchaser orders are received. Thus, proper working of the FMSO I and II should result in a constant 12 months of obligational authority in the applicable appropriation or fund account, never more or less, after the on-hand inventory of FMSO I, Part A, has been acquired.

D. The cash and obligational authority derived from the FMSO I and FMSO II are to be transferred to the commodity command or supply agency that is expected to provide supply support to the foreign country. This command or supply agency must use such cash and obligational authority to increase stock and on-order quantities in anticipation of requisitions from the country which entered into the CLSSA.

E. In unusual circumstances, it may be determined that the 5-month on-hand and 12-month on-order levels are inappropriate for the particular equipment being supported. In these circumstances, the on-hand and on-order requirements may be adjusted to more realistically reflect DoD on-hand and on-order levels for the items being supported; a renegotiation of the CLSSA may be necessary. The office that developed the CLSSA must retain documentation in support of such determinations.

070702. Purchaser Equity

CLSSAs are written in terms of an absolute dollar amount of support to be provided under the arrangement. A listing of the specific items required to support the weapon system is not developed. Under this "dollar value" concept, the FMS purchaser's equity must remain valued at the cash deposited for the FMSO I. Upon termination, a review must be made of the foreign country’s demand data for specific items. When demand data results in the procurement of stock above the DoD-approved retention levels, the foreign country must be informed that applicable stocks owned by that country must be drawn down or that a settlement agreeable to both parties must be reached.

070703. Pricing

Paragraph 070302.B of this chapter sets forth the pricing requirements.

070704. Storage Costs

There is no annual inventory maintenance and storage charge for DWCF items for CLSSAs, as the DWCF standard (stabilized) price recoups all costs. For non-DWCF items, storage fees must be charged based on the on-hand portion of the FMSO I. The annual storage fee is 1.5 percent. For cases not remaining open a full year, a fee of .125 percent a month must be charged.

070705. Obsolete Materiel

If an item becomes obsolete or excess to the U.S. but not to the foreign government, the U.S. may request the foreign government to withdraw its undelivered quantity of the item. Additional quantities may be offered to the foreign government at fair value prices (see paragraph 070304.A of this chapter). If items become obsolete or excess to the requirements of the foreign government but not to the U.S., the foreign government may request the U.S. to consider cancellation of its order and to apply its equity in the undelivered quantity to subsequent orders for other items. If cancellation is not agreed to, arrangements must be made for the U.S. to dispose of the materiel and credit the net proceeds to the foreign government. If the U.S. has a need for the materiel, credit the stock level for the return of materiel to U.S. stocks in accordance with departmental procedures. If items become obsolete or excess to the requirements of both the U.S. and the foreign government, arrangements must be made for the U.S. to dispose of the materiel and the proportional share of the net proceeds of sale must be credited to the foreign government.

070706. Unusual Inventory Loss

Stock losses due to enemy action, major disaster, or other casualty from a natural phenomenon must be assessed against the foreign government in an amount proportionate to the ratio that the value of its stock case bears to the total value of stocks in storage.

070707. Normal Operating Inventory Loss

The standard prices paid by the foreign government for stock level of DWCF items already include a surcharge for estimated normal operating losses in storage.

070708. Administrative Surcharge

A. A one-time nonrefundable, administrative surcharge of 5 percent must be charged on the on-hand portion (Part A) of the FMSO I case. For amendments that decrease the value of the on-hand portion (Part A), there must be no adjustment made to the administrative surcharge. However, for amendments that increase the value of the on-hand portion (Part A), the

5 percent nonrefundable administrative surcharge must be charged on the total value of the increase. The following is an example of the administrative fee computation:

Document	Revised On-Hand Materiel Value	Increase or (Decrease) to Previous On-Hand Materiel Value	5% Admin Fee Charge on Increase	Admin Fee Accrued Expenditures
Basic LOA	$3,000,000	$3,000,000	$150,000	$150,000
Amend 1	4,000,000	1,000,000	50,000	200,000
Amend 2	2,000,000	(2,000,000)	N/A (Decrease)	200,000
Amend 3	3,000,000	1,000,000	50,000	250,000
Amend 4	5,000,000	2,000,000	100,000	350,000
Amend 5	4,000,000	(1,000,000)	N/A (Decrease)	350,000

B. No administrative surcharge must be charged on the on-order portion (Part B) of the FMSO I case. The current administrative surcharge (see paragraph 070602 of this chapter) must be charged on requisitions processed under FMSO II cases. If a FMSO I agreement is terminated, the current administrative surcharge must be charged for the inventory over and above the on-hand portion of the case. There must be no additional surcharge on the on-hand portion of the case, since the purchaser has made advance payment of the administrative charges applicable to this portion of the case.

0708 STORAGE, REPAIR, OR MODIFICATION OF PURCHASER-OWNED MATERIEL

070801. Storage

Costs applicable to storage of purchaser-owned articles include the functions of receiving, care and preservation, set assembly and related activities, and overhead operations (such as re-warehousing, maintenance of operating equipment, physical inventories, and cleaning areas.) Storage charges are applicable to the non-DWCF on-hand portion of FMSO I cases, to cases on which DoD is ready to deliver applicable items but has been requested by the purchaser to delay delivery, and to cases on which DoD cannot deliver due to legal or policy restrictions. Charges commence 15 days following the date of availability (there is no annual inventory maintenance and storage charge for DWCF items for CLSSAs, as the DWCF standard (stabilized) price recoups all costs). A uniform DoD annual rate of 1.5 percent or .125 percent monthly of the average monthly value of purchaser-owned materiel will be charged to applicable FMS cases to recover an activity's storage cost unless a separate charge is negotiated with the storage facility. A separate line on the LOA(s) should capture the storage-related costs. If this line did not previously exist, it can be added via an LOA modification. An illustration of a billing for storage, other than FMSO, is in Chapter 8 of this volume.

070802. Repair or Modification

When a foreign government requests the repair and/or modification of items from non-DWCF activities, the actual or estimated cost of the work will be priced on a job order basis. An illustration of price computation is at Figure 7-11 of this chapter.

A. Labor costs will be computed in accordance with section 0702 of this chapter.

B. Materials and supplies obtained from the military supply system stocks will be priced in accordance with section 0703 of this chapter.

C. Materials, supplies, or services obtained directly from contractors will be priced in accordance with section 0704 of this chapter.

D. Transportation and related costs incurred in movement of the materials and supplies used during repair and/or modification must be priced in accordance with section 0705 of this chapter. See paragraph 070501.B of this chapter for treatment of DWCF materiel.

E. Indirect labor, material, and contractual services will be priced in accordance with the guidance in this chapter and allocated to job orders.

F. Appropriate incoming and outgoing transportation costs related to FMS equipment or materiel processed by repair or overhaul facilities will be paid by the FMS purchaser. If the repair facility ships the repaired item to the purchaser, then the transportation costs must be included in the FMS selling price.

070803. FMS Administrative Surcharge

The FMS administrative surcharge must be applied to all direct and indirect costs billed in connection with storage, repair, and/or modification.

070804. Special Instructions Applicable to DWCF Activities

DWCF activities must charge approved DoD stabilized rates and prices for defense articles and services in support of FMS cases. Materiel funded by DWCF, including depot level reparables, must be priced at the standard (stabilized) price in effect at the time the item is dropped from inventory or at the net/exchange price, if applicable, for a direct exchange transaction. The standard (stabilized) price or rate charged to FMS purchasers of DWCF activities for defense articles and services must be adjusted to include an amount for unfunded civilian retirement and post-retirement health benefits costs in accordance with paragraph 070206.

0709 COSTS ALLOCABLE FOR JOINTLY USED FACILITIES

070901. General

When specific agreements or arrangements are made for the joint use of USG facilities (e.g., sharing of storage spaces, dedicated training facilities), a pro rata share of the operating cost financed by operating appropriations must be charged to the foreign purchaser.

A. When jointly used storage or office space is involved, the pro rata share of operating costs must be determined on the basis of space assigned to the foreign government versus total space available for assignment.

B. Operating costs must include, but are not necessarily limited to, the cost of maintenance and upkeep of the facilities including access roads, security, communications, utilities, and rent, if the USG must make rental payments under lease agreements.

070902. Joint Use of Satellites

When jointly used satellites are involved, the launch cost must be allocated to each participant based on pre-launch negotiations that consider the expected benefits accruing to each participant. Recurring operating costs must be prorated based on the time each participant actually uses the satellite.

0710 TRAINING OF INTERNATIONAL STUDENTS

071001. General

The legal authorities related to training are in paragraph 070104 of this chapter. Any special requirement for the exclusive use of an international student or international program must be reimbursed in full.

A. Tuition-Based Training. Tuition rates for training must be based on the costs of providing the training. There are several factors that impact the tuition rate for which an international student is eligible. The source of financing is one determinant (e.g., whether a country uses its national funds to purchase training or whether U.S. appropriated funds are used to purchase the training). Other factors include whether a country is a high-income country, whether it has signed a reciprocal training agreement with the U.S., and/or whether the country is concurrently in receipt of IMET. A general guide for pricing training is also addressed in Table 7-3 of this chapter. Detailed instructions to be followed in developing the tuition rates are included in paragraph 071002 of this chapter.

1. Standard Formal Training. Formal training provided to international students may consist of flying training courses, technical training courses, language training, and other training not specifically addressed in paragraph 071001.A.2 of this chapter. Course costs are generally shown as a cost per student or cost per student week.

2. Nonstandard Formal Training. Nonstandard formal training courses follow the same pricing concepts as formal training with the following noted exceptions:

a. Observer Training. International students who audit a course must be charged the same price as enrolled students.

b. Distance Learning or Other Technology Based Training

(1) Material Only. A training course that is provided solely by computer media (e.g., computer disc), satellite video teleconference (VTC) or closed circuit VTC, is non-resident and is being developed solely for the training of international students (one country or a group of cooperating countries), must be priced to fully recoup all costs to the USG including the costs (in-house and contractual) to develop and produce the training, and the costs of the materials (such as a computer disc). See paragraph 071402 of this chapter.

(2) Material and Proctor/On-Line Service. A non-resident training course developed solely for the training of international students (one or more countries) that is provided by computer media (e.g., computer disc), plus on-line services (proctor) to include testing must be priced to recoup all costs (in-house and contractual) to develop and produce the training; the costs of the materials (such as a computer disc); and the actual, or estimated costs of the services. See paragraph 071002 and 071402 of this chapter.

(3) Resident Courses. A resident training course developed solely for the training of international students that is on computer media (e.g., computer disc), plus on-line services (proctor) must be priced to recoup all costs (in-house and contractual) to develop and produce the training; the costs of materials (such as computer disc); the actual, or estimated costs of the services; and the costs for resident training. See paragraph 071002 and 071402 of this chapter.

c. Inter-American Air Forces Academy and Western Hemisphere Institute for Security Cooperation. Training costs associated with courses offered at these schools must exclude the fixed costs of operating and maintaining the schools (e.g., costs that do not vary with student load).

d. Dedicated Training Courses. For purposes of this section, a dedicated training course is a training course developed or provided solely for the training of international students (one or more countries). Note: The indirect and administrative surcharge exclusions for NATO do not apply for dedicated training courses.

3. Recoupment of Nonrecurring Development Costs. International student participation in any of the aforementioned types of courses that have been developed for use by U.S. DoD personnel must not include the recoupment of nonrecurring development costs. The costs of providing unique training material based on U.S. developed course/courseware (e.g., sanitizing, customizing, and country standardization) must be recouped, as well as the costs associated with the provision of any material (e.g., computer discs, tapes, and compact disks (CDs)), packing, transportation, and/or handling. However, since these courses/courseware are not items of SME or MDE, the nonrecurring development costs of the original U.S. courses/courseware must not be included in the price.

B. Non Tuition-Based Training

1. Dedicated Training Programs. Dedicated training programs (e.g., Euro-NATO Joint Jet Pilot Training Program, Euro-NATO Helicopter Pilot Training Program,

PEACE CARVIN, PEACE FENGHUANG) must be priced in accordance with the terms and conditions established via formal agreement between the IA and the recipient country/countries. While each program is different, generally accepted full cost pricing principles (refer to paragraph 071002.D. of this chapter) must be applied taking into consideration appropriate legislative authority and terms of the formal agreement.

2. Training by Security Cooperation Teams (SCTs)/Security Assistance Teams (SATs). When a special course is conducted by an SCT or SAT (e.g., Management Service Team, TAFT, or MTT) away from the normal training institution, the services of the team must be treated as a service and priced in accordance with paragraphs 070202 and 070203 of this chapter. All travel, per diem, and allowances paid to members of the team established to conduct in-country training must be considered incremental costs. Exclude military pay and allowances as well as civilian unfunded retirement from the costs established for teams conducting in-country training fully financed by MAP Merger or FMF, or financed under the IMET program or BPC cases funded with DoD appropriated funds.

3. Training at DWCF Activities. DWCF activities must charge on an actual cost basis. Training pricing at DWCF activities must be based on direct labor hours dedicated to the training, priced at the standard (stabilized) rate, any specific student consumable material costs, plus any applicable military manpower costs incurred. When DWCF civilian personnel conduct training at a location other than the work site, their effort should be priced similarly, less the overhead component.

C. Liability for Damages

1. Training cases that involve the use of U.S. equipment (e.g., aircraft, trucks), but do not include charges for attrition, must include a statement regarding liability for damages. Refer to Chapter 3 of this volume for a discussion on attrition charges. This statement must reflect that the foreign government is liable for any damage to such equipment due to negligence on the part of the student. The cost of replacing equipment that is destroyed as a result of student negligence must be reimbursed in full. See section 0703 of this chapter for instructions on pricing replacement equipment.

2. Claims arising out of combined exercise activities with USG under an LOA with NATO countries must be dealt with under the Agreement between the Parties to the ***North Atlantic Treaty regarding the Status of their Forces***, Article VIII. This also applies to the Parties to the ***Partnership for Peace regarding the Status of their Forces***.

D. Annual Publication of Rates. Tuition rates must be computed annually by the Military Departments and published in the Training Military Articles and Services List. Refer to the ***SAMM, Chapter 13***. Every effort should be made to publish these rates by October 1st of each year. Tuition rates must be those in effect for the year in which the student enters the course or phase of a course. Approved rates must remain constant for the year. Adjustments must be made only to correct significant errors in computation, change in syllabus, or major unanticipated increases or decreases in the cost of such items as POL and salaries. The foreign country must be billed for the actual time the student is in training when it varies from

the scheduled length of the course. Any adjustments must be made as soon as possible, but not later than 90 days after completion of the course.

E. DoD Course Cancellations

1. Dedicated/Contract Training. Once a contract is awarded or a quota is confirmed, a 100 percent charge (cancellation charge) will apply to any country that fails to send a student to the identified training, unless another international student is identified and the quota is filled. Dedicated/contract training will only apply to certain courses. This training will include courses that rely on contract support and courses that are designated for international students only. A list of these courses will be identified by the IAs.

2. All Other Confirmed Training. A 50 percent cancellation charge will apply for all confirmed training cancelled or rescheduled with less than 60 days notification unless training is reallocated and filled by another international student. The cancellation policy will be applied to all confirmed training within the 60-day window. Additionally, the cancellation charge will be applied to all training that falls within and outside the 60-day window if the training is part of a sequential pipeline that a student would attend as part of a complete curriculum.

3. Other Cancellation Charges. The IA will determine all other cancellation charges. Request for waivers to these cancellation charges should be addressed to the IA. The funding status of a training line has no bearing on whether the cancellation charge applies. The cancellation charge will not be applied when the cancellation is due to (1) decisions by the USG, such as deletion or rescheduling of classes; (2) unavoidable circumstances within a country, such as national disaster; or (3) the quota being used by another country.

F. Student Costs. Certain costs associated with support of international students and/or their dependents are considered to be a responsibility of the foreign government and are not included in the tuition rate for a training course(s). Compute and bill these costs as follows:

1. Meals. Students pay the discounted rate for meals in the base dining facility, as food preparation costs are included as part of the course tuition for all international students. The rates are set annually by OUSD(C) and published on the OUSD(C) ***reimbursable rates*** Web site; to access select the applicable FY, Food Service Charges at Appropriated Fund Dining Facilities (Tab G).

2. Medical. Medical care (including outpatient) for students and dependents must be charged in accordance with the procedures identified in SAMM, ***Chapter 10***. If included on the LOA, these costs must be shown as a separate line and billed to the foreign country.

3. Travel. Student travel and related costs must be paid to the commercial carrier, or other service provider, by the foreign country or student. For any U.S. services supplied (e.g., Air Mobility Command transportation), the non-government rate must be

applied and billed to the foreign country or student, as appropriate. The government rate applies for IMET or non-repayable FMF.

4. Lodging

a. Family Housing. International students may occupy DoD student family housing only after a determination has been made that U.S. student requirements are satisfied and must be satisfied for the projected duration of the international student's occupancy. Under these circumstances, the amount to be charged must be, at a minimum, the cost incurred by DoD for the operation and maintenance of family housing units. When international students occupy family housing that is not excess to U.S. military service needs, the amount to be charged must be equal to the cost of housing U.S. military service personnel on the economy.

b. Government Quarters. When international students occupy government quarters, they must be required to pay, at a minimum, the local custodial and nonappropriated fund fees.

071002. Pricing of Tuition Rates

A. General. The pricing of training tuition rates falls under one of two costing schemes – full cost or incremental cost. Within these schemes, costs are segregated into three categories – direct costs, indirect costs, and other billable costs.

1. Full Cost. Full cost is the sum of direct and indirect costs required in the training of students, including the costs of activities performed by other entities, regardless of funding sources.

2. Incremental Cost. Incremental cost is the additional cost incurred above and beyond the full cost of training due to the addition of international students.

3. Direct Cost. A direct cost is any cost that is identified specifically with the training of a student. Direct costs also include directly associated costs that would not have been incurred had the other direct costs not been incurred (e.g., costs that are allocated on a specific measurable basis - cost per student week, cost per flying hour/sortie, costs per steaming hour, costs per range hour).

4. Indirect Cost. Indirect costs are costs of resources that are jointly or commonly used by all activities at an installation, but are not specifically identifiable with any of the users. These costs are not directly related to training, but instead are associated with a variety of activities and services.

5. Other Billable Cost. Other billable costs are those required by legislation or policy that are additive to the cost of training an international student (e.g., FMS administrative surcharge, Field Studies Program (FSP), attrition, and retainable instructional material (RIM)).

B. Pricing of Personnel

1. Military Personnel. Price military pay using the FMS composite standard rates and acceleration factors published at ***OUSD(C) reimbursable rates*** Web site; to access select the applicable FY, Military Personnel Composite Standard Pay and Reimbursement Rates (Tab K). In addition, see paragraph 070203 and Figure 7-2 of this chapter.

2. Civilian Pay. Price civilian pay in one of two ways: (1) actual costs plus inflation and applicable acceleration factors (recommended for tuition pricing) or (2) in accordance with paragraph 070202 and Figure 7-1 of this chapter.

C. Inflation Factors. Tuition rate estimates for future years must be adjusted for inflation. OUSD(C) published rates will be used. See ***OUSD(C)*** Web site, Budget Materials, National Defense Budget Estimates (Green Book), Chapter 5.

D. Full Cost of Training. When developing the full cost of training, take into account the cost of training both U.S. and international students. Full cost includes all direct costs and a proportional share of indirect costs to the USG for providing the training. For international students, full cost will also include the other billable costs. Rates priced using full cost principles include Rates A and B in Table 7-3. Exceptions are found in paragraph 070104 of this chapter.

1. Direct Costs. Certain costs can be directly identified to training courses. Once identified, the direct cost is divided by the total number of students enrolled in a course to determine the cost per student. Add together all direct costs per student to be included in the tuition rate.

a. Instructors and School Support Staff

(1) Instructors. The cost of instructor salaries, allowances, and other entitlements is computed by dividing the annual instructor cost (see paragraph 071002.B of this chapter) by 52 weeks and multiplying the result by the number of weeks in the applicable course. Divide this cost by the average number of students in the class to develop the instructor cost per student. Alternatively, instructor costs may be allocated on an instructor contact-hours basis (e.g., total instructor costs divided by total platform work hours); this allows for a more equitable distribution.

(2) School Support Staff. Compute the cost of salaries, allowances, and other entitlements of administrative and other personnel supporting training (e.g., International Military Student Officer) by dividing the total annual cost by total course weeks of training and multiplying the result by the number of weeks in the applicable course. Divide this cost by the average number of students in the class to develop the school support staff cost per student.

b. Temporary Duty (TDY) and Per Diem. The cost of TDY must be allocated to courses based on a causal or beneficial relationship. Accordingly, TDY

must be segregated into two categories: (1) direct TDY that is caused by or benefits a specific course or courses and (2) indirect TDY that benefits the training operation as a whole. TDY that is directly related to (or benefits) one or more courses must be directly allocated to those courses. To preclude "double charging" TDY to a course, care must be taken to ensure that all directly allocable travel is eliminated from the TDY included in the indirect cost pool.

c. Equipment Overhaul and Maintenance

(1) Depot Level Maintenance. The depot level maintenance cost of aircraft, engines, motorized vehicles, and equipment must be charged to the applicable course at the budgeted average hourly item repair cost that includes civilian pay, contractual effort, and supplies. These costs must be adjusted to include military pay and centrally procured equipment and parts. Multiply this average hourly cost by the hours programmed for use in the specific course.

(2) Base Level Maintenance. Base level aircraft and equipment maintenance costs (including munitions maintenance) must be allocated to courses on the basis of total maintenance costs divided by the total training hours supported, if not identifiable and chargeable on a job order basis. Costs must include military and civilian pay, supplies and equipment (including replenishment spares), and contractual support. If there are a significant number of transit or non-training aircraft at the base, aircraft operating costs must be initially distributed between training and non-training on the basis of percentage of number of takeoffs, number of sorties per year, or maintenance direct labor hours, whichever results in the best allocation of costs in relation to the benefits received. For this purpose, aircraft used by personnel supporting training for proficiency flying must be classified as training aircraft.

(3) Range Maintenance. Range maintenance and operating costs must be computed and allocated to courses based on the percentage of sorties or rounds fired in the course compared to the total sorties or rounds fired or any other basis that results in an equitable allocation of these costs.

d. Simulators. Simulator costs must include pay of the operators, supplies, and equipment maintenance. Simulator costs must be allocated to the course in the same ratio as hours used to the total hours available.

e. Supplies, Materiel, Training Aids, and Ammunition

(1) The cost of POL for aircraft (rotary/fixed wing), motorized equipment, ships, landing craft, and other equipment must be computed by multiplying the equipment hourly cost of POL times the number of operating hours for the course.

(2) The costs for training materials, equipment, supplies, aids, munitions, flight clothing, and personal equipment must be charged to the applicable course. Training material and aids prepared above base level that are readily identifiable to a course, must be included as a direct cost of the course. If not readily identifiable

to a specific course, these costs must be distributed to courses in the same manner as indirect TDY costs. Care must be taken to ensure against "double charging" a course.

f. Directly Associated Costs

(1) Other directly associated costs allocable to training operations must be distributed to courses on the basis of total training hour support or any other logical method of measurement (e.g., square footage of buildings, flying hours/sorties, or any other usage factor). Costs in this category include costs generated as a result of the incurrence of another cost and would not have been incurred had the other cost not been incurred (e.g., flight line operations costs in direct support of flying training and port operations in direct support of shipboard training, without which there would be no flying training operations or shipboard training operations).

(2) The cost for training U.S. instructor pilots, including proficiency and continuation training, must be limited to special aircraft not in the active U.S. aircraft inventory. These costs must be divided by the normal tour of duty for an instructor pilot to arrive at an annual cost that must be distributed to courses in the same manner as instructor salaries and allowances.

2. Indirect Costs

a. Indirect Base Operating Support Costs. Indirect base operating costs must be initially allocated to major claimants (e.g., training activities and tenants). The amount allocated to training must then be distributed to areas of training that are significantly different (e.g., flying operations, classroom training, and equipment maintenance). All allocations must be made at the installation level using engineering estimates or some other basis to ensure that allocations are commensurate with the benefits received. No costs to support or operate quarters, a family housing complex, and food service activities that are applicable to instructors and training support personnel may be allocated to tuition rates if these costs are recouped in base personnel salaries. The amount allocated to each area of training must then be distributed to the tuition rate by dividing the amount allocated by the annual estimated student weeks of training. Reduce the amount allocated to foreign students by 5 percent to allow for costs considered inappropriate for allocation (e.g., the chapel, equal rights office, alcohol treatment, and special services).

b. Maintenance and Repair of Facilities. Maintenance and repair of facilities must be considered part of the normal base operating support costs, unless these costs can be directly identified to a specific user (e.g., dedicated facility, specific to a course or courses). When non-dedicated facilities are used for training, the costs are included as indirect costs in the tuition rates. These costs may be combined with other indirect costs and allocated at the installation level or allocated based on a separate cost pool. If allocated as a separate cost pool, do not reduce by 5 percent.

c. Indirect TDY. TDY that is caused by or benefits the training operation as a whole must be allocated to courses by dividing these total indirect TDY

costs by total number of students to determine the course cost per student. Do not reduce by 5 percent.

d. Training Material and Aids. Training material and aids not readily identifiable to a specific course must be distributed to courses in the same manner as indirect TDY costs.

e. Exclusions. Exclude the following from indirect allocations:

(1) Costs associated with combat development, training development (less course development), non-resident instruction, or other activity that offers no support to the training mission, and a pro rata share of school overhead costs to support these elements;

(2) Costs associated with units attached to the training installation with duty stations at another location that are not involved in the training of international students; and

(3) Costs related to underutilized capacity and mobilization requirements, when specifically identified and documented.

3. Other Billable Costs

a. Attrition Rate/Liability Statement. Tuition Rate A in Table 7-3 includes an attrition rate of 1 percent for courses whenever the training or education course includes the use of training equipment or operational equipment used as training aids. All other FMS tuition rates will include a liability statement on the LOA: "The Purchaser is liable for any damages to U.S. Government equipment caused by negligence on the part of the student." ***AECA***, Section (a)(1)(C) states the full cost of the service must be paid by the purchaser.

b. Field Studies Program (FSP). Tuition rates must include the costs of FSP, including transportation, meals, meal preparation, lodging, admission, programs, and incidental costs thereof. The student is responsible for the personal costs of laundry, cleaning, telephone service, and all other costs not directly associated with the programmed tour. ***SAMM, Chapter 10*** provides further detail on FSP.

c. Shipment of Retainable Instructional Materials (RIM). Much of the RIM issued to international military students (IMS) is provided via CD; however, if there is a need to ship RIM, include the cost of the shipment in the tuition rate. RIM must be packed and labeled at the training installation and shipped to the Security Assistance Office of the country for delivery to the IMS. A copy of the student's invitational travel order must be placed inside the package. The training installation must ensure that no personal baggage or other unauthorized matter is shipped with RIM.

d. FMS Administrative Surcharge. The current FMS administrative surcharge must be applied to the course cost, where applicable. Exceptions are

contained in the SAMM, ***Chapter 10 Table 10.T13,*** "Reciprocal Agreement Participants" and ***C10.T14***,"Other Reciprocal Agreement Participants.

E. Incremental Pricing of Training. AECA, Section 21(a)(1)(C) provides the authority to apply incremental pricing to training sold to an IMET-recipient purchaser or a purchaser designated as a high-income country. ***FAA***, Section 541(b) provides the authority for FMF recipients to be charged at a rate comparable to IMET. FAA, Section 503(a)(3) provides the authority to exclude military salaries from incremental pricing when the training is funded with U.S. appropriated funds.

1. Direct Costs

a. Instructors and School Support Staff

(1) Courses must be reviewed to determine if the incremental cost should be developed for a specific course (e.g., pilot training) or a group of courses. For classroom or technical courses that are similar or that utilize instructors who teach more than one course, such courses may be grouped for computation purposes. When there is a one-for-one or one-for-two relationship of instructor to student, the instructor in all cases must be considered incremental. If the entire class is composed of international students, the instructor and staff must always be considered incremental.

(2) It is anticipated that the incremental cost charged for instructors must be minimal for courses or groupings of courses when the ratio is high of either students to instructors or U.S. students to international students.

(3) For the types of courses (or groups of courses) identified in paragraph 071002.E.1.a.(1) of this chapter, a projection must be made as to the estimated number of U.S. students projected to be in the course and the number of instructors and staff required for that student load. A second projection must be made of the total number of students estimated, both U.S. and international, and the number of instructors and staff required. Both projections must be based on the maximum number of students who can be taught by instructors or staff rather than on optimum class size. The difference in instructor and staff between the two projections represents the incremental costs. This value, divided by the total number of international students, represents the incremental cost per student for the course(s). The price of courses for FMS students (Rates A and B in Table 7-3) must still be computed to include the full costs in accordance with other provisions of this chapter. In computing the full cost for those students, care must be taken to ensure that the incremental cost is not included in the full computation.

b. Travel and Per Diem. The costs for all student travel and per diem associated with the training must be considered incremental. Refer to paragraph 071002.D.1.b of this chapter.

c. Equipment Overhaul and Maintenance. The cost for overhaul and maintenance of major items of equipment, when computed on an hourly use basis,

must be incremental to a course based on estimated utilization hours. Refer to paragraph 071002.D.1.c of this chapter.

d. Simulators. The cost for simulator hours must be incremental. Refer to paragraph 071002.D.1.d of this chapter.

e. Supplies, Material, Training Aids, and Ammunition. The associated incremental cost must be the replacement price of items that are not returned or reusable (including POL) used in conducting the training.

f. Directly Associated Costs

(1) Instructor Training. The training of U.S. instructors or other personnel for special courses normally not conducted for U.S. personnel must be considered an incremental cost. When the required training is conducted at a U.S. training facility, the benefitting country must be charged the course cost established in accordance with instructions for computing training costs in paragraph 071002 of this chapter.

(2) Facilities and Equipment. The costs for any facilities or equipment acquired primarily for the support of international students, and the support costs thereof, must be considered incremental.

2. Indirect Costs. Standard weekly rates for base operating support must be charged to incremental training rates, as developed by the IAs, and adjusted annually. Include only those additional base operating support costs that are incurred as a result of international student attendance.

3. Other Billable Costs

a. Attrition Rate/Liability Statement. The attrition rate is not applicable to IMET Tuition Rate E in Table 7-3. For all other FMS training sold using incremental pricing (Tuition Rates C-D in Table 7-3), include the liability statement. Refer to paragraph 071001.C and 071002.D.3.a of this chapter.

b. Field Studies Program (FSP). The full cost to the USG of FSP must be considered incremental. Refer to paragraph 071002.D.3.b of this chapter as well as ***SAMM, Chapter 10***.

c. Shipment of Retainable Instructional Materials (RIM). If RIM is applicable for a course, then the costs must be considered an incremental cost. Refer to paragraph 071002.D.3.c of this chapter.

d. FMS Administrative Surcharge. The current FMS administrative surcharge must be charged on FMS training cases/lines receiving incremental pricing (Tuition Rates C-D in Table 7-3). Tuition Rate E (IMET) is exempt from paying the FMS administrative surcharge. Refer to paragraph 071002.D.3.d. of this chapter.

4. Exclusions. The unfunded civilian retirement charge that is deposited to the Miscellaneous Receipts Account of the U.S. Treasury must be considered a fixed cost and not included in incremental priced training rates (Tuition Rates C-E in Table 7-3).

0711 LEASING OF DEFENSE ARTICLES

071101. General

Defense articles are leased to a foreign country or international organization under authority of ***AECA***, Section 61. Inspection, restoration, maintenance, accessorial costs, or other support costs incurred in connection with the lease must be priced in accordance with this chapter and included on a separate LOA. Lease charges must apply except for cooperative R&D projects, military exercises, communications, and/or electronics interface projects. Reimbursement of the lease charge for any defense article that has passed 75 percent of its normal service life may be waived if it is determined that to do so is important to the national security interest of the U. S. This waiver authority has been delegated to the Director, DSCA or in the absence of the Director, the Deputy Director.

071102. Pricing of Leased Defense Articles

The amount to be charged for the lease of defense articles is the depreciation incurred during the period of the lease. The depreciation charge is dependent upon the following (See Figure 7-12):

A. Date the item is to be leased,

B. Date the item was first fielded or actual acquisition date,

C. The total estimated service life of the item,

D. Duration of the lease,

E. The original acquisition cost of the item,

F. A pro rata share of nonrecurring RDT&E and production costs, and

G. Capital improvements made to the item.

071103. Replacement Costs

Replacement costs must be estimated when the item is placed on lease and reflected in the lease agreement. In the event a leased defense article is damaged beyond repair, or is not returned, the replacement cost must be collected from the leasing foreign country or international organization. The replacement cost must be calculated in accordance with paragraph 070302.B and C of this chapter. Refer to ***SAMM, Chapter 11***, for procedures on leasing arrangements.

071104. FMS Administrative Surcharge

The FMS administrative surcharge does not apply to lease rental payments.

0712 USE OR EXPANSION OF DOD FACILITIES AND EQUIPMENT

071201. General

All costs of construction or expansion of facilities desired by and for the exclusive use of the foreign government must be financed and funded by the foreign government. Charges by the USG for labor, materiel, or services must be reimbursed in accordance with the provisions of sections 0702 and 0703 of this chapter. Any expansion of facilities or equipment required for DoD use, which may also be available for FMS, must be funded through the normal DoD budget process.

071202. Reimbursement of Proportionate Share

In addition to the costs identified in paragraph 071201 of this chapter, a proportionate share of operating costs must be reimbursed.

071203. Work at DoD Test Facilities and Laboratories

Case and line managers must inform performing activities when work requested at DoD test facilities and laboratories involves FMS. Work is priced to ensure full reimbursement of direct, indirect, and overhead costs to the test facility or laboratory for the FMS effort.

071204. Embedded Computer Software Facilities

A. Embedded Computer Software (ECS) support is normally supplied through a services case (or line) of a system sale. A requirement for a new facility or augmentation of an existing facility that is funded by the FMS purchaser is incidental to the service. Regardless of the costs charged to an FMS purchaser for use or augmentation of a facility, DoD owns and operates the facility.

B. Software support may be supplied by a separate facility dedicated to FMS or from a facility supporting both DoD and FMS programs. The FMS purchaser pays a prorated share of the total software costs.

0713 PRICING FOR USE OF TECHNOLOGY TRANSFER

071301. General

A Technical Data Package (TDP) encompasses production designs, drawings, specifications, models, manufacturing techniques and details, and similar information necessary to enable a foreign government to manufacture, or have manufactured, items of military equipment and repair parts, excluding information associated with the RDT&E stage. It also does not include technical assistance or know-how by USG personnel; however, such assistance

may be provided at additional cost. Refer to ***SAMM, Chapter 3***.

071302. Pricing of Technical Data Packages

DSCA may authorize release of a Technical Data Packages (TDP) to a foreign government for in-country manufacture of military equipment and repair parts. Costs incurred in the preparation, reproduction, and handling of the TDP must be priced in accordance with the pricing policies set forth in section 0714 of this chapter. When the pricing of the TDP is subject to an international agreement of which DoD is a party or is otherwise bound, the sale will be determined consistent with the terms of the agreement.

0714 PUBLICATION PRICING

071401. General

This section prescribes the method to use when determining the price of DoD publications sold to FMS purchasers. Generally, the cost for a DoD standard publication is the incremental cost to produce another copy. Effective October 1, 2004, acquisition and development costs are excluded in determining the costs of a DoD standard publication.

A. Definition of Publications. The term "publications" includes technical orders, technical manuals, supply catalogs, training publications, courseware, computer based tutorials, administrative publications, engineering drawings and associated documents, Integrated Logistics Support publications and associated documents, equipment component lists, special file extracts, decals, forms, and audio-visual products.

B. Medium of Publications. A publication may be in bound or loose-leaf format, imprinted form, Automated Data Processing (ADP) listing, operator's card, microfilm, slide, motion picture film, computer disc, or internet accessible.

C. FMS Purchaser-Unique Publication. Unique publications are DoD standard publications sanitized for the elimination of non-releasable information or publications developed for a country's unique specification. Engineering drawings and associated documents will be reviewed to determine if a technology charge is appropriate. Refer to paragraph 070302.B of this chapter when pricing DWCF publications.

071402. Publication/Software Pricing Factors

Publications or software developed solely for the use of an FMS purchaser(s), such as a country-unique technical order/software, instructions, or other publications and programs, must be priced to recover the total costs (including both in-house and contractual efforts) of development and delivery of the end product. These costs must include, but are not limited to, the amounts paid for technical or administrative writing, editing, illustrating, animation, copy preparation, documentation, royalty fees for intellectual property, and distribution services. The costs of additional copies or masters must be limited to the actual costs of reproduction to include media (e.g., disk, tape, CD, and hardcopy) and distribution/delivery. The following

costs must be included in the development of FMS prices for current, standard publications or software programs/products of the DoD:

A. Copy Production Cost (CPC). The costs incurred in the printing or reproduction of copies from the reproducible master.

B. Special Cost (SC). The cost incurred in the elimination of non-releasable information from a DoD publication/software program prior to release to a foreign government. The cost of classified handling, development, and maintenance of country-peculiar publications or programs, including costs associated with updating manuals/programs for nonstandard items (such as items out of inventory or out of production).

071403. Development of a Per Copy Selling Price

A. The total cost of a publication or software program is the sum of the incremental costs identified in paragraph 071402 of this chapter. The total cost must be reduced to a per copy expression by dividing the total incremental cost by the quantity produced (Q) as per the following formula:

$$\frac{(CPC + SC)}{Q} = \text{Price per copy}$$

B. Recorded actual costs will be used when available. When actual costs for individual publications or programs cannot be readily determined, a factored expression of historical costs will be developed from the most current cost records available. Uniform pricing tables can be developed from the cost per "unit" ("unit" being either a page, a roll of microfilm/microfiche page, or a running foot of tape or motion picture film). Paragraph 071402 of this chapter includes guidance for developing publication pricing tables.

071404. Other Applicable Costs

A. Recoupment of NC does not normally apply to the sale of publications or software. However, if the item is MDE, then NC recoupment charges would apply. Applicable NCs are a part of the cost included in the pricing formula set forth in paragraph 071403 of this chapter.

B. The standard administrative and accessorial charges prescribed in this chapter must be recouped as a percentage of publication/software prices. These charges are not included in the per copy selling price.

C. The FMS price for a joint Military Service publication or software program must be established by the Military Department responsible for its acquisition and management. That Military Department must notify the other participating DoD Components of the established FMS price.

*0715 SPECIAL DEFENSE ACQUISITION FUND

Special Defense Acquisition Fund (SDAF) was authorized in 1981 by an amendment to ***AECA***, Chapter 5 to fund the procurement of defense articles in anticipation of their sale or transfer to foreign governments. The basic objective of the fund was to facilitate delivery of materiel in advance of normal procurement lead-times. As of October 1, 2007, the SDAF account was closed by DFAS SCA, although the authority for it still existed. The SDAF account was subsequently recapitalized in 2012. The detail requirements of the fund are discussed in the ***SAMM, Chapter 11***.

0716 PROGRAM MANAGEMENT SERVICES

071601. General

DoD Components must ensure that each type of cost is allocated only once and only on one basis to an FMS case. Additional discussion on consistency in allocating costs incurred for the same purpose is contained in Volume 4 of this Regulation. Care must be taken to ensure against "double charging" for the same costs.

071602. FMS Case Related Manpower Functions and Funding Source

SAMM, Chapter 9, Table C9.T2, "Case-Related Manpower Functions and Funding Source Manpower Matrix," describes in detail the manpower functions that may be funded on FMS cases and the funding source for those related costs.

A. Standard Level of Service. There is a certain level of routine support provided to an FMS customer on each case. Costs associated with this workload are captured via the FMS Administrative Surcharge assessed against the case.

B. Above Standard Level of Service. An IA may determine there are additional services directly related to the defense articles or services being provided that are over or above the routine level of support generally provided to an FMS customer. These costs may be included on an FMS case as an above-the-line cost at the request of the FMS purchaser or by the USG based on the analysis of what will be required to successfully implement and execute the requested program/case. An auditable methodology must be used to document all costs included on these lines.

0717 EXCEPTION TO PRICING POLICIES AND COST RECOUPMENT WAIVERS

071701. General

An exception to prescribed pricing policies refers to approval of an alternative method of identifying applicable cost(s). A cost recoupment waiver refers to the exercise of legal authority to partially or totally waive recoupment of incurred costs.

071702. Request for Exception to Policies or Directives

Requests for exceptions to the policies prescribed herein or waivers of DoD costs for which DSCA is not delegated as the waiver authority, must be submitted to OUSD(C), through the DoD Component Senior Financial Manager, and DSCA DBO. DSCA DBO will conduct its assessment of the request and provide either endorsement or objections to OUSD(C). Sufficient data must accompany the request to enable OUSD(C) to evaluate the merits of the proposed deviation.

0718 PERIODIC REVIEW AND UPDATING OF RATES/SURCHARGES

071801. General

Rates that may be developed to recoup accessorial costs and surcharges (see sections 0704 through 0706 of this chapter) are subject to periodic review. OUSD(C) should notify the applicable DoD Components when such reviews are being conducted and request the DoD Components' participation.

071802. Revising Rates

No charges, or surcharges based on a percentage rate, must be made to recover any element of cost unless: (a) the charge or percentage charge is expressly prescribed in this volume, or (b) the charge based on the percentage rate is proposed in writing to and is approved by OUSD(C). Whenever a DoD Component believes a prescribed rate should be revised, it should submit its request with supporting data to OUSD(C), through the DoD Component Senior Financial Manager and DSCA DBO. DSCA DBO will conduct its assessment of the request and provide either its endorsement of or objection to OUSD(C). Sufficient data must accompany the request to enable evaluation of the merits of the proposed revision.

0719 FINAL ACCOUNTING

Once a final statement has been sent for an FMS case, the case must be reclassified by the IA from active to inactive status in accordance with Chapter 3, paragraph 030903 of this volume. Since October 1, 1992, all closed cases with post closure activity, not subject to accelerated closure procedures, must be reopened as authorized by DSCA, to report execution. The IA must cancel the original closure certificate and submit a new certificate prior to case closure. Cases for countries subject to accelerated closure procedures may be reopened only as authorized by DSCA and in accordance with Chapter 3**,** paragraph 030905 of this volume.

0720 LOGISTICS SUPPORT CHARGE

Logistics Support Charge (LSC) was applicable to materiel and services identified on the Military Articles and Services List, excluding DWCF materiel. LSC was assessed at 3.1 percent of the articles and services reported delivered on or after April 1, 1987 and prior to October 1, 2007. The SAMM, ***Chapter 9, Table C9.T4***, "Table of Charges," explains the elimination of the LSC and how to treat prior year LSC charges.

*Table 7-1. Cost Elements

Cost Element	Appropriation Reimbursed
A. Services of Military Personnel	
1. Composite standard military pay rate	Military Personnel (MILPERS)
2. Leave and holiday factor when applicable (see paragraph 070203)	MILPERS
3. Personnel support costs	Operation and Maintenance (O&M), Defense Health Program (97*0130)
4. Retirement cost prior to October 1, 1984	Miscellaneous Receipts Account 3041
5. Retirement cost after September 30, 1984	MILPERS
6. Medicare-Eligible Retiree Health Care accrual	Miscellaneous Receipts Account 3041
B. Services of Civilian Personnel including Defense Working Capital Funded (DWCF)Personnel	
1. Salary cost and wages	O&M, Research, Development, Test, Evaluation (RDT&E), and DWCF as applicable
2. Leave and holiday factor when applicable	O&M, RDT&E, and DWCF as applicable (see paragraph 070202 of this chapter)
3. DoD-funded civilian retirement costs	O&M, RDT&E, and DWCF as applicable
4. Health and life insurance and other employee fringe benefits	O&M, RDT&E, and DWCF as applicable
5. Civilian unfunded retirement costs and post-retirement health benefits not funded by DoD appropriations	Miscellaneous Receipts Account 3041
C. Inventory Items	
1. Non-excess procurement funded items which require replacement	Financing procurement appropriations, as applicable, current at the time items are dropped from inventory
2. Non-excess procurement funded item that is not to be replaced within the obligation availability of current procurement appropriations	Miscellaneous Receipts Account 3041
3. DWCF items, including the cost recovery elements for operating costs	DWCF
4. Excess procurement funded principal items	Miscellaneous Receipts Account 3041 Funds items in accordance with Title 10 United States Code (U.S.C.) Section 114(c)(2)

Table 7-1. Cost Elements (continued)

Cost Element	Appropriation Reimbursed
D. Nonrecurring cost recoupment charges (Collected as a result of FMS)	Miscellaneous Receipts Account 3041
E. Transportation	Financing appropriation/fund current at the time transportation is supplied
F. Logistics Support Charge (LSC)	FMS Trust Fund Administrative Account
G. DoD Royalty fee charges	Miscellaneous Receipts Account 3041
H. Charges for the use of DoD assets (includes depreciation on purchased equipment)	Miscellaneous Receipts Account 3041 Depreciation which is included in DWCF shop rates must be retained by the DWCF
I. Asset Use	Miscellaneous Receipts Account 3041
J. FMS contract costs financed by DoD appropriation or fund accounts	Financing procurement appropriation or DWCF, as applicable
K. Temporary Duty (TDY) costs financed by appropriation or fund accounts	O&M and RDT&E appropriations current at the time travel is performed, or DWCF, as applicable
L. Accessorial charge	
1. Packing, crating, and handling (PC&H)	FMS Trust Fund PC&H Account
2. Transportation	FMS Trust Fund Transportation Accounts
M. FMS administrative surcharge	FMS Trust Fund Administrative Account
N. FMS Contract Administration Services (CAS) Surcharge	FMS Trust Fund CAS Account
O. Contract Administration Services (This is a combination of cost elements A, B, and K)	MILPERS, O&M, DWCF, or Miscellaneous Receipts Account 3041, as applicable
P. Interest charge resulting from late payment of billings (DD Form 645, "Foreign Military Sales Billing Statement") for accrued expenditures	Miscellaneous Receipts Account 3210, General Fund Proprietary Receipts, Defense Military not otherwise classified
Q. Mailing fee, storage, and publications	O&M or DWCF, as applicable
R. Inventory losses	Applicable procurement or DWCF, as applicable
S. Attrition	FMS Trust Fund Attrition Account

DoD Components must maintain internal records of the dollar amounts applicable to each category of collections deposited into Miscellaneous Receipts Account 3041. One decimal subaccount must be used for each type of collection. For example, 3041.3 might be used to designate dollar amounts applicable to NC recoupment.

Table 7-2. Federal Condition Code

DISPOSAL CONDITION CODES	Supply Condition Code						
				A	B	C	D
				SERVICEABLE			
				Issuable without qualification	Issuable without qualification	Priority Issue	Test/ Modification
	1	UNUSED	GOOD	50%	30%	30%	30%
	2	UNUSED	FAIR	30%	20%	20%	20%
	3	UNUSED	POOR	10%	10%	10%	10%
	4	USED	GOOD	40%	30%	30%	30%
	5	USED	FAIR	30%	20%	20%	20%
	6	USED	POOR	10%	10%	10%	
	7	REPAIRS REQUIRED	GOOD				20%
	8	REPAIRS REQUIRED	FAIR				5%
	9	REPAIRS REQUIRED	POOR				5%
	X	SALVAGE					
	S	SCRAP					

Table 7-2. Federal Condition Code (continued)

DISPOSAL CONDITION CODES	Supply Condition Code							
				E	F	G	H	S
				UNSERVICEABLE				
				Limited Restoration	Reparable	Incomplete	Condemned	Scrap
	1	UNUSED	GOOD					
	2		FAIR					
	3		POOR					
	4	USED	GOOD					
	5		FAIR					
	6		POOR					
	7	REPAIRS REQUIRED	GOOD	20%	20%	20%	10%	
	8		FAIR		10%		5%	
	9		POOR		5%		5%	
	X	SALVAGE			5%	5%	5%	
	S	SCRAP						

Table 7-3. Tuition Rate Pricing Structure

Cost Elements	National Funds		
	FULL		INCREMENTAL
	RATE A Full FMS	RATE B NATO	RATE C FMS[1]
Direct Costs			
Military Pay	Full	Full	Incremental
Mil Fringe Benefits and Other Personnel Support Costs	Full	Full	N/A
Civilian Pay	Full	Full	Incremental
Civ Fringe Benefits	Full	Full	Full of Incremental[2]
Civ Unfunded Retirement	Full	Full	N/A
Non-Personnel/Material	Full	Full	Incremental
Indirect Costs			
Military Pay	Full	N/A[3]	Incremental
Mil Fringe Benefits and Other Personnel Support Costs	Full	N/A[3]	N/A
Civilian Pay	Full	N/A[3]	Incremental
Civ Fringe Benefits	Full	N/A[3]	Full of Incremental [2]
Civ Unfunded Retirement	Full	N/A[3]	N/A
Non-Personnel/Material	Full	N/A[3]	Incremental
Additive Costs			
Attrition Factor	Apply	Liability Statement	Liability Statement
FSP	Full	Full	Full
RIM	If applicable	If applicable	If applicable
FMS Admin	Apply	N/A[3]	Apply

[1] **RATE C** – FMS: Countries concurrently in receipt of IMET that elect to purchase training using national funds receive this rate. Countries designated as high-income countries also receive this rate.

[2] Full of Incremental: The entire factor will be charged against the incremental cost. There is no reduction to the factor because incremental pricing is being used.

[3] Refer to ***AECA*** Section 21(g). The President is authorized to enter into NATO Standardization Agreements if the principles of such agreements are based on reciprocity. Such agreements may exclude reimbursement of indirect costs and the FMS administrative surcharge.

Table 7-3. Tuition Rate Pricing Structure (continued)

Cost Elements	U.S. Appropriated Funds	
	INCREMENTAL	
	FMS	IMET
	RATE D FMF[4]	RATE E IMET
Direct Costs		
Military Pay	N/A	N/A
Mil Fringe Benefits and Other Personnel Support Costs	N/A	N/A
Civilian Pay	Incremental	Incremental
Civ Fringe Benefits	Full of Incremental [2]	Full of Incremental [2]
Civ Unfunded Retirement	N/A	N/A
Non-Personnel/Material	Incremental	Incremental
Indirect Costs		
Military Pay	N/A	N/A
Mil Fringe Benefits and Other Personnel Support Costs	N/A	N/A
Civilian Pay	Incremental	Incremental
Civ Fringe Benefits	Full of Incremental [2]	Full of Incremental [2]
Civ Unfunded Retirement	N/A	N/A
Non-Personnel/Material	Incremental	Incremental
Additive Costs		
Attrition Factor	Liability Statement	N/A
FSP	Full	Full
RIM	If applicable	If applicable
FMS Admin	Apply	N/A

[2] Full of Incremental: The entire factor will be charged against the incremental cost. There is no reduction to the factor because incremental pricing is being used.

[4] **RATE D** – FMF: This rate applies to courses provided to countries that use U.S. appropriated dollars as their source of funding (except IMET). If the training is not wholly funded with U.S. appropriated funds (e.g., 100% MAP Merger, 100% non-repayable FMF), then the training must be re-priced to include military salaries and benefits.

Figure 7-1. Civilian Personnel Services Price Computation Example

Assumptions:

A. Navy GS-12 within Atlanta, GA locality pay area. When the GS step is not known, use step 5 pay rates. $38.23 per hour is used for this computation example.
B. 100 hours performed in August 2009 against an FMS Case
C. FY 2009 Unfunded Civilian Retirement (UCR) Factor = 10.0%
D. FY 2009 Navy Civilian Personnel Fringe Benefits Factor = 29.6%
E. Leave and Holiday (L&H) Acceleration Factor = 18%

	FMS Case		FMS Admin		
	Less than Full Time	Full Time	Less than Full Time	Full Time	
(1) Direct Labor Cost [A x B]	$ 3,823.00	$ 3,823.00	$ 3,823.00	$ 3,823.00	[1]
(2) Leave & Holiday Costs [(1) x E]	$ 688.14	$ ----	$ 688.14	$ ----	[2]
(3) Total Civilian Labor Costs [(1) + (2)]	$ 4,511.14	$ 3,823.00	$ 4,511.14	$ 3,823.00	
(4) Unfunded Retirement Cost [(3) x C]	$ 451.11	$ 382.30	$ ----	$ ----	[3]
(5) Fringe Benefits Cost [(3) x D]	$ 1,335.30	$ 1,131.61	$ 1,335.30	$ 1,131.61	[4]
(6) FMS Selling Price [(3) + (4) + (5)]	$ 6,297.55	$ 5,336.91	$ 5,846.44	$ 4,954.61	[5]

[1] Pay rates in effect at the time services are performed. Hourly and annual locality salary tables are available at ***OPM*** Web site. Tables through 2008 are available in the Appendix C Archive of this volume.

[2] The leave and holiday acceleration factor is applied as a percentage of direct labor cost when the individual is not reimbursed on a full time basis by FMS. Effective October 5 1980, the leave and holiday factor is 18%.

[3] The unfunded retirement acceleration factor is applied as a percentage of total civilian labor costs when the individual is not reimbursed from FMS Admin. Credit unfunded civilian retirement to the Miscellaneous Receipts Account 3041. Current rates are available at the ***OUSD(C) reimbursable rates*** Web site, select the applicable FY, Civilian Personnel Fringe Benefit (Tab D). Historical rates are available in the Appendix C Archive of this volume.

[4] The fringe benefits factor is applied as a percentage of the total civilian labor costs and includes the employer's share of retirement, health benefits, life insurance, and other benefits. Rates are available at the OUSD(C) reimbursable rates Web site, Civilian Personnel Fringe Benefit (Tab D), for FY 1997 and forward. Historical rates for FYs 1989- 2008 are available in the Appendix C Archive of this volume.

[5] The FMS Administrative Surcharge is additive to the FMS selling price.

Figure 7-2. Military Personnel Services Price Computation Example

Assumptions:

A. Scenario 1: Navy O-4 and E-7 Full time FMS effort in FY2010 at an overseas location
B. Scenario 2: Navy O-4 and E-7 Part-time FMS effort; each performing 100 hours service in FY 2010. TDY cost is $5,600.
C. Navy O-4 FMS Composite Rate ($169,096 + $9,586 = $178,682) [1]
D. Navy E-7 FMS Composite Rate ($105,214 + $9,586 = $114,800) [1]
E. Navy O-4 Hourly Composite Rate ($178,682 x .00055 = $98.28) [2]
F. Navy E-7 Hourly Composite Rate ($114,800 x .00055 = $63.14) [2]

FMS CASE – FULL TIME FMS EMPLOYEE

Computation Scenario 1:

	O-4	E-7	Total
FMS Composite Pay Cost [1]	$178,682	$114,800	
FMS Selling Price [3]			$293,482

FMS CASE – LESS THAN FULL TIME FMS EMPLOYEE

Computation Scenario 2:

FMS Composite Pay Hourly Rate	$ 9,828	$ 6,314	$ 16,142
x hours of service performed [2]			
TDY Cost			$ 5,600
FMS Selling Price [3]			$ 21,742

[1] Refer to ***OUSD(C) reimbursable rates*** Web site, and select the applicable FY, Military Personnel Composite Standard Pay and Reimbursement Rates (Tab K) to obtain the current FMS Composite Rate. The FMS Composite Rate is computed by taking the Annual DoD Composite Rate and adding the acceleration factor (for FY 2010 the amount is $9,586) to cover medical health care costs of active duty personnel and their dependents. These are the costs financed by the Defense Health Program.

[2] To compute the hourly rate, multiply the FMS Composite Rate by .00055. This computation includes a 14% leave and holiday factor.

[3] The FMS Administrative Surcharge is additive to the FMS selling price.

Figure 7-3. Price Computation Example: Non-Excess Procurement Funded Item from Stock

Assumptions:	
Market Value	None Available
Most Recent Acquisition Price	$50,000.00
New Contract Price	$100,000.00
Modification Costs	$5,000.00
Nonrecurring Recoupment Charge, ***SAMM, Appendix 1***	$2,000.00
Prorated overhaul costs before sale date (see Figure 7-4)	$5,203.20
Service Life	10 Years
Age at transfer	6 Years
Remaining Service Life	4 Years

Calculation

Not to Be Replaced	
Adjusted Price: ($50,000+$5,000) x (4/10) [1]	$22,000.00
Adjusted nonrecurring cost recoupment: $2,000 x (4/10) [2,3]	800.00
Prorated overhaul costs before sale date (see Figure 7-4) [4]	+ 5203.20
FMS Selling Price [5,6,7]	$28,003.20

To Be Replaced	
Adjusted Price: $100,000 x (4/10) [8]	$40, 000.00
Adjusted nonrecurring cost recoupment: $2,000 x (4/10) [2,3]	+ 800.00
FMS Selling Price [5,6,7]	$40,800.00

[1] (Most Recent Acquisition Price + Modification Costs) x Remaining Service Life

[2] Nonrecurring Recoupment Charge x Remaining Service Life

[3] Credit to Miscellaneous Receipts Account 3041.

[4] Credit previously incurred overhaul costs to the financing account.

[5] Any administrative, PC&H, and transportation surcharges are additive to the selling price.

[6] FMS selling price cannot be less than the Market Value if one exists.

[7] If this is a sale of a ship, the FMS selling price cannot be lower than the scrap value or fair value plus the cost of the last major overhaul or outfitting accomplished before the sale.

[8] New Contract Price X Remaining Service Life

Figure 7-4. Price Computation Example: Overhaul Costs Previously Incurred for a Procurement Funded Item Sold to Foreign Military Sales Purchasers

Assume the following:

1. Item is to be sold in May 2009. The last overhaul for that aircraft was accomplished in June 2007 at a cost of $ 8,672.

2. The normal interval between overhauls for the item is 60 months.

The price is computed using the following steps:

A. Determine the actual interval since the last overhaul in terms of months.

June 2007 to May 2009 equals 24 months.

B. Determine the percentage of overhaul costs applicable to the DoD by comparing the actual interval since the last overhaul with the normal interval between overhauls.

$$\frac{\text{Actual Interval}}{\text{Normal Interval}} = \frac{24 \text{ months}}{60 \text{ months}} = 40\%$$

3. Determine the amount of the costs to be charged to the purchaser by subtracting the resulting percentages in step 2 from 100 percent and applying the result to the overhaul costs. If actual overhaul costs are not known, a reasonable estimate should be obtained from the facility normally performing overhauls for the type of item that is to be sold.

100% -40% = 60% x $8,672 = $5,203.20

Figure 7-5. Price Computation Example: Sale of Ship (Greater than 3,000 Tons or More Than 20 Years Old) Not to be Replaced

Assumptions:	
Acquisition Value	$22,500,000.00
Condition Code (A-3, see Table 7-2)	10%
Nonrecurring Charge	$500,000.00
Prorated overhaul costs before sale date (see Figure 7-4 for how to compute)	$1,500,000.00
Scrap Value	$1,000,000.00
Fair Value (Acquisition Value x Federal Condition Code Rate) ($22,500,000 x 10%)	$2,250,000.00

Computation:	
Greater of Scrap or Fair Value [1]	$2,250,000.00
Adjusted Nonrecurring Cost Recoupment (10% x $500,000) [1]	$50,000.00
Prorated overhaul costs [2]	+ $1,500,000.00
FMS Selling Price [3]	$3,800,000.00

[1] Credit to Miscellaneous Receipts Account 3041.

[2] Credit previously incurred overhaul costs to the financing account.

[3] The administrative surcharge is additive to the selling price.

Figure 7-6. Price Computation Example: Excess Procurement (Non-DWCF) Funded Item from Stock/Inventory

Assumptions:	
Acquisition Value [1]	$50,000.00
Federal Condition Code (B-1, see Table 7-2)	30%
Nonrecurring Charge	$2,000.00
Prorated overhaul costs before sale date (see Figure 7-4)	$5203.20
Market Value	$10,000.00
Scrap Value	$5,000.00
Fair Value (Acquisition Value * Federal Condition Code Rate) ($50,000 x 30%)	$15,000.00

Computation:	
Greater of Market, Scrap, or Fair Value	$15,000.00
Adjusted Nonrecurring Cost Recoupment (30% x $2,000) [2]	$600.00
Prorated overhaul costs before sale date (see Figure 7-4) [3]	+ $5,203.20
FMS Selling Price [4,5]	$20,803.20

[1] If the method used to determine an estimated actual PCH&T cost is based on the cost or price of the excess item, acquisition cost must be used.

[2] Credit to Miscellaneous Receipts Account 3041.

[3] Credit previously incurred overhaul costs to the financing account.

[4] The FMS selling price must be increased if the market value or the scrap value plus the nonrecurring cost recoupment charge and the prorated value of the last major overhaul costs incurred are higher than the fair value FMS selling price. The market value is the price at which bona fide sales have been consummated for products of like kind, quality, and quantity. The scrap value is the amount that would be expected to be obtained from selling the asset at the end of its useful life. The fair value price is determined by the Federal Condition Code.

[5] Any administrative, PC&H, and transportation surcharges are additive to the selling price.

Figure 7-7. Recoupment of Nonrecurring Cost of Major Defense Equipment Example: Base Level

RECOUPMENT OF NONRECURRING COST ON SALES OF MAJOR DEFENSE EQUIPMENT										DATE PREPARED:		DOD COMPONENT:	
										As of Date:		Prepared By:	
SECTION A													
(a)	**(b)**			**(c)**						**(d)**			**(e)**
Weapon System or Component	**Nonrecurring Cost in (Whole Dollars)**			**Production Quantity (Qty Each)**						**Recommended Pro Rata Unit Charge**			
	RDT&E	Production	Total	Army	Marine/ Navy	Air Force	FMS	DCS	Total	RDT&E	Production	Total	**Previous Unit Charge**
ABC Block 0	$51,000,000	$75,000	$51,075,000	25	200	0	92	0	317	$160,883	$237	$161,120	N/A
SECTION B													
PRODUCTION QUANTITIES													

	Actual	Projected	Total
USG	25	200	225
MAP	0	0	0
Direct Sales	0	0	0
FMS	5	87	92
Total	30	287	317

Figure 7-7. Recoupment of Nonrecurring Cost of Major Defense Equipment Example: Base Level (continued)

SECTION C		
QUANTITY PROJECTION BREAKOUT		
MAP		
Country / Int'l Organization	Projected Quantity	Explaination for Projections
Total MAP	0	
Direct Sales		
Country / Int'l Organization	Projected Quantity	Explanation for Projections
Total Direct Sales	0	
FMS		
Country / Int'l Organization	Projected Quantity	Explanation for Projections
Country A	15	
Country B	5	
Country C	6	
Country D	12	
Country E	25	
Country F	14	
Country G	10	
Total FMS	87	
TOTAL	87	

Figure 7-8. Recoupment of Nonrecurring Cost of Major Defense Equipment Example: Two-Level

RECOUPMENT OF NONRECURRING COST ON SALES OF MAJOR DEFENSE EQUIPMENT B/B Model MASL _____										DATE PREPARED:		DOD COMPONENT:	
										As of Date:		Prepared By:	
SECTION A													
(a)	**(b)**			**(c)**						**(d)**			**(e)**
Weapon System or Component	**Nonrecurring Cost (in Whole Dollars)**			**Production Quantity (Qty Each)**						**Recommended Pro Rata Unit Charge**			**Previous Unit Charge**
	RDT&E	Production	Total	Army	Marine/ Navy	Air Force	FMS	DCS	Total	RDT&E	Production	Total	
B/B Model													
Common Cost Pool (with A/B Model)	$2,956,674	$0	$2,956,674						67,158[1]	$44.03	$0.00	$44.03	
Unique	$76,294	$0	$76,294	0	0	600	250	0	850	$89.76	$0.00	$89.76	
												$133.79	NC New Item
Backup Data													
A/B Model Commonality	$4,223,820	$0	$4,223,820 70%	0	64,627	0	1,681	0	66,308	$63.70	$0.00	$63.70	

SECTION B			
PRODUCTION QUANTITIES			
	Actual	Projected	Total
USG	400	200	600
MAP	0	0	0
Direct Sales	0	0	0
FMS	0	250	250
Total	400	450	850

NOTES:

[1] A/B Model Common (66,308) + B/B Model Unique (850) = 67,158

Figure 7-8. Recoupment of Nonrecurring Cost of Major Defense Equipment Example: Two-Level (continued)

SECTION C		
QUANTITY PROJECTION BREAKOUT B/B Model MASL _____		
MAP		
Country / Int'l Organization	**Projected Quantity**	**Explaination for Projections**
Total MAP	0	
Direct Sales		
Country / Int'l Organization	**Projected Quantity**	**Explaination for Projections**
Total Direct Sales	0	
FMS		
Country / Int'l Organization	**Projected Quantity**	**Explaination for Projections**
Country B	75	
Country E	20	
Country H	75	
Country J	80	
Total FMS	250	
TOTAL	250	

Figure 7-9. Recoupment of Nonrecurring Cost of Major Defense Equipment Example: Multi-Level

RECOUPMENT OF NONRECURRING COST ON SALES OF MAJOR DEFENSE EQUIPMENT ABC Blk II NC Charge - Summary Calculation MASL _____							DATE PREPARED:		DOD COMPONENT:	
							As of Date:		Prepared By:	
SECTION A										
(a)	**(b)**			**(c)**			**(d)**			**(e)**
Weapon System or Component	**Nonrecurring Cost (in Whole Dollars)**			**Benefitting Units (Qty Each)**			**Recommended Pro Rata Unit Charge**			**Previous Unit Charge**
	RDT&E	Production	Total	New	Remanufactured	Total	RDT&E	Production	Total	
ABC Block II										
Common Cost Pool (with ABC Blk I)	$324,126,237	$116,970,421	$441,096,658	821	463	1,284	$252,434.76	$91,098.46	$343,533.22	
Common Cost Pool (with ABC Block 0)	$235,896,300	$48,990,000	$284,886,300	463	927	1,390	$169,709.57	$35,244.60	$204,954.17	
Unique	$1,516,253,000	$287,960,000	$1,804,213,000	221	751	972	$1,559,931.07	$296,255.14	$1,856,186.21	
									$2,404,673.60	NC New Item
Backup Data										
ABC Block I Commonality	$589,320,430	$212,673,493	$801,993,923 55%							
Backup Data										
ABC Block 0 Commonality	$786,321,000	$163,300,000	$949,621,000 30%							
SECTION B										
PRODUCTION QUANTITIES										
Remarks:					Actual	Projected	Total			
				USG	200	752	952			
				MAP	0		0			
				Direct Sales	0		0			
				FMS	0	332	332			
				Total	200	1,084	1,284			

Figure 7-9. Recoupment of Nonrecurring Cost of Major Defense Equipment Example: Multi-Level (continued)

SECTION C		
QUANTITY PROJECTION BREAKOUT ABC Blk II NC Charge - Summary Calculation MASL _____		
MAP		
Country / Int'l Organization	**Projected Quantity**	**Explaination for Projections**
Total MAP	0	
Direct Sales		
Country / Int'l Organization	**Projected Quantity**	**Explanation for Projections**
Total Direct Sales	0	
FMS		
Country / Int'l Organization	**Projected Quantity**	**Explanation for Projections**
Country A	25	
Country C	12	
Country F	100	
Country H	60	
Country I	25	
Country J	4	
Country K	72	
Country L	34	
Total FMS	332	
TOTAL	332	

Figure 7-10. Price Computation Example: New Procurement

Contract Price (20 items)		$1,000,000.00
Nonrecurring Cost ($2,500 each x 20 items)		50,000.00
Contract Administration Services (1,000,000 x .015)		15,000.00
Government-Furnished Materiel (GFM)		25,000.00
Packing, Crating, and Handling of GFM (3.5%) [1]		875.00
Transportation of GFM from Depot to Contractor Plant [1]	+	938.00
FMS Selling Price (20 items) [2]		$1,091,813.00
FMS Unit Selling Price [2] (1,091,813/20)		$54,590.65

[1] PC&H and CONUS transportation are applicable, if the GFM is purchased from procurement citing the case funds. Actual costs should be used whenever known. However, in the absence of actual costs, a percentage-based computation must be used. For the purpose of this example, the GFM ($25,000) is considered to be all procurement-funded items with unit costs of less than $10,000. PC&H and Inland CONUS Transportation are not applicable, if the GFM is shipped from inventory by the DoD Working Capital Funds, as the cost is included in the standard (stabilized) price of the item.

[2] Transportation of end item, if applicable, and administrative surcharges are additive to the selling price

Figure 7-11. Price Computation Example: Overhaul of Purchaser-Owned Materiel [1]

Assumptions:

Civilian Direct Labor Hours	500
Direct labor hourly rate (employee salary and pro rata overhead)	$36.72
Unfunded Civilian Retirement Rate FY 2009	10%
Army Military Labor Hours (E-7)	100
Foreign Purchaser paid for inbound and outbound transportation	

Computation:

Direct materiel consumed or incorporated (does not include purchaser-owned materiel)		$ 1,000.00
Direct civilian labor cost recouped (including unpacking and packing, crating and handling) (500 x $36.72)		$18,360.00
Unfunded Civilian Rate costs ($18,360 x 10%)		$ 1,836.00
Military Composite Standard Pay Reimbursement (104,429 x .00055) x 100		$ 5,743.60
Transportation [1]	+	------
FMS Selling Price [2]		$26,939.60

[1] This table is general in nature and does not show all costs that may be included. For example, direct materiel consumed or incorporated should include transportation, replacement prices, and charges as appropriate. (See paragraph 070501.B for treatment of DWCF materiel). This example assumes that inbound and outbound transportation is paid by the FMS purchaser. See paragraph 070802.F. If the purchaser does not pay via the freight forwarder, the cost is included in the FMS selling price.

[2] The administrative surcharge is additive to the FMS selling price.

Figure 7-12. Calculation of Charges for Leased Defense Articles with Illustrative Entries

STEP 1: Determine Service Life.		
a.	Date to be leased	June 2008
b.	Date item first fielded or actual acquisition date of specific item (if known)	June 1998
c.	The total estimated service life of the item	240 months
d.	Item age in months as of the lease date	120
e.	Number of months to be leased	12
f.	Estimated months of service life remaining at conclusion of lease	+ 108
g.	Total months of service life (d. + e. + f.) [1]	240
STEP 2: Determine cost of defense articles leased to be depreciated.		
a.	Original acquisition cost	$1,000,000
b.	Pro rata share nonrecurring R&D and production costs [2]	20,000
c.	Capital improvements	
	(1) Major overhauls in past 24 months (see paragraph 70302.C.1)	500,000
	(2) Modifications net of retirements [3]	+ 300,000
	Total Cost	$1,820,000
	Less residual value Amount subject to depreciation (see Volume 4, Chapter 6, paragraph 060207)	
STEP 3: Calculate monthly charge.		
	Divide results of Step 2 by results of Step 1.	$1,820,000/240 = $7,583.33

[1] In the event the service life is zero, the life would be extended to include the lease period.

[2] The pro rata share of nonrecurring R&D and production costs is additive when determining the full cost of the equipment to be depreciated. This cost is not authorized to be waived under section 070305.P. of this chapter.

[3] Retirements represent serviceable components and weapons that are replaced by a modified version and that are returned to inventory upon removal. Normally, retired items are valued at standard (stabilized) inventory price, if repair is not necessary. If repair is required before the item may be reissued, the retirement item is valued at standard inventory price less estimated repair cost.

VOLUME 15, CHAPTER 8: "BILLING AND REIMBURSEMENT"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font*.**

The previous version dated October 2014 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
0801	Added "Purpose" and "Authoritative Guidance" paragraphs to comply with administrative instructions.	Addition
0802	Separated "Responsibilities" into a separate section.	Revision
Paragraphs 080305, 080403, 080502, 080904 and Previous Tables 8-6 through 8-9 and 8-16 through 8-33	Removed transaction formats and their references; they are included in the Defense Integrated Financial System manual and memorandum of understanding established with each Military Service.	Deletion
080702	Added information to show that the Air Force is authorized to bill for Contract Administrative Service based on the Defense Contract Management Agency memo, Workload Acceptance Determination/Review of Supporting Contract Administration (SCA) Request for Contract FA3002-13-D-0012, dated December 21, 2015 and the Air Force memo, Fiscal Year (FY) 2017-2019 Contract Administrative Service (CAS) Data Call, dated July 21, 2016.	Addition
Table 8-27	Updated Footnote 1 to clarify that if a Defense Working Capital Fund (DWCF) item is shipped to a staging location, the rate listed must be charged. Updated Footnote 2 to clarify that inland transport within the Continental United States (CONUS) (L1A) is only computed once on DWCF items shipped to a CONUS staging or aggregation area and then on to the CONUS water or aerial port. The first CONUS movement is included in the DWCF item price. The second movement is charged at the normal rate.	Revision

Table 8-27	Added Footnote 6 to explain the second L1A is computed once on DWCF items shipped to a CONUS staging or aggregation area and then on to the CONUS water or aerial port. The first CONUS movement is included in the DWCF item price.	Revision
Table 8-28	Added Footnote 5 to clarify that L1A is computed twice on non-DWCF items shipped to a CONUS staging or aggregation area and then on to the CONUS water or aerial port.	Revision

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CHAPTER 8

BILLING AND REIMBURSEMENT

*0801 GENERAL

080101. Purpose

This chapter establishes the standard policies for use when:

A. The Defense Finance and Accounting Service (DFAS), Security Cooperation Accounting (SCA) bills foreign governments and international organizations (hereafter referred to as Foreign Military Sales (FMS) purchasers) for costs related to defense articles and services sold pursuant to the Arms Export Control Act (***AECA***) (AECA starts on page 427 of Legislation on Foreign Relations, Volume 1-A), Public Law 90-629, as amended, codified as Title 22, United States Code (U.S.C.), ***Chapter 39***;

B. The Department of Defense (DoD) Components report FMS deliveries of materiel and services, contractor progress payments, and other related costs to DFAS SCA to obtain reimbursement or to report performance under an allotment of FMS Trust Fund budget authority; and

C. The DoD Components request reimbursement from the other DoD Components for costs associated with interservice support of FMS cases.

080102. Authoritative Guidance

The AECA provides the authority and general rules for FMS sales of defense articles, services, and training.

*0802 RESPONSIBILITIES

080201. Defense Security Cooperation Agency (DSCA)

DSCA approves the establishment and revision of the Implementing Agency (IA), Delivery Source Code (DSC), Monitor, and Type of Assistance (TA) codes. DSCA forwards the recommended new or revised codes to the DFAS, Accounting Policy Division for approval and inclusion in Volume 15. DSCA and DFAS must use the Standard Financial Information Structure as prescribed in Volume 1, Chapter 4.

080202. DFAS SCA

DFAS SCA must issue quarterly billing statements to FMS purchasers based on payment schedules attached to the Letter of Offer and Acceptance (LOA) by the applicable IA. Exceptions to this policy may be made when an IA submits a Quarterly Forecast of Financial Requirements for Requisition Cases, when the committed values for requisition cases indicate the performance

on a particular requisition case is behind or ahead of schedule. In such cases, DFAS SCA must bill based on the quarterly forecast or the committed value of requisitions. See Chapter 4, paragraph 040504 for more information.

080203. IAs

IAs must report accrued expenditures (work in process (WIP)) and physical deliveries in the applicable IA financial or logistical system within 30 days of the occurrence (date of shipment or performance). This information is provided to DFAS SCA through the billing and reporting policies prescribed in this chapter.

080204. Supporting DoD Components

The supporting DoD Components must request reimbursement from other DoD Components through the billing and reporting policies prescribed in this chapter.

A. Requesting Activities. When placing an order to satisfy an FMS demand, requesting activities are responsible for notifying the performing activities. The notification must include the country, case designator, and line item.

B. Performing Activities. Upon notification that a customer order is for an FMS purchaser, performing activities must notify the requesting activity whether the order has been accepted on a reimbursable or direct cite basis and identify the total cost to process the order. This total billing must include both funded and unfunded costs. The performing activity must deposit amounts collected to the appropriate accounts, including the Miscellaneous Receipt Account; see Chapter 2, Table 2-3, Pricing Elements and Their Financing Appropriations, for more information.

0803 FMS BILLING STATEMENT

080301. General

A. Department of Defense (DD) Form 645, FMS Billing Statement (or automated equivalent), and special billing arrangement statements issued by DSCA represent an official claim for payment by the United States Government (USG). The DD 645 is prepared on a quarterly basis as of December, March, June, and September. As an example, the December bill reflects physical deliveries, performance of services, and WIP from October 1 through December 31, and cash collections recorded for the FMS case through the preparation date of the billing statement. It also has a forecast of estimated advance cash requirements through the month of June. A December bill is mailed on or around January 15, with payment due March 15. The March, June, and September statements follow the same basic timeframes.

B. The FMS billing statement furnishes an accounting to the FMS purchaser for all costs incurred under each FMS Trust Fund case. Detail on the face of the billing statement must display the cost elements similar to the line item detail on the LOA. Physical performance of services and delivery of materiel are shown against the line item detail of the LOA. FMS

administrative surcharge, accessorial costs, and WIP are separately listed. Table 8-1 includes an example of a DD 645 prepared by DFAS SCA along with explanations of the entries.

080302. Billings for Cases With Payment Upon Delivery

For cases authorized under the AECA, sections 21(d) or 22(b) (e.g., TA codes 6, 7, or 8 authorizing billing upon delivery), the IAs must ensure that each case has a delivery schedule. On the scheduled delivery dates, DFAS SCA must follow-up with the IA and verify the accuracy of the delivery schedule. On the delivery date, DFAS SCA must immediately bill the FMS purchaser the appropriate charges. Interest must be charged in accordance with the policy found in Volume 16, Chapter 6, section 0604.

080303. Final Statement

DFAS SCA must give the FMS purchaser a case final statement at the end of the calendar quarter in which the case is closed and re-categorized from an active status to inactive status. DFAS SCA must annotate the final statement to notify the FMS purchaser of this reclassification. Table 8-1 includes an example of a final statement of account.

080304. FMS Delivery Listing

A. An FMS Delivery Listing is prepared in support of entries to Current Period Delivery Costs, on the DD 645. The FMS Delivery Listing is an itemized listing of all items physically delivered and services performed during the reporting period. It is cross-referenced to specific document numbers and allows FMS purchasers to validate receipt of the materiel or services.

B. An FMS Delivery Listing is prepared based on IA FMS Integrated Control System (FICS) delivery transactions that have an "E" (estimated), "A" (actual), or "N" (incremental billing) Price Code. Section 0805 has details for completion and submission of the delivery transactions. The FMS Delivery Listing also includes DFAS SCA's computation of charges applied by the organization fulfilling the order in accordance with Volume 15, Chapters 3 and 7. Table 8-2 is an example of an FMS Delivery Listing.

C. Codes assigned by DFAS SCA to delivery listing transactions are in Table 8-3, Delivery Listing Codes. The DFAS SCA Delivery Cost Total Codes are in Table 8-4.

D. FKE Accessorial Costs and FKF Accessorial Cost Adjustments

1. FKE transactions are applied against FKA transactions; FKF transactions are applied against FKB transactions.

2. Each "below-the-line" cost applied is identified by a generic code and a description of cost below the FKE/FKF headings. Generic codes and descriptions are in Table 8-5.

3. All FKE transactions (debit) and FKF transactions (credit) equal the net total accessorial costs.

4. The sum of net totals for article/service costs, FMS administrative surcharge, and accessorial costs equals total delivered costs.

080305. Computer Output

The FMS purchaser may request that DFAS SCA provide a Compact Disk Read Only Memory (CD-ROM) or hard copy report to support the FMS Delivery Listing. The billing and FMS Delivery Listing may be electronically transmitted upon request, or the data may be placed on a file server where the FMS purchaser may access it. Security precautions will be taken to assure data confidentiality and appropriate access control.

0804 FMS PURCHASER REQUESTS FOR BILLING AND SUPPLY ADJUSTMENTS

080401. General

A. If, after review of the DD 645 and/or the supporting FMS Delivery Lists, the FMS purchaser identifies that an adjustment is needed, the FMS purchaser must submit a formal request for adjustment. Billing and supply adjustment requests for materiel or service performance and accessorial charges should be submitted to the IA. Adjustment requests dealing only with FMS administrative surcharges should be submitted to DFAS SCA.

B. FMS purchasers must submit all requests for billing and supply adjustments on a Standard Form (SF) 364, Supply Discrepancy Report (SDR), clearly indicating the specific adjustment or billing action requested. The form, instructions for completion, and definitions are prescribed in Defense Logistics Manual 4000.25, Defense Logistics Management System (DLMS) Manual, ***Volume 2, Chapter 17.*** The DoD Components must process eligible SDRs in accordance with DLMS Manual, Volume 2, Chapter 17. After SDRs applicable to materiel and services are resolved, the DoD Components must report the action being taken to DFAS SCA using appropriate Adjustment Reply Codes in the delivery transaction (For additional informal concerning delivery transactions, see section 0805).

080402. Adjustment Reply Codes

Adjustment Reply Codes cover most replies to FMS purchaser requests for billing or adjustments. When a situation arises not covered by these codes, a reply by letter is appropriate. Submit requests for codes to cover additional transactions to DFAS SCA at DFAS-JAX/IN, 8899 E. 56th St., Indianapolis, IN 46249.

A. Codes to identify the reason for denial of a request are in Table 8-6.

B. Codes to identify a request was granted and instructions for disposition of any materiel shipped in error are in Table 8-7.

C. Codes that are advisory and do not require billing or supply actions are in Table 8-8.

D. Codes for requesting additional data from a country are in Table 8-9.

E. Codes for USG reimbursements to foreign countries to recover transportation costs those countries incurred to return items to the USG are in Table 8-10.

080403. Reply Listing

DFAS SCA provides a consolidated listing of the actions taken in response to SDRs, in Table 8-11, FMS Reply Listing to Purchaser Requests for Adjustments. This listing must be mailed with the DD 645 to the FMS purchaser involved. All FKG transactions (responses to SDRs) must be listed separately for each country and case. The FKG transaction has the same data elements as the FKA/FKB transaction shown on the FMS Delivery Listing. The Reply Listing is prepared in the same basic sequence as the billing statement and FMS Delivery Listing.

0805 IA PERFORMANCE REPORTS OR REQUESTS FOR REIMBURSEMENT

080501. Reporting Deliveries

A. IAs must report the cost of DoD services (inventory items and new procurement to DFAS SCA using delivery reports, or automated equivalents) through the FICS delivery transaction unless the provisions of paragraph 080503 are applicable. It is the IA's responsibility to ensure that receipt documentation demonstrating proof of shipment, with the appropriate FMS purchaser's (or the FMS purchaser's representative, e.g., a freight forwarder) signature, is retained permanently for the record.

B. DFAS SCA must pay earned reimbursements included in such reports within 20 working days from the date of receipt. If a cash flow problem precludes payment, DFAS SCA must issue immediate notification to the Director, DSCA. DSCA will then notify the appropriate country if FMS funding is short, and the Office of the Undersecretary of Defense Comptroller (OUDS(C)) if appropriated funding is short. The Director, DSCA, must notify IAs to suspend further deliveries of DoD stock or performance of DoD services unless a determination has been made that it is in the national interest for billings to be dated and issued upon delivery or performance, with payment due in 60 days.

080502. Delivery Reporting Codes

Section 0809 describes the current performance reporting for final delivery and WIP delivery transactions. A list of the various fields follow:

A. Transaction Code. The Transaction Code field contains a two-position alpha or numeric code identifying the transaction type. If the code is "NA," it represents a report of articles or services. If the position is "ND," it represents a report of WIP. If the position is

"NX," it reflects "below-the-line" actual or estimated accessorial costs. If the position is "NZ," it reflects an SDR reply.

B. Monitor Code. The Monitor Code field contains a one-position alpha or numeric data code identifying the activity to which the case is assigned and is to be reimbursed, if appropriate, for the extended value. Use the Monitor Code in conjunction with the IA Code to identify specific activities. The IA Code in Table 8-12 is prescribed in DSCA 5105.38-M, Security Assistance Management Manual (SAMM), Chapter 5, ***Table C5.T2***, IAs Authorized to Receive Letters of Request (LORs). The Monitor Codes assigned to the various activities are in Table 8-12.

C. Routing Identifier Codes (RIC). The RIC field contains a three-position alpha or numeric code for the shipping depot or activity performing services as established in DLM 4000.25-1, Military Standard Requisitioning and Issue Procedures ***(MILSTRIP)***.

D. Price Code. The Price Code field contains a one-position alpha code that identifies the report as a charge to WIP, a physical delivery, or the performance of requested DoD services. Three Price Codes are authorized:

1. Use Price Code "N" to report incremental billings (such as WIP to contractors or provision of government furnished materiel (GFM) to a contractor). Consider Price Code "N" a Contract Administration Service (CAS) computing code under the following rules:

a. Contractor progress payments must be reported with DSC "DE" or "DK". Use Price Code "N" if CAS is applicable. This rule applies to all services.

b. All IAs and applicable DFAS activities will report physical deliveries with any "delivery" DSC, "N" reimbursement code, and Price Code of "E" (estimated) or "A" (actual).

c. When contracts require no progress payment reports, such as might be the case on small contracts, use a DSC "DA" through "DD," "BB" or "ED," and if CAS is to be computed, use an "N" Price Code. The "N" Price Code will not be reflected in the FMS Delivery Listing.

d. An "N" Price Code reported in any transaction with an "N" reimbursement code will reject.

2. Use Price Code "E" to report physical delivery of items at an estimated price. The use of an "E" Price Code in reporting the deliveries of major end items is allowed if an actual Price Code is not available within 30 days of the date of shipment. Furthermore, "E" Price Code usage is required in reporting the deliveries of major end items if the actual price is not available within 90 days of the date of shipment. Use of the estimated Price Code is encouraged to expedite physical delivery reporting. When updating estimated information, use "E" with a credit value to reverse a previously submitted estimated "E" report and then enter a separate "E" report with the updated estimated information. Reverse the "E" prices and replace with "A" prices as soon as the actual prices are known.

3. Use Price Code "A" to report physical delivery of items or performance of DoD services at actual costs. If correcting a previously reported actual cost, use Price Code "A" with a credit value to reverse the previously submitted actual cost report; then enter a separate actual cost report with the corrected information.

E. Stock or Part Number or SDR Response

1. The Stock or Part Number or SDR Response field contains 15 alpha or numeric characters that identify the article(s) or services being reported. It shows the stock or part number, training course number, film number, publication number, and phrases, such as "service" or "progress payment." The purpose of this field is to provide FMS purchasers and DoD managers with information. Include as much specific information as possible in this field for articles provided or services performed to satisfy FMS purchaser requirements for complete visibility. The use of the words "other" or "services" by themselves (or together) is not acceptable.

2. When reporting training, enter the worksheet control number (WCN) to include the suffix code as required (see SAMM, Chapter 10, ***Table C10.T18***, Training Analysis Codes and WCNs) and Military Articles and Service List (MASL) Identification Number.

3. For SDR responses, insert code "R" or "W" in the first position, insert the SDR control number in the next five positions, and leave the last nine positions blank. If the SDR control number is less than five characters, right justify with leading zeros. code "R" applies if the SDR reply is not processed as an administrative fee SDR adjustment; "W" applies if the SDR reply is processed as an administrative fee SDR adjustment.

4. In reporting the cost of DoD services, provide a clear narrative description in this field or use the cost codes, in Table 8-13, in the last two positions of the stock number field.

F. Unit of Issue Codes. The Unit of Issue Codes field contains a two-position alpha code. Applicable unit of issue abbreviations are in Table 8-14.

G. Quantity Delivered. The Quantity Delivered field contains five numeric characters that identify the quantity of units delivered. Right justify and use leading zeros. The quantity delivered must be a credit if the extended value dollar amount is a credit. Use an appropriate character in the last position for credits.

H. Document Number. The Document Number field contains 14 alpha or numeric characters identifying the transaction and contains:

1. The IA Code, as prescribed in SAMM, Chapter 5, Table C5.T2;

2. The applicable Security Cooperation (SC) customer and regional codes as prescribed in SAMM, Chapter 4, ***Table C4.T2***, SC Customer and Regional Codes and FMS Eligibility Table;

3. The Mark for Code, which identifies the address of the in-country recipient of shipment ties back to the Military Assistance Program Address Directory. Values assigned vary from one purchaser country to another;

4. The Delivery Term Code (DTC), as prescribed in the SAMM, Chapter 5, ***Figure C5.F5***, LOA Information. Numeric codes are used when items are sold, and alpha codes are used when purchaser-owned equipment is returned for overhaul service. The DTC identifies the point at which custody transfers to the recipient, and it is the primary component used to determine the "below-the-line" transportation charge applied by DFAS SCA (see subparagraph 080504.C):

a. Codes used for Other Than Return and Repair transactions are in Table 8-15; and

b. Normally, the Return of Repaired Materiel will be reported using Transportation Bill Code (TBC) "L." Codes Used in Connection With Return and Repair transactions are in Table 8-16;

5. The TA Codes which are located in the SAMM, Chapter 5, Figure C5.F5;

6. The requisition date; and

7. The serial number of the document or item.

I. Suffix Code. The Suffix Code field contains a one-position alpha or numeric code. The code shows partial action by supplier without losing the identity of the original requisition. Consider the codes in combination with dates and quantities shipped when accounting for split transactions. Block assignment of the suffix codes is:

Processing Source	Assigned Suffix Codes
Initial Source	A through E
First Secondary Source	F through H, J, and K
Second Secondary Source	L, M, Q, T, and U
Third Secondary Source	V through X
Fourth Secondary Source	Z through 9

J. Supplemental Address. The Supplemental Address field contains six alpha or numeric characters identifying where to ship an FMS case item and contains:

1. The FMS purchaser procuring agency code. The permissible purchaser procuring agency codes are specified in the SAMM, Chapter 5, Figure C5.F5. This position is blank when reporting actual accessorial costs;

2. The offer release/option and freight forwarder codes. The permissible offer release codes are specified in the SAMM, Chapter 5, Figure C5.F5. These two positions are blank when reporting actual accessorial costs; and

3. The FMS case designator.

K. Mode of Shipment Codes. The Mode of Shipment Codes field contains a one-position alpha or numeric code showing the mode of shipment provided in the LOA. This position is left blank when reporting actual accessorial costs. The codes are in Table 8-17.

L. Adjustment Reply Code. The Adjustment Reply Code field contains a two-position alpha code and is used only when an SDR is being reported. Authorized Adjustment Reply Codes are in paragraph 080402. This field is left blank for normal delivery reporting of articles and services.

M. Program Year. The Program Year field contains one numeric character. The character is the last digit of the fiscal year (FY) in which an earned reimbursement must be realized.

N. DSC. The DSC field contains a two-position alpha code. Codes in the field provide an audit trail between performance and the pricing requirements in Volume 15, Chapter 7. DFAS SCA uses DSCs to recognize earnings for surcharges (see Table 8-18 for the Surcharge Matrix); therefore, use of the correct codes is imperative. An incorrect code could result in the FMS purchaser being over or under-charged.

1. DSCs for the Sale of Articles Under AECA, Section 21 are in Table 8-19.

2. DSCs for the Performance of DoD Services Under AECA, Section 21 or 22 are in Table 8-20.

3. DSCs for Unique Foreign Military Sales Order (FMSO) Charges are in Table 8-21.

4. DSCs for the Procurement for FMS Purchasers Under AECA, Section 22 are in Table 8-22.

5. DSCs for Miscellaneous Charges are in Table 8-23.

6. DSCs for the Special Defense Acquisition Fund (SDAF) are in Table 8-24.

O. Port of Embarkation (POE). The POE field contains one alpha character. Use code "A" when materiel is moved through an aerial port. Use a blank or "W" when materiel is moved through a water port.

P. Reimbursement Code. The Reimbursement Code field contains a one-position alpha code and is used by DFAS SCA to determine the reimbursable status of the report. The codes are in Table 8-25.

Q. TBC. The TBC field contains one alpha character. TBCs are used to bill FMS purchasers for "below-the-line" transportation costs if the actual method of transportation is different from that identified by the DTC. Report the return of repaired materiel using TBC "L." TBCs are in Table 8-26.

R. Defense Working Capital Fund (DWCF) Code. The DWCF Code field is reserved for future use. This field was previously used for the stock fund/non-stock fund identification but is not currently required.

S. Date Shipped/Services Performed. The Date Shipped/Services Performed field contains six numeric characters and represents the date of performance in format YYMMDD. DFAS SCA uses the date to monitor compliance with the requirement to submit delivery transactions within 30 days of performance.

T. Amount Delivered/Extended Value. The Amount Delivered/Extended Value field contains nine numeric characters and represents the dollar value of the report. Right justify the values with leading zeros. Use an appropriate character in the last position to represent credit value.

U. Item Number. The Item Number field contains three alpha or numeric characters. It identifies the LOA line item to which the report is applicable.

V. Rounded Dollar Indicator. The Rounded Dollar Indicator field contains one alpha character. Use an "X" to indicate when the extended value is reported only in dollars. When reporting physical delivery of items and the extended value exceeds $9,999,999.99, only enter dollars (rounded) in the extended value field and an alphabetic "X" in the dollar indicator field. If physical delivery does not apply (such as WIP or services), submit two or more transactions to equal the total value.

080503. Interfund Transactions

DWCF items are normally billed under interfund policies and use the Detailed Billing Codes prescribed in DLMS Manual, Volume 4, Military Standard Billing System - Finance (***MILSBILLS***). To minimize the impact on normal MILSBILLS billing (and still provide IAs or DFAS SCA with the data necessary to assure proper FMS billing), a modified MILSBILLS detailed billing transaction may be used to report FMS shipments. This modified MILSBILLS detailed billing transaction is in place of the FICS delivery transaction. The required modification is to substitute information that normally appears in the unit price field of the MILSBILLS detailed billing transaction. The information required on the modified billings transactions applicable to the FMS program follows:

A. Item Number. The Item Number field is three numeric or alpha characters

showing the FMS case line number (left justify). The information is obtained from positions 54-56 of the FMS requisitions submitted by the Army, positions 48-50 of FMS requisitions submitted by the Air Force, and positions 57-59 of FMS requisitions submitted by the Navy and Marine Corps.

B. TBC. The TBC field is one alpha character. The applicable TBCs prescribed in subparagraph 080502.Q must be reflected in this field.

C. DSC. The DSC field is two alpha characters. The applicable DSC as prescribed in subparagraph 080502.N must be reflected in this field.

D. DWCF Code. The DWCF Code field is one alpha or numeric character. This field was previously used for the stock fund/non-stock fund identification but is currently not required.

080504. DFAS SCA Computations

Based on data in delivery transactions, DFAS SCA computes and bills FMS purchasers for the following:

A. CAS Charge. The CAS charge is based on DSCs (see subparagraph 080502.N and Table 8-18). CAS percentages prescribed in Chapter 7, paragraph 070405 are applied as a percentage of reported payments to contractors, except for cases when CAS has been waived as authorized in Chapter 7, paragraph 070405 or determined to be not applicable and approved by DSCA. DFAS SCA performance and performance reporting feedback reports identify the amount of CAS computed based on delivery or WIP transactions (see section 0809).

B. Packing, Crating, and Handling (PC&H) Charge. The PC&H surcharge applies to shipments of DoD non-Working Capital Fund materiel. The IA is responsible for calculating the PC&H based on the acquisition price of the materiel (see Chapter 7, paragraph 070502 or 070304) and for delivery reporting costs with a DSC of "BH."

C. Transportation Charges. A “below-the-line” charge is applied based on the DTC within the delivery transaction. However, if the delivery transaction includes an optional TBC, the TBC will supersede the DTC in determining the transportation to be assessed (see subparagraph 080502.Q). See SAMM, Chapter 9, Table ***C9.T4a,*** Table of Delivery Term Codes and Percentage, for the applicable rates. If the delivery transaction contains a DTC of “8” or “9,” and the item is on the transportation cost look-up table, use that rate (see section 0806); otherwise use the percentage in SAMM, Chapter 9, Table C9.T4a.

D. One-Percent Asset Use Charge. This charge was canceled with the “Fair Pricing” Legislation in the DoD Appropriations Act, 1990, (***Public Law 101-165, Section 9104***) effective November 30, 1989.

E. FMS Administrative Surcharge. DFAS SCA applies the FMS Administrative Surcharge based on DSCs (see subparagraph 080502.N and Chapter 7, paragraph

070602) and requirements noted in Chapter 4. Use the requirements in effect at the time the applicable LOA, basic documents, or amendments are accepted by the FMS purchaser, or are added via LOA modification. The FMS administrative surcharge is assessed on performance reporting, except for the amount collected upon case implementation as prescribed in Chapter 3. The FMS administrative surcharge does not apply to WIP.

F. FMS Logistics Support Charge (LSC). The LSC was applied against items delivered after March 31, 1987 and delivery reported prior to October 1, 2007 on case lines that included specific MASLs for spares, equipment modifications, maintenance, secondary support equipment, and supplies.

0806 TRANSPORTATION COST LOOK-UP TABLE

The purpose of the Transportation Cost Look-Up table is to provide DoD Components with estimated transportation costs for items normally shipped in the Defense Transportation System (DTS) (e.g., sensitive/hazardous end items) when costs using standard transportation percentages are significantly different from actual charges. This table is located in the SAMM, ***Appendix 2***. Procedures for development of estimated actual transportation charges for use in the transportation cost look-up table are also in the SAMM.

0807 BILLING FOR SPECIFIC COSTS

Compute billings for specific costs associated with support to FMS as indicated in paragraphs 080701 through 080704.

080701. Actual Administrative Costs

Actual administrative costs are funded by an allotment that is provided based on an approved FMS administrative budget. Documentation that shows the propriety of the obligation must support the obligations and outlays against the allotment. The allotment holder must retain these basic source documents for audit and report the use of allotment through the required Status-of-Allotment reports.

*080702. Actual FMS CAS Costs

A. The DoD Components performing contract administration or audit services must submit a monthly certified SF 1080, Voucher for Transfers Between Appropriations and/or Funds, billing to DFAS SCA for reimbursement of contract administration (quality assurance and contract management) and audit services being performed on FMS cases. Billings must reflect the actual or proportionate share of FMS CAS. DFAS SCA must make payment within 30 days following receipt of billings.

B. The organization performing these services must validate all bills before submitting the SF 1080 and attesting to the validity of the required computation process. The approved DoD reimbursable rate and approved OUSD(C) unfunded civilian retirement rate are available at the ***OUSD(C) reimbursable rate website***. If an adjustment or correction is needed, it

must be corrected within 30 days from the date of discovery.

C. DoD Components authorized to bill for CAS are listed in subparagraphs 080702.C.1 through 080702.C.7.

1. Department of the Army Ammunition Plants. Allocate contract management and quality assurance efforts based on the ratio of the FMS disbursements to total net disbursements. Compute the unfunded civilian retirement rate and show it on the monthly billings.

2. Department of the Navy. The Naval Sea Systems Command will submit monthly bills for the Navy Supervisors of Shipbuilding, Conversion, and Repair Activities, and allocate contract management and quality assurance efforts based on actual hours expended. Compute the unfunded civilian retirement rate and show on the monthly billings.

* 3. Department of the Air Force. The Air Force Security Assistance Training and Air Force Installation Contracting Agency will submit monthly bills and allocate contract management and quality assurance efforts based on actual hours expended. Compute the unfunded civilian retirement rate and show on the monthly billings.

4. Defense Contract Management Agency (DCMA) Continental United States (CONUS) FMS CAS

a. DCMA establishes an annual command rate by August 1 of each year for the following FY. The rate must be determined based on the ratio of FMS net contract disbursements to total DoD net contract disbursements. The ratio will reflect actual net FMS (Trust Fund appropriation, 11 X 8242) disbursement data for the prior 12 months (using January of the prior FY to December of the current FY, e.g., January 2010 to December 2010). The annual command rate must apply to the next FY budgetary estimates and billing period. For example, the January 2010 to December 2010 data will be used for the budgetary estimate and billing period for FY 2012 and the rate due by August 1, 2011. The annual command rates methodology is further defined by the following factors:

(1) Numerator. Twelve months of monthly Defense Integrated Financial System (DIFS) FMS (11 X 8242) net contract disbursement amounts reported for the Mechanization of Contract Administration Services disbursing stations will be used as the numerator for calculating the annual command rate for DCMA. These amounts will exclude FMS (11 X 8242) disbursements and apply to contract administration reciprocal agreements, all other types of FMS CAS waivers reflected in the SAMM, ***Chapter 9.6.2***, and other FMS disbursements that are not FMS contract costs, e.g., in-house services performed by civil servants and financed by the FMS Administrative Surcharge account.

(2) Denominator. Twelve months of total DoD net contract disbursements as reported on the SF 1219, Statement of Accountability, Part A, Line 4.1 will be used as the denominator for calculating the annual command rate for DCMA.

b. Quarterly, DCMA will update the Functional Work Force (FWF) to include full-time equivalents that perform CONUS FMS CAS efforts (quality assurance or contract management) in the work sections. Use the updated FWF number derived in the third month of that quarter for the FWF number in the next quarter's billings (SF 1080). In the computation process, round all hours and FWF amounts to whole numbers. Round all dollars and percentages to the second decimal point.

c. Monthly, DCMA will prepare the DCMA CONUS FMS CAS monthly earnings computation sheet and certification memorandum.

(1) CONUS FMS CAS earnings and unfunded civilian retirement for the month are computed using the DCMA annual command rate and the data sources listed in this chapter. The unfunded civilian retirement factor is listed with the Annual DoD Reimbursement Rates issued by OUSD(C). The approved FY reimbursable rates are available at the OUSD(C) reimbursable rate website.

(2) Overtime is listed as a separate charge on the DCMA CONUS FMS CAS monthly earnings computation sheet or, if the overtime factor was not included, in the Annual DoD Reimbursable Rate in accordance with Volume 11A, Chapter 6. The unfunded civilian retirement factor is not computed on overtime hours since unfunded civilian retirement applies to salaries (basic pay) only (see ***5 U.S.C., section 8331(3)*** for an explanation of what is not included in basic pay).

(3) The DCMA CONUS FMS CAS monthly earnings computation analysis, computed using unfunded civilian retirement and overtime earnings, is certified and forwarded to DFAS, SCA for billing preparation. Certification must be based on and consistent with the provisions of Volume 5, Chapter 5. The certification statement must be as follows:

> "I certify that DCMA is entitled to $____ in FMS CAS reimbursements, excluding unfunded civilian retirement, for contract services performed during the period from _____ to _____, in accordance with applicable regulations, and that this entitlement is supported by the attached documentation. All disbursements applying to all FMS CAS waivers have been removed and are not included in this bill.
>
> Signed: _____"

5. DCMA International

a. DCMA International FMS CAS must be reimbursed on actual costs incurred based on net disbursements processed by DFAS. The unfunded civilian retirement rate will be computed on salaries (basic pay) only. Military pay will also be computed and reimbursed.

b. Since the FMS CAS Surcharge Account pays for all costs associated with FMS full-time employees (full-time is 90 percent or more of their time spent on FMS), including equipment, vehicles, and housing, these reimbursements (monthly billings) must be based on total actual costs. Employees working part-time FMS CAS (part-time is 10 percent to less than 90 percent of their time spent on FMS) are reimbursed using the DoD FMS CAS hourly rate and the unfunded civilian retirement rate listed in the Annual DoD Reimbursable Rates Table issued by the OUSD(C). No additional support costs are reimbursed for part-time employees except for overseas Temporary Duty costs. See the OUSD(C) reimbursable rate website.

c. Billings must exclude all costs associated with countries that have FMS CAS waivers and/or reciprocal agreements.

6. Defense Contract Audit Agency (DCAA), All Offices Except DCAA Headquarters Offices. Allocate the FMS contract audit based on actual hours expended on FMS requirements. Compute the unfunded civilian retirement rate and show the results on the monthly billings.

7. Any other Activity Performing Contract Management Services as Approved by OUSD(C). When OUSD(C) grants this exception, the exception will identify the cost recoupment method.

D. The SF 1080 bills for actual costs must be supported with a schedule containing the following data:

1. Organization;

2. Type of CAS effort incurred:

a. Contract audit,

b. Quality assurance and inspection, or

c. Other CAS efforts;

3. Cost recoupment basis;

4. Annual hourly rates prescribed by OUSD(C) for CAS, plus unfunded civilian retirement costs (including costs for post-retirement health benefits). See the OUSD(C) reimbursable rate website for approved unfunded civilian retirement rate and hourly rates; and

5. The authority or directive requesting work to be performed and justification for why the normal FMS CAS procedures and billing arrangements for the current authorized DoD Components performing CAS cannot be used.

E. Billings for non-FMS CAS must be charged in accordance with Volume 11A, Chapter 6, Appendix D, Contract Administration Services.

080703. Actual Transportation Cost

Bill actual transportation costs of delivering defense articles on SF 1080s or government bills of lading (GBLs); pay from the transportation surcharge account. Transportation costs to FMS purchaser freight forwarders from DWCFs are included in the cost of the article reported to DFAS SCA. Bill inventory shipments from the DWCF beyond the freight forwarders as a "below-the-line" charge in accordance with Table 8-27 and Chapter 7, Table 7-1, Cost Elements. Bill all other shipments according to Table 8-28 and Chapter 7, Table 7-1. Reimburse costs for transportation billed as a "below-the-line" cost to transportation activities based on the SF 1080 bills. The bills must be supported by a valid case identifier comprised of Country Code, IA Code, case designator, date of shipment, and certification that the billed amount was not included in the article's cost.

A. Carrier Costs

1. Commercial and Industrially Funded or DWCF Organizations. Support billings for other than inland CONUS DWCF materiel by electronic media, listing, or computer tapes detailing the transaction control numbers (TCNs) and case designators or articles transported for FMS purchasers. "Carrier" means commercial carriers and/or the industrially funded or DWCF part of Air Mobility Command (AMC) and Military Sealift Command (MSC). The following exceptions apply:

a. Include the cost of transporting GFM to a contractor's plant in the price of the GFM, reported in the delivery transactions, and not in the SF 1080 billings.

b. Include the cost of transportation for repair and return cases in the cost of the repair service, reported via the delivery transaction, and not in the SF 1080 billings.

c. Report "above-the-line" discrete transportation costs, such as high flight or special airlift, as a case charge via the delivery transaction, and not in the SF 1080 billings.

d. Do not include in the SF 1080 billings the inland CONUS transportation cost for DWCF materiel from point of origin to point of FMS purchaser pickup (freight forwarder, FMS purchaser, or FMS purchaser designated CONUS delivery point); it is borne by the DWCF.

2. DWCF and GBLs. Do not cite the FMS Trust Fund on GBLs for transportation of DWCF materiel. The cost of such transportation is included in the standard price of DWCF materiel. GBL processing activities must not accept GBLs citing the FMS Trust Fund for transporting DWCF materiel.

3. U.S. Postal Service. Directly reimburse all postal service costs collected by DFAS SCA as surcharge costs on FMS purchaser billings to the applicable IA's designated administrative headquarters organization.

4. Defense Courier Service. Base the SF 1080 billings to recoup the cost of support provided by the Defense Courier Service on a prorated share of FMS shipments to total shipments. Apply the resulting percentage to payments to the Defense Courier Service to determine FMS billings.

5. Air/Army Postal Office (APO), Fleet Postal Office (FPO). Base the SF 1080 billings to recoup the cost of support provided by APOs and FPOs on a prorated share of FMS shipments to total shipments. Apply the resulting percentage to payments to the armed services operating these offices.

6. Commercial Package Carriers. All costs collected by the DFAS SCA as surcharges on FMS purchaser billings for commercial package carriers are directly reimbursed back to the reporting DoD Components and not reimbursed from the FMS Transportation Account as a direct cite disbursement.

B. Recoupment of the Cost of DoD Organizations Which Support Carrier Movement

1. AMC Headquarters. Allocate non-industrially funded/DWCF headquarters cost based on the ratio of FMS billings to the total dollar value of industrial fund/DWCF billings. The billing for headquarters cost must include a proportionate share of all costs funded by the Operations & Maintenance (O&M) appropriation, Military Pay appropriation, and those unfunded costs identified in subparagraph 080702.D.

2. MSC Headquarters. Allocate non-industrially funded headquarters cost based on the ratio of FMS billings to the total dollar value of industrial fund/DWCF billings. The billing for headquarters cost must include a proportionate share of all costs funded by the O&M appropriation, Military Pay appropriation, and those unfunded costs identified in subparagraph 080702.D.

3. Installation Support of AMC Airlift Operations. Apply a charge of 5 percent of AMC Industrial Fund/DWCF billings to recover the cost of DoD airport operations, (e.g., tower operations and runway use). Reimburse the charge to the Air Force O&M appropriation.

4. Organizations Responsible for Routing of Materiel, Preparation of GBLs, and Carrier Selection. Organizations responsible for the routing of materiel, preparation of GBLs, and carrier selection include the Surface Deployment and Distribution Command and subsidiary organizations, the Navy Materiel Transportation Office (NAVMTO), and installation transportation offices. Base billings on level of effort estimates of FMS tonnage as a percentage of total tonnage moved. For this calculation, costs of FMS tonnage must include movement of materiel processed through both DTS and commercial bills paid directly by foreign countries. Apply the resulting percentage of tonnage moved to the total actual obligations incurred by routing

organizations to determine the base charge. The billing must include the base charge, military labor, and unfunded costs determined in accordance with subparagraph 080702.D.

5. Organizations Responsible for Accounting, Audit, and Payment of Transportation Bills. Organizations responsible for accounting, audit, and payment of transportation bills are DFAS - Indianapolis Center, for Army, Air Force, and Defense Agency shipments; NAVMTO, Norfolk, Virginia, for Navy shipments; and the Marine Corps Logistics Base, Albany, Georgia, for Marine Corps shipments. Base billings on the use of level of effort estimates, on the number of FMS GBLs processed as a percentage of the total number of GBLs processed. Then apply the percentage to obligations incurred by cost centers responsible for processing GBLs, and those unfunded costs identified in subparagraph 080702.D.

6. Organizations Providing Physical Security. Shipments which involve sensitive conventional arms, ammunition, and explosives in transit are to be processed in accordance with ***DoD 5100.76***, Physical Security of Sensitive Conventional Arms, Ammunition, and Explosives. DoD civilian and military personnel involved in providing personnel services in connection with these types of shipments are to be priced in accordance with the provisions of Chapter 7, paragraphs 070202 and 070203.

C. Billings for Organic Transportation and Troop Labor. Billings for Organic Transportation and Troop Labor are typically provided when DTCs "2" through "9" (except "4") are used.

1. Troop Labor. Activities utilizing troop labor for the loading or unloading of vessels, trains, vans, or other conveyances are responsible for billing applicable costs. FMS cost may be based on a prorated share of the total cargo manifest, or a similar document.

2. Use of Organic Vehicles. Base billings for the use of organic vehicles on motor pool records that disclose DoD vehicles were used to move FMS materiel. Determine the number of miles and bill at the rate of $4.00 per mile. This rate includes the labor cost of drivers assigned by the motor pool. Consolidate motor pool billings by major commands.

080704. Actual PC&H

SF 1080 billings for actual PC&H costs are normally not submitted. Instead, earned reimbursements are transferred to the shipping depot when DFAS SCA applies the applicable surcharge. DWCF items are not reimbursed for PC&H, because that charge is included in the standard price.

0808 SUPPORTING DOD COMPONENT PERFORMANCE REPORTS/REQUESTS FOR REIMBURSEMENTS

080801. General

DoD Components must support FMS cases at the request of the applicable IA. Such requests must be in the form of requisitions or formal orders that place a dollar value on the support

to be provided, the appropriation/fund that will pay the resulting billings, the appropriation/fund that will bill and record earned reimbursements, and the address (symbol) of the IA or equivalent. Pursuant to a formal order, billings by the supporting DoD Component to the IA must be submitted on an SF 1080 supported by delivery transactions to the paying office identified in the order. The disbursing officer must include the delivery transactions in a consolidated submission to DFAS SCA and reimburse any amounts due for inventory items or services when reimbursement is received from DFAS SCA. Only make payments to contractors subject to expenditure authority (EA) issued by DFAS SCA. A non-reimbursable delivery transaction applicable to such costs should be included in the submission.

080802. Processing Requisitions

A. If requisitions are received from the IA with a fund and signal code signifying direct citation of the FMS Trust Fund (not an allotment of direct cite authority), the delivery transaction must be submitted to the requisitioning activity. Process requisitions containing such fund and signal codes on a prompt delivery basis (within 30 days). Obligations must be recorded after the funding authorization has been received and upon release of the requisition to the supply source. Record disbursements against the applicable case once the interfund bill transactions have been validated and accepted in the IA database. The IA reports the initial obligation transaction, obligation adjustment transaction, and related disbursement transaction to DFAS SCA. DFAS SCA must approve EA for requisitions submitted to non-DoD supplying activities.

B. Within the DoD, the interfund billing activity must get necessary self-reimbursement authority for interfund requisitions. If stocked items are not available for prompt delivery and new procurement is necessary, follow Military Intergovernmental Purchase Request procedures, direct cite procurement procedures, or commercial buying services procedures. If the requisition is submitted to a non-DoD organization, the summary billing transaction and the supporting unmodified MILSBILLS detailed billed transactions must be submitted to the IA. The IA must convert MILSBILLS detailed delivery transactions to FMS detail delivery transactions and forward the billing information to DFAS SCA within five working days. DFAS SCA must use the FMS detail delivery transactions to prepare delivery reports to the FMS purchasers and provide a copy of the report, or FK document identified equivalent, to the implementing DoD Components for use in posting to supply performance files.

0809 PERFORMANCE AND DELIVERY REPORTING

080901. Reports

A. FMS Command Pay List. DFAS SCA provides reporting activities with a monthly FMS Command Pay List that identifies the total amount of WIP or deliveries charged to FMS cases in the current reporting period, excluding accounts payable (see subparagraph 080901.D). The amount includes the delivery transactions submitted by the reporting activity, less accounts payable and rejected items (see subparagraph 080901.C), and additional charges mechanically computed by DFAS SCA. The last line of the Command Pay List, "Total Reimbursable to This Payee," should equal the amount received by the payee. DFAS SCA

computed charges may or may not be reimbursable to the reporting activity. The following are DFAS SCA computed charges.

1. FMS Administrative Surcharge are non-reimbursable costs.

2. PC&H are reimbursable charges not applicable to DWCF items.

3. "Below-the-line" Transportation Charges - Transportation generic codes (see subparagraph 080304.D) L1D, L1E, and L4O are reimbursable costs. Other transportation generic codes are non-reimbursable (L1D and L1E are not applicable to DWCF items if the ship date is October 1, 1991 or later) costs. The L1A (Inland CONUS) rate of 3.75 percent is not applicable to stock fund items effective October 1, 1990).

4. CAS charges are non-reimbursable.

B. FMS Detail Delivery Feedback List. The FMS Detail Delivery Feedback List is attached to the Command Pay List and identifies the delivery transactions submitted by reporting activities and processed by DFAS SCA for reimbursement or reporting to the FMS purchaser. It also identifies add-on amounts mechanically computed by DFAS SCA for each processed delivery transaction. This listing does not provide summary totals of deliveries reported. It is used to compare deliveries reported with deliveries processed when reconciling amounts reimbursed to the reporting activity. When reconciling reimbursements received from DFAS SCA to reporting activity records, the following columns of the FMS Detailed Delivery Feedback list should be used:

1. The Voucher Amount Paid (VOU AMT PD) column, which identifies the amount of reimbursement to the reporting activity;

2. The Extended Value (EXT VAL) column, which identifies the total amount reported to DFAS SCA;

3. The Stock Fund Add-On (STK FUND ADD-ON) column, which identifies the amount of LSC or stock fund add-on charges computed by DFAS SCA. After accounting date March 1987, this field identifies the LSC;

4. The Contract Administration Surcharge Add-On (CAS ADD-ON) column, which identifies CAS computed by DFAS SCA. The CAS applied to procurement DSCs (non-reimbursable to the reporting activity). Items procured and associated costs charged may include DWCF listed items, GFM, and nonrecurring charges;

5. The Date of Transaction (DT TRAN) column, which identifies the date of transaction; and

6. The Accessorial Administrative Costs (ACSRL ADM COST) column, which identifies administrative charges applied against the FMS case. These charges are

applied against total deliveries reported for each case during the month and not identified to the individual deliveries.

C. FMS IA Performance Report Transaction Register (PRTR). The FMS IA PRTR has five parts. These parts are detailed in the following subparagraphs.

1. The IA Initiated Performance Reports Rejected Not Processed section includes all delivery transactions that could not be processed by DFAS SCA. The reasons for not processing are listed immediately under each transaction. A corrected transaction should be resubmitted to DFAS SCA. This part must be used in reconciling reported deliveries, to deliveries processed by DFAS SCA. Rejected transactions should be corrected and resubmitted within 30 days.

2. The IA Initiated Performance Reports Processed with Management Alerts section includes all delivery transactions processed with the possible problem areas identified by DFAS SCA processing. Review these transactions to determine if each transaction was properly prepared. If the transaction was properly prepared, no further action is required.

3. The DFAS SCA Initiated Performance Reports Processed section includes those transactions computed and applied by DFAS SCA for the IA. DFAS SCA reports these transactions for posting to the IA's records.

4. The DFAS SCA Initiated Corrections to Initial IA Performance Reports section provides information on delivery transactions subsequently modified by DFAS SCA. Data appears with the IA delivery transaction first, followed by the corrective action taken by DFAS SCA.

5. The DFAS SCA Deletions from IA Initiated Performance Reports section provides the delivery transactions that have been subsequently deleted by DFAS SCA.

D. FMS Accounts Payable List

1. The FMS Accounts Payable List indicates reimbursable delivery transactions for which payment is not being made. Reasons for non-payment include:

a. The country's funds are frozen (not available to disburse),
b. The country does not have enough cash available, or

c. The case provides for payment 60 days after delivery.

2. The list has a total of all transactions that are reimbursable and have not been paid to the reporting activity.

E. FMS Voucher Backup for Payment of Accounts Payable. The FMS Voucher Backup for Payment of Accounts Payable listing represents the amount paid to the reporting activity per the Command Pay List (see subparagraph 080901.A) by country, IA, and

reporting activity.

F. FMS Accounts Payable. Detailed payable records are only maintained in installation level systems and, therefore, can only be aged at the installation level. Monitoring payables and assuring specific vendors are paid promptly is a function of the installation level accounting activity. DFAS SCA, however, should validate general ledger account balances to payables reported to DIFS on behalf of the IA on a monthly basis.

080902. Reject Codes

The FMS IA PRTR contains Reject Codes for the delivery transactions that did not process to the FMS Command Pay List. Research reports with Reject Codes and process delivery transactions within 30 days. DFAS SCA will maintain a control file of outstanding rejected transactions and will update the file once corrected transactions are resubmitted and reprocessed. DFAS SCA will send copies of the control file to the respective IAs.

080903. Reconciling Reports

Take the following steps when reconciling reimbursable delivery transactions to the amounts reimbursed:

A. Verify that the voucher backup equals the amount on the check and the FMS Command Pay List. If amounts are not equal, contact DFAS SCA to reconcile differences.

B. Determine:

1. Total Reimbursable Deliveries Reported (Transaction Input) $_____

2. Total Amount Reimbursed (Command Pay List/Check) $_____
Less Add-Ons (Command Pay List) $_____
Less DFAS SCA Inputs (IA Register)
Subtotal Reported Deliveries processed $_____
Plus Accounts Payable (A/P List) $_____
Plus Rejected Items (IA Register) $_____
Reconciling Total $_____

080904. Reporting Examples

A. FICS requires a TCN, action code, and interfund bill number in the delivery transaction to provide accountability control. The document identifier is modified to differentiate between input and feedback. This report of delivery submitted through FICS to DIFS will have a document identifier of NAI. Every NAI transaction received in DIFS is fed back through FICS with a document identifier of NAF. All transactions include Transaction Reply Codes. If the transaction is rejected, up to five reject codes that identify error conditions are provided. Rejects

are suspended and controlled by TCN. This information is internal, and its only use is to assure accountability control of the transactions.

B. The DFAS SCA process compresses the NAI and other "N" delivery transactions down to an 80-character format so they can be processed in DIFS. The delivery transaction combines financial information with logistics information and is reflected in column 9 of the DD 645. The delivery transaction is also itemized as an FKA or FKB transaction on the FMS purchaser's delivery listing. The additional information in FICS is not included in the report to the FMS purchaser. Examples of the DD 645 and the FMS Delivery Listing are in Tables 8-1 and 8-2.

Table 8-1. DD 645, FMS Billing Statement, Example

FOREIGN MILITARY SALES BILLING STATEMENT			UNITED STATES OF AMERICA DEPARTMENT OF DEFENSE/ARMY				
1. TO: BANDARIA ARMY	2. THIS IS A BILLING STATEMENT BASED ON CASH REQUIREMENTS. PAYMENT IS DUE BY 11 MAR 15		3. STATEMENT NUMBER: 10-12NA		4. FOR PERIOD ENDED: 10 DEC 31		5. DATE PREPARED: 11 JAN 05
CASE IDENTIFICATION AND DELIVERY STATUS			FINANCIAL STATUS				
6. CASE & ITM NBR	7. TOTAL VALUE ORDERED	8. CUMULATIVE DELIVERY COSTS END PRIOR PERIOD	9. CURRENT PERIOD DELIVERY COSTS (ATTACHMENT 1)	10. CUMULATIVE DELIVERY COSTS & WORK IN PROCESS	11. FORECASTED REQUIREMENTS (NOTE A)	12. TOTAL FINANCIAL REQUIREMENTS	13. CUMULATIVE PAYMENTS RECEIVED	14. AMOUNT DUE AND PAYABLE
CXY								
001	100,000.00	50,000.00	10,000.00	60,000.00				
	Automotv supp and eqp pts							
L6A	2,500.00	1,250.00	250.00	1,500.00				
	Administrative fee							
LOO	4,000.00	2,000.00	200.00	2,200.00				
	Accessorial Costs							
CASE TOTAL	106,500.00	53,250.00	10,450.00	63,700.00	31,000.00	94,700.00	70,000.00	24,700.00
*URA								
001	2,000.00	2,000.00		2,000.00				
	Instruments and Lab Eqp							
	75.00	75.00		75.00				
L6A	Administrative fee							
	100.00	100.00		100.00				
LOO	Accessorial Costs							
CASE TOTAL	2,175.00	2,175.00		2,175.00		2,175.00	2,175.00	
URK								
001	60,000.00	14,900.00	15,100.00	30,000.00				
	Armament Sys							
002	10,000.00	3,844.50	1,155.50	5,000.00				
	Supp Eqp							
L6A	1,750.00	468.61	406.39	875.00				
	Administrative fee							
LOO	625.00	270.47	150.70	421.17				
	Accessorial Costs							
WIP								
	Work in process			13,978.83				
CASE TOTAL	72,375.00	19,483.58	16,812.59	50,275.00	8,550.00	58,825.00	50,450.00	8,375.00

DD FORM 645 (NOV 87) PREVIOUS EDITIONS ARE OBSOLETE(Q)

FOREIGN MILITARY SALES BILLING STATEMENT			UNITED STATES OF AMERICA DEPARTMENT OF DEFENSE/ARMY				
1. TO BANDARIA ARMY	2. THIS IS A BILLING STATEMENT BASED ON CASH REQUIREMENTS. PAYMENT IS DUE BY 11 MAR 15		3. STATEMENT NUMBER: 10-12NA		4. FOR PERIOD ENDED: 10 DEC 31		5. DATE PREPARED: 11 JAN 05
CASE IDENTIFICATION AND DELIVERY STATUS			FINANCIAL STATUS				
6. CASE & ITM NBR	7. TOTAL VALUE ORDERED	8. CUMULATIVE DELIVERY COSTS END PRIOR PERIOD	9. CURRENT PERIOD DELIVERY COSTS (ATTACHMENT 1)	10. CUMULATIVE DELIVERY COSTS & WORK IN PROCESS	11. FORECASTED REQUIREMENTS (NOTE A)	12. TOTAL FINANCIAL REQUIREMENTS	13. CUMULATIVE PAYMENTS RECEIVED	14. AMOUNT DUE AND PAYABLE
BILL TOTAL	181,050.00	74,908.58	27,262.59	116,150.00	39,550.00	155,700.00	122,625.00	33,075.00

REVIEW PROCESS	EXPLANATORY NOTES
SIGNATURE ANALYST: _____ BRANCH CHIEF: _____ QUALITY ASSURANCE:	NOTE A: THE TERMS OF THE U.S. PUBLIC LAW, THE ARMS EXPORT CONTROL ACT, REQUIRE THE DEPARTMENT OF DEFENSE TO COLLECT PAYMENTS FROM FOREIGN PURCHASERS IN ADVANCE OF THE TIME THAT DOD INCURS COSTS ON THE PURCHASER'S BEHALF. THEREFORE, THIS BILLING STATEMENT REQUESTS PAYMENT OF MONIES THAT ARE ANTICIPATED TO BE EXPENDED BETWEEN THE TIME THIS BILLING STATEMENT IS PAID AND THE FOLLOWING BILLING STATEMENT IS PAID. * DENOTES CASES CLOSED DURING THE CURRENT PERIOD.
AUTHENTICATION	**PAYMENT INSTRUCTIONS**
SIGNATURE OFFICE OF THE DEPUTY DIRECTOR FOR SECURITY ASSISTANCE DEFENSE FINANCE AND ACCOUNTING SERVICE - INDIANAPOLIS	YOUR PAYMENTS MAY BE MADE BY USING EITHER CHECKS OR WIRE TRANSFER PROCEDURES, WIRE TRANSFERS ARE PREFERRED AND SHOULD BE SENT TO THE FEDERAL RESERVE BANK OF NEW YORK, WITH THE FOLLOWING INDENTIFICATION: TREAS NYC (00003801), DFAS-JAX/IN, ABA #021030004. CHECK MADE PAYABLE TO - U.S. TREASURY, SHOULD BE IN U.S. DOLLARS AND FORWARDED DIRECTLY TO: DFAS, 3801 CENTER COLLECTIONS, DFAS-JAX/IN P.O. BOX 269490, INDIANAPOLIS, IN 46226-9490 USA

DD FORM 645 (NOV 87) PREVIOUS EDITIONS ARE OBSOLETE(Q)

Table 8-1. DD 645, FMS Billing Statement, Example (Continued)

FOREIGN MILITARY SALES BILLING STATEMENT				UNITED STATES OF AMERICA DEPARTMENT OF DEFENSE/ARMY				
1. TO: BANDARIA ARMY		2. THIS IS A FINAL STATEMENT OF ACCOUNT. [1]		3. STATEMENT NUMBER: 10-12NA		4. FOR PERIOD ENDED: 10 DEC 31		5. DATE PREPARED: 11 JAN 05
CASE IDENTIFICATION AND DELIVERY STATUS				FINANCIAL STATUS				
6. CASE & ITM NBR	7. TOTAL VALUE ORDERED	8. CUMULATIVE DELIVERY COSTS END PRIOR PERIOD	9. CURRENT PERIOD DELIVERY COSTS (ATTACHMENT 1)	10. CUMULATIVE DELIVERY COSTS & WORK IN PROCESS	11. FORECASTED REQUIREMENTS (NOTE A)	12. TOTAL FINANCIAL REQUIREMENTS	13. CUMULATIVE PAYMENTS RECEIVED	14. AMOUNT DUE AND PAYABLE
*URA								
001	2,000.00	2,000.00		2,000.00				
	Instruments and Lab Eqp							
	75.00	75.00		75.00				
L6A	Administrative fee							
	100.00	100.00		100.00				
LOO	Accessorial Costs							
CASE TOTAL	2,175.00	2,175.00		2,175.00		2,175.00	2,175.00	

DD FORM 645 (NOV 87) PREVIOUS EDITIONS ARE OBSOLETE(Q)

[1] Notice in block 2 that this is a final bill after the case was closed in that quarter. This page shows the case information and case total. The next page shows the bill total and explanatory notes.

Table 8-1. DD 645, FMS Billing Statement, Example (Continued)

FOREIGN MILITARY SALES BILLING STATEMENT			UNITED STATES OF AMERICA DEPARTMENT OF DEFENSE/ARMY			
1. TO BANDARIA ARMY	2. THIS IS A FINAL STATEMENT OF ACCOUNT.		3. STATEMENT NUMBER: 10-12NA	4. FOR PERIOD ENDED: 10 DEC 31		5. DATE PREPARED: 11 JAN 05
CASE IDENTIFICATION AND DELIVERY STATUS			FINANCIAL STATUS			
6. CASE & ITM NBR	7. TOTAL VALUE ORDERED	8. CUMULATIVE DELIVERY COSTS END PRIOR PERIOD	9. CURRENT PERIOD DELIVERY COSTS (ATTACHMENT 1)	10. CUMULATIVE DELIVERY COSTS & WORK IN PROCESS	11. FORECASTED REQUIREMENTS (NOTE A)	12. TOTAL FINANCIAL REQUIREMENTS	13. CUMULATIVE PAYMENTS RECEIVED	14. AMOUNT DUE AND PAYABLE
BILL TOTAL	2,175.00	2,175.00		2,175.00		2,175.00	2,175.00	
REVIEW PROCESS			EXPLANATORY NOTES					
SIGNATURE ANALYST: _____ BRANCH CHIEF: _____ QUALITY ASSURANCE:			ONCE FINAL STATEMENTS/BILLINGS HAVE BEEN SENT FOR AN FMS CASE, NO SUBSEQUENT ADJUSTMENT OF SUCH BILLINGS, UPWARD OR DOWNWARD, IS AUTHORIZED, EXCEPT UNDER THE FOLLOWING INSTANCES: A. DISCOVERY OF PATENT ERRORS SUCH AS OBVIOUS ERRORS IN ADDITION OR MULTIPLICATION, UNAUTHORIZED DEVIATIONS FROM DOD FINANCIAL POLICY, OR COMPUTER ERRORS IN ESTABLISHING UNIT PRICES. B. TO PROVIDE CREDITS FOR DISCREPANCY REPORTS SUBMITTED BY THE PURCHASER IN ACCORDANCE WITH THE STANDARD TERMS AND CONDITIONS OF THE UNITED STATES OF AMERICA LETTER OF OFFER AND ACCEPTANCE. C. DISCOVERY BY THE UNITED STATES THAT IT HAS SHIPPED AN ITEM OR RENDERED A SERVICE FOR A CASE BUT HAS FAILED TO SUBMIT A BILL. D. DISCOVERY BY THE UNITED STATES THAT THE FINAL PRICE PAID TO A U.S. CONTRACTOR FOR AN ITEM PROVIDED IN ACCORDANCE WITH SECTION 22 OF THE ARMS EXPORT CONTROL ACT IS DIFFERENT FROM THE FINAL AMOUNT BILLED FOR THAT ITEM.				
AUTHENTICATION								
SIGNATURE OFFICE OF THE DEPUTY DIRECTOR FOR SECURITY ASSISTANCE DEFENSE FINANCE AND ACCOUNTING SERVICE - INDIANAPOLIS								

DD FORM 645 (NOV 87) PREVIOUS EDITIONS ARE OBSOLETE(Q)

FOREIGN MILITARY SALES BILLING STATEMENT			UNITED STATES OF AMERICA DEPARTMENT OF DEFENSE/ARMY			
1. TO BANDARIA ARMY	2. THIS IS A FINAL STATEMENT OF ACCOUNT.		3. STATEMENT NUMBER: 10-12NA	4. FOR PERIOD ENDED: 10 DEC 31		5. DATE PREPARED: 11 JAN 05
CASE IDENTIFICATION AND DELIVERY STATUS			FINANCIAL STATUS			
6. CASE & ITM NBR	7. TOTAL VALUE ORDERED	8. CUMULATIVE DELIVERY COSTS END PRIOR PERIOD	9. CURRENT PERIOD DELIVERY COSTS (ATTACHMENT 1)	10. CUMULATIVE DELIVERY COSTS & WORK IN PROCESS	11. FORECASTED REQUIREMENTS (NOTE A)	12. TOTAL FINANCIAL REQUIREMENTS	13. CUMULATIVE PAYMENTS RECEIVED	14. AMOUNT DUE AND PAYABLE
BILL TOTAL	2,175.00	2,175.00		2,175.00		2,175.00	2,175.00	
REVIEW PROCESS			EXPLANATORY NOTES					
SIGNATURE ANALYST: _____ BRANCH CHIEF: _____ QUALITY ASSURANCE:			ONCE FINAL STATEMENTS/BILLINGS HAVE BEEN SENT FOR AN FMS CASE, NO SUBSEQUENT ADJUSTMENT OF SUCH BILLINGS, UPWARD OR DOWNWARD, IS AUTHORIZED, EXCEPT UPON THE DISCOVERY BY THE UNITED STATES THAT THE FINAL PRICE PAID TO A U.S. CONTRACTOR FOR AN ITEM PROVIDED IN ACCORDANCE WITH SECTION 22 OF THE ARMS EXPORT CONTROL ACT IS SIGNIFICANTLY DIFFERENT FROM THE FINAL AMOUNT BILLED FOR THAT ITEM.				
AUTHENTICATION								
SIGNATURE OFFICE OF THE DEPUTY DIRECTOR FOR SECURITY ASSISTANCE DEFENSE FINANCE AND ACCOUNTING SERVICE - INDIANAPOLIS								

DD FORM 645 (NOV 87) PREVIOUS EDITIONS ARE OBSOLETE(Q)

Table 8-1. DD 645, FMS Billing Statement, Example (Continued)

Entries	Description
Upper right-hand corner	DoD Component that is acting as the IA for the cases shown on the statement
1. To	Identifies the recipient of the statement. Reflects full country name/activity name followed by Service within country or special paying office designation
2. Due Date	Identifies the statement as a "billing statement based on cash requirements," a "final statement of account," or an "Omnibus Statement of Account." If the statement is a billing statement, this block also indicates the payment due date. Normally, the due date is 60 days after the preparation date in block 5
3. Statement Number	Reflects a system-assigned statement number composed of the numeric year and month for the period ended followed by an alphabetic bill code assigned by DFAS SCA. The bill code is used to sequence cases for distribution and to identify the paying office, unless the foreign purchaser has requested that cases be sequenced in some other manner
4. For Period Ended	Contains the last calendar day of the period for which the statement is prepared. Normally, this is the last day of the month at the end of each calendar quarter
5. Date Prepared	Reflects the date the statement was prepared and is the official date of billing
6. Case & Itm Number	(a) Identifies the FMS case identifier and line item identification from the LOA
	(b) Identifies FMS administrative surcharges, accessorial costs, and WIP related to the case. An asterisk (*) preceding the case designator indicates a closed/inactive case. A case that has been closed since the previous billing statement was issued will appear on the current billing statement with an asterisk. Concurrently, a final statement of account is prepared systemically for the case and presented following the billing statement
7. Total Value Ordered	Identifies the value of articles or services for each line item number, FMS administrative surcharges, or accessorial costs as shown on the LOA, or most recent amendment or modification. Immediately below the value is the short title identifying the articles or services as described in SAMM, ***Appendix 4***
8. Cumulative Delivery Costs End Prior Period	Identifies the value of total delivery costs reported at the end of the prior statement period. No value is shown in this column for WIP applicable to undelivered items
9. Current Period Delivery Costs (Attachment 1)	Identifies the value of delivery costs reported since the end of the prior statement period. Values shown in this column are supported in detail by the FMS Delivery Listing (see paragraph 080304). No value is shown in this column for WIP applicable to undelivered items

Table 8-1. DD 645, FMS Billing Statement, Example (Continued)

Entries	Description
10. Cumulative Delivery Costs & Work in Process	Contains the totals of values shown in columns 8 and 9, plus WIP applicable to undelivered items. The WIP value in column 10 is the accrued costs incurred on behalf of the FMS purchaser that are not yet supported by physical or constructive deliveries. These costs include contractor holdbacks (normally 10 percent) on WIP payments made to contractors, potential termination liabilities, and any other applicable add-on costs
11. Forecasted Requirements (Note A)	Contains the value of potential costs to be incurred during the calendar quarter following the current statement payment due date plus any prior period amounts. This value appears on the "Case Total" line only and may be derived from one of these two sources:
	(a) The quarterly deposit identified in the payment schedule for the case, which has a due date that coincides with the payment due date of the current statement, is used as the forecasted requirement. For all requisition type cases, e.g., FMSO II or repair part cases, the source is the report titled "Quarterly Forecast of Financial Requirements for Requisition Cases," or the corresponding LOA payment schedule(s). Chapter 4, paragraph 040206 has instructions for preparing that report
	(b) When the committed value is less than the payment schedule quarterly deposit, the committed value is used as the forecasted requirement in column 11 for the case instead of the quarterly deposit in the payment schedule
12. Total Financial Requirements	A value appears in this column only on the "Case Total" line. It represents the total of the column 10 and column 11 values for the case
13. Cumulative Payments Received	A value appears in this column only on the "Case Total" line. It represents the total amount of payments received from the FMS purchaser through the official date of billing in block 5
14. Amount Due and Payable	A value appears in this column only on the "Case Total" line. It is column 12 minus column 13 and is the additional payment due from the FMS purchaser. If the calculation is less than $1 or is a negative amount due, no amount will be shown

Table 8-2. FMS Delivery Listing

FMS DELIVERY LISTING — FOR PERIOD ENDED [1]: 10 DEC 31 — PAGE 1
DATE PREPARED [1]: 11 JAN 05

COUNTRY [1]: BANDARIA — STATEMENT NUMBER [1]: 10-12NA — U.S. DEPT/AGENCY: ARMY
SERVICE [1]: ARMY — CASE [1]: URK ITEM NBR [1] 002

ARTICLE/SERVICES TRANSACTIONS

DOC ID [2]	RIC [3]	PRC CD [4]	STOCK NUMBER	UNIT ISSUE	QUAN SHIP	DOCUMENT NUMBER	DOC SFX	SUPL ADRS	M S	ARC	ACCT DATE	TBC	DSC	DATE SHIP	UNIT PRICE [5]	EXTENDED VALUE
FKA	B14	A	C0001BDURK	EA	SCR	BBDC4421009004		BZ2URK	G	CB	1010	A	AB	2140	70.00	350.00 CR
FKA	B14	E	493000926123400	EA	10	BBDC4421009001		BZ2URK	F		1010	G	AB	2250	120.55	1,205.50
FKA	S9C	A	473000016267800	EA	2	BBDC4221009009		BZ2URK	G		1011	A	AB	2280	50.00	100.00
													ITM NBR/DSC SUBTOTAL:			955.50
FKA	B14	A	CONTRACT ADM	XX	1	BBD00000005330		URK			1011	D	BD	2330	2.96	2.96
													ITM NBR/DSC SUBTOTAL:			2.96
FKA	B14	A	493000928111100	EA	1	BBDC442100910		BZ2URK			1011	D	DC	2281	197.04	197.04
													ITM NBR/DSC SUBTOTAL:			197.04

ADMINISTRATIVE/ACCESSORIAL TRANSACTIONS

DOC ID	GENERIC CODE	COST DESCRIPTION	DOCUMENT NUMBER	ARC	ACTG DATE	TYPE OF COST	PERCENT FACTOR	TOTAL VALUE APPLIED	ADMIN/ACSRL COST
FKC	L6A	ADMIN COSTS	BBD		1010	COMPUTED	2.50	1,205.50	30.13
FKC	L6A	ADMIN COSTS	BBD		1011	COMPUTED	2.50	300.00	7.50
FKD	L6A	ADMIN COSTS	BBD		1010	COMPUTED	2.50	350.00 CR	8.75 CR
FKE	L1C	AIR TRANS	BBD		1010	COMPUTED	6.00	1,205.50	72.33
FKE	L1F	OS INLAND	BBD		1010	COMPUTED	3.00	1,205.50	36.17
FKE	L2B	CONUS PORT	BBD		1010	COMPUTED	2.50	1,205.50	30.14
FKE	L2C	OS PORT	BBD		1010	COMPUTED	1.00	1,205.50	12.06

FMS DELIVERY LISTING — FOR PERIOD ENDED [1]: 10 DEC 31 — PAGE 2
DATE PREPARED [1]: 11 JAN 05

COUNTRY [1]: BANDARIA — STATEMENT NUMBER [1]: 10-12NA — U.S. DEPT/AGENCY: ARMY
SERVICE [1]: ARMY — CASE [1]: URK ITEM NBR [1] 002

SUMMARY OF DELIVERY COSTS

	ACTUAL COSTS	COMPUTED COSTS	TOTAL COSTS
FKA ARTICLES/SERVICE COSTS			1,505.50
FKB ARTICLES/SERVICE COSTS			350.00 CR
NET TOTAL OF ARTICLES/SERVICES COSTS			1,155.50
FKC ADMINISTRATIVE COSTS	0.00	37.63	37.63
FKD ADMINISTRATIVE COSTS	0.00	8.75 CR	8.75 CR
NET TOTAL OF ADMINISTRATIVE COSTS	0.00	28.88	28.88
FKE ACCESSORAL COSTS			
L1C AIR TRANPORTATION	0.00	72.33	72.33
L1F INLAND TRANSPORTATION	0.00	36.17	36.17
L2B CONUS PORT HANDLING	0.00	30.14	30.14
L2C OVERSEAS PORT HANDLING	0.00	12.06	12.06
NET TOTAL OF ACCESSORIAL COSTS			150.70
TOTAL DELIVERY COSTS			1,335.08

[1] Information is the same as shown in blocks 1-5 and column 6 on the DD 645.

[2] DOC ID is the Document Identifier Code assigned by DFAS SCA to identify FMS Delivery Listing transactions and whether the transaction is a debit or credit. The Delivery Listing Codes assigned by DFAS SCA are in Table 8-3.

Table 8-2. FMS Delivery Listing (Continued)

[3] RIC is the Routing Identifier Code in the delivery transaction.

[4] PRC CD is the Price Code in the transaction report.

[5] UNIT PRICE is computed by DFAS SCA by dividing extended value by quantity shipped (transactions do not contain unit price information). If the computation does not result in an even number, the resulting unit price must be rounded up to the next even dollar value and must be printed followed by an asterisk (*) in the unit price column. Where the unit price exceeds $9,999,999, an asterisk (*) will be printed in the unit price column. Instructions for preparing the delivery transaction are described in section 0805.

Table 8-3. Delivery Listing Codes

Code	Title	Debit or Credit
FKA	Articles/Service Transactions	Debit
FKB	Articles/Service Transactions Adjustment	Credit
FKC	Administrative Costs	Debit
FKD	Administrative Cost Adjustment	Credit
FKE	Accessorial Costs	Debit
FKF	Accessorial Cost Adjustments	Credit
FKG	Reply to Purchaser Request for Adjustments	Debit or Credit

Table 8-4. Delivery Cost Total Codes

FKA - Articles/Services Cost	Total of detail FKA (Debit) transactions
FKB - Articles/Services Cost	Total of detail FKB (Credit) adjustment transactions
Net Total of Articles/Services Cost	All FKA and FKB transactions equal the net total of articles/services cost
FKC - Administrative Costs	Total of detail FKC Administrative Costs and total of detail FKD Administrative Cost Adjustments
	(a) If DFAS SCA computes the cost, the value against which the percentage factor is applied, the percentage factor used, and the applied charge (under ADMIN/ACSRL COST) are shown. The charge is shown as a debit (FKC) or credit (FKD) amount
	(b) If actual costs have been applied, the words "ACTUAL CHARGE" are shown as Type of Cost. FKC transactions are applied against FKA transactions. FKD (credit Administrative Cost Adjustments) transactions are applied against FKB transactions
Net Total of Administrative Costs	All FKC and FKD transactions equal the net administrative costs

Table 8-5. Generic Codes

Generic Code	Long Title	Short Title
L1A	Inland Transport Within CONUS	CONUS TRANS
L1B	Ocean Transportation	OCEAN TRAN
L1C	Air Transportation	IR TRANS
L1D	Parcel Post	PARCEL POST
L1E	Commercial Packing Carriers	COMM PKG
L1F	Inland Trans Overseas	OS INLAND
L1O	Transportation Costs	TRANS COST
L2A	Packing, Crating & Handling	PC&H
L2B	CONUS Port Handling	CONUS PORT
L2C	Overseas Port Handling	OS PORT
L4A	Storage	STORAGE
L4O	Staging	STAGING
L6A	Administrative Costs	ADMIN COSTS
N7E	Medical	MEDICAL
N7F	Quarters	QUARTERS
U1O	Normal Inventory Loss	INV LOSS

Table 8-6. Adjustment Reply Codes: Denial

Code	Description
AA	Duplicate billing and/or shipment resulted from receipt of duplicate requisition and duplicate supply action
AB	Bill reflected correct unit or extended price of materiel shipped
AE	Supplier adjusted to unit pack since requisition did not prohibit this action; or shipment made in accordance with instructions in requisitions
AF	Authorized substitute in latest supply manual. Requisitions did not prohibit substitutions
AG	Claims less than $200, loss or gain are to be absorbed by FMS purchaser
AI	Local records indicate prior reversal of duplicate credit or charge in bill number cited
AJ	Credit was granted as a result of prior request and processing in billing
AK	Shipment made via commercial bill of lading; USG not responsible for damaged shipments
AL	Copies of shipping document evidencing proof of shipment/acceptance are attached
AM	Exhibit analysis completed - SDR denied
AO	Request cannot be granted because discrepancy report was not received within allowable timeframe
AP	Request cannot be granted because item was procured specifically for FMS purchaser. Section 6 of the LOA, "Warranties," applies (see SAMM, ***Figure C5.F4***, LOA Information)

Table 8-7. Adjustment Reply Codes: Reason Request Granted and Instructions for Disposition of Any Materiel Shipped in Error

Code	Description
BA	Materiel subject to local disposal
BB	Materiel to be returned to activity designated in the shipping depot field for subsequent credit
BC	Hold unacceptable shipment quantity pending disposition instructions to be submitted via separate communication
BD	Materiel to be returned to a Defense Reutilization and Marketing Office for disposal
BE	Materiel to be sent to nearest U.S. turn-in point for redistribution
BF	Materiel to be returned to contractor facility
BR	Materiel to be returned to USG facility for repair or replacement
BV	Materiel to be returned to contractor facility for repair or replacement
BX	Materiel to be returned for evaluation as an exhibit
BY	Exhibit analysis completed – asset repaired or replaced
BZ	Exhibit analysis completed – credit adjustment will be processed
CA	Requested debit adjustment will be made and bill issued
CB	Requested credit adjustment will be made and amended bill issued
CF	Request granted for financial adjustment not directly related to materiel shipments, e.g., repair costs
CW	Credit adjustment granted on accessorial charges – only FKF transactions
CX	Credit adjustment granted on administrative charges – only FKD transactions
CY	Debit adjustment granted on administrative charges – only FKC transactions
CZ	Debit adjustment granted on accessorial charges – only FKE transactions

Table 8-8. Adjustment Reply Codes: Advisory Codes That Do Not Require Billing or Supply Action

Code	Description
DA	Request previously processed and credit granted
DB	Request previously processed and credit not granted
DD	Billing previously rendered
DG	Duplicate billing will be furnished
DI	Letter of explanation follows
DJ	No record of previous request. Resubmit
DK	Copies of shipping documents evidencing proof of shipment and acceptance are attached
DM	Reply delayed 30 days. Matter is being investigated
DX	Request for SDR cancellation approved

Table 8-9. Adjustment Reply Codes: To Request Additional Data From Country

Code	Description
EB	Document number incomplete. Resubmit
EC	Bill number incomplete/missing. Resubmit
EF	Records do not indicate duplicate shipment and/or billing on bill number cited. If duplication occurred on another bill, resubmit citing both bill numbers
EI	Claim should be supported by appropriate documentation. Resubmit
EJ	Claim should be supported by confirmation of cancellation. Resubmit

Table 8-10. Adjustment Reply Codes: USG Reimbursement to Foreign Countries to Recover Transportation Costs Those Countries Incurred to Return Items to USG

Code	Description
FA	Transportation reimbursement from freight forwarder to FMS purchaser final destination on shipment of discrepant materiel (5 percent of discrepant materiel billed value)
FB	Transportation reimbursement from CONUS POE via DTS to final destination on shipment of discrepant materiel (reversal of accessorial costs)
FC	Transportation reimbursement from FMS purchaser final destination to turn-in point for discrepant returns (3 percent of discrepant materiel billed value)
FD	Transportation reimbursement for local disposal of discrepant materiel (5 percent of discrepant materiel billed value for inland transportation and disposal costs)
FE	Transportation reimbursement for return of discrepant item or items to be repaired (5 percent of discrepant materiel billed value)
FF	PC&H reimbursement for discrepant materiel returns (3.75 percent of discrepant materiel billed value)
FG	Transportation reimbursement from freight forwarder to FMS purchaser final destination on shipment of discrepant materiel (5 percent of discrepant materiel billed value); and PC&H reimbursement for discrepant materiel returns (3.75 percent of discrepant materiel billed value)
FH	Transportation reimbursement from CONUS POE via DTS to final destination on shipment of discrepant materiel (reversal of accessorial costs); and PC&H reimbursement for discrepant materiel returns (3.75 percent of discrepant materiel billed value)
FI	Transportation reimbursement from freight forwarder to FMS purchaser final destination on shipment of discrepant materiel (5 percent of discrepant materiel billed value); transportation reimbursement from FMS purchaser final destination to turn-in point for discrepant returns (3 percent of discrepant materiel billed value); and PC&H reimbursement for discrepant materiel returns (3.75 percent of discrepant materiel billed value)
FJ	Transportation reimbursement from CONUS POE via DTS to final destination on shipment of discrepant materiel (reversal of accessorial costs); transportation reimbursement from FMS purchaser final destination to turn-in point for discrepant returns (3 percent of discrepant materiel billed value); and PC&H reimbursement for discrepant materiel returns (3.75 percent of discrepant materiel billed value)
FK	Transportation reimbursement for return of discrepant item or items to be repaired or replaced (5 percent of discrepant materiel billed value); and PC&H reimbursement for discrepant materiel returns (3.75 percent of discrepant materiel billed value)
FL	Actual transportation reimbursement (actual charge)
FM	Reversal of transportation reimbursement transaction previously processed (percentage dependent on transaction being reversed)

Table 8-11. FMS Reply Listing to Purchaser Requests for Adjustments

FMS REPLY LISTING TO PURCHASER REQUESTS FOR ADJUSTMENTS

FOR PERIOD ENDED: 10 DEC 31
DATE PREPARED: 11 JAN 05

COUNTRY: BANDARIA
SERVICE: ARMY
STATEMENT NUMBER: 10-12NA
U.S. DEPT/AGENCY: ARMY

DOC ID	RIC	PRC CD	SDR SERIAL NUMBER	UNIT ISSUE	QUAN SHIP	DOCUMENT NUMBER	DOC SFX	SUPL ADRS	M S	ARC	ACCT DATE	TBC	DSC	UNIT PRICE	EXTENDED VALUE
						CASE: XIL RSN:001									
FKG	BY7	A	WZ001500Y616586	EA	4CR	BBDK443361A426		BZ2XIL		CB	1012	D	AB	70.43	281.72CR
						CASE: XIU RSN:002									
FKG	591	A	534001016767100	EA	800CR	BBDK443361B158		BZ2XIU		CB	1010	D	AB	1.50	1200.00CR

Table 8-12. Monitor Codes

Monitor Title	IA Code	Monitor Code
SDAF	B	3
U.S. Army Corps of Engineers (USACE)	B	A
U.S. Army Tank-Automotive Command (TACOM) Life Cycle Management Command (LCMC) – Soldiers Command	B	B
U.S. Army Network Enterprise Technology Command	B	C
Program Executive Office (PEO) for Army FMS Systems	B	D
Aviation Systems Command (Now part of Aviation and Missile Command (AMCOM))	B	E
U.S. Army Southern Command	B	F
U.S. Army Europe	B	G
U.S. Army Medical Command (MEDCOM)	B	H
U.S. Army Communication-Electronics Command (CECOM) Responsive Acquisition Processing for Improved Delivery	B	I
U.S. Army TACOM LCMC Simplified Nonstandard Acquisition Program	B	J
U.S. Army TACOM LCMC	B	K
U.S. Army Joint Munitions Command (JMC)	B	M
U.S. Army Security Assistance Command (USASAC) Special Programs Office	B	N
U.S. Army Publishing Agency	B	P
U.S. Army Missile Readiness Command (Now part of AMCOM)	B	R
U.S. Army PEO for Simulation, Training and Instrumentation (PEOSTRI)	B	S
U.S. Army Training and Doctrine Command (TRADOC)	B	T
U.S. Army CECOM LCMC	B	U
U.S. Army Forces Command (FORSCOM)	B	W
DFAS SCA	B	X
USASAC	B	Y
Defense Information Systems Agency (DISA)	C	C
DISA	C	X
Joint Strike Fighter	D	2
SDAF	D	3
DSCA	D	7
AMC	D	A
DFAS SCA	D	B
11th Wing	D	C
Headquarters Air Force Space Command	D	D
Air Force Communications Center	D	E
Sacramento Air Logistics Center	D	F
Ogden Air Logistics Center	D	G
Oklahoma City Air Logistics Center	D	H

Table 8-12. Monitor Codes (Continued)

Monitor Title	IA Code	Monitor Code
Air Force Security Assistance Training Squadron	D	J
U.S. Central Command	D	K
Warner Robbins Air Logistics Center	D	L
Electronic Systems Center	D	M
Air Force Material Command	D	N
San Antonio Air Logistics Center	D	P
Air Force Accounting and Finance Center	D	R
Worldwide Warehouse	D	S
Air Combat Command	D	T
Space and Missile Center	D	U
Pacific Air Force	D	V
Air Armament Center	D	W
Aeronautical Systems Center	D	X
Air Force Accounting and Finance Center	D	Y
US Air Forces in Europe	D	Z
U.S. Army Corps of Engineers (Cases opened prior to October 1, 1986)	E	A
U.S. Army Industrial Operations Command	E	M
DFAS SCA	E	X
USASAC	E	Y
DCMA	F	X
Missile Defense Agency	I	9
Defense Audio Visual Agency (Transactions prior to October 1, 1985)	L	L
SDAF	M	3
U.S. Army—Secure Electronics Procurement Office (SELPO)	M	D
National Security Agency—SELPO	M	M
DFAS SCA	M	X
USASAC	M	Y
SDAF	P	3
Naval Education Training Security Assistance Field Activity (No longer used on new transactions)	P	C
U.S. Navy Commands Using the Standard Accounting and Reporting System (No longer used on new transactions)	P	S
U.S. Navy Supply Systems Command Weapon Systems Support (NAVSUP WSS-N52)	P	V
SDAF	Q	2
SDAF – Defense Property Disposal Service	Q	3
SDAF – USACE	Q	A
SDAF – Natick Research and Development Command	Q	B
SDAF – Army Communication Command	Q	C
SDAF – DFAS SCA	Q	D

Table 8-12. Monitor Codes (Continued)

Monitor Title	IA Code	Monitor Code
SDAF – AMCOM	Q	E
SDAF – McClellan	Q	F
SDAF – U.S. Army – Europe	Q	G
SDAF – MEDCOM	Q	H
SDAF – TACOM	Q	J
SDAF – TACOM	Q	K
SDAF	Q	L
SDAF – JMC	Q	M
SDAF – Navy Materiel, Norfolk	Q	N
SDAF – Kelly Air Force Base	Q	P
DSCA	Q	Q
SDAF – AMCOM	Q	R
SDAF – PEOSTRI	Q	S
SDAF – TRADOC	Q	T
SDAF – CECOM	Q	U
SDAF – Naval Inventory Control Point (NAVICP)	Q	V
SDAF – FORSCOM	Q	W
SDAF – DFAS SCA	Q	X
SDAF – USASAC	Q	Y
SDAF – Defense Threat Reduction Agency (DTRA)	Q	Z
Defense Property Disposal Service	R	3
Defense Logistics Information Service	R	4
(Former) Defense Central Control Point	R	5
OUSD(C)	R	6
DFAS SCA	R	X
USASAC	R	Y
National Geospatial Intelligence Agency (NGA)	U	B
NGA Topographic Center	U	J
NGA Aerospace Center	U	S
DFAS SCA	U	X
DCAA	V	2
DCAA	V	V
DFAS SCA	V	X
USASAC	V	Y
Defense Advanced Research Projects Agency	W	W

Table 8-12. Monitor Codes (Continued)

Monitor Title	IA Code	Monitor Code
DFAS SCA	W	X
DFAS SCA	X	X
DFAS SCA	Z	X
USASAC	Z	Y
DTRA	Z	Z

Table 8-13. Cost Codes

Cost Code	Description
11	Civilian Personnel Services and Benefits
17	Military Personnel Services and Benefits
21	Travel and Transportation of Personnel
22	Transportation of Things
23	Rent, Communications, and Utilities
24	Printing and Reproduction
25	Other Services
26	Supplies and Materials
31	Equipment

Table 8-14. Unit of Issue Codes

AM	Ampoule
AT	Assortment
AY	Assembly
BA	Ball
BD	Bundle
BE	Bale
BF	Board
BG	Bag
BK	Book
BL	Barrel
BO	Bolt
BR	Bar
BT	Bottle
BX	Box
CA	Cartridge
CB	Carboy
CD	Cubic Yard
CE	Cone
CF	Cubic Foot
CK	Cake
CL	Coil
CN	Can
CO	Container
CS	Case
CT	Carton
CU	Cube
CY	Cylinder
CZ	Cubic Meter
DR	Drum
DZ	Dozen
EA	Each
EN	Envelope
FT	Foot
FV	Five
FY	Fifty
GL	Gallon

GP	Group
GR	Gross
HD	Hundred (100)
HK	Hank
HR	Hourly Rate
IN	Linear Inch
JC	Job Cost
JR	Jar
KT	Kit
LB	Pound
LG	Links
LI	Liter
LT	Lot
MC	1000 Cubic Ft
ME	Meal
MR	Meter
MX	Thousand
OT	Outfit
OZ	Ounce
PD	Pad
PG	Package
PM	Plate
PR	Pair
PT	Pint
PZ	Packet
QT	Quart
RA	Ration
RL	Reel
RM	Ream
RO	Roll
SD	Skid
SE	Set
SF	Square Foot
SH	Sheet
SK	Skein
SL	Spool

SO	Shot
SP	Strip
SX	Stick
SY	Square Yard
TD	24
TE	10
TF	25
TN	Ton
TO	Troy Ounce
TS	36
TU	Tube
VI	Vial
YD	Yard
XX	Non-accountable Item (Items reported or billed as “dollars only”)

Table 8-15. Delivery Term Codes: Other Than Return and Repair

DTC	Explanation
2	DoD/USG delivers to a CONUS inland point (or overseas inland point when a shipment's origin and destination are within the same geographic area). Recipient country is responsible for unloading at named point and subsequent arrangements and costs.
4	Delivery at origin. Material is made available to the FMS purchaser country at the point of origin (i.e., a depot's or vendor's loading dock). The FMS purchaser is responsible for taking title as well as custody at that point.
5	Delivery to a CONUS-located freight forwarder, FMS purchaser country facility, or commercial port. DoD is responsible for transportation to the POE. The FMS purchaser is responsible for unloading the material from the inland carrier's equipment at the port of debarkation (POD), delivery alongside the vessel/aircraft, and all subsequent onward movement.
7	DoD delivery through DTS to a delivery address designated by the FMS purchaser. Either the shipment can originate from a U.S. or overseas source and may be made by using DoD assets or DoD contracted commercial carriers. The shipment will be delivered to a specified location in the FMS purchaser country. Upon arrival at the specified location in country, the FMS purchaser may be responsible for the reception and staging of the shipment and is responsible for onward movement.
8	DoD delivery on board an FMS purchaser country controlled ship or aircraft at a DoD-controlled POE. DoD is responsible for transportation from the point of origin to an FMS purchaser country controlled ship or aircraft at a DoD-controlled POE, including unloading material from the inland carrier, port handling, and storage aboard FMS purchaser country controlled ship or aircraft. The FMS purchaser country is responsible for all subsequent movement.
9	DoD delivery to the overseas air or ocean POD closest to the FMS purchaser's country. This POD may or may not be in the FMS purchaser's country. Either the shipment can originate from a U.S. or overseas source and may be made by using DoD assets or DoD contracted commercial carriers. The FMS purchaser is responsible for all handling and onward movement of the material from the POD, either the dock alongside the ship or from the air terminal.
0	Zero (0) is not a DTC. It is assigned to all non-FMS Security Cooperation Program (SCP) procedure shipments to fill the DTC position. DoD responsibility for all non-FMS SCP type shipments is equivalent to DTC 9.

Table 8-16. Delivery Term Codes: Codes Used in Connection With Return and Repair Codes

DTC	Explanation
A	DoD is responsible for transportation from designated overseas POE to a CONUS destination and subsequent return to a designated overseas POD. The FMS purchaser is responsible for overseas inland transportation of materiel to or from the overseas POE or POD and overseas port handling.
B	DoD is responsible for transportation from a designated overseas POE to a CONUS destination, return to a CONUS POE, and CONUS port handling. The FMS purchaser country is responsible for overseas inland transportation to the overseas POE, overseas port loading, and all return transportation from the CONUS POE to ultimate destination.
C	DoD is responsible for CONUS port unloading from the FMS purchaser arranged carrier, transportation to and from a designated CONUS destination, and CONUS port loading of FMS purchaser arranged carrier. The FMS purchaser is responsible for movement of materiel to and from the CONUS POD or POE.
E	The FMS purchaser is responsible for all transportation from overseas point of origin to CONUS destination and return to an overseas destination. Delivery is to a CONUS-located freight forwarder, FMS purchaser country facility, or commercial port.
F	DoD is responsible for transportation from an overseas inland location to an overseas POE, overseas port handling, transportation to a CONUS POD, CONUS port handling, inland transportation to a designated CONUS destination, and return to an overseas destination.
G	DoD is responsible for overseas port handling through an overseas POE, transportation to a CONUS POD, CONUS port handling, inland transportation to a CONUS destination, return to an overseas POD and overseas port handling. The FMS purchaser country is responsible for overseas inland transportation to and from the overseas POE or POD.
H	The FMS purchaser country is responsible for all transportation from overseas point of origin to the CONUS repair facility. DoD/USG is responsible for transportation from CONUS repair facility to CONUS POE. The FMS purchaser country is responsible for CONUS POE port handling and all further movement to overseas destination.
J	The FMS purchaser country is responsible for all transportation from overseas point of origin to CONUS repair facility. DoD/USG is responsible for all transportation from CONUS repair facility to the overseas inland destination.

Table 8-17. Mode of Shipment Codes

Mode of Shipment	Initial Method of Movement by the Shipper
A	Motor, truckload
B	Motor, less truckload
C	Van (unpacked, or uncrated personal or government property)
D	Drive-away, truck-away, tow-away
E	Bus
F	AMC (Channel and special assignment airlift mission (SAAM))
G	Surface, parcel post
H	Air, parcel post
I	Government truck for shipment outside local delivery area
J	Air, small package carrier
K	Rail, carload includes trailer or container on flatcar (including Commercial/ Government-Owned/Leased Shipping Container (excludes SEAVAN))
L	Rail, less than carload includes trailer or container-on-flatcar (excludes SEAVAN)
M	Surface, freight forwarder
O	Organic military air (includes aircraft of foreign governments)
P	Through GBL
Q	Commercial air freight; includes regular and expedited service (provided by major airlines), also includes charters and air taxi
R	European Distribution System or Pacific Distribution System
S	Scheduled truck service (applies to contract carriage, guaranteed traffic routings, or schedule services)
T	Air freight forwarder
U	Quick Response Transportation System (QUICKTRANS)
V	Sea – Van Service (SEAVANS)
W	Water, river, lake, or coastal (commercial)
X	Bearer walk through (FMS purchaser pickup of materials)
Y	Military intra-theater airlift services
Z	MSC (controlled/contract/arranged space)
2	Government watercraft barge /lighter
3	Roll-on or roll-off service
4	Defense Courier Service (DCS)
5	Surface, small package carrier
6	Military ordinary mail (MOM)
7	Express mail
8	Pipeline
9	Local delivery, including deliveries between air or water terminals and adjacent activities

Table 8-18. Surcharge Matrix

DSC	Contract Administration [1]	PC&H [2]	Admin [3]	Transportation [4,5] Parcel Post [6]
AA	N	N	Y	A
AB	N	N	Y	A
AC	N	N	Y	A
AD	N	N	Y	A
AE	N	Y	Y	B
AG	N	Y	Y	B
AH	N	N	Y	A
AJ	N	N	Y	A
AK	N	N	Y	B
AL	N	N	Y	B
BA	N	N	Y	N
BB	Y	N	Y	N
BC	N	N [7]	Y	N [7]
BD	N	N	Y	N
BE	N	N	Y	N
BF	N	N	N	N
BG	N	N	Y	N
BH	N	N	Y	N
BK	N	N	Y	N
BT	N	N	Y	N
CA	N	N	N	N
CB	N	N	Y	N
CC	N	N	Y	N
CD	N	N	N	N
DA	N	N	Y	N
DB	N	N	Y	A
DC	N	N	Y	B
DD	N	N	Y	N
DE	Y	N	Y	N
DF	N	N	Y	N
DG	N	N	Y	N
DJ	N	N	Y	N
DK	Y	N	Y	N
DL	N	N	Y	N
DX	N	N	Y	N
EE	N	N	Y	N
EF	N	Y [8]	Y	B [9]
EG	N	N	Y	B [9]
EH	N	N	Y	N
EJ	N	Y	Y	Y

Table 8-18. Surcharge Matrix (Continued)

DSC	Contract Administration [1]	PC&H [2]	Admin [3]	Transportation [4,5] Parcel Post [6]
EK	N	N	Y	N
EL	N	N	N	N
EM	N	N	N	N
EN	N	N	Y	N
SA	N	N	Y	A
SB	N	Y	Y	B
SD	N	Y	Y	B
SE	N	N	Y	B

[1] DFAS SCA will compute CAS if Price Code is "N" and Reimbursement Code is other than "N" unless statutory waiver of contract administration has been made. See subparagraphs 080502.D and 080502.P.

[2] PC&H does not apply to DWCF items with ship dates after September 30, 1990.

[3] Administrative costs will be computed unless administrative costs have been waived pursuant to statute.

[4] The Inland CONUS transportation charge of 3.75 percent does not apply to DWCF shipments with shipping dates after September 30, 1990. Computation for generic codes L1D and L1E for DWCF items was discontinued on items with shipping dates after September 30, 1991.

[5] In this column, A refers to items furnished from DWCF. B refers to inventory items that are not shipped from DWCF. Transportation for inventory items furnished from DWCF to freight forwarders or Canada (except Newfoundland and Labrador) is included in the price. Shipments beyond that point are computed according to Table 8-27. Costs for items that are not furnished from DWCFs are also computed according to Table 8-28.

[6] Transportation costs are computed using the TBC of the transaction. However, if this position is blank, transportation costs are computed using the DTC. If a DTC is not on the DTC Table, reject the transaction.

[7] Included in actual or estimated actual repair cost.

[8] Computed standard PC&H except if RIC begins with "G." RIC that begins with "G" will not have PC&H computed.

[9] For DSC "EF" and "EG" when transportation is by the General Services Administration (GSA) (RIC begins with "G") and the TBC is not blank, or where the TBC is blank and the DTC is other than "4," the CONUS transportation add-on (generic codes L1A, L1D, and L1E) is not computed. GSA includes CONUS transportation in the price of the item.

Table 8-19. Delivery Source Code: Sale of Articles Under AECA Section 21

DSC	Description
AA	DWCF non-excess items, including technical data package (TDP) and publications, from inventory for a matured FMSO.
AB	DWCF non-excess items, including TDP and publications, from inventory for other than a matured FMSO.
AC	DWCF non-excess items diverted from procurement initiated to maintain stock fund inventory for a matured FMSO.
AD	DWCF non-excess items diverted from procurement initiated to maintain stock fund inventory for other than a matured FMSO.
AE	Procurement funded item, including TDP and publications from inventory, which requires replacement.
AG	Procurement funded item, including TDPs and publications from inventory, which does not require replacement.
AH	Excess DWCF for a matured FMSO.
AJ	Excess DWCF for other than a matured FMSO.
AK	Excess Procurement Funded Item from Inventory (applicable PC&H computed on original acquisition cost of item and included in price of item).
AL	Use of this code eliminated beginning FY 2001. Items (other than DWCF item) sold from inventory that are not subject to normal PC&H charge. This code must only be used when the case has a transportation line, a PC&H line, or a pricing exception granted by OUSD(C).

Table 8-20. Delivery Source Code: Performance of DoD Services Under AECA Section 21 or 22

DSC	Description
BA	DoD provided training course.
BB	Contractor provided training course.
BC	Repair or replace FMS purchaser equipment. IAs must include actual PC&H and transportation for materiel consumed in overhaul in reported cost.
BD	Other DoD services. Does not include "above-the-line" transportation or "above-the-line" packing, crating, handling and transportation (PCH&T) associated with repair or modification of consumer owned equipment that is included in repair cost report using code "BC."
BE	Storage charge (for other than FMSO cases).
BF	Depreciation associated with leases.
BG	LOA sales of articles and services in connection with lease, prior to, during, or after lease period (includes transportation PC&H refurbishment).
BH	Actual PC&H charge. This report must accompany delivery transactions for items sold from inventory with DSC "AK" and "AL."
BK	DWCF activity services.
BT	"Above-the-line" transportation to FMS purchasers that is included in the case. This code includes "high-flight" or special airlift. It does not include the "above-the-line" transportation cost that is included in the selling price of an item or service.

Table 8-21. Delivery Service Codes: Unique FMSO Charges

DSC	Description
CA	FMSO I materiel used to support a system obsolete to DoD use (buy out of unique repair parts to support obsolete end items).
CB	Annual inventory maintenance and storage cost. Charge annually on current FMSO II cases. The FMSO I case manager must input the FMS detail delivery transaction. There is no annual charge for cooperative logistics supply support arrangements (CLSSAs) on DWCF items since the DWCF standard (stabilized) price recoups all costs.
CC	Normal inventory loss on procurement appropriation funded secondary items (physical inventory gain or loss, expiring shelf life, and damage of stored parts). Charge assessed annually on current FMSO II cases. The FMSO I case manager must input the delivery transactions. There is no annual charge for CLSSAs on DWCF items since the DWCF standard (stabilized) price recoups all costs.
CD	Cash advances for on-hand portion of FMSO I cases.

Table 8-22. Delivery Source Codes: Procurement for FMS Purchasers Under AECA Section 22

DSC	Description
DA	Contractor services (other than training).
DB	DWCF item, TDP, or publications from contractor.
DC	Procurement of secondary item from contractor.
DD	Procurement of principal or major item from contractor.
DE[1]	Progress payment to contractor.
DF[1]	DoD services in support of procurement. This code was previously applied to actual CAS hours prior to establishment of the charge. It now applies to other than CAS services.
DG[1]	Nonrecurring Cost (NC) Recoupment Charges (Research and Development and Production). Identifies amount of NC financed by the FMS purchaser and may be used in calculating the Special NC.
DJ[1]	GFM shipped from inventory.
DK[1]	GFM shipped from another contractor.
DL[1]	PCH&T applicable to GFM.
DX	Contractor efforts in overseas locations that are supported by FMS management lines rather than through normal CAS effort.

[1] DSCs "DE" through "DL" represent WIP transactions. The breakdown of these charges assures audit trail visibility for pricing purposes. DFAS SCA must treat them as progress payments and report them as such to the FMS purchaser. These charges must be liquidated by one of the contract delivery codes "DA" through "DD" in combination with Reimbursement Code "N."

Table 8-23. Delivery Source Code: Miscellaneous Charges

DSC	Description
EE	Royalty charge - USG TDP.
EF	Other Federal agency shipment from stock.
EG	Other Federal agency shipment from contractor.
EH	North Atlantic Treaty Organization Petroleum, Oil, and Lubricants.
EJ	Redistributable Military Assistance Program property.
EK	Collection of special nonrecurring production charge or license fee for a third country.
EL	Prepositioning costs.
EM	Interest on arrearage computed in accordance with Volume 15, Chapter 5. This code is restricted to use by DFAS SCA.
EN	NC recoupment charge for sales from procurement or inventory.

Table 8-24. Delivery Source Code: Special Defense Acquisition Fund

DSC	Description
SA	SDAF sales of items originally purchased from DWCF inventories.
SB	SDAF sales of items originally purchased from DoD inventories other than DWCF.
SD	SDAF sales of items procured from contractors for the fund.
SE	SDAF sales of items procured from contractors and shipped directly from the contractor to the FMS purchaser, providing there is no requirement for any special PC&H.

Table 8-25. Reimbursement Code

Code	Description
A	Reimbursable to SDAF (sale of SDAF inventory or equity in a contract)
I	Interfund
R	Reimbursable (DFAS SCA reimburses IA)
S	Self-reimbursed (IA has reimbursed itself)
D	Direct cite (non-reimbursable)
M	Miscellaneous Receipts (non-reimbursable)[1]
N	Delivery of articles and services for which a progress payment or WIP has been reported (non-reimbursable).[2]

[1] Code “M” must be used to report transactions applicable to the Miscellaneous Receipt Account when DFAS SCA has been chartered to transfer funds from 9711X8242 to the U.S. Treasury. This transaction must be non-reimbursable to the reporting activity.

[2] Code “N” must be used to report physical delivery of items when applicable costs have been previously reported to the FMS purchaser as a progress payment, WIP, or when an FMS purchaser's equity in inventory is physically delivered (DSC “CA”). This code must liquidate WIP transactions previously reported. When the code is reported to DFAS SCA, computer programs increase or decrease WIP disbursed undelivered amounts. The increase or decrease depends on the size of the extended value. If the extended value is a debit, the delivered articles and services amount must increase and progress payment disbursed unliquidated amount must decrease. If the extended value is a credit, the delivered articles and services amount must decrease and the progress payment disbursed undelivered amount must increase.

Table 8-26. Transportation Bill Codes

TBC	Description
A	Materiel moved by parcel post to an inland CONUS/Canada (except Newfoundland and Labrador) destination or freight forwarder, or to an overseas destination through the APO or international mail. The FMS purchaser makes all subsequent arrangements.
B	Materiel moved by commercial package carrier to an inland CONUS/Canada (except Newfoundland and Labrador) destination or freight forwarder, when all subsequent arrangements are made by the FMS purchaser. However, see TBC "Z."
C	Materiel moved by GBL, AMC channel airlift, Air Force organizational airlift, MSC sealift, and combinations thereof, to an overseas POD in rate area one or two, including overseas carrier discharge. The FMS purchaser makes all subsequent arrangements.
D	Any form of materiel for which the FMS purchaser is totally responsible, such as materiel moved by a collect commercial bill of lading to an inland CONUS destination, free alongside ship (FAS), an overseas carrier at a CONUS POE, freight forwarder, a CONUS POE, or an inland overseas destination. Also used if transportation costs are not applicable.
E	Materiel moved by GBL, AMC channel airlift, Air Force organizational airlift, MSC sealift, and combinations thereof, to an inland CONUS destination, FAS an overseas carrier at a CONUS POE, a freight forwarder, or a CONUS POE when all subsequent arrangements are made by the FMS purchaser.
F	Materiel moved by GBL, AMC channel airlift, Air Force organizational airlift, MSC sealift, and combinations thereof, to an overseas POD in rate area one or two, when overseas carrier discharge and all subsequent arrangements are made by the FMS purchaser.
G	Materiel moved by GBL, AMC channel airlift, Air Force organizational airlift, MSC sealift, DCS, MOM, Weapons System Pouch Service, and combinations thereof, to the ultimate FMS consignee at an overseas inland destination in rate area one or two.
H	Materiel moved by GBL, AMC channel airlift, USAF organizational airlift, MSC sealift, and combinations thereof, to a CONUS POE when all arrangements subsequent to loading the vessel are made by the FMS purchaser.
J	Materiel moved by AMC channel airlift to an overseas aerial port of debarkation (APOD) in rate area one or two when the use of inland CONUS transportation is not required in effecting delivery to the CONUS POE. The FMS purchaser makes all arrangements subsequent to carrier discharge.
K	Materiel moved by AMC SAAM within CONUS to an overseas APOD or inland FMS consignee base within an overseas area or between overseas areas. The FMS purchaser makes any arrangements subsequent to carrier discharge.
L	Substitute for any other standard codes whenever actual transportation costs will be reported in accordance with Chapter 7.
M	Materiel moved by FMS country-owned aircraft from a U.S. /DoD staging area.
N	Materiel moved by GBL or other CONUS inland mode to a CONUS staging or aggregation area, staging or aggregation of the materiel, and onward movement of the materiel to a freight forwarder by a collect commercial bill of lading or country-owned or provided aircraft, or by AMC or by commercial SAAM.

Table 8-26. Transportation Bill Codes (Continued)

TBC	Description
P	Materiel moved by GBL or other CONUS inland mode to a CONUS staging or aggregation area, staging or aggregation of the materiel, and onward movement of materiel by GBL or other prepaid (reimbursable) CONUS transportation to an aerial or water POE, FAS an overseas carrier at a CONUS POE, or arrangements are made by the FMS purchaser.
Q	Materiel moved by GBL or other CONUS inland mode to a CONUS staging or aggregation area, staging or aggregation of the materiel; out movement of the materiel from the staging area by GBL, or other prepaid (reimbursable) CONUS transportation to an aerial or water POE; port handling of the materiel, and onward movement by GBL, AMC channel airlift, Air Force organizational aircraft, MSC sealift, and combinations thereof, to an overseas POD in rate area one or two, when overseas carrier discharge and all subsequent arrangements are made by the FMS purchaser.
R	Materiel moved by GBL or other CONUS inland mode to a CONUS staging or aggregation area, staging or aggregation of the materiel; and out movement of the materiel from the staging area by GBL, or other prepaid (reimbursable) CONUS transportation to an aerial or water POE; port handling of the materiel, and onward movement by GBL, AMC channel airlift, Air Force organizational aircraft, MSC sealift, and combinations thereof, to an overseas POD in rate area one or two; overseas port handling of the materiel; and onward overseas inland movement to the ultimate FMS consignee at an overseas, inland destination rate area one or two.
S	Materiel moved by GBL or other CONUS inland mode to a CONUS staging or aggregation area, staging or aggregation of the materiel, out movement of the material from the staging area by GBL, or other prepaid (reimbursable) CONUS transportation to an aerial or water POE; and loading of the materiel aboard a country-owned or provided aircraft or vessel, when all arrangements subsequent to loading the aircraft or vessel are made by the FMS purchaser.
U	Materiel moved by parcel post or commercial package carrier to CONUS POD when all arrangements subsequent to loading the vessel are made by the FMS purchaser. (Mode of shipment determines whether parcel post or commercial package carrier is used.)
V	Materiel moved by parcel post or commercial package carrier to an overseas POD in rate areas one or two, including overseas carrier discharge, when arrangements subsequent to loading the vessel are made by the FMS purchaser. (The mode of shipment determines whether parcel post or a commercial package carrier is used.)
W	Materiel movement charged according to rates listed in the transportation cost look-up table (see section 0806).
X	Materiel moved by parcel post or commercial package carrier to an overseas POD in rate areas one or two, when the FMS purchaser makes overseas carrier discharge and subsequent arrangements. (The mode of shipment determines whether parcel post or commercial package carrier is used.)
Y	Materiel moved by parcel post or commercial package carrier to the ultimate FMS consignee at an overseas inland destination in rate areas one or two. (The mode of shipment determines whether parcel post or commercial package carrier is used.)
Z	Materiel moved within the CONUS by commercial carrier with a published maximum rate of $25.00 (for example, as published by United Parcel Service).

*Table 8-27. Transportation Charges Based on Transportation Bill Codes for Inventory Items Shipped by DWCF

TBC	Generic Code	Percentage of Item Priced by Generic Code	Total Percentage
A	L1D	0.0 [1,2]	0.0
B	L1E	0.0 [1,2]	0.0
C	L1A	0.0 [2]	7.5, 15.5/7.5,9.5
	L2B	2.5	
	L1B /L1C [3]	4.0,12.0 [4]/ 4.0,6.0 [5]	
	L2C	1.0	
D	N/A	0.0	0.0
E	L1A	0.0 [2]	0.0
F	L1A	0.0 [2]	6.5, 14.5/6.5, 8.5
	L2B	2.5	
	L1B/L1C [3]	4.0,12.0 [4]/ 4.0,6.0 [5]	
G	L1A	0.0 [2]	10.5, 18.5/10.5, 12.5
	L2B	2.5	
	L1B/L1C [3]	4.0,12.0 [4]/ 4.0,6.0 [5]	
	L2C	1.0	
	L1F	3.0	
H	L1A	0.0 [2]	2.5
	L2B	2.5	
J	L2B	2.5	7.5/9.5
	L1C	4.0/6.0 [5]	
	L2C	1.0	
K	L1C	N/A	Actual amount billed by AMC
L	As applicable	N/A	Actual amount computed by shipper
M	L4O	3.0 [1]	3.0
N	L1A	0.0 [2]	3.0
	L4O	3.0 [1]	
P	L1A	0.0 [2]	6.75
	L4O	3.0 [1]	
	L1A	3.75 [2]	
Q	L1A	0.0 [2]	13.25, 21.25/13.25, 15.25
	L4O	3.0 [1]	
	L1A	3.75 [2]	
	L2B	2.5	
	L1B/L1C [3]	4.0,12.0 [4]/ 4.0,6.0 [5]	

Table 8-27. Transportation Charges Based on Transportation Bill Codes for Inventory Items Shipped by DWCF (Continued)

TBC	Generic Code	Percentage of Item Priced by Generic Code	Total Percentage
R	L1A	0.0 [2]	17.25, 25.25/ 17.25,19.25
	L4O	3.0 [1]	
	L1A	3.75 [2]	
	L2B	2.5	
	L1B/L1C	4.0,12.0 [4]/ 4.0,6.0 [5]	
	L2C	1.0	
	L1F	3.0	
S	L1A	0.0 [2]	9.25
	L4O	3.0 [1]	
	L1A	3.75 [2]	
	L2B	2.5	
U	L1D	0.0 [1,2]	2.5
	L2B	2.5	
V	L1D	0.0 [1,2]	7.5, 15.5/7.5,9.5
	L2B	2.5	
	L1B/L1C [3]	4.0,12.0 [4]/ 4.0,6.0 [5]	
	L2C	1.0	
W	L1O	N/A	Transportation Cost Look-Up Table
X	L1D	0.0 [1,2]	6.5, 14.5/6.5, 18.5
	L2B	2.5	
	L1B/L1C [3]	4.0,12.0 [4]/ 4.0,6.0 [5]	
Y	L1D	0.0 [1,2]	10.5, 18.5/10.5, 12.5
	L2B	2.5	
	L1B/L1C [3]	4.0,12.0 [4]/ 4.0,6.0 [5]	
	L2C	1.0	
	L1F	3.0	

[1] The costs of L1D, L1E, and L4O are included in the DWCF item price when being directly shipped to the customer. If the item is shipped to a staging location, the rate listed must be charged.

[2] L1A does not apply to DWCF shipments with shipping dates after September 30, 1990. Computation for L1D and L1E for DWCF items was discontinued on items with shipping dates after September 30, 1991. L1A is computed once on DWCF items shipped to a CONUS staging or aggregation area and then on to the CONUS water or aerial port. The first CONUS movement is included in the DWCF item price. The second movement TBCs (P, Q, R, or S) are charged at the normal rate.

Table 8-27. Transportation Charges Based on Transportation Bill Codes for Inventory Items Shipped by DWCF (Continued)

[3] Wherever "L1B/L1C" appears, if the POE code is "A," L1C is computed; otherwise, L1B is computed.

[4] L1B is computed at 4.0 percent for rate area one or 12.0 percent for rate area two. See Chapter 7.

[5] L1C is computed at 4.0 percent for rate area one or 6.0 percent for rate area two. See Chapter 7.

[6] L1A is computed once on DWCF items shipped to a CONUS staging or aggregation area and then on to the CONUS water or aerial port. The first CONUS movement is included in the DWCF item price.

*Table 8-28. Transportation Charges Based on Transportation Bill Codes for Inventory Items Not Shipped by DWCF

TBC	Generic Code	Percentage of Item Priced by Generic Code	Total Percentage
A	L1D	3.75 [1]	3.75
B	L1E	3.75 [1]	3.75
C	L1A	3.75	11.25, 19.25/ 11.25,13.25
	L2B	2.5	
	L1B/L1C [2]	4.0,12.0 [3]/ 4.0,6.0 [4]	
	L2C	1.0	
D	N/A	0.0	0.0
E	L1A	3.75	3.75
F	L1A	3.75	10.25,18.25 /10.25,12.25
	L2B	2.5	
	L1B/L1C [2]	4.0,12.0 [3]/ 4.0,6.0 [4]	
G	L1A	3.75	14.25,22.25/ 14.25,16.25
	L2B	2.5	
	L1B/L1C [2]	4.0,12.0 [3]/ 4.0,6.0 [4]	
	L2C	1.0	
	L1F	3.0	
H	L1A	3.75	6.25
	L2B	2.5	
J	L2B	2.5	7.5/9.5
	L1C	4.0/6.0 [2]	
	L2C	1.0	
K	L1C	N/A	Actual amount billed by AMC
L	As applicable	N/A	Actual amount computed by shipper
M	L4O	3.0 [1]	3.0
N	L1A	3.75	6.75
	L4O	3.0 [1]	
P	L1A	3.75[5]	10.50
	L4O	3.0 [1]	
	L1A	3.75[5]	
Q	L1A	3.75[5]	17.0, 25.0/17.0,19.0
	L4O	3.0 [1]	
	L1A	3.75[5]	
	L2B	2.5	
	L1B/L1C [2]	4.0,12.0 [3]/ 4.0,6.0 [4]	

Table 8-28. Transportation Charges Based on Transportation Bill Codes for Inventory Items Not Shipped by DWCF (Continued)

TBC	Generic Code	Percentage of Item Priced by Generic Code	Total Percentage
R	L1A	3.75[5]	21.0,29.0/ 21.023.0
	L4O	3.0 [1]	
	L1A	3.75[5]	
	L2B	2.5	
	L1B/L1C [2]	4.0,12.0 [3]/ 4.0,6.0 [4]	
	L2C	1.0	
	L1F	3.0	
S	L1A	3.75[5]	13.0
	L4O	3.0 [1]	
	L1A	3.75[5]	
	L2B	2.5	
U	L1D	3.75 [1]	6.25
	L2B	2.5	
V	L1D	3.75 [1]	11.25,19.25/ 11.25,13.25
	L2B	2.5	
	L1B/L1C [2]	4.0,12.0 [3]/ 4.0,6.0 [4]	
	L2C	1.0	
W	L1O	N/A	Transportation Cost Look-Up Table
X	L1D	3.75 [1]	10.25, 18.25/10.25, 12.25
	L2B	2.5	
	L1B/L1C [2]	4.0,12.0 [3]/ 4.0,6.0 [4]	
Y	L1D	3.75 [1]	14.25,22.25/ 14.25,16.25
	L2B	2.5	
	L1B/L1C [2]	4.0,12.0 [3]/ 4.0,6.0 [4]	
	L2C	1.0	
	L1F	3.0	
Z	L1A	3.75	(Charge may not exceed $25.00)

[1] Amounts collected for L1D, L1E, and L4O must be reimbursed to the shipping depot shown in the delivery transaction. SF 1080 billings for actual costs are not required.

[2] Wherever "L1B/L1C" appears, if the POE Code is "A," L1C is computed; otherwise, L1B is computed.

[3] L1B is computed at 4.0 percent for rate area one or 12.0 percent for rate area two. See Chapter 7.

[4] L1C is computed at 4.0 percent for rate area one or 6.0 percent for rate area two. See Chapter 7.

[5] L1A is computed twice on non-DWCF items shipped to a CONUS staging or aggregation area and then on to the CONUS water or aerial port for TBCs P, Q, R, and S.

VOLUME 15: "ABBREVIATIONS AND ACRONYMS"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font*.**

The previous version dated July 2015 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Reviewed for completeness and accuracy, deleted acronyms that were not specific to Foreign Military Sales, added purpose statement, and added acronyms not currently listed.	Addition

*ABBREVIATIONS AND ACRONYMS

Abbreviations and acronyms contained in this section of Volume 15 identify terms unique to Security Cooperation policies.

A

ACCP	Accelerated Case Closure Procedures
AECA	Arms Export Control Act
AIK	Assistance in Kind
APOD	Aerial Point of Debarkation
ASFF	Afghanistan Security Forces Fund
AWACS	Airborne Warning and Control System

B

BPC	Building Partner Capacity

C

CBA	Commercial Bank Account
CCSA	Case Closure Suspense Account
CIP	Component Improvement Program
CLSSA	Cooperative Logistics Supply Support Arrangement
CPC	Copy Production Cost
CRSP	Coalition Readiness Support Program
CSP	Concurrent Spare Parts

D

DBO	Directorate of Business Operations
DFAS SCA	Defense Finance and Accounting Service Security Cooperation Accounting
DIFS	Defense Integrated Financial System
DISAM	Defense Institute of Security Assistance Management
DISCS	Defense Institute of Security Cooperation Studies (Replaced DISAM effective July 1, 2016)
DSAMS	Defense Security Assistance Management System
DSC	Delivery Source Code
DSCA	Defense Security Cooperation Agency
DTC	Delivery Term Code

E

ECS	Embedded Computer Software
EML	Environment and Morale Leave

F

FAA	Foreign Assistance Act
FAS	Free Alongside Ship
FEML	Funded Environment and Morale Leave
FICS	Foreign Military Sales Integrated Control System
FMF	Foreign Military Financing
FMLLA	Foreign Military Loan Liquidating Account
FMS	Foreign Military Sales
FMSO	Foreign Military Sales Order
FRFT	Federal Reserve Funds Transfer
FSP	Field Studies Program
FWF	Functional Work Force

I

IA	Implementing Agency
IMET	International Military Education and Training
IMS	International Military Students
ITEF	Iraq Train and Equip Fund

L

LCMC	Life Cycle Management Command/Center
LOA	Letter of Offer and Acceptance
LOR	Letter of Request
LSC	Logistics Support Charge

M

MAP	Military Assistance Program
MASL	Military Articles and Services List
MDE	Major Defense Equipment
MOM	Military Ordinary Mail
MTT	Mobile Training Team

P

P&A	Price and Availability
PCCF	Pakistan Counterinsurgency Capability Fund

PCF	Pakistan Counterinsurgency Fund
PEO	Program Executive Office
POL	Petroleum, Oil, and Lubricants
PRTR	Performance Report Transaction Register

Q

QRR	Quarterly Requisition Report
QUICKTRANS	Quick Response Transportation System

R

RCG	Case Reconciliation and Closure Guide
RIC	Routing Identifier Code
RIM	Retainable Instructional Material

S

SA	Security Assistance
SAAM	Special Assignment Airlift Mission
SAMM	Security Assistance Management Manual
SBA	Special Billing Arrangement
SBLC	Standby Letter of Credit
SC	Security Cooperation
SC	Special Cost (used for Publication/Software pricing)
SCML	Small Case Management Line
SCT	Security Cooperation Team
SDAF	Special Defense Acquisition Fund
SELPO	Secure Electronics Procurement Office
SIAU	Stock Issue Asset Use
SME	Significant Military Equipment
SOS	Source of Supply

T

TA	Type of Assistance
TAFT	Technical Assistance Field Team
TBC	Transportation Bill Code
TCN	Transportation Control Number
TDP	Technical Data Package
TL	Termination Liability

U

USASAC	U.S. Army Security Assistance Command

W

WCN	Worksheet Control Number

VOLUME 15: "DEFINITIONS"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated July 2015 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated definitions for clarity and deleted definitions contained in the Department of Defense Financial Management Regulation Glossary.	Revision
All	Deleted definitions not commonly used in Security Cooperation policies.	Deletion
General & List of Definitions	Added "General" and "List of Definitions" titles.	Addition
Blanket Order Case	Added Blanket Order Case definition.	Addition
Building Partner Capacity	Updated reference to the Security Assistance Management Manual in accordance with the Defense Security Cooperation Memorandum, "Reissuance of the Security Assistance Management Manual (SAMM) as Defense Security Cooperation Agency (DSCA) Manual 5105.38-M, DSCA Policy 12-20," dated April 30, 2012.	Revision
Defined Order Case	Added Defined Order Case definition.	Addition

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*DEFINITIONS

*A. General

Definitions contained in this section of Volume 15, identify terms commonly used in Security Cooperation policies. Refer to the Department of Defense (DoD) Financial Management Regulation Glossary for terms that are common within other volumes.

*B. List of Definitions

Above Standard Level of Service

Above standard level of service activities are the incremental costs above those provided in the standard level of service. The Letter of Offer and Acceptance (LOA) defines line items to support charges beyond the standard level of service, and may include items such as refurbishment charges specifically incurred to support the purchaser/case (e.g., warehousing) and execution support, such as additional acquisition support, dedicated requisition processing, and program acceleration costs.

Accelerated Case Closure Procedures (ACCP)

ACCP allows interim case closure after supply or services completion, even if there are outstanding unliquidated obligations on the case or not all financial transactions are finalized.

Acceptance

Acceptance is the act of an authorized representative of the Government in which the Government assumes for itself, or as agent of another, ownership of existing and identified supplies tendered, or approves specific services rendered, as partial or complete performance of the contract by the contractor. See also LOA.

Arms Export Control Act (AECA)

The ***AECA*** is the basic U.S. law that provides the authority and general rules for the conduct of Foreign Military Sales (FMS) and commercial sales of defense articles, services, and training. This act is codified at Title 22, U.S. Code, ***Chapter 39***.

Arrearage

An arrearage occurs when the FMS purchaser's total cash resources on deposit with the United States Government (USG) are insufficient to cover the unpaid accrued expenditures made on behalf of the purchaser.

Attrition (International Military Training)

Attrition is the destruction of a DoD capital asset when a foreign student was in physical control of the asset or as a direct result of simple or gross negligence.

Below-the-Line Costs

Below-the-line costs are costs identified as Packing, Crating, Handling, and Transportation (PCH&T), administrative charges, and other costs that are displayed on lines 9 through 12 of the LOA.

*Blanket Order Case

A blanket order is an agreement between a foreign customer and the United States Government for a specific category of items or services, including training, with no definitive listing of items or quantities. The case specifies a dollar ceiling against which orders may be placed.

*Building Partner Capacity (BPC) Programs

BPC programs encompass Security Cooperation and Security Assistance (SA) activities funded with USG appropriations and administered as cases within the FMS infrastructure. These programs provide defense articles and/or services to other USG departments and agencies for building the capacity of partner nation security forces. The DoD Implementing Agency (IA) develops a pseudo line of accounting to enable BPC program execution through existing SA automated systems. The pseudo line of accounting serves to document the transfer of articles and services to the USG Requesting Authority. See the Defense Security Cooperation Agency (DSCA) Manual 5105.38-M, "Security Assistance Management Manual" (SAMM), ***Chapter 15***, for more information.

Case Line Level

The level of detail required for the control of FMS funding is at the case line level. The line is a further subdivision of an FMS case.

Concurrent Spare Part (CSP)

A CSP is a spare part programmed as an initial stockage related to the acquisition of a major item or system. A CSP normally ships in advance of the release of the major item or system.

Cooperative Logistics Supply Support Arrangement (CLSSA)

A CLSSA is a military logistics support arrangement designed to provide responsive and continuous supply support at the depot level for United States made military materiel possessed by foreign countries and international organizations. The CLSSA is normally the most effective means for providing common repair parts and secondary item support for equipment of U.S. origin that is in allied and friendly country inventories.

*Defined Order Case

A defined order case is characterized by orders for specific defense articles and services that are separately identified line items on the LOA.

Department of Defense (DD) Form 645, FMS Billing Statement

The DD 645 represents the USG's official claim for payment to the FMS purchaser. See also Special Billing Arrangement (SBA).

Dependable Undertaking

Pursuant to 22 U.S.C. 2762(a), dependable undertaking is a firm commitment by the purchaser to (1) pay the full amount of a contract, which assures the United States Government against any loss on the contract, and (2) make funds available in such amounts, and at such times, as may be required to meet the payments required by the contract, and any damages and costs that may accrue from the cancellation of such contract, before such payments, damages, or costs are due. See SAMM, Chapter 9, ***paragraph C9.8.3***, for more information.

Direct Cite

For the purposes of Volume 15, direct cite is the citation of the FMS Trust Fund (11 X 8242) as the financing source on documents, or contracts with such organizations as commercial firms, the General Services Administration, or the Department of Transportation. The term "direct cite" does not apply if any DoD organization establishes a reimbursable order to a DoD appropriation account or the Defense Working Capital Fund.

Expenditure Authority (EA)

EA is authority issued by Defense Finance and Accounting Service Security Cooperation Accounting (DFAS SCA) to a certifying officer or a disbursing activity authorizing the subsequent disbursement of an FMS country's funds. See Chapter 4 for more information on EA.

Final Closed

Final closed is the final stage in the life-cycle of an FMS case in which it is supply/service complete, all expenditures are processed, all commitments and obligations are liquidated, expenditures equal obligations, and all case records (e.g., obligation, supply, and disbursement) are reconciled and equal in all systems. No further transactions will be accepted.

Financing Appropriation

The financing appropriation is the appropriation account originally increased because of the performing DoD Component's acceptance of a reimbursable order from DFAS SCA. This activity is reflected as "FMS reimbursable."

FMS Administrative Surcharge

The FMS Administrative Surcharge is the cost for administering sales made under the AECA. This surcharge captures manpower (both USG and contractor-furnished) and other costs required to develop, manage, execute, and close FMS cases.

FMS Case

An FMS case consists of a DoD LOA and the associated supporting and executing documents.

FMS Contract Administration Services (CAS)

FMS CAS is composed of four basic elements: (1) quality assurance, (2) inspection, (3) CAS, and (4) contract audit defense services (reference ***22 U.S.C. 2761(h)(1)***; the ***Federal Acquisition Regulation***, the ***Defense Federal Acquisition Regulation Supplement***, supplements thereto; and the Defense Contract Audit Agency (DCAA) ***Contract Audit Manual***). The Defense Contract Management Agency performs the majority of the tasks associated with elements (1), (2), and (3), and DCAA performs the majority of the tasks associated with element (4). Portions of FMS CAS may be waived in accordance with the U.S.C.

FMS CAS Surcharge

The FMS CAS surcharge is collected and applied on the value of payments made to contractors for items purchased through an FMS case. This surcharge covers the cost of quality assurance, inspection, CAS, and contract audit defense services on procurement items.

FMS CAS Surcharge Account

The FMS CAS Surcharge Account is a sub-account under the FMS Trust Fund to record all collections and payments/reimbursements relative to the CAS surcharge.

FMS Order (FMSO)

An FMSO is an LOA that implements the CLSSA. Two LOAs are written: FMSO I and FMSO II. The FMSO I, Part A represents the on-hand value of DoD Continental U.S. inventories required to support FMS purchaser requisitions. The FMSO I, Part B provides the obligational authority to fund the remaining portion of the order. The FMSO II is the consumption case. Report all FMSO deliveries against this consumption case.

Implementing Agency (IA)

An IA is the DoD Component assigned responsibility by DSCA to prepare an LOA and implement the case. The IA is responsible for overall management of the actions that will result in delivery of the materials or services set forth in an implemented LOA.

Interim Closed

Cases are interim closed in the military department systems using ACCP, allowing for disbursement processing, liquidating obligations, unliquidated obligation adjustments, and processing of Supply Discrepancy Reports (SDRs). The IA must continue to work interim closed cases through final closure.

Letter of Offer and Acceptance (LOA)

An LOA is the authorized document the United States Government uses to offer to sell defense articles and services to a foreign country or international organization. Signature by the purchaser represents acceptance of the offer.

Letter of Request (LOR)

An LOR is the request from an eligible FMS participant country or international organization for information on defense articles and services. The request may be for pricing and availability data, an LOA, or an amendment or modification to an existing LOA, and may be in message or letter format as described in the SAMM, Chapter 5, ***section C5.1***.

Logistics Support Charge (LSC)

An LSC is based on the AECA requirement for full cost recovery. This charge, which only applies to deliveries prior to October 1, 2007, was intended to recover the cost of logistics support involved in providing the spares and other items required to maintain a weapon system. These support costs were associated with production control, requisition processing, inventory maintenance, administration of SDRs, and logistics management. The LSC was applied by DFAS SCA to delivery costs for those lines in FMS cases that had been identified as support lines based on the generic code included in the LOA.

Major Case

A major case is characterized by the type and dollar value of an FMS case. A Defined Order Case is considered major when the LOA value is $25 million or more, and a Blanket Order Case or CLSSA is considered a major case when the LOA value is $10 million or more. A case is also considered major if a case equals 15 percent or more of a country's total FMS program dollar value.

Major Defense Equipment (MDE)

MDE are items of significant military equipment, as identified in Title 22 Code of Federal Regulations, ***section 121.1***, having a nonrecurring research and development cost of more than $50 million or a total production cost of more than $200 million (***22 U.S.C. 2794(6)***).

Net Case Value

The net case value is the total amount of the defense articles and services cost reflected on line 8 of the LOA (previously referred to as "Above-the-Line" Costs).

Packing, Crating, Handling, and Transportation (PCH&T)

PCH&T consists of the resources, processes, procedures, design considerations, and methods used to ensure that all system, equipment, and support items are preserved, packaged, handled, and transported properly.

Payment Schedule

A payment schedule is the list of dollar amounts and payment due dates from the FMS purchaser. The payment schedule is included in the LOA presented to the customer. After acceptance of the LOA, the payment schedule generally serves as the basis for billing to the purchaser. Changes in the estimated costs of an FMS case may require changes in the accompanying payment schedule.

Price and Availability (P&A) Data

P&A data are prepared by the Military Departments, DSCA, and other DoD components in response to a foreign government's request for preliminary data for the possible purchase of a defense article or service. P&A data are not considered valid for the preparation of an LOA. Furnishing of this data does not constitute a commitment for the United States Government to offer for sale the articles and services for which the data are provided.

Safety Level

The safety level is the strategic reserve of operating capital sufficient to manage the FMS business, through changing business conditions, to ensure the solvency of the FMS Administrative Surcharge Account. The safety level represents 18 months of operating capital that grants sufficient time to recognize changes in business (sales, expenses, and regulatory impacts) and then develop and implement approved adjustment measures. DSCA is responsible for establishing the annual safety level amount to be maintained in the FMS Trust Fund Administrative Surcharge Account.

Security Cooperation Enterprise Solution (SCES)

SCES is the DSCA's enterprise resource planning solution that will replace case execution functionality in the Military Department's legacy systems with an integrated enterprise solution that will provide improvements in transaction processing, levels of control, data aggregation, data standardization, and reporting capabilities. See SAMM, Chapter 13, ***paragraph C13.6.1*** for more information.

Small Case Management Line (SCML)

Application of the SCML was a DSCA initiative to reduce the number of small dollar cases effective from August 1, 2006 through July 2, 2012. The SCML was a line item added to an FMS case when the computed FMS Administrative Surcharge was less than $15,000. The combined FMS Administrative Surcharge and SCML total $15,000. See SAMM, Chapter 9, ***paragraph C9.4.7*** for more information.

Special Billing Arrangement (SBA)

An SBA is an alternative to the DD 645 that serves as an official USG claim for payment to the FMS purchaser. An SBA is usually computed at the country or in-country service level.

Standard Level of Service

Standard level of service activities are case-related activities covered by the FMS Administrative Surcharge. These activities/functions listed in the SAMM, Chapter 9, ***Table C9.T2***, under the "Admin" column represent indirect charges funded by the FMS Administrative Surcharge and should not be included and/or priced as direct charges on the LOA.

Standby Letter of Credit (SBLC)

An SBLC is used in place of termination liability (TL) prepayment requirements, as authorized by DSCA.

Supply/Service Complete

Supply/service complete is the stage in the life cycle of an FMS case when all defense articles have been delivered and all defense services have been performed.

Termination Liability (TL)

TL is the amount of prepayments that cover payments required by the contract, and any damages and costs that may accrue from the cancellation of such contract. Funds prepaid for TL will convert to cover actual expenditures if the contract is not terminated prior to performance completion. TL may not apply to articles/services provided under other authorities of the Foreign Assistance Act or AECA.

Uncommitted Acceptance

The uncommitted acceptance is the unexecuted portion of the dollar value for an FMS case that has not been released to an IA.

DEPARTMENT OF DEFENSE

FINANCIAL MANAGEMENT REGULATION

VOLUME 16: "DEPARTMENT OF DEFENSE DEBT MANAGEMENT"

UNDER SECRETARY OF DEFENSE (COMPTROLLER)

VOLUME 16, CHAPTER 1: "GENERAL PROVISIONS FOR DEPARTMENT OF DEFENSE (DOD) DEBT MANAGEMENT"

SUMMARY OF MAJOR CHANGES

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PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated formatting to comply with current administrative instructions.	Revision
010101.J	Added reference to the Treasury Financial Manual.	Addition

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CHAPTER 1

GENERAL PROVISIONS FOR DEPARTMENT OF DEFENSE (DOD) DEBT MANAGEMENT

0101 GENERAL

*010101. Overview

A. Policy and requirements in this volume apply to administrative actions associated with the collection and disposition of debts that are owed to the DoD by any person, organization, or entity except another federal agency. Policy and requirements regarding debts owed to the DoD by federal agencies are contained in Volume 4, Chapter 3.

B. Policy and requirements in this volume are not applicable to debts owed by DoD or debts arising from antitrust, fraud, tax, or interagency claims.

C. Policy and requirements for loss of funds cases are contained in Volume 5, Chapter 6. Debts that are the result of improper payments may require loss of funds investigations in accordance with Volume 5, Chapter 6. Debts resulting from improper payments have additional reporting requirements under the ***Improper Payments Information Act of 2002***, the Improper Payments ***Elimination and Recovery Act of 2010***, and the Improper Payments Elimination and ***Recovery Improvement Act of 2012***. Refer to Volume 4, Chapter 14 and Volume 10, Chapter 22 for additional guidance regarding the improper payments program.

D. Policy and requirements for recording and reporting accounts receivable are contained in Volume 4, Chapter 3.

E. Where specific statutory authority applies to the collection of a particular category of debt, the provisions of the applicable statute will determine the appropriate debt collection procedures.

F. Policy and requirements for handling personally identifiable information are contained in the ***DoD Directive 5400.11, "DoD Privacy Program"***.

G. The DoD Delinquent Debt Management Guidance (***DDMG***), signed August 31, 2012, defines the end-state of debt management through the incorporation of Service's and Agency's Enterprise Resource Planning (ERP) systems. Components that have implemented the DDMG are permitted to follow those requirements in place of specific steps defined throughout Volume 16.

H. Payments of amounts owed to DoD by organizations, businesses, and individuals must be made in accordance with the terms specified in contracts, agreements, or demand letters.

I. Nothing in Volume 16 exempts accountable officials from pecuniary liability arising from erroneous payments or loss of funds as discussed in Volume 5, Chapter 6.

* J. Policy and requirements for remitting debt payments via cash and check are contained in the Treasury Financial Manual, Volume I, Part 5, ***Chapter 2000***.

K. Nothing in Volume 16 will be interpreted in a manner that would impair DoD's ability to collect debts under the common law utilizing any available statutory authority.

L. Nothing in Volume 16 or the Federal Claims Collection Standards (FCCS) (Title 31, Code of Federal Regulations (CFR), parts ***900-904***) requires the omission or duplication of administrative proceedings associated with debt collection that may be required by other laws or regulations. DoD's failure to comply with this volume or the FCCS does not create any right or benefit, substantive or procedural, enforceable by law or in equity by a party against the United States, its agencies, its officers, or any other person. Refer to 31 CFR ***900.7-900.8***.

010102. Purpose

This chapter provides an overview of the policies and requirements for collection and management of debt owed to the DoD.

010103. Authoritative Guidance

A. DoD is required to aggressively collect debts in accordance with the following statutes, as well as other statutes and regulations expressly identified in this volume:

1. Debt Collection Improvement Act of 1996 (***Public Law 104-134***, Chapter 10, section 31001);

2. Debt Collection Act of 1982 (***Public Law 97-365***);

3. Federal Claims Collection Act of 1966 (codified at Title 31, United States Code (U.S.C.), section ***3701*** et seq; ***5 U.S.C. § 5514***; and ***37 U.S.C. § 1007***);

4. Contract Disputes Act of 1978 (***41 U.S.C. § 7101 et seq.***);

5. Internal Revenue Code provisions regarding the authority to make credits or refunds, (***26 U.S.C. § 6402***);

6. FCCS (31 CFR 900-904);

7. Regulations for collection by offset from indebted Government employees (***5 CFR 550***, subpart K); and

8. Regulations for the collection of past-due support by administrative offset, ***31 CFR 285.1***.

B. Policy and requirements in this volume are intended to be consistent with the ***Federal Acquisition Regulation*** and the Defense Federal Acquisition ***Regulation Supplement***.

0102 RESPONSIBILITIES

010201. Accounts Receivable Office (ARO)

The ARO is the office responsible for recording and reporting receivables and may also be the office responsible for debt collection.

010202. Contracting Officer

The contracting officer has primary responsibility for determining the amount of the debt and ensuring collection for most types of contract debt. The contracting officer or another authorized official will request that a payment office collect a debt and will provide a copy of the contract, with the accompanying documents necessary to facilitate collection, to the payment office. If the contracting officer or designated official receives the contractor's payment, then he or she must immediately forward the payment to the disbursing office, with proper documentation, to allow posting into the accounting system. The contracting officer or designated official should request a confirmation of receipt of the payment from the disbursing office. Refer to Chapter 5 for additional responsibilities related to contract debt.

010203. Debt Collection Office (DCO)

A. DCO refers to the office or individuals at the DoD Component level that are primarily responsible for debt establishment and collection for the Component. DCOs that manage the debt collection for the Component are typically located in the following areas: AROs, military and civilian payroll offices (located both within and outside of the Defense Finance and Accounting Service (DFAS)), Debt Management Office (DMO), Debt and Claims Management Office (DCMO), contracting offices, disbursing offices, or the Foreign Debt Management Office. DCO also refers to any other organizational element within a DoD Component that performs debt management/collection activities.

B. After establishing a debt, the DCO is responsible for initial debt collection and due process procedures, including the issuance of debt notification letters that comply with all the requirements for debt collection under the FCCS. If the DCO and ARO are separate offices, the DCO is responsible for working with the ARO to ensure that appropriate accounting actions are completed. DCOs must ensure that all debts referred are valid and legally enforceable. DCOs must work with the AROs to reverse accounting entries for debts subsequently determined not to be valid or legally enforceable pursuant to Volume 4, Chapter 3.

010204. DFAS DCMO

The DFAS DCMO offers debt management and collection assistance for delinquent debts owed to DoD by individual debtors who are no longer paid by DoD (i.e., out-of-service employees and Service Members). If a Component's DCO cannot collect a debt through offset because the debtor is no longer being paid by DoD, and the debtor has not agreed to pay the debt, then the DCO should obtain debt collection services from the DCMO. The DCMO also makes determinations on hearing requests and applications requesting waiver of individual indebtedness.

Refer to Chapters 3 and 4 for additional guidance on referring debts to DCMO and the waiver process.

010205. DFAS DMO

The DMO is responsible for processing collection actions on referred delinquent vendor/contractor debt. The DMO will document debt collection activities, including any basis for a debt compromise, suspension, or termination of collection action, and retain the documentation in individual debtor files. Refer to Chapter 5 for additional guidance on when to refer debts to DMO and DMO responsibilities.

010206. DoD Component

DoD Components are responsible for establishing debt management programs as described in section 0103 and ensuring DCOs and AROs collect and manage debt owed to that Component.

0103 DEBT MANAGEMENT PROGRAM

010301. General

Each DoD Component must establish and maintain a debt management program to identify, recover, and collect debts owed by individuals to the United States. DoD Components must clearly designate the DCOs responsible for the recovery and collection of debts within the DoD Component. The recovery of debts must be undertaken promptly, using a strategy that is determined to result in the maximum recovery of debt. DoD Components must ensure debtors are afforded due process, in the form of proper debt notification and the right to review, in accordance with Volume 16 and applicable regulations and guidance issued by the Department of the Treasury. DoD Components must establish guidance that clearly assigns responsibilities for processing, monitoring, reporting, and closing out delinquent debts.

010302. Debt Prevention and Monitoring

A. DoD Components must institute procedures and assign responsibility to designated personnel, as necessary, to ensure that appropriate personnel and organizations (e.g., personnel, entitlement, payroll, finance and accounting, disbursing, and legal offices) are promptly notified and kept apprised of activities that could give rise to indebtedness by any member, employee, or other personnel. Such indebtedness could be the result of employment or other financial or contractual relationship between DoD and the debtor. DoD Components must maintain continuous communication and follow-up to prevent indebtedness from remaining unresolved for an extended period.

B. DoD officials must establish procedures to identify the causes of indebtedness, delinquencies, and defaults, and must take corrective action to mitigate those causes and thereby reduce the number of debts subject to collection.

010303. DoD Debtor Information Exchange and Debt Collection Partnership Programs

DCOs must share information concerning debtors. DCOs must cooperate with each other and with other federal agencies, including any private debt collection agencies and credit bureaus working on behalf of such agencies. DCOs must take all actions necessary to facilitate the collection of delinquent debts owed by current and former DoD civilian employees and military members, as well as other debtors.

010304. Debt Management Requirements

DoD officials, including contracting officers, contractor/vendor pay offices, disbursing officers, AROs, and auditors, must cooperate with each other to ensure that debts are collected, properly recorded in the accounting systems, and accurately reported in the agency's financial statements.

010305. Documenting Collection Activity

The DCO must document all debt collection activities, including how the debt was established, due process procedures, installment payment plan agreements, collection activity and/or the basis for debt compromise, suspension, or termination of collection action. The DCO must also document bankruptcy activity if applicable. Documentation should be retained in individual debtor files and provided to the office responsible for recording and reporting of the related accounts receivable.

010306. Automating Debt Collection and Reporting Systems

DoD Components must use automated debt collection and reporting systems to the extent that it is feasible and cost effective for recording, processing, and controlling debts. The Deputy Chief Financial Officer created the DDMG, signed August 31, 2012, which defines the end-state of debt management through the incorporation of Services' and Agencies' ERP systems. These systems must be utilized to the fullest extent possible in compliance with the DDMG.

0104 INTERNAL CONTROLS

010401. General

DoD Components involved in the collection and management of debts owed to DoD must adhere to the basic standards for internal controls prescribed in ***DoD Instruction 5010.40***, "Managers' Internal Control Program Procedures." DoD Components will establish and maintain internal controls to ensure that debts owed to DoD are recorded, reported, managed, and aggressively collected.

010402. Recording and Reporting Accounts Receivables

Major categories of receivables must be maintained to facilitate clear and full disclosure (e.g., disclose the debtor, the amount, the age, and the type of debt). Subsidiary records must be reconciled to the control accounts on at least a monthly basis. The DoD Components must document the date of a debt so that timely and appropriate collection and follow-up action can be accomplished. Refer to Volume 4, Chapter 3 for guidance on recording and reporting accounts receivables.

VOLUME 16, CHAPTER 2: "GENERAL INSTRUCTIONS FOR COLLECTION OF DEBT OWED TO THE DEPARTMENT OF DEFENSE (DOD)"

SUMMARY OF MAJOR CHANGES

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The previous version dated June 2016 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
020202.B and 020902.A.2	Updated chapter to reflect language in the Fiscal Year 2017 National Defense Authorization Act reinstating a statute of limitations for the collection of debt owed by members of the uniformed service.	Revision
021404.I	Added sample of verbiage used when there is a mutual release of liability for the debtor and the government for compromised debts.	Addition
Figure 2-2	Added a sample debt notification used specifically for military debt.	Addition

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CHAPTER 2

GENERAL INSTRUCTIONS FOR COLLECTION OF DEBT OWED TO THE DEPARTMENT OF DEFENSE (DOD)

0201 GENERAL

020101. Overview

The policy and requirements in this chapter apply to administrative actions associated with the collection of debts owed to and collected by the DoD. Additional guidance related to collecting debt from individuals, vendors/contractors, and foreign entities is included in Chapters 3, 5, and 6, respectively. The instructions in this chapter do not apply to the collection of child support or alimony or to commercial, non-DoD debts owed by civilian employees and service members through garnishment or involuntary allotment. Refer to Volume 7A, Chapters 41 and 43; Volume 7B, Chapter 27; and Volume 8, Chapter 8 for guidance pertaining to garnishments and involuntary allotments. In addition, this chapter does not apply to antitrust, fraud, tax, or interagency collection issues.

020102. Purpose

The purpose of this chapter is to provide policy and requirements Debt Collection Offices (DCOs) must follow in the collection of public debts owed to the DoD. These debts include amounts outstanding from civilian employees, service members, retired personnel, and other individuals.

020103. Authoritative Guidance

This chapter contains policy and requirements on debt collection, including those specified within the legal authority cited in Chapter 1. In the event of any inconsistency between this chapter and the Federal Claims Collection Standards (FCCS), when Title 31, United States Code, section 3716 ***(31 U.S.C. § 3716)*** is the authority for the action, the provisions of the FCCS will prevail.

0202 GENERAL GUIDANCE

020201. Prompt Collection of Debt

DCOs must promptly and aggressively initiate collection action on all established debts owed to the DoD and must complete follow-up actions to ensure successful repayment to the DoD.

*020202. Statute of Limitations for Collecting Debts

A. Time Limits for Debt Collection Litigation

1. The DoD may refer a debt to the Department of Justice (DOJ) for litigation against a debtor in order to enforce collection or obtain a judgment in favor of the DoD. Federal law limits the period of time within which an agency may file a lawsuit to collect a debt. In accordance with ***28 U.S.C. § 2415***, the statute of limitations for filing a lawsuit to pursue debt collection is generally the later of 6 years from the date the right of action accrues (date of delinquency), or 1 year after a final decision has been rendered in an administrative proceeding, such as an action before the Armed Services Board of Contract Appeals. For additional guidance on referring debts to DOJ for litigation, refer to section 0213.

2. Determining the statute of limitations for debt collection litigation is subject to numerous considerations and exceptions depending on the facts of each case. DCOs should consult their legal counsel for guidance. For example, the deadline for initiating litigation to collect an erroneous payment to a Federal employee is 6 years after the right of action accrues (unless otherwise provided by statute); however, a partial payment or a written debt affirmation restarts the 6-year period. Refer to 28 U.S.C. § 2415(d).

3. The time limits for initiating litigation to pursue debt collection do not apply to collection by other means, such as collection by salary offset or administrative offset.

* B. Time Limit for Collection by Administrative Offset. Section 14219 of ***Public Law 110-246*** amended 31 U.S.C. § 3716(e) to eliminate the 10-year statute of limitations on collection by administrative offset. In 2016, Section 671 of ***Public Law 114-328*** amended ***37 U.S.C. § 1007*** and provided a new statute of limitation for the collection of certain debts incurred on or after December 23, 2016, by a member of the uniformed services. As a result, time limits on the collection of debts differ for civilians and members of the uniformed services as follows:

1. Civilians. There is no statute of limitation on debt collection from current or former civilian employees. All debts, including those previously ineligible for collection prior to the removal of the time limit, may be collected by administrative offset without any time limitation. Debts more than 10 years delinquent as of December 31, 2009, which were previously ineligible for collection, may now be collected by administrative offset, provided additional notice and due process requirements are met. If a debt has been closed out, the debt cannot be reopened for administrative offset. Refer to Volume 4, Chapter 3 for additional guidance on debt close-out.

2. Members of the Uniformed Services. The statute of limitation on debt collection from members of the uniformed services depends on several factors.

a. Debts Incurred On or After December 23, 2016. If a member incurs a debt to the United States on or after December 23, 2016, the indebtedness may only be recovered if collection commences before the end of the 10-year period beginning on the date the member incurred the debt. Generally, the date a debt is "incurred" by a member is the date the

overpayment is received by the member. The date debt collection commences is typically when the member receives written notification of the debt. The 10-year limitation applies only to debts that meet all of the following requirements:

(1) The debt must have been incurred through no the fault of the member;

(2) The debt must be the result of the overpayment of pay or allowances, or be incurred upon the settlement of the member's accounts; and

(3) The debt must belong to a current, retired, or former member.

b. Debts Incurred Before December 23, 2016. Indebtedness incurred by a member prior to December 23, 2016, should be recovered, even when recovery efforts commence after the end of the 10-year period following the date on which the debt was incurred by the member.

020203. Method of Payment

Debts may be paid in the form of cash, check, money order, wire transfer, or electronic funds transfer (EFT). When a contractual basis exists, demand may be made for the return of specific property or the performance of specific services. Debts may otherwise be resolved by law, regulation, contract, or agreement. Funds must be collected into the appropriation from which they were disbursed, or in the case of a refund, into the appropriation from which the excess payment was made, unless otherwise specified by law. Refer to Volume 4, Chapter 3 for additional guidance on disposition of funds.

020204. Return of Property to Settle Indebtedness

Nothing in this volume is intended to preclude the DoD from demanding the return of specific Government-furnished property or the payment of the value of the property.

0203 RECOVERY TOOLS FOR DEBTS

020301. Common Debt Collection Methods Used by the DoD

The following are the most common recovery tools or methods of collection used to collect debts owed to the DoD:

A. Voluntary Repayment or Voluntary Offset. Whenever possible, the DoD should collect a debt in a single lump-sum payment from the debtor. A debtor may also request to make payment by installment agreement or may permit the withholding (offset) of funds payable to the debtor by the United States. Voluntary repayment via direct remittance or offset is the preferred method for collecting debts.

B. Involuntary Salary Offset. The DoD maintains the authority to collect involuntarily from an individual debtor's current salary or pay as authorized by statute. Refer to section 0209 for guidance on involuntary salary offset from DoD civilian employees and service members.

C. Administrative Offset. The DoD maintains the authority to refer a debt for involuntary collection by administrative offset from any available funds payable to the debtor by the United States, as authorized by statute. Administrative offsets may be taken against tax refunds, retirement payments, contract payments, travel reimbursements, and/or other Federal payments owed to the debtor. Refer to section 0209 for additional guidance on administrative offset and section 0211 for guidance on the Treasury Offset Program (TOP) for the administrative offset of any available funds payable to the debtor by the United States.

020302. Other Collection and Recovery Tools

Collection from other sources, including liquidation of collateral or security, is not a prerequisite to requiring payment by a surety or insurance concern unless expressly required by law. The following are other collection and recovery tools to consider when attempting to collect debt owed to the DoD:

A. Suspension or revocation of eligibility for loans and loan guarantees, licenses, permits, or privileges (except for disaster loans and where exempted by the Under Secretary of Defense (Comptroller) or the Comptroller's designee, the Deputy Chief Financial Officer, DoD);

B. Liquidation of security or collateral by the DoD Component through a power of sale or non-judicial foreclosure if debtors fail to pay debts within a reasonable time after issuance of a demand letter, if such action is in the best interest of the Government. The DoD Component must give consideration to security or collateral disposition costs as compared to amounts that might be received from such a sale. After the DoD Component liquidates the security or collateral to satisfy a debt, the DoD Component must give the debtor a written notice of sale and an account of surplus proceeds, in accordance with applicable laws or regulations. The servicing general counsel should be contacted if there is a bankruptcy filed, which is possible if there is a liquidation of security or collateral (refer to section 0215 for guidance on debtors involved in bankruptcy proceedings);

C. Collection in installments;

D. Administrative wage garnishment;

E. Compromise of debt;

F. Credit bureau reporting;

G. Contracting with collection agencies;

H. Submission of the debt to DOJ for litigation in order to enforce collection or obtain a judgment in favor of the DoD;

I. Acceleration of collection of the debt, which is when the DCO considers the total amount of the debt delinquent and demands the debtor pay the entire debt (both the delinquent and non-delinquent portions of the debt). Acceleration is particularly appropriate when a debtor has failed to repay the debt in accordance with an installment plan, or when the debtor will be separating from military or civilian service prior to the end of the installment payment period; and

J. Rescheduling the debt in order to revise the repayment period.

0204 DUE PROCESS

020401. General

A. In the context of Federal debt collection, the constitutional right of "due process" requires an agency to provide debtors with written notice of the debt and an opportunity to dispute the debt. Due process is required prior to an involuntary salary offset (***5 U.S.C. § 5514***) or administrative offset (31 U.S.C. § 3716). Except under certain limited circumstances, debtors must receive due process prior to the initiation of debt collection. Written debt notifications must adhere to the requirements at section 0205. The requirements for disputing a debt are set out in Chapter 4.

B. The requirements of due process do not preclude a debtor from repaying the debt prior to or during due process. A debtor may elect to repay the debt at any time after receiving the initial notification of indebtedness, the reconsideration or review results from the DCO, a determination by a hearing official, or a decision on a request for waiver or remission of the overpayment. Repayment may also be accepted from the debtor while any of these actions are pending. If payment has been received, and the debt is later determined to be invalid, depending on the circumstances, a full or partial refund may be necessary.

020402. Requirements for Routine Pay Adjustments

A. In accordance with 5 U.S.C. § 5514, DCOs are not required to provide due process procedures prior to collecting overpayments of pay and allowances from Federal employees and service members through routine intra-agency pay adjustments that have occurred within the four pay periods preceding the adjustment, or for any adjustments that amount to $50 or less. The debtor must be provided with a written notice of the nature and the amount of the adjustment, as well as a point of contact for questions regarding the adjustment, by the payday for the pay period in which the adjustment is processed, or as soon thereafter as practical.

B. Routine pay adjustments may be used to correct clerical errors, administrative errors, or delays in processing pay documents. Routine pay adjustments include, but are not limited to, correcting overpayments due to corrected or late time and attendance data or late or incorrect personnel actions. The actual overpayment must have occurred after April 26, 1996.

Adjustments for health benefits and life insurance premiums made within four pay periods are covered by Title 5, Code of Federal Regulations, section 550.1104(c) (***5 C.F.R. 550.1104(c)***).

C. The amount deducted for the routine adjustment may not exceed 15 percent of disposable pay, unless the debtor has consented in writing to a higher amount. When the debtor is a service member, the servicing military pay office will generate a "no pay due" management notice when a debt creates a "no pay due" situation.

D. If a DoD debtor's payroll account is moved from one payroll office to another payroll office within the DoD, then the new payroll office has the authority to collect an overpayment made by the former payroll office using routine adjustment procedures.

020403. Authority to Initiate Collection Before Due Process is Granted

Under ***31 C.F.R. 901.3(b)(4)(iii)(C)***, in certain limited circumstances, a DCO may use accelerated procedures to collect a debt by salary or administrative offset prior to, or while providing, notice and an opportunity for review to the debtor. Initiation of the collection before due process is authorized if failure to take the offset would substantially prejudice the DoD's ability to collect a debt, or if the time before payment must be made does not reasonably permit completion of the procedures. When prior notice and an opportunity for review is not provided prior to collection, then such notice and opportunity for review must be given to the debtor as soon as practicable. Any amount recovered by offset, which is found not to be owed by the debtor, must be promptly refunded.

0205 DEBT NOTIFICATION LETTER

020501. General Requirements for Debt Notification Letter

The FCCS requires the issuance of one debt notification letter to the debtor. Debt notification letters must include the due process notification requirements listed in the Bureau of the Fiscal Service's (Fiscal Service), "***Managing Federal Receivables***," Appendix 8, dated March 2015. The requirements for the notice of indebtedness can be found in 5 U.S.C. § 5514, 5 C.F.R. 550.1104(b) and (d), ***31 C.F.R. 901.2***, and ***31 C.F.R. 285.7(d)(4)***.

020502. When to Issue a Debt Notification Letter

A. DCOs must issue the initial debt notification letter to the debtor within 5 working days following confirmation of (1) the existence and validity of the debt; (2) the basis of indebtedness; and (3) the amount of the debt. Only one due process debt notification is required to be issued to the debtor. DCOs may issue additional demand for payment letters at 30-day intervals after the date of the initial debt notification letter when deemed appropriate by the DCO.

B. DCOs must exercise care to ensure the debt notification letter is dated the same day the letter is mailed to the debtor's last known address or hand-delivered to the debtor. The DCO is required to retain a copy of the debt notification letter as part of the debtor's file. When warranted by the facts of a particular case, a DCO is not prohibited from issuing a written

demand for payment to the debtor prior to issuing the due process debt notification letter; however, salary and administrative offset may only begin after due process has been completed.

020503. Debt Notification Letters Issued by Disbursing Officers

Disbursing officers are responsible for issuing a debt notification letter under specific circumstances in accordance with Volume 5, Chapters 6 and 8.

020504. Debt Notification Letters Issued by a Contracting Officer or Other Designated Official

The contracting officer or other designated official will issue a debt notification letter in accordance with the guidance in Chapter 5.

020505. Content of Debt Notification Letters

A sample debt notification letter used by the Defense Finance and Accounting Service (DFAS) Civilian Pay DCO is available at Figure 2-1, and a sample debt notification letter used by the Military Pay DCO is available at Figure 2-2. DCOs outside of DFAS may modify the sample debt notification letter as they deem necessary; however, all debt notification letters should contain the following:

A. Statement of Facts Regarding the Debt. The debt notification must include an explanation of the amount and reason for the indebtedness, the authority for establishing the debt, and the basis on which the determination of indebtedness was made.

B. Request for Lump-Sum Payment. A request for a lump-sum payment is a request that the debt be repaid in a lump sum by check or money order.

C. Payment Due Date. Payment due date is the date by which payment must be made to avoid incurring interest, penalties, administrative fees, and enforced collection. The due date must not be more than 30 days from the date of the initial debt notification letter, unless otherwise mandated by statute, contract provision, another notice of indebtedness, or based on unusual circumstances as determined by the agency (for example, medical-related debts where insurance is billed first).

D. Right to Request a Hearing. The debt notification must include a statement indicating that if the debtor wishes to dispute the existence or amount of the debt (or contest the repayment schedule for collection by salary offset), then the debtor may do so by submitting a written request for review in the form of a hearing petition. The notification must advise the debtor of the method and period of time for filing the hearing petition, typically 30 days from the date of the debt notification letter. It must also state that the timely filing of a hearing petition will stay the beginning of collection proceedings, and that interest and penalty charges will not be collected until and unless the hearing official's decision is in favor of a collection. Detailed hearing petition instructions may be provided to the debtor online through the Internet. This process does not apply to contractor debts. For information regarding the contractor debt dispute process, refer to Chapter

5. Military members must be notified of their right to request a review pursuant to paragraph 040206.

E. Right to a Written Decision. The debt notification must advise the debtor that if a hearing is granted, the debtor has the right to receive a written decision from the hearing official within 60 days after the filing of the hearing petition, unless the hearing official grants a request for a delay in the proceedings. Military members should be notified of their right to receive written review results from the DCO under paragraph 040206.

F. Right to Inspect Records. The debt notification must advise the debtor that he or she has the right to inspect and copy the DoD records relating to the debt.

G. Voluntary Repayment Agreement Information. The debt notification must advise the debtor of the opportunity to establish a schedule for the voluntary repayment of the debt by entering into an installment payment plan if the debtor claims, and can support, an inability to repay the debt in a single lump sum.

H. Right to Request a Waiver or Remission. If applicable for individual debtors, include a statement regarding the right to request a waiver or remission of the indebtedness in accordance with applicable statutory authority for waiving a debt. Detailed waiver application instructions may be provided to the debtor online.

I. Collection Action on Delinquent Debts. Include a statement indicating that if the DCO is unable to collect a debt, other collection methods may be used, such as referring the debt to a private collection agency (PCA), reporting the debt to a credit bureau, garnishing non-Federal employment wages, or referring the debt to DOJ for litigation. Inform the debtor that any debts delinquent for more than 120 days are required to be transferred to the Department of Treasury (Treasury) for collection, and in some cases, the debt may be transferred sooner. Components that follow the procedures contained in the Delinquent Debt Management Guidance (DDMG) should refer delinquent debts older than 90 days to the Fiscal Services Debt Management Services (DMS) for further collection action where appropriate.

J. Collection from Final Pay of Employee. Include a statement indicating that any portion of a debt remaining at the time of separation may be collected from the debtor's final pay and allowances.

K. Interest, Penalties, and Administrative Costs (IPA). The debt notification must contain a statement explaining the requirements under ***31 C.F.R. 901.9*** to assess IPA, including the following information:

1. An explanation that if the debt is not paid by the due date, then interest will be charged from the date of delinquency, or from the date specified in the repayment agreement, if applicable (refer to the Definitions chapter for a definition of date of delinquency). Include a statement indicating that the interest rate will be calculated pursuant to 31 C.F.R. 901.9;

2. An explanation that if the debt is not paid in full by the due date stated in the debt notification letter, then the DCO will assess administrative costs for the processing and handling of the delinquent debt; and

3. An explanation that if the debt is delinquent for more than 90 days, then the DCO will assess a penalty, not to exceed 6 percent per annum, on the unpaid portion of the debt accruing from the date of delinquency.

L. Point of Contact. Include a statement identifying the name, mailing address, email address, fax number, and telephone number of a point of contact the debtor may contact regarding the debt.

M. Payment Address. Provide the address where payment should be mailed or delivered (including instructions for Pay.Gov or EFT, where applicable), and include notice that the check, money order, or wire transfer must be made payable to Treasury.

N. Penalty for False or Frivolous Statements. The debt notification letter must indicate the consequences of knowingly providing false or frivolous statements, representations, or evidence, which include:

1. Disciplinary procedures for Federal employees under 5 U.S.C. ***Chapter 75***, ***5 C.F.R. 752***, or any other applicable statutes or regulations;

2. Penalties under the ***False Claims Act***, (31 U.S.C. § 3729-3733), or any other applicable statutory authority; or

3. Criminal penalties under ***18 U.S.C. § 286*** and ***287*** and ***18 U.S.C. § 1001*** and ***1002*** or any other applicable statutory authority.

O. Bankruptcy. Include a statement indicating the debtor is responsible for notifying the DCO if the debtor files or has filed for bankruptcy.

P. Right to a Refund. Include a statement that amounts paid or deducted for the debt, which are later waived or found not to be owed to the Government, will be refunded promptly to the debtor, unless prohibited by law.

Q. Tax Filing. Provide notice that for joint income tax filers, the spouse should file Internal Revenue Service (IRS) ***Form 8379***, Injured Spouse Allocation, with the IRS to claim his or her share of the tax refund.

R. Salary Offset Procedures. Where applicable, state the DCO's intention to collect the debt of a Federal employee by means of payroll deductions (salary offset) if payment is not received within 30 days. Identify the amount, frequency, proposed beginning date, and the duration of deductions by salary offset.

020506. Duplication of Debt Notification

When a debtor has previously been provided with due process with respect to a debt, there is no need to duplicate due process requirements before initiating administrative offset with regard to the same debt, except as provided in subparagraph 020202.B. DCOs will implement salary or administrative offset procedures as funds or monies become due and payable to a debtor.

0206 RESPONDING TO DEBTOR INQUIRIES

The DCO should respond promptly to any questions raised by the debtor, normally not later than 30 days from the date of receipt of the debtor's correspondence. The DCO must provide copies of relevant documents requested by the debtor.

0207 VOLUNTARY REPAYMENT OF INDEBTEDNESS

020701. Lump-Sum Repayment

Lump-sum repayment in full is the preferred method of collection. DCOs must encourage debtors to repay their debts through lump-sum payments by EFT (for military personnel and contractors), personal check, money order, or via Pay.Gov. Lump-sum collections by offset from current pay or salary cannot exceed the percentages specified in subparagraph 020902.C or any other applicable regulation, unless voluntarily agreed to by the debtor.

020702. Voluntary Repayment by Installment

A. General. If the Component determines that the debtor is financially unable to pay a debt in a lump sum, then the DoD may accept voluntary repayment from the debtor in regular installments, rather than proceeding with collection by an involuntary salary or administrative offset. Installment agreements must be in writing as specified in paragraph 020802. DCOs must include a copy of a voluntary repayment agreement in the debt notification issued to the debtor. Refer to Figure 2-1, Enclosure 4 for a sample voluntary repayment agreement.

B. Amount of Installment Payment for Individual Debt. The size and frequency of installment payments should bear a reasonable relation to the size of the debt and the debtor's ability to pay. Installment payments should be at least $50 per month unless a debtor can prove financial hardship. The installment payments should be sufficient in size and frequency to liquidate the debt in 3 years or less; however, a greater amount of time may be appropriate based on the size of the debt and the debtor's ability to repay. An installment payment plan is typically only appropriate if the total debt amount is at least 5 percent of the individual's annual disposable pay. Unless voluntarily agreed to by the debtor, the amount of the installment payments from an individual's current pay or salary must not exceed the offset percentages established in subparagraph 020902.C.

C. Review of Proposed Installment Agreements. DCOs must forward requests for installment payment plans from contractors/vendors to the Debt Management Office (DMO) for review and appropriate action. DCOs will review proposed installment agreements submitted

by service members and DoD civilian employees. The Debt and Claims Management Office (DCMO) will review proposed installment agreements submitted by individuals who are no longer employed by the DoD. The DCO/DMO/DCMO must review the proposed installment agreement submitted by the debtor using the criteria set out in paragraph 020801 and must notify the debtor as to whether the proposed agreement is acceptable.

D. Installment by Payroll (Salary Offset) or Cash Repayment. Individuals may make installment payments through payroll deductions or by submitting cash repayments on a monthly basis or each pay period. Cash repayment includes payments by EFT, personal check, money order, or another negotiable instrument. Any amount remaining unpaid at the time of separation or retirement will be collected from final lump-sum payments of any nature, such as final salary, lump-sum leave, and/or bonuses.

E. Applying Receivables. When a receivable is collected by installment payment, apply amounts received first to contingency fees, second to outstanding penalties, third to administrative costs, fourth to interest, and last to principal**.** Contingency fees are defined as administrative costs resulting from fees paid by one Federal agency to other Federal agencies or private collection contractors for collection services rendered when the fees are paid from the amounts collected from the debtor.

0208 CONSIDERING AND PROCESSING INSTALLMENT AGREEMENTS

020801. Proposed Installment Agreement Review Criteria

A. An installment repayment schedule should adequately protect the interests of both the DoD and the debtor. The DCO must ensure the debt is recoverable within the shortest practical period of time, taking into consideration the financial impact on the debtor.

B. A debtor may negotiate the terms of an installment repayment schedule if the schedule proposed by the agency would subject the employee to an extreme financial hardship. An extreme financial hardship means the proposed repayment schedule would prevent the debtor from meeting the costs necessary for essential subsistence expenses of the debtor, the debtor's spouse, and dependents. Essential subsistence expenses include costs incurred for food, housing, necessary public utilities, clothing, transportation, and medical care. Upon the agency's request, the debtor must submit financial statements in support of a proposed installment payment plan. The agency may enter into installment agreements only when there is sufficient evidence the debtor will be able to abide by the terms of the agreement, including the repayment schedule. The DCO should base its decision to accept or deny a proposed installment agreement on a review of the following factors:

1. Age and health of the debtor;

2. Present and potential income;

3. Inheritance prospects;

4. Possibility of hidden assets or fraudulent transfers;

5. Assets/income available through enforced collection;

6. Reasonable and necessary living expenses for the debtor and the debtor's dependents;

7. Income from all sources and expenses for the individual, spouse, and dependents;

8. The extent that assets of the individual, spouse, and their dependents are available to meet the offset and essential subsistence expenses;

9. Whether subsistence expenses have been reduced to minimum essential amounts;

10. The extent to which an individual or spouse can borrow money to meet the offset and minimum subsistence expenses; and

11. The extent to which the individual, spouse, and dependents have other exceptional expenses that should be taken into account and whether these types of expenses have been minimized.

020802. Installment Payment Agreement Terms and Processing

The DCO must obtain signed, legally enforceable, written installment agreements (such as a Voluntary Repayment Agreement or Promissory Note) from the debtor. Such agreements must specify the terms agreed upon by the parties, including terms governing the assessment of IPA charges. The agreement must contain a provision for accelerating the debt, which requires that the remaining debt balance be due and payable immediately upon the debtor's default on the agreement. The agreement must state that the DCO will require the debtor to submit financial statements annually, as necessary, whenever the repayment period exceeds 3 years.

A. Receipt of an Acceptable Agreement. After receiving a signed agreement, the DCO will begin collecting the debt pursuant to the agreement. If requested by the debtor, and agreed to by the agency, the remittance may be deferred for up to 2 pay periods with the agreement adjusted to reflect that deferral. Refer to 5 C.F.R. 550.1104(k) and ***31 C.F.R. 901.8*** for additional guidance.

B. Receipt of an Unacceptable Agreement

1. Individual Debtors. If the DCO determines a proposed repayment agreement submitted by an individual debtor is unacceptable, then the DCO must notify the individual debtor in writing. The debtor will then have 30 days from the date of the written notice to request a special review by the DCO or file a petition for a hearing (or review for military members) under Chapter 4, paragraph 040202 or 040206.

2. Contractor/Vendor Debtors. The DMO must obtain consent from the creditor DoD Component's senior financial manager or designee before denying a contractor's request for an installment agreement. Refer to Chapter 5 for additional contract debt related guidance.

020803. Installment Payment Delinquency

If a debtor does not make an installment payment by the due date, the entire balance of the debt becomes delinquent from the due date of the missed payment. A debt being repaid under an installment plan is not delinquent if payments under the installment agreement are current. Interest will be assessed on a debt being paid by installment until the debt is paid in full. Penalties may be assessed on any portion of the debt that is outstanding for more than 90 days.

020804. Review of Installment Agreements

As required, DCOs must review the debtor's annual financial statements and determine whether to collect the balance due in a lump sum or continue the installment agreement at the same or increased amounts. A debtor's request to decrease installment payments based on materially changed circumstances may be considered at any time. The request must include financial data confirming the debtor's inability to pay the full amount of the agreed upon installment plan. DCOs should not reduce installment payment amounts if there is a determination that the debtor could have controlled the financial condition that impacted the debtor's ability to meet existing installment payment requirements.

0209 INVOLUNTARY COLLECTION OF DEBT BY SALARY AND ADMINISTRATIVE OFFSET

020901. General

When a debtor does not pay a debt voluntarily, agencies have the right to offset monies otherwise owed to a debtor in order to extinguish a debt. Where specific statutory authority exists for the collection of a particular debt by offset, the provisions of the statute and its implementing regulations must be used in determining the applicable collection procedures (for example, specific statutory authority exists under ***5 U.S.C. § 5705*** and § ***5512***, ***10 U.S.C. § 2775***, and 37 U.S.C. § 1007). However, when a more specific statute does not exist, DCOs must use the general collection authority under 5 U.S.C. § 5514 for salary offset from the current pay of individuals employed by the DoD, or 31 U.S.C. § 3716 (covered in paragraph 020903) for administrative offset of other payments from the Government that are due a debtor.

*020902. Salary Offset Under 5 U.S.C. § 5514

DCOs may initiate salary offset to collect indebtedness by installment deductions under 5 U.S.C. § 5514 for debtors who are receiving pay from the DoD. This statute authorizes the involuntary collection of indebtedness of service members, DoD civilian employees, and Nonappropriated Fund Instrumentality (NAFI) employees from their current pay or salary accounts. Use 5 U.S.C. § 5514 as the authority for salary offset when offset is not authorized or

required by other more specific statutes. If the debtor is not currently employed by the DoD and owes a debt to the DoD, the DCO must forward the debt to the DCMO for collection using administrative offset under paragraph 020903. If the debtor is a separated service member, and the debt is not subject to salary offset, the DCO must forward the debt to the DCMO for collection using administrative offset under paragraph 020903.

A. Due Process

1. When a debtor has either failed to pay the debt in one lump sum, has not agreed to a voluntary one-time payroll deduction or has not entered into an installment agreement, the DCO must recover the debt by an involuntary salary offset. Before initiating involuntary salary offset, the DCO must ensure the debtor has been given due process pursuant to section 0204, and the debtor has not exercised the rights listed in the debt notification letter or, having exercised one or more of those rights, was determined to be indebted.

* 2. The DCO must ensure involuntary salary offset is initiated in the pay period designated in the debt notification letter, unless the period for salary offset was delayed by the debtor's request for a hearing (or request for a review by a military member). When practical, the DCO will notify the debtor of an offset on the Leave and Earnings Statement (LES). The DCO may initiate collection of a debt from final pay and lump-sum leave payments before granting due process if failure to do so would substantially prejudice the DCO's ability to collect a debt. In such cases, the DCO must afford the debtor due process as soon as practicable. There is no statute of limitations for collecting a debt by salary or administrative offset for civilians, provided notice and due process requirements are met. Refer to subparagraph 020202.B.2 for information on the statute of limitations for initiating collection of debts owed by members of the uniformed service.

B. Excluded Debts. The following debts are not authorized for collection by salary offset:

1. Collection of debts to private creditors, except as authorized by ***Public Law 103-94, "Hatch Act Reform Amendments of 1993***";

2. Contributions to charities;

3. Payment of commercial life insurance premiums, international agreements, or arrangements with foreign governments;

4. Payment of dues to civic, fraternal, or other organizations; or

5. Collection of state and local/city tax indebtedness.

C. Disposable Pay. Disposable pay is the current pay that remains after any legally required deductions from earnings are withheld. Refer to 5 C.F.R. ***550.1103*** and ***5 C.F.R. 581.105*** for a definition of disposable pay. All involuntary salary offset under 5 U.S.C. § 5514 is limited to a maximum of 15 percent of the debtor's disposable pay unless the debtor gives written

consent to deductions at a greater percentage. Involuntary salary offset will normally be established at this maximum rate. If salary offset mistakenly exceeds 15 percent of disposable pay when the debtor has not consented to deductions at a greater percentage, the DCO will refund the difference upon the debtor's request. DCOs will compute the amount of disposable pay available for salary offset by making the following deductions:

1. Amounts withheld for Federal, state, or local income tax purposes, if the withholding of the amounts is authorized or required by law, and if the amounts withheld are not greater than would be the case if the individual claimed all dependents as defined in the Federal, state, and local tax codes. For computing disposable pay, no additional Federal tax amounts will be deducted unless the individual presents evidence of a tax obligation supporting the additional deduction;

2. Amounts withheld for Social Security and Medicare taxes;

3. Amounts deducted as health insurance premiums;

4. Amounts deducted as normal retirement contributions (Civil Service Retirement System, Federal Employee Retirement System (FERS), FERS-Revised Annuity Employees, FERS-Further Revised Annuity Employees, and Nonappropriated Fund Retirement), including Thrift Savings Plan (TSP), Roth TSP, and Armed Forces Retirement Home contributions. Amounts voluntarily contributed toward additional retirement benefits are not normal retirement contributions; and

5. Amounts deducted as normal life insurance premiums from salary, including amounts deducted for basic Federal Employee Government Life Insurance (FEGLI). However, all optional FEGLI premiums are not considered normal life insurance premiums. Also included is Servicemembers' Group Life Insurance (SGLI), including Family SGLI and Traumatic SGLI.

D. Amounts Not Deductible When Computing Disposable Pay. Do not deduct the following amounts when computing disposable pay for the purpose of salary offset:

1. Deductions for any existing debts being collected for a DoD Component or other Federal agency, including late payment charges,

2. Amounts to satisfy court-ordered garnishments,

3. Amounts to satisfy a court judgment,

4. Court-ordered bankruptcy payments under Chapter 13 of the Revised Bankruptcy Act,

5. Voluntary allotments for child support,

6. Union dues deductions,

7. Charity deductions,

8. IRS Federal tax levies,

9. Savings allotments,

10. TSP loans, or

11. Military Service Deposits.

E. Debtor Disagrees with Amount to be Withheld. If the debtor contends that the rate of salary offset proposed, or already established by the DCO, would produce an extreme financial hardship, then in accordance with 5 U.S.C. § 5514, the debtor may at any time:

1. Petition for a hearing with a hearing official to contest the amount of the salary offset. Military members may request a review of the repayment schedule by the DCO. Refer to Chapter 4 for guidance on hearing or review requests; or

2. Request a special review by the DCO. An individual debtor may request a special review by the DCO of a proposed or established salary offset amount. The request for special review of the established rate of salary offset should be based on the debtor's materially changed circumstances, such as catastrophic illness, divorce, death, or disability.

a. Debtor Request. The debtor must submit a written request for special review. The debtor must provide an alternative offset schedule with supporting documents showing why the current or proposed salary offset amount would produce an extreme financial hardship. The supporting documents should include the following information for the debtor, his or her spouse, and dependents: income from all sources, assets, liabilities, number of dependents, expenses for food, housing, clothing and transportation, medical expenses, and other exceptional expenses (if any).

b. DCO Response to Debtor. The DCO must evaluate the information submitted by the debtor and issue a written determination concerning the debtor's request for a revised salary offset amount. The DCO should inform the debtor of the acceptance or denial of a revised salary offset amount within 15 days from the date of receipt of the debtor's request for special review. If the DCO approves the debtor's request to reduce the salary offset amount, the reduction will begin immediately upon the issuance of the written determination.

F. Multiple Debts and Priority of Deductions. When a debtor owes more than one debt, deductions for the current debt and any previously established debts will continue until the debts are paid in full. If prioritizing deductions is necessary, then collect debts owed by debtors to more than one DoD Component, or another Federal agency, in the following priority sequence:

1. Debt to the debtor's employing agency or department,

2. Debt to other DoD Components, then

3. Debt to other Federal Agencies.

020903. Collection by Administrative Offset Under 31 U.S.C. § 3716

A. General

1. Administrative offset under 31 U.S.C. § 3716 allows the Government to withhold or intercept funds from monies payable by the United States to a person, organization, or entity in order to satisfy a debt owed to the Government. Administrative offsets may occur against tax refund payments, salary payments, military and civilian retirement pay, contractor payments, grant payments, benefit payments, travel reimbursement, and other Federal payments.

2. Two administrative offset methods are used by agencies to offset a debtor's payments from the Government. Centralized offset uses TOP operated by the Treasury in order to intercept Federal payments due a debtor. Refer to section 0211 for procedures on referring debts to Treasury. An agency may use non-centralized offset in cases where offset through TOP is not available or appropriate. Non-centralized offset is an ad hoc method of offset performed on a case-by-case basis that the agency executes internally or in cooperation with another agency certifying payments to the debtor.

B. Exclusions. Administrative offset under 31 U.S.C. § 3716 does not apply to:

1. Offset against Federal salaries if the FCCS are inconsistent with regulations implementing salary offsets under 37 U.S.C. § 1007 or 5 U.S.C. § 5514;

2. Offset under ***31 U.S.C. § 3728*** against a judgment obtained by a debtor against the United States;

3. Offset or recoupment under common law, state law, or Federal statutes specifically prohibiting offset or recoupment of particular types of debts; or

4. Offset in the course of judicial proceedings, including bankruptcy.

C. Collection Under Common Law. Debts not subject to administrative offset under 31 U.S.C. § 3716 may still be collected by offset under the common law or another applicable statute.

D. Collecting Debts Owed by Individuals

1. If a DCO cannot collect a debt because no recovery is available from salary offset under 5 U.S.C. § 5514 (or another statute authorizing offset from pay), and the debtor has failed to pay the debt in lump sum or by an installment repayment agreement, then the DCO

should refer the debt to the DCMO for administrative offset under 31 U.S.C. § 3716. The DCMO offers debt management and collection assistance to DoD Components for delinquent debts owed to the DoD. Refer to Chapter 3 for guidance on referring debts to the DCMO.

2. Upon receiving a debt, the DCMO will pursue all collection action on the debt available under 31 U.S.C. § 3716. The DCMO will service the debt by using various collection procedures including issuing demand for payment letters, referring the debt to credit reporting agencies, or referring the debt to the Treasury Cross-Servicing Program. When appropriate, the DCMO will refer uncollectible debts to TOP for centralized offset of any Federal payments due the debtor. Refer to section 0211 on the referral of debts to TOP and/or the Treasury Cross-Servicing Program. Refer to Chapter 3, paragraph 030208 for additional guidance on the collection of indebtedness from final salary and lump-sum payments under 31 U.S.C. § 3716.

a. Due Process Requirements Prior to Administrative Offset Under 31 U.S.C. § 3716. Before the DCO initiates administrative offset under 31 U.S.C. § 3716, a debtor must receive due process (notice of the debt and an opportunity for review). The DCO must complete all due process requirements under sections 0204 and 0205 prior to sending the debt to DCMO for collection by administrative offset. If the debtor has requested a hearing, the DCO must follow the guidance contained in Chapter 4, paragraph 020202 prior to transferring the debt to DCMO for collection.

b. Guidance for Requesting Administrative Offset Within the DoD

(1) Requests by a DCO from one DoD Component for administrative offset against a service member or civilian employee of another DoD Component are initiated by sending a DoD Form 139 (***DD 139***), Pay Adjustment Authorization; ***DD 2481***, Request for Recovery of Debt Due the United States by Salary Offset; other prescribed authorized form; or an automated transaction to the debtor's payroll processing activity.

(2) The request must include a certification from the DCO that the debtor owes the debt and that the requesting DCO has fully complied with regulatory requirements (including all due process requirements) concerning administrative offset.

(3) The request must include a mailing address, email address, and phone number for the point of contact at the DCO who will respond to questions or disputes from the debtor.

(4) When a debtor consents to administrative offset in writing or signs a statement acknowledging receipt of due process procedures, the requesting DCO must include the debtor's consent with the request for offset, along with the certification and all supporting documentation. Administrative offset cannot be accomplished until the DCO has provided all of the supporting documentation for the debt. For those debts transferred to DCMO, the DCMO must advise the debtor of the offset request received from the DCO and issue a demand for payment.

E. Collecting Debts Owed by Vendors/Contractors. DCOs will recover debts internally within the DoD, to the extent practical, by voluntary repayment of the debt by the vendor/contractor, or administrative offset(s) of other payments owed to the vendor/contractor. Refer to Chapter 5, section 0503 for additional guidance on centralized offset for vendors/contractors.

020904. Additional Statutory Authority for Offset

A. Salary and Administrative Offset for Travel Advances Under 5 U.S.C. § 5705

1. While 5 U.S.C. § 5514 and 31 U.S.C. § 3716 provide generalized authority to collect a debt by salary or administrative offset, 5 U.S.C. § 5705 specifically authorizes salary and administrative offset for travel advances authorized under 5 U.S.C. § ***5701*** et seq. Under 5 U.S.C. § 5705, a Federal employee who is entitled to per diem or mileage allowances may receive a travel advance. Any amount of a travel advance that is not used for allowable expenses is required to be collected. DCOs should inform debtors of the requirement for immediate repayment of unearned advances of per diem and mileage allowances at the time advances are made.

2. When making collections of unused advanced per diem or mileage allowances, DCOs must give DoD debtors the opportunity to pay the amount due in a lump sum. If the debtor does not make a lump-sum payment, then salary or administrative offset must be made immediately against accrued pay, retired pay, travel reimbursement, or any other amount due the debtor from the United States. Hearings are not required prior to salary offset under 5 U.S.C. § 5705; however, DCOs must provide the debtor with a notice of the debt and must reconsider/review debts informally upon the debtor's request. If there is no amount available for salary offset, and the debt must be collected by administrative offset, then the DCO must follow the requirements for debt collection by administrative offset under 31 U.S.C. § 3716.

B. Offset from a Service Member's Pay for Damage to Military Housing Under 10 U.S.C. § 2775. Under 10 U.S.C. § 2775, express authority is provided for the collection of a debt from a service member's pay for the cost of repair, replacement, or cleaning of military housing necessitated by abuse or neglect by service members. Debtors are not entitled to a hearing for debts being collected by administrative offset under this statute. However, DCOs must provide the debtor with a notice of the debt and must reconsider/review these debts upon the debtor's request. If there is no amount available for salary offset, and the debt must be collected by administrative offset, then the DCO must follow the requirements for debt collection by administrative offset under 31 U.S.C. § 3716.

C. Offset from a Member's Pay for Administratively Determined Debts Under 37 U.S.C. § 1007. Under 37 U.S.C. § 1007, express authority is provided for offset from a service member's pay for the collection of debts that are administratively determined to be owed to a DoD Component by the service member.

D. Administrative Offset to Recover Public Funds Under 5 U.S.C. § 5512. Under 5 U.S.C. § 5512, administrative offset is authorized to offset the pay of an accountable official in arrears to the DoD for all sums for which he or she is liable. This authority only pertains to the collection of a debt when the debt is the result of an individual being held liable for a loss of funds. DCOs will withhold the pay of individuals in arrears to the DoD until the debtor has paid all sums for which the debtor is liable. Refer to Volume 5, Chapter 6 for additional guidance on loss of funds.

020905. Cooperation with Other Government Agencies

A. General. The FCCS requires that the DoD cooperate with other government agencies to collect debts referred for administrative offset except under either of the following conditions:

1. When the DCO determines that the offset would not be in the best interest of the United States with respect to the program against which the offset is requested, as determined by the head of the agency holding funds or monies for offset; or

2. When the DCO determines that the offset would be contrary to another applicable law.

B. Requests for Administrative Offset Received From Non-DoD Federal Agencies

1. If a non-DoD Federal agency determines a debtor works for a DoD agency, then the non-DoD agency may submit a request directly to the DoD for administrative offset from the debtor's pay. The non-DoD Federal agency is responsible for determining the validity and amount of the debt. The DoD is not authorized to determine the merits of the debt for which administrative offset is requested. Refer to Volume 8, Chapter 8 for additional guidance regarding these debts.

2. Requests from non-DoD Federal agencies for administrative offset of DoD salaries or contractor invoices are typically sent through the Treasury Cross-Servicing Program. Requests may also be submitted through the Federal Payment Levy Program.

3. All requests from non-DoD Federal agencies for administrative offset of individual salaries that are received by DoD Components must be forwarded to DFAS-Cleveland (DFAS-CL), 1240 East 9th Street, Cleveland, OH 44199 or via email to ccl-salary-offset@mail.mil. Requests from non-DoD Federal agencies for administrative offset of contractor invoices that are received by DoD Components must be forwarded to Treasury.

C. Requesting Administrative Offset from Civil Service Retirement Disability Fund (CSRDF) or FERS Funds. Chapter 3 outlines procedures for requesting administrative offset from CSRDF or FERS for debts owed by retired DoD civilian employees. To prevent duplicate administrative offset requests, DCOs must not refer the same requests for administrative offset to

both the Office of Personnel Management (OPM) and to TOP. These debts are subject to all other collection procedures.

0210 REPORTING DEBT TO CREDIT BUREAUS

021001. Authority to Report Debts

Federal agencies must report all delinquent debts to credit bureaus (also referred to as "credit reporting agencies") as part of the agency's debt collection effort pursuant to 31 U.S.C § ***3711(e)***. The DCMO (or other DCO as appropriate) must implement procedures for reporting delinquent debts to credit bureaus and other automated databases in accordance with the "Guide to the ***Federal Credit Bureau Program***," issued by Treasury in 2001. If the DCMO is required to report a non-delinquent debt to a credit bureau, reporting procedures must comply with the "Bankruptcy Code" and the "Privacy Act of 1974" (***5 U.S.C. § 552(b)***), as amended. Provisions of the Privacy Act do not apply to credit bureaus. Effective March 1, 2007, in accordance with ***10 U.S.C. § 2780(b)***, debts incurred by service members will not be reported to credit bureaus during the time a decision regarding waiver or remission/cancellation of the debt is pending.

021002. Notification to Debtor of Intent to Report to a Credit Bureau

The DCMO or DMO must ensure the debtor has been given notice before reporting a delinquent debt to credit bureaus. Duplication of previously provided due process notifications is not required prior to reporting the debt to the credit bureau as long as the following information has been provided to the debtor:

A. A statement that the agency intends to report the debt to a credit bureau;

B. A statement that the information to be reported will include the debtor's name, address, taxpayer identification number (TIN), and information about the debt;

C. Actions that may be taken by the debtor to prevent credit reporting (i.e. repayment of the debt in full or repayment by installment agreement); and

D. A debt notification that includes the information set out in section 0205.

021003. Requirements for Reporting Debts to Credit Bureaus

Prior to reporting a delinquent debt to a credit bureau, the DCMO must:

A. Comply with the provisions of the Privacy Act of 1974;

B. Ensure the DCO has made a determination that the debt is valid and overdue;

C. Ensure the DCO has complied with the requirements in section 0204 and has issued a debt notification letter to the debtor that complies with the requirements of section 0205;

D. Determine that the debtor has not:

1. Repaid or agreed to repay the debt under a written repayment plan the debtor has signed, and the DoD Component or DCO has agreed to; or

2. Filed a hearing petition for review of the debt under Chapter 4;

E. Ensure there are procedures to:

1. Disclose promptly, to each credit bureau to which the original disclosure was made, a substantial change in the condition or amount of the debt;

2. Verify or promptly correct, information about the debt on request of a credit bureau; and

3. Obtain satisfactory assurances from each credit bureau that the credit bureau is complying with all laws of the Unites States related to providing consumer credit information; and

F. Ensure information disclosed to credit bureaus is limited to:

1. Information necessary to establish the identity of the debtor, including name, address, and TIN;

2. The amount, status, and history of the debt; and

3. The DoD Component or program under which the debt arose.

021004. Maintenance of Debt Records

DCOs must retain records for debts reported to credit bureaus in accordance with guidelines of the ***National Archives and Records Administration General Records Schedule***. Bankruptcy information can be reported for 10 years. The credit bureau will only maintain accurate, negative information on a credit report if it is less than 7 years old.

0211 REFERRAL TO THE TREASURY

021101. General

A. The Treasury has broad collection responsibilities for delinquent debts. Unless otherwise authorized by law, pursuant to Treasury Financial Manual (TFM) Part 4, Chapter 4000 (***4-4000***), Federal agencies are required to refer eligible and legally enforceable debts more

than 180 days delinquent to the Treasury Cross-Servicing Program for debt servicing. Agencies are also required to refer any debts more than 120 days delinquent to TOP for recovery by centralized administrative offset. Refer to 31 U.S.C. § 3711(g) and 31 U.S.C. § 3716 for information on referring debts to TOP.

B. Components that have implemented the processes contained in the DDMG should refer delinquent debt older than 90 days and greater than $25 to the DMS for further collection action where applicable. At the DoD Component's discretion, debts may be referred sooner to protect the DoD's interests.

C. If a debt is first referred to the Cross-Servicing Program, Treasury will submit any remaining amount not collected by cross-servicing to TOP on behalf of the agency. Therefore, in order to comply with the 120 day deadline for submitting debts to TOP, creditor agencies must submit debts more than 120 days delinquent to cross-servicing, rather than waiting until the debt is 180 days delinquent. Once a debt is referred to Treasury, the DoD must cease collection activity related to that debt. Agencies referring debts to Treasury must authorize Treasury to utilize all available collection tools.

D. In most instances, DCOs refer uncollectible debts to the DFAS DCMO for debt servicing first, and the DCMO refers the debts to Treasury for cross-servicing and to TOP. Only those DCOs with specific authority may refer delinquent debts directly to Treasury. Prior to making a referral directly to Treasury, DCOs must consider the DFAS DCMO debt program and procedures in Chapter 3 to determine whether referring the debt to DFAS first would offer more cost-effective service, debt management control, and reporting.

E. DoD Components that do not refer debts to one of the DCOs authorized to make referrals to Treasury must negotiate an agreement with Treasury for debt referrals.

021102. Cross-Servicing

A. General. The Debt Collection Improvement Act and the TFM 4-4000 requires agencies to refer all eligible debts that are delinquent more than 180 days to Treasury for cross-servicing under the Treasury Cross-Servicing Program. If an agency does not separately refer debts to TOP, then it must refer eligible debts that are delinquent more than 120 days to cross-servicing in order to meet the requirement for TOP referral. Components that have implemented the processes contained in the DDMG should refer delinquent debt older than 90 days to the DMS for further collection action where applicable. Treasury uses a variety of collection tools to collect the debt under cross-servicing including: issuing demand for payment letters, phone calls, credit bureau reporting, referral to TOP, referral to PCAs, and/or referral of debts to DOJ for litigation. Additional information on the Cross-Servicing Program can be found at the Fiscal Service, DMS, ***Cross-Servicing***.

B. Due Process. The DCO must complete all due process procedures prior to referring a debt to Treasury for cross-servicing. At least 60 days before a debt is referred to Treasury, the DCO must issue the debtor a debt notification that meets the requirements of paragraph 020505.

C. Debts Not Referred to Treasury for Cross-Servicing. The requirement to refer delinquent debts to Treasury for cross-servicing does not apply to a debt that (for information on debts not referred to Treasury, see Managing Federal Receivables, Chapter 6):

1. Is not past due or legally enforceable;

2. Is owed by a debtor who has died;

3. Is owed by a debtor who has filed for bankruptcy protection or the debt has been discharged in a bankruptcy proceeding;

4. Is owed by a Federal agency;

5. Is the subject of an administrative appeal, until the appeal is concluded and the amount of the debt is fixed;

6. Is less than $25 (including IPA costs);

7. Is in litigation, meaning the debt has either been referred to DOJ for litigation or is the subject of proceedings pending in a court of competent jurisdiction, including bankruptcy and post-judgment matters;

8. Is in foreclosure, which means the debt is secured by collateral that is being foreclosed, either through a court proceeding or non-judicially;

9. Will be disposed of under an approved asset sale program within 1 year after becoming eligible for sale, or later than 1 year if consistent with an asset sales program;

10. Has been referred to a private collection contractor for a period acceptable to Treasury;

11. Is at a Treasury-designated debt collection center for a period acceptable to Treasury;

12. Will be collected under internal offset procedures within 3 years after the debt first became delinquent;

13. Is exempt from this requirement based on a determination by Treasury that exemption for a certain class of debt is in the best interest of the United States (the DoD may request that Treasury exempt specific classes of debts); or

14. Is owed by foreign governments or a NAFI.

D. Accountability for the Debt. While the debt is in the Cross-Servicing Program, Treasury maintains the debt balance information, collects the funds paid by the debtor, and returns the funds to the creditor agency for proper deposit and accounting. The creditor agency

must maintain its original debtor records and remains responsible for all financial reporting associated with the debt, to include IPA fees. IPA will continue to accrue on debts referred to Treasury's Cross-Servicing Program. The creditor agency is responsible for the accuracy of the debt information submitted to Treasury and must provide updates and corrections of debtor information on a regular basis.

E. Cross-Servicing Fees. Treasury charges fees to cover its costs for cross-servicing. The fee is a percentage of all collections received from the debtor after the debt is referred to cross-servicing. Pursuant to the TFM 4-4000, Treasury fees are added to the outstanding debt balance.

021103. TOP

A. General

1. TOP provides for the centralized administrative offset of Federal tax and non-tax payments payable to a debtor in order to collect a delinquent debt owed to the Government. Creditor agencies submit information about delinquent debts to Treasury, which maintains the information in a centralized database. Before Treasury disburses a payment, Treasury compares the payee information with the debtor information in the database. If a match occurs, the payment will be offset, in whole or part, to satisfy the debt.

2. Treasury determines how to apply collected funds to multiple debts. Treasury notifies the debtor, the creditor agency, and the paying agency when an offset occurs. Debtors must contact the creditor agency to resolve any issues related to the offset. At least 60 days before the debt is referred to Treasury, the DCO must have issued the debtor a debt notification meeting the requirements of paragraph 020505.

B. Debts Eligible for Referral to TOP. A debt that is delinquent and legally enforceable is eligible for referral to TOP. A debt is considered legally enforceable for TOP purposes if there has been a final agency determination that the debt is due, and there are no legal bars to collection through the offset of Federal payments.

C. Debts Not Eligible for Referral to TOP. An agency should not refer directly to TOP those debts that have been referred to Fiscal Service or another Treasury-designated debt collection center for cross-servicing, or to DOJ for litigation. Additionally, a debt is not eligible for referral to TOP if the debt:

1. Is owed by a debtor who has filed for bankruptcy protection or the debt has been discharged in a bankruptcy proceeding;

2. Is owed by a Federal agency;

3. Is the subject of an administrative appeal, until the appeal is concluded, and the amount of the debt is fixed;

4. Is less than $25 (including IPA charges); or

5. Is owed by a foreign entity.

D. TOP Fees. Treasury is authorized to charge fees to cover the costs of debt collection and administrative offset programs. Pursuant to TFM 4-4000, Treasury fees are added to the outstanding debt balance. The fee is set annually, and Treasury deducts the fees from the amount offset before the residual amount is transmitted to the referring DCO.

E. Payments Eligible for Offset Under TOP

1. All Federal payments may be offset under TOP except as prohibited by law or exempted by action of the Treasury. This includes payments disbursed by Treasury, the DoD, U.S. Postal Service, and other Government disbursing agencies.

2. The following types of Federal payments are eligible for offset under TOP:

a. IRS tax refunds,

b. Retirement payments issued by OPM,

c. Vendor payments,

d. Federal salary payments,

e. Travel advances and reimbursements,

f. Certain Federal benefit payments, such as Social Security retirement and disability payments,

g. Grant payments, and

h. Active military and military retirement payments.

3. Federal law prohibits or limits the amount of offset for certain types of payments. For a complete list of payments that are exempt from offset under TOP, refer to ***TOP Exemptions***.

0212 REFERRAL TO PCA

021201. Authority to Use PCA

The DCMO is the designated DoD entity that may refer debts to PCAs.

021202. Contracts for PCA Services

In order to minimize collection costs and avoid duplication of efforts, the agency should refer debts to Treasury for cross-servicing in order to obtain the services of a PCA. However, under 31 U.S.C. § 3711 and the FCCS, an agency has the option of referring a debt directly to a PCA, and not through Treasury, pursuant to a contract between the agency and the PCA. To avoid double submission to the PCA when a debt is also transferred to Treasury, Treasury must be made aware of the direct referral to the PCA. Agency contracts with PCAs to locate delinquent debtors and recover delinquent debts must define the services and must conform to the following terms:

A. The DCO will retain the final authority to resolve disputes, compromise debts, suspend or terminate collection activity, refer debts to credit bureaus, and refer debts to DOJ for litigation. If the debt was referred to the PCA as part of Treasury's Cross-Servicing Program, then Treasury will retain authority to compromise debts.

B. The PCA will not offer the debtor, as an incentive for repayment, the opportunity to pay the debt minus the PCA's fee, unless the PCA is granted authorization by the DoD in advance.

C. The PCA is subject to the Privacy Act of 1974 to the extent specified in 5 U.S.C. § 552a, and to any applicable Federal or state law pertaining to debt collection practices, including, but not limited to, the Fair Debt Collection Practices Act (***15 U.S.C. § 1692***) and the FCCS (as applicable to the agency).

D. The PCA is required to account for all amounts collected.

E. The PCA will comply with other requirements, as appropriate, with regard to locating and contacting debtors, accepting installment payments, processing late payment charges, and returning uncollectible debts to the referring DCO.

F. Debts referred to PCAs are not subject to the requirement to transfer debts to Treasury.

021203. Funding PCA Contracts

Contracts with PCAs may be funded in accordance with either:

A. Fixed Fee. Payment to the PCA is a set fee determined without regard to the amount collected under the contract, but only to the extent that funds are made available in advance in appropriations; or

B. Contingent Fee. Payment to the PCA is based on a provision in the contract permitting the PCA to deduct a fee, consistent with prevailing commercial practice, based on a percentage of the amount collected under the contract.

0213 REFERRALS TO THE DOJ FOR LITIGATION

021301. General

A. Unless an agency has specific statutory authority to litigate its own debts, an agency must refer debts to DOJ for litigation. Debts based on conduct in violation of antitrust laws or involving fraud, or the presentation of a false claim or misrepresentation on the part of the debtor, must be referred to DOJ for action. Before referring a debt to DOJ for litigation, the DCO should consult with its Office of General Counsel for guidance. Also, prior to referring a debt to DOJ for litigation, a DCO must take aggressive collection action in accordance with this chapter for legally enforceable debts and must ensure the debt cannot be compromised, suspended, or terminated.

B. If a DCO intends to refer a debt to the DOJ for litigation, debts with a principal amount over $1,000,000, exclusive of IPA charges, should be referred to the responsible DOJ litigation division in Washington, D.C. Debts with a principal amount of $1,000,000 or less, exclusive of IPA charges, should be referred to the DOJ's Nationwide Central Intake Facility as required by the Claims Collection Litigation Report (CCLR) instructions. DCOs must make every effort to refer delinquent debts to DOJ for litigation within the 6-year statute of limitations for initiating lawsuits against debtors, and within 1 year after a final decision has been rendered in an administrative proceeding. Refer to paragraph 020202 for additional guidance on the time limit for litigation of a debt.

C. The Defense Security Cooperation Agency (DSCA) will determine whether or not to forward a Foreign Military Sales (FMS) arrearage to DOJ for litigation. For guidance on referring FMS arrearage, refer to Chapter 6.

021302. Minimum Amount for Referral

Generally, only non-fraud debts with a principal balance equal to or greater than $2,500 are eligible for referral to DOJ. DCOs may refer debts under $2,500, exclusive of IPA charges, to DOJ for acceptance under the following circumstances:

A. To ensure compliance with policies or programs;

B. To secure a judgment against the debtor that will be filed as a lien against the debtor's property pursuant to ***28 U.S.C. § 3201***, and returned to the referring office for enforcement; or

C. The debtor can pay the debt, and the Government effectively can enforce payment with due regard for the exemptions available to the debtor under Federal and state law and the judicial remedies available to the Government.

021303. Notification to Debtor

Before referring a delinquent debt to DOJ for litigation, DCOs must ensure a debt notification letter as described in paragraph 020505 was issued to the debtor and the letter indicated that if the debt could not be collected using administrative procedures, litigation could result. DCOs must ensure a copy of the debt notification letter containing this notice is provided to DOJ when referring a debt for litigation.

021304. Contact With Debtor After Referral

Once a debt has been referred to DOJ for litigation, DCO personnel are required to refrain from contact with the debtor regarding the debt. DCOs must refer debtors with inquiries to the appropriate DOJ office. A DCO must notify DOJ immediately of any payments received on a debt referred to DOJ in accordance with DOJ guidance.

021305. Documentation of Debt for the DOJ

A. The DCO, or other applicable office, must submit debts to DOJ for litigation by using a CCLR and must include a signed Certificate of Indebtedness. The DCO must complete all sections of the CCLR appropriate to the indebtedness as required by the CCLR instructions, and furnish other information or documentation to DOJ as required. The CCLR must clearly indicate what actions are being requested of DOJ (i.e., enforced collection or judgment lien).

B. A blank CCLR and instructions for completion of the report are at, Managing Federal Receivables, A Guide for Managing Loans and Administrative Debt, ***Appendix 10-B***. The DCO must forward the CCLR to Director, Commercial Litigation Branch, P.O. Box 875, Ben Franklin Station, Washington, D.C. 20044.

C. The CCLR must include a completed checklist or brief summary of actions taken by the DCO to collect or resolve the debt and an explanation for the omission of any administrative collection action required by the FCCS or this chapter. If the debtor's address is unknown, the DCO must include a list of the debtor's prior known addresses and an explanation of actions taken to locate the debtor. The debt referral must include the debtor's latest credit history data, such as a commercial credit report, balance sheet, or financial statement, and must provide a recommendation that will indicate whether there is reasonable prospect of enforcing debt collection.

D. The DCO may omit credit data from the CCLR if a debtor is bankrupt, in receivership, or if the debtor's liabilities are fully covered by insurance. If applicable, DCOs must include the identity and address of the insurer and the type and amount of insurance. Credit data also may be omitted if credit history is not available, such as for a state or local Government unit.

021306. Preservation of Evidence

The DCO must preserve all debt files and records that may be needed by DOJ to prove its case in court. DCOs should include certified copies of the documents that form the basis for the

debt in the debt referral package submitted to DOJ and must provide originals of the documents if requested by DOJ.

021307. Discontinuation of DCO Actions

DOJ has exclusive jurisdiction over the debts referred to DOJ. DCOs will cease collection actions on debts referred to DOJ for litigation.

0214 DEBT COMPROMISE, SUSPENSION, AND TERMINATION

021401. General

A. Under 31 U.S.C. § 3711 and the FCCS (***31 C.F.R. Parts 900-904***), an agency maintains the authority to compromise, suspend, or terminate collection action. The DCO, DCMO, DMO, fund holder, or other entity involved in debt collection and management may prepare a request for compromise, suspension, or termination of collection action and submit it to the appropriate authority for approval. As stated in paragraph 021402, the approving authority may be DFAS, the DoD Component, DOJ and/or Treasury depending on the amount of the debt. The referring office submitting the request must maintain supporting documentation pertaining to the request. A referring office may take no further action on debts referred for approval.

B. When a foreign entity owes the debt that is being considered for compromise, suspension, or termination, the following coordination policies apply:

1. The Accounts Receivable Office or the Foreign DMO must coordinate proposals to compromise, suspend, or terminate collection actions on all non-FMS foreign accounts receivable, regardless of the amount, with the applicable DoD Component fund holder.

2. DFAS Security Cooperation Accounting, in cooperation with the DoD Component, must coordinate proposals to compromise, suspend, or terminate collection actions on FMS arrearages with the DSCA.

021402. Determining Debt Amount for Compromise, Suspension, and Termination

The DCO, fund holder, or other entity involved in collection and management of the debt must determine the amount of the debt in order to submit it to the appropriate approval authority for compromise, suspension or termination. Debts must not be subdivided in order to avoid approval requirements. The requesting entity must consider a debtor's liability arising from a particular transaction as a single debt when determining the amount for purposes of compromise, suspension, or termination approval. The dollar amount of the debt must be computed on a contract or transaction basis (for FMS debts, the Letter of Offer and Acceptance represents a transaction). The amount of the debt used as the basis includes only the principal amount of the debt then due and does not include IPA.

021403. Submission to the DOJ Using the CCLR

If compromise, suspension, or termination of collection action is appropriate, and the amount of the indebtedness is within DOJ's approval threshold level (as set forth in paragraphs 021404-021406), then DFAS or the DoD Component must refer such debts to DOJ using a CCLR. Include in the referral appropriate financial information and a recommendation for the acceptance of a compromise, suspension, or termination by DOJ. Refer to paragraph 021305 for guidance on preparation and submission of the CCLR.

*021404. Compromise

A. General. Compromise is the acceptance of less than the full amount of the debt in satisfaction of the entire amount of the debt. The debtor is released from liability on the full amount of the debt if the compromise amount is paid in full. The debtor (or debtor's representative) should submit offers of compromise to the agency in writing and should include all additional information requested by the approval authority.

B. Approval Authorities. The approval authority for an offer of debtor compromise is based on the principal amount of the debt less any IPA costs and partial payments or collection.

1. Less Than or Equal to $100,000 – Debt With DFAS. DFAS has authority to approve compromises for debts arising out of the activities of, or referred to, DFAS when the principal amount does not exceed $100,000. DFAS will coordinate a compromise approval with the fund holder.

2. Less Than or Equal to $100,000 – Debt With DoD Component. DoD Components have authority to approve compromises for debts not referred to DFAS when the principal amount does not exceed $100,000.

3. Over $100,000 – Debt is Not With Treasury. DOJ has authority to compromise debts when the principal amount exceeds $100,000, and the debt has not been referred to the Treasury Cross-Servicing Program. DOJ also maintains authority to compromise all debts greater than $500,000. Only DOJ can consider noncash compromise offers for debts exceeding $100,000. The DoD does not require DOJ approval to reject a compromise offer.

4. Less Than or Equal to $500,000 – Debt With Treasury. Treasury has authority to approve compromises for debts, which have been referred for cross-servicing, when the principal amount of the debt is less than or equal to $500,000. DOJ maintains authority to compromise all debts greater than $500,000.

5. Debts in Litigation. DFAS and DoD Components cannot approve a compromise on a debt referred to DOJ for litigation unless the debt is returned to the DoD for disposition.

C. DOJ Review of Compromise Offers Less Than or Equal to $100,000. If DFAS or the DoD Component is uncertain whether to accept a firm, written substantive compromise offer on a debt within its delegated compromise authority of $100,000 or less, they may refer the offer to DOJ using a CCLR and copies of supporting data. DOJ may act upon the offer or return it with instructions or advice.

D. Reasons for Compromise. When assessing the merits of a compromise proposal from a debtor, DCOs must obtain a current financial statement from the debtor, executed under penalty of perjury pursuant to ***31 C.F.R. 902.2(g)***, and a credit report or other financial information to aid in evaluating the debtor's assets, liabilities, income, and expenses. Possible grounds for compromise include the following:

1. Compromise Because of Litigation Risks. Compromise may be appropriate if there is significant doubt concerning the Government's ability to prove its case in court. The amount accepted in a compromise agreement should reflect such factors as the complexity of the legal issues, the probability of a bona fide dispute as to the facts, the availability of witnesses and supporting evidence, and the probability of successful prosecution. In determining the litigation risks involved, DFAS or the DoD Component must consult with agency counsel to consider the probable amount of court costs and attorney fees that may be imposed against the Government if litigation is unsuccessful.

2. Compromise Because of Debtor Inability to Pay Full Amount. Compromise of a debt may be appropriate if the debtor is unable to pay the full amount due in a reasonable time, or if the DCO cannot collect the full amount in a reasonable time using enforced collection. The compromise amount should bear a reasonable relation to the amount that can be recovered by enforced collection procedures, while considering any exemptions that may be available to the debtor and the time the collection will take. DFAS or DoD Components must consider, as a minimum, the following factors in determining a debtor's ability to pay the full amount of the debt:

a. Current financial statement from the debtor, executed under penalty of perjury pursuant to 31 C.F.R. 902.2;

b. Credit reports and other financial information;

c. Debtor's age and health;

d. Debtor's present and potential income;

e. Debtor's inheritance prospects;

f. The possibility that assets have been concealed or improperly transferred by the debtor; and

g. The availability of assets or income that may be realized by enforced collection proceedings.

3. Compromise Where Collection Costs Exceed Amounts Recoverable or Collection is not Anticipated. Compromise may be appropriate if the cost of collection does not justify the costs of pursuing enforced collection of the full amount. Collection costs may be a substantial factor in the compromise of smaller debts. An amount accepted in compromise may reflect a discount for the administrative and litigation costs of collection, along with consideration for the time involved to perform collection. In determining whether the cost of collection justifies enforced collection of the full amount, DFAS or the DoD Component must consider whether continued collection of the debt, regardless of cost, is necessary to further an enforcing principle, such as the willingness to aggressively pursue defaulting or uncooperative debtors.

E. Compromise with Joint and Several Liability. When two or more debtors are jointly and severally liable, collection against all debtors should be pursued, as appropriate. DFAS or the DoD Component may not allocate the payment of a debt between debtors and must proceed to liquidate the debt as quickly as possible. A compromise agreement with one debtor will not release the indebtedness of remaining debtors. A DCO must not consider compromise with one debtor as a precedent or as binding when determining the amount that would be required from other jointly or severally liable debtors.

F. Compromises Payable in Installments. Installment payment of compromised debts generally should not be accepted due to the administrative expense and time required for the full collection of the debt. If installment payment of a compromise is necessary, DFAS or the DoD Component must obtain a legally enforceable written agreement that stipulates immediate payment of the original debt, minus sums already paid, in the event of default. Whenever possible, the DCO should obtain a security for installment repayment agreements.

G. Enforcement. Statutory penalties, forfeitures, or debts established as an aid to enforcement and to compel compliance may be compromised as long as it does not harm present or future standards for enforcement, deterrence, or compliance.

H. Tax Consequences to the U.S. Government. In negotiating a compromise, DFAS or the DoD Component must consider the tax consequences to the Government and any inappropriate tax consequences for the debtor. The agency may consider requiring a waiver of tax loss carry-forward and tax loss carry-back rights of the debtor in the compromise agreement, as required by ***31 C.F.R. 902.6***. See ***31 C.F.R. 903.5*** for reporting the discharge of an indebtedness to the IRS.

* I. Mutual Releases of the Debtor and the Government. In appropriate circumstances, DFAS or the DoD Component may implement an accepted compromise in the form of a mutual release. In a mutual release, the debtor is released from further non-tax liability on the compromised debt in consideration of payment in full of the compromised amount. The Government and its officials, past and present, are released and discharged from any and all claims the debtor may have against them arising from the same transaction. In the event a mutual release is not executed when a debt is compromised, unless prohibited by law, the debtor is still deemed to have waived any and all claims and causes of action against the Government and its officials related to the transaction giving rise to the compromised debt. Sample mutual release language is as follows:

Consideration and Release of Claims Against the Department of Defense (DoD), the Creditor Agency, and the United States and Debtor. In consideration of DoD's obligations under the agreement to compromise the debt, the Debtor hereby releases DoD, the Creditor Agency, and the United States from any and all claims arising prior to the execution of this agreement and arising out of, or related to, the receivables. This shall in no way be deemed an admission of liability by the DoD, the Creditor Agency, or the United States or an admission of the existence of any claims against the DoD, the Creditor Agency, or the United States. The debtor is hereby released from further non-tax liability on the compromised debt in consideration of payment in full of the compromised amount. This release shall survive any termination of the agreement.

021405. Suspension of Collection Action

A. General

Pursuant to ***31 C.F.R. Part 903***, suspension of collection action is a determination by the agency to temporarily cease collection action.

B. Approval Authority

1. Less Than or Equal to $100,000 – Debt With DFAS. DFAS has authority to suspend collection on debts arising out of the activities of, or referred to, DFAS when the principal amount does not exceed $100,000. DFAS will coordinate suspension approval with the fund holder.

2. Less Than or Equal to $100,000 – Debt With DoD Component. DoD Components have authority to suspend collection action on debts that have not been referred to DFAS when the principal amount does not exceed $100,000.

3. Over $100,000 – Debt is Not With Treasury. DOJ has authority to suspend collection action on debts when the principal amount exceeds $100,000, and the debt is not being serviced by the Treasury Cross-Servicing Program and also has authority to suspend collection action on all debts greater than $500,000.

4. Less Than or Equal to $500,000 – Debt With Treasury. Treasury has authority to suspend collection action on debts, which have been referred for cross-servicing, when the principal amount of the debt is less than or equal to $500,000. DOJ maintains authority to suspend all debts greater than $500,000.

C. When Suspension Should Be Considered. The DCO may suspend collection action, subject to the dollar limits stated in 021405.B, under the following conditions:

1. Location of Debtor Unknown. The debtor cannot be located;

2. Financial Condition. The debtor's financial condition is not currently conducive to repayment, but it is expected to improve. Based on the current financial condition of the debtor, collection activity may be suspended when the debtor's future prospects justify retention of the debt for periodic review and collection activity and:

a. Enforced collection is barred by any applicable statute of limitations;

b. Future collection can be made using administrative offset; or

c. The debtor agrees to pay interest on the suspended debt amount, and the suspension is likely to enhance the debtor's ability to pay the full debt principal amount at a later date with interest.

3. Waiver, Remission, or Review. Suspension action may also be appropriate if the debtor requests a waiver, remission, or review of the debt. The DCO may also suspend contract debts if a contractor's request for deferment is approved. Refer to Chapter 5 for guidance on contract debt deferments. Suspension of collection activity is not appropriate if the request for waiver, remission, or review is frivolous or made primarily to delay collection. Suspend collection activity during the time required for consideration of the debtor's good faith request for waiver, remission, or review of the debt if any of the following factors apply:

a. The statute under which the request is sought prohibits collection activity during that time;

b. The amount collected during that time cannot be refunded under the applicable statute;

c. There is reasonable possibility the debtor will prevail;

d. There is reasonable assurance the debt could be collected if the debtor does not prevail; or

e. Collection of debt would cause undue hardship.

4. Deceased Active Duty Service Members. Under 31 U.S.C. § 3711(f)(1), the Secretary of Defense may suspend the collection of a claim against the estate of a service member who died while on active duty with the Army, Navy, Air Force, Marine Corps, or Coast Guard during a period when the Coast Guard is operating as a service in the Navy.

5 Bankruptcy. When a bankruptcy petition has been filed with respect to a debtor, collection activity on a debt must be suspended pursuant to ***11 U.S.C. § 362***, ***1201***, or ***1301***, unless it can be clearly established that the automatic stay has been lifted or no longer is in effect. With the coordination and assistance of the supporting legal office, DCOs must take action to prevent disbursement of funds to the debtor until relief from the automatic stay is obtained.

6. Debts in Litigation. The DCO must suspend collection if the debt is being referred to DOJ for litigation.

D. Suspending Collection of Debts of Wounded or Injured Service Members. In accordance with 37 U.S.C. § 1007(c)(4), if a service member, through no fault of his or her own, incurs a wound, injury, or illness while in the line of duty in a combat operation or combat zone designated by the President or the Secretary of Defense and is overpaid pay or allowances while recovering from the wound, injury, or illness, then the DCO may not collect the overpayment from the service member's pay until the criteria listed in Chapter 3, subparagraph 030305.A.4 are met.

E. Delay of Collection Action for Service Members. In accordance with 37 U.S.C. § 1007(c)(3)(B), service members subject to deductions from pay under that section may request a delay in the start of the repayment requirement to recover the indebtedness. Before beginning salary offset, the DCO will consider the reasons provided by the service member for the requested delay, including the financial ability of the service member to repay the indebtedness and the hardship that immediate collection would impose on the service member and his or her dependents.

021406. Termination of Collection Action

A. General

1. Termination of collection action is a determination to cease active collection because such action is not economically worthwhile or is otherwise inappropriate. Before terminating collection, the agency should have pursued all appropriate means of collection and determined the debt is uncollectible.

2. Termination ceases active collection, but an agency may still pursue passive collection action (for example, when the debt remains secured by a judgment lien or lien interest, or is being collected through TOP). Termination results in the removal of the debt from the active collection files. Termination does not preclude the agency from retaining a record of the account for the reasons under subparagraph 021406.D. Refer to subparagraph 021406.C.8 for termination of debts discharged in bankruptcy proceedings. Refer to Volume 4, Chapter 3 for guidance on writing off debts upon termination of active collection.

B. Approval Authorities

1. Less Than or Equal to $100,000 – Debt With DFAS. DFAS has authority to terminate collection action on debts arising out of the activities of, or referred to, DFAS when the principal amount does not exceed $100,000. DFAS will coordinate with the fund holder.

2. Less Than or Equal to $100,000 – Debt With DoD Component. DoD Components have authority to terminate collection action on debts that have not been referred to DFAS when the principal amount does not exceed $100,000.

3. Over $100,000 – Debt is Not With Treasury. DOJ has authority to terminate collection action on debts when the principal amount exceeds $100,000, and the debt is not being serviced by the Treasury Cross-Servicing Program and also has approval to terminate collection action on all debts with a principal amount greater than $500,000.

4. Less Than or Equal to $500,000 – Debt With Treasury. Treasury has authority to terminate collection action on debts, which have been referred for cross-servicing, when the principal amount of the debt is less than or equal to $500,000. DOJ maintains authority to terminate all debts greater than $500,000.

C. Reasons to Terminate Collection Action. Active collection of a debt may be terminated after all appropriate means of collection have been pursued, and a determination is made, based upon the results of collection activity, that the debt cannot be collected. The DCO may terminate collection activity under the following conditions:

1. No substantial amount can be collected using all tools available;

2. The debtor cannot be located;

3. Costs of collection are anticipated to exceed amounts recoverable;

4. The debt is subsequently found to be plainly erroneous or legally without merit;

5. Enforced collection is barred by any applicable statute of limitations;

6. Documentation indicates further collection action would be futile;

7. Subsequent to the establishment, the debt cannot be substantiated;

8. The debt has been discharged in bankruptcy. Additional guidance on termination of debts discharged in bankruptcy is found at section 0215; or

9. The Active Duty service member is deceased. Under 31 U.S.C. § 3711(f)(1), the Secretary of Defense may terminate collection of a claim against the estate of a service member who died while on active duty with the Army, Navy, Air Force, Marine Corps, or Coast Guard during a period when the Coast Guard is operating as a service in the Navy.

D. Record of Terminated Accounts. Although a debt may be terminated for collection activity, DFAS or the DoD Component must retain a record of the debt for the purposes of:

1. Selling the debt, if Treasury determines the sale is in the best interest of the United States;

2. Pursuing collection activity at a later date in case there is a change in the debtor's status or a new collection tool becomes available;

3. Offsetting against future income or assets not available at the time of termination of collection activity; or

4. Screening future applicants for prior indebtedness.

E. Exception to Termination. When a significant enforcement policy is involved, or recovery of a judgment is a prerequisite to the imposition of administrative sanctions, debts may be referred to DOJ for litigation, even though termination of collection action otherwise might be appropriate.

F. Write-off and Close-out of Debt. Write-off is mandatory for public delinquent debt that has not been collected within 2 years of delinquency, unless documented and justified to the Office of Management and Budget in consultation with the Treasury. Write-off procedures are also necessary for debts that are below the break-even threshold. Refer to Volume 4, Chapter 3 for guidance on write-off and close-out of receivables.

021407. Debts Involving Violation of Antitrust Laws or Fraud

The policy and requirements in this chapter relating to compromise, suspension, and termination of collection activity do not apply to any debt based in whole or in part on conduct in violation of the antitrust laws. The policy and requirements also do not apply to any debt involving fraud, the presentation of a false claim, or misrepresentation on the part of the debtor or any party having an interest in the debt. Only the DOJ has the authority to compromise, suspend, or terminate collection activity on such debts. Upon identification of a debt meeting these criteria, DCOs must promptly refer the debt to DOJ for action. DOJ may return the debt to the DCO for further handling.

0215 DEBTORS INVOLVED IN BANKRUPTCY PROCEEDINGS

If the DCO learns that a bankruptcy petition has been filed by a debtor, the DCO must take immediate action to ensure the prompt termination of debt collection or processing of bankruptcy orders by referring to the following instructions.

A. Active Duty and Reserve Members. If an active duty or reserve member who owes a debt to the DoD files for bankruptcy, the DCO must refer to the instructions in Volume 7A, Chapter 50.

B. Military Retirees. If a military retiree who owes a debt to the DoD files for bankruptcy, the DCO must refer to the instructions in Volume 7B, Chapter 17.

C. Federal Civilian Employees. If a Federal civilian employee who owes a debt to the DoD files for bankruptcy, the DCO must refer to Volume 8, Chapter 8.

D. Commercial Entities. If a DoD vendor or contractor files for bankruptcy, the DCO must refer to Chapter 5, section 0508.

0216 BREAK-EVEN ANALYSIS

021601. Extent of Collection Efforts for Domestic Debts

A. General. Except for debts of foreign countries, debt accounting and collection procedures must be designed to provide information to assist in determining realistic points of diminishing returns beyond which collection efforts are not justified, and the minimum amount of a debt when no collection action at all should be undertaken. The procedures must capture the total cost of the debt collection process (both direct and indirect costs) by dollar range of debt and the total number of cases processed. Until the DCO accumulates actual cost data, it may develop cost analysis techniques for use in determining the unit cost of processing first debt notices and all other follow-up actions. When estimating costs, update the estimates periodically or when circumstances and conditions change significantly. Standardize, document, and retain the methodology utilized to estimate costs.

B. Comparison Requirements. As needed, the DCMO and DMO will make at least an annual comparison of costs incurred against amounts collected in its debt collection process to assist in the establishment of reasonable points at which the cost of further collection efforts are likely to exceed recovery. This cost comparison, however, represents but one appraisal element to consider in the analysis of when and where to terminate collection efforts. Other reviews concerning the type of debt, size, and age statistical analysis will also be performed before a final point of termination of collection action is determined. The DCO should consider the following definitions when making cost comparisons, reviews, and analysis.

1. The Debt Collection Process. The debt collection process includes:

a. The preparation of the first debt notice;

b. All follow-up actions, such as answering rebuttals, processing requests for waiver or remission, holding hearings, negotiating compromises, handling installment contracts and suspenses, processing collections, and making referrals to credit reporting and collection agencies; and

c. The completion of the case, including maintaining the case file information until the appropriate statute of limitations expires.

2. Direct Cost. Direct cost includes any cost identified specifically with handling cases or accounts during the debt collection process. These costs normally consist of personnel costs, computer equipment costs, supplies, postage, and contract services.

3. Indirect Cost. Indirect cost includes any cost identified with the debt collection process, but which benefits that process and at least one other activity. Accumulate these costs only when they are expected to exceed 20 percent of the direct costs.

4. Cases Processed. The term cases processed refers to the number of cases completed or closed during the year, either by collection or write-off. Collection includes compromises and offsets from other Federal government payments.

021602. Break-Even Analysis Format

A break-even analysis is one method of determining realistic points at which further collection efforts are not justified. Refer to Table 2-1 for a break-even analysis format and instructions.

Figure 2-1. Civilian Sample Debt Notification for Overpayment of Pay and/or Allowances

(1)

(2)

Dear (3):

This is to inform you that you were overpaid for pay periods ending (4), through (4). The gross amount of your overpayment (including pay, taxes, benefits and other deductions) is $ (5). DFAS has adjusted your debt for any previous payments made and offsets taken and has determined that the net amount of the debt currently owed by you is $ (6). The overpayment is a result of (7). The payment was incorrect because (8). Your account was audited and the attached debt worksheet contains information detailing the overpayment.

Payment of Your Debt. Please pay the debt in full by (9), which is (10) days from the date of this letter. Your check or money order should be made payable to DFAS-CL Disbursing Station Symbol Number (DSSN) 8522 in the amount of $ (6). Please send your payment to DFAS-CL, ATTN: J3DCBB/555, 1240 E. 9th St., Cleveland, OH 44199-2056. If you are unable to pay the debt in one lump sum, you may agree in writing to pay the debt in regular installments by completing the enclosed Voluntary Repayment Agreement and mailing or faxing it to the address listed on the Agreement.

If You are Unable to Pay Your Debt. If you do not repay the debt in full, or do not submit a Voluntary Repayment Agreement (enclosed) within (10) days from the date of this letter, DFAS must collect the debt using other collection procedures. Beginning on (11), DFAS will initiate collection of the debt involuntarily from your pay by using salary offset procedures (payroll deductions). A maximum of 15 percent of your net disposable pay will be deducted each pay period until your debt is paid in full. The salary offset amount may fluctuate each pay period depending on your available net disposable pay. DFAS estimates that based on your current payroll information, your available disposable pay is $ (12), and 15 percent of your disposable pay is (13). Repayment of the principal amount of your debt would be completed in approximately (14) pay periods. If you retire or resign before your debt is paid in full, the entire amount of your final pay (salary and lump-sum payments) may be applied to pay off your debt. If you file for bankruptcy, you must notify DFAS as soon as possible.

Opportunities Available to You. If appropriate, you may contact your timekeeper to make time and attendance corrections, or your personnel office to make pay or allowance changes. You may inspect and/or receive copies of DFAS records related to your debt by contacting DFAS at the address listed above. If appropriate, you may request a hearing (see the enclosed instructions on "Requesting a Hearing"). You can find additional information on hearings and/or waivers at ***www.dfas.mil/civilianemployees/debt***. If you do not wish to dispute the validity or amount of the debt, you are entitled to request a waiver of your debt (see the enclosed instructions on "Requesting a Waiver"). DFAS will promptly refund to you any amounts you have paid or that were deducted for your debt which are later waived or found not owed to the United States.

Questions about Your Debt. Please see the enclosed "Collection of Your Debt" for additional information regarding debt collection. The Department of Defense Financial Management Regulation (DoD FMR) contains general information concerning debt collection authority at Volume 16, Chapters 1-4 and is available at ***http://comptroller.defense.gov/fmr.aspx***.

You may contact your Personnel Office or Customer Service Representative (CSR) if you have questions regarding your debt. If you have further questions about your debt, your CSR may initiate a Remedy inquiry to request information from DFAS, or you may contact the DFAS Civilian Payroll Office at 1-800-538-9043. You may also write to the DFAS Civilian Payroll Office at the addressed listed on this letter.

Sincerely,

SIGNATURE

(15)

Supervisor, Debt Processing Branch

(16)

Enclosures:
As stated

Figure 2-1. Civilian Sample Debt Notification for Overpayment of Pay and/or Allowances (Continued)

Please remit with payment:

Name _____ SSN _____ DB _____
PayBlk _____ Code _____ Debt Dates _____
Debt Type _____ Creation Date _____ Sequence Number _____
Line of Accounting _____
Payment Amount Enclosed $ _____

Explanation of Blank Spaces on Sample Debt Notification

(1) The title or office symbol/code of the civilian payroll office issuing the debt notification

(2) The full name and mailing address of the debtor

(3) Last name of debtor with proper title (Mr. or Ms.)

(4) The pay period(s) that the overpayment occurred

(5) The gross dollar amount of the overpayment

(6) The net dollar amount of the overpayment

(7) Reason for Indebtedness - A brief explanation of how the overpayment occurred (e.g., time and attendance or a personnel change)

(8) Explanation citing applicable law or DoD FMR provision, if applicable

(9) The date by which the debtor must pay the debt in full or submit a request for a voluntary repayment agreement, usually 30 days from the date the letter is issued

(10) The total number of days the debtor has to pay the debt in full or submit a voluntary repayment agreement, usually this number is "30"

(11) The date the involuntary deduction from pay begins

(12) The estimated amount of disposable pay

(13) Fifteen percent of the disposable pay amount shown in item (12)

(14) Divide amount shown in (6) by the amount determined in (13) and round to the next highest number. This will be the approximate number of pay periods needed to collect the overpayment in full

(15) Identify by name, the signatory for the letter

(16) The Debt Notification must include all enclosures (Enclosure 1, "Collection of Your Debt") (Enclosure 2, "Requesting a Hearing") (Enclosure 3, "Requesting a Waiver") (Enclosure 4, "Sample Voluntary Repayment Agreement")

Figure 2-1. Encl. 1 – Civilian Sample Debt Notification for Overpayment of Pay and/or Allowances (Continued)

COLLECTION OF YOUR DEBT

Please be aware of the following additional information concerning the collection of your debt:

Interest and Additional Charges. If you are unable to pay the debt in full by 30 days from the date of this notification, any unpaid portion of the debt will be considered delinquent. DFAS is authorized by law to add interest, penalties, and administrative costs to your debt if it is not paid within 30 days from the date of this letter. The rate of interest charged is at the U.S. Treasury Tax and Loan Rate and may commence on the date your debt becomes delinquent and may continue until the debt is paid in full. Additional penalties may be imposed at the rate of up to 6 percent a year on any unpaid portion of your debt that is delinquent for more than 90 days, commencing on the date your debt becomes delinquent and continuing until the debt is paid in full.

Collection Action on Delinquent Debts. If DFAS is unable to collect your debt by salary offset, DFAS may enforce repayment of your debt by using other available collection remedies such as referring your debt to a private collection agency, reporting your debt to a credit bureau, garnishing your non-Federal employment wages, or referring your debt to the Department of Justice for litigation. Debts delinquent for more than 120 days are transferred to the Department of Treasury (Treasury) for collection, and may be transferred sooner than 120 days. Treasury may offset your Federal income tax refunds or other Federal benefit payments, such as Social Security and Federal employee retirement benefits, in order to collect your debt. You may also be prohibited from being approved for a Federal loan if you do not resolve your outstanding delinquent debt.

Collection of Federal Employee Health Benefit (FEHB) Premiums. Your debt may be the result of an advance in salary you received when you were on leave without pay status (LWOP) or when your pay was insufficient to cover your share of your FEHB premiums. When you return to employment, or upon your pay becoming sufficient to cover the premiums, you are required to reimburse your employer for the premiums paid on your behalf. If you pay your debt with after-tax dollars using a personal check, the payment will not be subject to pre-tax treatment that would reduce your taxable income. In order to ensure the repayment will be treated on a pre-tax basis, you must select payroll deduction as your repayment method. Pursuant to OPM regulations under 5 C.F.R. 890.502, the "catch-up" option for repaying your FEHB premiums may not be paid pursuant to a Voluntary Repayment Agreement. Premiums must be collected back each pay period at the rate your employer paid the premium for you.

Penalties for False or Frivolous Statements. Please be advised that if you make or provide any knowingly false or frivolous statement, representations or evidence with respect to your debt, you may be liable for penalties under the False Claims Act (31 U.S.C. § 3729-3731) or other applicable statutes, and/or criminal penalties under 18 U.S.C. § 286, 287, 1001, and 1002, and other applicable statutes. A Federal employee may also be subject to disciplinary procedures under 5 U.S.C. § Chapter 75 or any other applicable statutes or regulations.

Tax Considerations. Per Internal Revenue Service (IRS) Publication 15, income tax withheld by DFAS in a prior calendar year cannot be adjusted. Therefore, if your overpayment occurred in a prior calendar year, you must pay back the gross amount of your debt, including any taxes previously withheld and paid on your behalf to the IRS. You may be entitled to a deduction (or credit in some cases) for the repaid wages on your income tax return for the year of repayment of your debt. If your overpayment and repayment both occur in the same calendar year, DFAS will be able to adjust your tax withholding and you will be responsible for repaying only the net overpaid amount. Upon repayment in the same calendar year, your W-2 will be adjusted to reflect your income and the associated taxes. Finally, please be aware that should your debt repayment ever become delinquent and collected by the offset of your tax refund, your spouse may file Form 8379, Injured Spouse Allocation, with the IRS to claim his or her share of the tax refund.

Bankruptcy. If you file for bankruptcy, you must notify DFAS as soon as possible.

Figure 2-1. Encl. 2 – Civilian Sample Debt Notification for Overpayment of Pay and/or Allowances (Continued)

REQUESTING A HEARING

You may request a hearing to contest the validity of your debt or the amount of your debt. If your debt will be collected by involuntary salary offset (other than pursuant to a Voluntary Repayment Agreement), you may also request a hearing to contest the terms of the involuntary salary offset schedule.

Is a hearing always the first step? No. Your Personnel Office or your Customer Service Representative may answer general questions about your debt. If you request a hearing, DFAS will first perform an informal reexamination ("reconsideration") of your pay records to validate the amount of debt you owe. DFAS will perform the reconsideration and issue written results to you. Reconsideration is an informal review performed to satisfy any doubts you may have regarding the amount or validity of your debt. A reconsideration is not a formal hearing. After considering the results of the reconsideration, you may decide not to proceed with the formal hearing process. To continue with a formal hearing, you must notify DFAS of your intent in a timely manner as noted below.

What happens during the hearing process? If you file a petition for a hearing in a timely manner, a hearing official will make a written determination regarding the validity or the amount of your debt, or will make a ruling on the proposed involuntary repayment schedule. The hearing official will consider any written statements and/or documentary evidence you submit, as well as internal agency debt files. You are entitled to a "Paper Hearing" wherein the hearing official makes a determination based on a review of the documents only, without the parties present. Rarely is an oral hearing granted and only if DFAS determines that the matter cannot be resolved by a review of the documents alone. You will receive a written decision within 60 days after filing your petition, unless the hearing official grants a delay. Collection of your debt, and any interest and penalty charges, will be suspended until the hearing official issues a written decision.

Is there a time limit for requesting a hearing? You must file a petition for a hearing within 30 days from the date of the attached debt notification letter (extended to 45 days if outside the Continental United States). If you requested records related to your debt, you must file a petition for a hearing within 45 days after the date the records are distributed. If DFAS performs a reconsideration of your debt (as explained above) and you wish to proceed with a formal hearing, you must notify DFAS within the time limit stated in the written reconsideration results you received.

What must be included in a hearing petition? Your written hearing petition must contain the following:

· Your name, daytime phone number, email address, mailing address and social security number.
· The reason for your hearing request, presented as follows:

1) To Contest the Validity of Your Debt or the Amount of Your Debt: Provide a statement concerning why you believe the debt (or the amount of the debt) is erroneous. To support your argument, include a written summary of the facts of your case for the hearing official. Include the date and manner in which you became aware of any overpayment. Include all documentary evidence you want the hearing official to review (such as Leave and Earning Statements (LES)). Include the written testimony of any witness you wish the hearing official to consider.

2) To Contest the Proposed Schedule for Collection of Your Debt by Involuntary Salary Offset: Provide an alternate payment schedule and a statement explaining your financial status. Provide copies of records to be considered by the hearing official.

· Sign and date your hearing petition and include your Social Security number. Identify your submission as "HEARING PETITION"

Where do I file a hearing petition? Fax your signed hearing petition and documentary evidence to 1-866-401-5849. If your hearing petition is missing information, you will receive a request to submit additional information. Failure to submit the additional information within 30 business days of notification will result in your hearing petition being dismissed. Alternatively, you may mail your hearing request and documentary evidence to DFAS Civilian Pay-IN, Dept. 6200, 8899 East 56th St., Indianapolis, IN 46249-1900.

Where do I find additional information? See DoD FMR Volume 16, Chapter 4.

Figure 2-1. Encl. 3 – Civilian Sample Debt Notification for Overpayment of Pay and/or Allowances (Continued)

REQUESTING A WAIVER

What is a waiver? Under 5 U.S.C. § 5584, the United States may waive its right to collect the debt you owe if collection would be against equity and good conscience and not in the best interest of the United States. The debt must be the result of an erroneous payment of pay or allowances (including travel, transportation, or relocation expenses and allowances). A debt may be waived in whole or in part. Collection of your debt generally will not be suspended during the waiver review process.

May I apply for a waiver and simultaneously request a hearing? No. By submitting an application for a waiver, you acknowledge that you do not intend to dispute the validity or amount of the debt. Waiver is not the proper forum to contest the validity or amount of your debt. If your waiver application includes arguments concerning the validity or amount of your debt, your application may be denied. In order to contest the validity or amount of your debt, you must file a petition for a hearing.

Is there a time limit for filing a waiver application? You must file a waiver application within 3 years after the erroneous payment was discovered.

What must be included in a waiver application and where should the application be submitted?

DD Form 2789:
You must complete and sign DD Form 2789, "Waiver/Remission of Indebtedness Application," available at: ***http://www.dtic.mil/whs/directives/forms/eforms/dd2789.pdf***. Send the application and all supporting documents to the address in your debt letter. If your waiver application is missing information, you will receive a request to submit additional information. Failure to submit the additional information within 30 business days of notification will result in your request for waiver being closed with no action.

Supporting Documents:
You must include supporting documents with your waiver application. Supporting documents include, but are not limited to:
· Copies of all supporting documentation referred to in DD Form 2789.
· Copies of Leave and Earnings Statements (LESs) covering 3 pay periods prior to the overpayment(s) through 3 pay periods after the overpayment ended. If you do not have access to your LESs, you must include a statement explaining why the LESs are not available.
· Copies of Standard Forms (SF) 50s, "Notification of Personnel Action", for the debt period (including corrections). If unavailable, include a statement from the personnel office indicating why they are not available.
· Any statement from you or any other persons in support of your application. Statements must be attested to be true and correct to the best of the individual's knowledge and belief.
· Additional required documents by type of debt:

Personnel Debts: any job offer letter/email (if applicable).
FEHB Debts: SF-2089/SF-2810 (copy of your original enrollment form and any amendments).
FEGLI Debts: SF-2817 (copy of your original enrollment form and any amendments).
Awards and Bonus Debts: Signed agreements or contracts for bonuses and/or Voluntary Separation Incentive Program payments.
Foreign Entitlement Debts: SF-1190 (signed by an official) and Military Orders (if applicable).
Time and Attendance Debts: Time and Attendance cards for debt period.

Where Do I Find Additional Information? See DoD FMR Volume 16, Chapter 4.

Figure 2-1. Encl. 4 – Civilian Sample Debt Notification for Overpayment of Pay and/or Allowances (Continued)

Sample Voluntary Repayment Agreement for Civilian Payroll Indebtedness

Debt Information:

Employee's Name _____ SSN: _____ Pay Blk: _____

Debt Reason: _____
Sequence Number: _____
Amount Owed: _____
Estimated Disposable Net Amount: _____
Estimated Deduction Amount 15% of net disposable per pay period: _____

Code: _____ Debt Dates: _____ through _____ Creation Date: _____
LOA: _____

Acknowledgement. I acknowledge that I owe the total amount indicated above due to a salary overpayment and that I am obligated to repay the debt to the United States. I understand that in the event I take no further action, 15 percent of my disposable pay will be deducted automatically beginning with the pay period stated above.

Interest. I also understand that if I decide to repay the amount owed by any method other than in a single lump-sum payment, interest at the Treasury Tax and Loan rate may be charged on the unpaid balance every month until the debt is paid in full.

Payment Obligation. I agree to repay the debt in the manner I have indicated below. Please choose one of the following repayment plans (check one):

___ Payment in Full by Check. I will repay my debt in a lump sum by check. My payment in the amount of $_____ is enclosed. Make check payable to DFAS-CL DSSN 8522 and mail to DFAS-CL, ATTN: J3DCBB/555, 1240 E. 9th St., CLEVELAND, OH 44199-2059 and fax this form to (317) 275-0354 (DSN 366-0354) or (866) 401-5849.

___ Payment by Salary Offset. I will repay my debt by having the payment offset from my salary. DFAS will accept the total payment amount as full and final payment of the debt, payable as follows (check one):

___ Single Payment. I wish to pay the total amount of the debt by salary offset in one payment. Please deduct the total amount of the debt from my salary on pay period ending _____.

___ Multiple Payments at 15% of Disposable Pay. I do not want to pay the debt all at once. I authorize DFAS to deduct the amount listed above (estimated to be 15% of my disposable pay per pay period) until the debt is paid in full.

___ Multiple Payments at More than 15% of Disposable Pay. I do not want to pay the debt all at once. I authorize DFAS to deduct $_____ each pay period, which is more than 15% of my disposable pay, until the debt is paid in full.

___ Multiple Payments at Less than 15% of Disposable Pay. Payment at the rate of 15% of my disposable pay would result in an extreme financial hardship for me. I authorize DFAS to deduct $_____ each pay period. This repayment amount has been approved by my employing agency (**Signature of agency approving official/supervisor is required below). In determining your proposed repayment amount, please be advised your debt should be repaid within 3 years, divide the amount due by 78 to determine the lowest bi-weekly payment; minimum payment amount is $25 per pay period. You may be required to submit financial statements annually whenever your repayment period exceeds 3 years.

Figure 2-1. Encl. 4 – Civilian Sample Debt Notification for Overpayment of Pay and/or Allowances (Continued)

In the Event of Default. In the event I default on my obligation under this agreement, DFAS is entitled to terminate this agreement without notice. Upon termination, DFAS will retain all amounts paid. Any unpaid balance of the debt will be automatically reinstated and shall become immediately due and payable pursuant to law. DFAS is entitled to take any lawful action it deems appropriate to collect the debt without duplicating notices and opportunities for review previously provided to me, whether before or after the date of this agreement.

I have read and fully understand and agree to the terms of this agreement.

Signature of Employee: _____ Date: _____

Daytime Telephone Number: _____

**Approving Official/Supervisor/Budget Representative (for Department of Defense Education Activity Employees) Signature (when required):

_____
Signature

_____ Date: _____
Printed Name

Submitting Your Signed Agreement. Please sign and return this repayment agreement to your payroll office. Alternatively, you may submit your signed agreement by FAX to (317) 275-0354 (DSN 366-0354) or (866) 401-5849, or by mail to DFAS-IN Dept. 6200 Civilian Pay, 8899 East 56th Street, Indianapolis, IN 46249-1900.

Rejection of an Unacceptable Agreement by DFAS. DFAS maintains the discretion to reject an unacceptable proposed repayment agreement and proceed with collection by salary offset. DFAS will notify the employee in writing in the event the repayment plan submitted by the employee is unacceptable.

THIS REPORT CONTAINS INFORMATION SUBJECT TO THE PRIVACY ACT OF 1974 AS AMENDED.

*Figure 2-2. Military Sample Debt Notification for Overpayment of Pay and/or Allowances

DEFENSE FINANCE AND ACCOUNTING SERVICE
[Supporting Finance/Military Pay Office]

Payment Coupon

Payment in Full other than payroll collection. I am paying my debt in a lump sum by money order or cashier's check. My payment in the amount of $_____ is enclosed. Please submit the payment coupon with any checks to the DISBURSING OFFICER, [Supporting Finance/Military Pay Office]

Debt Information:

Member's Name: _____

SSN: XXX-XX-_____

Amount Owed: $_____.__

Estimated Disposable Net Amount $_____

Estimated Deduction Amount 15% of net disposable per pay period $_____

Type of debt/Format Identifier code (for example, DQ or DV) _____

Sequence # (from Master Military Pay Account)_____

Line of Accounting _____

Figure 2-2. Military Sample Debt Notification for Overpayment of Pay and/or Allowances (Continued)

Appropriate [Supporting Finance/Military Pay Office] Letterhead

DATE

SUSPENSE: DATE

[Supporting Finance/Military Pay Office]

Officer Letter

MEMORANDUM FOR: RANK, LAST NAME, FIRST NAME

SUBJECT: Notice of Indebtedness to an Officer

MEMORANDUM FOR [Supporting Finance/Military Pay Office]

SUBJECT: Notice of Charge to an Officer RANK, Last Name (0000)

Payment Obligation. I agree to repay the debt in the manner I have indicated below. Please choose one of the following repayment plans (check one):

____I acknowledge the validity of this debt and agree to the collection of the amount due from my pay.

____I acknowledge the validity of this debt and request installment payments of the amount over a period of _____months. I have attached a statement detailing the reasons why this debt should be prorated and not collected in one lump sum.

____ I acknowledge the validity of this debt and would like to pay the debt with a cashier's check or a money order. Please ensure the cashier's check or money order is made out to the Disbursing Officer, [Supporting Finance/Military Pay Office] ***Please include this line of accounting on the check:***_____

____I will come to the [Supporting Finance/Military Pay Office] to discuss this matter on _____ (Date must be prior to the suspense date on basic letter).

_____ _____

Service Member's Signature Date

1. Finance has identified an outstanding debt to the U.S. Government for overpayment of (name of debt) in the amount of $XXX.XX from YEARMMDD-YEARMMDD.

2. You have until the close of business of the suspense date indicated above to dispute this debt by submitting a written request for review, along with supporting documentation, to the [Supporting Finance/Military Pay Office], Collections Desk. Upon timely receipt of your request, the debt will be reviewed and a written response will be issued to you within 60 days. If your request for review and supporting documentation is not supplied by the suspense date, immediate collection action will be initiated using the 2/3 rule as set out in the Department of Defense Financial Management Regulation, Vol. 16. An administrative fee will only be assessed if no response is received by the suspense date or the debt is paid via installments.

3. You may be eligible to apply for waiver or remission/cancellation of your debt. See attached "Collection of Your Debt" for more information.

4. You may request an installment payment plan. A request for payment by installment is subject to the [Supporting Finance/Military Pay Office] final approval which will take into account the amount of the debt and your financial ability to pay the debt. A 1% annual interest rate will charged on any unpaid portion of the debt and an administrative fee may be assessed.

NOTE: For any installment payment period greater than 12 months, an additional memo from your Commander is required stating a longer repayment period is needed based on your financial hardship. This memo will be forwarded to the appropriate authority for approval, with the recommendation of the [Supporting Finance/Military Pay Office]. The recommendations MUST be based on a financial hardship and allow for collection of the debt prior to the Service Member's date of separation. An installment period of 2 years or more will be reviewed every 12 months and will require the member to show continued financial hardship; otherwise debt collection will resume based on the above mentioned 2/3 rule in paragraph 2.

5. Request correspondence to be returned to the [Supporting Finance/Military Pay Office Address]

[Signature of Supporting Finance/Military Pay Office]

Figure 2-2. Military Sample Debt Notification for Overpayment of Pay and/or Allowances (Continued)

Appropriate [Supporting Finance/Military Pay Office] Letterhead

DATE

SUSPENSE: DATE

[Supporting Finance/Military Pay Office]

Enlisted Letter

MEMORANDUM FOR COMMANDER, XXX

SUBJECT: Notice of Indebtedness

1. Select one of the following items by initialing on the line preceding your choice and sign and date where appropriate. Return this memorandum back to the [Supporting Finance/Military Pay Office] for processing by suspense date.

_____ a. I acknowledge the validity of this debt and request lump-sum collection from my next regular pay.

_____ b. I acknowledge the validity of this debt and request prorating of debt for _____ months. Request for installment payments less than 12 months will be subject to approval by this office. A 1.875% annual interest rate and a $15 administrative fee will be assessed to the total debt.

NOTE: For any proration greater than 12 months, an additional memo from either the Unit Commander or [Applicable Senior Enlisted Advisor] is required indicating their justification of their recommendation. This memo will then be forwarded to DFAS-Indianapolis for approval with the recommendation of the DMPO. The recommendation MUST be based on a financial hardship and allow for debt collection prior to the member's date of separation. Any installment agreement that exceeds 24 months will be reviewed every 12 months, and will require the member to show continued financial hardship or the debt will be resumed based on the above mentioned 2/3 rule in paragraph 2.

_____ c. I acknowledge the validity of this debt and would like to pay the debt with a cashier's check or a money order. Please ensure the cashier's check or money order is made out to the DISBURSING OFFICER, [Supporting Finance/Military Pay Office]. ***Please include this line of accounting on the check:***_____

_____ d. I disagree with the debt. I will contact the [Supporting Finance/Military Pay Office] PRIOR to the suspense date to dispute this debt. I request remission or cancellation.

_____ _____
Service Member's Signature Date

_____ _____
Commander's Signature Date

2. The point of contact is XXX, Collections Desk @ XXX-XXX-XXXX.

3. Finance has identified outstanding debt to the U.S. Government pertaining to [Rank] Last name, First name (last 4 of SSN)], in the amount of $XXX.XX for overpayment of (name of debt) from YEARMMDD to YEARMMDD.

4. The Service Member has until the close of business of the suspense date indicated above to dispute this debt and provide supporting documentation to the [Supporting Finance/Military Pay Office], Collections Desk. If supporting documentation is not supplied by the suspense date, immediate collection action will be initiated using the 2/3 rule of the Department of Defense Financial Management Regulation, Volume 16. An administrative fee will ONLY be assessed on the debt if no response is received by the suspense date or the debt is repaid via installments. You are advised that you are afforded the opportunity to request payment via installments or Waiver or remission/cancellation of indebtedness for erroneous payment of pay and allowances.

[Signature of Supporting Finance/Military Pay Office]

Figure 2-2. Military Sample Debt Notification for Overpayment of Pay and/or Allowances (Continued)

COLLECTION OF YOUR DEBT

Please be aware of the following additional information that may concern the collection of your debt:

Interest and Additional Charges. If you are unable to pay the debt in full within 30 days from the date of this letter, any unpaid portion of the debt will be considered delinquent. DFAS is authorized by law to add interest, penalties, and administrative costs to your debt if it is not paid within 30 days from the date of this letter. The rate of interest charged is at the Treasury Tax and Loan Rate and may commence on the date your debt becomes delinquent and may continue until the debt is paid in full. Additional penalties may be imposed at the rate of up to 6 percent a year on any unpaid portion of your debt that is delinquent for more than 90 days, commencing on the date your debt becomes delinquent and continuing until the debt is paid in full.

Collection Action on Delinquent Debts. If DFAS is unable to collect your debt, DFAS may enforce repayment of your debt by using other available collection remedies such as referring your debt to a private collection agency, reporting your debt to a credit bureau, garnishing your non-Federal employment wages, or referring your debt to the Department of Justice for litigation. Debts delinquent for more than 120 days are transferred to the Department of Treasury for collection. Treasury may offset your Federal income tax refunds or other Federal benefit payments, such as Social Security and Federal employee retirement benefits, in order to collect your debt. You may also be prohibited from being approved for a Federal loan if you do not resolve your outstanding delinquent debt.

Tax Considerations. Pursuant to IRS Publication 15, income tax withheld by DFAS in a prior calendar year cannot be adjusted. Therefore, if your overpayment occurred in a prior calendar year, you must pay back the gross amount of your debt, including any taxes previously withheld and paid on your behalf to the IRS. You may be entitled to a deduction (or credit in some cases) for the repaid wages on your income tax return for the year of repayment of your debt. Each January, DFAS will issue a tax certificate for amounts repaid toward a prior year debt that can be used for tax filing. If your overpayment and repayment both occur in the same calendar year, DFAS will be able to adjust your tax withholding and you will be responsible for repaying only the net overpaid amount. Upon repayment in the same calendar year, your W-2 will be adjusted to reflect your income and the associated taxes. Finally, please be aware that should your debt repayment ever become delinquent and collected by the offset of your tax refund, your spouse may file IRS Form 8379, Injured Spouse Allocation, with the Internal Revenue Service (IRS) to claim his or her share of the tax refund

Penalties for False or Frivolous Statements. Please be advised that if you make or provide any knowingly false or frivolous statement, representations or evidence with respect to your debt, you may be liable for penalties under the False Claims Act (31 U.S.C. §§ 3729-3731) or other applicable statutes, and/or criminal penalties under 18 U.S.C. §§ 286, 287, 1001, and 1002, and other applicable statutes. A Federal employee may also be subject to disciplinary procedures under 5 U.S.C. Chapter 75 or any other applicable statutes or regulations.

Bankruptcy. If you file for bankruptcy, you must notify DFAS as soon as possible.

Opportunities Available to You

Requesting a Review. A debtor who questions the validity or amount of a debt may request a review and validation of the debt by the DCO. A debtor may also contest the involuntary repayment schedule. The debtor must submit a written request for a review that identifies and explains, with reasonable specificity, the facts and evidence the debtor believes supports his or her position. The request for review must be received not later than 30 days from the mailing date of the debt notification, or by the date indicated in the debt notification. There is no standardized format for a request for review; however, the request should contain debtor identifying information, the reason for requesting a review, supporting documentary evidence, and a dated signature. A debtor waives his or her right to a review if the debtor fails to submit a request in a timely manner. The DCO may accept a late request if the debtor can show that the delay was due to circumstances beyond the debtor's control.

Requesting Records. A debtor may make a written request to the DCO for records related to the debt. A request for records must be made prior to the deadline for submitting a request for review. Within 45 days after the date the records are distributed to the debtor, the debtor must submit a written request for review to the DCO or the debtor will waive his or her right to review.

Review Procedures. The request for review must be submitted to the DCO from which the debtor received his or her debt notification and must be mailed or faxed to the address in the notification. Upon receipt of the request for review, the DCO will consider the information, and any documentary evidence contained in the debtor's request and will perform a review and validation of the debt. The DCO must issue the written review results to the debtor.

Written Review Results. Written results should be provided within 60 calendar days.

Waiver or Remission. If appropriate, you may request a waiver of your debt. Under 5 U.S.C. § 5584, the United States may waive its right to collect the debt you owe if collection would be against equity and good conscience and not in the best interest of the United States. The debt must be the result of an erroneous payment of pay or allowances (including travel, transportation, or relocation expenses and allowances). A debt may be waived in whole or in part. Collection of your debt generally will not be suspended during the waiver review process. See DoD FMR Volume 16, Chapter 4. Please contact your Supporting Finance/Military Pay Office for further information on waiver or remission of your debt.

Table 2-1. Break-Even Analysis

BREAK-EVEN ANALYSIS

(1) Dollar Range	(2) Number of Cases Processed	(3) Original Dollar Amount	(4) Historical Cost to Collect	(5) Total Dollars Collected	(6) Dollar Difference
0-25					
26-50					
51-75					
76-100					
101-125					
126-575					
576-600					
SUBTOTAL					
OVER 600					
GRAND TOTAL					

Column (1) - Dollar range should be meaningful to the debt collection process. Subtotal can be placed anywhere within dollar range to relate to a particular debt collection need.
Column (2) - Total number of cases processed within this particular dollar range.
Column (3) - Original dollar amount of debts for this particular range.
Column (4) - Historical cost for this particular range or subtotal times number of cases in column (2).
Column (5) - Accumulate collections per range or subtotal.
Column (6) - Column (5) minus column (4). Break-even point is where the collections (5) are equal to the cost to collect (4).

Grand total of collections (column (5)) divided by grand total of original dollar amount (column (3)) = percent collection range for period.

VOLUME 16, CHAPTER 3: "COLLECTION OF DEBTS OWED BY INDIVIDUALS TO THE DEPARTMENT OF DEFENSE (DOD)"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font*.**

The previous version dated January 2016 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated formatting to comply with current administrative instructions.	Revision
030306.A	Deleted mailing and email address for non-DoD agencies to submit requests for salary offset because all requests should be routed through the Department of Treasury's Cross-Servicing Program.	Deletion
Figure 3-1	Updated address for submitting a debt payment.	Revision

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CHAPTER 3

COLLECTION OF DEBTS OWED BY INDIVIDUALS TO THE DEPARTMENT OF DEFENSE (DOD)

0301 GENERAL

030101. Overview

A. This chapter pertains to the collection of debts owed to the Department of Defense (DoD) from current and retired DoD civilian employees, current members of the military services (active and reserve), military retirees, Survivor Benefit Plan (SBP) annuitants, and individuals who are no longer employed by DoD.

B. This chapter does not apply to collection of debts owed by contractors, vendors, assignees, state and local governments, or foreign entities. This chapter also does not apply to the collection of child support, alimony, or commercial debts from the pay or salaries of DoD civilian employees or military members through garnishment or involuntary allotment. This chapter also does not apply to antitrust, fraud, tax, and interagency claims. Refer to Volume 7A, Chapters 41 and 43; Volume 7B, Chapter 27; and Volume 8, Chapter 8 for guidance pertaining to garnishments and involuntary allotments.

C. This chapter does not prescribe policy and procedures for determining whether a debt exists. Such determinations are the responsibility of the particular entitlement office or other organizations (e.g., military pay office, human resources office, or transportation office).

D. For purposes of this chapter, the civilian payroll office (PRO), military pay office, and military retiree pay office are examples of a debt collection office (DCO).

030102. Purpose

This chapter prescribes policy and procedures for the collection of debt owed to the DoD by individuals.

030103. Authoritative Guidance

DoD must collect all indebtedness due the United States (U.S.) in accordance with the legal authority set out at Chapter 1, paragraph 010103.

0302 COLLECTION OF DEBT FROM CURRENT, SEPARATING, TRANSFERRING AND RETIRED DOD CIVILIAN EMPLOYEES

030201. General

This section prescribes policy and procedures for the collection of debt owed to DoD by current, separating, transferring, and retired DoD civilian employees.

030202. Reasons for Overpayment of Civilian Pay and Allowances

Overpayments to employees may be the result of various payroll errors or adjustments. Examples include errors in computing federal withholding tax, Civil Service Retirement System (CSRS) or Federal Employees Retirement System (FERS) deductions, or Social Security and/or Medicare deductions, improper rates of pay, errors in reporting time worked, or erroneously accrued and paid annual leave. These errors may be the result of action taken both inside and outside the PRO. The head of each PRO maintains the overall responsibility for ensuring that an overpayment is recovered expeditiously or that another appropriate disposition of a debt is carried out, such as waiver of the indebtedness. The head of each PRO is responsible for ensuring that employees are afforded all legal rights relative to the collection of indebtedness. Responsibilities may be delegated, in writing, to another appropriate official within the financial community.

030203. Procedures for Debt Establishment

Generally, a debt is "established" or comes into existence when the government agency to which it is owed determines that there is a debt and identifies the exact amount of the debt. This initial determination by the agency triggers the debt collection process. To establish a debt and prepare for collection, the PRO must:

A. Compute the amount of the overpayment and assemble agency records establishing the debt;

B. Notify the human resources office (HRO) immediately if corrective personnel action is required. Continued payment of erroneous pay and allowances is not authorized and must cease immediately;

C. Provide the employee with due process before collecting an overpayment of pay and allowances, except under certain limited circumstances as set out in Chapter 2; and

D. Correct the employee's records when appropriate.

030204. Overview of Debt Collection from Current DoD Employees

A. General

1. After determining the amount owed to the United States by a current DoD employee and establishing a debt, the PRO must determine if collection may be

made using a routine pay adjustment under paragraph 030205. If the PRO cannot use a routine adjustment to collect a debt, then the PRO must contact the debtor by issuing a written debt notification that satisfies due process requirements. Refer to Chapter 2, sections 0204 and 0205 for guidance on debt notifications.

2. Upon notification, the debtor may voluntarily repay the debt in full in one lump-sum or by installment payment arrangement (voluntary repayment agreement) with the DCO. Refer to Chapter 2, section 0207 regarding voluntary repayment by a debtor.

3. Alternatively, a debtor may choose to exercise his or her opportunity for review of the debt by filing a petition for hearing. The DCO should stay debt collection efforts pending the outcome of the hearing. When appropriate, the debtor may also request a waiver of the debt; however, debt collection is generally not suspended during the waiver review process (refer to Chapter 4 for additional information). Finally, if the civilian employee does not respond to the debt notification by voluntarily repaying the debt or submitting a request for a review or waiver, then the DCO must initiate collection by salary offset under Title 5, United States Code (U.S.C.), Section (§) ***5514***, or under other specific statutory authority set out in Chapter 2, section 0209.

B. Case Examples. The following examples illustrate typical debt collection scenarios for civilian overpayments.

1. Routine Adjustment Example. A civilian employee was overpaid as a result of a time and attendance clerical error. The PRO established the debt owed by the employee and determined the overpayment occurred within the last four pay periods. The PRO provided the debtor with written notice that a routine adjustment was being made to the employee's pay. The notice appeared on the employee's Leave and Earnings Statement (LES). The DCO recouped the overpayment from the employee's pay.

2. Salary Offset/Voluntary Repayment Example. A civilian employee was overpaid for overtime 2 years ago. The PRO established the debt owed by the employee. Because more than four pay periods had elapsed since the overpayment, the PRO could not recover the debt by a routine pay adjustment. The PRO issued a debt notification letter to the employee. The employee received the notification, agreed that the debt was owed, and because the employee could not repay the debt in one lump-sum, the employee negotiated a voluntary repayment agreement with the DCO.

3. Involuntary Salary Offset/Hearing Petition Example

a. A civilian employee was overpaid for overtime 2 years ago. The PRO established the debt owed by the employee. Because the overpayment did not occur within the last four pay periods, the PRO cannot recover the debt by a routine pay adjustment. The PRO issued a debt notification letter to the employee. The employee received the notification and filed a hearing petition in order to contest the validity or amount of the debt.

b. As the first step in the hearing process, the PRO performed a reconsideration of the debt and issued written results to the employee indicating that the debt had been validated after reconsideration. The PRO further instructed the employee that if he or she disagreed with the reconsideration results, the employee could request to continue with a formal hearing. The employee requested the matter be set for hearing with a hearing official. The hearing official conducted a paper hearing and issued a written determination validating the debt. The employee did not voluntarily repay after receiving the hearing official's determination, and the PRO proceeded with salary offset at the rate of 15 percent of disposable pay. Refer to subparagraph 030304.D for guidance on determining disposable pay.

030205. Procedures for Routine Pay Adjustments

A. In accordance with 5 U.S.C. § 5514, DCOs are not required to provide due process procedures prior to collecting overpayments of pay and allowances using routine intra-agency pay adjustments. To collect by routine adjustment, the overpayment must have occurred within the four pay periods preceding the adjustment or amount to $50 or less. Routine adjustments may be necessary due to overpayment attributable to clerical errors, administrative errors, delays in processing pay documents, corrected or late time and attendance data, underdeduction of premiums, or incorrect personnel actions.

B. The DCO must provide the debtor with written notice of the nature and amount of the adjustment as well as a point of contact for questions regarding the adjustment. The information should be provided by the payday for the pay period in which the adjustment is processed, or as soon thereafter as practical. An appropriate notice on the LES meets the requirements for notification. See Title 5, Code of Federal Regulations (C.F.R.) ***550.1104(c)***.

C. The actual overpayment must have occurred after April 26, 1996.

D. The amount deducted may not exceed 15 percent of disposable pay unless the debtor has consented in writing to a higher amount. Refer to Chapter 2, subparagraph 020902.C for guidance on computing disposable pay.

E. If a DoD debtor's payroll account is moved from one PRO to another PRO within DoD, then the new PRO has the authority to collect an overpayment made by the former payroll office using routine adjustment procedures.

F. For routine adjustments involving health or life insurance premiums, refer to paragraph 030207.

030206. Processing Debt Repayments

A. Voluntary Repayment

1. Cash Repayment. The term "cash repayment" encompasses payments by personal check, money order, or another negotiable instrument. The DCO must

record the collection on a ***DoD (DD) Form 1131***, Cash Collection Voucher. The accounting data must include the appropriation or fund that funded the overpayment.

2. Payroll Deductions (Salary Offset)

a. One-Time/Lump-Sum Deduction (Salary Offset). If an employee voluntarily requests to have the indebtedness deducted from pay, then the DCO must arrange for the employee to complete and sign a voluntary repayment agreement as shown in Chapter 2, Figure 2-1, Enclosure 4 indicating payment by lump-sum deduction. The DCO must retain the original signed agreement. If requested by the employee and agreed to by the DCO, then the DCO can defer remittance for up to 2 pay periods and change the agreement to reflect that adjustment. An employee may also combine a one-time deduction with a cash payment as a means of liquidating the indebtedness. If a one-time deduction does not fully liquidate the indebtedness, then the DCO must adjust the agreement accordingly.

b. Installment Deductions (Salary Offset). If an employee is unable to repay the debt in one lump-sum by cash repayment, then installment payments may be acceptable. The employee should complete a voluntary repayment agreement indicating repayment by salary offset using installment payments. The DCO must retain the original signed agreement. Refer to Chapter 2 for additional guidance pertaining to requesting and approving installment payment plans.

B. Involuntary Repayment by Salary Offset

1. When a debtor has either failed to pay the debt in one lump-sum, has not agreed to a voluntary one-time payroll deduction, or has not entered into an installment agreement, the DCO must recover the debt by involuntary salary offset.

2. Before initiating involuntary salary offset, the DCO must ensure the debtor was given due process pursuant to Chapter 2, section 0204, and that the debtor has not exercised the rights listed in the debt notification letter or, having exercised one or more of those rights, was determined to be indebted. The DCO may initiate collection of a debt from final pay and lump-sum leave payments before granting due process if failure to do so would substantially prejudice DCO's ability to collect the debt. In such cases, the DCO must afford the debtor due process as soon as practicable. For additional guidance on salary offset, refer to Chapter 2, Paragraph 020902.

030207. Collection of Indebtedness Due to Underdeduction of Health or Life Insurance Premiums

A. An employee's debt may be the result of an election or a change in coverage in the Federal Employee Health Benefit (FEHB) or Federal Employee Group Life Insurance (FEGLI) programs that results in the underdeduction of premiums. Collection of the debt caused by the underdeduction of premiums may be made without affording the employee full due process under 5 U.S.C. § 5514 if the amount to be collected accumulated over four pay

periods or less, or the amount is $50 or less. Refer to 5 C.F.R. 550.1104(c) for additional information.

B. In such cases, the PRO must notify the employee either in advance or concurrent with the actual collection. The notice must indicate that: (1) because of the employee's election, future salary will be reduced to cover the period between the effective date of the election/change in coverage and the first regular withholding; and (2) a point of contact for contesting the retroactive collection. An appropriate notice on the LES that includes this information meets the requirement for notification.

C. If processing delays cause the debt to accumulate over more than four pay periods, then the DCO must use the due process procedures required under 5 U.S.C. § 5514 as outlined in Chapter 2.

D. For guidance on collecting debts arising from the nonpayment of premiums when an employee is in a non-pay status or when salary is insufficient, refer to Volume 8, Chapter 11 and the Office of Personnel Management (OPM) ***FEHB Handbook*** or ***FEGLI Handbook***.

E. The DCO may request OPM recover past-due health insurance premiums from separated employees by requesting OPM withhold the amount due from any payment owed to the former employee from a refund or retirement annuity. The agency must submit an OPM Form ***1522***, Request for Offset for Past-Due Health Benefits Premiums From Monies Payable Under the Civil Service Retirement System or the Federal Employees Retirement System, to request the offset from amounts that may be paid to the separated employee from the retirement system. See FERS Handbook, ***Chapter 4***.

F. An employee's health insurance plan carrier may garnish an employee's wages to collect debts owed to the carrier following the provisions of ***5 C.F.R. Part 582***.

030208. Collection of Indebtedness from Final Salary and Lump-Sum Payments

A. Collection of a Previously Established Debt

1. Under 5 U.S.C. § 5514, when an employee separates by resignation, retirement, death, or termination of appointment, the employee's final pay (including lump-sum leave payments) will be applied to the extent necessary to liquidate a previously established debt. The 15 percent disposable pay limitation does not apply to the offset. To recover the debt, other payments due from any source (such as amounts claimed for travel and transportation) should be applied to the debt.

2. Due process is not necessary if debt collection is already in process at the time of the employee's separation, and the employee has previously been afforded notification of the debt and an opportunity for review. For deceased employees, any unpaid compensation due must be applied to liquidate any indebtedness. If the debt balance of a deceased employee remains after offsetting final pay, the DCO should not pursue collection from

the employee's beneficiary. The DCO should forward the debt case to the Debt and Claims Management Office (DCMO). See 5 U.S.C. § 5514(a)(1) and ***5 U.S.C. § 5705***.

B. Collection of a Newly Established Debt. When an employee separates by resignation, retirement, death, or termination of appointment and, upon the separation, a debt is newly established (i.e. the debt was not previously established and is not already being collected from salary under the authority of 5 U.S.C. § 5514), the DCO must collect the debt using administrative offset under ***31 U.S.C. § 3716***. The DCO must apply all money payable to the employee to collect the debt with no limit on the maximum rate of collection. As soon as practicable, the DCO must give the debtor notification of the debt and an opportunity for review under Chapter 2. More information may be found in 31 C.F.R. ***901.3(b)(4)(iii)(C)***.

C. Collection of a Debt from Severance Pay. Collection of a debt from an employee's severance pay issued under ***5 U.S.C. § 5595*** is permissible under 31 U.S.C. § 3716. If an employee has not previously received notification of the debt and an opportunity for review (due process) under Chapter 2, the DCO must grant notice of the debt to the debtor as soon as practicable. Refer to 31 C.F.R. 901.3(b)(4)(iii)(C) for additional guidance. There is no limit on the maximum rate of collection, and all money due and payable to the employee is subject to offset. Severance pay represents wages credited to the employee's account; therefore, deductions taken from severance pay should be computed before the offset. The employee's net pay amount is available for administrative offset under 31 U.S.C. § 3716. In addition, under 5 C.F.R. ***581.103***, severance pay is subject to court-ordered garnishments for alimony, child support, and commercial debts.

030209. Collection of Indebtedness from Transferring DoD Employees

A. General

1. This section applies to DoD employees who transfer within DoD resulting in a change of PRO and to employees who transfer to a non-DoD Federal agency. The instructions contained in this paragraph apply regardless of the point in the debt collection cycle when the employee's separation occurs. For example, the employee may separate while installment payments are being made, a waiver request is being considered, a petition for a hearing is pending, or the written notification of indebtedness is being prepared.

2. In general, all actions will continue upon the employee's separation. While hearings regarding the amount of involuntary offset should be terminated upon an employee's separation, other hearings concerning the validity or amount of a debt must continue, and a written determination should be issued. If, due to subsequent events, the indebtedness is nullified, the DCO must refund amounts withheld from both current and final pay. Refunds must be made without requiring a claim from a former employee.

B. Transfer Within DoD that Results in a Change of PRO

1. In accordance with ***5 C.F.R. Part 550, Subpart K***, the losing PRO must ensure the gaining PRO is aware of the following information, which is typically provided systemically:

a. The identity of the indebted employee;

b. The amount of the debt, including assessments of interest, administrative fees, and penalties (IPA), when appropriate;

c. The accounting classification for credit;

d. The nature of the debt and the original due date (generally 30 days from the initial notification of indebtedness);

e. Copies of all correspondence sent to or received from the employee, including waiver requests, hearing petitions, decisions on waiver requests, and determinations of hearing officials;

f. The original copy of any voluntary repayment agreements. If none exists, a statement of the biweekly percentage of involuntary offsets must be included;

g. The date the right to collect the debt first occurred. Generally this is the date the overpayment occurred. If offset has already begun, the date of the last offset will be given;

h. A statement regarding the status of any unfinished actions which may be pending. When such action is completed, the gaining PRO must be immediately advised;

i. A request that the offset be accomplished or continued; and

j. A copy of ***DD Form 2481***, Request for Recovery of Debt Due the United States by Salary Offset, properly completed and certified.

2. The losing PRO must complete any pending actions involving due process or waiver and notify the gaining PRO of the outcome. Upon receipt of the required information, the gaining PRO must assume full responsibility for collection of the debt, pending receipt of previously unfinished actions. Any agreements reached regarding installment repayments or the decision not to accrue or assess IPA are binding on the gaining PRO. If the debt is subject to interest, the gaining PRO must make the necessary computations. Installment deductions already begun must continue without interruption.

C. Transfer to Another Government Agency. When an employee transfers to another federal agency outside of DoD, the PRO/DCO should forward the debt case to DCMO pursuant to the instructions in section 0305.

030210. Collection of Indebtedness from Retirement Funds of Former Civilian Employees

A. Action by the PRO

1. General. Upon retirement, if an employee is still indebted to DoD, and the amount withheld from final salary and lump-sum payments (paragraph 030208) is inadequate to satisfy the indebtedness, then the DCO may request that OPM offset the indebtedness against monies due and payable to the separated employee from the CSRS or FERS basic benefits. Such a request is in the form of a debt claim submitted to OPM by the DCO. A debt claim is the agency's request for recovery of the debt by OPM. This practice does not apply to Nonappropriated Fund Instrumentality Employees. Paragraph 030210 applies only when the former employee has been provided the due process rights found in Chapter 2. For additional information on collection of indebtedness from retirement funds, refer to 5 C.F.R. Part 831, subpart R (***CSRS***) and 5 C.F.R. Part 845, subpart D (***FERS***).

2. Scope. The instructions contained in subparagraph 030210.A apply to all debts that the DCO was collecting on behalf of DoD, with the exception of debts resulting from an individual's failure to pay health benefit premiums. Refer to paragraph 030207 for guidance regarding the collection of debts for health benefit premiums.

3. Notice to the Employee. Prior to sending a debt claim request to OPM, the DCO must notify the employee in writing that a debt claim is being sent to OPM to offset the employee's CSRS or FERS basic benefits. The letter must state the amount of the debt at separation, the amount recouped from final pay and other sources, and the balance due. The letter must inform the employee that if he or she makes full payment of the balance due, the debt will not transfer to OPM. This notice is in addition to any previous due process notification the employee should have received. Refer to Figure 3-1 for a sample notification. The DCO must provide due process to the debtor prior to submitting the debt to OPM for collection unless the DCO submits an incomplete debt claim.

4. Submission of Complete or Incomplete Debt Claims to OPM. Claims must be submitted to OPM in accordance with ***5 C.F.R. 831.1805(b)(5)***, 5 C.F.R. ***845.405(b)(5)*** and the CSRS and FERS Handbook, Chapter 4.

a. Complete Debt Claims

(1) The DCO must make a request for debt recovery to OPM by submitting a debt claim on a ***Standard Form (SF) 2805***, Request for Recovery of Debt Due the United States, which must be prepared in duplicate. The submission must be made to the Office of Personnel Management, Retirement and Insurance Group, Employee Service and

Records Center, Boyers, PA 16017. Attach a copy of the notice sent to the employee and two copies of the following signed certification to the SF 2805:

(a) A statement that the debt is owed to the Government;

(b) The amount and reason for the debt and whether additional interest accrues. Note that for those debts that are subject to interest beyond that already calculated, the DCO must advise OPM of the dollar value of the additional accrual;

(c) The date the Government's right to collect the debt first accrued;

(d) A statement that the PRO has complied with the applicable statutes, regulations, and OPM procedures;

(e) A statement that if a competent administrative or judicial authority issues an order directing OPM to pay the employee an amount previously paid to DoD (regardless of the reasons behind the order), then DoD will reimburse OPM or pay the employee directly within 15 days of the date of the order;

(f) A chronology of actions taken to collect the indebtedness. Copies of the correspondence are not required;

(g) If the collection will be in installments, the amount or percentage of the net annuity in each installment;

(h) If the debtor consents to the collection or acknowledges the debt in writing, a copy of the debtor’s written consent or acknowledgement. If the debtor does not consent in writing to the offset, or has not acknowledged receipt of the due process notification, the DCO must certify that the agency has complied with any due process requirements; and

(i) If the agency has a court judgment against the debtor the agency should submit a copy of the judgment.

(2) OPM is aware that DCOs will not be able to obtain the employee's consent to the collection in every case; therefore, OPM will honor such claims from DCOs upon receipt of the DCO's certification. However, every attempt to obtain the employee's consent should be made if the process has resulted in a compromised amount (an amount less than the total debt) or, in the case of an annuitant, a specific monthly installment is agreed to.

b. Incomplete Debt Claims

(1) Occasionally, the DCO will not be capable of sending a complete debt claim to OPM. For example, a separation may occur before or during due process procedures or before the actions in paragraph 030208 have been completed.

(2) In other instances, the DCO may be required to submit the indebted employee's ***SF 2806/3100***, Individual Retirement Record, before the proper amount of offset from the employee's monthly annuity has been determined. In such cases, the DCO must notify OPM in order to prevent payment of retirement benefits to the employee. This practice is particularly important when an employee is entitled to a refund (lump-sum retirement credit) of his or her contributions. The DCO must notify OPM of the incomplete claim by making a remark in Column 8 of the SF 2806/3100. The SF 2806/3100 must include a statement that the debt is owed to the United States, the date the debt first occurred, and the basis for and the amount of the debt.

5. Transfer of Debt Case. After sending the SF 2805 to OPM, the DCO must transfer the debt to DCMO, Defense Finance and Accounting Service – Indianapolis (DFAS – IN) pursuant to section 0305.

B. Action by OPM

1. Collection of Debt Claims from Refunds. The term "refund" refers to the payment of a lump-sum retirement credit to an individual by OPM.

a. Complete Claims

(1) If the agency sends OPM a complete debt claim, and OPM has already issued a refund to the individual, then OPM will advise the DCO that no monies are available to recover the indebtedness. If OPM received the employee's refund application, but has not yet processed it at the time a complete claim is received, then OPM will honor the claim and make remittance to the DCO.

(2) If the employee has not applied for a refund of contributions, then OPM will advise the DCO that the debt claim will be retained pending a future refund application. If the application for a refund is received from the individual within 1 year following the date of OPM's receipt of the SF 2805, then OPM will honor the debt claim (where no interest is due) or contact the DCO to determine the amount of interest on the debt prior to honoring the debt claim. If OPM receives the application for refund more than 1 year following OPM's receipt of the SF 2805, then OPM will contact the DCO to verify that the debt is still current.

(3) If the PRO transferred the debt to the DCMO, then the DCO must refer such inquiries to the DCMO. If the PRO has not yet transferred the debt to DCMO, but has not made full collection, then the DCO must contact the employee pursuant to 31 C.F.R. 901.3(d) to provide the employee the opportunity to establish whether changed financial

circumstances would make the offset unjust. The decision whether to pursue the offset or to attempt collection by other means will be made based on the employee's response. Generally, the offset must be pursued unless the success of alternative collection action is relatively certain.

b. Incomplete Claims. If the agency has submitted an incomplete debt claim to OPM, and OPM is processing the employee's application for a refund, then OPM will withhold the amount of the debt but will not make a payment to the agency until the claim is complete. OPM will notify the DCO to submit a completed debt claim to OPM within 120 days from the date of OPM notification. OPM may extend this deadline by an additional 60 days if the DCO so requests. Failure to meet the deadline or extended deadline, if applicable, will result in payment of the refund to the employee with no withholding for the debt.

2. Collection of Debt Claims from Annuities

a. Complete Claims

(1) When OPM receives a complete debt claim from the DCO and an application for an annuity from the former employee, OPM will offset the annuity and pay the agency. When possible, OPM will make a one-time offset against the retiree's annuity payment in accordance with ***5 C.F.R. 831.1806*** and ***5 C.F.R. 845.406***. OPM will not make an installment deduction for more than 50 percent of the net annuity, unless a higher percentage is needed to satisfy a judgment against a debt within a 3-year timeframe, or the annuitant has consented to the higher amount in writing per ***5 C.F.R. 831.1807*** and ***5 C.F.R. 845.407***. For debts collected by installment that are subject to continuing interest payments, the DCO must advise OPM of the new amount of the debt at least 90 days prior to the final payment.

(2) Whether the debt is repaid by one-time offset or installment deductions, OPM will begin collection during the next available annuity payment following its receipt of the completed claim. If the monthly annuity payment has not yet been established, offset will begin with the first regular annuity payment. Offsets will not be made against advance annuity payments.

(3) As in the case of refunds, offsets are dependent on OPM's receipt of the retiree's application. Therefore, OPM will retain any SF 2805 received in advance of a retiree's application. If any application is received more than 1 year following receipt of the SF 2805, then OPM will contact the DCO in order to determine the current status of the debt. If the DCO has transferred the debt to DCMO, then the DCO should refer the inquiry from OPM to the DCMO. If the DCO has not transferred the debt to DCMO, and full collection has not been made, then the DCO must contact the employee pursuant to 31 C.F.R. 901.3(d) in order to provide the retiree with the opportunity to establish whether his or her changed financial circumstances would make the offset unjust.

b. Incomplete Claims. OPM will notify the DCO of an incomplete debt claim against a debtor who is receiving an annuity. OPM will not offset the annuity until the debt claim is complete. Unlike the time limits for submitting a complete debt

claim against a refund, there is no time limit on submitting a complete debt claim against an annuity.

030211. Collection of Indebtedness from Former DoD Civilian Employees

PROs and DCO must refer debts of former personnel who are no longer DoD civilian employees (out-of-service debtors) to the DCMO pursuant to section 0305.

030212. Collection of Debts Other than Overpayment of Pay and Allowances

A. General. Pursuant to ***5 C.F.R. 550.1109***, DoD component organizations external to the PRO (such as employing agencies) may request the PRO recover debts from current employees of the component by means of salary offset. Such debts originate outside of the PRO and are not due to an overpayment of pay or allowances. In general, the PRO will not review the merit of a debt originating outside the payroll office.

B. Requests for Involuntary Salary Offset under 5 U.S.C. § 5514. Requests from DoD Components for involuntary salary offsets under 5 U.S.C. § 5514 for the following types of overpayments should be forwarded to the PRO on a DD 2481. The form requires certification by an appropriate official that the employee has been provided due process pursuant to Chapter 2. Salary offset is limited to 15 percent of disposable pay for the following debts:

1. Overpayment of travel allowances;

2. Report of Survey (also known as Government Property Lost or Damaged) debts (provided that procedures, as prescribed in the cognizant DoD Component regulations, are completed before invoking involuntary salary offset under 5 U.S.C. § 5514);

3. Unofficial telephone use;

4. DoD Component hospital uncollected billings;

5. Commissary store debts (such as for dishonored personal checks); and

6. Fees received for court service, such as fees received from the court for service as a juror or witness. Refer to Volume 8, Chapter 5 for additional guidance on these fees. Fees are returned to the appropriation or fund from which the employee is paid under 5 U.S.C. § ***5515***.

C. Requests for Salary Offset Under Other Statutory Authority

1. Collections of Unused Travel Advances (Unearned Advance Per Diem and Mileage Allowance) and Unearned Temporary Quarters Subsistence Expense (TQSE)

a. Under 5 U.S.C. § 5705, a federal employee who is entitled to per diem or mileage allowances may receive a travel advance. Any amount of the travel advance

that is not used for allowable expenses must be collected. The travel pay office or the employing activity must give the employee an immediate opportunity to repay any amount due in a lump-sum.

b. If the employee does not make immediate payment, offset may be made against all accrued pay, retirement credit for individuals who have left federal employment prior to being eligible for retirement, or any other amounts due the employee. The offset may be made without limitation, as long as it does not cause extreme financial hardship. Refer to Chapter 2, paragraph 020801 for guidance on determining financial hardship. The travel functional area must notify the PRO of the request for offset in writing and must provide a copy of the employee's signed repayment agreement, when applicable. The PRO must collect the debt in one lump-sum, or in installments, in accordance with the employee's signed voluntary repayment agreement or written instructions provided by the travel pay office or the employing activity.

2. Excess Costs Due to Shipment of Personal Property. A debt for excess cost is created when an employee's shipment of personal property exceeds the authorized weight allowance. A DD 2481 must be issued to the employee's PRO to request collection under 5 U.S.C. § ***5724(a)(2)***. The collection of the excess costs from an employee's pay is considered a voluntary salary offset since the employee agreed to repay the excess costs when he or she signed ***DD Form 1299***, Application for Shipment and/or Storage of Personal Property, before the actual shipment of the property.

a. The employee may submit a written request for reconsideration of any amount due to his or her employing activity's transportation management representative within 30 days of the debt notification.

b. After the agency performs the reconsideration and has notified the employee of the result, the transportation management representative must notify the PRO in order to begin the collection by offset of any balance due.

3. Collection of Employee Training Expenses

a. When an employee fails to fulfill a training agreement, and he or she does not voluntarily repay the employing activity, collection of training expenses from the employee's pay account is authorized under ***5 U.S.C. § 4108***. In accordance with 5 C.F.R. ***410.309***, the employing activity must give the employee the opportunity to request a reconsideration of the amount to be recovered or to request a waiver of the activity's right to recover.

b. In order for the PRO to initiate collection by salary offset, the DoD Component training office must supply the PRO with a copy of the Standard Form (SF) ***182***, Authorization, Agreement and Certification of Training, showing the employee's signed consent to the terms of the training agreement, along with a copy of the notification of indebtedness issued to the employee by the training office. The PRO must forward a copy of the SF 182 to the employee with written notification advising the employee of the payroll deduction amount.

4. Negotiation of Duplicate U.S. Department of Treasury (Treasury) Payments

a. The negotiation of an original Treasury check that was replaced by a recertified check is an illegal and improper payment for purposes of pecuniary liability. The disbursing officer who issues a duplicate payment is responsible for collection of the duplicate payment from the payee.

b. The disbursing officer must give the payee an opportunity to dispute the debt or to consent to salary offset. If the employee agrees to repayment, the disbursing officer must forward to the PRO a signed statement from the employee agreeing to voluntary collection from pay and evidence that negotiation of both instruments has occurred. The PRO must inform the employee that it will deduct the amount of the indebtedness in full from the next salary payment. If, for any reason, the disbursing officer cannot produce a written consent from the employee, then the PRO must treat the case as an overpayment and provide the employee a written debt notification and opportunity for review as required by Chapter 2. After the completion of due process requirements, if the employee does not authorize voluntary deductions, involuntary salary offset must be made under 5 U.S.C. § 5514.

5. Collection of Dishonored Personal Checks. Collect for dishonored personal checks in accordance with Volume 5, Chapter 4.

0303 COLLECTION OF DEBT FROM ACTIVE AND RESERVE MEMBERS

030301. General

This section pertains to the collection of debt owed to DoD by active and reserve military members, hereafter referred to as members.

030302. Due Process Requirements

The head of the military pay office (typically the DCO) must ensure that it affords members all legal rights relative to collection of a debt due to overpayments of pay and allowances. Unless otherwise directed by statute, military members are entitled to due process, consisting of a notice and an opportunity for review, prior to the initiation of debt collection. Refer to Chapter 2 for due process requirements. Refer to Chapter 4, paragraph 040206 for information on review opportunities for military members.

030303. Collection From Member's Pay

A. General. General statutory authority for collection by salary offset from a member's pay exists under both ***37 U.S.C. § 1007(c)*** and 5 U.S.C. § 5514. Generally, debts established by DoD agencies are collected under the authority at 37 U.S.C. § 1007 and debts that a non-DoD agency has administratively determined to be owed the U.S. are collected under 5 U.S.C. § 5514. Other statutory authority may authorize collection of specific classes of debts. Court judgments against a member, or retired member, in favor of the United States may not be

collected under Public Law ***97-276***. See Comp.Gen. B-230865 (1990); U.S. Tafoia, 803 F2d 140 (1986).

B. Voluntary Repayment Encouraged. Members indebted to the United States should be encouraged to discharge their indebtedness through lump-sum cash payments. When the amount of the debt relative to the member's ability to repay indicates that a lump-sum payment would create a financial hardship for the member, installment payments may be accepted. Members are encouraged to voluntarily accept liability for their indebtedness and to agree to a repayment schedule that adequately protects the interest of both the United States and the member.

C. Current Pay

1. Current pay is available for repayment of a debt by involuntary offset (without the member's consent) only if such recovery is expressly authorized by statute. Refer to Tables 3-1 through 3-5 for guidance and statutory authority on involuntary collection from the member's pay.

2. Tables 3-1 through 3-5 authorize collection to be made involuntarily when statutory authority exists for such collection. The tables also reflect the limited circumstances under which collection may be made from the member's current pay only with a member's consent.

D. Final Pay. When a member receives final pay on separation, indebtedness to the United States may be collected under the general rule of offset, without specific statutory authority, subject to the limitations in subparagraph 030305.B and Table 3-6. Under this rule, even those debts that are subject to collection from current pay only with the member's consent may be collected from final pay and allowances without the member's consent. Amounts owed to a Service relief society (i.e., Army Emergency Relief, the Navy-Marine Corps Relief Society, the Air Force Aid Society, or the Coast Guard Mutual Assistance) may also be collected from final pay without the member's consent as provided under 37 U.S.C 1007(c) and (h).

030304. Limitation on Collections

A. Current Pay. Some laws authorizing collection of indebtedness from a member's pay impose restrictions on the amount that may be collected, on the items that may be collected, or on the items of pay from which collection may be made. Tables 3-1 through 3-6 reflect these limitations. When a member voluntarily authorizes collection, the member and the DCO will determine an agreeable rate of collection within the guidelines shown in the referenced tables. The member may authorize or request collection in greater amounts.

B. Final Pay. Table 3-6 shows which items of final pay and allowances are available for offset of debts. See Table 3-7 for Military Retiree indebtedness.

C. Gross Pay. Compute gross pay by adding together basic pay, all special and incentive pays, and all reenlistment bonuses. Gross pay does not include allowances or reductions in pay, such as forfeitures.

D. Disposable Pay. Disposable pay, when used to calculate maximum allowable deduction, is computed by deducting the following from gross pay of active duty members: Federal Insurance Contributions Act (FICA); Armed Forces Retirement Home; Federal Income Tax Withholdings (FITW); Service members' Group Life Insurance (SGLI) (including Family SGLI (FSGLI) and Traumatic SGLI (TSGLI)); and State Income Tax Withholdings (SITW). For reservists, the deductions to calculate disposable pay are: FICA; FITW; SITW; and SGLI (including FSGLI and TSGLI).

030305. Collections by Salary Offset Under Title 37 U.S.C. § 1007 (c)

Section 1007(c) of Title 37 authorizes the deduction from a member's pay of an amount that the Secretary of the Military Department concerned administratively determines to be owed to the United States or any of its instrumentalities. Two-thirds of the member's disposable pay is the maximum amount that may be deducted from his or her monthly pay, except as provided in subparagraph 030305A.3.a, 030305.A.3.b, and 030305.A.4. Where a member of one Military Service owes a debt to another Military Service, and the creditor Service makes an administrative determination of indebtedness, the creditor Service may forward that determination, along with a certification of having complied with the appropriate instructions set forth in this section, to the military pay office servicing the member for collection action. Refer to Chapter 2, subparagraph 021405.E for guidance on delaying the start of the repayment requirement to recover the indebtedness.

A. Collection and Due Process Requirements under 31 U.S.C. § 1007

1. Due Process. Use the procedures set out in Chapter 2 for debts that require due process be provided to the member. The field office must initiate due process after its receipt of a management notice from the pay system, and any subsequent debt collection must be based on an appropriate repayment schedule.

2. Collection When Member is at Fault. When the military pay office determines that an overpayment of pay or allowances is the fault of the member, the office must still ensure due process procedures set out in Chapter 2 are followed prior to collecting the debt. The military pay office may recover the debt in monthly installments of up to two-thirds of the member's disposable monthly pay. The member may consent to deduction of the debt at a greater percentage.

3. Collection When Member is Not at Fault. When the military pay office determines that an overpayment of pay or allowances is not the fault of the member, it is authorized to recover the debt in monthly installments. The office must still ensure due process procedures set out in Chapter 2 are followed prior to collecting the debt. For overpayments described in this subparagraph that are made on or after October 29, 2009, the military pay office is required to provide a reasonable opportunity for the member to request a delay in the

imposition of the repayment requirement to recover the overpayment. Before beginning collection efforts, the military pay office must consider the reasons provided by the member for the requested delay, including the financial ability of the member to repay the indebtedness, and the hardship that immediate collection would impose on the member and the member's dependents.

a. If overpayment was made to a member on or before October 28, 2009, the military pay office will recover the overpayment in monthly installments not to exceed 20 percent of the member's disposable pay for each month. The military pay office may deduct a greater percentage with the member's consent.

b. If overpayment was made to a member on or after October 29, 2009, the military pay office will recover the overpayment in monthly installments not to exceed 15 percent of the member's disposable pay for each month. The military pay office may deduct a greater percentage with the member's consent.

4. Collection of Combat Zone/Combat Operation Wounded Member Debts. If a member, through no fault of the member, incurs a wound, injury, or illness while in the line of duty in a combat operation or combat zone designated by the President or the Secretary of Defense, then any overpayment of pay or allowances made to the member while the member recovers from the wound, injury, or illness may not be deducted from the member's pay until:

a. The member is notified of the overpayment; and

b. The later of the following occurs:

(1) The end of the 180-day period beginning on the date of the completion of the tour of duty of the member in the combat operation or combat zone, or

(2) The end of the 90-day period beginning on the date of the reassignment of the member from a military treatment facility or another medical unit outside of the theater of operations.

After receiving notification of the overpayment, a member may request initiation of collection action at an earlier date. The military pay office must determine the appropriate rate of collection pursuant to subparagraph 030305.A.3 and must follow due process requirements set out in Chapter 2.

B. Collecting Debt from Final Separation Pay

1. An amount due from an enlisted member of the Army or Air Force may be deducted from their final separation pay. The appropriate rate of collection in subparagraph 030305.A applies to collection from the member's final separation payment.

2. There is no limitation on the amount that may be deducted from an officer of any service or an enlisted member of the Navy or Marine Corps from his or her final separation pay.

3. In such cases, the military pay office, or DCMO, must afford the debtor due process as soon as practicable if due process has not previously been afforded the member.

030306. Collection by Salary Offset Under 5 U.S.C. § 5514

A. Debt Determination. A federal agency, other than the DoD, may determine that a member is indebted to the United States and that collection action against the member's monthly pay under the authority of 5 U.S.C. § 5514 is warranted. The collection of a debt owed to departments and agencies other than DoD (including its instrumentalities or other Uniformed Services) resulting from a court judgment is included under this collection authority. The non-DoD agency must forward the request for offset through Treasury's Cross-Servicing Program.

B. Amount of Collections. The military pay office may make collections not exceeding 15 percent of disposable pay for any pay period, unless the member authorizes a greater percentage in writing. Unsatisfied debts at discharge or retirement will be deducted from subsequent payments due the member. For additional guidance on salary offset, refer to Chapter 2, paragraph 020902.

C. Due Process. The creditor agency to which the debt is owed must provide due process to the member and must certify due process was completed if the debt is submitted to DFAS for collection. For due process procedures, refer to Chapter 2.

D. Routine Administrative Adjustment

1. In accordance with 5 U.S.C. § 5514, DCOs are not required to provide due process procedures prior to collecting overpayments of pay and allowances using routine intra-agency pay adjustments. To collect by routine adjustment, the overpayment must have occurred within the four pay periods preceding the adjustment or amount to $50 or less. Routine adjustments may be necessary due to an overpayment attributable to clerical errors, administrative errors, delays in processing pay documents, or underdeduction of premiums, for example. The DCO must provide the debtor with written notice of the nature and amount of the adjustment as well as a point of contact for questions regarding the adjustment. This information should be provided by the payday for the pay period in which the adjustment is processed, or as soon thereafter as practical. An appropriate notice on the LES meets the requirements for notification.

2. The actual overpayment must have occurred after April 26, 1996.

3. The amount deducted may not exceed 15 percent of disposable pay, unless the debtor has consented in writing to a higher amount. The servicing military pay office must generate a "no pay due" management notice when a debt creates a "no pay due" situation.

E. IPA Costs. Interest will be charged beginning from the date of delinquency. Assess and calculate IPA pursuant to Chapter 7, ***31 U.S.C. § 3717***, and 31 C.F.R. ***901.9***.

030307. Indebtedness Incurred in National Guard or Reserve

When a member re-enters active military service, the military pay office must collect from active pay and allowances any indebtedness the member incurred while in a National Guard or Reserve status.

030308. Member Dies after Receiving Advance Salary Payment

Advance payday payments made in accordance with Volume 7A, Chapter 32 are not considered "indebtedness" if the member dies before the date through which the pay was computed and paid.

030309. Centralized Processing of Involuntary Withholding of Member's Pay for Debts Owed to the Services' Exchange Commands

A. Purpose and Authority. This section provides the procedures for collecting in-service debts owed to the Army and Air Force Exchange Service, the Navy Exchange Command, and the Marine Corps Exchange Command (referred to collectively as "The Exchange Commands"). This section applies when active duty, reserve, and retired military members are delinquent in the repayment of a dishonored check or their credit plan. Under 37 U.S.C. § 1007(c), an amount that a member of the Uniformed Services is administratively determined to owe the United States may be deducted from the member's pay in monthly installments.

B. Procedures. When a member is indebted to a service exchange, the service exchange may forward the determination to DFAS. DFAS will honor the request based on written certification from the Exchange Command that it complied with due process requirements found in Chapter 2. If the member has not paid the debt within 60 days from the date of the debt notification letter, then the Exchange Command may submit a ***DD Form 139***, Pay Adjustment Authorization, to DFAS. DFAS will collect the amount owed to the Exchange Command in accordance with the priority of pay deductions and collections in Volume 7A, Chapter 52.

C. Applicability and Scope

1. These procedures apply to the pay of Army, Navy, Air Force, and Marine Corps members serviced by the Defense Joint Military Pay System or the Marine Corps Total Force System.

2. DFAS will collect the amounts requested, as long as the total monthly amount collected, including any other debt amount being collected under 5 U.S.C. § 5514, does not exceed two-thirds of the member's disposable pay. The military pay office must reduce monthly collection amounts if the pay due a member is insufficient to cover authorized deductions or collections. Debt collection is subject to the rules presented in Table 3-5, as well as the priority of pay deductions and collections in Volume 7A, Chapter 52.

D. General Procedures

1. Exchange Commands must certify that they provided the member due process in accordance with Chapter 2. Exchange Commands must maintain due process documentation (debt notification letters and supporting documentation) on individual delinquent debt accounts.

2. Collection of any portion of the debt remaining uncollected at the time of a member's separation is subject to subparagraph 030305.B.

3. Exchange Commands may collect delinquent debts at a maximum deduction rate of two-thirds of the disposable pay.

4. When a member enrolls in a credit plan, the Exchange Command must advise the member of the maximum deduction for delinquent accounts. DFAS or the field finance office is responsible for ensuring that collections do not exceed two-thirds of the member's monthly disposable pay.

5. If a repayment amount exceeds the maximum deduction limitation, DFAS or the servicing military pay office must adjust the debt amount by inputting a transaction to change the deduction.

6. The military pay office is responsible for answering inquiries from the member on how exchange debt transactions are reflected on the LES.

E. Exchange Command Responsibilities

1. Exchange Commands must respond to all inquiries from a member concerning his or her debts and deduction amounts.

2. Exchange Commands may not deduct any amount from a member's pay account to cover a dishonored check written by a dependent without consent of the member.

3. Exchange Commands must use a listing of basic pay rates plus income data received from the member to determine the amount that is equal to or less than two-thirds of the member's pay.

4. If a member separates from active duty or if retired pay is suspended, and the debt was not fully collected, then the Exchange Command is responsible for

collecting any remaining debt. The military pay office must advise the Exchange Command that the member has separated or that the retiree's pay has been suspended.

5. Exchange Commands are responsible for overpaid debts. When a member has overpaid a debt, the Exchange Commands must issue a refund immediately to the member for the overpayment.

6. Exchange Commands must honor a repayment agreement under which a member voluntarily agrees to repay the debt. If the member voluntarily repays the debt (off-line), then the Exchange Command must cancel the offset request and notify DFAS immediately.

7. For audit purposes, Exchange Commands must maintain and ensure the availability of all documentation pertaining to these debts.

F. System Overview

1. Once a collection action is deemed necessary, the Exchange Command must transmit a monthly update transaction requesting a pay deduction. The input should be applied to the pay account in the appropriate sequence (refer to Volume 7A, Chapter 52, Table 52-1).

2. DFAS provides new basic pay rates or other pay data to the Exchange Command as it becomes available.

3. During a processing month, Exchange Commands submit the electronic pay-adjustment transaction, with name, Social Security Number, total debt, and the deduction amount for the month. Exchange Commands electronically submit the information in time to adjust in the payment processing update.

4. The Exchange Command input identifies the balance due and the monthly collection amounts. If the debt is collected off-line after submitting the input, then the Exchange Command is responsible for the refund.

5. If the deduction amount input by the Exchange Command is greater than two-thirds of the member's disposable pay (subparagraph 030304.D), then DFAS or the military pay office either changes the deduction amount or returns the debt to the Exchange Command for adjustment in amount. After the deduction is processed, DFAS must notify the Exchange Command of any adjustments.

6. The Exchange Command manages the entire debt amount internally. Exchange Commands are responsible for notifying the member of the debt balance and encouraging the member to submit payments voluntarily. DFAS provides management notices (listing) to the servicing military pay office if applicable, which identifies the member's pay account to which the deduction is charged.

7. Rejects are downloaded to the Exchange Commands after each update. Exchange Commands are required to work rejects on a daily basis.

8. At the end of each processing month, in order to identify the affected members, DFAS sites wire-transfer the amounts deducted via electronic funds transfer to a central processing location for each Exchange Command.

0304 COLLECTION OF DEBT FROM MILITARY RETIREES AND SBP ANNUITANTS

030401. General

This section pertains to the collection of debt owed to DoD by military retirees, Retired Serviceman's Family Protection Plan (RSFPP) annuitants, or SBP annuitants due to the overpayment of annuity payments. A debt may be the result of an overpayment to the military retiree or an amount owed to the Government but unpaid by a military retiree. A debt may be for an overpayment of military retired pay, Concurrent Retirement and Disability Pay (CRDP), Combat Related Special Compensation (CRSC), an overpayment of active duty pay and allowances, or other indebtedness arising from service on active duty.

030402. Due Process Requirements

The head of the military retiree pay office, DFAS – Retired and Annuitant Pay, must ensure that it affords military retirees all legal rights relative to the indebtedness arising from overpayments of pay and allowances, including due process under Chapter 2. This includes providing the military retiree the opportunity to request a delay in collection of the debt under 37 U.S.C. § 1007(c)(3)(B).

030403. Routine Pay Adjustments Under 5 U.S.C. § 5514

A. In accordance with 5 U.S.C. § 5514, DCOs are not required to provide due process procedures prior to collecting overpayments of pay and allowances using routine intra-agency pay adjustments. To collect by routine adjustment, the overpayment must have occurred within the four pay periods preceding the adjustment or amount to $50 or less. Routine adjustments may be necessary due to an overpayment attributable to clerical errors, administrative errors, or delays in processing pay documents. Routine adjustments include retroactive U.S. Department of Veterans Affairs increases that may result in retirement benefit debts.

B. The DCO must provide the debtor with written notice of the nature and amount of the adjustment, as well as, a point of contact for questions regarding the adjustment. The information should be provided by the payday for the pay period in which the adjustment is processed, or as soon thereafter as practical. An appropriate remark added to the Retiree Account Statement (RAS) meets the requirements for notification.

C. The actual overpayment must have occurred after April 26, 1996.

D. The amount deducted may not exceed 15 percent of disposable pay, unless the debtor has consented in writing to a higher amount. The servicing pay office must generate a "no pay due" management notice when a debt creates a "no pay due" situation.

030404. Debt Collection

A. General. When the indebtedness cannot be corrected using a routine pay adjustment, then the amount to be collected each month should be no less than $50 (unless specified by statute) or an amount reasonable in relationship to the size of the debt and the military retiree's ability to pay. Refer to Chapter 2, paragraph 020801 for guidance on determining the financial status of the military retiree. Military retirees indebted to the United States should be encouraged to discharge their indebtedness through lump-sum repayment.

B. Authority for Involuntary Collection. A military retiree's pay is available for repayment of indebtedness by involuntary offset without the military retiree's consent as authorized under 37 U.S.C. § 1007(c), 5 U.S.C. § 5514 and 31 U.S.C. § 3716 provided the military retiree is afforded due process under Chapter 2.

C. Limitation on Amount of Deductions. The maximum monthly amount that may be collected is the lesser of:

1. Two-thirds of the military retiree's pay, less the amounts deducted for court martial, if any, and the amounts authorized by law to be withheld, or

2. Fifteen percent of the disposable retired pay, unless the military retiree authorizes a greater percentage in writing. Refer to Chapter 2, subparagraph 020902.C for policy on calculating disposable pay.

D. "No Pay Due" Notice. As a precaution to prevent avoidable hardship to the military retiree, generate a "no pay due" RAS for the military retiree when collection of a debt results in "no pay due."

030405. Debt Transfer on Retirement

Debts incurred while the military retiree was on active duty must be transferred on retirement to the military retiree pay office. Resume collection from retirement or retainer pay. It is not necessary to repeat the due process procedures prior to resuming collection.

030406. Debt Owed to Another Military Service

When a military retiree of one Military Service (e.g., Army) owes a debt to another Military Service (e.g., Air Force), and a DCO of the creditor Service makes an administrative determination of indebtedness, the DCO may forward that determination, along with certification of compliance with due process requirements, to the DFAS Retired and Annuitant Pay for collection action.

030407. Priority of Deductions and Collections

When the pay due a military retiree is not enough to cover all authorized deductions and collections, the DFAS Retired and Annuitant Pay office must use the following priority sequence for making deductions and collections from pay:

A. Reduction of pay entitlement, which takes precedence over all other items for deduction or collection. These reductions include:

1. Readjustment pay,

2. Separation pay,

3. Severance pay,

4. Variable Separation Incentive,

5. Special Separation Benefit,

6. Reserve Special Separation Pay,

7. Forfeiture of pay, and

8. Veterans' Affairs (VA) compensation;

B. Reimbursement to the United States, to include:

1. FITW,

2. TRICARE – Dental Plan,

3. RSFPP premiums,

4. SBP and Supplemental SBP (SSBP) premiums, and

5. Reserve Component SBP (RCSBP) premiums;

C. Involuntary repayment of indebtedness to the United States, which includes:

1. Routine adjustments and automatic collections,

2. Other overpayments of retired pay and CRSC,

3. Delinquent RSFPP, SBP, SSBP, or RCSBP costs,

4. Debts arising from active duty,

5. Debts to DoD appropriated fund activities,

6. Hospital rations issued to a member,

7. Excess cost of shipment of household goods,

8. Unpaid hospital bills for medical services furnished a dependent,

9. Court-martial fines, and

10. Debts from other departments or agencies outside DoD, including court judgments;

D. Garnishment for alimony and child support payments and Uniformed Services Former Spouses' Protection Act payments;

E. Court-ordered bankruptcy payments under Chapter 13 of the revised Bankruptcy Code;

F. Indebtedness to a nonappropriated fund activity; and then

G. SITW.

030408. Collection of Debt from SBP Annuitants

A. General. Generally, SBP annuity overpayments are the result of one of the following: the failure to reduce an annuity by the amount of disability indemnity compensation awarded by the VA, the non-termination of an annuity due to ineligibility, an erroneous computation, insufficient or untimely information, or a determination by the Secretary of the Military Department concerned (or designee) that a participating member is alive after the Secretary concerned previously determined that the member was presumed dead.

B. Liability. An SBP annuitant is liable for any debt resulting from the overpayment of an annuity. A military retiree is liable for a debt resulting from erroneous annuity payments that were made based on the presumption of the member's death. If the member dies before such payments are fully recovered, an annuitant who was the recipient of the annuity payments made under the presumption of death is liable for the indebtedness.

C. Collection of Debt. Upon discovery of an overpayment, the DCO must provide the annuitant with due process as required under Chapter 2. The DCO must advise the annuitant of the debt and the method by which the overpayment is being, or may be, liquidated. The debt may be liquidated by:

1. The annuitant making direct remittance payments to DFAS Retired and Annuitant Pay;

2. The annuitant authorizing the VA to reduce Dependency and Indemnity Compensation and remit the amount collected to DFAS Retired and Annuitant Pay; or

3. The DFAS Retired and Annuitant Pay reducing the SBP annuity payments through administrative offset as authorized by law.

0305 COLLECTION OF DEBT FROM FORMER EMPLOYEES, FORMER MEMBERS AND OTHER NON-DOD RELATED DEBTORS

030501. General

A. This section pertains to the collection of debts owed by individuals who are no longer employed by DoD or no longer on active duty. This section also covers individuals who were neither DoD employees nor active duty members, but who are indebted to DoD. This category of debt is referred to as "out-of-service." If a Component's DCO cannot collect a debt through salary offset because the debtor is not being paid by DoD, and the debtor has not agreed to pay the debt in a lump-sum, then the DCO should obtain debt collection services from the DCMO. DCMO operates and maintains the Defense Debt Management System (DDMS) to provide centralized, cost-effective, automated debt servicing and collection assistance to DCOs on delinquent debts owed to DoD by individuals who are no longer paid by DoD.

B. The DCMO may also provide collection assistance for other debts as specifically agreed to in each Service's mission work agreement (MWA).

C. The DCMO must comply with the ***31 U.S.C. § 3701-3720E*** and all applicable laws and regulations, including the Federal Claims Collection Standards (FCCS). However, pursuant to paragraph 030504, the DCO is responsible for all due process requirements under the FCCS.

030502. Reasons for Individual Out-of-Service Debts

An out-of-service debt occurs when a debtor separates from DOD and no longer receives a salary or other payments from DoD that can be offset to collect a previously established debt. Individual out-of-service debts may also arise from overpayments or erroneous payments to other individuals or indebtedness by the public for use of DoD's facilities or services.

030503. Obtaining Service from the DCMO

Other DoD Components not supported by DFAS may obtain debt collection services from DCMO. The DoD Component and DCMO must document the services to be provided using a ***DD Form 1144***, Support Agreement.

030504. DCO Responsibilities

The DCO must:

A. Initiate debt collection and ensure due process requirements (notification and opportunity for review) are met. The DCO must issue the initial bill, invoice and/or debt notification letter to the debtor and take appropriate follow-up action. The DCO may use bills and invoices as an initial attempt at debt collection. However, generally bills and invoices do not meet the requirements of due process. The DCO must issue a debt notification letter setting out the debtor's due process rights prior to submitting the debt to DCMO for collection services. Although only one due process notification is required, a DCO may issue additional written demands for payment to the debtor as deemed appropriate. Refer to Chapter 2 for guidance on issuing the debt notification letter;

B. Complete any previously initiated actions such as reclamation, appeal, litigation, or foreclosure before referring delinquent, individual, out-of-service debts to DCMO;

C. Research and verify the military or civilian status of debtors to ensure that only individual out-of-service debts are referred to DCMO, or ensure other debts transferred are in accordance with established procedures;

D. Refer delinquent, individual, out-of-service debts that are $225 or greater to DCMO no later than 60 days after the payment due date when the DCO has not been able to collect a debt or establish a repayment schedule with the debtor. If an individual has multiple debts all under $225, then the DCO may consolidate the debts and refer them to DCMO as one debt package. Components that have implemented the processes and procedure defined in the Delinquent Debt Management Guidance (***DDMG***) should refer eligible and legally enforceable, delinquent, individual out-of-service debt over $25 to Treasury's Bureau of Fiscal Services Debt Management Service for further collection action where applicable. Refer to Volume 4, Chapter 3 for guidance on clearing individual out-of-service debts that are below the referral threshold;

E. Use a transmittal letter to refer eligible debts to DCMO and to ensure that the debts are received by DCMO. Prepare the transmittal letter in duplicate and send it to DCMO, DFAS-IN, Department 3300 (ATTN: Case Management), 8899 E. 56th Street, Indianapolis, IN 46249-3300, or via email to dfas.indianapolis-in.jaa.mbx.oosdebt-debtmgmt-baselevel@mail.mil. Send new debts with transmittal letters as often as required, but at least weekly. Identify on the transmittal letter all attached debt case files by name, Social Security number, and amount. Include the name, email address, and telephone number for the DCO point of contact and the name and location of the office accountable for the debt. Attach a copy of all documentation and background material in the debt case files. The required documentation includes:

1. A copy of the original bill, invoice, and/or debt notification letter. In order for the DCMO to accept the debt, the debt notification letter must comply with the requirements under Chapter 2;

2. The original debt principal amount with complete accounting classification and fiscal year to credit with any collections. Include a copy of the original disbursement voucher when the debt is the result of a previous payment;

3. The date the debt became known;

4. The date the debt was due;

5. The date the debt became delinquent (usually 30 days from the date of the debt notification letter);

6. The amount of accrued IPA;

7. Copies of any follow-up correspondence between the debtor and the DCO;

8. Amounts and dates of any prior collections and the accounting classification credited. Include a copy of the collection voucher when the collection was not processed through salary offset;

9. The debtor's branch of service or agency where formerly employed;

10. The debtor's, sponsor's, or beneficiary's Social Security number;

11. Military status and date of separation for members or employees whose period of service or employment ended with indebtedness;

12. Copy of DD 139 for military pay debts;

13. Copy of DD 2481 for civilian employee debts; and

14. Any other relevant documentation or information regarding the debt;

F. Include in each transmittal package a certifying statement that the amounts of the debts being referred are correct and that the debts are delinquent, valid, legally enforceable, and confirm that the DCO provided the debtor with all due process requirements. DCOs referring debts electronically must also submit a debt certification statement. Figure 3-2 is a sample debt certification statement;

G. Correct any errors in debt packages returned by DCMO for correction/additional action and send the debt package back to DCMO;

H. Coordinate with the DCO's supporting accounting office to ensure that it removes accountability for the referred debts from its records in accordance with the guidance in Volume 4, Chapter 3 upon receipt of the duplicate copy of the transmittal letter;

I. Maintain names, official addresses, and contact information for all witnesses to the events leading to the debt and copies of and location of physical evidence (documentation and other evidence) relating to the debt for payroll debts involving fraud,

misrepresentation, or credibility, and for all non-payroll debts. Retain all investigative reports. This information is necessary in the event that the debt must be referred to Department of Justice (DOJ) for litigation; and

J. Mail any payments received from a debtor after the debt was referred to DCMO to the DCMO, DFAS-IN, Department 3300 (ATTN: Case Management), 8899 E. 56th Street, Indianapolis, IN 46249-3300. Include the debtor's name and Social Security number so the DCMO can credit the proper account.

030505. DCMO Responsibilities

The DCMO must:

A. Assist DCOs in the centralized management of debts, including automated, centralized processing, referral to private collection agencies or to the Treasury, reporting, and accounting of debts;

B. Return uncollectible debts, debts requiring additional DCO collection action, and debts with incomplete documentation to the DCO with an explanation of the reason for the return;

C. Determine the effective date for entering the debts into DDMS, annotate the effective date on the duplicate copy of the transmittal letter, and return the duplicate copy of the transmittal letter to the DCO;

D. Pursue collection action once debts are entered in DDMS. Figure 3-3 illustrates a general overview of the individual, out-of-service, delinquent debt collection steps. DCMO debt services provided to the DCO include the following: issuing written demands for payment to the debtor, collecting debts, referring delinquent debts to private collection agencies for collection, reporting debts to credit bureaus, referring uncollectible delinquent debts to Treasury for offset, and referring uncollectible debts to the DOJ for litigation. The DCMO may also process debts for compromise, suspension of collection, or terminating collection. In the case of deceased debtors, DCMO must use ***DD Form 2840***, Request for Information Regarding Deceased Debtor, to seek information from state probate courts concerning the establishment of an estate in order to pursue collection;

E. Provide the data recorded in DDMS monthly to DFAS departmental accounting offices;

F. Retain all pertinent debt documentation. Upon request, provide feedback regarding the status of debt collection to the applicable DoD Component; and

G. Provide PROs pertinent data regarding collections from former civilian employees so that the PRO may affect necessary changes (i.e., ***SF 2812***, Report of Withholdings and Contributions for Health Benefits Life Insurance and Retirement; SF 2806/3100; Internal

Revenue Service (IRS) ***Form W-2***, Wage and Tax Statement; and ***IRS Form 941***, Employer's Quarterly Federal Tax Return).

030506. DFAS Departmental Accounting Offices

DFAS departmental accounting offices must use DDMS to establish and maintain accountability at the departmental level for all debts referred to DCMO. DFAS departmental accounting offices must report the transfer-out and transfer-in of these debts on Part I, Section A, Line 5.A, "Reclassified/Adjusted Amounts" on the Treasury Report on Receivables (TROR), and provide the required footnote. Components that have implemented processes defined in the DDMG must maintain accountability of debt in their systems and submit data for the TROR directly to Treasury. Volume 4, Chapter 3 contains more specific reporting requirements.

030507. Collection Assistance for System-Generated Individual Out-of-Service Debts

A. Uncollected debts over $225 maintained on the Master Military Pay Account (MMPA) of Active Component (AC) and Reserve Component (RC) service members that are due upon separation or retirement, debts for offset from retired pay or annuitant pay, and some other out-of-service debts are systemically referred to the DCMO. Once these system-generated debts are entered in DDMS, the debts are serviced in the same manner as debts referred to DCMO by the DCOs under 030505. Defense Retiree and Annuitant Pay System (DRAS) debts are created when payments are made after the entitlement to retired pay has ended. DRAS debts are transferred to the DCMO each month by an interface between DRAS and DDMS.

B. Components that have implemented the processes and procedures defined in the DDMG should refer eligible and legally enforceable, delinquent, individual, out-of-service debt over $25 directly to Treasury for further collection action where applicable.

0306 REFUNDING PREVIOUSLY COLLECTED DEBTS AND LATE PAYMENT CHARGES

030601. Scope

This section does not pertain to refunds authorized under the Contract Disputes Act. Refer to Chapter 5 for specific guidance on contract debt.

030602. General

Refunds of collected debts may be required for a variety of reasons, but generally are based on a determination that the debt is invalid or should have been forgiven under applicable law or regulation. Payments received from debtors for principal and IPA must be refunded to the debtor when a debt is found not to be due to the Government. For example, refunds may be appropriate in instances where waiver or remission is granted, when a post-collection clarification changes the debt amount, or as a result of an administrative or judicial order. A

refund may also be appropriate if collection from an employee's pay exceeds the allowable percentage of disposable pay due to an error in computation. If an offset mistakenly exceeds 15 percent of disposable pay when the debtor has not consented to deductions at a greater percentage, then the DCO must refund the difference to the debtor upon the debtor's request.

030603. Payment Voucher for Refunds

When making a refund payment, the DoD Component or DCO must prepare a ***SF 1034***, Public Voucher for Purchases and Services Other Than Personal, or other approved voucher, and submit it for payment to the disbursing office. Documentation from the debtor or other source(s) that establishes the claim for a refund must accompany the voucher. The DoD Component or DCO must retain a copy of the voucher and supporting documentation in the debtor's case file.

030604. Refunds Available for Administrative Offset

Refunds of amounts previously collected may be applied to other, unrelated outstanding debts the debtor may owe to the Government, as long as due process has been provided.

030605. Determination of Refund Amount

The amount refunded to the debtor may include money that was originally collected for principal and IPA, or if the debt was collected by Treasury and/or a private collection agency, any additional fees imposed by those entities must be considered for inclusion in the refund. Treasury and private collection agencies retain any fees assessed for the collection of the debt. However, the amount refunded to the debtor must be the total amount collected, including any fees assessed by the Treasury and/or private collection agencies. The debtor should receive a full refund even though fees imposed by Treasury or private collection agencies may not be returned to the referring DCO. Interest is not paid on refunds unless the refund is the result of a personnel action and interest is ordered to be paid under the Back Pay Act at ***5 U.S.C. § 5596***.

030606. Funding the Payment of Collected Debt Refunds

Refer to Volume 4, Chapter 3 for guidance on which appropriation(s) to charge when refunding amounts collected for principal debt and IPA.

*Figure 3-1. Sample Notification Prior to Referral of Debt to Office of Personnel Management

(1)

(2)

Dear (3):

Our records indicate that you are separating from Federal service. On (4), you were notified that you were overpaid for pay periods ending (5)-(6) in the gross amount of (7). The remaining balance of your debt is (8), after all prior payments and offsets, and after collection from your final pay.

Payment of the Balance Due on Your Debt. Please pay the balance due of your debt in full by (9), which is 30 days from the date of this letter. Your check or money order should be made payable to DFAS-CL DSSN 8522 in the amount of (8). Please send your payment to DFAS-CL, ATTN: J3DCBB/555, 1240 E. 9th St., Cleveland, OH 44199-9555.

If you do not pay the balance due on your debt within 30 days, your debt will be forwarded to the Office of Personnel Management (OPM) for recovery by offset from Civil Service Retirement System (CSRS) or Federal Employees Retirement System (FERS) basic retirement or disability benefits paid to you. DFAS will not forward your debt to OPM if you pay the remaining balance due within 30 days from the date of this letter. The DFAS Debt and Claims Management Office will continue to pursue the collection of your debt after you leave Federal service.

If you have further questions regarding this debt contact the Indebtedness Processing Team at (800) 538-9043.

Sincerely,
(10)

(11)

Figure 3-1. Sample Notification Prior to Referral of Debt to Office of Personnel Management (Continued)

Explanation of Blank Spaces on Sample Debtor Notification

(1) Date

(2) Address of the Debt Collection Office

(3) Last name of debtor with proper title (Mr. or Ms.)

(4) Date of the due process notification originally sent to the debtor

(5) First pay period of overpayment

(6) Last pay period of overpayment

(7) Gross amount of the debt of which debtor had been previously notified

(8) The net amount of debt remaining at the time of this notification

(9) The date by which the debtor must pay the debt in full or else it will be forwarded to the Office of Personnel Management, usually 30 days from the date the letter is issued

(10) Supervisory signature

(11) Identify by name, the signatory for the letter

Figure 3-2. Sample Debt Certification Statement

DEBT CERTIFICATION STATEMENT

Pursuant to ***Title 28, United States Code, Section 1746***, I certify under the penalty of perjury that to the best of my knowledge and belief that the debts submitted herewith are delinquent, valid, and legally enforceable in the amounts stated. The debts are not subject to any circumstances that legally preclude or bar collection, including collection by offset. The debtor has been afforded all due process rights, including notification and an opportunity for review under 31, U.S.C. § 3716. Records available do not show that any debtor owing a debt has filed for bankruptcy protection.

_____ _____

Date Signature of Debt Certifying Official

Print Name:_____

Title:_____

Office Symbol:_____

PREPARATION AND SUBMISSION INSTRUCTIONS

REQUIRED SIGNATORY: The submitting office's director, deputy director, or designee.

MANUAL DEBT SUBMISSION: Prepare and send a copy of the Certification Statement along with each manual submission of debts.

ELECTRONIC DEBT SUBMISSION: Prepare and mail a copy of the Certification Statement to cover the electronic submission of debts to: DCMO, DFAS-IN, Department 3300 (ATTN: Debt Establishment), 8899 E. 56th Street, Indianapolis, IN 46249-3300. Prepare and mail a new Certification Statement whenever the signatory changes. For those periodic electronic debt submissions when it is not necessary to reissue and mail a paper copy Certification Statement (i.e., no change in signatory), e-mail the Certification Statement to cover the electronically transmitted debts. Contact DCMO to obtain the current e-mail address for submission of e-mailed certifications.

Figure 3-3. DDMS Debt Processing Steps

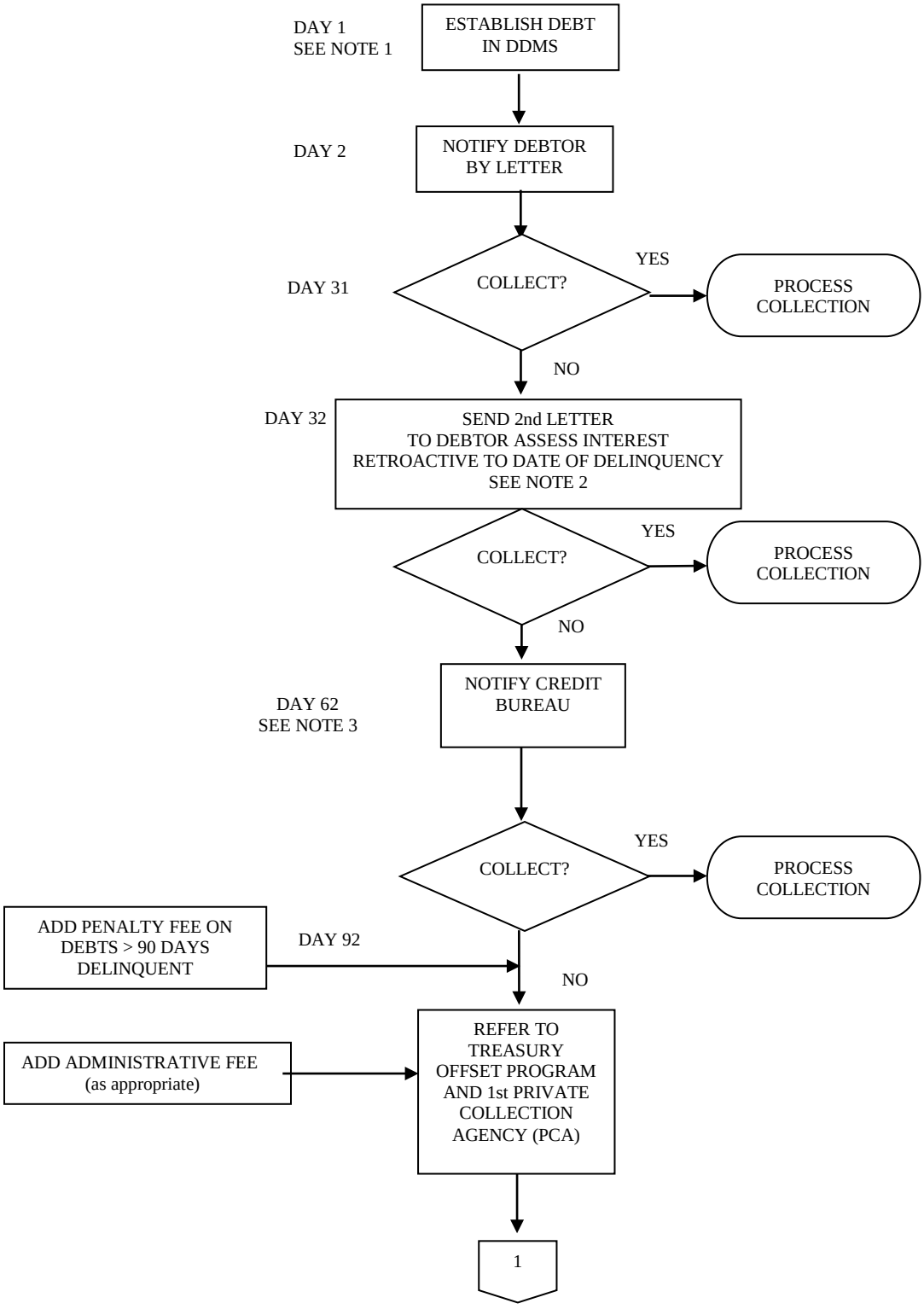

Figure 3-3. Defense Debt Management System (DDMS) Debt Processing Steps (Continued)

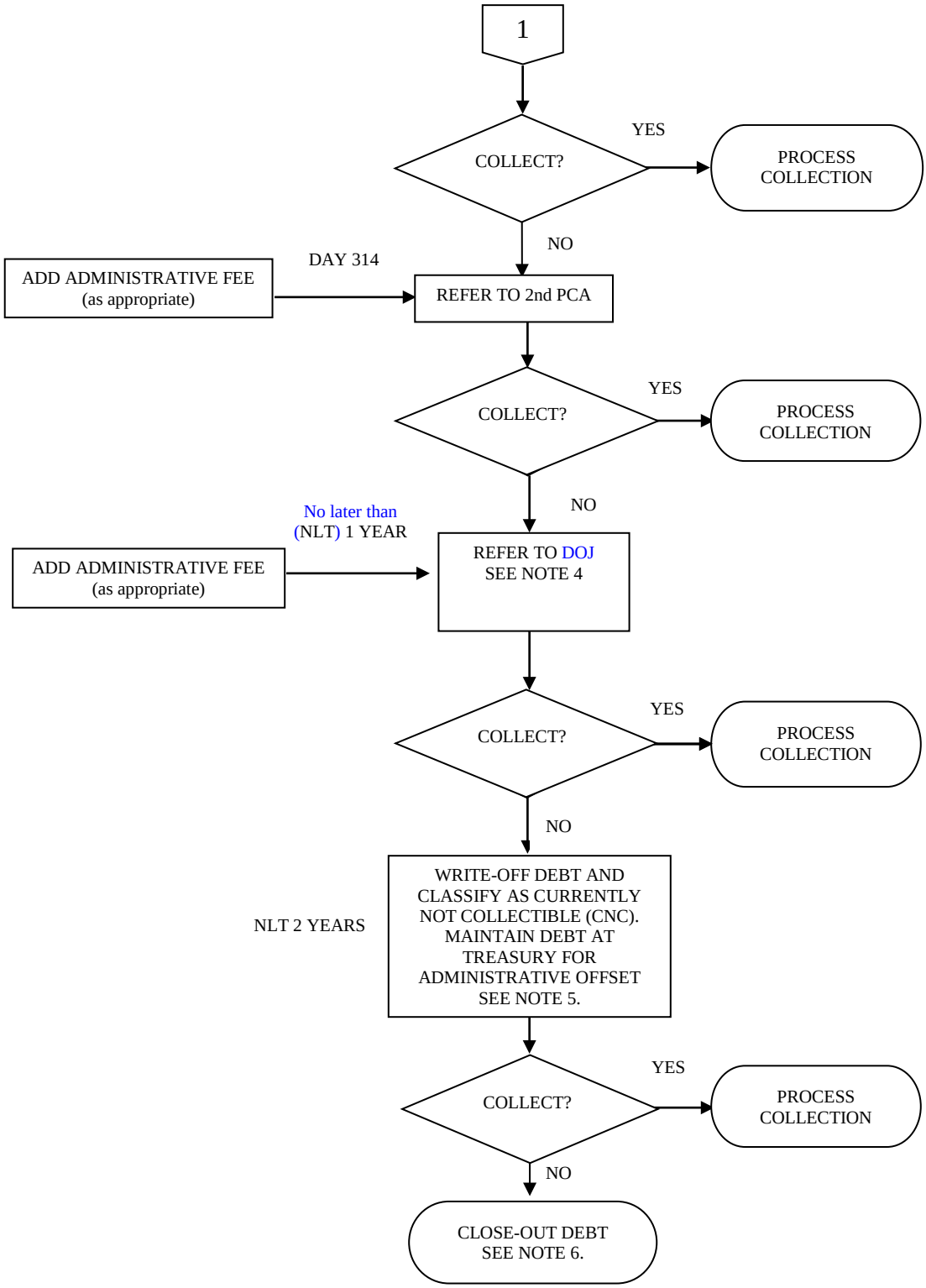

Figure 3-3. Defense Debt Management System (DDMS) Debt Processing Steps (Continued)

NOTES:
1. The number of days depicted in this chart reflects the approximate number of days that a debt has been recorded in DDMS.
2. Interest is accrued and assessed monthly throughout the life of a delinquent debt.
3. Debts are reported to credit bureaus no earlier than 60 days from the date the debtor is notified of the intention to report the debt to a credit bureau. DCMO includes this notice in the initial letter to the debtor (Day 2).
4. Refer to Chapter 2 for thresholds to refer debts to DOJ.
5. Refer to Volume 4, Chapter 3 for guidance on write-off and classification of debt as CNC.
6. Refer to Volume 4, Chapter 3 for guidance on the close-out of debts.

Table 3-1. Military Member Indebtedness Due to Erroneous Payments, Government Accountability Office Disallowances, and Notices of Exception

RULE	A	B	C	D	E	F
	If an	of	is indebted to the United States for	and	then collect from current pay	at a monthly rate not to exceed that shown in this table or in the rule cited
1	officer or enlisted member	any Military Service	payment disallowed by Government Accountability Office (GAO) or by the DoD Office of the General Counsel (OGC) in accounts of a disbursing or certifying officer		involuntarily (note 1)	disposable pay (see paragraph 030304.D).
2			debt cited in GAO notice of exception or informal inquiries (note 2)			Table 3-6, rule 2.
3			erroneous payment (including allotments the member knew or reasonably should have known were erroneous) made to or on behalf of the member of any Uniformed Service (note 3)	the Secretary of the Military Service concerned or the Secretary's designee has determined the indebtedness is valid		
4	officer or enlisted member recovering from a wound, injury or illness incurred through no fault of the member in the line of duty in a combat operation or zone		an overpayment of pay or allowances through no fault of the member incurred on or before October 28, 2009	the Secretary of the Military Service concerned or the Secretary's designee has determined the indebtedness is valid	after a 90 day delay following reassignment of the member from a military treatment facility or other medical unit outside of the theater of operations or member's consent (see paragraph 030305.A.4.b.2)	Table 3-6, rule 5.

Table 3-1. Military Member Indebtedness Due to Erroneous Payments, GAO Disallowances, and Notices of Exception (Continued)

RULE	A	B	C	D	E	F
	If an	**of**	**Is indebted to the United States for**	**and**	**then collect from current pay**	**at a monthly rate not to exceed that shown in this table or in the rule cited**
5	officer or enlisted member recovering from a wound, injury or illness incurred through no fault of the member in the line of duty in a combat operation or zone	any Military Service	an overpayment of pay or allowances through no fault of the member incurred on or after October 29, 2009	the Secretary of the Military Service concerned or the Secretary's designee has determined the indebtedness is valid	after a 180 day delay beginning on the date of the completion of the tour of duty of the member in the combat operation or combat zone or member's consent (see paragraph 030305.A.4.b.1)	Table 3-6, rule 6.
6	an officer	a Military Service	erroneous payment of allotment caused by failure to report, as required, the death of the allotter or any other fact making the allotment not payable	appropriate investigation is made, and the overpaid amount is not recovered from the allottee	with officer's consent; or with approval of the Secretary concerned	amount applicable.

NOTES:
1. This does not change rules on collections of indebtedness of accountable, certifying, or disbursing officers.
2. If a Notice of Exception covers erroneous payment by a Uniformed Service, then rule 3 will be applied. A Notice of Exception is issued by the GAO and pertains to a disbursing officer account(s).
3. When a member's pay is not promptly reduced to allow for Uniform Code of Military Justice forfeitures, the resulting indebtedness is considered an erroneous payment within this rule.

Table 3-2. Military Member Indebtedness Due to Loss of Public Funds

RULE	A If an	B of	C is indebted to the United States for	D and	E then withhold from current pay	F at a monthly rate not to exceed that shown in this table or in the rule cited
1	account-able official (note 1)	any Military Service	arrears in accounts because of failure to account for funds entrusted to the member	debt is admitted by officer (note 2)	involuntarily	disposable pay (see paragraph 030304.D).
2				debt is shown by the judgment of a court		
3				debt is shown by special order issued by the Secretary of the Military Service concerned		rate directed by special order of Secretary of the Military Service concerned (all pay excluding allowances, or lesser amount).
4				or upon the denial of relief of an officer pursuant to Title *31 U.S.C 3527*.		
5	account-able enlisted member (note 3)	any Military Service				disposable pay (see paragraph 030304.D).
6	officer or enlisted member		public funds obtained or converted to own use through fraud, larceny, embezzlement, or other unlawful means	the mis-appropriation of funds is admitted by the member	involuntarily, or as prescribed by regulations of the Military Service concerned	Table 3-6, rule 2 (note 4).

NOTES:

1. Applies to officers who hold in trust sums or balances of public money for which they are required to account, such as disbursing officers and deputies or agents to disbursing officers.
2. A mere acknowledgment or report of a shortage in accordance with Military Service regulations is not an admission for the purpose of this rule. The phrase "debt is admitted" means either a written statement made by the accountable officer admitting indebtedness, acknowledged or witnessed before a person authorized to administer oaths or, another person designated by higher authority, or if the accountable officer refuses to sign a statement, then a certification by a commissioned officer that the accountable officer clearly and unequivocally admitted the indebtedness is sufficient to authorize the withholding from officer's current pay.
3. If exact amount of debt is not known at the time the loss is discovered, then establish the debt at the amount then known and adjust when investigation is completed.
4. Applies to enlisted members who are entrusted with public funds. It includes military postal clerks and members who, though not bonded, are entrusted with public funds for small purchases.

Table 3-3. Military Indebtedness Due to Loss or Damage to Public Property or Supplies

RULE	A	B	C	D	E	F	G
	If	of	is indebted to the United States for	and	and	then collect from current pay	at a monthly rate not to exceed that shown in this table or in the rule cited
1	an account-able officer	the Army or Air Force	loss or damage to military supplies, upon final settlement of accounts of officer charged with issue of the supplies	the officer fails to show satisfactorily that the loss or damage of property was not due to any fault on the officer's part	the officer is found pecuniarily liable by a report of survey or by a board of officers, and findings are approved by the Secretary concerned	involuntarily	disposable pay (see paragraph 030304.D).
2		the Navy or Marine Corps	loss or damage to public property entrusted to the officer, such as stores, supplies and receipts from sale of public property	the Commander, Naval Supply Systems Command or the Commandant of the Marine Corps (Installation and Logistics) renders determination	the Director, DFAS-Cleveland Site issues instructions to the member's commanding officer on action to take to liquidate debt		disposable pay (see paragraph 030304.D) or lesser amount approved by the Assistant Secretary of the Navy (Financial Management and Comptroller) or the Commandant of the Marine Corps.
3	an officer or enlisted member	the Army or Air Force	damage or cost of repairs to arms or equipment	the member had the care of, or was using the property when damaged	negligence or abuse in care or use of property is established by a board of officers or on a report of survey, and findings are approved by Secretary concerned		disposable pay (see paragraph 030304.D).
4	a non-accountable officer or enlisted member	any Uni-formed Service	loss of or damage to Government property	liability is established under regulations of the Military Service concerned	case is not within the scope of rule 3		Table 3-6, rule 2.
5	an officer or enlisted member	any Military Service	damage to or failure to satisfactorily clean assigned housing or damage to or loss of equipment or furnishings of such housing	the damage, loss or requirement for cleaning was caused by the abuse or negligence of the member, the member's dependent(s) or a guest of either the member or the member's dependent(s)	the negligence or abuse is established by administrative determination under regulations of the Military Service concerned.		

Table 3-4. Military Member Indebtedness to United States

RULE	A If	B of any Military Service is indebted to the United States for	C then collect from current pay	D At a monthly rate not to exceed that shown in this table or in the rule cited
1	an enlisted member	enlistment or reenlistment bonus for period unserved	involuntarily	Table 3-6, rule 2.
2	an officer or enlisted member	unpaid hospital bills for medical services furnished a dependent	involuntarily or pursuant to Military Service regulations	
3		excess cost of shipment of household goods		
4	a medical officer	compensation or stipend payments received from state, county, municipal, or privately owned hospitals for medical service		amount received.
5	an officer or enlisted member	jury duty fees (as distinguished from expenses) from any court, except while on authorized leave, and receiving active duty pay and allowances	involuntarily	
6		amount due the DoD, its instrumentalities, or other Uniformed Services by reason of court judgment		Table 3-6, rule 2.
7		a debt determined valid from a federal agency outside DoD or other Uniformed Service including debts resulting from court judgments		Table 3-6, rule 3.
8		a travel advance in excess of entitlements (see note)	involuntarily or pursuant to Military Service regulations	Table 3-6, rule 2.

NOTE:
If the member has not filed a claim on a timely basis as defined by Military Service regulations, then the entire amount of the advance is considered to be in excess of entitlements.

Table 3-5. Military Member Indebtedness to Individuals, Government Instrumentalities, and Agents

RULE	A If	B of	C is indebted to	D for	E and	F then collect from current pay	G at a monthly rate not to exceed that shown in this table or in the rule cited
1	an officer or enlisted member	any Military Service	any person	willfully damaging or wrongfully taking property of that person	the commander has convened a board to investigate complaint, and board has assessed damages, and commander has approved an amount of assessment	involuntarily	amount approved by commander not to exceed disposable pay (see paragraph 030304.D).
2			member's spouse, former spouse or child	court ordered child support or alimony			see Volume 7A, Chapter 41.
3		the Army or Air Force	a commissary	an uncollectible check which member or member's authorized agent has issued or endorsed to the commissary (notes 1 and 2)			disposable pay (see paragraph 030304.D).
4		the Navy or Marine Corps				involuntarily or pursuant to Military Service regulations	Table 3-6, rule 2.
5		any Military Service	other appropriated fund activity or office	an uncollectible check endorsed or issued by member or member's agent (note 1)			
6		any Military Service	a nonappropriated fund activity	any indebtedness by member or member's agent (note 1)	the custodian of the nonappropriated fund instrumentality has tried all means for direct collection from member, and a request has been sent to member's commander for assistance in obtaining direct payment		
7			the IRS or the Treasury	delinquent income taxes or court ordered child support (note 3)	IRS Notice of Levy is served or court ordered garnishment is issued		see Volume 7A, Chapters 41 and 50.

Table 3-5. Military Member Indebtedness to Individuals, Government Instrumentalities, and Agents (Continued)

RULE	A If	B of	C is indebted to	D for	E and	F then collect from current pay	G at a monthly rate not to exceed that shown in this table or in the rule cited
8	an officer or enlisted member	any Military Service	a military banking facility overseas	an uncollectible check endorsed or issued by the member or a defaulted loan made to the member	military banking facility overseas has complied with required procedures	involuntarily	Table 3-6, rule 2.

NOTES:
1. Generally, an agent is one who has been given a power of attorney by the member.
2. Effective February 1, 1999, collection of dishonored checks written by the member or the person who presented the check based upon their status and relationship to the member as well as costs associated with that check may be collected.
3. Upon certification from Department of Health and Human Services to the Treasury, IRS Notice of Levy may be issued for delinquent child support (Refer to Volume 7A, Chapter 41, section 4103).

Table 3-6. Military Member Rates of Collection

RULE	A	B	C	D	E
	If	**Is indebted for**	**then the DCO may authorize or approve liquidation by monthly installments that**	**and if debt remains at time of separation, collect from final pay**	**And if total debt is not liquidated from final pay, establish collection from**
1	an officer or enlisted member of any Military Service	court-ordered child support or alimony and garnishment or attachment of pay is directed by court order	do not exceed limitations set forth in Volume 7A, Chapter 41	as directed by court order	retired pay, retainer pay, or pay in new enlistment and limited by Volume 7A, Chapter 41.
2		an administratively determined indebtedness to the United States or its instrumentalities	do not exceed maximum limitation specified in paragraph 030305 unless the member consents to collection of a greater amount. Commander may authorize collection of a lesser amount when justified or as provided for in the regulations of the Military Service concerned (note 1)	unpaid pay and allowances, separation payments under Volume 7A, Chapter 35; Reservists' Involuntary Separation Payment; amounts deducted for United States savings bonds including undelivered bonds; separation travel allowance for officers; reimbursement for transportation of household goods, dislocation and trailer allowance (for enlisted members, do not collect from separation travel allowance, or donation on discharge). If member is retiring, then see section 0304 (notes 1, 2, 3 and 4)	retired pay (see section 0304) or pay in new enlistment.
3		an administratively determined indebtedness to the United States excluding the DoD and its instrumentalities or other Uniformed Services	do not exceed 15 percent of disposable pay for that month (see subparagraph 030306.B)		

Table 3-6. Military Member Rates of Collection (Continued)

RULE	A If	B is indebted for	C then the DCO may authorize or approve liquidation by monthly installments that	D and if debt remains at time of separation, then collect from final pay	E and if total debt is not liquidated from final pay, then establish collection from
4	an officer or enlisted member of any Military Service	any indebtedness incurred on or after December 4, 1987, to a Service relief society, (Army Emergency Relief, Air Force Aid Society, Navy-Marine Relief Society, or Coast Guard Mutual Assistance)	do not exceed 15 percent of disposable pay for that month (see subparagraph 030306.B)	involuntarily or pursuant to Military Service regulations (note 5)	retired pay (see section 0304) or pay in new enlistment.
5		an overpayment of pay or allowances through no fault of the member (for overpayments made on or after October 17, 2006 through October 28, 2009)	do not exceed 20 percent of disposable pay for that month	involuntarily or pursuant to Military Service regulations (note 5)	retired pay (see section 0304) or pay in a subsequent period of military service.
6		an overpayment of pay or allowances through no fault of the member (for overpayments made on or after October 29, 2009)	do not exceed 15 percent of disposable pay for that month.		

NOTES:

1. For Army and Air Force enlisted members that do not exceed the maximum limitation specified in subparagraph 030305. This limitation does not apply to enlisted members whose accounts are being settled on discharge for fraud, desertion, or because of mental incompetence.
2. For enlisted members, travel allowances remaining due after the completion of separation travel may be collected.
3. For members transferring to the Retired Reserve and receiving Reservists' Special Separation Pay (RSSP), the entire amount of the RSSP payment(s) is available for offset.
4. If indebtedness is a result of an unfulfilled bonus agreement, and separation is under the Special Separation Benefit (SSB) or Voluntary Separation Incentive (VSI) program, then refer to subparagraph Volume 7A, Chapter 35 for SSB or for VSI.
5. Do not exceed maximum limitation specified in subparagraph 030305.A.1.
6. In unusual circumstances, the initiation of collection action of travel advances pursuant to a consent agreement may be delayed if the delay is approved by the Director, DFAS (or designee). However, the repayment period will, in all cases, be scheduled to repay the advance before the member's expected date of separation.

Table 3-7. Military Retiree Indebtedness to Government Agencies

RULE	A If a (an)	B of	C is indebted for	D then collect from retired pay	E at a maximum monthly rate of
1	retired member	any Military Service	overpayment of retired pay	involuntarily	see note 1.
2			overpayment of active duty pay and allowances carried forward from active duty		rate established while on active duty (note 1).
3			unpaid hospital bills for medical services furnished a dependent	involuntarily or pursuant to Military Service regulations	see note 1.
4			excess cost of shipment of household goods		see notes 1 and 2.
5		the Army or Air Force	uncollectible check to a commissary issued or endorsed by member or member's agent	involuntarily	all pay (excluding FITW). See note 3.
6		the Navy or Marine Corps		involuntarily or pursuant to Military Service regulations	see notes 1 and 3.
7		any Military Service	any indebtedness to a nonappropriated fund activity		see note 1.
8			hospital rations furnished to a member		
9			TRICARE payment on behalf of member's dependents	with member's consent	amount applicable.
10			delinquent federal income tax	involuntarily	
11		the Army or Air Force	loss, damage, or destruction of arms or equipment in member's care or use	involuntarily or pursuant to Military Service regulations	See note 1.
12		the Navy or Marine Corps		with member's consent	
13	accountable officer	any Military Service	loss or damage to military supplies, upon final settlement of accounts of officer charged with issue of the supplies	involuntarily or pursuant to Military Service regulations	

Table 3-7. Military Retiree Indebtedness to Government Agencies (Continued)

RULE	A If a (an)	B of	C is indebted for	D then collect from retired pay	E at a maximum monthly rate of
14	retired member	any Military Service	damage to assigned family housing, or damage to or loss of equipment or furnishings caused by the abuse or negligence of the member or the member's dependent(s) or guests of member or the member's dependent(s) while on active duty and established by a Report of Survey	involuntarily	see notes 1 and 4.
15			a debt determined valid from another federal agency		not to exceed 15 percent of disposable pay.
16			RSFPP and SBP payments to a surviving annuitant when retiree presumed dead is later found to be alive		all pay or amount applicable.
17			advanced and unused travel expense		see notes 1 and 4.
18			dual compensation restrictions		see note 1.
19			negotiating both original and substitute checks		
20			retired pay paid concurrently with active duty pay while serving as a Reservist. (a) prior fiscal year(s) or prior month(s) (b) current		see note 1. 1/12 of total for fiscal year
21		any Military Service	readjustment pay (a) paid prior to September 15, 1981 (see Volume 7B, Chapter 4, Table 4-1) (b) paid after Sep 14, 1981		all.
22			non-disability severance pay (a) paid prior to September 15, 1981 (see Volume 7B, Chapter 4, Table 4-2) (b) paid after Sep 14, 1981		see note 4.

Table 3-7. Military Retiree Indebtedness to Government Agencies (Continued)

RULE	A If a (an)	B of	C is indebted for	D then collect from retired pay	E at a maximum monthly rate of
23	retired member	any Military Services	separation pay	involuntarily	see note 2.
24		any Military Service	an uncollectible check endorsed or issued by the member or a defaulted loan made to the member at a military banking facility overseas		see notes 1 and 4.
25			an uncollectible check endorsed by the member to a disbursing officer		see note 1.

NOTES:
1. Deductions will not exceed limitation set forth in paragraph 030404.
2. Submit these types of indebtedness to DCMO.
3. Effective February 1, 1999, collection of dishonored checks written by the member or the person who presented the check based upon their status and relationship to the member as well as costs associated with that check may be collected involuntarily.
4. Monthly rate based on service for which readjustment, severance, or separation pay was received as a proportion of the total deducted equals the lump-sum payment received.

VOLUME 16, CHAPTER 4: "HEARINGS, INFORMAL DISPUTES, WAIVERS, AND REMISSIONS OF DEBT OWED BY INDIVIDUALS"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font*.**

This is the initial publication.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	This chapter consolidated policy previously found in Volume 5, Chapter 28; Volume 7A, Chapter 50; Volume 7B, Chapter 28; and Volume 8, Chapter 8.	New
040201.D	Added language to clarify that a debtor is not entitled to a hearing under certain circumstances.	Addition
040203.C.2	Deleted extra language on oral hearing procedures. The language was procedural in nature rather than policy.	Deletion
040205	Updated language to clarify that requests for travel charge card debt hearings must be referred to the Debt and Claims Management Office.	Revision
040206	Added paragraph on service member requests for debt review.	Addition
0403	Added section on informal debt disputes and clarified that these are only completed if a debt is disputed after a debtor's eligibility for a hearing has expired.	Addition
040403.A	Added language stating debtors may refer to an online resource for information on applying for a waiver.	Addition
040409	Added paragraph on waiver of Survivor Benefit Plan overpayments.	Addition
040502	Updated language to reflect that all requests for remission should be submitted directly to the Military Services because the Defense Finance and Accounting Service no longer adjudicates them.	Revision

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CHAPTER 4

*INFORMAL DISPUTES, HEARINGS, WAIVERS, AND REMISSIONS OF DEBT OWED BY INDIVIDUALS

0401 GENERAL

040101. Purpose

This chapter provides policy and procedures pertaining to the submission and processing of petitions for hearings to dispute debt owed by individuals, as well as waiver and remission applications.

040102. Scope

This chapter does not apply to collection of debts owed by contractors, vendors, assignees, state and local governments, or foreign entities. This chapter does not apply to the collection of child support, alimony, or commercial debts from the pay or salaries of DoD civilian employees or military members through garnishment or involuntary allotment. This chapter also does not apply to antitrust, fraud, tax, and interagency claims. See Volume 7A, Chapters 41 and 43; Volume 7B, Chapter 27; and Volume 8, Chapter 8 for guidance pertaining to garnishments and involuntary allotments. For guidance on disputed contractor debts, refer to Chapter 5.

040103. Non-Waiver of Rights by Payment

A debtor's involuntary payment of all or any portion of a debt must not be construed as a waiver of any rights that the debtor may have under Title 5, United States Code (U.S.C.), Section ***5514*** or any other provision of a contract or law unless there are statutory or contractual provisions to the contrary. Title 5, Code of Federal Regulations (C.F.R), ***Section 550.1104(o)*** provides additional information.

0402 HEARINGS

*040201. General

A. Granting a debtor the opportunity for a hearing is a due process requirement of 5 U.S.C. 5514 and ***31 U.S.C. 3716***. Debtors must be afforded the opportunity to dispute a debt prior to the initiation of involuntary offset to collect indebtedness due the United States (U.S.) Government, except in those instances listed in paragraph 040201.D. See 5 C.F.R. 550.1104, ***31 C.F.R. 285.5***, ***31 C.F.R. 285.11(e)(iii)(2)(iii)*** and ***31 C.F.R. 901.3***. Debtors may petition for a hearing to contest either the validity or amount of the debt or the involuntary offset schedule. Generally, all issues requiring a hearing will be consolidated, and only one hearing per debtor is granted.

B. To request a hearing, the debtor must submit, in a timely manner, a hearing petition which meets the requirements of subparagraph 040202.B. The timely filing of a hearing petition will stay the beginning of collection procedures until the results of the hearing have been rendered.

C. Upon receipt of the hearing petition, the Debt Collection Office (DCO) must perform a reconsideration of the debtor's pay records to validate the debt. Reconsideration is an informal examination of internal debt records by the DCO to validate the debt without appointment of a hearing official and is the first step in the hearing process. It is not the formal hearing (see subparagraph 040202.C.3). The DCO must issue the written reconsideration results to the debtor. Once the debtor receives the results, he or she must notify the DCO of his or her intent to continue with a formal hearing within 30 days from the date of the reconsideration, or by the date indicated in the reconsideration letter. If the debtor proceeds with a formal hearing, a hearing will be held by a hearing official who will make a written determination regarding the validity or amount of the debt, or on the proposed involuntary repayment schedule.

* D. Pursuant to 5 C.F.R. 550.1104(c), a debtor is not entitled to a hearing under certain circumstances.

1. Underdeduction for Life or Health Insurance Premiums. A DoD civilian employee is not entitled to a hearing on a debt related to the underdeduction of health or life insurance premiums if the amount to be recovered accumulated over 4 pay periods or less. Chapter 3 contains guidance for the collection of such premiums.

2. Routine Pay Adjustments. A DoD civilian employee is not entitled to a hearing prior to a routine intra-agency pay adjustment to collect overpayments of pay and allowances identified as having occurred within the 4 pay periods preceding the adjustment, or for any adjustments that amount to $50 or less. Refer to Chapter 2 for notification requirements for routine pay adjustments. While the employee must be provided with written notice about the amount and a point of contact for contesting the adjustment, in these circumstances, a post-deprivation due process hearing is generally not required.

040202. Hearing Petitions

A. Filing a Hearing Petition

1. The debtor must file a petition to request a hearing in order to contest the validity or amount of the debt or to contest the involuntary repayment schedule. See 5 C.F.R. 550.1104(e) and ***31 C.F.R 901.2 (b)(1)***. The debtor must file the petition in accordance with the instructions provided by the DCO in the debt notification letter. The debtor must file the hearing petition no later than 30 calendar days from the mailing date of the debt notification, or by the date indicated in the debt notification.

2. A debtor who wishes to contest an involuntary repayment schedule must file a hearing petition no later than 30 calendar days from the mailing date of a notice rejecting an unacceptable voluntary repayment agreement, or by the date indicated in the notice.

3. If the debtor first makes a written request for records related to the debt, then the debtor must file a hearing petition within 45 days after the date the records are distributed (by mail, electronically, or in person) to the debtor.

B. Content of Hearing Petition. A hearing petition must identify and explain, with reasonable specificity, the facts and evidence the debtor believes supports his or her position. There is no standardized format for a hearing petition; however, the petition must contain the following information:

1. Identifying information. The petition must include information such as a name, telephone number, email address, mailing address, and social security number of the debtor.

2. Reason for Filing the Petition/Basis of the Dispute. A hearing petition should include a written summary of the facts and the date and manner in which the debtor became aware of the overpayment. The debtor must indicate the basis for disputing the debt. If contesting an involuntary repayment schedule, then the petition should include a statement explaining the debtor's financial status.

3. Documentary Evidence. A hearing petition should include all documentary evidence the debtor wants the hearing official to review, including Leave and Earnings Statements (LES) and written testimony from any witnesses. If the debtor is contesting an involuntary repayment schedule, then the debtor should submit an alternate schedule and statement and/or records explaining his or her financial status.

4. Signature and Date. A hearing petition must be signed and dated by the debtor.

C. Action by DCO on Hearing Petitions

1. Hearing Petition is Insufficient. The DCO is responsible for reviewing the hearing petition for sufficiency based on the requirements of subparagraph 040202.B. DCO must retain and identify as insufficient any hearing petitions that do not contain the required information. DCO must notify the debtor in writing that his or her hearing petition was insufficient, and request that the debtor submit additional information within 30 days from the date of the written notice of insufficiency. The DCO must advise the debtor that if he or she fails to submit additional information within 30 days of the written notice of insufficiency, the hearing request will be denied.

2. Untimely Hearing Petition. A debtor waives his or her right to a hearing if the debtor fails to file a hearing petition within 30 days from the mailing date of the debt notification or by the date indicated in the debt notification or notice rejecting an unacceptable voluntary repayment agreement. An untimely petition will result in denial of the hearing request. The DCO must notify the debtor in writing of the denial. If the debtor files a hearing petition after the time expires, the DCO may accept a late petition if the debtor can show

that the delay was due to circumstances beyond the debtor's control. A DCO should consult with its Office of General Counsel (OGC) regarding the acceptance of late petitions.

3. Reconsideration. Reconsideration is the first step in the hearing process. The DCO must perform the reconsideration once the debtor submits a timely and sufficient hearing petition. Reconsideration is the informal reexamination of the debtor's pay records by the DCO to validate the amount of the debt and to satisfy any doubt the debtor may have regarding the amount or validity of the debt. The DCO must determine if the debt is valid and issue the written results of the reconsideration to the debtor. See Figure 4-1 for a sample reconsideration letter that can be issued to the debtor.

a. Time Limit for Performing Reconsideration. The DCO should issue written results of the reconsideration to the debtor within 15 days of receipt of the hearing petition. If the DCO needs additional time to investigate the debt, the DCO should advise the debtor of the delay in writing and include an estimate of when he or she can expect a final determination.

b. When Reconsideration Invalidates the Debt. If the DCO determines all or part of the debt is invalid, then the reconsideration letter must inform the debtor of the finding, and the DCO must take action to dismiss the debt.

c. When Reconsideration Validates the Debt

(1) If the reconsideration validates all or part of the debt, then the reconsideration letter must inform the debtor of the finding. The DCO must inform the debtor that he or she has 30 days from the date of the reconsideration letter to inform the DCO of his or her intent to continue with a formal hearing before a hearing official.

(2) If the debtor requests the matter be forwarded to a hearing official, the DCO must forward the debt information to the Debt and Claims Management Office (DCMO) for assignment to a hearing official and must stay the debt collection action. If the debtor does not respond to the reconsideration letter within 30 days, the DCO must remove the debt from disputed status and pursue the appropriate debt collection action. The DCO will initiate the debt collection by using salary offset procedures as outlined in the original debt notification if the debtor does not respond and takes no additional action to repay the debt.

4. Referral to DCMO for Hearing. After performing a reconsideration of the debt, and at the debtor's request to proceed with a hearing, the DCO must refer hearing petitions determined to be timely and sufficient to the DCMO. The DCMO is the office responsible for processing requests for hearings from individuals who are indebted to the DoD. These individuals include: active, reserve, retired, and former military members; current, retired, and former DoD civilian employees; non-appropriated fund instrumentality (NAFI) employees; and any other individual indebted to DoD who is subject to offset. The DCO must forward the hearing petition and all supporting documentation from the debtor to the Debt and Claims

Management Office, DFAS/JFEA-IN, 8899 East 56th Street, Department 3300 (ATTN: Hearings), Indianapolis, IN 46249-3300.

*040203. The Hearing Process

A. General. All hearings are conducted in accordance with 31 C.F.R. 901.3(e) and 5 C.F.R. 550.1104.

B. Hearing Officials. Generally, DCMO hearing officials will process all requests for hearings. In the event the appointment of another hearing official is necessary, refer to the guidance in Table 4-1.

C. Types of Hearing. The DCMO hearing official will determine which of the following two types of hearings is most appropriate:

1. Paper Hearing. Generally, debtors who present a timely and sufficient petition for a hearing are entitled to a "paper hearing." The hearing official will make a determination based on a review of the available written record, without the parties present. A paper hearing is generally adequate for making determinations concerning the validity or amount of the debt or the terms of the salary offset schedule.

* 2. Oral Hearing

a. If the hearing official, with the advice and guidance of the Defense Finance and Accounting Service (DFAS) OGC, determines that the matter cannot be resolved by a review of the documents alone, then an oral hearing may be granted. For example, if the validity of the debt turns on an issue of credibility or veracity, then an oral hearing may be necessary. Since payroll overpayments seldom present issues of credibility or veracity, the need for oral hearings will be extremely rare.

b. An oral hearing is not an adversarial adjudication or a trial type evidentiary hearing. An oral hearing may include an informal conference with the hearing official where the debtor and agency representative (the DCO) are both given the opportunity to present documents, witnesses, and arguments. Alternatively, oral hearings may take the form of an informal meeting where the debtor and DCO are questioned by the hearing official. The hearing may also consist of formal written submissions by the parties with an opportunity for oral presentation to the hearing official.

3. Sample. See Figure 4-2 for information required by the hearing official for a paper or oral hearing.

D. Hearing Official Final Decision

1. Time Limit. Pursuant to 5 C.F.R. 550.1104, within 60 calendar days after the filing of the hearing petition, the hearing official must issue a written decision on the merits of the dispute. The final decision must detail the hearing official's findings and conclusions. Generally, the final decision should advise the debtor that the basis for the debt and

amount were reviewed, indicate whether the debtor's contentions were accepted in whole or in part, specify the debt amount now owed, and, if applicable, reaffirm the DCO's intent to collect the debt by administrative offset. The hearing official must issue a copy of the final decision to both the debtor and the DCO.

2. Final Decision in Favor of the DCO. If the final decision upholds the validity and amount of the debt (in full or in part) or the involuntary repayment schedule, then the DCO must recommence collection action after sending the debtor a letter that includes the following (refer to Figure 4-3 for a sample of the Post-Hearing Notification):

a. A brief statement of the hearing official's final decision;

b. A request that the debtor repay the debt in full within 15 calendar days following the date of the letter, requests authorization for a voluntary one-time offset to repay the debt, or agrees to pay the debt in regular installments pursuant to a voluntary repayment agreement;

c. A statement that a salary offset will begin with the pay period in which the deadline expires unless the debtor informs the DCO of his or her decision regarding the options in subparagraph 040203.D.2.b. The letter must be specific as to the pay period in which the offset will occur;

d. The amount of the offset and its estimated duration that will be equal to the amount of the debt, or 15 percent of the debtor's disposable pay, whichever is less;

e. A statement regarding the assessment of interest, administrative expenses, and penalties and;

f. A reminder of the debtor's right to request waiver or remission of the debt.

3. Final Decision in Favor of the Debtor. If the hearing official's final decision finds in favor of the debtor and determines a portion or all of the debt is invalid, then the DCO must inform the debtor as to what portion of the debt is no longer considered valid. If the hearing official reduces the amount of the debt, then the DCO must issue a letter to inform the debtor, and begin collection action for the new amount.

4. Appeal of Final Determination. There are no provisions for review or appeal of debt determination decisions rendered with regard to salary or administrative offset. However, debtors may exercise any other waiver, remission, or review right that may be provided by other statute or regulation with regard to the debt. For example, a Federal civilian employee may file an appeal with the Office of Personnel Management (OPM) concerning a claim involving the employee's compensation and leave. See ***5 C.F.R. Part 178***. The Defense Office of Hearings and Appeals considers appeals of claims for uniformed services pay and allowances. Refer to 31 U.S.C. ***3702***; ***32 C.F.R. 282.5(b)(2)*** and ***App. E. to Part 282*** for additional information on appeals.

040204. Hearings for Administrative Wage Garnishment (AWG)

The Department of the Treasury (Treasury) may request that DCMO hearing officials conduct hearings requested by individuals who owe debts to DoD when the Treasury is attempting to collect from the debtor using AWG procedures pursuant to ***31 U.S.C. 3720D*** and 31 C.F.R. 285.11.

*040205. Hearings for Government Travel Charge Card Debts

Any inquiries or disputes regarding the debt and the 90-day demand notice, which are received by the travel charge card contractor prior to forwarding the debt to DFAS for collection, will be handled and resolved by the travel charge card contractor. If the debtor wants to negotiate an installment agreement prior to the referral of the debt for salary offset, then any such agreement must be made with the travel charge card contractor. If the debtor is not satisfied with the travel charge card contractor's disposition of the dispute, then he or she may submit a petition for a debt hearing to the DCMO.

*040206. Reviews for Service Members

A. Due Process. Under ***10 U.S.C. 1007*** and 5 U.S.C. 5514, service members are entitled to due process, consisting of a notice and an opportunity for review, prior to the initiation of debt collection unless otherwise required by statute.

B. Requesting a Review. A debtor who questions the validity or amount of a debt may request a review and validation of the debt by the DCO. A debtor may also contest the involuntary repayment schedule. The debtor must submit a written request for a review that identifies and explains, with reasonable specificity, the facts and evidence the debtor believes supports his or her position. The request for review must be received not later than 30 days from the mailing date of the debt notification, or by the date indicated in the debt notification. There is no standardized format for a request for review; however, the request should contain debtor identifying information, the reason for requesting a review, supporting documentary evidence, and a dated signature. A debtor waives his or her right to a review if the debtor fails to submit a request in a timely manner. The DCO may accept a late request if the debtor can show that the delay was due to circumstances beyond the debtor's control.

C. Requesting Records. A debtor may make a written request to the DCO for records related to the debt. A request for records must be made prior to the deadline for submitting a request for review. Within 45 days after the date the records are distributed to the debtor, the debtor must submit a written request for review to the DCO or the debtor will waive his or her right to review.

D. Review Procedures. The request for review must be submitted to the DCO from which the debtor received his or her debt notification and must be mailed or faxed to the address in the notification. Upon receipt of the request for review, the DCO will consider the information, and any documentary evidence contained in the debtor's request and will perform a review and validation of the debt. The DCO must issue the written review results to the debtor.

E. Written Review Results. Written results should be provided within 60 calendar days and contain the following information:

1. A brief statement of the DCO's determination regarding the validity or amount of the debt or the involuntary repayment schedule. If the DCO determines a portion or all of the debt is invalid, or the involuntary repayment schedule should be revised, the DCO will adjust the debt amount or repayment schedule accordingly and will inform the debtor in the review results;

2. A request that the debtor pay the debt in full within 15 calendar days following the date of the letter, authorize a voluntary one-time offset to repay the debt, or agree to pay the debt in regular installments pursuant to a voluntary repayment agreement;

3. A statement that the offset will begin with the pay period in which the deadline expires, unless the debtor informs the DCO of his or her decision regarding the above options;

4. The amount of the offset; and

5. A reminder of the debtor's right to request a waiver or remission of the debt.

F. Appeal of Final Determination. The DCO's determination on review is final. There are no provisions for review or appeal of the DCO's decision on salary or administrative offset. However, debtors may exercise any other waiver, remission, or review right provided by other statute or regulation with regard to the debt. For example, Defense Office of Hearings and Appeals (DOHA) considers appeals of claims for uniformed services pay and allowances. Refer to 32 C.F.R. 282.5(b)(2) and App. E. to Part 282 for additional information on appeal rights.

*0403 INFORMAL DEBT DISPUTES

040301. General

At the debtor's request, the DCO may perform an informal courtesy review of a debt. This informal review does not satisfy due process requirements and is in addition to such procedures. The informal courtesy review of a debt by the DCO typically occurs when the debtor submits a written "debt protest" or "debt dispute" to the DCO after the time period for filing a hearing petition has expired. The purpose of the courtesy review is to allow the DCO to validate the debt and respond to the debtor's questions. Chapter 5 contains guidance on contractor debt disputes.

040302. Processing Informal Debt Disputes

A. A written request from the debtor is required before a debt is placed in a disputed or protest status.

B. For debts placed in dispute, the DCO should make every attempt to complete the courtesy review and issue a written response to the debtor within 30 days of receipt of the written protest.

C. If any portion of the debt cannot be validated and supported by the DCO, then the invalid portion of the debt should be reversed in the accounting system and closed in the appropriate entitlement systems. The DCO should notify the debtor in writing that the debt has been invalidated or partially invalidated.

D. If the debt is validated, then the DCO must provide a response with applicable supporting documentation to the debtor and proceed with appropriate collection activity.

0404 WAIVER OF INDEBTEDNESS

040401. Authority

A. General

1. Titles ***5 U.S.C. 5584***, ***10 U.S.C. 2774***, and ***32 U.S.C. 716*** provide the head of an executive agency with the authority to waive an indebtedness that is the result of an erroneous payment of pay or allowances or an erroneous payment of travel, transportation, or relocation expenses and allowances. Title ***10 U.S.C. 1453*** provides authority to waive indebtedness that is the result of an erroneous payment of Survivor Benefit Plan (SBP) annuity.

2. The Under Secretary of Defense (Comptroller) has delegated waiver authority to the DFAS Director by memorandum dated January 29, 1992, and upheld that delegation in DoD Directive (DoDD) ***5118.05***, DFAS (dated April 20, 2012). The DFAS Director re-delegated this authority to the DFAS Director-Indianapolis. The waiver authority is subject to the dollar value limits identified in paragraph 040402. The exercise of this authority must be coordinated with the affected DoD Component, where appropriate. The DCMO exercises waiver authority for DoD employees (military and civilian), with the exception of waiver authority specifically delegated to the Director, Department of Defense Education Activity (DoDEA), the Director, National Security Agency (NSA), and the heads of non-DoD Components.

B. Policies and Procedures. Policies and procedures for considering applications for waivers of indebtedness resulting from erroneous payments to or on behalf of service members and civilian DoD employees are set forth in ***DoDD 1340.22***, Waiver of Debts Resulting from Erroneous Payments of Pay and Allowances (dated January 8, 2005), which is codified at ***32 C.F.R. Part 283***. Detailed waiver procedures for debts resulting from erroneous pay and allowances are set forth in ***DoD Instruction (DoDI) 1340.23***, Waiver Procedures for Debts Resulting from Erroneous Pay and Allowances (dated February 14, 2006), which is codified at ***32 C.F.R. Part 284***.

040402. Designated Waiver Authority Based on Aggregate Amount of Debt

The responsibility of the DCMO or other designated waiver authority to grant or deny a waiver is contingent upon the aggregate amount of the debt. The aggregate amount of a debt is the total amount of the debt before deductions for repayments or withholding for taxes.

A. Authority to Waive Collection for Debts Less than $1,500 (civilian) or $10,000 (military). Under 5 U.S.C. 5584, the DCMO, or other designated waiver authority, is authorized to grant a waiver of debt aggregating to not more than $1,500 for civilian employees. Under 10 U.S.C. 2774 and 32 U.S.C. 716, the DCMO, or designated waiver authority, is authorized to grant a waiver of debt aggregating to not more than $10,000 for military members or National Guard members. There is no threshold for DCMO or other designated waiver authority to deny the waiver of debt for either civilian employees or military members.

B. Authority to Waive Collection for Debts Greater than $1,500 (civilian) or $10,000 (military). If the aggregate amount of a debt is greater than $1,500 for civilian employees or greater than $10,000 for military or National Guard members, then the authority to grant the waiver application resides with the Director, Defense Office of Hearings and Appeals (DOHA), or his or her designee under the DoD OGC. All requests should be submitted to the DCMO, and the DCMO will forward relevant requests to DOHA for consideration.

*040403. Submission of Request for Waiver

* A. Application. All requests for waiver of indebtedness for DoD civilians (current and separated or former employees) and military members (active, reserve, retired and National Guard) must be submitted on the Department of Defense (DD) ***Form 2789***, Waiver/Remission of Indebtedness Application. Instructions on submitting a waiver application should be included with the debt notification letter issued by the DCO, or the letter may direct the debtor to an online resource for the information. Refer to Chapter 2, Figure 2-1 for a sample debt notification that includes waiver instructions. The debtor must complete and sign the DD 2789 and submit the application to the applicable office listed on the DD 2789, depending on whether the debtor is a current or former employee or military member. The debtor's application must include all supporting documentation which includes, but is not limited to:

1. Copies of all supporting documentation referred to on the DD 2789;

2. Copies of LESs covering the 3 pay periods prior to the overpayment through the 3 pay periods after the overpayment ended. If LESs are not available, then the individual or DCO must include a statement explaining why LESs are not available;

3. Copies of Standard Form (SF)-50s, Notifications of Personnel Action, for the debt period (including corrections). If unavailable, then the individual must include a statement from the personnel office indicating why the notifications are not available; and

4. Any statement from the individual or another person in support of the waiver application. Signed statements must be attested to be true and correct to the best of the individual's knowledge and belief.

B. DCO Responsibility. The DCO should supplement the debtor's waiver application with additional information in the form of a written report containing a chronological summary of the facts and relevant records. The DCO must forward to the DCMO a debt computation that shows, by pay period, the amount the debtor was paid, the amount the debtor should have been paid, and the total amount of the overpayment. The amount of the debt should match the amount in the pay system, as well as the amount in the debt notification sent to the debtor.

C. DoDEA and NSA Employees. DoDEA and NSA civilian employees must forward applications for waiver to the DoDEA and NSA designated waiver approval authorities.

D. Time Limit for Filing Application

1. Civilian Employees. DoD civilian employees must submit a waiver application within 3 years from the date the erroneous payment was discovered. For the purposes of starting the 3-year period, the date of discovery is the date that an appropriate official first determines that an erroneous payment has been made. Typically, the date of discovery of the debt for the purposes of filing a timely waiver request is 3 years from the date the debt notification was issued to the debtor. The timeframe for submitting a request for waiver cannot be extended or waived.

2. Military Members. Military members (active, reserve, retired, and National Guard) must submit a waiver application within 5 years from the date the erroneous payment was discovered. For the purposes of starting the 5-year period, the date of discovery is the date that an appropriate official first determines that an erroneous payment has been made. Typically, the date of discovery of the debt for the purposes of filing a timely waiver request is 5 years from the date the debt notification was issued to the debtor. The timeframe for submitting a request for waiver cannot be extended or waived.

E. Contesting the Debt. By submitting an application for the waiver of a debt, an individual is acknowledging that he or she does not intend to dispute the validity or amount of the debt. Waiver is not the proper forum to contest the validity or amount of the debt. To contest the validity or amount of the debt, an individual must petition for a hearing under section 0402. A waiver application that includes arguments concerning the validity or the amount of the debt may be returned without action or denied.

F. Application Filed by Representative. A waiver application submitted by the debtor's agent or attorney must include a duly executed power of attorney or other documentary evidence of the agent's or attorney's right to act for the debtor.

G. Application Filed by Guardian for Minor/Incompetent Debtors. If a guardian or committee has been appointed for a debtor who is a minor or incompetent person,

then the waiver application filed on behalf of the debtor must include a certificate of the court showing the appointment and qualification of the guardian or committee. If a guardian or committee has not been appointed for the debtor, then the waiver application submitted on behalf of the debtor must:

1. State the applicant's relationship to the minor or incompetent person;

2. Provide the name and address of the person having care and custody of the minor or incompetent person; and

3. Include an affirmation that any moneys received will be applied to the use and benefit of the minor or incompetent person and that the appointment of a guardian or committee is not contemplated.

040404. Suspension of Debt Collection Pending Waiver Determination

Collection of a debt should not routinely be suspended pending waiver determination (refer to ***31 C.F.R. 903.2(c)(2)***). The DCO will determine, in each case, whether suspension of collection under 31 C.F.R. 903.2, or a delay in implementing collection action, would be appropriate based on the following criteria:

A. Waiver will likely be granted,

B. Erroneous payment can be recovered if waiver is not granted, or

C. Collection of the debt would cause undue financial hardship.

040405. Standards for Reviewing Requests for Waiver

Standards for determining the appropriateness of waiving debt collection are located in DoDI 1340.23. The appropriateness of a waiver depends on the facts of each particular case. Generally, a person who receives an erroneous payment from the U.S. Government acquires no right to the money. The recipient of the payment is bound in equity and good conscience to make restitution. If the payment was made by mistake, no matter how careless the act of the U.S. Government may have been, the recipient of the payment must make restitution. A waiver is not a matter of right and is available only to provide relief as a matter of equity when warranted by the circumstances of the individual case. Economic or financial considerations play no role in the determination of a waiver request.

A. Indication of Fraud, Misrepresentation, Fault, or Lack of Good Faith. A waiver may only be granted when the collection would be against equity and good conscience and not in the best interests of the United States. There must be no indication the erroneous payment was solely or partially the result of the fraud, misrepresentation, fault, or lack of good faith of the applicant.

B. Considering Debtor Awareness of Erroneous Payment

1. Generally, a waiver is precluded when the individual or another person who has an interest in obtaining a waiver receives a significant unexplained increase in pay or allowances, or otherwise knows, or reasonably should know, that an erroneous payment has occurred and fails to make inquiries or bring the matter to the attention of appropriate officials. A waiver may be inappropriate even though the recipient of the payment makes inquiries or brings the matter to the attention of appropriate officials and is mistakenly advised that the payment is proper. The fact that an erroneous payment is the result of an administrative error by the U.S. Government is not a sufficient basis in and of itself for granting a waiver.

2. An individual does not acquire title to the amounts paid erroneously and should hold the excess amounts for eventual repayment to the U.S. Government. DOHA has held that a waiver will not be granted if it appears the debtor had records (such as LESs) which, if reviewed, would have indicated an overpayment, and the debtor failed to review such documents for accuracy or otherwise failed to take corrective action. Such failure on the part of the debtor renders the debtor partially at fault and ineligible for a waiver of the debt.

040406. Action of the Debt and Claims Management Office (DCMO) or Designated Waiver Authority

A. After reviewing each application for waiver, the DCMO must take the following action:

1. If the aggregate amount of the debt is not more than $1,500 for civilian employees or $10,000 for military or National Guard members, the DCMO may grant or deny part or all of a waiver application.

2. If the aggregate amount of the debt is more than $1,500 for civilian employees or $10,000 for military or National Guard members, the DCMO must do the following:

a. Deny the waiver application in its entirety; or

b. Refer the waiver application to DOHA for its consideration, along with a recommendation that part of all of the debt be waived.

3. Refer the appeal of an initial determination on a waiver application to DOHA.

4. Refer any doubtful case to DOHA for consideration.

B. After the DCMO (or designated waiver authority) makes a determination on the waiver application or forwards the waiver to DOHA, the DCMO must notify the debtor and the applicable DCO in writing of its action. If the DCMO denied the request for waiver, then the notification to the debtor must state the basis for that decision. The notification must include

guidance regarding the debtor's right to submit an appeal. A debtor may appeal the denial of all or part of his or her waiver application to DOHA.

040407. Final Action of Debt Collection Office (DCO) After Waiver Determination

A. Upon receipt of notification that the request for waiver was denied, the DCO must immediately initiate collection action if collection action was suspended.

B. If the request for waiver is approved, then the DCO must refund to the debtor any amount collected prior to the waiver being approved. The waiver application is considered an application for refund for any amount of the debt that was collected prior to the waiver approval. No refund will be paid when the debtor cannot reasonably be located within 2 years after the effective date of the waiver. The refund must be paid from a current applicable appropriation.

040408. Appeal of Waiver Denial

In accordance with DoDI 1340.23, a debtor may appeal the denial of a waiver application. The appeal must be submitted to the DCMO, or the designated waiver authority that made the determination on the waiver application. The debtor must submit a request for appeal within 30 calendar days of receipt of the written denial of the waiver application. The DCMO may extend this period for up to an additional 30 calendar days if the debtor can show good cause. No appeal will be accepted after this time has expired. The DCMO must review the appeal and forward it to DOHA. DOHA will review the debtor's appeal, and affirm, modify, or reverse the initial determination made by the DCMO.

*040409. Waiver of Survivor Benefit Plan (SBP) Overpayments

A. Authority. Recovery of debts resulting from erroneous payments made under the Survivor Benefit Plan (SBP) may be waived pursuant to 10 U.S.C. 1453. The Under Secretary of Defense (Comptroller) delegated waiver authority to the Director of DFAS by memorandum dated February 1, 1991. The DFAS DCMO exercises waiver authority on behalf of the Director.

B. Debts Not Eligible for Waiver. Debts that are the result of unpaid SBP premium payments are not eligible for waiver under this provision.

C. Submission of Request for Waiver

1. Application. To request a waiver of indebtedness resulting from an SBP annuity overpayment, an indebted SBP annuitant, or his or her authorized representative (see subparagraph 040403.F), must submit a DD 2789. The debtor must complete and sign the DD 2789 and submit the application to the DCMO at DFAS-Indianapolis (DFAS-IN), 8899 East 56th Street, Department 3300 (ATTN: Waivers/Remissions), Indianapolis, IN 46249-3300. The application must include the following supporting documentation:

a. Copies of all supporting documentation referred to on DD 2789;

b. Any statement from the debtor or another person in support of the waiver application. Signed statements must be attested to be true and correct to the best of the individual's knowledge and belief; and

c. Other information as requested by the DCMO.

2. DCO's Responsibility. The DCO for SBP annuity payments is DFAS-Cleveland Annuitant Pay. A debtor's waiver application must be supplemented with additional information from the DCO in the form of a written report containing a chronological summary of facts and all relevant records. The DCO must forward the written report to the DCMO and must include a debt computation that shows, by pay period, the amount the debtor was paid, the amount the debtor should have been paid, and the total amount of the overpayment.

3. Action by the DCMO. The DCMO must take the following action on a waiver application:

a. Deny the waiver application in its entirety,

b. Grant the waiver application in its entirety, or

c. Partially grant the waiver application and deny the remainder.

After the DCMO makes a determination on the waiver application, the DCMO must notify both the debtor and the applicable DCO of its action in writing. If the DCMO denied the request for waiver, then the notification to the debtor must state the basis for that decision. The notification must include guidance regarding the debtor's right to submit an appeal of the determination. A debtor may appeal the denial of all or part of his or her waiver application to DFAS-IN. Refer to subparagraph 040409.G for additional guidance on appeals.

4. Time Limit for Filing Application. Debtors must submit a waiver application within 3 years from the date the erroneous payment was discovered. For the purposes of starting the 3-year period, the date of discovery is the date that an appropriate official first determined that an erroneous payment was made, which is typically marked by the date the debt notification was issued to the debtor. The timeframe for submitting a request for waiver cannot be extended or waived.

5. Contesting the Debt. By submitting an application for the waiver of a debt, an individual is acknowledging that he or she does not intend to dispute the validity or amount of the debt. A waiver is not the proper forum to contest the validity or amount of the debt. To contest the validity or amount of the debt, an individual must petition for a hearing under section 0402. A waiver application that includes arguments concerning the validity or amount of the debt may be denied as ineligible for consideration.

6. Application Filed by Representative. If an annuitant has a representative payee who is authorized to receive payments on the annuitant's behalf pursuant to Volume 7B, Chapter 46, paragraph 460103, the representative may submit a waiver application if the representative also maintains the legal authority to act on behalf of the annuitant. The representative must submit additional documentation as required by the DCMO, for example, a power of attorney or other documentary evidence of the agent's or attorney's right to act for the debtor.

D. Suspension of Collection Pending Waiver Determination. Suspension of collection action may be authorized upon receipt of a waiver application. The DCO will determine, in each case, whether suspension of collection would be appropriate based on the following criteria:

1. Whether the waiver will likely be granted,

2. Whether the erroneous payment can be recovered if waiver is not granted, or

3. Whether collection of the debt would cause undue financial hardship.

E. Standards for Reviewing Requests for Waiver. Waiver of the recovery of an SBP annuity overpayment may be appropriate when the debtor is not at fault, and recovery of the overpayment would be contrary to the purposes of SBP, or against equity and good conscience. The appropriateness of granting a waiver will depend on the facts of each particular case. Pursuant to ***Comptroller General (Comp. Gen.), B-133142 (1978)***, the standards for reviewing a request for waiver of SBP annuity overpayment are the same as those used for considering waiver requests under 10 U.S.C. 2774 and 5 U.S.C. 5584. DFAS DCMO uses the standards set out in DoDI 1340.23 for considering waiver applications for debts resulting from SBP annuity overpayments. Refer to paragraph 040405 for a discussion of the standards used in waiver application determinations.

F. Refund of Amounts Collected. Any amount collected before DFAS-IN receives the debtor's waiver application will not be refunded. A refund is not authorized by law. If a waiver is granted, amounts collected after DFAS-IN received the completed waiver application from the annuitant may be refunded to the annuitant. Refer to ***Comp. Gen. B-184532 (1975)*** for information on when refund is appropriate.

G. Appeal of the DCMO Determination

1. Who May Appeal. A waiver applicant may appeal the DCMO's denial of all or part of the applicant's request to waive SBP annuity overpayments under 10 U.S.C. 1453. An applicant may also appeal the denial of a waiver application that was not received by DFAS within the time limit required.

2. Determining Official. The determining official on all appeals is a DFAS official assigned to review the DCMO's initial waiver determination. Pursuant to subparagraph 040409.A, DFAS has been delegated full authority to consider all waivers under 10 U.S.C. 1453, including any appeals or requests for reconsideration.

3. When and Where to Submit an Appeal

a. The DCMO must receive an applicant's appeal within 30 days of the date of the DCMO's final written determination of the waiver application, or by the date indicated in the written determination. The DCMO may extend this period for up to an additional 30 days for good cause shown. No appeal may be accepted after this time has expired.

b. The applicant's appeal must be sent to the address indicated in DCMO's written determination of the waiver application.

4. Content of an Appeal. No specific format for an appeal is required; however, the appeal must be written and signed by the applicant, the applicant's authorized agent, or the applicant's attorney. The following information must be included with the appeal request:

a. Applicant's mailing address;

b. Applicant's telephone number;

c. Applicant's social security number;

d. A written statement that identifies, with specificity:

(1) Errors or omissions of material and relevant facts;

(2) Legal or equitable considerations that were overlooked or misapplied;

(3) Conclusions that were arbitrary, capricious, or an abuse of discretion; and

(4) The reasons why the findings or conclusions of the DCMO should be reversed or modified; and

e. Copies of supporting documentation, including any statements by the applicant or other persons in support of the appeal. Signed statements must be attested to be true and correct to the best of the individual's knowledge and belief.

5. DCMO Action on Appeal. The DCMO must select an individual within the DCMO, who had no involvement in the initial waiver application, to serve as the

determining official on an appeal. The DCMO must provide the determining official a written statement in support of the original determination on the initial waiver application.

6. Determining Official's Review

a. The determining official must review an applicant's appeal request and must affirm, modify, or reverse the initial determination on the waiver application made by the DCMO. The determining official must issue a final written determination to both the applicant and DFAS Annuitant Pay. The written determination must explain the determining official's decision and must include any appropriate action to resolve the debt.

b. After review of an appeal concerning whether the receipt of the waiver application was timely, the determining official must notify the applicant of his or her decision in writing. If the determining official determines that the waiver application was timely, he or she must provide the waiver application to the DCMO for consideration.

7. Finality of Determining Official's Decision. Decisions by the determining official are final if DFAS does not receive a request for reconsideration within 30 days of the date of the determining official's final written determination of the appeal.

8. Request for Reconsideration

a. Time Limit for Requesting Reconsideration. An applicant may request the determining official reconsider his or her final written determination of the appeal. A request for reconsideration must be received within 30 days from the date of the determining official's final written determination of the appeal. This period may be extended for up to an additional 30 days for good cause shown. The determining official must review any rebuttal submitted by the applicant in support of the request for reconsideration and issue a written determination.

b. Review of a Request for Reconsideration. No earlier than 31 days after the date of the determining official's written determination of the appeal, or the day after the end of the period for submitting a request, expires, the determining official must:

(1) Consider the request for reconsideration,

(2) Affirm, modify, or reverse the appeal decision,

(3) Prepare a written response explaining the reason for the finding, and

(4) Send the response to the applicant and the DCMO, and notify them of the appropriate action on the debt.

c. Finality of a Reconsideration Decision. The reconsideration response is a final action.

040410. Other Waiver Authority

Other waiver authority may apply to payments that were not erroneously paid. Such waiver authority is generally exercised by the agency component. A debt resulting from a non-erroneous payment may be eligible for a waiver under the following statutory authority:

A. Voluntary Separation Incentive Payment and Reemployment (5 U.S.C. ***3524(c)***),

B. Government Employees Training Act (***5 U.S.C. 4108(c)***),

C. Federal Student Loan Repayments (***5 U.S.C. 5379(c)(3)***),

D. Recruitment and Relocation Bonuses (***5 U.S.C. 5753(g)***),

E. Quarters Allowances (5 U.S.C. ***5922***-***5923***),

F. Physicians Comparability Allowances (***5 U.S.C. 5948(e)***), or

G. Payments to Dependents of Missing Civilians (***5 U.S.C. 5566(g)***).

0405 REMISSION OF INDEBTEDNESS

040501. Remission of Indebtedness Due From Military Members

Title ***10 U.S.C. 4837***, ***6161***, and ***9837*** provide authority for the remission of indebtedness due from a military member. Remission is not available to DoD civilian employees. This authority may be exercised with respect to any debt incurred on or after October 7, 2001.

*040502. Submission of Request for Remission

Requests for Remission from Army, Air Force, Navy and Marine Corps military members (enlisted and officer) must be submitted on forms designated by the respective services and forwarded to the Service for processing. DFAS no longer processes remission requests for any Service.

040503. Restriction for Reserve Component Personnel

Remission/cancellation of indebtedness is not applicable for Reserve Component personnel performing inactive duty training or active duty for training, except that:

A. An enlisted member of the Army National Guard, who is charged with liability for government property that is lost, damaged, or destroyed on or after October 1, 1980, may have such liability remitted or cancelled under regulations prescribed by the Secretary of the Military Service concerned (or designee), or

B. Any member of the Air National Guard (officer or enlisted member) who is charged with liability for government property that is lost, damaged, or destroyed on or after October 1, 1980, may have such liability remitted or cancelled under regulations prescribed by the Secretary of the Military Service concerned (or designee).

040504. Indebtedness Which May Be Remitted

A. Debts to the United States. Generally, any indebtedness may be considered for remission/cancellation. Debts for erroneous payments may be processed for remission/cancellation if a request for waiver has been denied. Debts arising from an erroneous payment of basic pay due to non-collection of court-martial forfeitures may not be remitted or cancelled.

B. Debts Within Jurisdiction of Military Service Concerned. The debt must be a debt over which the Military Department concerned has jurisdiction. For example, the Secretary of one Military Department may not remit a member's indebtedness because of liability for damage to property of another Military Service.

0406 ADDITIONAL OPTIONS FOR DEBT RELIEF

040601. Claim for Refund

A military member may file a written claim, using a ***DD Form 827***, Application for Arrears in Pay, for any amounts considered erroneously collected from his or her pay account. The form must be submitted to the individual's pay office, or if separated for more than a year, to DFAS-IN/JFEAA, Department 3300 (ATTN: Claims), 8899 East 56th Street, Indianapolis, IN 46249-3300 or via email to COR-Claims@dfas.mil. For out-of-service claims, a debtor may submit a blank email to this address, and he or she will receive an automated response detailing the requirements for submitting a complete claim. If the claim for refund is denied in whole or in part, then an appeal may be submitted to DOHA under the procedures set forth in 32 C.F.R, Part 282, Appendix E.

040602. Correction of Military Records

The Secretary of a Military Department, under procedures established by that Secretary and approved by the Secretary of Defense, and acting through boards of civilians of the executive part of that Military Department, may correct any military record of that department when the Secretary concerned considers it necessary to correct an error or remove an injustice. If an individual is owed money pursuant to the correction of record, any earnings received from civilian employment, self-employment, or any income protection plan for such employment during the period for which active duty pay and allowances are payable must be deducted from the settlement. To the extent authorized by law and regulation, a settlement must be reduced by the amount of any existing indebtedness the individual owes to the Government arising from military service. Refer to Volume 7B, Chapter 10 for additional guidance on correction of records.

Figure 4-1. Sample Format - Reconsideration Results Letter

(See Note 1)

(Date)

(See Note 2)

Dear (See Note 3)

On (4), you were notified that you were overpaid for pay periods ending (5) through (5). The net amount of the debt currently owed by you is $ (6).

Reconsideration Results. You submitted a timely request for review of your debt on (7). In response, DFAS has performed an informal reexamination ("Reconsideration") of your pay records in order to validate the amount of debt you owe and to satisfy any doubts you may have regarding the amount or validity of your debt. Reconsideration of your debt is the initial step in the hearing process. After reviewing the results of the Reconsideration, you may decide not to proceed with the formal hearing process. However, if you wish to continue with a formal hearing, you must notify DFAS of your intent by (8), which is 30 days from the date of this letter.

DFAS has determined your debt is valid for the following reasons:

(9)

Payment of Your Debt. If you do not wish to continue with a formal hearing, please pay the debt in full by (8). Your check or money order should be made payable to DFAS-CL DSSN 8522 in the amount of $ (6) Please send your payment to DFAS-CL/FTB P.O. Box 9955, Cleveland, OH 44199-2056. If you are unable to pay the debt in one lump-sum, you may agree in writing to pay the debt in regular installments by completing the enclosed Voluntary Repayment Agreement and mailing or faxing it to the address listed on the Agreement.

Continuing with a Formal Hearing. If you wish to continue with a formal hearing in order to dispute the validity or amount of your debt, you must notify DFAS of your intent in writing by (8), by faxing or mailing your request to continue to (10).

If You Take No Additional Action. If you do not notify DFAS of your intent to continue with a formal hearing, pay your debt in full, or submit a Voluntary Repayment Agreement within 30 days of the date of this letter, DFAS is required by statute to collect your debt using other collection procedures. Beginning on (8), DFAS will initiate collection of the debt involuntarily from your pay by using salary offset procedures (payroll deductions) as outlined in the debt notification you received on (4).

If you require further assistance please contact our toll free number at 1-800-538-9043.

(11)

Enclosures:

1. Hearing Petition received on (4)
2. Payroll Audit
3. Copy of Voluntary Repayment Agreement

Figure 4-1. Sample Format – Reconsideration Results Letter (Continued)

NOTES: Explanation of Blank Spaces on Sample Reconsideration Results Letter

(1) The title or office symbol/code of the civilian payroll office issuing the debt notification.

(2) The full name and mailing address of the employee.

(3) Last name of employee with proper title (Mr. or Ms.).

(4) Date the debt notification letter was issued by DFAS.

(5) The pay period(s) that the overpayment occurred.

(6) The net dollar amount of the overpayment.

(7) Date of employee's hearing petition.

(8) Date 30 days from the date of the reconsideration results letter.

(9) Explanation of the overpayment and any responses to questions raised in the employee's hearing petition.

(10) Fax and mailing address of the Payroll Office.

(11) Identify by name, the signatory for the letter.

Figure 4-2. Checklist for Hearing on Overpayment of Pay and/or Allowances

I. Items Required From the Debtor

The petition for the hearing will include:

A. Name

B. SSN

C. Date

D. Reason(s) for requesting the hearing, e.g.,
1. Contesting the validity of the debt
2. Contesting the amount of the debt
3. Contesting the terms of the offset

E. Reason(s) for contesting the debt
1. When contesting validity or amount of the debt, the debtor must
(a) Provide a statement why he or she believes the payroll office's determination of the validity and/or the amount of the debt is erroneous. Also provide a complete description of the facts, evidence, and a summary of testimony of any witnesses which support the debtor's belief.
(b) Copies of any pertinent records that the debtor wishes to have considered at the hearing if they differ from those records previously provided by the payroll office.
2. When contesting the terms of the offset schedule proposed by the payroll office, the debtor must
(a) Propose an alternate schedule, i.e., how much can be repaid each pay period.
(b) Enclose an affidavit of financial status.
(c) Provide copies of any records he/she wishes to be considered at the hearing if they differ from the records previously provided by the payroll office.

F. Debtor's signature

II. Items Required From the Payroll Office:

A. Full name and SSN of the debtor.

B. Exact date the error was discovered.

C. Exact date and manner (debt notification) in which the debtor was advised of the debt.

D. Aggregate (total) amount of the debt.

E. Computation of the amount of the debt including/excluding interest-to-date, and administrative fees, if applicable.

F. Detailed circumstances that led up to, and under which, the erroneous payment(s) was made.

G. Statement(s) corroborating and/or refuting the statement(s) made by the debtor.

H. Copies of Leave and Earnings Statements for 3 pay periods prior to the error and the first 3 pay periods beginning with the first overpayment.

I. Copies of all other documents pertaining to the case.

J. Annual leave cases require special documentation. They should include the following documents:
1. Copy of the erroneous SF 50 data (for Civilian Employees).
2. Copy of the corrected SF 50 data (for Civilian Employees).
3. The balance brought forward (and the date) from the last year in which the correct leave accrual was used.
4. Debtor's leave record.
5. The hourly rate of pay and changes.
6. A copy of the Standard Form 2806/3100, Individual Retirement Record.

Figure 4-3. Sample Post-Hearing Notification

FROM: (1)

TO: (2)

SUBJECT: Indebtedness to the United States as a Result of an Overpayment of Pay and/or Allowances

Reference: (a) (The initial notification of indebtedness)
(b) (The employee's petition for a hearing)
(c) (The hearing official's determination)

Reference (a) advised of your indebtedness to the United States in the amount of $(3) as a result of an overpayment of pay and/or allowances. By reference (b), you submitted a petition for a hearing to dispute the (4) of the debt. Reference (c) is the hearing official's determination affirming your indebtedness in the amount of $(5).

In order to liquidate the debt in full, please submit a personal check or money order payable to (6), and mail the payment to the civilian payroll office at (7) no later than 15 days from the date of this letter. Alternatively, you may request your debt be paid by a deduction from your current pay. Please contact the civilian payroll office in order to arrange for a one-time voluntary payroll deduction. It may also be possible for you to establish a written agreement for repayment of the debt by periodic installment deductions from your pay, please contact the civilian payroll office to request this option.

As stated in Reference (a), delinquent debts are subject to the assessment of interest, penalties, and administrative expenses. To date, these assessments have not yet been made on your debt. The assessments may not be imposed if you repay the debt in full or are able to reach an agreement with the civilian payroll office to pay your debt by installment.

If you do not repay the debt in full, consent to a one-time payroll deduction, or establish an agreement for payment by installment, DFAS will initiate collection of your debt involuntarily from your pay using salary offset beginning on (8). You must contact the civilian payroll office by (8) in order to avoid salary offset. Deduction by salary offset would begin with the pay period ending on (9). Please refer to Reference (a) for the estimated amount and duration of the payroll deduction. If the amount of the deduction from your pay would cause you to experience extreme financial hardship, then you must contact the civilian payroll office to determine if an alternative repayment schedule may be implemented. Your point of contact in this matter is (10).

Please consult Reference (a) for information concerning your right to request a waiver of the collection of your debt. An application for a waiver must be received within three (3) years after the erroneous payment was discovered. Collection of your debt generally will not be suspended during the waiver review process. In the event that your request is granted, all amounts deducted will be refunded.

(Signature Element)

EXPLANATION OF BLANK SPACES ON SAMPLE POST-HEARING NOTIFICATION

(1) The title or office symbol/code of the civilian payroll office.
(2) The full name of the employee.
(3) The amount of the debt in the initial debt notification.
(4) Either "existence", "amount" or "the terms of the proposed offset schedule", as appropriate.
(5) The amount of the debt as determined by the hearing official. If the hearing official affirmed the civilian payroll office's contention, the amount will be the same as blank (3).
(6) The office to which the check or money order is to be made payable.
(7) Identify the mailing address of the civilian payroll office.
(8) The date the involuntary deduction from pay begins.
(9) The payday for the pay period indicated in blank (8).
(10) Include the name, phone number and office symbol/code of the point-of-contact in the civilian payroll office who can answer questions regarding this debt.

Table 4-1. Selection of Hearing/Reconsideration Officials for DoD Component Debts Under the Authority of Title 5, United States Code, Section 5514

	COLUMN A (Note 1)	COLUMN B	COLUMN C
RULE	**If the Creditor Component is the:**	**And the Debtor is employed by the:**	**Then obtain a hearing official from:**
1	Defense Finance and Accounting Service (DFAS)	DFAS	Any DoD Component
2	DFAS/Department of Defense (DoD) Component (Note 2)	DoD Component	Other DoD Component (Note 3)
3	DFAS/DoD Component (Note 2)	DFAS	Other DoD Component (Note 3)
4	DoD Component	DFAS	Other DoD Component (Note 3)
5	DoD Component	DoD Component	DFAS/Other DoD Component (Note 3)
6	Other DoD Component	Other DoD Component	DFAS/Any DoD Component
7	Non-appropriated Fund Instrumentality (NAFI)	NAFI, DFAS, DoD Component	DFAS, Any DoD Component, or Other NAFI (Note 4)

Note 1. Contact DFAS-Indianapolis (DFAS-JFEA-IN) for guidance on cases with circumstances other than those included in this table.

Note 2. DFAS and a DoD Component both are considered creditor Components in situations when one makes payment for the other using the other's appropriation. In this case, neither the paying nor employing Component can provide the hearing official.

Note 3. Other DoD Component is one other than the creditor DoD Component identified in Column A as the Creditor Component.

Note 4. Other NAFI is one other than the creditor NAFI identified in Column A.

VOLUME 16, CHAPTER 5: "COLLECTION OF DEBTS OWED BY CONTRACTORS"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated January 2016 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
050101 and 050103	Updated formatting to comply with current administrative instructions.	Revision
050502	Added clarification that delinquent debts incurred under the Federal Acquisition Regulation, subpart 51.102, "Authorization to Use Government Supply Sources," may be referred back to the authorizing agency.	Addition
050603.C	Changed the requirement for contracting offices to forward requests for deferment, along with a recommendation, to the Component's Financial Manager from 3 days to "promptly." The 3-day requirement was associated with a process step deleted in a prior update and should have been deleted.	Revision

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CHAPTER 5

COLLECTION OF DEBTS OWED BY VENDORS AND CONTRACTORS

0501 GENERAL

*050101. Overview

A. This chapter provides policy on the collection of contract debts established by the contracting officer as well as the establishment and collection of payment office debts.

B. Policy in this chapter is not applicable to debts owed by the Department of Defense (DoD). Policy in this chapter also does not apply to the settlement of commercial transportation payment overcharges since the Director of the General Services Administration has the authority to audit and settle all transportation accounts (Title 31, United States Code (U.S.C.), section ***3726***) as further discussed in Volume 10, Chapter 13. Refer to Volume 5, Chapter 12 for policies for handling indebtedness associated with fraud.

C. This chapter does not contain policy for contracting officers regarding their responsibility to make debt determinations pursuant to Federal Acquisition Regulation (FAR), ***subpart 32.6***.

D. The term Debt Collection Office (DCO), as used in this chapter, refers to vendor pay offices, contracting offices, and any other office that processes contractor debts. The DCO does not refer to the Defense Finance and Accounting Service (DFAS) Debt Management Office (DMO).

E. This chapter does not contain policy on the disposition of amounts collected during Payment Recapture Audits (PRA). For information on PRA, refer to Volume 10, Chapter 22.

050102. Purpose

This chapter contains debt collection policy for debts that are owed to the DoD by contractors, which also refers to vendors, assignees, universities, non-profits, and other business entities.

*050103. Authoritative Guidance

Policies in this chapter are consistent with the policies established in the FAR subpart 32.6 and the ***Defense Federal Acquisition Regulation Supplement (DFARS), subpart 232.6***.

0502 COLLECTION ACTIONS

050201. Contract Debts

Contract debts result from amounts that have been paid to the contractor, to which the contractor is not entitled under the terms and conditions of the contract, or amounts otherwise due from the contractor. Contractor debts include, but are not limited to:

A. Damages or excess costs related to defaults in performance;

B. Breach of contract obligations concerning progress payments, performance-based payments, advance payments, commercial item financing, or Government-furnished property;

C. Government expenses of correcting defects;

D. Duplicate or erroneous payments;

E. Billing and price reductions resulting from contract terms for price adjustment or a determination of prices under incentive type contracts;

F. Overpayments disclosed by quarterly statements required under price redetermination or incentive contracts;

G. Reimbursement of amounts due under ***FAR 33.102(b)(3)*** and ***FAR 33.104(h)(8)***;

H. Price or cost reductions for defective cost or pricing data;

I. Financing payments determined to be in excess of the contract limitations in ***FAR 52.232-16(a)(7)***, ***FAR 52.232-32(d)(2)***, or any contract clause for commercial item financing;

J. Increases to financing payment liquidation rates;

K. Price adjustments resulting from Cost Accounting Standards noncompliance or changes in cost accounting practice;

L. Re-inspection costs for nonconforming supplies or services;

M. Delinquency in contractor payments due under agreements or arrangements for deferral or postponement of collections; and

N. Overpayments related to errors in quantity, billing, or deficiencies in quality.

050202. Initiating Debt Collection

Once it is determined that a contractor might be indebted to the DoD, the contracting officer, or the payment office, must issue a demand for payment to the contractor, providing opportunity to inspect relevant records, and the opportunity to request a review of the debt as set forth in Chapter 2.

A. Demand Letters. Demand letters must comply with requirements set forth in Chapter 2. Additionally, notice of indebtedness to a contractor must include a statement that, in accordance with ***Office of Management and Budget Circular A-123, Appendix C, Part III***, high-dollar overpayments may be reported on the Federal Government's improper payment website. Refer to Volume 4, Chapter 14 for the definition of a high-dollar overpayment.

B. Debt Collection Initiated by Contracting Officers or Designees

1. The contracting officer has primary responsibility for determining the amount of the debt and ensuring collection for most types of contract debts, except for those debts resulting from errors made by the payment office.

2. When a contracting officer or other authorized official requests that a payment office collect a debt and provides a copy of the contract to the payment office, including the payment dates and amounts due from the contractor, the payment office will collect the debt.

3. If the contracting officer or other designated official receives the contractor's payment, then the contracting officer or other designated official must immediately forward the payment to the disbursing office with a request for confirmation of receipt of the payment.

4. The appropriate DoD Component contracting officer, or other designated official, must determine the debt amount and demand repayment for debts pursuant to FAR subpart 32.6 and ***DFARS subpart 232.6***.

5. The contracting officer must send a copy of each demand letter to the payment office cited in the contract, as well as documentation that identifies the line of accounting for distribution of the principal amount of the debt to the supporting Accounts Receivable Office (ARO).

6. The contracting officer must follow up periodically with the DCO, ARO, or supporting accounting office to ensure that contract debts have been collected and credited to the proper appropriations.

C. Debt Collection Initiated by the Payment Office

1. Payment offices are designated to make payments under a contract and to receive payments for amounts due to DoD. Payment offices are responsible for

determining the amount of contract debts that are the result of overpayments or erroneous payments and initiating collection action on those debts (referring debts).

2. The payment office is also responsible for the collection of contractor debts when the amounts due and dates for payment are in the contract, and a copy of the contract has been furnished to the payment office with notice to collect as amounts become due.

3. When a contract modification (downward adjustment) is issued after the date of a disbursement and causes a contract to be in an overpayment status, the result of that modification is not an erroneous payment with respect to this chapter. The payment office must contact the procuring contracting officer or the administrative contracting officer (the individual who issued the modification causing the overpayment) to ensure that a demand letter is sent to the contractor for collection of funds.

050203. Supporting Documentation

When referring a debt to the DCO or DMO for further collection, the following documentation is required, unless already provided to DFAS:

A. Dates and amounts of collections/offsets;

B. Legible copies of the negotiated checks obtained from the U.S. Department of the Treasury (Treasury) for duplicate payments and dual negotiated successor checks;

C. All demand letters, correspondence, and written documentation of communication between the contracting officer and the debtor or the DCO and the debtor;

D. Any documents needed to support a recommendation for compromise, discontinuance, or termination;

E. Tax identification number (TIN);

F. Telephone number, address, and the name of a point of contact that is knowledgeable of the following:

1. Debtor,

2. Contracting office making the referral,

3. Disbursing office making the referral, and

4. Supporting accounting office;

G. A copy of the audit or reconciliation report, with sufficient supporting documentation to explain the conclusions in the case of a determination of debt(s) resulting from an audit or contract reconciliation;

H. The accounting classification/appropriation to which the principal portion of the debtor's payments should be deposited;

I. Copies of documentation that supports debts arising from the sale of goods and services to commercial entities on a reimbursable basis; and

J. The debtor's Commercial and Government Entity code.

0503 ADMINISTRATIVE OFFSET

050301. General

A. To the extent practicable, debts should be collected internally (within DoD), either by voluntary repayment in a lump sum or by administrative offset(s) of payment(s) owed to the contractor, unless an installment agreement has been entered into or a deferment of collection has been approved (***FAR 32.607***). If 30 days have elapsed since the DCO mailed the initial demand letter, and no payment has been received, then the DCO must offset a contractor's indebtedness against other monies that are owed the contractor.

B. FAR 32.606 allows for offsetting contractor payments to liquidate debts owed by the contractor. If additional payments are scheduled under the same contract, then the DCO should administratively offset against those payments first. The DCO must coordinate with the payment office to apply administrative offsets against amounts due the contractor under other contracts if offsets against the contract that gave rise to the debt cannot be accomplished. The disbursement voucher must be approved and the accounting classification charged for the total amount of the entitlement with no regard for the deduction being applied. DCOs must prominently annotate the face of the voucher, or the electronic equivalent, with the amount withheld and the accounting classification credited to ensure that only the net amount is paid to the contractor. The voucher must adequately inform the payee of the reason(s) for the deduction.

C. Administrative offsets normally will not be taken when there is a valid assignment of claims, under the Assignment of Claims Act of 1940 (***31 U.S.C. § 3727*** and ***41 U.S.C. § 6305***), associated with the contractor. DCO personnel should seek guidance from their legal office, as appropriate, in determining whether an administrative offset may be taken when an assignment of claims exists.

D. Pursuant to ***31 U.S.C. § 3716***, and in accordance with Title 31, Code of Federal Regulations (CFR), section ***901.3(b)(2)***, a DCO must process an administrative offset to collect a debt when the name and TIN of a payee matches the name and TIN of a debtor, and all other requirements for administrative offset have been met.

050302. Credit Invoice

A. A contractor may request to liquidate a debt against existing unpaid bills due to the contractor. As an exception, DCOs may accept a credit invoice under special circumstances, and only when there is a current payable invoice to which the credit can be applied. The contractor should furnish the DCO, upon request, an invoice number, date, and the amount of the debt to be offset against the invoice, according to the credit invoice.

B. A contractor may state on an invoice, or on a progress payment request, that the amount of the credit invoice can be deducted from the amount due from the DoD.

C. If a contractor does not state that the amount of the credit invoice can be deducted from other amounts due, a determination must be made on the most effective manner in which the debt can be collected. In making this determination, DCOs must give consideration both to the relative costs that would be incurred by DoD under various options, and to the method that is expected to result in liquidation of the debt at the earliest date. The latter factor is dependent upon the expected volume and frequency of incoming invoices that are susceptible to administrative offset, and whether this option is more effective and efficient than a credit invoice.

D. DCOs must acknowledge receipt of the credit invoice and inform the contractor of its disposition. If direct remittance is required, then the acknowledgement must contain a statement, such as, "This is to acknowledge receipt of your credit invoice 14245, dated December 14, 2013. We cannot accept this document as liquidation of your indebtedness, and must ask that you remit a check to the following address: (insert applicable address)." The contractor may identify an invoice to offset instead. If the offset is taken, then the DCO's letter must contain a statement such as, "This is to acknowledge receipt of your credit invoice 67890, dated June 12, 2013." Receipt of a credit invoice by the due date (where the demand letter states the due date) does not preclude charging interest and administrative charges.

0504 INSTALLMENT PAYMENT PLANS

050401. General

Whenever possible, payment to liquidate a debt, including a deferred payment, must be made in one lump sum. However, when a contractor can establish sufficient justification, the DCO may approve a series of installment payments to liquidate the debt within a reasonable period of time. In accordance with ***31 CFR 901.8***, installment payments should be sufficient in size and frequency to liquidate the debt within 3 years. If the contractor requests a repayment term of more than 3 years, then the DCO must refer the request to the DMO for a determination. See Chapter 2 for additional guidance on installment payment plans.

050402. Installment Payment Approval Authority

The DMO may approve a contractor's request for an installment agreement; however, the DMO may not deny a contractor's request for an installment agreement without first obtaining consent from the creditor DoD Component's senior financial manager (FM) or designee. In the

latter case, the DMO will send the request to the office of the creditor DoD Component's senior FM or designee within 3 working days from the date the request was received.

050403. Installment Payment Notification

The DMO will make installment agreements available to the office that referred the debt and to the office of the creditor DoD Component's senior FM or designee.

0505 REFERRAL OF DELINQUENT DEBTS TO DEBT MANAGEMENT OFFICE (DMO)

050501. Dollar Thresholds for Referral

A. Dollar thresholds for referring delinquent debts to the DMO are as follows:

1. Debts that amount to $25 or more and belong to a contractor with a known TIN; or

2. Debts that amount to $100 or more and belong to a contractor without a known TIN.

B. Components that have implemented the processes contained in the Delinquent Debt Management Guidance (DDMG) should refer delinquent debt over $25 to the Bureau of Fiscal Services Debt Management Services for further collection action where applicable.

C. If a contractor has more than one debt, each under the threshold, then the ARO will combine these debts to determine whether the sum of the debts is equal to or greater than the threshold. If so, then the ARO will refer the debts to the DMO in accordance with paragraph 050502. Refer to Volume 4, Chapter 3 for information on write-off of delinquent debt that is below the referral threshold and cannot be collected.

*050502. Delinquent Debts and Multiple Debts Greater than the Threshold

A. General. DCOs must refer valid and legally enforceable debts that are equal to or greater than the thresholds in paragraph 050501, individually or in aggregate, to the DMO no later than 90 days following the debt repayment due date. Debts must be validated by the DCO prior to referral to the DMO. The DMO must annotate acceptance of the debt in the appropriate system, thereby making the information available to the DCO and the supporting accounting office responsible for maintaining the official accounting records. In accordance with Chapter 7, administrative charges may be assessed for the expenses of referring the debt. Delinquent debts incurred under ***FAR 51.102***, "Authorization to Use Government Supply Sources," may be referred back to the authorizing agency if not satisfied by the contractor.

B. Supporting Documentation. When referring a debt to the DMO, DCOs must submit the documentation as listed in paragraph 050203.

C. Funds Accountability. After referral, the DMO will have full responsibility for collecting the delinquent debt. Accounting and reporting of the debt does not transfer to the DMO, but remains with the servicing accounting office using status information provided by the DMO. The DMO only maintains a memorandum accounts receivable record. Any office other than the DMO that receives a payment after referral of the debt must notify the DMO of the receipt and disposition of the payment within 3 business days. The ARO must notify the FM representative of the cognizant DoD Component when the debt should be closed. In the case of dual negotiated checks, the DMO will also notify the accountable payment office.

050503. Referral of Debts to Treasury

A. The DMO will refer valid and legally enforceable debts, which have been delinquent over 120 days, to the Treasury for debt collection and cross-servicing. See Chapter 2, section 0211 for additional information regarding referral of delinquent debts to Treasury.

B. Components that have implemented the processes contained in the DDMG should refer delinquent debt over $25 directly to Treasury's Bureau of Fiscal Services Debt Management Services for further collection action where applicable.

0506 DISPUTES AND DEFERMENTS UNDER THE CONTRACT DISPUTES ACT (CDA)

050601. Disputes

Under the ***CDA of 1978*** (41 U.S.C., Chapter 71), a contractor may appeal a decision of indebtedness to the Armed Services Board of Contract Appeals (ASBCA) or through the U.S. Courts. Actions filed by contractors under the Disputes Clause will not suspend or delay the collection unless the contractor has been granted a deferment as set forth in paragraph 050603. Further interest, penalties, and fees will continue to accrue on uncollected debts that have been formally disputed.

050602. Crediting Collections in Dispute

A. When an amount, including interest and administrative fees, is collected from a contractor, and the contractor formally disputes the debt, the collected amount will not be accounted for as settlement of the debt. The disputed amounts will be credited to a Treasury deposit account pending disposition of the contractor's dispute, and interest, penalties, and fees will no longer accrue since the debt has been collected. When making a collection in a disputed situation, the collection must be documented as a disputed contract collection. For example, debts collected by DFAS will be coded as disputed in the Contract Debt System.

B. The payment office typically handles collection of a debt. In the event another office, including the ARO, supporting accounting offices, the DMO, contracting officers, contract administration officers, or legal offices receives a payment against an existing debt, the receiving office should forward the payment to the relevant DCO immediately. Accounting for disputed collections is covered in Volume 4, Chapter 3.

C. The DCO and the responsible payment office must notify the contracting officer, the contract administration officer if applicable, the Service or agency contract finance officer, and/or another authority of any matters affecting the disputed collections. Conversely, these officers or offices must also inform the responsible payment office and the DCO of any actions taken that affect the disputed collection.

*050603. Deferments

A. Under the CDA of 1978, a contractor may appeal a decision of indebtedness to the ASBCA or through the U.S. court system. In accordance with FAR 32.607, the contractor may request, in writing, deferment of debt repayment until the appeal is decided.

B. In accordance with FAR 32.607, the contractor must submit the request for deferment to the contracting office.

* C. The contracting office will promptly forward the request to the appropriate DoD Component's senior FM or designee. The DoD Component's senior FM or designee will approve or deny the request and notify the contractor, contracting office, and the DMO of the decision.

D. Collection of the debt should continue until the date the deferment is granted. Volume 4, Chapter 3 contains the policy for accounting for collections under the CDA.

0507 WRITE-OFF AND CLOSE-OUT OF ACCOUNTS RECEIVABLE

050701. Write-off and Close-out of Indebtedness

Refer to Volume 4, Chapter 3 for policy on write-off and close-out of delinquent debt.

050702. Tax Reporting

The DFAS Tax Office will obtain information on all closed-out, uncollected, public contractor debt. In accordance with ***26 U.S.C. § 6050P***, the Tax Office will issue debtors an ***Internal Revenue Service Form 1099-C***, Cancellation of Debt, if the closed, uncollected debt is greater than or equal to $600 for the calendar year. Tax Office required data elements are contained in Volume 4, Chapter 3.

0508 BANKRUPTCY

050801. General

Within DoD, DFAS Office of General Counsel (OGC) will file contractor bankruptcy proof of claims. DFAS-OGC is not responsible for litigating contractor bankruptcies. The litigation function remains the responsibility of the DoD Component. Bankruptcy litigation is accomplished by the Department of Justice through the office of the responsible U.S. Attorney. Prescribed actions, as detailed in paragraphs 050801 through 050806, will be taken when the procuring

contracting office or contract administrative office receives notice of bankruptcy from the contractor or another source. This is covered in ***FAR subpart 42.9***.

A. Bankruptcy cases are time sensitive. When the DoD receives a notice of bankruptcy, immediate action is required. Government monetary claims and other rights may be adversely and irrevocably affected if not timely asserted.

B. When either the procuring contracting office or the contract administrative office learns that bankruptcy proceedings have been initiated, the receiving office will immediately notify DFAS-OGC by writing to Defense Finance and Accounting Service – Office of the General Counsel, ATTN: ACL - Bankruptcy, 8899 East 56th Street, Indianapolis, IN 46249 or by email to dfas.indianapolis-in.hgb.mbx.ogc-bankruptcies@mail.mil.

C. Notification must occur regardless of whether any contracts have fully been performed, closed, or terminated. The DoD Component must also notify any office within the cognizant department or agency designated to receive this information. This notification must be made within 3 business days of receipt of the notice of bankruptcy, regardless of whether it appears the notice has been received late. Bankruptcy notices must also be sent to the following addresses:

1. Defense Logistics Agency
Office of General Counsel, ATTN: DG
8725 John J. Kingman Road, STOP 2533
Fort Belvoir, VA 22060-6221

2. Assistant General Counsel (Litigation), Department of the Navy
Office of the General Counsel
720 Kennon Street SE Room 233
Washington Navy Yard, DC 20374-5013

3. Air Force Legal Operations Agency
1500 West Perimeter Road, Suite 1780
Joint Base Andrews, MD 20762

4. U.S. Army Litigation Center
9275 Gunston Road, Suite 3000
Fort Belvoir, VA 22060-5546

5. Defense Contract Management Agency
Office of General Counsel (DCMA-GC)
3901 A Avenue
Building 10500
Ft. Lee, VA 23801-1809

D. At a minimum, the notification must include:

1. The name of the contractor,

2. The court in which the bankruptcy petition has been filed,

3. The date of the filing of the bankruptcy petition,

4. The bankruptcy court docket number (if available), and

5. Whether the contractor is indebted to the DoD.

050802. Bankruptcy 15-Day Report

The contracting office may receive a notice of bankruptcy from the debtor or DFAS-OGC. When the contracting office receives notification of a bankruptcy, that office will follow instructions in paragraph 050801, and then follow with a Bankruptcy Report sent to the same parties no later than 15 days after receipt of the notice of bankruptcy. If some of this information is not available, then the report will be sent reflecting all available information. To the extent possible, the report will include the following information:

A. The name of the contractor;

B. A list of the contracts involved;

C. The amount of any potential claim against the contractor. Often, the amount of a potential claim must be an estimate. The contracting officer must attempt to calculate the amount of the debt accurately with the understanding that filing of the proof of claim is time sensitive, and must attach a short explanation of how the debt arose. Documentation evidencing the existence of the debt will be attached whenever possible;

D. Any property, and its location, in the possession of the contractor in which DoD claims an interest, e.g., government property made available to the contractor, such as government-furnished equipment or government-furnished property;

E. Any claims the debtor may have asserted or presented to DoD;

F. The bankruptcy court docket number of the proceeding, and the court in which the bankruptcy is pending; and

G. Available information concerning the deadline for submitting documents to the Bankruptcy Court, asserting the government's claims against the debtor.

050803. Proof of Claim

Upon receipt of a notice from a contracting officer, DFAS-OGC will prepare a consolidated proof of claim on behalf of DoD. DFAS-OGC will file the proof of claim with the appropriate court unless the responsible U.S. Attorney directs otherwise. DFAS-OGC will send a copy of the proof of claim to each DoD Component that submitted a claim. DoD or agency copies of the proof of claim must be sent to the responsible offices designated in subparagraph 050801.C. The proof

of claim will identify DFAS-OGC as the office designated to receive further notices and any funds received pursuant to the proceedings.

050804. Actions Against Contractor

The filing of a bankruptcy petition has a major impact on business relationships with the contractor who has filed for bankruptcy protection. Many otherwise appropriate actions cannot be taken against a bankrupt contractor, and actions that may be legally taken against a contractor may have adverse consequences for DoD. The activity's legal office should be informed before any action is taken with regard to a contractor who has filed for bankruptcy.

050805. Bankruptcy Notification From Contractor

In accordance with the contract clause provisions contained in ***FAR 52.242-13***, should the contractor enter into proceedings relating to bankruptcy, whether voluntary or involuntary, the contractor agrees to furnish by certified mail, or electronic commerce method authorized by the contract, written notification of the bankruptcy to the contracting officer responsible for administering the contract. This notification will be furnished within 5 days of the initiation of the proceedings relating to bankruptcy filing and will include the following:

A. The date on which the bankruptcy petition was filed,

B. The identity of the court in which the bankruptcy petition was filed, and

C. A listing of government contract numbers and contracting offices for all government contracts against which final payment has not been made.

050806. Notification to DFAS OGC

FAR 52.242-13 states that the contractor's obligation to notify their contracting officer of a bankruptcy remains in effect until final payment under the contract(s) is made. In addition, the contracting officer must provide a copy of the notification from the contractor to DFAS-OGC, 8899 East 56th Street, Indianapolis, IN 46249 and by email to dfas.indianapolis-in.hgb.mbx.ogc-bankruptcies@mail.mil.

VOLUME 16, CHAPTER 6: "DEBT OWED TO THE DEPARTMENT OF DEFENSE BY FOREIGN ENTITIES"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated January 2016 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated formatting to comply with current administrative instructions.	Revision
Previous 060102.A	Deleted incorrect reference to Volume 4, Chapter 3 for Foreign Military Sales (FMS) appropriations.	Deletion
Previous 060102.B	Deleted incorrect reference to Volume 6A, Chapter 12 for non-FMS foreign debt.	Deletion

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CHAPTER 6

DEBT OWED TO THE DEPARTMENT OF DEFENSE (DOD) BY FOREIGN ENTITIES

0601 GENERAL

060101. Overview

A. This chapter contains guidance for identifying Foreign Military Sale (FMS) arrearages and indebtedness, applying interest charges for the arrearages, and collecting and reporting FMS arrearages and indebtedness.

B. This chapter does not currently apply to non-FMS foreign debt.

060102. Purpose

This chapter establishes policy for the Department of Defense (DoD) Components for identifying, billing, collecting, and managing FMS arrearages and indebtedness.

060103. Authoritative Guidance

DoD must pursue and report all FMS arrearages and indebtedness due the United States (U.S.) in accordance with the legal authority set out in the ***Arms Export Control Act (AECA)***.

0602 RESPONSIBILITIES

060201. DoD Components

A. The DoD Components are responsible for initiating timely and appropriate actions to update payment schedules for FMS transactions to ensure cash is available to support outlay requirements, including disbursements to DoD accounts for earned reimbursements and disbursements to contractors for contract payments, contract holdbacks, and estimated termination liability costs.

B. Payment schedules must be updated annually on the anniversary of the implementation of each major case (refer to Volume 15, Definitions for the definition of a major case), in preparation for an annual FMS review, or when the value of a case increases by 10 percent or more, whichever occurs first. Payment schedules must also be reviewed when changes are made to individual cases or case lines (e.g., to reflect a slip in delivery schedule), as discussed in the Security Assistance Management Manual, Chapter 9, ***section 9***. Payment schedules are covered in Volume 15, Chapter 4.

060202. Defense Security Cooperation Agency (DSCA)

DSCA is the principal DoD Component responsible for:

A. Completing actions concerning FMS arrearages and indebtedness. For purchasers who have delinquent payments due, or which have accrued costs that exceed available cash, DSCA will evaluate the purchaser's entire program to determine whether or not a letter to the purchaser requesting payment is justified. If so, then DSCA will issue a written notification to the purchaser within 30 days of the end of the preceding quarter. If no response is received, then additional written follow-up will be made at succeeding 30-day intervals;

B. Approving FMS feeder arrearage reports prepared by the Defense Finance and Accounting Service (DFAS), Security Cooperation Accounting (SCA) Division in accordance with this chapter and the ***Treasury Financial Manual (TFM)***, Volume 1, supplements, Treasury Report on Receivables (TROR);

C. Working with the purchaser, the responsible DoD Component, and DFAS SCA to identify the specific issue and remedy, e.g., adjustments to ordered values, delivery timeframes, ordered quantity, collection of additional funds, or other alternative financial arrangements, when insufficient funds are available for DoD to meet the collective cash requirements for an FMS purchaser;

D. Administering and managing FMS long-term loans and credits programs authorized under the AECA or other authorities and identifying delinquent amounts associated with these programs; and

E. Completing other actions as necessary, to include required reporting to the Department of State and others.

060203. DFAS SCA

DFAS SCA is responsible for:

A. Preparing FMS feeder arrearage reports in accordance with this chapter and the TFM and submitting the reports to the Department of the Treasury (Treasury) after coordination and approval by DSCA;

B. Utilizing updated payment schedules and other financial performance criteria to bill foreign governments and international organizations on the quarterly DoD (DD) Form 645, FMS Billing Statement, and/or special billing statements approved by DSCA;

C. Coordinating with DSCA to identify, report, and collect FMS arrearages and other delinquent amounts; and

D. Providing quarterly reports to DSCA to identify those purchasers who are delinquent in payment from the previous quarter, and daily reports to identify purchasers' average disbursement rates and estimated number of months of cash on hand.

0603 BILLING AND FOLLOW-UP ACTIONS

060301. Legal Requirements

A. For sales from stock, AECA, Section 21(b), codified as Title 22, United States Code, Section 2761 (***22 U.S.C. § 2761***) requires DoD to collect payments from foreign purchasers in advance or, if the President determines it to be in the national interest, upon the delivery of a defense article or the rendering of a defense service. After a determination by the President that it is in the national interest to bill upon the delivery of a defense article or the rendering of a defense service, interest will be charged in accordance with AECA, Section 21(d), 22 U.S.C. § 2761(d), on any net amount due and payable which is not paid within 60 days after the date of such billing.

B. The President delegated the authority to determine if billing upon delivery is in the national interest in ***Executive Order 13637***; the Secretary of Defense delegated the authority to the Director, DSCA, in ***DoD Directive 5105.65***. The President may extend the period to 120 days if he determines that emergency requirements of the purchaser will exceed the ready availability of purchaser funds to the United States Government (USG) within the 60 days. In this case, the President submits a determination with a special emergency request for authorization and appropriation of additional funds to finance such purchases under the AECA.

C. For sales from procurements (items sent directly from the source, not from DoD inventories), when the country is authorized a dependable undertaking, AECA, Section 22(a), ***22 U.S.C. § 2762(a)***, requires DoD to collect payments from foreign purchasers in time to meet contractual payments, including any damages and costs that may accrue from the cancellation of such contracts. The AECA, Section 22(a), requires that interest is to be charged on any net amount by which a foreign purchaser is in arrears, taking into consideration all of its outstanding unliquidated dependable undertakings.

060302. Due Date

Refer to Volume 15, Chapter 8 for policy regarding FMS billing due dates.

060303. Initial Billing

DFAS SCA is responsible for issuing FMS billing documents. Billings for financial requirements will be initiated by using the DD 645, or the special billing statement approved by DSCA. These billings must, at a minimum, identify the financial requirements, amount paid, and amount due. Specific policy on FMS billings is in Volume 15, Chapter 8.

060304. FMS Arrearage

A. When the amount due per the DoD billing statement is not paid by the due date, that amount is considered delinquent, but that does not necessarily constitute an arrearage.

B. For FMS cases authorized to include a term of sale of "Payment on Delivery," the billings may be dated and issued upon delivery of the defense article or performance of the defense service. An arrearage occurs when the billed amount is not received by the payment due date (60 days from the date of the bill or 120 days if authorized by the President).

C. For FMS purchasers authorized "dependable undertaking" terms of sale, an arrearage occurs when the FMS purchaser's total cash resources on deposit with the USG are insufficient to cover all its outstanding unliquidated dependable undertakings, considered collectively.

060305. Follow-up Actions

FMS purchasers are required to pay in advance of performance unless the President determines it to be in the national interest to collect upon delivery of the defense article or the rendering of the defense service. Refer to 22 U.S.C. § 2761. Therefore, in the FMS program, an arrearage is an unusual event. If required, written notification to the purchaser will normally be sent within 30 days of the end of the preceding quarter. If no response is received, then additional written follow-up must be made at succeeding 30-day intervals. Delinquent FMS arrearages must not be referred to the Treasury for cross-servicing or participation in the Treasury Offset Program.

0604 INTEREST, ADMINISTRATIVE CHARGES, AND PENALTIES

060401. General

In accordance with 22 U.S.C. § 2761(d) and 22 U.S.C. § 2762(a), interest will be charged on FMS arrearages. The rate of interest to be charged will be at a rate not less than a rate determined by the Secretary of the Treasury, taking into consideration the current average market yield on outstanding short-term obligations of the USG as of the last day of the month preceding the billing or the net arrearage, respectively. For the interest rate due on FMS delinquent payments, see ***http://www.treasurydirect.gov***; once there, select the applicable month and "Table 5 - Department of Defense Arms Export Control."

060402. Term of Sale of "Payment on Delivery"

Interest assessed on arrearages resulting from FMS cases with a term of sale of "Payment on Delivery," must be computed from the date of the billing. Figure 6-1 provides an illustration of the applicability of interest in these cases.

060403. Insufficient Case Resources

Interest assessed on arrearages resulting from a purchaser's total cash resources on deposit being insufficient to cover its outstanding unliquidated dependable undertakings is computed from the date on which the net arrearage occurs. Net arrearage occurs on the date that DFAS SCA determines that the accrued costs exceed available cash.

0605 REFERRAL OF FMS INDEBTEDNESS

060501. Authority to Refer FMS Indebtedness

DSCA will determine if an FMS arrearage will be forwarded to Department of Justice (DOJ) for litigation.

060502. Preservation of Evidence

The Foreign Debt Management Office within DFAS SCA, the DoD Component, and DSCA must retain all files and records that may be needed by the DOJ to prove the case in court.

0606 COMPROMISE, SUSPENSION, OR TERMINATION OF COLLECTION ACTIONS

DFAS SCA, in cooperation with the DoD Component, must coordinate proposals to compromise, suspend, or terminate collection actions on FMS arrearages with DSCA. Refer to Chapter 2 for policy on compromise, suspension, or termination of collection actions.

0607 WRITE-OFF AND CLOSE-OUT

DSCA is responsible for initiating and coordinating all actions necessary to close-out FMS arrearages.

0608 REPORTING FOREIGN INDEBTEDNESS

060801. Reporting

Foreign indebtedness must be uniformly and accurately reported through appropriate reporting channels to the Treasury and Department of Commerce.

060802. Required Reports

A. Grants, Loans, Credits, and Contingent Liabilities Involving Foreigners. The ***TFM, Volume I, Part 2, Chapter 4500*** requires the electronic submission of several reports pertaining to foreign obligors to the Treasury by the 45th day following the end of the reporting quarter, if applicable. These reports are prepared and submitted by DFAS SCA. The data for these reports is extracted from the DSCA FMS Credit System. The TFM, Volume I, Part 2, Chapter 4500 provides detailed guidance, formats for the reports, and instructions for completing and submitting the reports.

B. Data Editing. DFAS SCA must complete the quarterly data editing and approval process using Treasury's Foreign Credit Reporting System (FCRS) within 2 weeks after receiving notification that the reporting period data is available for editing. The "FCRS Web Site Overview and Data Editing Guide for Agency Users," which is available only to authorized users on the FCRS Web site, contains instructions for the quarterly data editing and approval process. The required reports are:

1. Direct Long-Term Credits History,

2. Guarantees and Insurance of Long-Term Credits History,

3. Direct Long-Term Credits Status,

4. Guarantees and Insurance of Long-Term Credits Status,

5. Direct Long-Term Credits Scheduled Payments, and

6. Guarantees and Insurance of Long-Term Credits Scheduled Payments.

C. Report of Current Status Accounts Receivable (Original Maturity of Less Than 90 Days) From Foreign Obligors. DFAS SCA is responsible for preparing and submitting this report to the Department of Commerce, Economics and Statistics Administration, and Bureau of Economic Analysis. Refer to paragraph 060803 for instructions on how to complete the report.

D. TROR. DFAS and DoD Component accounting offices must ensure that the TROR includes foreign indebtedness as required by Volume 4, Chapter 3, Section 0306.

060803. Instructions for Preparing the Report of Current Status of Accounts Receivable (Original Maturity of Less Than 90 Days From Foreign Obligors)

All foreign accounts receivable not collected within 90 days from the due date must be included in this report. Amounts reported for FMS in columns 3 through 6 of Figure 6-2 will be determined by analyzing unpaid bills using the following steps:

A. Report an amount in column 3 for a purchaser, if the amount recorded in column 10 of the DD 645 exceeds either the total in column 13 of the DD 645 on a net purchaser basis (adjusted for over-collected cases) plus the purchaser's cash resources (including holding accounts, interest-bearing accounts, and undisbursed foreign military financing (FMF)) or the total of the amount paid on the DSCA supplementary bill (e.g., special bill, additional request for funding, or "Do Not Pay" letters) plus the country's cash resources (including holding accounts, interest-bearing accounts, and undisbursed FMF).

B. Do not report the purchaser as having delinquent accounts receivable if the amount in column 13 of the DD 645 exceeds the amount in column 10 of the DD 645 and/or the cash resources exceed a 6-month supply.

C. DSCA will review the reports to determine the values to report in column 3 of Figure 6-2.

D. Report in column 5 of Figure 6-2 the amounts reported for the previous quarter less collections received during the current period.

E. Use the following instructions to complete Figure 6-2:

1. Reporting Agency. Enter the name of the reporting agency and the applicable agency codes. Agency codes are as follows:

a. 9700 – DSCA,

b. 9710 – Air Force,

c. 9720 – Army, and

d. 9730 – Navy.

2. Current Status As Of. Enter the ending date of the calendar quarter for which the report is prepared. For example, the first and second quarter of calendar year 2013 will be identified as 131 and 132, respectively. Enter in the open space the actual ending date of the quarter.

3. Country/Program (Column 1)

a. Enter on the first line the name of the first country from the alphabetical list of country names and codes provided in the TFM, Volume I, Part 2, Chapter 4500, Appendix 2. Enter in column 7 the identification code assigned to the country.

b. Enter on the line following the country designation each program applicable to the outstanding accounts receivable. Enter in column 8 the identification code assigned to the program.

4. Currency Indicator (Column 2). Foreign currency obligations will be reported in dollar equivalents (FC$) computed at the appropriate reporting rate. Enter the following codes:

a. $ – Repayable in U.S. dollars,

b. MO$ – U.S. dollar equivalents of obligations to pay foreign currency amounts calculated at the reporting rate existing for that country at the time of payment (with maintenance of dollar value), and

c. FC$ – U.S. dollar equivalents of obligations, the liquidation of which requires the repayment of a stated amount of foreign currency units (without maintenance of dollar value).

5. Total Amount Outstanding – Official (Column 3). Enter the total amount of outstanding accounts receivable from foreign official obligors as of the end of the reporting period. Include foreign private obligations guaranteed by official foreigners.

6. Total Amount Outstanding – Private (Column 4). Enter the total amount of outstanding accounts receivable from foreign private obligors as of the end of the reporting period. Exclude foreign private obligations guaranteed by official foreigners.

7. Amount Due and Unpaid 90 Days or More – Official (Column 5). Enter the portion of the amount recorded in column 3, which is due and unpaid 90 days or more.

8. Amount Due and Unpaid 90 Days or More – Private (Column 6). Enter the portion of the amount recorded in column 4, which is due and unpaid 90 days or more.

9. Country Totals. In column 1, enter the words “Country Totals” on the line following the data for the last program reported. Leave column 2 blank. Enter in columns 3 through 6 the totals of the amount (U.S. dollars plus dollar equivalents of transactions computed in foreign currency) reported for the programs within that country. A separate entry for country totals will not be necessary where only one program has been reported. Repeat this for each country.

10. Program Totals. In column 1, enter the words “Program Totals” on the line following the last country totals. On subsequent lines, enter in columns 1 and 8 the name and identification code, respectively, for each program. Leave column 2 blank. Enter in columns 3 through 6 the totals of the amounts (U.S. dollars plus dollar equivalents of transactions computed in foreign currency) reported by country for each program. Separate entries for program totals will not be necessary where only one country has been listed.

11. Agency Totals. In column 1, enter on the line following the last program totals the words “Agency Totals.” Leave column 2 blank. Enter in columns 3 through 6 the totals of all agency programs. A separate entry for agency totals will not be necessary where only one program total has been reported.

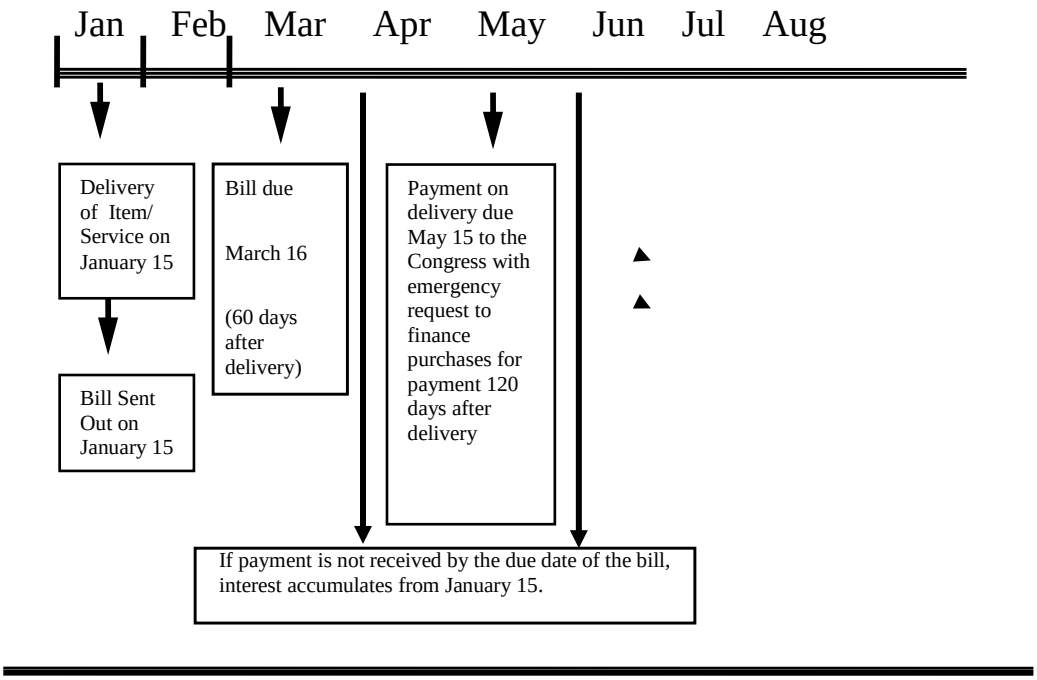
060804. Preliminary Case Analysis Report (PCAR) of Foreign Arrearages

The National Advisory Council (NAC) monitors major foreign arrearages. For this purpose, a major foreign arrearage is any country program arrearage that involves the sum of $250,000 or more. Periodically, DSCA will request a PCAR from DFAS to satisfy NAC requirements. The PCAR will be submitted directly to DSCA by DFAS in email message form. The report will reflect any foreign arrearages so that a determination can be made on whether interest should be charged.

060805. Collecting and Reporting Foreign Debts Under Long-Term Loans and Debts

DSCA is responsible for administering FMS long-term loans and credit programs authorized by Section 23 of the AECA as amended, and determining foreign arrearages against these programs.

Figure 6-1. Illustration of the Applicability of Interest (Pertains To AECA Section 21(D) Only)



Refer to Table 8-24 in Volume 15, Chapter 8 for delivery transactions pertaining to recoupment of interest penalties and interest on arrearages.

Figure 6-2. Report of Current Status of Accounts Receivable (Original Maturity of Less than 90 Days) From Foreign Obligors

REPORTING AGENCY		CURRENT STATUS OF ACCOUNTS RECEIBABLE (ORIGINAL MATURITY OF LESS THAN 90 DAYS) FROM FOREIGN OBLIGORS				DATE OF SUBMISSION	
CURRENT STATUS AS OF						PAGE 1 OF	
COUNTRY PROGRAM (1)	Cur Ind (2)	TOTAL AMOUNT OUTSTANDING		AMOUNT DUE AND UNPAID 90 DAYS OR MORE		CODES	
		(3)	(4)	(5)	(6)	(7)	(8)
		OFFICIAL	PRIVATE	OFFICIAL	PRIVATE	CTRY	PROG
TOTAL							

VOLUME 16, CHAPTER 7: "INTEREST, PENALTIES, AND ADMINISTRATIVE (IPA) CHARGES"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

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PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated formatting to comply with current administrative instructions.	Revision

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CHAPTER 7

INTEREST, PENALTIES, AND ADMINISTRATIVE (IPA) CHARGES

0701 GENERAL

070101. Overview

A. This chapter pertains to the collection of debts owed to the Department of Defense (DoD) from current and retired DoD civilian employees, current members of the military services (active and reserve), military retirees, individuals who are no longer employed by DoD, contractors, vendors, assignees, and business entities. Contractor-specific guidance is also found in the ***Federal Acquisition Regular (FAR), subpart 32.6***.

B. This chapter does not pertain to the collection of debts owed to DoD by Foreign Entities, which is covered in Chapter 6.

C. The intent of IPA charges is to stimulate prompt debt payment, to recover to the Department of the Treasury (Treasury) the cost of borrowing necessitated by a delinquent debt, and to recover the cost of processing and handling delinquent debts, including referral to credit bureaus or collection agencies.

D. All organizations involved in the collection and management of IPA charges must establish and maintain internal controls to ensure IPA charges owed to the DoD are managed and collected in accordance with this chapter and other applicable regulatory and statutory requirements.

E. All debts owed to the Government and not paid in full by the date due will accrue IPA charges in accordance with ***Title 31, United States Code (U.S.C.), section 3717***. These charges will continue to accrue until the debt is paid in full or otherwise resolved through compromise, termination, or waiver of the charges. Debts owed by any federal agency, or non-appropriated fund instrumentality, are exempt from IPA charges.

F. Payments of amounts owed to the Federal Government by organizations, businesses, and individuals are expected to be made in accordance with terms specified in contracts, agreements, or notifications of indebtedness For those debts owed to the Federal Government that are not covered by provisions contained in contracts or agreements, the notification of indebtedness will inform the debtor of the basis for the indebtedness, the date the debt payment is to be made (due date), and the requirement for IPA charges, unless otherwise prohibited by law.

070102. Purpose

This chapter establishes policy and requirements for the DoD Components for the accounting and reporting of IPA charges on delinquent debts and debts repaid via installment agreement.

070103. Authoritative Guidance

Policy contained in this chapter is primarily based on:

A. Title 31, U.S.C. § 3717;

B. The FAR, subpart 32.6; and

C. Title 31, Code of Federal Regulations (CFR), Parts ***900-904***.

0702 APPLICATION OF CHARGES

Title 31, CFR 900-904 contains guidance on assessing IPA charges. Unless prohibited by law, IPA will be applied accordingly.

070201. Interest Charges

A. Interest charges will be assessed on all debt not paid in full by the date due, regardless if the debt is to be paid in a lump-sum or installments. Debt that is paid through an installment plan is not considered delinquent as long as the payments are made on time; however, interest will continue to be assessed on the outstanding balance owed and collected until the debt is paid in full.

B. The Current Value of Funds Rate (CVFR) is used to calculate interest on overdue Federal Government receivables. The interest rate is subject to revision only if the published rate changes by 2 percentage points (e.g., from 6.0 percent to 4.0 percent) at the close of the prior calendar quarter. The Treasury publishes changes to the CVFR in the Treasury Financial Manual Bulletins. Additional information can be found at the Treasury Bureau of the Fiscal Service ***CVFR webpage***.

C. Interest rates must be established for each loan receivable and overdue debt from the public. The factors that affect the variability of interest rates (e.g., legislation, type of contract, occurrence of an event, passage of time, debtor's income level, or federal funds rate) will be identified. In the absence of specific authority embodied in statute, regulation required by statute, contract, or other public notice, the interest rate will be the CVFR on funds to the Treasury.

D. The interest rate used to determine charges on a delinquent debt will remain fixed for the life of the debt, unless it is rescheduled, or other events occur that justify an interest rate adjustment.

E. Unless other provisions exist in a contract or prior agreement, interest charges will not be assessed until the debtor has been notified in writing that interest and penalty charges will accrue. Payment terms specified in the invoice, demand letter, or notice of indebtedness must be consistent with payment terms in the related contract or formal agreement.

F. Interest will not be charged if payment is made by the date specified in the debt notification (typically 30 days from the date on the notification).

G. Interest will continue to accrue after "date of death" when a claim is to be filed against the estate.

H. Interest Charges will be computed using the following formula:

$$I = D*N*F$$

Where:
I = Interest charge,
D = Amount of outstanding debt,
N = Number of days delinquent, and
F = Interest rate per day.

070202. Penalty Charges

A. DoD Components must accrue and assess a penalty charge, not to exceed 6 percent per annum, on any portion of the debt that is delinquent more than 90 days. A debt becomes delinquent if not paid by the established due date; therefore, penalty charges must be applied to those accounts reported in the aging category 91-180 days delinquent and beyond. This does not include payments that are current and made based on an agreed upon installment plan. The Components may determine what percentage, up to the maximum 6 percent, will be applied to delinquent accounts. The Component's rationale for charging a lesser amount must be documented and become part of the official debt file.

B. Penalty charges will continue to accrue after the "date of death" when a claim is to be filed against the estate.

070203. Administrative Charges

A. In addition to interest and penalty charges, administrative charges will be assessed to cover the added costs incurred in handling a delinquent debt beyond the date on which payment was due. Unlike the interest charge, which begins to accrue on the date the delinquent notice is issued, the administrative charge is applied only if payment is not made by the due date specified in the notice. This does not include payments that are current and made based on an agreed upon installment plan.

B. The Components must calculate administrative charges based upon actual costs incurred to cover the cost of processing and handling delinquent debt. If actual cost is not available, then Components may base the administrative charges upon other historical costs or cost analyses, as long as the method used supports determination of the charge and is documented in the official debt file. An administrative charge will be applied to all delinquent debts with due regard given to the length of time the debts are delinquent.

070204. Installment Payments and Application of Fees

When a debt is collected by installment payments, the amounts received must be applied first to contingency fees, second to outstanding penalties, third to administrative costs, fourth to interest, and last to principal. Contingency fees are paid by a federal agency to other federal agencies or private collection contractors for collection services rendered. These fees are paid from the amounts collected from the debtor.

0703 WAIVER OF ACCRUAL OF INTEREST, PENALTY, AND ADMINISTRATIVE CHARGES

070301. Authority

The head of the DoD Component, or designee, may promulgate regulations identifying circumstances appropriate to waive the collection of IPA charges in conformity with the ***Federal Claims Collection Standards***.

070302. General Guidelines

The following general guidelines for IPA must be followed.

A. The accrual of IPA charges may be waived when a debt is terminated or compromised, or when the additional charges would cause extreme hardship or would not be in the best interest of the government.

B. Decisions to waive the accrual of IPA charges must be considered on a case-by-case basis. No blanket waivers will be granted. Decisions on such waivers will be documented, including an explanation as to the reasons for the waiver, and retained as a part of the official debt file.

C. The same organizational level, or the same designee, authorized to approve compromises, write-off indebtedness, or requests for waiver or remission of indebtedness, depending on the disposition of the basic debt, is authorized to approve waiver of the accrual of IPA charges.

D. Accrued IPA charges will be collected, reported, or compromised in the same manner as the basic debt.

0704 WRITE-OFF OF ACCRUED INTEREST, PENALTIES, AND ADMINISTRATIVE CHARGES

When a debt is written off, the accrued IPA must also be written off. Write-off must be done in accordance with ***Office of Management and Budget Circular A-129***. Volume 4, Chapter 3 contains guidance on debt write-off.

VOLUME 16: "DEFINITIONS"

SUMMARY OF MAJOR CHANGES

All changes are denoted by blue font.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

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PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated formatting to comply with current administrative instructions.	Revision
Debt and Claims Management Office (DCMO)	Deleted policy language that is more appropriately included within the individual chapters of Volume 16.	Deletion
Debt Collection Office (DCO)	Deleted policy language that is more appropriately included within the individual chapters of Volume 16.	Deletion
Delinquent Debt	Deleted policy language that is more appropriately included within the individual chapters of Volume 16.	Deletion
Offset	Deleted examples of payments that may be used to offset debts as it is unnecessary to include in the Definitions chapter.	Deletion
Offset C.	Clarified that centralized offset is the withholding of a debtors federal payment, and is administered by the Department of Treasury through the Treasury Offset Program.	Revision
Offset D.	Clarified that a non-centralized offset is the withholding of a debtor's federal payments by a federal agency and is performed internally by that agency.	Revision

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DEFINITIONS

A. General

The following list defines significant terms in debt management and debt collection.

B. List of Definitions

Accounts Receivable Office (ARO)

The ARO is the office responsible for recording and reporting receivables and may also be the office responsible for debt collection.

Administrative Wage Garnishment (AWG)

AWG is a process whereby an employer withholds amounts from an employee's wages and pays those amounts to satisfy a debt to the Department of Defense (DoD).

Cross-Servicing Program

The Cross-Servicing Program is the Department of Treasury's (Treasury) consolidated debt collection program in which the Treasury uses a variety of tools to collect a debt, such as demand letters, telephone calls, the Treasury Offset Program (TOP), AWG, and credit bureau reporting.

Debt

A. As defined in Title 31, United States Code, section ***3701***, debt is an amount of funds or property that an appropriate official of the Federal Government has determined to be due the U.S. Government from a person, organization, or entity other than another federal agency, which the Government is entitled to receive immediately. Debts include, but are not limited to: insured or guaranteed loans and amounts due from fees, leases, rents, royalties, services, sales of real or personal property, overpayments, financial obligations from foreign military sales purchasers, penalties, damages, interest, fines, and forfeitures.

B. Debt in this context does not include tax debts, amounts due a nonappropriated fund instrumentality (unless specifically included in the DoD Financial Management Regulation), delays in processing employee-elected coverage, or a change in coverage under federal benefits programs if processing delays did not exceed 2 monthly or 4 biweekly pay periods.

*Debt and Claims Management Office (DCMO)

The DCMO offers debt management and collection assistance for delinquent debts owed to DoD by individual debtors who are former DoD employees that are no longer paid by DoD.

*Debt Collection Office (DCO)

DCO refers to the office or individuals at the DoD Component level that are primarily responsible for debt establishment and collection for the Component. DCOs that manage the debt collection for the Component are typically located in the following areas: AROs, military and civilian payroll offices (located both within and outside of the Defense Finance and Accounting Service (DFAS)), Debt Management Office (DMO), DCMO, contracting offices, disbursing offices, or the Foreign DMO.

Debt Compromise

Debt compromise is an agreement between the DoD and the debtor to accept less than the full amount of an outstanding debt in full satisfaction of the entire amount of the debt. A debt compromise is final and conclusive unless obtained by fraud, misrepresentation, presentation of a false claim, or mutual misstatement of fact.

Debt Management Office (DMO)

The DMO is the DFAS office that services referred vendor/contractor debts.

Debt Referring Office

The Debt Referring Office is the office responsible for referring contractor, assignee, and business entity debt to the DMO, or the office responsible for referring individual out-of-service debt to the DCMO. The Debt Referring Office could include, but is not limited to: AROs, DCOs, accounting offices, military pay offices, vendor pay offices, contracting offices, and disbursing offices.

*Delinquent Debt

A delinquent debt is a debt that has not been paid by the due date specified in the written demand for payment (i.e., invoice, debt notification letter, or applicable agreement or instrument (including a post-delinquency payment agreement)).

Erroneous Payment

An erroneous payment is a payment that was not legal and proper when made. Refer to Volume 5, Chapter 5 for information on pecuniary liability. For purposes of DoD debt collection, examples of an erroneous payment include:

A. An improper overpayment to a payee;

B. Two or more payments to a payee for the same entitlement (i.e., duplicate payment);

C. A payment to the wrong payee;

D. A U.S. Treasury check issue overdraft (in some cases);

E. A shortage caused by negotiation of both an original and a substitute Treasury check;

F. Payment based on fraudulent, forged, or altered documents; and

G. A payment made in violation of law or regulation.

Legally Enforceable Debt

A debt is legally enforceable if the DCO has made a final determination that the debt is valid, and there are no legal bars to collection action. If the debt is the subject of a pending administrative review process required by statute or regulation, and collection action during the review process is prohibited, then the debt is not considered legally enforceable for purposes of mandatory referral to the Treasury.

Long-Term Loans and Credits

Long-term loans and credits include any indebtedness to the DoD in which the original payment terms provide for payment within a period of time exceeding one year after delivery or performance.

*Offset

An offset is the withholding of the entire amount or a portion of a payment to a payee and applying the amount withheld to liquidate the payee's debt. There are several methods used to perform offset.

A. Administrative offset is the withholding of any payment to a payee to satisfy a debt.

B. Salary offset is limited to the withholding from pay and allowances. Salary offset is accomplished by installment deduction(s) at officially established pay intervals from the current pay of the individual.

* C. Centralized offset is done by the Treasury and is administered through TOP. Offset occurs when Treasury withholds part or all of a debtor's federal payments to satisfy the debtor's delinquent debt owed to the Government.

* D. Non-centralized offset is also the withholding of a debtor's federal payments, but it is done internally by federal agencies on a case-by-case basis.

Short-Term Loans and Credits

Short-term loans and credits are any debts in which the original payment terms provide for payment between 90 days up to and including one year after delivery or performance. Foreign

Military Sales transactions, which provide for payment 120 days after delivery or performance, will be classified as short-term credit sales.

Suspension of Collection Action

Suspension of a collection action is a determination to cease collection action temporarily with the intent to initiate collection action at a later date.

Termination of Collection Action

Termination of collection action is a determination to cease active debt collection. Unlike close-out, debt collection may be resumed following termination of collection activity.

Treasury Offset Program (TOP)

TOP is a program that allows agencies to submit delinquent, valid, and legally enforceable debts to the Bureau of the Fiscal Service for collection via offset of all eligible payments the debtor may receive from the Government.

"GLOSSARY"

SUMMARY OF MAJOR CHANGES

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Hyperlinks are denoted by ***bold, italic, blue, and underlined font*****.**

The previous version dated December 2008 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
A	Changed paragraph title from "purpose" to "overview."	Revision
A	Deleted the word "processes" – FMR focus is on policy not processes.	Deletion
B - various	Modified definitions based on OMB Circular A-11	Revision
B - various	Added terms based on OMB Circular A-11	Addition
B - various	Properly cited U.S. Code references	Revision
B - various	Updated hyperlinks for U.S Code and FMR chapters	Revision

GLOSSARY

A. Overview

The following list defines general terms of significance or importance in financial accounting policies for the Federal Government or the Department of Defense (DoD) that are discussed in various volumes of this Regulation. This glossary is provided for general information; it is by no means an exhaustive list of all financial management terms, and it does not define terms when standard dictionary definitions apply. Authoritative guidance with more detailed explanations or nuances may be found in specific volumes or chapters.

B. List of Definitions

Accessorial Charges

Costs incurred for packing, crating, and handling related to sales or shipments of property.

Accountable Official (Departmental)

See "Departmental Accountable Official."

Accounting Classification Code

A series of alpha and numeric characters appearing on accounting source documents. The characters provide the information necessary to enter transactions into DoD accounting systems.

Accounting Entity

In DoD the accounting entity is the DoD Component; that is, the Department of the Army, the Department of the Navy, the Department of the Air Force, and the Office of the Secretary of Defense (OSD) and/or the Defense Agencies, regardless of appropriation or fund.

Accounting Objectives

Goals toward which accounting efforts are directed. The goals are derived directly from legal and regulatory requirements and the needs of intended users.

Accounting System Design Documentation

Documentation supporting the design of an accounting system that assures all relevant accounting principles, standards, and related requirements have been addressed. It consists of three distinct documentation packages: (1) the functional accounting system concept design, (2) the functional detailed design, and (3) various automated data processing documentation packages which track functional user requirements to specific computer programs. See DoD FMR Volume 1, Chapter 3 for specific documentation requirements.

Accounts Payable

Amounts owed to other entities for goods and services received (i.e., actual or constructive receipt), progress in contract performance, and rents due to other entities.

Accounts Receivable from the Public

All accounts receivable arising from the sale of goods and services and from operations involving other than Federal Government organizations. Examples are debts owed by military personnel, civilian employees, and contractors.

Accrued Variance (Foreign Currency Fluctuations)

The difference between un-liquidated obligations at the budget rate (approved execution rate) and the foreign exchange rate current at the time of payment.

Acquisition Cost

The original purchase, construction, or development cost, net of (less) any purchase discounts.

Adjustments to Expired or Closed Accounts (Upward or Downward)

Increases or decreases to obligations or expenditures. Adjustments involve recording obligations or expenditures that were made or incurred, but not recorded, during the period prior to expiration or cancellation of the account.

Administrative Subdivision of Funds

Any sub-division or legal restriction of an appropriation or fund that makes funds available in a specified amount for incurring obligations. Frequently used subdivisions include apportionments, allocations, sub-allocations, allotments and sub-allotments.

Advances

Disbursements of funds before performance have been certified by an authorized DoD receiving official.

Agency Financial Management System

The total of agency financial systems, both manual and automated, for planning, budget formulation and execution, program and administrative accounting; as well as all other systems for recording and classifying financial data and reporting financial management information, including purchasing, property, and inventory.

A. Financial Management Information. All information that is expressed in dollar terms on federal spending, collections, assets, liabilities, equity, and related budgetary and accounting transactions and balances.

B. Accounting System. The structure of methods and procedures used to record, classify, accumulate, analyze, summarize, and report information on the financial condition and operating position. It is comprised of the various functional operations involved in authorizing, recording, classifying, analyzing, and reporting financial information related to financing sources, gains, expenses, losses, transfers, assets, liabilities, equity, and internal controls. It encompasses the procedures and processes from the point a transaction is authorized through processing the data, either manually or automatically, to issuance of financial and management information statements and reports.

1. Primary Accounting Systems. The aggregation and consummation of like financial management information aligned by the major operational areas and summarized to support financial and management information needs. There are five Primary accounting systems made up of the single, standard integrated Departmental accounting systems which controls all financial management information. The Primary accounting systems are General, Business Operations Fund (Stock Fund and Industrial Fund), Trust Fund, Civilian Pay, and Military Pay.

2. Administrative Accounting Systems.

a Accounting Support Systems. The manual or automated programs, procedures and processes which authorize, record, classify, analyze, and report on financial management information for one of the Primary accounting systems. Accounting Support systems provide general ledger control and financial information on operations for consolidation to the Primary accounting systems.

b Subsidiary Accounting Systems. The manual or automated programs, procedures and processes for one of the various functional operations involved with revenues, expenses, assets, liabilities, and equity. The Subsidiary accounting systems form the foundation and audit trail for the Primary accounting systems and the Accounting Support systems.

3. Accounting System Modules. Modules are distinguished by the fact that their functions and systems of internal controls are embodied in the accounting system. As such, modules are fully integrated subsystems of an accounting system, and they are inventoried and evaluated in conjunction with the accounting system.

4. Feeder Systems. The manual or automated programs, procedures and processes which develop data required to initiate an accounting or financial transaction but do not perform an accounting operation (e.g., personnel, property, or logistics systems).

Allocations

Allocations are further subdivisions of allotments. Within DoD, the term has been used to refer to departmental-level accounting entity distributions of apportionments, or funds that do not require apportionment, to an operating Agency or other intermediate level accounting entity.

Allotments

Subdivisions of apportionments that are made by the heads of agencies, or their designee, to incur obligations within a prescribed amount. Subdivision and distribution of an allotment (e.g., sub-allotments and allocations to operating agencies or installation-level accounting activities) must contain at least the same legal and other limitations applicable to the original allotment. Such subdivisions and distributions may establish additional legal and other limitations applicable to execution of budgetary resources.

Annual (1-Year) Authority

Budget authority that is available for obligation only during a specified fiscal year and expires at the end of that time.

Anticipated Reimbursements

The dollar value of orders expected to be received during the forthcoming fiscal year. Anticipated reimbursements do not create obligational authority until an actual order is received and accepted.

Antideficiency Act

Legislation enacted by Congress to prevent the incurring of obligations or the making of expenditures (outlays) in excess of amounts available in appropriations or funds; to fix responsibility within an agency for the creation of any obligation or the making of any expenditure in excess of apportionment or reapportionment or in excess of other subdivisions established pursuant to ***31 USC sections 1341, 1342 and 1517*** ; and to assist in bringing about the most effective and economical use of appropriations and funds.

Apportionment

A distribution made by the Office of Management and Budget of amounts available for obligation and expenditures in an appropriation or fund account into amounts available for specified time periods (usually fiscal quarters), programs, activities, projects, objects, or any combination of these. The apportioned amount limits the obligations that may be incurred. An apportionment may be further subdivided by an agency into allotments, sub-allotments, and allocations.

Appropriation Limitations

Statutory and other special restrictions which impose a restriction on the availability of funds or the authority to obligate or expend appropriations for certain objects or purposes; such as, family housing.

Appropriation Warrant

An official U.S. Treasury document that provides the dollar amounts established in the general and detailed appropriation accounts of the U.S. Treasury pursuant to Appropriation Acts authorized by law. It serves as a convenient source document for entries into accounts that establish the amount of money authorized to be withdrawn from the U.S. Treasury.

Appropriation

A provision of law conferring authority to incur obligations for a specified purpose; usually, but not always, an appropriation provides budget authority, which is authority provided by law to incur financial obligations that will result in outlays. For purposes of the Antideficiency Act, the term "appropriations" may have a broader meaning, new budget authority and balances of budget authority as described in OMB Circular No. A-11, ***Section 20.4***.

Asset Use Charge

A charge for the use of DoD assets (facilities and/or equipment) to recoup depreciation and interest on investment.

Authorizing Official (or Officer)

An individual who approves a transaction and verifies and validates the funds cited on a commitment or obligation document are accurate and available.

Balanced Budget and Emergency Deficit Control Act of 1985 (BBEDCA)

BBEDCA refers to legislation that shaped the budget process, first by setting fixed targets for annual deficits and then by replacing those with a Pay-As-You-Go requirement for new tax or mandatory spending legislation and with caps on annual discretionary funding. Most of these requirements expired in 2002. The Statutory Pay-As-You-Go Act of 2010, which did not amend the BBEDCA, reinstated a statutory pay-as-you-go rule for revenues and mandatory spending legislation. The Budget Control Act of 2011 (BCA), which amended the BBEDCA, reinstated discretionary caps on budget authority.

Bench Stock (Also Shop Stock)

Inventory held by a cost center for use as indirect material and used in support of numerous small projects or activities carried out by the cost center. Small items such as screws, washers, and lubricants characterize this type of stock.

Book Value

The recorded cost of a general Property, Plant, and Equipment (PP&E) asset, less its accumulated depreciation.

Borrowing Authority

Statutory authority to incur obligations and to make payments for specified purposes out of borrowed money. Within DoD, borrowing authority is used for mortgage assumptions under the Homeowners Assistance Program and for loans from the Federal Financing Bank.

Budget Authority

Budget authority (BA) means the authority provided by law to incur financial obligations that will result in outlays. Specific forms of budget authority include appropriations, borrowing authority, contract authority, and spending authority from offsetting collections.

Budget Control Act (BCA) of 2011

BCA refers to legislation that, among other things, amended the Balanced Budget and Emergency Deficit Control Act of 1985 (BBEDCA) to reinstate discretionary spending limits on budget authority through 2021 and restored the process for enforcing those spending limits; increased the statutory debt ceiling; and established a Joint Select Committee on Deficit Reduction that was instructed to develop a bill to reduce the Federal deficit by at least $1.5 trillion over a 10-year period. It also provided a process to implement alternative spending reductions in the event that legislation achieving more than $1.2 trillion of deficit reduction was not enacted by January 15, 2012.

Budget Rate

A foreign currency exchange rate provided to DoD Components for use in preparing budget submissions during budget formulation and for recording obligations during budget execution. Budget rates are provided by the DoD Comptroller and may be modified by the Congress. During execution, foreign currency obligations are recorded using the budget rate (rates approved for execution). (Also see "Foreign Currency Fluctuations.")

Budgetary Resources

For purposes of budget execution, budgetary resources include new budget authority, available unobligated balances at the beginning of the year, reimbursements and other income (also known as offsetting collections credited to an appropriation or fund account), recoveries of prior year obligations from unexpired accounts, and restorations. In the case of reimbursable work, budgetary resources available for obligation are comprised of earned reimbursements and unfilled customer orders (limited by the amounts collected in advance for orders from the public). In the case of loan programs, budgetary resources available for obligation from loan repayments and interest on loans are comprised of actual collections when authorized to be used.

Business Concern

Any person or organization engaged in a profession, trade, or business, and nonprofit entities (including State and local governments, but excluding Federal entities) operating as contractors.

Cash-Flow Process

Each process of collecting or disbursing moneys for Agency programs or operations, and for balances held outside of the U.S. Treasury.

Cash-Flow Report

A document summarizing each unique cash-flow process and corresponding opportunities for new cash management improvements.

Cash Held at Personal Risk

Cash held by authorized disbursing officers, their cashiers, and their agent officers, including alternates, for making miscellaneous cash payments, meeting cash payrolls or making change; funds established for making small purchases; imprest funds; cash held pending delivery to other disbursing officers; and for other purposes specifically authorized by law.

Cash Management

Practices and techniques designed to accelerate and control collections, ensure prompt deposit of receipts, improve control over disbursement methods, and minimize idle cash balances.

Cash Management Review

An ongoing study of an Agency's cash flows and corresponding cash management processes or mechanisms conducted to identify implementable improvement opportunities in an Agency's cash management practices.

Centrally Managed Account

Authority issued by the holder of an account (allotment/allocation) for incurring obligations for a specific purpose and in a specific amount. It is administered by publishing a centrally managed account number that permits authorized officials to charge the account for authorized purposes without further determination or certification of fund availability for individual transactions.

Certifying Officer

An individual designated to attest to the correctness of statements, facts, accounts, and amounts appearing on a voucher, or other documents. A certifying officer is pecuniarily liable for payments in accordance with ***31 USC 3528***.

Chargeable Account

The appropriation (department code, fiscal year, and appropriation symbol) contained in the line of accounting cited on the obligation document that is the basis for a particular payment.

Clearing Accounts

Accounts established solely to temporarily hold general, special, or trust fund collections or disbursements pending clearance to the applicable receipt or expenditure budgetary account. Except for clearance to the applicable receipt or expenditure budgetary account, clearing accounts are not available for obligation or expenditure.

Closed/Canceled Accounts

An appropriation that has been closed in accordance with ***31 USC 1551 - 1557***. This term also includes an appropriation that otherwise would have been closed by 31 U.S.C. 1551-1557, but has not been closed by the Department of the Treasury because the appropriation has a negative balance. When balances are canceled, the amounts are not available for obligation or expenditure for any purpose.

Collections

Amounts received during the fiscal year. Collections are classified into two major categories: budget receipts and offsetting collections. Offsetting collections are classified into two major categories: offsetting receipts and collections credited to appropriation or fund accounts.

Commitment

An administrative reservation of funds based on firm procurement requests, unaccepted customer orders, Directives, and equivalent instruments.

Component Liaison Office

When the Defense Finance and Accounting Service (DFAS) was established, each Military Department and the Defense Logistics Agency formed financial management liaison offices in their Headquarters. The primary purpose of these staffs was to provide adequate communication among DFAS, and its larger customers; ensure the adequate dissemination of information; and help coordinate DoD finance and accounting policy and other issues. Some of the liaison functions at the Departmental level are still required to ensure adequate communications and coordination of finance and accounting issues among DFAS and DoD Components. DoD Agencies may establish a liaison focal point to interface with DFAS on an as required basis.

Conceptual Design of Accounting System

Documentation of the process that leads to a decision to develop a new accounting system or system segment, or to initiate a major upgrade effort. Documentation reveals the deficiencies in the current system, the accounting entities involved, the parameters of the accounting system, the accounting structure, security considerations, the alternatives considered, and the economic analysis developed to support a decision.

Consolidated Working Fund Accounts

Accounts established to hold funds transferred from other Agencies, DoD Components, or accounts until transferred to an appropriate account authorized by provisions of law. Applicable funds are not available for obligation or expenditure.

Construction in Progress (CIP)

A temporary classification of assets under construction. The costs of new construction and capital improvements are accumulated in a CIP account while the asset is under construction. CIP accounts are only utilized for construction of real property assets and shipbuilding (including ship conversion, alteration, or repair). Under certain contract provisions CIP accounts include all costs incurred to bring the asset to a form and condition suitable for its intended use.

Contingency

An existing condition, situation, or set of circumstances that involves an uncertainty as to possible gain or loss. The uncertainty will be resolved when one or more future events occur or fail to occur. Resolution of the uncertainty may confirm a gain (i.e., acquisition of an asset or reduction of a liability) or a loss (i.e., loss or impairment of an asset or the incurrence of a liability).

Contingent Liability

The term has two meanings. As a budgetary term, it represents variables that cannot be recorded as valid obligations. Such variables include (1) outstanding fixed price contracts containing escalation, price redetermination, or incentive clauses, or (2) contracts authorizing variations on quantities to be delivered, or (3) contracts where allowable interest may become payable by the - Federal Government on contractor claims supported by written appeals pursuant to the "DISPUTES" clause contained in the contract. As a proprietary accounting term, it represents a contingency posing the possibility of a loss when one or more events occur or fail to occur. Examples of loss contingencies include the collectability of receivables, pending or threatened litigation, and possible claims and assessments. DoD recognizes contingent liabilities when a future loss related to past events or exchange transactions is probable and the loss amount can be reasonable estimated.

Continuing Resolution

The Congressional resolution, in the absence of an appropriation act, providing authority for Agencies to continue current operations. Such continuing resolutions are subject to the Office of Budget and Management apportionment in the same manner as appropriations.

Contract

As defined by the Federal Acquisition Regulation ***(FAR) 2.101***, "Definitions," a contract is a mutually binding legal relationship obligating the seller to furnish the supplies or services (including construction) and the buyer to pay for them.

Contract Authority

Statutory authority to incur obligations but with liquidation of obligations dependent upon future actions of the Congress or by the receipt of customer orders or other available resources. (Within the Department, Contract Authority is apportioned budget authority which can be legally obligated. Contract Authority, however, is not funded and is apportioned and allocated without a supporting Treasury cash balance. Consequently, before an obligation incurred against Contract Authority can be liquidated, sufficient budgetary resources should be available for the outlay. For the Defense Working Capital Funds, obligations against Contract Authority are based on earned customer orders and cash balances in the fund corpus.)

Contract Financing Payment

A Federal Government cash disbursement to a contractor under the contract prior to acceptance of goods or services by the Federal Government.

Contract Liquidating Authority

An appropriation, or re-appropriation, enacted to pay the obligations incurred under the contract authority.

Contractor-Acquired Property

General PP&E assets acquired by a contractor on behalf of a DoD Component for use in the performance of a contract. It does not include federal government furnished material or equipment. Also see Government Furnished Equipment (GFE.)

Cost

A monetary measure of the amount of resources applied to a cost objective. Within DoD, "costs" are identified following generally accepted accounting principles and standards as implemented in this Regulation. The fact that collections for some cost elements are deposited into Miscellaneous Receipts of the Treasury does not make those costs "extraneous." It simply means the Congress has not authorized such amounts to be retained by appropriation accounts. After costs have been identified, following Federal Accounting Standard Advisory Board standards, including the Statement of Federal Financial Accounting Standard 4 on cost accounting rules, a DoD Component may proceed to eliminate cost elements, or process waivers, in accordance with legal authorities.

Cost Center

A logical or physical grouping of one or more similar services for the purpose of identifying obligations or developing the cost identification for the services. Services are grouped into cost centers in order to (1) normalize between services that use similar resources with different capabilities, (2) apply surcharges and discounts to services, (3) identify costs for different classes of the same service, or (4) identify obligations. This is the lowest level (that is, unit) or activity that is used to identify obligations or expend resources to produce a unit of work, and the lowest level of activity to segregate costs for management in order to assess efficiency, usage, examine trends.

Cost Clearing Account

An account used when standard rates are employed. The actual expenses are debited to the cost clearing account and the amounts billed to customers are credited to the account. At the end of the fiscal year, the account is closed with analysis performed to determine if rates require adjustment.

Cost Finding

Procedures designed to accomplish a result approximating the results of a formal cost accounting system.

Cost Objective

An activity, operation, or completion of a unit of work to complete a specific job for which management decides to identify, measure, and accumulate costs. The cost objective must be discrete enough and described in writing to such a level of detail to form a basis to establish cost centers and output products.

Current Receivable

All receivables that will be due within the 12 months following the reporting period.

Current Value of Funds Rate (CVFR)

The average investment rate for the U.S. Treasury Tax and Loan accounts expressed as an annual rate and published by the U.S. Treasury in the "Federal Register" each year. Uses of the CVFR include determining the effectiveness of taking cash discounts and calculating interest on overdue federal government receivables.

Customer Order

An order received and accepted by the performing activity from a customer. It is written evidence that a meeting of the minds has taken place and that certain goods and services will be provided to the tenderer of the order for payment of a dollar amount. The order must contain an original signature or equivalent of both the ordering activity and the receiving activity and must specify a dollar amount. The specified dollar amount cannot be exceeded.

Cutoff Time

A time prescribed by a financial institution beyond which transactions presented or actions requested will be deferred to the next banking day's business.

Day

A calendar day, unless otherwise noted. If the day on which an action is required falls on a nonworking day, then day means the next working day.

Default

Failure to meet any obligation or term of a credit, grant, or other agreement.

Defense Working Capital Fund (DWCF)

A revolving fund using a business-like buyer-and seller approach with a goal of breaking even over the long term. Stabilized rates or prices are generally established each fiscal year. DWCF stabilized rates or prices are adjusted for sales to customers to include an amount for unfunded civilian retirement and post-retirement health benefits costs. The DWCF was established on December 11, 1996, upon the reorganization of the former Defense Business Operations Fund.

Deferrals

Budgetary resources which have been deferred as reserves to provide for contingencies to achieve savings made possible by or through changes in requirements or greater efficiency of operations or as specifically provided by law.

Definite Authority

Authority that is stated as a specific sum at the time it is granted. This includes authority stated as not to exceed a specified amount. Most DoD appropriations are for definite amounts of authority.

Delivered Orders

The term used for the credits entered into the budgetary accounts to recognize liabilities incurred for (1) services performed by employees, contractors, other Government accounting entities, vendors, carriers, grantees, lessors (2) goods and other tangible property received; and (3) items such as annuities or insurance claims for which no current service is required. Accrued expenditures are categorized as either paid or unpaid.

Delivered Orders-Paid

The budgetary account that represents the dollar value of goods and services received for which payment has been made.

Delivered Orders-Unpaid

The budgetary account matching the proprietary account, "accounts payable." It represents the dollar value of goods and services received for which payment has not been made. (Also see "Accounts Payable.")

Demand Cash Withdrawal

Commercial checks made payable to cash for withdrawal by the cashier.

Departmental Accountable Official

An individual responsible for providing a certifying officer with information, data, or services that the certifying officer relies upon in the certification of vouchers for payment.

Deposit (noun)

Money presented for credit to the U.S. Treasury. Such transfers may be made by Agencies or directly by the remitter. All such transfers are effected through a Federal Reserve bank or other financial institution.

Deposit (verb)

The act of presenting moneys for credit to the U.S. Treasury by an Agency official.

Deposit Funds

Receipts held temporarily and later refunded or paid into some other Treasury fund or other entity, or held by DoD as banker or agent for others and paid out at the direction of the owner.

Deposit Fund Accounts

Expenditure accounts established to account for deposit fund receipts. Such funds are not available for paying salaries, grants, or other expenses of the Federal Government. Expenditures are often offset by receipts within this type of fund.

Depreciation

The systematic and rational allocation of the acquisition cost of an asset, less its estimated salvage or residual value, over its estimated useful life.

Direct Cite

Citation of customer funds as the financing source on documents leaving the DoD system, that is, contracts with commercial firms, General Services Administration, or Department of Transportation. The term direct cite is not valid if any DoD organization establishes a reimbursable order to a DoD appropriation account, or business operation fund. When direct cite is used, all accounting is accomplished by the ordering activity. The source documents are returned to the allotment holder who accomplishes all required accounting. In the case of the Foreign Military Sales program, it specifically refers to documents that result in a disbursement to other than a DoD organization (a contractor, other Federal Agency, or employee).

Direct Delivery

Items shipped directly from a contractor to a customer, whether from a consolidated military services procurement or a contract solely for that customer.

Direct Loan

An obligation created when the Federal Government disburses the funds and contracts with the debtor for repayment, with or without interest, or when the Government acquires a guaranteed private loan in satisfaction of default or other claim.

Direct Program

The budget authority in an appropriation act. (See "Budget Authority.")

Disbursements

Amounts paid by Federal Agencies, by cash or cash equivalent, during the fiscal year to liquidate government obligations. “Disbursement” is often used interchangeably with the term “outlay.” In budgetary usage, gross disbursements represent the amount of checks issued and cash or other payments made, less refunds received. Net disbursements represent gross disbursements less income collected and credited to the appropriation or fund account, such as amounts received for goods and services provided. For purposes of matching a disbursement to its proper obligation, the term disbursement refers to the amount charged to a separate line of accounting.

Disbursing Officer

An officer or employee of a Federal Department, Agency or Corporation designated to disburse moneys and render accounts according to laws and regulations governing the disbursement of public moneys.

Discount (Cash)

A reduction in the amount due on an account payable offered by the vendor if paid within a stated period.

Discount (Trade)

A reduction in price, usually varying in percentage with volume of transactions, made by vendors to those engaged in certain businesses and allowable irrespective of the time when the account is paid.

DoD Component

For purposes of this Regulation, unless otherwise noted "DoD Component" includes the following: OSD; the Chairman, Joint Chiefs of Staff and the Joint Staff; the DoD Inspector General; the Military Departments including the Coast Guard when assigned to the Department of the Navy; the Defense Agencies; DoD Field Activities; the Combatant Commands; Washington Headquarters Services (WHS), the Uniformed Services University of the Health Sciences (USUHS), and all non-appropriated fund instrumentalities.

DoD Education Benefits Trust Fund

A fund established for education assistance purposes for active and reserve force personnel. It derives its resources through transfers from military personnel accounts and from interest earned from investments in Federal Government securities.

Earned Reimbursement

The amount recognized when a performing organization renders actual or constructive performance on a reimbursable order.

"Economy Act" Order

An order for goods or services placed by a Federal Agency or Department to another governmental agency under the provisions of ***31 USC 1535*** and ***31 U.S.C. 1536***. (See Volume 11A, Chapter 3).

Electronic Data Interchange (EDI)

The exchange of standardized information between business partners typically communicated electronically between computers. It is DoD policy that DoD Component EDI applications shall conform to the American National Standards Institute (ANSI), Accredited Standards Committee (ASC) X12 standard.

Electronic Funds Transfer (EFT)

The act of debiting or crediting accounts in financial institutions by wire rather than source documents, such as, paper checks. Processing typically occurs through the Federal Reserve Bank clearing houses.

Entitlements

Legally established benefits available to any person or unit of Federal Government meeting eligibility requirements established by law.

Executory Costs

Those costs associated with ownership of an asset such as insurance, taxes, and normal maintenance. In the case of a capital lease, the portion of the lease payment that represents executory costs is not capitalized, but is expensed.

Expenditure

An actual disbursement of funds in return for goods or services. Frequently used interchangeably with the term “outlay.”

Expense

The outflow or other depletion of assets or incurrence of liabilities (or a combination of both) during some period as a result of providing goods, rendering services, or carrying out other activities related to an entity’s programs and missions, the benefits from which do not extend beyond the present operating period. In financial accounting and reporting, the costs that apply to an entity’s operations for the current accounting period are recognized as expenses of that period.

Expired Account or Appropriation

Appropriation or fund account in which the balance is no longer available for incurring new obligations, but is still available for recording, adjusting, and liquidating valid obligations. The account remains available for such purposes for 5 years after expiration period.

Facilities

Industrial property (other than material, special tooling, special test equipment, and military property) for production, maintenance, research, development, or test including real property (other than land) and rights therein, buildings, structures, improvements, and plant equipment (including capital leases).

Fast Pay

Disbursement to a contractor based on the contractor's certification that delivery has been made at the time an invoice is presented for payment.

Federal Agency

This has the same meaning as the term "Agency" in ***5 USC 551(1),*** and includes any entity that is operated exclusively as an instrumentality of such an Agency for administering one or more programs of that Agency. Both DoD appropriated and non-appropriated fund activities are included under this definition.

Financial Institution

Bank, Savings Association, or Credit Union eligible under ***31 CFR 202*** to serve as a Federal Government depositary.

Financial Management System

A financial operation that includes the financial system and the financial portion of mixed systems necessary to support financial management; automated and manual processes, procedures, and controls; data; hardware; software; and support personnel dedicated to the operation and maintenance of system functions.

Financing Interest

Interest charged as a cost of extending credit as distinguished from interest charged because of delinquency.

Financing Payment

Disbursement of funds after performance has occurred but before physical delivery. The most common type of financing payment is the progress payment made to DoD contractors to reimburse incurred cost before ordered items or material are delivered. (See “Contract Financing Payment.”)

Fixed Accounts

Appropriation or fund accounts with balances that are available for a definite period of time. The fixed accounts are comprised of annual and multiyear accounts. The universe of appropriation or fund accounts is made up of fixed accounts and no-year accounts.

Foreign Currency Fluctuations

The difference between budget rates approved for execution and actual foreign currency exchange rates in effect at time of payment that cause changes in obligations or contractual liabilities. Obligations are recorded using the budget rate, and payments are made using the current foreign currency exchange rate.

Foreign Currency Unliquidated or Liquidated Obligations

Foreign currency un-liquidated obligations are derived by taking obligations at the budget rate less the disbursements at the budget rate. Foreign currency liquidated obligations is the actual disbursement at the budget rate.

Fund Groups

The range of numeric or alpha and/or numeric account symbols assigned by the Treasury to identify groups of accounts; such as, 0000 to 3799 = General Funds.

Fund Holder

An individual holding an administrative subdivision of funds or an operating target, who is responsible for incurring obligations against the administrative subdivision or target and for managing the use of such funds.

Funded Carryover

The incomplete portion of a job order for goods or services to be provided by a business operation fund activity. Usually, funded carryover is measured at the end of a fiscal period, that is, a fiscal year.

Funding Account

The appropriation (department code, fiscal year, and appropriation symbol) contained in the line of accounting cited on the obligation document provided to fund a disbursement that otherwise would have been chargeable to a closed appropriation.

Funds Certifying Official

An individual responsible for the proper assignment of funding on a commitment or obligation document before the obligation is incurred.

General Fund Accounts

These consist of (1) receipt accounts used to account for collections not dedicated to specific purposes and (2) expenditure accounts used to record financial transactions arising under congressional appropriations or other authorizations to spend general revenues.

General Fund Receipt Accounts

Accounts established for receipts of the Federal Government that are not earmarked by law for specific purpose and that are not available for obligation and expenditure.

General Management Computer

A computer that is used for any purpose other than as a part of a process control system, space system, mobile system, or equipment that is an integral part of a weapon or weapons system. It also excludes equipment involved with intelligence activities and cryptologic national security activities.

Government-Furnished Equipment (GFE)

Property provided to a contractor by DoD. It is used in producing an end product. It is not consumed, but is returned in the same form at the end of the contract.

Government-Furnished Material (GFM)

Property provided to a contractor by DoD. It may be incorporated into an end item (a change in form) or may be consumed in the performance of a contract.

Grants

Assistance awards for which no substantial involvement is anticipated between DoD and the recipient during performance of the contemplated activity.

Guaranteed Loan

A contingent liability created when the Federal Government insures the private lender who disbursed the funds that the lender will be repaid to the extent of the amount or percentage guaranteed in the event of default by the debtor; a DoD Component pledge to pay part or all of the loan principal and interest to a lender, or holder, of a security in the event of default by a third party borrower.

Holdback

The amount withheld from payments to contractors to assure compliance with contract terms. Usually the amount to be withheld is expressed as a percentage in the contract provisions.

Imputed Cost

Imputed cost is a reporting entity's share of an expense not incurred directly, but borne by another reporting entity and not reimbursed.

Indefinite Appropriations

Appropriations of a current or permanent nature in which a definite amount is not stated.

Indefinite Authority

Authority for which a specific sum is not stated, but is determined by other factors such as the receipts from a certain source or obligations incurred.

Information Technology Facility (ITF)

An organizationally defined set of personnel, hardware, software, and physical facilities, operated within or on behalf of DoD, a primary function of which is the operation of information technology. An ITF includes:

1. The personnel who operate computers or telecommunications systems; develop or maintain software; provide user liaison and training; schedule computers; prepare and control input data; control, reproduce, and distribute output data; maintain tape and disk libraries; provide security; and provide direct administrative support to personnel engaged in these activities.

2. The owned or leased computer and telecommunications hardware, including central processing units; associated peripheral equipment such as disk drives, tape drives, printers, and consoles; data entry equipment; telecommunications equipment including control units, terminals, modems, and dedicated telephone and satellite links provided by the facility to enable data transfer and access to users. Hardware acquired and maintained by users of the facility is excluded.

3. The software, including operating system software, utilities, sorts, language processors, access methods, data base processors, and similar multi-user software required by the facility for support of the facility and/or general use by users of the facility. All software acquired or maintained by users of the facility is excluded.

4. The physical facilities, including computer rooms, tape and disk libraries, stockrooms and warehouse space, office space, and physical fixtures.

Interagency Allocations

According to OMB Circular A-11, section 20.4(l), "Allocation means a delegation, authorized in law, by one agency of its authority to obligate budget authority and outlay funds to another agency. When an agency makes such a delegation, the Treasury Department establishes a subsidiary account called a "transfer appropriation account", and the receiving agency may obligate up to the amount included in the account. The budget does not show the transfer appropriation account separately. The budget schedules for the parent account include the obligations by the other agency against the subsidiary account without separate identification, except in the object class schedule. Allocations are appropriate where the receiving agency is acting as the agent for the allocating agency."

Internal Control Documentation

Written policies, organization charts, procedural write-ups, Manuals, memoranda, flow charts, decision tables, completed questionnaires, software, and related written materials used to describe the internal control methods and measures, to communicate responsibilities and authorities for operating such methods and measures, and to serve as a reference for persons reviewing the internal controls.

Internal Controls

The manner in which financial, manpower, and property resources are to be controlled and safeguarded by the regular authorization, approval, documentation, recording, reconciling, reporting, and related accounting processes.

Internal Control Standards

The standards issued by the Comptroller General for use in establishing and maintaining systems of internal control. Those standards are applicable to all operations and administrative

functions, but are not intended to limit or interfere with duly granted authority for the development of legislation, rulemaking, or other discretionary policymaking in an Agency.

Internal Control Techniques

The application of prescribed processes and documents to efficiently and effectively accomplish an internal control objective and to help safeguard an activity from waste, loss, unauthorized use, or misappropriation.

In-transit Disbursements

Disbursements that have been reported by a disbursing office, through a paying center, to the Department of the Treasury and charged against the Department's fund balances, but have not yet been received or processed by the applicable accounting office for recordation against the applicable corresponding obligation. This includes inter-service, intra-service, and inter-fund disbursement transactions. This definition includes disbursements originating outside the DoD.

Inventory Price

For non-stock fund items the inventory price is the acquisition cost. For stock fund items, the inventory price is acquisition cost plus prescribed surcharges. (See "Acquisition Cost.")

Investment

As a budget term, investment refers to equipment financed with procurement appropriation accounts. As an accounting term, investments represent the value of securities and other assets held for the production of revenues in the form of interest, dividends, rentals or lease payments, net of premiums or discounts.

Invoice

As defined by ***FAR 2.101, Definitions,*** an invoice is a contractor's bill or written request for payment under the contract for supplies delivered or services performed.

Invoice Payment

A Federal Government disbursement of monies to a contractor under a contract or other authorization for supplies or services accepted by the Government.

Letter Contract

An offer and acceptance that is specific and definitive enough to show the purpose and scope of the final contract to be executed. When accepted in writing by the contractor, documentary evidence exists to support the recording of an obligation.

Loan Guarantees

Agreements by which a DoD Component pledges to pay part or all of the loan principal and interest to lenders or holders of securities in the event of default by third-party borrowers.

Management Fund Accounts

Working fund accounts authorized by law to facilitate accounting for collections from two or more appropriations or funds to finance an activity not involving a continuing cycle of business-type operations and that are available for obligation and expenditure. Those are combined receipt and expenditure accounts established by law, with receipts derived from such operations usually available in their entirety for use by the fund without further action by the Congress.

Military Interdepartmental Purchase Request (MIPR)

An order issued by one military service to another to procure services, supplies, or equipment for the requiring service. The MIPR (DD Form 448) may be accepted on a direct citation or reimbursable basis. It is an "Economy Act" (***31 USC 1535*** and ***31 U.S.C. 1536***) order subject to downward adjustment when the obligated appropriation is no longer valid for obligation.

Military Retired Pay (Includes Fleet Reserve and FMCR Retainer Pay)

(A reduced pay entitlement for reduced services.) The gross entitlement for a retired service member based on terms and conditions of law, pay grade, years of service, percentage of disability, if applicable, and date of retirement (transfer to the retired reserve).

Military Retirement Trust Fund

A trust fund established to finance the retirement cost of active and reserve military personnel. An accrual amount is transferred monthly from the military personnel accounts to the Fund based on a fixed percentage of basic pay for full-time and part-time personnel. The accrual amounts are determined by the DoD Board of Actuaries who are appointed by the President for 15 year terms. In addition, amounts are deposited into the Fund to liquidate the unfunded liability of retired pay earned prior to establishment of the Fund. Interest on investments of the Fund assets in Federal Government securities are also transferred into the Fund.

Minimum Lease Payments

The payments that the lessee is obligated to make or may be required to make in connection with leased property. (Contingent rentals are excluded from the minimum lease payments.)

Multiple-Year Authority

Budget authority that is available for original obligation for a specified period in excess of 1 fiscal year.

Negative In-transit Disbursements

The opposite of in-transit disbursement. The accounting office has processed disbursements for recordation against the applicable corresponding obligation but the disbursing office has not reported the disbursements, through a paying center, to the Department of the Treasury and charged against DoD's fund balances. (See "In-transit Disbursements.")

Negative Unobligated Balance

An appropriation or fund in which the amount of obligations exceeds the amount of obligational authority. (In closed appropriations, the available obligational authority is equal to the unobligated balance.)

Negative Unliquidated Obligation

A disbursement transaction that has been matched to the cited detail obligation, but the total disbursement(s) exceeds the amount of that obligation.

Noncurrent Receivable

A receivable that will not be due within 12 months following the reporting period.

Non-expenditure Transfers

A redistribution of either unobligated balances of budget authority provided in a previous year, or budget authority provided in the current year between appropriations or funds for the benefit of the gaining appropriation or fund. Transfers of obligated balances and sometimes re-appropriations also require non-expenditure transfers.

No-Year Authority

Budget authority that remains available for obligation for an indefinite period of time.

Obligation

Amount representing orders placed, contracts awarded, services received, and similar transactions during an accounting period that will require payment during the same, or a future, period. Includes payments for which obligations previously have not been recorded and adjustments for differences between obligations previously recorded and actual payments to liquidate those obligations. The amount of obligations incurred is segregated into undelivered orders and accrued expenditures - paid or unpaid. For purposes of matching a disbursement to its proper obligation, the term obligation refers to each separate obligation amount identified by a separate line of accounting.

Obligational Authority

The sum of (1) budget authority provided for a given fiscal year, (2) balances of amounts brought forward from prior years that remain available for obligation, and (3) amounts authorized to be credited to a specific fund or account during that year, including transfers between funds or accounts. (See "Budget Authority.")

Offsetting Collections

Collections from Federal Government accounts or from transactions with the public. The two major categories of offsetting collections are offsetting receipts (amounts deposited to receipt accounts) and offsetting collections credited to appropriation or fund accounts.

Offsetting Receipts

Collections that are deposited into proprietary Miscellaneous Receipt Accounts of the Department of the Treasury. Applicable deposits offset the collecting Agency's budget authority and outlays.

Operating Agency

A major organizational unit within a Military Department or Defense Agency that is responsible for (1) the active planning, direction, and control of a program or segment, thereof; and (2) the control of the funds allocated to it.

Outlays

The amount of checks issued or other payments made (including advances to others), net of refunds and reimbursements. Outlays are net of amounts that are adjustments to obligational authority. The terms "expenditure" and "net disbursement" are frequently used interchangeably with the term "outlay". Gross outlays are disbursements and net outlays are disbursements (net of refunds) minus reimbursements collected.

Over-aged Disbursement

A disbursement that is not matched to a corresponding obligation within specified timeframes.

Overhead Rate

The rate determined by performing organizations to allocate operating costs not directly identifiable to the work order. The rate may include supervisory and general and administrative expenses as well as miscellaneous material and supplies.

Participation Loan

A loan that consists of both direct and guaranteed portions.

Pass-throughs (Current Year)

Revolving fund revenues received during the current fiscal year which: (1) are in addition to amounts provided for in the customer stabilized rate structure and (2) represent reimbursement for current year costs or amounts in excess of amounts budgeted, or otherwise provided for, in the President's budget on which approved customer stabilized rates for the [current] year were based.

Pass-throughs (Prior Year)

Revolving fund revenues which provide for the recoupment of amounts associated with prior year efforts or sales. These amounts represent the recoupment of amounts beyond those contained in the DoD stabilized rate structure for the applicable prior fiscal year for which the efforts were performed. These amounts are generally intended to offset prior year losses and/or amounts in excess of amounts previously budgeted.

Pay Account

The part of each individual civilian and Military Service member's master pay record that contains all transaction information on payments and deductions with an audit trail to the authorizing documents. The pay account includes information such as pay grade, record of payments, all earnings separately identified by type (basic pay, bonuses, danger pay); allowances; allotments; year-to-date gross earnings; taxable earnings, taxes withheld, and leave data (amount earned, taken, lost, forfeited, advanced, or used).

Pay and Allowances

Payment to active duty, Reserve, National Guard, and retired members and their surviving annuitants, other than travel and transportation reimbursements, and to all civilian employees and direct hire employees in foreign locations, other than travel and transportation expenses.

Paying Office

A disbursing office. In the case of contracts, the place named in the contract for forwarding invoices for payment.

Period of Availability

The period of time in which budget authority is available for original obligation.

Planning, Programing, Budgeting, and Execution (PPBE)

A cyclic process containing three distinct, but interrelated phases: planning, programing, budgeting, and execution. In addition to establishing the framework and process for decision making on future programs, the process permits prior decisions to be examined and analyzed from the viewpoint of the current environment (threat, political, economic, technological, and resources) and for the time period being addressed. The ultimate objective of PPBE is to provide operational commanders the best mix of forces, equipment, and support attainable within fiscal constraints.

Political Subdivision of Local Government

A local unit of government, including specifically a county, municipality, city, town, township, school district, or other special district created by State law, or combination of these units.

Port Loading and Unloading Costs

A subset of accessorial costs. The costs incurred for loading, unloading, and handling at the ports of embarkation and debarkation.

Pre-positioning Costs

The accessorial costs incurred to store items at locations outside the United States in anticipation of support to other authorized customers.

Predetermined Rate

The rate established by appropriate authority for use in computing recoverable amounts.

Pre-validation

Pre-validation is a procedure that requires a proposed payment be identified/matched to its applicable proper supporting obligation that has been recorded in the official accounting system and that the line(s) of accounting cited on the payment match the data recorded in the accounting system.

Private Parties

Consists of non-U.S. Government activities; foreign governments, firms, and organizations; and international organizations, other than Foreign Military Sales (FMS) customers and FMS/International Military Education and Training Program (IMET) recipients.

Project Order

An order for goods or services issued under the authority in ***41 U.S.C. 6307*** to a separately managed and financed Federal Government owned and operated establishment. (See Volume 11A, Chapter 2.)

Property Book

A documentary record of every item on a "Table of Organization and Equipment List", or other type of allowance list, showing that a unit is prepared to accomplish its assigned mission. The property book lists both capitalized and expensed assets, shows quantities on hand, items due in, open requisitions, unit prices, hand receipts.

Realized Variance (Foreign Currency Fluctuations)

The difference between actual obligations at the budget rate (approved execution rate) and the foreign exchange rate in effect at the time of payment (liquidation of the obligation). The variance is equal to the amount disbursed from the applicable centrally managed allotments.

Real Property

Fixed assets that are comprised of land and the rights to land; buildings to include capitalized additions, alterations, improvements, and rehabilitations; and other structures and facilities. Real property does not include personal property (weapons systems and other military equipment).

Reapportionment

An Office of Management and Budget approved change to the previously approved apportionment for the current year. (See "Apportionment.")

Re-appropriation

Statutory authority to restore or extend the obligational availability, whether for the same or different purpose, of all or part of the unobligated balance of budget authority that has expired or otherwise would expire in an annual or multiple-year appropriation. Re-appropriation transactions require non-expenditure transfer of the funds involved from the expired or otherwise expiring account to the designated current account when the unobligated balance has not been withdrawn to the surplus fund of the U.S. Treasury. If the unobligated balance has been withdrawn, then the transaction requires a warrant. Re-appropriations that provide funds to a fiscal year for which they were not previously available constitute new budget authority in the receiving account.

Refunds

Recoveries of overpayments that result from errors in paying invoices or from items returned to vendors. (Also see "Refunds and/or Transfers (Current Year)" and "Refunds and/or Transfers (Prior Year).")

Refunds and/or Transfers (Current Year)

Industrial fund amounts transferred on a non-expenditure basis which represent the transfer of revenue collected through stabilized rates which: (1) is in excess of current year costs or (2) otherwise exceeds the purpose for which initially intended in the current year. (The latter case, for example, may include the collection of Asset Capitalization Program surcharges in excess of amounts ultimately approved by the Congress for the Asset Capitalization Program.) These transfers are generally made to appropriated funds and provided for in a general provision contained in the applicable annual appropriation act.

Refunds and/or Transfers (Prior Year)

Industrial fund amounts transferred on a non-expenditure basis which represent the transfer of amounts associated with prior year efforts or sales. These amounts usually represent the transfer of revenue collected through stabilized rates which: (1) were in excess of [then] current year costs or (2) otherwise exceeded the purpose for which initially intended. These transfers are generally made to appropriated funds and provided for in a general provision contained in the applicable annual appropriation act.

Reimbursable Order

An order for services, supplies, material, or equipment placed by a requiring (or ordering) DoD Component (or Federal Agency) and furnished by another DoD Component (or Federal Agency) without separate identification of the items, or separate citation of the funds of the requiring DoD Component; and with subsequent delivery to and reimbursement by the requiring DoD Component. The requiring DoD Component records the reimbursable order as an obligation when the servicing (or performing) DoD Component accepts the reimbursable order in writing.

Reimbursements

Amounts earned and collected for property sold or services furnished either to the public or another Federal accounting entity. To be an appropriation reimbursement, the collection must be authorized by law for credit to the specific appropriation or fund account.

Replacement Cost

Obligations to be incurred at a future time to procure equipment or material in place of items which have been sold or transferred. There are two methods used to determine replacement cost: (1) Replacement cost may be determined by applying the OSD prescribed inflation factor to the most recent contract price of the item to be replaced. The inflation factor is applied to each fiscal year between the year the item sold or transferred was acquired and the fiscal year in which the replacement item will be delivered. (2) Replacement cost may also be determined by obtaining a current contractor quote for the replacement item. Normally the second method is the most accurate method.

Reportable Accounting System or Segments

A system or segment that satisfies the definition of an accounting system.

Reprograming

Realignment of budget authority from the purpose for which appropriated to finance another (usually emergent, unfunded) requirement. A necessary, desirable, and timely device during execution of Defense programs for achieving flexibility in the use of DoD funds provided in appropriation acts.

Reschedule

(Restructure, refinance, forbear, re-amortize, or defer) To establish new terms or conditions in order to facilitate the repayment of debt. For example, stretching out or extending into the future such payments.

Rescission

Legislation that cancels budget authority previously provided by Congress before the time when the authority would otherwise lapse, that is, cease to be available for obligation.

Reserves

Portions of budgetary resources set aside by OMB to (1) provide for contingencies, or (2) effect savings made possible by or through changes in requirements or greater efficiency of operations.

Residual Value

Residual value is the estimated value remaining at the end of a capital asset's useful life to DoD or the amount that can be expected to be recovered from the asset's disposal when it is removed from service.

Resource Manager

An individual who verifies and validates the funds cited on a commitment or obligation document are accurate and available.

Restoration

An unobligated amount previously withdrawn by administrative action to the merged surplus balances that is again made available to fund within scope increases to original obligations or to fund other Congressionally approved programs pursuant to law.

Revolving Fund Accounts

Accounts authorized by specific provisions of law to finance a continuing cycle of business-type operations, and which are authorized to incur obligations and expenditures that generate receipts.

Sequestration

Sequestration means the permanent cancellation of budgetary resources. The Statutory Pay-As-You-Go Act of 2010 requires such cancellations if revenue or direct spending legislation is enacted that, in total, increases projected deficits or reduces projected surpluses relative to the

baseline. Under the law, selected mandatory programs would be subject to across-the-board cancellations. BBEDCA, as amended, requires such cancellations if discretionary appropriations exceed the statutory limits on discretionary spending.

Special Fund Accounts

Separate receipt and expenditure accounts established to account for receipts of the Government that are earmarked by law for a specific purpose but are not generated by a cycle of operations for which there is continuing authority to reuse such receipts.

Special Fund - Expenditure Accounts

Accounts established to record amounts appropriated, or otherwise made available by transfers from a special fund receipt account to be obligated and expended for special programs in accordance with specific provisions of law.

Special Funds - Receipt Accounts

Accounts credited with receipts from specific sources that are earmarked by law for a specific purpose, but which are not generated from a continuing cycle of operations.

Specialized or Technical Services

Statistical and other studies and compilations, developmental projects, technical tests and evaluations, technical information, training activities, surveys, reports, documents, and any other similar service functions that any Federal Agency is especially equipped and authorized by law to perform.

Suballotments

Subdivisions of allotments. (See "Allotments" and "Apportionment.")

Suspense Account

A clearing account established by the U.S. Treasury's Financial Management Service to temporarily hold unidentifiable general, revolving, special, or trust fund collections that belong to the Federal Government. The funds remain in the suspense accounts until they can be reclassified to the proper receipt or expenditure accounts. Collections should be reclassified from suspense accounts within 60 days.

Tangible Assets

Tangible capital assets are depreciable property, plant, equipment, and software developed, manufactured, transferred or acquired for a determinable cost meeting or exceeding the established capitalization threshold; are used over a period (useful life) estimated to be 2 years or greater; and generally become economically worthless (except for residual value) at the end of their estimated useful lives.

Transfer

Transfer means the movement or shifting of budgetary resources from one budget account to another. Agencies may transfer budget authority only as specifically authorized by law. For budgetary accounting purposes, the nature of the transfer determines whether the

transaction is recorded as an expenditure transfer, which means a transfer that involves an outlay, or as a nonexpenditure transfer, which means a transfer that does not involve an outlay.

Transportation Costs

The costs incurred for shipment of material.

Treasury Financial Communications System (TFCS)

The computer-to-computer link between the U.S. Treasury and the Federal Reserve Bank of New York.

Trust Fund

Trust fund refers to a type of account, designated by law as a "trust fund," regardless of any other meaning of the term "trust fund." A trust fund account is usually either a receipt, an expenditure, or a revolving fund account (trust revolving fund account). Trust revolving fund accounts have no receipt account and the collections are credited directly to the expenditure account.

Trust Fund Expenditure Accounts

Accounts that are established to record amounts appropriated, or otherwise made available by transfer from a trust fund receipt account to be obligated and expended in carrying out the specific purposes, or programs, in accordance with the terms of the trust agreement or statute.

Trust Fund Receipt Accounts

Receipts Accounts that are credited with collections (governmental receipts or offsetting receipts) generated by the terms of a trust agreement or statute.

Trust Revolving Fund

The name given to a fund entity when a trust fund corpus is established to perform a continuing cycle of business-type operations in accordance with the trust agreement or statute, in which case a combined receipt and expenditure account is used.

Undelivered Orders

The value of goods and services ordered and obligated that have not been received. This amount includes any orders for which advance payment has been made but for which delivery or performance has not yet occurred.

Undistributed Disbursement

Undistributed disbursements represent the difference between the amount of disbursements reported to DFAS centers by the Department of the Treasury finance network and the amount of disbursements recorded by the operating level activities.

Unearned Revenue

Revenue from DoD customers collected in advance of earnings and prior to delivery of goods or services.

Unexpended Balance

The sum of the unobligated balance and the un-liquidated obligation balance of an appropriation.

Unexpired Accounts

Appropriation or fund accounts in which the balances are available for incurring obligations because the time available for incurring such obligations has not yet expired. Audit requirements, limitations on obligations, and reporting requirements applicable to unexpired accounts must continue to apply after the end of the period of availability for obligation or expenditure of that account.

Unfilled Customer Orders

The amount of orders accepted from ordering accounting entities within the U. S. Government for goods and services to be furnished on a reimbursable basis; or, in the case of transactions with the public, amounts collected in advance for which the accounting entity has not yet performed as requested.

Unfunded Cost

Costs not financed by the performing activity's current appropriations or fund accounts. Applicable types of cost include interest on investment and accrued annual leave.

Unified Combatant Command

A unified combatant command is a military command which has broad, continuing missions and which is composed of forces from two or more Military Departments. Unified combatant commands are established by the President, through the Secretary of Defense, with the advice and assistance of the Chairman, Joint Chiefs of Staff.

Unliquidated Obligation Balance

The amount of obligations that have not been liquidated by payments (disbursements).

Unmatched Disbursement

A disbursement transaction that has been received and accepted by an accounting office, but has not been matched to the correct detail obligation. This includes transactions that have been rejected back to the paying office or central disbursement clearing organization by an accounting office.

Unobligated Balance

The cumulative amount of budget authority in an unexpired account that is not obligated and that remains available for obligation under law.

Unrecorded Obligations

Obligations that were incurred legitimately during the period of fund availability, but were not recorded in the Component’s records prior to expiration of the appropriation or fund. For purposes of this guidance, “unrecorded” obligations are included in obligation adjustments. Current accounts may be used to pay previously unrecorded obligations chargeable to a closed account.

User

An individual, organization, or accounting entity that receives services. A user may be internal or external to the DoD Component.

Warehousing

Costs normally incurred for labor, materiel, or services in packing item(s) that are removed from DoD storage, preparing item(s) for shipment, and processing related materiel release documents.

Withdrawal

The transfer of the unobligated balance from an expired annual or multiple-year appropriation to the surplus account of the U.S. Treasury's general fund, or, if appropriate, to the special fund or trust fund from which derived.

Write off

As a budgetary term, write-off means the withdrawal from availability for obligation of an unobligated balance from a no-year appropriation. It excludes amounts withdrawn from expired accounts and amounts rescinded by the Congress. As an accounting term, write-off refers to the removal of a delinquent accounts receivable that is considered not collectible or not cost effective to pursue further collection efforts. A write-off is not a correction to the accounting records resulting from an accounting error.

Work in Process

Costs of the materials, labor, and indirect costs used in producing an end item (customized equipment or personal property), whether fabricated by a DoD business operation fund or by a non-DoD organization under contract.

Year-end Adjustments for Reimbursements

Accounting entries made to eliminate anticipated reimbursements for orders not accepted, eliminate those unobligated accepted orders that are no longer valid obligations of the ordering activity, and transfer valid unobligated reimbursable balances from expiring and non-expiring accounts to the most current ensuing fiscal year accounts. The exception is for unobligated balances resulting from earned reimbursements (that is, sales from inventory or performance of in-house services), which must be retained in non-expiring accounts until account expiration.